

The B1DU Massacre



Let's take it back to when I was just a youngin' in these trading streets. I will be the first to admit that I was one of the most annoying new traders out there for the more experienced guys. I was so enamored by the business that I had 15,000 questions to ask the big dogs whenever I was gifted with a second of their time. I knew all the stats going in, very few people are able to successfully trade stocks as their main source of income. I didn't care, I was absolutely determined to be in the small subset of traders who make it. I didn't have all these businesses Ben had growing up, it was either make it trading or get some boring-as-fuck cube job where Microsoft Excel would be my best friend. For me, it was make or break. Do or die.

Trader Survival Rate



All the desks would gather in the Big Room (best trading desk) at 8:45 am for a morning meeting where all the top traders would reel off their best ideas of the day. Jack, who famously led the meetings smacking a baseball bat into his palm trying to intimidate the fuck out of anyone with less than 7 figures in their account, would constantly try to catch you slipping in order to embarrass you in front of the room.



“YOU!” points bat at random 22 year old, fresh out of college looking scared for his life, *“What the fuck we got going on at 2 today?”*

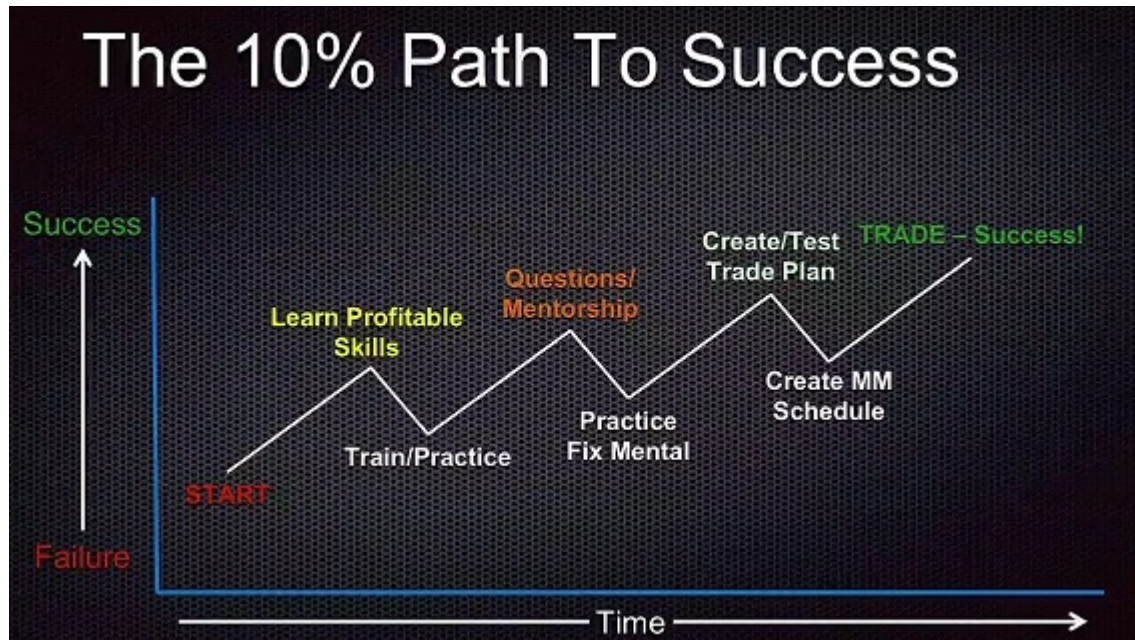
“F-Fed day” He stammered, *“Yellen speaks.”*

Within this culture, lack of preparation was a grave mistake which usually ended in public embarrassment. Jack seemingly lived for the public shaming at any new guy’s expense. As Ben has mentioned in previous stories, a trading floor is the most hyper-hierarchical environment known to man. Your status is solely determined by your skillset and your experience. I’ve seen 45 year old men with families come in and get verbally destroyed by 24 year olds, and that’s the way the game goes.

It was late 2013 and I was a very new trader, I was still on the Mook desk and had just a few months under my belt. The Big Room was the ultimate goal, but there were 3 desks in way of me making it there. I was currently on the desk that was the premiere target for public humiliation. 9/10 of us wouldn’t be here in a few months anyway, what did they care about our feelings? Feelings?! Haaa.

We were the desk full of “mooks” and “future accountants,” a moniker that made me fucking cringe and legitimately kept me up at night. I knew I had to earn their respect. I had an enormous chip on my shoulder. I look at that time as a great learning experience, but an awful human experience. Those months were filled with the toughest lessons day in and day out, not only from Mr. Market, but from the big dogs making real money. Granted, I wouldn’t give those harsh lessons up for anything as they have allowed me to become the beast I am today.

I made a goal to outwork my competition on the mook desk every single day and eventually out trade them all. Outside of work I am a very social guy, but when it comes to the charts and work ethic, I saw it as kill or be killed. Dramatic? Maybe. Tell that to my competition who just finished my taxes.



So it's the morning of December 3, 2013. This was the tail end of maybe the easiest swing trading year in the past two decades. You virtually just had to buy resistance, set your stop at the day's low and count your cheddar in a week. If you think Chinese high betas are fun to trade now, you would have had a field day in 2013. The market was so strong all year so IPOs were being pumped out left and right, especially in the Chinese space. QIHU (since bought out), WUBA, WBAI, SFUN, SINA, BIDU & VIPS were a few of the go-to stocks.

⊞ O4.50 H4.78 L4.48 C4.75

SFUN (pre 9:1 stock split) ran from \$40 (5.50 on the chart now) to \$120 in a few months



⊞ O 19.17 H 19.18 L 18.03 C 18.66

WBAI debuted end of year and ran from \$20 to \$45 in a few months





O 17.02 H 18.13 L 16.63 C 18.06

VIPS (pre 10:1 split) ran from \$20 to \$120 that year





What made this time even better for us traders was our information flow. The firm we worked for loved to sponsor Chinese kids fresh out of college whose rich parents would load their trading accounts with six to seven figures in order for them to get a 6 month US visa. Naturally, we had about 50 chinese traders in the office who we dubbed "The Red Army". If you were to call out a setup in VIPS for example, it was expected that you get clearance from the Red Army as there were good names and bad names. The good names, (VIPS, WUBA, BIDU etc) had no known fraudulent activity and were clear to hold positions overnight. The bad stocks, conversely, were on the do-not-swing list. You wouldn't want to hold these stocks overnight in the case that the inevitable fraud report would come out and the stock would TANK. Shout out to NQ (below) who had about 12 empty Chinese warehouses they claimed as headquarters. Yikes.



So back to the morning meeting -- Jack was going around the room, doing the usual berating. I'm standing there praying to God I don't get called on, but prepared if necessary. Something funny about today though, you really only heard one name being talked about across the room. *"BIDU 170" "BIDU" "All about BIDU" "A+ setup in BIDU"* -- legitimately every big dog trader said they LOVED the BIDU \$170 setup. A+ setup. Every Chinese name has been going off the richter scale and this one is giving us a relatively tight setup after earnings through highs -- a no brainer to load the boat.



What felt like an eternity of a premarket --- the market was set to open.

DING DING DING The market opens.

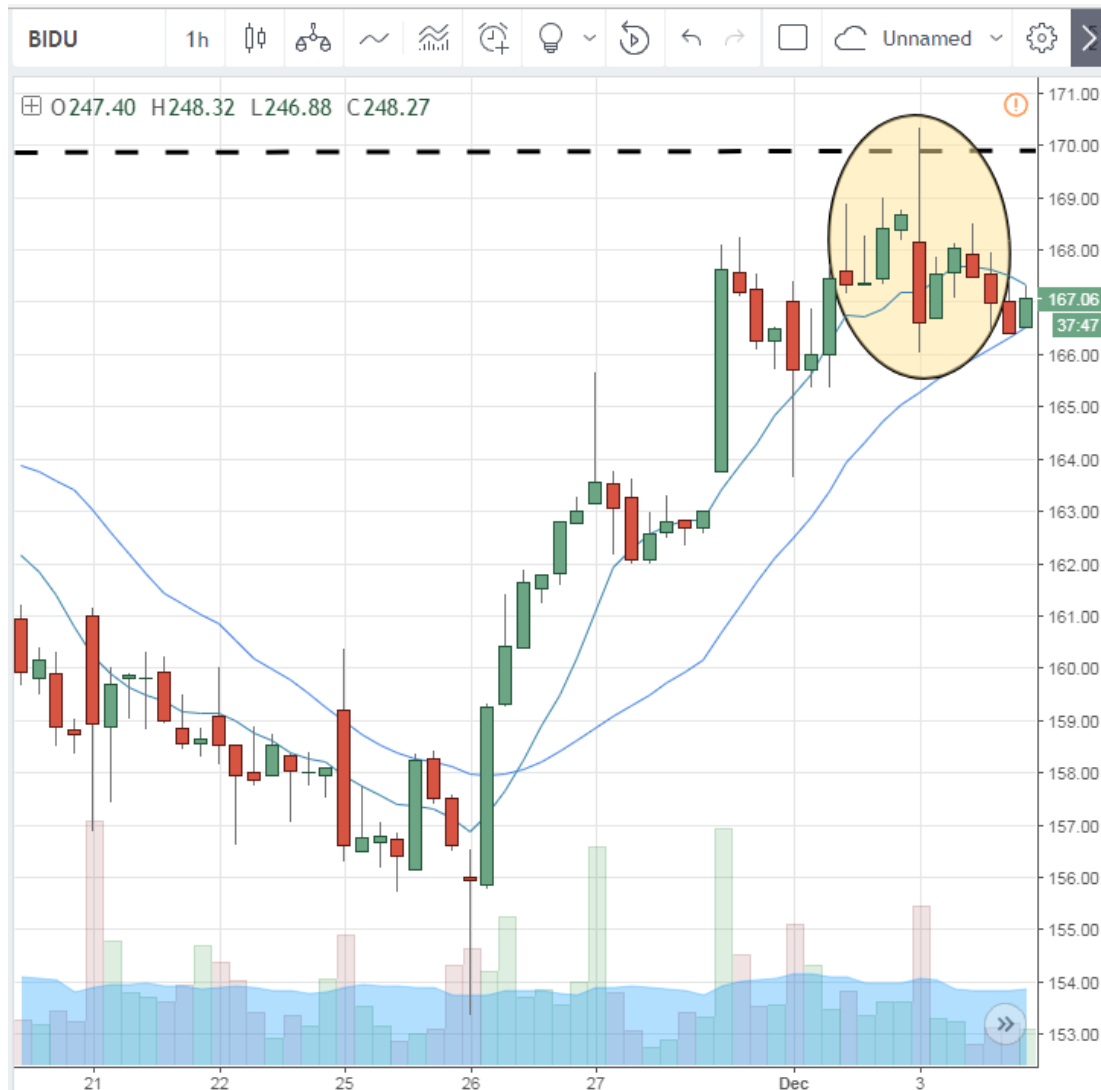
I hear all the way on the other side of the room "BIDU! She's READY!"

The stock opened at \$168.40 and raced for the level. I set a \$170 buy stop for 300 shares. That was the extent of my gameplan -- buy that shit, it's going to \$1000!

BOOM -- Buy stop triggers -- SOOO MUCH VOLUME. THIS IS IT. I got filled for 300 shares at \$170.24 --- 24 cents slippage -- there must be heavy buying demand, this one is really gonna be good.

I will never forget how quickly my emotions turned from Rolex shopping to trying not to puke up my oatmeal. The circled candle below is the hourly candle of BIDU that morning.





Turns out that HUGE VOLUME was all DAY TRADER VOLUME. One of the traders (who was locked out) added up that our office bought in the region of 300k shares through \$170 that first time (\$51 million dollars worth of stock btw). Now, the big dogs, being veterans, immediately downticked (sold) most of their stock once they saw that \$170 break and come right back below the level (first thing we teach in GP Handbook for a reason).

My no-plan-having-ass on the other hand - panicked. I puked 100 shares into \$167.50 and my final 200 shares into \$166 for a whopping loss of \$1,050 -- with a \$300 lockout, mind you. My account had \$7,500 so in those 15 minutes I took a devastating 14% loss. See why we say to avoid using margin? I was absolutely crushed, feeling the lowest of the lows. How could I ever make a career at this? I was sitting as low as possible in my chair - waiting for my boss to figure out what had happened and tear me to shreds.

My boss at the mook desk finally looked over at the risk monitor and saw I was down a G bone in one of my first months of trading. *"YOU'VE GOT TO BE FUCKING SHITTING ME,"* I finally heard my boss say. He proceeds to rip me a new asshole, telling me I'll never make it as a trader because I don't understand the concept of risk and that I'm just a fucking asshole.

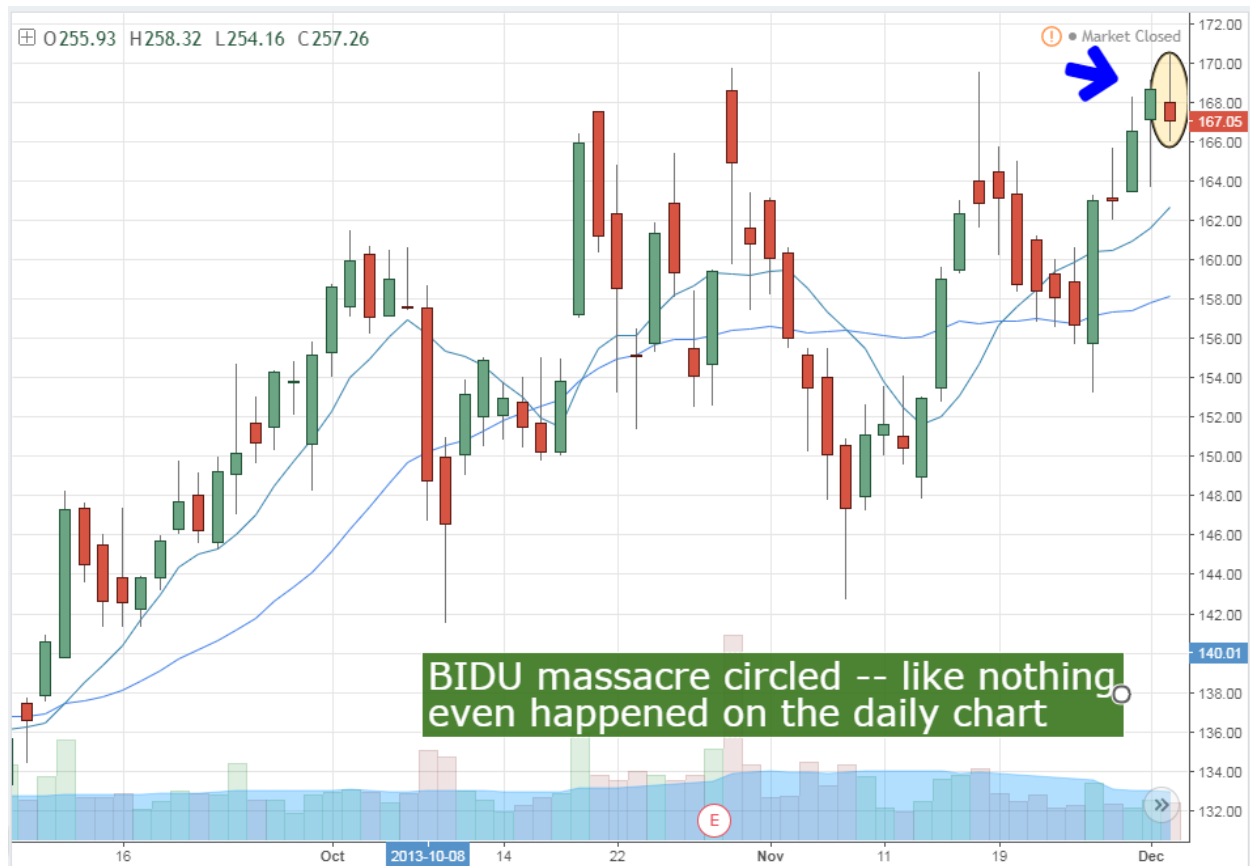
I have a very selective memory where I'll have trouble remembering what I had for lunch yesterday -- but I will never, ever forget how bad I felt during those moments. Here's a guy I so badly wanted to be, whose actions and words I would duplicate in emulation, and he was screaming at me that I'm fucking retarded. Good times.

(Note from Ben - I remember this day vividly as Shake and I were not boys yet, and as he was my competition at the time, I figured I had a leg up against him. Funny looking back on that now as we are still the only ones from that desk that still trade and trade on the same side day in and day out.)

The funny part is that word got around that the entire office was smoked because of BIDU with cumulative losses near 7 figures. Once my boss heard this, he did a complete 180 and commended me for being the only one to have the stones to take the setup. (Remember - a trading floor is trying to weed out the mooks who won't make it from day 1 to save themselves the wasted time). A few hours earlier, I was the worst trader in the world, now I was the only one who might have a career ahead of them! Can't make this shit up.

The entire office was so smoked, so quickly. From a psychological standpoint, we let our emotions take over and it is so clear where I made all my mistakes. No gameplan. Didn't quantify my risk. Didn't even factor in the downside when I lost 14% of my account in 15 minutes.

The greatest irony in this story is how it ended.



Above is a daily candle of the BIDU massacre. To the naked eye it looks like nothing really happened that day. My soul was in that daily candle.

BIDU ended up consolidating the next few days and sets up even better than the first time we tried it. The 8 SMA caught up acting as support and had a tight inside day underneath resistance -- until the major follow through (pictured below).



No one fucking caught it. Not one of us. We were all so mentally destroyed from this name we could barely type it up. This was the first lesson I got that really showed me how psychological trading was. If I didn't have a bias I would have had no problem re-entering such a quality setup, but the thought of the name made me physically sick for quite some time.

Since that day, I've learned to trade without a bias, and understand that each trade is just a trade and that there will be plenty more. The market is always open tomorrow. Oh, by the way, BIDU is now one of my top career names.