ChatGPT

# Trading Bot Buying Strategy (Sizing, Stops, Exits)

When deploying the insider-buy strategy, risk management is paramount. Only trade with capital you *can afford to lose* [1]. Allocate a consistent fraction of your account to each trade, rather than betting all your funds. A common guideline is to risk around **1–2% of your account per trade** [2]. For example, with \$1,000 total, risking 2% means a maximum \$20 loss per trade. The WSV system's historical data suggests an **average loss** of about 2.4% per trade [3], with a worst-case **daily drawdown** near 7.5% [4]. Use these figures to size positions. Concretely, if you want to cap losses at \$1,000 in a day, a 7.5% loss cap implies a position size of roughly \$13,333 (since 7.5% of \$13,333 ≈ \$1,000) [5]. Thus, when your bot's capital grows from \$100 to \$1,000+, scale up position sizes gradually – e.g. start small and increase by ~10% monthly with consistent wins [6]. This avoids over-committing after a few wins (a common mistake [7]) or over-reacting after losses.

- **Dynamic position sizing:** Adjust position size for volatility. Trade *smaller* on very volatile stocks and *larger* on calm ones [8]. The WSV method uses ATR (Average True Range) to gauge volatility and set stops (see below), which naturally scales risk. You might also modestly increase your betting after a strong track record: WSV suggests ~10% growth in size per month of success [6], rather than sudden jumps.
- **Risk-per-trade rule:** As Investopedia notes, a good risk limit is "never risk more than 2% of your capital on any single trade" [2]. In practice, decide your $ risk per trade first, then compute position size from your stop-loss distance. For instance, if your stop is 2.4% from entry (WSV's average loss), risking \$20 means position ≈ \$833 ($20/0.024).

## Stop-Loss and Risk Management

Always set a stop-loss when buying. This defines the **maximum loss** you'll take and prevents runaway losses [9]. The strategy uses **ATR-based stops** to account for volatility [10] [11]. For example:
- *Variant 1:* Stop at **50% of ATR** below entry. This gives the trade room in normal conditions [10].
- *Variant 2:* Stop at **150% of ATR** for a wider buffer in choppier markets [10].

Using ATR means the stop adapts to recent volatility: a more volatile stock yields a larger dollar stop, and a calm stock a tighter one [11]. For instance, if a stock's ATR is \$2, a 50% ATR stop is \$1 below entry. This is typically about the stock's expected daily swing.

Crucially, **do not move or cancel stops** based on emotion. The guide stresses an "ego-less" approach: if the market hits your stop, accept the loss [12] [13]. Letting the stop execute locks in losses at the planned maximum. To ensure discipline, enter your buy with a *bracket order* (one order that includes the stop-loss) so the exit triggers automatically [7].

According to WSV's backtests, average trades lose ~2.4% [3], but outliers can be bigger. For example, a \$10,000 position losing 7.5% would cost \$750 [4]. Use these stats to size your overall bet so that even worst-case losses (e.g. multi-trade drawdowns up to ~25% [14]) are bearable.

## Exit Strategy (Take-Profit and Sell Timing)

Plan your exit before buying. The core rule of this day-trading system is to **sell by market close** on the same day [15]. No holding overnight – this avoids after-hours news risk. Even if a stock hasn't hit a profit target by afternoon, close the position before the bell [15].

Profit-taking can be handled in two ways:
- **Fixed take-profit (Variant 1):** Set a target around *100–150% ATR* above entry [16]. WSV notes that gap-ups after insider buys often peak near 150% ATR from the prior close [17], so taking profit around that level captures the likely run. For example, if ATR=2, a 150% ATR target is \$3 above entry.
- **No fixed take-profit (Variant 2):** Let the stock run and only exit on stop-loss or EOD. This suits momentum days – if the stock keeps rising, you lock in gains at close instead of cutting off early [16].

In either case, use sell orders or alerts to execute. WSV's approach sends sell alerts 30 minutes before close or when targets/stops are hit [18]. You should do the same: place an OCO (one-cancels-other) order so that the first of (stop or limit) executes. If neither is hit, close the position on time [15].

## Summary of Recommendations

- **Budget allocation:** Trade small portions of your account. The document's examples imply position sizes on the order of 10–40% of a large account to meet specific \$-risk goals [5] [19]. For a \$100–\$1,000 bot, that might mean only investing tens of dollars per trade initially, then scaling up.
- **Stop-loss:** Always set one. Use volatility-based stops (ATR) for flexibility [11]. WSV's two variants suggest 50%–150% ATR stops [10]. Stick to your stop ("don't move it") [20].
- **Take-profit & exit:** Have a profit target (e.g. ~1×ATR gain) or be prepared to exit at EOD. The guide's variant 1 sells at ≈100–150% ATR gains [16], while variant 2 holds through intraday momentum. Critically, *close all trades by the end of day* [15] even if you miss the target – this is a cornerstone of the strategy.
- **Scaling and growth:** Do **not** reinvest all profits immediately. Instead, grow exposure slowly: start smaller and increase size by ~10% per period of consistent success [6]. Avoid "bet doubling" systems; stick to disciplined sizing tied to your drawn-down tolerance [7].

By following these rules – sizing positions by risk, using ATR-based stops, and always closing trades by day's end – you align with the document's recommended strategy. This structured approach helps capture the upside of insider-driven moves while strictly capping losses [21] [16] [15].

**Sources:** Wall Street Vision *Trading Mastery* (insider buy strategy guide) [1] [10] [6] [15]; Investopedia on position sizing and ATR [2] [11].

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