**Adam Khoo Strategies**

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| Trend Following Swing | * 20 EMA above 50 EMA * Prices retrace in an uptrend to test the 50 EMA * Stochastics (5,3,3) oversold * For each retracement, wait for a bullish candle and enter the next day if the price is above the close |
| Mean Reversion Swing | * During sideways moving markets, when the price touches lower Bollinger bands * A bullish pin bar, morning star, one white solder should follow the next bar to form a bullish reversal candle as a signal * The buy order should be above the close of the bullish reversal candle |
| Most Common Mistakes of Retail Investors | 1. Selling stocks when recession starts. The stock market is a leading indicator of the economy, such that when the economy is going down, as the stocks will mostly likely be the bottom as it anticipates what’s going to happen next in the economy, not what is happening right now. Always do the opposite of what everyone else is doing. When the economy has fully recovered, stocks are near the top and time to get cautious. Before buying or selling, always look to see when the technical indicators confirm the reversal in trend (ema 50/150). 2. Listening to the predictions of the experts or news. News is right sometimes but wrong most of the time. 3. Not investing because of the fear of the market going lower. The desire to catch the bottom is killing future profits. The index will always go higher over time. Just buy after a huge correction and buy more if it drops lower as it will eventually go back up. |

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| Uptrend | Higher highs and higher lows |
| Downtrend | Lower highs and lower lows |
| Support and Resistance Lines | Horizontal lines are support or resistance when candles touch at least 3 points. This also applies in a trending market where the support or resistance line is sloping up or down. The candles may test the support or resistance by breaking through the line, but may also reverse back to the line in a fake out. Therefore, support and resistances should be more considered as zones instead of solid lines.  Often times you can use two support or resistance (one horizontal, one trending) to make more informed decisions.  When a price breaks out of resistance, the prior resistance can now be considered as the support. |
| EMAs as Support and Resistance | During an uptrend, buy the dips when the price hits the EMA. The EMA can be considered support if the price touches it 3 or more times. |
| EMA Crossover | Using 50/150 EMA cross over defines the start of up or down trends. |
| Confluence | When multiple indicators say the same thing, the chances of profit are significantly higher. Ideal when 3 indicators or 4 indicators say the same thing. Indicators includes: support/resistance, ema, stochastics, Fibonacci, candle sticks. |
| Candle Stick Patterns | Bullish Pin relevant when it hits a support on an uptrend , such that the price will reverse, the wick must be at least 2/3 of the entire bar for it to be considered a pin. The same also applies for the bearish pin to reverse at a resistance. The color of the pin bar does not matter, as long as it hast the correct shape in the right direction.    Tweezer bottoms at a support on an uptrend shows a chance of reversal, as two bars sit side by side, if you combine both of them, they form a bullish pin. The same applies for a tweezer top.  Tweezer Tops and Bottoms Candlestick Chart Pattern  One white solder at a support during an uptrend has a green candle opens above the close of the previous day (gap up) and closes above the previous day open. To take the trade for a one white solder, the price after the pattern should be up from the previous close of the green candle on the next day. The bearish version is the one black crow.  The Best Candlestick Patterns Every Trader Should Know  Morning star is applies during an uptrend at a support. Morning star consists of a big bearish candle, a small candle relative to the previous candle that is indecisive in which the body is centered and the wicks are roughly the same length on both sides, this is then followed by another big green candle which closes in the top half of the red candle. The middle candle should also be a gap down from the red, and the green should be a gap up from the middle. The evening star is the bearish.    Bullish engulfing applies during uptrend at a support. This occurs when there is a first red candle, followed by a larger green candle than completely engulfs the first red candle such that the open is lower than the prior close, and the close is higher than the prior open. The bearish engulfing is the opposite. |
| Trading Breakout | For a long breakout pattern, the resistance has to be tested 3 times, a candle has to open and close above the resistance such that its entire body is above the resistance while the wick may or may not cut the resistance. This should also be supported by the 50 EMA being above the 150 EMA and the 20 EMA above the 40 EMA such that the overall trend of the market is upwards. The MACD, force index, or parabolic SAR should also be bullish.  When entering the trade, once these patterns appear, the entry price should be above the breakout candle high, such that if the next candle is not a gap up, then the criteria is not fulfilled and the trade doesn’t occur.    For a long breakout counter trend, the resistance has to be tested 3 times when the overall stock is in an uptrend, but the candles travel in a temporary downward elliots wave retracement. The next candle has to gap up past the resistance line as described above.    Overextended breakouts should be avoided when the price bounces off a resistance multiple times, but any subsequent times the price hits the resistance with an extremely bullish trend, or if the price action goes parabolic, then the stock is considered overextended and should be avoided. The breakout patterns should follow a steady increase to the resistance level, and should also follow closely to a moving average such that it is not too far away from the moving average line, and also other indicators shouldn’t indicate the stock is overbought.  To exit a breakout pattern to take profits, you can wait until the uptrend is over, such that the 20 EMA crosses below the 40 EMA, or by drawing a trend line such that the points of the line is connected by the intersections of the points when the price action touches the 20 EMA line, and if the price falls below this trend line, then you should exit. |
| Trading Divergence | Occurs when the price is, or is expected to be conflicting with the overall trend of the market or indicators. During a bull market, expect a bearish divergence reversal when the price is at a high such that the price will drop, and expect a bullish divergence when the price is at a low during an uptrend such that the price will rise.  A swing high is defined as the tip of the Elliot waves when the price is going up. For a bearish divergence, the price must be moving up in Elliot waves, and at the swing high, a confirmation comes when the next candle closes below the low of the previous candle. However, if the swing high is a bearish pin bar, then there is no need to wait for a confirmation candle as it already signals bullishness. All this has to occur when an indicator such as MACD or stochastic has to be signaling bearishness while the overall market is in an uptrend. For example, during two swing highs, the corresponding MACDs at the same time should have two swing highs with the second one lower than the first one, signaling bearishness.    For a bearish divergence, join two swing low points which does not intersect any other candles, with the corresponding MACD is making a higher lower, and wait for a confirmation candle to close higher than the prior high.    The pattern below shows a bearish divergence, then a bullish divergence where the expected price action following the pattern is opposite to the current trend of the stock. |
| Psychology | Greed: causes you to raise your raise profit target and stay in the trade too long. The profit target should also be the same every time in relation to your risk. These factors should always be predetermined.  Fear: causes you to take quick profits such that your average lose becomes more than your average win. The take profit should always be consistent as mentioned above.  Hope: always stick to the strategy. When the price hits your stop loss but it instantly reverses after you are stopped out, so next time you take out the stop loss which causes you to blow up your account when the price does not reverse.  Common mistakes:   1. Rush into new trades after experiencing loses 2. Fear taking the next valid trade after a series of losses 3. Stay in losing trade hoping it will turn around 4. Fail to stick to a consistent percentage risk per trade 5. Focus on short term results and lose perspective of the long term winning percentage 6. Constantly changing trading systems after losses 7. Focusing on account balance instead of following a system 8. Trade with methods that don’t suit their personality |
| Level 2 Quotes | Level two should fit certain criteria during intra-day trading.   * Tight spread between bid/ask * Price between bids are close, such that there are a lot of orders within a close range of prices which tells you that there is a large volume. Do not enter if there is a large gap between bids such that the enter price is very undetermined * Large bids are placed such that they act as a support level below your entry, since there are so many shares of the stock at that price that wants to be bought, so that the it is harder for the price to drop below that point * No large asks are placed above your entry point, such that there is a large number of stocks at a certain point which needs to be bought out at this point from the sellers for the price to move up |
| Fibonacci Levels | Stocks often retrace at Fibonacci levels, such that the values are at 38.2%, 50%, 61.8%. the retracements are values such that it is calculated by joining an initial point to a peak, then the price retraces to a fib level. |