

DRAFT

STOCK TRADING PLAN

INTERMEDIATE-TERM SWING TRADING

For: _____

Mentor: _____

Date: _____

SAMPLE

Objective

To trade stocks in intermediate-term rallies in a long-term uptrend with a buy point at price breakout after completion of chart price pattern/base following a price rally/impulse.

Watch List Criteria

Identify favorable market trends, strong sectors, outperforming industries and subindustries, and then stocks with sound fundamentals and technicals.

1. Develop market posture: direction of S&P 500 Futures, S&P 500 Index and VIX indicator: up or sideways direction using five-year weekly chart.
2. Identify outperforming industries and subindustries within strong sectors from industry research data provided by the Brokerage firm.
3. Find stocks with good fundamentals and technicals with the trading platforms screening/scanning functions.

Fundamentals

Suggested Criteria:

Return on Equity: _____ %

EPS Growth (Last Quarter vs. Prior Year): _____ %

EPS Growth (5-year Historical): _____ %

Revenue Growth (Last Quarter vs Prior Year): _____ %

Technicals

• Stock Price (minimum): \$ _____

• Volume 50-day average (minimum) _____

• Up trend on a five-year weekly chart:

40 SMA angling up

• Strength of uptrend on five-year weekly chart:

10 SMA above 40 SMA and Price action above both 10 SMA and 40 SMA

- Identify formation of a price impulse and retrace of less than 60% with Zig-Zag indicator and Fibonacci retracement tool
- Identify formation of a chart pattern/base:
 - Cup Base
 - Cup with Handle Base
 - Rectangular Base
 - Double Bottom Base
- Identification of the base top and bottom
- Identification of the projected target price
- Identification of potential stop loss point with Parabolic SAR indicator on 1-year daily chart
- Direction of Parabolic SAR on weekly chart to complement price action trend direction
- Direction of Accumulation Distribution Line Oscillator should be angling up

Calculations

- Identify Portfolio size \$ _____
- Determine acceptable Portfolio Risk (R) _____ % \$ _____
- Allocate trade budget _____ % \$ _____
- Determine Buy Point/Entry Price \$ _____
- Determine Stop Loss Price \$ _____
- Determine % Stop Loss _____ %
- Determine % Gain _____ %
- Determine Reward/Risk Ratio _____
- Accept Reward/Risk Ratio (Yes/No) _____

DO NOT PROCEED WITH TRADE IF REWARD/RISK IS NOT ACCEPTABLE

NO EXCUSES ONCE REWARD/RISK IS ACCEPTED

TAKE RESPONSIBILITY OF DECISION AND MANAGE RISK

Entry Rules

Before entering trade, review again:

- a. Market Conditions
- b. Stock Chart Price Action

Market Conditions

Since most stocks move in the same direction as the overall market, make new buys only during an uptrend of the market, this gives a better probability of success.

Stock Chart Price Action

1. Track the stock's price action; buy only when it shows strength by trending higher on above average volume.
2. Make sure the stock is breaking out of a common chart pattern/base.
3. When you buy, the stock should also be in the proper buying range, not extended more than 5% above the ideal buying point/base top. Don't chase it, if you miss the train, see if you can catch the next one that comes along.
4. Ensure the buy price is still in line with your Reward/Risk Ratio.
5. Discuss with your mentor, for partial/scale-in buying. Partial buying may also help with Risk Management.
6. Ensure to use correct buy order.

Money Management

Manage risk by position-sizing and defining your max loss.

Position Sizing:

- Formula: $\text{Portfolio Risk} / \text{Trade Risk} = \text{number of shares to buy}$
- Portfolio Risk: No more than _____% of total portfolio value
- Trade Risk = Entry Price – Stop Price
- Total investment should not be more than _____% of portfolio in a single trade

Exit Rules

Periodically adjust the stop order to handle the exit. If the stock falls below your stop, the stop will trigger and the trade will be closed automatically. Discuss use of Stop Market, Stop Limit, Trailing Stop or manual stop order with your mentor to favour the trade.

Initial Stop order placement: Discuss with mentor. Use of Parabolic SAR value from daily chart may be acceptable (this is more readily available and comes in handy for the calculation/analysis). Stop loss generally suggested for this type of trade is 5% - 8% with anticipated 20% - 25% gain in favorable market conditions.

In consultation with the mentor, adjust stop after each partial profit exit to 3% - 5% below new support level.

Establish partial profit exits/scale-out rules with the mentor to favour the trade.

Ensure to use correct stop order.

Routines

Maintain your trades by following daily, weekly and monthly routines,

Daily Routines

- Monitor open positions
- Take partial profits to suit
- Adjust stop loss to suit
- Continue learning, don't overindulge in news/noise from the market, stay focused on Trading Plan
- Prepare and execute new buy orders as required

Weekly Routines

- Update Market Posture: Determine market trend by analyzing major indices
- Inspect watch list for stocks that are approaching buy points
- Prepare graphical analysis
- Prepare calculation to identify position size, % trade loss, % trade gain, reward/risk ratio to make Trade Go/No Go decision
- Select suitable trade/trades if have multiple candidates
- Monitor open positions: look for new levels of support and adjust stops accordingly
- Review graphical analysis and calculations with Mentor as required

Quarterly Routines

- Execute screening program for stocks
- Update current watch list by adding new stocks from the new screen
- Delete stocks from current watch list that are not on the new screen
- Good idea to keep and update a Trade Journal to review the trades to date:
 - Identify if stops placed and managed effectively

- Does the position size need to be larger per trade? Smaller per trade?
 - Was market posture leading to correct trades for the trend
- Review executed trades with Mentor as required

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