Insights From a Newly Successful Trader

John H

BEAR BULL TRADERS

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Bottom Line Up Front

- This is my “R per Month” for my first seven months of live trading

- I primarily attribute my change in performance to:
  - Risking the **same** amount of money per trade
  - Risking a **small** amount of money per trade and only increasing that amount with evidence of consistent improvement
  - Using **hard** stops
  - **Focusing on only three strategies** (actually minor variations of the same strategy)

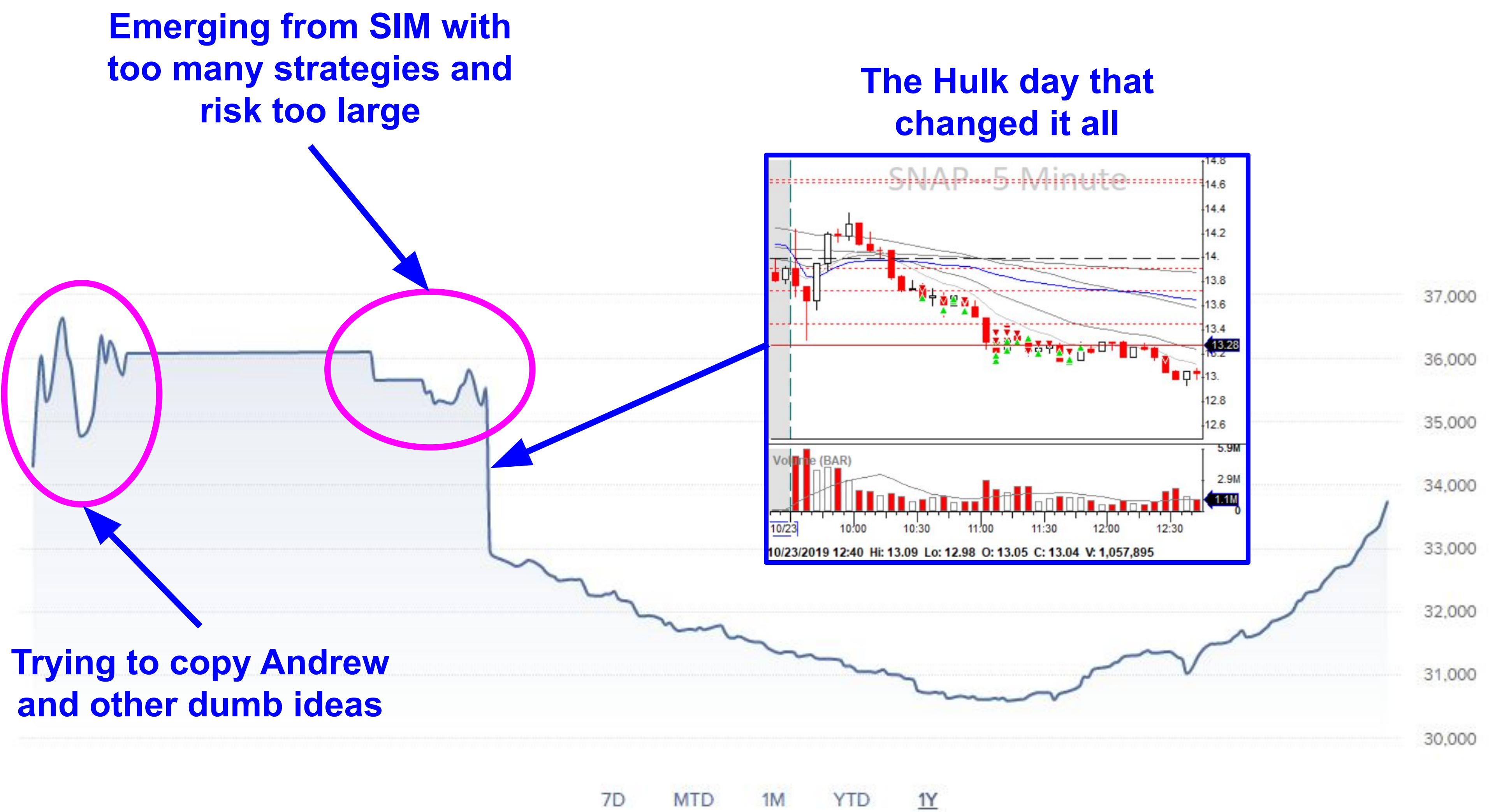
Trading History

- **2010-2014**: Casual, but interested market watcher
- **2014-17**: Read many trading books, but never traded
- **2017**: Swing traded for a year
  - Single, simple strategy
  - Did ok, but strategy was long and it was a bullish year, so maybe kinda easy
  - Began to learn some important lessons (risk management, stops, etc.)
- **2018-2019**: Did some casual day trading at work
  - Broke every rule in the book
  - Lost money...
  - ...but started to really see that stocks respected daily and intra-day levels
  - Read Andrew Aziz's first book and it really clicked with me
- **July-Sep 2019**: Full time SIM trader and BBT community member
- **Oct 2019**: Bounced between SIM and live, little discipline, **lost hulk money**
- **Nov 2019**: Began to get serious
  - Took advice from Thor at BBT to use same risk $ amount for every trade **and** to risk small $ amount per trade
  - Tried to pick setups that suit me better and not just anything called out in the chat
  - Started to become more of a break even trader
- **15-Jan-20**: Got more serious
  - After a string of bad days decided I was still jumping at too many entries and trying to trade too many strategies
  - <u>Made concerted effort to focus on just a few strategies and take fewer trades</u>

Cumulative R by Day

- This is my cumulative R by day from 01-Nov-19 to 30-Apr-20

My Interactive Broker Account



Risking <u>Same</u> Amount of $/Trade

- Suggested to me by BBT moderator Thor from the beginning of my time in the community

- Makes trading psychologically easier because a 1R loss (loss at hard stop) is always the same amount of money

- You become accustomed to losing that amount of money (which should be a reasonable amount for your account)

- You learn how it feels to “get back on the horse” and eventually make back that loss

- Especially useful for me when first trade of the day is a 1R loss

- **A Thought**: If you are willing to risk $20 on Trade X and $100 on Trade Y, what are you saying about Trade X?
    - Is is really a good setup?
    - Or are you just hoping for a win?

Risking <u>Small</u> Amount of $/Trade

- Risking only a small amount of money per trade slows the bleeding of your account while you are learning and finding your edge

- My $ Risk Per Trade:
    - Beginning on 01-Nov-19 I started risking only $20/trade
    - Increased to $40/trade in April 2020 after seeing monthly consistency
    - Plan on increasing to $60 per trade in June 2020 if all goes well

- When risking $10 - $20 per trade, expect to have “green” days where you actually break even or even lose money due to commissions

- In my opinion, losing money on “green” days due to commissions is actually a good thing because it further impresses upon you the need to be patient and picky with your trades. **Take fewer trades!**

Use Hard Stops

- This one is pretty simple and almost all traders understand this to be good policy

- In practice sticking with hard stops can very difficult sometimes:
  - First trade of the day (don’t want to start red)
  - Trade that will take you to max loss for the day
  - High bias trade
  - SPY induced price pullback or pop

- But, there is nothing worse than being down some huge amount of $ because you did not place a stop or removed it

- Just remember that horrible feeling when you are down $200 and you wish you just took that $20 loss at 1R

Focusing On Only 3 Strategies

- After a string of mediocre days in early Jan-20 decided I was still jumping at too many entries and trying to trade too many strategies

- On 15-Jan-20 I made a concerted effort to largely focus on 3 strategies:
    - Break of High of Day (BHOD)
    - Break of Low of Day (BLOD)
    - Break of Intra-Day Level (BIDL)

- As the months go on I am becoming better at sticking to these 3 strategies with BHOD becoming the clear favorite

	April	May
BHOD	80%	89%
BLOD	2%	0%
BIDL	8%	2%
Other	10%	9%

- Remaining trades tend to be
    - Intra-day news driven targets of opportunity
    - SPY induced pullbacks of strong stocks I was BHOD trading

Break of High of Day Trading

- **I would like to now focus on BHOD trading** because:
  - It represents the majority of my trading
  - A BLOD is essentially an upside-down BHOD (I think, need to assess more)
  - A BIDL is basically played the same way as a BHOD

- BHOD is a easily recognizable and undeniable setup

- A BHOD either happens or it doesn’t happen, there is no ambiguity

- There are BHODs <u>every day</u> and it is very simple to set alerts for them

- In Mar-20 The S&P500 had 14/27 red days and **dropped** 416 points, but I still had a 78% success rate on BHOD trades

- Continued with 79% success rate in Apr-20 when market trended back up

- Currently 84% success rate in May

BHOD Stocks

- I mostly trade:
  - Stocks from BBT watchlist, what MODs are trading
  - Second day play stocks (3rd and 4th day if they stay hot)
  - Some usual suspects if RVOL is good (e.g. $AAPL, $ROKU, etc.)
  - Lately I love $100 - $300 stocks that have been breaking well

- Want RVOL in DAS to be 90% or higher

- You can watch more stocks with BHOD than other strategies because the chart pattern is so easy to see, so I will choose 12 for the day and show all on my left-most monitor (3 monitor setup)

- I will swap out duds for other opportunities as the day progresses

BHOD Pattern

- Ideally I want to see a stock approaching it’s HOD with enthusiasm/strong buying

- I want to see it willing to “punch” up through its HOD within a few minutes of arriving

- I **do not** want to see a stock consolidating for a long time near its HOD, especially if it has actually broken a $ level by a few cents but failed to run
  - For example, HOD is $50.06, but it is currently consolidating near $50 with multiple touches at $50. Shows lack of enthusiasm to make a strong break.

Choosing a Stop

- At the moment I tend to use fairly wide stops for a strategy that is supposed to work quickly (something I am working to improve)
- But when possible I like to use a “defense-in-depth” form of protection (i.e. multiple obstacles for the price to fall through: daily levels, PCL, local lows, pre-Market high, largest price by volume bar, etc.)
- Example, $LUV: BHOD at 30.00 with stop at 29.75

BHOD Entry & Ideal HODs

- I **almost always** wait for the **BID** to break the HOD. Show me that a buyer is willing to pay at least one cent more than someone else paid all day.

- The exception is a large “wall” at the ask that is **clearly** being bought up and breaking down. I will sometimes enter before the actual break in that case.

- **Beware**: BHOD trades can reject violently in many cases if the bid fails to break HOD

- What constitutes a good entry depends on the price of the stock and the price action:
    - Within 5 cents of HOD for a $12 catalyst stock might be good
    - Within 10 cents of HOD for a $50 catalyst stock might be good
    - Within $1 of HOD for $TSLA might be good
    - You have to decide if you got a good entry and if you want to stay in the trade

- **Ideal HODs** are the same as some other level (e.g. $-Level, previous close, yesterday’s high). Breaks of these tend to be work with higher probability.

- Sometimes a HOD is very close to an important level (e.g. HOD = 40.23 and yesterday’s high = 40.29). In this case I take the trade on the level above HOD.

BHOD Entry: Volume On 1 Min Chart

- Ideally I want to see increasing volume on the 1 minute chart as it approaches the HOD
- This lends evidence to building buyer enthusiasm

BHOD Entry: Level 2 Data

- This is $NCLH from 04-May-20 when it had just broken the HOD of 14.40 set at 10:18 EST.
- For any BHOD I like to see a “stacked” Level 2 (i.e. large Asks at ascending levels above the HOD)
- Notice the large Ask of 16,100 shares at 14.50 and 11,000 shares at 14.60.
- Notice the bid side does not have huge orders
- An even better case would be to see a HUGE Ask at 15.00
- This shows there is confidence among sellers that the price will keep rising.
- Please check out Bear Bull Trader videos on YouTube for more information in using the Level 2 for entry

MMID	BID	SIZE	MMID	ASK	SIZE
NYSE	14.410	65	NASD	14.420	2
ARCA	14.410	8	NSDQ	14.420	2
ACB	14.410	8	ARCA	14.430	20
BATS	14.410	4	ACB	14.430	20
NSDQ	14.410	2	EDGX	14.430	9
EDGX	14.410	2	NYSE	14.430	8
NASD	14.410	2	BATS	14.430	3
NSX	14.410	2	PSX	14.430	3
NSDQ	14.400	9	NSDQ	14.430	3
PSX	14.400	3	ACB	14.440	20
ACB	14.400	0	NSDQ	14.440	5
NSDQ	14.390	4	EDGA	14.440	1
ACB	14.390	1	NSDQ	14.450	15
NSDQ	14.380	5	ACB	14.450	0
ACB	14.380	1	NSDQ	14.460	4
NSDQ	14.370	6	NQBX	14.460	1
NSDQ	14.360	4	NSDQ	14.470	6
NSDQ	14.350	4	ACB	14.470	6
ACB	14.350	2	NSDQ	14.480	1
ACB	14.340	3	ACB	14.490	[illegible]
NSDQ	14.340	3	ACB	14.500	161
ACB	14.330	10	NSDQ	14.500	[illegible]
NSDQ	14.330	1	IEX	14.500	1
NSDQ	14.320	2	IEXG	14.500	1
ACB	14.320	0	ACB	14.510	0
ACB	14.310	1	NSDQ	14.520	2
ACB	14.300	1	NSDQ	14.530	1
NSDQ	14.300	1	ACB	14.550	16
NSDQ	14.290	2	NSDQ	14.550	9
NSDQ	14.280	1	ACB	14.570	15
ACB	14.280	1	NSDQ	14.570	5
ACB	14.270	1	ACB	14.590	[illegible]
ACB	14.260	2	ACB	14.600	110
NSDQ	14.260	1	NSDQ	14.600	[illegible]
ACB	14.250	2	ACB	14.610	1
NSDQ	14.250	2	NSDQ	14.620	2
NSDQ	14.240	1	GSCO	14.620	34
ACB	14.240	1	NSDQ	14.630	0
ACB	14.230	1	NSDQ	14.640	7
NSDQ	14.210	7	ACB	14.640	0
ACB	14.200	1	ACB	14.650	6
NSDQ	14.200	0	VIRT	14.650	1
ACB	14.180	7	NSDQ	14.660	1

BHOD: After The Entry (1/4)

- **Be advised**: I am a very conservative trader and aggressive partialer. All partials at the moment are 50%.

- This is due to the high rate of BHODs that fail to run. The trade below is **VERY** common. One 50% partial and then stop out at break even.

- I also move my stop to breakeven around 0.5R. Perhaps a more “level based” approach would work better, but this is my criteria for now.

BHOD: After The Entry (2/4)

- **1st 50% Partial**: Usually at some kind of price stall at or above 0.5R. I know trading P/L is frowned upon, but it is part of my strategy at the moment.

- **Other 50% Partials**: This tends to be more level-based:
  - Daily levels, PCL, intra-day levels, etc.
  - I like 50 cent level partials (e.g. $30.50) and will take them within 5 cents (i.e. $30.45 or more)
  - Also like $1 level partials (e.g. $90.00) and will take within 10 cents (i.e. $89.90 or more)

- When I have only a small position left, I like set a range order and will sometimes shoot for the stars a bit.

- I have only recently experimented with position “adds” using unrealized gains from last small position as the risk amount. **Definite potential here**. Thor at BBT is very good at this.

BHOD: After The Entry (3/4)

- BHOD trades usually work pretty quick if they are going to work. Usually in the first minute, maybe a bit longer.
- After about 5 minutes I start to think about bailing on the trade and looking for something else.
- It depends how the price is acting. If it is still “banging” on the HOD, small pullbacks being bought back up, I will stick with it.
- **Beware the dying 1 min chart!** Lower highs, lower lows over 5 minutes. It often means the BHOD is going to fail hard (see next slide)
- I do not always take a full 1R loss. If the 1 min it looks like price is dying, I am happy to take a loss around -0.5R.
- The full 1R loss is usually a failsafe against major pullbacks.

BHOD: After The Entry (4/4)

- Dying 1 min chart example:
- Never got the first 50% partial on $SDC
- Held on for 8 minutes while the 1 min chart died
- A harsh red candle took me out at -1R
- No reason for this, the first 5 minutes told me it was probably garbage and I could have bailed with about a -0.3R loss

Some Stats

Month	BHOD Success Rate	Average R
March	78%	0.28
April	79%	0.24
May	84%	0.63

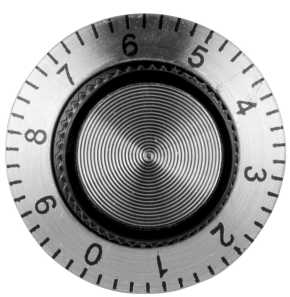
Month	Trades / Day
November	8.2
December	7.4
January	8.9
February	9.8
March	6.0
April	5.4
May	5.1

Other Considerations

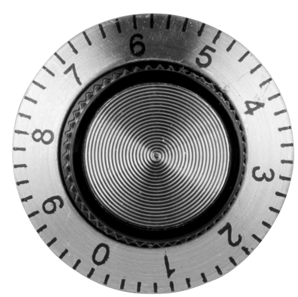
- **Time of Day**: I try very hard not to take trades before 9:45 EST
  - I feel that a HOD must be properly established via a 1 min chart pattern and this takes at least 15 minutes
  - The sweet spot is probably 9:45 - 11:00, but opportunities definitely exist all day
  - **Look for enthusiasm! Volume! L2!**

- **Should I Use a Scanner?**
  - Maybe tricky to get it to recognize the “punch” pattern
  - Would it offer TOO many opportunities?

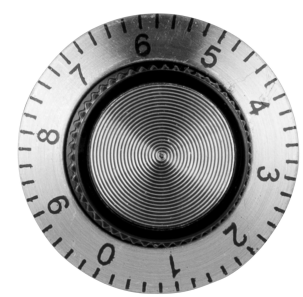
- **How Much Should I Adjust the Dials?**



$ Risk Amount



Stop Distance



Partial %

Things to Improve

- I probably need to try to trade more “level-based” and get my eyes off my P/L more

- I still take the occasional idiotic trade:
  - This usually happens when there are no BHODs available and I am getting impatient and feeling FOMO
  - I have to remember I have a good strategy (I think) and to just wait for good opportunities.

- Need to consider “adds” on trades that are running well

- Need to start analyzing my data better (turn the dials?)

Closing Thoughts

- I am a 7 month noob trader and still learning **every** day
- Things look good at the moment, but it is still VERY early in my trading career
- I learn from other traders every day and I look forward to hearing your comments and criticisms!
- If you are struggling, consider finding ***your*** BHOD trade. *Your edge*.
- **Thanks for Listening!!! Trade well!!!**

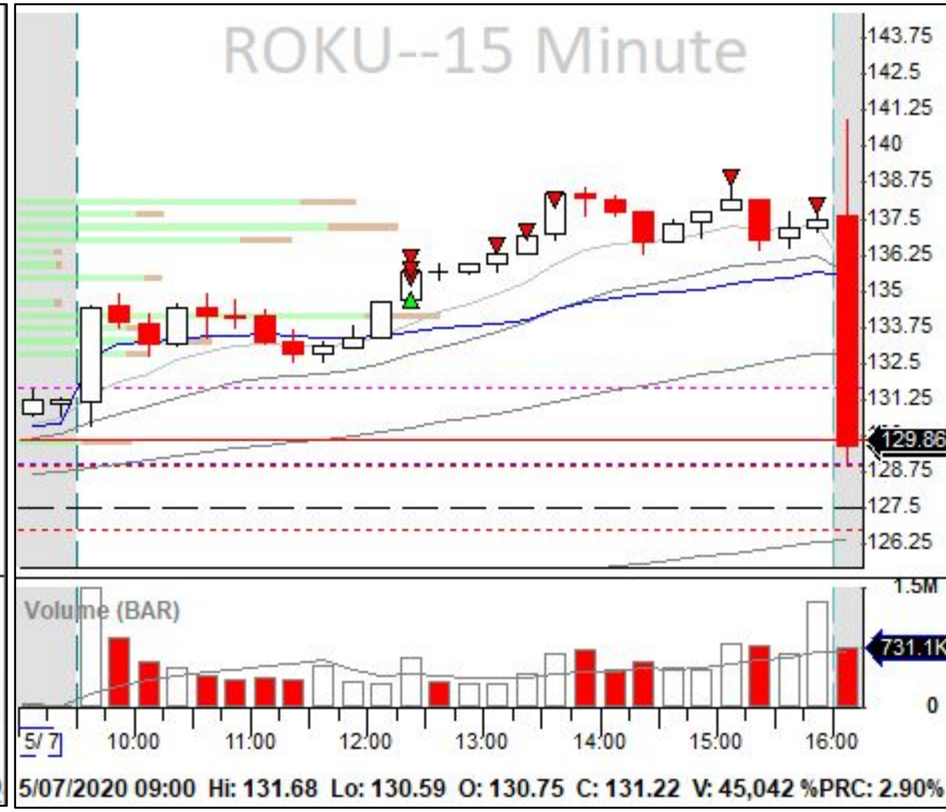
Back-Up Slides

Non-Catalyst Stock

- Been long biased on $FB since earnings
- Have traded it well for past 5 trading days
- **Warning Signs**:
    - RVOL today was only 71% at entry
    - HOD was 210.16 and would rather it had been 210.00 even.
    - Yesterday's high was right above my entry
- Rejected harshly on a $SPY pullback

Catalyst Stock

- Strong earnings after yesterday's close
- Up 10% at the open
- RVOL over 500%!!!
- First HOD was 116.29, but took on break of $116.00 given the strength
- Nest HOD was 118.00 (nice and even) and got entry at 118.30. Not great, but again, very strong stock.

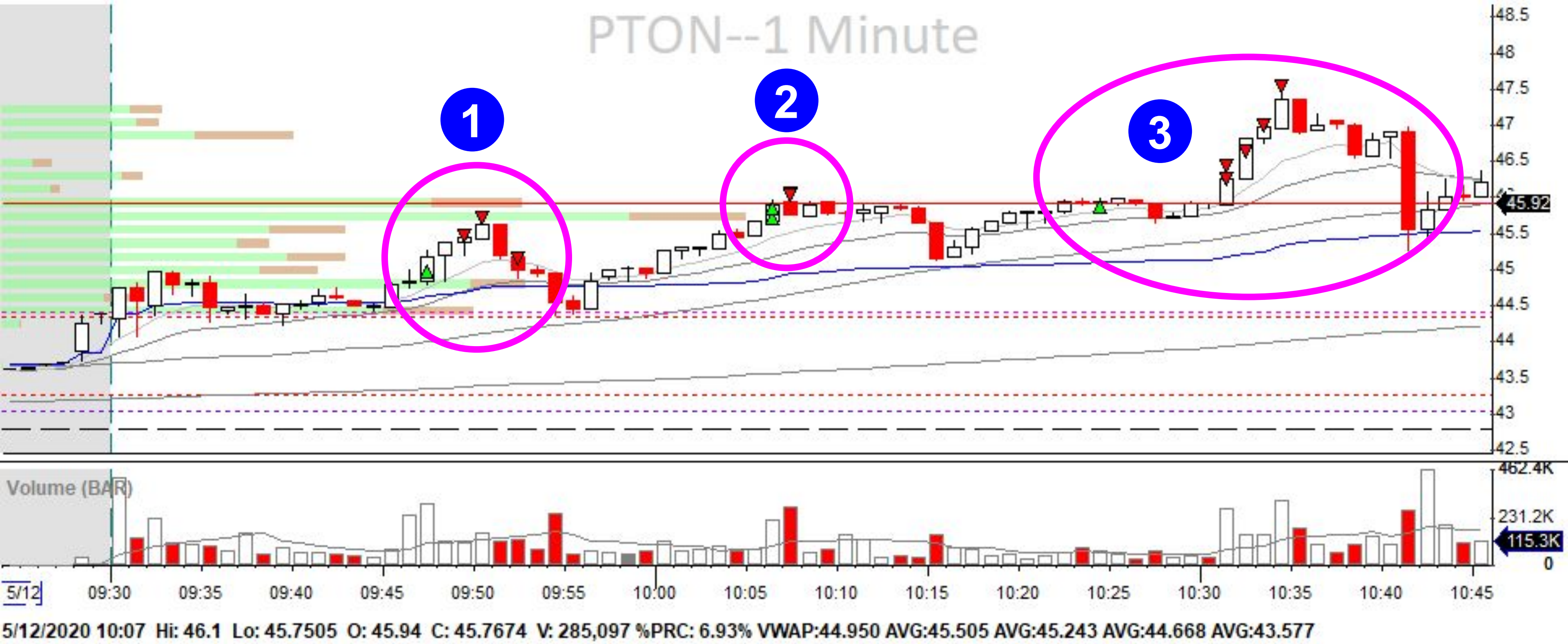


Good Bail

- I’m not really a fan of these lower priced stocks, prefer $100 - $200 price
- Took on break of $12 at $12.015 and it only got as high as $12.04 at the bid
- Stayed in this WAY TOO LONG (24 min)
- **Happy that I decided to bail out with a 0.4R loss**

Good Patience

- High of day at $135 **exactly** set 16 minutes after the open
- Set alert for 134.80 and waited. **And waited.**
- Entered at 135.00 when Ask wall was breaking down
- Early aggressive 1st partial and then looked for levels after that



Three High of Day Break Trades on $PTON

1 Break of $45.00

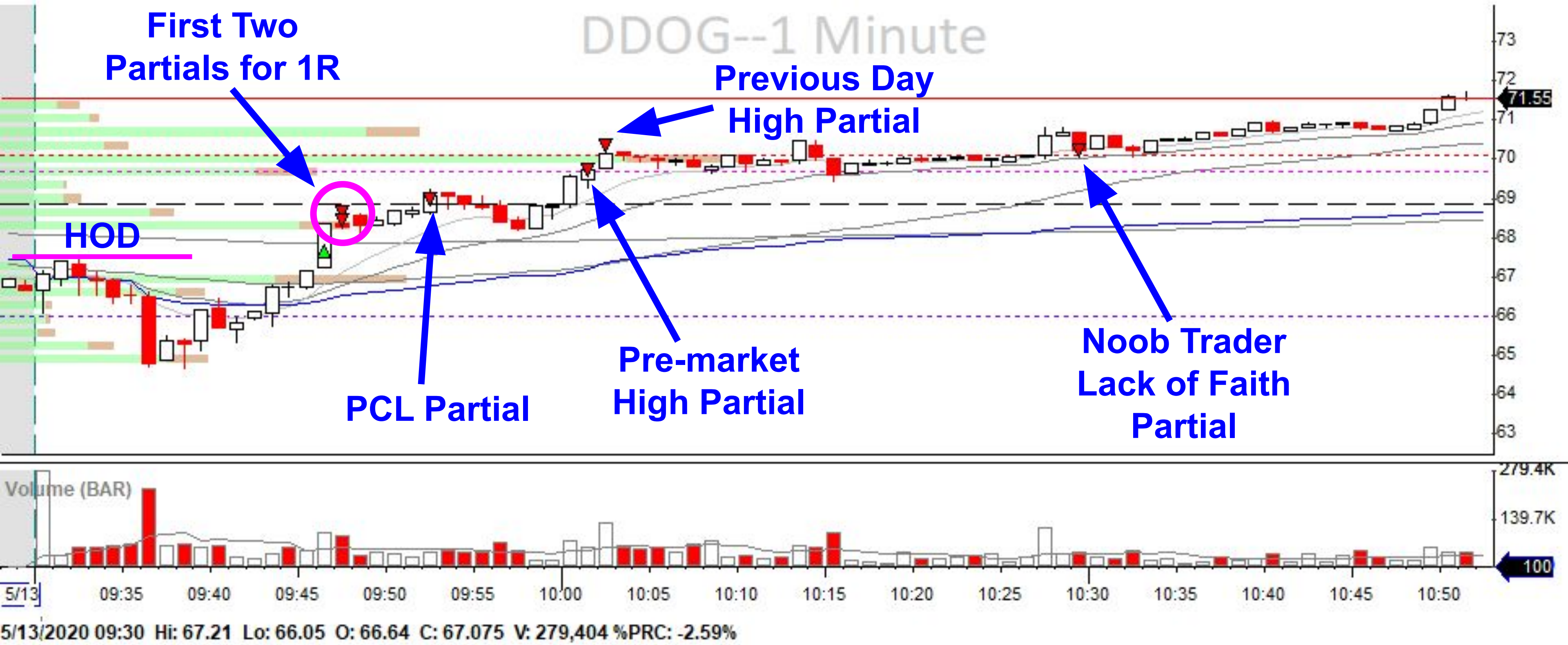
- Entry at $45.07
- Wanted 3rd partial above $45.90
- Last shares out at B/E

2 Break of $45.59

- Not great entry at $45.80
- **Very** wary of $46.00 level, ready to bail at B/E on harsh pullback
- Hot key error made me buy more shares, immediately abandoned trade
- Never ran anyway

3 Break of $46.10

- HOD at $46.10, but treated as a break of $46.00 due to large asks at that level
- Appeared quite strong against $SPY so risked an entry at $45.96 to catch pop
- Survived -0.6R pullback and then it ran nice



High of Day Break Trade on $DDOG

- Made ~2R on this trade, could have executed better, but I'll take it
- $DDOG was up as much as 25% yesterday, so very optimistic when it made strong move for HOD
- HOD was 67.4998, **large** spread so very rough entry at 67.82, very wary of pullback from 68.00
- Secured 1R on first two partials (yes, I trade my P/L a bit, I know, I know...)
- Went for levels on remaining partials (Previous Close, Pre-Market High, Yesterday's High, $-Level)
- Final Range Order
    - With 4% shares left, set for low of 67.99 (B/E w/o slippage) and high of 70.89 (close to $-Level)
    - Got scared and bailed on hard red candle down to $70, secured 15% more in profit
    - If I had held, would have eventually got that 70.89

Stupid Trade!!!!!

- Got overconfident
- Sitting at 2.5R for the day, daily goal is 2R, all 3 of my trades worked out very easily today
- So why am I unlocking my montage and taking this $CSCO high of day break?
- The pattern is not great to my eye
- $CSCO is kind of a lame stock, if there was a move to take after earnings, it was earlier
- Trade went a bit **red**, trade went a bit **green**, trade went a bit **red**
- I came to me senses and bailed with a -0.1R loss
- I can tell you for sure if I stayed in, I would have rode this stubbornly to a -1R loss.

Three Green High of Day Break Trades on $AAPL

1 Break of $304.00

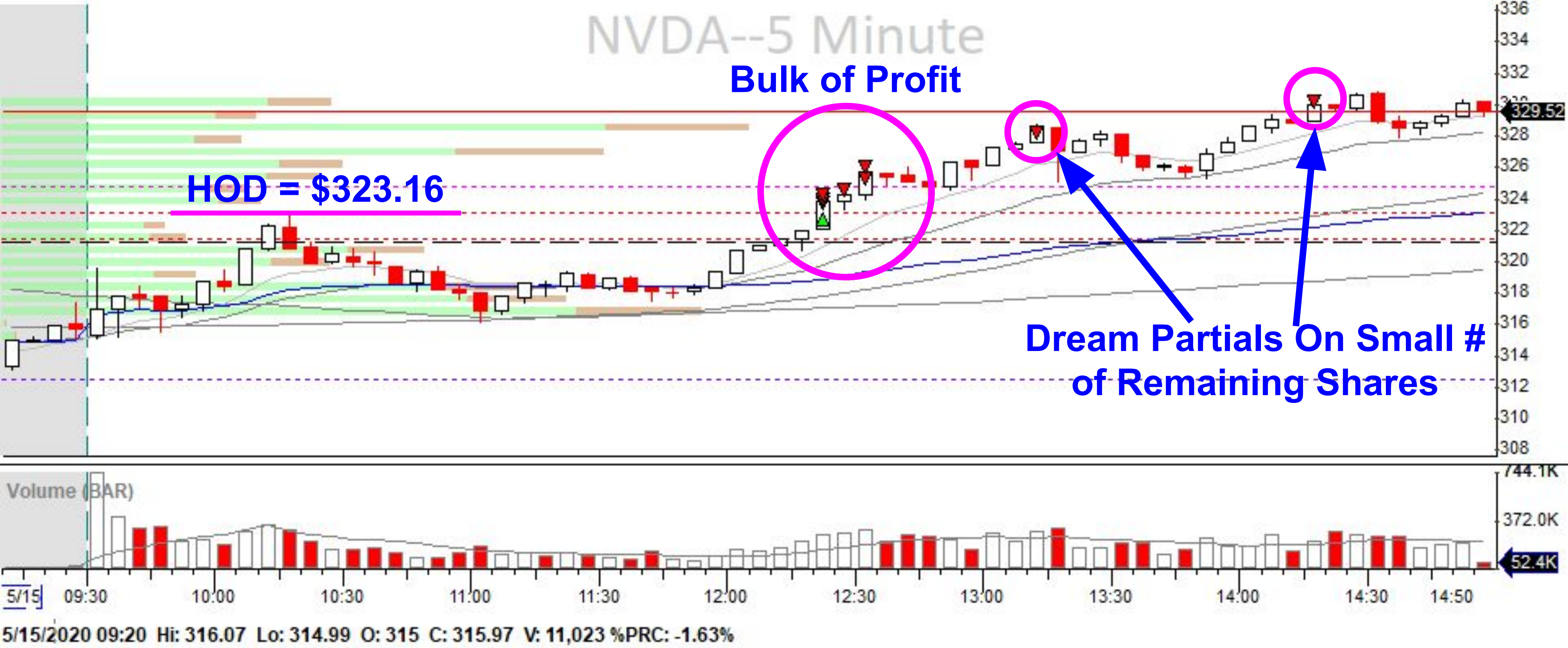
- Entry at $304.02
- HOD was actually $304.10, but the bid/ask battle was setting up at $304.00
- $304.10 was set on a quick wick in third minute of trading
- One good partial and then out at B/E.

2 Break of $304.50

- Entry at $304.50
- Did not take it until I saw BID post above $304.50, but filled on tiny pullback to HOD level
- Two good partials and then out at B/E

3 Break of $305.00

- Not a “classic” HOD trade, but could see $AAPL running hard back up to $305 (HOD = $304.98 on previous candle)
- $AAPL likes “5” and “10” levels
- Entry at $304.92 (below the break)
- Comfortable taking below break because of bids eating into asks at $305.00,
- Four good partials and then out at B/E



$NVDA High of Day Break Trade

- Hot stocks come and go (e.g. $FB, $BYND, $MSFT), they move great for 3-5 days and then kind of fade away again
- $NVDA has been great to me lately, definitely my stock of the week
- Break of HODs and dollar levels have been strong enough to get a partial, move stop quickly to B/E, and then either stop out or get a good run
- HOD here was at 323.16 and **ALSO** at the high of two days ago, HODs at levels tend to break better
- Like an earlier $AAPL trade, I played the break of $323.00 where the bid/ask battle was happening
- Aggressive first partial, then trying to hit 50 cent and $-Levels, then it ride on a very small position

Minimizing Losses While Waiting For Easy Breakouts

Stopped Out On Pullback

- This happens **ALL** the time
- One partial and then stop out at B/E
- I don't let it frustrate me
- Just move on to the next *High of Day Break* trade and find the one that will run nicely

Took Too Long to Break Out

- *High of Day Break* trades should work quickly, 0-3 minutes thereabouts, after 5 minutes I am usually looking to get out
- Huge red flag here with $SPY running and $JD not moving higher, so I bailed
- $JD eventually ran nicely, does not matter, had the look of a -1R loss

Four Green *High of Day Break* Trades on $BA

- The bulk of my profit today (3.4R of 5.2R) came from $BA
- Decent catalyst stock: Vaccine = Airlines Saved = Buying Planes (RVOL ~135%)
- Hit nearly all my checks on each trade:
  - Increasing volume on 1 min chart
  - L2 showing optimism on the ASK
  - Took trade after BID broke previous HOD
  - Got entry within 10 cents of HOD (hard to do with $BA)
- Only exception was on 3rd trade my entry was 1 cent below HOD, thought I saw the ASK at HOD breaking down, but it took a few more minutes
- All of these broke very easily, 1st partial and stop to B/E no problem

Three Green Trades on $BYND (one dumb one)

1 No Strategy/Dumb

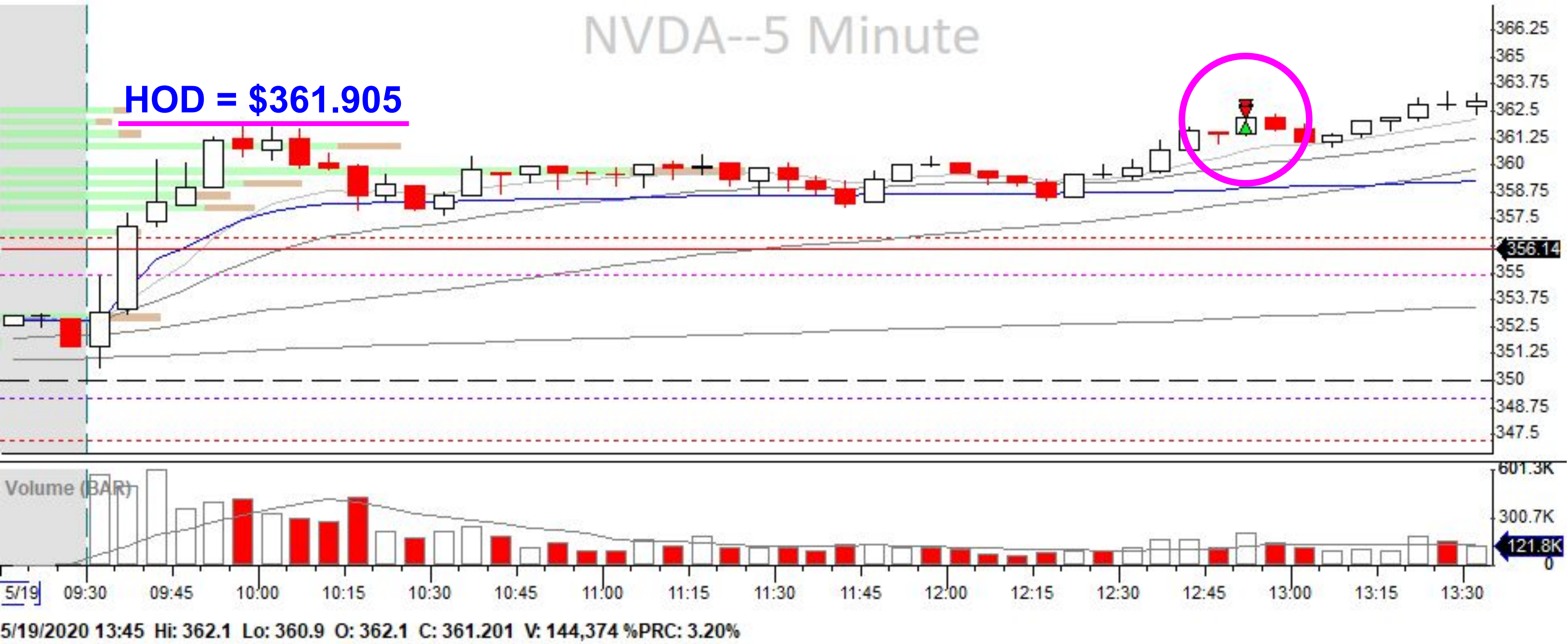
- FOMO
- Hubris
- Discipline Breakdown
- $BYND was #1 stock on my mind this morning and when I saw it running strong at the open, I jumped on board
- Dumb

2 Break of HOD

- HOD = $137.92
- Took on break of $137.00
- OK entry for $BYND at $137.18, would have been better to get in a bit lower
- One very good partial and stopped out

3 Break of HOD

- HOD = $140.00
- Two touches at $140.00 exactly! Nice!
- Wanted to take this one before the break ***IF*** I could see ASK wall breaking
- Saw ASK wall get chopped in half and entered at 139.99
- Thought I'd get a bigger move, but strong resistance near $141.00



Late Day $NVDA *High of Day Break* Trade

- **What I liked**:
  - $NVDA strong lately, much buyer enthusiasm
  - Pattern looked good, steady climb to HOD
  - Increasing volume on 1 min chart on approach to HOD
- **What Made Me a Bit Nervous**:
  - L2 was not great, ASK at $362 not huge, not much stacking on ASK
  - Was too easy to get an entry *just* over $362 ($362.03). Not much pop.
- Wanted 1st partial above $362.45, but HARD stall around $362.25. Took 50% @ $362.25, 50% @ $362.41, and out @ B/E.