Your Bulls On Wall Street Trading Kit

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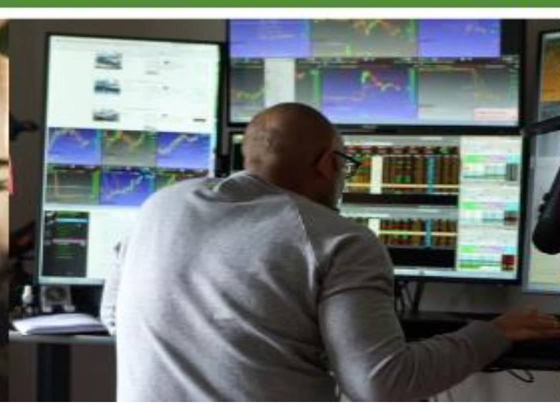


We hope you enjoy your trader handbook! At the end of this e-book, you will find a special offer for you to try either our day trading or swing trading services, at a 50% off discount! That’s right! PLUS, if you have any questions about your trading kit and whether our day trading package or swing trading package is a better fit for you, you can book your free consultation with us below:

Omer Benli - Director Of Education

Want To Chat More? Book A Meeting By Scheduling A Consultation With Me Here. See My Calendar Schedule And Book Your Appointment Today By Clicking Here.

Introduction To Trading

Trading is the best profession in the world. Nothing even comes close. Taking the risk to start trading stocks full-time was the greatest decision of my life.

Learning to trade is not easy, and is not an overnight process. But nothing worthwhile comes easy. **The freedom, independence, and scalability of income in trading cannot be found in any other profession.**

I made the mistake of trying to figure out how to trade stocks on my own. It took me years to become profitable because I didn't seek to find proper education or a mentor to guide me in the beginning.

Just like becoming a doctor or lawyer, you need top-class education and training to become successful in this profession. Surgeons don’t start to start cutting people open after just watching a few Youtube videos.

There are 6 steps you need to complete to successfully trade stocks:

1. Get Educated
2. Find A Niche
3. Build A System
4. Practice in A Simulator
5. Trade Live
6. Scale

To get you started on your journey, let’s talk about these 6 steps in a bit more detail:

Everyone wonders how to get started trading, what the path is like to become a successful trader. Unlike most trading services out there, we are not going to sugarcoat it and pretend it’s a quick or easy process.

This Ebook will let you know exactly what you have to go through to become a profitable trader. It is a long and tough process, but the reward is completely worth the risk and time you put into it. Some people have mastered it as fast as 6 months, some need a few years to become consistent.

Any worthwhile result in life is difficult. Don't be discouraged by the difficulty of trading and the journey to success. Otherwise, everyone would be a millionaire trader living on the beach right? Why would anyone work a 9-5? Here are the 6 steps needed to become a successful trader:

1. Get Educated

There is a lot of confusing terminology in trading. Candlesticks? Moving Averages? Short selling? Level 2? It sounds like a foreign language. You have to get acquainted with the stock market basics before putting any money on the line. You can get acquainted with the terminology with our intro to trading course, which can be found in the same email you received this ebook, or by clicking here.

Most new traders are impatient and just want to start trading right away and end up losing all their money because they have no clue what they’re doing. Trading is no different than other high paying professions. You need education and mentorship in order to find success. You can learn most of the terminology and basics in this Ebook, and also on Youtube.

2. Find Your Niche and Trading Style

There are 3 main styles of trading: Day trading, swing trading, and long-term investing. Which style you pick is dependent on your personality and what suits your lifestyle. **(put links in here)** Day trading is a good style for those who can process information quickly and make fast decisions. Swing trading is better-suited for those with full-time jobs, and like things at a slower pace.

You also have to pick a specific niche in the markets. There are a lot of different things you can trade: Stocks, Cryptos, Futures, Forex just to name a few, and there are countless sub-niches within these as well. The narrower and more defined niche you can make your niche and setups, the better. An example of a defined niche is day trading mid and large-cap stocks gapping up on positive earnings reports. Find a niche and style, and learn everything you can about it. A jack-of-all-trades cannot become a successful trader in the beginning.

3. Build A System

This is the part where a lot of traders fall short. They don't know how to create a profitable, defined trading system. There are 1000's of profitable trading systems out there. But you have to find one that works for you, and fine tune it for you individually. I could share you my exact trading system, live entries, and exits, and you would still probably not be able to make money using it.

A lot of traders have difficulty refining and perfecting a winning system because they don't track their data. They make assumptions about what works and what doesn't without data to back it up. They are just trading what they think works, and are just gambling. You need a system that has a positive expectancy, meaning it can make you money in the long run. We show struggling students exactly why their system isn't working, and tell them exactly what is needed to fix it. We focus A TON on system development with our chatroom members.

4. Practice in A Simulator

There a lot of mixed views about this step. Some view it as unnecessary as it fails to simulate the emotions that come with trading real money. In our trading boot camp, we put our students on a simulator at the end of the two months of instruction. We only keep them on it for at most 30 days. We have found that a simulator is only beneficial for a short period of time.

However, it has utility: It gives newbies a chance to get the hang of the mechanics of trading, like placing orders, reading your charts, and making decisions on the fly. If you cannot make money with your system on a simulator, why would you ever use real money? As soon as they get the mechanics down and can get a week or two of green on the simulator, we move them to real capital.

5. Trade Live

Finally, you get to the fun part: Trading with real capital. But this is the most difficult step of them all: Becoming consistently profitable trading real capital. Success in the simulator usually has little indication of your ability to make money trading with a real account. This is where we encounter the most problems with traders. They have a sound system and plan, but they cannot execute it correctly.

This is where trading psychology comes into play. You have to constantly be improving yourself to achieve peak trading performance that delivers you results. When you start trading live, trade with small size. Ease your way into it. Build up size as you start to find consistency. This is NOT an overnight process. We spend the majority of our time at BOWS working with traders in this stage and help them resolve psychological and mental hurdles which are preventing them from executing correctly.

6. Scale

Once you find consistency, it comes the time to start scaling your success. Many traders shot themselves in the foot because they scale their position sizing too fast. It should be a slow gradual process, not doubling your size every two weeks you are profitable. This is an essential component of increasing your income without hampering the execution of your system.

Scaling up too fast will make you trade emotionally, and hurt your performance. Build up your position size slowly, maybe increase 5-10% every couple weeks when you are consistent. Eventually, you will hit barriers where you start to become emotional. When this happens, size down to remove the emotions. We work with our students constantly on picking the right times when to size up, and when to size down.

Basic Stock Trading Terminology

Day trade - When you buy and sell, or short and cover, within the normal market hours of one day that's a day trade Scalp - A very fast daytrade. A scalp lasts seconds or a few minutes.

Swing/Swing trade - In contrast to a day trade, when you swing trade a stock you are planning on holding it overnight. Sometimes this means buying one day and selling the next, other times it can mean holding for several days.

Long - A "long" refers to a stock we have bought or want to buy in hopes of it increasing in price.

Shorting/Short/Short-selling - This is the opposite of a long. When you short a stock you are hoping it goes down.

Cover - You close a short position by covering. When you execute a cover order, you are telling your broker to buy back the shares that were shorted.

Watchlist - These are the stocks that we might be interested in trading on a particular day. The night before we will compile a watchlist of stocks we want to watch the following day (these get posted in the blog). Note that just because something is on the watchlist doesn't mean we will trade it, just that we are watching it and might trade it.

Technical Analysis - Technical analysis is a type of financial analysis that uses patterns in market data to identify supply and demand to identify trends and make future price predictions. It is the most common type of analysis used by active traders, as it can be extremely useful for timing market moves.

Fundamental Analysis - Fundamental analysis is a way of evaluating a company based on key financial metrics to see if it is currently overvalued or undervalued. It is the most common type of analysis in mainstream finance. Fundamental analysis, however, does not provide many indications of when this expected valuation will be priced into the stock, or for how long.

Support - Price area on a stock chart where buyers tend to enter the market

Resistance - Price area on a stock chart sellers tend to enter the market.

HOD -"High of day." Refers to the highest price a particular stock has reached in a day.

EOD/EOD Run -"End of day." Sometimes stocks make an "End of Day run," which means that after going sideways for most of the afternoon, in the last hour or so of trading they run up.

Gapper - A gapper is a stock that opens at a different price than it closed the previous day. For example, if XYZ stock closes at $5 on Tuesday and opens up at $5.40 on Wednesday, it is a gapping up. If it opens at $4.80, it is gapping down.

Setup - The Bulls trading style is based on setups. A setup is a particular set of conditions that need to be met for us to buy or short a stock. The most important component of most setups is a particular price pattern that gives us a clue as to what the stock might do next, and where we want to get out if it doesn't do what we expected.

Breakout(also called B/O) - Breakouts are a category of setup. When an ascending stock finally breaks over a price level that it has had trouble getting over in the past, it often experiences a significant price increase (booooom!)

Breakdown - The inverse of a breakout. When a descending stock finally breaks down below a price level that it has had trouble moving below in the past.

Pullback - After a stock runs up it must retrace at some point. This is called a pullback. Like breakouts, pullbacks are a category of setup that we trade.

Bullish - Bullish is a widely used term in the trading world to describe an uptrending market. You will often hear someone say, “That stock stills looks bullish” or “That is a bullish sign”. In general, a bull symbolizes future growth in finance, and is the origin of the phrase.

Bearish - The opposite of bearish. Term to describe a down trending market.

After-Hours - Refers to the trading that occurs outside of the normal hours of the the stock market. The US stock market opens at 9:30 AM EST, and closes at 4 PM. After-hours specifically refers to the trading session from 4PM to 8PM.

Pre-Market - A period of trading that occurs prior to the stock market open, 5am-9:30am.

Level 2 - The order book for stocks that shows the buyers and sellers for a given stock. You can see the bid side on the left side of the book, and the ask side on the right. The bid side is simply the highest price individuals are looking to buy a stock. The ask, (also referred to as the offer) is simply the lowest price individuals are willing to sell the stock.

Market Order - Market orders that are meant to immediately buy or sell shares of stock. If you are buying shares of a stock, you will immediately purchase shares of a stock at the market price, which is the lowest seller on the ask side of your Level 2. If you are selling stock with a market order, you will immediately sell your shares to the highest bid in the market.

Limit Order - A limit order sets the maximum or minimum price you are willing to sell a security. Unlike with a market order, you wait for a buyer or seller to buy or sell your shares at the price you chose.

In/Out - For example,"I'm in 300 shares." This means opening a position in a stock. That can mean a long or a short position."Out" means closing a position by selling (or covering a short).

Chase - As in,"It spiked up, don't chase it." Many of the stocks we trade move very quickly. Chasing refers to getting into a stock late, after it has already made a big move and is unlikely to go up much further.

Float - The float is number of shares of a stock that are available to trade on the open market. These shares can be owned by anyone. It is important fundamental characteristic to understand about a stock before investing into it. A stock's float will often influence a stock's range.

Coiling - Refers to a stock that is showing signs of preparing for a big run.

Testing - As in,"FB is testing lows." This refers to a stock that is touching or almost touching an important level (usually a breakout or breakdown level).

Fade - As in,"AAPL is fading." Refers to a stock that is drifting downward. Flat- As in,"I'm out flat." This means selling/covering without loss or gain.

Stop/Stop Out - The price at which we will close a position if it doesn't go the way we want. This "line in the sand" prevents small losses from becoming large ones.

Flagging - A stock that runs up will then often retrace (pull back) somewhat, and/or go sideways. This is referred to as flagging and is something we watch for as it sometimes provides a trade opportunity."

The 3 Styles of Trading

There are three main styles of trading: **Day trading, swing trading, and long term investing**. It is crucial that before you start trading with real capital to know what style is best for you. You cannot turn a day trade into a long term investment just because you are too stubborn to take a loss. Let’s go into more depth on each style of trading:

Day Trading

Day trading is defined as entering and exiting a position within the market hours of one trading day. **This can mean buying (or shorting) at the opening bell, holding all day, and then closing the position right before 4PM, when the market closes. It can also mean buying a stock and then selling 3 seconds later for a quick scalp.**

Day trading allows you to capitalize on profitable short-term movements and setups that are only valid on the intraday time frames, such as the 1-minute and 5-minute charts. Day trading also eliminates the risk of holding a stock overnight, when news can cause the stock to gap-down against your position.

Day traders can capitalize on short-term market movements, and do not have to worry about the overall market conditions as much. **This style is a very efficient use of capital because you can rotate your capital into trending stocks and capture multiple high percentage moves in a short period of time.**

Swing Trading

Swing trading is buying or shorting a stock and then closing the position more than one market day later. Buying a stock right at the close and selling it the next day at the open is technically defined as a swing trade. **Swing traders are looking for larger moves in the markets that take longer to fully develop.**

An advantage of swing trading is that a single stock can yield substantial returns over the course of several days. Several well-timed swing trades can grow a trading account significantly in a short period of time. Unlike day trading, a swing trade doesn't require precisely timed entries or close intraday monitoring. In general, it is a better style of trading for someone who has a full-time job during market hours, and less time consuming in general.

Long Term Investing

This is the most common type of investing for most people. Also referred to as “Buy and Hold” investing, it is the least active style of trading out of all these. You are just buying a stock once and holding for months or years. Very low stress, it can generate a consistent passive income if you are in the right stocks and indexes.

However, your funds are typically illiquid and the returns are much smaller for the short term than if you day trade or swing trade that same amount of capital correctly. If you use a financial intermediary to manage your capital, you're also usually delegating the responsibility of your returns to someone else. This is the lowest risk style of investing out of all three mentioned, but it is also the lowest reward.

Introduction to Technical Analysis

Technical analysis is the foundation of our trading style. Trading is all about timing the markets to catch strong trends, and the best way to time the markets is with technical analysis. Technical analysis catalogs market data and establishes a system for finding trade ideas, picking entries & exits, and managing risk.

Fundamental analysis can show you what your bias should be on a stock. But it doesn't define clearly when a stock will move, in what direction, and for how long it will trend. Technical analysis encompasses nearly all of your trading decisions from steps A to Z.

Using Technical Analysis To Trade Momentum Stocks

My goal as a trader is to enter a stock when it has momentum and ride it out until the momentum is gone, and then cash out. Technical analysis shows you what areas on a stock's chart there is high probability for momentum beginning and ending.

This allows you to use your capital efficiently, and not have your capital tied up in a stock that is just trading sideways. As momentum traders we need our cash to be in stocks that have the potential to trend in the direction of our purchase (or short). Technical analysis can give us the tools we need to time any stock or index.

Supply and Demand

Stock charts allow us to measure the collective market actions of all traders in a graphical format. The stock market is essentially just one giant auction with buyers & sellers. Markets are moved by two simple forces: Supply and Demand. Technical analysis shows you at what price levels are likely to be levels of supply and demand.

When you know where there are levels of supply and demand, you will have an idea of where buyers and sellers will likely enter the market. When you have an idea of where buyers and sellers might enter the market, you have a way of assigning probability to where you buy and sell a stock.

Technical Analysis Does Not Change

Over the years, many aspects of the market have changed: The advent of hedge funds, high frequency traders, government bailouts ect. This gives many traders the impression that the market is constantly changing, random, and unpredictable. Many believe that the market cannot be beaten over the span of a long period of time. However through all of these changes, the tools and technical analysis will still be valid for this reason: The world may change, and market may change, but human nature never changes.

No matter how many algos and computerized traders enter the market, these systems are still created and managed by humans. As a result, they are still subject to the same emotions that every human trader deals with: Greed and fear. In the years I have been trading (since early 2000’s), so much about the world and the markets have changed. But my methods still work, as they are based on reading price action via charts. The charts will always give an objective look of what is happening with market participants and what they are doing with their money.

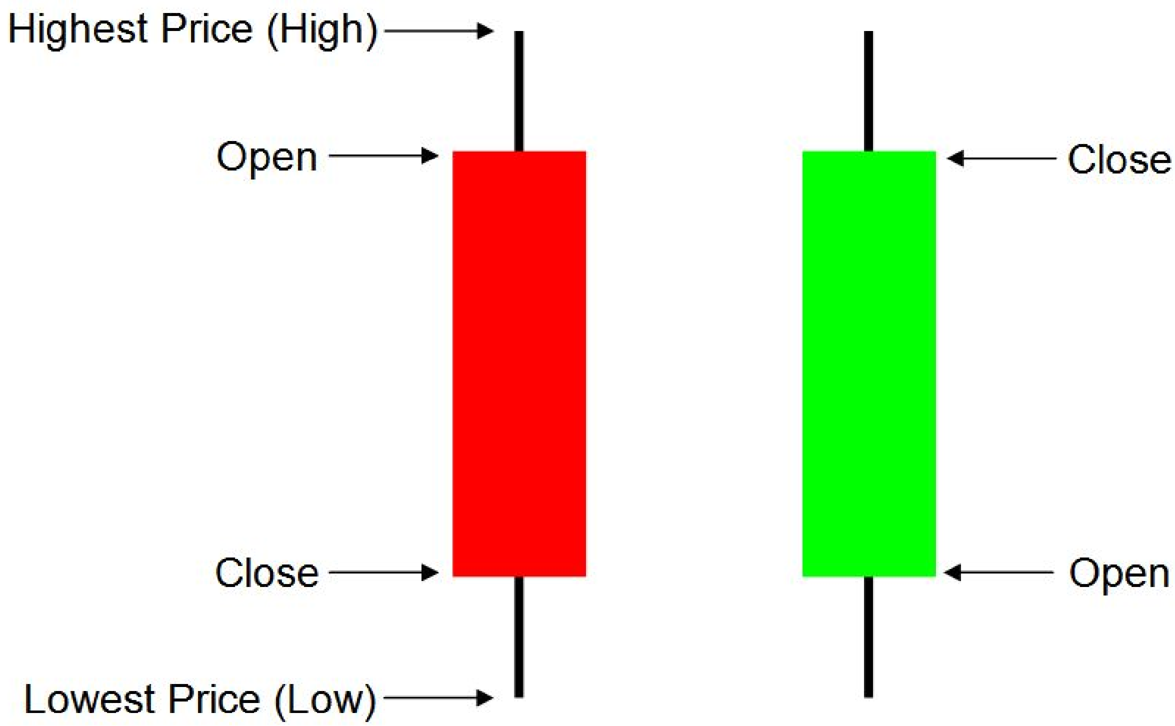
Intro to Charting

Charting allows us to see the actions of all traders in graphical format. Stock charts are the foundation for technical analysis, and my trading system. It is the tool that takes what looks like random, chaotic data and forms it into a concise picture.

We use charts to determine not only where a stock has been but where it is going in the future. Let’s discuss what indicators can be used to confirm positive price action and exactly how to use them. You will also learn how to read volume and how it relates to price on a chart.

Chart Setup

The primary component of any chart is price. A chart allows the collective actions of traders to be represented in a picture. When setting up your chart, your first consideration is how the price data will be represented. The three most common options are candlestick, line, and bar/OHLC. Like the majority of active traders today, I use and recommend candlestick charts, because they provide a concise yet robust representation of price data that can be quickly understood. Here is what a candle looks like:



Each candlestick, regardless of whether it represents one minute or one week of price data, has an open and a close. The section of the candle between the open and the close is called the “real body”. If the close is higher than the open, the real body of the candlestick will be colored green, to represent a price increase.

If the close is lower than the open, it will be colored red to represent a price decrease. Additionally, many candlesticks will have an upper or lower “shadow”, sometimes referred to as a “wick”. These shadows represent price action that occurred outside of the opening and closing prices.

Volume

After price, volume is the most important component of a chart. The volume illustrates the number of shares that were traded in the specified period of time. This provides the trader with several important pieces of information:

1. Is the stock liquid enough to allow for easy entries and exits?
2. Is current volume higher or lower than average?
3. Are more shares being accumulated or distributed?

The most common way to display volume is a bar at or near the bottom of the chart. Each candlestick will have a corresponding volume bar that illustrates the number of shares exchanged for that period of time.

Many brokers and charting services will display green and red volume bars. A green volume bar is for a period of time in which the closing price was higher than the previous closing price, and a red volume bar is for when the closing price was lower than the previous closing price. This allows you to quickly see if there is more volume when a stock is moving up or moving down. See the example on the chart below:

We use TC 2000 for our charting software. When evaluating a stock for an entry, it is important to look at the volume pattern. For a long position, it's good to see high volume on up days and low volume on red days. This indicates that momentum is on the side of the bulls. The reverse is true for a short position: the ideal short candidate will have stronger volume on down days.

Moving Averages

A moving average is the mean of a stock's price for a specified period of time. For example, a 20-point moving average drawn on a daily chart, will represent, in the form of a line, the average of the last twenty days price. On a five minute chart, the same moving average would the average of the last 20, 5-minute candles.

Moving averages come in two basic forms: simple and exponential. An exponential moving average (EMA) averages the specified number of data points, but gives more weight to recent price action. A simple moving average (SMA) does not weight the data based on recency. We use moving averages for two purposes:

1. To help identify trends
2. To provide areas of support and resistance

Stocks spend only a small portion of their time in a trending environment. Often they are range bound, consolidating for the next move up or down. Moving averages can help identify trends on different time frames:

20 SMA = Short-term trend
50 SMA = intermediate trend
200 SMA= long-term trend

See an example of how moving averages influence a stock's trend on the chart below:

Notice how when DLTR was up trending, the moving averages were used as support, and when it started downtrending the acted as resistance.

Intraday vs Daily Charts

As day traders and swing traders, it's important to use both the daily and intraday charts to plan and execute your trades. The Bulls method begins with daily chart of 3-6 months' time. Candlestick charts, volume, and the 20,50,200 SMAs are all included.

The daily chart is used for idea generation. It illustrates the longer term trend of a stock and is the starting point of compiling a watch list of stocks to potentially trade in upcoming sessions. **All trade ideas you have should be based on the daily time frame, aligned with a trend on the short-term, intraday time frame.** We use 5-minute charts for day trading to get an idea of the short term time frame. For an intermediate time frame, we use the 10-day, 30-minute chart. This time frame is mainly used for swing trading.

Intro To Risk Management

Risk management is an essential component of being a successful trader. **It only takes one poorly managed trade to blow up your account and end your career.** Great risk managers understand the importance of sizing their positions according to the type of trade they are taking and what is going on in their surroundings. In order to maximize your profits and manage your downside risk you must fully understand how to exercise effective risk management in your positions.

The most important trading belief to understand is that no system has a 100% win rate. The best traders rarely have a win rate more than 75%. You have to expect losers, and keep them small, regardless of how good your win rate is. You can actually be a profitable trader with a 40% win rate if your risk to reward ratio is good enough. Risk management is the difference between winning and losing traders in the long run.

Risk Management 101

There's an important difference between a stock picker and a trader. A trader knows and follows a rules-based system, using tactics and strategy to put the risk to reward ratio of his trades to his favor. Great stock pickers may not make any money from the stock market, because they have poor risk management and position sizing. The best traders aren't the best because of their ability to find stocks that will appreciate in value. **They are the best because of their ability to manage risk and time their entries and exits.**

Here is a graphic that breaks down the relationship between risk vs reward and win rate:

Risk/Reward Ratio	20%	30%	40%	50%	60%
1:1	Not Profitable	Not Profitable	Not Profitable	Break Even	Profitable
2:1	Not Profitable	Not Profitable	Profitable	Profitable	Profitable
3:1	Not Profitable	Profitable	Profitable	Profitable	Profitable
4:1	Break Even	Profitable	Profitable	Profitable	Profitable
5:1	Profitable	Profitable	Profitable	Profitable	Profitable

Win Ratio

Determining Risk To Reward Ratio and Position Sizes

When you are looking for a trade there are two things to consider. One is the probability of success on the particular setup. The other one is the amount of money you risk. You determine risk by seeing what your potential losses are on a trade, based on a where you put your stop loss.

For example, if you have a $5 stock, a $.25 cent stop, and potential gain of $.50 cents, your risk to reward is 2:1. If you wanted to risk $250 on the trade, you would buy 1000 shares. Your potential reward would be $500. You have to figure out how much money you will risk and where your stop loss will go BEFORE you enter a trade in order to figure out how many shares to buy or short.

Position Sizing

Another key determinant to your returns is how you size your position for each trade. Given the same price entry and exit on your trades, your gains will be a function of how much you risk on each trade and your position size. You cannot risk your whole portfolio on a single trade, given that any trade has a chance to be a loser.

What determines how much money you risk per trade is your risk tolerance and your portfolio size. You have to risk small enough to keep emotions out of your decision making, but large enough to make the trade worth your time and effort. Ideally you aren't risking more than 1% of your portfolio on any single trade, especially as a new trader.

Trading Psychology: The Difference Between Winning and Losing Traders

Trading psychology is the difference between a winning trader and a losing trader. Once you have developed a trading system that has an edge, the next challenge is refining your ability to execute the strategy. This is where trading psychology comes into play. In trading you are often your own worst enemy. **An understanding of trading psychology will allow you to avoid self sabotage in your trading.** Let's do an overview of the three biggest psychological obstacles for trading consistency: Fear, greed, and stubbornness. Having the presence of mind and solutions for these issues is crucial for a successful trading career.

Fear Of Missing Out (FOMO)

Fear manifests itself in many different forms in your trading. Fear of missing out on a big move, fear of taking a loss, and fear of being wrong are just a few different ways it hurts your trading. Fear of missing out is a huge issue for many new traders. I am sure at some point in your trading career you have seen a stock make a big move without you. You feel bad that you didn't capitalize, and you want to jump on the next stock that moves thinking that it will be the next big winner. It ends up being a dud, and you took an unnecessary loss because you chased.

FOMO will cause you to view market opportunities irrationally because you recently missed out on an opportunity to make money. You have to control your fear of missing out in order to become a successful trader. It is impossible for you to catch every big mover of the day. You must accept that missing trades is part of the game. Make sure that every trade you take is A+, and is a setup that you have mastered. Do not let FOMO cause you to start forcing trades because you want a big winner.

Fear of Losing

Fear of taking a loss is another big issue I see with new traders. This is often occurs when trading are trading with too much size. They are afraid to take a loss because they are emotionally attached to the money they are risking. Stocks don’t just go straight up or straight down. A stock will not usually just go straight up as soon as you buy it. These traders will panic out as soon as the stock takes a little dip and sell their position. Then they will buy it again as soon as it goes up a bit, and then sell it again as it dips. They end up taking a bigger loss than they originally planned because they took tiny losses and racked up a ton of commissions and fees.

You must size your trades appropriately. Downsizing will eliminate your fear of taking a loss, because you will not be emotionally attached to the money and allow you to stop micromanaging your trades. You will actually end up making more money by downsizing to a position size that you are emotionally comfortable with. It will allow you to objectively see what the market is telling you about its trend and direction. Starting out we recommend not risking more than 1% of your portfolio per trade to make sure you do not trade with fear. Scared money doesn’t make money.

Greed

Every winning trade will not be a homerun. Trading for a career is about making consistent gains, not just one, overleveraged, winning trade. Greed will cause you to act irrationally in the markets because you want to make a lot of money. It will cause you to not take profits when you should because you want a big winner. You are not listening to what the market is saying. Instead you are being controlled by a certain $ amount in your head that you want to make.

The market doesn’t care about how much money you want to make. The only thing you can do is adhere to your trading rules, and follow your buy and sell signals. Do not trade to make a certain amount of money in a certain period of time. You cannot control opportunities. You can only control your ability to capitalize on the opportunities that present themselves. Hiding your unrealized PNL is a great way to minimize greed in your trading. It will allow you to view the markets more objectively, instead of trading so you can make a certain $ amount.

Stubbornness

The market doesn't care about your opinion. The stock market is just a mechanism for displaying information. If the market is showing you that your opinion is wrong, you have to listen to it. Losing trades are inevitable in trading, therefore you always have to prepare a course of action for your trade if it turns out to be a loser. Stubbornness can cause your trading career to end in a single day if you do not cut your loss when you are supposed to.

Successful trading requires you to put your ego aside. We talked about risk management earlier in the Ebook, and how it is another essential component of making money consistently from the market. In order to exercise successful risk management, you must control your ego, and not get stubborn about a position you have in the market. Always have a stop loss planned before you enter a trade. If you cannot prepare and accept losing trades you will never be able to trade for a career.

Paper Trading

Paper trading is a great way to test your trading ability before trading with real money. It as a great way to develop your edge in the market without putting your capital to risk. But there are some cons as well to be aware of. Here are some the pros and cons of paper trading stocks.

Pros

Allows You to Explore Different Strategies
You don't want to jump into trading without having a strategy that you know has an edge. Paper trading allows you to explore and test strategies, and finds what works best for you. It allows you to find and optimize your strategy without you losing a bunch of money in the experimentation process.

Preserves Your Capital
There is a long learning curve to trading mastery. This learning curve will usually involve you losing a decent amount of money as you perfect your strategy, learn risk management, and learn how to make decisions under pressure. Paper trading will allow you to lose less money in the learning curve phase, and allow you to get your risk management down without wasting money.

Familiarizes You With the Motions
I am sure the first time you looked at a charting and trading platform you felt overwhelmed. Paper trading allows to get familiar with the mechanics of trading (placing orders, stop losses, getting familiar with your charting platform, ect.), without losing a lot of money on simple mechanical mistakes, such as buying shares when you meant to sell.

Cons

Unrealistic Emotions
The emotions of trading real money are completely different then trading in a simulator. We have seen numerous students have a ton of success in the simulator, and then be unable to replicate it with real capital. It's a lot easier to make the right trading decision when you have no skin in the game. Trading 1000 shares in the simulator is the same as trading 100,000 shares. The stock drops 50 cents and you see yourself down $50,000 unrealized, you feel nothing. You don't feel fear when you paper trade.

Unrealistic Order Fills
Since you're not actually participating in the market in a simulator, you will fill all of your orders instantly with any size. You cannot fill 10k shares of stock at one price that only trades 100k shares a day. You will not experience slippage, and may cause you to inappropriately size your positions when you start trading live.

May Develop Bad Habits
When you're trading in a simulator it is easy to get into bad habits because you're not getting punished for bad behavior. It's easy to average down and not respect your stop losses because you're not losing any money. People don't usually learn from their mistakes unless they're punished in some way, and paper trading has no consequences for bad trading habits.

Conclusion
Paper trading does have value for new traders. However, it should not be done for too long. Once you learn the basics, develop your strategy, get a few green weeks in the simulator, you should move to trading live with small size. It seems so easy when you're paper trading, but when you have skin in the game everything changes. We typically put our students on a simulator for 30 days.

How To Trade With A Small Account

Trading with a small account is the reality for 95% of new traders. Who has $30,000 laying around to day trade? When we refer to a “small account”, we are referring to an account under $30k in equity.

The Pattern Day Trading Rule sucks if you are try to be a day trader. It means accounts with US brokers can only make 3 day trades a week (a trade is a buy and sell). But it forces you to be selective with your setups, and there are certain brokers that have ways of circumventing it. Trading with a smaller account is not a complete waste of time, and can be beneficial to new traders in the beginning of their journey. Here’s why:

Benefits Of Trading A Small Account

Trading has a long learning curve when you start out, and you will likely not see success right away. If you blow up a $50k trading account because you got stubborn and didn’t cut your losses, that will be a big blow financially and emotionally. However, if you blow up a $5k account, it is not as big of a blow, and a much less expensive learning experience.

When you're starting to trade live, it's not about making money in the beginning. It is about seeing if you can execute a strategy with an edge, and consistently make money over a period of weeks/months. There is no reason to start out trading a $50k account if there is no evidence you can actually make money trading with real capital (do not let paper trading results fool you).

The goal of trading a small account is to grow it into a big enough account so that you can make a living off of it without risking a huge portion of your account size. If you have large amounts of capital available, it is still a good idea to start with a smaller account and add more equity as you start to see success. Now that you understand the expectations and benefits of trading a small account, let’s discuss how you can grow it. Here are 7 tips for people trying to grow a small trading account:

1. Risk Proportionally to Your Account Size

Treat your $5k trading account like you’re trading a $50k account. If you're trading a $50k trading account, you're likely only risking $500-$1000 per trade. So for a $5k account, you should only be risking $50-100 per trade in the beginning. Remember the goal with a small account is to develop your edge and refine your strategy as a new trader. You're not trying to hit home runs when you start out.

2. Slowly Increase Your Position Size

After you start to see some green weeks/months and find some consistency, you can start to increase your position sizes. However, you're not going to go from $100 risk per trade to $500 risk per trade. You slowly increase your size. Go from $100 to $150 or $200. Rushing size can lead to emotional trading, and will likely lead to a big loss, and undo weeks of hard work and disciplined trading. **Take it slow.**

3. Don't Set Daily Profit Goals

In trading, you cannot control what trading opportunities appear every day. Some days there will be 5 or more amazing trading opportunities. Other days there will be none. If you're just starting out, having a daily profit goal will likely cause you to force trades on low-quality setups and will result in you taking unnecessary losses, as you're trying to make a certain amount of money in a day. You should focus more on weekly and monthly PNL. This will allow you to be patient for the best setups, and not overtrade.

4. Don't Compare Your Gains To Others

I'm sure you see people on Twitter posting huge PNL's every single trading day. How they do it, and whether they're actually trading real money or not doesn't matter. They're likely much more experienced traders with a lot bigger trading accounts. Don't compare your Chapter 1 to someone else's Chapter 20. Following anyone who is posting their PNL on their Twitter doesn't help you at all in the beginning. Focus on your own journey and building up your skill set and equity.

5. Have Other Sources of Income

Since you're trading a small account, you will have to have other sources of income so you don't feel a need to force trades to make the money you need to survive. As mentioned above, you shouldn't open a small account with the expectation that you will make a living from it, especially as a new inexperienced trader.

6. Don't Take Out Money From Your Account (Unless It's An Emergency)

The goal of having a small trading account is to grow it into a bigger account. You cannot grow it into a big account if you're wiring out profits. You're trying to grow your account so you can increase the amount you can risk per trade, and therefore increase the amount you can make per trade. This will result in your account growing much faster, and get your account size to the point where you can comfortably make a living off of your trading profits.

7. Set Realistic Expectations

Growing a small account is not an overnight process. Do not expect to go from a $5k trading account to a $30k trading account (not to say it can't be done) in 6 months. Do not rush the process and set unrealistic expectations. This will cause you to force trades and actually slow down your account growth. If you have seen several months of green, you can wire in more money into your account so you can increase your position sizes to speed up the growth process. Remember trading is a marathon, not a sprint.

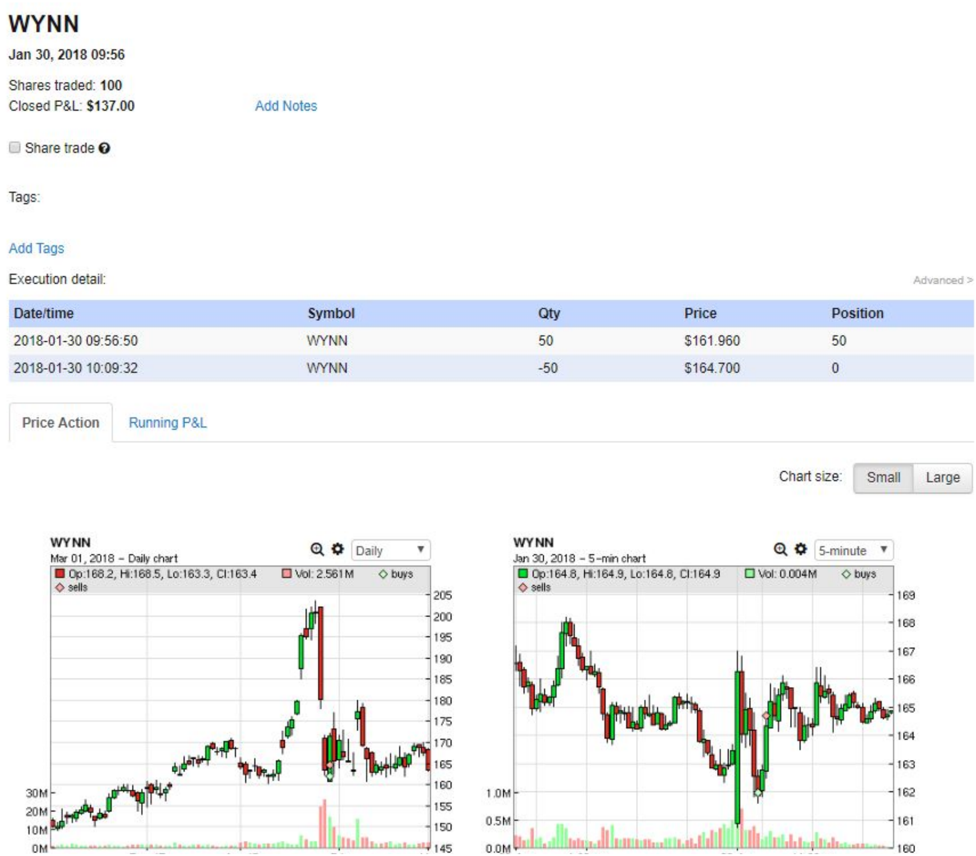
Trade Journaling

You will never find trading success without using a trading journal. If you don't document your trades, you will not be able to learn from your mistakes and grow. We thought it would beneficial to talk about how you should use a trading journal to find success. Here are 3 things new traders must track with a trading journal to become profitable traders.

Track Every Trade You Take

At the end of every trading day, you should record and reflect on every trade you took. You can use software like Tradervue to upload your trades from whatever broker you use. They will have execution charts that show you all of your entries and exits. Seeing your execution charts will help you understand what you are doing wrong and right.

Here is a screenshot of Tradervue:



Notice patterns in your trading. Are you chasing your entries? Are you not being patient? Do you keep jumping in and out of trades because you are scared and over-sized? Always focus on the bigger picture trends you when you are studying your data. Look at your losing trades and figure out the common mistakes, and then eliminate the behavior that is causing them. Look at all your winning trades as well, and figure out what they have in common. Identify what patterns of behavior and setups your best trades had, and cut out everything else that isn't working.

Track Every Different Setup You Take

When you upload and record your trades, you need to label the setup that you took. This is especially important if you are a new trader who does not have their niche setups established. Are you consistently winning on earnings breakout plays? Are you constantly losing on parabolic shorts?

Trading is a game where generalists do not make any money. When you are starting out, you need to have just one or two go to setups that you can rely on to consistently extract income from the market. Tracking all the setups you take in your trading journal will show you what setups you perform best and worst on.

Track Your Profit Loss Ratio

Your profit loss ratio and your win rate are your two most important metrics for determining if you are profitable trader. The risk vs reward on your trades matters just as much as your win rate. If you have a 90% win ratio but your profit loss ratio is 1:10 (meaning your winners are 1/10 the size of your losers), you are not a profitable trader. However if you just have a 40% win rate but your average profit loss ratio is 3:1 on your trades, you will be profitable in the long run.

Do not stress about just having a high win rate. Focus on developing the patience to let your winners run so that you can have a good profit loss ratio so your win rate will not matter as much. This will also take a lot of the emotion out of losing. You know that as long as you cut your losses where you are supposed to, you will be profitable in the long run. Never focus on day to day results when you are tracking your trades. Focus on your weekly and monthly performance will show you if you are heading in the right direction or not.

Conclusion:

Well that's a wrap! We hope you enjoyed your Bulls Starter kit handbook. If you haven't already, be sure to checkout the intro course which covers this same information in a video format, along with your free consultation to go over any of the products we offer here at Bulls on Wall Street.

With your opt-in to receive your trading kit, we realize that you are most likely willing to commit to trading at some point or another in your life. With this, we want to reward you by allowing you to receive 50% off either our day or swing trading services for your commitment to learning the craft of becoming a stock trader. Click either image below to learn more about our two services and how you can learn while watching us put our trading setups in real-time on screen-share.

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Omer Benli - Director Of Education

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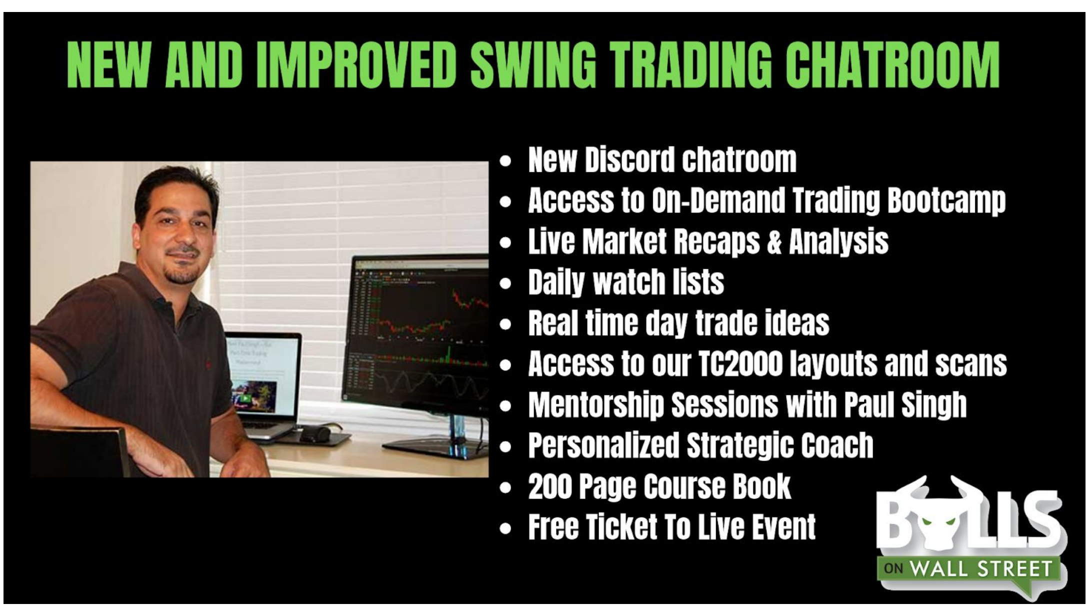
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