The 1K club

The 30-Minute Trading Day **Blueprint**

WHAT WE NEED TO TAKE OUR FIRST TRADE

If we're going to be successful in trading, we need to have an edge.

Study after study shows that random stock-picking gets us into big trouble. We can't just get into the market on hunches, we need to have a reason.

And those reasons can get complicated. We can endlessly look at financial statements produced by an endless amount of companies. We may be able to find an edge, but, most likely, we'll just get confused. Or exhausted.

For us to get started and have an edge, we need something to look for.

Otherwise, we'll always be second-guessing ourselves when it comes time to pull the trigger.

TIMELESS TRADING PATTERNS

While it's true that some trading patterns can get complicated and subjective, there are a few I like that are easy to spot and make sense.

The first one is the famous "Double-Top" pattern.

What is the psychology behind it? It starts with euphoria!

Initially, a stock makes a big move up. This may be to a new all-time high or it just may be a massive rise. Of course, trees don't grow to the sky and stocks don't either. At some point, the rise has to stall out.

That's the first top.

But people get emotional with stocks and the stories behind them. So, after the big rise and the sell-off (people taking profits), the traders who love the company start buying in again.

And we see another rise.

When it gets to the same high level as before, though, we start to see another sell-off. Maybe analysts have determined a ceiling for the price or maybe there are a bunch of sell orders waiting from traders who didn't get out at that level the first time.

Whatever the reason, we see price stall out at the high once again. That's the double-top. Once a level has been rejected twice, we usually don't see a third try.

Usually that means the party's over.

After a double-top, once price breaks below previous support, we usually see a big drop down.

Here's an example of this occurring in AMZN:

And this works nicely in reverse, too. Here's AMZN just a few months later producing at "Double-Bottom" pattern and then soaring upward:

The second trading pattern is called a “Channel Breakout”.

This occurs as energy is being built up.

First, price moves up a bit and then gently sells off. Sentiment is positive.

Because traders like the stock, price moves up gently once again. And then quietly sells off.

And it keeps doing this in an orderly fashion. Nothing crazy, just a gradual climb.

But all the while, the stock is storing up energy for a big move. Once it breaks out of the channel, we usually see a big run in one direction.

Here’s a chart for Hyatt Hotels. It ping-ponged back and forth from February to November before launching upward:

The third pattern I like is called a “Bull Flag Pattern”.

This pattern revolves around big moves and big emotions.

In this one , we initially see an explosive move up. This move catches people by surprise and leaves the Bears in a desperate state. They’re losing money on the rise upward.

Then we see a stall-out and the Bears try to get their money back. They start selling again because it was supposed to go down in the first place!

But the selling can't quite outweigh the buying. The drop from the high is orderly and in a channel.

And, as we learned about channels, once they're broken, it usually leads to a big move. That's what happens here.

To summarize, we see a fast move up, a calm selling off that forms a channel, and then another leg up in price. Here's an example:

First, we had a move up, then we consolidated inside a channel for a few days, and then we got another move up once the top of the channel is broken.

Those are three patterns I like and should give you the tools to start finding good trades.

HOW TO TRADE RISK-FREE

The most important time to be careful is right as you get started.
At first, you can't know what you don't know.

And it's the first few trades that are the most dangerous.

What if we find a good pattern but, because we don't know better, we use a trade size that's way too large?

If we go in too big too early, a "normal" correction in the stock can lead to a big loss...or worse.

A simple sizing mistake can lose the whole account.

But not only that, watching a trade can be very emotional. Seeing it go up and down can lead to sleepless nights!

That's why it's a great idea to trade "risk free" when you're just starting how.
What do I mean?

I mean, be a "paper trader."

Instead of putting your money at risk right off the bat, do all the same work you would normally do, but only take the trade on a notebook. Or a Demo account.

This way you get the practice of preparing but not the danger of losing everything.

Make 10-20% on your trades on paper before you ever go into the live market.

You'll be surprised at how many mistakes you can correct just by taking a few entries on paper.

It's a dress rehearsal free of charge.

It gets you ready to trade without risking a penny.

FAST MONEY VERSUS BIG PROFIT

We all get emotional when we take trades.

And sometimes the hardest emotions to handle are the ones we feel when we're in profit.

What's the old saying: Nothing fails like success!

So, you need to have a game plan for when things go right.

And that game plan involves making a decision: do I take the "fast money" or do I take the "big profit"?

There are advantages to both.

By taking fast profits, you get just what it sounds like: PROFIT! You made a trade, it went exactly like you planned, and now you're in the money. If you take it, the money goes into your account.

You feel great and you have more money!

The only downside is when that same stock keeps going and turns into what could have been a big win. It’s easy to second-guess yourself and be sad -- even though you made money.

So, here’s a guideline.

When you take a trade, look on the chart for a previous high or low. Sometimes this previous high or low will be close to where you entered.

Sometimes it will be far away.

Wherever that previous high is, that makes your decision. If it’s close, this is a fast money trade. If it’s far away, prepare yourself for a longer, and more profitable journey.

Let’s say you took this trade on AAPL in April 2020. You entered on a pull-back and you could see a recent high not too far away. AAPL jumped up and hit it right away. It’s a reasonable target and a reasonable plan. It’s fast money.

But what if you were really bullish on AAPL and thought it could really run. In this case, you’d pick a previous high that’s much farther away.

Instead of fast money, you’re looking for a larger payoff. Here’s an example:

We have the same starting point but we extended our target up to the previous highs in February. It took longer to get there, but it got there.

The wait was longer but the profit was bigger.

Money can be made taking either path. You just have to make sure you decide on your path beforehand.