Twitter Thread by StarlightTrader

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Pyramiding 101



1/ What is ■■■■■■■■■■?

Pyramiding is adding to positions as the price moves in your favor.

"The best stock to buy is the one you already own."
-Peter Lynch

2/ There are many ways to enter and exit a stock, some of them are :

■All in - Scale out (what I do)
■All in - All out
■Scale in - Scale out
■Scale in - All out

3/ In my opinion swing traders should go with the 'All in - Scale out' approach and positional traders should go with the 'Scale in - Scale out' approach.

4/ Why pyramiding?

■Pyramiding will keep your average loss low compared to your average gain.

■When the market is hostile and hitting your SLs left and right, pyramiding will keep your drawdown low.

5/
■This will eventually lead to saving more capital for riding big winners in the bull market compared to the rest of the traders out there.

6/ How to do pyramiding?

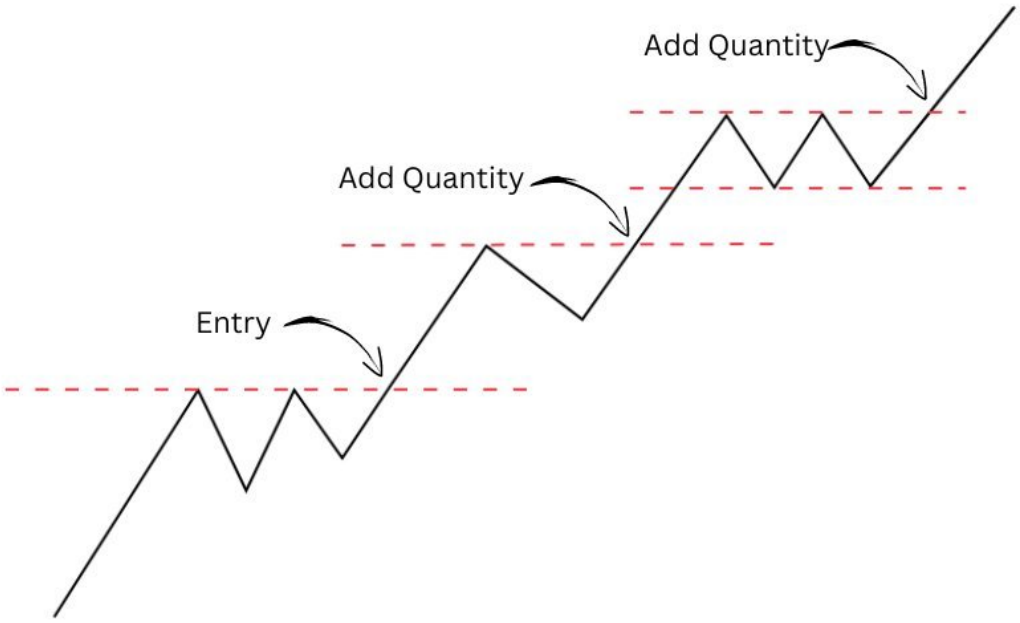
There are many ways of doing pyramiding, some of them are:

■Discretionary method (The one I will talk about)
■R-based pyramiding
■Systematic method
■ ATR-based pyramiding

7/ Discretionary method

Look for low risk entries, chart patterns, contraction patterns, or whatever you prefer.

After that buy, let us say 100 quantities at the first breakout and once there is a second opportunity, add 50 quantities and on the third buy add 25 quantities.



8/ Why am I suggesting adding half of the first entry?

It is to not increase risk by a big magnitude, we don't want to risk losing all the profit from the first entry.

9/ Example 1

CAMPUS was one of the best trades in my journal.



10/ Example 2

KALYANKJIL gave multiple entries after the Stage 1 breakout.



11/ Drawbacks of pyramiding:

■Gain won't be as high as traders who use All in - All out approach but your dd (drawdown) will be less and the equity curve will be smoother.

■Momentum needs to be present to pyramid in a trade.

12/ You can overcome drawbacks to a certain extent by making sure that you add the majority of the quantities while the first entry.

13/ Pyramiding isn't just about 'adding quantity', knowing how to trail your SL is very necessary.

Like/Retweet for a thread on SL trailing methods.

I hope you've found this thread helpful.

Follow me @Starlight_T1 for more.

Like/Retweet the first tweet below if you can: https://t.co/plr7xfbx2Y

> Pyramiding 101 pic.twitter.com/aV4qbG58dG

— StarlightTrader (@Starlight_T1) January 5, 2023