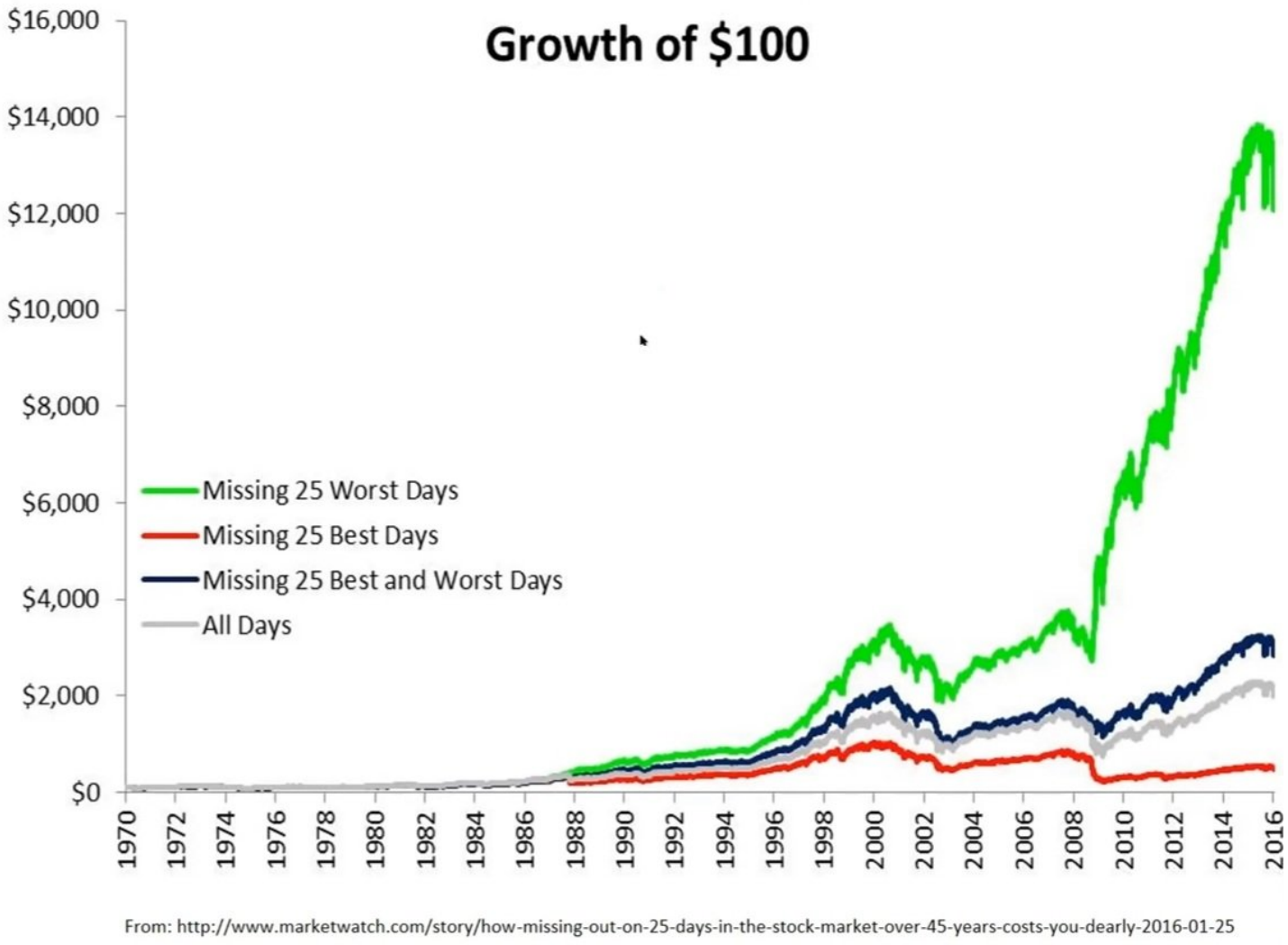
Twitter Thread by Richard Moglen ■■■

Richard Moglen ■■■
@RichardMoglen

How to time the market (thread)

There is the old saying that “Time in the market beats timing the market” The chart below from Dr. Wish’s @WishingWealth presentation at the @TraderLion_ conference shows that to be false.

Full presentation: https://t.co/o2f21GBXci



The green line is unattainable realistically, however, missing volatile times during corrections yields better performance than buy and hold and we can aim for the green line.

Investors usually only show the gray and red results.

More info:

https://t.co/Ud0irowGZK

There are many strategies for investing/trading in the stock market operating within different timeframes and with different objectives.

That is of course what creates a market and opportunity. Timing the market may not be what works for you or what fits your goals/lifestyle.

However, everyone involved in the market is here to make money over time and corrections can cause huge drawdowns in the high alpha names negating incredible performance during strong market uptrends.

To avoid the majority of the drawdowns and protect gains from the prior uptrend here are three things to track closely:

■Your portfolio and recent trade results
■The price and volume action of the market leaders
■The market indexes (The Nasdaq, SPX, IWO...)

These factors will provide signs at important inflection points. We just have to interpret them correctly.

Timing the market does not mean calling tops and bottoms, instead it means being as exposed as possible when the markets are trending higher and limiting exposure when the tide turns.

As a trader, the goal is to make progress during uptrends and then scale back to limit drawdowns as much as possible.

Perform, go flat, repeat.

Traders must stay in tune with the market and learn when to press the gas and when to be minimally exposed.

The market cycles between periods of uptrends, consolidation, and downtrends.

We want to increase exposure during the start of uptrends and start to scale back when basing periods emerge with potential negative expectation breakers which could shift the market into a downtrend.

As @markminervini says in his excellent books: you must practice progressive exposure and trade your largest when things are working for you and your smallest when many of your recent trades have hit stops.

Listen to the market for feedback and react.

https://t.co/6SW2XB0DF7

Watching the market leaders is another key to interpreting the current market health.

How to find market leaders and judge stock market conditions ft. @duckman1717

https://t.co/a7X816bJe4

These market Leaders are the stocks under significant accumulation by institutions because they are changing the way we work live and play , are growing their earnings/sales at incredible rates, and are disrupting industries.

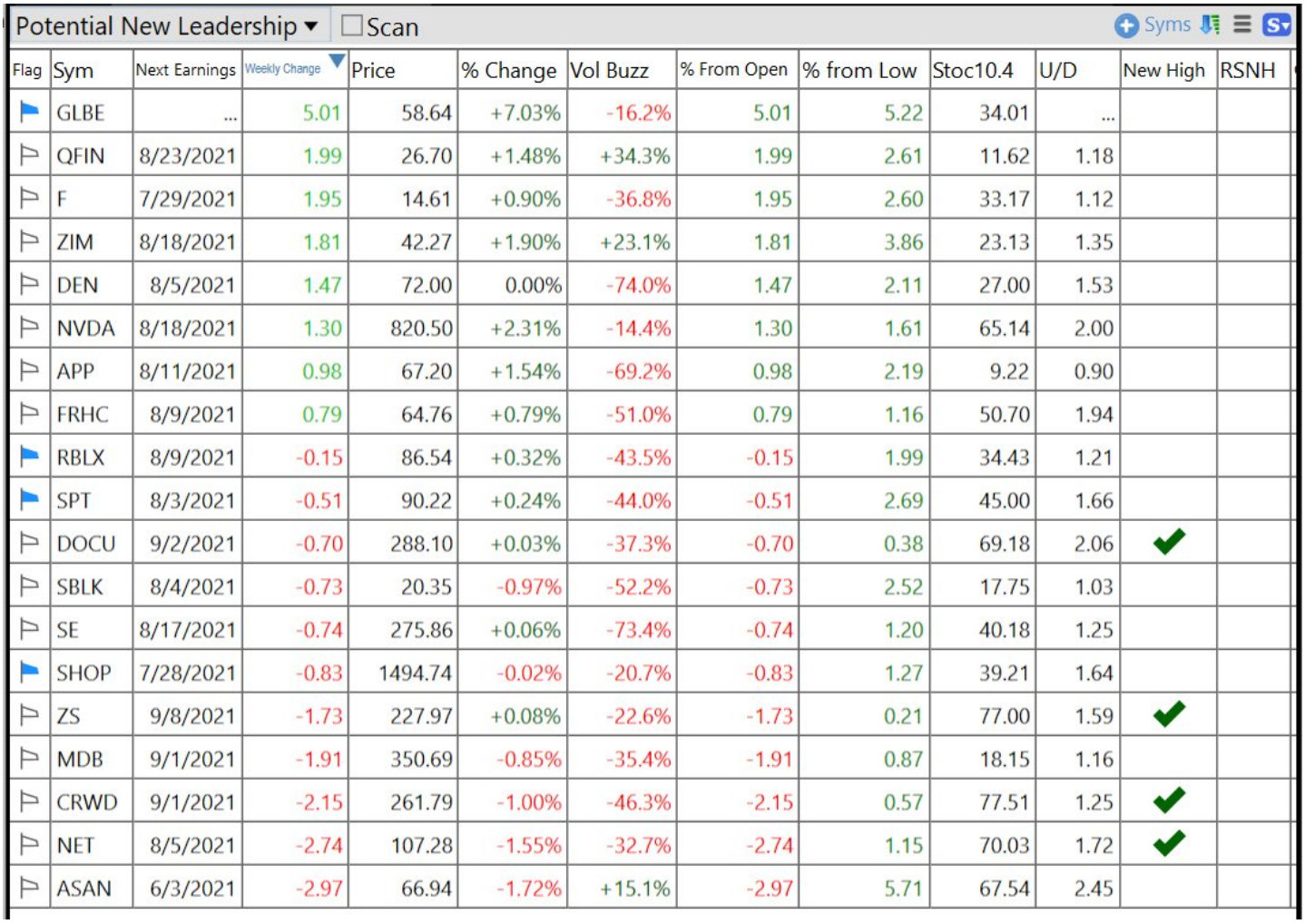
They combine the best fundamentals/story with price/volume action.

They as a group act as a barometer for the overall market.

If many potential leaders are moving up the right sides of their bases/breaking out to new highs the market will soon follow the trend.

Likewise when a significant run has already occurred and these leaders start changing character and breaking moving averages as institutions start to take profits, the market could soon follow and enter a correction.

By tracking a list of these leaders and updating it regularly, you can track the institutional appetite at the current time.



Potential New Leadership ▾ Scan

Syms

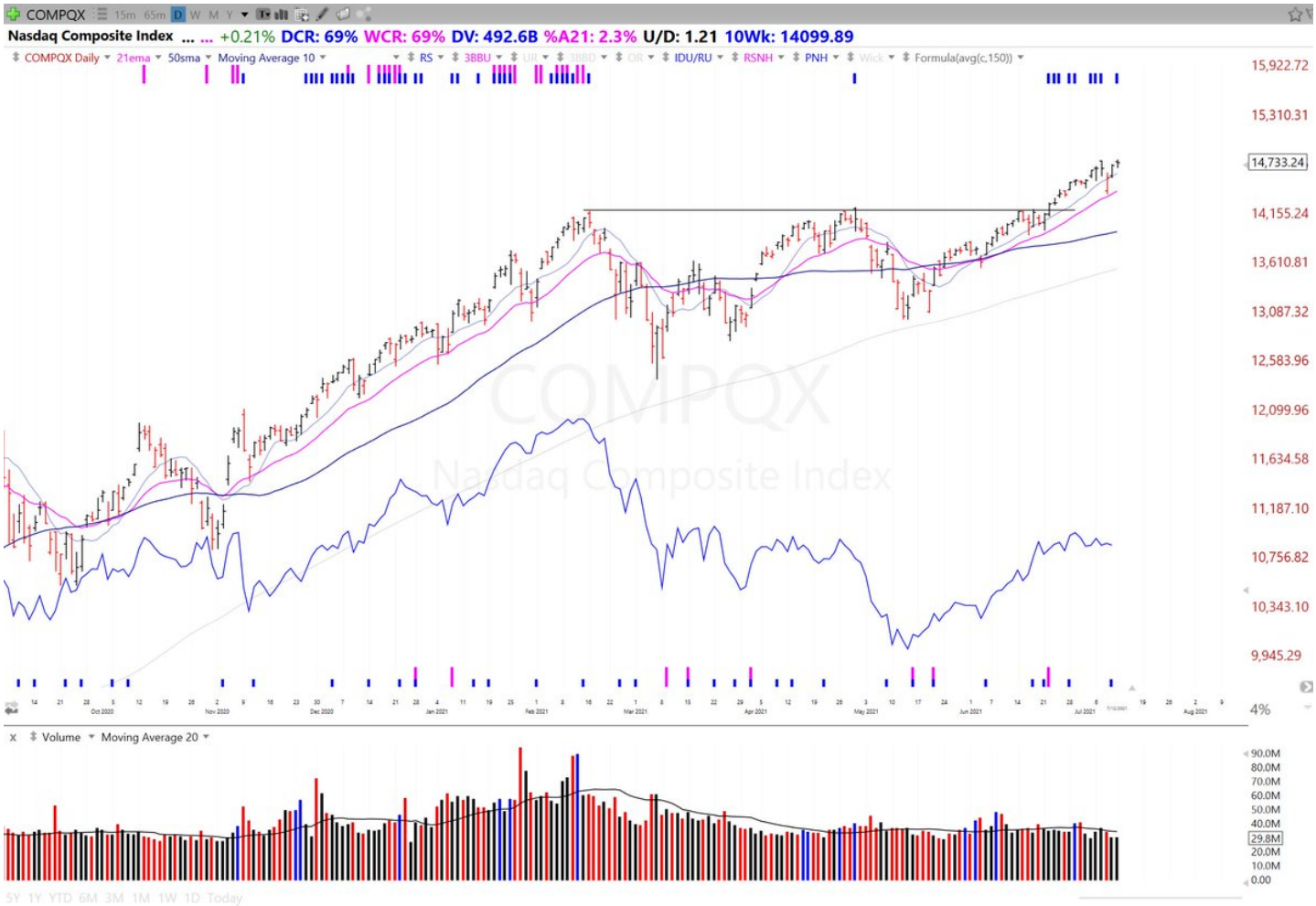
Flag	Sym	Next Earnings	Weekly Change	Price	% Change	Vol Buzz	% From Open	% from Low	Stoc10.4	U/D	New High	RSNH
⚑	GLBE	...	5.01	58.64	+7.03%	-16.2%	5.01	5.22	34.01	...		
⚐	QFIN	8/23/2021	1.99	26.70	+1.48%	+34.3%	1.99	2.61	11.62	1.18		
⚐	F	7/29/2021	1.95	14.61	+0.90%	-36.8%	1.95	2.60	33.17	1.12		
⚐	ZIM	8/18/2021	1.81	42.27	+1.90%	+23.1%	1.81	3.86	23.13	1.35		
⚐	DEN	8/5/2021	1.47	72.00	0.00%	-74.0%	1.47	2.11	27.00	1.53		
⚐	NVDA	8/18/2021	1.30	820.50	+2.31%	-14.4%	1.30	1.61	65.14	2.00		
⚐	APP	8/11/2021	0.98	67.20	+1.54%	-69.2%	0.98	2.19	9.22	0.90		
⚐	FRHC	8/9/2021	0.79	64.76	+0.79%	-51.0%	0.79	1.16	50.70	1.94		
⚑	RBLX	8/9/2021	-0.15	86.54	+0.32%	-43.5%	-0.15	1.99	34.43	1.21		
⚑	SPT	8/3/2021	-0.51	90.22	+0.24%	-44.0%	-0.51	2.69	45.00	1.66		
⚐	DOCU	9/2/2021	-0.70	288.10	+0.03%	-37.3%	-0.70	0.38	69.18	2.06	✔	
⚐	SBLK	8/4/2021	-0.73	20.35	-0.97%	-52.2%	-0.73	2.52	17.75	1.03		
⚐	SE	8/17/2021	-0.74	275.86	+0.06%	-73.4%	-0.74	1.20	40.18	1.25		
⚑	SHOP	7/28/2021	-0.83	1494.74	-0.02%	-20.7%	-0.83	1.27	39.21	1.64		
⚐	ZS	9/8/2021	-1.73	227.97	+0.08%	-22.6%	-1.73	0.21	77.00	1.59	✔	
⚐	MDB	9/1/2021	-1.91	350.69	-0.85%	-35.4%	-1.91	0.87	18.15	1.16		
⚐	CRWD	9/1/2021	-2.15	261.79	-1.00%	-46.3%	-2.15	0.57	77.51	1.25	✔	
⚐	NET	8/5/2021	-2.74	107.28	-1.55%	-32.7%	-2.74	1.15	70.03	1.72	✔	
⚐	ASAN	6/3/2021	-2.97	66.94	-1.72%	+15.1%	-2.97	5.71	67.54	2.45		

Finally, the indexes and their trend provide an overall picture.

Are they trending above or below their 21 ema’s and 50 sma’s.

How do they respond to gap downs?

Are they breaking out of bases into new highs or breaking down through lows?



Take all three market components I mentioned and you will have an excellent understanding of what is working in the market and how exposed you should be based on feedback and current trends.

Again I will repeat, timing the market does not mean calling tops and bottoms. That's an ego thing.

React to what is actually happening to either protect gains or take a shot at new opportunities emerging.

Now to address a few main criticisms to timing the market.

■It's impossible
■Taxes
■It's not worth the effort

First, many people say it's impossible to time the market.

They are correct if they mean calling the top/bottom to a tick. But as I've mentioned timing the market is more about being in tune with what is actually going on and riding the trends after they are confirmed.

Traders/investors have been doing this since the very beginning. Read how many great historical traders navigated the markets in John Boik's Lessons from the Greatest Stock Traders of All Time

https://t.co/dnS40TFlla

Second, Taxes.

Trading requires paying capital gains. However, I would rather protect my profits and sell when a stock breaks key moving averages than sit through a drawdown of unknown depth/time at a loss.

Timeframe and personality matters here for sure as well as cost basis.

Additionally, I highly recommend to anyone especially younger people to use Roth IRAs so you don't have to worry about this.

https://t.co/0dNTmaR8Oi

Finally, many people say its not worth the effort.

Depending on your goals, timeframe, strategy this could be true. But I know many successful traders who use alerts to stay up to date with price action while they go live their lives.

Most of the work for keeping track of the leaders is done on the weekends (My routine takes about 2.5 hours including making a video)

This weeks:

https://t.co/IGB5qX3xZd

Timing the market is a divisive topic and it may not be for you. But for me it's worth the higher performance potential which can add up to an incredible amount over time.

What are your thoughts? ■■