Twitter Thread by Dr. House



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I’m using Twitter as my trading journal. Feel free to follow along and learn with me. I’ll post the resources I’ve found most valuable below. I’ve attached my evolving trading rules. As you can see, I am continually learning from my mistakes and feel more prepared each day.

Options Trading Rules

1. Plan your trade and trade your plan. Know when you will enter and exit the trade, preparing for any possible directional move (up, down, or horizontal).
2. Look at price action (1, 2, or 3 candles) over multiple timeframes (monthly, weekly, daily, hourly, and 5-minute charts) to better understand the general trajectory of the stock (consolidating or moving up or down its broadening formation).
3. Consider technical (candlestick patterns, volume by price, MA/EMA, anchored VWAP, trend lines, RSI, stochastics, MACD, Fibonacci levels) and fundamental (financials and catalysts such as earnings reports) indicators to supplement the price action direction.
4. Consider the effect of timing. For example, entering into an options trade at the beginning versus the end of the week with the price of the premium or the predictability of price action in the week *prior* versus week *of* an earnings report. Consider the best date of expiration based on the price action with technical/fundamental analysis and your risk-to-reward ratio.
5. Together with timing, consider the best strike price based on target levels as determined by price action with technical/fundamental analysis.
6. Start to take gains as early as 10% especially if you own multiple options contracts (for example, take out incrementally at 25%, 50%, 75%, and 100%). If you do not take gains immediately, set a stop loss to prevent a loss on the trade. Increase the stop loss as the premium price increases. If the price changes direction, exit immediately with a market order to prevent a loss. **There will always be other opportunities to trade the same or another stock.**
7. If price is moving in anticipated direction (up or down), assess the price action with technical/fundamental analysis to gauge likelihood trend will continue. For example, if price extends across initial target, okay to stay in if continually puts in 2 bars without signs of reversal (2-1-2, 2-2, 2-3, 2-3-1-2) on the most pertinent timeframe. Of note, wait for 3-4 candles to form to confirm a reversal if playing a bounce.
8. Place trades with the intention of exiting same day or next day especially in uncertain markets.
9. Do not enter a trade if you cannot monitor as closely as needed to exit at target for-profit or stop loss level when achieved.
10. Do not enter a trade within the first 15-20 minutes of market open given the volatility. However, do take significant gains from overnight within the first 15-20 minutes.
11. Do not hold a trade through a catalyst (buy the hype, sell the news) unless willing to lose all.
12. Hold 50% cash overnight during stable markets and up to 100% cash overnight in unstable ones.
13. Limit number of trades to 7-8 (the limit of short-term memory).
14. Do not risk more than 15-20% of portfolio on any single trade and typically no more than 5-10%.

Wave theory resources:

https://t.co/zMLJx0Posg

Recommend checking out @StockDweebs newsletter. I don't practice wave theory myself but have found his picks highly accurate and like to correlate them with my own.

YouTube channels:

TrendSpider @TrendSpider
smithsintheblack @RobInTheBlack
Sara Sabatino @ssabatino84
_ms_izzy @_ms_izzy
Learn to Day Trade @TrueBubbleHead
StockDweebs @StockDweebs
watchjoshtrade @watchjoshtrade
BullTradeFinder @BullTradeFinder
MagicMike @magicmiketrader