Twitter Thread by making sales ■



making sales ■
@making_sales

A COMPLETE BREAKDOWN OF MY MOMENTUM DAY TRADING PROCESS.

[THREAD]

A process is just a set of rituals you complete consistently every single day to achieve a certain outcome (profit).

A process requires an edge which is simply a statistical advantage you have over other players. A strong psychological state can be considered a bonus edge.

I believe that trading can be split into three elements:

1) Knowledge and idea generation
2) Method and trade execution
3) Risk management and mindset

Each element is necessary and it builds a solid foundation in your trading process.

These factors make up the trading trinity.

MY SCANNING PROCESS:

In PM, I look for:
- Top gainers (40%+)
- Notable volume on gappers
- News or catalysts (to justify gap)
- Float (<50M)
- Market cap (<500M)
- Range (check daily)
- Price (<25)
- Stock personality (check daily)
- Filings (cash on hand and offering potential)

I like to use websites such as:
- https://t.co/dGrDjwtOR8

- https://t.co/Vc256oZCre
- https://t.co/AFrA2ebGr6
- https://t.co/N9nDmqz54E
- https://t.co/0aEt36amzx
- https://t.co/K5b5oercFQ
- https://t.co/VogPh4QNHM
- https://t.co/OoMHVH19CX

Usually, I'm left with ~5 stocks in a warm market. I make 2 stocks my main watches and the rest are on the back burner.

I hone in on my top 2.

Also, I have any names that have had momentum and held trend in the prior days as back burner watches since they may see continuation.

Next, I go through all of the charts for the stocks that I'm interested in.

I want to identify:
- Prior ranges (since I believe stocks will trade in ranges until they breakout/down)
- Key levels from the daily
- PML and PMH

Also, I take note of the trend and the 50 and 200 SMA.

MY TRADE SETUP:

INDICATORS:
- 9 EMA = Red
- 20 EMA = Light Blue
- 50 SMA = Yellow
- 200 SMA = Green
- VWAP = Purple
- Volume Bars

TIME FRAMES:
- 5 Minute
- 1 Minute
- 1 Day

My entries will vary depending on price action and the likelihood of a stock coming down to my level.

I prefer to dip buy most of the time because breakout trades require a certain market condition.

I try add as close to major key levels as possible for low risk/high reward.

I don't know exactly what level a stock will come to so I monitor which range they're current trading in and I assume they continue trading there.

When it comes down to a channel line or key level. I look to see if price respects that level for an entry with risk just beneath.

If price does end up respecting that level then I will take an entry with risk just beneath the level.

I don't breakout add unless the market is hot. I would rather for a breakout and re-test and get my adds there.

I flick between the 1m and 5m and I mainly watch candle bodies.

Alternatively, I will play more seasonal strategies and chart patterns which require their own set of rules.

Seasonal strategies are simply strategies that are high probability given the current market conditions.

*I go through and explain some strategies in my pinned tweet.

I do take into consideration supply and demand but I may not draw zones instead I try to have a key level to cover a point in the zone.

I constantly assess sentiment and I always ask myself: "Who's in control and who's stuck?".

This helps me better understand the price action.

I'm selective when it comes to picking my stocks and I'm averse when it comes to taking on big risks.

I love asymmetrical bets where risk/reward and probability is skewed heavily in my favor.

I have a max pain of 10% on a trade and I will risk <2.5% of my account on a trade.

When it comes to position size, I like to go heavy since my downside risk is minimal and I will quickly cut for a paper cut loss. Also, I will move my stops to break-even after a leg up.

You can calculate position size by:

Max risk / (Entry price - Stop price) = Position size

It goes without saying but my risk levels are set around key technical or psychological levels.

I believe these levels to be potential pivot points so I'm really strict at cutting my losses because if I carry on holding then price is likely to flush.

I don't hold bags!

When it comes to scaling, I have different approaches…

Either I will:

1) Scale most (50%+) on the first target and move my stop to entry
2) Let the stock work and only scale out small amounts (~10%) at key resistances and ride the trend based on the 20 EMA on the 5m

At the end of the day, I close out all of my positions since I'm a day trader.

However, I take note of runners that remain strong and AH movers depending on their action and their close.

I will chart these names when market closes. I keep them on back burner watch the next day.

This is simply my style and strategy that suits my lifestyle and my personality.

It's what I find consistency, repeatability and profitability in.

It works for me but it may not work for you.

You can take this thread as a guideline and adapt it to fit your way of trading.

Another thing is I've recently been using ADR% as a metric to determine range.

Ideally, I want an ADR% of 10+ because I'm interested in explosive momentum moves.

Also, you always want to keep an eye on volume. You don't want volume to fall off a cliff for a trade you're in.

As for my trading rules, here are a list of 15 principles that I live by:

It's not rocket science whatsoever.

Keep things simple and be able to do them time and time again with ease.

There's no need to make things complex and sophisticated when they don't need to be.

It's better to have something straightforward where you just need to execute well.

Also, a big shoutout to @MullinsMomentum, @Tuckerbrees, @RocketCatchnBob, @bear_fuker and @singlesdoubles because they have heavily influenced my trading style and they have helped me find a niche in day trading.

In many ways, my strategy is inspired and derived from their own.