



**WARRIOR  
TRADING**

# Warrior Trading

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CHAPTER 12. CREATING YOUR TRADING PLAN





# Today you will Learn

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- How to setup a trading plan.
- We will discuss:
  - Your Objectives
  - Strategies You'll Trade
  - What to Expect



# Why Is This Important?

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- Success in Day Trading requires discipline. The trading plan is what you will follow everyday. It's the business plan that will guide you towards trading success.

# I want to be a Professional Day Trader

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What do I need to do?

Just like any other profession, if you are serious, you have to evaluate whether or not this is really a potential career path.

This isn't a part-time hobby you do on the side, learning to day trade requires a tremendous amount of time and energy.

Once you have achieved proficiency in the market, you can scale back to focusing only 2hrs a day on trading. But as a beginner, you need to spend several hours/day studying.



# Make your Plan and Trade your Plan

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In order to succeed as a trader you MUST be organized and discipline. This starts with tracking all your trade on an excel doc and continues with writing a trading strategy and overall trading plan

# Never Trade an Unproven Strategy

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You should only live trade a strategy that is proven to be successful.

This is part of risk management. When you know a strategy has a 65% success rate and 2:1 profit loss ratio, you have a full understanding of the risk.



# Don't Trade Real Money

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Don't Trade with Real Money until you've proved that you can make money with a papertrading account.

This would have saved me over \$30k in losses...and I'm not the only one!

Once you are consistently making money on paper, you can transition to live trading with small size.





# Day Trading Plan Basics

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- 1) What is your Strategy?
- 2) What are your daily goals, max loss limits, and how many times / day will you trade?
- 4) What is your 6 month target?



# Gap and Go! Strategy

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The Gap and Go strategy is a unique Trading Strategy that falls under the category of Momentum Trading Strategies.

Time Frame: 9:30am – 10am (sometimes allowing pre-market trading)

Stock Type: Low Float Stock (under 50mil share)

Requirements: Stock should have a Catalyst or be a former runner.

Price Range: Price between \$1.50-10.00

Accuracy: 78% (based on my trades)

Profit Loss Ratio: 1.5:1 (based on my trades)

How do you find stocks?: Trade-Ideas Gap Scanner

# Gap and Go Entry Setups

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The Gap and Go strategy offers 4 unique setups. Each setup is an entry opportunity with a pre-determined stop.

1. The 1min Opening Range Breakout (entry on 1min chart)
2. The Break of Pre-Market Highs (entry on 1min chart)
3. The First Pull Back (works on both 1min and 5min charts)
4. The Red to Green Move (typically traded on the 1min chart, but also works on the 5min chart)

Hard stop -20 cent max at all times. Profit targets 20-40 cents.

# Gap and Go Exit Indicators

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Once we enter a Gap and Go trade based on one of our favorite setups, how long do you hold it? With Gap and Go trades, I usually have 10 cent stops, with 20 cent max loss. This means my profit targets are between 20-30 cents on average, with 40-50 cents being exceptionally strong, and 50 cents – 1.00 gains are monstrous.

If you are a scalp trader, you typically sell based on Level 2 or Time & Sales action. If you are a trend based trader, you sell based on first candles to make a new low, or go red.

## **I will begin to sell if:**

- 1) I see Heavy Resistance on the Level 2 in the form of a big seller, I bail out by selling on the bid.
  - 2) I stop seeing buying, and I'm just seeing a lot of selling on the Time & Sales, I bail out by selling on the bid.
  - 3) If my first profit target has touched, I sell half by selling on the Ask, and adjust stop to breakeven for remainder.
  - 4) If 2<sup>nd</sup> or 3<sup>rd</sup> profit targets are hit, I continue to sell small pieces on the Ask.
  - 5) If my entry is on the 5min chart, typically I will sell on the first red candle on the 5min chart, unless I'm already up so much that I can afford to hold through the pullback.
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# Momentum Trading Strategy

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The Momentum Trading Strategy is a strategy for trading stocks that are already moving up or down quickly.

Time Frame: 9:30am – 12pm(sometimes allowing pre-market trading and sometimes continuing into the afternoon)

Stock Type: Low Float Stock (under 50mil share)

Range Today: Should already be up at least 10%

Requirements: Stock should have a Catalyst or be a former runner, but technical breakouts are okay.

Price Range: Price preferred between \$1.50-10.00, but applicable for all prices. Higher prices should be 5min patterns only.

Accuracy: 72% (based on my trades)

Profit Loss Ratio: 1.5:1 (based on my trades)

How do you find stocks?: Trade Ideas HOD Momo Scanner (Yellow or Green Alerts)



# Finding Entries

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I enter Momentum Stocks based on these types of setups.

- 1) Half Dollar and Whole Dollar Breakout
- 2) Bull Flag/ Flat Top Breakouts
- 3) Moving Average Pullback Entries (also flag patterns typically)
- 4) The 1234 setups. Looking for pivot levels to break
- 5) Breaking News & Halt Setup
- 6) Micro Pullbacks on the 1min chart

On all of these setups, clean daily charts without nearby resistance are preferred.

Low floats are preferred

High volume spikes are preferred.

# Momentum Exit Indicators

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Once we enter a Momentum trade based on one of our favorite setups, how long do you hold it? Just like Gap and Go trades, I usually have 10 cent stops, with 20 cent max loss. This means my profit targets are between 20-30 cents on average, with 40-50 cents being exceptionally strong, and 50 cents – 1.00 gains are monstrous.

If you are a scalp trader, you will typically sell based on Level 2 or Time & Sales. If you are a trend trader, you will sell when the first candles makes a new low, or goes red.

## **I will begin to sell if:**

- 1) I see Heavy Resistance on the Level 2 in the form of a big seller, I bail out by selling on the bid.
- 2) I stop seeing buying, and I'm just seeing a lot of selling on the Time & Sales, I bail out by selling on the bid.
- 3) If my first profit target has touched, I sell half by selling on the Ask , and adjust stop to breakeven for remainder.
- 4) If 2<sup>nd</sup> or 3<sup>rd</sup> profit targets are hit, I continue to sell small pieces on the Ask.
- 5) If my entry is on the 5min chart, typically I will sell on the first red candle on the 5min chart, unless I'm already up so much that I can afford to hold through the pullback.

# Reversal Trading Strategy

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If we see a stock has just made a strong move, either to the upside or the downside, we may feel we've missed the opportunity to jump on the momentum. Instead, we wait for the reversal, to trade the opposite direction.

Time Frame: 9:30am – 4pm (Strategy works all day, but requires high volume on the stock in question)

Stock Type: Low – Medium Float Stock (under 50mil ideal, but up to 100mil not usually a problem)

Range Today: Should already be up or down at least 5%, but 10% is better.

Requirements: A min of 5 consecutive candles on the 5min chart, more is better. Volume Spiking.

Price Range: Price preferred between \$20-100, but applicable for all prices.

Accuracy: 67% (based on my trades) (accuracy lower because timing reversals is hard)

Profit Loss Ratio: 2.5:1 (based on my trades) (Wins are bigger because when they work, they work!)

How do you find stocks?: Use Reversal Scanners, Low RSI Scanners, and Consecutive Red/Green Candles scanners, then buy first candle to make a new high.



# Finding the Setup

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Now that you know how to use scanners to find the stocks worth trading, you need to find your setup.

The reversal setups I trade

1. Candle outside Bollinger Bands
2. First candle to make a new high after 5+ red candles
3. Over/Under a whole dollar or half dollar
4. Bounce off 200EMA on the Daily Chart
5. Bounce off support or resistance on the Daily Chart.

The setup has to be very obvious for me to take the trade.

# Reversal Exit Indicators

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I tend to prefer immediate resolution of Reversal Trades. If I get in expecting a bounce, and we don't bounce, I'm immediately on my guard.

If you are a scalp trader, you will typically sell based on Level 2 or Time & Sales. If you are a trend trader, you will sell when the first candle makes a new low, or goes red.

## **I will begin to sell if:**

- 1) I see Heavy Resistance on the Level 2 in the form of a big seller, I bail out by selling on the bid.
  - 2) I stop seeing buying, and I'm just seeing a lot of selling on the Time & Sales, I bail out by selling on the bid.
  - 3) If my first profit target has touched, I sell half by selling on the Ask, and adjust stop to breakeven for remainder.
  - 4) If 2<sup>nd</sup> or 3<sup>rd</sup> profit targets are hit, I continue to sell small pieces on the Ask.
  - 5) If my entry is on the 5min chart, typically I will sell on the first red candle on the 5min chart, unless I'm already up so much that I can afford to hold through the pullback.
  - 6) Since I expect an immediate breakout, if we don't get it, I'll get out breakeven.
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# 4 month Trading Plan

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1<sup>st</sup> month is SIMULATED TRADING

All of our students take part in our 4 month, 3 step trading plan where we start you with \$50 of risk per trade and slowly increase that to \$200 risk per trade.

Students who have completed our 3 step trading plan successfully are building the skills to earn upwards of \$100k/year as a day trader.

We aren't teaching you to get rich quick, it takes hard work, but we are teaching trading skills that can be used for a life time.





# Trading Plan

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For the next four months, you must follow a strict trading plan.

You must prove to yourself that you are successful and that you worth investing in.

You have to prove this not only to yourself, but to anyone else considering supporting you in this process.



# Objectives & Rules

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Your Objectives & Rules:

- 1) Trade in the simulator for a min of 1month to gain experience with new strategies
- 2) Only trade during the times permitted by your strategy.
- 3) Do not exceed Max Loss, or Max Position Size restrictions
- 4) Exceed a min of 50% accuracy. 60-70% is target range.
- 5) Maintain a positive Profit Loss Ratio of AT LEAST 1:1
- 6) Use our scaling strategy to sell ½ when you are up a little, and set stop at breakeven.
- 7) Do not trade through major economic news (FOMC meeting minutes)
- 8) When you trade LIVE, only trade the strategies you successfully traded as a paper trader.

If you can achieve these objects and follow these rules, you will be ready to advance to live trading in Month 2.



# Trading Plan Goals

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# Trades per Day: 4 (but not more than 10)

Target Accuracy: 50% min, 60-70% goal

Max Risk per Trade: You are risking \$50 per trade to start, but we will increase to \$200/trade in risk.

Daily Profit Target: \$100 / day profit, will increase to \$400.

Daily Max Loss: If you lose \$100 in 1 day you are done for the day! Will increase to \$400

Weekly Goal: Daily goal x 3. (\$300), will increase to \$1200

You should focus on whichever strategy resonates with you most, Gap and Go, Momentum in the first 2hrs, or Reversals.

I personally would choose the Gap and Go and Momentum strategies.



# 1<sup>st</sup> Month - \$50 Risk

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# Trades per Day: 4 (but not more than 10)

Target Accuracy: 50% min, 60-70% goal

Max Risk per Trade: You are risking \$50 per trade.

Daily Profit Target: \$100 / day profit.

Daily Max Loss: If you lose \$100 in 1 day you are done for the day!

Weekly Goal: Daily goal x 3. (\$300)



# Take 4 trades per day

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Risk \$50 per trade. Lose on 2 trades.

You are down \$100.

Make \$100 on 2 trades, you make \$200.

You have a net profit of \$100.

You may hit a winner that far exceeds \$100.

Ideally, I'd like to see you win on 3 out of the 4 trades you take, but you can still be profitable with a 50% success rate.



# Do this for 1 month

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Do this every day for 1 month

Prove to yourself that you can choose the right stocks, the right patterns, and consistently come out ahead.

Right now, it's not about how much you make, it's about building consistency!!





# Month 2

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In Month 2, you will repeat month 1 except this time you will consider trading in a real account IF you have proven yourself successful in the first month of training.

You have to make the decision for yourself about when you are ready to trade with real money. You may feel you need to repeat the month 1 trading plan in a simulator until you have proven you can maintain a good profit loss ratio and percentage of success.



## 3<sup>rd</sup> Month - \$100 Risk

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After your first successful month of live trading with small size, you are going to look to increase your size. Only increase size if you are generating profits.

# Trades per Day: 4 (but not more than 10)

Target Accuracy: 50% min, 60-70% goal

Max Risk per Trade: You are risking \$100 per trade.

Daily Profit Target: \$200 / day profit.

Daily Max Loss: If you lose \$200 in 1 day you are done for the day!

Weekly Goal: Daily goal x 3. (\$600)

# Month 3 – Double your Risk

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Risk \$100 per trade. Lose on 2 trades.

You are down \$200.

Make \$200 on 2 trades, you make \$400.

You have a net profit of \$200.

You may hit a winner that far exceeds \$200.



## 4<sup>rd</sup> Month - \$200 Risk

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After you have seen steady progress during your 3<sup>rd</sup> month of live trading, you will likely be feeling an increase in confidence. When you feel more confident, you know you are ready to increase share size and increase risk per trade

# Trades per Day: 4 (but not more than 10)

Target Accuracy: 50% min, 60-70% goal

Max Risk per Trade: You are risking \$200 per trade.

Daily Profit Target: \$400 / day profit.

Daily Max Loss: If you lose \$400 in 1 day you are done for the day!

Weekly Goal: Daily goal x 3. (\$1200)

# Month 4 – Double your Risk

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Risk \$200 per trade. Lose on 2 trades.

You are down \$400.

Make \$400 on 2 trades, you make \$800.

You have a net profit of \$400



# Set Realistic Goals

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## As a beginner trader what should you expect?

Don't expect to be profitable in the first 2 months trading.

You should be papertrading for the 1<sup>st</sup> month, and most likely breaking even after commissions once you start trading live. You will be breaking even because commissions will be a larger percentage of your gains when you trade with small size. Once you move into month 3 and month 4, you should start to see gains increase.

Trading is a process.

**SURVIVE UNTIL YOU LEARN**

You learn by experience in this industry



# If you fail, try again

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If you need to spend 6 months paper trading until you see the percentage of success and the profit loss ratios required to be profitable, that's okay. It took me over 18 months. As long as you are practicing your trades, and tracking your trade logs, you can gain experience and gain insight about what you need to do to improve your results.



# Final Words of Wisdom

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Day Trading requires a high level of discipline and composure in order to make the right decisions under pressure.

The ability to maintain discipline and composure are muscles that will become strengthened the longer you exercise them. Don't be alarmed if at first you struggle! This is how every professional trader begins, hence why we say to start trading with a paper trade/demo account!! Why practice or struggle with real money?



# Final Words of Wisdom

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We have taught you the basics of trading but we have just scratched the surface.

In our trading courses we go in depth on each of these topics and other topics to advanced to cover in this intro class.

The most important thing for a new trader to focus on is educating yourself. We will teach you the skills to be a professional trader. If you are ready to learn we're here to teach!





# Extras & Links

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Email me with questions [ross@warriortrading.com](mailto:ross@warriortrading.com)

