

# Medium Risk Trading Plan: *Catch the Bullish Bounce*

## Strategy Theory

Assume Newton's first law of motion holds and that a stock will continue to go up until it is shown to be going down. Stocks move in waves.

## Strategy Goal

Capture short-term profits on rising stocks. This strategy enters an up trending stock on a resumption of the trend after a short pull back and enters above the lowest high of the correction.

## Search Criteria

Stock has been in an uptrend for a minimum of 4 weeks and is above the MA(50). The buy point occurs less than 15 days after the last high after an orderly pull back. The stochastic (9,3) is below 25. Candidates will have the reversal stay above the 50% Fibonacci retracement level. Ensure during the pull back that the OBV and FI(2) still looks relatively strong. Look for stocks where the range of the buy day is less than 2% of the close. Average volume (30) is above 200,000 with a close above 5. Prior to the trade: review checklist and interrupt the thought process once by clapping hands, going for a walk, exercise, using glasses, sit quite for 5 minutes or sleep on it. Do not trade stocks with lots of gaps, are volatile or ones that don't move much.

## Entry Rules

Buy 1% above the signal day(s) high and ensure the stochastic is below 45. Correction volume is < 120% of the MA(10) volume.

## Exit Rules

1. Initial stop is 1 % below the average low of the buy signal.
2. Move stop to 1% below the mid point of any visually significant move
3. Move stop loss up to break even as soon as possible, get out after 5 days when there is no major movement
4. If 200 or more shares are owned, sell as soon as breakeven can be achieved
5. Trail the market by a day and move stop loss up to 1% below the last low once a new high is reached or follow the MA(20)
6. Move stop 1% under a consolidation area if one forms during the holding period

## Risk/Money Management

1. Aim is to return a minimum 2-to-1 reward-to-risk with a winning percentage of 50 + %
2. Put a maximum of 15% of my account into any one trade
3. Have a maximum of 4 trades open at any one time
4. Account risk per trade for winning %: 1% for 70+%, 0.75% for 60+%, 0.5% for 50+% and 0.25% for 40+%



Buy 1000 shares of T.SMF on May 23 @ 6.56  
Sell May 27 sell 500 shares at 7.09  
June 22 sell 500 shares at 8.19  
Profit: \$1050 or 16%



Buy 1300 shares of T.NGD on May 25, 2010 @ 5.81  
Sell on June 14 @ 6.39  
Profit \$560 or 9%