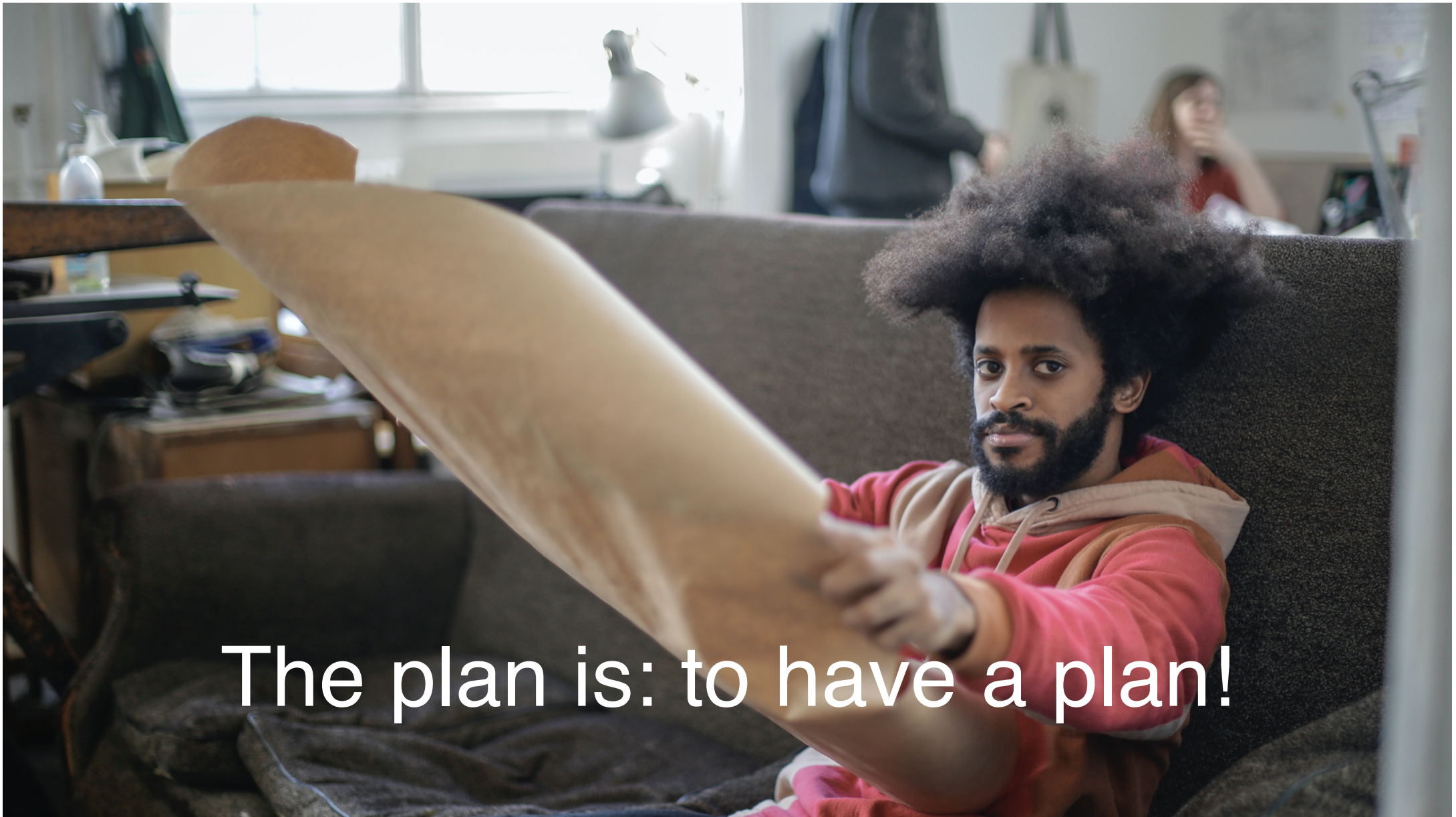


TRADER PETRI/ .

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The plan is: to have a plan!

What we've already covered

Previous Power Hour Presentations

- Daily routines
- Practical trading setups and rules
- Building strategies
- Trading psychology
- Risk management

Copies of all these presentations and their respective videos are available at:

herenya.co.za/presentations

Knowledge builds on knowledge

- Highly recommend that you download the slides and work through previous presentations
- The idea is that these are complimentary, if not cumulative

Your success is your responsibility

- There is no nice way to say it... what you put in is what you get out
- Looking for quick easy money will always end in tears
- You have to work your face off!

Today we are going to cover

The most important lesson from today

- Risk bases approach
- Process, process, process!

Things we will look at

- Selecting the right instruments and asset classes to trade
- Taking trades
- Formulating a trading plan that works for you
- Enforcing discipline by staying routed in process/routine

The major takeaway from today's talk is that trading should be done slowly and carefully.

A person with short brown hair, seen from the back, is looking at a wall covered in various design sketches, photos, and documents. The person is wearing a grey and black striped sweater. The wall is a collage of creative work, including wireframes, user interface designs, and photographs. The text "What to trade?" is overlaid in white on the person's back.

What to trade?

So what should you be trading?

Things to consider

- How much risk are you able to take?
- How much time are you able to dedicate to markets every day?
- Honestly, how knowledgeable and experienced are you?
- Have you accepted the truth yet?

The Truth

There is no magical strategy that always works that will make you millions quickly. Trading is not easy. You must create your own strategy. You are the only one to blame if it doesn't work.

So what should you be trading?

Are you trading 'sexy' instruments, or the ones that you should be trading?

- We must take a risk-based approach to selecting the asset classes and instruments that we decide to trade
- We must get a firm understanding of;
 - The assets we are trading
 - What influences the pricing of these assets?
 - The instruments we are trading
 - What influences the pricing of these instruments?



Selecting the right instruments

Spot markets

- No gearing
- Long only
- Best for longer-term trading or investing
- Spot markets are the 'real markets' for underlying asset classes

Futures

- Usually 10x to 15x gearing
- Stay mindful of exposure
- Futures can be traded on all underlying asset classes including indices

Contracts For Difference (CFD)

- Usually between 7x and 12x gearing
- Easier to manage exposure
- CFDs can be traded on most underlying asset classes

Options

- 100x gearing
- Defined, limited risk
- Complex pricing
- Only practical to trade in US
- Options can be traded on most underlying asset classes

Over-the-counter CFDs and other derivatives

- Usually 50x or more gearing
- Trading 'against the house'
- OTC derivatives are traded on most underlying asset classes

Selecting the right asset classes

Equities

- Normal shares in companies
- Comes with a variety of rights, most notably the right to share in earnings / dividends

Commodities

- Hard commodities
 - Must be mined or extracted
 - Metals, minerals, oil, etc.
- Soft commodities
 - Agricultural products
 - Wheat, coffee, pork, etc.

Bonds

- Debt obligations
- Pay coupons / interest

Currencies/Forex

- Traded in 'pairs'
 - Once currency versus another

Exchange Traded Funds/Notes (ETF/N)

- Collective Investment Schemes
- Funds that are traded on exchanges
- Composed of underlying assets
 - Indices – collection of equities
 - Commodities
 - Currencies
 - Bonds

What you should be trading

New trader

Can't lose much	Have over R100k to trade with	Have over R500k to trade with
Spot markets	Spot markets CFDs	Spot markets CFDs

Equities

ETF/Ns

Bonds

Commodities

**Moderately
experienced trader**

Spot markets	Spot markets CFDs	Spot markets CFDs Futures
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Equities

ETF/Ns

Bonds

Commodities

Forex

What you should be trading

Experienced trader

Can't lose much	Have over R100k to trade with	Have over R500k to trade with		
Spot markets	Spot markets CFDs Futures	Spot markets CFDs Futures Options OTC		
Equities	ETF/Ns	Bonds	Commodities	Forex



Making your own plan

Swing trading strategy example

Wave Trading (long only) - Hourly / Daily Timeframe

Rules:

- 25% exposure
- Swing trade based on ABC principle
- 'universe' shares only
- **Entry**
 - Kiss of a MA
 - Stochastic through 50
 - Break of resistance
- **Exit**
 - Pattern Target reached
 - Take out of stop
 - Fundamental change
 - Clear trend reversal
- **Stop-Loss:**
 - Slightly below B
 - 9/12 EMA or trend line trailing stop

Risk management

Edge ID method

Instrument selection/universe creation

Must have:

- Validated Wave pattern
- Multiple timeframe trend
- Confirmed trend
 - Moving averages
 - Stochastic
 - Primary trend line
 - Fan lines
 - B to C move
- High probability setup (good Risk:Reward)
- Price target
- Relative outperformance of Top 40 (universe shares)

Edge details

Nice to have:

- Bullish candle formation
- Bullish divergence
- 38.2%+ retracement
- Horizontal support
- Price formation / pattern
- Rising volume in up trend
- Bullish stochastic
- OBV above 89MA (or a bounce off 89MA)

Watch out for (can prompt exit):

- Significant resistance
- Bearish candle formation
- Distribution patterns
- Falling volume in up trend
- Bearish divergence
- Break of 50 EMA
- Rising volume in down trend
- OBV MA crossover

More risk management

Basic principles of strategy

- Multiple confirmations required to enter trades
- Pattern break outs with two measures of momentum, as well as, relative strength and a break of resistance as an entry signal
- This means that there needs to be **at least three signals** before I can take a trade
- Relative performance will dictate if I can trade or not
- Half size when trading against the trend

**Everyone's strategies are different,
this is just what works for me**









MEDTRONIC PLC · 1D · Cboe BZX O80.97 H81.66 L75.79 C77.46 -1.76 (-2.22%)



Examples of trades



HCA_trading published on TradingView.com, April 16, 2020 00:20:40 SAST
CME_DL:SP1!, 1D 2768.1 ▼ -7.0 (-0.25%) O:2770.9 H:2770.9 L:2768.1 C:2768.1



Formulate a trading plan that works for you and where you are in your own personal journey

- You must acknowledge what you know and what you don't know
- Study up on those things that you don't understand
- Self-study is always better than paid courses
- Books are expensive, but worth every cent
- Endless free resources, just put in the work to find them

Basic things to think about there are:

- Timeframe
 - Intraday vs overnight/swing vs long-term
- Instrument
 - How much exposure am I taking? (Gearing)
 - Can I afford this risk?
- Asset class
 - Do I understand what drives this asset?
 - Back-testing the method
 - Is this a simple strategy?
 - Am I overcomplicating this?

Process enforces
discipline



Process enforces discipline

Our trading team's process is:

- Identify potential trading opportunity
- Evaluating trading opportunity
 - Potential fundamental risks / catalysts
 - Earnings
 - Economic events / number (retail sales, etc.)
 - Clear entry and exit?
 - Risk-reward ratio
 - Greater than 1:2
 - Do I have to reduce position size due to pessimal R:R?

- Have a planned trade
 - Wait for confirmations and triggers before entering
 - Don't chase
- Monitor
 - Has something fundamentally changed to get me out of this trade?
 - Has it reached either target or stop?
 - Has momentum significantly shifted?
 - Has something macro drastically changed to get me out of the market?



Knowing when
to stay out

Using volatility to tell us when to stay out

HCA_trading published on TradingView.com, April 16, 2020 00:58:40 SAST
TVC:VIX, 1D 40.8 ▲ +3.1 (+8.16%) O:39.4 H:43.2 L:39.3 C:40.8



Thank You

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