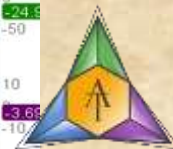


# Conditional Orders – Design Your Trade

## Target Profits & Protect Capital



## Disclaimer

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- U.S. Government Required Disclaimer – Commodity Futures Trading Commission Futures and Options trading has large potential rewards, but also large potential risk. You must be aware of the risks and be willing to accept them in order to invest in the futures and options markets.
- Don't trade with money you can't afford to lose. This is neither a solicitation nor an offer to Buy/Sell futures or options. No representation is being made that any account will or is likely to achieve profits or losses similar to those discussed in this training. The past performance of any trading system or methodology is not necessarily indicative of future results.
- CFTC RULE 4.41 – HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING. ALSO, SINCE THE TRADES HAVE NOT BEEN EXECUTED, THE RESULTS MAY HAVE UNDER-OR-OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFIT OR LOSSES SIMILAR TO THOSE SHOWN.
- All Materials presented are for training purposes only . Traders should paper trade any new method prior to risk of personal capital.

# Designing Trades—Conditional Orders a Must!

It gets back to the 6 Pillars

1. What to Trade
2. When to Get In
3. When to Get Out
4. What Strategy to Use
5. What to Expect
6. Have a Mentor

**But its more...Critical Tool for Trader's who want to do more than just watch the market!**

**Its intuitionally based on many observations that help provide an edge as to what to expect and what to do when what actually happens is different from expectations.**

**We only control two points on any trade—where to enter and where to exit. Everything else is out of our control!**



# Bonus Setup - 5 Pillars of Active Trend Trading



1. What to Trade: Strong Growth Stocks or Premium ETFs - HQY
  2. When to Enter: Based on Back Tested Proprietary Signals
  3. When to Exit: Based on Classic Technical Analysis – Sell ½ at
  4. What Strategy to Use: Buy Stock – Build Position
- Profit to Date: \$340 on 1<sup>st</sup> Half  
 Remaining Position Up = 53.3%  
 Additional Paper Profit = \$1824
5. What to Expect – Probability of Success – 65%

Stock/ETF	Invest Amount	Shares	
<b>Upside</b>			
<b>HQY</b>	<b>\$ 6,790</b>		
<b>Entry</b>	<b>54.32</b>	<b>125</b>	P/L
<b>Stop</b>	<b>52.50</b>		-227.5
<b>5% Profit</b>	<b>57.04</b>		339.50
<b>10% Profit</b>	<b>59.75</b>		679.00
<b>20% Profit</b>	<b>65.18</b>		1358.00

# Conditional Orders—Coming & Going

## Conditional or Contingency Orders

1. Based off orders you design after doing your technical analysis of a Stock or ETF

- ❖ Defines Where to Enter
- ❖ Defines Where to Exit
- ❖ Provides Peace of Mind!
  
- ❖ Not all trading platforms are created equal. Learn the capabilities of your platform

# Conditional Orders—Coming & Going

## Nuts & Bolts

1. Identify the Stock or ETF
2. Identify where you want to buy and/or sell it (Action Value Zones)
3. How Much Do I Fudge? (Define a Zone Based on a dollar amount of %)
4. Place your Conditional order to trigger on either strength or weakness
5. Place time stop on entry order (2 weeks max) may need to adjust based on the strength of the trend
6. Automatically set your exit parameters
  - GTC Stop Loss & T1, T2 and occasionally T3

## Conditional Orders—Coming & Going

- *Our research has found that learning to trade off a specific moving average or strong Support/Resistance levels can lead to better entry consistency based on objective entry criteria.*
- *We also want the chosen moving averages & Support/Resistance levels to be applicable across variable timeframes such as intraday, daily, weekly and monthly charts*
- *For the Active Trend Trading System, the 8 period EMA has performed well in over 10 years of back testing and live trading!*
- *If one uses another Moving Average adjust the rules to that moving average and call it before placing the trade.*

*i.e. I'm planning this trade off the 50 day MA*

# **Conditional Orders—Coming & Going Build a Trade**

*Identify a Stock or ETF – One Stock or ETF can be traded in Various Strategies*

*Go To the Charts and Define Parameters*

*Go to Trading Platform and Build the Trade*



# The Strategies

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Strategy I: Buying the Stock or ETF

- ✓ Identify Pullback support/resistance
- ✓ Place Conditional Order at the or slightly above the Level of Support/Resistance (Fudge Factor)
- ✓ If filled automatically place Stop Loss & T1 Order

Try to make conditional orders transparent to Market Makers! TD Ameritrade's TOS Platform allows us to do this.

# The Strategies

Strategy II: Buying (Debit) & Selling (Credit) directional options for weekly/monthly income and capital appreciations

- Spread or Directional Option (Call or Put)

- ✓ Identify Pullback support/resistance
- ✓ Expected Move
- ✓ What is income/profit goal
- ✓ Place Conditional Order at the or slightly above the Level of Support/Resistance (Fudge Factor)
- ✓ If filled automatically place Stop Loss & T1 Order

Try to make conditional orders transparent to Market Makers! If Options are thinly traded use estimate of Option value at Price Level and timeframe

# Conditional Orders—Strategy 1



HOLX – Uptrend with Pullbacks to moving averages

Target Shooting Trigger = Two Objectives: 8/20 Day EMA or Drop Breakout Zone at 77.49

Define the Trade: Long Stock

Stop Loss: 5% or dropping 79.24

T1 = 5% - 10% Gain or Top Last Swing High

T2 = Hold until price hits \$90.59, may want to build into a longer-term position

**How Many Shares?**

# Conditional Orders—Strategy 1

## Position with 5% Stop

Stock/ETF Upside	Invest Amount	Shares	
HOLX	\$ 4,871		
Entry	81.18	60	P/L
5% Stop	77.12		-243.54
5% Profit	85.24		243.54
10% Profit	89.30		487.08
20% Profit	97.42		974.16

## Position with SL Stop

Stock/ETF Upside	Invest Amount	Shares		
HOLX	\$ 4,871			
Entry	81.18	60	P/L	% Loss/Gain
Stop	79.14		-122.4	-2.51%
T1	84.07	1/2 Shares	86.70	3.56%
T2	90.59	1/2 Shares	282.30	11.59%
T3	0.00	0 Shares	0.00	0.00%

HOLX – Uptrend with Pullbacks to moving averages

Target Shooting Trigger = Two Objectives: 8/20 Day EMA or Drop Breakout Zone at 77.49

Define the Trade: Long Stock

Stop Loss: 5% or dropping 79.24

T1 = 5% - 10% Gain or Top Last Swing High

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**How Many Shares? \$5000 to Invest Per Trade**

# The Strategies

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Strategy II will be saved for another session