

# BUSINESS PLAN TEMPLATE

- Business goals.

- Start each day with a trading plan.
- Only trade when feeling physically and mentally well.
- Enter into positions only when there is a clear technical setup or significant news event and not on hunches.
- Only evaluate weekly results to remain focused.
- Become an expert on a specific stable of stocks and sector(s).
- Never trade on option expiration.
- Adhere to the 2% rule forever!
  - $\$21,172$  (Balance on 6/6/2010) X 2% =  $\$424$ .
  - $\$21,172$  X 1.5% =  $\$318$ .
  - $\$21,172$  X 1% =  $\$212$ .
  - $\$21,172$  X 0.5% =  $\$106$ .

- Short term trades.

- If the TRIN is over 2, use a time based activation rule set to trigger at the end of day and buy long and/or at the money calls. The TRIN trend is less effective in a bear market (under 200MA) so cut lot size by  $\frac{1}{2}$  and do not trade the TRIN over 2 trend if it occurs on a Friday or before a holiday.
- Using a price based activation rule and the shave price feature with the appropriate increment value, buy at the money or the nearest out of the money calls or puts for high momentum assets when the underlying asset breaks its 10AM high or low. Set stop losses.
- Bull and bear flags.
- Earnings.
- $ADX < 10$ .
- Hot and weak sectors.

- Swing trades.

- Decrease size and widen stops.
- Options.

- Explosion trades.
  - Using 5% of monthly gains, not to exceed \$5,000, buy to open out of the money calls and puts on high momentum stocks.
  
- High volatility, day after a range expansion or choppy days.
  - Adjust price targets for stocks under \$50 per share to 0.25¢ on first half, moving stops to breakeven, and 0.50¢ on second half.
  - Adjust price targets for stocks between \$50 and \$100 per share to 0.50¢ on first half, moving stops to breakeven, and \$1.00 on second half.
  - Adjust price targets for stocks over \$100 per share to 0.75¢ on first half, moving stops to breakeven, and \$1.50 on second half.
  
- Low volatility or trend days.
  - Adjust price targets for stocks under \$50 per share to 0.50¢ on first half, moving stops to breakeven, and let stock run second half.
  - Adjust price targets for stocks between \$50 and \$100 per share to \$1.00 on first half, moving stops to breakeven, and let stock run second half.
  - Adjust price targets for stocks over \$100 per share to \$1.50 on first half, moving stops to breakeven, and let stock run second half.
  
- Weekly and daily targets with goals.
  - TDY (Trading Days per Year) = 52 weeks X 3 days per week = 156 (Approximate number of trading days in one year minus days off).
    - **\$100,000 per year gross income.**
      - Daily goal:  $\$100,000/\text{TDY} = \$642$ .
      - Weekly goal:  $\$642 \times 3 \text{ days} = \$1,926$ .
    - **\$100,000 portfolio goal!**
      - $\$100,000 - \$21,172 = \$78,828$ .
        - ❖ Daily goal:  $(\$78,828/0.70 \text{ (Taxes)})/\text{TDY} = \mathbf{\$722}$ .
        - ❖ Weekly goal:  $\$722 \times 3 \text{ days} = \$2,166$ .
    - **New car.**
      - $\$40,000/(\$642 \times 0.70 \text{ (Taxes)}) = 90 \text{ trading days or about 7.5 months}$ .
    - **New condo.**
      - $\$250,000/(\$642 \times 0.70 \text{ (Taxes)}) = 556 \text{ trading days or about 4 years}$ .
    - **New furnishings.**
      - $\$75,000/(\$642 \times 0.70 \text{ (Taxes)}) = 167 \text{ trading days or about 1 year}$ .

- Daily stop loss.
  - 2.5% of portfolio adjusted weekly if gains and daily if losses.
    - $\$21,172 \times 2.5\% = \$529.$
- Losing streak stop loss.
  - After 2 losing days in a row, start day with ½ size lots. After 3 losing days in a row, take 1 day off and return with ½ size lots until 2 winning trades in a row.
- Losing adjustment.
  - After 2 losing trades, cut lot size by ½. After 3 losing trades, cut lot size by ¼.
- Winning adjustment.
  - After 2 winning trades, increase starting lot size by 20% and continue to increase but limit to 300% of starting lot size. A single losing trade resets lot to original starting size.
- Giveback
  - After a 1% of portfolio gain is realized, use trailing stops on any open and new positions so that at most the day ends green or breakeven.
    - $\$21,172 \times 1\% = \$212.$
- Withdrawals.
  - On a quarterly or monthly basis, remove 30% of profits for taxes and the remaining amount over \$100,000, deposit to savings and checking for goals and income.

Thanks for your interest and enjoy,  
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