#### **Hyper Stocks**

## Basics of Trading

The following guide is meant to help you understand the basic rules of trading in the stock market



#### **Hyper Stocks**

## Risk Capital

#### What is it?

Risk capital is the amount of money you transfer into your trading account. The reason we call it "risk" capital is because this should be money you're willing to live without. Meaning it is money that you won't be needing in the next 6 months.

This doesn't mean that you will lose the money, it simply means that you're willing to take market positions with this money without stressing over not getting it back in time for rent.



#### **Hyper Stocks**

### Bulls vs Bears

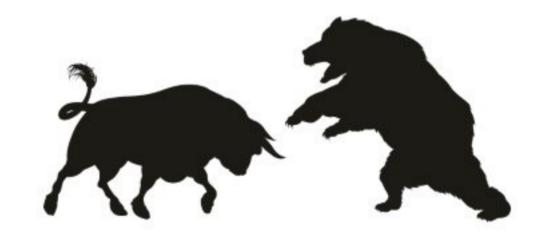
#### The two sides of the market

You may hear the words: bull, bear, bullish, and bearish thrown around often when involved in the stock market. Let us explain what they mean.

The bulls on the stock market are the ones who are optimistic about the price of the stock and foresee it to trend in an upward direction

The bears are pessimistic about the future of the stock. They are often the ones who "short" stocks or bet against them.

So if you're bullish on a stock, it means you're expecting it to move up. If you're bearish, you're expecting it to go down.



# Trading Lines

#### **Support Lines**

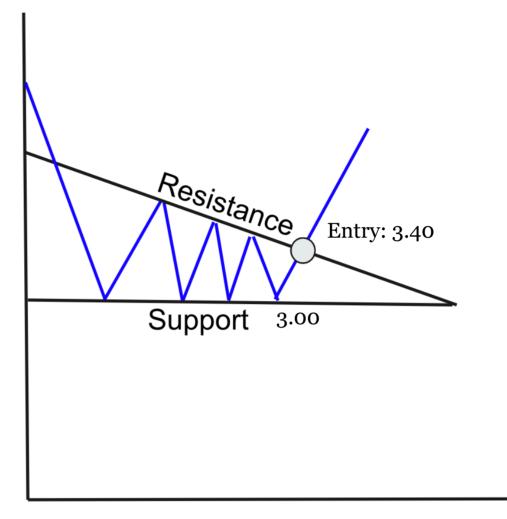
Support lines come in two types:

- 1. Moving average support
- 2. Price action support

#### What is a support line?

The support line of a stock is the price zone in which the stock is expected to stay above. For example, in the graph on the right, the stock bounces off the support line of \$3.00 until in breaks out.

The support line is price the stock is expected to reach and reverse AWAY from.



Support lines are not automatically drawn out on a graph, you must manually find them and use them properly.

Why are they important?

- 1. Support lines help you make trades using the reversal strategy
- 2. Support lines help you place proper stop losses (More on this later)

## Trading Lines

#### **Support Lines Continued**

What happens if a stock falls below its support:

If you're bullish on a stock, you would want it to hold the price above its support to continue trending upward, but things don't always workout.

If a stock breaks below a key support area, it'll likely suffer from heavy selling from people exiting their positions.

If you have a position in a stock and you've defined its support and placed a stop loss at it, if you found the proper support, there's a likely chance that many other traders placed a stop loss at it too; therefore resulting in a large influx of selling volume at the break of that price What happens to support lines when they are broken:

The price in which the support line broke under becomes its new resistance.

We'll have more on resistance later.

First you learn, then you remove the "L" Hyper Stocks



Notice how this chart shows the stock bouncing off the white line multiple times before breaking under it. This is a perfect example of a stock breaking its support line. If you were bullish on this stock, your proper stop loss should've been just under \$298 (where the white line is marked). Once stock price broke under the support, the shares saw an influx of selling and the price dropped lower and lower. Keep in mind

this is just the horizontal support, moving averages also play as support lines and must be taken into consideration. If you'd like to learn more, please check out our full Hyper Growth Course, available on our website.

# Trading Lines

#### **Resistance Lines**

Support lines come in two types:

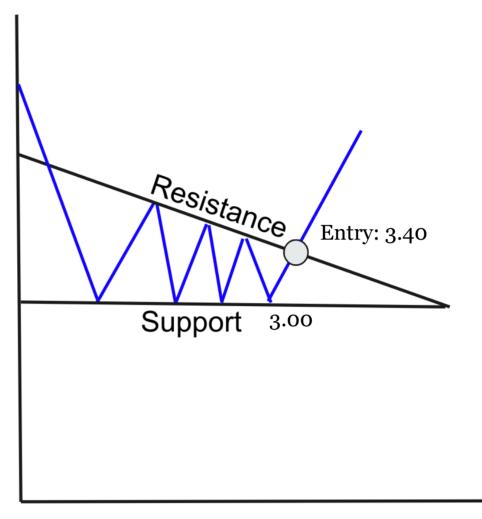
- 1. Moving average resistance
- 2. Price action resistance

#### What is a resistance line?

The resistance line of a stock is the price zone in which the stock is expected to turn away from.

OR

If you're trading a breakout strategy, it is the price you want the stock to break ABOVE in order to enter the trade and ride the stock up to its price target



In the example above, we drew a diagonal support line accordingly to the price action of the stock. This resistance line gave us a point of entry for our breakout strategy.

Still confused?

Reach out to us for our full trading video course.

#### **Candlestick Explanation**

Most traders struggle to find the right time length to study their charts in, so for the sake of this guide, we will suggest our personal favorite based on successful experiences.

When reading a chart we want to swing trade, we look at the one full day candles to get an overview of what the stock has been doing in the macro picture. The longer the time length of the candles, the more accurate and reinforced indicators become. By indicators I am referring to: RSI, moving averages, MACD...etc. (Refer to chart below)

Why do we look at the bigger picture?

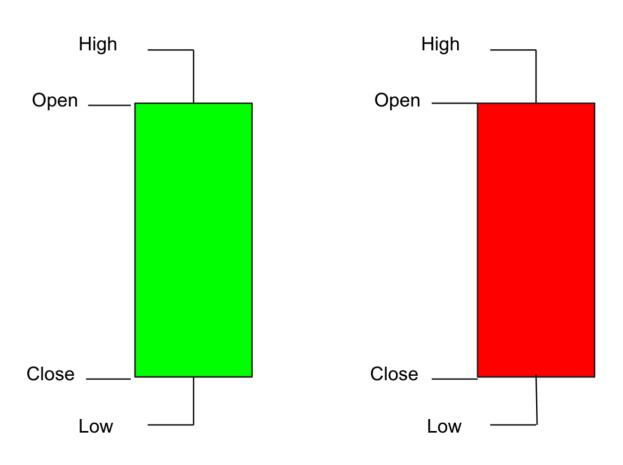
Because studying a chart for a swing trade on 1 minute candles doesn't give us enough solid information to make an educated trade on its next move.

A stock that may have happed above a 20 day moving average on a 5 minute chart may be weeks away from gapping above 20 day moving average on a 1 day chart.

#### **Bonus Information**

Candlestick charts can be read using different time lengths.

- The typical time lengths used for day trading is 1,5, and 15 minutes.
- The typical time lengths for swing trades are 10 minutes, 1 hour, and 1 day.



#### **Risk Management**

Considering nothing in the stock market is certain, sizing your position is just as important as the trade itself.

Position sizing can be subjective due to risk tolerance and trading confidence, but there are general guidelines to position sizing in the stock market.

Generally, successful traders don't risk more than 10% of their account per trade.

So if you have \$1,000 in your account, you'd use \$100 of it per trade and set a proper maximum amount you're willing to lose from there.

Just because you're using \$100, doesn't mean you ride a stock down to \$0 if the stock goes south. You want to set max amount you're willing to lose. For most traders, this amount is between 5%-10% depending on their confidence in the trade.

Risk		Share Size	
\$	0.05	2000	
\$	0.10	1000	
\$	0.15	667	
\$	0.20	500	
\$	0.25	400	
\$	0.30	333	
\$	0.35	286	
\$	0.40	250	
\$	0.45	222	
\$	0.50	200	
\$	0.55	182	
\$	0.60	167	
\$	0.65	154	
\$	0.70	143	
\$	0.75	133	
\$	0.80	125	
\$	0.85	118	
\$	0.90	111	
\$	0.95	105	
\$	1.00	100	

# **Emotional Discipline**

#### Fear:

There are two types of fear in the market:

1. The fear of missing out (FOMO)

Traders will see a stock making a massive move in a bullish direction and hop in it in hopes of catching profits...only to end up losing money on their position because the stock has already been overbought and its ready to make its way back down

2. Fear of ever entering a trade
Scared money doesn't make money! Trading the market
may have its risks but that's why we always have a
defensive strategy to limit our losses and secure our gains

## What do we mean? Greed:

It's easy to get carried away when a stock is breaking out on a huge run...but its also very easy to get too attached to holding that stock. It's important to understand that what goes up must eventually come down, especially when trading penny stocks. So you cannot let greed get the best of you and must stick your exit points, otherwise you'll ride your stock all the way back down to negative.

## Fear and greed are your worst enemies

We can teach you everything about the stock market, but we cannot teach you emotional control. Every trader fights a battle with their emotions and their trading career relies on it.

### Defense

This takes us back to position sizing. The stock market is a career or playing defense more than it is offense. The idea is to cut your losses short and let your winners run.

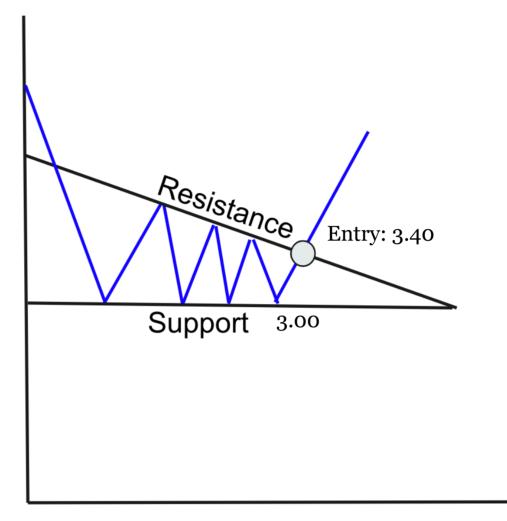
#### Stop Loss Orders:

A stop loss order is an order you place with your brokerage to automatically sell your position if it reaches or drops below an indicated price. The stop loss order is typically placed just beneath the stocks support line.

#### What to consider

Don't just consider the support line when placing a stop loss order, you must also take into account the amount of money you can lose if the stop loss order filled at that price.

See graph for example



If you entered the stock above at 3.40 and it had a support at 3.00, setting up your stop loss at 3.00 would result in a 13% loss on your position, which isn't good for your portfolio's growth.

Its a general rule that you want to limit your losses to 5-10% of your POSITION and NOT your entire portfolio.

This means your stop loss should be calculated by both the support and the percentage between your entry and support

### Hyper Growth Course

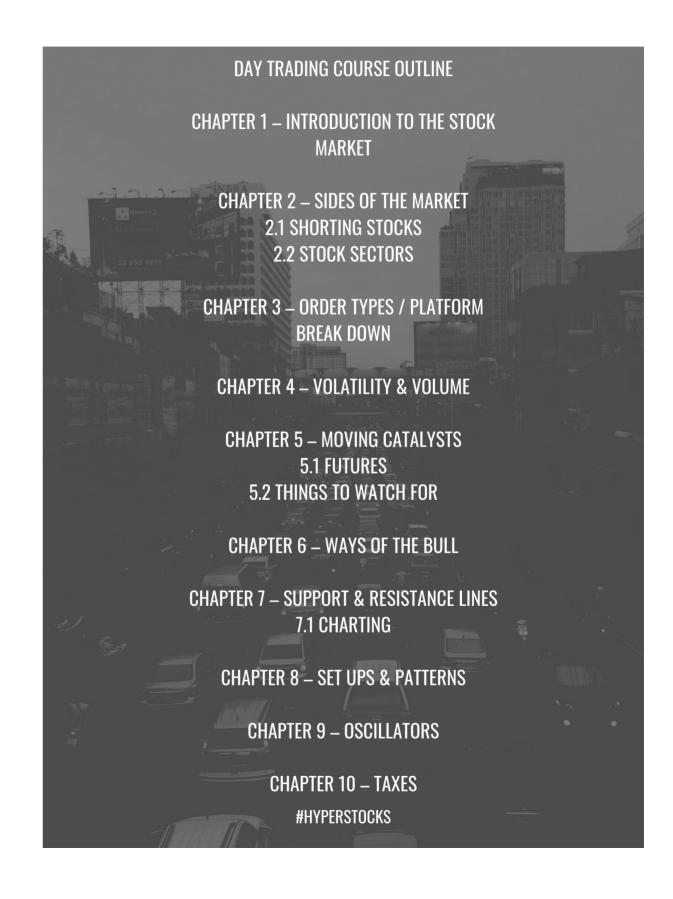
Want to learn more? We got you.

The education necessary to successfully trade on the stock market cannot be fully explained in PDF guides and handbooks. We created a full course for you to maximize your knowledge and become the best trader you can be.

The image on the right hand side breaks down the chapters included in the course.

What else is included?

When you sign up for the course, you also receive our full options trading course.



### Hyper Growth Course

**Options Trading Course** 

Options trading is EXTREMELY profitable when done properly. Our Hyper Growth Course includes our full options trading course, putting you ahead of the game in your trading knowledge and career.

Register for full course on: <u>hyperstocks.org</u>

