THE 7 POWERS OF TRADING

The Power To Control Your...

- Money
- Assets
- Risk
- Time
- Market
- Trade
- Self

CHEETAH TRADERS

THE 1% TRADERS

INVESTMENT MANAGEMENT

Aaron Valley

Money Management

(The Power To Control Your Money)

I. Concepts
   A. Profits - Control your downside and profits will take care of themselves.
   B. Losses - Accept the fact that losses are part of business.

II. Diversify - Diversification will enable you to increase your returns while holding your risk constant or decrease your risk while holding a return constant. Diversify among markets, systems, parameters, and time frames.

III. Asset Allocation - An allocation of low risk is typically a ratio of 80:20. However, if more risk is decided the total invested funds for trading should be limited to 50% of total capital. The remaining 50% is allocated using an investment risk pyramid.

IV. Capital Allocation - How much capital is needed for the trade.
   A. Never risk more than 1% of the total portfolio on trade.
   B. Never risk more than 5% of any trading idea or strategy.
   C. Never risk more than 10% of any one market or asset class.

V. Investment Ratio - A trader's current age should be the percentage of risk for long-term investment assets. Conversely, subtracting the age by 100 gives the percentage of risk for short-term trading assets.

VI. Streaks
   A. Winning - Increase risk as consecutive trading days increase.
   B. Losing - Decrease risk as consecutive trading days decrease.

VII. Goals
   A. Profits - Reaching predetermined goals warrants specified vacation time.
   B. Losses - Falling to predetermined limits warrants time off to reset.

VIII. Reset - All goals and limits should reset every month, quarter, and year.

Asset Management

(The Power To Control Your Assets)

Before a trader implements Asset Management, they must look to diversify their investments, typically by applying an investment ratio. Asset Management organizes the trader's assets, allowing for a more detailed and structured plan for asset allocation. This is the foundation of the Money Management that is used for each trade and the overall Trading Plan.

I. Asset management - the practice of increasing wealth over time by acquiring, maintaining, and trading investments that can grow in value. Managing assets typically begins by creating two asset domains: safe and risky.

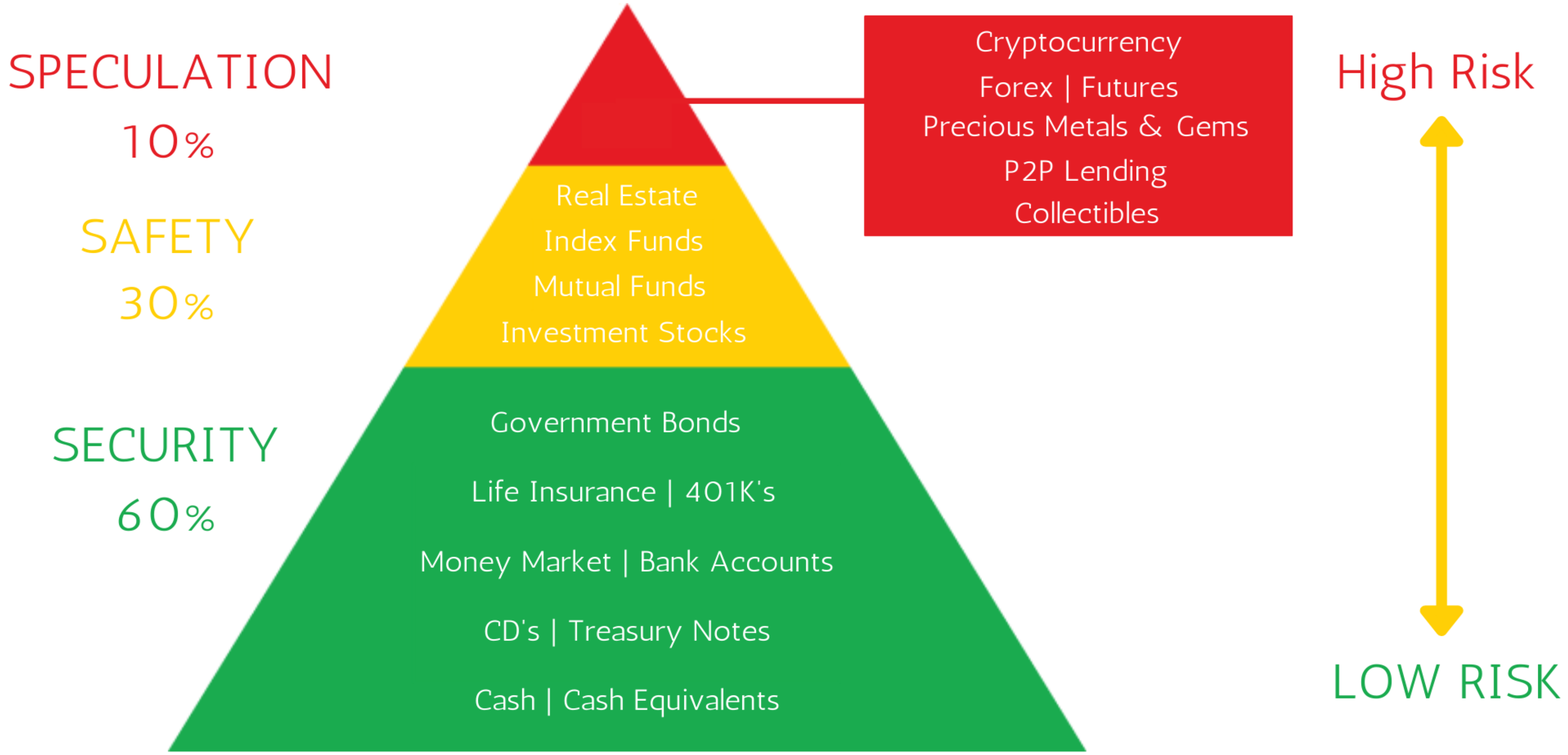
II. Domain Separation - Depending on special investment goals, financial obligations, and legal standings, some traders may choose to adopt an 80:20 ratio towards their entire portfolio. 80% is allocated to U.S. Securities while 20% is allocated to non-U.S. Securities or vice versa. The second level of this Asset Domain strategy is using an Investment Risk Pyramid. The third level is structuring two Investment Risk Pyramids, one onshore and one offshore.

   A. Investment Risk Pyramid - an asset allocation strategy that places low-risk assets such as cash and treasuries at the bottom and smaller allocations to riskier assets such as growth stocks at the top. The assets in the middle of the pyramid are moderately risky, such as corporate bonds and blue-chip stocks. Based on an individual's time horizon, assets, and risk tolerance, the resulting pyramid structure should balance risk and reward.

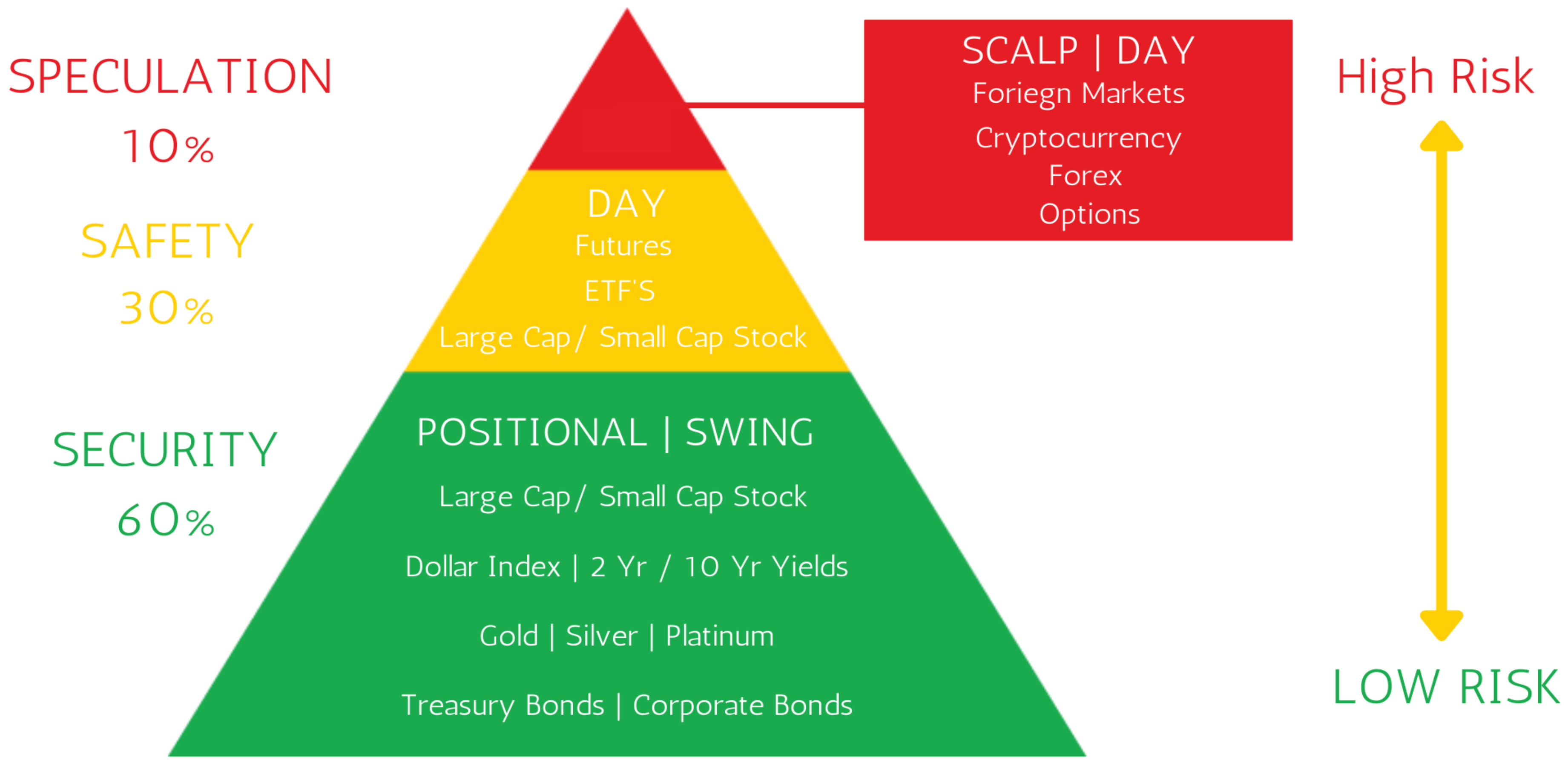
   B. Onshore -
      1. Long-Term - 60% should go towards a diverse portfolio of long-term yielding assets. (Bonds, Gold, Mutual Funds, 401K's, Life Insurance, Real Estate)
      2. Mid-Term - 30% should go towards midterm yielding assets. (High-quality stocks, Dividend Stocks, Major Trending Equities, ETFs)
      3. Near-Term - 10% should go towards near-term yielding assets. (Fletchling Industries, New technologies & research, Unicorn Tech companies, personally engaged Sectors, Groups, or Companies)

   C. Offshore - A similar pyramid should be created for offshore investment assets. No U.S. security should be traded in an international or non-U.S. brokerage account, thereby ensuring that no U.S. taxes are due by the investor or trader.

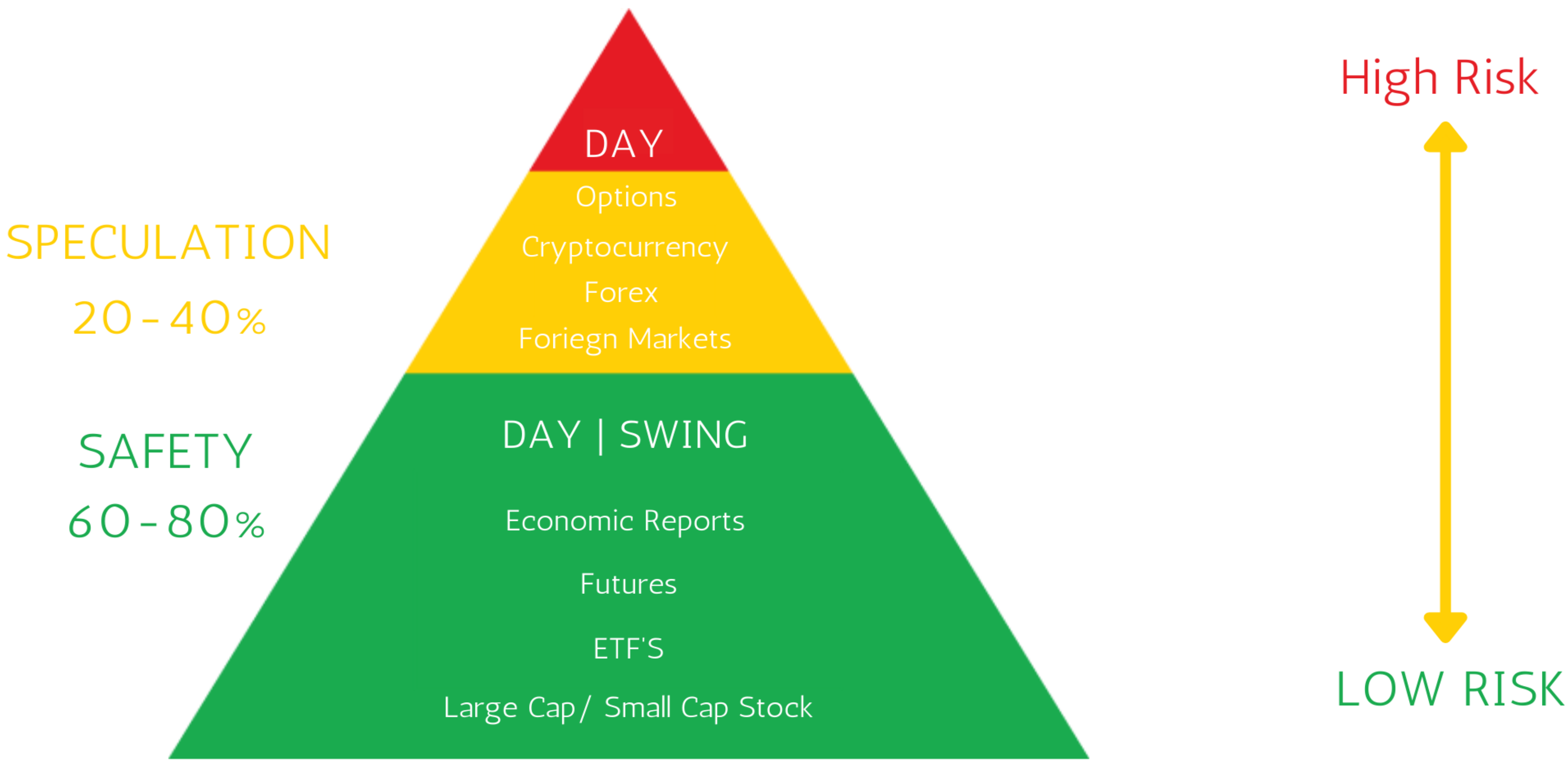
80%


SPECULATION
10%
SAFETY
30%
SECURITY
60%
Cryptocurrency
Forex | Futures
Precious Metals & Gems
P2P Lending
Collectibles
Real Estate
Index Funds
Mutual Funds
Investment Stocks
Government Bonds
Life Insurance | 401K's
Money Market | Bank Accounts
CD's | Treasury Notes
Cash | Cash Equivalents
High Risk
LOW RISK

20%


SPECULATION
10%
SAFETY
30%
SECURITY
60%
DAY
Futures
ETF'S
Large Cap / Small Cap Stock
POSITIONAL | SWING
Large Cap / Small Cap Stock
Dollar Index | 2 Yr / 10 Yr Yields
Gold | Silver | Platinum
Treasury Bonds | Corporate Bonds
SCALP | DAY
Foriegn Markets
Cryptocurrency
Forex
Options
High Risk
LOW RISK

20%


SPECULATION
20-40%
SAFETY
60-80%
DAY
Options
Cryptocurrency
Forex
Foriegn Markets
DAY | SWING
Economic Reports
Futures
ETF'S
Large Cap / Small Cap Stock
High Risk
LOW RISK

Risk Management

(The Power To Control Your Risk)

I. Prepare - The activities that align the trader with an upcoming opportunity or challenge.
   A. Market Analysis
   B. Backtesting & Simulation
   C. Personal Evaluation

II. Plan - An assessment of strategies to guide the trader's successful performance.
   A. Trading Plan
   B. Contingency Plan
   C. Asset & Capital Allocation Plan

III. Perform - Execution of the plan with prepared mid-course corrections as needed. Risk is determined before each trade.
   A. Risk/Reward Ratio
   B. Entry & Exit Points
   C. Protective Stops
   D. Psychological Support & Resistance
   E. Buy Orders
   F. Sell Orders
   G. Scaling

IV. Probe - Review and test what was done right or wrong; Identify flaws in a training plan or system then correct the mistakes and optimize the process.
   A. Trading Journal
   B. Optimization

Time Management

(The Power To Control Your Time)

I. Time - Time is regarded in two different ways within the stock market:
   A. Time Factor - The effect on **present behavior** that stems from **future expectation** that is based on **past knowledge**.
   B. Timing - Selecting the best times to enter and exit the markets
II. Time Frames
   A. Analysis
      1. Trend
         a) Major
         b) Intermediate
         c) Minor
      2. Phase
         a) Accumulation
         b) Participation
         c) Topping/Peak
         d) Distribution
      3. Cycles
         a) Long-Term
         b) Seasonal
         c) Primary
         d) Intermediate
         e) Trading
   B. Monthly Sentiment - Every Security has a trading cycle. Match the security with the appropriate month(s) and its corresponding sentiment.
      1. Bull Months - Jan, Mar, Apr, July, Aug, Nov, Dec
      2. Bear Months - Feb, May, Jun, Sept, Oct
   C. Daily Market Schedule - Find the best times to trade during the morning and afternoon sessions. Verify any holidays that might affect the trading term
   D. U.S. Economic Calendar -
      1. Check for any major reports or announcements that will interfere with the trade.
      2. Look for opportunities to trade based on the report or announcement.
   E. Trading
      1. Scalp Trading (Minutes to Hours) - Best Time Frame: 1 to 3 minutes
      2. Intraday Trading (Hours to Days) - Best Time Frame: 15 or 30 minutes
      3. Swing Trading (Days to Weeks) - Best Time Frame: Hourly or Daily
      4. Intermediate Trading (Weeks to Months) - Best Time Frame: Hourly or Daily
      5. Positional Trading (Months to Years) - Best Time Frame: Daily or Weekly
   F. Trade Timing
      1. Entry/Exit - Align patterns on multiple time frames to time entries and exits.
      2. Duration - The longer the trade, the higher the risk; Keep your trade time brief.

Time Management

Yearly Trading Schedule

Looking at the historical data from 1980 to 2020 gives us the analytics we need to determine the best months to buy stock. The markets tend to have strong returns around the turn of the year, as well as during the summer months. Over the last 40 years, from 1980 to 2020, the best months to buy stock have been January (1.07%), April (+1.97%), October (+1.13%), November (+1.55%), and December (+1.22%).

Month	Average of % Change	Historic Sentiment
Jan	**1.07%**	Bull
Feb	0.20%	Bear
Mar	0.70%	Bear
Apr	**1.97%**	Bull
May	0.96%	Bear
Jun	0.28%	Bear
Jul	0.91%	Bear
Aug	-0.08%	Bear
Sep	**-0.52%**	Bear
Oct	**1.13%**	Bull
Nov	**1.55%**	Bull
Dec	**1.22%**	Bull

Time Management

Global Market Schedule
(Times are based on US EST)

5PM	Asian Markets Open (Zenba)
9PM	Asian Morning Session Ends
10:30PM	Asian Afternoon Session Starts (Guba)
1AM	Asian Markets Close
3AM	European Markets Open
8:30AM	U.S. Future Markets Open
9AM	European Markets Close
9:30AM	U.S. Markets Open; Futures continues trading
9:45AM	First reliable reversal/pullback period
9:50 - 10:10AM	First opportunity for new positions; reversals/pullbacks; bearish stocks resume trend
10:25AM - 10:35AM	Reliable reversal time
10:45AM	Final Bull or Bear rally before lunch
11:00AM	European Futures Markets end
11:20AM -1:20PM	Lunch; Erratic, unpredictable markets; volatile
1:30PM	U.S. Afternoon session starts to move
1:45PM	Time for pullbacks from session high or low
2:15PM	“The Second Coming” Stocks break out definitively; sentiment remains until close
2:30PM	Futures Markets close but continue trading
3:00PM	Bond Markets close; Trading positions shift; Asian Markets start trading U.S. Futures
3:20PM	Another position shift; Positions start closing
3:30PM	Mind Reversal
3:50PM	Final Reversal
4:00PM	U.S. Markets Close

Time Management

The Seasonal Effect

January Jump

Stock markets typically perform well at the start of the year because many investors have new capital to invest in the market. As a result, they are more likely to buy stocks and drive up prices. Shares in 'small cap' companies have historically benefited the most from this effect. However, for the same reason, January is frequently a volatile month for share prices, with large, erratic price movements as trader activity surges. A popular stock market saying is that 'As goes January, so goes the year.' This refers to historical studies showing that when the S&P 500 rises in January, it is far more likely to be up over the entire year than when the index falls in January.

Sell In May

Share prices typically fall during the summer months as fund managers and large institutional traders take vacations. They frequently sell some of their shares and other assets before leaving. This is done so that their investments are less likely to suffer a significant loss if markets fall suddenly while they are not able to respond quickly at their trading screens. It advises investors to sell their shares in May and repurchase them in September. This has led to one of the most famous stock market sayings: "Sell in May and go away – don't come back till St Leger Day." It calls on investors to sell their shares in May and buy them back in September. St Leger Day refers to the date in early September when a famous horse race is run in Britain. Because trading volumes and liquidity are lower during the summer, it is easier for a single large trade to move prices. As a result, share prices may be more volatile during this period, and trading may be riskier.

Quarter/Year End Rebalancing

Stock markets can become quite volatile at the end of a fiscal quarter or year, with the share price of some companies reversing direction. This is due to the fact that institutional and retail investors frequently rebalance their portfolios during these times, looking to see which of their investments have performed well. If the share price of a company they have invested in has experienced a particularly strong uplift over the period, they may decide to take profit on those trades and sell the shares. This can push down the company's share price. If the share price of a company in which they have invested has increased significantly over the period, they may decide to take profits on those trades and sell the shares.

Long Weekends & National Holidays

Share prices frequently rise in the days leading up to long weekends and three-day holidays, such as Thanksgiving and Independence Day in the United States. This has been attributed to traders' simple optimism and high spirits. This isn't the only holiday trend. Prior to long weekends and three-day holidays, share prices frequently rise. Additionally, they frequently have their biggest weekly drops on Mondays and their biggest weekly gains on Fridays. Many investors sell stocks that have lost value during the tax year near the end of the year. This is done so that they can deduct capital losses from their tax bill. It tends to temporarily lower the value of such stocks.

Monday Blues

Share prices are also thought to behave differently depending on the day of the week or month. The so-called Monday effect refers to the tendency of stock prices to fall the most during the week. There are several theories as to why this occurs. Some have blamed it on a flood of bad news that broke over the weekend.

Others argue that investors' spirits are simply low as they return to work. In contrast, Fridays are frequently the days when stock prices rise the most during the week. Share prices also tend to perform better at the end and beginning of the month, with a dip in the middle.

Holiday Stock Secrets Review

- the stock market is subject to seasonal stock trends, which cause share prices to rise or fall at specific times of the year, month, or even week. This could be due to changes in the number of traders active in the market, or it could be due to technical analysis making historical price patterns more self-fulfilling.
- stock markets typically perform well in January because many investors have new capital to invest in stocks.
- share prices tend to fall during the summer months as big traders go on vacation and sell high-risk assets; at the end of a fiscal quarter or year, stock markets can become quite volatile, with the share price of some companies reversing direction.
- share prices frequently rally ahead of long weekends and three-day holidays; share prices can fall the most on a Monday as traders' spirits fall on their return to work.
- on the other hand, share prices can experience their biggest weekly rise on a Friday.
- share prices also tend to perform better at the month's end and beginning, with a dip in the middle.

Trade Management

(The Power To Control Your Trade)

I. Benchmark - All initial market analyses should begin with Benchmark indices that can help determine the overall performance of the markets. (Dow 30, S&P 500, Nasdaq 100, Russel 2000)

II. Sector - The stock market has 10 sectors and 90 industry groups. Analyzing sectors and groups give a more detailed narrative of market trends and strength.

FINANCIAL	TECH	HEALTH	STAPLES	DISCRETIONARY
INDUSTRIAL	TELECOM	ENERGY	TRANSPORTATION	UTILITIES

III. Economic Indicators
   A. Monetary Strength - Monitor the Federal Reserve regarding Fed Sentiment, interest rate increases, and QE intent.
   B. Growth Strength - Expansion, Recession, Depression; Consumer Confidence (CCI); Consumer Price Index (CPI); Producer Price Index (PPI); Gross National Product (GNP)
   C. Economic Strength (Stability) - Fluctuations in economic activity can be gauged through Housing, Retail, Inventories, Employment, and Payroll.
   D. Global Strength - The global economy is influenced by The Four Horsemen: Bonds, Gold, Dollar, and Oil. These markets determine global conflict or cohesion.

IV. Market & Intermarket
   A. Performance - Use absolute and relative comparison
      1. Absolute Performance - Measuring the actual trend of the market or index.
      2. Relative Performance - Measuring the market performance against other markets through ratio analysis. A relative strength ratio is formulated by dividing the price performance of any derivative asset or asset class into another asset, asset class, or market to determine the stronger of the two.

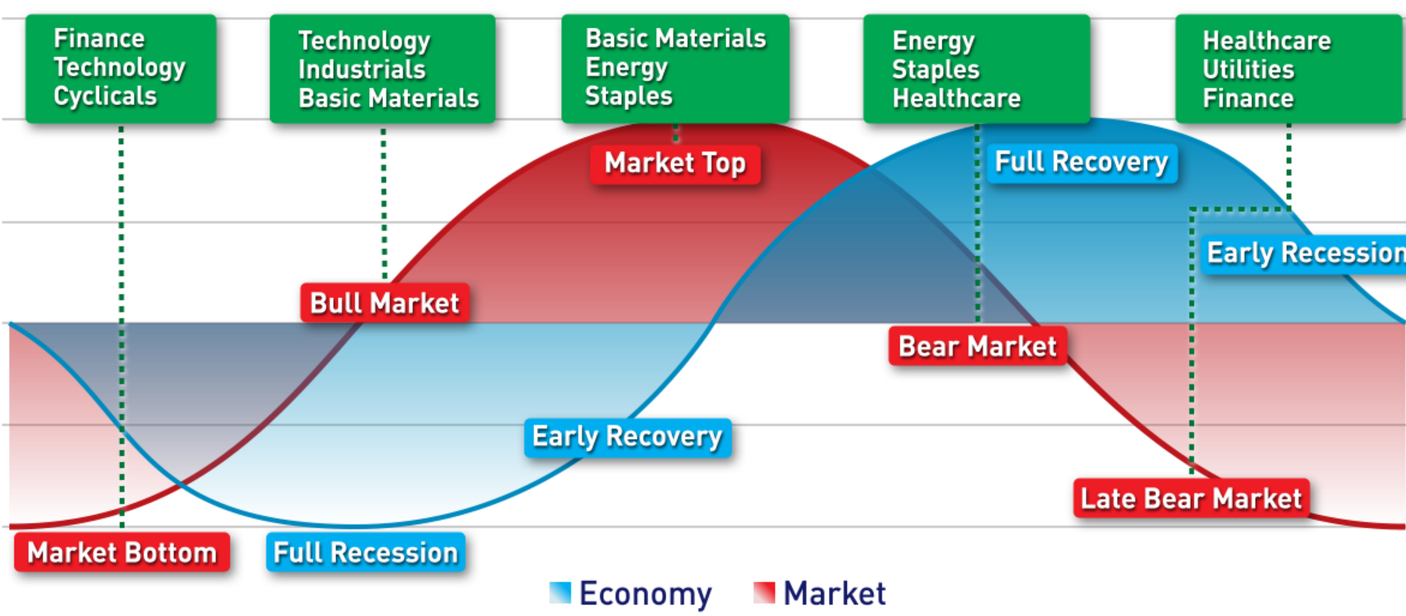
   B. Sector Rotation - Movement of funds into and out of various stock market sectors depending on the state of the business cycle and the stock market. Tracking sector rotation offers valuable insight into the direction of the stock market.

   C. Leading Indicators - When one asset class changes directions before a correlating asset class in an expansion. Yields change first at tops and bottoms, stock turn second, and commodities turn last. Consumer discretionary stocks lead at the beginning of an expansion and energy stocks lead at the end. However, consumer staples are stronger.

   D. Relative Strength Analysis - This ratio analysis is formulated by dividing one market element by another. If this number is increasing, the one you divided it into is stronger; if this number is decreasing, the one you divided by is stronger. You can use this to compare a market sector to the economy in general, or you can pick a company and compare it to the sector's performance.

Sector Performance: 2019 YTD (thru 3/19)		
Sector	Absolute Performance	Performance Relative to S&P 500
Consumer Discretionary	13.74%	0.75%
Communication Services	13.33%	0.34%
Technology	18.89%	*5.90%*
Industrials	16.24%	*3.24%*
Materials	10.25%	-2.74%
Energy	16.41%	*3.41%*
Consumer Staples	8.39%	*-4.60%*
Health Care	7.41%	*-5.58%*
Utilities	9.10%	*-3.89%*
Financials	12.62%	-0.37%
Real Estate	14.13%	1.14%

SECTOR ROTATION



Market Management

(The Power To Control Your Market)

Market Participants	
Novice	Beginners | Part-Time | Uninformed | Uneducated
Traders	Scalp Traders | Day Traders | Swing Traders | Speculators | Investors
Professionals	Mutual Funds | Exchange Traded Funds (ETFs) | Private Equity Funds | Hedge Funds
Institutions	Central Banks | Investment Banks | Brokerages | Stock Exchanges | Wealth Funds

Market Cycle

1. Stage 1 - Accumulation
   a. Novices - Uncertainty; Inactive
   b. Traders - Patient; Inactive
   c. Professionals/Institutions - Accumulating; Actively Buying

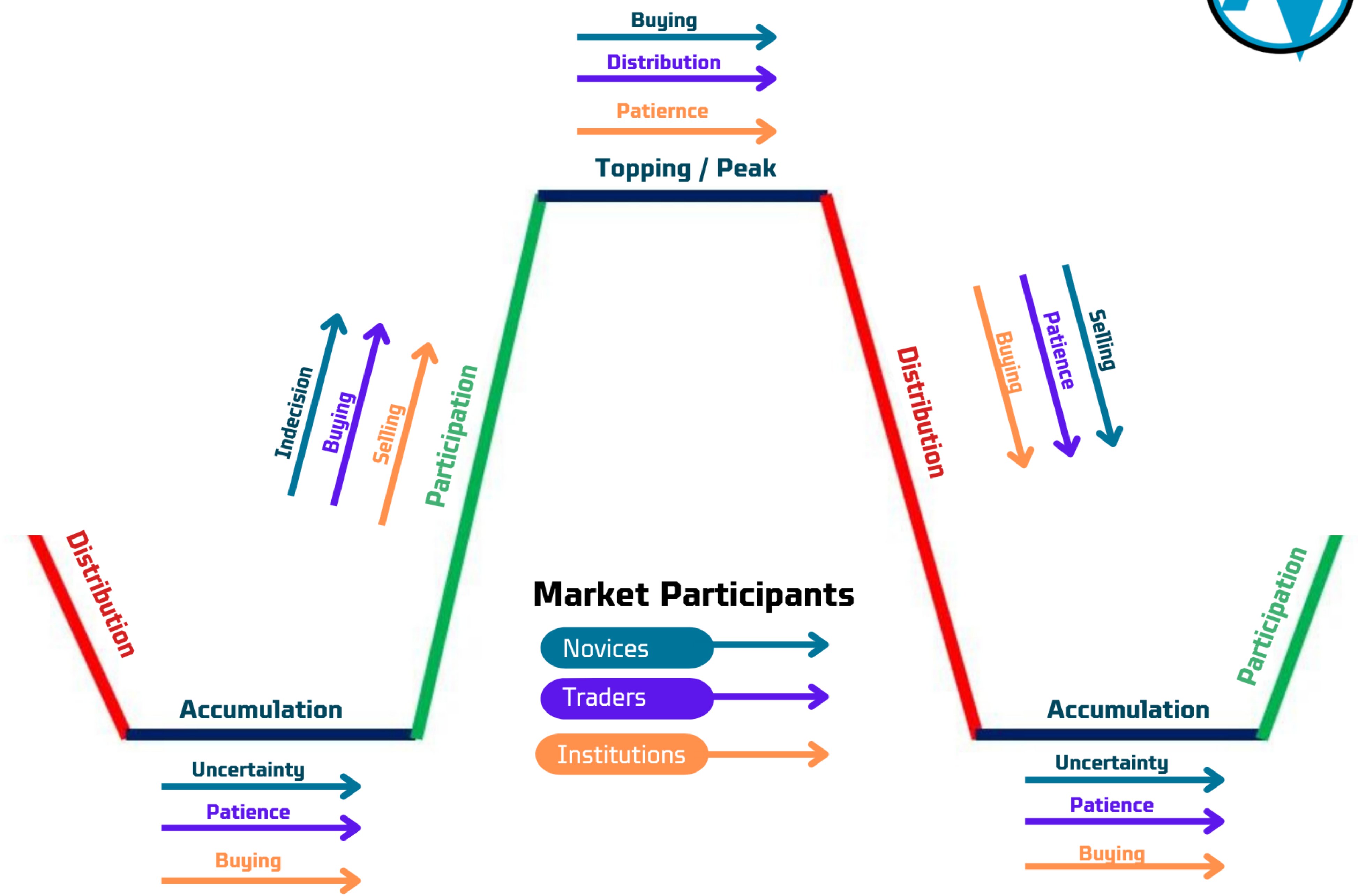
2. Stage 2 - Participation
   a. Novices - Indecision; Inactive
   b. Traders - Actively Buying
   c. Professionals/Institutions - Actively Selling

3. Stage 3 - Topping
   a. Novices - Actively Buying
   b. Traders - Actively Selling
   c. Professionals/Institutions - Patient Inactive

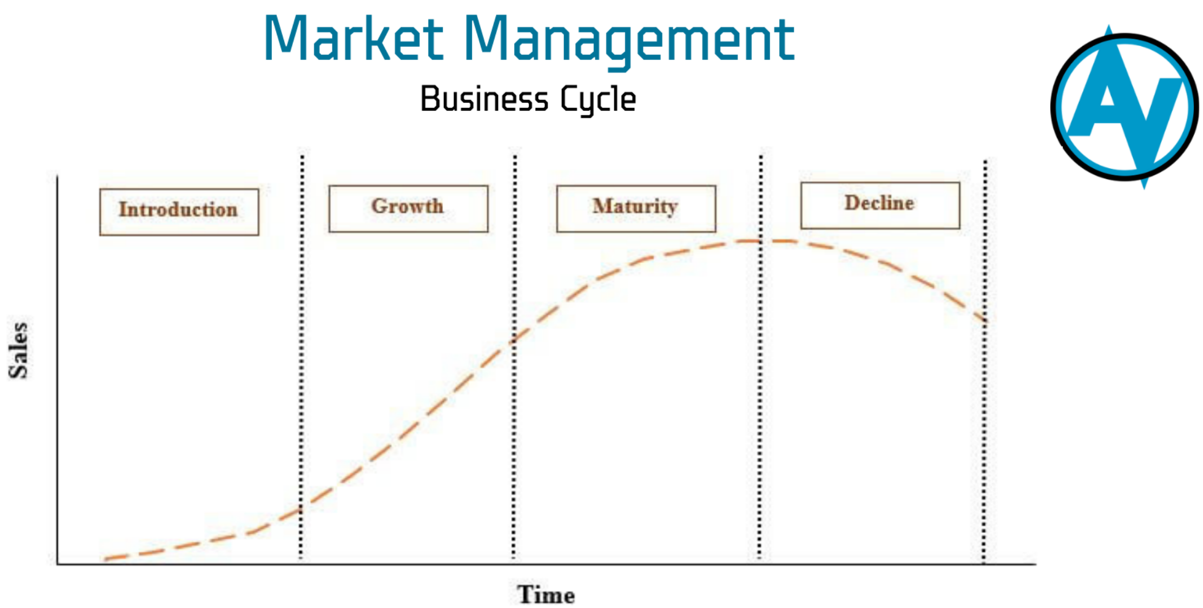
4. Stage 4 - Distribution
   a. Novices - Actively Selling
   b. Traders - Actively Selling
   c. Professionals/Institutions - Accumulating; Actively Buying

Market Participants - Mindset & Movements				
	Stage 1: Accumulation	Stage 2: Participation	Stage 3: Topping/Peak	Stage 4: Distribution
Novices	Uncertainty	Indecision	Buying	Selling
Traders	Patient/Inactive	Buying	Selling	Patience
Professionals	Buying	Selling	Patient/Inactive	Buying
Institutions	Buying	Selling	Patient/Inactive	Buying

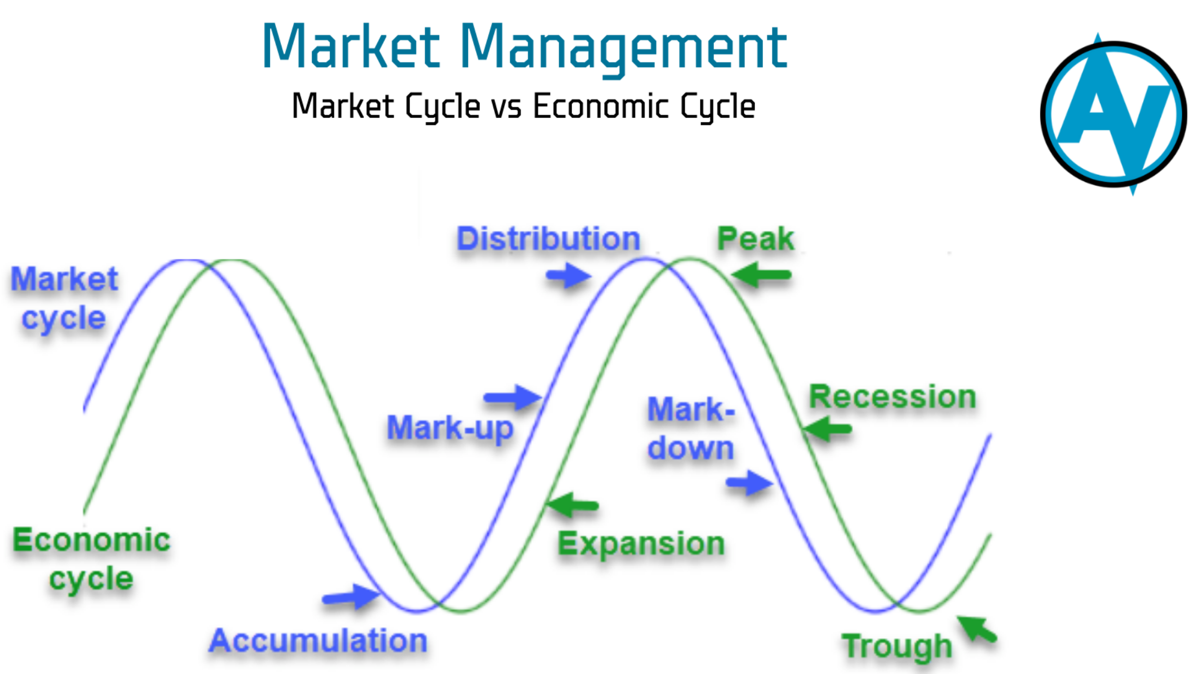
Market Management
Market Cycle



4 Phases of Business Cycle			
Introduction	Growth	Maturity	Decline



4 Stages of Economic Cycle			
Expansion	Peak	Recession	Trough



Personal Management

(The Power To Control Yourself)

I. Psychology

A. Emotion

1. Fear - Fear of loss, fear of being wrong, and fear of missing out can be counteracted with 2 things: knowledge and planning. Education builds confidence and planning builds courage.
2. Greed - The greed to make more money and the greed to keep more money can be overcome with proper planning, risk management, and stop-loss strategies.
3. Regret - Having regret for not staying in a trade longer or having regret that an opportunity to trade was missed can be mitigated by being intentional and self-aware of your trading plan. Without a strategic plan on how to trade, trading doesn't exist; it's only gambling.
4. Hope - When trading, hope increases the possibility of poor trade management. Hope makes it difficult to accept defeat. Hope results in taking profits too soon. Hope is focused on winning every trade which shouldn't be the goal. Too much emphasis is placed on win percentage and not enough emphasis is put on a win/loss ratio.
5. Pride (Ego) - Trading ego causes overconfidence. Pride also prevents the needed adjustments to a person's trading execution that may be wrong or inaccurate. The solution to pride and ego is scaling.

B. Competence - There are 4 stages of trading competence.

1. Unconscious Incompetence - Novice traders have no real concept of what the markets are doing or why. Their focus is clouded by excitement, enthusiasm, and greed. They're totally unaware of the effort that is required and the danger trading can have on their financial stability. Traders are fuelled mostly by opportunities and possibilities.
2. Conscious Incompetence - Traders will gain a limited level of knowledge and experience and will come to realize the stock market is much more complicated than they originally thought. As uncertainty grows, the desire for knowledge grows as well. As they learn about the markets, they become overwhelmed by the challenges and potential disasters the markets offer. Success will be sporadic and accidental.
3. Conscious Competence - Traders slowly begin to realize they cannot rely on other people's tips and opinions. They begin to gain understanding and skills in basic trading concepts and techniques. They will also see their success increase through conscious effort. However, progress is slow and frustrating.
4. Unconscious Competence - Knowledge and experience cause traders' skill levels to increase. Their trading routine has now been transformed into a subconscious, ingrained habit. The intuitive mind is in charge and has resulted in more effective outcomes. They will revert back to previous stages as they experiment with various strategies and markets.

Personal Management

II. Trading

A. Mind

1. Conviction - Be sure you want to be a trader.
2. Motivation - Find the right motive for wanting to trade
3. Independence - Do your own thinking and avoid others' tips and opinions.
4. Discipline - Requisite to maintain effective risk and money control.
5. Confidence - Comes from extensive testing and commitment.
6. Optimism - Avoid negative terms; break from trading when lacking.
7. Poised - Remain calm and detached regardless of market behavior.
8. Intuition - Experience that resides in the subconscious mind.
9. Perspective - Have a balanced life outside of trading.

B. Method

1. Methodology - Develop an approach with research and observation.
2. Personalize - Use methods consistent with personality traits and comfort levels.
3. Performance - Talent, skill, and hard work are needed to realize full potential.
4. Advantage - An edge is needed in the markets to profit.
5. Respect - Show consideration for the markets and the endeavor of trading.
6. Achievement - Progression and accomplishments are found through setting goals.
7. Responsibility - Remain accountable for all results, win or lose.
8. Planning - Have a plan that protects capital at all times.
9. Fluency - If the trade produces struggle or difficulty then the trade is wrong.

C. Money

1. Patience - Waiting for the right opportunities will increase its probability.
2. Variance - Have a variety of markets and strategies available to maximize profits.
3. Action - Get in a trade whenever possible, profits are profits.
4. Profitize - Focus on maximizing profits, not on the number of wins.
5. Scaling - Count on your ability to enter and exit positions at levels.
6. Bank - Pull partial profits from the market to prevent complacency.
7. Management - Control your money and risk with rules.
8. Consistency - Be unwavering with risk reward and winning percentage.
9. Fluid - only trade or risk money that is disposable income

Personal Management

Trading Analysis
The Who, What, When, Where, Why, & How

A. **Who** (is involved with your trade?)
    a. Market - Who is on the other side of the trade
        i. You vs Institution
        ii. You vs Professional
        iii. You vs Trader
        iv. You vs Novice
    b. Profit - Who is preventing you from making profits?
    No one. You are the only person preventing your profits.

B. **What** (market and method is involved with your analysis?)

C. **When** (does the market trade and with which time frame?)

D. **Where** (do you enter and exit the trade?)
    a. Timing is the key to any trade.
    b. Stay in rhythm with the markets

E. **How** (3 Hows of every trade)
    a. How much are you willing to risk?
    b. How long are you looking to risk it?
    c. How much are you looking to make?

F. **Why** - There is NO WHY! "Why" doesn't matter!
    a. "Why" is reflected in the price
    b. The true reason will reveal itself after the opportunity passes
    c. Never stay in the market trying to figure out "why."

TRADING PLAN

DATE:	DAILY | WEEKLY | MONTHLY | YEARLY	TRADE RISK LIMIT:

PURPOSE OF TRADING

PROFIT TARGET	TRADE		DAY		WEEK		MONTH	

OBJECTIVES/ GOALS

GOAL PROGRESS:	0%	1	2	3	4	5	6	7	8	9	10	11	12	100%

ANALYSIS

MARKET / STOCK

TIME FRAME

STRATEGY/ SYSTEM

INDICATORS

CORRELATIONS

PATTERNS / CYCLES

MANAGEMENT

- Asset Allocation
- Money
- Risk/Reward Ratio
- Market
- Trade
- Time
- Personal
- Trading Rules

ENTRY/EXIT

- Stop Placement
- Buy Order
- Sell Order
- Entry Signal
- Entry Trigger
- Entry Rule
- Sell Signal
- Sell Trigger
- Sell Rule

TRADING JOURNAL

PLAN YOUR TRADE

STOCK:	QUANTITY:	LONG / SHORT:

TREND / PATTERN / CYCLE

CONFIRMATIONS:

TRADE YOUR PLAN

ENTRY:	STOP:	PROFIT TARGET:

PROFIT / LOSSES:

NOTES:

REVIEW

RATE YOUR KNOWLEDGE: WAS YOUR ANALYSIS CORRECT?	
RATE YOUR DISCIPLINE: DID YOU DEVIATE FROM YOUR PLAN?	
RATE YOUR FLEXIBILITY: DID YOU HOLD A BIASED SENTIMENT?	
RATE YOUR PATIENCE: DID YOU WAIT FOR THE SIGNAL?	

WHAT DID YOU DO RIGHT?

WHAT COULD YOU HAVE DONE BETTER?

WHAT WILL YOU FOCUS ON IN THE NEXT TRADE?