



# **Strategy I: Buiding Wealth**

## **Part 1**

For Active Trend Trading

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# Where Wealth Begins

Last month Lee Tanner presented his Model Portfolio based on trading IBD Quality Stocks from the IBD 50, Leaderboard, Sector Leaders...

Points Lee Made that Resonated:

1. Stay Fully Invested—100% Margin
2. Trade a Solid System that will take you in and out off the market at the Right Time
3. True Wealth is generated by working a Portfolio Building Plan—Strategy I, and doing it again and again and again!
4. Patience, Persistence, Discipline, Confidence, Compounding
5. ***Some Stocks Work, Some Don't—Fire the ones that don't***

***Bonus Training: <http://activetrendtrading.com/training-webinar-recordings/>***

# Strategy I: Building Wealth

Building Wealth Requires a Plan

- 1. A Plan based on a sound strategy to Get In*
- 2. A Management Plan to Get Out*

*The skills to build wealth can be developed in almost everyone!  
It takes understanding how to enter properly, exit properly and  
the power of Compounding*

# Strategy I: Building Wealth

It's a state of mind! It's having a plan! It's practicing the plan!

Momentum Master's: A Roundtable Interview with Super Traders  
Mark Minervini, David Ryan, Dan Zanger, Mark Richie II

Interesting Facts:

- Each Blew Up accounts while learning
- One blew out his account, sold his car for a stake
- Favorite entry of each—Pullbacks and bounces
- Each defined an entry target—entering the trade on their terms
- Each had to get past their egos
- Each said the learning curve to become a good traders is between 3-5 years or longer depending on how learnable a person is
- Each patiently worked with a system and plan—refined but didn't change
- Each plans their trades during non-market hours—no “seat of the pants” trading
- Very Rarely Trade Options—Too Many Variables

# Strategy I: Building Wealth

Momentum Masters—A Roundtable Interview with Super Traders

“To succeed as a stock trader, you need to learn what to buy, when to buy and when to sell.”

Mark Minervini: *“I originally got interested in trading because I grew up poor and I wanted to get rich. I saw the market as the ultimate opportunity for riches without prejudices—it’s just you and the market...”*

*“Once I decided to put my ego aside, admit my mistakes, and cut my losses and protect profits, then the big performance and consistency started coming together.”*

*Mark took his account from \$100K to \$30M in 5 years*

# Strategy I: Building Wealth

ATTS Strategy I : A stock and ETF timing system for portfolio building

Covers all 5 Pillars of Active Trend Trading

1. What to Buy – IBD Quality Stocks and Index ETFs
2. When to Buy – Initial position on pullbacks towards the 8 day EMA + When to add to build position
3. When to Exit – Initial 4% stop loss from purchase price and then follow rules for profit protection
4. What Strategy—Strategy I
5. What to expect

# Strategy I: Building Wealth

ATTS Strategy I : A stock and ETF timing system for portfolio building

1. What to Buy – IBD Quality Stocks and Index ETFs

✓ IBD 50, Running List, Sector Leaders, Leaderboard

***Preliminary analysis of the first list of 2015 again shows the IBD 50 was the place to be to find great stock! First two data points.***

Performance Statistics		2015	
<i>From 2014 Close to Pre-Low High</i>			
Number of Stocks with Better Return	34	68.00%	
Average Return	16.11%		
S&P	3.68%		
Largest % Gain:	84.34%	VRX	
<i>From Year Low to High Post Low</i>			
Number of Stocks with Better Return	46	92.00%	
Average Return	46.90%		
S&P	13.36%		
Largest \$ Gain :	98.96	ORLY	
Largest % Gain:	166.37%	AMBA	



# Strategy I: Building Wealth

ATTS Strategy I : A stock and ETF timing system for portfolio building

2. When to Buy – Initial position on pullbacks towards the 8 day EMA + When to add to build position
  - ❖ Use Conditional Orders if Trading Platform allows
  - ❖ Use Stop Limits or Buy Stops to enter
  - ❖ If trading platform doesn't allow orders to trigger use email alert to let you know when trigger price is hit enter order by smart phone app

# Where Wealth Begins

## Conditions—When to Enter Examples



**1/8/15: Close above 8 day EMA**



**1/9/15: Pullback intraday approaching 8 day EMA: Enter at 72.74 with a conditional order**

**1/9/15: Adds Start at 74.55**

# Strategy I: Building Wealth

ATTS Strategy I : A stock and ETF timing system for portfolio building

2. When to Buy – Initial position on pullbacks towards the 8 day EMA + When to add to build position

**1/8/15: Close above 8 day EMA**



**1/9/15: Pullback intraday approaching 8 day EMA: Enter at 72.74 with a conditional order**

**1/9/15: Adds Start at 74.55**

**Define Order After Hours**

**Order: Trigger Approaching 8 day EMA 72.37 from 1/8  
Estimate =  $72.37 + (.25-.50) = 72.57$**

**If price goes below 72.57 trigger Stop Limit to buy at  
between 72.70 x 72.80**

**If filled trigger conditional stop loss if price goes  
below 4% of entry price.  $72.75 \times 0.96 = 69.84$**

**What are the Pyramid Points? Several methods to  
pyramid. 50/30/20, 60/40**

**Pyramid Point can be triggered by the initial fill order**

# Strategy I: Building Wealth

ATTS Strategy I : A stock and ETF timing system for portfolio building

- When to Buy – Initial position on pullbacks towards the 8 day EMA + When to add to build position

## ATTS Porfolio Friday 1/9/15

Stock	Buy Date	Price	Qty	Cost	Sell Date	Price	Net Value	Gain	% Gain/Loss	Comments	4% SL	Goal Price 20%	8 Week Rule	Stock	Recent Hi	12% From Hi	Up 10%
SWKS	1/9/2015	72.74	190	13,831		74.08	14,075	245	1.8%		69.83	87.29	3/6/15	SWKS	74.97	65.97	80.01
<b>Totals</b>				13,831			14,075	245	1.8%	Total Account Value	70,244.60						
Weekly Protfolio Gain/Loss		245	0.3%		Realized Gain			0		Buying Power	126,659						
Weekly Account Gain/Loss		245	0.3%		Total Gain			245	0.3%	Percent Invested	9.8%						

# Strategy I: Building Wealth

ATTS Strategy I : A stock and ETF timing system for portfolio building

## 3. When to Sell—Capital Protection and Profit Protection

- ❖ Objective Design “Worry Free” Trades—What does that mean?

# Where Wealth Begins

## Conditions—Defining Rules: When to Sell

### Protective Sell Rules:

- Sell -4% below entry price. ***Why not 7-8%?***
- If -4% failure three times stop buying and study.
- If portfolio is down 4% for the week (no margin) to 8% (full margin), sell weak stocks to reduce exposure. Generally sell at least one full position to cut risk.
- Sell if a breakout did not happen or stalled out, but mostly don't use this rule unless you are sure. ***(Failed Breakout Sell Rules)***

# Strategy I: Building Wealth

**Questions?**

**End of Part 1**