

Paid editorial content sent to Stock Profit Pro subscribers

SL: "How Much Should I Buy?"

Hey gang,

First things first -- welcome to all of our new members! I'm always excited to see new names pop up in the Stock Profit Pro live trading room, so if you have a chance, be sure to pop by and say hello!

Well guys, it's finally been a relatively good week for the \$1K Challenge (knock on wood!). I'm feeling pretty good about some of the winners I've scored, and I've been able to control my losses to limit my downside, which is arguably the most important part of trading!*

Nov 18, 3:19 PM

patrick gue: That tip from last friday (taking mini profit or taking profit), really turned it around for me after a 3 week losing streak

Green is green, right Patrick?

I've had a few stumbles so far, but first of all, it has been a tough few weeks to trade (the election, vaccines, rising cases... will it never end?!) so a couple of set-backs are kind of to be expected.*

Nov 13, 9:55 AM

jim mur: What a market! I'm giving up drinking until Christmas. Oops sorry wrong punctuation. I'm giving up. Drinking until Christmas.

Also, the way I trade my small account is a little bit different than I would normally be trading – and this means losses can stack up a little quicker. Since I'm allocating big portions of my account to each trade, when one heads south, it can start to add up quickly.

Hopefully, as a smart and capable trader in your own right, you're managing your money a little bit better. Especially if your small account is *all* of your trading capital, going all-in on these trades might not be the best way to structure your trade plan, and it might not be a bad idea to consider a slightly more conservative approach.

Now, I am by no means a financial advisor (as those of you who join me in the Stock Profit Pro live trading room are probably well aware by now) so I can't tell you how to run your account. Do what you want, guys, it's your money.

But I am willing to share some of the rules I consider when I'm determining the size of my own trade positions.

Click to continue reading.



Jeff Williams

*Raging Bull does **NOT** track or verify subscribers' individual trading results and these individual experiences should **NOT** be understood as typical as or representative. Please see our Testimonials Disclaimer here: <https://ragingbull.com/disclaimer>.

Assume the Position

First of all, position sizing is incredibly individual. It's determined not only by your account size, but your risk tolerance, and your conviction in any particular trade.*

Nov 6, 9:03 AM

elmer dav: i consult my magic 8 ball

Whatever works for you, Elmer.

Like I mentioned, I've been putting some hefty percentages of my trading account into each trade I'm making, and this is mostly because I'm trying to grow my \$1K account as much as possible over the course of 90 days. To do this, I have to accept some extra risk that I might not normally be so quick to take on!

So if I wouldn't usually dump 100% of my account into a single small cap trade, what would be a more normal amount?

Generally, as a rule of thumb, I try to keep my position to a much smaller percentage of my account – we're talking 3%, 5%, *maybe* 10%, depending. Now, if you have a really small account (like \$500), allocating only 3% to each trade might not make sense, especially if you're paying commission fees.

In that case, I would just limit my position size to the amount of money I'm willing to lose on a single trade. (Sure, ideally I'm able to limit my losses by stopping out of a trade before it hits rock-bottom, but there are never any guarantees.)

Now, what about when I'm working with a significantly larger trading account? For example, if 10% of my account is \$50,000, does that mean I should just dump \$50k into a trade I really like?

Not by a long shot – especially when I'm trading small caps!

When we're talking slightly larger position sizes on small caps (especially penny stocks and sub-penny stocks) it's also important to take into account the trading volume of the stock.

During my daily stock scan, I have minimum volume requirements of 400k shares crossing the tape before I'll even consider a trade.

But, as an example, if XYZ shares are trading at \$0.01, 400k shares is only \$4,000 of trading volume. It might not make sense for me to dump \$2,000 into this trade. (Although 400k of a \$0.01 stock is a pretty extreme example, and probably not a trade I want to get into *at all*, but I digress.)

So this is when I need to do a little bit more homework before I buy into a trade.

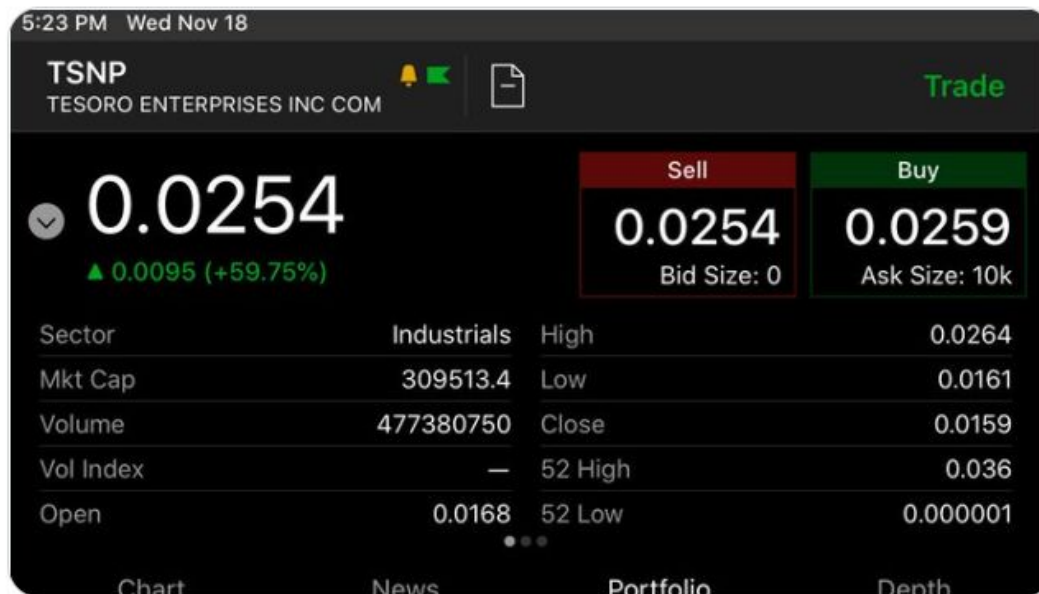
Let's use a recent example of TSNP – a trade I know a lot of you are probably feeling pretty good about this week!*



Ray Morris @RayTMorris · 17h

...

@ThePennyPro - I had a great trade on my TSNP swing. I originally found this off your watchlist at .0019 and swung overnight for \$2,100 profit. Then I bought back in at .0039. Second time around I sold half my position at .0258 from .0039 for \$10,950 profit!

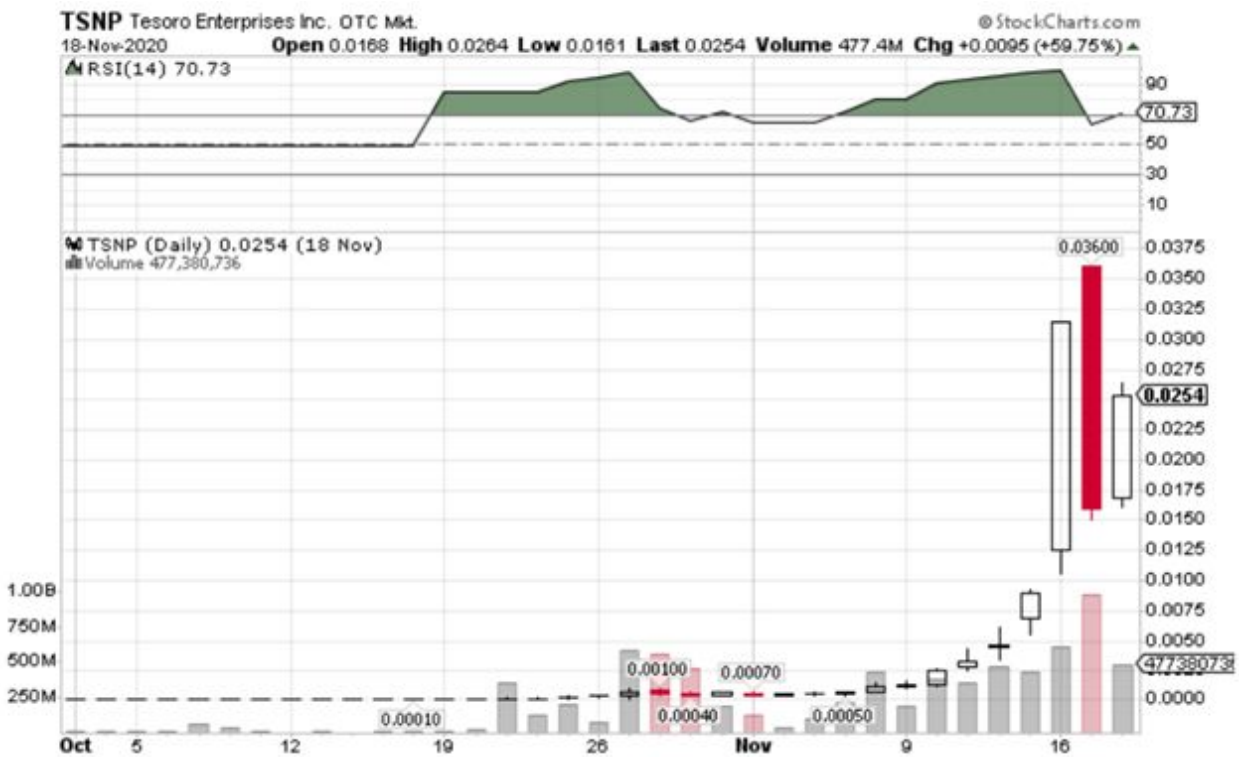


That's amazing, Ray!

TSNP has had a solid couple of weeks, moving on merger news, and reducing its share count by over 860 million shares in the last week alone.

I've played this stock a few times already, and I've gotten some pretty solid gains out of it, too!**

And I do think there might be some more upside to come, but that's beside the point.



Let's say, for whatever reason, TSNP caught my eye the day after the election – November 5. Say I heard a rumor on Twitter that there were good things coming down the pipeline, and I was just really stoked on this stock, and I wanted to get in early.

How big of a position would I buy, in this case?

Well, let's take a closer look at how the shares were trading on November 5. (If you use StockCharts.com, check the "inspect" button at the top of the graph to get exact volume counts for each day.)



This tells me on November 5, TSNP traded 212,458,128 shares, opening at \$0.0006 and closing at \$0.0008. (I'll go ahead and take \$0.0007 as the average price for the sake of my calculation – this is more of a rough estimate than an exact science. I just want a general idea of the money-flow into the stock.)

$$212458128 \times 0.0007 =$$

$$148,720.6896$$

We see on November 5, \$148,720 worth of TSNP was traded. That's not exactly a whole lot of dollar volume, in the grand scheme of things.

So even if I have a million-dollar trading account, and absolutely *love* this stock, I don't necessarily want to buy \$100,000 worth of shares. Why?

Well, let's say TSNP's merger fell through, or they did an offering, or whatever else happens that causes share prices to take a nosedive. Yikes! Time to sell, right?

When TSNP only averages about \$150,000 worth of trading each day, and I'm holding \$50,000 worth of stock I'm trying to get rid of, I'm probably going to run into the issue of low liquidity – in other words, nobody's buyin' what I'm sellin'!

It's probably going to take me a while to get rid of these shares, which means I'm stuck in this trade for longer than I want to be, and racking up more and more downside.

Instead, my personal preference is I don't want to be accountable for any more than 5% of the average trading volume -- so in this case, that means the maximum I'd put in TSNP is about \$7,436.

Now, of course, I can look at the average trading volume of November 18, and it tells me a different story, with almost 500 million shares crossing the line, and with share prices quite a bit higher than they were before.



Using an average price of \$0.021, that's now about \$10 million worth of trading, so if I wanted to dump \$50k into TSNP shares, I could feel pretty confident that I'll have decent liquidity to get in and out of the trade.

Now, this isn't necessarily an issue I run into often, since I tend to naturally keep my position sizes on the more conservative side. But if I were a Big Money Small Cap trader, or just looking to make a sizable purchase of a sub-penny stock, this is something I'd want to keep in mind.

All right guys. Hopefully this clears up some confusion for some of you. Determining how much you're willing to risk on a trade is obviously a pretty essential part of any well-formed trade plan, and you should always try to follow good money management practices so you'll live to trade another day, even if one of your trades bombs.

Try and relax this weekend! Just as a reminder, I'll only be in the Stock Profit Pro trading room on Monday and Tuesday next week – I'm going to take a few days to spend some time with the family, in case seven months of lockdown and homeschooling haven't been enough.

I'll see you next week!

Jeff Williams

**Results presented are not typical and may vary from person to person. Please see our Testimonials Disclaimer here: <https://ragingbull.com/disclaimer>.

DISCLAIMER: To more fully understand any [RagingBull.com](https://ragingbull.com), LLC ("RagingBull") subscription, website, application or other service ("Services"), please review our full disclaimer located at <https://ragingbull.com/disclaimer>.

FOR EDUCATIONAL AND INFORMATION PURPOSES ONLY; NOT INVESTMENT ADVICE. Any RagingBull Service offered is for educational and informational purposes only and **should NOT be construed as a securities-related offer or solicitation, or be relied upon as personalized investment advice**. RagingBull strongly recommends you consult a licensed or registered professional before making any investment decision.

RESULTS PRESENTED NOT TYPICAL OR VERIFIED. RagingBull Services may contain information regarding the historical trading performance of RagingBull owners or employees, and/or testimonials of non-employees depicting profitability that are believed to be true based on the representations of the persons voluntarily providing the testimonial. **However, subscribers' trading results have NOT been tracked or verified** and past performance is not necessarily indicative of future results, **and the results presented in this communication are NOT TYPICAL**. Actual results will vary widely given a variety of factors such as experience, skill, risk mitigation practices, market dynamics and the amount of capital deployed. **Investing in securities is speculative and carries a high degree of risk; you may lose some, all, or possibly more than your original investment.**

RAGINGBULL IS NOT AN INVESTMENT ADVISOR OR REGISTERED BROKER. Neither RagingBull nor any of its owners or employees is registered as a securities broker-dealer, broker, investment advisor (IA), or IA representative with the U.S. Securities and Exchange Commission, any state securities regulatory authority, or any self-regulatory organization. Employees, owners, and other service providers of [RagingBull.com](https://ragingbull.com), LLC are paid in whole or in part by commission based on their sales of Services to subscribers.

WE MAY HOLD SECURITIES DISCUSSED. RagingBull has not been paid directly or indirectly by the issuer of any security mentioned in the Services. However, [RagingBull.com](https://ragingbull.com), LLC, its owners, and its employees may purchase, sell, or hold long or short positions in securities of the companies mentioned in this communication.