

4 Tips for Trading Volatile Markets

Jeff Williams on November 14, 2020 at 09:03 AM - edit post (<https://app.ragingbull.com/admin/posts/9295/edit>)

It's been another mixed bag of a week, with headlines see-sawing the markets.

Of course, as a small cap trader, I don't necessarily have anything against volatility, per se. After all, one of the great things about small caps is their ability to make outsized moves in short time frames. I don't see too many people banking a 20% win on AMZN in a single day, but there are tons of penny stocks that make big moves during every trading session!

But that's not to say volatility always works in my favor, and right now, I think it's an especially tough time to trade – doubly so if you're just starting out! This is definitely a trial-by-fire market for those of you who are new, so if you're feeling overwhelmed, don't be too hard on yourself, and don't be afraid to stick to paper trading until you're feeling more confident!

Right now, it's more important than ever to take your time with your trading – be sure you have a solid plan in place before you even consider clicking the “buy” button!

And there's a few things in particular that I think are especially important to keep in mind as we look ahead to more tricky trading conditions ahead...

4 Tips for Trading in Volatile Markets

1. Keep Your Position Sizes Small

One of the best things you can do for yourself in uncertain trading conditions is practice good money management, including keeping your position sizes at a reasonable level, or even smaller than usual.

Now, of course “small” will vary depending on the size of your trading account – a “small” position might look different for someone trading with \$1,000 compared to \$100,000, but the premise is still the same. Don't allocate more than you can afford to lose to any single trade; the last thing you want is to go belly-up in your account if one of your trades goes south. There are bound to be a fair few losers along the way – that's the way it works, guys – so plan accordingly.

This is also another reason *you don't want to try and mirror my trades*. I get asked “how many shares did you buy?” and “how much did you spend on this trade?” a lot.

Those answers shouldn't matter to you. First of all, when I'm doing challenges like the \$1K Challenge, I tend to make riskier trades that I might otherwise, like betting a large portion of my account on a single trade. (This has been known to come back to bite me.)

I also am fairly confident in my own trading skills, and I know if I go all-in on a trade, I'll be able to limit my losses fairly effectively if something starts to go wrong. Most of you who are asking me questions like that are perhaps not as adept at making quick trading decisions and executing them, if you catch my drift.

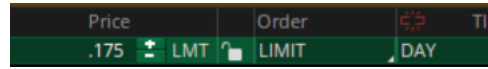
2. Opt for Limit Orders

Before I take any trade, I establish a trade plan.

This trade plan includes the price I want to enter a trade at.

This means that if a stock shoots up before I can enter the trade, there is a strong likelihood that I am not going to chase it, as tempting as it may be.

To help me stick to this, I like to use limit orders when placing my trade, instead of normal market orders.



I prefer to use limit orders when I can.

What's the difference? When I place a market order, my broker will execute that order at whatever the best price available is. That means that if the stock shoots up before my order is filled, I might end up buying my shares at a way higher price than I intended, which, obviously, is not desirable.

A limit order, however, allows me to set the price at which I want to purchase the shares. This means I won't accidentally end up buying shares at a way higher price than I intended, and it also allows me to wait for a pullback to enter a trade.

Of course, the risk with limit orders is you won't get your order filled, which is what happened to me on TSNP.

The shares were really rocking on Wednesday, up a whopping 116%. I had been eyeing this trade since adding it to my midday watch list, but was wary about potential mental resistance at the \$0.005 mark. If the shares stalled out there, I wanted to make sure I had enough wiggle room to enter and exit the trade with a decent profit, so I was waiting for an appropriate pullback to make my move. But... That pullback never came, so I was never able to successfully execute my buy order.



There's always another trade just around the corner... Don't succumb to FOMO!

In this case, I missed out on some further upside. **But I would much rather miss a good trade than be stuck in a bad one.**

3. Grab Your Green Where You Can

Right now is not the time to be greedy, folks.

And it rings especially true that it's important to take your profits any place you can get them right now!

Look at it this way. If you found a \$20 bill on the street, would you bend down and pick it up, or would you hope for a \$100 bill further down the block?*








Nov 12, 3:22 PM

David Pet: took 9% on SOLO. Thanks Jeff. \$50 bill stuck to my monitor, don't trade without it.

Way to go, David!

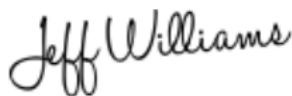
Not to mention... Finding a few \$20s can really start to add up!

Just ask Stock Profit Pro moderator Tom, who absolutely crushes it with his "little bites" trading philosophy:*

	Nov 10, 2020 at 9:20 AM - tomfister : in WISA @ 2.96 for a run over 3
	Nov 10, 2020 at 9:23 AM - tomfister : Out of WISA @ 3.04 into strength again .. +\$104 for another Little Bite.
	Nov 10, 2020 at 9:34 AM - tomfister : In WISA @ 3.06 and out @ 3.12... moving too fast to post .. +\$111.
	Nov 10, 2020 at 11:45 AM - tomfister : Out of WISA @ 3.63 .. +\$322
	Nov 10, 2020 at 1:47 PM - tomfister : Out of WISA @ 3.45 ... 10 cents up .. +\$240
	Nov 10, 2020 at 2:15 PM - tomfister : Out of WISA @ 3.50 .. +\$180
	Nov 10, 2020 at 2:15 PM - tomfister : Out of WISA @ 3.50 .. +\$180

Now, you don't have to take 4% scalp-trading wins if that's not your thing. It's certainly not how I usually trade. But any time I enter a trade, I have a target profit in my head – usually 10% to 20%, depending on where I see potential support and resistance on a chart.

Bought DXLG at .37 for swing target mid .40s tomorrow if we gap up



Jeff Williams

I always know my target profit when I take a trade.

And when I hit that target profit, I usually take it. Sure, sometimes I'll cash out with a 20% win and the stock will run another 50% higher. It happens. But hey, I still collected a 20% profit on my trade – that's winning in my book!

This also sometimes means I end up day trading instead of swing trading, if I see my target profit hit while I have trades remaining in my account without violating the Pattern Day Trader rule.

I did this a few times this week, and I'll tell you what... After seeing the next day's chart, I was glad I did!



I almost went back for an overnight hold... Glad I didn't!

Usually I do prefer to swing trade. But right now, there's really no telling what could happen overnight, so if I'm able to take my win on a day trade... There's a strong chance I'm going to do it!

Of course, just because I'm in or out of a trade doesn't mean that's the best move for you. Remember, sometimes I make trading decisions based on factors you don't need to worry about -- like when I tell my subscribers I'm staying in a trade overnight, I do my best to stay true to my word, even if it's not necessarily in my own best interest.

That's why it's important to always trade *your own* plan!

4. Stick to the Plan

Before I ever, ever enter a trade, I always have a trade plan.

This trade plan should include where I want to enter the trade, and where I'm looking to exit -- whether the shares go up or down. I try to base my entry and exit points on nearby support and resistance, and a little bit of common sense (for example, if there's no nearby potential resistance, I try to stick to my reasonable 10% to 20% profit rule of thumb).

I also try to have a general timeline in mind of how long I'm willing to wait for a stock to make its move. Since I tend to focus on shorter timeframes, I might only be willing to hold on to a stock for a few days or a week. Someone who specializes in scalp trading might only be willing to hold on to their shares for an hour or two, or a longer-term trader might be content to wait for several weeks or months. Figure out what works for you, your portfolio, and your trading style!

To help reinforce your trade plan, I suggest keeping a trading journal, so you can hold yourself accountable, as well as spot common patterns in your trading.

What do you think, guys? How are you trading out there? Are you taking any special precautions right now? Shout out your strategies on Twitter, @thePennyPro!

Enjoy the rest of your weekend!

Jeff Williams

*Results presented are not typical and may vary from person to person.

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