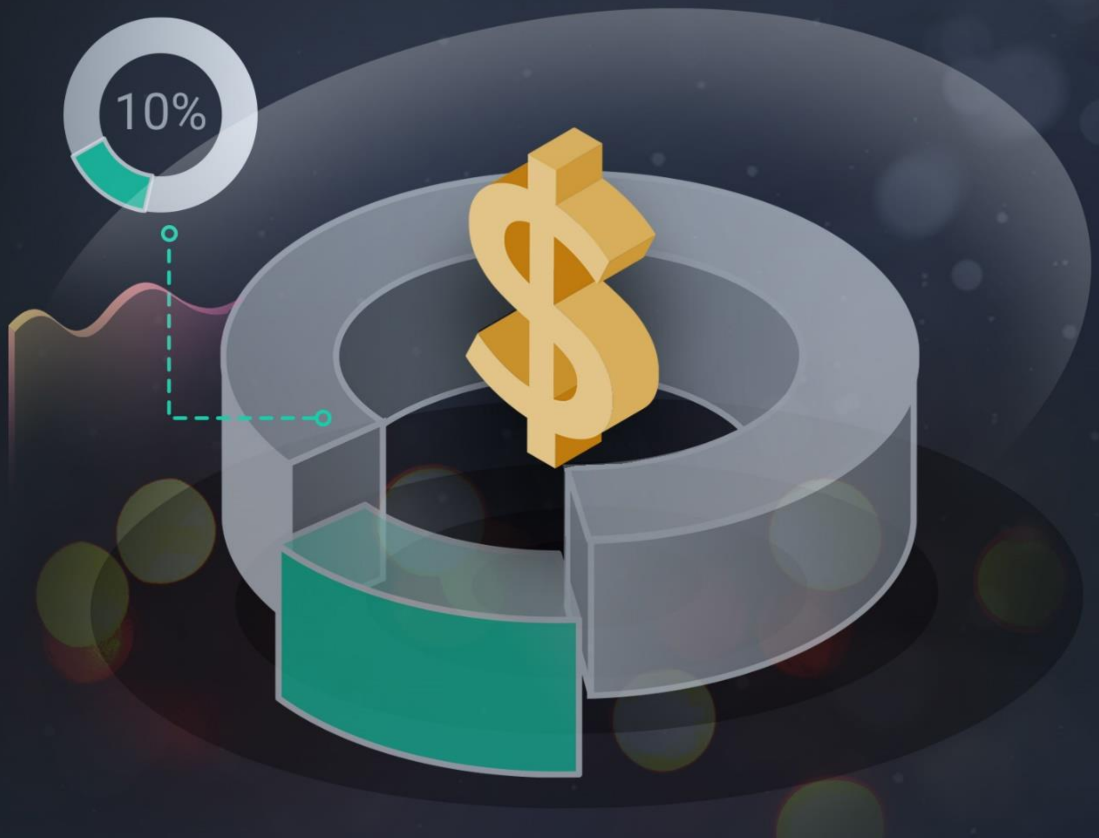
10% FORMULA



R2M LEARN
ENTREPRENEURSHIP

INDEX

MODULE 1

Risk to Reward Ratios

Risk: Reward	Frequency
1:1	High
1:2	Medium
1:5	Medium
1:10	Low

Explanation:

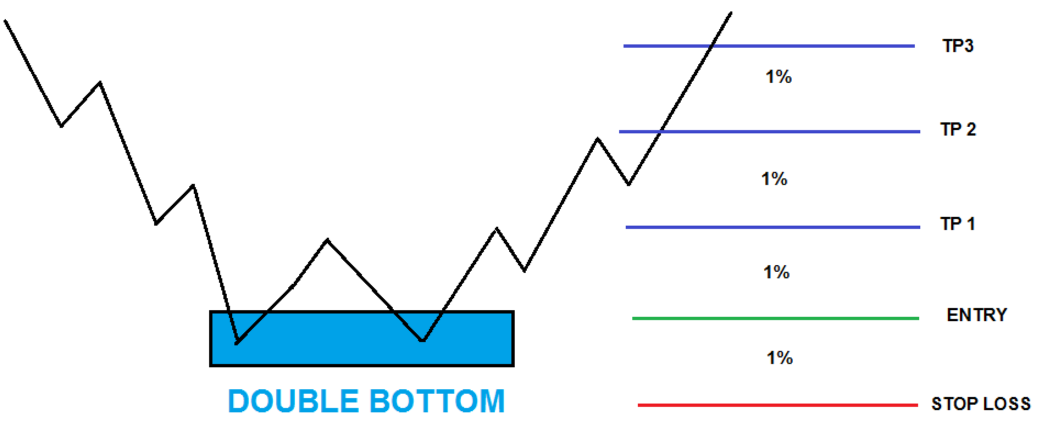
Our rule of thumb for a beginner trader is to never risk more than 1% on a single trade. As you improve and in time, you will have larger targets. The smaller your targets the frequency of these trades go up.

Goal 1: When starting out and new to trading, Target 1-2% per trade.

Goal 2: Once consistently reaching goal 1, then target 2-5% trades.

Goal 3: Again ONLY when consistently reaching goal 2, then target 1-10% trades.

Example: TP = Take Profit



MODULE 2

Win to Loss Ratios

Risk : Reward	Win : Loss
1 : 1	7 : 3 (70%)
1 : 2	6 : 4 (60%)
1 : 5	5 : 5 (50%)
1 : 10	4 : 6 (40%)

Explanation:

Keep in mind that trading is not a perfect science, it is a world of probabilities! As above when using the 1:2 risk to reward ratio, expect out of 10 trades, roughly 4 trades to go against you and 6 trades to go your way. **THIS can happen in any order!**

Example:

10 trades: **6 @ 2% per trade = 12%** | **4 @ 1% = -4%** | **NET = 8%(12-4)**

MODULE 3

Types of Traders

Trader	Time Period
Scalper	1-15min
Intraday Swing	1-8 hrs
Swing Trader	2-5 days

Explanation:

A Scalper will enter a position and remain in that position 1-15min, he can and will enter multiple positions within 15min depending on volatility. Whereas an Intraday Swing trader generally would enter a position/multiple positions in the morning and close his position/s latest end of day, so as not to have any open positions over night. Your Swing trader generally is in a position 2-5 days depending on volatility this could run into weeks.

MODULE 4

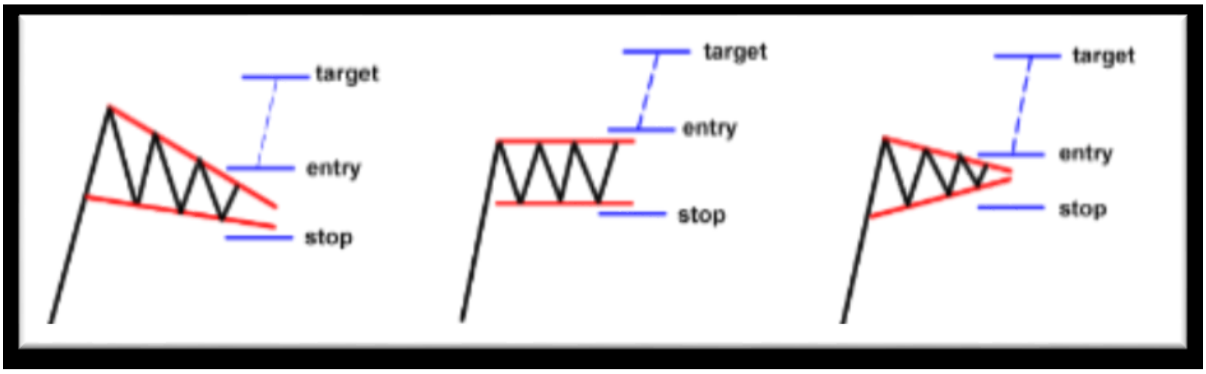
Re-occurring high probability patterns

1. Harmonic patterns (Counter trend); bat, cypher, butterfly, shark, crab, gartley,
2. Continuation patterns (Trending); wedge, rectangle, pennant.
3. Reversal; divergence, double top/double bottom, head and shoulders, Elliot wave

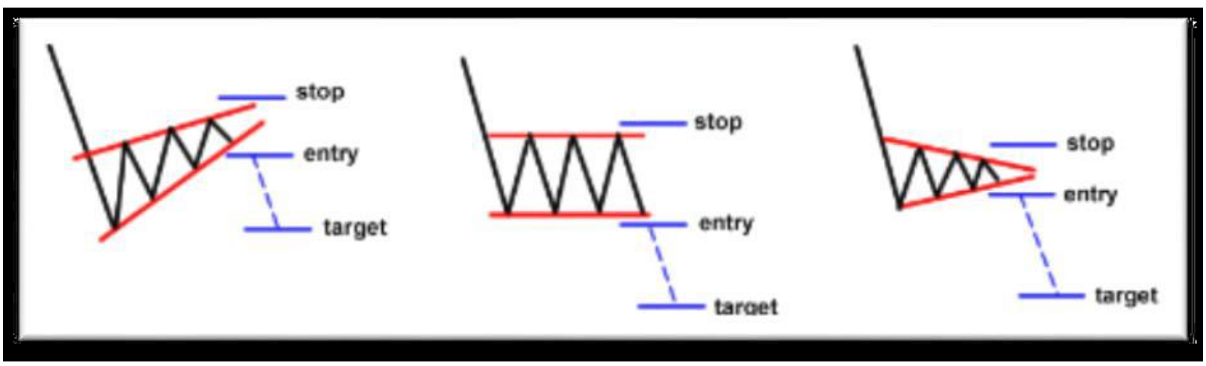
Examples:

Please see our Traders' cheat sheet for more examples, below are examples we recommend for beginner traders!

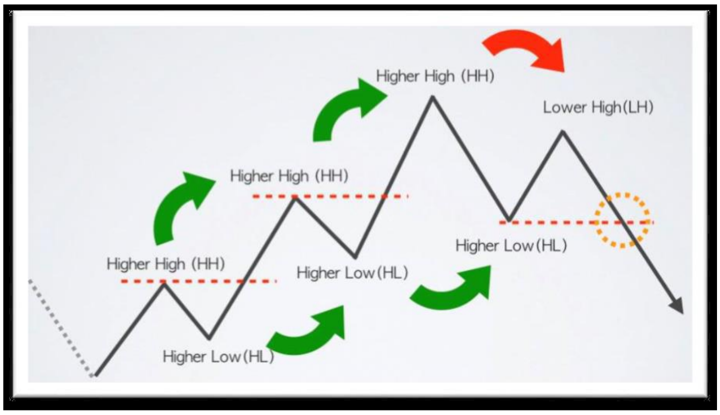
Falling Wedge: *Bullish Rectangle:* *Bullish Pennant:*



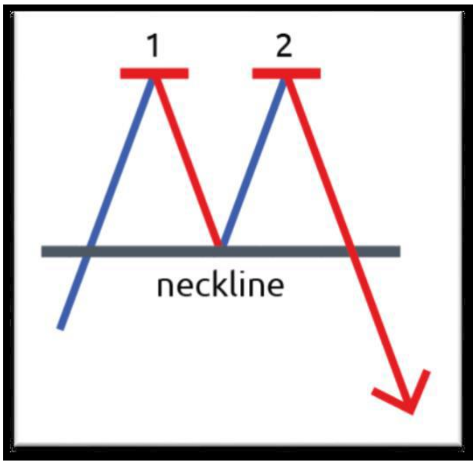
Rising Wedge: *Bearish Rectangle:* *Bearish Pennant:*



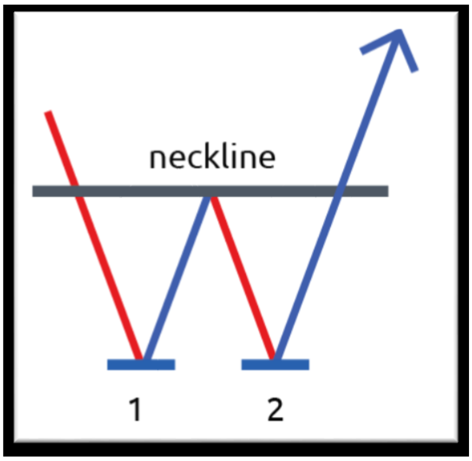
Elliot Wave:



Double Top

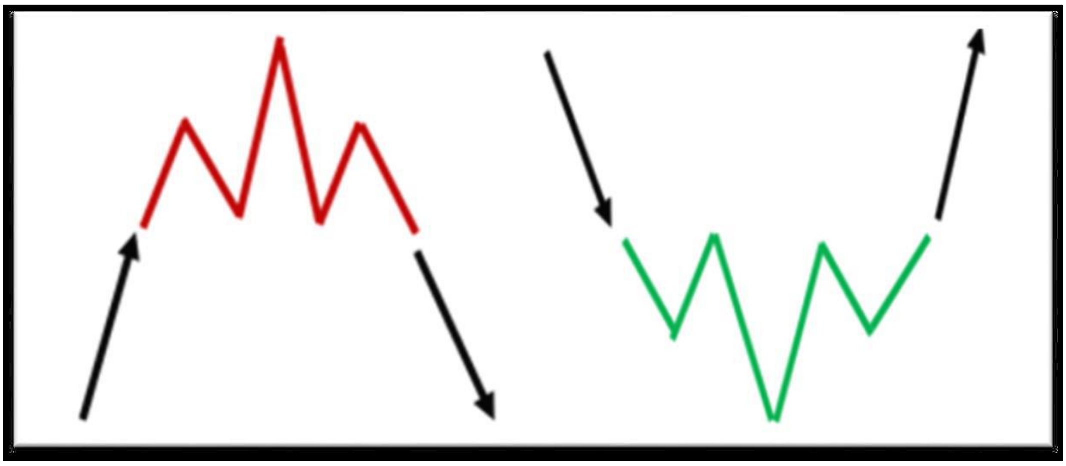


Double Bottom



Head and Shoulders

Inverse Head and Shoulders



MODULE 5

Traders Daily, Weekly, Monthly targets

and position sizing

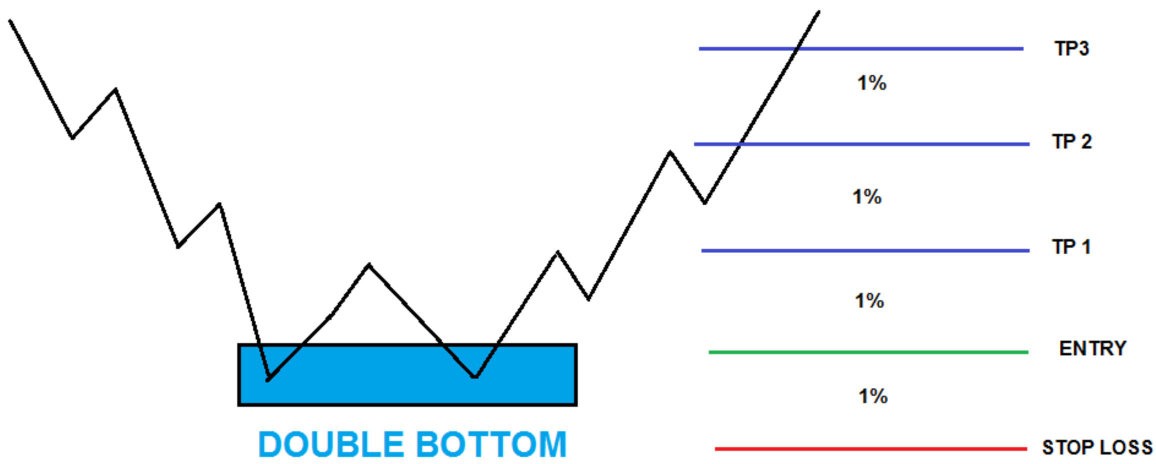
<u>Position sizing:</u>

Only risk 1% percent of capital per trade i.e. your capital is R5000 X 1% = R50

Risk R50 to make R150 (1:3 risk : reward)

We recommend only 20% of your total capital in your brokerage account!!!!

Example:



<u>Targets:</u>

	Monday	Tuesday	Wednesday	Thursday	Friday	**Weekly NET**
Daily Trades	3	3	3	3	3	
Risk : Reward	1:2	1:2	1:2	1:2	1:2	
Win : Loss	2:1	0:3	3:0	1:2	0:3	
Daily NET	3%	-3%	6%	0%	-3%	**<u>3%</u>**

Daily Target = 6%   Weekly Target = 5%   Monthly Target = 20%

Set your targets higher! When only reaching half your target this is still a good achievement!

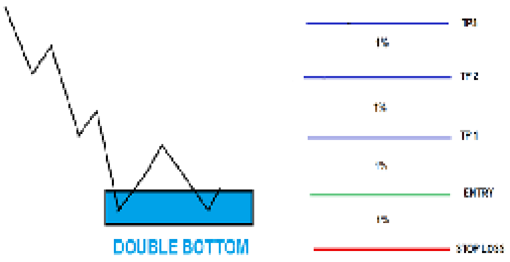
Example: Week 1 = 3%   Week 2 = 5%   Week 3 = -5%   Week 4 = 7%

3 + 5 – 5 +7 = 10%

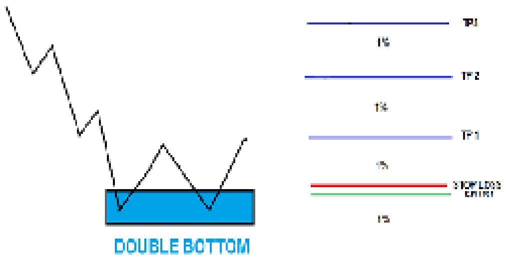
<u>NET Profit for month = 10%</u>

MODULE 6

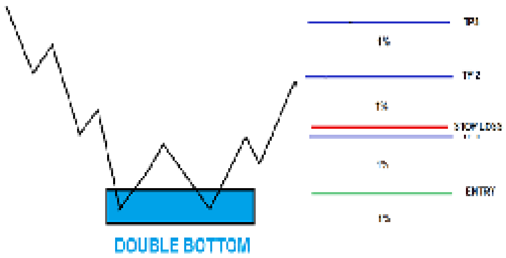
Risk Free Trade & Trade Management



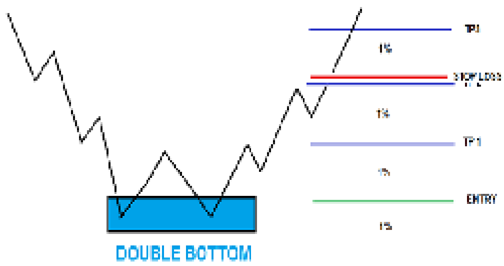
Entry



TP 1



TP 2



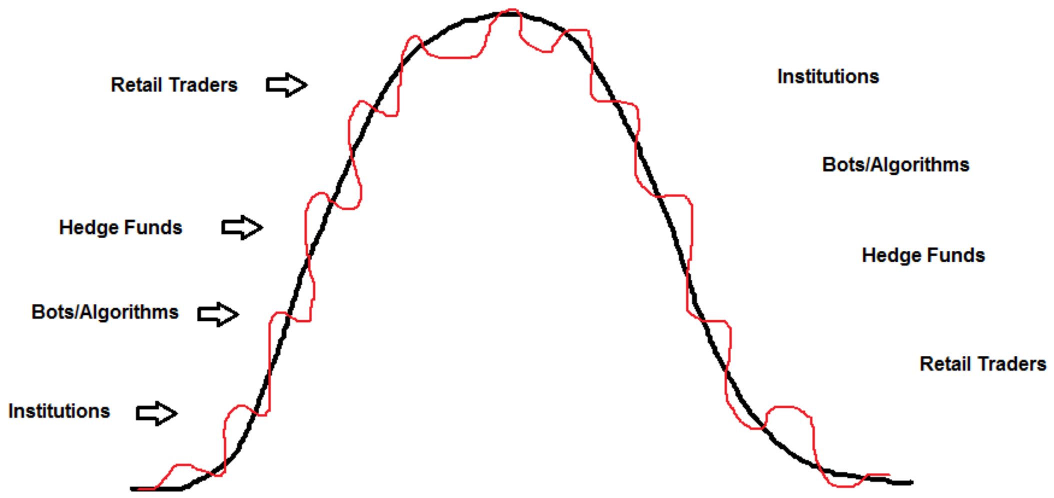
TP 3

Risk free trade:

Once in a position and the trade moves in your favour **move you stop loss to break even**. Too many retail traders will leave their stop loss in its original place until stopped out. As seen in the example above, once TP1 has been reached **STEP 1** move your stop loss to break even. Thus, making this a **risk free trade** and you have nothing to lose! **STEP 2** take off half your position to lock in profits. **STEP 3** once TP 2 has been reached move your stop loss to where your previous TP 1 level and lock in further profits and so on until a reversal. The reversal can happen at any time so make sure to move your stop loss and scale out!

Advanced Tip: Scale in (add to your position) as your position trends and scale out (remove part of your position) as you see a reversal form.

The entry Cycle of a wave:



The image above shows when most institutions/investment banks will enter a position. Shortly after this the bots (algorithms) catch onto this and front run many hedge funds as they enter a position. A common error all retail traders make is entering a position at the end of the wave, and the larger players start exiting their trades. This happens again on the way down, institutions will enter short positions when retail traders are exiting, followed by bots and hedge funds AND AGAIN retail traders will enter at the end, when larger funds exit.

TIP: This is a zero sum game - for one person to win, one person must lose. This is why 90% of retail traders lose. All that happens is a transfer of wealth.

Retail traders are not market makers we need to ride the waves created by the larger players.

BE THE SMARTER TRADER!
DON'T CHASE WATER FALLS!