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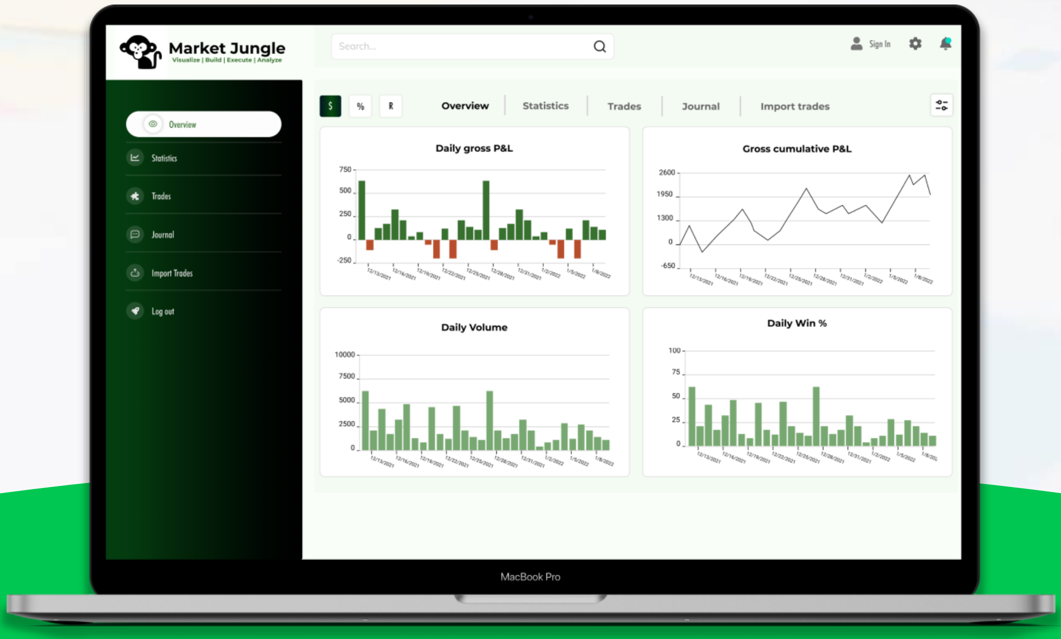
8 STEP

STRATEGY DEVELOPMENT PROCESS



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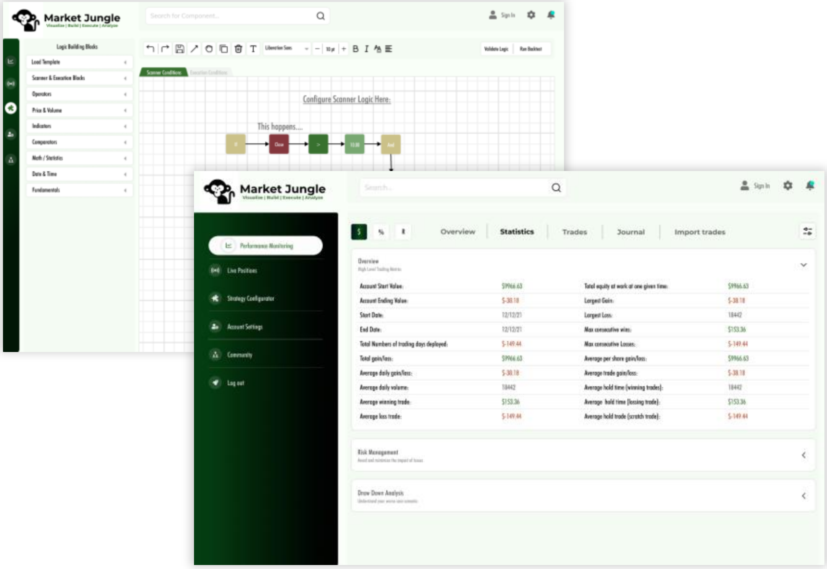
WHO WE ARE

WE ARE an online trade journal and analytics tool. What sets us apart from other web-based applications, is that we meet traders where they are. You do not have to be a professional trader with all the answers to be a member of Market Jungle. Honestly, that's what makes this platform so versatile and successful.

We setup our users with the tools so they can learn how and what they are doing. Giving them the ability to understand if their strategies are working for them with a positive edge and how to turn those red weeks to green weeks.



WHAT'S THE BIG DEAL

Every person can be a successful trader. Market Jungle has worked alongside professional day traders, swing traders, beginner traders and everyone in between to understand what each of these individuals has in common. Here's the secret...

Consistency!

THE STEPS

We have eight steps that will help you build a solid and robust trading strategy. Defining rules for your strategy is the path towards creating consistency. Armed with your rules and self-discipline, your results will become consistent and measurable. This is where our journaling and analytics will come to the rescue. Market Jungle gives you the ability to track how you execute your strategy though our Trade Journal. This will help you understand if you are maintaining self-discipline with your executions; and allows you to measure how far you may be deviating from your strategy rules.

When you combine a trade journal to track how closely you are following your plan, and the right statistics, a trader can understand how the different components of their system work together to create a positive edge in the marketplace.

Positive Edge

The market is a probability mechanism. Having positive edge in the market means that over several trades you will end up with financial growth.

Trade Journal Template

- The set-up
- Entry
- Exit
- What I did Right
- Trade grade
- Trade Parameters
- Noticeable Patterns
- Needed Improvements
- Trade Management

STRATEGY COMPONENTS

There are several components to consider when developing a strategy. The trader will have to take the time to understand each of the following components and how they fit together:

- Strategy Type
- Timeframe(s)
- Markets
- Entries
- Exits
- Stops
- Trade Management
- How to handle news events, overnights, and weekend holds.

STEP 1

Choosing a strategy type

There are four main strategy types a trader can choose from: Scalping, Day Trading, Swing Trading, and Position Trading. Understanding the differences between these four types will help you pick one that resonates with the time you have available and more importantly your personality.

Types of traders

Scalper

- Needs lightning-fast decision-making skills
- Requires less patience for price action to develop out
- Focuses on reading order flow and less on charts
- No overnight risk
- Less flexible for the working individual.

Swing Trader

- Overnight Risk
- Weekend Risk
- More time to make decisions
- More patience for price to develop out
- Focuses more on charts and fundamentals
- More flexible for the working individual
- Hold time from several days to weeks

Day Trader

- No overnight Risk
- No weekend Risk
- Requires morning premarket prep
- Ability to make quick decisions
- Focuses more on charts and less on order flow
- Need to think and make decisions quickly
- Less flexible for the working individual.

Position Trader

- Overnight Risk
- Weekend risk
- Little maintenance
- Long term holds
- Focuses on fundamentals, economics, & politics
- Up to 10 trades per year.
- Hold time several months to several years.

Scalping

Scalping is a method where traders trade for 1-2 hours per day, typically during the open session where volatility is greater. Traders enter and exit the market within seconds on low time frames. A trader who chooses to be a scalper needs very fast execution and accurate speeds from their broker, more technology, and needs to be able to make lightning-fast decisions without second guessing themselves. Scalpers heavily rely on order flow analysis to help them make real time decisions on supply and demand imbalances.

Day trading

Day trading is slightly slower than scalping. Trades can last from a few minutes to multiple hours. Traders need to be able to make quick decisions with this approach. Day traders tend to trade using a combination of charts ranging from 1 minute to 30-minute timeframes.

Swing trading

Swing trading is typically done on higher time frames. Swing trades can last several days. This approach is great if you work a full-time job and do not have the ability to watch the market during the day. Swing trading provides more time for critical thinkers who want to analyze the market thoroughly.

Position trading

A position trader is a trader that buys an investment for the long-term with the expectation that it will appreciate. This type of trader is less concerned with short-term fluctuations in price and the news of the day unless they alter the trader's long-term view of the position. Position traders might be seen as the opposite of day traders. They do not trade actively, with most placing fewer than 10 trades a year. The intrinsic value and fundamentals are more important to a position trader than a scalper, day trader, or swing trader.

What type of trader do you want to be? What fits your daily and weekly routine? Which approach will align with your personality best?

Pick a strategy type and stick to it.

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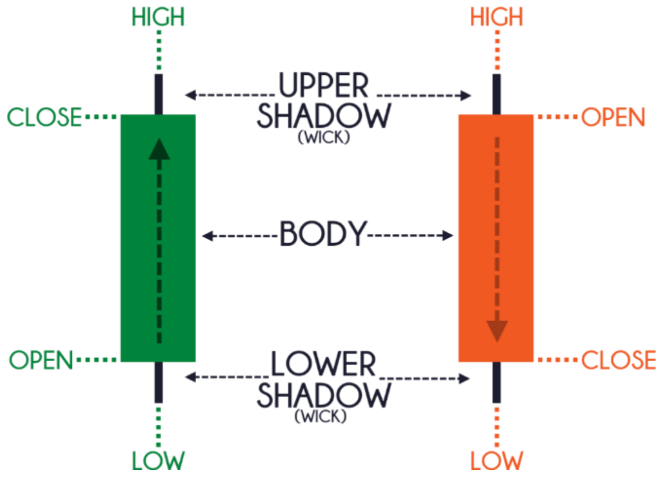
STEP 2

Pick timeframe

Traders use a chart called candle stick charts to view a stocks price data. A candle stick is made up of four data points. The open, high, low, and close of the stock's price. Each candle represents the change in price for a specific time. For instance, if you are looking at a 5-minute candlestick chart, each candle is a representation of the price over the 5-minute period. Three candles would span 15 minutes and six candles would span 30 minutes of time.



Many traders do not stick to one timeframe, this can create inconsistent results. Identify a timeframe you would like to execute your trades on, that is a time frame in which you wish to use to place your trades on; and then select a higher time frame that you will use for a macro view of the market. Many day traders use the 5-minute chart to execute trades and the 15-minute chart to help show them the bigger picture. Once you specify the time frames you will use, stick to it and do not jump around once defined.

Examples of Time Frames Used vs Trade Type

Trader Type	Candlestick chart for executions	Candlestick Chart for Macro View
Scalper	1-Minute Chart	5-minute Chart
Day Trader	5-minute Chart	15-minute Chart
Swing Trader	4-Hour Chart	Daily Chart
Position Trader	Weekly/Monthly Chart	Yearly Chart

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STEP 3

Pick a market

Which markets should you trade? As technology increases and trading innovation continues, the world is seeing an expansion in the types of trading instruments that can be used. For example, a person no longer needs to buy gold physically or even from a futures contract, they can simply buy an Exchange-Traded Fund (ETF) to participate in the movement of gold prices. Considering that similar scenarios are possible with currencies, commodities, stocks, and other investments, traders can tailor it more to their individual circumstances. The style of trading, financial resources, location, and the time of day a person trades (or wants to trade), can all play a role in which markets will be best suited to the individual.

A few of the common markets are:

Stock market

This well-known market simply involves buying/shorting shares of a company.

Exchange Traded Fund (ETF) Market

Funds representing many sectors, industries, currencies, and commodities. Trading similarly to stocks, these funds can be bought and sold rapidly or held long term.

Forex Market

The Forex Market facilitates the exchange of one currency for another currency. Currencies are always traded in pairs, with many potential combinations available, but only some of which are very liquid.

Options Market

A market that allows participants to undertake positions in the derivative of an asset. Therefore, the option is not ownership of an underlying asset (though rights and obligations exist), but the option price (along with other inputs) fluctuates with the value (or lack of) that the underlying asset is providing.

Contract for Difference (CFD)

A hybrid of the stock, forex, and options market that allows participants to place trades in a derivative product based on an underlying asset. Generally, the CFD does not have an expiry date, premium, or commission (see broker's terms and conditions), but does require the participant to generally pay a larger bid/ask spread than what would be seen in the actual physical market for a product

> To further elaborate on selecting a market, each market has subcategories. These subcategories tend to have different characteristics about them. For example, blue chip stocks move very differently than penny stocks. Alt coin move differently than other cryptocurrencies. Because different markets have different characteristics, it is best to choose one and stick to it.

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STEP 4

Define Entry Criteria

How do you determine entry criteria? Go back and physically review the last 10 profitable trades you took. Write down the criteria you looked for when taking the trades. Document what the price action looked like leading up to your entry. Review what the higher timeframes looked like leading up to your entry, and what scenario/situation that needs to be present on the higher timeframe.

What are the indicators, tools, and things did you look for on the lower timeframe. Take 10 screenshots of the absolute picture-perfect textbook trades that you can find that really describe your entry criteria. The price action should be very similar to each other. Print them out put them in front of your computer screen. Use bullet-points to show what they have in common. You can use this in your trading to be objective in deciding if the trade is valid or not.

Traders spend most of their time trying to CHOOSE the perfect entry; however, this is only one piece of the puzle.

STEP 5

Define stop loss criteria

One of our most important rules and one we would argue makes or breaks a trader is having a Stop Loss Plan. A stop loss controls the traders Win Rate, Risk to Reward (RR), size of winners and size of losers. There are many approaches one could take for setting a stop loss. A common approach is using the Average True Range (ATR) indicator.

Many traders like this approach because the ATR is relative to the stock's price. Another option is picking the most recent low or high, the second most recent low or high, a premarket level, using a Simple Moving Average (SMA), using a SMA on a higher timeframe, picking a pivot point on a higher timeframe, using support and resistance, or using Bollinger bands. With there being so many approaches in applying a stop loss, pick one approach and stick to it. One recommendation is to avoid using a fixed number of dollar/cents. This is not suitable because it does not carry across multiple symbols.

Average True Range (ATR) Stop Loss Example:

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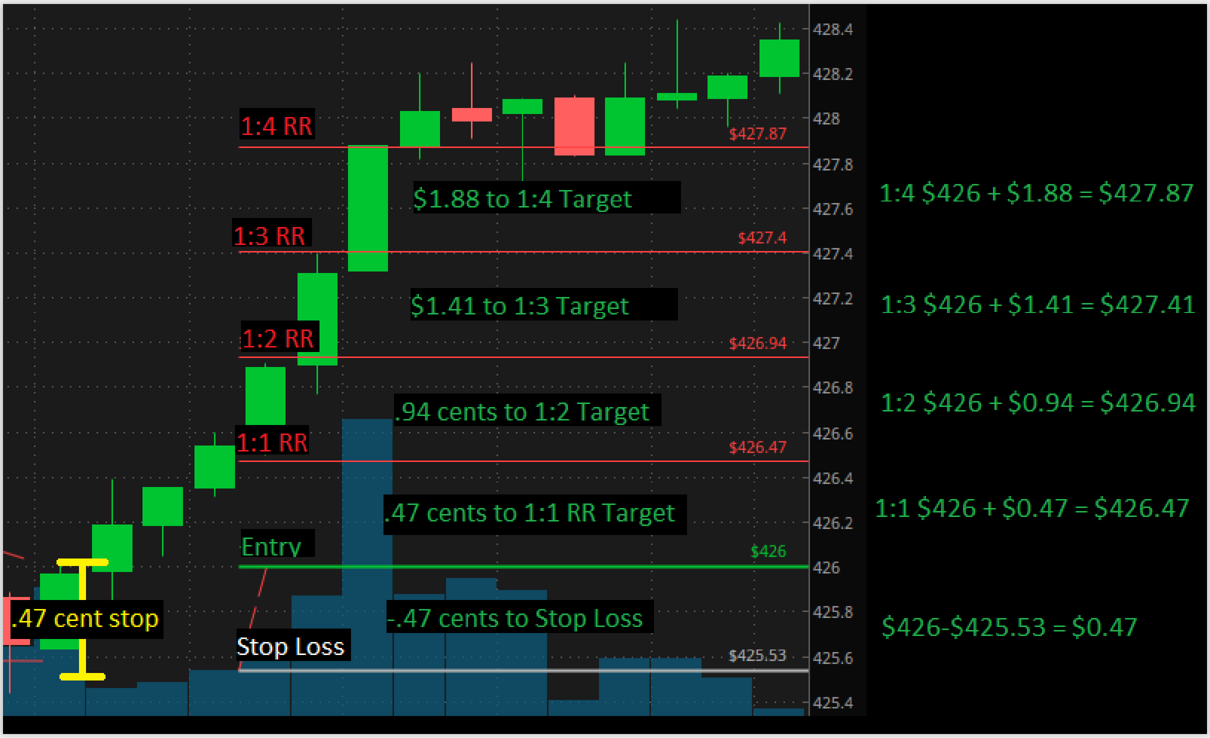
STEP 6

Define take profit criteria

Defining a take profit is quite easy. First you must pick a risk to reward ratio. A common risk to reward used is 1:2, meaning that your target is 2x what you have risked. With this Risk to Reward Ratio (RR), a trader only needs to be right 33% of the time to break even. Anything above this will be profitable. The higher the RR, the less often you will be right. The lower the RR the more often you will be right. In other words, there is a relationship between win rate and RR.



Now that we understand RR and you have defined a fixed RR to use, you can determine your take profit criteria. While a fixed RR may not be the best approach, when beginning, using a fixed RR will help you become more consistent. Take your purchase price, subtract it from your stop loss price, then multiply the difference by the RR you have selected. See example of calculating the take profit target for a 1:1,1:2,1:3, and 1:4 system.

There are other many other approaches traders use to select a target as well. One could choose a target based on next support/resistance area, second support/resistance area. You could also have an approach that uses a combination of variables such as support/resistance combined with an end of day rule such as if price has not hit the next support/resistance by end of day, the trader will close the trade manually at the end of the day. A more advanced option is scaling out which means taking profits as price moves in your direction. With so many options for taking profits, we recommend keeping it simple and going with the fixed approach for the first 30-50 trades you make. You can then go back and review these trades with the Market Jungle platform to see how changing your take profit approach would have affected your win rate, RR, and profitability.

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STEP 7

Define trade management type

There are two types of trade management Passive and Active. With passive management, a trader sets a stop loss and a target order. They do nothing with the trade until either is reached. More advanced traders typically use an active trade management style. A trader has many options when actively managing such as moving a stop loss along a simple moving average (SMA) or trailing it behind last swing high/low.

When beginning it is best to use a passive management style, not because it is better, but this will allow you to understand how price action works. Like what we explained when defining your target, it is best to put on 30-50 trades then see how changing from a passive approach to an active approach would have affected your profitability/outcome.

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STEP 8

Rules for news, overnight, weekend holding

Documentation is a fantastic tool and why journaling is one of our major components for traders. If you come across a situation where you do not know what to do, take notes so you can review it at a later date. Identifying these gaps in your knowledge will help you create awareness around areas that need your attention.

As you will come to find out, news events, overnights and weekend holds are some areas that can drastically affect your trading performance. There are many approaches to handling these events, some include closing your trades at the end of the day, before major news releases, or before the weekend. Another approach could be, taking some risk off during such events. If you choose this approach, define specifically how much risk you will take off: 20%, 50%, 75% of your position.

OUTCOME

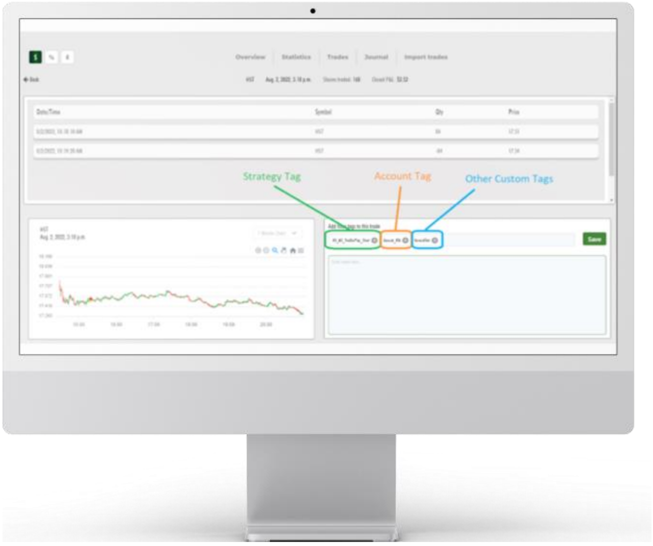
If you follow the above eight steps and aim to be specific and objective with your actions, you will create consistency in your trading. This consistency is so important in your trading, because it allows you to understand your approach with statistics to determine if you have an edge in the market or not. If your actions are not consistent, you introduce noise, which will skew your statistics. Once constancy is reached, a trader then focuses on understanding their statistics, and making iterative steps to optimize their strategies. Market Jungle will you provide you with accurate statistics and this is your greatest tool for growing your wealth and continuing on a profitable path.

TAGGING TRADES IN MARKET JUNGLE

Steps 1-8 provide you with the framework necessary to create a consistent approach in the market. Beginners should start with developing one strategy and then use Market Jungle to optimize it before building a bigger playbook of strategies. Market Jungle has a unique feature called Tags which allows you to tag a trade based on a particular strategy. As you develop your playbook, you will upload historical trades to the Market Jungle platform, Tag each trade with the appropriate strategy name. This allows you to segment your trade history to see your statistics specifically for each strategy. Having this individual look over each strategy will allow you to track the strategy's performance, understand what is working and what isn't, and where you may need to change your approach (Steps 1-8).

Pro Tip

Start with the smallest amount of risk possible, just enough to get the data. Tag these trades as Forward Test and the strategy name. Verify you have edge with our statistics view before ramping up your risk.



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THANK YOU