

Created by Cole Pena @ [Stock Options with Cole](#),

Join my [Facebook](#) group!

Follow & Turn on notifications @ my [Twitter](#)

Subscribe to my [YouTube](#) channel!

Cole's Trading Rule Bible

DOS AND DON'TS

1. When Starting out

Do NOT put your real money into the market yet!

Sign up for PAPERTRADING on a broker platform. Thinkorswim by TDameritrade is a good one. Practice trading. Understand how to buy/sell, understand the concepts of how stocks move, how news catalysts work and how they move price movement, trade in multiple different market conditions and get used to them, learn how to manage position / risk. Adjust paper capital to the amount you would play with real \$, learn how price action works, volume, technical analysis.

Never trade without a setup. If you trade without a setup, you're gambling!!!
"No Setup No Trade"

Understand what Trading VS Swinging VS Long Swing / Long Term means. All have different types of people in each. Learn what best fits for you.

Set goals. Financial freedom? Extra side hustle? SET GOALS FIRST BEFORE MONEY GOES IN.

2. Position Size

Day trading - always want max and min

Day trading always use 10% or less in a position. Never more.

Best Breakouts are at open usually after first hour and during power hour after lunch.

Reduce size on breakout during slow hours or during bear /down trending market.

High Probability ->More Risk ->More Reward

Low Probability -Smaller Size > Small Risk >Small Reward

NEVER USE 50% OR MORE OF YOUR PORTFOLIO INTO 1 POSITION even for swing / long players.

Know your limit. Do not go too heavy at the top. Always wait for a dip first.

If you play too much or buy too much, you will get anxiety / nervous and lose focus.

Never play to big or small. Play with what you're comfortable with. If you want to sell but you think will go higher, sell partially and lock profits or sell all re enter when the level breaks.

3. Risk / reward

ALWAYS know your risks before you enter a trade

Options = 100x much riskier than Stocks

Stock = Much less risk but still same rules apply on POSITIONING.

Can blow up your Options account if not doing it right. You can even blow it up in a day.

NEVER YOLO on a OPTIONS ACCOUNT.

4. Lotteries / YOLO

NEVER GO 50%+ or ALL IN INTO 1 POSITION

Never play with money you can't afford to lose.

Know your size and risk reward.

ALWAYS PLAY WITH MONEY YOU CAN AFFORD TO LOSE OR PLAY WITH PROFITS.

5. Trend

NEVER go against the trend. Follow where the money goes.

If bullish trend, play calls or buy stock

If bearish trend, play puts or short stock.

You can buy dips / bounces for quick scalp.

Make sure you're following the trend ON RIGHT TIME FRAME.

6. Consolidation

Avoid playing heavy inside consolidation periods.

If you see a "bottom" or "top" indication, take advantage of the play with a small position at first, and if the direction goes right, go heavier if feel confident.

ONLY LOSERS LOSE THEIR MONEY INSIDE CONSOLIDATION. Covered call / puts players collect your money inside consolidation zones and laugh at you.

This applies to playing inside PATTERNS as well, so make sure you're not stuck in it.

Only play if the stock is MOVING, not sideways.

If stock breaks out of consolidation zone and starts a new trend, follow that trend.

7. Moving markets

This is where the most money is being made.

Best time to trade during day is an hour or 2 after bell and Power hour (12 - 1pm PST)

Never sit out on the sidelines on a trending market.

Put your money where the big money is going.

Algos / Institutions are the one that move the market. We as retail traders FOLLOW where they're putting their money in because they know something we don't.

SOMEDAYS when the market is consolidating, algos mess with premium and take your money.

Small tip: if you want to see how the market does the next day or the week ahead... you should be checking all of FAANGs recent performances and see how they perform that day. Are they doing down? Are they going up? If they are RED that day, it's most likely they will push the markets down and create a mess everywhere. Focus on FAANG performance. These massive companies can shake the whole market with just their performances and by fear on how they do.

F: FACEBOOK

A: APPLE

A: AMAZON

N: NETFLIX

G: GOOGLE

Follow /ES SPY, QQQ, VIX for inverse

8. Avoid pre breakouts / breakdowns

Only buy when the breakdown / breakout is confirmed a direction.

Confirm candle above breakout / below breakdown levels.

You can do pre-breakout / breakdown move IF you have super confidence on the direction but PLAY small!!!!

ALWAYS wait for the move to happen FIRST.

A lot of times FAKE OUTS happen.

9. Take your profits. NEVER be greedy.

Take profits when above 20% on your position or sell partially above 20% and keep rest for 50s 70s or 100s, just make sure you lock profits and have confidence.

If have calls, sell most @ resistance or sell all, then re enter for a breakout above resistance OR when bullflagging.

Same with puts @ support.

Greed is YOUR worst enemy.

Control your emotions. This is not a get rich game. Take profits and stay consistent.

Remember, BUY THE RUMOR, SELL THE NEWS. IT ALWAYS WORKS.

10. Earnings

This is where alot of people blow up their accounts.

A CHART DOES NOT PREDICT AN EARNINGS MOVE, EVER.

If you have a small account or 0 profits to play with.. you have NO reason holding trades through earnings.. drop the gambling mind and focus on higher probability and safer trades. The sooner you stop gambling, the sooner you will achieve consistency and seeing profits.

Wait a day or 2 after ER so IV / Volatility can settle. "Let the dust settle"

If yolo play on ER for fun, go small. Under 2% of your account.

Earnings BEAT isn't always a gauranteed a GREEN % on the stock. There's always another word from a company like "bad guidance" which is bad for stock. Same with MISS. ER lotto is very very risky.

11. AVERAGING DOWN

Never avg down on a LOSING play.

If you have too much \$ in one position and you're losing, sell partial os POS and put your \$ into something else thats winning.

If losing a play, just sell and move on, don't average down. Bye bye.

Don't avg down on every play, you made that position size / risk for a reason. Don't change that reason.

12. Volatility

Avoid playing low volatility meaning consolidation or no volume.

ONLY play liquid stocks. (High volume / open interest)

Low volatility moves CREATE very big possible squeeze plays that can make YOU money but manage position and risk.

Low volatility will create SQUEEZES in the future depending on the time frame you see it building on and can move either direction. It can happen in any timeframe.

When consolidating with low volatility, put money in AFTER the move of the direction breaks. Remember the “avoid consolidation” phrase? Only losers play inside consolidations.

13. If playing Options

Play ITM or OTM.

Only play far OTM when you know stock is going to MOVE.

Play far OTM if stock is gonna move 3% or more quickly.

Expirations is very important. If day trading, play same week exp with good volume and open interest on a contract. Do not go too heavy ever ON same day exp.

MON / TUES / WED = for day trading, same week exps are GOOD. Thurs / Friday, NEVER daay trade with same exp.

If swinging, pick 2+ weeks out exp date for safest bet unless you're confident, pick same week exp but it'll be more riskier.

ITM = higher risk higher reward

OTM = base risk base reward

Far OTM = Higher risk less reward, just cheaper options.

NEVER DO FAR OTM ON A CLOSE EXP, lot of times Premium collectors choose those and win on them. Unless once again confident on a big move.

14. Patience

Be patient.

Let a trade come to you.

NEVER TRADE WHEN BORED. NEVER.

Always sit back and wait for a move to happen.

Trading is a waiting game.

There is 6½ hours in a market day, you have many chances to make money.

Wait for a breakout of a pattern to happen first then make your money. Consolidation = where people get burned.

15. Emotions

Control emotions.

Never go too heavy or too light. Always buy enough to feel comfortable.

Have a positive mind when trading.

NEVER THINK NEGATIVE WHEN TRADING.

Never hope. It doesn't work.

TRADE SMARTER!!

NEVER GET COCKY.

Greed = BAD.

Take profits when happy and move on.

If you see signal to sell, SELL IT.

If you see signal to buy, BUY IT.

confirmation first is key.

Be healthy and drink water, listen to relaxing music when trading.

Stay focused.

NEVER TRADE WHEN BUSY TOO.

16. Regrets

Never have a regret. Be happy you made a mistake. Learn from that trade and see why you did it.

We always have regrets but there is always another chance.

17. Watchlists

NEVER add too many names or lose focus.

Add STOCKS you see are setting up for a move / moving.

Add LIQUID names or stocks that are MOVING that day.

In 1 watchlist, add special names like SPY QQQ /ES VIX VXX /NQ to watch market movements

In 2nd watchlist, add your personal favorite names or possible breakout / breaking out tickers to play them. Don't miss the big money moved!!!

NEVER have a watchlist full of random names.

Organizing is KEY.

18. Trading

NEVER GO ALL IN ON ANYTHING.

NO SETUP, NO TRADE.

Only make the execution when you have setup ready.

Your INTRADAY setup / indicators should NOT be your swing analysis / longer term indicators. You will get FALSE indications. You need to have multiple different setups to see what works best for you.

Never buy into hype.

NEVER CHASE A STOCK. Don't fall into the trap.

Never let winnings keep riding unless you sell most of pos as profit and let rest ride or you're putting yourself / profits at too much risk.

19. Swinging plays

Play lighter.

Sometimes harder to predict because market news can happen anytime even overnight.

If you're confident in a play, play a bit heavier.

Pick setups you KNOW will move. Not during chop / consolidation.

Timing is key.

ALWAYS look for SWINGS only near the closing bell. If you buy swings beginning of market or midday, there's a high chance that direction will reverse.

Near end of bell picks are BEST time to do because the price of the stock will likely be that same price @ closing bell.

Look for breakouts / above resistance / below support etc. Do NOT pick plays that are consolidation zones.

20. Ignore

Ignore Hyped Stocks.

Ignore chasing

Ignore gambling / yolo.

Ignore buying overbought / shorting oversold.

Ignore trading if Fed Speech is coming up on day. The chop is very whipsaw and will eat your money. Sit out.

IGNORE Speculations, Hype, Pumped stocks.

21. Technical analysis

When day trading, watch multiple time frames at once for better executions and finding more direction in future.

DAY TRADING - 15M, 1HR, 4HR, DAILY charts are ALWAYS open when day trading.

Sometimes use 5m for entries.

IF USING VWAP, always USE 15M to buy / sell if vwap is broken either way.

Always buy on trends, never consolidation.

If above SMA = bullish

If below SMA = BEARISH

USE INDICATIONS / PSYCHOLOGY to back up entries / exits.

22. Prevent OVERTRADING

Never trade more than 5 or 10 a day whichever you're comfortable with.

If you make more than your daily goal, CALL IT A DAY.

MARKET DOESN'T OWE YOU CRAP.

Take your profits, and bye bye.

Let trades come to you.

23. Hustle. Play like it's your bank account.

1k in your account, build to 5k, take 4k out and restart again. Your profits are secure.

Keep hustle the same. (no matter how much you grow your account, buy / sell with same pos / risk as if you were a small account before. You're staying on a consistent growth)

Don't go all in.

Treat yourself with profits.

Treat your broker account like its your savings account. Were NOT playing a casino game.

24. Never stop studying

It may not take months or a year to get the full knowledge in the markets. It can take years and years depending on how much dedication and effort your time goes into it.

Study on charts when you have free time? Don't waste your free time on useless things like gaming, sleeping, etc. GET TO WORK.

Study on weekends. Take advantage of the "free time" most people call.

1 hour before open and 2-4 hours after closing bell. Go over trades / charts.

Always study non stop. The market is a never ending learning game. We learn something new everyday.

If losing trade, go over that trade later the day after bell and see what you did wrong. Avoid making that same mistake again.

If winning trade, go over that trade later the day after bell and see what you did right. Repeat that same strategy.

Check news every day throughout day. Follow up with Economic news most importantly. Yahoo Finance, marketwatch, benzinga, Seekingalpha, etc.

If your strategy doesn't work, CHANGE IT UP.

If you don't change your losing strategy, you WILL LOSE.

25. Habits

Never over trade. Never Chase.

Know yourself and understand what you're doing.

Keep healthy mind.

If you don't change your losing strategy, you WILL LOSE.

Keep trades minimum and max. Never go all in.

Drop the negative mind / gambling mind.

26. Types of plays to GET INTO

Play names that are moving. Has money flowing into it even Sector as well.

Breakout / Breakdown plays. Names that are breaking out of resistance / support lines, patterns, etc

Names that can be an advantage to a big situation for EX: Lockdowns around world = Buying ZM stock because it is an At home WORK / SCHOOL communication app, stock SOARS.

Names that are consolidating and setting up for a squeeze. Wait for the direction to break out of the box consolidation zone and make your move.

27. How to setup a stock chart

Go from bigger timeframes to smaller. Narrow down your resistance / support lines. Find the major points and your pattern on the Daily which is the strongest and most likely to be found at. Every single stock has a story behind the move or setup. Pattern breakout, downtrend breakout, etc. open your eyes and look deeper, don't glance and assume.

If day trading, keep your setup the same way. Start from bigger time frames to smaller and use those lines when day trading. Also add onto more lines on day trading timeframes so you can catch the more noisy moves if you're a quick day trader.

28. Types of Market conditions to avoid trading

Lunch hours during market. 8:30 - 10:30 PST slowest times of trading day. Low volatility in markets, choppy and eats premium up, avoid going HEAVY. This is sometimes good because this creates low volatility squeeze setups for big moves after Lunch hours are DONE. Lunch hours are when I look for moves that are setting up for big moves after. You should do this too!

AVOID swinging in BIG earnings week (tech earnings for ex: AAPL (Monday) TSLA & MSFT AMZN (Wednesday), too much anticipation and fear will go into that week which will end up being very unpredictable for moves in swings.

AVOID trading in FED speech days. This is where it gets really hard. Fed speech days are one of the worst days to trade. Anticipation and fear = chop.

AVOID trading in quadruple witching days. Quadruple witching days witness heavy trading volume, in part, due to the offsetting of existing futures and options contracts that are profitable.

This is where extreme volatility comes in especially for Option traders. Avoid playing in this.

Quad witch days occur on the 3rd Friday of every March, June, September, and December.

AVOID trading in a heavy news days (economically related news)

Avoid trading CHOP markets / stocks

29. What to Know about Options Trading (Important “Greeks”)

Click on Below to read my Google Slides on this!

[Options Greeks Explained - By Cole Pena](#)

30. My Favorite Trading Strategy!

I've been trading for 5 years. I've consistently grown my account from 4 digits to 6 digits with a very simple plan. Everyday I continue to grow my account with such a small & simple goal that pays me to enjoy freedom in my life. I will explain exactly what my plans are below.

1. Use working indicators and work them with price action. You do NOT need 10 indicators. 3-5 is best.

2. I study the market about 7-10 hours per day (including trading). It's moving 24/7 and you'll learn new things every single day. It's endless. If you don't study, you're going to

be a lost ant. It can be 5-10 minutes. Any time consumption is progress. Things you should study: Chart setups/ Finding setups, Review Trades, Price Action, Economic Reports, and be involved with groups that are involved in the market.

3. Approach the market with a comfortable amount. This includes every single position. Never go too light or too heavy. A very important rule is to never put more than 10% of your port into a position no matter how confident you are. Set up a number for your sizes for "Light, Medium, and Heavy" and go by those. For ex: Small = <\$1000, Medium = \$1000-2000, Heavy = \$2000-4000. You can use % of acct size instead if you prefer.

4. Have a plan before doing anything. This is super important. If you are entering a trade without a plan, then you are definitely blindly trading. Find your setup, plan your trade, and take your execution when opportunity is given.

5. I stick with quality names only. Following junk names that are related with WSB or in general is not going to build your future. Stick with Tech, Chips, Banks, Industrials, etc... These names provide quality setups & don't provide junk results.

6. I do NOT have a "home run" or a "get rich quick" mentality. There is no such thing as that. I've seen too many "success turn into blown accounts" trying to do exactly that. Trying to get that 100-500% play every single time is just not going to happen and it can always go to 0 if the risk is high. Build & grow consistently with 10-50% or even more if you can and in no time you will notice consistent profit.

7. Avoiding ER plays & YOLO plays. These 2 are such huge setbacks when they go wrong. 1 bad play can destroy days/weeks of gains. I see this problem atleast 50 times a day. Gambling isn't a career. Avoid at all costs.

8. Less is more. I've learned this year that less is definitely more. 4 quality names on your watchlist is already more than enough. Stick to 4, master them, and only trade them. You can also do only 1 name. 5 trades or less per day as well. Be patient and let setups come to you. Overtrading / Overdoing can kill you.

9. Setting simple goals for the Day/Week/Month. Once my goal on Daily is met, I either stop trading or continue trading with lighter positions to try and make more. There are some days where I end up giving back and I walk away and continue onto next day.

10. Instead of buying 1 expensive ITM contract, I buy multiple contracts of a strike either ATM or OTM to be able to scale and maximize my profits instead of being stuck with 1. Try this method and you'll appreciate how you're able to scale with multiple contracts instead of 1.

Created by Cole Pena @ [Stock Options with Cole](#),

Join my [Facebook](#) group!

Follow & Turn on notifications @ my [Twitter](#)

Subscribe to my [YouTube](#) channel!

