

Strategy Creation @REDE

Level 1

Momentum Trader

I have a strong interest and skill in abstract thinking, allowing me to combine information into a cohesive picture. This can help me look at the overall market direction and makes me well-suited as a trend/momentum trader.

Time Availability

I do not have lots of time in front of a screen to analyze trades. Therefore, I want to be a long-term and swing trader (Daily & Weekly Timeframes). Additionally, I've learned that avoiding prolonged screen time helps me control my mindset and emotions better. I will steer clear of day trading and scalping to prioritize psychological balance.

Risk Profile

My risk tolerance is moderate. With a steady income, I can comfortably allocate around \$1,200 USD monthly for investments. I plan to follow a modified barbell portfolio strategy and apply the Stock Campus options position-sizing guidelines. [I am 23 years old and responsible for all my living expenses, including rent, food, car, etc. I can dedicate \\$1,200 towards savings each month after covering all expenses.](#)

Asset Classes

I will focus on trading stocks (equity&options), and crypto, while avoiding futures and currencies due to their risk level in relation to my current cash flow.

Level 2

Entry Parameters

- Assess overall market conditions as risk-on or risk-off. For instance, a recent example is Trump's re-election, where liquidity is expected to rise, making the market risk-on.
- For a risk-on environment, I may focus on volatile assets such as crypto and growth stocks, while in a risk-off climate, I'll lean toward large-cap, lower-volatility stocks.
- Select stocks that are consolidating near the upper range of a Base-50MA–21MA box, and ideally close to all-time highs (ATHs). [Above all moving averages.](#)
- Look for a squeeze on daily or weekly timeframes.
- Check for significant events, such as earnings or high-impact red folder reports, that could influence the trade.
- For options, ensure the stock has adequate volume and open interest (at least 200 each on Barchart).

- Place orders at the breakout price (If the hourly close is above the box during PM session with momentum moving up - Confirmed with Daily Candle close for a breakout of the box)

Basebox break (weekly/Daily) = Equity play more longer-term play

First 50MA Box Break (Daily) = 1-2 Weeks run, an option more than one month out. Can swing option plays or equity. Options length is the same length as the consolidation period.

Second 50MA Box Break = Little less reliable. Same thing

9MA Box = 2-3 day run. 1-2 weeks out, 1-2 strikes out the money.

QQQ is stronger than SPY = Trade growth and tech stocks.

Exit Parameters

- Take partial profits at key levels determined by historical price levels or the Box, and hold the remaining position until the stock closes below the 9SMA on the daily or weekly chart. EXIT below 9SMA if back inside the box close to breakout (False breakout)

Risk Per Trade

Will come back. The current cash flow is \$1200, which is added to the investment portfolio each month, without having to take out any.

Level 3 Back Testing

Aayush feedback given from levels 1&2:

Mark Box Types: Record the specific type of consolidation box (e.g., Base-50MA, 21MA) in your backtesting sheet for comparison purposes.

ATH Proximity: Note whether each entry was close to ATHs or further away to analyze performance differences between these two cases.

Focus on Underlying Price Action: During backtesting, prioritize analyzing the underlying stock's price action over the option's behavior.

Define Entry Precision: Specify your exact entry criteria for each box—whether you're entering as soon as the price breaks out, on a candle close, or a retest of the box level.

Define partial profit size: Set critical levels based on historical support/resistance and exit (e.g., close below 9SMA) rules across all trades for reliable backtesting data.

Asset Trading: Stocks

Goal: Strategy win rate

Backtest Rate: 200 Trades

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Crypto

Follow Barbell portfolio / Strategic DCAing / Asset selection (Modern Portfolio Theory) as principles

Use Portfolio Visualizers to find the best shape, omega ratio, Sortino, etc (MPT)

Are you a momentum or a mean reverting trader? Longer or short-term trader?

Vet out data to use in system (IN ORDER of importance: Fundamental Economics, Macroeconomics, On-chain Data, Statistical Significance, Sentiment, Discretionary TA)

Ensure data is either trend following or mean reverting; don't mix up the two.

Set time up correctly. (So the indicators give me the best results by changing the time series)

Standard deviation graphs to score each data (SYSTEM BUILDING)

Preliminary data list:

- News (EG, Trump Winning, SEC Chair, JPowell etc)
- CVD Cumulative Volume Delta
- Open Interest
- Funding Rates
- Order Flow
- Moving Average (EMA)
- VWAP
- Bollinger Bands
- Keltner Channel

- Volume Profile
- RSI
- MACD
- Momentum

outperformance

- 1) Significant market direction (Liquidity etc)
- 2) Box system (Daily-weekly Trend/Momentum trader)
- 3) Mini-TPI for confluence (Established by impulsive move?)(If not consolidating sideways it's not mean reverting it's fake correction?)

Use valuation to find the bottom (high SD) and SDCA during bear markets.