Dear Trader,

Please take a minute to ask yourself these questions:

- Do you want to more easily be able to determine the market’s next step? ...and hence trade without stress and emotions?
- Do you know how to take advantage of trading in multiple timeframes? It can dramatically increase the returns in your portfolios.
- Do you have a set of trade setups that consistently produce profits?
- Are your trade setups adaptable to different economic environments and cycles?
- Are you a consistently profitable trader? Are you a Steady Trader?
- Do you have a clear and concise Trading Plan?!

If the answer to any of the above questions was NO, I believe my Trading Plan can be of immense help to you.

In the following pages you will find a shortened preview version of my exact trading plan. The full Trading Plan will soon be available for purchase and download on the website, www.thesteadytrader.com.

Happy Trading!

Best regards,

Serge Berger
THE STEADY TRADER
Risk Disclosure

Disclaimer

Futures, stocks and options trading involves substantial risk of loss and is not suitable for every investor. The valuation of futures, stocks and options may fluctuate, and, as a result, clients may lose more than their original investment. The impact of seasonal and geopolitical events is already factored into market prices. The highly leveraged nature of futures trading means that small market movements will have a great impact on your trading account and this can work against you, leading to large losses or can work for you, leading to large gains.

If the market moves against you, you may sustain a total loss greater than the amount you deposited into your account. You are responsible for all the risks and financial resources you use and for the chosen trading system. You should not engage in trading unless you fully understand the nature of the transactions you are entering into and the extent of your exposure to loss. If you do not fully understand these risks you must seek independent advice from your financial advisor.

All trading strategies are used at your own risk.

Any content in this trading plan and on thesteadytrader.com website should not be relied upon as advice or construed as providing recommendations of any kind. It is your responsibility to confirm and decide which trades to make. Trade only with risk capital; that is, trade with money that, if lost, will not adversely impact your lifestyle and your ability to meet your financial obligations. Past results are no indication of future performance. In no event should the content of this correspondence be construed as an express or implied promise or guarantee.

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A trading plan is the CORNERSTONE for any successful trader. Here is a preview of my personal trading plan:

**Important Note** - Each one of the strategies I describe in this trading plan was carefully chosen for its high probability and low risk profile.

What this means to you is that each strategy and bucket (described later) can be used as a very profitable stand-alone trading or investment strategy.

You don’t have to learn and trade in all three buckets/timeframes and use all the strategies in order to be profitable. What the three bucket trading approach does however is allow for more consistently profitable portfolios over multiple months and years.

And by the way, don’t worry if you don’t understand everything in the trading plan right-away, it will become clearer to you once participating in the forums, reading the daily newsletters and/or participating in the chat-room.

**Why Trading?**

You may want to trade because of your interest in the financial markets and strong aspirations of becoming a profitable trader.

Or you may want to trade because you’ve earned enough money and now want to be free of a boss, enjoy life, and yet still earn an income.

Whatever the reason for being interested in trading, this profession if approached the right way will allow you to actively manage money in all market situations while having the freedom to work for yourself.

You will want to be a student of the markets and gain an appreciation for some of the things that are critical for success as a trader.

Proper mindset, strict money management, and trading with a clear plan are a few of the more important aspects to focus on when trading the markets.

**Who is it for?**

Several years ago I wrote this trading plan for myself and it still serves as my trading plan to date, although I update it multiple times each year.

If you are determined to make a living trading, then this trading plan can be of tremendous help to you.

If you follow the systems I describe in this plan, not only will it help you become a very profitable trader, but more importantly it will help you develop a feel for the rhythm of the market.
To feel the market and be able to sense its next possible moves is the ultimate goal. You want to become ‘one’ with whatever market it is that you are trading.

I am going with the assumption that you have some finance knowledge and understand the basics of the market and related terminology as well as technical analysis.

As such this trading plan is not a course in finance. What you will find in this plan however are detailed descriptions of each of my trading strategies/systems as well as guidance on how to act and think like a winning trader.

**Three Bucket Approach**

**Clearly See the Market’s Focus**

Trading is an art, not a science, but a clear trading plan is of essence for success. My three bucket trading approach and plan is straightforward to understand and focuses the trader on executing high probability low risk strategies in multiple timeframes.

My strategies/systems are divided into three, what I call, ‘buckets.’ Each bucket is made up of the strategies of mine that have similar time horizons, allowing me to clearly distribute my trades and investments over different timeframes. Let me explain:

Many if not most amateur investors when they start trading don’t have a strategy much less a real trading plan.

Those traders that make it through the first few months of pain will eventually come to the realization that they need more structure in their trading approach (and knowledge), which often leads them to read a few books, attend a course, or follow an online course.

While this education phase is good in and of itself, the problem most often is that these traders only learn one system or type of setup and think they are ready to get rich.

In all my years of trading I have never come across a single system that works consistently all the time, meaning in all market conditions and economic environments.

The individual trader needs an approach with multiple legs (systems) or else most likely won’t consistently pull money out of the market.

The solution is to have trades and investments across multiple timeframes!

Here are some of the vast benefits of diversifying trades and investments across multiple timeframes:

- **The trader increases the consistency of profits**
- **The trader greatly decreases the correlation of his portfolio vs. the market**
• The trader gains significantly better perspective of the market’s current standpoint and opportunities

• The trader can act from a more neutral standpoint and will trade without stress

• The trader will find more trades with the most favorable risk/reward ratio

As we progress through the trading plan you will find many more key advantages to trading with a multi-timeframe approach.

More on why I devised the three bucket approach

One of the most crucial realizations I had over the years is that profitable trading opportunities appear in many different timeframes.

For instance, you may find that a certain stock consistently bounces or retraces when it hits its 50day moving average and that this trade usually lasts two days for best profitability.

At the same time you might find that this same stock usually offers good value when its price/earnings ratio drops below a certain level (all other things remaining equal) and that trade lasts best for several months.

These opportunities are not mutually exclusive; they can occur at the same time. In this example, if you closely follow your stock you could take advantage of both trading opportunities simultaneously as long as you realize that each trade setup has a distinctly different timeframe.

To take advantage of multiple time horizons one needs multiple strategies.

One of the most common mistakes that traders make is not sticking to their rules, i.e. not taking profits or stop losses when initially determined.

Dividing your trades into different timeframes makes it easier to stick to your rules. There are various reasons for this but often traders feel that it’s easier taking off a trade knowing they still have other trades open in different timeframes.

I will describe this in more detail later.

By the way, as you will find out while you work through the trading plan, I further assign a given trading strategy to a specific timeframe bucket according to the type of asset (stock, option, future) involved.

For example, buying a stock for a strategy with a six month time horizon in my approach makes more sense than buying a call option for the same strategy.

Today’s dynamic markets demand flexibility in trading timeframes and adaptability of trading ‘systems.’
My approach of trading in multiple timeframes tries to capture opportunities in three specific time horizons (the three buckets).

The objective is to thereby reach more consistent profits.

**Here is how the buckets are split-up:**

**(Bucket 1)** Time Horizon – 1 day or less:

A few select intraday setups in the E-Mini S&P500 Index futures contract and individual stocks.

**(Bucket 2)** Time Horizon – 2 days to 3 weeks:

'Swing trades’ on various mid and large cap stocks and ETFs, often via the options market...but can also be done using stocks

**(Bucket 3)** Time Horizon – 3 weeks to 6 months:

A bucket of long stocks and net short options trades on various mid and large cap stocks and ETFs to take advantage of time-decay/high options volatility - often using option credit spreads

**Basic Asset Allocation Guidelines**

While the asset allocation to cash and in buckets 2 and 3 can easily swing 10%-20% on any given day, the basic split is as shown in the chart below.

Cash is an integral part of the asset allocation in that it serves as a safety cushion. Bucket 1 is strictly intraday trading and as such the value at risk and capital put to work in bucket one on any given day is to a great extent less than in buckets 2 and 3.
**Bucket 1 - Generating Cashflow**

(Time Horizon – 1 day or less)

The primary objective for bucket 1 trades is cash flow and my primary vehicle for intraday trading is the E-mini S&P 500 contract.

Because bucket 1 trades are intraday trades, meaning they are opened and closed within the same trading day, assets in bucket 1 will never be greater than 1% of total assets at any given point.

Additionally, because most intraday trades are very technical in nature, profit target limits as well as stop loss orders will be placed at the same time the trade is opened. Due to the nature of the strategies I deploy in bucket 1, most of the trades are done during the morning session although in some cases trades can be held/managed until 3:30PM EST.

**List of Strategies**

- Strategy 1: The Open Gap *(available in preview version)*
- Strategy 2: Bread and butter setup – *only available in full version of my Trading Plan*
- Strategy 3: 20/40 moving average cross - *only available in full version of my Trading Plan*
- Strategy 4: Breakouts – *only available in full version of my Trading Plan*

**Chart Set-up Details**

This information is only available in the full version of my Trading Plan

**E-mini S&P 500 Futures**

The E-mini S&P 500 contract is a smaller version of the big S&P 500 futures contract. The E-mini (or ‘ES’ as I will call it going forward) is ‘transparent’ with an abundance of information and features tick-wide (0.25 index points) bid-ask spreads.

The ES allows traders to take advantage of intraday opportunities on a daily basis and with great liquidity. As it is a futures contract it also gives traders leverage and allows for setting clear and technically important stops and limits.

**Trading hours**

The trading day for bucket 1 trades are broken down into two, 2-hour trading periods:

- 9:30-11:30 AM EST
- 1:30-3:30 PM EST

All trades are opened during these two timeframes only, but if the opportunity allows I can manage existing open trades during the lunch hour and after 3:30 PM until the close.
Strategy 1: The Open Gap

The Gap trade is a great trade to start the day with. Think of it as your morning cup of Joe. On average it should start your day with some jingle in your pockets and sharpen your focus for the full trading day ahead.

Gap trades are high probability trades that often fill on the same day.

We refer to a gap when a stock or index opens for trading in the morning at a different price from where it closed the previous day.

Why do these gaps exist?

Much business, political, and geopolitical news comes over-night and in the morning before the market opens.

This news often has an effect on how traders and investors allocate their funds. As such, a news item viewed as being positive can easily lead traders to bid the market up higher at the open than where it closed the previous day.

From an execution standpoint the gap trade is very easy; if the market opens higher than where it closed the previous day then sell short, if the market opens lower than where it closed the previous day then buy.

The details are explained shortly.
Chart of S&P500 E-Mini Open Gap – Note the price opened lower than where it closed the previous day. Slowly prices moved up until 30 minutes later the price had worked itself up to where the index closed for trading the previous day.

**The Gap Trading Rules:**

1. Take only those gaps that occur at or between the R1 and S1 pivot levels. Exceptions to this rule can be made if price opens near another significant level that has a high probability of providing support/resistance.

   As an example, the market gaps down below the S1 pivot level, but prices open right on the weekly pivot that also coincides with key daily chart support and/or a moving average or Fibonacci level.

   (Don’t worry if you didn’t understand the latter part here, it will become more clear to you when reading the daily newsletters and participating in the chat-room.

   The same goes for anything else in the trading plan that might not yet make sense to you.)

2. I generally don’t trade the open gap on options expiration day (every third Friday of the month) and the first trading day of the month as probabilities are lower...around
55%-60%. I also tend to avoid gap fades after a narrow range day if the gap is larger than the previous day’s range. Avoid gaps where the opening price is outside the previous day’s high/low. Avoid gaps > 40% of the previous day’s range or the 5 day Average True Range.

<table>
<thead>
<tr>
<th>Day</th>
<th>Percentage of Gaps Filled (unfilled gaps generally fill within 5-10 days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday</td>
<td>65%</td>
</tr>
<tr>
<td>Tuesday</td>
<td>77%</td>
</tr>
<tr>
<td>Wednesday</td>
<td>79%</td>
</tr>
<tr>
<td>Thursday</td>
<td>82%</td>
</tr>
<tr>
<td>Friday</td>
<td>78%</td>
</tr>
</tbody>
</table>

On average 76% of all gaps close at some point during regular trading hours.

1. ES gaps should be at least 1 point and not much more than 6 points. Most breakaway gaps are big gaps.
2. I enter the gap trade just at the open of the cash session (when stocks start trading, at 9:30AM EST).
3. Once filled, I set up a protective sell stop with the following parameters:
   - Enter market using all-in market order and place stop from fill price.
   - I use a 5 point stop-loss.
4. My target is the gap fill itself, which is either the 4pm close of the 4:15 close (whichever is closer to the open). For moderate gaps (4-6 points) I will split this order up, having half my target at 50% of the gap fill, and leaving on the remaining half for a potential full gap fill.
5. I don’t trail stops for this setup.
6. If I am stopped out, then the gap play is over for the day.
7. If neither the target nor stop is hit by the closing bell, I exit my position at the market.
8. For the gap play, there is only one potential setup per trading day.

**Bucket 2: The Profit Zone**
(Time Horizon – 2 days to 3 weeks)

Trades for bucket 2 are high probability setups that last longer than one day but are not fit to hold for more than a few days to maximum 3 weeks.

Some people might refer to these setups as ‘swing trades,’ I simply call them bucket 2 trades. Bucket 2 trades make up the largest chunk of my trades both in numbers and in percentage of assets allocated.
My general guideline is to allocate a maximum of 30%-40% of assets to trades in this bucket.

**The 2 day to 3 week timeframe offers a plethora of very profitable new trading opportunities every day.**

**The best part however is that this timeframe is too short for most fund managers and too long for the day-trading types, allowing me to profit from less crowded trades.**

The majority of bucket 2 trades are done using options as these vehicles allow for quick gains and effective risk management, if used with disciplined plan.

In this section I will give you a quick introduction to options and the options strategies I use for the trade-setups in bucket 2, followed by detailed descriptions of the trade-setups.

If you are a newcomer to options I urge you to pick up a book or two on options and really get familiar with how these instruments work, including the pros and cons of using them.

**List of strategies**

- **Strategy 1:** Sideways-Channel Breakout *(available in preview version)*
- **Strategy 2:** Wedge or Flag-Pattern Breakout - *only available in full version of Trading Plan*
- **Strategy 3:** Lateral support/resistance Break - *only available in full version of Trading Plan*
- **Strategy 4:** Candlestick Reversals - *only available in full version of Trading Plan*

**Chart Set-up Details**

This information is only available in the full version of my Trading Plan

**Introduction to Options**

Getting yourself more educated on the subject of Options by buying a book, for example, will be of tremendous help to you. Using some of the wording from Investopedia, here’s an introductory overview of Options:

‘Options are versatile tools. They enable you to adapt or adjust your position according to any situation that arises. Options can be as speculative or as conservative as you want.

This means you can do everything from protecting a position from a decline to outright betting on the movement of a market or index.

This versatility, however, does not come without its costs. Options are complex securities and can be extremely risky. ‘Options involve risks and are not suitable for everyone.'
Option trading can be speculative in nature and carry substantial risk of loss. Only invest with risk capital.’

The two types of options are calls and puts:

A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires.

A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires.

**Participants in the Options Market**

There are four types of participants in options markets depending on the position they take:

1. Buyers of calls
2. Sellers of calls
3. Buyers of puts
4. Sellers of puts

People who buy options are called holders and those who sell options are called writers; furthermore, buyers are said to have long positions, and sellers are said to have short positions.’

**My Options Trading Strategies**

This information is only available in the full version of my Trading Plan

**Strategy 1: Sideways-Channel Breakout**

The sideways-channel breakout strategy is not only one of my favorite bucket 2 strategies but also one of the simplest ones to spot. The trick, as with most strategies lies in staying true to the execution plan.
Here is the chart of a traditional 'sideways-channel breakout' setup:

(Chart 1)

The sideways-channel breakout setup usually starts with a steep move up, followed with a horizontal consolidation period. Ideally the price action is such that the stock price touches both the upper and lower range of the channel several times.

The more often the lower and upper range get touched, the more vicious the breakout will eventually be.

Entering the trade: Once price significantly pierces through the upper or bottom range (i.e. tries to break out of the range in either direction), watch the volume. For me to enter a trade I like to see a daily close above/below the channel on good volume.

Depending on how severe the breakout move is, I might enter the trade once the stock has held above/below the range for 30 minutes. This just ensures that it wasn't just one big trade pushing the price in either direction, but that there is real demand behind it.

**Often a breakout will retrace all or parts of the initial move out of the channel before ultimately heading higher/lower yet.**
My method in timing this is using a momentum oscillator called Stochastics.

(Chart 2)

In chart 2 note how AAPL broke out of the channel around September 20th and a few days later came back down to retest the breakout level. The Stochastics indicator (bottom of the chart) pulled back significantly, indicating the short-term overbought level has subsided and that now a better entry price might be available for us.

More specifically, assuming I got a chance to enter the breakout the first time around (i.e., the breakout wasn’t too quick) I could increase my position size at the pullback level using Stochastics as just described.

Or if I did not get a chance to enter the trade the first time around I would now get a second chance.

**Profit Targets & Stop-loss Levels:**

The stop-loss is set at the mid-point of the channel. Referring to Chart 1, I would place the stop approximately at the $70 level.
The textbook profit target would be a complete 100% extension of the initial run up to the top of the channel.

Again looking at Chart 1, the move from $55 to $74 ($19) is the initial move.

A final price target would hence be $74 + $19 = $93. I have found however that a more consistent way of trading these setups is by scaling out of the position and adding a trailing stop.

I close ½ of the position once price has moved out of the channel a distance equal to 50% of the range of the channel. In Chart 1 that range is $65 to $74, so $9. $74 + (0.50*$9) = $78.5.

Once this level is hit I add a trailing stop of ¼ of the range of the channel for the remainder of the position (the trailing stop size however depends on the underlying security’s volatility). At the ultimate target of $93 I exit the rest of the position.

**Bucket 3 – The Big Payday**

(Time Horizon – 3 weeks to 6 months)

This bucket is for my longer-term positions and I allocate roughly 20% of assets here. Where in buckets 1 and 2 I take advantage of short-term trading opportunities, bucket 3 is meant for those opportunities that have a longer-term trend.

Those longer-term themes can be macro economics related or specific to one industry. These types of positions are an important part to my trading/investing strategy for several reasons:

- Riding a longer-term trend can be one of the most profitable trades
- Identifying macro trends and new industry trends allow me to gain better perspective on the overall market
- Core long-term positions allow me to more clearly take bucket 1 or 2 trades in the same underlying security

Positions in bucket 3 are either long stocks or short options (or short option spreads) and

**List of Strategies**

This information is only available in the full version of my Trading Plan

**Chart Setup Details**

This information is only available in the full version of my Trading Plan