
NATE BEAR'S
4-DAY
EARNINGS PROFIT BLITZ

Day 2

My Earnings Edge

Just to recap yesterday...

- Why Trade?
- The Difference Between Trading and Investing
- What are EARNINGS and why do people trade it?
- The #1 mistake of Trading earnings
- The Earnings Profit Surge... what we trade.
- What we need to get started this week
- Earnings Profit Surge In Action
- Q&A

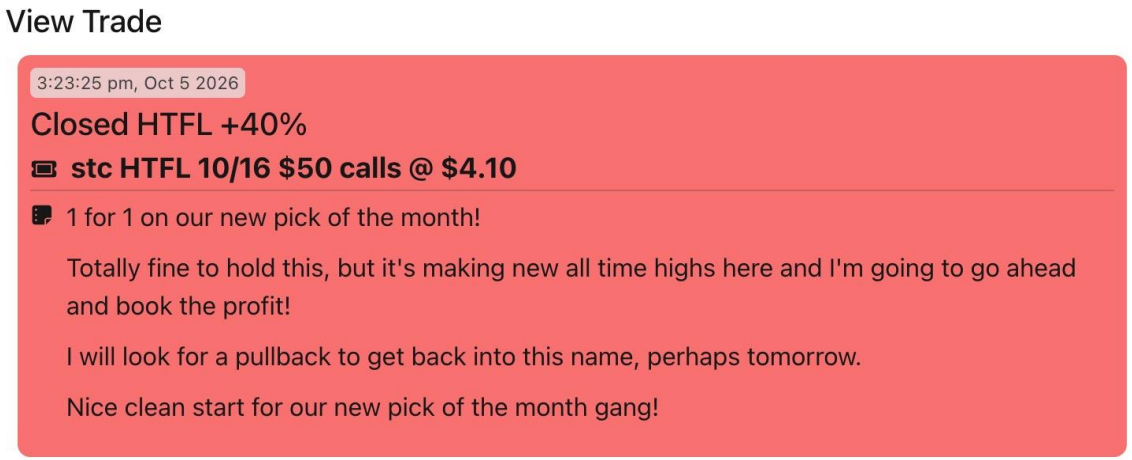
Yesterday's Homework Survey:

- Only 32.1% of you currently trade earnings
- 80.1% of you guys understood that I trade stocks *AFTER* their earnings
- Only 2.6% of you wanted the SEC to change to semi-annual earnings (57% specifically wanted to keep quarterly)
- Stephen will drop some questions in here that you had for me (relevant to today)
- Make sure to do Day 2 today! Participate!!

Putting our lesson to work!

Yesterday, *Profit Surge Trader* members got their ticker of the month.

And we ALREADY have 1 winner! Congrats!



Today’s Agenda

- The basics of charting
- My Trading Edge: The TPS Method (Trend… Pattern… Squeeze)
- What is a Trend?
- What is a Pattern
- What is a Squeeze?
- We’ll have some live charting
- Quick Options 101 Refresher

Today we're going to focus on "HOW?"

Just a reminder…

- During this 4-Day Blitz, you're going to see some historical examples. Past performance is never a guarantee of future results. Individual results may vary.
- I trade options, and, like all investing, trading options involves risk. It's important to learn how to manage risk.
- We are not investment advisors. Our goal is to teach you one of Nate's favorite strategies that has been successful for us. It's important to "trade within your means". You should never invest more than you can afford to lose

Technical analysis is the use of past market data to to forecast future price movements.



It starts with charts!

Charting 101 – What is a chart (And what does it show us?)



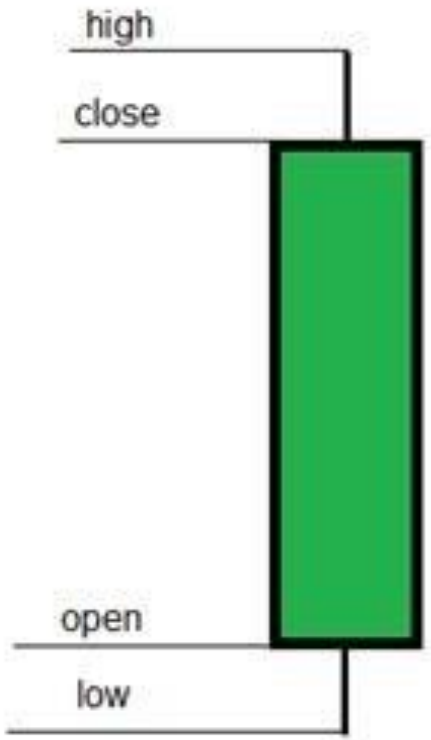
My Preferred Charting Platform:

TradingView

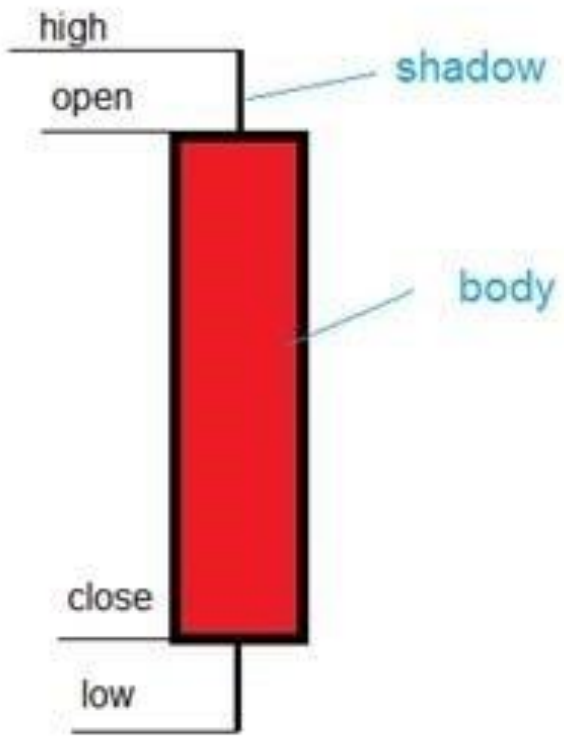
FREE Accounts Available!

What are those red and green lines everywhere?

How to read Japanese Candlesticks?



bullish candlestick



bearish candlestick

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Timeframe is key with candles!

In this chart... 1 Candlestick = 1 Day



We use charts to watch how stocks react AFTER earnings.

Our Edge:
T.rend
P.attern
S.queeze

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T.rends

- Alright so when I say that I'm a 'trend trader', what does that mean?
- What is a trend and why do I prefer to trade them?
- How do we identify if a chart is 'trending'?
- How do we define a trend?
  - 8ema
  - 21ema
  - 55ema
- Objective vs. Subjective regarding trends

P.atterns

- There are a wide number and variety of chart patterns
- There are continuation, breakout and reversal patterns
- I like the acronym “KISS” when thinking about chart patterns
  - Keep It Simple Stupid
- There are really only 3 patterns that I look for on my trades:
  - Bull Flag
  - Bull Pennant
  - Woodpecker
- Let’s take a look at some examples of each

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Chart Pattern Basics – Bull Flag

- A ‘Bull Flag’ is a standard charting pattern
- It’s defined by a ‘flag pole’ and a ‘flag’
- The flag pole is the initial move, this can be either higher or lower
- Then after the initial move, the chart consolidates in a ‘flag pattern’
  - This is typically defined as price bouncing back and forth with in a range
  - Typically the range will create bounds which are parallel to one another
- The idea here is that once the bull flag has formed, price will continue moving in the direction of the trend
- Let’s look at some examples

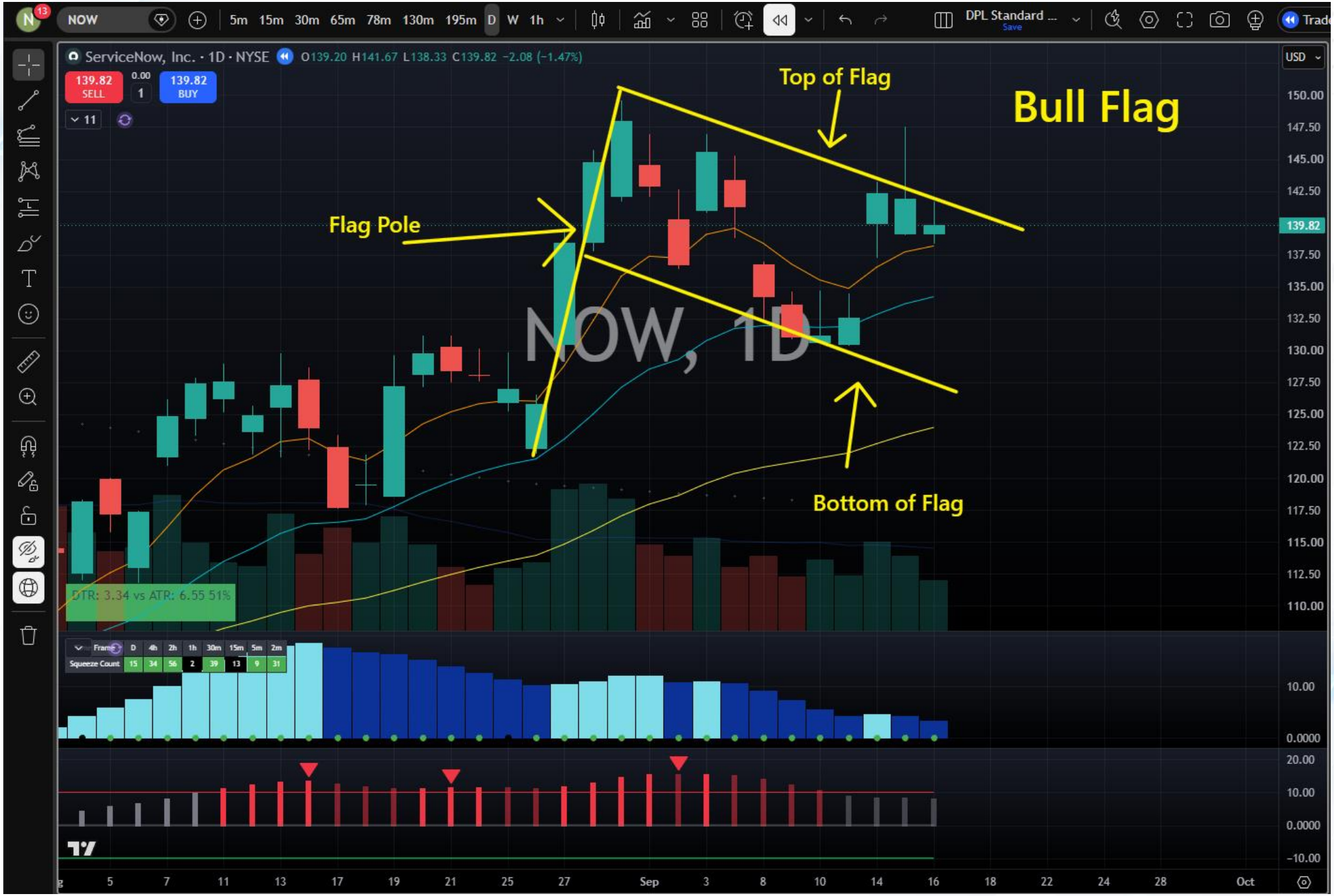

NOW
5m 15m 30m 65m 78m 130m 195m D W 1h
DPL Standard ...
Save
ServiceNow, Inc. · 1D · NYSE
O139.20 H141.67 L138.33 C139.82 −2.08 (−1.47%)
139.82 SELL
0.00
1
139.82 BUY
11
Top of Flag
Bull Flag
Flag Pole
NOW, 1D
Bottom of Flag
DTR: 3.34 vs ATR: 6.55 51%
USD
150.00
147.50
145.00
142.50
139.82
137.50
135.00
132.50
130.00
127.50
125.00
122.50
120.00
117.50
115.00
112.50
110.00
Squeeze Count
10.00
0.0000
20.00
10.00
0.0000
−10.00
5 7 11 13 17 19 21 25 27 Sep 3 8 10 14 16 18 22 24 28 Oct

Chart Pattern Basics – Bull Pennant

- A ‘Bull Pennant’ is also standard charting pattern
- It’s defined by a ‘flag pole’ and a ‘pennant’
- The flag pole is the initial move, this can be either higher or lower
- Then after the initial move, the chart consolidates in a ‘pennant pattern’
  - This is typically defined as price bouncing back and forth with in a range
  - With the pennant formation, the bounce will come to a point at the end
  - This is what creates the ‘pennant’ look rather than the parralel look of the bull flag
- Let’s look at some examples

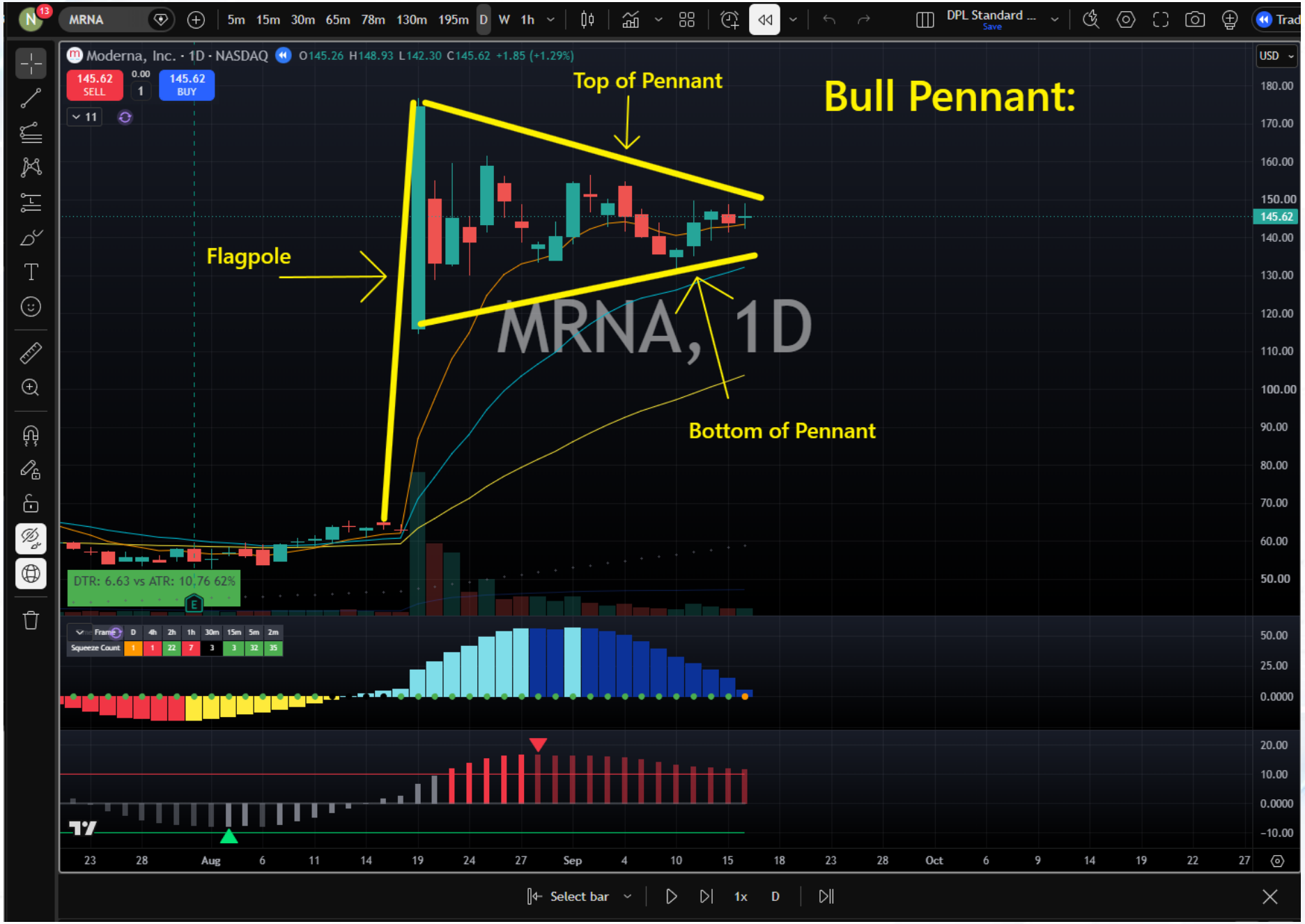
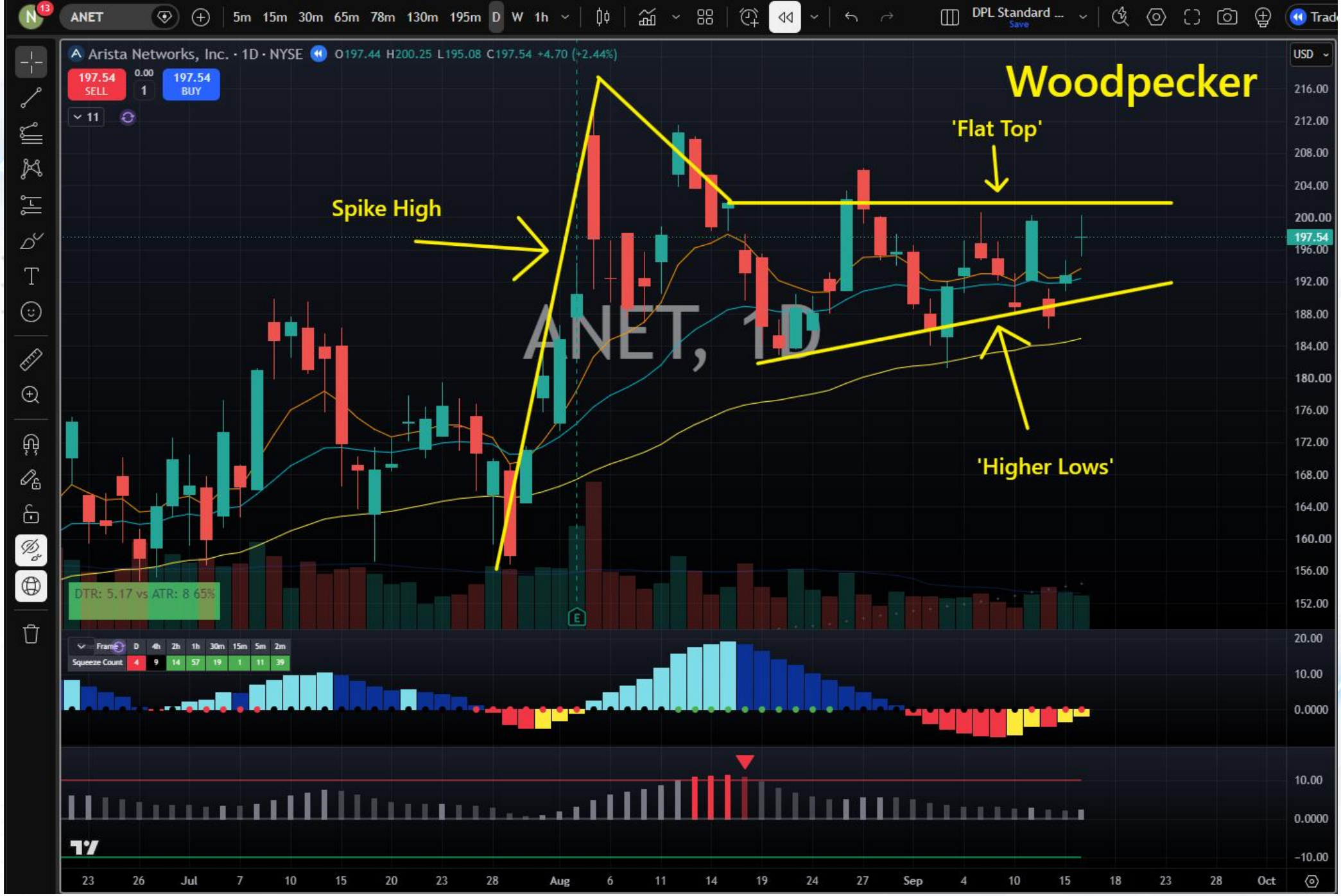

MRNA
5m 15m 30m 65m 78m 130m 195m D W 1h
Moderna, Inc. · 1D · NASDAQ O145.26 H148.93 L142.30 C145.62 +1.85 (+1.29%)
145.62 SELL
145.62 BUY
Top of Pennant
Bull Pennant:
Flagpole
MRNA, 1D
Bottom of Pennant
DTR: 6.63 vs ATR: 10.76 62%
Squeeze Count
USD
180.00
170.00
160.00
150.00
145.62
140.00
130.00
120.00
110.00
100.00
90.00
80.00
70.00
60.00
50.00
50.00
25.00
0.0000
20.00
10.00
0.0000
-10.00
23 28 Aug 6 11 14 19 24 27 Sep 4 10 15 18 23 28 Oct 6 9 14 19 22 27
Select bar
1x
D

Chart Pattern Basics – Woodpecker

- A ‘Woodpecker’ pattern is my own pattern and is also my favorite pattern
- It’s defined by a ‘flag pole’ and then a ‘woodpecker pattern’
- The flag pole is the initial move, this can be either higher or lower
- Then after the initial move, the chart consolidates in a ‘woodpecker pattern’
  - This pattern is a little different and is a little more specific than the other patterns
  - It’s defined by a spike high then a consolidation period where you have a ‘flat top’ along the highs and then a series of higher lows along the bottom
- Let’s look at some examples

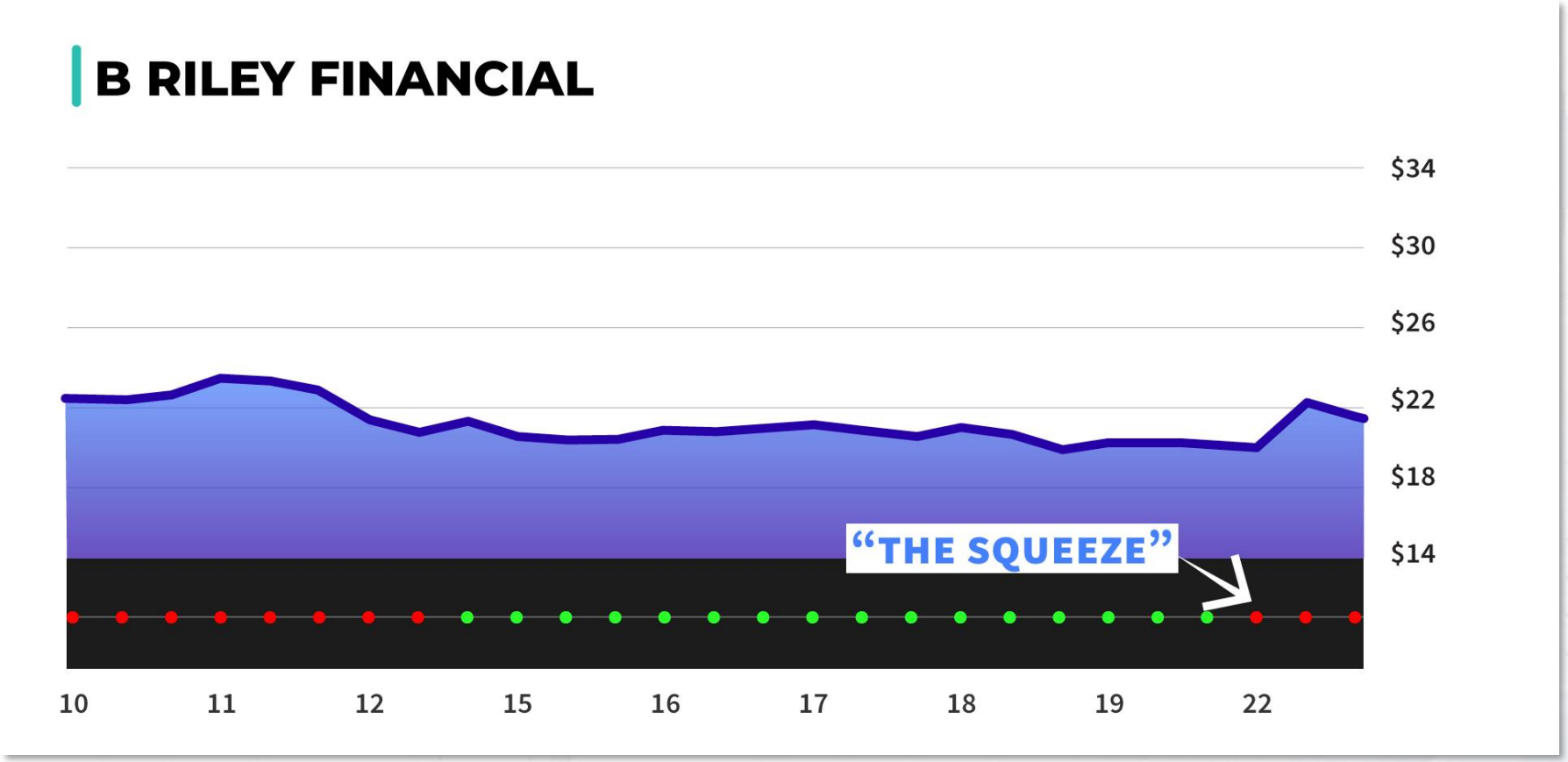

ANET
5m 15m 30m 65m 78m 130m 195m D W 1h
Arista Networks, Inc. · 1D · NYSE O197.44 H200.25 L195.08 C197.54 +4.70 (+2.44%)
197.54 SELL
0.00
1
197.54 BUY
Woodpecker
'Flat Top'
Spike High
ANET, 1D
'Higher Lows'
DTR: 5.17 vs ATR: 8.65%
USD
216.00
212.00
208.00
204.00
200.00
197.54
196.00
192.00
188.00
184.00
180.00
176.00
172.00
168.00
164.00
160.00
156.00
152.00
Squeeze Count
20.00
10.00
0.0000
10.00
0.0000
-10.00
23 26 Jul 7 10 15 20 23 28 Aug 6 11 14 19 24 27 Sep 4 10 15 18 23 28 Oct

S.queeze



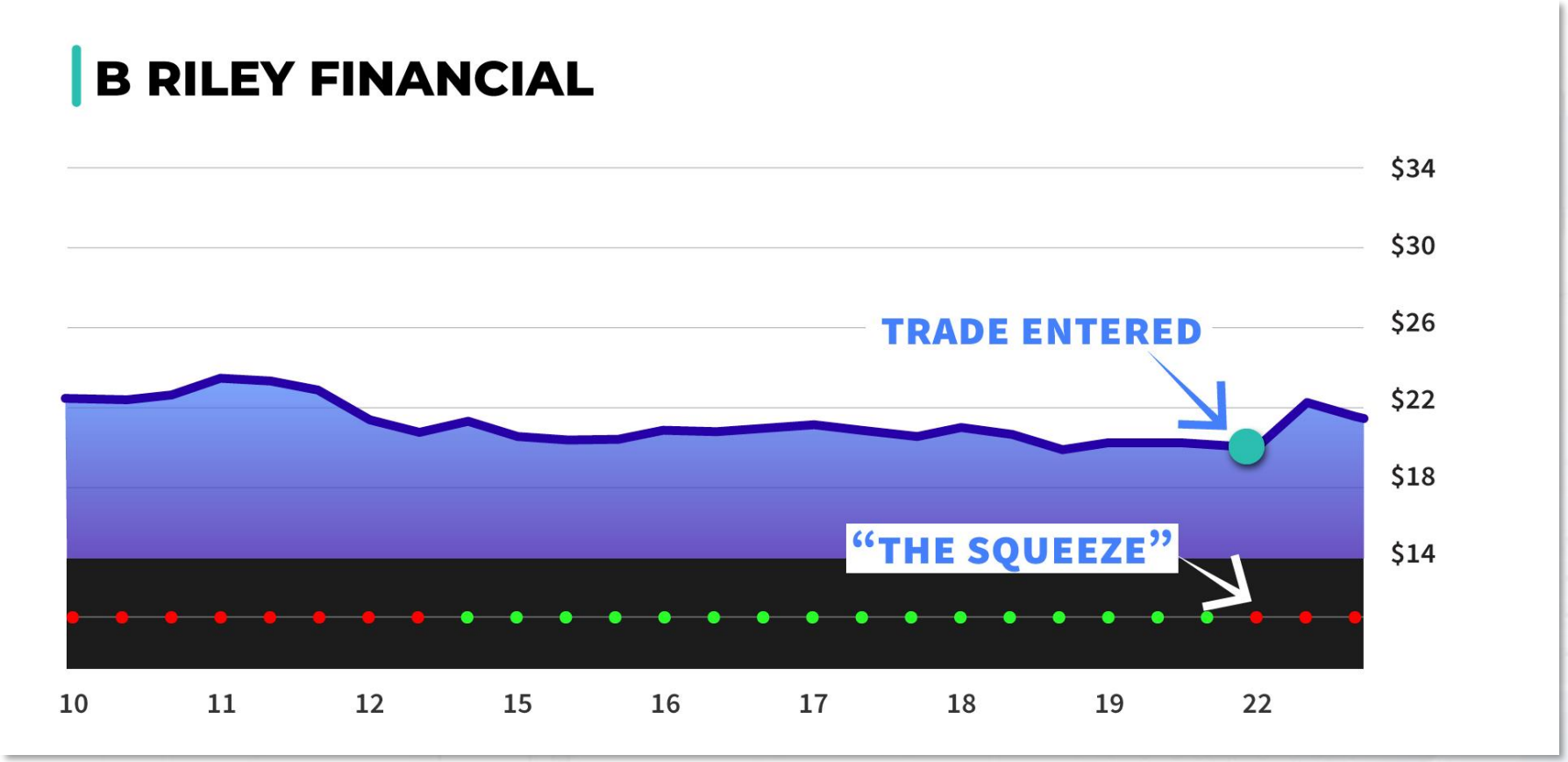
- Developed by Trader John Carter 20 years ago. Carter famously made $18.2 Million in 2020 alone! (a 1,270% gain!)
- It's an indicator that measures whether a stock's price is compressed and poised to break out.
- Think of a compressed air rocket... When enough pressure builds... eventually the stock's price will explode upwards.
- *Traditionally* these trade setups are found by **manually** searching for a series of colored dots across multiple timeframes beneath a stock chart.
- 10 timeframe dots = 10 charts to look at for 1 stock!

Our 1,129% winner on RILY in 2 days



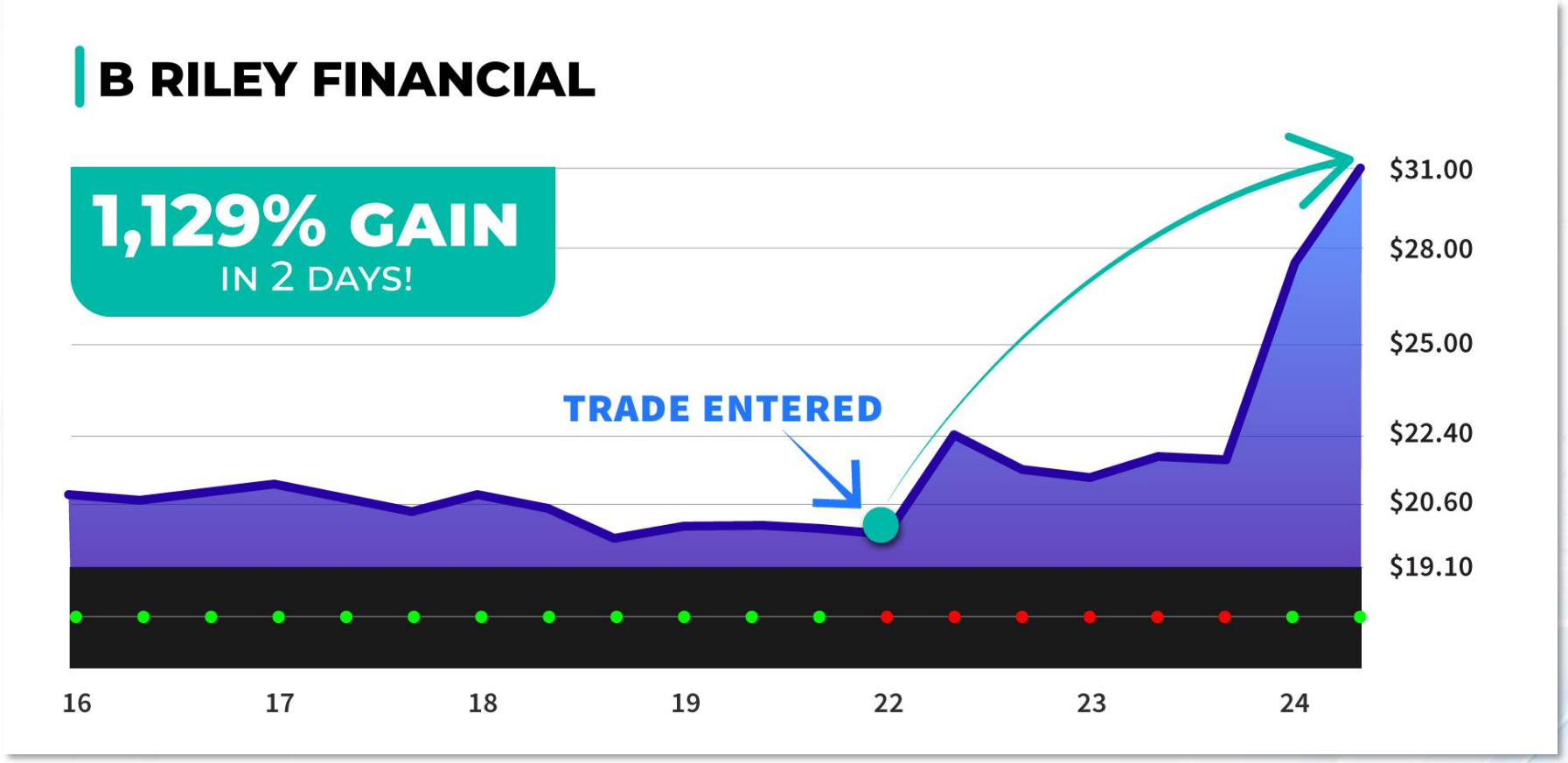
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Line everything up…

- ❑ Does the stock’s chart have a trend? (T)
- ❑ Is there a pattern? (P)
- ❑ Is there an active squeeze on an appropriate timeframe? (S)

Let’s Look At Some Real Active Charts!

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Do you have to trade options?

- Alright gang, before we start talking about options… all of these chart examples and subsequent trade examples are also completely tradeable with just stock
- You don’t HAVE to trade options
- I PREFER options for a number of different reasons, including:
  - Defined Risk
  - Less capital required
  - Leverage
- Options can be intimidating, but this is the way that I prefer to make trades

Options 101 Refresher

- Okay, so what exactly is an option?
- Investopedia.com defines an option as follows:
  - A stock option is a financial contract that gives you the right—but not the obligation—to buy or sell shares of a stock at a set price within a specific timeframe.
- To put it simply, an option is a way to control a set number of shares of stock, at a certain price and at a certain time

Options 101 Refresher

- There are two (2) main types of options:
  - Calls – these are purchased for bullish trades
  - Puts – these are purchased for bearish trades
- For the purposes of this series and for the Earnings Profit Surge strategy in general, we'll be talking about Calls
- Note that there are many different options strategies, spreads, long dated and short dated, higher and lower delta, option greeks, etc.
- But for the purposes of this week's lessons, we'll mainly be referring to call options, usually 2-4 weeks out in time and options with a delta of between .3 and .7

Let’s Place Some Trades

- Alright, it’s time to put our money on the table
- As we make our selections, let’s make trade plans as we go:
  - Mark up the chart showing the ‘before’
    - Make sure we are trading in EPS setup
    - Let’s identify the specifics of the TPS setup
  - What is our entry
  - Where is our stop
  - What is our profit goal
  - Are we scaling in, or are we putting up the entire position up front?

We’re in the Trade, Now What?

- It’s been said that trading/investing are tools by which patient people take money from impatient people
- But, the money is made, and the magic happens, in the waiting
- So, now that we’ve made our trades, all we need to do is watch
  - I like to set alerts on charts, though frankly my job allows me to watch these charts all the time
- However, if you don’t have that luxury, let me show you how to set alerts
- This is all made easier when you have a trade plan

What to do in the trade, part 2

- The best trades are the ones that work, and work quickly
- But we all know, they aren't all that easy
- So, what can we actually do while in the trade?
  - There are only 3 possible actions:
    - Add size
    - Reduce size
    - Sit on Hands

When to add to Trades

- When I trade, I like to ‘scale in’ to trades
  - I want to make a distinction here between ‘scaling in’ and ‘averaging down’
  - These are very similar, but to me there is one key difference
    - Scaling in means that I know, before I ever put money on the table, what my max position size is in the trade
      - For me, that’s about 5k per options trade
    - Avergaing down is what everyone, including myself, does before they have experienced enough pain to know better
    - This is simply adding and adding and adding, averaging down, even once a trade is clearly broken, just to try and avoid a loss

When to take Profits

- Ideally, we get to take profits at our predetermined levels per our trade plan
- Many times, this doesn't happen
  - Why?
  - Either the trade doesn't work, or it doesn't work fast enough, or we just flat run out of patience
    - Possibly, the trade fails and we stop out
    - This is the hardest thing to do in trading
      - It's also perhaps the most important

When to take Losses

- This is more of a personal journey/decision than anything that I can teach you
- We can make all the trade plans in the world, but it's a fact that most traders will flat out ignore their rules, their plans that they just made, because the don't want to take losses
  - I'm no different
  - I hate taking losses, but it's part of the game
- I limit risk mainly with position size
- But, as long as you DEFINE where you are going to exit, and FOLLOW THROUGH, there is actually a lot of flexibility on where to take losses
- Let's review some examples

So How Do We Apply All Of This To The Earnings Profit Surge?

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What's Next...

Tomorrow (Day 3) we'll dive into...

- How to find Earnings Profit Surge Setups
- Why all Earnings Profit Surge Setups are NOT created equal
- Viewing Earnings Profit Surge setups with our edge
- How to combine the TPS method with the Earnings Profit Surge
- How to pick the right option for a trade setup
- More live examples!

QUESTIONS?

Do your homework!



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