



Fundamentals of Profit Taking

PRESENTED BY:

John Hiltz

DISCLAIMER

BearBullTrading.com employees, contractors, shareholders and affiliates, are **NOT an investment advisory service, a registered investment advisor or a broker-dealer** and does not undertake to advise clients on which securities they should buy or sell for themselves.

You understand that **NO content published as part of the Bear Bull Trading Room and its Website constitutes a recommendation** that any particular investment, security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

You further understand that **none of the creators or providers of our Services or their affiliates will advise you personally** concerning the nature, potential, value or suitability of any particular investment, security, portfolio of securities, transaction, investment strategy or other matter.

Prior to Trading:

21 Years in United States Army

Two tours as an instructor at the United States Military Academy

BA in Civil Engineering

MS in Systems Engineering

Trading History:

Students of the markets and trading from 2010 - 2017

Started Swing Trading in 2017

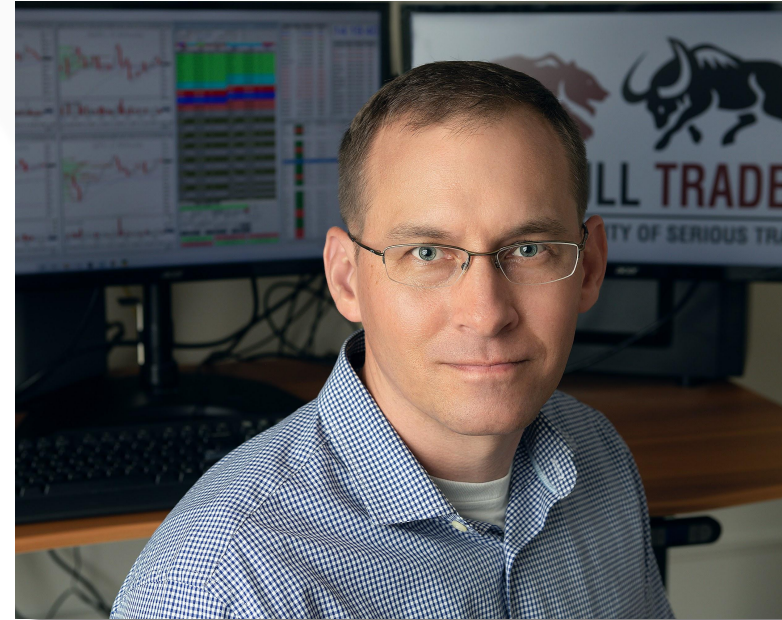
Began Full-Time Day Trading in 2019

Bear Bull Traders since 2020

Favorite Strategies:

Break of High of Day (BHOD)

Break of Intra-day Level (BIDL)



John Hiltz

Outline

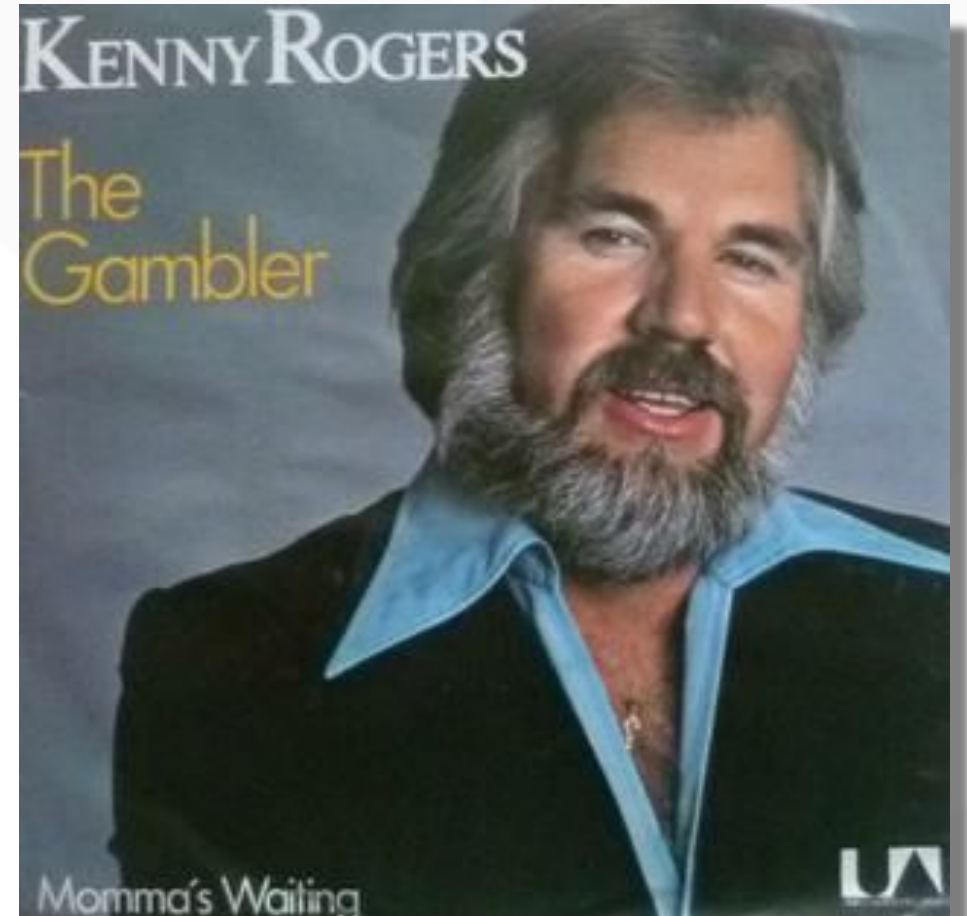
- Purpose
- Kenny Rogers
- Why is profit taking so hard? Discuss psychology
- 1:2 trader vs. early profit taker
- Table from BBT downloads
- How expected value works
 - Holding 1R loss steady, finding loss rate, and adjusting target hold
- Examples of my trades
 - Guess if I made the original target
- Calculator exercise
- Different ways to take profit: Hold target, cover commissions, 50%, dumb trailing, manual trailing
- Example of my trades
- Time matter, why be in a trade all day if you don't have to be?

Purpose

- Understand what it means to be profitable from a simple mathematical perspective
- Understand the effects of partialling on profitability and how to hold for better targets
- Discuss the psychological aspects of profit taking and why it is difficult to overcome losing trades with winning trades

The Most Important Thing in Day Trading

*“You've got to know
when to hold 'em
Know when to fold
'em”*



The Complexity of Profit Taking

- Effective profit taking is probably the most difficult part of trading
- For one, it is very difficult to remove one's psychology from the action of taking profit
- Another part of the difficulty is that the variables involved in long term profitability are often shifting

Win Rates. Good or Bad Metric?

- New Traders are often fixated on win rates (the percentage of green trades). *“Hey, what’s your win rate on this strategy?”*
- Or they will ask the average result of a green trade. *“Hey, how many Rs do you average on a green trade?”*
- But usually you don’t hear a new trader ask for all the pieces of the puzzle, and these pieces make up the proper metric

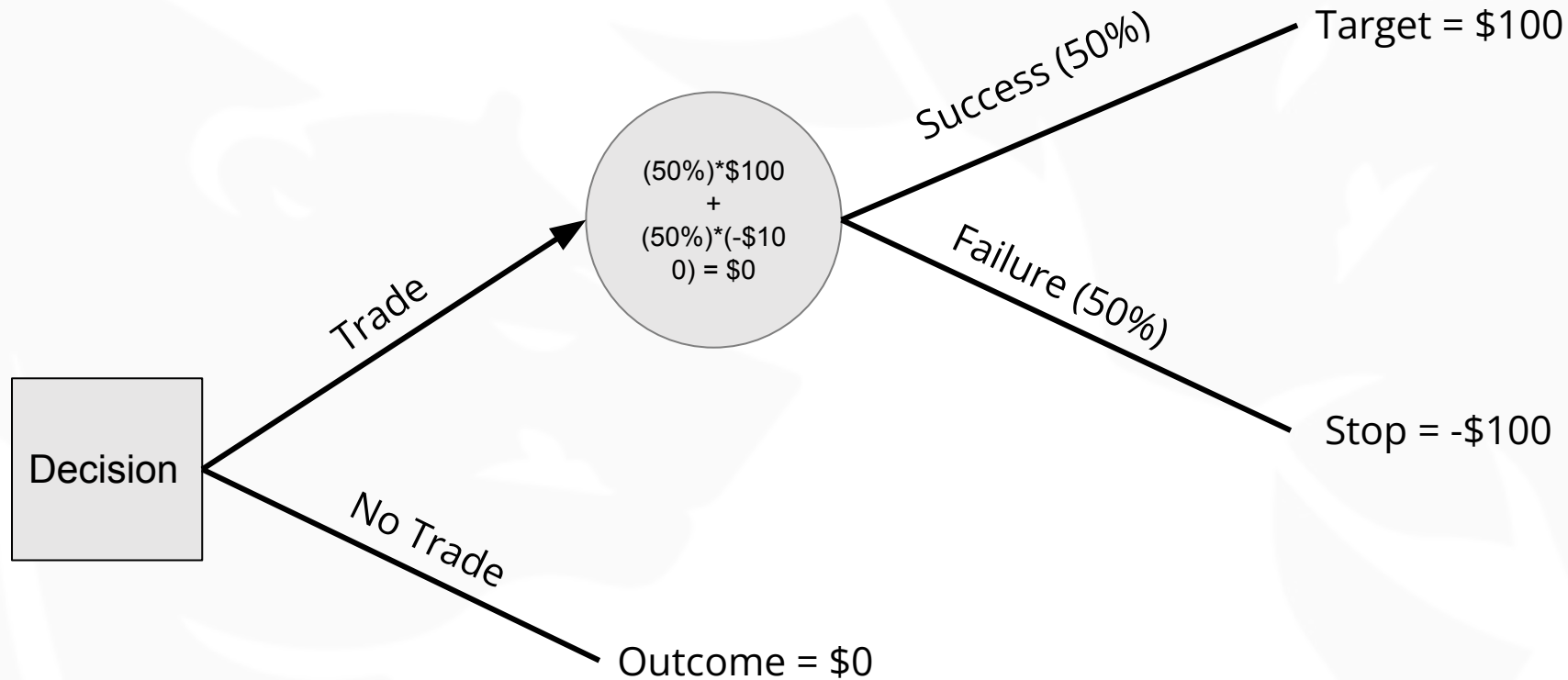
Expected Value - The Proper Metric

- The expected value of your strategy is really just the **average** result of all you trades
- But it can be broken down into four components that we can attempt to adjust to affect long term profitability
 - Probability (or percentage) of green trade
 - Probability (or percentage) of red trade
 - Average profit for a green trade
 - Average loss for a red trade

$$E[X] : E[X] = \sum_{i=1}^2 x_i p_i = x_G p_G + x_R p_R + x_k p_k$$

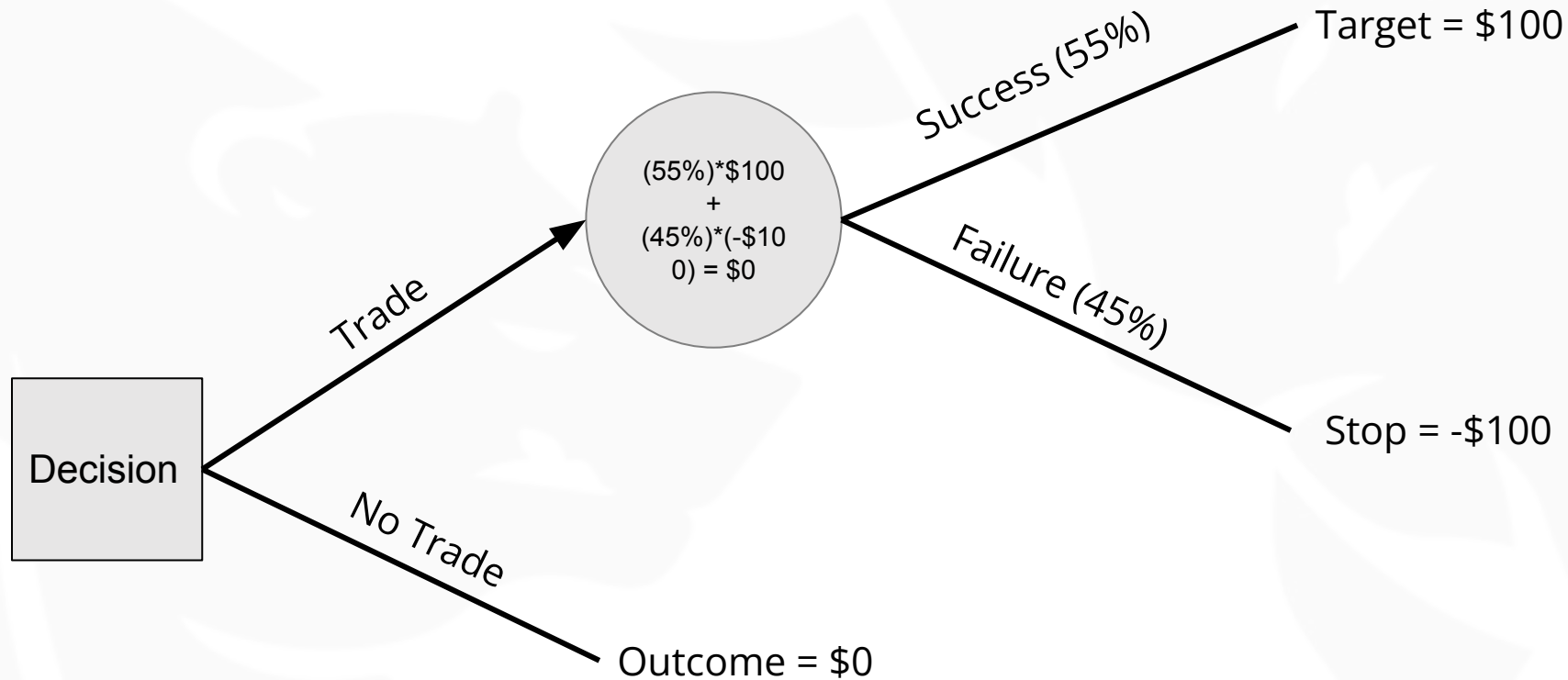
“Hey, what is your percentage of green trades, average green profit, percentage of red trades, and your average loss?”

Expected Value - Breakeven



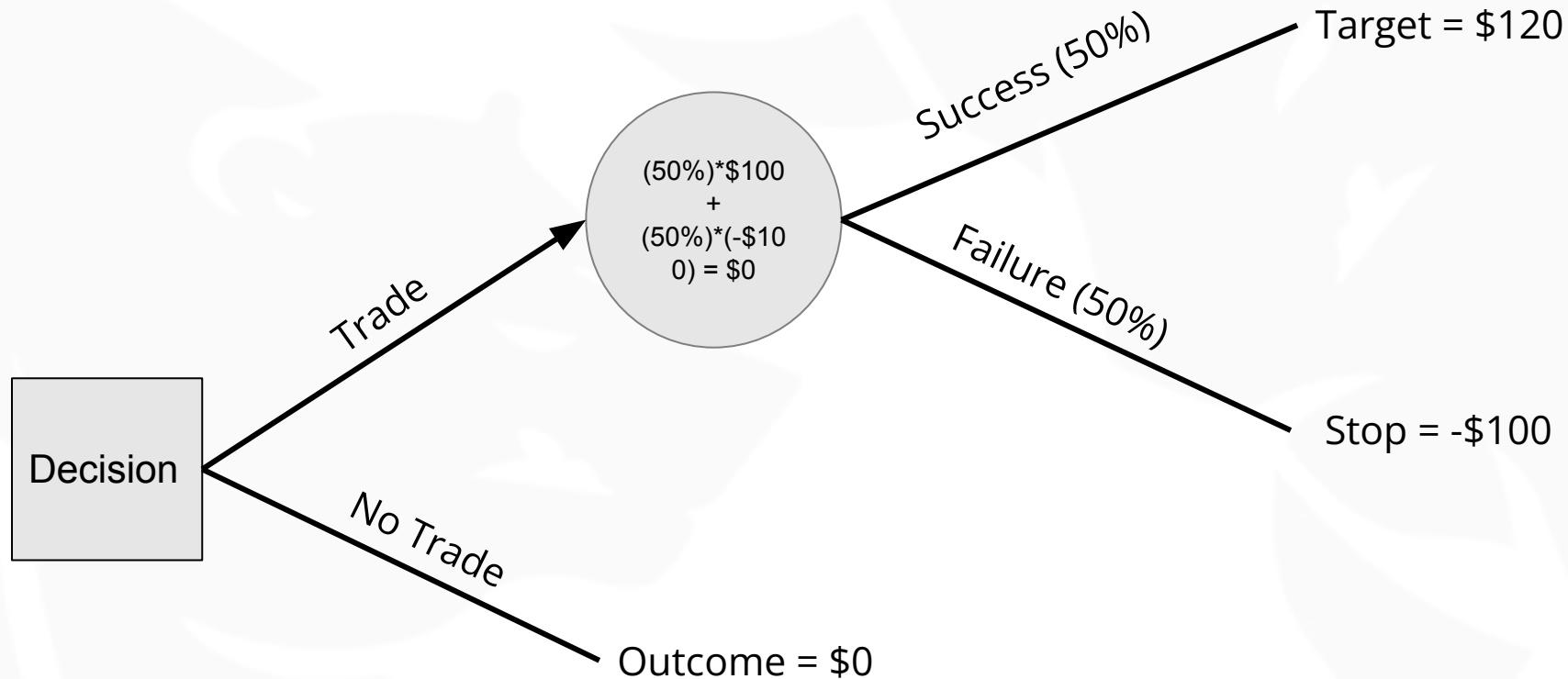
$$EV = (50\%)*\$100 + (50%)*(-\$100) = \$0$$

Expected Value - Increase Success Rate



$$EV = (55\%)*\$100 + (45%)*(-\$100) = \$10$$

Expected Value - Increase Target



$$EV = (50\%)*\$120 + (50%)*(-\$100) = \$10$$

Hit Target Rate

	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%	55%	60%	65%	70%	75%	80%	85%	90%	95%	100%
\$0	-\$100	-\$95	-\$90	-\$85	-\$80	-\$75	-\$70	-\$65	-\$60	-\$55	-\$50	-\$45	-\$40	-\$35	-\$30	-\$25	-\$20	-\$15	-\$10	-\$5	\$0
\$10	-\$100	-\$95	-\$89	-\$84	-\$78	-\$73	-\$67	-\$62	-\$56	-\$51	-\$45	-\$40	-\$34	-\$29	-\$23	-\$18	-\$12	-\$7	-\$1	\$5	\$10
\$20	-\$100	-\$94	-\$88	-\$82	-\$76	-\$70	-\$64	-\$58	-\$52	-\$46	-\$40	-\$34	-\$28	-\$22	-\$16	-\$10	-\$4	\$2	\$8	\$14	\$20
\$30	-\$100	-\$94	-\$87	-\$81	-\$74	-\$68	-\$61	-\$55	-\$48	-\$42	-\$35	-\$29	-\$22	-\$16	-\$9	-\$3	\$4	\$11	\$17	\$24	\$30
\$40	-\$100	-\$93	-\$86	-\$79	-\$72	-\$65	-\$58	-\$51	-\$44	-\$37	-\$30	-\$23	-\$16	-\$9	-\$2	\$5	\$12	\$19	\$26	\$33	\$40
\$50	-\$100	-\$93	-\$85	-\$78	-\$70	-\$63	-\$55	-\$48	-\$40	-\$33	-\$25	-\$18	-\$10	-\$3	\$5	\$13	\$20	\$28	\$35	\$43	\$50
\$60	-\$100	-\$92	-\$84	-\$76	-\$68	-\$60	-\$52	-\$44	-\$36	-\$28	-\$20	-\$12	-\$4	\$4	\$12	\$20	\$28	\$36	\$44	\$52	\$60
\$70	-\$100	-\$92	-\$83	-\$75	-\$66	-\$58	-\$49	-\$41	-\$32	-\$24	-\$15	-\$6	\$2	\$11	\$19	\$28	\$36	\$45	\$53	\$62	\$70
\$80	-\$100	-\$91	-\$82	-\$73	-\$64	-\$55	-\$46	-\$37	-\$28	-\$19	-\$10	-\$1	\$8	\$17	\$26	\$35	\$44	\$53	\$62	\$71	\$80
\$90	-\$100	-\$91	-\$81	-\$72	-\$62	-\$53	-\$43	-\$34	-\$24	-\$15	-\$5	\$5	\$14	\$24	\$33	\$43	\$52	\$62	\$71	\$81	\$90
\$100	-\$100	-\$90	-\$80	-\$70	-\$60	-\$50	-\$40	-\$30	-\$20	-\$10	\$0	\$10	\$20	\$30	\$40	\$50	\$60	\$70	\$80	\$90	\$100
\$110	-\$100	-\$90	-\$79	-\$69	-\$58	-\$48	-\$37	-\$27	-\$16	-\$6	\$5	\$16	\$26	\$37	\$47	\$58	\$68	\$79	\$89	\$100	\$110
\$120	-\$100	-\$89	-\$78	-\$67	-\$56	-\$45	-\$34	-\$23	-\$12	-\$1	\$10	\$21	\$32	\$43	\$54	\$65	\$76	\$87	\$98	\$109	\$120
\$130	-\$100	-\$89	-\$77	-\$66	-\$54	-\$43	-\$31	-\$20	-\$8	\$3	\$15	\$27	\$38	\$50	\$61	\$73	\$84	\$96	\$107	\$119	\$130
\$140	-\$100	-\$88	-\$76	-\$64	-\$52	-\$40	-\$28	-\$16	-\$4	\$8	\$20	\$32	\$44	\$56	\$68	\$80	\$92	\$104	\$116	\$128	\$140
\$150	-\$100	-\$88	-\$75	-\$63	-\$50	-\$38	-\$25	-\$13	\$0	\$13	\$25	\$38	\$50	\$63	\$75	\$88	\$100	\$113	\$125	\$138	\$150
\$160	-\$100	-\$87	-\$74	-\$61	-\$48	-\$35	-\$22	-\$9	\$4	\$17	\$30	\$43	\$56	\$69	\$82	\$95	\$108	\$121	\$134	\$147	\$160
\$170	-\$100	-\$87	-\$73	-\$60	-\$46	-\$33	-\$19	-\$6	\$8	\$22	\$35	\$49	\$62	\$76	\$89	\$103	\$116	\$130	\$143	\$157	\$170
\$180	-\$100	-\$86	-\$72	-\$58	-\$44	-\$30	-\$16	-\$2	\$12	\$26	\$40	\$54	\$68	\$82	\$96	\$110	\$124	\$138	\$152	\$166	\$180
\$190	-\$100	-\$86	-\$71	-\$57	-\$42	-\$28	-\$13	\$2	\$16	\$31	\$45	\$60	\$74	\$89	\$103	\$118	\$132	\$147	\$161	\$176	\$190
\$200	-\$100	-\$85	-\$70	-\$55	-\$40	-\$25	-\$10	\$5	\$20	\$35	\$50	\$65	\$80	\$95	\$110	\$125	\$140	\$155	\$170	\$185	\$200
\$210	-\$100	-\$85	-\$69	-\$54	-\$38	-\$23	-\$7	\$9	\$24	\$40	\$55	\$71	\$86	\$102	\$117	\$133	\$148	\$164	\$179	\$195	\$210
\$220	-\$100	-\$84	-\$68	-\$52	-\$36	-\$20	-\$4	\$12	\$28	\$44	\$60	\$76	\$92	\$108	\$124	\$140	\$156	\$172	\$188	\$204	\$220
\$230	-\$100	-\$84	-\$67	-\$51	-\$34	-\$18	-\$1	\$16	\$32	\$49	\$65	\$82	\$98	\$115	\$131	\$148	\$164	\$181	\$197	\$214	\$230
\$240	-\$100	-\$83	-\$66	-\$49	-\$32	-\$15	\$2	\$19	\$36	\$53	\$70	\$87	\$104	\$121	\$138	\$155	\$172	\$189	\$206	\$223	\$240
\$250	-\$100	-\$83	-\$65	-\$48	-\$30	-\$13	\$5	\$23	\$40	\$58	\$75	\$93	\$110	\$128	\$145	\$163	\$180	\$198	\$215	\$233	\$250
\$260	-\$100	-\$82	-\$64	-\$46	-\$28	-\$10	\$8	\$26	\$44	\$62	\$80	\$98	\$116	\$134	\$152	\$170	\$188	\$206	\$224	\$242	\$260
\$270	-\$100	-\$82	-\$63	-\$45	-\$26	-\$8	\$11	\$30	\$48	\$67	\$85	\$104	\$122	\$141	\$159	\$178	\$196	\$215	\$233	\$252	\$270
\$280	-\$100	-\$81	-\$62	-\$43	-\$24	-\$5	\$14	\$33	\$52	\$71	\$90	\$109	\$128	\$147	\$166	\$185	\$204	\$223	\$242	\$261	\$280
\$290	-\$100	-\$81	-\$61	-\$42	-\$22	-\$3	\$17	\$37	\$56	\$76	\$95	\$115	\$134	\$154	\$173	\$193	\$212	\$232	\$251	\$271	\$290
\$300	-\$100	-\$80	-\$60	-\$40	-\$20	\$0	\$20	\$40	\$60	\$80	\$100	\$120	\$140	\$160	\$180	\$200	\$220	\$240	\$260	\$280	\$300

Assumes \$100 Risk Per Trade

Which Variables Can We Fix in Place?

Probability (or percentage) of green trade	
Probability (or percentage) of red trade	
Average profit for a green trade	
Average loss for a red trade	

- Many traders do fix in place their losses
- But most traders do not fix in place their profit. Why?
- Partialling!!!!

The Good and the Bad of Partialling

- Good

- Ensures you bank some profit
- Makes you feel good, builds confidence
- Serves as a great reason to move stop to breakeven

- Bad

- Makes profit taking math very hard to conceptualize
- Often cheats us out of our intended R:R targets
- “Hitting target” becomes a matter of “Did any shares make it to the R:R target?”

My Initial Partialing Strategy



A More Mature Partialling Strategy

- 1st 50% partial at \$223.42 on hard price pause
- Then it just took off and tried to get \$1 partials
- Other 50% partials: \$223.95, \$224.92, \$225.88, \$226.95, \$227.82, \$228.89, \$229.97



Adding More Certainty to Potential Profit

# Shares	100							
Entry	\$100.00							
Risk Per Trade	\$50							
Partial #	Partial Level	% Partial	Shares	\$ Move	Unrealized Gains Pre-Partial	Realized Gains	Unrealized Gains Post-Partial	Remaining Shares
1	\$100.50	50%	100	\$0.50	\$50.00	\$25.00	\$25.00	50
2	\$101.00	50%	50	\$0.50	\$50.00	\$25.00	\$25.00	25
3	\$101.50	50%	25	\$0.50	\$37.50	\$18.75	\$18.75	13
4	\$102.00	50%	13	\$0.50	\$25.25	\$12.63	\$12.63	7
5	\$102.50	50%	7	\$0.50	\$16.13	\$8.06	\$8.06	4
6	\$103.00	50%	4	\$0.50	\$10.06	\$5.03	\$5.03	2
7	\$103.50	50%	2	\$0.50	\$6.03	\$3.02	\$3.02	1
8	\$104.00	100%	1	\$0.50	\$3.52	\$3.52	0	
9								
10								
11								
12								
13								
14								
15								

Total Profit	\$101.00
Reward to Risk Ratio	2.02

Instructions

Step 1 Enter the number of shares purchased in cell B1

Step 2 Enter the average entry price in cell B2

Step 3 Enter the risk per trade (R) in cell B3, only used to calculate Reward to Risk Ratio

Step 4 Enter the partial levels in column B (last partial percentage must be 100%)

Step 5 Enter the partial percentages in column C

Advisory 1 This calculator will work for short trades, but gains, profit, and R:R ratio will appear as negative values

Advisory 2 This calculator will not work for trades where additional shares were added to the position after a partial

Is There a World Without Partialling?

- I would argue yes and it's not a bad world
- It is often easier to hit a target than people think (let stocks make their moves)
- It helps you trust in the expected value math and how to adjust it in your favor (eliminates another variable)
- It can sometimes free up a lot of your day

PDD--1 Minute



Best Trade - 31Aug22

\$PDD HOD break trade, HOD = \$69.50

Volume at Entry (approx)		2.6M		RVOL (approx)		160%	
Catalyst	None						
HOD Price	At \$-Level or Below Within \$0.10			No Special Price			
	X						
Nearby Levels of Interest	Pre-Market High		Previous Day High		Previous Day Close		
	Above Entry		Above Entry		Above Entry		
	Below Entry	X	Below Entry		Below Entry		
Punch to Entry	Present?		# of Candles		Shape		Price Move
	Yes		2		Slight Parabolic		\$0.57
1 Minute Volume at Entry	White Steps		Parabolic White Steps		Spike		
	X				X		
	Pivot		General Build		Failed Volume or No Event		
SPY Behavior	Relationship of Ticker and SPY Prior to Entry				Spy Candle on Entry		
	Uncorrelated (Good)					Red (Be Careful)	
	Some Correlation (OK)				X	Flat (OK)	
	High Correlation (Be careful)					White (Good)	
						X	
Patience	Happy With My Patience				Unhappy With My Patience		
	Good, 2nd trade of day, nice setup						
Risk & Reward	Traded At	\$69.50	Entry	\$69.48			
	Target	\$70.50	Full Stop	\$68.98			
Result	Love a HOD break attempt near the pre-market high. Caught this in the direction of the SPY and the Chinese sector stocks. Easy move into the green. \$70 became new battleground, so stop to breakeven. Then resistance near \$70.50/R5. Changed target to \$71 on strength. When the SPY struggled at a triple level I got scared and took an exit below new target.						
Exit	\$70.70	Partialed?		No			

8/31/2022 09:29 Hi: 69.2 Lo: 69.02 O: 69.2 C: 69.02 V: 4,505 %PRC: 3.79%





Best Trade - 26Aug22

\$TSLA HOD break trade, HOD = \$298.90

Volume at Entry (approx)		11M	RVOL (approx)		200%
Catalyst	First day trading after 3:1 split				
HOD Price	At \$-Level or Below Within \$0.10		No Special Price		
	X				
Nearby Levels of Interest	Pre-Market High		Previous Day High		Previous Day Close
	Above Entry	X	Above Entry		Above Entry
Punch to Entry	Present?		# of Candles	Shape	Price Move
	Yes		1	Single candle	\$1.05
1 Minute Volume at Entry	White Steps		Parabolic White Steps		Spike
					X
	Pivot		General Build		Failed Volume or No Event
SPY Behavior	Relationship of Ticker and SPY Prior to Entry			Spy Candle on Entry	
	Uncorrelated (Good)				Red (Be Careful)
	Some Correlation (OK)				Flat (OK)
Patience	Happy With My Patience			Unhappy With My Patience	
	Good, 3rd trade of day, nice setup				
Risk & Reward	Traded At	\$298.50	Entry	\$298.40	
	Target	\$300.50	Full Stop	\$297.40	
Result	TSLA showed very nice resistance of pre-market high which can be a good breakout level. Had just tried to break if before 10AM ET, but then Fed Chair starting talking at 10AM and tanked the market. Often the first fed reaction is reversed so waited for that to happen. Took next attempt on PMHigh when market was surging.				
Exit	\$300.77	Partialed?		No	





Best Trade - 15Aug22

\$TSLA HOD break trade, HOD = \$920.80

Volume at Entry (approx)		13.6M		RVOL (approx)		110%		
Catalyst	None							
HOD Price	At \$-Level or Below Within \$0.10			No Special Price				
	X							
Nearby Levels of Interest	Pre-Market High		Previous Day High		Previous Day Close			
	Above Entry		Above Entry		Above Entry			
	Below Entry		Below Entry		Below Entry			
Punch to Entry	Present?		# of Candles		Shape		Price Move	
	Yes		2		Single Candle		\$3.40	
1 Minute Volume at Entry	White Steps		Parabolic White Steps		Spike			
					X			
	Pivot		General Build		Failed Volume or No Event			
SPY Behavior	Relationship of Ticker and SPY Prior to Entry			Spy Candle on Entry				
	Uncorrelated (Good)					Red (Be Careful)		
	Some Correlation (OK)			X		Flat (OK)		
	High Correlation (Be careful)					White (Good)		X
Patience	Happy With My Patience			Unhappy With My Patience				
	Good, 4th trade of day on good setup							
Risk & Reward	Traded At	\$920	Entry	\$919.70				
	Target	\$930	Full Stop	\$915.70				
Result	Was a little be worried about the HOD wicks on the 5 min and 15 min, but decided to try to break of \$920 with SPY strongly trending in my direction. Took a bit of risk on low entry, but didn't want to catch top of \$920 pop. Decided to take 50% partial to cover morning losses and then see what I could get. Missed a partial north of \$939, otherwise did well.							
Exit	Partialed?		Yes					





Best Trade - 30Aug22

\$FUTU HOD break trade, HOD = \$45.33

Volume at Entry (approx)		3.3M	RVOL (approx)		500%
Catalyst	None, just maybe some leftover earnings action, but that was a while ago now				
HOD Price	At \$-Level or Below Within \$0.10		No Special Price		
	X				
Nearby Levels of Interest	Pre-Market High		Previous Day High		Previous Day Close
	Above Entry		Above Entry		Above Entry
Punch to Entry	Present?		# of Candles		Price Move
	Yes		6		Parabolic
1 Minute Volume at Entry	White Steps		Parabolic White Steps		Spike
	X				X
SPY Behavior	Relationship of Ticker and SPY Prior to Entry			Spy Candle on Entry	
	Uncorrelated (Good)				Red (Be Careful)
Patience	Happy With My Patience		Unhappy With My Patience		
	Good, 2nd trade of day, nice setup				
Risk & Reward	Traded At	\$45.50	Entry	\$45.49	
	Target	\$46.20	Full Stop	\$45.16	
Result	Great run into the HOD. Also entire market was selling off and FUTU was the only ticker on my watchlist making serious HOD attempts. Wanted an entry near actual HOD, but missed it. Decided to take \$45.50 break where there was high liquidity pool. Ended up feeling hot so decided to partial as opposed to out at target. Last few shares out at breakeven.				
Exit	Partialed?		Yes		



Other Common Profit Taking Strategies

- Adjusting partial percentages
- Small partial to start (cover commissions, fees)
- Trailing stop (manual better than arbitrary)
- Adding to positions (e.g. free roll hot key, gets complex for profit calculations)

Final Thoughts

- Do not fixate on win rates alone
- Eliminating variables makes strategy development easier, maybe consider 100% in and out of positions (maybe not)
- Do not think of yourself as a daily trader (daily goal, green day/red day), but rather as an annual trader (long term results)

Questions/Comments

john@bearbulltraders.com



@JohnH_BBT