SMOKEY TRADES LLC
TIER I

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Tier I Scope

> Our Tier I was purposely built to focus on the best and forget the rest! We have provided everything you need to commence your trading career the right way! To accelerate your learning curve, you need to go over ALL the material inside TIER I. Next, make sure to explore ALL the FREE resources that have been provided inside this TIER. Please feel free to contact us if you have any inquiries. Lastly, please take a moment to consider reviewing our mentorship program IF AND ONLY IF you've gone through all our material and you feel you're ready to be held accountable. Okay now… Lets dive in!

What is a day trader? What does it mean to become a day trader?

Day traders are traders who execute intraday strategies to profit off relatively short-lived price changes for a given asset. They usually execute a relatively large volume of short and long trades to capitalize on intraday market price action.

Day traders employ a wide variety of techniques to capitalize on market inefficiencies, often making many trades a day and closing positions before the trading day ends.

Being a day trader is taking full responsibility of your trading. Meaning, RISK is the only factor a day trader can control. Yes, usually the trader has a price target in mind or an area of interest. However, a day trader's most important job is to control and manage their RISK!

It takes a ton of sacrifice being a day trader. It is a lot of back testing strategies, fundamental and technical analysis. If you take the time to go over the material and apply everything, you will place yourself in a position of power to become a profitable day trader.

Pre-Market, Intraday, & After hours

Pre-market is from 4:00am - 9:30am EST. Even though you can trade pre-market, there is a much greater risk associated with trading during this session as liquidity and volatility may be low and not optimal for trading & managing risk. New traders should not trade premarket unless they are trading a specific setup and are willing to accept the risk that comes with trading during this session. Brokers may limit the types of orders that can be utilized during this session. (There are NO HARD STOPS PRE-MARKET)

The market is open from 9:30am - 4pm EST Monday –Friday. This is when the market is open, and all brokerages allow traders to trade during this time. All order types are allowed to be placed at this time too. Please visit https://www.nyse.com/markets/hours-calendars for holiday trading hours/ schedule.

After-hours from 4:00pm - 8:00pm EST. (There are No Hard Stops After hours) Like pre-market, only certain order types can be used, and stocks can be extremely volatile or illiquid to trade.

All Key Terms & Trader Lingo You Must Know.

> We have compiled a list of important technical, fundamental, and trader terms that we feel a trader must be familiar with from the start! Trading is a language like any other. Please review the key terms outlined below:

Let's get the lingo down first

- **Stock is Green:** The Stock is up or has gains on the day.
- **Stock is Red:** The Stock is down or red on the day.
- **Green to Red**: The Stock price was up (Green) and is now down (Red) on the day. This is typically, a **BEARISH** move.
- **Red to Green**: The Stock price was down (Red) & is now up (Green) on the day. This is just the inverse of a Green to Red move, and it is typically a **BULLISH** move.
- **Tank/ Washout:** an aggressive drop in share price, usually with strong volume. Example: IMMX: had a strong washout, dropping 20% in 30 seconds."
- **A Pump/ Chatroom Pump & Dump:** when a stock's price moves artificially & in a manipulated fashion to the upside (typically by another chatroom). One can expect an aggressive move to the downside once the "pump" is over.
- **ETB:** Easy to borrow. A stock that is "ETB" is readily available/easy to locate short by many brokers.
- **HTB:** Hard to borrow. A stock that is "HTB" is NOT easy to short. Not many brokers have short shares available for retail traders to borrow and use to trade that stock.

- **The stock is SSR:** Short Sale Restricted. If a stock drop 10% & goes red on the day SSR will be triggered automatically by the exchanges. To short while SSR is ON, traders can only enter on the ask/upticks. Traders cannot just enter their short orders at the bid price.
- **Over/Under:** When a stock is trading at or around a whole number, it is best to short it when it pops above that number and gets exhausted as people take profits above the whole number.
- **Absorbing:** When there is a huge buyer on the BID at certain prices, usually not showing size to trick/fake people out.
- **Soaking:** When there is a huge seller on the ASK/OFFER at certain prices, usually not showing size to trick/fake people out.
- **What's the R/R:** Risk Reward
- **Did you do your DD:** Due Diligence. Doing your research on a stock (looking at the technical and fundamental aspects in depth).
- **What's the ADF score?** The ADF score is the All-Day Fader percentage score. It's our proprietary method using technical and fundamental data to score the stocks probability of "fading" or falling in price throughout the trading day. Mentor students will have access to this ADF sheet provided on your onboarding material.
- **Ripping:** When a stock is currently moving up aggressively.
- **Smoked:** When a stock is currently moving down aggressively.
- **Fake out:** when a stock makes an aggressive bearish/bullish move only to reverse immediately countering the initial direction.
- **Starter:** buying or shorting a small position in a stock to 'feel' out the position instead of going in full size right away on a stock, placing more risk on your trade.
- **Nail & Bail:** Get in your trades, get your money, and get out while the opportunities are there. Do not overstay in any position dude to fear or greed.

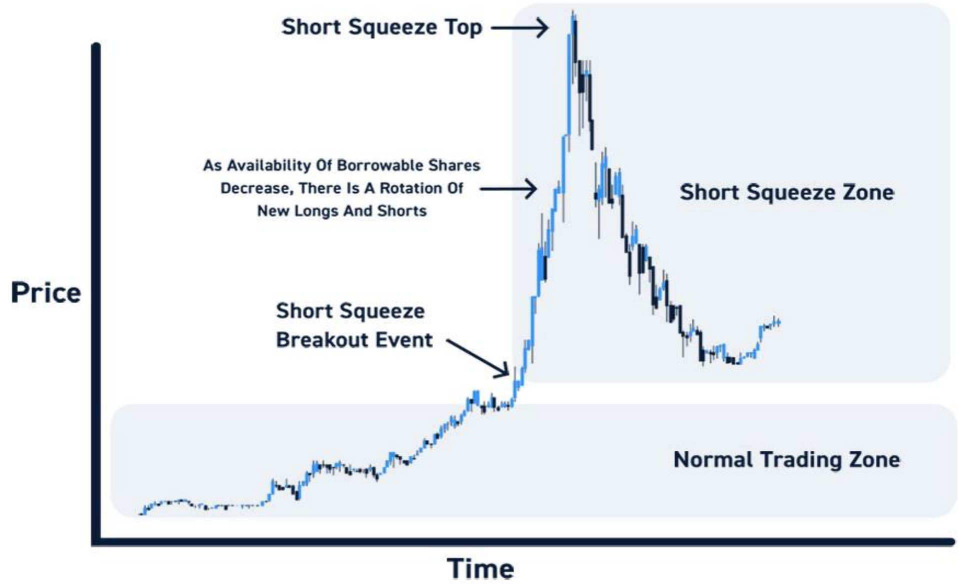
Now, Lets Get Educated

Pattern Day Trader Rule: The Pattern Day Trader (PDT) Rule states that if a trader takes 3 or more-day trades in a 5-day period, they are a day trader and they must maintain a minimum account balance of $25,000 USD.

Swing Trading: Swing Trading, in contrast to Day Trading, requires overnight hold times. Swing traders will hold stocks for at least 1 night, but perhaps many nights. These are very short-term investments.

Stock Splits: A stock split is a corporate action in which a company divides its existing shares into multiple shares. Basically, companies choose to split their shares so they can lower the trading price of their stock to a range deemed comfortable by most investors and increase the liquidity of the shares. For example, a stock split may be 2-for-1, 3-for-1, 5-for-1, 10-for-1, 100-for-1, etc. A 3-for-1 stock split means that for every one share held by an investor, there will now be three. In other words, the number of outstanding shares in the market will triple.

Short Squeeze: A short squeeze is an unusual condition that triggers rapidly rising prices in a stock or other tradable security. For a short squeeze to occur, the security must have an unusual degree of short sellers holding positions in it. This is when the stock suddenly starts moving up, and traders who are holding short positions start buying to cover their position, or their broker covers their position for them because they've hit a max loss on their account. This creates an extreme buying pressure/ imbalance and can lead stocks to making unprecedented moves intraday. **EXAMPLE:** GAMESTOP (Symbol: **GME**) January 2nd, 2021.



Short Sale Restriction: Short Sale Restriction (SSR) occurs when a stock drops 10% or more from the previous close in a single day and stays SSR for the whole day and the next one till 4:00pm EST. Once a stock has SSR traders cannot take short positions except when the stock is moving up. Positions can only be taken on “upticks”. That means traders short at the Ask Price and must wait for a buyer to buy the shares they are trying to sell short.

TRADER TIP: When a stock triggers SSR expect a larger bounce than usual.

Long | Short | Bullish Market | Bearish Market

Long Trading (going long, longing): Typical trading style most known to everyone. Buy stock at a **set price** and sell it at a higher price. When traders are “long” a stock, they are buying shares. This means they have a “long” position and expect the stock to go up. These traders will profit when the stock moves up or will lose money when the stock moves down. They also have a “bullish” position.

Short Side Trading: Short Trading (going short, shorting): The exact opposite of going long. You look to take a negative position using borrowed shares (locates) from your broker at **a set price** with the intention of buying back the shares at a lower price. Ultimately, you’ve bought back your shares (covered) returning the borrowed shares back to the broker and profiting from the declining price. Think of a car dealership allowing you to borrow a car valued at $10,000 dollars (your position) for a small fee of $50 dollars (your locate/ borrow fees) encouraging you to return this car once it has depreciated in value (covering). Assuming you have returned the car once it’s lost 30% of its value, you will be profiting from the price depreciation. As a result, you are going to profit $300 dollars minus your locate fee, netting you $250 dollars. You’re content because you’ve profited from the car loosing 30% of its value, and the dealership (broker) is happy because they gotten their asset back and they’ve made the borrow fee. Broker dealers will allow traders to borrow stocks many times depending on the availability in order to profit the borrow fee. *Short selling requires a very risk tolerant personality. The goal is to buy the shares back at a lower price, but a stock can only go as low as $0. A stock can run up to infinity and the trader is responsible for the positive difference per share, effectively blowing up their account. Most brokers don’t authorize short positions under $1.

Bullish Market: The overall market sentiment is moving in a positive direction. There are higher highs and higher lows. Usually dictated by more demand than supply.

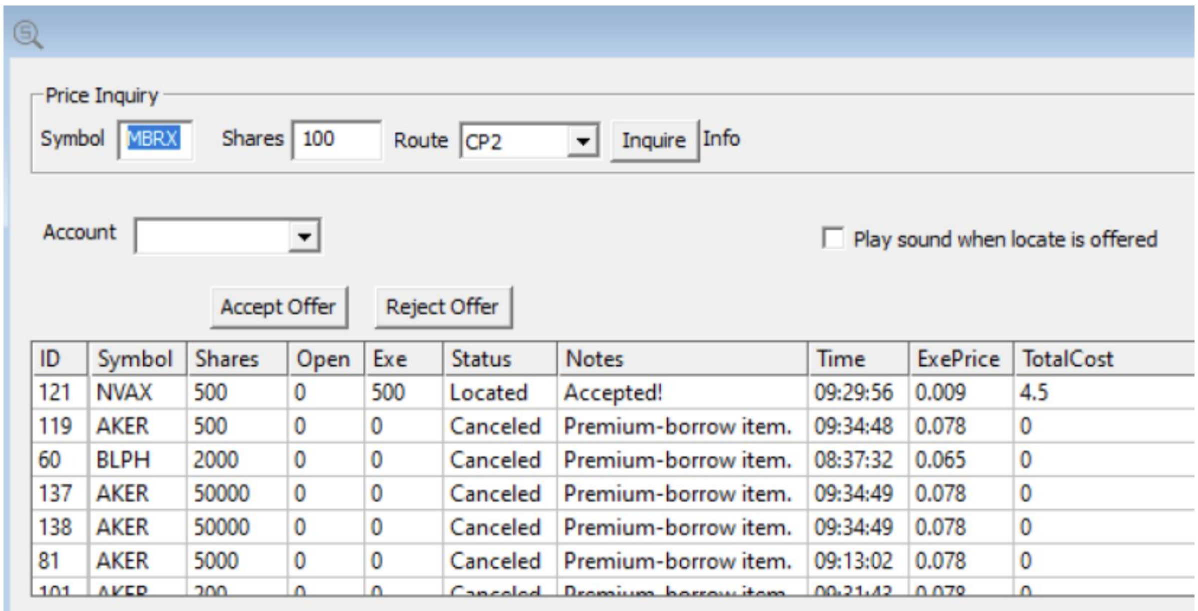
Bearish Market: The overall market sentiment is moving in a negative direction. There are lower highs and lower lows. Usually dictated by more supply than demand.

Scaling In or Scaling Out: To enter or to exit a position a trader may "scale." This technique, when used to scale in, means buying a partial position at a set price, and adding (or scaling) with a 2nd position at another set price. Traders may scale to enter near or around a desired area of interest. Similarly, a trader may scale out or exit their position at different set prices.

TRADER TIP: When scaling in or out try to use 1 to 3 set prices. DO NOT OVER SCALE!

Locating Shares / Borrowing: You must locate or borrow shares from your broker in order to short. If you broker doesn't have shares available to borrow, you can't short the stock.

TRADER NOTE: IPOs are never shortable. An initial public offering (IPO) is when a private company becomes public by selling its shares on a stock exchange. Most important, the earlier you can locate shares the more cost effective it will become. However, DO NOT over locate shares. This can force you to use them even if the setup isn't there.



ID	Symbol	Shares	Open	Exe	Status	Notes	Time	ExePrice	TotalCost
121	NVAX	500	0	500	Located	Accepted!	09:29:56	0.009	4.5
119	AKER	500	0	0	Canceled	Premium-borrow item.	09:34:48	0.078	0
60	BLPH	2000	0	0	Canceled	Premium-borrow item.	08:37:32	0.065	0
137	AKER	50000	0	0	Canceled	Premium-borrow item.	09:34:49	0.078	0
138	AKER	50000	0	0	Canceled	Premium-borrow item.	09:34:49	0.078	0
81	AKER	5000	0	0	Canceled	Premium-borrow item.	09:13:02	0.078	0

Covering: To close a short position a trader must "cover" their position. This is buying stocks to cover the shares they borrowed from their broker. Meaning, a trader is closing their SHORT position in full or in partials.

Days to Cover: Many traders will also look at "days to cover" to evaluate a stock's short interest. Days to cover is short interest divided by average daily volume. This can be important because it attempts to measure how long it may take to close out short positions and, consequently, the potential price impact of a short squeeze. Brokers will give traders who borrow shares a certain number of days to cover. This could be 7 days, 14 days, etc. By the end of this period if the trader has not covered their position, the broker can do it manually and will charge the trader a liquidation fee.

Account Types

Cash Account: When you trade in cash account, the amount of money in the account is the same as how much you deposited. When you take a trade, you must wait T+2 (Transaction + 2 business days to settle). Stocks take 3 days for transactions to settle. It's like waiting for a check to clear. There is nothing you can do while you wait. Options trades are T+1 and take only 1 day to settle, which means you can trade with the cash the next day. You can't trade with unsettled cash. You must fully pay for the security before you sell it. You also can't do something like sell a security and then day-trade with the proceeds from that sale for a couple days.

Margin Accounts: A margin account requires a margin agreement. With a margin account trade still take T+2, but instead of requiring you to wait 3 days before you can trade with that money, the broker gives you credit to trade with the money as soon as the trade has been completed. This is what allows day traders to take 10+ trades in a single morning. We can trade the same cash 1000x times a day if we'd like. All we need is a margin account. You need a margin account to short stocks.

Retirement Accounts: Trading a 401k or an IRA account is common. This is often where traders have already amassed a reasonable amount of capital. Many firms will allow you to trade a retirement account but there are some restrictions:

1. No Shorting.
2. No Leverage.
3. Margin is only for trades to settle immediately, not for trading borrowed funds
4. You cannot access the profits until retirement age, without penalty.
5. Growth is tax free, which is huge advantage.

Margin: When a trader opens a margin account with their broker, they are given Margin. In addition to allow you to trade on borrowed money, they also extend a line of credit to your account for trading. Brokers in the US will give you 2x or 4x Leverage which means if you deposit $25k, you will have either $50K or $100k in total buying power with $25k- $75K on margin being borrowed money from the broker. There are no fees for trading on margin during the day but holding with margin overnight is subject to interest rate fees. This is called the **Margin Rate.**

Market Dept , Orders, & Executions

Bid Price: The Bid Price is the price traders are currently bidding a stock at. Every stock has a bid. Let's say traders are bidding 10.00. Traders can put an order to buy at 10.00, and they will have to wait for a seller to come sell them shares. Alternatively, they can simply buy from a seller who is sitting on the ask at 10.02.

Ask Price: The Ask price is the price traders are currently asking to sell the stock at. Every stock has an ask. Let's say traders are asking 10.02. Traders can put an order to sell at 10.02, and they will have to wait for a buyer to come buy shares from them. Alternatively, they can simply sell to a buyer who is sitting on the bid at 10.00.

Spread: The Spread is the difference between the highest Bid price and the lowest Ask price. In the above example we have a 2-cent spread.

The spread is the difference between the bid (13.86) and the ask (13.92). Spread is 0.06.

Market Makers: Market Makers create the spread. They are large institutional banks that are both buyers and sellers of a stock. They will post a Bid, and Post and Ask. They create the spread, and the profit by selling shares between the spread. The larger the spreads, the more the market makers can profit.

ECNs: Electronic Communication Networks are electronic trading systems that automatically match buy and sell orders at specified prices. ECNs allow brokerages and investors in different geographic areas to trade without a third party involved, offering privacy for investors.

TRADER NOTE: Professional brokers like Cobra, Guardian, and CenterPoint will charge ECN fees per trade.

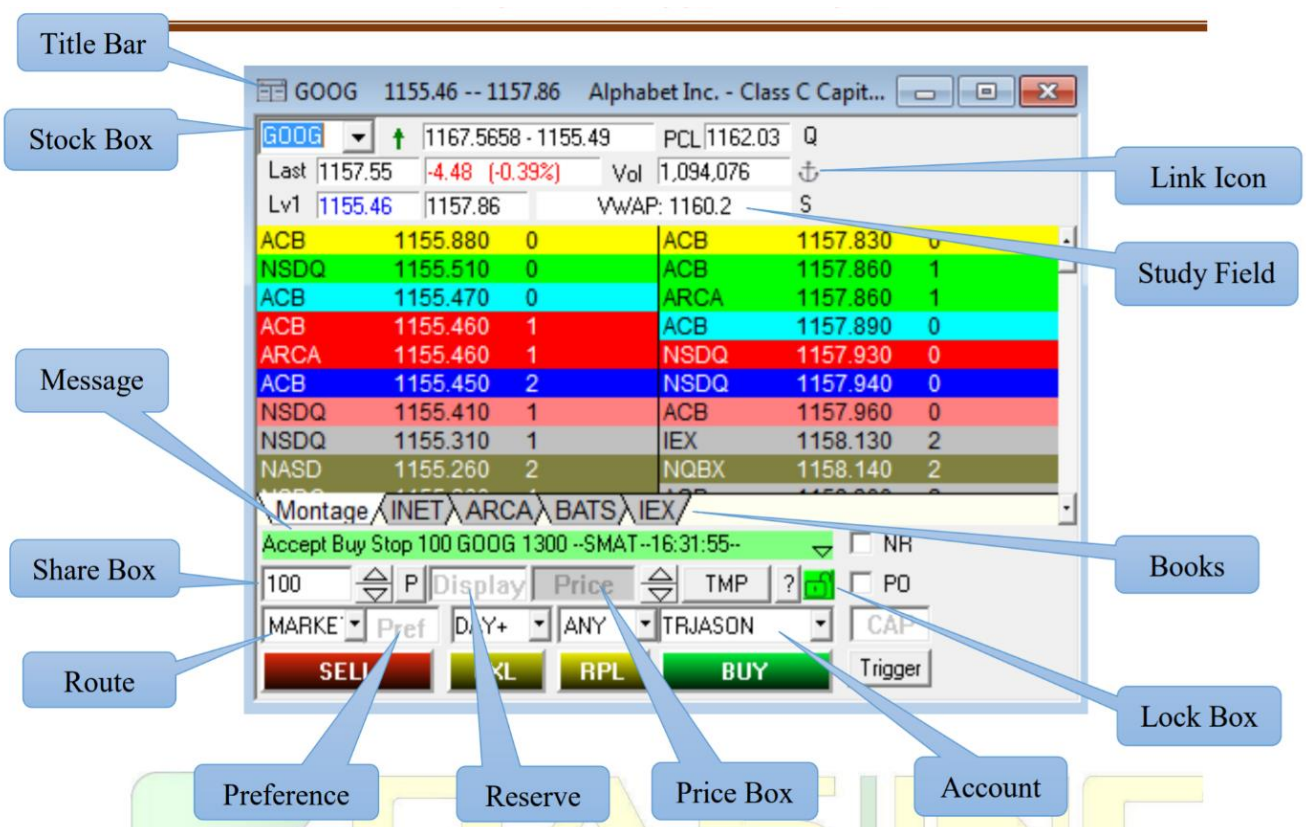
Routes: Market Makers offer a route that connects individual traders to the market. When traders choose to use specific market makers or ECNs, they are direct routing. The advantage is that this can increase the order speed. Returning to the idea of an island, ARCA (short for archipelago), is a popular route. Other popular routes include NYSE, EDGX, JPCC, POST, INET.

Smart Routing: Most brokers offer smart routing. Instead of asking you to direct route your order, they will choose the route they feel is best. If they have arranged a discounted rate with a certain broker, they may use that route as a preferred route. They may also see if they have shares available from traders inside the firm before routing your order out. This may not always be in the best interest of the trader. For that reason, I choose to not use smart routing, and instead direct route my orders.

Dark Pools of Liquidity: Dark Pools of Liquidity are private exchanges for trading securities that are not accessible by the investing public. The name of these exchanges is a reference to their complete lack of transparency. Dark pools came about primarily to facilitate block trading by institutional investors who did not wish to impact the markets with their large orders and obtain adverse prices for their trades., but nobody can see them. Sometimes these shares are being held by firms or institutions and they trade internally out of this pool of shares. Using Dark Pool Routing, you can now ping the dark pools to see if they have shares available.

TRADER TIP: Brokers like **GUARDIAN** have access to dark pools at selected routes.

Level II: Level II is essentially the order book for all NASDAQ stocks including the best bid and ask prices by various market makers and other market participants. Level II shows you who the market participant is that is making a trade, whether they are buying or selling, the size of the order, and the price offered. **TRADER TIP:** Please keep in mind when using Level II that things can be manipulated, and traders use it as a tool NOT the holy grail. In addition to understanding the bid/ask, day traders need to understand Level 2. Let's start by talking about the Bid. If the bid is 10.00, there is a buyer sitting waiting to buy shares at 10.00. But are there other buyers also lined up? By using Level 2 data, we can see buyers at 9.99, 9.98, 9.97, and so on. We may seem bids stacked tightly on the Level 2, or we may see them spaced apart such as 9.95, 9.89, 9.74, 9.64. When we see full market depth on the Bid side and the Ask side, we are seeing complete level 2. In addition to seeing the prices where orders are listed, Level 2 also shows the number of shares for each order, and the market maker or ECN (electronic communications network) that is routing the order.



Time & Sales: Next to the Level 2 Window is typically a Time & Sales Window. This will show every transaction that occurs and will list the price, the shares, the route, and the time. These transactions will appear red if they occur at the bid price, green if they occur at the ask price, and white if they occur in between the spread. Remember that the market is a closed system, every buyer has a seller, and every seller has a buyer. We consider transactions “sales” or “buys” based on the whether the transaction goes through at the bid price or the ask price.

TRADER TIP: Level II and Time and Sales are best utilized when it reaches your area or line of interest combined with the velocity is has when it’s reached your predetermined area. Think about it like a tennis ball when thrown in the air. When you throw it upward, it has speed or kinetic energy, (VOLUME & Fast prints in the Time & Sales) then you’ll noticed it will reach its climax almost giving you the feeling that is has come to a complete stop, which signals gravity in the example of the tennis ball or SELLING PRESSURE/ REVERSAL when referring to a stock. (Keep in mind this happens very fast and you must train your eye with hours of screen time to recognize such occurrence.)

Volume: Volume is a measure for the number of shares traded. A stock that trades 1mil shares in a day has a volume of 1mil. Some stocks trade tens of millions in volume each day while others trade just a few hundred thousand shares or less. As we watch the Time and Sales, we can also see the volume.

TRADER TIP: Volume is KING. Volume is how many shares have been traded over a period of time. Those time periods can range from intraday, daily, weekly, or monthly. This brings everything mentioned early together. Volume is an indicator for multiple things. Daily volume shows market sentiment on a particular ticker.

The more volume traded on that ticker, the more attention it has garnered. Daily volume on a yearly chart shows support, resistance, and even whether a stock has “bag-holders” in it. Volume moves small caps with low floats and makes them extremely volatile. The more volatile a ticker is, the more liquid it is. High liquidity allows a trader to trade a stock a lot easier. Use the following Volume section as a guide. Remember, markets are always changing along with the volume being traded each day.

Low volume: less than 1 million shares traded

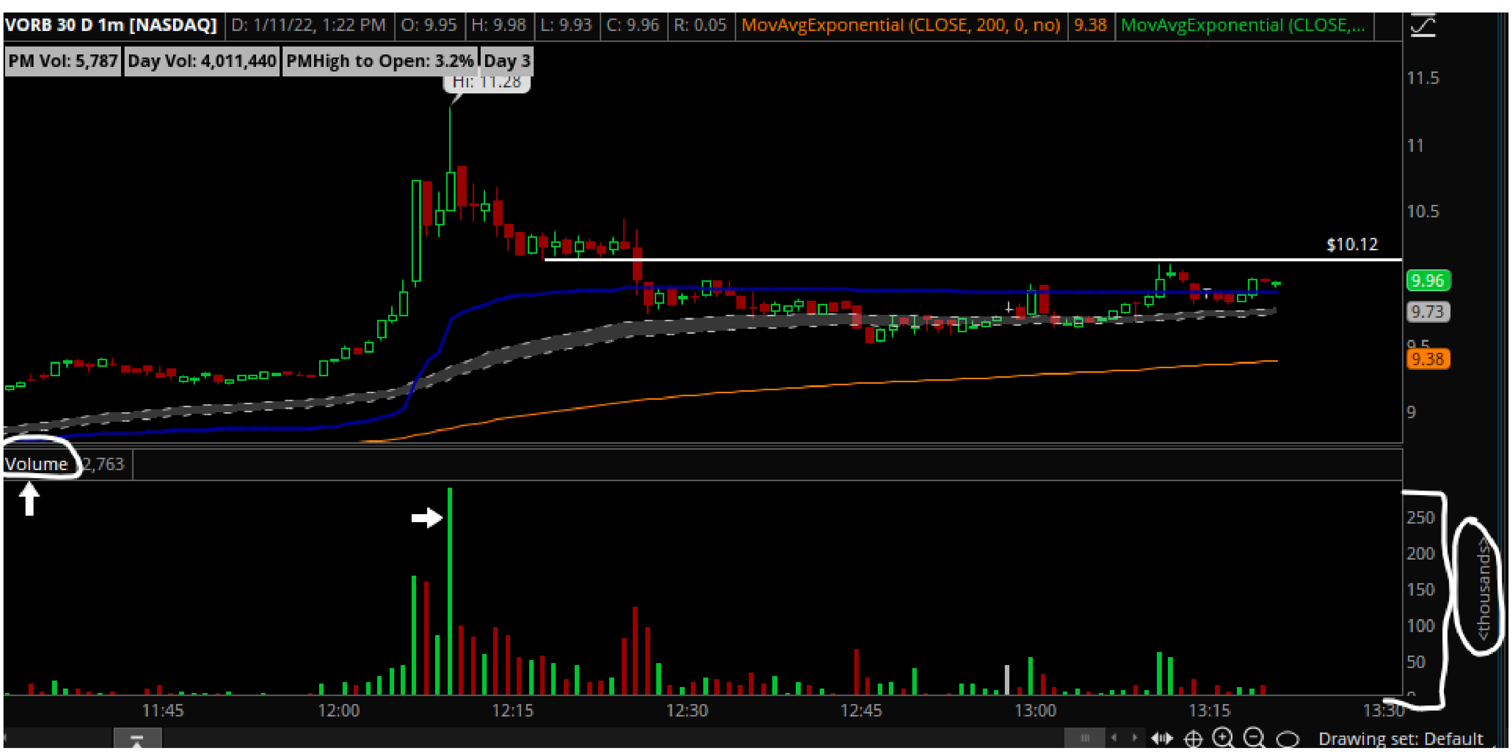
Light volume: 1-12 million shares traded

Medium volume: 13-30 million shares traded

Heavy volume: 31-50 million shares traded

Super heavy volume: 51+ (find out what the catalyst was i.e.: s-3, 424, ATM, or news)

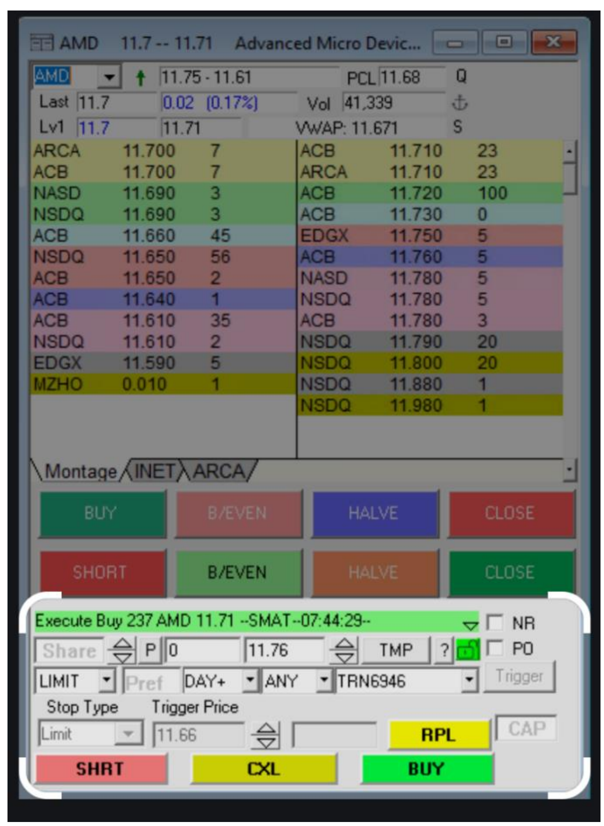
TRADER NOTE: It is important to note that the post 2016 market has created an atmosphere where 100 million shares traded on the day is not uncommon.



Circuit Breaker Halts:
Circuit breaker halts work by stopping a stock from trading due to several different factors, but most commonly because of excess volatility. During circuit breaker halts traders cannot trade the stock in any way. Halts can last from 5 minutes to hours or even days.

Market Orders: A market orders tells our broker to get you shares at current market prices. If you send the order to buy 1000 shares at $5.00, the broker will get you 1000 shares, but since you haven't specified the most you're willing to pay, they may give you shares at a higher price. Market orders ONLY remove liquidity.

Limit Orders: A limit order is when you ask your broker to buy you shares and state the most you are willing to pay. A limit order of 1000 at 5.05 will not fill higher than that price. In addition, the trader sets the price at which they want to buy or sell a stock. This order is only executed when the **stock exchanges** through the traders set price. Using limit orders can do both, remove or add liquidity.



What is Adding Liquidity: When you supply the shares to sell on the ask, you are providing the liquidity for other buyers. When you are willing to buy on the bid, then you are providing the liquidity for other sellers. In a nutshell, you add liquidity when buying on the bid and selling on the ask.

What is Removing Liquidity: When you buy on the ask and sell on the bid, you are taking liquidity. You play the retail customer role in the marketplace. This is the taker part of the maker vs. taker model. Don't feel bad, you will often have no choice but to take the liquidity in order to participate in a pattern set-up or momentum play.

TRADER TIP: IF AND WHEN possible, try to add liquidity when trading because some brokers provide rebates for doing this. In essence you'll be getting paid to trade by your broker. However, it's not always possible. When you need to get executed, take the fastest execution.

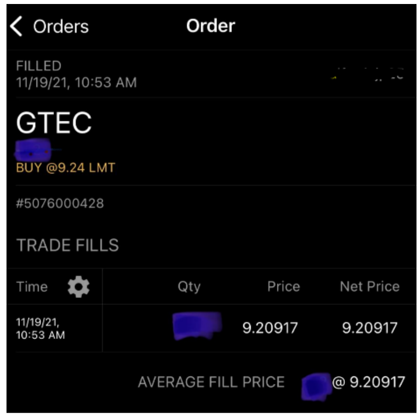
- **Adding liquidity** means *buying on the bid* or *selling on the ask.*
- **Taking liquidity** means *buying on the ask* or *selling on the bid.*

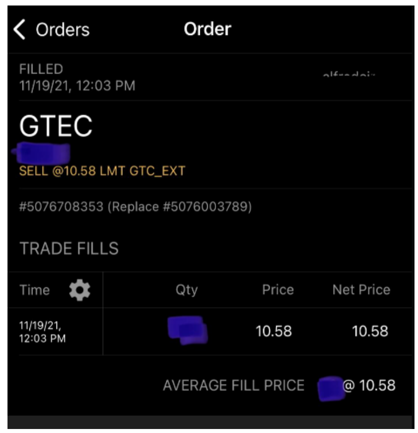
Stop Orders: A Stop Order is an order that will trigger when a stock crosses a certain price. A stop order is used by many traders to reduce risk. They set a stop at their max loss price. If the price crosses that level, the order is automatically sent. Stop orders can be sent as both market orders or limit orders. For example, a trader buys a stock at $9.00 and doesn't want to lose more than 50c a share, the trader would initiate a stop loss order. When the ask and price action drops to at $8.50, the market sell order is initiated and the trade is closed out.

Slippage: Slippage is the difference between the price you thought your trade would execute at, and the price the trade was actually executed. This is the result of fast-moving markets, volatile stocks, and spreads.

Fill Price: This is the price the trades are executing at with your broker.

Time	Symb	Side	Price
09:46:07	TSRI	B	12.28
09:46:07	TSRI	B	12.28
09:46:07	TSRI	B	12.28
09:46:07	TSRI	B	12.28
09:42:54	TSRI	B	12.38
09:42:54	TSRI	B	12.38
09:42:54	TSRI	B	12.38
09:41:19	TSRI	B	12.58
09:41:19	TSRI	B	12.58
09:41:19	TSRI	B	12.58
09:41:19	TSRI	B	12.58
09:41:15	TSRI	B	12.88
09:41:15	TSRI	B	12.88
09:40:49	TSRI	SS	13.17
09:40:49	TSRI	SS	13.17
09:40:49	TSRI	SS	13.17
09:40:49	TSRI	SS	13.17
09:40:40	TSRI	SS	12.97
09:40:40	TSRI	SS	12.97
09:40:40	TSRI	SS	12.97





Partial Fill: This is when you have a limit order that is too tight, and you only fill part of your entire order. The remaining order needs to either be cancelled or you must keep waiting to see if the price comes back to give you the rest of your fill.

All Fundamentals

Fundamental Analysis: Fundamental Analysis is when a trader looks at the fundamental metrics of a company. This includes metrics like balance sheets, annual (10-K) and quarterly reports (10-Q), book value (total value of company assets), the strength of their sector, and the potential for growth. In short, it's the analysis of a company's overall financial health.

Institutional Ownership: Institutional ownership is the amount of a company's available stock owned by mutual or pension funds, insurance companies, investment firms, private foundations, endowments, or other large entities that manage funds on behalf of others. Think institutions like JP Morgan, Charles Schwab, Goldman Sachs, Fidelity, etc.

TRADER TIP: For short sellers, avoid trading tickers with over 40% I/O because those companies are heavily supported by these institutional investors which makes it harder for that stock to drop in value/ price.

Market Cap: The company's valuation, or how much it is worth. Market Cap is usually broken down into 3 designations: small cap (micro & nano), mid cap, or large cap.

1. **Small Cap-** 300 million to 2 billion (Ideally, we focus on Market Caps Under 300 million)
   (1a) Microcap- 50 million to 300 million (Preferred)
   (1b) Nano Cap- Anything less than 50 million

2. **Mid Cap-** 2 billion to 10 billion
3. **Large Cap-** Anything Above 10 billion

Float: A stock float is the total number of shares that are available for public investors to buy and sell. It may be expressed as an absolute figure such as 10 million shares, or it may sometimes be expressed as a percentage of the company's total outstanding shares. Simply put, Float refers to the number of outstanding shares available to trade in the open market. *The smaller the float, the more volatile it usually is.

TRADER TIP: Avoid shorting tickers with a float smaller than 3 million shares.

Short Float: Short float is the number of shares short sellers have borrowed from the float.

Short Float Interest %: The percentage of the float that's borrowed. It's also called **short interest**. To get the short interest, you take the short float, divide it by the float, and multiply by 100.Short interest refers to the number of shares all traders around the world are currently holding as a short position against the stock. If a company has outstanding shares (float) of 10 mil shares, and 1 mil of those shares are short, the short interest is 10%.

TRADER TIP: Avoid shorting any ticker with over 20% short interest % because those tickers have the potential to squeeze with catalysts and wipe out accounts.

What do we look for?

When determining the overall financial health of the company we look for Market Cap, Float, Short Float, Institutional Ownership, & News. In addition, we also want to dig into the filings. Here we look for the company's debt/deficit if applicable, assets to liabilities, cash to net loss ratio, revenue to operating expenses, and if the company has dilution (Shelfs: S1, S3, F1, F3, ATMs, and/or 424B).

TRADER TIP: We want to know what the masses are thinking. Therefore, we use a free website(s) like finviz, yahoo finance, and Bamsec to get this information.