

KYLoS
The Holy Grail of Risk Management

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by
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Introduction

Ninety-nine percent (99%) of traders fail in stock trading. There are no actual statistics to prove this one but this is a generally accepted idea sa stock trading which is so absurd kung iisipin mo.

99 percent! That is both crazy and scary.

Alam mo ba kung ano ang common sa 99 percent na nagfail sa stock trading?

Nope. It's not the lack of skill.

Nope. It's not the lack of experience.

Nope. It's not the IQ.

It's the lack of Risk Management.

It's not just the lack of risk management but it's the lack of constant risk management.

This book aims to give you what those 99 percent do not have.

Constant Risk Management.

This book will be your best friend.

You will read this book every day.

For 365 days, this book will guide and remind you about risk management.

Day 1: Stock Trading

Stock trading is simply the act buying or selling of stocks with the aim of profiting from the price difference.

SM Prime Holdings, Inc.					
Bid			Ask		
	Size	Price	Price	Size	
3	97,900	36.4500	36.8500	491,100	27
1	20,000	36.2500	36.9000	73,500	17
3	30,900	36.2000	36.9500	82,300	8
1	500	36.1500	37.0000	163,100	64
1	20,000	36.1000	37.0500	11,000	2

Paano Gumagalaw ang Stock Price?

Ang stock prices ay nagbabago bago depende sa buyers at sellers.

Let us take for example SMPH.

These are the buyers.

SM Prime Holdings, Inc.					
Bid			Ask		
	Size	Price	Price	Size	
3	97,900	36.4500	36.8500	491,100	27
1	20,000	36.2500	36.9000	73,500	17
3	30,900	36.2000	36.9500	82,300	8
1	500	36.1500	37.0000	163,100	64
1	20,000	36.1000	37.0500	11,000	2

These are the prices they wanted to buy SMPH.

These are the sellers.

SM Prime Holdings, Inc.					
Bid			Ask		
	Size	Price	Price	Size	
3	97,900	36.4500	36.8500	491,100	27
1	20,000	36.2500	36.9000	73,500	17
3	30,900	36.2000	36.9500	82,300	8
1	500	36.1500	37.0000	163,100	64
1	20,000	36.1000	37.0500	11,000	2

These are the prices they wanted to sell SMPH.

SM Prime Holdings, Inc.					
Bid			Ask		
	Size	Price	Price	Size	
3	97,900	36.4500	36.8500	491,100	27
1	20,000	36.2500	36.9000	73,500	17
3	30,900	36.2000	36.9500	82,300	8
1	500	36.1500	37.0000	163,100	64
1	20,000	36.1000	37.0500	11,000	2

Mag iiba ang prices the moment na one of the wo things happen:

SM Prime Holdings, Inc.					
Bid			Ask		
	Size	Price	Price	Size	
3	97,900	36.4500	36.8500	491,100	27
1	20,000	36.2500	36.9000	73,500	17
3	30,900	36.2000	36.9500	82,300	8
1	500	36.1500	37.0000	163,100	64
1	20,000	36.1000	37.0500	11,000	2

May magbenta na sellers sa price na inooffer ng buyer.

May bumili na buyer sa price na inooffer ng seller.

Kapag may magbenta na seller sa price na inooffer ng buyer, the stock price will be 36.45 pesos sa case ni SMPH.

SM Prime Holdings, Inc.					
Bid			Ask		
	Size	Price	Price	Size	
3	97,900	36.4500	36.8500	491,100	27
1	20,000	36.2500	36.9000	73,500	17
3	30,900	36.2000	36.9500	82,300	8
1	500	36.1500	37.0000	163,100	64
1	20,000	36.1000	37.0500	11,000	2

Kapag may bumili na buyer sa price na inooffer ng seller, the stock price will be 36.85 pesos.

SM Prime Holdings, Inc.					
Bid			Ask		
	Size	Price	Price	Size	
3	97,900	36.4500	36.8500	491,100	27
1	20,000	36.2500	36.9000	73,500	17
3	30,900	36.2000	36.9500	82,300	8
1	500	36.1500	37.0000	163,100	64
1	20,000	36.1000	37.0500	11,000	2

The price ng stock is being decided by the buyer and seller.

Kung maraming buyer at willing silang bumili sa higher prices ay tataas ang stock price.

Sa case ni SMPH, kapag maraming buyers ang willing bumili sa higher prices ay mag iiba ang price. Kung willing ang buyers bumili hanggang 37 pesos ay 37 pesos ang new stock price ni SMPH.

SM Prime Holdings, Inc.					
Bid			Ask		
Size	Price		Price	Size	
3	97,900	36.4500			
1	20,000	36.2500			
3	30,900	36.2000			
1	500	36.1500	37.0000	163,100	64
1	20,000	36.1000	37.0500	11,000	2

Kaung maraming sellers at willing silang magbenta sa lower prices ay babagsak ang stock price. Kung willing silang magbenta sa 36.15 pesos ay 36.15 pesos ang magiging stock price.

SM Prime Holdings, Inc.					
Bid			Ask		
Size	Price		Price	Size	
			36.8500	491,100	27
			36.9000	73,500	17
			36.9500	82,300	8
1	500	36.1500	37.0000	163,100	64
1	20,000	36.1000	37.0500	11,000	2

This is how a stock price moves.

Supply and demand. Kapag maraming buyers na willing bumili sa higher prices ay aangat ang stock price. Kapag maraming sellers na willing bumili sa lower prices ay babagsak ang stock price.

This is the most basic principle kung paano gumagalaw ang stock price.

Day 8: What is KYLoS?

KYLoS is keeping your losses small.

You keep your losses small by cutting your losses early.

More than ninety percent (90%) of traders fail in the stock market.

If you randomly go up to a trader and ask them the reason for their biggest loss sa buong trading career nila ay makakakuha ka ng common na sagot. You would be surprised to know na hindi wrong stock picks or wrong strategy ang common na dahilan ng losses ng traders. It's not cutting their losses small.

They have a loss and hindi nila agad nacut hanggang lumaki ng lumaki to the point na hindi na nila macut dahil sa laki.

Paiba-iba man ang pangalan ng stock, yung nangyayare ay the same pa rin. One trader will buy a stock. The reason can vary from hype, may nagreco, may magandang disclosure, etc. Bumagsak ang stock. Di binenta dahil ayaw tanggapin na nagkamali siya. Bumagsak pa lalo ang price. Di binenta kasi naghohope na babalik pa sa taas ang price. "Anything that goes down must come up eventually" ang sinasabi sa sarili. Few days passed. Days turned into weeks. Weeks turned into months. The next thing you know eh may stock siya na nasa over fifty percent (50%) na ang loss pero ayaw at hindi niya mabitawan.

The idea of probabilities will help a trader cut his or her losses early. Kung more or less the same lang ang number of wins at losses mo over 1,000 trades and you have kept your losses small ay mag eend up ka with good gains.

Here is an example:

May 10 trades ka. Sa 10 trades na yun eh 5 ang wins at 5 din ang losses pero di mo alam kung kailan. Random sila.

Unang trade mo win. Second trade mo loss. Third trade mo loss. Fourth trade mo loss. Fifth trade mo win. Sixth trade mo loss.

Ang seventh until tenth trade mo puro win.

Now, here is what happens when you hold on sa isang stock.

Unang trade mo you win. Second trade mo you lose. Di ka nagcutloss. Hinawakan mo.

Lumaki sobra loss mo halos 50 percent ng port mo. By the time nagcutloss ka 70 percent na ng port mo nawala. Third trade loss pa rin.

Di ka na aabot sa tenth kasi doon pa lang either ubos na pera mo or ayaw mo magcutloss kaya stuck ka sa third trade.

If magcutloss ka man na late na, let's say may 30 percent ka na natitira sa port. Kahit pa umabot ka sa 10th trade eh di na sapat Buying Power mo para eh recover ang losses mo.

This will be your new mantra from now on.

I WILL ALWAYS KEEP MY LOSSES SMALL!

Day 10: Web Floored

It was August 16, 2016 when President Rodrigo Duterte labeled Tycoon Roberto Ongpin as Oligarch on one of his speeches and vowed to destroy all Oligarchs in Philippines.

Robero Ongpin was the chairman of PhilWeb Corp.

Philweb plunged by as much as 50 percent almost immediately.

PhilWeb that runs under "WEB" stock code in PSE was priced above 14 pesos on August 3. PhilWeb's stock price was 4 pesos plus by August 9.

The events made Ongpin vacate his post as chairman.

This event was not expected. No one could have predicted that such event will take place.

If you are a trader that does not know how to keep your losses small then in just a matter of days ay mag i-incur ka ng more than 70 percent loss.

Try to put that in perspective. A 70 percent loss would need 233 percent gain just to breakeven.

Portfolio Loss	Gain to Breakeven
10%	11%
20%	25%
30%	43%
40%	67%
50%	100%
60%	150%
70%	233%
80%	400%
90%	900%
99%	9900%

Day 18: TELCOserye Episode 1

There was a bidding war para sa 3rd Telco back in 2018.

Maraming stocks ang nagtry magbid. We all know now na DITO ang nanalo but back then ay maraming companies/stock ang nagbid.

Isa na dito ang Now Corporation known for their stock code NOW.

NOW was the frontrunner sa bidding wars noon to the point na even ang chairman ng NOW ay nagpopost ng mga bagay bagay about NOW and the 3rd Telco which excited the traders more.

NOW went from 2 pesos to more than 19 pesos in matter of days lang.

Lahat halos ng trader noon ay NOW ang topic.

Marami nagpredict na aabot si NOW sa 100 pesos or more. Di lang mga ordinary traders at gurus but even known analysts.

DITO eventually won that bidding war.

Fast forward today yung stock price ni NOW ay nasa 1.5 pesos.

If you have bought NOW at 19 pesos at di ka marunong magcut ng losses ay ipit na ipit ka na.

You have more than 90 percent loss right now kung sa 19 pesos ka nakabili.

Percent Loss	Percent Gain		Percent Loss	Percent Gain
5%	5.3%		55%	122.2%
10%	11.1%		60%	150.0%
15%	17.6%		65%	185.7%
20%	25.0%		70%	233.3%
25%	33.3%		75%	300.0%
30%	42.9%		80%	400.0%
35%	53.8%		85%	566.7%
40%	66.7%		90%	900.0%
45%	81.8%		95%	1900.0%
50%	100.0%			

You will need more than 900 percent gain para lang magbreak even.

All because hindi ka marunong magcut ng losses.

ALWAYS and I mean **ALWAYS** KEEP YOUR LOSSES **SMALL!**