



GLOSSARY OF TECHNICAL TERMS



Glossary of Technical Terms:

A+ Trade: A top-tier setup based on playbook, context, and current environment. These deserve max focus and sizing.

Adding Liquidity: Placing resting orders on the bid or ask, potentially receiving rebates or better fills.

Arbitrageurs: An arbitrageur is a trader who exploits market inefficiencies to make a profit. This could involve taking advantage of discrepancies in pricing across different exchanges or asset classes. Temporary mispricings, regulatory loopholes, shortage availability, or other structural edges can create arbitrage opportunities.

Asymmetric Risk-Reward: A setup where the potential upside significantly outweighs the downside.

Backtesting: The process of applying a trading strategy or model to historical market data to see how it would have performed in the past.

Backside: Particularly in the context of a short trade, refers to the period after a stock has experienced a significant upward trend (front side) and has started to show signs of a reversal or exhaustion of that upward momentum.

Bar to Close: Refers to waiting for your time period for the bar to begin/end before entering/exiting a trade.

Bouncy Ball Setup: When in-play ticker makes leg down, can't bounce, then consecutively makes lower highs against resistance.





Bobblehead Concept: The concept outlines to focus on expected value and improving it, rather than PnL, and win the day based on your standards and the A29:E32 bar you set.

Broken slot machine: Concept that highlights trading opportunities that are "in-play" that everyone is talking about and trading, with most volume and price discovery. Characteristics that have large price ranges/technical patterns (like IPOs/uplistings).

Blow Off Top: Characterized by a rapid, parabolic price increase followed by an equally rapid and steep decline

Bollinger Bands: Bands that are two standard deviations from a middle line which defaults as a 20-period moving average. Middle line is the average closing price over the past 20 periods. Can be used to gauge overextension and potential reward.

Catalyst: An external event that moves price—earnings, macro data, FDA approvals, etc.

Comparison Game: Mentally comparing your performance to others, usually leading to poor trading decisions.

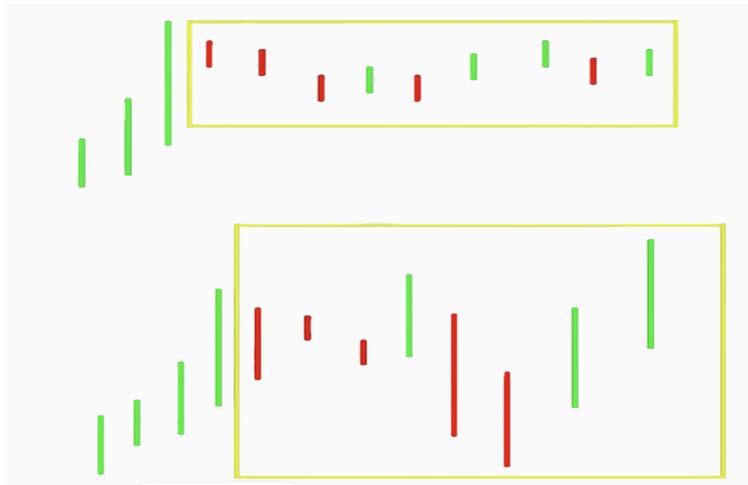
Commissions: Total expenses incurred from transactions

Confirmation Bias: The psychological tendency to only notice evidence that supports your existing belief.

Continuation: Refers to the concept of a trend continuing its existing direction after a brief pause or consolidation period.



Consolidation: A period where price moves sideways in a range.



Conviction: The strength of belief in a trade idea, often built from multiple confirming factors.

Capitulation: A sharp, panic-driven sell-off where traders give up and sell en masse.



Core Position: The base size you're committed to keeping in a trade (reducing/increasing the position as needed)

Daily Report Card: Daily review process done with the goal of efficiently improving one's trading. It forces them to reflect and work consciously towards one's goal. Also helps you track accomplishments and visually see/feel improvement you're making.

Deliberate Practice: Purposeful repetition of specific trading skills, with feedback and clear objectives.



Discretionary Trader: A type of trader who makes trading decisions based on their judgment and intuition rather than using a fixed trading system or algorithms. This can involve making decisions based on a variety of factors such as market trends, economic data, and news events.

Diversification: The more diversified the security, the safer it is.

Dynamic Risk: Adjusting size or stop placement based on evolving market conditions or thesis clarity.

Easy Money Trades: Consistent, replicable setups that form the foundation of successful trading. Moves slower, happens often, has very defined risk, and a high win rate.

Expansion: Prices are moving into new territory and a trend is continuing, (breakouts, breakdowns, breaking news, momentum)

Edge: A repeatable statistical or structural advantage that makes a trade profitable in the long run.

Information Edge: Having access to news/data/analysis that is not widely available or understood by broader market (access to prop research, ability to process data, insider trading (illegal))

Technological Edge: Typically the ability to execute trades faster than others- this can be done through low-latency trading platforms, colocated servers, algo trading systems, keyboard hotkeys, finding website sources.

Analytical Edge: Ability to identify patterns, trends, market inefficiencies, developing advanced statistical analysis, developing proprietary trading strategies.

Psychological Edge: Strong discipline, emotional control, risk management. Can trade without being influenced by bias/greed/fear.

Liquidity Edge: Having access to deeper pools of liquidity, ability to execute large orders with minimal market impact, broker-dealer relationships or dark pool access.

Structural Edge: Market inefficiencies, short availability, regulatory loopholes, arbitrage opportunities.

Expected Value (EV): The average outcome of a trade over time, weighted by probability. A foundational concept that drives all decision-making in trading.

Exhaustion Gap: Extremely specific exhaustion gap pattern, strong breakout day or earnings gap up to start the trend. Followed by a more euphoric continuation over a period of several days. Has a grand finale capitulatory day.



Exponential Bet Sizing: Being able to scale bet sizing dramatically based on quality of the opportunity. Elite traders often make 80% of their annual PnL on 5% of their trades.

Fat Tails: Refers to extreme price movements that occur at the edges of a probability distribution of returns.

Filtering: Screening a universe of stocks or setups to isolate the most actionable opportunities.

Flush: A rapid downward move, often driven by stop-losses being triggered.

Float: Amount of shares available for public trading- the more shares outstanding, the better.

FOMO (Fear of Missing Out): A destructive emotional urge to enter trades without proper setup or edge.

Forward Testing: Also known as paper trading, a way for traders to evaluate a trading strategy in real-time market conditions without risking actual capital.

Fractals: Shapes or patterns that repeat themselves regardless of the scale. From a trading perspective, it means that these patterns can occur over different timeframes- 2 minutes, hours, days, etc.

Gamma Squeeze: A sharp price increase caused by dealers hedging options exposure as price moves toward a key strike.





Gap: A price area on a chart where no trading occurred, often between the previous close and the next open.



Heuristic: A rule of thumb that helps simplify decision-making. Useful in fields where speed is more important than precision.

CNBC Heuristic: A question Lance asks himself: Is this news such a big deal that it'll become a feedback loop of importance? Will this news be disseminated on CNBC and other news sources throughout the day?

20% Heuristic: Adjusting your trading assumptions to include a 20% margin of error. It makes traders more selective and avoid overlooking factors such as spreads/transaction fees/mis-estimating market conditions.

Key Metric Heuristic: The metric all the analysts are focusing on. If the key metric improves or takes a hit, the stock might move in a proportional percentage. This is used as a rule of thumb rather than something deterministic.

In-play: A stock experiencing high attention, volume, and volatility. These stocks often have fresh breaking news on them or an exceptional technical setup often offering good trading opportunities.

Intraday Rotation: When money flows from one sector or theme to another during the trading day.

IPO (Initial Public Offering): When the shares of a company that are being offered to the public for the first time. Essentially, it's when a private company "goes public"

Locate: The process of securing borrowed shares for a short sale, often required for hard-to-borrow stocks.



Long: A position that profits when the price of a stock goes up.

Market Structure: The arrangement of price action, liquidity, and order flow that defines how a market is behaving (e.g. trending, consolidating, breaking down).

Maximum Amount Risked: Maximum amount you should ever risk on a trade is less than whatever amount would negatively affect your psychology.

Mean Reversion: A tendency for price to return to its average after a strong directional move.

Mental Capital: The cognitive and emotional energy available to make good decisions. Depleted by stress, frustration, or burnout.

Metalearning: The science of how to learn more effectively.

Moving Average Convergence Divergence (MACD): A technical analysis indicator that helps traders identify potential signals by showing the relationship between two moving averages.

No Man's Land: When stocks are trading in a range and volatility is contracting, this ultimately results in negative EV trading

Noise: Random or irrelevant price movements that do not reflect the underlying trend.

Overfitting: Mistaking noise for signal in backtesting or setup review—leads to unrepeatable trades.

Overextended: A situation in which a stock price has moved too far/fast in one direction beyond what is supported by fundamental or technical indicators. To gauge overextension, lance looks at the distance from the moving average, distance above/below the bollinger band, number of up/down bars in a row, distance from recent consolidation or inside bars, acceleration in slope of price over time



Pain Trade: The move that causes the most traders discomfort, typically against the consensus position.

Pendulum Concept: A framework of how stock prices revert to a mean/equilibrium after extreme price movements.

Playbook Trade: A trade setup that has been documented, tested, and refined. Traders build libraries of these over time.

PR Trade: A personal record trade. Signals growth if done with process—not if forced for ego validation.

Parabolic: A stock that experiences a rapid and accelerating increase in price, forming a curve on a price chart resembling one half of a parabola.



Process Over Outcome: Judging trades by whether you followed your system and playbook, as opposed to whether you made money.



Quant: Short for quantitative analyst, a professional who uses mathematical and statistical methods to help in the process of decision making in the financial market. They use these quantitative techniques to try and predict behavior or value financial products. Quants often work in strategy development and backtesting, identifying trading opportunities by analyzing historical data and applying mathematical models. In the financial industry, quants could work for hedge funds, trading firms, or investment banks.

Rate Of Change: A momentum indicator that measures the speed at which the price of an asset changes over a specific period.

Reset Day: A clean slate where a trader steps back, recalibrates, and focuses solely on execution—not outcome.

Reviewing Tape: Going back over recorded market action to extract insights or dissect a trade.

Reverse Split: A corporate action where a company reduces the number of its outstanding shares by combining multiple shares into one. This action increases the stock price proportionally, but the overall value of the investment remains the same.

The Right Side of the V: The same price at different times can yield different EV. For example, the stock after the turn has FAR more EV than before the turn despite being the same price!

Risk Reward (RR): The ratio of potential profit to potential loss on a trade.

Rollover: The act of moving a position from one expiration or contract month to another, usually in futures or options.

RVOL (Relative Volume): A metric showing current volume compared to average volume, indicating unusual activity.

Resistance: A price level where selling interest is strong enough to prevent the price from rising further.



Scalping: Taking quick trades for small gains, often exploiting microstructure inefficiencies.

Scaling: Increasing position size as confidence, setup quality, and trade maturity align.

Short: A position that profits when the price of a stock goes down.

Short Sale Restriction Mode: A trading rule that limits short selling of a stock when its price falls by a certain percentage (usually 10%) from its previous day's closing price. This rule is designed to curb excessive downward price volatility during market sell-offs

Size Appropriately: Adjusting trade size based on volatility, conviction, and risk parameters—not greed or boredom.

Slippage: The difference between expected fill price and actual fill price, often worsened by poor liquidity or size.

Split: A corporate action where a company increases or decreases its share count without affecting total value

Spread: Refers to the difference between the bid and ask prices of an asset, or the difference between the prices of two related assets.

Support: A price level where buying interest is strong enough to prevent the price from falling further.



Taking Liquidity: Orders that remove resting liquidity, used when urgency matters more than price.

Tape Reading: Observing time & sales, order flow, and level 2 data to sense buying or selling pressure.

Thesis: The reasoning behind a trade. If the thesis breaks, the trade is invalid.

Thesis Creep: The tendency to slowly shift or justify a trade after initial reasoning breaks down.

"The Right Stop": Lance highlights that we want to get flat and have zero exposure when EV reaches 0.

Thinner Tape: A stock with wider spreads and lower liquidity, which makes execution trickier but sometimes more rewarding.

Tilt: Emotional breakdown that causes poor decision-making. Usually triggered by losses, frustration, or missed opportunity.

Trade Around a Core: Scaling in and out of partial size around a central thesis position.

Trap: A setup that baits traders into a false breakout or breakdown before reversing hard.

Trading Pod: Small group of traders working together, either online or within a financial firm, often focusing on specific markets or trading strategies.

Trailing Stop: A stop-loss order that moves with the market price, protecting profits on a trade from a market reversal.

Trend: A sustained price movement in one direction, either up (bullish) or down (bearish).



VWAP (Volume Weighted Average Price): A benchmark that shows the average price a stock has traded at throughout the day, weighted by volume.