MarketUnclouded

THE COMPLETE TRADING HANDBOOK · 2026 EDITION

Stock Trading Masterclass

A practical guide to markets, technical analysis, the pullback continuation strategy, options and disciplined risk management.

17 chapters | **5** parts | **Quizzes** & checklists | **2026** edition



Market Unclouded LLC

By Daniel Higgins

marketunclouded.com

Stock Trading Masterclass

The Complete Trading Handbook · 2026 Edition (second edition)

By Daniel Higgins · Market Unclouded LLC

© 2026 Market Unclouded LLC / Daniel Higgins. All rights reserved. Purchase permits individual personal use. No part of this publication may be reproduced, shared, resold or distributed without written permission.

IMPORTANT DISCLAIMER

This handbook is for educational purposes only. It is not personalized investment, tax or legal advice and is not a recommendation to buy or sell any security, option or futures contract. Stocks, options and futures can produce substantial losses, and leverage magnifies risk; some strategies can lose more than the initial investment. Stops and targets do not guarantee execution prices. Charts are schematic illustrations unless identified as historical; historical and hypothetical examples do not predict future performance. Rules, market hours, broker policies and regulations change; verify current details with your broker and official sources before trading.

thinkorswim is a trademark of Charles Schwab & Co., Inc. Market Unclouded is not affiliated with or endorsed by Charles Schwab, any exchange or any broker. Ticker symbols are used for illustration only. Historical examples use publicly reported daily price data and company announcements; prices may be split-adjusted.

What’s new in this edition

- **Rebuilt as a book.** 150 slide lessons reorganized into 17 chapters across five parts, with full explanations instead of bullet points.
- **Review quizzes** at the end of every chapter, with answers and explanations in Appendix E, plus key-takeaway summaries.
- **Updated for 2026:** elimination of the $25,000 pattern day trader rule, the move toward near-24-hour U.S. stock trading, T+1 settlement, and Tokyo’s 3:30 p.m. close.
- **New material:** stop-limit orders, true range, expectancy and R-multiples, the Greeks in practice, and a full options strategy comparison.
- **Corrections:** one consistent reward-to-risk convention throughout (reward first, for example 2 : 1).
- **Printable tools:** checklists, a trade journal, a glossary and an index.

Questions or feedback: support@marketunclouded.com · Follow @MarketUnclouded on X.

Contents

Part 1 · Market foundations

1 Stocks, ETFs, indexes and futures 6
2 Global markets and trading sessions 9
3 How a trade happens: liquidity and orders 14

Part 2 · Reading the chart

4 Candlesticks and chart reading 20
5 Institutions and algorithms 24
6 The indicators we use 26
7 Market structure, support and resistance 30

Part 3 · Market context and stock selection

8 Indexes, sectors and market direction 36
9 Catalysts, gaps and volatility 39
10 Lessons from five historical events 43
11 Choosing what to trade 46

Part 4 · The pullback continuation strategy

12 The pullback strategy, step by step 50
13 Risk management 53
14 Workflow, journal and validation 57

Part 5 · Options

15 Options fundamentals 61
16 Pricing, the Greeks and execution 64
17 Choosing contracts and strategies 67

Appendices

A Pre-trade and premarket checklists 73
B Options trade checklist 74
C Trade journal template 75
D Glossary 76
E Quiz answers and explanations 79
F Index 82

CHAPTER 12

The pullback strategy, step by step

30-minute MACD → 15-minute context → 5-minute entry.

The core idea is simple: a strong move establishes a trend; price retraces as momentum cools; a break of the pullback's short-term downtrend may signal renewed buying. The trade is a probability-based setup, never a certainty, and the break is a trigger to evaluate, not automatic proof.

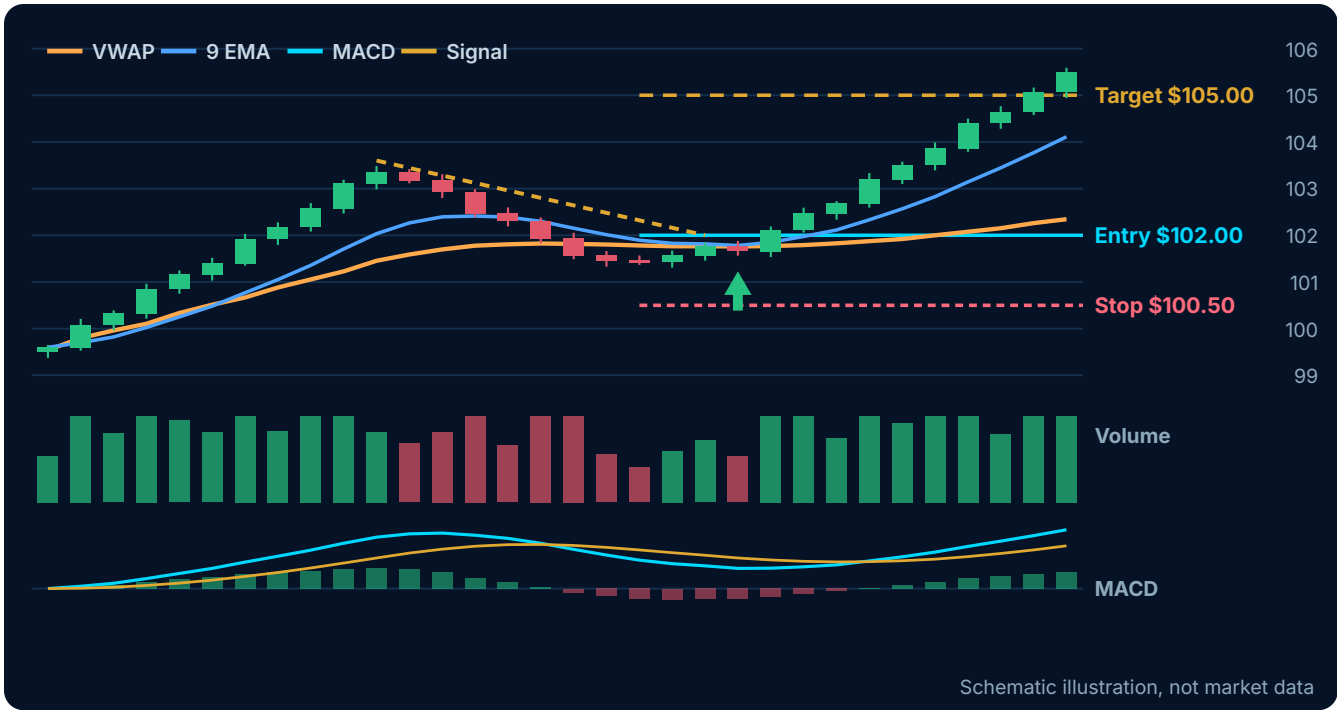


Figure 12.1: Anatomy of a bullish continuation on a 5-minute chart: trend, pullback, trendline break. Example entry $102.00, stop $100.50, target $105.00 (2R).

Step 1: Start with the 30-minute MACD

- Look for a **bullish MACD crossover**: the MACD line crossing above its signal line.
- Treat the cross as an early trend clue, not a standalone buy signal.
- Check that price structure supports a bullish reading: is price making higher lows?
- Remember MACD lags and whipsaws in sideways markets. Wait for the 30-minute candle to **close** if that is your rule.

Step 2: Assess the 15-minute context

- Rising swing structure: higher highs and higher lows.
- Price holding above VWAP.
- The current pullback approaching the 9 EMA rather than collapsing through it.
- Nearby resistance that could block the trade. **No entry yet**: the 5-minute chart times the execution.

Step 3: Locate a controlled 5-minute pullback

- A shallow retracement with smaller candles.
- Lighter volume on the way down: profit-taking, not aggressive selling.
- A series of descending highs you can connect with a short trendline.

Step 4: The pullback trendline break

The trigger is a break and hold above the descending pullback trendline. Expanding volume on the break helps. Before entering, the stop (below the pullback swing low) and the target (prior high or a reward multiple) must already be known.

> **USE STRUCTURE FIRST, THEN CALCULATE**
>
> Place the stop where the idea is wrong (below a meaningful swing low, allowing for volatility), set the target at prior resistance or a planned reward multiple, then size the position from the distance between entry and stop.

A high-quality example: confluence

- [ ] 30-minute MACD has crossed bullish.
- [ ] 15-minute structure supports an upward bias.
- [ ] 5-minute pullback is controlled and the trendline is clear.
- [ ] Price breaks the pullback trendline.
- [ ] Price is above VWAP and volume expands on the break.

These are qualitative filters, not a backtested win-rate claim.

Worked example

Entry	$102.00, after the trendline break
Stop	$100.50, below the pullback swing low
Target	$105.00, the prior high
Risk	$1.50 per share

Hidden friction	Deep out-of-the-money, far-dated or obscure contracts often have wide spreads. Use limit orders and plan exits before entry.

Selecting strike and expiration

Strike choice	Trade-off
At the money	Responsive to the stock, but carries the most extrinsic value.
In the money	Higher delta and less extrinsic value; costs more capital.
Far out of the money	Cheap premium, but often a low probability of profit.

Expiration: buy enough time for the setup to work. Short-dated contracts are highly sensitive to theta and gamma; longer-dated contracts cost more but decay more slowly at first.

Prefer shares when…	Consider defined-risk options when…
You want straightforward exposure with no deadline, easy partial exits, or the option chain is illiquid. Shares can still lose substantial value.	You need a specific maximum dollar loss, want capital-efficient directional exposure, and have a clear timing and volatility thesis. Premium can go to zero.

Applying options to the pullback strategy

1. **Stock first.** Confirm market, sector, catalyst and liquidity. Use the 30-minute MACD bias, 15-minute context and 5-minute pullback break.
2. **Choose the vehicle.** Compare a share position with a liquid call or a call debit spread. Skip options when spreads or IV make the trade unattractive.
3. **Manage option risk separately.** A stock stop doesn't translate into a fixed option loss. Monitor premium, delta, time left and liquidity, and define the option exit plan.

Four strategies to know

Bull call debit spread: defined risk

Buy the $100 call and sell the $110 call for a net debit of $4.00 ($400). Maximum loss $400; maximum gain ($10 − $4) × 100 = $600; break-even $104. The short call reduces cost and dampens time decay and IV risk, in exchange for capped profit.