Paper Trading For Dummies

Learn to trade without risking a dollar. A complete beginner's guide to paper trading.

Atlas Automation | atlas-automation.co

Trading System for Dummies

Everything the system does, explained like you're 14 — because jargon sucks.

Start Here: What Is This Whole Thing?

You have **3 robot traders** that watch the stock market every day and pretend to buy and sell things with fake money ($10,000 paper money). They never use real money.

They're like 3 friends who disagree on what to buy. You want to see which friend is right.

The 3 Robots (A/B/C)

Robot A: "Momentum Guy" (Pure Dual Momentum)

What he does: Buys whatever went up the most in the last 12 months. That's it.

Plain English: "What's been winning? Buy that. Keep buying it until it stops winning."

Why he exists: Academic research says this simple strategy beats most professional fund managers over 10+ years.

Day 1 trade: Bought **USO** (oil fund) at $144 — it went up 97% in the last year. Makes sense.

Robot B: "Cautious Guy" (Momentum + Technical Analysis)

What he does: Does the same as Robot A, *but* checks 4 extra things before buying: 1. **RSI** — is it overbought? (tired, due for a break) 2. **Volume** — is there enough trading activity to trust the move? 3. **Candlestick patterns** — does the daily chart show warning signs? 4. **Support/Resistance** — is it too high above its normal range?

Plain English: "That's been going up for a year? Let me check if it's a real move or a trap."

Day 1 trade: Robot A wanted USO, but Robot B said NO because the volume was too low (not enough people trading it = unreliable move). So he bought **SLV** (silver) instead at $59.90.

Robot C: "Chart Guy" (Charts Only)

What he does: Ignores momentum entirely. Just looks at chart patterns and technical signals: - **MACD crossover** — two moving average lines crossed - **Bollinger Bands** — a volatility squeeze that just broke out - **RSI** — is it too low (oversold bounce incoming?) - **Support levels** — is it near a historical low (safe entry?)

Plain English: "I don't care what happened last year. I look at the picture the chart is painting right now."

Day 1 trade: Bought **CPER** (copper) at $41.02 because the Bollinger Bands squeezed then broke upward, and MACD crossed.

Key Terms You'll See Every Day

Market Basics

Term	Definition	Example
Ticker	Short code for a stock/fund	SPY = S&P 500, QQQ = Nasdaq, GLD = Gold, USO = Oil
ETF	A fund that tracks something (like gold or oil)	You buy USO, you basically own oil
Buy and hold	Buy something and never sell it	The laziest strategy
Bull market	Market going up	Everything green
Bear market	Market going down	Everything red

How We Measure Things

Term	Definition	Example
Momentum	How much something went up or down over a period	+97% = went up 97% in 12 months
ATR	Average True Range — how much the price bounces around daily	ATR = $3.94 means oil moves about $4/day on average

Term	Definition	Example
VIX	"Fear index" — how scared investors are	< 15 = calm, 15-25 = nervous, > 25 = scared, > 35 = panic
RSI	Overbought/oversold gauge (0-100)	> 70 = overbought (might drop), < 30 = oversold (might bounce)
MACD	Two moving average lines crossing — buy signal when one crosses above the other	MACD crossover = "lines just crossed up, trend is changing"
Bollinger Bands	A channel around the price. When it squeezes, a breakout is coming	Squeeze + price breaks above = buy signal
Support	A price floor where it kept bouncing in the past	"Support at $40" = it's bounced off $40 three times before
Resistance	A price ceiling where it kept failing in the past	"Resistance at $50" = it's hit $50 and dropped each time

Trading Terms

Term	Definition	Example
Entry price	Price you bought at	USO entered @ $144.00
Stop loss	Price you sell to limit losses	If USO drops to $140.06, we sell automatically
Trailing stop	Stop that moves up as price goes up	USO goes to $150, stop moves to $142. Never moves down
Position size	How many shares you buy	6 shares USO = $864 total
Volatility scaling	Buy less when price is jumpy, buy more when calm	USO is super jumpy (52% yearly vol), so we bought only 22% of normal size
The spread	The hidden cost of buying/selling	Crypto has big spreads (0.5% each way)
Unrealized P&L	Current profit/loss if you sold right now	+$0 = flat, -$6.82 = down $6.82
Realized P&L	Actual profit/loss after you sell	Only counts when trade is closed
Fee drag	How much fees eat your profits	$39 in fees on a $100 trade = 39% fee drag (bad!)

Regime (Market Mood)

Term	Definition	What the robots do
Trending	Market moving clearly in one direction	Robots go full speed
Ranging	Market going sideways	Robots get cautious (smaller bets)
Volatile	Market swinging wildly	Robots get even smaller, or pause

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How to Read the Daily Updates

Every day you'll get a message like this:

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📊 TRADING SYSTEM DASHBOARD

Market: SPY $767.94  VIX: 15.4
Regime: volatile

[A] PURE MOMENTUM
  Holding: USO entry $144.00 stop $140.06
  Pick: USO (+97% 12m momentum)

[B] MOMENTUM + TA
  Holding: SLV entry $59.90 stop $58.08
  USO was BLOCKED: low volume breakout (0.44x avg)

[C] CHARTS ONLY
  Holding: CPER entry $41.02 stop $40.44
  CPER scored 5/10: MACD crossover + BB squeeze

COMBINED: All different picks — need data to sort out
```

What to look for:

Column	What it means	Good or bad?
Holding	What the robot owns right now	Just information
Entry	Price it bought at	Lower = better (bought cheap)
Stop	Price it will sell at if it drops	Getting higher = good (locking in gains)
P&L	Current profit/loss	Positive = nice, negative = not yet
Blocked	Why a robot didn't buy something	Good — means filters are working

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The CSV File (Your Excel Data)

After every market day, the system saves a row to `/opt/data/nexus/trading/data/daily_log.csv`.

To open it: **double-click the CSV** or open in Excel/Google Sheets.

Each column:

Column	Meaning
`date`	Which day
`market_regime`	Was the market trending, ranging, or volatile?
`vix`	Fear level
`A_pick`	What Robot A would buy right now
`A_positions`	Does Robot A own anything? (1 = yes, 0 = no)
`A_entry_price`	What Robot A paid
`A_pnl_open`	Current profit/loss for Robot A
`B_pick` / `C_pick`	Same for B and C
`spy_price`	How the S&P 500 is doing (the overall market)
`btc_price`	Bitcoin price
`total_open_positions`	How many total things all 3 robots own

How the System Learns

Every **Sunday at 5pm ET**, the system grades itself:

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=== WEEKLY COMPARISON ===
                    A: Pure Mom  B: Mom+TA  C: Charts Only
Win rate:           40%          50%        60%
Sharpe:             0.6          0.8        0.9
Avg trade:          +$12         +$18       +$22
```

- **Win rate** = % of trades that made money (more = better)
- **Sharpe** = risk-adjusted return (higher = better for the risk taken)
- **Avg trade** = average profit per trade (more = better)

The winning robot gets more confidence. The losing robot gets studied.

What You Don't Need to Worry About

Don't worry about	Why
Robot makes a bad trade	That's learning data. We want to see bad trades to learn from them
Market crashes	Momentum robots go to cash when everything drops. That's their superpower
Weird terminology	This doc explains everything. Read one term per day
Missing a day	The robots run automatically. Data saves to CSV
This runs forever	$0.30 in stock fees on $10k paper. Costs nothing

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Weekend Reading (If You Want to Learn More)

Topic	What to search
Dual Momentum	Gary Antonacci "Dual Momentum" book
Time-series momentum	Moskowitz, Ooi, Pedersen 2012 paper
RSI	"RSI indicator explained"
MACD	"MACD indicator for beginners"
Bollinger Bands	"Bollinger Bands explained"
Support and resistance	"Support resistance trading basics"
VIX	"VIX fear index explained"

Cheat Sheet: What to Check When

- **Every morning**: Read the dashboard report in Telegram
- **End of week**: See if any trades closed (P&L column in CSV)
- **Sunday**: Read the weekly review. See which robot is winning
- **Once a month**: Open the CSV in Excel. Look at the trend
- **Never**: Worry about missing something. The system handles it

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"Progress over perfection. We're learning as we go."

— Your 3 robots

Questions?
If you have a question, please ask and we'll get back to you.
Email: questions@atlasautomation.co