

Day Strategies & Risk Management

Andrew Aziz

Session 4



Disclaimer

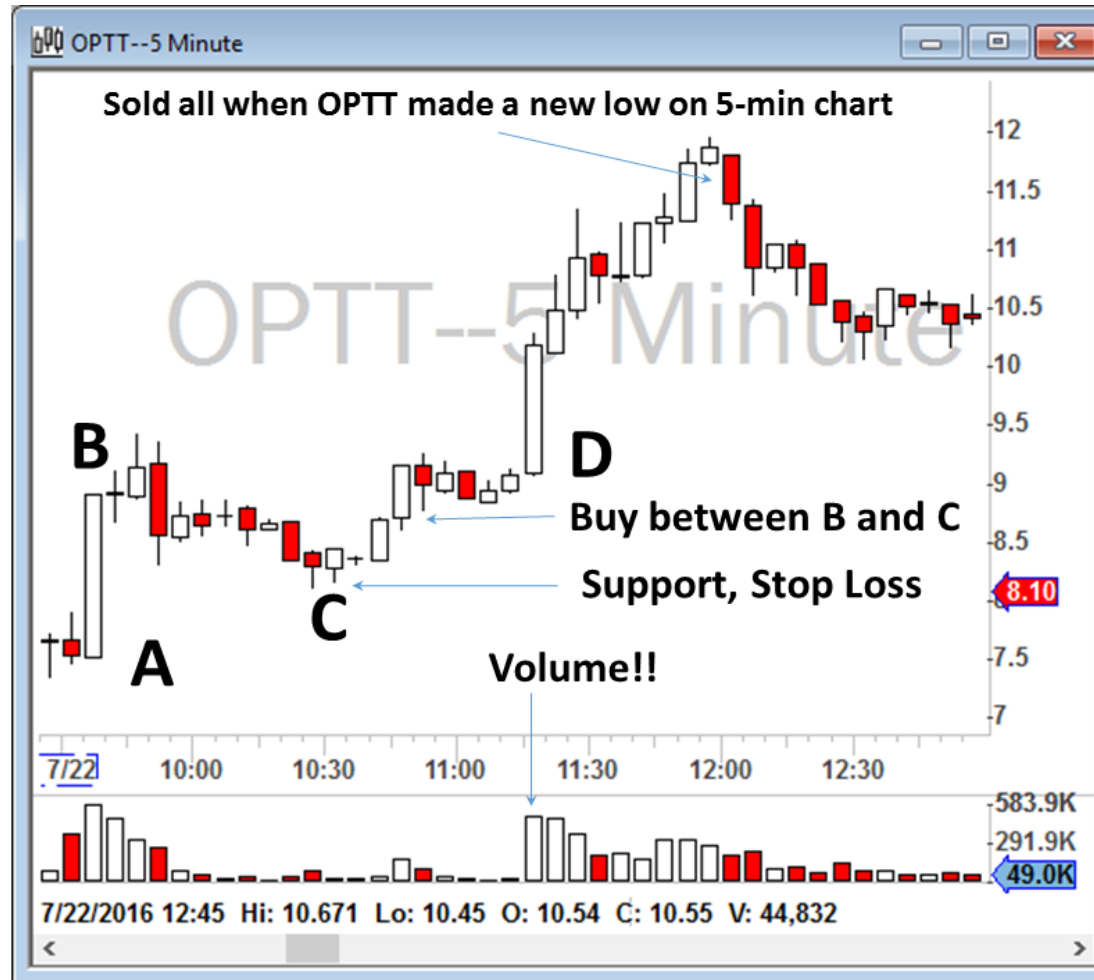
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Class 4: Strategies

1. ABCD Pattern / Reverse ABCD Pattern
2. Bull Flag / Bear Flag
3. Fallen Angel
4. VWAP Trading
5. Opening Range Breakdown
6. What is a Successful Strategy?
7. Risk Management

Day Trading Strategy

ABCD Pattern

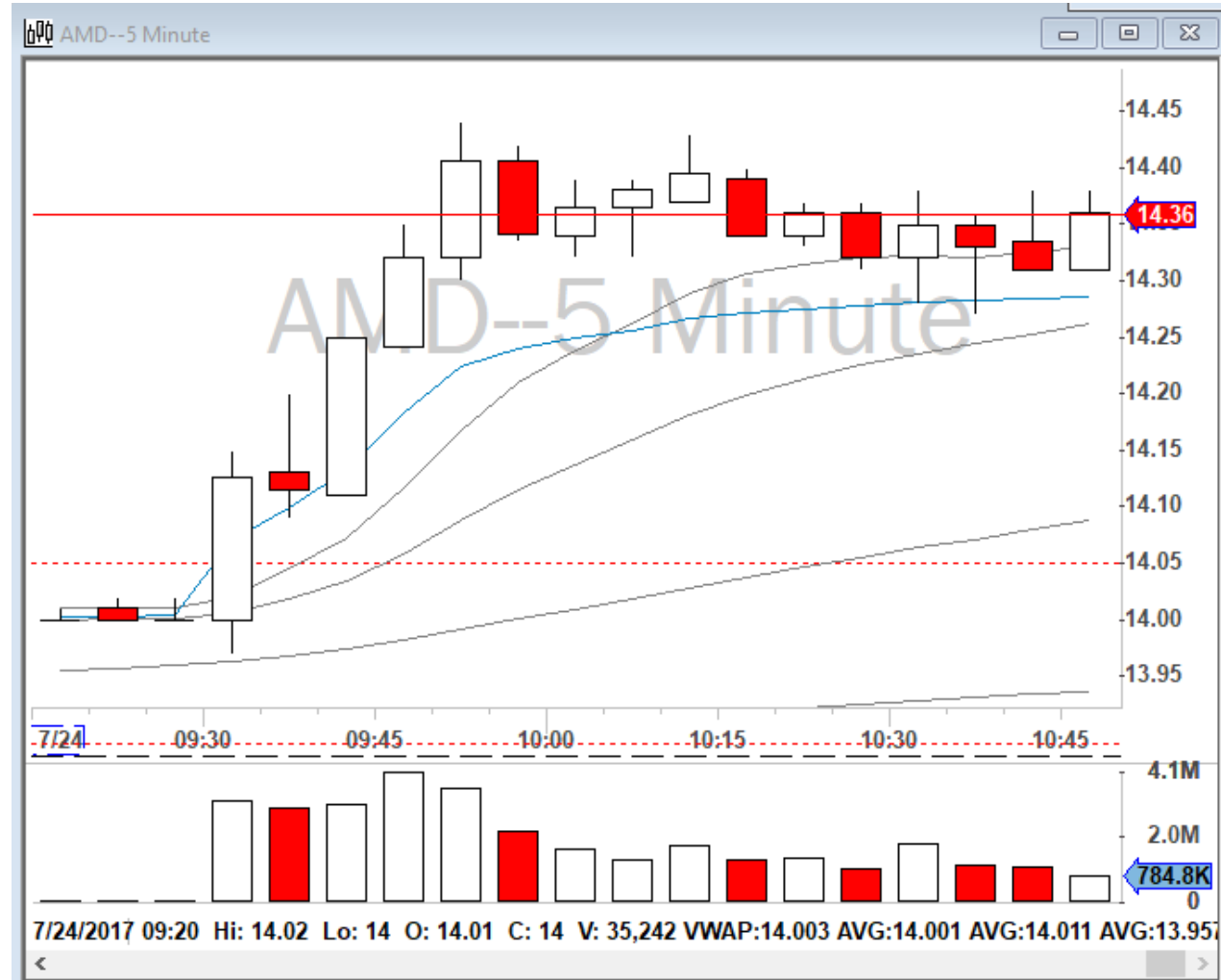


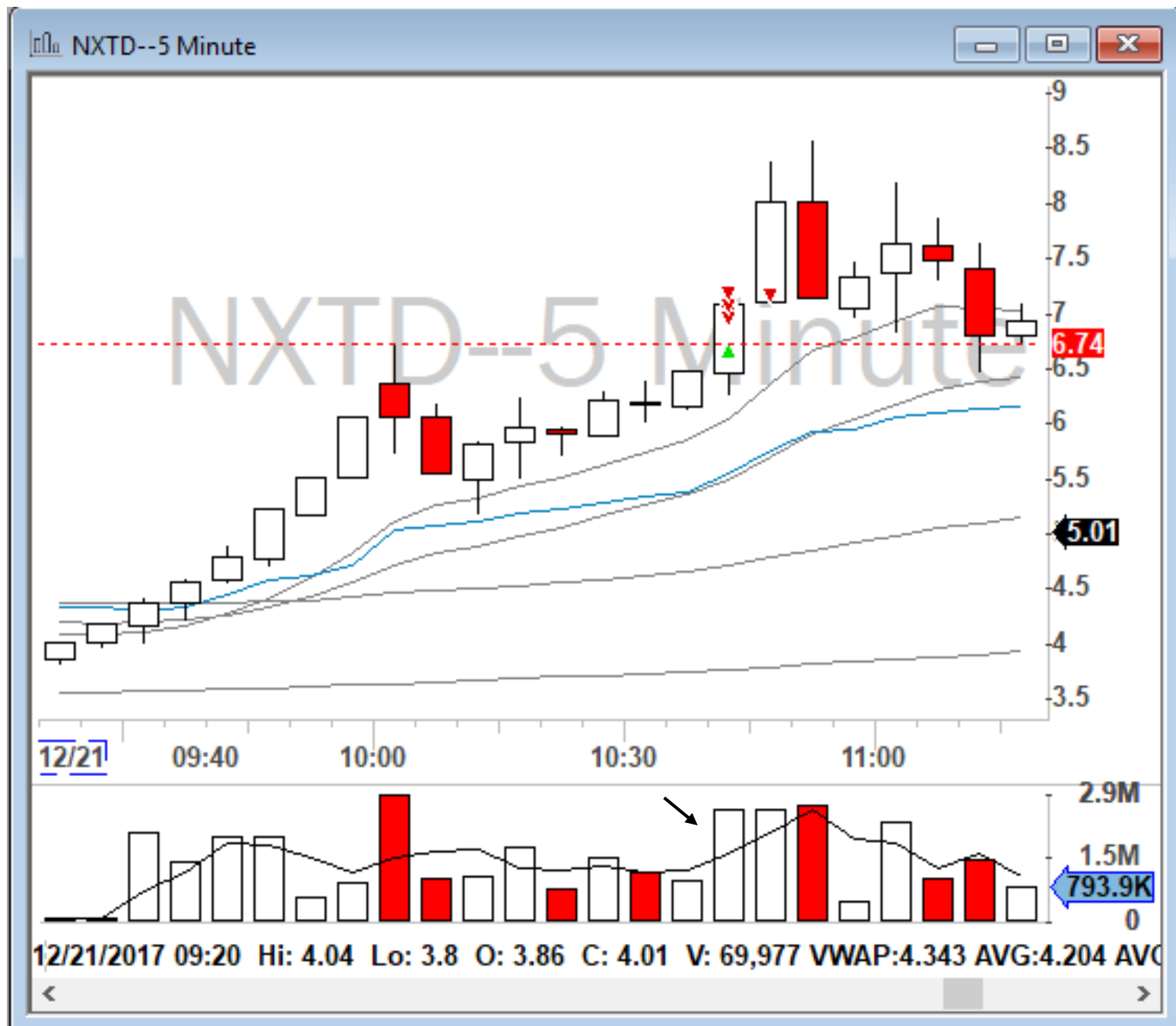
Day Trading Strategy ABCD Pattern



Day Trading Strategy

ABCD Pattern



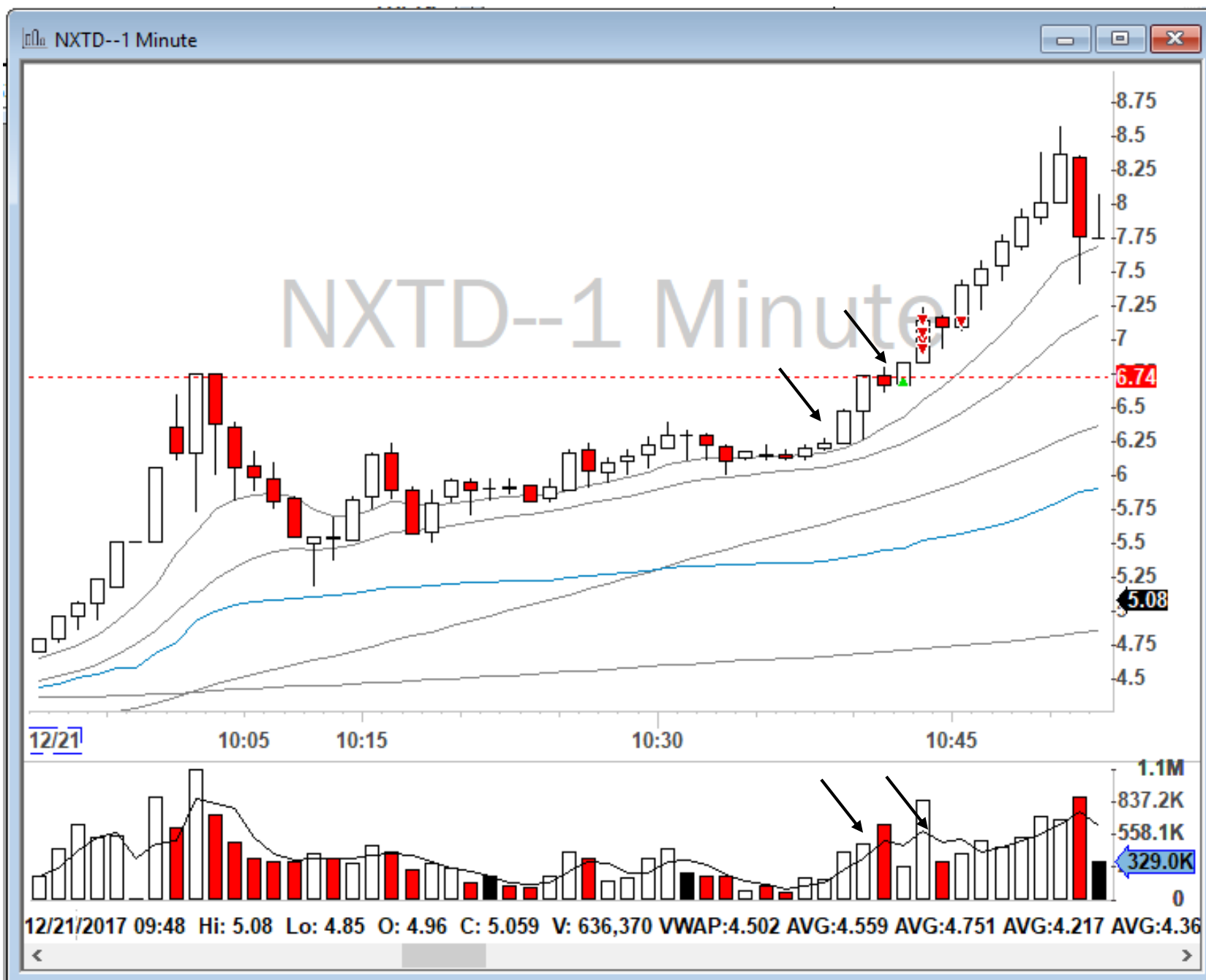


Market Clock

12/21/17 11:17:59

Closed Positions P&L

Symb	Realized	Type	Company Name
BBBY	176.00	Short	Bed Bath & Beyond Inc. - C
CCIH	-75.00	Margin	ChinaCache International H
FINL	-353.61	Short	The Finish Line, Inc. - Clas
NVIFY	668.85	Margin	Nova Lifestyle, Inc - Comm
NXTD	370.92	Margin	NXT-ID Inc. - Common Sto
PCG	80.00	Short	Pacific Gas & Electric Co.
XNET	-145.00	Margin	Xunlei Limited - American I
Summary	722.16		



Market Clock

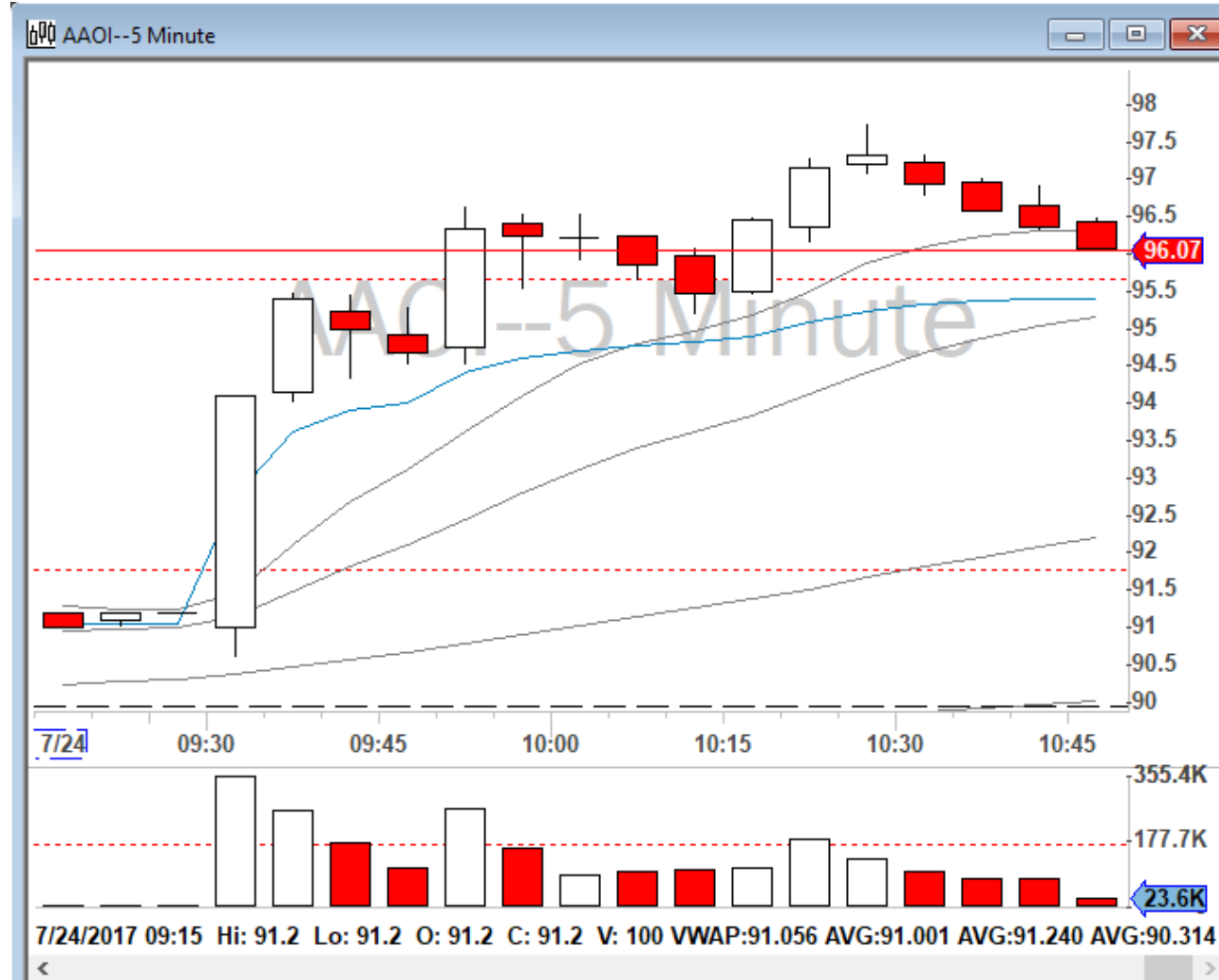
12/21/17 11:17:59

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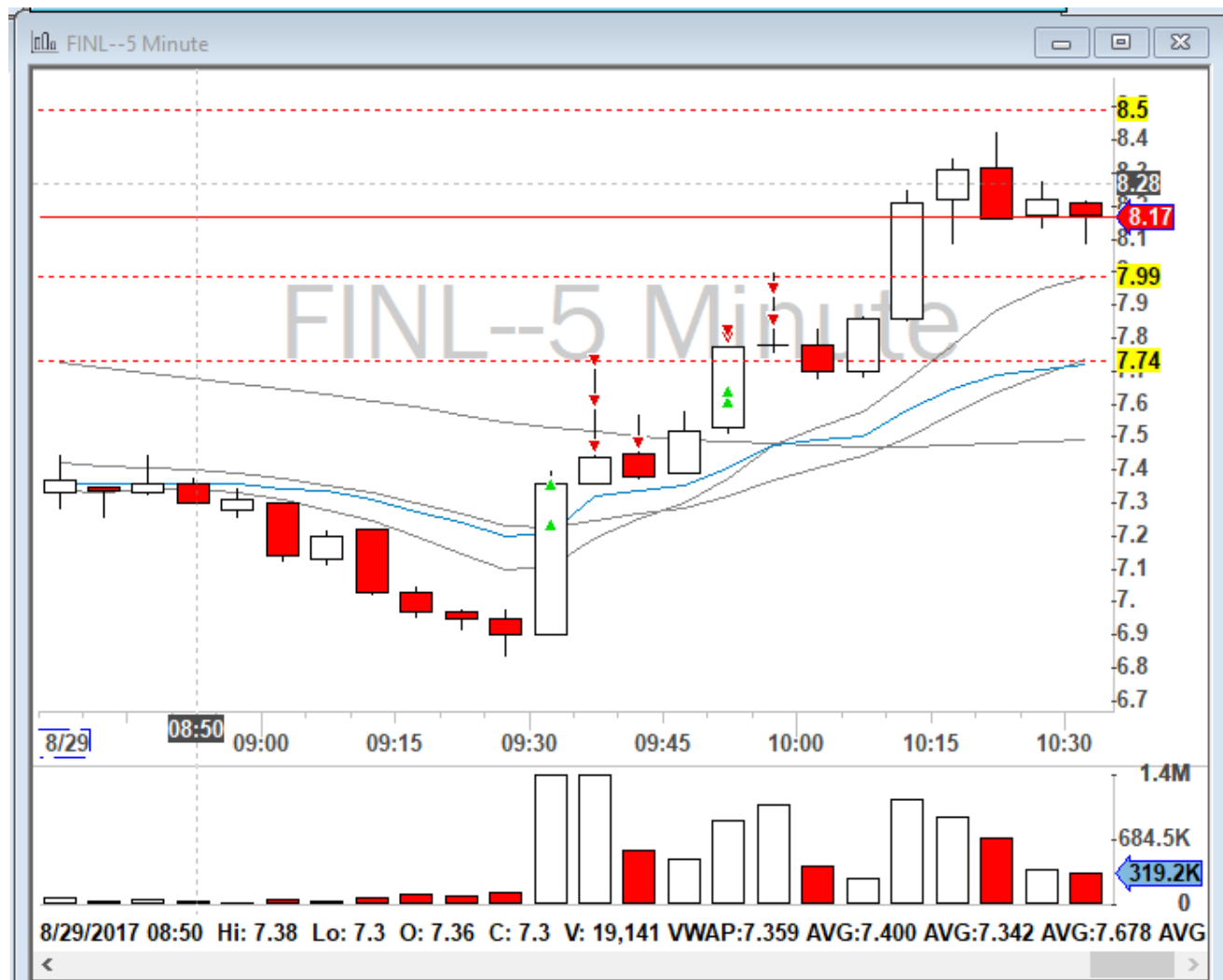
Day Trading Strategy

ABCD Pattern



Day Trading Strategy

ABCD Pattern



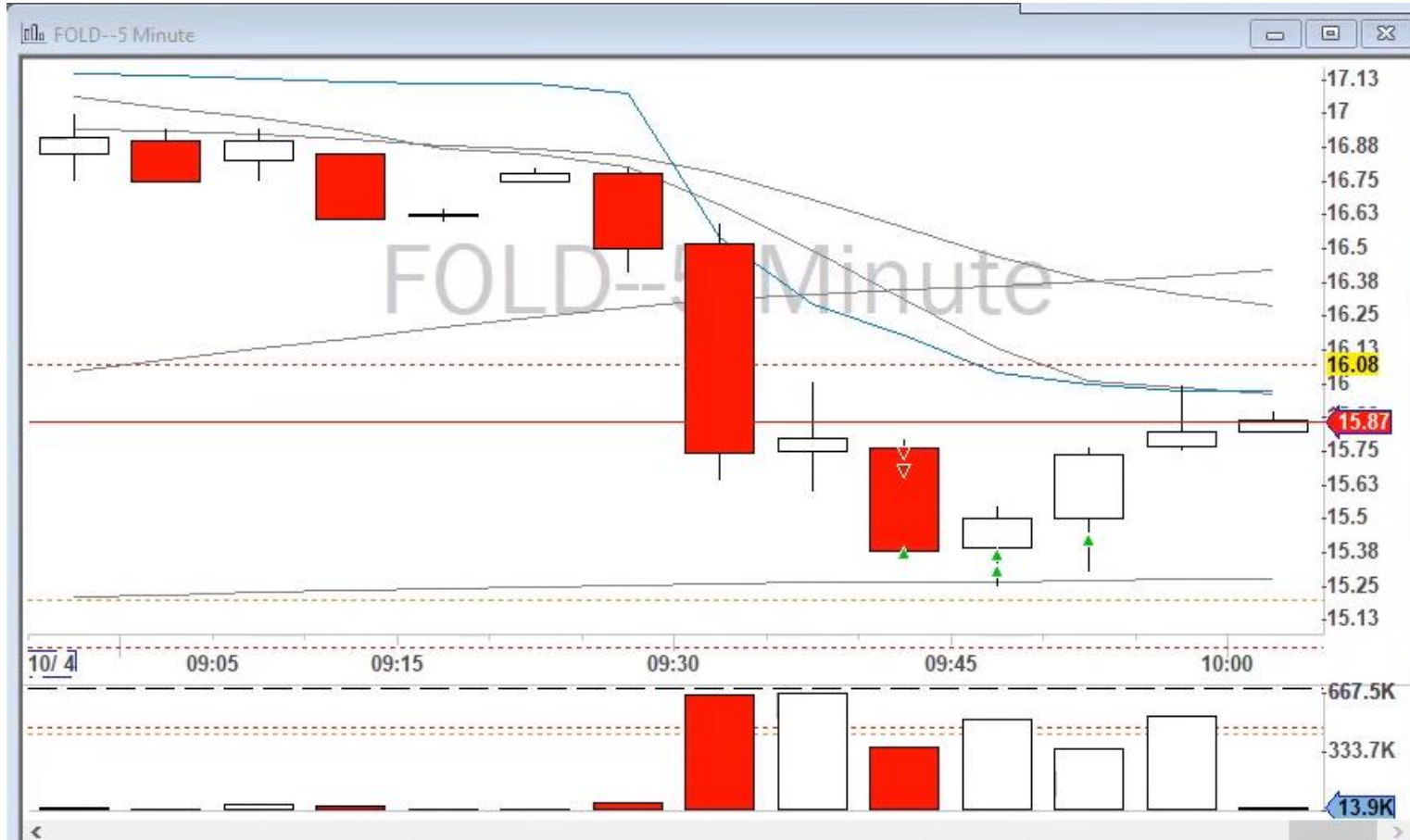
Closed Positions P&L

Symb	Realized	Type	Company Name
BBY	84.35	Short	Best Buy Co., Inc. Common Sto
FINL	1019.01	Margin	The Finish Line, Inc. - Class A C
NKE	156.00	Short	Nike, Inc. Common Stock
Summary	1259.36		

Market Clock

08/29/17 10:02:03

Reverse ABCD Pattern for Short Selling



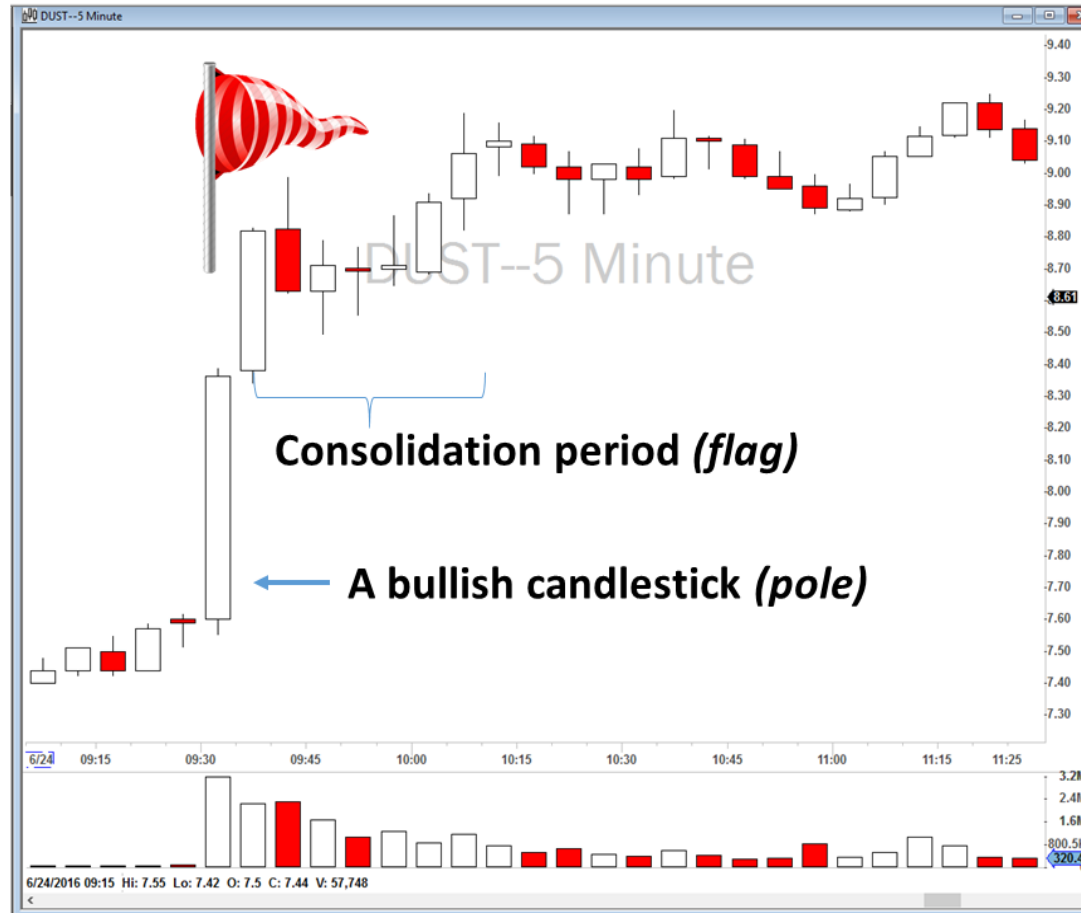
Closed Positions P&L			
Symb	Realized	Type	Company Name
FOLD	594.92	Short	Amicus Therapeutics, Inc. - Com
MTBC	995.94	Margin	Medical Transcription Billing, Corp
RGSE	393.19	Margin	Real Goods Solar, Inc. - Class A C
Summary	1984.05		

Market Clock	
10/04/17 10:00:30	

Day Trading Strategy

Bull Flag

(essentially an ABCD Pattern, but mostly on low float stocks)



Day Trading Strategy

Bull Flag



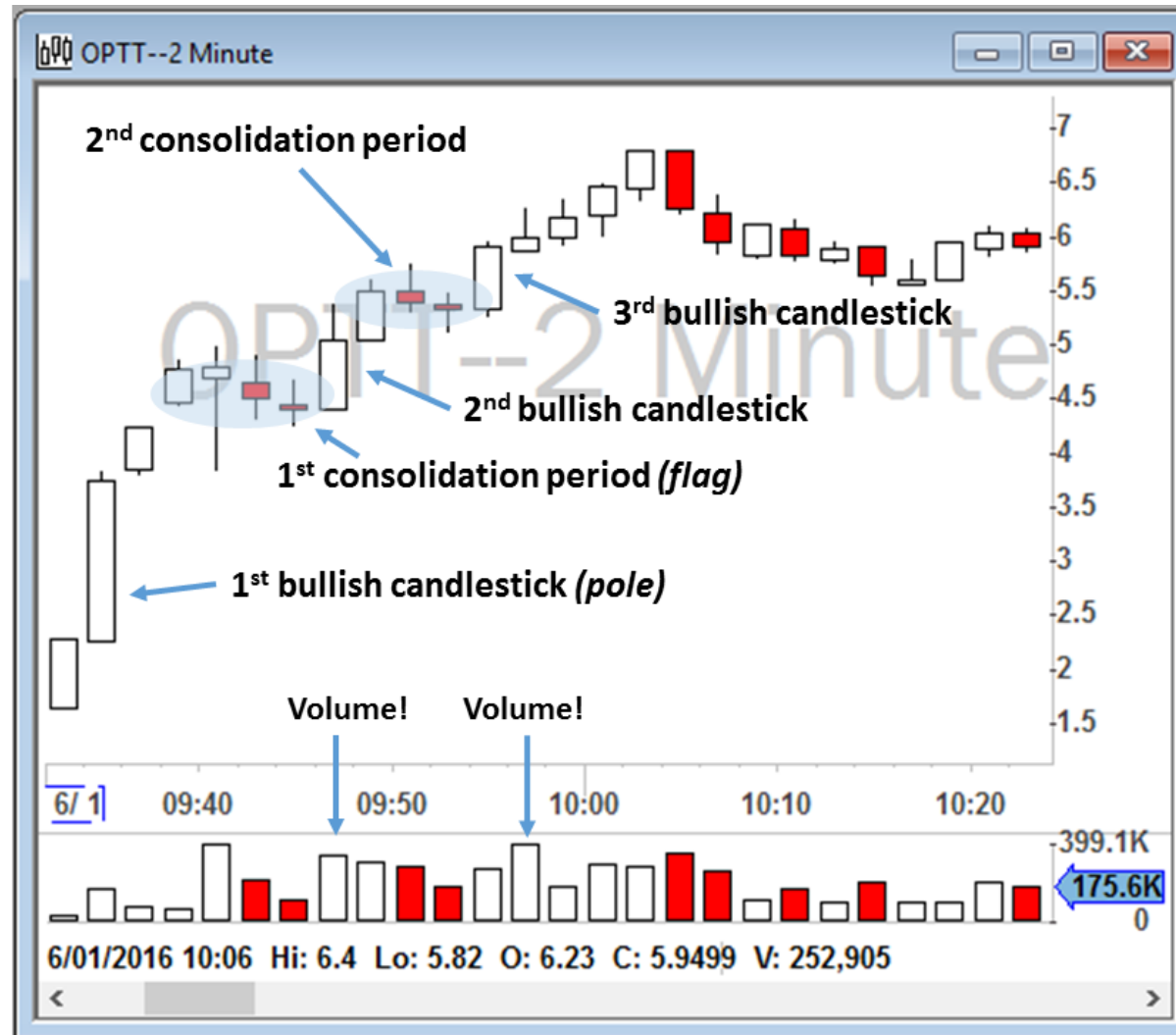
Day Trading Strategy

Bull Flag

(essentially an ABCD Pattern, but mostly on low float stocks)

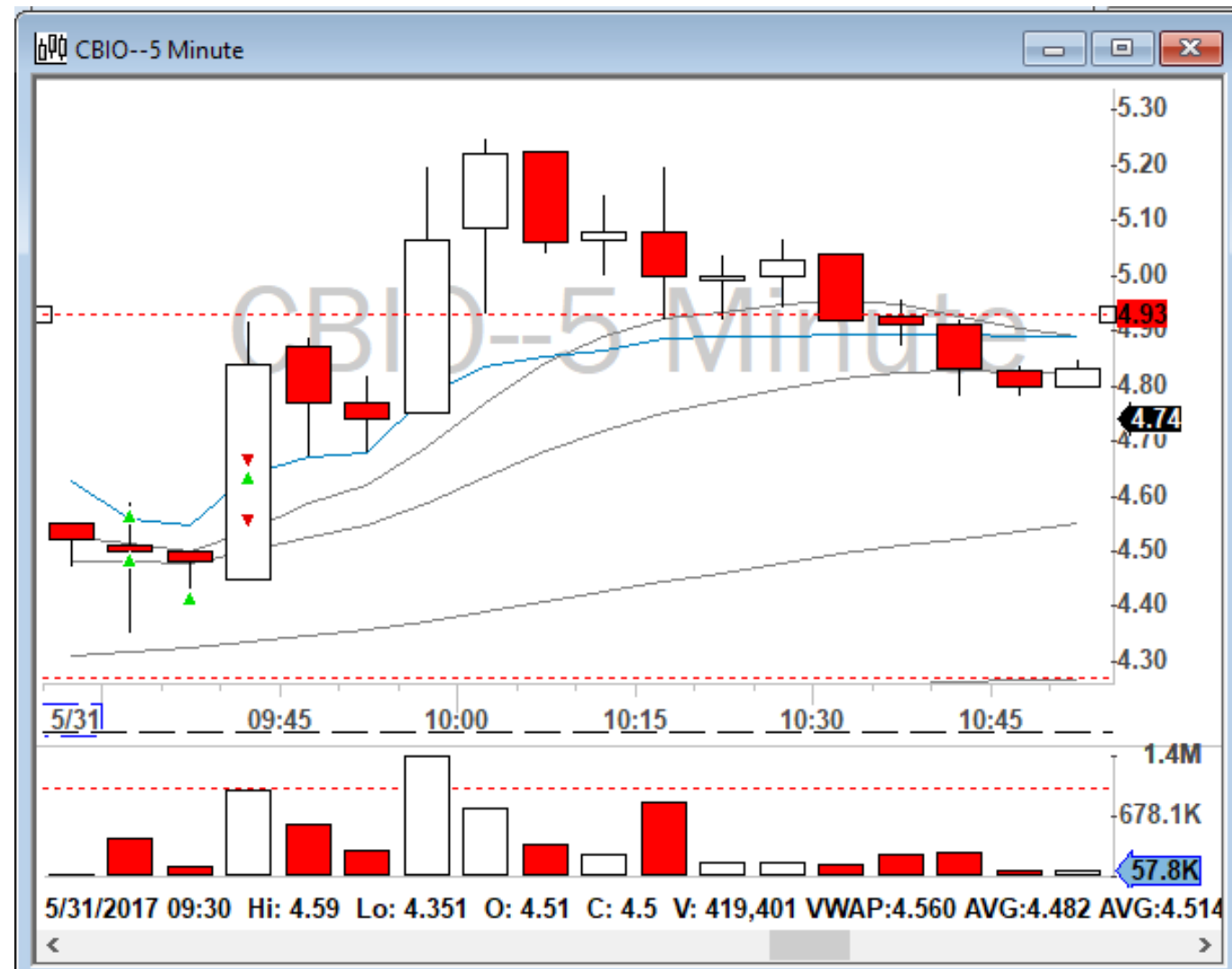


I trade only 2 Bull Flags in one stock.



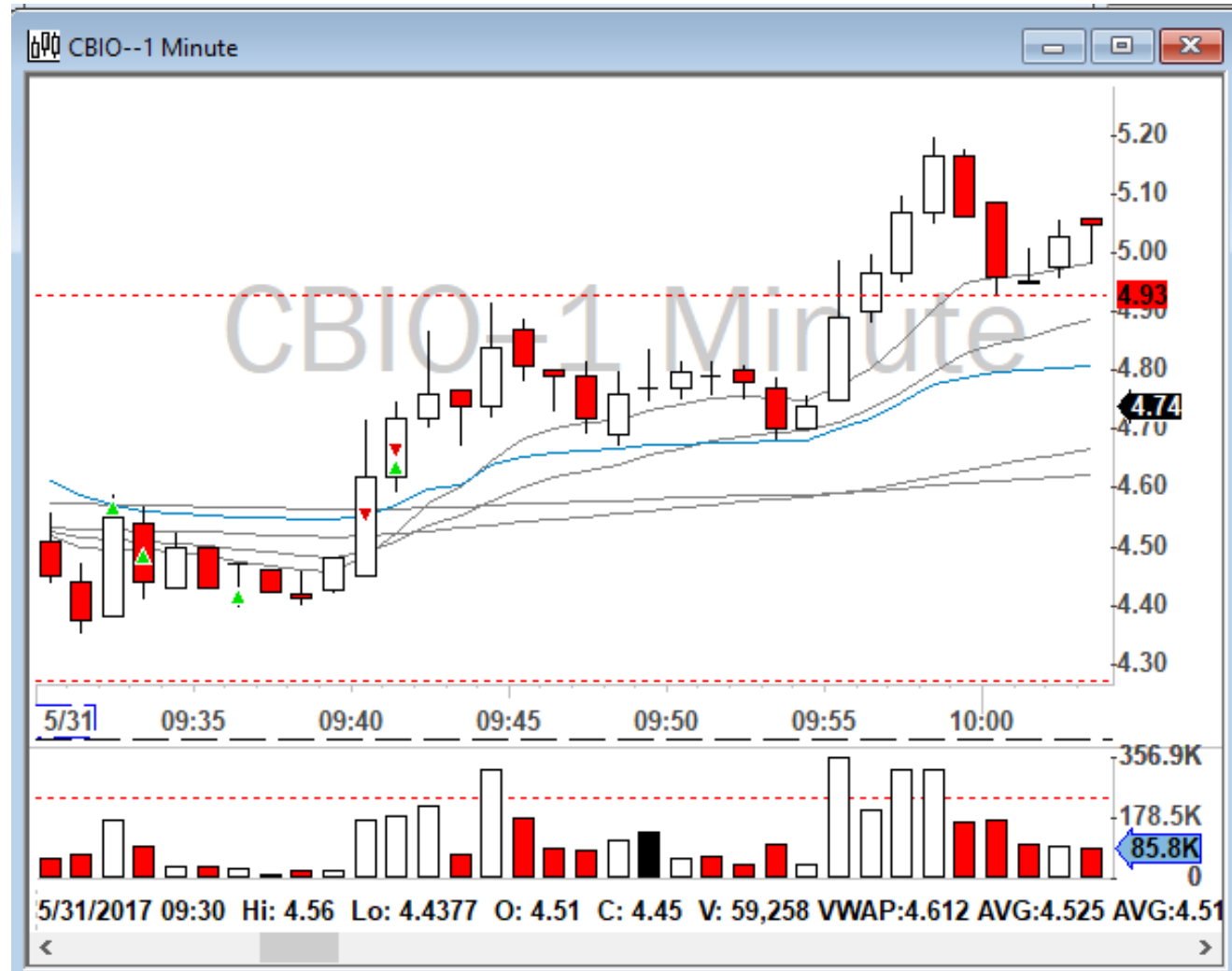
Day Trading Strategy

Bull Flag



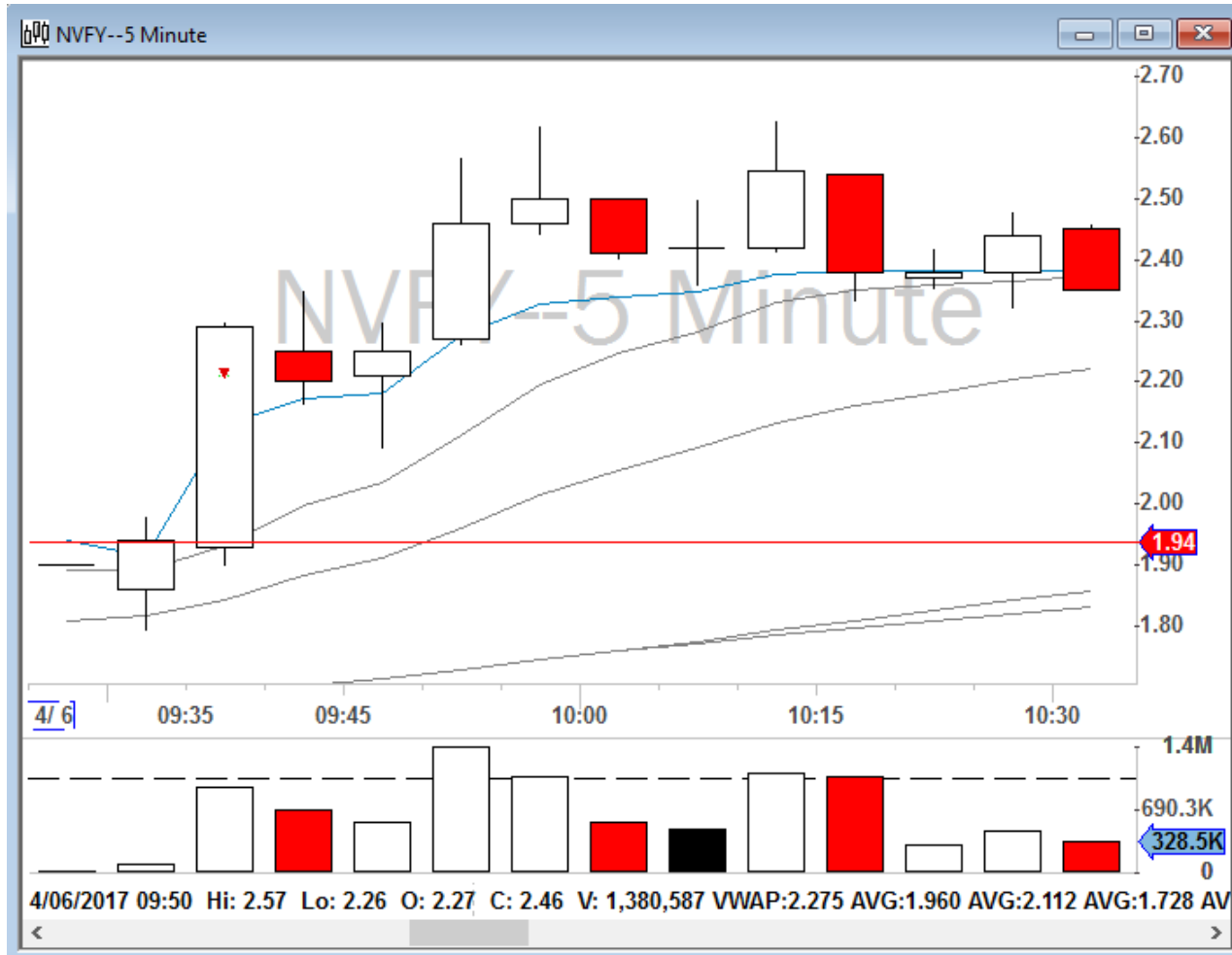
Day Trading Strategy

Bull Flag



Day Trading Strategy

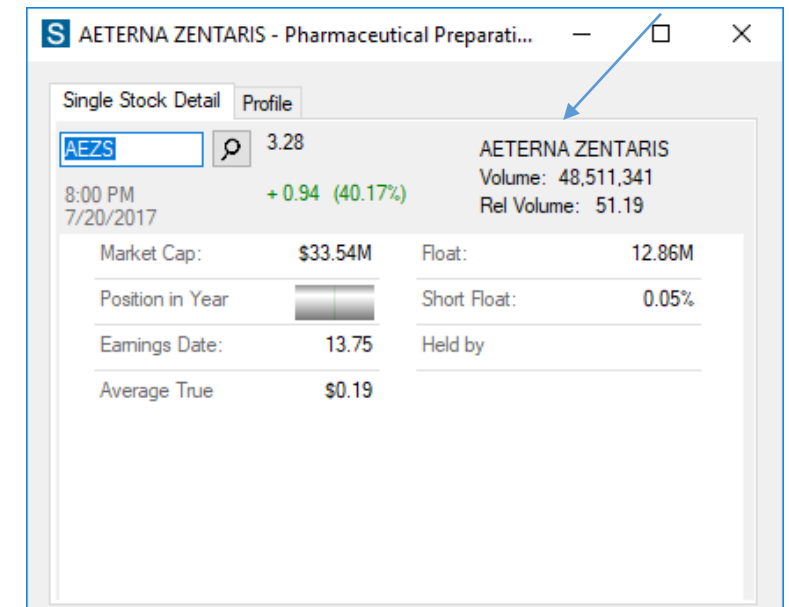
Bull Flag



My favorite Bull Flag is at the Open, with a consolidation above VWAP.

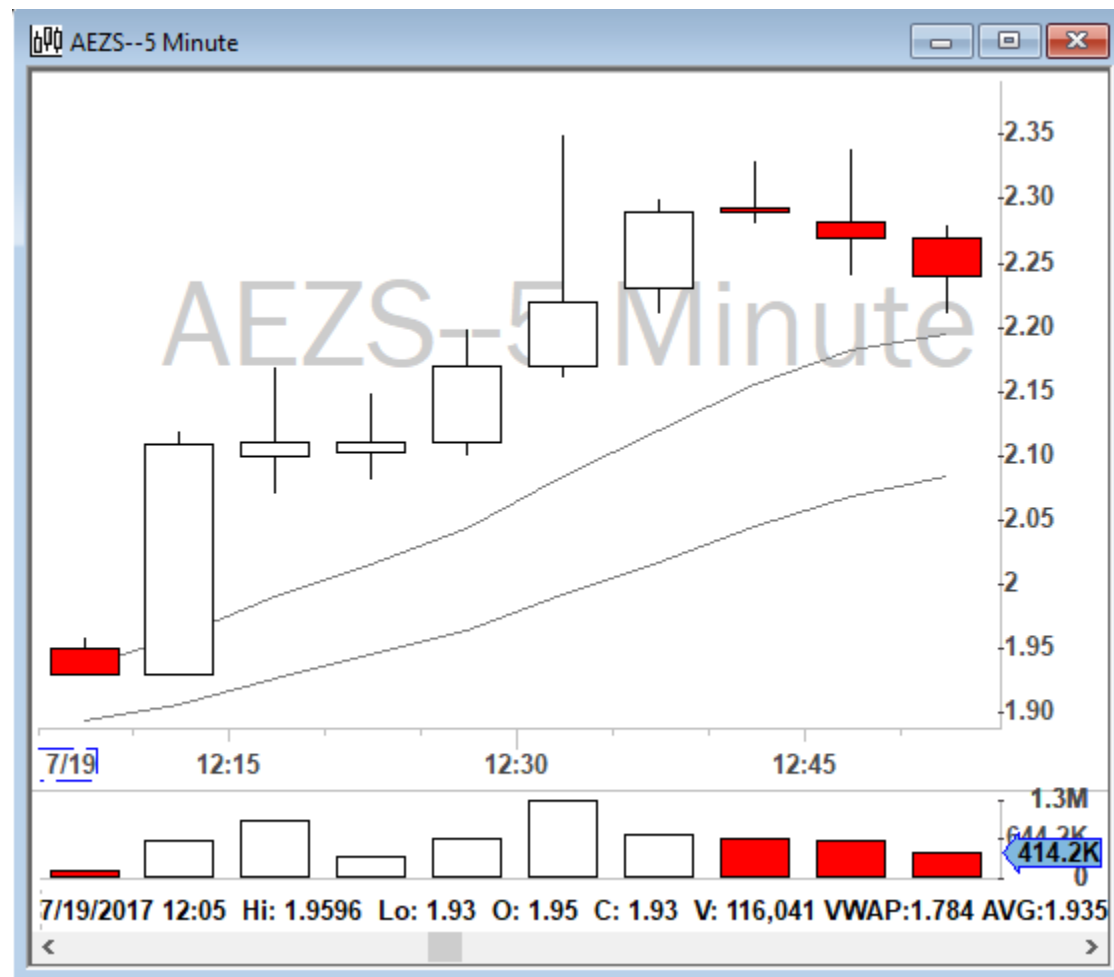
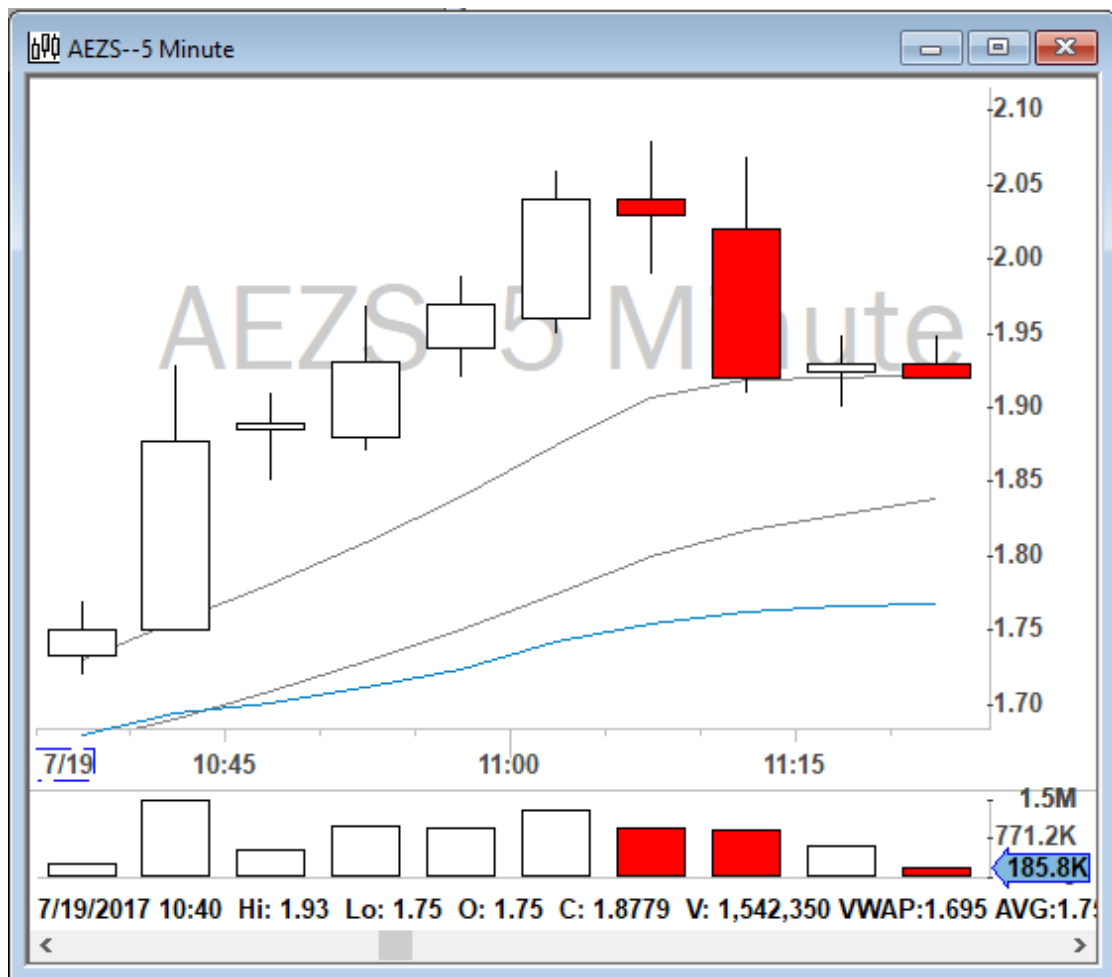
Day Trading Strategy

Bull Flag

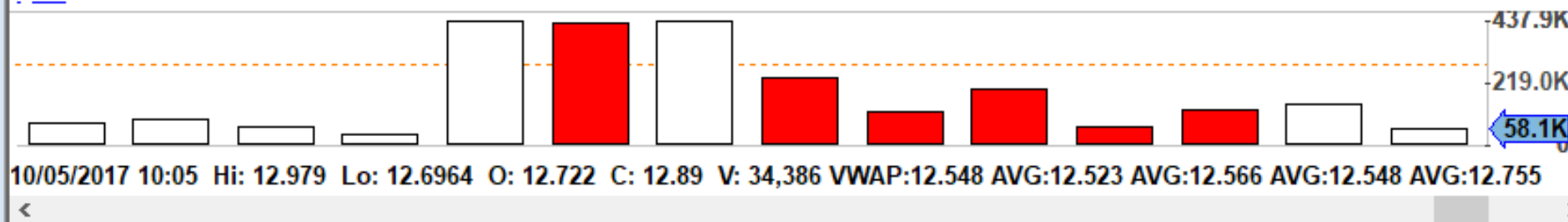
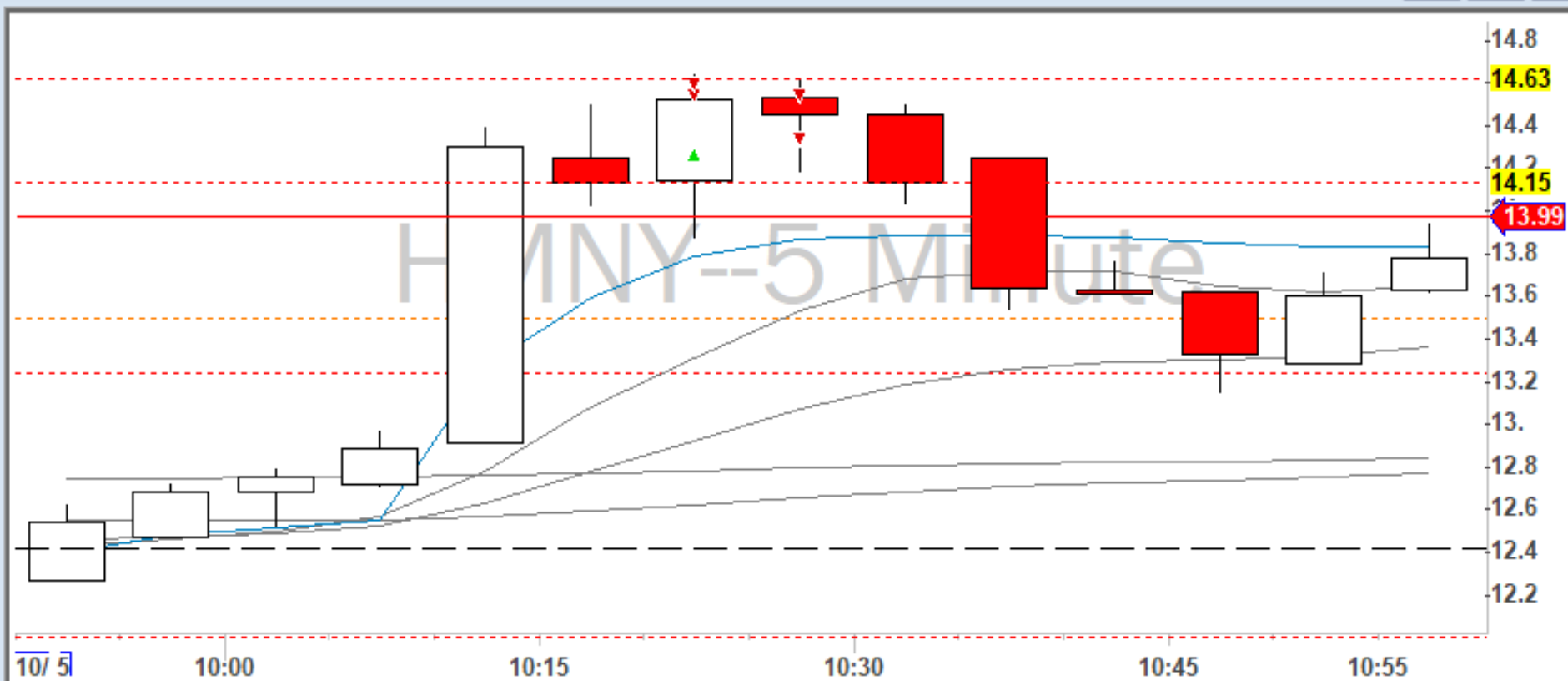


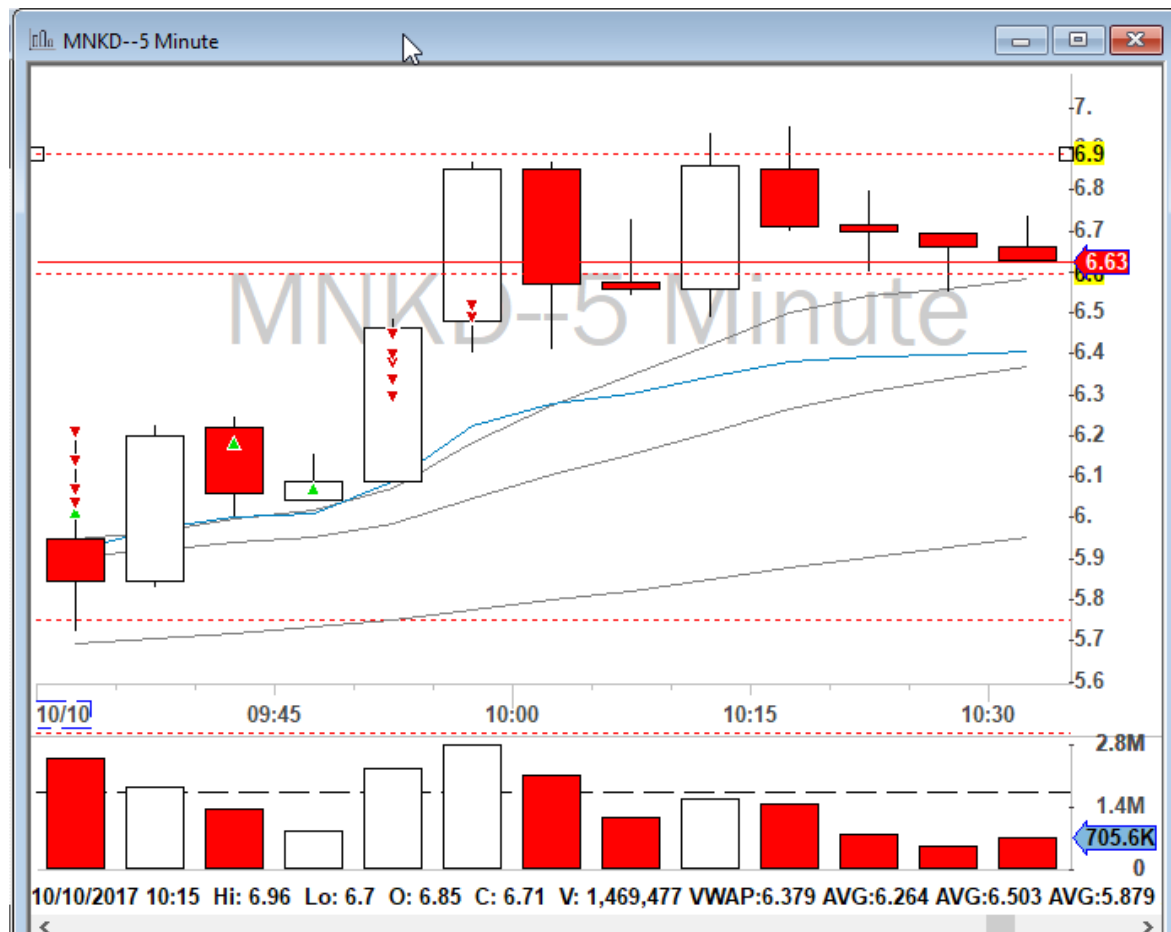
Day Trading Strategy

Bull Flag



HMNY--5 Minute









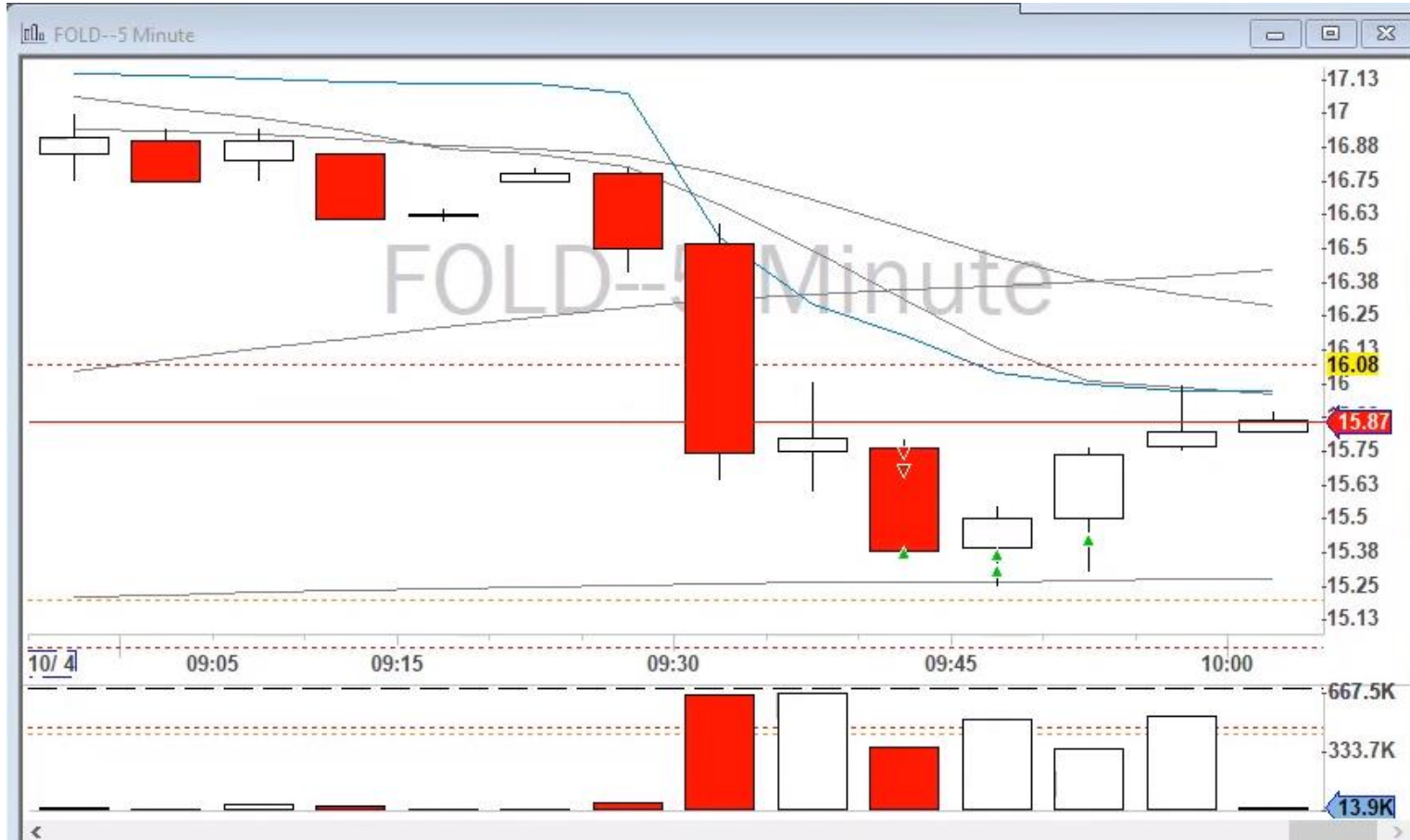
Closed Positions P&L

Symb	Realized	Type	Company Name
MNKD	428.80	Margin	MannKind Corporation - Comn
MU	437.09	Margin	Micron Technology, Inc. - Com
ROKA	613.73	Margin	Roka Bioscience, Inc. - Comm
UAL	80.20	Margin	United Continental Holdings
MU	367.96	Short	Micron Technology, Inc. - Com
Summary	1927.78		

Market Clock

10/10/17 15:54:15

Bear Flag for Short Selling



Closed Positions P&L			
Symb	Realized	Type	Company Name
FOLD	594.92	Short	Amicus Therapeutics, Inc. - Com
MTBC	995.94	Margin	Medical Transcription Billing, Corp
RGSE	393.19	Margin	Real Goods Solar, Inc. - Class A C
Summary	1984.05		

Market Clock	
10/04/17 10:00:30	

How to find them low float stocks?

- Your DAS Top List
- Trade Idea Bull Flag scanner

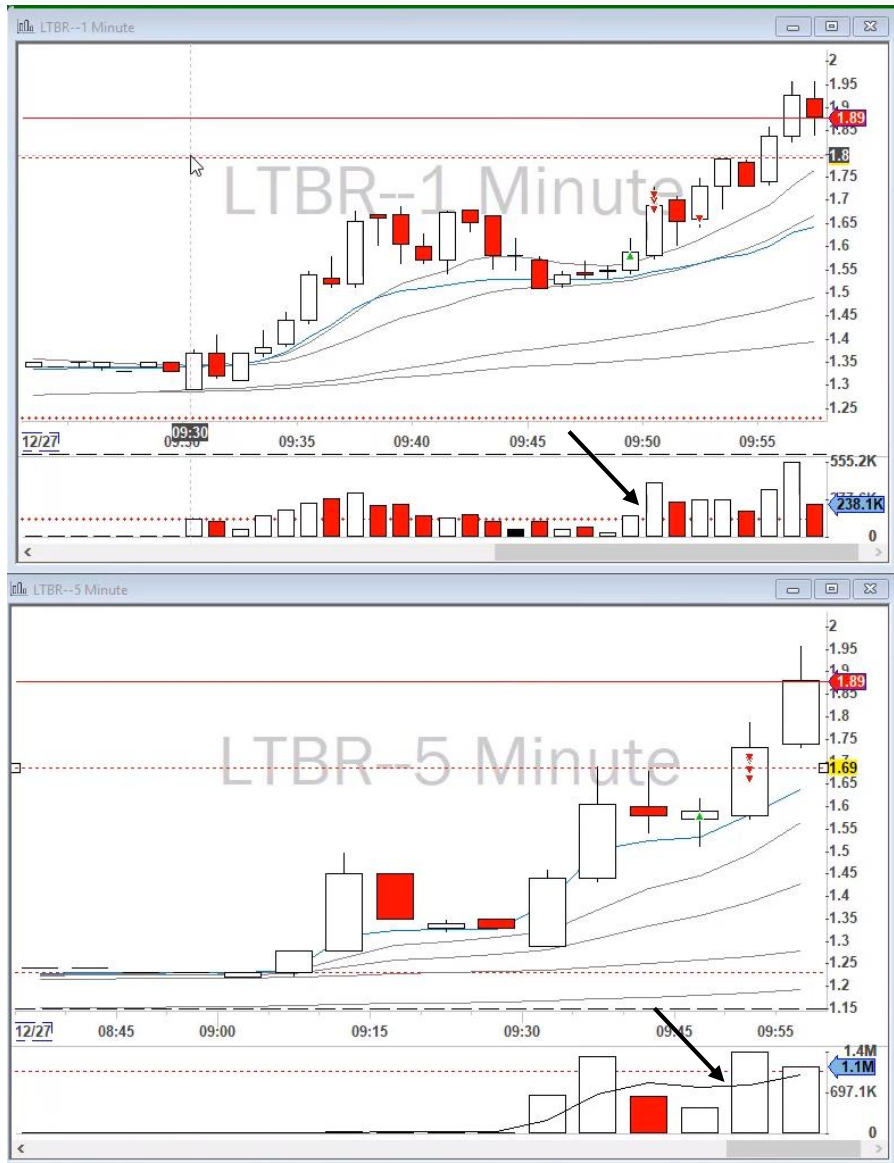
History: Intraday Bull Flag Momentum Scalping Strategy

Time	Symbol	Price (\$)	Vol Today	Rel Vol	Fit (Shr)	Vol 5 Min	Strategy Name
12:45:00 PM	CELP	8.68	53,491	2.70	4.26M	4,059	Strong Low-Float Bull Flag Momentum
12:38:51 PM	RESN	5.66	88,841	3.78	5.63M	2,168	Strong Low-Float Bull Flag Momentum
12:36:15 PM	RIGL	3.94	42,49M	120.83	89.1M	4,111	Medium-Float Bull Flag Momentum
12:34:59 PM	ITEK	7.16	659,979	7.18	13.2M	19.3K	Medium-Float Bull Flag Momentum
12:31:52 PM	RIGL	3.91	41.87M	120.97	89.1M	3,994	Medium-Float Bull Flag Momentum
12:29:30 PM	KPTI	9.42	1.47M	22.72	3.93M	1,450	Low-Float Bull Flag Momentum
12:29:30 PM	KPTI	9.39	1.47M	22.72	3.93M	1,445	Low-Float Bull Flag Momentum
12:12:37 PM	AMID	12.08	2.62M	28.09	20.7M	55.5K	+\$10 Strong Bull Flag Momentum
11:57:44 AM	LNTH	9.96	604,695	4.84	11.3M	543.7	Medium-Float Bull Flag Momentum
11:56:42 AM	LNTH	9.95	599,426	4.83	11.3M	569.0	Medium-Float Bull Flag Momentum
11:51:04 AM	BIOL	1.81	224,633	6.43	32.4M	2,353	Medium-Float Bull Flag Momentum

Top List

	NASActive	NASGain	NASLost	LSTActive	LSTGain	LSTLost
1	AMD	CLNT	CALI	BAC	SUN	CJ
2	PLUG	HTGM	NVGN	XLF	SB	MSM
3	DRYS	XELB	SYNC	SPY	REI	CHU
4	NVAX	NVFX	RECN	VXX	SXE	YGE
5	FTR	HOFT	BCLI	CHK	LB	BSBR
6	CMCSA	AKTX	ARLZ	BSBR	GRAM	SEAS
7	AAPL	CBAK	INFI	IWM	SALT	BRZU
8	INTC	ADHD	CASI	F	SENS	PLX
9	MU	AGFS	NEOS	UVXY	NM	AST
10	QQQ	NXTD	SRNE	GDX	YUMC	DWT
11	MSFT	FRED	ADAP	EEM	TAHO	NQ
12	NVDA	BLDP	GLBS	JNUG	PBF	DRIP
13	CSCO	FGEN	CAFD	RAD	RAD	UVXY
14	FB	PLSE	RGSE	VALE	PRTY	SID
15	XIV	SCON	ATRA	NUGT	HGT	CVI
16	NVFX	HPJ	LLEX	AKS	DSX	DHX
17	SPLS	GALT	CTRV	JCP	RYI	CIA
18	HTGM	TEAR	NVCN	MT	SQM	NOG
19	SIRI	AEHR	LGIH	PBR	CO	SBS
20	SGYP	SSH	INNLL	SNAP	STZ	RPM

Wait for the consolidation break with Volume!



Trade-Ideas Pro

File New Tools Windows Help Account

24ms

M High of the Day Bull Flag

Time	Symbol	Price (\$)	Vol Today	Rel Vol	Fit (Shr)	Vol 5 Min (%)	
9:30:57 AM	ADMA	3.03	46,635	220.33	3.27M	2,020.4	Stro
9:30:52 AM	LTBR	1.37	284,145	491.79	10.1M	6,260.9	Mec
9:30:52 AM	LTBR	1.38	287,925	498.33	10.1M	6,428.8	Mec
9:30:44 AM	LTBR	1.36	263,310	538.59	10.1M	5,335.9	Mec
9:30:42 AM	LTBR	1.35	247,476	530.31	10.1M	4,632.9	Mec
9:30:31 AM	LTBR	1.34	230,325	668.69	10.1M	3,871.4	Mec
9:30:21 AM	LTBR	1.33	208,752	894.65	10.1M	2,913.5	Mec

Market Clock

12/27/17 09:57:51

Closed Positions P&L

Symb	Realized	Type	Com
LTBR	531.06	Margin	Lightl
TEUM	-298.36	Margin	Paref
WATT	1009.20	Short	Energ
Summary	1241.90		

Fallen Angel



- What is a fallen angel?
 - A **low-float** stock that has gapped up
 - **Strong volume** in the premarket and at the Open: Over 1 million shares!
 - At the Open, it sells off below VWAP
 - **Why?** *heavy profit taking + some short selling. often they pop up a bit, but it is a trap!*
 - Holds a **support** level for 5 to 10 min below VWAP
 - Comes back to test the high of the day and high of pre- market
 - **Why?** *short sellers need to cover!*
 - Signal: **MASSIVE** volume on 1 min or 5 min the pull back: **much bigger than previous volume.**

Angel: **SMIT**

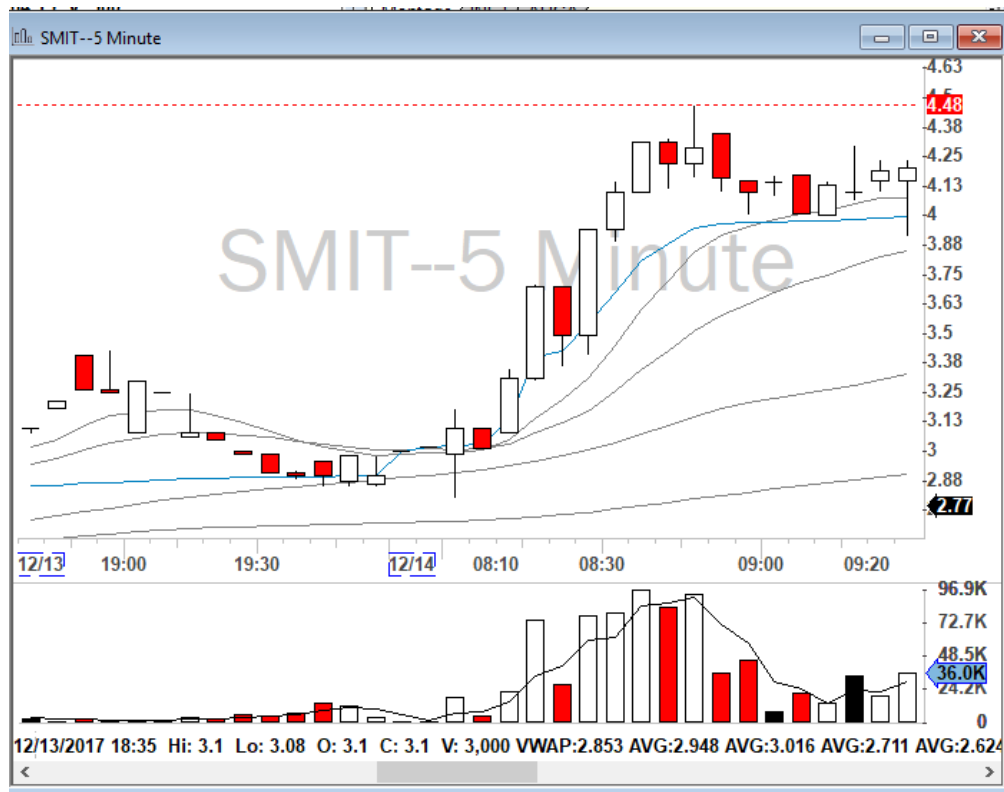
Pre-Market on 14 December 2017



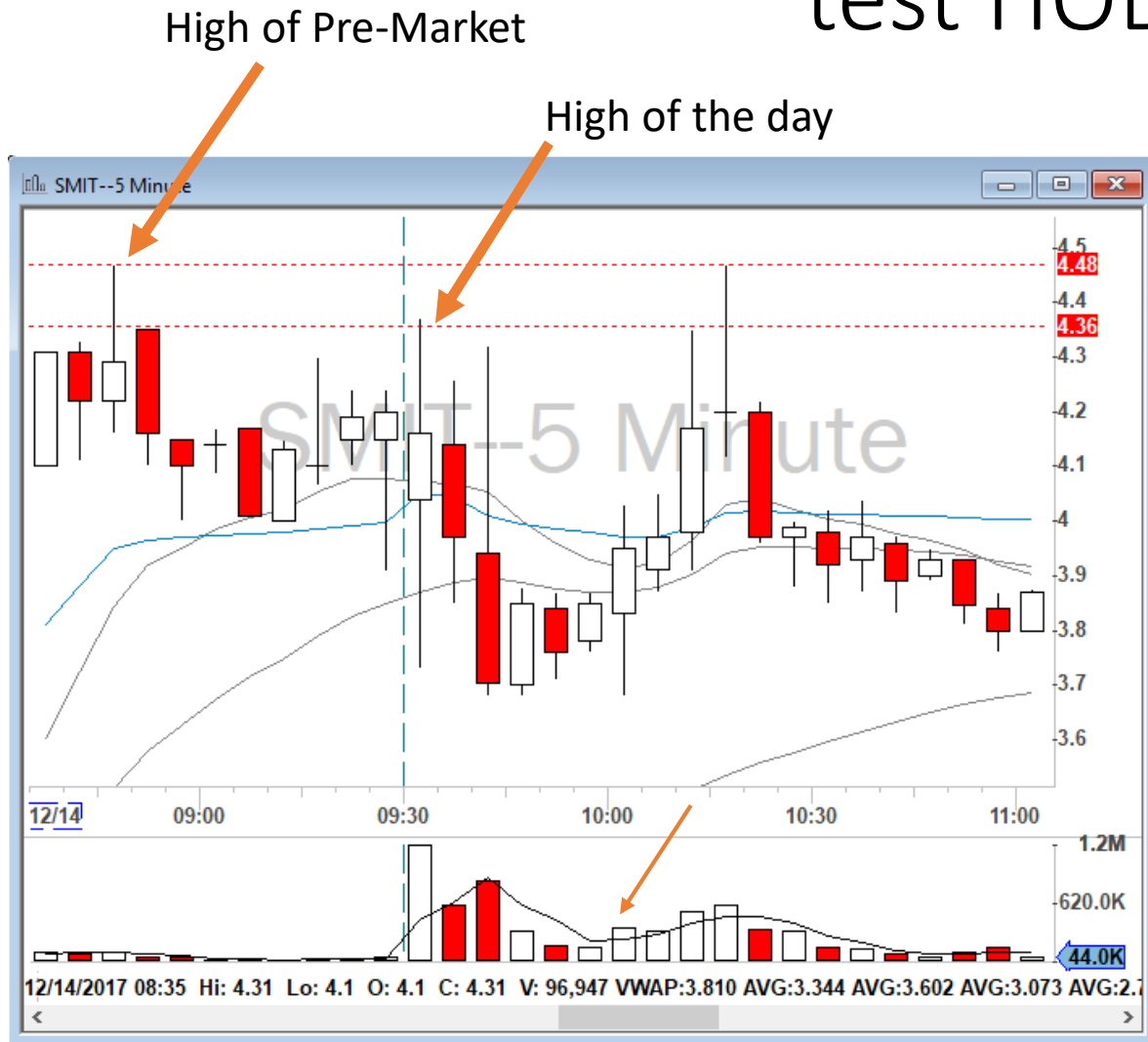
T Pre-Market Movers up or down \$1: 9:00:00 - 9:04:59 12/14/2017

Symbol	\$	T	C \$	C %	Float	I	S Float	Sector
SMIT	4.14	679,647	1.69	69.2	2,771,480	0.16	0.06	Manufacturing
MBOT	1.16	452,836	0.14	13.7	25.01M	0.05	15.16	Manufacturing
SRAX	5.77	151,271	0.67	13.1	6,284,760	1.16	16.32	Professional, Scientific, and Technical Services
PSDV	1.22	75,630	0.07	6.1	45.20M	0.07	2.44	Manufacturing
AMPE	1.84	762,114	0.09	5.1	66.15M	0.25	11.01	Manufacturing
DPW	5.20	435,585	0.15	3.0	6,065,340	1.24	10.40	Manufacturing
HMNY	6.95	153,663	0.16	2.4	5,864,440	1.67	54.28	Professional, Scientific, and Technical Services
UGAZ	5.72	1.43M	-0.12	-2.1		0.84		
AU	9.00	112,366	-0.43	-4.6	407.80M	0.32		Mining, Quarrying, and Oil and Gas Extraction
PTI	5.04	1.10M	-0.43	-7.9	21.15M	0.65	4.53	Manufacturing
SBGL	4.37	344,393	-0.63	-12.6	236.36M	0.22		Mining, Quarrying, and Oil and Gas Extraction
PIR	4.26	341,748	-1.58	-27.1	80.61M	0.25	12.36	Retail Trade

Pre-Market and Post Market of an Angel



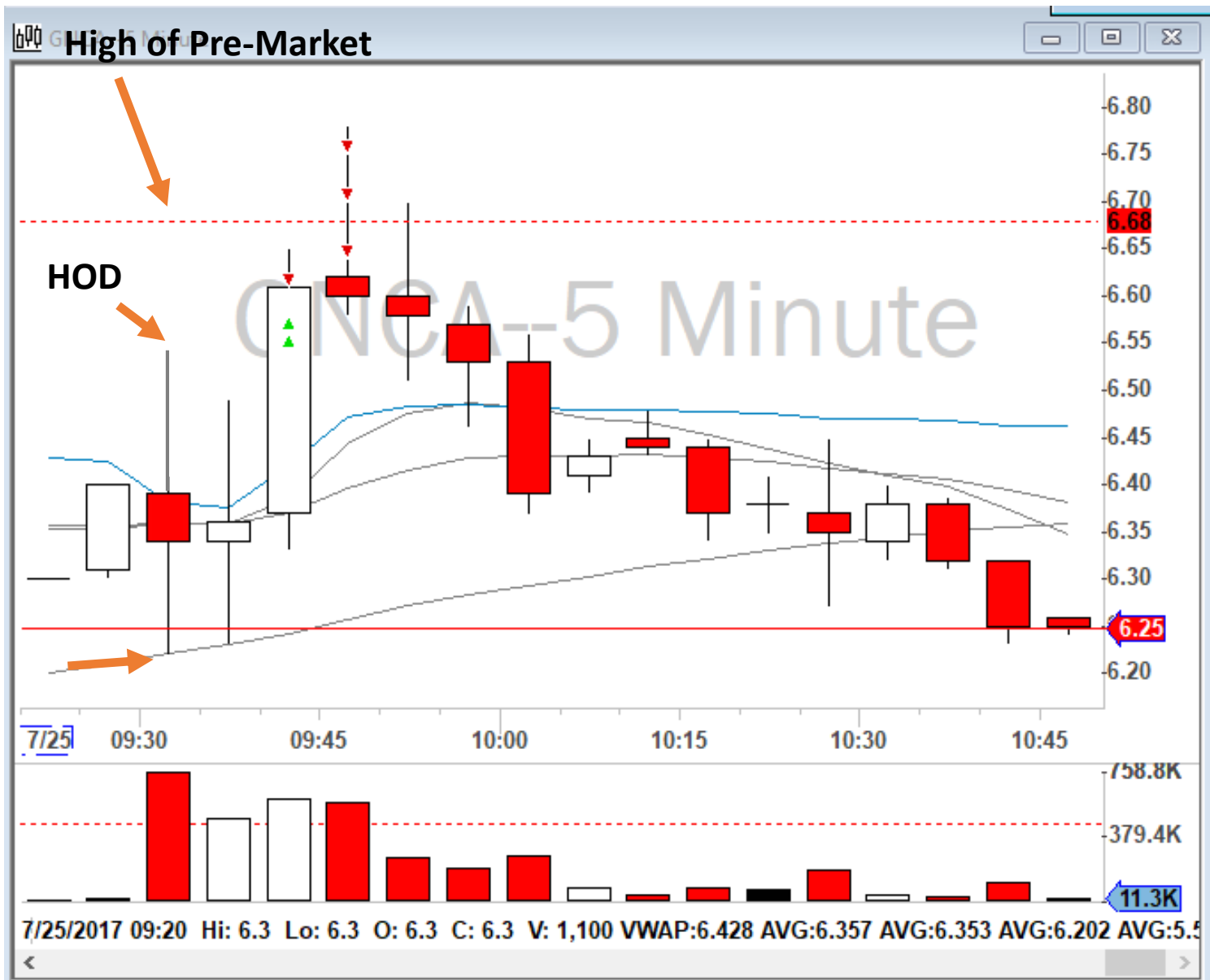
Fallen Angel: may come back and test HOD and high of Pre-market



But where the fall usually stops?



1. Moving Averages
2. Low of Pre-market
 - What if there is no support? Look for **STRONG VOLUME!**
 - What if no obvious volume increase: Don't trade them!



NASDAQ Active

NASDAQ GAINER

Top List

	NASAc...	NASG...	NASL...	LSTAct...	LSTG...
1	MU	FLKS	CUR	BAC	IVC
2	AMD	ASPS	NVAX	FCX	SRCI
3	DCIX	MBRX	STX	VALE	AKS
4	NVAX	NLST	PCRX	XLF	FCX
5	STX	IDRA	ASTE	AKS	SALT
6	TOPS	SMRT	HSTM	SPY	BKS
7	DCTH	<u>GNCA</u>	DRYS	VXX	ATI
8	QQQ	SGMS	LOGI	EEM	GUSH
9	AAPL	MRNS	SANM	C	HBM
10	DRYS	ASNA	LECO	GE	SVU
11	SRPT	PDCE	AGEN	TRQ	CRC
12	FB	HIBB	IONS	F	NEM
13	HBAN	HDP	MBVX	CHK	DDS
14	MSFT	MYOK	XGTI	BTI	MC
15	NVDA	TNTR	RWLK	VALE.P	TGB
16	INTC	AREX	VRAY	IPG	CBI
17	<u>GNCA</u>	WWD	ABEO	USO	CRR

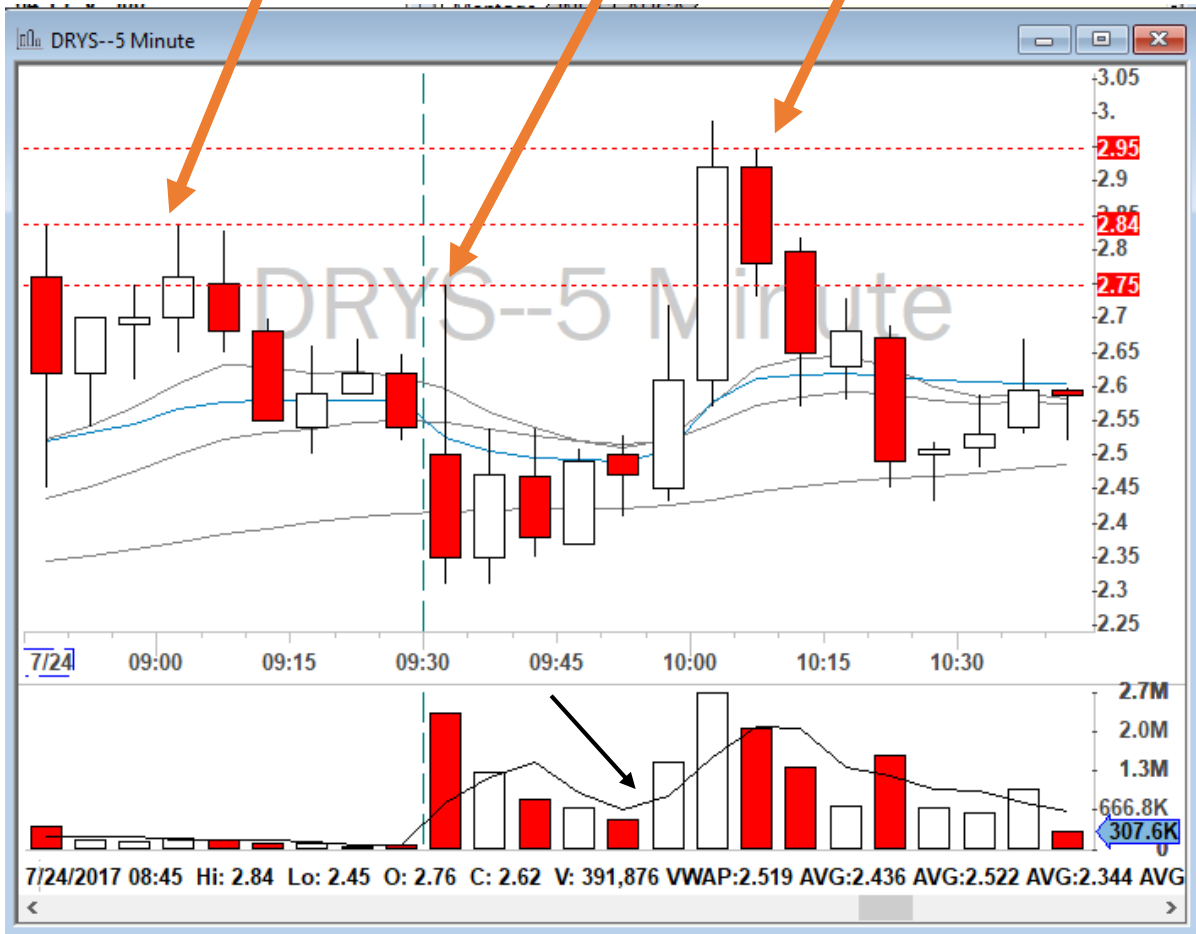
Market Clock

07/25/17 10:43:47

High of Pre-Market

High of the Day

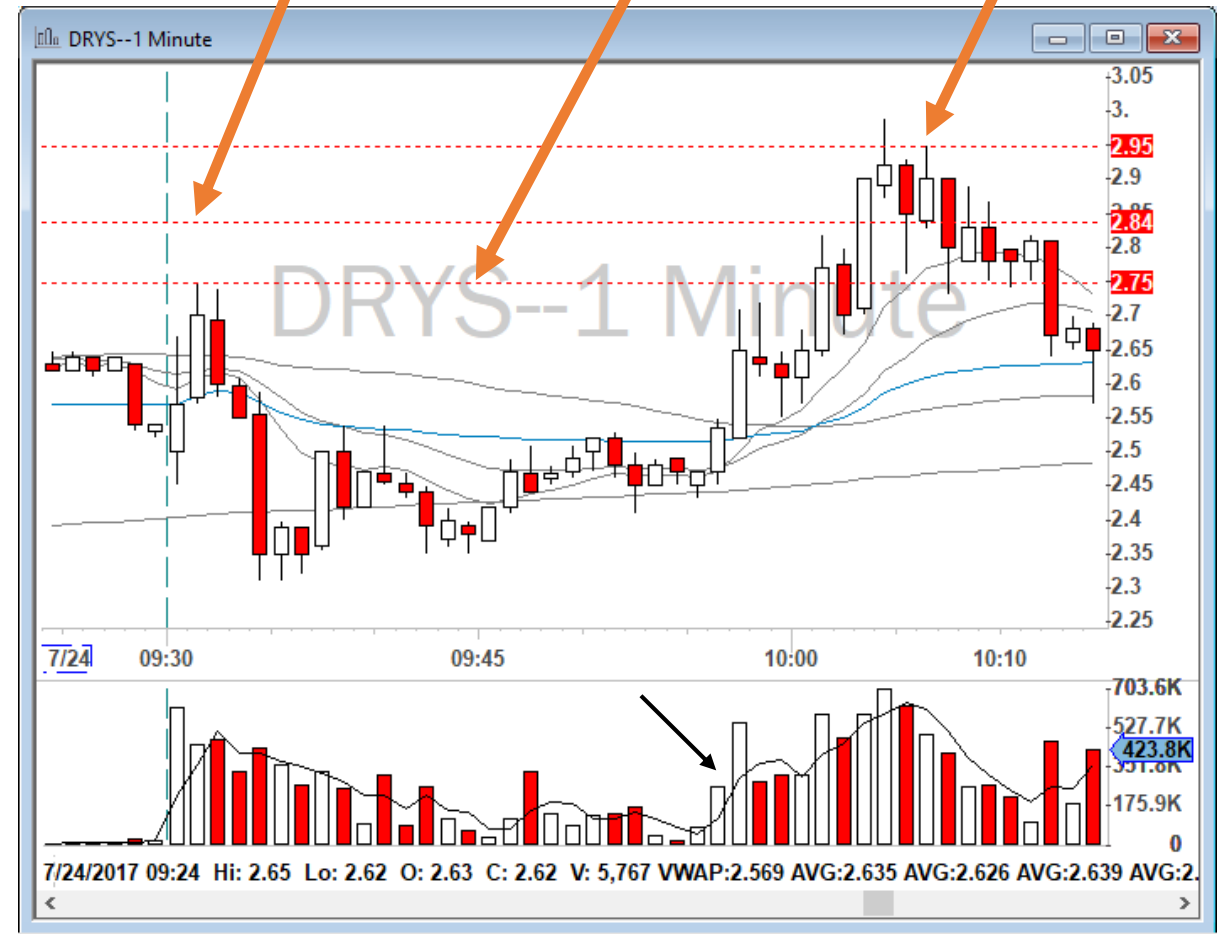
Y High

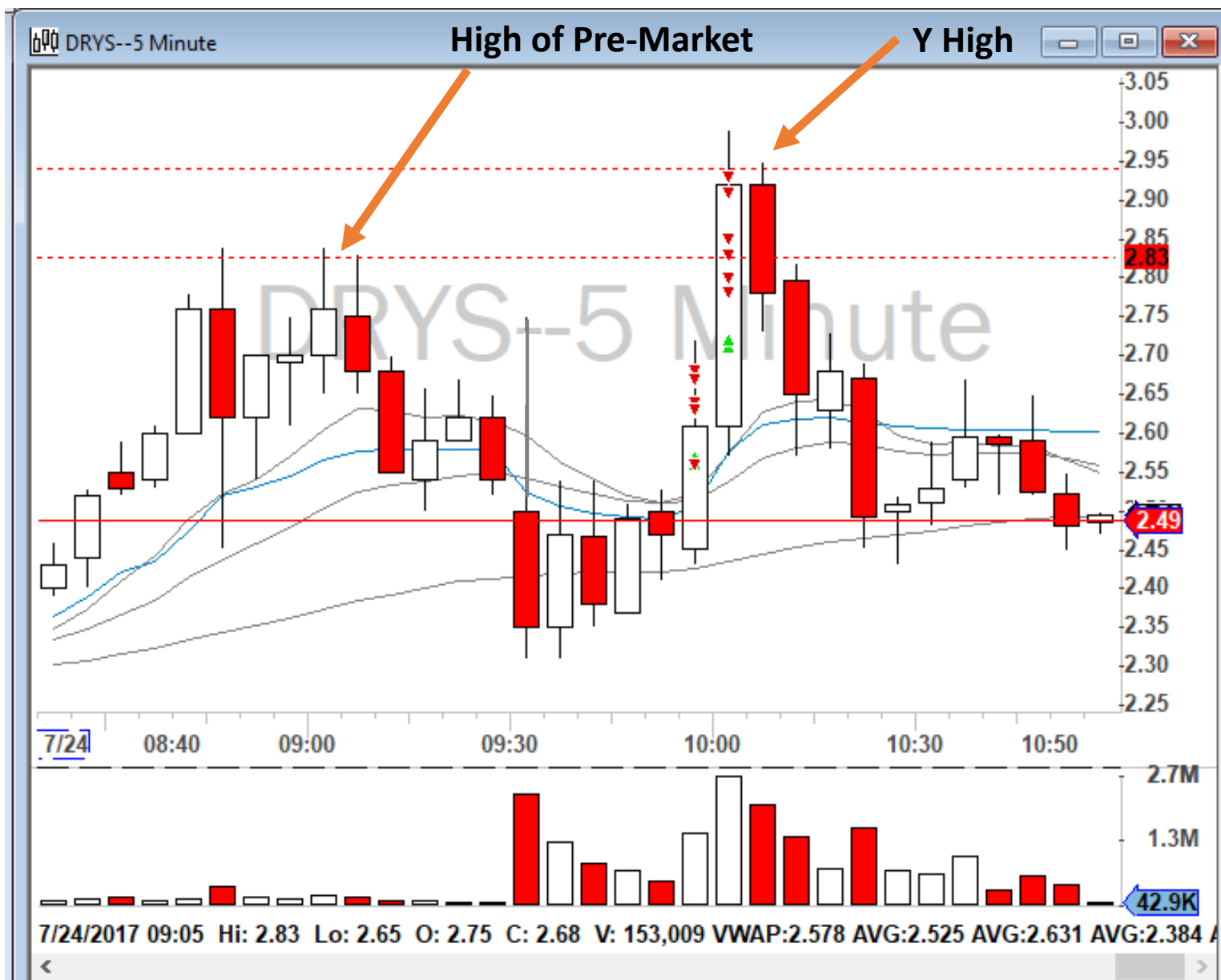


High of Pre-Market

High of the Day

Y High





NASDAQ Active

NASDAQ GAINER

Top List

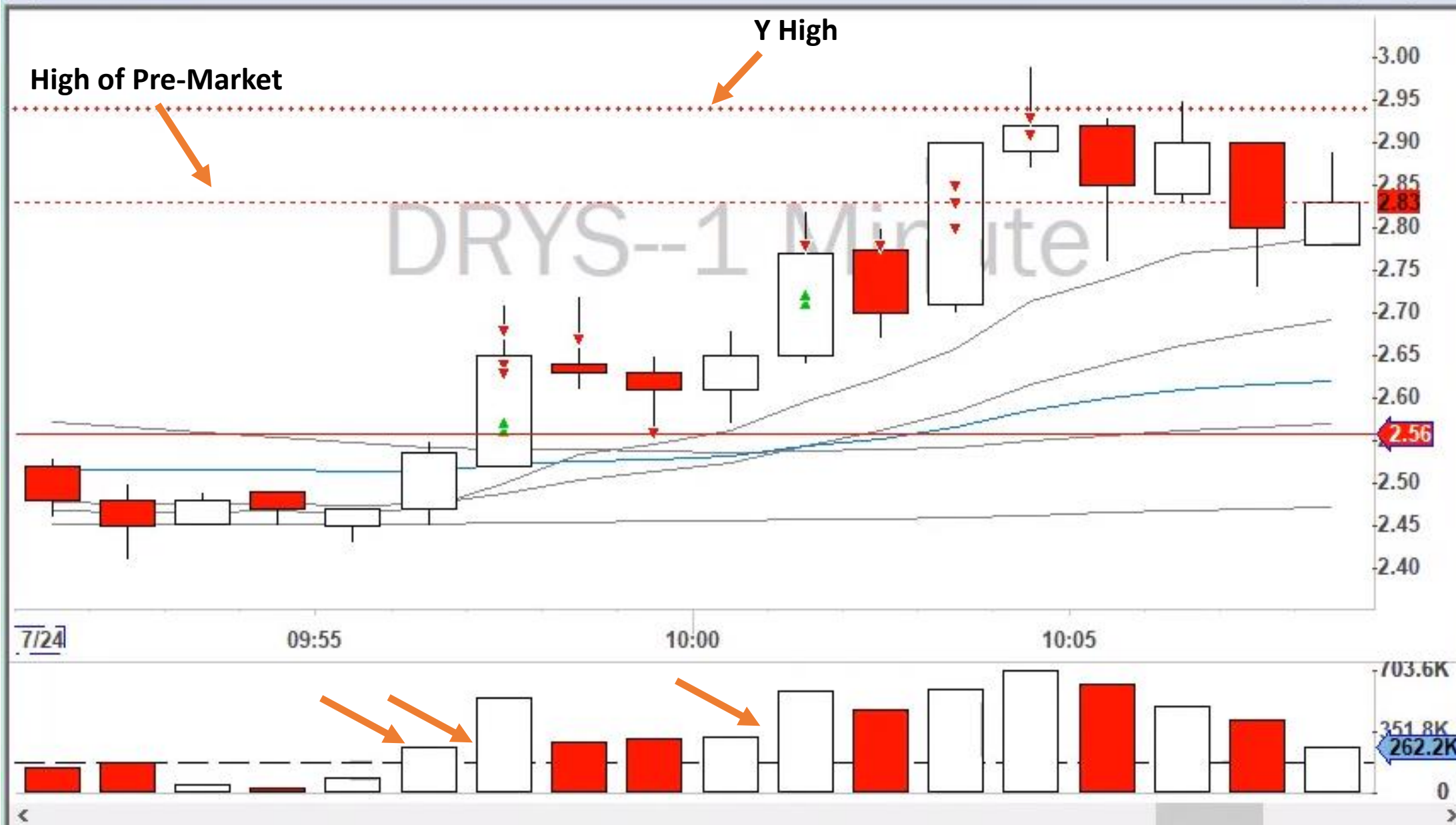
	NASAc...	NASG...	NASL...	LSTAct...	LSTG...
1	AMD	RETA	HIBB	GE	APRN
2	<u>DRYS</u>	WBMD	TEAR	F	NOG
3	TOPS	SGMS	AEZS	BAC	RYAM
4	WBMD	NVAX	HAS	VXX	AXON
5	DCTH	<u>DRYS</u>	CALM	SPY	YRD
6	NVAX	NDRM	IPCI	USO	UWT
7	FB	CNCE	SHLD	RAI	DGAZ
8	MU	PETS	OCUL	EEM	IGT
9	MSFT	ACRX	VRAY	VALE	TK
10	AAPL	GLBS	CAPR	HAL	CYH
11	QQQ	IPWR	ARRY	TWTR	TROX
12	NVDA	IMGN	FINL	AKS	PHG
13	NDRM	AAOI	PLUG	XLF	WWE
14	NFLX	AKCA	PRTK	SNAP	UCO

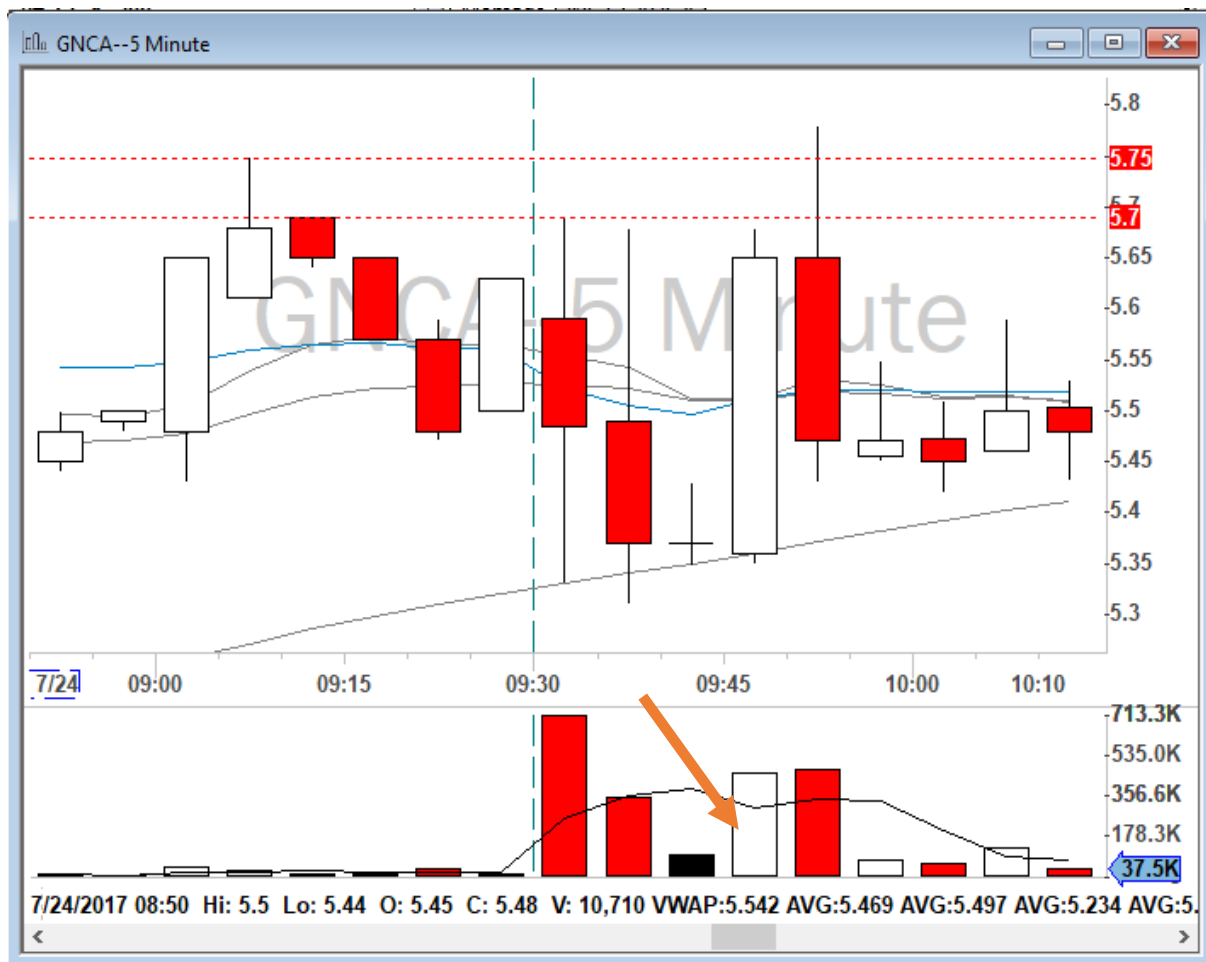
Market Clock

07/24/17 10:52:08

High of Pre-Market

Y High





I did actually trade this, but I did not get a good entry....

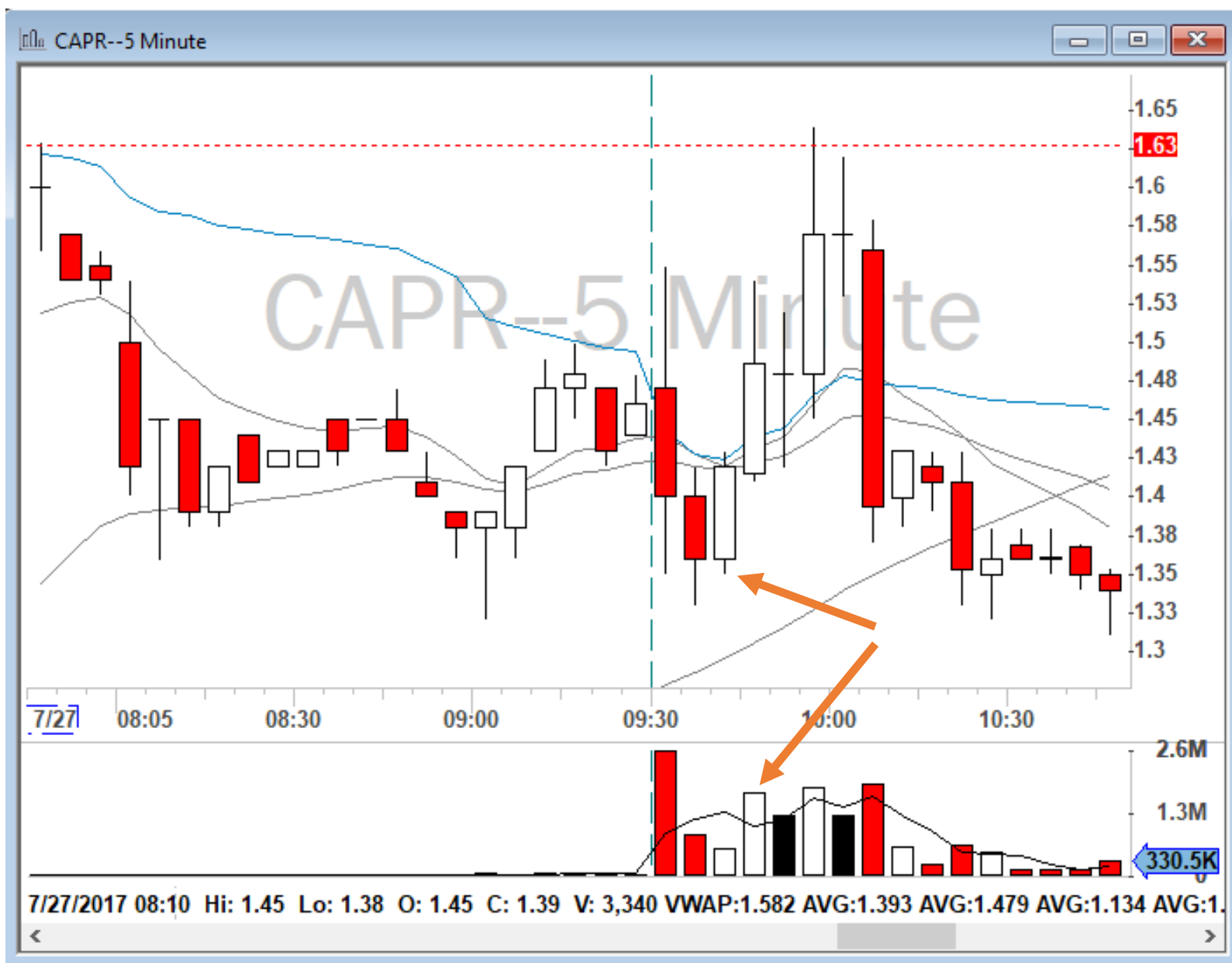


Closed Positions P&L

Symb	Realized	Type	Company Name
APRN	120.20	Short	Blue Apron Holding
DRYS	229.06	Margin	DryShips Inc. - Co
GNCA	325	Margin	Genocea Bioscience
HIBB	0	Short	Hibbett Sports, Inc
DRYS	205.89	Margin	DryShips Inc. - Co
Summary	880.15		

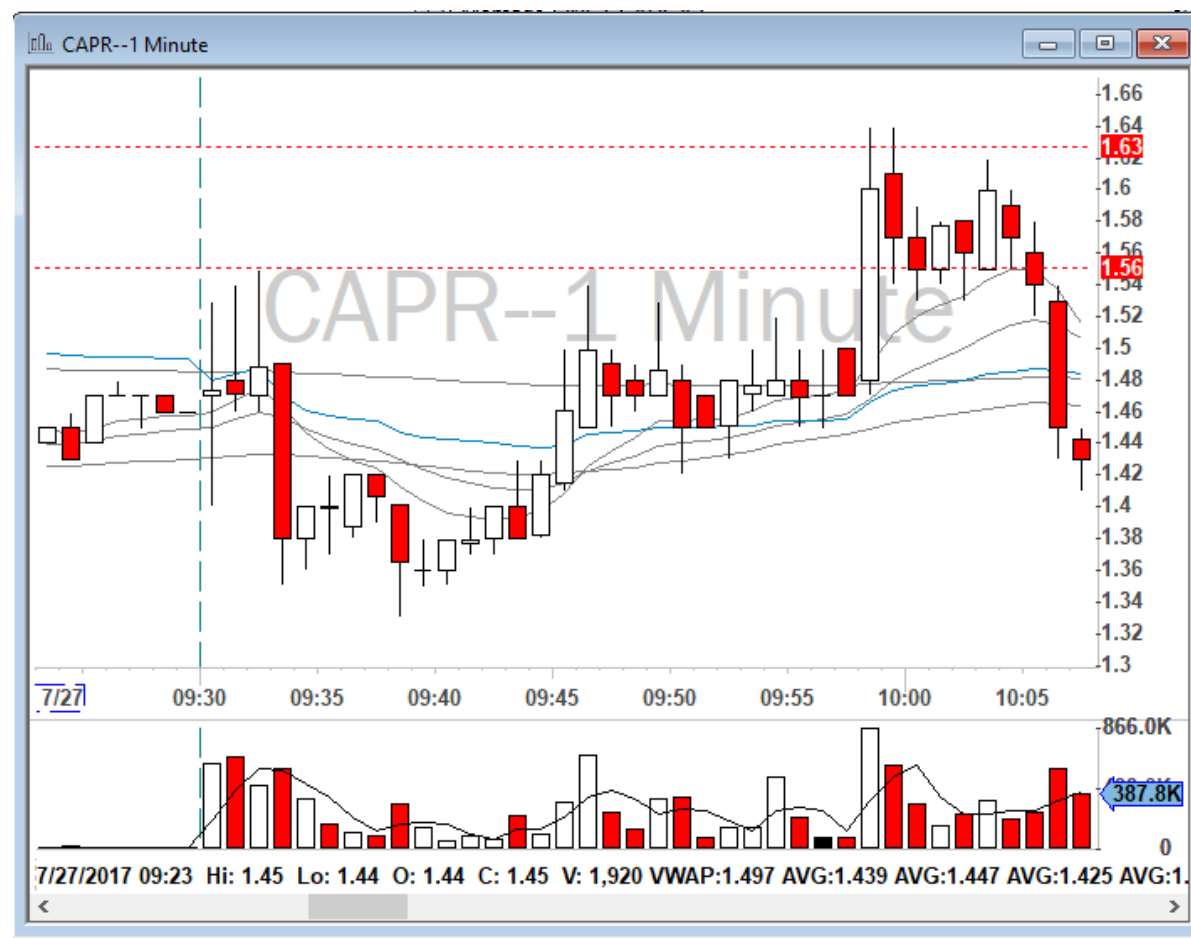
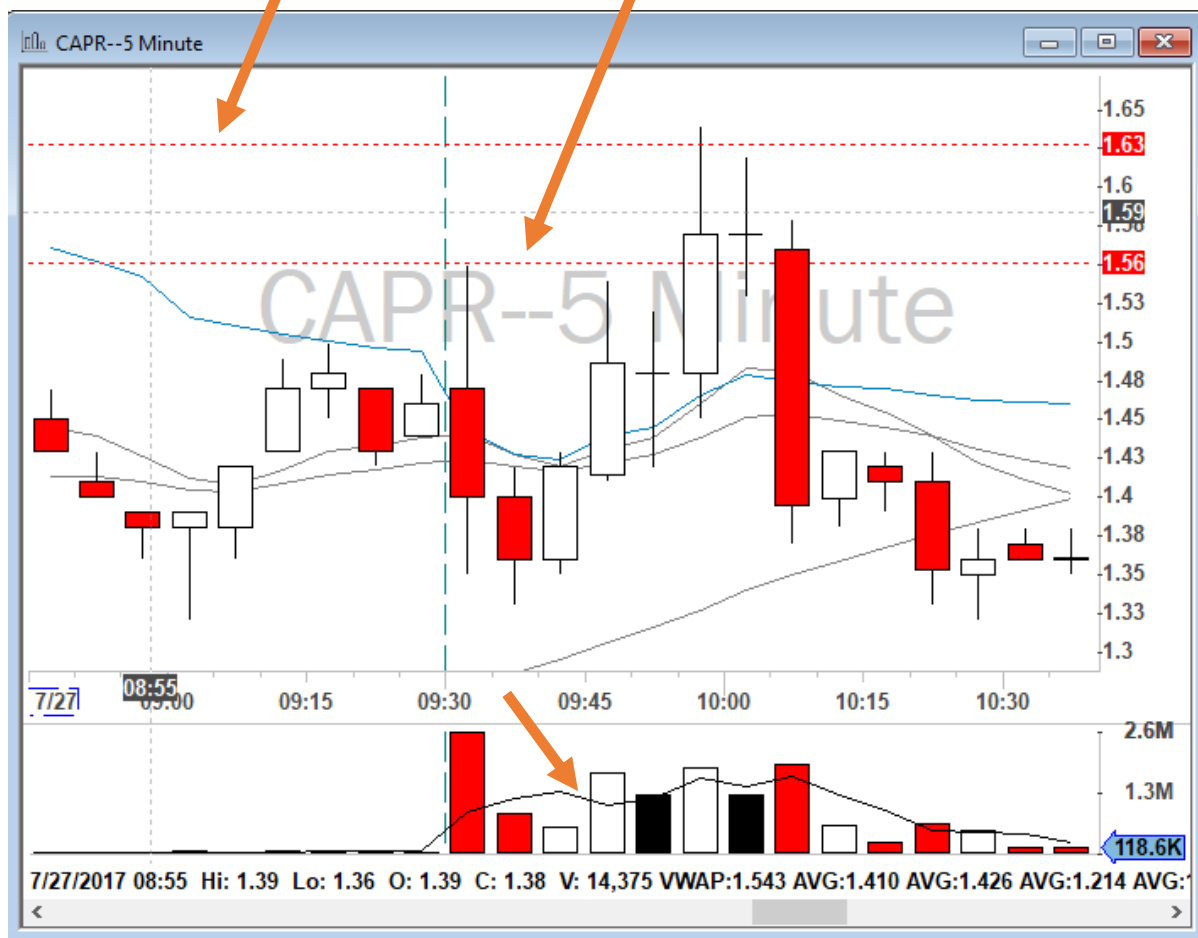
Market Clock

07/24/17 10:52:08



High of Pre-Market

High of the Day



VWAP: Definition

- VWAP is an important number to institutional traders at the end of day. Managers compare traders average filled price vs. VWAP.
 - Big sellers want to have avg. price above VWAP
 - Big buyers want to have avg. price below VWAP

Therefore:

Institutional traders want to **sell above** VWAP: price comes down to VWAP

Institutional traders want to **buy below** VWAP: price moves up to VWAP

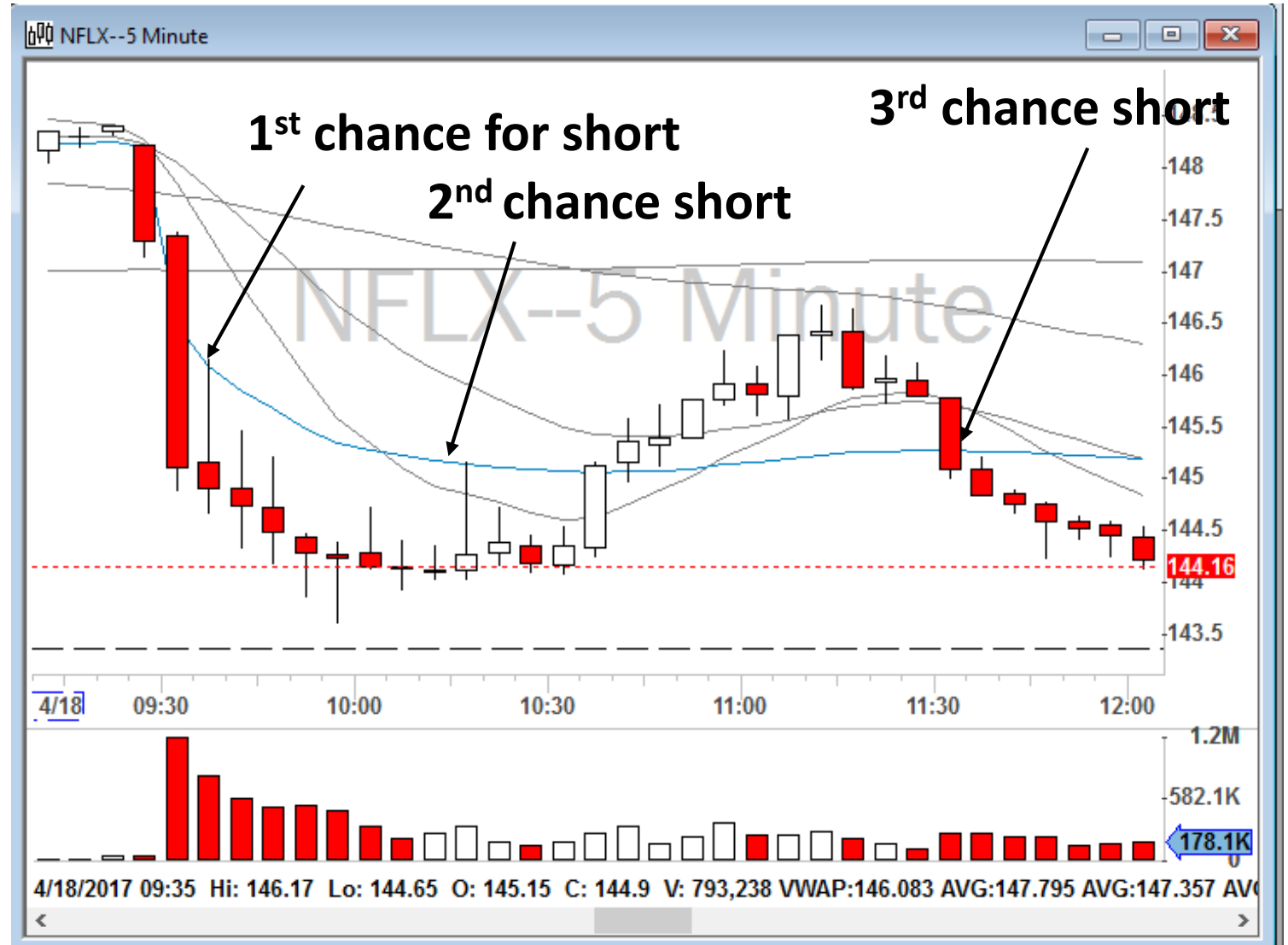
VWAP: the most important day trading indicator shows market sentiment: who is in control of the price.



VWAP Trading

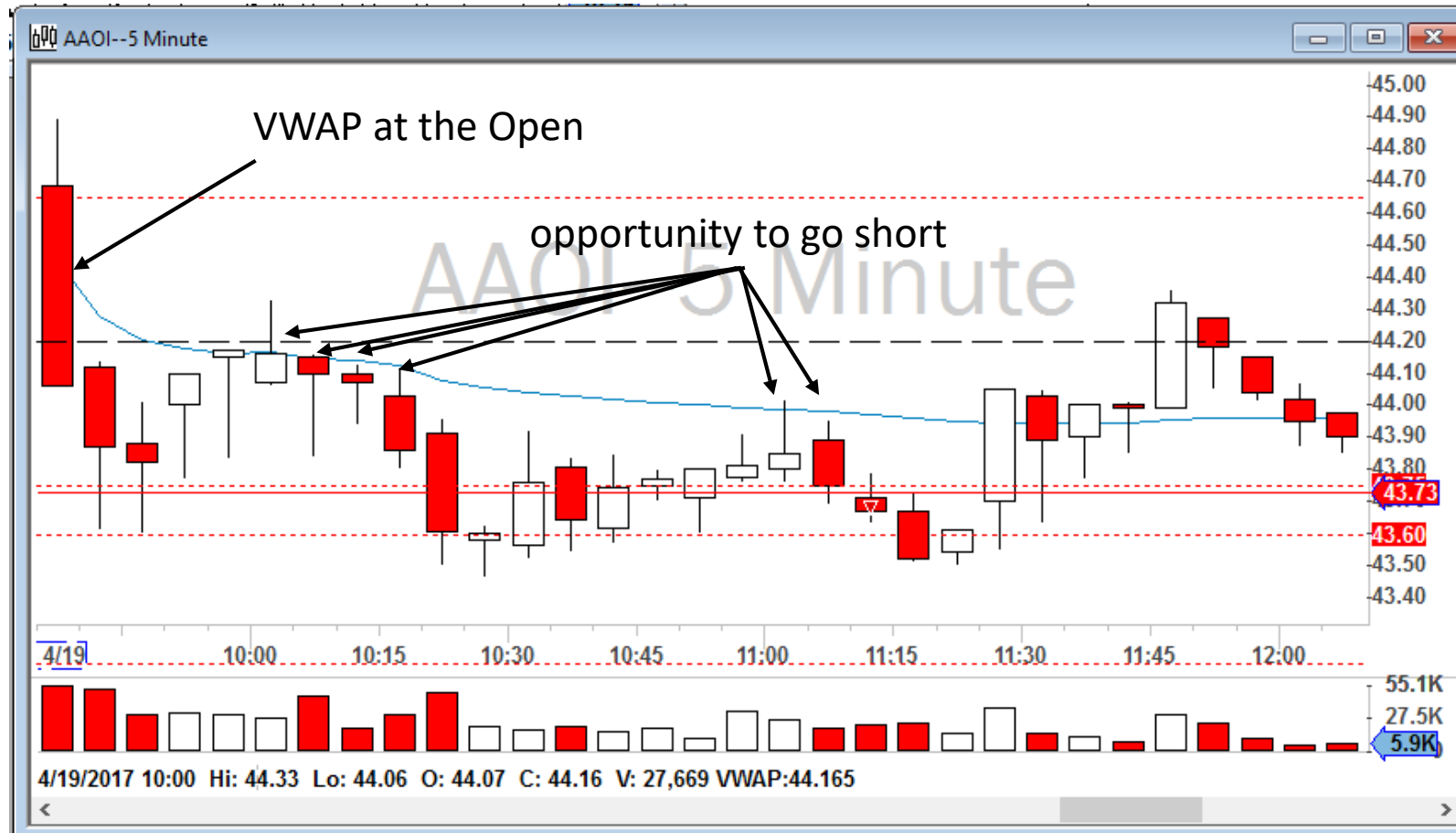
Stocks in Play respect VWAP, and they test VWAP at least once.

Most of the time you get a second chance (don't feel you are missing out).



VWAP Trading:

Most of the time you get a second chance.
(don't feel you are missing out)



How to use VWAP for trading

a. The most important support or resistance level

- ✓ Powerful profit target or stop loss for other strategies

b. Strategies:

1. VWAP False Breakouts (~10:00 am -10:30 am)
2. VWAP Trend Trade: loss or hold of VWAP (usually after 10:30 am)

1. VWAP False Breakouts

Most VWAP trades should start a trend after. If they do not, they are likely false breakouts.

False breakouts, can not establish a trend above



Trend Established after VWAP



1. VWAP False Breakouts

Most VWAP trades should start a trend after. If they do not, they are likely false breakouts.

False breakouts, can not establish a trend higher



Trend Established after VWAP



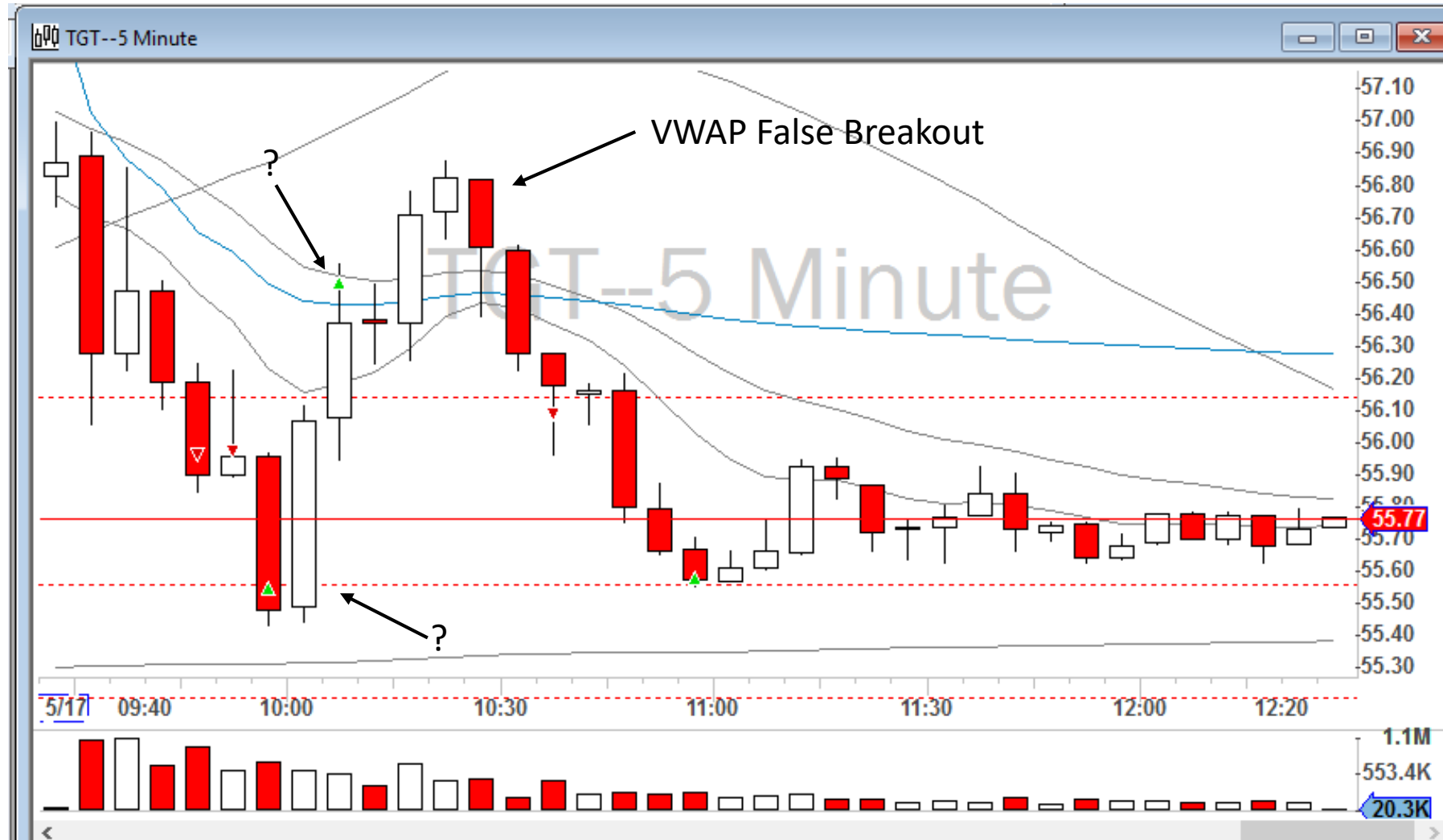
False breakout, can not move higher



May 12 2017 JWN VWAP False BreakOut



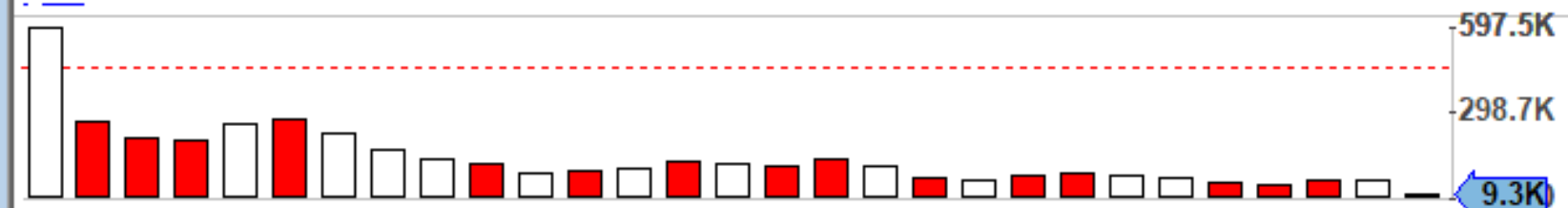
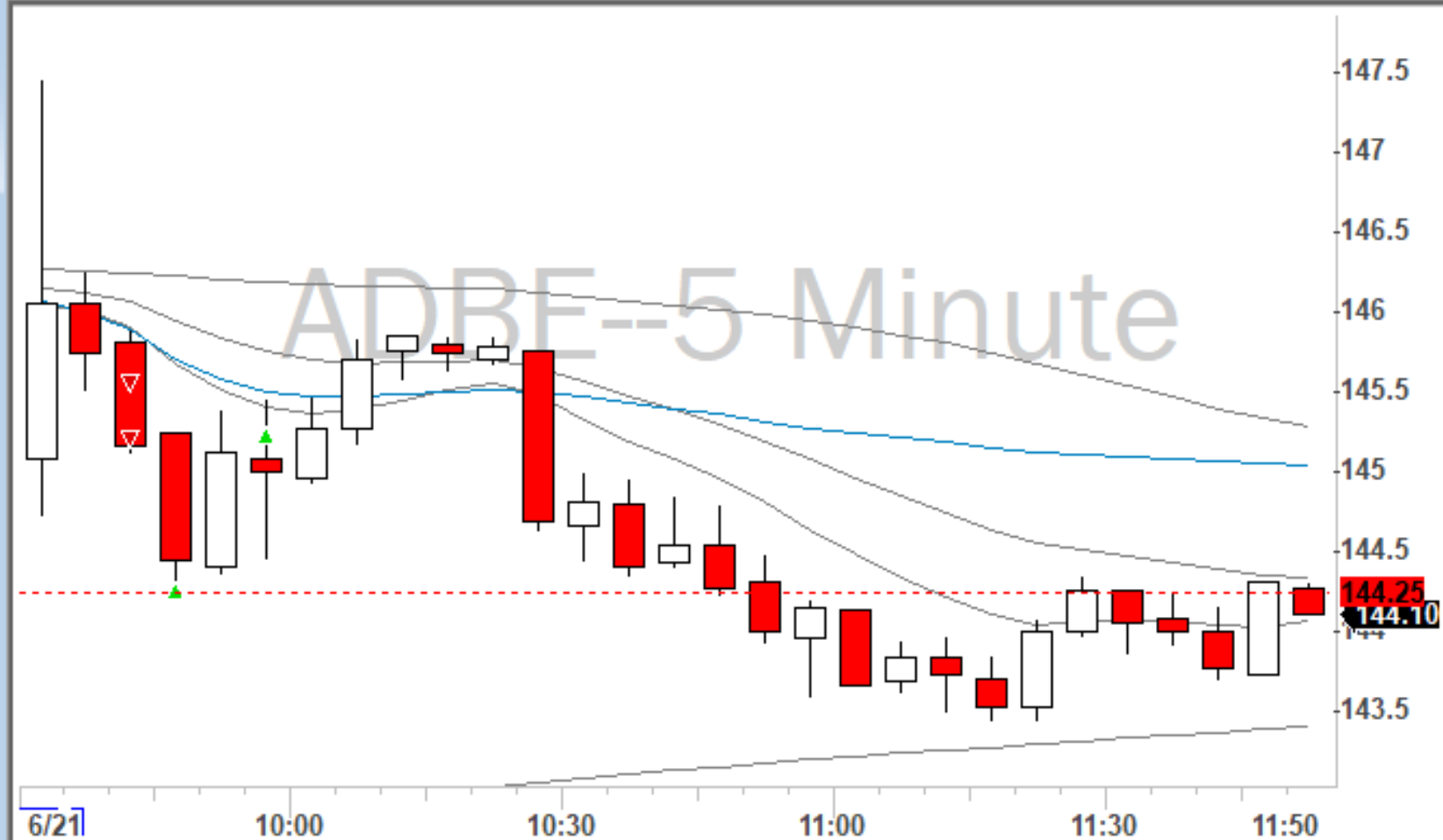
May 17 2017 TGT False Breakout



May 15 2017 IONS False VWAP BreakOut

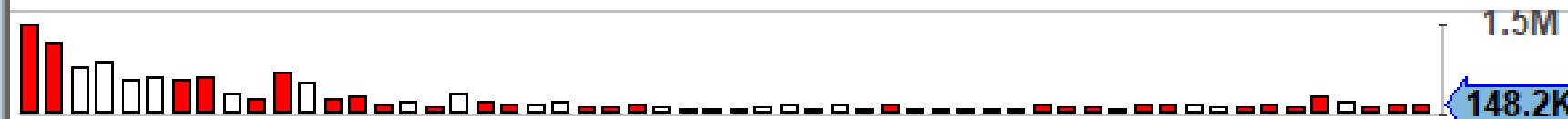
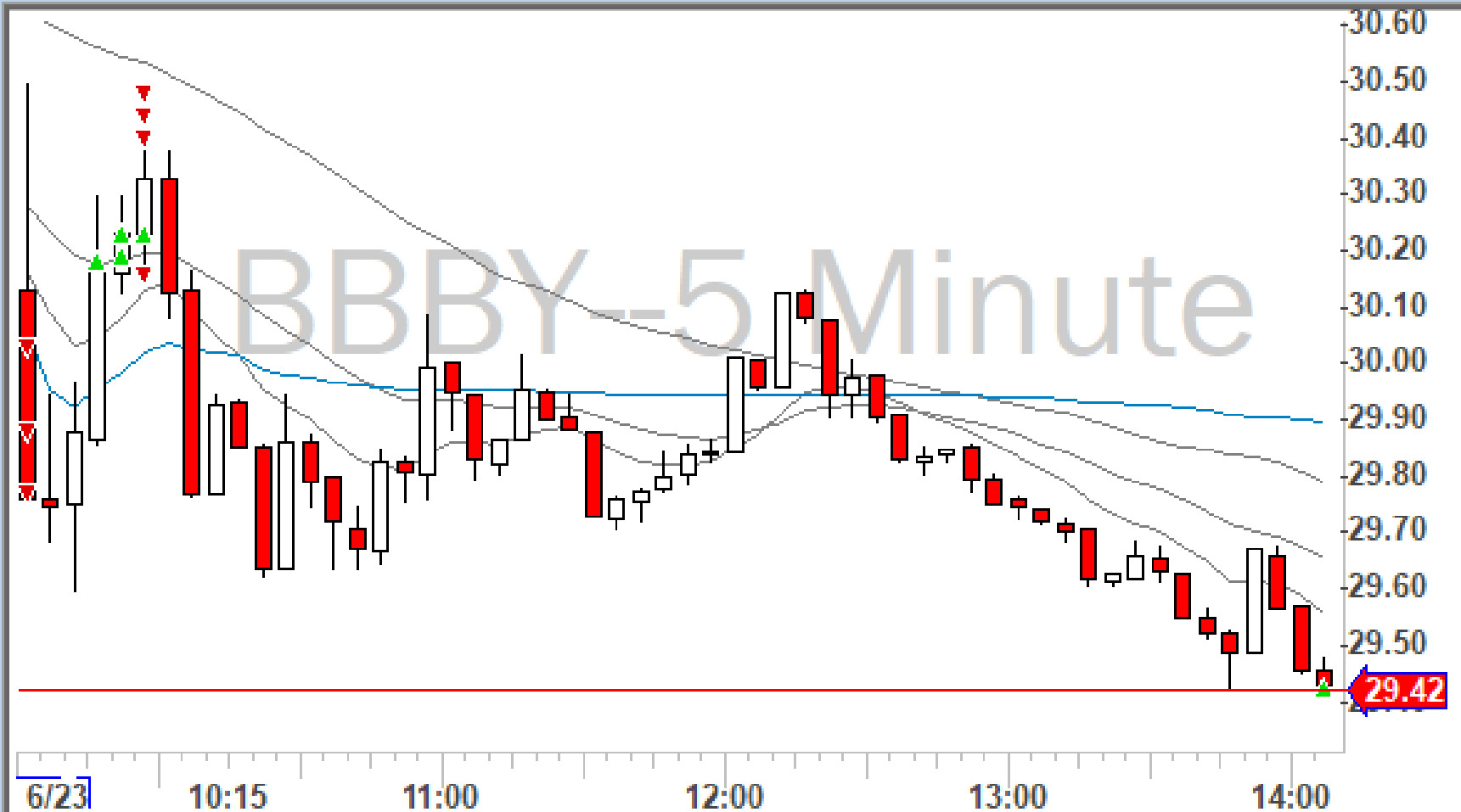


ADBE--5 Minute

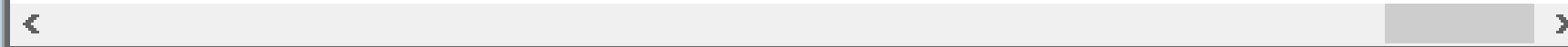


6/21/2017 09:55 Hi: 145.45 Lo: 144.44 O: 145.07 C: 145 V: 278,264 VWAP:145.491 AVG:145.748 AVG:145.39

BBBY--5 Minute



6/23/2017 09:45 Hi: 30.3 Lo: 29.85 O: 29.865 C: 30.1731 V: 876,247 VWAP:29.959 AVG:30.048 A



MU--5 Minute

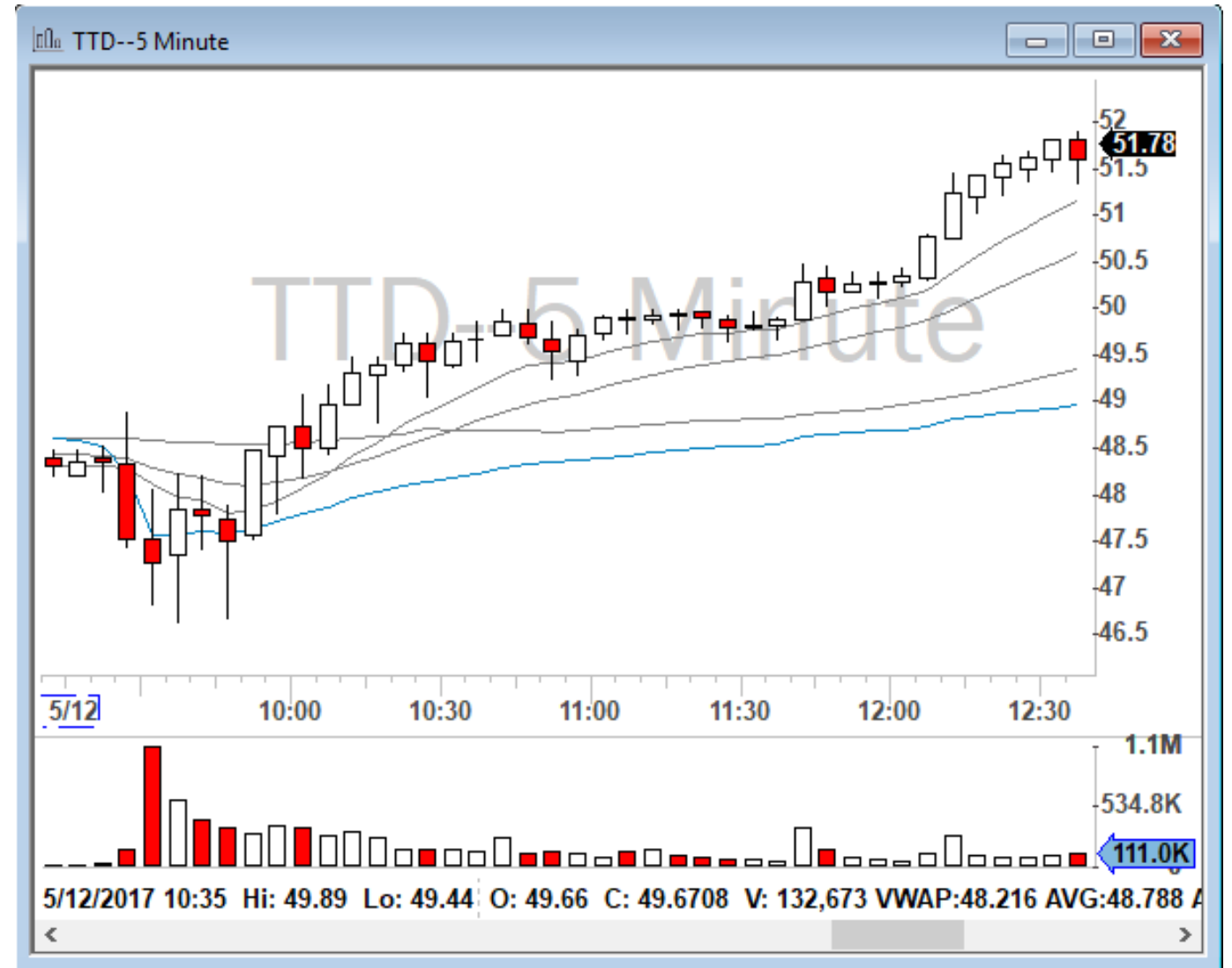


And yes, sometimes false breakouts do not work!
Better to wait for next 5 min for confirmation.



2. VWAP Trend Trade after VWAP Hold or Loss

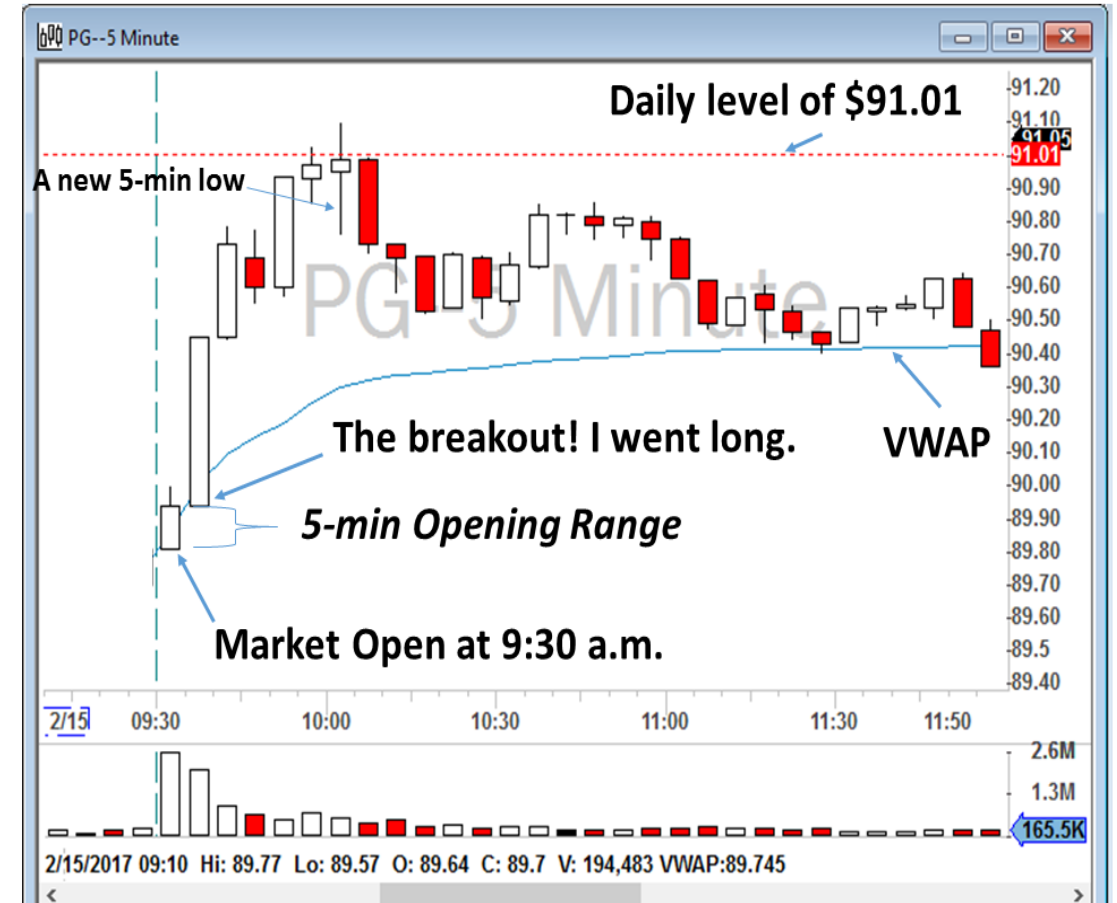
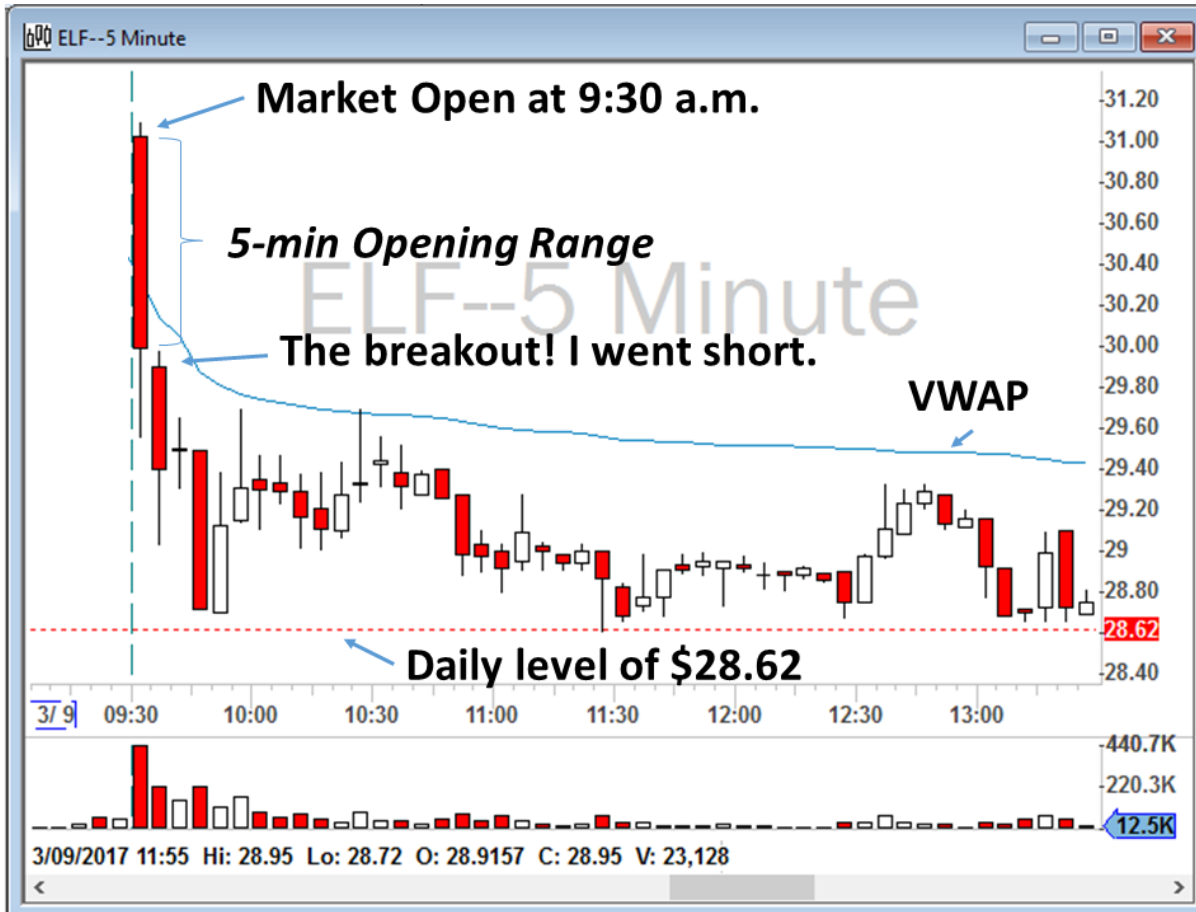
Stocks in Play usually either hold or lose VWAP after the Open, that is the time to go after them!



Trend after VWAP Hold or Loss

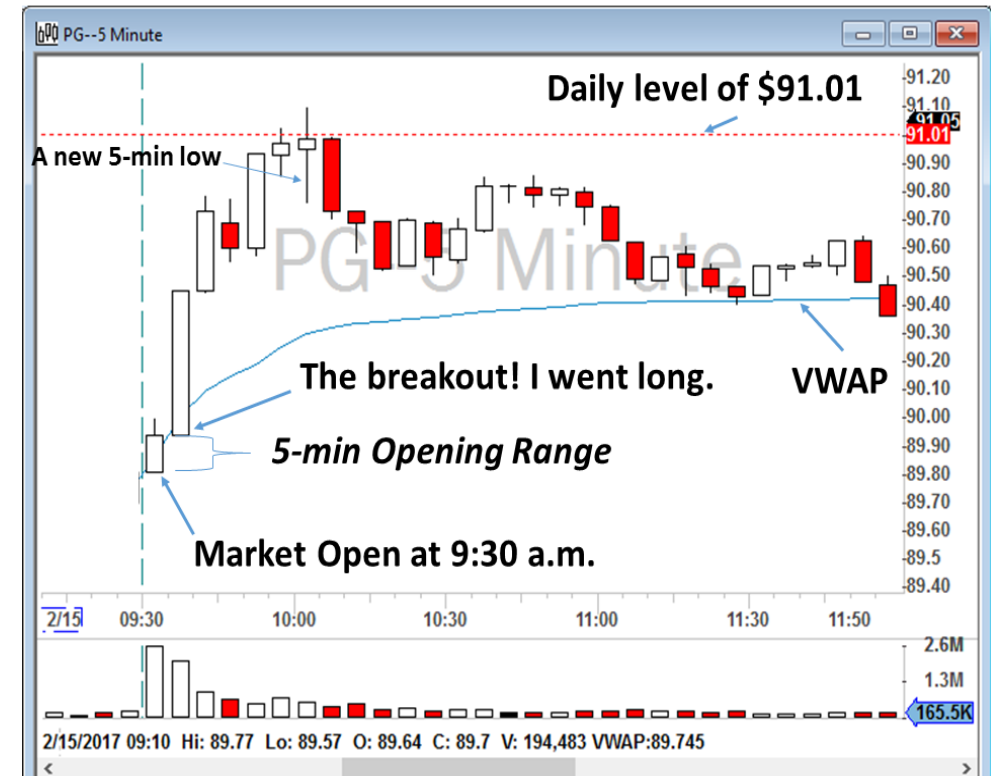


Opening Range Breakouts Strategy



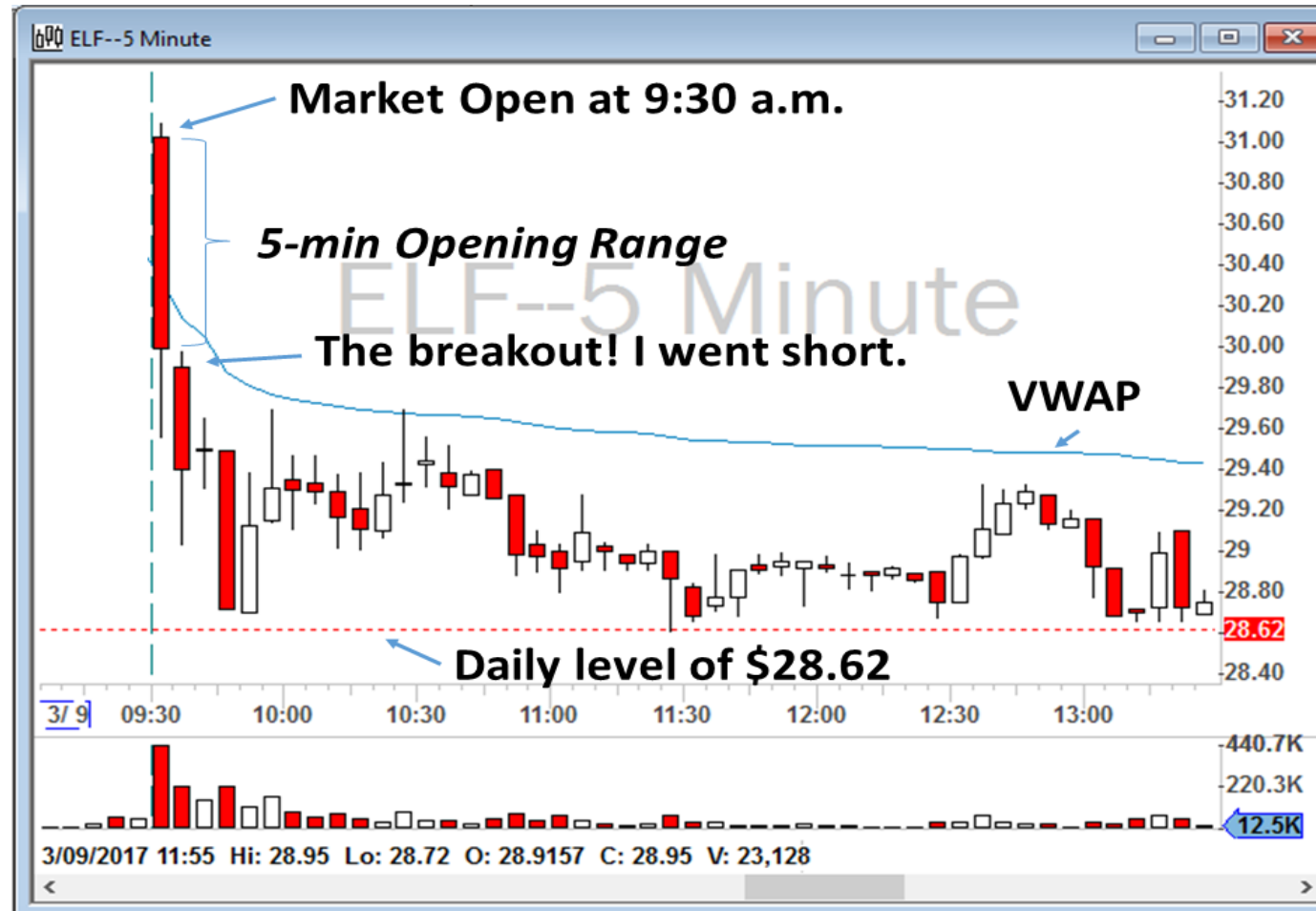
Opening Range Breakouts Strategy

- Opening range **should** be lower than ATR
 - Wild opening ranges are not good (too much volatility at Open = HFT or institutional trading)
- ORB is an **entry** signal **ONLY**.
- **Stop loss:** I usually use loss or break of VWAP.
- **Profit target:** technical levels such as
 - low of the day
 - Next important level
 - moving averages nearby
 - Previous day close



Opening Range Breakouts Strategy

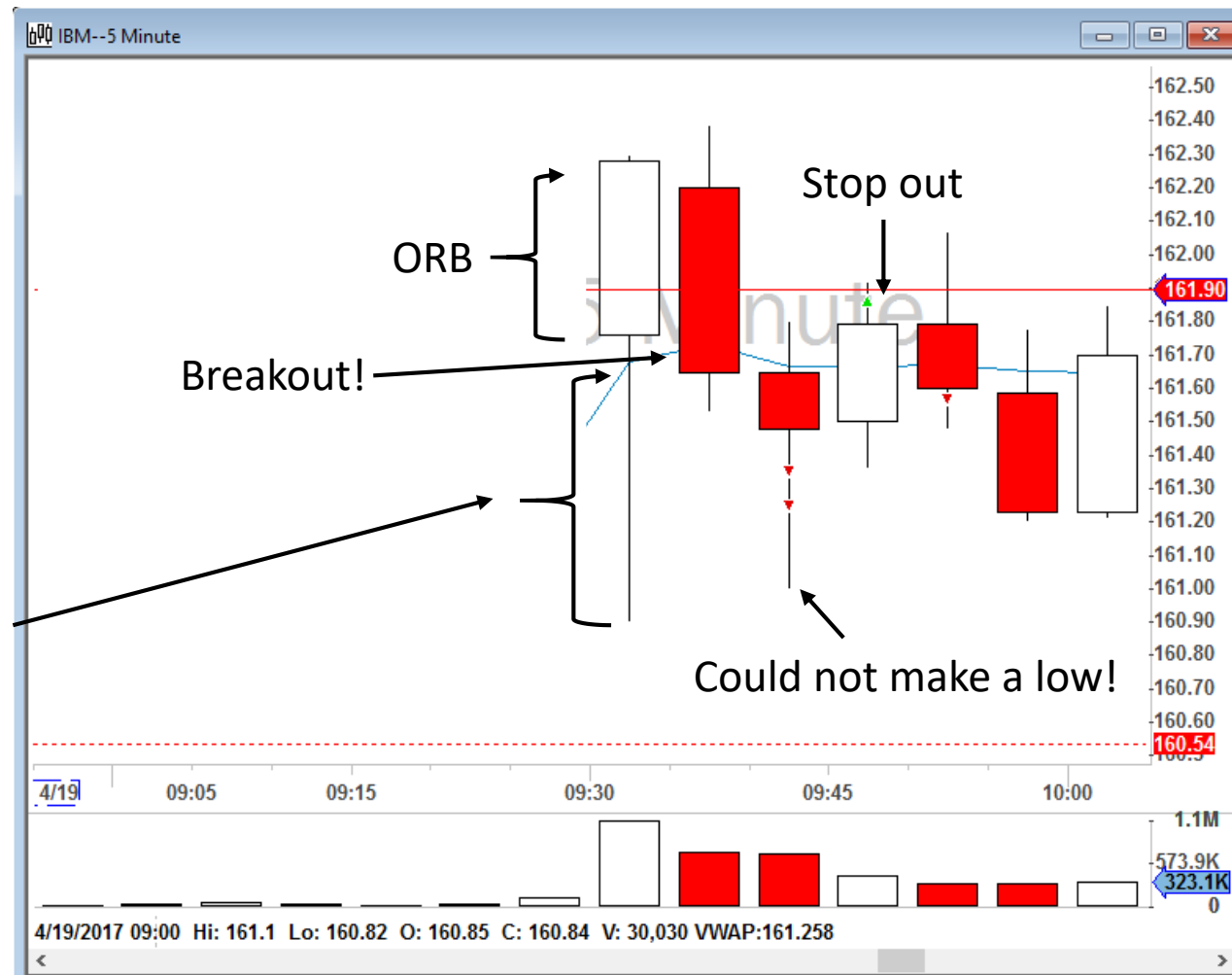
- Opening range breakout is from the **body** of candlestick, not the **wicks**.



Opening Range Breakouts Strategy

- Opening range breakout in volatile opening

This example is a bad ORB, because ORB is too wild and as you see, it probably won't work out!



ORB can take up to 1 hr to happen.



ORB WATT December 27 2017



Market Clock

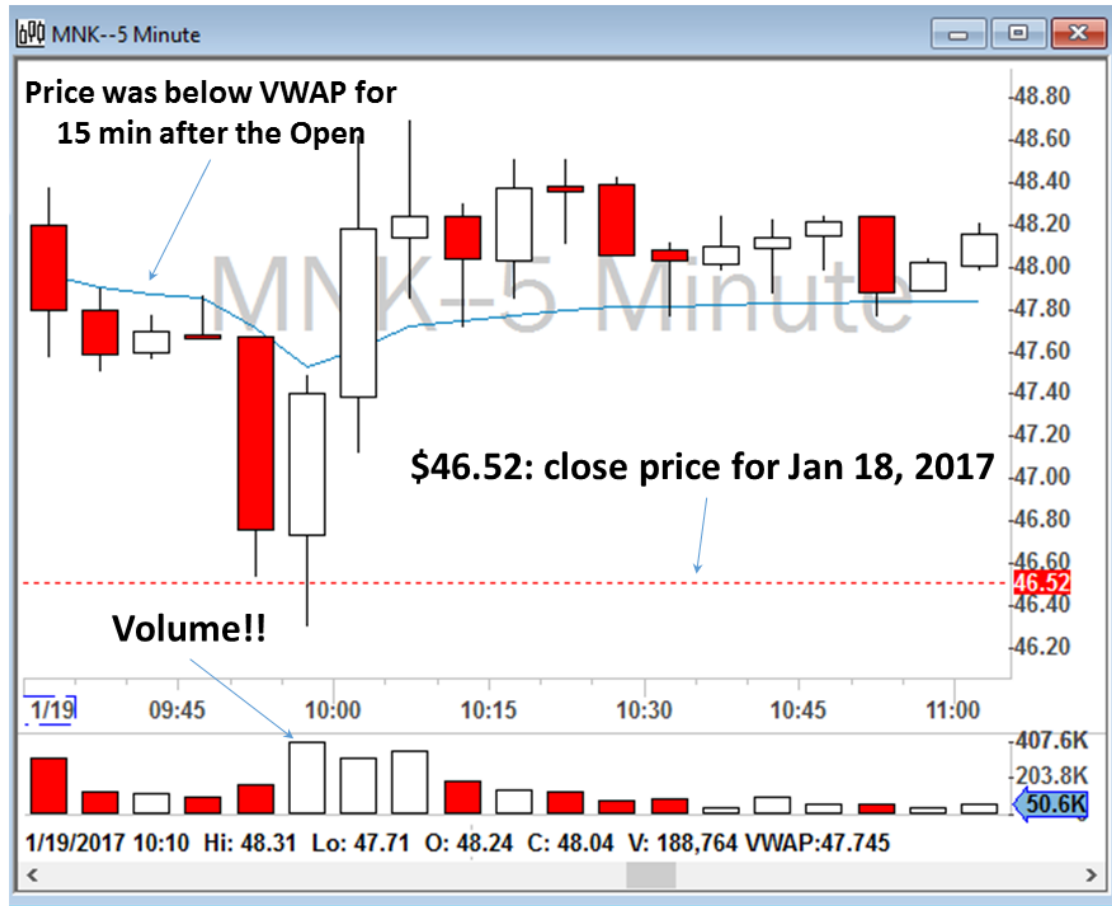
12/27/17 10:01:19

Closed Positions P&L

Symb	Realized	Type	Com
LTBR	531.06	Margin	Lightl
TEUM	-298.36	Margin	Paref
WATT	1009.20	Short	Energ
Summary	1241.90		

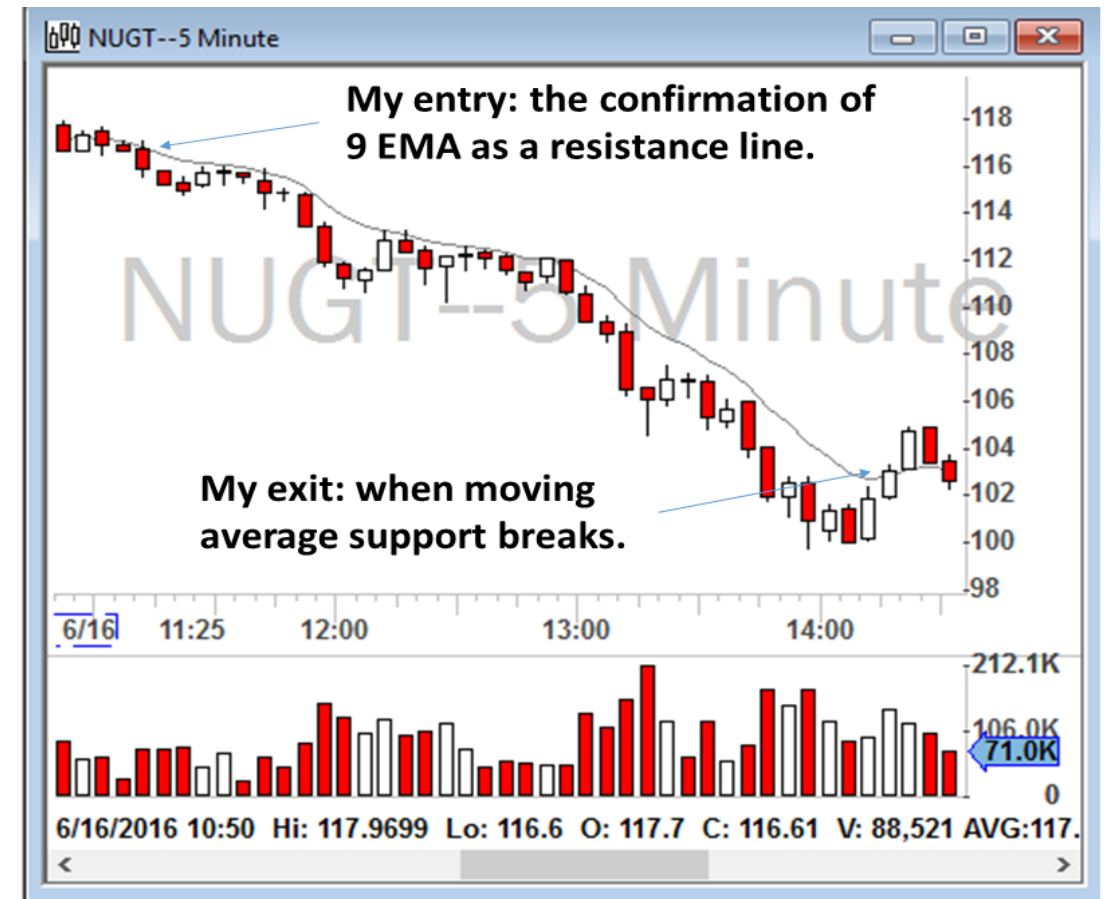
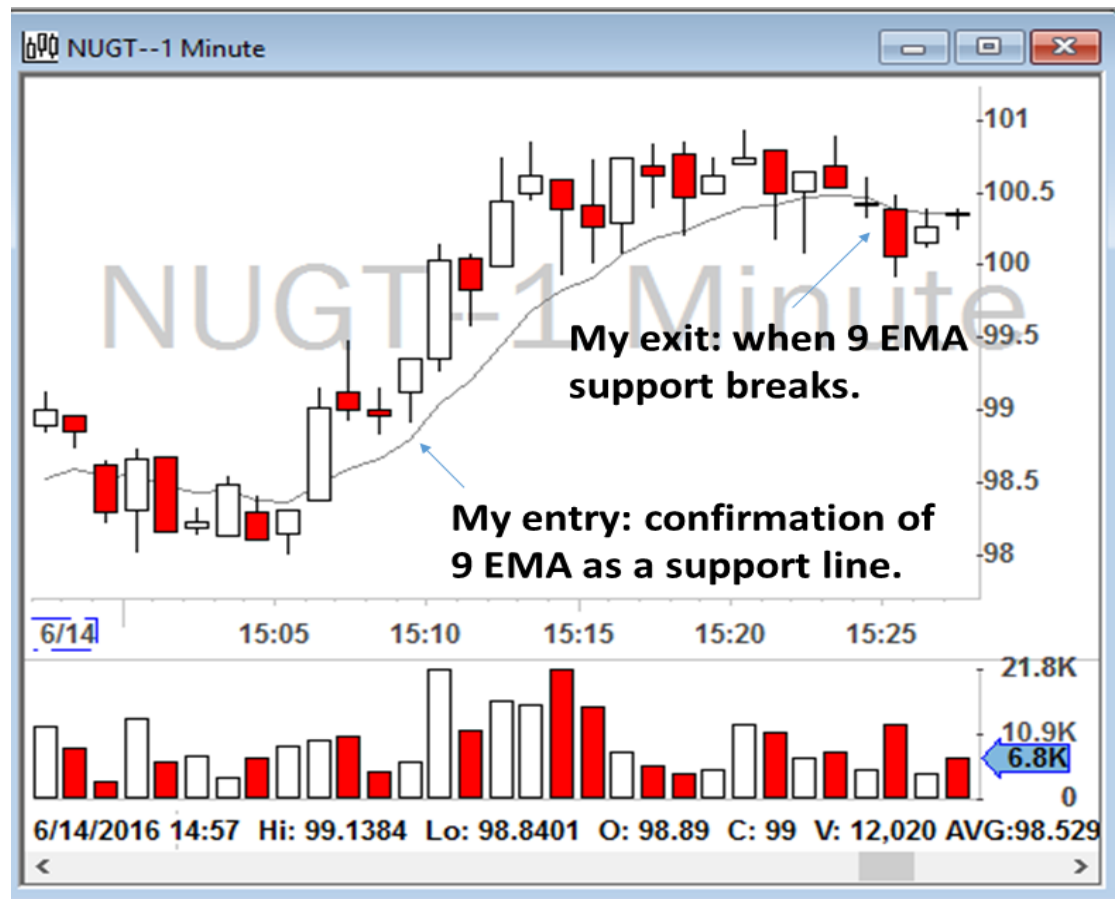
Red-to-Green Strategy

Previous day close is a very strong level.



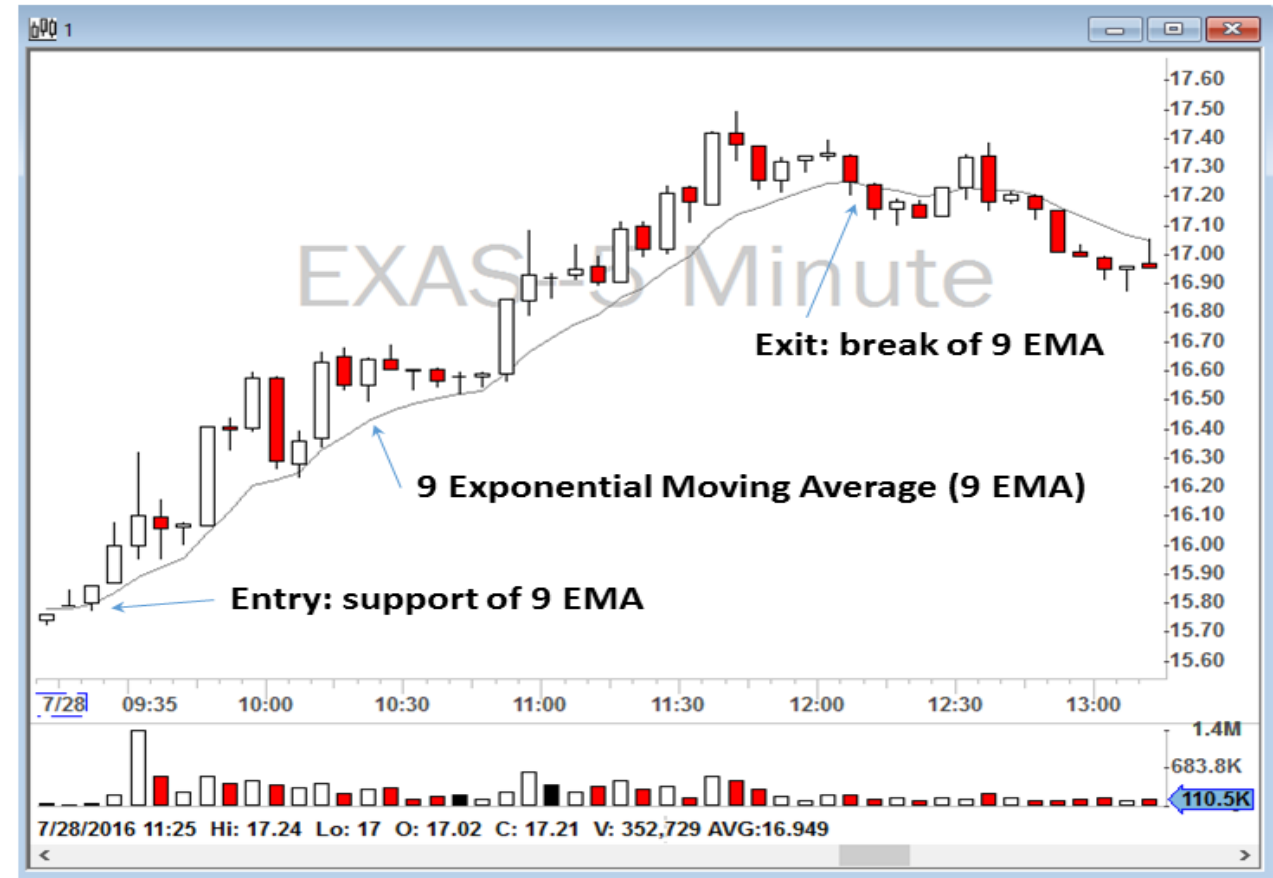
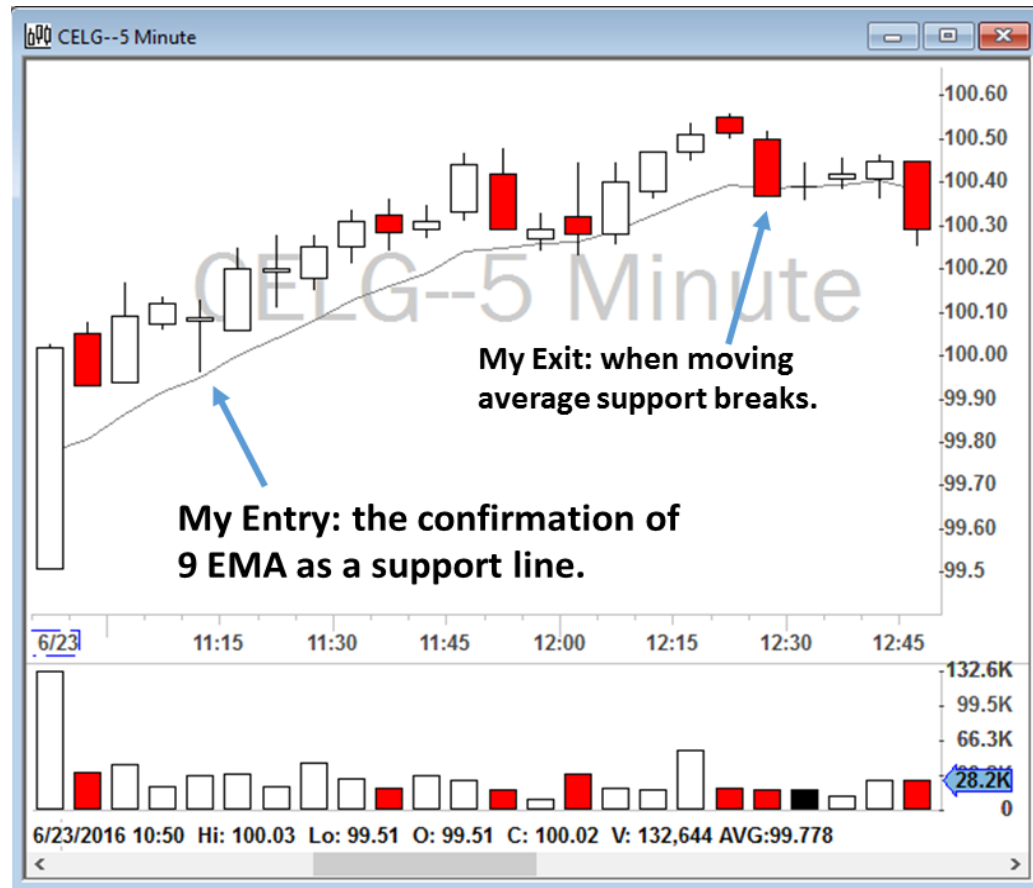
Moving Average Trend Trade

- Happens in the Mid-Day (not the Open), usually after **VWAP loss or hold**



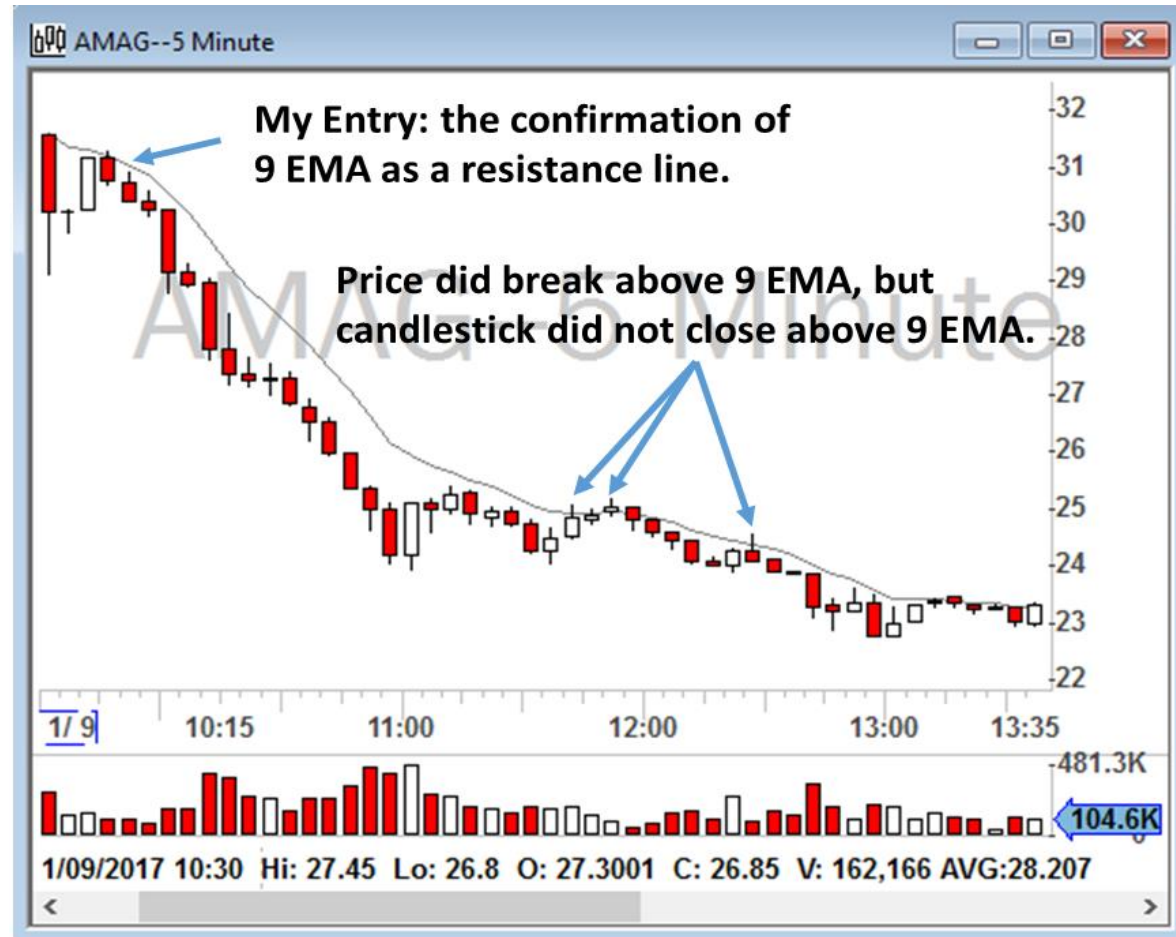
Moving Average Trend Trade

- Entry and exit: close above or below the Moving Average



Moving Average Trend Trade

- Entry and exit: **close** above or below the Moving Average



A successful trade is the combination of EVERYTHING you learned so far:

It is a fast decision making process! And yes it is hard!

- | | |
|--------------------------|---|
| 1. Stock in Play: | Correct stock to trade (Class 2) |
| 2. Price Action: | Balance of Power Between Buyers and Sellers (Class 3) |
| 3. Levels: | Support / Resistance Levels (Class 2) |
| 4. Technical Strategies: | VWAP, Reversal, Moving Average (Class 4) |
| 5. Risk Management: | Proper size, and stop loss |

Trade Overview

Walking through a trade thought process....



Walking through a trade thought process....



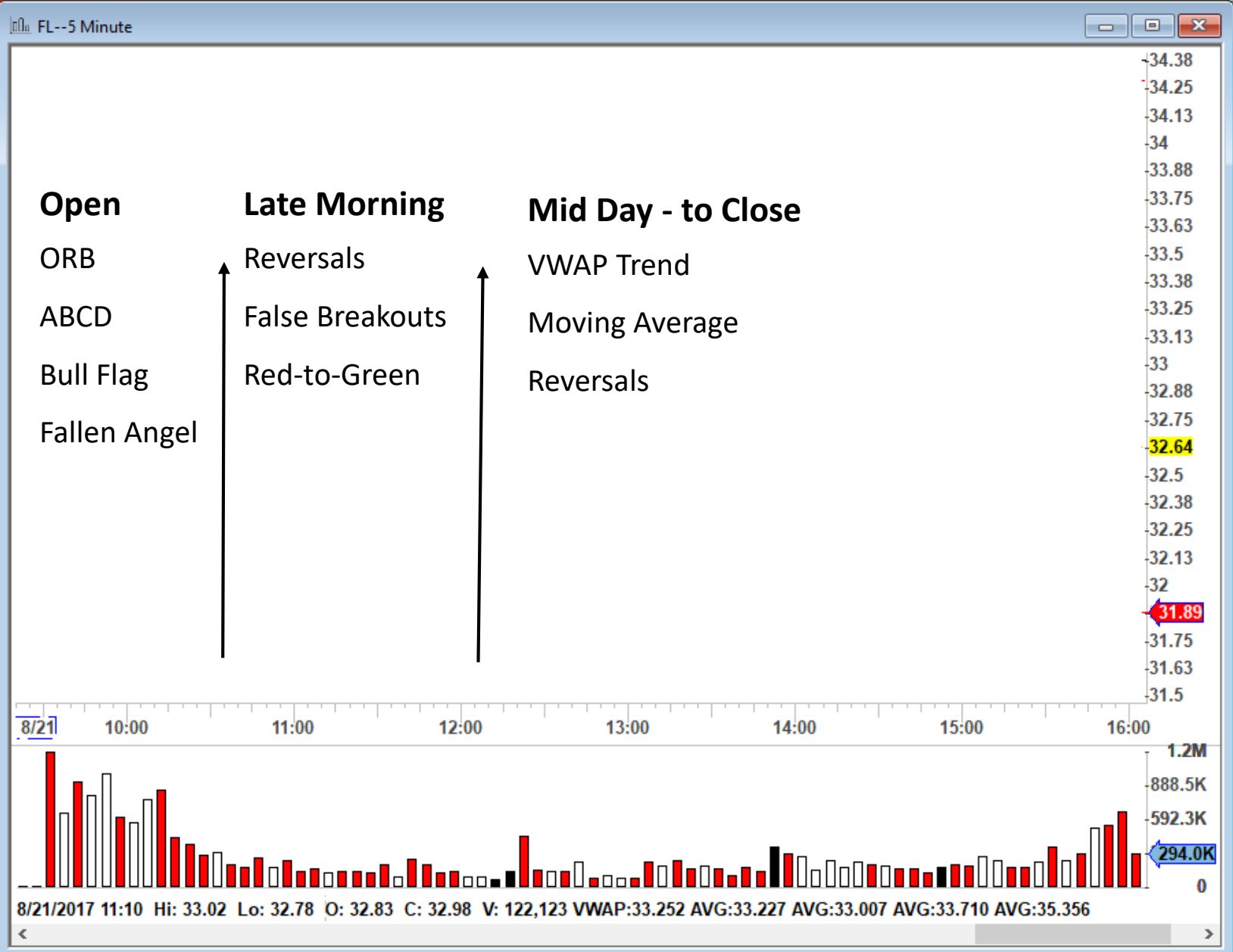
Trade that I took....



What happened? And how?



Stock in Play



One Stock in Play: Many Strategies



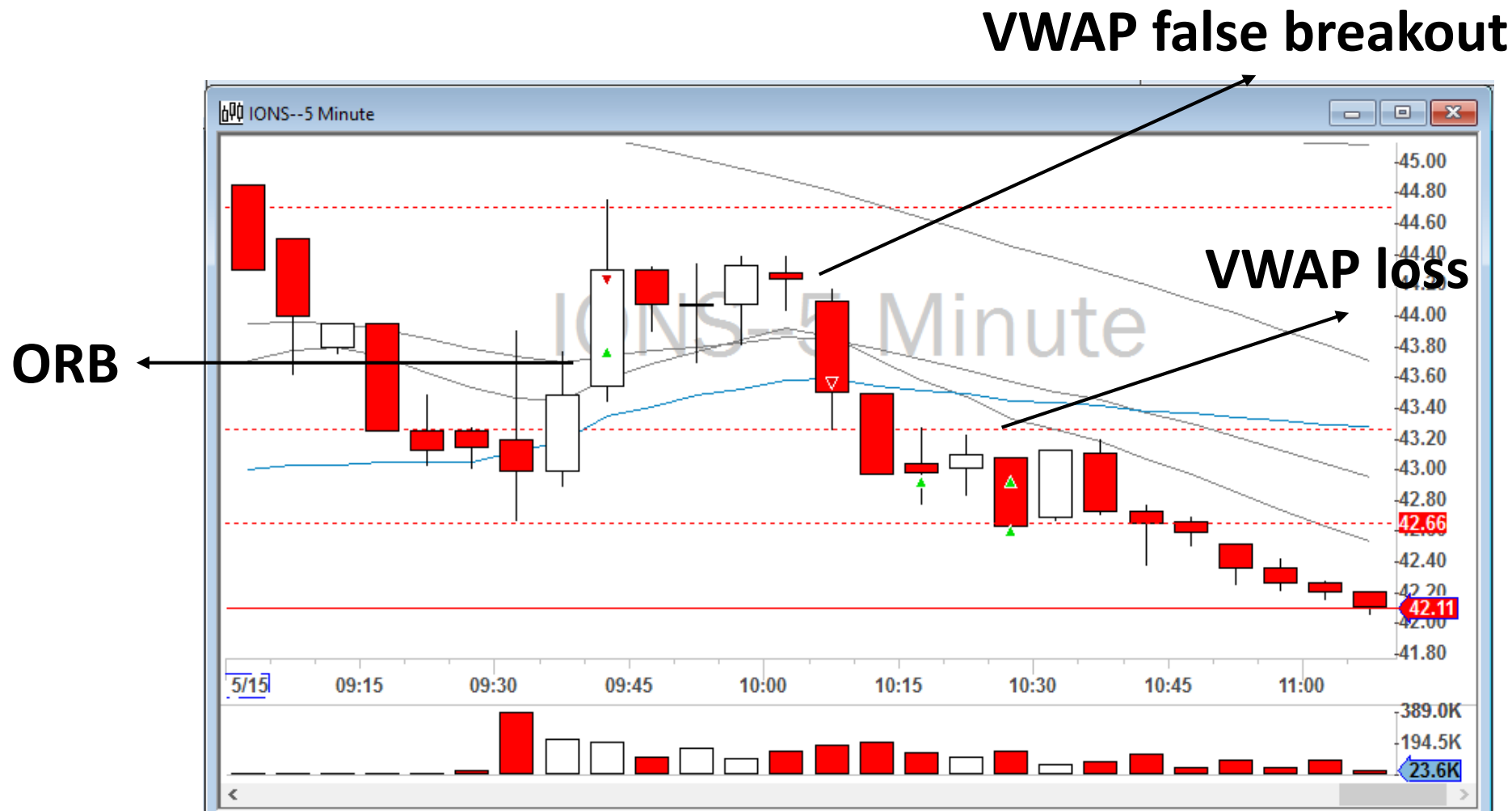


One Stock in Play: all strategies!



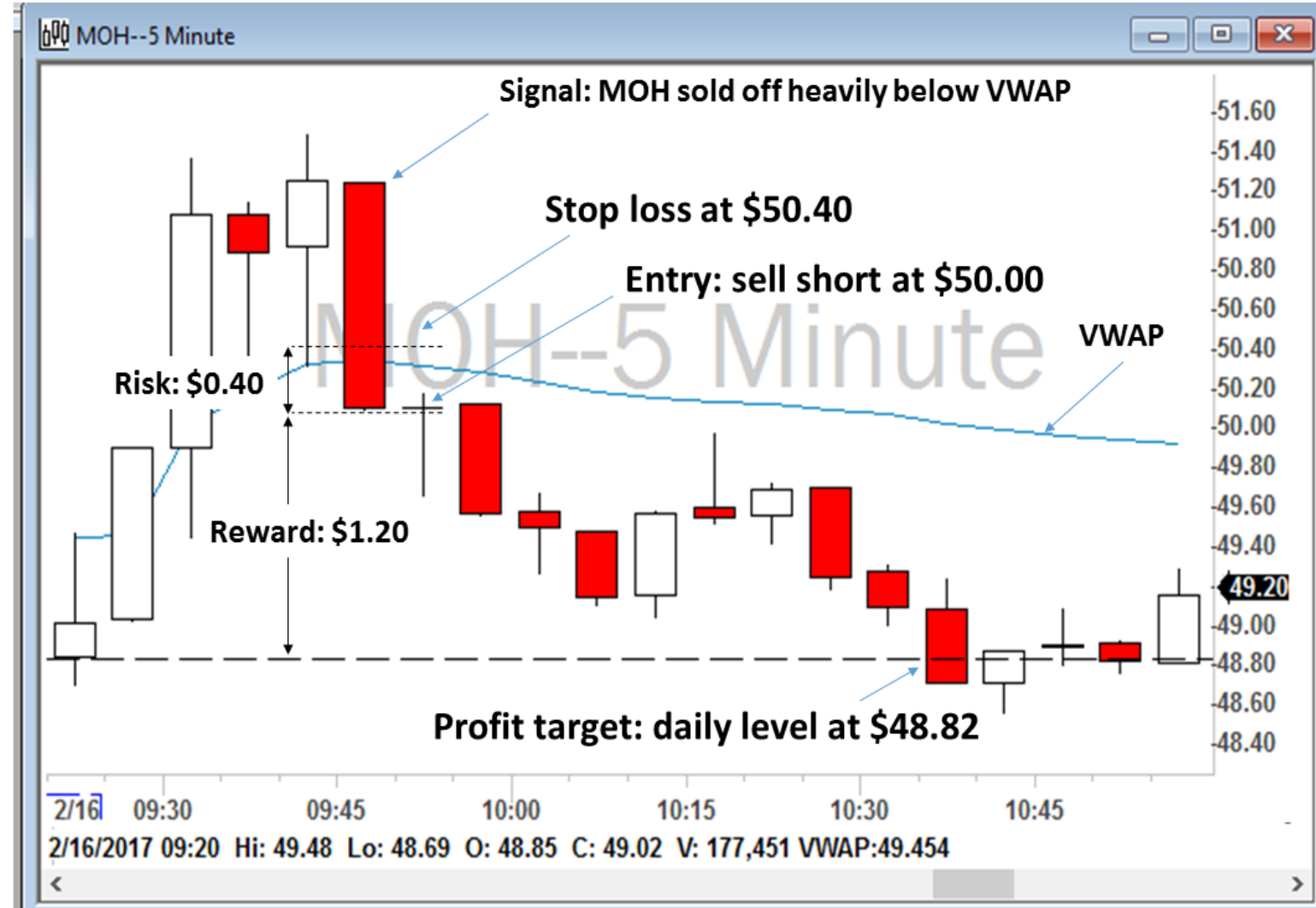
May 12 2017

One Stock in Play: all strategies!

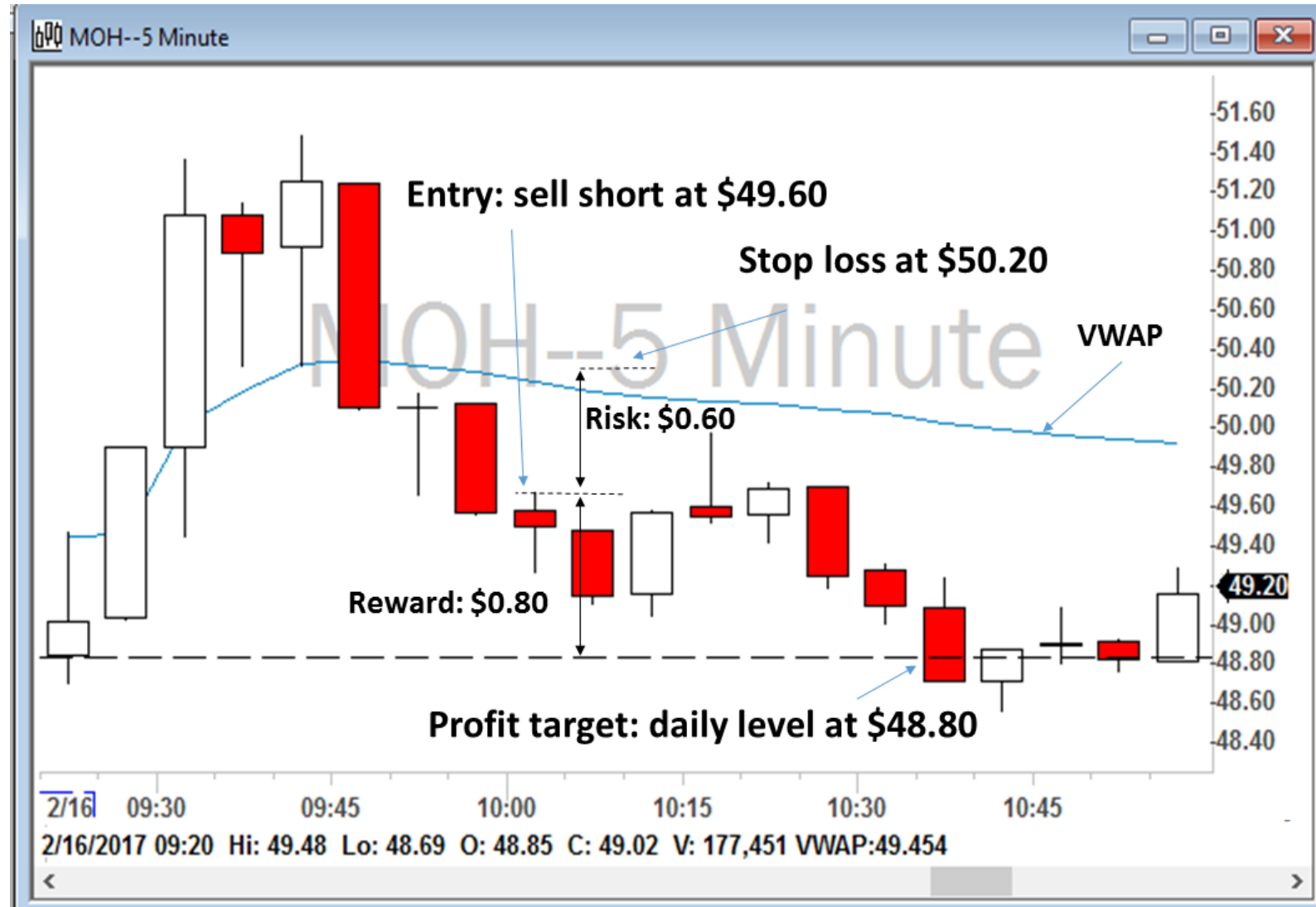


May 15 2017

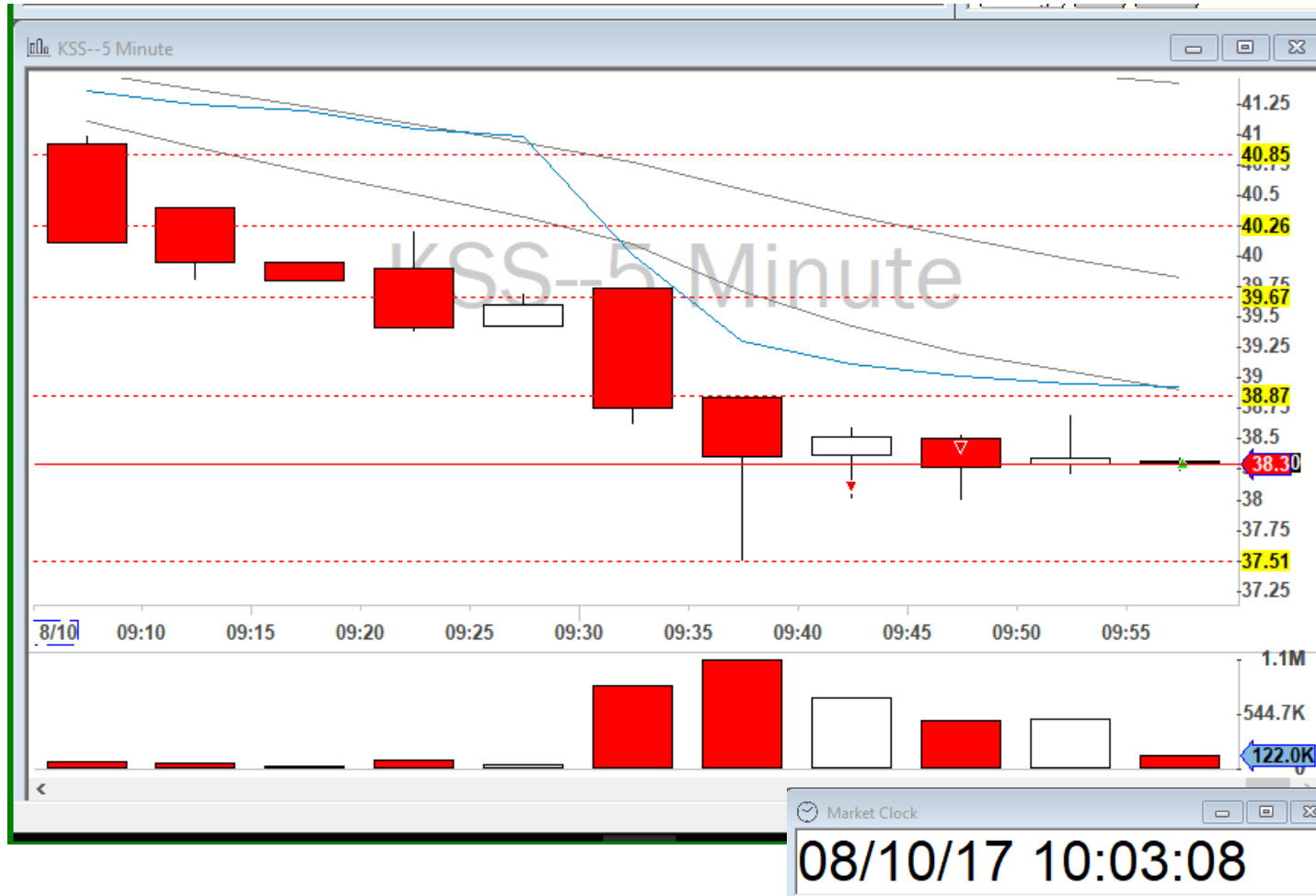
Risk Management: Risk : Reward



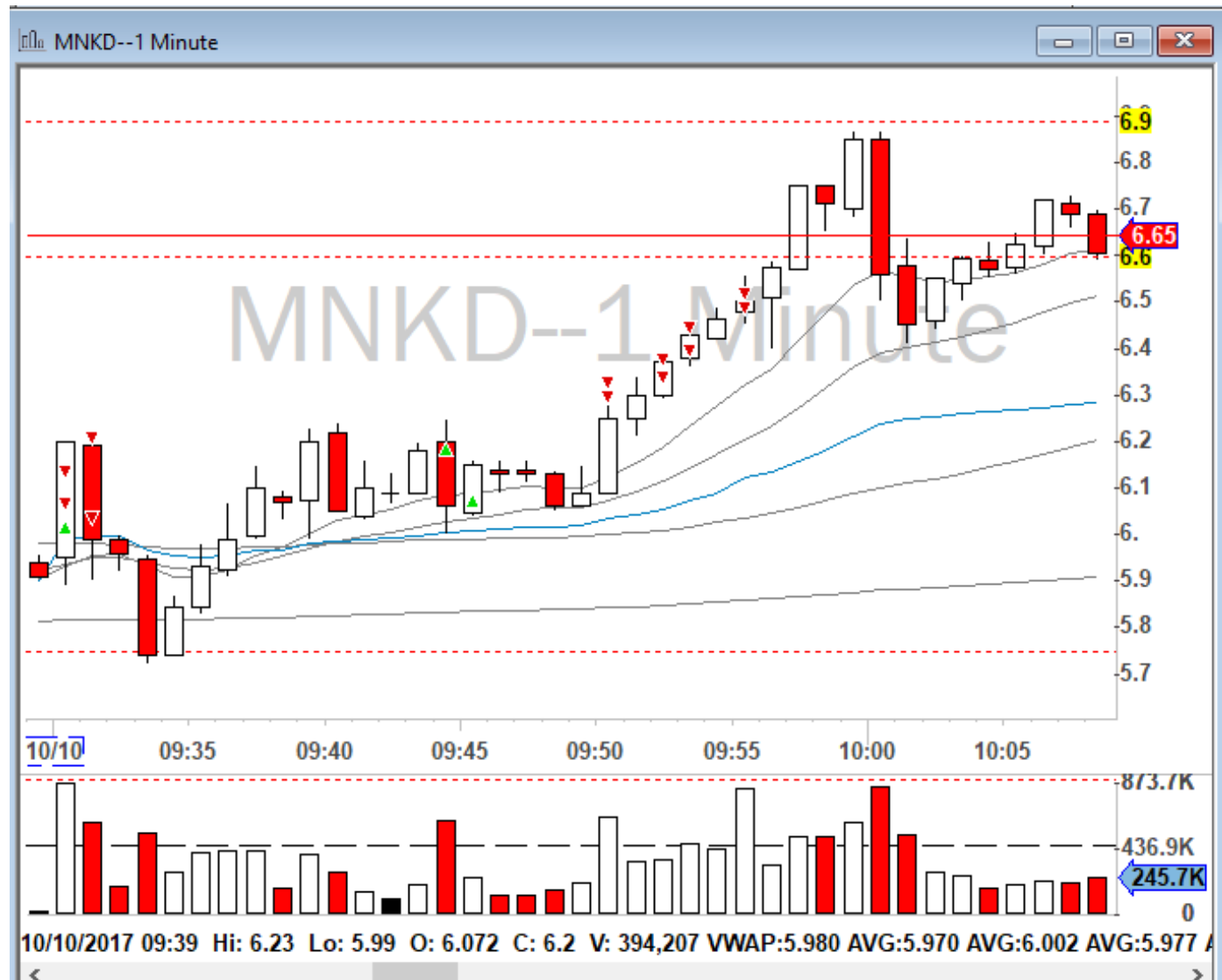
Risk Management: Risk:Reward



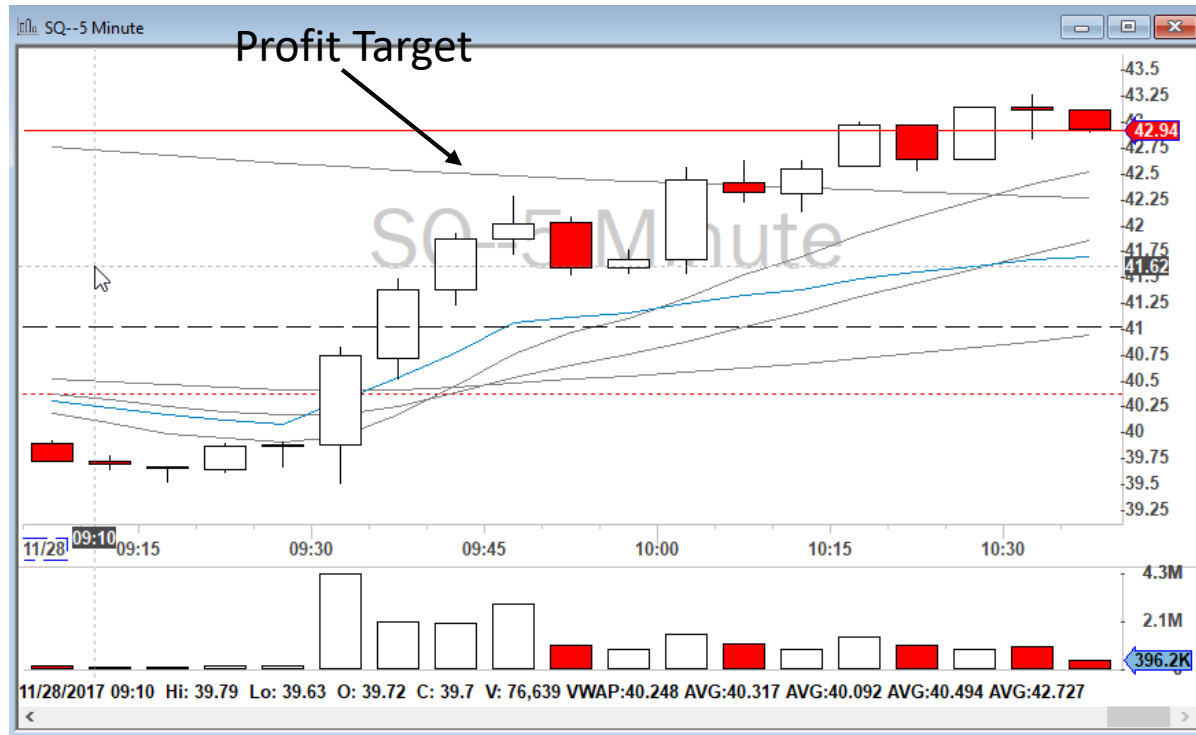
Example of a Bad Risk:Reward Trade



Real time Risk:Reward Analysis

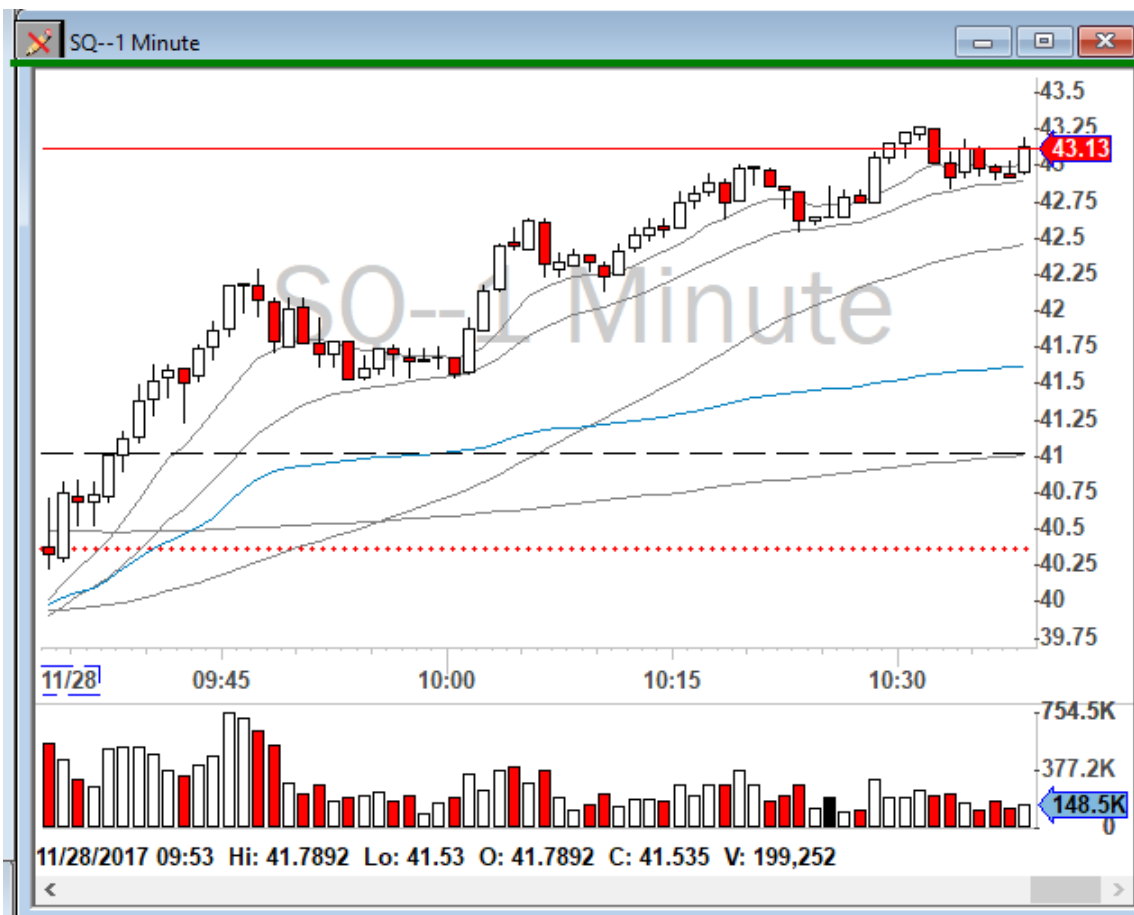


Squeeze to Moving Average: Risk to Reward Analysis



Risk:Reward Analysis on 1 min Chart





Market Clock

11/28/17 10:38:54

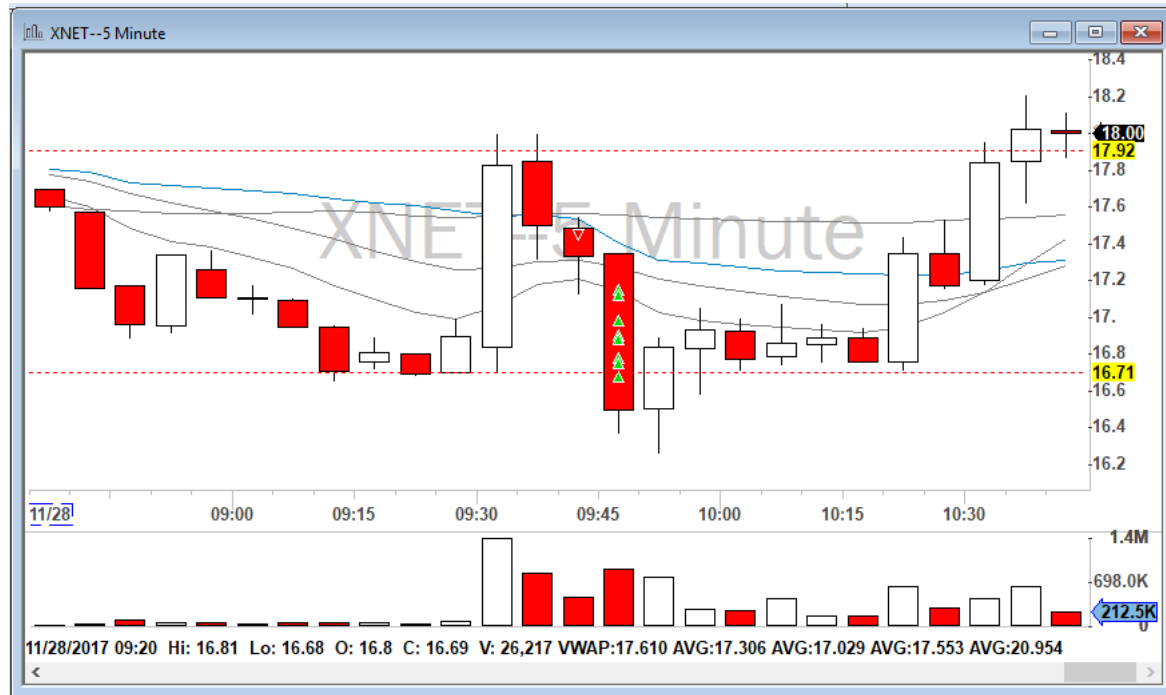
SQ 43.1 -- 43.15 Square, Inc. Class A Common Stock

SQ	43.28 - 39.5	PCL 41.02	N
Last	43.1253	2.105 (5.1%)	Vol 24,389,048
Lv1	43.1	43.15	VWAP: 41.611 SSR.S

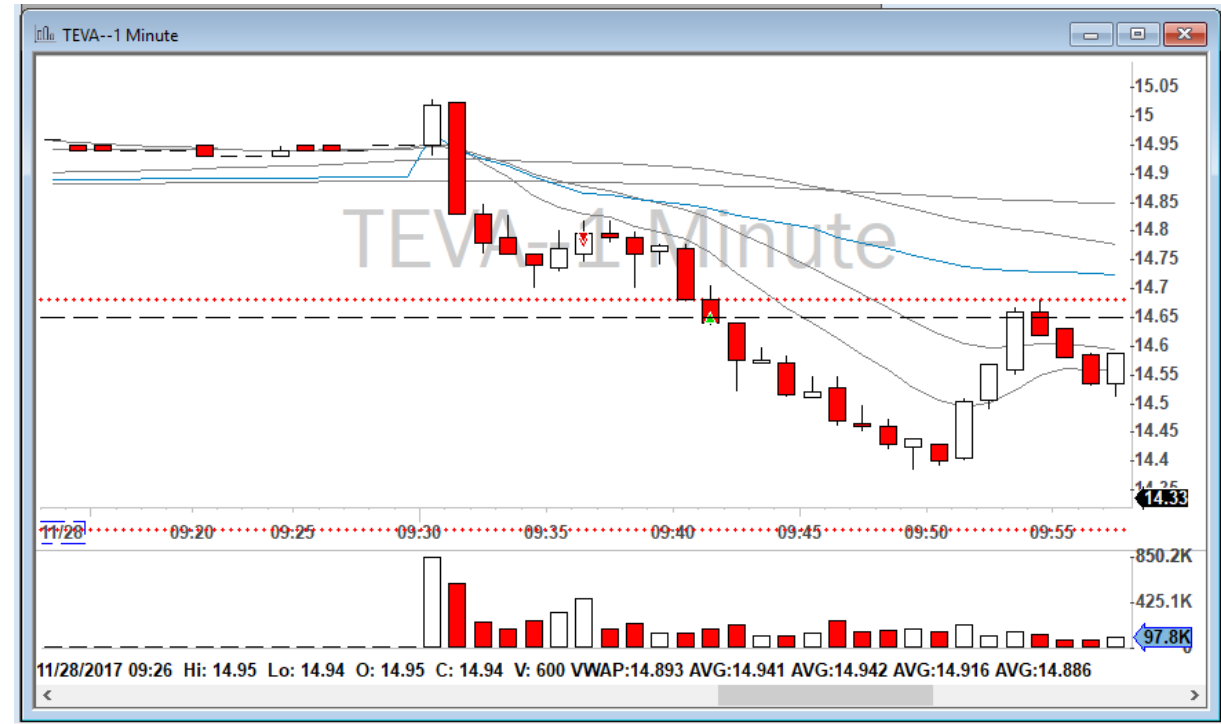
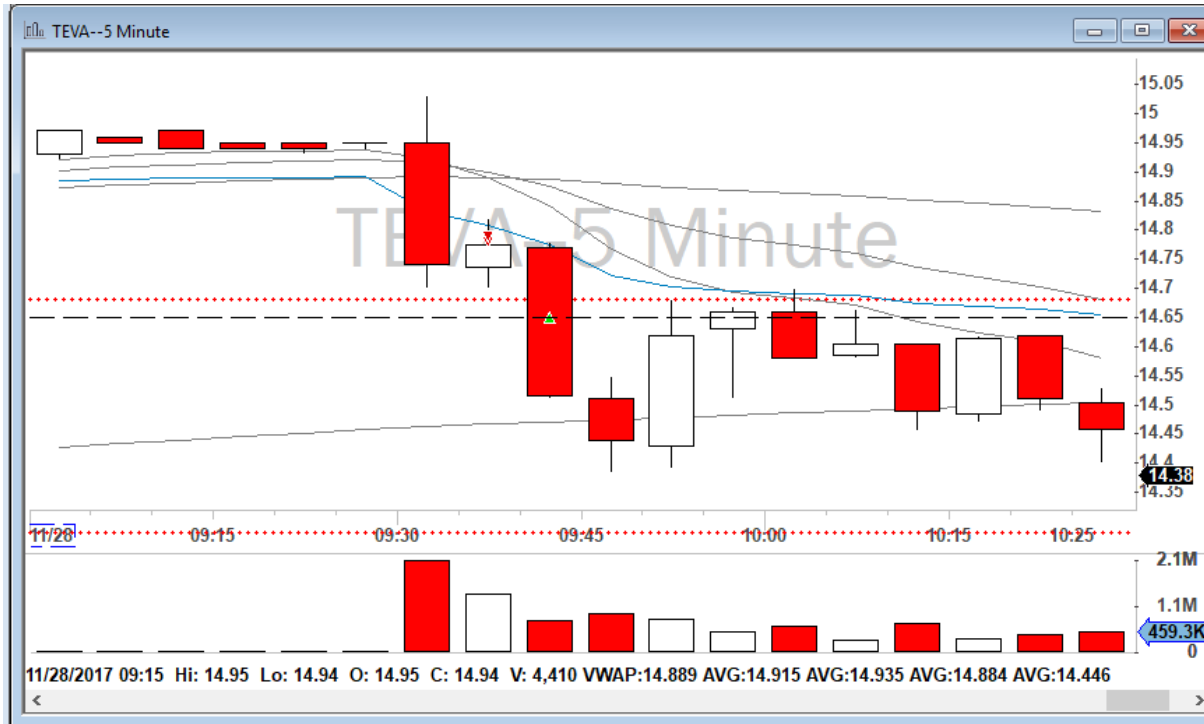
MMID	BID	SIZE	MMID	ASK	SIZE
NYSE	43.10	2	NYSE	43.15	4
NASD	43.08	5	ARCA#	43.15	2
NSDQ	43.08	5	ACB	43.15	2
PSX	43.08	3	NASD	43.16	3
BATS	43.08	1	NSDQ	43.16	3
BYX	43.08	1	PSX	43.16	2
NQBX	43.08	1	NSDQ	43.17	6
NSDQ	43.07	9	EDGX	43.17	1
EDGX	43.07	5	NSDQ	43.18	4
ARCA#	43.07	2	BATS	43.18	1
ACB	43.07	2	ACB	43.18	1
NSDQ	43.06	4	NSDQ	43.19	4
NSDQ	43.05	4	ACB	43.19	0
ACB	43.05	1	NSDQ	43.20	9
NSDQ	43.04	9	ACB	43.20	5
ACB	43.02	1	NORV	43.25	5

Montage \INET\ARCA\

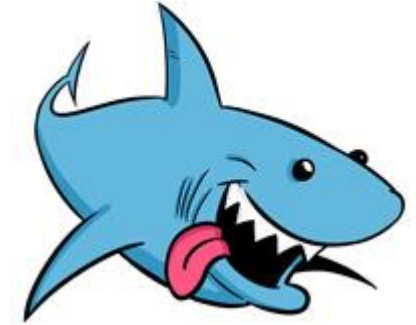
Real Time Risk:Reward Analysis



Real Time Risk:Reward Analysis



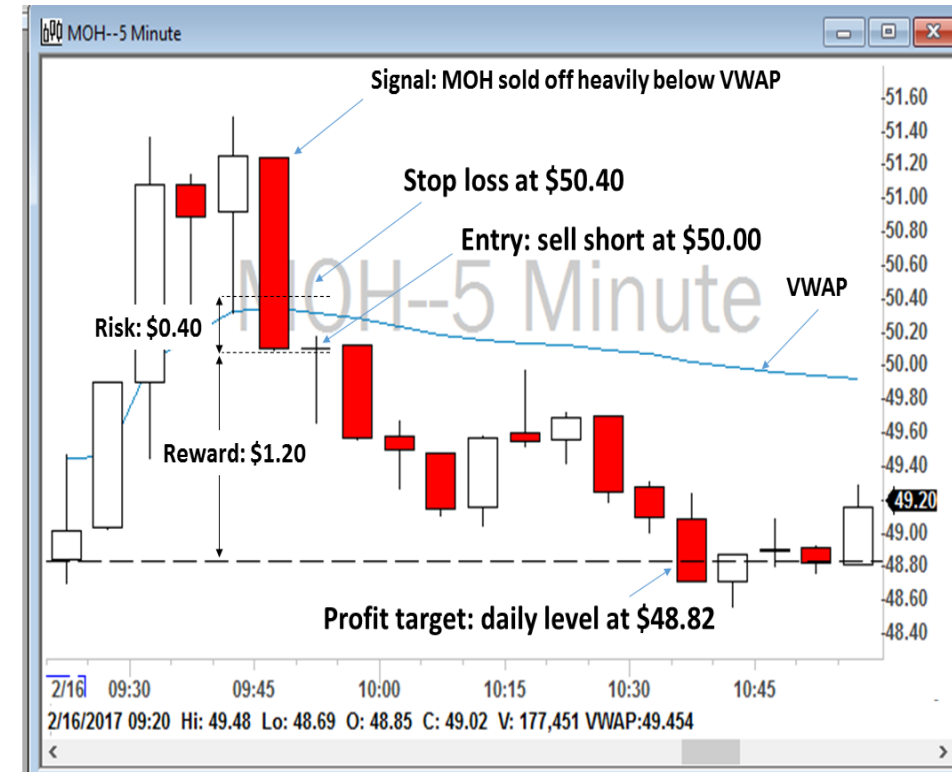
2% Rule: shark bite



- Do not risk more than 2% of your account on any single trade

Your account size: \$40,000

1. 2% rule: \$800 (let's be conservative 1% = \$400)
2. **Reasonable** Stop loss: 40 cent per share
3. Share size: $400 / 0.4 = 1,000$ share max.



6% Rule: Piranha bite



- You are NOT allowed to lose more than 6% of your account in the last 30 days.
- If you are down more than 6% in the last 30 days, you should switch to simulator for 2 weeks.

6% Rule:

being eaten slowly
by series of small losses



2% Rule:

losing a leg or hand
in one trade



Credit of Concept: Dr. Alexander Elder, Trading for a Living book

Position Sizing for Beginners

- **Start small:** Don't worry about commissions just worry about learning to trade the strategy and follow the process
- **Manage losing streaks.** **reduce** the size when your account is dropping. Avoiding the “**gambler's fallacy.**”
- **Ignore time-based profit goals (ignore \$200/day or \$1000/week)**
- **Find your strategy:** low-float vs mid-float?

Failure story

Pausing trading for few weeks

Inbox x



to me, Andrew ▾

Jun 23 (6 days ago) ☆

↶ ▾

Hi Andrew,

I traded very badly and blew up half of my account (5k)

My main problems were -

- 1) Fear and carelessness in cycles
- 2) Bad position sizing
(initially i went small size - 100 shares. but SureTrader comissions was beating me up as it is \$5 per trade minimum. Initial days I was having net loss although I realized profit in the trades. Then I wanted to double the size and reduce scaling out - but that made it worse when i entered the wrong trade)
- 3) Revenge Trading - sometimes I opened the terminal in afternoons just to watch the market, but I ended up trading and made bigger and bigger losses)
- 4) Few times I did mirror trading by copying you out of desperation, but I did not plan my share size correctly.

I plan to take a little time off and study more, and get my psychology right..
I made known mistakes which is why I am more frustrated and angry with myself.

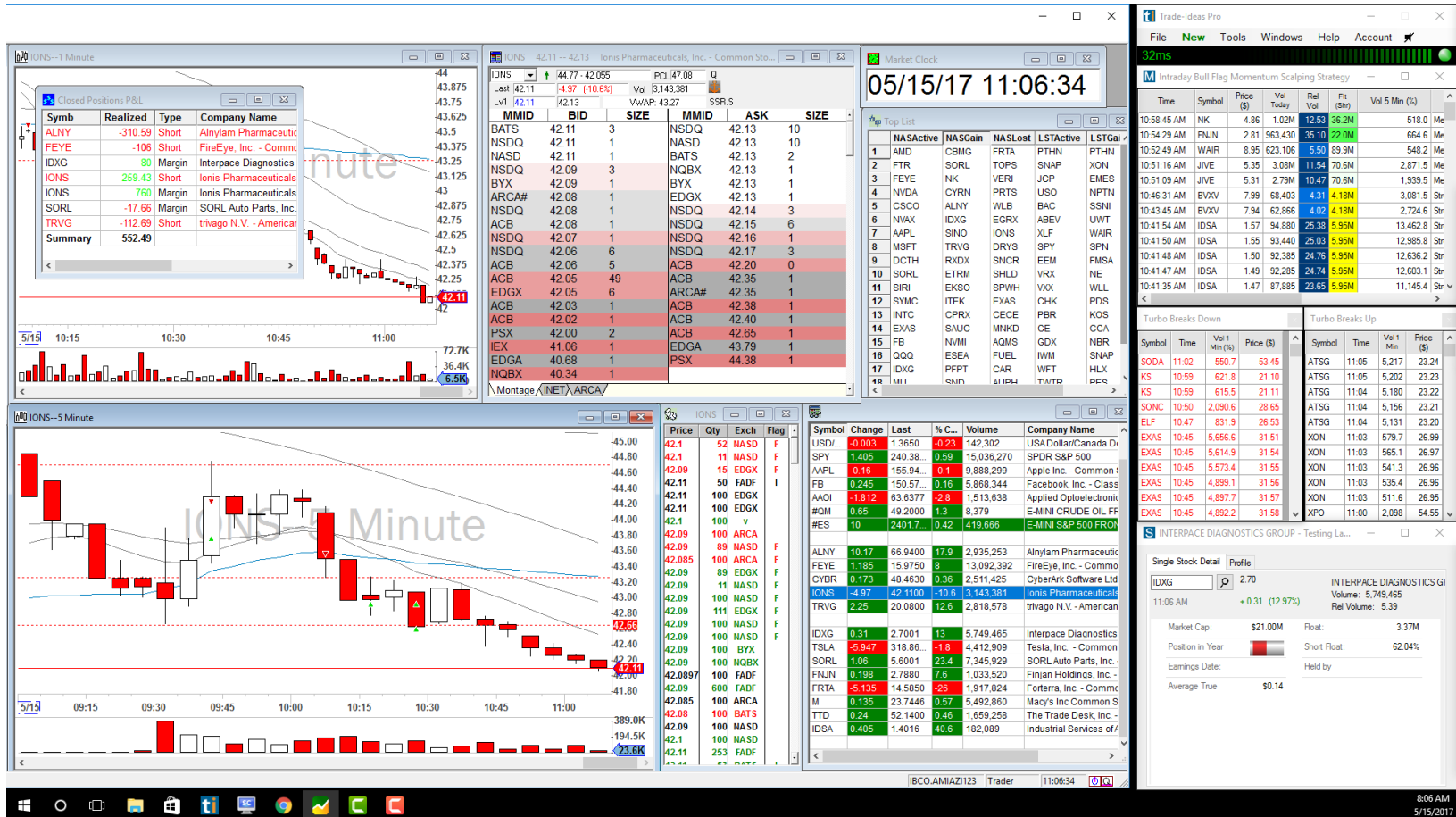
I thought trading was going to be easy and I knew all the basics, but in reality I managed risk poorly. I will work on this, and I hope my next attempt will be better.

Temporarily I will unsubscribe from the chat room - I am confused and want to take some time. I will join back shortly.

Thanks much.

Regards,

Good luck!



Support and Resistance Trading

- I use support and resistance as a technical level (for profit making or stop loss) mostly. Combine it with previous day close, VWAP, Moving Averages and ORBs.

