The Bella Scalp

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No relevant positions

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What is Trading Edge?

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+EV

- If I make this trade 100xs I make $
- Tag and measure your trades
- Tradervue is a good resource
- Edge can change
- 12/21 The Fed signaled change in policy
- A new market was born
- Constantly measuring whether you have edge in a trade

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What is a Structure Trading Edge?

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Structural Edge

- I have an edge over other market participants
- Hedge Funds, Institutions, Investment Banks, Family Offices, Sovereign Wealth Funds, Swing traders, Value traders, Mutual Funds, Asset Management Firms, other retail traders
- **This is the highest form of trading edge**

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How This Scalp was Discovered

"It's just down too much for this tape - see how they are buying? The sellers have to lose for a bit."

"It's just up too much for this tape- see how they are selling, this needs to come back in."

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How This Scalp was Discovered

Every day, no matter the market, no matter its trend, there are literally dozens of opportunities that fit this criteria.

We refer to these trades as "**Fall in your Lap trades**", these trades hit **us between the eyes.**

If we are observing, these are "**Easy Money**", excellent risk/reward opportunities.

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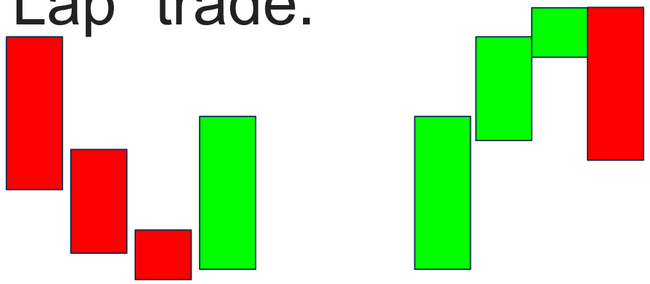
Edge Principles of this Scalp

What is this scalp and why does it work?

- Stock is “In Play” - see SMB definition for “In Play”
- Stock goes in ONE direction on open- BUT the WAY it goes in one direction matters a ton, it is primarily seen on the tape, but can also be seen in the chart.
- We are looking for a very obvious and substantial change in the tape offering us a “Fall in your Lap” trade.



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Rules of Entry

When an identifiable and consistent buying pattern ends, enter the trade.

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Entry Rules

ONLY enter when you see the distinct change on the tape (or on the chart). Ideally will be seen as a press that cant get lower (or higher) after the consecutive lower bars. Take the trade as soon as you see the tape fail to get lower, after its down or up “too much” and gives you an entry signal, on the chart its the first 1 min reversal, but really this is a tape trade.

Identify a very clear pattern in a direction- stock is going up 1$ pulling in only .15 and being bought, going up too much, pulling in too little and being absorbed on the bid then all of a sudden the bid is dropping, unlike it has the entire overly vertical, unsustainable move.

Stock has made an unsustainable move in that direction (too vertical from EMA, BBANDs, VWAP, ATRs, etc.) and then that buying pattern dissipates.

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Rules of Stop Placement for this Scalp

Stop is placed .02 below the low of the “turn” which for this trade will be the low of the day or .02 below the low of the day.

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Rules of Stop Placement

- **This is a hard stop trade.**
- .02 below the low, .02 above the high.
- The pattern is gone, it should be done.
- If its not, take the stop, reset - and see if the same pattern is still there, and if it is, then pay attention for the change again.

***It's best done with stocks that are less than $60 price for beginners.**

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Bella Scalp Exit Strategy (3 Waves)

In this trade, you scale out.

⅓ into “Wave1”

⅓ into “Wave2”

Remainder into “Wave3”

Paying attention to the price action the entire time and listen for the “waves” to give us our exits

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Bella Scalp Exit Strategy (3 Waves)

- We hit it hard.
- Stop is above the high.
- And we look for 3 moves.
- 3 waves of down moves.
- Taking off ⅓ into first down wave (goes down, stops, thats first wave.) Take off ⅓ into second wave. Take off rest into 3rd down move.

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Principles of Probability

Variables that can INCREASE the probability of this Scalp working

- If the pull back on the open is right into a key higher time frame support (for a long) or resistance (for a short)
- If the 1 minute bars are consecutively SMALLER as the price action goes in one direction

Variables that can DECREASE the probability of this scalp working

- If the volume bars are steadily increasing as the stock goes lower
- The stock has made more than 2 “corrective” legs during the up move, see example #2 for this

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Ideal time(s) of day for this Scalp

Open	Morning	Mid-day	Afternoon

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STOP!

There are reasons to NOT take this scalp- what are the keys?

- **If we cannot identify a very clear pattern in a direction driving the unsustainable move**

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STOP!

We are active short term traders.

For this trade, we are identifying someone who has other goals in the market, and for the way WE trade today, the sloppy way in which they are buying (or selling) this stock provides us with a pockets of inefficiency.

This inefficiency exists from the longer term player who is sloppy and overly aggressive according to the time frame WE trade.

They are not fighting for price.

They just don't care about OUR GAME.

They are buying in this manner because their objective is to make solid investments, where our objective is to make EZ$ Trades.

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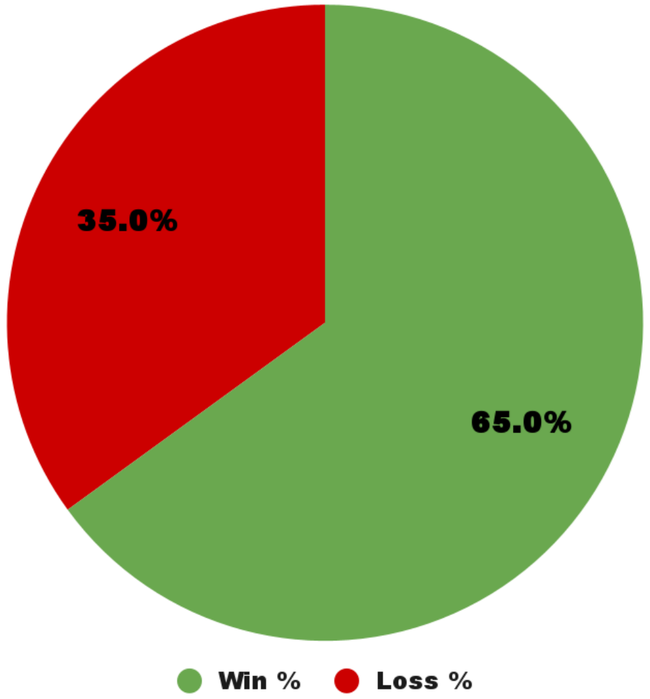
Required Scalp Stats

You want to see a 65% probability of profitability on this trade



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Required Scalp Stats

We are looking for 5X1 on the last piece, we won't always get it, but we are looking for that.

As you gain experience with this scalp you should expect these % to be higher.

Ideal: 65% win rate. Should be 1.5/1 R/R on average
Minimum you want to see: 50% win rate 1.5/1 R/R on average

This is a defined risk trade with an ideal to allow the price action to work for us looking at it as a 5:1 to the 3rd wave. We expect this because of the way the scalp "Falls in our Lap".

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Long Example 1

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Long Example 2

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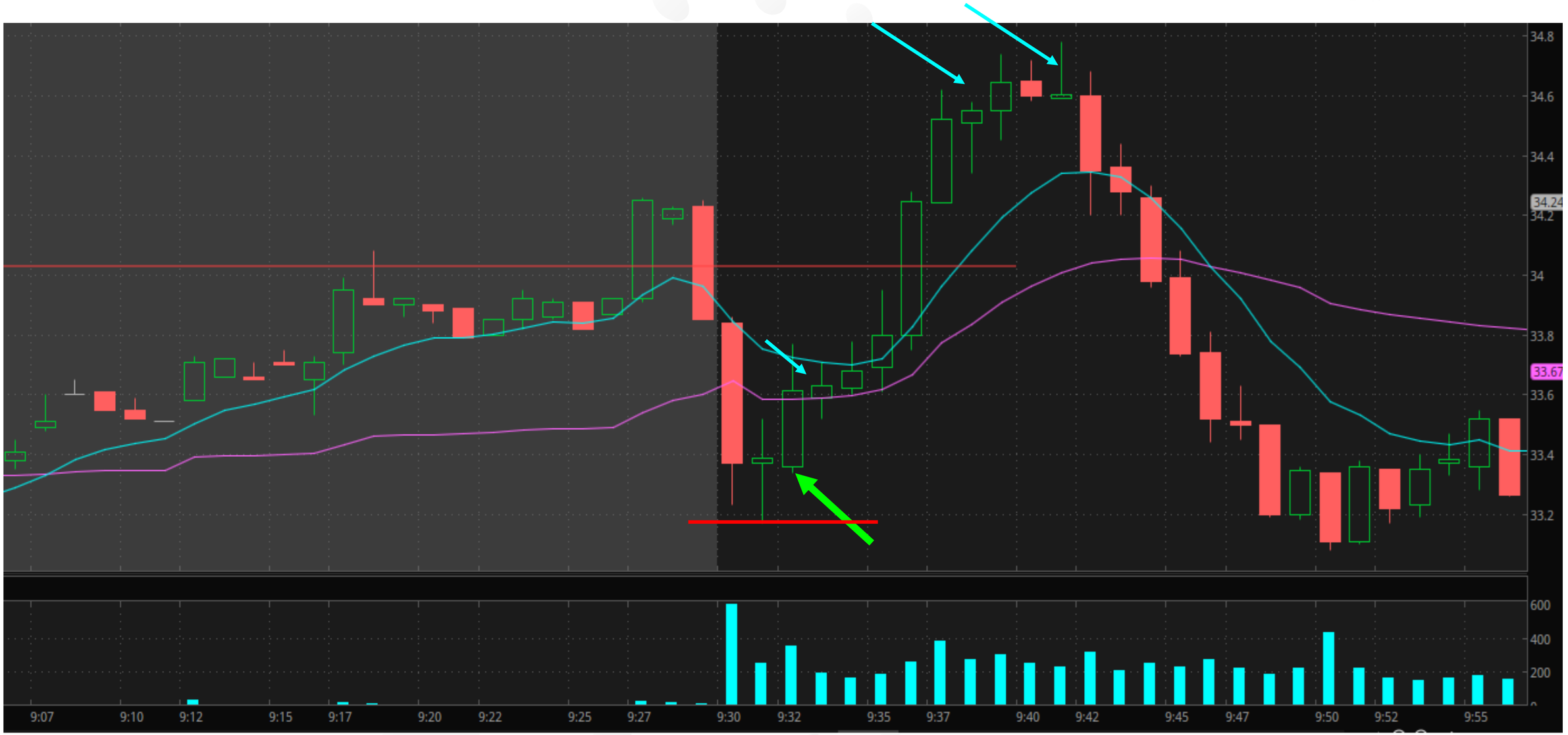
Long Example 3



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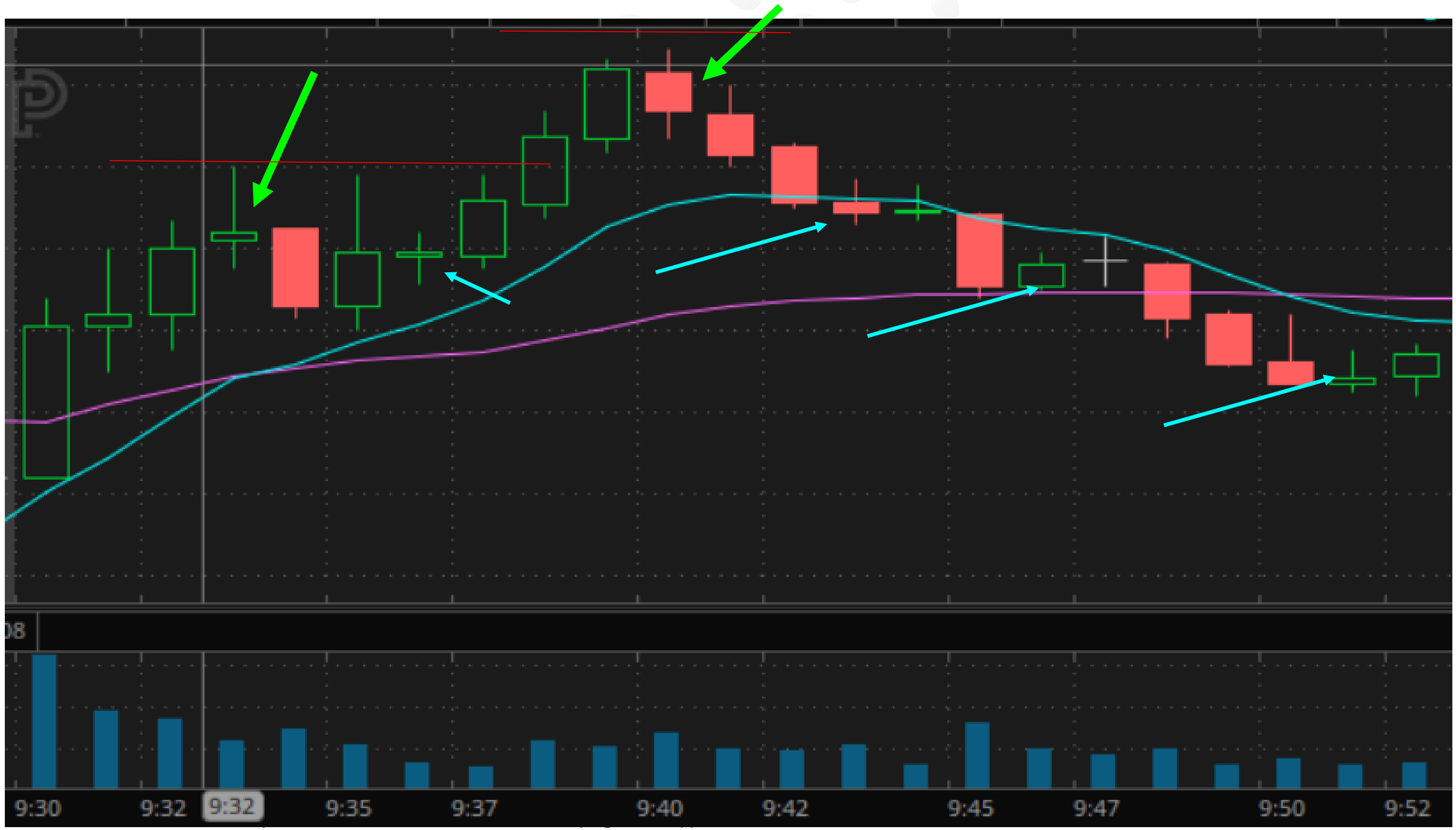
Short Example 1



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Short Example 2

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Short Example 3

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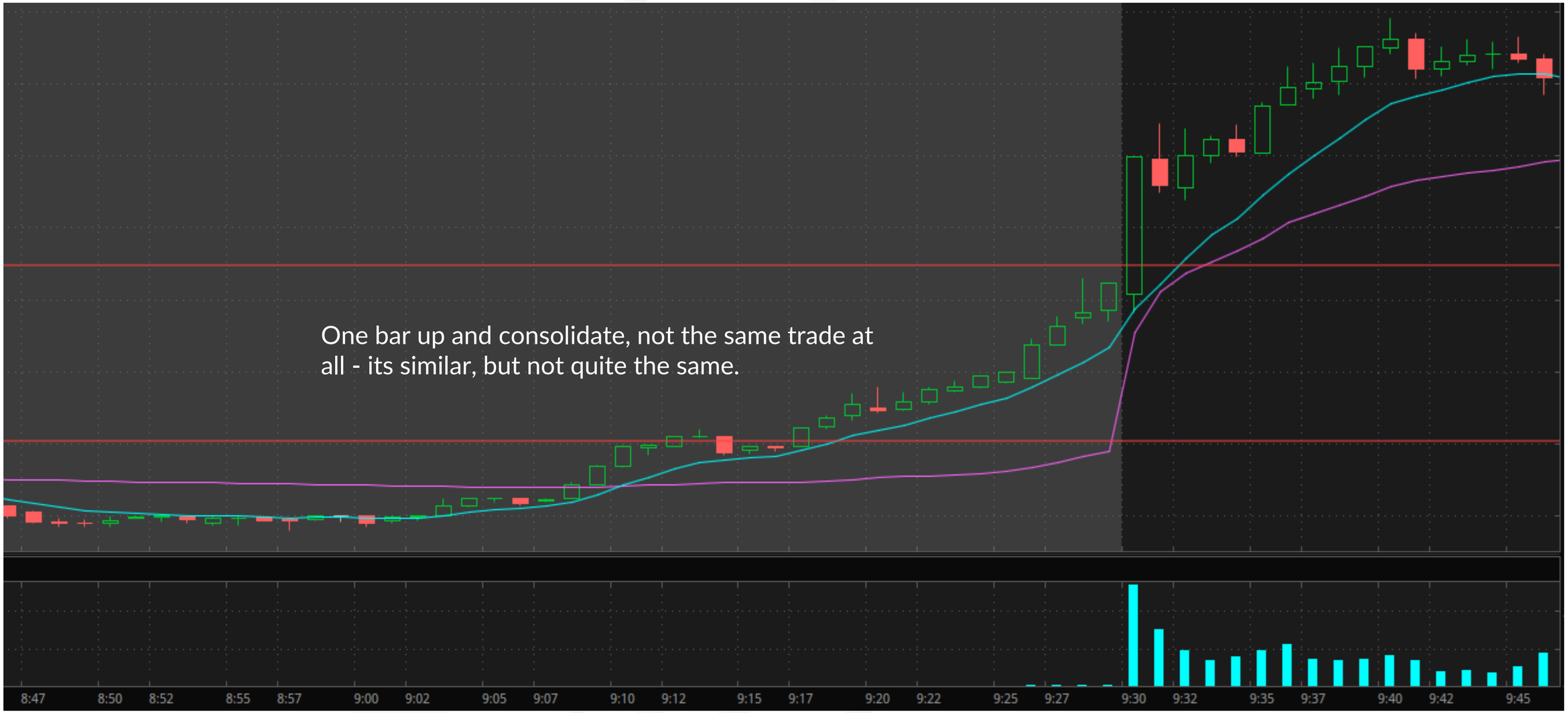
Similar but not quite.



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TECHNICAL ANALYSIS

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TRADE STRATEGY

- We are trying to identify some kind of buy program that is buying at unreasonable prices. We are defining unreasonable prices by % of ATR distance from VWAP. In this case, we are 42% of an ATR away from VWAP.
- When we see the price action show a change of character, especially on the tape, we want to enter a short, risking the HOD. In this case we see it at 10:13
- We exit this in 3 waves, exiting a third each wave.
- Stop is placed at HOD. If you get stopped out in this trade, you have not correctly identified the buyer lifting.
- Identifying an important long term technical level gives us a higher chance of the trade working in our favor, so we can size up on this trade.

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TRADE MANAGEMENT

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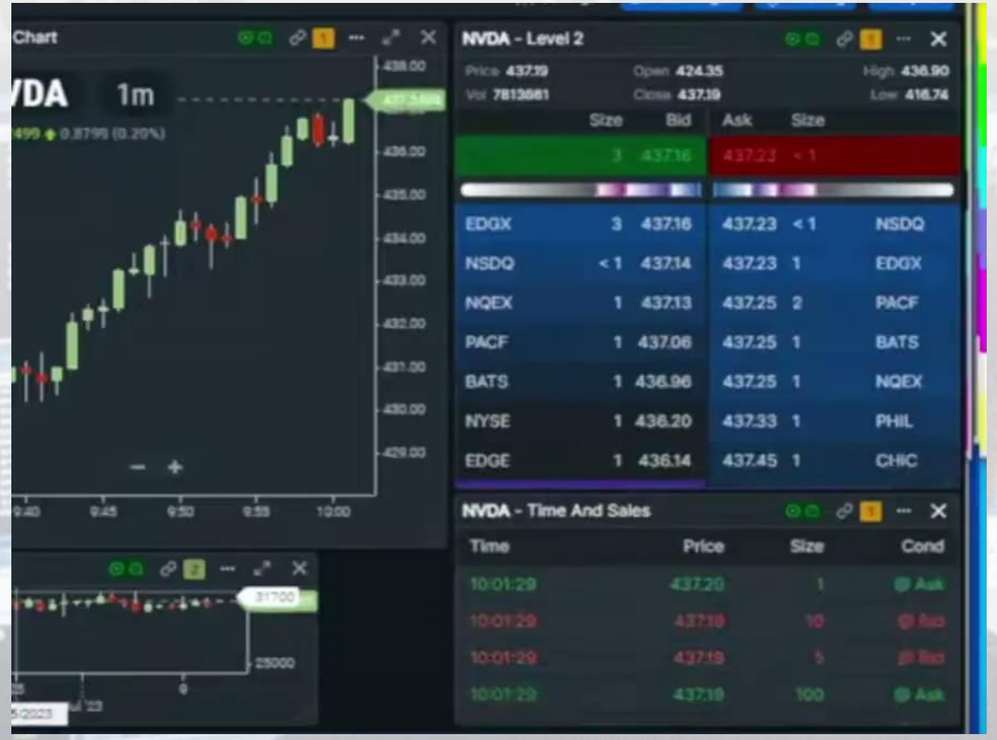
READING THE TAPE



- *Click 2x Speed*
- You can see a clear pattern on the tape. Sellers will briefly step down, but then instantly get hit up. You can see any seller attempting to step it down had a futile attempt, until there is a change.
- When it trades down to 438.50, you are expecting buyers to take it back up, but they don’t. That is our hint that the buying algo has stopped, and the change has occurred.

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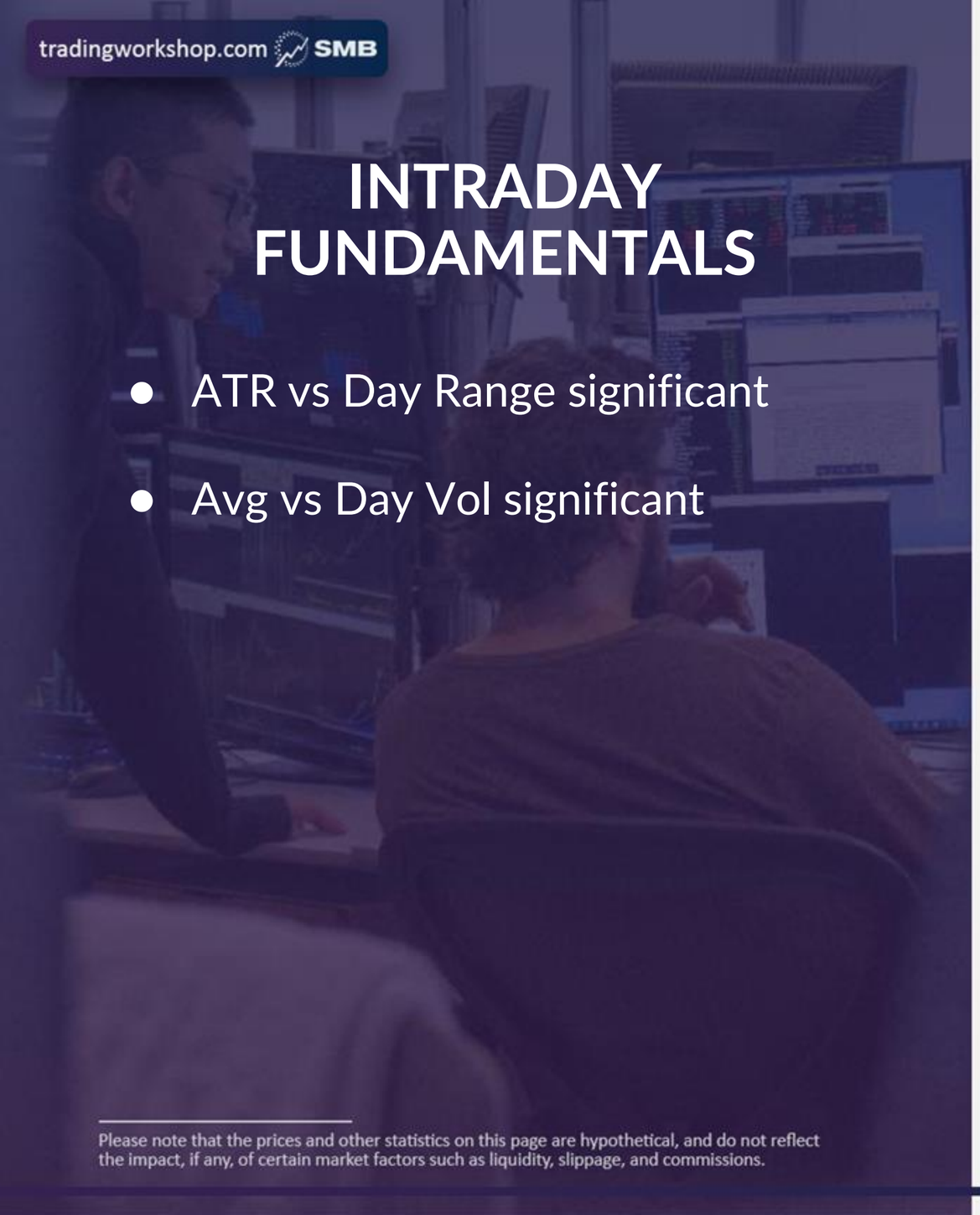

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INTRADAY FUNDAMENTALS

- ATR vs Day Range significant
- Avg vs Day Vol significant

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52 Week Range 58-121	**Shares Outstanding** 52.58B
ATR 3.05	**Day Range** 6.5
AVG Vol 19M	**Day Vol** 33M
Inst Ownership 59.3M	**Market Cap** 251B
Shares Float 2.55B	**Short Float** 2.26%

1m
Indicators
APLD · 1 O8.69 H8.69 L8.64 C8.67 −0.03 (−0.33%)
Volume SMA 9 14.658K
The real turn in this trade happens here. The persistent bidder pushes price into the resistance zone between 9.80 and 10 before dropping out
Sell 1/3rd of my position into the "first wave" – if you saw the real turn, this is the second wave
APLD rises slightly less than 1.5ATR's in the first fifteen minutes of the day
This point marks the end of the first wave and is the first place to cover 1/3rd of the position. I did not see a turn on the tape until here, so I entered when I saw the bidder finally let 9.55 drop
A third wave never comes for my entry, so I get flat on the reclaim of VWAP on elevated volume
Sell the second 1/3rd of my position after the second wave lower – this is the third wave if you saw the better entry point
10.00
9.80
9.60
9.38
9.20
9.00
8.80
8.67
8.60
8.40
8.20
8.00
7.80
99.133K
24
09:35
09:40
09:45
09:50
09:55
10:00
10:05
10:10
10:15
10:20
10:25
10:30
Date Range
13:59:28 (UTC-4)
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The Turn

7/24/23 - YouTube

- We get a failed breakout at 18:44
- Sellers push back to 9.65 support area
- Buyers just don’t drop this 9.65 support area
- This stock is overextended
- WTH is this 9.65 area being supported?
- And then the buying patterns changes
- Finally the buying pattern changes
- The Bella Scalp is placed
- **19:44 9.65 buyer drops and the stock goes down**

Build YOUR Bella Scalp (Success!)

- Define an unusual move based on price: ATR, distance from VWAP, green candles
- Time of the price action
- Time of day
- Define the change: Reading the Tape, break below prior red candle (1 or 2m)
- Exit strategy: We use waves
- Stop: Above the low/high
- Build alerts for this trade
- Measure your results
- **Do more of what works for you!**

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What is the #1 Mistake in Trade Reviews?

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Trading alone is a catastrophe

- Garrett/Nick/Tim alerts to model
- 4AM Strategy
- Quant and Dan G
- EZ Money Trade Review
- Breaking News Monthly Trade Review
- Mali/Dylan watch tape together
- Team Trading
- You don’t do anything great by yourself
- **Community!**

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Contact

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