

WARRIOR TRADING

Warrior Trading

CHAPTER 6. MOMENTUM TRADING STRATEGIES

PART 2: MID-DAY MOMENTUM

Momentum Entry Setups

The Gap and Go strategy offers 4 unique setups. Each setup is an entry opportunity with a pre-determined stop.

1. 1min Micro Pullback

2. Bull Flags/ Flat Top Breakouts

3. The First Pull Back (works on both 1min and 5min charts)

4. The Red to Green Move (typically traded on the 1min chart, but also works on the 5min chart)

Gap and Go Exit Indicators

Once we enter a Gap and Go trade based on one of our favorite setups, how long do you hold it? With Gap and Go trades, I usually have 10 cent stops, with 20 cent max loss. This means my profit targets are between 20-30 cents on average, with 40-50 cents being exceptionally strong, and 50 cents – 1.00 gains are monstrous.

If you are a scalp trader, you will typically sell based on Level 2 or Time & Sales. If you are a trend trader, you will sell when the first candles makes a new low, or goes red.

I will begin to sell if:

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Breakout or Bailout

Remember the Breakout or Bailout Mentality!

If it doesn't start working in the first 5min of entering the trade, I often just bail out breakeven. I expect immediate resolution from these patterns!

Momentum Trading Strategy

I love trading stocks gapping up and it's my go-to strategy for morning trades.

The Gap and Go strategy is a subset of the Momentum Strategy.

But often times there are opportunities to trade momentum throughout the day on stocks that weren't on the watch list as a gapper.

Also, once the Gap and Go trades are finished (usually by 10am), we start to look for momentum in the market anywhere we can find it. This means watching our Momentum Scanners.

Momentum (mid-day runner)



Momentum Trading Strategy

Gap and Go Stocks can become Momentum Stocks

Stocks on the Surging Up Scanner are often good for quick moves to the upside.

I look to get in Surging Up Stocks on the 1st pullback, I will also consider the 2nd pullback but rarely chase stocks beyond that.

The first pullback usually takes the form of a bull flag for a flat top breakout. These provide easy entries for quick profits. These trades are usually 5min-15min long.

We also apply the momentum strategy to Breaking News

How to Find Momentum?

We find Momentum trades on the HOD Momentum scanner. This is looking for stocks hitting new highs on high relative volume with a volume spike. Exactly the type of indicators of high retail trader interest.

We find Gap and Go with a Gap Scan, and Momentum Trades with the Momo Scanner.



Symbol	Time	$	T		Float	E Day		C %	%
PLNR	11:27	4.47	273K	3.35	19.36M		2.3K	8.8	2.2K
PLNR	11:26	4.45	267K	3.31	19.36M		2.0K	8.3	2.2K
JAKK	9:34	8.93	209K	45.9	12.04M		2.9K	5.1	1.1K
JAKK	9:34	8.88	208K	46.1	12.04M		2.9K	4.5	1.1K
JAKK	9:34	8.85	204K	45.1	12.04M		2.8K	4.1	1.1K
GBSN	9:32	3.89	504K	29.6	2.62M		5.6K	25.6	757
AAVL	9:32	20.00	1.69M	1.2K	11.60M		7.8K	-49	3.0K
AAVL	9:30	19.74	1.45M	11K	11.60M		4.4K	-49	3.0K
AAVL	9:30	19.27	1.38M	...	11.60M		3.3K	-50	3.0K

How to Find Momentum?

The key to the surging up scanners is that they are showing the stocks in the market right now with the most volume

At any given time we can check the surging scanners to see where the volume is. These stocks are often going to be in play and form patterns we can trade.

Remember, as Day traders, we are FOLLOWING THE VOLUME around the market. That's our job!

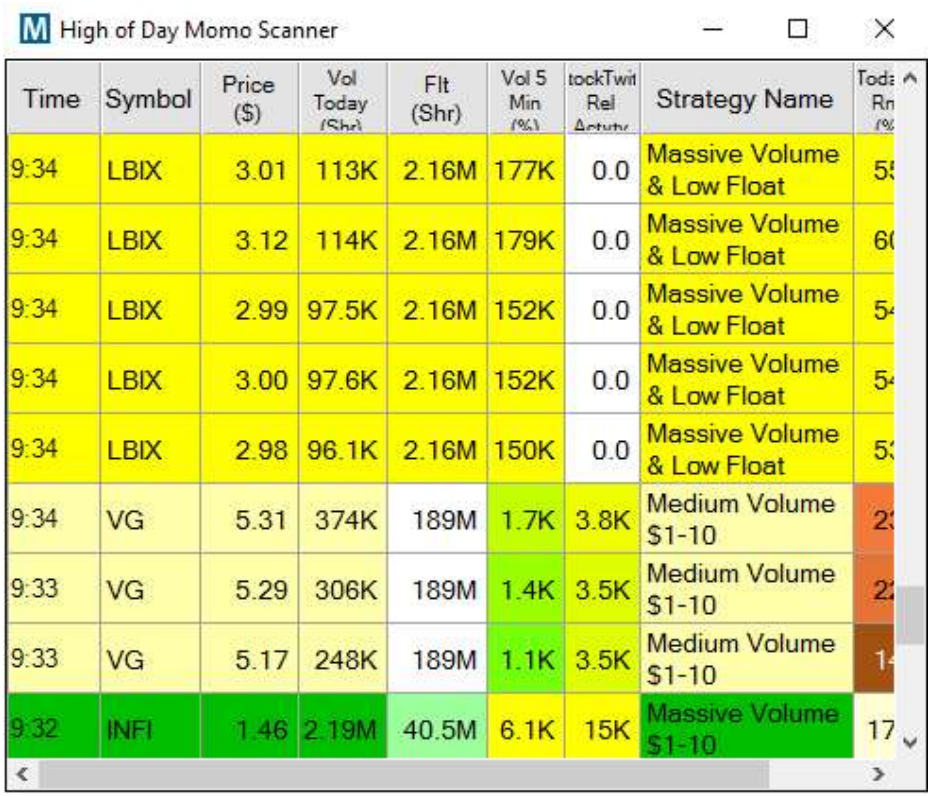
Learning to Read Scanners

Learning to read the High of Day Scanners is critical for momentum trading.

My Fav Scans

1) “Massive Volume & Low Float” is a powerful scanner.

2) “Massive Volume $1-10” is strong but doesn’t have the float under 10mil shares.



Time	Symbol	Price ($)	Vol Today (Shr)	Flt (Shr)	Vol 5 Min (%)	tockTwit Rel Activity	Strategy Name	Toda Rn (%
9:34	LBIX	3.01	113K	2.16M	177K	0.0	Massive Volume & Low Float	5
9:34	LBIX	3.12	114K	2.16M	179K	0.0	Massive Volume & Low Float	6
9:34	LBIX	2.99	97.5K	2.16M	152K	0.0	Massive Volume & Low Float	5
9:34	LBIX	3.00	97.6K	2.16M	152K	0.0	Massive Volume & Low Float	5
9:34	LBIX	2.98	96.1K	2.16M	150K	0.0	Massive Volume & Low Float	5
9:34	VG	5.31	374K	189M	1.7K	3.8K	Medium Volume $1-10	2
9:33	VG	5.29	306K	189M	1.4K	3.5K	Medium Volume $1-10	2
9:33	VG	5.17	248K	189M	1.1K	3.5K	Medium Volume $1-10	1
9:32	INFI	1.46	2.19M	40.5M	6.1K	15K	Massive Volume $1-10	17

Momentum Example

Multiple 9ema Pull Back entries. Also bull flag patterns.

These 9ema pull backs provide safe entries where you don't feel like you are chasing.



Momentum Example



Momentum Example



Momentum Trading Strategy

The Momentum Trading Strategy is a strategy for trading stocks that are already moving up or down quickly.

Time Frame: 9:30am – 12pm(sometimes allowing pre-market trading and sometimes continuing into the afternoon)

Stock Type: Low Float Stock (under 50mil share)

Range Today: Should already be up at least 10%

Requirements: Stock should have a Catalyst or be a former runner, but technical breakouts are okay.

Price Range: Price preferred between $1.50-10.00, but applicabale for all prices. Higher prices should be 5min patterns only.

Accuracy: 72% (based on my trades)

Profit Loss Ratio: 1.5:1 (based on my trades)

Finding Entries

I enter Momentum Stocks based on these types of setups.

1) Half Dollar and Whole Dollar Breakout

2) Bull Flag/ Flat Top Breakouts

3) Moving Average Pullback Entries (also flag patterns typically)

4) The 1234 setups. Looking for pivot levels to break

5) Breaking News & Halt Setup

6) Micro Pullbacks on the 1min chart

On all of these setups, clean daily charts without nearby resistance are preferred.

Low floats are preferred

High volume spikes are preferred.

#1 Whole & ½ Dollar Entries

When a stock is surging up on the MOMO scanner and I see it around 4.90, or 5.45, I will often take entries for the break of the ½ or whole dollar. Stocks surging into these levels often continue to squeeze when they get over the level.

My stop is ALWAYS 10 cents. Entry at 4.99 stop at 4.89. Entry at 5.49 stop at 5.39.

Using a 10 cent stop, I use the scaling exit strategy of selling ½ when I'm up 10 cents, and adjusting my stop to breakeven. I then slowly scale out of the rest into profit or at my stop.

#2 Bull Flag or Flat Tops

If I'm not able to get the whole dollar or half dollar entry, I wait for the first bull flag, flat top breakout, or pull back.

We want to see a strong run up (3-5 Green Candles), this is when a stock will be hitting the HOD scanner, then we want to see a small pull back 2-3 red candles.

As the Bull Flag forms, I buy the first green candle to make a new high vs the previous candle (typically based on the 5min chart, but sometimes the 1min)

I typically use a 10 cent stop here as well, and the same scaling strategy for selling.

#3 The MA Pull Back

When a bull flag takes too long to form an just goes sideways it ends up being a moving average pullback. This isn't always my favorite setup since it already shows some weakness because the stock wasn't able to continue the momentum right away.

With that said, sometimes our strongest all day runners pull back to moving averages then run higher.

My entry will be based on the first candle to make a new high after the tap of the moving average. I may also wait until the break of the top of the flag if a candle has already made a new high but resulted in a fake out. This sort of becomes a flat top breakout if I wait until the highs to break.

#4 The 1234 setup

In the ABC setup we look for a pull back, a small move higher, a second pullback, then the break of the top of the first move higher. As noted in chart to the right.

This setup requires waiting for the pivot level to break



#5 Breaking News Setups

There are often times in the middle of the day when we have breaking news that is huge.

It's important to realize that trading breaking news can give you your biggest winners AND your biggest losers. The reason is because stocks trading after breaking news are extremely volatile. You have to very cautious how you trade them.

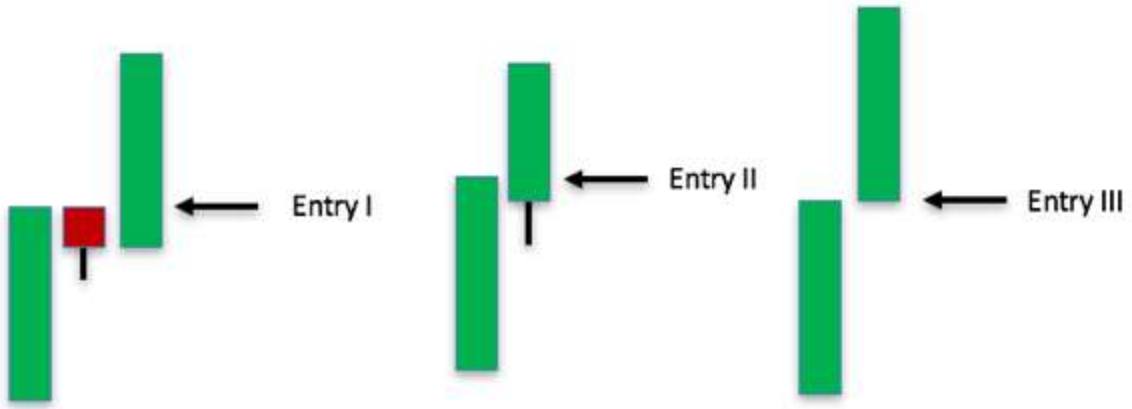
Remember that stocks can be halted pending news, and if a stock starts spiking on rumors, the company may have the stock halted so they can respond to the rumors. Stocks can also spike up on news and get halted on a volatility halt (5min halt to pause trading for stocks priced above $3 and that move more than 10% in a 5min period) Stocks under $3.00 have different circuit breaker rules, and S&P 500 stocks and Indices also have different rules.

Good Catalysts: Activist Investors Taking a Stake, Citron Research Reports, Adam F. Articles, FDA, SEC, Gov announcements, Legal actions,

Bad Catalysts: Takeover chatter (this is so vague, and rarely legitimate).

#6 Micro Pull Backs

Stocks surging up and hitting the HOD scanner will often offer brief, micro 1min pullbacks. These are buying opportunities to get into a strong stock. These are especially strong on stocks around half dollars and whole dollars, and on stocks with low floats that are starting to squeeze.



Momentum Exit Indicators

Once we enter a Momentum trade based on one of our favorite setups, how long do you hold it? Just like Gap and Go trades, I usually have 10 cent stops, with 20 cent max loss. This means my profit targets are between 20-30 cents on average, with 40-50 cents being exceptionally strong, and 50 cents – 1.00 gains are monstrous.

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Case Studies



No Follow Through (afternoon chop)



½ Dollar Break Micro 1min Pullback



1st 5min breakout, then 1min pullback



Whole Dollar Break micro 1min pullback



Time	Symbol	Price ($)	Vol Today (Shr)	Flt (Shr)	Vol 5 Min (%)	tockTwit Rel Activity	Strategy Name
10:18	GSI	1.95	136K	10.8M	2.4K	170	Massive Volume $1-10
10:18	GSI	1.94	132K	10.8M	2.2K	170	Massive Volume $1-10
10:18	GSI	1.93	127K	10.8M	2.0K	170	Medium Volume $1-10
10:18	GSI	1.90	121K	10.8M	1.7K	170	Medium Volume $1-10
10:18	GSI	1.87	116K	10.8M	1.5K	170	Medium Volume $1-10
10:18	GSI	1.86	112K	10.8M	1.4K	170	Medium Volume $1-10
10:18	GSI	1.85	112K	10.8M	1.3K	170	Medium Volume $1-10

Whole Dollar, Half Dollar, Halt, 1st an 2nd pullback



Bull Flag with 1/2 & Whole dollar breaks



Bull Flag with1/2 & Whole dollar breaks, and MA pullbacks



Bull Flag


Chart
ZAZA
5
* ZAZA, ZAZA ENERGY CORP, 5 (Dynamic) CD: 02-00
D 12/23/2014
T 14:30
O 2.52
H 2.54
L 2.51
C 2.54
VWAP 2.36
MA 2.49
MA 2.46
TO 2.09
BB Upr 2.53
BB Bas 2.45
BB Lwr 2.38
Vol 29082
MACDHist 0.02
MACD 0.06
MACDSig 0.04
3.48
3.05
Beautiful Flag on Surging Up Stock with Excellent Volume Pattern
Surging Up - v2: 10...
Sy...
ZAZA 39.2 2.7M 3,973
SNN 10.3 725K 419.4
15:00
24
10:00

Bull Flags and Flat Tops



Flat Top Breakout

High flying Flat Top / Bull flag, there isn't much of a pull back here which makes this a bit higher risk



Flat Top Breakout

Flat Top Breakout after consolidation above moving averages.

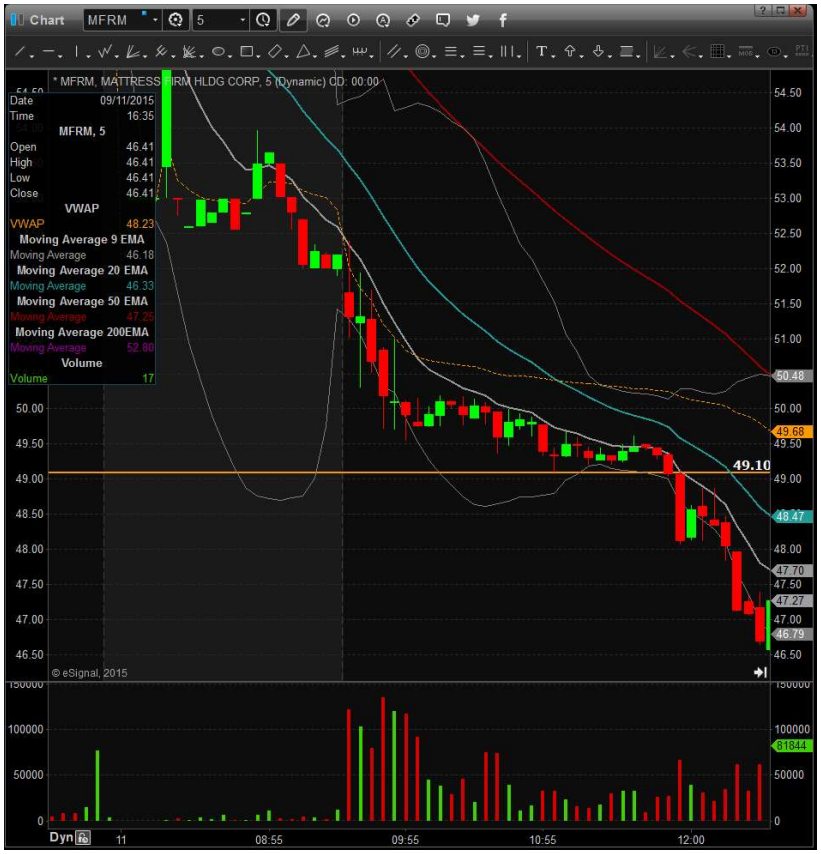
The entry here is at the breakout price of $55.00 with a stop of $54.90. It's a whole dollar setup and a flat top breakout setup.



Flat Top Breakout



Momentum (Flat Bottom)



Momentum


Chart
AIG
5
D 07/30/2015
T 14:45
O 64.40
H 64.41
L 64.37
C 64.39
VWAP
MA n/a
MA n/a
TO 64.42
Vol 97793
RICAN INTL GROUP INC, 5 (Dynamic) CD: 01:59
64.50
64.00
63.70
63.50
63.00
62.50
62.27
62.04
61.80
61.38
62.00
61.50
61.00
60.50
© eSignal, 2015
500000
250000
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10738
Dyn
10:00
11:00
12:00
13:00
14:00

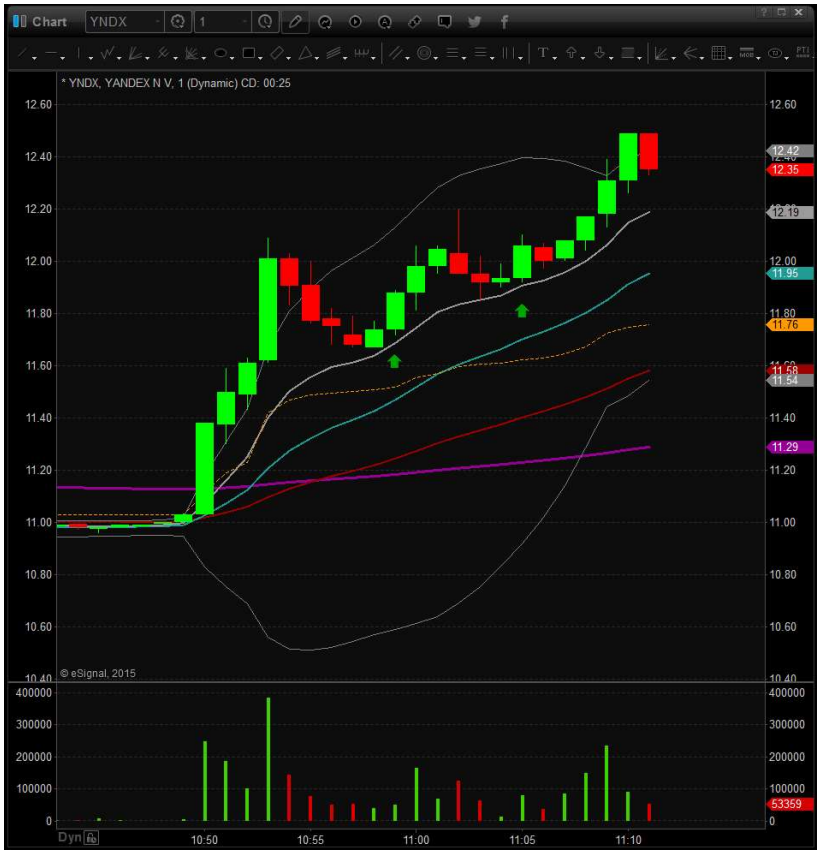
Moving Average Pullback



Moving Average Pullback



Moving Average Pullbacks



Momentum (shorting)



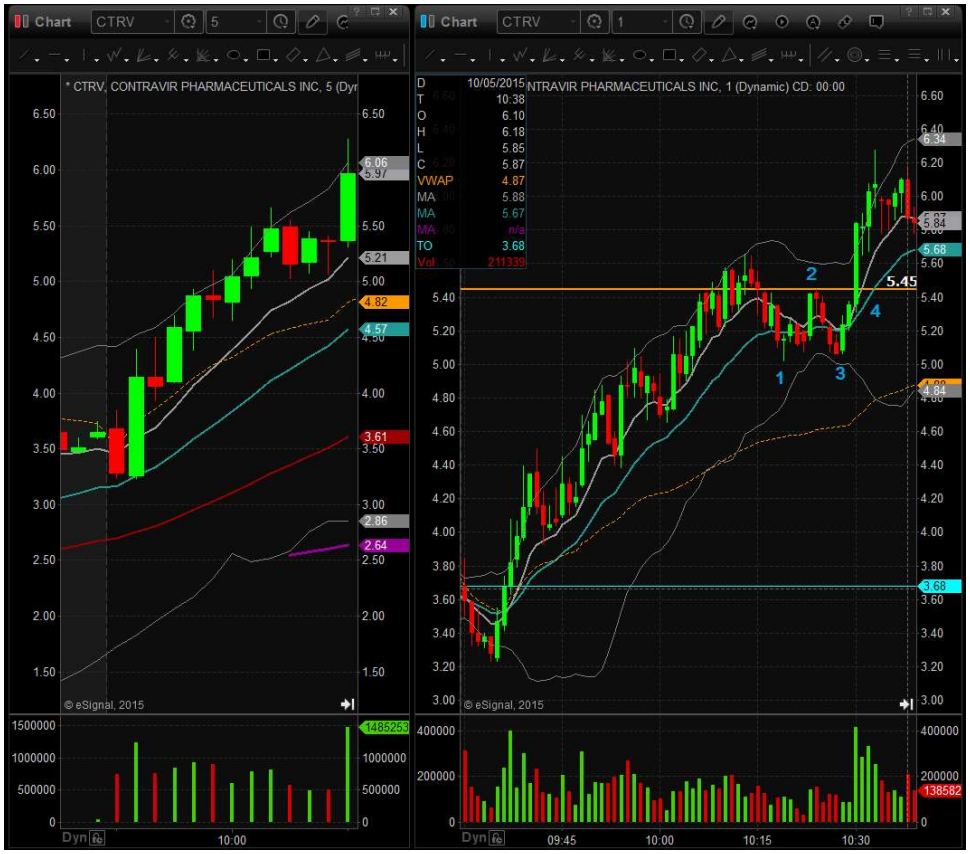
Momentum


Chart
ONCE
1
10/05/2015
19:01
O 52.50
H 52.50
L 52.50
C 52.50
VWAP 56.32
MA 52.87
MA 53.00
MA 54.90
TO 62.41
Vol 170
ARK THERAPEUTICS INC, 1 (Dynamic) CD: 00.00
© eSignal, 2015
Dyn
09:15
09:30
09:45
10:00
10:15

1234 Setup


Chart
AQXP
5
AQUINOX PHARMACEUTICALS INC, 5 (Dynamic) CD: 00:00
D 10/12/2015
T 19:50
O 14.80
H 14.80
L 14.80
C 14.80
MA 14.81
MA 14.84
MA 14.05
TO 13.19
Vol 171
20.60
20.33
19.22
1
2
3
4
© eSignal, 2015
Dyn
12
10:30
11:30
12:30
13:30
14:30
16:50

1234 Setup


Chart
CTRV
5
* CTRV, CONTRAVIR PHARMACEUTICALS INC, 5 (Dyn
© eSignal, 2015
Chart
CTRV
1
10/05/2015
10:38
6.10
6.18
5.85
5.87
4.87
5.88
5.67
3.68
211339
NTRAVIR PHARMACEUTICALS INC, 1 (Dynamic) CD: 00:00
5.45
1
2
3
4
© eSignal, 2015
Dyn
10:00
09:45
10:00
10:15
10:30

1234 Setup


Chart
VTAE
5
* VTAE, VITAE PHARMACEUTICALS INC, 5 (Dynamic)
© eSignal, 2015
Chart
VTAE
1
AE PHARMACEUTICALS INC, 1 (Dynamic) CD: 00:00
09/09/2015
T 10:03
O 14.11
H 14.15
L 13.86
C 13.93
VWAP 13.31
MA 13.97
MA 13.57
TO 11.20
1
2
3
4
© eSignal, 2015
Dyn
10:00
11:00
09:37
09:45
09:52
10:00

1234 Setup


Chart
PACB
5
10/08/2015
PACIFIC BIOSCIENCES CALIF INC, 5 (Dynamic) CD: 00:00
T 8.35
O 7.80
H 7.80
L 7.74
C 7.75
MA 7.92
MA 7.93
MA 7.82
TO 7.67
Vol 2600
1
2
3
4
© eSignal, 2015
09:00
10:00
11:00
12:00
13:00
14:00

1234 Flag Pattern



1234 Flag Pattern



$MBLY Breaking News Short



Short on Citron Tweet

$MNST Breaking News Short



Short on Citron Tweet

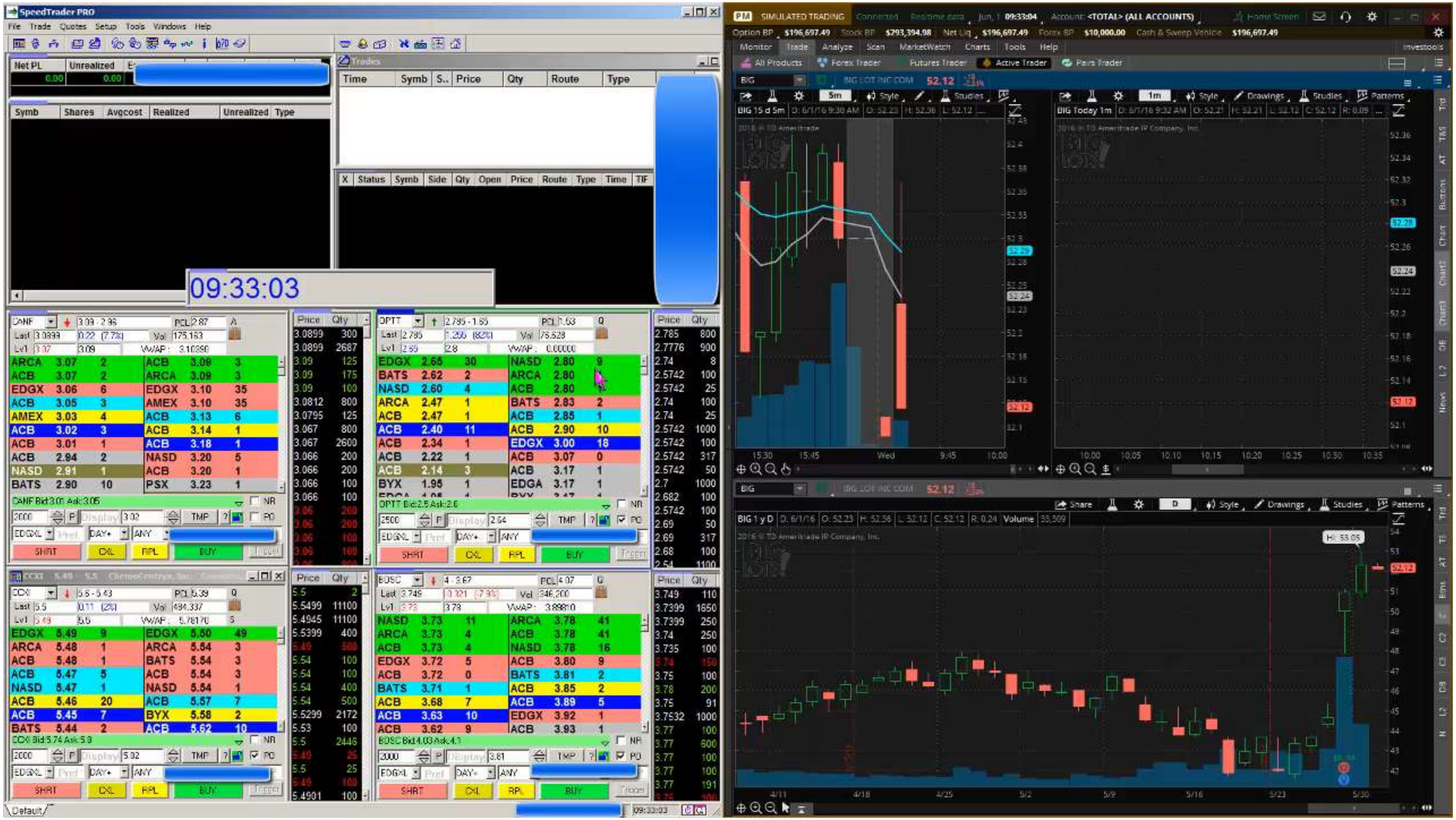
$WATT Breaking News Long



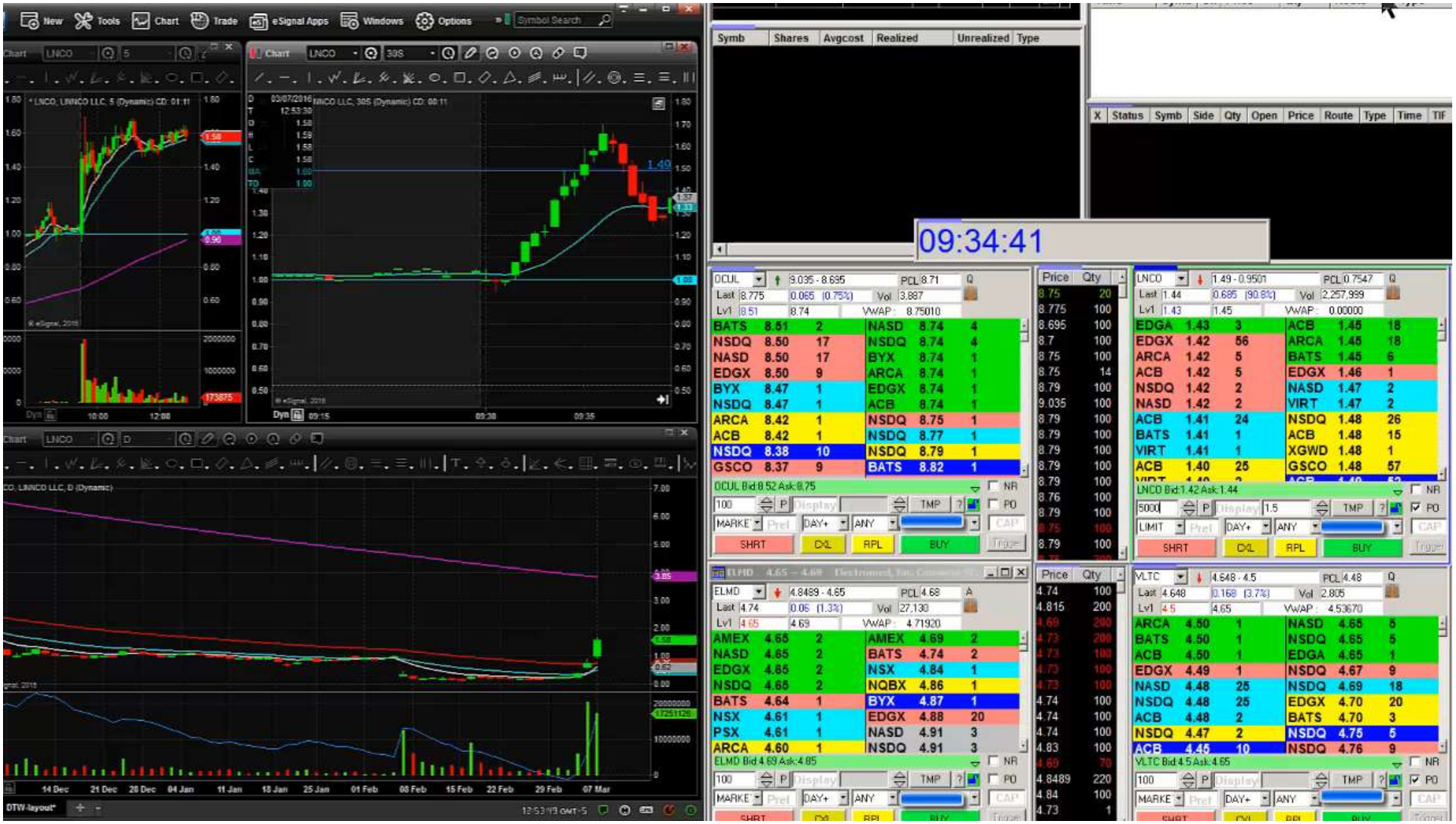
VIDEO Case Studies



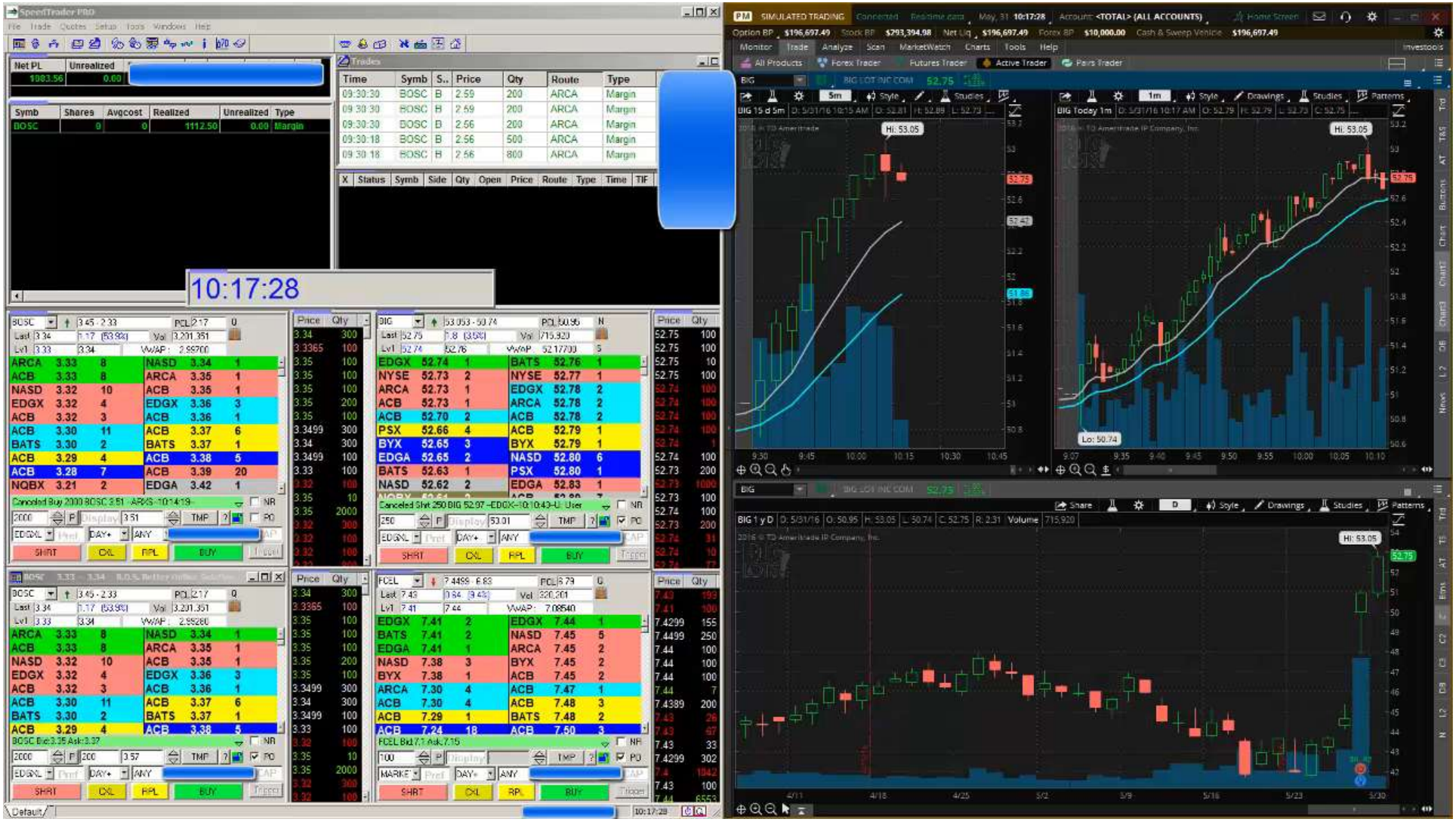
Whole Dollar Break then Short Squeeze $OPTT



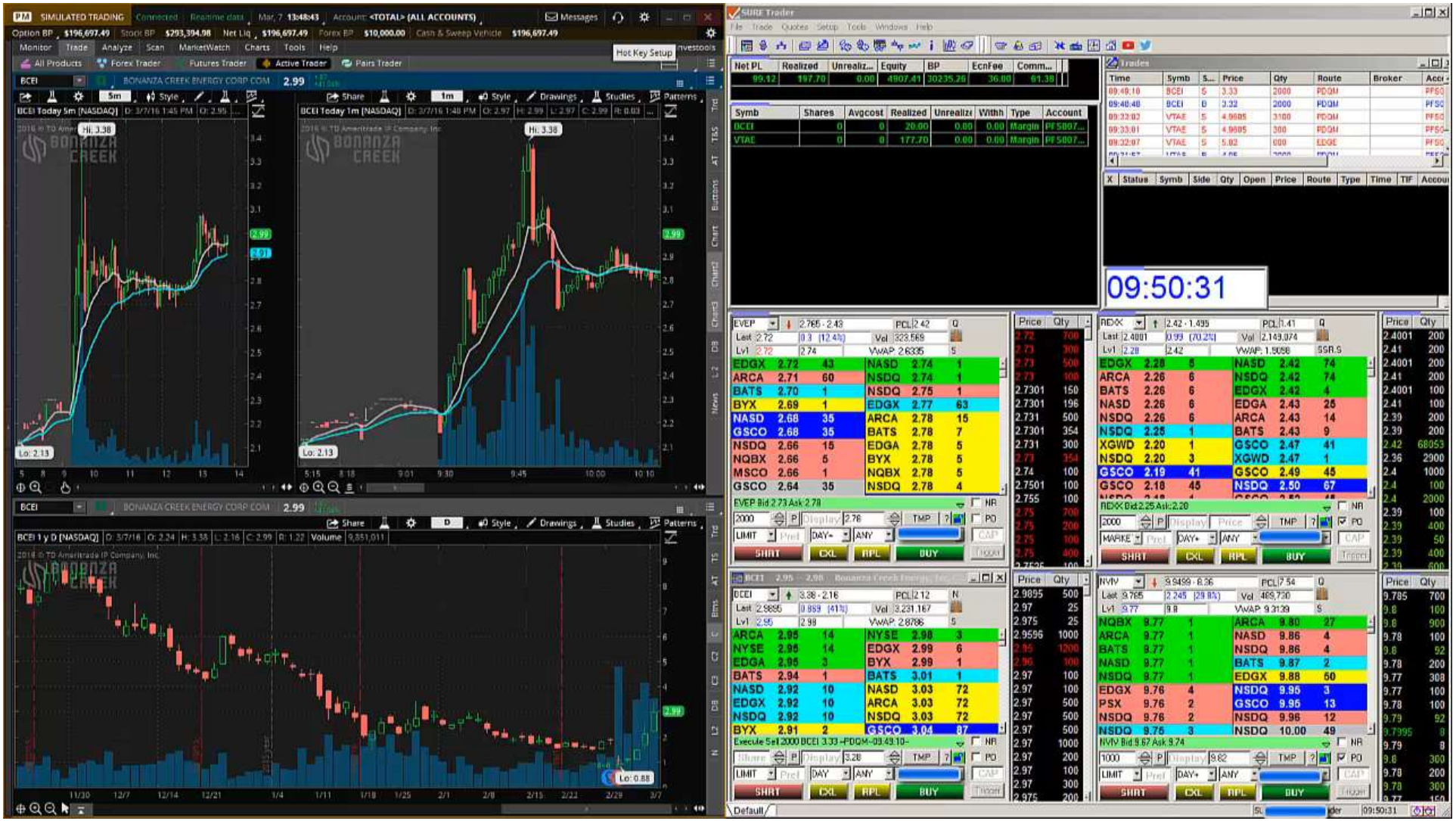
$LNCO half dollar break



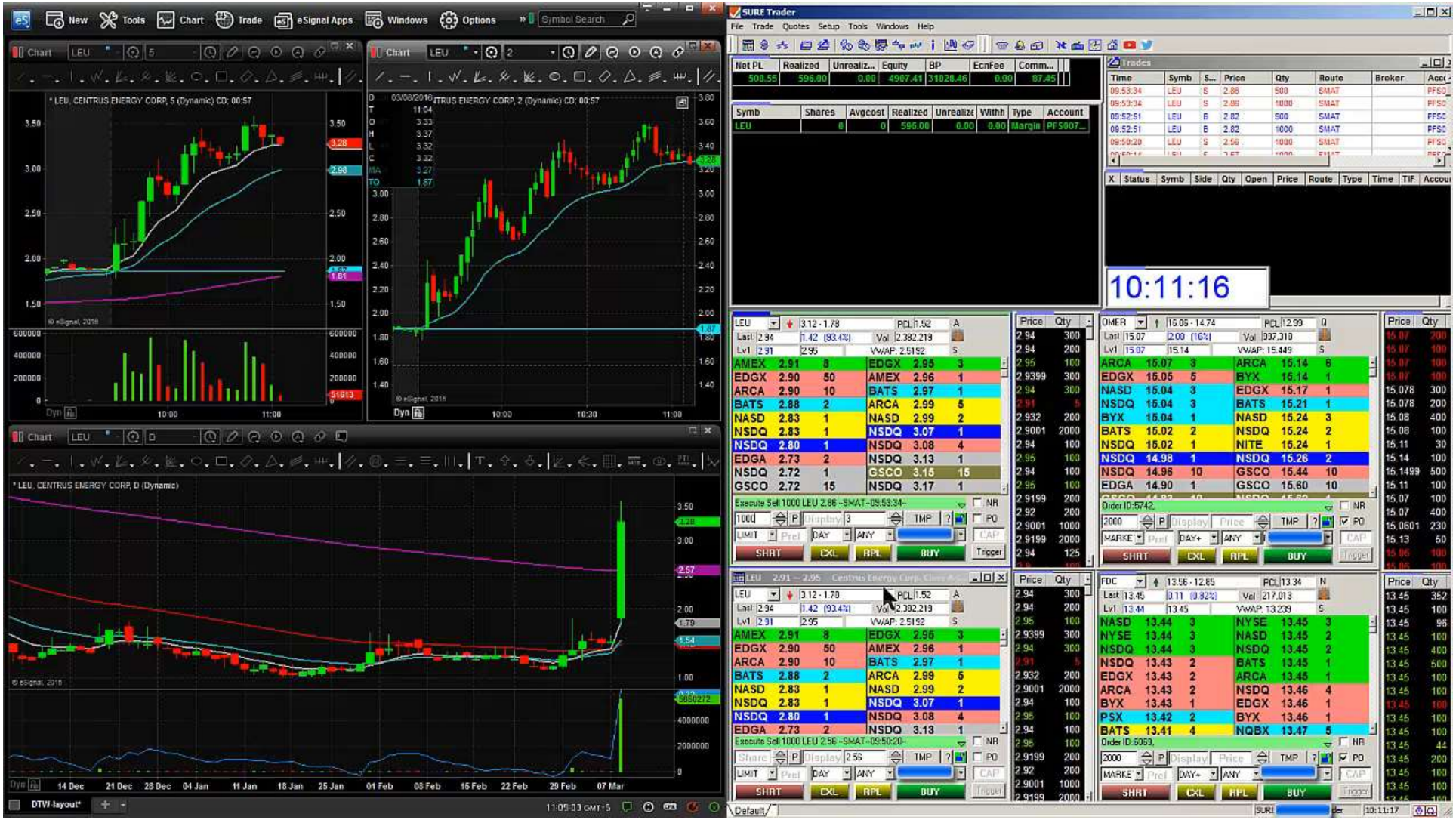
$BOSC half dollar break



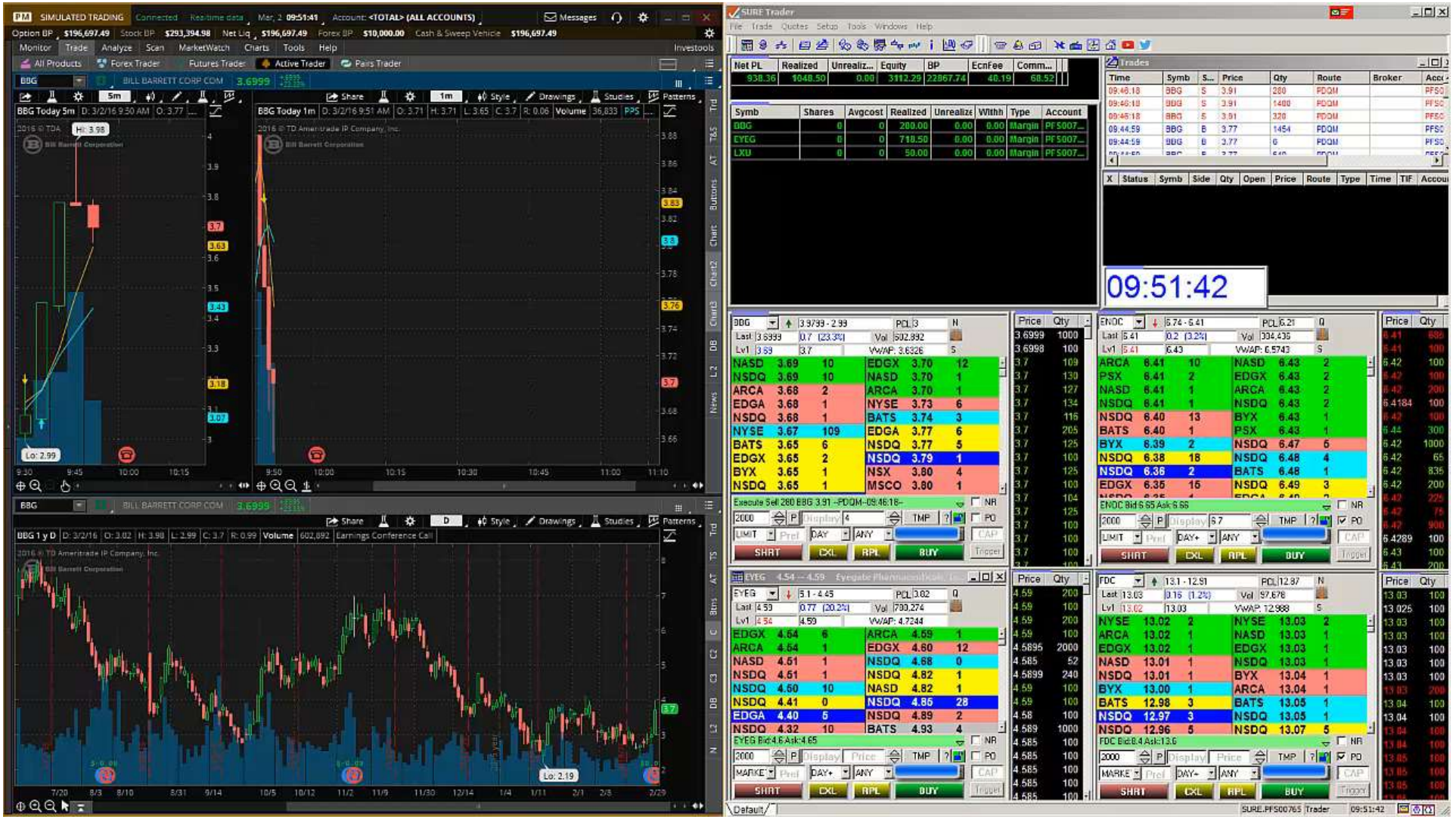
$BCEI Whole dollar break



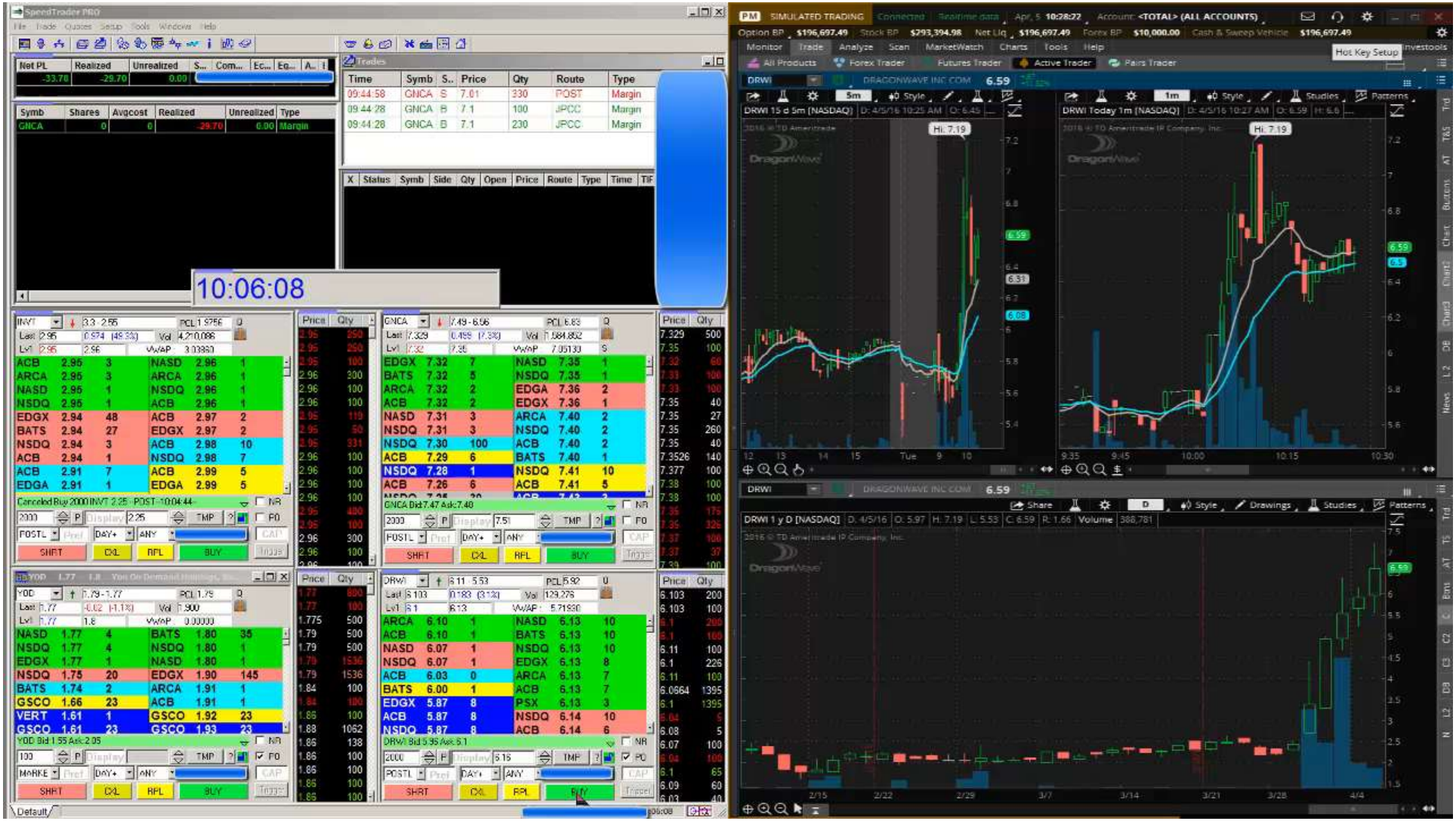
$LEU whole dollar break



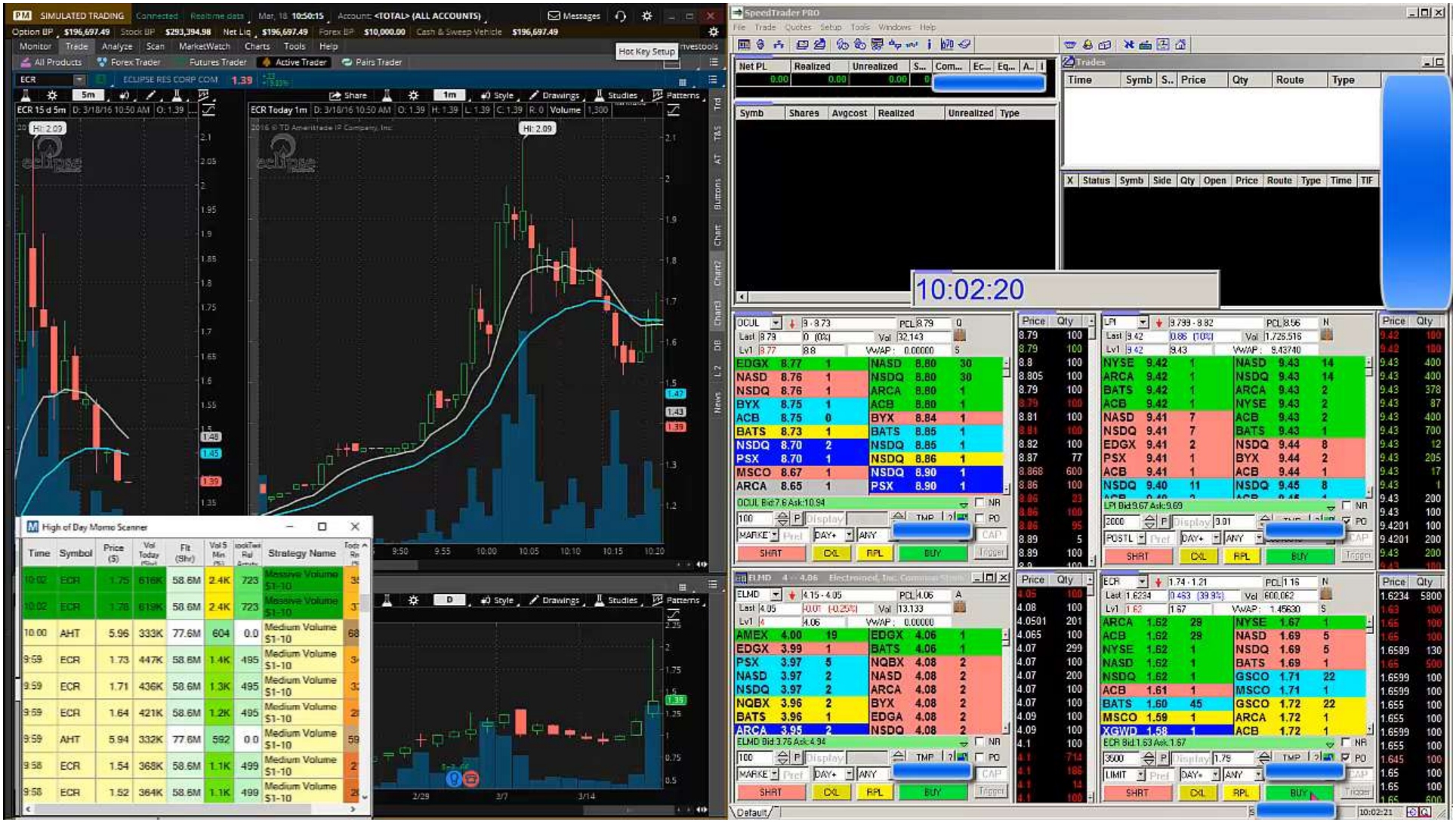
Bull Flag 5min Setup



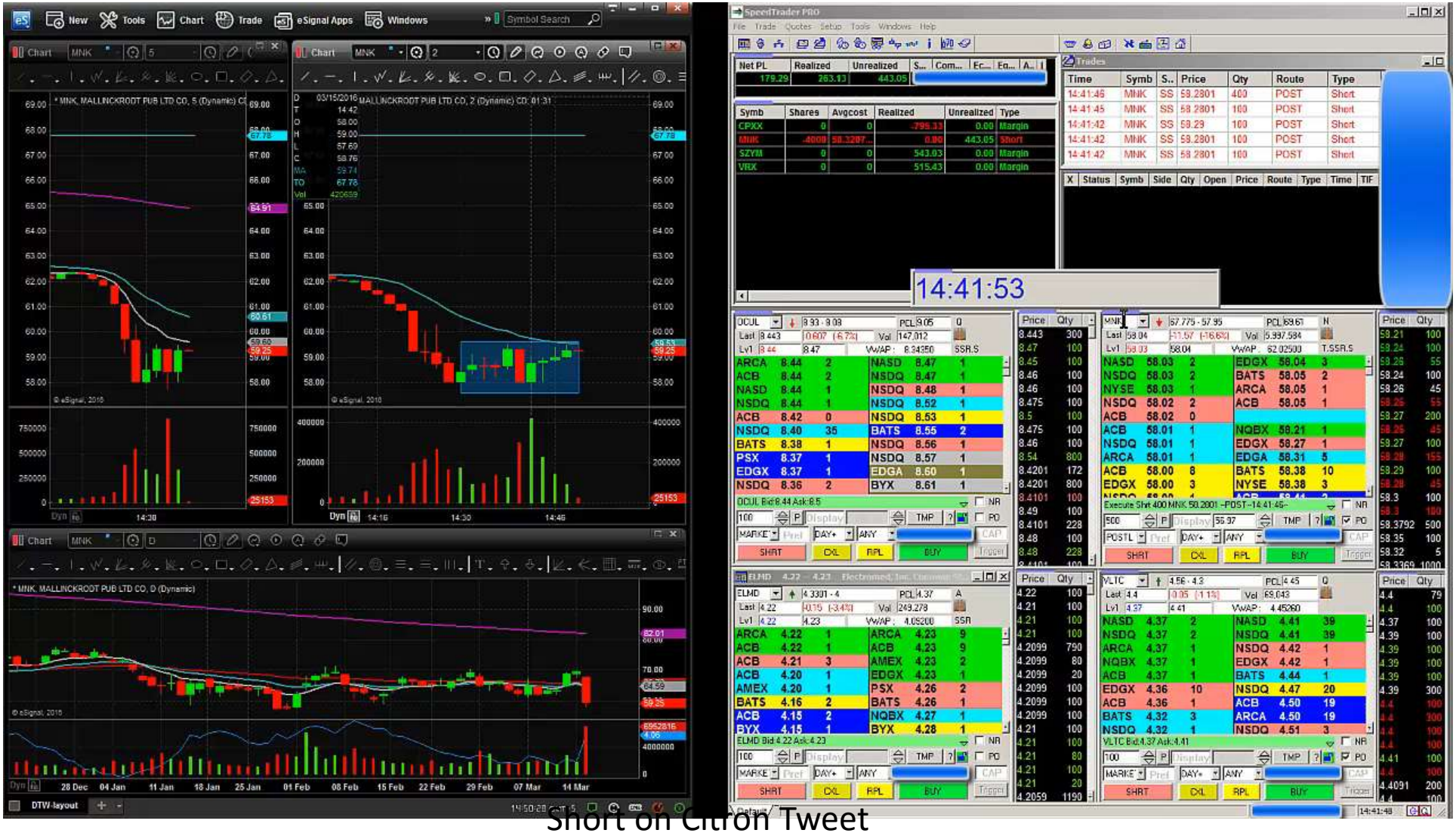
HOD Momo Scanners



$ECR Momentum (1st pullback)

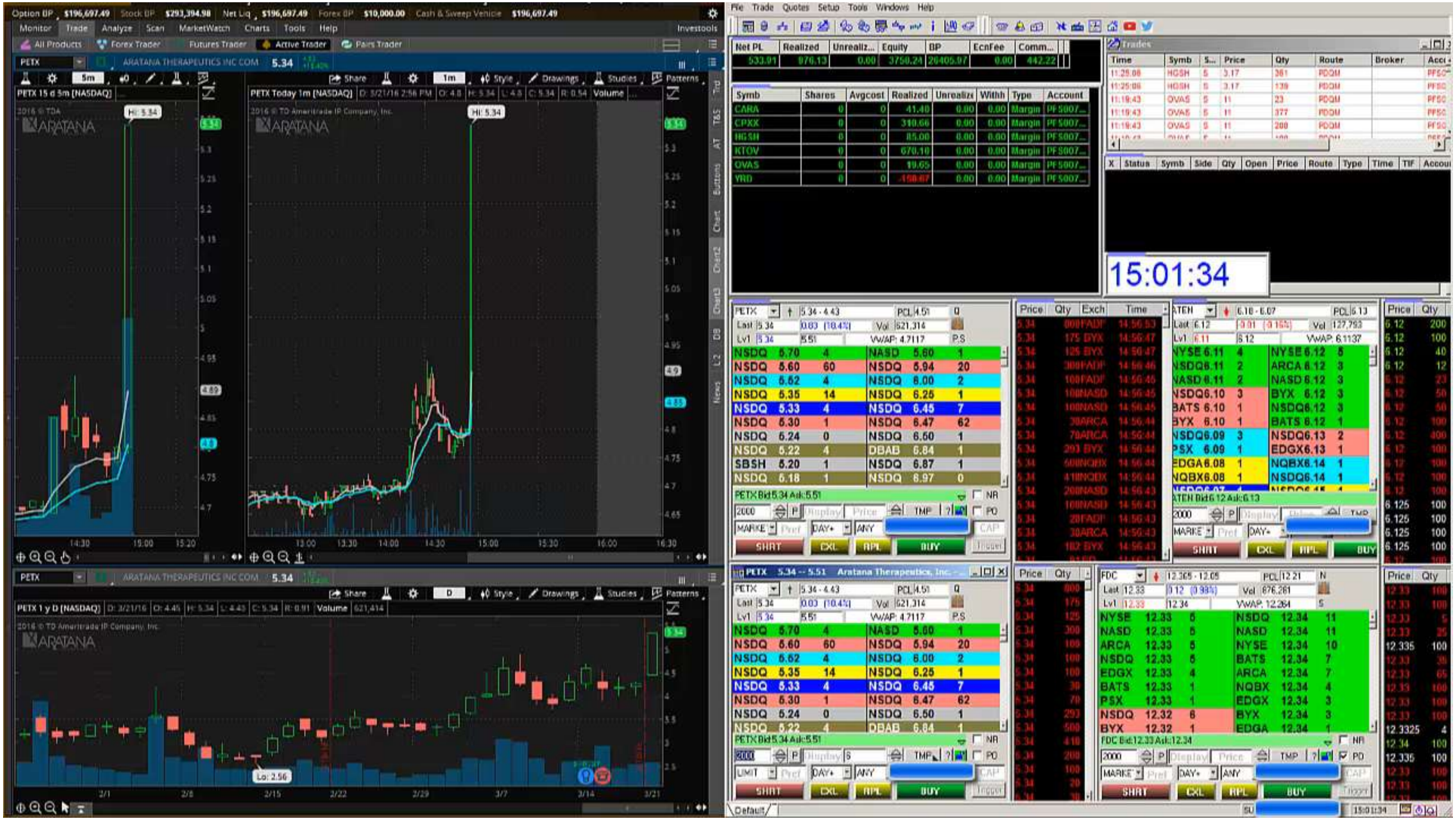


$MNK Breaking News Short - Citron

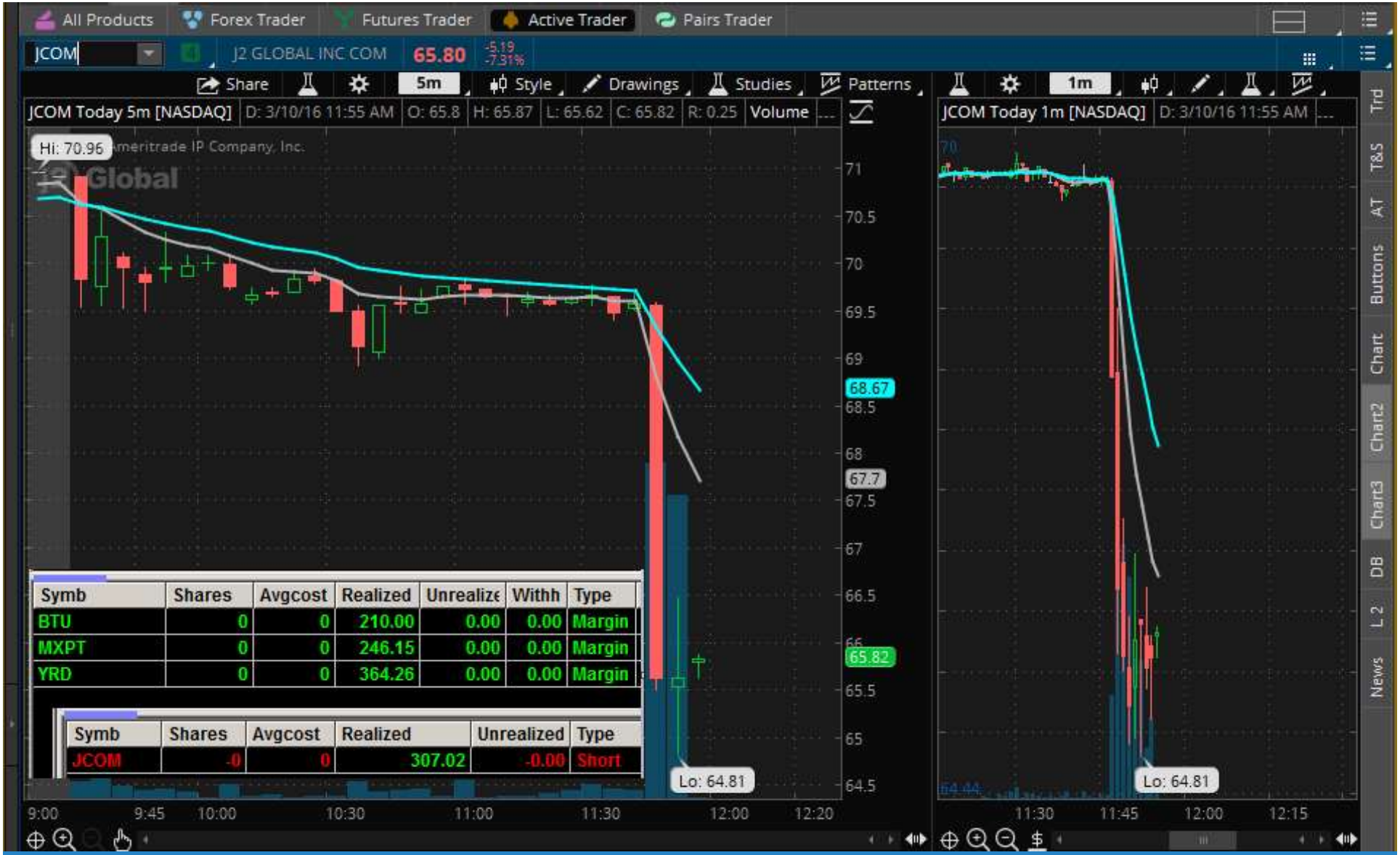


Short on Citron Tweet

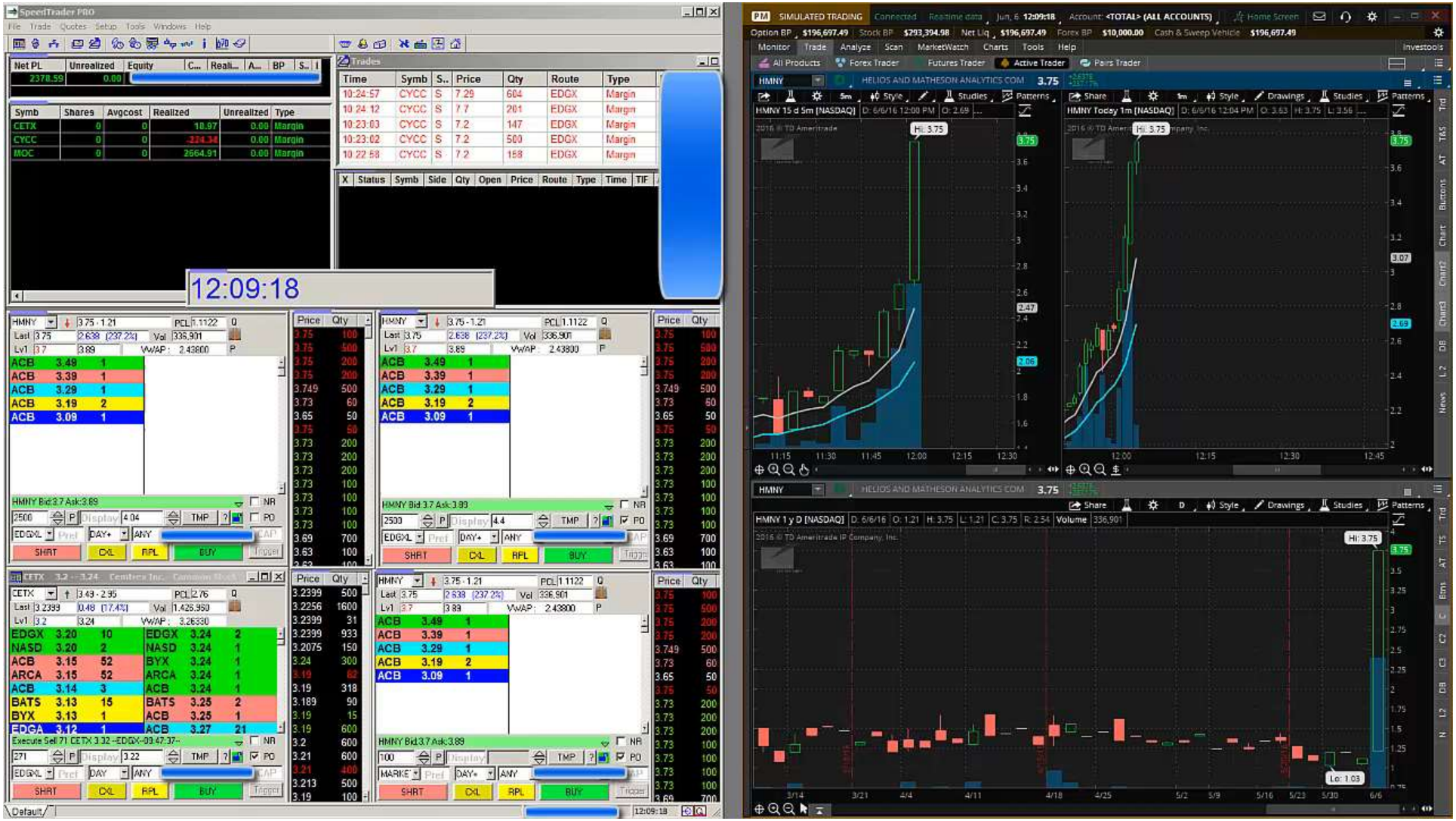
$PETX Breaking News – FDA announcement



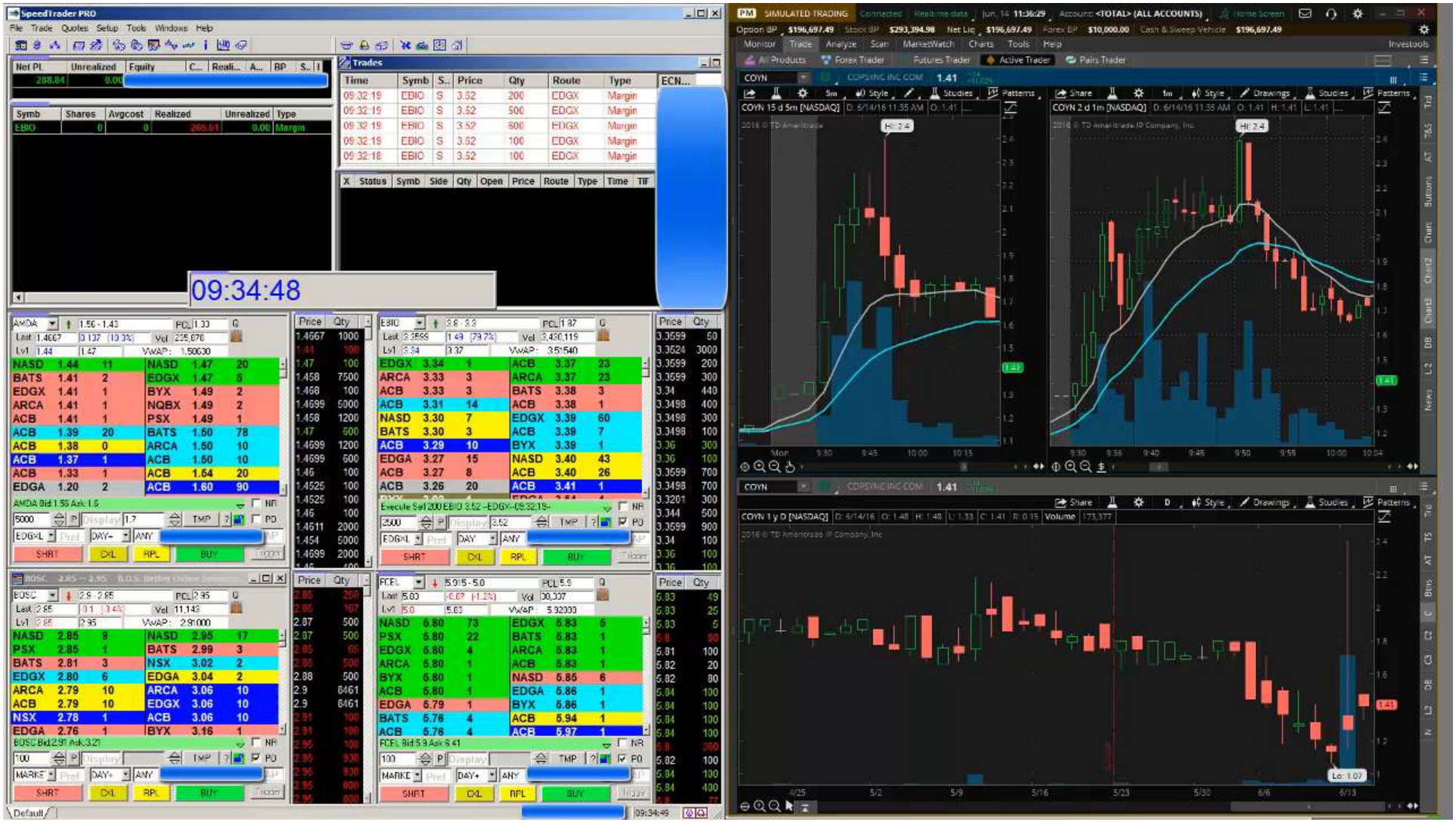
$JCOM Breaking News Short Citron



$HMNY Breaking News & Halt (acquisition/merger)



$3815 on 4 stocks in 2hrs



Extras & Links

Email me with questions ross@warriortrading.com