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# **Technical Analysis** Series

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Gap and Go Strategy	3
The Micro Pullback	7
Strategy Decision	10

Ross's results are not typical. Day trading is risky, and most traders lose money.

We do not track the typical results of past or current customers. As a provider of trading tools and educational courses, we do not have access to the personal trading accounts or brokerage statements of our customers. As a result, we have no reason to believe our customers perform better or worse than traders as a whole. You can read our entire disclaimer at <https://www.warriortrading.com/disclaimer/>. You can view Ross's broker statements at <https://www.warriortrading.com/verified-earnings-2022/>



## Technical Analysis Series

### Gap and Go Strategy

#### The Strategy

#### What is the Gap and Go Strategy?

My Gap and Go strategy is a momentum-based trading strategy that is designed to identify stocks "gapping up" in the premarket for potential trading opportunities after the market opens. "Gapping up" stocks refer to those that are trading at a higher price today, compared to the previous day's close. For example, if a stock closes at \$1 and then is trading at \$1.5 during premarket the next day, it would show up as a +50% gapper on my proprietary Gap Scanner.

This strategy lets me take advantage of very quick swings in the prices of low-float, high volume, stocks that are gapping up and have catalysts to fuel a bigger move. It's one of my favorite strategies because I can hit my daily goal in as little as 15 minutes, since most of the opportunities take place between 9:30-10 AM EST! I also like to use the Gap and Go strategy during pre-market trading.

#### Identifying Stocks

#### How do you find stocks for the Gap and Go Strategy?

Thankfully, my proprietary Gap Scanner does the heavy lifting for me, which is a custom stock scanner that I built to help me locate the best stocks for my Gap and Go strategy, each and every trading day! I've designed it with very specific criteria, and the best part is, it's available to Warrior Trading Community Members! Here is what it looks like:

Ross's Top Gappers: 15:52:00 - 15:57:00					
Gap(%)	Symbol / News	Price	Volume	Float	Relative Volume(Daily Rate)
59.57	DTST	3.39	67.81M	4.20M	832.93
28.44	NNVC	1.46	136.64K	10.94M	4.74
27.34	RGTIW	1.26	42.49K	22.59M	0.50
26.54	PHGE	0.84	83.91K	19.43M	4.06
21.43	UXIN	0.45	11.44M	397.38M	8.35
20.69	NLSP	0.63	129.59K	12.29M	1.86
20.26	LUNA	5.64	496.94K	31.12M	3.11
19.26	BTTR	2.30	173.71K	22.65M	3.06
19.16	AGRI	2.71	90.25M	13.03M	140.30
14.69	VS	0.61	4.97K	16.29M	0.20

#### Criteria

- Location: Warrior Trading Gap Scanner
- Time: Premarket and 9:30 AM - 10 AM EST
- Price: \$1.50-\$10 preferred (\$10+ still okay)
- Float: <50 Million shares
- Gap: ~20%+ preferred (5%+ still okay)
- Requirement: News catalyst or former runner

When looking at the Warrior Trading Gap Scanner, I like to analyze the gap percentage, price, volume, and float. These are the most important criteria that help me determine the best stocks to trade. For a stock to show on the Warrior Trading Gap Scanner, it will have to be gapping up over 5%, but I prefer to see stocks with much bigger gaps of 20% or more.

I like to give priority to stocks between \$1.50 - \$10 because they tend to make big intraday price swings of 30% or more. I will consider stocks outside of this price range as well if they meet all of the other criteria.

Arguably my most important criteria is the float, which is the number of outstanding shares available to trade in a stock, minus restricted shares or shares held by insiders and employees. I find it to be a very critical piece of information because it tells me how much supply is available to be traded on the open market.

The lower the float, the more reactive the price will be to an increase in demand, which is why low float stocks with positive catalysts and high relative volume tend to move so sharply. I like to see floats under 10 million shares, but I may consider stocks with floats of up to 50 million shares. I don't have a minimum float--the lower, the better!

After reviewing the scanner data, I will look at the stock chart to identify if it is strong or weak from a technical standpoint. For example, I may look at the daily chart to see if the stock is above or below its 20, 50, and 200 EMA. I like to avoid stocks that are below those moving averages, but I have found that stocks above those moving averages can make for great Gap and Go trades! I also want to see a strong premarket chart that has the potential to breakout above the premarket high. If there is a premarket bullflag, that's even better!

## Create a Trading Plan

### How do you trade the Gap and Go Strategy?

Once I have identified the stocks with the best criteria, I will create a trading plan for executing and managing the trade. I always start by thinking about my risk and how I will manage the trade if it doesn't go in my favor. My breakout or bailout mentality really shines here because I enter every trade with the intention of seeing immediate resolution in my favor. I generally would not wait longer than 5 minutes for a trade to start working. If it's not doing what I expect shortly after I enter, I will cut the trade! Not only does this help me to keep my losing trades small, but it also encourages me to trade only when I'm most confident in my analysis.

Generally, I like to enter the stock as it is crossing above the premarket high, or the high of a premarket bull flag. These are levels that many other traders will likely be watching, and we tend to see strong increases in volume and price when they are crossed. A move through either one of those premarket levels would be my entry trigger for the trade. Once I have determined my risk and the premarket level I want to use for an entry trigger, I will get my order ready to execute in my broker software.

## A Great Trade

For example, in the chart below, we see two yellow trendlines. The first yellow trendline helps us identify a bull flag pattern that formed during the pre market session, and my ideal entry would be as it crosses above that line. The second yellow trendline helps us identify the premarket high of \$20, which I would use as an entry point once the market opens and the stock crosses the level.



Here is another example of a stock that broke above both the premarket bull flag, as well as the premarket high, and went on to make for a great gap and go trade! It's definitely great when a bull flag pattern aligns with the premarket highs, which gives me double the reason to like the setup!



## A Trade to Avoid

On the other hand, here is a stock that I would have wanted to avoid because it was far off its premarket highs. It was also at the lower range of the premarket bull flag. Both of these signals tell me that the stock is likely not going to move higher after the open, so I would not consider it for a Gap and Go trade.



## Exit Strategy

In terms of my exit strategy, I always like to aim for a 2:1 profit/loss ratio. That means that if I am risking \$0.10 per share on the trade, I want to aim for at least \$0.20 per share in profit. On 10,000 shares, this would mean risking \$1000 to make \$2000. I would begin exiting the trade once these targets are hit. There are definitely other reasons I would consider exiting a trade though, such as:

1. Heavy resistance on the level 2 in the form of a big sell order
2. Slowdown in buying on the level 2 and time and sales
3. First red candle while trading on a 5 minute setup

These are general guidelines that I like to follow when I trade my Gap and Go strategy. However, what I ultimately decide to do with a trade will depend on the specific situation! The in's and out's of the strategy are covered in significant detail within the Warrior Pro course, which will be the best way for you to learn how to master the Gap and Go strategy.

### Checklist

- Identify stocks gapping over +5% using Warrior Trading Gap Scanner
- Prioritize stocks with the best criteria
- Determine the catalyst
- Analyze the daily chart for strength/weakness
- Analyze the intraday chart for premarket highs and premarket bull flag highs
- Determine potential entry points
- Prepare orders for execution so they are ready to go



## Technical Analysis Series

### The Micro Pullback

Micro Pullbacks are  
Momentum Trades

The Micro Pullback is a specific entry setup that falls within the general strategy of momentum trading. I am a momentum trader, which means I buy stocks that have already started moving up. In other words, I often buy high and sell higher. However, when a stock is moving up quickly, it's very important to manage the risk of that trade by getting entries after some type of pullback. That's where the Micro Pullback comes in.

With a small account, I'm focusing on 1 trade a day. After all, one trade a day is the small account way. However, it means I need to have a high degree of certainty in the momentum of the stock I'm trading. The Micro Pullback setup is one I generally only apply to stocks that are moving quickly and look very strong, therefore, it is inherent that I feel pretty good about the setup, otherwise I wouldn't even be considering the Micro Pullback.

General Criteria for  
Micro Pullbacks

#### General Criteria for a Micro Pullback Setup

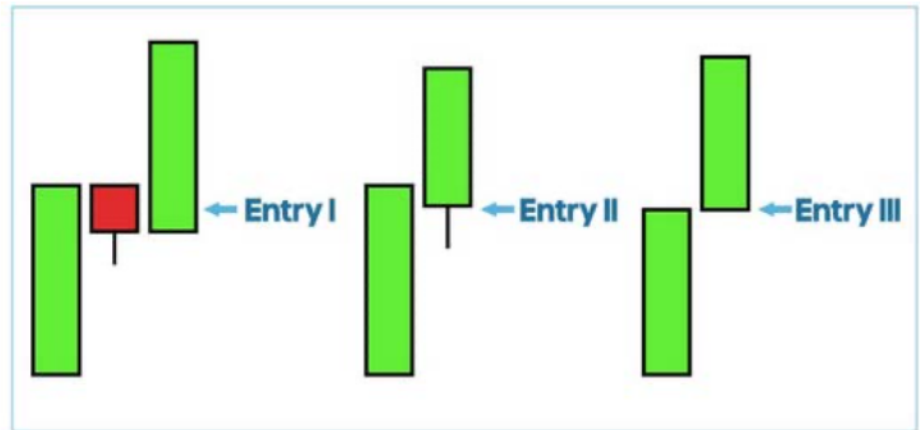
1. The stock is moving up quickly either on news or on Scanners
2. The stock has one of the stronger daily charts as per [Chapter 8](#) of the Warrior Pro Small Cap Course with no nearby resistance
3. Ideally entries are near half or whole dollars with 50 cent first target of next half or whole dollar
4. Preferably the float will be under 20 million shares
5. Preferably the price is under \$25 but sometimes higher priced stocks like GME, AMC, or NEGG are moving fast enough to be worth watching

Micro Pullbacks  
Dos and Don'ts

Generally I would say the Micro Pullback is a more aggressive strategy because when I take that entry I haven't waited even for a proper 1-min setup, let alone a proper 5-min setup. However, when a stock is very strong, there often isn't an opportunity to wait for a 5-min setup. We frequently see stocks make such huge moves that by the time the 5-min starts to pullback, they just fade. This means finding opportunities to entry a strong stock on 1-min and even Micro Pullbacks is required in order to profit from the volatility.

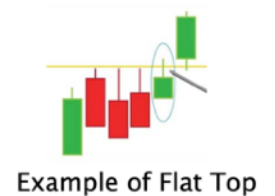
The most important thing for me to remember with Micro Pullbacks is that my stop as at the low of the pullback. I don't want to hold if it turns into a 1-min or 5-min pullback unless I already have a profit cushion and can afford to average down during the pullback.

## Entry Setups on 1-min or 5-min charts



On a 1-min or 5-min time frame, the candle of pullback is often just a tiny red candle, or sometimes the candle just puts in a lower candle wick before the stock begins to surge higher, such as in Entry I or Entry II. In Entry III, it basically just opened and kept moving higher. This would be the highest risk entry, although may be acceptable in rare situations where high risk meant high reward.

## Entry Setups on sub 1-min charts



On a sub 1-min chart, such as a 10-second chart, a Micro Pullback will often take the form of a bull flag or a flat top breakout. This helps reinforce why it's a strong setup worth taking. The pattern becomes obvious. However, unlike a bull flag, I wouldn't necessarily buy the first 10-second candle to make a new high. I'd wait generally for volume to come in and a break through the highs. At that point, my stop is the low of the Micro Pullback.



## Description of AHPI

### Case Study of a Micro Pullback

In this example, AHPI experienced a strong break of VWAP setup at approximately 12:30pm ET. Between 12:30–12:50pm there was a period of consolidation around \$8–9.00 and above the VWAP (priced at \$8.18 at the time). At 12:50pm a new breakout over \$9.00 and towards the high-of-day of \$9.94 occurred. Had you missed the initial break of \$9 (which may have been likely considering it was in a choppy period of consolidation), the next best entry was a Micro Pullback following the fresh breakout at 1:09pm at approximately \$10.75. This gave way to squeeze to the new high of \$11.54. The 5-min chart was extended (see right), making an entry riskier, but the 1-min and 10-second showed a clear Micro Pullback pattern with a max loss of approximately \$10.21, although a psychological stop at \$10.50 is likely what I would have used.

### Charts of AHPI



5-min Chart of AHPI



1-min Chart of AHPI



10-second Chart of AHPI



## Technical Analysis Series

### Strategy Decision

At this point, there are still many unknowns in how I will approach this small account journey I haven't made final decisions on brokers or software, but I have finalized my trading strategy decision. That is what I will review here.

If you're trading a small account yourself, you can download or print this guide to help develop your own strategy.

#### Quality vs Quantity

With a small account I have to focus on each trade giving me the biggest return with the least amount of risk. That means my **quality threshold is going to be much higher** than in my larger trading accounts. When I think about quality, specifically this means I have to make sure that any trade I take meets many of the following criteria- outlined here but covered in more depth below.

1. The stock makes sense to trade
2. I have the right entry point
3. I select a reasonable share size
4. I manage my risk before and during the trade

#### Stock Selection

My process of finding stocks each morning will be to use stock scanners. I will search for the **biggest gapping stocks** and the **highest relative volume stocks**. A gap occurs when a stock opens higher than it closed the previous day. This is the result of breaking news that causes investors and traders to be willing to pay more for the stock than it was priced at during the previous trading session. Relative volume is often the result of breaking news as well. It means the stock is trading on much higher volume than what is normal for that stock.

These are the two types of stocks that will gain the most attention among day traders. Since I'm trading in a small account, I will focus only on stocks that are priced under \$20. However, I will set a min price of \$1.00, because trading penny stocks is very risky.

In order to be consistently profitable, I will want to be trading the "obvious" setups. If it's obvious to me, it will be obvious to thousands of other traders, and that means the stock will trade in a more predictable manner. My goal will be to focus on stocks that I truly believe have the potential to gain 20-30% during a day trade. This will allow me to quickly grow a small account.

In an upcoming video I'll talk specifically about the software I'll use for scanning, charting, and trading. This is all still To Be Determined, but I can assure you that whatever I decide on will be live streaming for Warrior Starter and Warrior Pro students to watch. That means you may not need your own subscriptions.

**How will you find the right stocks?**

## Entry Setups

I will focus on the same patterns I used when I turned \$583 into \$1mil, and have continued to use everyday since crossing the \$1mil mark. **Pullback patterns** – A pullback pattern is when I buy a dip. It's sort of like "buy low sell high", except in the context of a day trade. I discuss these patterns extensively a part of the Warrior Starter and Warrior Pro classes.

These pullback setups will occur both on the 1min and the 5min time frame. However, these will only be appropriate on the **right type of stocks to trade**. So I will not apply this pullback setup to just any stock I see, but to stocks that are leading gappers or leading relative volume stocks.

**What patterns are you comfortable recognizing?  
Where will you learn about them?**

## Share Size Process

My share size and trade frequency limitations will be a factor of the broker I choose. This is TBD, however, I'll most likely use the most share size I can afford. One of Warren Buffet's quotes is that "diversification is a protection against ignorance. It makes little sense if you know what you are doing." In other words, when I see something I like, I'm all in.

**What share size will you trade with? With your account, how many shares can you afford to trade of some recent stocks I've traded?**  
(Hint: watch my recaps and then look up the ticker symbols!)

## Risk Management Technique

My biggest challenge here will be to avoid the temptation to swing for home runs. Home runs often come at the cost of base hits. I give up the base hit to go for the big trade. I won't be able to afford that during a small account challenge. This means being more mindful about taking profits quickly, and not holding for a big winner. I will aim for 75% accuracy with average winners being twice the size of my average losers.

**Rule 1:** Risk \$50 to make \$100 (during the first week)

**Rule 2:** Daily max loss at -\$100

**Rule 3:** Three consecutive losers and I'm done.

**What rules would you use to trade and mitigate risk?  
How will you enforce them and keep track of them?**

## Being Present...

It's extremely important when trading in a small account to be in the moment each day. That means accepting the current strength or weakness of the market. I have always had a hard time accepting weakness in the market. Everyday when I show up to trade I'd like to have a big winner. Unfortunately, that's not always possible. With a small account, I can't afford to take unnecessary risk. I'm that means I'm going to take it slow when the market is slow, and be aggressive only when the market gives me the green light.

**What will your pre-market trading routine be?  
How will you manage emotion and gauge what kind of market we're in?**