



## Momentum Stock Trader

### User's Guide

#### Daytrades

Daytrades are trades you enter into and exit out of on the same day. That means they don't have a lot of time to work. It also means these need to be some swiftly-trending stocks. Since they don't have a lot of time to work, you need to watch them on intraday 5-minute charts, where each candlestick represents the price action for a 5-minute timeframe.

Before we go further, you need to become familiar with the concepts of pivots and round numbers.

To make money on a daytrade, the stock needs to move. That is, to continue trending higher throughout the day, making higher highs and higher lows. That means the stock goes to a new high, pulls back, makes a higher low, turns back up, rallies to a new high, pulls back some, turns back up, rallies to a new high, and so on. This is what an up-trend is.

Bullish Pivots are (at least) 4-candlestick patterns, where as the stock makes a new high, then corrects for 3 or more candlesticks that make lower highs, lower lows, or lower highs and lower lows than the previous candlestick, followed by a candlestick that makes a higher high. In other words, it's like a "V" bottom, where the corrections on the left part of the "V" take at least 3 candlesticks. Corrections of less than 3 candlesticks are considered insignificant. In essence, bullish pivots represent higher lows in an up-trend.

On the very short-term, stocks run into resistance or support at price multiples of 5, which I refer to as "round numbers", or more accurately, strike prices. In other words, if a stock rallies, it will run into resistance at 20, then again at 25, then again at 30, then again at 35, and so on. These resistance and support levels sometimes only hold for a short while, a day or less, and sometimes for days or weeks or months.

The trading implications of round numbers are:

- 1). Take profits or tighten up stops when a stock approaches a round number.
- 2). Don't set stops just ahead of round numbers.
- 3). Don't initiate trades just below round numbers.

Daytrades, like all other trades, are only entered into after they go .02 above the high of the buy-signal day. For most stocks, it is the high of the previous day. For most daytrades, and definitely for the ones listed in the Momentum Stock Trader, the entry will be executed immediately as soon as the stock trades .02 or more above the high of the previous day. At that point, you would immediately place a sell-stop .03 below whatever the low of the day is. If the stock continues to advance after you get in, then pulls back for at least three candlesticks, then turns back up and starts to rally again, the sell-stop will be moved up to below the lowest low of the correction of at least 3 candlesticks. If the stock continues to trend up, we will continue raising the stop below the lows of the intraday pullbacks or corrections, and exit at the close (in the best-case scenario) or on moves close to resistance levels, or get stopped out when the stock stops trending up.

First of all, it is very important to note that although these stocks are strong, if the market goes down, they won't stay strong for long. Also, if the market, as a whole, goes down, it is not worth the risk to try and buy stocks and make money on the upside. Save your money for a better day. Therefore, if two out of the three major averages (Dow, S&P, NASDAQ) drop below the previous day's low, suspend all trading on the long side and cancel your buy stop orders. If the averages then go back above the previous day's low, you can always place your buy-stop orders again.

Another important rule is not to take trades that trigger in the final hour. If your buy-stops haven't triggered by 3pm Eastern time, cancel them. These trades need time to work.

Before the open, set alerts on all the stocks on the daytrading page. If a stock opens above our buy-stop price or triggers in the first 30 minutes, consider it a gap-up and scratch it off your buy-stop list.

After the first 30 minutes of trading, place buy-stop orders on all the stocks that haven't triggered their buy-stop price yet.

When a stock triggers, immediately place a sell-stop .03 below what is the low of the day at that point. Then, watch the stock on a 5-minute chart. Whenever the stock makes a new high, then pulls back for 3 or more candlesticks (on the 5-minute chart), makes a low, and starts to trend back up, (and in other words makes a bullish pivot), raise the stop to .03 below the pivot low.

Continue raising the stop as the stock continues to make higher pivot lows.

Take profits when the stock approaches a round number or close it out at the end of the day, if you haven't been stopped out before then.

Lastly, if a stock that gapped-up or triggered in the first 30 minutes continues to rally after the open, then pulls back mildly for 3 or more 5-minute candlesticks, and turns back up, completing a good-looking bullish pivot, you can enter at the completion of the pivot and set your stop .03 below the pivot low. If the stock continues to go up from there, continue to raise the stop to .03 below successively higher pivot lows, or take profits rallying into a round number.