



SMB

The Big Dawg Trade

The Big Dawg Dynamics:

- In Play stock has a strong opening drive and begins to build out a “WEDGE”, “FLAG” or “PENNANT” Pattern.
 - We also look for several other “Checks” in our favor:
 - Significant fresh news catalyst in the stock
 - “Wedge”, “Flag” or “Pennant” Pattern holding above prior day high**
 - High RVOL (relative volume) in the stock (WAY above average volume on the day)
 - More than 75% of the trading on the day is above the opening price
- We look for these checks in our favor as part of the identification of this trade because these checks highlight the predictable patterns exhibited by big players involved in this stock.

The exact rules of ENTRY (all rules the exact same, just inverted for a short trade):

- Aggressively buy on the break above the Top of the “WEDGE”, “Flag” or Pennant”
 - Aggressively means paying the offer for a long as soon as the break occurs
 - Don’t wait for the bar to close, enter on the pattern breaking to the upside

The exact rules of STOP placement:

- Hard stop Trade - ONE and DONE trade
 - We place our stop .02 below the low of the BASE of the “Wedge”, “Flag” or “Pennant”

The exact rules of EXIT:

This is a Move2Move trade, we look for 2 sustained moves before we exit

- The first move is often quick and aggressive, putting us in the money fast
- This gives way to a pullback that MUST hold 50% of the initial move from our ENTRY to where the first Wave starts to pull back (Ideally, it holds the upper $\frac{1}{3}$ of the initial move)
- Buyers step back in and continue to take price higher
 - If the first wave is fast, look for a grindy, trending second wave
 - If the first wave is grindy and trending, look for a fast momentum second wave
- We exit our entire position on a double bar break lower following a second wave





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Factors that Increase the odds of success:

- DECREASE in Volume during the formation of the “WEDGE”, “FLAG” or “PENNANT”
 - The stock is In-Play so the volume should be elevated already, but ideally, we observe a visible decrease in the size of the volume bars during the time the “WEDGE”, “FLAG” or “PENNANT” builds out
 - 50% or less volume than the prior average volume can be a good threshold
- Market trending in the direction of the trade you are making
 - If SPY, QQQ or IWM are trending higher, this trade can be extra good
 - If the sector is trending similarly, it can help our trade as there is large buying across the sector

Factors that Decrease the odds of success:

- “Crescendo” volume at the BEGINNING of the WEDGE or the PENNANT developing
 - Crescendo is increasing volume on the up move with the TOP being the highest volume bar of the session
- Location of the “WEDGE”, “FLAG” or “PENNANT”
 - If the “WEDGE”, “FLAG” or “PENNANT” appears below the upper 1/3 of the day range or below VWAP
- Fighting a bigger-picture trend on the day.
 - Like the factor that increases the probability, we don’t want to fight a down-trending market

The ideal times of day:

- Mid-Day trade (the break of the “WEDGE”, “FLAG” or “PENNANT” should trigger between 11 AM to 1:30 PM EST)

When do we avoid the BIG DAWG trade entirely?

- We will never make this trade when the top of the “WEDGE”, “FLAG” or “PENNANT” is below a key HIGHER TIME FRAME resistance level
- We will never make this trade when the “WEDGE”, “FLAG” or “PENNANT” is more than 50% of the day’s trading range.
 - This is a “sloppy” range”
- We will never make this trade on a stock that is not In-Play

