



**SMB**

# Back\$ide Scalp

## Why the Back\$ide Scalp works:

- In Play stock moves away from VWAP trying to move lower, it even can feel like this might just keep going lower, extending more from VWAP. Traders short the stock already feel excited; they start thinking about how much money they will make if the stock does extend further!!! But then it just doesn't....
  - The stock stops going lower and buyers step in to support the stock. And then buyers continue to buy the stock back up towards VWAP. They do so in an identifiable way with:
    - distinct higher high (at least 1) AND
    - distinct higher low (at least 1)
- A new trend is established with these patterns.
- **Following this new trend**, the shorts who were initially excited about the potential of how far this stock could go in their favor have turned hopeful that the stock will turn around and keep going lower and **FEARFUL** that if it doesn't, they are going to be caught on the **WRONG** side of the trade.
  - As the stock continues to methodically and consistently hold higher they begin to lose all hope and the **FEAR** of being wrong takes over. **The BACK\$IDE of the initial move is being established.**
  - When a range is developed above a short-term moving average (the 9 EMA) and the range breaks higher shorts stop out of their trade, creating a fast and powerful move back to VWAP.

## The Exact Rules of Entry (all rules exactly the same, just inverted for short scalps):

- We enter aggressively on a break of a 1-minute bar from consolidation after the "BACK\$IDE" has been established.
  - The "Backside" is a trading term often used to describe the rising phase of a stock price after a distinct low has been reached. During this rising phase, the price will often trade above a rising 9 EMA. This phase often confuses traders who don't follow the current momentum in the stock.
  - Aggressively means paying the offer for a long as soon as the range breaks, don't wait for the bar to close.

## The Exact Rules of Stop Placement:

- **Hard Stop trade**, This is a One and Done trade, ONE ATTEMPT ONLY
  - Our hard stop is placed .02 below the most recent higher low
  - We place it in that relatively tight spot because we expect the scalp to quickly move in our direction, to drive towards VWAP quickly, not to linger, fail and come back lower.

## The Exact Rules of Exit:

- Exit entire position at **VWAP**



## **SMB Training**

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## **Factors that Increase the probability of this Scalp working as expected (or better):**

- Consistency of the price action off the low of the day
  - “Consistency” refers to price action that has clear, identifiable patterns and trends without too much erratic movement. Traders prefer consistent price action because it's easier to interpret and make trading decisions based on the visible patterns that show up.
- Time below the short-term moving average after the consistent buying begins
  - We want a majority of the trading to happen ABOVE the 9 EMA confirming the consistent buying is occurring.
- Potentially confusing news catalyst for the stock, because that can cause price reversals

## **Factors that Decrease the probability of this Scalp working as expected:**

- The general market trending AGAINST the direction of this scalp
  - It is less likely that shorts will get fearful if the market is trending lower
- Location of range
  - Should be greater than halfway between the low of the day and VWAP

## **The ideal times of day to take this Scalp:**

- Ideal periods to execute:
  - Morning (10-10:45 am EST)
  - Mid – Day (10:46 – 1:30 pm EST)

## **When do we avoid this scalp entirely?:**

- We will never take this trade if a stock is in a day 1 break out on a higher time frame
  - We won't buy a stock that has just gapped below a significantly higher time frame range because higher time frame buyers may be wrong and need to sell into any up move.

## **Scalp Statistics:**

- 50 - 60% win rate
- 1.4 to 1 Reward to Risk ratio

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