



SMB

# HitchHiker Scalp

## Why the HitchHiker Scalp works:

- In Play stock makes a distinct drive higher off the open.
  - This initial drive is not unusual, it happens all the time, but many times that drive higher off the open gets faded, and the stock pulls back while buyers and sellers battle it out for who is in control of the day.
- On this scalp, the stock does not pull back. It just holds up and starts moving sideways, building out a “consolidation”.
  - The consolidation can vary on the time and height, but here are some guides:
    - Look for a minimum of a 5-minute consolidation and a maximum of a 20-minute consolidation
    - The low of the “consolidation” should be in the upper 1/3 of the day’s trading range
  - This price action is unusual. To us, these orders are acting in a way that is not price sensitive, they are not fighting for the best prices they can get; They are large institutional orders that just want, even NEED to get filled.
  - Real institutional buy programs don’t tend to last for minutes, they tend to last for hours. This scalp allows us to hitch a ride on a properly identified buy program and allow it to do the work for us.

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

- Aggressively buy on the break higher of the 1 min bar range. We call this the HitchHiker Candle
  - Aggressively means paying the offer for a long as soon as the range breaks.
  - Don’t wait for the bar to close, enter on the range breaking.

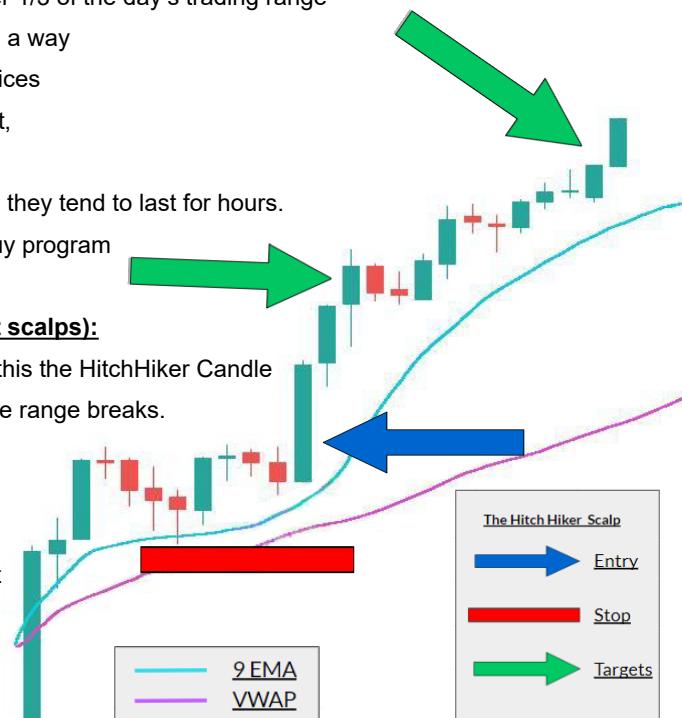
## The exact rules of STOP placement:

- Hard stop trade. This is a one-and-done trade.
  - We place our stop .02 below the low of the consolidation that was developed prior to the continuation break.

## The exact rules of EXIT:

We exit this trade using “waves.”

- Exit 1/2 our position into the first WAVE in the direction of our move
  - It’s when the first rush slows after the initial break.... “Waves” describe the cyclical nature of the way stocks move, particularly when specific buy programs are present. “Waves” create a sustained, initial move following the break but go through a period of rest before continuing on. We take advantage of this wave to exit half our position and allow the stock to rest before looking for further continuation.
- Exit 1/2 our position into the second WAVE in the direction of our move
  - This wave is more typically a grinding wave through the pullback and slowly builds with real acceleration toward the end of the wave.



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## **Factors that Increase the odds of success:**

- Increase in volume on the break of the range
  - The stock is In Play so the volume should be elevated already, but ideally, we observe a significant visual increase of volume on the HitchHiker candle.
    - 30% or more volume than the prior candle can be a good threshold
- Market trending in the direction of the trade you are making
  - If SPY, QQQ, and 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.
- Consolidation occurring above key resistance level
  - Examples of key resistance levels:
    - Premarket high
    - Prior day high

## **Factors that Decrease the odds of success:**

- Over-extension of the initial move from the open.
  - If it was just one big up candle, not a drive, we must be very careful as it may not be a real, sustainable buying program, but instead may just have been one sloppy buy program.
- Multiple attempts higher (lower) prior to the consolidation starting.
  - We don't want to see the stock trying to break the range multiple times before the real range break, we want to see the range trying to break to the downside and see buyers stepping in there.
- Fighting a bigger-picture trend on the day.
  - Like the factor that increases the probability, we don't want to fight larger orders potentially against this scalp.

## **The ideal times of day:**

- Opening drive trade (see it start to set up before 9:59 am EST)

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

- We will never make this scalp when the consolidation is just "choppy".
  - Choppy consolidation is when the stock is not really defined by a range, it's just moving sporadically all over the place, like a plastic bag caught in the wind. The price action is unpredictable and erratic, and most often this can be observed if a stock is consolidating with large "wicks" in both directions of the bars showing price is moving up and down quickly but lacking any real participation.

## **Scalp Statistics:**

- 55-60% win rate
- 1.9 to 1 Reward to Risk ratio

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