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# Gap, Give and Go

## The Gap Give and Go Dynamics:

- In Play stock with a Gap Up drops sharply from the open.
  - This occurs as traders who were rewarded with the gap up in price quickly and aggressively take profits.
  - The initial move lower should be quick, but should also hold ABOVE a level of potential support like a Premarket low, higher time frame resistance turned support, etc.
- A short consolidation develops as the supply from the aggressive profit-taking meets the demand from the bigger players looking to buy the stock.
  - The consolidation can vary on the time and height, but here are some guidelines:
    - Look for a minimum of a 3-minute consolidation and a maximum of a 7-minute consolidation
    - The low of the “consolidation” should be above the key support level.
- Buyers step in with sustained demand, defending the support level and moving the stock price above the highs of the mini-consolidation
  - The buying does not have to be aggressive off the lows, but it should be sustained
  - We are observing that the early profit-taking gave way to sustained buying pressure.
  - Real Big Players will buy through the open to get their initial position filled, giving us a move2move trade.

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

- Aggressively buy on the break higher of the 1 min bar range.
  - 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 - Potential of 2 attempts
  - We place our stop .02 below the low of the consolidation that was developed prior to the continuation break.
    - If we are stopped, we can re-enter if the range is broken to the upside again within 3 minutes.

## The exact rules of EXIT:

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

- The first move is often quick and aggressive, putting us in the money fast.
- This gives way to a slight pullback that MUST hold the highs of the mini-consolidation
  - (Ideally, it holds VWAP and the 9 EMA as well)
- Buyers step back in and continue to take price higher, with an increased urgency from the buyers as the momentum builds.
- We exit the position on a double bar break against our position.





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

- Increase in volume on the break of the consolidation
  - The stock is In-Play so the volume should be elevated already, but ideally we observe a visible decrease in the volume during the consolidation.
    - 50% or less volume than the prior candles 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.

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

- Over-extension of the initial move from the open.
  - If the move lower from the open closes more than 50% of the gap prior to the mini-consolidation starting, we are very careful with this trade.
- Multiple attempts higher prior to the consolidation starting.
  - We don't want to see the buyers stepping in multiple times and being met with more sellers each time; we don't want to be trading against slow, sustained selling prior to the mini-consolidation starting.
- 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 trade.

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

- Opening drive trade (see it start from the open and trigger before 9:45 am EST)

## **When do we avoid the Gap Give and Go entirely?**

- We will never make this trade when the mini-consolidation is below a key support level.
- We will never make this trade when the size of the mini-consolidation is more than 50% of the initial opening range move that went lower from the gap open.
  - This means the mini-consolidation is not really defined by a range, it's just moving sporadically all over the place, like a plastic bag caught in the wind.
  - We will never make this trade on a stock that is not In-Play