

# StockBee - Day 1

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## Contents

<b>1</b>	<b>Session 1</b>	<b>2</b>
<b>2</b>	<b>Session 2</b>	<b>3</b>
<b>3</b>	<b>Session 3</b>	<b>4</b>
<b>4</b>	<b>Day 1 Summary</b>	<b>4</b>
<b>5</b>	<b>Day 2: Session 4</b>	<b>5</b>
<b>6</b>	<b>Session 5</b>	<b>6</b>
<b>7</b>	<b>Review</b>	<b>7</b>

# 1 Session 1

**Formula based:** without it, it's pure random.

**2 ways to make money:**

- Focus on Larger Moves
- Focus on Smaller Moves

Most trader focus on smaller moves: **Scalping, Day Trading, Swing Trading.**

With a bankroll of 100k you look for 500 to 5000 dollar moves: HFT.

One dude does 6M trades in day, with average .1 cent profit per trade, making 6k a day.

**Today: Larger Moves**

Characterized by a large magnitude moves.

**NEWS BRING Moves:** Not every thing is contained in the chart.

*Question: What news sources, and how do you find them?*

Become an expert on News and Catalysts

The market has "nothing" to do with the economy, it moves based on sentiment

We are traders not investors. Capitalize on the hope and fear of the market.

Avoid overvalued stocks as one issue means hell.

*Question: How to verify the news? How to know if it's real?:* Check earnings, SEC filings, etc. Look at the briefing [briefing.com/](http://briefing.com/) the fly <https://thefly.com/news.php>

**News Catalysts: 2 types**

- Real/Fundamental Catalysts: Characterized by actual sales, earnings, and news. Look at companies that announce earnings.
- Story Catalysts: Characterized by rumors, hype, and speculation. Look at companies that are hyped up.

For every 1 real news, there are 300+ story catalysts.

Learn to look at the X-Ray of the company.

**Larger Moves:** 10%+ moves.

Largest moves is the sales growth. IE New product

Profit Growth: not as good but still good: Good for a turn around situation

Government Policy changes: IE Trump and China

Big orders:

Management Changes: CFO Leaving = Bad

Diseases and Disaster:

Think what is the trade in this.

Best way to test is to do this by looking at news

Need to convert to a daily watchlist. News based 7/11.

Into a Checklist **MAGNA53 Cap10\*10**

ntrt mtrt: night time is right time, morning time is right time

- MA: massive sales growth/earnings growth. Massive acceleration in projections
- G: Gap up. in pre/post market. +4% plus 100k volume
- N: neglect. (impt!!!) price, volume, news, funds, analysts
- A: acceleration in sales
- 5: 5 days plus short interest it will takes 5 days to cover
- 3: 3 plus analyst upgrades? (*Explain later*)
- Cap10\*10: Get rid of stocks with market cap over 10B.

IPO in past 10, low market cap (<1B), *Question: How do I know where some of these scans come from. How do I test my own?*

## 2 Session 2

Formula based trading Over emotions and randoms.

Structural stop: Moving stoploss based on the structure of the stock.

Episodic Pivot: Why? trajectory change. It throws the audience for a loop.

**Episodic Pivot:** *Ask Later*

Two major types of Magna53 stocks:

- Growth Stocks: New industry, new technology, consumer discretionary: healthcare, biotech,
- Turnaround stocks: Old industry, old technology, consumer staples.

Q over Q sales growth, sustainable, mean its a good call to buy.

Bucket: *Kinda lost for the buckets*

- 0 39% 2q in a row. cap 10\*10. base minimum sales is 20M
- cap ;10B ipo ;10 years 39% 2q in a row

Turnaround stocks can make a larger move,

- Cyclical industry
- Consumer discretionary

when company lost alot of interest and then makes a comeback. Bearish market then going up.

They tend to last for 2-3 years

We might see 5-6 growth stocks in a year.

We might see 20-30 turnaround stocks in a year.

EP 9 million. Delayed EP 9 million.*Explain Later*

Sudden volume surge of 10 mil plus is a catalyst

### 3 Session 3

EP vol >8.9 *Review this later*

- Cat (catalyst)
  - Real estate
  - size
- Dog
  - story
  - 100 million
- Liquid Lava
  - liquid
  - size

slow moves persist, fast moves fade.

There are a lot of opportunities in EP 9M. So we can use selection methods on top of that.  
Prioritization:

1. lowest cap
2. highest volume
3. youngest move

300 - 500 opportunities

Delayed EP 9M: < 5% stop loss

Characteristics of stocks that EP 9M: have swings of 20-40 %

Sugar babies: they give you a lot more fun!

High risk high reward.

### 4 Day 1 Summary

money = formula: replicable and simple

2 kinds of formula: bigger moves, smaller moves

Bigger Moves 20% - 100%

Catalysts/news: news makes moves

smaller moves 1% - 5%

ntrt mtrt

EP: Episodic Pivot

Growth opportunities: growth stocks, tech, consumer discretionary

Turnaround opportunities: cyclical industry, consumer discretionary  
EP 9M: Volume is a catalyst  
Convert to cats dogs and liquid lava  
trade cats and liquid lava with large size because of conviction  
trade dogs with small size because they r dogdy  
Lowest cap, highest volume, youngest move  
Delayed EP 9M: is an anticipated move. Consolidation and pullback.

## 5 Day 2: Session 4

First thing to do after scan to do X-Ray  
Find Reason for trades and sizing  
More you understand the field, the better you can trade.  
Today is **Pattern Based Trading**. Focus on Procedural Trading Patterns. No need to even think about random events.  
Buying implies more buying, and selling implies more selling.  
Momentum burst is a well studied phenomenon. Stock goes up 3-4 days very likely to have 1 day pullback.  
*Question: How do I formulate the notion of momentum, and changes of 3-5 days in a formula*  
Stocks move in bursts of 3-5 days, 8-40% magnitude, They require no specific catalyst. Usually happen near Yearly high low, and all time high low.  
It is an inherent tendency of the market.  
SOS - start of swing. It is a signal  
SOS continuation  
SOS consolidation - Catalysts and volume. Best will be EP, EP9M  
Favorite catalyst is sales growth  
SOS bottom bounce - T2108 when below 20  
2lynch

- 2 - Not up 2 days in a row
- L - Linear, first leg is consistent and persistent buying ie strong demand
- Y - young, 1st, 2nd leg move
- N - Narrow/Negative day prior to breakout
- C - Consolidation quality. Orderly 4% breakdown. low volume, low volatility prior
- H - Closing near highd

Consolidation:

- Start of swing

- Catalyst
- Volume

No need to trade choppy moves. And then we need wide stops: drama.

High price, low volatility, but want to be in the middle to get good returns and minimize risk.

If it meets 2lynch but not H its an anticipation setup

For singles:

- SOS
- Continuation
- Consolidation
- Bottom Bounce

Inherent market tendencies

- Momentum burst
- Exhaustion

Focus on Position sizing, IF know 1 day goes up, 2 day goes, up 3 is volatile. Large position day 1, remove 80% on day 2. stop loss for day 3.

Anticipation:

- SOS
- WSS: weak structure stock
- Parabolic Short (risky)

WSS: Niagara 3\*10, weak 3\*2.5

look for stock down by 10% in 3 days

cannot bounce by 2.5% at the consolidation

Most downtrend is 3 days Process Orientation Focus on the checklist and timing Pressure builds diamonds.

## 6 Session 5

Arthur Bandura Self-efficacy belief and mastery experience.

Vicarious experience.

Social persuasion.

Visualization.

psycho-somatic state Emotional and physiological states.

All of this is do able by yourself and changing your beliefs

Overtrading is a big issue.

## 7 Review

1: Momentum

2: Short term  $\rightarrow$  3 – 5 days

3: Setup

- Continuation
- Consolidation
- Bottom Bounce
- EPs
  - 9M
  - Catalyst
- SIPS: stocks in play

Continuation:

1st scan

2nd 2lynch: quality criteria

when stocks move they move in bursts 3-5 days.

3rd Execution: ie risk management and stop loss

Anticipation:

SOS: risky

Consolidation setup:

Low volatility (range bound)

Then a catalyst (news) to make it go up

Episodic Pivot:

9M EP: 9M volume *Look into significant volume spike* Other EPS: but later issue (earnings based): ntrt mtrt

SIPS: stocks in play: IE short term new bursts *Anticipate: News Sites for a scraper for news*  
*Next time: how is scan write*

Factor investing

seemingly uncorrelated thing to predict stock

Simple factors: Insider trading

sum of insiders selling at the same time

This is an Alpha: with easily available data & it needs to be compiled properly **scraper** and then **look for patterns**

Some time when the insiders sell then stock goes down

Other PEADs post earning announcement drift.

When stocks come out with earnings and earnings are significant then stock drifts in terms of earnings

Its difficult to look at all.

**build scanners, for earning which beats expectings, sales are good, prioritize those**

Those make amazing moves.

Start with basic models:

Sophisticated: Seasonality: show all stock with DATE seasonality.

IE how to remove the seasonality with persistence and then rank them by how valuable and consistent.

Pairs trading: Goog goes up and other stocks also move.

Cluster of factors that explain why XYZ.

Whiteness market vs Stain remover market. Focus on audience and "why" the audience wants XYZ.

Using the cluster and correlation for factors for the scans:

- Factor based trading: *info is public but difficult to use*
  - Insider Trading: Bar Chart and Kalashi.
    - \* Look into the valuable people and see if it correlates to the stock price. IE CFO sell  $\implies$  stock down
    - \* IDEA: ppl on inside have more info
  - PEADs: \*\*\*
    - \* Look into financials.
    - \* Look at where the analysts expecting: *Where do they post these*
    - \* Do we beat public sentiment and if no then it will likely to move towards that.

Start with the first 2.

Make it modular and visualizable

Emph for the user to actually use.

Have buckets and order the stocks on how many buckets they fill.

UI: show the top buckets the top. Show the Anomaly

*Look for 10K, 10Q, other fin statement schedule.* There exists an earnings calendar

The statements are usually sent before or after market.

We are interested in the extreme: Good or Ugly not the usually. Anomaly.

EDGAR API

Not just to have data, what does it mean.

Earning Whisper, Zacks.

Objective to make money.

Make a whiteboard.

**look what they do in Quant.**