

5 WAYS TO WIN IN A POST BTFD MARKET

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there is an entire
generation of traders
and investors who've
never experienced a
bear market



trade
ideas

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Introduction

All market regimes end. All Bull Markets end. These are facts. At the time of this writing in January 2018, and depending on your point of view of where this current bull market began, by some measures we are nearly 9 years into a bull market that rates among history's best in both duration and total return. But this too shall pass...

In 1999 in some circles there was a "new religion" among many market participants that this time was in fact different (LOL). Silly antiquated metrics like earnings and revenues were thrown aside in favor of new growth metrics measured in "eyeballs" and "clicks." The calendar eventually turned to 2000 (Y2K!) and the rest is history.

prepare ourselves for the inevitable
market regime change

Anyone, like us, who traded during that time may be starting to experience bouts of euphoria and/or exhibit signs of post-traumatic stress disorder (PTSD) as they view the shenanigans taking place in cryptocurrency markets today. In the near future, same as back then, we'll see a similar reversal of trends in stocks and cryptocurrencies. Will you be prepared?

Today, there is an entire generation of Traders and Investors who've never experienced a bear market. And they will find—same as we did in 2001—that their old ways of making money no longer work. They will find themselves having to make some hard decisions.

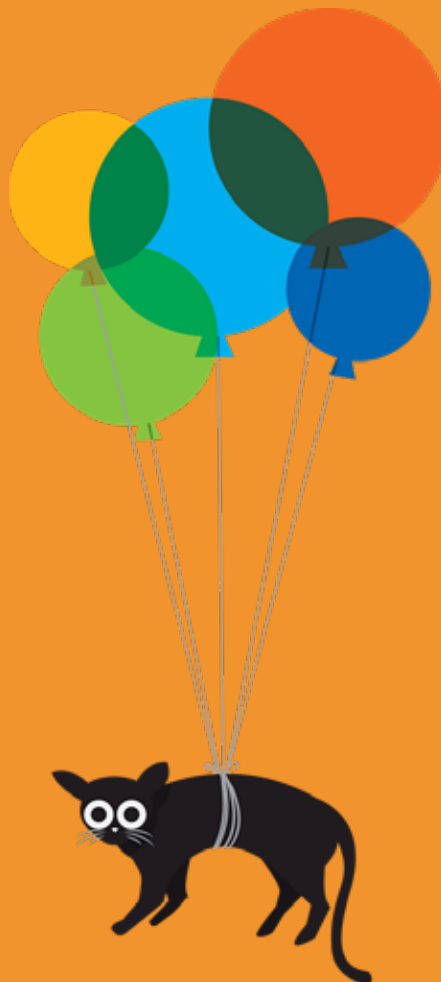
Nobody can predict the future. We certainly cannot predict when this or any bull market will end, nor can we predict what strategies or decisions will result in the most trading gains. But that doesn't mean we shouldn't prepare ourselves for the inevitable market regime change by identifying potential strategies and best practices that have a statistical edge to produce trading gains and/or limit potential losses.

With this in mind, we at Trade Ideas come to you from the future with 5 ideas our expert and experienced trading team have compiled that will likely keep you in the green (or at least save your ass) when the market turns and Buying The F-ng Dip (BTFD) no longer works as an effective trading strategy.

Strategy 1: Dead Cat Done Again!

Perhaps you've heard the phrase "Dead Cat Bounce" to describe a stock making a notable bounce after a prolonged sell off? Well, in a bear market, these dead cats often die again! Remember, they've got nine lives to spare! And gains on short trades from the resumption of these downtrends can pile up big and fast.

while you quietly and
confidently count your
gains.



Here Kitty...

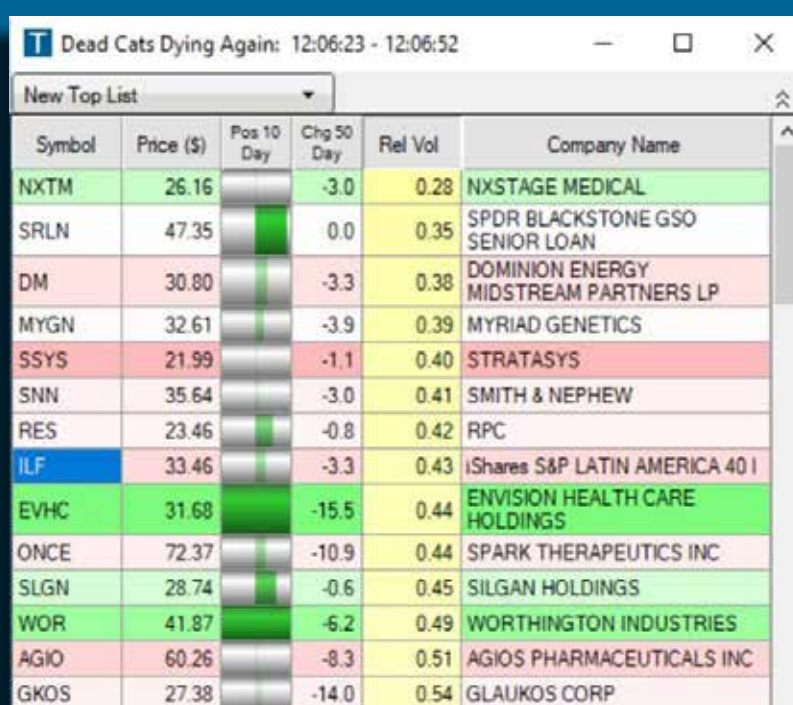
So let's zero in on stocks currently trading below their 50-day moving average (a common definition of a downtrend) that have already experienced their "dead cat bounce", but now are showing signs of running out of steam. Where early short sellers have now mostly covered their positions and weak-kneed "value buyers" have run out of conviction to keep buying and adding to long positions. Daily trading volume is now trending below average signaling the bounce may be exhausted and run its course.

Here's where we begin our hunt.

In Trade Ideas, we can build a Top List which updates in real time, surfacing all candidates that meet these and more criteria which offer the best chance for a resumption of the prevailing downtrend.

And then taking this a step further, we can additionally build an Alert Window which can alert us—in real time—when one of these stocks

makes a new three day low. This is our signal that the move back down may be about to resume. These are situations we want to be in. Those "weak-kneed" value players looking to capture a steal are likely to bail at the first sign of trouble and most likely set their sell stops just below recent lows. A cascade of sell-stops could quickly send this stock down to prevailing trend lows, at which point momentum and fear take over breaking the stock to new 52-week lows, while you quietly and confidently count your gains.



Symbol	Price (\$)	Pos 10 Day	Chg 50 Day	Rel Vol	Company Name
NXTM	26.16		-3.0	0.28	NXSTAGE MEDICAL
SRLN	47.35		0.0	0.35	SPDR BLACKSTONE GSO SENIOR LOAN
DM	30.80		-3.3	0.38	DOMINION ENERGY MIDSTREAM PARTNERS LP
MYGN	32.61		-3.9	0.39	MYRIAD GENETICS
SSYS	21.99		-1.1	0.40	STRATASYS
SNN	35.64		-3.0	0.41	SMITH & NEPHEW
RES	23.46		-0.8	0.42	RPC
ILF	33.46		-3.3	0.43	iShares S&P LATIN AMERICA 40 I
EVHC	31.68		-15.5	0.44	ENVISION HEALTH CARE HOLDINGS
ONCE	72.37		-10.9	0.44	SPARK THERAPEUTICS INC
SLGN	28.74		-0.6	0.45	SILGAN HOLDINGS
WOR	41.87		-6.2	0.49	WORTHINGTON INDUSTRIES
AGIO	60.26		-8.3	0.51	AGIOS PHARMACEUTICALS INC
GKOS	27.38		-14.0	0.54	GLAUKOS CORP

Strategy 2: Reality Bites

When Bear markets strike, no stock is safe. The same tide that previously lifted all boats higher will also crash the least seaworthy vessels into the ocean bottom as the tide recedes.

step on the gas on a short
trade



Not all ships will float

And no stocks are more vulnerable than the previous speculative darlings which ran up on no or even negative earnings, who pay zero dividends—only a promise or a story of a better future. Now in a Bear market, suddenly, real metrics matter again and these stocks may be set to get taken to the woodshed.

With this scenario playing out, we want to be on the hunt for stocks meeting the above parameters. But we don't want to just start shooting at any stock just because the filters are met. We need a catalyst. We need proof that a move is underway and possibly accelerating to the downside.



The screenshot shows the 'Alert Config Window' with the 'Filters' tab selected. The window has a search bar and buttons for 'Hide Unused', 'Show All', and 'Hide Unused'. Below these are several filter rows, each with a 'Min' and 'Max' column. The filters are: Price (Min: \$20, Max: \$), Average Daily Volume (3M) (Min: 500000, Max:), Relative Volume (Min: 1.2, Max:), Position in Year Range (Min: 50, Max:), Change from 200 Day SMA (Min: .01, Max:), EPS (Min: , Max: .00), Quarterly Earnings Growth (Min: , Max: 0), and Dividend (Min: , Max: 0).

	Min	Max	
Price	\$20	\$	\$
Average Daily Volume (3M)	500000		Shares / Day
Relative Volume	1.2		Ratio
Position in Year Range	50		%
Change from 200 Day SMA	.01		%
EPS		.00	\$ / Share
Quarterly Earnings Growth		0	%
Dividend		0	\$

Using Trade Ideas, we can build an Alert Window which zeroes in on our targets at the precise moment of maximum vulnerability.

This Alert Window will be able to quickly filter for all stocks over \$20 (room for some nice downside), which have negative earnings in the current quarter, pay zero dividends, are currently trading above their 200 day moving average, and are still in the upper half of their yearly trading range (haven't gotten truly savaged by the Bear yet). Then we add a trigger to alert us when each of these stocks is breaking below 20-day lows on accelerating volume (a sign that the slope is starting to get slippery). This is the time to step on the gas on a short trade and force the remaining long investors to face the music!

Strategy 3: Sell the Rips

As this chapter is being written, the “buy the dip” strategy has been working for years on end. At some point, “buy the dip” will have to become “sell the rip” if you want to survive a change in the market winds. When this day arrives, we must be conscious of our habits and routines that have provided success in the past. Human nature does not turn on a dime and it will require you to recognize the moment when things that used to work, no longer work. That is half the battle right there in accepting that it is time for a change in method.

one push of a button to
invert all of your settings



Flip-flop the BTFD

One of the best features of configuring Trade Ideas is to be able to “flip” a bullish strategy into a bearish strategy. So if we have been using something like pullback scans in an up market, we can easily convert that same strategy into a scan that finds a bounce to sell into. It really is as simple as one push of a button to invert all of your settings to go the opposite way in a down market.

This example is from an actual trigger by Holly—the Trade Ideas artificial intelligence tool. The unemotional A.I. program saw a statistical probability to sell into the short term strength of this weak stock. Many times in a down market or a Bear market, the ebb and flow can be timed like a jump rope. If you are looking to short sell things as they break down to new lows, you run the risk of being just in time for the



stock to bounce against you. Using this bounce instead for the entry may not feel as safe, but as Holly shows us, the odds are in your favor to wait for the bounce and “sell the rip” in weak markets.

Strategy 4: Shorting Junk Stocks

Some of the best and most profitable traders we know deploy a strategy of constantly searching the market for penny stocks (or stocks below \$5) that have had a big percentage move to the upside. The idea is to fade (short) the move by waiting for the first signs of weakness in the price action on the intraday chart.

this [is] a strategy you
want to add to your
arsenal now



Junk in the trunk

The concept is to let inexperienced traders chase the euphoria to exhaustible levels, then get in on the short side as many rush for the exit and sell their long positions. In most cases, the stocks are not fundamentally sound. Many refer to this stocks as “pump and dump” stocks.

In the Shorting Junk Alert Window stock (OHGI) came thru the alert on 12/15/2017.

This strategy is looking for stocks that are up at least 35% in the last 5 days, the prior day's volume had to be 200%, are now below previous day's high, and the stocks have to be at least down 1% from the open (showing signs of fatigue?). This is a style that is going to be hard to incorporate without the help of

History: Shorting Junk							
Time	Type	Symbol	Price (\$)	Chg Opn (%)	Vol 5 Min (%)	Shrt Flt (%)	Flt (Shr)
8:30:35 AM	↓\$	CXRX	0.8000	-4.8	735.8		45.67M
8:30:20 AM	↓\$	CXRX	0.8295	-1.3	634.3		45.67M
8:30:04 AM	↓\$	OHGI	2.42	-6.9	199.3	2.36	10.14M
8:30:04 AM	↓\$	OHGI	2.43	-6.5	199.1	2.36	10.14M
8:30:04 AM	↓\$	OHGI	2.44	-6.2	198.5	2.36	10.14M
8:30:04 AM	↓\$	OHGI	2.45	-5.8	193.3	2.36	10.14M
8:30:03 AM	↓\$	OHGI	2.47	-5.0	182.2	2.36	10.14M
8:30:03 AM	↓\$	OHGI	2.50	-3.8	172.8	2.36	10.14M
8:30:03 AM	↓\$	OHGI	2.51	-3.5	170.0	2.36	10.14M
8:30:03 AM	↓\$	OHGI	2.55	-1.9	165.1	2.36	10.14M
8:30:03 AM	↓\$	OHGI	2.56	-1.5	164.2	2.36	10.14M
8:30:01 AM	↓\$	OHGI	2.57	-1.2	163.7	2.36	10.14M

Alert Config Window

StrategiesSearchSelect AlertsWindow Specific FiltersExchangesSymbol ListsColumnsSummary

MinMax

Volume 5 Minute

5

1500

%

Price

0.25

3.8

\$

Change from the Open

0 %

-1

%

Float

90000000

Shares

Position in Previous Day's Range

I P 1

99

%

Change in 5 Days

\$

1.69

\$

Consecutive Candles

1

1.99

1 minute candles

Change in 5 Days

%

%

Consecutive Days

0

Days

Volume Yesterday

200

%

Short Float

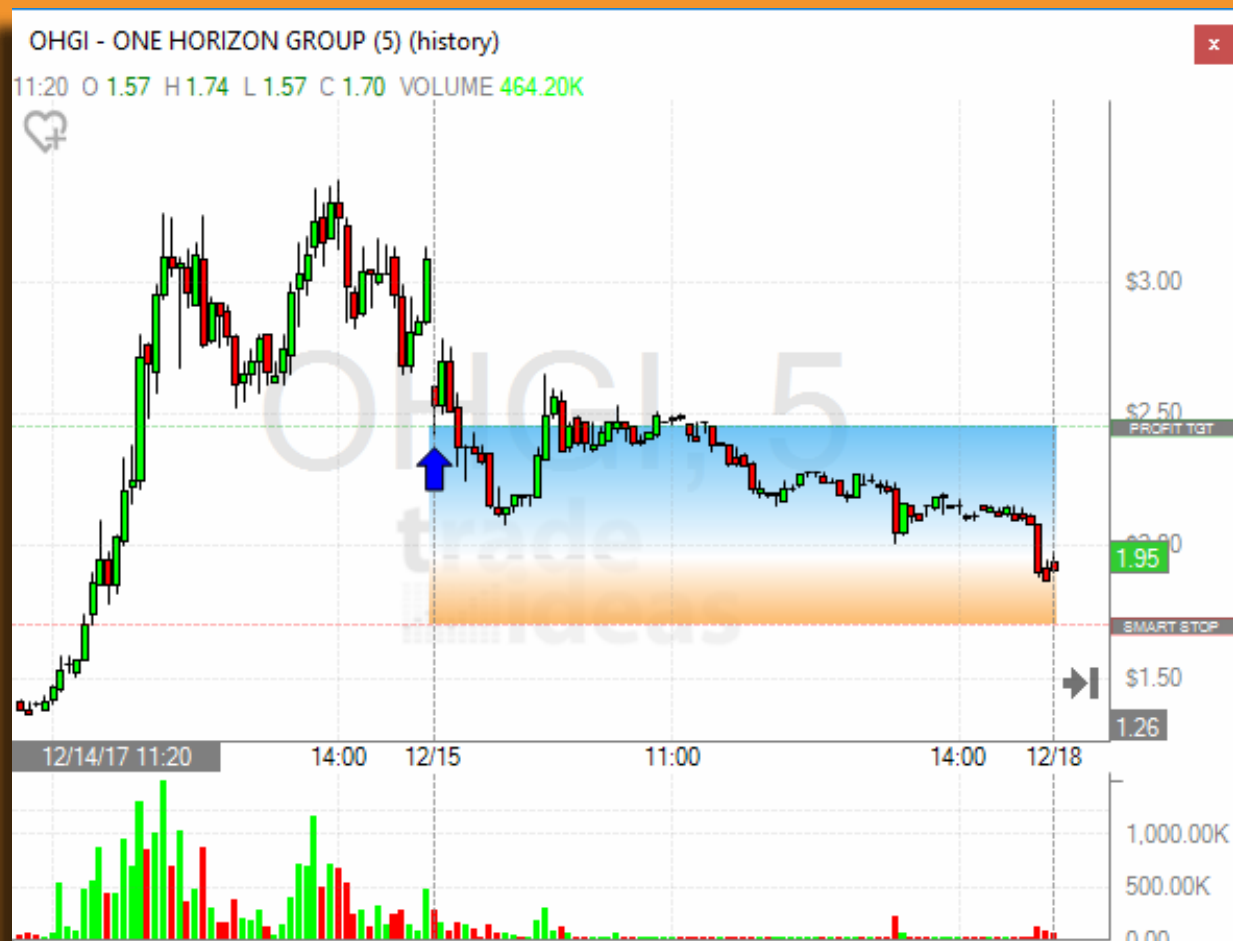
%

Hide Unused

Add Defaults

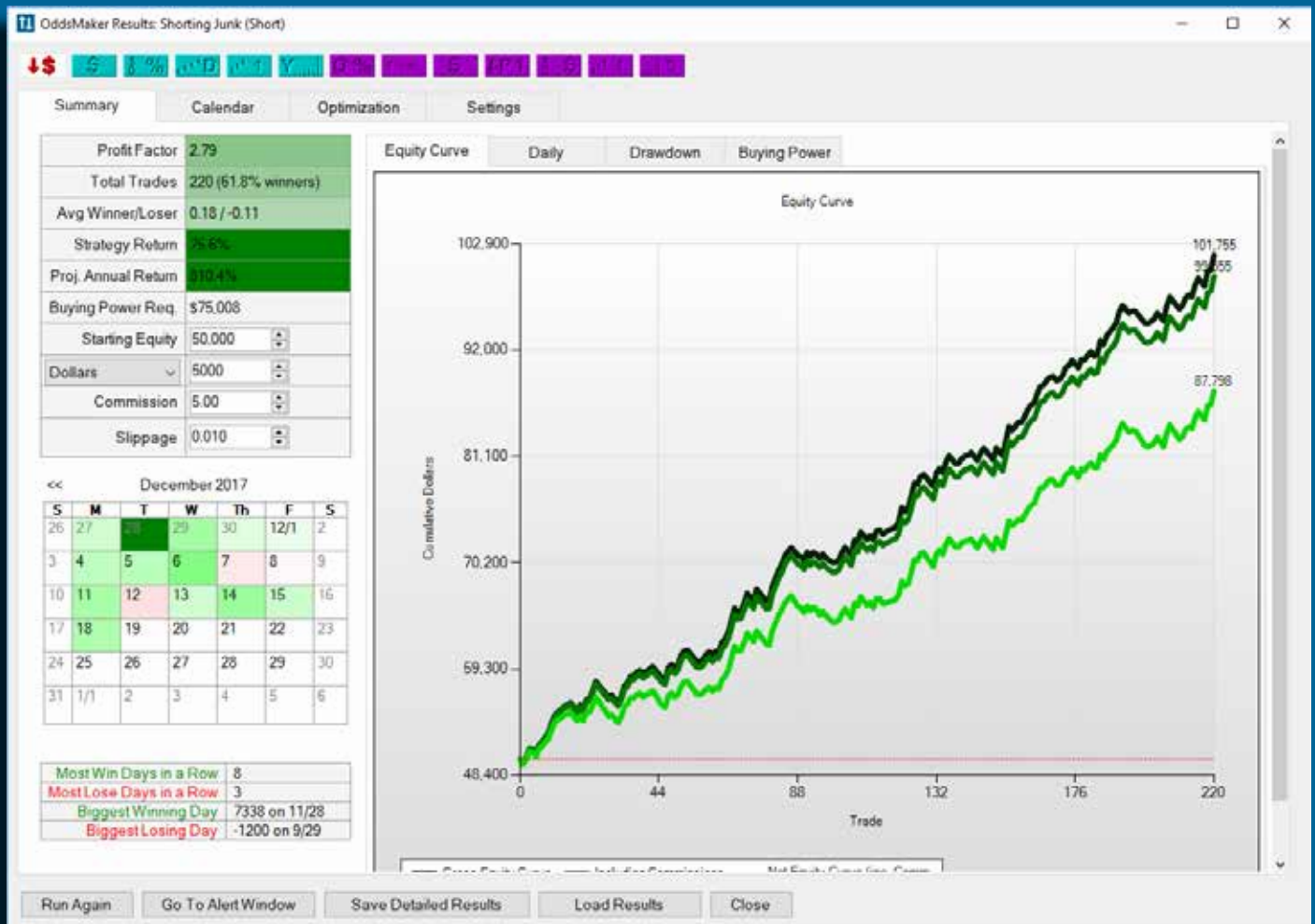
More

Trade Ideas. Using Trade Ideas filters really allows a trader to think outside the box, set up the alerts and filters, and then let the trades come to you.



This is a strategy that even works in a bull market as the back-testing results of this strategy shows in the results. Here are the results of a back-test ran on 12/18/2017 and included the every alert that came thru over the last 65 days (facing page).

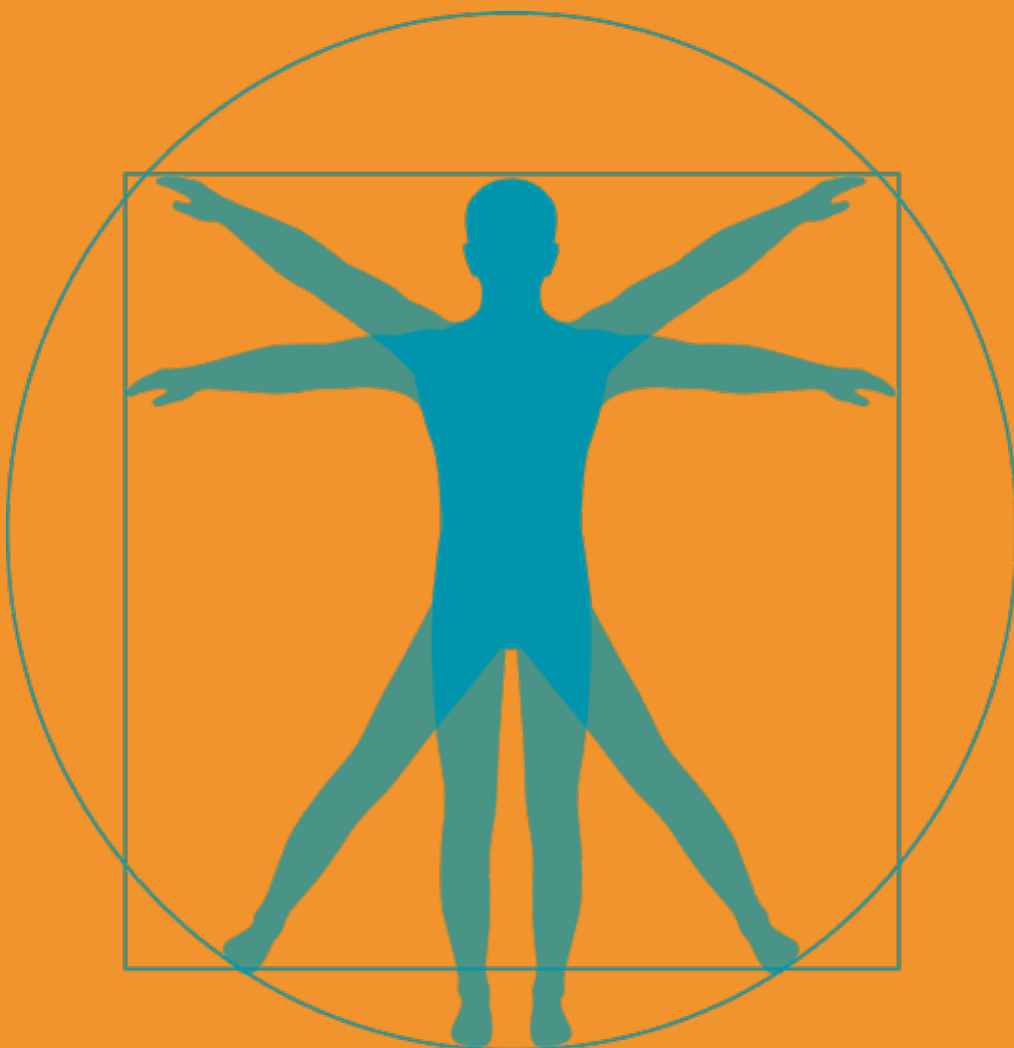
As you can see, this can be a very profitable strategy. Taking into consideration the incredible bull market we are in, this may be a strategy you want to add to your arsenal now, and especially, when the market turns.



Strategy 5: Shorting Intraday Range

It was Leonardo da Vinci who said "Simplicity is the ultimate sophistication." This is the mindset I bring to trading.

Keep it simple and follow
the volume.



Be like Leo

My favorite intraday setup is one of the most easily identifiable patterns, the intraday range break. If the market is a forest, then these patterns are the rabbits, they're everywhere, every session. Here's the catch; if we only scan for these patterns where volume is high, our odds of success increase dramatically.

Here's an example.



Of course, we've been in the everlasting Bull Market to end all Bull Markets, but it's only a matter of when, not if, for the coming downturn. Once the downturn is in full swing, trying to play catch up and acclimate will catch many traders with their pants down. The goal is to start preparing so that when the time comes, we know exactly how to react. Inverting this pattern is also simple. Keep in mind, these setups already exist, they're just not as numerous as they will be in a bearish market.

For calculating stop losses, I use a 15 minute look back. Adjust accordingly for your preferred intraday time frame.

Just keep in mind, it's the Range Breakdowns with volume that we're interested in (same with any continuation pattern.) With the wide array of traditional and smaller time frame volume metrics within the TI Pro suite, we can outfit these strategies with weapons grade volume and drastically improve our odds of success.

I often make the comment "Most people are doing it backwards." In other words, they get so excited when they see the pattern they've

been hunting, they fail to realize the gas tank is empty (the stock is only doing average or slightly above/below normal volume.) It simply makes more sense to pre-screen (filter) for volume and then confirm pattern. Proceeding in this fashion and sticking to it with diligence can take a traders game to the next level as we are now embracing casino type odds over the long term. Keep it simple and follow the volume.



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Published by Trade Ideas LLC. 2018

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