THE FIVE-MINUTE CANDLE THEORY

PROTECTING YOUR PROFITS

A STRATEGY FOR VOLATILE, MOMENTUM-DRIVEN STOCKS

A Strategy for Protecting Your Profits

Hey everyone,

Yesterday was President Trump's inauguration and I have no doubt that the market reaction will be a good one…

Not that we haven't already seen the jumpstart to the markets his election has caused.

With the growing list of opportunities out there, it's never a bad time to go over some of my favorite trading strategies so you'll have an edge in this busy market.

Today, I want to share a simple yet very effective technique that has been a game-changer in my trading for years.

It's all about knowing when to *enter* and, more importantly, when to *exit* trades, especially when your trade is sitting in the green.

Maybe you've been there…Those times when you've quickly turned winners into losers.

These volatile stocks move fast, which is precisely why we love them.

But if you don't have an exit plan at the ready when things shift, you'll watch profits slip through your fingers faster than you can react.

Breaking Down the Five-Minute Candle Theory

Let's talk about the Five-Minute Candle Theory.

You've probably heard me talk about it if you tune into my Premarket Prep sessions.

And if you don't have access but want to tune in, subscribe to my Daily Income Trader System.

DIT members also get four other daily webinars, access to our proprietary trading tools, including Oracle, our algorithmic system, and much more...

Those sessions move fast—I throw out a ton of jargon and shorthand because we've only got 15 minutes, and I'm packing in as much value as possible.

So when I say things like, "Here's the entry, here's the stop, here's the goal—take profits into that first red five-minute candle," I want to make sure you know exactly what I'm talking about.

Today, I'm explaining it in detail so the next time you hear it, you'll be ready to act.

Knowing When to Take Profits

You want to use the Five-Minute Candles Theory with stocks that are low float and high volatility.

I'm going to use a hypothetical example...

Let's say you bought into one of these stocks when it broke its premarket high of $3.60 per share.

Your risk level is VWAP (say, $3.30), so your risk would be $0.30 a share

Using a 3:1 risk-to-reward ratio, which is what I recommend, your target is $4.50, or a $0.90 per share profit.

Remember, momentum stocks can turn on a dime. They'll push higher, higher, higher… until they don't.

And if you don't recognize that shift in momentum, you could end up giving back all your profits—or worse, turn a winner into a loser.

This is why I want you to take profits just into the first red five-minute candle.

Say our example stock was stair-stepping higher, green candle after green candle.

It hits $4.40, just shy of your $4.50 goal.

But then, boom! That first red candle appears.

That's your exit signal. Get out now.

Why now? Why not wait a little longer to see if it goes higher?

Because the first red candle in a morning momentum play usually signals a sentiment shift.

Short sellers smell blood and start hammering the stock, and buyers step back.

That's why you need to take your profits right away, even if it's before your ultimate goal.

In this case, you could've locked in profits in the low $4s, walking away with a $0.40–$0.50 per share gain.

Why I Like This Approach

Protecting profits is not just about your account…it's about your mindset.

It's so frustrating to see a trade go from green to red because you got greedy or froze up..

This approach is conservative, yes. But it's also consistent. And consistency is what builds accounts.

Think about it: even with a small account, if you're making $50, $100, $200 a trade and keeping your losses small, those gains compound fast.

A few hundred bucks here, a few hundred there—before you know it, you've got the capital to trade bigger and better opportunities.

The Bigger Picture

What happens if the stock you got out of went higher later in the day?

Shouldn't you have held?

No. As I said in a recent *Bohen Brief*, no traders, even the best ones, can predict the future.

Any morning trade failure can possibly recover later, as a VWAP afternoon hold, or something else.

But you don’t know that in the moment. Morning momentum is unpredictable, and you can’t overstay your welcome, especially in low-float, volatile, low-quality stocks.

You can’t stick with these stocks for the long haul because they’re not reliable. A penny stock could be gone next week or even tomorrow.

Forget about potential profits or what you missed out on. Cash out and move on. Your odds of success are a lot higher.

Wrapping It Up…

With the volatile, low-float, potentially massive movers, it’s all about discipline.

Have a plan. Stick to it. Recognize when momentum shifts, and don’t let greed sabotage your progress.

These stocks are not long-term holds. They’re momentum trades. You’re in, you’re out, you’re on to the next one.

So, if you’ve been turning winners into losers, try this strategy on for size.

Take profits as soon as that first five-minute candle hits. It’s simple, it’s effective, and it will save you from a lot of frustration.

Stay disciplined, trade smart, and protect those gains!

Until next time,