

***My Experience: Trading the Open Playbook***

By: JSAI

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## Technicals of a Trade

I am a long biased trader primarily. These are setups from my experience. The majority of my setups are long biased. I only short the market when there is substantial news to support being short biased. However I tossed in some short setups based on my observations. Almost all of these setups can be flipped identically to be played to the short side. The reason I am long biased is because 70% of the time statistically the market goes up.

## Bigger Picture Setups

### Setups

#### Trend Line Break



When a stock has tested a major trendline at least three times over days to months it forms an explosive move when the trendline breaks. The longer the trendline is and the more established the trendline is, the more powerful the breakout will likely be.

Requirements:

1. Tight squeeze into trend line
2. Low volume during the squeeze
3. Catalyst to cause the breakout
4. Preferably a gap setup as well
5. Close to ATH (all time highs)

## Squeeze Release



When a stock forms a tight range over a few days to a few months, it can lead to an explosive move when it manages to break the boundaries of the range. The tighter the range and the longer the range, the more explosive the move is.

Requirements:

1. Range formed over at least 5 days
2. The range's width is less than 2 ATRs (average trading range)
3. There is wicking on both sides of the range
4. Volume decreases in the range
5. No excessive fakeouts on the range

## Support Bounce



When a stock comes down to support while also extended, this leads to a good setup off the lows. This type of setup is not a momentum setup normally but better for a bottoming out trade where it slowly turns and rides up for a little bit.

Requirements:

1. 3 or more days downwards
2. Bearish candles with closes near lows
3. Near major support
4. Decreasing or equal volume on the down move

## Second Day Play



When a stock has a strong day and closes near the HOD (high of day) it is likely to continue the next day and put in another strong move. This setup works far better when the original move had substantial news and a substantial technical setup instead of just a single day where it pops with no reason. This play is ideal in hot sectors.

Requirements:

1. Stock closes near HOD (high of day) the previous day
2. Previous day bar is greater than 1 ATR (average trading range)
3. Catalyst the previous day
4. High volume previous day
5. Technical setup previous day
6. Breakout bar or bottoming tail bar



## Flags, Pennants and Continuation Patterns



When a stock has a strong move or approaches all time highs but doesn't form a range nor has a second day play, it is most likely to form a continuation pattern. These normally include a short and quick consolidation on low volume ranging from 2 to 5 days. These plays are normally the best when they precede a technical breakout.

Requirements:

1. Previous substantial move
2. Low volume consolidation
3. Price action is neutral or shows buying pressure
4. Near ATH (all time highs)
5. Catalyst

## Gap Types

### Gap n Go



This setup is most often seen when something gaps into or right above a technical level. This setup is very powerful when the gap is more than 2% and leads to tons of people being interested in buying up the stock.

Requirements:

1. Gap of more than 1.5%
2. Catalyst
3. At or above resistance
4. Chart has been in consolidation or slow trend
5. Near ATH (all time highs)

## Climactic Gap



When a stock makes a parabolic move and then gaps up again, it is likely to sell off for the rest of the day. Understanding this type of gap and recognizing it is essential to avoid taking setups that look A+ intraday but are likely to lose.

Requirements:

1. Stock is up 2 days or more in a row or is up over 15% within 4 trading days
2. No substantial multi day consolidations.
3. Gap % is over 3%
4. There is no fresh news on the stock - all news priced in

## Aspects of a Gap

1. Shock value
  - a. Can a gap lead to a short squeeze?
  - b. If a stock moves down multiple days then suddenly gaps up substantially, it is likely to take out a lot of stop losses causing a cover and a run up.
2. Is there a fresh catalyst?
  - a. The gap should likely be the result of fresh news.
  - b. There should be a fundamental reason for the stock to move.
3. Positioning of the Gap
  - a. Gaps can just be choppy action if they are happening at random places on the chart.
  - b. The gap should happen near the highs or coming out of a range so that the stock can find tons of buyers and make a large move.
4. Gap Size
  - a. A lot of gaps will be unsubstantial and the result of orders happening PM (premarket) and AH (afterhours).
  - b. A substantial gap should be over 2% and should be visible on the daily chart.
  - c. Random gapping is seen a lot when a stock is bound in a zone.
  - d. Often traders will think the gap matters, try to trade it like a gap and get chopped up.

# Intraday Setups

## Recognizing PM (Premarket) Patterns

### PM (Premarket) Squeeze



This setup is when in PM the stock forms a tight range. Sometimes the range will exist from PM open all the way to the opening bell. Sometimes the stock will run PM and towards the bell, will consolidate into a very tight range. This PM setup is one of the best for explosive moves in the first minutes of the market. Any stock that does not have a clean PM or just has no PM action but doesn't fade can fall into this category.

Requirements:

1. Tight PM range - this is subjective
2. Low volume in the range
3. PM action or gap prior to the squeeze

# PM (Premarket) Gap Fade - Holds Gap



When a stock gaps up and holds its premarket range, it is extremely bullish because it indicates smart money has accumulated shares, holding the lows and retail will get in as it starts pushing up. These make great support buys and even better first pull back plays as soon as they establish they are holding PM support.

Requirements:

1. Holds the same PM low for most of the session
2. Slow sell off
3. High volume near the lows of the range
4. Doesn't fade the gap up



# PM (Premarket) Trending into Open



Often on stocks with strong technical setups they will run up PM. These setups are always more risky to play long right off the open, but provide amazing dip buy opportunities off the open or sometimes good dip buys into mid morning.

Requirements:

1. Making new PM highs into the open
2. Opened above previous days
3. PM lows stays the same

## 9:30 to 9:40/9:45 Setups

### Washout Long - Support Buy



The washout long support buy setup is based on understanding that a stock is likely to bottom out and reverse upwards at some level of PM support. When the stock puts in a wick near support, then retests the area and holds, it provides an amazing risk to reward entry to buy near support or just as it bounces from support. This setup is one of the hardest to master and most of the time will turn into the next setup where one ends up getting in later because of uncertainty if the stock actually bottomed out at support.

Stop Loss: At the support level one bought at; Wait for a 1 minute close under support or a clear flush. If not, market makers will shake one out intentionally.

First Target: The first target for this trade has two options. If the stock starts struggling around VWAP (volume weighted average price) take a partial here. Do not always EXPECT the VWAP to pop. However if the stock rips through the VWAP, one can set a target at the next level of PM resistance normally the PM high.

Requirements:

1. Volume near support
2. At least one red candle
3. At PM support and above PM low

## Washout Long - VWAP Push or Reclaim



Whenever a stock doesn't show enough confirmation to play a washout long, this is the next setup to watch and play. This setup is based on the idea that when a stock comes down but then manages to find buyers and get above VWAP, it has the strength to continue upwards and pop as it finds more buyers.

If one enters near the VWAP this setup is a little risky because one might see a rejection or VWAP reclaim fake out quickly. That is why it is important to combine this setup with clear price action, higher timeframe, volume and tape.

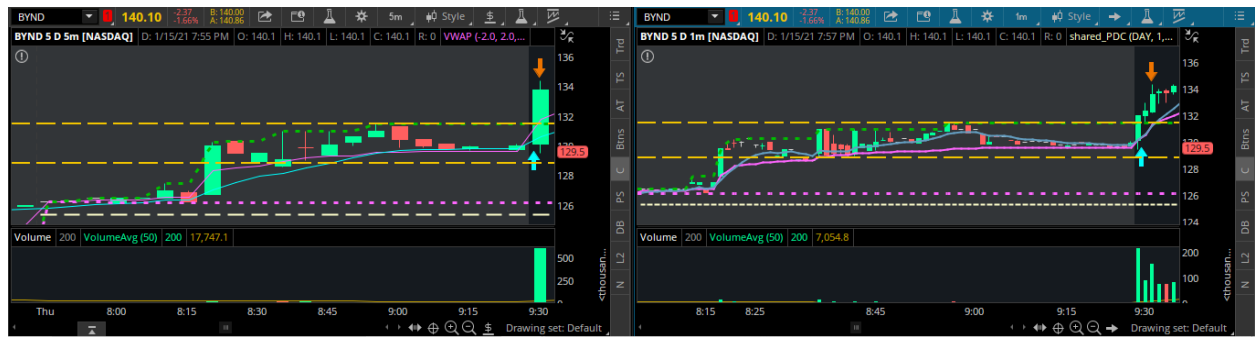
**Stop Loss:** The stop is technically a strong close below the VWAP. However, often using the LOD (low of day) as the stop gives it more room to work and find buyers, especially if the higher timeframe is very bullish and it should make a strong move inevitably.

**First Target:** The first target for this trade is normally the next level of PM resistance which is the PM high. At the first sign of weakness near the PM resistance, is where the first partial normally should happen. One shouldn't just sell because there is resistance; one should wait to see the reaction but always have order ready to get out quickly.

Requirements:

1. Volume on rejections and down moves is weaker
2. Buyers are strong coming towards VWAP
3. Stock has not made a lower high or lower low - no trend

## PM High Push and Break



This setup is one of the best when the PM forms a tight range and doesn't trend a lot. This is also a very good setup to watch if the stock has news or something that will cause it to explode with buyers right off the open. Also logically for this setup, there shouldn't be a major reason for profit taking or a dip off the open.

This setup is very subjective to understanding what momentum is like. If one plays this setup wrong, often the stock will reject and dump at the PM high. One has to make sure that the stock has the momentum to pop the PM high.

**Stop loss:** The stop for this trade normally varies between the PM high level, the VWAP and LOD (low of day) based on how far they are. The key is to give the trade enough space to workout and find buyers. One should not stop out before the one minute candle closes below one's chosen stop or else market makers will play one multiple times. The key is give this trade some time to work.

**First Target:** The target for this trade is always the break and flush of PM highs. If the trade starts showing signs of weakness into the PM high and is likely to reverse, one starts to reverse, accept one's wrong exit and try to reenter later. All breakout trades are very subjective. If the stock flushes PM highs, one can get an order ready to take a partial at the first sign of weakness. Once PM high breaks one SHOULD NOT go back to red on the trade ever.

### Requirements:

1. Momentum going into PM high
2. Tight PM range
3. Opens near the PM highs

## First Retest Trade



As long as the higher timeframe setup is strong, this trade is extremely powerful. Almost always there will be a second leg to a strong move and this trade offers one a chance to enter after confirmation unlike the washout long or other setups discussed above. This setup can sometimes happen within the PM range; other times will happen right above the PM range.

The key to this setup is a few things. First of all the pullback has to show signs of a pullback; not of a strong sell off. Second the initial move that precedes the first pull back must have signs of a powerful move; not just of a weak pop or something that people are shorting at the top.

**Stop Loss:** The stop for this trade is almost always the pivot point. By pivot this means the low of the pullback. In the above chart the wick that comes near PM lows would be the stop. This is normally the area where one's trade is proven wrong because if the stock can't hold where buyers stepped in, the buying pressure is not enough at the moment for a strong move to the upside.

**First Target:** The first target for this trade will always be the break and flush of the current HOD (high of day). If the stock starts to struggle near the current HOD, one should take one's partial and reduce size here. If it flushes the HOD with strength, then one can start taking profits as it shows weakness beyond the HOD.

### Requirements:

1. Strong initial move with a breakout candle
2. Pullback indicates buying with price action
3. Pull back is to a key level or VWAP
4. Volume fades on pull back
5. Momentum shows after the pullback on tape, price action and volume

9:40/9:45 to 10:00/10:15

## Bottom Reversals



This setup is when the stock forms a down trend off the open or after a pop up. For this setup it is okay if the stock fades below the PM support level, as long as it indicates buyers stepping in when the trend breaks.

As shown in the above setup it is always safer to get long, once one sees confirmation with the stock holding outside the down trend because this allows one to know that the down trend is now over and it is likely to pop upwards and above the VWAP.

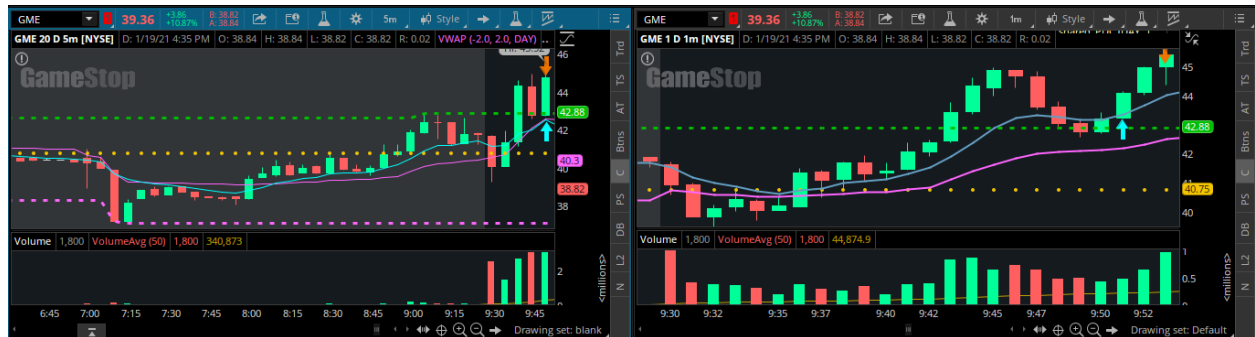
**Stop Loss:** The stop on this trade is always the LOD (low of day) . One wants to give the trade enough space to catch buyers and slowly push up. This is not always a momentum setup and may move up slowly till it catches buyers higher up near the PM high. Wait for a close below LOD or a tape flush to exit; if not market makers can play one by dropping the bids and reclaiming.

**First Target:** The first target on this trade is normally the flush through VWAP where one starts taking partials as one approaches the PM highs where the stock may fake out and find sellers. Sometimes it will continue. Sometimes it won't, so take profits as it pushes toward PM highs or PM resistance.

### Requirements:

1. Established downtrend with a lower high.
2. Downtrend broken
3. Retest downtrend breakout
4. Preferably below VWAP; if not wait for a VWAP retest
5. Volume picking up with buyers

## First and Second Pullback into Support



After an initial strong move generically outside of the PM range, this trade gives one a second chance to enter and catch a scalp or even a potential runner for the rest of the day. The stock should pull back to some level of support such as PM highs, VWAP or the EMA (exponential moving average).

The pullback should be on relatively decreasing volume as well as a slow down move instead of a quick big candle drop. The entry is normally once volume and price action start to pick up while still giving enough space to the HOD. Do not chase this into the HOD.

**Stop Loss:** The stop on this trade is the pivot low of the pullback. This gives the setup amazing risk reward but also means that it can fake out more than other setups. Wait for a close under the pivot or a confirmation of a break of the pivot.

**First Target:** The first target on this trade is always a flush of HOD with some type of continuation past the HOD. If the stock starts to reject after HOD, then try to get out breakeven and accept the breakeven. If it flushes and breaks HOD, wait for the first sign of weakness on the tape or in price action to take partial profits.

Requirements:

1. Two candles or more in the pull back
2. Low volume on pullback
3. Increasing volume at and above pivot
4. First or second pullback
5. Above or at least in the PM range
6. Strong initial move



## One Minute Continuation Patterns



This trade is normally preceded by a previous winning setup where one could and should already be green on the ticker. This is normally the trade where you get in as the trend is being established after the first strong move.

This trade should normally have a few pullback candles which are small in size and shallow in the depth of the pullback. This will normally be followed by a breakout candle or a high volume candle, which both indicate a resumption of a strong move.

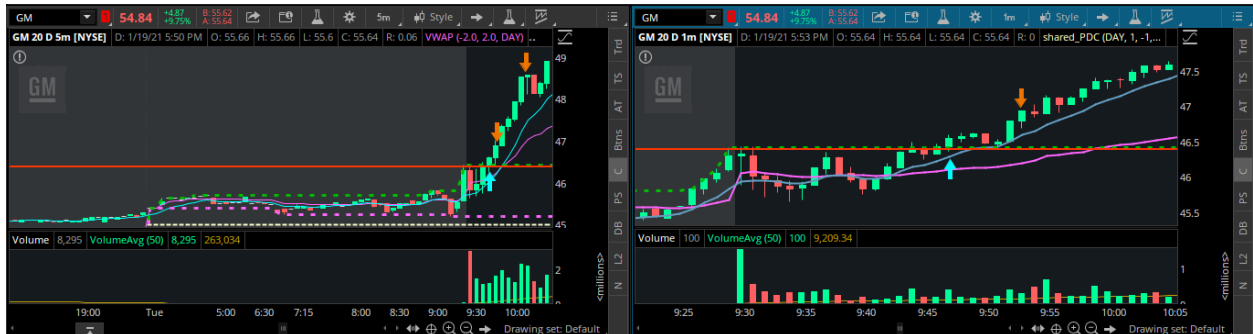
**Stop Loss.** The stop for this trade is always the lowest low in the pattern. This basically means the pivot low that the pattern created. Always wait for a close below the pivot low of the pattern and do not stop out just because it comes back towards the pattern.

**First Target:** The target of this pattern is a flush of HOD and normally some type of continuation past HOD because at this point the trade has already established a direction and a trend.

### Requirements:

1. Strong initial move
2. In or above PM range
3. Low volume pullback - multiple candles
4. Breakout candle with increased volume

## Breakout Trade or Breakout Retest Trade



This trade is almost always preceded by another trade where one could have had a better entry such as a reversal, first pullback etc. This trade normally indicates an increase in buyers as resistance is broken.

The danger of this trade is that often one will get a fake out because people who bought the lows or bought at the VWAP will start to cover their position here. However if there are enough buyers, once the covering finishes there should be another strong move. That is why for this trade it is always good to either enter right before the breakout or once the level breaks and holds.

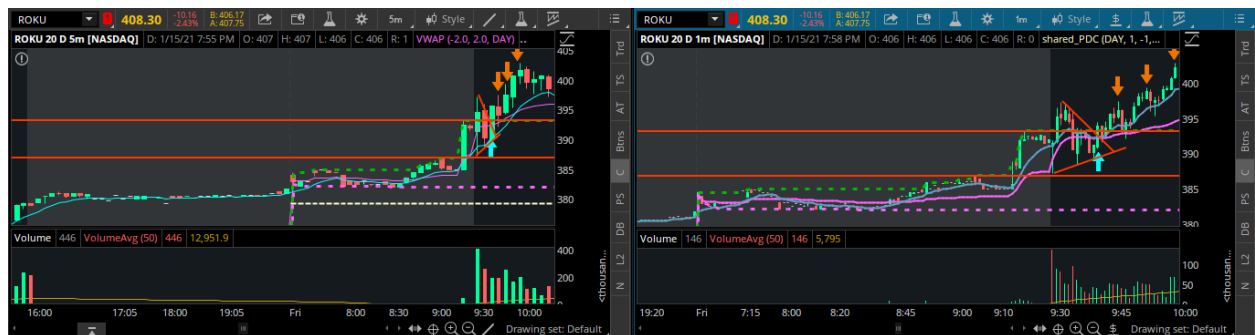
**Stop Loss:** The stop on this trade is normally a close below the most recent pivot on the chart. If the pivot is extremely far away, the VWAP can be used as the stop. Normally the pivot establishes right below the breakout level and then once the breakout happens, a new pivot forms which becomes the new stoploss.

**First Target:** The first target for this trade is always a break of the level along with a pullback and a strong move or just a strong move. Once the stock seems to be losing some momentum or seems to have pushed up to where it is extended (3 to 4 candles up) one can take partial profits.

Requirements:

1. Level tests at least twice
2. Breakout with volume
3. Holds above the level (if playing the retest)
4. Strong momentum (if getting in before the breakout)
5. Stock is not extended and has not made a crazy move
6. Stock is within the PM range or at PM highs

## Symmetrical Pattern Breakout Trade



This trade setup is almost always preceded by a previous failed setup or a previous setup that only reached the first target. The stock will often be stuck in range between higher lows and lower highs leading to a squeeze setup in the first few minutes. Most of the time the original trade wouldn't have been stopped out but understanding this setup will give a chance to add to one's position with conviction.

This setup 99% of the time will be some form of a symmetrical triangle or symmetrical rectangle where the stocks price action indicates squeezing and accumulation.

**Stop Loss:** The stop loss for this pattern is the ascending trendline or the most recent pivot established within the pattern. This is normally very close to one's entry. Make sure to wait for a close on the one minute below one's stop or a solid flush on the tape. Don't get shaken out by market makers.

**First Target:** The first target for this pattern is always a HOD flush or a HOD rejection. Whichever one happens first, take partial profits here. Take partial profits at the first sign of weakness near the HOD level.

Requirements:

1. At or above the VWAP
2. Two touches on each trendline
3. Within or above PM range
4. Volume and buy wicks to show buying pressure
5. Breakout candle for entry

## 10 to 11:30 am

Some of these setups will use the 5 and 15 min charts instead of 1 and 5 min charts because past the first 30 minutes or so, I try to focus more on the 5 and 15 minute to avoid getting chopped out while in trades. If I need more details I will look at the one minute charts.

## 5 min Continuation Patterns



This trade is often to play a setup where the stock is likely to run for the **WHOLE** day. This setup is not just meant to be played on any stock. The bulk of stocks fade and reverses between 10 and 10:30am.

The key for this trade is to make sure the consolidation pattern is clear and has the potential to breakout properly and continue to new highs. For this setup it is always important to get in before HOD but wait for enough confirmation that it is breaking out.

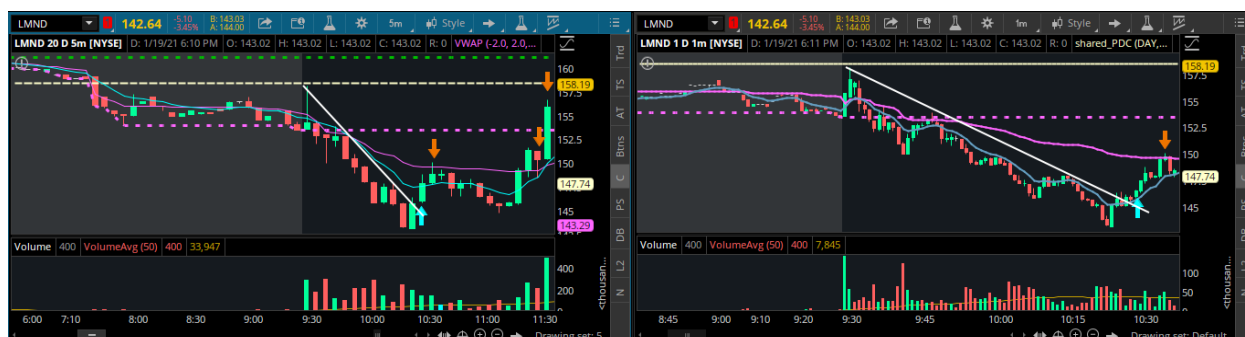
**Stop Loss:** The stop on this trade is always a flush or five minute close below the low of the pattern. Do not stop out on wicks and candle movements below the pivot point.

**First Target:** When playing 5 min setups the target can be decided off the hourly chart and see if the stock has the potential to reach the next key level of resistance. If not, the method I more commonly use is to wait for the stock to push past HOD and let it run until it shows signs of weakness and rejection where I take a partial.

### Requirements:

1. Continuation pattern is tight and has low volume
2. Has a catalyst for a full day move
3. Breakout initiates with high volume
4. Above the opening range
5. Initial strong move

## 5 Minute Bottom Reversal



This type of bottom reversal will always occur only after a stock is extended to the down side. The other key aspect is that the stock has to be next to major support. With these two characteristics a trend is bound to reverse as it slowly finds buyers.

On top of these two characteristics, the stock has to have a reason or catalyst to turn around and not just chop around at the lows. For popular stocks they get bought up at support but for less popular stocks there should be a reason why people are buying them off the lows.

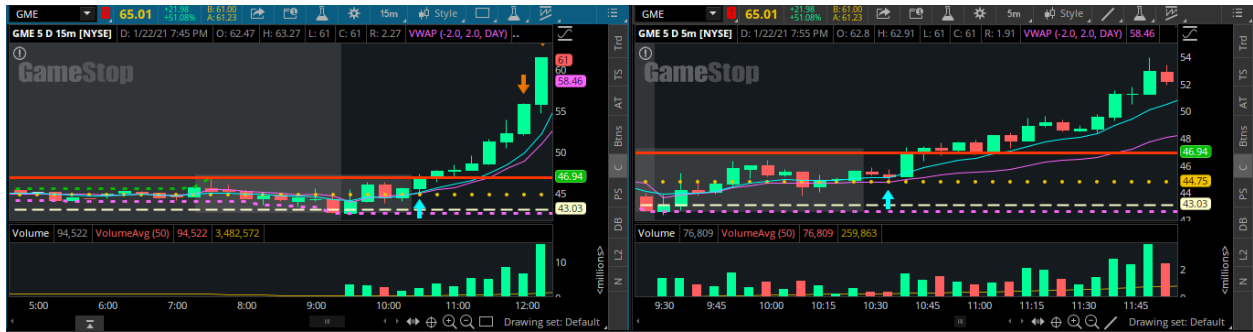
**Stop Loss:** The stop loss for this trade is the most recent pivot or the LOD. Normally the LOD is a better stop because it gives the trade space to work out and eventually find buyers even if one didn't nail the entry exactly.

**First Target:** The first target for this trade is the VWAP. One never wants to take a reversal into mid-day over the VWAP. At that point it is a fully different setup. Always take partial into VWAP or into the VWAP flush. Past here most trades will reverse.

Requirements:

1. Established downtrend
2. Downtrend break
3. Retest of the downtrend break on the 1 or 5 min charts
4. Volume increases at the lows and at the retest
5. Room to the VWAP
6. Reason to go up and not chop

## 15 Minute Squeeze



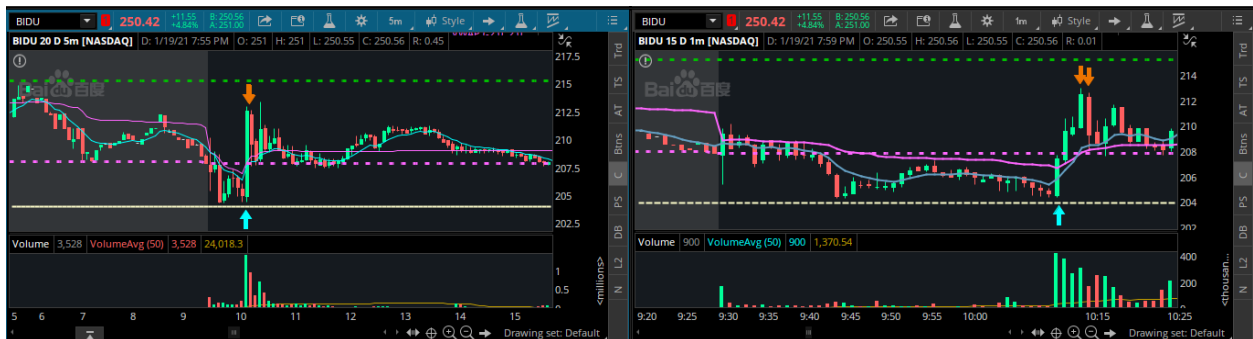
This trade normally happens when a stock is near or right above its PM range for most of the open and first hour. This leads to a very tight range going from PM all the way into the first few hours or just first hour of the market. This leads to an explosive move when the stock is able to get out of its range.

With these setups one wants to see low volume in the range and see the volume increase when the stock starts to push out of the range and breakout. The majority of the move for this trade will happen past the open period. These are normally the mid-day runners. Very few of the morning top gainers will become runners but squeeze setups will.

Requirements:

1. Holding under a key level
2. At least 3 fifteen minute bars consolidating
3. Low volume in the range volume on the breakout
4. Accumulation signs near the lows
5. Above VWAP and averages on breakout

## Breaking News - First Move



This type of trade can happen at any time of the day but they normally happen past the open. The key with this trade is simply make sure the stock reacts to the news and get in as quick and as early as possible.

One does not want to chase this setup past the first minute from the news release and the stock's reaction. After that, one is straight chasing the stock

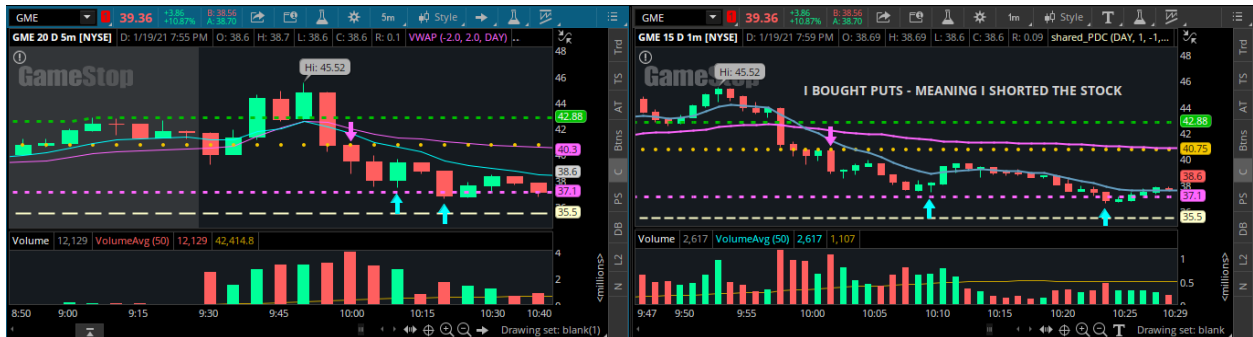
**Stop Loss:** The stop loss for this trade is almost always the first sign of weakness because premiums will get smashed. However, the hard stop to this trade is the low of the first bar which reacts to the news. This stop is normally too wide. This trade will never stop out if one enters on time.

**First Target:** Wait for a two to three minute candle pop. When the stock seems to start struggling, start taking off some contracts and keep reducing because these trades will inevitably put in a big red candle after the pop is over.

Requirements:

1. Breaking news
2. Stock reacts to breaking news
3. Enter within the first minute, max 1 min 30 seconds

## Breaking News Play - First Continuation



When a company releases substantial news, especially on the down side the stock will normally continue in the direction of the news for some time. This play works far better on bad news than good news because people will keep panic selling on bad news but buyers run out quickly on good news.

The key here is to make sure to wait for a pull back after the breaking news instead of chasing it down. Make sure not to play this setup if the stock puts in a powerful candle before the pullback. The pullback should be VERY WEAK.

**Stop Loss:** The stop loss for this trade is normally the pivot formed by the pullback. On any breaking news trade you want to be ready to stop out because the stock moves far faster and options can move crazily. If the stock closes above or below the pivot, make sure to get out quickly.

**First Target:** The first target for the continuation move is normally the flush of the current high or low. Once this area flushes, take partial profits as the stock shows signs of weakening in terms of the trend. If not, wait for it to reach the next key level.

Requirements:

1. Breaking news
2. Weak pullback
3. Strong initial move
4. First pullback