Twitter Thread by Stock Snipa

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■■MY EDUCATIONAL CONTENT IN A THREAD■■

Here's a little thread I put together with some of the strategies I utilize every day in my trading.

1. @unusual_whales Intraday Analyst
2. Scalping
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5. Indicators

(1/5) This is a PowerPoint presentation I put together using @unusual_whales intraday analyst to find trades.
https://t.co/kxSfH0lrCv

(2/5) My Scalping Strategy

SNIPA'S SCALPING

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There are many different theories and strategies for adding scalp positions. I primarily try to determine potential risk and reward.
I always have a plan before entering a position. Below is the checklist I run prior to entry.

1. **Where can the contract move to?**
    - First, look at the strike price of the option and determine the chances of it moving ITM (in the money). Next, I watch the premiums. I determine if it's possible for this contract to move 10%+ within the next ten minutes based on price action.
2. **What's the High and Low of the day on the contract?**
    - Before entering I always check the spread of the contract.
3. **What timeframe do I see for this trade?**
    - I always form a plan before entering based on the time frame. Time can change the value of options therefore it should be anticipated and planned before entry.
4. **What is my risk?**
    - Time, strike and premiums all can have different risk levels.

I like to add scalp positions in a short time frame after I see a bounce off a support level. After seeing a large red candle or series of red candles, I watch to see constant volume and the stock to hold the 20-35% range on the high/low of the last 10 minutes.
When I am scalping a call strategy, I look for a dip. After I notice the dip I chart the high and low for the last 10 minutes. I like to see several minutes of consolidation before I add calls. The amount of time it must respect the level is dependent on the volume and the price action. With higher volume stocks I tend to look for more consolidation to avoid breaking support shortly after entering.
I also look for signs of reversal. I look for smaller candles with constant volume. This often indicates a sign of reversal. If the volume is constant and the candles are thinning out, this means there are buyers and sellers. Before I enter, I look for several of these candles. This means the stock is consolidating on the level. The amount of candles I watch for consolidation depends on the volume of the stock. Higher volume requires a little more consolidation. Sometimes, I don't mind if I don't get filled at the lowest price I have seen. I don't mind paying a little higher to see some more consolidation.

Key risk management factors to keep in mind:

Cap your losses

- Utilize in your trading plan a max loss per day

Stop Losses

- Base stops off recent support or resistance on the chart and keep it within my max dollar loss amount per trade

(Look into different types of day trading candle patterns) this will help with recognizing reversal signs)

SCALING OUT

Scaling out is the method of exiting multiple times as a contract increases in gain. This strategy is used for risk management and helps increase win percentage.

The strategy involves selling multiple times to lower the total contracts throughout the trade. The main benefits of this strategy are lowering the total cost of the trade and lowering the potential loss.

By doing this, we lower the total cost because there are less total contracts open. This means I have secured a win on some of the contracts while still leaving another portion of the contracts open for a potential higher gain.

Scaling out also benefits risk management by reducing the potential loss due to less contracts open. The odds of the trade being a net win increase significantly after some of the contracts have been realized. Exiting half of the contracts will create an illusion as if my new average cost is lowered by the value realized.

A basic example is adding 10 contracts for $1. If I trimmed 5 contracts at $1.15, my breakeven on the trade would be $0.85.

The odds of a net win also increase after I raise my stop. As I scale out, I raise my stop loss which lowers my risk. This will help win/breakeven on the other portion of my contract. The percentage and value of the stop depends on the premium of the contract. There are different scenarios where different stops are appropriate. With lower premium contracts, only a few cent change can be a large percentage. With higher premium contracts the same percentage can be a much larger value. The main factor that determines my stop would be the breakeven after scaling the position.

If I bought one hundred contracts at 1.00 and I exited 50 @ 1.2 I would solidify 20% gain on half the contracts. I would raise the stop near 1.0 to secure an overall win on the trade. The other 50% of the contracts can have a higher gain however the overall risk of the trade is lowered. If I saw the contract value higher, I can then exit 25 contracts and manage an even lower risk on the trade like collecting 25% at 1.4 for a 40% gain. My risk value would be 25 contracts for .4 average cost.

I always like to leave runners. I like to keep my scalps tight but if I have the potential to keep a few contracts in for free, I will. The key is lowering the risk as the contract moves. The odds of a contract moving 100% are much lower than the odds of a contract moving 15%. The lowest risk to capitalize on longer option swings is to play them for low risk, or free.

This strategy may hedge my potential total net gain, however it will increase my win percentage.

Snipa's Building a Watchlist PDF
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Building a watchlist is one of the most important steps in my day. I constantly find myself adding and removing stocks from my watchlist with respect to the current day market sentiment. I believe a trader's success is largely determined by their preparation and system in building a watchlist. There are winning trades every single day, the main battle is finding them.

NARROW WATCHLIST:
My narrow watchlist is a trimmed version of my broad watchlist. The tickers on this list are ones that I am more than likely going to play or consistently keep my eye on. The narrow watchlist is almost like a game plan while the broad watchlist is for finding plays and identifying market trends. My narrow watchlists generally contain around 4-6 tickers.
I study the option chain for every ticker on my narrow watchlist and devise a plan for them. Examples include looking at trades to scalp at open, looking at contracts to trade intraday and potentially looking at contracts to swing/long calls.

BROAD WATCHLIST
Objective: To identify trends in the market and find trades. Unlike the narrow, my broad watchlist may contain over 50 tickers.
Top of the broad watchlist

- S&P 500:
- DOW JONES INDUSTRIAL AVERAGE
- NASDAQ COMPOSITE
- NYSE COMPOSITE
- RUSSEL 2000

These five index's help measure the markets overall performance. This assists me in watching and being able to quickly identify trends for the day. If I notice they're all down, it could be a sign of an overall market sell off. This also helps look for which sectors are outperforming for the day.

BREAD BASKET:
I think every trader has their own set of stocks that they watch everyday. The stocks that I am most familiar with, I classify them as my "Bread Basket". I follow these stocks and study the share price, their levels, the volume, the contract price action, etc. The bread basket stocks have a spot in the broad watchlist and may move to narrow depending on the situation.

OTHER:
<u>Out of price area</u>: I try to find stocks that are either performing very good or terribly. I like to play for bounces off the levels.
<u>News</u>: I follow the news throughout pre market and normal trading hours on CNBC. When I see news that can affect a certain sector for the day, those stocks in impacted sectors may get added to my watchlist. Watching the news not only helps me find tickers, but it keeps me informed with market news and events. This can prevent me from having a poor entry based on bad news.
<u>Earnings/Events</u>: Tickers can make my broad watchlist if I anticipate a potential play based on earnings or market news. Earnings often lead to more volume.
<u>Unusual Whales</u>: Option flow.

- Live flow
- Live new flow
- Historical flow
- Intraday analysis
- Open interest explorer
- Technical analysis
- Financials
- Insider trades and more..

(5/5) Indicators

SNIPA'S INDICATORS PDF

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Indicators are very important in my trading style. Detecting indicators further allows me to find solid trade setups, good entries, avoid poor entries, and maintain the contracts I'm holding.

Reversal:
I look for reversals in stock trends. Depending on the strength of the candles and consolidation, I also look for continuation. Generally smaller candles with high volume have both buyers and sellers within that minute. Larger candles with lower volume can be produced when there are more buyers or sellers. Some things to look at during "reversal trading" include weakness in the trending move, strength in the retracement move, support/resistance breaks, longer term trendline breaks, overextension, etc.

Candles starting to thin out:
Another indicator I look for is candles starting to thin out with constant volume. This formation helps show signs of reversal. There are most likely buyers and sellers within that minute if the candle was smaller with constant volume.

Volume Bars:
I watch the volume bars by the minute. The bars are located at the bottom of my screen. I also watch the volume grow live. I choose the volume bars because they are the fastest and most efficient way for me to measure volume. Understanding volume and open interest allows me to get a more enhanced understanding of what is exactly going on with the stocks intraday movements during the time period being analyzed.

VWAP & EMAS
Vwap - Short term support/resistance levels. VWAP becomes beneficial to use as the stock crosses above the middle trendline, with the trader playing calls as it breaks out to the upper bound. Same goes bearish breakouts on the downside.
EMAS - Exponential Moving Averages. EMA's grant more weight to more recent opening and closing prices. I like to use EMA crossovers as indications of bullish/bearish trends as well as intraday support and resistance levels.

Bullish/Bearish Patterns:
I look for bullish/bearish trends. Bullish and bearish trends can influence me to either avoid a trade or add a trade. To identify bullish/bearish trends I watch the highs and lows on the 1 minute chart.
When looking for bearish trends, I want to see a lower high from minute to minute. Once a bearish trend is identified, I focus on the strength of that trend. I want to watch the volume and look for "chop" or sell offs. When looking for bullish trends, I watch for a higher low from minute to minute. Just like bearish trends, when I detect one, I don't always immediately add a trade. On a strong bullish trend I may add calls. Generally when I add calls on a bullish trend It must be a strong one. When I add on these trends, I always take a starter size anticipating I may have an additional add.

Range on High/Low 10M:
I watch the range the share price is at on the 1 minute chart by charting the high of the last 10 minutes and the low of the last 10 minutes. I then quickly approximately calculate the range where the current share price is.

I hope you guys can take some value from this. Feel free to share with anyone you think could benefit! ■