Twitter Thread by TraderLion ■



TraderLion ■
@TraderLion_

There are thousands upon thousands of stocks that you can trade.

But how do you narrow it down to the best of the best?

In this thread, we'll highlight the 3 most important steps you need to take to create a Focus List (& how you can apply these lessons immediately)

■■

By the end of this thread, you'll be able to:

■ Scan quickly and effectively to build a Universe List
■ Narrow it down further to a Weekly Focus List
■ Find the best stocks possible to trade

It's that simple so let's jump in.

· Scan quickly and effectively to build a Universe List

■ Pullbacks
■ Breakouts
■ High Volume
■ Fundamentals
■ Momentum Edges

Here are the criteria you can use in your favorite scanning platform for each:

Pullbacks Edge ■:
· Above your favorite Key Moving Average Scan (> 10EMA, 21EMA, 50DMA)
· % Off Highs Scan (< 20%)
· Reverse Pocket Pivot Scan

Breakouts Edge ■:
· 52 Week High Scan
· Volume > 2x Avg. Scan
· Price > 5% on Session Scan

High Volume Edge ■:
· Highest Volume in > 1 Year (HV1)
· ShortStroke (>10% move over prior 5 sessions)
· Pocket Pivot Scan

Accelerating Fundamentals Edge ■:
· Accelerating Sales Scan
· Accelerating EPS Scan
· EPS + Sales Combo

Strong Growth Edge ■

· Most Recent Qtr EPS > 40%
· Most Recent Qtr Sales > 40%
· Fund Ownership Increasing QoQ

Momentum Edge ■:

· % Price Increase over 2 Months > 100%
· Price > $5

No matter what type of trader you are, you must have a screening routine that identifies the top stocks for your strategy.

Take the examples above and implement them into your routines.

Once you have this pool of ideas, the next step is to organize them into your watchlists.

At TraderLion, we sort the results of our scans into 3 separate watch lists. They are the following:

■ IPO WL
■ Gappers WL
■ Hight Tight Flag WL

This is the universe of stocks we have at our disposal - usually totaling no more than 120 names in a good market.

Here are some of the criteria that we look for out of newer issues to make our IPO Watch List:

· Proper P/V from IPO (up on volume, down on low volume)
· Highest Volume Since IPO w/ Strong DCR (HVIPO)
· Huge RS from IPO, RS Zones/Periods
· Strong Fundamentals

Criteria for Gappers Watch List:

· Highest Volume Ever (HVE)
· Highest Volume in 1 Year (HV1)
· Strong DCR of over 50% during these sessions

This is a direct example of how our scanning routine above plays right into our watchlist creation.

Here are some of the criteria that we look for stocks to make our HTF Watch List:

· % Change 2 Months > 100%

This is another direct example of our momentum edge screen from above that is implemented into our daily processes.

That's it.

By separating your stocks into 3 separate watch lists, you will be able to track all of the best names in an orderly and organized manner.

Of course, the question of this thread now that we have a universe list is how do we narrow it down into a Focus List?

Here is the answer ■

Each night, you want to go through your respective Watch Lists and jot down the names that will be the most actionable for tomorrow’s session.

The edges and setups should be clear and there should be a specific pivot point you are watching.

This means we are looking for names that are:

■ Above KMA’s
■ Tight Price Action
■ Low Relative Volume
■ Showing a Constructive Pattern

As your eyes glance across charts that meet these criteria, write down those tickers along with the setup and buy point.

This should be part of your daily routine.

Next, it's time to focus on the best and most actionable names.

Be objective and ruthless in selecting these.

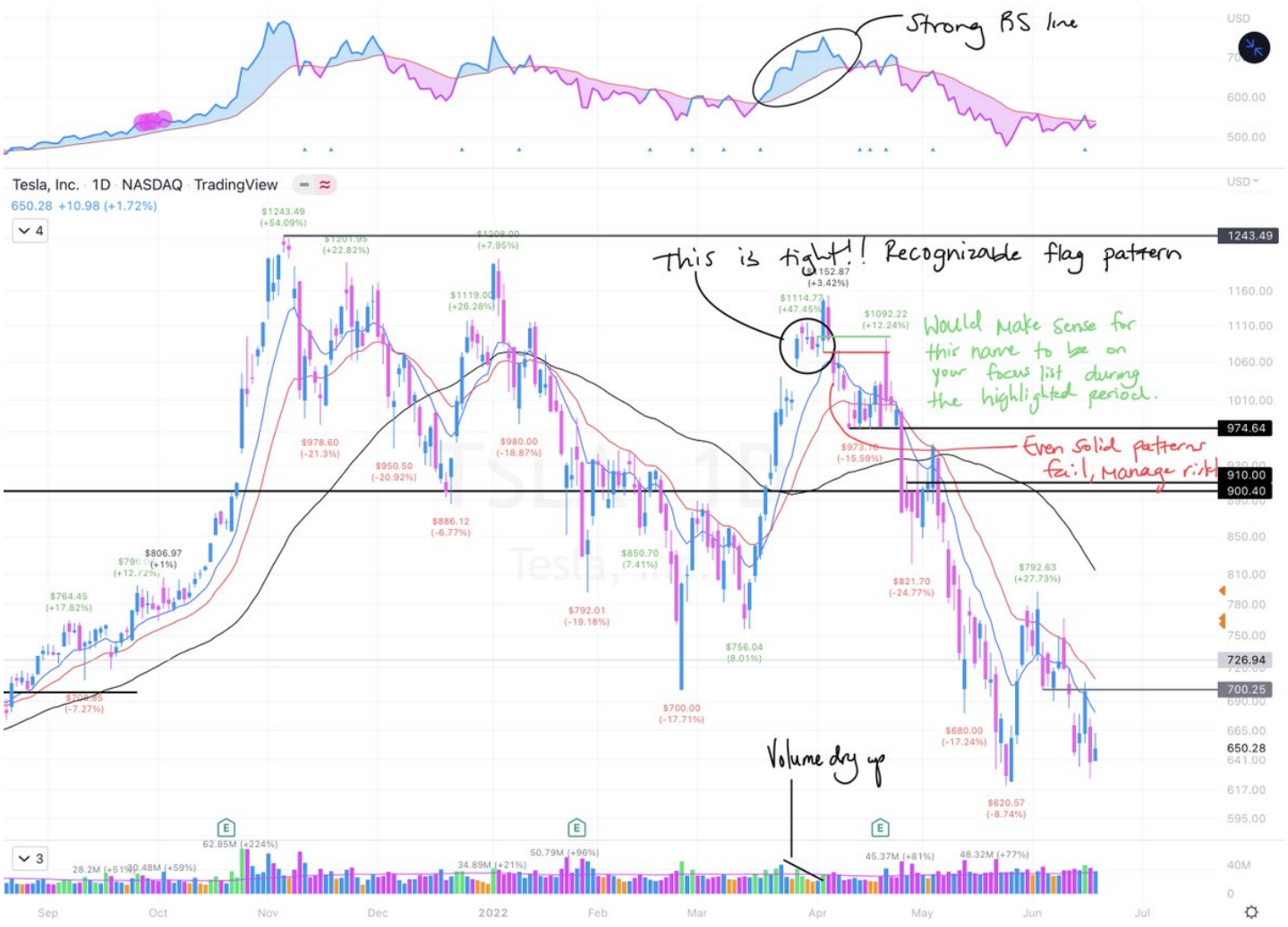
Go through your list and pick out the 5-10 best of the best names.

That’s it! You’ve now…

■ Built Scans for your Universe
■ Created Routines to capture these names
■ Simplified a list of 5-10 names that will be your FOCUS next session!

It’s best to sum this thread up with a couple of real world examples of times stocks should have / should not have made your focus list.

Example 1: $TSLA in 2022



As we can see in the example above, $TSLA had a period in which it traded near its highs, above all the KMAs, and in a tight/orderly fashion.

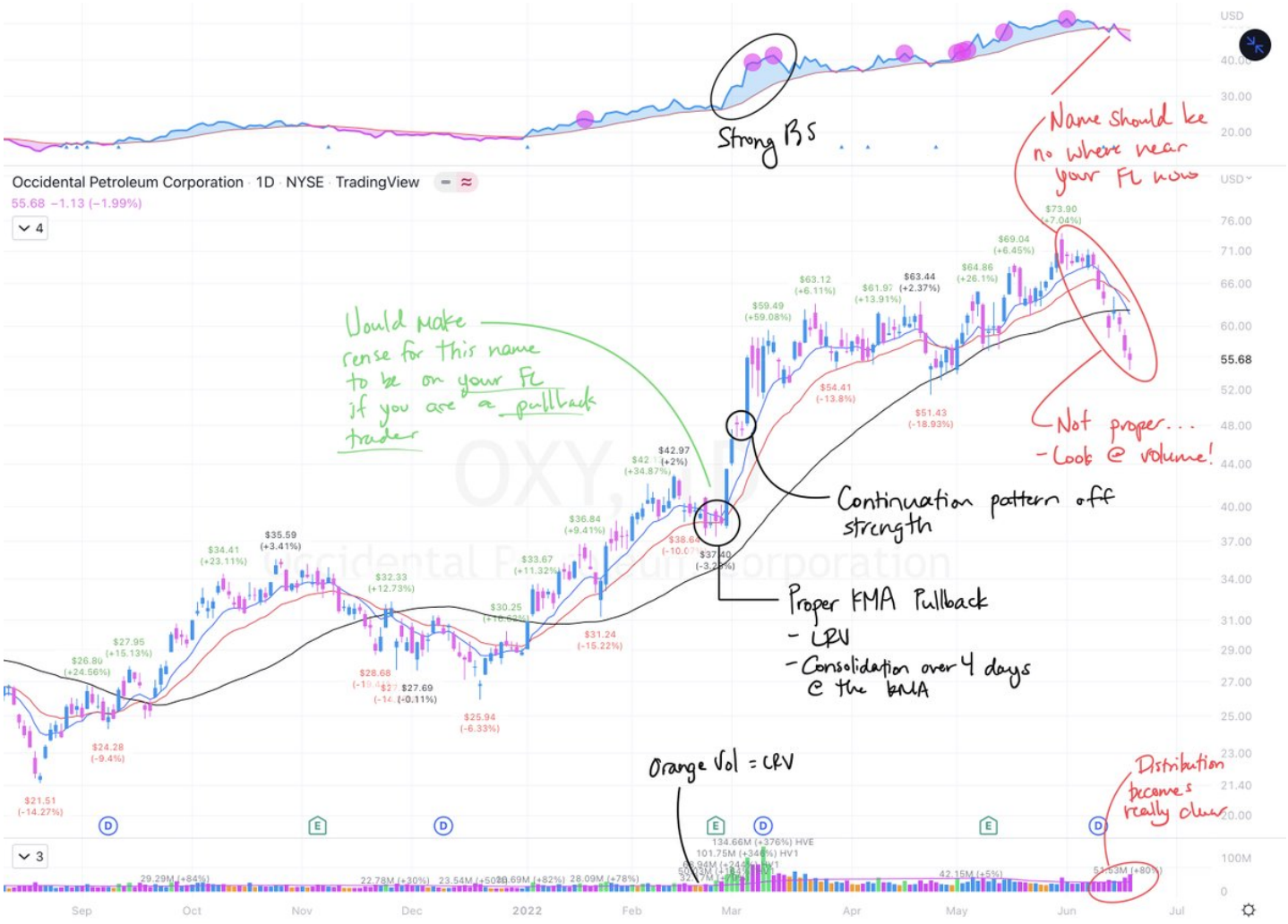
This is exactly what we are looking for out of a name to make our focus list.

Clearly though, the continuation pattern it created did not last as the market rolled over and took TSLA with it!

This is why it is incredibly important to always practice proper risk management strategies.

Example 2: $OXY in 2022

$OXY is a great example of a chart that would have been perfect for a KMA Pullback buy - worthy of making your focus list as it showed everything we look for!

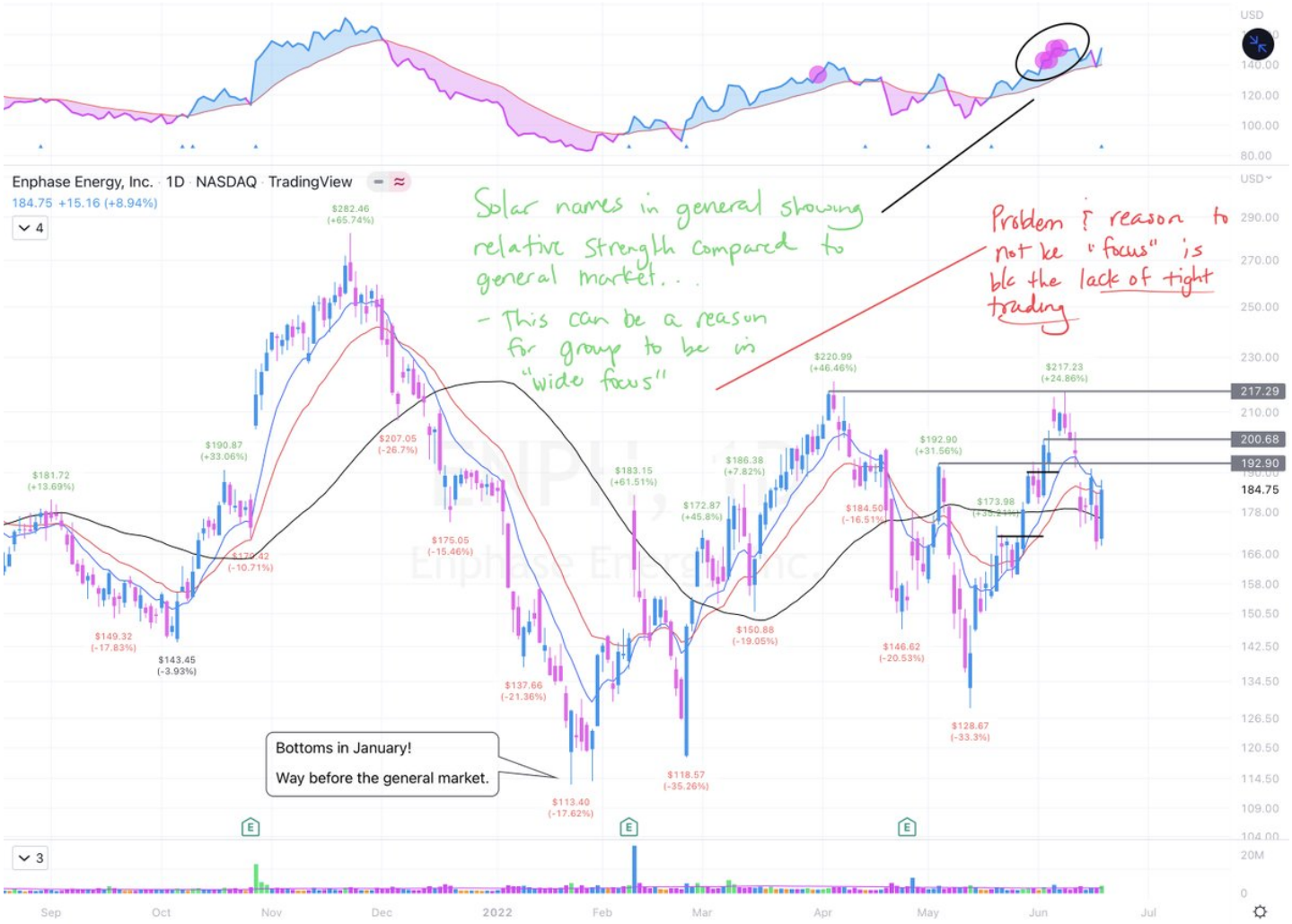


We can see that it had an orderly (Low Relative Volume, over multiple sessions) pullback to the 20ema, and then was able to bounce in a big way.

That is very different different action than what we are currently seeing with the oil stocks.

Example 3: $ENPH in 2022

$ENPH shows exactly why having Group Relative Strength isn't quite enough to move a name on to our FOCUS list - but definitely could be one that is worthy of your universe list..



Final Takeaways on Focus Lists:

■ We must be sticklers & only accept the best names onto our focus list.

Focus = results.

■ If there aren't any names on your focus list, don't trade.

Don’t ever fall into the trap of not having ‘enough names on your focus list’ and start trading sub-optimal names because you want the action.

■ It is very important to never get tied to one stock just because it acted well on your focus list before. Never fall in love.

There is a time to trade stocks as they meet your criteria and a time to ignore them and be patient until they set up again.

That's a wrap!

If you enjoyed this thread... ■

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— TraderLion \U0001f981 (@TraderLion_) June 22, 2022