

# Strategy: The Rising Devil

# **Stock Selection**

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- **In the premarket, review gappers list for stocks down more than 5% and have already traded more than 100,000 shares**
- **BBT Trading terminal is currently developing a market scanner**
- **The stocks identified from above are likely gapping down on some recently released bad news such as a bad earnings report or other negative news.**

# Setup Identification

- The stock will be gapping down from the previous day close
- The stock price will be trading **BELOW** the VWAP. If the price moves above the VWAP before the open, the trade setup is nullified
- The stock should be demonstrating a little bit of weakness in the last few minutes of trading in the premarket (ideally but not necessary.)

# Trade Execution

- Opening price action can be tricky
- Sometimes price will drop immediately. If there is a lot of weakness going into the market open, take a starter short position in the premarket or just at the open
- Stock price will occasionally pop up to the VWAP area where you can take an initial position or add to the short position you started
- Stop out if price continues higher above the VWAP
- Cover short position at various levels on the way down

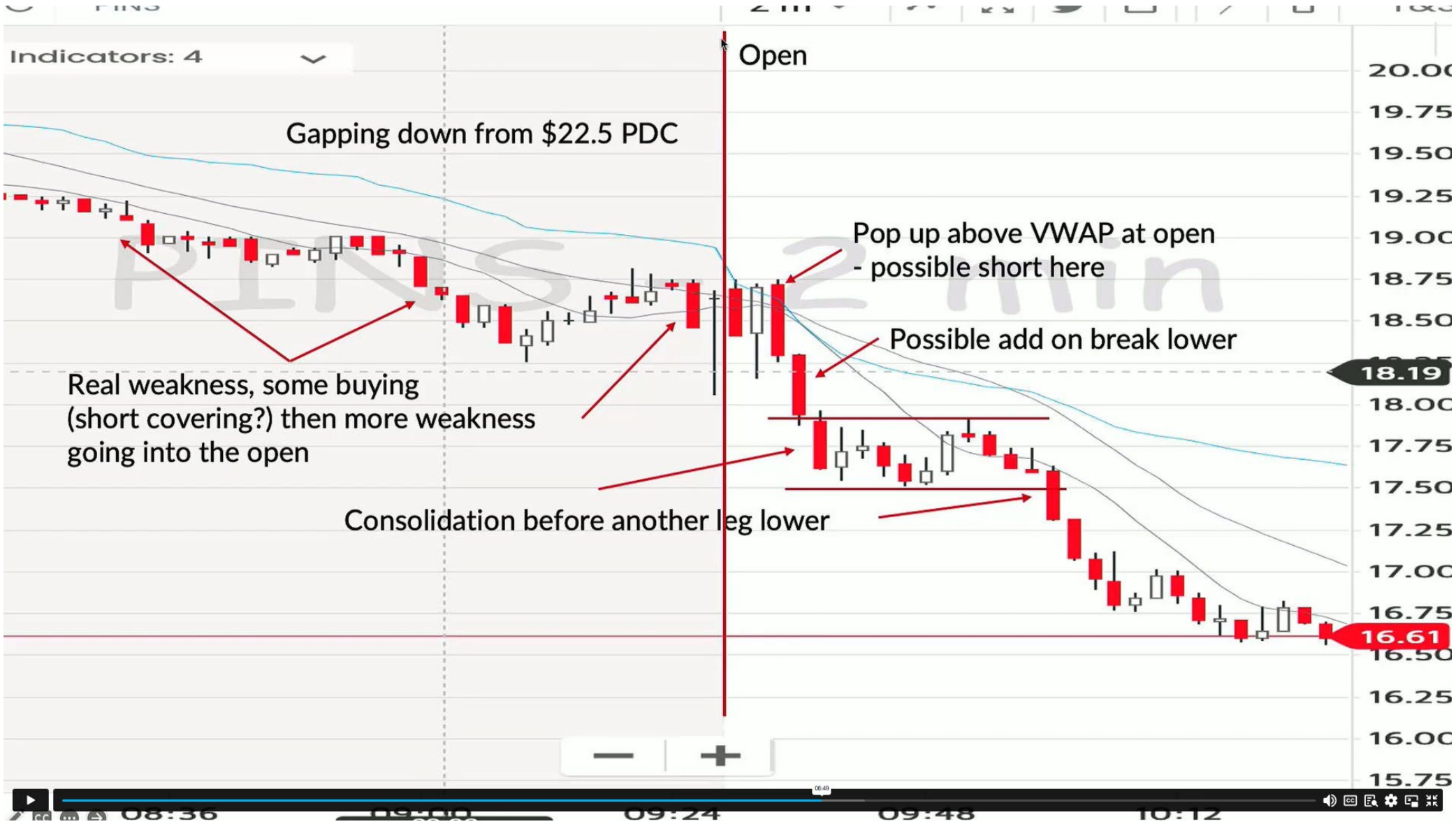
# Examples

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- **First two examples NIO and PINS show how the trade setup works most of the time**
- **Third example COIN shows the trade setup not working out with a need to stop out**



# Example



# Example



# Consideration Notes

- **The price action in the last few minutes before the open can be an indicator of whether the trade will work, or caution is advised. The COIN example showed that last minute strength going into the market open after a lot of selling did not produce the desired outcome of a continuation sell off.**
- **Often there are several legs down as shown in the PINS example. A first leg of selling is followed by a consolidation phase which brings price back to the 9 ema on the 2 min chart. Rejection of the 8 ema brings another leg lower where you can add to your short position**

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