

Strategy: Previous Day Close – King of Levels

DISCLAIMER

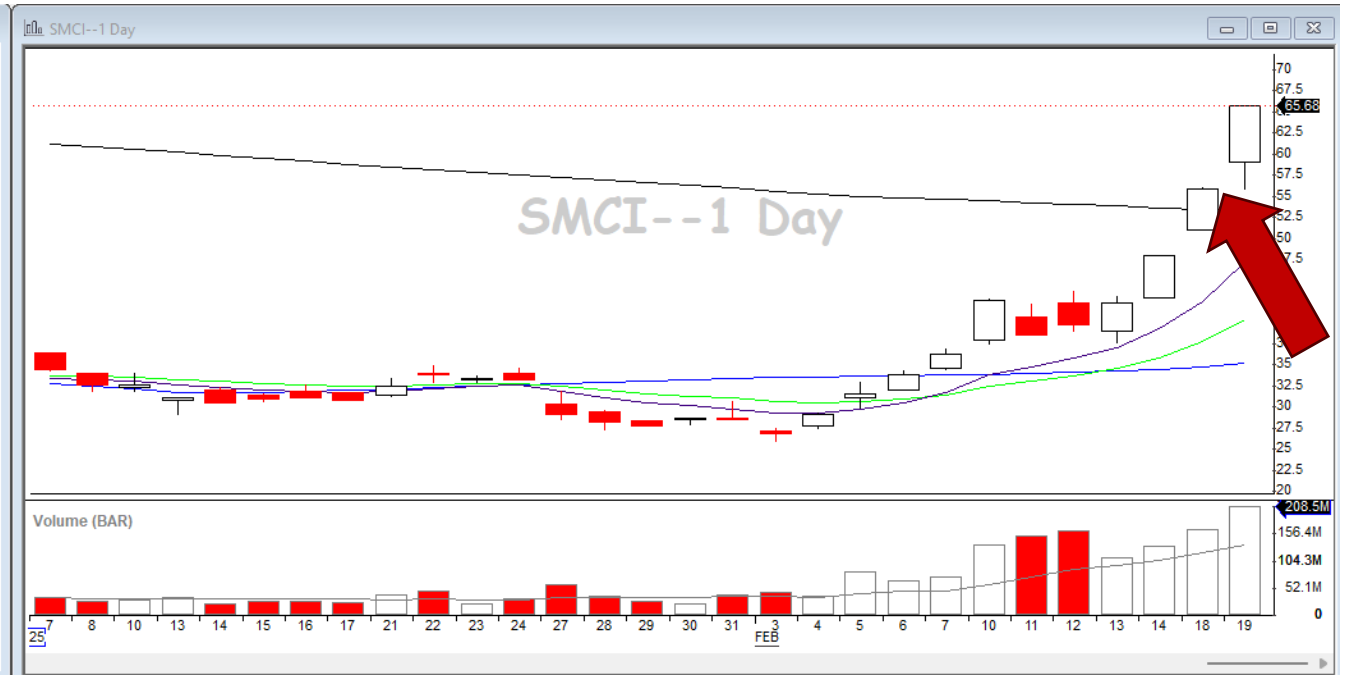
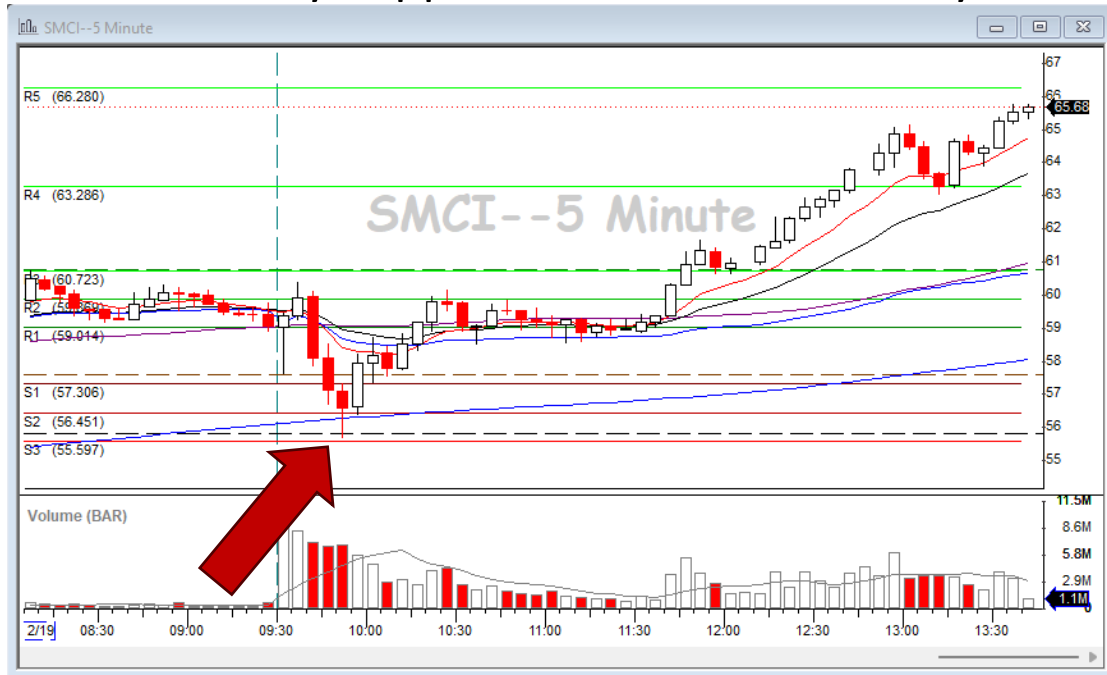
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Stock Selection

- Top Traders in S&P/Nasdaq 100
- Stock in Play (Gappers, Trending)
 - Not always applicable to stocks with strong catalysts that will move them away from the Previous Day's prices
- Good Intraday Volume (RVOL > 80%)
- Possible Identifiers:
 - In 'Breakout' Mode on Daily to ensure Trend Day Setups
 - At Daily Support/Resistance Prior Day with Reaction

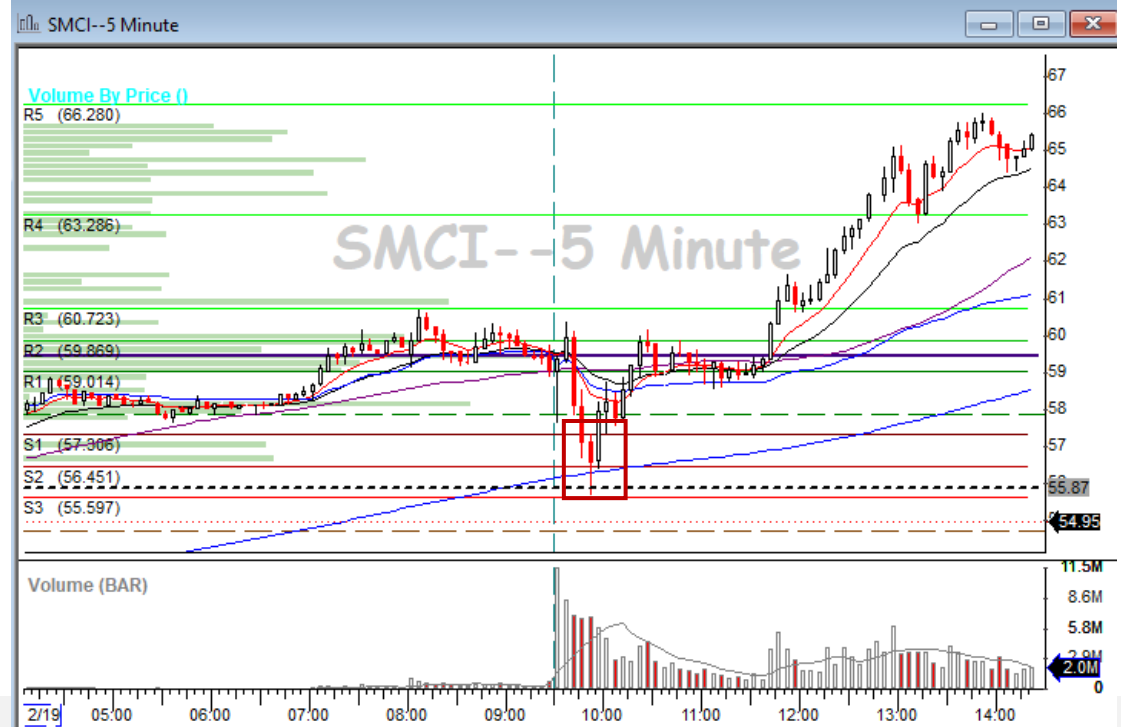


Setup Identification

- Price Action 'driving' towards Previous Day Close (PDC)
 - Multiple 5M Bars to extend Price Action ideal
- High Volume on the approach to PDC and when the Level is hit
 - Indicates market is 'covering' the previous move to the level, provides some imbalance
- Reversal Candle/Multi-Candle Setup against PDC
 - Hammer/Shooting Star
 - Engulfing/Engulfing Crack Bars
 - Double Top/Double Bottom
- Given Setup requires a Reactionary Entry, the PDC Range will give us the appropriate Risk/Reward if Price Action moves away from the Level.

Trade Execution

- Entry: Reversal Setup that occurs against PDC
- Stop Loss:
 - Aggressive: Under 1M Bar that 'tests' PDC
 - Conservative: Under 5M Bar, 10% of ATR from PDC
- Target: 2R Initial Target, VWAP, Volume Profile Areas
 - Should consider the 'Beginning' of the Move to PDC (Usually a Base Point)
 - Traders only playing 'Mean Reversion' will have covered at PDC and price could return back once finished
- Leave runners for potential to 'trend' further than Morning Ranges; can be managed using other techniques once price confirms other setups



Consideration Notes

- If the Daily Chart is Trending, the PDC Test might be the best price of the Day (LOD/HOD) and could be a Swing Setup for Continuation Days.
- PDC might be hit a few times, so looking for buyers/sellers to 'reclaim' the Level is also a valid Setup Consideration, but the Conservative Stop Loss should be able to handle the additional tests.
- Variations of the Setup may occur (price may not tag PDC exactly and still move away); often these can be taken but need to consider either PDC or the 10% of ATR as the risk to allow for a move later to hit it.
- Avoid looking for setup when PDC is 'midrange' in Previous Day Session; may not offer strong reaction and stock may be balanced once the price is met.



Example of a PDC Move but price didn't touch before moving back to VWAP. PDC was met by the close.

Example

