



Trading the Pristine Method

Advanced Gap Strategies

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Advanced Gap Strategies

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Advanced Gap Strategies

Chapter One: What is a Gap?



- A gap is the difference between yesterday's closing price and today's opening price.
- It is based on the NYSE 4:00 regular market closing time, and the NYSE 9:30 regular market opening time.
- Gaps can create VOIDS in the price pattern
- Gaps can create OVERLAPS in the price pattern

Gaps can create VOIDS in the price pattern



Gaps can create OVERLAPS in the price pattern

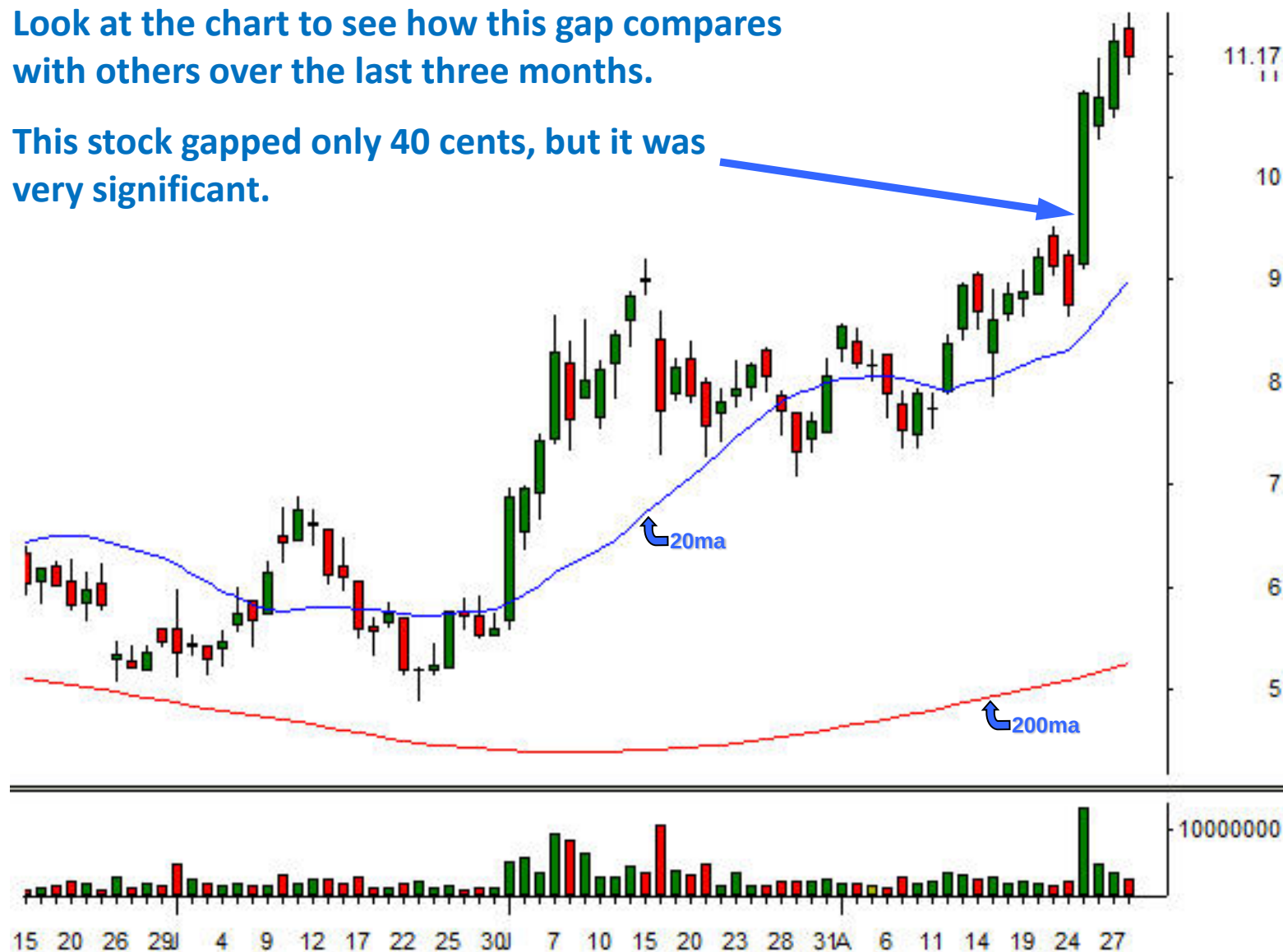


- Almost all stocks gap every day, we only want to track gaps that are 'significant'.
- Significant is not necessarily a certain dollar amount or percentage.
- Significant is a 'visual' term. It is one of the bigger gaps you see when looking at the daily chart.
- However, it can also depend on the prior pattern, as we will discuss later...

Significant is a 'visual' judgment

Look at the chart to see how this gap compares with others over the last three months.

This stock gapped only 40 cents, but it was very significant.



- Gaps are usually caused by news regarding that stock, sector, or the market in general, but the actual news does not matter. We do not even bother to look at it.

Exception 1: Stocks that are the target of a buyout, which is a cash deal and a done deal, usually do not move much after the open.

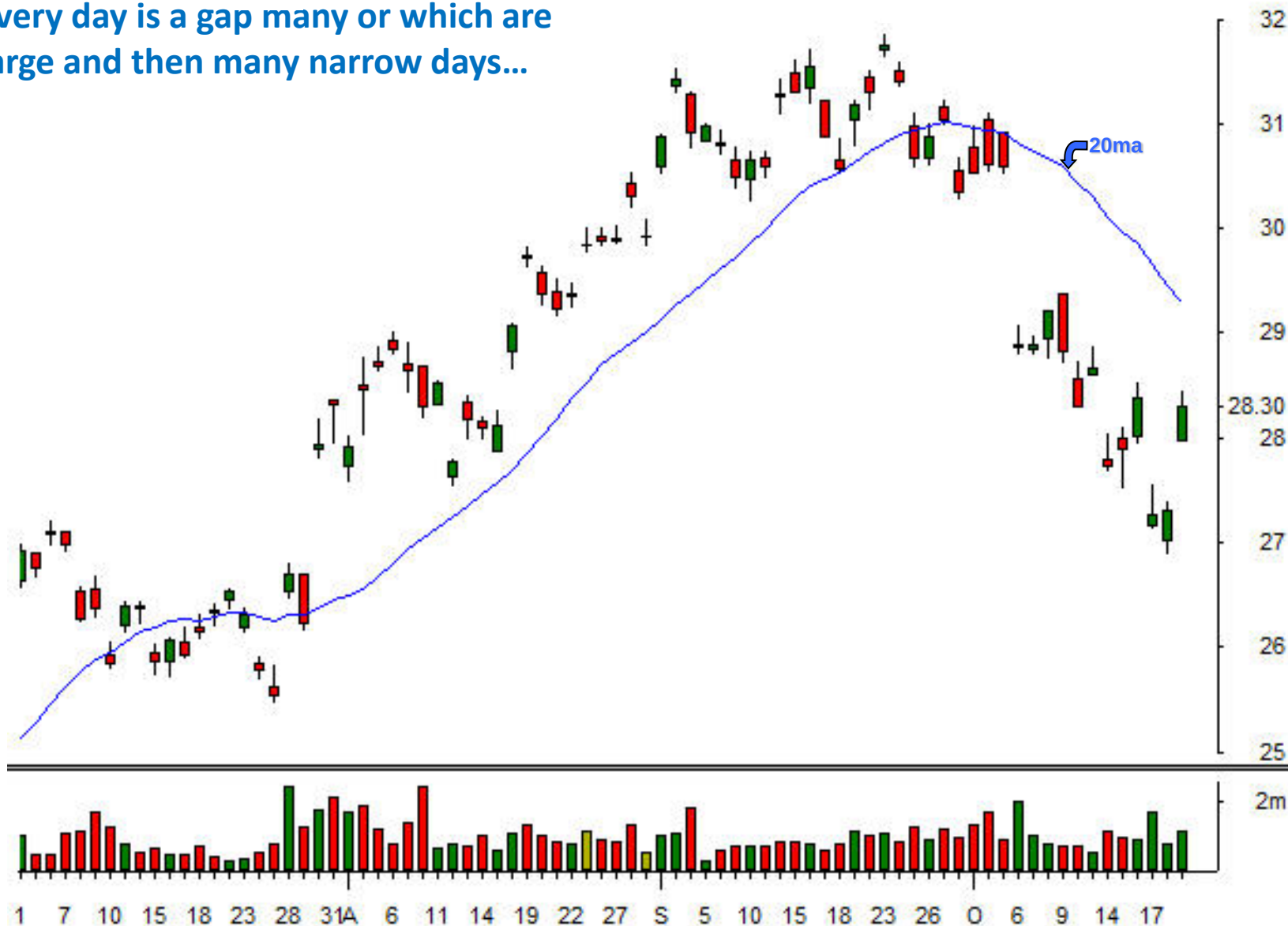
Exception 2: Stocks going ex-dividend are not really gapping, as they are just adjusting to the dividend distribution.

Exception 3: Secondary offerings, while they are real gaps, there is a tendency for these gaps to not move much, or even get bought. For the most part, you are better off staying away.

Exception 4: Stocks known as “ADRs” are American Depositary Receipts, and are not really gapping. They are traded primarily in a foreign market, and when the US market opens, they simply must open at their current price.

American Depositary Receipt (ADR)

Every day is a gap many or which are large and then many narrow days...



Common Terms You Hear...

- Novice Gap
- Professional Gap
- Continuation Gap
- Mortgage Gap
- Gaps that Bully
- Gap and Snap
- Gap and Go
- Gap and Crap
- Gap and Nap
- Exhaustion Gap
- Breakaway Gap
- Ex-Dividend Gap
- Earnings Gap
- Shock Value Gap
- Extended Gap
- Overlapping Gap
- Gap Creating Void
- Significant Gap
- Mega Gap
- Breakaway Gap
- Gap Disease
- Island Gap

What is a Gap?

“Professional versus Novice”

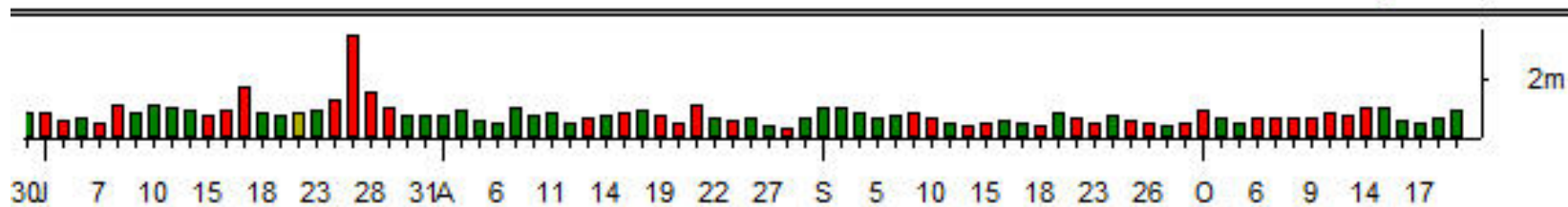
- In a sense, everything we do with gaps is in search of determining if the gap might be a professional gap or a novice gap.
- Professional gaps are gaps that change the long term (daily, weekly, sometimes hourly) direction of the stock, by gapping against the current direction.
- Novice gaps are gaps that end the current direction of the stock, by gapping with the current direction.
- Current direction refers to the last day or two.
- Current directions may be up, down, or sideways.





Gaps with current trend, but then reverses the direction of the gap, to change the trend...

Big gap down in an downtrend set the low



What is a Gap?

“Professional versus Novice”

Since it is not always obvious what is bullish and what is bearish, and what is professional and what is novice, we will be using an objective way to look at and score all gaps...





Advanced Gap Strategies

Chapter Two: Fallacies About Gaps

- All Gaps Tend to Be Filled
- A Gap Up is Bullish and a Gap Down is Bearish
- The News Helps Determine How Bullish or Bearish
- Really Big Gaps Are “Extended” tend to fill
- All Gaps Cause an Imbalance at Open, Which Can Easily Translate to a Direction for the Stock

All Gaps Tend to Be Filled

Maybe this gap will get filled, someday. But traders who are betting it will fill will not be around to see it, they will be broke...



A Gap Up is Bullish and a Gap Down is Bearish



The News Helps Determine How Bullish or Bearish

The news could not have been much better for this stock...

"The company was able to report above expectations as cost-cutting efforts offset revenue growth. It was certainly a surprise and what this shows is that cost-cutting initiatives are beginning to take effect," said Technology Analyst Bill Kreher of Edward Jones."

Yet, a big red bar...



Pristine Tip

Have a discussion about why news 'seems' to work to the novice trader...



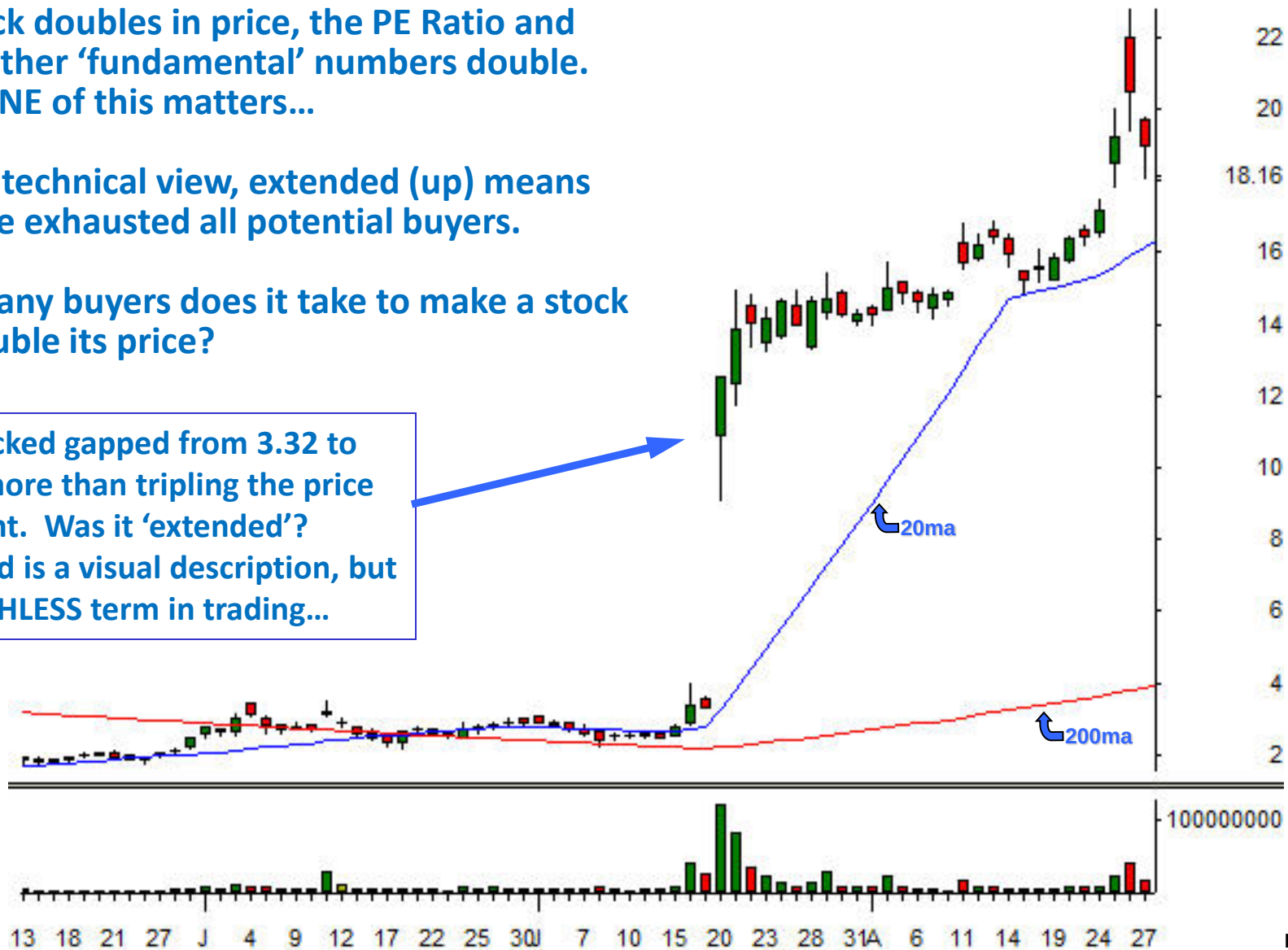
Really Big Gaps Are “Extended” and Tend to Fill

If a stock doubles in price, the PE Ratio and many other ‘fundamental’ numbers double. But NONE of this matters...

From a technical view, extended (up) means we have exhausted all potential buyers.

How many buyers does it take to make a stock gap double its price?

This stock gapped from 3.32 to 10.89, more than tripling the price overnight. Was it ‘extended’? Extended is a visual description, but a WORTHLESS term in trading...





All gaps cause an imbalance at open, which can easily translate to a direction for the stock

- Many traders mix this up, but it is the imbalance that makes the stock gap. When the stock opens, you have to assume it is in perfect balance and harmony.
- Remember, thousands and thousands have looked at this stock and have determined the price at which it will open. Who is to say that all these people are wrong?
- Most stocks give us no clue at open if they will rally or fall. It is only those stocks whose chart patterns meet certain criteria that will give us a 'clue' where it might go, and therefore, an edge or a bias...



Advanced Gap Strategies

Chapter Three: Five Points to Rate Gaps

- 1) Is the stock gapping above or below support or resistance?
- 2) What has happened in the short term pattern, meaning the last day or two?
- 3) What has happened in the long term pattern, meaning the daily and weekly charts?
- 4) Does the gap have relative strength or weakness that correlates to the way the stock will be played?
- 5) Is the size of the gap so large that it destroys the technical pattern?

Let's look at each one of these five criteria individually.





Advanced Gap Strategies

Chapter Four: Rating Criteria #1



Gapping Above/Below Support/Resistance?

- Stocks are bullish when they gap above resistance.
- Stocks are bearish when they gap below support.
- Support or resistance can be a base or a well established pivot.
- At first appears as a fairly easy one to judge. Gapping above resistance awards a point to a bullish bias. Gapping below support awards a point to a bearish bias.
- Is actually tricky as it involves in depth understanding of what support and resistance are and what it means to 'clear' an area.

The stock cleared a one month long consolidation on the daily chart, which gave the stock the power and the room to move up big...



Pristine Tip

We will not be labeling the moving averages anymore.
The RED is the 200ma and the BLUE is the 20ma.



That gets ONE point on the bullish side

Stock gapping above resistance

The stock cleared a three week consolidation but not the pivots from the prior month



Pristine Tip

You do not have to clear everything – just the last significant area – it becomes a balancing act



That gets ONE point on the bullish side

Stock gapping below support

Stock gapped below the low of a bullish wide green bar, and a long bottoming tail...



That gets **ONE** point on the bearish side



Advanced Gap Strategies

Chapter Five: Rating Criteria #2

- Here, we are looking at the last 1-2 days, and we are looking for a gap that creates 'shock value'.
- The Pristine Mortgage gap is an example of a strategy based solely on the gap as compared to the short term pattern.
- When a very bullish or bearish day is reversed 100% at the open, many traders are on the wrong side of the trade and their exit can be a catalyst that begins a snowball effect.
- Gapping above a wide red bar awards a point to the bullish bias.
- Gapping below a wide green bar awards a point to the bearish bias.

Stock gapped above a large bearish red bar. This is “shock value” that can and does change the direction of the stock from the prior day...



Pristine Tip

Shock Value ‘can’ create a snowball affect as shorts scramble to cover



That gets ONE point on the bullish side

Stock gapped way below a large bullish breakout bar. This is “shock value” that can and does change the direction of the stock from the prior day...



Pristine Tip

Huge shock value moves like this often change the daily chart for months and can be great swing entries



That gets ONE point on the bearish side

Gapping up AFTER a +WRB is a Novice Gap at least in the short term pattern. Depending on the rest of the pattern, the stock may continue higher in future days, or it may be the beginning of a reversal



That gets NO point on the bullish side



Advanced Gap Strategies

Chapter Six: Rating Criteria #3



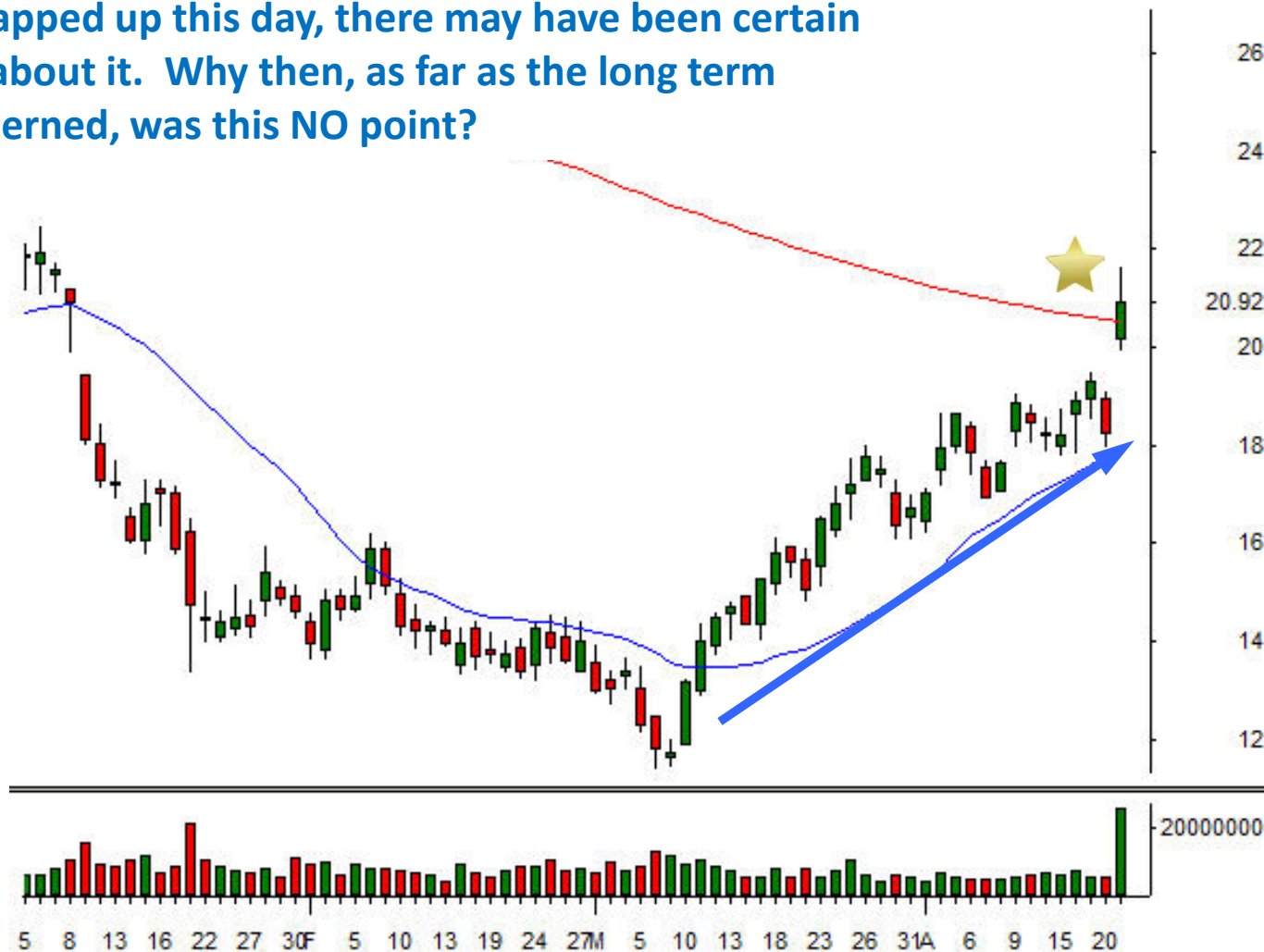
- Here, we are looking at the long term daily trend. This is the hardest and most subjective point to award.
- The question to ask is, “Does the long term pattern negate your bias on the gap, because it makes the gap look novice or professional?”
- If you have a stock that has been in a strong uptrend for weeks, that stock gapping up would award a point to a bearish bias, but not to a bullish bias, due to the novice nature of the gap.
- If you have a stock that has been in a strong downtrend for weeks, that stock gapping down would award a point to a bullish bias, but not to a bearish bias, due to the novice nature of the gap.

As this stock gapped up this day, there may have been certain bullish points about it. Why then, as far as the long term pattern is concerned, was this NO point?



Pristine Tip

Have a discussion about how to use this point in the ranking system



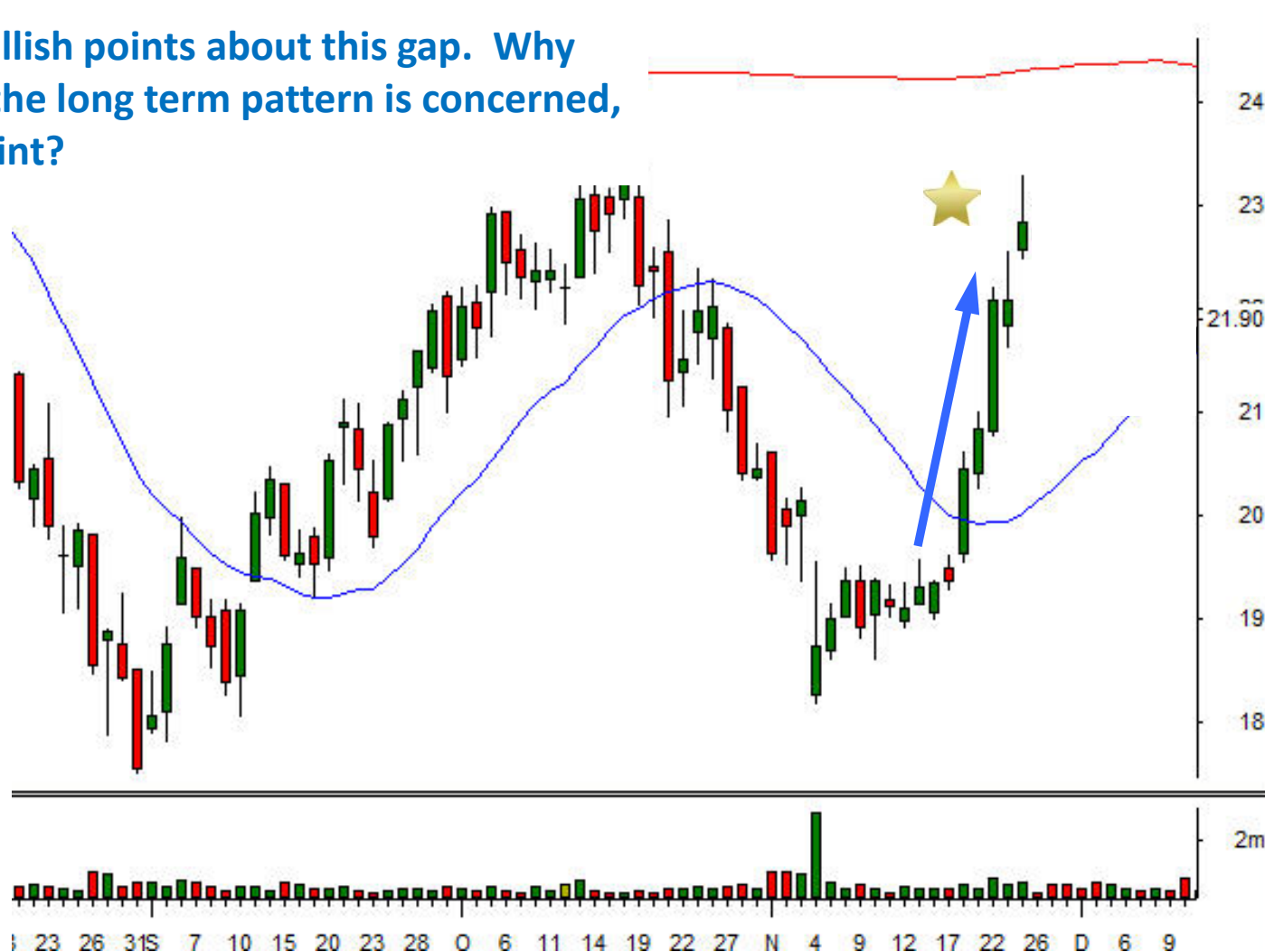
That gets ZERO points on the bullish side...

Again, some bullish points about this gap. Why then, as far as the long term pattern is concerned, was this NO point?



That gets ZERO points on the bullish side...

Again, some bullish points about this gap. Why then, as far as the long term pattern is concerned, was this NO point?



Pristine Tip

What else about this gap tells you it is not going higher?



That gets ZERO points on the bullish side...



Advanced Gap Strategies

Chapter Seven: Rating Criteria #4



- This is a fairly easy one to determine.
- If the market is gapping down a significant amount, stocks that are gapping up would award a point to the bullish bias.
- If the market is gapping up a significant amount, stocks that are gapping down would award a point to the bearish bias.
- If the market is opening neutral, a strong gap may be awarded the point in the appropriate direction.
- Note: For this point, a relative strength gap gets a point on the bullish side, but if the market is gapping up, do NOT exclude the stock from bullish consideration. This is much more of a proactive point, not a negating point.

The Relative Strength of the Gap

When this stock gapped up this day, the SPY was gapping down almost a dollar. This does not ensure the stock will go up, but it does ensure that the gap was not exaggerated due to an exuberant market.



That gets ONE point on the bullish side...



Advanced Gap Strategies

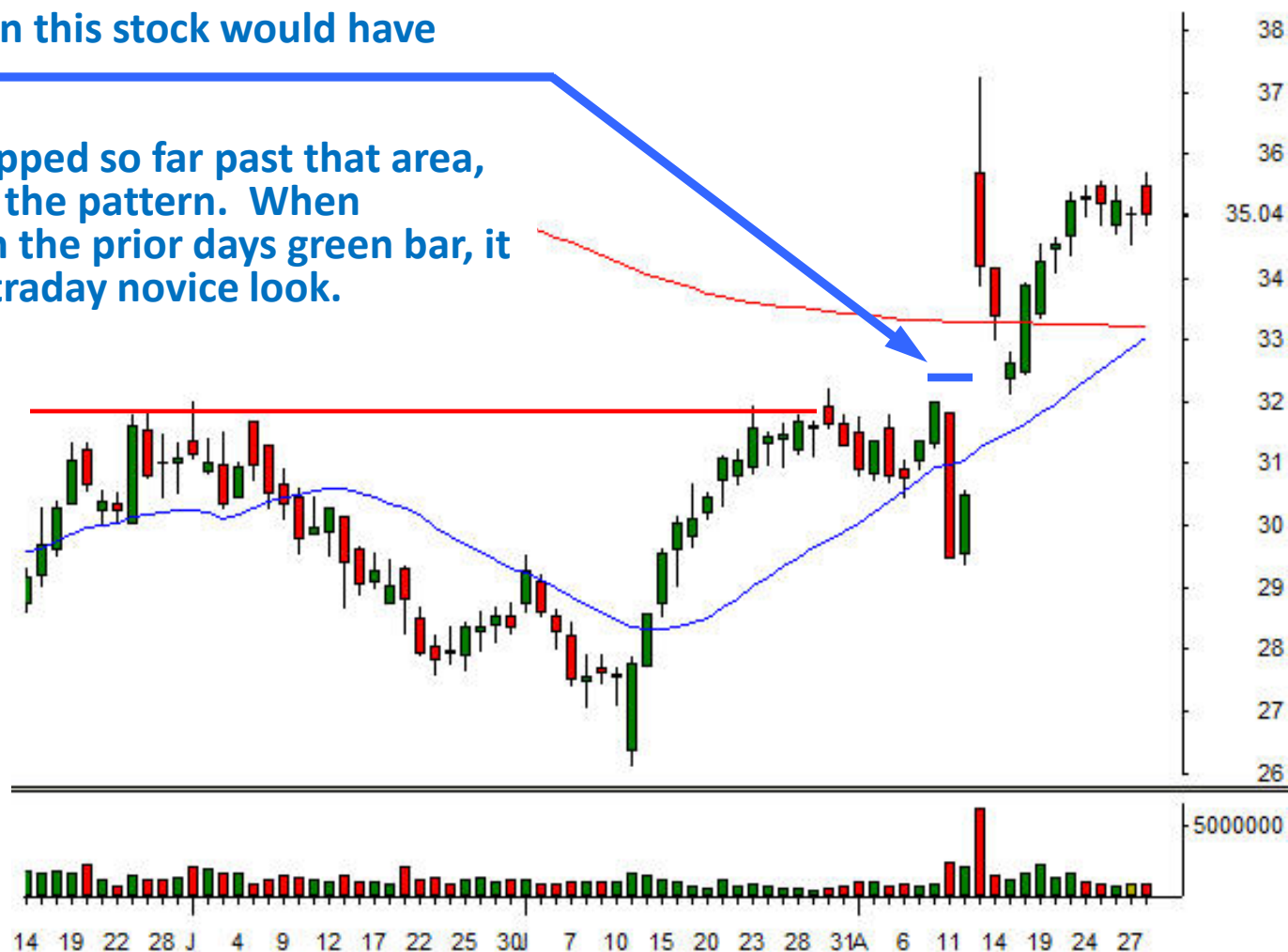
Chapter Eight: Rating Criteria #5



- Ideally, we want the stock to gap just far enough to accomplish its job to get the 'point'. This means for any type of professional gap, just enough to clear the big bar, or the base, of the last pivot.
- Exception - When gapping against a big red or green bar, the more the better. It only becomes excessive if the entire bar and support/resistance area are cleared excessively.
- Gapping excessively beyond that can cause the pattern to close the gap partially, before continuing in the desired direction of a professional gap.
 - **Exception** - For a novice type gap, the more the better, unless it becomes a 'mega gap'.
 - **Note:** A mega gap is a gap that is so huge, so excessive, that it is off the chart, and clears all support and resistance by far. These gaps make all gap strategies null and void.

A gap to here in this stock would have been nice.

However, it gapped so far past that area, that it distorts the pattern. When combined with the prior days green bar, it takes on an intraday novice look.



Gap is too big, so NO point on the bullish side...

Here, the gap in this stock was
'just enough' to get the job done
of clearing the prior daily base.



Gap is just enough, so ONE point on the bullish side...



Pristine Tip

Have a discussion about the psychology behind mega gaps

A mega gap is a gap that is so huge, so excessive, that it is off the chart, and clears all support and resistance by far. These gaps make all gap strategies null and void.

Usually Mega Gaps go nowhere, and if anything, eventually continue in the direction of the gap.



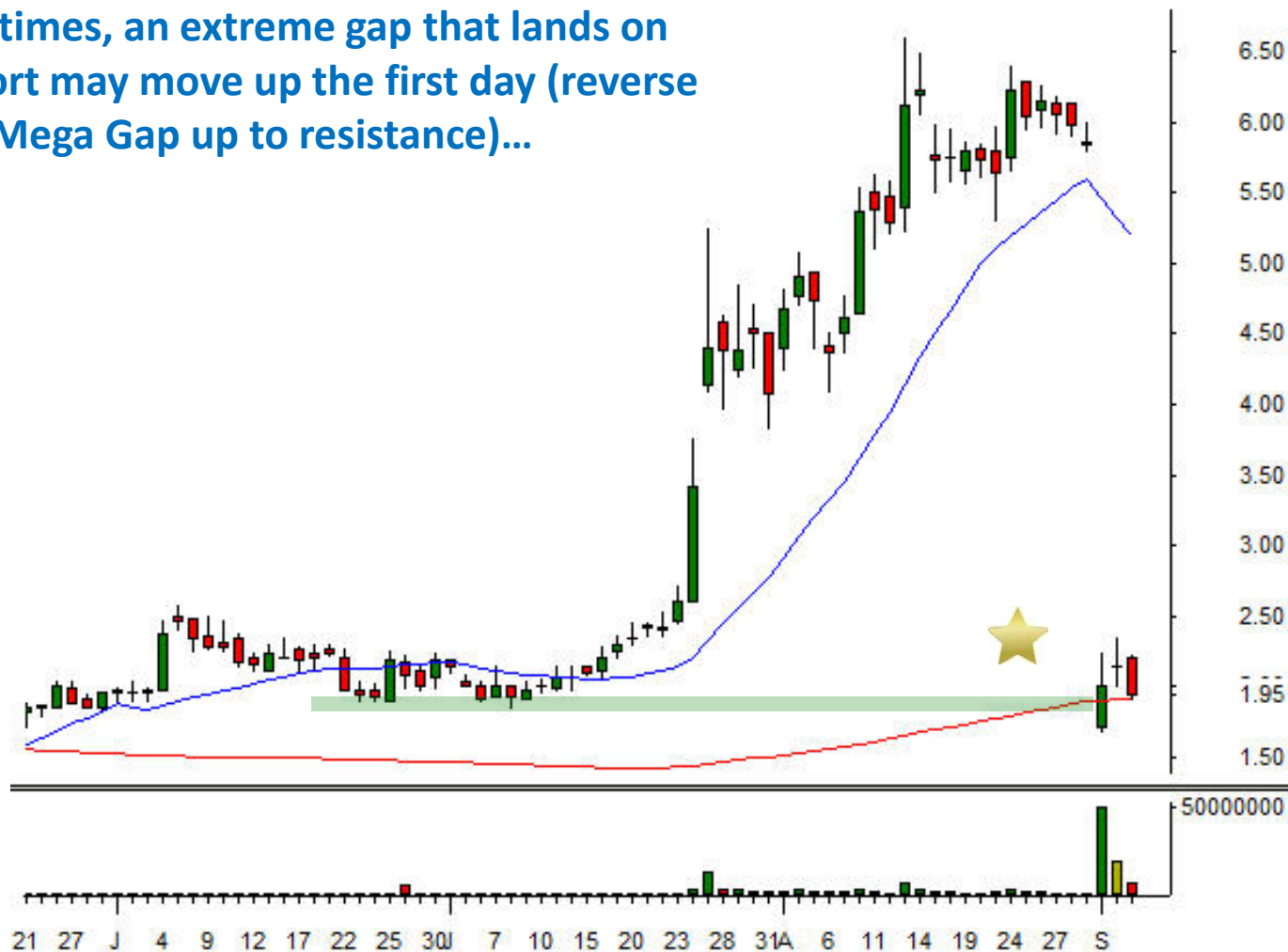
Mega gaps are best left alone...

Sometimes, an extreme gap that lands on support may move up the first day (reverse for a Mega Gap up to resistance)...



Pristine Tip

Many traders are drawn to gaps like this because of preconceived notions. However, there are much better opportunities.



Mega gaps should be removed from consideration



Advanced Gap Strategies

Chapter Nine: Tier One Gaps

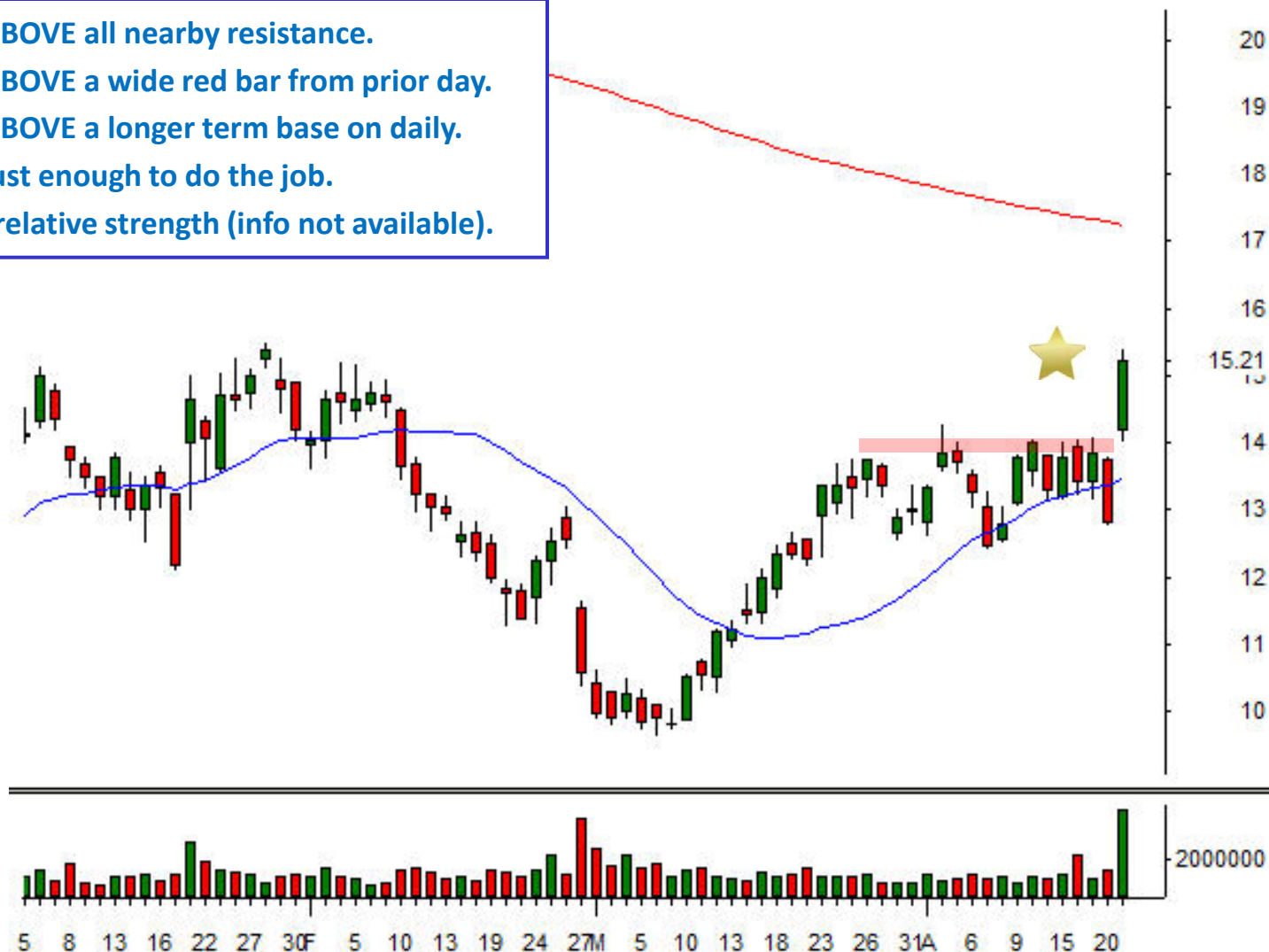
- ✓ Stock gapped ABOVE all nearby resistance.
- ✓ Stock gapped ABOVE a wide red bar from prior day.
- ✓ Stock gapped ABOVE a longer term base on daily.
- ✓ Stock gapped just enough to do the job.
- ✓ Assume it was relative strength (info not available).



Pristine Tip

The "Perfect Play"

Tier one gaps get a tier one entry – entries coming soon



All Five Points are Bullish

- ✓ Stock gapped ABOVE all nearby resistance.
- ✓ Stock gapped ABOVE a wide red bar from prior day.
- ✓ Stock gapped ABOVE a longer term base on daily.
- ✓ Stock gapped just enough to do the job.
- ✓ Assume it was relative strength (info not available).



Pristine Tip

Note, you usually do not have to clear all resistance (1), just the last significant area



All Five Points are Bullish

- ✓ Stock gapped ABOVE all nearby resistance.
- ✓ Stock gapped ABOVE a wide red bar from prior day.
- ✓ Stock gapped ABOVE a longer term base on daily.
- ✓ Stock gapped just enough to do the job.
- ✓ Assume it was relative strength (info not available).



Pristine Tip

FIND AN ENTRY!
To plays like these.

We will be
discussing shortly



All Five Points are Bullish



- ✓ Stock gapped BELOW all nearby support.
- ✓ Stock gapped BELOW a wide green bar from prior day.
- ✓ Stock gapped BELOW a longer term base on daily.
- ✓ Stock gapped just enough to do the job.
- ✓ Assume it was relative weakness (info not available).



All Five Points are Bearish

- If a stock gaps up, you need to determine if more of the points are looking like it is a professional gap, which would be bullish and go higher, or a novice gap, which would be bearish and go lower (all reversed for a gap down).
- If rating a gap as a novice gap, the same five points are used to rate the gap, but points are awarded for the 'reverse' of what a professional gap would be.
- We will look at the following charts and evaluate the points as they apply to a novice gap.
- Note also, true Novice gaps are much more rare to find, and should be very carefully scored, especially if the gap has you trading against a strong market trend.
- In other words, in a very strong bull market, Novice Gap Ups are much harder to find.

- The first point is awarded if we DO gap into resistance. A new break out gap would lose a point.
- For the short term pattern, we want novice, so we want to gap above a large green bar.
- For the long term pattern, we want novice, so we want to gap above a long term uptrend that is extended.
- For the size of the gap we want the gap as big as possible (but without being a 'mega gap', as discussed earlier).
- Relative weakness seems hard to define, since the stock is gapping up, but we want the whole market to be gapping up and causing the stock to gap. In other words, you lose a point if the stock is gapping up and the market is gapping down.

Tier One Gaps

All Five Points – NOVICE GAP

- ✓ Stock gapped INTO prior resistance (off chart).
- ✓ Stock gapped ABOVE a wide green bar from prior day.
- ✓ Stock gapped ABOVE an extended move on the daily.
- ✓ Stock gapped excessively.
- ✓ Assume it was NOT relative strength (info not available).



All Five Points are Bearish

Tier One Gaps

All Five Points – NOVICE GAP

- ✓ Stock gapped INTO prior resistance (off chart).
- ✓ Stock gapped ABOVE a wide green bar from prior day.
- ✓ Stock gapped ABOVE an extended move on the daily.
- ✓ Stock gapped excessively.
- ✓ Assume it was NOT relative strength (info not available).



All Five Points are Bearish



Advanced Gap Strategies

Chapter Ten: Tier Two Gaps

- ✓ Stock gapped ABOVE nearby resistance.
- ✓ Stock gapped ABOVE a wide red bar from prior day.
Stock gapped ABOVE an extended daily pattern.
- ✓ Stock gapped just enough to do the job.
- ✓ Assume it was relative strength (info not available).



Pristine Tip

Have discussion
about why this
resulted in a one day
rally. STP-LTN



Four Points are Bullish

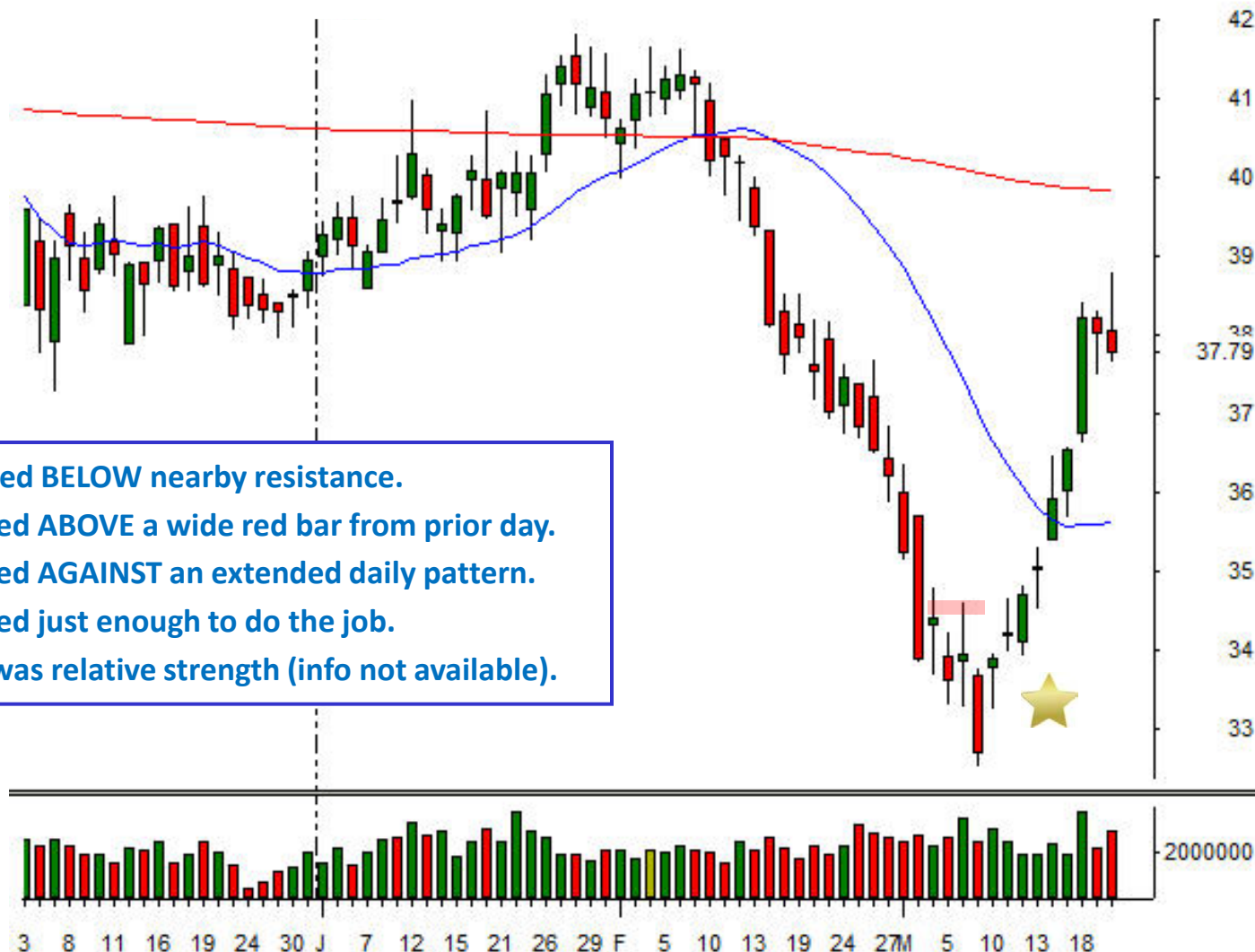


Pristine Tip

*Have discussion
about when and why
the daily chart
traded higher*

Stock gapped BELOW nearby resistance.

- ✓ Stock gapped ABOVE a wide red bar from prior day.
- ✓ Stock gapped AGAINST an extended daily pattern.
- ✓ Stock gapped just enough to do the job.
- ✓ Assume it was relative strength (info not available).



Four Points are Bullish

- ✓ Stock gapped ABOVE nearby resistance.
- ✓ Stock gapped ABOVE a small green bar from prior day.
- ✓ Stock gapped AGAINST sideways daily pattern.
- ✓ Stock gapped just enough to do the job.
- ✓ Assume it was relative strength (info not available).



Pristine Tip

Discuss why you could treat this as Tier One



Four Points are Bullish



Pristine Tip

Remember everything applies to bearish gaps as well

- ✓ Stock gapped **BELOW** nearby support.
- ✓ Stock gapped **BELOW** a red bar from prior day.
- ✓ Stock gapped **AGAINST** sideways daily pattern.
- ✓ Stock gapped just enough to do the job.
- ✓ Assume it was relative strength (info not available).



Four Points are Bearish



Advanced Gap Strategies

Chapter Eleven: Tier Three Gaps

- As we will see in a minute, the quality of the gap will determine how aggressively to play the gap intraday.
- Tier Three gaps are weak enough that no credit at all is given to the gap.
- The entry must come from an intraday pattern.
- This means as a rule, you will not be entering these early in the day, no matter what the stock does.
- This does not mean they should be discarded. If they meet entry requirements for a tier three gap, they may have bigger moves than the average stock.

- ✓ Stock gapped ABOVE nearby resistance.
Stock gapped above a narrow bar from prior day.
- ✓ Stock gapped ABOVE a sideways daily pattern.
Stock gapped excessively.
- ✓ Assume it was relative strength (info not available).



Pristine Tip

Tier Three Gaps rely totally on a confirming intraday entry...



Three Points are Bullish

Stock gapped into three topping tails.

- ? Stock gapped ABOVE a wide red bar from prior day.
- ? Stock gapped ABOVE a longer term base on daily.
- ✓ Stock did not gap excessively.
- ✓ Assume it was relative strength (info not available).



Pristine Tip

Discuss the two 'half' points



Three Points are Bullish



Advanced Gap Strategies

Chapter Twelve: Tier One Entries

- Tier One gaps can be played based totally on the gap, which means quick aggressive entries.
- Never enter blind, always wait for some sign of moving in the intended direction.
- Possible aggressive entries (stated for a bullish play).
 - A 10-30 second high
 - A 1-2 minute PBS
 - A 1-2 minute RBI
 - A 1-2 minute 123 continuation
 - A 1-2 minute +180
 - A failed 1-2 minute TT
 - A failed 1-2 minute PSS



Pristine Tip

Tier One entries trust the gap so you go long on any sign of strength depending only on your tolerance

Discuss how aggressive can be non-aggressive



Pristine Tip

Note, we will be discussing going 'long' only for simplicity but all charts work as well in reverse for 'going short'



A 10-30 Second High

- Here you will simply wait 10-30 seconds and look for the high of the day on the level one, or the high of the open candle at the time

Bid 18.85 Ask 18.86 VWAP 18.86 High 18.86 Low 18.68 Close 18.68 L MKT \$18.86 ^AH .01					
Name	Bid	Size	Name	Ask	Size
ASE	18.85	1	NSDQ	18.86	2790s
NSDQ	18.85	1203s	EDX	18.86	5
NAS	18.85	12	NAS	18.86	27
ARC	18.85	5	ARC	18.86	75
EDX	18.85	60	NSDQ	18.87	47
NSDQ	18.84	60	NSDQ	18.88	7520s
NSDQ	18.83	243	NSDQ	18.89	556s
NSDQ	18.82	3050s	NSDQ	18.90	123
NSDQ	18.81	6	NSDQ	18.91	10
NSDQ	18.80	123	NSDQ	18.92	27
NSDQ	18.79	3	NSDQ	18.93	6289s
NSDQ	18.78	6533s	NSDQ	18.94	10
NSDQ	18.75	120	NSDQ	18.95	132
NSDQ	18.73	12	ASE	19.41	1
			NSX	22.00	30





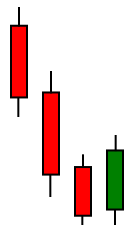
A 10-30 Second High

- This is the most aggressive of all entries except for just 'buying the open'
 - It is recommended that you never 'buy' the open
 - Wait to see 'some' sign of strength
- Disadvantages
 - Stocks trade wild the first 5 minutes
 - Slippage may cause you to trade less than max shares
 - You have to be fast and confident
- Advantages
 - If correct it is the BEST entry you will see all day
 - The RR will be incredible even after accounting for slippage
 - It prevents you from chasing late entries

Example of All Entries

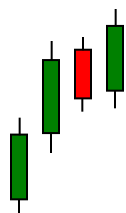
A PBS (Pristine Buy Setup)

Bearish Pattern is PSS



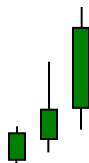
A RBI (Red Bar Ignored)

Bearish Pattern is GBI



A Failed 1 Minute TT (Topping Tail)

Bearish Pattern is Failed BT



A +180 (Bull 180)

Bearish Pattern is -180



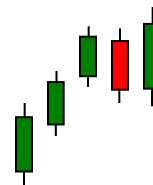
A +123 (123 Continuation)

Bearish Pattern is -123



A Failed 1 Minute PSS

Bearish Pattern Failed PBS



A 1 Minute RBI/TT



Pristine Tip

How many points was this gap?



A 1 Minute GBI





Pristine Tip

If you had a high level of confidence this gap would fall were there any other entries?



A 2 Minute -123

Note – 10 second entry also valid



A 1 Minute PSS Failure

Note – 10 second entry also valid



Pristine Tip

Watch how many of these Pro Gaps open on the low or high of the day making a 10 second entry valid

What are your options if you take the aggressive entry (10 second high in this case) and then another shows up?

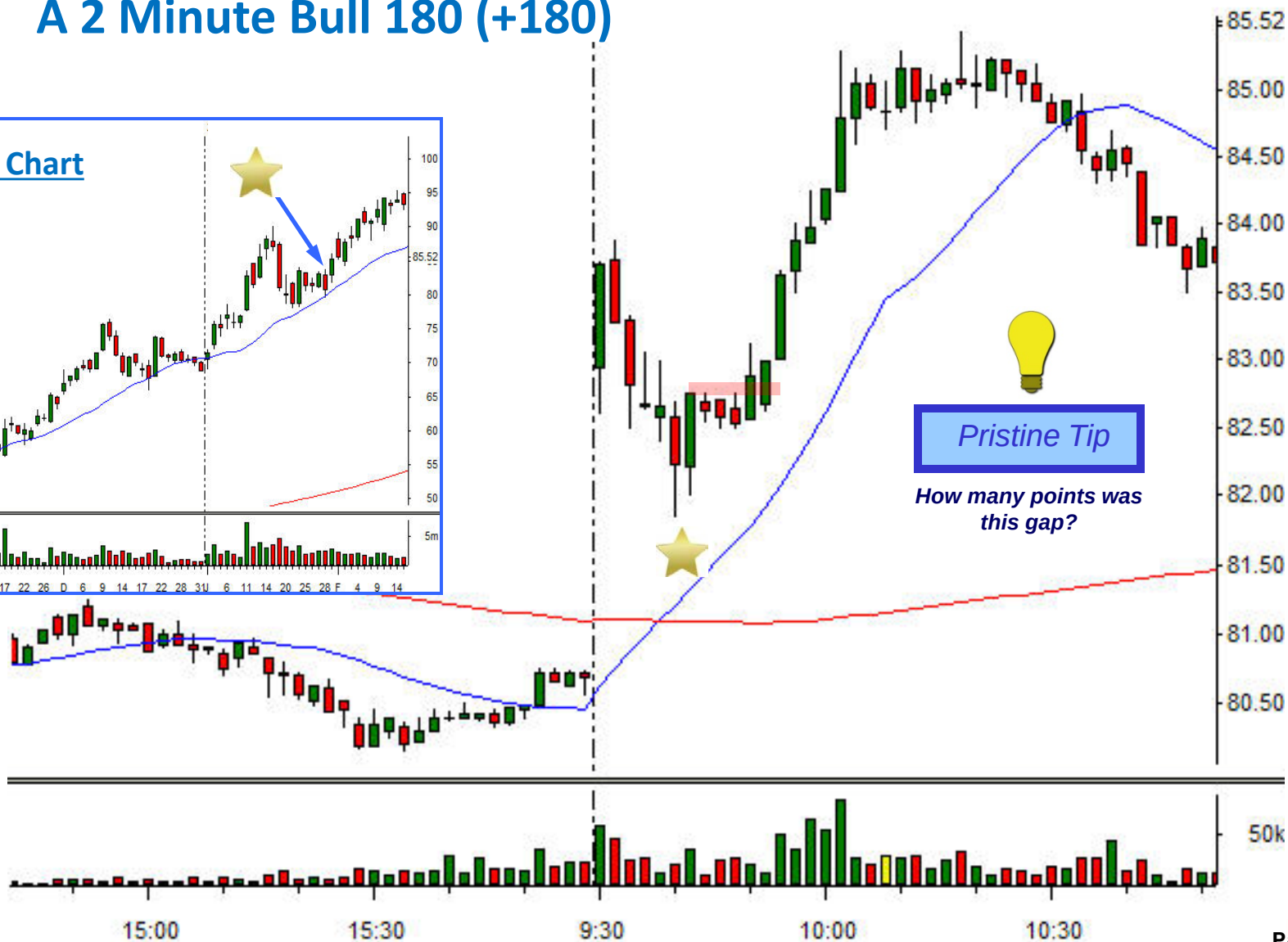




Using Tier One Entries on Tier Two Gaps

- Can upgrade a Tier Two gap to a Tier One under two situations.
 - The Tier Two gap has the points for 'non excessive' and for 'shock value' and both are exceptional.
 - Tier Two gap has the points for 'non excessive' and for 'long term pattern' and the long term forms an exceptional strategy.

A 2 Minute Bull 180 (+180)





Pristine Tip

These entry methods are very advanced methods that are taught more completely in TPM, ATS, and AMS



Pristine Tip

What is a failed TT similar to? Is it a more secure entry or less?

A 1 Minute TT Failure

Note – 10 second entry also valid





Pristine Tip

Will this 2 minute PBS
always hold?

A 2 Minute PBS

Support???





Advanced Gap Strategies

Chapter Thirteen: Tier Two Entries



The Correct Intraday Entry

Tier Two Gaps

- Tier Two gaps need a strong sign of confirmation in the direction of the bias formed from the gap.
- Never play against the bias of the gap early in the day.
- Possible entries (stated for a bullish play).
 - A 2-5 minute PBS
 - A 2-5 minute RBI
 - A 2-5 minute 123 continuation
 - A 2-5 minute +180
 - A failed 2-5 minute TT
 - A failed 2-5 minute PSS
 - Consolidation PBO (with Shakeout)



Pristine Tip

Discuss why the 2 minute can be both Tier One and Tier Two



Pristine Tip

Note that there is no '5 minute high' or equivalent to the 10-30 second high. Why?



Pristine Tip

Why is this 2 minute PBS different than the Tier One?

Remember, a Tier One entry is LESS secure (more likely to stop) than a Tier Two because you are relying on the GAP.

A 2 Minute PBS ++



A 5 Minute Bull 180 (+180)



Pristine Tip

What if this was a Tier Three Gap?



A 2 Minute PBO w/SO



Pristine Tip

A Shake out is when prices go below a bullish base first and then return to the base.





Using Tier Two Entries on Tier Three Gaps

- As a rule we do not want to upgrade a Tier Three gap entry because we cannot trust the gap.
- Do NOT ever try this if the gap is excessive or appears novice in any way.
- Primarily used when the quality of the Tier Two entry is so good it is equivalent to a Tier Three entry with secondary strength and not before the reversal times.



Pristine Tip

What tier is this Gap?

We talked about using one Tier higher as an option but not as a rule for Tier Three Gaps.

What about this 5 minute chart would have you using a Tier Two entry on a Tier Three Gap?

When would you enter?

A 5 Minute PBS

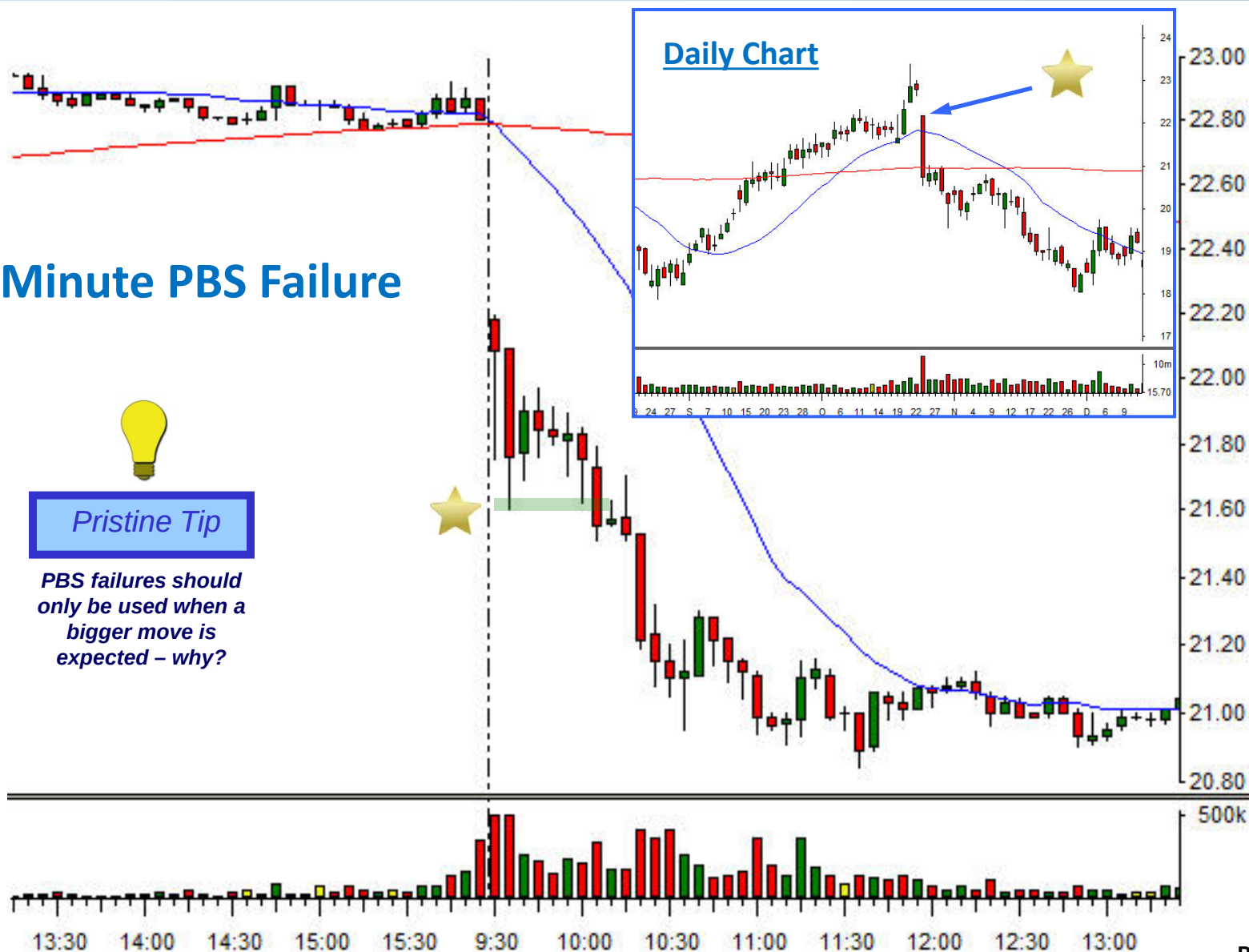


A 5 Minute PBS Failure



Pristine Tip

PBS failures should only be used when a bigger move is expected – why?





Advanced Gap Strategies

Chapter Fourteen: Tier Three Entries

- Tier Three gaps are weak enough that no credit at all is given to the gap.
- The entry must come from an intraday pattern and stocks that had Tier One and Two entries may qualify to play again.
- This means as a rule, you will not be entering these early in the day, no matter what the stock does.
- This does not mean they should be discarded. If they meet intraday entry requirements, they may have bigger moves than the average stock.
- Bottom line, you must find an intraday entry you would play, even if the stock did not gap, and you may find that bigger moves might occur.

A 15 Minute PBS +WRB



Pristine Tip

What is different about
this 15 PBS?

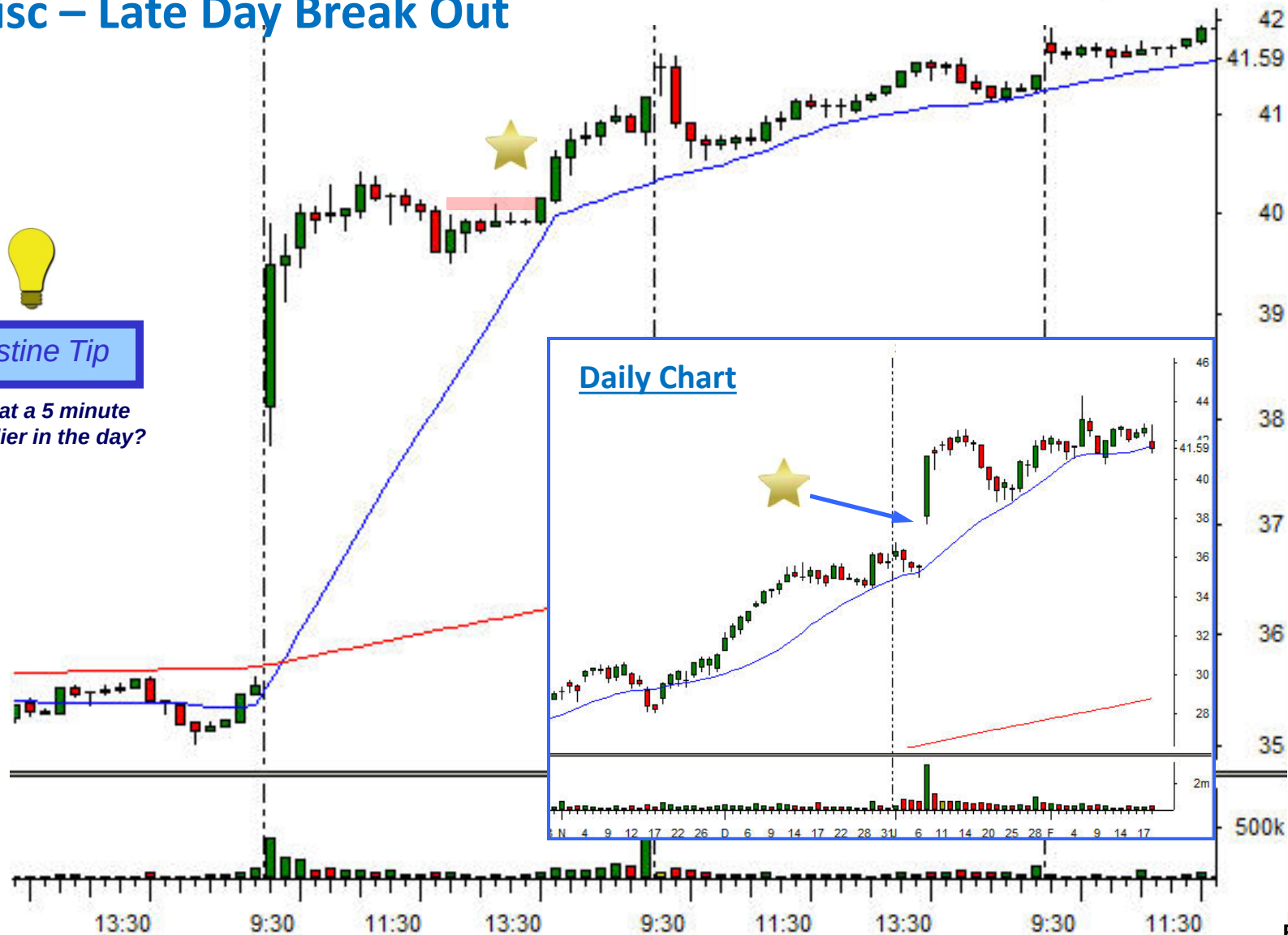


Misc – Late Day Break Out



Pristine Tip

*Was that a 5 minute
PBS earlier in the day?*



Misc – 5 min +WRB and HL



Pristine Tip

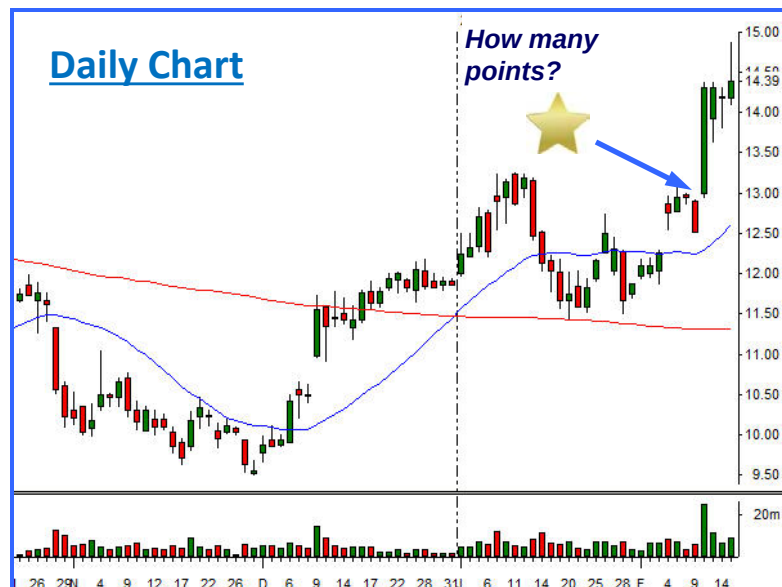
All of your technical understanding from other courses can be used to find entries but be careful about looking too early – make sure the stock proves itself...





Using Tier Three Entries on Tier One-Two Gaps

- This is always acceptable to 'downgrade' the entry
- The issue is not to upgrade without reason
- This may also serve as a second entry attempt
- This may be the only choice if the first entry is missed



A 15 Minute PBS





A 15 Minute PBS



1 Min Chart



Pristine Tip

If you were unsure of the 15 minute entry check the one minute chart -

This involves advanced concepts from TPM, ATS, and AMS

Daily Chart



A 15 Minute PBS



Misc – Late Day Break Out After Bullish Gap



Pristine Tip

A Tier Three Entry can be any valid intraday play - the gap may cause the stock to have a bigger move.



Misc – Intraday Trend

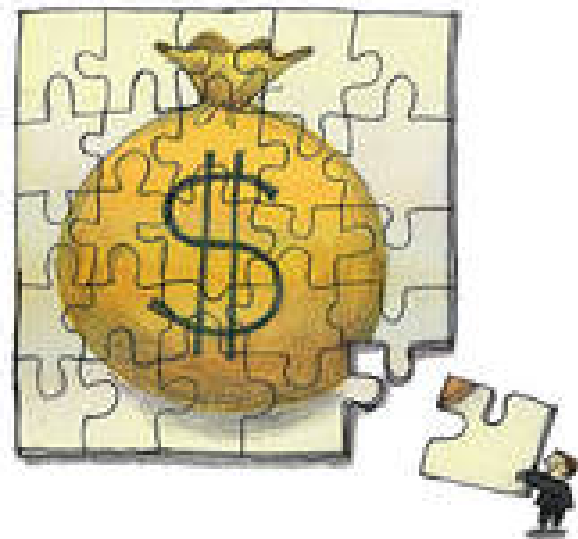


Pristine Tip

You are most likely to find bullish trends after a bullish gap.



Matching the Correct Entry to the Type of Gap is Critical to Your Success and is the Missing Piece of the Puzzle for Many Traders Even After They Understand Gaps



Comments

- As a Rule, use Tier One entries on Tier One Gaps, Tier Two entries on Tier Two Gaps, Tier Three Entries on Tier Three Gaps.
- Aggressive traders with experience can use one Tier higher entry when the entry is compelling.
 - For example you may try a Tier One entry on a Four Point Gap if you have a very deep 1 minute Bull 180.
- Do not be afraid to plan two different entry attempts if it is a compelling pattern.
 - This must be in your plan and do not abuse this.
- As a rule do NOT use anything but a Tier Three entry on a Tier Three Gap.
 - Remember that ANY gap may have a Tier Three entry used.



Advanced Gap Strategies

Chapter Fifteen: Miscellaneous



- Gap fills as support - Discuss
- Gaps that fill in a flurry versus slowly - Discuss
- Hi and low of day as support and the PBS/PSS - Discuss
- Moving averages - Discuss
- Reversal Times - Discuss
- Early morning volatility - Discuss
- Volume – Open - Swing - Discuss
- Rating the TPM One manual gap plays - Discuss
- Need to incorporate this into your trading plan - Discuss
- Forming a Gap list
- Gaps that bury and bully
- Island Reversals
- Avoid Confusion / Non Entries
- Pure Swing entries

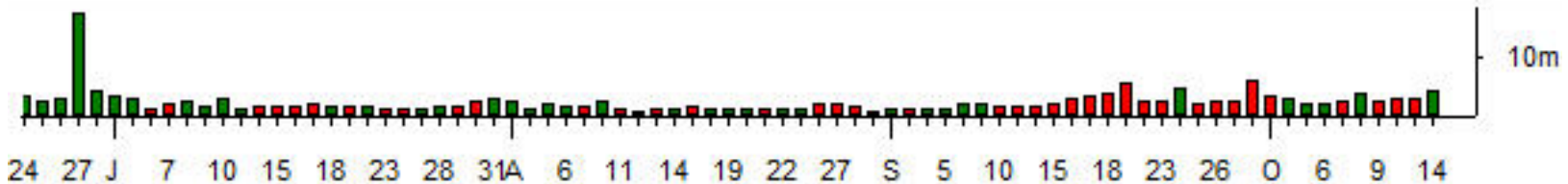
Miscellaneous Review Points

Rating TPM Gaps



A +BGS

How does it rate???



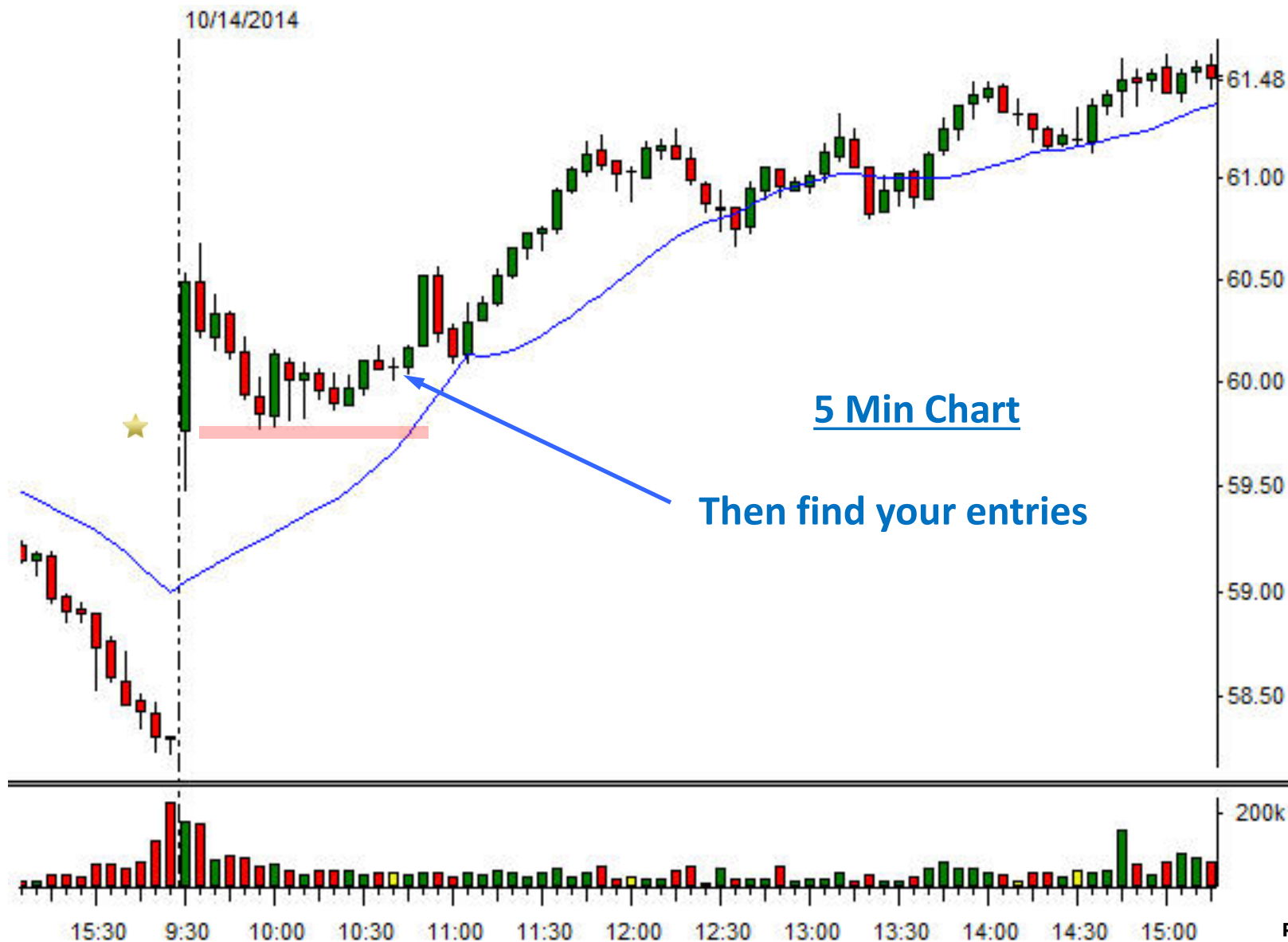
Miscellaneous Review Points

Rating TPM Gaps



Miscellaneous Review Points

Rating TPM Gaps



Save All Significant Gaps for the Day

[illegible]

You can start this 90 minutes prior to open but make sure to check after open also...

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Where to find the gaps?

One way is through a scanner. Here is the morning layout of Trade-Ideas:

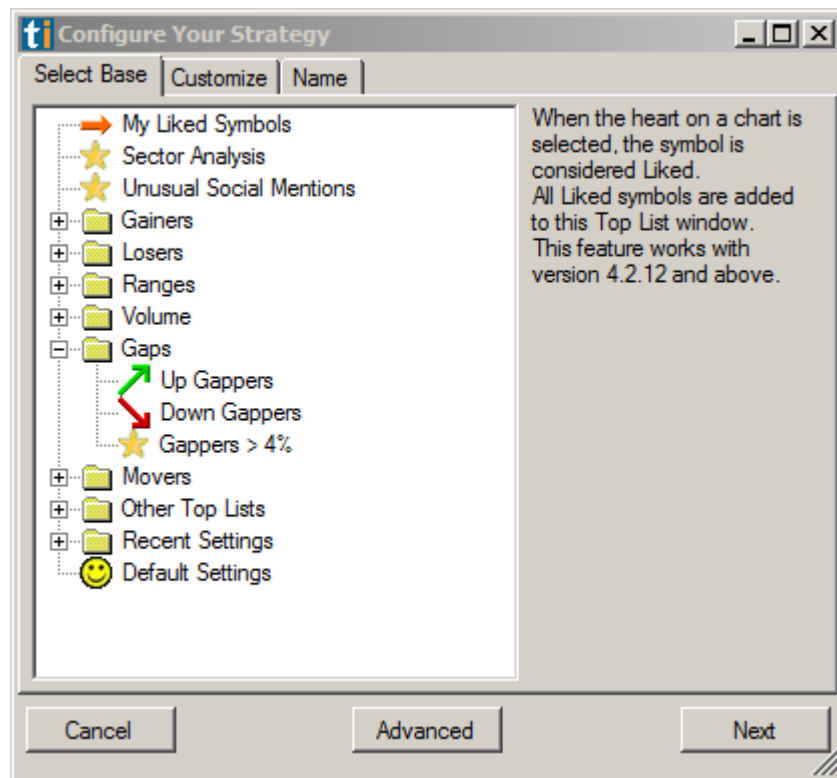
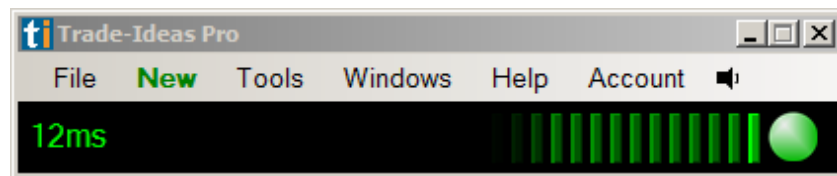
Discuss:

Gap Up based on BID

Gap Down based on OFFER

Gap Up based on PRICE

Gap Down based on PRICE



Miscellaneous Review Points

Form a Gap List

Transfer to watch lists in
your trading platform

Symbol	Price (\$)	Chg Close (\$)	Chg Close (%)	Vol Today (Shr)
CGIX	1.45	0.48	49.6	27,836,025
ALKS	45.00	2.47	5.8	6,109,123
ERI	41.50	5.80	16.2	3,893,762
SSC	2.97	0.07	2.4	1,353,729
NEO	9.05	0.56	6.6	324,068
LOXO	133.10	10.11	8.2	824,614
JBHT	119.75	6.98	6.2	2,290,925
APTO	3.67	0.38	11.6	967,972
RFL	6.74	0.52	8.4	176,834
APVO	4.46	0.68	18.0	443,480
NAV	40.71	3.65	9.8	3,199,834
YANG	48.80	1.64	3.5	150,562
TYME	2.19	0.01	0.5	116,066
CRON	7.82	0.70	9.8	4,891,838
ORIG	25.97	0.81	3.2	157,638

Symbol	Price (\$)	Chg Close (\$)	Chg Close (%)	Vol Today (Shr)
ACIA	25.60	-14.43	-36.0	12,826,301
OCLR	8.24	-1.18	-12.5	22,069,036
IPHI	30.79	-1.96	-6.0	2,249,656
BPMC	86.40	-12.58	-12.7	1,720,905
LITE	58.81	-5.50	-8.5	5,955,629
NLNK	4.13	-0.35	-7.7	2,161,645
YINN	33.08	-1.32	-3.8	847,711
MTSI	17.53	-1.78	-9.2	1,876,400
CLVS	54.80	-5.84	-9.6	2,841,216
NOV	37.85	-3.07	-7.5	7,923,642
WPP	80.56	-3.97	-4.7	488,550
NPTN	6.52	-0.27	-4.0	2,410,530
TPX	43.41	-0.59	-1.3	1,464,003
DF	8.23	-0.72	-8.0	3,509,857
FTFT	2.18	-0.32	-12.8	633,758



Symbol	Gap Open	Chg. Open	Today Pct.
AAPL	17.31	-1.15	32.46
IBM	8.74	+6.47	100.00
AMZN	3.87	+4.29	85.31
APA	2.65	+1.93	82.08
HAL	2.13	+1.46	96.03
CTSH	2.10	+1.24	77.46
AGU	2.08	+0.90	20.00
CAT	1.64	+0.75	62.71
APH	1.30	+1.04	80.80
EBAY	.87	+0.68	53.85
BUD	.78	+0.67	58.88
AIZ	.06	+0.33	59.26

Symbol	Gap Open	Chg. Open	Today Pct.
RVBD	-6.31	+1.80	70.94
AVY	-4.54	-.48	-85.51
CMG	-2.64	+3.51	100.00
GLD	-1.69	-1.66	-49.55
CDE	-.29	-.52	-19.27
NEM	-.29	-.51	-7.27
AG	-.26	-.94	-48.94

Miscellaneous Review Points

Form a Gap List

Stay organized throughout the trading day...

Symbol	Open	Open
1		
PRGO	-.54	-.97
EOX	.12	-.10
AEO	.09	+.15
CLF	.03	-.07
XLNX	.01	-.33
BBRY	.09	+.09
AMAT	.10	-.48
UPL	.10	-.11
SINA	.61	-.15
VVUS		-.02
2		
FNFG	.05	+.09
STLD	.06	+.68
GT	.10	+.44
V	1.30	+2.67



Symbol	Open	Open
1		
DG	6.54	-.43
ACHN	.50	-.18
TKMR	1.72	+.50
TASR	.80	+.26
FDO	3.51	+.33
CHL	2.00	+.02
GTAT	.58	+.39
KS	.71	-.25
CMGE	1.83	-1.44
YHOO	.30	+.57
GCI	.17	-.33



Symbol	Open	Open
1		
CLF	.03	-.07
SINA	.61	-.15
JDSU	.09	+.01
SFM	.24	-.18
WB	.21	-.22
CMGE	1.83	-1.44
NXPI	-1.73	+.52
TWX	.44	-.24
FEYE	.26	-.93
FSYS	-.30	-.09
KO	-.09	+.53

Unique Pattern - Bully

Not on 5 Point scoring system

- 1) Stock gaps DOWN a significant amount
- 2) Stock quickly rallies to fill the gap
- 3) Stock does NOT sell off from the gap fill but rather consolidates in the area
- 4) A quality base can then be played like a PBO after 10.00
- 5) Same in reverse for a stock that gaps up then falls to 'bury' in the gap fill



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Unique Pattern - Islands

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- 1) Stock gaps in a 'quasi-novice' fashion
- 2) Either the next day or after a daily consolidation
- 3) The stock gaps in a quasi-pro fashion
- 4) These reversal patterns can be as potent as Tier 1 Gaps
- 5) You can 'rate' these with the scoring system but give great weight to the fact that it is an island reversal just like you would to extreme shock value



Unique Pattern - Islands

Not on 5 Point scoring system

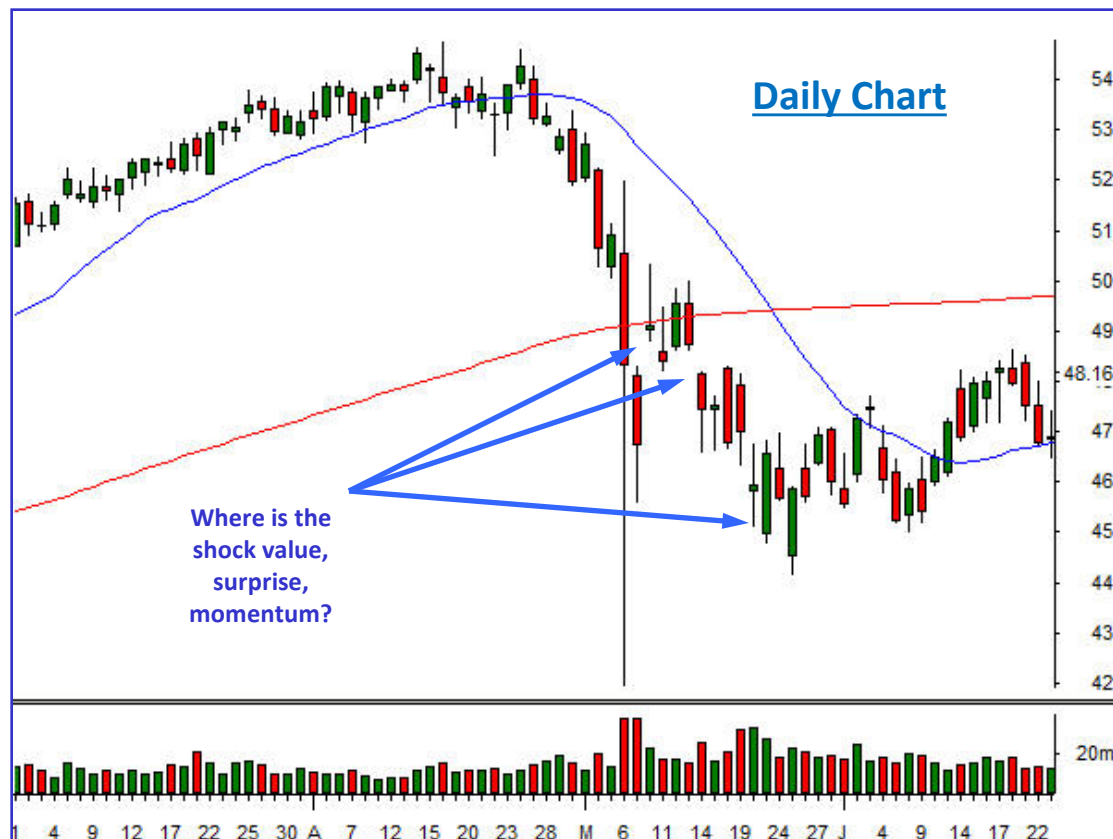
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Avoid Sloppy Gaps That Have Lost Their Punch

Very simply, look for the quality patterns we have taught you. Do not chase stocks or try to force a pattern.

When you see a pattern like this, do not play the gaps any more...



Move on Once You Miss All Entries

Sometimes you wait for an entry but the stock does not wait for you.

See if there is another strategic entry, but if there is not, simply move on. Put it on the watchlist for a 15 PBS over lunch or a swing trade but do NOT chase entries.

THE ENTRY IS EVERYTHING



A Few Words on Swing Trading Gaps

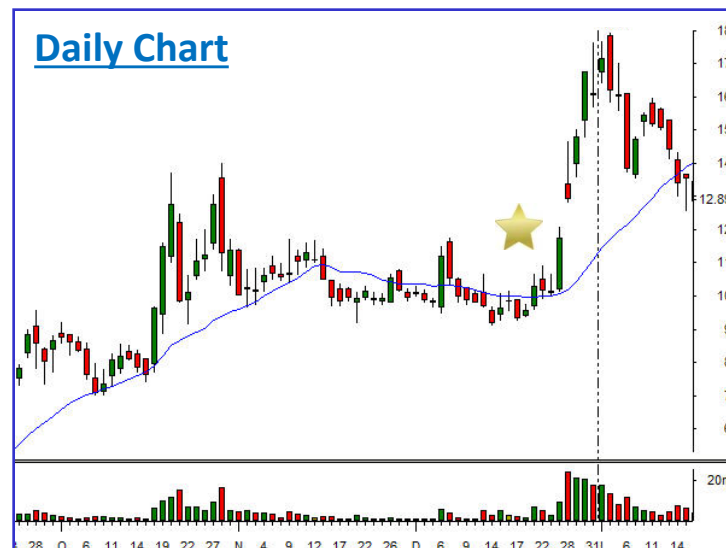
Professional Gaps can make great swing entries. They can be played during the day and held over night. They can be bought early in the day as swings. They can be bought at the end of the day or the beginning of the next day.

Make sure to understand swing entries, proper share sizing, and the risks of overnight holds when swing trading.



Miscellaneous Review Points

Swing Trades



A Few Words on Swing Trading Gaps

The best swing trades will have shock value on the daily chart that completes a setup on the weekly chart.

Daily Chart



Weekly Chart





Advanced Gap Strategies

Chapter Sixteen: Review and Quizzes

Assume the stock gaps to the BLUE line...



How Would You Rate This Gap?



Here is how it played out...

Assume the stock gaps to the BLUE line...



How Would You Rate This Gap?



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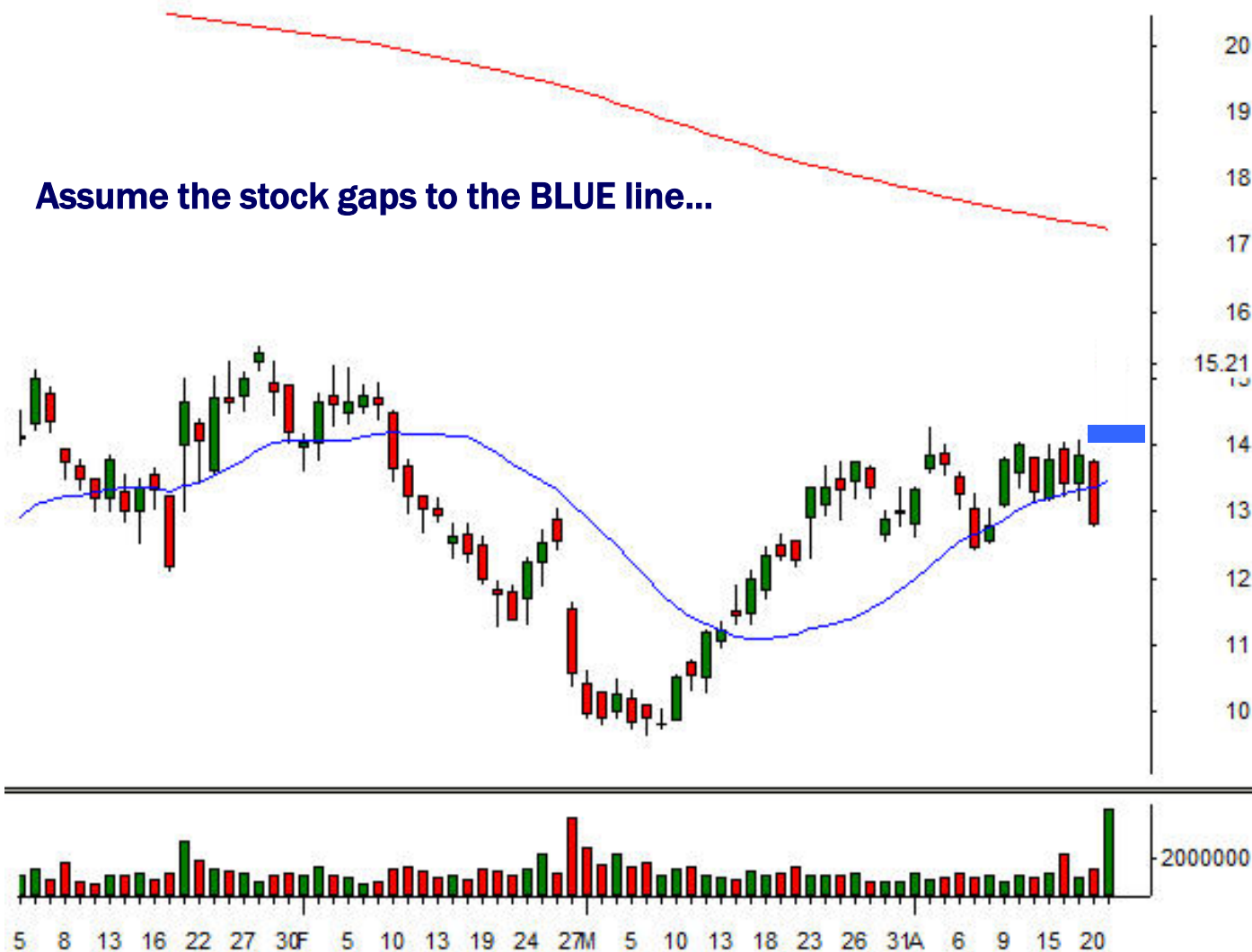


How Would You Rate This Gap?



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Assume the stock gaps to the BLUE line...

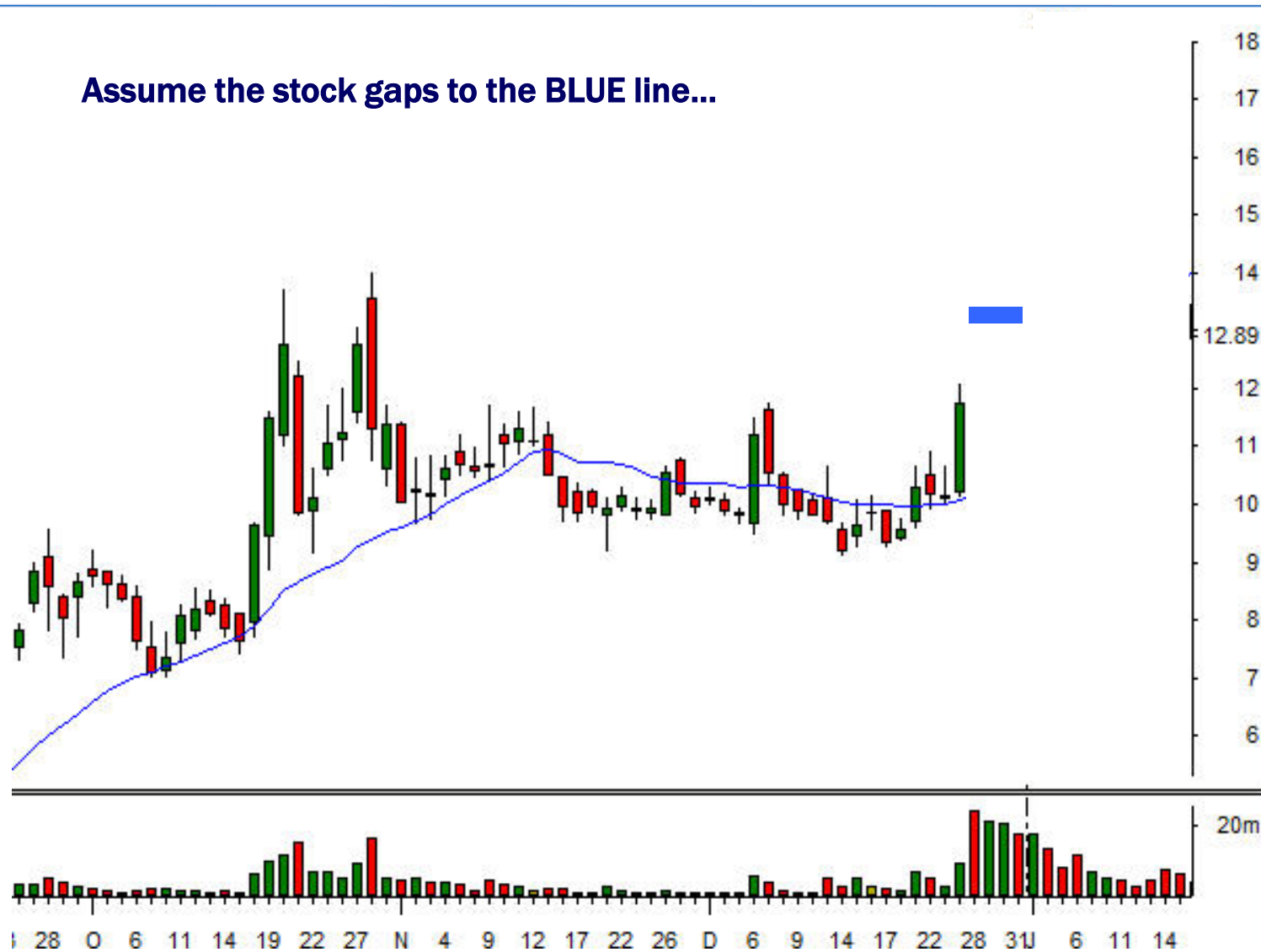


How Would You Rate This Gap?

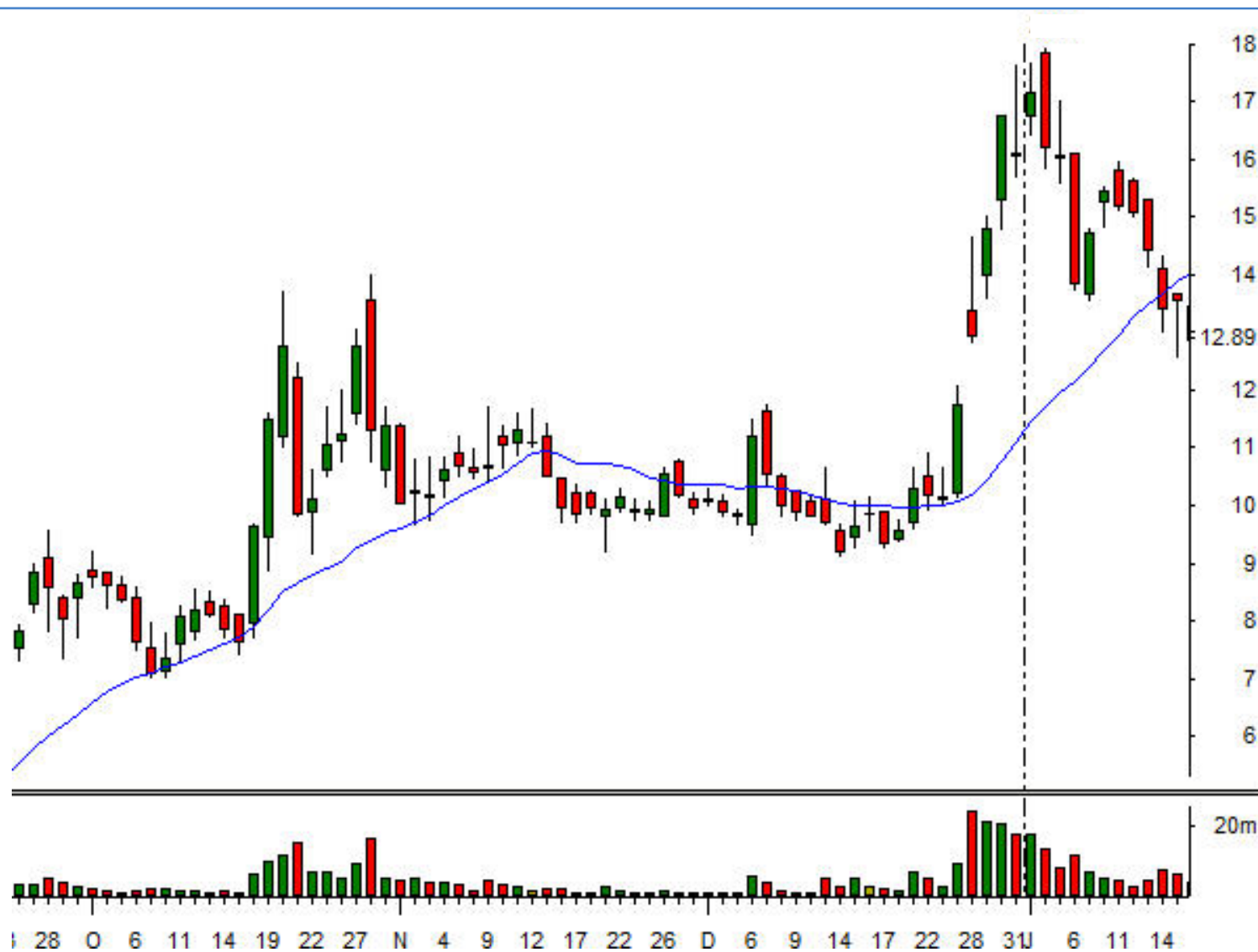


Here is how it played out...

Assume the stock gaps to the BLUE line...



How Would You Rate This Gap?



Here is how it played out...

Assume the stock gaps to the BLUE line...



How Would You Rate This Gap?



Pristine Tip

Remember, we play odds – anything 'can' happen.

What is always your second line of defense?

So even if you misread this, why was it NOT a stop out?



Here is how it played out...

Thank You For Attending Advanced Gap Strategies.

Remember, this is not to make you more aggressive trading gaps, it is to make you smarter.

You should be successful on most all of your gap plays, when using proper management.

"I just wait until there is money lying in the corner and all I have to do is go over there and pick it up. I do nothing in the meantime. In essence, by not wanting to trade, I have inadvertently transformed myself into a master of patience. By forcing myself to wait until there was a trade that appeared so compelling that I could not stand the thought of not taking it, I had vastly improved the odds...."

~James Rodgers.



LIVE

APPENDIX