BOWS Setup Study Guide



Flat Top Breakout

- 3+ taps. More taps more powerful it can be.
- Do not buy in anticipation of breakout if the run is too extended (3+ green days)
- You can buy on confirmation if stop loss is close
- Look for consolidation before the breakout
- Look for rising moving averages that can act as support
- Put stop under the base or moving average
- Do not want to see signs of distribution (big red bars and small green bars in volume)
- Low consistent volume bars is ideal
- You can day trade a breakout until it gets overbought.
 Also keep Bollinger bands in mind

Float: 1 billion+ high, 100 million or under is low, 0-50 million super low (lower the float the more volatile it can be)



Base Breakout

- A stock has been in neutral position for extended period of time (daily and intraday)
- Volume and volatility diminishes (equilibrium between buyers and sellers)
- The best ones are 50% or more of their highs
- 20 MA can be a trigger
- Goes down, starts to level, moves over MA and then breaks out



Flag Breakout

- Big thrust upwards/downwards (flag pole)
- Consolidation for a period of time
- Low volume and volatility
- Flag tends to move in the direction of the trend (daily and intraday). Keep in mind the direction of the market (\$SPY)
- Range gets tighter
- Put stop under line in the sand/range or MA
- Can buy at bottom of range or once breakout is confirmed



Bear Flag

Type One:

- Stock breaks down on heavy volume
- Deadcat or relief bounce or consolidates on low volume
- You can short within the flag on anticipation or short once price penetrates the lower area of the flag
- Stop above MA or other level of resistance

Type Two:

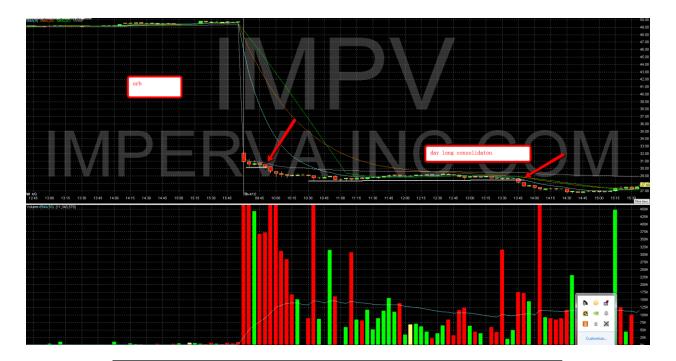
- Breakdown on heavy volume
- Low volume pullback towards the breakdown spot
- Short once the stock gets near resistance/former breakdown spot
- Make sure you are getting 2:1 risk ratio
- Stop above resistance
- First target is the previous low that preceded the bounce



Pullback

- An orderly pullback no large gapdowns
- Volume significantly lower on pullback than on ramp up
- First target is the high of the ramp up
- You can sell early if you made 2:1 or 3:1 on your stop
- Stop goes below support level/pullback level
- Pullback level can be a MA or Price
- Oversold Stochastics can add to your case (Vice versa for a short pullback play)
- Do not buy if stochastics are still overbought
- You can also remount- Stock pulls back bounces off bounce spot then you buy on confirmation. Stop below bounce spot.
- Scan for stocks that have broken out and flag them. Wait for pullback. (4% breakouts, top gainers of last 90 days with 500k volume)

- Old resistance becomes new support
- Higher float stocks tend to retest breakout spots and fill gaps more than lower float stocks



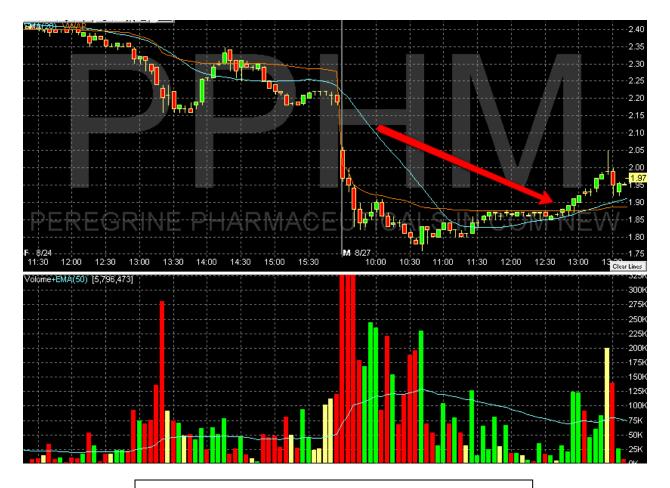
Gappers

- PR news or Earnings release
- Earnings exceeded expectations
- Strong pre-market volume (high relative volume)
- Gaps up 3% or more
- Gaps over resistance and MA's with a clear area to move higher (reverse for gap downs)
- Visit http://thestockmarketwatch.com/markets/pre-market/today.aspx to find stocks making morning moves
- 10,000+ shares traded pre-market
- Lower the float less likely to retest (under 100 million is best)
- Stocks that gap up with big momentum and base intraday will breakout over the mornings highs after 1 pm



Red To Green

- Look for stocks that had momentum run up previous day, ideally on heavy volume
- Stock may washout (light dip)
- Buy when price goes green for the day
- You can also buy when price breaks previous day's high if the price didn't go red
- 100m float or less 10%+ move
- +100m float 5% move
- Happens at the open
- Sell half into the first spike
- Have a very close stop
- Reverse for green to red play



Intraday Base Breakout

- Stock gets hit with bad news/earnings. Gaps Down
- Stock starts basing
- 20 SMA starts flattening out
- Volume and volatility starts to diminish
- Take a position once stock gets out of the base and first level of resistance
- Stop under the base
- Run a quick scan for top losers of the day to find this setup



Rubberband Snapbacks

- Stock is overbought (80, 90 is ideal)
- Stock has made a substantial run up for a few days
- Last candle should be outside of its Bollinger bands
- Wait for stock to open completely outside of its Bollinger band on daily
- Short on green to red move or break of support level
- Vice versa for Rubberband long



VWAP Bounce and Breakdown

- Wait for stock to pullback to VWAP after a spike and then once stock surpasses vwap and 9 ema or 20 ema, long it
- Better for afternoon trading
- If stock remounts it is giving you more confirmation
- VWAP breakdown: start seeing lower highs, stock breaks below VWAP, short it

 Middle of the day you need deeper pullbacks, Afternoon flags likely aren't flags and 9 EMA pullbacks do not work as well



Opening Range Breakout

- Momentum stock gaps up at open
- It then consolidates
- Must consist of at least 2 five minute candles
- Buy on break of the consolidation range
- You can also buy in anticipation if you have a level of support for a stop
- Best within the first 30 minutes
- The further you are from the 9 EMA the riskier the trade is



Intraday Flag Breakout

- Momentum stock runs up and consolidates right under breakout level
- Consolidates on low volume
- 9/20 EMA rise and act as support
- Start to see higher lows within the range
- Volume increase and start to see two or more higher lows with candles closing at the top of the range
- Buy once price breaks range or in anticipation once EMA's start pushing price up



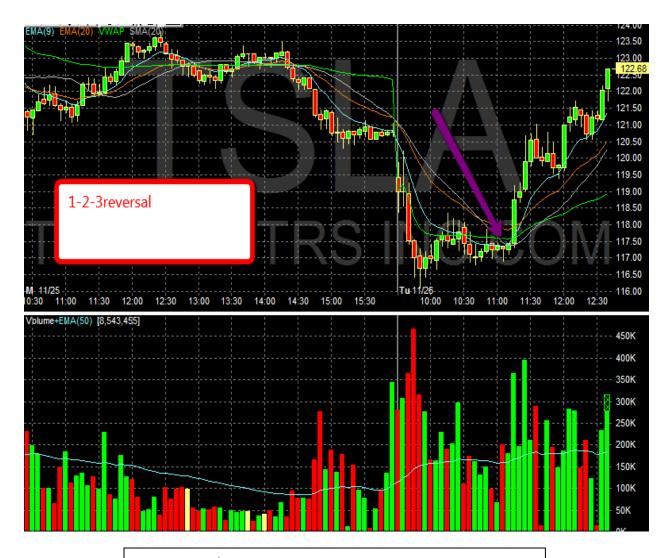
Quick Pullback Buy

- Momentum stock that has strong run in morning
- Stock will pullback as traders take profits
- Higher than average volume
- Pullback to 9 or 20 EMA on low volume
- Buy first pullback with stop below the last low
- Can also buy on anticipation with stop below EMA



Day-long Consolidation Breakout

- Afternoon trade
- Gap up or first quick run
- Consolidates on low volume all day as EMA catches up with price
- Stock breaks out late in the day (typically around 2 pm)
- Buy with stop under EMA or the price
- Scan for top gainers on the day to find these



1-2-3 Reversal

- Works for all time frames
- Also referred to as Double Tops/Bottoms, W Bottoms and M Tops
- Good for rubberband setups

Long:

 Downtrending stock that fails to make a lower low, ending the series of lower highs and lower lows

Short:

 Uptrending stock that fails to make a higher high, ending the series of higher highs and higher lows