

# Jake Bernstein

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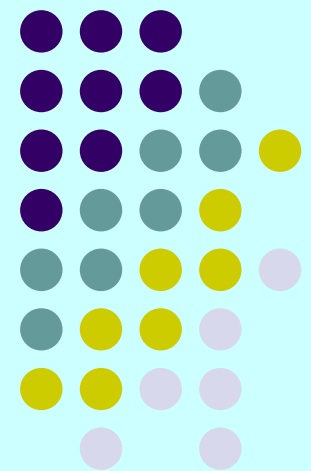
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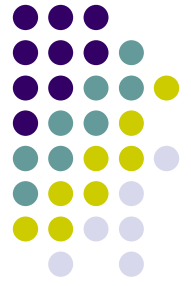
## Short Term Trading in Stocks

Thursday 17 May 2007

Webinar Series



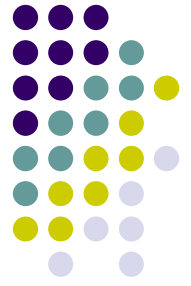
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# What is Short Term Trading?

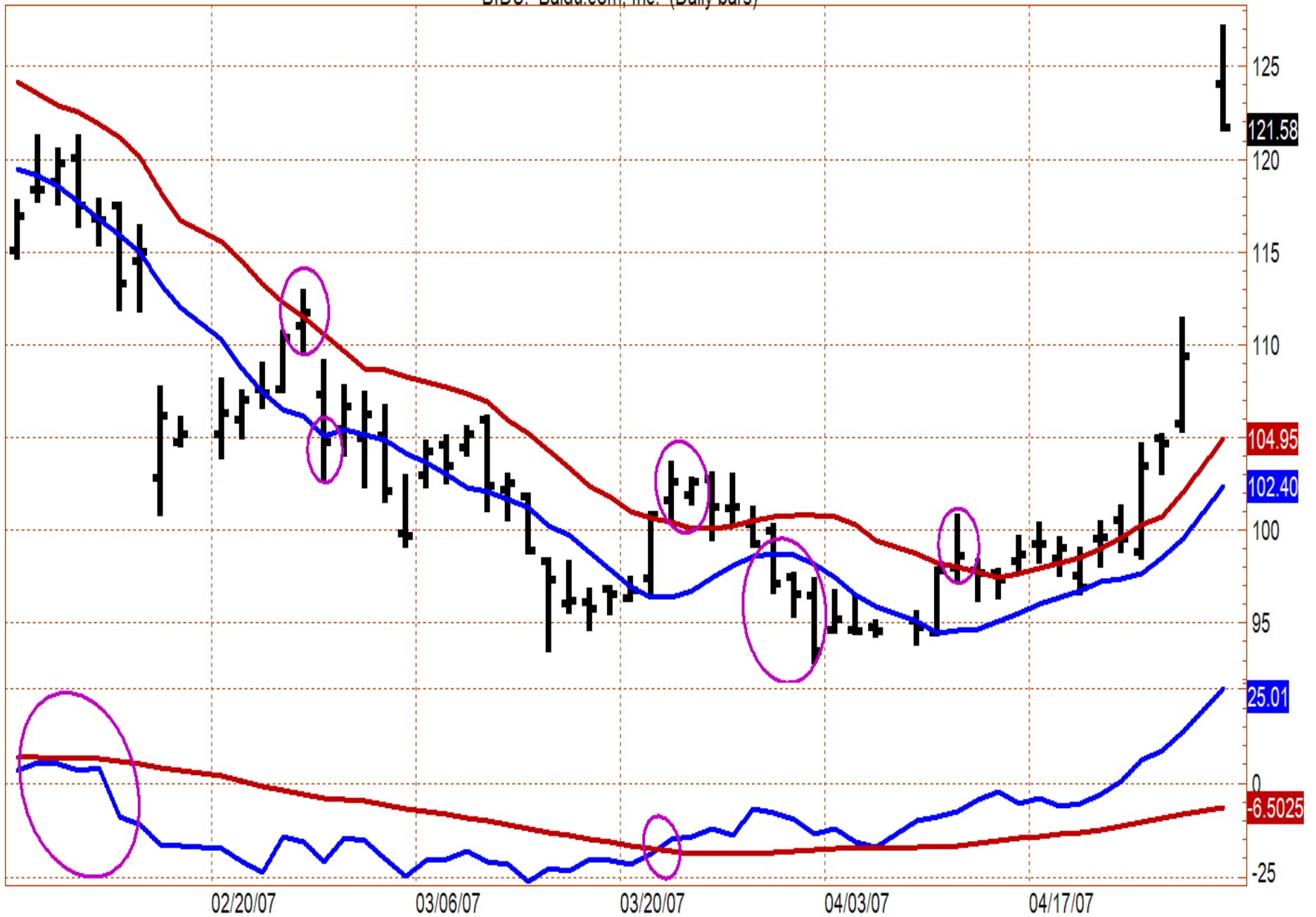
- My definition: Intra-day to 15 days
- Day Trade – Short Term – “Scalping”
- 4 basic approaches
  - 1) Swing Trading
  - 2) Volatility Breakout (Darvas Method)
  - 3) Gaps
  - 4) Level II Screen (“Scalping”)

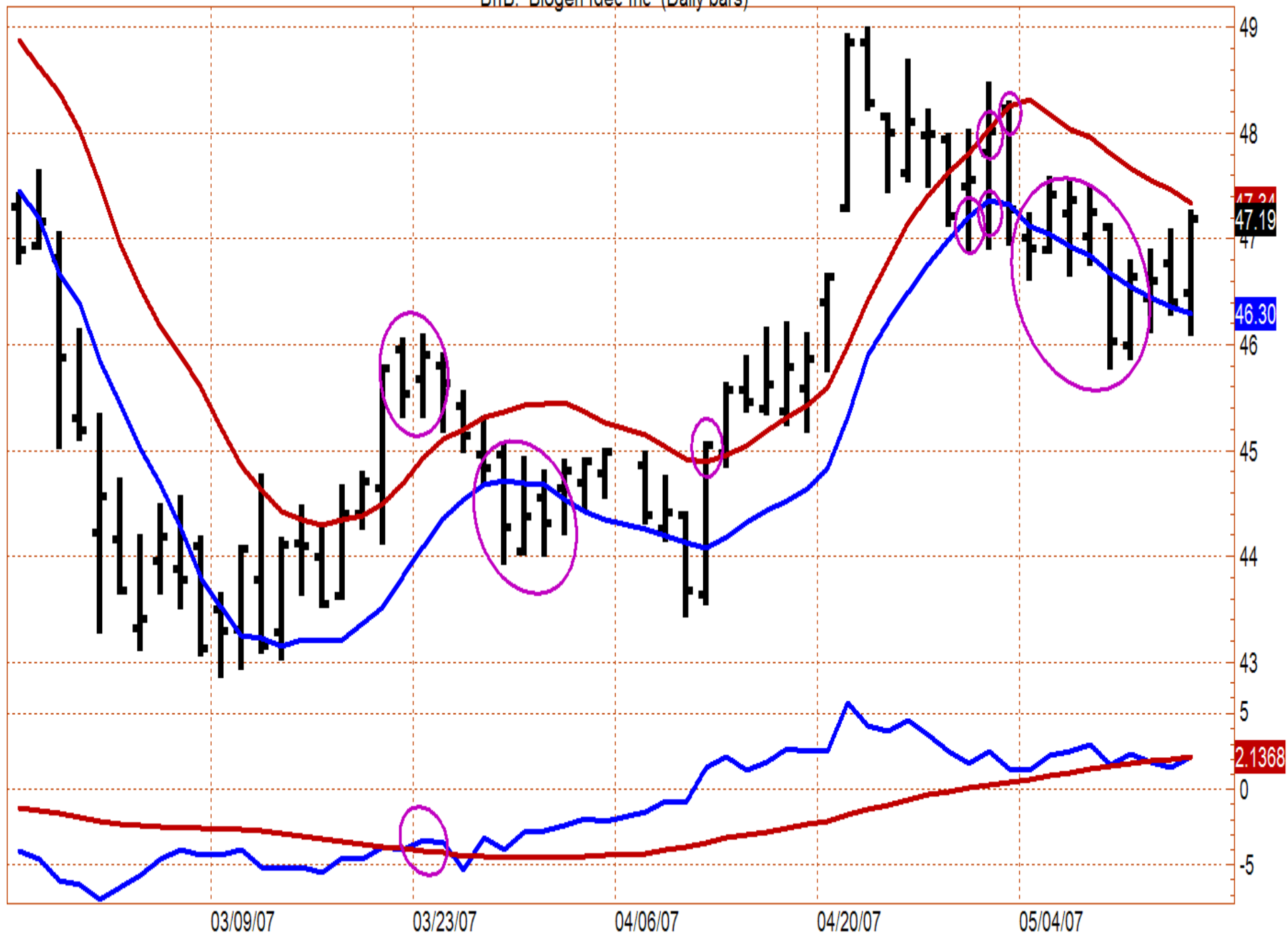
# Method 1: Swing Trade



- Channel surfing is the best method I know
- Use the 10/8 MAC with confirmation
- Confirmation for short term is 28/28 Mom/Ma
- Buy trigger: buy at MAC low exit at MAC high
- Sell trigger: Sell at MAC high exit at MAC low
- Can carry profitable trade for bigger moves
- See illustrations

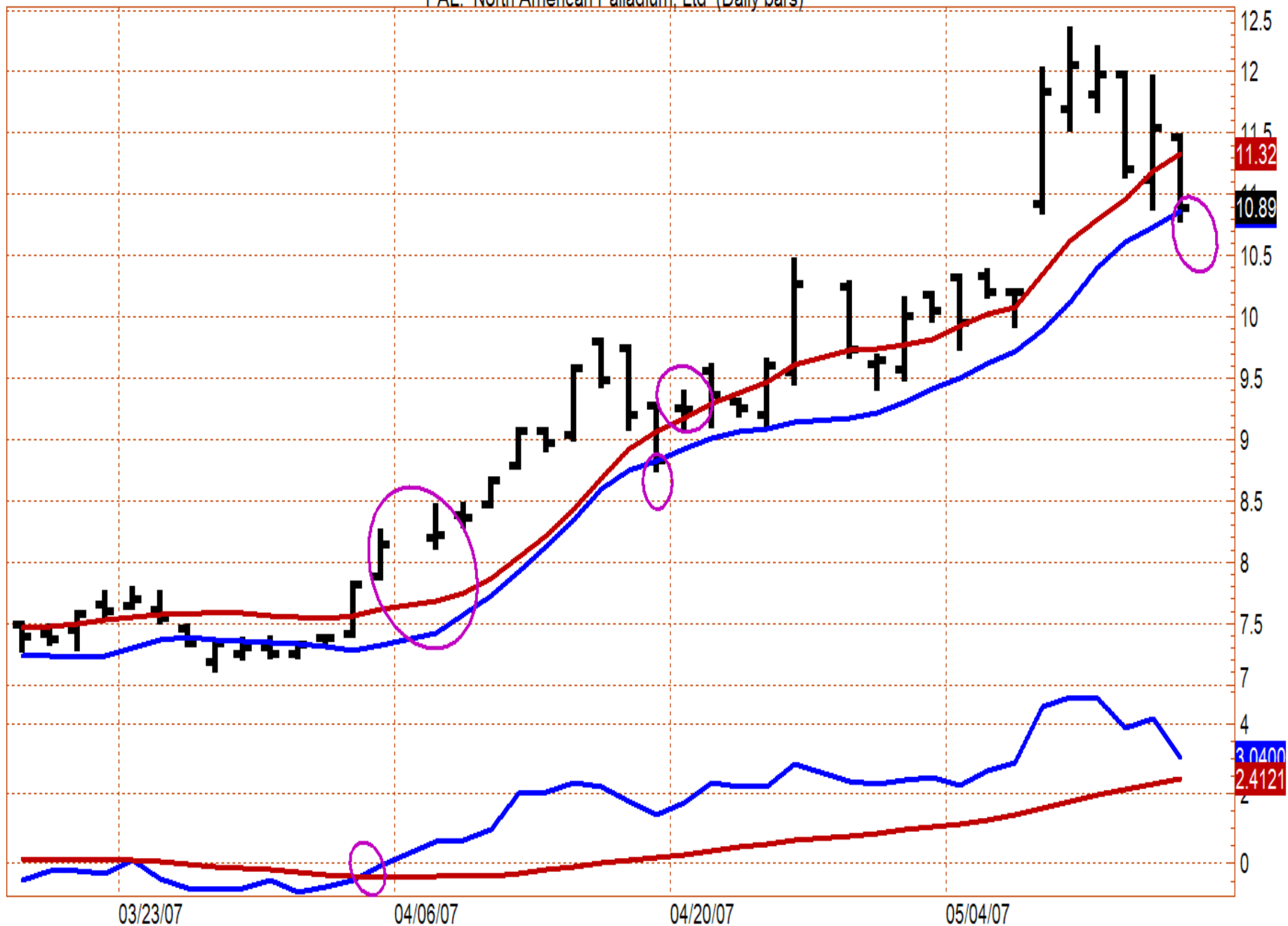
BIDU: Baidu.com, Inc. (Daily bars)

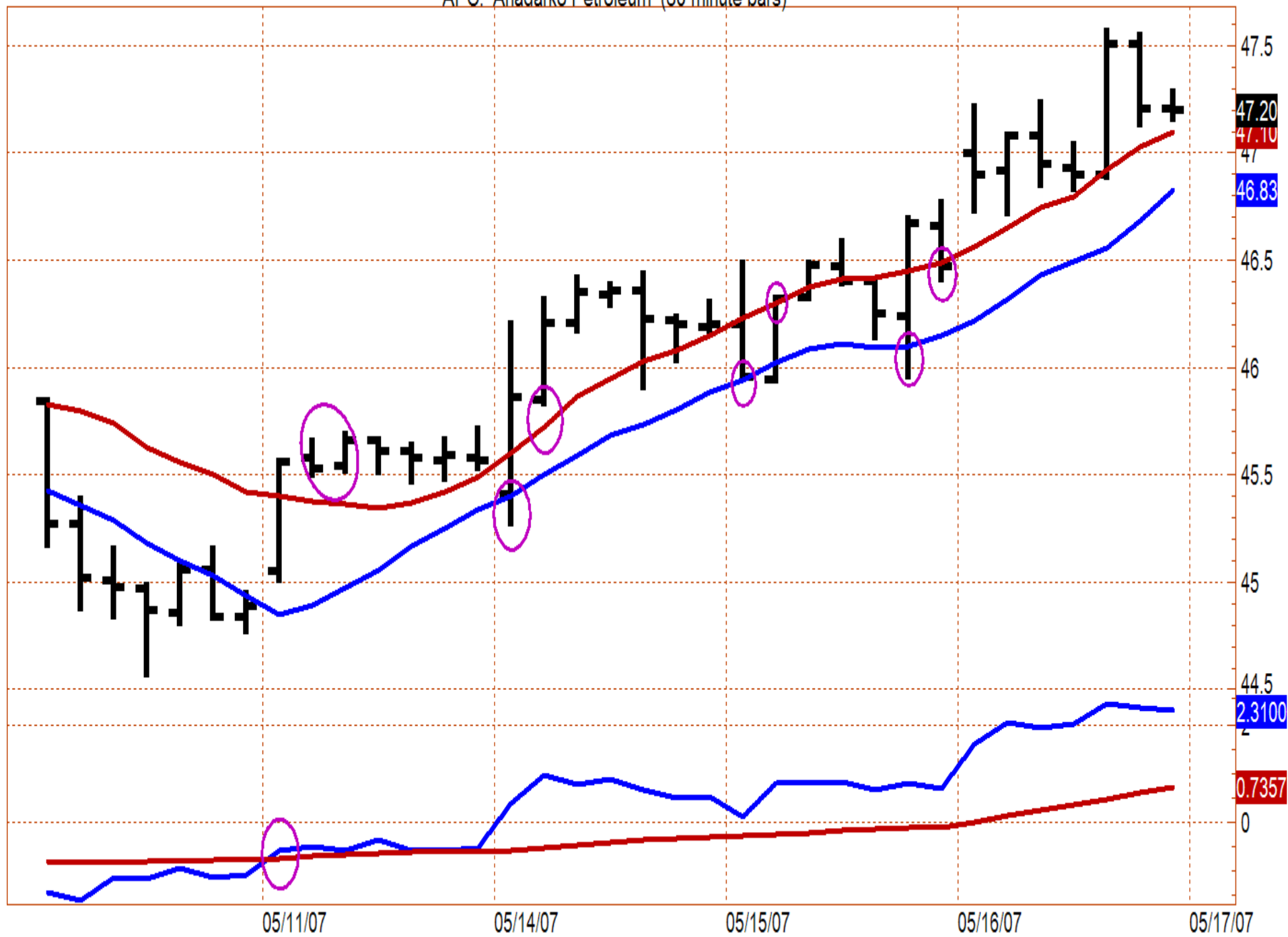


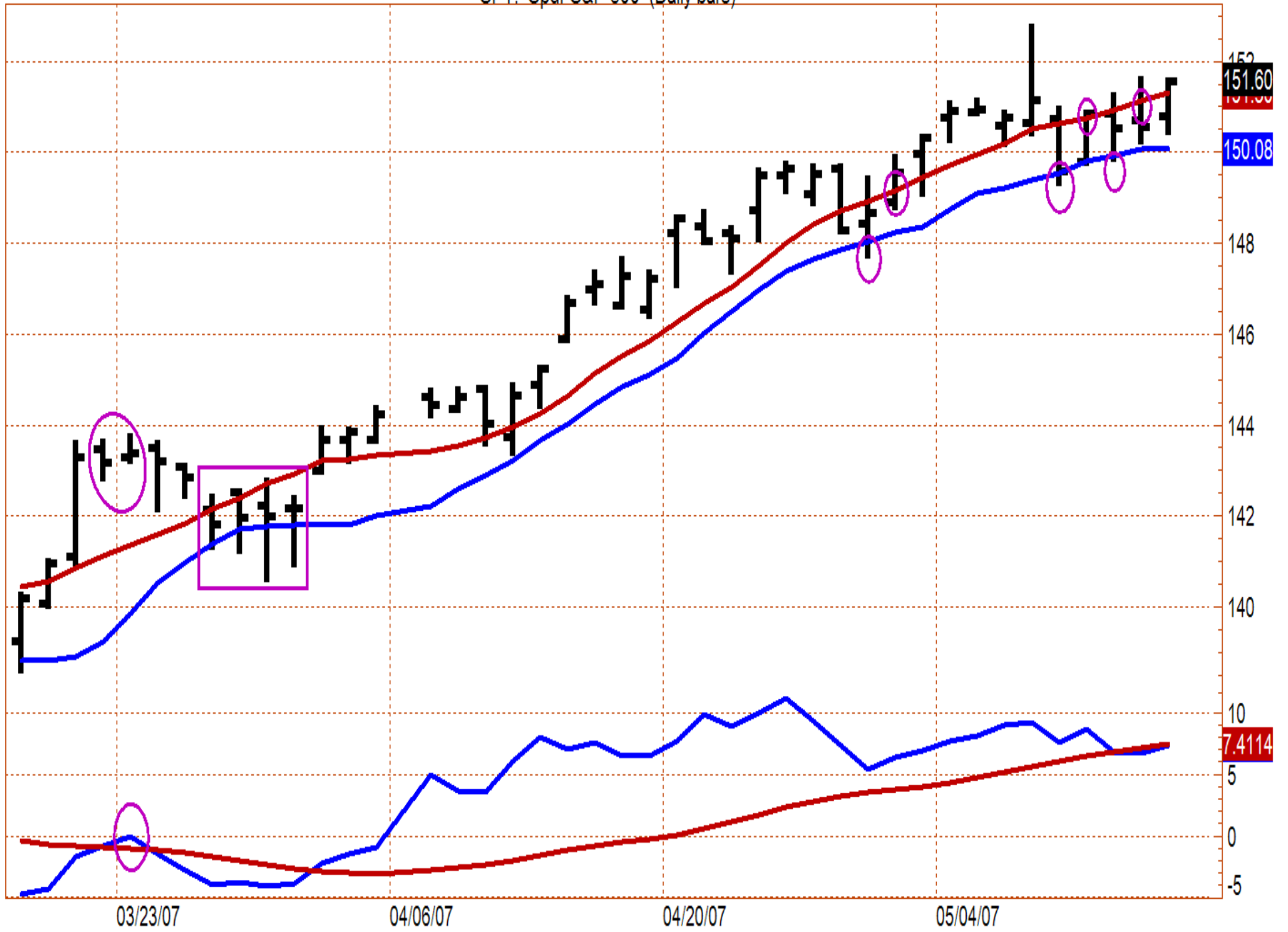


PAL: North American Palladium, Ltd (Daily bars)

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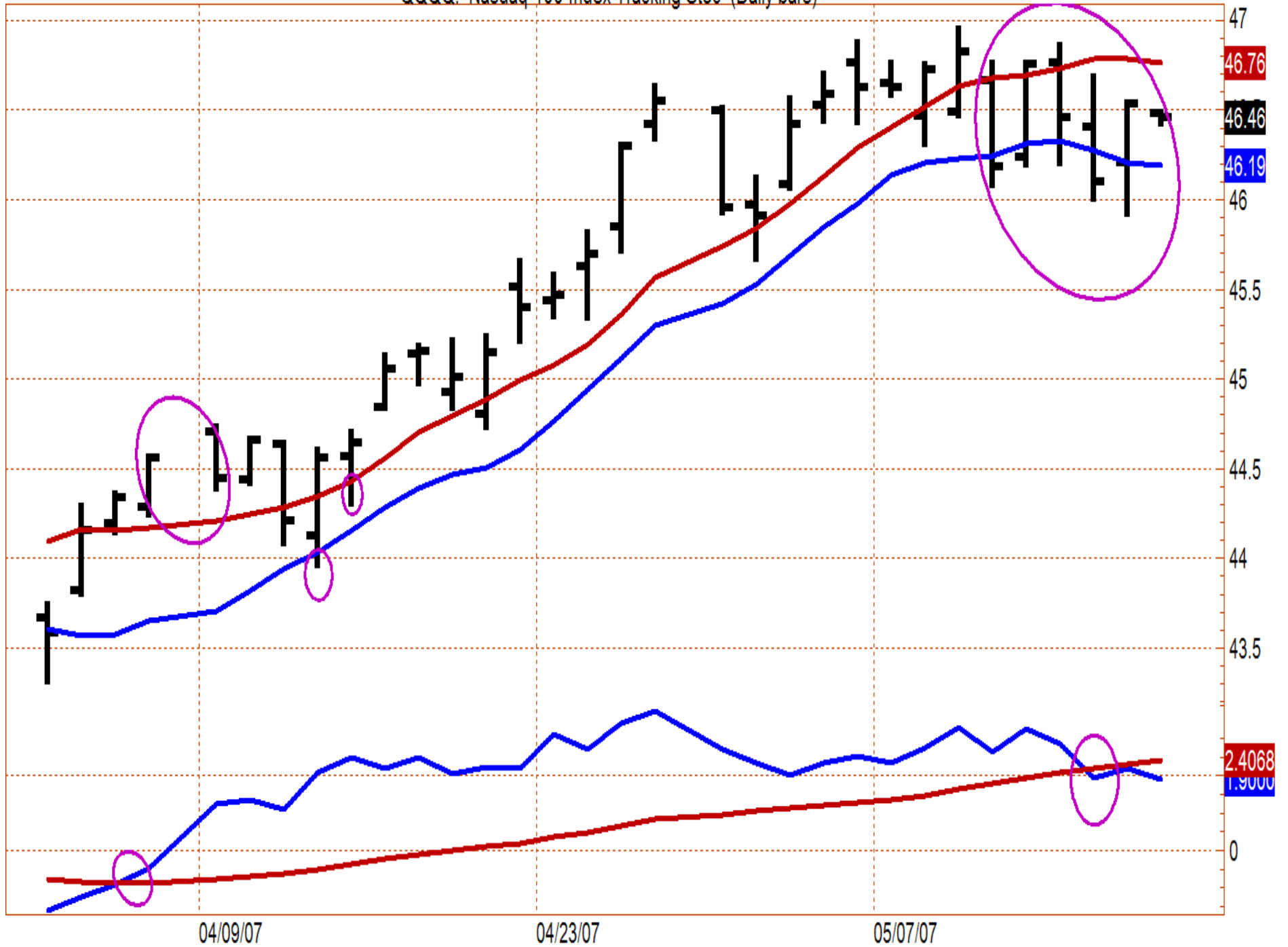




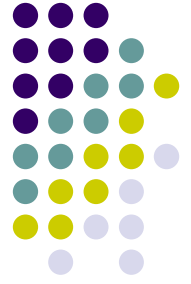


QQQQ: Nasdaq-100 Index Tracking Stoc (Daily bars)

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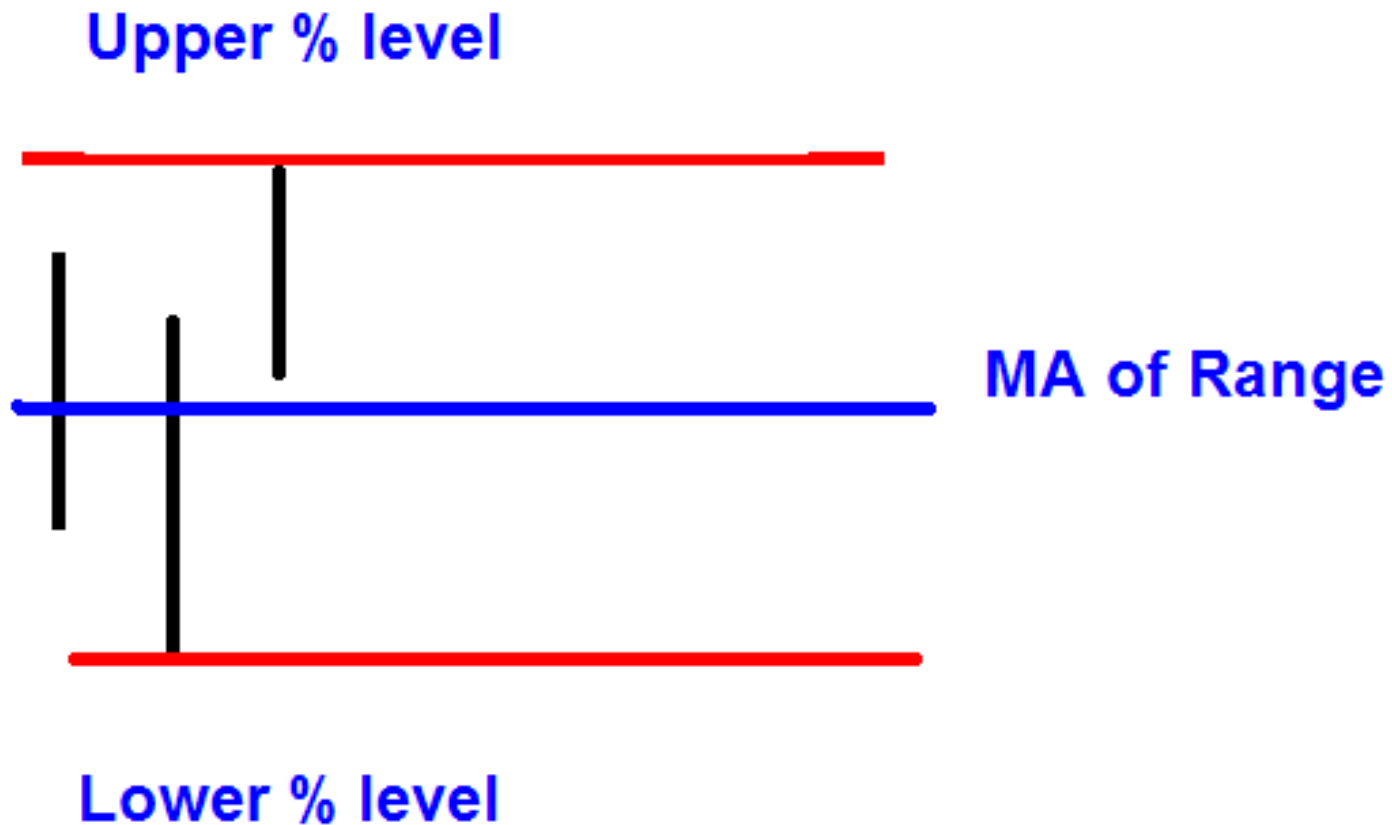
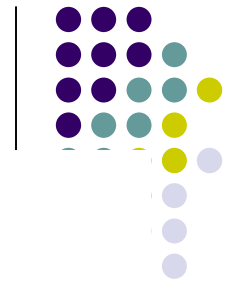


## Short Term Stock Method 2

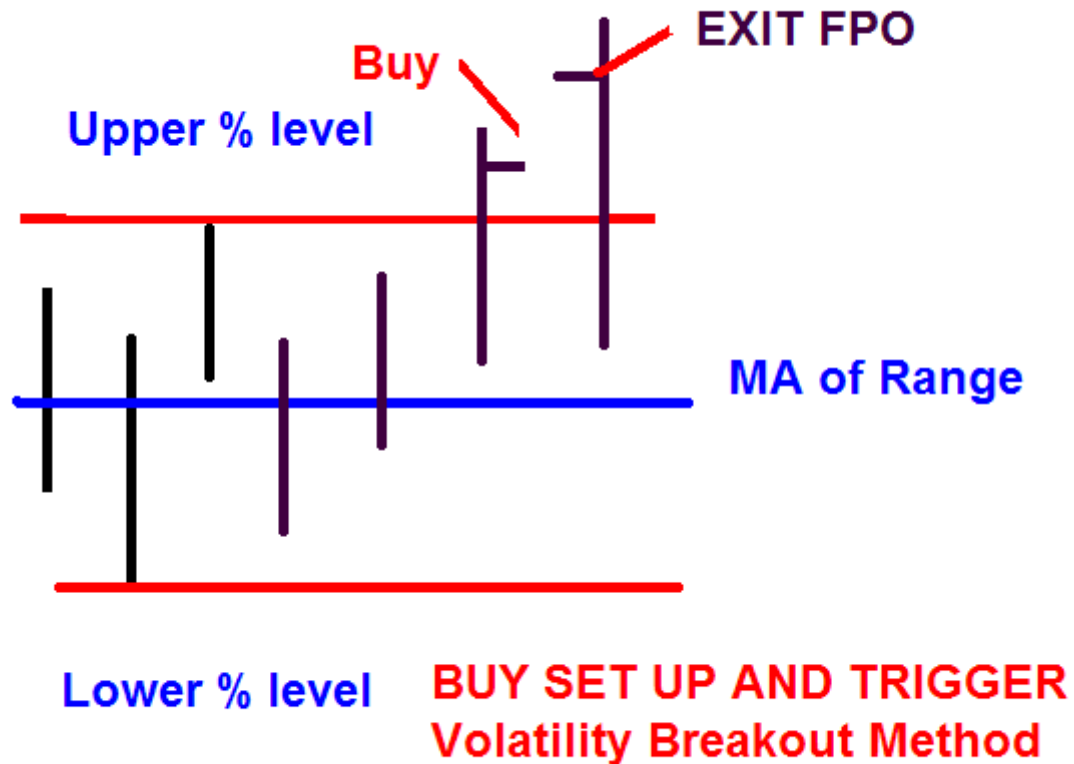
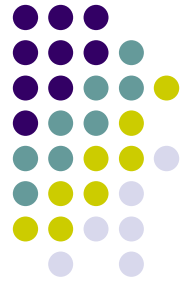


- Box Method – Darvas-The Darvas Story
- Also known as Volatility Breakout
- Can be used for short term or longer
- Developed for stocks can be used in futures
- Can be used in any time frame
- Rules of application
  - 1) MA of range of last X days
  - 2) Buy on % penetration above range-Exit FPO
  - 3) Sell on % penetration below range-Exit FPO
  - 4) Amount of penetration 65% above / below
  - 5) Exit Strategy FPO or trail stop

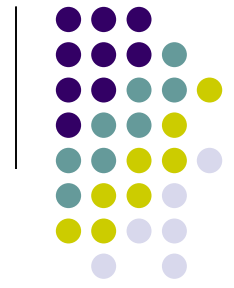
# Box Method: Example



# Buy setup and trigger example



# Sell Setup and Trigger Example



Sell set up and trigger  
Volatility Breakout Method

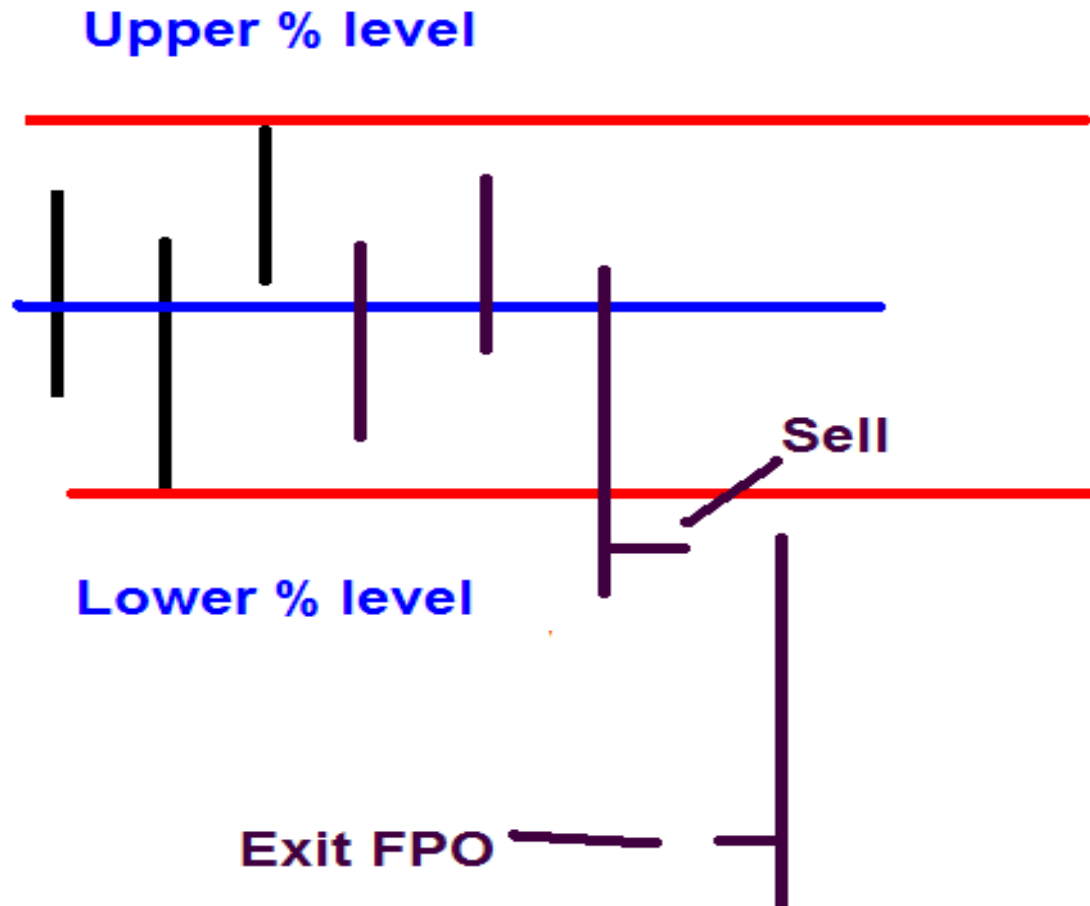


Chart Settings: BMY 06/02/1997 - 05/17/2007 (Daily bars)



- Show Settings to Edit ...**
- General Settings**
  - Dates Axis**
  - Trading**
  - Pane 1: Price**
    - Price
    - MovingAvgMethod
    - Percent Upper Band**
    - Percent Lower Band
    - MovingAvg
    - MovingAvg
    - MovingAvg
    - MovingAvg
    - MovingAvgMethod
    - MovingAvgMethod
    - Parabolic
  - Pane 2: Momentum
  - Pane 3: COT Commercials
  - Pane 4: StockK
  - Pane 5: MACD
  - Pane 6: Volume
  - Pane 7: Williams AccumDi
  - Pane 8: COT Large Spec

**Appearance**

Color:

Type: Line

Width: Medium

Label: (default)

\*Overlay (scale not fixed to pane)

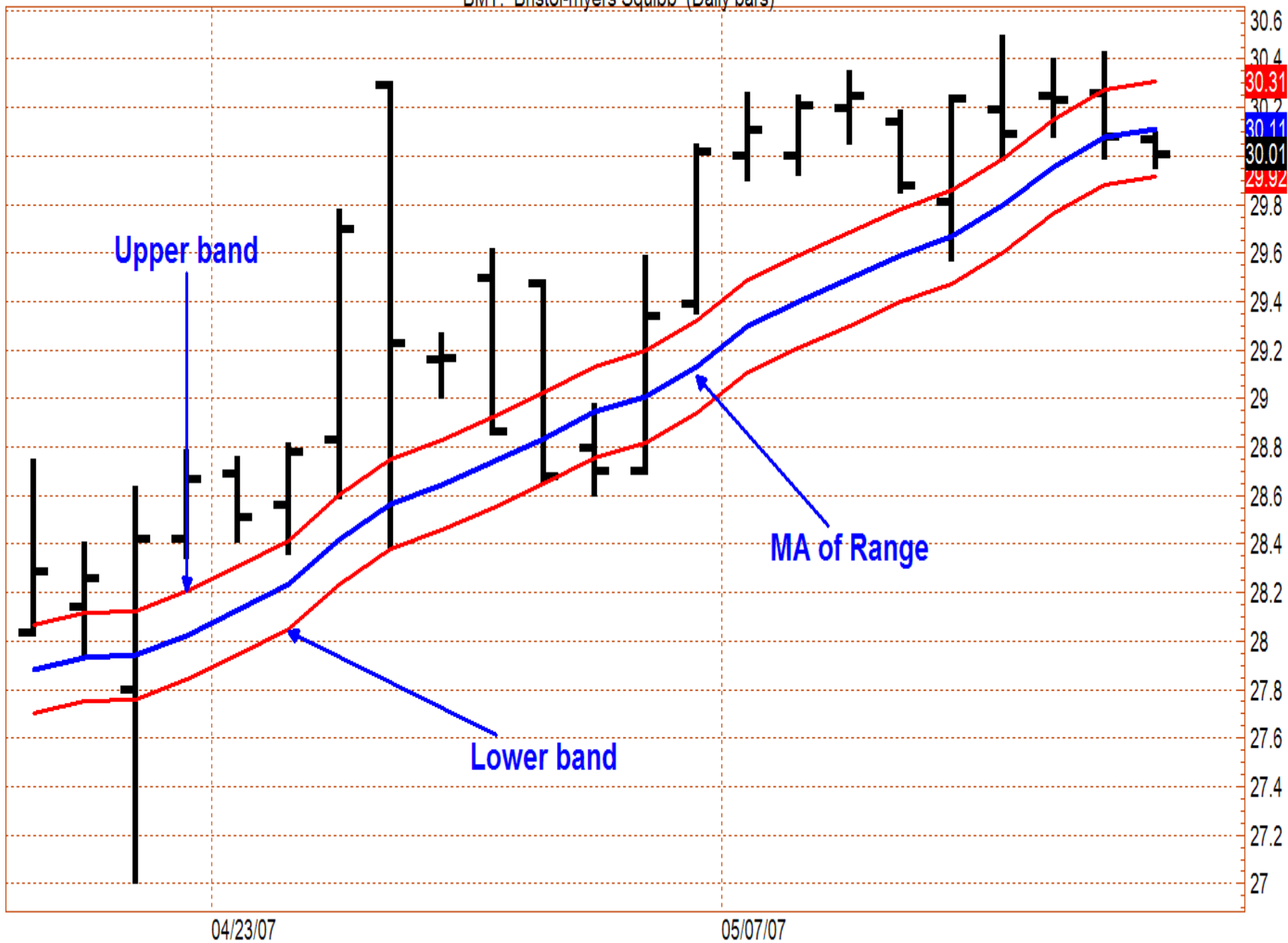
**Function**

Percent Upper Band EDIT Function  
 (name for display)

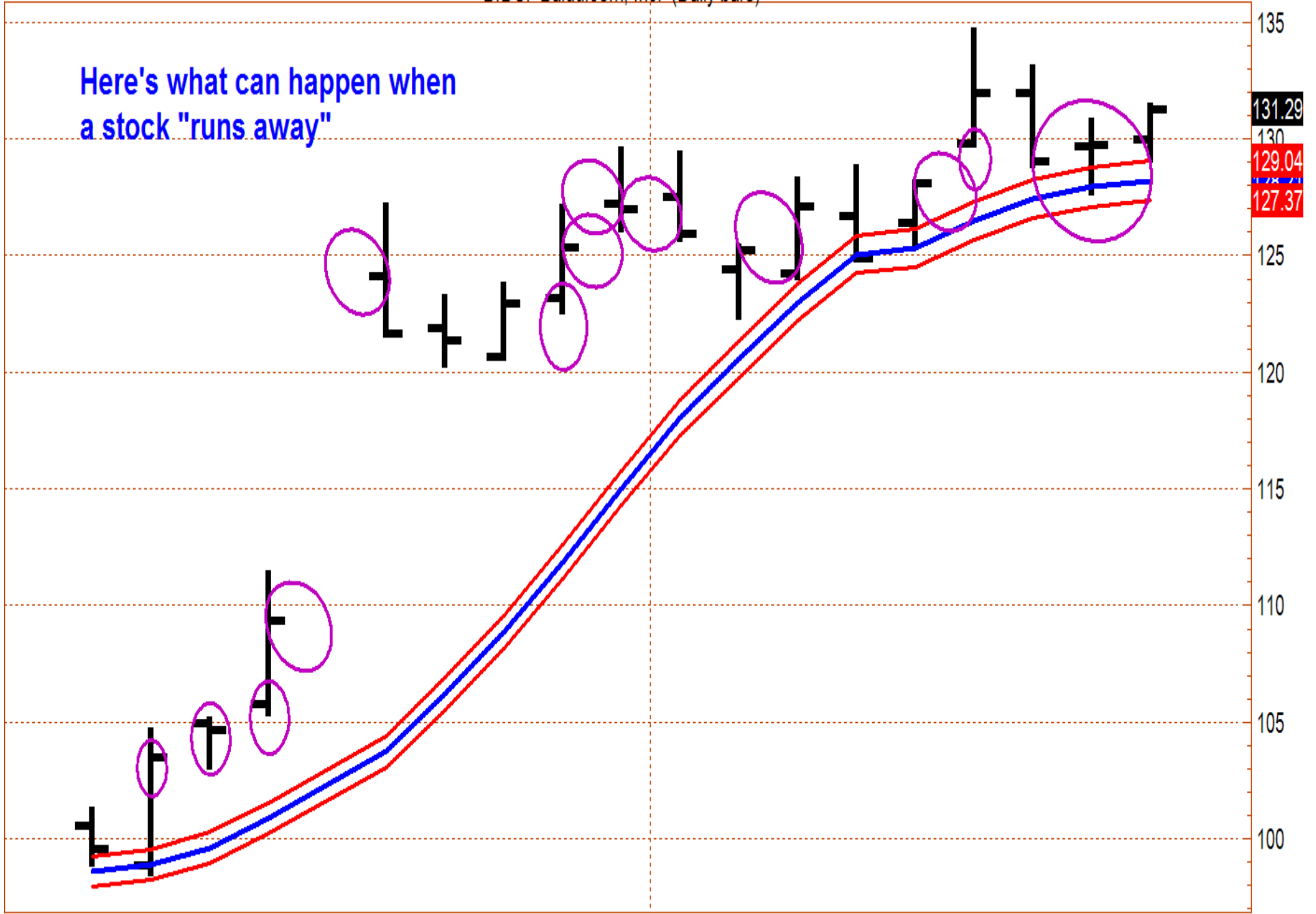
Input Name	Value
Percent	.65

Shifted: 0 bars forward



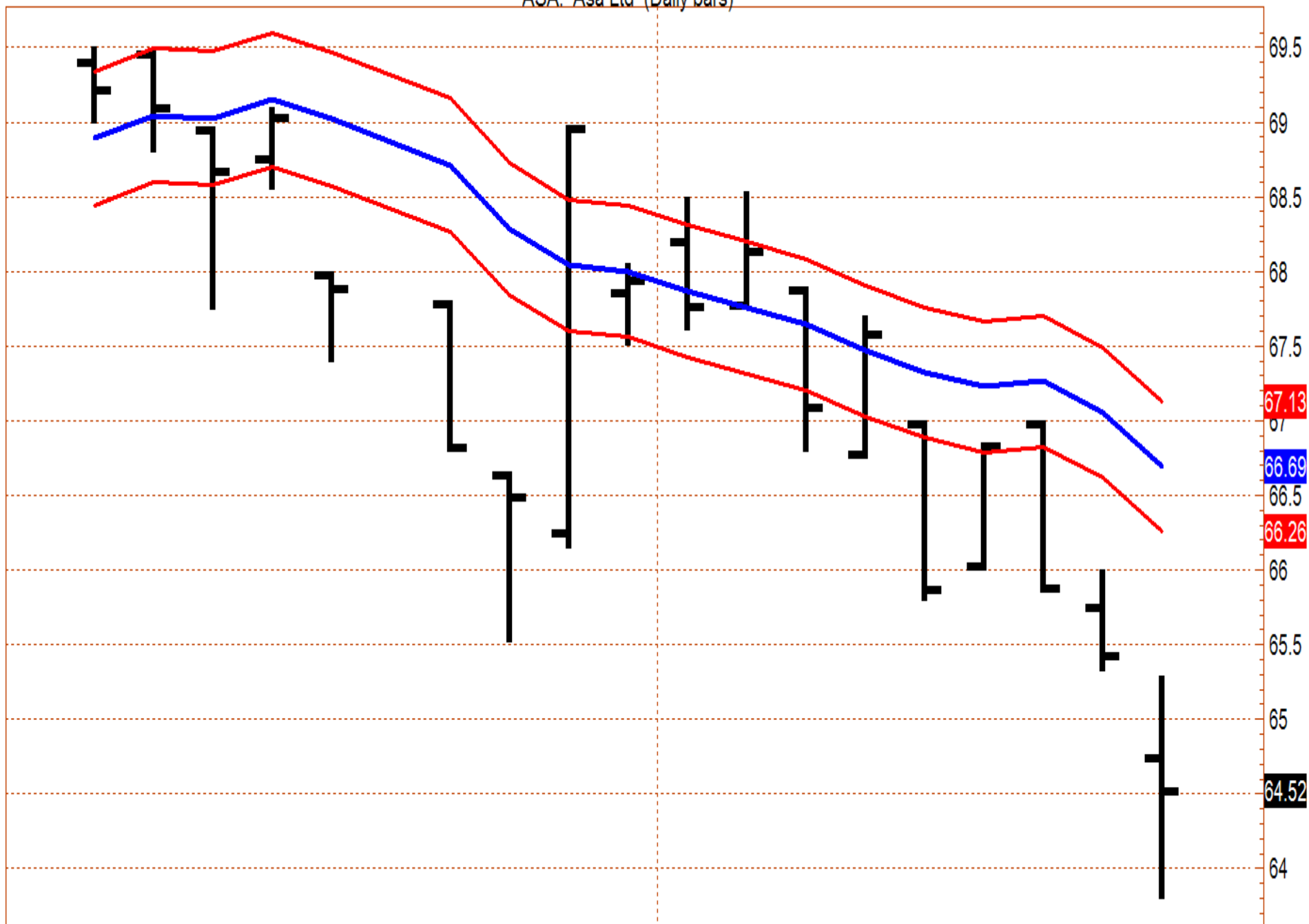


Here's what can happen when  
a stock "runs away"

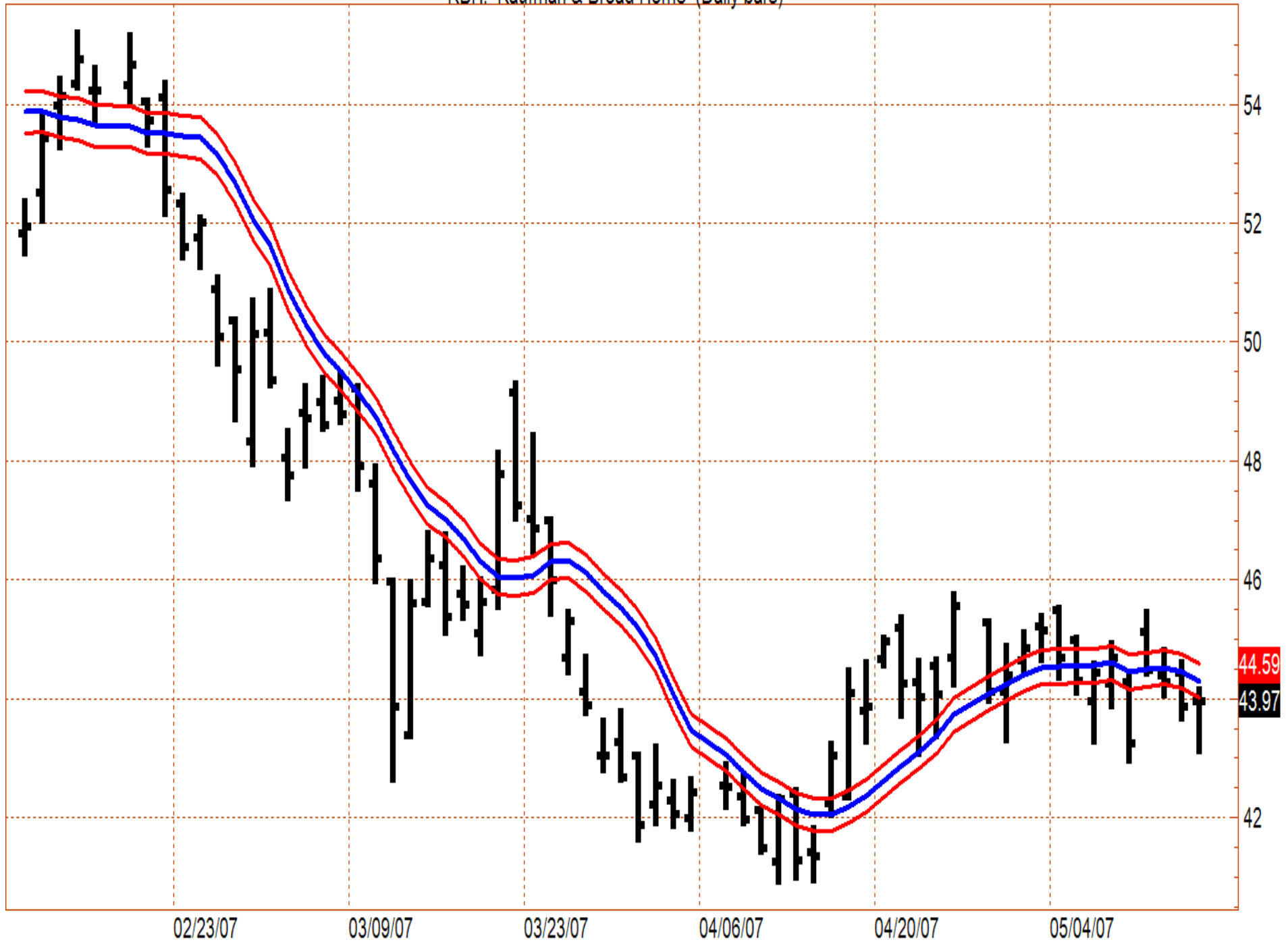


05/07/07



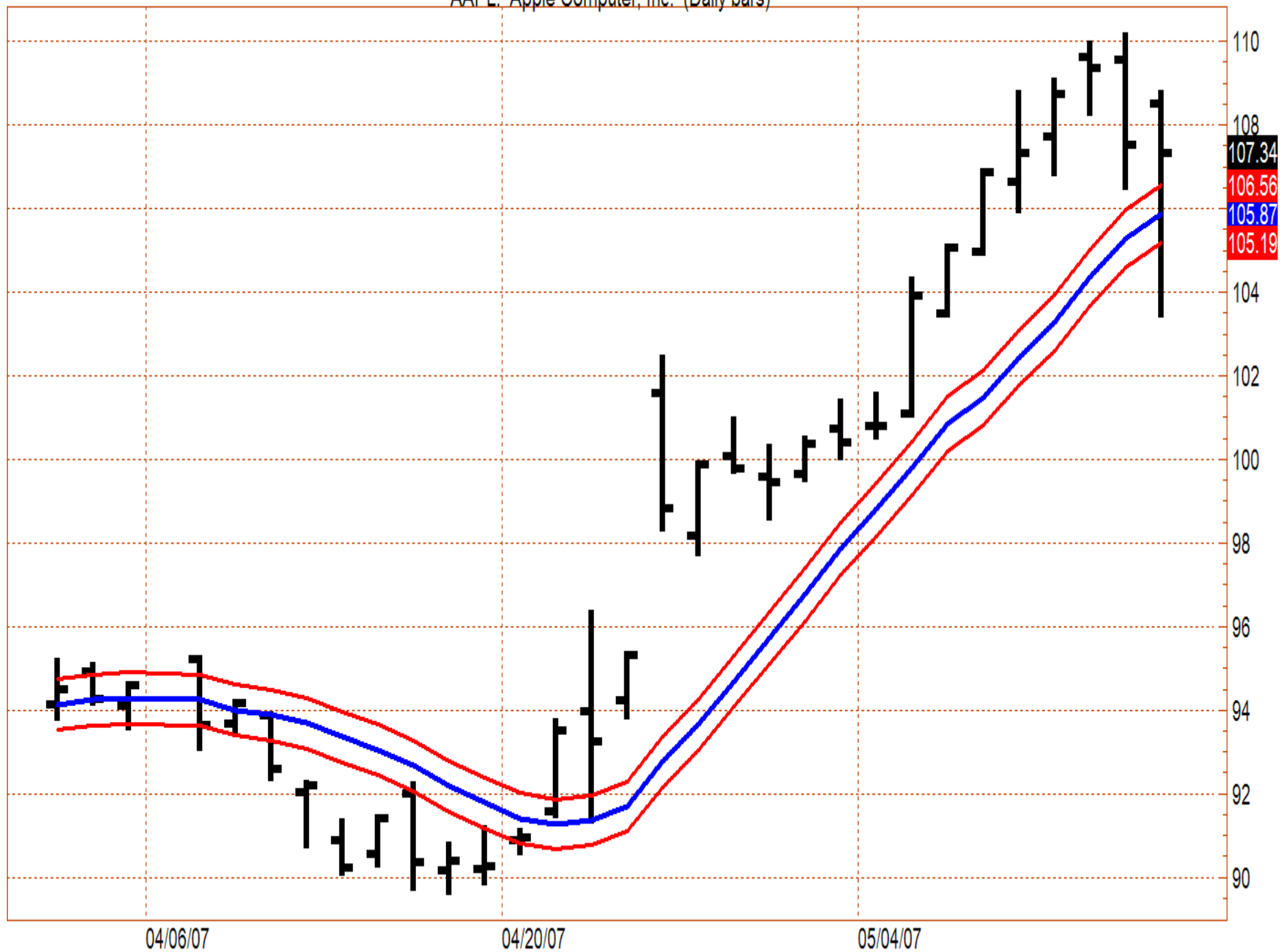


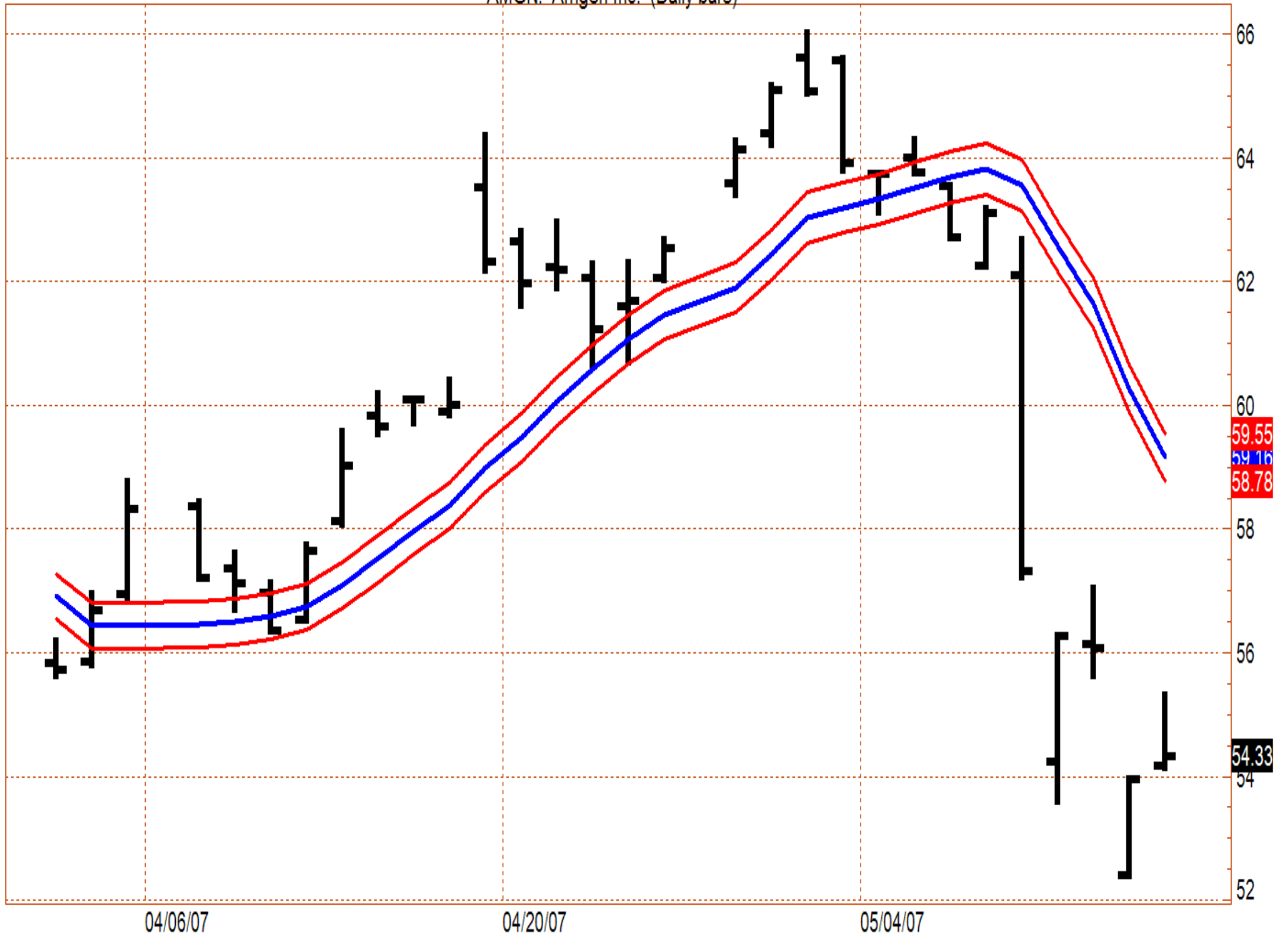
05/04/07



AAPL: Apple Computer, Inc. (Daily bars)

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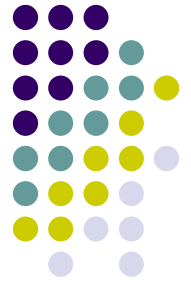




59.55  
59.16  
58.78

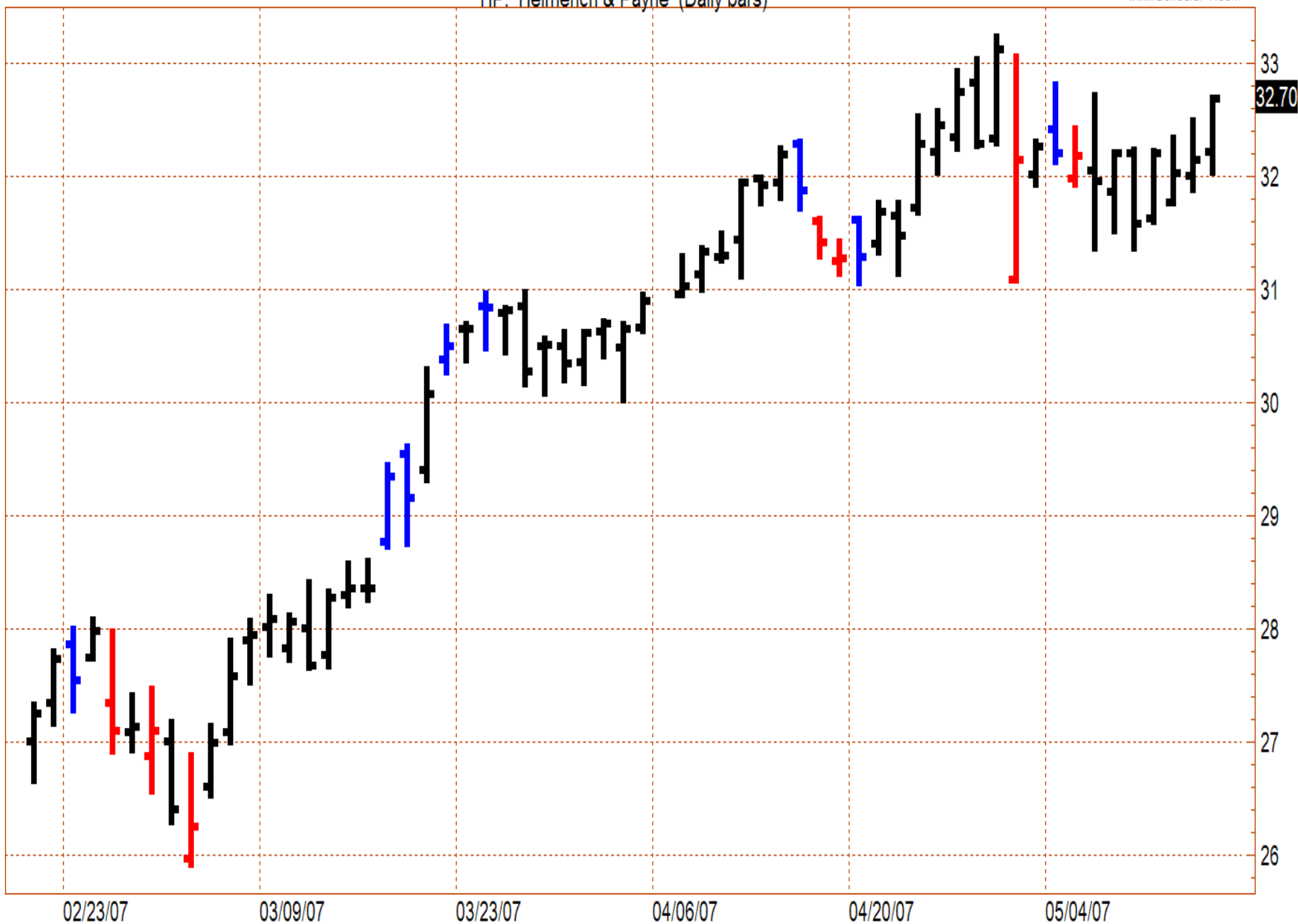
54.33

# Method #3: The Gap Trade



- 1) Gap opening above previous daily high
- 2) Gap opening below previous daily low
- 3) Causes of gaps
- 4) Gap lower open – buy set up
- 5) Gap higher open – sell set up
- 6) Many major lows and highs are gap days
- 7) Exit strategy either as day trade with target or on first profitable opening
- 8) Exit at end of day if trade is a loss

HP: Helmerich & Payne (Daily bars)



ZBRA: Zebra Technologies Corporation (Daily bars)



CHINA: chinadotcom corporation (Daily bars)

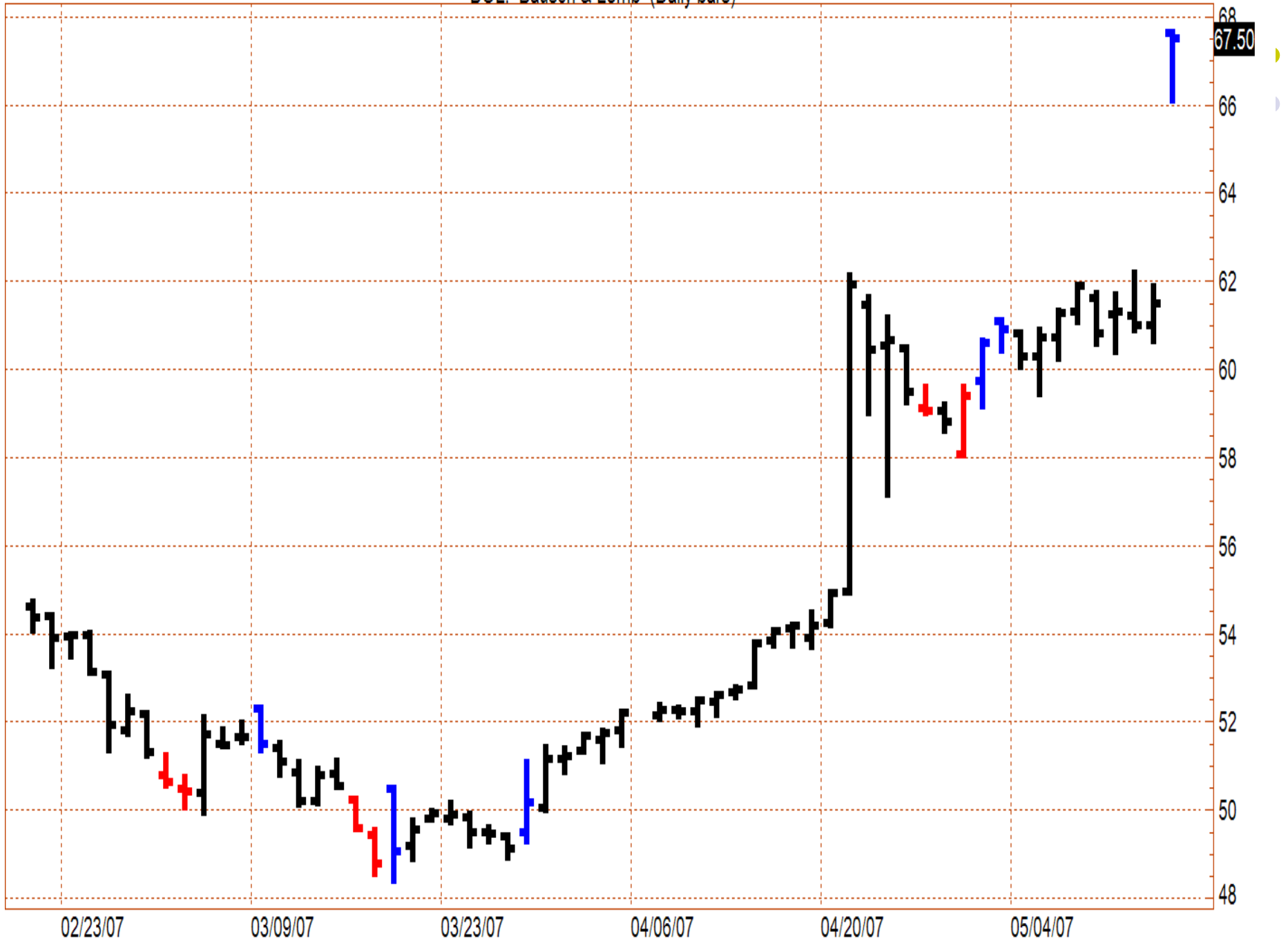
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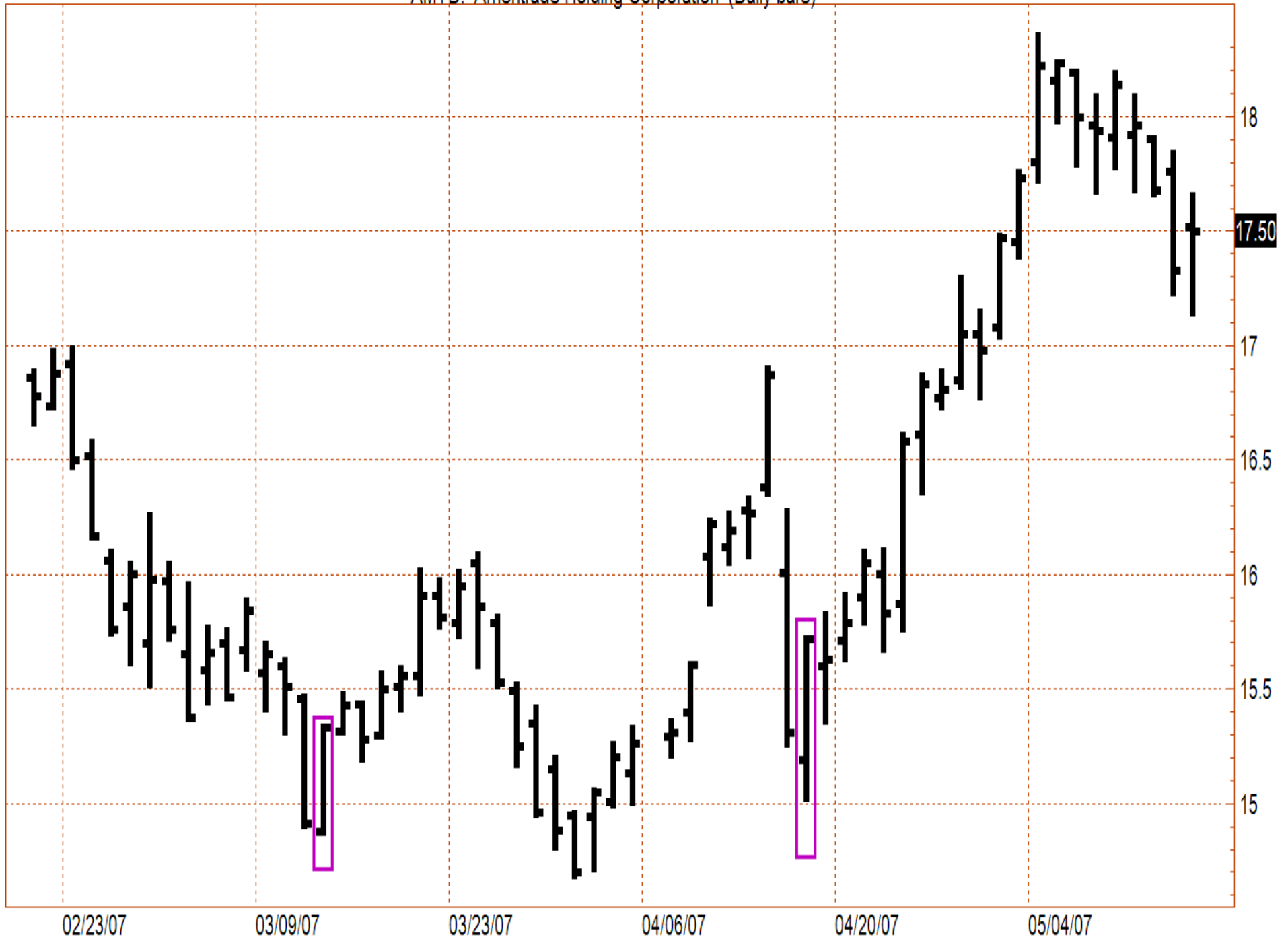
BOL: Bausch & Lomb (Daily bars)

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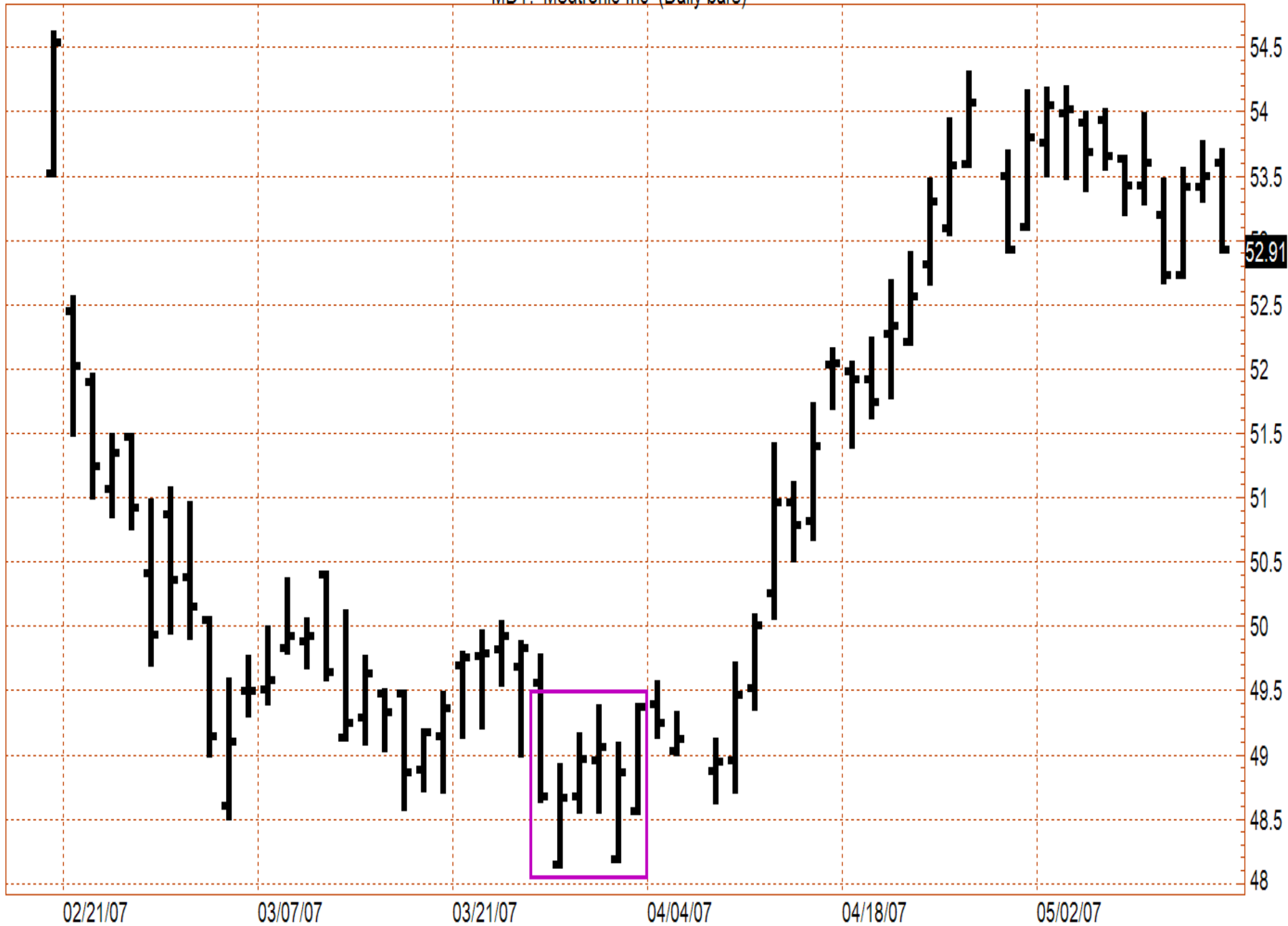


AMTD: Ameritrade Holding Corporation (Daily bars)

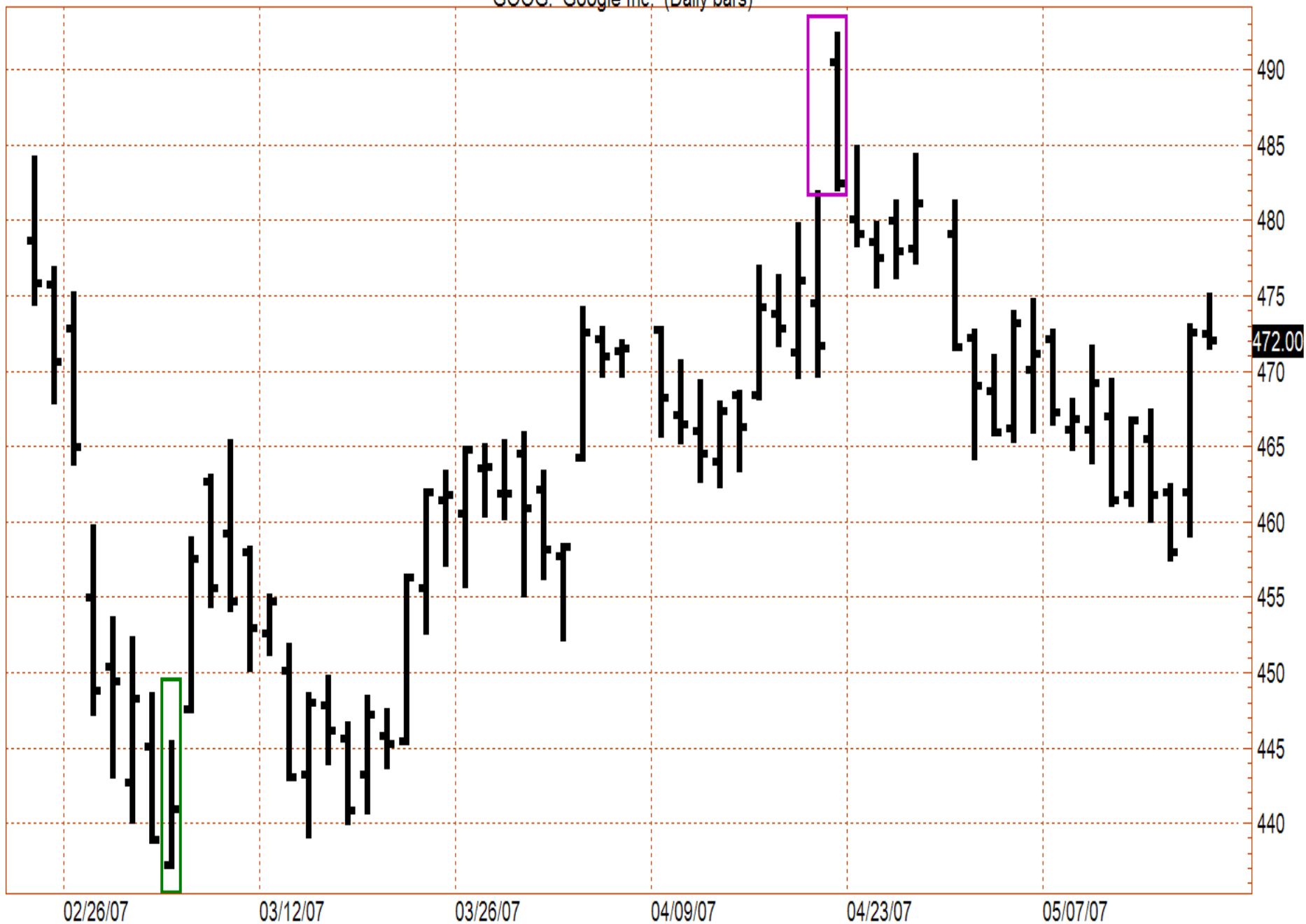
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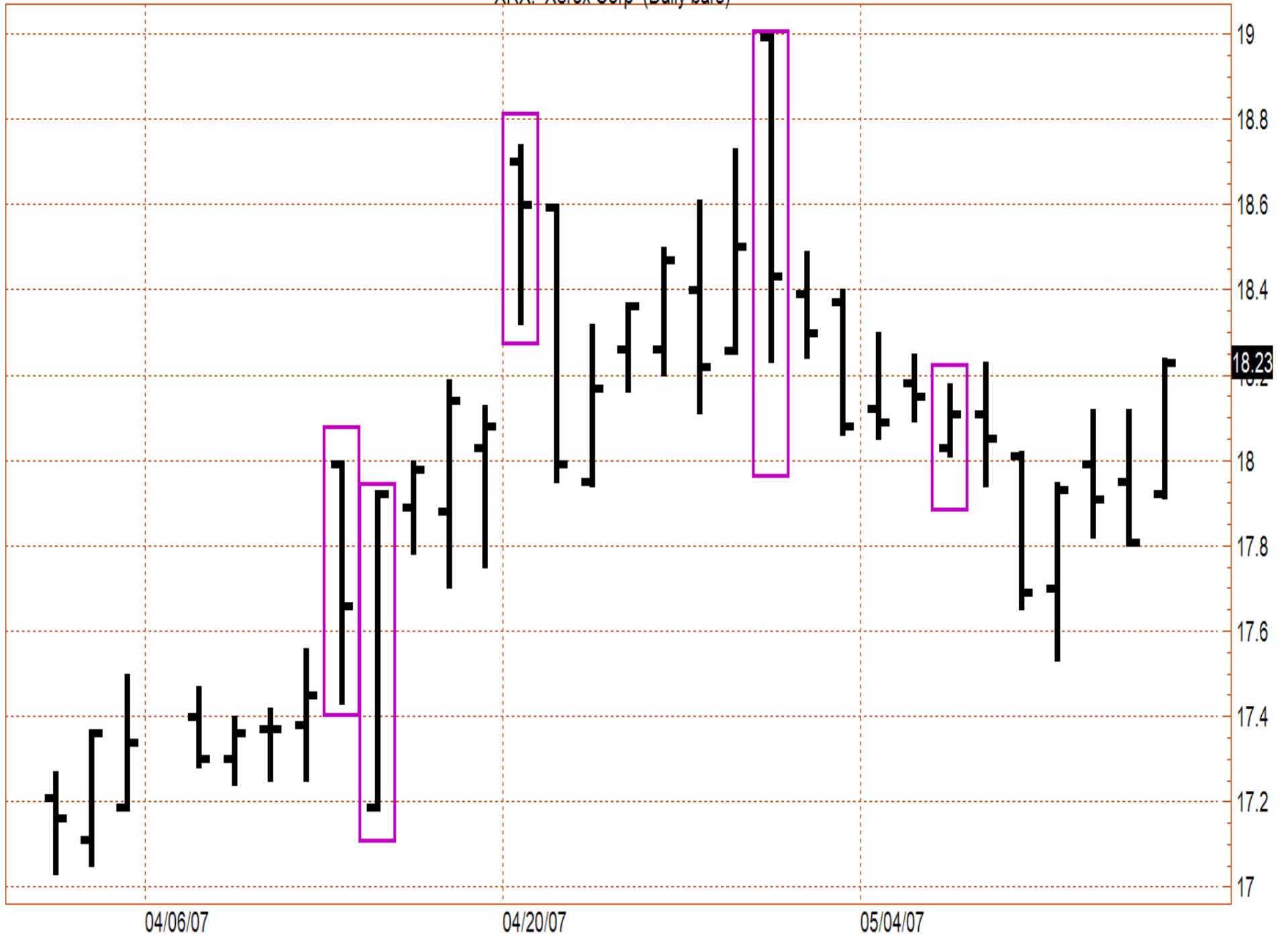
MDT: Medtronic Inc. (Daily bars)

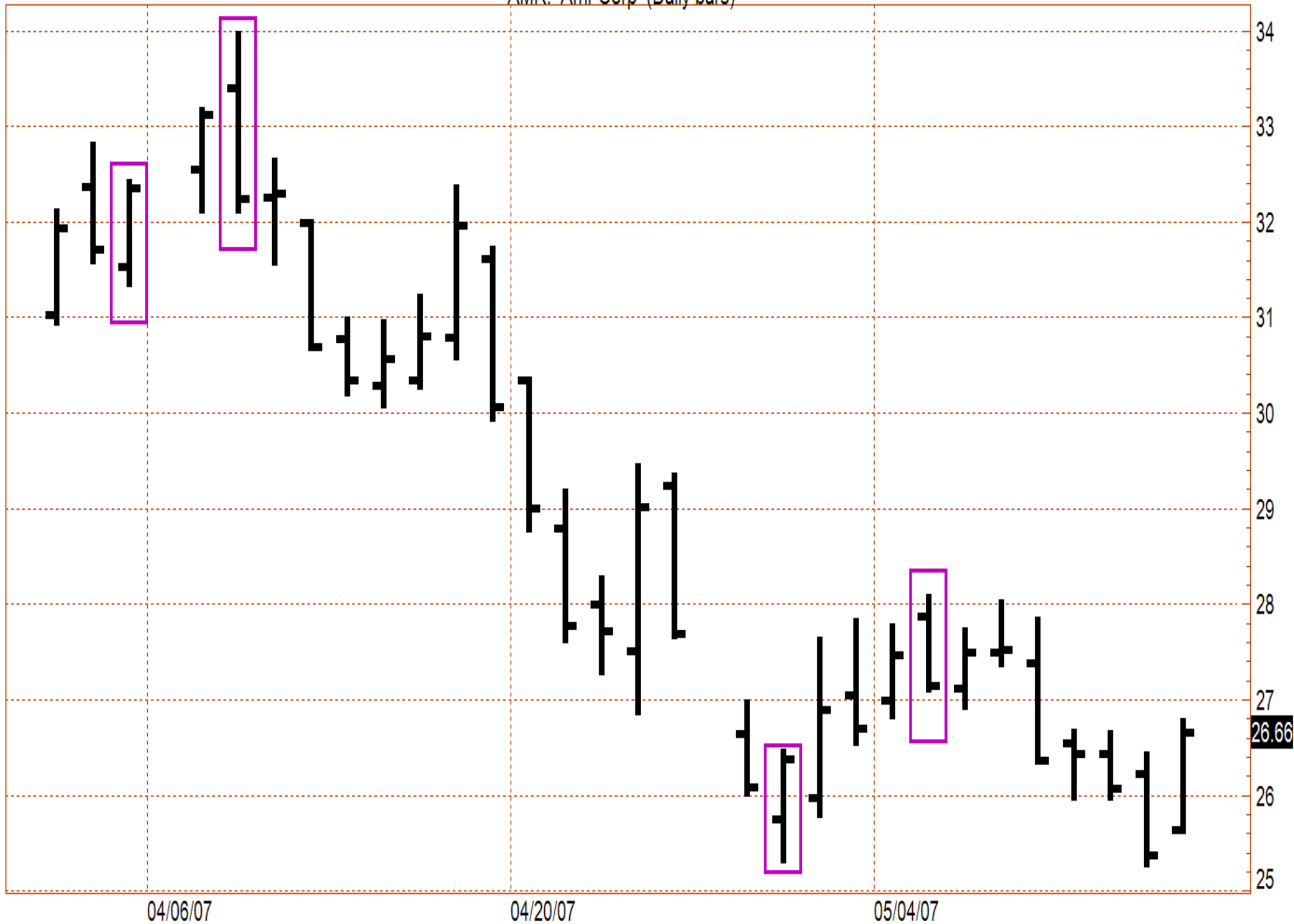


GOOG: Google Inc. (Daily bars)



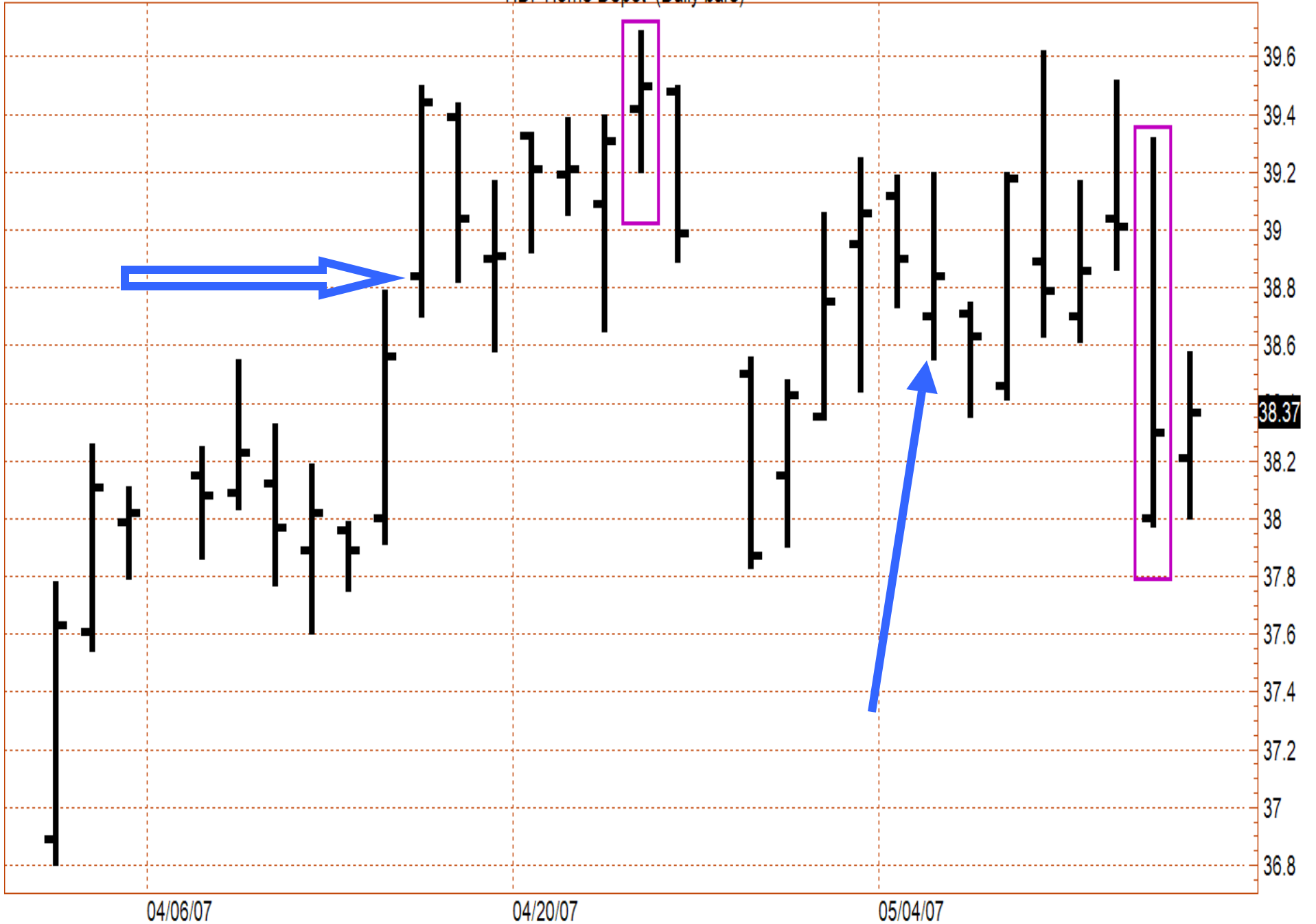
XRX: Xerox Corp (Daily bars)





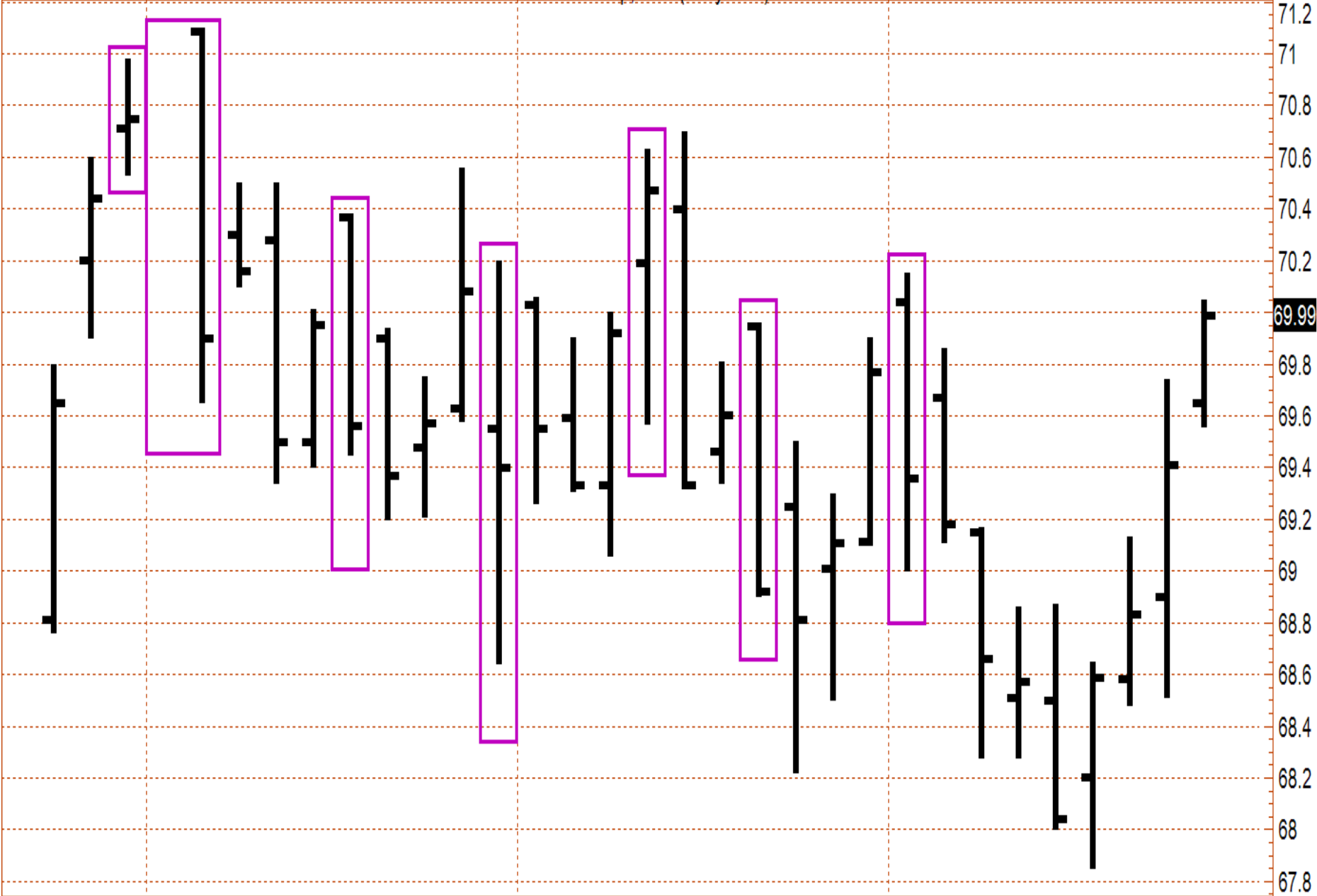
HD: Home Depot (Daily bars)

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38.37

MO: Altria Group, Inc. (Daily bars)





## Summary - All Trades

### Overall

Total Net Profit:	\$227,000	Profit Factor (\$Wins/\$Losses):	<b>1.43</b>
Total Trades:	383	Winning Percentage:	<b>70.0%</b>
Average Trade:	\$593	Payout Ratio (Avg Win/Loss):	<b>0.61</b>
Avg # of Bars in Trade:	2.15	Z-Score (W/L Predictability):	-1.8
Avg # of Trades per Year:	41.0	Percent in the Market:	33.4%
Max Closed-out Drawdown:	<b>-\$54,025</b>	Max Intraday Drawdown:	<b>-\$54,025</b>
Account Size Required:	\$71,343	Return Pct:	<b>318.2%</b>
Open Equity:	\$0	Kelly Ratio:	0.2105
Current Streak:	1 Wins	Optimal f:	0.27

### Winning Trades

Total Winners:	268
Gross Profit:	\$754,525
Average Win:	\$2,815
Largest Win:	\$14,075
Largest Drawdown in Win:	<b>-\$4,900</b>
Avg Drawdown in Win:	<b>-\$698</b>
Avg Run Up in Win:	\$2,929
Avg Run Down in Win:	<b>-\$698</b>
Most Consec Wins:	29
Avg # of Consec Wins:	3.62
Avg # of Bars in Wins:	1.72

### Losing Trades

Total Losers:	115
Gross Loss:	<b>-\$527,525</b>
Average Loss:	<b>-\$4,587</b>
Largest Loss:	<b>-\$8,350</b>
Largest Peak in Loss:	\$8,150
Avg Peak in Loss:	\$1,671
Avg Run Up in Loss:	\$1,671
Avg Run Down in Loss:	<b>-\$4,929</b>
Most Consec Losses:	5
Avg # of Consec Losses:	1.58
Avg # of Bars in Losses:	3.14

# Concluding



- Short term trading in stocks CAN be profitable
- There are several methods
- My three favorite methods are: Swing Trade, Volatility and Gap Trade
- Level II Screen – only for “scalping”
- My # is 800-678-5253 or 847-831-6900
- Email me if you have questions:

jake@trade-futures.com

- Best of trading

*Jake Bernstein*