

## Momentum Stocks

### Momentum Penny Stock Trading System.

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Here we are finding and trading in stocks lower than \$2, with a huge wide stop loss and riding for 200% profits.

This system is not as accurate as the one stock momentum stock trading system but where it does win is the move happen much faster. Usually these stocks can fly up 200% in a matter of 2-8 weeks. And there is a more opportunity. Whilst the system is very selective (as all systems should be) you still find one or two opportunities a month on average.

These are the kind of stocks we are going for



Can you see the common theme with the stocks?

The volume spikes.

All the best penny stocks that explode first have huge buying but they come off flat bases. There is a huge volume spike and the price volatility also spikes.



With testing I increased the accuracy buy only trading in stocks sub \$2.

The exit stop loss is 60% below the high. You need to give these stocks a lot of room. They correct 40%+ all the time.

Go too tight on the stop and you will get stopped out before the stock explodes.

The other element that increases the accuracy was getting out with 200% gains. Some of these stocks do go up 500%+ and we miss that extra move. But most fail and collapse. Do not get greedy. 200% profits in a few weeks is an amazing return.

The volume is important. The most important aspect of the trading system. Finding dormant stocks that suddenly wake up is almost as important. The very best moves are stocks that are flat. I mean if you look at a chart you will see the daily volatility is almost nil. The price is flat...meandering around a base then it suddenly spike up on huge volume.

These stocks we are trading are not investments nor good stocks. They are pump and dump stocks. There is usually a company that buys into these flat stocks then proceed to put out P.R. to drive the price up. They will sell out long before it tops.

Often they find low float, low volume, flat stocks that are going to report earnings in a few months time. They buy in then start pumping up the earnings expectations. These stocks collapse on the day they report earnings.

So how do we find and trade these stocks?

I use the free stock screener. No need for anything else. Vinviz.

10:54

finviz.com

Free Stock Screener

Search ticket, company or profile

Home News Screener Maps Groups Portfolio Insider Futures Forex Crypto Backtests Elite Mon JAN 27 2020 5:54 AM EST Help Login Register

My Presets Order: Ticker Asc Signal: None (all stocks) Tickers: Filters

Filters: 0

Exchange	Any	Index	Any	Sector	Any	Industry	Any	Country	Any
Market Cap	Any	Dividend Yield	Any	Float Short	Any	Analyst Recom.	Any	Option/Short	Any
Earnings Date	Any	Average Volume	Any	Relative Volume	Any	Current Volume	Any	Price	Any
Target Price	Any	IPO Date	Any						

Overview Valuation Financial Ownership Performance Technical Custom Charts Tickers Basic TA News Snapshot Stats

Total: 7823 #1 save as portfolio create alert Auto Refresh: 3min off Page 1/392

No.	Ticker	Company	Sector	Industry	Country	Market Cap	P/E	Price	Change	Volume
1	A	Agilent Technologies, Inc.	Healthcare	Medical Laboratories & Research	USA	27.12B	26.28	88.26	-0.91%	1,164,489
2	AA	Alcoa Corporation	Basic Materials	Aluminum	USA	3.27B	-	15.51	-4.79%	7,815,114
3	AAAU	Perth Mint Physical Gold ETF	Financial	Exchange Traded Fund	USA	-	-	15.68	0.58%	68,590
4	AACG	ATA Creativity Global	Services	Education & Training Services	China	38.05M	-	1.36	-5.56%	34,566
5	AADR	AdvisorShares Dorsey Wright ADR ETF	Financial	Exchange Traded Fund	USA	-	-	55.43	-0.24%	9,936
6	AAL	American Airlines Group Inc.	Services	Major Airlines	USA	12.21B	7.80	27.64	-4.03%	18,067,792
7	AAMC	Altisource Asset Management Corporation	Financial	Asset Management	USA	20.72M	-	13.20	-2.00%	9,721
8	AAME	Atlantic American Corporation	Financial	Life Insurance	USA	39.10M	-	1.90	2.15%	2,600
9	AAN	Aaron's, Inc.	Services	Rental & Leasing Services	USA	4.09B	20.98	61.48	0.20%	588,549
10	AAOI	Applied Optoelectronics, Inc.	Technology	Semiconductor - Integrated Circuits	USA	305.31M	-	13.96	-1.90%	649,615
11	AAON	AAON, Inc.	Industrial Goods	General Building Materials	USA	2.76B	55.97	53.45	-0.65%	103,368
12	AAP	Advance Auto Parts, Inc.	Services	Auto Parts Stores	USA	9.97B	20.13	141.68	-5.38%	1,277,163
13	AAPL	Apple Inc.	Consumer Goods	Electronic Equipment	USA	1378.22B	26.85	318.31	-0.29%	36,634,380
14	AAT	American Assets Trust, Inc.	Financial	REIT - Retail	USA	2.85B	61.84	47.74	-0.35%	149,761
15	AAU	Almaden Minerals Ltd.	Basic Materials	Gold	Canada	60.17M	-	0.54	-0.68%	233,752
16	AAIW	Atlas Air Worldwide Holdings, Inc.	Services	Air Services, Other	USA	631.86M	2.35	24.74	-3.43%	382,704
17	AAXJ	iShares MSCI All Country Asia ex Japan ETF	Financial	Exchange Traded Fund	USA	-	-	73.17	-0.84%	985,092
18	AAXN	Axon Enterprise, Inc.	Industrial Goods	Aerospace/Defense Products & Services	USA	4.77B	308.62	80.55	2.43%	1,104,829
19	AB	AllianceBernstein Holding L.P.	Financial	Asset Management	USA	3.19B	14.68	33.62	-0.33%	168,818
20	ABB	ABB Ltd	Industrial Goods	Diversified Machinery	Switzerland	51.52B	56.26	23.91	0.34%	2,522,009

1 2 3 4 5 6 ... 50 ... 100 ... 150 ... 200 ... 250 ... 300 ... 350 ... 392 next export





Once here these are the scan paramaters to run:

## DESCRIPTION

Stocks less than \$2

1 day volume > 5 Million

Rel volume >10

10:58  

▼ Asc ▼ Signal: None (all stocks) ▼ Tickers: > Filters ▲

Descriptive(3)	Fundamental	Technical	All(3)
▼	Sector	Any ▼	Industry
▼	Float Short	Any ▼	Analyst Recom.
▼	Relative Volume	Over 10 ▼	Current Volume
▼			Price
			Under \$2 ▼
			Reset (3)

Finance Technical Custom Charts Tickers Basic TA News Snapshot Stats

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Sector	Industry	Country	Market Cap	P/E	Price	Change	Volume
Healthcare	Biotechnology	USA	12.77M	-	0.83	32.40%	10,179,661
Healthcare	Medical Appliances & Equipment	USA	2.31M	-	0.48	-40.75%	15,542,702
Healthcare	Medical Laboratories & Research	USA	32.64M	-	1.88	-7.39%	13,438,298
Healthcare	Biotechnology	USA	31.25M	-	0.97	42.67%	21,350,036
Healthcare	Drugs - Generic	China	22.17M	11.85	0.89	3.31%	5,532,252
Industrial Goods	Machine Tools & Accessories	USA	4.61M	-	0.16	-43.21%	45,381,920

[export](#)

Obviously we are only interested in low priced stocks. The volume is simply looking for huge daily volume of more than 5 million shares and we want that 5 million shares to be an outstanding volume spike for that stock. It must be a unique event in that stocks history. For some stocks 5 million shares traded on a daily bases is nothing. For others that trade on average 50,000 a day to suddenly hit 5 million tells us something is going on.

Hence why we use the rel. volume of 10 and above. That daily volume of five million must be 10X the average daily stocks traded for that stock.

Then go onto to Technical

Two paramaters here to plug in.

Todays price >10% up.

I used to scan for stocks that went up 15%+. Big volume days and big price climb days. It was great. BUT I would occasionally miss out on some trades. Most stocks that show the volume spikes do make the big 15%+ daily moves as well. But occossionally stocks only show a very small % price increase on huge volume. Therefore I reduced this to 10%.

Here is the one it took me a while to find and use.

BETA. So a stocks BETA is how they move on average compared to the rest of the market. If a stock moves say +/- 2% a day and the averages move +/- 2% a day the stock would have a beta of one. They move with the same average daily volatility of the averages.

So you would think we are seeking BIG BETA values? The opposite.

Like I said at the beginning the very best stock moves are the stocks that are flat then spike in volume and price. The stocks that suddenly spring to life on volume and price. Not the active stocks.

So on the BETA option type in 0.5 or less.

11:00 Media

**Filters: 5** Descriptive(3)

Performance	Today +10%	Performance 2	Any
20-Day Simple Moving Average	Any	50-Day Simple Moving Average	Any
20-Day High/Low	Any	50-Day High/Low	Any
Beta	Under 0.5	Average True Range	Any

**Overview** Valuation Financial Ownership Performance Technical

Total: 1 #1 [save as port](#)

No.	▲ Ticker	Company	Sector
1	<a href="#">BPMX</a>	BioPharmX Corporation	Healthcare

filters: sh\_curvol:o5000 sh\_price:u2 sh\_relvol:o10 ta\_beta:u0.5 ta\_perf:d10o



Recap:

Scan on Finviz is:

1. Price less than \$2
2. Volume >5M
3. Rel volume >10
4. >10% up on the day
5. BETA <0.5

Run this scan and you might have a couple of stocks. Maybe none. Only a few a month show up.

Then hop over to Bigcharts.com and see the price action.

We do not chase these stocks. If they go above about \$3 you probably will not trade them. I miss out on some good trades sometimes but so be it.

I like

to use bigcharts.com to view the charts of these stocks

Here we are looking at the stock and its history.

Is that 5m volume and the spike the highest one in the past six months? The scan should have singled out stocks where this is the exception. But check.

We are only getting into stocks less than \$2 ... so if it triggers a buy but it is at \$2.1+ I would not trade it.

We are trading with a 60% stop loss. The stop has to be large. These stocks can correct and move 40%+ easily. Often 25%+ moves in a day is common.

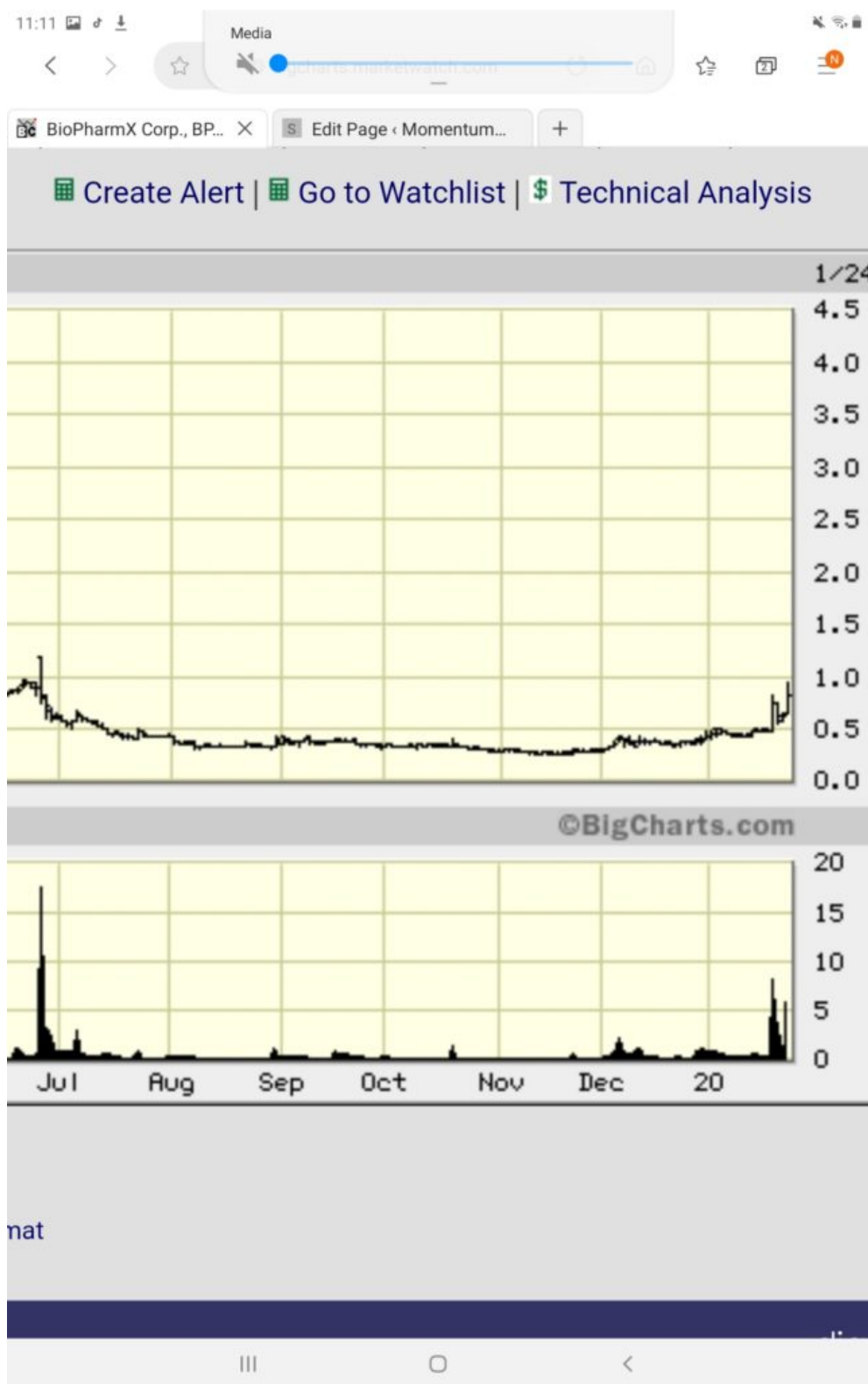
Go over to bigcharts.com and narrow the time frame down to one month and look at the daily bars.

Once you have a stock we are waiting for a five day+ correction to get in.

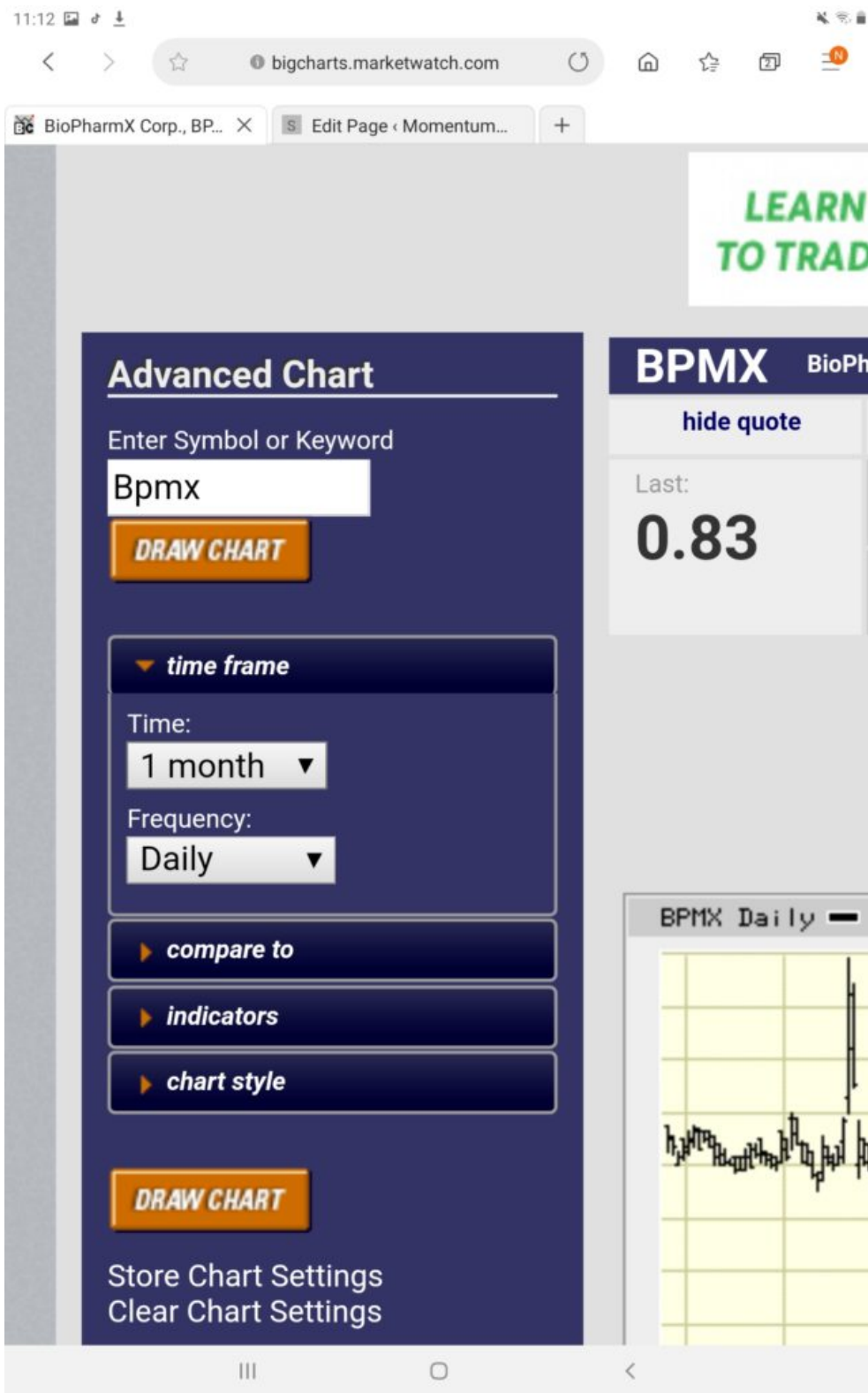
As long as it does not correct more than 60% in that five day + correction. So if you find a stock and it then goes into its correction but it drops off 65% in this correction...scrap it. The best trades make shallow corrections. 20-30% on average.

Once you have a stock simply chart it and wait.

Let us look at BPMX that showed up on the scans above



Straight away this looks good. See the huge spike in volume and price? Ignore the huge volume on a down day back in July. It is like the stock has suddenly woke up and it about to move Maybe...maybe not. We still trade with caution.



Now let us see it over the past month. Go to time 1 month and daily bars



Nice. Those 2 huge up days on 5 million plus shares. Now this is a stock we need to monitor for a five day correction.

#### The Four Day Correction Entry

Now you have to wait for a four day correction. Remember the rule about the correction though. If it corrects more than 60% in this five day correction scrap it and move on.

THE four day correction can either be a clean break out. These are usually from very quick 5-10 day corrections of less than 25%.

Eg



See the clean 4 day correction?

This is about as clean a correction as you can get. With low priced and penny stocks try to get in a fraction before the break out. There will be many orders waiting at the break out.so use the traders trick to get in 20c below the break out and try and get in before the masses.

Here are the other entries.

Not all of these stocks make small, quick corrections. Many go into 4-6 week+ bases. You do not

want o wait for break out here. Still applying the 60% maximum correction rule when it goes into ten day plus corrections you are looking for the 1-2-3 entry.



See how it corrects. Make a bottom..then a move up then a correction?buy the break out of the two point.



One in

Simple really.

It is a 60% stop loss and trailing stop of 60%

Target is 200% from entry.

That is it. The only way you exit. One or the other is hit. Do not get greedy. if a stock hits 200% profits you might be tempted to stay in for more. But these stocks collapse fast and for now reason. Often when things look the best they fall hard. They are driven on hype and often very questionable

practices. Never believe a thing about these stocks.

There are a few ways to play these stocks

Go all in with say \$2,300 and roll into three successive trades before pulling profits out.

\$3,00 @ 200% three successive times would give you \$81,000 or \$78,000 profits.

At about 60% chance of success on each trade is it a gamble worth taking? The reason you only start with \$3,000 is so when you do take a huge loss (and it will happen at some point) you have lost money you can afford to lose.

For the first couple of trades trade with play money or even paper trade. Always bear in mind past performance is just that past performance. It does not guarantee future performance.

It is a very simple system. We are basically seeking outstanding volume and volatility in low priced stocks and seeing if we can hitch a quick ride for 200% profits. There is no magical indicator or secret. Retail investors think successful trading is complicated. The more rules, the more sophisticated the system the more profitable. It isn't like that at all.

A successful trading system is about 5-8 rules. I can describe my one stock system on one A4 piece of paper. So what happens when a vendor sells a system they have to pad it out. Some people are angry if they buy a successful trading system but it is only a few pages thick. Please do not be one of those.

Start scanning these stocks and start charting them.

Mark Crisp

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## PAGES

- [Business Making Money.](#)
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