

Pristine.com Presents

# ***Guerrilla Trading Tactics***



*With*  
***Oliver L. Velez***



***Founder of Pristine.com, and Author of the best selling book,  
Tools and Tactics for the Master Day Trader***

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Introduction

# ***Introduction***

Four Styles of Trading

# ***Types of Trading***

***Four Styles of Trading: Core; Swing; Guerilla; Micro***

***Which fall into....***

***Two Broad Trading Categories: Wealth; Income***

# Two Broad Trading Categories

## Wealth Trading Styles

### Core Trading

- Weekly Charts
- Weeks to Months

### Swing Trading

- Daily Charts
- Days to Weeks

## Income Trading Styles

### Guerilla Trading™

- Daily & 60 Min
- Hours to Days

### Micro Trading

- 5 Min & 15-Min
- Minutes to Hours

# Guerrilla Trading – A Brief Description

The Guerrilla style of market play is our most cherished form of trading. The tactics contained in this brief course were designed specifically for the professional trader who seeks a frequent number of trading plays each day. The following tactics enjoy such a high degree of statistical accuracy that many of our professional in-house traders focus on them exclusively to earn their living in the markets. **We have always taught that the professional trader needs only 2 to 3 highly reliable trading tactics in his or her arsenal in order to earn a comfortable living trading.** You are about to be made aware of 10 such tactics. Guerrilla Tactics are designed for the trader who desires to “grind” out profits over a 1 to 2 day time frame. They do not often result in very large gains, but the consistency of their wins makes them an indispensable addition to your trading arsenal. With these 10 Guerrilla Trading Tactics, we believe your trading will be taken to an entirely new level. In advance, we’d like to say,

**“Welcome to Pristine’s Professional Trading Circle.”**

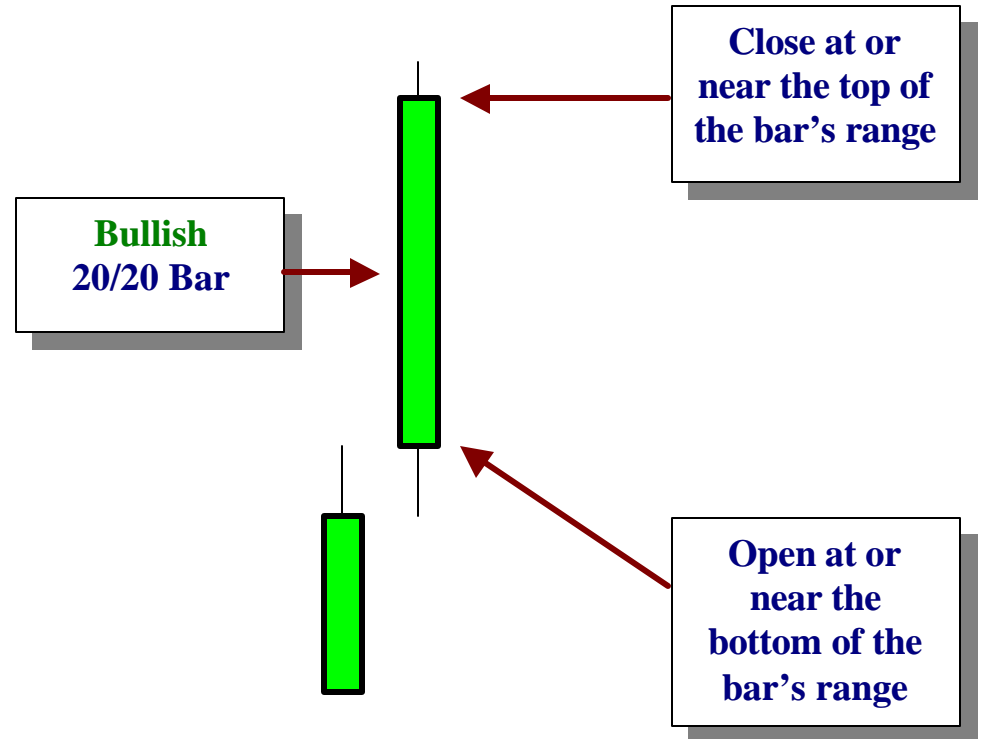


# The Bullish 20/20 Bar

● The **Bullish 20/20** bar is defined by any wide-range period that has its open price near the low of that period and its close near the high of that period.

● We call it **20/20** because as a general rule, the open should be in the lower 20% of the period's range, and the close should be in the upper 20% of the period's range, making a long, green colored candlestick.

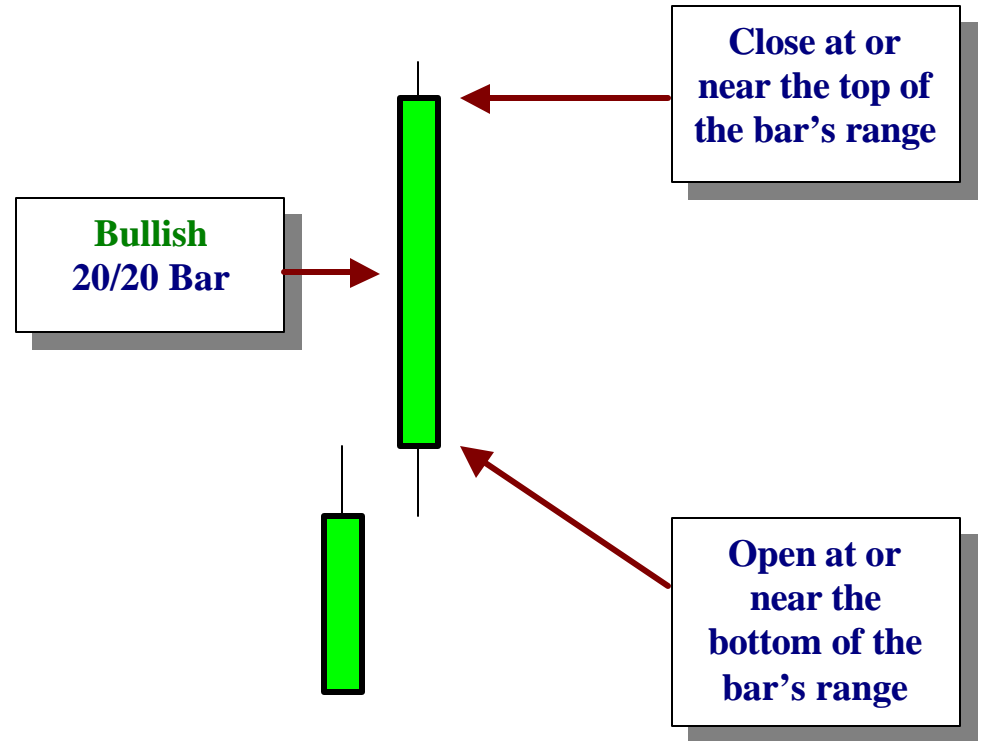
● **Bullish 20/20** bars are far more important when they occur after at least one prior up bar. Several proceeding up bars make the **20/20** more significant.



# The Bullish 20/20 Bar

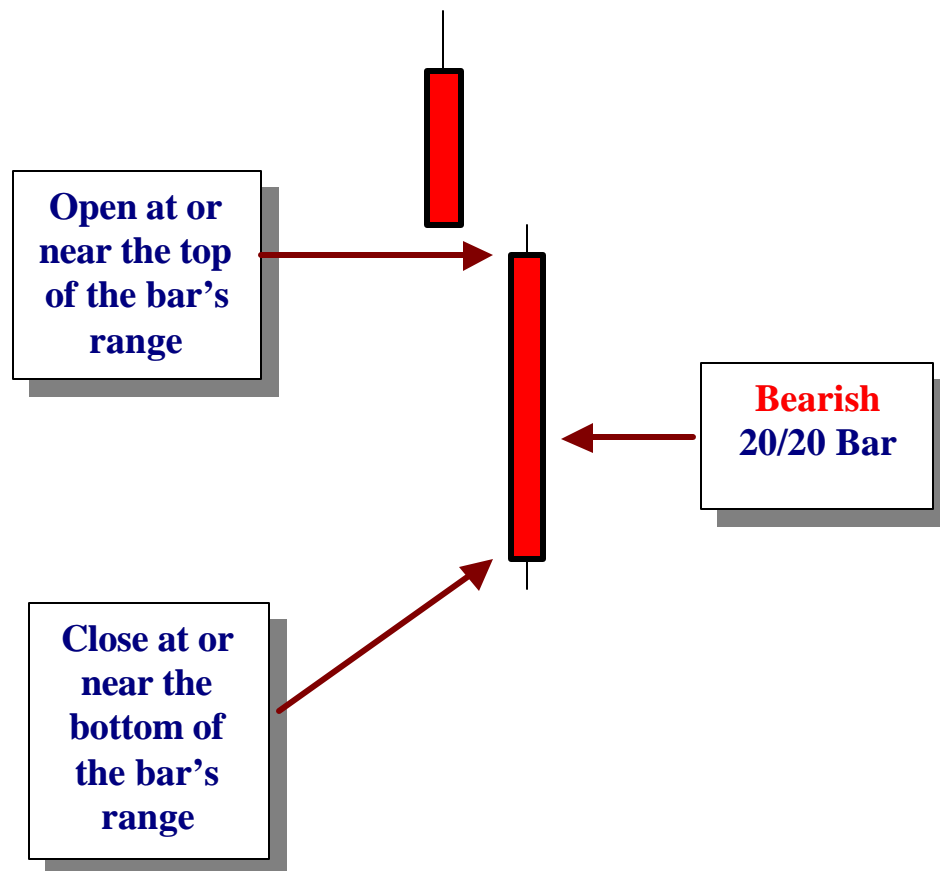
## Important Points

- **Bullish 20/20** bars form the basis of many trading techniques.
- **Bullish 20/20** bars have more significance when they occur “after” a decent move to the upside. We look for at least one prior up bar.
- The **Bullish 20/20** bar signifies that many traders and investors are already long.
- This last fact is what sets up a possible reversal to the downside.



# The Bearish 20/20 Bar

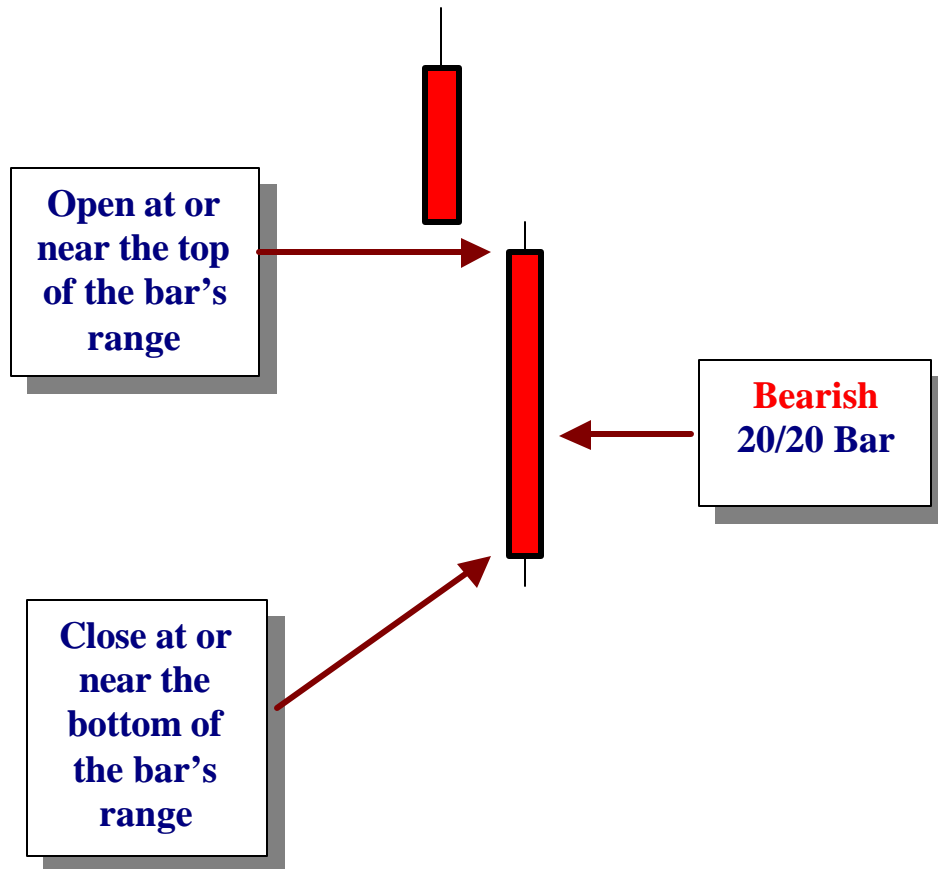
- The **Bearish 20/20** bar is defined by any wide-range period that has its open price near the high of that period and its close near the low of that period.
- We call it **20/20** because as a general rule, the open should be in the upper 20% of the period's range, and the close should be in the lower 20% of the period's range, making a long, solid dark candlestick.
- **Bearish 20/20** bars are far more important when they occur after at least one prior down bar. Several proceeding down bars make the **20/20** more significant.



# The Bearish 20/20 Bar

## Important Points

- **Bearish 20/20** bars form the basis of many trading techniques.
- **Bearish 20/20** bars have more significance when they occur “after” a decent move to the downside. We look for at least one prior down bar.
- The **Bearish 20/20** bar signifies that many traders have already sold.
- This last fact is what sets up a possible reversal back to the upside.



# ***Tactics Part I***

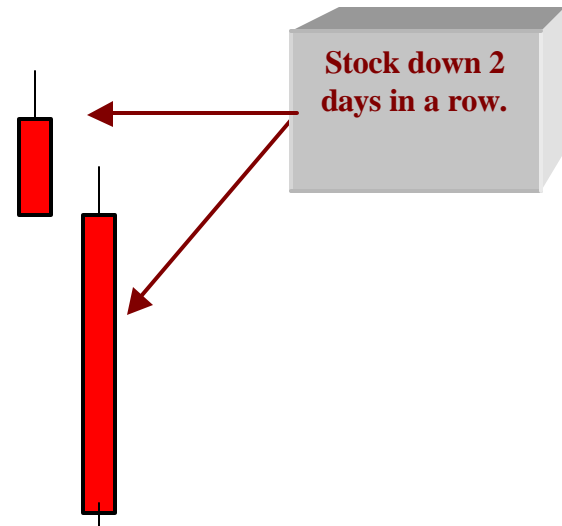
# The Pristine Gap-n-Snap Play - Tactic One

- **This method works best as a one- to two-day trading tactic.**
- **It works best on volatile NASDAQ stocks above \$20 per share or NYSE stock above \$40.**
- **Properly used, this tactic can enjoy an 84% accuracy rate.**

# The Pristine Gap-n-Snap Play - Tactic One

## The Setup / The Action

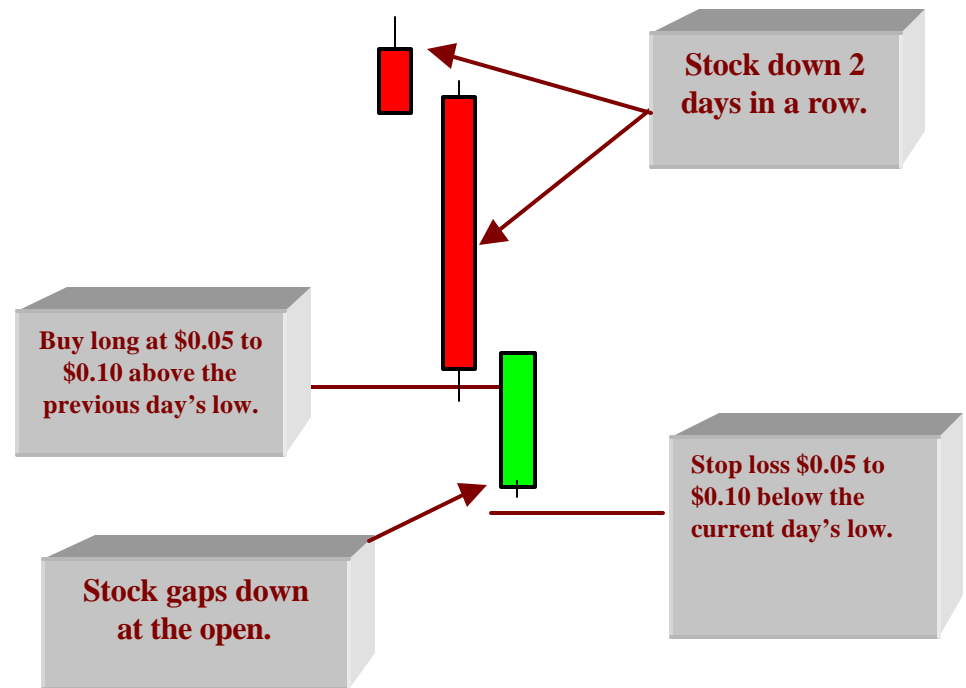
1. The stock should be down at least two days in a row.
2. We need a wide-range bar on the current day. At least \$1.00.
3. The open of the current day must be in the top 20% of the day's price range.
4. The close must be in the bottom 20% of the day's price range.



# The Pristine Gap-n-Snap Play - Tactic One

## The Setup / **The Action**

1. If the stock gaps open to the downside by \$0.50 or more, and then begins to rally back, buy it \$0.05 to \$0.10 above the previous day's low.
2. Place a protective stop \$0.05 to \$0.10 below the current day's low.
3. Sell for a \$2 plus profit or on the 3rd day, whichever comes first.





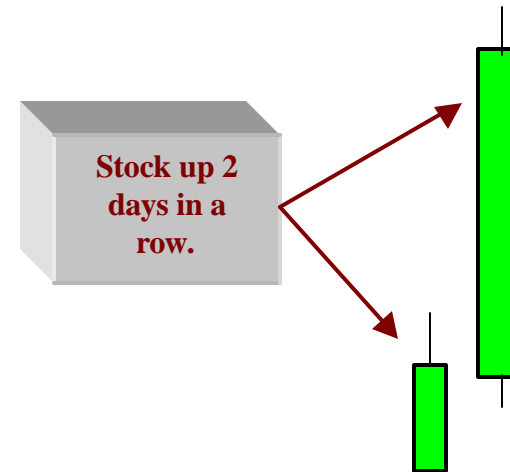
# The Pristine Gap-n-Crap Play - Tactic Two

- **This method works best as a one- to two-day trading tactic.**
- **It works best on volatile NASDAQ stocks above \$20 per share or NYSE stocks above \$40.**
- **Properly used, this tactic can enjoy an 84% accuracy rate.**

# The Pristine Gap-n-Crap Play / Tactic Two

## The Setup / The Action

1. The stock should be up at least two days in a row.
2. We need a wide-range bar on the current day. At least \$1.00.
3. The open must be in the low 20% of the day's range.
4. The close must be in the high 20% of the day's range.



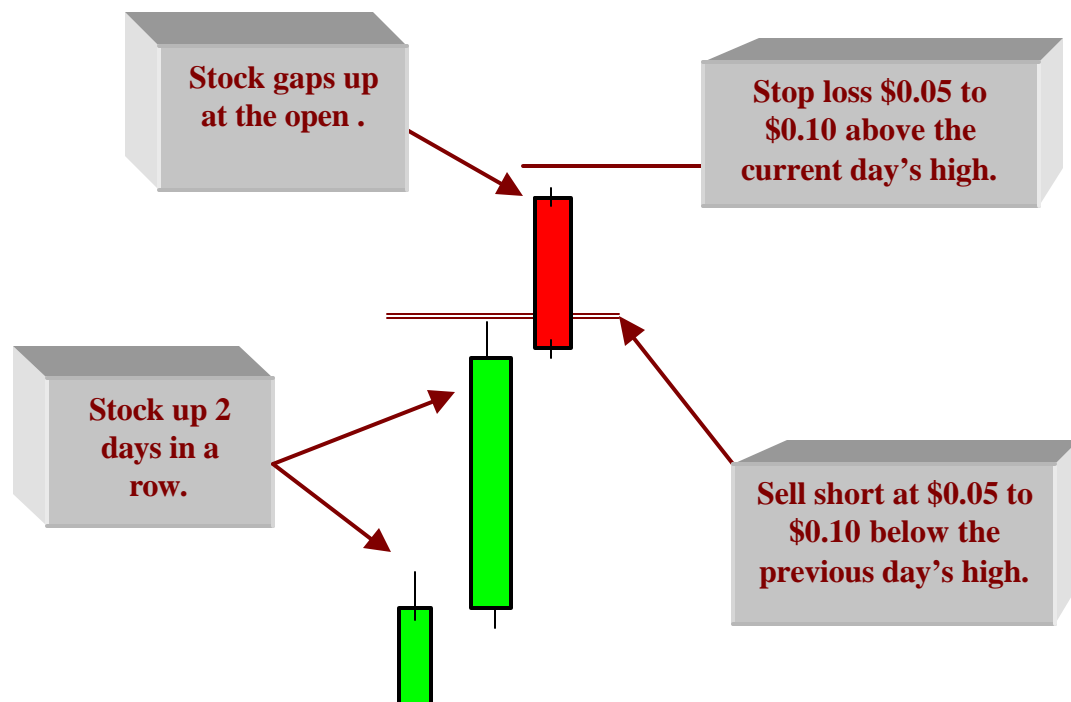
# The Pristine Gap-n-Crap Play / Tactic Two

## The Setup / **The Action**

**1.** If the stock gaps open to the upside by \$0.50 or more, and then begins to fall back, sell (short) \$0.05 to \$0.10 below the previous day's high.

**2.** Place a protective stop \$0.05 to \$0.10 above the current day's high.

**3.** Cover for a \$2 plus profit or on the 3rd day, whichever comes first.



# Gap n Snap Play

Daily

(Right) MXIM - Maxim Integrated Products.

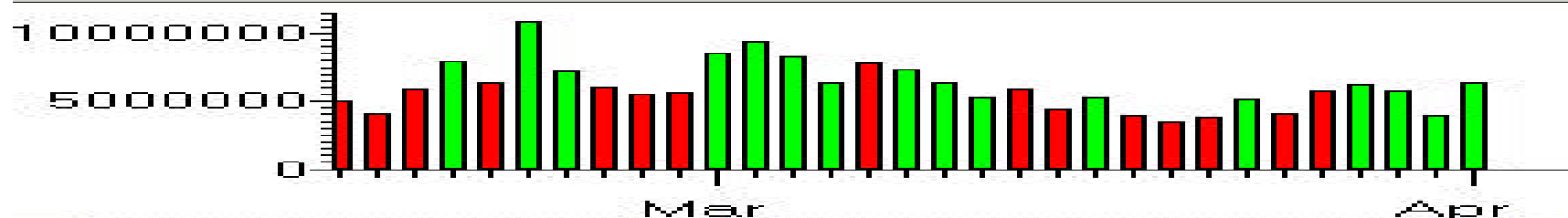
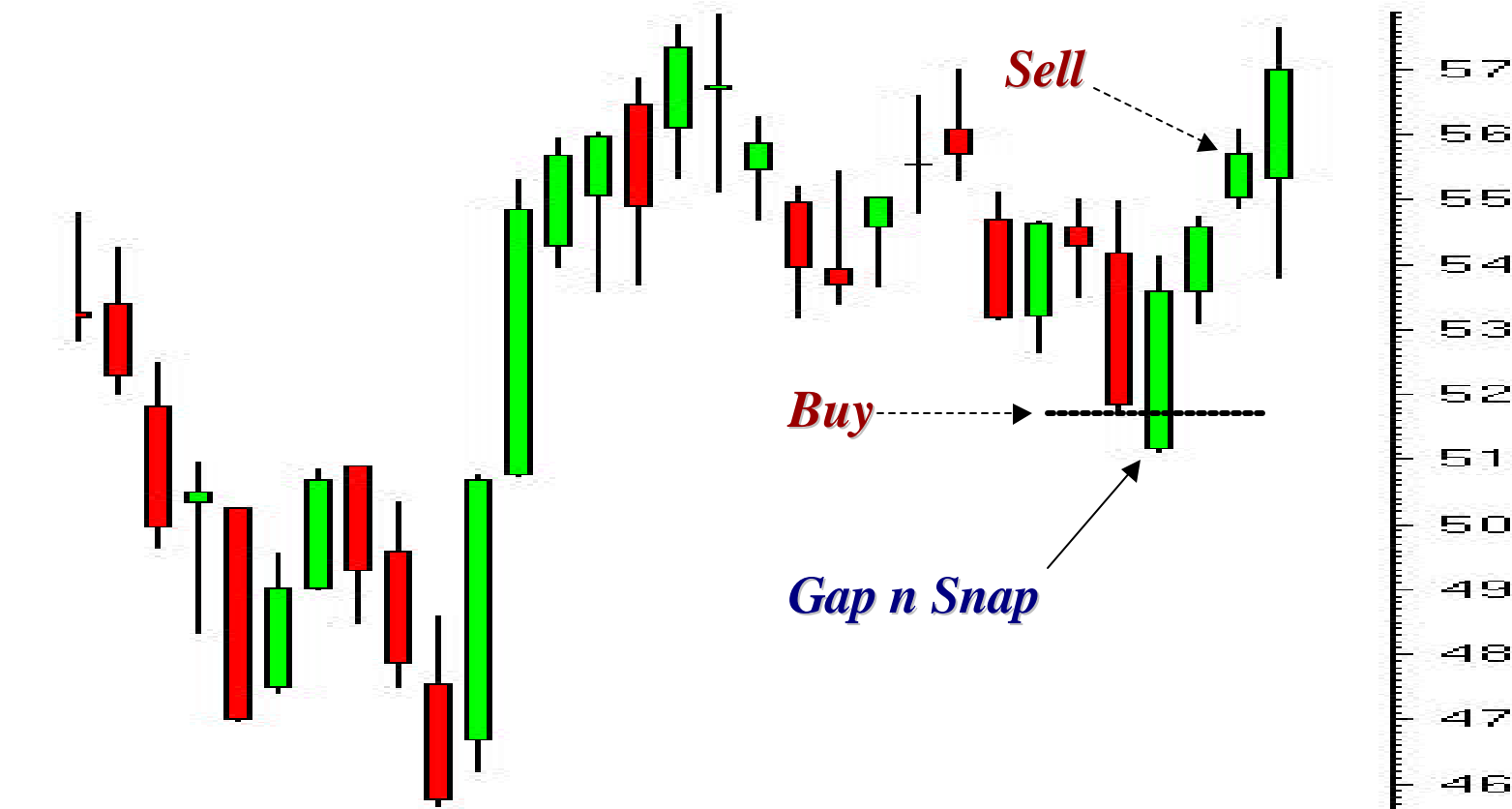


Chart Courtesy of [Mastertrader.com](http://Mastertrader.com)

# Gap n Crap Play

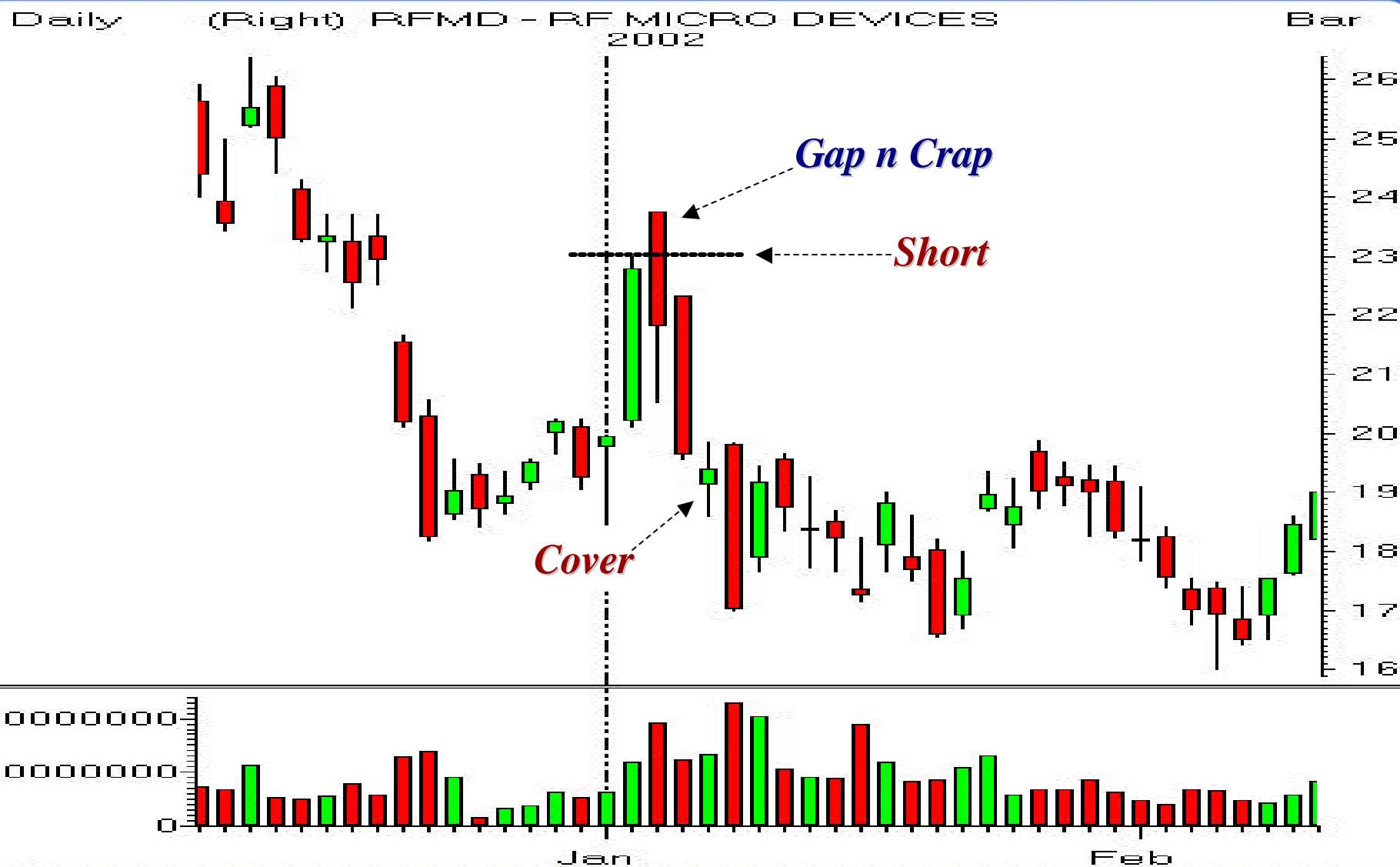


Chart Courtesy of Mastertrader.com

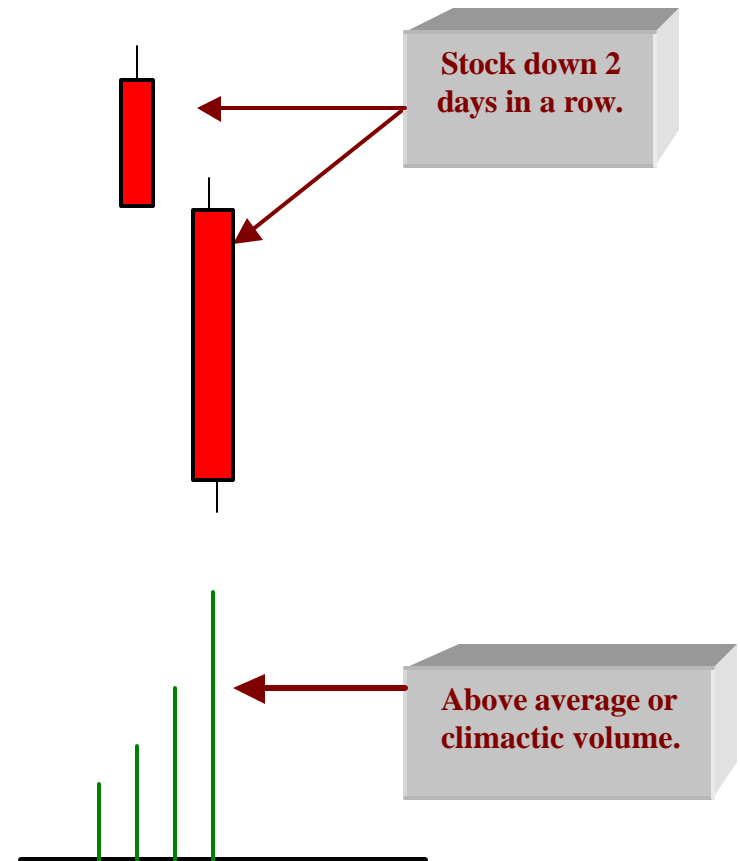
## Bullish Gap Surprise – Tactic Three

- 🌐 **This method works best as a one- to two-day trading tactic.**
- 🌐 **It works best on volatile NASDAQ stocks above \$20 per share or NYSE stocks above \$40.**
- 🌐 **Properly used, this tactic can enjoy an 84% accuracy rate.**

# Bullish Gap Surprise – Tactic Three

## The Setup / The Action

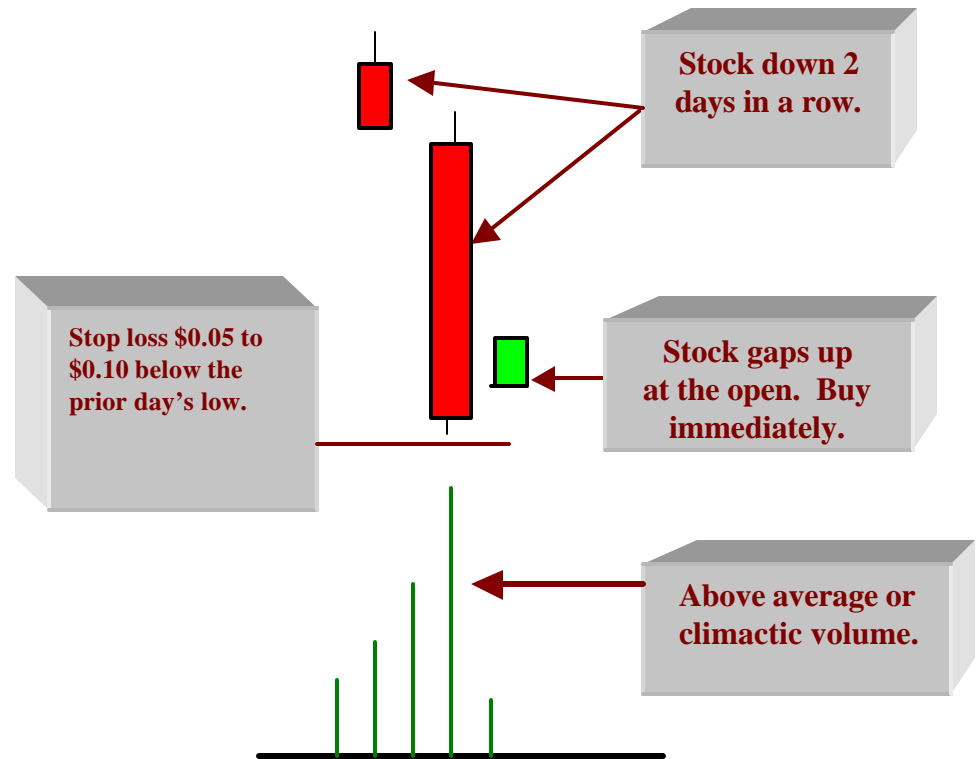
1. The stock should be down at least two days in a row.
2. We need a wide-range day of at least \$1.00.
3. The open must be in the top 20% of the day's range.
4. The close must be in the bottom 20% of the day's range.
5. Above average volume on the current day (optional).



# Bullish Gap Surprise – Tactic Three

## The Setup / **The Action**

- 1.** If the stock opens (gaps) up by at least \$0.50 to \$1 above the previous day's closing price, *buy it immediately*. You can also buy it **above the first 5-min. high** (Conservative).
- 2.** Place a protective stop \$0.05 to \$0.10 below the prior day's low.
- 3.** Sell for a \$2 to \$3 plus profit or on the 3rd day, whichever comes first.





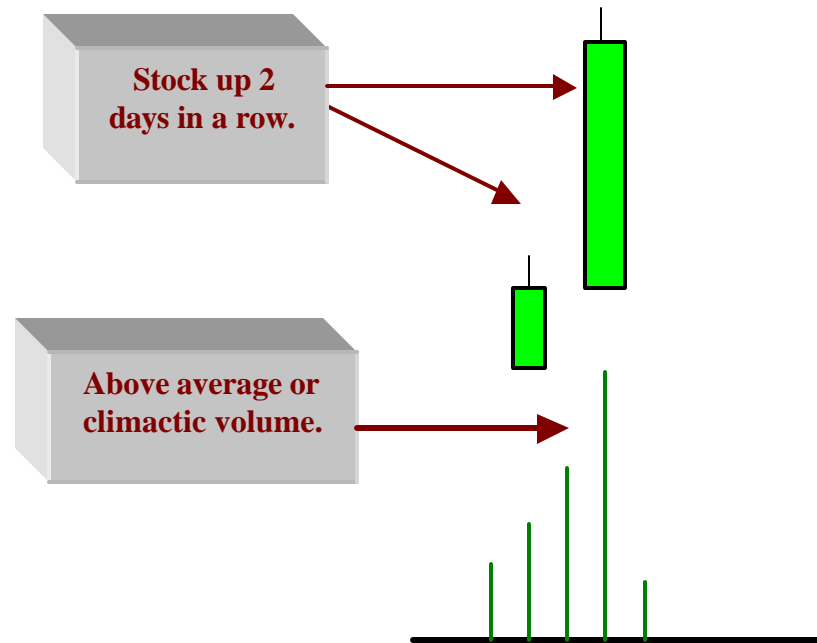
# Bearish Gap Surprise – Tactic Four

- **This method works best as a one- to two-day trading tactic.**
- **It works best on volatile NASDAQ stocks above \$20 per share or NYSE stocks above \$40.**
- **Properly used, this tactic can enjoy an 84% accuracy rate**

# Bearish Gap Surprise – Tactic Four

## The Setup / The Action

1. The stock should be up at least two days in a row.
2. We need a wide-range day of at least \$1.00.
3. The open must be in the bottom 20% of the day's range.
4. The close must be in the top 20% of the day's range.
5. Above average volume on the current day (optional).



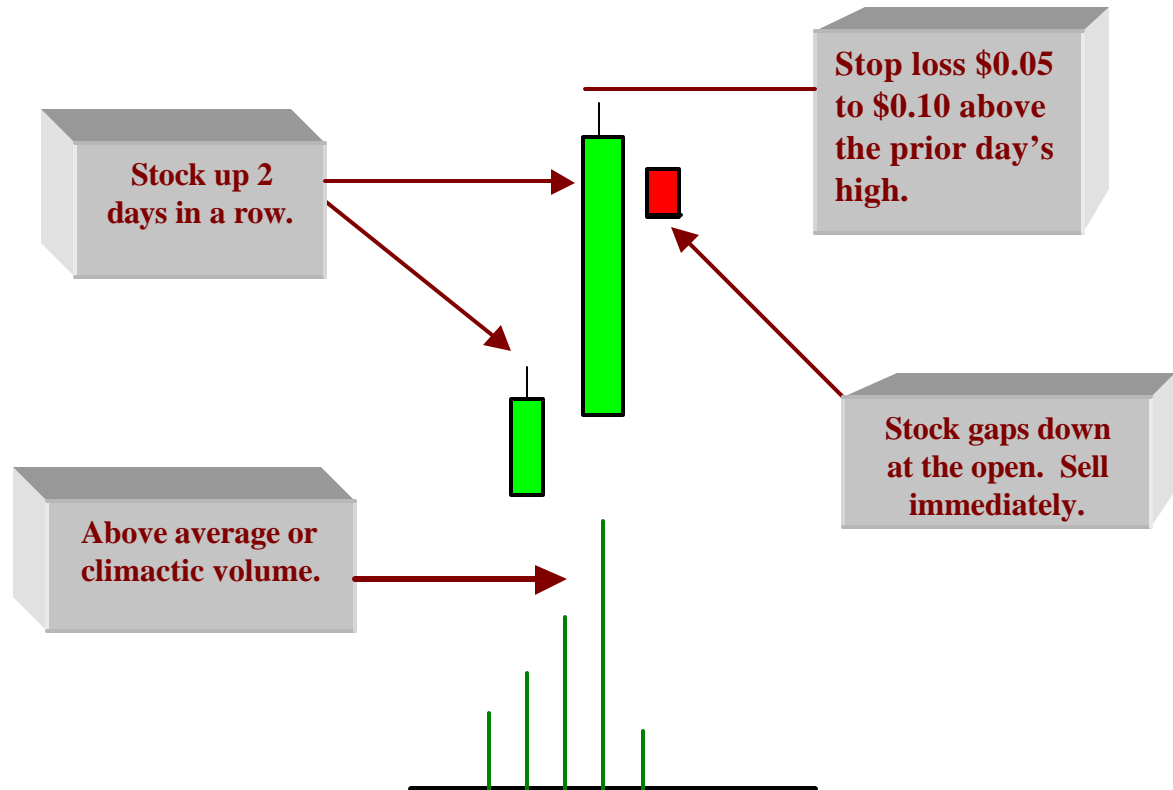
# Bearish Gap Surprise – Tactic Four

## The Setup / The Action

**1.** If the stock opens (gaps) down by at least \$0.50 to \$1 below the previous day's closing price, **sell (short) it immediately.** You can also sell it short **below the first 5 min. low.**

**2.** Place a protective stop \$0.05 to \$0.10 above the prior day's high.

**3.** Cover for a \$2 to \$3 plus profit or on the 3rd day, whichever comes first.



# Bullish Gap Surprise (+BGS)

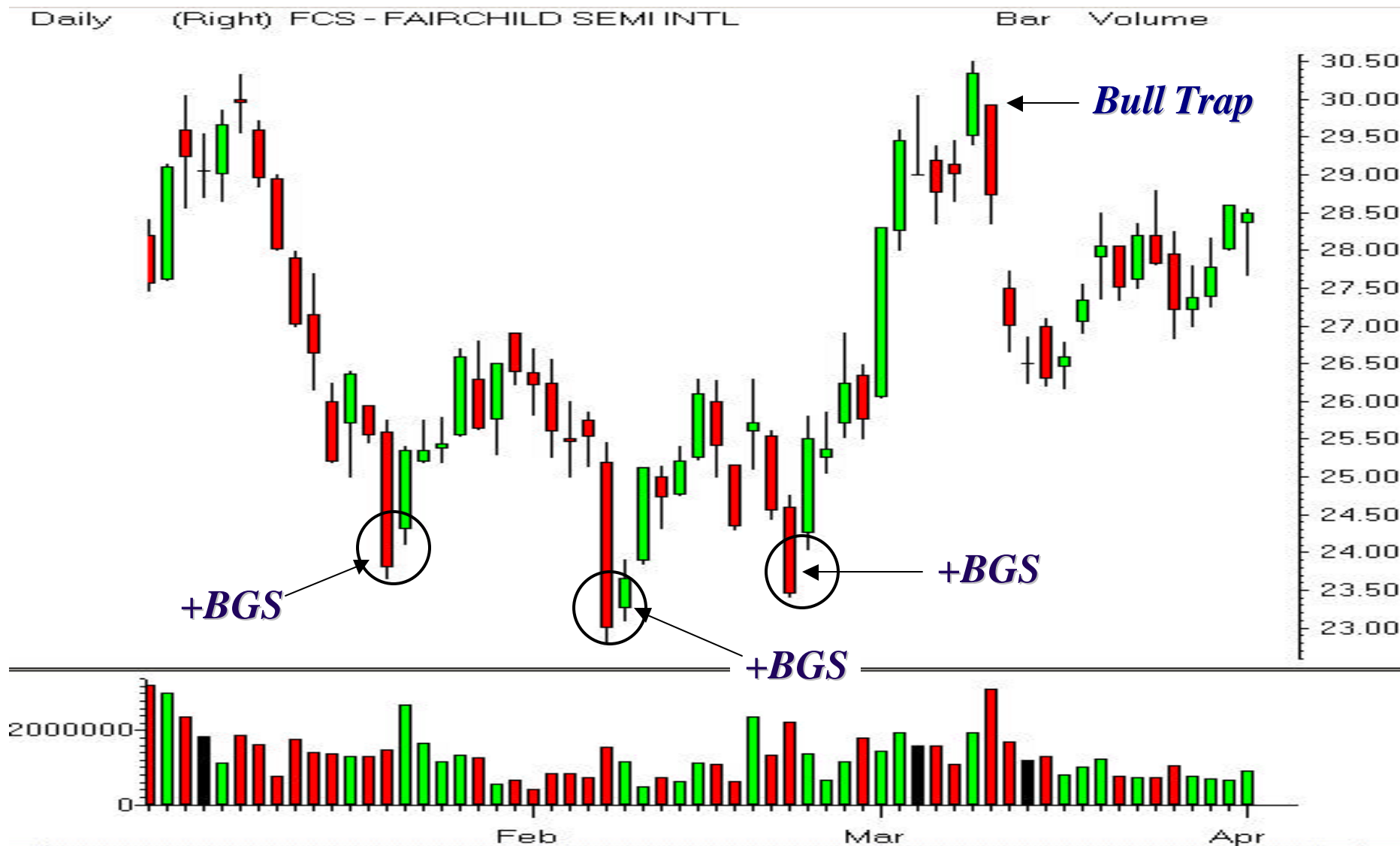


Chart Courtesy of Mastertrader.com

# Bullish Gap Surprise (+BGS)

Daily

(Right) KLAC - KLA-TENCOR CORP  
2002

Bar Volu

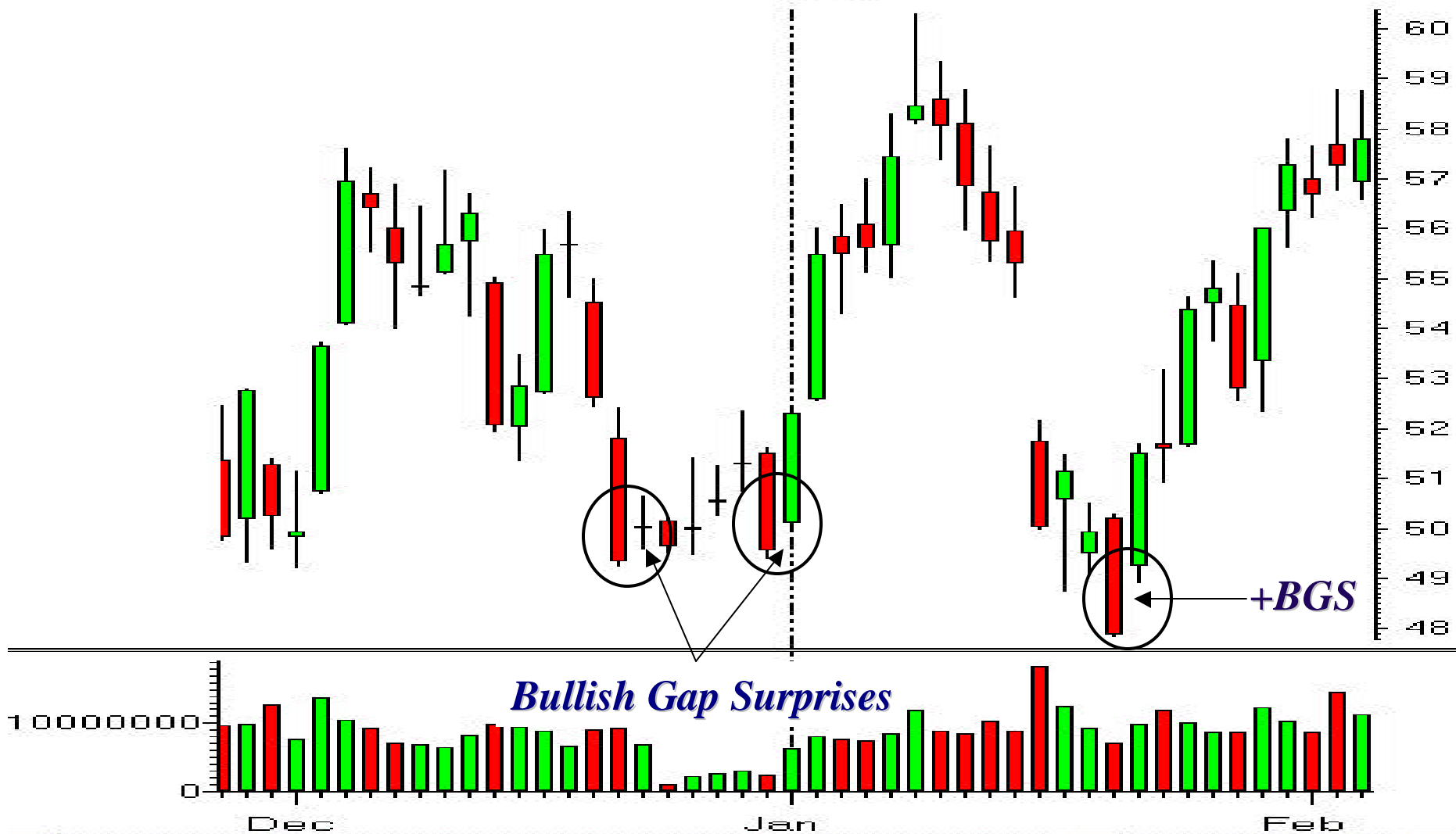


Chart Courtesy of Mastertrader.com

# Bearish Gap Surprise (-BGS)



*Chart Courtesy of Mastertrader.com*

# Bullish 20/20 Play – Tactic Five

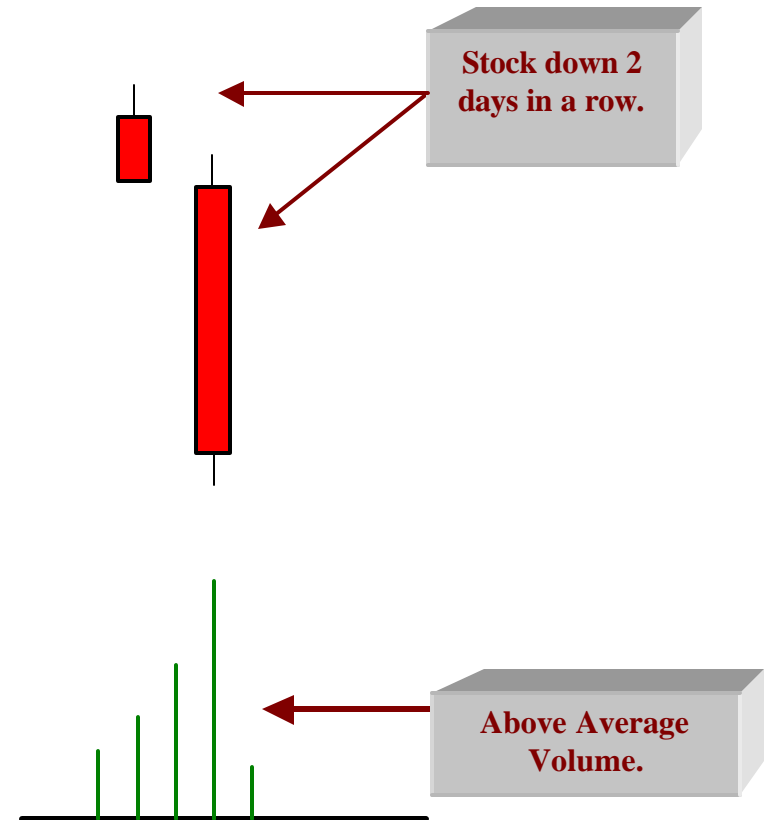
- **This method works best as a one- to two-day trading tactic.**
- **It works best on volatile NASDAQ stocks above \$20 per share or NYSE stocks above \$40.**
- **Properly used, this tactic can enjoy an 84% accuracy rate**

# Bullish 20/20 Play – Tactic Five

## The Setup / The Action

- **This play has slightly better odds on the bullish side.**

- 1.** The stock should be down at least two days in a row.
- 2.** We need a wide-range day of at least \$1.00.
- 3.** The open must be in the top 20% of the day's range.
- 4.** The close must be in the bottom 20% of the day's range.
- 5.** Above average volume on the current day (optional).





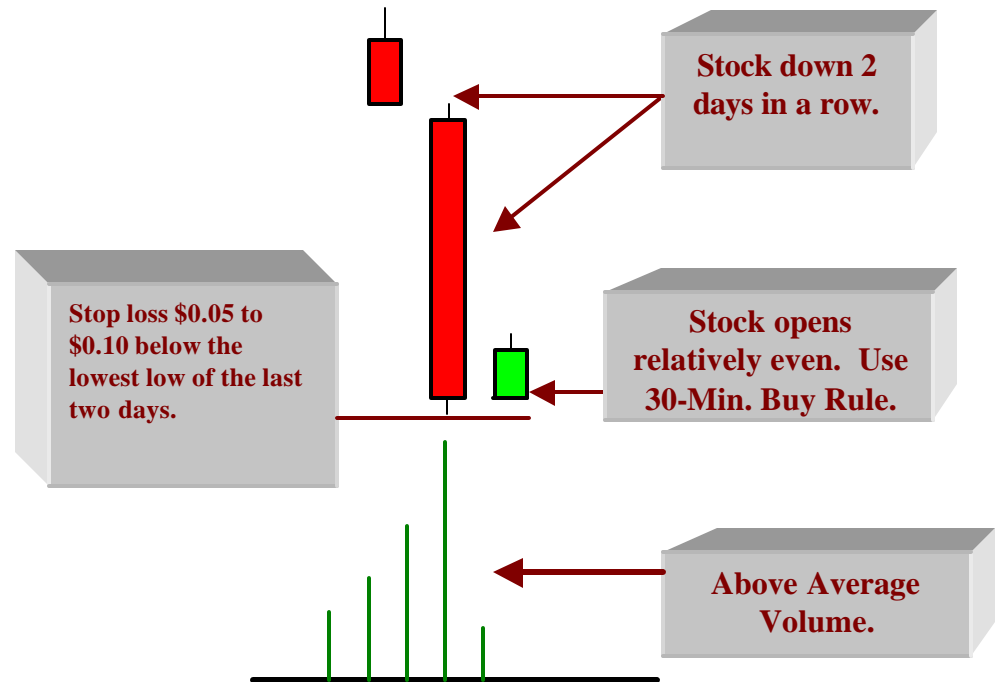
# Bullish 20/20 Play – Tactic Five

## The Setup / **The Action**

**1.** If the stock opens less than \$0.50 point above or below the previous day's low, wait for 30 minutes of trading to transpire. Then, **buy** the stock an \$0.05 to \$0.10 above the high established during the first 30 minutes of trading.

**2.** Place a protective stop \$0.05 to \$0.10 below the current day's low or the previous day's low, **whichever is lower**.

**3.** Sell for a \$2 plus profit or on the 3rd day, whichever comes first.



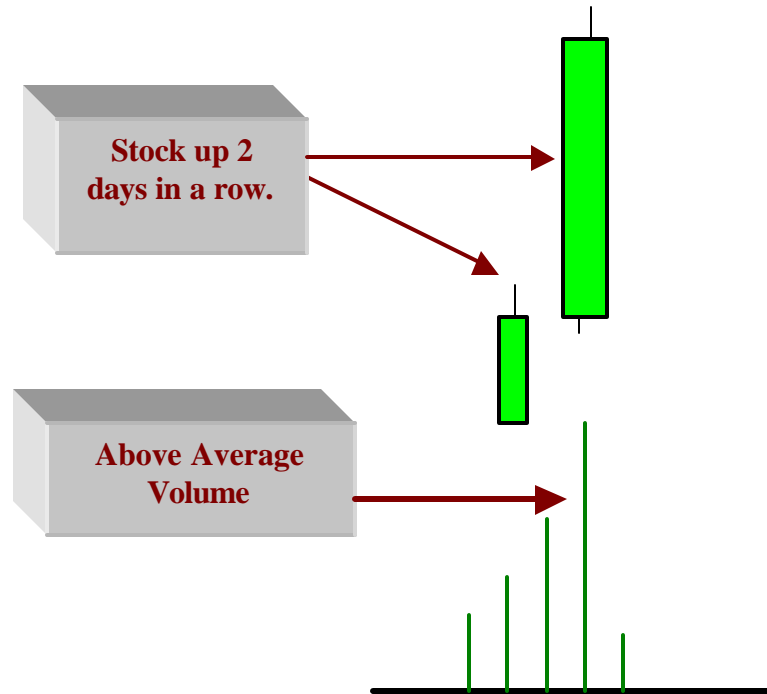
## Bearish 20/20 Play – Tactic Six

- **This method works best as a one- to two-day trading tactic.**
- **It works best on volatile NASDAQ stocks above \$20 per share or NYSE stocks above \$40.**
- **Properly used, this tactic can enjoy an 84% accuracy rate.**

# Bearish 20/20 Play – Tactic Six

## The Setup / The Action

1. The stock should be up at least two days in a row.
2. We need a wide-range day of at least \$1.00.
3. The open must be in the bottom 20% of the day's range.
4. The close must be in the top 20% of the day's range.
5. Above average volume on the current day (optional).



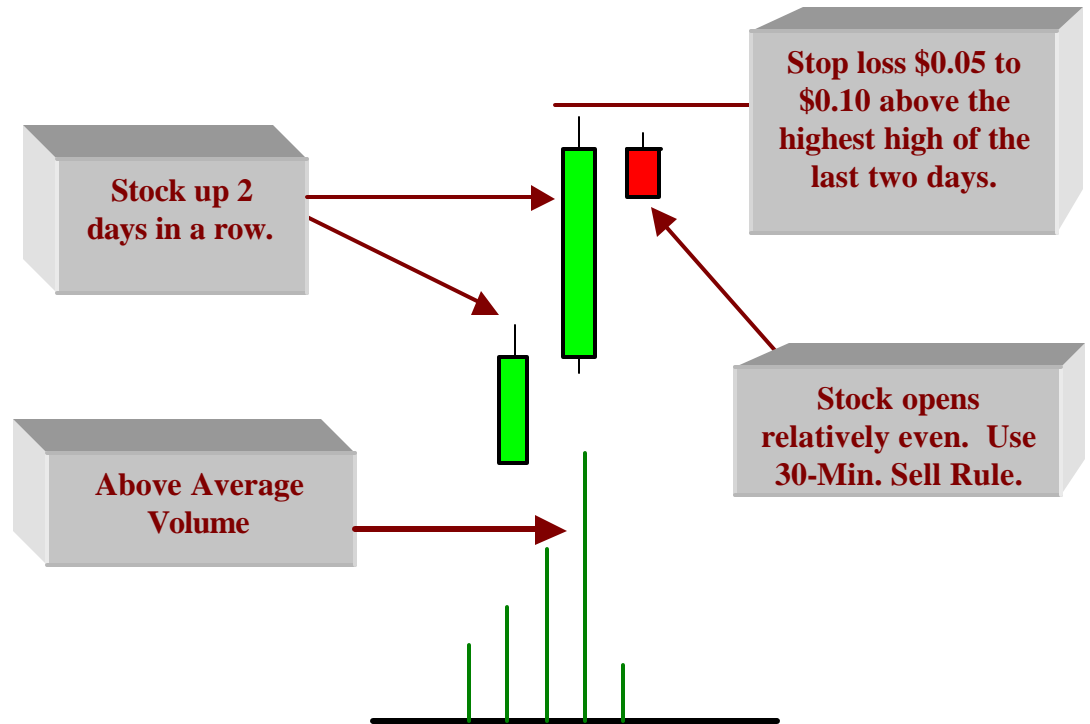
# Bearish 20/20 Play – Tactic Six

## The Setup / **The Action**

**1.** If the stock opens less than  $\frac{1}{2}$  point above or below the previous day's high, wait for 30 minutes of trading to transpire. Then, **sell short** the stock \$0.05 – \$0.10 below the low established during the first 30 minutes of trading.

**2.** Place a protective stop \$0.05 to \$0.10 above the current day's high or the previous day's high, *whichever is higher*.

**3.** Cover for a \$2 plus profit or on the 3rd day, whichever comes first.



# Bear 20/20 Play



# ***Tactics Part II***

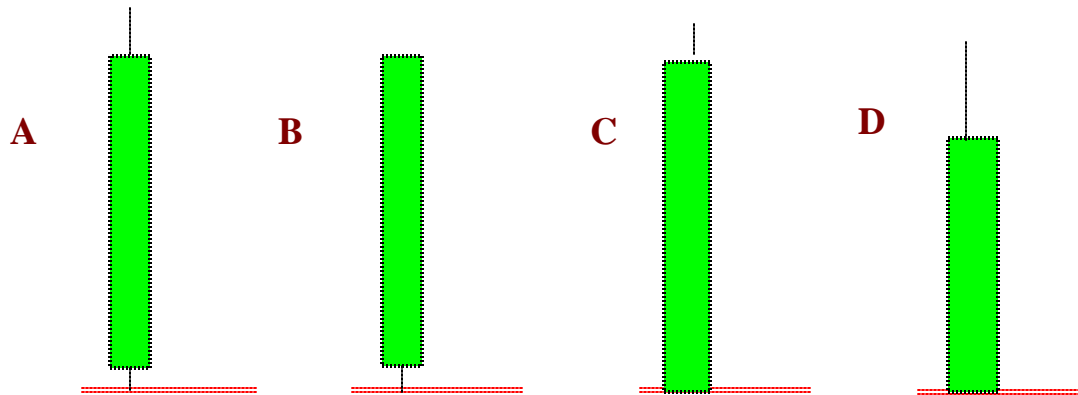
# The Bull Trap – Tactic Seven

- This method works accurately on stocks in all price ranges.
- It is best used as a multi-day strategy, and can result in huge gains.
- It should be played with smaller than normal trading lots.
- Properly used, this tactic can enjoy an incredible **91%** accuracy rate.
- When the Bull Trap fails though, it can result in a big loss.

# The Bull Trap – Tactic Seven

## The Setup / The Action

1. The current bar must represent a very bullish day.  
**Note:** *Preferably this day has been preceded by a multi-day upward move.*
2. The open must be in the bottom 20% of the day's range.
3. The close must be in the top 20% of the day's range.
4. Above average volume on the current day (optional).

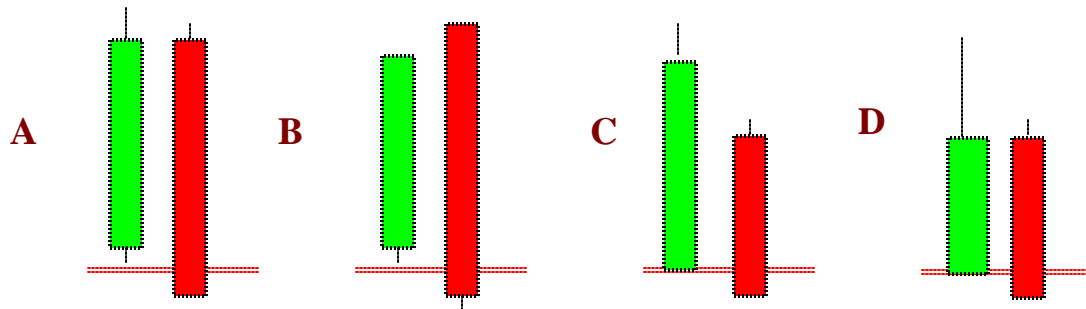




# The Bull Trap – Tactic Seven

## The Setup / **The Action**

- 1. Short** the stock \$0.05 to \$0.10 below the low of the prior day (the Bull day) if it's been violated. **Note:** Some traders may prefer to short the stock near the close, as it is hard to determine if the stock will remain below the low of the Bull day.
- 2.** Place a protective stop \$0.05 to \$0.10 above the current day's high or the previous day's high, *whichever is higher*.
- 3.** Cover for a \$2 to \$3 profit or on the 5th day, whichever comes first.



The dotted red lines in Examples A – D show where the trader goes short. Keep in mind that the Bull day does not need to be as wide as the typical 20/20 day. The key to this strategy lies in the “*immediate*” break to the downside.

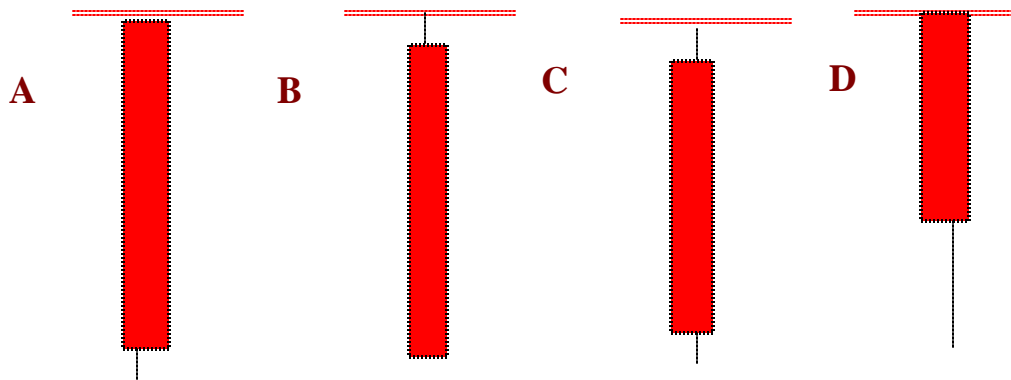
# The Bear Trap – Tactic Eight

- This method works accurately on stocks in all price ranges.
- It is best used as a multi-day strategy, and can often result in huge gains.
- It should be played with smaller than normal trading lots.
- Properly used, this tactic can enjoy an incredible **91%** accuracy rate.
- When the Bear Trap fails though, it can result in a big loss.

# The Bear Trap – Tactic Eight

## The Setup / The Action

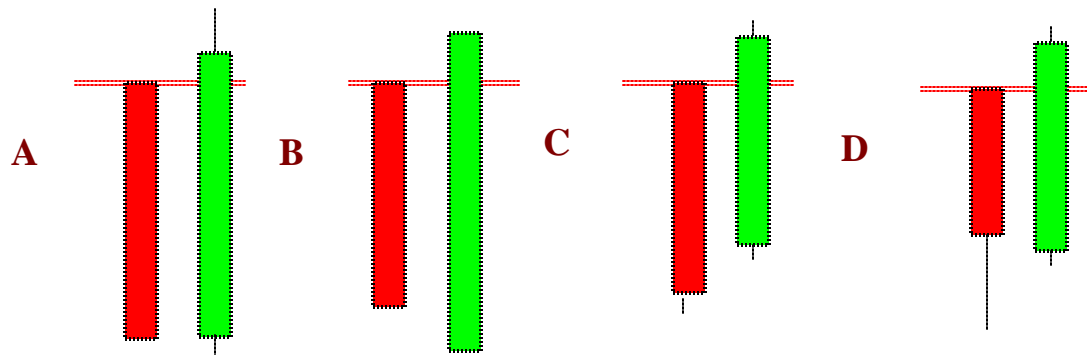
1. The current bar must represent a very bearish day.  
*Note: Preferably this day has been preceded by a multi-day down move.*
2. The open must be in the top 20% of the day's range.
3. The close must be in the bottom 20% of the day's range.
4. Above average volume on the current day (optional).



# The Bear Trap – Tactic Eight

## The Setup / **The Action**

1. **Buy** the stock \$0.05 to \$0.10 above the high of the prior day (the Bear day) if it's been violated. **Note:** Some traders may prefer to buy the stock near the close, as it is hard to determine if the stock will remain above the high of the Bear day.
2. Place a protective stop \$0.05 to \$0.10 below the current day's low or the previous day's low, *whichever is higher*.
3. Cover for a \$2 to \$3 profit or on the 5th day, whichever comes first.

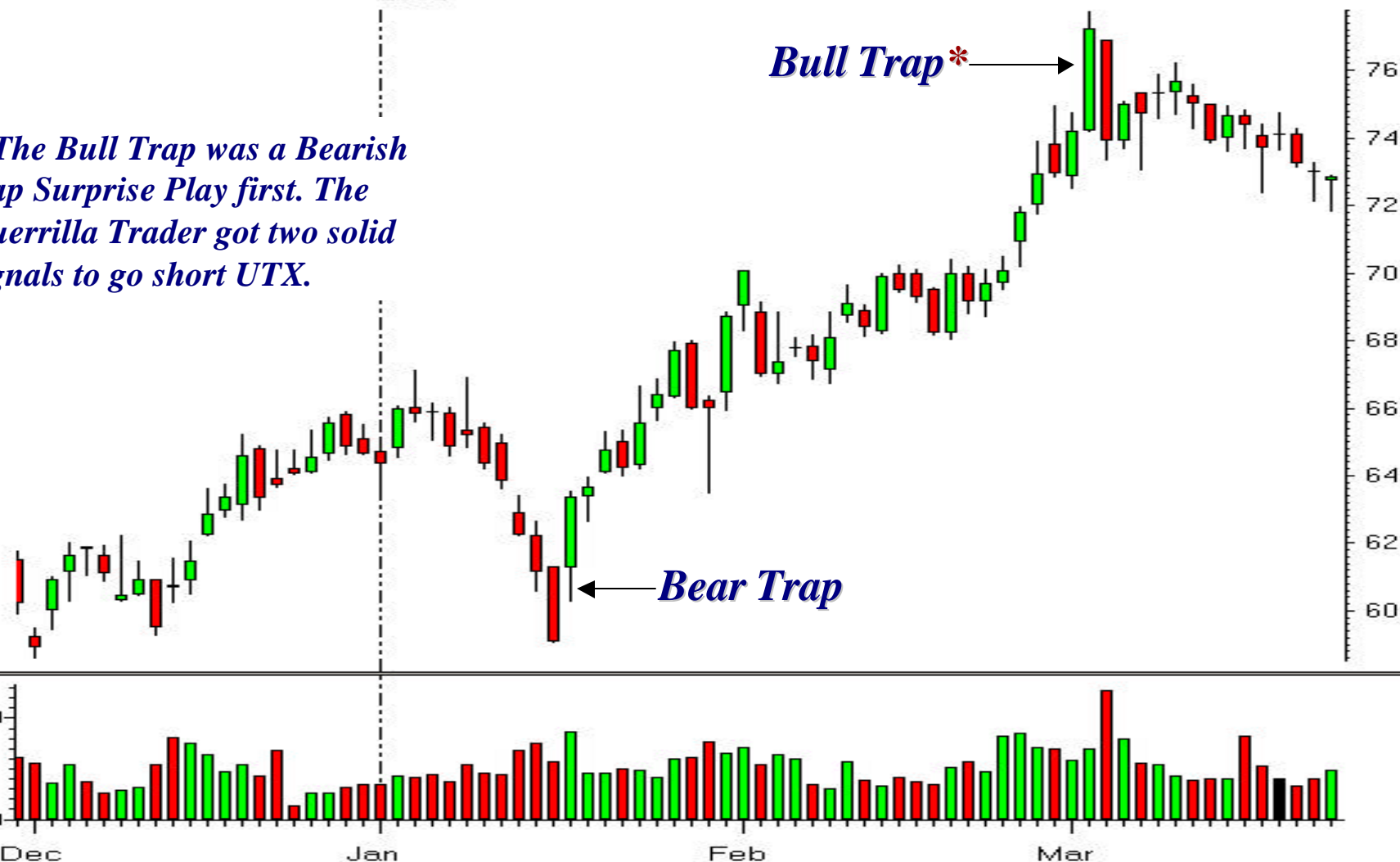


The dotted red lines in Examples A – C show where the trader goes long. Keep in mind that the Bear day does not need to be as wide as the typical 20/20 day. The key to this strategy lies in the “immediate” break to the upside.

# Bull & Bear Traps

Daily (Right) UTX - UNITED TECHNOLOGIES 2002 Bar Volume

*\* The Bull Trap was a Bearish Gap Surprise Play first. The Guerrilla Trader got two solid signals to go short UTX.*



*Chart Courtesy of Mastertrader.com*

# Bear Trap Play

Daily (Right) MRVL - MARVELL TECHNOLOGY GR

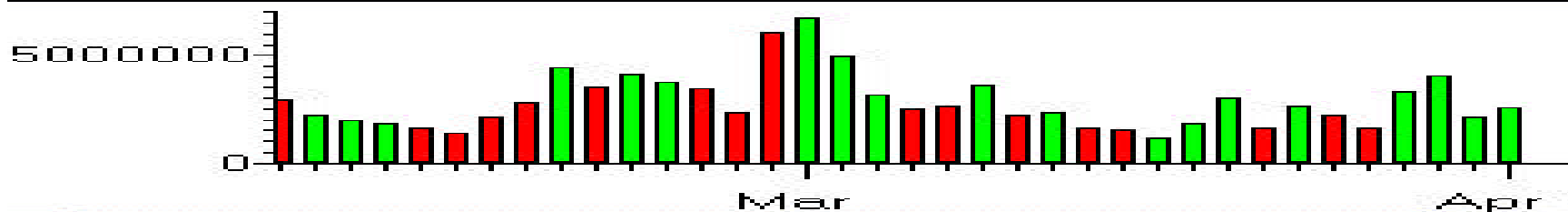


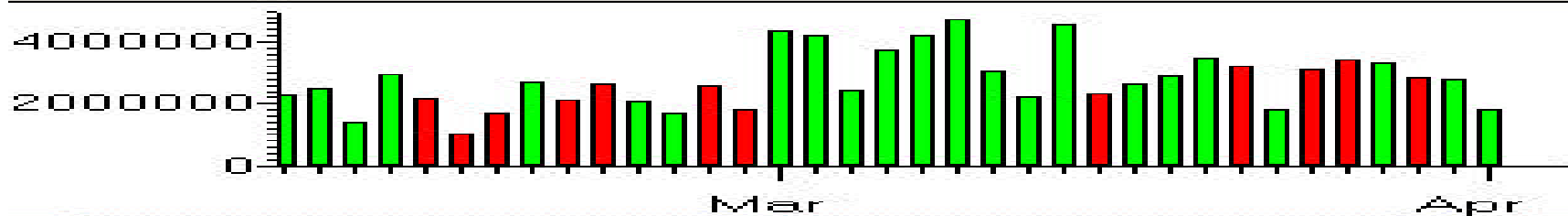
Chart Courtesy of Mastertrader.com

# Bear Trap Play

Daily

(Right) LRCX - LAM RESEARCH

B



*Chart Courtesy of Mastertrader.com*

# The Bearish Mortgage Play – Tactic Nine

- 🌐 This short method, while accurate, will deliver huge losses when it fails.
- 🌐 It is also an excellent intra-day tactic, but is best applied to the 60-min time frame at the open.
- 🌐 This short tactic is actually a derivative of the Bull Trap.
- 🌐 Properly used, this short tactic can enjoy a **94%** accuracy rate (3 to 10 day holding period on average).



# The Bearish Mortgage Play – Tactic Nine

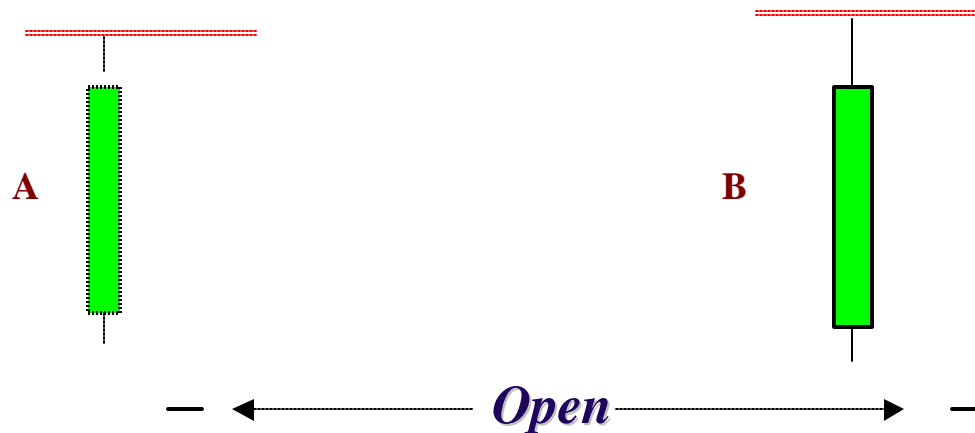
## The Setup / The Action

1. **Bar 1** must be a **bullish** 20/20 bar. This is the bar that indicates that a large number of longs have been committed.

**Note:** The smaller the upper and lower tails on **Bar 1** the better.

2. **Bar 2** must open below the low of **Bar 1**.

*Note: The Mortgage Play is only a two-bar strategy.*



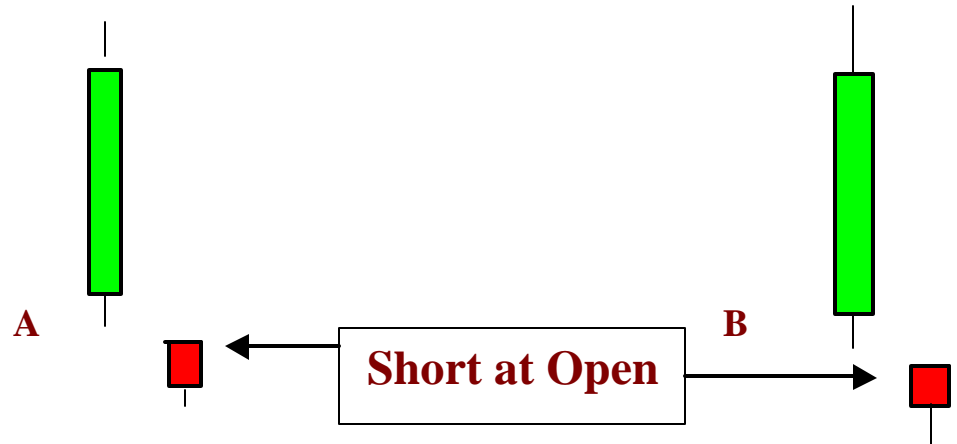
# The Bearish Mortgage Play – Tactic Nine

## The Setup / The Action

**1.** Immediately **short** at the market when **Bar 2** opens below the low of **Bar 1**. **Note:** This signifies that now every hedge fund, mutual fund, trader, and investor who bought during **Bar 1** is now in negative territory. All longs are thrown for a loop.

**2.** Place your stop just over the high of **Bar 1**. **Note:** *This makes this tactic very high risk.* If it fails, the loss is typically large, unless the range of Bar 1 is not that big and the gap down is not that large or severe. Many traders may want to opt for an arbitrary stop.

**3.** Use a trailing stop strategy until **a)** your objective has been met, **b)** the high of a reversal bar has been violated or **c)** a gap down occurs.



The **Mortgage Short Play** requires a great deal of faith on the part of the trader. Not only must the trader wholeheartedly believe in the accuracy of the strategy, he must have the stomach and the proper size bank account that can handle taking the large loss without much damage, if need be. Note how far away the stops, signified by the dotted **red** lines, are in Examples **A – B**. We encourage playing small. **Big potential gains go hand in hand with big potential losses. ?**

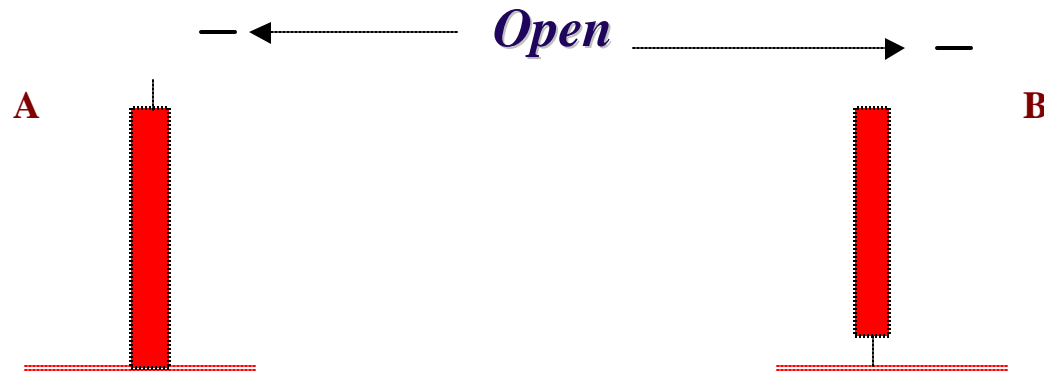
# The Bullish Mortgage Play – Tactic Ten

- This long method, while accurate, will deliver huge losses when it fails.
- It is also an excellent intra-day tactic, but is best applied to the 60-min time frame at the open.
- This long tactic is actually a derivative of the Bear Trap.
- Properly used, this long tactic can enjoy a **94%** accuracy rate (3 to 10 day hold on average).

# The Bullish Mortgage Play – Tactic Ten

## The Setup / The Action

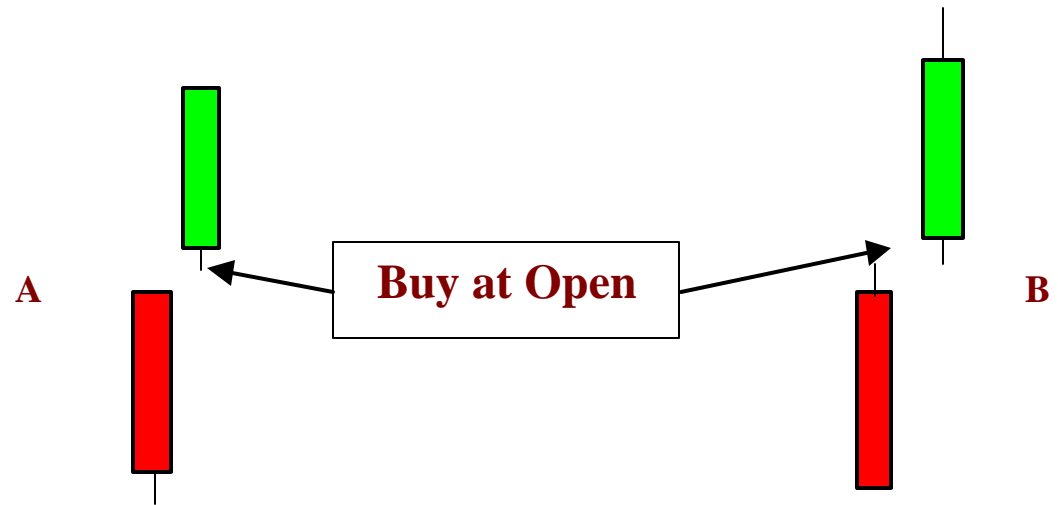
- 1. Bar 1** must be a **bearish** 20/20 bar. This is the bar that indicates that a large number of traders have sold.  
**Note:** The smaller the upper and lower tails on **Bar 1** the better.
- 2. Bar 2** must open above the high of **Bar 1**.  
*Note: The Mortgage Play is only a two-bar strategy.*



# The Bullish Mortgage Play – Tactic Ten

## The Setup / The Action

1. Immediately **buy** at the market when **Bar 2** opens above the high of **Bar 1**. **Note:** This signifies that now every hedge fund, trader, and investor who sold short during **Bar 1** is now in negative territory. All shorts are thrown for a loop.
2. Place your stop just below the low of **Bar 1**. **Note:** *This makes this tactic very high risk*. If it fails, the loss is typically large, unless the range of Bar 1 is not that big and the gap up is not that large or severe. Many traders may want to opt for an arbitrary stop.
3. Use a trailing stop strategy until **a)** your objective has been met, **b)** the low of a reversal bar has been violated or **c)** a gap up occurs.



The Mortgage Short Play requires a great deal of faith on the part of the trader. Not only must the trader wholeheartedly believe in the accuracy of the strategy, he must have the stomach and the proper size bank account that can handle taking the large loss without much damage, if need be. Note how far away the stops, signified by the dotted red lines, are in Examples A – B. We encourage playing small. **Big potential gains go hand in hand with big potential losses. ?**

# Bull Mortgage Play

Daily

(Right) IDPH - IDEC Pharmaceuticals Corporation

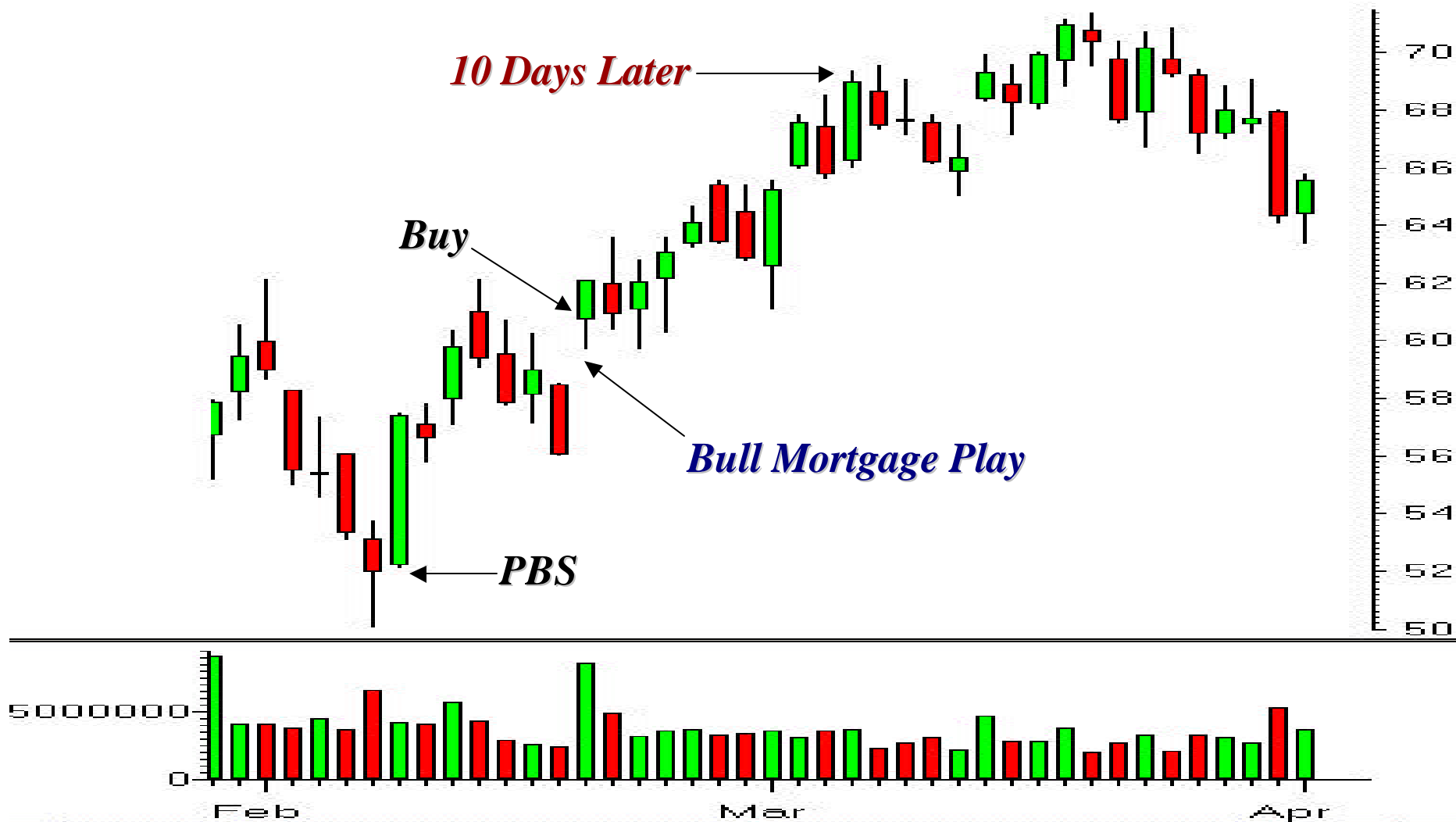
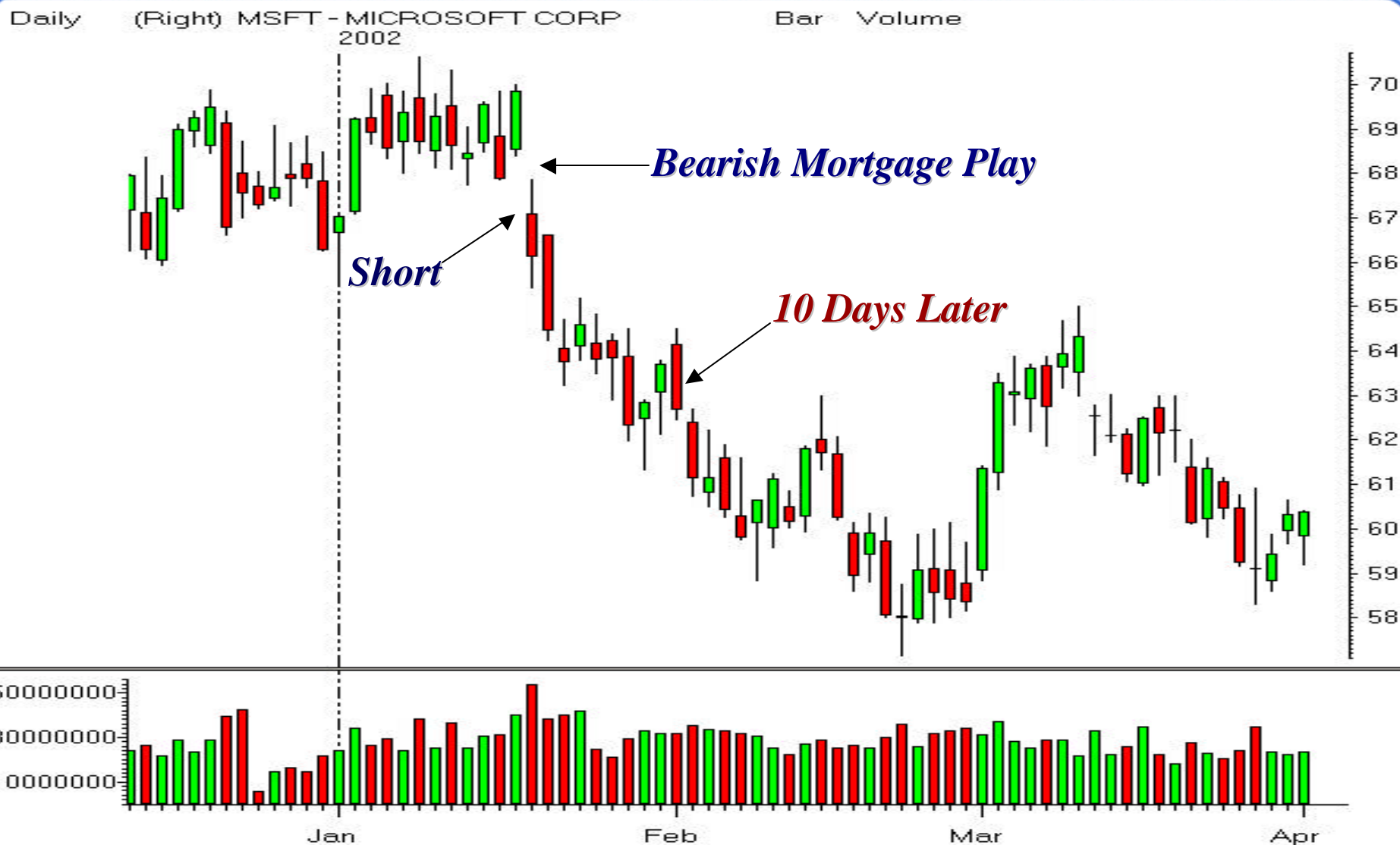


Chart Courtesy of Mastertrader.com

# Bearish Mortgage Play



*Chart Courtesy of Mastertrader.com*

# Putting It All Together

Daily

(Right) BRCM - Broadcom, Inc.

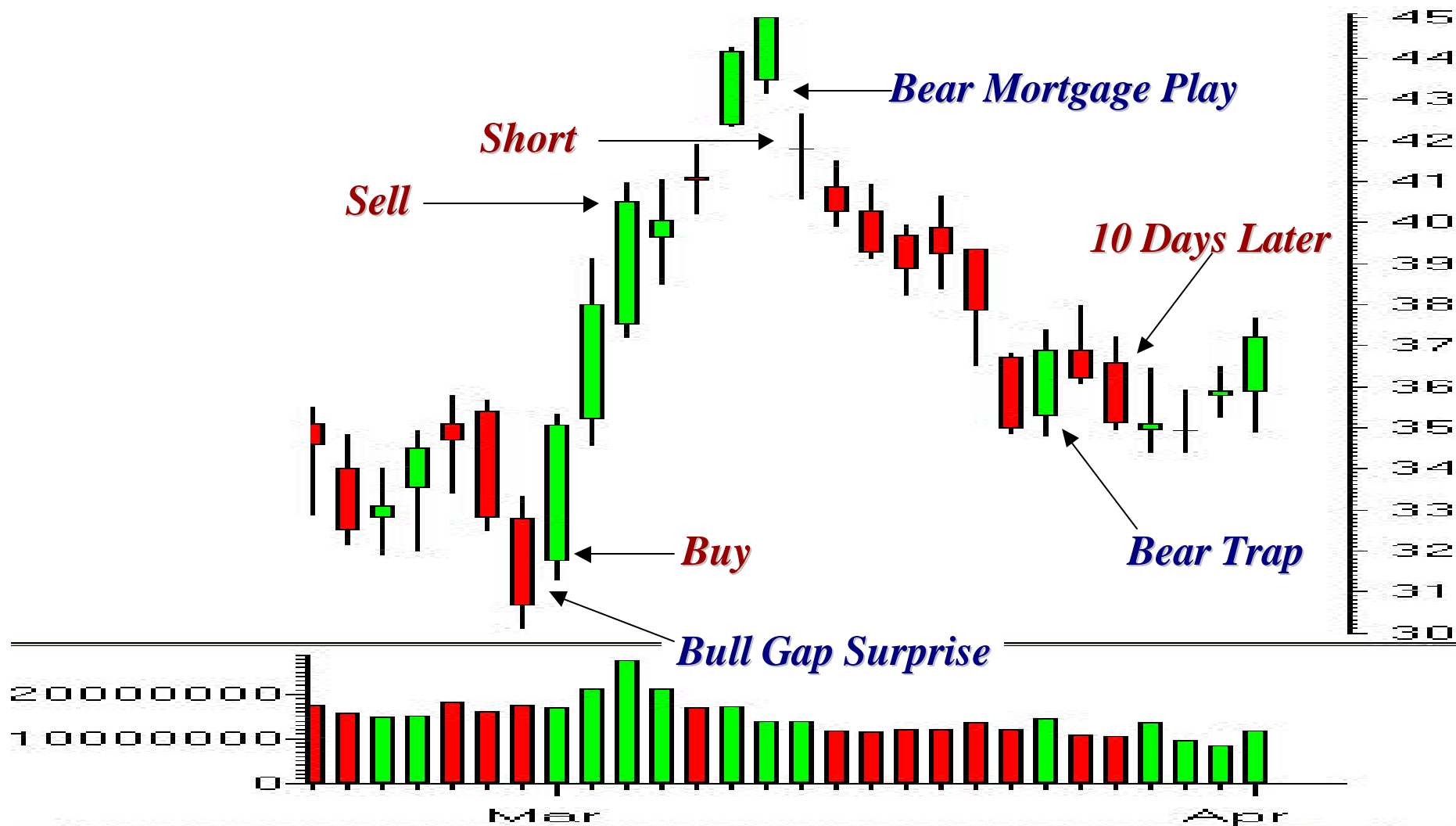
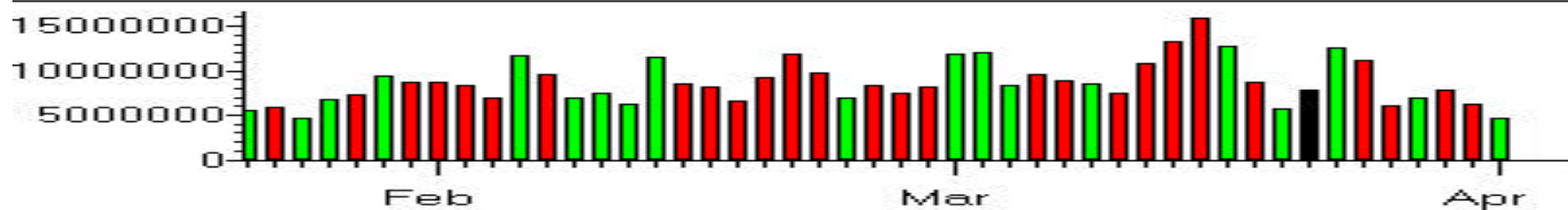


Chart Courtesy of Mastertrader.com



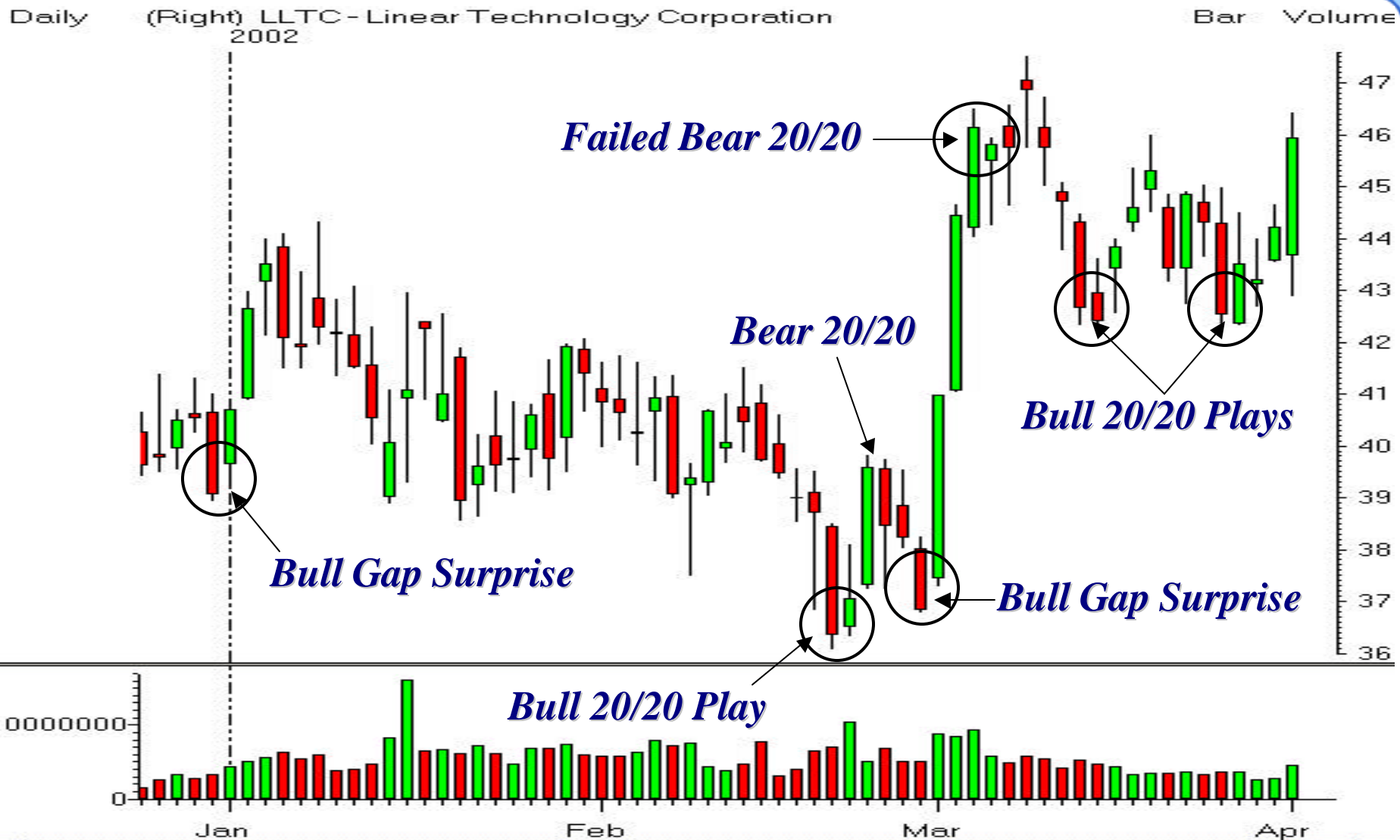
# Putting It All Together

Daily (Right) MU - MICRON TECHNOLOGY Bar Volum



*Chart Courtesy of Mastertrader.com*

# Putting It All Together



*Chart Courtesy of Mastertrader.com*

# Putting It All Together

Daily (Right) BDK - BLACK DECKER CP

Bar Volume

*Pristine CSS*

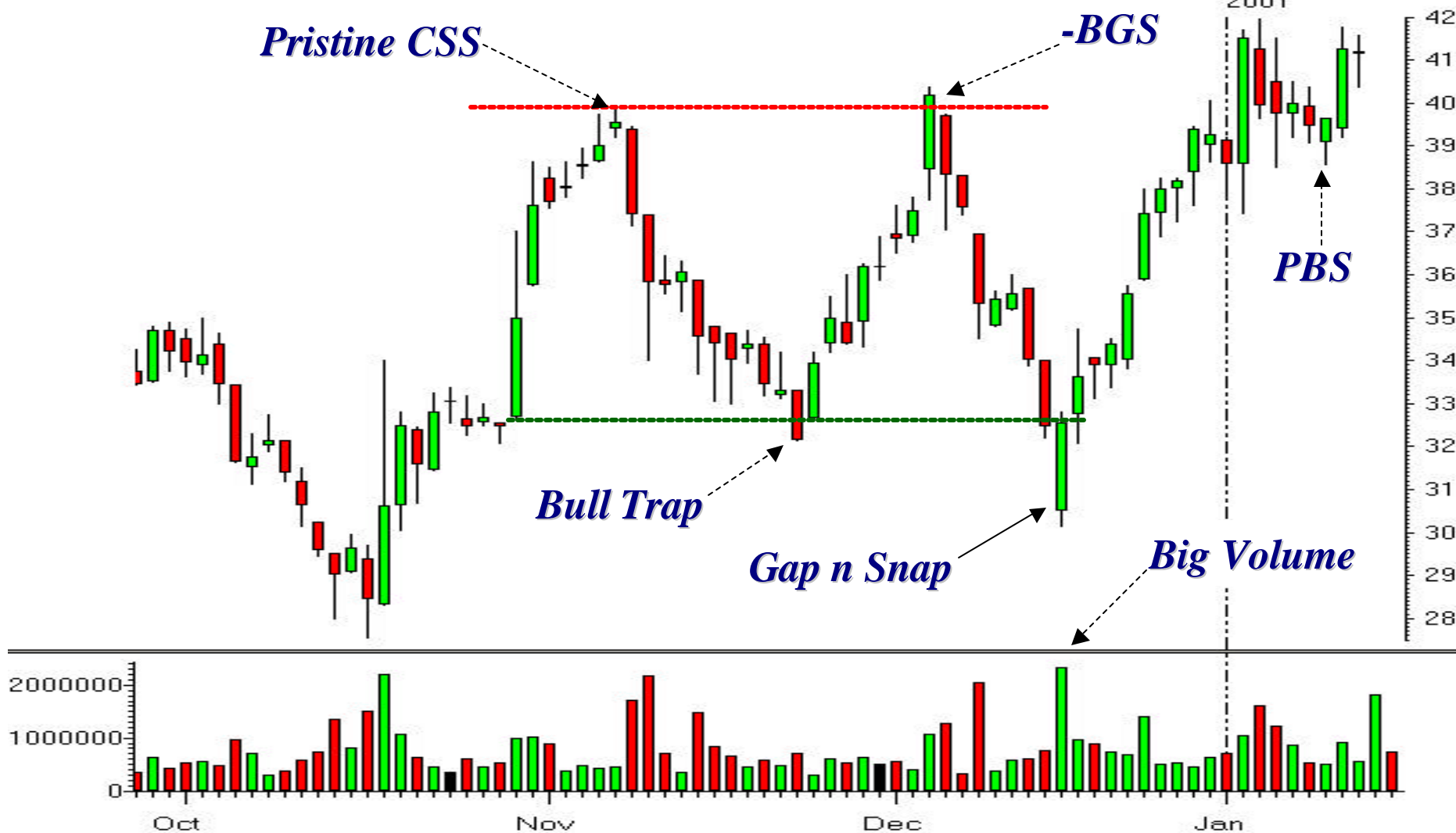
*-BGS*

*PBS*

*Bull Trap*

*Gap n Snap*

*Big Volume*



*Chart Courtesy of Mastertrader.com*

# Putting It All Together



*Chart Courtesy of Mastertrader.com*



# Putting It All Together

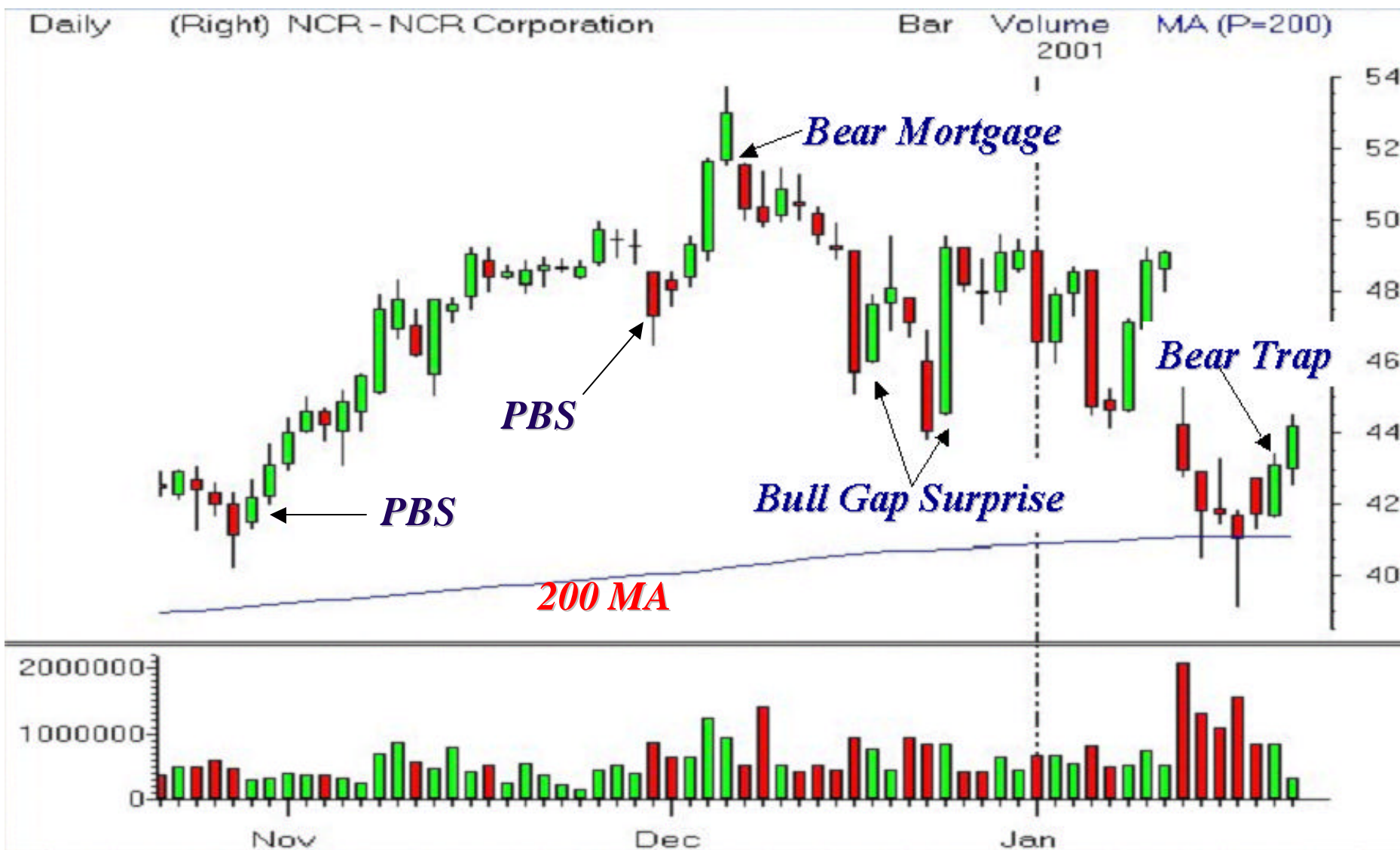
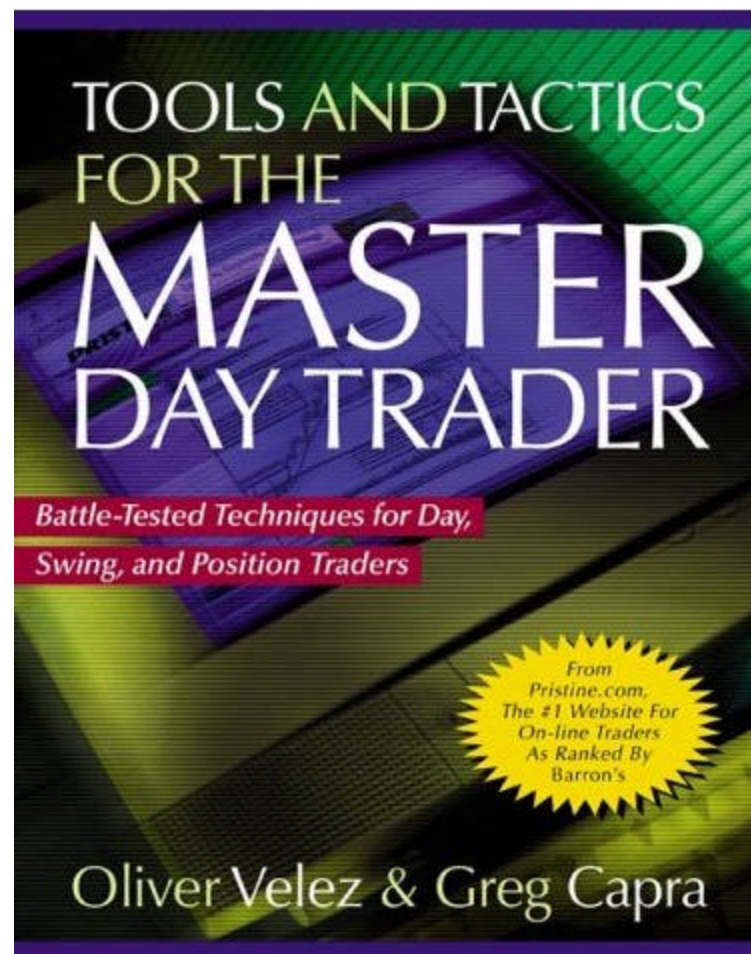


Chart Courtesy of Mastertrader.com

# Tools & Tactics – A Must Read

*A Japanese proverb says, “If you wish to know the road, inquire of those who have traveled it.” The authors of Tools and Tactics for the Master Trader clearly know the road. Their unique insights, trading tactics and powerful tools, so enjoyably presented, make this a book that belongs on every trader’s shelf.*

*Steve Nison, CMT - Author of Japanese Candlestick Charting Techniques*



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