

THE KEVIN HAGGERTY
INNER CIRCLE
TRAINING PROGRAM

August 30th, 2005

When to Buy a Slim Jim at the Intraday Lows

The Slim Jim patterns we have covered so far are continuation breakouts in the direction of the intraday trend. We will now explain how to trade the intraday contra-trend Slim Jim.

Very often, if the market has sold off more than usual, Slim Jims will develop at the low of the day that can be played to the upside, as well as any further continuation to the downside.

One key point to keep in mind when taking a long side entry in a Slim Jim at or near the intraday low, in addition to improving market conditions, is that there must be enough profit potential to risk when taking the breakout.

When to Buy a Slim Jim at the Intraday Lows

For example, if a stock has a 2 point current average daily range and is down 2 points on the day due to general market conditions and then forms a Slim Jim, it becomes a prime candidate, especially if it hasn't had a real contra move up during the decline.

These plays normally work best when at least half of the average daily range remains from your entry point to the intraday high.

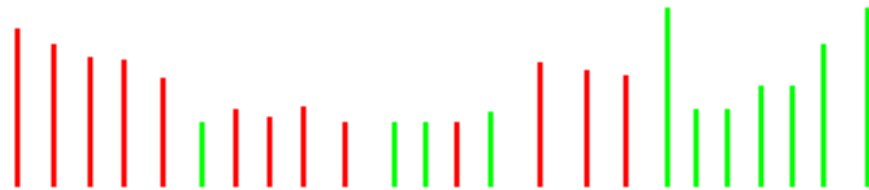
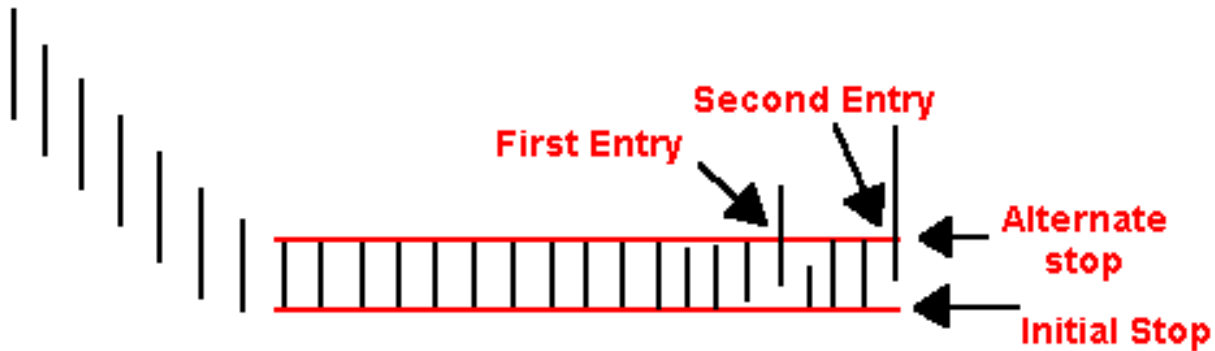
When to Buy a Slim Jim at the Intraday Lows

The entry from a Slim Jim at a low to the long side is best utilized as a second-entry trade, or else only take a half position on the first entry. It will take you a few trades to get the hang of this contra trend Slim Jim, but they can provide you with an excellent reward-to-risk ratio if you adhere to your stops.

If you do decide to take the first breakout, I suggest you use the alternate stop method because your risk will be no more than .25 to .30 at most.

Remember, it is very important that you see the market dynamics improving to take this trade, particularly the NYSE TICKs.

Slim Jims at the Intraday Highs



The rules are reversed for Slim Jim sells at intraday highs and that are extended in range. Remember to keep in mind that shorts are much harder to get off in individual stocks due to the up-tick rule.

Slim Jims

Before we cover some actual chart examples, I want to make some very important points.

Key Point: Program Trading is a major catalyst for explosive Slim Jims, and this is why the S&P 500 (SPX) and NDX 100 stocks are the primary source for this pattern.

- You will often find explosive Slim Jims after 2:30 p.m. ET. The reason for this is a specific program-related action.
- When the Generals get new money in and/or want to put some cash to work, but can't buy the stocks at the prices they want, they will buy the S&P 500 futures at fair value, if they can, in order to get the equity exposure immediately so they don't miss a major move.
- If they are not able to buy enough of the futures at fair value by the 2:00 p.m. - 2:30 p.m. period, they are forced to buy the actual stocks before the 4:00 p.m. close. This creates immediate buying pressure, especially if the market is positive that day, and that is why you see many of the mini-moonshots late in the day. It resembles short covering or a buy-in of existing short positions by a broker-dealer.

Slim Jims

- The hedge funds are alerted by the sell side sales traders that they have specific stocks to buy and must be done by the close. This immediately gives the hedge funds a front-running opportunity and maybe also a late short trade at an artificially extended price because of the program buying.
- This is why the afternoon Slim Jims are a gold mine, and all you have to do is scroll intraday for the stocks that are setting up in a narrow-range pattern. The program catalyst applies to the buy pattern only.

Key Point: Slim Jims in higher intraday timeframes are even more explosive and can often be carried over as short-term position trades. I use the 30-, 60- and 120-minute charts to scroll for these setups and because of the longer period, I will have my breakout levels before the day's trading begins. It is better that the Slim Jim breakout is in the direction of that period's trend, such as the "523" trend method that I use with remarkable success in the 120-minute timeframe.

Key Point: It only stands to reason that stocks with good daily chart patterns in the direction of the trend (long or short) will give you the best Slim Jims the next day as the Generals return to the market.

Slim Jims

Key Point: Don't get greedy in those exceptional trend days because the risk/reward declines greatly when you get to the higher end of the intraday trading tree. That means beware of the third and fourth Slim Jim breakouts that you might get on a big trend day.

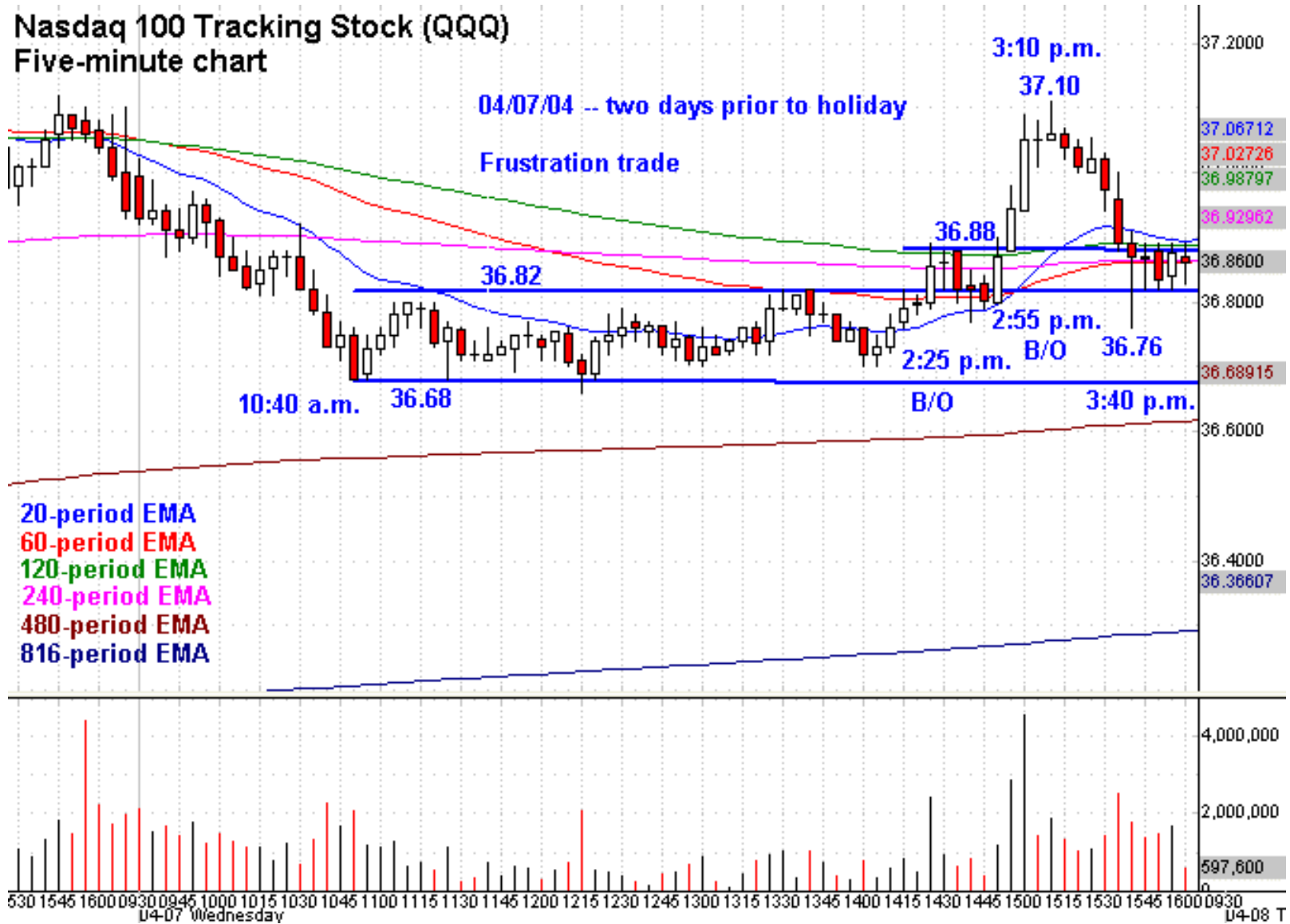
- Remember, you run out of time and price range daytrading.

Slim Jims



Slim Jims

Nasdaq 100 Tracking Stock (QQQ)
Five-minute chart



Chapter XIV: First Consolidation Breakouts to New Intraday Highs

Kevin Haggerty's
"Trading with the Generals IV"

First Consolidation Breakout to New Intraday Highs

- The first consolidation breakout to new intraday highs can be an explosive move as the primary trend of the day asserts itself.
- When the market opens in-line and makes a modest move to the upside, then consolidates, but there is no real selling pressure on it, the Generals that have stock to buy will get frustrated because they are not getting their share of the volume and will start reaching for stock, provided they can get enough volume at the higher price.
- They are also motivated to pay higher prices because they might see by the information flow coming into their trading desk that the buy side orders are more dominant than the sell side, in addition to the market having a positive feel at that point in the trading day.
- The strongest moves will always be in conjunction with positive market and stock dynamics.

First Consolidation Breakout to New Intraday Highs

- This is a pattern where you can sometimes anticipate the breakout, especially when you are trading the index proxies, futures and HOLDERS. If, for example, you see the TRIN holding below .80, most of the primary sectors are green, in addition to positive NYSE TICK action, you might take early entry with a tight stop. You should only do this when you are an experienced trader and will do just fine sticking to the regular breakout entry rule.
- For all except the strongest of market dynamics days, and/or from a key sequence zone/level, I prefer to only take 50% of the intended position on the first B/O and the balance on either a pullback to the B/O level, or else a second entry.
- If the first B/O from the pattern is a head-fake, which happens more often with OTC stocks, you definitely take the second-entry trade, provided the dynamics are still positive.
- As with all of the strategies, this pattern is best with the big-cap stocks that might give you a hat trick (3) on the breakout.

First Consolidation Breakout to New Intraday Highs

Hat Trick:

1. Programs kick in.
2. Generals reach for stock.
3. Hedge funds front-run the Generals.
 - The most common patterns that you will see with this strategy are **symmetrical**, **ascending** and **dynamite triangles**, in addition to Slim Jims and Ledges.
 - This pattern is best when there is plenty of price left relative to the average daily range.
 - When trading individual stocks, it is best when other stocks in the group are displaying good relative strength.

First Consolidation Breakout to New Intraday Highs

Hat Trick:

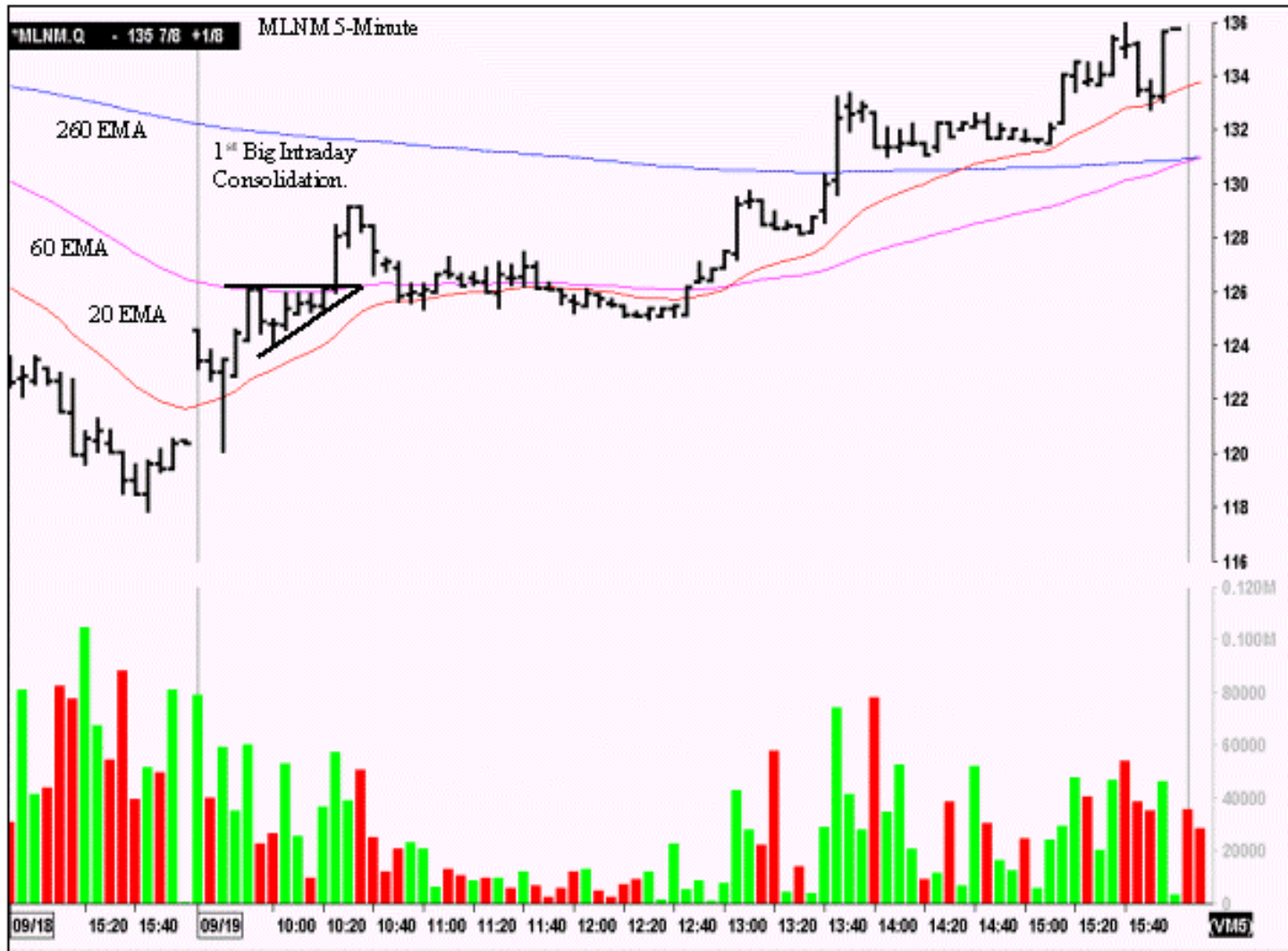
Note: All of these guidelines are reversed for sells, and it would be a descending triangle.

The following charts are good examples of the most common breakout patterns you will encounter, even if they are dated charts.

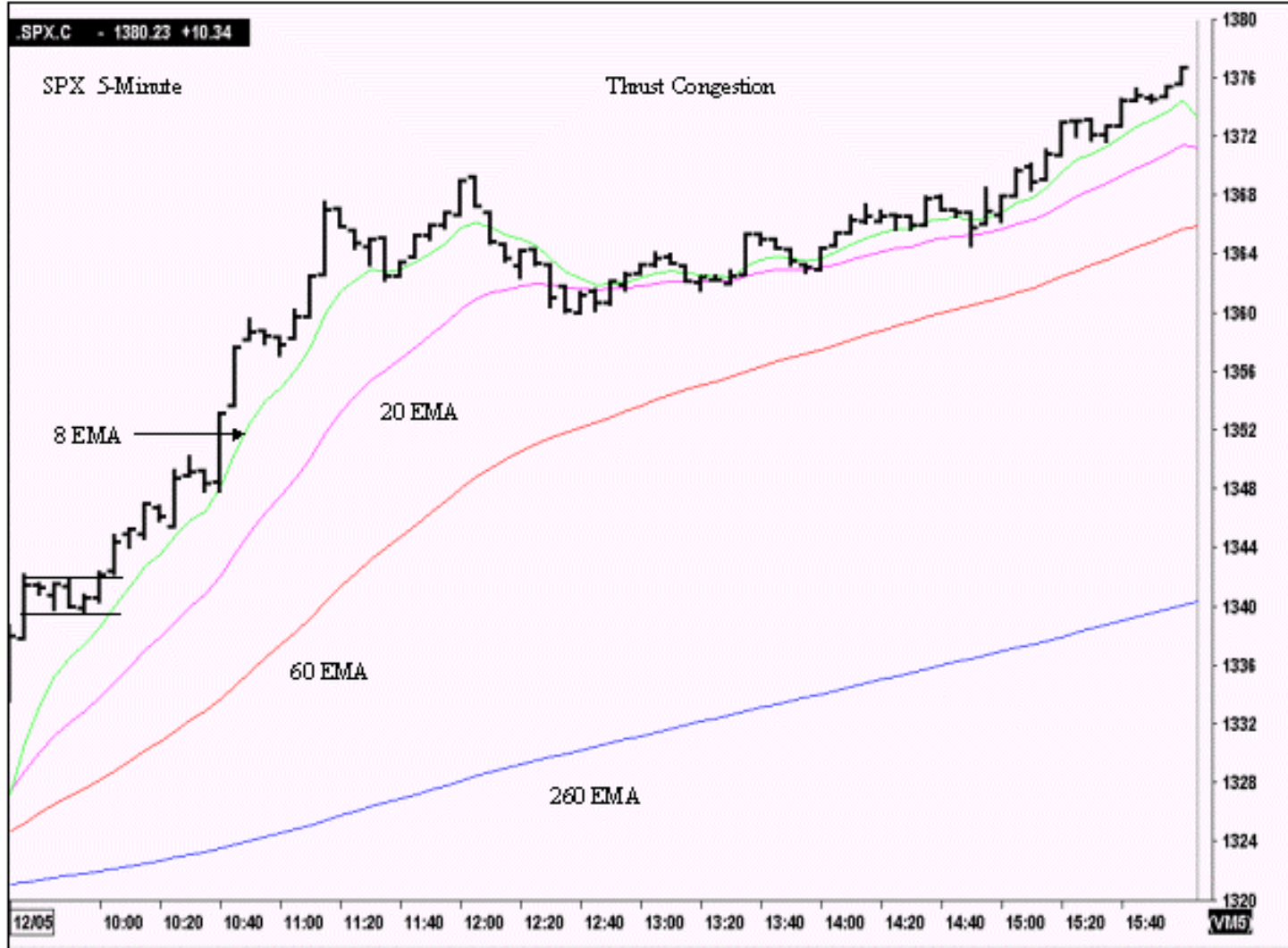
First Consolidation Breakout to New Intraday Highs



First Consolidation Breakout to New Intraday Highs



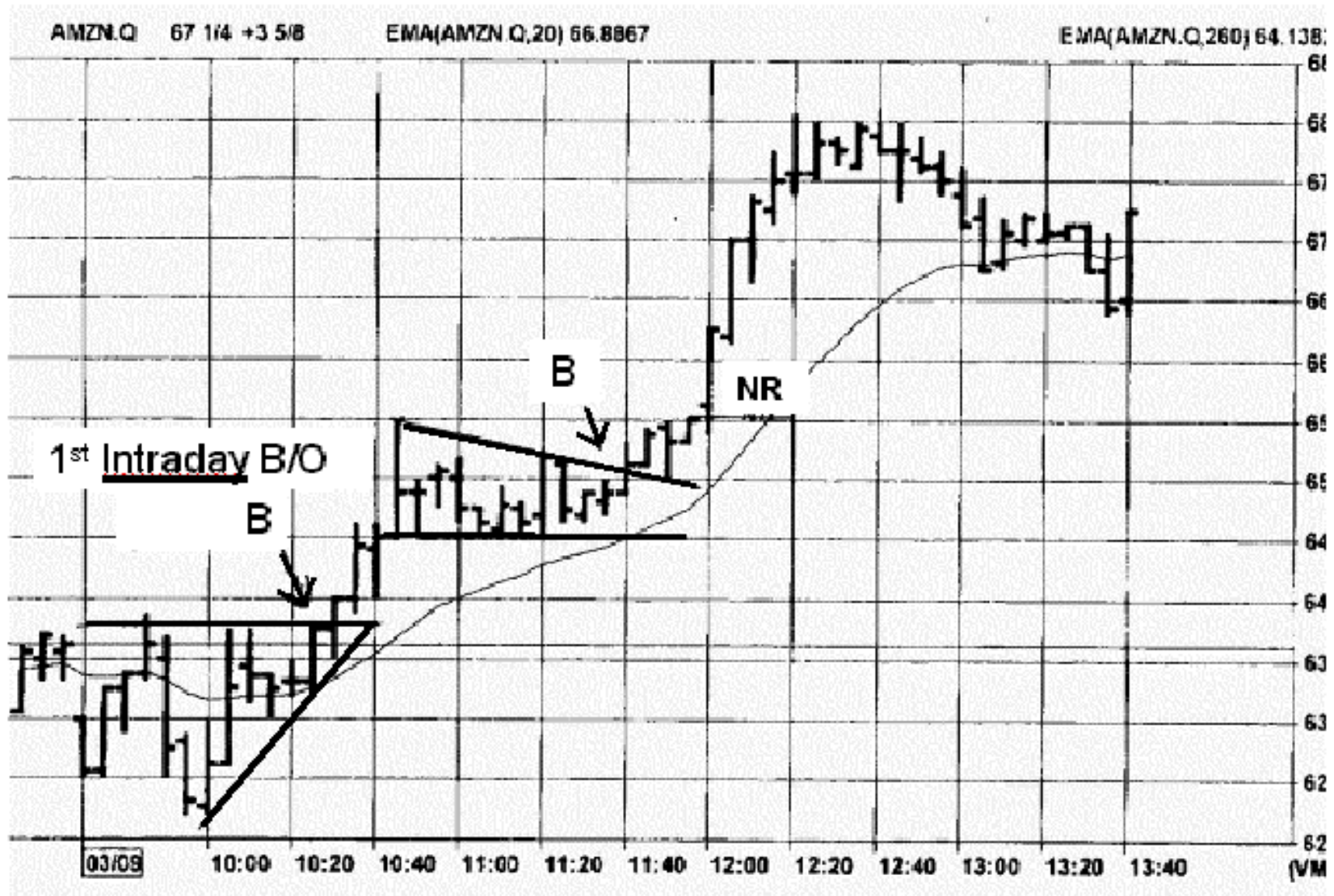
First Consolidation Breakout to New Intraday Highs



First Consolidation Breakout to New Intraday Highs



First Consolidation Breakout to New Intraday Highs



S&p 500 Index 1212.28 7.18 0.60%

Exp. Mov. Avg. (8) Last=1212.83
Exp. Mov. Avg. (20) Last=1212.40
Exp. Mov. Avg. (60) Last=1210.26
Exp. Mov. Avg. (240) Last=1210.22



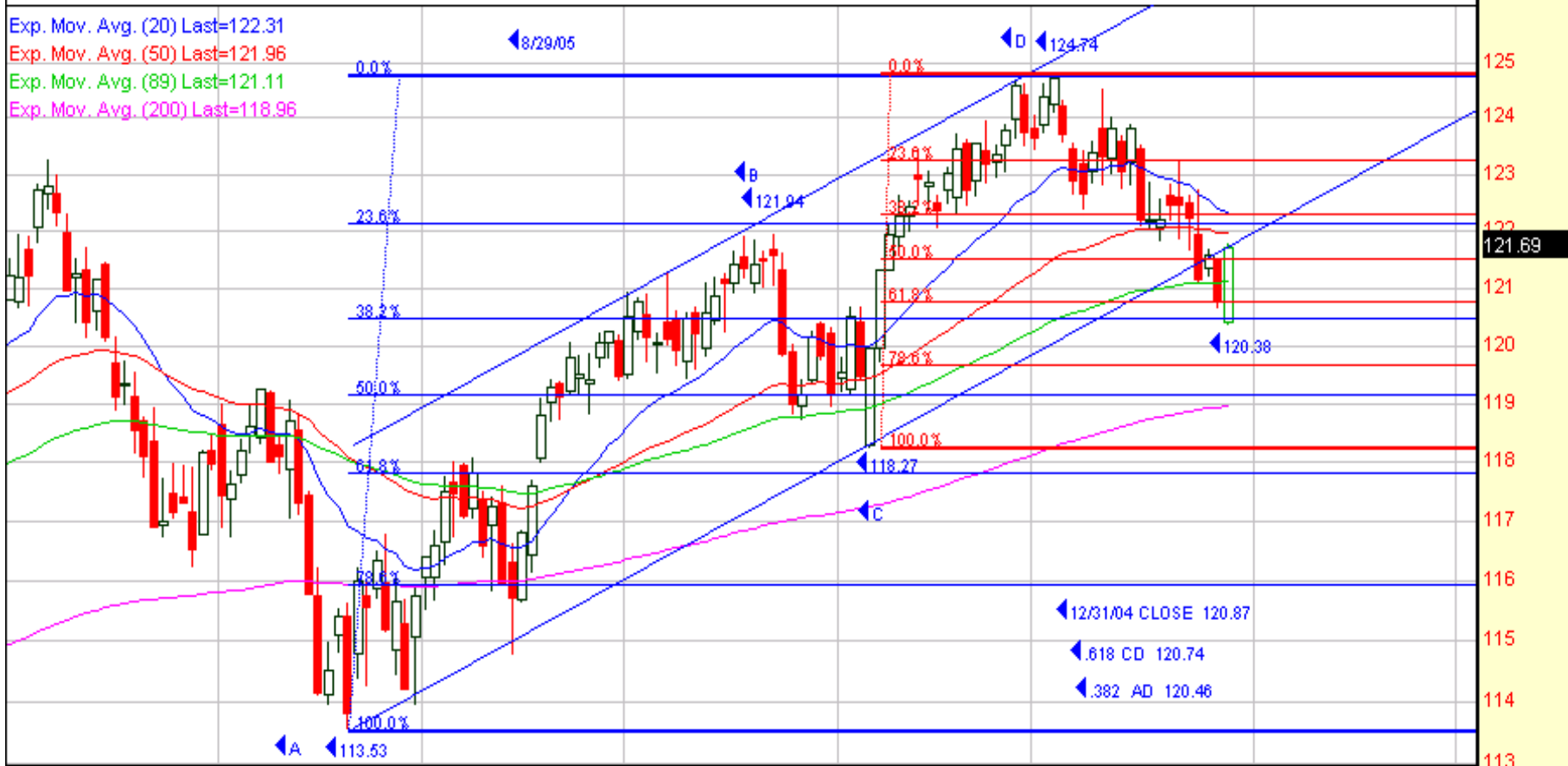
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Chande Momentum Oscillator (15)



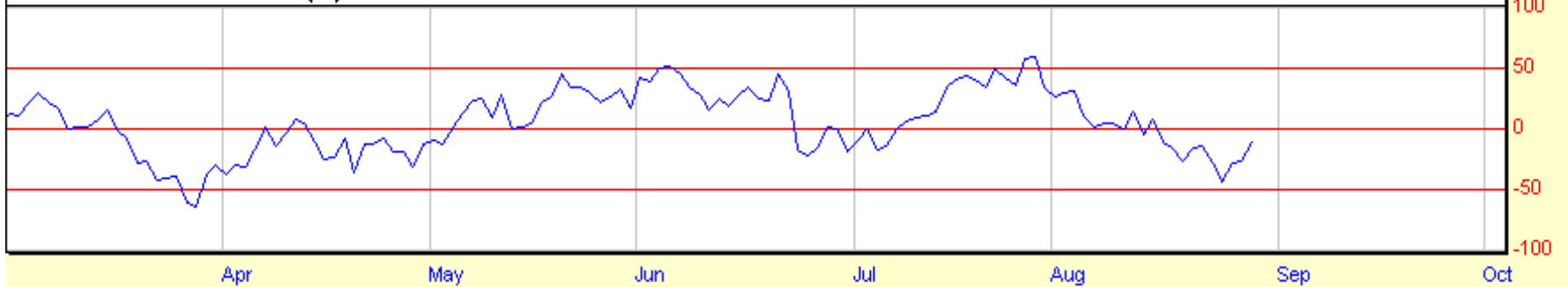
STANDARD & POORS DEP REC 121.69 0.93 0.77%

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Exp. Mov. Avg. (50) Last=121.96
Exp. Mov. Avg. (89) Last=121.11
Exp. Mov. Avg. (200) Last=118.96



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Chande Momentum Oscillator (15)



S&p 500 Index 1212.37 2.78 0.23%

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Exp. Mov. Avg. (8) Last=1212.04
Exp. Mov. Avg. (60) Last=1212.16
Exp. Mov. Avg. (240) Last=1215.70
Exp. Mov. Avg. (89) Last=1212.76



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RSI, Wilder (5)

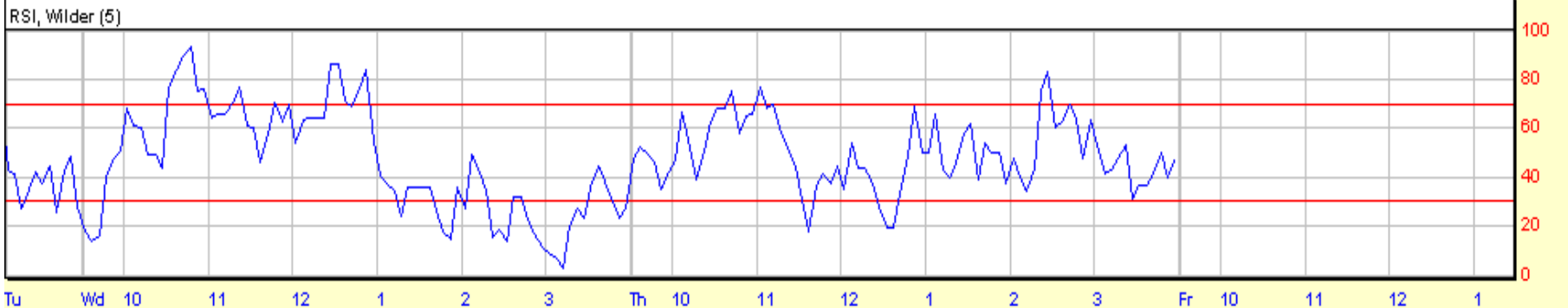


NASDAQ 100 TR SERIES I(OTC) 38.588 0.088 0.23%

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Exp. Mov. Avg. (60) Last=38.61
Exp. Mov. Avg. (240) Last=38.73
Exp. Mov. Avg. (89) Last=38.64



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DIAMONDS TRUST 104.00 -0.46 -0.44%

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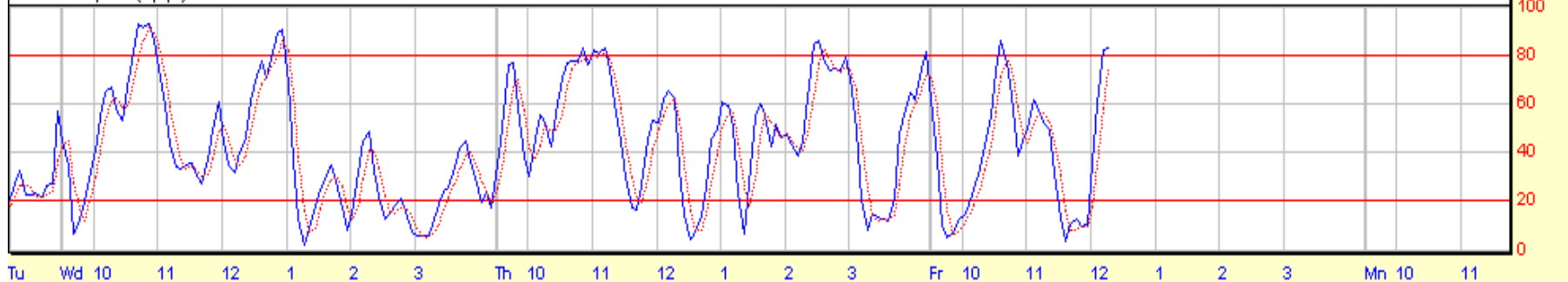
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Stochastic, Full (8,3,3)



DIAMONDS TRUST 104.08 -0.56 -0.54%

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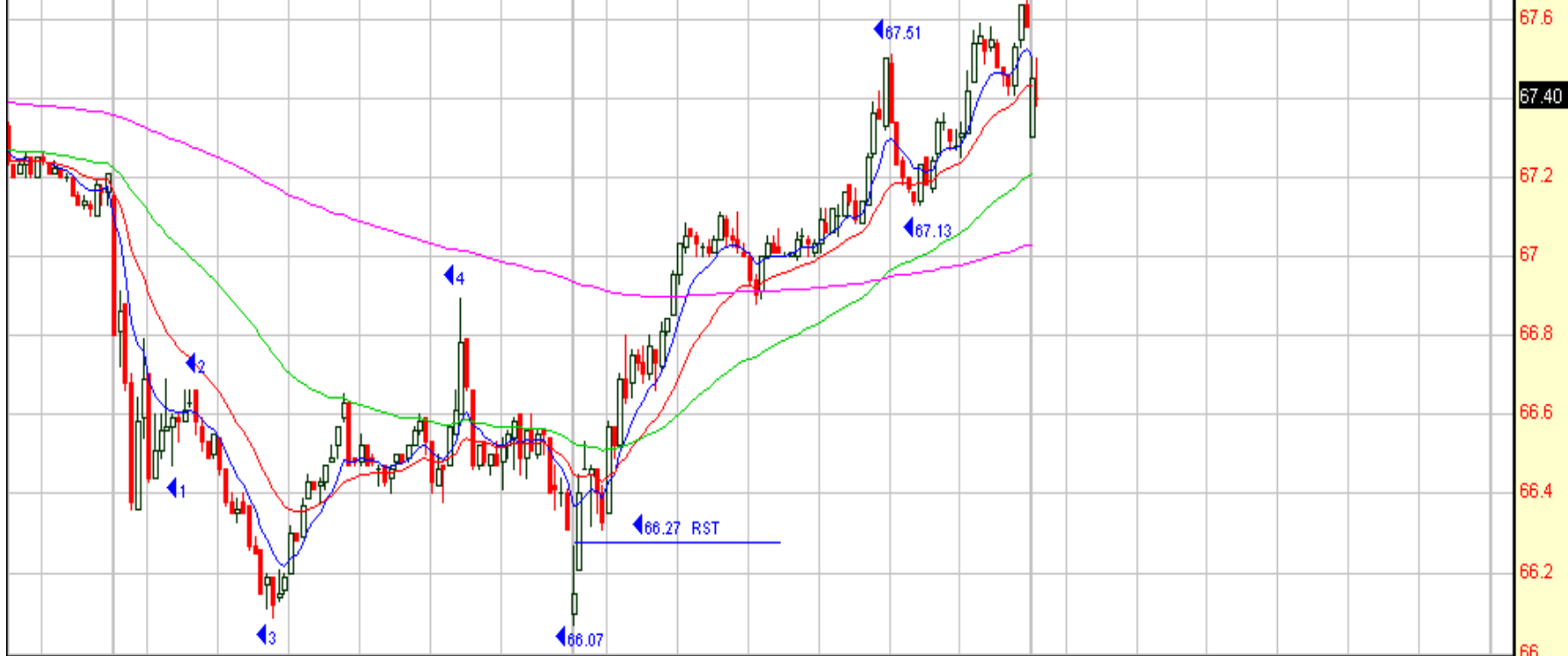
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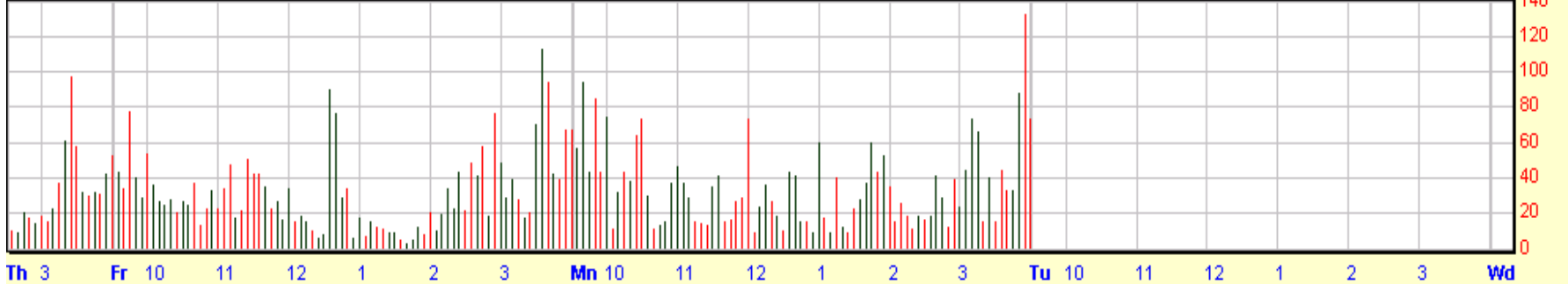
BOEING CO 67.40 -0.18 -0.27%

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Volume (Thousands)

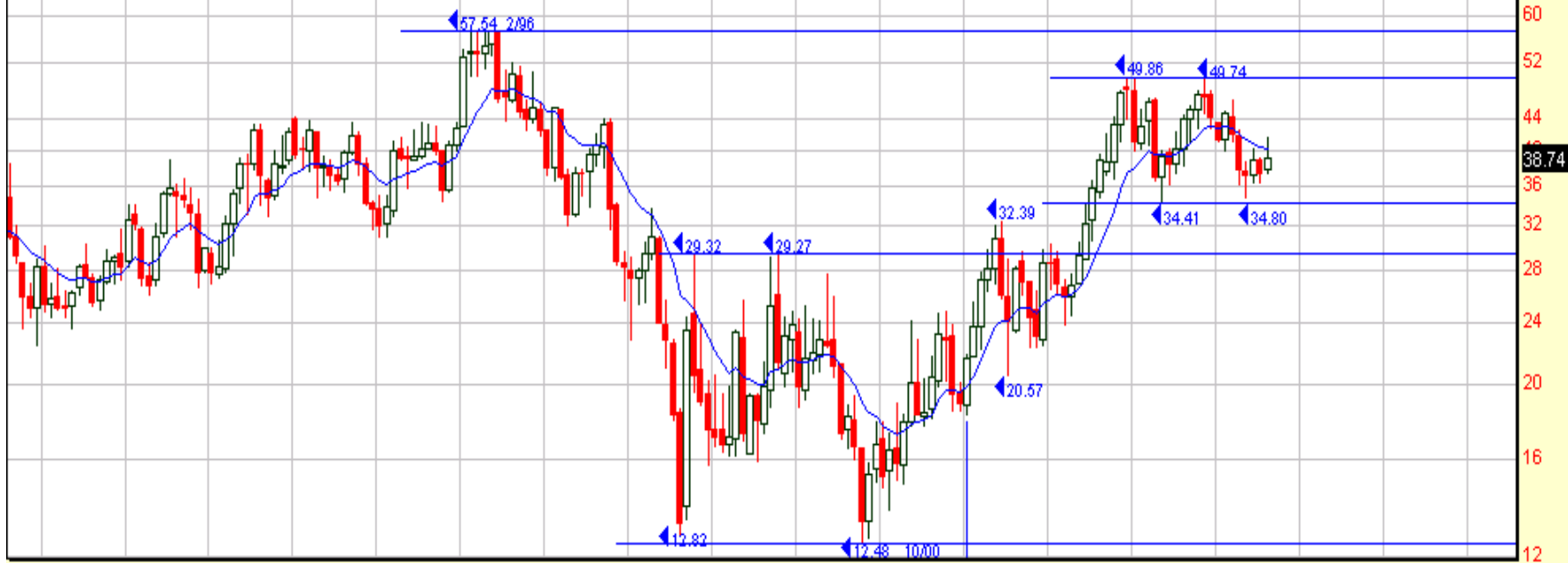


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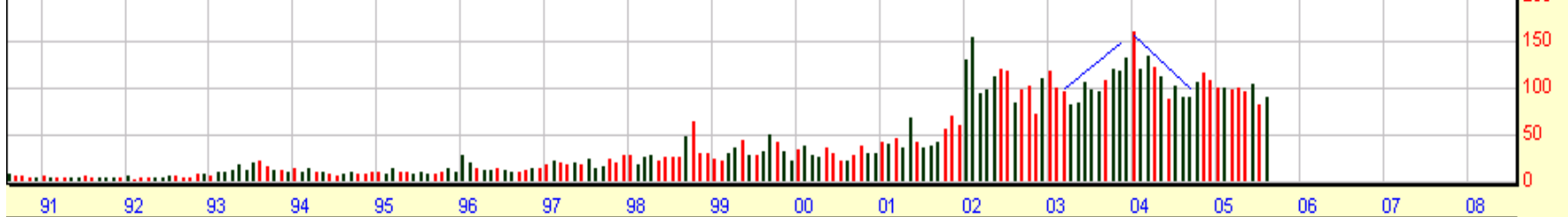
Newmont Min Cp (hldg) 38.74 -0.55 -1.40%

Exp. Mov. Avg. (12) Last=40.32



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Volume (Millions)



RSI, Wilder (9)



TRANSOCEAN INC 57.37 1.05 1.86%

Exp. Mov. Avg. (8) Last=57.29
Exp. Mov. Avg. (20) Last=56.99
Exp. Mov. Avg. (60) Last=56.56
Exp. Mov. Avg. (240) Last=56.64
Exp. Mov. Avg. (480) Last=56.79
Exp. Mov. Avg. (816) Last=56.97



Fr 2:30 3:00 3:30 Mn 10:00 10:30 11:00 11:30 12:00 12:30 1:00 1:30 2:00 2:30 3:00 3:30 55.6 55.8 56.0 56.2 56.4 56.6 56.8 57.0 57.2 57.4

S&p 500 Index 1208.41 -3.87 -0.32%

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Exp. Mov. Avg. (240) Last=1207.91



Exp. Mov. Avg. (8) Last=121.07
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Exp. Mov. Avg. (240) Last=121.10



DIAMONDS TRUST 104.00 -0.64 -0.61%

Exp. Mov. Avg. (8) Last=103.99
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