



The Avalanche Wedge Case Study:

How to Spot, Plan & Execute this Powerful Day Trading Technique!

Today we're going to do an extensive overview of a "**Avalanche Wedge**" day trade that I made recently. First off, most day trades are sensitive in timing, entry, exit, and technique. I feel that it is best to first study the idea, learn how to spot the setups and then finally experiment with the idea and see how it fits your trading style. Eventually through practice you'll become more confident in the way you execute the strategy, maybe even adding your own twist to it – This is the "**The Art of Trading!**"

In this case study we are going to focus on **\$RUN (Sunrun Inc.)** chart from **October 8th, 2020 930AM EST though 1130 AM EST**. The **time frame used** for the trade is **the 3-minute time frame chart**. I will also provide other examples of *blank* charts with avalanche setups contained within them so you can apply what you've learned in this review here today.

A playback & general overview of the trade can be found here: [Avalanche Day Trading Technique](#)

**Please read the review first and review the video after.*

Let's dig into the case study! The idea behind the "**Avalanche Wedge**" day trade is basically to capture **quick day trading** opportunities in powerful stocks that sell off sharply right from the open, using the power of market algorithms to your advantage. The most ideal conditions for this setup are as follows:

- 1: Stocks that are in a strong **DAILY UPTRENDS** that get quick, sharp **INTRA-DAY pullbacks**.
- 2: A stock that **GAPS UP** at the open and the **FADES LOWER** in a **STEEP** and **RELENTLESS** manner.
- 3: Stocks that sell off and create a **Falling wedge patterns** between **930AM EST** through **1045AM – 11AM EST**. **Pullbacks of 8%, 10%, 12%** and even **15%** during this timeframe are the most ideal candidates!

Remember – *The Steeper the Wedge pattern, The better the Avalanche Setup!*

As for **stop losses** on the trade, use what you would generally use as your regular day trading risk profile. There is an Art to this strategy. As far as loss control goes, I personally, on an average avalanche wedge trade, I risk no more than 2% - 3% and will often lock in gains as the stock bounces back and recoups 1/3 to 1/2 of the initial decline.

With this information at hand, what you're trying to do with this strategy is capture a quick bounce in a stock that is short term oversold. In my experience, over the years, I've noticed that often times market algorithms will sell off a stock very sharply off the open and continue to pile in the sell orders in a relentless manner until around 11AM EST. Then, more often than not, some sort of tradeable reversal will present itself. Some of these reversals end up being huge and end up reclaiming the entire drop and on the other hand some of them end up being smaller in nature and continue their way lower. **The key takeaway from this is the time: 11 AM EST**. I normally start looking for avalanche trading around

1030AM EST and then will pick out the best candidates as we approach 11AM for potential plays (Note – **Market Algorithms tend to be most active between 11AM & 2PM EST**, which I have shows and explained in the AoT feed countless time. **Learn to spot them!**) I only take the absolute **BEST** setups for this strategy. (And many times, will not take them dependant on other factors, i.e. How strong the overall all market is or maybe something like a news event that is taking the stock or sector down) There is a lot of “art” required to do this strategy and that’s why it requires practice and experience in the market to be able to execute this in a consistent, strategic manner.

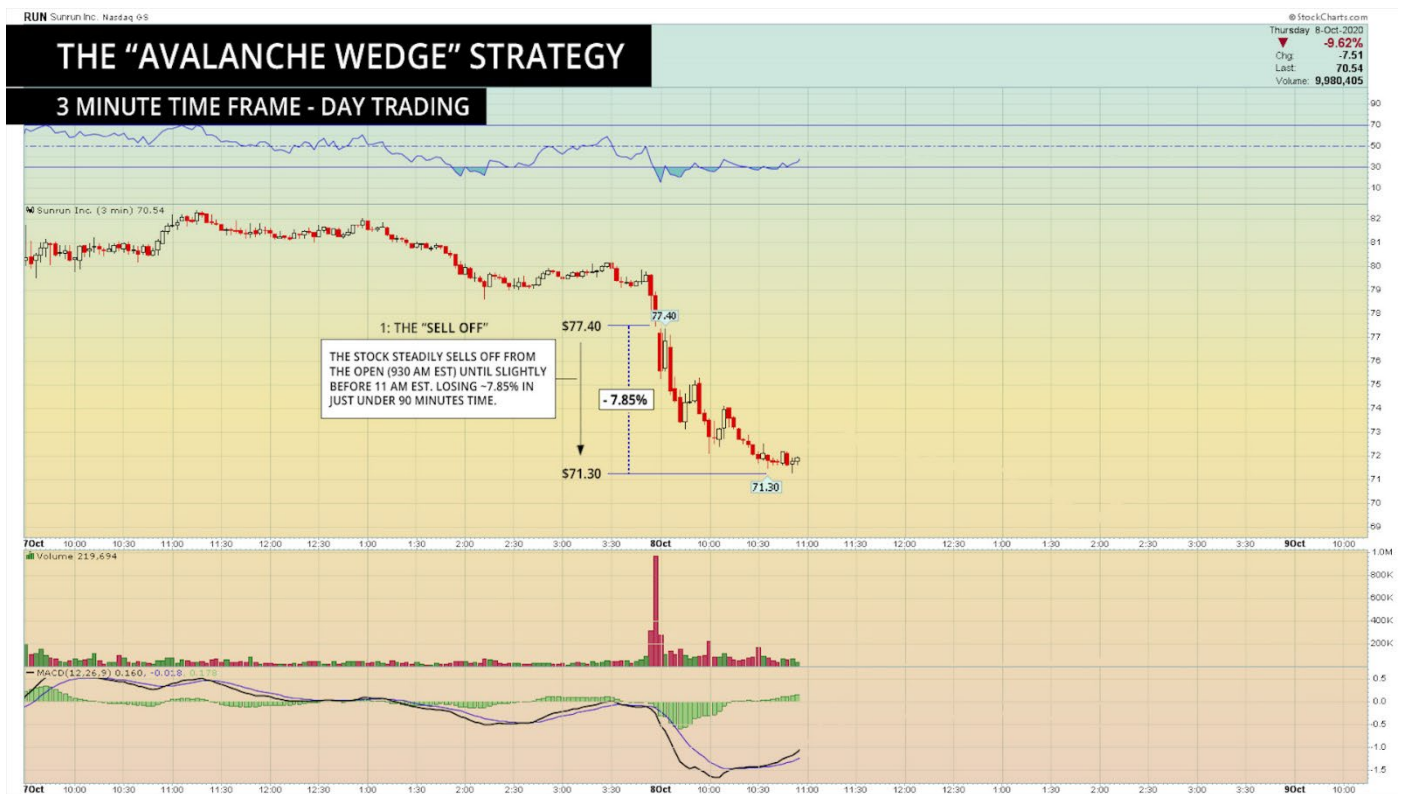
How did I apply this knowledge and Strategy to the \$RUN Avalanche day trade?

1. \$RUN Daily Time Frame Chart – Strong Uptrend:



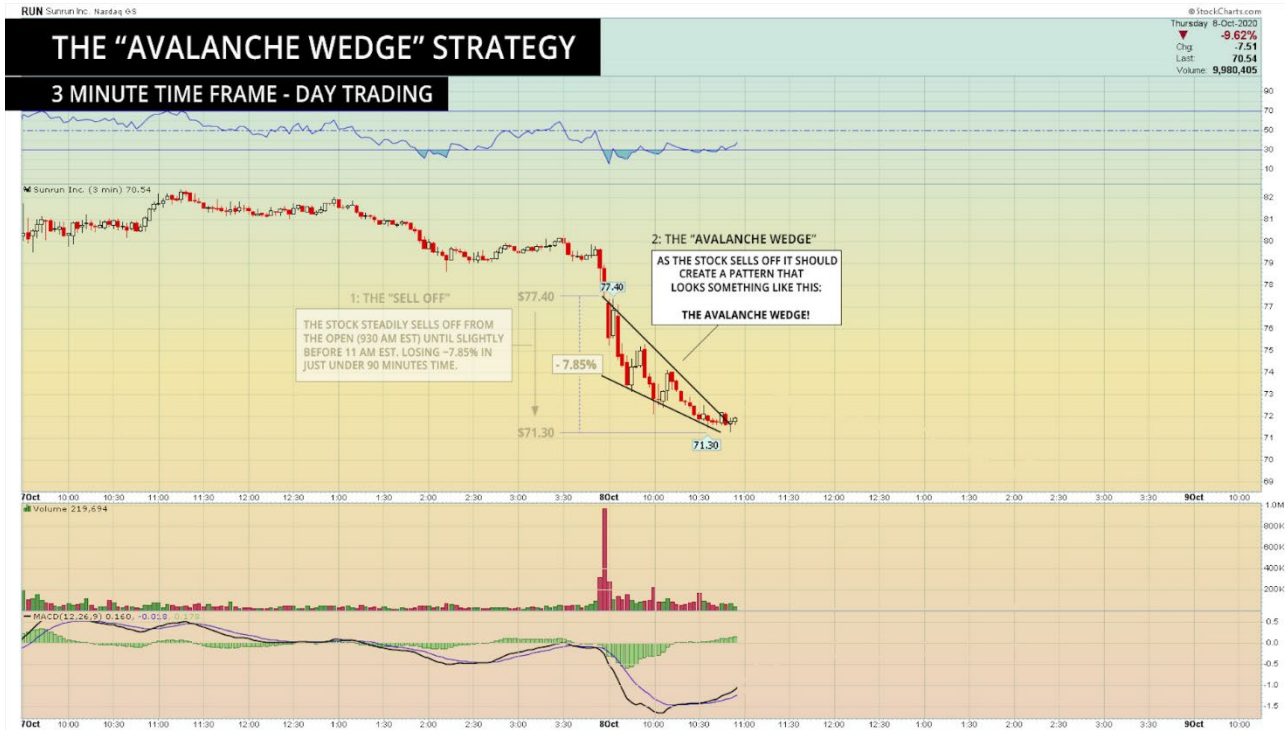
The first step was observing a stock that was in a **strong daily uptrend!** The reason this step is so important to the strategy is because you “The trend is your friend” If a stock is in a very powerful **daily uptrend** and then **sells off in a quick, sharp intra-day manner** more often then not it can find its footing and reverse back in a controlled manner. When observing these stocks for a potential avalanche play make sure it isn’t a “bad news” event causing the sell off. You want the selloff “Algo driven)

2. \$RUN 3-minute Time Frame Chart – “The Sell Off”:



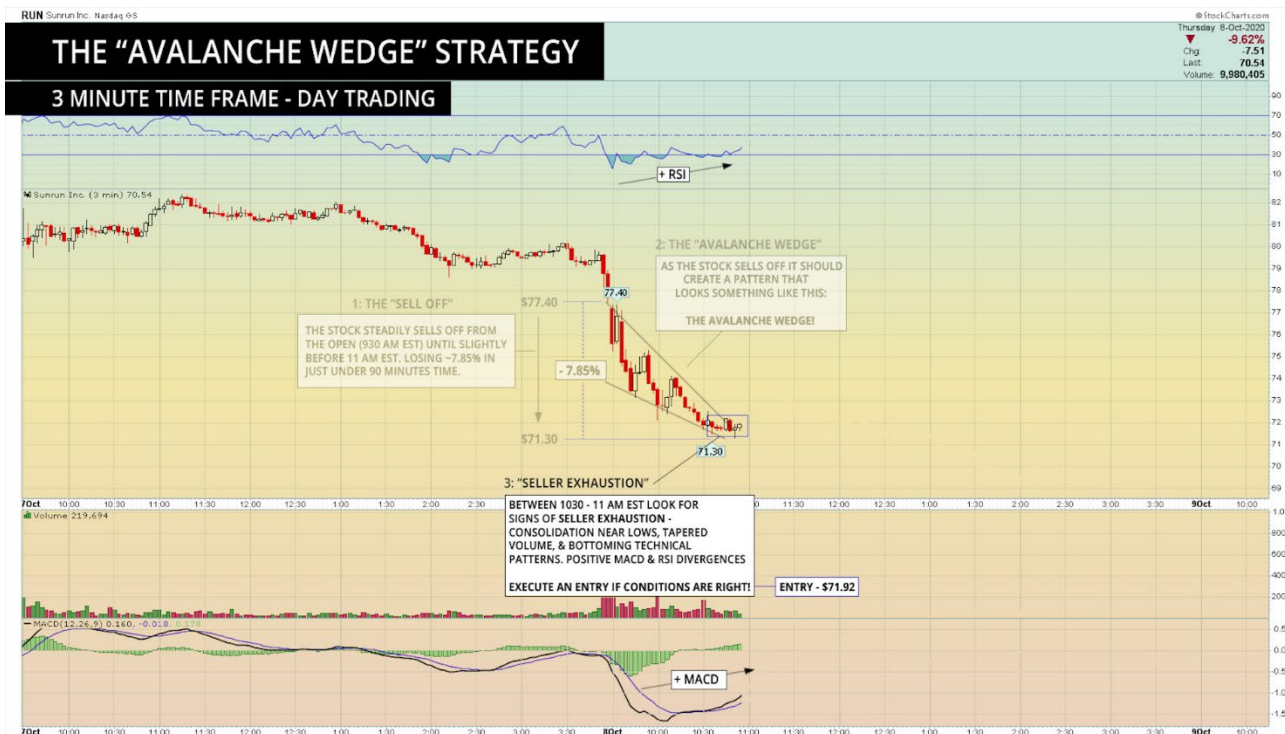
The stock steadily sells off from the open (930 AM EST) until slightly before 11 AM EST. Losing -7.85% in just under 90 minutes time. Note how **“quick”** and **“sharp”** the sell off is during this time. This is exactly what you want to see. Also note how far the stock fell in a short period of time. It lost nearly 8% in less than 90 minutes, another key point to an “Avalanche” setup.

3. \$RUN 3-minute Time Frame Chart – “The Avalanche Wedge”:



The “Avalanche Wedge” naturally forms with the sell off. This is another part of the puzzle to look for!

4. \$RUN 3-minute Time Frame Chart – “Seller Exhaustion”:



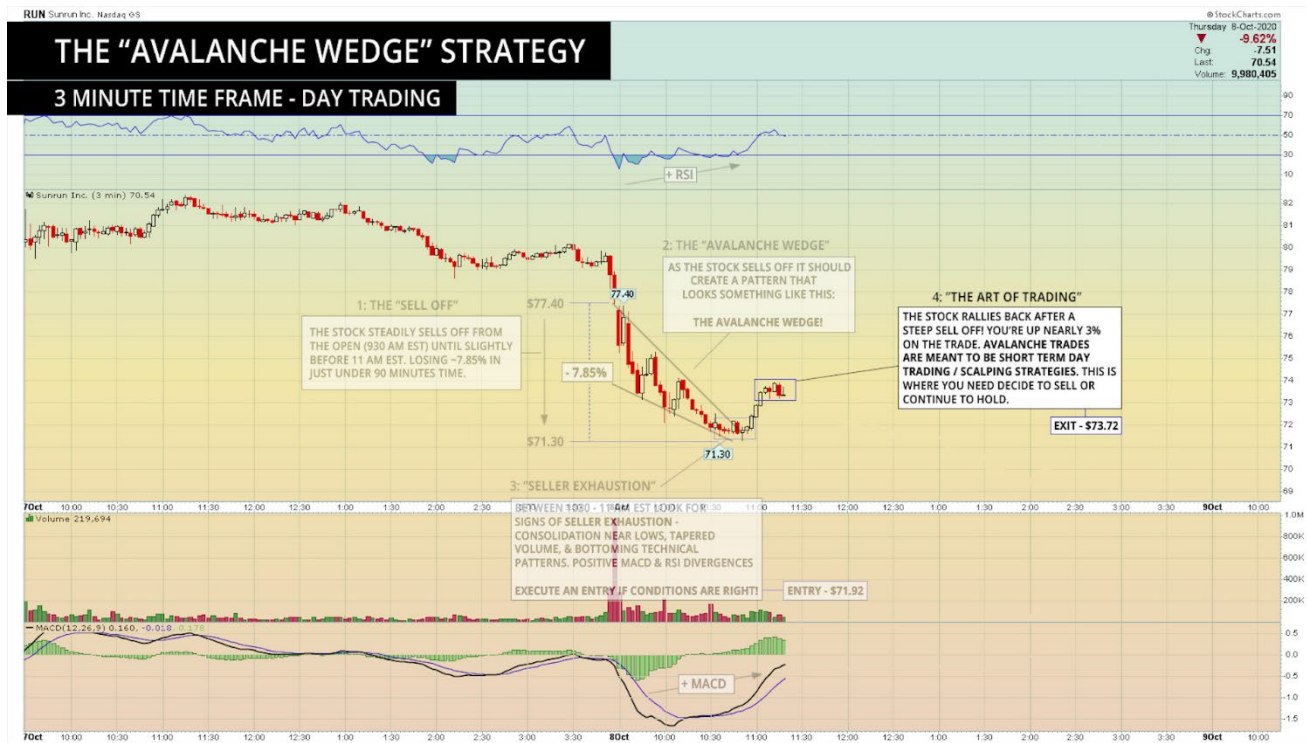
Between 1030 – 11 AM EST look for signs of **seller exhaustion** – consolidation near lows, tapered volume, & bottoming technical patterns, positive MACD & RSI divergences (as seen in the above chart). Its time to pick an Entry. For this trade I bought 5000 shares @ \$71.92

10/08/2020

Buy 5,000
Shares of
RUN at
Market
(Day)

Filled at
\$71.9248

5. \$RUN 3-minute Time Frame Chart – “The Art of Trading”:



“The Art of Trading” As you can see the stock bounces about 3% in 20 minutes time from the entry point. This is where experience plays a big role in the “Avalanche Trade” setup. The stock re-captured about 1/3 of its sharp move down and I took the trade off for a ~\$8000 gain in roughly 20 minutes time. Again, it is **very important to note that this is a day trading strategy not a swing trading strategy!**

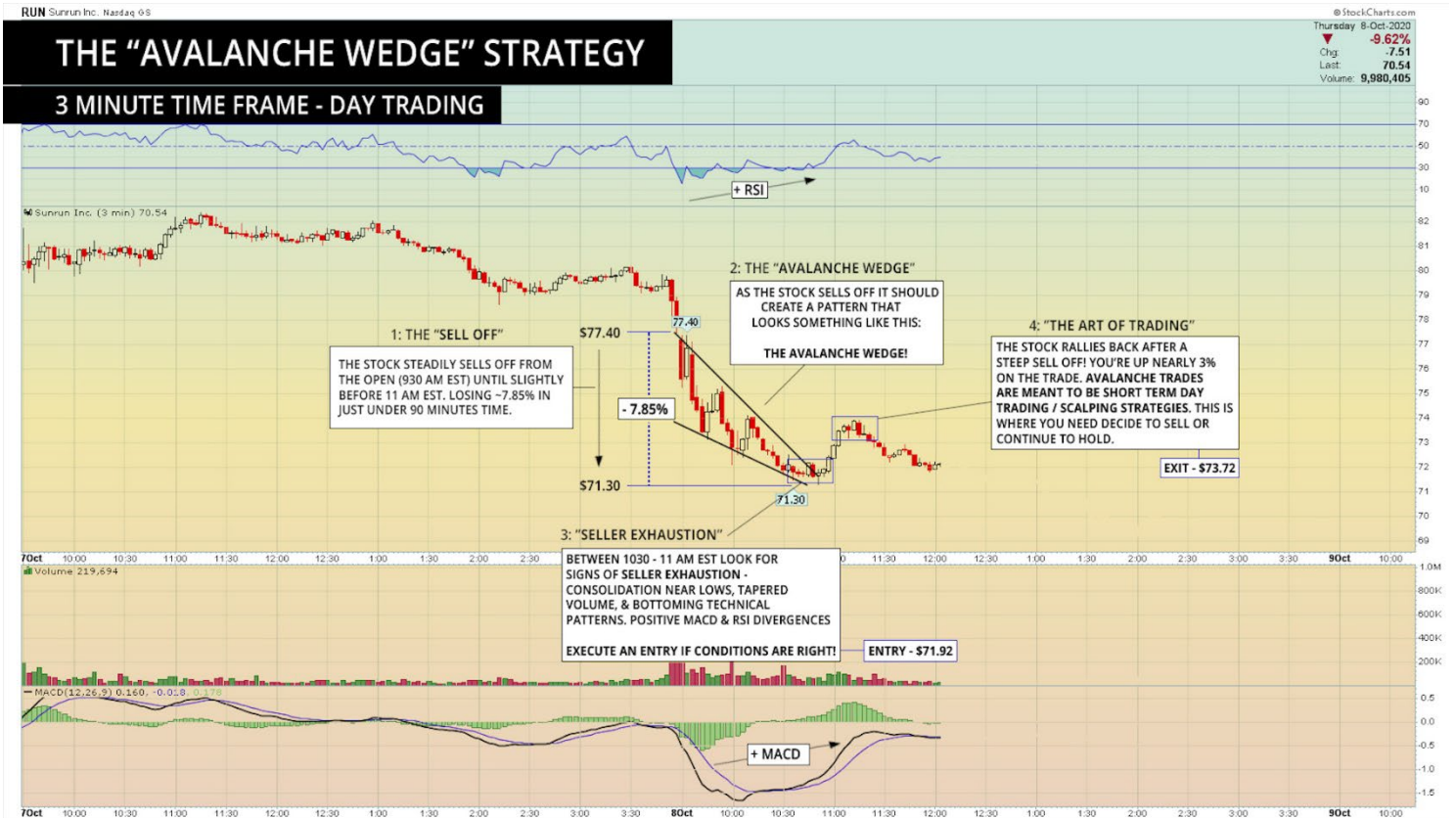
Screenshot of the exit:

10/08/2020

Sell 5,000
Shares of
RUN at
Market
(Day)

Filled at
\$73.725

Here is a screenshot of the chart from the video to use as a reference in your studies:



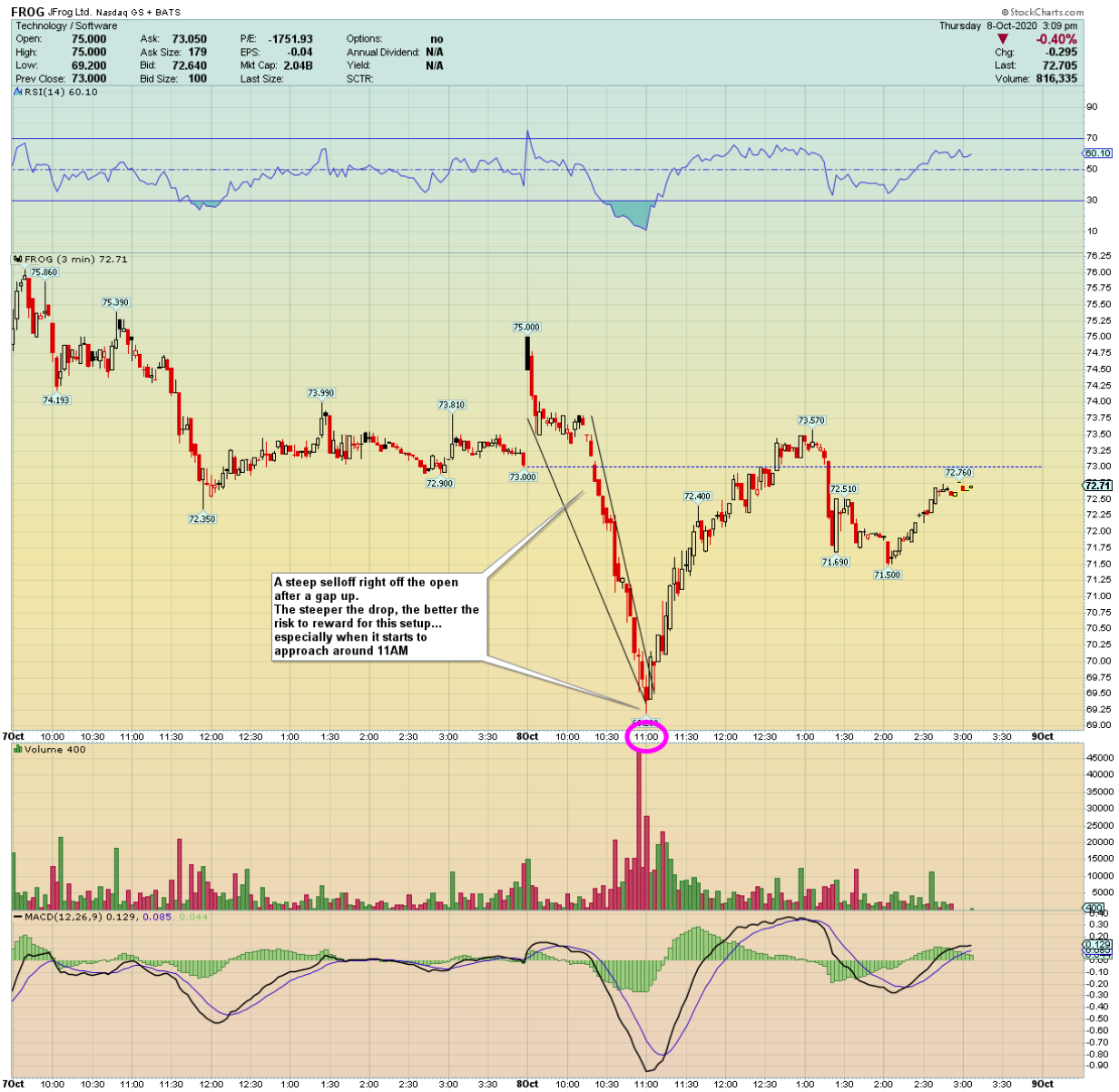
Note all of the technical references applied to make this trade what it was:

- The use of **algorithms** to your advantage (* Most active at 11 AM & 2 PM est)
- The **Falling Wedge** technical Pattern
- Bottoming technical patterns (seller exhaustion, tapered volume, MACD – RSI Divergences)

All of these played key roles in understanding and making this trade work!

As noted earlier here are a few more examples of Avalanche plays. Study these charts!

§FROG 3 Minute Time Frame Chart. Avalanche Setup and Play Through:



§FROG gaps up and quickly sells off. Losing over 10% in just under 90 minutes. Notice the strong volume profile? See how the sell volume is piling in all the way into 11am and then tapers off rapidly followed by a quick reversal. A **TEXTBOOK** avalanche setup here!

As discussed earlier in the review I will now provide 2 blank charts that you can apply everything you've learned here today to in order to apply your knowledge and cross reference your skills!

\$RUN 3 Minute Time Frame Chart. Avalanche Setup and Play Through:



\$TSLA 3 Minute Time Frame Chart. Avalanche Setup and Play Through:



Thanks for reading! I hope this post can help you add another tool to your trading strategy. Remember there is an “Art” to trading! Eventually through practice you’ll become more confident in the way you execute the strategy, maybe even adding your own twist to it – This is the “**The Art of Trading!**”