



Equity Sigma Channels Scanner v2.4

How to Pick Stocks Ahead of Violent Moves

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Sigma Channels

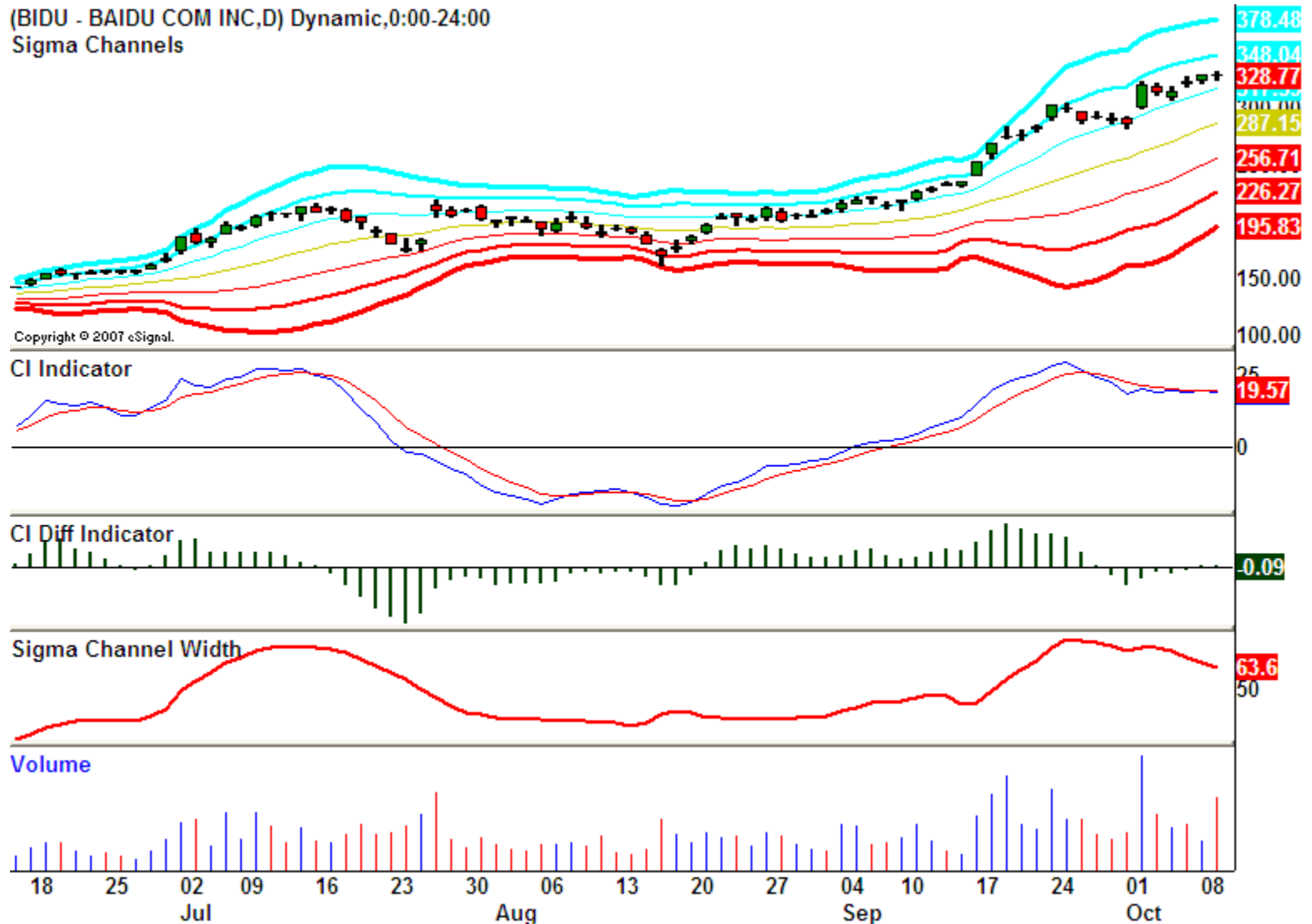
❖ Definitions:

- ❖ **Sigma:** In Statistics, the **standard deviation** of a random variable or a population of values is a measure of the spread of its values. It is usually denoted with the letter σ (lower case sigma). It is defined as the square root of variance. In other words, the standard deviation is the root mean square (RMS) deviation of values from their arithmetic mean.
- ❖ **Arithmetic Mean:** In Statistics, the **arithmetic mean** of a list of numbers is the sum of all the members of the list divided by the number of items in the list.
- ❖ Source: wikipedia.org

Sigma Channels	Probability of Asset Price Travel
+1 to -1	68.26895%
+2 to -2	95.44997%
+3 to -3	99.73002%
+4 to -4	99.99366%
+5 to -5	99.99994%
+6 to -6	99.999998%

Sigma Channels Chart

(BIDU - BAIDU COM INC,D) Dynamic,0:00-24:00
Sigma Channels



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Sigma Channels Trading Rules

- ❖ Why is Sigma Channels important for traders ?
 - ❖ Which Sigma Levels to Plot: Simple Subset is the Standard Bollinger Bands
 - ❖ At minimum what do traders need to know
 - ❖ LONG Trade:
 - ❖ Enter the position >>> as price crosses *above* +1 Sigma
 - ❖ Hold the position >>> while the price is trading between +1 Sigma to +2 Sigma
 - ❖ Money Management Stop >>> set it at Zero (0) Sigma (Orange background)
 - ❖ Exit the position (Limit Order) >>> at +3 Sigma (this move is over -- expect a retracement)
 - ❖ SHORT Trade:
 - ❖ Enter the position >>> as the price crosses *below* -1 sigma
 - ❖ Hold the position >>> while the price is trading between -1 Sigma to -2 Sigma
 - ❖ Money Management Stop >>> set it at Zero (0) Sigma (Orange background)
 - ❖ Exit the position (Limit Order) >>> at -3 Sigma (this move is over -- expect a retracement)



Sigma Channels Scanner v2.4

❖ Recent Enhancements:

- ❖ In v2.2 we introduced the New Entry Fresh Signal (Setup) Dates:
 - ❖ *Yellow* background in the **+1 Sigma** price column – *Bullish Setup*
 - ❖ *Yellow* background in the **-1 Sigma** price column – *Bearish Setup*
- ❖ In v2.3 we introduced:
 - ❖ **52 week High: Green** on *white* background in the Close price column
 - ❖ **52 week Low: Red** on *white* background in the Close price column
 - ❖ These are often great momentum trading candidates
- ❖ In v2.4 we introduced:
 - ❖ **200 Day Simple Moving Average Detrended (percent differential)** – gives another measure of how far the price “rubber band” is stretched.
- ❖ In v2.5 we *will* introduce:
 - ❖ **Sigma Channel Width x -day count** – this is ideal for Options Spread Trades



Volume Breakout by Market Cap

- ❖ Volume Breakout after a Basing Formation
 - ❖ Standard Benchmark: 50 Day Moving Average (MA) of Volume
- ❖ Definition of Market Cap: Total Shares Outstanding x Last Price
 - ❖ Big Caps > \$10 Bil
 - ❖ Mid Caps < \$10 Bil
 - ❖ Small Caps < \$ 1 Bil
- ❖ Combo: Volume Breakout by Market Cap
 - ❖ Big Caps 150% of 50 Day MA of Volume
 - ❖ Mid Caps 200% of 50 Day MA of Volume
 - ❖ Small Caps 400% of 50 Day MA of Volume
- ❖ Interpretation: Volume Breakouts happen most often at the beginning or at the end of a violent move. Beginning is often marked by a gap-up or gap-down while the end comes in an exhaustion bar.
- ❖ Color Code -- Blue



Dollar Weighted Put/Call Ratios

- ❖ Definition: Cumulative Put Premiums paid divided by Cumulative Call Premiums paid for an OptionsChain – all strikes, all months, including LEAPS
- ❖ Trigger Levels
 - ❖ Bullish < 0.30
 - ❖ Neutral in between
 - ❖ Bearish > 3.00
- ❖ Color Codes
 - ❖ Buy Trigger -- Green
 - ❖ Sell Trigger -- Red

Sigma Scanner v2.4 Bullish Bias

Symbol	Close	Stock Volume	Dollar W P/C Ratio	(3) sigma	(2) sigma	(1) sigma	0 sigma	+1 sigma	+2 sigma	+3 sigma	UniVol	Sig Chn Width	200 DMA Detrend
COMS	4.86	6,264	-	2.18	2.82	3.46	4.10	4.74	5.37	6.01	1,874.5	93%	15%
ADLR	3.53	217	-	2.89	3.10	3.31	3.52	3.73	3.94	4.15	122.5	36%	-45%
OPWV	4.99	901	-	3.88	4.08	4.29	4.50	4.71	4.92	5.12	510.3	28%	-35%
GNSS	8.35	338	-	7.03	7.35	7.68	8.00	8.33	8.65	8.98	54.3	24%	-10%
NFLD	2.09	304	-	1.79	1.87	1.94	2.02	2.10	2.18	2.25	-	23%	-62%
CAR	23.86	556	-	20.14	21.01	21.88	22.75	23.61	24.48	25.35	42.7	23%	-3%
ZRAN	20.31	541	-	17.78	18.52	19.25	19.99	20.73	21.46	22.20	46.2	22%	17%
ZBRA	33.59	465	-	32.11	33.23	34.36	35.48	36.61	37.73	38.86	32.1	19%	-10%
TSM	10.70	14,170	-	9.46	9.72	9.99	10.25	10.51	10.77	11.03	41.1	15%	2%
ERES	11.96	239	-	10.74	11.04	11.33	11.63	11.93	12.22	12.52	50.7	15%	41%
VIA.B	41.03	1,903	-	35.82	36.77	37.72	38.67	39.63	40.58	41.53	29.4	15%	2%
AVID	28.68	324	-	25.60	26.26	26.92	27.58	28.24	28.90	29.56	45.6	14%	-17%
ELX	19.47	766	-	17.74	18.17	18.60	19.02	19.45	19.88	20.30	36.4	13%	-1%
MLNM	10.47	2,369	-	9.52	9.74	9.96	10.18	10.40	10.62	10.84	41.3	13%	-3%
PETM	32.38	771	-	30.73	31.40	32.08	32.75	33.43	34.10	34.77	34.8	12%	3%
BMC	32.62	1,159	-	29.82	30.39	30.96	31.53	32.10	32.67	33.24	34.4	11%	4%
PLT	30.57	471	-	27.74	28.27	28.79	29.32	29.84	30.36	30.89	43.1	11%	31%
DGX	57.37	433	-	53.89	54.84	55.78	56.73	57.68	58.62	59.57	27.1	10%	10%
SANM	2.14	1,914	-	2.05	2.08	2.11	2.14	2.17	2.21	2.24	-	9%	-36%
CAI	51.76	180	-	48.62	49.28	49.95	50.62	51.29	51.96	52.63	34.3	8%	1%
AV	17.15	3,775	-	16.50	16.64	16.79	16.93	17.07	17.22	17.36	19.2	5%	20%
CCU	37.28	4,083	-	36.48	36.76	37.04	37.32	37.59	37.87	38.15	21.8	4%	4%
LYO	47.10	5,652	-	45.45	45.80	46.14	46.49	46.83	47.18	47.52	21.5	4%	39%
TXU	69.16	14,791	0.00	66.92	67.38	67.84	68.31	68.77	69.23	69.69	6.2	4%	10%



Sigma Scanner FAQs

❖ Do's

❖ For Stocks:

- ❖ Paper trade for one week so you get a feel for what is going on
- ❖ 3 days in a row at +/- 3 Sigma is a sign of exhaustion. Reversal is imminent.
- ❖ Weekly Sigma Channels have less noise and often can help you spot the price trend

❖ For Options:

- ❖ Go deep in-the-money two to three strike levels -- use a 90 delta or better
- ❖ Make sure at entry the option has 60 to 90 days time left till expiration
- ❖ Be out of the trade by approximately three weeks to go in the life of the option
- ❖ Monitor its Put/Call Ratio for sentiment reversal after the trade is put on
- ❖ When Sigma Channel Width is near its low of the year, it presents a good opportunity for options spread trading.

❖ Dont's

- ❖ Sigma Channels are not intended to be used on intraday bar charts

Sigma Scanner v2.4 Bearish Bias

MER	74.35	15,397	3.01	69.43	71.01	72.60	74.18	75.77	77.36	78.94	38.8	13%	-13%
MAR	41.97	3,900	3.02	40.81	41.70	42.58	43.47	44.35	45.24	46.12	32.8	12%	-7%
KLAC	54.21	6,108	3.16	52.89	54.01	55.12	56.23	57.35	58.46	59.57	40.9	12%	2%
TEVA	43.88	3,279	3.23	42.59	43.08	43.56	44.05	44.53	45.02	45.50	26.6	7%	16%
LRCX	53.77	2,845	3.35	48.45	50.03	51.62	53.21	54.80	56.39	57.98	57.3	18%	5%
PHM	14.98	7,666	3.36	12.40	13.38	14.36	15.34	16.32	17.30	18.28	79.9	38%	-44%
MATK	29.64	565	3.44	24.23	25.58	26.93	28.28	29.63	30.98	32.33	38.9	29%	24%
SNE	49.85	746	3.56	43.55	45.08	46.62	48.16	49.69	51.23	52.76	35.1	19%	3%
CAL	37.33	3,116	3.74	28.01	29.88	31.75	33.62	35.49	37.36	39.23	63.7	33%	-1%
JBLU	9.26	4,082	3.76	8.77	8.99	9.21	9.43	9.65	9.87	10.08	53.2	14%	-20%
EEE	4.72	424	3.79	3.66	4.02	4.39	4.75	5.11	5.48	5.84	(1,345.9)	46%	-35%
FITB	35.06	2,464	4.23	32.89	33.55	34.21	34.87	35.53	36.19	36.84	32.6	11%	-11%
MCHP	31.98	15,875	4.32	33.33	34.38	35.43	36.47	37.52	38.56	39.61	38.9	17%	-12%
UIS	7.29	1,177	4.50	6.31	6.51	6.70	6.89	7.09	7.28	7.47	43.4	17%	-7%
CMCSA	23.90	18,473	4.62	22.62	23.18	23.74	24.30	24.86	25.42	25.97	34.4	14%	-11%
F	8.32	44,958	5.07	7.38	7.69	8.00	8.31	8.62	8.93	9.24	45.9	22%	1%
FCS	17.75	2,219	5.40	17.56	17.85	18.14	18.43	18.72	19.00	19.29	47.4	9%	-1%
KSS	60.26	4,840	6.05	52.11	54.16	56.21	58.26	60.32	62.37	64.42	46.6	21%	-13%
UNH	48.49	7,987	6.30	46.12	47.06	48.01	48.95	49.90	50.84	51.79	26.8	12%	-6%
HOV	12.06	1,897	6.33	8.48	9.56	10.64	11.72	12.81	13.89	14.97	111.9	55%	-51%
DHI	14.31	5,188	7.14	12.01	12.69	13.37	14.05	14.73	15.41	16.09	69.9	29%	-35%
LLTC	34.30	9,459	7.32	34.00	34.29	34.59	34.88	35.17	35.47	35.76	31.7	5%	1%
NUE	58.77	3,271	8.05	52.52	54.39	56.26	58.13	60.00	61.87	63.75	51.8	19%	-2%

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