SCALPING

MARKET AWARENESS IS KEY

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This is the fifth segment in a 6-part series covering scalping as an engagement tool.

Define, Expect and Explain	Searching for Opportunities
The Trade Execution	Waiting Until You Are Right
Market Awareness is Key	Building Consistency

MARKET AWARENESS IS KEY

Knowing when you have the opportunity to scalp is key. If the market is less volatile or trending in one direction, scalping is difficult.

We can calculate the 1σ expected daily range of SPY:

$$\text{Expected Move} = \pm(\text{Spot Price} \times \text{Implied Volatility} \times \sqrt{\frac{\text{DTE}}{365}})$$

MARKET AWARENESS IS KEY

	Intraday within ±0.5σ exp. move	Intraday greater than ±0.5σ and less than ±1.5σ exp. move	Intraday greater than ±1.5σ exp. move
% of days	14%	66%	20%

66% of the time, we are within the “scalping zone.”

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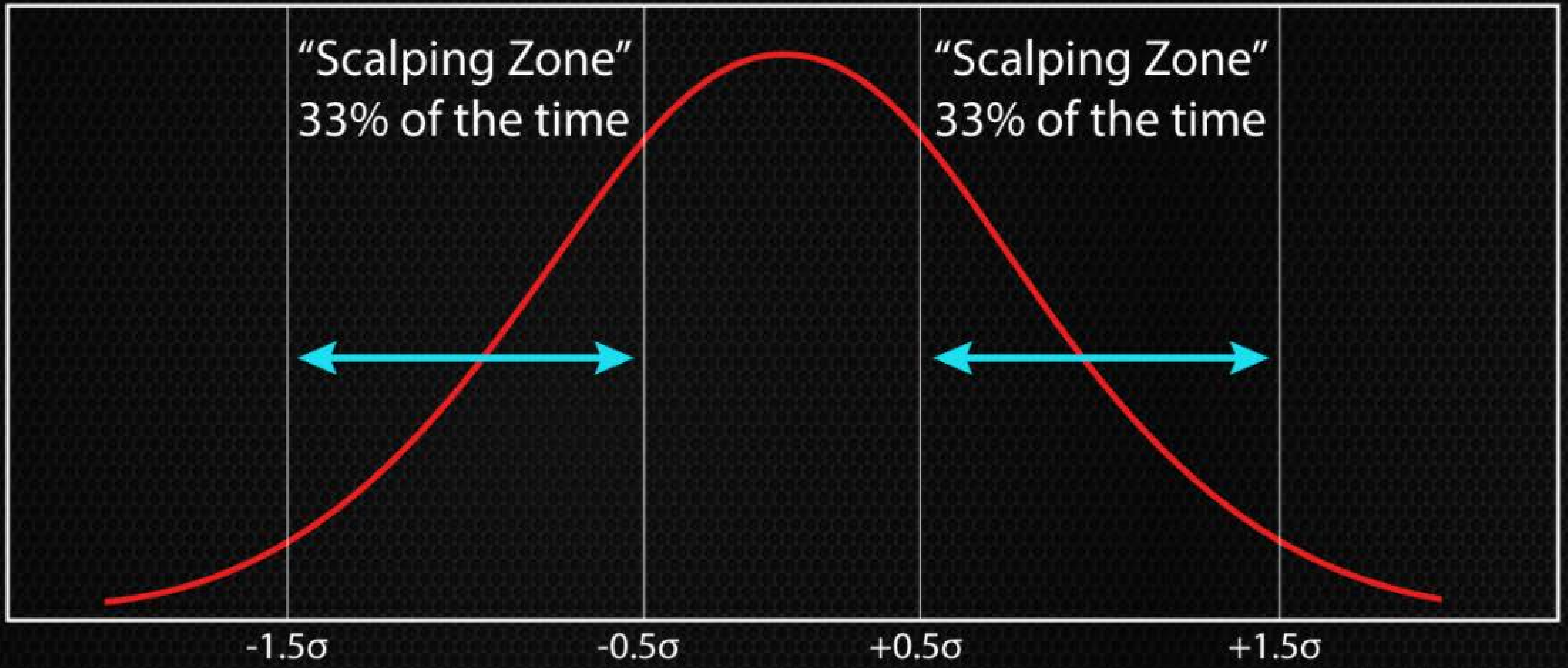

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It is also important to be aware of the relative strength of different indices. The current correlation between the S&P 500 and the Nasdaq is 95%.

If these two highly correlated underlyings divert, we may look to use one or the other to scalp and this happens 15% of the time.