Rocket Trades

& How to Find Them

by Ed Downs, CEO Nirvana Systems

3 ● 2 ● 1 – Lift Off!

Have you ever seen a Stock seem to take off to make enormous gains? Stocks that double or even triple in a matter of weeks? We call them Rocket Trades.

The 4th quarter of 2020 saw a large number of Rocket Trades, but they happen almost every day in any market.

The chart to the right of MARA (Marathon Patent Group) is a great example. Following the day the Rocket "launched" it went on to gain over 300% in just three weeks.

Another great example is TransEnterix, Inc. (TRXC) showing a beautiful launch in early January, and leading to a similar 300% gain *but in just two weeks.*

So "How do we find these trades?" In this article, I will show how, using a very simple indicator and chart observations, it is relatively easy to identify potential Rockets that are on the Launch Pad, and clearly showing when Launch Day has arrived!

The key to finding Rocket Trades is properly measuring Relative Strength. Let's see how this works…

Note: The Charts and Indicators used in this article were created using Nirvana's OmniTrader.   More information is provided at the end of the article for those who are interested.

After MARA was identified, it skyrocketed to make 300%+ in the next three weeks.

Another great Rocket Trade on TRXC made 300% as well.

The Power of Relative Strength

Many traders are familiar with Wilder's Relative Strength Index (RSI), which measures how strong a stock is compared to ITSELF over a certain number of bars. What we want is to measure Relative Strength of the Stock to the MARKET because that's what indicates that market participants are accumulating it.

If you look at the chart to the right, you can see that AMRS made a much bigger percentage move in mid-November than the NASDAQ 100 index made in the same time.

Symbol	Price Change	Resulting Gain
AMRS	$2.25 to $4.12	→ Up 83%
QQQ	$290 to $309	→ Up 7%
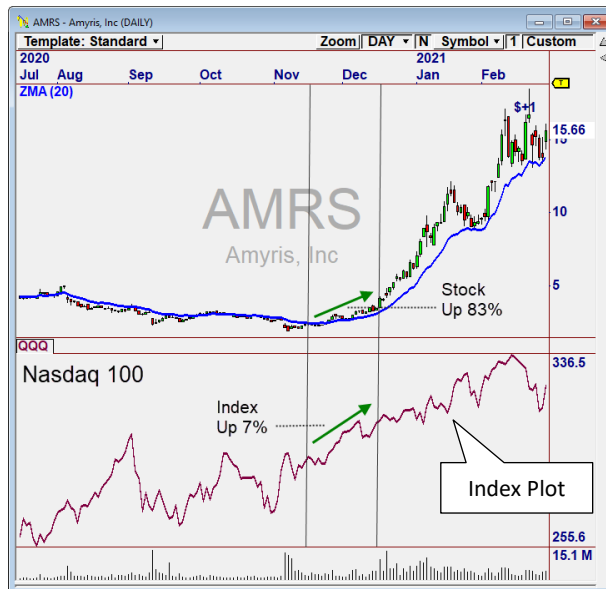
During this 4-week period, the stock gained more than TEN TIMES that of the index, even though the index was also moving up sharply. We say that stocks exhibiting this behavior are in "Launch Mode." All we need is an indicator that can show us when this is happening.

The RSM Indicator

We can find Rockets in any market. We just need an indicator that calculates the Relative Strength compared to Market (RSM). By "Market" we mean an index like the S&P 500 or NASDAQ 100. To calculate RSM we use the Percent Change of the Stock minus the Percent Change of the Market over a certain number of bars. Here is the formula:

$$RSM(n, Index) = 100 * (Close_{stock} - Close_{stock}[n] / Close_{stock}) / (Close_{index} - Close_{index}[n] / Close_{index})$$

Where…

$Close_{stock}$ .... Stock Closing Price on any Bar
$Close_{stock}[n]$ .... Stock Close n Bars ago
$Close_{index}$ .... Index Close on the same Bar
$Close_{index}[n]$ .... Index Close n Bars ago

*This formula can be entered into any technical analysis program – the appendix shows an OmniTrader version.*

The RSM(21,"QQQ") indicator is plotted to the right on AMRS and measures the Relative Strength of AMRS to the QQQ index symbol over the past 21 days. When the indicator is below the Zero Line, the stock is falling compared to the market. When it is above the Zero Line, it is rising compared to the market – and that's when we want to consider trading it.

Trading with RSM – No Rocket Science Required!

All Systems Go

In the plot below, we have shaded the areas where the indicator is above zero in green. The longer RSM is above zero, the more powerful the Launch is. When RSM moves strongly above zero, and stays above zero with the Stock also advancing, all we need to do is wait for the Launch Bar.
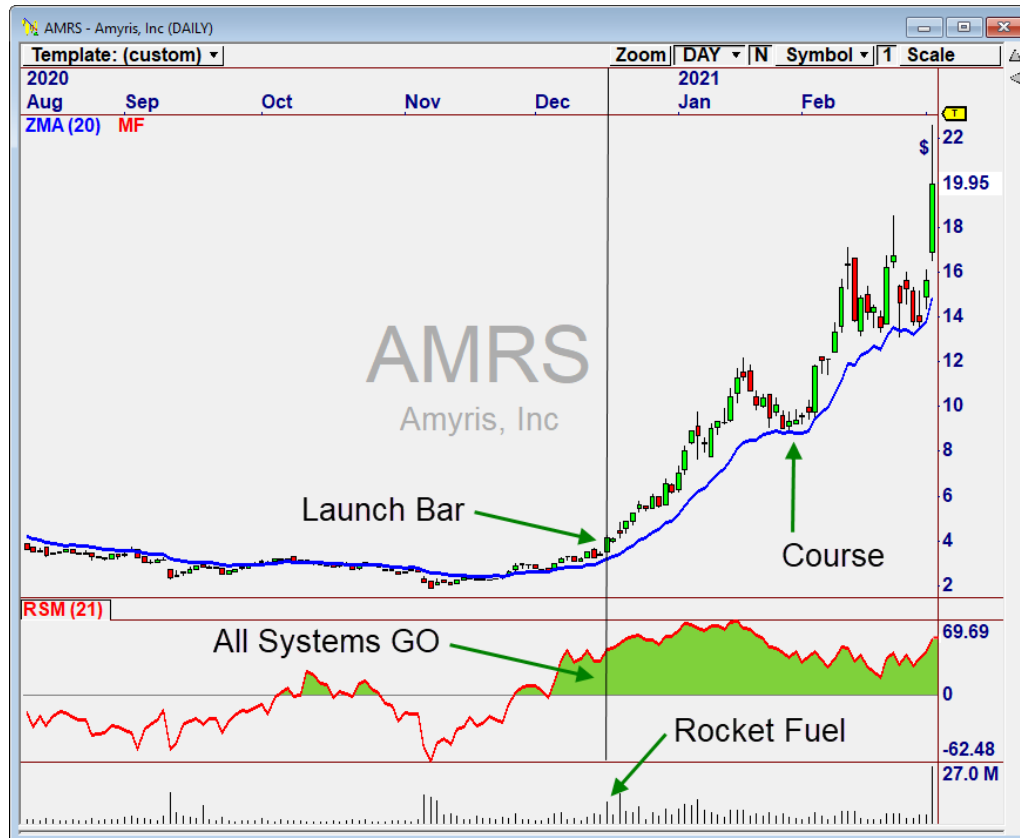
The Anatomy of a Rocket Trade

The Launch Bar

The existence of a Launch Bar improves the odds of a successful Launch. A Launch Bar is a larger bar that exceeds prior highs, with "Rocket Fuel", which is volume on that bar (or bars around it).

Rocket Fuel

Prices are determined by the forces of Supply and Demand. If a Stock experiences high demand, its price will be driven up to meet the demand. Volume measures the amount of money going into and out of a stock. When Volume increases on an Up bar, this indicates "accumulation" is occurring and provides the "fuel" that can sustain Lift Off. For this reason it is important to always check Volume on a Launch Bar to see if it is increasing. If it is, the likelihood of the Stock continuing up is much higher.

Staying on Course

Our Rocket is considered to be "On Course" as long as it is above a 20-period Moving Average. (We prefer the 20-Period Zero Lag Moving Average but any MA will work). This "Course Line" provides an effective Trailing Stop for our Rocket Trades. As long as the Rocket is On Course, we stay with the trade.

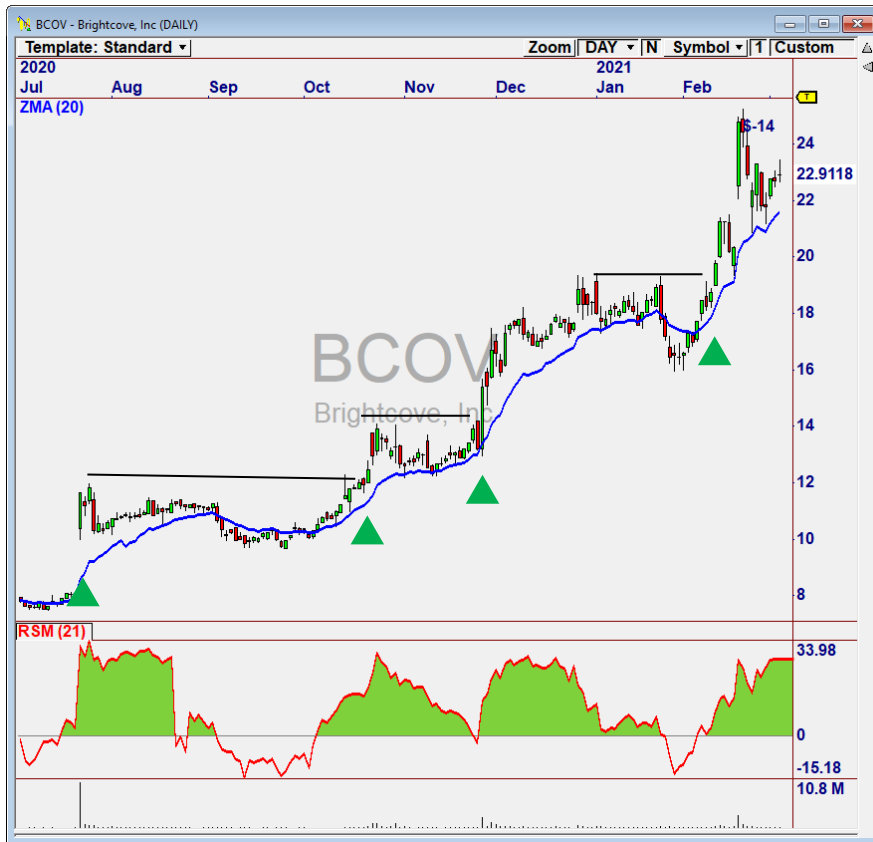Now, let's look at some Rocket Trades that blasted off the launch pad…

Recent Rocket Trade Examples

Smart Global (SGH) shows two Launch points, where RSM
is very strong and price moves above recent highs.

KLR (KLR) has a strong launch with Volume at the end of November.
It stayed On Course through February, gaining more than 100%

BrightCove (BCOV) has four Launch Points. The first one fizzled, which happens
from time to time, but a Stop at the ZMA kept losses low.

Esports Entertainment (GMBL) has two Launch Points – one in early December
and a more dramatic one in early February if you missed the first one.
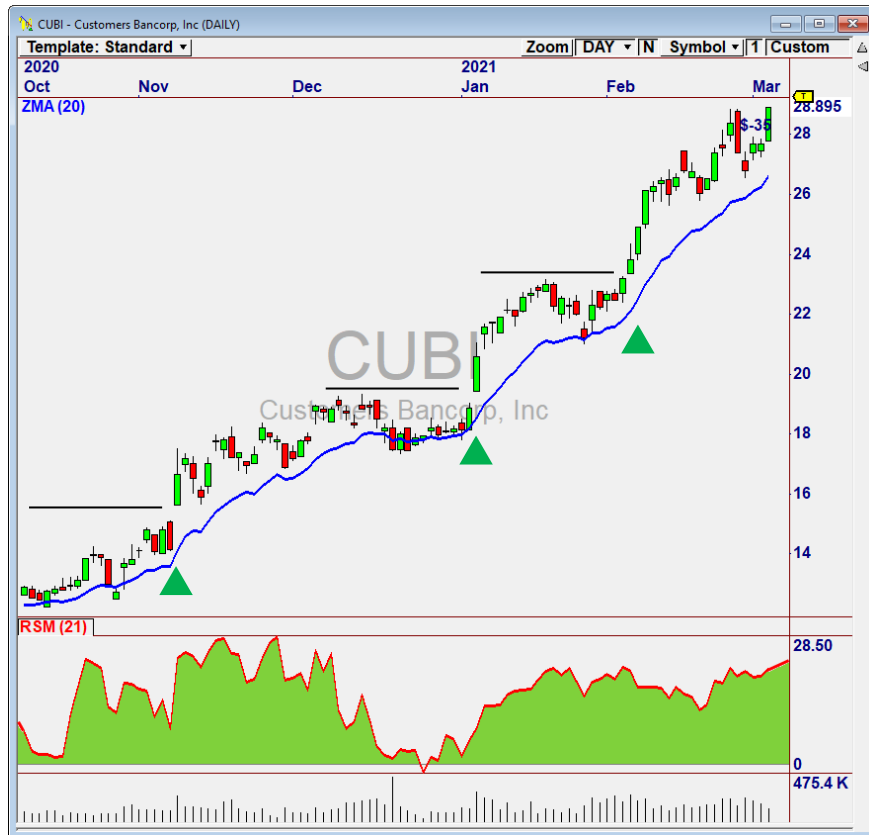
"Nothing but Up!" With Customer's Bankcorp Inc., RSM remained
high for months. Three Launch Points are marked.
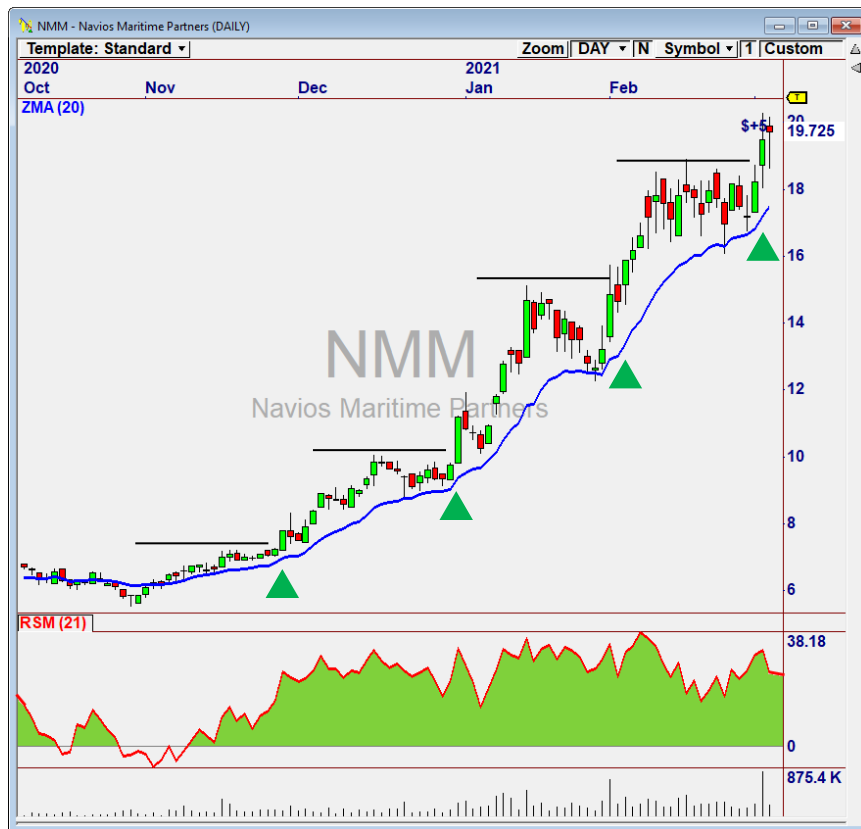
Steady as She Goes. Navios Maritime Partners (NMM) Signaled four
clear Launch Points where RSM was high and a Launch Bar was observed.
The stock stayed "On Course" (above the ZMA) throughout this time.

Trading Success

Nirvana's Rocket Trade Method was created as an extension of the original Relative Strength indicator presented in this article. The Method includes the advanced indicator, Scans and other automated assets as described in the next section.

In October, I set out to use this new Method to Engage the market. Using Rocket Trade, I easily grew a trading account 100% in the four months from Oct 12, 2020 to Feb 12, 2021.

The actual equity curve from Interactive Brokers is shown to the right; the complete record is available at www.nirvanasystems.com/rockettrade.

More information on Nirvana's Rocket Trade Method is included below.

Up Over 100%
10/12/20 to 2/12/21

From Actual Brokerage Account Record

The Rocket Trade Package

Further research at Nirvana Systems refined the RSM approach to create a powerful new Trading Method, complete with Indicators, Scans and Strategies – and Education – that have enabled OmniTrader users to find and trade the best Rockets the Market has to offer, in just 15 Minutes a day.

Everything You Need is Included:

- Trading Platform – The Rocket Trade assets run in OmniTrader, which is included (a $495 value) – includes one free month of OmniData (reg. $29).
- Rocket Trade Method
    - Rocket Indicators – Advanced Relative Strength Indicators that improve on RSM are included.
    - Rocket OmniScans – Rocket Scans find the Candidates for you Each Day.
    - Rocket Strategies – Automated Trading Signals Provide Timing for Entries and Save Time.
    - Rocket Course – Comprehensive 3-Part Course
- PLUS – Our Iron-Clad 30-Day Money-Back Guarantee

To learn more about Rocket Trade…

Visit: www.nirvanasystems.com/rockettrade   Many Customer Testimonials provided.

Appendix 1 – Code for the RSM Indicator

The RSM Indicator can be easily added into any Technical Analysis Trading Software.
Here is a version for Nirvana's OmniTrader or VisualTrader.

```
#Indicator

' ***************************************************************************
' * Relative Strength to Market
' * by Ed Downs
' *
' * Summary:
' * Uses percentage changes in a market symbol versus individual stocks
' * to plot Relative Strength as an indicator.
' *
' * Was coded with the NASDAQ ETF "QQQ" but any index symbol can be used.
' *
' * Parameters:
' * Periods  -- Lookback number of periods to calculate percentage changes over.
' *
' * Last Updated: March 1, 2021
' ***************************************************************************

#Param Periods,21

dim r as single

r = 100*(Close-Close[Periods])/Close _
     - (GetClose ("QQQ")- GetClose("QQQ")[Periods])/ GetClose ("QQQ")

plot ("RSM",r)

Return r      ' Return the value for RSM
```