

Learn How to Day Trade a Stock with a News Catalyst [Video]



Do you want to learn how to day trade a stock with a news catalyst. In this example, we are covering a buyout or takeover rumor on HOG: Harley Davidson. On Friday, July 1, it was rumored that KKR was going to takeover HOG and shares went soaring nearly 25% on the close. When you see "rumors", you have to think like you are in a court room and the defendant is guilty until proven innocent. On Tuesday, news dropped that the takeover bid was mere speculation and an unsubstantiated rumor. While it was not outright suggested that the rumor was false, an investment bank suggested that the deal is unlikely to happen. This sent the stock dropping nearly 8% on the open and put pressure on HOG all day.

The difficult part of day trading a stock with a news catalyst is that they are very subject to the news wire. There are many purist technicians out there who refuse to look at news.

I check the news in the morning to understand why a specific stock is moving on the day. For example, if there is a buyout of a stock at 50/share, the odds of it going substantially beyond or below 50 is slim to none. Therefore, even though the stock may be up 30% on the day, I am going to remove it off of my radar. Or, there could be a stock which is gapping higher on news that it passed a FDA trial and this could indicate a real mover for the day. At the end of the day, stocks fueled by rumor and speculation are very susceptible to

any news release and for these specific types of trades, I would recommend keeping an eye on the wire.

Have you guys ever been caught up in a stock halt? If not, its not very fun and you have no control over what can happen on the reopening of the stock. Stocks fueled by speculation are more vulnerable to these types of halts.

Our trade example below uses our [Tradingsim Market Replay](#) tool. It is a market DVR which allows you to replay over 2 years of historical market trading activity as if you were trading it live. Check it out if you are looking to learn how to day trade.