

How Oliver Velez Trades the Open Like a Boss: 4 Key Takeaways



How Oliver Velez trades the open is fun to watch. Thankfully, he shares a lot of his trading wisdom for free on YouTube. To that point, one really great free series he's created is called "[Trade the Open Like a Boss.](#)" This series is an opportunity to sit next to Oliver, virtually, as he trades the open live, commenting on his trades in real-time.

In this post, we'll try to break down some of the key takeaways that Oliver offers as he trades the open.

Who is Oliver Velez?

Oliver Velez, or OV as he is often referred to, is one of the most recognizable faces in all of trading education. His signature shades and OG appeal is unmistakable. So is his style.

As a prolific author and educator, Oliver is credited with a lot of the early work of trading education. When he got started in the 80s and 90s, there weren't any formal options for education. Aside from reading books and getting a job on Wall Street, the options were slim for learning.

Realizing this void, he helped develop the Pristine Method of Trading from back in the 90s. This method has influenced many traders and educators through the years who are still teaching from its concepts today.

Fast forward, Velez's courses and teachings continue to evolve. You can find them on his YouTube channel or as part of his proprietary trading firm, ifundtraders.com.

The 4 Key Takeaways of How Oliver Velez Trades the Open

One of Oliver's more popular strategies deals with how he trades the open. He calls this series, *Trade the Open Like a Boss*. In it, viewers get a chance to watch OV placing real trades and hear his commentary as he trades.

Having viewed the series, we've broken the strategy down to 4 foundational tenets.

1. Having a Core Universe of Stocks on Watch

When trading the open, Velez likes to keep a core group of stocks on watch. Generally speaking, these are all large cap stocks like Facebook, Apple, Starbucks, Home Depot, etc. The reason for this is familiarity.

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20 Sep 2021

▲ Watchlist



Sym	Price	G/L
QQQ	366.52	-7.31 (-1.96%)
SPY	435.06	-6.34 (-1.44%)
AMD	101.14	-2.73 (-2.63%)
TSLA	729.00	-30.49 (-4.01%)
AAPL	143.02	-3.04 (-2.08%)
HD	334.38	-1.29 (-0.38%)
SBUX	111.95	-1.46 (-1.29%)
TWTR	60.22	-2.25 (-3.60%)
QCOM	132.32	-1.28 (-0.96%)
EBAY	71.55	-2.56 (-3.45%)
EXPE	152.42	+0.14 (+0.09%)
TEVA	8.88	-0.12 (-1.28%)
GILD	71.72	+0.11 (+0.15%)



OV keeps a familiar watchlist

Too often, beginning traders will wake up and trade whatever shows up on their scanners. While this might work for some, depending on the strategy, many professional traders prefer to narrow their focus.

Most stocks display a personality in their volume and price movements. **The more familiar you are with a stock's personality, the better prepared you are to expect certain reactions in price movement.** In order to do this, you need to trade the same stocks day in and day out, or at least keep them on watch.

OV Prefers Liquid Stocks

When Oliver Velez trades, he trades with size. In the videos

for his series, you can see his buying power is in the millions. For that reason, he needs liquidity. Generally speaking, he takes a position of 1000-10,000 shares of stocks like AAPL, depending on how well he can scale in.

2. Determining the Path of Least Resistance After the Open

“Who has the the ball, the bulls or the bears?” This is the question Velez seeks to answer within a few minutes of the open. This will determine the direction of the position he takes. He isn’t afraid to go long or short, he just wants to be on the right side of the trade.

To that end, Velez typically uses four criteria, and occasionally a fifth, to determine what the path of least resistance is while trading the open.

1. Gap up or down?

This is the first of the criteria he looks for. Without using premarket data, Velez has his charts setup to flip through his universe of stocks to see which are gapping up or down. This gives him the first bit of sentiment that he needs on the day. In other words, is there weakness or strength in his stocks?

Here is a recent example of what a gap down looks like in AAPL:



AAPL gap down

The idea is to make a play in the favor of the prevailing headwinds or tailwinds.

2. Support and Resistance on Higher Time Frames

Higher time frames can also give us clues as to whether our edge is to the short or long side. In the example of AAPL above, we can pull up the daily chart and see that we had a “head wind” pushing the stock lower.



AAPL Daily Support Gap

Notably, from the daily there is nothing but space below us. This adds to our conviction to short the prevailing trend off

the open.

3. Oliver Velez Trades with the 20 & 200 Moving Averages

In addition to having a gap in your favor, you also want the [20 moving average](#) and 200 moving average providing resistance or support. In this example with AAPL, our bias was to the short side. To that point, the 20 and [200 moving averages](#) should be “overhead” providing resistance.

Let’s look once again at the 2 minute intraday chart:



Oliver Velez trades with the 20ma and 200ma intraday

In this scenario, Velez looks to add to his position as the stock rallies off the open into these moving averages. He often adds to his position into the bounce.

4. Prior Price Congestion Can Provide Support or Resistance

As he teaches in Part 14, Velez likes to look for rallies into prior price congestion in order to scale into a position. Often he will use a 50% retracement into the prior day close

to initiate these positions.

As you can see in this example with Home Depot, the stock rallied into an area of prior price congestion, offering the opportunity to reposition on the short side.



Shorting into overhead price congestion

5. Oliver Velez Likes to Feel the Momentum

This is the fifth criteria that often comes into play as Velez puts on his "feeler" trades before he sizes in. A lot of this is discretionary. Is the stock showing strong support on a gap down? Is a stock weak after gapping up? A lot of this is determined by the feel he has for the volume and price action.

To that end, he might ignore taking a position if the sentiment isn't there. This isn't an exact science like the gap, or the moving averages, however. It takes years of experience like Velez has to acquire this feel for the price action. Having a small universe of stocks is also ideal to help develop this 6th sense.

3. Waiting a Full Two Minutes Before Committing

Occasionally, Oliver Velez trades before the first 2 minutes. However, as a general rule of thumb, he teaches his students to wait for at least the first 2-minute bar to form. This gives a good general direction of where he wants to initiate a position as well as anticipate areas for adds and profit taking.

Let's look at another AAPL example to see this in action. Notice that on this particular day, AAPL was gapping up. The general market was also gapping up on this day, and looking for a breakout to all-time highs in the QQQs.



Oliver Velez waits until the first 2 minute candle is formed. Judging from the weakness shown in the first 2-minute candle, Velez might look to the underlying support areas like the 20ma and 200ma. It takes about 10 minutes for the support to really show up here. However, this gives you plenty of time to input your orders on the bid.

As we mentioned earlier, Oliver likes to add into pullbacks that retrace or fill the morning gap. This AAPL is a great

example of this. Checkout [Part 16](#) of the series for a great example of this.

Oliver likes to say, “Let your trades settle, don’t jump the gun.” Most of the time, it is best to wait for the trade to come to you and reveal its hand.

Occasionally, you might find an ignore bar pattern, as Velez calls it. It is essentially a [3 Bar Play](#) which we have discussed in a prior article.

4. Adding Liquidity into Prior Support or Resistance

Don’t be afraid of a bounce when you have a rally into resistance. Likewise, don’t be afraid of a pullback into support. This is Oliver’s trading advice. In fact, most of Oliver’s trades are sized much heavier when he gets a pullback in order to buy more shares. He is often thinking like a market maker in that regard.

In contrast, if the initial position he takes goes in his desired direction without a pullback, his position is usually lighter. He doesn’t like to chase.

In order to do this, he is placing his orders for long positions on the bid as the price drops into areas of support. Likewise, to initiate his short positions, he places orders on the ask, or offer, in overhead resistance areas. This allows him to [add liquidity](#) to the market, which often reduces his commissions as well.

Here is an example of the Level 2 inside TradingSim in the AAPL example given above:



Oliver Velez trades with Level 2 bids and offers

As price moves down toward the 20 moving average, Oliver will have [limit orders](#) already placed into this area of support. He essentially becomes part of the support, just like a market maker would.

How to Practice Like Oliver Velez Trades

OV is a huge proponent of simulated training. There really isn't a better way to train your chart eye with no risk. It's simply not worth trading until you have a solid foundation for discovering an edge.

To that end, we suggest creating a core watchlist just like Velez does. Pick stocks that are liquid, large cap names that may also be somewhat volatile off the open. We've shown you an example of some of Velez's favorite candidates above, but here they are again:

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Ultimately, you'll have to get a feel for the stocks you like to trade, and the list may look completely different. Also, note that in the series, Velez trades without premarket data. He's looking carefully at the gaps and the prior day's close, along with the 20 and 200 moving averages. So, be sure you set your charts up with these indicators.

Lastly, learn to scan through your stocks each day to find gaps above your key levels, or below your key levels. Replay these as many times as you can in order to find similarities. Take screen shots. Make notes. And, ultimately, **document your successes and failures to know your probable outcomes.**

Be sure to subscribe to [Velez's Youtube page](#) for more great free content.

Here's to good fills!