

# 20 Moving Average Pullback Strategy: Great For Short Term Trades [Plus Video Tutorial!]



The 20 moving average is an extremely popular indicator in the world of trading. It's use is ubiquitous no matter the the time frame or the type of stock, commodity, currency, or other issue being traded. Because of this popularity, many traders use it for special strategies in the market. One of those strategies is the 20 Moving Average Pullback.

For a quick overview of how to use moving averages, check out our post [here](#).

Also, have a look at our brief video below explaining how to search for the 20 Moving Average Pullback in the TradingSim scanner:

# 20 Moving Average Pullback Overview

A rose by any other name smells as sweet. The 20 Moving Average Pullback is no different.

Popularized by great traders like Linda Raschke as the [The Holy Grail](#), or similar to [Jeff Cooper's](#) 50 moving average *Expansion Pivots*, pullback strategies are simply opportunities to jump on board as a stock pauses during an uptrend.

Cooper says it best as he describes it as “one of the toughest predicaments for traders.”<sup>1</sup> That is, knowing how to enter a stock that has left the train station without you. This is where the moving averages come into play.

## Intraday Examples

The best way to understand this concept is visually. So let's have a look at an intraday example of a 20 moving average pullback on stock SGOC.



### 20 moving average pullback SGOC

Notice in the example above that SGOC “left the train station” in a hurry off the open. However, with some time to consolidate, it found its footing along the orange 20 moving average.

Then, after trying to break away a second time, it pulls back

nicely again around 10:50am that morning. Offering yet another opportunity to go long at the 20 moving average.

Here is another example with SEED intraday on the 1 minute:



SEED 20 moving average pullback

Take note of the prior uptrend, the big move, a pullback and consolidation that we'd call a [Volatility Contraction Pattern](#), then a launch party right off the 20 moving average. Twice!

Even the second entry would have been good for a \$2+ move in less than 15 minutes.

## Daily 20ma Pullback Example

Daily charts can also provide a lot of "bigger picture" ideas for short term traders, even day traders. Think about it this way, if the 20 moving average can provide explosive opportunities on an intraday chart. What if you could anticipate reversals on the daily chart and either swing or day trade those big moves?

Here's a great example with AMD on the daily. Notice that AMD was trending upward and above the orange 20 moving average.



## AMD daily 20ma Pullback

The 20ma provided support with a close just above it on the daily chart the day before a breakout. This is exactly what we are talking about it.

The question then becomes, "How do we anticipate these moves?"

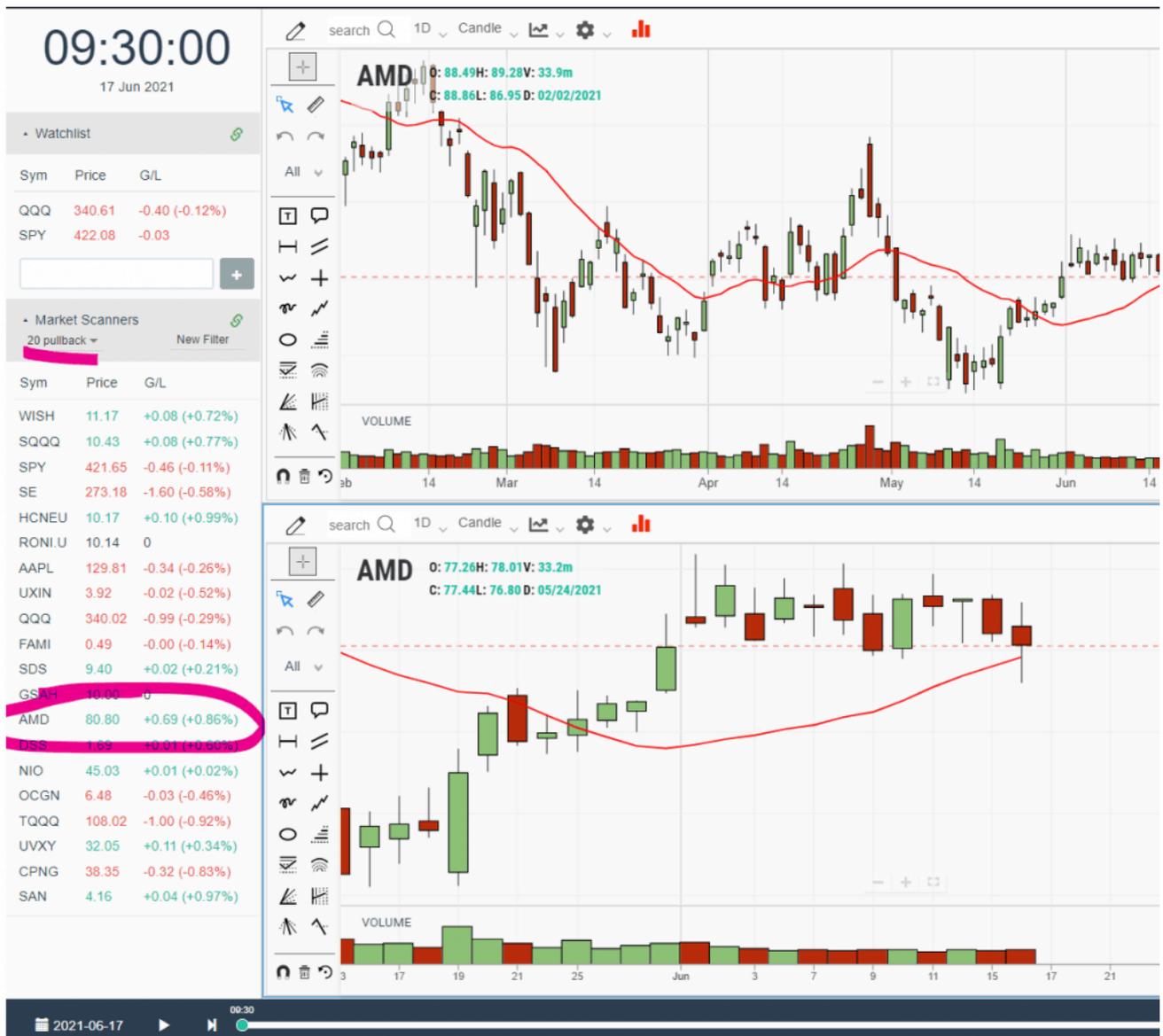
Let's look intraday to see how you could have found this opportunity by searching for stocks nearing the 20 moving average.

## Scanning for Pullbacks

First, take a look at the scanning filter we set to find stocks on this morning that had pulled back to within 1% of the 20 moving average:

## Scanning for pullbacks

After running the scan, we notice on our list that we have a number of stocks within 1% of the 20 moving average. This allows us to narrow our results. Here we have AMD showing up on the list!

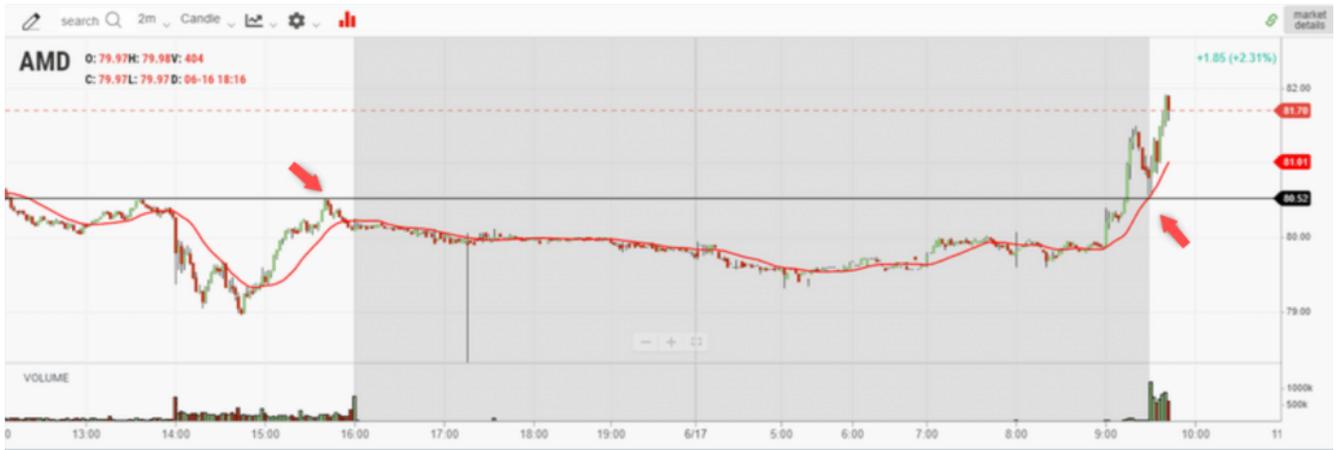


AMD on list of pullbacks

After identifying AMD, we then have the opportunity to test our intraday strategies for a potential breakout of this tight base it has been forming on the daily chart.

AMD cleared the prior day close in a premarket gap the next day. So the stage for momentum was set. It then retreated off the open and found support on a 20 moving average pullback on the 2-minute chart.

A perfect opportunity to go long!



AMD breakout

By later that afternoon, AMD rose a solid 6% into the close!



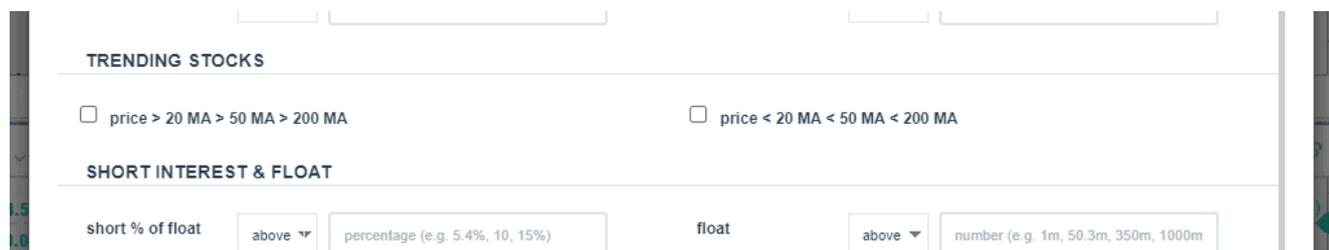
AMD 6% gain

As you can see, with the right criteria, pullbacks can be really explosive opportunities, for day trades or swing trades.

## Practicing the 20 Moving Average Pullback Strategy

Just as we've shown, all it takes is perfecting your chart eye in the simulator to find the right criteria for pullback plays. We have added filters for the 10, 20, 50, and 200 moving averages if you want to try more moving average pullbacks.

Not only that, but we've added "trending" criteria if you want eliminate stocks in correction.



The image shows a screenshot of a stock filter interface. It is divided into two main sections: "TRENDING STOCKS" and "SHORT INTEREST & FLOAT".

**TRENDING STOCKS**

- price > 20 MA > 50 MA > 200 MA
- price < 20 MA < 50 MA < 200 MA

**SHORT INTEREST & FLOAT**

- short % of float: above [percentage (e.g. 5.4%, 10, 15%)]
- float: above [number (e.g. 1m, 50.3m, 350m, 1000m)]

### Trending Stock Filter

Our hope is that you'll practice enough of these to know your probability for success, the right entry criteria, and proper risk management before you employ real money in the markets.

We'd love to hear your feedback, so [follow us on Twitter](#) and send us a note!