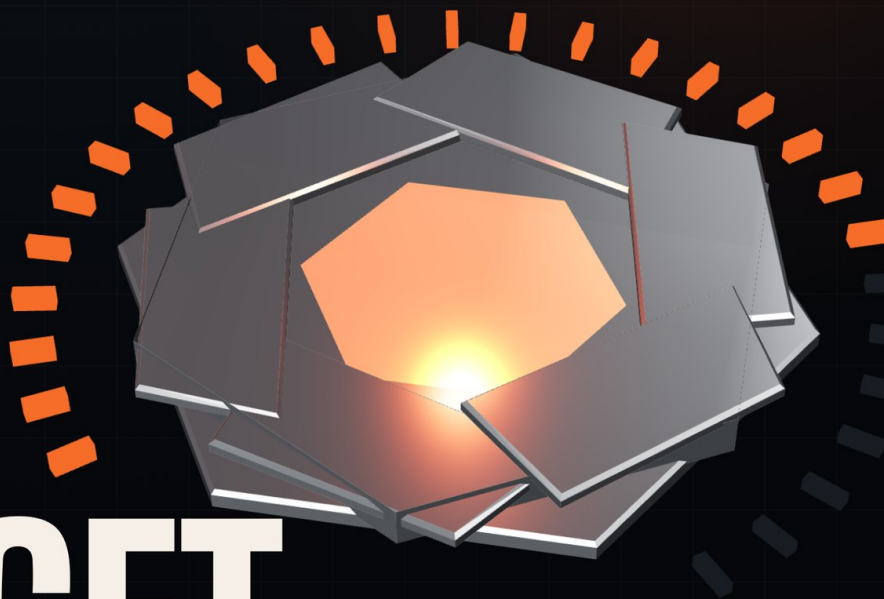




FOR TRADERS WHO SHORT SMALL CAPS

DON'T GET SQUEEZED.

Small caps are chaos. Your trading doesn't have to be. A practical guide to shorting low-float stocks with rules instead of reflexes: what to check before the open, how to enter, size and exit, and how to keep one bad morning from becoming a bad month.

01 Know what you're shorting**02** Why runners fade**03** Borrow and locates**04** SSR, halts and squeezes**05** Entries**06** The parabolic short**07** Position size**08** Exits**09** Daily limits and review**+** Going deeper: the supply**✓** The pre-market checklist



STEP 1 • WHAT TO TRADE

01 KNOW WHAT YOU'RE SHORTING

Small caps move on thin supply and fast money. A stock up 80% before the open can fade all day, or double again before lunch. The first job is deciding, in writing, which stocks are even eligible.

- **Gap and price range.** Define the move you trade (for example, up 30%+ on the day, priced \$1 to \$20) and skip everything else. Check that number against what a locate costs you: a 3% fee eats most of a 5% fade and barely touches a 15% one. The bigger the gap you require, the more of the move is left after costs.
- **Float and market cap.** Very low floats squeeze harder. Decide your floor and ceiling before you see the chart.
- **Liquidity.** Require a minimum dollar volume. If you can't get out at your stop, the stop is only a hope.
- **The catalyst.** Know why it's moving. A press release with no numbers behaves differently from an earnings beat or a buyout.
- **Binary events.** Many short sellers skip pending trial results, mergers and court rulings. For biotech, ClinicalTrials.gov lists what's due.



Every listed stock • ~8,000

Up 30%+ on the day • ~40

Priced \$1 to \$20 • ~30

Inside your float and liquidity limits • ~15

Catalyst and borrow checked • ~6

Filings read • 2 or 3

A typical morning, illustrative. Most of the work is deciding what you won't trade.

WHY IT MATTERS

Most blow-ups start with a stock that never belonged on the list.



STEP 1 • WHAT TO TRADE • SHORT FILTERS

02 WHY RUNNERS FADE: FOLLOW THE SUPPLY

Most small caps don't fade because they "look too high." They fade because the company sells new shares into the move. Watch for three things lining up:



NEED

The company is short on cash. In the latest 10-Q, cash divided by monthly burn is its runway. Under a year is short; "going concern" language is a red flag.

PERMISSION

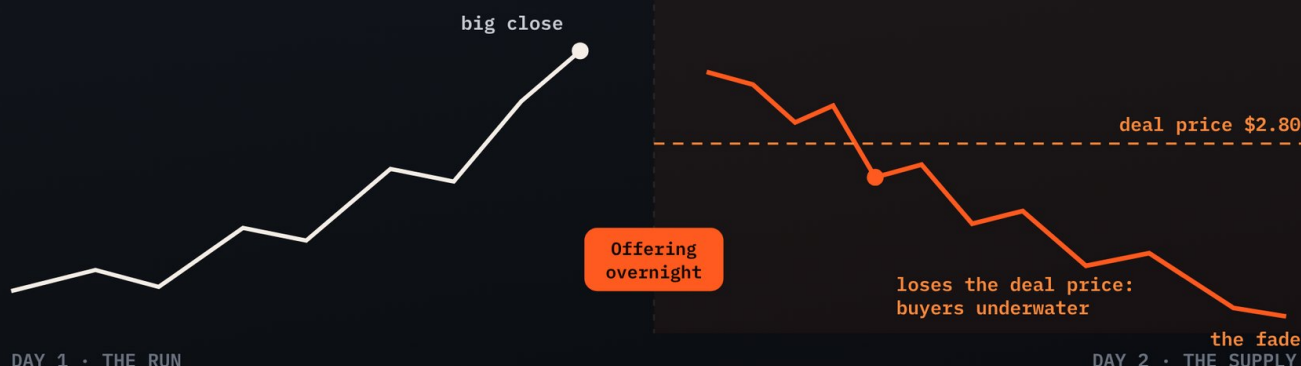
It has a fast, legal way to sell shares: an effective shelf, an at-the-market (ATM) program, or warrants priced below today's stock price.

OPPORTUNITY

The stock just ran. A higher price means more money per share sold, so companies tend to sell into strength.

When all three line up, a share sale becomes much more likely. **But the filings tell you who will sell, not when.**

A stock can carry every warning sign and still double first. Let price confirm before you short, and trade smaller when the timing is unclear. The quickest check: add up every share that could still appear and compare it with the float. Pages 10 and 11 show how.



Anatomy of a fade, illustrative. The run creates the opportunity, the offering adds the supply, and losing the deal price is the trigger.

IN FLINT

Active ATM or shelf offering

Cash runway, under

Reverse split, last 12 months

Flip a toggle instead of reading the filing.



STEP 1 • WHAT TO TRADE • BORROW

03 BORROW AND LOCATES

You can't short what you can't borrow. Under Regulation SHO, your broker needs a locate (reasonable grounds to believe the shares can be borrowed) before it accepts a short sale.

- **Easy vs hard to borrow.** Easy-to-borrow stocks are usually available. Hard-to-borrow stocks need a locate and can be expensive or unavailable.
- **Know your costs.** Depending on your broker, hard-to-borrow stocks can carry a per-share locate fee even for intraday trades, and an annualized borrow fee on positions held overnight. Set a maximum you'll pay.
- **Recalls and buy-ins.** Lenders can recall shares. If your broker can't replace them, it may buy you in, at the worst possible moment.



Illustrative, with the locate at 4% of notional. The locate is charged per share when you request the shares, whether or not the trade works, so it comes off every trade, win or lose. If what's left is thin, pass.

WHY IT MATTERS

If the borrow is expensive, plenty of people are already short, and that crowd is what fuels a squeeze.

● IN FLINT

Borrow fee, at most

Locates checked before every order



SHORT FILTERS + RISK LIMITS

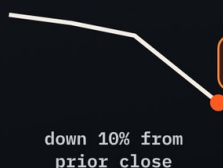
04 SSR, HALTS AND SQUEEZES

- **Short sale restriction (SSR).** Under SEC Rule 201, when a stock falls 10% or more from the prior close, short sales are only allowed at a price above the national best bid for the rest of that day and the next. Know the SSR status before the open.
- **Limit up, limit down (LULD) halts.** Stocks trade inside price bands. If price can't get back inside the band within 15 seconds, trading pauses, typically for five minutes. Bands are wider near the open and close, and for low-priced stocks.
- **Halts and your stop.** A stop can't fill while a stock is halted. A halt up can reopen far above your stop. Size for that, and treat a halt against you as a reason to reduce, not to add.
- **Squeezes.** Low float, high short interest, hard-to-borrow and a fresh catalyst are the classic mix. Days to cover (shares short ÷ average daily volume) shows how long the exit door is.

SSR

DAY 1

DAY 2



SSR ON

Shorts only above the national best bid

Triggered by a 10% drop; lasts the rest of that day and all of the next.

LULD HALT

upper band

15 sec

5-min pause

your stop

can reopen far above your stop

Pinned at the band for 15 seconds triggers a pause; it can reopen anywhere.

WHY IT MATTERS

A lot of the worst short losses we've seen came down to these mechanics, however sure the trader was.

● IN FLINT

Skip if SSR is on

Max daily loss, then stop



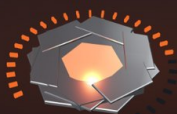
STEP 2 • WHEN TO ENTER

05 ENTRIES

- **One written trigger.** For example, a 1-minute close below VWAP. If you can't write it down, you can't repeat it.
- **Confirmation.** A lower high, a failed breakout, fading volume, or the stock slipping below the price of a recent share sale. Shorting strength because it "looks too high" is how squeezes find you.
- **An entry window.** Trade only inside it. Decide your maximum entries per symbol before the open. If your window opens before 09:30, confirm first that your broker will locate and accept short orders in premarket, because many will not.
- **No chasing.** If you missed the trigger, the trade is gone. Wait for the next setup.



- **IN FLINT**
 - Built-in indicators (RSI, Stochastic, MACD and more)
 - Bring your own TradingView indicator
 - Bar closes below VWAP
 - Require a lower high first
 - Relative volume
 - Entry window



THE ENTRY RULE

**WRITE THE TRIGGER DOWN FIRST,
THEN ONLY TAKE TRADES THAT MATCH IT.**



STEP 2 • WHEN TO ENTER • A CLASSIC SETUP

06 THE PARABOLIC SHORT

A stock runs several days in a row, gapping higher each morning, until the move turns vertical. Traders have shorted this shape for decades because it often ends the same way: the buyers run out and the stock gives back days of gains in hours. It is also the setup that blows up the most short sellers, because the top nearly always comes later than it looks.



- **1 • The run-up.** Three or more days up, often gapping higher each morning on rising volume. This puts the stock on your watchlist. It is not a reason to short.
- **2 • Exhaustion.** A new high that can't hold: a long upper wick, a volume spike that goes nowhere, a second push that fails below the first.
- **3 • The crack.** A 1-minute close below VWAP, or a lower high after the top. That's your trigger, however high it has already gone.

It goes wrong in two ways. **Shorting the climb**, where every new high is another stop, and a halt can reopen far above yours. And **chasing the crack** after it is already down 30%, with the stop far away and little left to a target.

THE RUN-UP

Gap filter today, plus how many days it has already run

EXHAUSTION

Require a lower high before any entry

THE CRACK

Bar closes below VWAP, inside your entry window

THE RISK

Stop above the high of day, and size for that distance

WHY IT MATTERS

The biggest fades and the worst squeezes often happen on the same stock, on the same morning. Timing is the whole difference.

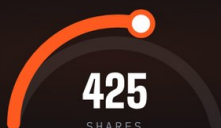
- **IN FLINT**
 - Gap up today
 - Require a lower high first
 - Bar closes below VWAP
 - Stop: high of day
- Entries per symbol, per day



STEP 3 • HOW MUCH

07 POSITION SIZE

Size by risk, not by conviction. Decide what one trade is allowed to lose, then let the stop distance set the share count.



Shares = dollars at risk ÷ (stop price - entry price)

Risk \$200 • entry \$4.65 • stop \$5.12 → \$200 ÷ \$0.47 ≈ 425 shares

- **Cap size** on thin or hard-to-borrow stocks, and never above what you could exit at your stop.
- **Never increase size** to win back a loss.
- **A+ multiplier:** a larger size when every filter passes and the stock is up 100% or more.

Stop \$0.24 away



833 shares • same \$200 at risk

Stop \$0.47 away



425 shares • same \$200 at risk

Stop \$0.94 away



212 shares • same \$200 at risk

Same risk, different stop. A wider stop means fewer shares, never more dollars at risk.

● IN FLINT

% of account or fixed \$

A+ setups multiplier

Entries per symbol, per day



STEP 4 • WHEN TO EXIT

08 EXITS

- **Hard stop with the entry.** Put it in the moment you're filled. We've both watched mental stops get skipped.
- **A target and a partial-cover plan,** decided in advance.
- **Invalidation rules.** If price reclaims VWAP, or the setup stops working within your time window, cover.

hard stop, placed with the entry

entry price

entry

cover half at target 1

cover the rest

Illustrative short. Stop, target and partial cover were all set at entry.

● IN FLINT

Stop: fixed, high of day or trailing

Profit target

Scale out: half at target, trail the rest

Time stop



STEP 5 • RISK LIMITS

09 DAILY LIMITS AND REVIEW

- **A daily max loss in dollars.** Hit it and you're done for the day. No exceptions, no "one more."
- **Max trades per day**, and a pause after two consecutive stops.
- **Flat before the close** unless holding overnight is part of the written plan.
- **Review.** Log every trade with the rule that triggered it, write down every rule break and what it cost, and change one rule at a time.



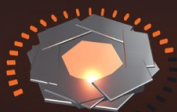
Illustrative day. The limit turns a bad morning into a small loss; ignoring it turns it into a bad month.

● IN FLINT

Max daily loss (\$ or %), then stop

Max trades per day

Flatten before the close



THE WHOLE GUIDE, IN ONE LINE

**WRITE YOUR RULES DOWN ONCE,
THEN TRADE THEM THAT WAY EVERY DAY.**

GOING DEEPER

THE SUPPLY AT A GLANCE.

Optional, for when you want to check section 02 yourself. It all lives on SEC EDGAR.



GOING DEEPER

A COUNT THE SHARES THAT COULD APPEAR

The float is what trades today. What matters is how many more shares could join it, and how fast. Add up:

- **Shelf room left**, divided by today's price. Small companies can sell at most a third of their public float a year this way.
- **Warrants** with a strike below today's price.
- **Convertibles**, especially ones whose conversion price drops as the stock falls.
- **Privately placed shares** that have been registered for resale.

Float today



31M

Could appear

14.7M

8M

4M

26.7M $\approx$ 86% of float

shelf room

warrants

resale

Hypothetical XYZ. When the bar underneath rivals the bar on top, the company has plenty to sell.

If that pile is anywhere near the size of the float, **the company has plenty to sell.**



GOING DEEPER

B READY, LOADED OR SELLING?

NOT READY

S-3 filed

LOADED

EFFECT notice, warrants in the money

SELLING

424B priced, or ATM running

Where the company is in the selling process, read straight off its filings.

NOT READY

No usable shelf yet (S-3 filed, not approved). Supply is weeks away.

LOADED

Shelf approved (EFFECT notice) with room, or warrants in the money. It can sell overnight.

SELLING

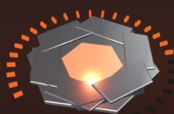
A 424B prospectus is out, or an at-the-market program is running. Note the deal price.



GOING DEEPER

C THEN LET PRICE DECIDE

- **Loaded and running** is when offerings tend to land, often overnight after a big close.
- **The deal price is a line in the sand.** Once the stock loses it, the newest buyers are underwater and become sellers.
- **When the timing is unclear,** trade smaller rather than skip it. And if you short just before an offering prices, you generally can't buy into it (Rule 105).



SUPPLY, THEN PRICE

**THE FILINGS POINT TO WHO'LL SELL.
THEN LET PRICE SHOW YOU WHEN.**

FROM KNOWLEDGE TO EXECUTION

BY HAND, YOU'LL CHECK THREE. FLINT CHECKS ALL FIFTEEN.

Everything in this guide can be checked on SEC EDGAR and through your broker. The checks and rules are the same either way. What changes is how many stocks you get through, and how fast.

BY HAND, EVERY MORNING

3 of 15

A busy morning leaves ~15 gappers that pass your filters. A careful first look in the filings takes about 30 minutes a stock. Before the bell, that's two or three stocks you actually know. The rest is a guess.



■ checked □ guessed

IN FLINT, EVERY MORNING

15 of 15

Every gapper is checked in seconds, the moment it qualifies, and every one is watched for your trigger at once. You set the filters one time.



■ all 15 checked, all watched

VS

ONE STOCK, BEFORE THE OPEN, IN RAW FILINGS

Recent 8-Ks: the catalyst, offerings, a reverse split

Latest 10-Q: cash, quarterly burn, going-concern note

Shelf and ATM: effective? room left under the 1/3 rule? already sold?

Warrants and convertibles: strikes vs today's price, resale filings

Locate, borrow fee, SSR, float and short interest

One stock, first look

BY HAND

3-5 min

IN FLINT

Reverse split, last 12 months

AUTO

Cash runway, under

AUTO

Active ATM or shelf offering

AUTO

Supply data, where covered

AUTO

Borrow fee, at most

AUTO

25-45 min

Seconds, every stock

AUTO

AT THE OPEN, UNDER PRESSURE

Watch every stock for your trigger

Work out the share count

Stop at your max loss

BY HAND

2 at a time

every entry

every loss

IN FLINT

Bar closes below VWAP

Size per trade

Max daily loss, then stop

AUTO

AUTO

AUTO

The data comes to you. Through our data partnerships, FLINT brings much of this supply data straight into your filters. Not every stock is covered; where it isn't, the checks in this guide still apply.

Illustrative, for a first look in raw filings. Faster for stocks you already know, or with a paid dilution tool. Gapper counts vary by day.

THE PRE-MARKET CHECKLIST.

Write your answers down before the open, follow them at the open, and review them after the close.



1 WHAT TO TRADE

- ☐ Gap and price range defined (e.g. 30%+, \$1 to \$20)
- ☐ Float and market cap limits set
- ☐ Supply checked: need, permission, opportunity, and how many shares could appear
- ☐ Locate available, borrow fee under your limit
- ☐ SSR status known before the open
- ☐ Sector exclusions decided



2 WHEN TO ENTER

- ☐ One written entry trigger (e.g. 1-min close below VWAP)
- ☐ Confirmation required (lower high, failed breakout, volume fade)
- ☐ Entry window set. No trades outside it
- ☐ Max entries per symbol decided
- ☐ No chasing a missed trigger



3 HOW MUCH

- ☐ Size set in \$ or % of account, never by feel
- ☐ Smaller on thin or hard-to-borrow stocks
- ☐ Never sized up after a loss



4 WHEN TO EXIT

- ☐ Hard stop placed with the entry
- ☐ Stop distance decided in advance (% above entry or above high of day)
- ☐ Target set, with a partial-cover plan
- ☐ Exit rule if price reclaims VWAP
- ☐ Time stop if it doesn't work in your window



5 RISK LIMITS

- ☐ Daily max loss in dollars. Hit it, stop
- ☐ Max trades per day
- ☐ Pause after two consecutive stops
- ☐ Flatten everything before the close



✓ REVIEW

- ☐ Every trade logged with the rule that triggered it
- ☐ Every rule break written down, with its cost
- ☐ One rule improved per week, tested first



EVERY LINE ABOVE IS A DIAL IN FLINT.

Set the dials once. FLINT runs them on every stock that qualifies, in your own brokerage account. No code. Coverage doesn't reach every stock, and some filters are still rolling out.

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