



How to Trade Breakouts Part-2

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Introduction

1. Introduction

1. What are breakouts?
2. Why don't I trade opening range breakouts
3. Why trading breakouts

2. Market Stages

3. The Importance of the 60-Minute Chart

4. Rules(A-Stock Selection. B-Entry. C-Stop Loss. D-Target)

5. Fake breakouts

6. Examples.

7. Final Tips.

Introduction

1. What are Breakouts:

-A breakout Strategy is a strategy where the entry is after/for the breakout of a major daily level, intraday level, premarket level or a moving average.

Introduction

-The entry for breakouts though could be anytime between 9:00-10:00, and even after depending on how the 60-minute chart looks like

2. Why I don't trade opening range breakouts?

-Opening range breakouts are tricky, when trading ORBU, the entry is after the break of the opening range. Most famous ORBs are 1-, 2-, 5-, 15-minute ORBS; Therefore, there are a lot of potential ORBs, which one to trade?

-If aiming for an entry after the opening range, success rate will be low.

Introduction

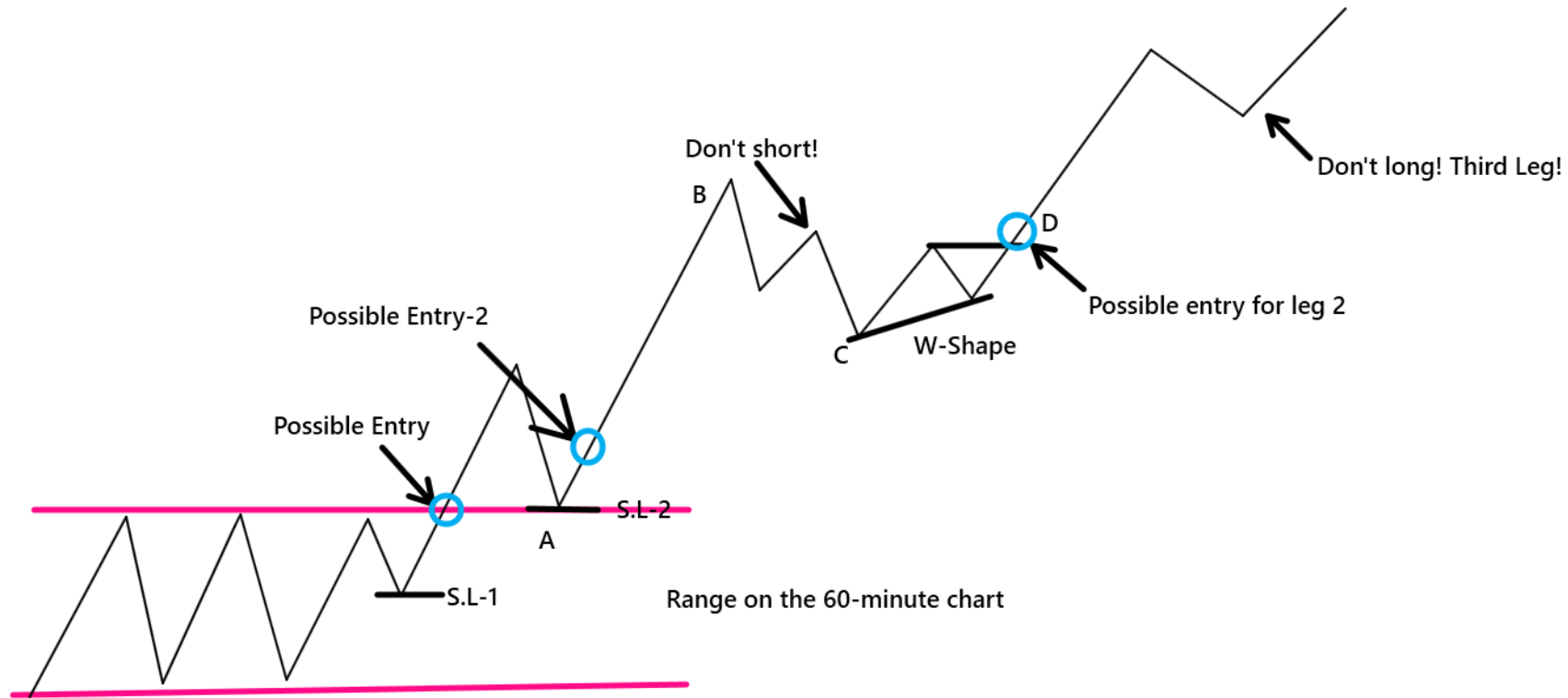
1. Why Trading Breakouts:

- Breakouts are the first setup to occur based on market stages.
- Breakouts tend to get momentum which causes the move to be violent and enough profitable
- Breakouts tend to happen at the open, where the most of volume is, which makes them more likely to work.
- Getting into a breakout with a good entry gets you a good average to help you stay in the trend if the trend forms

Market Stages

1. Range
2. Breakout + Retest
3. Trend

Market Stages



The Importance of the 60-Minute chart

1. The bigger the time frame you're watching, the bigger the potential move
2. 60-Minute chart is used by many swing traders as an entry chart
3. It gives us more clear view of the favorable direction and the overall trend (The trend is your friend)
4. It's easier to anticipate whether the price action on some stock is going to be choppy today or not.

Rules

1. Stock Selection:

-Check the daily chart.

-Check the 60-minute chart

(It's preferable to pick stocks during the first or second candle after the break of the range. It's also preferable to trade stocks around the breakout area on the 60-minute chart)

-Pay attention to the ATR and make sure that the stock have made no more than 30% of the ATR in the premarket

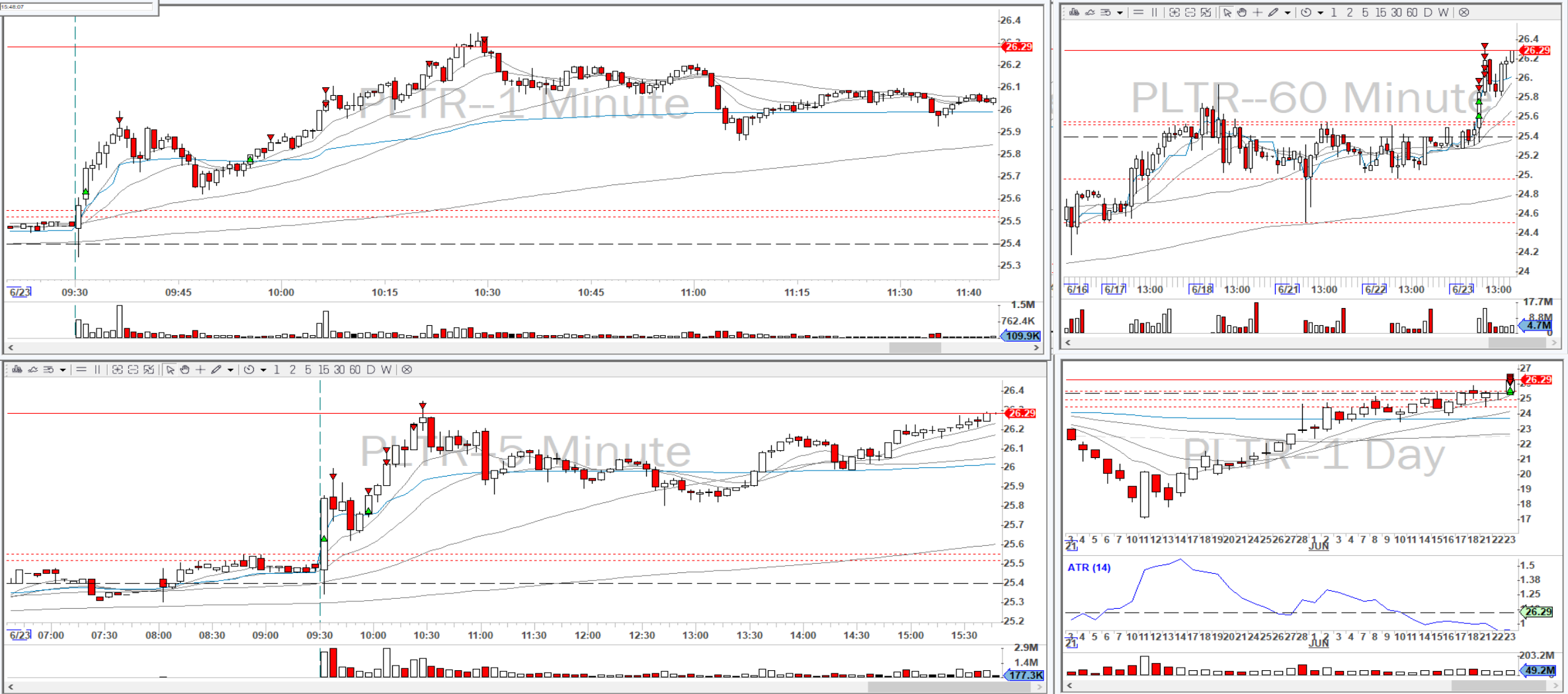
-Make sure there are no big wicks and not many levels on your way

-It shouldn't be the third consecutive 5-minute candle combining the premarket candlesticks

-Zoom out the 5-minute chart to see the bigger picture

-Draw the maximum ATR line from the PCL/PM Low

Rules

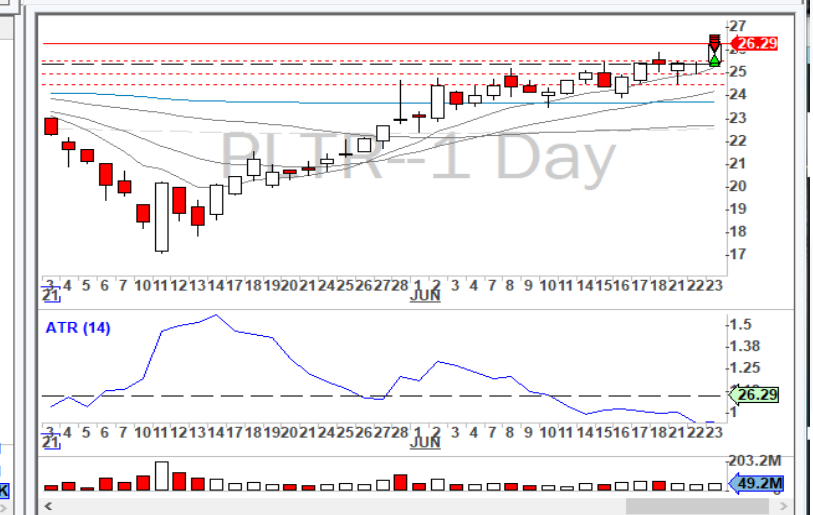


Rules

2. Entry:

- Entry should not be earlier than 9:00
- Entry could be on the 1st, 2nd, 5th, 10th, 15th minute after market open or literally any time before or after. There's no specific timing to wait for the breakout for.
- Entry should be based on the smaller time frames (1-, 5-minute charts) Stop loss is also based on the 1- and 5-minute charts.
- It's preferable to see a small range within the smaller time frames which is inside the range of the 60-minute chart
- Entry shouldn't be based only on a breakout; Meaning that there should always be a setup in the smaller time frames which leads to a breakout on the bigger time frames, some examples for those setups are:
 - 1)ORBs
 - 2)Engulfing Cracks
 - 3)ABCD pattern
 - 4)Short/Long squeeze
 - 5)Engulfing Sandwiches
 - 6)Break of a minor range
- The opening range candle should be no more than 30% of the daily ATR, and the entry level shouldn't be >50% of the ATR
- Entry should be within the first or maximum the second consecutive 5-minute candle(If it's close to VWAP and the 9-ema on the 5-minute chart
- Entry should be around VWAP
- Fake breakout is preferred.

Rules

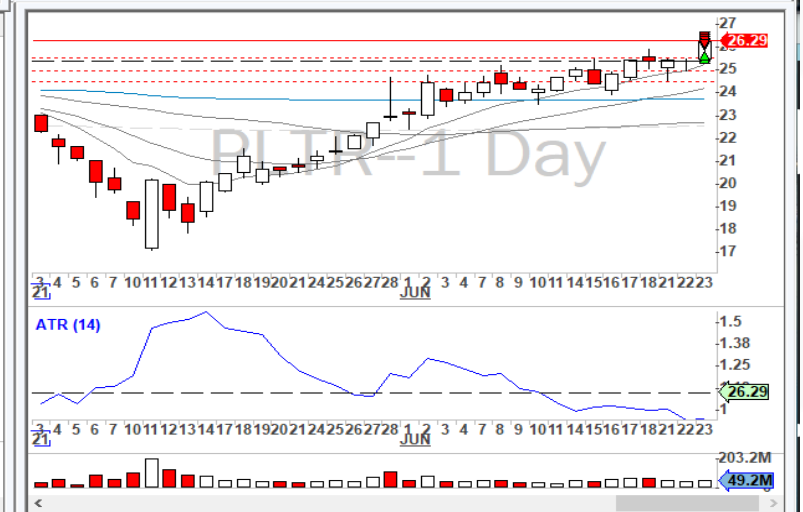


Rules

2. Stop Loss:

- If the entry is at the breakout area after a few wide bar candles, stop loss is the middle of the range
- If the entry is after a minor pattern, then stop loss depends on the mini-pattern such as:
 - VWAP
 - Middle of the first 1-minute candle(if entering within the second)
 - High/low of the previous 1-minute/5-minute candle

Rules

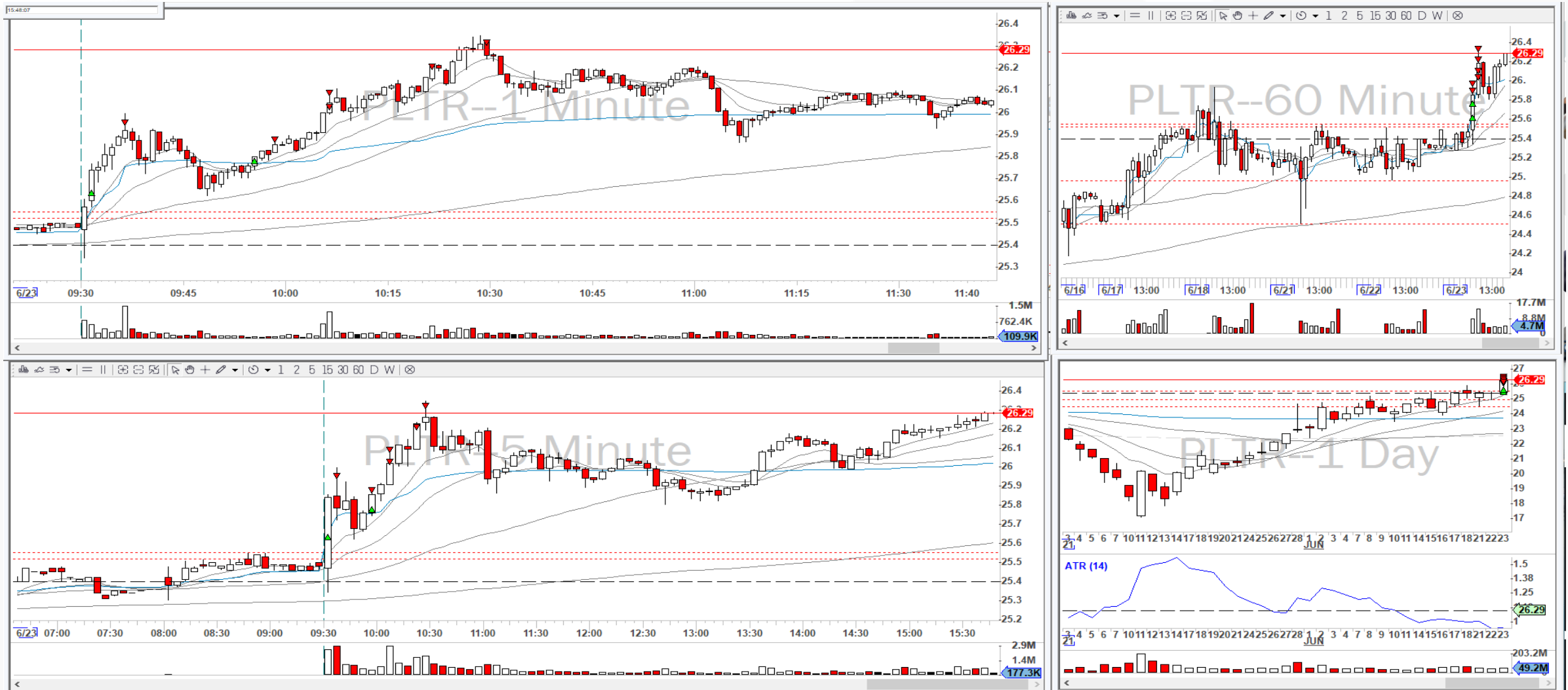


Rules

2. Target:

- Original target is 80%-100% of the ATR
- First partial at least at 2R
- Partials at obvious levels/round numbers

Rules



Rules

Breakout Direction Based on the Range Formation:

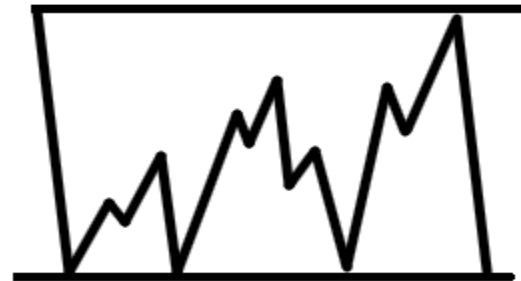
Possible Breakout to Both Directions



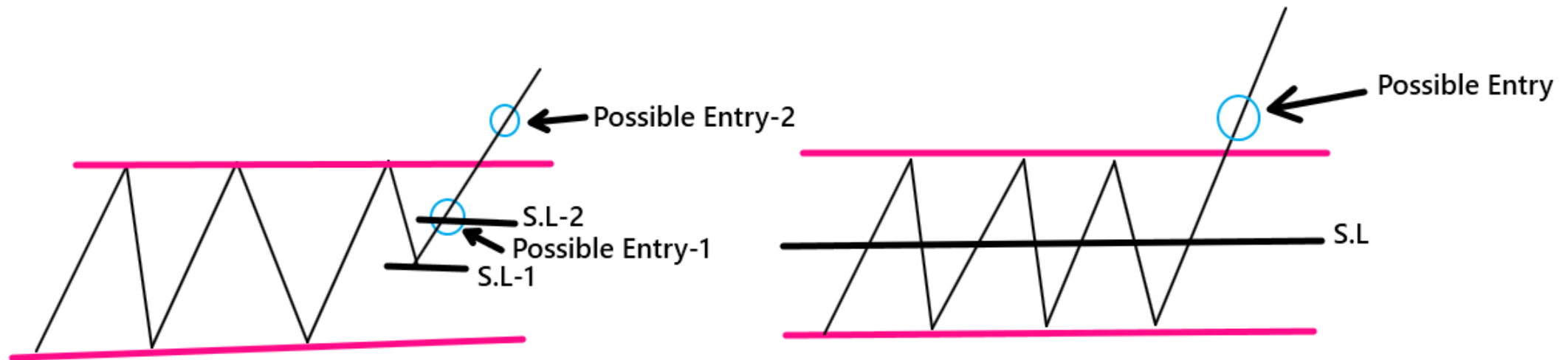
Look for a Breakup



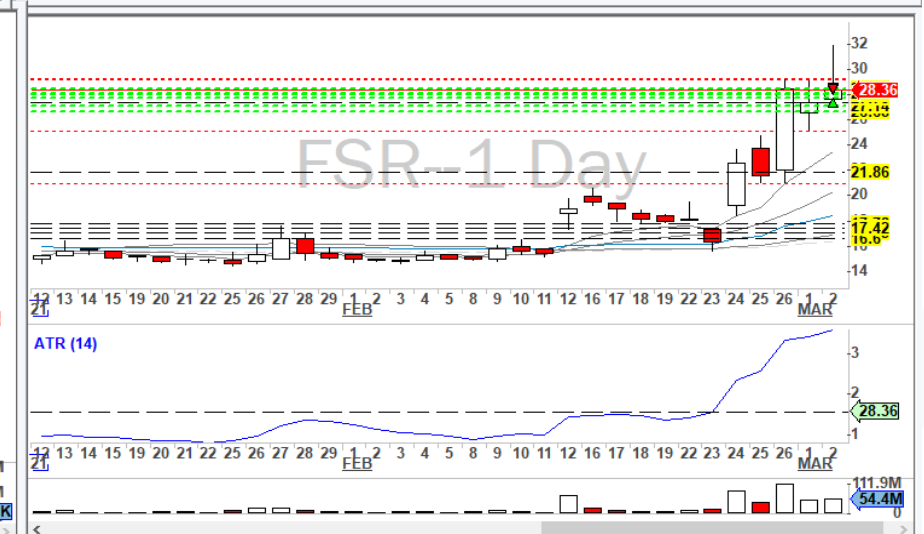
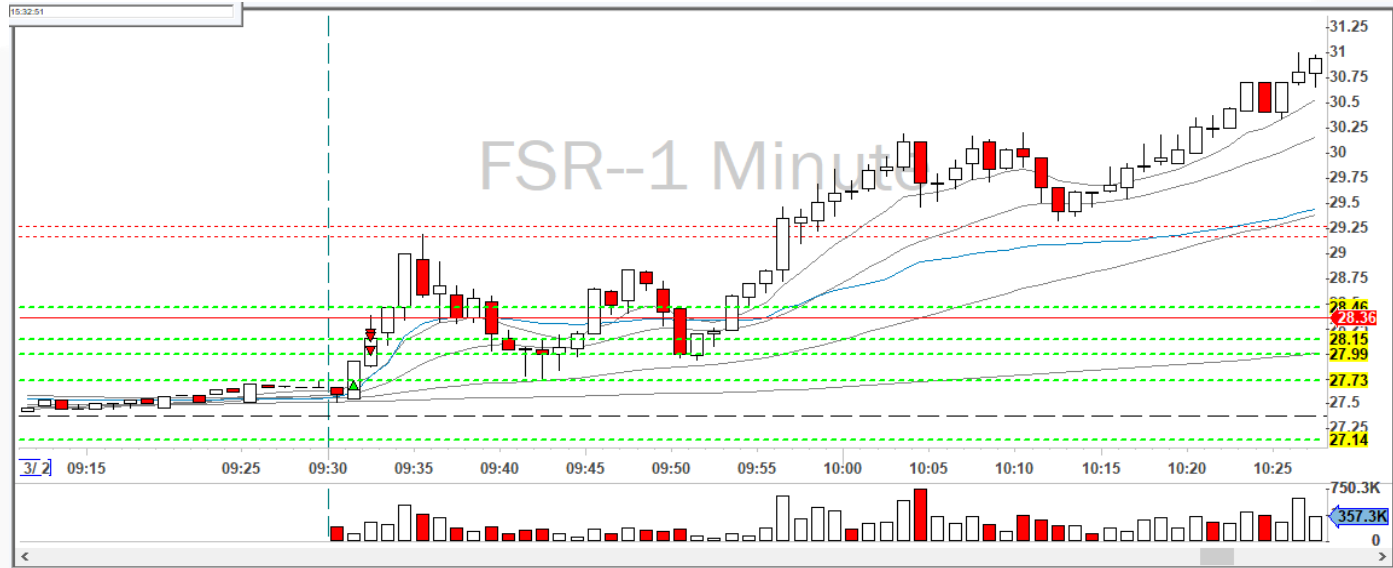
Look for a Breakdown



Rules



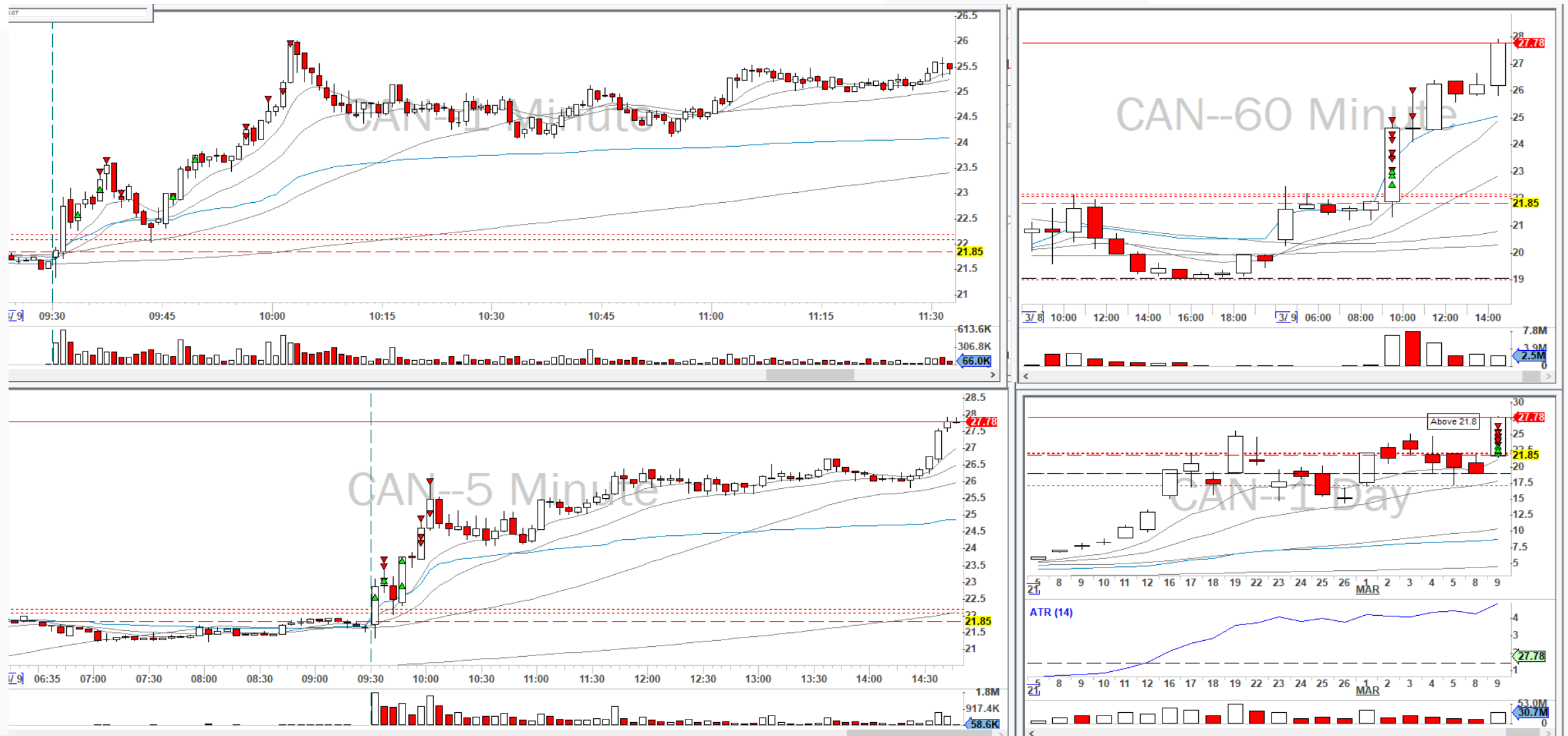
Examples



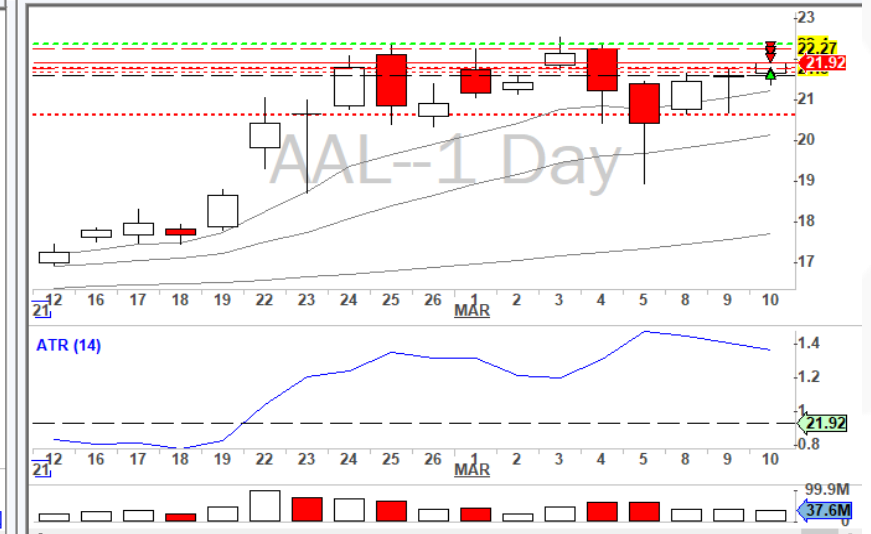
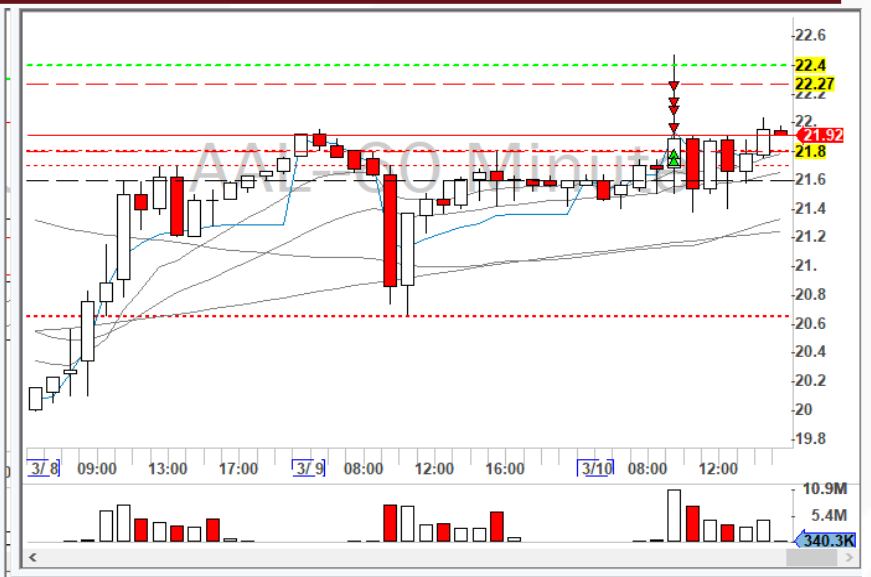
Examples



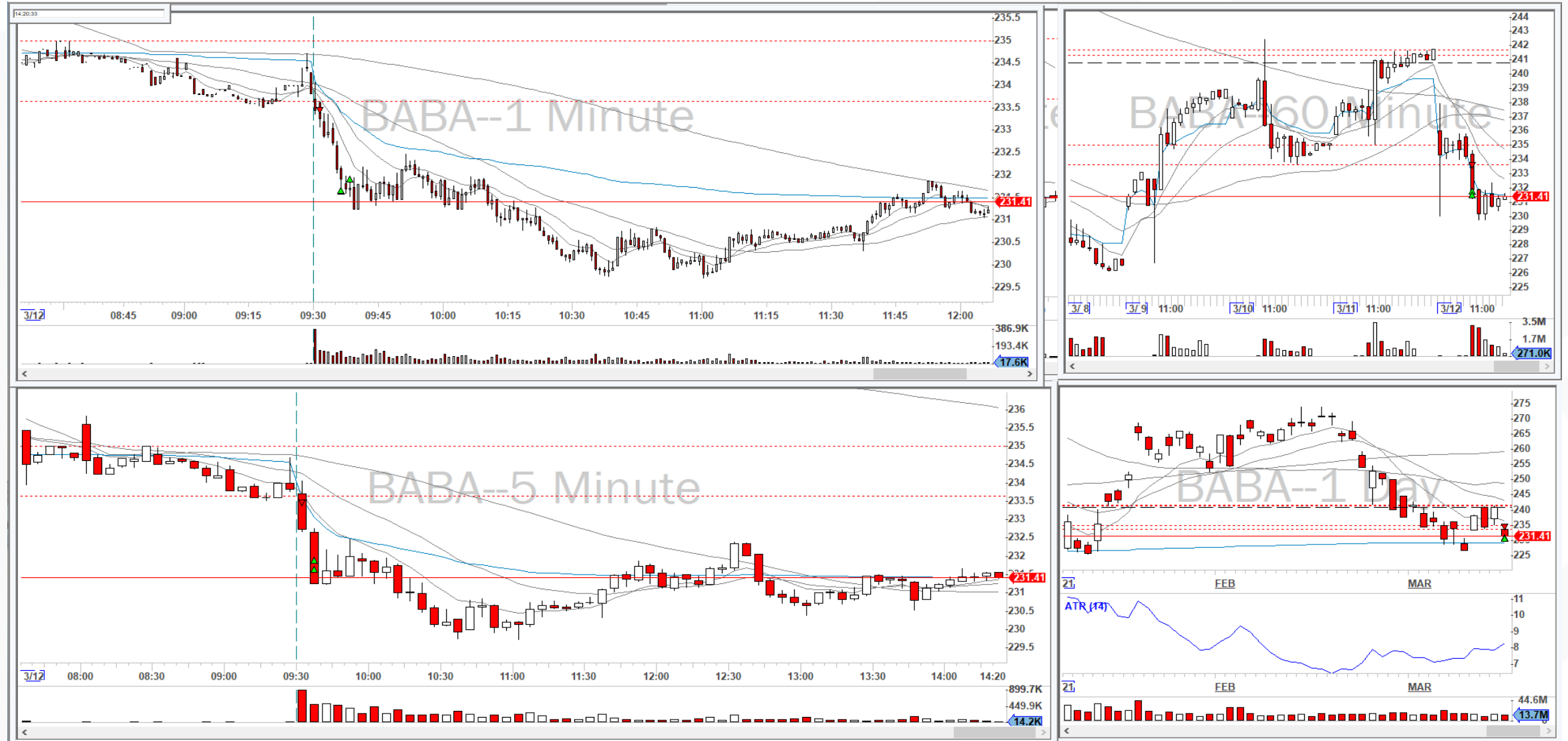
Examples



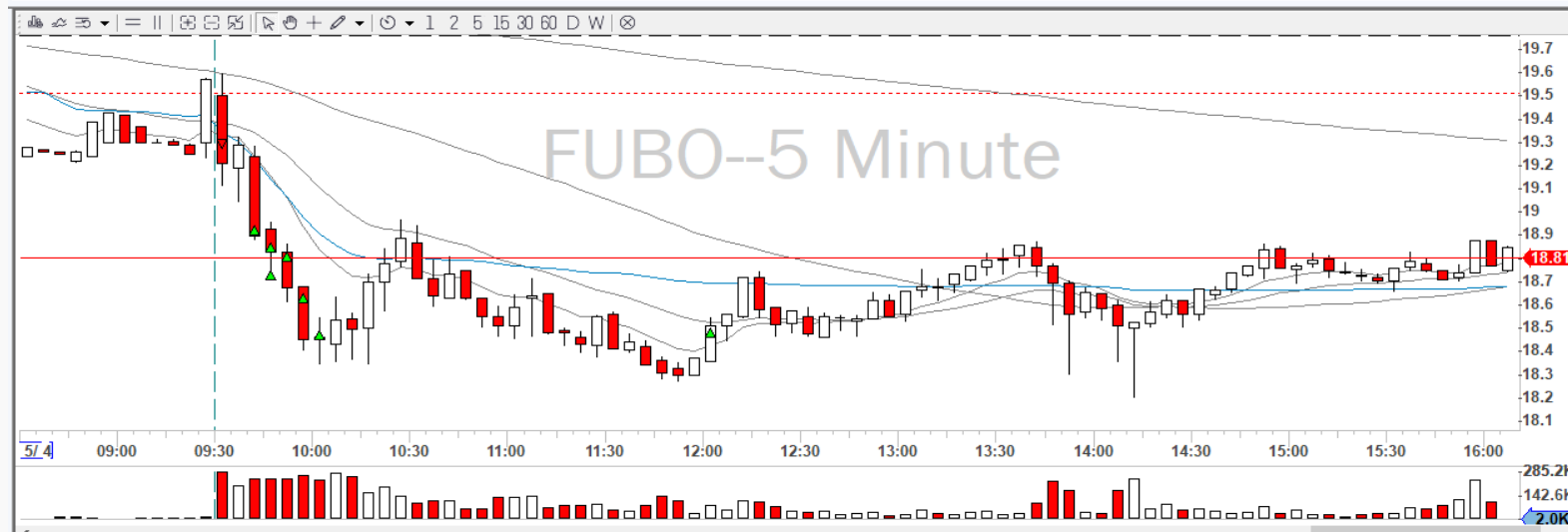
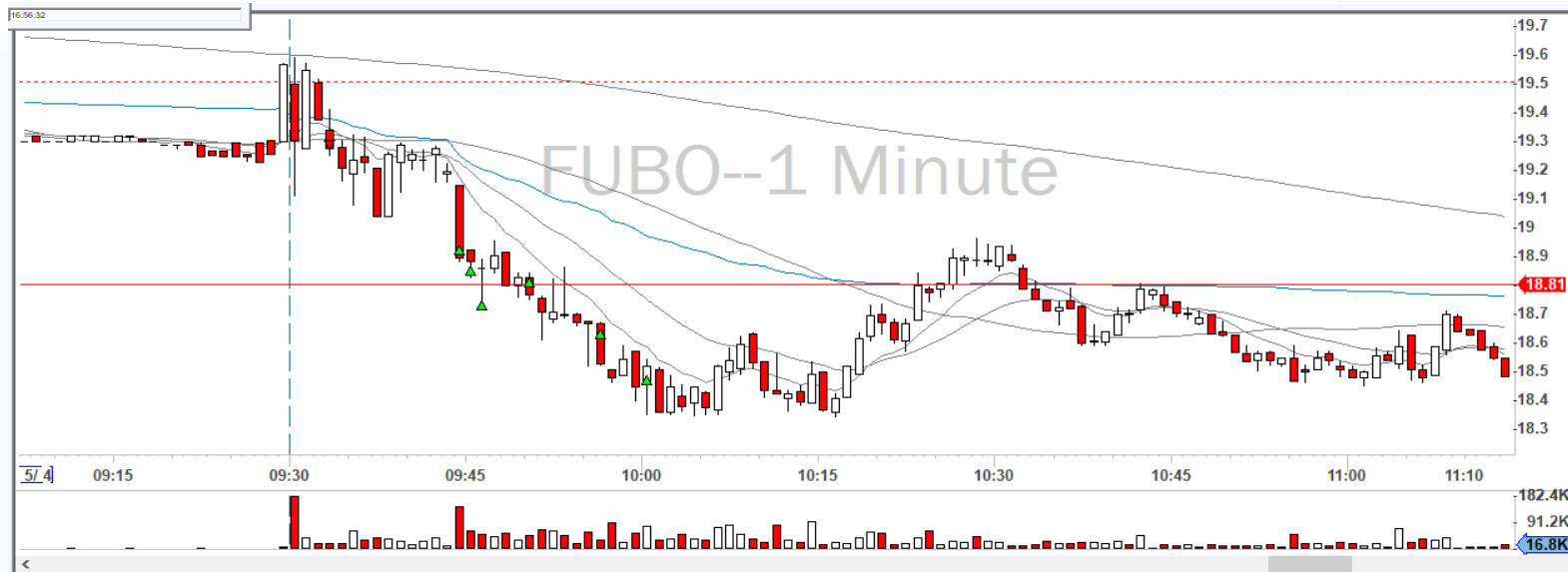
Examples



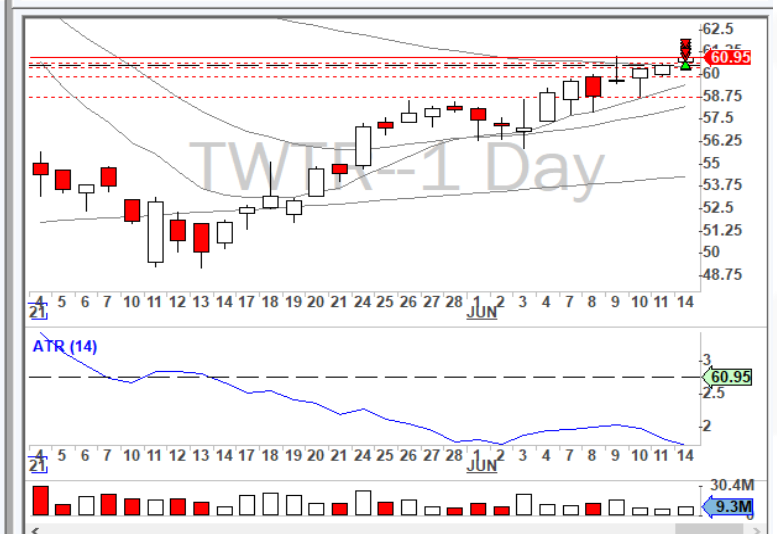
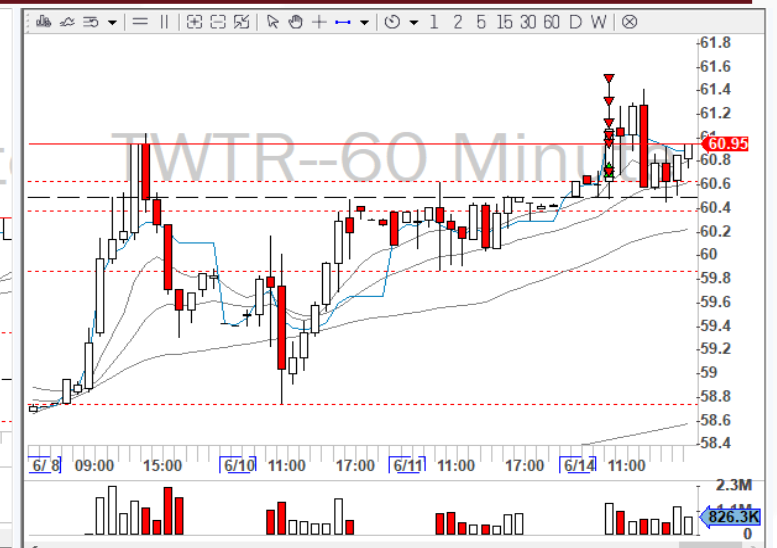
Examples



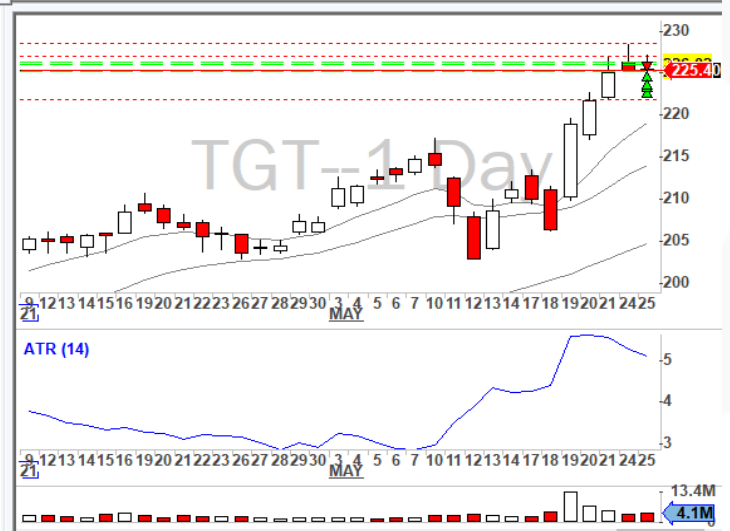
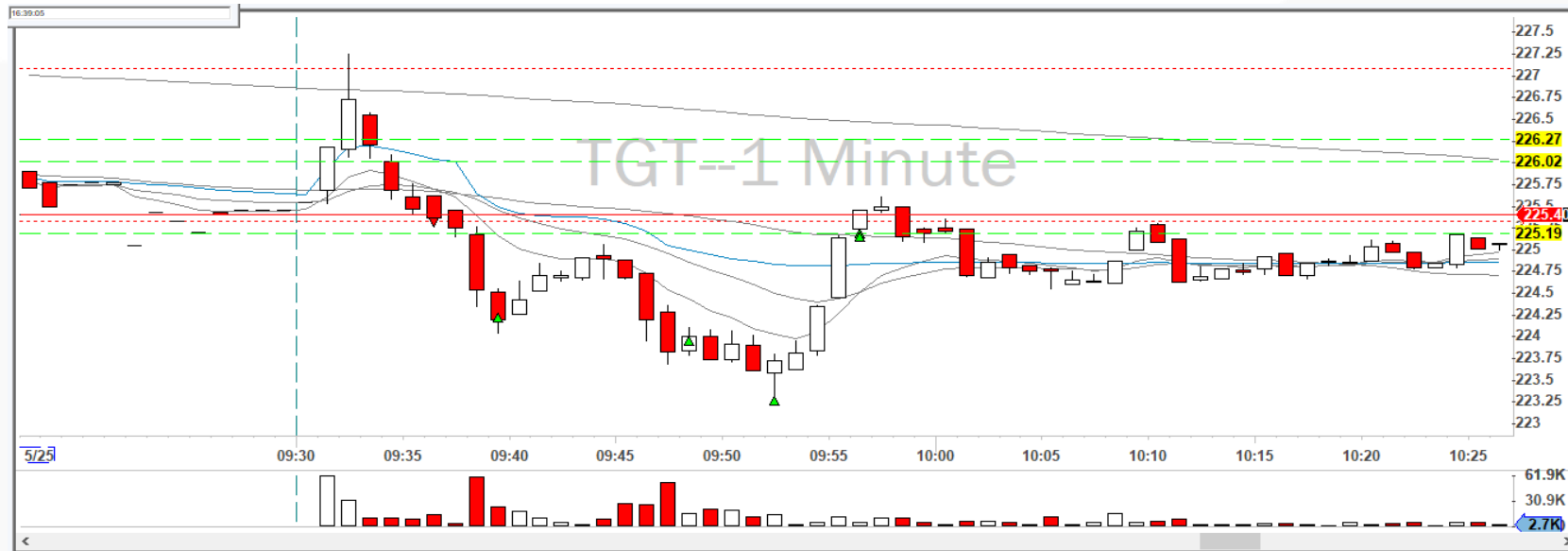
Examples



Examples



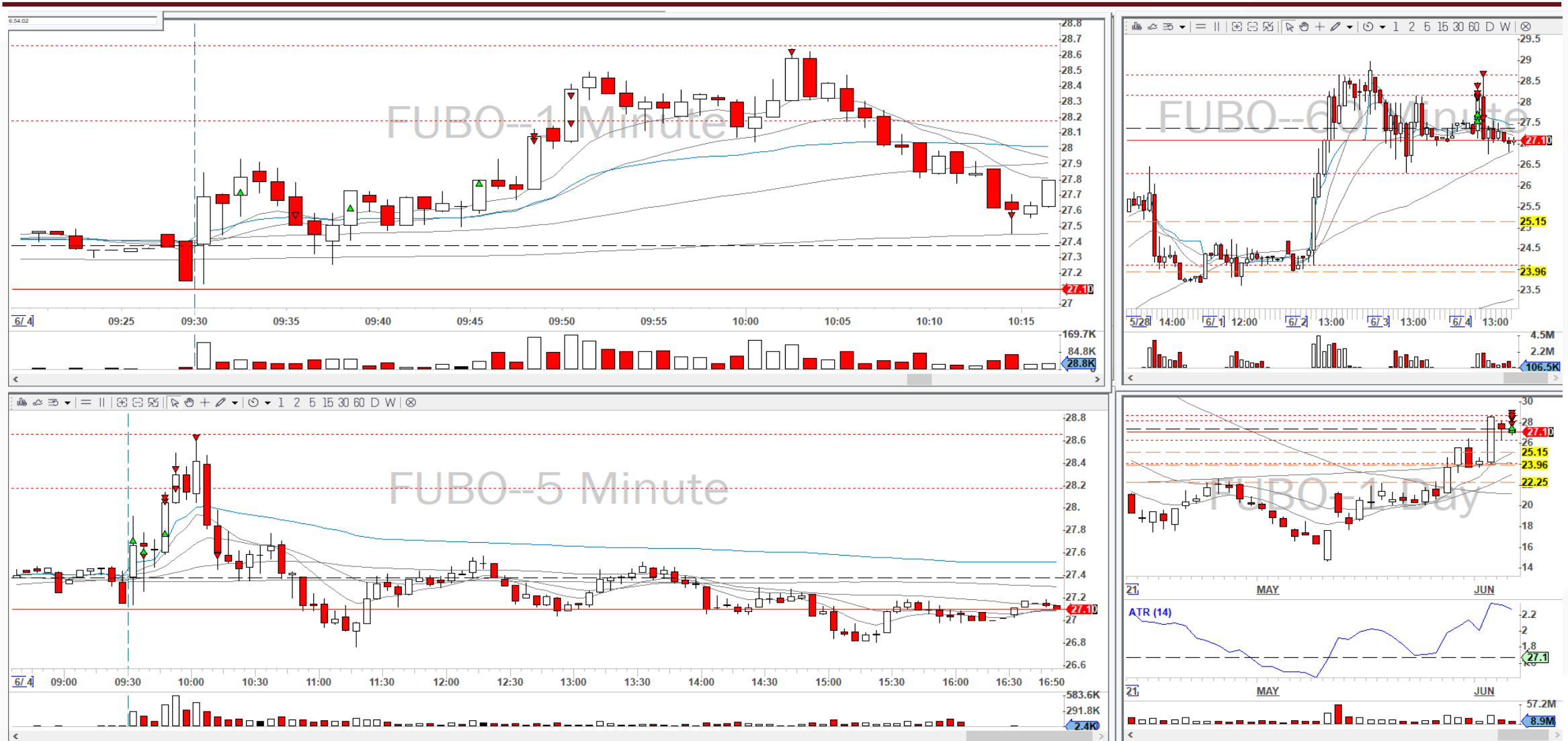
Examples



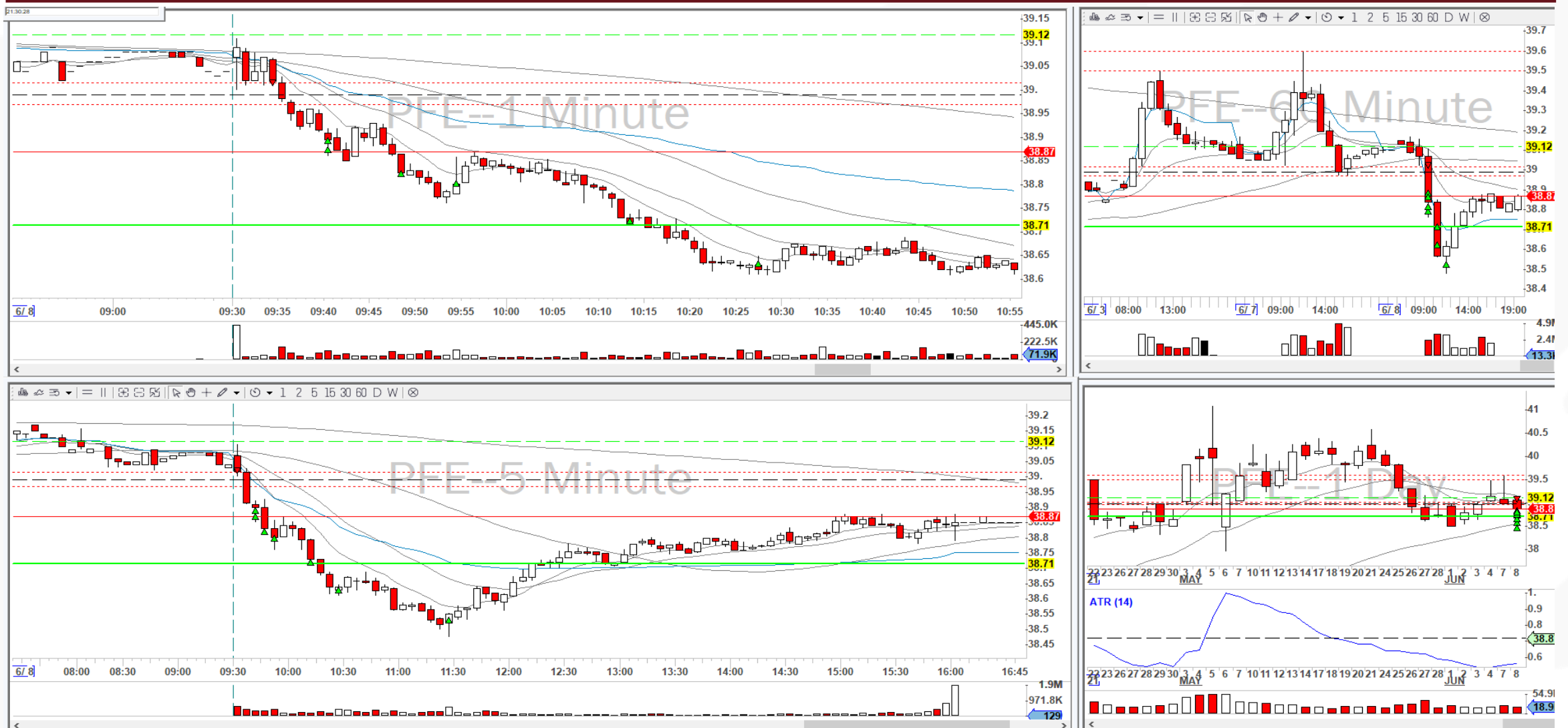
Examples



Examples



Examples



Fake Breakouts

-Fake breakouts are breakouts formed after the break/against the break of the favorable direction on the 60-minute chart followed by a squeeze to the opposite side of the range on the 60-minute chart

-Mostly, Fake breakouts are formed after the break against the favorable direction on the 60-minute chart

Note: Fake breakout leads to a better breakout to the opposite direction(Show an example)

-After spotting a fake breakout, look for a setup for a potential breakout to the other direction; However, before doing that, make sure that the stock after the fake breakout moved above/below the half of the 60-minute range.

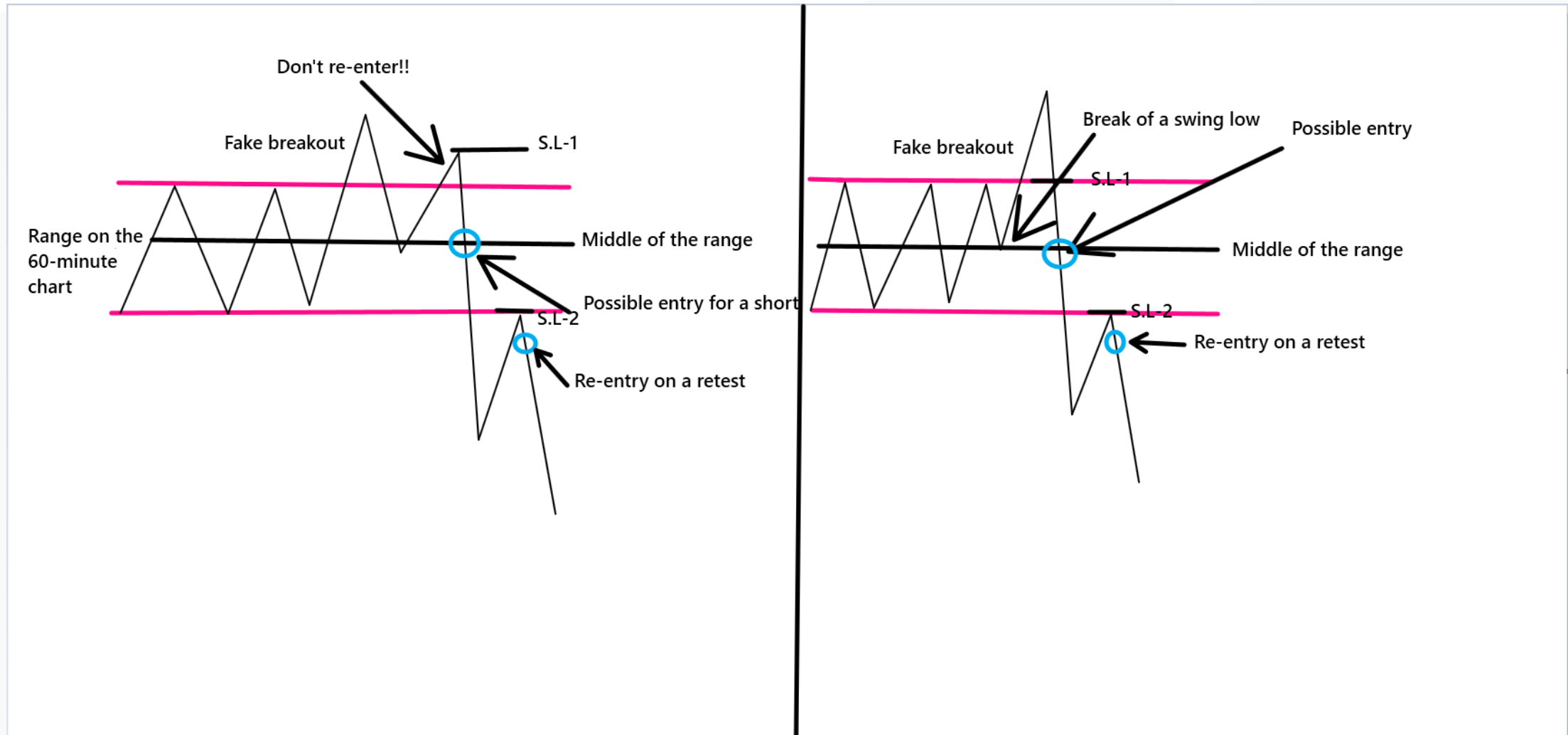
-Entry should always be a setup on a minor time frame (1-, 5-minute chart)

Notes:

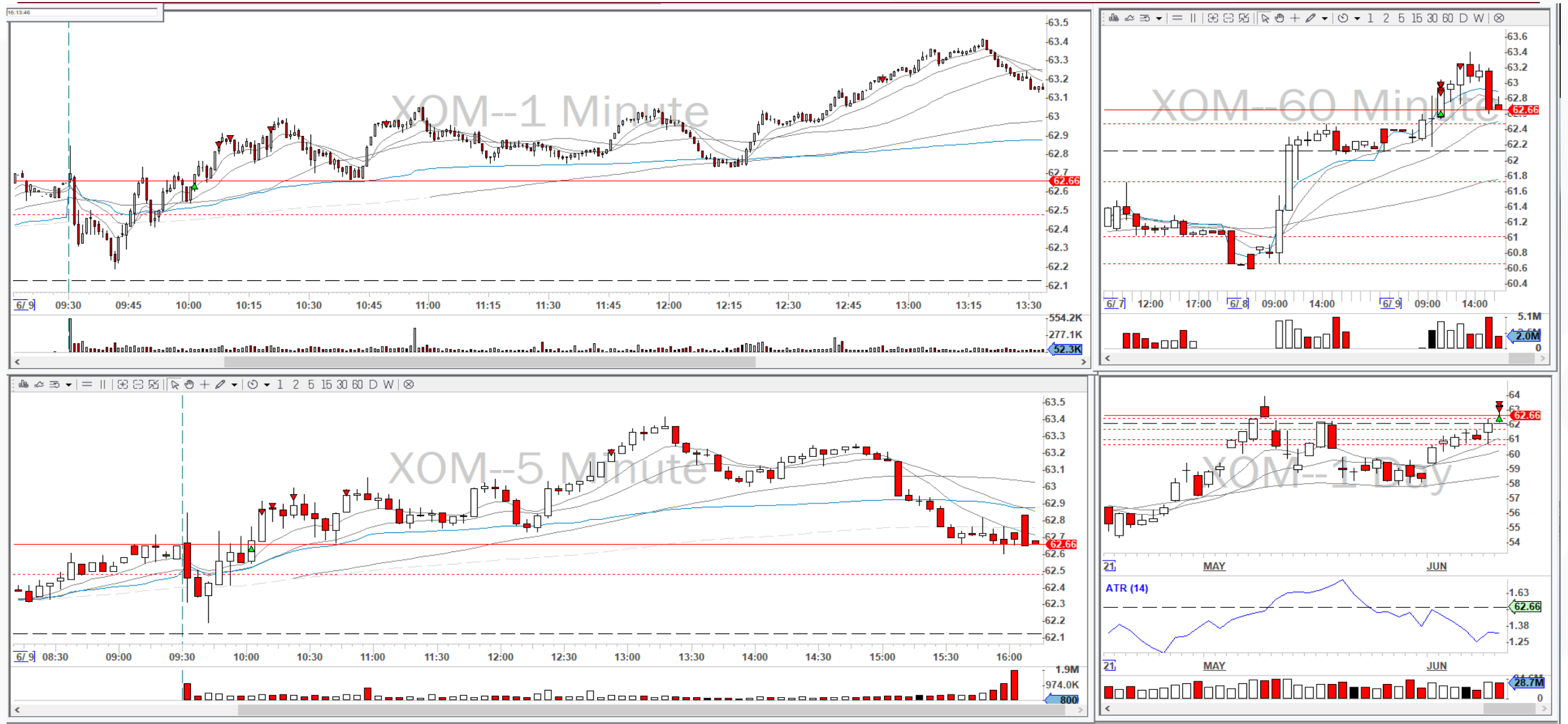
-It's possible to trade the breakout for the break of the high or the low of the range; However, it's preferable to trade it with the favorable direction as the break to the opposite direction is most likely to be a shakeout/Fake breakout.

-It's possible to flip the position after a fake breakout; However, only do that if after the fake breakout the stocks goes to the middle of the range and forms a setup supporting the new direction

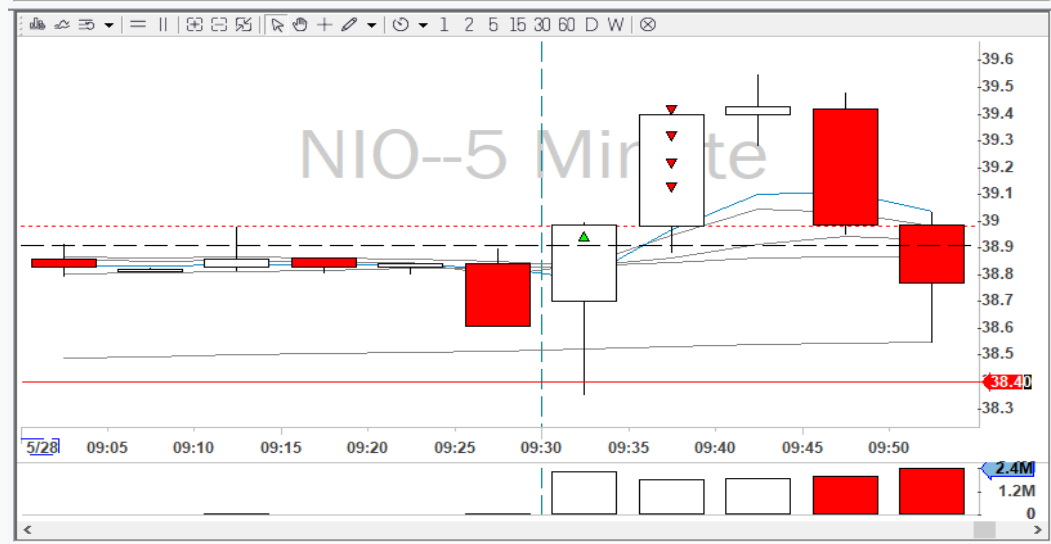
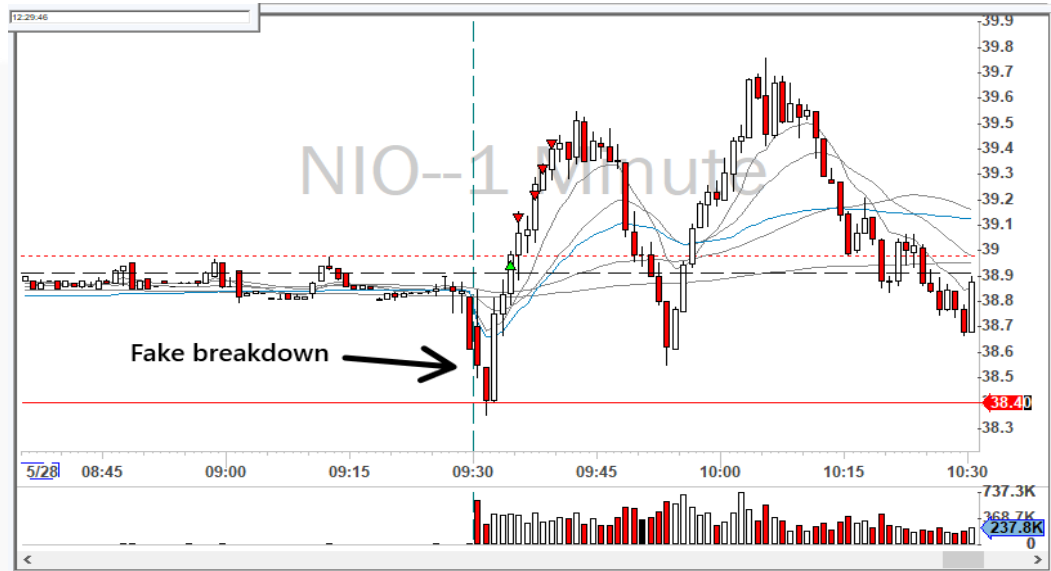
Fake Breakouts



Examples



Examples



Price	Qty
39.22	7.2M
38.40	2.2M

Setup:
-Breakout

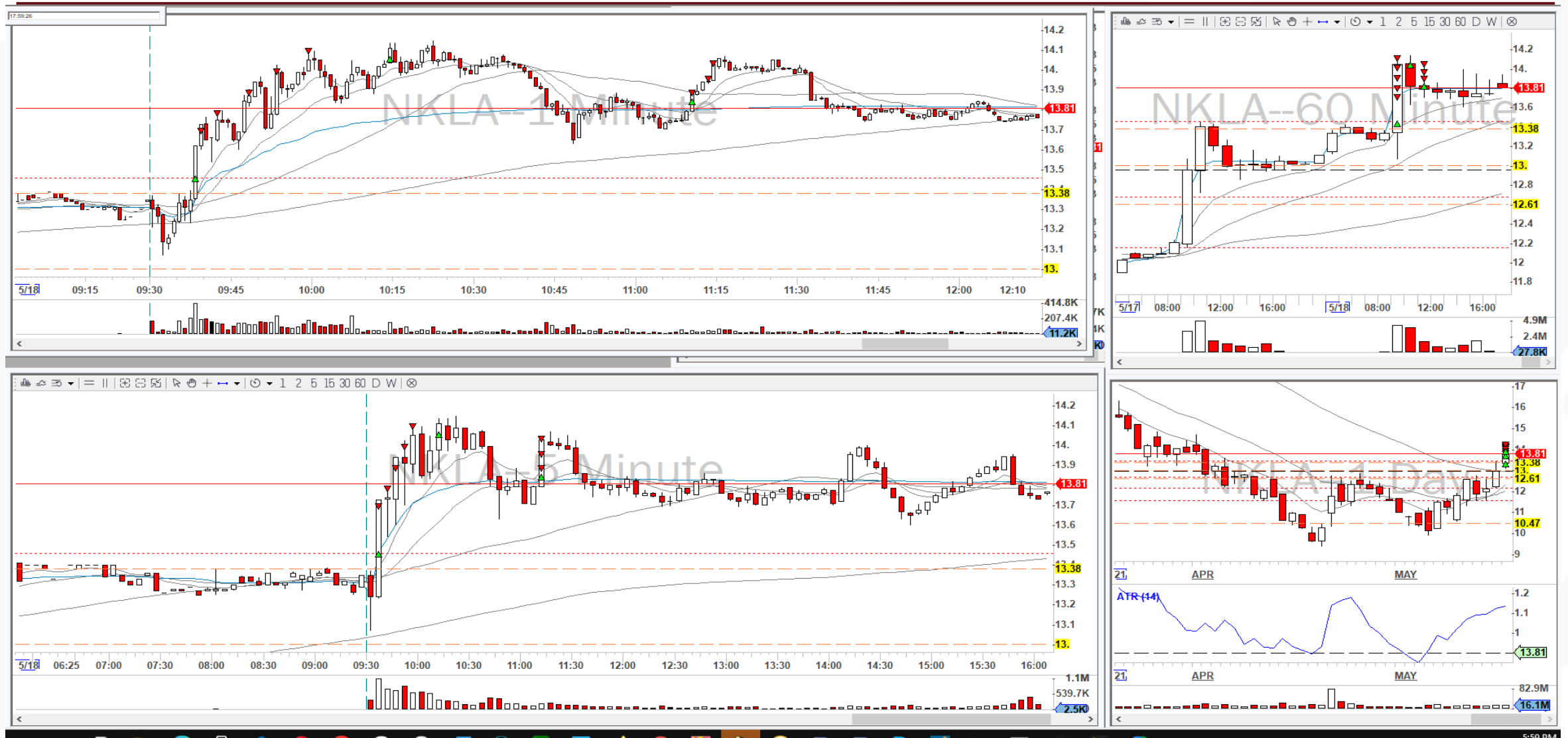
Indicators:
1) Hammer on the daily chart
2) Range on the 60-minute chart
3) Fake breakdown
4) Break of the premarket high

Entry:
-Break of the premarket high

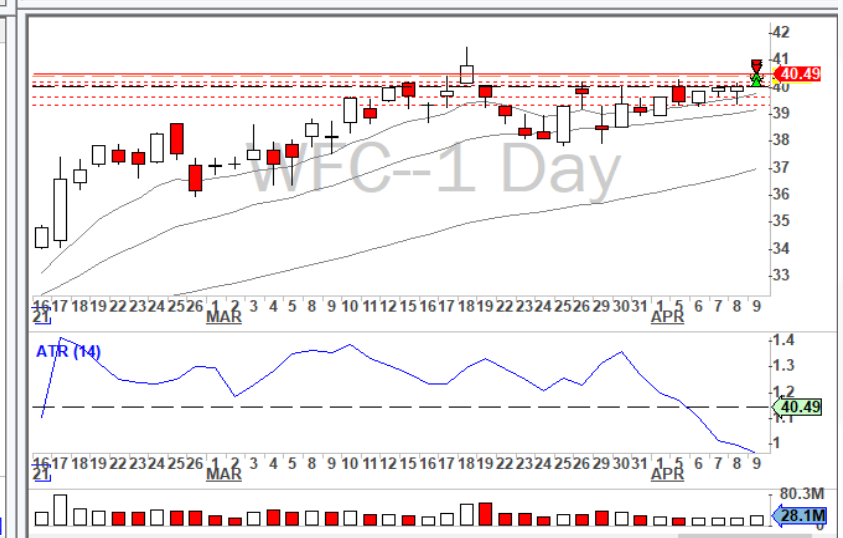
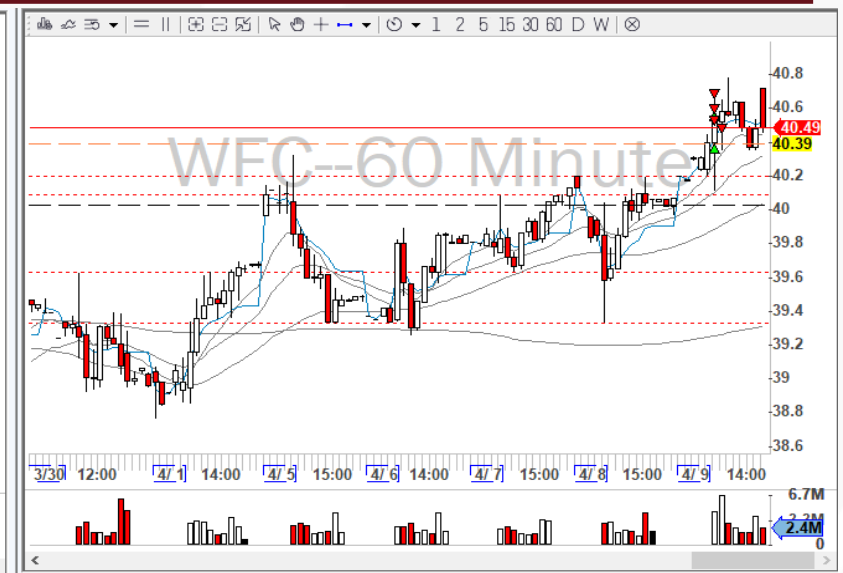
Partial:
-First partial was a mistake, intended to put my first limit at 39.22 which is the 2R, but instead hit a market order instead of a limit

Net realized:
2.8R

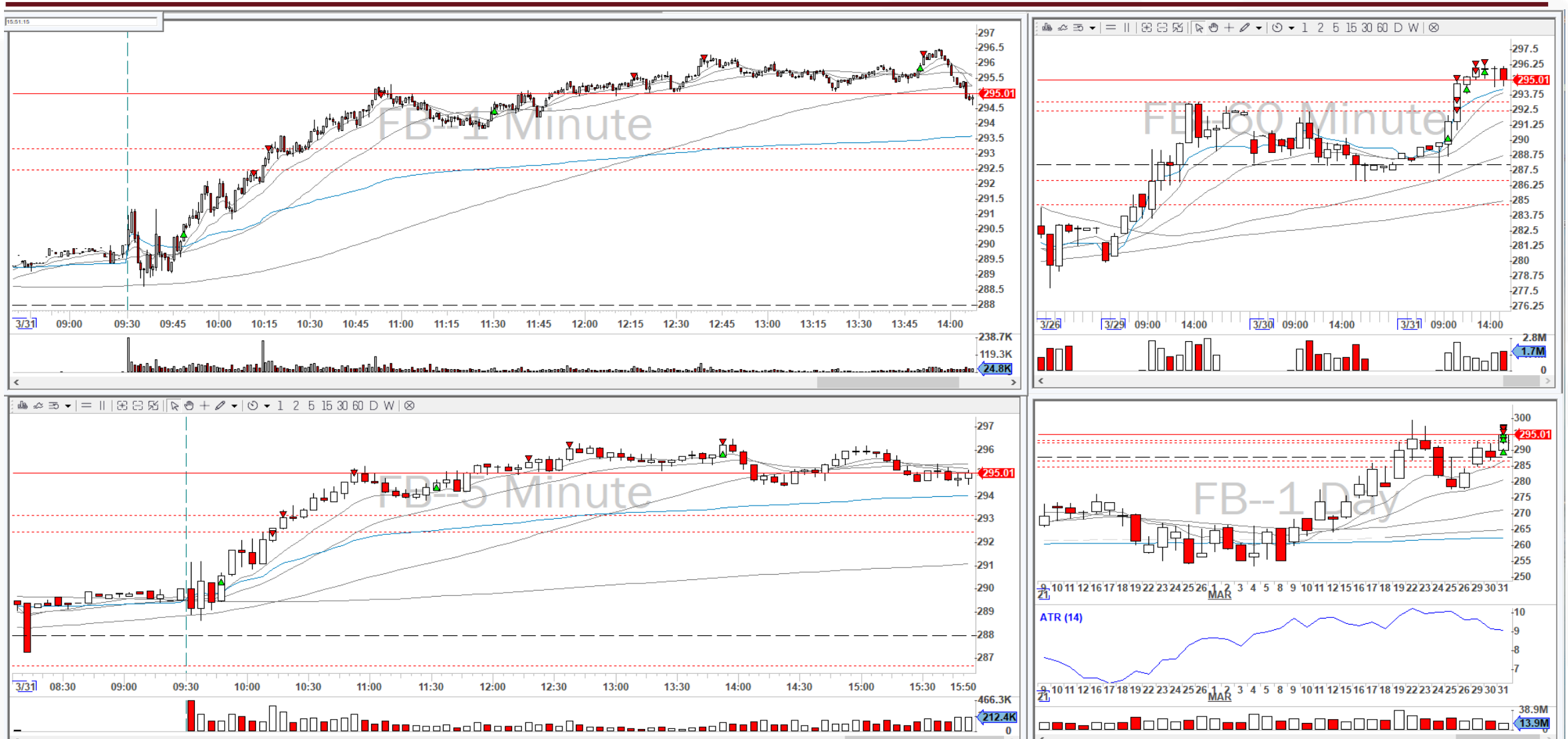
Examples



Examples



Examples



How to Pick Stocks for Breakouts

1)Gappers list.

2)My favorites list: AMD, MU, MSFT, TSLA, AAPL, SQ, NVDA, PINS, PTON, TGT, DIS, NKLA, INTC, NIO, INO, MRNA, CGC, CCL, AAL, BABA, DKNK, PLUG, ZM, TWTR

3)Nasdaq gainers/losers.

Final Tips:

- 1) Breakouts on bigger time frames offer bigger potential R reward.
- 2) Find a range on a bigger time frame, an entry and a stop on a smaller time frame to get bigger potential R.
- 3) Timing is the most difficult part when trading breakouts. If you get stopped out once, don't give up and wait for another potential entry.
- 4) If the breakout turns to be a fake breakout, keep an eye for an entry to the opposite direction.
- 5) If the breakout turns to be fake to both the long and the short direction, the stock might end up chopping throughout the day.



QUESTIONS

ANSWERS