

# The Inner Workings of Trading Breakouts

PRESENTED BY:

John Hiltz

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#### Prior to Trading:

21 Years in United States Army

Two tours as an instructor at the United States Military Academy

BA in Civil Engineering

MS in Systems Engineering

#### Trading History:

Students of the markets and trading from 2010 - 2017

Started Swing Trading in 2017

Began Full-Time Day Trading in 2019

Bear Bull Traders since 2020

#### Favorite Strategies:

Break of High of Day (BHOD)

Break of Intra-day Level (BIDL)

#### Hobbies:

Guitar

Pondering New Year's resolutions



John Hiltz

## Purpose

- A beginner's introduction to breakout trading
- We want to understand:
  - Support & resistance
  - Some basic price level patterns for breakouts
  - The effect of volume
  - Entries, stops, targets
- Share some examples and discuss together
- This is my take on breakouts



### A Lot to Cover

- Much of trading can be categorized as either breakouts or reversals
- Breakout: Buy at some level, thesis is continuation
- Reversal: Buy at some level, thesis is rejection
- So when we discuss breakouts we have the potential to address many strategies in many advanced forms



Webinar: How to Trade Breakouts (Pt 1 & Pt 2)



**Webinar: Trading a 5 Minute ORB** 



**Webinar: High-of-Day Break** 

# What is Carlos Doing Every Morning?





### Resistance

- **Investopedia**: Resistance, or a resistance level, is the price at which the price of an asset meets pressure on its way up by the emergence of a growing number of sellers who wish to sell at that price.
- We are going to mostly focus tonight on horizontal resistance (price level)



**Webinar: Price Level Breakout Strategy** 

- Other resistance types might use trend line, moving averages, and other kinds of indicators
- Price level resistance exist at other levels (e.g. Pre-Market High) and make the resistance more interesting and add to the strength of a breakout (or make a breakout more difficult)



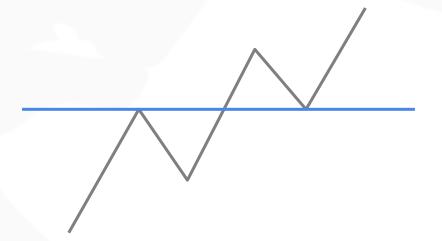
# Support

- Support, or a support level, is the price at which the price of an asset meets
  pressure on its way down by the emergence of a growing number of buyers who
  wish to buy at that price
- For the sake of simplicity and time we are going to focus on resistance breakouts tonight (long trades)
- Support breakouts (breakdowns) are generally thought to be the mirror image of resistance breakouts



### What is a Breakout?

- A price move above resistance or below support with continuation
- Usually coincides with a higher volume event
- The move often experiences a retest of the previous resistance/support level
- Resistance becomes support, support becomes resistance

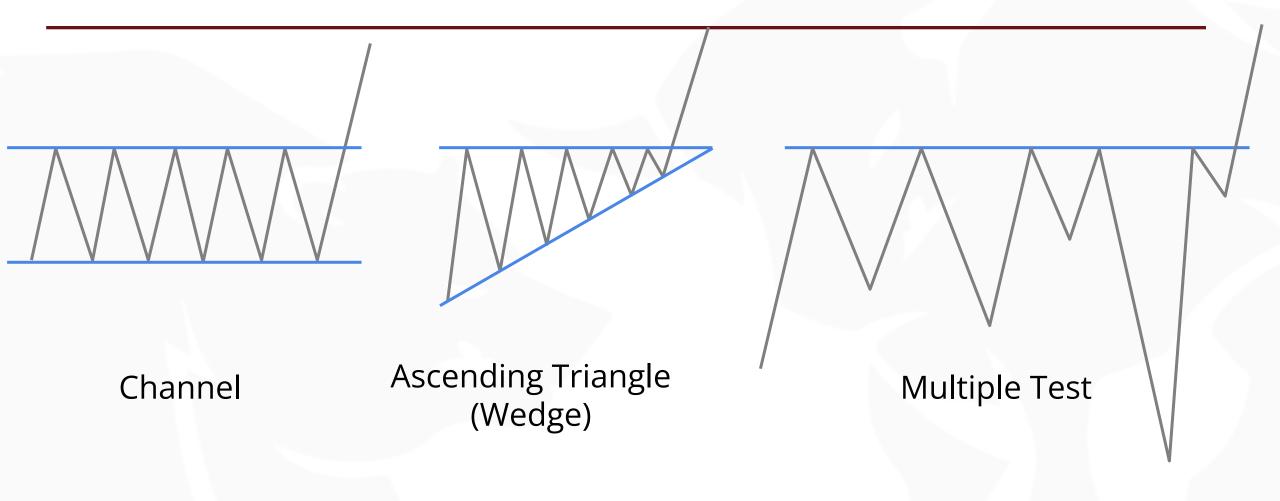


# Popular Types of Breakout Strategies

- Channel
- Triangle (wedge)
- Flag
- Cup and Handle
- ABCD
- ORB
- High-of-Day Break
- etc.
- Additional John Strategy: Multiple Test

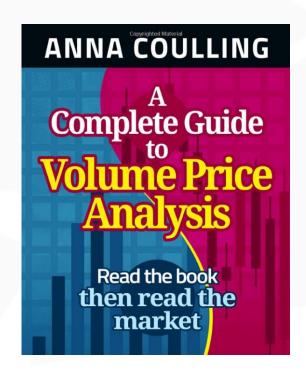


### **Basic Price Level Breakouts**



### Volume

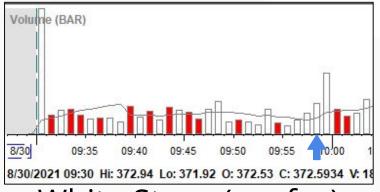
- "Volume and price together are the only indicators that truly reveal market sentiment and the activity of the insiders. Without it you are trading blind. With it, everything is revealed. There is no hiding place with volume-price analysis." Anna Coulling
- Breakouts will almost always coincide with higher volume
- The trick is to recognize what constitutes appreciable volume
- And to recognize whether that volume is continuing with enough strength to stay in the trade



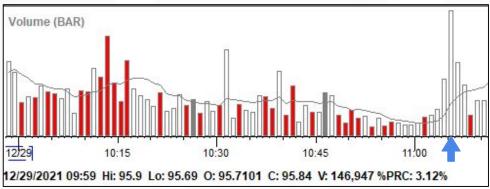


# Appreciable Volume

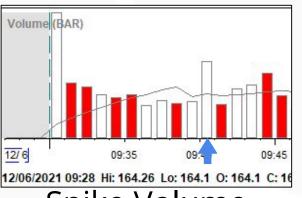
- Tough to quantify, requires some gut / intuition / feel
- Have to assess in the moment, dynamically. Use the clock!



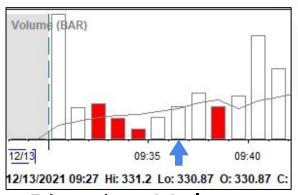
White Steps (my fav)



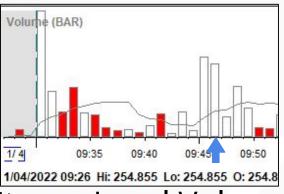
**Exponential Volume** 



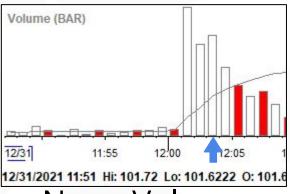
Spike Volume



Pivoting Volume



Strong Local Volume



**News Volume** 



# **Volume Required for Continuation**

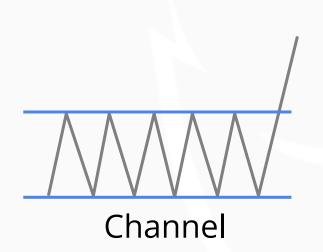
- Best case is when volume following high volume entry continues to build on white candles
- Next best case (and far more likely) is that the volume drops off somewhat right after entry and pop, but following volume remains locally strong
- Looking to get price pushed far enough above resistance that it enters a new decision area and you can survive a pullback, hopefully without a retest
- Beware of sharp volume drops back to previous local lows

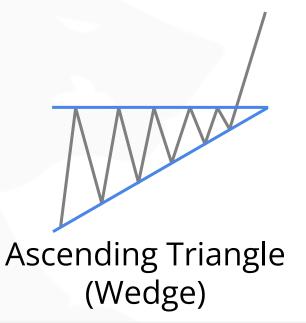


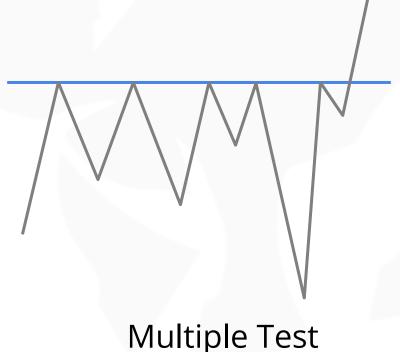


### **Entries**

- Conservative: Wait for candle to close above resistance
- More advanced: Time with the volume increase and enter before break candle closes. It helps to have better established Level 2 and Time & Sales skills.



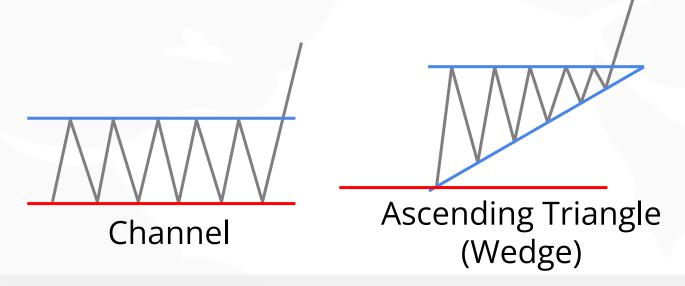




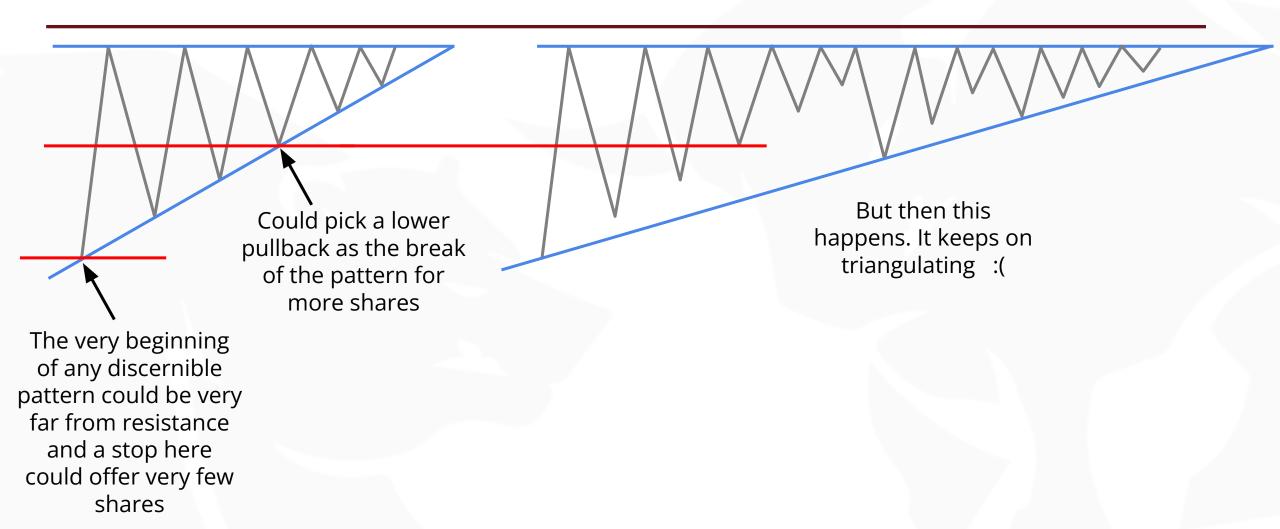


# Stops: Wedge and Channel

- Conservative: Place below the pattern (break of pattern)
- Less Conservative: Place within the pattern, but below some kind of potential support (MA, VWAP, Camarilla Pivot, liquidity level, etc.)
- More advanced: Place just below the resistance level. This is easier if you intend to wait for the candle to close above resistance. Much riskier if you intend to enter on the initial volume event before the break candle closes.



# Where To Put Stop on Wedge





# **Targets**

- "You gotta know when to hold 'em. You gotta know when to fold 'em." - Kenny Rogers
- To succeed in trading: Let your winners run and cut your losers short
- Profit taking is the hardest calculus in day trading
- Don't be afraid to aim for a target that feels a bit bold because it's probably not (gap fill, Camarilla Pivot, dollar level)
- Don't be afraid to take it all on a volume surge and pause



# **Some Other Thoughts**

Using Multiple Timeframes (Nice)



Trading With Daily Breakouts (Beware)

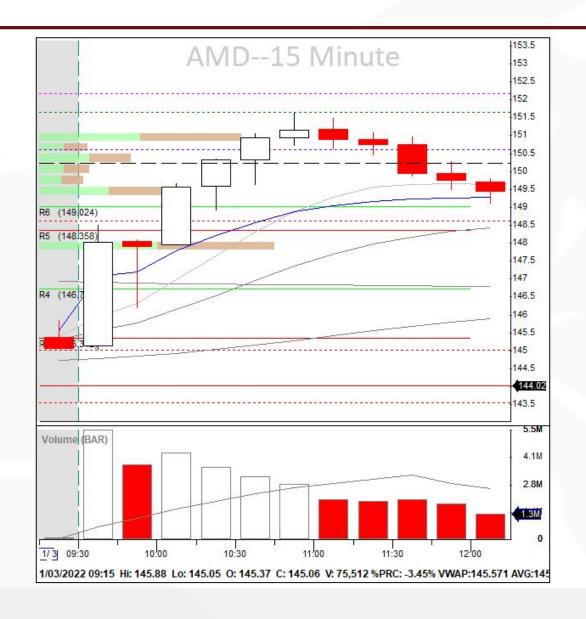


#### The Dreaded Retest





## That AMD Trade on a 15 Minute Chart







# Let's Check Out Some Examples

#### R4 (512.975) NFLX--1 Minute 512 \$508.00 511 510 R3 (5(10.087) 508 507 505 418.3 SPY--1 Minute 418.2 504 S3 (418.173) **Entry** 503 502 S4 (501.425) 417.75 501 500 49.3K Volume (BAR) 417.4 36.9K 24.6K 12.3K 09:35 09:40

#### 4/30/2021 09:44 Hi: 509.13 Lo: 508.301 O: 508.62 C: 508.895 V: 4,550 %PRC: -0.02%

- Pattern
- Initial Volume
- Continued Volume
  - Entry
  - Stop
  - Target



#### 318 ZM--1 Minute 317.5 317 \$310.00 Testes 316.5 316 315.5 315 314.5 314 313.5 313 312.5 312 311.5 310.5 309.5 350.6 308.5 308 307.5 350.45 **Entry** 307 350.4 306.5 350.35 60.9K Volume (BAR) 45.7K 26.8K 15.2K 8/31 13:30 13:45 8/31/2020 13:39 Hi: 312.45 Lo: 312.0574 O: 312.0574 C: 312.3746 V: 13,809 %PRC: 4.38% VWAP:30

- Pattern
- Initial Volume
- Continued Volume
  - Entry
  - Stop
  - Target



#### TSLA--1 Minute 626.5 626 R3 (625.823) \$621.47 625.5 \$621.59 625 \$621.25 624.5 \$621.71 624 623.5 623 622.5 620.5 620 Minute 420.18 619 618.5 617.5 616.5 419.95 616 419.93 S3 (616.077) 419.9 75.9K Volume (BAR) 56.9K 37.9K 12:15 12:45

#### 6/21/2021 11:43 Hi: 619.7208 Lo: 618.3236 O: 618.35 C: 619.72 V: 59,314 %PRC: -0.58% VWAP:616.15

- Pattern
- Initial Volume
- Continued Volume
  - Entry
  - Stop
  - Target



#### 378. FB--1 Minute 377.8 377.6 R3 (377.619) 377.4 \$377 Resistance 377. 376.8 376.6 376.4 376.22 375.2 375. 374.8 452.9 **Exit** 452.8 452.7 373.6 373.4 **Entry** 452.2 44.8K Volume (BAR) 33.6K 22.4K 9/03/2021 10:36 Hi: 376.85 Lo: 376.34 O: 376.85 C: 376.45 V: 9,306 %PRC: 0.31%

- Pattern
- Initial Volume
- Continued Volume
  - Entry
  - Stop
  - Target



#### 304.8 MSFT--1 Minute 304.6 304.4 304.2 304. 303.8 R6 (303.779) 303.6 303.4 303.2 R5 (303.220) 303. 302.8 302.58 302.2 302. SPY--1 Minute R4 (301.922) 301.6 301.4 301.2 301. 451.3 300.8 R3 (300.811) 451.2 300.6 300.4 300.2 Entry Volume (BAR) 450.9 450.8 221.2K 450.7 147.5K 73.7K 8/30

- Pattern
- Initial Volume
- Continued Volume
  - Entry
  - Stop
  - Target



#### BABA--1 Minute 270 269.5 269 268.5 267.5 265 264.5 264 263.5 262 383.13 **Entry** 261.5 382.88 261 382.75 260.5 382.63 260 R3 (260.099) 382.5 259.5 382.38 382.25 Volume (BAR) 382.13 861.1K 574.1K 287.0K

2/03/2021 09:52 Hi: 265 Lo: 264.1 O: 264.16 C: 264.99 V: 141,070 %PRC: 4.12% VWAP:264.021 AVG:2

- Pattern
- Initial Volume
- Continued Volume
  - Entry
  - Stop
  - Target



#### 154.2 BABA--1 Minute 154. 153.8 R6 (153.723) 153.6 153.4 153.2 R5 (153.207) 153. 152.8 152.6 152.4 152.2 152.05 151.8 436.3 151.6 436.2 436.1 151.4 151.2 435.9 151. 150.8 R3 (150.834) 150.6 435.3 435.2 234.4K Volume (BAR) 175.8K 134.9K 58.6K 09:50 9/22/2021 09:28 Hi: 151.82 Lo: 151.39 O: 151.5 C: 151.75 V: 2,703 %PRC: 1.05%

- Pattern
- Initial Volume
- Continued Volume
  - Entry
  - Stop
  - Target



#### 716 715.46 714 713 712 R4 (711.330) 711 710 \$702.50 **Resistance at R3** 706 705 704 703 R3 (702.365) 702 372.2 **Entry** 372.05 695 694 228.1K Volume (BAR) 171.1K 114.0K

#### 12/31/2020 11:11 Hi: 711.2907 Lo: 710.2768 O: 710.765 C: 711.27 V: 99,620 %PRC: 2.37%

- Pattern
- Initial Volume
- Continued Volume
  - Entry
  - Stop
  - Target



#### 216.5 GME--1 Minute 216 \$213.78 \$213.77 215.5 215 214.5 214 213.5 212.5 423.15 212 Minute Entry 423.05 211.5 422.95 211 422.9 422.85 422.8 210.5 422.75 210 422.65 422.55 209.5 30.6K Volume (BAR) 22.8K 15.2K 7.6K 15:10

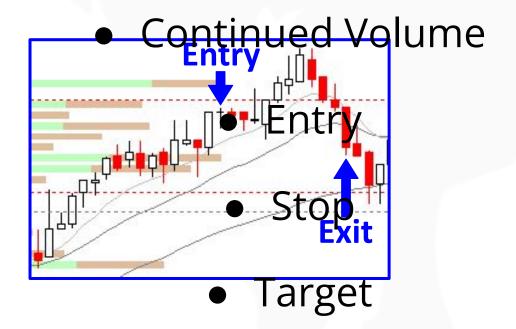
#### 6/22/2021 14:16 Hi: 211.72 Lo: 211.33 O: 211.7 C: 211.66 V: 3,096 %PRC: 5.63%

- Pattern
- Initial Volume
- Continued Volume
  - Entry
  - Stop
  - Target



#### Not a level, just the cursor 254.75 254.63 254.5 254.38 crosshair line 254.25 254.13 254 253.88 253.75 253.63 253.5 253.38 253.25 253.13 252.97 252.88 252.75 252.63 252.5 252.38 252.25 252.13 252 251.88 107.3K Volume (BAR) 80.5K 53.6K 26.8K 7/29/2020 10:34 Hi: 252.75 Lo: 252.44 O: 252.65 C: 252.48 V: 12,193 %PRC: 1.38% VWAP:251.929 A'

- Pattern
- Initial Volume





### 346.5 COIN--1 Minute 345.5 345 344.5 344 343.5 342.5 SPY--1 Minute 340.5 339.5 466.65 55.9K 41.9K 28.9K 14.0K 11/04/2021 10:29 Hi: 343.12 Lo: 342.5535 O: 342.9311 C: 343.12 V: 7,987 %PRC: -0.37%

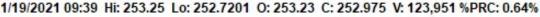
- Pattern
- Initial Volume
- Continued Volume
  - Entry
  - Stop
  - Target





### FB--1 Minute 258 \$255.01 aa \\$255.00 \$254.91 \$254.98 257.5 257 \$254.99 256.5 255.5 253.5 SPY--1 Minute 378.38 **Entry** 252.5 251.5 7615.8K Volume (BAR) 307.7K 153.8K

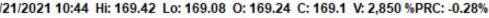
- Pattern
- Initial Volume
- Continued Volume
  - Entry
  - Stop
  - Target





#### 172.5 ABNB--1 Minute 172 171.5 Resistance 171 \$168.43 \$168.39 \$168.34 170.5 170 169.5 169 168.5 168 167.5 167 166.5 166 165.5 164.5 163.5 163 162.5 72.0K 413.3 Volume (BAR) 413.2 54.0K 413.1 413 36.0K 18.0K

- Pattern
- Initial Volume
- Continued Volume
  - Entry
  - Stop
  - Target





#### 142 \$139.00 Exact Testes 141.5 141 140.5 139.98 139.5 138.5 138 137.5 137 375.6 136.5 S3 (136.449) 136 135.5 135 **Entry** 72.8K Volume (BAR) 54.6K 36.4K 18.2K 1/15/2021 11:15 Hi: 139.2 Lo: 138.78 O: 139.0499 C: 139.2 V: 14,257 %PRC: -2.30%

142.5

- Pattern
- Initial Volume
- Continued Volume
  - Entry
  - Stop
  - Target



#### FB--1 Minute 350.2 350. 349.8 R4 (349.784) 349.6 \$347.84 349.4 \$347.77 349.06 348.8 348.6 348.4 348.2 348. 347.8 347.6 347.4 Minute 346.8 346.6 346.4 346.2 **Entry** 69.5K Volume (BAR) 52.1K 34.8K 10:45

#### 7/22/2021 09:43 Hi: 347.77 Lo: 347.34 O: 347.34 C: 347.55 V: 39,660 %PRC: 0.38% VWAP:346.310 AVG:346.

- Pattern
- Initial Volume
- Continued Volume
  - Entry
  - Stop
  - Target



#### 109.5 FUTU--1 Minute 109 108.5 107.5 106.5 105.5 105 104.5 104 R6 (103.768) 103.5 103 102.5 R5 (102.232) 102 101.5 100.5 100 Volume (BAR) 121.3K 80.9K 10:30

# Other Examples The Dreaded Retest



#### AMD--1 Minute 152 151.5 151 150.5 149.5 149 148.5 148 147.5 147 146.5 146 145.5 145.342) 145 476.5 143.5 /38.9K Volume (BAR) 554.2K 369.5K

# Other Examples The Dreaded Retest



# Questions/Comments

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