



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:

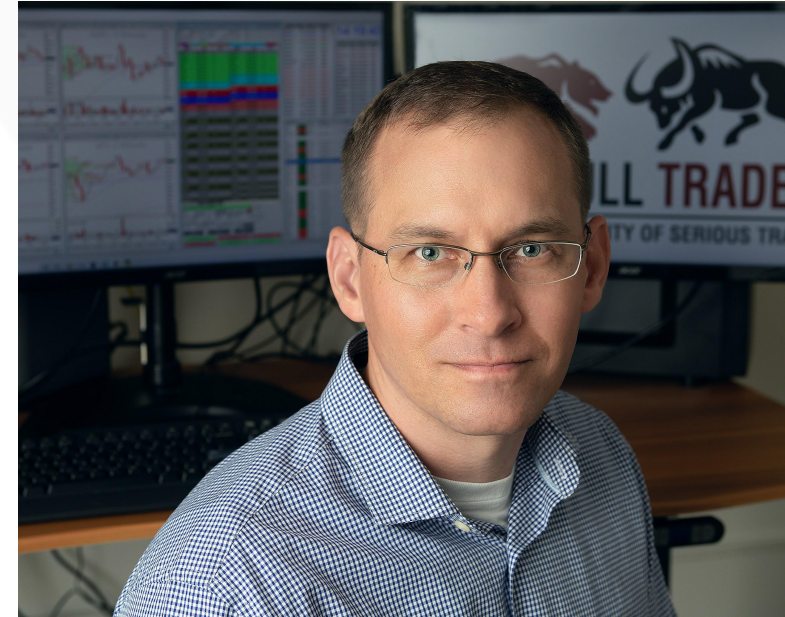
- Students of the markets and trading from 2010 - 2017
- Started Swing Trading in 2017
- Began Full-Time Day Trading in 2019
- Bear Bull Traders since 2020

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)

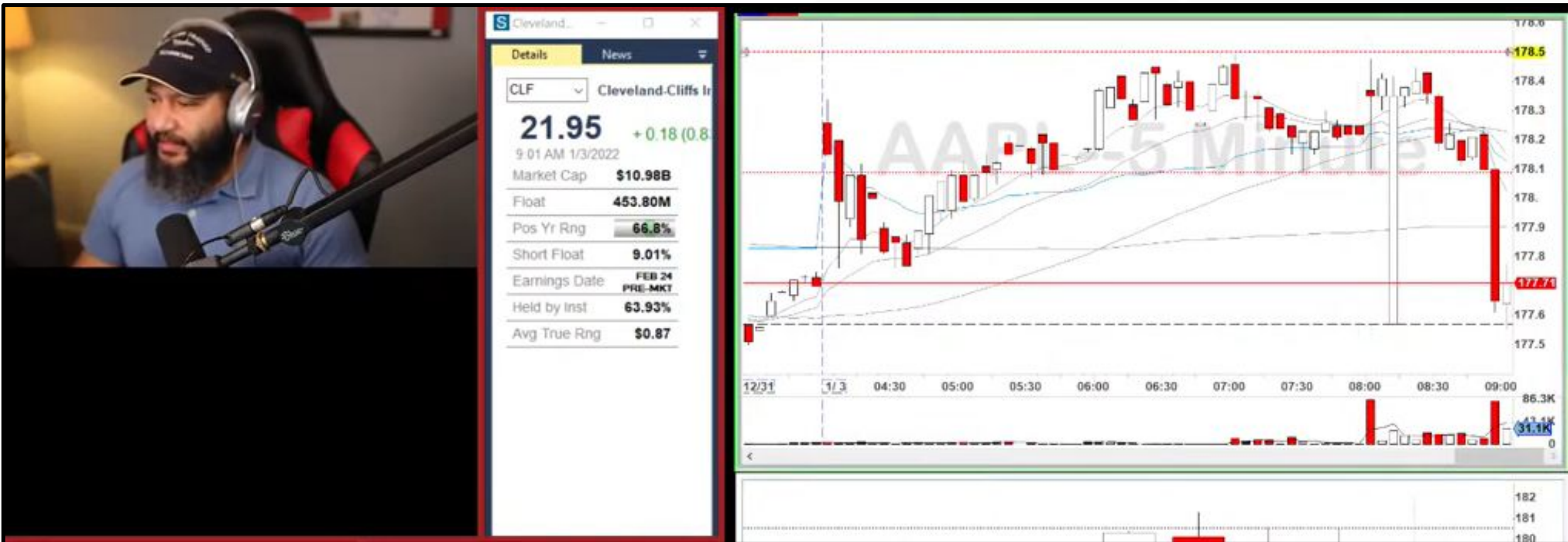


Webinar: Trading a 5 Minute ORB



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

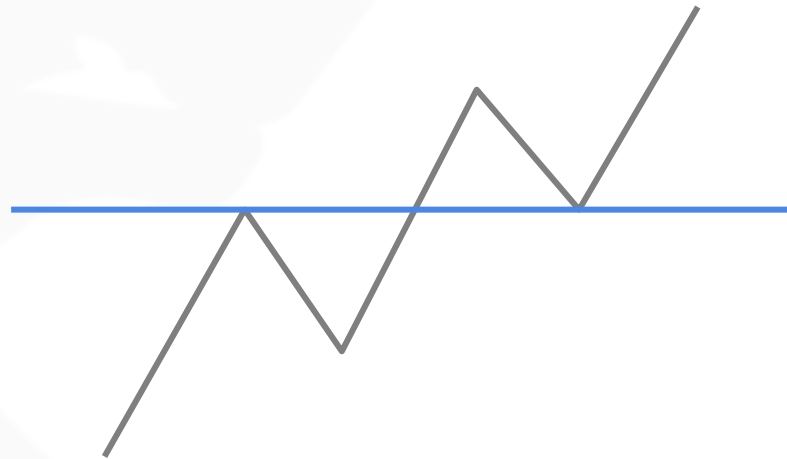
- Other resistance types might use trend line, moving averages, and other kinds of indicators
- Price level resistance exist at other levels (e.g. Pre-Market High) and make the resistance more interesting and add to the strength of a breakout (or make a breakout more difficult)

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?

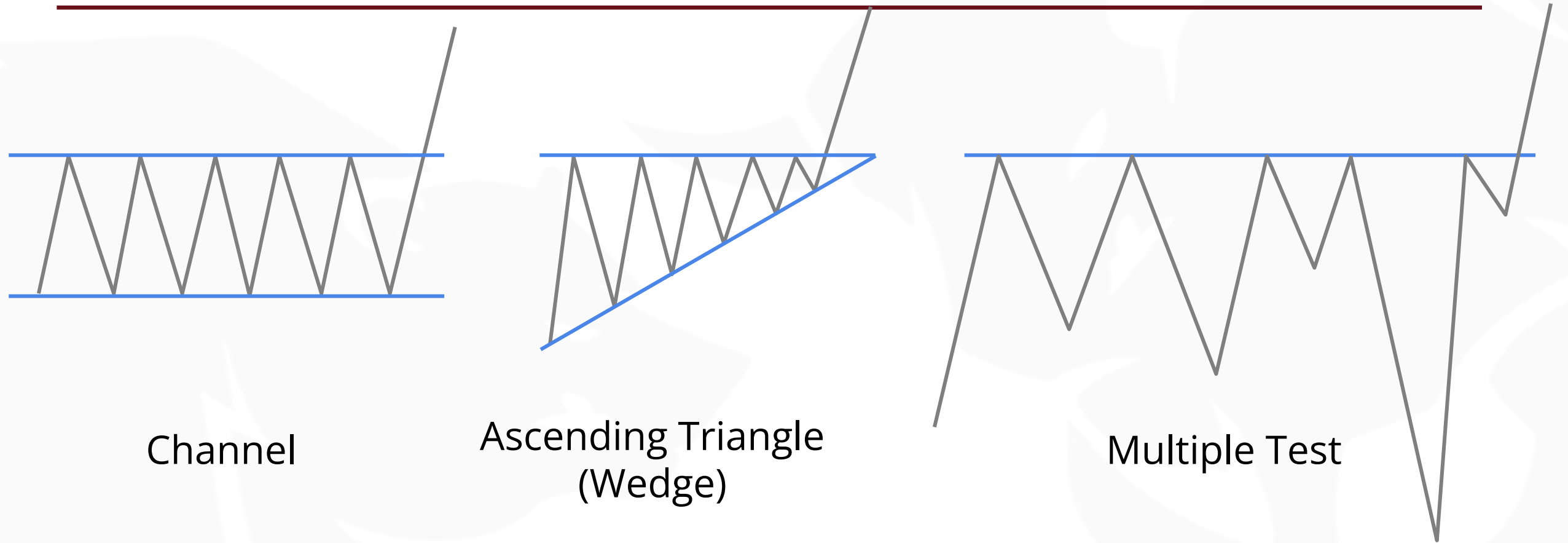
- A price move above resistance or below support ***with continuation***
- Usually coincides with a ***higher volume*** event
- The move often experiences a ***retest*** of the previous resistance/support level
- Resistance becomes support, support becomes resistance



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



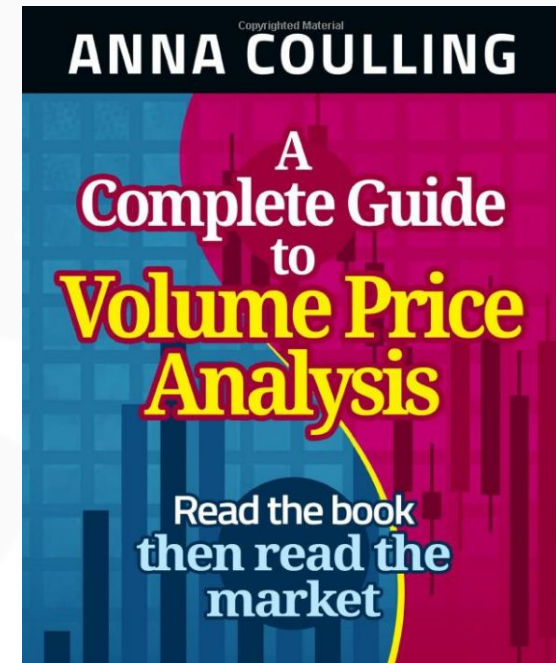
Channel

Ascending Triangle
(Wedge)

Multiple Test

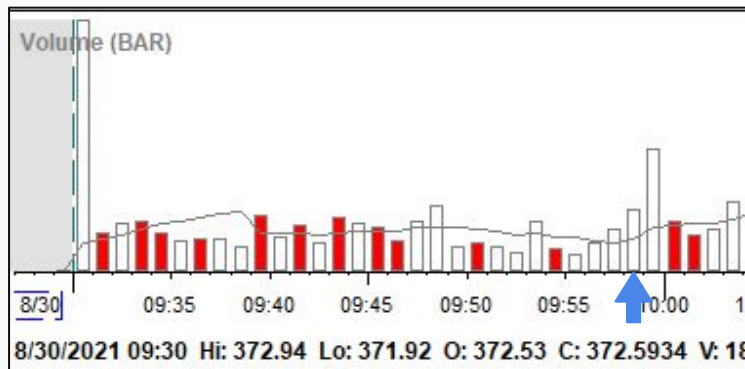
Volume

- *“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

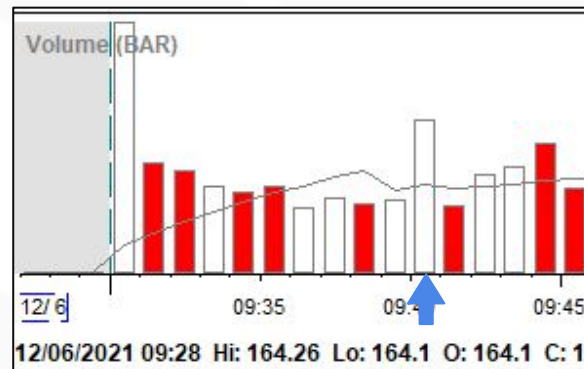


Appreciable Volume

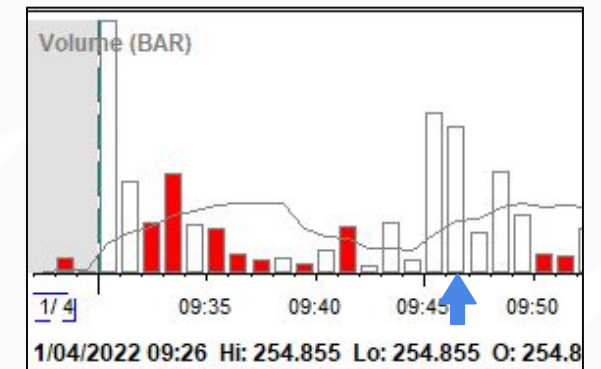
- Tough to quantify, requires some gut / intuition / feel
- Have to assess in the moment, dynamically. Use the clock!



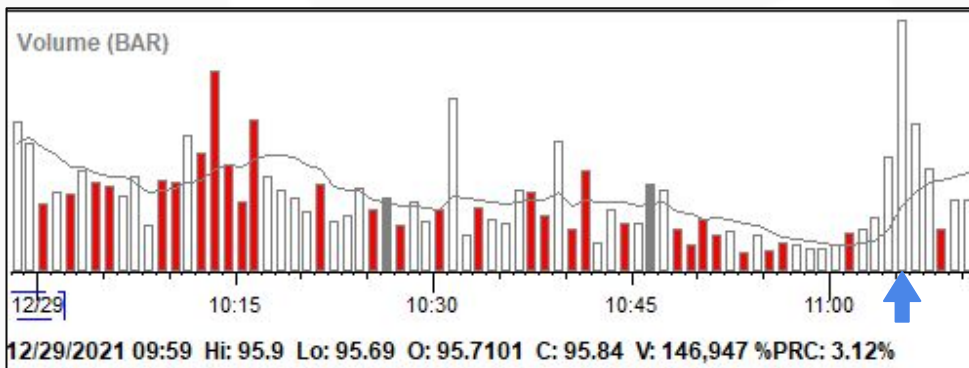
White Steps (my fav)



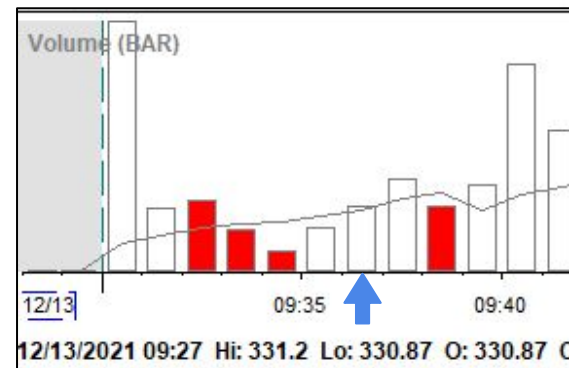
Spike Volume



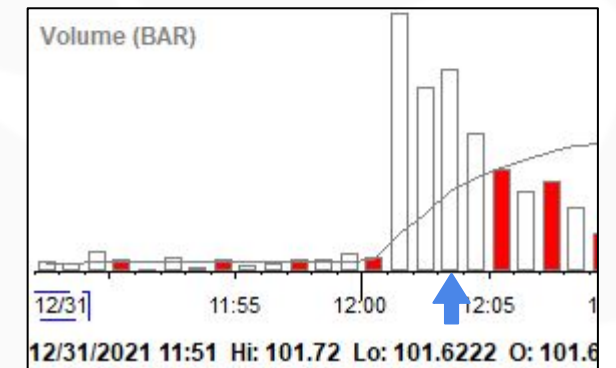
Strong Local Volume



Exponential Volume



Pivoting Volume



News Volume

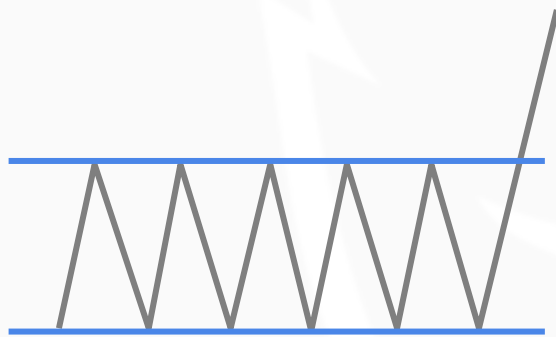
Volume Required for Continuation

- 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

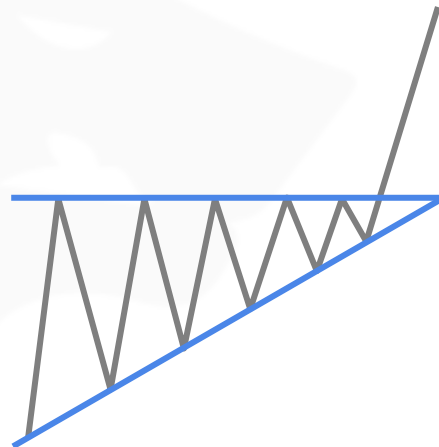


Entries

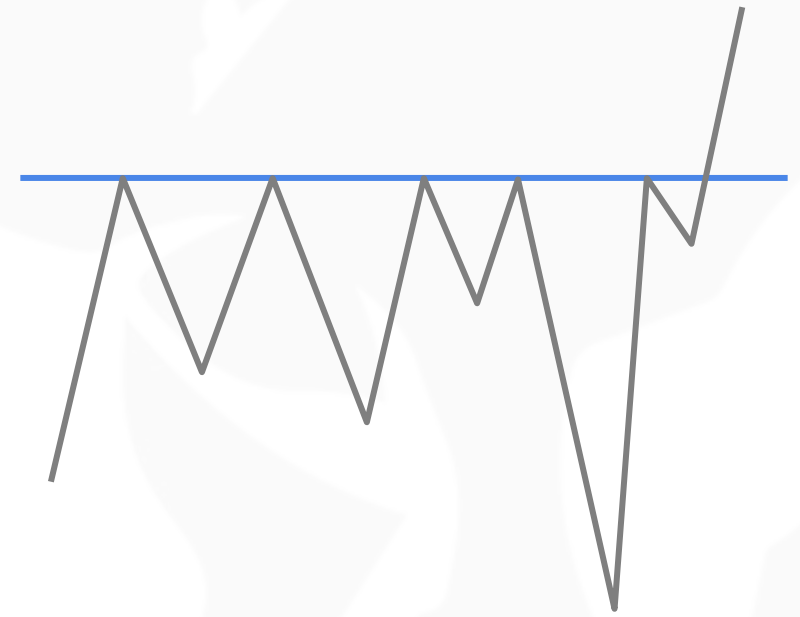
- **Conservative:** Wait for candle to close above resistance
- **More advanced:** Time with the volume increase and enter before break candle closes. It helps to have better established *Level 2* and *Time & Sales* skills.



Channel



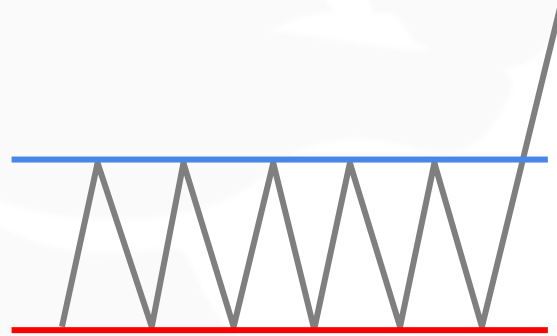
Ascending Triangle
(Wedge)



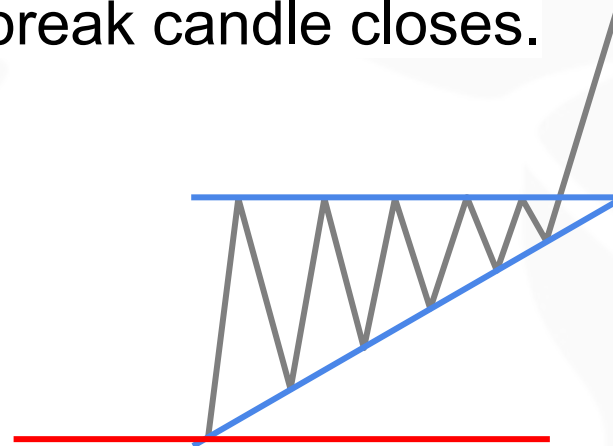
Multiple Test

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.

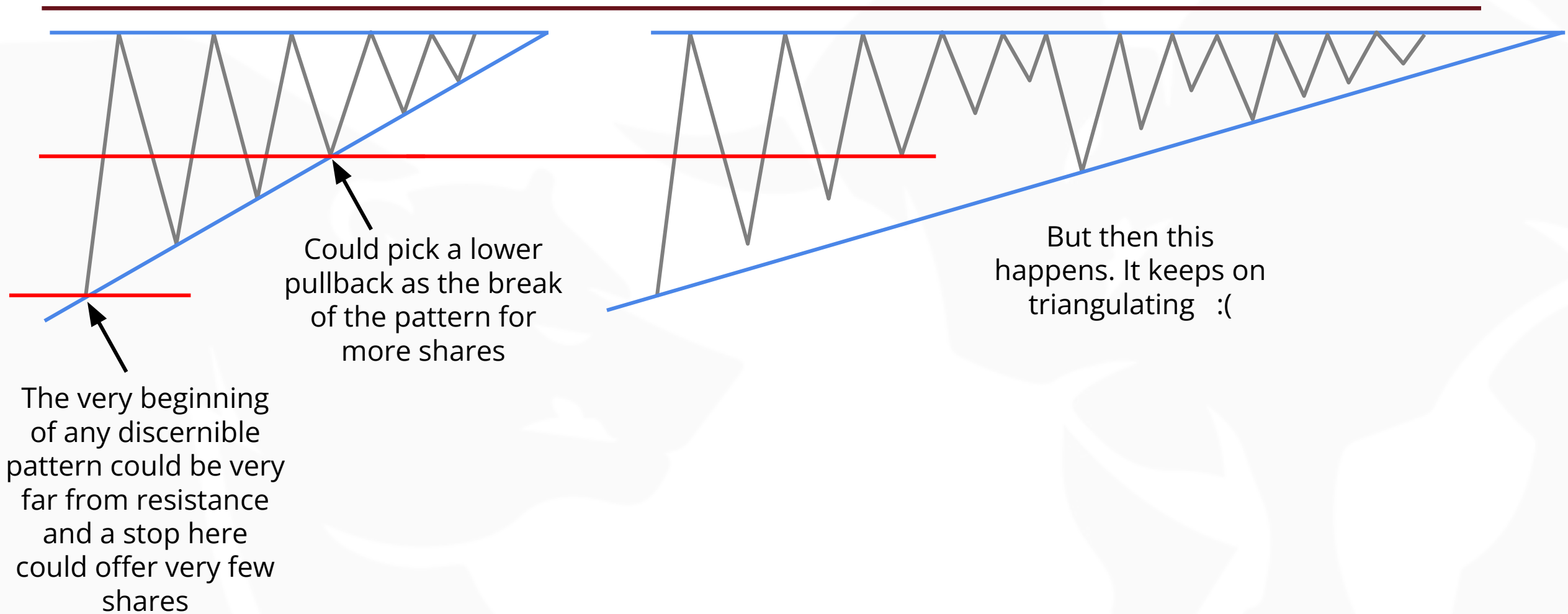


Channel



Ascending Triangle
(Wedge)

Where To Put Stop on Wedge



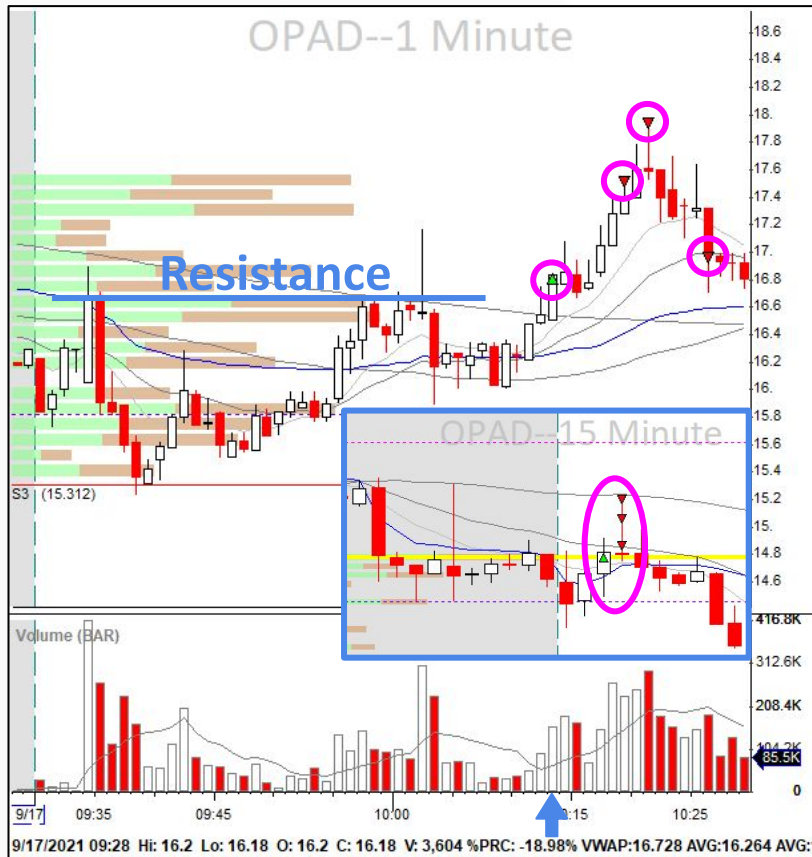
Targets

- “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

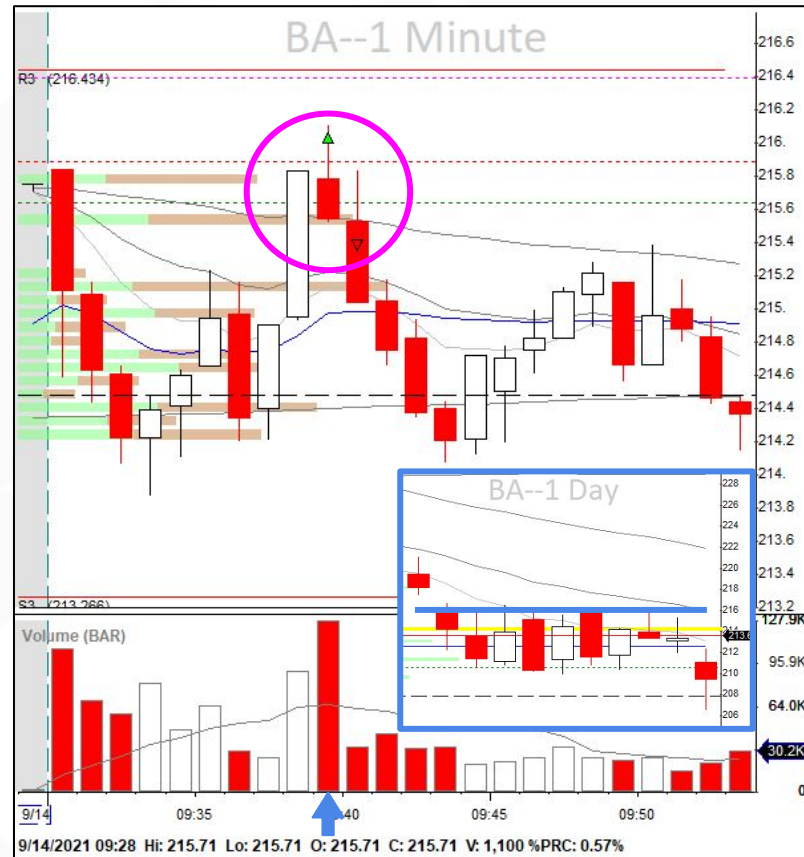


Some Other Thoughts

Using Multiple Timeframes (Nice)



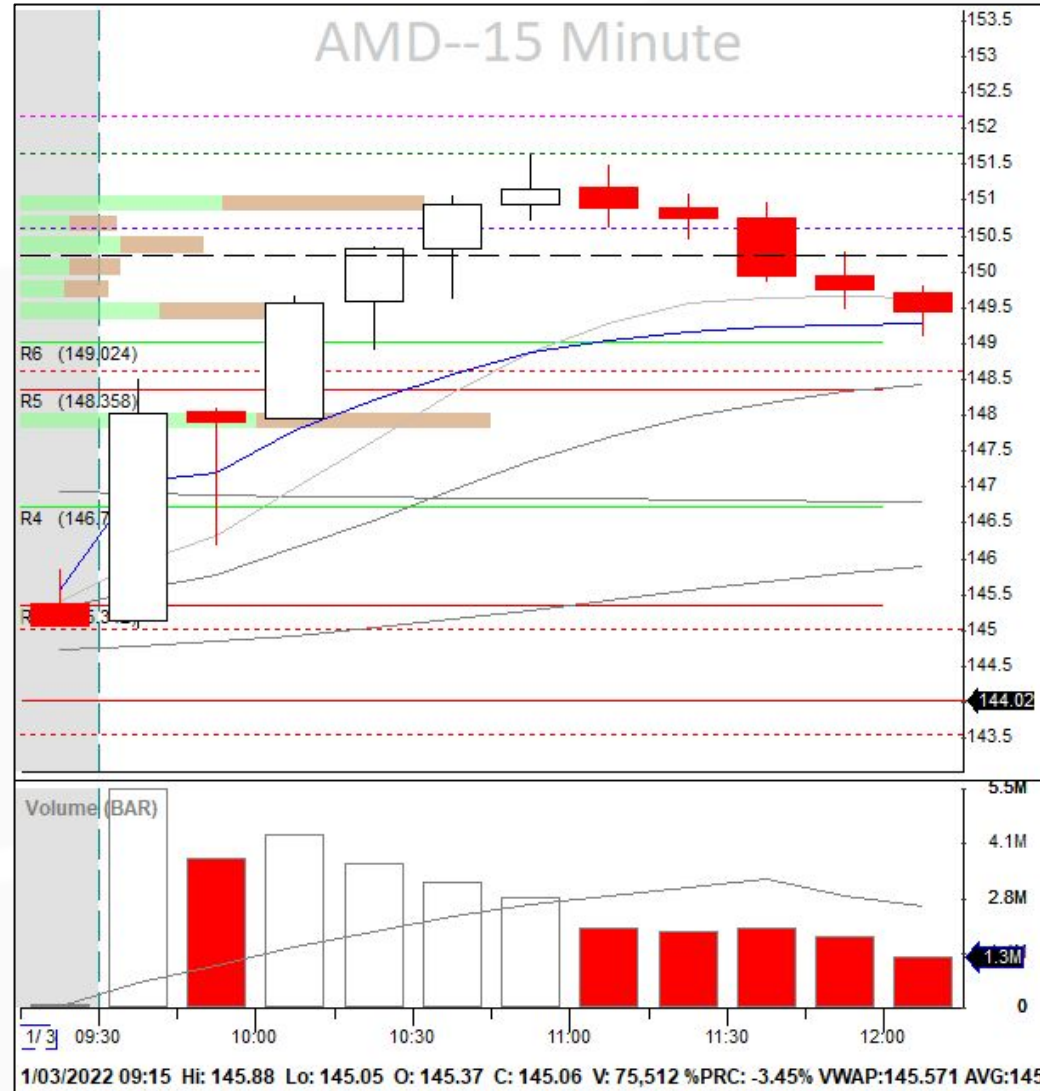
Trading With Daily Breakouts (Beware)



The Dreaded Retest



That AMD Trade on a 15 Minute Chart





Let's Check Out Some Examples



Wedge Trade

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



BEAR BULL
T R A D E R S

ZM--1 Minute

\$310.00 Testes



Wedge Trade

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



BEAR BULL
T R A D E R S



Wedge Trade

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



BEAR BULL
T R A D E R S



Wedge Trade

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



BEAR BULL
T R A D E R S

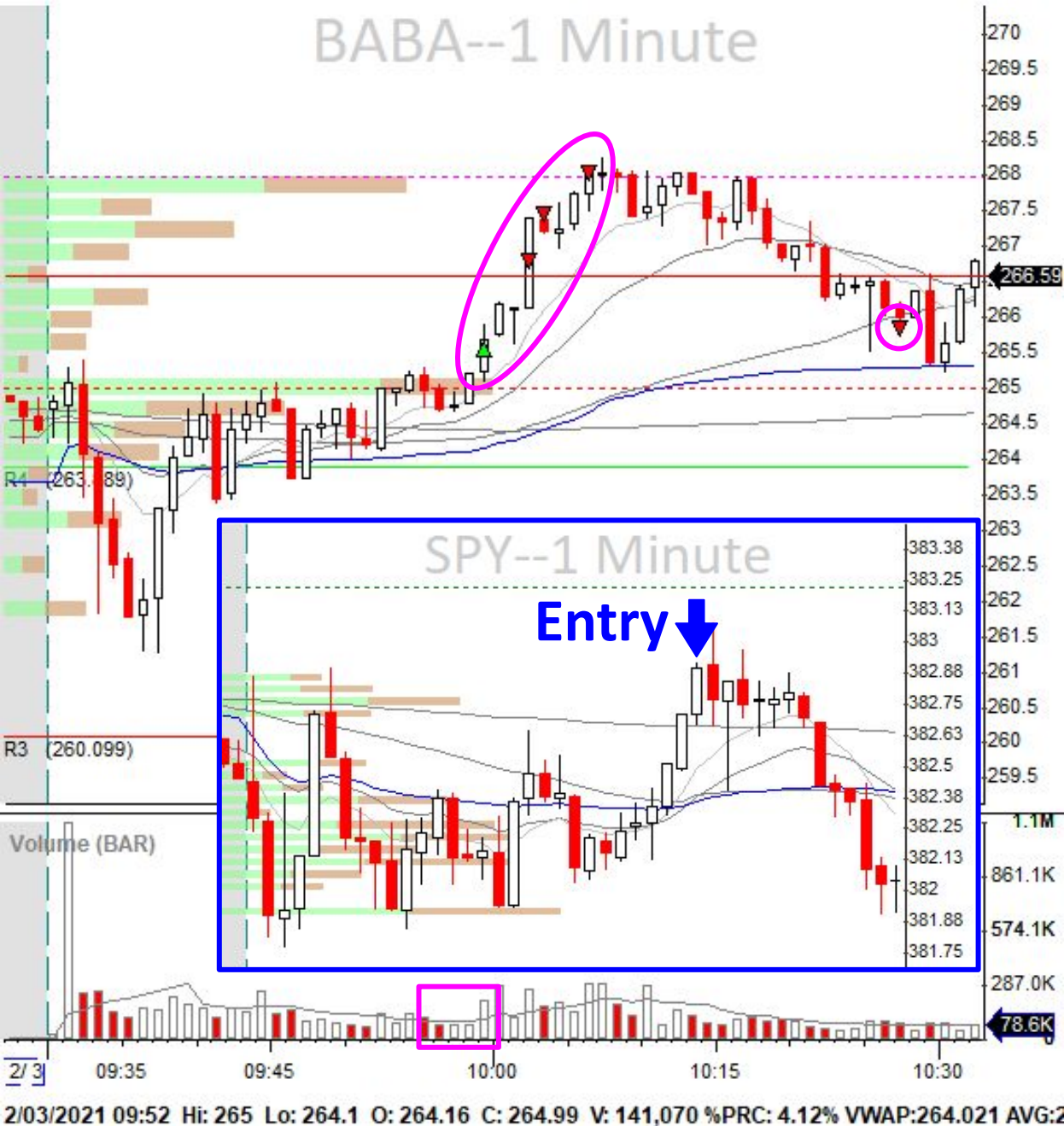


Wedge Trade

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



BEAR BULL
T R A D E R S



Wedge Trade

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



BEAR BULL
TRADERS



Channel Trade

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



BEAR BULL
T R A D E R S



Channel Trade

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



BEAR BULL
T R A D E R S



Channel Trade

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



BEAR BULL
T R A D E R S

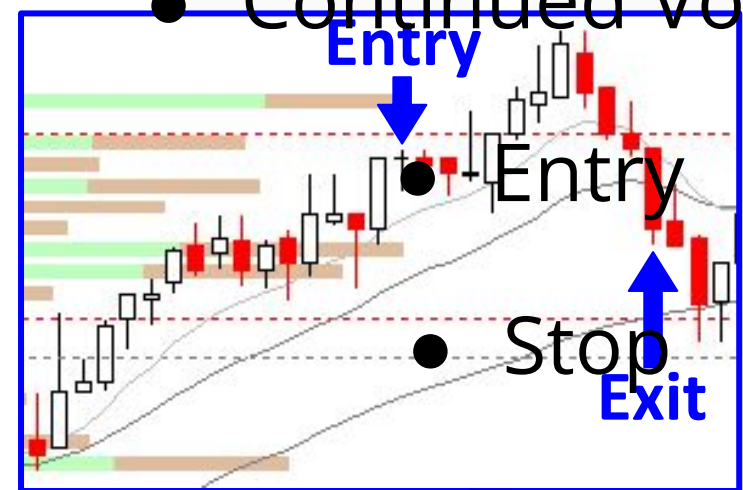
BABA--1 Minute

Not a level, just the cursor
crosshair line



Channel Trade

- Pattern
- Initial Volume
- Continued Volume



BEAR BULL
T R A D E R S

COIN--1 Minute



Channel Trade

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



BEAR BULL
T R A D E R S

Multiple Test Trade

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



BEAR BULL
TRADERS



Multiple Test Trade

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



BEAR BULL
T R A D E R S



Multiple Test Trade

- Pattern
- Initial Volume
- Continued Volume
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- Target



BEAR BULL
TRADERS



Multiple Test Trade

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



BEAR BULL
T R A D E R S

Other Examples

The Dreaded Retest



BEAR BULL
T R A D E R S

Other Examples

The Dreaded Retest



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Questions/Comments

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