



TradeBook: Breakouts

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Overview

- Stock Selection
- Setup Identification
- Trade Execution
- Consideration Notes
- Examples



Stock Selection

- 1) Check the Daily Chart:** Look for stocks holding clear trends or sitting around significant support/resistance levels.
- 2) Use the 60-Minute Chart:** Identify consolidations before a potential breakout.
- 3) Consider ATR (Average True Range):** Stocks should not have moved more than **30% of ATR** in premarket to ensure room for price movement.
- 4) Evaluate Price Action & Levels:** Avoid excessive wicks and multiple levels that could hold down the breakout.
- 5) Monitor Pre-Market Activity:** Premarket movement should support the expected breakout direction.
- 6) Avoid Overextended Stocks:** If a stock has already made a large move premarket, the breakout might be weaker.

Setup Identification

- 1) Market Stages:** Understand accumulation, range breakouts, retests, and trend phases.
- 2) Higher Timeframe Breakouts:** Prefer breakouts from higher timeframe consolidations over opening range breakouts (ORBs) for better trend confirmation.
- 3) Small Intraday Ranges:** Look for stocks forming small consolidations on the **5-minute or 1-minute chart** before breaking out.
- 4) Breakout Direction Consideration:** Ensure the breakout aligns with the **daily trend and market context**.

Trade Execution

1) Entry Rules

-Timing: Avoid entering breakouts too early (not before 9:00 AM). Preferably enter after the first few minutes of market activity.

-Setup Confirmation: Do not blindly enter a breakout—look for minor setups like:

- ABCD Patterns
- Engulfing Candles
- Short/Long Squeezes
- VWAP Breakouts

-Opening Range Considerations: The **first 5-minute candle should not exceed 30% of ATR.**

-VWAP Positioning: Breakouts near VWAP are preferred to confirm strength.

Trade Execution

2) Stop Loss Rules

- **Breakout Area Entries:** If entering after a strong breakout, stop loss should be **at the middle of the prior range**.
- **Pattern-Based Entries:**
 - If entering after a minor pattern, stop should be based on the pattern structure.
 - **VWAP or Previous Candle Lows:** Stop loss can be placed under VWAP or the low of the last 1-minute/5-minute candle.

Trade Execution

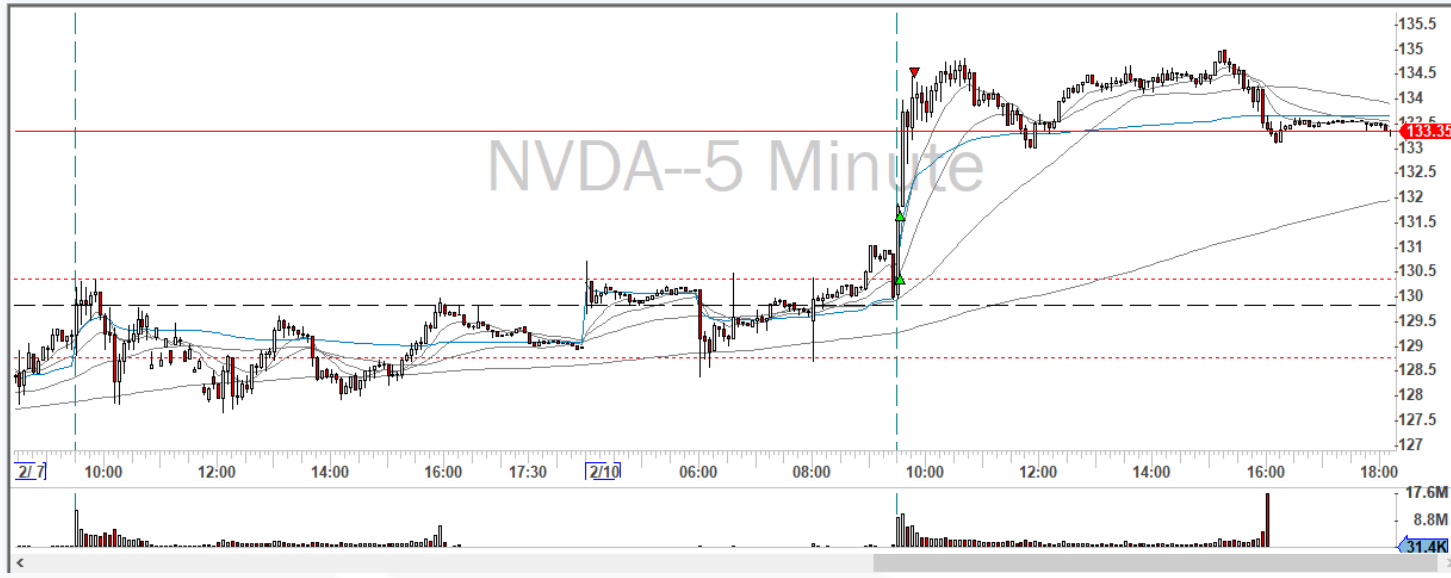
3) Target Rules

- **Set Original Target at 80%-100% of ATR**
- **Partial Profits at 2R or Key Levels** (previous resistance, round numbers)
- **Trail Stop if the Trade Continues in Your Favor**

Consideration Notes

- **Avoid Choppy Stocks:** If both long and short breakouts fail, the stock is likely to remain range-bound for the day.
- **Handling Fake Breakouts:**
 - Fake breakouts occur when a stock initially breaks in one direction but reverses sharply.
 - After a fake breakout, **watch for a setup in the opposite direction** before re-entering.
- **Gappers List:** Monitor Nasdaq gainers/losers for strong breakout candidates.

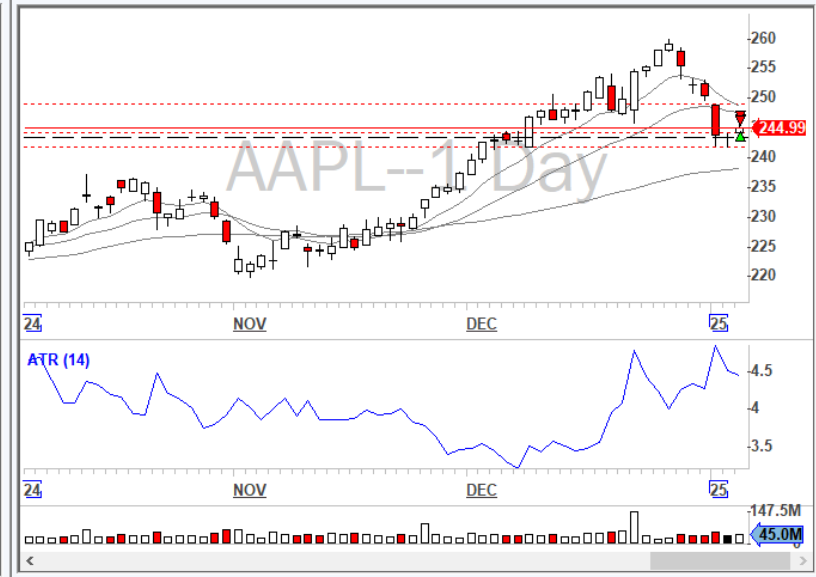
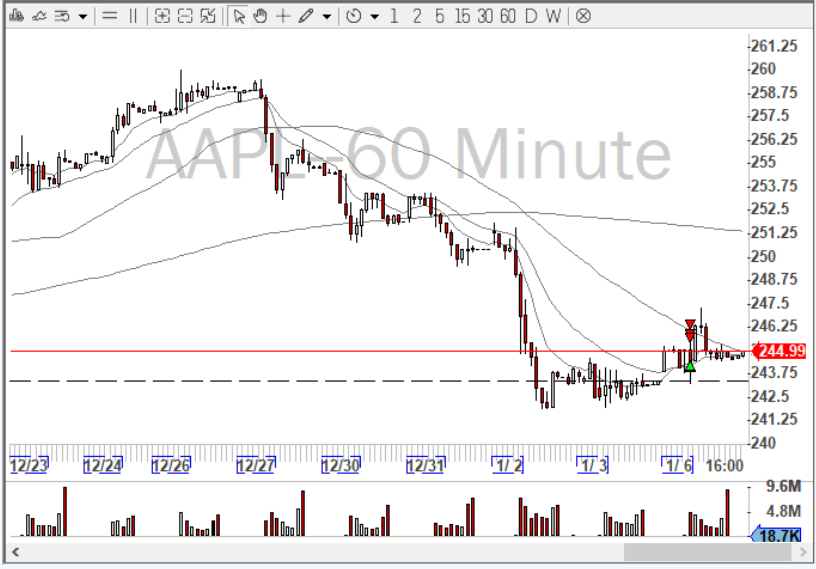
Examples



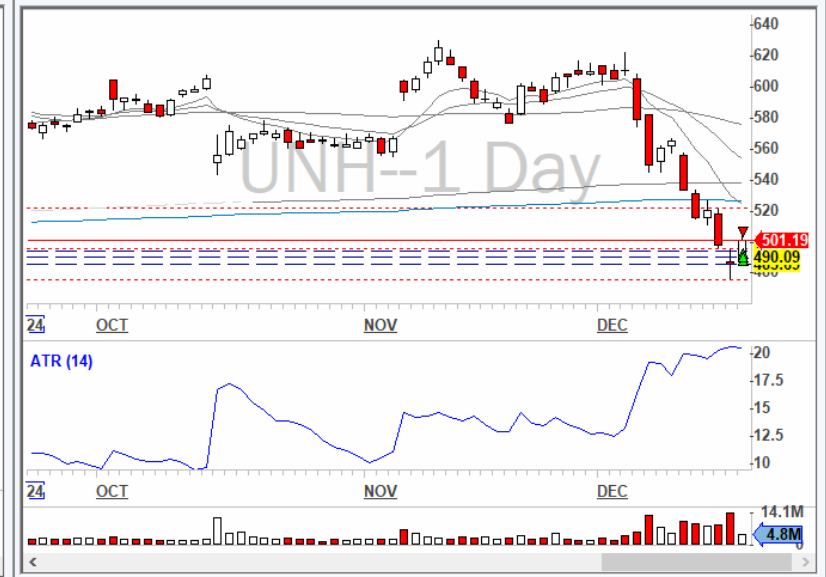
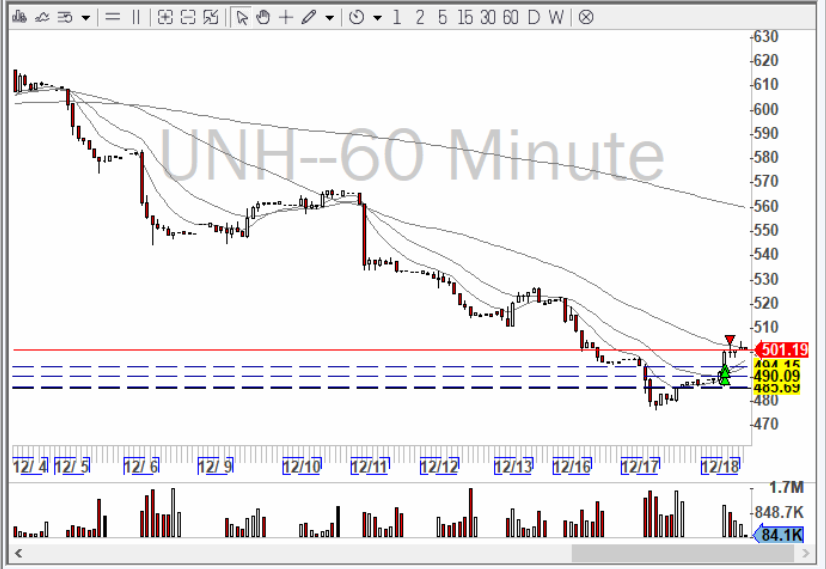
Examples



Examples

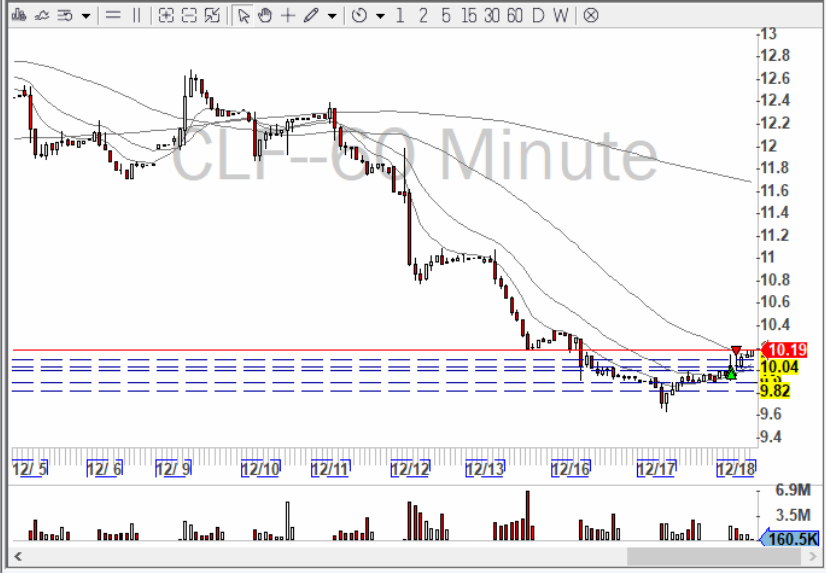


Examples



Examples

13:15:03





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