

# Strategy: 5-MIN Opening Range Breakout w/ Options

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# Stock/Contract Selection

## STOCK SELECTION

- Mid-to-large float stocks
- Optionable
- Pre-market volume 500k minimum
- Clear pre-market price action
- Tight spread
- Above VWAP (long) / below VWAP (short)
  
- Bonuses:
  - Gap up/down
  - Catalyst
  - Opening range is lower than the ATR
  - Breaking through a key technical level, range, channel, etc.

## CONTRACT SELECTION

- Highly liquid (i.e. strong Open Interest and Volume)
- At-the-money *or* 1 to 2 strikes out-of-the-money
- Same week expiration (note: additional choice to use next week expiration on Friday)
- Tight spread

# Setup Identification

- 5-minute opening candle closes with bullish strength or bearish weakness (i.e. clear direction / no indecision)
- RVOL 100%+
- Wait for spread to tighten on contracts
- Price is not too extended from VWAP
- Low volume pullback on the 1-min chart
- Volume begins to increase in the direction of the trade

# Trade Execution

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- Entry:
  - Above(long)/below(short) the 5-minute opening candle
- Stop Loss:
  - 20% of contract premium *or* swing low candle on the options chart (*open to trader's preference*)
- Target:
  - Higher time frame support/resistance levels *or* 40% of contract premium for 2:1 RvR (whichever comes first)

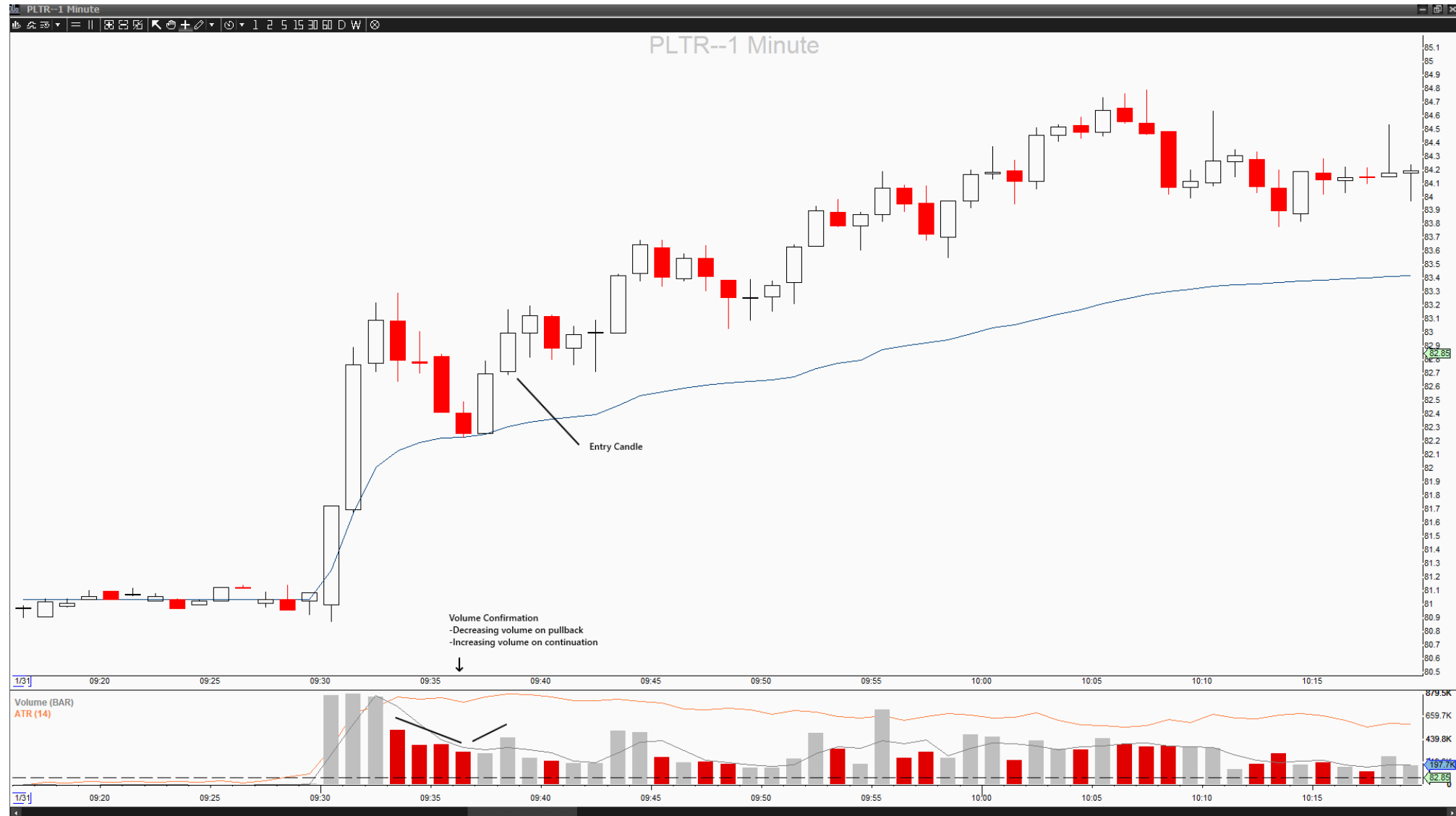
# Consideration Notes

- Look for stocks/contracts with high Open Interest/Volume as this will help with spread and fills
- Always wait for the 5-minute candle to close before considering a position
- Pullback/consolidation entries after the initial breakout can sometimes offer easier contract management vs. the initial breakout if the initial breakout is volatile

# Example Pt. 1



# Example Pt. 2



# Example Pt. 3

