



TradeBook: Parabolic Reversals

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Overview

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



Stock Selection

1. Stock Selection

- **Focus on Stocks with Extreme Moves (At least three consecutive 5-minute candles:** Stocks that have made large moves relative to their **Average True Range (ATR)**.
- **Identify Strong Support & Resistance Levels:** Look for **60-minute levels, moving averages (50/200 SMA), and previous day highs/lows**.
- **Climactic Volume:** At least **2x the average volume of the last 10 bars** signals exhaustion.
- **Gap Fill Candidates:** Stocks that have fully or nearly filled a **gap** can be potential reversal setups.
- **Use Scanners:**
 - **Trading Terminal Extreme Reversals Scanner**
 - **Official Discord Server**

Setup Identification

What is a Parabolic Reversal?

- A **counter-trend trade** that aims to capture a pullback after an extended move.
- Market moves in waves; reversals occur when key levels act as take-profit zones.
- Before taking a trade, ask yourself:
“What would I do here if I were in the trend?”

Key Confirmation Signals:

- **Climactic Volume** at the high/low of the move.
- **Reversal Candlestick Patterns on the 1-minute chart**, such as:
 - **Tweezers** (Top/Bottom)
 - **Shooting Star / Hammer**
 - **Morning Star / Evening Star**
 - **Spinning Tops/Bottoms**
-

Trade Execution

Entry Rules

- **Look for Confirmation on the 5-Min & 1-Min Charts:**
 - New **1-minute high/low** after an exhaustion move.
 - Confirmation from **climactic volume and a strong reversal candle**.
- **Key Entry Factors:**
 - Stock should **not have 200 SMA between entry and target**.
 - False breakout increases win probability.
 - Stocks moving **beyond daily ATR** have a higher chance of a reversal.

Stop Loss Rules

- Place stop **above/below the previous candle's high/low** OR
- **Half of the wick** of the reversal candle.

Target Rules

- **First Target: 9EMA on the 5-Min Chart (50% partial).**
- **Final Target: VWAP (90% off).**
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Consideration Notes

Types of Parabolic Reversals

1. Classic Parabolic Reversal

- New 1-minute high/low after **climactic volume and key level rejection**.

2. ATR-Stretched Parabolic Reversal

- Stock must have moved **at least 1 ATR or more** before reversal.
- A **fake breakout** and two consecutive **5-minute candles** signal exhaustion.

3. Gap Fill & Trend Reversal

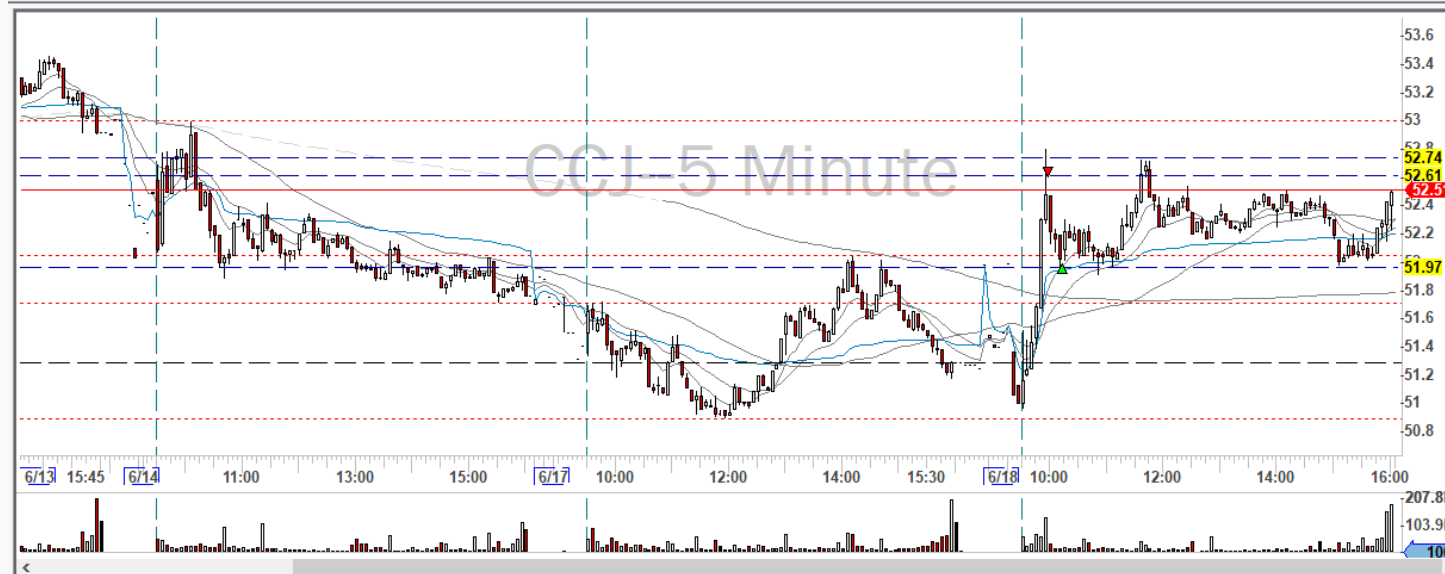
- The stock trends **against the direction of the gap**.
- Completes a **100% gap fill** before reversal.

4. Parabolic Reversals Within Yesterday's Range

- The stock opens within yesterday's range and trends into **Yesterday's High/Low**.
- A **reversal candle at a key level** signals the trade.

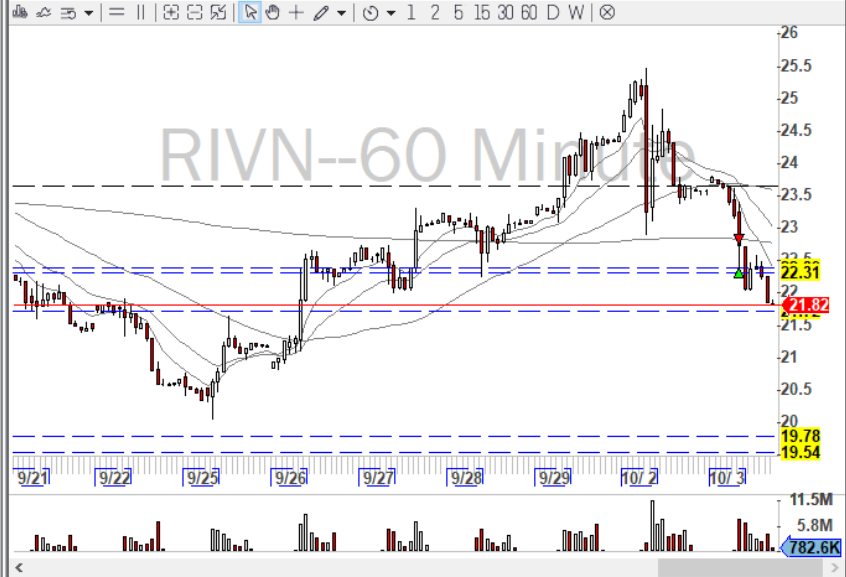
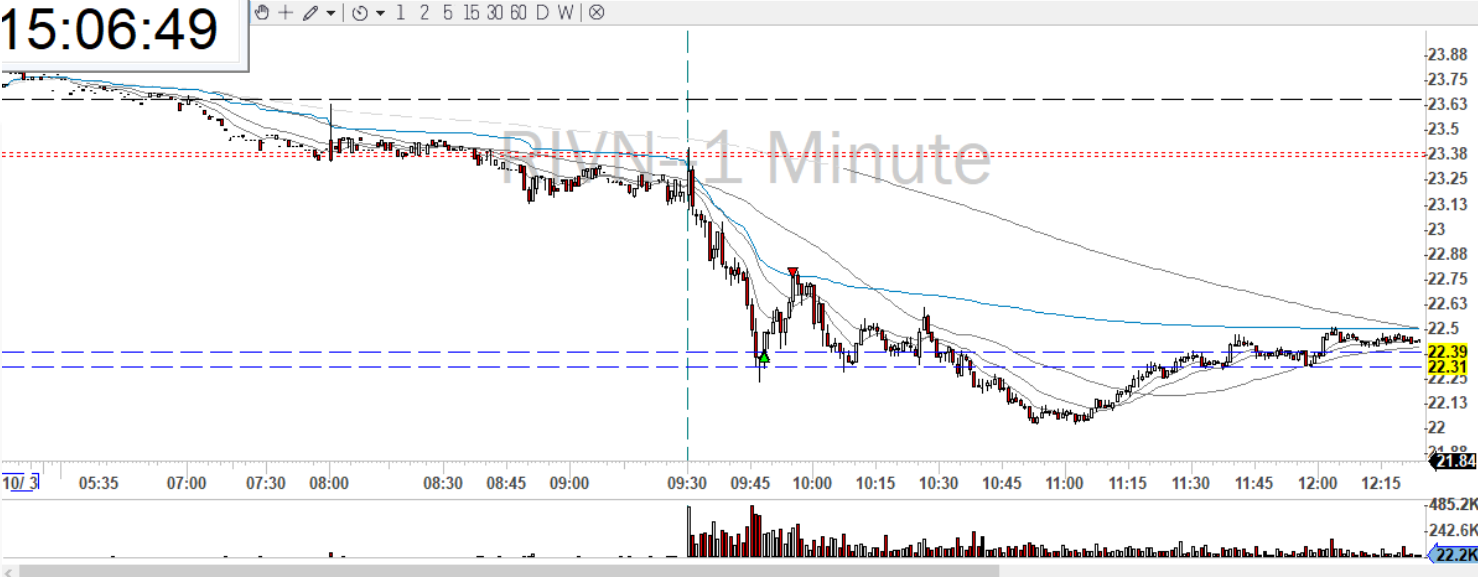
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Examples: Classic Parabolic Reversal

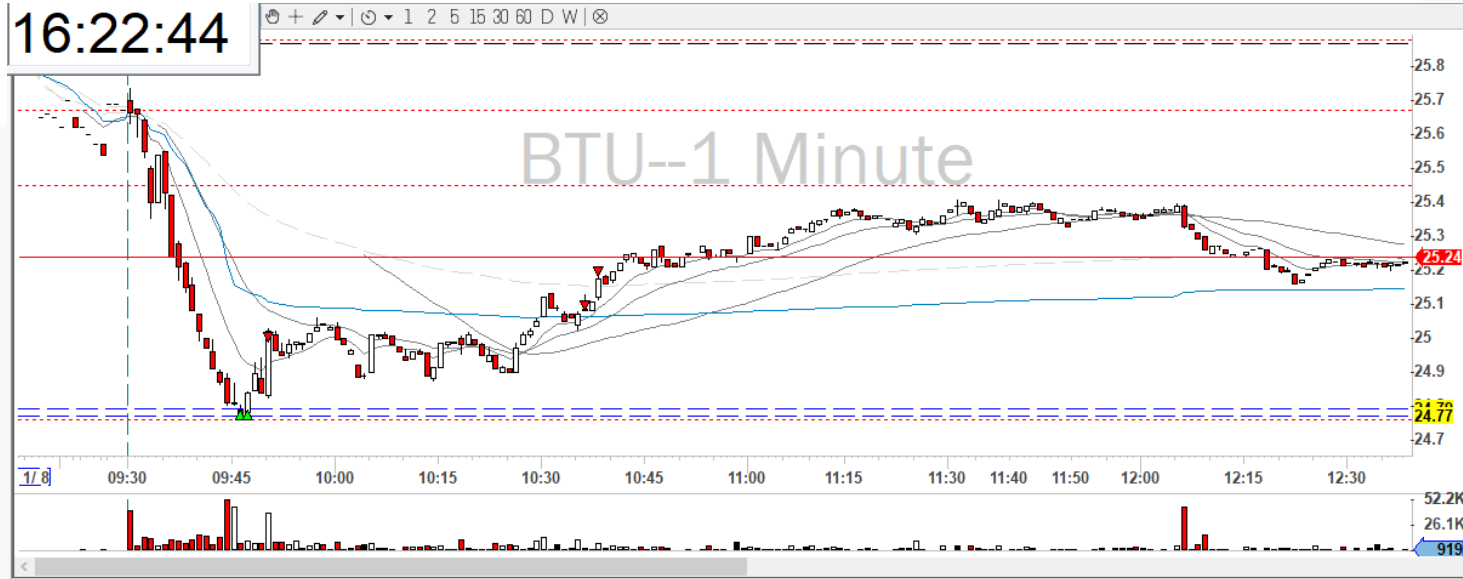


Examples: Classic Parabolic Reversal

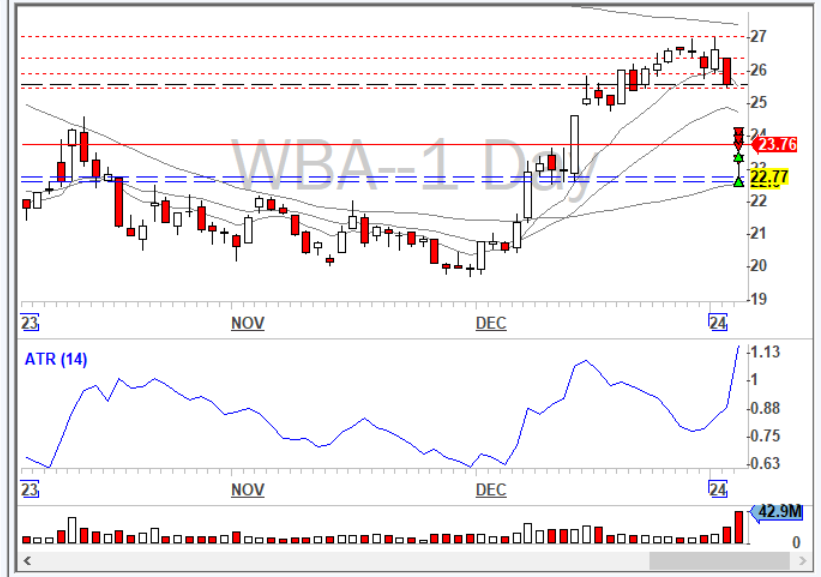
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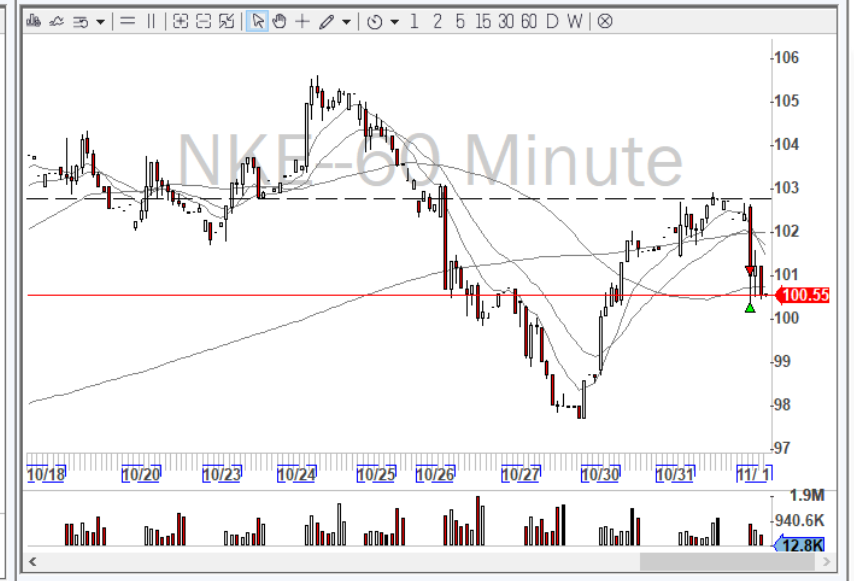
Examples: ATR stretched Parabolic Reversal



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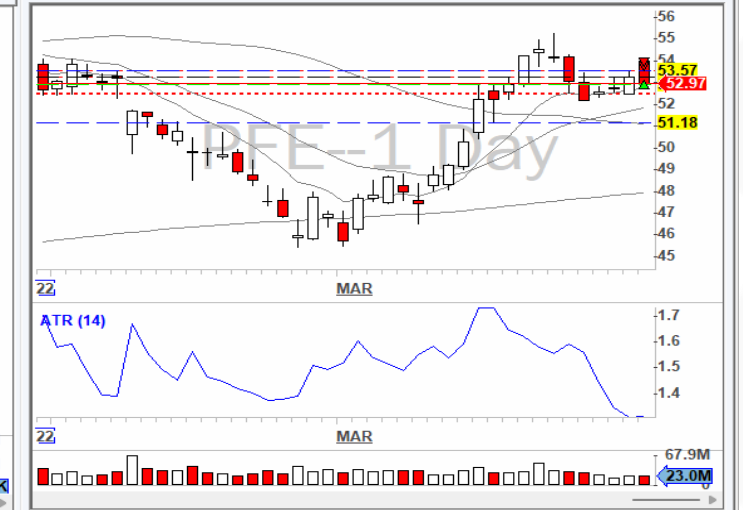
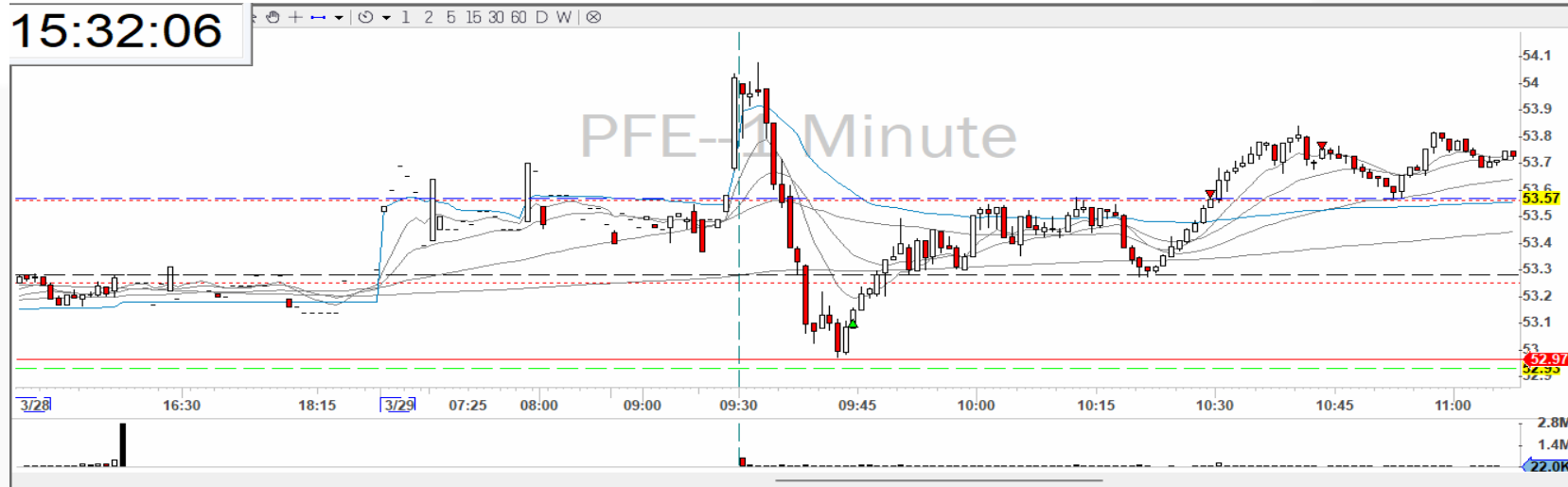


Examples: ATR stretched Parabolic Reversal

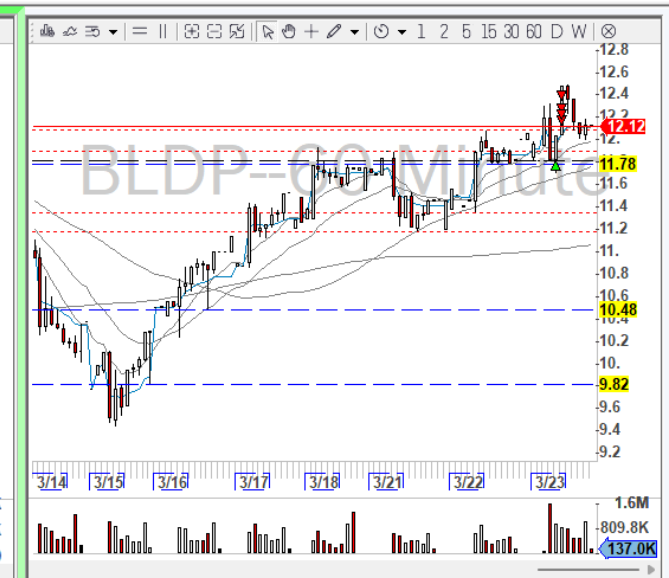
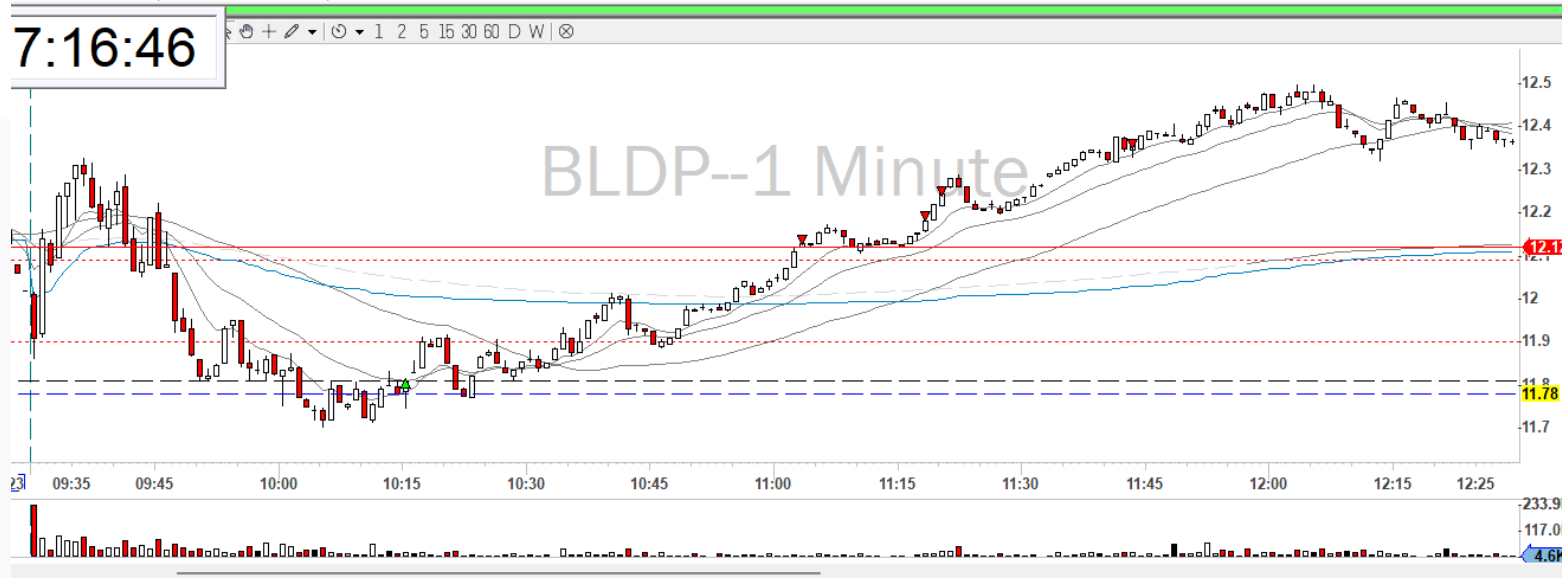


Examples: Gap Fill and Trend PR

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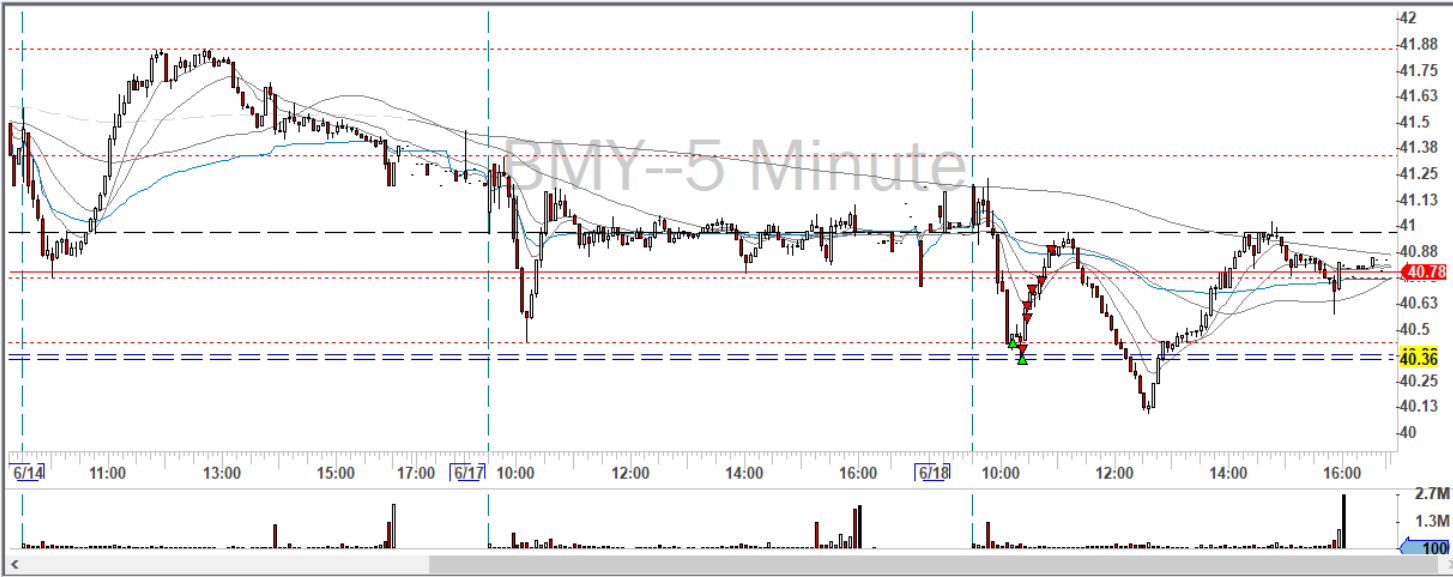
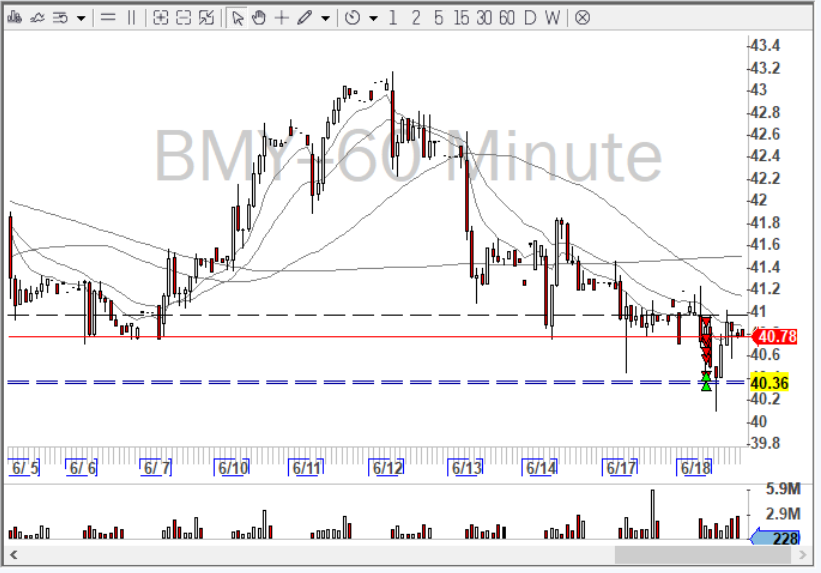
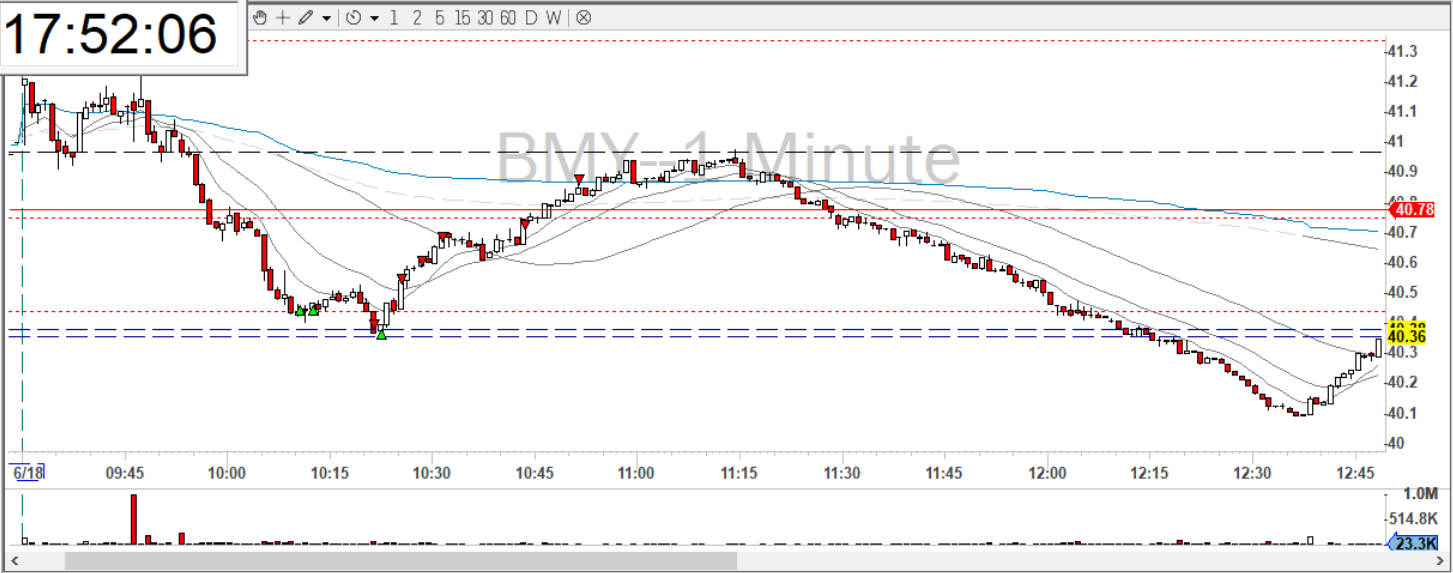
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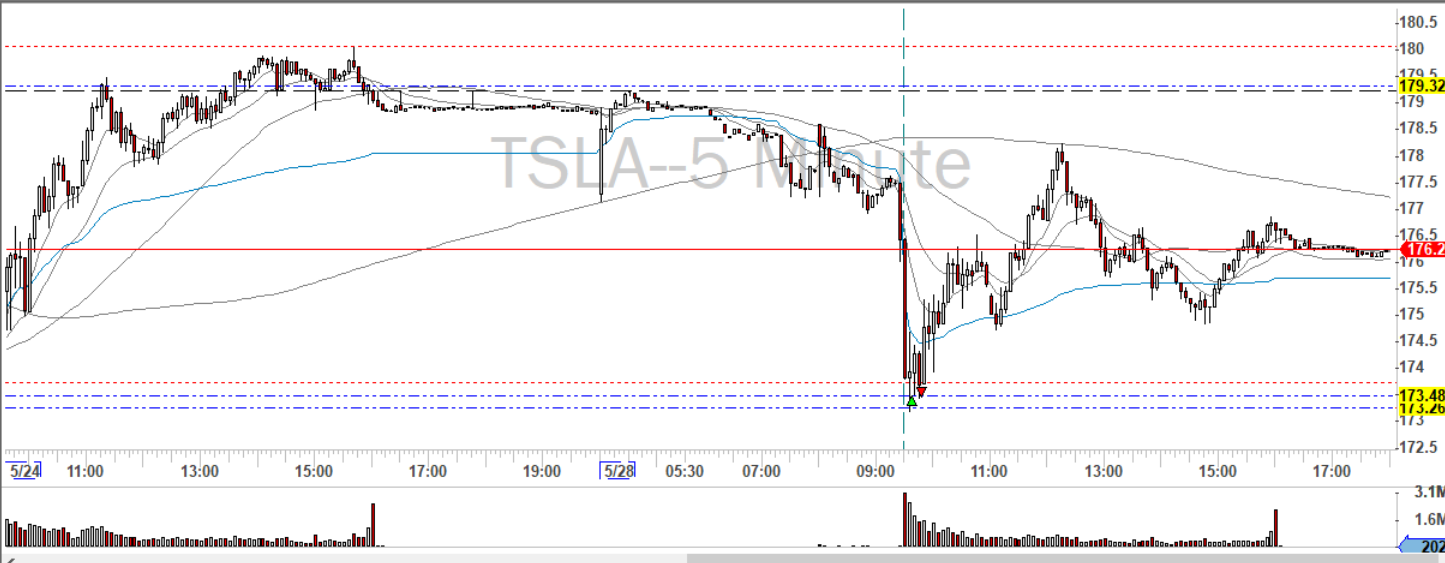
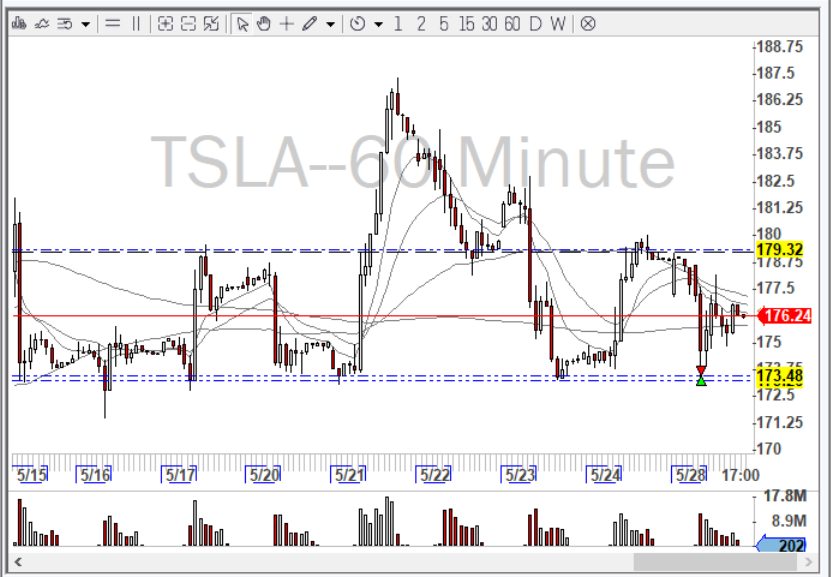
Examples: Gap Fill and Trend PR



Examples: Parabolic Reversals within Yesterday's Range



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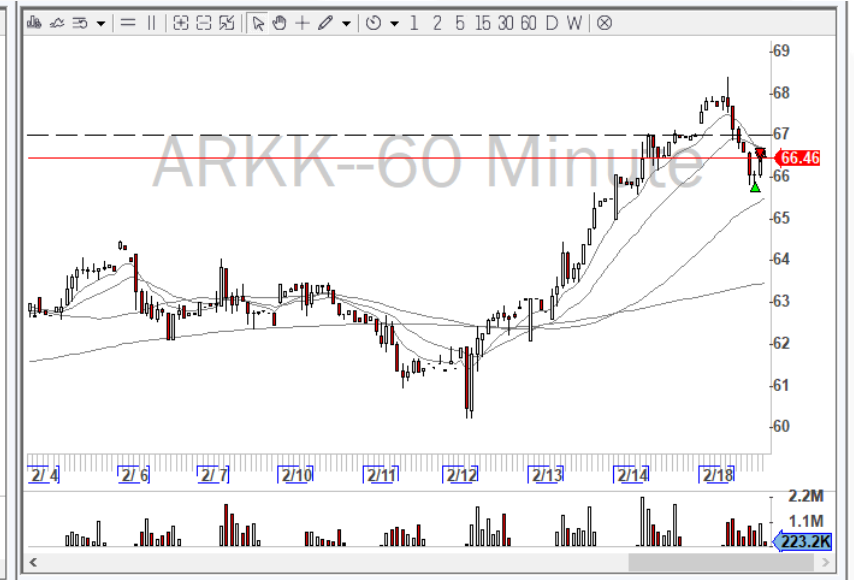
Examples: Parabolic Reversals within Yesterday's Range



Examples: Parabolic Reversals using MTF



Examples: Parabolic Reversals using MTF





Final Tips:

- Always **wait for confirmation** before entering.
- **If the 9EMA target is too far, take partials sooner.**
- **If reversal fails once, wait for another setup.**
- **Watch for fake breakouts—often the best setups.**

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