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Breakout Trading Strategy

How to Trade Breakouts Effectively?

How to Avoid Big losses in Failures ?

What to Look before entering into Breakouts?

A THREAD■

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What is Breakout ?

A breakout is a stock price moving outside a defined support or resistance level with increased volume.

Always trade breakouts in uptrend for high win ratios

Source : Google

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What to Look before entering a breakout ?

Look for Volume Spikes on Up days and Down Volume on down days.

Simply Volume Should Dry during Pullbacks

This is a sign of Accumulation by Bigger Sharks.

As they buy in huge quantities they have to buy in parts to avoid price spikes

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They don't only buy on Uptrend but continue holding during pullbacks for bigger gains .

Important thing is pullbacks should always have less volumes .

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Rules For entering a Breakout .

1. Never enter more than 50 % of quantity on Breakout Region .
2. Most of the time the stock Pulls back to Breakout Region Giving a Good Reward opportunity.
3. Use Alerts to buy exactly at Pivot Points / breakout Regions to avoid extended stocks

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TradingView

- 4. Keeping Alerts is important and once can use [@tradingview](#) or [@zerodhaonline](#) or other Platforms to keep alerts .
 - 5. Stock That is extended more th 4% above BO region shouldnt be bought as they dont provide Good RR .
- 5/n



TradingView

Entry Rules :

- 1. Enter 50% Qty on Breakout os stock
If Stoploss Hits Your Loss is only on 50%
- 2. Wait for Retest and add the next 30%
- 3. Add Further Qty on way up
- 4. Always add on Winners Rather than Losers
- 5. Protecting Capital Is utmost imporant in this case

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Retests Also Fail and no one can Avoid this scenarios and Loss has to be booked Definatley

Example : Radico

Look for Volume Breakouts with Price Breakouts the probability of Winning Increases

Stocks Breaking out in Uptrend have High winning Chances then in DownTrend

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Range Breakouts VS Trendline Breakouts

Range Breakouts have Higher Winning % Compared to Traingle , Pennant Trend Breakouts due to over head Resistance .

As Buyers Are Trapped at Higher Prices they will Try to exit at every bounce at Min loss or Breakevens

Example :JindalSaw

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TradingView

Stoploss Rules :

Follow Maximum Stop of 8 to 10% in trades as Losses Work Against You .

If you are not getting Small Stop Trade move on to next trades as opportunities are endless .

Breakout Failures are common and hence Risk has to be managed

9/n



TradingView

Target Rules :

Target Should Be around 15 to 20% when your risk is 8 to 10 %

You can reduce this risk by entering at correct buy points and keeping stops at 5% .

Risk Reward of 1:2 is Great with 50% win Ratio

Book Partially at 1st targets and Keep Stop at cost.

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