Twitter Thread by Sell When Over | 9000.eth



Sell When Over | 9000.eth
@sell9000



Trading Education Thread time 1/8

There are really only two types of trading styles:

1. Mean Reversion Trading
2. Breakout Trading

All other "styles" are merely indicator-based trading systems.

This thread will specifically discuss Breakout Trading

2/8

Breakout Trading requires identification of four elements in order to be successful:

1. Trendlines (pattern based support/resistance)
2. Price Action (overall trending direction)
3. Volume (the amount of participants)

3/8

Trendlines serve as support/resistance like order blocks (areas w/ prior bull/bear struggle) & lead to patterns. Human psychology does not like randomness which is why there tends to be strong reaction at the extremes of historical reference points or anticipated patterns.

4/8

The mkt tends to test two extreme ends of reference areas for a time, leading to a distinct larger pattern or range. A misconception is that certain patterns are always bearish/bullish, but the dominant trend (~4-7x TF above yours) influences the eventual breakout dir more.

5/8

Still, false breaks occur quite frequently. Basic patterns like triangles often trap newer traders that seasoned traders/algos regularly exploit, especially in crypto. Frontrunning or chasing mid-candle breakout is at high risk of being exit liquidity for the counter dump.

6/8

Which brings us to the most critical part: volume. This is the amount of "interest" in this zone, & tends to decline during consolidation as both sides are bracing for impact w/uncertainty. A breakout needs a volume surge; it signals commitment by traders in that direction.

7/8

So how do you properly execute the trade? Identify the dominant trend, & reduce size when betting on the opposite breakout. If breakout, note if candle vol has spiked & closes outside. If so, enter position, & place stops just within the breakout line inside of the pattern.

8/8

Did you find this interesting? Don't forget to check out my thread on Mean Reversion psychology: https://t.co/pS2Dmdbg9c

Or join me at https://t.co/QcbdSfAti4 to share alpha and network with others (no it's not a paid group)

> 1/5 Another market psychology tidbit:
>
> REVERSION TO THE MEAN
>
> Why are moving averages so important? Remember that they are comprised of the recent mean of a period of prices, so they tend to slope up or down depending on the trend.
>
> — Sell When Over | 9000.eth (@sell9000) June 1, 2021