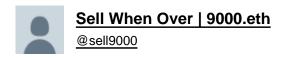
Twitter Thread by Sell When Over | 9000.eth





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

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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)

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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 Human psychology does not like randomness which is why there tends to be strong reaction at the extremes of historical reference points or anticipated patterns.



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.



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.



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.



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.



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