TRENDLINE BREAKOUT TRADING STRATEGY



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DISCLAIMER

Trading in the Forex market is a challenging opportunity where above average returns are available to educated and experienced investors who are willing to take above average risk. However, before deciding to participate in Forex trading, you should carefully consider your investment objectives, level of experience and risk appetite. Most importantly, do not invest money you cannot afford to lose.

There is considerable exposure to risk in any foreign exchange transaction. Any transaction involving currencies involves risks including, but not limited to, the potential for changing political and/or economic conditions that may substantially affect the price or liquidity of a currency.

Moreover, the leveraged nature of FX trading means that any market movement will have an equally proportional effect on your deposited funds. This may work against you as well as for you. The possibility exists that you could sustain a total loss of initial margin funds and be required to deposit additional funds to maintain your position. If you fail to meet any margin call within the time prescribed, your position will be liquidated, without prior notice to you, and you will be responsible for any resulting losses. Investors may lower their exposure to risk by employing proper risk management strategies including the use of stop loss.

INTRODUCTION



The screen shot above was the first thing that was staring at me one morning when I woke up to see how the two trades I place on EURGBP went… both at 130 pips plus floating profits (Total 260 pips plus). Did you notice? I had not even moved my stop loss to break-even during that massive downward move because I dozed off and did not wake up until in the morning. What a shocker! Well, sometimes that is the BEST thing to do. Place your trades and go to bed or do something else. Let the market do its job. Explosive and Shocking Profits…that is the power of the Trendline Breakout Trading Strategy.

Note:
TLBS=Trendline Breakout Strategy
TLB=Trendline Breakout
TL=Trendline

Prior to the trade, notice that this pair made a massive move downward and intersected the first upward trendline. What happened? There was massive worldwide selling of the EURO when news got out that that Greeks were going to dump the Euro. Whew! I wish I was the closest friend of the Greek Finance minister or something! I would have gone HEAVY!

Did I know that such news was coming out? Nope! But because it was such a big unusual move, curiosity got the better of me so I did a little research and found out the reason why that happened and I knew, it was such a big news that this pair would still continue going down. So I placed my trades and went to sleep and managed to catch the 2nd mighty move. Not bad huh? 260 pips plus profit especially considering that fact that I absolutely did nothing except…zzzzzzz ☺… Well! Well! Well! I'm getting sidetracked here a bit but I hope you will understand that…

Here is another one…



Here is another one….



Order	Time	Type	Size	Symbol	Price	S / L	T / P	Price	Commission	Swap	Profit
21492987	2011.05.24 01:38	sell	1.00	usdchf	0.88838	0.88838	0.85570	0.88204	0.00	0.00	718.79
21497900	2011.05.24 07:55	sell	0.50	usdchf	0.88502	0.88502	0.00000	0.88204	0.00	0.00	168.93

In the chart above you notice that:

- my first short entry was based on the Trendline Trading Strategy.
- But the second short trade was based on the Trendline Breakout Trading Strategy when the blue upward trendline got it intersected.

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How do I know how to get into such amazing trades like these? What do I know that you DON'T KNOW…and when you are staring at your charts, you see nothing but when I look, I see opportunity? Well, Guess what? You have made the right choice by purchasing this Trendline Trading Strategy eBook and as a result you now also have the **Trendline Breakout Trading Strategy** and I will reveal to you all the answers to the questions above and a LOT MORE.

In the last chart above, can you see what I'm doing here? I am using the Trendline Breakout Trading Strategy to "add on" and this increases my profits fast. This is one my 3 powerful secrets which I explained in Trendline Trading Strategy Secrets Revealed e-book. So now you can see how the Trendline Breakout Trading Strategy compliments the Trendline Trading Strategy. I got good amount of profits from the two trades shown above.

Why do you need the trendline breakout trading strategy? Here's why: if you were just using Trendline Trading Strategy, you would not have a complete trading system. Why? Simply because trendline trading strategy is a trading system based on the 'obedience' of trendlines and not the breakout or intersection of trendlines. That's why the trendline breakout trading strategy is used when there is a breakout of a trendline.

Just one more thing…you need to read and understand the Trendline Trading Strategy Secrets Revealed first to understand some of the information inside there and that will help you understand better what I will show here because I will not cover them too much here. For instance, how to draw trendlines, reversal candlesticks etc. I am assuming that you would have read and understood that already.

Ok, lets get started…

WHY DO TRENDLINES BREAK?

Trendlines are not drawn on concrete, they get intersected. Why this happens may be due to:

- news just like you have just seen above,
- it may to due to the market responding to a much stronger opposing trendline
- or support and resistance levels.

These are the some of the factors that contribute to a trendline being intersected.

So when a trendline gets intersected, it is good to have a strategy that will cater for that situation. That is where the Trendline Breakout Trading Strategy (TLBS) comes into play.

There are two things you can do when a trendline is broken or gets intersected:

#1: Do absolutely nothing and wait for another Trendline Trading Entry Setup to occur or
#2: Use TLBS to get into a trade and make some money.

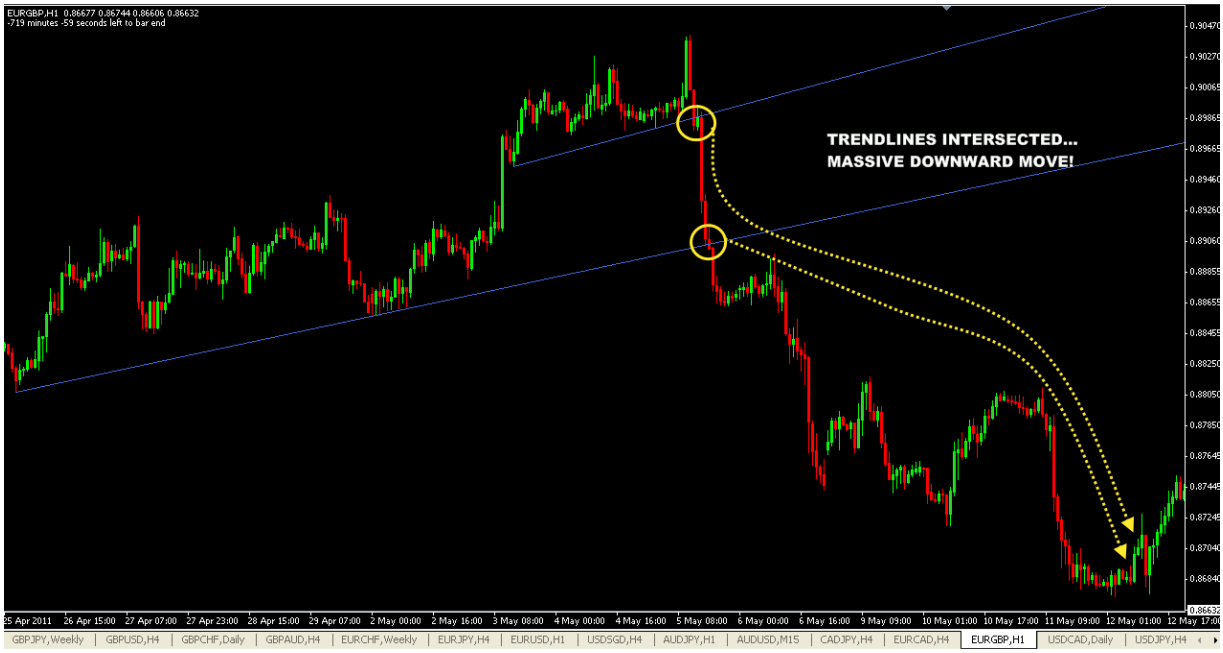
TLBS is one of the most effective trading strategy I use in conjunction with the Trendline Trading Strategy and here's why...

When a trendline breakout happens, it is usually fast (you just saw it above!) What I mean is that the market moves very quickly away from your entry point and you are in profits very quickly.

In here, I'm going to reveal:

- What signals to look for to give you an indication that the trendline might break.
- How to take a Trendline Breakout Trade (The Rules) &
- How to protect yourself and what to look for during false breakouts
- How to Manage Your Trade effectively
- And lots more valuable information you can use to enhance your trading.

Look at the chart below. Notice what happened when the upward trendline is intersected? The market took a nose dive! What if you did not know how to take a TLB Setup? You would have missed out on making some good amount of money. This was the same Greek and Euro news thing.



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The important point here is that it does not matter if you knew there was such a news or not because you would have still profited big time anyway based on the Trendline Breakout Trading Strategy.

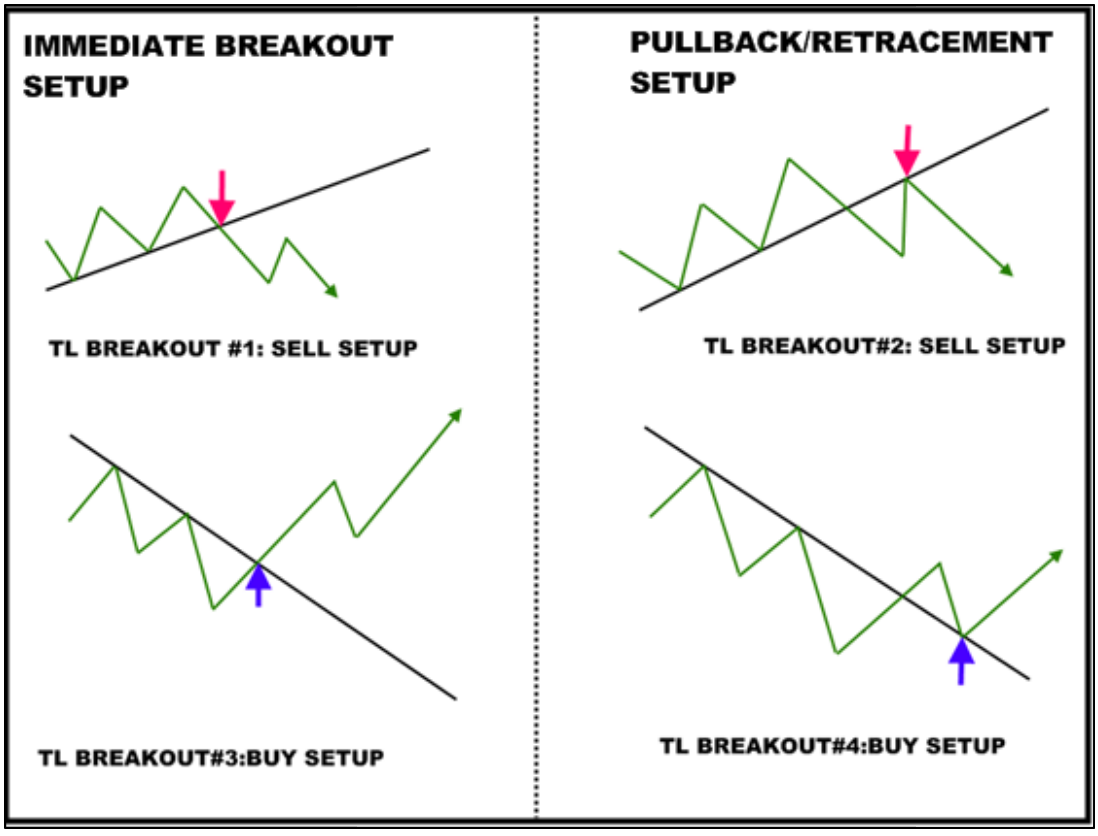
TLBS allows you to capture massive profits effortlessly because when a trendline is intersected, there is usually an explosive move in the other direction. It is all about capitalizing on that breakout move and when it does happen, you stand to make a lot of money quite easily.

This strategy does not require any indicators to clutter up your charts. All is required is the ability to draw a trendline and using price action based on momentum and reversal candlesticks to get into high probability trades…and all that is explained in my Trendline Trading Strategy Secrets Revealed ebook. Do you need to revisit it? ☺

This is as simple as it could get.

THE 4 TRENDLINE BREAKOUT TRADING SETUPS

I will show you the most 4 most common trendline breakout trading setups. Here they are:



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Understanding each of these 4 trade setups is essential for you to take trades at the appropriate time and also manage your trades carefully. Notice that:

- TL breakout setups #1 & #3 are **IMMEDIATE breakouts** of the trendline.
- TL breakout setups #2 & #4 are entry setups based **on temporary retracements or pullbacks trade setups AFTER** the trendline has been broken or intersected.

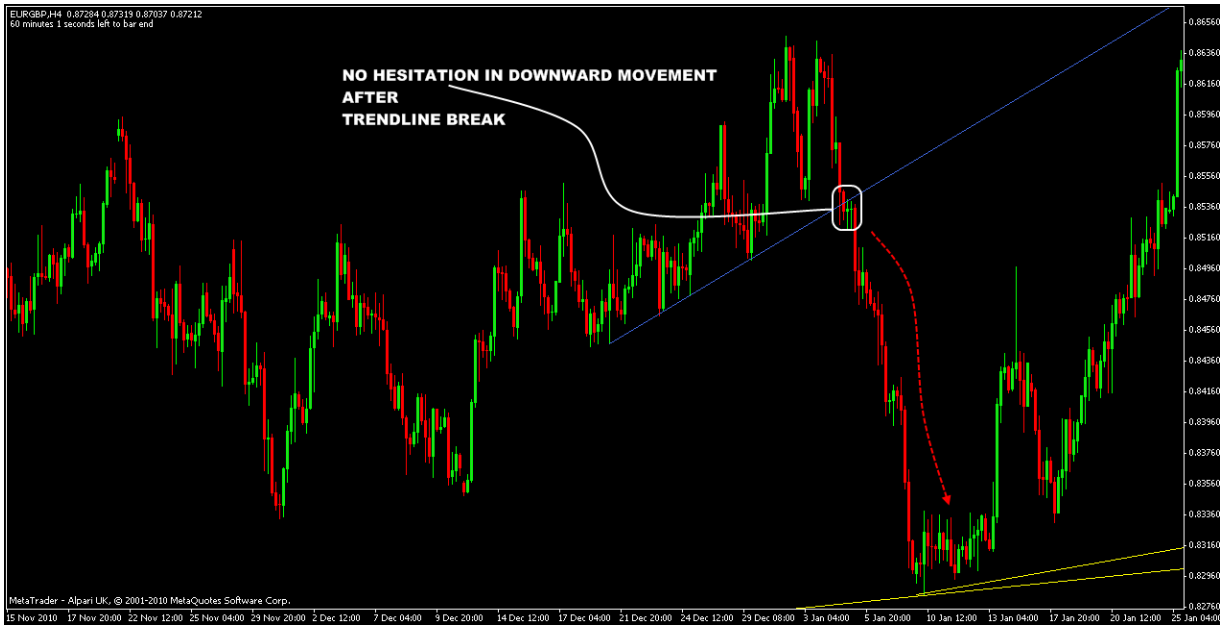
It is important for you to know that not all breakouts will turn out as the four setups explained above because there will be **false trendline breakouts** as well…breakouts that would seem to be real breakouts only to reverse later and get you stopped out with a loss or breakeven trade and continue to follow the previous trend/trendline.

The objective here is to extract maximum profits out of the trades that go in your favor and those losing or break-even trades which will happen as a result of false breakouts will seem very insignificant compared to the profits that will come from your profitable breakout trades.

Now, I will show you some real charts of each of the above setups so you begin to understand and see how they happen.

Trendline Breakout#1: Sell setup (Immediate breakout setup)

This is a simple straight forward trendline breakout setup. In this setup, when the upward trendline is intersected, there is very little to no hesitation in downward movement. The market just moves quickly down away from the intersected trendline.



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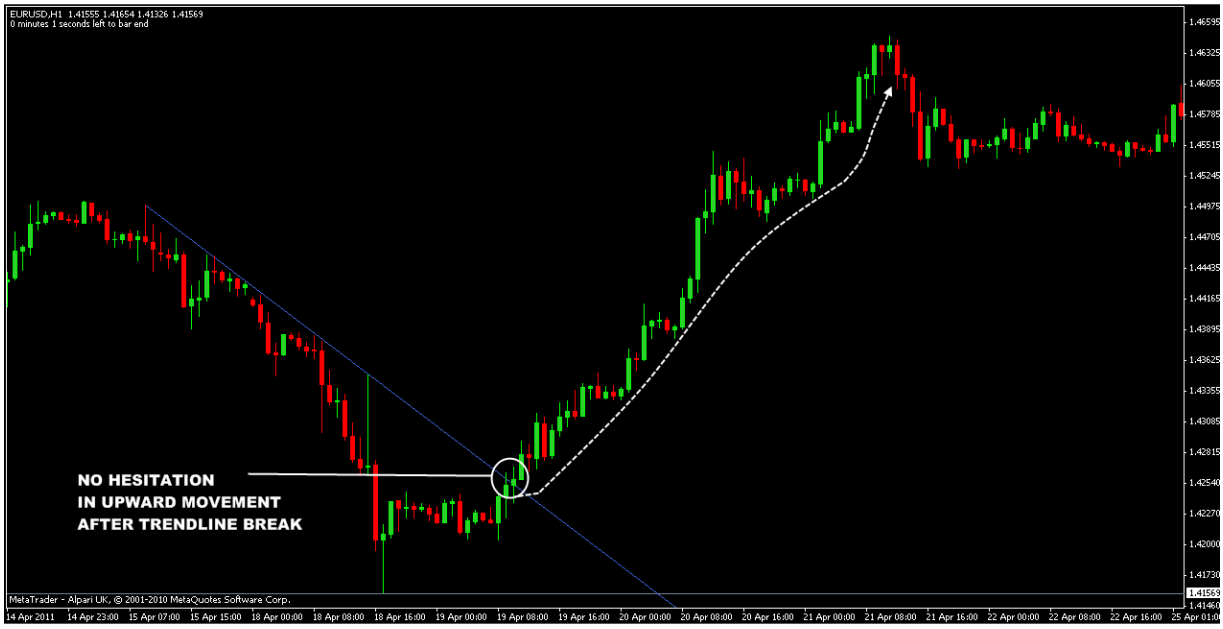
Trendline Breakout#2: Sell Setup (pullback setup)

This setup is a little bit tricky. In this setup, when the upward trendline is broken, price goes down, hesitates, and moves back up to test the trendline that has just been broken and then eventually falls. You may call it the **pullback or retracement** setup after a trendline break.



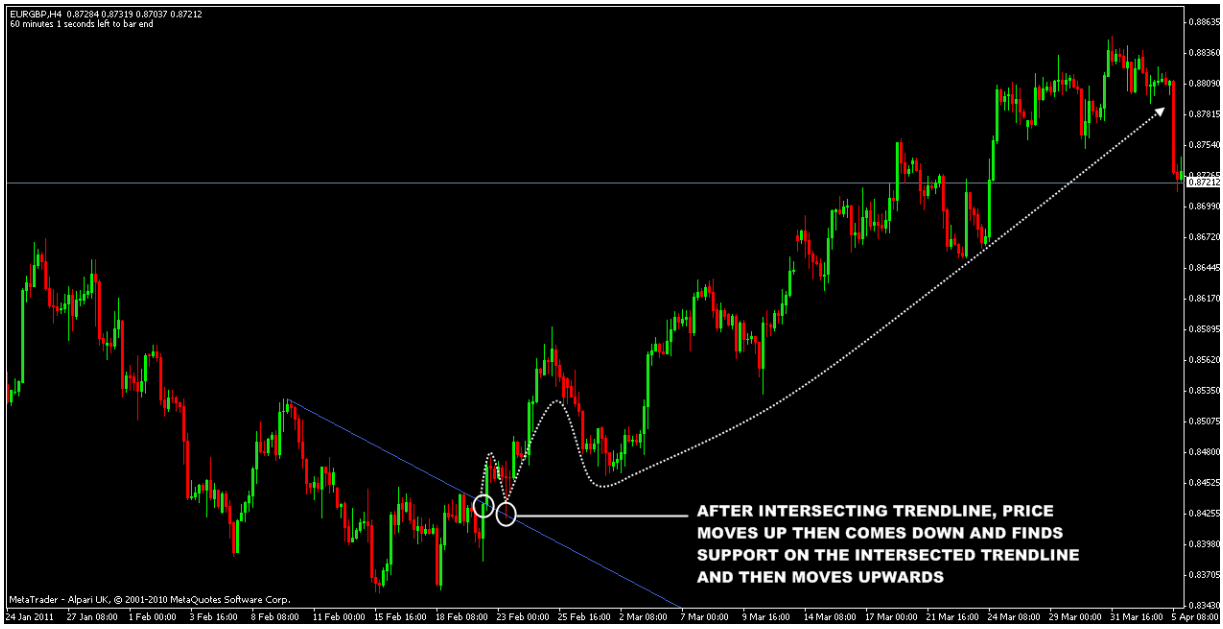
Trendline Breakout#3: Buy Setup (immediate breakout setup)

This is a very simple straight forward setup. There is no hesitation in upward movement once the downward trendline is broken.



Trendline Breakout#4: Buy Setup (pullback setup)

This is a pullback setup after the downward trendline has been intersected. Price goes up a little bit then hesitates and falls back down to find support on the trendline that has just been intersected and then starts to move up again eventually.



Simple setups, don't you think? Do you know them and how to apply them in real trading situation?

If not, you may have countless opportunities to make good money but you have missed these opportunities because either you:

- Do not know these setups
- Do not know how to effectively take advantage of these setups
- Do not think this is important
- Depend too much on your fancy indicators which do nothing but lag

Big mistake if you are doing that and here's why…

The big financial institutions (the big boys I call them…the ones that move the market because of the sheer volume of their transactions) and thousand of smart traders do not depend so much on using moving averages and whatever indicators…they watch the major trendlines, support and resistance levels and they take trades based on them…and guess what? **They MOVE the market!**

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How do I know that? The Charts! Just go and open up a chart and see how the market has moved when a significant trendline was intersected (or how price obeys a trendline).

THE SECRET TO SUCCESFULLY TRADING A TRENDLINE BREAKOUT

If there is anything you need to master or develop a knack for in trendline breakout trading then this is it. This is the secret:

Anticipate what majority of other traders will THINK and HOW they will REACT when a trendline gets broken and capitalize on that reaction that follows.

These are two important points you need to understand:

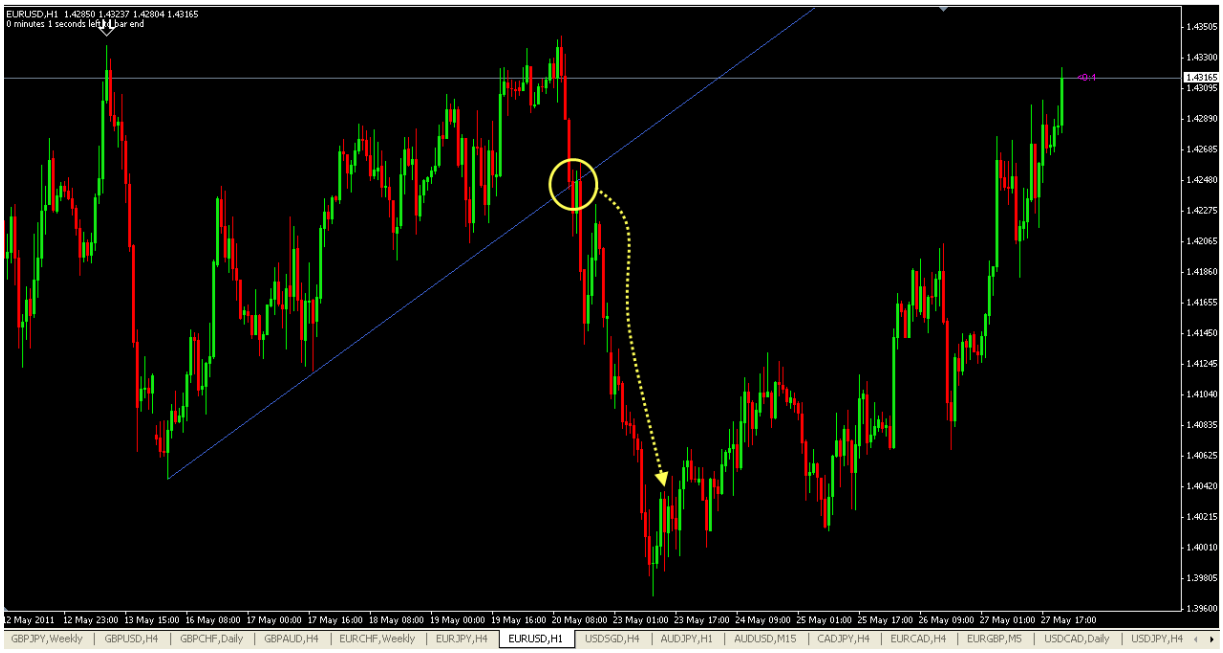
- The more significant a trendline is, the market moves a great deal after it is intersected or broken.

- Significant trendlines are those trendlines that are drawn from significant peaks and troughs and they are usually found in the 1hr timeframe up the monthly.

Let me explain further what I mean by that so you begin to understand this because this is very important.

If there is a significant upward trendline drawn from the daily chart and price is coming down and now touching it. Now, lets say that a 1hr candlestick closes below that trendline. What do you think the most likely reaction would be? Majority will start selling driving the price down! This is just plain simple typical human reaction that drives these markets, folks!

Everyday, there are heaps of reactions like this happening. Don't just take my word for it. Just look at the chart of the EURUSD below as an example. Notice what happened when the significant upward trendline was broken? Massive downward move!



When the upward trendline that was providing support was intersected, that was enough signal for the majority of traders to start selling like crazy…and so you can see that the result is a very steep fall in price.

Anticipating their reactions will allow you to get in at the right time and as more come in, the momentum picks up allowing you to capture maximum profits effortlessly.

This is a very simple thing to do but many find it hard to actually capitalize on this reactions maybe due to too much analysis, following lagging indicators or just not confident in taking a trade! Only after it has happened then they will say " I knew that was going to happen when that trendline got intersected!" Sure! You do. You just made $000! Good luck! ☺

You see this kind of reactions every single day when you open up your charts and see how the market has moved after a trendline break or after obeying a trendline or if the market breaks or obeys horizontal support or resistance levels. Just go and check your chart and see what I am talking about.

If you can develop this kind awareness and anticipation of the likely reactions then making money based on these reactions should really come easy when that reaction that you anticipated happens.

Look at the chart below. There is a significant downward trendline. When it was intersected what happened? There was an explosive move upward. This is the kind of reaction that I am talking about. You need to anticipate that!



Did this explosive move upward after the trendline break happen because of a moving average cross-over? Did it move upward because of stochastic oversold condition? Did it occur because of MACD convergence divergence? Did it occur because of RSI is doing this and that? Did this occur because of some fancy indicator turned blue?

No….

It happened simply because of a simple trendline was intersected! That's it! Nothing more, nothing less. Even a gorilla could see that and figure that out! (Just kidding…☺)

The next question is: are these setups 100% accurate? The answer is no. Like all trading system and strategies you can be right or wrong. There is absolutely no guarantee that every trade will turn out profitable.

It is a numbers game: make more money than what you loose then at the end of the day, you will still be in the positive.

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BREAKOUT OR THE PULLBACK?

What trade setups do I take, the immediate breakout or the pullback setup?

These are the questions many traders ask. Some traders would prefer to wait for the pullback after the TLB then enter. Some would enter at the initial TLB.

The question is: *If you are waiting for a pullback to trade after the breakout, what if the pullback does not happen and price continues going up or down for a very long time and never does a pullback?*

Then next question is: *what if you entered at the initial breakout and a pullback happens and you get stopped out with a loss or break-even trade?*

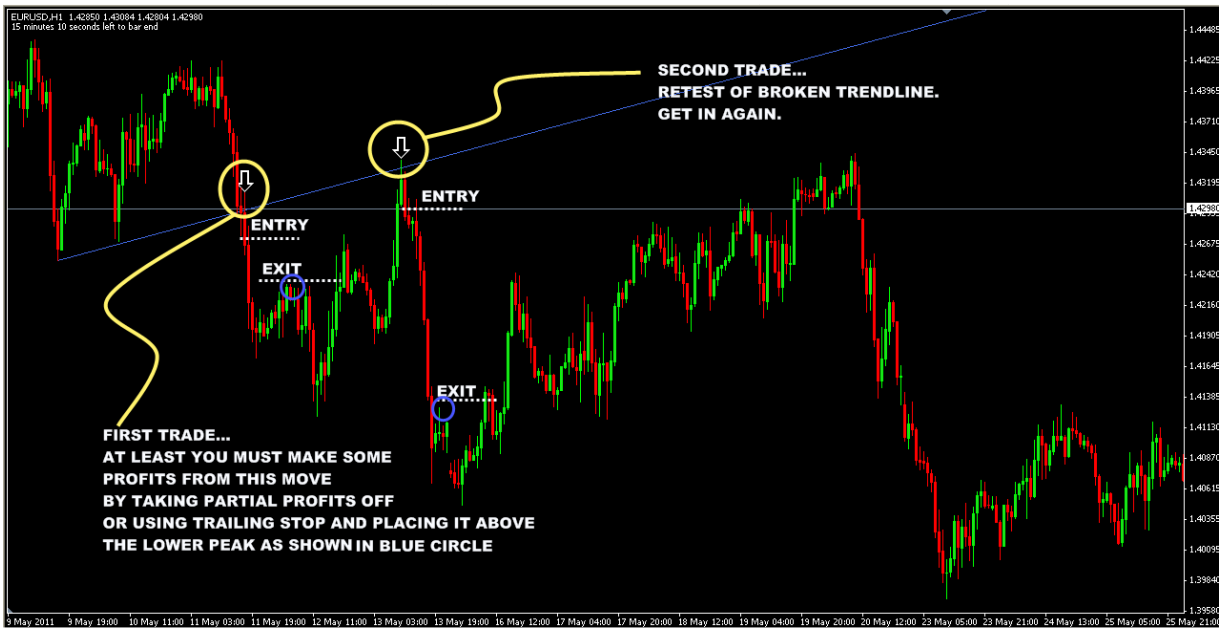
See the issues here? Well, guess what? Nobody knows the future so…here is a better solution!

Take every available setup that happens.

Take the breakout when it happens, if it keeps going down without a pullback, you will be smiling all the way to the bank. But if there is a pullback, at least you would have you locked some profits from that trade and moved your stop loss to break even and once you get stopped out, enter AGAIN on the pullback.

Now the important thing is that if you entered on the actual breakout, for example on a short entry, price goes down and later retraces back or does a pullback up to touch the trendline that was intersected. Now…instead of walking away profitless or with a break-even trade, you should at least have made a profit from that downward move. As market does a pullback, you, will get stopped out with break-even or maybe a loss(it is better to get stopped out with a profit) and you get in again on the pullback trade.

See the chart below to see what I mean.



Anything can happen when you get in so you need to protect your account or take profits while you can. Don't expect the market to continue falling for ever or don't expect the market to continue heading for the moon!

Remember! The market moves in waves…up, down, up, down, creating peaks and troughs that you see everyday on your chart and those waves can work for you as well as against you.

Can you see what I am saying now? Good!

HOW DO YOU KNOW IF THERE IS GOING TO BE A TRENDLINE BREAKOUT?

It would be good to know the certainty of a breakout before hand then place your trade. We all want that. That would be the holy grail at least. But the sad truth is that we will never know for sure. Only after it has happened then we will know…

That is late, isn't it? Sure. But don't be discouraged. It is much easier than you think. We know that price does ONLY 2 THINGS when it comes to a trendline:

- It obeys the trendline (so the trendline is intact…meaning it is not intersected, not broken) or
- It breaks the trendline…a trendline breakout happens.

(Note: consider false breakouts as still obeying trendline).

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The important thing is not really about knowing if there is going to be a trendline breakout or not, but it is about indentifying the possibility of that happening and getting into a trade when that happens.

So that solves a whole lot of problems and makes it much easier for you. So now you have two possible outcomes so you only have 2 choices to make.

Choice#1: If the trendline is obeyed, well, the **Trendline Trading Strategy** is used for trade entry then.
Choice#2: If the trendline is NOT obeyed, well, the **Trendline Breakout Trading Strategy** is used then.

This is how easy it is.

So how can you identify the possibility of a trendline breakout happening? What signals or indications do you need to look for?

I will tell you the 3 things I look for and I use them to give me an indication of a **possible trendline breakout.**

Here they are:

#1: Momentum Analysis using Reversal Candlestick Patterns

#2: The Close of the Candlesticks above or below a trendline

#3: Two opposing trendlines converging to an apex.

I will explain all these 3 now so you will understand these fully.

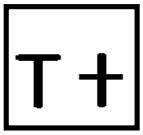
#1: Momentum Analysis using Reversal Candlestick Patterns

Everything about momentum and reversal candlestick pattern is explained in the Trendline Trading Strategy Secrets Revealed e-book. You must revisit and understand the information in there. This will allow you to effectively get into trades at the right time using the trendline breakout trading strategy.

But just to give you the heads up, these are the reversal candlestick patterns you should be watching out for.

7 HIGH PROBABILITY REVERSAL CANDLESTICK PATTERNS

BULLISH **BEARISH**



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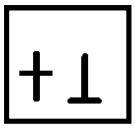
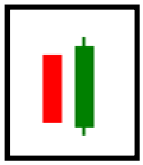
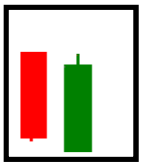




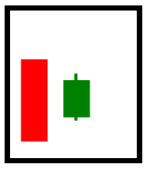
#2: The Engulfing Patterns





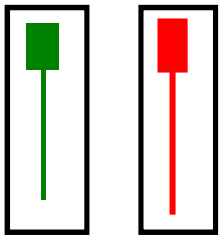
#3: Piercing Line and Dark Cloud



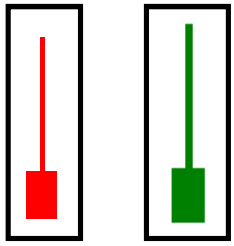


#4: The Haramis





#5: Hammer & Shooting Star



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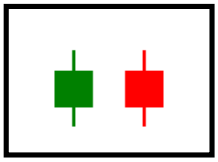
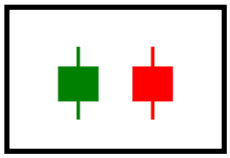
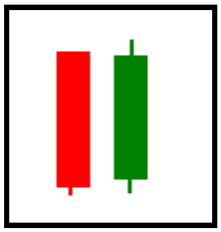


#6: Spinning Tops





#7: Railway Track Patterns



The locations where these reversal candlesticks form are important. What do I mean by that? Let me explain:

If you see a bullish reversal candlestick pattern on an UPWARD TRENDLINE, what is the probability that price will go UP? Quite high! (This is Trendline Trading Strategy Setup) .Same but opposite thing for a bearish reversal candlestick formation on a downward trendline.

But this is not the Trendline Trading strategy we are discussing here…quite right! I'm soon getting to that…

Many times, you will see price go and touch a trendline and will not directly break it at that moment but it bounces back in obedience to the trendline BUT then it **slows down not far away from the trendline** and will usually go back to re-test the trendline and this is the time when trendlines get intersected.

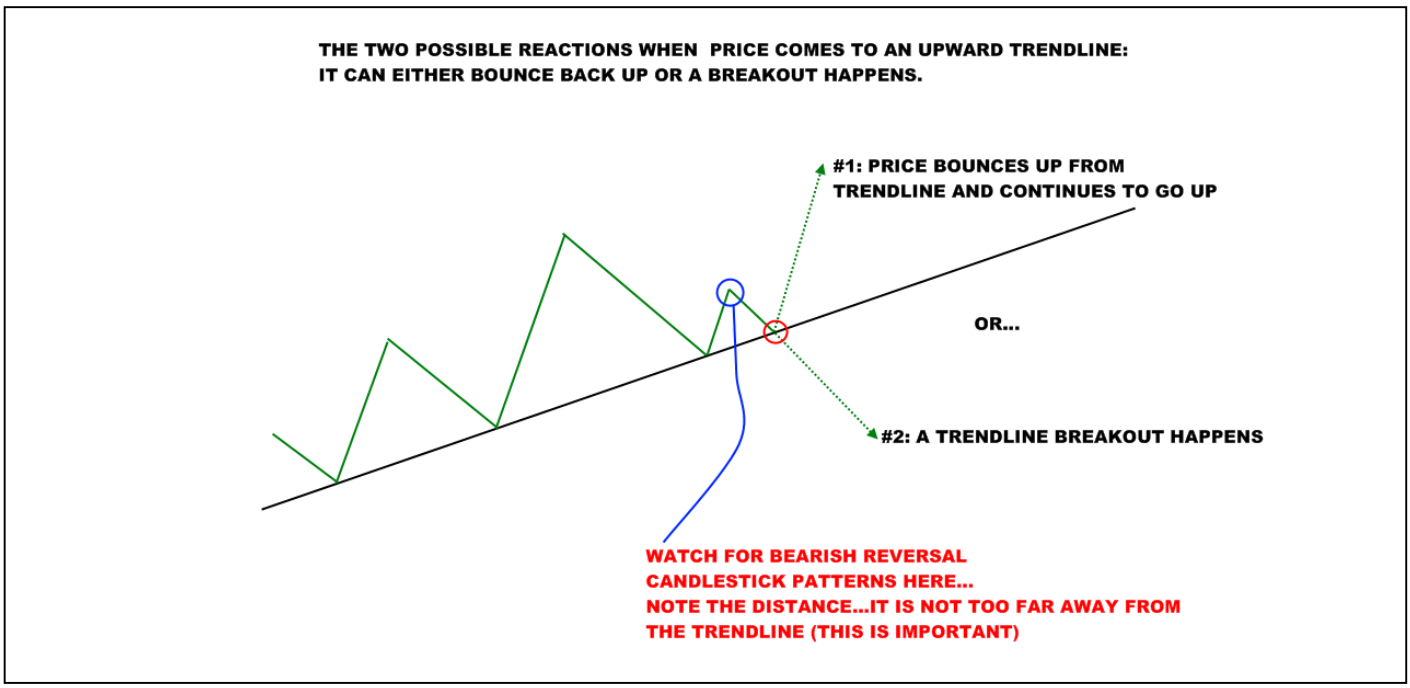
Usually, this situation cannot be seen clearly in the larger timeframes, but if you switch to the smaller timeframes, you will see this.

For example: if price bounces up from an upward trendline after the formation of a bullish reversal candlestick pattern but about say 1-3 candlesticks later, shows decreasing upward momentum and you see a bearish reversal candlestick pattern forming.

Now, two things can happen here:

#1: Price will come back down and touch the trendline and bounce back up and continue going up in obedience to the trendline or
#2: Price will come down, intersect the trendline and a breakout happens.

A chart illustration helps a lot and makes the concept sink in much faster than words, so here is what I mean…



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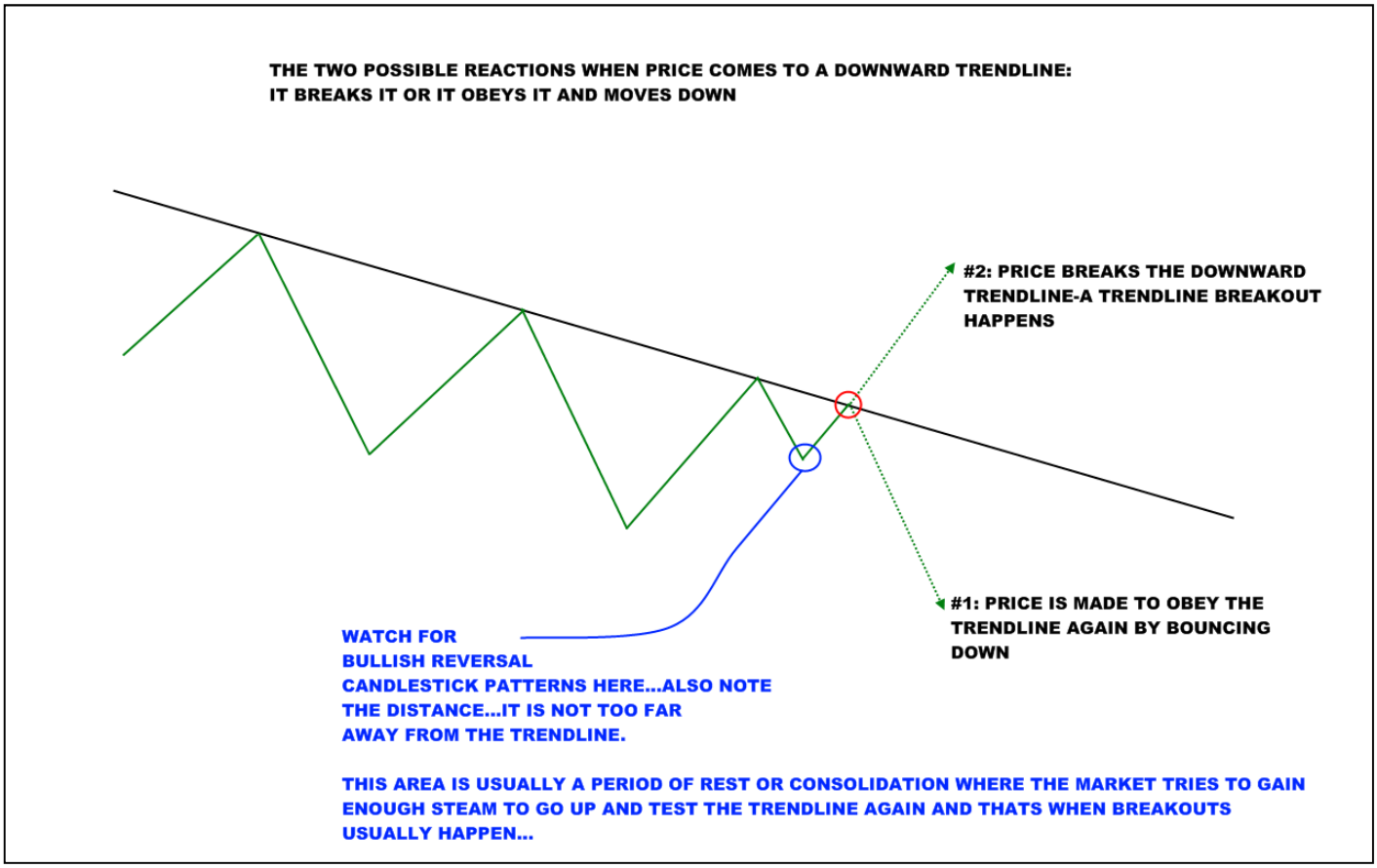
So can you see and understand what I am showing you here? How does the graph of the downward trendline situation look? The exact opposite to the chart above.



I will show you **where** to watch for reversal candlestick patterns on the 4 breakout setups that I have shown you and that will give you an indication of a possible trendline breakout.

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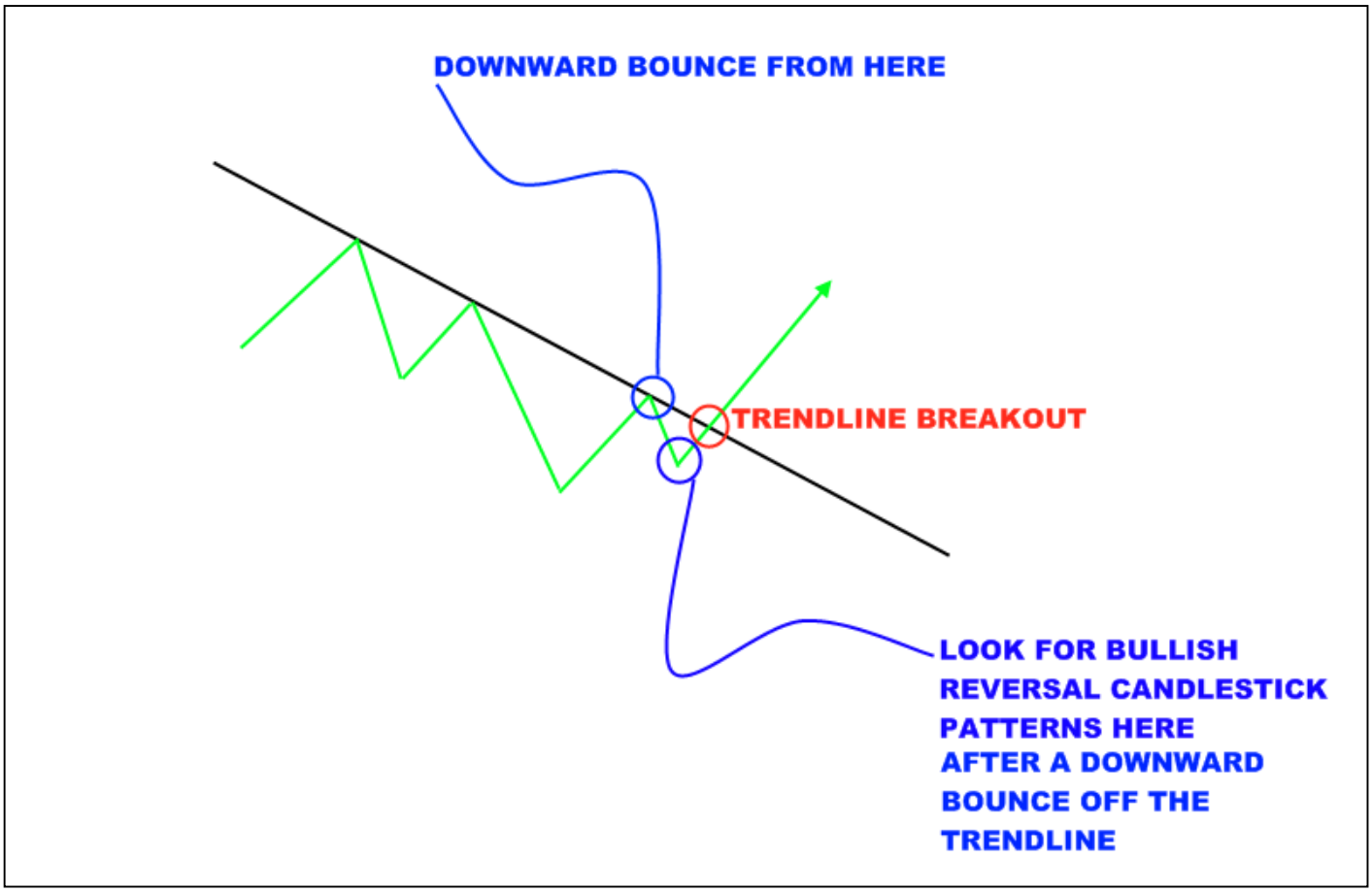

In the chart above…where will you take a trade? Should you take a trade when a bullish reversal candlestick forms a few candlesticks after the bounce or when the trendline breakout happens? Two options:

- If you are an aggressive trader, and you think that the trendline is going to be broken because of a very strong bullish reversal candlestick pattern then you take the setup just **under** the trendline. There is still **the danger** of getting stopped with a loss or a break-even trade if price is made to obey the downward trendline and fall back down.
- If you are bit conservative, wait for the close of candlestick ABOVE the trendline then place your order to go long. This is the most favorable approach and often works out better than the first option.

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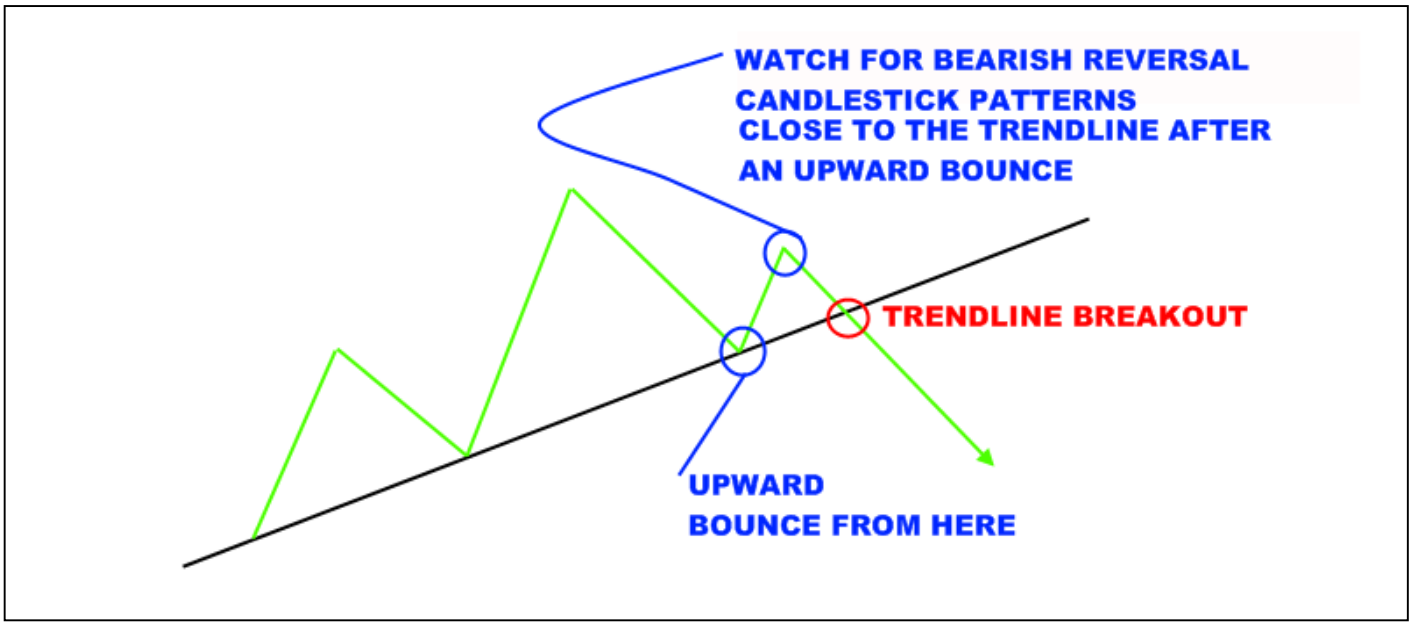

In the chart above…where will you place your order? Same thing but opposite to what you just saw in the previous chart above. Two options again:

- Aggressive short entries can be made when bearish reversal candlesticks form just a few candlesticks after a bounce from the trendline BUT the danger is that the trendline has not been broken and is still being obeyed and it can bounce upward instead of a breakout and you can get stopped out with a loss or maybe a break-even trade.
- Or you can be more conservative and wait for a close of a candlestick below the upward trendline and then place your order. Once again, this is a more better approach.

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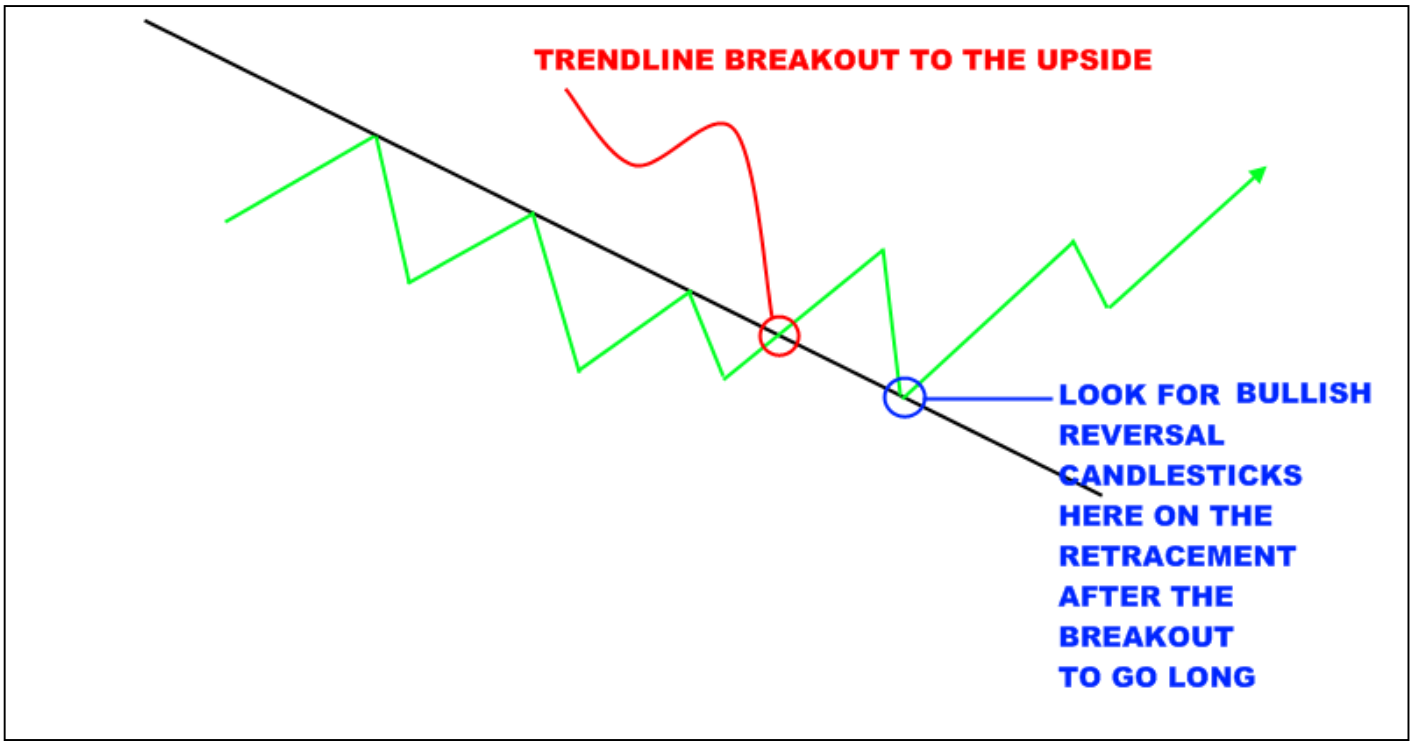
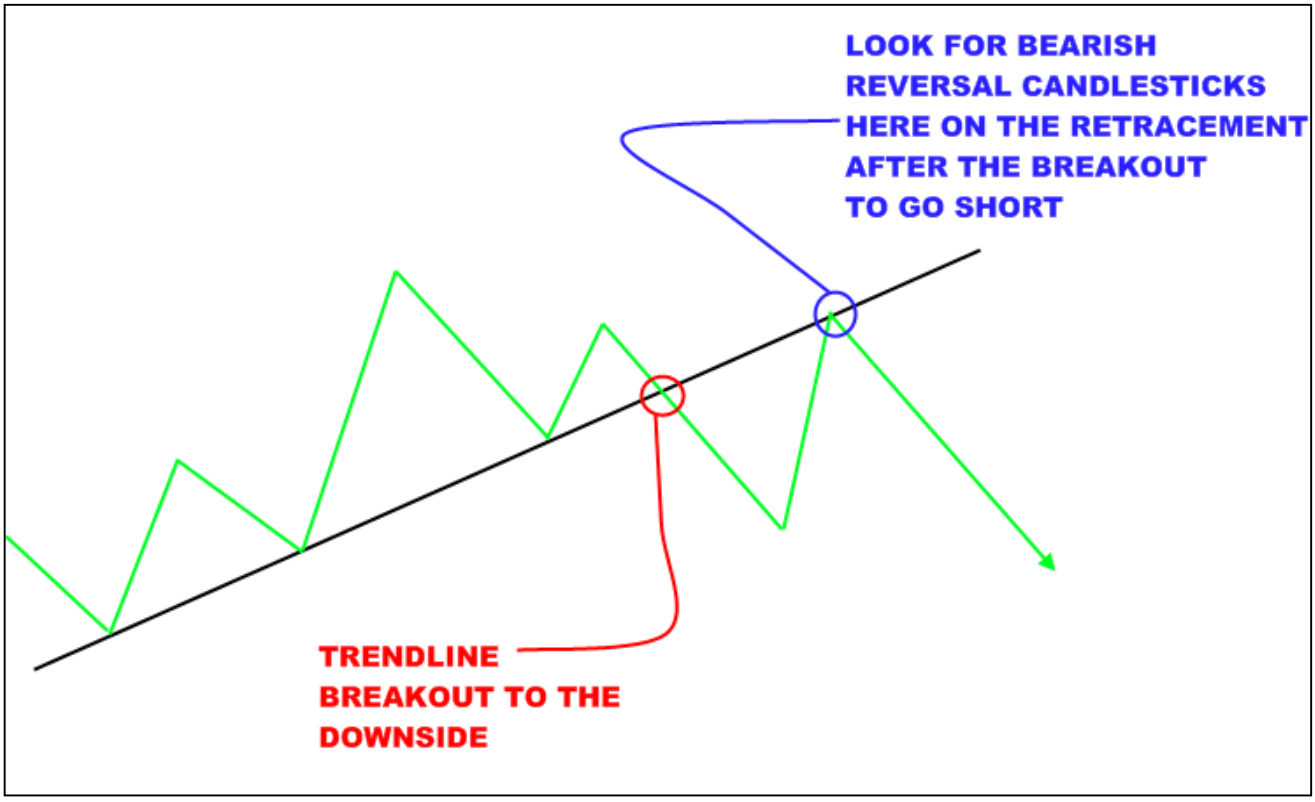


Now, the chart above is a pullback buy setup, TL Breakout#4. When price comes and touches the broken trendline, you wait and watch for reversal candlestick pattern formation on the touch of trendline then go long if that happens.



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In the chart above is TL Breakout#2: short setup. Look for a reversal candlestick on the pullback and touch of broken trendline to go short.

Here are some real examples…

In the chart below, notice that price bounces down from the downward trendline prior to the bullish hammer being formed. After the bullish hammer forms, what happens? The downward trendline is intersected and price heads higher.



In the chart below, price bounces up from the upward trendline and forms a bearish Harami. It heads down and intersects the trendline and price continues to fall for a very long time.

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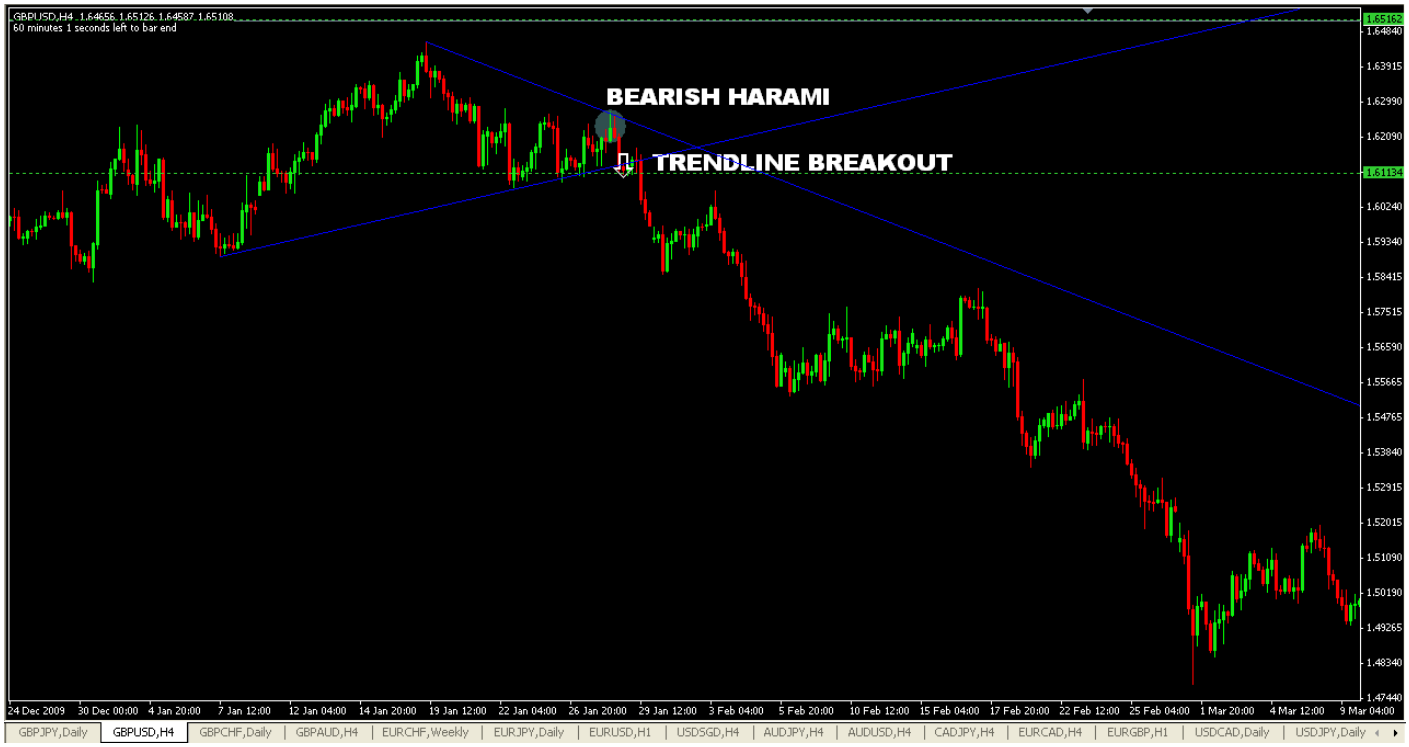
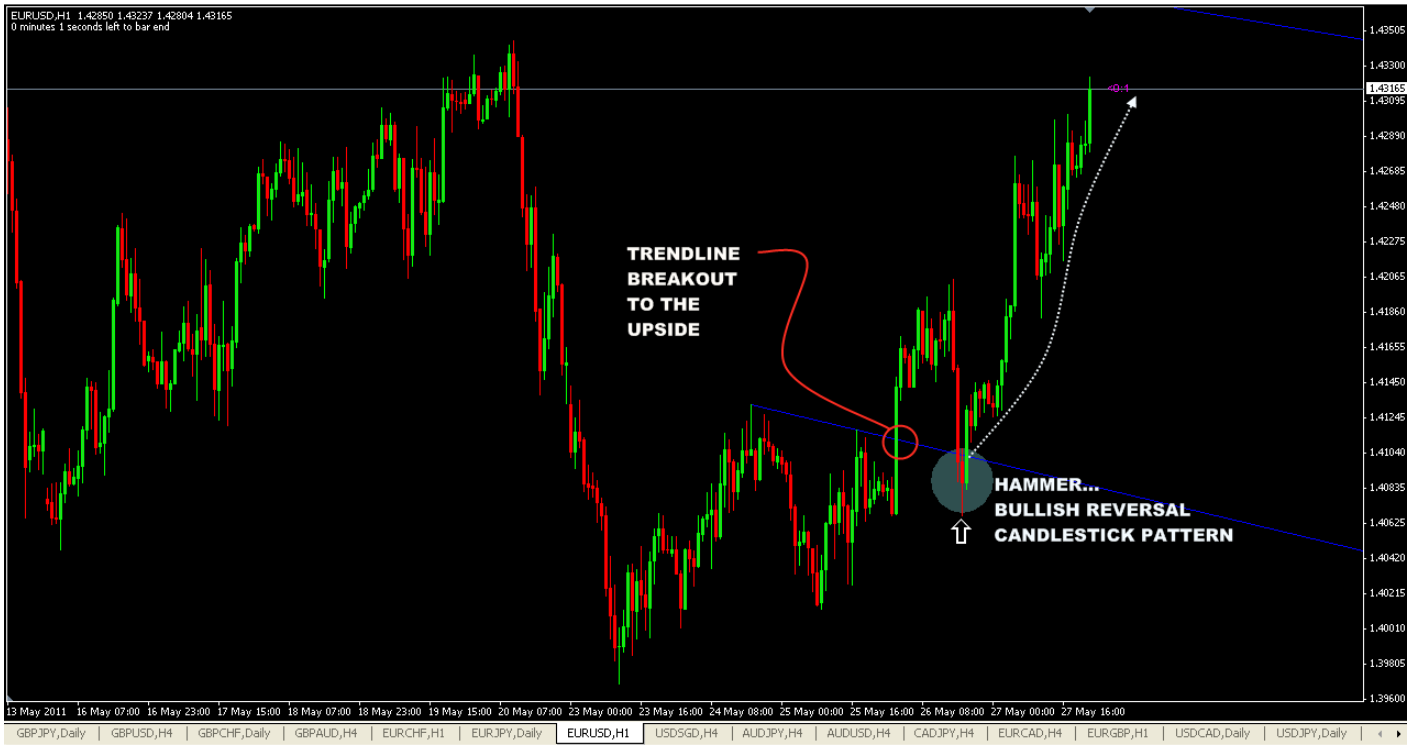


In the chart below, price intersects the downward trendline and goes up and later does a pullback to the trendline that was intersected and then you notice hammer forming…a bullish reversal candlestick formation. What happens next? Price goes up!



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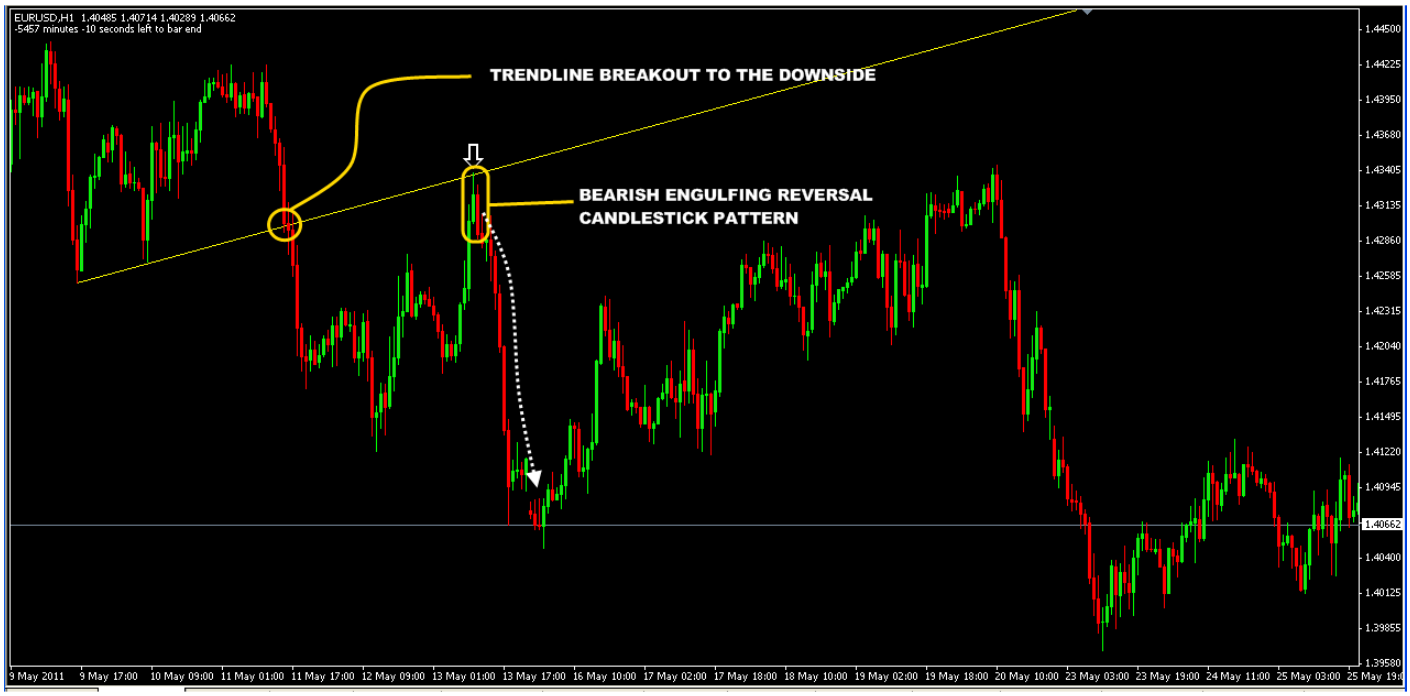
In the chart below, trendline is intersected and a pullback happens, a bearish engulfing reversal candlestick is formed which is followed by a downward move.



#2: Close of the Candlesticks above or below a trendline

This is a no-brainer.

- If a candlestick **closes** BELOW an upward trendline, there is a high probability that the trendline is now broken and the market will start falling.
- If a candlestick **closes** ABOVE downward trendline, then there is also a high probability that the downward trendline is now broken and market will start rising.

Why are close of candlesticks above or below trendlines so important? I will tell you why: if majority of traders see that a candlestick closes significantly below an upward trendline, what do you think they are thinking? How do you think they will react? It's easy, they will start selling and what happens to the market? It falls! Typical human reaction! Anticipate it!

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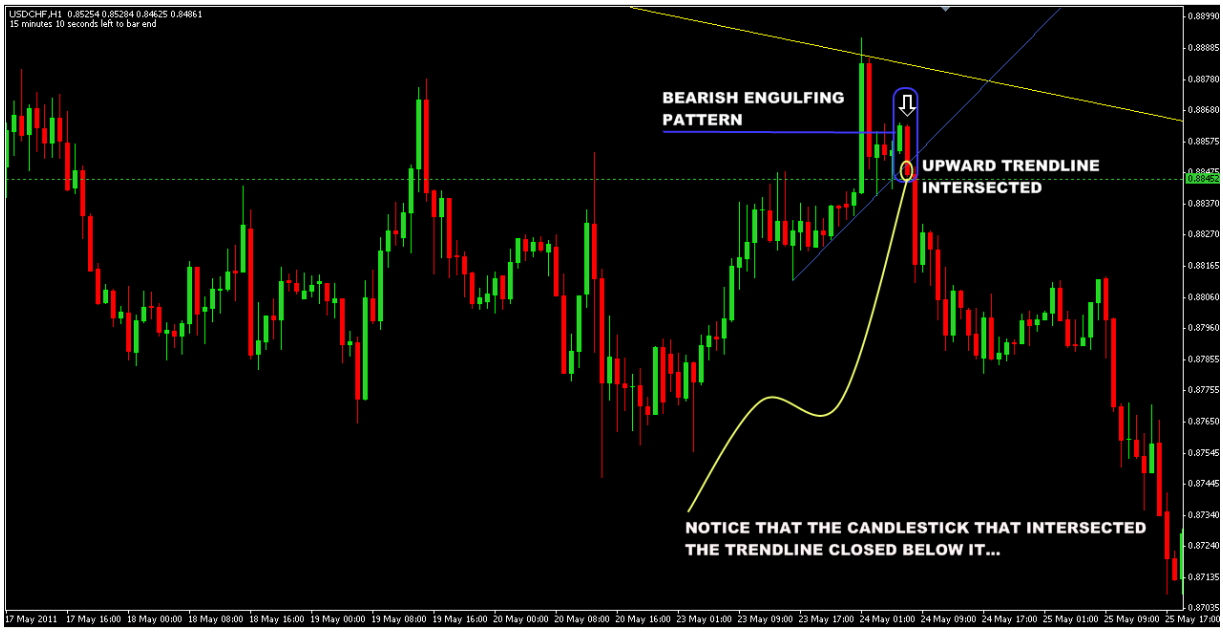
The 1hr close is generally more important than other timeframe closes.

Take a look at the chart below and see what I mean.



In the chart above, notice that price was finding support on the blue upward trendline but then:

#1: a bearish engulfing reversal candlestick forms &
#2: the red candle which is the engulfing candle closes BELOW the trendline.

What happens next? Market took a nose-dive. Typical Human Reaction! If you were anticipating that kind of reaction and you got in, you would be smiling like a million bucks. This was the breakout trade I took and made good number of profitable pips on.

The bearish engulfing formation just near the trendline should give you that heads up that *"ah, oh! something is going to happen"*…

Tips for entries:

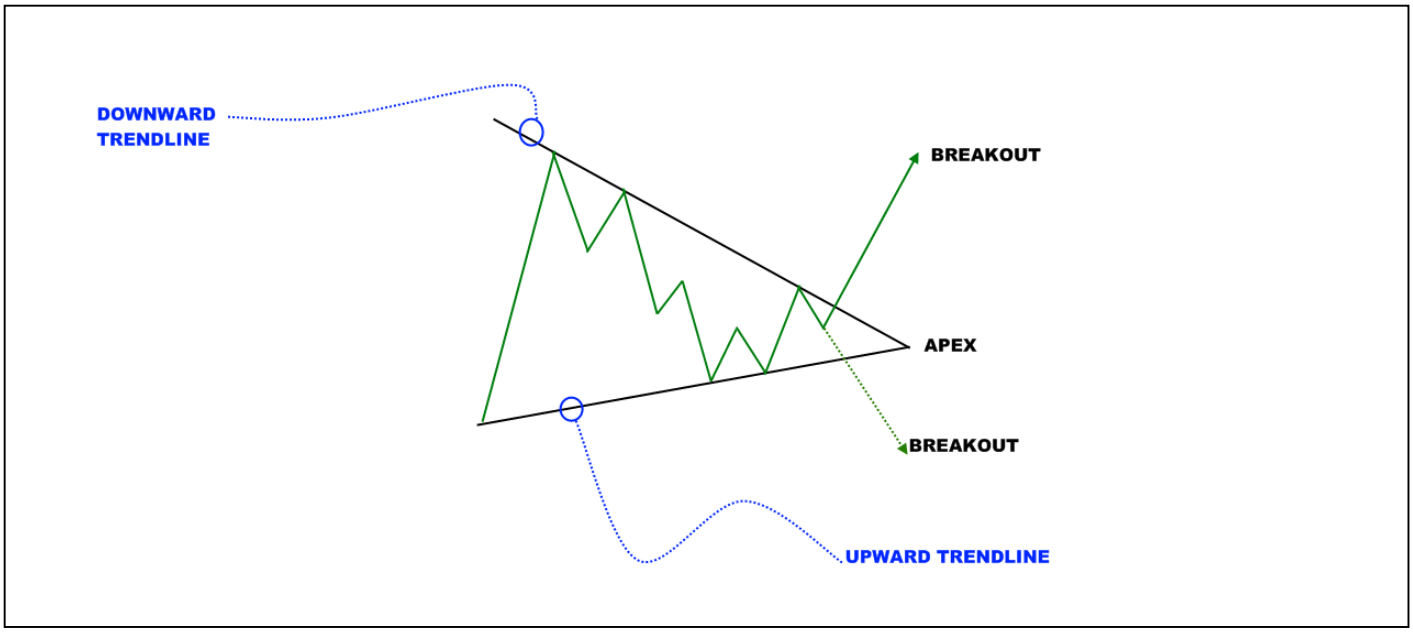
- For the initial breakout... Ideally, you'd want to wait and see a candlestick close below an upward trendline to go short or above a downward trendline to go long.
- Or if you are aggressive, you may actually enter a short trade (for example) on the formation of a reversal candlestick just above an upward trendline if you think that the upward trendline will be broken to the downside.
- More conservative traders would wait for a close below the trendline to start selling. The exact opposite for long setups.
- For retracements(pullback)setups #2&4, use reversal candlestick patterns for entry confirmation.

#3: Two opposing trendlines converging to an apex.

This is another thing I look for: 2 converging trendlines. The moment you spot this kind of setup, you should know a breakout is imminent.

How do you spot this setup? You will find instances where you have two opposing trendline converging to an apex. Because we are dealing with trendlines here, it is important for you to able to spot this pattern when it is happening.

What happens is that price is being squeezed into a tight spot. You will see price moving up and down and converging towards a single point. Its up and down movements will become smaller and smaller until it reaches a critical price, breaks out of the tight spot, and moves drastically **up or down**. Here is what I mean.



The chart below shows an example of that.

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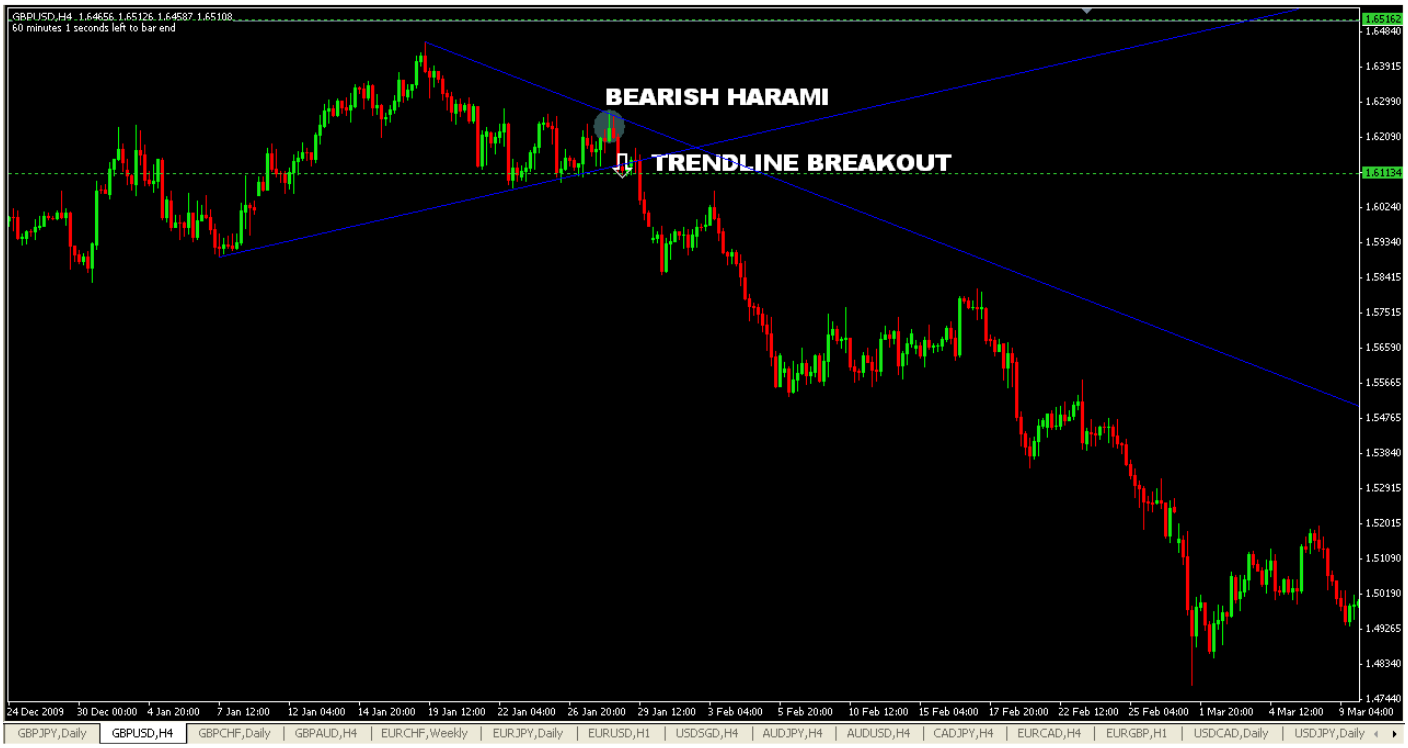

Now, I really like this setup when I spot it because what follows is usually an **explosive breakout** .

How do you take a trade on this setup?

The best practice is that you should wait to see a candlestick breakout and close above or below the any of the two converging trendlines before you get into a trade.

This is how easy it is to trade breakouts and mind you…these setups happen every single day. All you have to do is know how to spot them (now you do!) and have the patience to wait for them to form and then get in as per the entry rules.

Ok, lets get to the rules, shall we? I know, this is the easy part.

TRENDLINE BREAKOUT TRADING RULES

Short Entry Rules

#1: Wait for the candlestick that intersects the upward trendline to close below the trendline.
#2: Place a sell stop order a few pips under the LOW of the candlestick. Look for reversal candlesticks like bearish railway track, bearish engulfing pattern, spinning top, and dark cloud to give you added confirmation on continuation of the downward trend. If not, just the close below the trendline should be sufficient.

#3: Set your take profit target WITHIN the previous significant “trough”
#4: For short setup TL Breakout#2 (the pullback setup) wait for the CLOSE of candlestick that is:

(a) very close to or
(b) almost touches or
(c) touches or
(d) intersects the broken trendline and may close above it

during its temporary upward retracement then place your sell stop order a few pips under the low of that candlestick. Look for bearish reversal candlesticks for added confirmation and place your sell stop order.
#5: Place your stop loss a few pips above the high of the candlestick which you have placed your pending stop order

Note:
(1)for TL Breakout#2 (the retracement) short setup, the use of reversal candlesticks is very important for entry confirmation.
(2)if you can’t identify previous significant troughs to set your take profit target in the timeframe that you are entering a trade, switch to a much larger timeframe and you will find something.

This chart shows the TL Breakout#1 Sell Trade Setup



And this is the TL Breakout#2 Sell Trade Setup (the pullback setup)

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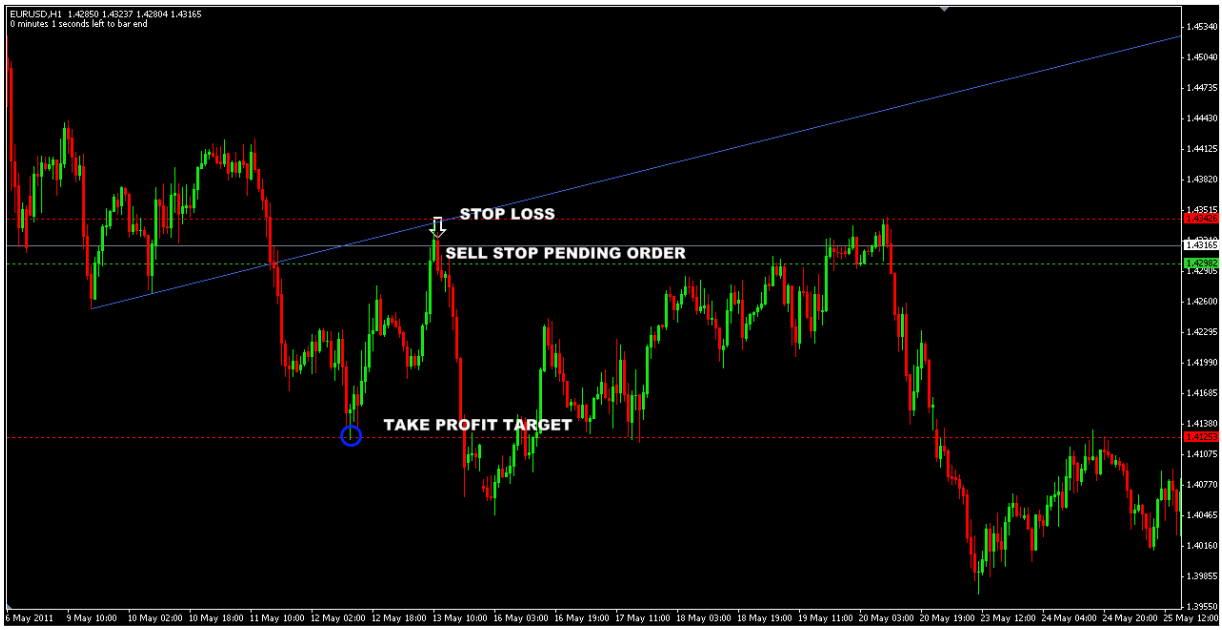


Long Entry Rules

#1: Wait for the candlestick that intersects the downward trendline to close above the trendline.
#2: Place a sell stop order a few pips above the HIGH of the candlestick
#3: Set your take profit target WITHIN the previous significant "peak"
#4: For long setup TL Breakout#4 (the pullback setup) wait for the CLOSE of candlestick that is

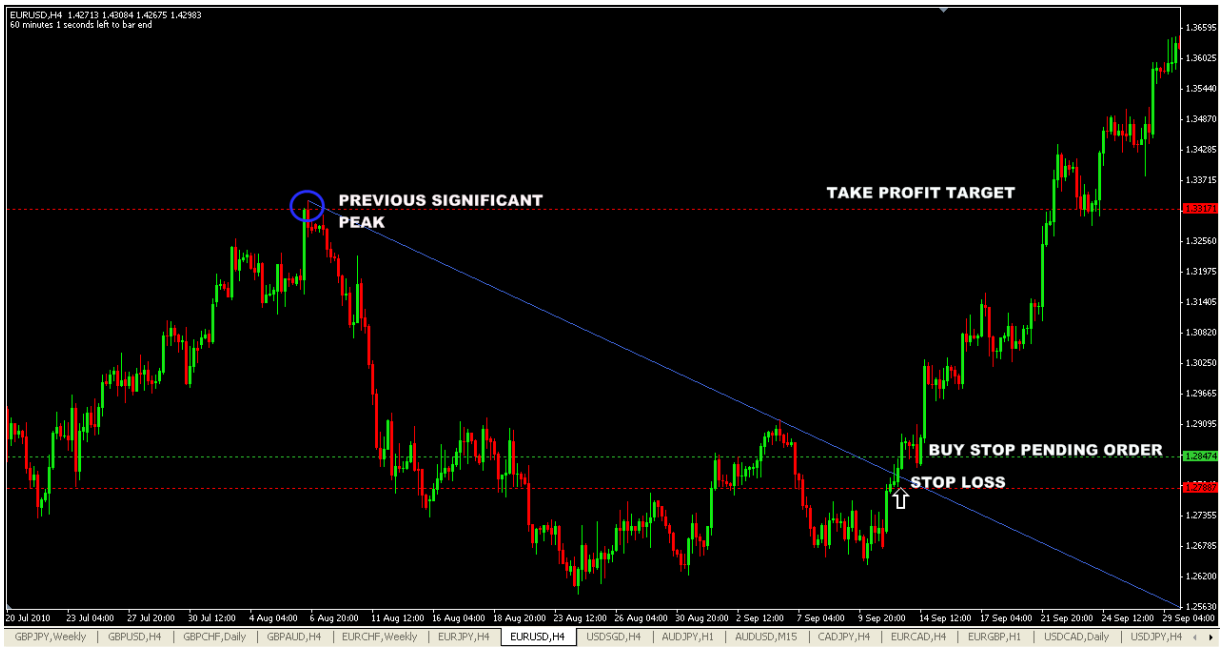
(a) very close to or
(b) almost touches or
(c) touches or
(d) intersects the broken trendline and may close below it

then place your buy stop order a few pips above the high of that candlestick.
#5: Place your stop loss a few pips below the low of the candlestick which you have placed your pending buy stop order.

Note:

(1)for TL Breakout#4 long setup (the pullback setup), consider using reversal candlesticks for entry confirmation as this will allow you to enter high probability trades.
(2)if you can't identify previous significant peaks to set your take profit target in the timeframe that you are entering a trade, switch to a much larger timeframe and you will find something.

This is a chart of TL Breakout #3 Buy Setup



This is a chart of TL Breakout # 4 Buy Trade Setup (the pullback setup)



Now, I will show you two techniques or variations of trading breakouts that you also need to know. These are:

#1: Trading Pullbacks that don't actually come back to the intersected trendlines &
#2: Trading Breakout of Support & Resistance Levels just above/below downward/upward trendlines.

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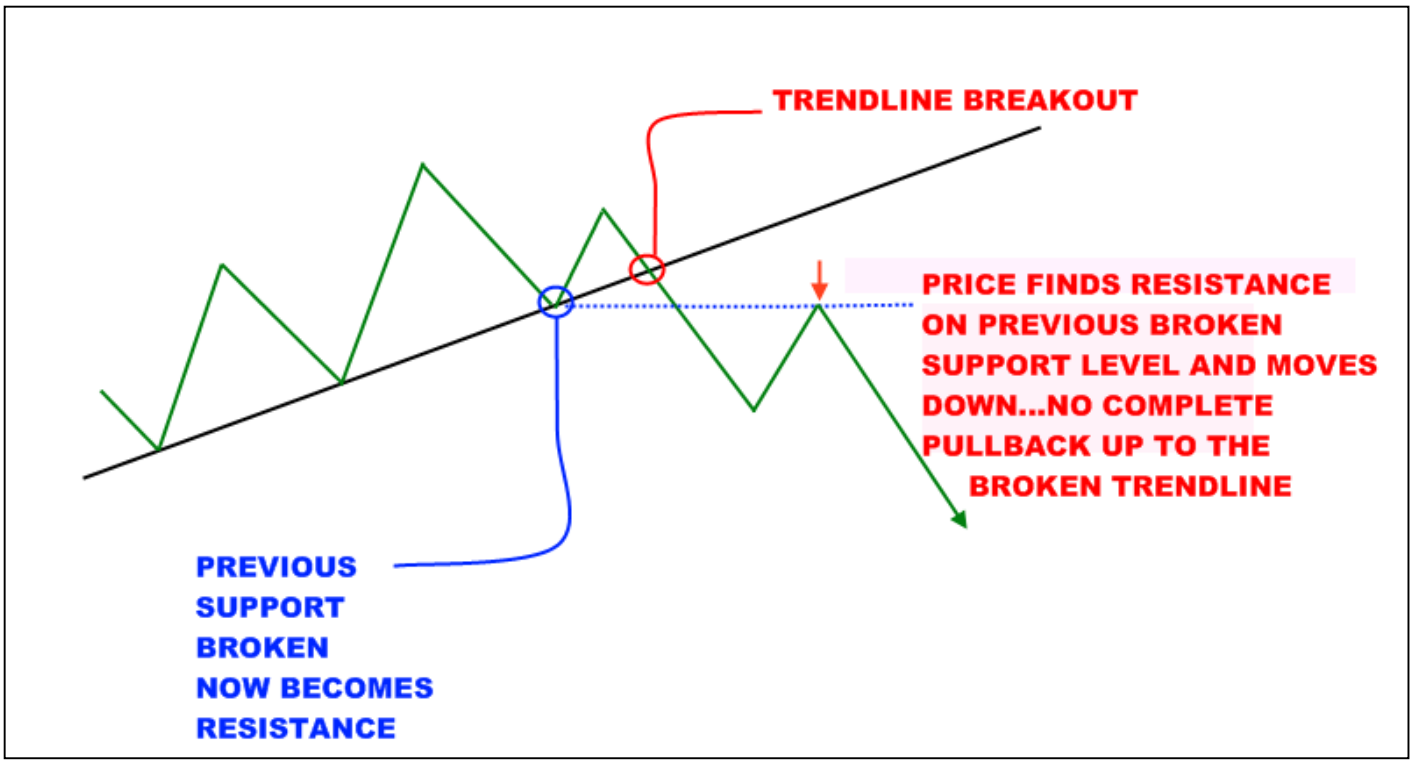
These are very important setups as well that you need to be able to identify them easily once you read this section. Let me get into detail of each now…

#1: Trading pullbacks that don't actually come back to the intersected trendlines

Now, there will be times when you will be waiting for a pullback setup but it doesn't come all the way to the trendline it just broke and then heads away. This kind of situation happens. I will show one common reason why sometimes it happens this way so you need to be aware of that as well. And you can actually take trades based on this setup as well. Lets call this " pullback entry variations".

These are entries you take on pullbacks that don't actually come and touch the broken trendline and I'm going to show you how to take them.

See the charts below:



Now the opposite of the above chart, this time for a buy setup.

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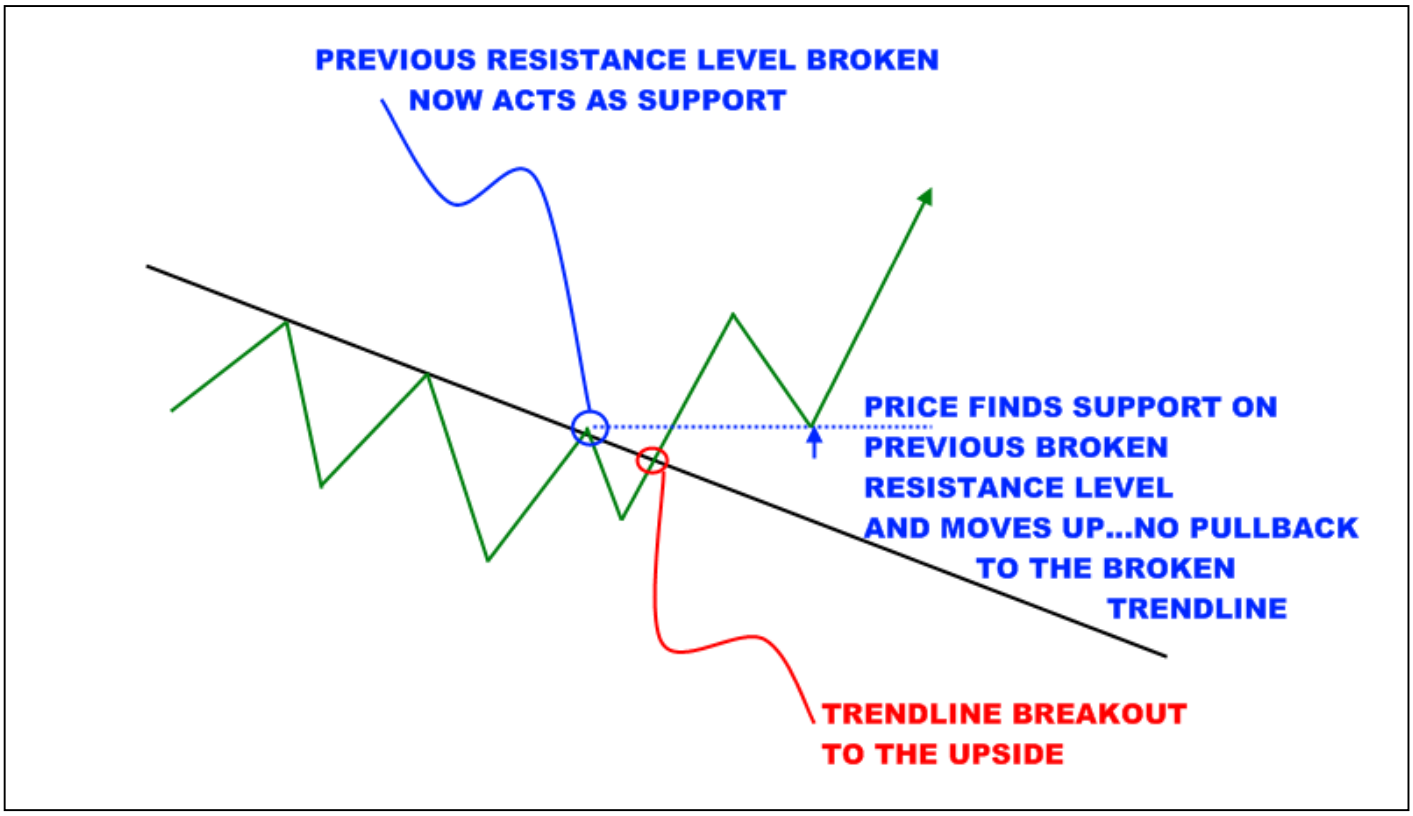

Here are some real examples…

See chart below…No complete pullback to the broken trendline as price finds resistance on the previous support level that was broken and moves down again.

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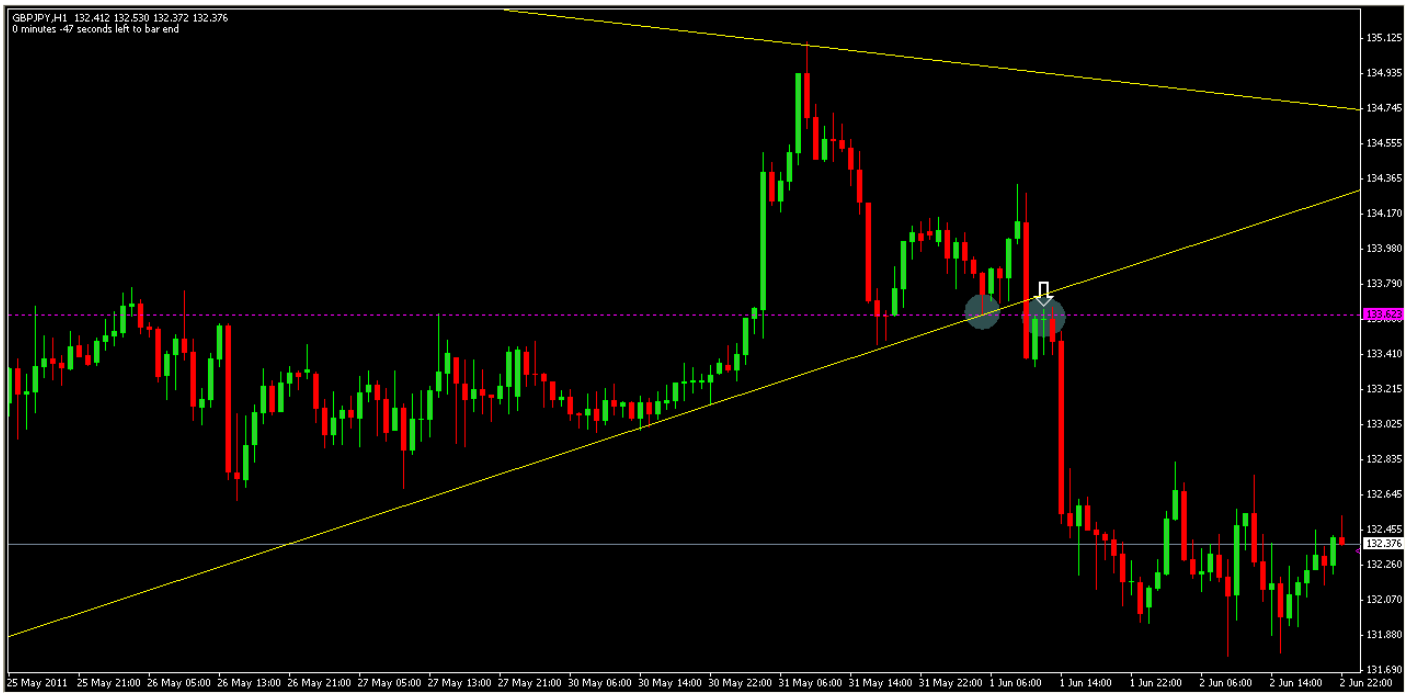

You missed something in the chart above….look again. Ah! Reversal Candlesticks! Can you spot a pattern near the arrow? I see something, can you? An INSIDE BAR or inside candlestick within the shadow of the previous candlestick… not really a classic or text book example of a bearish Harami but you can see how the market responded and moved after that! Down!

Now, this chart below you will see that price finds support on a previous resistance level broken and then moves up. Can you see a bullish reversal candlestick pattern? Yes. Bullish engulfing pattern.

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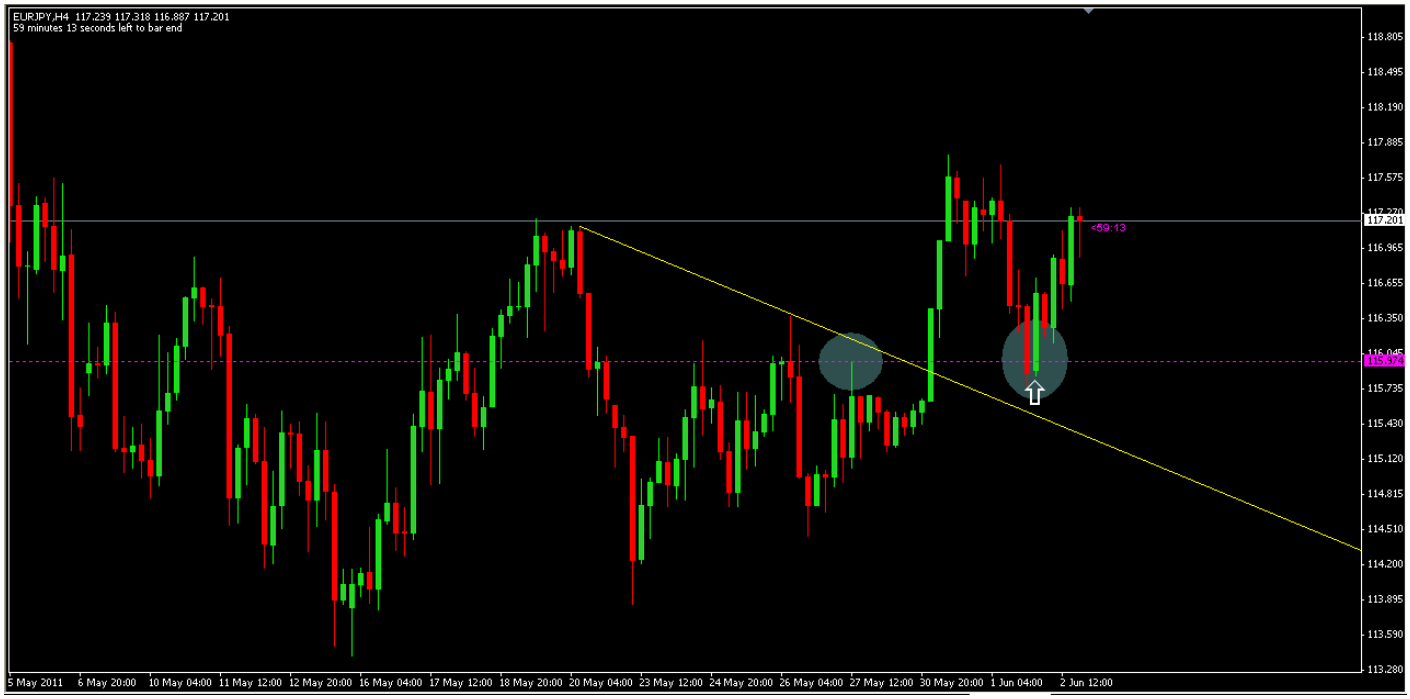

So there you have it. You can either have the full 100% pullbacks or these pullback setup variations. Watch out for them.

#2: Trading breakouts of support & resistance levels just above/below downward/upward trendlines.

The first chart shows general short setups for trading breakout of support levels after an upward trendline breakout. I really don't need to explain a lot here as the charts here are simple to see and understand.

The first chart below is for short trade setups.

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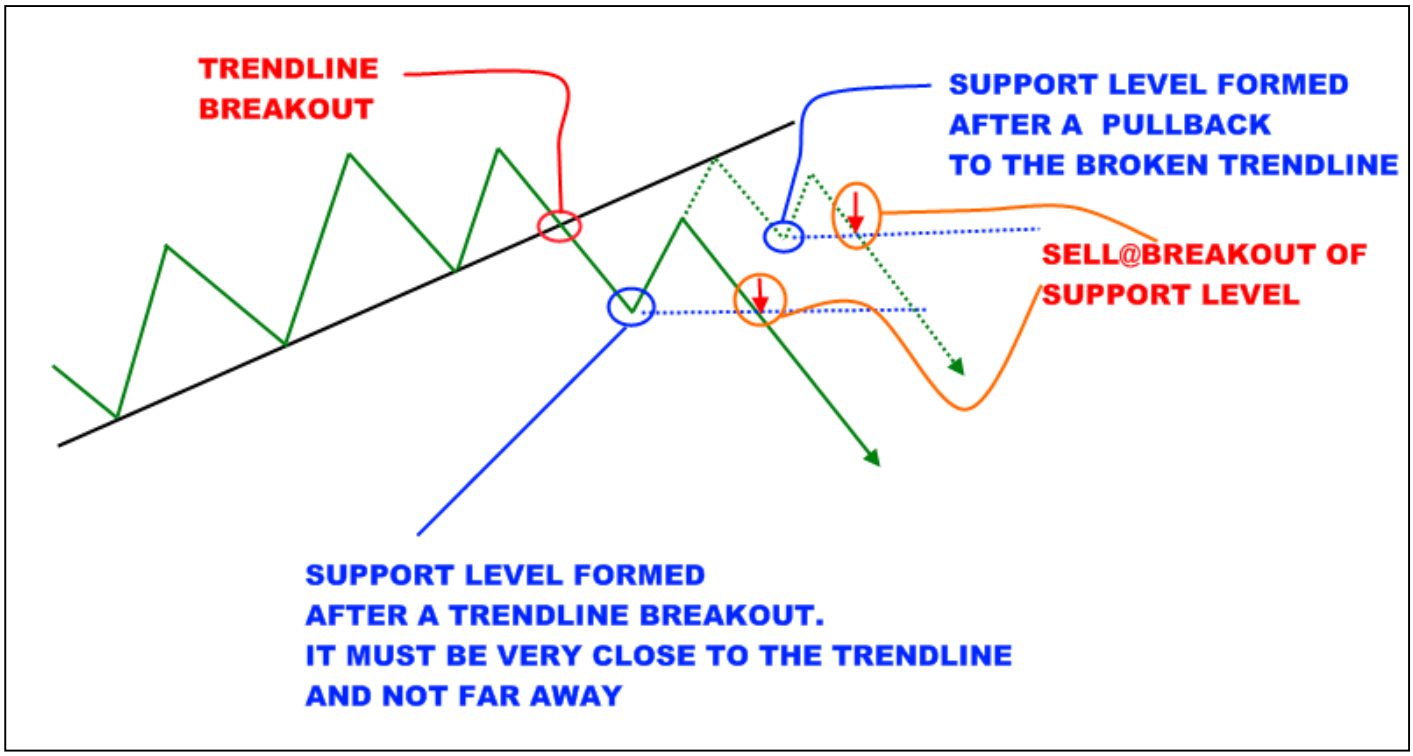

The important thing you have to understand here is that the support levels must be formed not too far away from the trendline. They must be close or quite close.

Now…you may be wondering: *why can't I trade breakouts of support levels far away from the trendline?*

Answer: you can…BUT…if it is far away from the trendline the market has probably lost much of its steam already on that downward move. Taking trades on breakouts of support levels near the trendline means that if the market moves as anticipated, it usually will move a lot more distance and you would have almost got in at the beginning of that move. The exact opposite situation for long trade.

The chart below shows the setups for trading resistance levels after a breakout. This is for long setups.

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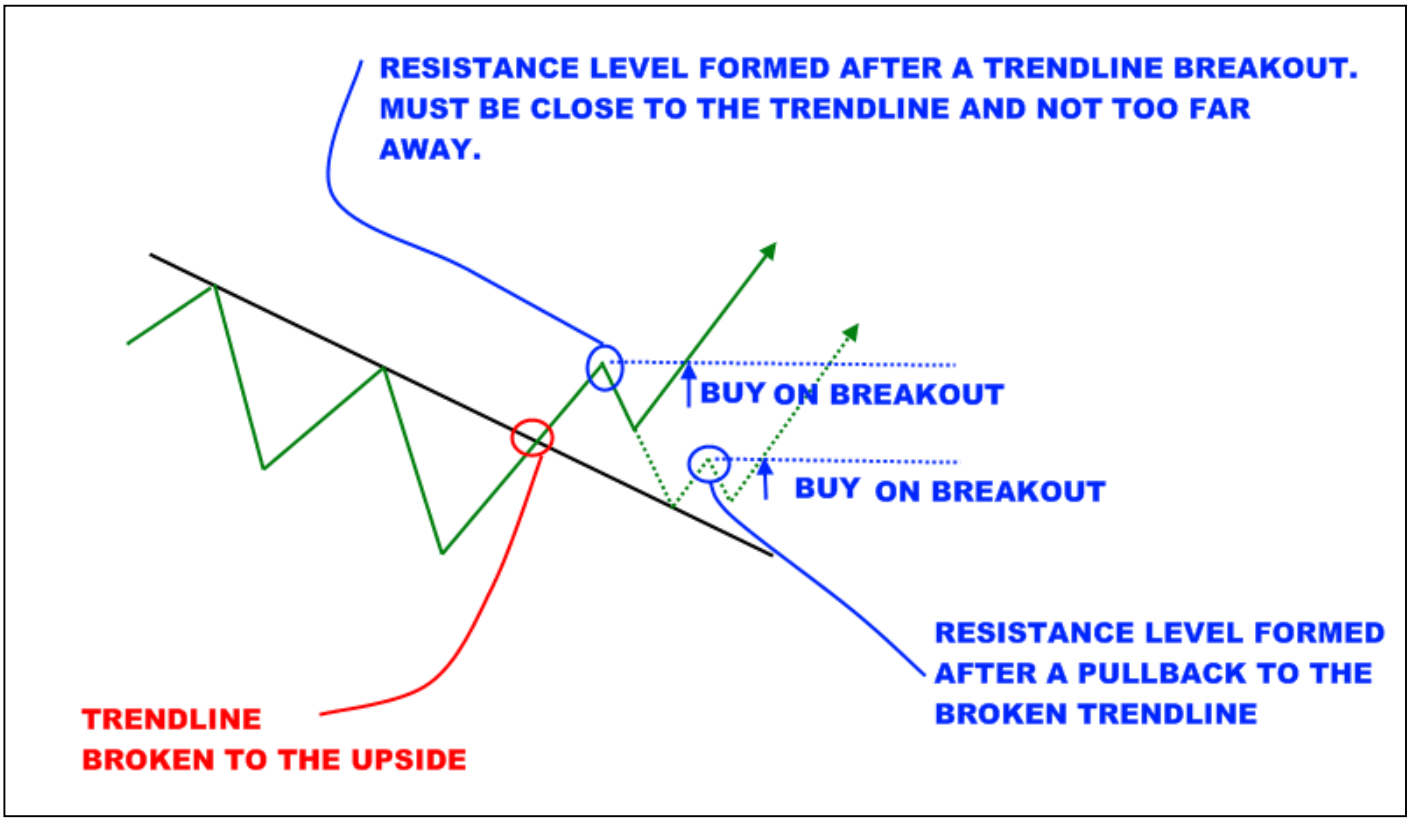

Same thing here on trading the breakout of resistance levels near the broken trendline. The resistance levels must be quite close to the trendline and not too far off.

Let me show you some real charts so you begin understand.

Notice on the chart below, a support level forms not far away from the trendline after a breakout, does a pullback and then goes down, breaks the support and falls. If you entered on the pullback, you can also "ADD ON" the breakout of the support. Adding on is one of my secrets to increasing my trading account fast which I explained in detail in the trendline trading strategy secrets revealed ebook.

You can use these techniques I am showing you here to add on more trades.

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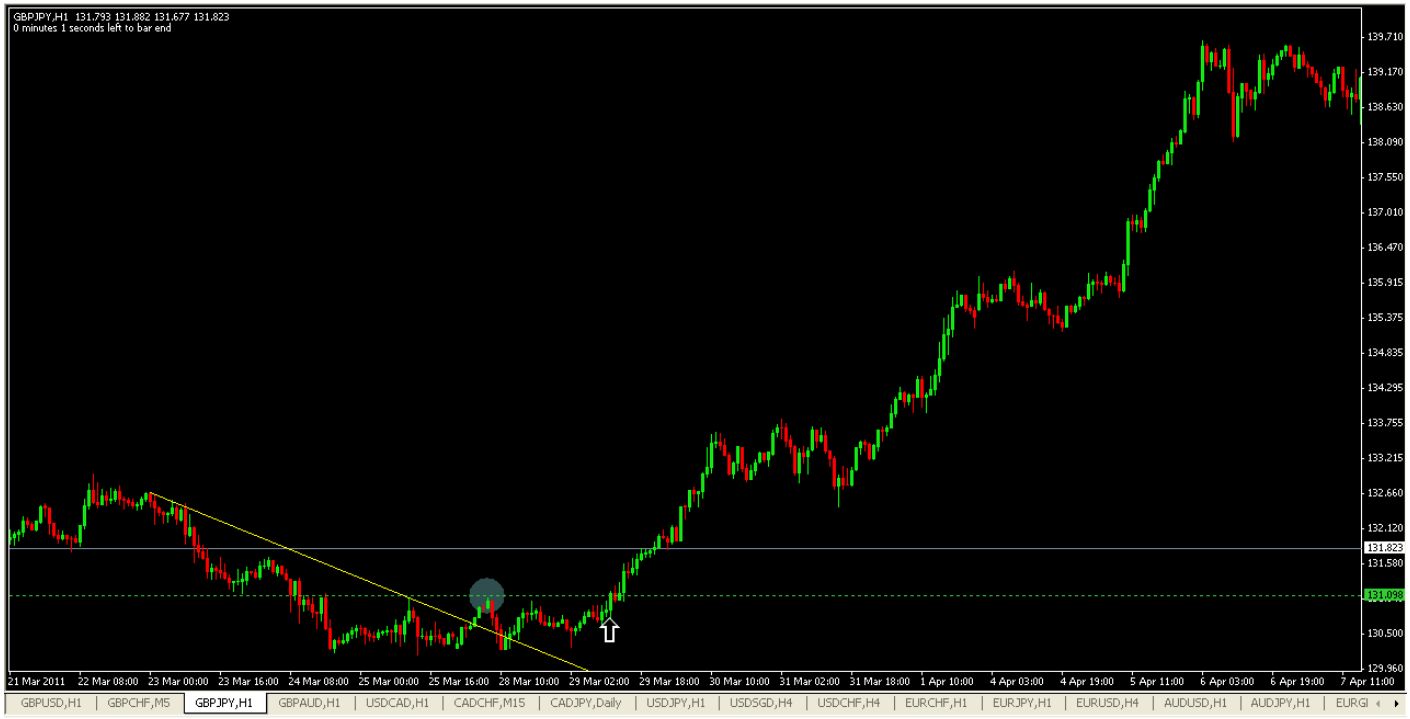
In the chart below, a resistance levels forms just after a breakout, does a pullback and then goes up, breaks the resistance levels and market climbs nicely up.



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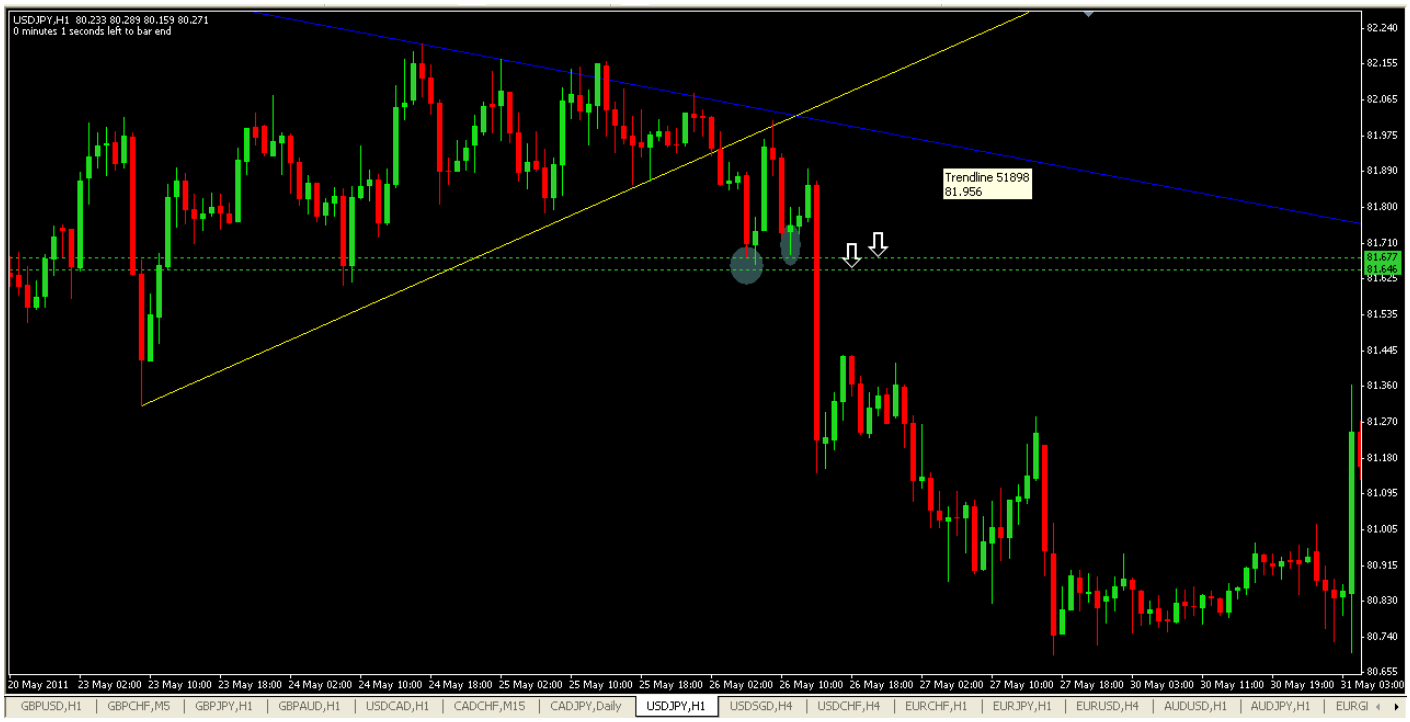
In the chart below, maybe you can see clearly but, there are two support levels formed: the first one is after the TLB and the second one is after a pullback. Opportunities like this are good for adding on more trades.



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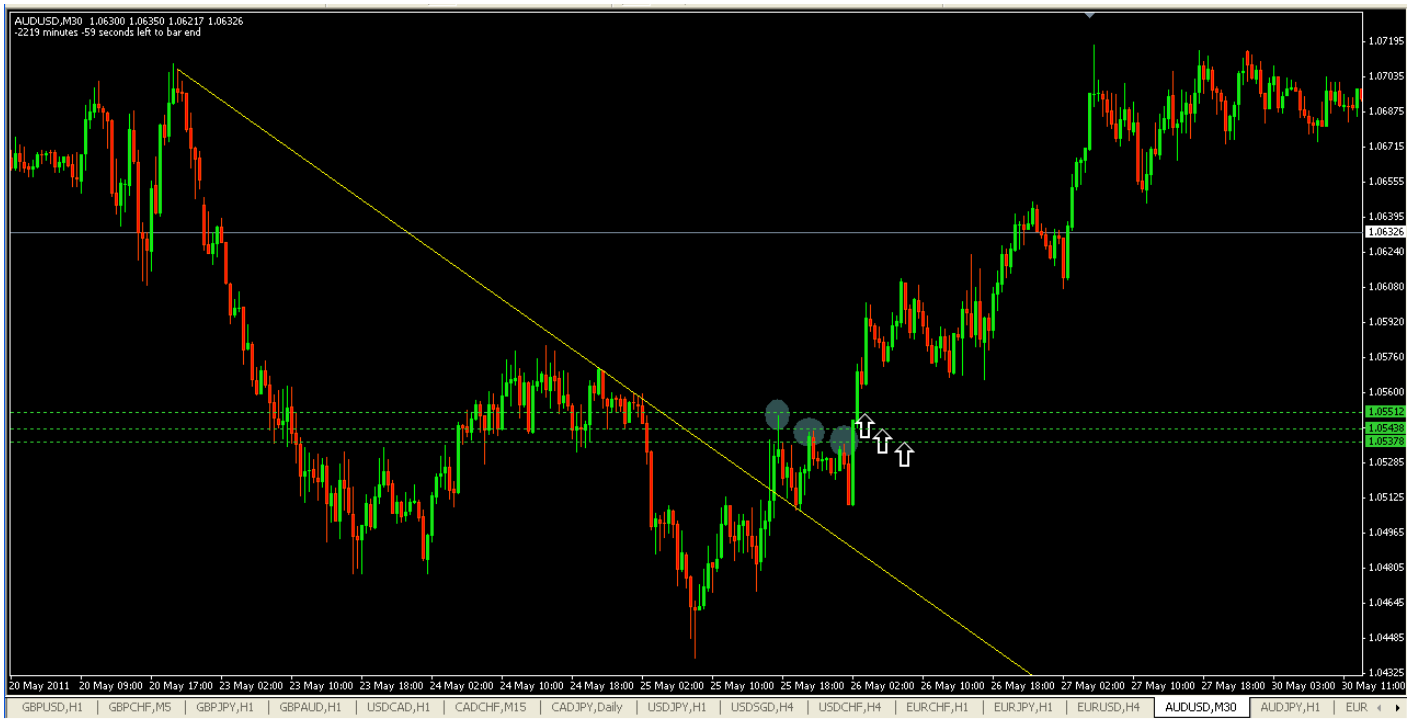
Almost the similar thing to the above chart but exact opposite. Multiple resistance levels formed after the TLB and after the pullback.



Can you see how easy this is to spot these kinds of setups now?

I love this kind of setups. Why?

Here's why: **so that I can add on more trades!**

So instead of only one breakout trade or pullback trade, I might have another one or 2 trades which I add on as the support or resistance levels get broken. If trade moves in your favor, I can tell you my friend, you will increase your account FAST! If it doesn't work out, you will not have lost much anyway. The times when all works out well and you get a good run will make your losses seem insignificant (as long as you are following proper risk management).

BREAKOUT TRADES SETUPS THAT ARE NOT "OK" FOR ENTRY

Not all breakout setups or pullbacks after breakout setups are perfect to enter every time they happen. You must be able to know which ones are "ok" to enter and which ones are not.

One common problem is the formation of **very long breakout candlesticks**. If you are getting into a trade with this kind of setup, your stop loss would be huge.

The chart below shows you exactly what I mean.



The same kind of situation shown in the chart above can also happen for breakout pullback trade setup. You will see unusually very long candlesticks which will move very quickly away from the broken trendline which will not give you the chance to enter at the earliest opportunity.

If such a thing happens on the initial breakout, the best thing to do is wait to see if there is a pullback so you can get in.

You can have these kinds of very long candlesticks on a pullback setups and this would make it extremely difficult to get in very close to the trendline.

When you see this situation, the best you can do is avoid entry. Don't CHASE TRADES if they are not really good for you to take them! Remember, there will be other good setups happening and be patient.

Ideally, you want a setup where you can enter very close to the trendline, not far away from it…this is for the case of immediate breakouts. Same thing for pullback setups, you want to enter much close to the intersected trendline as possible.

The best breakout candlesticks are those candlesticks that do not close above/below downward/upward trendlines by a great distance.

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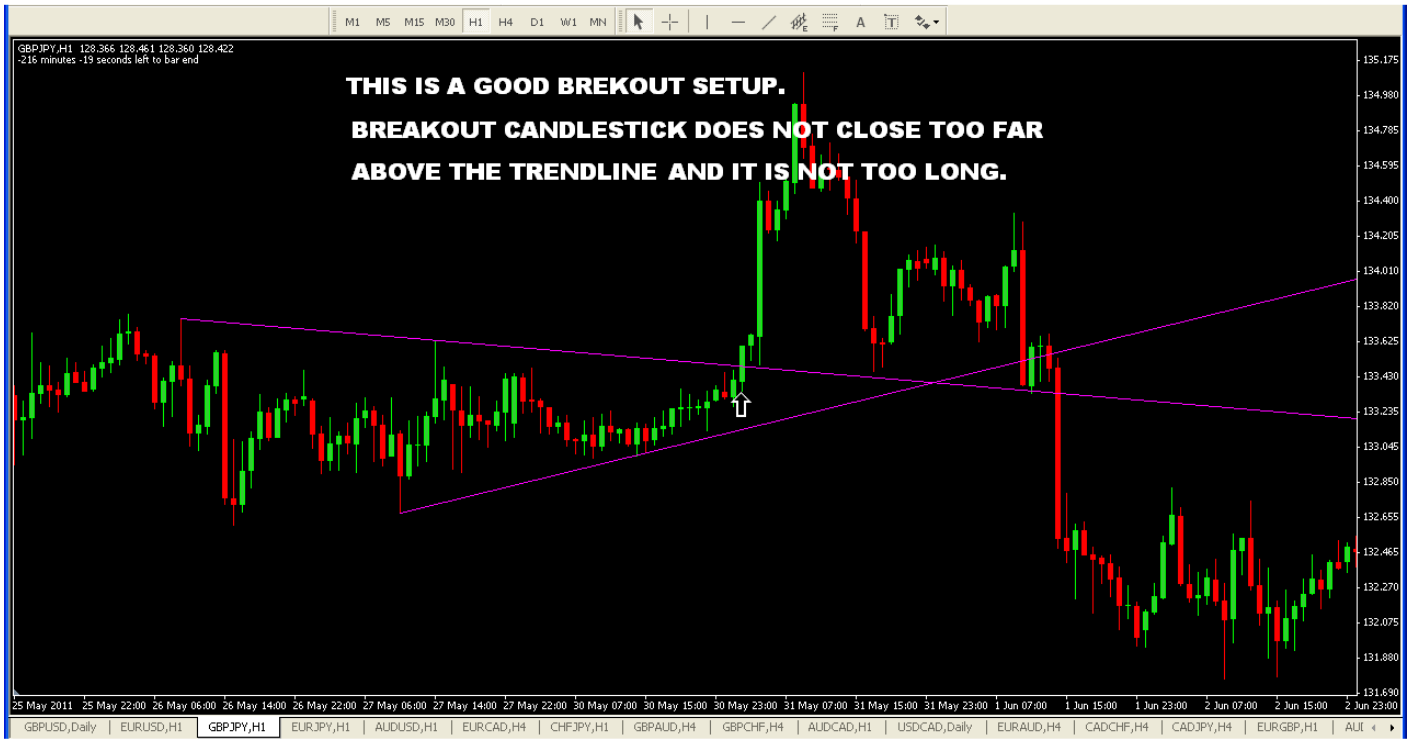

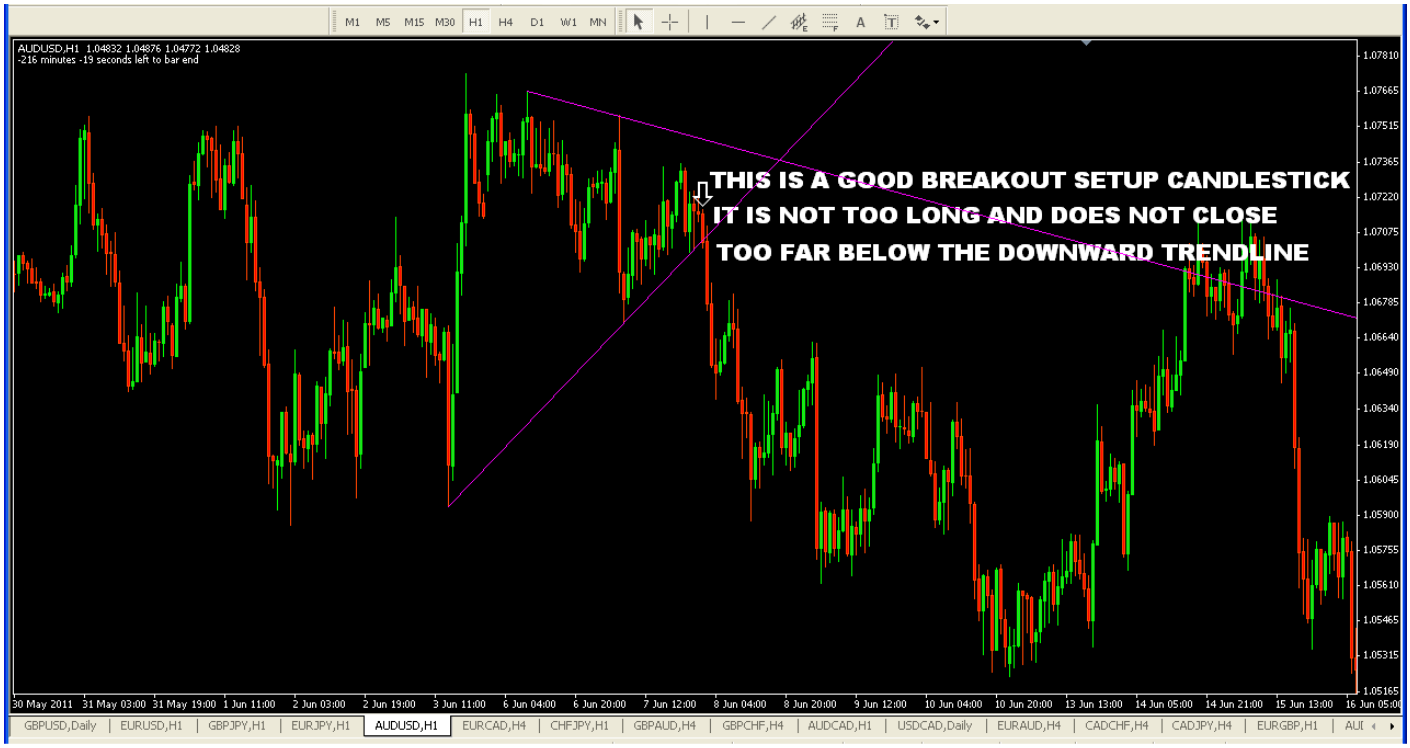

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The problem? Long breakout candlestick=large stop loss distance.

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HOW CAN YOU TELL IF A BREAKOUT IS GOING TO BE A FALSE BREAKOUT?

How can you tell if a breakout is going to be a false breakout? What do you look for? What signs or signals are there to give you an INDICATION that this might be a false breakout?

The thing is… a false breakout is still a breakout that has basically lost its momentum to continue moving in the direction of the breakout. So when a breakout happens initially, how on earth are you going to know it is going to be a false breakout?

The answer: Impossible.

When we are in a breakout trade and it turns out to be a false breakout, 3 things usually happen:

(1) the trade gets stopped out with a loss
(2) the trade gets stopped out at break-even
(3) you might walk away with a small profit

The important thing about false breakout is not so much as trying to predict if a breakout is going to be a false breakout but how to manage your trade if you see signals that a breakout is losing steam and might turn out to be a false breakout.

So what signs or signals do you see to give you an indication or signal that this may be a false breakout so you need to protect your profits or move stop loss to break-even?

I will show you…

Here is the thing about false breakouts that I have discovered:

A false breakout usually happens about 1-3 candlesticks after a trendline breakout … generally.

What that means is that after a trendline is broken, a false breakout can begin in the next 1-3 candlesticks **IF there is a sign of decreasing momentum (market losing steam)** and the only effective way to know and be aware of this is by the analysis of momentum using reversal candlesticks patterns.

No other indicator will give you that kind of information at that instant where a reversal candlestick can.

Here is an example of a false breakout and true breakout .

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Notice in the false breakout, a shooting star (maybe almost…which is also an inside candlestick or inside bar) forms just after 2 candlesticks after the breakout. This should give you the heads up that something is not going right.

In the true breakout, notice that, the price moved a lot more candlesticks away from the broken trendline before losing steam, fell a bit then continue moving upward. This brings me to an important point:

Generally, the more candlesticks that are formed further away from the trendline after a trendline breakout, the less probability that this would be a false breakout.

Here I will show you some examples of false breakouts and notice that there will be often reversal candlestick patterns giving you the signal that this may be happening…

This is why I love reversal candlestick patterns. They are reliable (not that that 100% accurate, but reliable). And the 7 powerful reversal candlesticks patterns that I have shown you are the best you can hope for. I have made it much easier for you. (I should be paid more for this!...just kidding ☺)

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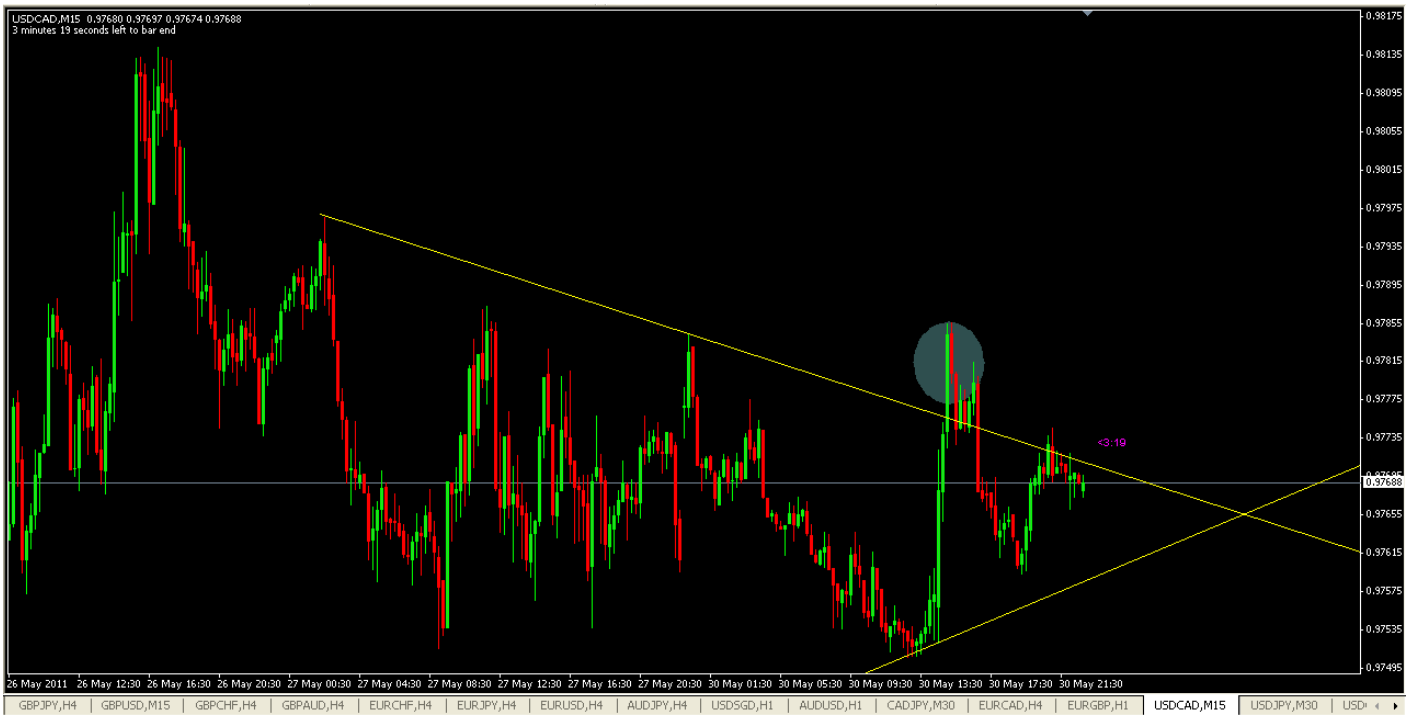
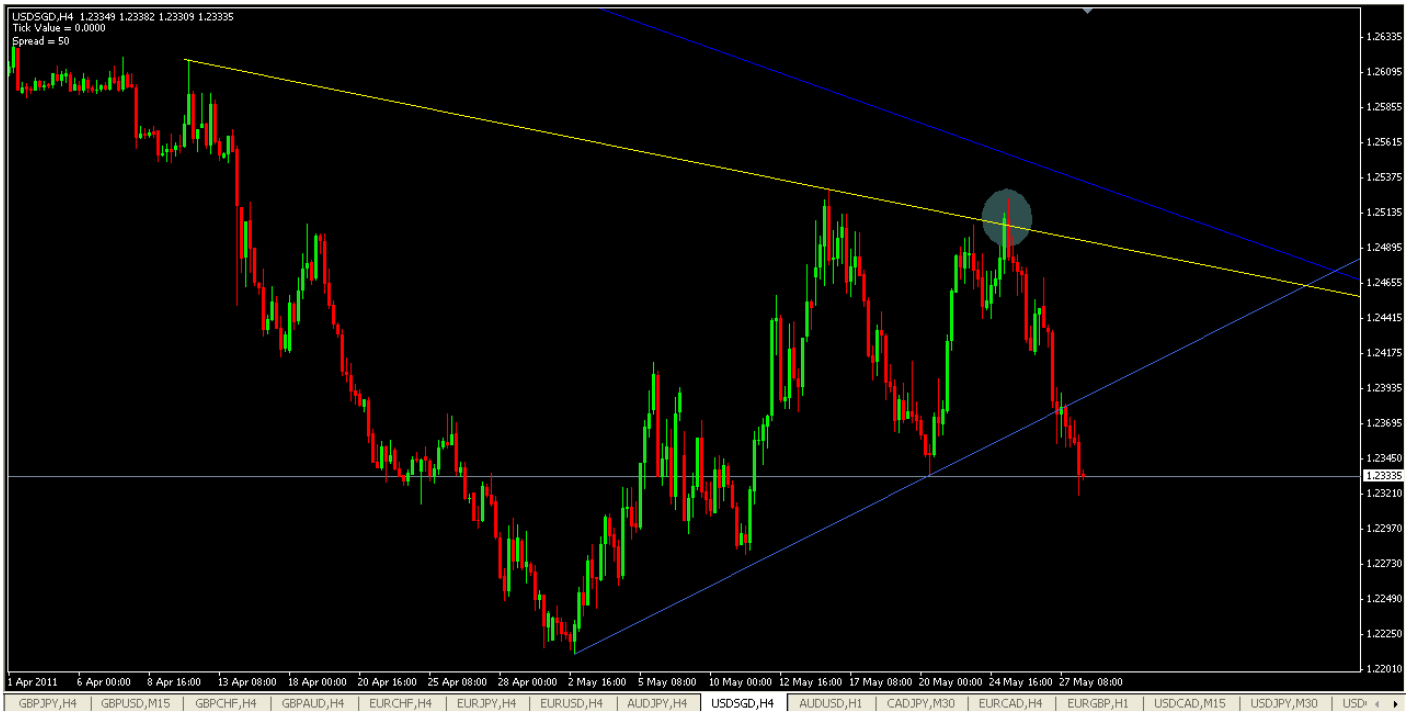
Notice the Dark Cloud Bearish reversal pattern signal below? The trendline is intersected by a long very bullish candle and the next candlestick to form is a bearish candlestick closing at almost 50% into the body of the previous bullish candlestick-forming a dark cloud bearish reversal candlestick pattern. What happens next? A false breakout!



This is USDSGD in the 4hr timeframe, the false breakout does not show clearly here…



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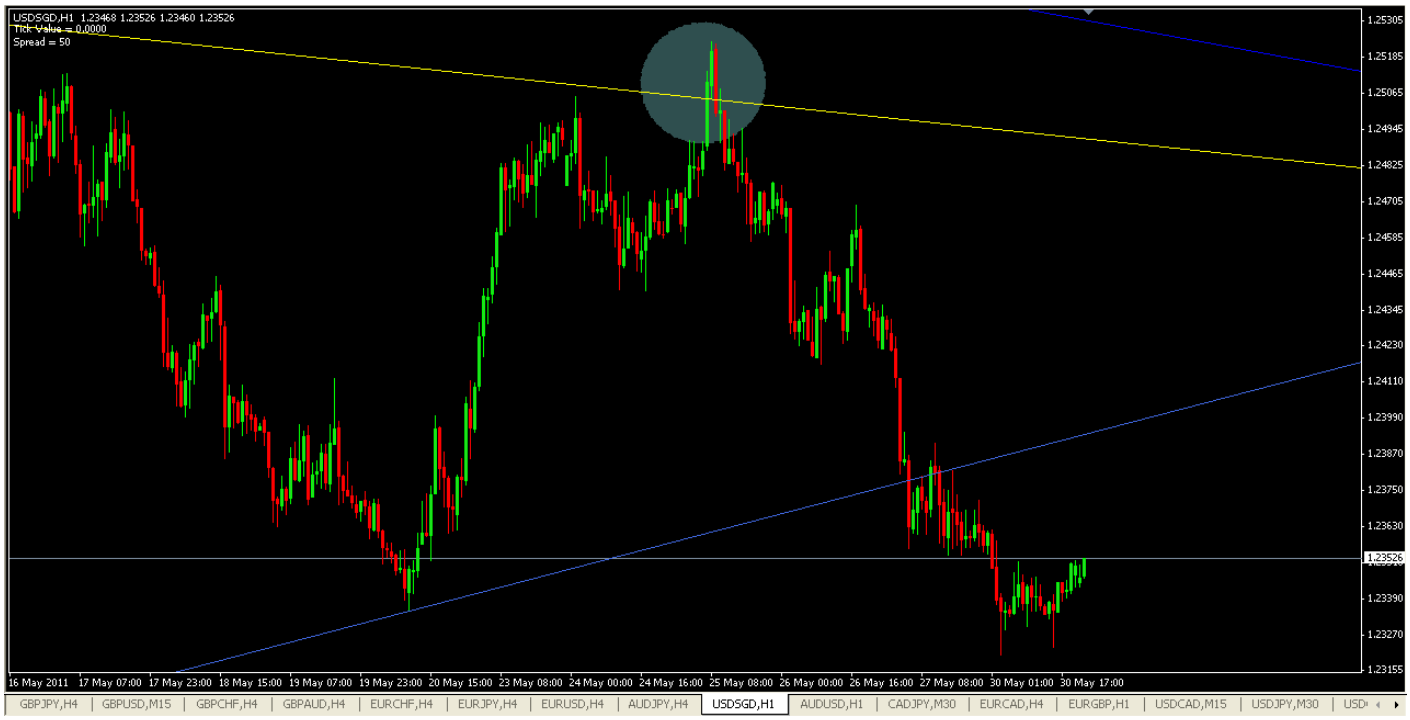
But it shows much more clearly in the 1hr chart below. Notice the Bearish Engulfing pattern?



Notice the Bearish Engulfing Pattern in this one that happened after a false breakout in the chart below?



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Notice the red Inside Bar or Inside Candlestick with the green candlestick in front? What bearish reversal patterns do these two form? Bearish Harami!



Now, you may be wondering…why go through all the trouble of figuring out if there is going to be a false breakout or not? Here's why…

Because you have to:

#1: move stop loss to break-even if you see an indication that a false breakout might be happening
#2: take partial profits off if you can and move stop loss to break-even for the rest of the remaining lots or
#3: move stop loss tighter to lock in profit or
#4: you do absolutely nothing! Just leave your stop loss where it was placed initially, without taking any partial profit etc…and just see what happens. Sometimes the market has a habit of shaking off the weak feet and then continue moving in the direction of the trade again and you can be rewarded nicely for holding on…

What if the signals turn out to be a temporary pullback? Well, that is excellent! Get in again (if you got stopped out).

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TRENDLINE BREAKOUT CHARTS

In here, I will show you some examples of trendline breakouts so you begin to see and understand how powerful this strategy is when you know how to trade them. Notice TLBS works nicely with the Trendline Trading Strategy as well. Two very powerful trading systems. Trendlines do not lag.

Let me repeat: ***TRENDLINES DO NOT LAG. Got to love it, man!***

That is why they beat other moving average systems and all those other squiggly little lines…

Don't get me wrong here…ok? I'm not putting off indicators. I'm just mentioning the greatest advantage of using price and trendlines vs lagging indicators.

You see, the problem with majority of indicators available today is that they lag. By the time they give you the signal to buy or sell, the market has moved a great deal and you will most likely be buying or selling very late.

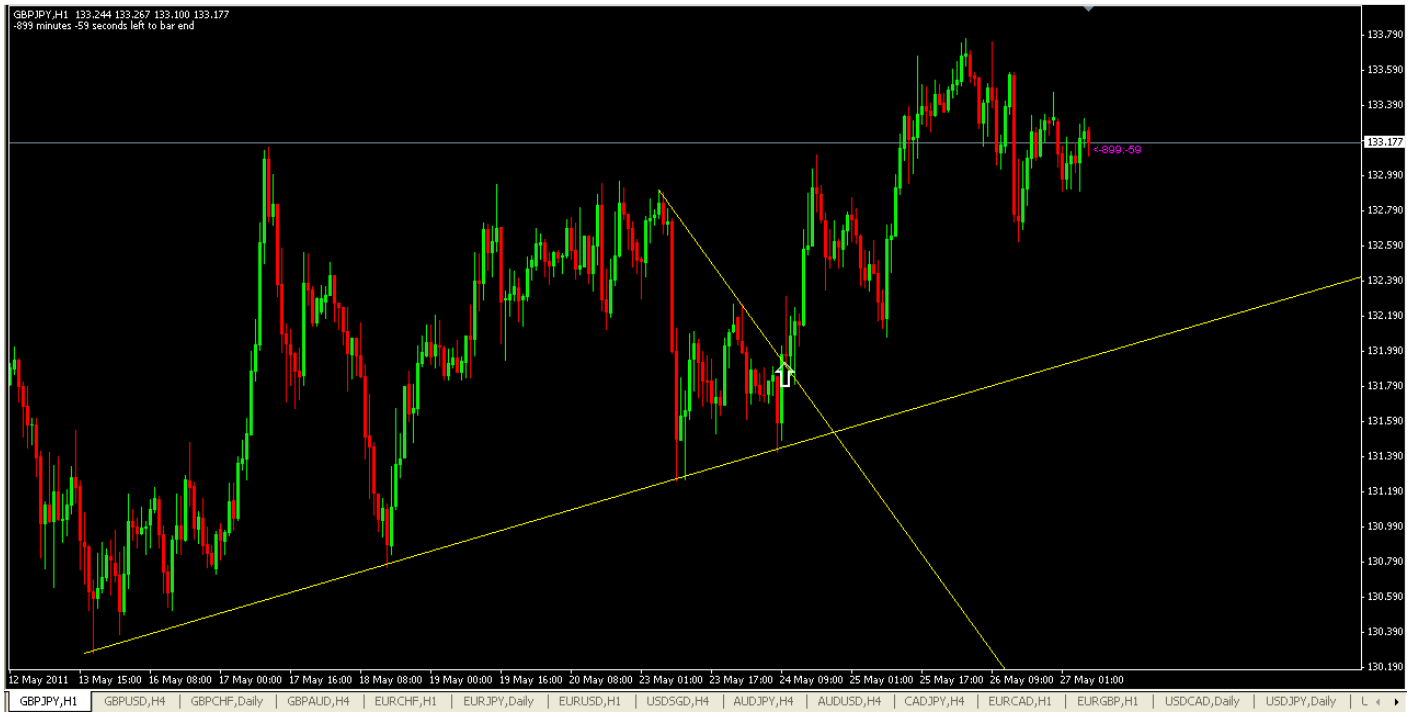
I'd rater be wrong in the very beginning, than be wrong late!

And there is no better system than using trendlines and price…you are either wrong or right from the very beginning. There is no lagging here…

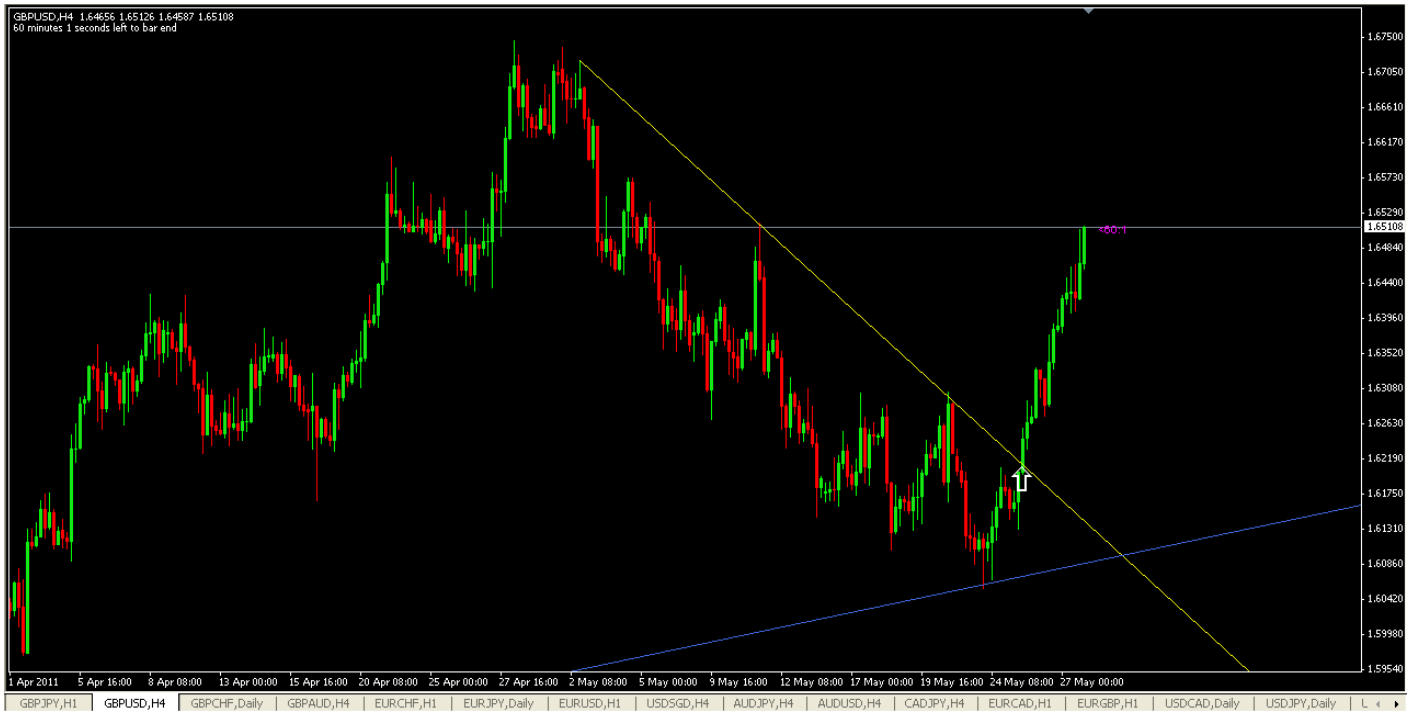
Getting sidetracked again…☺

Ok, where am I?

See this chart below? You could have entered on a trendline entry and also "added on" when the trendline was broken.



See how the market moved when this significant trendline was intersected.



In the chart below, the downward trendline is broken and price shoots up, no pullback. Then an upward trendline breakout happens and the initial entry would have got stopped out but the

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pullback entry would have made good profit. Notice the bearish harami reversal candlestick pattern at the pullback entry area?



Look for bearish reversal candlestick patterns on pullback for confirmation to go short when the broken upward trendline is retested.

Look for bullish reversal candlestick patterns on pullback for confirmation to go long when the broken upward trendline is retested.

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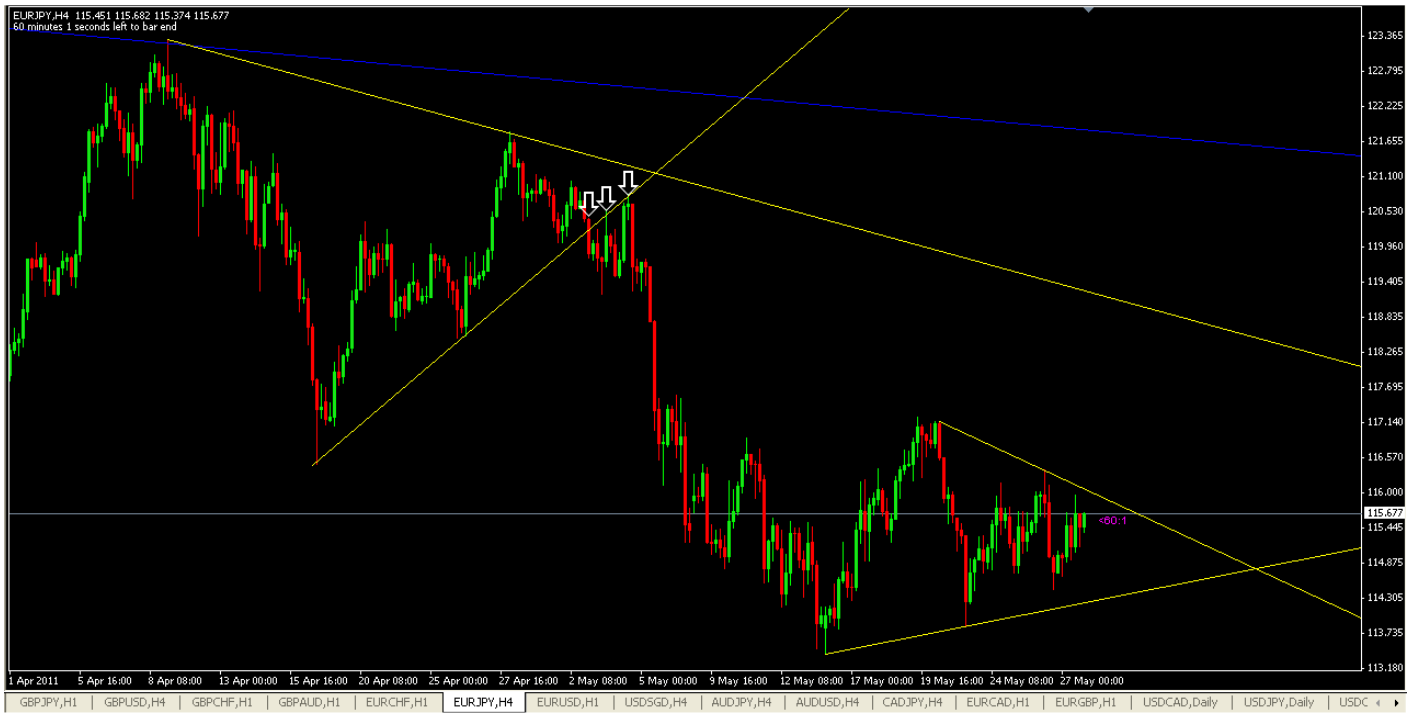
Notice something in the chart below…there are two pullbacks. So if you entered, you would have got stopped out with a loss or maybe breakeven on the first breakout entry and on the 1st pullback entry but on the 2rd attempt on the pullback entry, you would have mode a lot more profit and covered the loses incurred in the first 2 trades (if there were any). Notice the bearish reversal candlestick on the 1st pullback entry? Bearish Harami. What about the 2nd pullback entry? Spinning top!



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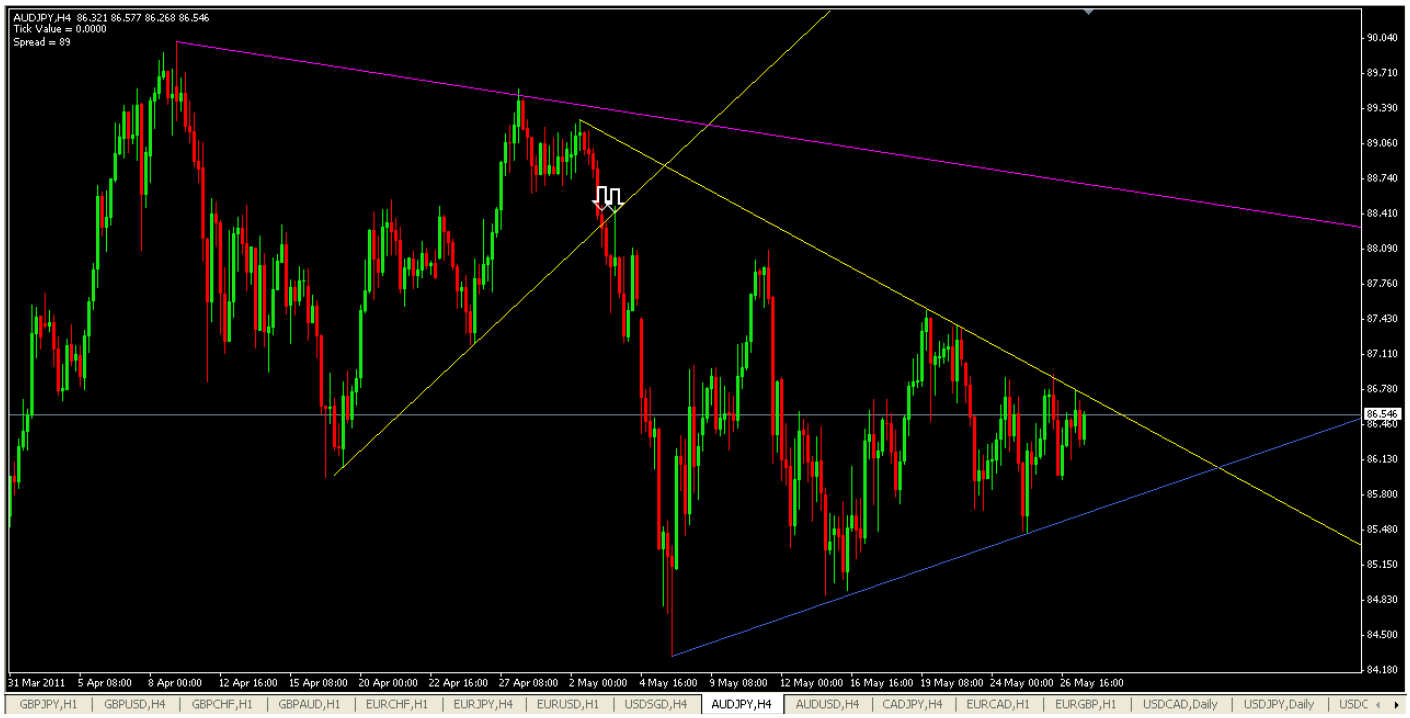
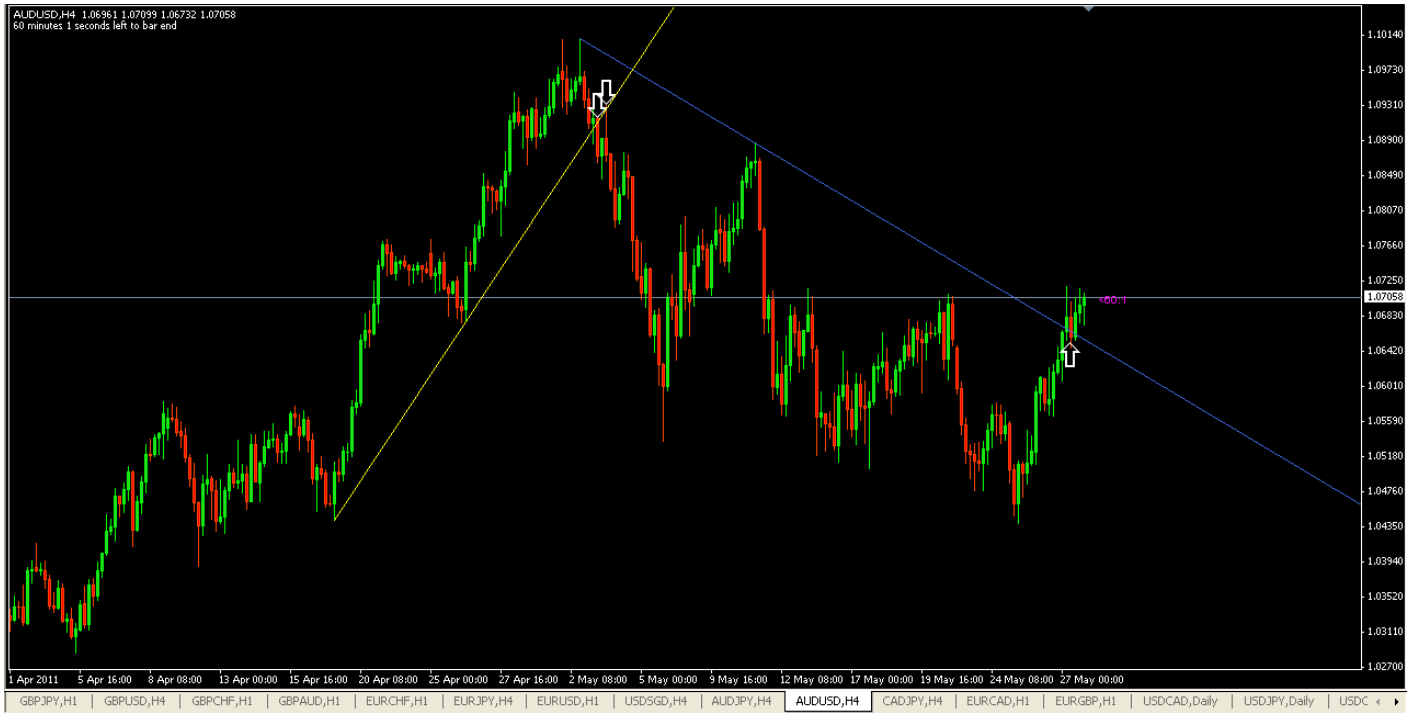
Breakout entry and then price comes back up for a pullback entry. Notice the shooting star bearish reversal candlestick on the pullback?



Breakout followed by a pullback entry on the upward trendline and a breakout on the downward trendline. What kind of bearish reversal candlestick pattern is on the pullback entry? Shooting Star!



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See how simple it is? Don't reason out too much. Don't analyze too much that it becomes a "critical analysis". If the system says sell, then sell! If it says buy, then buy! Keep it simple.

Also give yourself a greater edge by incorporating reversal candlesticks into confirming your entries as well. This would give you a greater confidence in your trades as well.

TIMEFRAMES

What timeframes are suitable to use the TLBS? The best timeframe I have found with this strategy is to use the 1hr timeframe. I have found it to be the most reliable. That does not mean you can't use other timeframes, you can. The problem with using smaller timeframes is that there is too much "noise"". The problem with using 4hr timeframe is to do with the large stop loss distance on the 4hr breakout candlesticks because sometimes you have long candlesticks on the 4hr charts!

But know this also:

- if you are waiting in the 4hr timeframe for an entry, you could have missed entering early on the 1hr timeframe.

- If you are waiting on 1hr timeframe, that means that there could be also opportunities to get into a trade with much smaller risk and get in early in much smaller timeframes like the 30min and 15mins.

So what I do is I practice a bit of flexibility here in regard to timeframes especially for better entries. This is what multi-timeframe analysis is all about. It is not just being focused on one particular timeframe but knowing that is happening in all timeframes which would give you a "big picture" view as well as the "small picture" view.

Smaller timeframe entries allows you to get an early head start and with a small stop loss distance than if you were to enter a trade in the 1hour or 4hr timeframes with a large stop loss and if the market moves as expected, you would be in much more profit than the trader who would have entered in the 1hr or the 4hr timeframes.

Here is what I mean by that:



Notice that if you had entered the trade above in the 1hr timeframe, you would have risked 33 pips. But on the 15min timeframe you would have 16pips risk.

Here is another example. Notice on the chart below, if you entered on the 1hr timeframe, you would have risked 23 pips.

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But if you had entered in the 15min timeframe, you would have only risked 13 pips.



Let me ask you a question: what things come to your mind immediately when you think about Timeframes?

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If it is “entry timing” and “risk minimizing” then you are on the right track.

Don’t just get so focused on one particular timeframe that you fail to see the big picture or your fail to see what is happing in the smaller timeframes…

What happens in the larger timeframes affects what happens in the smaller timeframes…what happens in the smaller timeframes also affect what happens in the larger timeframes. The larger timeframes are the combined results of what happens in the smaller timeframes.

TRADE MANAGEMENT

When trade moves by the amount that is risked, move your stop loss to break-even. This is the best practice to preserve your account. Don’t worry about getting stopped out. Better that you get stopped out with break-even trade than with a loss. There will be opportunities tomorrow. Have that kind of mindset.

Or what you can also do is (for example…for a long trade), after you are in, watch the lows of the candlesticks that are formed. If the previous low of a candlestick is intersected, making a lower low (a low that is lower than the previous candlestick’s low) then move your stop loss to break-even. And if that low is once more violated by the next candlestick, you may decide to take some partial profits off. Do the exact opposite for the short entry. Still confused with this technique? Maybe a chart will do! Here we go.



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You must also learn to pay attention to reversal candlestick patterns just after entry. Remember I mentioned something about false breakouts that they can happened in 1-3 candlesticks after a breakout? These can turn out to be temporary pullbacks or false breakouts as well.

But whether false breakouts or temporary pullbacks, important thing is to know how to protect your account when you see these things happening.

Trailing stop. This is the real money maker if you apply this technique correctly. Move stop loss and place behind each subsequent peak or trough that is formed as trade moves in your favor.

Don't use automatic trailing stop loss (you will get stopped out prematurely). Placing stop loss behind peaks or troughs as trade moves in your favor allows you to ride the trend as long as you possible can as it heads towards your profit target or if you don't have a profit target, you can ride it as long as it goes until you get stopped out (hopefully with hundreds of pips ☺)

The chart below shows and example of how to manage a short trade with a trailing stop loss as it moves in your favor.



The chart below shows you how to manage your trailing stop loss for a long trade as it moves in your favor.

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RISK MANAGEMENT

A good risk management practice is risking around 2% of your account in each trade. Be flawless in your risk management and you will do well. Overtrading is essentially bad risk management (if you never think of it that way).

It is a very sad truth to see that you can make a huge amount of profit in just one good trade or a few trades that you placed following the exact rules of the trading system but all that profit and effort is wiped out as soon as you start overtrading maybe due to overconfidence and greed and when you start to lose more, you try to get revenge on the market which only ends in disaster.

If you had only taken a few trades a day, you would have hundreds or thousand of dollars in profit now. How do I know? Because I've been there, done that. Got burnt quite a few times, learnt my lesson and changed my mindset from there. And I know, you may be going through that experience right now or have gone through it.

Honestly speaking...we are our own worst enemy when it comes to trading.

Go and check your trading account history and see what's in there. Add up all your oversized, outsized loses and then add up all your profits. Are you in the positive or negative?

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Now, you alone know which trades you should NOT have taken but you took anyway and lost! You alone know you should have not risked that much but you overleveraged and suffered an oversized loss. Now, remove all "these" loses you suffered due to your reckless trading from your calculation and see what your profit COULD have been NOW?

You bottom line could have improved greatly, hey?… If it had not been for your own self destructive mode of trading.

CONSISTENCY

This is the secret to being a successful trader and it is also the secret to why many traders run their trading account to the ground within a few months of trading because they lack consistency. The problem is not so much to do with the trading system but to do with the mindset.

A trading system is as good as the trader who trades it. Let me give you an example. You go to the car dealer and you buy yourself a nice shiny brand new car. However, you are a crazy driver. You are also a great drink & drive kind of guy. You have a bad history of smashing your mum's or dad's car many times already. Your driving as well as your attitude hasn't changed either after all those years… What are the chances that you will wreck your nice new car within a short period of time? Quite High!

A trading system is as good as the trader who trades it.

FINALLY

I believe, you are now better equipped to use the Trendline Breakout Trading Strategy. You have also seen how you can use it in conjunction with the Trendline Trading Strategy. As I have mentioned, these two systems are very powerful trading systems. These are the only 2 trading systems I use in my trading.

If you learn to incorporate them together in your trading, they form a complete trading system. The beauty of having these two powerful trading systems to use everyday when you trade is that:

- If you don't see a Trendline Setup, then there might be a Trendline Breakout Setup and vice versa.
- The ability to "ADD ON" on more trades as market moves favorably using any of these two trading systems. You will be shocked how effective this can be.
- The profits you will get from these trading systems are huge. Risk: Reward ratios are mind boggling.

- You only have to be patient and take setups when the entry conditions of the trading system is met and yes…do it with proper risk management and massive profits will come your way.

Be confident! Be Consistent! Be Diligent! Be patient for the right setups! You can do it!

You got to have that faith in yourself. But don't just have faith in yourself, you got to practice it because faith without action is dead! How? Be disciplined in your consistency in following everything by the book. It starts with you. It starts in your Mind.

You can be the best trader you ever want to be and nobody can stop your or say " you can't". And the reason why you are not reaching that level of success is because of none other than your worst enemy-YOU!

Patience, consistency, risk management, not overtrading….these are simple words with huge impact on your bottom line.

You must provide the MOTIVATION to follow these things. Let me repeat that: YOU MUST PROVIDE THE MOTIVATION.

You can have the best trading strategy in the whole world but without that motivation to flawlessly follow the systems rules with good risk management practice, you will get nowhere.

Yes, we all want money when were are trading. That is the truth. That is the ultimate motivation…to make lots of money.

But to make lots of money, you actually have to remove the $$$ signs out of your mind and focus on the process, focus on following the system flawlessly.

Only then, you will see money building up in your account. If you can develop that kind of successful mindset day in day out by actually practicing these seemingly simple things (but is so difficult to follow), you are on your way to success.

I have a saying: *you can't finish all the fish in the ocean by yourself*.

The forex market is US$4 trillion dollars a day market…you can't have it all. If you get $250 in profits now, be content with it. That $250 and $100 and $80 and $50 and sometimes a good

$1000 you make each day will add up and over time, you will realize that your account has grown significantly.
Little by little grow that account.

See what am I saying here? Don’t be greedy.

Cheers and have a nice day! (or night wherever you may be) ☺



Myronn

"It's not whether you are right or wrong that matters, but how much you make when you are right and how much you lose when you are wrong."

ADDITIONAL FOREX RESOURCES THAT YOU MIGHT BE INTERESTED IN:

(1) If you want to open a live forex trading account and get paid while trading, you may need to check this out and open a live forex account through them.

Get Paid to Trade-Forex Rebates with Cashbackforex

(2) Some reliable forex brokers if you are thinking of opening a live forex trading account:

AVA FX

eToro

Alpari UK

FXCM UK