



WARRIOR TRADING

CHAPTER 9. HIGH SPEED TRADING aka BREAKOUT TRADING (EXPERT LEVEL)

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Today you will Learn

- How to take trades that are less than 1 min long
- Techniques anticipate spikes and drops by using a combination of Level 2, Time & Sales, and Chart Patterns.
- These trades are often going to be a combination of dip trades and breakout trades, ABCD patterns, pullbacks, and moving average dips, all at the same time.
- This is flow state trading.
- The tools needed to take quick breakout trades

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Why Is This Important?

- Breakout Trading itself is not a strategy, it's a method of capturing profits quickly that can be applied to many different strategies.
- You can apply the breakout strategy (quick entry/exit) to any of the strategies I've already shared with you.
- There are many profitable traders who don't do quick breakout trades, but instead are trend based traders who hold for longer periods of time.
- If you choose not to take profits during breakouts, your accuracy may be lower because you will not profit if a breakout does not hold, and ends up failing.

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What is Breakout Trading & What are the Advantages?

- Breakout trading is a strategy where you take very quick trades. The reason for quick trades is that a trader might feel more comfortable taking a very large position (10-20k shares), but only when they know they are only holding for a short period of time (10min or less).
- By selling as soon as I have 5-10 cents of profit, my accuracy can be very high. It's not hard to predict a 5-10 cent move vs a 50-60 cent move
- Breakout trading is particularly powerful on momentum stocks and parabolic stocks. In a lot of ways, it's day trading on steroids!

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What are the Drawbacks?

The biggest risk of taking quick break trades is that because winners are typically small, one big loser can wipe out several good trades, creating a negative profit loss ratio.

If you cannot keep tight stops, or you have a habit of holding and hoping, the profits from wins will not overcome the losses. You must have impeccable emotional control. Even I sometimes fall victim to emotional trading.

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What type of stocks are suitable for Breakout Trading?

- I've found quick breakout trading does NOT work well on large cap stocks. The downside risk is often higher than the upside profit.
- Breakout trading works best on Momentum stocks, and especially parabolic momentum stocks where the breakout patterns produce quick 15-20 cent winners. A trend trader wouldn't sell the position, but a breakout trader would often sell ½ and adjust the stop to breakeven on the rest.

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Required Tools to be a Breakout Trader

1. Hot Keys scripted to your keyboard
2. A reliable trading platform with Direct Access Routing (fast order execution)
3. Level 2 and Time & Sales
4. Great Stocks either on Gap Scanner or Momo Scanner

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1. Hot Keys

By using Hot Keys with the press of a button you can be getting in and out of trades. I personally use my keyboard on my laptop for all of my hotkeys, however some traders will utilize more advanced keyboards designed purely for trading.

Tips: Purchase keyboard stickers so you can write what the keys do and stick it to that key.

Practice using hot keys on Nasdaq Test Stocks. Practice hitting the hot keys when your computer is turned off. It becomes muscle memory!

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2. A Reliable Trading Platform

For Live Trading you need a reliable trading platform with Direct Access Routing.

You CANNOT breakout trade on a mobile device. You need a proper laptop or desktop computer.

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3. Level 2 and Time & Sales

When I do a breakout trade, I'm watching the Level 2 more than the chart. I typically base my initial entry on a chart pattern, and confirm there is no daily resistance, but I may even take my first entry approaching a half dollar or whole dollar as the stock is spiking straight up. I'm buying based on reading the tape.

In order to be a successful breakout trader you must become a master of reading Level 2 and the Time & Sales tape. You have to be able to notice the nuances that show strength or weakness.

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4. Great Stocks on the Scanners

In order to do really well, a strong market with lots of stocks breaking out is always preferred. You can do breakout trades in a weak market however the winners will be smaller.

At the very least we need momentum stocks hitting the scanners or gapping up pre-market.

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Live Trading Examples

During this Chapter I'll show several Live Trading Examples.

I will continue to upload live trading examples specifically to this chapter, and to our general archives of Live Trading Archives. You can continue to check out the latest examples as long as you continue to remain a member of the Warrior Pro Courses.

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Live Trade: Breakout of \$MDGS out of a Halt

Buying, selling $\frac{3}{4}$, then buying back, selling $\frac{3}{4}$, then buying back.

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Live Trade: Breakout Trading \$KBSF

Buying for a whole dollar break of \$7, taking profit in the 7.40s, adding back at 7.60,
selling at 8.00

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Live Trade: Whole Dollar Breakout \$GBR

Buying for a whole dollar break of \$4, selling 4.08 +\$492

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Live Trade: \$XBIO ½ dollar breakout off scanners

Buying at 4.50 then selling on squeeze through \$7 for \$11k in profits.

I tried to add but my max share size was restricting me. I thought pressing ENTER was overriding the max size, but I wasn't. Could have been a bigger winners.

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Live Trade: \$ABIL whole dollar breakout off scanners

High of day momo scanner was on fire on this day, and after XBIO, I jumped into ABIL as it was approaching the whole dollar. I anticipated the whole dollar break by getting in at 2.89.

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Live Trade: \$CPAH Breakout Mode

Breakout trading a parabolic stock as it's squeezing higher.

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Live Trade: \$ATAI Breakout Mode

Rapidly breakout trading a low priced stocks for 4-5 cent winners as it grinds higher

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Live Trade: Breakout of 60k seller break

Buying anticipating a break, then adding as the seller gets taken down.

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Live Trade: Breakout trading out of a Halt

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note-taking

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