



Traders take many paths to reach their destination.
Can your platform get you there?

NINJATRADER ECOSYSTEM

Search apps and services to personalize the
NinjaTrader platform to meet your requirements.
Indicators, automated strategies, free tools & more.

Explore now at nintraderescosystem.com

Futures, foreign currency and options trading contains substantial risk and is not for every investor. Only risk capital should be used for trading and only those with sufficient risk capital should consider trading.

TRADE BRILLIANTLY



thinkorswim® is now at Schwab.

Our award-winning thinkorswim trading platforms are loaded with powerful features that let you dive deeper into the market.

- Visualize your trades in a new light on thinkorswim desktop with robust charting and analysis tools, including 400+ technical studies.
- Uncover new opportunities with up-to-the-minute market news and insights.
- Choose a platform to fit your trading style—from streamlined to advanced.
- Available on desktop, web, and mobile to meet you where you are so you never miss a thing.

Built by the trading-obsessed, so you can trade brilliantly.



Investing involves risks, including loss of principal.
Schwab does not recommend the use of technical analysis as a sole means of investment research.
© 2023 Charles Schwab & Co., Inc. All rights reserved. Member SIPC. (1023-373U) ADP121824-00

[Schwab.com/Trading](https://schwab.com/trading)

Opening Range Breakout

Part 7

by *Toby Crabel*



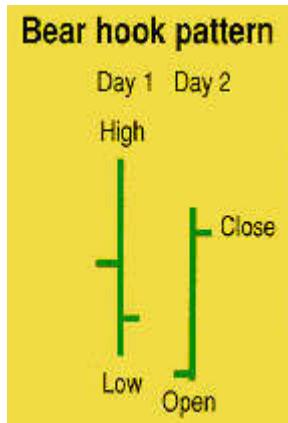
Bear hook is a day in which the open is below the previous day's low and the close is above the previous day's close with a narrow range relative to the previous day (Figure 1). As implied by the name, there is a tendency for prices following a bear hook pattern to move to the downside.

Figure 2 tabulates how this downward tendency after the pattern manifests itself in different markets and with a variety of opening range breakout (ORB) trades taken the day after the pattern appeared.

Figure 3 charts the bear hook patterns for December T-bonds. Notice the price action on the day following the patterns and the market's tendency to place the open on the high of the day.

Very briefly, an ORB is a trade entered at a predetermined amount above or below the opening range (the range of prices that occur in first 30 seconds to 5 minutes of trading). The predetermined amount, or "stretch," is the 10-day average of the differences between the open for each day and the closest extreme to the open on each day.

In the perpetual tug of war between market timers and value players, the timers win many battles but the value players win the war.

**FIGURE 1****Opening Range Breakout after bear hook pattern**

	Entry point	No. trades	% Win	Avg. win	Avg. loss	Win/loss ratio	Gross profits
			Trades				
Bonds (1978-86)	Open plus 16 ticks (S)	8	75%	\$812	\$515	1.57:1	\$1,469
	Open plus 8 ticks (S)	24	67	355	652	0.54:1	7,593
	Open minus 8 ticks(S)	30	70	435	146	2.97:1	7,890
	Open minus 16 ticks (S)	17	65	440	125	3.52:1	4,093
S&P 500 (1982-88)	Open plus 160 pts. (B)	6	50%	\$2,150	\$166	12.95:1	6,999
	Open plus 80 pts. (B)	11	55	1,391	340	4.09:1	6,649
	Open plus 80 pts. (S)	16	75	780	1,400	0.55:1	3,830
	Open plus 160 pts. (S)	10	80	721	2,912	0.24:1	0
Beans (1970-88)	Open plus 10 cents (S)	14	43%	\$481	\$315	1.52:1	362
	Open plus 5 cents (S)	28	36	668	297	2.24:1	1,325
	Open minus 5 cents (S)	20	60	510	159	3.20:1	4,850
	Open minus 10 cents (S)	13	62	470	312	1.50:1	2,200
Cattle (1970-88)	Open plus 50 pts (B)	16	63%	\$63	\$92	0.68:1	80
	Open plus 25 pts. (S)	34	41	209	97	2.15:1	1,584
	Open minus 50 pts. (S)	28	63	200	167	1.19:1	1,928
	Open minus 50 pts. (S)	16	81	155	124	1.25:1	1,644

FIGURE 2

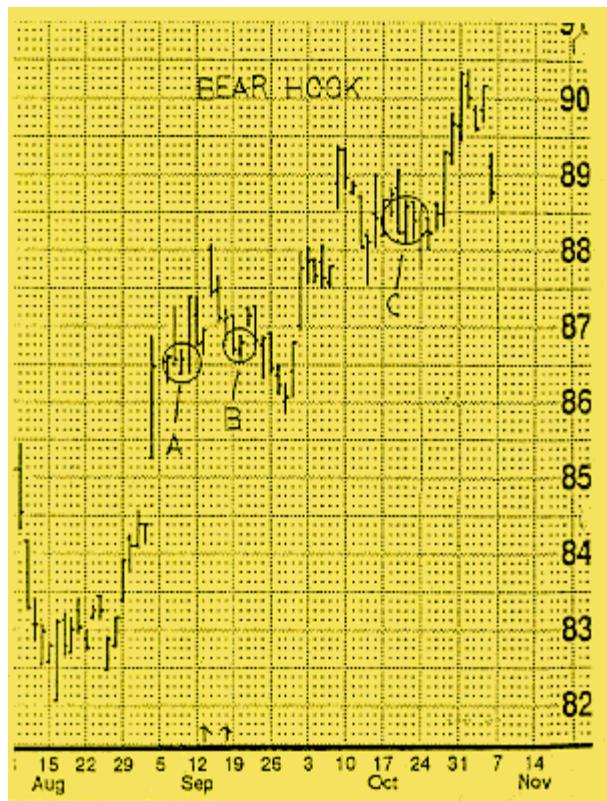


FIGURE 3

The usual way to trade the ORB is to place a buy stop above the high of the opening range an amount equal to the stretch and a sell stop the same amount below the low of the opening range. The first stop traded is your position. (See *Stocks & Commodities*, September 1988) However, in this study, I found there were times when it was better to fade the move at the stretch point. That is, there were times when it was better to sell the higher stretch point or buy the lower stretch point. Figure 2, therefore, has *both buys and sells* at the breakout points.

As a result, 13 of the 16 ORB trades tested after a bear hook pattern were profitable *sales and only three were buys*. The bond market during this test period (1978-1986) was particularly conclusive with high-percentage sales on moves below and above the open.

These results indicate that the pattern is not valid for a bi-directional trade and should be pursued only to the downside. (One exception would be a gap above the bear hook day with a move above the open and the market's holding the gap through mid-session, but this is from tests I've not yet reported here.)

The S&P market was the only one showing gross profits high enough on the buy side to consider going long. The tremendous upward bias in the data throughout the test period caused this result. Otherwise, the only other market to show a profitable buy was cattle on the open plus 50 points, but gross profits there were only \$80.

The bear hook pattern clearly does not support the general concept that, on any given day, the market tends to continue in the same direction as its initial move off the open. Given no other information other than the open and the initial move off the open, traders unaware of the bear hook pattern would assume continuation. The bear hook, therefore, is essential knowledge because recognizing the exception to a general rule can help the trader save money.

In summary, use bear hook days for ORB trades to the downside. This pattern provides another reference and filter for the ORB technique. When trading, in general, do not go against a high percentage bias especially when that bias also favors the intermediate-term trend.

Toby Crabel is a CTA and AP with RB&H Commodities and a principal in Toby Crabel & Associates. A former trader at the CME and CBOT, he now edits Market Analytics, 30 S. Wacker Dr., suite 1912, Chicago, IL 60606, (800) 621-2503, ext. 1410.



Find the Best Bonds¹

Search our vast universe of bonds with the free Bond Search Tool to find the best bond prices with no mark-ups

Rated Best
Online Broker 2023
for Bonds
by Benzinga¹



Interactive Brokers
Rated #1 ... Again
Best Online Broker
2023 by Barron's²

The best-informed
investors choose Interactive Brokers

 **Interactive
Brokers**

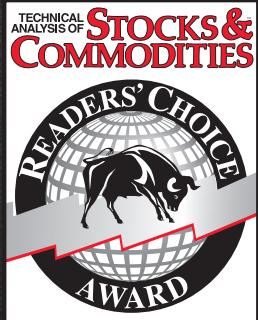
ibkr.com/find-bonds



Member - NYSE, FINRA, SIPC – Supporting documentation for any claims and statistical information will be provided upon request. [1] Rated best online broker for bond brokers according to Benzinga - Best Online Brokers for Bonds, February 22, 2023. [2] Interactive Brokers rated #1, Best Online Broker according to Barron's Best Online Brokers Survey of 2023: June 9, 2023. For more information see, ibkr.com/info - Barron's is a registered trademark of Dow Jones & Co. Inc.

07-IB23-1621CH1599

Can you imagine winning the
Stocks & Commodities Readers' Choice
Award for 30 consecutive years?



*Best Standalone
Analytical Software
in its price category
1993-2023*



We can.

Get your free trial at [Metastock.com/TASC](https://www.Metastock.com/TASC)

This is neither a solicitation to buy or sell any type of financial instruments, nor intended as investment recommendations. All investment trading involves multiple substantial risks of monetary loss. Don't trade with money you can't afford to lose. Trading is not suitable for everyone. Past performance, whether indicated by actual or hypothetical results or testimonials are no guarantee of future performance or success. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS OR TESTIMONIALS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. Furthermore, all internal and external computer and software systems are not fail-safe. Have contingency plans in place for such occasions. MetaStock assumes no responsibility for errors, inaccuracies, or omissions in these materials, nor shall it be liable for any special, indirect, incidental, or consequential damages, including without limitation losses, lost revenue, or lost profits, that may result from reliance upon the information presented.

SUBSCRIBE OR RENEW TODAY!

Every Stocks & Commodities subscription
(regular and digital) includes:

- Full access to our Digital Edition
The complete magazine as a PDF you can download.
- Full access to our Digital Archives
That's 35 years' worth of content!
- Complete access to WorkingMoney.com
The information you need to invest smartly and successfully.
- Access to Traders.com Advantage
Insights, tips and techniques that can help you trade smarter.

1 year	\$89 ⁹⁹
2 years.....	\$149 ⁹⁹
3 years.....	\$199 ⁹⁹



PROFESSIONAL TRADERS' STARTER KIT

A 5-year subscription to S&C magazine that includes everything above PLUS a free* book, Charting The Stock Market: The Wyckoff Method, all for a price that saves you \$150 off the year-by-year price! *Shipping & handling charges apply for foreign orders.

5 years.....	\$299 ⁹⁹
--------------	---------------------

That's around \$5 a month!



Visit www.Traders.com to find out more!