

Buffalo - Trading Outside the Pattern Cheat Sheet



Breakout Strategy – Executive Summary

Introduction:

The **Buffalo Breakout Strategy** identifies horizontal or diagonal channels. It aims to trade when price breaks support or resistance defined by these patterns. In order for you to get the most out of the cheat sheet, make sure you watch the [Trading - Buffalo Strategy](#) Module in the Stocks Club.

Rules Summary:

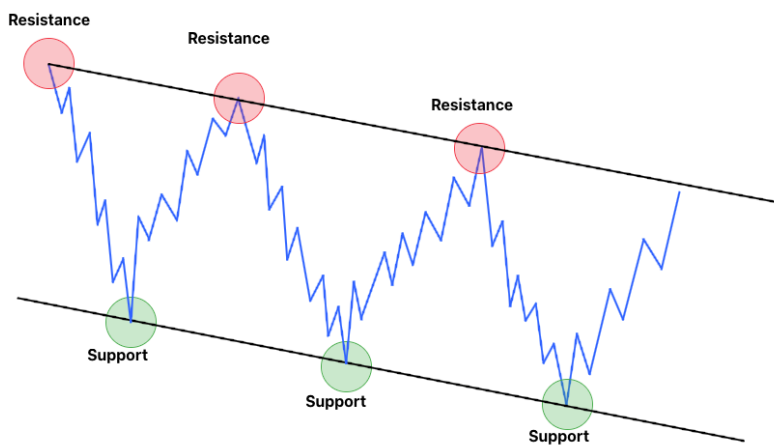
1. **Timeframe & Pattern Identification:** Using the **Daily timeframe**, identify horizontal or diagonal Buffalo with minimum 2 bounces/touches
2. **Drawing Patterns:** Draw support and resistance lines connecting pattern bounce points either going from **wick to wick**, or **body to body**.
3. **Entry Rules:**
 - You place a **Buy Order** only after a candle **breaks** and **closes** above the pattern resistance line
 - You place a **Sell Order** only after a candle **breaks** and **closes** below the pattern resistance line
4. **Entry Order:** Place entry 1% above the high/below the low of the breakout candle
5. **Stop Loss Order:** Place stop loss 1% above the high/below the low of the breakout candle
6. **Take Profit:** Target 3:1 reward/risk ratio
7. **Trade Management:** Move stop loss up incrementally once trade is profitable. When trade is running at 1:1, move stop loss to breakeven and trail your stop loss by 1 R:R ratio (Once trade is 2:1, move stop to 1:1. Once trade is 3:1, move stop to 2:1)
8. **Risk Management:** Risk only 1% of account per trade

Pattern Identification:

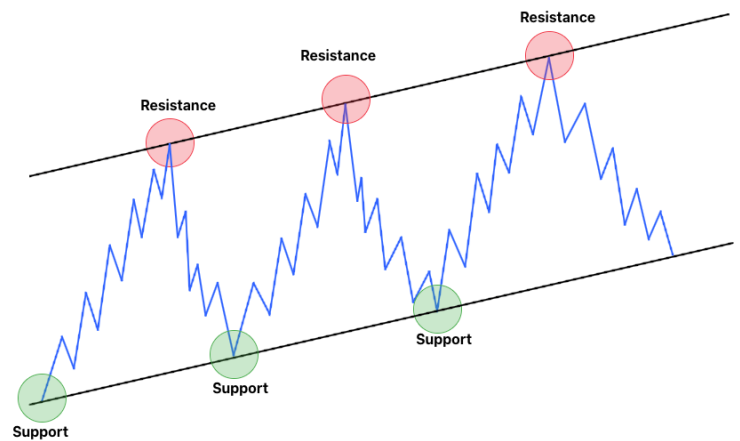
Look for horizontal or diagonal Buffalo patterns on the daily chart.

Patterns should have a minimum of 2 clear bounces/touches off support and resistance.

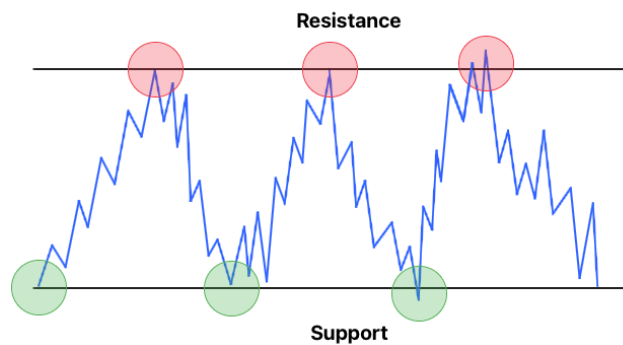
Vertically Falling



Vertically Rising



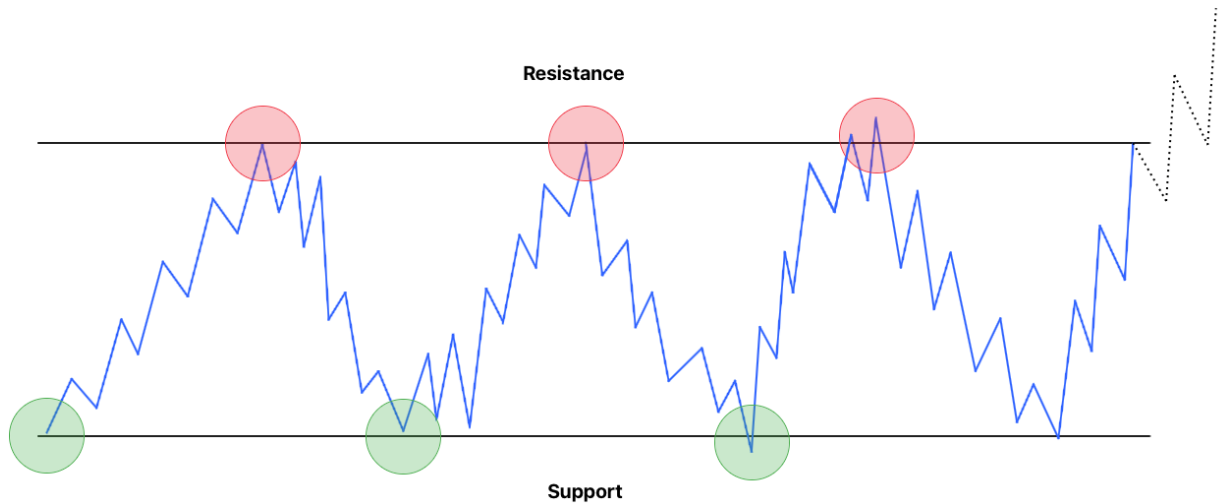
Horizontal Channel



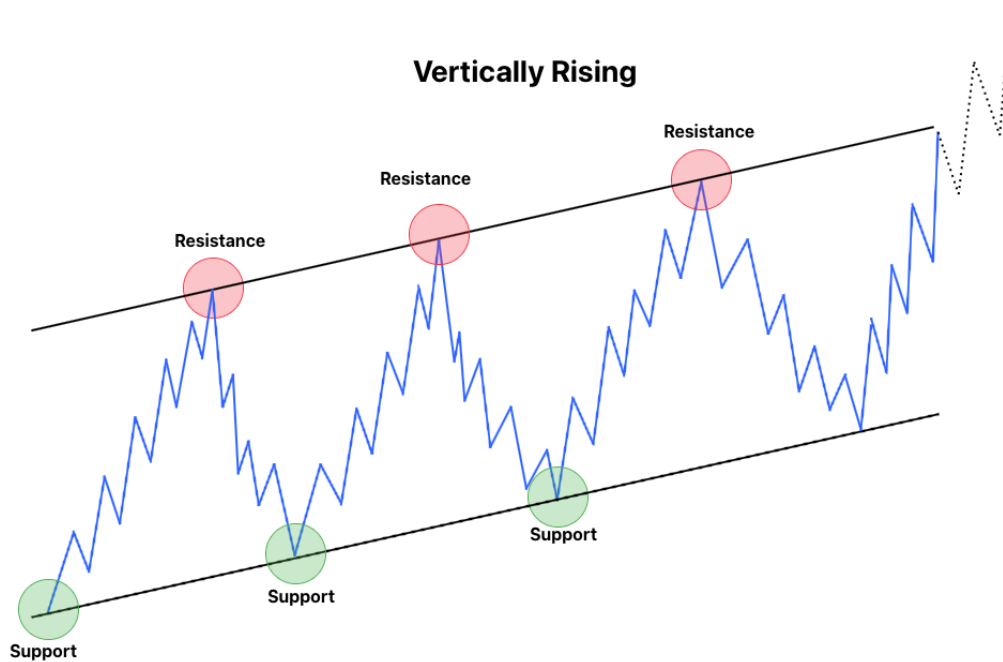
Entry Rules:

If a Buy Position (look at the following scenarios):

Horizontal Channel

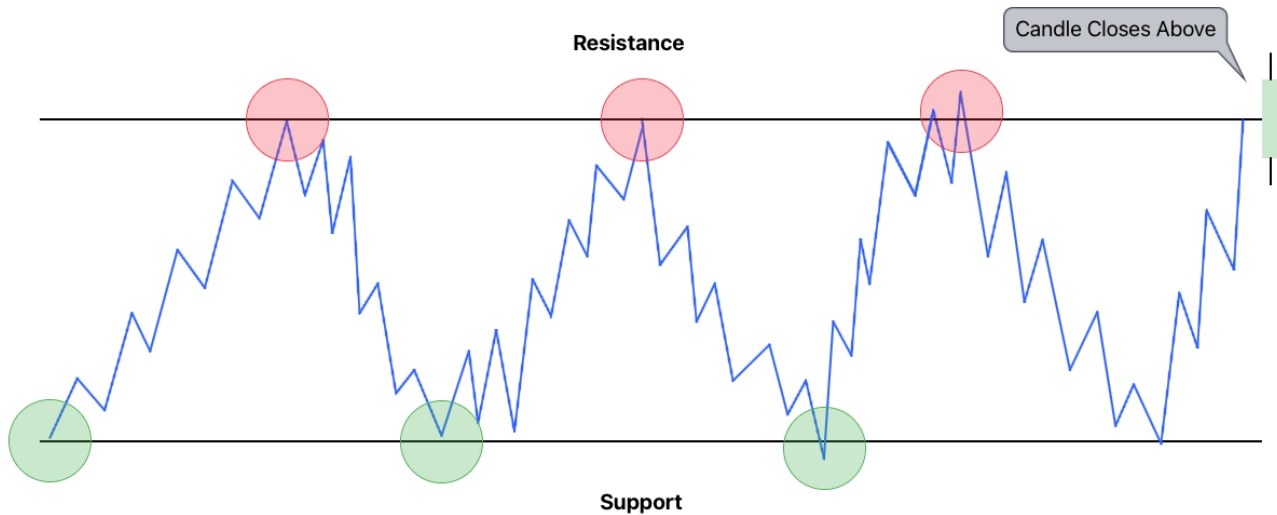


Vertically Rising



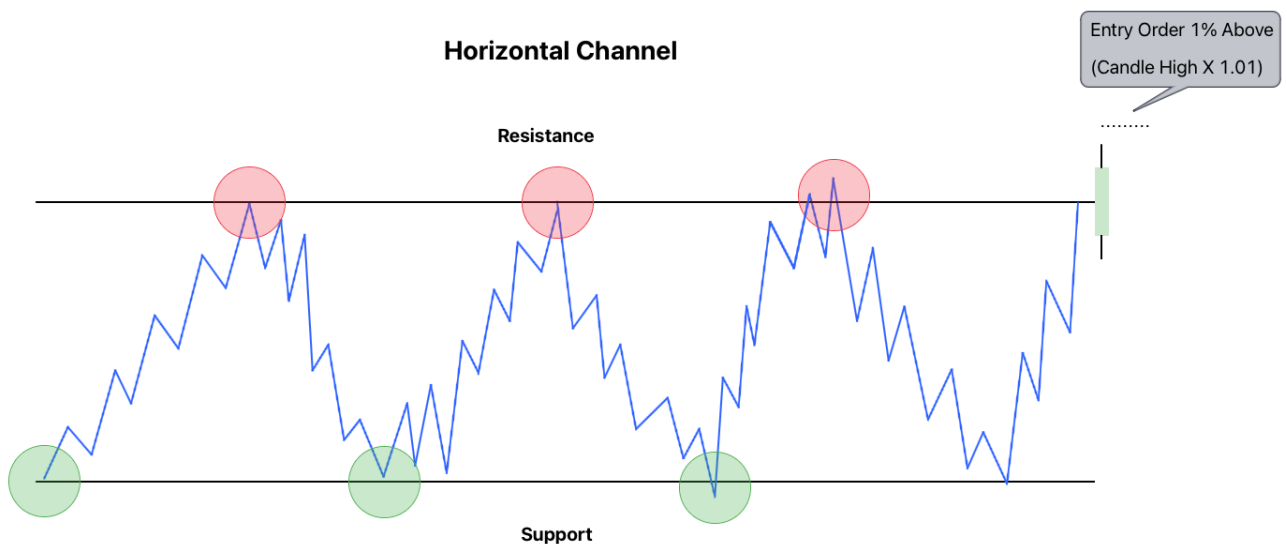
1. **Validating the Trade:** You place a **Buy Order** only after a candle **breaks** and **closes** above the pattern resistance line

Horizontal Channel

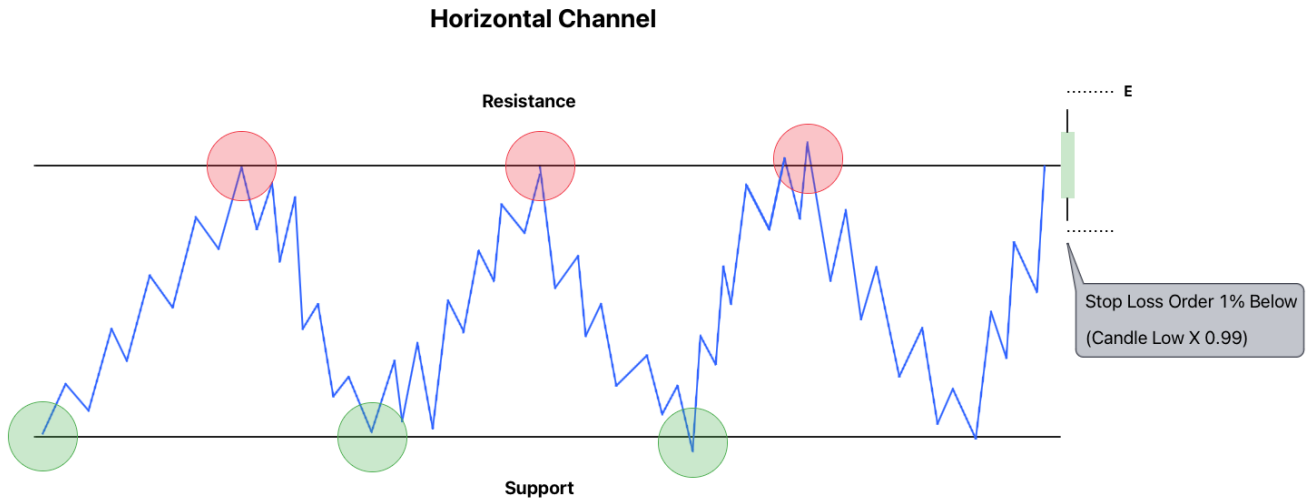


2. **Calculating the Entry (E):** Place entry order **1% above the high** of the breakout candle.

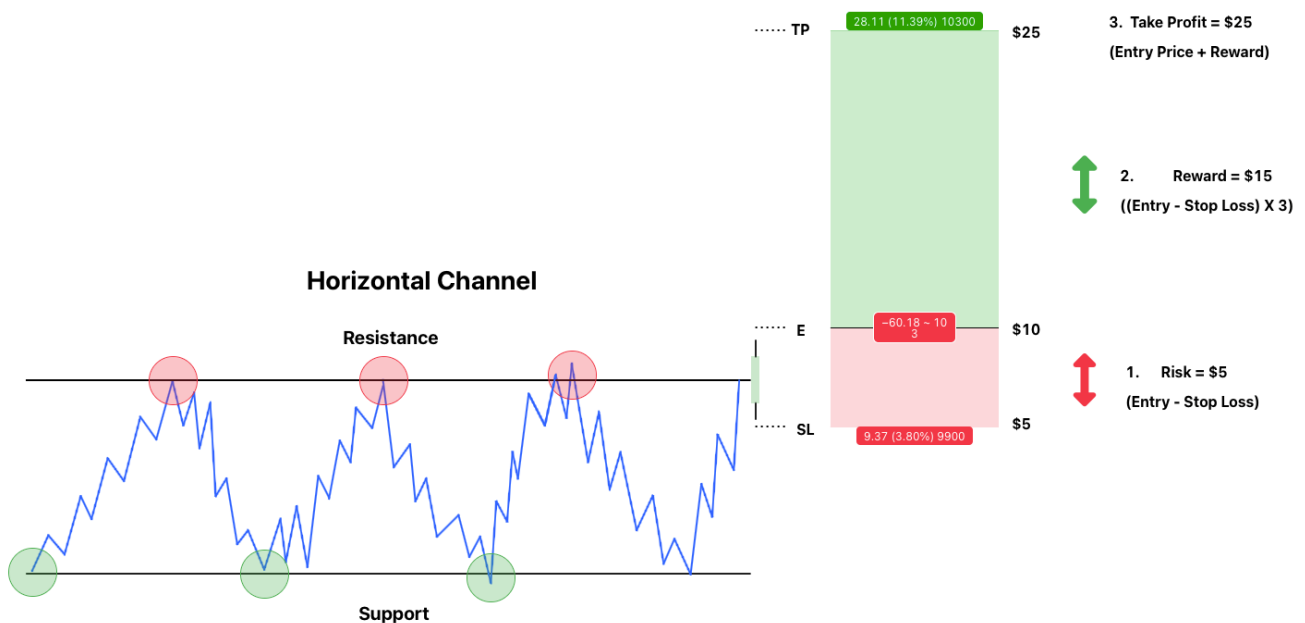
Horizontal Channel



3. Stop Loss (SL): Place Stop Loss order **1% below the low** of the breakout candle.



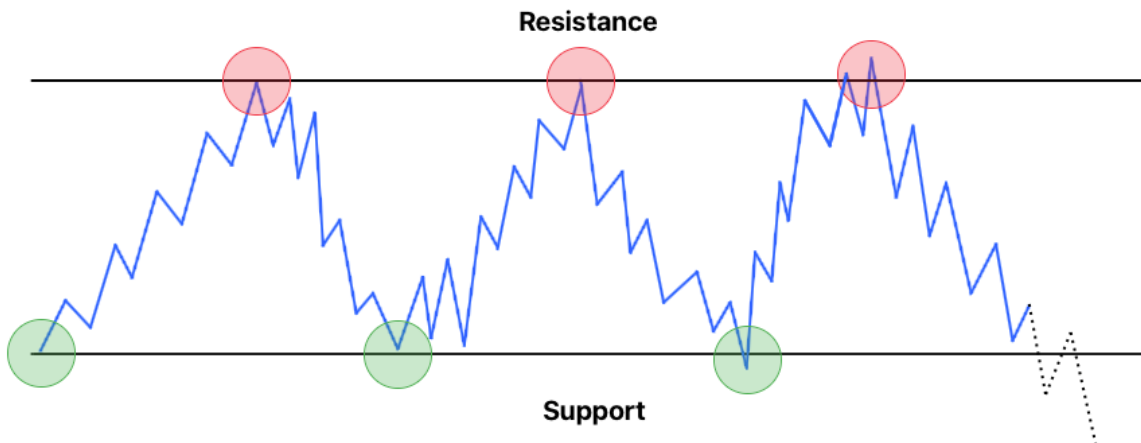
4. Take Profit (TP): We aim for a 3:1 reward risk ratio. Calculate take profit price as: Entry + (Entry - Stop Loss) x 3



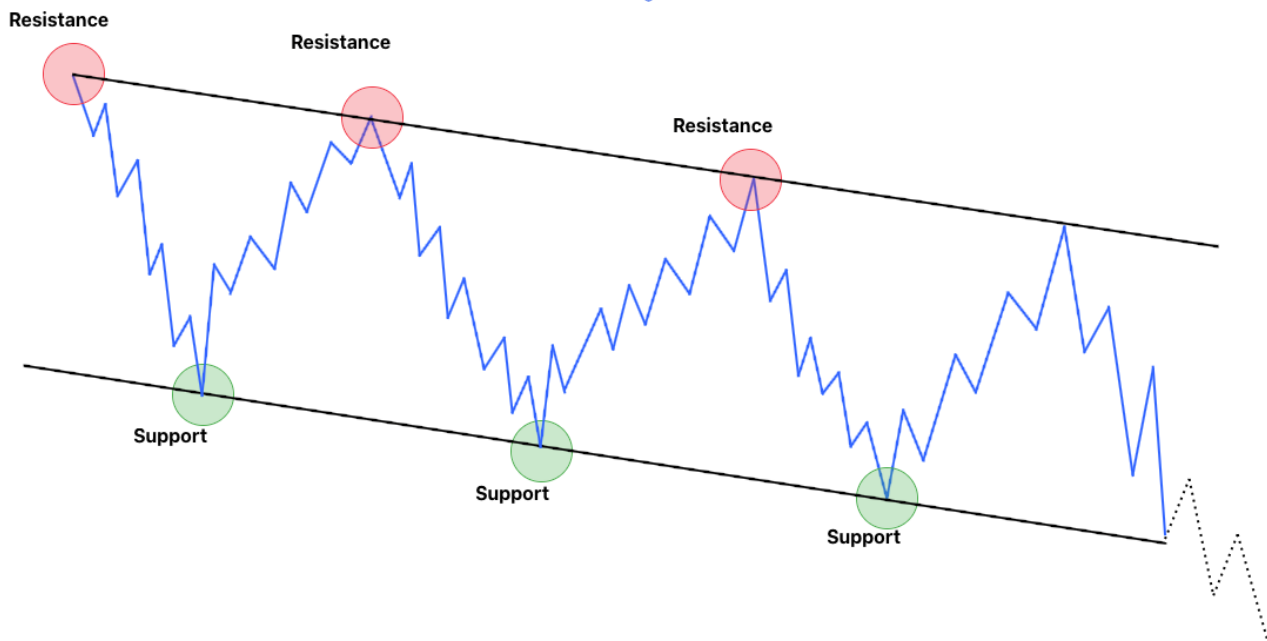
5. Trade Management: Move stop loss incrementally up when trade becomes profitable. For example, at 1% profit move Stop Loss to breakeven. At 2% profit move Stop Loss to 1%

If a Sell Position (look at the following scenarios):

Horizontal Channel

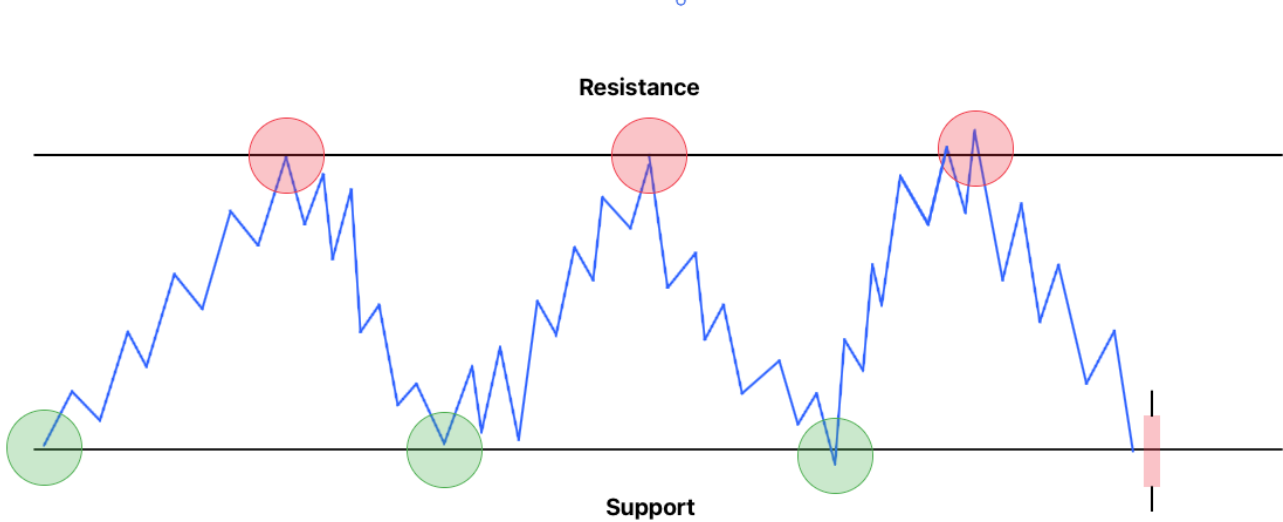


Vertically Falling



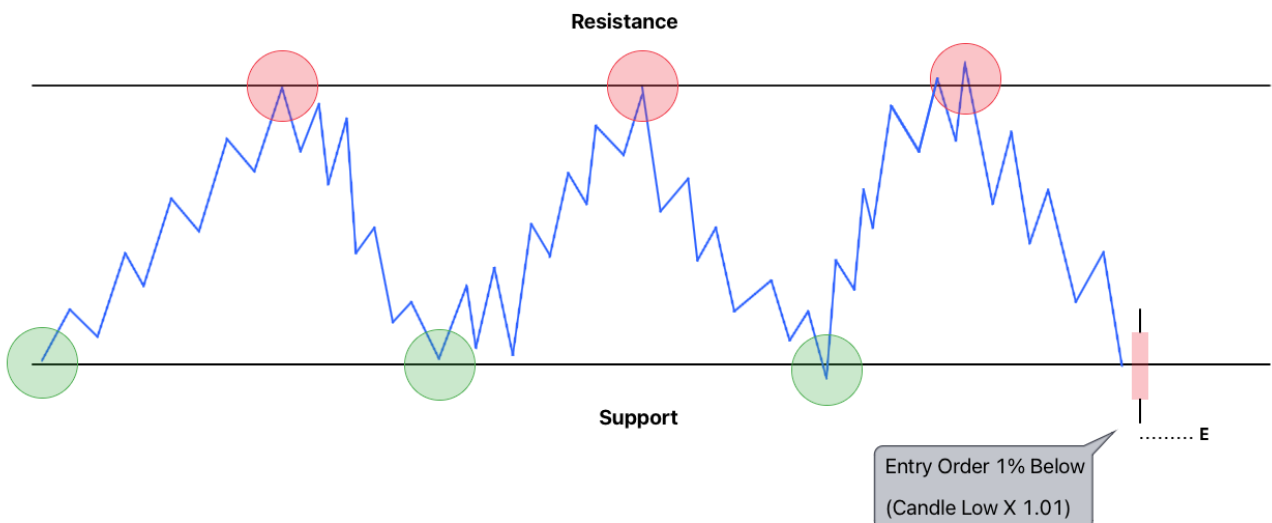
1. **Validating the Trade:** You place a **Sell Order** only after a candle **breaks** and **closes** below the pattern resistance line

Horizontal Channel



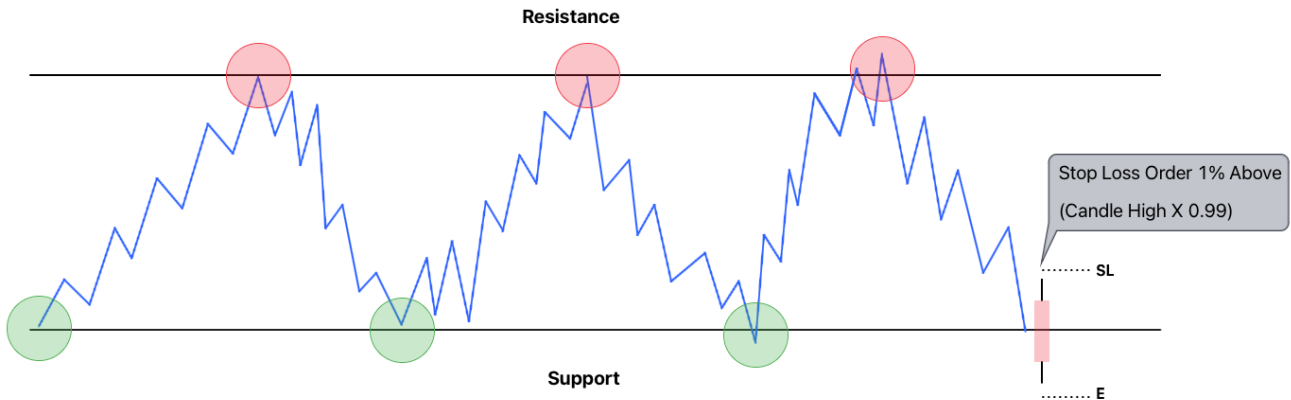
2. **Calculating the Entry (E):** Place entry order 1% below the low of the breakout candle.

Horizontal Channel



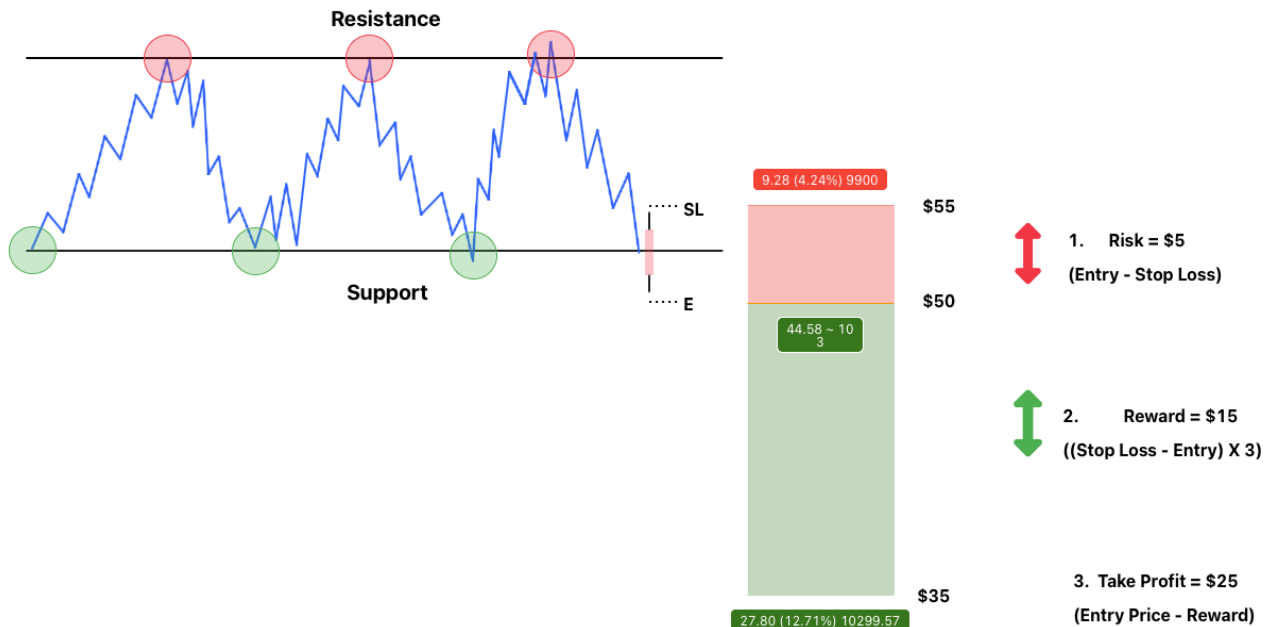
3. Stop Loss (SL): Place Stop Loss order **1% below the low** of the breakout candle.

Horizontal Channel



4. Take Profit (TP): We aim for a 3:1 reward risk ratio. Calculate take profit price as: Entry + (Entry - Stop Loss) x 3

Horizontal Channel



5. **Trade Management:** Move stop loss incrementally up when trade becomes profitable. For example, at 1% profit move Stop Loss to breakeven. At 2% profit move Stop Loss to 1%
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