

# THE BREAKOUT TRADER'S BIBLE

## Version 10.5 — Quant Edition

Volume • Price • Momentum • Liquidity • Structure

*A complete framework for intraday, BTST, and swing breakouts*

Includes: CPR, VWAP, OBV, SPS, MCS, RPS, CPS, VCP, pattern credibility, and multi-timeframe confluence.

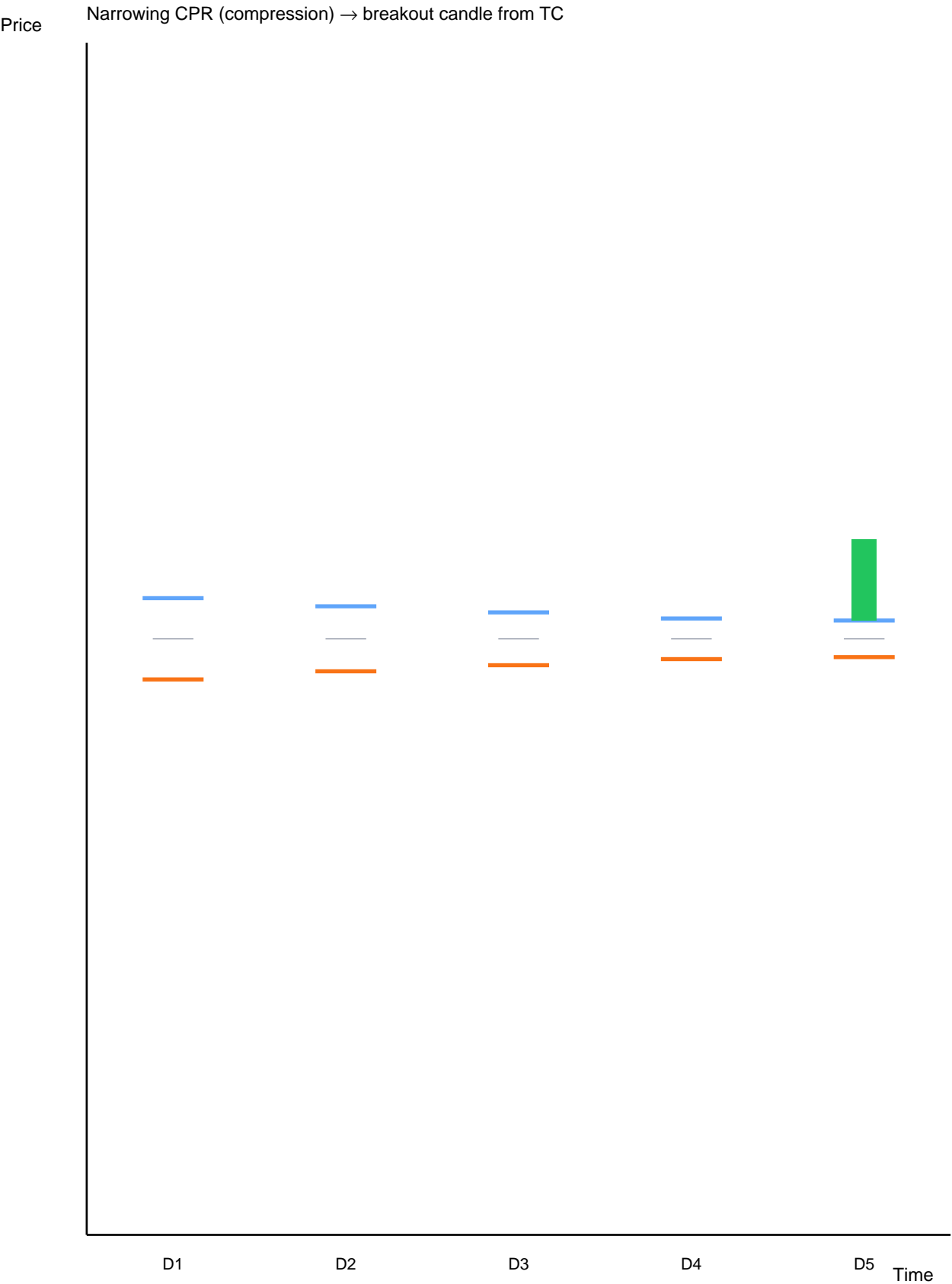
# 1. Core Philosophy — 3 Pillars of a Valid Breakout

A breakout is only valid when **Volume**, **Price Acceptance**, and **Momentum** align. If any pillar is missing, treat it as a potential fakeout.

Pillar	Definition	Red Flag
Volume	Institutional participation: $\geq 1.5\times$ - $2\times$ average volume.	Breakout on $<1\times$ avg volume.
Price Acceptance	Multiple closes beyond level across timeframes.	Price snaps back inside level within 1-2 candles.
Momentum	RSI/MACD aligned in breakout direction.	RSI exhausted ( $>80$ ) or diverging vs price.

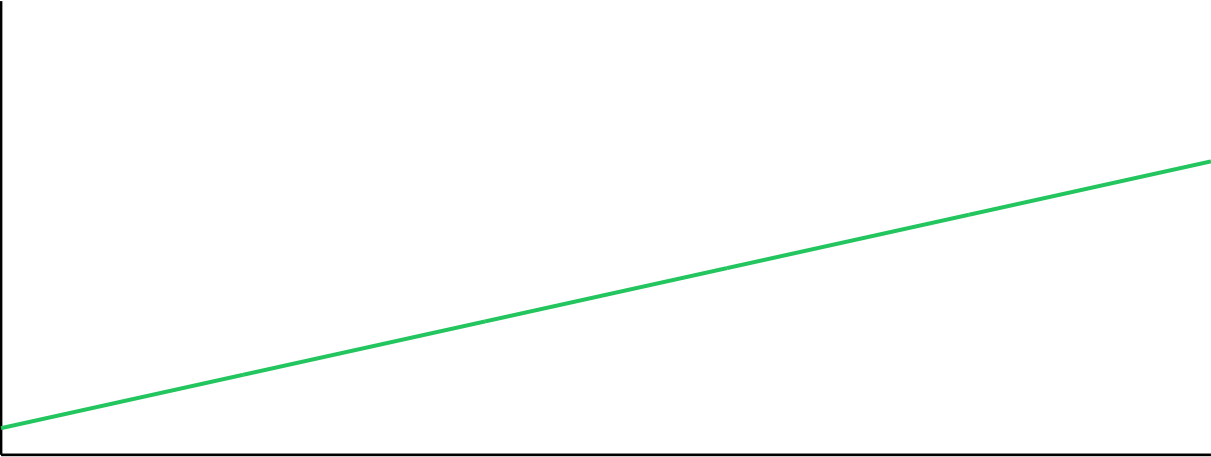
Think of this as a **3-factor authentication** for breakouts — volume, price, and momentum must all confirm.

CPR Compression — Range to Breakout

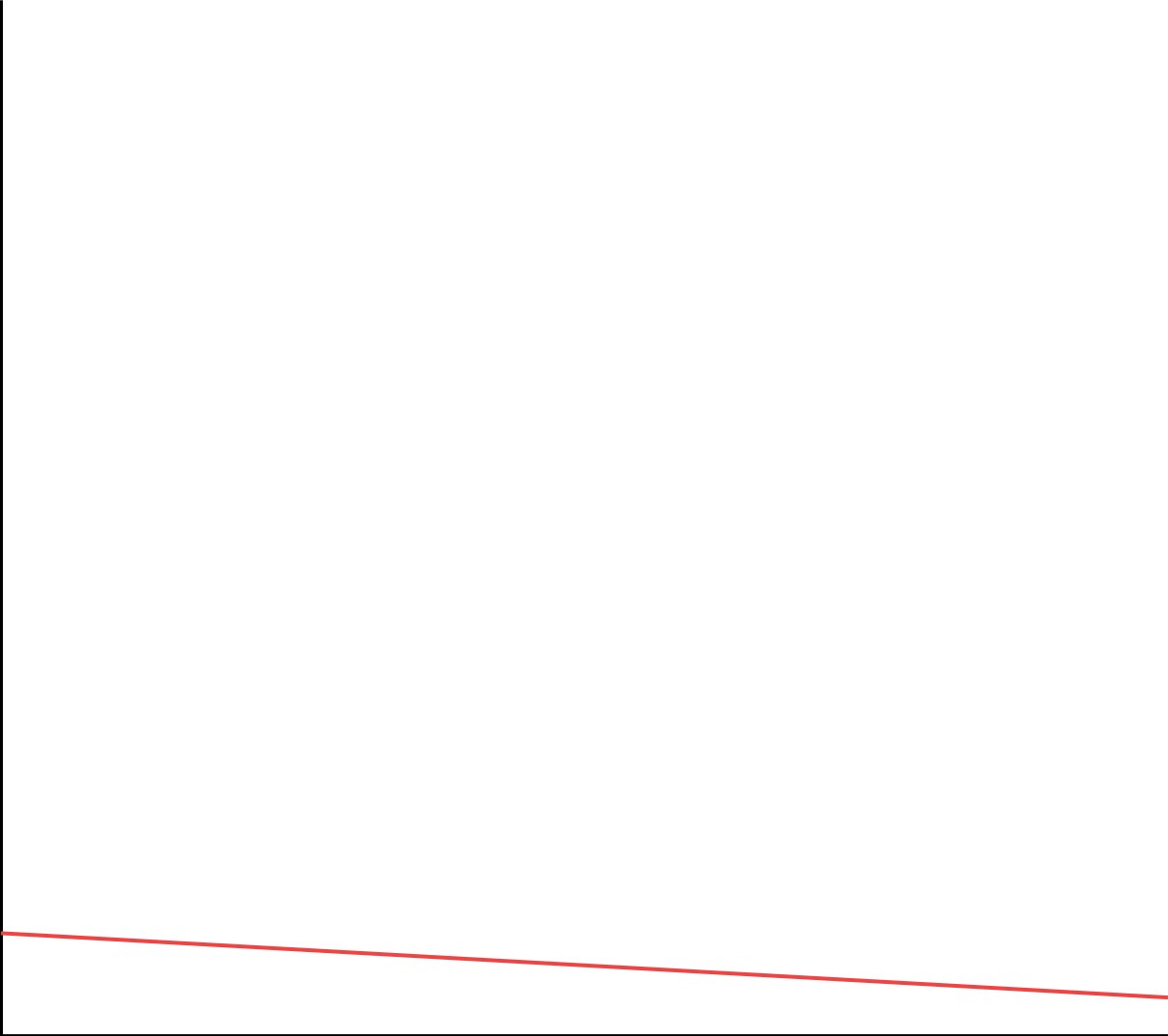


OBV Divergence — Price Up, Volume Flow Down

Price making Higher Highs



OBV Flattening / Falling → Distribution

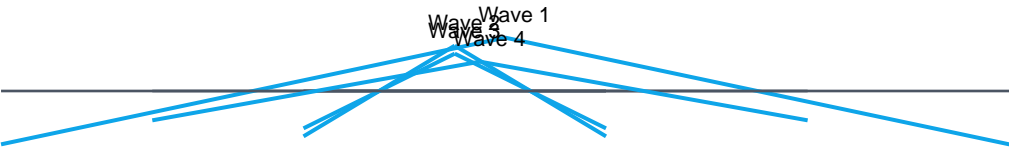


Price HH + OBV flat/down = 80–85% fakeout zone. Avoid fresh breakouts here.

VCP — Volatility Contraction Pattern

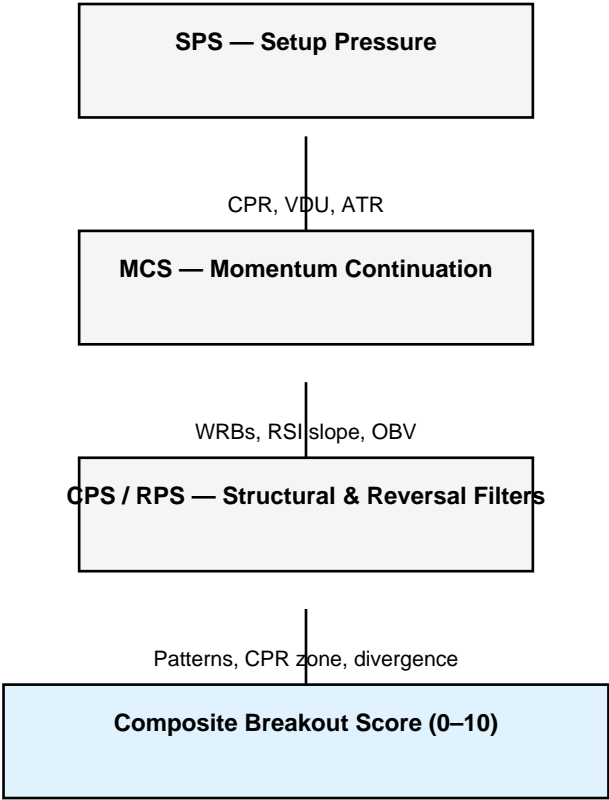
VCP — 3–5 Wave Contraction

Each swing contracts in size, volume dries up, OBV slopes up → valid VCP.



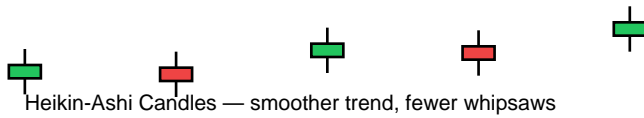
SPS → MCS → Composite Score

SPS → MCS → CPS/RPS → Composite Score Flow



## Heikin-Ashi vs Normal Candles — Trend Smoothing

Normal Candles — noisy, wicks, gaps



Heikin-Ashi Candles — smoother trend, fewer whipsaws



Use Heikin-Ashi for **visual trend stability**, but always execute entries and stops using real OHLC prices. In the scoring engine, HA trends boost CPS (continuation) while CPS + SPS jointly gate high-confidence breakouts.

## Liquidity Stability Score (LQS)

LQS filters out instruments with erratic, spiky volume that frequently produce fake breakouts. The idea is simple: we reward stable, repeatable liquidity and penalize sudden, isolated spikes.

**Core components:**

- Volatility of daily volume over N days ( $\sigma_V$ )
- Ratio of spike bars ( $V > 2 \times \text{avg}$ ) to total bars
- Presence of long low-volume streaks

A simple formulation:

$$LQS = 1 - \text{normalized}(\sigma_V) - \text{spike\_ratio}$$

Then clamp to [0, 1]. High-quality instruments have  $LQS \geq 0.6$ .