



TRADE SETUPS(Entries, Targets and Stoploss

What is a trade setup?

The setup is the basic conditions that need to be present in order to even consider a trade be taken.

"setups are particular configuration of trading price bars, usually with one or two other confirming conditions like a pattern or an indicator, that delivers an expected outcome in a high proportion of trades."

Finding the right setup gives you an edge over the market meaning you stand a chance of over 65% of success. Example is if you're a trend-following trader, then a trend needs to be present. Your trading plan should define what a tradable trend is (for your strategy).



Entry strategies

Impulse-Pullback-Consolidation Breakout



Based on the direction of the initial impulse, wait for a breakout from the consolidation in that same direction. A breakout in the opposite direction of the impulse isn't traded. For example, if the price rallied off the open, then pulled back and consolidated above the open price, wait for the price to break out above the consolidation.



2, Reversal-Consolidation Breakout

In this situation, put your focus on the most recent major move. Not every impulse is followed by a smaller pullback and consolidation. Sometimes you get a big move in one direction followed by an even bigger move in the opposite direction immediately after. This is called a reversal.



Wait for a pullback in the opposite direction of the impulse. The pullback must be smaller than the impulse. Then wait for a consolidation and a breakout of that consolidation in the impulse direction



3, Reversal at Support/Resistance



Watch for consolidation at a support or resistance level. If the price breaks above a consolidation near support or breaks below a consolidation near resistance, you have a trade signal.

If a reversal signal occurs, make the trade when the price moves one cent above the consolidation near support or one cent below the consolidation near resistance. Expect the price to bounce off support or fall off resistance if this pattern occurs.

Support or resistance levels are places where the price has reversed at least two times before.



4, Strong Area Breakout



The basic idea is to watch for levels that pushed the price back in the other direction multiple times. A breakout does not guarantee a big move. That is why this strategy should be used sparingly. Often the price will break an important boundary but fail to produce a significant move.

Trading a strong breakout above a major resistance area or below a major support area may be a popular strategy, but it can also be extremely challenging. Still, having this strategy in your tool belt can be useful for when special situations arise.



5, False Breakouts

You can use false breakout patterns to confirm other strategies for day trading. For example, if the price plummeted off the open and you are trading an impulse-pullback-consolidation setup, you might expect the price to fall again. A false upside breakout would help confirm this trade



This type of confirming false breakout occurred in the reversal-consolidation breakout example. In that case, the expectation was for a move higher after the pullback because the last impulse wave was up. The price consolidated and then had a false break below the consolidation. The price then rose. You would have been waiting to go long anyway, but the false breakout in the opposite direction further confirmed the trade.

If the price tries to go in one direction and cannot, it is probably ultimately going to go in the other direction.



Stoploss and targets

What is a stoploss?

Stop-loss can be defined as an advance order to sell an asset when it reaches a particular price point. It is used to limit loss or gain in a trade. The concept can be used for short-term as well as long-term trading

Can you loss money with stoploss?

In fact, you are likely to lose money with stop-losses. They can also just as easily stop future gains, incur transaction fees, trigger taxable events and otherwise cause you to make less money than if you simply let your investments be

what is trade targets?

A profit target is a pre-determined price level where you will close the trade.