

# Your First Profitable System

Failed Breakout System

# Failed Breakout System

Markets trend only 20% of the time

The rest of the time (80%) they are mean reverting

This system takes advantage of that mean reversion using bollinger bands and keltner channels

# Failed Breakout - Mean Reversion

Higher Win Rate

Taking low risk entries

Taking profits at higher probability exits

Works intraday, daily, weekly, monthly

Works on most asset classes

# Step 1: Compressed Volatility

Compressed volatility = Bollinger Bands inside Keltner Channel

This signals low volume, and reduces interest

This creates the environment for a spike in volatility

EUR / U.S. Dollar - 1440 - FXCM - 01.10407 H1.10677 L1.09964 C1.10171 -0.00236 (-0.21%)

KC (20, 1.5, close, true range) 1.11489 1.10493 1.09496

BB (20, close, 2) 1.10370 1.11096 1.09645

Market Closed



## Step 2: Volatility Expansion

After asset has been compressed (BB inside Keltner)

Wait for price to **CLOSE** outside **BOTH** the Bollinger Bands and Keltner Channels

This is considered a Volatility Expansion



## **Step 3: Failed Breakout**

After closing outside BB and Keltner's

Wait for next bar to confirm

*Remember assets trade in ranges 80% of the time and only trend/breakout 20% of the time*



Price fails to go higher  
Bear Bar is signal

Low Volatility



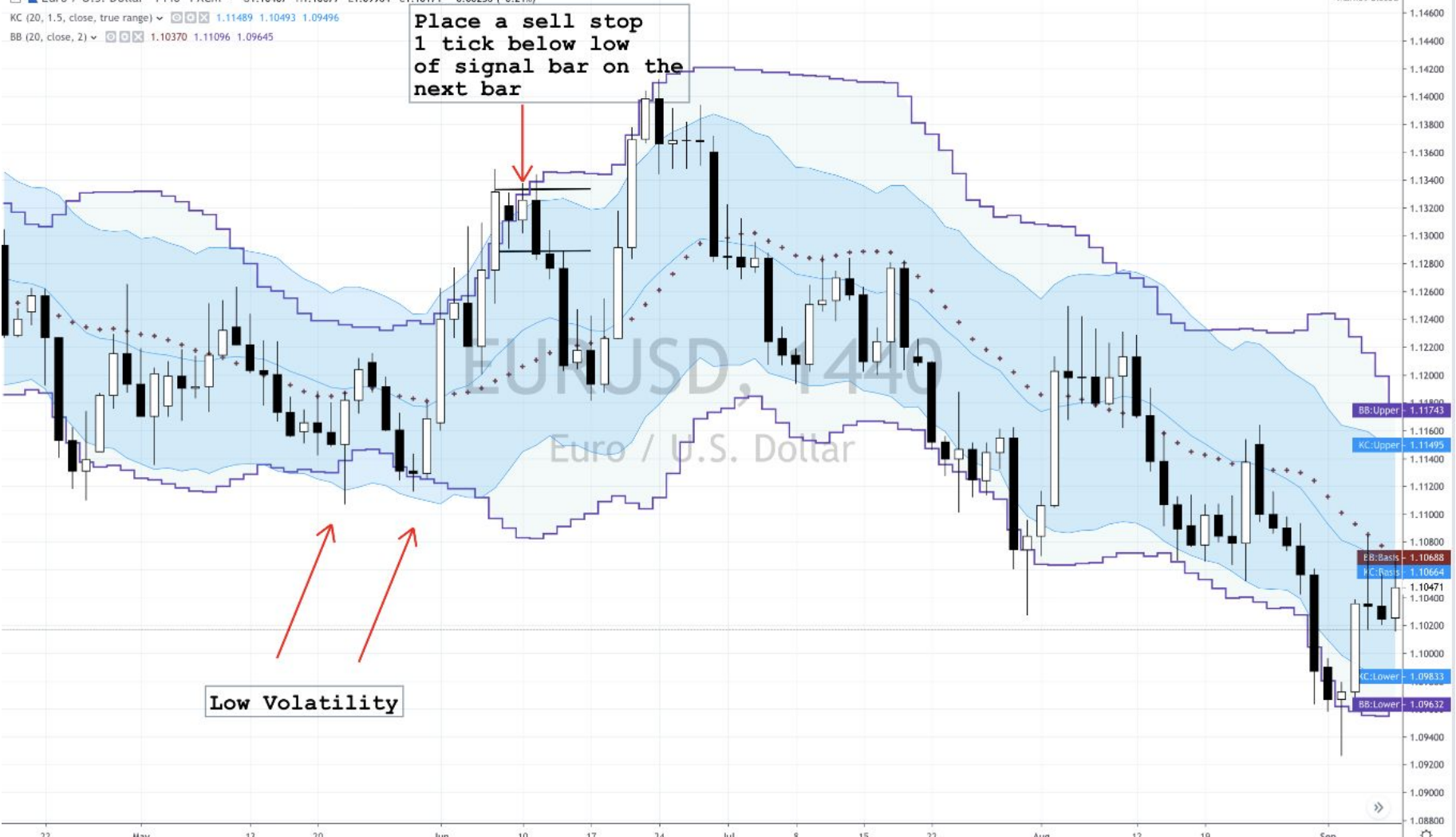
## **Step 4: Entry**

Place a sell stop 1 tick below the low of the signal bar

Place a sell stop  
1 tick below low  
of signal bar on the  
next bar



Low Volatility



BB:Upper 1.11743  
KC:Upper 1.11495  
BB:Lower 1.09632  
KC:Lower 1.09833

BB:Basis 1.10688  
K.C:Res 1.10664

# **Adjust As Necessary**

If no fill on the bar after signal bar

Adjust to the next bar

If no fill place sell stop 1 tick below the low of the next bar

EURUSD, 1440  
Euro / U.S. Dollar

Low Volatility



1.14800  
1.14600  
1.14400  
1.14200  
1.14000  
1.13800  
1.13600  
1.13400  
1.13200  
1.13000  
1.12800  
1.12600  
1.12400  
1.12200  
1.12000  
1.11800  
1.11600  
1.11400  
1.11200  
1.11000  
1.10800  
1.10600  
1.10400  
1.10200  
1.10000  
1.09800  
1.09600  
1.09400  
1.09200  
1.09000  
1.08800

BB:Upper - 1.11743  
KC:Upper - 1.11493  
BB:Lower - 1.10688  
KC:Lower - 1.10664  
BB:Lower - 1.09833  
BB:Lower - 1.09632

## **Step 5: Stop Loss Placement**

Place your stop loss 1 tick above the high of the signal bar



Stop Loss  
1 tick above  
the high

Profit Target  
+1R

Low Volatility



## **Step 6: Place Profit Target Order**

Immediately after getting filled place a profit target (limit order) at midline



Immediately after fill place profit target at Midline - Example A

Profit Target Midline

Low Volatility



# Backtested Results

>1500 trades Forex, Futures, Crypto & Equities

Avg Win = +1.59R (R = Risk)

Avg Loss = -1.18R

Win Rate = 74.38%

Expectancy = 1.159R