Failed
Breakout
System

ABOUT FALLIBLE

Fallible is where you can hang out and talk stocks, business, money, finance and whatever else you want.

We publish new videos almost every day on our [YouTube channel](). Our videos include stock market analysis, business model dissections, trade examples, psychology tips, and of course, breakdowns of our favorite finance movies and TV shows.

WHAT IS MACRO OPS?

Macro Ops is Fallible's parent company. It's a global macro research and consulting firm that I (AK) co-founded with my buddies/business partners Alex and Tyler. We cater mostly to institutional clients such as hedge funds, pension funds, family offices, and sovereign wealth funds. And of course we have individual traders and investors in there too.

So if you're an advanced trader, come hang out with us at [www.macro-ops.com]()

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Execution Checklist

Step 1: Compressed Volatility

Step 2: Volatility Expansion

Step 3: Failed Breakout

Step 4: Entry

Step 5: Stop Loss Placement

Step 6: Place Profit Target Order

Note: Compliment With Systems Trading Checklist.

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Statistical Edge (Odds In Our Favor)

- 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

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

Set Up

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The Setup

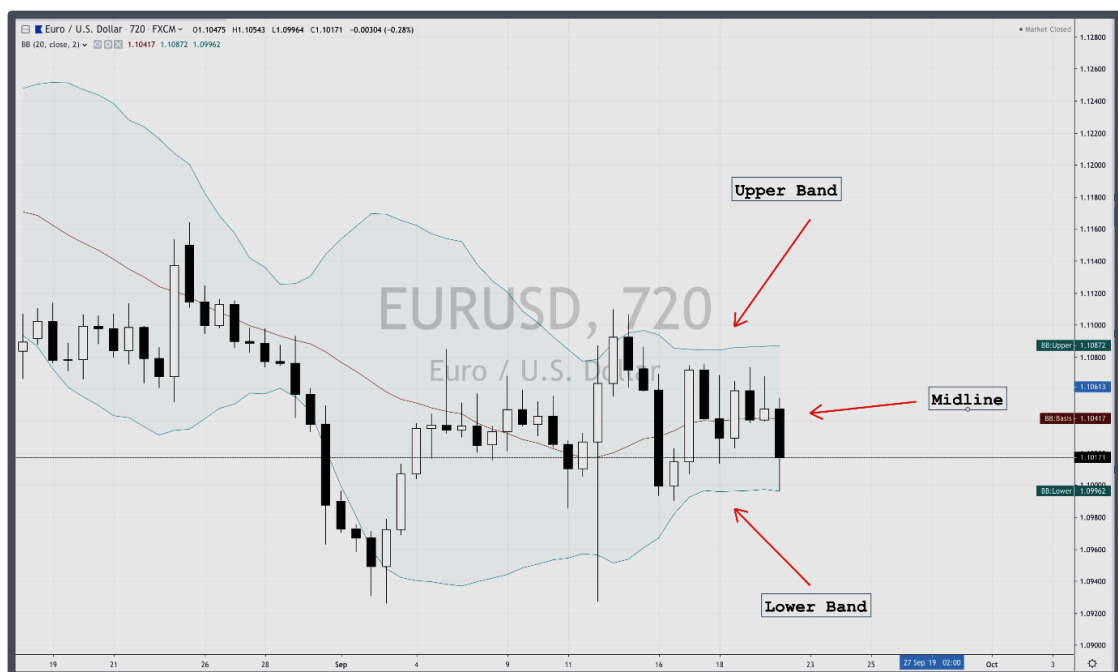Bollinger Bands 20/2
Keltner Channels 20/1.5
These are free standard analysis tools with ANY charting software

Bollinger Bands

Midline = 20 Period Simple Moving Average
Upper Band = 2 Standard Deviations above
Lower Band = 2 Standard Deviations below

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Cheap or Expensive?

- When price is trading near the top band, the asset is expensive
- When price is trading near the bottom band, the asset is cheap
- When price is trading at the midline, the asset is balanced

Expansion or Contraction?

- Bands close together = Squeeze
- Bands wide = Expansion

Market Rhythm

- Assets move from low volatility to high volatility
- From high volatility to low volatility
- Low Vol (squeeze) precedes High Vol (expansion)
- High Vol (expansion) precedes Low Vol (squeeze)

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Keltner Channels

- Midline = 20 Period Exponential Moving Average (EMA)
- Upper Band = 20 EMA + (1.5* Average True Range)
- Lower Band = 20 EMA - (1.5* Average True Range)

Expansion or Contraction?

- Bands close together = Squeeze
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Market Rhythm

- Assets move from low volatility to high volatility
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- Low Vol (squeeze) precedes High Vol (expansion)
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Steps Explained

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

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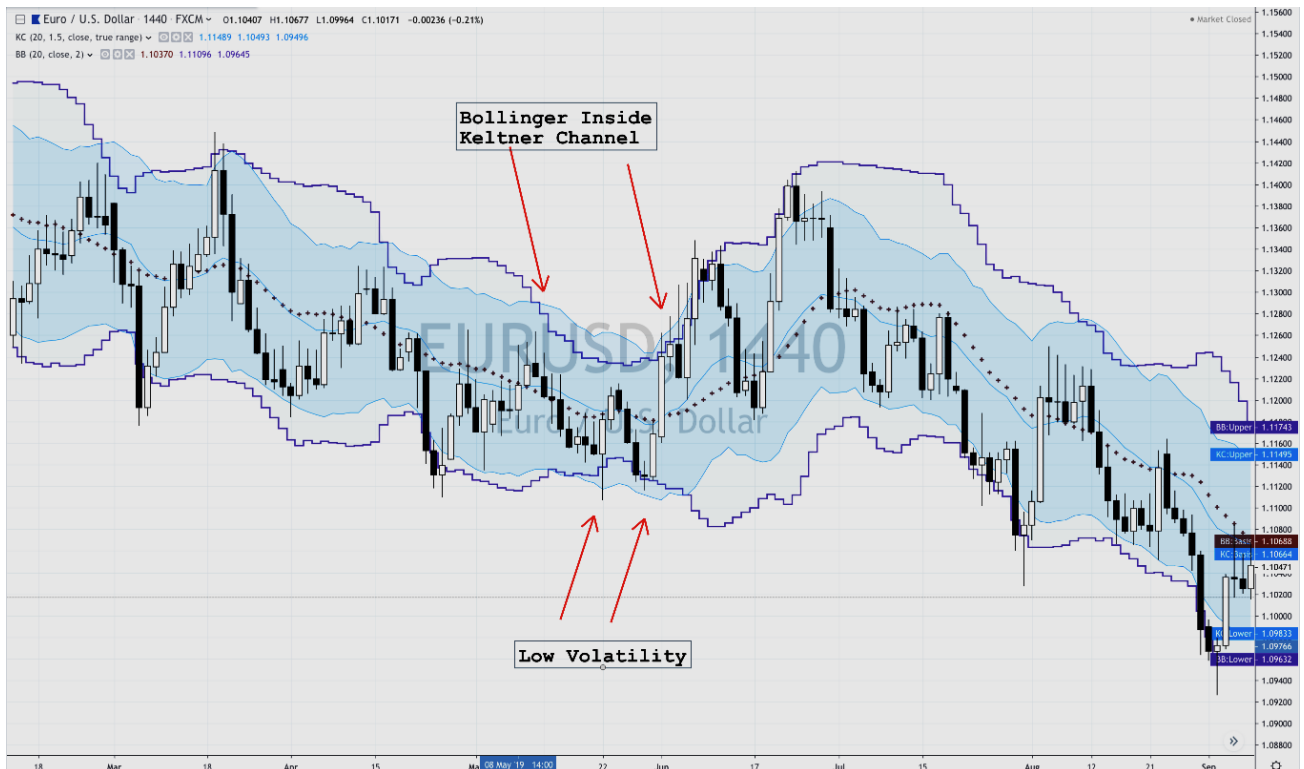
Step 2: Volatility Expansion

- 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 <u>Volatility Expansion</u>

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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*

Step 4: Entry

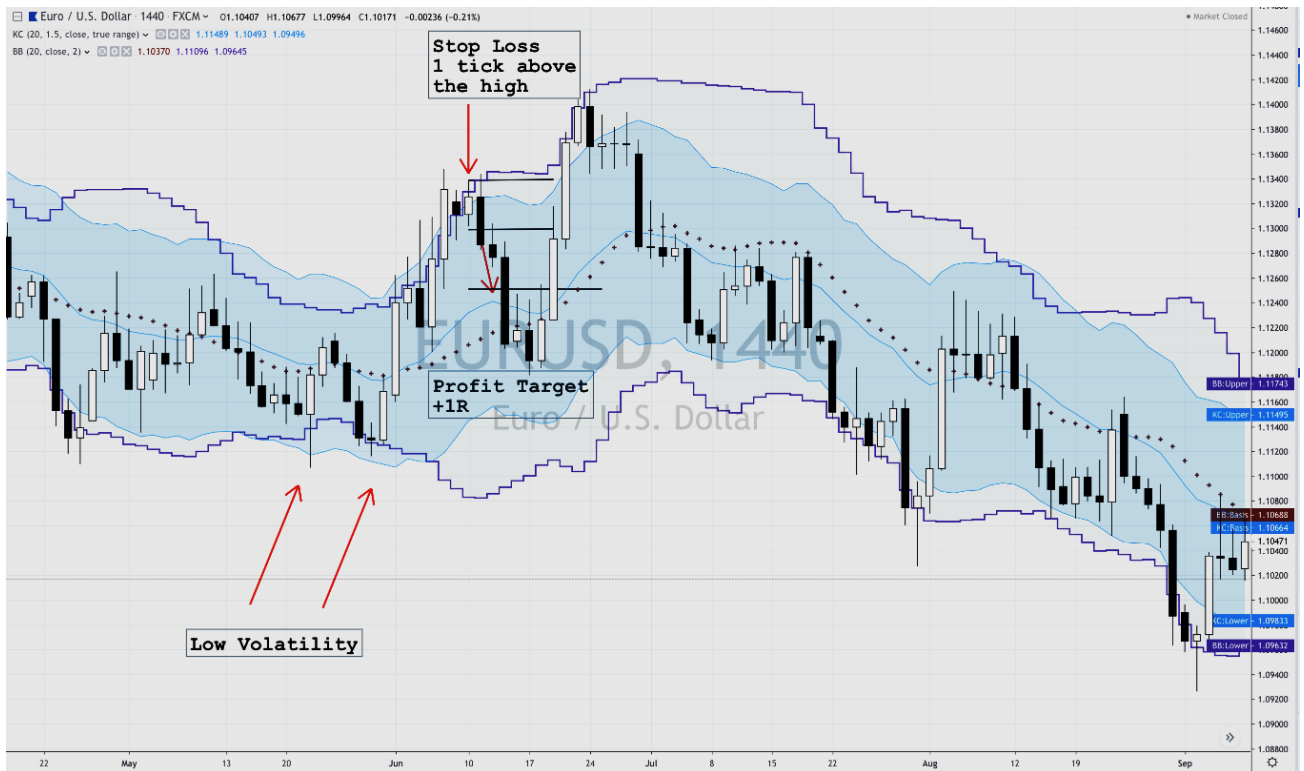- Place a sell stop 1 tick below the low of the signal bar

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Step 4: Entry

Adjust As Necessary

- If no fill on the bar after signal bar… Adjust to the next bar

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Step 5: Stop Loss Placement

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

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Step 6: Place Profit Target Order

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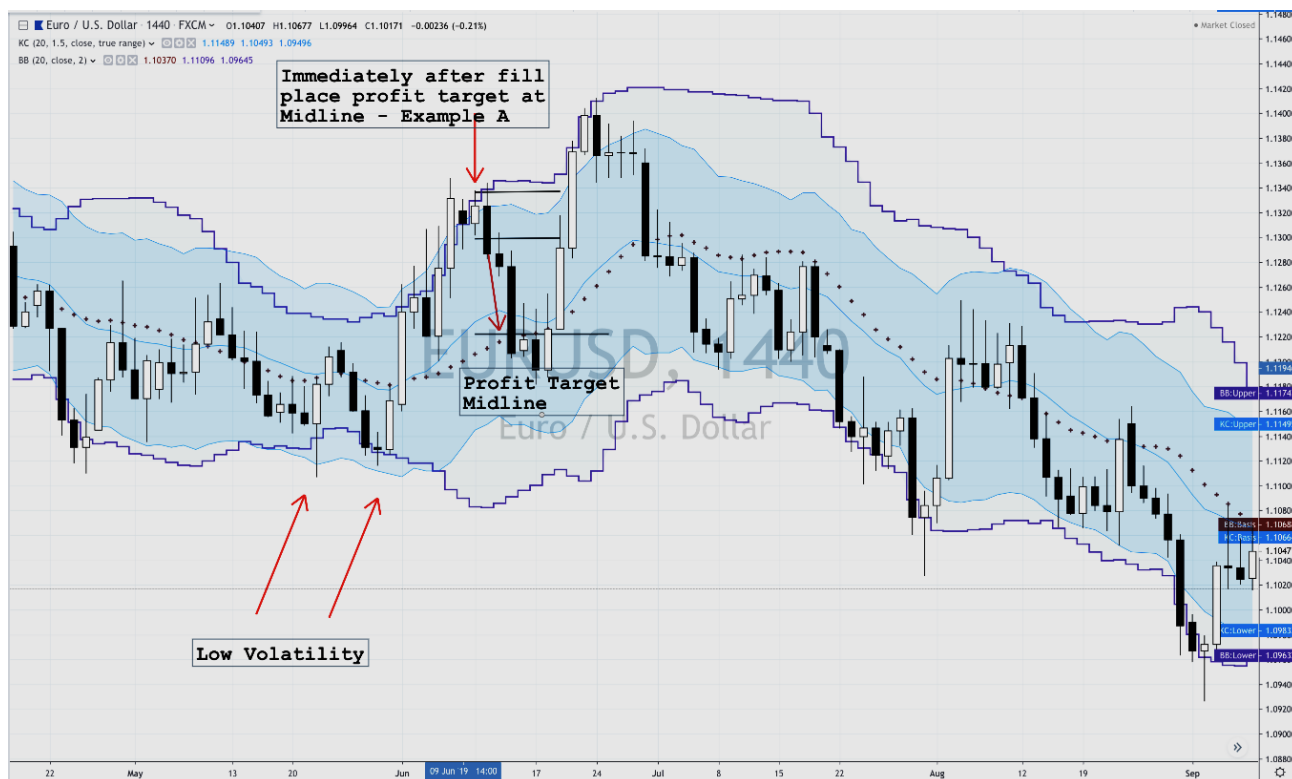
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