

OPENING RANGE BREAKOUT (ORB - Basic)

The Opening Range Breakout (ORB) is one of the most important indicators of daily market direction that a trader can utilize.

An opening range breakout (ORB) is a trade taken at a predetermined amount above or below the opening range. When the predetermined amount (the "stretch") is computed, a buy stop is placed that amount above the high of the opening range and a sell stop is placed the same amount below the low of the opening range.

A simple weekly strategy.

On Monday morning check the London opening price, 08.00 GMT.

Rule 1.

Simultaneously place a buy stop 50 points (pips) above Monday's European opening and a sell stop 50 points (pips) below the European opening price.

OCO. (One-Cancels-the Other)

When one order is filled, place a 60 point (pips) stop loss on the trade.
Make sure you cancel the opposite entry order.

You are now done for the week until Friday.

If you get stopped out, you will be flat the market for the rest of the week.

Rule 2.

If you do not get stopped out of the trade you get entered into, exit 5 days later at the market on Friday at 21.00 GMT or New York close.

Rule 3.

After the weekend, get ready to repeat it all over again on Monday morning.

Opening Range Breakout (Basic) has an average trade value of approximately 25-30 pips.

This method proves that it is better to trade in the direction of the weekly trend than against it.

This method is definitely not curve-fitted.

The entry/exit values stated are not optimized.

It works with much higher or lower exit stops, and/or breakout entry points.

Use average of major 4 different pairs to trade.

Because this strategy is primarily used by professional traders who have no interest in creating competition, and are willing to put up with trading profile of the system. Therefore you may have not heard about this system before.

The Opening Range Breakout (Basic) was in Toby Crabel's book "Day Trading With Short Term Price Patterns".

Tony Crabel understood that from the beginnings of movement in a time period, whether it be a day or a week, the expanding of a price range followed a predictable and exploitable path.

His approach to define a "Principle of Contraction/Expansion" enabled him to widen his investigations to a variety of narrow and wide range price formations.

He investigated patterns of 2 bars, 3 bars, etc., using charts to help one understand the market concepts.

Crabel's book is best known for its treatment of ORB and narrow range (NR4, NR7) patterns. Good traders may trade patterns that appear to be simple.

The Opening Range Breakout concept that has been around much longer than Crabel, but Toby Crabel made it famous, at least to those who had no reason to know that the advantage existed.

Use of it will not mean that you have found the "Holy Grail".

There will be many losses to experience and the occasional large profit which makes this method so valuable.

That is another reason why usually only true professionals are willing to trade this system, or others with a similar profile.

You need to prove the concept to yourself before going into actual trading.

Daily discipline is a key issue here.

The problem is, after trading any reasonable period of time; most people might have difficulty believing the next trade will be a winner after 5 or 6 winning trades, which would be a month and a half.

Might you skip any of the next seven trades, or reduce your size – thinking, "can this keep on winning after months of winning trades?"

If you would deviate at all, your total profits on your winners might not be sufficient to exceed the inevitable losses that occur in matter of course.

Then, there was a period where there were several consecutive losses.

Could you take loss after loss and still keep believing that the system has an edge?

I doubt it. I know just a handful of traders who have taken loss after loss and still keep putting in the trades.

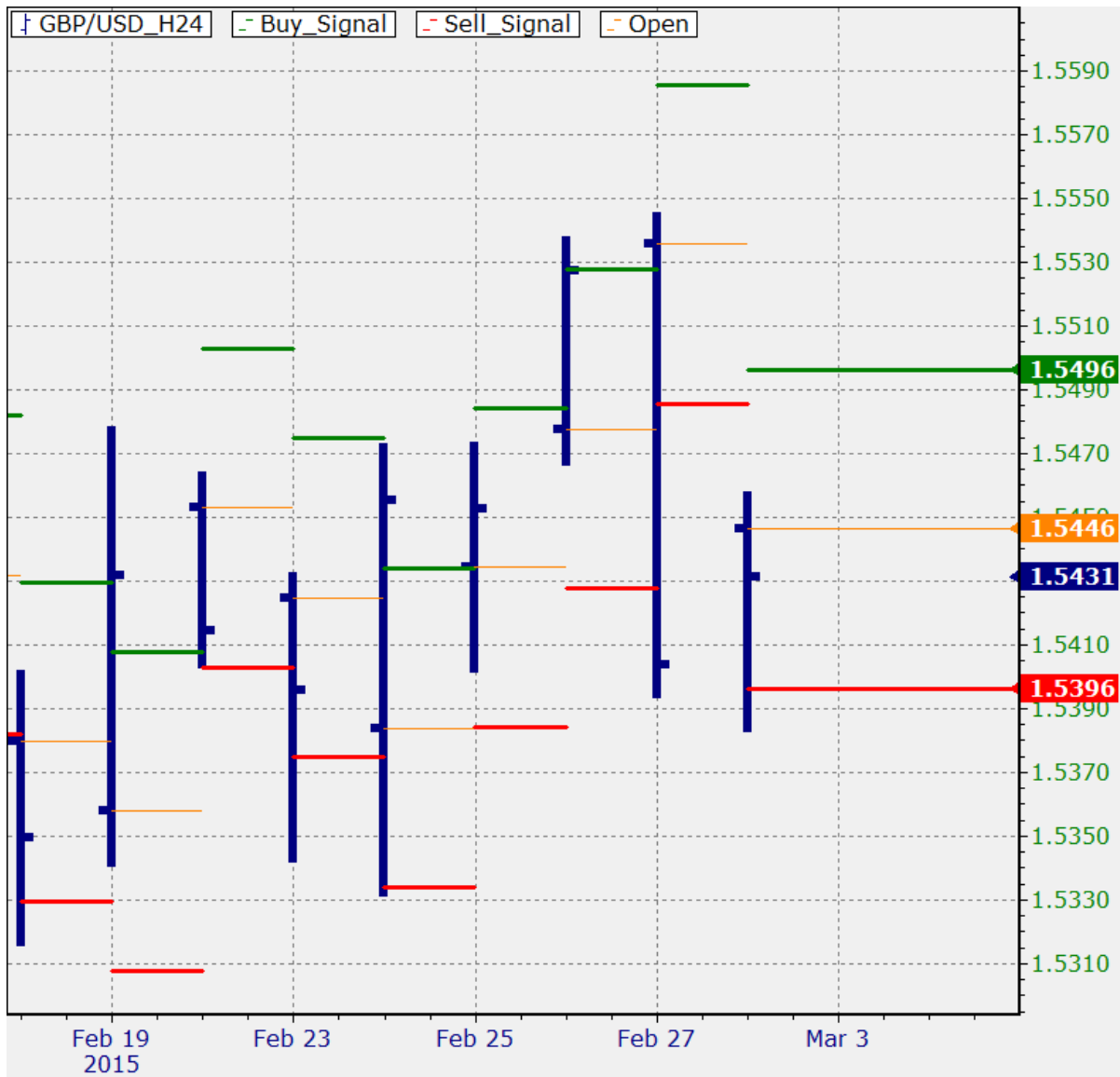


Chart created with NeoTicker © 1998-2011 TickQuest Inc.

Risk Disclaimer:

All trading involves risk. Leveraged trading has large potential rewards, but also large potential risk. Be aware and accept this risk before trading. Never trade with money you cannot afford to lose. All information is for educational purposes only and is not intended to provide financial advice. Your actual trading may result in losses as no trading system is guaranteed. You accept full responsibilities for your actions, trades, profit or loss.