PREVIEW

Issam Algo

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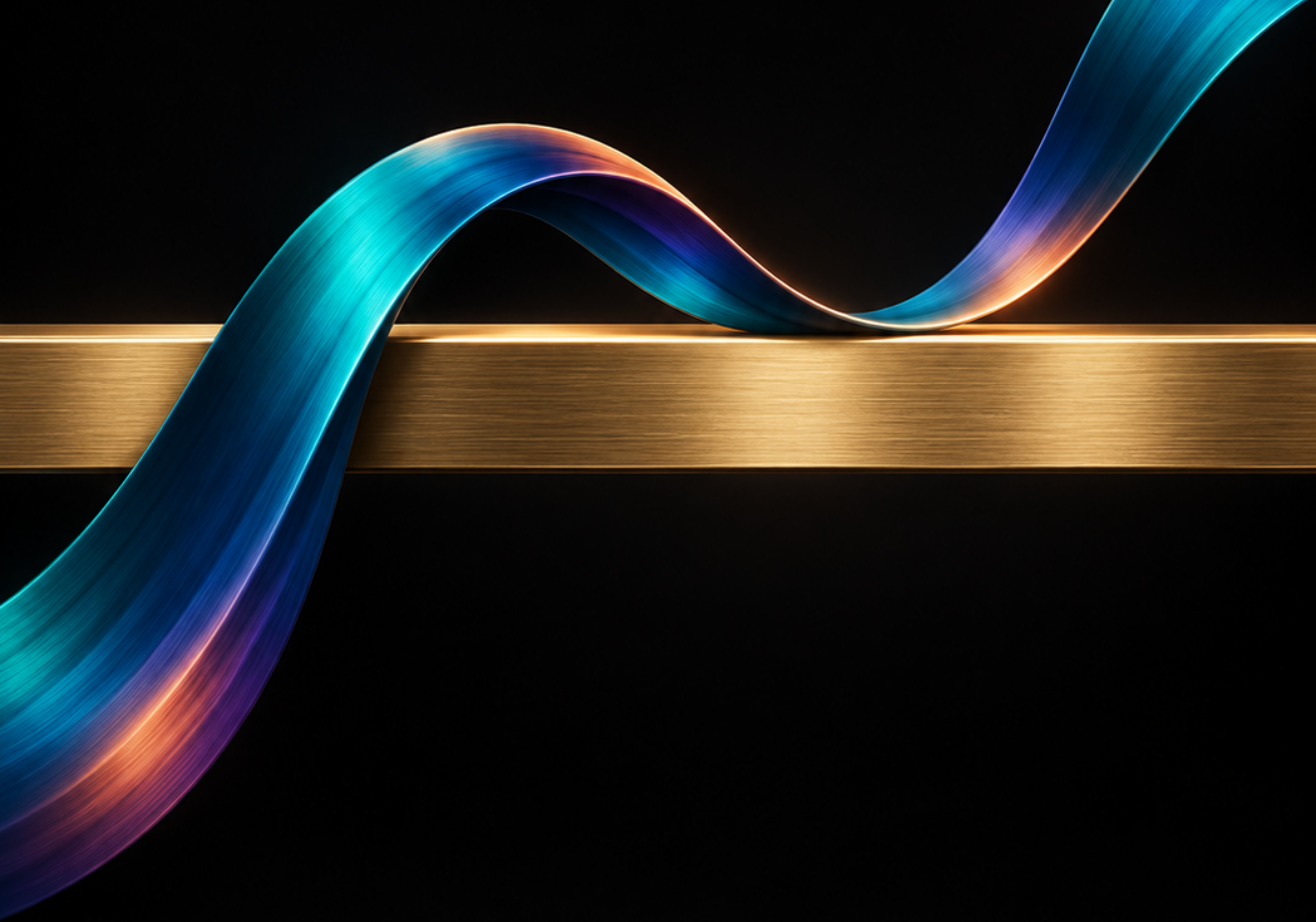
BREAKOUT AND RETEST TRADING

A Practical Illustrated Guide



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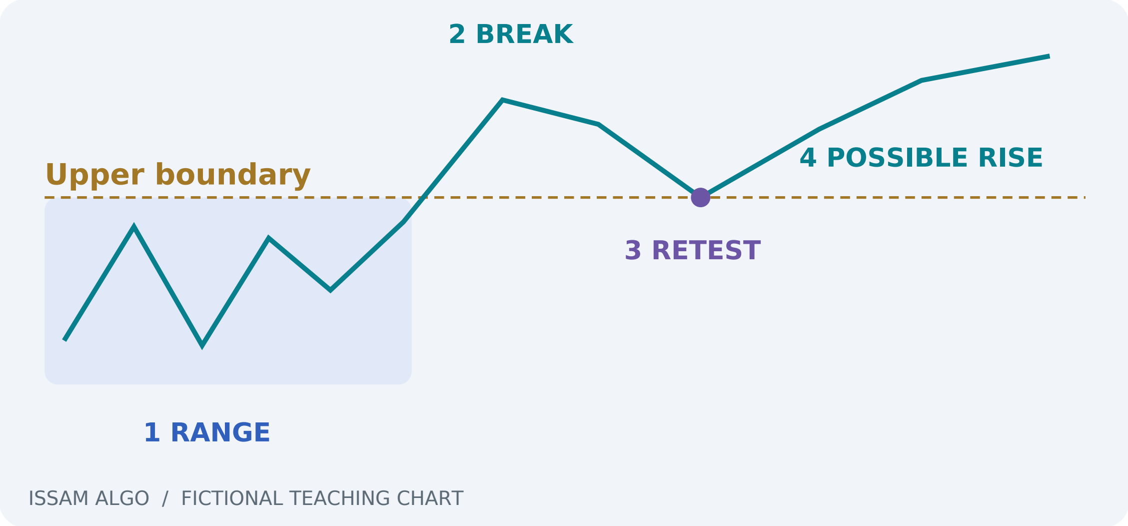
Break. Return. Then observe.

A breakout is a move beyond a marked boundary. A retest is a later return toward that boundary from the other side. They are two separate events.



Schematic upward example: range, breakout, retest and a possible continuation. The final rise is a possibility, not a promise.

Think of the boundary as a place to ask a question. Has price stayed outside the old range, or moved back into it? A retest helps organise that observation.

The idea relates to role reversal: former resistance can act as support after an upward break, and former support can act as resistance after a downward break. These levels can fail. [1]

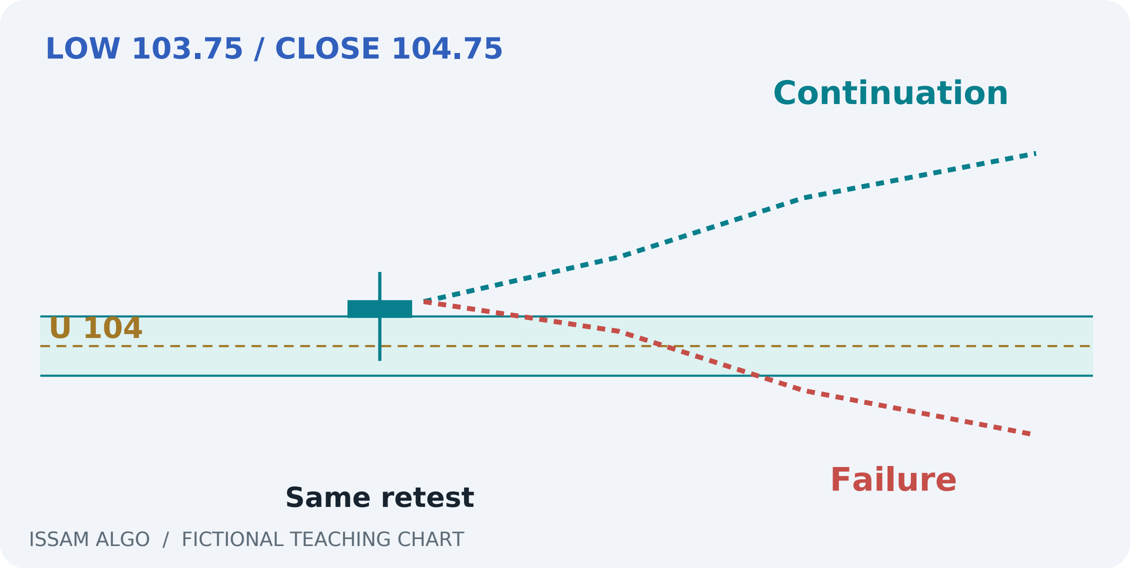
You cannot know at the breakout whether a retest will arrive. Waiting may improve the entry price in some cases and mean missing the move in others.

COMMON MISTAKE

Calling every dip after a rise a retest without naming the broken boundary.

One retest.
Two possible futures.

A qualifying retest says that the price response met your rule. It cannot tell you whether the following candles will continue or fail.



The same completed candle has low 103.75 and close 104.75. Both future paths remain possible.

The response is available information: the low entered the band, stayed above its lower edge, and the close finished above its upper edge.

Continuation could carry price higher. Failure could carry it back through the band and deeper into the old range. Neither outcome changes what was known at the response close.

Separate setup quality from outcome. You can follow a rule exactly and lose; you can break a rule and still see price rise. Judge the decision with the information available then.

COMMON MISTAKE

Calling the retest confirmed as if that means the next move is guaranteed.