



JS-TechTrading

Description VWAP Breakout Strategy

(Momentum, Vol, VWAP, RSI, TrSL)

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General Description and Unique Features of this Script

Introducing the VWAP Breakout Trading Algorithm for TradingView – the timeless strategy designed to identify the highest probability entries and trades for all financial securities and timeframes.

Unlike other strategies, the VWAP Breakout Strategy considers the buying/selling pressure in the market and supply/demand balance to generate real-time trading signals. The Relative Strength Index (RSI) is used as a technical measure to capture typical breakouts from consolidation periods and pullback entries.

With flexible backtesting options, traders can improve parameter settings depending on their time horizon and the type of financial securities being used. Plus, this pro-version of the VWAP Breakout Strategy offers stop-loss, take-profit, and trailing stop-loss exit strategies for better risk management.

The VWAP Breakout Strategy combines a number of technical indicators, the Moving Average (MA), the Volume Weighted Average Price (VWAP) and the RSI-qualifier to identify potential trend reversals and entry/exit points in the market. The VWAP Breakout Strategy can be used in conjunction with other technical indicators and fundamental analysis to make more informed trading decisions.

To further optimize trading results, this strategy generates trading signals based on real-time price action, rather than relying on the close / open of candles.

The VWAP Breakout Strategy

One important qualifier for generating buy signals is that the stock or other financial security is not in a short-term overbought status (for long-positions), or in a short-term oversold status (for short-positions), respectively.

Additionally, the stock or other financial security needs to go through a consolidation period before buy signals are being generated.

The RSI-indicator is being used as a technical measure in this strategy for that.

- Using moderate parameters for the RSI-qualifier (oversold-level 40 or higher, overbought level 60 or lower) will capture more typical breakouts from consolidation periods.
- Using more extreme parameters for the RSI-qualifier (oversold-level 35 or lower, overbought level 65 or higher) will capture the so-called pullback entries.

Long Entries

When the selling pressure is over and the continuation of the uptrend can be confirmed by the MA / VWAP crossover after reaching a price low, a buy signal is issued by this strategy.

Short Entries

When the buying pressure is over and the continuation of the downtrend can be confirmed by the MA / VWAP crossover after reaching a price high, a sell signal is issued by this strategy.

Timeless Strategy

The underlying principles of this strategy are based on the buying- / selling pressure in the market as well as the supply and demand balance. The buying / selling volumes are being considered for the generation of trading signals. These sophisticated market principles make this strategy timeless which means it can be applied to 1min-charts, weekly charts as well as anything between those.

Generation of Trading Signals

Real-time process are considered for this pro-version of the VWAP Breakout Strategy. This is another benefit versus many other strategies which only consider the close or open of the candles for trading signals:



Exit Strategies

This pro-version offers the following exit strategies:

- Stop-Loss
- Take-Profit
- Trailing Stop-Loss

The trailing SL functionality provides another benefit versus most other trading strategies resulting in significantly backtesting- and real-time trading results.

STOP LOSS/TAKE PROFIT

Version 1 - Uses SL/TP Fixed

Long (SL) % Long (TP) %

Short (SL) % Short (TP) %

Version 2 - Uses SL Trailing

TSL Long (%) TSL Short (%)

TP Long % TP Short %

Flexible Backtesting Option

The strategy offers fully flexible backtesting options to improve the parameter setting strategy, depending on time horizon and type of financial securities being used.

TIME-PERIOD FOR BACK-TESTING

Start Day Until Day

Start Month Until Month

Start Year Until Year

Relative Strength Index (RSI)

The Relative Strength Index (RSI) is a technical indicator developed by Welles Wilder in 1978. The RSI is used to perform a market value analysis and identify the strength of a trend as well as overbought and oversold conditions. The indicator is calculated on a scale from 0 to 100 and shows how much an asset has risen or fallen relative to its own price in recent periods.

The RSI is calculated as the ratio of average profits to average losses over a certain period of time. A high value of the RSI indicates an overbought situation, while a low value indicates an oversold situation. Typically, a value > 70 is considered an overbought threshold and a value < 30 is considered an oversold threshold. A value above 70 signals that a single value may be overvalued and a decrease in price is likely, while a value below 30 signals that a single value may be undervalued and an increase in price is likely.

For example, let's say you're watching a stock XYZ. After a prolonged falling movement, the RSI value of this stock has fallen to 26. This means that the stock is oversold and that it is time for a potential recovery. Therefore, a trader might decide to buy this stock in the hope that it will rise again soon.

The MA / VWAP Crossover Trading Strategy

This strategy combines two popular technical indicators: the Moving Average (MA) and the Volume Weighted Average Price (VWAP). The MA VWAP crossover strategy is used to identify potential trend reversals and entry/exit points in the market.

The VWAP is calculated by taking the average price of an asset for a given period, weighted by the volume traded at each price level. The MA, on the other hand, is calculated by taking the average price of an asset over a specified number of periods. When the MA crosses above the VWAP, it suggests that buying pressure is increasing, and it may be a good time to enter a long position. When the MA crosses below the VWAP, it suggests that selling pressure is increasing, and it may be a good time to exit a long position or enter a short position.

Traders typically use the MA VWAP crossover strategy in conjunction with other technical indicators and fundamental analysis to make more informed trading decisions. As with any trading strategy, it is important to carefully consider the risks and potential rewards before making any trades.

This strategy is applicable to all timeframes and the relevant parameters for the underlying indicators (RSI and MA/VWAP) can be adjusted and optimized as needed.

RSI	
Oversold Level	<input type="text" value="40"/>
Overbought Level	<input type="text" value="60"/>
RSI Länge	<input type="text" value="7"/>
VWAP	
SMA source	<input type="text" value="Close"/> ▼
SMA interval	<input type="text" value="5"/>

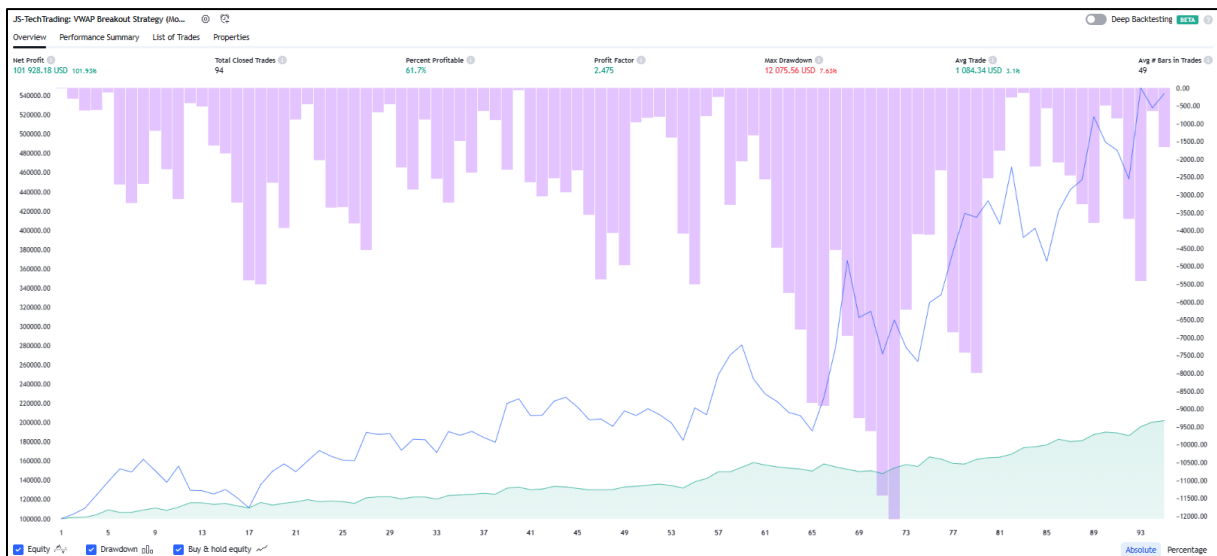
Backtesting Results

Backtesting gives outstanding results on all timeframes and drawdowns can be reduced to a minimum level. In this example, the hourly chart for MCFT has been used.

Settings for backtesting are:

- Period from April 2020 until April 2021 (1 yr)
- Starting capital 100k USD
- Position size = 25% of equity
- 0.01% commission = USD 2.50.- per Trade
- Slippage = 2 ticks

Backtesting Example SMCI (US Stock)



Other comments

- This strategy has been designed to identify the most promising, highest probability entries and trades for each stock or other financial security.
- The RSI qualifier is highly selective and filters out the most promising swing-trading entries. As a result, you will normally only find a low number of trades for each stock or other financial security per year in case you apply this strategy for the daily charts. Shorter timeframes will result in a higher number of trades / year.
- As a result, traders need to apply this strategy for a full watchlist rather than just one financial security.