The Fishing Technique

A simple guide to trading Tom Hougaard's household proprietary techniques.

The Fishing Technique **is one of Tom's proprietary techniques used to catch stop-run reversals.**

Concept: Markets hunt stops above old highs and below old lows. That stop-run often marks exhaustion, not continuation. The fishing technique exploits this by entering on the confirmation of a failed breakout, not the breakout itself.

What you look for: A retest of an old high or old low. Price could make a marginal new high or low by taking liquidity. Stops are run. Look for evidence of stop clearing. Traders who bought the breakout (or held old positions) are now forced out. Failure to continue. After the stop-run, price stalls and reverses back into the prior range.

Entry Signals:

Bullish (Buy) Market dips below a previous low (stop-run). Watch for the bar that marks the final low. Buy when a bar closes above the high of that lowest bar. Works even if several bars occur between the stop-run and the trigger.

Bearish (Sell Short) Market pushes above a previous high (stop-run). Identify the bar that marks the final high. Sell when a bar closes below the low of that highest bar. Again, the number of bars in between doesn't matter.

Targets & Stops:

Aim for the area "you came from" (the origin of the move before the stop-run).

Stops can be wide because the high/low swing is often stretched. Reduce size if necessary.

Where it works: Any market, any timeframe. Tom applies it heavily on stock indices (DAX, Dow, Nasdaq, FTSE) using 10-minute charts.

Why it works: Markets seek liquidity. Above highs and below lows is where the liquidity lives. Once the market takes those resting orders, continuation often dries up and the reversal begins. You trade the reversal, not the bait.

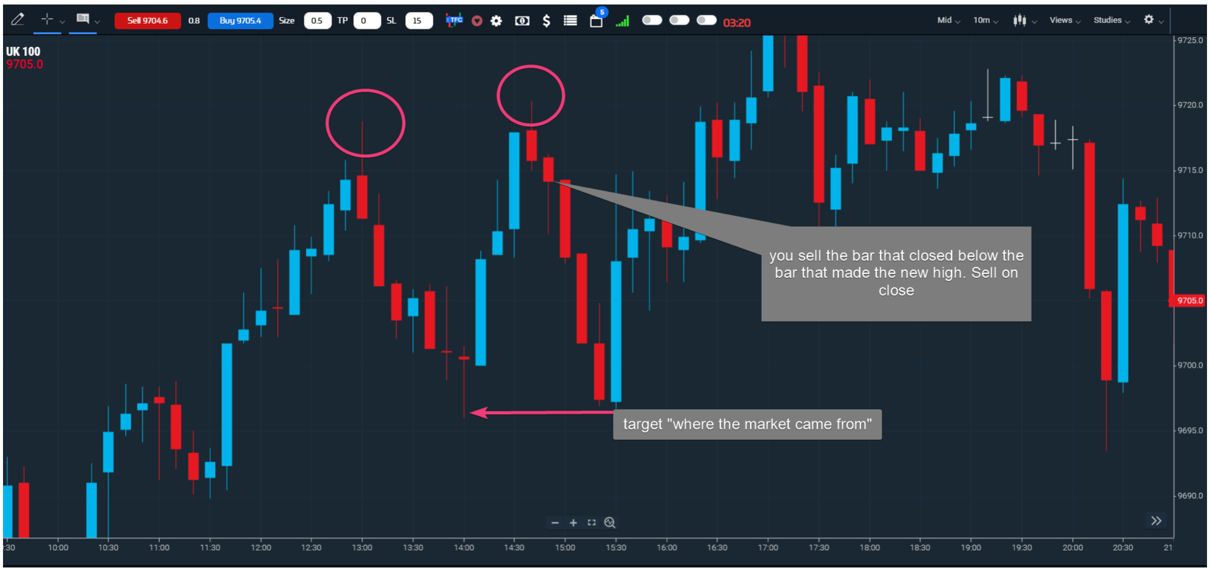
Psychology: Your nervous system will betray you: If you desperately want to close, it's usually too early. When staying in the trade feels painful, the idea is often correct. Humans are built for comfort, not uncertainty. Trading punishes that instinct.

Case study:

1/

(DAX on 10m chart)

2/



(FTSE 10m chart)

Disclaimer: Full credits to the originator of this breakout strategy: Tom Hougaard. You can find more of his work on www.tradertom.com. This technique has been reinterpreted and documented by Karaoke Andi and Samsoms.