The HOP Strategy – Hourly ORB Pulse

1. Where the strategy came from

The Opening Range Breakout

Most traders know ORB. You take the first few minutes of the New York open — five, fifteen, thirty minutes, whatever you prefer — and treat that high and low as the opening range. A genuine breakout of that range is treated as meaningful, because the open is when a huge concentration of new orders hits the market at once.

The Reality:

Banks and institutions do not sit on their hands for twenty-three hours and then dump everything into one thirty-minute window at the New York open. Liquidity shows up in pockets all day long, not just in that one window. So why should the opening-range concept be limited to one window a day?

I trade the same concept every hour throughout the day.

2. The HOP concept

The Hourly ORB Pulse Strategy uses the same logic ORB was built on, just applied far more often — because that is closer to how liquidity actually shows up through the day.

Every new hour, a new 5 minute range forms and I wait for price to break out of that range with real conviction – I'm looking for that **Pulse** candle.

When there is no trade

- If price never leaves the range that hour – there's no breakout – no trade — it is that simple.
- Sometimes price leaves the range, but goes nowhere, and falls straight back in. This is a fakeout that traps breakout traders and something I try to avoid!

The second half of my strategy is built around VWAP and the value area.

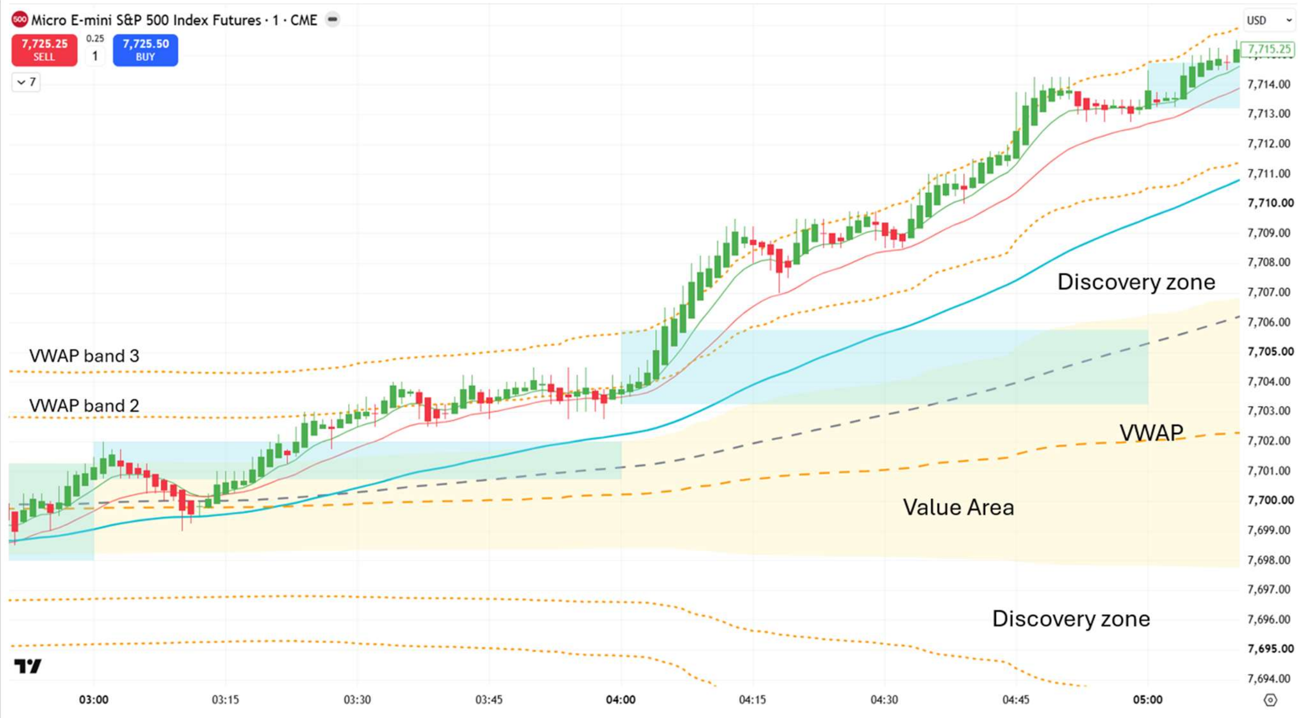
VWAP and the Value Area

Every market spends most of its time searching for a price that both buyers and sellers are happy to keep trading at. That price, or that narrow zone, is what people mean by value. It moves through the day as new orders arrive and volume shifts.

Value area is the shaded yellow area on the chart below between the lower and upper first VWAP deviation bands. VWAP runs through the middle of that value area. VWAP means volume-weighted average price. VWAP weights each price by how much volume traded there, so it shows where the real business took place.

Price oscillates around VWAP, and the standard deviation bands are a ruler for how far it has drifted from fair value. The further out, the more stretched the move.

Chart showing the Value Area, VWAP and the Discovery Zone.



> **The Discovery Zone**
> The area between the first and second VWAP bands is where price tends to move quickly and with momentum, because it has broken free of fair value. This is where I take most of my trades.

The cycle: range, expansion, discovery, reversion

Price moves in a repeating cycle, and once you are watching for this cycle, the whole chart reads differently, because you have a better sense of where price is likely to go next.

- **Value.** Price spends time in Value Area so long as buyers and sellers area happy with that price range. But eventually price will move into Price Discovery looking for a new Value Area.
- **Expansion.** Volume steps in and price pushes out of the Value Area.
- **Discovery.** Price breaks free of fair value and moves out into Price Discovery.
- **Reversion.** The move extends to the 2nd or 3rd VWAP deviation bands, stalls, and cycles back toward value.

Example 1:

At 11am the first five minutes of the hour set a high and a low — the initial balance.

At 11.24 price pushes out of the range and then out of value area.

Price moves upwards until it reaches the 2nd VWAP band and then pulls back toward value.

Price finds support at the 70ema. A new range had formed at 12pm and price breaks out of that range at 12.48, pushing upwards again towards and beyond the 2nd VWAP band.

A new range forms at 13.00 and price breaks out of this and continues up to the 3rd VWAP band.

Price does not expand forever. Eventually it cycles back — sometimes from the 2nd band, sometimes the 3rd, not necessarily all the way to VWAP, but back toward value. That is not a failure. That is the cycle completing. If price is already at the 2nd or 3rd band, the move is extended and a pullback should be expected.

Example 2:

At 12pm the range forms and price moves from one side to the other and back again trying to get out of the Value Area.

At 12:55 the balance breaks, volume increases, price is out of the Value area and leaves the range.

Price moves into price discovery, past the 2nd VWAP band and almost the 3rd before pulling back finding support at the 21ema and the top of the 13.00 range.

Price moves up again almost to the third VWAP band and then pulls back towards Value Area finding support at the 70 ema.

Knowing if a move is real or a fakeout.

Knowing this cycle exists however, does not tell you whether a specific move is real or a fakeout.

When price breaks out of a range I consider the following factors:

- Is price in the value area, or in price discovery?
- Where is the 200 EMA? This can act as a spring board if it sits in or very close to the 5 minute range.
- How much volume is there?
- Are we in a trend or is price consolidating?
- How much room is there before the next VWAP band? If the 2nd VWAP band is immediately overhead price may struggle to get higher.
- Has price already reached the 2nd or 3rd VWAP band? If so, the move is extended and a pullback is more likely than continuation.

How I avoid fakeouts:

Even bearing in mind all the above factors, when price leaves the range, there is no way to tell by eye whether it will keep going or fall straight back in.

I've been caught out plenty of times by a fakeout. I want to catch moves that break out with real volume, momentum and institutional participation behind them and that's why I built my breakout indicator – to flag high probability breakouts.

My indicator actually checks over 20 separate conditions for me before printing a signal, measuring how much confluence is actually present at any given moment.

The chart below shows price breaking out of the 2am range and the 3am range. The breakout of the 2am range was a fakeout but the breakout of the 3am range resulted in a great move up. But how do I know which breakout to trust? I wouldn't without my indicator.

Below is the same chart with my indicator running. I didn't get any signal to enter a position when price broke out of the 2am range so there was no suggestion that move was going to hold up.

But when price broke out of the 3am range – we see a Buy signal at 3.10, and price moves up then we get another buy signal at 3.34 so suggesting strong momentum even though price is at the VWAP bands.

But without my indicator I wouldn't have known which breakout was more likely to result in a good move.

Obviously, no indicator is a crystal ball but mine helps me recognise a good set up as opposed to a bad one.

Try it for yourself

A free trial of the Cazcade indicator is available on my website.

Questions are welcome by email, and you can follow me on Facebook, or join the Discord community for ongoing discussion and chart examples. Videos are available on my YouTube channel.

Website: www.cazcadetrades.com

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