Funded Trading Plus

PropIQ
Prop Trading Insights

# TURTLE SOUP STRATEGY

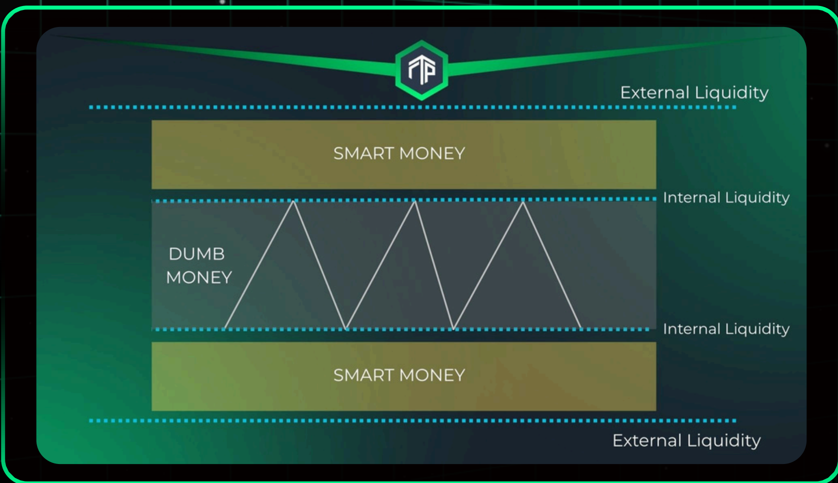
*A reversal and continuation trading strategy that takes advantage of false breakouts*

## 1. CONTEXT

The Turtle Soup strategy is a well-known trading concept developed by Linda Raschke in the late 1990s. In recent years, it has been popularized by Smart Money Concept traders, particularly ICT. The idea was inspired by the famous Turtle Trading Strategy created by legendary traders Richard Dennis and William Eckhardt. The Turtle Trading Strategy is a breakout, trend-following system. With tongue firmly in cheek, Linda remarked that when trends reverse and trap these breakout traders, they would end up being “turtle soup.” From this insight, the Turtle Soup strategy was born.

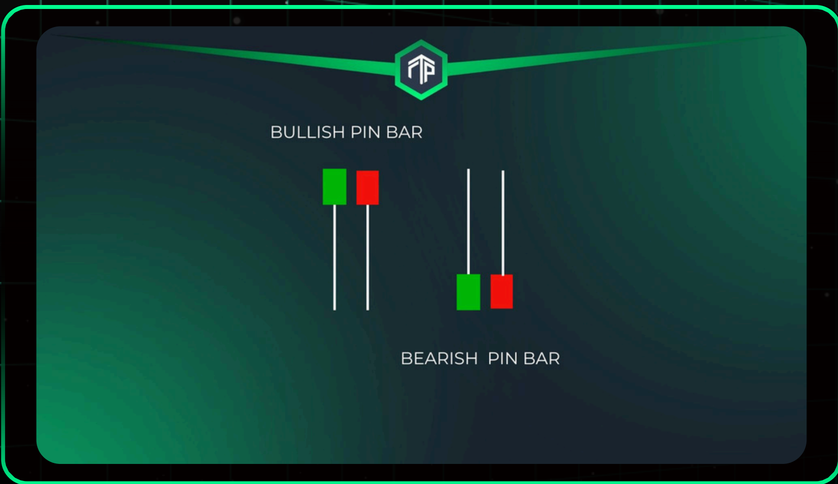
In essence, the strategy is simply a failed breakout setup. It can be applied at any major liquidity level, including key areas of support and resistance. The Turtle Soup strategy can also be used in direct correlation with the original Turtle Trading Strategy, which employs the 20-period Donchian Channel for short-term trades and the 55-period Donchian Channel for longer-term trades. Donchian Channels are constructed by plotting the highest high and the lowest low over the selected lookback period.

Smart Money Concepts (SMC) theory suggests that price is always drawn toward external liquidity, which typically resides at higher-timeframe support and resistance levels. Between these external liquidity zones, price often enters periods of accumulation, where it moves sideways rather than trending up or down. This accumulation phase is commonly referred to as “dumb money.” The “smart money” is positioned on either side of this dumb money, waiting to capitalize on liquidity once price expands.



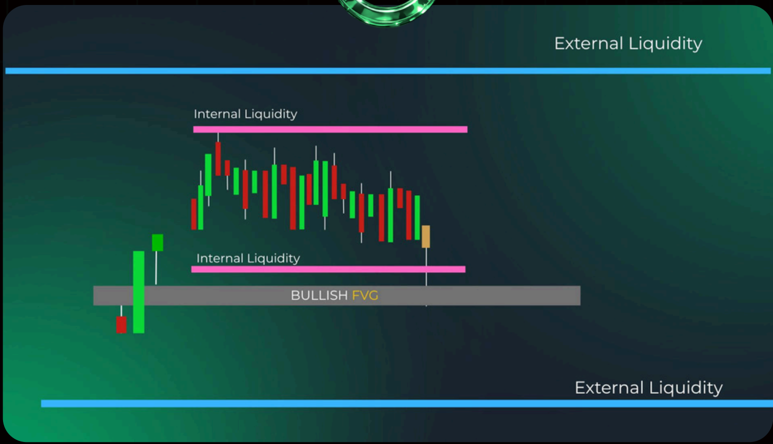
The price of any asset is always drawn toward liquidity. For a trade to occur, a buyer must find a seller, and a seller must find a buyer. Turtle Soup setups often occur when price breaks out of short-term liquidity, triggering buy stops and sell stops placed by dumb money traders, as price moves toward external liquidity targets.

When breakouts occur, the original Turtle traders would ride the direction of the trend following the breakout. However, not all breakouts succeed. When a breakout fails, the resulting price action can leave footprints in the form of hammer and inverted hammer candles, (bullish and bearish pin bars).



If, after a breakout, a long-wicked pin bar forms in the opposite direction, a trade may be considered. Entries are typically placed at the high or low of the candle, with the stop loss positioned beyond the wick, either above or below it, depending on trade direction.


While it is possible to trade the strategy using pin bar candles alone, it is advisable to incorporate additional confluences such as ADX, MACD, and RSI. Smart Money and ICT traders also look to Fair Value Gaps (FVGs) to help confirm entries.

## TURTLE SOUP STRATEGY RULES

1. Establish external liquidity on higher time frame
2. Establish an accumulation area and internal liquidity
3. When price breaks the internal liquidity with a long-wicked candle, look for a turtle soup entry
4. Buy/sell at close of pin bar candle, placing stop above/below the pin bar
5. Position size accordingly, locking in % risk
6. Ideally look for confluences, E.G. prior **FVG, RSI ADX, MACD**
7. Set profit target and external liquidity to lock in high risk-to-reward. Use the opposing internal liquidity for lower risk-to-reward

# IMPORTANT NOTICE

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