

Optimal Trade Entry (OTE)

What is optimal trade entry (OTE)?

OTE is a fibonacci tool with certain specific settings. OTE is a retracement zone in price action that traders look to as an ideal point to enter a trade during a trending move.

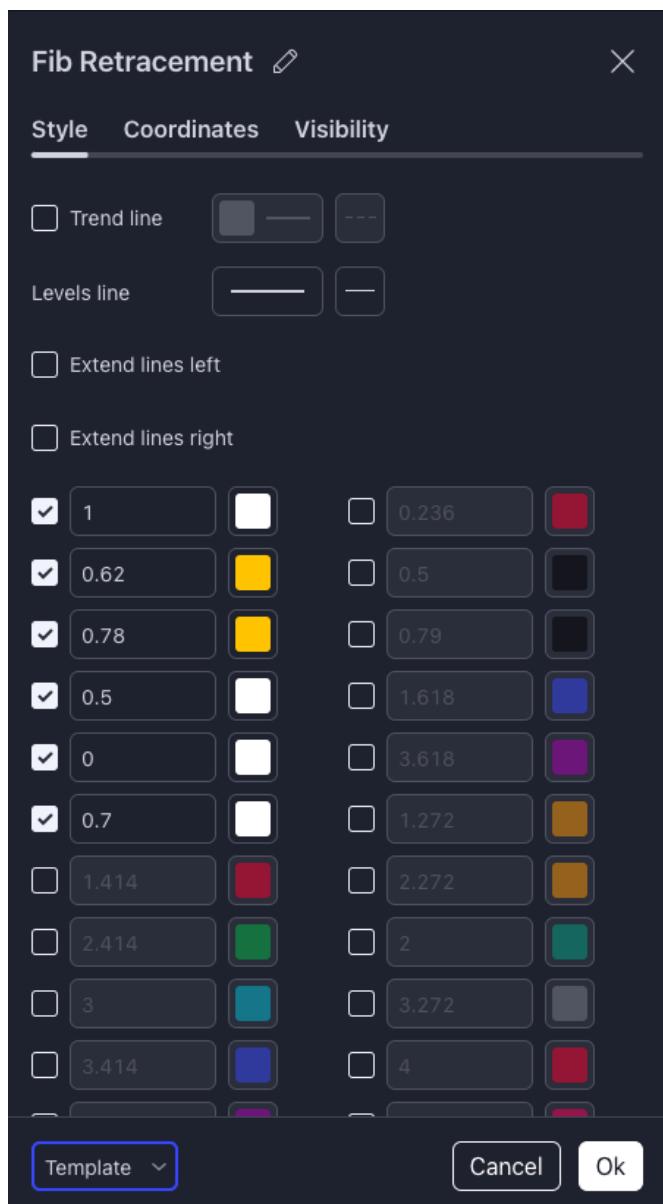
What can we use OTE for?

OTE can be used for the following purposes;

- To find entry points in a trending market.
- Reversal set ups.
- Continuation set ups.
- Finding daily bias.

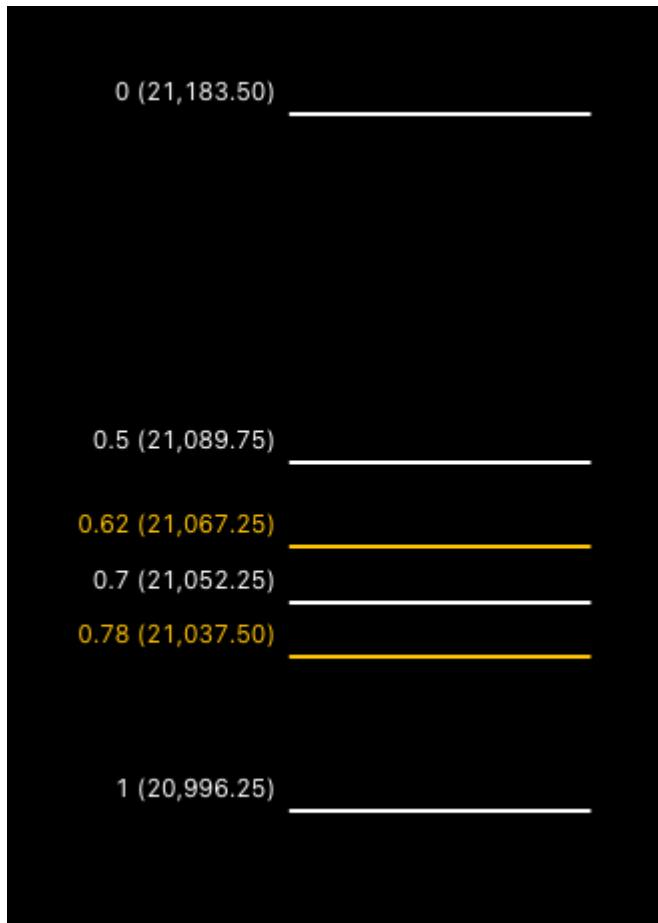
Nothing in trading works 100% of the time, its all a probability and we can increase our probability and odds against the market with additional conviction and more confirmations. Similarly OTE is never a sure shot at a trade that will hit, you will need to have more confirmations and reasons for why you will take a trade.

Here are the settings for OTE;



The zone between the golden lines, also known as the “golden zone”, will be our optimal trade entry or OTE.

After applying those settings, your fib should look something like this when drawn from the bottom to the top;



And it will look like this if draw from the top to the bottom;



As we know from our equilibrium concepts, that above 0.5 is our premium and below 0.5 is our discount. The same concept applies here as well just with a little extra zone which is our OTE.

How do we draw our OTE?

We draw our OTE from a SWING HIGH to a SWING LOW, when we are looking to short and we draw it from the SWING LOW to a SWING HIGH when we are looking to long.

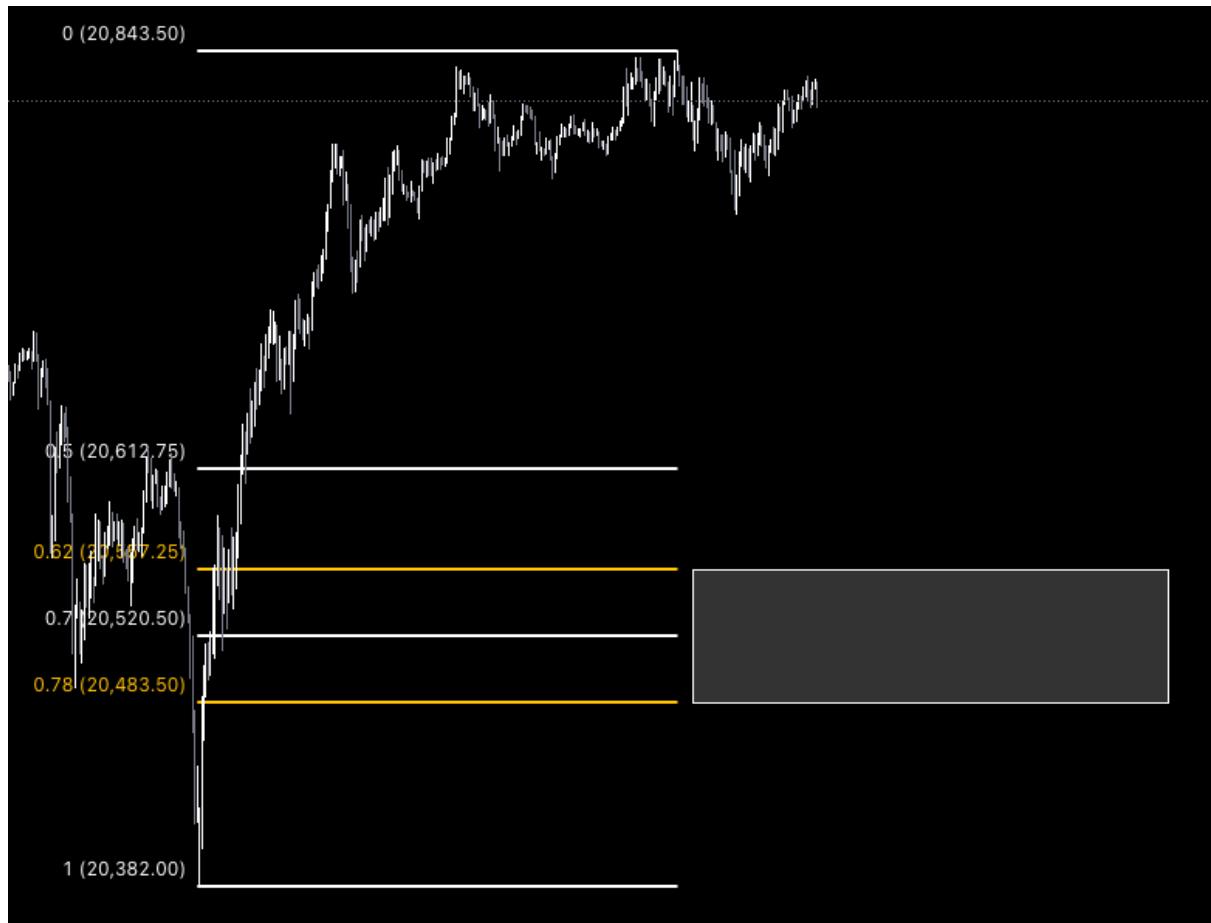
Most of the times we will draw the OTE from the highest point to the lowest point when we are looking to short. And we will draw it from the lowest point to the highest point when we are looking to long. But note that we dont always have to draw it from the highest and lowest points. We can use internal price legs for our OTE. We will look at examples of both.

Classic use of OTE (highest/lowest point to lowest/highest point);

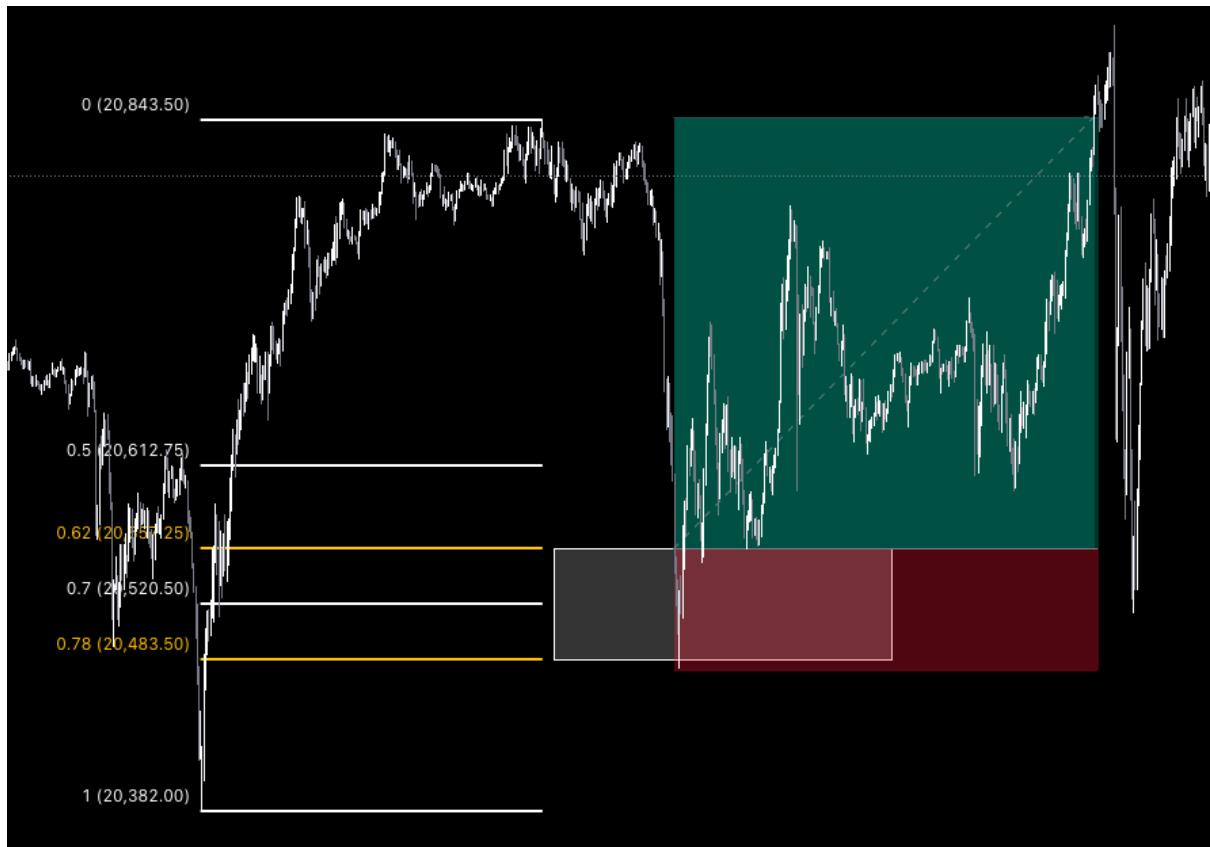


With this big move up, we have identified our highest and lowest points.

Since we want to long, we will draw the OTE from the lowest point to the highest point. Lets see how that looks;



We have now draw our OTE and we have our zone, we will wait for price to retrace to this zone to long.

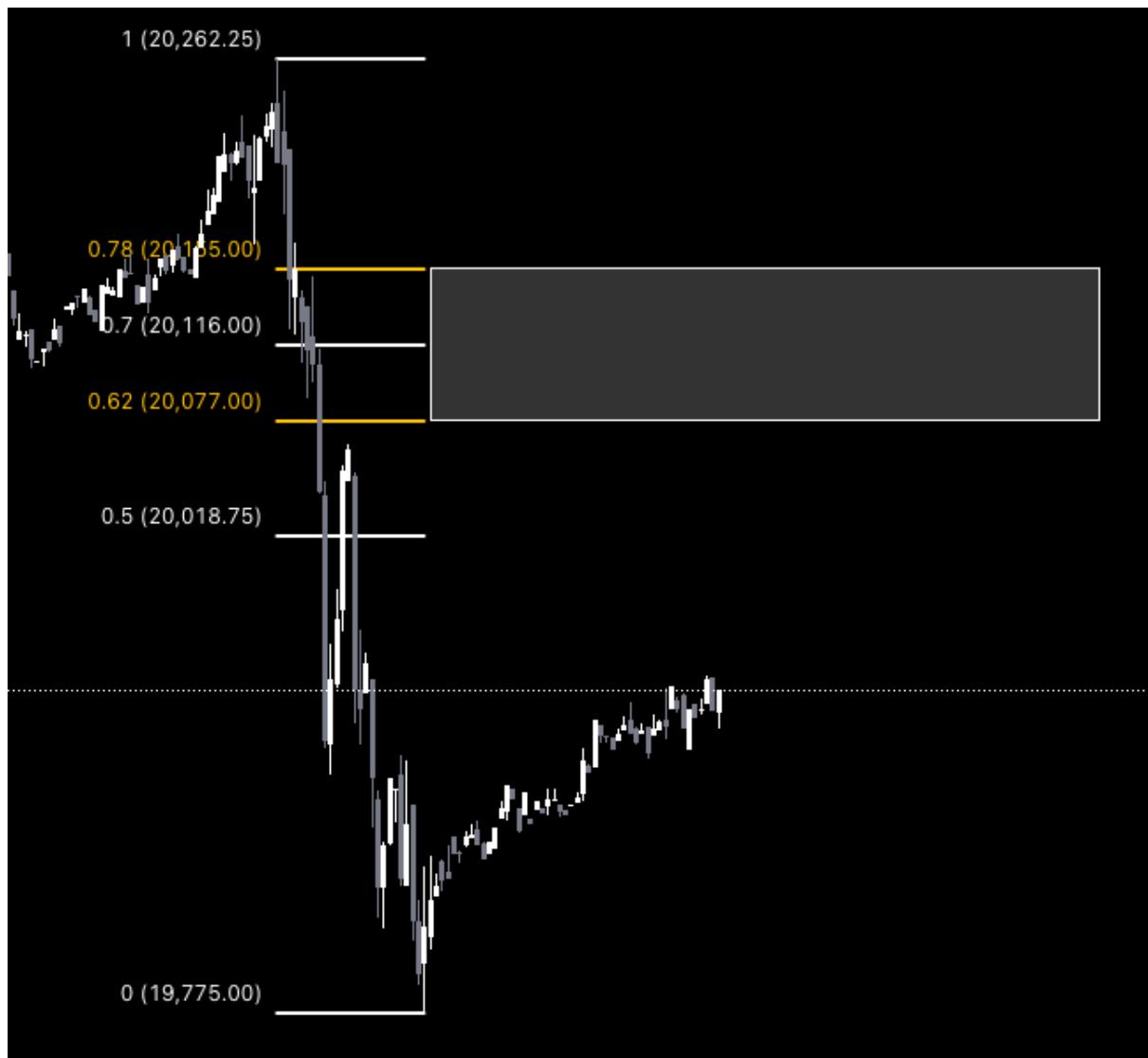


We can see how once we reach OTE, we have a move up towards opposing liquidity.

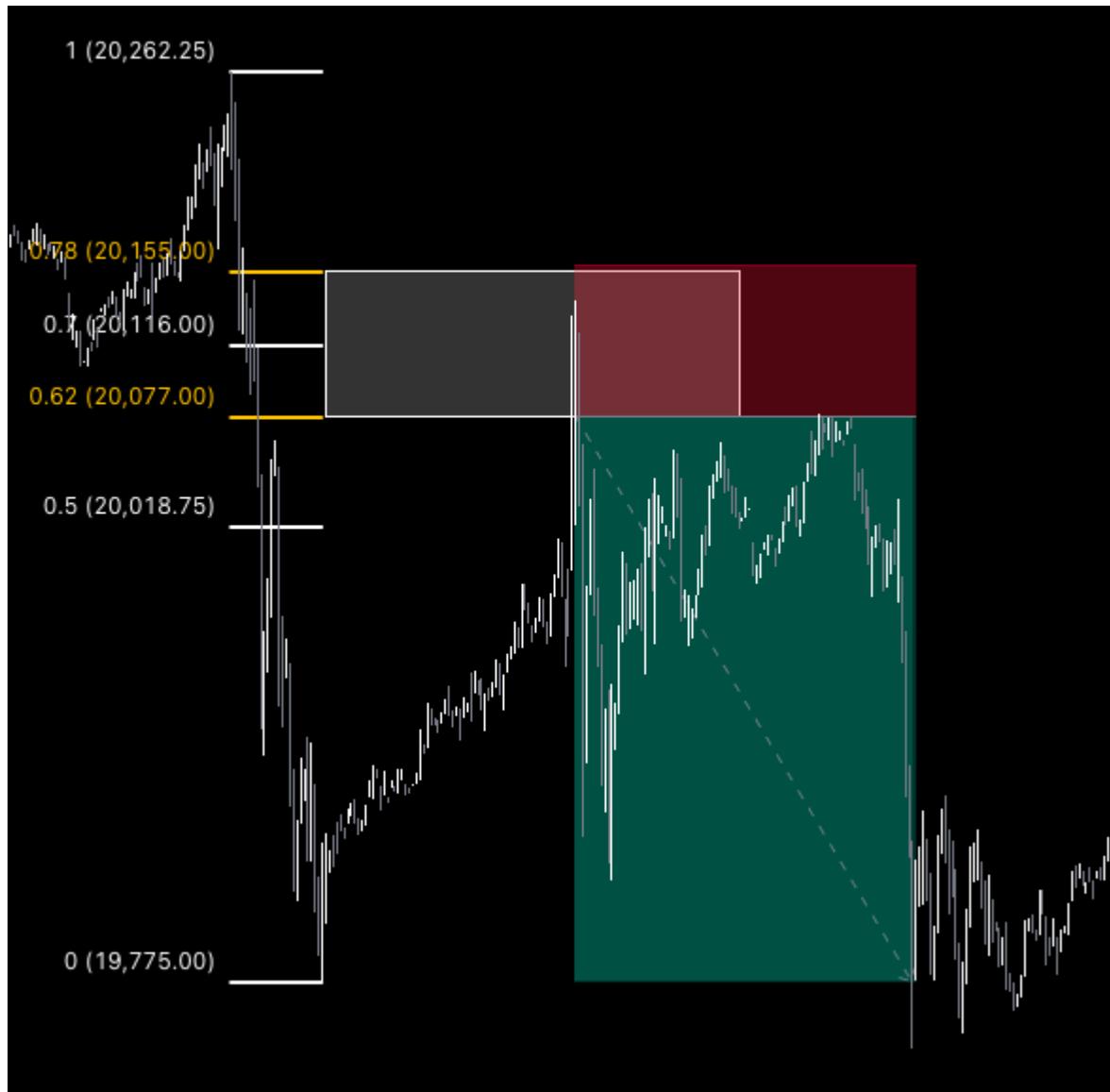
Lets look at a bearish example;



Highest and lowest point marked.

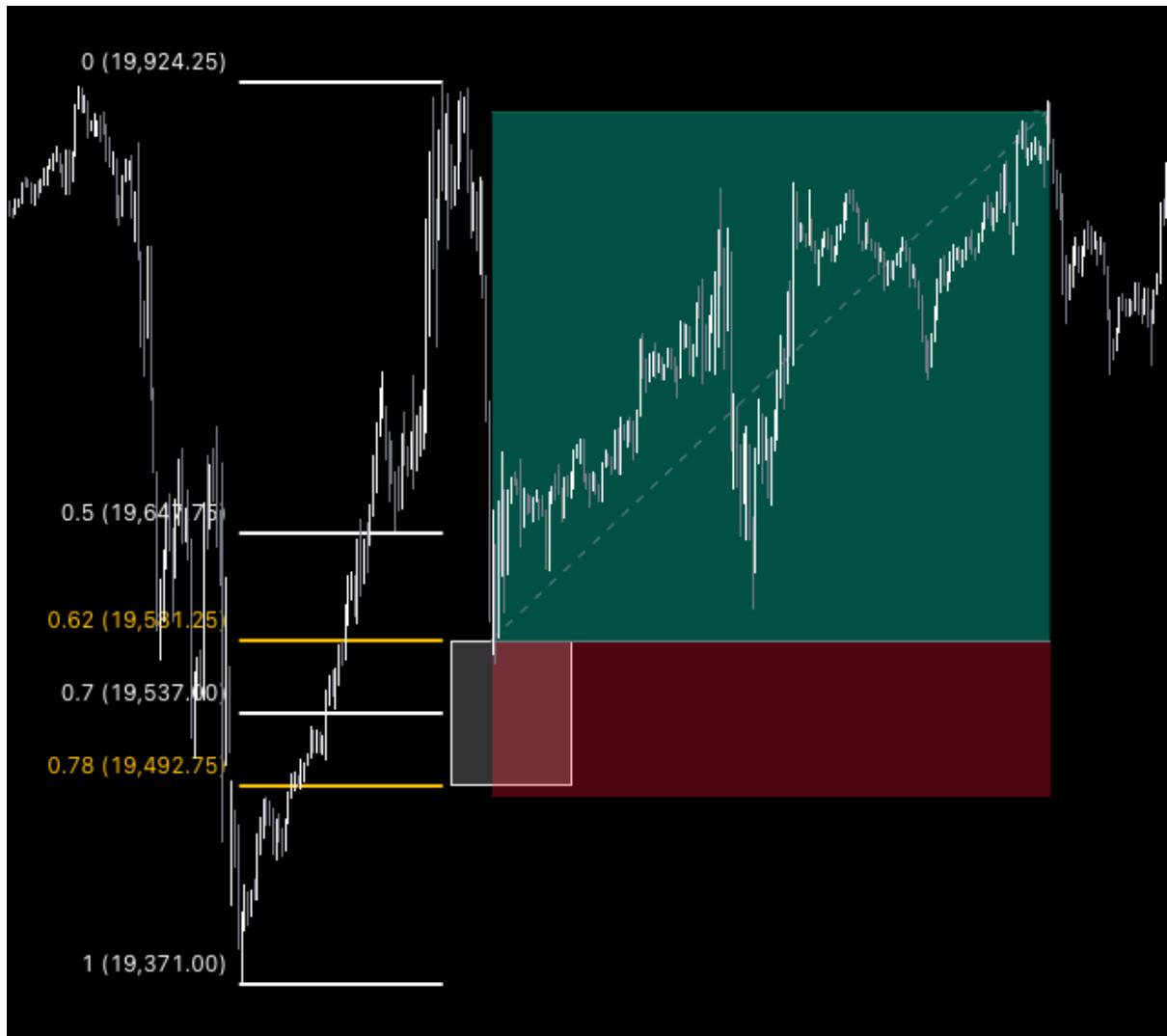


OTE drawn from highest point to lowest point as we are trying to short here.



We short from the OTE zone and target opposing liquidity.

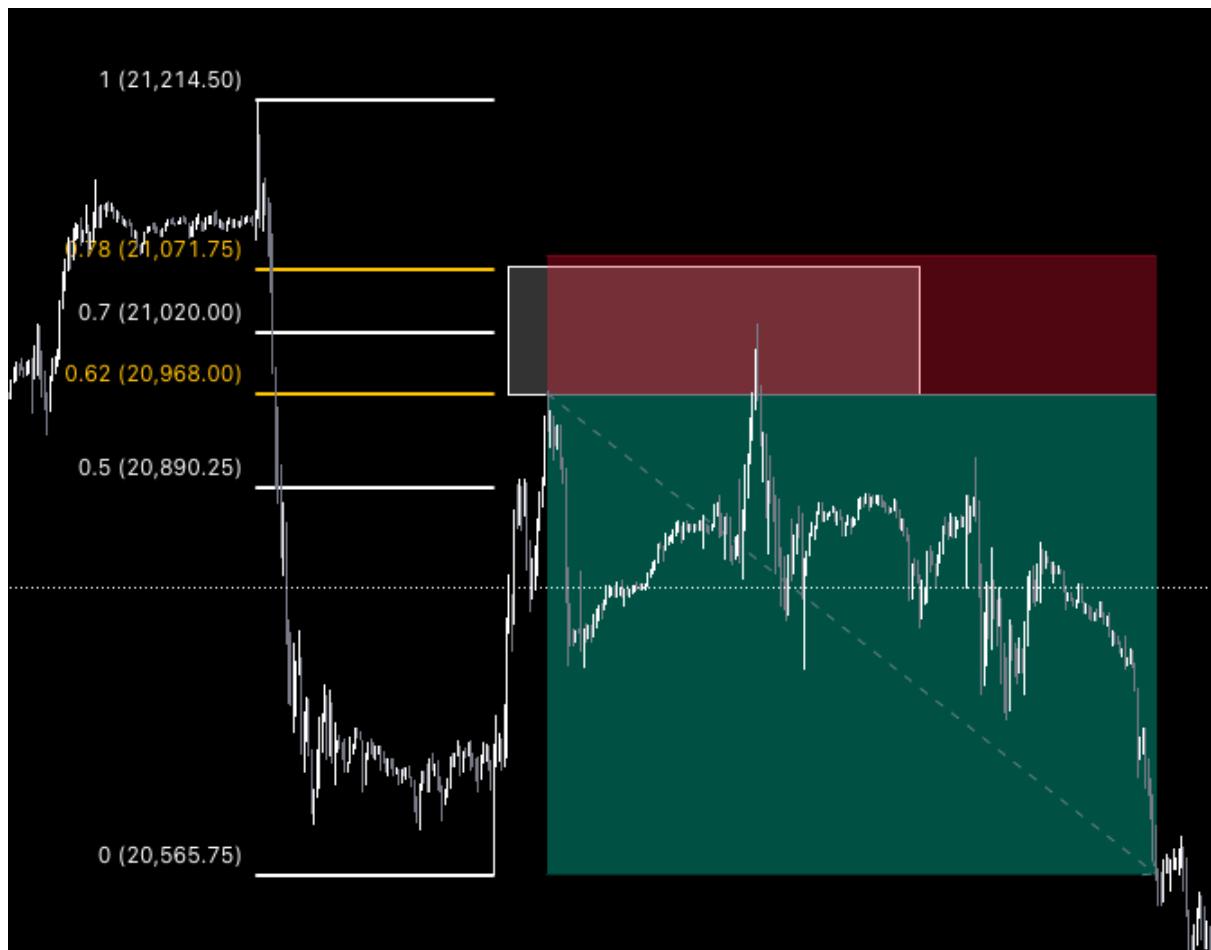
Extra examples;



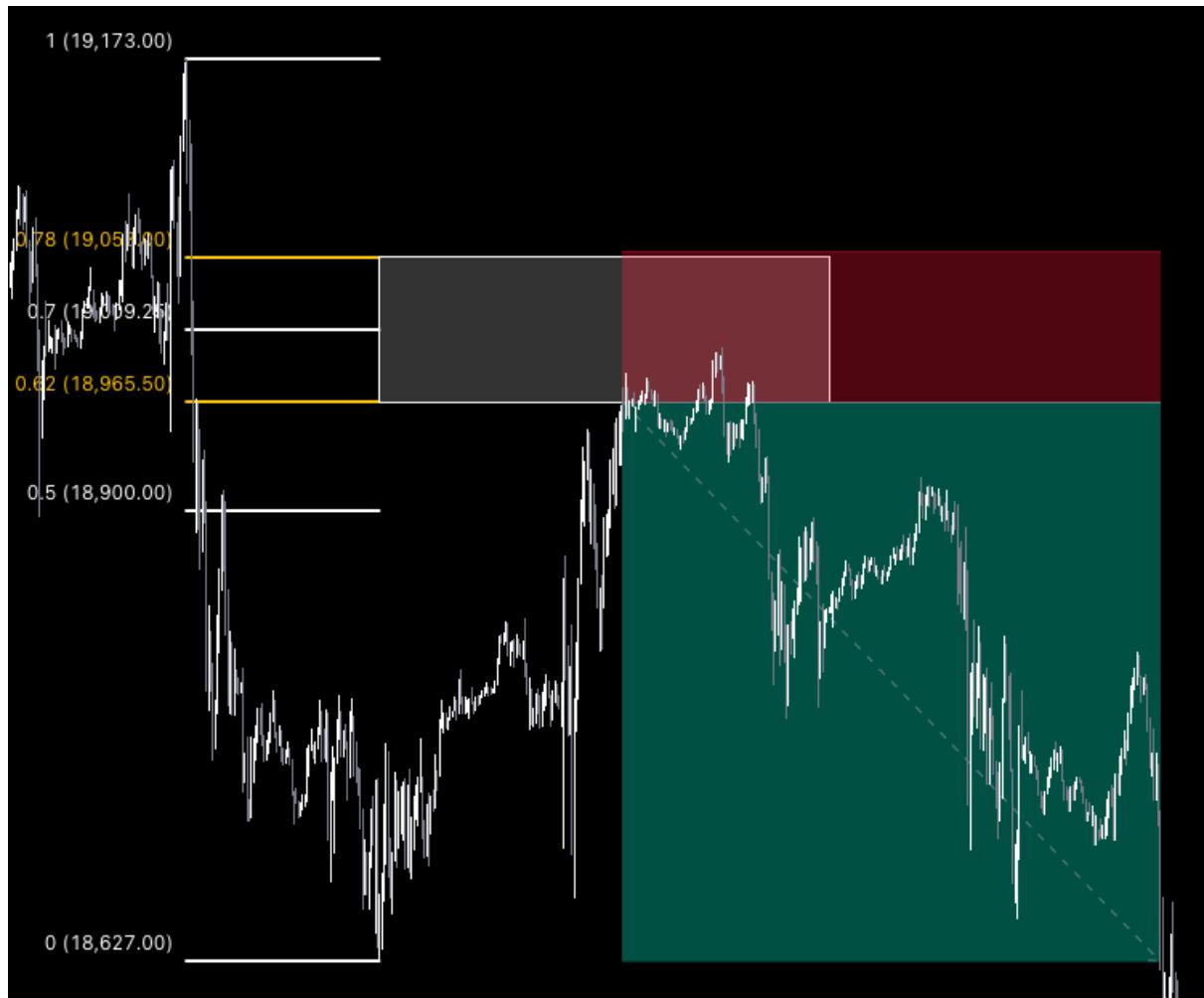
We draw the OTE from the lowest point to the highest and wait for a retracement into our zone and then we long it and target opposing liquidity.



OTE drawn from highest point to lowest point and we short from our golden zone and target opposing liquidity.

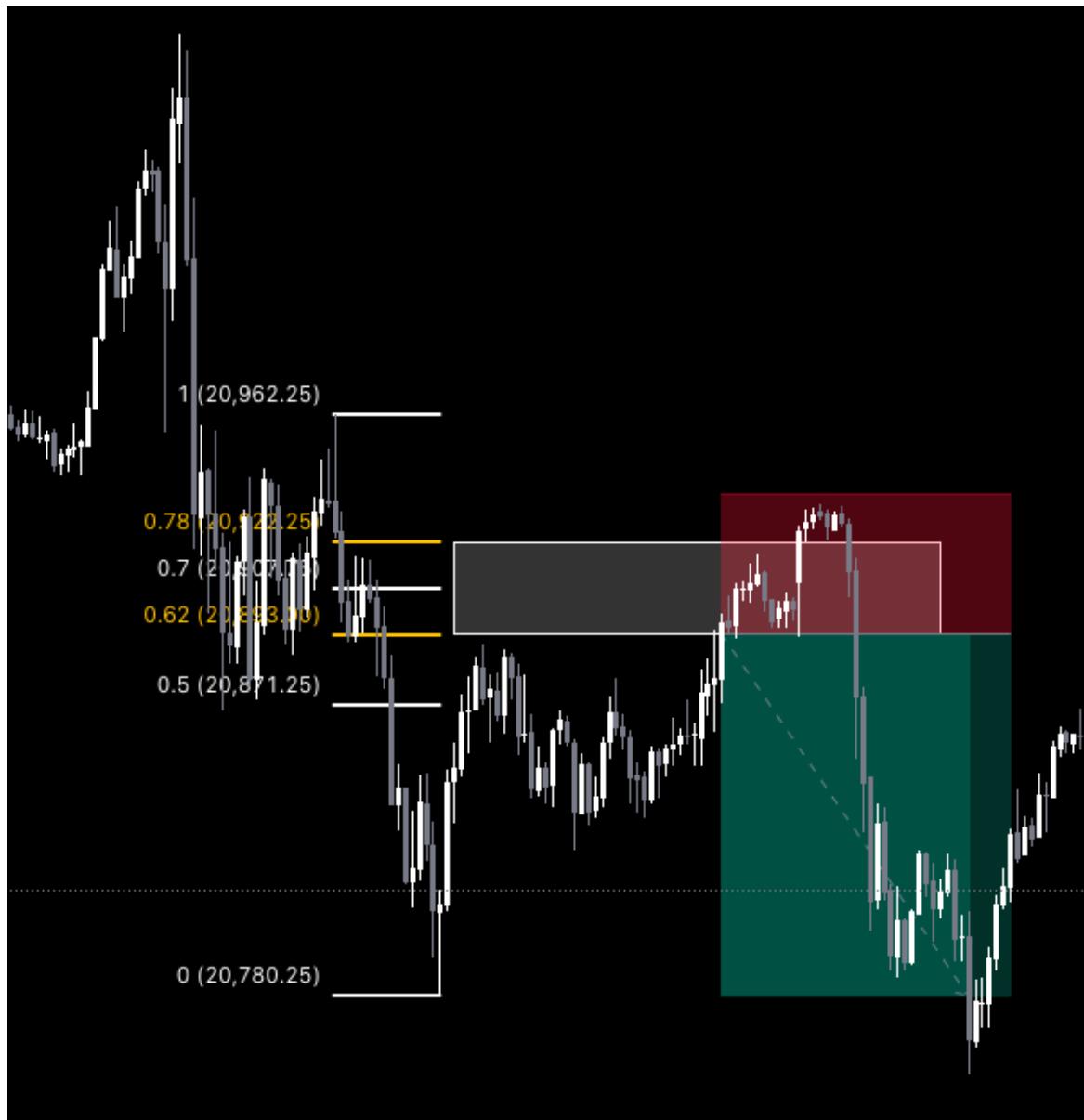


OTE drawn from highest point to lowest point and we short from our golden zone and target opposing liquidity.

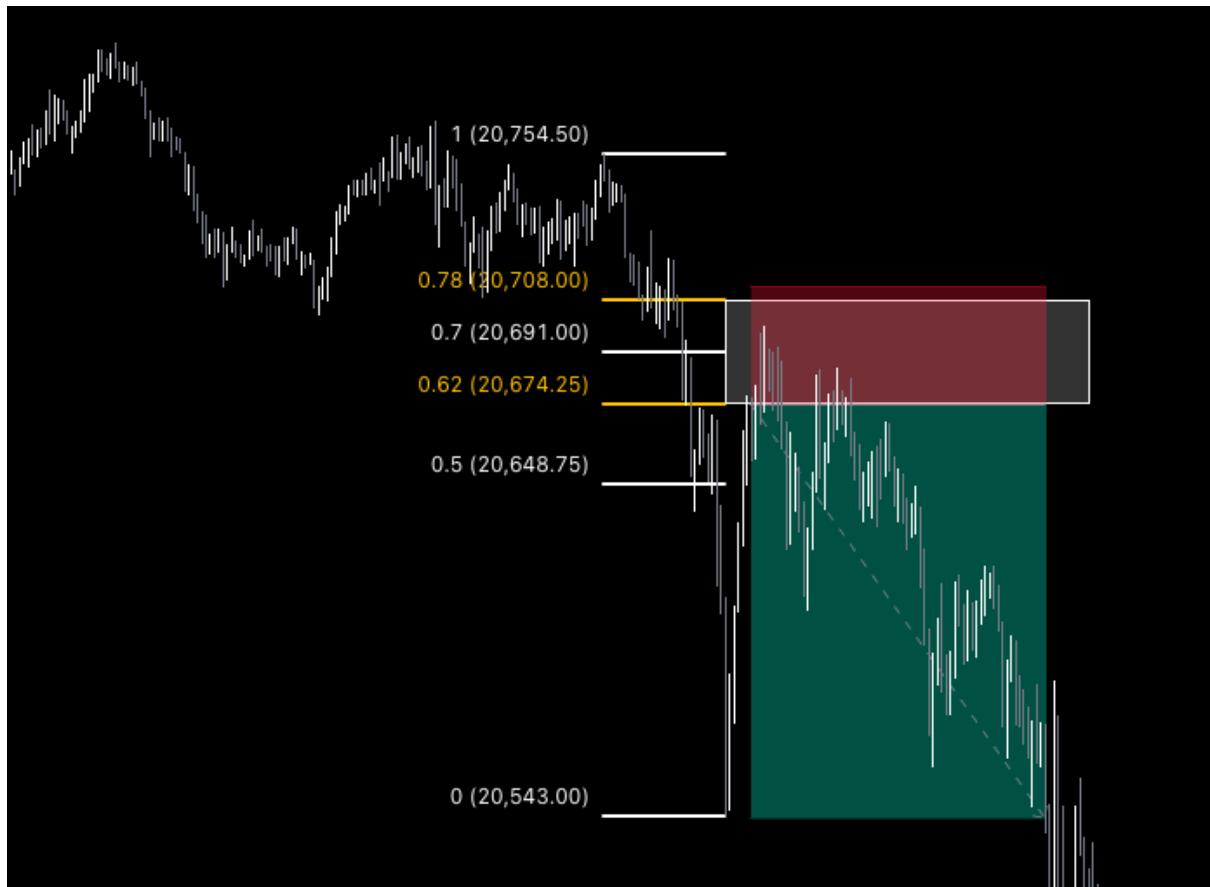


OTE drawn from highest point to lowest point and we short from our golden zone and target opposing liquidity.

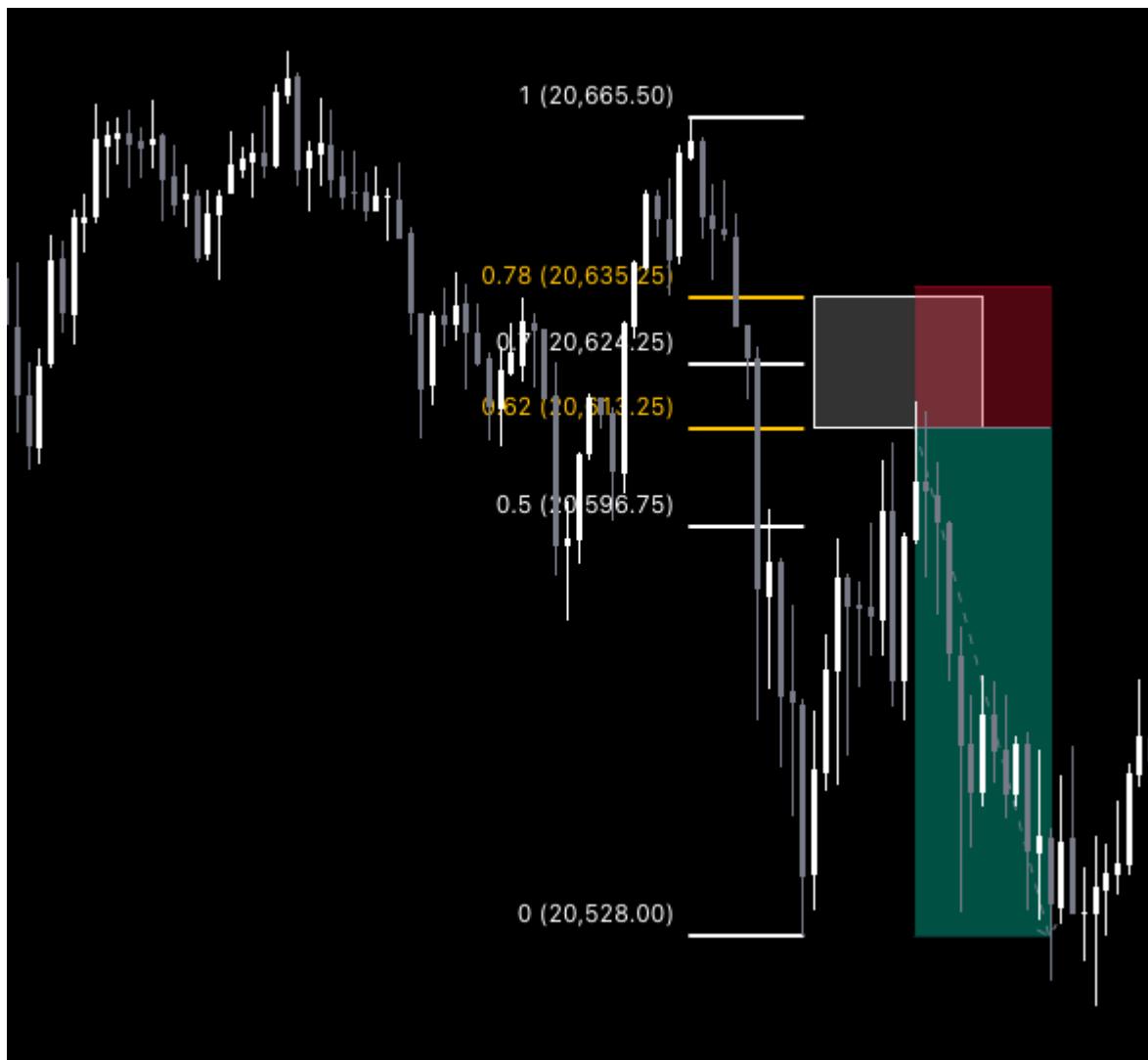
Internal OTE examples;



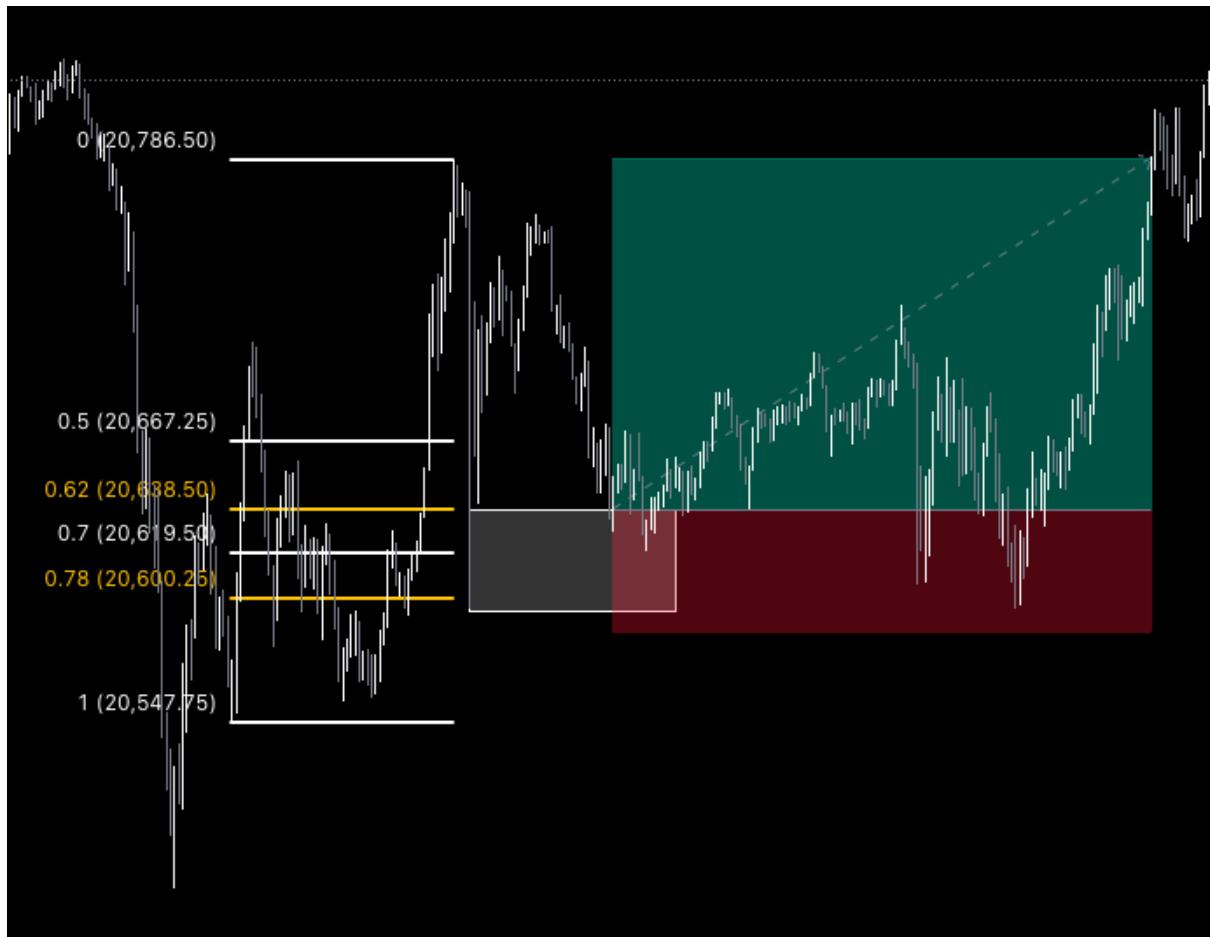
Over here we can see that we draw our OTE from the internal price leg in between the highest and lowest point and the OTE set up still works. Nothing else changes, we enter at OTE and target opposing liquidity.



We short from our internal OTE zone and target opposing liquidity.



Same as the previous examples.



Here we have a bullish internal OTE example.