Friday, December 14, 2012

Major Swing Pivots

As I have written earlier, my trading revolves around Decision Points. I expect traders to act forcefully at these levels. Major Swing Points (MSP) are considered as decision points. MSP need some explanation. There are two types of MSP.

Auction markets produce a continuous stream of data. As we cannot process this raw data in real time, we chop it and chart it. We cut and package the data as per our own convenience and comfort level (Read)In fact the data is same for all time frame traders. In my opinion there is no need to look at a higher time frame chart as everything visible there, will appear much more prominent in your trading time frame. The problem with lower time frame is that if we start looking at lower time frame regularly, we will finally end up trading it.

Trends and time frames create a lot of confusion among traders. Most of this confusion can be avoided sticking to a single time frame. Even a single time frame trend can be confusing. It may appear in different levels. I will try to explain the important levels.
There are Micro, Minor and Major Trends in all time frames.

Micro trend is the lowest level trend. Successive candles making higher highs and higher lows make a micro up trend. Lower lows and lower high candles make a Micro down trend. Every candle Highs and Lows are pivots .These are called Micro Pivots

Extreme points where the Micro Trend change happens are Minor Pivots (A&B).Higher minor pivot highs and higher minor pivot lows make a Minor up trend. Lower Minor pivot highs and lows make a minor down trend.

Again extremes where a Minor Trend change happens are called Major Pivots. (C&D).
Higher major pivot highs and higher major pivot lows make a major up trend and the reverse a major down trend. These major pivots are considered as MSP. These levels are very much visible in higher time frame charts and will attract orders from higher time frame players.

Usually traders trade the Minor Trend of their trading time frame. Trend traders try to ride the trend and remain in the trade till the trend reverses. Most of the traders exit the trade when the swing pivot from where the move leading to the extreme cracks. Notice the last picture. Crack of pivot A is not considered as trend change. Crack of B is considered as trend change. A swing pivot, the break of which is considered as trend change is also counted as a MSP .MSP is the pivot low immediately preceding the highest high in an up trend and the pivot high immediately preceding the lowest low in down trend.Crack of MSP is considered as trend change

As usual do not think too technical and do not be too rigid in your definitions. Now forget everything .Keep it simple. If a swing pivot looks prominent, treat it as MSP and watch price action around this area.
"If it looks like a duck, quacks like a duck and walks like a duck, it's a duck"

Posted by SMART Trader at 11:56 AM   M B t f ⌾

3 comments:

Kranti December 14, 2012 at 6:07 PM

Hi.. as usual you articles are of great interest to me in terms of content & style of writing..

i always wanted to ask a clarification.. I have been learning Trading system based on moving averages (high , close & low) of different time frames , OB / OS conditions.. your article on the use of time frames makes interesting reading..In my little exposure to markets i found that if i try to trade a shorter time frame without regard to the next larger time frame i ended up losing as forces impacting larger time frame is more stronger..On a typical friday the week trend asserts and so on....but i also saw that any move always starts with lower time frame first before trickling down to a larger time frame and either i found myself reacting late or too early.. i am little perplexed here..If possible please write a more of this ..Looking forward to the same. thanks

Reply

SMART Trader 🖉 December 14, 2012 at 8:02 PM

Kranti

Markets have no time frames. It is a continuous dual auction process which produces streaming data. Time frames are our own creations. Markets moves because of demand supply imbalance. You can read this imbalance much earlier on lower time frames.Let the higher time frame assert you will always get enough time to exit and reverse.
Why should we trade some calculated levels when Market itself is showing the levels it respect ?. Identify and focus on actionable price levels where the market turned earlier.Market is going to respect its own levels not our calculated levels. Trade the reality.
Unfortunately most of us are trying to trade the shadows

ST

Reply

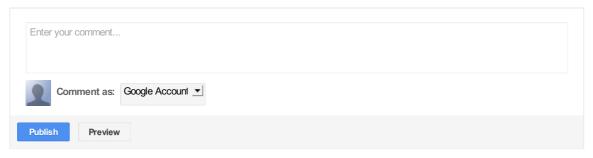**Kranti** December 16, 2012 at 5:38 PM

ST

Thank you so much for the reply.. I will develop this perspective ..looking forward to learning more from you

Kranti

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