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There is a substantial risk of loss associated with trading Derivatives . Losses can and will occur. My methods will not ensure profits

Tuesday, August 13, 2013

SCORE

As you know, my trading revolves around Decision Points. I never trade into a Decision Point and always trade away from it. Basically I am looking for the three simple trade setups around these areas. If you are trading these setups as stand alone patterns, it is not going to work.

The method is purely discretionary and our "feel" and "read" of the price action is going to play a vital role in this method. If you think this is all about setups and patterns, you are likely to get disappointed. Like any other discretionary method, this involves judgement. Remember this judgement has to be made in a probabilistic environment where there is no certainty. It is all about what goes into your judgement process.

When price approaches a Decision point, I visualize my trades. My preference is always for trades in the direction of current Market Bias. Then I "**SCORE**" these trades before making a decision to act. Here is how I do it.

Space.

Is there sufficient space for the trade to move? Where is the FTA?. How to deal with the FTA? whether we should target the FTA or enter on break of it?

Critical Mass.

How day traders are positioned? Are they in profit? when they are going to book profits? where they will panic? Who is in control of the Market?

Orders Flow

Where are the orders? Where other traders will keep their stops? Where we should enter to ride these orders?

Risk

How much we are risking on the trade? Where to place stop? what should be our position size? Is it within our comfort level? Ensure RR is favourable.

Earlier Behavior

How the level behaved when price visited it last time? Rejected? How far? How fast? How long price stayed at the level? How the price returned to the level?

These are all guidelines only. We cannot make rules for all these things. Preparing a flow chart and programming the process is not possible. We must take a trading decision only after processing all these relevant information. There are no shortcuts. You need to train your mind and it is really going to take some time and lot of effort.

Posted by [SWART Trader](#) at 8:20 PM



7 comments:



[Sunil Saranjame](#) August 13, 2013 at 9:28 PM

superb!

Thanks a lot!

Reply



[VK](#) August 14, 2013 at 8:40 AM

Hi ST:

Reading your blog regularly. This one is a super duper article.

thanks and regards

Vinod

Reply

[Karmalesh P Langote](#) August 14, 2013 at 7:57 PM



Nice article. Can you write something on order flow? I tried searching the archives but could not find anything.
Reply



SMART Trader August 14, 2013 at 11:28 PM

@SS
@VK

Thanks

ST

Reply



SMART Trader August 14, 2013 at 11:36 PM

Kpl Sir

Thanks for the visit and comment.
Real order flow trading is a metagame and it is beyond my knowledge level. Anyway I will try

ST

Reply

adhi narayanan August 15, 2013 at 1:59 PM

Thanks for another good article.

Reply



Karralesh P Langote August 16, 2013 at 1:45 PM

@smart trader... the reason I asked for you had mentioned this few times in your post. I did some searches on google and youtube and what I got was all related to tape reading.

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