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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*

Saturday, July 20, 2013

## Space

Space is simply the profit margin of a trade. It is the distance between our entry point and profit target. Space determines our risk reward ratio. Before entering a trade we need to ensure there is enough space for the trade to move. I think many traders ignore this aspect.

In fact this is one of the most important things to consider when entering a trade. Price takes the path of least resistance. Most of the time the First Trouble Area will give some opposing order flow and cause the price to stall. I have written a post on how to deal with FTA earlier ( [Read](#) )

Most of the time the space between entry and FTA will not give us a favorable RR, Price may bounce back from FTA forcing us to exit or it may break through it. We will never know for sure. Exiting all the trades at FTA is not a solution as we cannot let our winners run.

Identifying the right location and patterns to trade is only a part of the game plan. Managing the trade is the next challenge . There is no option other than depend on our "Feel" and "Read" of the markets. This makes trading difficult.

Mechanically trading the three patterns at Decision Points will give us a substantial edge for sure. But the real breakthrough will come only when we achieve expertise in managing the trades. It may take much more time than we think.

Posted by [SMART Trader](#) at 9:11 PM



## 5 comments:



[The stalker](#) July 20, 2013 at 11:28 PM

All in and scale out strategy can partially set off the FTA Dilemma. Is it not so?  
What is your strategy in this regard

Reply



[SMART Trader](#) July 21, 2013 at 7:40 AM

The Stalker  
Yes . You are right  
To be frank, I am under capitalized and trade in single lot most of the time. Yet to experiment with that

ST

Reply

[Anonymous](#) July 21, 2013 at 6:37 PM

Narraskar ST,

You had mentioned about your earlier blog (momentum trading based) in one of your posts. Its not showing on the search as it was mentioned in the comments. Can you provide the link and access please?

And how did you switch from momentum to intraday trading?

Dhanyawead,  
VP

Reply

[Anonymous](#) July 21, 2013 at 6:53 PM

Narraskar ST,

One query regarding fluid. Can the one way upsurge during the fag end of the day work as fluid, if on the next day the market opens flat and starts going down.

Dhanyawaad,  
VP  
Reply



**SMART Trader** July 21, 2013 at 9:06 PM

VP

The old blog do not exist now.  
Yes. Previous day upsurge can act as fluid.As you know there are no certainties only probabilities in trading

ST

Reply

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