

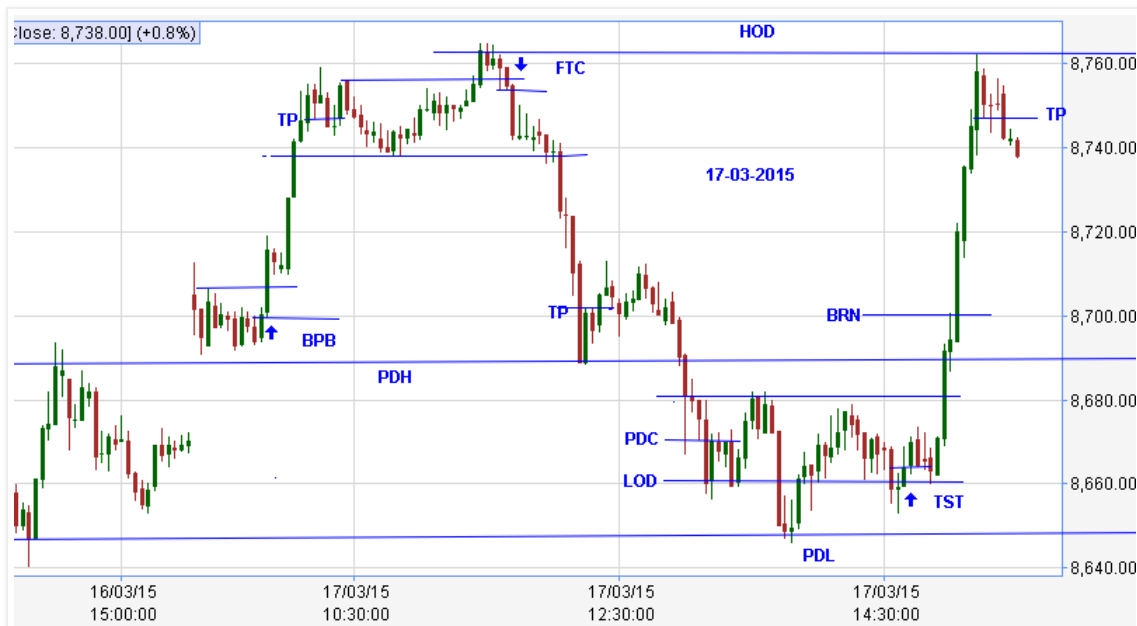


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There is a substantial risk of loss associated with trading Derivatives . Losses can and will occur. My methods will not ensure profits

Tuesday, March 17, 2015

17032015



This is an illustrative example of the concepts being discussed. Markings are just visualizations on historical data in hindsight analysis
Nifty gaped up above PDH. CT outside gap. Went long on the BPB of PDH/BRN. TP when price failed to stay above RN. Shorted on FTC. Target was probable range low. But it broke MSP and fell. TP above BRN after a bounce from PDH. Did not get the next down move. Price hit PDL and reversed. attempted a BW range around PDC. Long on TST of range low. Short covering at the fag end took the price to HOD. TP around 8750. Keep a watch on Spike and Ledge pattern which may occur after a climatic move
<http://technical.traders.com/authors/images/4675.gif>. Today the last entry was on BOF of ledge bottom(LOD). Here if you wait for the test of PDL, you will miss the low risk entry. Other entry is a PP on break of the ledge top.

Posted by SMART Trader at 4:23 PM



33 comments:



Raju March 17, 2015 at 4:34 PM

Dear ST

Thanks for the charts and excellent trades.
I assumed there is a triangle pattern formation before your last entry. Pls clarify

Raju

Reply

▼ Replies



SMART Trader March 17, 2015 at 4:37 PM

In our method we do not draw any diagonal lines.
All the levels we use are horizontal price levels

ST

Raju March 17, 2015 at 4:48 PM

Thanks ST



Trader Pai March 17, 2015 at 4:48 PM

Hi ST,
I was away in the morning and in the evening .
In between attempted two trades..
Could you please comment on my 2nd trade

<http://posting.org/image/56zz70x9v/>

rgds
Kishore

Reply

▼ Replies



SMART Trader  March 17, 2015 at 6:42 PM

Nothing wrong with the trades. Second one was premature
Price went up 100 points and retraced it all. Don't expect it to move up again immediately
Always expect some chop and consolidation

ST

Reply



sqlfix March 17, 2015 at 4:49 PM

Hi Sir, Thanks for the chart. I shorted at 10:30 AM observing swing low. What was wrong here or do we have to wait for the price to break the earlier high price. How to identify and avoid this trap.

Reply

▼ Replies



SMART Trader  March 17, 2015 at 6:50 PM

For a reversal trade always give room for a complex pull back especially on a strong trend
Usually after the up move price will form a range. You sell the BOF of the range high . Short the range low only if critical mass gets trapped. <http://adamhgrimes.com/blog/wp-content/uploads/2014/11/pullbacks.png>

ST

Reply



Uday Dave March 17, 2015 at 4:51 PM

Sir,

Nice trades as usual. Thanks for sharing the insight about Spike and Ledge pattern. It is indeed a very powerful pattern. For your second trade, was there also the same pattern?

Also some interesting observation. I have noticed it few times earlier and also today. "After a counter-trend full gap (outside gap), first pullback to the FTA can be bought/sold for the low risk entry rather than waiting for BPB kind of setup." Your first trade is a good example of that. Please share your views about it.

Thanks.
URD

Reply

▼ Replies



SMART Trader  March 17, 2015 at 7:17 PM

It was not S&L. Price did not consolidate and retest the range high after BOF
Another issue is that Buying climaxes are difficult to identify where as it will be very evident on sell side
You can try a blind buy if price pulled back to PDH after gap up. Today BRN was an issue. Good trade comes when a counter trend move stalls at a S/R

ST



Trekkie March 17, 2015 at 10:44 PM

Hi ST, thanks. What is the difference between break of bar no. 7 and break of bar no 10 YOU have entered on break of bar no. 10, why not on break of bar no. 7? I entered on break of bar no. 3



SMART Trader  March 17, 2015 at 11:24 PM

I entered on break of bar no 3
Line above bar no 3 is the line I marked for BRN

ST

Trekkie March 18, 2015 at 9:22 AM



Good morning ST. Thank you so much.

Reply



Unknown March 17, 2015 at 5:08 PM

Hi ST,

last TST entry was great but I was bit hesitant to enter there and watched the market zooming up with out me.

I was hesitant because the bounce from PDL has not made any higher highs yet... so am not sure trend has reversed and price may test PDL any time and hit our SL...

Thanks,
MarketNoob

Reply

▼ Replies



SMART Trader  March 17, 2015 at 7:19 PM

Did you go long on break of Range high
It was a good PP trade trapping the bears

ST

Reply



Unknown March 17, 2015 at 5:16 PM

Hi ST,

as continuation of previous question...

How did you get into last TST trade?

Should I place a SL buy near LOD when price is just testing PDL?
i.e place the SL buy some half an hour before in our case?

or watch like hawk for last TST and place right after TST at LOD?
I think this hawk method is hard !

or any other better entry strategy?

Thanks,
MarketNoob

Reply

▼ Replies



SMART Trader  March 17, 2015 at 7:31 PM

TST trades are very easy to execute. But psychologically very difficult
First you should have total trust in your levels. I will give an example. today price gaped up above PDH and started sliding. You feel PDH will hold. Then you just enter a limit buy order at 8687 and another SL sell order 8677 with a trigger of 8677.50. If your reading is correct price will bounce from PDH. Then you raise stop to the new swing low formed and trail. Otherwise both orders will execute and you lose 10 points

ST



Unknown March 17, 2015 at 8:46 PM

Thanks for the ideas ST !

I didn't take the long trade as I was not mentally prepared for such quick spike, after managing to take a decent short trade in the morning.

Thanks,
MarketNoob

Reply



Unknown March 17, 2015 at 5:27 PM

ST

What a day perfect for DP style my net connection and new software PI of zerodha i could not made the full use of the move
My thought was the same as of you any way I want to know which DP is most important in my view PDL and PDH decides most of the moves, you have mentioned in your book but only told us important DPs are places where movement are expected so please guide taking into account of my views

Reply

▼ Replies

SMART Trader  March 17, 2015 at 7:34 PM



Prominent levels are from where price got rejected strongly earlier. Usually PDH and PDL rank higher
Then it depends on other factors also. trend,range,space,critical mass, fluid etc

ST

Reply



L.V.Gandhi March 17, 2015 at 6:28 PM

Your second trade was CT. What was your thought process to take the trade at that point with out waiting for confirmation and what was your trailing SL

Reply

▼ Replies



SMART Trader March 17, 2015 at 8:29 PM

Price had already moved up 100 points from PDC. I felt it is a bit extended and need some consolidation
When BOF happened I went short ignoring RN and I was confident that it will reach Range Low. Luckily it broke down
SL was brought down to 61 and later to 51

ST



L.V.Gandhi March 18, 2015 at 7:36 AM

Thanks.

Reply



Unknown March 17, 2015 at 6:44 PM

Whats CT ? your 2nd trade.. it can be taken as BOF also ??

Reply

▼ Replies



SMART Trader March 17, 2015 at 10:43 PM

Counter trend
Yes it was a minor BOF of LOD

ST



Unknown March 18, 2015 at 1:35 PM

Thanks for your reply.
Was watching today's nifty futures chart and around 1326 as 8740 broke next level buying was around 8733, when 8730 broke
buying came around 8722, i wasn't trading so don't know at what price anyone with market order below 8740 or 8730 would have
got.. what's your experience ? how much slippage is usually there in cases like these ? you prefer to enter with market orders
or stop loss orders on breaks ?



SMART Trader March 18, 2015 at 1:49 PM

I use SL-Limit orders for entry. So there will not be slippage. On a momentum move entry may not get filled

ST

Reply

veer March 17, 2015 at 7:02 PM

Dear ST

I have the same question as L.V.Gandhi. I shorted below range low 8740 - was it too late ? Since there is outside gap which is bullish and
any CT should be after confirmation - is it right ?

Secondly what do you mean by spike and ledge pattern - is it doji (or) spring (or) pin bar ? Please throw some light on this.

Regards,

Veer

Reply

▼ Replies



SMART Trader March 17, 2015 at 10:59 PM

It is not wrong. But most of the CT breakouts will fail.
Best entries are always selling the high and buying the low of a range
Logical target of a range high BOF is range low and a trade is taken to this FTA.
Extra run is only a bonus. Spike and ledge is a range formation a little far from the early extreme

ST



Trekkie June 14, 2015 at 12:57 PM

Hi ST,
Could you please explain the Spike and Ledge part?. Thanks.

Reply



Bharat March 17, 2015 at 7:06 PM

ST,

Have some queries.

1. you put both buy above 9.24 and sell below 9.21 order in first trade?for failure of BRN and BPB bn
2.in which bar you took entry for FTC below 11.45 bar or 11.39.. upto 11.39 it was not brkout failure . Pls explain your thought process and action after 11.36 bar.

3.Why attempted counter trend test trade .. that too on doji bar. ?

Regards

Bharat

Reply

▼ Replies



SMART Trader March 17, 2015 at 11:11 PM

No. First I kept a buy order at PDH which did not execute. When price moved up I entered with a SL below BRN
I was looking to go long. Shorts after breaking below BRN
Below 11.36 bar. entry was at 53. .SL brought down to 51 later so that I will cover commission also
Real range low was at breakdown was just an overshoot. See how price behaved at 8660 before and after the BOF.
Price attempted twice to go down and got rejected. I entered after second failure. It was a TST entry at the range low. Bars are not important levels are

ST

Reply



Neethi March 17, 2015 at 7:12 PM

ST Sir,

Thanks for the chart.

a) I took the 1st trade as such yours.

b) I thought of the trend/bias is bullish, so, haven't tried the short at FTC

But the problem I expected the reversal / and gone for the Longs at

1) Long 12.22 BRN PP

2) Long 13.30 PDC PP

with tiny losses.

after that don't have confident on taking other trades, so, missed the last one.

how to confirm about the reversal ?

as you said have to wait for consolidate/chopping?

how long the consolidate/chopping can happen before the reversal ?

is that should be confirmed by more TST happened at the bottom / reversal point ?

Please guide.

Thanks,

Neethi

Reply

▼ Replies



SMART Trader March 17, 2015 at 11:17 PM

PP trades are done after a consolidation for a long time
Finally price traded between 8660-80 for a long time. Long the break of that range
Such rules cannot be made about time. Go with the trend. Trade when a CT move stalls at a prominent level

ST

Reply

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