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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

Friday, December 13, 2013

Dynamic Levels



There is too much of confusion about IR and other levels. I will try to clarify. There are two types of decision points. Fixed and Dynamic. Fixed levels are past levels which will not change like PDL, PDC, PDH, DO etc.. Big round numbers are also fixed levels. Other current day levels are dynamic which will be revealed by the on going market action.

We trade the market as if it is in a range all the time. But many times we may need to take action before knowing the exact structure. In other words we have to trade the provisional or probable ranges or stand out. What we do is to assume a provisional range and take action. Later we may need to change these levels slightly. Go through today's price action

We will never know for sure where the orders are. So we start with provisional levels and modify it later. First we identify the IR. We ignore the lower tail and mark the round number as IRL. High of the pink box is IRH. If we want to go long above IRH then there is no way but to long above this box. It is a BOF. Later the boundaries get extended to the green box.. Now there is no point in projecting the pink box to future. New levels are green box extremes.

Likewise the purple box levels get modified to the blue box levels. There is no point in continuing with the old levels when dealing with future price action. It is not possible for me to mark all the modifications on the chart. Most of the time the final levels are marked on the chart.

Decision points are not exact levels but minor zones. Do not mark it with a drawing pen. Mark with a highlight pen. Millions of people are executing countless strategies at the same time in markets. Expect some overshoot and overlap. Please do read my earlier article [Brackets and Envelops](#)

Hope I could convey what I wanted to say without confusing you. Otherwise let me know.

Posted by [SMART Trader](#) at 8:31 PM



8 comments:

[Sandeep](#) December 13, 2013 at 10:21 PM

Lance beggs shared your e book in his weekly news letter.

Quality of your thoughts is well appreciated.

Reply



nifty for bread December 14, 2013 at 8:03 AM

Thank you very much Sir. I feel that this post is written especially for me, to clear my doubts.No doubt, this will be immensely useful to novices like me.

I would like to make another request. If time permits, please write a post on your method of judging, where the critical mass is located, during a period of consolidation or absorption.

People like me need a little bit of spoon feeding on this as well.

Once again I thank you for the highly informative post on IR.

Karthikeyan

Reply



amber December 14, 2013 at 11:24 AM

Sir good morning, sir what shud be the margin between nifty future and wap to fuel the further rally in last minutes , kindly update thnx

Reply



SMART Trader December 14, 2013 at 11:37 AM

Amber

I have not undertaken any studies on that. WAP is not at all a part of my methodology. I found the concept interesting and just copy pasted from traderji.

ST

Reply

Anonymous December 14, 2013 at 4:05 PM

sir thanks for this post.

Soma

Reply

Anonymous December 14, 2013 at 6:36 PM

Sir whats the difference between trading and betting(gambling) ?

Raghu

Reply



SMART Trader December 14, 2013 at 7:48 PM

Raghu

Oh. Do not ask such difficult questions.Very difficult to define.

If you are committing money on a truly random outcome,it is a gamble

example a slot machine, a coin flip, buying a lottery ticket etc.

Committing money on something you are well aware of the probability of the outcome is not a gamble, I think.Then horse racing is not a gamble.People bet on past track record and winning probabilities

We may bring in something like skill and control in the picture. If one can influence the outcome with his own skill or can reduce the adverse effect controlling his own action then it becomes less of a gamble.

Finally it all depends on the mindset.What I do in the market may be totally insane for some others

ST

Reply

Anonymous December 14, 2013 at 10:23 PM

Sir thanks for your time and opinion.

The reason for my question is today I decided that I devote some small portion of my profit or of my portfolio to pure gambling where the odds of winning and RR ratio both are very high.

example- a Rs.200 lottery ticket for a price of Rs.15,00,000,, like this just 5 chance in a month.

For this I may use the money which I saved from changing my broker.

I know some of the rich people who have big regular income devoting small portion of their earning to such pure gambling things. example- as you said horse racing where we can see lot of big business people gather to gamble as if **gamble is part of their speculative investment**

More over as I started getting the idea of betting my perception on trading is changed as I think that **"I am not trading, I am trying Bet after looking at possible odds on charts based on DP's"** believe me that this thinking has bought two big changes in attitude towards market-

1. I Stopped looking at market with 10000 means and directions which saved lot of time and unproductive research of mine.

2. After a bad day with a loss of 1500+ I just think that **"today "casino concentration" was missing lets focus tomorrow"** instead of cursing my self like "oh I could have done this done that" after makert for rest of evening.

Finally as you rightly said **What I do in the market may be totally insane for some others**

Thanks for everything.

Raghu

Reply

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