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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, June 14, 2013

Re-read and Rediscover

Last week I received an email from a reader. He wrote me that earlier he was reading the blog regularly and used to comment. He tried to trade the method for a while and failed to make profit. Then he lost interest and left.

He wrote me that after a year he is rediscovering the blog. Now he has started viewing trading from a different angle and finally price moves have started making sense to him.

This always happen. At a later stage, we may find new uses for something we discarded as useless earlier. Something we have read earlier and thought crap will suddenly start making sense. Something that can change our trading dramatically could be just in front of us. But we fail to recognize it.

I used to download and read a lot of E Books on trading. Recently while cleaning up my hard drive, I came across a book titled "Phantom of the Pits". It was the worst book I have ever read on the subject. It is very difficult to read beyond one or two chapters as it is so boring. I never had patience to read it completely. Before deleting the file, luckily, I scrolled down. Believe me, I struck gold.

Phantom's Rule 1 and Rule 2 in 5th and 6th chapters make the book worth its weight in gold. Probably you might have read it. If not [Download](#), read and let me know your feedback.

Reread and Rediscover.

Posted by [SMART Trader](#) at 4:40 PM



13 comments:

[Vishal](#) [June 14, 2013 at 9:51 PM](#)

Cut losses,dont challenge the market,press winners..nice rules ST sir..thanks for sharing the Ebook.. :)

[Reply](#)



[SMART Trader](#) [June 14, 2013 at 10:40 PM](#)

Vishal

Every trader is well aware of these nice rules.But we need concrete action plan to incorporate these rules in our trading method
Think about it and give me your suggestions
We need something "ACTIONABLE"

ST

[Reply](#)



[vk](#) [June 15, 2013 at 8:37 AM](#)

Thank you.

Vkp

[Reply](#)

[Anonymous](#) [June 15, 2013 at 8:39 AM](#)

Thank you.

[Reply](#)



[vk](#) [June 15, 2013 at 8:40 AM](#)

Sir, I am unable to download the proposed book, as it is advising me to block my system firewall. What can I do?

[Reply](#)



SMART Trader June 15, 2013 at 8:59 AM

Vk

Google it

ST

Reply



chetas June 15, 2013 at 10:47 AM

http://www.trading-naked.com/library/Phantom_of_the%20_Pits.pdf

this link is openable

Reply



chetas June 15, 2013 at 10:49 AM

Sir,

I jumped to read the 5th chapter, as i start reading i realised this is an amazing book.

Its not a normal trading book, its like Book of mirdad, have you read mirdad stories,

Will read the entire e book and give you the feed back

Thankyou for sharing

Reply



HARISH TAHKAR June 15, 2013 at 4:31 PM

Sir,

Please find the link explanations given on the screen itself.I will post regularly if you like.
How WAP curve reveal price.

<http://pmtscr.com/1a222b>

<http://pmtscr.com/1a2b7s>

<http://pmtscr.com/1a2d5v>

<http://pmtscr.com/1a2dsb>

Reply



SMART Trader June 15, 2013 at 7:09 PM

Harish

Thanks for the charts. I have gone through it

IMHO there is nothing magical about the WAP curve.

1.It is just another moving average like SMA and EMA. The difference is Weightage is given to volume at price.Further it is calculated on the days data where as EMA , SMA are on continuous data.

2.An up trend is not because of price remaining above WAP, but a trend makes WAP to lag behind it.

3.In a range bound market all moving averages will appear horizontal.

4.Volatility starts not because of deviation of price from WAP. It is the other way.Price is the cause and WAP the effect.

5.Peak volume bars are always not a trend continuation signal Good BOF bars are always peak volume bars.

6.WAP acting as support or resistance is just an illusion. Plot any MA and you will see this. Widely followed MAs like 50 and 200 do act as S/R sometimes.

7.Mean reversion to WAP is just another illusion

8.Designing a trading system on this is very difficult. Limited to cross overs or mean reversion

9.Moving averages are not reliable or actionable price levels. They are not fixed. They shift

10.Cross overs can be good exit signals but they are not reliable entry triggers.

In short I do not find anything useful with the WAP curve.Others may differ.

ST

Reply



vk June 15, 2013 at 7:23 PM

@ SMART Trader & Chetas,
Thank you.

VKP.

Reply



HARISH TAHKAR June 16, 2013 at 8:06 AM

Sir,No comments on WAP & PDHL-C ?

Thanks. I use frequently and find profitbale and due to frequency those can not be coincidence.Any way it

serve my purpose due to my understandin of your concepts.

Reply



SMART Trader June 16, 2013 at 9:08 AM

Harish

My earlier comment was in relation to using WAP as a stand alone system I totally forgot about your earlier comment. Sorry. Unfortunately in lcharts there is no way to plot WAP. So I can't comment on these immediately.

I really appreciate your efforts and will advise you to document your trades on a day today basis in a blog

ST

Reply

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