

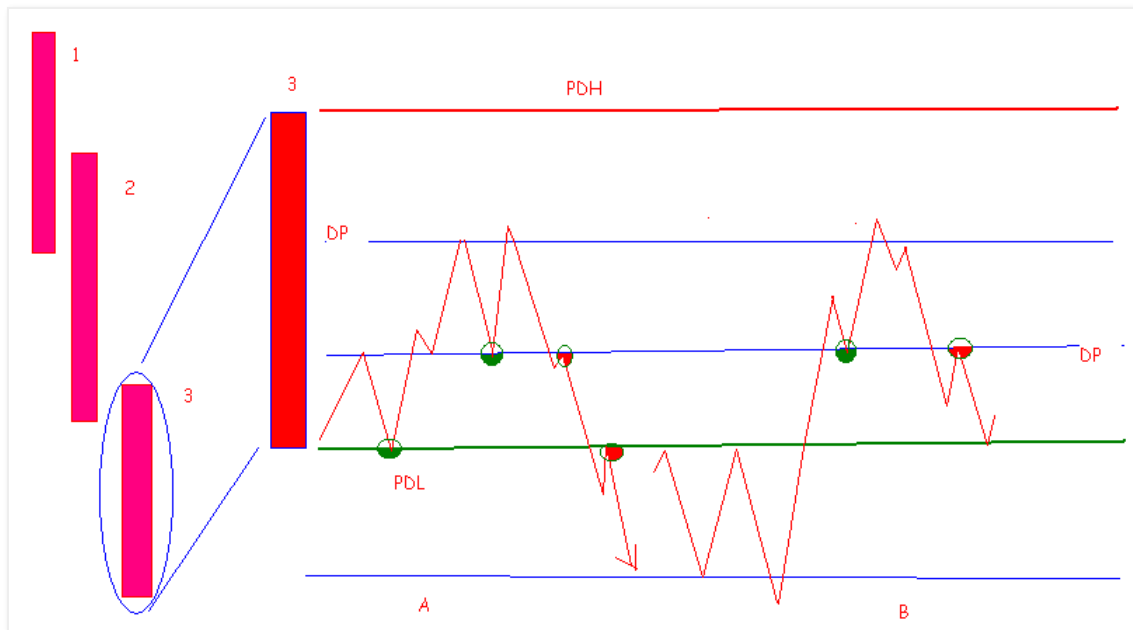


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*There is a substantial risk of loss associated with trading Derivatives . Losses can and will occur. My methods will not ensure profits*

Saturday, August 9, 2014

## Taming the Trend



To trade the markets successfully, we need to define a structure for the market and also need to align with the trend. Unfortunately there is no way to correctly define the structure and the trend. All the technical analysis is an attempt to do this.

My approach is based on two assumptions.

1. There are two kinds of players in the market. Day Traders and "Other Traders". Day traders trade intra day moves and never hold overnight position. Other Traders are willing to hold their positions and not interested in small moves like Day Traders
2. All the traders basically attempt to buy low and sell high in the market. Day traders play with smaller time frame charts and others go with Daily Charts.

I will try to explain it with the help of a picture. 1,2 and 3 are Daily candles making lower highs and lower lows. Daily chart is in micro down trend. Today, on the fourth day game will be played within candle 3 which may act as a range. I have shown the enlarged view

Break above PDH will be a major transition as daily will change to rally mode. Our expectations are a ranging action inside the previous day candle or a breakdown below PDL if selling continues. We assume "Other" traders will sell in force near the top of this range.

Look at example "A". As range traders we try to buy the lows and sell the highs. As price is trading in a higher range, we prefer to buy the lows to go with the trend. Expect opposite order flow from "Other" traders as we approach the PDH. Do not expect these trades to run. Once price breaks down from the higher range to a lower one we try to sell the highs. Here both the groups are selling. Let our profit run.

These are all some guide lines. Do not make it a rule. Sometimes even if our trade is well aligned with the trends the trade may not be a winner. Look at situation B. Price gaps below PDL. Day Traders stay with the trend and short the range low. BO fails and reverses back above PDL. Trapped day traders order flow will trigger a momentum up move giving great opportunity to the "Other" traders to sell into. This will trigger another down move trapping longs this time.

Market is never going to give us a static edge. Knowing well what is going on and changing the tactics as per the situation makes one a winner. There is no substitute for screen time experience.

## 13 comments:



**Unknown** August 9, 2014 at 2:05 PM

ST sir

A very fine tip of the trade this thing was reflecting in your trade clearly you have written in your book also about trend and strength of trends nice tip sir.

Thanks a lot

Reply



**goodidea.vishal** August 9, 2014 at 3:07 PM

Really Nice Sir .....)

Thank you , actual this is practical approach toward theory , i read many article and books about TA and general market tactics , everyone explain theory and find suitable example to that theory and show that example , but here is totally different , practically each and every concept explained .

thank you sir

Reply



**NSET** August 9, 2014 at 6:28 PM

Please clarify ..."example "A". As range traders we try to buy the lows and sell the highs. As price is trading in a higher range,( or lower range???) we prefer to buy the lows to go with the trend ( Trend is down... is this Counter Trend trade???)"

Reply

▼ Replies



**SMART Trader** August 9, 2014 at 6:39 PM

In a range, always buy at the range lows and sell the range highs

In an up trend, that is when price is trading in a higher range than the earlier one, better buy the range lows to trade with the trend. Selling the highs are counter trend trades

ST

Reply



**Trekkie** August 9, 2014 at 11:00 PM

Hi ST,

nice one. Thank you. What are those green and red circles?

Reply

▼ Replies



**SMART Trader** August 9, 2014 at 11:13 PM

Just market some entry points

Buy and Sell

ST



**Trekkie** August 9, 2014 at 11:20 PM

Thank you ST.

Reply



**amber** August 10, 2014 at 1:28 PM

Sir good afternoon and thnx for the valuable write up

Reply

**veer** August 10, 2014 at 1:59 PM

Dear ST

Thanks.

Veer

Reply



**nifty for bread** August 10, 2014 at 2:14 PM

Sir,

Thanks for the highly informative post.

S.Karthikeyan

Reply



**Unknown** August 10, 2014 at 5:09 PM

Thanks ST for the post!!!

Reply



**xrtrader1** August 10, 2014 at 8:51 PM

Thanks ST.

Reply



**Trekkie** February 4, 2015 at 9:17 AM

Hi ST,  
Why do we consider "A" as trading in higher range? Thanks.

Reply

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