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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

Sunday, May 12, 2013

Pressure Plays

I rarely trade direct breakouts. Most of the breakouts fail and trap traders. Do not try to trade direct breaks blindly, unless you know what you are doing. Altogether avoiding breakout trades is not advisable as we will be missing many low risk high reward opportunities.

Is there a way to know which BO is going to work and which one is going to fail? No . But we can identify some high probability setups if we think order flow. These setups are called "Pressure Plays". Pay attention to some background information before attempting these kinds of trades.

Ensure order accumulation at the BO level. Market may need to consolidate for a while for this to happen.

Who is in control of the market? Never attempt a counter trend breakout on a trend day where investors and higher time frame traders are in control.

Notice how the critical mass is positioned. If the breakout traps them, well and good.

How far is the FTA and how strong it is? Ensure some space is there for the trade to move.

An explosive breakout happens when four significant scenarios happen at the same time.

- Many traders perceive a potential break and enter in anticipation.
- Breakout traps critical mass and they scramble to exit
- The level should be very obvious to attract breakout traders
- Ideally breakout should take the price to a level where another set of Stop Loss orders exist, setting a chain reaction.

Good Pressure Plays seldom pullback to the breakout level. Play with a very tight stop loss just beyond this potential flip zone.

Notice the 2 trades of [10052013](#). Both of them are Pressure plays. I marked them as BOF as a BOF preceded these breakouts and the concept of Pressure Plays was not explained earlier. BOF + Pressure Play, very high probability trades.

Posted by [SMART Trader](#) at 11:45 AM



4 comments:



[amber](#) May 12, 2013 at 8:49 PM

sir to understand order accumulation what we have to do ,kindly update thnx
Reply



[Sunil Saranjame](#) May 12, 2013 at 9:36 PM

Dear ST, nice post but I guess a few examples will drive home the point.

Another area I'm working on is the WAP on the previous day vs the Next day opening. Maybe your readers can help me with their inputs.

Thanks,
Reply



[SMART Trader](#) May 12, 2013 at 9:41 PM

amber

There is no way to measure or quantify order buildup.
For example take [10052013](#). Traders are long from the open. Nifty trades in a 10 point range for nearly 90 minutes. We can safely assume that longs might have placed the stops below the range to protect their profit

ST
Reply



[SMART Trader](#) May 12, 2013 at 9:58 PM

SS

Notice the 2 trades of [10052013](#).

Both of them are Pressure plays. I marked it as BOF as a BOF preceded these breakouts
BOF + Pressure Play, very high probability trades.
If Market opens far away from VWAP, it will trap many traders and can create a lot of order flow. Sure, it is a concept worth exploring.

ST

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