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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, September 8, 2012

Decision Points

Decision points are price levels where day traders are expected to act. Most of the time these are levels where a demand and supply imbalance existed. My trading revolves around these points and I expect the traders to act forcefully at these areas. These are reference points to navigate the chart space. Day traders are creatures of habit and I assume, they use these levels as [way points](#).

In fact these levels are implied support and resistances. I don't call these levels support or resistance because these words give a wrong impression that a support is a level to buy and resistance, a place to sell ([Read Mind your words](#)). I always let other traders to fight it out at these levels and try to join the winning team.

The core concept behind my method is the acceptance and rejection of price at these levels. I assume the market to move within a framework of decision points and use just [three patterns](#) to trade the levels. Major decision points are previous day high, low and close. After the open, market will create levels like DO, Range Highs/Lows, LOD, HOD, MSP and breakout point Flips.

We need to monitor the price action at these levels closely and take appropriate action. This is purely a discretionary method and we need to rely on our judgement a lot. This requires a lot of experience. We will never know for sure what is going to happen at these levels beforehand, but still we can have some anticipation.

While waiting for the price to hit a DP, pay attention to what happened when the market visited this level earlier to assess the strength of DP.

- a) Number of earlier attempts to break the level. Fresh levels are likely to hold. Levels become weak after many attempts.
- b) How long price stayed at the level. Price will run away if the demand and supply imbalance is significant. Otherwise it will hang around.
- c) How the rejection took place. Price will behave as if it touched an energized fencing, if the level is very strong.
- d) How far the price moved away on previous attempt. More the better. Rejection could be of lesser magnitude on subsequent attempts.
- e) Presence of Layer over Layer. If LOL exists first level may yield and second will hold.
- f) Confluence of levels. For example if IR High is also PDH, this level may hold well.

There are other factors like strength of trend, origin of the move, how far the price has moved to reach the DP etc. We will discuss these factors in a later post. ([Read it here](#))

Posted by [SMART Trader](#) at 7:32 PM



11 comments:



[Sunil Saranjame](#) September 8, 2012 at 9:27 PM

Very good write up. Thanks ST,
Reply



[bizagra](#) September 8, 2012 at 11:30 PM

Thanks ST
Reply



[sometimesbullssometimesbear](#) September 9, 2012 at 10:56 AM

The only person I am teaching here is me. Others are welcome to read along if they want.

Posted by [SMART Trader](#) at 7:40 PM
February 2, 2012.

:) Post titled Disclaimer on Feb 2, 2012 I found the BEST one. :))
Was just skimming through all important posts :)
Reply



SMART Trader September 9, 2012 at 11:46 AM

@SS
@Bizagra

Thanks

ST

Reply



SMART Trader September 9, 2012 at 12:00 PM

@SBSB

You can only lead a horse to water but can't make it drink.
The most important post I have written on this blog is "Slippery Slopes". But no body has paid attention it seems.
If properly understood this alone can save a lot of unproductive work and avoid a lot of frustration for a noob

ST

Reply



sometimesbullsometimesbear September 9, 2012 at 12:35 PM

Done. Let me read that "Slippery Slopes" post again.

Meanwhile I must congratulate u on an important asset that u possess.

And that is "Clarity of thought" at least that is what one can glean from ur posts.

Its 8 solid months and Good going. Thank you.

Reply



Smita September 9, 2012 at 2:48 PM

Thank you ST for the write up.

Reply



ratnakar September 11, 2012 at 8:06 PM

Jai Ho...

Reply



Trekkie October 14, 2014 at 8:44 AM

Hi ST,

I am revisiting some of the posts to try to better my understanding of concepts.....

What is the definition of fresh levels? Lets say we are looking at a PDH, is that fresh for that particular day or do we also look at earlier (previous 10 days?) attempts to break that level? To consider a level fresh, are we looking for failed attempts or successful attempts or both? Thanks for your help.

Reply



SMART Trader October 14, 2014 at 10:13 AM

As far as price is trading within previous day range pay attentions to regular DPs.
Once price is out of this range look to the left side of the chart and monitor earlier swing points and what is happening there.
This is for managing the trade. Price will stall somewhere and make a new DP. Then trade this DP
Once a DP gets trapped inside a Range, do not trade it. Usually a DP gets broken from both sides it loses relevance

ST

Reply

▼ Replies



xrtrader1 January 2, 2015 at 11:55 AM


Thank you was thinking of asking this question past few days.

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