

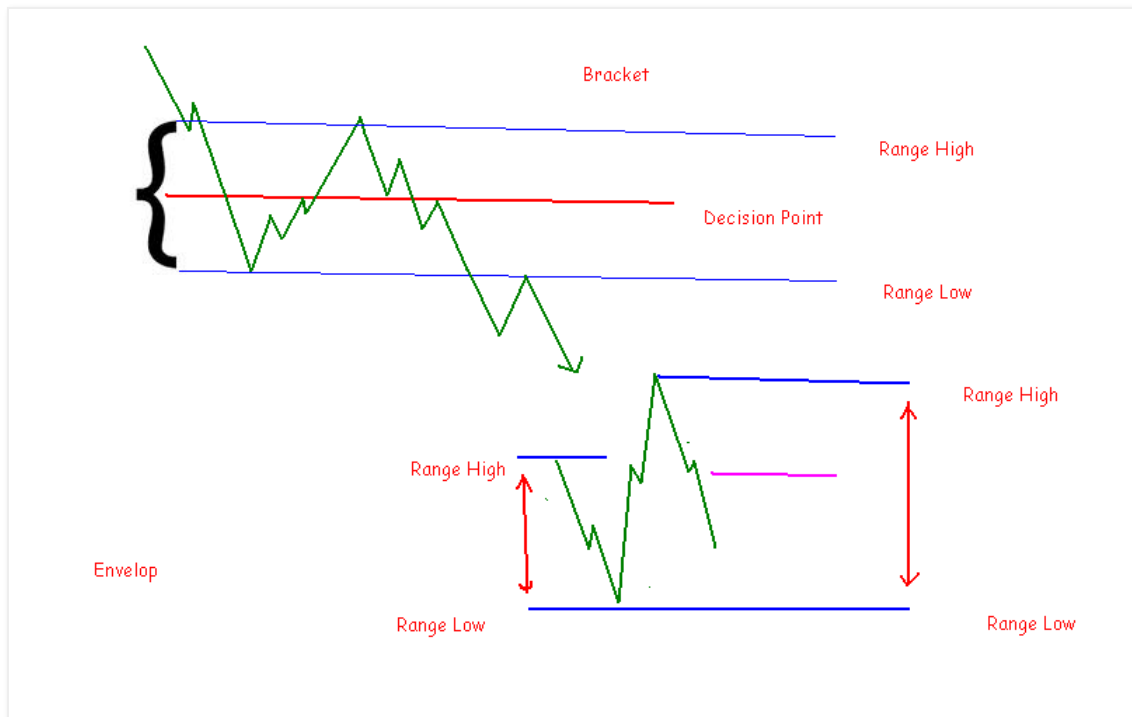


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There is a substantial risk of loss associated with trading Derivatives . Losses can and will occur. My methods will not ensure profits

Friday, October 12, 2012

Brackets and Envelops



I assume the Market is trading in a range all the time. For me a trend is a series of range breakouts. Market moves in waves and every wave is a probable range. I had written about this earlier ([Read](#)).

“Decision Points” are another idea on which my trading is built. Decision points are proven levels of demand and supply imbalance. Once price approaches this area again, traders are expected to act at these levels again and create an imbalance.

Sometimes these two ideas applied together can create confusion. I have identified two different scenarios where we will have some confusion .Two type of range formations repeatedly occur in Markets where we may make costly mistakes. These are “Brackets”and “Envelops”

“Brackets” are formed when a range establishes around a decision point. In such cases mostly the DP acts as a midpoint of the range. Yes, you guessed it right. It is a [Barbed Wire](#) pattern. Barbed wires are tight bracket formations where we stay out. Bracket formations could be wide and tradeable. Once a Bracket forms, the DP in between loses its significance. Trade a Bracket as if you trade any other range, if it is wide enough to trade. ([Example](#))

“Envelops” are ranges that engulf a previous range. Sometimes market establishes a range and later the extremes get extended. In such cases the previous range loses its importance. Still the old range extremes may continue to attract some order flow and confuse the traders. In case of Envelops, trade the new range as if you trade any other range. ([Example](#))

Pay attention to Brackets and Envelops. Solution is very simple

Trade the extremes. Don't fiddle with the middle.

Posted by [SWART Trader](#) at 11:19 AM



3 comments:



Unknown May 1, 2014 at 9:56 AM

sir, how much difference is actually safe to trade inside a barbed wire. Is 15 point good?
As a newbie is it safe to trade inside barbed wire or is it better to wait till BO happens?

Reply

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SMART Trader May 1, 2014 at 11:26 AM

Praveen

Difficult to make such rules. It depends on many factors.
Trend, strength of range extremes, where you are entering, what is the entry patterns. Strength of middle DP. How critical mass is positioned. Is there a trap, etc. The method is purely discretionary and will take some time to develop market sense. Till then paper trade. As a newbie better to focus on BOF trades

ST

Reply



xrtrader1 December 29, 2014 at 9:33 PM

ST.. This has started to make sense now. Thanks...

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 - [01102012](#)
 - [September](#) (27)
 - [August](#) (30)
 - [July](#) (33)
 - [June](#) (33)
 - [May](#) (33)
 - [April](#) (27)
 - [March](#) (31)
 - [February](#) (42)
 - [January](#) (3)