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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, September 14, 2012

Round Numbers

Round numbers are an under used concept in day trading. This cannot be used as a stand alone system but is very powerful when combined with any other strategy.

Round numbers are psychologically important levels. We have a tendency to round off any number to the nearest round number. This is a common trait and is applicable to markets as well. Many traders enter and exit trades at round numbers. Most of the stop loss orders in markets are at round numbers. For Nifty futures pay attention to round numbers ending 0 and 5 and always try to place your stop loss orders beyond these numbers as far as possible.

Bigger the number higher the significance. Figures ending 00, 25, 50, 75 are very important. I refer figures ending in 00 as Big Round Number (BRN). BRN of Spot Nifty and Nifty Futures are very important and they are capable of turning the markets on their own. Big players in the markets will have very large option exposures and they will act forcefully around BRN of Nifty Spot. Do not forget to monitor these levels. (due to the introduction of xx50 option strikes, 50s have become important Round Numbers)

Awareness about the round numbers will help you to

- a) Avoid bad trades into round numbers
- b) take higher probability trades.
- c) take profit at the right place and
- d) find solid stop loss levels.

This is a very simple concept, But it is very powerful and can be used in trading almost all the days.

Posted by [SMART Trader](#) at 10:04 PM



4 comments:



[augubhai](#) September 16, 2012 at 9:08 AM

Hi ST,

Nice blog, especially the Rants 'n Raves and the Structures and Patterns. I have been a regular visitor to your blog for the past 2 weeks.

Reply



[SMART Trader](#) September 16, 2012 at 9:36 AM

Augu Bhai

Thanks
ST

Reply



[Ranjit](#) July 11, 2015 at 3:15 PM

This is an excellent observation this is also a very important point for trading I noticed this but never put this in to use but now I do thanks for bringing this to my attention. Such things can be done only with deep study and interest. You are a true price action trader I like how you justify the movements. This blog itself is worth the best once again thanks for blogging your efforts on screen this will help many traders in the long run.

Once again wishing you safe, peaceful and profitable trading.

Regards,
Ranjit

Reply

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[SMART Trader](#) July 13, 2015 at 3:10 PM

Thanks for the visit and comment

ST

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