Tuesday, June 19, 2012

19062012

Nifty opened within previous day range. First three candles moved in one direction . Usually this initial move will act as a range. BOF of IR Low gave a long signal.TP at IR high.
(Dont be in a hurry to short here. When the breakout of a range extreme fails expect the breakout of the other extreme)
The second signal was a FTC trade which moved well. BOF of MSP gave another long signal.
Notice the absorption taking place at 5120 level.Market traded in a 10 point range for half an hour. Somebody was absorbing all the buying.
Always look for absorption after a steep vertical move. Wait for the second push to fail after a climatic move.

Rule of Two : If the market fails to do something twice, usually it will try to do the opposite

Posted by SMART Trader at 8:42 PM

8 comments:

Harry June 19, 2012 at 9:31 PM

Hi Smart Trader. Saw your post re June 19. I have seen some other posts, but have not gone through the complete blog yet, so apologize if something has already been addressed.

I completely understand your description of today. However, I wonder how to make use of these observations. Let's take an example:

BOF of MSP gave another long signal

Once you have a breakout failure (or if you have a breakout), the price moves very rapidly. It is so rapid that you can not do manual order entry to make use of it. If you setup a stop limit order (to trigger a trade, not to stop), there is no guarantee that it will trigger close to the range breakout. Today for example, I saw Bank Nifty move about 80 points within 90 seconds (around 2:30 PM). Even if I had an order auto-trigger based on some parameters, there is no guarantee it will execute anywhere close to the trigger price.

So the question is ... how do you make use of such opportunities in terms of order entry and execution?

Reply

SMART Trader June 19, 2012 at 10:00 PM

Harry
Thanks for the comment.
I try to enter within my risk level. Rarely it exceeds 10 points.
BOF of MSP

First rejection was a hammer consider this as candle no 1.After the second push to the down failed, candle 8 and 9 traded within the risk level,if your stop is below second push low. 6 minutes not enough for a limit order entry ? you can do it in six seconds.If it is running away so fast, leave it . Dont chase.

ST

Reply

Harry June 20, 2012 at 8:14 AM

Hi ST, Thanks.
So the problem definition has shifted from "seeing the trend and then being fast fingers" to "anticipating the breakout or breakdown". Yeah I knew it was not so simple.
But that makes it clearer ... I hear a lot of people say "follow the trend", and while it works at hourly or higher levels, and even there you miss some because you recognize the move too late, I was never able to figure out "follow the trend" for intraday. I think it is nigh impossible at 1 minute chart level.
Will go through the other stuff and the candlesticks patterns on my own and come back if I have something.
Thanks

Reply

SMART Trader June 20, 2012 at 11:59 AM

Harry
you are on track.
Identify a good location
Sit tight till price reaches there
Watch price action and read the market bias
Decide your stop
Enter if you can get entry within your risk level
Manage the trade. That is all.
Almost always your performance will be sub optimal. Still you can make money

ST

ST

Reply

Harry June 20, 2012 at 6:29 PM

Hi ST, Thanks.
I have become very familiar with the technical indicators by now, but price action is another thing. The only thing I can see from price action is whether it is trending or not. Figuring out the anticipated movements ... no deal. What will be a good place to start reading about price action and market bias?

I want to read your blog in more detail, but need to travel, so any subsequent Q&A - after a week unless I get good internet during travel.

Reply

SMART Trader June 20, 2012 at 8:16 PM

Harry
You are welcome
I am always willing to share what I know.Al Brooks books are good. Then Google, Google and Google.
ST

Reply

Harry June 24, 2012 at 4:56 PM

Hi ST, Another follow up - I have Al's bar by bar. I read many negative reviews of it. The newer books (trends, reversals and trading ranges) are kinda expensive. I wonder if you have any opinion on bar by bar?

Reply

SMART Trader June 24, 2012 at 5:56 PM

Harry
No books or "Gurus" can make you a profitable trader. Books can give some clues about where to focus,that is all. Knowing some basic things based on the reality of the market is enough.
Rest comes only with hours of screen time. Engaging the market with real money.No substitute for that.

ST

Reply

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