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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, August 3, 2012

03082012



Nifty gaped down below the PDL. Bias was bearish and I shorted the opening bar with a stop above PDL. I have made a separate post on how I deal with gaps ([Read](#)). This trade moved well and I took profit near LOD. Nifty moved in a 10 point range for a long time BOF of LOD gave a long signal. Added one more lot on the break of range high with a limit order.. TP near PDL. Did not attempt any other trade because after two directional moves I was expecting a [Barbed Wire](#) around PDL.

Posted by [SMART Trader](#) at 5:01 PM



6 comments:



[Karralesh P Langote](#) August 3, 2012 at 8:16 PM

A simple question...

Would the region around TP point (5220-5230) not qualify as BOF? The reason being markets crossed day's high (roughly near PDL) and then failed to sustain implying a short trade (which got whipsawed later).

I am asking this because I faced this situation often...

Reply



[SMART Trader](#) August 3, 2012 at 9:36 PM

KPL Sir

Thanks for the visit and comment

Yes. You are right . Theoretically it was a BOF short signal below Day open ie 5220. Let me explain my thought process. First, price broke DO. This bar stalled at PDL and got rejected and went below DO. I was ready to short below breakout bar low. This did not happen.

Then another push up broke PDL and stalled. Now price is above two Resistance points and this will act as support on down move.

Next ten bars (30 Minutes) traded within the last breakout bar's range.

Now I was sure that there is no fresh selling but mere profit booking is happening. So decided to stay out

Hope I could explain what I wanted to say properly.

ST

Reply



Raghu R Bhat August 4, 2012 at 6:50 AM

Faced the same situation as kpl - sld at 22 and when prices stalled for 30minutes exited at 24 for a scratch trade. missed the IR BO at 86. Was looking for reversal as I missed the earlier trending move from 86 on break of range.

ST - dont you think that break of range can be decided by looking at bar size in the 1min chart? Normally 1min bar ranges is 2-3 points. If it is 5+ then market is deciding something?
rb

Reply



Karralesh P Langote August 4, 2012 at 12:55 PM

Thanks for the explanation.

On a different note, do you give importance to the size of the breakout bar? In other words, would you ignore a breakout bar if the HL difference was say 6 points?

Reply



SMART Trader August 4, 2012 at 6:52 PM

Raghu

I have not done any study on 1M charts.Monitoring 1M charts when price hits a DP is not a bad idea.

To attain knowledge, add things everyday.
To attain wisdom, subtract things everyday. ~ Lao Tsu

ST

Reply



SMART Trader August 4, 2012 at 7:19 PM

KPL Sir

I have not done any statistical studies on this.
I don't like price hanging around the DP for long.Price will run away from DP if there is demand supply imbalance on which we are betting.BO or BOF should happen fast.

ST

Reply

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