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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, April 5, 2013

05042013



Nifty opened below PDL. First candle acted as IR. Expectation was a barbed wire around PDL. Tried a short trade on BPB of PDL/IRL. Scratched it. BOF of IR High gave a short This trade was OK. Finally went long on BOF of LOD. I expected this to move well as the Critical mass was short in market and being week end they will cover the shorts. The initial momentum did not sustain.

Posted by SMART Trader at 8:02 PM



## 9 comments:

Murali April 5, 2013 at 8:58 PM

Dear ST,

Nicely managed. I took the BOF in the morning at IR high. It was ok. Missed the second BOF, as SL was little big. Also didn't attempted the BOF long, as it was already late.

A question though, when you trade BOF, where will you enter the trade? Like wait for a close below the pivot and then short the low of the bar or something different? This is what I do normally, and today the 2nd BOF had little big SL.

Thanks.

Reply



SMART Trader April 5, 2013 at 9:26 PM

Murali

On BOF usually I enter on break of a significant candle like MC or a pivot

I expect a lot of stop loss orders ( covering as well as fresh entries) at these areas. I am betting on these orders to take my position to profit. If you wait for the candle to close below the pivot and try to short below that candle, you may miss a major share of these momentum moves

find the place where those trading the current move are going to realise they are wrong. Find the point at which their stops will create a surge in order flow, and position yourself to profit from that order flow.

ST

Reply



**HARISH TAHKAR** April 5, 2013 at 11:00 PM

After reading of WAP at <http://traderfeed.blogspot.no/2009/02/using-wap-to-determine-structure-of.html> I am observing extensively, clubbing in trading too. Observed with open market orbits around WAP, it makes extensive move once it deviates from it like last hour as said by you. Any trading tricks or your opinion for better entry points at initial stage?

Reply

**Murali** April 6, 2013 at 7:56 AM

Thanks ST!!!

Reply



**SMART Trader** April 6, 2013 at 6:35 PM

Harish

WAP is just a moving average.  
Stand alone systems built on WAP is not going to work.

ST

Reply



**Sunil Saranjame** April 6, 2013 at 10:34 PM

Yes, it's just a tool.

Like we have a screwdriver, a knife, a chisel, a hammer and so on...

Reply



**Unknown** April 7, 2013 at 7:43 PM

Many times you have used the term "critical mass is short/long". How do you determine that? At any point of time Buy and Sell are equal. For example, if OI is 1 cr Nifty's then one or more groups are holding 2 lakh Buy contracts and corresponding 2 lakh Sell contracts are held by other set. Then how do we determine critical mass being short or long when both longs and shorts have equal holding?

Reply



**SMART Trader** April 7, 2013 at 8:13 PM

Nifty Baz

You are right. At any given point of time both longs and shorts have equal holding.  
Our analysis is purely on a day trading perspective. Our method works only when the market is in control of day traders. Investors, news traders, position traders do not care about our decision points and they are not bothered about the 20 point move on NF. Fortunately day traders control the market on most of the days.  
By critical mass we refer only to the day traders and shorter time frame traders. If NF makes an extended directional move say more than 25-30 points, we can safely assume most of the day traders are positioned in that direction.

ST

Reply



**Unknown** April 7, 2013 at 11:00 PM

Thanks for clarification. As I understand it now - e.g. - on 5th April 2013, traded vol was 239853 contracts but OI addition was only 20113 contracts. That means 219740 contracts, constituting more than 90% of traded vol, was day trade vol., and most of these (critical mass) were short in day trade against positional/investor/new trader longs.

Reply

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