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

Saturday, January 4, 2014

TRAP

Here is a guest post from U R Dave who is a regular reader of the blog. The post is self explanatory and do not need any introduction. Kindly go through it and give your feedback. Please do not forget to thank Dave for his valuable contribution. You may also have some of your own observations. Please do share it. You are always welcome to make a guest post if it is something related to pure price action.

This post is an attempt to find a trading opportunity when markets are trending so that we can trade in the direction of the trend. Trend trades are always high probability trades as the market momentum is on our side.

We assume the market is ranging all the time and for us a trend is successive higher or lower ranges. An uptrend is successive higher ranges and successive lower ranges are considered as down trend. We try to sell the highs and buy the lows of these ranges.

Problem arises when market is in a clear trend or in a grinding channel. It is very difficult to identify the ranges on a type 1 trend day or on a channel day. I have experienced that MSP in such situations gives a very good trading opportunity. MSP is a very significant price level and it attracts a lot of order flow.

Let's try to analyze the order flow at MSP. At MSP, we can expect a lot of SL orders from those who are riding the current trend. The break of MSP is perceived as reversal of trend. So there will be lot of BO trade orders trying to capture the new trend. What will happen in case of a BOF at MSP?

All the traders riding the current trend get shaken out of the trade. BO traders entered to capture the new trend get trapped. Those who have shaken out will try to enter the trend again and the trapped traders will hurry to exit. This order flow will create an accelerated move in the original trend direction.

If you observe closely, you can find that meat of the trend move happens after this pattern. This is a kind of trap where a lot of traders get caught on the wrong foot. We will call this Trend Acceleration Pattern (TRAP in short)

Before initiating the trade, we need to make sure that there is enough space for the trade to move and our SL is within acceptable limits

I am uploading a few charts. **Click to view them.** (**Remove tick at use download manager**) Please do give your valuable feedback. I welcome your views, suggestions, comments and criticism.

Thanks

UR Dave

tradingblisspoints, a regular visitor of the blog has shared another interesting observation about MSP. You can read the post in his own blog. **Click to read**

Posted by SMART Trader at 7:36 AM   M🅱️t🅵⑂

24 comments:

Daya Nand January 4, 2014 at 8:44 AM
SIR,MSP MEANS ?
Reply

SMART Trader ✐ January 4, 2014 at 9:23 AM
Daya Nand

Pl. Check glossary and separate post on the subject under Important posts>Structure and Patterns

ST
Reply

chandiok January 4, 2014 at 10:01 AM

Thank you Dave ji,
I have a question ST ji & Dave ji...Once BOF at MSP is identified where do we place the buy order ie: how many points away from MSP for confirmation of BOF.
As well as the SL.

Thank you for your replies in advance!

Reply

amber January 4, 2014 at 11:25 AM

sir good morning sir i have downloaded the software twice and the guest post charts r not opening and mr dave thnx

Reply

Daya Nand January 4, 2014 at 12:18 PM

THANKS A LOT .

Reply

SMART Trader 🖉 January 4, 2014 at 12:34 PM

Amber

You need not download the software.
I have written specifically to remove the tick at use download manager before clicking the download button

ST

Reply

SMART Trader 🖉 January 4, 2014 at 12:35 PM

Chandiok

BOF of MSP is traded like any other DP.

ST

Reply

Anonymous January 4, 2014 at 1:01 PM

Hi Sir,

My name is mahesh, i am recently started to following your blog...
This is really good and thanks a lot.

Could you pls suggest, how to get 3min historical data for atleast one year.

I paid money for live data and it is 5min,15min...there is no 3 min.

Please suggest me..

Thanks,
Mahesh

Reply

amber January 4, 2014 at 1:15 PM

Sir thnx very much now able to view the charts thnx

Reply

SMART Trader 🖉 January 4, 2014 at 1:19 PM

Mahesh

Check this thread. You will get 1M data which you can view in Amibroker as 1,2,3,5 m etc
http://www.inditraders.com/data/7318-historic-one-minute-data-nifty-banknifty-spot-futures-indiavix.html

ST

Reply

amber January 4, 2014 at 2:53 PM

Sir a nice write up , i thought its worth reading and sharing thnx

http://www.forex-central.net/Volume-spread-analysis-VSA.php

Reply

nifty for bread January 4, 2014 at 7:00 PM

Thanks a lot to Daveji for this wonderful article. I think, you have added a new dimension to what Mr.Kavi had commented about MSP.I have one doubt.

Exact diagnosis of BOF/BPB of MSP, when the price is in a channel may be relatively more difficult, especially for the newbies. If possible, please explain a little bit more about MSP in a channel.

Thanks to Rajeshji(ST) for posting this highly useful write-up.

S.Karthikeyan

Reply

Unknown January 4, 2014 at 9:58 PM

Hi ST,

Fantastic post . Thanks for posting it.Thanks to Mr. Dave for the work. Nice to again see the power of DPT.

I wanted to convert a observation of mine on the same topic (MSP) into actual trading example.

I have made a post on it.

Plz click here

Plz leave comments

Thanks
TBP

Reply

Uday Dave January 4, 2014 at 10:34 PM

ST,
Thanks a lot for posting it and making it special. Without your support and encouragement it would not have been possible.

I would like to make others aware that i used to post comments here earlier by name of Kavi, but let me tell you my name is UR Dave. I am from Vadodara, Gujarat.

Nifty Nirvana has created very special space in my trading life. I am very thankful to Nifty Nirvana and ST.

I thank all the readers for sparing their time to read this.

Thanks
UR Dave

Reply

Uday Dave January 4, 2014 at 10:58 PM

@S.Karthikeyan

ST is the right person to answer your query. From my side, channels specially where DP is sandwiched (Barbed wire), is a nightmare for me. To make use of channels they need to be spotted early. I usually avoid trading DPs if they are in channels.
Thanks
UR Dave

Reply

Unknown January 5, 2014 at 8:13 AM

@Daveji/Kavi,

Thanks for the post and your work

TBP

Reply

nifty for bread January 5, 2014 at 9:16 AM

@Daveji,

Sir, Thank you for the clarification.As you rightly said, spotting early is the key so that we do not initiate fresh trades into the channels.
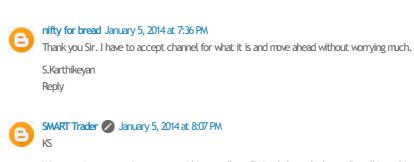
S.Karthikeyan

Reply

SMART Trader January 5, 2014 at 7:19 PM

KS

Barbed wires and Channels are something we cannot anticipate early. The only solution is to get a hit and stand out till price move away from this pattern

ST

Reply

nifty for bread January 5, 2014 at 7:36 PM

Thank you Sir. I have to accept channel for what it is and move ahead without worrying much.

S.Karthikeyan
Reply

SMART Trader January 5, 2014 at 8:07 PM

KS

We are trying to contain an ocean within a small pot.BW and channels do not fit well into this
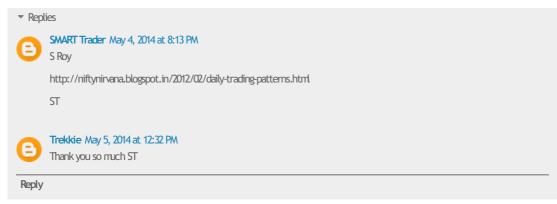
ST
Reply

nifty for bread January 6, 2014 at 9:13 AM

Thank you Sir for the clarification.
S.Karthikeyan
Reply

Trekkie May 4, 2014 at 8:08 PM

What is a Type 1 trend day that UR Dave has referred to?
Reply

▼ Replies

SMART Trader May 4, 2014 at 8:13 PM

S Roy

http://niftynirvana.blogspot.in/2012/02/daily-trading-patterns.html

ST

Trekkie May 5, 2014 at 12:32 PM

Thank you so much ST

Reply

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