



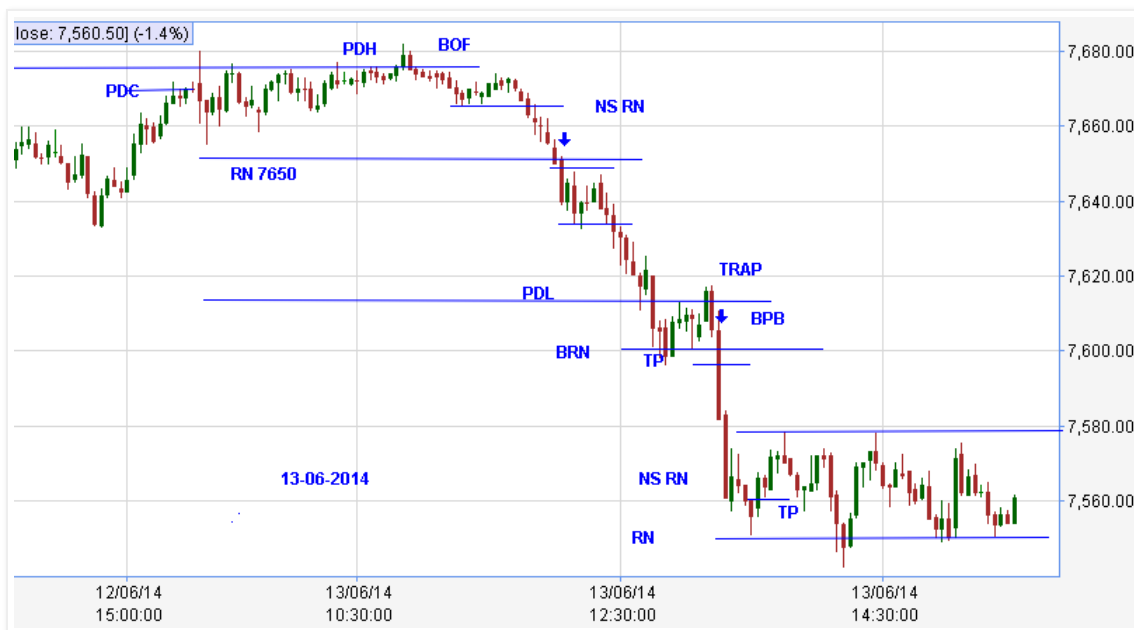
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There is a substantial risk of loss associated with trading Derivatives . Losses can and will occur. My methods will not ensure profits

Friday, June 13, 2014

13062014



Nifty opened near PDC. Traded within IR created by the first two candles for a long time. PDC and NS RN were within the range. Finally a BOF of PDH gave a short signal. Waited for the price to escape out of the congestion. Short below RN. TP at BRN. Another short on break of BRN. This one was a TRAP pattern and BPB of BRN/PDH. TP when price failed to go below RN 7550. Expected a short covering long trade at the end. This did not happen

Posted by [SMART Trader](#) at 3:41 PM



50 comments:



Unknown June 13, 2014 at 3:54 PM

ST Sir,

Avoided short after BOF of HOD at 10:53, as i suspected barbed wire and already one BOF trade failed... missed whole down move later, attempted 3 long trades but failed... how should i have handled the day better? Your comments pls...

Chart here <http://imgur.com/j4vz1lv>

TRADE1:

Short at 7669 (below PDC), after BOF of PDH with initial SL 7676
SL hit; exited trade with loss of 9 points

TRADE2:

Long at 7640, after BOF of PDO with initial SL 7632
SL hit; exited trade with loss of 10 points

TRADE3:

Long at 7621, after BOF of PDL with initial SL 7609
SL hit; exited trade with loss of 14 points

TRADE4:

Long at 7609, after BOF of BRN 7600 with initial SL 7598

Moved SL to 7607, below low of PDL BO candle
Trail SL hit; exited trade with loss of 4 points

Points earned: -37

Reply

▼ Replies



SMART Trader June 13, 2014 at 4:17 PM

1. When price is in a tight range especially barbed wire, stay out or trade the extremes
2. PDO is not considered as a DP at all. Price reacted there because of a prominent swing low
You were trading CT into a prominent level RN. After a momentum move wait for consolidation to go CT
3. Again the same mistake. Let the market consolidate and make a formation before going CT
4. Allow the price to get accepted above PDL to go long. Further Breaking below PDL is a major transition. Market is shifting to decline mode that too on a Friday. Positional longs are unwinding.

ST



Unknown June 13, 2014 at 4:34 PM

Took the notes sir.. i will remove PDO from DP list then..
Some how i missed the flow & traded wrong entries.. thanks for pointing out mistakes

Reply



Unknown June 13, 2014 at 4:08 PM

ST Sir,

I also avoided short on BOF of HOD in congestion zone.. and i was waiting for BPB short at RN.. with no pull back, NF slid below RN.. here i missed correct entry..

Reply

▼ Replies



SMART Trader June 13, 2014 at 4:28 PM

Price pulled back hitting the swing low and later at BRN
They were opportunities to enter short. Careful with CT trades

ST

Reply



Price Action Lab June 13, 2014 at 4:13 PM

Hi ST,

What is the thought process behind not going for BO & BOF trade @ 10.45AM.?

Regrads

Naveen

Reply

▼ Replies



SMART Trader June 13, 2014 at 4:32 PM

Naveen

BO. Price was not interested to go up for the last two days. All the upward breakouts were failing
Read 11062014 and watch BO of 11062014, 12062014.
BOF, I waited for the price to escape from the Barbed wire range

ST

Reply



NPA Trader June 13, 2014 at 4:30 PM

Hi ST,

I have entered short on BPB of PDC below the swing low. My exit was also early.

<http://nsemcxpriceaction.blogspot.in/2014/06/nifty-price-action-trade.html>

Reply



SMART Trader June 13, 2014 at 4:38 PM

Sometimes it happens.
If you are in good profit, better to give room for a pullback

ST
Reply



zen June 13, 2014 at 4:49 PM

The lines you are drawing now as PDC helps to identify the first candle. Thanks for this.
Reply



Unknown June 13, 2014 at 4:59 PM

today was a mixed day for me. Trade 1) Went long on break of PDH and scratched Lost 6 points. Trade 2) went short at 7648 covered at PDL (7612); Trade 3) Went long again BPB @ 7614 and scratched at 7603 lost 9 points. Trade 4) went short again at 7595 covered at 7552. ST How to avoid trades like Trade 3 I did today.

Reply

▼ Replies



SMART Trader June 13, 2014 at 5:15 PM

Stay with the trend.
Momentum move down confirms a trend. Wait for a consolidation before going CT.
"V" type reversals happen once in a blue moon.

ST

Reply

veer June 13, 2014 at 5:10 PM

ST Sir,

Is there any guideline (or) suggestion to identify TRAP. Ms.Rose Mary's trades were with the Trend. When you suggest to be careful with CT - you mean Trend for that day?

Regards,

Veer

Reply

▼ Replies



SMART Trader June 13, 2014 at 6:05 PM

Veer

<http://niftyinirvana.blogspot.in/2014/01/trap.html>
My trend definition is a little different. Trend is a series of range breakouts
Once price breaks down to a lower range I consider trend as down and try to sell the range highs

ST

Reply



Uday Dave June 13, 2014 at 5:29 PM

Sir,

Regarding TRAP, did you consider complex pullback for TRAP?

URD

Reply

▼ Replies



SMART Trader June 13, 2014 at 5:45 PM

We can do it provided the second leg exceeds the first.
But the quality of setup will differ. A TRAP can be a BOF of a minor swing point /MSP/DP
Everything points to the same thing. An attempt to reverse a trend fails
This is an indication of trend continuation. Need to consider other factors also

ST

Reply



amber June 13, 2014 at 6:00 PM

Sir good evening,sir sent a mail when time permits kindly check thnx

Reply

athshree June 13, 2014 at 6:17 PM



Hi,
ST,

Why you didn't consider BOF of PDC in first candle itself as well as 7th candle...there was lot of noise in between before BOF of DH as well as BOF of PDH....how you managed it before final down move started?

Reply

▼ Replies



SMART Trader June 13, 2014 at 6:29 PM

I waited the price to escape from the congestion. Shorted only on the break of RN 7650
I have marked my entry point with a down arrow and a small line. I did not short the earlier BOF because I wanted the price to move away from the Barbed Wire area

Do not trade patterns in isolation. There are many other things to be considered like trend, range, order flow, critical mass, risk, space.

ST

Reply



vikram June 13, 2014 at 6:35 PM

ST, Down move was very fast especially at RN. Do you put limit order or market order for entry? In case of limit order, how much difference you keep between trigger price and the limit price?

Reply

▼ Replies



SMART Trader June 13, 2014 at 6:53 PM

I entered with SL Limit order.
Placed the order an hour before when BOF of PDH happened
I kept 1 point difference

ST



vikram June 13, 2014 at 7:31 PM

That's awesome! But how did you know what low the 3tf candle will make while breaking RN to have the limit order put there? or you just put it few points, say 7648, below RN without worrying about 3tf candle high/low?



SMART Trader June 13, 2014 at 7:58 PM

I trade horizontal price levels not candles.
In this particular situation the question is whether price is getting accepted below the Round Number 7650
I just enter a SL limit order 7648 with a trigger 7649. once it triggers I am in the trade.
If price is getting rejected and climb back above 7650 Convincingly, I am out.
Maximum risk allowed is 10 points. I try to find a logical place to keep the stop within this limit

ST

Reply



Trekkie June 13, 2014 at 7:27 PM

Hi ST,

For the last trade, SL was more than 15 points away I think, was it not too risky after NF had moved some 85 points already?

Also, I am trying to understand price acceptance. How to determine this in live market? Thanks for your help.

Reply

▼ Replies



SMART Trader June 13, 2014 at 10:02 PM

There is no question of risking 15 points. Our hard stops will be at 15 point risk
But we manage trades actively. Once price is not getting accepted below BRN and if it climbs back above BRN we are out. We are trading the acceptance and rejection of levels called Decision Points.
I don't know whether you could not understand the concept or you are not able to read the market properly. How to explain this concept simpler?. Let me try.

Consider DP as the Wagah border separating India and Pakistan.
India and Pakistan are different "Ranges"

There lives a person named "Price" in Pakistan

He roams around freely within the range called Pakistan

1.He visits the border, watches the ceremony and goes back without trying to cross the border. This is a TST. We bet that he will not enter India and will return to Karachi or Afghan border

2.Price crosses the border to India. Indian forces fire at him and the guy runs for his life back to Pakistan. This is a BOF. We bet that he will not come back and run away to Karachi

3.He crosses the border. Faces firing from BSF. But he pretends to run away but hides at the border. After a while manages to sneak in. Now he is safely in a new range called India and can freely roam around here. This is a BPB

4.He crosses the border and no body finds him. It is a BO. He may go to the Bangladesh border

In case 1 and 2 Price is not getting accepted in India
In case 3 and 4 Price gets accepted in the New Range called India.
Location is important. This will work at wagah but will not work at KL-TN border
This is the core concept. Everything else is just tactics.

ST



Trekkie June 13, 2014 at 10:15 PM

Hi ST, I love the wagah border analogy, so beautifully written, thank you so much. Please bear with me for stupid questions. Yesterday when the red bar fell into IRH (if we went long over IRH), we would wait for pivot for exit. Would I be correct in my understanding if I said, if our SL is within 10 points we wait for pivot, if it is more than 10 points we exit once bar comes back inside DP/range without waiting for pivot? I apologize beforehand if I am totally off the mark :(



Uday Dave June 13, 2014 at 10:20 PM

Fantastic!!!



SMART Trader June 13, 2014 at 10:41 PM

Yes you can manage the trade within the overall risk level
Most of the time these things happen when
1. Attempting low probability BO
2. Trading into a prominent trouble area
3. Trading within a congestion

ST



Trekkie June 13, 2014 at 11:00 PM

Thanks a LOT ST. I think I just haven't backtested enough. So no more questions from me until I backtest at least a couple of months of data. I hope I can do that this weekend. Thanks again for your patience.



SMART Trader June 14, 2014 at 9:34 AM

Conventional back testing on a discretionary method won't help much, I feel
The reason is your execution will depend on your feel and read of the market as there are no objective clear defined rules.
For example today you can easily lose 50 points going counter trend where as one can earn 100+ points
Go through the charts posted by Rose Mary, NPA Trader, UR Dave etc. Same method different results.

Many people ask me how many points on an average one can make with the method. To be frank I don't know. Messing up on a single day like this will affect the monthly result a lot. If we lose 50 instead of gaining 100 your end result is going to be -150 on month end.
IMO, only thing you can back test are
whether DPs are acting as border lines? Do the patterns work at DPs? Are they causing a non random directional move? Are you able to control the risk? What are the other factors help decision making etc. Ultimately your screen time experience and execution skills will determine your success. There are no shortcuts for this

ST



Uday Dave June 14, 2014 at 11:39 AM

Sir,
It is regarding congestion. Per my understanding, congestion means price trading in a range for long time. I have marked them in boxes in the following chart. One is bigger congestion, within which there are two other smaller congestion zones. Another one at bottom
<http://www.mql5.com/en/charts/1999816/nse-nifty-m3-gci-financial-ltd>
What tactics need to be used? Wait for the price to clear congestion zone or trade it like a range.

Thanks
URD



Deven Malhotra June 14, 2014 at 12:11 PM

Hi ST,

Only Few people have good Teaching Capability. you are one of them Great Analogy..

Thanks,
Deven Malhotra



SMART Trader June 14, 2014 at 2:15 PM

URD

Congestions are narrow ranges. We can trade them if they are wide enough to give a good RR
If we look at them in a higher time frame chart it will appear as just a stall or an inside bar. I will prefer to exit and sit out rather than waiting for a long time.
For example you are long on a trade. Price hits a prominent DP and pull back and you suspect a consolidation rather than a reversal. So you stay with a trade expecting another leg up with your SL below consolidation. After a long wait what is going to happen?
Price will dip below the low of the range, stop you out and race ahead. This has happened to me so many times. So I will exit at the DP. Sit through the consolidation without any tension and will go long on the BOF of range low. Today when price hit BRN, I just exited and entered again on the break. Once we become more experienced, we will learn many more such tactics.

This experience is what makes an elite performer. We have a long long way to go. We have Just taken a few baby steps. That is all

ST

ST



PUCHU_2500 June 14, 2014 at 2:59 PM

pls, see my chart. on my chart the Indian soldiers are firing and so he goes back to Pakistan. now he (prices) may go to Karachi or may enjoy wagh boarder ceremony or again may try to cross Indian boarder. is it right sir ? pls give your comments.
<http://i.imgur.com/DPk4pF8.png>



SMART Trader June 14, 2014 at 3:22 PM

Puchu
Your reading is right.
The problem is our mind will play tricks.
For a moment just forget about the BRN. It is just a BO of PDL
Where will you long as BOF of BRN. Naturally above the BO candle. Right ?
It never happened. Then Why should one go long here?

ST



Uday Dave June 14, 2014 at 3:45 PM

Sir,

Thanks for the guidance.

I too have started to feel now that the trade management is the key. We can come out with no loss even if it is a wrong trade taken at wrong place, if managed well. The real game starts after we enter into the trade.

True, we have a long way to go..

URD

Reply



sleepytrader42 June 13, 2014 at 9:28 PM

Hi ST,

I loved the comment "I trade horizontal price levels not candles". I assume by this you mean static support and resistance levels. And do you specifically discuss this comment in any of previous blog posts? Thanks.

Reply

▼ Replies



SMART Trader June 13, 2014 at 10:15 PM

Sleepy
Please go through the important posts listed below the blog especially structure and patterns
I trade implied S/R levels called Decision Points. DPs are time frame ,Indicator independent price levels visible to all the traders. If more traders watch a level, the more prominent it becomes.

ST

Reply



Trekkie June 16, 2014 at 10:52 AM

Hi ST,

Are the range markings correct for today. I skipped the long at Blue arrow because of PDC, BRN and PDL above. Should that have been taken because of BOF? <http://i.imgur.com/HfghMPZ.png> Thanks for your help.

Reply

▼ Replies



SMART Trader June 16, 2014 at 11:20 AM

S Roy

As of now , this may hold as a range
<http://screencast.com/t/yXq5pn5c2>

ST



Trekkie June 16, 2014 at 12:46 PM

Thank you so much ST.

Trekkie June 16, 2014 at 1:18 PM



Hi ST,
can we remove the PDL and RN after the two moves marked by the pink line and the blue line?
<http://i.imgur.com/adZ5Q1T.png>



SMART Trader June 16, 2014 at 1:34 PM

S Roy
Once price establishes a range, the levels in between loses its importance. But I will retain PDL.
PDL determines whether price is within the previous day range or not.

ST



Trekkie June 16, 2014 at 1:55 PM

Hi ST,
Do we have two small ranges within the bigger range now <http://i.imgur.com/o7zrbhO.png> or should we ignore these?



SMART Trader June 16, 2014 at 2:09 PM

There could be . The question is whether it is tradeable.
Even the bigger range is not tradeable due to so many levels in between.
Just wait till price come out of the range.

Reply



Uday Dave June 16, 2014 at 12:17 PM

Sir,

I have marked the congestion zone, also the previous day's closing range, and written in brief about the thoughts for it. Please have a look.

<http://charttechnical.blogspot.in/>

It always helps to look at the left side of chart.

Thanks.

URD

Reply



SMART Trader June 16, 2014 at 12:47 PM

URD

Trades within congestion are low probability ones. I remember a post by nrbqb11 at Forex Factory
He calls these congestions " Traffic" . Every candle looks like a car and the congestion reminds a traffic jam. It is little difficult for the price to move through this Traffic. Once price clears the jam, price may accelerate. Please note that the concept of space is little different than ours.

<https://www.youtube.com/watch?v=F-31fRCUuRs>

ST

Reply

▼ Replies



Trekkie June 16, 2014 at 1:08 PM

ST,
I think the beauty of your DP/Range system is its ability to catch the most probable trades. If it makes some good moves without us on board so be it.



SMART Trader June 16, 2014 at 1:20 PM

S Roy
<http://niftynirvana.blogspot.in/2012/02/chicken-sexing.html>
I started this journey after reading Richard Horsey's research paper
IMHO, the best article ever written on skill development
Unfortunately it is the least commented post on this blog

ST



Trekkie June 16, 2014 at 8:00 PM

Thanks for sharing this article ST .

Reply

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