

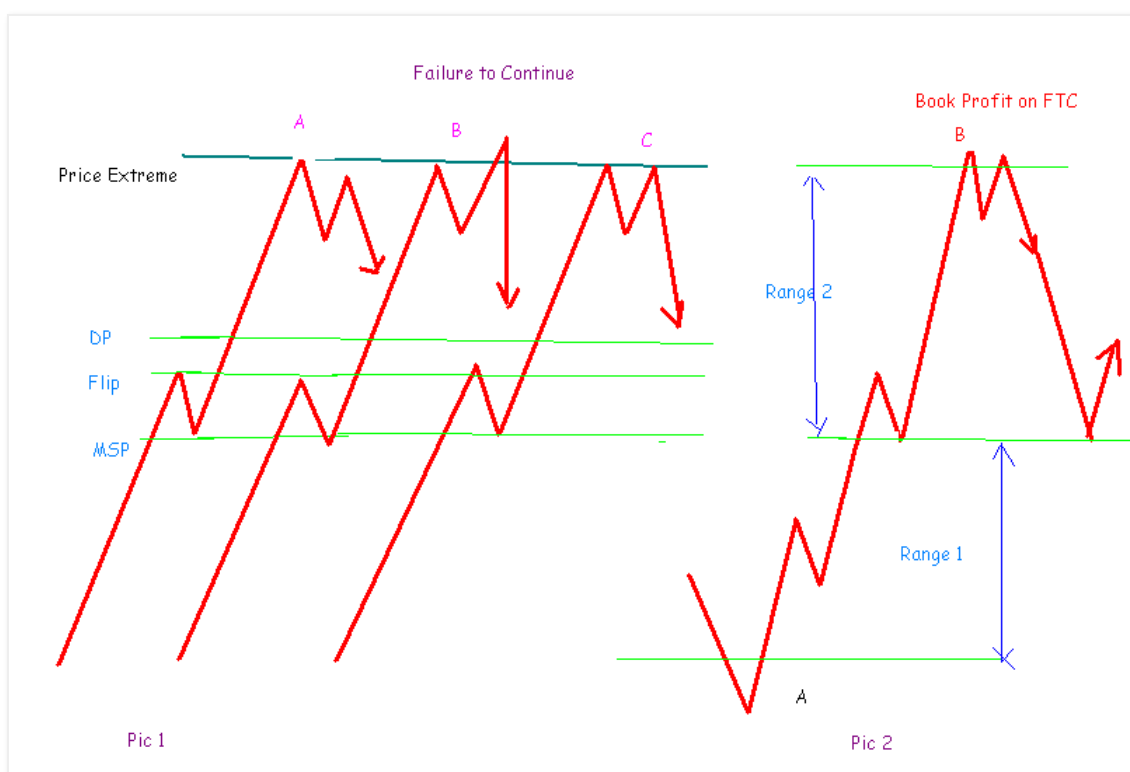


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There is a substantial risk of loss associated with trading Derivatives . Losses can and will occur. My methods will not ensure profits

Saturday, February 1, 2014

Failure to Continue



There is too much of confusion among the readers about FTC (Failure to Continue). I will try to explain it further. FTC is not really a pattern in the true sense. We are basically trading three patterns at Decision Points namely TST, BOF and BPB. FTC can either be a TST or BOF but never a BPB. Further it can be a failure to test a new price extreme.

There are two types of Decision Points. Fixed levels and Dynamic levels. Fixed ones are levels like PDC, PDH, PDL, DO, BRN etc. These levels will not change. Dynamic levels are levels created by the market during the current session. Market will be creating new DPs and discarding the old ones all the time. Examples are HOD, LOD, MSP and range extremes.

Usually we trade established levels where market reacted earlier. Sometimes market will establish a fresh extreme and change direction from there either to change trend or to establish a new range. FTC is an effort to capture such trades. FTC trades are always counter trend trades and hence relatively high risk trades. Basically we are trying to identify trader exhaustion either on the long side or on the short side.

Look at Pic 1. Price is in a momentum move. It breaks a DP and moves up further to stall at a certain level. We feel that buyers are exhausted and market may consolidate. We look for FTC here. We keenly observe what price is doing. FTC can occur in 3 ways explained as A, B and C. These are failure to test the extreme, BOF of extreme and TST of the extreme. Price may reverse or consolidate. Most probably we can expect a range here. Lower boundary of the range can be the DP, Flip or MSP.

FTC is very useful in managing the trades. Look at Pic 2. We enter on the BOF of a range low at A. Price moves up breaking the range high and stalls at a certain point called B. An FTC at point B is a signal to book our profits. Here price may consolidate for a long period in a new range. It is better to capture most of the move by exiting at B on FTC and wait for the next signal to act.

I have given only the long example. It is applicable on short side also. Be very careful while initiating new trades at FTC. Ensure that there is clear exhaustion of momentum price move. If you are in doubt, better to stay out. Hope it is clear. Otherwise let me know.



30 comments:

Anonymous February 1, 2014 at 12:39 PM

Sir,

In simpler terms we can use FTC to gauge momentum

Momentum rise -> momentum flat -> price reverse!

Raghu

Reply

Anonymous February 1, 2014 at 12:44 PM

Sir,

Do you think it wise to trade with the fixed lot size through out the trading or it will be better to have variable lot size depending up on the wins and losses?

Raghu

Reply



nifty for bread February 1, 2014 at 1:20 PM

Sir,

Thanks for this informative post. I understand that FTC can be noticed only on the second or 3rd attempt to test the extreme. We can look for FTC only in case of DT/DB at the second top/second bottom

Please correct me, if my understanding is wrong.

S.Karthikeyan

Reply

Anonymous February 1, 2014 at 1:45 PM

sir,

It is very very very clear by now sir. Thanks a lot.

Reply

Anonymous February 1, 2014 at 2:16 PM

sir,

What should be the entry point for FTC..plz clarify..thank you..

Reply



Uday Dave February 1, 2014 at 4:04 PM

ST,

Thanks a lot for this post. Indeed, there is no other way to explain it better than this explanation of FTC. Appreciate your efforts to make it so crystal clear..

Reply



Unknown February 1, 2014 at 5:18 PM

Hi ST

thanks for the explanation!!!

how can we ensure exhaustion of price??

TBP

Reply



SMART Trader February 1, 2014 at 7:43 PM

Raghu

<http://niftynirvana.blogspot.in/2012/11/win-more-lose-less.html>

I have not thought about it much as I am still a single lot trader

ST

Reply

SMART Trader February 1, 2014 at 7:56 PM



SK

It depends on the strength of the trend and how far the trend has traveled. Whether it is a trend move or a CT move etc
Wait till you are sure about it. Some times you may miss the trade. Do not chase it. There will be another opportunity soon
ST

Reply



SMART Trader February 1, 2014 at 7:57 PM

Anon
You can short below the swing low if other factors are favourable
ST
Reply



SMART Trader February 1, 2014 at 8:02 PM

TBP
If the FTC trade works you can ensure and confirm price exhaustion
ST
Reply



nifty for bread February 1, 2014 at 8:11 PM

Sir,
Thanks for the guidance.
S.Karthikeyan
Reply



Unknown February 1, 2014 at 8:20 PM

Thanks ST
TBP
Reply



VK February 1, 2014 at 9:10 PM

good explanation ST :) Thanks. It can also be interpreted as "double top or triple top" and bottoms as the case may be when price fails to auction beyond FTC levels .
Reply

Anonymous February 2, 2014 at 7:20 AM

Sir,
Thanks for the post.
I am a beginner and found your book useful.
Guess need another couple of read to understand the concept fully.
I have few questions.
1. Is it possible to apply the concept for positional trade (say 1 or 2 weeks position). Or is it best suitable for day trading.
2. Is there a page in the blog where i can find full form for all abbreviations used in the blog.
regards
Raghav
Reply



SMART Trader February 2, 2014 at 8:41 AM

Raghav
1. DP trading is a day trading method
2. Check the glossary
ST
Reply

▼ Replies

Anonymous February 2, 2014 at 12:20 PM

Hi

Thanks.Is there a method for positional trade?

Regards
Raghav

Reply

Anonymous February 2, 2014 at 8:42 AM

Sir,
Thank you very much for spending your valuable time for this post in the weekend.

dushmant das

Reply



SMART Trader February 2, 2014 at 12:31 PM

Raghav

Sorry, I do not trade positional

ST

Reply

Anonymous February 2, 2014 at 2:09 PM

Maybe you can look at the ongoing free course from Grimes <http://adanrhgrimes.com/TAAS/about-the-course/>
Havent started yet but his blog is generally for positional trades.

SS

Reply

ANOO.PAV February 2, 2014 at 3:02 PM

thanks for explanation abt FTC

Reply

Anonymous February 2, 2014 at 3:57 PM

Sir, please dont publish this as its just my thought...

you are a single lot trader? I cant believe this!!

200 points in a month you say.
 $200 \times 50 = 10000$

800 for charting
may be 800 for internet
ie., $10000 - (800 + 800 + \text{cost of trading including brokerage}) = \text{what????????????}$

are you a minimalist by nature?

Raghu

Reply



Unknown February 2, 2014 at 8:13 PM

Dear ST,
Good Evening & Thanks a lot for your clarification on FTC.

Regards

Reply



SMART Trader February 2, 2014 at 8:40 PM

Raghu

Currently I am focusing on skill development. My trading income is not sufficient to meet my household expenses.

I retired with a monthly pension of 23K and my retirement benefits earn an interest income of 30K. Further my wife is working and she earns around 50K per month. We are a zero debt family.

I have introduced a capital of just 2 Lakhs and risk Rs 500 on a trade just 0.25% of my capital

I do not have any psychological pressure and slowly I will scale up

ST

Reply



Unknown February 2, 2014 at 8:51 PM

Hi ST
Hats off for being so open!!
if u with so much to offer speak of skill development then I have not even started I guess!!!
all the very best
thanks for being there

TBP

Reply

anoo.av February 2, 2014 at 9:18 PM

sir , WHAT IS PDH.PDLAND PDC ...? REPLAY ME PLS.....

Reply



SMART Trader February 2, 2014 at 10:28 PM

Anoop

I have answered many questions from your side earlier. This time I am sorry.
If you are really serious about this method, find out on your own.

After reading the whole Ramayana you are asking who is Rama!!!!

ST

Reply

Anonymous February 2, 2014 at 11:10 PM

you sir are bloody awesome.
Full control on greed/fear
thank u v much
SS

Reply

anoo.av February 3, 2014 at 9:51 AM

sir, sorry for inconvenience

Reply

Anonymous February 3, 2014 at 9:57 AM

Sir,

All that I can say is, I wish I got you at least 3 years back.

There are many things that I have to learn from you, not only on trading even in life.

Raghu

Reply

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