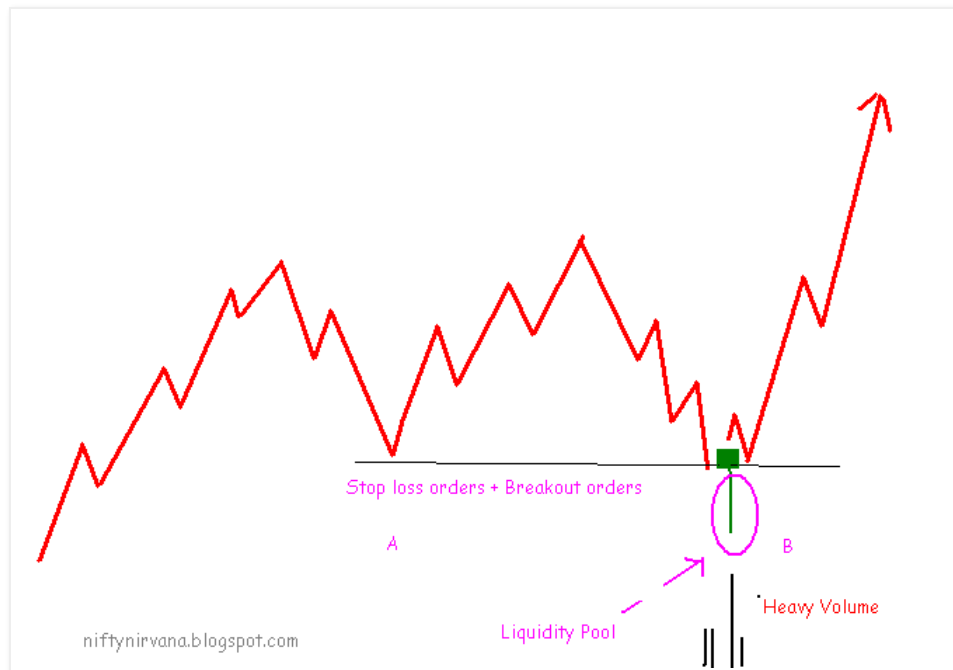




There is a substantial risk of loss associated with trading Derivatives . Losses can and will occur. My methods will not ensure profits

Saturday, February 18, 2012

Food For Thought



Look at the above picture. You might have seen this pattern many times.

Market is in a bull trend. It pull backs and makes a low at point A. Afterwards it goes up and later returns to the same price level and print a beautiful pin bar.

As a trader what will be your action in this area?

Some possibilities are

- 1.You will keep a stop loss order just below point A if you are holding long position
- 2.You will sell just below point A expecting a breakout to the down side
- 3.You will go long above the pin bar with a stop loss below the candle

Will you buy at the circled area? Who bought there? Who absorbed both stop loss selling and breakout selling? Why? Please let me know .

Posted by SMART Trader at 9:43 PM



9 comments:



Sunil Saranjame February 20, 2012 at 11:29 AM

Hi, Nice one.

Ideally I will wait for the pin bar candle to complete and then buy at the open of the next with a stop below the pin bar candle.

Naturally, the smart money is running the show here. I may buy at the circled area seeing the increased volume but like I said, I will wait for the pin bar candle to complete.

Reply



Sunil Saranjame February 20, 2012 at 11:37 AM

btw, that reminds me... just the other day DLF showed exactly this pattern. Let me dig it out and will mail you.
Reply



SMART Trader February 20, 2012 at 1:46 PM

SS,

Yes , this is a game played by Smart Money.
SM loves extremes. and most of the time their buy orders are below supports and sell orders above Resistance.
Some discussion going on here

<http://www.inditraders.com/technical-analysis/6199-food-thought.html>

and here

<http://www.traderji.com/technical-analysis/67220-food-thought.html>

Let us see
ST

Reply



assortZ February 20, 2012 at 2:54 PM

What am seeing here? i can see myself in many posts here as they very well match to my thoughts :) simple but powerful write-ups! Thanks to prof ss for the signboard.. Just reading your posts one by one and they are excellent! thanks!

Reply



SMART Trader February 20, 2012 at 3:28 PM

Thanks assortZ

I am not an expert. But if my rants can give just one "aha" moment for at least one trader, it is not a waste
Please do visit and comment.

Reply



Vinod March 15, 2012 at 10:00 PM

I am a recent follower of your blog & consider myself lucky to have visited the blog. You have explained a variety of topics in a easy to understand unique style. Thanks

Reply



SMART Trader March 16, 2012 at 3:31 PM

Vinodji

Thanks for the compliment
Please do visit and give valuable suggestions.

ST

Reply

Ian July 13, 2013 at 7:09 AM

How about someone who is trying to take a very large position which will be held for months...Their problem is that if they dump their full order on the market it will eat through the order book and they'll pay over the odds. What they need is selling volume so they can buy loads without moving the price against them. Where better to find it but at breakdown/sell stop positions?

Reply



SMART Trader July 13, 2013 at 10:11 PM

Ian

I have written another post on the subject
[Read](#)

ST

Reply

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