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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, April 21, 2012

Trader Analysis

BUY	PRICE	SELL
	10570	
	10569	
	10568	
	10567	
	10566	
	10565	
	10564	207
	10563	86
	10562	54
	10561	24
	10560	20
	10559	23
19	10558	
22	10557	
29	10556	
24	10555	
43	10554	
137	10553	
	10552	
	10551	
	10550	
	10549	
	10548	

Market is a dual auction process where multiple buyers competing to buy from the market and multiple sellers competing to sell into the market. Price is where a seller and buyer agrees to transact. Price moves depends upon the demand and supply . Let me try to explain this with a DOM view of a trading platform

In the above example 23 lots are being offered at 10559. Nearest bid is 19 lots at 10558. Here no transaction will take place. Either the buyers should bid up or the sellers should quote lower. Suppose those who are willing to sell 23 lots at 10559 revises their order to 10558, 19 orders will get executed at 10558 and the remaining 4 offers will remain unexecuted at 10558 level

Now imagine somebody punching a market sell order of 275 lots . All the bids shown in the above example will get filled and the remaining one order will get filled at a far lower price say 10300 where another bid exists. And it is a Flash Crash.

Price move is a function of demand and supply. Urgency or desperation of the participants move price. Any trading method which is not based on this reality will fail.

Successful trading is knowing where a big enough group of traders will succumb to fear and greed, and acting with or before they act, allowing their order flow to take our position to profit.

What we need is not TA (Technical Analysis) but TA (Trader Analysis)

Posted by [SMART Trader](#) at 10:31 PM



4 comments:



[Sunil Saranjame](#) April 22, 2012 at 9:56 AM

Excellent.

Reply



[SMART Trader](#) April 22, 2012 at 10:54 PM

SS

Thanks

ST

Reply



VK April 24, 2012 at 8:53 PM

Very good post ST. Thanks.

Regards

Vinod

Reply



SMART Trader April 27, 2012 at 11:11 PM

VK

Thanks.

ST

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