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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, June 23, 2012

## Reality of the Market

Majority of the traders fail because they do not understand the reality of the market. Most of us are not even playing the right game. Materials available over the net and the books written by failed traders teach technical analysis patterns and indicator based signals and we assume this is the reality.

The indicator based TA signals and price patterns are illusions. These are only effects. Cause is something else. Then what is the cause? Price. Indicators and patterns are derivatives of price. Then price is the cause and TA patterns the effect. So we need to focus on price.

Do not reach a conclusion so fast. Price is another effect and there is something that makes prices move in markets. What is it? It is the order flow. Orders make the market move. If the net order flow is on the buy side market will go up. If net order flow is on the sell side market will drift down.

Then order flow is the real thing that moves the market. Oh No. Dig a little more deeper. Yeah, got it. It is the people who act in the market by feeding their orders. When people start bidding higher, price will move up when they start lowering their offers price will start moving down.

A little more deeper. When people are going to bid or offer aggressively?. It is when they feel the urgency and desperation to transact. This is when they become emotional. So it all comes down to the emotion of the market participants. Fear and greed are the most powerful emotions that can force people to act.

*If you are able to identify the price levels where a large enough group of traders succumb to these emotions and able to act there without hesitation, you will win in this game. Trading is nothing but engaging the other party. Encashing their fear and greed.*

Suppose you are in a shopping mall. People will be moving around in a random manner. Then you hear an announcement that the first ten purchasers of a particular item will get another free. You can see so many people rushing to that counter. That is greed in action. Then you go and press the fire alarm button. Everybody except you will rush to the exit. Fear in action. Now you know it. Fear is much more powerful emotion than greed.

*Trading is war, whether you like it or not. We need blood on the trading floor*

Posted by [SMART Trader](#) at 8:15 PM



## 8 comments:



[ratnakar](#) June 24, 2012 at 8:07 PM

very true..

Reply



[AS](#) June 24, 2012 at 9:13 PM

Thanks for the post.

Rgds

Reply



[SMART Trader](#) June 24, 2012 at 9:25 PM

@Ratnakar

@AS

Thanks for visiting and making a comment

ST

Reply

ruchir June 25, 2012 at 7:01 PM

deep analysis, really. when fresh flow of orders- other than the already existing bids - comes calling, SOMETHING SIGNIFICANT happens.

Reply



Smita June 25, 2012 at 9:47 PM

Thanks ST for the write up .

Reply



SMART Trader June 25, 2012 at 9:57 PM

@ruchir

@smita

Thanks for the visit and comment

ST

Reply



Gnanasekar December 7, 2012 at 8:18 AM

Hi ST Sir,

I was following SS blog for years.. I have seen your blog before but didnt go through the glossary part so was not able to understand your trades.. When I started to read your Glossary posts, I couldn't stop.. Simply wonderful..

Great Work Sir.....

Reply



SMART Trader December 7, 2012 at 9:20 AM

Sekar

Thanks for the visit and comment.

ST

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