Title:
Forex Trading Pivot Points

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Summary:
Many traders and novices are looking to make money in Forex, however only 5% of Forex traders ever make a dime. The question then becomes what are the 5% that are making money in Forex doing that the other 95% are not.

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Article Body:

Many traders and novices are looking to make money in Forex, however only 5% of Forex traders ever make a dime. The question then becomes what are the 5% that are making money in Forex doing that the other 95% are not.

The truth is anyone can make money in Forex as long as they educate themselves and learn how the market reacts. Trades can use key support and resistance zones for entry and exits within the market, however there is another key component that will help determine price movement and that is pivot points. Pivot points help determine where price is going as well as reversals in trends.

If one knew the range parameters used by floor traders then one may have a handle on significant areas where off floor and position traders may take over the market. Determining key support and resistance zones coupled with pivot points is essential to forecasting price movement in the Forex. Even if you are not a day trader, knowing the key pivot point, support and resistance points can help the short term trader and intermediate positional trader to identify potential entry points and stop loss levels.

Getting into a trade near key support and resistance zones is a double edged sword. Pivot points can be seen as both dangerous and a great opportunity to enter a trade. Stop orders to enter at pivot points are readily whipsawed by the local market and noise, meaning price may bounce up and down around pivot points before heading in one direction. The question then becomes how are pivot points used to determine a good entry and exit point in the market?

Pivot points can be used in two ways. The first way is for determining overall market trend: if the pivot point price is broken in an upward movement, then the market is bullish, and vice versa. Keep in mind, however, that pivot points are short-term trend indicators, useful for only one day until they need to be recalculated. The second method is to use pivot point price levels to enter and exit the markets. For example, a trader might put in a limit order to buy 100 shares if the price breaks a resistance level. Alternatively, a trader might set a stop-loss for his active trade if a support level is broken.

Calculating pivot points is not an easy task. There are some really great training courses online that will train you on how to trade using pivot points as well as calculate them for you and teach you how to use them in a real-time.