

Pivots and Inflection Points

TheoTrade Summer School

with Tony Rago



Theo**TRADE**

Risk Disclosure

- **We Are Not Financial Advisors or a Broker/Dealer:** Neither TheoTrade® nor any of its officers, employees, representatives, agents, or independent contractors are, in such capacities, licensed financial advisors, registered investment advisers, or registered broker-dealers. TheoTrade® does not provide investment or financial advice or make investment recommendations, nor is it in the business of transacting trades, nor does it direct client commodity accounts or give commodity trading advice tailored to any particular client's situation. Nothing contained in this communication constitutes a solicitation, recommendation, promotion, endorsement, or offer by TheoTrade® of any particular security, transaction, or investment.
- **Securities Used as Examples:** The security used in this example is used for illustrative purposes only. TheoTrade® is not recommending that you buy or sell this security. Past performance shown in examples may not be indicative of future performance.
- **Return on Investment "ROI" Examples:** The security used in this example is for illustrative purposes only. The calculation used to determine the return on investment "ROI" does not include the number of trades, commissions, or any other factors used to determine ROI. The ROI calculation measures the profitability of investment and, as such, there are alternate methods to calculate/express it. All information provided are for educational purposes only and does not imply, express, or guarantee future returns. Past performance shown in examples may not be indicative of future performance.
- **Investing Risk:** Trading securities can involve high risk and the loss of any funds invested. Investment information provided may not be appropriate for all investors and is provided without respect to individual investor financial sophistication, financial situation, investing time horizon, or risk tolerance.
- **Options Trading Risk:** Options trading is generally more complex than stock trading and may not be suitable for some investors. Granting options and some other options strategies can result in the loss of more than the original amount invested. Before trading options, a person should review the document Characteristics and Risks of Standardized Options, available from your broker or any exchange on which options are traded.
- No part of this presentation may be copied, recorded, or rebroadcast in any form without the prior written consent of TheoTrade®.
- No Soliciting. No Recording. No Photography.

Copyright Disclaimer

All rights reserved. This Material may not be reproduced or distributed, in whole or in part, without prior written permission of TheoTrade, LLC. Any other reproduction or distribution, in whatever form and by whatever media, is expressly prohibited without the prior written consent of TheoTrade, LLC. For further information, please contact:

TheoTrade, LLC

16427 N. Scottsdale Rd. # 410

Telephone: [1-800-256-8876](tel:1-800-256-8876)

Email: support@theotrade.com

Pivots and Inflection Points

1. What are pivots and how do we use them?
2. Pivot Formula for any time frame
3. Inflection Points – Roundies and 50s
4. Trading Long Term Inflection points on a short term basis
5. Keep it simple – putting it all together

What is a Pivot? Price > Everything

1. What is a Pivot?

- a. A pivot is a price level based on a calculation of previous days/weeks close. It becomes a level of interest to help read market direction. I.e. if we are trading above a pivot after being tested – it is deemed support.
- b. We use the Weekly Pivot (WP) as our primary pivot point.
- c. You can usually glean clues from price action around the pivot.

2. How do we use a pivot?

- a. Very simply put the BULLS control the tape if trade is maintained ABOVE the pivot.
- b. The BEARS control the tape if trade is maintained BELOW the pivot.
- c. When a pivot lands on a SPOT or Marker it becomes even more relevant to the trade.
- d. We will ALWAYS try the long into the WP from above.
- e. We will ALWAYS try the short into the WP from below.

Weekly Pivot tested from below



The Pivot Formula

1. On ANY timeframe
 - a. ADD the High + Low + Close of the bar (Daily, 3day, Weekly, etc.) and divide by 3 and that is your pivot.
 - b. For example: On a weekly chart you hold your cursor over the prev week bar and add the $H+L+C / 3$

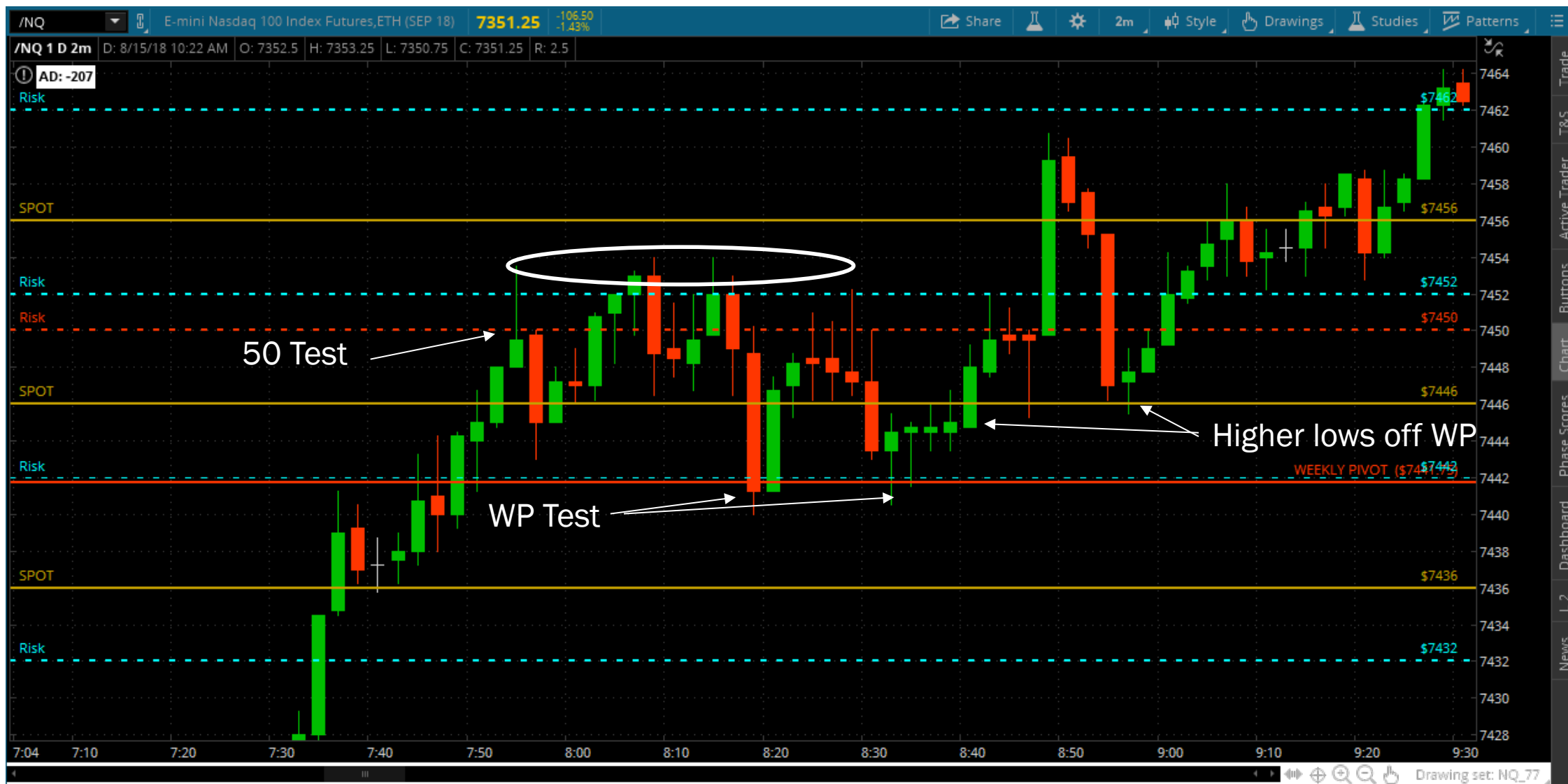


Inflection Points – Roundies and 50s

1. What is a Roundy?
 - a. My strategy is based on trading the 100 handle block in NQ
 - b. A roundy is the BIG round level on our chart 7300, 7400, 7500
 - c. They are psychological levels and price loves to gravitate to them
 - d. They become relevant and logical targets as price sets up or we get too close not to touch
 - e. They can go resistance (resis) on a test from below or support when tested from above.
 - f. If the roundy goes resis then we can expect a test of the 50 below on the longer time frame.
 - g. If the roundy is converted to support we can expect to test the 50 above on the longer time frame.
 - h. We consider the roundy converted if price remains above the 12 marker
2. The 50 is also an inflection point within the 100 handle block or could be considered a pivot to the roundy.
 - a. The 50 becomes relevant once we have converted the roundy to support or resis.
 - b. We watch price around this level to determine if it is going support or resis.
 - c. We consider the 50 converted if price remains above the 62



Trading Long Term Inflection Points on a Short Term Basis



Keep It Simple – Putting it all together

1. Check your longer time frame charts to see where price is in relation to the inflection points.
2. Is the roundy resistance in the overnight trade? Support?
3. If one or other it makes the corresponding 50 in play for the cash session,
4. I will always look for the level to be tested in RTH for clues.
5. These levels do not override any marker on the chart.
6. You must be able to identify risk in the trade and be comfortable with it. i.e buying a roundy is against the 92, buying a 50 is against the 42.
7. Let them print and watch price action from the test.