File Created by Blogging Rebirth WP Plugin

A Simple Pivot Point Trading System

Discover a Forex Robot that made 2,300% NET PROFIT in 2009 and download the Forex Auto Detector Software FREE that can increase the profitability of any forex robot by 53% and more. Try Pips Dominator that made $500,000 on average per year for the last 5 years RISK FREE for 60 days. First test a forex robot on your Forex Demo Accout and only then trade live. This is a very simple pivot point (PP) trading system based on three period pivot point moving average (PPMA) and the one period pivot point moving average which is much better than most of the moving average based systems as it uses pivot points (PPs) in calculating the moving averages.

A PP is calculated by adding the High (H), Low (L) and the Close (C) of a session with three. A three period PPMA is calculated by adding the pivot points in the last three periods. One period pivot point moving average is simply the pivot point of the preceding session.

A PP is a much better measure of the price action as it takes into account the range as well as the close of the proceeding sessions as compared to only the close of the proceeding sessions in case of the moving averages. This simple trading system can be used on the 5 minutes charts and above.

When the two MAs cross each other, this gives a trading signal that needs to be confirmed with a bullish or bearish candlestick pattern. This feature of using two MAs gives you an early warning system that helps you in telling you about the conditional price change. How do you determine the strength of the trend? A trend can be easily determined by drawing a simple trendline. Now when the slope of the two MAs are both pointing in the same direction as that of the trend, means that the trend is going strong.

Furthermore when the two MAs are equidistant from each other with a good degree of separation between the two, this indicates a steady trending condition. When the shorter term one period MA moves too far away from the longer term pivot point moving average this means an overbought condition in the market and when a crossover takes place, it means a conditional price change that needs to be confirmed with a candlestick pattern.

In trading timing is everything. It is not enough to know the direction of the trend rather you should also be able to anticipate when to enter the market. Many traders can correctly anticipate the direction of the trend but make a premature entry. They get stopped out due to the premature entry but feel frustrated to see the market launch in the predicted direction again.

This method of combing a pivot point analysis with a moving average approach will help you develop a mechanical and systematic approach to your trading. Now for a trading signal to develop, you need a conditional change in the price that is depicted by the crossover and a further confirmation from the market by closing above or below the MA.

In case of a bullish trend higher highs and the higher lows are verified by pivot point moving average. Similarly in case of a bearish trend, lower highs and lower lows are formed with each close below the open verified by the pivot point moving average.

Now, it all depends on you whether you are a day trader, swing trader of a position trader. This will tell you the best timeframe that you need to use in order to enter the trend. If you are a day trader simply calculate the range of the last few days and calculate the average range for the last few days. Suppose you calculate it to be 110 pips. With this simple pivot point trading system, you will be able to capture 60% of this range as a profit or in other words 66 pips.

You can also find this article published on A Simple Pivot Point Trading System, and on the tag pages pivot point based trading system, pivot point trading, pivot point trading system, pivot points.