

# TRADING NR7 SETUP

## BY AW10

AW10

### Trading NR7 setup

Just initiating this thread to discuss possible expansion setup

#### 1) What is NR7 pattern (Narrow Range 7) ?

Market goes thru regular contraction (i.e. daily trading range getting shorter and shorter) and expansion (i.e. daily trading range getting bigger) cycle. Expanding range is followed by Contraction and vice-versa. So if we can identify the narrow range days, then it give us a step ahead of everybody to benefit from coming expansion.

NR7 is term given to a day that has the daily range smallest of last 7 days including that day.

NR4 is variation of this where the lookback period is 3 days + current day i.e. 4 days.

E.g. -

Code:

Date	High	Low	Range	Remark
27-May-09	4,286.45	4,115.25	171.20	
28-May-09	4,354.85	4,254.85	100.00	
29-May-09	4,488.05	4,340.75	147.30	
1-Jun-09	4,545.40	4,450.40	95.00	NR 4 day. Range smallest of last 7 entries from 28/May till today i.e. 1-Jun )
2-Jun-09	4,586.40	4,453.40	133.00	
3-Jun-09	4,574.90	4,478.60	96.30	
4-Jun-09	4,582.20	4,453.45	128.75	
5-Jun-09	4,636.85	4,561.95	74.90	NR 7 day. Range smallest of last 7 entries from 28/May till today i.e. 5-Jun )
8-Jun-09	4,611.40	4,404.65	206.75	Break of the low of 4561 of NR7 day took it to low of 4365 in next 2 days. Notice the range expansion (206+197 points).
9-Jun-09	4,562.45	4,365.10	197.35	

As far as I know, this setup was discussed by Toby Crabel first. Later Linda Raschke has also discussed this in her book "The street smart". To know more about them you can either refer to these sources or raise questions here and I /other members here will try to clarify it.

Happy Trading.

#### How to Find NR7 day..

- 1) Get the High and Low data of last few period
- 2) Calculate the range of each day i.e. high - low) for each day
- 3) Compare the range of a today and previous 6 days range (to get NR7. To get NR4 get last 3 days range)
- 4) If todays range is smallest of all 7 days, then today is NR7 day..else not.

It is that simple.

AW10

17th June 2009 04:40 PM

### Re: Trading NR7 setup

#### 2) How to trade NR7 pattern ?

This is one of my favourite setup. It gives u a chance to be ahead of trade follower / indicator followers who will jump in the trend after you.

One of the easiest way to trade this setup will be to go long above the Day's high of NR7 day with stop at the Day's Low of NR7 day.  
Or Go short below the Day's Low of NR7 day with stop at the Day's High of NR7 day.

Observing this pattern gives day trader /swing trader a distinct edge to trade next 1 or 2 days. In many cases, NR7 break-out is found near the start of a new wave.

Code:

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Date	High	Low
17-Mar	2805	2744
19-Mar	2822	2771
20-Mar	2,816	2,773

---

We had NR7 day on 17-Mar-09 /19-Mar/20-Mar If you observe the Day's low for these dates they u will find that they are not visited since last 3 months.

For day trader, this setup indicates that they can anticipate wide range days, so they should be prepared to chase the trend and use trailing stops so that they can get maximum from the coming trend.

Option traders, have lot more flexibility to trade this setup without waiting for the break-out to take place.  
Happy Trading.

AW10

17th June 2009 04:40 PM

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**Re: Trading NR7 setup**

**3) How can option trader use NR7 setup ?**

Option traders, has lot more flexibility to trade this setup. They can start with direction neutral strategy on the NR7 day when it is under development and then covert it into a directional strategy after the break-out on next day.

Simple and most familiar strategies that I use

Direction Neutral strategies = long or short straddle / long or short strangle

Directional strategies = Long naked call or put, call or put spreads, Synthetic stock (i.e. sell put and buy call at same strike)

So on NR7 day (one can easily find this by last 15min of the day that we are going to get NR7 day today or not.. and even if it is missed by few points that shd not matter), lets we buy ATM straddle (4500 C+4500 P).

On next day, when mkt breaks-out of NR7 range (say downward break), then we sell the losing Long call leg of straddle. and convert remaining Long Put leg into bearish put strategy by selling lower level put.

say 4400 P). So now our new position is = bearish 4400-4500 put spread. As market falls, this spread will gain in value because the Delta of 4500 Long put is lower then Delta of short 4400 put..giving

us net negative delta . That means as market falls, our bearish position will gain.

(hope I am not confusing you here)

If one is aggressive risk taker, then instead of spread, we could very well live with long put 4500 position after closing the call position.

Each of these alternatives have their advantages/disadvantage so certainly, decision making here is not a binary choice..

Happy Trading.

AW10

17th June 2009 04:43 PM

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**Re: Trading NR7 setup**

Suggested Trading System - DRAFT rules

I am providing the rule for the system here. Please don't take these rules and start trading. It is given with the intetion that u get idea about how to test

this setup and can define your own trading system to backtest. Based on the result, you might have to modify them. The text between <> is for explanation.

Feel free raise your doubts, if any and I or others will try to clarify them. If there is any error / ambiguity then please highlight so that I can correct it (I am human being and do make errors regularly).

#### **Assumptions -**

- 1) After today's market close, we have the system in place to find out whether today was NR7 day or not (i.e. smallest range of last 7 trading days) You can use the excel sheet attached in post 2 of this thread.
- 2) We have the time to enter the orders during tomorrow market hours (not busy day at office etc)
- 3) It is SWING TRADING position i.e. we are looking to hold this position for more than 1 day. We will be using DAILY timeframe chart of NIFTY SPOT to take any trading decision.
- 4) We are going to use NIFTY FUTURES – NEAR MONTH to trade. On last week of the month, we will start using NEXT Months NF Contract.
- 5) Do we want to use FILTER of few points above High/Low or not ?
- 6) Designing the strategy to go SHORT first. This is to maintain simplicity. The rules can be adjusted for LONG entry by applying the same logic with minor adjustments..

#### **Underlying logic behind why this strategy should work -**

Refer to post 1 of this thread..

<If you don't believe in this underlying logic then it doesn't make any sense for YOU to go ahead with strategy. Even if it is profitable, YOU will find it difficult to implement it because of many psychological challenges posed by your subconscious mind. So either get convinced by underlying logic by asking question, reading, research etc or move onto something else.>

#### **Setup Rules**

- 1) NR7 setup is triggered today.
  - 2) Note the HIGH and LOW of today. (Calling Day0-H and Day0-L)
- <these are basic condition that should be met. If they are not in place then skip any other action and do something else>

**Entry Rules** 1) SELL below the Day0-L on next day i.e. Day1. (BUY above the Day0-H)

<These rules should be clear enough for even a 10yr old person with basic knowledge of chart construction, to understand else there is chance of improvement>

#### **Exit - Stoploss**

- 1) For Short trades, stoploss is at the Day0-H. (For long trades, stoploss is at the Day0-L).
- <if using multiple contracts, then write in details how much of position will u liquidate and at what point>

#### **Exit - Profit taking**

- 1) No plan to place profit taking order for the time being. Trailing stoploss orders will be used to exit the position.
- <you can define your rules for profit taking if you want. I generally touch this section after backtesting/some experience with the system>  
<if using multiple contracts, then write in details how much of position will u liquidate and at what point>

#### **Exit –Trailing Stoploss**

- 1) For Short trade, trail with the stop at HIGH of Previous 2 bars. (i.e. On Day1, stop = Day0-H/ Day2 , stop = Day0-H/ Day3, stop = Day1-H / Day4, stop = Day2-H and so on)
  - 2) If market gaps from trailing stop order level /or for some reason the trailing stoploss order is not executed, then close the position immediately at whatever price is available.
  - 3) Stoploss moves only in the direction of the trade. They are never moved against the direction of our position.
- <if using multiple contracts, then adjust this section accordingly>

*Following two sections needs to be customised for individuals account size and risk tolerance limit. But the example below will guide u in answering them.*

*I will certainly like to come back and update these sections as they are the foundation of trader's long term survival and the success.*

#### **Position size**

<this deal with the question - how much quantity? Best practice is not to put more than 5% of your acct capital on one single trade.>

- 1) Trade size - 1 NIFTY contract
- 2) No add-on is considered at this stage. <else write down how will u add-on to the position>

#### **Money Management**

- 1) Initial risk of < 150 NIFTY points
- 2) Once in a trade, not to leave more than 200 points on the table.

<This might result in overriding your trailing stoploss section but it is important for you to be comfortable with your open profit and not fear about loosing the profit

Best practice - not to Risk (difference between entry point and stoploss) more than 2% of your acct capital on one single trade. If the risk is more than this then either skip the trade or accept the fact that you are taking higher risk and ready to face psychological roller-coaster ride when trade is open>

*Following two sections are not specific to this strategy but they are basic for successful trading*

**Mental /Psychological setup** 1) Clarity in the underlying concept of this strategy. Know your strategy as much as possible.)

2) Not to confuse your mind with other exit rules.. that are not being backtested.

3) Focus on EXECUTING the trade RIGHT, not on result. YOU can only control your EXECUTION, it is upto market (which is beyond your control) to give u profit or loss.

**When not to trade this strategy -**

1) When u are not comfortable with the market conditions

<this section is one of the most important sections for professional traders. They know the environment when this strategy will not work or produce poor result. You may not know at the beginning but as you backtest or start using this strategy, you will learn it gradually and can fill this section later.>

=====  
Happy Trading.

AW10

17th June 2009 04:44 PM

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**Re: Trading NR7 setup**

Useful Resources

1) Following post has an Excel file to track NR7 day (user needs to enter or copy OHLC data in first few columns and NR7 bars will be flagged in separate column.

<http://www.traderji.com/advanced-trade...tml#post323581>

2) Link to the post that has AFL created by asnavale to mark NR7 on amibroker charts.

This can be used for drawing indicator on the chart, and can also be used for exploration. More details are in the post.

<http://www.traderji.com/advanced-trade...tml#post371137>

3) Link to the post that has input from by SwamiNathan for Metastock user .

This has code for MS indicator..as well as for system tester to backtest the system

<http://www.traderji.com/advanced-trade...tml#post361639>

4) Link to post that has an excel sheet to log backtesting trades. Once u enter trade details, it will calculate and generate basic statistics for your rules and will help you understand the strategy well..

<http://www.traderji.com/advanced-trade...tml#post324153>

**5) Some rules to identify false v/s successful breakout**

<http://www.traderji.com/advanced-trade...tml#post384035>

**Copy from above link-**

## Identifying false v/s successful break-outs.

Here are some of my observations that will help in identifying successful v/s false break-outs..

Successful break-outs

- Break-out of the range + followed by retest of the range i.e. retracement + prices reverses in the direction of the break-out without touching the range (or with minor touch)

- Volume picks during the break-out, drops during the retracement and again picks up as it comes near the range.. plus volume increases in next move in the direction of the break-out

- Wide range bar at the time of break-out, followed by further wide range bars.. + small, narrow bars during retracement + wide bars during next

leg in the direction of break-out

- No NRx / Doji /small bars after break-out.. i.e. there is no indecision period
- Should see Higher Low / Cup and Handle pattern near the break-out level.. For upper break-out indicating that first level of shorts could push prices down only marginally.
- In many cases, you would start seeing wide bars from this higher low itself before the break-out.

False break-outs

- break-out of the range/ level but price comes back to the range/ level.
- Range expansion / wide bars are not visible after the break (preferably with no tails in the direction of break-out)
- volume does not pick-up
- NRx / Doji /small bars after break-out showing indecision
- is not breaking into Support/resistance zone from higher timeframe else watch out for reaction
- Prev wave leading to break-out has already been in place for long time.. and might have lost the steam to break successfully.

Please feel free to suggest/share your observations as well.

Happy Trading.

**6) Approach to test NR7 breakout on intraday basis.** Use this in conjunction with rules given in point (5) above.

<http://www.traderji.com/advanced-tra...tml#post421908>

Copy from above link-

AW10

25th March 2010 06:08 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **Rajkumar\_cmk** (Post 421882)

*Today NR7 break out in TCS is faild and both the stoploss hit .Sir can you tell the reason about this false break out.Also explain how to identify this is false breakout*

*High Low h-l*

*15.03.10 820 791.15 28.850*

*16.03.10 831.95 815.8 16.150*

*17.03.10 845.900 830.000 15.900*

*18.03.10 845.000 820.500 24.500*

*19.03.10 834.450 805.250 29.200*

*22.03.10 833.800 806.150 27.650*

*23.03.10 833.000 822.100 10.900 Yes*

*25.03.10 836.800 818.000 18.800*

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We will never know why TCS has behaved in this way. And answer of WHY is not important, in my view. Rather we should fine-tune our approach to trade the breakout.

And if stop is hit, then let it be. You can never have 100% successful trades in any system. So stopping out is part of this business.

Look at the bigger picture (last 5 days move) of TCS. The upbreak was not really a break. Mkt opened there and that level was immediately rejected. Down break also could not hold and market reversed to yesterday's range, i.e. there is no clear breakout shown by TCS.

<http://img199.imageshack.us/img199/5999/tcs1825mar.png>



Better approach will be to let price break out from the range.. and see how it is behaving during the first retracement/reversal after the breakout. Wait for second entry point to develop and enter there.

i.e. in case of tcs,

- if it has gone below 822 - no action but be on alert now.
- let price start coming back up again.. and see what is happening now.
- if it enters above 822.. then breakout has failed and you are still not in trade.
- But if price again starts falling (though it did not happen today), and goes below 822, or below the pivot low made during first breakout i.e. 818 level, then you take the entry.

Though there is no guarantee that it will be 100% success with this approach, but certainly this would keep you away from jumping too early in breakout and getting caught in trap created by smart money.

- lets look at this chart of nifty and see the action on 22-Mar.

<http://img690.imageshack.us/img690/876/nifty1825mar.png>



Here nifty brokeout below 19-Mar low, it came back up to test the range of 19-Mar.. and failed there. And you can see how clean that entry would have been.

Use the set of rules given in this post to understand if breakout is turning out to be a successful or not.

<http://www.traderji.com/advanced-tra...tml#post384035>  
(as above false v/s successful breakout)

Rajkumar - trading test our patience to the extreme. And it is not easy to hold us back..but if learn to demonstrate the patience then it shows on our P&L.

Hope this helps.  
Happy Trading

.Pride.

17th June 2009 07:59 PM

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**Re: Trading NR7 setup**

Rules:

1. Identify an Inside Day/NR4/NR7
  2. The next day, buy if market moves above previous day's high or sell if it moves below the previous day's low.
  3. Put stoploss as previous day's low if buy triggered, or previous day's high if sell triggered.
  4. If stoploss is triggered, immediately reverse position.
  5. Trail a stop to lock in accrued profits.
  6. If the position is not profitable within two days and you have not been stopped out, exit the trade. Usually, when the setup works, it is profitable immediately.
- 

The reason to trade this strategy is that losses are small, and occasionally, a big winner will fall into your lap.

It is important for traders to realize the importance of stopping and reversing on a same-day whipsaw.

Usually, the best trades occur after one group of market participants has been trapped. They'll later become fuel for the fire when their losses deepen.

Keep dropping your pole in the water and once in a while you will catch a big one ;)

AW10

18th June 2009 03:46 PM

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**Re: Trading NR7 setup**

1 Attachment(s)

Quote:

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any scanner or excel to give NR7 stocks everyday?

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It is pretty easy to do this in excel with simple formulas. I am attaching the file with this post.

Quote:

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does this work better for most liquid nifty stocks? what about futures? sometimes spot prices may have some reaq quotes which will spoil the range. futures have less probability

---

I have used it on NIFTY. It does work well on lower volatility instrument /chart timeframe..  
In case of high volatility stocks, u might have many Outside day taking away the stops on the day of entry. For such stocks, I will look at higher timeframe so that charts are bit more smooth (say weekly chart),

But the concept of market going thru contraction / expansion is universal. I have observed this pattern on all charts ranging from other global indices to commodities and forex.

It doesn't suit smaller timeframe (say 5min, 15 min) because charts are not so smooth and it is easy to get false wicks on candle there.

Quote:

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does this work better on a failed trade? for example RIL has NR7 day, broke out of high but immediately hit low and stoploss, now we have a SAR and this SAR would work better. because its hard to have 2 failed breakouts consequitvly. so should we look for such oppotunities of failed breakouts and trade them ?

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In case of failed trade (i.e. in the morning, NR7 Low was broken on downside, and later the NR7 was taken away. This is classical care of engulfing day.. and certainly, I will play with second break.

In this post, I have mentioned about how to play the breakout.

<http://www.traderji.com/technical-an...tml#post307876>

### Copy from above thread-

Laksh, the way I trade such consolidation is

- 1) Place a buy stop limit order few point above the range (say for qty 1 lot) (using trigger price + limit price)
- 2) Place a sell stop limit order few points below the range (1lot)

At this stage both orders are in pending status

3) As soon as one of the leg is filled (say BUY is filled), I update the pending order and double the qty (my SELL order is for 2 lot now). This ensures that if the breakout is false and my then I will be stopped out and at the same time participate in next move.

4) If breakout is success with my first entry, then I modify the pending order to 1 lot and start trailing as per my rule (Sell order is modified again to 1 lot and price is also changed to trailing stop level)

I don't need 2 qty now cause I am in the breakout trade.

5) If i get caught in false breakout, then after being stopped out, I am still in a trade with 1 lot (1 lot sold to cover my BUY trade, and I am short 1 lot now)

At this stage, I will put stop with 1 lot qty on the other end of the consolidation range (enter new buy order as stop loss for Short trade).

6) If I am stopped out second time, then take a break and come later. (If Buy stop order is triggerd )

If not, then ride the false breakout with trailing stops (Buy stoploss order is modified for new trailing price).

My breakout trades don't last for more then 1 or 4 bars.

I know, it may not be the best way to handle breakout trades but it works for me.

Hope that helps.

Happy Trading.

Quote:

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any backtest results?

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Backtesting comes up only when we define the complete system rules around it. I have my system around this. Would prefer to develop new system by involving TJ member rather then giving my system here (I strong belive in "teach a man to fish.. ").

Quote:

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for buying in cash (not options) should we initiate the trade around 3:15 of NR7 formation day or wait for next day, what happens if the next day gapup is beyond prev day high?

---

Buy in cash on 3.15 pm on NR7 is risky.. cause u don't know the direction of breakout. By buying, u are anticipating that it is going to be bullish break tomorrow. In many cases, market can make runaway gap after such strong contraction.

I am not in favour of such trading (my personal choice). That is why I suggested this 3.15 pm approach with direction neutral option strategy. If someone wants this, or u have other signals that support bullish trend tomorrow then one can take that call.



Quote:

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any plan to hanhol us thru some paper trades for couple of weeks until we know the system better while orming the entry, exit rules? i can volunteer to help

---

Thanks a lot for volunteering. Bandlab2. Sincerely appreciate it.

Keep posting your doubt/questions here so that others can also benefit from it.

Others, don't leave everything to bandlab and me but jump-in and benefit from this. Probably, you won't find the kind of learning that this system development will give you here. If someone wants, then this testing can be taken up for stocks, commodity, Sector indices etc.

This setup occurs approximately 2 to 3 times in a month on NIFTY but it is worth trading.

Quote:

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trailing stoploss till what level? should we close the trade after X percent profit and move to next trade?

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There are many different ways to chase a trend with trailing stoploss. For a daytrader this could be based on pivot high/low at 60min TF on day 1 but start tightening on day 2 or later to 30min PH/PL.

For swing trader, Prev days / H/L is good and simple enough.

In my view, when we use trailing stoploss, we leave some profit on the table. And all of us have different psychological preference for that. So there is no 1 answer for this.

Personally, I don't like to cut my profit so not in favour of closing all breakout trades quickly . At the same time, there is expected gain in our trading timeframe where I would like to take take partial profit or lock profit by using options.

Happy Trading.

AW10

18th June 2009 04:29 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **.Pride.** (Post 323109)

*Rules:*

1. *Identify an Inside Day/NR4/NR7*
  2. *The next day, buy if market moves above previous day's high or sell if it moves below the previous day's low.*
  3. *Put stoploss as previous day's low if buy triggered, or previous day's high if sell triggered.*
  4. *If stoploss is triggered, immediately reverse position.*
  5. *Trail a stop to lock in accrued profits.*
  6. *If the position is not profitable within two days and you have not been stopped out, exit the trade. Usually, when the setup works, it is profitable immediately.*
- 
- 

.Pride. Thanks for putting in these rules. They are sufficient to start with but I would like to redefine/ regroup them slightly. Will post the rules of the strategy in one of the parking place at later stage when they are developed.

My views on your other points.

Quote:

---

The reason to trade this strategy is that losses are small, and occasionally, a big winner will fall into your lap.

---

You are right. It has comparatively low risk for swing trading. Big winners are not occasional but more frequent then that but it all depends on the

rule of the strategy whether we can stay long enough or not.

Quote:

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It is important for traders to realize the importance of stopping and reversing on a same-day whipsaw.

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In one of my post, below I have described the way I trade breakouts and take care of false breakout and reversal. Strategy rules should address this.. otherwise, the rules have area of improvement.

Looking forward for more such valuable inputs from you.

Happy Trading.

AW10

18th June 2009 10:20 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **thesaint** (Post 323676)

*Mr AW10 thanks for the excel sheet but pls would u explain by giving an example how can we trade through the NR7 setup pls give an example also today NR7 day range is 153 it means wat hope to hear from u soon*

*regards*

---

thesaint, the range of last 7 days including today 18-Jun are (153, 185, 132, 131, 127, 93, 137). Narrowest range of last 7 days has been 93. Because today's range is not smallest of all, today is not at NR7 day. In simple terms, it was not a contraction day.

In price action terms, market has been expanding for last 5 days and it is time to take a breath anytime i.e. have a narrow range day. In my observation, if not tomorrow then in next 2 or 3 days, we might see NR7 /NR6 day. If we had today's range, less then 93 then we would have got NR7 setup today.

In that excel sheet, if you copy the formula given in column G and H and enter the OHLC data for other days, then NR7 = YES will be flagged in column H automatically.

One can very well copy OHLC data for any other scrip /timeframe and easily find out the days / bars when NR7 was flagged.

With the help of others, we are going to develop a trading system around this setup. Plz wait till such time.

Happy Trading

**Re: Trading NR7 setup**

AW10,

Good to see that our small discussion about NRs & IB has taken a form of a full-fledged thread.

I am trading NR4/7/IB concept in NF since a long time, but only for intraday basis. (may carry forward them for max 2-3 days).

Recently, I have noticed that NF has a tendency of giving a false breakout after range contraction.

I had incorporated this NR4/7/IB study in my mechanical pivot excel file [in this thread Post #3](#)

The resulting effect of such range contraction days can be easily seen in this excel file which has Nifty Spot & Fut data from Jan 2008.

Usually, this range contraction happens ahead of an important news event, and most of the times, I have noticed that the breakout happens in form of a big gap open. Thus, not much "juice" is left on the following breakout day.

Hence, I usually buy Option Straddles or Strangles when such possibility of NR4-2 or NR7 comes up by 3:15pm.

By 3:30pm, I take suitable straddle/strangle position, and I am already in the trade on the following breakout day.

Sunil

21st June 2009 10:28 AM

**Re: Trading NR7 setup**

Quote:

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Originally Posted by **AW10** (Post 324526)

*Bandlab2, you are going in perfectly right way.*

*It seems, u are taking nifty spot price for the trading. I don't see it as a problem as long as we accept the assumption that "Nifty future follows the movement of nifty spot".*

*Otherwise, use of nifty futures data would be more appropriate.*

*In my view, it will not make much of difference in backtesting.*

*Happy Trading*

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I am strongly AGAINST using Nifty Spot data for such NR concept. I think, by now, everyone knows about the reliability (or, unreliability) of Spot's High & Low (especially, on big gap open days).

For example, in case of a gap up, the recorded Low of spot would be (99% of times) very close to prev. close, and which will not correlate with Nifty Future's Low.

So, I focus ONLY on Nifty Future's High & Low for such setup. I just confirm with SPot's data to confirm the prevalence of similar NR4-2 or NR7 or IB.

By the way, as on 19-June-09's close, we have NR4 as per Nifty SPot, but nothing as per Nifty Future.

As aforementioned, this is due to big gap down opens on 15th & 16th and flat open on 18th, which renders Spot data calculation inaccurate.

AW10

21st June 2009 10:00 PM

**Re: Trading NR7 setup**

Quote:

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Originally Posted by **Sunil** (Post 324536)

AW10,

*Good to see that our small discussion about NRs & IB has taken a form of a full-fledged thread.*

*comes up by 3:15pm.*

By 3:30pm, I take suitable straddle/strangle position, and I am already in the trade on the following breakout day.

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Hi Sunil, I am delighted to see your post with real life experience on this thread.  
You made my weekend.

Thanks for enhancing your sheet to reflect this as well. Maybe TJ members will find that more useful.

Yes, I agree that NR7 breakout in last 3 /4 months have not been very successful since inter-day basis.. but the understanding of them gives good edge for intraday trading.

Generally the next 1 day or next 2 days see range expansion and hence intraday players can benefit from letting their profits run.

Beauty of this setup is that it gives the entry very close to the the logical stops that are at PH/PL which are very close to the entry level due to narrow bar.

Happy trading.

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AW10

21st June 2009 10:14 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **Sunil** (Post 324550)

*I am strongly AGAINST using Nifty Spot data for such NR concept. I think, by now, everyone knows about the reliability*

*As aforementioned, this is due to big gap down opens on 15th & 16th and flat open on 18th, which renders Spot data calculation inaccurate.*

---

Sunil,

Due to lack of futures data, I suggested that to earlier.

But now when we have this data from start of 2008, probably bandlab2 can change the approach.

In my view, we shd use the data of instrument that we can trade. Certainly Nifty Spot

is not suitable for trading.. But as far as testing of setup is concerned, we can make reasonable assumption and continue.

Bandlab2 - it might be rework for you but plz take a call on whether u want to use NF data or not.

19-June was infact NR6 day on Nifty spot. Though the range is smallest of last 6 days but it still above 100 points.. IMO, most likely we might see a day with still narrower range then 100 points. Let us see what comes next..

Happy Trading

---

bandlab2

22nd June 2009 07:59 AM

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**Re: Trading NR7 setup**

coupl of issues with nifty futures. premium fluctuates and sometimes goes into discount , this may result in 'false' NR7. In my view we shoul also check spot and if both confirm NR7 then it gives us more confidence

how do u handle the expiry? we approach the expiry, cuent month and next month may have some variations, the premium o curent month would be neaing zero whereas prem of next month would be at highest.

i think this may work well for some strong nifty scripts like SBI, RIL since cash price will not have above issues. but problem is we cant carry cash positions to next day(s) unless you take delivey

i like suunil's idea of opeing long/short stradle/strangle on the formation day

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Sunil

22nd June 2009 09:04 AM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **bandlab2** (Post 324779)

*coupl of issues with nifty futures. premium fluctuates and sometimes goes into discount , this may result in 'false' NR7. In my view we shoul also check spot and if both confirm NR7 then it gives us more confidence*

*how do u handle the expiry? we approach the expiry, cuent month and next month may have some variations, the premium o curent month would be neaing zero whereas prem of next month would be at highest.*

---

No Bala,

Fut's premium/discount is irrelevant for this topic.

BTW, this is the same subject which we were discussing on YM last weekend with Dhiraj for 2652.

Only addition is this:

Quote:

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Originally Posted by **Sunil** (Post 314094)

*The way to deal the following in **EOD** charts is the same:*

*NR4-2 (consecutive NR4 days)*

*NR7*

*Inside Bar*

*Buy above bar's high; sell below bar's low.*

*If any 2 out of the above 3 combine, then I prepare myself for a one-way ride on the following day.*

---

Sunil

23rd June 2009 06:25 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **bandlab2** (Post 325727)

*one simple question. this range contraction means we are in narrow range and the range is getting squeezed. if we have last 6 ranges as 120, 121,119,120,121,118 and today its 116. technically its NR7 but actually there is no contraction !! all numbers are more or less same. **for NR7 to be effective we need very good distribution** ? like 110, 170,140,200,117,156 ?*

*sunil, whats NR4-2 ? I understood NR4, but whats this 2 ?*

*on the flip side, do we have wide range 7 ? opposite of contraction. maximum of last 7 ranges ? does this mean anything ? like we may get into a narrow range now ?*

---

Quote:

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Originally Posted by **Sunil** (Post 325170)

*2 things:*

*1. Even though you choose to trade a stock in Cash Market, compute the NR calculation with its FUTURES figures. I have explained the reason in AW10's thread.*

*2. Not all stocks give consistent results. Recently, when I tried to apply this concept (successful in Nifty) to stocks, I got only 4-5 stocks giving consistent results out of the initial basket of 20 stocks.*

***A common theme I found was that the range contraction should be evident not only in such EOD calculations but also in their intraday charts.***

---

Spot on, Bala...That is why,

NR4-2 plus IB (Inside Bar)  
&  
NR7 plus IB  
are best combos

NR4-2 means second consecutive day of NR4 day.

Yesterday & today are NR4 days as per FUT chart, while as per Spot chart, there is no pattern related to the topic of the thread.

So, only for tomorrow's intraday purpose, I'll be considering today's HOD & LOD as breakout levels.

Sharp U turns from 4155 & 4275.

AW10

23rd June 2009 08:11 PM

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**Re: Trading NR7 setup**

Just to extend NR4-2 as per my understanding.. is having NR4 day triggered on 2 days.. one after another.

Logically it is = NR5 .. For ex if we have range distribution is like 119,120,121 and 118 then we got NR4 here. If on next day we get range of 116 then we have NR4 (120,121,118 and 116 ) if we look back 4 days. If we look back 5 days (119,120,121,118 and 116) then we will get NR5.

We could have also got NR5 if with following range sequence (119,95,121,100 and 90), but this is not NR4-2 setup. We could infact get NR7 level of contraction for 1 day and immediate expansion next day.

As per my understanding, NR4 indicates that mkt has been under contraction for 2 days. That means longer the contraction, stronger the expansion. In comparison to this, NR5 / NR6 / NR7 means 1 days of extreme contraction.

To understand the difference between NR4 / NR4-2 and NR5, you got to look at the time aspect of market behaviour.

Sunil, any thought /comment on my understanding of this variation.

Hope , I have not confused the readers.

Happy Trading  
Sunil

23rd June 2009 08:20 PM

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**Re: Trading NR7 setup**

Quote:

---

Originally Posted by **AW10** (Post 325780)

*Just to extend NR4-2 as per my understanding.. is having NR4 day triggered on 2 days.. one after another.*

*Happy Trading*

---

This is exactly what I wanted to illustrate to you, AW10...

I don't prefer NR4 or NR5 alone...

I am looking for continuous contraction. That's why I make an exception and incorporate the SECOND instance of NR4-2 (ie NR4-2) in such setup. After that, it's NR7.

IB with any of them is just like an icing on the cake.

Mini-flow guys will vouch for this, as one can expect a good trendy day on the following day.

AW10

23rd June 2009 08:24 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **Sunil** (Post 325734)

*Spot on, Bala...That is why,  
NR4-2 plus IB (Inside Bar)*

---

Agree with Sunil that Inside Day brings is more strength to this setup.

That setup is tagged as IDNR setup.

So we have following variations of this setup

- NR4/ NR5/ NR6/ NR7 / NR8 etc (though finding NR8 days really rare.) Smaller the timeframe, bigger the number we can see. e.g Getting NR7 on Monthly chart is dream.

- NR4 - 2, NR5-2 etc (long duration of contraction)

- IDNR4/ IDNR 5/ IDNR6/ IDNR7 etc [contraction not just in range (i.e. mood of participants during market hour) but also in time]

- for you info, I have also read about 2-day NR4 (rather than taking daily high-low range, (a) take H-L range of 2 days... i.e. today range will be (Max of (high today, high yesterday) – Min of (Low today, low yesterday). (b) Calculate for every day (c) and then look back over last n entries to find the narrowest range of any 2 days.

Extending this concept is limited to individual's creativity. As long as there is reasoning behind it, IMO, it should work.

I am in the process of merging NR concept with multi-timeframe concept and test the setup. Hopefully, will be able to share my findings once I am done with that.

Happy Trading

AW10

2nd July 2009 06:40 PM

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**Re: Trading NR7 setup**

Murtaza,

What are u exits - i.e. Target and stoploss ?

As you are long on the options - do u have any timebased stop criteria ? (i.e. if target or stop is not reached in next # days then close the position.

With long straddle, time decay is going to hit both long positions and one of the position is guranteed to be a looser cause market can be only at one place i.e either above 4300 or below 4300.

Because of odds stacked against straddle buyer, your exits are important. You want to see big move and if that doesn't happen then get out quickly either in profit or in loss.

Like we broke from NR7 days high of 4318 on the day of expiry and saw the 100 / 125 pts upmove in next 2 days. So if someone has not quickly encashed on this breakout then the position might be loosing money when market is retracing.

So get your exit plan ready in advance for all the scenarios.

Happy Trading.

AW10

3rd July 2009 02:48 PM

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**Re: Trading NR7 setup**

Naresh, 3 or 4 points here are there are ok. Personally (and practically) , I would call it NR7 week and will be ready to take swing trade based on daily Timeframe on the break of it. In essence, it still means a week of narrow range (contraction) price movement which is good enough signal for swing trade on daily TF.

Day trade - look for NR7 on daily chart and trade intraday to benefit from expansion

Swing trade - look for NR7 on weekly chart and trade on daily timeframe for expansion.

Happy Trading.

AW10

7th July 2009 04:28 PM

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**Re: Trading NR7 setup**

Following are the latest ranges on Nifty spot.

7-Jul 76.3

6-Jul 346.1

3-Jul 135.5

2-Jul 94.9

1-Jul 112.6

30-Jun 159.4

29-Jun 89.05

So here we have another NR7 day today. (infact last time we say range of 74 points was on 5-June)

Today being inside the 346 pts day range of yesterday, it is also termed as Inside Day (ID).  
In Toby's term, today's day will be marked as IDNR-7.

Interestingly, yesterday also gave us range of 346 points which is something we haven't seen since last Oct (taking 711 pts day of monday after election result which was virtually no trading day as mkt was on circuit limit).

Some of the wide range days of recent past are.. (in Toby's term - they are called WS days - wide spread days)

6-Jul 346.1

19-May 341.75

18-May 711.15

27-Oct 329 (**The day when we hit the low of 2253**)

24-Oct 411

the range of very next day of these days were

7-Jul 76.3

20-May 118.15

28-Oct 169

so it was no brainer to anticipate a narrow range day today.

Lets see what the breakout of NR7 range brings tomorrow /next few days.

Happy Trading.

AW10

7th July 2009 04:57 PM

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**Re: Trading NR7 setup**

Thanks for sharing your observations on this setup. Giving my view to continue the discussion..

Quote:

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I have noticed that NR's usually occur at the top or bottom of a channel. While NR breakouts can happen on either sides I have noticed that there more often than not the NR breakout happens opposite to the preceding trend. When range narrows during the up move then usually it's a breakdown. Another supporting observation is that many a times if there is going to be a BO/BD from the channel NR is not seen on the BO/BD leg of the move.

---

NR is resting day and in my observation, it can be after a trend, giving advance sign a reversal.. OR it can also be a rest before continuation. I don't have any statistics to support it but my gut feel is that the reversal signal given by NR7 are great.

As you have mentioned about NR in channel, it can be viewed as NR on higher timeframe chart. (the way last week we had approx 125 points range which resulted in NR4 (missed NR7 by 3 pts) on Weekly chart .

Quote:

---

Another way is to check the close of the NR day relative to tomorrows pivot (tomorrows pivot is calculated using todays HLC). If C is greater than  $H+L/2$  then the pivot will be lower than close and viceversa. Basically stems from the belief that tomorrow pivot will provide support hoping the opening will be above the pivot.

---

Nice way of integrating Floor Pivot point in trading. In my view, because NR days are resting days/days of no clarity, hence doesn't have much market participation. And in such low action day, it is easy for smart players to move the market. Hence rather than depending on Calculated pivot number to take my trading decision tomorrow, I will prefer to respect the Low of NR day as good support point.

In my trading, if it is IDNR then, I go back by one more day to look at real support level.

Quote:



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These are some of the things I read which haven't been very successful for me with nifty. I usually watch for NR and ID on stocks for entries and exits. I'm just putting them up there so that someone else could build on these.

---

Developing 100% mechanical system is a challenge from any profitable setup. But it is easy to use the knowledge of this setup to support your other trading decision.

(like after NR7, be prepared to chase the trend. After series of WS days, be prepared for narrow day and focus on booking profit at T1 or be ready with rangebound trading system).

Happy Trading.

AW10

7th July 2009 05:01 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **WOD** (Post 331808)

*Is there any way we can know the direction of the breakout?.....I am still struggling figuring out this....*

---

Do you believe that we can (or anybody else) predict what market is going to do tomorrow ?

In my view, Trading is not be being perfect in your analysis. It is about identifying the high probability opportunities and then taking a trade.

If you use Options, then you can use some direction neutral strategies to take position on the day when NR7 is building up. But as a future/ stock trader, We are better off listening to the market and then taking action.

Happy Trading

AW10

7th July 2009 10:20 PM

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**Re: Trading NR7 setup**

Quote:

---

Originally Posted by **WOD** (Post 331893)

*Yup you are right AW10, may be I have forgotten this fact for some time.*

*You see, this is what happens to me. I have taken some great intraday trades (waiting for a breakout from sideways moves and then following the breakout); based on just 5 min chart and concept of contraction and expansion (just like NR7).*

*But sometimes, I have made stupid mistakes like anticipating the breakout while nifty is moving sideways or even have taken trades against the breakout (which has hurt me quite a lot).....Seems like I dont trust my system enough.....*

*I have got a good system though; but its not the system that hurting me but rather some psychological aspect of mine that are hurting me.....Need to get out of this as quickly as possible.....Trying hard and will be successful.....*

*Thanks.*

---

All the best WOD. I know how difficult it can be to correct our mental setup and get into the new habit. Somewhere I read it, that it takes atleast 30 days of practicing new habit to make it part of our system. Till that time, our old habits have chance of coming back. again.

Sometime, it makes sense to find or develop a trading system that fits u. It could be easier for your psychology to adopt this new system as thats what your subconscious mind is good at doing.

(eg - if by nature I am contrarian and want to exactly opposite of what market is doing, then find out setup that identifies trend weakness / backtest that / support it with right risk mgmt steps and boom u have a system that your mind wants. Atleast with this type of system in your arsenal, u can tell your mind to shutup on contrarian trade because that system has not given a signal. This approach has helped me in controlling some of repeatitive trading errors... ie. find out the solution but accepting them, rather then beating us to correct them.)

I am sure with your committment and dedication to trading, u will be able to overcome this challenge and develop right trading habits soon.

---

**Re: Trading NR7 setup**

Quote:

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Originally Posted by **AW10** (Post 331869)

*We can trade false breakout only when we have trust in our system and accept the reality of trading. Otherwise, we will be sitting and moaning about being stopped out and would have missed a great trade signal there.*

*Hope this helps.  
Happy Trading*

---

Hi Dear AW10 as you said about contraction/expansion of market here i m attaching a chart with my views plz correct .....

Before budget market goes into consolidation mode /indecission forming a triangle then on friday we had a break out anticipating a good budget etc but on budget day we had a break out failuer and we again trade .... and that is now in profit .....

So when we get a consolidation pattern/sideways movement then can we expect that some move is comming ....?? and can trade for some time .... as market has already spent time in indecission mode now it will try to move ??



**Re: Trading NR7 setup**

I think it is important to keep in mind that NR7 is based on absolute calculation by checking the ranges in the past 7 days. After the election there were many WR days so a NR day might not have the kind of significance and again based on calculations in a series of NR days a day which has 1 pt more than the narrowest day in the past 7 may not be termed an NR day. While on daily charts NR5/NR7 are significant on smaller time frame charts then NR value might need to be increased (7+).

If you are looking to identify volatility changes then you can still use ATR, Bollinger bands (gives indication of volatility by expanding and viceversa) etc on intraday charts.

lazytrader

8th July 2009 12:25 PM

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**Re: Trading NR7 setup**

@Satyen

Satyen, don't get into the "why the move" things but "what if the move". There are many technical analysts who predict what will happen tomorrow and fail miserably. The goal of TA is not to predict the future or learn to do so. That said there are many good analysts that can do it fairly well. What you will need to learn is what you would do when there is a breakout and a breakdown. Everyone who trades successfully will tell you that trading is a game of probability, why probability? because there is not certainty.

Quote:

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Originally Posted by **AW10** (Post 331812)

*Nice way of integrating Floor Pivot point in trading. In my view, because NR days are resting days/days of no clarity, hence doesn't have much market participation. And in such low action day, it is easy for smart players to move the market. Hence rather than depending on Calculated pivot number to take my trading decision tomorrow, I will prefer to respect the Low of NR day as good support point.*

---

I don't recommend using pivots alone for taking positions but it can be used as a confirming indicator. I was one of the few who dismissed pivot point and sma as trivial but now I'm a believer! :D

Lets check if pivots can give us any directional cue. I'll be posting a small note on pivots for testing with this setup.

Satyen

8th July 2009 12:45 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **lazytrader** (Post 332134)

@Satyen

*Satyen, don't get into the "why the move" things but "what if the move". There are many*

---

Yes Dear lazytrader ..... dont bother about why the moves much .... did trade that triangle break out and break out failuer and in profit now

Again what i wanted to say that once we get a sideways / consolidation pattern then can we expect there will be a move once we have a break out /break down....?? and i m not saying if break out happens it must go in the direction of break out but trying to say does market dont sit or goes into consolidation /sideways after this type of break out .... we keep on trading the breakout or if the break out fails also and after 2/3 trade sum shud be profit not in a single trade ..... trying to find out when to trade

Waiting your views

lazytrader

8th July 2009 02:43 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **Satyen** (Post 332155)

*Yes Dear lazytrader ..... dont bother about why the moves much ....  
did trade that triangle break out and break out failuer and in profit now*

---

Hi Satyen, I am saying what makes sense to me. That is because of the kind of trader I am. For you it may or not work. It is totally up to you to decide how to/whether to trade it.

Simple rules on which TA is based are: consolidation leads to break out/down, low volatility leads to high volatility (which is what the thread is about)

About the breakout/ breakdown itself, from any pattern, I frankly don't care because I analyse it before hand and have enties and stops worked out for both BO/BD.

We might be going on a tangent here...

@WOD

It doesn't matter where we think it is going to close, what matters is where it closes. 4132+ close would indicate strength. That's where I would refrain for opening fresh shorts. 4202+ close would be long for me. Are you looking for some level or just speculating :)

Satyen

8th July 2009 02:57 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **lazytrader** (Post 332246)

*Hi Satyen, I am saying what makes sense to me. That is because of the kind of trader I am. For*

---

Thanks laztrader ..... Yes the concept AW10 presented here as the same you are saying .... as market move lower volatility to higher volatility and vice versa ....

Even one can formulate a trading set up using this concepts .....

Waiing your valuable inputs how one can set up a trading method to positional trading using this concepts say break out from a consolidation

Sunil

9th July 2009 04:07 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **stocks.murtaza** (Post 332839)

*One confusion : is NR7 calculated **always on the last 7 days** irrespective of other NR7 days or we start calculating afresh after a NR7 day?*

---

answer is what u have already highlighted :)

AW10

9th July 2009 06:11 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **lazytrader** (Post 332688)

*(I was just comparing ranges to atr and found it a better way to calcuate NR days).*

---

Just to clarify the difference between , Daily Range and ATR (Average True Range)

Daily range just looks at difference of Day's high and low.

ATR is derived from the True Range which is the greatest of the following three values:

- 1) difference between the Today's high and low (i.e. daily range)
- 2) difference between the Previous Close and Today's High
- 3) difference between the Previous Close and Today's Low.

That means, ATR does take into consideration the opening gap.

So when we a day with wide gap but then for the whole day the action was in narrow range, we might get a NR signal.. but on ATR front it might still show as high ATR day.

With this background, I would not use ATR to identify NR days.

Happy Trading.

AW10

9th July 2009 06:31 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **WOD** (Post 332894)

*AW10, have you ever tried applying NR7 on 5 min chart? if yes then have you observed any +ve results?*

*I have tried to do the same, but did not have any success with it.*

---

My views on NR concept on shorter timeframe -

Concept of contraction and expansion are valid in all timeframes. Each timeframe has its usual trading range. On shorter TF, the contraction will result in expansion but it may or maynot have really big expansion. Moreover, price action gets more erratic and hence success rate of pattern falls on shorter timeframe.

So we need to look at larger TF and get bigger picture of what market is doing.

Because of above logic, I have never tried to apply it on smaller TF. I look at Weekly/daily and sometime on 60m chart for NR study. (We had NR4/NR7 week on last week which was broken on Monday giving us 300/350 points opportunity so far).

Maybe you can backtest it on shorter TF and share the result with all of us.

Happy Trading

AW10

9th July 2009 06:38 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **WOD** (Post 332901)

*Dont be sorry AW, I listened to the market and trusted NR7 with my SMA's and kept my PE in trade and still holding.....we have NR7 today also and most probably its all gonna be down tomorrow....*

---

WOD, do not predict that it will go down tomorrow but like a Pro trader, be prepared with your action plan for 1) if it breaks on upside 2) if it continues the fall or 3) goes sideways for another day.

Two NR days in close proximity indicates that market is trying to make up its mind hence indcision phase is resulting in NR days.

Once it makes up the mind, then we just got to follow it.

Lets not forget that we are near strong psychological support level of 4000, 50 dma is nearby etc. Selling near support is not what professionals do. They sell at the resistance and buy at the support. Whereas novice traders do the opposite.

Happy Trading

lazytrader

9th July 2009 08:52 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **AW10** (Post 332892)  
*Just to clarify the difference between , Daily Range and aTR (Average True Range)*

---

I think you misunderstood me. Let me explain...

What I was trying to say is that if we had a 74 pt range 6 days ago then a 75pt range would not signal a NR7 (using automated signals/ formulae). Having a atr of around 140 and a single day range of about 75 pt is significant. It seems to give a better sense of days range compared to recent volatility.

lazytrader

9th July 2009 08:58 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **AW10** (Post 332905)  
*My views on NR concept on shorter timeframe -*

---

I've tired checking for wrb and NR on shorter TFs. It's hard to implement since on a shorter timeframe the number of NR bars (5/7) seem insignificant. A better indication would be to use atr derivatives like Keltner Channels etc. I find Bollinger Bands very useful which I always put on my chart. It will immediately give you an idea about the volatility and strength of a move. I use a 10,2 on a 5min chart. Try it out and tell us what you feel.

Smart\_trade

11th July 2009 07:53 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **stocks.murtaza** (Post 333842)  
*BUT again what SL to keep is the million dollar Q.  
In thses mkts, even God's bigger gifts are hit so many times - sometimes we are fine w/o it.*

---

Never make that mistake Murtaza, 10 times the market will make you feel that you are better off without stoploss....but in 1-2 trades it will hit you so hard that it will cripple your trading account and drive you out of business.

What SL to keep is the God's bigger gift ,it is called reasoning....and everyone has it...we have to polish it a bit...

Best Wishes,

Smart\_trade

AW10

13th July 2009 04:52 AM

---

**Re: Trading NR7 setup**

Quote:

---

Originally Posted by **myvineet** (Post 333966)  
*WOD ,*

*IMO, putting stoploss on option is tricky. I use 2 approach for this.*

*One is money mgmt based, ie. based on amt that is paid, if some % of that amt is lost then get out. or if some % of that money is achieved then make postion to breakeven. Generally I enter with more then 1 contract, and sell them in steps to bring position to breakeven or to book partial profit.*

SEcond is based on trend and chart levels. If trend changes, then irrespective of premium value, just take the action.

my views for sure...

---

I agree with the two approaches that Vineet mentioned.

I can add following 2 to it.

1) for long option positions, implement time based stop..i.e. if your position is sensitive to time decay then get out of them when time decay really starts hurting a lot

2) if you want to have swing position using naked long call option, then near the end of the day, covert it to Spread by selling another position.. That way, u are safe gaurded against the time decay and also against the opening gap. With spread, you can basically create at market neutral position to protect yourself.

Next day, when market comes to senses after opening hr trading is over, then u can take appropriate decision and close on leg of the position. (you might end up paying extra brokerage and minor loss but thats is the price of your sound sleep in the night and one extra drink in the pub).

Happy Trading

AW10

13th July 2009 04:58 AM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **stocks.murtaza** (Post 333848)

*True -- maybe my drafting of the message was a bit off -- what I actually meant was sometime we **feel** we are better off w/o it.*

*And yes, the re-entry --- that part needs to be thought about and slowly implemented in the psych ....*

*e.g. Shorted 4 lots NF at 4120 with S/L at 4125, hit and then ... whoosh .... (a friend)*

*Yes the SL was very small BUT who had thought that mkts would just go dooowwwnn... and it was 4 lots therefore did not want to lose much too :( This was the second instance, 1st was at 4150, 1lot - NF hit SL at 4175 went to 4180 and then came down like WoW the next day .....*

---

Murtaza Bhai jan, pata nahi kee appke stop exactly xx75/ xx50/xx25 type ke level par rahte hai yaa thode aage pichhe..

These round numbers are easy target of smart people who are interested in eating such stoploss orders. Try to hide them under other numbers like xx73.6 / xx52.3 etc.

another approach might be to add some filter to such pivot levels.

That's what I generally use. As a smart trader, we need to learn where to hide our orders and where to expose them.

Happy Trading

WOD

14th July 2009 07:02 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **lazytrader** (Post 335210)

*There are very few candles in the triangle so it would be better to switch down to 10-15min charts where you have more candles. When you switch down you will see that the price distribution in the triangle is skewed. I wouldn't try to draw a symmetric triangle on a smaller timeframe. You'll see other patterns.*

*So lets stick to this chart and if I were to draw a symmetric triangle then I would look for a even price distribution in the triangle (not sticking to the top or bottom edge) with prices bouncing off the top and bottom edge atleast twice.*

*Symmetric triangle has a target. I've drawn the symmetric triangle and the target.*

*I don't feel the pattern should have affected your trading on that day. "On budget day there is a breakdown" enough reason to short for anyone. It is the most important day of the year. I shorted at 4385 because 1.It was the pivot 2.If it broke 4400 then more downside is likely.*

---

Excellent LT...price distribution across pattern is something I learned new in TA

**Re: Trading NR7 setup**

Quote:

Originally Posted by **WOD** (Post 335227)  
*Excellent LT....price distribution across pattern is something I learned new in TA*

I didn't mean in every pattern just patterns that are unbiased like a rectangle (horizontal channel), symmetric triangle etc. If you look at bullish or bearish patterns like a wedge or ascending/descending triangles you'll see the price trading near an edge more often. If you have enough candles in a pattern then you'll be able to see more patterns within larger patterns.

lazytrader

15th July 2009 12:06 PM

**Re: Trading NR7 setup**

1 Attachment(s)

Still won't call it a failed pattern. It almost made it and if the budget started an hour or two later it would have definitely made it. At the end of the day it was still rising and rose on the budget day as well. It is a 3 day pattern so you would need to give it 3 days to complete.

While price factors everything in, I'm not sure that price can factor in the budget.

On budget day it is important to go with the budget than charts. Budget affects both short and long term. I feel it is not wise to combined budget with chart patterns because one is fundamental and another technical with don't usually go together so budget takes precedence.

If we were to assume there was no budget on monday and markets tanked without any reason then it would be right to go long on break out and then reverse. I think it is better to go short at the horizontal red line because after breakout it is support slipping back into the triangle is a break of support. It may depend on the trader though.

The two charts are very different how is that? (your amibroker and icharts)



Satyen

15th July 2009 12:59 PM

**Re: Trading NR7 setup**

No different Chart LT here is the icharts chart below ....



Again dont follow fundamental news so closely budget day was a event which can afect the market sentiment nothing else i knew about this even did not listen the speech ..... infact dont see tv during markets ..... I am comfortable with Pivots so took trade only after the blue line pivot break ..... Yes it may have achieved target but my aim was to find when market moves so thought after that indecision it may be good idea to trade ....



AW10

15th July 2009 01:50 PM

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**Re: Trading NR7 setup**

My views on this discussion -

Quote:

---

Still won't call it a failed pattern. It almost made it and if the budget started an hour or two later it would have definitely made it. At the end of the day it was still rising and rose on the budget day as well. It is a 3 day pattern so you would need to give it 3 days to complete.

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On hrly chart the pattern took 15+ bars to make it..and if it couldn't last even 1/2 of those many bars.

Quote:

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While price factors everything in, I'm not sure that price can factor in the budget.

---

IMO, events act as catalyst to price move. On charts, 4500 was anyway a resistance level. It took many bars to fall from there too 4250 level..but budget frenzy took just 5 bars to go back to same resistance level and finally Resistance zone did what they are supposed to do... i.e. act as resistance and push the prices down.. Impatience traders / or traders who go by the rule book, find it difficult to handle..whereas if we give time to the price action to develop, the picture becomes quite clear..

Quote:

---

On budget day it is important to go with the budget than charts. Budget affects both short and long term. I feel it is not wise to combined budget with chart patterns because one is fundamental and another technical with don't usually go together so budget takes precedence.

---

If you go by the budget day and price action post budget day.. (Sunil has posted outstanding analysis on that in seperate thread of budget weekend).. two messages were pretty clear

- 1) Budget days have wide range..
- 2) Market falls after budget in more then 80% of the time.

This time again, price action just repeated the history (no brainer for person who trusts the chart ).

I will consider budget as earthquack event.. but they are predictable as we know when they are coming.. (known devil is easier to handle then unknowns)

Quote:

---

If we were to assume there was no budget on monday and markets tanked without any reason then it would be right to go long on break out and then reverse. I think it is better to go short at the horizontal red line because after breakout it is support slipping back into the triangle is a break of support. It may depend on the trader though.

---

We all may have different way to trade same pattern due to our own approach. Even if someone has gone long on ascending triangle breakout.. the initial stop would have been in the triangle zone (base or upward sloping line or projected apex of triangle).. If the stops were not moved to breakeven then still the trade would have been closed on Monday when market dropped below the stoplevel.

Starting short trade is just another trade. Some may consider triangle breakout as false breakout (price could not hold above breakout level for sufficient #of bars), or can call it double top at 4500 level, or reversal from right shoulder of H&S pattern there or divergence on the oscillators. All depends on what we want to see on the chart.. None of the approach or logic is wrong.

Hope we are enjoying the breakdown..

Happy Trading.

Shreenath

15th July 2009 09:23 PM

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### **My two cents on NR7s, ID/NR4s, Double NR7s**

Hello Satyen and Lazy Trader,

Was going through these posts and thought I could post my experiences.

1. Crable's patterns do work very well; which's why he didnt republish his original book(first print was 2000 copies; now an original is a collectors item costing in 100s of dollars and less if you are lucky). I heard he runs a hedge fund worth Billions. I remember hearing in one of Linda's(LBR) long ago that his average profit per trade for his hedgefund was 17 bucks. Obviously one must learn how to build the number of contracts traded without sacrificing risk.

2. I use NR7s, double NR7s, ID/NR4s as a filter in that at the end of the day if my daily data alerts me to these situations, the next day I switch to breakout mode. All these things are old hat, mentioned so well by Linda in her book Street Smarts. I also use historical volatility ratios to filter those issues that are contracting in range. Why trade something where there's nothing going on?

3. You can trade breakouts in any time frames and all these patterns work in any time frame. One of the best methods to trade breakouts is to figure out the critical range and then add a percent to it and this could change based on volatility of the markets.

4. I love double Nr7s. Sometimes you don't get a breakout after the first NR7 but the next day you get another NR7. This happens but only a few times for say bonds or s&P(dont know for Nifty yet) in a year but when it happens it could lead to explosive moves lasting a few days on the daily chart.

Once range expands, say a big breaktout, then I switch back to swing trading. If I get a wide range 9(widest range for the past 9 days) or a break out in general the next day I switch to Zzzzz mode(not much happening here)so basically try to pick the intraday high and low and maybe take one trade on both sides(support and resistance).

Thanks so much

Shreenath

AW10

15th July 2009 10:26 PM

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### **Re: Trading NR7 setup**

Quote:

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Originally Posted by **WOD** (Post 335654)

*AW, do you still think breakdown started on B day is still intact?*

*Till yesterday I had the same opinion that breakdown is intact but now even now my belief has started fading (4140 region has been convincingly taken out).....*

*Can you throw some light why you still think breakdown is intact?*

*Thanks.....*

---

After the breakout, market can not go indefinitely in one direction. It has travelled 550 pts (12-13%). How much more you would expect it to travel in one wave ?

It is quite obvious that it will find support somewhere / shorts will start booking profits and we will see the reversal.

As a trader, we can't live with fixed view about the market. We got to make an opinion based on our defined method. Then keep validating if the factors are still intact.

It is important to define our own parameters to identify the trend reversal.

As a trader, we need at the minimum

- 1) tool set to identify the current trend (up/down/sideway).
- 2) toolset to identify the end of trend
- 3) toolset to identify the reversal of trend

It needs to put your thoughts in proper order. You can extend the approach and also start looking a confirmation signals for each of the three points. Try to keep this simple and avoid getting into analysis - paralysis while doing this.

Take an example -

- 1) NR7 give us a trigger that new trend is going to start. So we get ready and start watching for entry signal
- 2) Next day market breakout and depending on the direction we know that new trends has started.
- 3) As an example, Lets follow 3 moving averages (3bar/ 5bar/13bar) to guide us as long as trend is in place or not. As long as they are nicely arranged, we are in trend.
- 4) Lets use same 3 averages to show us end of trend - when we see 3 bar MA changeing direction and penetrating 5bar MA, we know the market is telling us something.  
What action to take, depends on individual. Some will book profit on first sign of weakness. Some will wait for 10 more confirmations before changing their view that market has reversed. Some will just tighten the stops.
- 5) To confirm the reversal, you might like to see, 1 Higher Low pivot as first signal. For confirmation of reversal, u might like to see the break of downward sloping Trendline.

These are just an example to get u thinking. Please spend some time and define your indicators / signal / market pattern etc and then just watchout for it.

In my view, we have retraced 63% of the move that started from 3500 level to 4700 level. (1200 pts move, 63% gives approx 750 pts . i.e. from 4700 we came down by 750 pts).

Typical fib level where mkt finds support. Various 50/ 200 dma lines are also in the same zone. 4000 is nice psychological support level. all these factors makes 4000 an important support level which it did nicely.

Generally when we look at big timeframe charts, we need to see the number of bars market has spent below/above a level. In current case, mkt just spent 1 day (friday) below 4000 and bounced back from there. That too was a narrow range day of 85 points. Though it did not flag as NR7 day because of previous days action.. but if we observe the daily range closely, then in my observation, I have found all days with less then 100 pts range (i.e. 2.5% to 2.8% of current price) act as narrow days. and they indicate possible breakout.

And we see the result now.

Hope this helps.

Happy Trading.

AW10

16th July 2009 01:33 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **Satyen** (Post 336193)

*Yes Very Right Vineet Bhai ..... Just amazing yes we need these people to pull us upwards*

---

Satya / Vineet, there is not limit to knowledge.. I am also learning. More I read, more I feel about my ignorance.

I agree with LT's comment that it doesn't matter how much one knows. Lot of Knowledge without the action is useless. Contrary to that, even small bit of knowledge, but put into action is lot more productive.

I still find it difficult to maintain the balance of reading and Action within reasonable limit. Working on adopting the approach of marking 1 day in the week as "No Reading, Only Action" day. Lets see how long I can continue with it.

Happy Trading.

Shreenath

16th July 2009 06:08 PM

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**Re: My two cents on NR7s, ID/NR4s, Double NR7s**

Lazytrader,

Critical range may not be the right term but I will look into my files and get you the exact formula Linda uses to calculate her range to bracket the trades following an NR7 or an ID/NR4 day. Back then, she disclosed the formula for those people who emailed her following the seminar in Ft Lauderdale which I took years ago. I'm not sure whether she still treats it as proprietary. She usually adds/subtracts a percent of the value once she gets that number from a very simple formula. More importantly she changes that value based on how markets change in volatility over a period of time. Thats something you have to figure out yourself based on market volatility. You can actually do that yourself by programming historical volatility ratios for a given market..

Trading breakouts is a good way to make a living particularly using intraday and end of the day strategies using the daily charts, IMO. However one has to put up with the whipsaws.

I've been learning to understand support and resistance levels better on multiple time frames.....imagine if you can get an edge on other traders who trade breakouts...

a good analogy is - imagine you getting a very good seat on the train before everyone starts dogpiling at the same time once you get the seat of your choice, very early and you ride it.....and more you are always ready to feed the ducks that quack when everyone starts dogpiling those breakouts...

I've not gone through threads here and it might be mentioned by other LBR students. So you might find the formula here..it's very simple really...

I might have to learn how to PM you or maybe email you when I retrieve it from my file. I have the NR7 and ID/NR4 indicators on TS platform which I use as a filter to switch to breakout mode after a range contraction day.

Now the key is can one really predict the direction of a breakout? I think its possible.

Years ago I came across a strategy called Gipsons (by Larry Connors in one of his books on advanced strategies). I have that book in my library somewhere and can find the rules if you are interested.....we can see how it works for other markets. It did work very well for stocks but wasn't so sure about futures markets here in the US.

Sorry this post is so long....

Regards

Shreenath

Quote:

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Originally Posted by **lazytrader** (Post 336247)

*Can you explain critical range or tell me where I can find the explanation?*

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AW10

24th July 2009 02:30 PM

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**Re: Trading NR7 setup**

Quote:

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AW, Can you please guide me to select SMA & EMA and one indicator to create a system...I am looking for a crossover based system whose trade signals will be confirmed by one indicator.....

---

WOD, In my view, you shouldn't start with name of indicators in your mind and approach to design a system.

Your question should - I want to trade trend (/breakout, /range / time of the day etc).. so which indicators can help me in that ?

Then you pull out the right indicators to help you. Each indicator has its own +ive points and own limitation. Hence it is important to understand that

before using them.

There are few good threads that I have come across (one of that is suggested by scorpio)

- 1) Range market - Stochastics based trading - Pride's thread
- 2) Trading Reversal - Bollinger band based thread by columbus / Rajendrani's thread on trading patterns where he has mentioned about Gimmie bar.
- 3) Trading price action and market flow - 60m / or mini flow thread..
- 4) Breakout - use can use BB for this purpose as well.. (if you remember yesterday's commentary by Sunil where he mentioned that BBand should open the mouth now..etc..)
- 5) and many more options are here..

So it is your decision, dear. Make up your mind and lets discuss it more..

My approach to design a system is

- a) first identify what u want to trade (eg somethign from the list above) [system theme]
- b) Decide on how are u going to identify the right time for that situation [setup conditions]. That means , without these condition in place, we can't go to next steps.

Indicators /patterns etc can help u in identify the setup..

- c) Precise Entry conoditons like buy above high of current bar + x point [Entry rules]. I prefer to use price action / PH-PL/ bar H-L etc for this.

Because they are easy to see on chart

by all market participants and hence more significant then any indicator.

- d) Precise Exit points like sell below low of current bar - x point [Exit rules]. You can further classify them in Stoploss exit / trailing exit / Target exit

At this stage, I will go down to backtesting it on old data and log atleast 30+ trades (I have already attached a sample backtesting sheet in this thread).

Look at the results in terms of what is average risk above rules have ? How much of average profit can I expect ? Does these rule really give me profit on long run ?

How many loosing trades can come in continuation etc etc..

- e) Money Management and Position size - Depending on the analysis of backtest result.. now I am in better position to decide how much of my account should I risk here and

how many contracts I can buy. Bottomline is - I should remain in business so long term survival is the mantra of money mgmt.

Quote:

---

.also can you tell suggest me the timeframes (5/10/15/60 min) to trade with these tools.....

---

WOD, Each time frame has its own profit potential /volatility / trade risk / #of generated trade/ stress level generated for trader etc

Hence , the answer should come from you. You are unique trader in this world. Your requirements - in terms of time that u can give to monitor charts / amount that u can risk on a trade / do u want

to book quick profit or have different mindset to handon to a trade and leave paper profit on the table../ how frequently u want to trade (5 trades a day or 1 trade in 5 days)

Answer of these factors will help deciding the timeframe selection.

Quote:

---

I know I am asking for kind of spoon feeding but your guidance will really show me the path.....

---

Don't worry, I am not going to spoonfeed... but will prefer to guide you.. (As I attempted to do in this mail)

On top of all this - You are getting into trading business.. This is business of accepting mistakes and correcting them.. It is business where we have to jump in and make mistakes.

Thats what traders do.. They are not afraid of mistake.. So don't think that your decision has to be perfect . and u can't change it. Even if u picked up wrong indicator / wrong timeframe..

what the heck.. You can always correct it.. Let market prove that your decision was wrong..

Analysts have to be perfect in their recommendation.. a trader need not.. Trader need to take calculated risk and execute the trades..

Happy Trading

AW10

24th July 2009 07:22 PM

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**Re: Trading NR7 setup**

Satya, My views below

Quote:

---

I am in process of finding time while market goes volatile and we trade for say 3/4 trade and sum shud be profitable and not wait for month end to calculate profit loss .....

---

You are right. We can't check our P&L with each trade.. I generally check it on day-end / weekend / monthend frequency.. Though the scope of P&L review varies.

These frequencies are required for me cause i have keep tab on my daily/weekly/monthly loss limits and stop trading for few days, if required.

Quote:

---

infact trying to find out time when market gives trend moves .....before this NR concept was working on GAPS its also a nice concept after Gaps market never sits/goe into sideways so if we can interpret gap messege well then we can have nice profit

---

Hope you have found NRx as nice simple way of anticipating trending days ahead. IMO, there are 3 types of GAPS and hence market behaviour after the gap depends on what part of trend they have

occured. Moreover, presence of Gap already indicates that sentiments are stretched or getting stretched. i.e we are already in trend.

Maybe use of Bollinger Band / ATR range comparision to anticipate the breakout from expansion.

As I posted yesterday, each timeframe has its typical range.. so if we do some datacrunching, we can find out the usual range of 60min bars. / standard deviation of 60m range / and then

use statistics to anticipate the possible range of 60m bar. So when we find that current 60m bars are falling in lower part of that expected range, we know what to anticipate next..

Quote:

---

Now checking NR7 concept to this thought but find some times after a very good trend we have NR7 day and then it breaks out to the direction of trend ..... shuld we take these trade but if reversal comes after 1/2 days its also a good trade then shud we avoid the first trade and wait for imidiata reversal to happen if any ??

---

We will never know what is going to come on the right side of the chart. That is the challange we all face. So we are just playing with the probability. Generally, NR7 break in the direction opposite to the last trend is great reversal catch.. but if the prev trend has strength then chances are that we will not see big opportunity.

(like it has happened in last 3 days when NR7 break got stopped out in both direction).

Another approach could be to build up the position gradually i.e. on day 1 after NR7 break, take first lot.. and on day 2 if trend continues (i.e. bar making new low) then add position below day1s low.

Quote:

---

Need your views/suggestion how i can impliment this idea with NR7 days or shuld we look for NR4 week ( dont know how often it appears )

---

I would prefer to use judgement here, instead of following the rule to the dot.. Let me arrange the NR setups in the order of strength .. so higher the strength, better odds are in our favour.,

- NR4 / NR5, 6, 7 (higher the number, stronger the signal)

- 2 day NR4 or higher (indicates - contraction stretched for 2 days)

- NR4 or greater on weely chart ( adds to the strength of daily NR setup). Trick here is to know the typical range of a week and comparing that to what is the range developing now.

In my observation, you will have NRx days during a NR week.. (say Thursday is NR7 day and we get breakout on Friday).. and later we see break of weekly range on Monday.

Lot of subjectivity here.

As I use NR pattern more as setup to support my other trading decision, hence I can live with this subjectivity.

But it certainly helps me knowing when to be really aggressive in the market and when to be a bit cautious.

Quote:

---

Again do we consider DOJI as a indecision days and go to smaler time framme to trade after dojjs high/low broken etc .....

---

Doji's do indicate indcision days. They can come with wide bar or narrow bar. As you mentioned, once we know that market is coming out from indecision range to clear decision, we can see the opportunity. All trend starts with lower timeframes.. So that gives edge to short time trader to jump in the trade earlier.

Quote:

---

Read about 2 bar NR days even you said some where in this thread can u post any ideas on this also .....

---

Given my view above. Sunil has done some work on this, maybe he can comment more on 2 day - NR4.. My gut feel says that identifying 2 bar NR4 on 60m chart could be a good breakout signal for swing trades.

Quote:

---

Hope u dont mind writing all these things but i was thinking like this so posted to get some ideas from you

---

Absolutely not Satya. This also gives me chance to use my thought process and learn from others like you. Keep posting your views. Would love to know more from your findings /your views.

Happy Trading.

AW10

24th July 2009 07:32 PM

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#### Re: Trading NR7 setup

Quote:

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Originally Posted by **rohangawale** (Post 340792)  
*i think the more compressed range the more wide range we see after breakout.*

---

Rohan, higher the number stronger is the signal that market will breakout.. but that doesn't tell us that it will give us next wave of 300 pts / 500pts. How long that expansion will last depends on many other factors so we should not anticipate bigger expansion.

eg - if mkt breaks upward on Monday, It may not be able to go too far cause, it has already travelled 700 pts in current wave. Still 100 to 200 pts is possible. If it breaks down on Monday then support zone are quite far away (4000/3900 level).. It might be able to go down to those level or it might find new buyers before that..

Lets not anticipate that and listen to the market and adjust our trades.

Happy Trading

lazytrader

25th July 2009 01:22 PM

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#### Re: Trading NR7 setup

Quote:

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Originally Posted by **WOD** (Post 340321)  
*AW, Can you please guide me to select SMA & EMA and one indicator to create a system...I am looking for a crossover based system whose trade signals will be confirmed by one indicator.....also can you tell suggest me the timeframes (5/10/15/60 min) to trade with these tools.....*

*I know I am asking for kind of spoon feeding but your guidance will really show me the path.....*

---

If your requirement is moving average and one indicator then Prides method will fit the bill perfectly. But your question is like going to the doctor and asking for tasty medicine. What you should be asking the doctor is medicine that would get your health back. Don't fall into the indicator trap. Keep your mind open and ready to lean new things. As you get more experienced you will stop looking

at indicators. I am yet to come across a successful trader who trades a single method. You usually have a mainstay, the one that you trust and know well and then use other signals to support your decision or check RR.

Experiment (paper trade) various methods and chose something that fits both your pocket and mind well.

I trade nifty with 1min chart. I look at prides' method (5min) and miniflow (60min) but if I don't get 1 min candlestick I don't trade intraday. If you check Saints miniflow thread he says nothing less than 60min he doesn't like it. Everyone is different so you should pick what fits you. What works for one person will not work for another. If you have a bad run you will lose confidence in what someone else has designed for you. Every trader has his unique style and the only way to find out one is to try it out. Learn, read, spend time with the charts.

Once you have a framework you can present it and ask people to help and everyone will pile in with views and suggestions because then they can be confident that what they suggest will work for you. Otherwise it is hard. Ever seen a doctor who will prescribe medicine without checking the patient? It doesn't work that way.

I sure many would agree with my views...

lazytrader

26th July 2009 07:48 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **scorpio77** (Post 341195)  
*HI WOD,*

*Appreciate your enthusiasm, drive and commitment. Looks like you are young and ambitious! Do watch out for over-trading as tracking too many indicators will tend to trigger one or the other signal. At the end you end making your broker richer! Speaking from experience! Hope it helps. All the best wishes!*

*Cheers!*

*Scorpio*

---

I thought of saying exactly this but held back.  
A very valid point by scorpio.

I remember the time when I was on a learning rampage.. I read anything and everything related to TA and experimented with it (paper trading, curefitting, backtesting and more) at the end of it all I couldn't make head or tail of the mess.

I simply took a break and started all over again. It kinda sucked me into it. The more you read the more you want to read and it keeps getting interesting. I find the fibonacci, elliot waves and stuff fascinating specially when they are applied to read stocks and watch them actually work. But as they say too much of a good thing is bad.

So take it slow and make sure you are well versed with what you know so far and build on what you have and regularly backtest your strategy. One thing I think I should mention is once I start reading a different method or strategy it affects my trades. I try to apply to things to a single trade and it all goes haywire. So deal with them one by one. Remember, there is so much to learn you may spend the rest of your life learning. :thumb:

bunny

26th July 2009 08:25 PM

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**Re: Trading NR7 setup**

WOD,  
I don't want to add to your confusion, but do play around candle sticks too.

Moving averages systems are lagging indicators. They can tell you how price has behaved in the previous sessions, but are not that effective at telling how they will behave in forthcoming sessions.

AW10

27th July 2009 03:27 PM

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**Re: Trading NR7 setup**

Hope you have noticed the development of second consecutive NR7 day today.  
Pattern that is rarely visible.. 2day- NR7..

So get ready for breakout.. And best way to play this will be to go long with direction neutral strategy like



Buy - Straddle or Buy Strangle. July 4500-4600 strangle is available in 80 Rs or so and Aug 45-4600 strangle in 334 Rs.

Lets see what market is going to do in next few days..

Happy Trading.

AW10

27th July 2009 04:19 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **bunny** (Post 341157)

*How do we trade this scenario: The day after NR7 is also a NR7 but make a low below first NR7's low?*

*Also I have seen that many times, after the NR7 day, the low next day goes below the NR7 day triggering a false sell, and then next day onwards the price starts shooting up!*

*Ex:*

*Day 0 : NR 7 setup detected*

*Day 1 : A low below day 0's low triggers SELL*

*Day 2: Price starts moving upwards violently!*

*Any guidelines on identifying a potentially false signal?*

---

Bunny, We can never predict the direction of breakout. At times, breakout works and at other time, same setup fails. so rather than predicting and trying to be correct in our decision... we have to play the probability and adjust our trade management process.

In this post (post #18), I have mentioned about how to play the breakout.

<http://www.traderji.com/technical-an...tml#post307876>

This approach will be able to get you into the next reversal trade, after false breakout.

We can certainly monitor certain other factors to judge the strenght of breakout. (Though they are subjective but market is too complex to judge by set of rules always.. So I am happy with some amount of subjectivity )

1) Price does not return to NR7 days range.. (depending on amount of penetration, we will be able to sense it.) You can watch for Pivot High/Low (PH / PL) level of NR7 day. If PHs are getting broken then the trade goes in amber zone where we need to watch.

2) In perfect breakout, we should be able to see big range on next day.. which indicates expansion. If there is no expansion. then better watch out. Market is telling you something..so we better listen to it rather than closing our ears and eyes and predicting that we just caught the NR7 breakout and we can't go wrong.

3) Volume should support breakout.

4) The break should be able to break previous intraday PH/ PLs of NR7 day or the day before

5) Moving averages should start diverging and getting properly aligned to indicate the beginning of next trend.

7) MACD / RSI / Stoch should start showing the clear picture.. (not sideway criss-cross pattern that confuses traders)

There may be more.. (but I think above 7 points are more than enough).

In my trading, I get into the breakout of NR7 range. and then add-on to the position as soon as confusion zone is crossed and we are about to enter

the smooth sailing zone.

(it is like driving thru city traffic then to ring roads and then on to the highway..)

Happy Trading.

lazytrader

27th July 2009 05:53 PM

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## Re: Trading NR7 setup

Quote:

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Originally Posted by **Satyen** (Post 341863)

*Can we do like calculate avrage range of nifty daily bars on weekly basis and compare it with curent days range .... you mut have done some studies on this ..... in this way instead of rigidly following NR7 we can find out if current range is below some % of weekly average range then we switched to break out mode*

---

Weekly range may not be very useful unless you are a positional trader. If you have a narrow range or two and breakout in a single week you'll see nothing on the weekly ranges. I would suggest 2D/3D ranges max. After 3 days of compression it is very likely you'll see a breakout.

artical

I would like to post this article which I have copied from another thread, It makes lot of sense for me, hope it may provide some insight to some of you too. May be this is not the right thread to post but I believe moderators can move this at their discretion.

The 5 Steps to becoming a trader recommended by all successful traders.

Step One: Unconscious Incompetence.

This is the first step you take when starting to look into trading. you know that its a good way of making money because you've heard so many things about it and heard of so many millionaires. Unfortunately, just like when you first desire to drive a car you think it will be easy - after all, how hard can it be? Price either moves up or down - what's the big secret to that then - lets get cracking!

Unfortunately, just as when you first take your place in front of a steering wheel you find very quickly that you haven't got the first clue about what you're trying to do. You take lots of trades and lots of risks. When you enter a trade it turns against you so you reverse and it turns again .. and again, and again.

You may have initial success, and thats even worse - cos it tells your brain that this really is simple and you start to risk more money.

You try to turn around your losses by doubling up every time you trade. Sometimes you'll get away with it but more often than not you will come away scathed and bruised You are totally oblivious to your incompetence at trading.

This step can last for a week or two of trading but the market is usually swift and you move onth the next stage.

Step Two - Conscious Incompetence

Step two is where you realise that there is more work involved in trading and that you might actually have to work a few things out. You consciously realise that you are an incompetent trader - you don't have the skills or the insight to turn a regular profit.

You now set about buying systems and e-books galore, read websites based everywhere from USA to the Ukraine. and begin your search for the holy grail. During this time you will be a system nomad - you will flick from method to method day by day and week by week never sticking with one long enough to actually see if it does work. Every time you come upon a new indicator you'll be ecstatic that this is the one that will make all the difference.

You will test out automated systems on Metatrader, you'll play with moving averages, Fibonacci lines, support & resistance, Pivots, Fractals, Divergence, DMI, ADX, and a hundred other things all in the vein hope that your 'magic system' starts today. You'll be a top and bottom picker, trying to find the exact point of reversal with your indicators and you'll find yourself chasing losing trades and even adding to them because you are so sure you are right.

You'll go into the live chat room and see other traders making ticks/points or money and you want to know why it's not you - you'll ask a million questions, some of which are so dumb that looking back you feel a bit silly. You'll then reach the point where you think all the ones who are calling ticks after ticks are liars - they cant be making that amount because you've studied and you don't make that, you know as much as they do and they

must be lying. But they're in there day after day and their account just grows whilst yours falls.

You will be like a teenager - the traders that make money will freely give you advice but you're stubborn and think that you know best - you take no notice and overtrade your account even though everyone says you are mad to - but you know better. You'll consider following the calls that others make but even then it won't work so you try paying for signals from someone else - they don't work for you either.

You might even approach a 'guru' like Rob Booker or someone on a chat board who promises to make you into a trader (usually for a fee of course). Whether the guru is good or not you won't win because there is no replacement for screen time and you still think you know best.

This step can last ages and ages - in fact in reality talking with other traders as well as personal experience confirms that it can easily last well over a year and more nearer 3 years. This is also the step when you are most likely to give up through sheer frustration.

Around 60% of new traders die out in the first 3 months - they give up and this is good - think about it - if trading was easy we would all be millionaires. Another 20% keep going for a year and then in desperation take risks guaranteed to blow their account which of course it does.

What may surprise you is that of the remaining 20% all of them will last around 3 years - and they will think they are safe in the water - but even at 3 years only a further 5-10% will continue and go on to actually make money consistently.

By the way - they are real figures, not just some I've picked out of my head - so when you get to 3 years in the game don't think it's plain sailing from there.

I've had many people argue with me about these timescales - funny enough none of them have been trading for more than 3 years - if you think you know better then ask on a board for someone who's been trading 5 years and ask them how long it takes to become fully 100% proficient. Sure I guess there will be exceptions to the rule - but I haven't met any yet.

Eventually you do begin to come out of this phase. You've probably committed more time and money than you ever thought you would, lost 2 or 3 loaded accounts and all but given up maybe 3 or 4 times but now it's in your blood

One day - in a split second moment you will enter stage 3.

### Step 3 - The Eureka Moment

Towards the end of stage two you begin to realise that it's not the system that is making the difference. You realise that it's actually possible to make money with a simple moving average and nothing else IF you can get your head and money management right. You start to read books on the psychology of trading and identify with the characters portrayed in those books and finally comes the eureka moment.

The eureka moment causes a new connection to be made in your brain. You suddenly realise that neither you, nor anyone else can accurately predict what the market will do in the next ten seconds, never mind the next 20 mins.

Because of this revelation you stop taking any notice of what anyone thinks - what this news item will do, and what that event will do to the markets. You become an individual with your own method of trading

You start to work just one system that you mould to your own way of trading, you're starting to get happy and you define your risk threshold.

You start to take every trade that your 'edge' shows has a good probability of winning with. When the trade turns bad you don't get angry or even because you know in your head that as you couldn't possibly predict it it isn't your fault - as soon as you realise that the trade is bad you close it. The next trade or the one after it or the one after that will have higher odds of success because you know your system works.

You stop looking at trading results from a trade-to-trade perspective and start to look at weekly figures knowing that one bad trade does not a poor system make.

You have realised in an instant that the trading game is about one thing - consistency of your 'edge' and your discipline to take all the trades no matter what as you know the probabilities stack in your favour.

You learn about proper money management and leverage - risk of account etc etc - and this time it actually soaks in and you think back to those who advised the same thing a year ago with a smile. You weren't ready then, but you are now. The eureka moment came the moment that you truly accepted that you cannot predict the market.

#### Step 4 - Conscious Competence

You are making trades whenever your system tells you to. You take losses just as easily as you take wins. You now let your winners run to their conclusion fully accepting the risk and knowing that your system makes more money than it loses and when you're on a loser you close it swiftly with little pain to your account.

You are now at a point where you break even most of the time - day in day out, you will have weeks where you make 100 ticks and weeks where you lose 100 ticks - generally you are breaking even and not losing money. You are now conscious of the fact that you are making calls that are generally good and you are getting respect from other traders as you chat the day away. You still have to work at it and think about your trades but as this continues you begin to make more money than you lose consistently.

You'll start the day on a 20 pip win, take a 35 pip loss and have no feelings that you've given those pips back because you know that it will come back again. You will now begin to make consistent ticks week in and week out 25 ticks one week, 50 the next and so on.

This lasts about 6 months.

Step Five - Unconscious Competence Now we're cooking - just like driving a car, every day you get in your seat and trade - you do everything now on an unconscious level. You are running on autopilot. You start to pick the really big trades and getting 200 ticks in a day doesn't make you any more excited than getting 1 tick.

You see the newbies in the forum shouting 'go dollar go' as if they are urging on a horse to win in the grand national and you see yourself - but many years ago now.

This is trading utopia - you have mastered your emotions and you are now a trader with a rapidly growing account.

You're a star in the trading chat room and people listen to what you say. You recognise yourself in their questions from about two years ago. You pass on your advice but you know most of it is futile because they're teenagers - some of them will get to where you are - some will do it fast and others will be slower - literally dozens and dozens will never get past stage two, but a few will.

Trading is no longer exciting - in fact it's probably boring you to bits - like everything in life when you get good at it or do it for your job - it gets boring - you're doing your job and that's that.

Finally you grow out of the chat rooms and find a few choice people who you converse with about the markets without being influenced at all.

All the time you are honing your methods to extract the maximum profit from the market without increasing risk. Your method of trading doesn't change - it just gets better - you now have what women call 'intuition'.

You can now say with your head held high "I'm a currency trader" but to be honest you don't even bother telling anyone - it's a job like any other.

I hope you've enjoyed reading this journey into a trader's mind and that hopefully you've identified with some points in here.

Remember that only 5% will actually make it - but the reason for that isn't ability, it's staying power and the ability to change your perceptions and paradigms as new information comes available.

The losers are those who wanted to 'get rich quick' but approached the market and within 6 months put on a pair of blinkers so they couldn't see the obvious - a kind of "this is the way I see it and that's that" scenario - refusing to assimilate new information that changes that perception.

I'm happy to tell you that the reason I started trading was because of the 'get rich quick' mindset. Just that now I see it as 'get rich slow'.

If you're thinking about giving up I have one piece of advice for you ....

Ask yourself the question "how many years would you go to college if you knew for a fact that there was a million dollars a year job at the end of it?"

Take care and good trading to you all.

- Posted by ash.paul in one of the thread

kenneth

28th July 2009 01:16 PM

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**Re: Trading NR7 setup**

Rohan

Formule for Volatility ratio. you can do your own backtesting. Let us know the results

$$\text{VolRatio} = \text{StDev}(\log(C/\text{Ref}(C,-1)),5) / \text{StDev}(\log(C/\text{Ref}(C,-1)),99);$$
  
for amibroker

Regards  
ken

AW10

28th July 2009 02:23 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **kenneth** (Post 342282)

*Connors and Raschke NR4 Historical Volatility System. Compares the 6 day volatility to the 100 day volatility. When this ratio drops below 50%, a buy stop and sell stop bracket the current price, expecting historical volatility to revert to the mean. Four day Narrow-Range (NR4) and Inside Day patterns are used to filter the trades to increase probabilities*

*Although yesterday was NR7 day Volatility is above 50% could be the reason? May be AW10 can clarify*

Code:

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Ticker	Date/Time	Buy	Close	VolRatio	NR4day	NR7day
<i>insidedayBuyStop</i> NIFTY	<i>,SellStop,</i> 7/27/2009	1	4572.300	0.53	1.00	1.00
4595.33	4530.02					0.00

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Regards  
ken

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Thanks Ken for bringing in new dimension to NRx setup by using Historical Volatility. The system that u mentioned uses 100day Historical volatility to last 7 days volatility to filter our NR4 signals. My views on this are (I might be wrong..but open to discuss them here)

1) NR4 signals occur more frequently hence we need to have some mechanism for filtering them. Historical Volatility approach is one such method. NR7 doesn't occur so frequently and days range is also narrow.. so not sure if historical volatility parameters need to be adjusted further.

2) Linda's backtesting results given in her book were before 2008. All volatility based systems busted last year due to extremely high volatility (beyond 5 - Standard deviation) so

I would rather question the basic concept of using last years volatility data for filtering. Is it fair enough to use the numbers that worked in < 2 to 3 Std Dev market in market that is beyond this limit.  
or vice versa.

3) I have not backtested NR4 + Historical Volatility based approach.. so can't comment on whether it works or not.. but quite agree with the concept. Will keep this as part of my to-do list to test this later. Only concern is, this complicates the basic setup and brings in statistics into it. That goes against my basic philosophy of keeping things simple as far as possible. Leave the complexity for others to handle.

Happy Trading.

AW10

29th July 2009 10:57 AM

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**Re: Trading NR7 setup**

Yes Satya. It is that simple. Collect the range of each day. And then take moving average of it. You can use any number as per your own belief about the period. For short term, if u think 10days is good, then take use it.. for intermediate term, if u think 50 is good, then use that. These numbers are subjective.. hence I would rather leave it to you to make the choice.

I use 10 days for short term. Roughly covers half of the months hence this choice. No other reason. I could have gone for fib number of 8 or 13 but 10 also is midpoint of that fib.. so happy to use 10.

Hope this helps.  
Happy Trading

AW10

4th August 2009 09:37 PM

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**Re: Trading NR7 setup**

Quote:

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I have been trying a visual backtest on this method. It seems to me, many a times, the NR is followed by a super WR.

What I mean is there is no clear directional bias until the next to next day. The next day to NR is followed by a day which breaches both the high and low of the NR. What action we need to take in that case?

Vicky,

NR7 is a setup condition.. not exactly an entry condition. One has to develop entry rules by putting other observations around it. NR followed by wide bar on next day is great setup for daytrader. Wide bars give them great chance to ride intraday trends and make good money. For swing traders, the use of this setup maybe different. If you have observation says that 2 bar after NR7 breaches the limit of NR7 then you have to develop your entry rules accordingly, Maybe wait for such bar and enter.

But before that, let me ask you something – Do you now what % of time this phenomena happens ? How many NR7 breakout did you check? Have you got any other observations about what market did before such pattern appeared ?

Maybe these question will help you remove the subjectivity part from your visual observation. Many a time, we see something (mostly the last few incidents) and try to react as per those observation. But if we increase the span of observation, our findings are different.

I haven't spent time in analysing this but in my opinion, such price action is possible because of strong trend before NR7. In such cases, it is likely that the party (bull/bear) that dominated the previous few days will not disappear immediately. They might get pushed down for 1 day but they come back on next day and hence we see the pullback and retest of the congestion zone.

I will be interested to know more about your observations.

Happy Trading.

bunny

5th August 2009 03:19 AM

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**Re: Trading NR7 setup**

Here are my random thoughts on the NR7 setup:

In NR7 setup, I have quite often seen that the price breaks below the low on next day, and then again on the next day(2nd day after NR7) it starts its upward move.

What could be the reason for this? It is a trick by the professionals to shake-out the shares held by technical traders who are not as foolish as novices but also not as clever as professionals?

If its such a shake-out attempt how could be identify?

Typically such situation would occur when there are not sellers at that price. No sellers mean professionals do not get to buy. This means lowered professional transactions which would reflect on charts as low volumes.

How can be predict which direction the NT7 will breakout? Up or down?

In the 6th post of this thread, there is written "one of the market groups is trapped"(within losing position). Now the question who is trapped? Is it the bull or the bear who is trapped. This trapped group will soon giveup. If bulls giveup, prices will tank, if bears giveup, prices will sky-rocket.

Next question, how to identify who is trapped? or any hints?

Lets take help from the professional trader who controls the closing price. The professional trader has access to certain privileged information which we cannot see. The professional knows who the big players are and what their positions are. The professional will be in favour of the winning group.

So now next question: Since the professional is sided on the winning group, can closing price be used to predict the direction of breakout?  
No thoughts on this one because I am yet to go through the historical data.

Till then, keep your comments coming. And let me know if I am thinking on the right path, or have I become psycho and over-indulgent?

Thanks,  
-Bunny.  
AW10

5th August 2009 06:36 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **Satyen** (Post 345694)

*Dear AW10, and Bunny i was visually going thru NR7 days from jan 08 to june 19 th 09 and NR7 days according to sunils data .....*

*As bunny said we may be trapped etc even i have marked after nr7 break out in direction of trend and imidiately after 1/2 days trend reverses so what i want to do is trade 3/4 trade after NR7 day in 60 min time frame using 60 minute visual pivots found all most all NR7 days gives profit after we have range expansion .....*

*So i think we got the messege that market undecided and will eventually come out from this phase so we keep on trading in lower time frame ( i prefer 60 minute) untill we have range expansion and we will be in profit so we should not worry about single trade etc*

*Will post chart after market waht i wanted to say*

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Thanks Bunny for raising few points to discuss and Satya for sharing your observation.

My view – as per price action, breakouts are often followed by retracement and test of the breakout level. Depending on demand/supply equation before and a- the-time of breakout, the retracement might test the breakout level or might reverse before this level. The way we trade the breakout is very different from the way we will trade retracement. In my view - breakout trading is a quickie. Get in at right time and exit after instant gratification (or punishment) in next 1 or 2 bars. Retracement trades are more of extended pleasure of riding the trend.

So it depends on our requirement and how we want to trade this setup. Based on that the trading rules will change. If we confuse and try to trade a breakout entry as trend following entry then chances are high that we will be stopped out or will end up carrying the pain when retracement is in progress.

A daytrader, may try to encash on breakout move that is coming from widebars in next days, whereas a swing trader might wait for retracement.

An option trader – might like to sell jump in premium that results from euphoria of breakout (which quickly dies down) and create the long position when it retraces and starts going up.

Another option trade that I had mentioned in which trader is already long using straddle/strangle before the breakout in last 15 mins of NR7 day, may decide to book quick profit on winning leg or adjust it by selling higher strike option and lock-in the gain.

And wait for retracement to exit the loosing leg of straddle/strangle.

( I can think of many such scenarios to trade this setup depending on various trading requirements).

Happy Trading

AW10

6th August 2009 05:04 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **Satyen** (Post 346177)

*Date .....Days Range .....NR???*

*20-Jul-09 ..... 111.45 . .*

*21-Jul-09 ..... 69.9.....Yes*

*22-Jul-09 ..... 181.2 . .*

23-Jul-09 ..... 91.9 . .  
 24-Jul-09 ..... 83.5 . .  
 27-Jul-09 ..... 85 . .  
 28-Jul-09 ..... 73.6 .  
 29-Jul-09 ..... 157.9 . .  
 30-Jul-09..... 99.6 . .  
 31-Jul-09 ..... 93.9 . .  
 3-Aug-09..... 117.9 . .  
 4-Aug-09 ..... 79.8 .  
 5-Aug-09 ..... 99.6 . .

*Dear AW10 i have a confusion about range contraction looking at above we have a NR7 day 21st July but on 28th july we have days range 73.6 which is 3/4 point more than prev NR7 and we can consider it as range contraction but on 4th August we have a range of 79.8 so can we consider 4th august still a NR day if there was not 28th july then it must be so bit confused*

*Again looking at days range from 21 july except 22,29 july and 3rd August all the days range comes near to same range so can we still consider 4th august as NR day Even 10 day average on 4th Aug come near to 105.44 and 20 day 107*

*please guide how you read this situation in terms of range contraction /expansion*

*Waiting your reply*

Satya, This is where reality of market comes in place and we have to use our judgement. In above range sequence, 4th August is still NR6 day. If you use the judgement and try to look beyond exact range of 28th July, this gives a NR-10 signal. So without getting lost in the numbers x of NRx setup, I would still call it contraction day and get ready to face expansion. (if you noticed 26/July, 29th July range, it is almost double of previous NR7 day range. Too me, this stock/index looks real juicy fruit to day trade after NR7. It gives real nice move on next day)

If you look at average range of last 10 days then on 4th Aug, it was 105 points. So 80 points range of the day is almost 75% of the average daily range. Which is good enough for classification as contraction range. I use the range of 80% of average as signal for contraction. That helps in smoothening the effect one-off data point. So if you are programming any indicator then instead of going by exact day range, I would suggest to take 10 days (or any other number) average range.. and If today's range is <80% of this average range, then trigger the signal.

Hope this helps.

By the way, we had NR6 on Nifty yesterday, Prev day was NR5 and we have seen the nice range of 150+ points today..

Happy Trading

vicky\_ag

6th August 2009 05:20 PM

**Re: Trading NR7 setup**

AW10,

Does the last post mean, instead of getting caught in the whole joomla of exact NR7, we can start looking for something from NR4 to NR10 ? (I think anything less than NR4 would be useless).

AW10

6th August 2009 06:23 PM

**Re: Trading NR7 setup**

Vicky,

The message that I wanted to pass from the last post was to be **flexible in your approach** when looking at this setup.

Due to the price action controlled by smart money, it is realistic that we will have the move of few extra points. In our regular trades, we use filter on x points to place the order then why don't we use the same concept while analysing price action and trying to contraction zones.

As you rightly said, days with rating less than NR4 are too common and have no speciality about them. (NR7 days comes approximately 15% of the



time, and NR4 days are about 25%).

Bigger the number x in NRx, stronger the contraction. If we wait for NR8 / NR9 etc then we might not get enough signal.. but those days are most welcome cause they are giving us stronger signal.

At the same time, lower the number x in NRx, higher the chances of failed breakout. So it is trade-off.

Again, I use such subjectivity in my analysis hence wanted to pass that msg in my previous post.

Happy Trading

AW10

6th August 2009 07:56 PM

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### Re: Trading NR7 setup

Quote:

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Originally Posted by **lazytrader** (Post 346475)

*At this point I would also like to mention that John Bollinger also said that when you have a tight range contraction the **scrip would move to one side and touch the band and then breakout on the other. Dont why it happens** but if it does happen it would be a vicious move because what it does is before a breakout it will move down and get the bulls on board then it breaks out and the bears get on it too, one side has to let go and in trying to cover/liquidate their positions add fuel to the fire.*

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This is how smart money can get the price that they want and execute their orders. Rule of the game of stock market.

Like today, the players took the mkt up (with price action that seems like more buying is coming in), got some more novice traders/ investor by from them at 4700 level so that they can sell their holding and book profit. As market reversed, more and more sell orders came in there were less buyer.

Typical market action around the tight trading range/contraction zone.

Thats is the reason why the success rate of breakout trades are poor.

Happy Trading

AW10

11th August 2009 08:29 PM

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### Re: Trading NR7 setup

Hi Satya,

I read about 3 types of sideways movements

**Ledges** - 4 to 10 bars long sideways move

**Congestion / consolidation** - 10 to 20 bars long sideways move

**Trading Range** - > 20 bars.

1 day NR pattern can very well result in Ledges on 60m chart.

2 day NR pattern results in consolidation on 60m chart.

Multiple day of Narrow Range (like we saw in last 2 weeks) will show as trading range on 60m chart.

So I guess, it depends a lot on visualising charts on different timeframe and forming our view on market internals.

Generally, it is more likely to get false break-outs in consolidation and trading range as players are trying to test the market. This is quite similar to accumulation /distribution phase.

Trading Range takes the same study to next level.

But if we can live thru that consolidation period.. then generally we are well rewarded at the end of it by clear break-out (ofcourse we need to know how to ride the break-out).

If you had noticed, then before current break, we had NR5 and NR6 days near the expiry date of last week. Last 2 weeks also gave the range of 250 points (against 300+ points of average weekly range).

So, this is how I will go ahead with **tracking multiple TF for break-out**

1) keep track of higher TF and find out when they are contracting

2) follow smaller TF and look for consolidation there as well

3) Get ready to trade the break-out on smaller timeframe with limited position size. Here we get entry on break-out of smaller TF but there is risk that higher TF can still result in no break-out.

In that case, we have to face false break-out on smaller TF and maybe face the stoploss.

4) Add on to the position when larger TF also breaks-out

5) Between step 4 and 5, following are some of the pointers that can give indication that we are getting real break-out or not..

**In case of real break-out, we do see**

- Range expansion (atleast 30 to 40% of NR bar range)

- Volume expansion
- Trendline break and failure of bounce towards the Trendline to cross it successfully
- Change it trend of swing highs i.e. from HH/ HL to LH / LL
- Trending Bar in the direction of break-out.. preferably 90-10 type of bar. This is another Toby's pattern where bar close is top 10% (i.e. 90% or bar range) or bottom 10% of the bar. These bars show the trend strength.

If you remember, we had seen most of the above points failing in various NR7 days of last 2 weeks but they are turning out to be true in the recent break / the break on budget Monday / the NR days when market reversed from 3920 low recently.

Hope this helps and gives you idea to design your system for 60m TF.  
I would love to know observations from other price action trader as well.

Happy Trading

AW10

13th August 2009 04:30 PM

**Re: Trading NR7 setup**

You are right regarding you observation on false break of NR7 and then couple of whipsaws that we had seen in recent past. Our recent exchanges of ideas (Thanks for that) on this topic has triggered me to figure out more about hadling such false breakout. Result of that was my prev post (#396) in which I had mentioned about Ledges/ Consolidation and Trading Range.

While design the system, I will take a step back (go 5000 fts up) and take larger view to figure out what happened before such false breakout had hit me.

Most of the time Ledges (or <4 bar consolidation) works are continuation pattern. But as it gets extended into Consolidation or Trading range, it starts show the sign of accumulation / distribution and generally result in trend reversal.

During accumulation / distribution phase after a strong trend, chances of false breakout are high and it is anybody's guess that which breakout will be false or which one will be real. For that we need to go beyond price and get support from other dimension of market behaviour i.e. Time and/or Volume.

I have not backtested this yet..so can't be very specific with my comments. But hope this gives u few more points to think about while I continue my discovery.

Happy Trading

AW10

14th August 2009 02:07 PM

**Re: Trading NR7 setup**

Thanks Rohan for bringing out this observation. I don't track Nifty 50 stocks for NR7 hence this is the first time that I am coming across this.

My interpretation is -  
Following is the range of Nifty of last 7 days..  
Code:

13-Aug	129.5
12-Aug	114.4
11-Aug	111.9
10-Aug	162.65
7-Aug	106.7
6-Aug	158.95
5-Aug	88

It is classic case of divergence where index is expanding in range since last 3 days.. but many of its constituents are contracting. That means the few wheels of the train are pulling it in one direction and other wheels are pulling the train in another direction. For the trend or break-out in index to sustain, all components have to be aligned nicely else it raises the question on the strength of the trend. Unfortunately, very few people can see and monitor the internals of the market/index hence get trapped on wrong side in such divergence.

In case of such divergence, any upmove will be weak. You can see the supporting signals of this trend weakness today, as market is finding it difficult to cross 4600.

Many of these stocks should show NR day today as well (50 points range since morning indicates major participants are not interested in trading today). This being a narrow range day and lack of participation from biggies, it is quite vulnerable for false move. Just needs few big orders to make the false move. I won't be surprised by a break-out towards the close which might get reversed on Monday.

Moreover this weeks range is around 256 points so far.. Last 2 weeks also had the range of 250 points.. Giving us 1 week up, next week down, and this week up again. But the range is just 250 points up and down. Typical sign of distribution phase.

Who knows, probably we might be making right shoulder here, We are certainly making an attempt to test the trendline of last upmove from 3920 low (the trendline of upmove from March is already broken and its retest failed when we made second high at 4700). With current divergence between the nifty and its constituents adds as just another factor to be cautious about upmove and trade carefully. Certainly odds favour the shorts on daily/weekly timeframe.

These are just some of my interpretation. and it is possible that I might read the market wrong. But hope this helps and make you consider few more points in your analysis.

Happy Trading and be cautious at the top.

AW10

14th August 2009 02:19 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **stocks.murtaza** (Post 349455)  
*RIL broke out of NR7, Gail and Sail both have broken out.  
RIL at 2055 now and GAIL at 346 (already moved much).  
Rest not tracking so would not know.*

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SM Bhaijan, be careful as both these stocks have broken up from NR7 zone.. but they have just entered the resistance zone. In the past they could not stay in this zone and fell from there.

So if you are day-trading them, it is fine and long term picture doesn't matter. But if you are planning a swing or position trade then be careful. Market is not able to stay above 4600 and then if market falls, these breakout might just turn into false breakout.

First sign of that false breakout will be the appearance of bearish bars on lower timeframe, then stocks coming back to yesterdays' range. and real trap will be that they showing outside day and giving downward break today.

So manage your expectations.

Happy Trading

AW10

17th August 2009 06:21 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **vicky2005** (Post 350484)  
*today was magic of NR7?? :-)*

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Yes Vicky, that's how market behaves... if a spring is compressed to such an extent then this is the only reaction u can see.. It can't remain in compressed state for long time.

today's range of 200+ pts is biggest range that has come since 6-July (budget day range of 346 points). Such big range day moves are generally trend setter for next few days.

If we call budget day as exceptional day, then last time when we saw 200 pts move was n 8/June when market dropped by 206 points (CMP was 4561 on prev trading day). It did bounce back in next 2 days to go to 4700 level but that gave the first sign of trend change from Uptrend to sideways. On budget day, we had another wide range day and then market fell to sub-4000 level.

Thats good enough for big picture. Lets trade each day as it comes.

Happy Trading

AW10

20th August 2009 05:08 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **vicky2005** (Post 351744)  
ITC Closed at 225.15  
DLF Closed at 374.70 (O-380; H-383; C-374.7; L-372.35)  
Does that mean another NR7 day for DLF?

---

Vicky, DLF yesterday's range was 16 pts, and today it is 11 points.  
That means we have NR8 today.  
Without going into naming / numbering.. if I just have to interpret this then it means that there was contraction yesterday, and today as well.. i.e. contraction which lasted for 2 days.

So, we are seeing trading range from last 8 days, Range is getting narrower and narrower which is sign of end of consolidation where both bulls/bears have lost the interest cause they have finished what they wanted to do.. The breakout from such level generally results in new trend development. It could be a 3 leg trend or 5 leg trend, but let market tell us that.

If you apply 2 bar - NR7 pattern, that Satya is working on..then this classify for 2bar-NR7 day for DLF.

Thanks for highlighting this. So we have got another prey now.

On NIFTY spot, we have seen the weakness around 21 day EMA today, We are running below 50 DMA. Cummulative volume is falling which doesn't show that we are getting new bulls in the market now. So I think, odds are stacking for markdown phase now.

(Disclaimer - I could be wrong as it happens many times)

Happy Trading

AW10

20th August 2009 08:32 PM

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#### **Re: Trading NR7 setup**

Vicky think Reward to risk ratio and take decision.  
Market and hence most of the stocks are telling you something to you.

If you understand that they are saying dear vicky we are not in mood to go up, then even if you breakout on upside tomorrow, be careful thru proper position size / risk mgmt and be prepared to reverse the position if that doesn't work.

Personally, with so many bearish factors aligning.. i will rather wait to take bullish break .. but jump on bearish break. Because to me, the reward to risk ratio are attractive on short trade then on a long trade at this moment.. Take case of nifty below 4350 level, we have no support till 3920 level. Demand supply at all intermediate levels is already been cleared during last move down to 3920 and the move up after that. So for me, fresh demand zone is 4000-3900 level, nothing in between (others may differ but thats fine). Thats how I interpret the demand supply and resepect for only the virgin price levels that are not touched by market since they were made. On the upside, there are resistance zone between 4600-4700.. so for long trade my reward is 100 pts v/s risk of 600 pts.. whereas it is other way for the shorts.

So assemble your own reasons and take decision based on that. Plz don't go blindly for NR7 break. What is given here is a setup.. to help u understand what is going on in the market. It is not a trading system... The rules given are for example only.. so that one can develop a trading system around it..

Happy Trading.

vicky2005

21st August 2009 05:20 PM

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#### **Re: Trading NR7 setup**

I have a query... ITC gave NR7 day yesterday. and day before yesterday too...(Yesterday High was 227.5 and Low was 225).

Ideally we have to go short below low ...

today it opened at 226.90 then sharp fall within 15 seconds.. to around 221... so short should be initiated...but it started recovering... and went till 228.95.. (so if someone has taken short....he is in loss)...

is it normal? or just cos of volatility

**Re: Trading NR7 setup**

Vicky this phenomena is quite normal in breakout trading. Infact, Failed Breakout are more common then not.

If you look at ITC chart, it has support zone in 219/220 area. (just refer to 5 day intraday chart in Yahoo) Today it just opened /dropped near there. Basic trading logic is Buy near Support and Sell near Resistance. Thats what professionals do..

Whereas novice traders do exactly opposite of that..

Though ITC broke NR7 low and yes the setup has given signal to go short.. But Our entry rules or our trading judgement should guide us. We need to use common sense and decide that ,, thought some set of rules have given me signal.. but shall I risk my money and do what Novice trader do ? Does Reward/ Risk ratio in my favour or not.

For this short entry, if u had sold at 223 then stop would have been at 227. Support zone is 219/220 . that means risking 4 rs to make 4 rs. I wouldn't take this risk if reward is not worth the risk.

But if the same short, u could have got at 224/225 level, your reward /risk ratio would have been attractive.

I would look to short it only after it has crossed the 219/220 zone.

Whether trader ends up in loss or not depends on his trading rule..

If a daytrader has gone short on ITC in the morning, then his stop would not be at 227 but just 1 rs or so. And on reversal, he might have been stopped out.. but that was a signal to go long..so he might be

long at the same time.. By end of the day, he is still in net profit. Failed breakouts are more successful if you trade against the direction break i.e. direction that failed (in todays case, trade long)

If some one is taking swing position, then probably he might be net long now expecting further move up tomorrow. Plz refer to my earlier post about how to trade breakouts and reverse your position at stoploss level.

These are some of the factors that u need to put as Entry rule (or Non-Entry rules) before trading a setup. There is difference Between SETUP and ENTRY.

SETUP = there are dark clouds and heavy wind outside

ENTRY = shall i take my umbrella or raincoat or nothing. That is the decision u take.

Before taking this decision, we consider more factors like - If I am going to next buliding which is not even 30 seconds away, we skip taking umbrella. But if we are going to walk for few minutes then we are better off taking raincoat cause umbrella is not enough for windy condition etc..

NR7 is just a setup. Please put in your approach to make trading decision based on this setup.

Hope my example above has given u you some ideas to think about..

Happy Trading

**Re: Trading NR7 setup**

Vicky, to trade stock for 1 month period, u need to be looing at weekly chart and daily.. and try to be no the right side of daily trend.

That rules of chart reading / market behaviour do not change much with the timeframe.

Bigger timeframe, bigger stoploss, bigger profit, less number of trades.

Smaller timeframe, smaller SL and smaller profit, more trades.

I am not sure, how comfortable you are in that.. but if u just define few rules for yourself to read direction of trend, sign of trend reversal, and strength of trend.. that is more then

enough. Market generates too much noise and we need to learn to cut that noise and interpret it. One or 2 bars of move does not change the direction.

We need more info to make the decision.

Whenever u take a position, ask yourself following question

- 1) What is the current trend of stock in my trading timeframe (say for swing trading, u decide to look at daily chart and get this trend from daily chart)
- 2) At what price level, my view about current trend will change.
- 3) What is the possible target points on my chart.
- 4) What is your Entry, stoploss, and exit levels, and hence Is Reward to risk ratio justify taking the risk.

And just trade in the direction of the trend.

Don't get emotional with the position. We use ITC products, ITC has great mgmt, that all is fine to join ITC as employee. In my view, they are irrelevant if one wants to make money trading ITC stock. When market goes down, ITC will also fall.. and if you timeframe is 1 month, then u may be holding a loser trade in hand. With each day's loss u will start falling more and more in love with this stock cause pain of cutting loss will be too much. Hence, I always suggest to know the point where your view change about trend.

As per my reading of current ITC chart,, below 219 level, there are many pattern that will give sell signals. The price is well below the downward sloping trend line... the upmove (as per my reading) when it fell below 230, about 5 days back. Thats when it made Lower High which is Confirmation for trend reversal after break of trend line, and making lower low.

Next possible support for this is around 190 level. On the upside, the resistance zone is between 240 and 250.

Stock selection is for swing trading can be very complicated or simple. As a simple rule, I will suggest

- Pick your subset of stocks from 2 or 3 sector. All over the media we know about the hot sectors.
- Select Nifty companies for those sector
- Selection CNX Midcap companies for those sectors.. This might give u about 20/25 companies which is more then enough I guess.
- If you have time, then analyse them for 4 qustion given above and select the stock with good reward risk ratio.

Returns in Trading are not generated by stock pick but by how we manage the risk and take profits. Money is made/lost by our Exits... not by entries. So do focus on those factors. Most of us ignore them.

Hope this helps  
Happy Trading.

AW10

21st August 2009 07:45 PM

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## Re: Trading NR7 setup

Quote:

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Originally Posted by **vicky2005** (Post 352230)

*Quoting a post written by a technical analyst of CNBC TV 18. Just for information as it is related to Narrow Range*

*"Thursday, August 20, 2009*

*Narrow Range ready for big move*

*For the past three days, the Nifty has compressed its action between a range - 4500 to 4380. This is good news, because such a narrow range is not likely to be sustained. Therefore, a breakout / breakdown is imminent. What will be the direction? Why not let the market tell us this.*

*wildeazoscar writes in comments - "And what is the big move target if 4730 is broken on upside? At least an amount equivalent of the trading range? That should guarantee 5660 at least!!"*

*Here is a valid point, and the I have thought about it, without reaching a conclusion. The Nifty is in a large trading zone between 3930 - 4730 approximately. A breakout should see an 800 point move (width of the trading range) which gives 5530. On the downside we have a target of 3130. For most of us, 3130 is easier to accept since we did see these levels just six months ago, but 5530?*

*Well, among numerous possibilities - (1) The upside target is reached in many months, with lot of volatility, (2) The target is not touched at all, (3) The Nifty creates the mother of all bubbles, taking itself to 7200 (target for the inverted head and shoulder which gets confirmed around 4760). For 3930 to breakdown, we will enter a bear market. Why not? If the two reliance siblings keep on fighting, the Govt could one day announce gas a national resource (put the gas under govt control) and that will bring the market down to 3100.*

*So, take one step at a time. Currently, we are looking at a narrow range. That breakout / breakdown will give a trending move. "*

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Thanks for sharing that piece of info from CNBC. While getting this type of info as input what we forget to analyse are - , what is the timeframe ? What may happen from now till that timeframe ? Does that suit my requirement ? Am I comfortable with -ive as well as +ive ? What if it doesn't happen ? TIME is very important dimension which is ignored in such articles.

It took me lot of time to discount such info overload from media..and make up my mind based on what I see. Now I TRADE WHAT I SEE, rather than WHAT I THINK.

I also think, we will be heading up to 7000/ 10000 level.. But those days are far... Market eventually reflects the economy and untill economy doesn't zoom, market will not.

And looking many factors around I think, economy is getting better but certainly not at a stage where it can zoom. Our economy flourished by supplying what we have to western market who were ready to pay us. If nobody is ready to pay us, then how will we earn more. By adopting the cycle of shifting money from left pocket to right pocket i.e. govt collecting from tax payers and distributing to industries and later again collecting from taxpayers, how are we going to get rich. I find it difficult to digest at this stage. Reality today is employees in western world are still loosing jobs, they are increasing their saving (not spending), companies are still talking about cost mgmt (i.e cost cutting), not about growth and new

investment.

And until that happens, market will continue to follow its own cycle/ logic and go thru all phases. Market gives us opportunities every day so rather than getting disturb with such views, I will trade the present. The present chart which is giving more reliable me picture of tomorrow or next few weeks.

Happy Trading

AW10

27th August 2009 09:06 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **Satyen** (Post 353727)

*Dear AW10 want to ask little bit off topic .....*

*When we have a break out and move rapidly without giving any pivot to trail stop ( Prefer to trade on 60 min pivots ..) then a V shaped recovery and hit stop ..... is it ok to bring SL to break even after such move .....*

*But ..... after how much move ?? and if it kiss our SL and then reverse back then what to do .....*??

*Till now only using Pivot ..... want to get some ideas from you here posting two charts with two scenarios .....*

*Waiting your comment .....*

---

Satya, Sorry about delayed reply. But here are my thoughts.

Managing trades with trailing stops is always a tricky issue. If we move our stops too fast, then we risk being stopped out at wrong place.. and if we wait then we leave too much of paper profit no the table.

It all depends on our exit strategy. I totally agree with you on placing the stops at Pivot points. I believe the if we put stops at some random level then it just ensures that they are hit.

Over a period of time, in my observations - V type recovery are not too frequent.. and market's respect for pivot levels (with appropriate filter to hide our orders from smart players) is lot more frequent.

I can only suggest some ideas about protecting profit when it has come from abnormal move.

Don't know if you have read about Chandelier Exit Strategy or not.. Like chandelier hangs from the roof (say 2 feet's), similarly we can define our exits hanging few points below the latest roof i.e latest high of the market (for long trade). As market makes new high, our stops also moves up. But if market comes down, then it ensures that we don't loose more than certain amount of profit cause our stops don't move down but stays at same level below the latest high (i.e. equal to the height of chandelier). People use 3 ATR as this height, but one can also use x number of points depending on one's comfort level.

Another idea could be to split our position in two parts - swing part and scalp part (here our definition of scalp will not be 5 points move but a trade that captures only 1 leg of the trend). And use different exit strategy for each part. Swing part can continue to follow Pivot based trailing logic and chase multiple legs of the trend whereas scalp part can be managed by Chandelier exit / target based exits / 1 bar or 2 bar pattern based exits (engulfing, hammer, etc) or any other faster exit approach ..

Generally we should have fair idea about the trend size in our timeframe. So say, if we have observed that 70% of 60m trends at not more than 150 points in one leg and then they retrace, then we know when mkt gives us 200 points leg, then something abnormal is taking place and hence better to protect exceptional profit by being more aggressive and look for next entry setup.

(leg = distance from 1 Pivot high to next pivot low, Trend = 3 wave or 5 wave pattern i.e. having 3 legs or 5 legs)

I am sure, as a seasoned trader, you will not experiment it in market but backtest it first.

Hope this gives u some ideas to think about.

Managing exits have been (still they are) challenge for me as well. Would certainly like to get your thoughts on this. If you know of any good source of info/book etc then please share it.

Happy Trading.

AW10

2nd September 2009 04:36 AM

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**Re: Trading NR7 setup**



Quote:

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Originally Posted by **rohangawale** (Post 356157)

*NR99 means the range of nifty is narrowest compared to past 99 days.*

*like what we are calling NR7 is the narrowest range in past 7 days including that days range.*

*it shows the contraction of nifty.*

---

Thanks Rohan for the explaining NR99.

gurprB2J, don't wait for NR99 as they rarely appear. Even NR7 days (narrowest range of last 7 days come hardly 15% of the time). Number bigger than 7 after NR has no extra meaning in interpretation but just that we have seen higher degree of contraction and range expansion is just around the corner.

Don't interpret that if NR7 break, gives 150 points opportunity then NR99 will give atleast x time bigger opportunity. There is no base for such logic (atleast I have not seen any base so far)

Happy Trading

AW10

4th September 2009 07:53 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **hills\_5000** (Post 357595)

*I understand NR7..but what does inside bar mean ?*

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Inside bar where the current bar is completely within the range of previous bar.

i.e. Current bar high < Prev Bar's high and

Current bar low > Prev bar's low.

Indicates consolidation in a range that was setup by prev days bar.

I am sure u can extend this concept and define Outside Bar.

Happy Trading

rohangawale

16th September 2009 01:02 AM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **Mangafreakz** (Post 362029)

*Thanks Rohan. I still remember your 2000rs. wala thread , made me join TJ forum to post in there and helping me learn so many things from you guys before I start trading . What strategy you trading in these days or during that 2k per day ?*

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Now i think it was really a foolish question asked in 2000 wala thread.

it was just nonsense thing i mentioned in that.

i was not having any strategy, no base, no rules, no money management, nothing when i was trading that time.

i just used to trade anything which seems to be good on my screen.

in the 1st 15mins i used to buy/short any stock with volumes which was running and in that only some times i used to gain.

stks which were 3-4% up i used to short them, the stocks which were 3-4% down i used to buy them. in this also i used to gain some times and many times i ended in loss.

On all positive closed trades i used to think that, the profit is due to my knowledge, skill i developed in trading and started thinking that i know much more things in stock market.

On all negative trades i used to tell myself that i have done the trade very well but suddenly market changed its direction and in panic i cut the position. if i would have waited for much more time in trade then i would have got my price and would have ended in profit.

sometimes i used to trade in futures. and gain of 2-3 rs on a lot means nearly gain of 800-1000 rs where lot size is 300. but i never recognised that 2-3 rs loss means my ac will go down by 1000rs.

i never used to control my trades. may be winning or loosing trades. i used to put trade after trade. for me it was like compulsion k im a trader means



i have to do trades in any mkt condition.  
in that mindset only i have posted that thread expecting that i will get some way ahead to go abt,  
in my mind i always used to think k tomo i will not do what i have done today, but no maintaining of trading journal, no mentioning my daily trades,  
so next day again i used to do same things.  
bla bla bla.....

IT WAS REALLY NEVER ENDING OF MY FOOLISHNESS DONE IN TRADING.

when i realised all this i never posted anything in that thread, as i know that i dont have any base to ask the thing which i posted.  
it was just like SATTA. and i dont want to become a gambler. i want to be a TRADER.

but now its really a different thing.

now i have everything and maintaining all the things which i was not doing right from money management, psychology, stoploss, rules, trading journal, strategy, limited trades, limited stocks, everything which is possible for me.

lets c what happens ahead.

bandlab2

28th September 2009 09:52 PM

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### Re: Trading NR7 setup

DLF 15 min chart

I adopted this to intraday. some rules

1. must be NR7
2. must be inside bar
3. candle must be above SMA20 for taking long. must be below SMA20 for shorts
4. SMA20 must be sloping up for long, must be sloping down for short
5. align with NSE. direction is same as NSE . for bank stocks, align bank nifty, midcaps, IT, realesate.... their own index
6. must have daily turnover of 200 crores,

Long

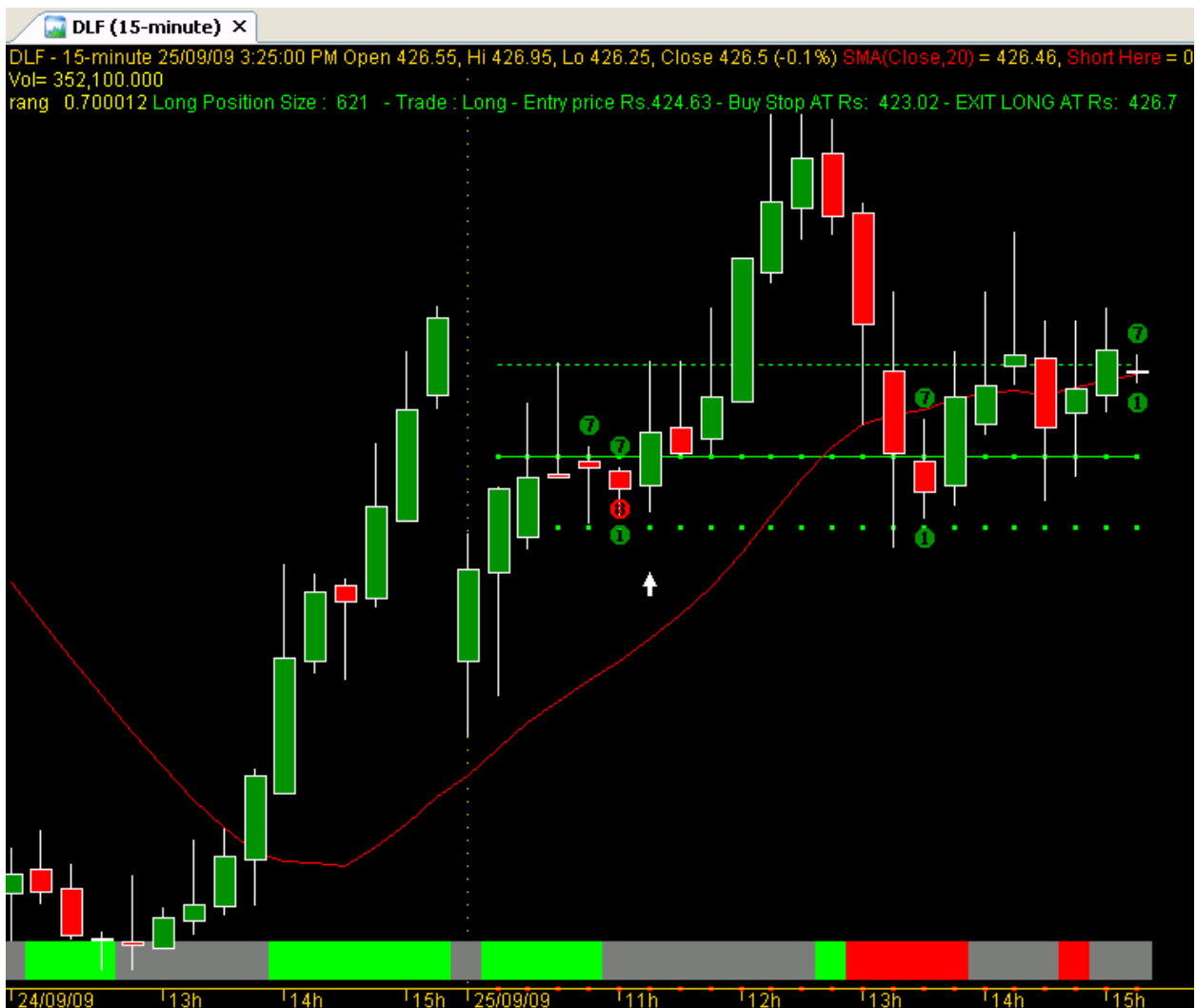
Entry : NR7 bar hi + filter. my filter is 20% of NR7 range

Take Profit : NR7 hi + 2\*range

SL : NR7 bar low - filter

same rules for shorts in opposite direction

on some occassions i take NR8 (even if its not inside nar) with above rules for high beta stocks like icici, dlf, jpass, axis, unitech, tatasteel, ifci ...



AW10

28th September 2009 10:20 PM

**Re: Trading NR7 setup**

Welcome back Bandlab2, Haven't seen yr posts here from long time.  
 Hope yr trading is going well.

Your setup rules looks fine to me. except  
 Quote:

---

2. must be inside bar

---

NR7 is for catching the consolidation/contraction. If it happens within prev bar, giving us Inside bar, it is fine.. but that doesn't mean that consolidation beyond prev bar range is not valid.

So I would remove this condition.. or reduce its importance from MUST to more flexible.

What about exit rules.. How about putting the target of breakout equal to the width of consolidation range. Atleast u can get 1/2 position out there and trail remaining position using Pivots .. or set a second target as next PH/PL depending on the direction of break.

Happy Trading.  
 Do u have any feedback about results..

bandlab2

30th September 2009 01:44 PM

## Re: Trading NR7 setup

Quote:

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Originally Posted by **AW10** (Post 366919)

*Welcome back Bandlab2, Haven't seen yr posts here from long time.*

*Hope yr trading is going well.*

---

Hi AW10,

I was busy with other activities, so couldnt post much, but silently reading this thread

In 15 min, the contraction/expansion doesnt work the same way as in EOD. because of smaller TF, i added one more filter - inside bar. This is what i want. i need 5-7 trades a day, thats all. no more no less. and these 5-7 must have good hit rate. since our RRR is 1:2, then even 2 hit target we are above BE. Also i run this against my favorite 50 stocks which consists of all the regular culprits like icici, dlf, ril, sbi, unitech, jpass, axis, relcap etc

I did this with 3 flavors. NR7, NR8, NR7i where NR7 is current bar is lowest in last 7. NR8 is current bar is lowest in last 8 AND prev bar is NR7. NR7i also called as IDNR7 is current bar is inside bar and prev bar is NR7

out of these 3, NR7i gave better results. and main thing fewer signals with good hit rate

since we have so many filters, chances are better

just my way of using NR7 concept

AW10

30th September 2009 10:19 PM

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## Re: Trading NR7 setup

Scorpio, seems pretty strong breakout with huge volume. If stock does not revert back to the NR range in next 1 or 2 days but show some more green wide bars, then this is valid breakout.

Else it could be a false break as well. We will know only where further price action develops.

Regarding Targets - you will have to depend on any other method for that. Based on Pivot High.Low, the target is already hit. It has already hit prev high today giving possible double top..

If you use consolidation zone as center point of other trend.. then from the trend low of 800 to low of consolidation zone ( approx 75 to points) can be added to the top of consolidation zone as potential target. In this case it shd be approx  $950 + 75 = 1025$  or so. You could also use the width of NR range as minimum target.

Psychological number of 1000 on its own is quite strong price level, so that could also be a target.

In short, it all depends on your strategy. We all will intepret same chart differently.

As far as I read this chart, the breakout looks strong. It would have been dream for daytrader today. But on longer TF, it has gone into strong resistance zone, Most of the targets that can be projected using few methods as I mentioned above are also hit. Daily Stochastics is also nearing the OB zone. And in general the lack of conviction for upmove that is building up in most of global indices, will keep me away from taking long positional entry. It market reverses here then Axis will also come down with it.. giving us false breakout..

If market remains sideways then we might see it AXIS going up on intraday to 1 or 2days timeframe. but for any trend beyond that, we have to look at bigger picture.

Best strategy will be to trail your stop and ride the move.

Happy Trading.

AW10

3rd October 2009 03:09 PM

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## Re: Trading NR7 setup

Congrats for catching the breakout.

Can u post your stopless level (not mental but a level that u would have exited) ? When u bought it at 826, where did you put the stop ?

If you had not thought about stops, then my suggestion will be to take care of this in futures. Breakout trading has low rate of success and if it not traded correctly, then next breakout trade might take back this profit from you.

So you need to focus on loss side as well and have a strategy where you limit the amount that u give back to market.

Happy Breakout trading.

Shreenath

10th October 2009 11:40 PM

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**Re: Trading NR7 setup**

Hello everyone

I read this post and thought I could post a thought or two here. I believe studies has already been done by a few traders regarding the subject of comparing say today's range with the past 10, 20 days or any historical range.

A few trader's divide today's range with a historical range(say 20 days) and call it historical volatility ratio. In addition to Nr7 or an ID/Nr4, using historical volatility ratio calculations could serve as a good tool to trade breakouts. In other words, you don't have ot get an NR7 or an ID/Nr4 or even a NR4 sometimes but when the volatility drops, say to a ratio of below 0.5, markets tend to undergo range expansion. I know of at least two big traders who use this to filter futures/stocks on the daily charts(while doing end of the day analysis) and then switch to breakout mode the following day just like they filter NR7 and ID/Nr4. Although I don't exclusively trade breakouts intraday and/or end of the day, I do use the above as filters to switch to breakout mode when needed. Why? It's easier to get into a sleepy mode trying to grind little profits day-in day-out only to get our heads chopped the day we get range expansion.

You can find more information about this in LBR's 'Streetsmarts' and a couple of Larry Connor's articles.

Hope this helps.

Regards

Shreenath

rkkarnani

11th October 2009 12:57 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **Satyen** (Post 370006)

*Dear Aw10 no i have not done much work on it wanted to bring this concept to 60 min flow as RK knows 60 min flow very well he can share some of his thoughts .....*

---

Satya, I suggest to try 30 minutes chart instead of 60 minutes. Trade it intraday. No other reason for 30 minutes except 'our market timing.

Whenever we try to look back the range in past 7 bars of 60 minutes each, we are sure to get a 5 minute and a 30 minute bar(9.55 to 10) and (3.00 to 3.30) The first 5 minute bar can be avoided by changing the startung time but cganging the closing time to omit the last 30 minutes bar shall leave out large chunk of price movement data .

I just eye balled the Nifty Futures 30 minutes chart from April 2008 and it seem to be reasonably good to trade. We need to have some trading rules : Just suggesting w/o looking back :

01. Use a 5 point filter rounded to nearest rupee +0.20 paise ,
02. Move SL to cost once the trade moves in our direction by X points.
03. Track also Range Expansion 7, i.e look out for a bar having highest range in last 7 bars, and if we are in trade, the Hi or Lo of this expansion bar can be used as Trailing SL
04. Book partial profits at certain levels.
05. Exit position at close.
06. Not sure what to do if we gat a NR7 on 3.30 bar?? Do we trade it the next day.?????

Shall try to post a chart soon!! Not very proficient in upload etc, and may take time.

Looking forward to inputs from all, not Satya alone to whom this mail is addressed.

All the best.

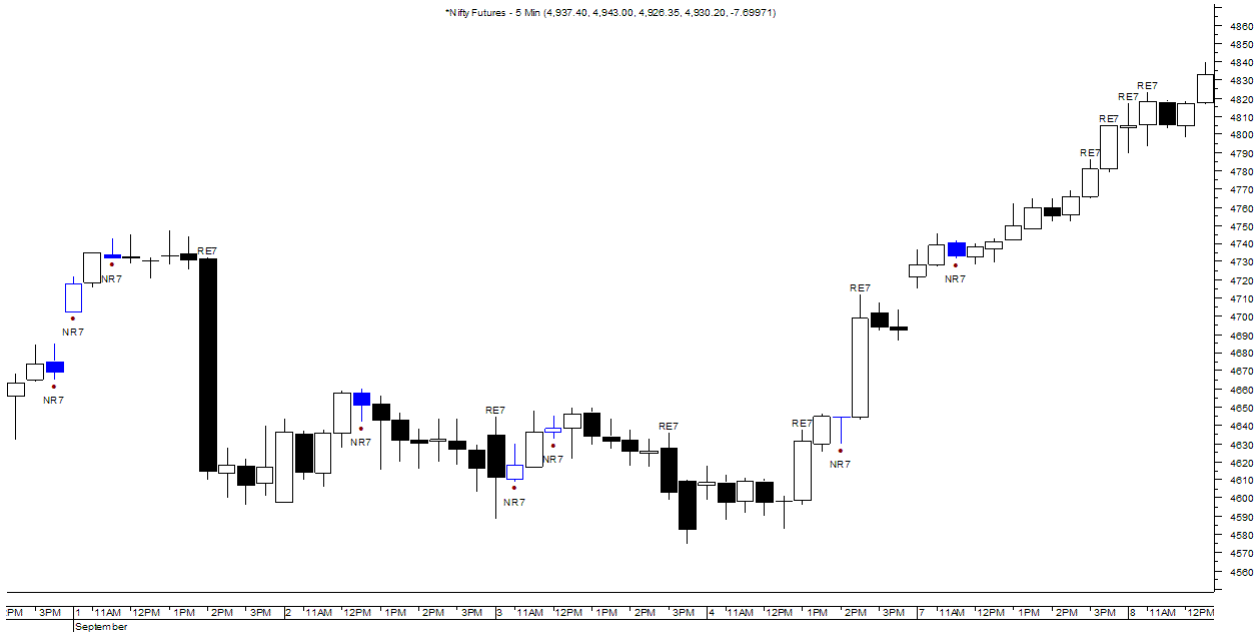
-R K Karnani

rkkarnani

11th October 2009 01:07 PM

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**Re: Trading NR7 setup**



<http://img207.imageshack.us/img207/1...f30minutes.gif>

The NR7 below the Price candle denotes a NR7 bar. RE7 above the bar denotes High range in last 7 bars.

We go long above the high of 1st bar on Sep 2009 : 4721.70+5=Long > 2727.20 Opp. we get is upto 4745. We either booked some profit or simply moved our SL to cost or simply reversed to short below the low of a new NR7 bar at 11.30 with low at 4732. Our reversal is almost at cost. We get opportunity till 4596 and exit either at predecided level or at close ~3.25

On 2nd Sep we short below 12.30 bar 4642 less filter and get an opportunity till 4603.

On 3rd : Long above 11 AM bar 4630 , opp. upto 4649, reversed to short below 12 noon bar 4632 and get opp. upto 4575

On 4th Long above 2 PM high 4645and Opp 4712. (We should take last signal generated upto 2 PM only so that the trade gets some time to move)

On 5th we go long above 11.30 AM high and get the entire run till close.

asnavale

11th October 2009 01:42 PM

---

### Re: Trading NR7 setup

Quote:

---

Originally Posted by **AW10** (Post 371078)

*Anant, the output looks fine to me.*

*As you are showing 2 NR4 days by count of 2 in NR4 column..it is fine..*

*By definition, these days call called as NR5 day.. I guess to keep it simple and without getting into too much of complexity, you output is fine.*

*So as long as NR4, or NR7 column has got any value, we got to pay attention to the scrip. If ID column also has value, then it is much better.*

*Thanks a lot for nice and perfect work. Highly appreciate it.*

*Happy Trading*

---

Hi AW10,

Thanks for your appreciation. In addition to the number denoting the multiplicity of NR bar, the colors also will help in identifying the type of NR bar, like whether it is ID or NR4 or NR7 or IDNR etc.

Now I am posting the AFL here. This can plot as an indicator and can be used for Exploration/Scanning. Copy the code below (All the portion in Blue Color) and paste into Notepad or AMIBROKER AFL Editor. Save in Formulas/Custom Directory by giving a suitable name. I saved it as NR7.afl

Please inform if there are any errors or problems encountered.

```
/******  
/
```

```
_SECTION_BEGIN("NR7");
```

```
/****** NR7 System for Chart and Exploration *****/
```

```
R = H - L;  
NR7 = False;  
NR4 = False;  
m7 = m4 = idm7 = idm4 = idm = 0;
```

```
for(i = 7; i < BarCount; i++)  
{  
if( R[i] < R[i - 1] AND R[i] < R[i - 2] AND R[i] < R[i - 3] AND R[i] < R[i - 4] AND R[i] < R[i - 5] AND R[i] < R[i - 6])  
{  
NR7[i] = True;  
m7[i] = 1;  
}  
}
```

```
for(i = 4; i < BarCount; i++)  
{  
if((R[i] < R[i - 1] AND R[i] < R[i - 2] AND R[i] < R[i - 3]) AND NOT NR7[i])  
{  
NR4[i] = True;  
m4[i] = 1;  
}  
}
```

```
IDNR7 = Inside() * NR7;  
IDNR4 = Inside() * NR4;  
ID = Inside();  
idm7 = IIf(IDNR7, 1, 0);  
idm4 = IIf(IDNR4, 1, 0);  
idm = IIf(id, 1, 0);
```

```
for(i = 1; i < BarCount; i++)  
{  
if(IDNR7[i] == IDNR7[i - 1]) idm7[i] = idm7[i] + idm7[i - 1];  
if(IDNR4[i] == IDNR4[i - 1]) idm4[i] = idm4[i] + idm4[i - 1];  
if(NR7[i] == NR7[i - 1]) m7[i] = m7[i] + m7[i - 1];  
if(NR4[i] == NR4[i - 1]) m4[i] = m4[i] + m4[i - 1];  
if(ID[i] == ID[i - 1]) idm[i] = idm[i] + idm[i - 1];  
}
```

```
MarkerIDNR7 = MarkerIDNR4 = shapeStar ;
```

```
Marker7 = shapeDigit7;  
NR7Color = colorBrightGreen;
```

```
Marker4 = shapeDigit4;  
NR4Color = colorLightOrange;
```

```
MarkerID = shapeHollowCircle;  
IDColor = colorYellow;
```

```
IDNR7Color = colorBrightGreen;  
IDNR4Color = colorLightOrange;
```

```
MarkerDist = L * 0.995;
```

IDNRDist = H \* 1.03;

```
if(Status("action") == actionIndicator)
{
_N(Title = StrFormat("{NAME}}, {DATE}} ({{INTERVAL}}): {{VALUES}}") + ", Range=" + Prec(R + 0.00001, 2) + ","
+ WriteIf(IDNR7, EncodeColor(colorBrightGreen) + WriteIf(idm7 > 1, StrLeft(NumToStr(idm7), 4), "") + " IDNR7 ", "")
+ WriteIf(IDNR4, EncodeColor(colorLightOrange) + WriteIf(idm4 > 1, StrLeft(NumToStr(idm4), 4), "") + " IDNR4 ", "")
+ WriteIf(NR7 AND NOT ID, EncodeColor(colorBrightGreen) + WriteIf(m7 > 1, StrLeft(NumToStr(m7), 4), "") + " NR7 ", "")
+ WriteIf(NR4 AND NOT ID, EncodeColor(colorLightOrange) + WriteIf(m4 > 1, StrLeft(NumToStr(m4), 4), "") + " NR4 ", "")
+ WriteIf(ID AND NOT NR7 AND NOT NR4, EncodeColor(colorTurquoise) + WriteIf(idm > 1, StrLeft(NumToStr(idm), 4), "") + " Inside Day ",
""));

```

```
PlotOHLC(O, H, L, C, "Close", colorLightGrey, styleBar);
PlotShapes(IIf(IDNR7, MarkerIDNR7, shapeNone), IDNR7Color, 0, IDNRDist);
PlotShapes(IIf(IDNR4 AND NOT IDNR7, MarkerIDNR4, shapeNone), IDNR4Color, 0, IDNRDist);
PlotShapes(IIf(NR7 AND NOT ID, Marker7, shapeNone), NR7Color, 0, MarkerDist);
PlotShapes(IIf(NR4 AND NOT NR7 AND NOT ID, Marker4, shapeNone), NR4Color, 0, MarkerDist);
PlotShapes(IIf(ID AND NOT NR7 AND NOT NR4, MarkerID, shapeNone), IDCColor, 0, IDNRDist);
}

```

```
if(Status("action") == actionExplore)
{
Filter = (m7 > 0) OR (m4 > 0) OR (idm > 0);

```

```
SetOption("NoDefaultColumns", True);

```

```
AddColumn(DateTime(), "DATE", formatDateTime, colorDefault, colorDefault, 96);
AddTextColumn(Name(), "SYMBOL", 77, colorDefault, colorDefault, 120);
AddColumn(R, "Range", 6.2, colorDefault, colorDefault, 84);
AddColumn(IIf(idm, 48 + idm, 32), "INSIDE", formatChar, colorYellow, IIf(idm, colorLightBlue, colorDefault));
AddColumn(IIf(m4, 48 + m4, 32), "NR4", formatChar, colorYellow, IIf(m4, colorBlue, colorDefault));
AddColumn(IIf(m7, 48 + m7, 32), "NR7", formatChar, colorYellow, IIf(m7, colorGreen, colorDefault));
}

```

```
/****** END OF AFL CODE *****/

```

```
_SECTION_END();

```

```
/******

```

-Anant

AW10

12th October 2009 01:14 AM

---

**Re: Trading NR7 setup**

Quote:

---

Originally Posted by **rkkarnani** (Post 371127)

*We need to have some trading rules : Just suggesting w/o looking back :*

01. Use a 5 point filter rounded to nearest rupee +0.20 paise ,
02. Move SL to cost once the trade moves in our direction by X points.
03. Track also Range Expansion 7, i.e look out for a bar having highest range in last 7 bars, and if we are in trade, the Hi or Lo of this expansion bar can be used as Trailing SL
04. Book partial profits at certain levels.
05. Exit position at close.
06. Not sure what to do if we gat a NR7 on 3.30 bar?? Do we trade it the next day?????

*Shall try to post a chart soon!! Not very proficient in upload etc, and may take time.*

*Looking forward to inputs from all, not Satya alone to whom this mail is addressed.*

---

RKK, don't know how I missed your post earlier. but thanks for posting the 30min chart and putting in some rules for intraday trading.

Just sharing my views here

- I agree with your proposal of 30min TF cause it reflects the complete trading time of the market with complete bars of equal duration.
  - To start with, using 5 points filter is fine. I would have preferred to attach it to say 10% or 20% of current ATR of 30m bar. So that it is adjusted for current volatility and price level of market.
  - I was looking at chart and found that probably, it would be better to wait for 1 bar, after getting NR7 bar.. and then place stop limit entry order for trade. Most of the cases, whipsaws on 30m chart is not lasting for more than 1 bar.
  - After enter ordre, stoploss can be stop and reverse order.
  - IMO, the profitability of the system will go to different level, if the position is taken overnight (swing position). Cause when we have NR day developing, we might see NRx on 30m bar as well. That range will be broken, but whole market is not showing any movement, so even if we are right, the potential opportunity will still be small.
- Infact, in my view, on such low action days, market is at the mercy of operators and they are master in taking out hidden stops. so our entry on 30m TF will have more whipsaws.

But next day, when expansion takes place, we will be standing on sideline.

Position sizing can help here.. where we reduce position to 1/4th or 1/10th and take it to next day.

Another approach could be to use options to hedge overnight risk and remove the hedge when trading starts next day.

- Whatever I have mentioend are only my feeling, and logic. Until it is not backtested, we can't use these points to trade.
- Better to backtest the system over longer period (say from Oct 08 till now is reasonable period). If we are looking at manual backtesting then maybe we can find the period when market was in uptrend, sideway, downtrend and test for those specific days/periods..

- I also suggest Satya, some time back, to keep track of daily TF and see if NR7 is developing there. This will certainly give NRx bars on smaller TF and their break as well. So use that as entry, with much smaller stops and carry it over to next days, when daily TF also gets into expansion.

Hope this gives some more ideas about developing a system around it.

Open for further discussion on it.

Happy Trading

rkarnani

12th October 2009 07:21 AM

---

**Re: Trading NR7 setup**

Quote:

---

Originally Posted by **AW10** (Post 371319)

*RKK, don't know how I missed your post earlier. but thanks for posting the 30min chart and putting in some rules for intraday trading.*

*Happy Trading*

---

Thanks for a detailed post AW!! Frankly,my post was more of a Knee jerk reacton after eyeballing the charts. All rules were mentioned more on spur thanany other criteria!! Your suggestion about ATR is worth considering but am not aware how do we calculate the average ATR of the current 30 min bar.

Your suggestion about waiting for a bar after NR7 in 30 min TF merits lot of attention. Can you briefly mention a bit more on it. We get a 30 min NR7 , the next bar triggers a BUY, we are waiting, now how do we enter. Do we enter LONG if the close of the next bar is above the High of NR7 bar or wait if the close is within the range of the NR7 bar. In the period April till now , my eyeballing of NF does suggest not to wait, but take the 'plunge' and then eyeballing the Bank NF charts I feel DO NOT TRADE IT per NR7!!! In Bank NF the rule to wait for a bar seems really helpful. In NF, at times the next bar itself moves BIG in our direction and in intraday perspective we may seem to have missed the bus!! Yes may be it is prudent for waiting if we plan to carry the trade overnight.

AW, do post a bit more on how to take guidance from NR7 in 30 minutes for taking overnigt positions.

Am not very sure of how to decide when to carry a position overnight on the basis of a NR7 ina 30 min.chart?? Maybe we need to corelate it with EOD chart. Though have not checked but feel that in case we see a NR7 developing in an EOD chart and we have a triggered NR7 in 30 min chart,we would rather exit our position and enter as per EOD chart only.

The rules posted by me are as told have not been seriously looked into. They are more like starting points more for Historical analysis rather than trading. More for further discussion rather than anything else. Request others to chip in with there views too as done by you.

My views on Positional trade may be biased as I have been persoanally not taking home any positions as I am not comfy with them.

Thanks again for your input!!

Regards

-R K Karnani

AW10

12th October 2009 02:29 PM



---

**Re: Trading NR7 setup**

Quote:

---

Originally Posted by **rkkarnani** (Post 371340)

*Thinking aloud : When we get a NR7 bar on EOD, do we trade it in 30 minutes only in the direction of the breakout as per EOD levels!???*

---

Certainly this should be approach.. cause you will be riding the bigger wave (daily TF wave) with such entries..  
Otherwise, u are trading anti-trend and carry all the risk of contrarian entries..

I am assuming at after Daily NR7 yesterday, today market is below yesterday's range, and we find 30m also showing another 30m and down break of 30m NRx range.

It could be otherway as well, today mkt is still in yesterdays' range (i.e. the yesterday's consolidation is extended to today as well) and then we see breakout on 30m chart. At this stage, we don't know the direction of daily NR7 break so we can go ahead with either direction.

In first case, we might see a reversal after down break, in that case it is possible that we might miss first upside breakout of 30m TF. Taking such trade should depend on our trading approach of skipping counter trend entries or taking them even if there is limited profit potential. It is possible that such upside breakout will bring price to daily NR range and start showing the weakness as longer TF player jumps in when price reaches daily NR zone.

Hope this helps..

Will share more ideas and help in developing intraday system around it.

Happy Trading

asnavale

12th October 2009 04:37 PM

---

**Re: Trading NR7 setup**

Quote:

---

Originally Posted by **mfadhd** (Post 371311)

*Dear Asnavale,*

*I m not gettin the file u attached i.e exploration how can i get the scan done with the result as u have attached in ur previous page 71 i m not getin the result sheet pls help me how can i get it hope to hear soon*

*regards*

---

Hi,

Run the AFL in Analysis Window and select 'Explore' Not 'Scan'

-Anant

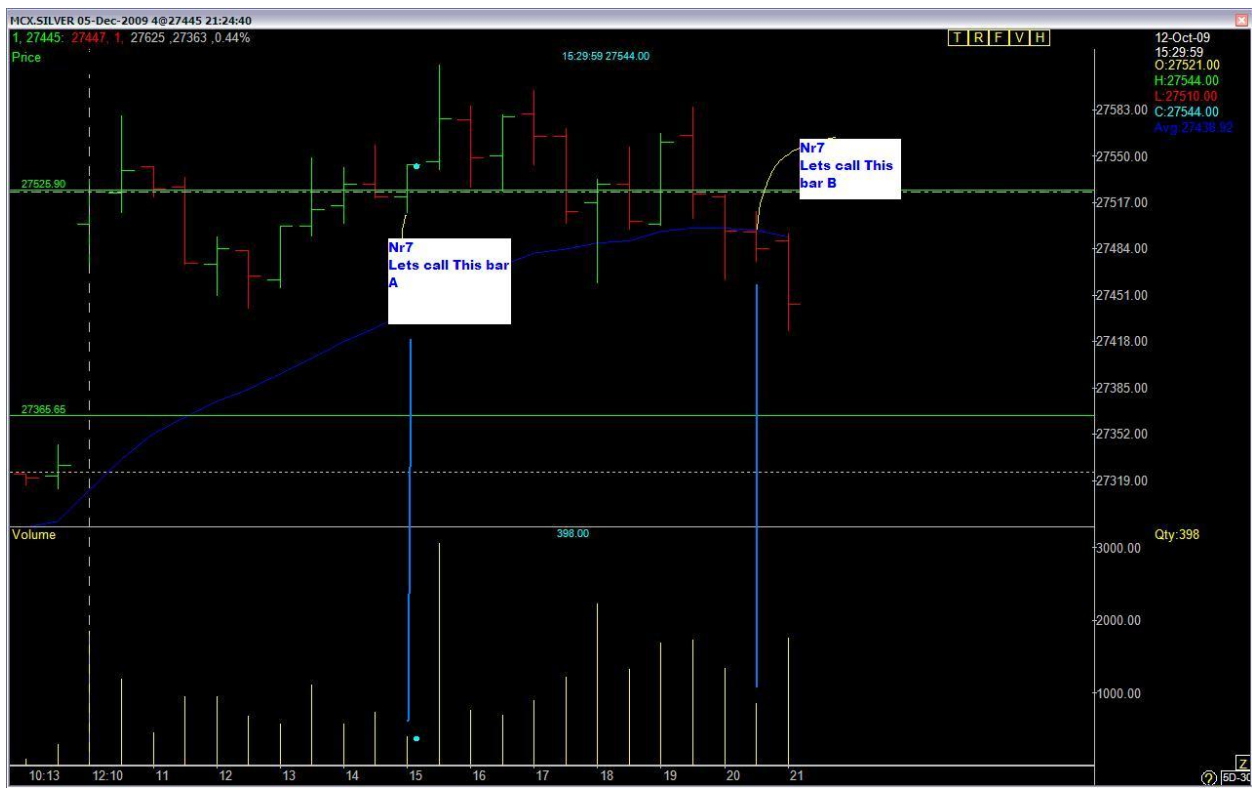
rkkarnani

12th October 2009 11:26 PM

---

**Re: Trading NR7 setup**

Image Posted by Inangia :



<http://img522.imageshack.us/img522/5531/21355691.jpg>

Hi. I tried using the NR setup today in conjunction with VSA/Wyckoff methods and MP. This is how the story played out.

The first Nr7 i.e Bar A had a weak background (sorry for using vsa terms please bare with me) and then we got a No Demand Bar in the form of Nr7. However MP graph showed that an extension was inevitable so the short position was not initiated.

The next Nr7 i.e at Bar b occurred with some strength in the background but the trend was down so once again the trade was not taken.

My question here is how would you guys take a position here solely based on NR7 ??

AW10

13th October 2009 12:29 AM

**Re: Trading NR7 setup**

Thanks Karnani for posting the chart.  
 Inangia - my interpretation will be  
 Quote:

---

The first Nr7 i.e Bar A had a weak background (sorry for using vsa terms please bare with me) and then we got a No Demand Bar in the form of Nr7. However MP graph showed that an extension was inevitable so the short position was not initiated.

---

In laymans term (as non-VSA trader), I would read that weak background shown by tiny , narrow, sideways bars. So when NR7 bar came at point A, it was just showing extreme of contraction and next bar showed as the expansion. Due to prev weakness, this expansion did not last and gradually price came back to the range again.

Quote:

---

The next Nr7 i.e at Bar b occurred with some strength in the background but the trend was down so once again the trade was not taken.

---

at point B, we had seen bearish strength developing from prev red, large, high volume bars.. (added to that was **failed upside break** of last NR7 bar), and next bar gave us expansion. I don't what happened after that ..but most likely trend we would have seen next bar also with lower low.

Quote:

---

My question here is how would you guys take a position here solely based on NR7 ? ?

---

I have give sample trading rules in one of the initial post of this thread. Rules are simple, enter long or short with limit order above/below the NR7 bar..(one can also use filter of few points). Stop is at the other end of NR7 range.

As you have clearly indentified the background, this should help in defining the exits. When background is weak, better to grab the profit or atleast come to breakeven and forget about trailing. when background is strong, maybe scale-in and manage trade with trailing stops.

I have not given a real trading system with precise entry/exit rules and left that to individuals to tweak it to their personal taste and develop their own system around this setup.

Hope this helps. Thanks for brining in the concept of **background**.. here.

Happy Trading

---

### Re: Trading NR7 setup

Thanks for putting up the chart rkkarnani. Cheers mate

AW10 I was just thinking about merging all the concepts that i understand and nr7 would fit in perfectly since most of VSA/Wyckoff methods are centered around wide range bars and narrow range bars.

In the previous post i showed places where i was unable to find a trade however **the key point that i forgot to mention** was that Bar A was the last part of a weak background before the Top Tailed Bar. Bar b was irrelevant because the trend had reversed but the supply was drying up and nr7 pointed that out in advance , the next bar was a shakeout and demand started swamping supply but there was no evidence of accumulation.

So to conclude we had two nr7 bars which were runners up to the top and bottom of the day. I'm not interested in picking tops and bottoms i let them pick themselves however this is as close as it gets (atleast in this chart).So a simple shift in my attitude is actually giving nr7 bars more credibility as long as the Background and the Trend is assessed properly. I'll put up a chart at the end of my trading session tomorrow and perhaps all of us could run across a few ideas/views.

Cheers

AW10

21st October 2009 06:54 PM

---

### Re: Trading NR7 setup

Vijay - entry criteria depends on your trading timeframe. If you day trading then Tata Power is out of question tomorrow cause it has give breakout today.. and gave a wide range day.. with good profit potential. If may not give same wide range tomorrow so forget it to daytrade tomorrow.

for day trading, the range NR7 day ie 20/oct was = 1405 to 1427.

So as per the rules given in post 4, you intraday entry for long shd ahve been above 1427, and for short it shd have been below 1405. With stop at the other end of the range.

If you want to trade on swing timeframe using daily chart, and want to wait for confirmation of break.. then you got the confirmation when stock closed beyond the range of NR7 day and on the side of breakout. Exactly like what happened to Tata power today i.e. upper breakout is confirmed by close above yesterday's range.

So your entry for long will be tomorrow. above today's high... i.e. above 1469.

If stock does n't go above today's high then probably this breakout is not valid.

These are just 2 examples that I have illustrated on possible entry. Please define your own rule/ timeframe of trade/ exit rules etc before you trade it.

Hope this helps

Happy Trading

nandanbal

17th November 2009 08:54 AM

OTM is not ON THE MONEY.  
OTM is OUT OF THE MONEY.  
ATM is as u said AT THE MONEY.  
Hope this clarifies your doubt  
regards. nandan.

AW10

17th November 2009 04:32 PM

---

**Re: Trading NR7 setup**

Quote:

---

Originally Posted by **VJAY** (Post 383284)  
*Dear AW10 sir,*  
*Is it typo?...OTM or ATM?*

---

Vijay ,  
Strangle strategy has 2 legs consisting of  
Buy a Call + Buy a Put.

Now u can play around with strike price of each leg and make them ITM/OTM/ATM.

So when I buy 5100 CALL, and mkt is at 5050, it is OTM.  
Similarly when I buy 5000 PUT when mkt is at 5050, it is also OTM.  
hence the strangle created by 5100 C + 5000 P is OTM strangle.

In theory/books, most of the time, they talk about only ATM strangle.

OTM = market needs to move before the strike+option type (call/put) combination becomes valueable and start carrying some intrinsic value.  
Till the time that move does not happen, these option have only Time value.

So, for a change, this time I did not make typo .. but OTM strangle is correct.

Why I selected OTM strike in this case ?

- 1) Cause I am anticipating a breakout move after extended consolidation hence one of these strikes will certainly become ITM. And once I know the breakout direction, I can adjust the position after seeing the market action.
- 2) They cost less
- 3) As they are quite near to ATM, so even if mkt goes to 5150, my 5000 put would not change drastically cause it is still within reach of market range for remaining 10 days of this month..
- 4) And if I am lucky and the breakout happens to be false, then I might end up winning on both the legs. Say if it breaks to prev high 5180 level..and selling comes in there.. so i can book profit on 5100 call... and still hold 5000 put.. or maybe use this profit to buy more Puts and scale in my position.

Hope it clarifies your doubt and give u insight into how I am trading. (ofcourse, I do get it wrong many times but ).

Happy Trading

AW10

18th November 2009 11:34 PM

---

**Re: Trading NR7 setup**

Identifying false v/s successful break-outs.

Here are some of my observations that will help in identifying successful v/s false break-outs..

Successful break-outs

- Break-out of the range + followed by retest of the range i.e. retracement + prices reverses in the direction of the break-out without touching the range (or with minor touch)
- Volume picks during the break-out, drops during the retracement and again picks up as it comes near the range.. plus volume increases in next move in the direction of the break-out
- Wide range bar at the time of break-out, followed by further wide range bars.. + small, narrow bars during retracement + wide bars during next leg in the direction of break-out
- No NRx / Doji /small bars after break-out.. i.e. there is no indecision period
- Should see Higher Low / Cup and Handle pattern near the break-out level.. For upper break-out indicating that first level of shorts could push prices

down only marginally.

- In many cases, you would start seeing wide bars from this higher low itself before the break-out.

False break-outs

- break-out of the range/ level but price comes back to the range/ level.

- Range expansion / wide bars are not visible after the break (preferably with no tails in the direction of break-out)

- volume does not pick-up

- NRx / Doji /small bars after break-out showing indecision

- is not breaking into Support/resistance zone from higher timeframe else watch out for reaction

- Prev wave leading to break-out has already been in place for long time.. and might have lost the steam to break successfully.

Please feel free to suggest/share your observations as well.

Happy Trading.

AW10

18th November 2009 11:42 PM

---

**Re: Trading NR7 setup**

Quote:

---

Originally Posted by **rohangawale** (Post 384025)

*but can we interpret it like k, bulls are strong and they are trying to reach new high again and again. they were not really going with sink with bears. Bulls were having guts to buy at that level also and so they are trying to make new high at each time interval??*

---

you can interpret in that way if you look at from Bullish perspective. But lets not get biased here.. and be neutral to see who has won the battle today. All attempts of bulls have failed so Bear had upper hand today.

The break of 5 points also came in first wave of buying after mkt open..That leg is always filled with exuberance/ emotions so we need to keep that in mind while interpreting intraday price action.

During the whole day, Bear's were successful in defending zone which is above 5074. Tomorrow is new day and see which party is able to expand their zone / LOC.

Quote:

---

Can we draw some specific ruels regarding false breakout?

---

Already posted some of my observations. Lets enhance them with the feedback from others.

Happy Trading

Inangia

19th November 2009 12:14 AM

---

**Re: Trading NR7 setup**

Hi Aw10. In false breakout you mentioned

break-out of the range/ level but price comes back to the range/ level.

What i have observed is that all bars which move back into the range and get their top tailed are not bearish. This is just a case of supply swamping demand.

However all false breakouts close below the midpoint of the trading range on increasing volumes and spread indicating selling pressure. This close could be either the same bar or a couple of bars after that.

Just my 2 cents

Cheers

Happy Trading

AW10

19th November 2009 05:28 PM

---

**Re: Trading NR7 setup**

Quote:

---

Originally Posted by **Inangia** (Post 384051)

*Hi Aw10. In false breakout you mentioned*

*Happy Trading*

---

Inangia, thanks for your input on it. I agree with u. I will update my post after few days (hope I get some more feedback till then).

IMO, if demand is struggling to match the increased supply above breakout level (in case of bullish breakout) and we see upper tails, wide red bars, increasing volume in red bars after the breakout.. then these are signs of false breakout. Yes price can come back in trading zone. Rather than looking for 50% of range, 62% of range etc, I would prefer to look for the break of Pivot Low/ Swing low there. I trust the price turning points visible on chart more than any arithmetically calculated numbers..

But if demand is high and it can absorb the new supply, then price will not break the prev swing/pivot low or the range. Infact in such case, demand will keep absorbing the supply during the retracement and we will have small range bars indicating close fight of bulls/bear.

And yes, this price action can take few bars. Hence I would extend my post and mention about this as well.

Thanks again for your feedback.

Happy Trading

**Inangia**

19th November 2009 06:10 PM

---

**Re: Trading NR7 setup**

Hi Aw10. I totally agree with you about looking at price action rather than looking at an mathematical equation or number.

However from an intra day perspective this poses a gigantic problem. Each time frame shows a trend in a different way. What i mean by this is that a higher time frame would show a trend and a correction however if you scale down the time frame then the previous counter trend looks like formation of a new trend. This creates a support/resistance zone in our perception. But still leaves the question wide open as to where the support/resistance levels are. The only fact available to us is where the trading range is. Hence to simplify things i use the midpoint of the trading range to see where pressure is increasing or decreasing.

The financial markets by its very nature has to be fed with losers so the break of every swing point low will catch stop loss orders and trigger a chain of selling. This also brings in fresh new shorts and triggers reverse orders. But this is the time when the market has a higher potential of moving up as strong and weak holders are on the wrong side of the trend. Richard D Wyckoff had termed this as a shakeout.

And in most cases a shakeout moves below the 50% of range level and then closes above it.

Looking forward to hear your views.

As time permits i'll put up some charts of wyckoff's schematics and try to explain the places of catching economic dis-equilibrium.

Cheers

Happy Trading

**AW10**

19th November 2009 10:03 PM

---

**Re: Trading NR7 setup**

thanks CCMB for sharing the trading strategy for NR bars. Infact the entry rules are same as what I have givne in my draft strategy.

There are many possible exit systems possible... Chandelier exit is one of my favourite too for positional trades. It incorporates the volatility (thru ATR) very well in the system.

It is great exit when u want to live with the trend..But as breakout is more of quickie trades, I prefer to use faster exit method. I follow multiple moving average based approach to be with the trend and scale-in /scale-out based on them.

Happy Trading.

**Re: Trading NR7 setup**

@Bandlab, if you are looking at developing a system on it.. the my suggestion will be to focus on the EXITS.

There are only two method of entries possible

1) enter at above / below the bar's high /low = H/L of Narrow range.

2) forget the breakout entry..but wait for price retracement and then enter next trend in the direction of breakout. Success rate is much higher here and u can avoid many false breakouts.

but main difference in profitablity will come from your EXITS.

All the best and happy trading

rkkarnani

20th November 2009 06:02 PM

**Re: Trading NR7 setup**

AW10 says Focus on the EXITS... so also says VAN K. THARP in his book SUPER TRADER : Copy pasting the relevant portion :

**Exits Are the Key to Making Money**

As I mentioned earlier, I decided to prove to myself that one can make money with random entry. When you employ random entry, you are giving up any advantage that your particular setup and entry edge have. The only way you can make money is to catch a strong trend occasionally, make sure your losses are not too big, and practice proper position sizing.

How can your exits help you catch a strong trend? In a random entry system, when you exit, you'll enter back into a trade again and lose another \$100 in slippage and commissions. Thus, you want your initial exit to be large enough to make sure that you don't exit very often. At the same time, you don't want to enter into a trend in the wrong direction, which would cause you to pile up huge losses. Thus, to make the random entry system work, I needed an initial stop that was big enough to keep me in the market while it was just making random noise movements or moving sideways. I chose to exit at three times the 20-day volatility or average true range.

I like to keep things simple, and so I made the abort exit and the profit-taking exit very similar. I trailed three times the 20-day average true range from the closing price. Thus, if the price moved in my favor, so did the trailing stop, and if the volatility shrank, the stop also would move in my favor. The stop was moved only in my favor, never against me.

As a result of this exit, I was able to stay in sideways markets a long time and not get stopped out. If I entered against a trend, I was stopped out quickly and hoped the random entry would reenter in the direction of the trend. Also, if I was lucky enough to enter in the direction of the trend, my stop kept me in the trend for a long time. It was that easy. With that simple exit, the random

entry system was able to follow the golden rule of trading (cutting losses short and letting profits run) and thus make money overall. The first kind of exit you need to know about is the abort exit. This is the exit that defines your initial risk, or what I've been calling 1R.

In reality, there are two kinds of initial exits: tight ones (1R is small) and wide ones (1R is big). Each has some distinct advantages. The wide exit keeps you in a trade for a long time and gives it a chance to start working for you. Thus, if you like to be right, you have more of a chance with a wide exit. Examples of this include the three times volatility exit mentioned above for the random entry system and a 25% retracement exit, which works fairly well for stocks. If you want to buy and hold stocks as long as you can, simply use a 25% trailing stop as an exit, adjusting it up whenever the stock makes a new high.

The other type of initial exit is the narrow exit, which defines 1R as a very small amount. If you want to be right, you don't want this sort of exit because you'll be stopped out a lot. However, if you want large R-multiple gains, you'll find some advantage to tight initial exits.

Let's look at an example. Suppose you buy a \$50 stock when it breaks out from a consolidation with power. If you put your stop below the consolidation, say, at \$45, you'll probably be right a lot. However, if the stock goes up \$10 in price, you will have made only twice your risk, or 2R.

Suppose you put your stop in at \$49, a dollar away. If the move has power behind it, the stock should keep moving and you won't be stopped out. Furthermore, if the stock goes up \$10, you've now made a 10R profit, or 10 times your initial risk. In fact, you could be stopped out three times in a row, getting three 1R losses, and then make your 10R profit. You are right only 25% of the time, but your total profit is 7R.

At this point you might be thinking, "Yes, you make 7R, but you started out with a very small risk." That's where position sizing comes into play. What would happen if you risked 1% of your account on every trade? If you are up 7R, you'll be up about 7%, no matter how big or small R is for one unit.

\*\*\*\*\*

ankitgarg20

20th November 2009 03:33 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **Mangafreakz** (Post 384495)

@Bandlab



If you are looking to trade NR7, have a look at this strategy, its based on Inside bars.

<http://www.forexfactory.com/showpost...42&postcount=1>

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The link that you posted is of DIBS method. It is a lootttttttttttttttt different than what we trade in Indian markets and practically it cant be really implemented in Indian Markets. DIBS is effective because of 24 hour nature of the markets and even then the success rate is very low. Though, with proper MM and exits, you do come ahead with it and is a long used method. But, I really doubt you can implement it in Indian market scenario.

AW10

20th November 2009 06:16 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **rkkarnani** (Post 384678)

AW10, Whats your view on using a NR bar to trade only if the Range is N% of ATR of past N periods.

*Trust I am able to explain what I am trying to say. Let us say we have a NR7 bar with a range of say 69 points. The ATR of past 10 bars is 100 points. Can we have some rule to trade it only if the range of the NR7 bar was 60!! i.e 60% of the past 10 period ATR!!!*

*About Exit I fully agree that if we can master it the major battle is won!!!  
Thanks.*

---

Yes RKKarnani. You can use this approach of (Today Range) = x% of (10 days ATR).. as a way to identify the potential bar of interest. Just another way of identifying the contraction.

Thru backtest, one can find out the acceptable value of x, frequency of its occurrence and success rate. IMO, there is trade-off of all these 3 parameters.

- x = 50% of ATR, will give very few signals but good success rate

- x = 70% of ATR, will give more signal but lower success rate.. i.e. extra false breakouts are also signalled here.

I generally take anything less than 80% of range as contraction.. It may or may-not be a NR7 day. If u had noticed my posts, I keep mentioning about last 10 days average range (not exactly the ATR cause it is slightly complex to calculate then just calculating daily range).

Happy Trading

AW10

20th November 2009 11:15 PM

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**Re: Trading NR7 setup**

I haven't read all the posts on that thread which someone has combined in a doc, but just few posts. I think, even if DIBS may not be applicable for stocks but one can pick up few pointers from that.. and develop own strategy..

At the end, we are better of trading our own rules.. and have will have better sticking rate to them.. then following someone else's rule which we don't understand.

I like one of his suggestion for intraday breakout trading - take the trade in the direction of market today compared to yesterday's close. If mkt is in green today, then take only buy side breakout on intraday.. and opposite for short trade. .. In his observation, just this simple rule will keep us improving the result. I haven't tested it yet.. but idea is worth looking at..

Happy Trading.

ankitgarg20

20th November 2009 11:30 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **AW10** (Post 384805)

*I haven't read all the posts on that thread which someone has combined in a doc, but just few posts*

---

I have done a detailed research, back test and tweaks of the DIBS method. Here are some of the challenges that one might face using it on NF:

1) DIBS is used on H1 charts. All the bars are equal sized and it give Price Action a different complete picture. Our H1 charts are skewed in terms of time for each bar.

2) FX has continuous charts and thus when they trade it for London Open, US Open, there is no problem of handling the gaps.

3) For NF, you might have to take overnight positions to actually fully utilize the potential. Which creates a problem for MM because your stops can't be trailed. As a lot of activity happens during US sessions, which affect our markets too, this might be a problem.

4) Lower TF for NF. The only possible TF is 15 Min or lower. In which case, slippage, commissions, will take a lot of profits. Even DIBS is said to have a hit rate of 40% only and thus it is very imperative to maximise the wins and minimize the losses.

There might be other issues too which I might have missed.

rkkarnani

21st November 2009 07:28 PM

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### **Re: Trading NR7 setup**

Quote:

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Originally Posted by **rajsumi121** (Post 384964)

*Vijay gee , when nr7 days comes in nifty i play in options and nifty future both . Nr7 days range are entry level for me on buying or on selling side which trigger 1st . I keep 30 points stoploss always on my positional nifty trading and 60-100 points targets . I earned very good points everytime after nr7 day .*

---

Great!! Thanks for sharing your strategy. Raj, can you also let us know whether you use any "filter" to long or short on the NR7 levels. I presume you enter the trade very next day. I have tried to analyse the strategy on paper with 3 years data, taking all NR7 bars as valid triggers but still not been able to finalise the rules. I was looking at following :

01. I Buy a call and a put at 3.28 on the day the NR7 bar is formed. Exit one of them on trigger.

02. I Buy a call or a put only when NR level on any side is triggered.

03. Enter Nifty Futures Long or Short on NR7 level trigger.

04. What should be the filter.

(Say we have a NR bar with 4998 as low and 5052 as high, what would be your level to go long or short the next day!!)

05. Reverse on breach of the NR7 reverse level. Again what filter to be used.

06. Any exit level.

07. Any reentry strategy.

08. Any use of range expansion bars?

Do elaborate a bit more on your strategy. Thanks.

- R K Karnani

Tradewithhunter

9th December 2009 09:34 AM

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### **Re: Trading NR7 setup**

Thanks RK Karnani and AW10 , appreciate your response.

I am still not comfortable with the concept that just one small range day can decide the future wave on either side, in fact these small range days are more prone to whipsaws as they get engulfed easily by the next candle. Maybe if we look at a short period ATR and compare it with a long period ATR and trade based on that, that will be more reliable proof of any contraction/expansion?

I really like the option angle though.

Cheers

SH

Tradewithhunter

9th December 2009 03:12 PM

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## Re: Trading NR7 setup

Quote:

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Originally Posted by **lnangia** (Post 391068)  
*Hi Tradewithhunter.*

*Price in any market is determined by the forces of demand and supply. There is no other way of determining prices. There may be a 1000 different ways in which a person can trade however the underlying principles of demand/supply will always be prevalent in those 1000 ways.*

*When demand and supply are in equilibrium we often see a congestion zone or trading range where the fight for dominance takes place.*

*A nr7 bar indicates (speaking strictly from an intra-day perspective) future expansion in volatility. A narrow range bar whose range is narrower than the last 7 bars means that price is at a point of complete dis-equilibrium and either demand > supply or supply > demand and hence the drastic breakout or break downs occur. I have no idea why the period of last 7 bars is taken however what i do know is that the period of last 7 bars does give low risk high return probability setups. It works best when combined with any other modality which helps in determining the trend of the market.*

*Hope this helps*

*Cheers*

---

It doesnt help, a small range day cannot signify disequilibrium ... infact it means equilibrium when neither buyer nor sellers are chasing each other... this is why there is a small range ...

disequilibrium is when there are either a lot of sellers trying to sell or too many buyers trying to buy .. and this should lead to wide range bars ...

anyways ... happy trading.

SH

AW10

9th December 2009 05:33 PM

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## Re: Trading NR7 setup

lnangia / SH,

Just to add my views on NRx.

1) 1 day of narrow range move indicates price equilibrium where demand and supply are met within narrow range. It could be that there is very low demand and very low supply.. (lack of participation of biggies and waiting for some trigger).

NRx is just simple and easy approach to identify such balance, lack of interest area in the market.

And we know that mkt can't be in such situation for long.. It is just matter of time that demand/supply will get in imbalance resulting in breakout.. and range expansion.

As a trader, don't we enjoy expanding, wide range market ? And NRx just helps us in getting ready for that.

You can use many other approaches to indentify that.. but think of this simplicity when u don't have to depend on tools like TA package, or excel sheet but just simple H-L and < or > knowledge is sufficient to identify such situation.

SH - as u have mentioned about comparing 2 different lookback period of ATRs to come to decision.. IMO, NR7 uses 2 different period.. longer period is 7 bars, and shorter is 1 bar. As I have mentioned at other places, I also use 10 bars average range and compare today's range against that to form my view about consolidation. Once can also support the analysis for bringing weekly NRx scenario here.

lnangia - I agree with your explanation on why we take 7 as magic number here. If we take lower then 7, then we might have higher frequency of such bars, but then the signal's reliabilty goes down. If we take higher number then signal becomes to rare.

As per my stats - NR4 occurs approx 24% of the time, whereas NR7 is about approx 15% of the time that indicates, roughly 2 to 3 occurrence in a month.

On longer timeframe, I reduce the lookback period.. So while looking for contraction on weekly chart, I use NR4... Infact our current week with range of 100 points is developing to be the narrowest week of last 1 year.. ofcourse range can increase in next 2 days.

The credit of this approach goes to Toby Crable. He has tested it across various markets and commodities and found favourable results.

As Sunil has mentioned, when we have Inside Day coupled with NR, the breakout has great potential.

Hope this helps.

Sunil

23rd December 2009 08:56 AM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **AW10** (Post 395639)

*Thanks Sunil for sharing the seasonal tendency of NRx with NF data.  
by the way, 2 simple questions*

*1) how do u adjust your NF data on expiry of one series to another. Say on day 1 of new series, u lookback at the range from current series.. or u look at the range of last 6 days of prev series and 7th day of current series.*

*(I guess, the range of two contracts should be very similar)*

*2) you are using range as % of opening price. Any special reason to use open price here. Generally I have seen most of analysis using close price for such % calculation.*

*I reality, it shdn't matter much in this case cause in 1 to 2% change in denominator will not change the effective %range number too much.*

*Just wanted to know your thought process..*

*Thanks again for showing the output.*

*Happy Trading*

---

1. As learnt from Asish Da during my initial days, and after realising it myself, I have chosen only F-1 data till the last date of expiry.

Quote:

---

(I guess, the range of two contracts should be very similar)

- same reason

2. I think somewhere in this thread I had come across a post which advised to look into % terms of the NF price (2009 has seen 2500 to 5000+) and not just the absolute difference between HOD & LOD. I think this was by you or "Lazytrader" - i m not sure.

From that day, I incorporated this % thing in my mechanical system excel file. I had initially decided to take as a % to the LOW price - then I thought that on big move days, this LOD may not provide a correct picture from intraday trading view (my bread-n-butter). Hence, I chose the OPEN price as base, as that provides a platform to rest of the day trading. Even a candlestick's colour is decided, not by High & low, but by Open & close.

Like yesterday, the OPEN was equal to LOW, and upmove just build itself with LOW as key support level.

Vice versa, when we have OPEN = HOD...

- this good observation was made by "nagendra\_gb" :thumb: during my initial days.

Quote:

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In reality, it shouldn't matter much in this case cause in 1 to 2% change in denominator will not change the effective %range number too much.

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unbeatable

29th December 2009 03:05 AM

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**Re: Trading NR7 setup**

Hi AW10,

Thanks for sharing your system 1st of all....

I have taken your spreadsheet formula and backtested it for last 2 yrs but have seen many SL hits and very small movements even when the NR7 range < 50% (ATR) as you said in one of the post....

Can you please help with it... I want to know whether I am doing something wrong but it is trigerring SL on both the sides in those instances...

For example , 27Aug had NR7 range only 33% of ATR which is less than 50% and should have been strong movement according to your theory but it gave only 10 pts on each side for Nifty on that day ... Same with Reliance also , there are lot of whipsaws... Can you tell me know to get over this

problem

AW10

30th December 2009 10:37 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **mohhnow** (Post 397757)

*aw10 ji*

*The NR7 setup explanation has remained very good, under your explanation it has become well explained. It was working out as late as the jump of Nifty from 4940+ -> 5150 with a couple of NR7 days.*

*Sir, may I ask you to explain WS7, and the related strategies related to the NR7 concept also, and its implication on trend & trading ...*

---

Thanks Moh, Wishing you also more successful 2010 year ahead.

**WS** stands for **Wide Swing** and hence WS7 is nothing but Widest Bar of last 7 bars including current bar. It is another setup Toby Crabel has discussed in his masterpiece book.

As NR is indication of current contraction leading to Expansion soon, WS has opposite meaning. It indicates that we are in expansion and the range contraction is just around the corner so take partial profit out (if u trade as per targets), or watch out and move yr stops tight etc. This also indicates that don't jump into the trade now but calm down and wait for better entry price.

60min Flow traders, as explained by Saint call it WRB (wide range bar) and have special rules to trade it.

WS bars/ WRBs are also indication of trend strength i.e. if you get few of them in sequence then there is strong trend building up, Right trading approach will be to wait for forthcoming consolidation and its breakout or retracement to ADD-In or Enter.

It needs different mental setup to handle them cause our basic instinct is to feel left-out of such a tempting and fast move and natural reaction is to jump in asap. Personally it was challenge for me to overcome this instinct and show patience on appearance of WS bars. Appropriate trading strategy will be to wait for retracement and enter at better price.

Hope this helps.

Happy Trading

AW10

30th December 2009 10:56 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **mohhnow** (Post 397771)

*Dec 2009*

*attached image of Nifty NR7 and WS7 days.*

*with regards*

*Moh*

---

Thanks Moh for the chart. This thread lacks picture so it is always nice to see them.

Let me take it to explain about WS7.. Look at the 2 days of calm period (i.e. NR days) after 15-Dec WS7 bar. Similarly, we have calm 29-dec and 30-dec after the WS bar of 23rd. As a smart trader, this helps us in managing our expectations and adjusting the trading after WS days.

So when after NR7 day, we are ready to go aggressive and get best out of expansion, we should reduce our risk per trade and have low expectations after a WS days. After WS day, it is time to protect the profit and limit losses, not a time to go aggressive.

Daytraders know it pretty well, that how difficult is it to handle narrow range days. Most of the time, our stops are taken out repeatedly on those NR days and we get depressed wondering why we made losses today when we were great trader yesterday on WS day.

As per Price action, even after these 2 NR7 days, the breakout created by WS bar is still safe. So uptrend is still intact. And observe the position of WS bar. It is just at 50 dma.

It shows that price below 50 dma is rejected by market with a bang and mkt bounced back with strength.

Classic example of price action and bar patterns in play.

Lets see if we get more bullish WS bars as follow-thru or red WS bar as reversal. Either way, we know that next WS is just around the corner after double NR7s. If not on 31st then by Monday or Tuesday we shd see WSx.

Happy Trading

ThE HaMmEr

5th January 2010 04:08 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **rohangawale** (Post 399257)

*Hammer,*

*Tata comm is not mentioned in the list.*

*i think u read tcs as tata comm and traded on it.*

*any ways tata comm has given a good breakout but was not an NR7 stk.*

*But am happy tat the list posted by me is helpful to you.*

*great work*

*happy trading*

---

no no....idea i pikd coz of NR7.... + change in downtred of 30,60 min tf... in opening 5 min bar..which is awsome...nice vol at beginning of trend....got in at 5 min ph...with stop at pl....

den i was gng thru sum charts of telecom sector...interestingly in daily downtrend..so looking for change in trend...ss came tata comm...D tata comm... had a wonderful opening today...1st 5 min bar...changed the 30 min downtrend ... so idea was to ride it at the beginning of new trend ... + it wud turnout to be a breakdown failure in daily...:)

AW10

5th January 2010 09:32 PM

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**Re: Trading NR7 setup**

I agree with Sunil's view Moh. NF prices area more reliable for the reasons/issues that you have highlighted.

Spot prices are fine if you are using NRx to just track of the mood of the market.

I use spot prices cause data is easily available and it is easy to do data crunching on them for longer period.

To handle the issue that u have mentioned, It is better to track 10day average range as well and compare today's range with this number. And if, today's range is <80% of 10day average, it can be called as NR days. And then use the findings generated by above 2 approach to form your view. eg - today's range is 46 points whereas 10d average range is 65. i.e. today's range is 66% of average.. So the message is loud and clear.

You might come across same issue in NF as well where today's price is few ticks out of yesterday's price range.. and theoretical calculation will start calling today as WS day.

Somewhere we need to start adjusting our approach for reality and find the workaround.

Happy Trading

rkkarnani

6th January 2010 08:19 PM

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**Re: Trading NR7 setup**

Link for Nifty Futures and Nifty Spot EOD data in Excel format :

<http://www.4shared.com/file/18973557...thJan2010.html>

Enjoy!!!

mohhnow

9th January 2010 08:17 AM

**Re: Trading NR7 setup**

Some graphs for Rohan's nice selection of nr7 scrips triggered 8-1-2010 for trade on 11-1-2010

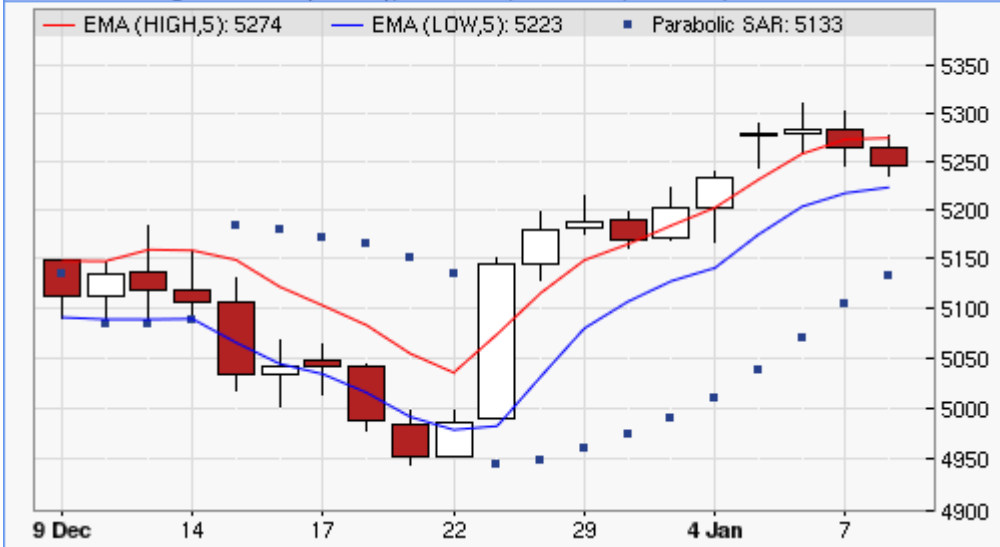






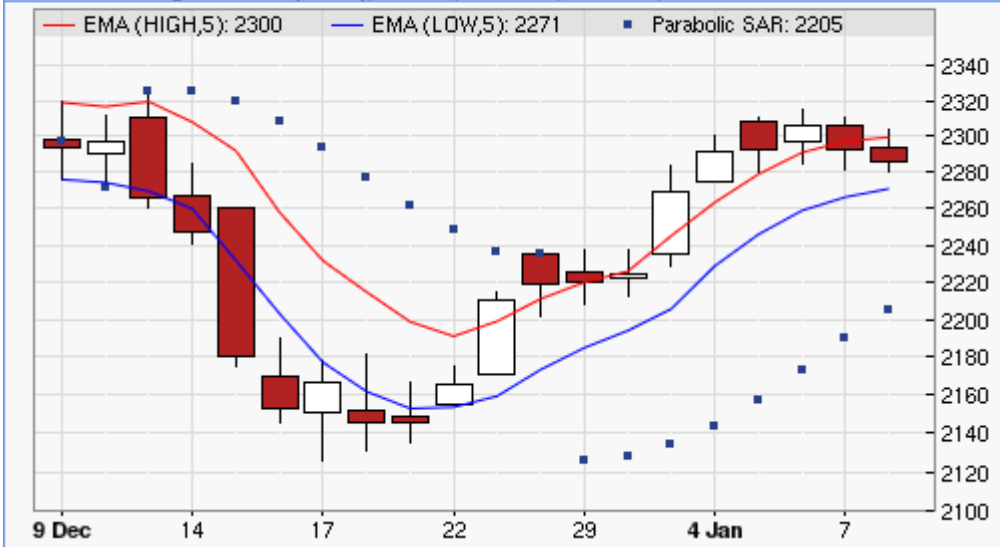
S&P CNX NIFTY (NSE: NIFTY) (Daily) © iCharts.in

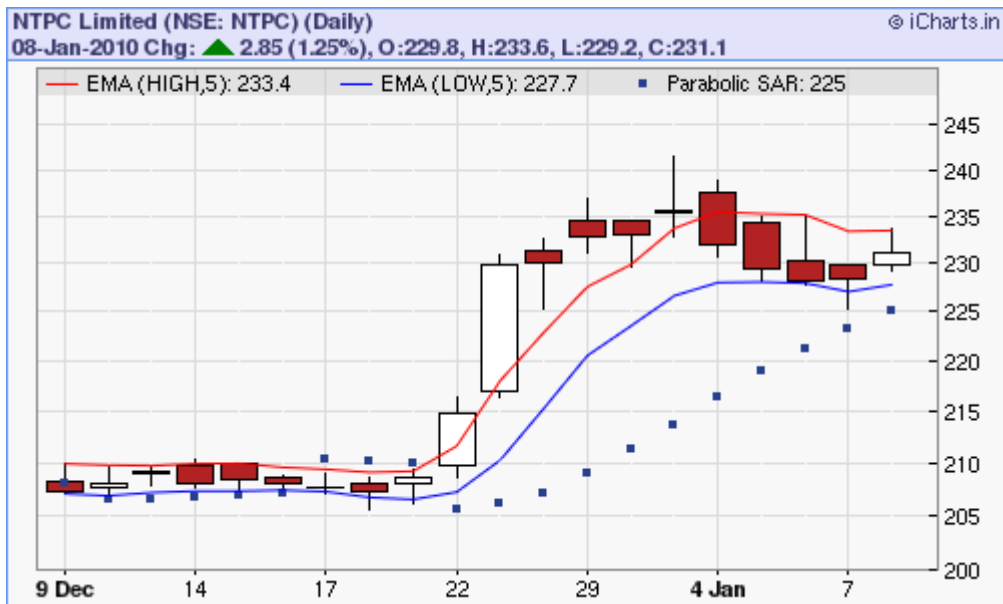
08-Jan-2010 Chg: ▼ -18.35 (-0.35%), O:5264.25, H:5276.75, L:5234.7, C:5244.75



State Bank of India (NSE: SBIN) (Daily) © iCharts.in

08-Jan-2010 Chg: ▼ -6.85 (-0.3%), O:2294, H:2303.9, L:2280.1, C:2286.05





AW10

11th January 2010 06:01 PM

**Re: Trading NR7 setup**

Quote:

Originally Posted by **mohhnov** (Post 400710)

hi aw10, RK

can you suggest if there is any impact of open / close span of nrX days, if the candle body is very short inside the nrX ?

Do you see any pattern or correlation in that ?

Do they make extra compression ?

Like, can a thin candle body in an nrX day have an extra impact on decompression ?

[like the Full-bodied WS makes a good pivot]

Thanks, sirs.

Thanks for sharing many charts Moh.

I have not analysed the impact of The size ob NRx Body so far.

Personally I don't think that makes much difference cause on NR day, real action is missing. hence market is at the mercy of stronger short term players/swing traders.

And it is not that difficult to manipulate such low volume market.

I agree with Long Body WS bars, cause that bar needs the strength which is shown by large body.

With NR bars, we just want to understand the range bound period in the market. So a NR day indirectly passes us the message today's 6 hourly bars have been more or less in a narrow range.. which is good enough as setup.

Real trading opportunity comes to us only beyond this range.. so as long as price is within the range, it is no-trade, low profit zone (irrespective of the position in the range). By doing this, we would unnecessarily complicate the setup.

Just my views

Happy Trading.

veluri1967

13th January 2010 06:18 PM

**Re: Trading NR7 setup**

Dear AW-10,

NR7/NR4/ID breakouts is a way to trade, undoubtedly.

While googling, I came across a strategy in which it is suggested that trade can be made against the breakouts with a success rate of 60%. Does it mean that breakouts are 60% times a failure. Also it is said that with a good money management techniques and risk reward ratio it is a regular

money making setup.

My observation is that NR7/NR4/ID breakouts on intraday basis gives trouble.  
For example :-

- 1.Price opens outside the range and continues in the same trend. In such cases we miss a golden opportunity.
- 2.Price opens above high and crawls down to within range and closes.
- 3.Price opens below low and crawls up to within range and closes.
- 4.Price opens within range within no time it takes away either low or high. We have no time to place orders and leaves us in desperation losing a big win.

If you can suggest some possible ways to counter these problems, this setup will be more useful to traderji mates.

Your signature has made a sense to me with yesterday's loss. Keep enlightening us with your knowlege and experience.

AW10

13th January 2010 06:28 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **trader.trends** (Post 401695)  
AW10

*From posts of others, I make out that it seems to work so well on stocks. When I looked at Nifty futures, I find very few nr7 days there in 2009. And the break of direction was never clear. Is there any reason why this does not work on NF or have I read the data incorrectly and wrong in my conclusion?*

---

TT, others are posting the stocks where it breakout has worked on Intraday level. But checkout rohan's list that he updates as followup on yesterday's NR7 stocks. You would see that almost 30 to 40% NR7 stocks don't show real breakout but come back to the same range.

To address your observation on NIFTY level, I have to ask, if you are looking at the price range of next day i.e intraday or price expansion in next few days i.e. swing. I don't have numbers but in generally we had range expansion after NR7 days. I think, due to extended consolidation that we have been seeing in market, we have many occurance of NR7 followed by another NR days.

Plz share with me some data/analysis result if you have on this observation. Maybe I shd do some more data crunching on this.

Just my views on your question (not supported by any analysis)

Happy Trading

AW10

13th January 2010 07:02 PM

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**Re: Trading NR7 setup**

Quote:

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While googling, I came across a strategy in which it is suggested that trade can be made against the breakouts with a success rate of 60%. Does it mean that breakouts are 60% times a failure. Also it is said that with a good money management techniques and risk reward ratio it is a regular money making setup.

---

You are right Veluri. Breakout Trades have low success rate. Hence many people find it difficult to trade. As human being, we are not wired to be wrong more times than be right. We want to be right more often. But in trading, rules are different. You can be profitable with Low win rate. The formula that we need in our favour is  
(Win % \* Average Win size) - (Loss % \* Average loss size). As long as this equation is +ive, we are in the money.

NR7 setup is profitable because your initial risk is small compared to average win size that is presented to you. Crux is to keep average win Large i.e. ride the new trend and keep trailing.

That means, it comes down to your trade exit method to get the best from this setup.. You can fine tune your entry, to wait for low risk entry setup i.e. enter after retracement.

We can also improve the results by finding out real v/s false breakout.

Not sure if you have checked this post or not where I have give some rules to identify if breakout is successful or not.

<http://www.traderji.com/advanced-tra...tml#post384035>

Chk these rules on your breakout charts for successful breakout and failed breakout and get a feel of it. With practice, you eyes and brain will get tuned to see successful or failed breakouts. You can make this process mechanical by programming the rules or use your discretion.

My suggestion to reduce the failed trades, modify the entry little bit. Rather than jumping as soon as price crosses the NR, wait for retracement. And when u see that retracement has stopped and prices have started going in the direction of breakout, you take the entry. This will also give u chance to see other the strength/weakness in breakout so that u can avoid weaker trades.

Hope this gives u some food for thoughts to take next action. Let me think of writing something to share some ideas about how to trade this patten on intraday basis.

Meanwhile, do check another thread started by bandlab2 where he is trading the failed breakouts. As you have observed, failed breakout setup has higher win %, so why not identify the case when breakout is failing and then take that trade. All trapped traders who jumped early in the breakout will run to cover and their stops and their stoploss will put money in your pocket.

Happy Trading

AW10

14th January 2010 06:43 PM

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### Re: Trading NR7 setup

Quote:

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Originally Posted by **stocks.murtaza** (Post 402310)

*Ah gotchta .... I was nowadays more with like - 1 Wide Ranging Bar resets the counter for the NR ... try that out .. gives better results ...*

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That's interesting SM. I am never tried that option i.e. resetting the day count to 0.

Have always followed the standard definition i.e NR7 = today range is smallest of last 7 entries including today.

IMO, 1 wide day does not change the message of contraction today and expansion tomorrow. Going by your approach, today might be NR2. Generally I don't look at NR count < 4.. so I would have ignored today as per your approach.

Will be interested to know any your observations / any findings etc. If you have any link to read more on this then let me know.

Happy Trading

**stocks.murtaza**

14th January 2010 06:54 PM

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### Re: Trading NR7 setup

AW10

Not done any such research or backtest etc ... like i said .. i am not getting much time and re the reset of the counter .. that just came into my mind and I stopped following the usual way we follow NRs ... did not even check ... you know .. just changed over to this newer way of looking at the NRs ...

Also not trading the market .. following market just so that I can either stay invested or exit (my LT portfolio) ...

Busy elsewhere .

rohangawale

21st January 2010 12:08 AM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **bandlab2** (Post 403756)

*rohan, based on the data you are posting fo seveal months, could we derive a trading plan? like if we have 2NR7, then buy above the range or sell below the range? if so what are the target, sl?*

*appreciate your work here*

---

Hi Bandlab,

What we have discussed here in the thread is what im following,

its not question of 2NR7 or 3-4-5NR7 for me.

only what it means is the more contraction, the more probability of expansion on next day. but 2NR7 day doesnt mean that its confirm we will get breakout, 2NR7 day in simple words is NR8 day.

for all NR7 or XXNRX day the strategy is same (atleast for me)

to buy above high with sl of prev day low,

and to short below short with sl of prev day high.

in that also we can use our own strategy to play the trade and put sl based on our system

actually NR7 is just to identify the probable potential in the stock if goes beyond the level. but if traded with our strategy will give much more confidence in the trade.

so NR7 for best result can be traded with our strategy instead of just putting the trades based on High / Low breakout. (as per my understanding and my feeling, i can be wrong, which market proved me always:mad::confused:)

AW10

29th January 2010 11:06 PM

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**Re: Trading NR7 setup**

We have seen few action packed days in this week and major % of market participants are on alert after 10% drop from 5300 to 4800 level.

On 5th Jan, where we had multiple NRx days in cluster, this was my interpretation about possible direction of mkt. (possible falsar breakout of 2/3% and then 10% move in other direction)

(More details in this post

<http://www.traderji.com/advanced-tra...tml#post399360> )

Fortunately, this time market behaved more or less the same way, it has behaved in the past and our reading of 5th Jan, had turned out to be correct.

It was no rocket science but just the repeat of market behaviour that we had seen in past whenever we had such cluster of NRx days. That was dream instant gratification setup for swing traders and ofcourse for day traders as well who stayed with the trend rather then getting biased by older trend.

After such expansion, it is likely that mkt might go for consolidation before next wave develops. The pattern that we see, is very much similar to what happened in Jan-08, Important to watch the next few days and read the underlying message.

If bullish trend is still strong, then we might see strength by wide green bars. But if we see small body, NRx type of green bars in bounce, then it is warning sign that we might be heading for right shoulder / lower high / Bearish Flag consolidation / Oscillator divergence etc. then we might be in for another 500 points fall from whatever level next bounce can take us.

So, Lets keep our receiver on and be ready to receive the signal from market.

(PS - plz don't take my interpretation as expert opinion or anything close to it.. but form your own views. Though I am bearish on bigger timeframe, but will not miss opportunities to go long on swing/day trader if it needs to be).

Happy Trading

AW10

4th February 2010 09:33 PM

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**Re: Trading NR7 setup**

Karan - I think, u need to revisit the basic foundation of what u are looking at. your current question is open for mis-interpretation.

- 1) are you looking at 1 really long bar, that came 7 days back and then for next 7 days, prices remained in that range. In this case remaining bars need not be exactly Inside bars
- 2) One Long bar and then next 7 bars inside the previous bars.

Based on what u want, answer will differ.

As mentioned by RKK, if u are looking for (2) pt above, then it is remote chance that u will get 7 Inside days coming one after another.. I was looking for frequency of 2 inside days in sequence on Nifty.. and it is almost 1 occurrence in 10months.

If you are looking for (1) then also it will be difficult to find good frequency.. Just scan thru charts and see how many times u have see extremely large bar and then next 7 bars in that range. Such large bars are made due to strong trend.. and that trend will not wait for next 7 days..

Plz revisit your expectations and repost the question (preferably with an example).

Happy Trading

trader.trends

26th February 2010 06:22 PM

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**Re: Trading NR7 setup**

AW10

The ATR as you know is the max of the diff between H-L, PC-H and PC-L. If we take the average of the past seven days ATR, we get the 7ATR. Generally the market tends to respect the ATR to a large extent. When I looked at the 7ATR of the past couple of months on NF, I find that any day's ATR is more or less the same as the previous day's ATR. And when the ATR jumps like it did today due to range expansion, then the 7ATR jumps by a factor of 10. Now the 7ATR stand at around 70. It was around 60 yesterday. If Tuesday the 7ATR has to be around 70 then the days range has to be around 43. ( $7 \times 70$  less the sum of the previous 6 days actual range). This gives us the anticipated high from today's close of 4932 at 4986 and the anticipated low at 4878 after giving a ten point margin.

How valid are 7ATR or 14ATR to judge the anticipated H/L? What is your experience with them. Many trader do use 7ATR or 14ATR of twice the daily ATR as the stops for their trade. If we can judge the anticipated H/L it helps us to wait the day and take a trade at the edge of the day's range. Alternatively when we see the open is same as the H/L in the first few minutes of trade opening, we can anticipate where the market will head if it heads in one direction to reach the 7ATR boundary.

Is there a method to trade using 7ATR? This is different from 7NR, but still dealing with trading ranges hence this post in your home thread.

AW10

26th February 2010 06:47 PM

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**Re: Trading NR7 setup**

TT your explanation, understanding and usage of ATR is perfectly on the spot.

Whether u use 7 days or 14 days as look back period, it is individuals choice. You can certainly use it to define probable range of tomorrow..

You can use this to define stops for tomorrow (or on the next bar in case of smaller timeframe). I prefer to use ATR for stop placement and trailing SLoss.

You can design a system using ATR based projected level to decide buy/sell zone and generate signals there.

Only your backtest results will tell u if the system will work or not. If you dig deeper, the floor trader pivot points/ Cams pivot point etc use this info with slight tweak.

So it is possible to define profitable system on this foundation.

If nothing then atleast you can use this to book profit and trail SL. You can use multiplying factor 1 /2 or 3 on 7d-ATR or 14d-ATR but that all is upto your belief and personal choice that suits your mindset.

IMO, there is no single answer to that.. I do use 3 ATR from last swing high/low as my ultimate cut-off point (just in case my system has not given

earlier exit).

by the way, don't confuse it with NR7 that is discussed in this thread. Cause the range used in NR calculation is NOT ATR. It is just high-low of each bar. So if there is gap and market remain in small range after the gap, then we might get NR7, but ATR will be very high. Better to use them side-by-side and interpret the market behaviour.

Hope this helps.  
Happy Trading.

rohangawale

10th March 2010 12:37 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **amit\_k2100** (Post 417705)

*hey rohan it seems u have been follwong NR& tehinique with quite soem time....i have just strtd to follow this thread strtd by AW , i have seen a NR7 on nfty on 9th march....just wana to know frm ur expreince abut the accuarcy of the tehinique ...thnxxxx*

Hi amit,

as per my understanding what i think is:

all stocks behave differently in every setup, strategy.

some stocks are doing very good with nr7 , but some doesnt.

so i think its better you yourself do backtesting on the stocks which ur trading regularly, so that you will get confidence on ur backtesting trades, and will be much more useful while real trading.

becuase in backtesting also it depends on our rules , so even if i give u the accuracy of stks in sink with nr7 for me, it can be exactly reverse for you, as its not just easy to listen to anybody and trade.

its your hardearned money so better spend some time and then you yourself can know how it suits u and trade.

still if u want to know my backtesting results i can share with you, but pls keep it as last option. else u can do i thing, you backtest some stocks and then we can compare the accuracy that i found and which u got.

depends on you how u have to go abt it.

i just have to paste the figures..... doesnt matter to me much. but definately can help you by your own work.

AW10

10th March 2010 03:34 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **amit\_k2100** (Post 417705)

*hey rohan it seems u have been follwong NR& tehinique with quite soem time....i have just strtd to follow this thread strtd by AW , i have seen a NR7 on nfty on 9th march....just wana to know frm ur expreince abut the accuarcy of the tehinique ...thnxxxx*

Amit, I am once again reiterating that NR7 is setup, NOT A STRATEGY.

(System has specific rules for entry/exit but Setup doesn't)

It just tells you a kind of market condition i.e. consolidation. and gives u hint to get ready for expansion in price. You can very well trade any System and benefit by trailing the stops.

If you have been already trading a intraday system then let me suggest u do this analysis..

1) list down the NR7 days from past 2/ 3 months from nifty. Note the dates.

2) make a copy of your trade journal (where u have log of your trades)

and mark the trades that are done date soon after NR7 date

3) Delete all unmarked trades and just keep trades after NR7 day.

4) Now analyse them and see who your current system behaves to this setup. What are the obserations you have etc.

If it is ok then please do share with us your observations - just for sharing purpose or to get feedback from others for improvement.

Happy Trading

rkkarnani

19th March 2010 06:19 AM

## Re: Trading NR7 setup

Quote:

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Originally Posted by **Brandon** (Post 420268)

Sure , I will post an example with a volatile stock which we can see in your Previous list made an NR7 day - Unitech ( High 75.2 , Low 73.9)  
Now we all know that there can be false breakouts , where it just might breach the H/L of NR7 day and then reverse only to catch you on the wrong foot.

I am expecting a trending day on the NR7 stock which I can trade with minimal whipsaws , as EMAs are my favourite and it works best only on trending days.

Here is how I would have traded Unitech on the 17th.

Am taking the short trade at 75.50 instead of waiting for 73.9. The Triple EMA crossover(3,5,20) is added with another confirmation , MACD crossover with Default settings.



<http://img708.imageshack.us/img708/7775/nr7.jpg>

If possible do read this book , probably its already mentioned in this nice thread but wont harm to mention it again ,  
Toby Crabel - Day Trading With Short Term Price Patterns

Recently even saw in a blog that there is a rumour the author has not pursued additional printings of the text, believing that it gave away too many of his valuable trading ideas.

If possible also do post other strategies that guys are trading with help of NR7.



*A query to the owner of this nice thread. Can you tell of some other methods which helps in shortlisting stocks where we can anticipate breakouts or Wide Range movements.  
Happy trading.*

---

Brandon,  
Thanks for sharing your strategy.

You look for EMA crossover and MACD in Daily chart or just the 5 minute Intraday Chart ?

Would it be correct to say that you trade this Setup of EMA 3,5,20 and MACD confirmation **only** after a NR7 day or you trade it whenever it occurs!

Though it is mostly true that NR7 days are followed by Range Expansion but at times we have a series of NR7 days one after the other. How do you handle such scenarios. Sorry to bother you if you find this query too basic.

All the best.

ccmb420

19th March 2010 06:32 AM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **Brandon** (Post 420268)

*Sure , I will post an example with a volatile stock which we can see in your Previous list made an NR7 day - Unitech ( High 75.2 , Low 73.9)*

---

There is some magic on this board, ppl so easily share their strategies without reservation. Brandon has just joined the Forum and wow, thanks a lot Brandon.

I have a query :

01. What software did you use to post the chart!!
02. Chart shows 3,8, and 20 but in Text it is 3,5,and 20 which is correct?
03. Two queries already posted by rkk.

Thanks and regards.

-Shravan

Brandon

19th March 2010 07:32 AM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **rkkarnani** (Post 420288)

*Brandon,  
Thanks for sharing your strategy.*

---

Hey, no probs man , the pleasure is all mine.

I am looking at the indicators only on the 5 min chart as am intraday trader. Never tried the NR7-Indicator Combo on Daily charts , so cant tell about it.

Yes , you are exactly right that am looking for the setup ONLY after NR7 days.

Am not a pro trader yet , so yeah you guessed it , series of NR7 and my tight Stop Losses starts get hitting. :lol: Did not want to comment about Exits/Stop Losses as this will differ from trader to trader depending on their Risk appetite and Money management.

Any EMA system is certainly going to be badly affected by Narrow range or Whipsaw days , so if I say here I only choose the trending trades , it will be a blatant lie. But the good thing is that if you have a good Risk:Reward ratio , the few winning trades in EMA systems should cover the small loosing trades and put you in green.

Will be looking forward to see other strategies or are they already posted in this thread? Havent got around to read the whole thread yet , read only the first page.

Happy Trading guys.

Brandon

19th March 2010 07:43 AM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **ccmb420** (Post 420290)

*There is some magic on this board, ppl so easily share their strategies without reservation. Brandon has just joined the Forum and wow, thanks a lot Brandon.*

*I have a query :*

*01. What software did you use to post the chart!!*

*02. Chart shows 3,8, and 20 but in Text it is 3,5,and 20 which is correct?*

*03. Two queries already posted by rkk.*

*Thanks and regards.*

*-Shravan*

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You are welcome Shravan. I share as its not like that if I share my strategies here , the very next day am going to loosing money just because I shared some strategies the other day. I was a novice too and would have reached nowhere had others not helped me . You are a senior member here for almost 3 years , so I am sure you have posted some strategies here too for benefit of others. So many good threads here , will take some time to go through all of them.

1. I used Google Finance charts. I trade from Office(not yet knowledgeable to go fulltime professional :p ) so not possible for me to install any extra software , though I do track EOD charts in Amibroker.
2. Its your choice you can do whichever suits you better , I mess around with 3 , 5 , 8 , 13 , 20/21. Yes , you are right, they are Fib numbers.
3. Already posted.

AW10

19th March 2010 04:38 PM

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**Re: Trading NR7 setup**

Quote:

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A query to the owner of this nice thread. Can you tell of some other methods which helps in shortlisting stocks where we can anticipate breakouts or Wide Range movements.  
Happy trading.

---

NR7 is just one of the breakout trading setup. There are many other breakout trading setups - bollinger band, ATR range, chart patterns like - Ractangle, triangle etc. multi-timeframe breakout etc.  
They all have some approach of identifying the congestion and then get ready to benefit from the breakout.

Hope this helps.  
Happy Trading

AW10

19th March 2010 04:49 PM

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**Re: Trading NR7 setup**

Brandon, Thanks for sharing the chart and your approach to trade Nr7 breakout using "EMA crossover system".

Do you have more specific rules for EMA crossover system covering exact entry, initial stops, trailing stops, scale-in etc. ? Not sure if you would like to share them here.

IMO, EMA crossover is typical, trend following system..and that suits perfectly to trade the breakout.

@RKK, some of your questions are already answered by Brandon. I am expressing my thoughts on this section.

Quote:

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Originally Posted by **rkkarnani** (Post 420288)

*Though it is mostly true that NR7 days are followed by Range Expansion but at times we have a series of NR7 days one after the other. How do you handle such scenarios.*

---

IMO, if that happens (i.e. no range expansion or range breakout), then our stops will be hit and we move on to next trade. You can very well use pivots high/low to put initial stop and to chase the trend by moving stops from pivot to pivot. If you fancy, Parabolic SAR then use that to drive your stops.

Important is to have exit plan defined. Breakout trading has higher failure rate, but that shouldn't bother us as long as we squeeze the max from successful breakout. Anyway, trading is not about being RIGHT.. but about managing risk and profits. So why worry about failed breakout. Just define our rules that tells us that breakout has failed and exit the trade there.

Hope this helps.  
Happy Trading

**Brandon**

20th March 2010 07:08 AM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **AW10** (Post 420433)

*Brandon, Thanks for sharing the chart and your approach to trade Nr7 breakout using "EMA crossover system".*

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Sorry for the delay in posting AW10 , would have done last night had it not been for the frequent powercuts in Kolkata. :mad:  
I will try to post better Amibroker charts , showing exact Entry points. I do not follow any particular H/L values for Initial stop losses. My brokerage eats up about 3 points in nifty , and I keep another 8 points as cushion for SL.  
Parabolic SAR , which you rightly pointed out is a great indicator for Trailing Stops. I personally dont follow any rigid trailing S/L , just keep a gap of 5 or 0.1% points as the trade goes in my direction. Yeah its true , with no range expansion , have to move on with stops getting triggered , maybe there is any filter to reduce those but havent found any. :(  
So far am trading with only 1 -2 lots of nifty , so cannot say anything about Adds or Scale-in.  
Exits like you rightly said is as important as Entry points , but as a novice trader am still yet to master them. I use vanilla pivot S/R levels as my Take profit levels. You can also try Fibonacci retracement levels , whichever suits you better.  
Speaking of False breakouts , anybody tried trading false breakouts ?

**AW10**

22nd March 2010 08:41 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **Satyen** (Post 421092)

*Hi All back after a long time , though i trade 60 min time frame want to experiment some thing on weekly contraction and 60 min trading .....*

*So if some one can upload weekly data of nifty in a excell format from jan 08 then it will be great help*

---

Hi Satyen, good to see you back after long time.

by the way, you can download weekly data from yahoo (chk the link below)

<http://finance.yahoo.com/q/hp?s=%5EN...=22&f=2010&g=w>

Happy Trading

AW10

22nd March 2010 09:03 PM

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**Re: Trading NR7 setup**

Quote:

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In UNITECH there are many times consecutive NR7 days. Even today 22/03/2010 is also a NR7 -2 day. What does it signify? Does it mean that a big either up or down can happen in UNITECH and such big move is due to arrive?

---

Sujit,  
NR7 - 2 days, just indicates that the stock is going thru longer consolidation. i.e. market participants are not sure about the next direction and hence waiting for someone else to kickstart new trend. In my observation, there is no direct relation between longer consolidation and size of next move. But direct correlation is generally true, specially if it is supported by trend of overall market. Generally one of typical occurrence of such long consolidation is false breakout. Cause there is lack of interest in stock by biggies, hence other players (with sufficient financial power) try to test the demand supply and push the prices in that direction. For eg - Unitech is not able to cross 75. So players will push prices to 75.5 to see if new sellers are entering the market or more buyers are following them.. As per my understanding, key decision from biggies don't react to 5 min/ hourly chart, hence it is possible for price to show in shorter term as if it has broken upward. But then biggies comeback next day to either push it down.. and give us false breakout.. or they support and start buying giving us successful breakout. So, I would suggest to exercise patience and watch out for what happens after the breakout and trade accordingly. And even if your stops are hit, don't forget to watch for great trade in other direction.

In this post I have mentioned about what to observe in false v/s successful breakout.

<http://www.traderji.com/advanced-tra...tml#post384035>

If you like to trade Unitech, then observe yourself on Unitech chart and note how did the stock behave after NR7-2 day breakout in the past. I remember Rohan, has done similar study and he has filtered many stocks that have tendency of going in multi day consolidation and focus only on other stocks that have more regular trading behaviour.

Quote:

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For Powergrid, 19/03/2010 was a NR 7 day. But it had not gone above NR7 day high and Also not gone below NR7 day low on 22/03/2010. What does it signify? Is it a failed NR7 signal? How one can trade based on this failed signals?

---

Powergrid did break on downside of yesterday's range.. but the break turnout to be false today.. as price has returned to yesterday's narrow range. So we can't say at this stage that the stock has shown bearish breakout.

Check out the rules of breakout identification in given link above.. Maybe that will help you in reducing the confusion and taking objective decision to trade.

In my view, trading is not about being right in evrey trade. It is more about, finding low risk trade entry, accepting smaller losses and riding the winner to collect maximum profit.

Happy Trading.

AW10

23rd March 2010 05:14 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **amit\_k2100** (Post 421187)

*hi is there anybody kind enough...to provide nr7 breakouts on daily basis.....sorry i dont have time to prepare that nd aftr do analsysis on it.....thats why i asking from u guyz.....thnx in advance*

---

Amit, if you don't have time.. then my sincere suggestion is PLEASE DON't TRADE NR7 stocks, even if you find the list of stocks daily posted here or somewhere else.

It is no shortcut to making money cause breakout trading has high failure rate and it needs effort to understand when it is working and when it is not.

If you are serious about trading, then you can spend few hours and downloading and installing pirated Amibroker from somewhere, there are many free data provider that will supply data by click of button, and in this thread, Anant has contributed amibroker script that will scan all stocks for you.

Yes, initially it might take few hours/days for you to get above stuff stabilised but after that it will take less time for you to generate your own NR7 list, then logging on to TJ, coming to this thread and reading the right post.

Hope this helps.

Happy Trading

AW10

25th March 2010 06:08 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **Rajkumar\_cmk** (Post 421882)

*Today NR7 break out in TCS is faild and both the stoploss hit .Sir can you tell the reason about this false break out.Also explain how to identify this is false breakout*

*High Low h-l*

*15.03.10 820 791.15 28.850*

*16.03.10 831.95 815.8 16.150*

*17.03.10 845.900 830.000 15.900*

*18.03.10 845.000 820.500 24.500*

19.03.10 834.450 805.250 29.200  
22.03.10 833.800 806.150 27.650  
23.03.10 833.000 822.100 10.900 Yes  
25.03.10 836.800 818.000 18.800

We will never know why TCS has behaved in this way. And answer of WHY is not important, in my view. Rather we should fine-tune our approach to trade the breakout.

And if stop is hit, then let it be. You can never have 100% successful trades in any system. So stopping out is part of this business.

Look at the bigger picture (last 5 days move) of TCS. The upbreak was not really a break. Mkt opened there and that level was immediately rejected. Down break also could not hold and market reversed to yesterday's range, i.e. there is no clear breakout shown by TCS.

<http://img199.imageshack.us/img199/5999/tcs1825mar.png>



Better approach will be to let price break out from the range.. and see how it is behaving during the first retracement/reversal after the breakout. Wait for second entry point to develop and enter there.

i.e. in case of tcs,

- if it has gone below 822 - no action but be on alert now.
- let price start coming back up again.. and see what is happening now.
- if it enters above 822.. then breakout has failed and you are still not in trade.
- But if price again starts falling (though it did not happen today), and goes below 822, or below the pivot low made during first breakout i.e. 818 level, then you take the entry.

Though there is no guarantee that it will be 100% success with this approach, but certainly this would keep you away from jumping too early in breakout and getting caught in trap created by smart money.

- lets look at this chart of nifty and see the action on 22-Mar.



<http://img690.imageshack.us/img690/876/nifty1825mar.png>

Here nifty brokeout below 19-Mar low, it came back up to test the range of 19-Mar.. and failed there. And you can see how clean that entry would have been.

Use the set of rules given in this post to understand if breakout is turning out to be a successful or not.

<http://www.traderji.com/advanced-tra...tml#post384035>

Rajkumar - trading test our patience to the extreme. And it is not easy to hold us back..but if learn to demonstrate the patience then it shows on our P&L.

Hope this helps.

Happy Trading

AW10

25th March 2010 07:16 PM

**Re: Trading NR7 setup**

Satyen, That is really good finding to know. In my view, when you stop the trade has more to do with your exit conditions or your timeframe. Here are few ideas -

- 1) As NR4 gives a indication of expansion then you may like to stop when this expansion is over.. i.e. u see another NR4 for consilation
- 2) or you see some type of reversal like PH/PL break of daily TF or Stop as Parabolic SAR etc.
- 3) By visual backtesting, u can find the typical size of weekly expansion.. say 2 to 3 weekly bars.. so you can use that as your time bound exit criteria. i.e.close trade or the particular breakout after 3 weekly bars. you might have trends even bigger then 3 weeks..so your judgement or knowledge of statistics here. Generally, we should see another round of consolidation with Daily NR7 or weekly NR4 before further trend develops.

These are just few ideas. Hope this helps.

Happy Trading

rkkarnani

25th March 2010 10:57 PM

**Re: Trading NR7 setup**

Quote:

Originally Posted by **Satyen** (Post 421917)

*Hi all i was looking the weekly contraction NR4 in nifty future and after that how market behaves in 60 min chart ..... found we generally hit a*



trend after weekly NR4 in 60 min ,

My problem is i want to calculate the profit/loss after certain no of trading or after the expansion on weekly .... in this way i wanted to trade around a event in this case NR4 on weekly and independent of contineus trading through out the month or quater after which we calculate our profit/loss

And observed if we start trading on 60 min after NR4 detected on weekly after certain no of trading we are in profit , almost every NR4 week from jan 08 gives profit

but problem is When i should stop trading for my calculation ??

---

Can you elaborate a little about how are you trading the hourly chart? Your entry , SL etc....

At first glance at NR4 bars since April 2009 I was not much enthused, its very much possible that I am making some mistake in understanding what you wish to convey!

Satyen

25th March 2010 11:22 PM

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### Re: Trading NR7 setup

Hi RKK Idea is to use possible expansion after we have contraction on weekly ,,here only taking NR4 , as we know it will triger a trend on daily once it breaks out , wanted to take advantage of this possible expansion on weekly which is a trend on daily as well as on hourly .....

Most of trading sytems ,set ups etc where we should be trading whole month or the quater if we take a break etc we always fear that we may miss the mega trend so when we come back we will have lot of hesitation to take trade in the middle of a month

So wanted to do once we detect a weekly contraction here taking NR4 then we will start trading untill we have expansion on weekly which is large trend on houly once we in profit or expansion happened we will be in profit and stop trading and we are free bird now ,, we will wait for next oppertunity its weekly contraction and we become active once detected if we r bussy in some thing then we leave it wait for next one as our profit /loss calculated around a event like contraction

now how we will trade we will trade 60 min time frame by our comfert may be thru pivot , EMA cross over etc

Hope i am clear.....

AW10

25th March 2010 11:43 PM

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### Re: Trading NR7 setup

Just to add another perspective to what Satya has mentioned..

In TA we always go from higher TF to lower TF in our analysis... but when market develops, then Lower TF changes the direction first, and then gradual higher TF starts chaning the direction as well.. So if we keep the perspective of multiple TF in mind and use that to hold or windup our lower TF trend, it could help us in taking entry on 5 min chart and riding weekly wave..

Great way to catch big winners and ride them as long as possible.

It is like building your trade from lower TF + lower risk + lower reward to HIGHER TF + **LOWER** risk + HIGHER reward.

Happy Trading

rkkarnani

26th March 2010 11:24 AM

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### Re: Trading NR7 setup

Quote:

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Originally Posted by **Satyen** (Post 422017)

*Hi RKK Idea is to use possible expansion after we have contraction on weekly*

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Thanks Satya, I have been able to grasp what you are trying to do, atleast I think I do. And thanks to AW also for giving his input. Frankly there is somewhere ,which I am probably still unable to identify , something which is not properly understood by me. Please have patience and do try to post a chart of Weekly contraction and follow up trades in hourly! As they say a picture is worth a thousand words!!! Please do it whenever time

permits!!!

Can we put it in steps :

01. We have a NR4 Week.
02. We go Long or Short above/below the .....following Hourly charts.  
(By what method we trade the hourly, same NR4 or something tweaked)
03. We keep the .....???? level as our entry SL.
04. We review when another week is over.
05. We trail our SL as per .....
06. We Exit Partly / Fully at
- 07.
- 08.

Satya, please take the post in proper spirit!!! :D

Satyen

26th March 2010 02:19 PM

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**Re: Trading NR7 setup**

Code:

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**Satya, please take the post in proper spirit!!! :D**

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Hi Dear Rkk i just love you are asking these questions thanks a lot for that this way we can take this idea to a possible system .....

Her I am trying to explain the points raised by you

Code:

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01. We have a NR4 Week.

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Yes once we have a NR4 on weekly we ready for trading though other concept like doji on weekly can be implimented for this but for time being we will concentrate on NR4 on weekly, here we only have the information that market or nifty in indecisive mode will break out soon, we will use this piece of information in our trading

Code:

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02. We go Long or Short above/below the .....following Hourly charts.

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Now we are ready to trade once NR4 detected , yes here we trade the 60 min time frame , here we will not look for any thing else only 60 min time frame we will trade both ways longs/shorts ,we will trade by pivot or any EMA cross overs like 3 and 13 EMA cross etc all the stop loss will be according to 60 min chart may be pivots , break out bars etc

Code:

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03. We keep the .....???? level as our entry SL.

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As we decided to trade 60 min chart our Stop will be according to that , for example if i will trade the 60 min timeframe through pivot my stop will be according to pivots ( you know about 60 min flow)

Code:

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04. We review when another week is over.

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Could not get this point, yes once we have done with expansion on weekly which is huge trend on 60 we may stop

( This is where i have problem when to stop, how to define expansion has happened etc, though AW10 has given some ideas to think )

Code:

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05. We trail our SL as per .....

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We trail stop our trade according to the method we chose if we chose pivot then pivot will be the trail stop point or we may chose EMA cross overs any trend following method on 60 min will do good i think

Code:

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06. We Exit Partly / Fully at

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When we will exit we exit the full position, we will continue trading both direction until we believe we have our expansions done in weekly

Will post a chart .....

rkkarnani

26th March 2010 02:28 PM

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**Re: Trading NR7 setup**

Satya, would it be correct to say that we are looking for a NR4 week and as we are expecting Range expansion there after we Trade the hourly chart on the premise that the market is trending and not in a congestion zone!! The role of NR4 ends there. There is nothing to do with the levels of NR4 bar!???

When you say we trade both Long and Short as the trade comes in Hourly, we are looking at hourly alone and not at higher TF like weekly etc.

trader.trends

29th March 2010 09:17 PM

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**Re: Trading NR7 setup**

A rally when it begins has a fast rate of change in the beginning. Then every mile becomes a harder climb. Take a look:

From 4900 to 5000 one session  
From 5000 to 5100 five sessions  
From 5100 to 5200 seven sessions  
From 5200 to 5300 (today) 9 sessions.

A fall may not have the same logic or even reverse logic. Old market saying *Bulls climb the stairs, Bears jump from the windows.*

AW10

29th March 2010 11:21 PM

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**Re: Trading NR7 setup**

Nice observation TT. In simple terms, rate of change is coming down..

Or Oil is getting costlier or mkt is running in reserve now.

Besides this new high is coming at low volume and adv/decline number is also not very healthy (7-Jan - 709 adv/592 decline, 18-Jan - 684 adv/638 decline and today 29-Mar - 463 adv/872 decline). Market PCR is also at 0.84 which is <15% of time when mkt has been there in bull market of

2009.

Somebody out there really knows what market is really doing now and how long will it continue before it traps bulls.

Happy Trading

AW10

19th April 2010 03:27 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **fish10rock@gmail.com** (Post 428116)

*Sir,  
if there is no breakout, then ,what to do.*

*Som*

---

If no breakout, then No trade.

Watch the market.. or doing something else.

Or if you want to donate money to market by trading range bound market without any strategy, then yes, you can trade.

In my view better to donate this money to more needy people out there then the smart money in market who anyway, make money in sideway market too.

Happy Trading

Phani333

2nd May 2010 12:54 AM

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**Re: Trading NR7 setup**

Dear Aw10,

Really Appreciate your efforts for sharing such a simple yet powerful Strategy.. :)I am new to trading But, read the entire posts on NR7, and felt that it perfectly suits my trading style. I Collected the afl on NR7 by anant :clap:, and did some changes to that so that we can easily identify the nr7 on the price chart.

And After going through the posts, i took my charts and observed the NR7's on it & came to some interesting conclusions.

which are

1) nr7 so powerful when it occurs after a rally or Decline. I mean when we enter after such situations the price moved in favor of our strategy & it never hit the Stoploss. if required i can post the charts here to confirm.

2) Yes NR7 is the Smallest range in the last 7 bars but before starting to trade the NR7 we need to have a look on the other 6 days ranges also. By seeing them we can avoid false breakouts..

thats all for now, and will post here if i find any good piece of information on the charts.

Regards,  
Phanindra.Y

Phani333

4th May 2010 07:17 PM

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**Re: Trading NR7 setup**

Quote:

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Originally Posted by **AW10** (Post 431986)

Thanks Phanindra for your feedback.

Looking forward for more input from you.  
Happy Trading.

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Thanks AW10, ( may i know your name please, just curious to know :)) for your encouraging words.

After going through the charts what i have observed is, if the range on NR7 day is less than 0.7% to 1.5% of the close it's like a compressed spring, and at this point when we enter into a trade based on the strategies you discussed at the beginning, the chance for it becoming a profitable one is High.

Here are some of the charts on which we can observe the range on NR7 day is less than 1%.

<http://img293.imageshack.us/img293/1500/drreddys.png>



Phani333

4th May 2010 07:29 PM

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### Re: Trading NR7 setup

Same observation on Adani Enterprises.

On 16/04/10 the NR7 range of adani is 6.85 which is around 1.5% of the close. If you observe the previous day's ranges interestingly the last 4days range is continuously decreasing, this kind of entry conditions makes the NR7 setup highly probable one.

<http://img100.imageshack.us/img100/2541/adani.png>



COLLECTION OF SOME EDUCATIVE POST UPTO 15-05-2010 FROM THREAD "TRADING NR7 SETUP" BY AW10