

A Reversal

It happens that your alarm system screams louder that it's time to lock in profits (see [Accumulation signals](#)), if you were standing at the right direction. The question that I have always held: - "What to do after?".

Imagine that you have opened the position. We added in a saw, or after leaving the band, or after crossing the movings - your reference signal indicator – or added with the news, but you guessed the direction. Vigorously a wide movement were developing (see the article [of the same name](#)), and you have been the proud owner of the paper profits that you had not want to miss. Finally, the alarm bells of your signal system sounded about changing the situation, or the price reached your forecasted price level or your profit reached unprecedented magnitude, and you got it! And ... You're out of the position.

Leave aside the psychology and let us distinguish three subsequent variants of the life of the trader after: there are **continuation**, **aftertrend'saw** and **reversal**. This conditional division, which does not contradict the strategic concepts of "

up, sideways and down

". Such a narrow classification will allow us to further explore the situation after we recorded gains or losses and went to zero' position size. What to do?

My answer to the question of mine is: I prefer to re-evaluate the strategy, and if it aims to **continue**

then wait for a pullback and re-enter forward. Dependently on the ratio of correction time and its depth, I can re-enter by small fraction - if the correction is short and weak. And I can re-pile, if correction had happened before the return to the saw area and reversal signals have sounded on a smaller timeframe. That is, when you get in the saw due to the market situation, it is necessary to re-open, taking advantage of such tricks as "from a noodle" and "smaller timeframe" (see

[Opening position](#))

. I would note that it is important to know your own trading style and stick with it, as if to dissipate, then the dissipation threatens to spread your trading account. Trading style depends on the personality structure of the trader, which, if changing, is doing it slowly and reluctantly. For example, my biggest losses occurred when, being a swing-trader, I unwittingly turned into trend-follower, unsuccessfully waited in vain. More precisely, I waited the return to trend, when he was ordered to live long! If I were trend-follower, I would have been stopped-out long ago then, having limited loss on trend-signal system, which should be radically different from mine, vibrational. Now knowing better, I often watch with the melancholy how prices fly to heaven, or, conversely, to hell, owing the small position in the form of a pair of options. And I get down to business again, only when my favorite saw reigns.

In most cases properly built alarm system, when it produce no signals, it is exactly the occurrence of **aftertrend' saw**. Otherwise, you do not need to question what is happening: The collapse of Lehman Brothers bank or operation to force Georgia to peace by Russian military forces is clearly fraught with unpredictable powerful spurts of price in both directions. I ramble on about routine mid- and low-volatile trend movement, which seems to be slowed down. The saw situation objectively defined when the long-distance Moving Averages tightened to the price and extend in the horizontal direction. Other trend indicators such as MACD, my

[Piano](#)

,
[Sum](#)

,
[Mcs](#)

- start doing something like sausages around zero; level indicator

[AutoFibo](#)

- hang around the base of average levels, taking the minimum value; volume - ranging from the plane. They all begin to lie and faithfully granulate. Meanwhile robots of marketmakers are taken to work to compensate loss in a trend which stalled, and I join them. Here begins a continuous subjectivism, but every saw situation still has room for tactics, which I speculate later, in other articles.

Reversals rarely occur abruptly. Even if the reason for this is terrorist's attack, anyway, someone gets to know about it first and starts to play against, and slows the movement with this. But most likely, with serious news, largest market players know about it quickly and immediately rips the market so that others are forced to gallop after. This is **news spike**.

In the early years of trading, I coached in myself the ability to react to spikes reactively. By enabling the plate with the broadcast CNBC, peered at tick charts, could rollover up to eight times a day. This is useful, but very time-consuming, and you get tired quickly of such trading

manner. The habit of watching CNBC retained, but now I prefer to trade on fluctuations. Speaking about non-news reversals, I would highlight two: **sharp** and **sluggish**, although a sharp one in the bigger timeframe begins to look like a spike, and sluggish - like sharp.

Sharp has the strongest start speed from the level of the deceleration of the previous trend. He hit through one of the long-period moving averages, not less than 50, and develops virtually recoilless, heated traders who resignedly cover positions, which has been opened on the trend. Thus strong countertrend can move one and two and three days in a row, giving no chance to trend-followers jump out to breakeven. It often starts with a trap: the breakdown of supp-resistance level towards the previous impulse, then goes against and woe to those who invested in punching and hovered there.

On the contrary, **sluggish** turn is smarmy. It can, as well as sharp, jerk with the place, but then the price regains sup-resistance level to loiter there for hours, harassing traders with robotic bites. Still sticking out a long-period' moving average, a price continues to mosquito. Quotes are shaking almost on the spot, and then sharply jerk falling almost at the same place, gradually moving vertically to the direction chosen. I call this state **fishing** because the price behaves like a spoon-bait in a winter ice-hole. But this is also a reversal, which can drive you crazy if you trade manually and besides, it can suddenly go into a sharp, recoilless movement, taking your account with it. As well as often, it ends with the strongest return to trend. Very dangerous!

What do you do if you do not fall into the trap and you are identifying a reversal? It makes sense to minimize the countertrend position, and sometimes even do zero, as trends tend to continue. You would better wait until a sharp reversal calmly turns to a saw, or sluggish' one resolved in something less exhausting. And only that time re-override strategy (see the article [From Strategy To System](#)).

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