

James16 – Price Pivot Zone (PPZ)

mbq**b11** Oct 1, 2008 6:46 | Post# 14083

Quoting aSandman

Thank you Bundy! I still don't really know what a ppz is. From reading back threw the thread I would venture a guess that its a "price pivot zone" and is an area that has acted as both support and resistance? Thank you so much for the chart. I am attaching a chart for critique please and tell me if I have the idea correctly.

yes a PPZ is simply an "area" where there is a flip b/w support and resistance

These can be zones, and are often not one specific point. Often times they line up with other things such as round numbers

Posts that best explain it

<http://www.forexfactory.com/showpost...postcount=9035>

<http://www.forexfactory.com/showpost...postcount=9037>

<http://www.forexfactory.com/showpost...postcount=9038>

<http://www.forexfactory.com/showpost...postcount=9040>

<http://www.forexfactory.com/showpost...postcount=9041>

<http://www.forexfactory.com/showpost...ostcount=12722>

Tips on drawing them is to zoom out so you can step back and see the price flips. There are both major and minor PPZs

james**16** Feb 7, 2008 16:48 | Post# 9034

i know one of the others would jump in eventually cos but since i worry about people confusing these please allow me. when you see someone say pivot zone they are not necessarily referring to classic pivot points or floor trader pivots. its a term i use for flips in support and resistance over time. sometimes they do line up with a floor trader pivot. (im old school so thats what i call them), but price pivot zones are my term for this phenomenon. i will post a couple of charts. been a while since ive done that here .

jim

pivot zones

pivot zones. they are not a defined single pip values but have a range of width based on time frame. many times they are almost to the pip and easy to see and sometimes not.



pivot zones

pivot zones and price action for confirmation. dump your freakin indicators and moving average cross systems they kill 99 percent of all traders. trending markets make any system work but all markets spend most of there time in consolidation and consolidation is the system killer. after some practice this material makes trading consolidation areas easy. simplicity, focus, discipline, practice, common sense and a true business like approach and you might make it. might.



pivot zones and price action

chart



chart



a pivot zone can vary in size of pips depending on time frame and whether or not it is located very near a big round number (a lot are). it can be a very small range or a larger one but it gives you a great way to predict price movement whether your entering or managing a trade.

Quoting lose again

Hi, James,

Thanks for your great chart and explanation. Now I follow your thread day by day.

Hope you don't mind asking a question, The problem here is how to define PPZ, The definition I learned from Jarooo is the area right below the ppz box you draw on your chart. draw a box around bars which have same high/low. If the definition of PPZ is arbitray, it will cause confusion.



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Quote

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And guess where I got the defintion from . . James16 . . lol.

Let me illustrate this from Jim's point of veiw and he can tell me if I'm off track or not.

PivotPointZones are made up of Support and Resistance levels. S/R levels can come together and be on top of each other and be very tight as Jim has shown a few posts back. Or they can be wide in range.

The area between the Sup and Res levels is the **PPZ**.

Let's look at the Usd/Jpy prior to the up move through Resistance. An obvious Res. level. (Chart 1)

Then Price moved up and up and then down which created a Support level. This is what Jim is pointing out. (Chart 2)

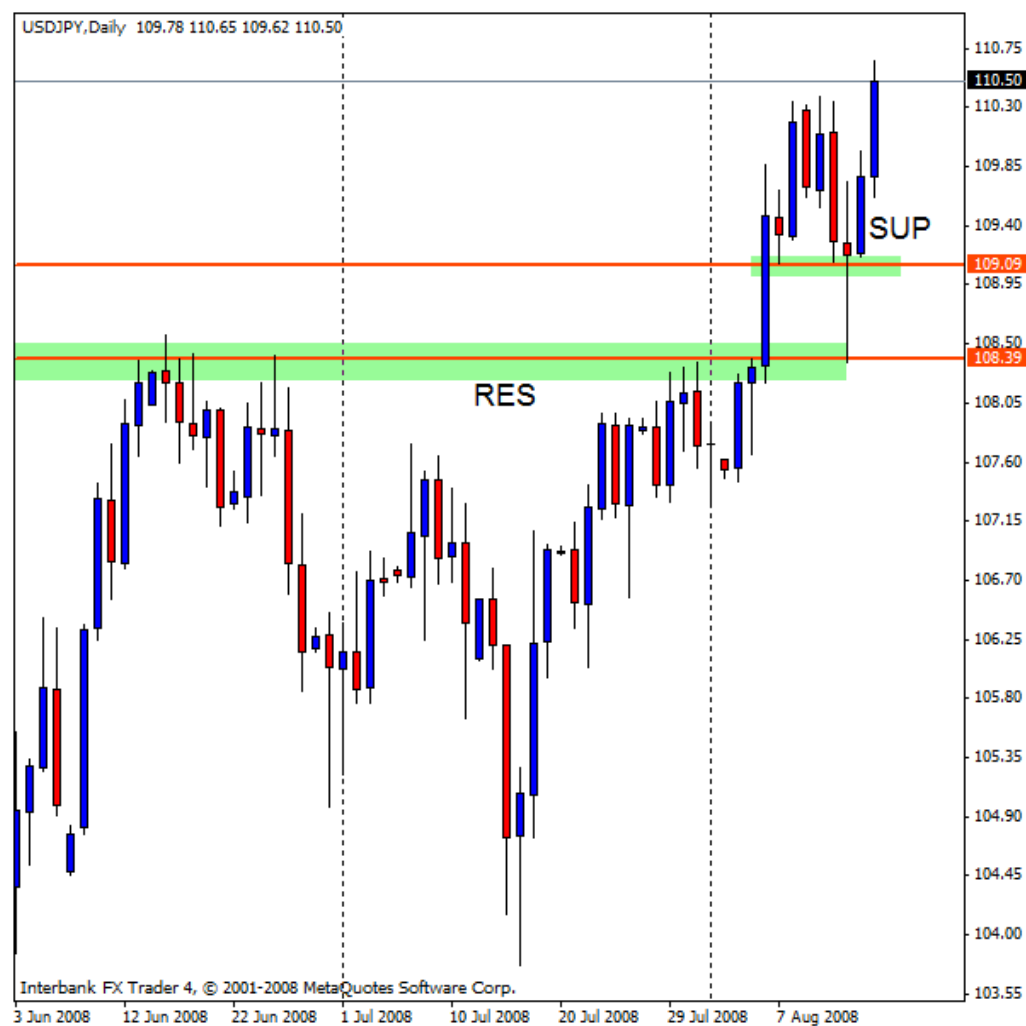
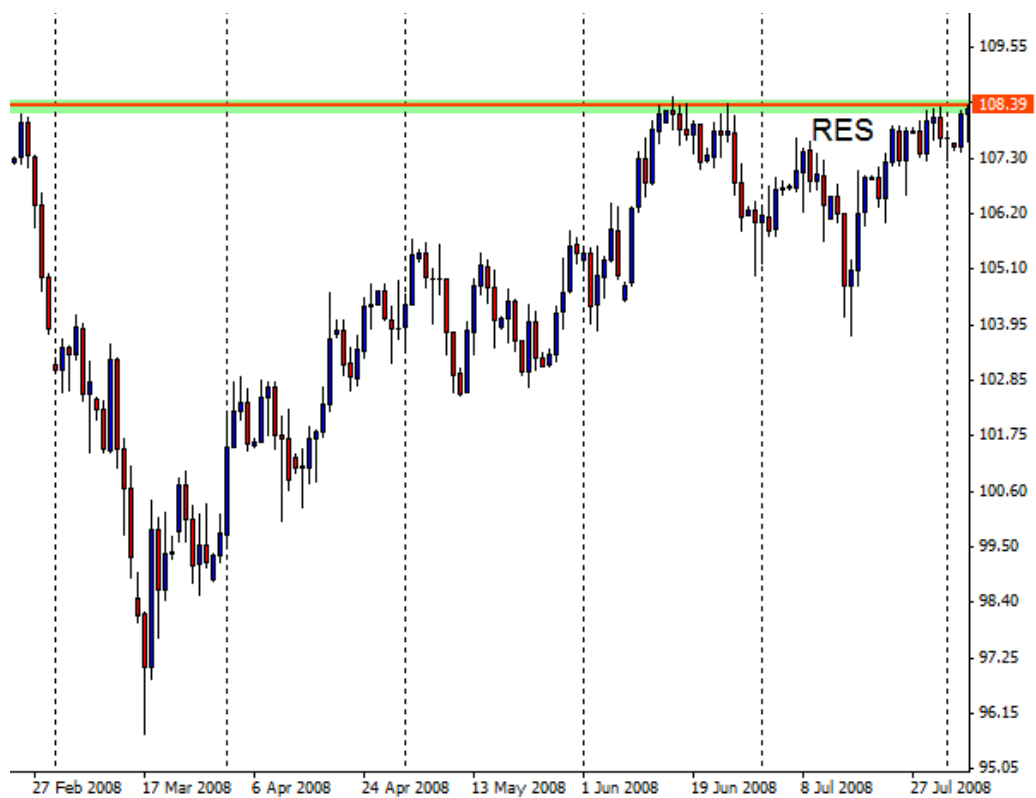
This area between the Sup and Res is the PPZ. (Chart 3)

Now this is where the fun part comes into play and it requires participation on your part. 😊😊

Put the horizon lines on your Daily chart the same as mine. At the 109.09-.10 level and the 108.39-.40 level. (click off the "autoscroll") And go back in time . . . 2008, 2007, 2005, 2004, 2000 and even back 1998.

Cool stuff.

Jim





lose_again

Aug 16, 2008 14:02 | Post# 12732

PPZ is actually the area **between** the Sup and Res, My bad.

Thanks, Jarroo, I knew I can always learn something from you.

Quoting eltrot1979

So its just like another PPZ to watch out for? When I looked at my USDCAD charts I didn't note much action around the 2400 area so didn't have any PPZ lines pencilled in, but I've just gone back and looked at the monthly chart and I can see there was some nice reaction at that area back in 1992-93, 1988 and the early 80's! That's quite a few years back! If it wasn't a round number, would you say PPZ levels going that far back would still be significant today?

Thanks for your time

When PPZ and round numbers line up it is even better places to watch. What i mean on a smaller level is intraday these round numbers are also important. Basically you have orders piling up on both sides of this number. So for example lets put out a hypothetical situation for this USD/CAD to illustrate what I mean.

We were in a very strong up trend, and then price temporarily exhausted giving what we call here a pinbar. At the low of the pin(the daily low), was just above the round number 1.24. So now the next trading day starts. You have a bunch of people look at their charts saying. Ok right below yesterdays low, people have their stops. They say ok if yesterdays low breaks I am out. Now you also have people who placed limit buys just ahead of the round number. So price breaks the low, sellers come in, but buyers come in to absorb this liquidity to get in long. All the while 1.24 is NEVER even hit. The orders ahead of this number prevent price from going lower, pushing price up higher and invalidating our pinbar. Now does this always happen, NO. There are a ton of various scenarios. But from my experience the fact that orderflow clusters around round numbers gives us incentive to help us a little bit more. In the case of buying and selling, my order always goes above(when I am buying), and below(when I am selling), a round number.

There are many other scenarios why round numbers don't get breached. Sometimes it is option barrier protection, etc.

On the longer term you might see round numbers line up with PPZ, but they also play a role intraday.

Hope that helps a bit

Mike

There are many steps to becoming a successful trader. One of them is gaining confidence in your trades.

Here is some advice for anyone that wants to trade price action with confidence. I know many of you already do this since Jim has advised doing it before.

Draw the pivot points on your chart and wait for the price to react with them.

For a long while I had my charts clean of all lines and I simply looked at the markets each night and took note of the ones that had good looking pins (long noses, small bodies etc).

Once I had found a pin (or several for that matter) I would start looking to see if this price aligned with any pivot areas. So I would start drawing in the fibs and the S/R pivots around the price action.

However, with this approach there is the possibility that you may be "fitting" areas to your pin (sometimes subconsciously) as in you find yourself saying: "right let's draw a fib down from this high...hmm no it doesn't line up very well....now lets try this high....hmmm no that doesn't work either, price is between the 38 and the 50 in no mans land....now let's try this high area...ok fair enough it's not really the high its more like a high within consolidation but hey it lines up wonderfully with the 61....yes this looks good".

I often found myself doing this with S/R. Of course I didn't do it intentionally but it's hard to prevent your eye from being drawn to the nose of the pin and then looking left and seeing a line or a zone where there perhaps isn't one...

So now what I do, is I put on the daily pivots on each chart. I use the ones that are obvious. If you have to look harder than ten or twenty seconds, most likely it's not a good S/R level. Then I go through and do the same on the hourly TF. Then I save the lines and close the chart.

I then re-open them every hour and once at the end of each day and wait to see if the price has come to ME.

When I get a pin that touches a **pre-drawn** line almost to the very pip, I get strong confidence in the trade. Why shouldn't I? I have analysed the market and drawn on a pivot and the market has shown me that at least temporarily, I have been proved right. Once the pin is then triggered it means price is still going in my favour.

Last night this happened on Crude. The price retraced to my pivot point and then it formed a pin. So I went long. This has moved more than 3 times the risk already. If you look left to the last pin (at almost exactly the same level) you will see the last trade I did which I talked about yesterday. Once again I got a pin at a pre-drawn level.

Please note - the lines on my chart may not look good to you. They are drawn from looking at more data that you **cannot see** on this chart. Having said that, it is also important to remember that pivots are largely subjective anyway.

