

Price Distribution Analysis Guide

Positioning Levels for Currency Traders



Price Distribution Analysis (PDA) is a methodology used to trade the spot currency markets. The method can be used to position trade from level to level. Time is not a concern, rather the resolution of value at the levels posted is the core component of decision making the levels are based on analysis of volume and price of the corresponding forward contracts traded on the CME (IMM). These values are applied to the cash currency market for decision making.

Dynamic Balance represents the price at which the most volume has traded during the analysis period. This period changes and is adjusted manually based on resolution of certain supply and demand levels in the period. The balance level is dynamic, meaning that it changes as value develops. The algorithm computes dynamic balance every 30 minutes, however depending on volatility and volume, this level may or may not change from day to day since the period analyzed is usually several weeks.

Positioning - All levels on the chart are positioning levels. The extension and objective levels for the distribution are calculated based on this dynamic balance and other inputs. Positions may be established or terminated at these levels as recommended by the commentary associated with each daily update.

Risk – Although risk will be discussed at times in the commentary, it is the responsibility of each individual to manage risk based on their own risk profile and tolerance for loss. The analysis will frequently be wrong and losses will occur in actual trading.

Traders are encouraged to check for updates as they occur. Currently the EURUSD, GBPUSD, USDJPY and USDCHF are covered. The daily analysis is posted in the News > Technical Analysis section at ForexFactory.com.

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