



**By Nitin Suvarna**

### **Trading with ATR Price Projections.**

J. Welles Wilder developed "Average True Range" (ATR) as a tool for a more precise calculation of price activity and volatility.

True Range measure market volatility and has recently gained popularity amongst retail traders after understanding the fact that it is very important to know and project how much can a currency pair move for a said day.

ATR doesn't give you directions but it tells you a range in which a currency can move.

ATR projections are plotted in the beginning of the day basically just telling you a desired range in which pair will move for the day.

Typically showing a high and a low ATR zone. ATR levels are actually considered as a potential reversal zones. When price is ranging in the middle of the ATR it indicates that market is ranging or no real volatility, some traders also look for breakouts when price is ranging in the middle levels.

ATR is generally clubbed with any other trading system just to add more solidarity to the system.

I am not saying this is a Holy Grail or anything as such but when used in a particular way can give you more logical setups.

Basically ATR projections plot the high and low levels on the charts which are a desired high and low for that day, and more importantly it gives an ATR percentage.

Now here is the way I use ATR for intraday setups.

Rules:

- 1) Price should be in the top or low range of the ATR zone, by zone I mean high zone indicates high 1, high 2 and high 3 and low zone indicates low1, low2, low3. High 1 is the projected ATR high for the day and Low 1 is the projected ATR low for the day. The closer the price is to the High1 the higher the chances of a reversal. The closer the price is to the Low1 the higher the chances of a reversal.
- 2) ATR percentage plays a major role in determining how much has your desired currency pair moved for that day, ideally conservative traders will not look for setups if their desired currency has already moved 50– 55 % for that day.
- 3) So what is the setup we should be looking for to create higher probability setups? First the price should be the lower zone and within the ideal ATR percentage range basically within the 50 – 55%

in this case we will look for long positions on this currency pair. Second the price should be the higher ATR zone and within the ideal ATR percentage range basically within 50 – 55% in this case we will look for short positions. (NOTE : - 50 – 55 % is just a conservative number you can use your own instincts to take higher risk positions however anything above 65 - 70% is not recommended

- 4) The higher the price touching the high 1 or high 2 higher the chances that price will reverse from those levels provided its within the ideal ATR percent range. The lower the price touching the low 1 or low 2 higher the chances that price will reverse and start inching up again provided its within the ideal ATR percent range.
- 5) Now this is a setup that we are looking for, please note from this point its up to your trading system to detect the signal, momentum etc in the trade. Price projection is only giving heads up on tops and bottoms so that you focus on those pairs for entries.
- 6) One way of focusing on entry is by using RSI directions, currency strength etc.
- 7) Use ATR projections on individual indexes to figure out which currency is overall on a higher high or lower low. Then use any currency strength indicator to determine how much strength the currency has to move in the desired directions from the ATR HIGHS and LOWS.

Using ATR for stop losses.

The ATR projection gives you ATR reading basically a number which tells you how much the pair will move in terms of pips. Next to that you have TODAY which is again a number which tells you how many pips it has moved for the day.

A common way to set stop is by multiplying the number of ATR projected pips by 2 from the point of your entry. Second way is to keep the ATR pips as your stop. However it's recommended that you use other technicalities like S/R, Pivots along with ATR to set stops.

Take Profit levels.

When you go long from the lower ATR zone use High 3 or High 2 as your first take profit level for conservative exits.

When you sell from the higher ATR zone use Low 3 or Low 2 as your first take profit level.

Example

Yesterday NZD was the highest gainer and started the Asian session with price being in the lowest low of ATR and way below the ATR ideal percent.

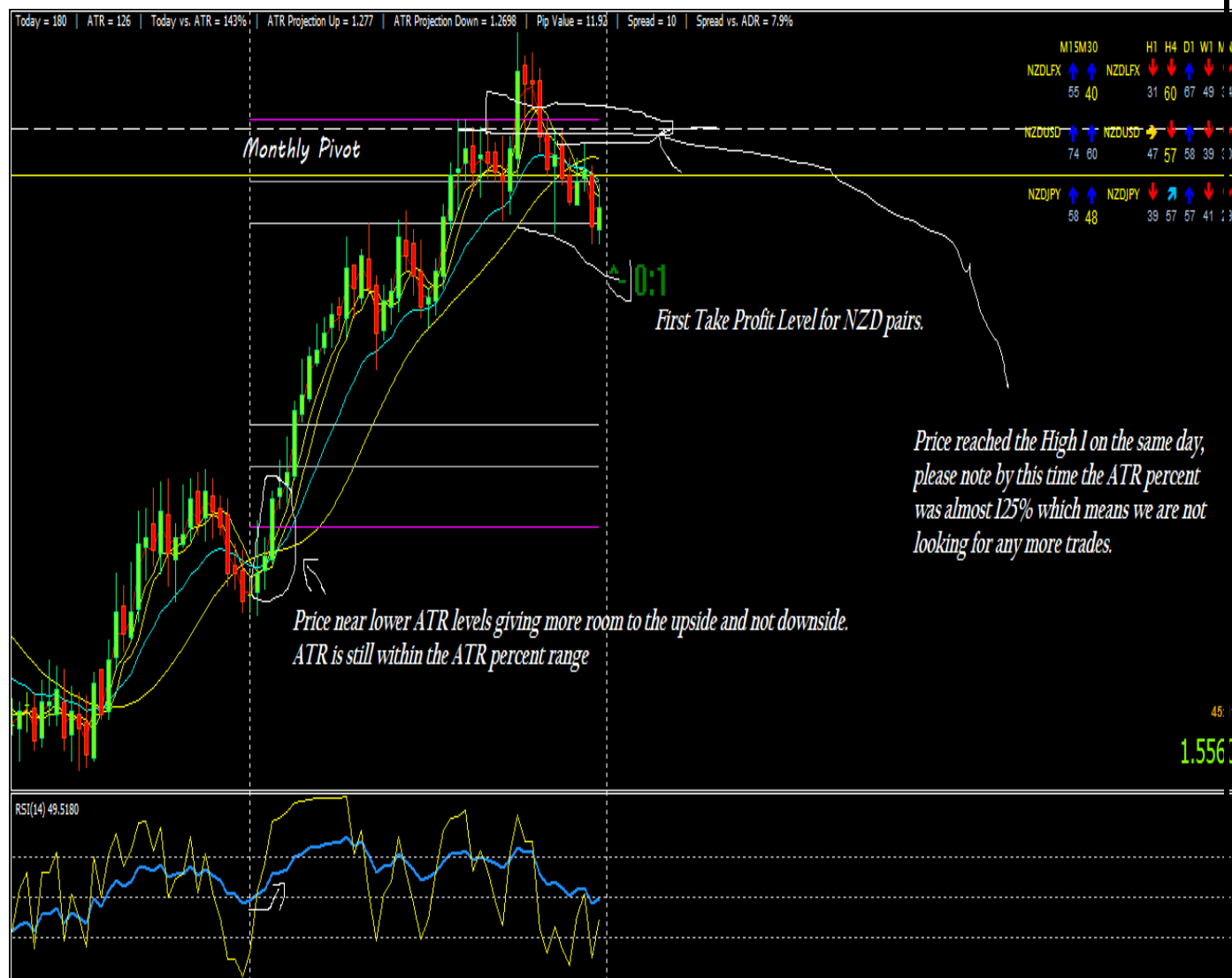
Now first criteria is met price on a index on lower ATR levels, second the market had just opened indicating a move is still pending ATR was hardly 10 – 12 %

Third we use other indicators to detect momentum, strength on the index

Example the H1-D1 was steadily moving up, the index strength showed a nice reading for NZD index showing strength.

Now we would look for NZD pairs which are on their high or low ATR levels. Please NOTE: We will never trade expensive pairs. However for example we will take all pairs.

Its important that your can detect strength and weakness on individual indexes. High and Low ATR help you in which basket to find trades.



Today = 123 | ATR = 125 | Today vs. ATR = 99% | ATR Projection Up = 0.7647 | ATR Projection Down = 0.752 | Pip Value = 10 | Spread = 3 | Spread vs. ADR = 2.4%

M15M30		H1 H4 D1 1/1 MN				
NZDUSD	74 80	NZDUSD	47 57	58 19	30	

Price reaches the high ATR levels and ATR stood at close to 90% which means we dont take this trade.

^- 0:1

First take profit level high 3

When NZD index opened in lower atr zone in the asian session the NZDUSD was also in the same zone moving up.

Monthly Support 1

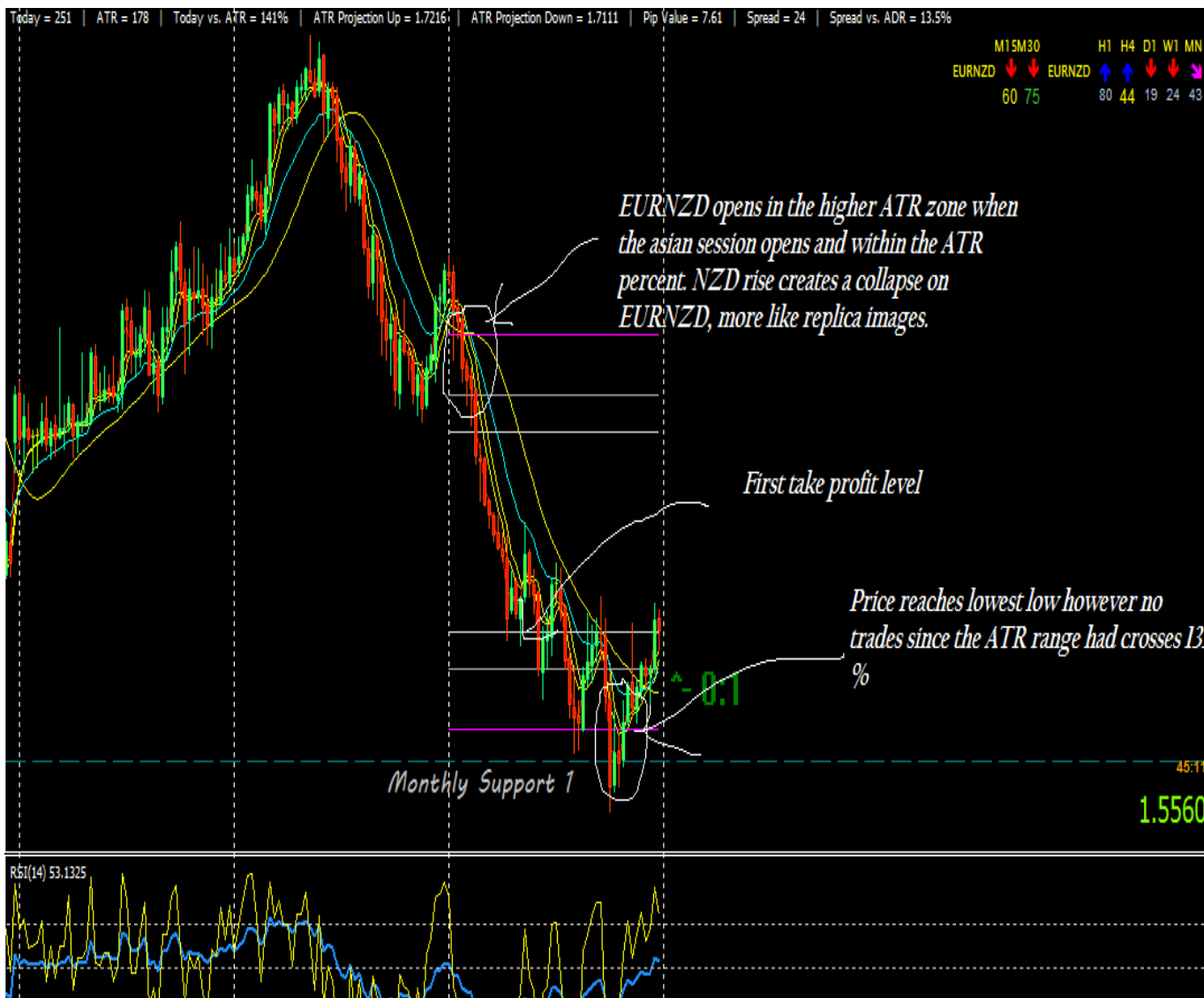
45:11

1.5560

RSI(14) 51.0209

Today = 251 | ATR = 178 | Today vs. ATR = 141% | ATR Projection Up = 1.7216 | ATR Projection Down = 1.7111 | Pip Value = 7.61 | Spread = 24 | Spread vs. ADR = 13.5%

	M15M30	H1	H4	D1	W1	MN
EURNZD	↓ ↓	↑	↑	↓	↓	↓
	60 75	80 44	19 24	43		

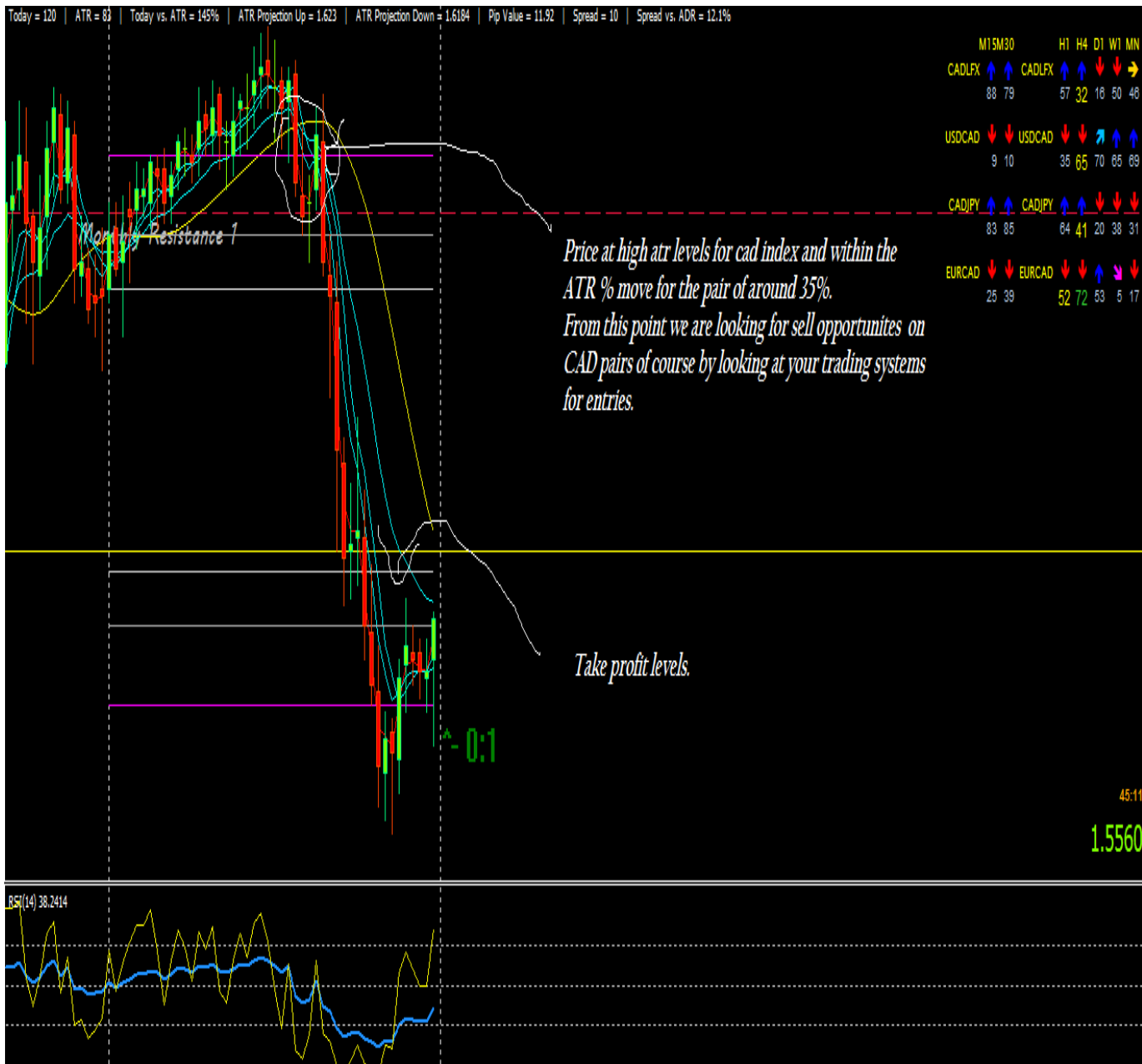


RSI(14) 53.1325

45.11  
1.5560

Today = 120 | ATR = 83 | Today vs. ATR = 145% | ATR Projection Up = 1.623 | ATR Projection Down = 1.6184 | Pip Value = 11.92 | Spread = 10 | Spread vs. ADR = 12.1%

	M15M30		H1	H4	D1	W1	MN
CADLFX	88	79	57	32	16	50	48
USDCAD	9	10	35	65	70	65	69
CADJPY	83	85	64	41	20	38	31
EURCAD	25	39	52	72	53	5	17



Price at high atr levels for cad index and within the ATR % move for the pair of around 35%.  
From this point we are looking for sell opportunities on CAD pairs of course by looking at your trading systems for entries.

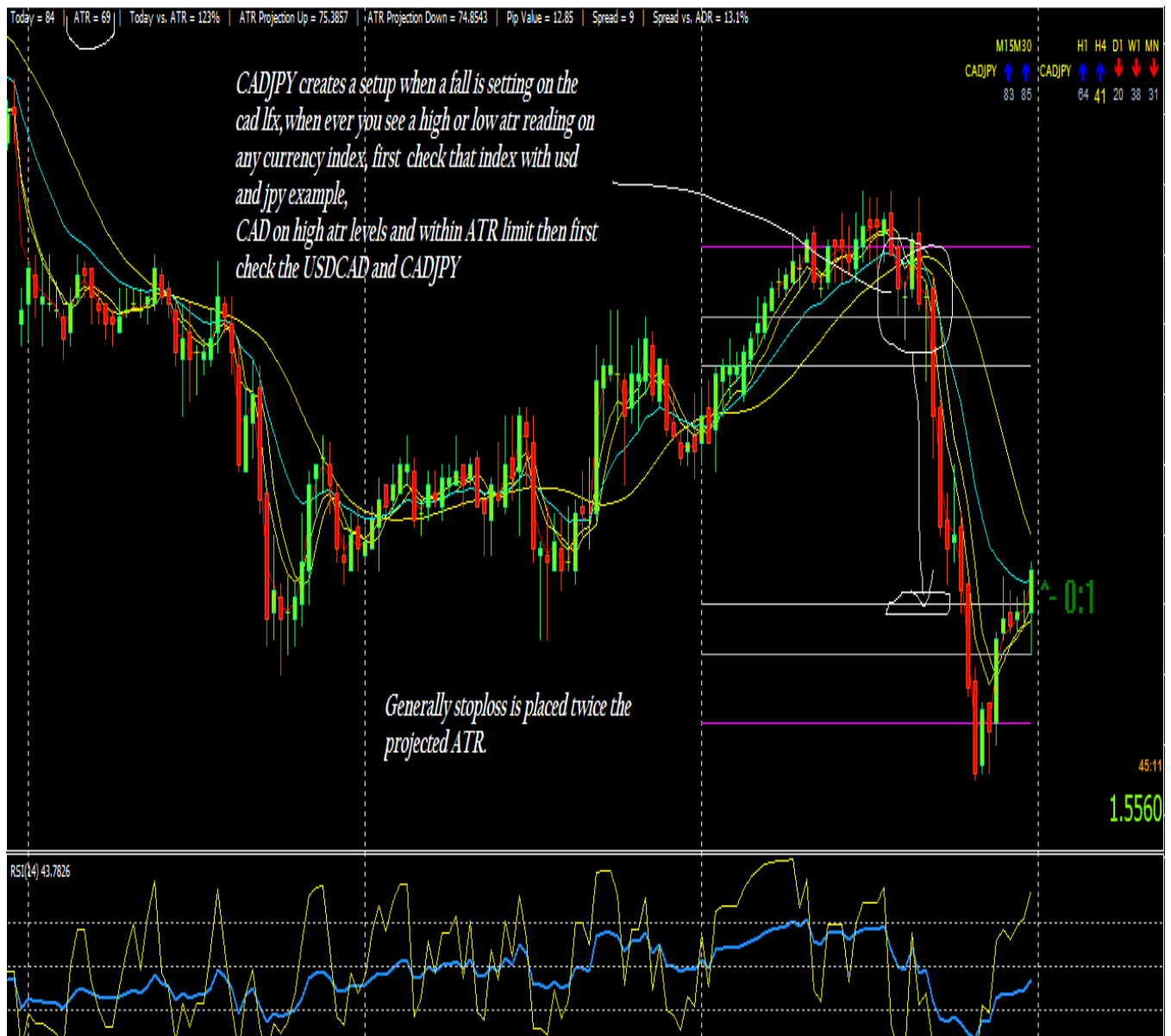
Take profit levels.

45:11

1.5560

BS(14) 38.2414





Hopefully soon we will be in a position to create ATR projection scanner, which will send alerts each time an index reaches its top or low ATR levels and will also scan which pairs are trading in top or low ATR levels for that index.

Hope this helps.  
Thank you

Disclaimer: Trading in the Foreign Exchange market is a challenging opportunity where above average returns are available for educated and experienced investors who are willing to take above average risk. However, before deciding to participate in Foreign Exchange (FX) trading, you should carefully consider your investment objectives, level of experience and risk appetite. Do not invest money you cannot afford to lose. Forex, futures and options trading has large potential rewards, but also large potential risk. You must be aware of the risks and be willing to accept them in order to invest in the Forex, futures and options markets. Don't trade with money you can't afford to lose. The past performance of any trading system or methodology is not necessarily indicative of future results.