Getting Started with Secrets of a Pivot Boss

with Frank Ochoa
AKA PivotBoss

The Edge You've Been Looking For

"I came upon your book by chance and was amazed by what I was reading. Your book is brilliant!" – A.C.

- Scalable to all timeframes – perfect for all traders, from scalpers to investors
- Universally applied to all instruments – perfect for traders of stocks, options, ETFs, futures, and forex
- Applicable to all market personalities – tailor your approach to the market's current personality
- Emphasis on market-generated, leading indicators – perfect for forecasting future price direction and behavior
- Includes proprietary setups and code – perfect for creating market scans, automated signals, and program trading

Getting Started with SPB

Secrets of a Pivot Boss lays the essential foundation for how traders must approach the market, which paves the way for more advanced forms of analysis and techniques that are also covered in the text.

- An Array of Analytical Approaches
- Auction Market Theory
- Understanding Value
- The Personality of Markets Theory
- The Four Market Phases

An Array of Analytical Approaches

Secrets of a Pivot Boss introduces traders to a wealth of analytical approaches, from price-based analysis to volume-based analysis, from value-based analysis to pivot-based analysis – all of which can be applied by all traders, from scalpers to active investors, from stock traders to futures traders.

- Auction Market Theory
- Price-Based Setups
- Market Profile
- Volume Profile
- Advanced Floor Pivots
- Advanced Pivot Range
- Camarilla Pivots

- Price-Based Analysis
- Value-Based Analysis
- Volume-Based Analysis
- Pivot-Based Analysis
- Pivot Trend Analysis
- Pivot Width Analysis
- Multiple Timeframe Analysis
- Confluence Zones

Auction Market Theory: 5 Key Tenets

Auction Market Theory is used to understand how market participants act in an auction, including studying market efficiency, inefficiency, and optimal bidding strategies for each scenario. AMT is a self-contained approach that all serious traders must understand and implement.

5 Key Tenets of AMT

1. The market is an auction, and operates solely to facilitate trade between buyers and sellers
2. Price is used as a tool to advertise value; value is the dominant variable in the markets – changes constantly
3. Price auctions higher to motivate sellers (supply), and lower to motivate buyers (demand)
4. Price auctions higher until the last buyer has bought, and auctions lower until the last seller has sold
5. When buyers and sellers find an agreeable price, they trade in large volume, thereby establishing “value”

Auction Market Theory: Participants

Auctions have four types of participants in two distinct categories: Initiative and Responsive. Understanding the roles of each type of participant allows traders to diagnose who is in control of the current move and who is in jeopardy of having their stops run, which allows you to better position yourself in the market.

A. Initiative Participants

1. Initiative Buyer: buys above value, betting that price seeks higher value

2. Initiative Seller: sells below value, betting that price seeks lower value

B. Responsive Participants

3. Responsive Buyer: buys below value, betting that price will return to value

4. Responsive Seller: sells above value, betting that price will return to value

Auction Market Theory: Auction Process

The Auction Process is ever present in the markets, in all instruments and all timeframes. Understanding the market's cycle allows traders to anticipate future price direction and behavior.

- Auction Market Theory provides the pathway for trading any auction
- Price auctions higher and lower in search of value in order to facilitate trade between buyers and sellers
- When buyers and sellers establish value, price trades within balance
- Imbalance occurs when excess supply or demand enters the market
- After an imbalance phase, price then reestablishes value and creates balance
- Knowing the cycles of the auction process and its participants gives you the knowledge required to have longevity as a professional trader

Understanding Value

Participants identify value to discern when prices are undervalued (Discount) or overvalued (Premium), and will trade from either a responsive or initiative standpoint depending on their opinion of value.

1. Price is used as a tool to advertise value
2. Value is the dominant variable in the markets – changes constantly
3. Price is valued differently in each timeframe
4. Historical value maintains significance into the future
5. Demand drives value; change in value reveals demand
6. The market moves from rejection (unfair pricing) into acceptance (fair pricing), then back to rejection

The Personality of Markets Theory

The Personality of Markets Theory (PMT) suggests that price tends to experience various cycles of behavior, or personalities, over a period of time. Experienced traders tend to trade during the cycles that offer the best possible opportunities.

1. Price experiences various personalities over periods of time
2. Price will gradually transition between phases, or personalities, over time
3. A volatile, unstructured personality, offers more risk and inhibits the ability to forecast future price behavior
4. A well-behaved personality offers the best opportunities for trading, and allows traders to better anticipate future price behavior
5. Price will remain within the current personality until proven otherwise

Personality of Markets Theory: Volatile

Personality of Markets Theory: Well-Behaved

The Four Market Phases

The Four Market Phases were pioneered by Richard D. Wyckoff and help to provide understanding of the various price cycles that markets routinely experience, thereby allowing traders to better diagnose current price behavior and anticipate future price movement.

FOUR MARKET PHASES:

1. ACCUMULATION

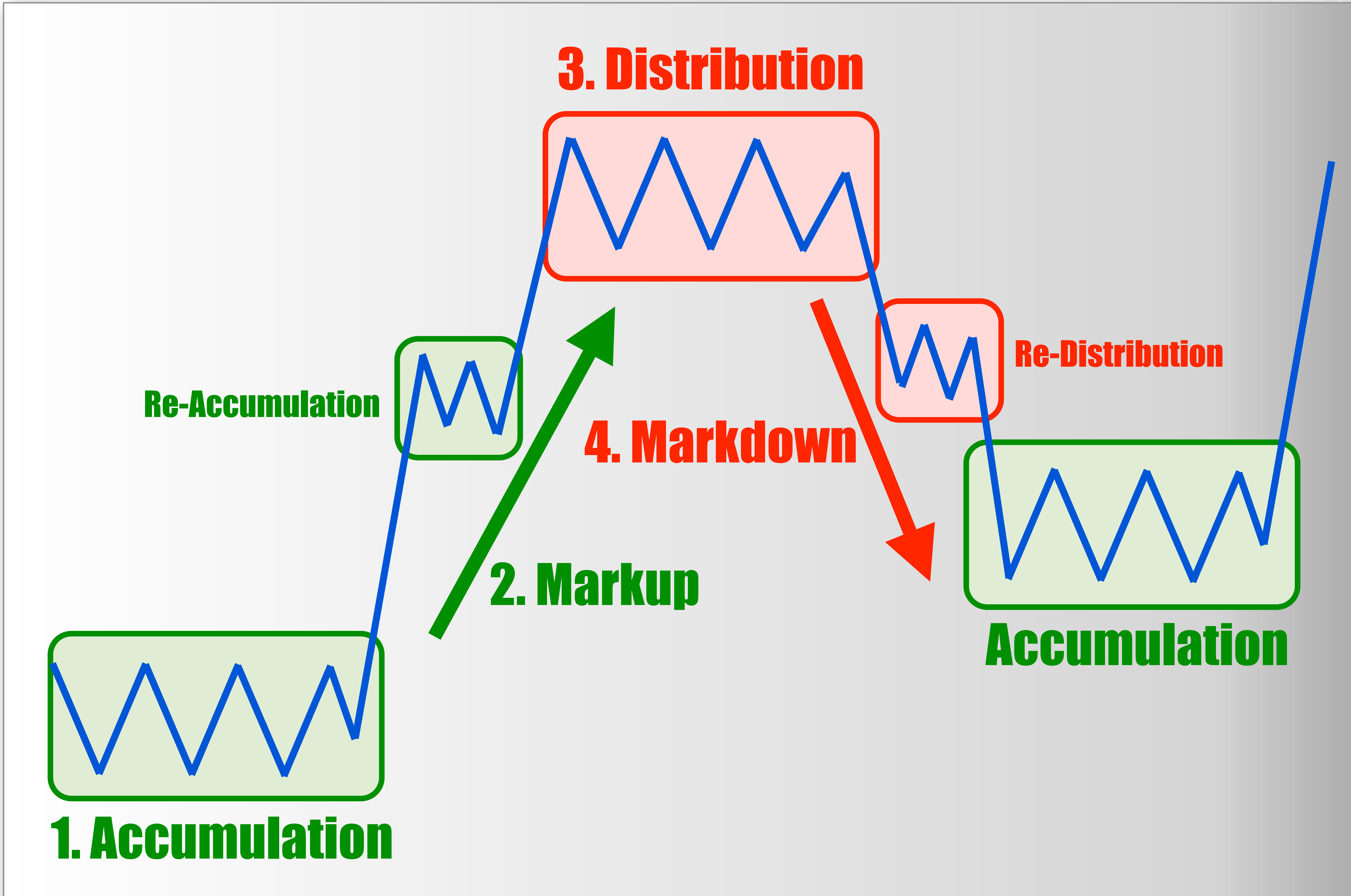
2. MARKUP

3. DISTRIBUTION

4. MARKDOWN

1. Allows traders to diagnose current price behavior
2. Allows traders to anticipate, and prepare for, upcoming price movement
3. Traders that can recognize market phases the earliest are able to identify the best profit-making opportunities
4. Allows traders to tailor their trading approach to the current market phase

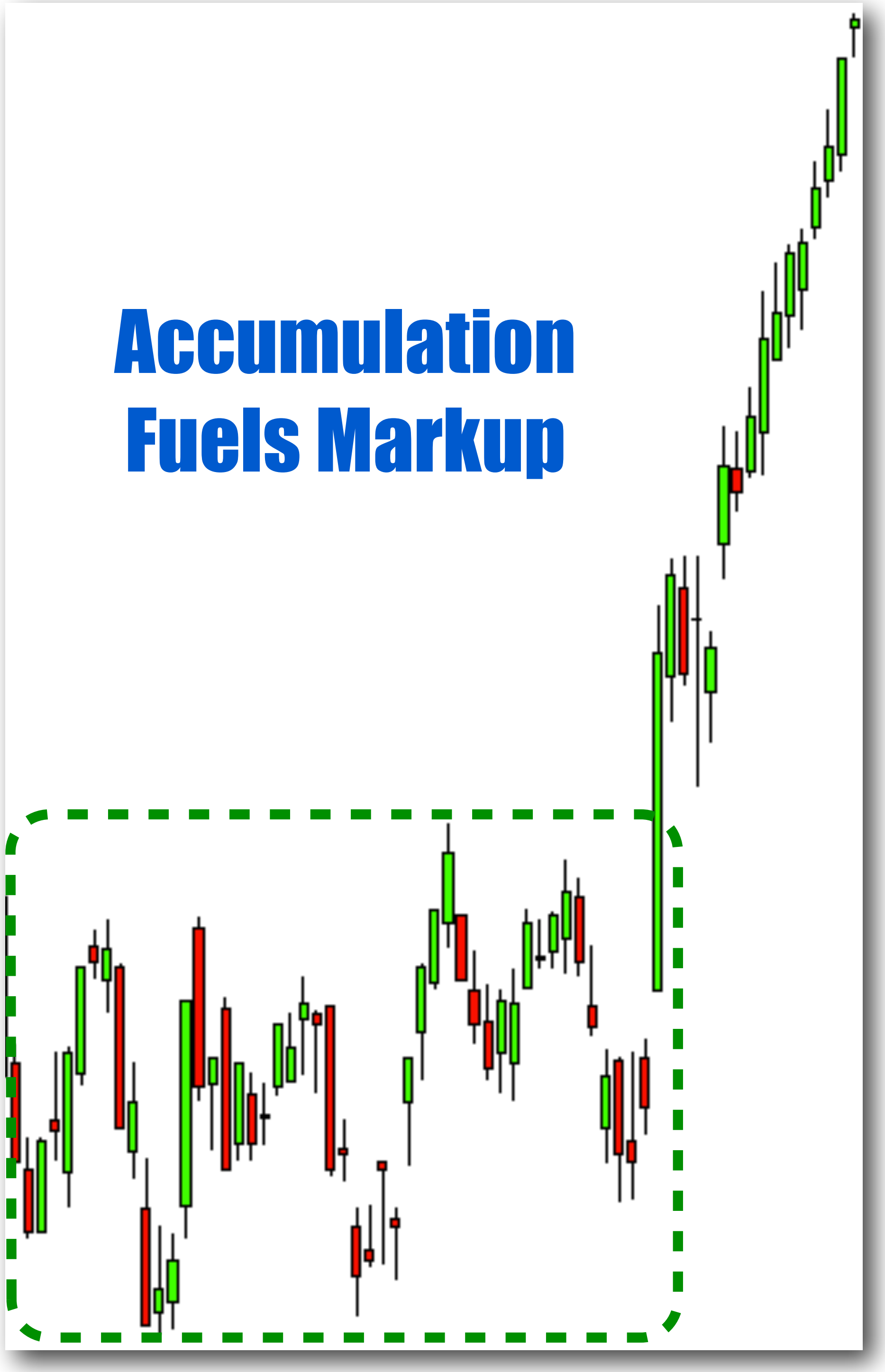
The Four Market Phases



Four Market Phases: Accumulation

The Accumulation phase occurs when institutional investors begin buying substantial supply of a given stock over a period of time, which creates compression that eventually fuels a Markup phase.

1. Institutions gradually buy large amounts of stock over long periods of time, so as not to drive up the price
2. A trading range, or base, develops as Institutions build their position
3. The compression fuels an eventual Markup expansion phase
4. Recognizing the Accumulation phase gives insight into future opportunity



Four Market Phases: Markup

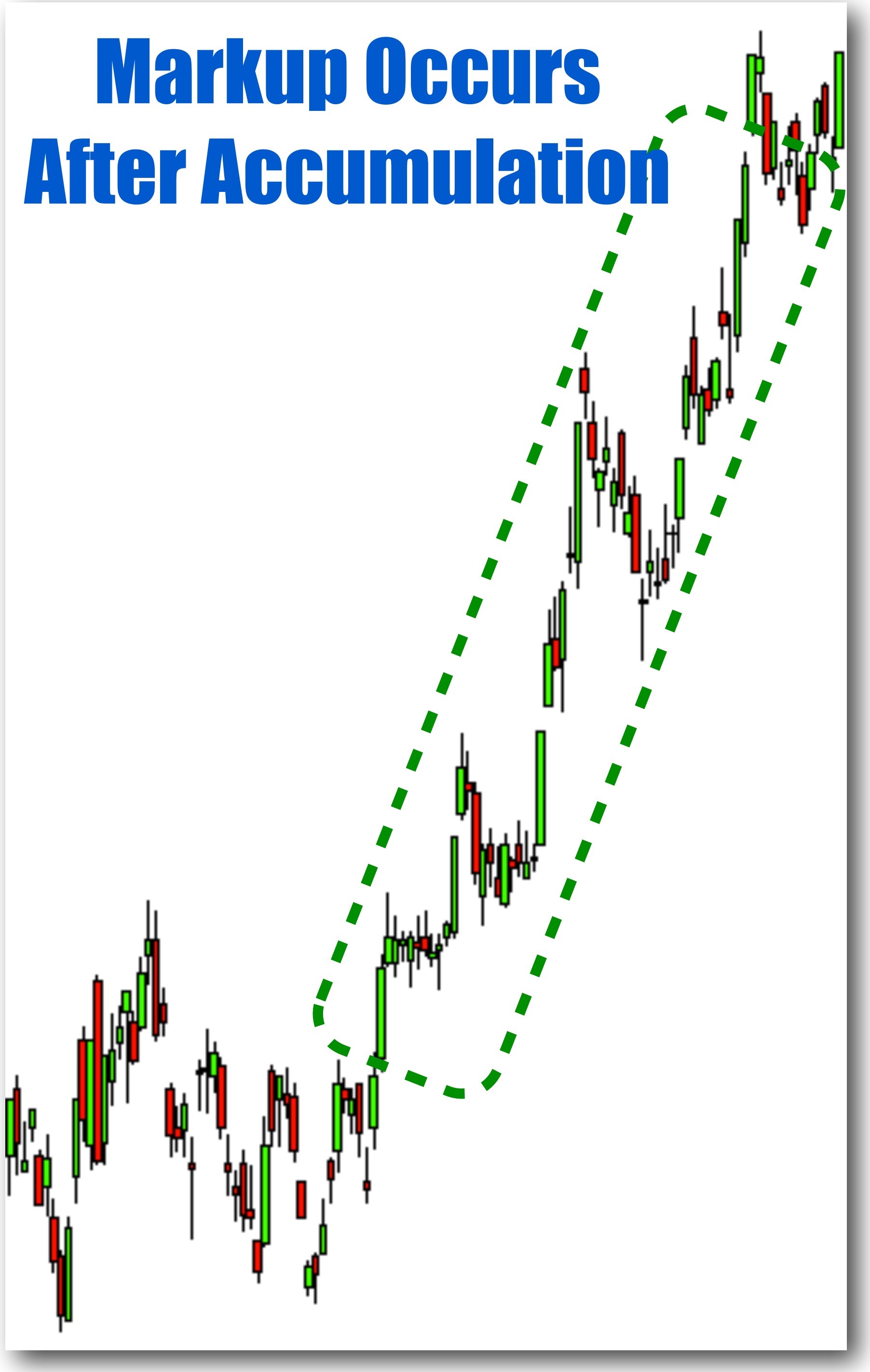
The Markup phase is a bullish expansion phase that occurs after, and is fueled by, the Accumulation phase. While Institutional money enters during the Accumulation phase, retail participants enter the market during Markup.

1. Price experiences expansion from the Accumulation phase, which triggers a bullish trending move when buy stops are triggered

2. The Accumulation phase fuels the eventual Markup phase

3. Institutions develop positions during the Accumulation phase, and the expansion is when retail money enters the market

4. The Markup phase offers the best trending buy opportunities



Accumulation to Markup

Four Market Phases: Distribution

The Distribution phase occurs when institutional investors begin slowly liquidating (selling) their inventory of a given stock over a period of time, which creates compression that eventually fuels a Markdown phase.

1. Institutions gradually liquidate large amounts of stock over long periods of time, so as not to disturb price
2. A large trading range develops, as Institutions liquidate their position
3. The compression fuels an eventual Markdown expansion phase
4. Recognizing the Distribution phase gives insight into future opportunity

Four Market Phases: Markdown

The Markdown phase is a bearish expansion phase that occurs after, and is fueled by, the Distribution phase. While Institutions liquidate during the Distribution phase, retail participants generally exit the market during Markdown.

1. Price experiences expansion from the Distribution phase, which triggers a bearish trending move when sell stops and margin calls are triggered

2. The Distribution phase fuels the eventual Markdown phase

3. Institutions develop positions during the Distribution phase, and the expansion is when retail money exits the market

4. The Markdown phase offers the best trending sell opportunities

Distribution to Markdown

Essential Foundation for Approaching the Market

Secrets of a Pivot Boss lays the essential foundation for how traders must approach the market, which paves the way for an array of analytical approaches.

- Secrets of a Pivot Boss lays the essential foundation for approaching any market in any timeframe
- Secrets of a Pivot Boss teaches an array of analytical approaches, from price-based to value-based analysis, which can be used by all traders, from scalpers to investors
- Auction Market Theory provides the pathway for trading any auction in any timeframe
- Understanding value allows traders to discern when price is trading at a Premium or Discount, which allows traders to deploy capital at the most responsible prices
- The Four Market Phases allow traders to diagnose current price behavior, and forecast future price movement

SECRETS OF A PIVOTBOSS BOOTCAMP

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