

# Trading the NOW Pivot

Positioning Levels for Currency Traders



**NOW Pivot** is a short-term methodology used to trade spot currency and other markets. The strategy can be used to position trade from level to level on a daily basis. NOW Pivot methodology is effective because all markets spend the majority of time range trading or building value and not trending. The strategy will frequently change positioning bias each day. Time is not a concern; rather the resolution of value at the levels posted is the core component of the decision making processes. The levels are based on analysis of price distribution, sales volume and price fluctuations of the corresponding currency forward contracts traded on the CME (IMM). These values are applied to the cash currency market for decision making.

The **NOW Pivot** 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 NOW Pivot is dynamic, meaning that it changes as value develops. The algorithm computes the NOW Pivot every 30 minutes, however depending on volatility and volume; this level may or may change from day to day. If ranges are wide and volume is high, then the NOW Pivot may change by several points. If ranges are narrow and volume is below average, then the NOW Pivot may only change by a few points or not at all.

**Positioning** – The goal of this methodology is to always remain in a favorable position based on where price is NOW compared to the NOW Pivot level. Since this level can change while a trade is in progress close monitoring of open positions is necessary to ensure proper trade management. Ideally, traders should establish positions near the NOW Pivot, but this will not always be the case. The NOW Pivot level is a guide for changes in short-term directional bias.

The **dark blue levels** on the chart are both target and positioning levels. These levels provide accurate exit levels for profit taking or risk management. The levels are also powerful supply and demand points that have a high probability of reversing price direction on a short-term basis so depending on price action traders may reverse positions and thus establish new positions at these levels also.

**Risk** – Although risk will be discussed in the daily analysis, each trader is solely responsible for managing risk based on their individual risk profile and tolerance for loss. Paper or demo account trading is highly recommended before actual trades are placed, but this is at the discretion of each trader. The analysis will frequently be wrong and losses will occur in actual trading. Please read the disclaimer in the footer of this document.

## Managing the daily NOW Pivot

Each day shortly after the close of the North American session, new NOW Pivot levels will be posted. Each currency analysis will include a position bias, either UP or Down for the following day. The bias can change from day-to-day so it is important to use the NOW Pivot as a guide for both new and existing positions. If price moves against a daily bias either above or below and holds there on an intra-session basis, then traders should consider the directional bias changed for the current session and manage trades and risk accordingly until the new NOW Pivot is published.

For example, let's assume the current day's analysis recommends establishing longs in the EURUSD at the NOW Pivot of 1.5000 and targets 1.5075 for taking profits. You enter long and

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price does move up to 1.5035 but does not reach the target level and you have remained long at the close of the North American session. The next day's NOW Pivot analysis is posted and comes in at 1.5050 and the bias has now changed to short. Your position is now not in alignment with the NOW Pivot. At this point, you have two alternatives. You can either close the trade and take profit or you could hold long and if price reaches the new NOW Pivot of 1.5050 you could reverse the position. Taking profit and establishing a new short position. As your experience with the NOW Pivot progresses, you may elect to close out trades each day and look to re-position the following day. This is entirely up to each individual trader.

Following the same example, let's assume you were long the EURUSD out of 1.5000 and targeting 1.5075. Price closes at 1.5030 and you hold long after the close of the NA session since your target has not been reached. The next day's NOW Pivot is posted and it comes in at 1.5010 approximately 20 points below your current position. The bias for the new day remains long but new positions are indicated at the NOW Pivot of 1.5010. In this example, you may use the NOW Pivot as a risk guide and remain long, closing your trade if price moves below 1.5010. You could also add to longs at this new level. Additionally, you could close your current trade and take profit, then look to re-position long at 1.5010. The issue is price may continue to move up, never reach the NOW Pivot level and taking you out of the move altogether.

There are many scenarios that may develop and they can not all be explained here. Only experience with the method will increase your effectiveness.

### Price Seeks the NOW Pivot

Since markets range trade the majority of the time, you will find that price will often re-visit NOW Pivot levels from day-to-day. This is the most difficult aspect of the methodology to manage. NOW Pivots change after the NA session. Price action that follows in Asia is many times low volume and moves are exaggerated or "false". Once the European markets open, you will find that price will return to the NOW Pivot level before a move occurs. This presents a unique challenge as traders can not always be sure that this will occur. As a very general rule, if a trader gauges prices to be close to the NOW Pivot, then the odds are favorable that price will return to this level in Europe or early North America. If price has moved strongly away from the NOW Pivot in Asia, the directional flow may continue to the target level, and then reverse and return to the NOW Pivot for the day. Traders should keep individual metrics and/or a trade log to study this and plan accordingly. I find that if you "expect" price to return it is helpful.

### Daily Analysis

The four major currencies (EURUSD, GBPUSD, USDJPY, USDCHF) are included in the NOW Pivot analysis and it is updated each day after the close of the North American session which ends at 5:00 PM EST. Occasionally, the updates may be posted earlier or later depending on market factors.

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