

The Choice of Pitchfork Pivots

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With the risk of repeating ourselves, we will mention again the “*Holy Grail of the pitchfork*” discussed in the previous chapter:

“The choice of the pivots engenders the efficiency of the pitchfork trading, which in turn is expressed by how well the market is described”.

In other words, when this “*credo*” is respected, the trading results will be optimal. All this weighs the power of the pivot choice.

When using the pitchfork technique, it goes without saying that capital accumulation will not be possible without the adequate choice of pivots.

The pitchfork embodies the true market price kinetics and interactions of the millions of participants, taking into account the price as well as the time variable. We could not stress enough the implication of taking into consideration the *time-price space*, in our every day trading decisions. It is far more efficient than taking just one variable!

The choice of pivots contributes a great deal, in assessing how these dual temporal-spatial variables interact.

The pivots are located within a swing (*distance between two nearest pivots*) or at its extremities. The swing is located within a trend (*distance between two market reversals*). Several swings may constitute a trend, toward a given direction.

Classically, we may say that a market is up-trending when the price climbs to higher highs, and higher lows and down-trending when the price drops to lower highs, and lower lows. A non-trending market is often called sideways or trading range.

1. Optimal Pivots

One question arises, though:

How the trader should choose the optimal pivots?

We tried to find the answer to this question by evaluating the pivots’ characteristics:

- Consider them as *Cartesian coordinates* sitting on top/bottom of a pullback (*in up-trends*) and on top/bottom of a peak (*in down-trends*). The pullbacks and the peaks movements are *resting areas* indispensables for the development of the trends.
Other locations could be more or less peculiar: high/low/midpoint of a gap or on the *curvature inflexion* of two intersected/joint moving averages.
- *Size of the pullback/peak swing* containing the pivots, which has four degrees of importance (*refer to Figure 17*): the bigger they are, the greater the impact of the pivots on the market bias; their measurement is done in two ways:
 - Percentage compared with its current swing, or
 - Percentage of its height (*in points, dollars or currency*) compared to the absolute security’s value [$(High-Low)/Low$ and *vice versa in down trend*].
- *Type*: primary, major, intermediate and minor.
- *Number of consecutive pivots* located on the same trend: usually noted from 0 to 5, and less frequently from 0 to 7 or even from 0 to 9. In case of a prolonged tendency, it may reach 0 to 11 pivots markings. The reversal price potential is omnipresent when the price reaches the 3rd, 5th, 7th, 9th or the 11th pivot.

- *Location within its current swing.*
- *Location within its trending swing.*
- *Location compared with the prior trending swing.*

As we already know a pitchfork is composed of three pivots :

- Anchor, represented by P0,
- Pitchfork's P1-P2 swing, with its
- Median point, constituting the drawing support in construction of pitchfork's median line (*anchor-swing's middle point trend line*).

2. Kinematics Study of the Pivots

From the pitchfork kinematics point of view (*branch of dynamics that deals with the aspects of motion apart from consideration of mass and force*), we have two variables:

- Anchor's (P0) location defined by:
 - P0's Cartesian position (*time, price*) is *most of the time* situated on a pivot (*turning point of variable importance*), usually giving birth to Traditional Pitchfork.
 - P0's non-pivotal location, situated on the midpoint of the swing opposing the pitchforks own P1-P2 swing, described in detail in *Chapter 10* and called Schiff Pitchfork.
 - P0's non-pivotal Cartesian position, located on the midpoint of a virtual swing opposite to pitchfork's real P1-P2 swing.
To our knowledge, this is the first time that this type of pitchfork is described. We took the liberty to call it the T-Pitchfork).
 - P0's non-pivotal location, situated on a "suspended" market point, born through the *Action/Reaction Lines* set-up development which is described in detail in *Chapter 11*. The functional role of the pitchfork, in this case, is rather "hybrid" because the A/R lines set-up already performed the market embedding. The P0 pivot's location will name this type of chart formation. We name it the Hybrid Pitchfork or the "Suspended" Pitchfork.
Another version of this pattern would be the "Retrograde" Pitchfork (refer to *Figure 48*).
- P1-P2 swing, which in turn depends on the location of its constituting P1 and P2 pivots. Their exact position will:
 - Directly engender the swing orientation in *time-price space*,
 - Indirectly impose the pitchfork's alignment within the same space.

3. Kinematics of Pitchfork Embedding the Global Market

Once the kinematics of the pitchfork's pivots are characterized, let us proceed and discuss the kinematical part of the pitchfork as a whole, and its role in embedding the market flow.

Talking about the meandering of the market's flow, we need, once again, to discuss the *naked* chart.

When observing the *naked* chart of any market, in any time frame, the “*keen eyes*” should firstly stare at two aspects:

- The *overall picture*, giving away, the layout of the trending, non-trending or mixed directional aspects of the global *time-price ethereal space* of the market.
- The *exact location* of the current market price (*the most recent move*) within:
 - Its own swing,
 - Its most recent trend’s swing,
 - Its last global swing or previous trend.

We have to confess that the most optimal results are given away by the inter-study of multiple time frames (*at least three, including the operational one*).

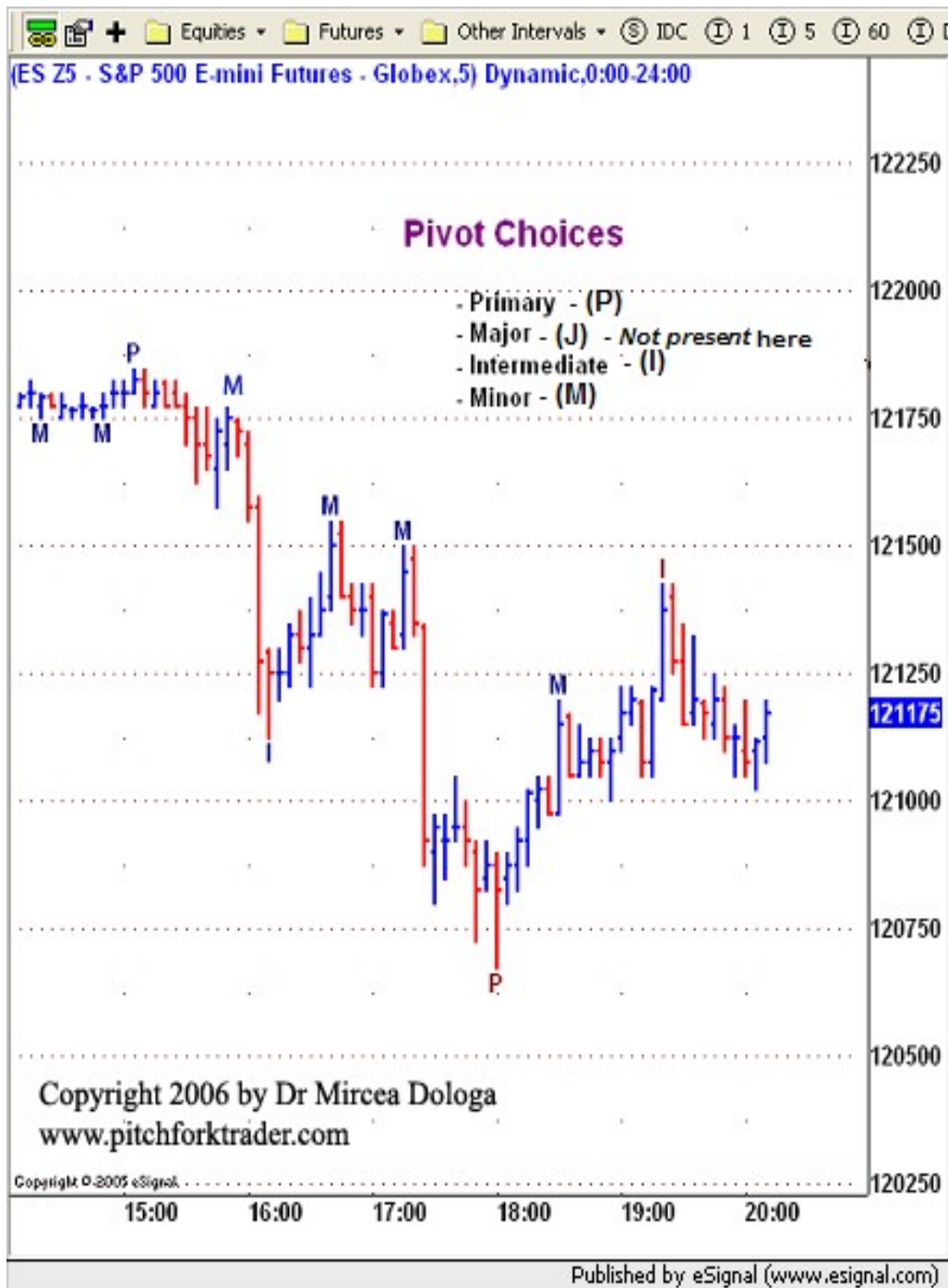
4. Case Studies of Pivot Choices

S&P 500 e-minis & DJIA Cash Index Charts

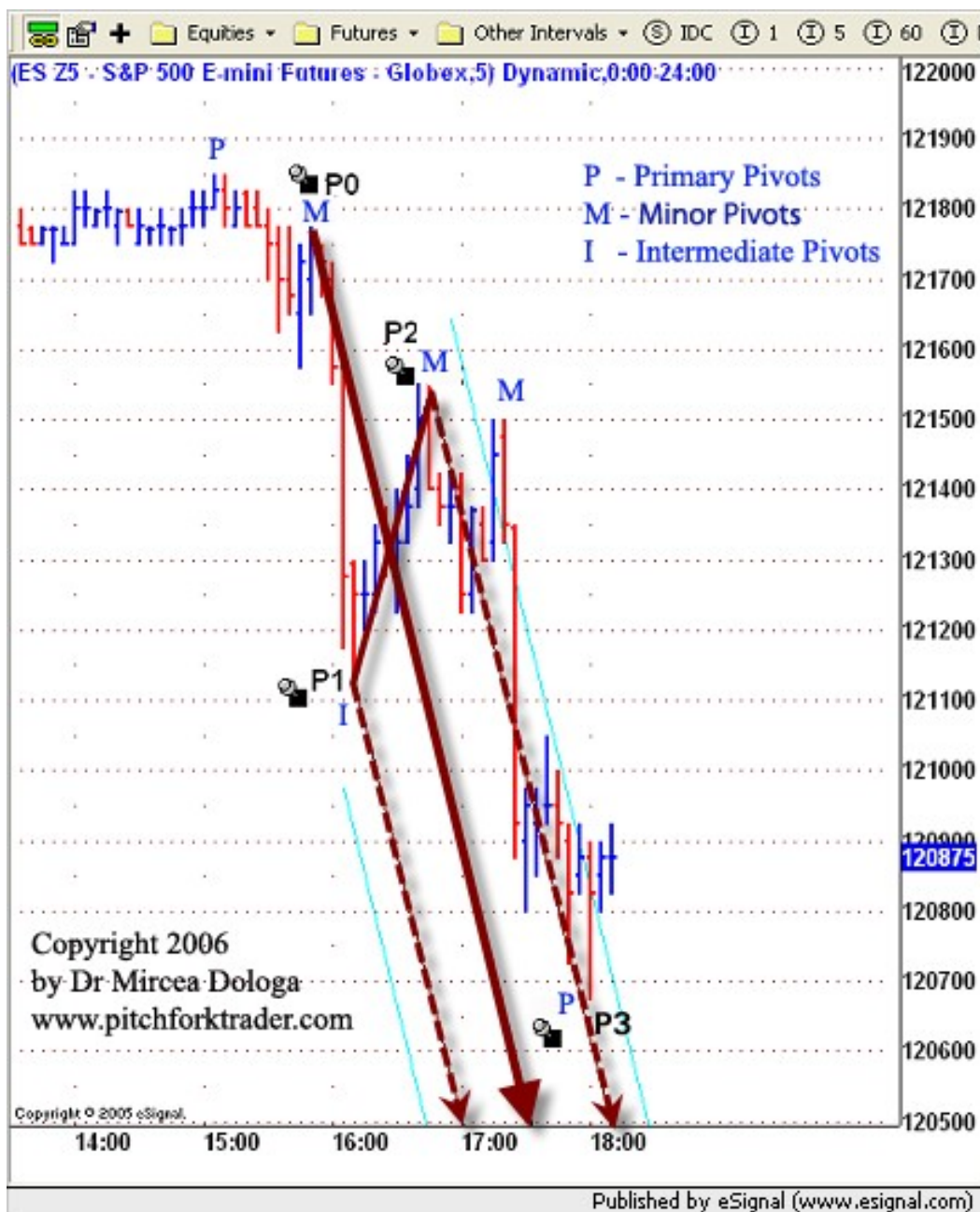


The above naked S&P 500 e-mini chart will be studied in detail in the next 6 charts. A close observation of the apparent chart emptiness reveals the following:

- *Global context*: the market is down trending first (*left side of the chart*). It is currently situated in the middle of a correction (*right side chart*).
- *Locally*, the price retraces the most recent swing (*18:00 hrs to 19:30hrs*), trying to rebound, in order to finish the correction of the entire down-swing (*left side chart, up to 18:00 hrs*).
- The terminal bars of this 5-min ES chart, are located around 20:00 Central European Time (*CET*), corresponding to the 14:00 US ET.



On the above chart, out of the four possible types of pivots, only three are present: primary, intermediate and minor pivots. The major type (*J*) is not present here. The two primary (*P*) pivots, at the start and end of the trend are illustrated on the left half of the chart. This is completely coherent with the definition of this type of pivot; they mostly show the trend's extremities. The minor (*M*) pivots are the most numerous. The correction charted on the right half, is topped by an intermediate (*I*) pivot, which failed to reach the double minor (*M*) levels on the down-sloping trend (*left half of the chart*).



Prior chart continuation

The above chart is the same as the previous two, but the trend is in a terminating phase. The construction of the down-sloping pitchfork uses a minor (*M*) pivot for the anchor (*P0*), an intermediate (*I*) pivot for *P1*, and another minor (*M*) pivot for the *P2*. The pitchfork stresses the steep slope of the trend.

As the market reached the bottom illustrated by the *P3* primary pivot, a possible correction phase is started. It might be brought to term. As we know, if this reversal is valid, the *P3* pivot will be the lowest low of this down-sloping pitchfork. We should prepare another set of pivots to be marked on the opposite direction. In case of a false reversal, the current pitchfork *P4*, *P5* to *P11* pivot markings should continue.

