FAIR MARKETS

# Education Package
# 05 Pivot Points

# PIVOT POINTS

Pivot points are more commonly used by short term traders. This is because they help you determine the futu-re support and resistance levels.

They are mainly created by simple mathematical formulas. The formulas consist of high, low, open and close prices that are in a certain time frame. They can also be used as indicators of the trend and their intervention levels.

## HOW TO CALCULATE PIVOT POINTS?

Below shows classical steps of pivot calculation:

Pivot Point (PP) = (high+low+close)/3

Resistance 1 (R1) = (Pivot*2)-low

Resistance 2 (R2) = Pivot + (high-low)

Support 1 = (S1) : (Pivot*2) – high

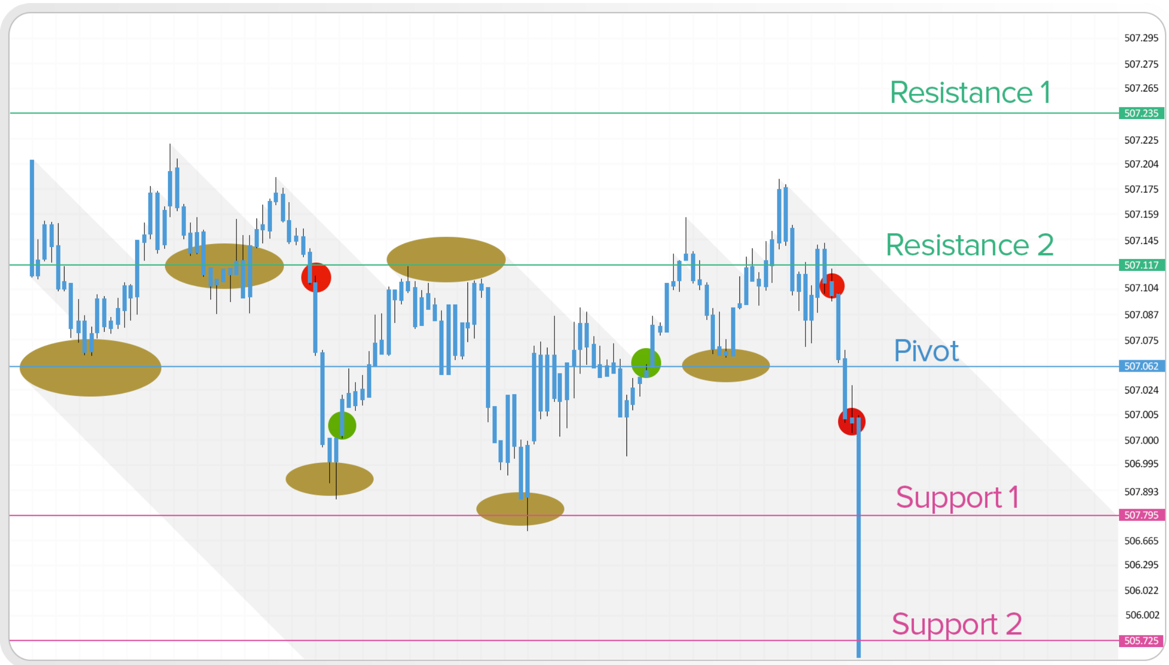
Support2 (S2) = Pivot – ( High – low)

How do we use pivot points as trading strategies?

Pivots are mostly used in short-term strategies.

Generally pivots are the central levels that predict that prices will be oscillating around them. If the price is traded above the pivot, an uptrend potential will follow. If the price is below the pivot a downtrend will follow.

If there is no big economic figure in the data flow, the price coverage most commonly will hit support or resistance.



An orange field show the levels that price has difficulty breaching.

The first one shows how a pivot acts as a support role. Here trades point to the first resistance levels as the target. When the price climbs over the resistance and converges to resistance two there should be a reversal, and the price should converge to the pivot again.