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Finding key levels.

Lately I’ve noticed a lot of you guys have been asking why are @AdamSliverTrade and other League members levels a little different than the ones you’ve mapped out. Here’s a little information that will help you understand why and better the levels you create!

1. Find the daily range of the stock.

Measure the last 5-7 daily candles wick to wick (eliminating any outliers) and calculate the average move the stock makes.

A good example of a outlier candle that you would exclude:

2. Calculate 20-25% of the average daily range the stock moves.

The average range in the example above is about 2.00 (meaning that on any given day you could expect the stock to move 2 points)

20-25% of 2.00 = .40-.50

3. Place Key Level triggers 20-25% above and below the Market closing Price

In this example, You want your call and put triggers at key levels approximately .40-.50 away from the Market closing price.

These rules aren't necessarily perfect but it gives you the framework for where you should have your triggers. Sometimes you have to move it around based on how good the levels are in different areas.