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Pivot Point in Technical Analysis: Entry, Exit, Stop-Loss, and Price Targets

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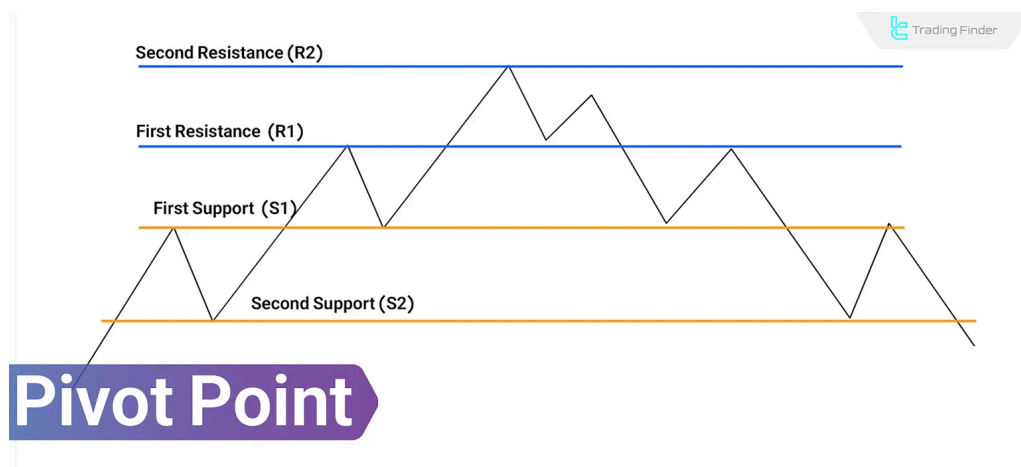
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A **Pivot Point in Technical Analysis** is a computational method that identifies key market levels for the **next trading day** based on price data. These levels are directly derived from the previous day's price behavior and help anticipate potential market turning points.

The main use of the **Pivot Point** is to define zones where price reactions (either reversals or breakouts) are likely. **Day traders, scalpers,** and **even trading algorithms** use it to design entry, exit, and stop-loss levels because, unlike subjective levels, pivot points are **numerical, specific,** and **repeatable.**



Support and Resistance Levels at a Pivot Point in Technical Analysis

What is a Market Pivot Point?

A **Pivot Point** is a level calculated from the average of the **previous day's high**, low, and closing prices. It acts as a dividing line between bullish and **bearish market** sentiment for the current trading day. If the price remains above the Pivot Point, the **market tends** to be bullish; if below, selling pressure is **dominant**.

This **level serves** as the basis for calculating **support and resistance** levels. Price often reacts to or reverses in these areas. Traders use **Pivot Points** to determine entry and exit points, stop-loss levels, and price targets.



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How to Calculate a Pivot Point?

The **Pivot Point** is derived from three key prices of the previous day, reflecting the real market behavior and forming the basis for **important levels** of the current day:

- ⚡ **High:** The highest price
- ⚡ **Low:** The lowest price
- ⚡ **Close:** The closing price

Pivot Point Calculation Formula:

 Trading Finder

Pivot Point Calculation Formula

$$PP = \frac{\text{High} + \text{Low} + \text{Close}}{3}$$

This value becomes the **central point** and the foundation for support and resistance level calculations.

Note: You can use the TradingFinder [Pivot Point Calculator Tool](#) to calculate the Pivot Point.

TradingFinder Pivot Point calculation tool in Technical Analysis

Calculating Resistance in a Pivot Point (Pivot Point)

Resistance levels are specific zones where the probability of a **bullish trend halting or reversing increases**. These levels are typically considered as areas to **sell** or **reduce** long positions. Here's how to calculate resistance in a Pivot Point:

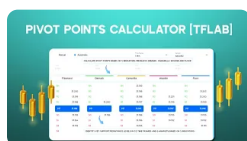
- ⚡ **$R1 = (2 \times PP) - Low$**
- ⚡ **$R2 = PP + (High - Low)$**
- ⚡ **$R3 = High + 2 \times (PP - Low)$**

Calculating Support in a Pivot Point (Pivot Point)

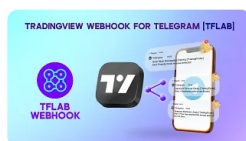
Support levels are zones where buying pressure increases, and the likelihood of a bearish trend reversing becomes higher.

- ⚡ **$S1 = (2 \times PP) - High$**
- ⚡ **$S2 = PP - (High - Low)$**
- ⚡ **$S3 = Low - 2 \times (High - PP)$**

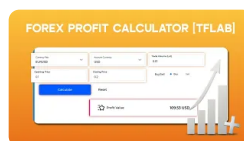
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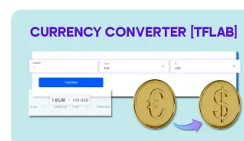
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Different Methods of Pivot Point Calculation

Each **Pivot Point** calculation method has its own unique structure and is used in different market conditions or trading styles. Here are the common methods:

Standard Pivot

The most widely used model, based on the average of the high, low, and closing prices of the previous day. It provides a reference point to assess buying and selling pressure. **Pivot Point Calculation**

Formula in the Classic Method (Standard Pivot):

$$\text{Pivot Point (P)} = (\text{High} + \text{Low} + \text{Close}) / 3$$

Fibonacci Pivot

Same as the standard pivot but uses **Fibonacci ratios** (e.g., 0.382, 0.618) to calculate support and resistance levels.

Fibonacci Resistance Levels:

$$R1 = PP + 0.382 \times (\text{High} - \text{Low})$$

$$R2 = PP + 0.618 \times (\text{High} - \text{Low})$$

$$R3 = PP + 1.000 \times (\text{High} - \text{Low})$$

Fibonacci Support Levels:

$$S1 = PP - 0.382 \times (\text{High} - \text{Low})$$

$$S2 = PP - 0.618 \times (\text{High} - \text{Low})$$

$$S3 = PP - 1.000 \times (\text{High} - \text{Low})$$

Woodie Pivot

More sensitive to the closing price compared to the standard method:

$$PP = (\text{High} + \text{Low} + 2 \times \text{Close}) / 4$$

Camarilla Pivot

Focuses on **intraday movements** and uses fixed multipliers to calculate **fourresistance** and **foursupport** levels. It is suitable for volatile markets, especially in **scalping** and **reversal trading**.

Example Formula for R4:

$$R4 = 1.1 \times (\text{Close} - \text{Low}) + \text{Close}$$

DeMark Pivot

Unlike other methods, DeMark uses the **previous day's closing price** and its relationship to the opening price to adjust the high and low. **DeMark Pivot formula:**

$$PP = (\text{High} + \text{Low} + 2 \times \text{Close}) / 4$$

$$PP = \frac{(\text{High} + \text{low} + \text{close})}{3} \text{ :Classic}$$

$$R4 = 1.1 \times (\text{Low} - \text{High}) + \text{Close} \text{ :Camarilla}$$

$$R1 = (\text{Low} - \text{High}) \times 0.382 + pp \text{ :Fibonacci}$$

$$PP = \frac{(\text{High} + \text{low} + 2 \times \text{Close})}{4} \text{ : Woodie}$$

$$PP = \frac{(\text{High} + \text{low} + 2 \times \text{close})}{4} \text{ :DeMark}$$

Different methods for calculating Pivot Points in Technical Analysis

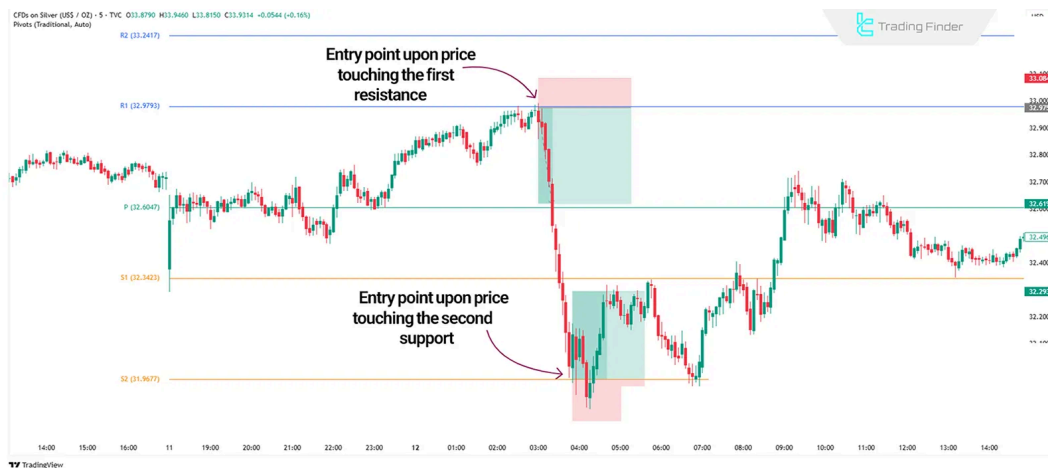
Practical Applications of Pivot Points in Trading

Pivot Points serve as a **reference framework** for determining daily **market bias**, **potential reversal zones**, and **price-reaction-based entry/exitlevels**. **Key usage methods include:**

- ⚡ Entry and Exit Points
- ⚡ Setting Take-Profit and Stop-Loss
- ⚡ Market Direction Analysis
- ⚡ Combination with Indicators

Entry and Exit Points

Pivot Point support and resistance levels form zones where the price typically reacts or breaks through. Traders **adjust their positions** accordingly.



Finding entry points when price reacts to support/resistance at the Pivot Point

Setting Take-Profit and Stop-Loss

R1, R2, S1, and S2 Levels are ideal zones to set **take-profit and stop-loss** orders, as **price reactions** here are more probable. Stop-loss is typically placed behind the broken level.

Market Direction Analysis

If the price remains above Pivot Point most of the day, the market has a **bullish** bias; If it is below, the trend is **bearish**. This positioning helps define potential buy/sell signals.

Combination with Indicators

Pivot Points are more powerful when combined with indicators like **RSI**, **MACD Indicator**, or **moving averages**. For example, an RSI divergence near **R2** or a moving average crossover around the **Pivot Point** can validate an **entry or exit signal**.

Conclusion

Pivot Point, a numeric tool based on the previous day's data, identifies key **entry, exit, and reversal zones**. Price often reacts to the **PP level**, but breaking and holding above **R1** or below **S1** indicates trend continuation.

Combining **Pivot Points** with structural confirmations on lower timeframes increases entry accuracy.

The method used (Standard, Fibonacci, Woodie, Camarilla) should match market volatility.

FAQs

- What is the function of Pivot Point in Technical Analysis? ▼
- It identifies potential price reaction zones, prevailing market direction, and entry/exit points for the current trading day.
- How is Pivot Point different from classic support and resistance? ▼
- Classic levels are often subjective, while Pivot Points are calculated using a fixed formula and offer a repeatable structure.
- Is Pivot Point only useful in trending markets? ▼
- No; Pivot Points can be used in ranging markets to identify trading zones and in trending markets to assess continuation or reversal potential.
- What is the best timeframe for using Pivot Points? ▼
- For day trading, the previous day's Pivot Points are used on lower timeframes (5-minute to 1-hour). For swing trades, weekly or monthly pivots are suitable.
- How to use R1, R2, S1, and S2 levels? ▼
- R1 and R2 often act as **profit targets** for long positions, while S1 and S2 are used for **short positions** or setting **stop-loss** levels. Breakouts indicate trend strength.
- Which Pivot Point model is best for volatile markets? ▼
- Camarilla**, due to fixed multipliers and intraday focus, is highly effective in volatile and scalping environments.
- When to use the Fibonacci Pivot model? ▼
- When price reactions align with Fibonacci ratios, the Fibonacci Pivot model can improve reversal zone accuracy.
- Are Pivot Point indicators available on TradingView or MetaTrader? ▼
- Yes, most trading platforms, including **Trading View** and **Meta Trader**, offer built-in or downloadable **Pivot Point indicators**.
- Can Pivot Points be used in cryptocurrency analysis? ▼
- Absolutely. Pivot Points are applicable to all liquid markets—**forex, stocks, and cryptocurrencies**.
- Can Pivot Points be combined with price action? ▼
- Yes. Combining Pivot Points with candlestick structures (like pin bars or engulfing patterns) at **PP, R1, or S1** increases analytical precision and entry probability.



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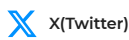


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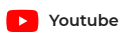
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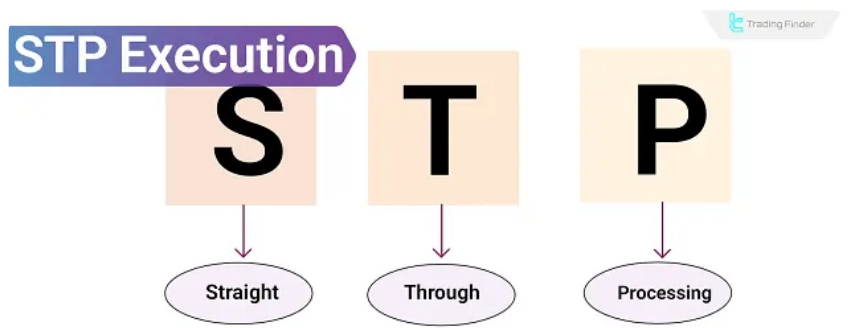
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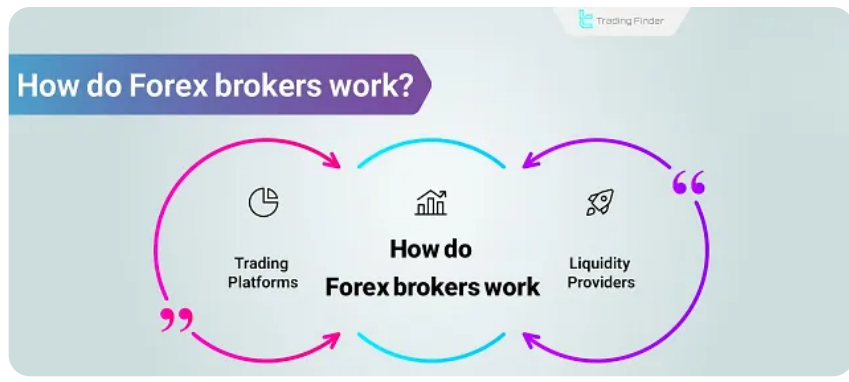
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