Distance from a reference level

Auction and levels | Original synthetic example | Edition 2026-11-26

A normalized distance expresses how far price is from a chosen reference level in units of an assumed ATR. It describes proximity and does not confirm that the level has held.

FORMULA ATR distance = (price - reference level) / ATR

SCENARIO 01: Reference 100; ATR 1



WORKED EXAMPLE

Price 102 is 2 ATR above the reference 100. Proximity alone does not validate a retest.

COMMON MISTAKE

Treating a small normalized distance as proof of a successful retest omits the response and execution rule.

BEFORE YOU USE THE CALCULATION

1. Specify the level before observation.
2. Use a matching ATR convention.
3. Define what acceptance or rejection would mean.

COMPARE TWO MORE INPUT SETS

Scenario 05: Reference 140; ATR 3. Price 142 is 0.6667 ATR above the reference 140. Proximity alone does not validate a retest.

Scenario 10: Reference 190; ATR 5.5. Price 192 is 0.3636 ATR above the reference 190. Proximity alone does not validate a retest.

Synthetic values are not historical market data. Educational material; trading can result in substantial losses.