

Technical Analysis - 1

31 May 2025 07:27

Chart Type:

Most Popular Types

- ▶ Line Charts
- ▶ Bar Charts
- ▶ Candlesticks Charts

Trends:

Trends

- Up Trend
- Down Trend
- Sideways Trend

- Upward Trends: Demand is more, but supply is less (Bullish Market)



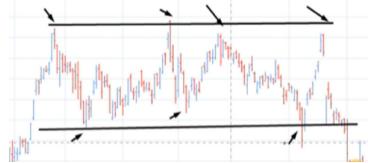
Higher highs and higher bottoms in upwards trends

- Downward Trends: Demand is low but supply is high (Bearish Market)



Lower top and lower low in a downwards trend. In the declining phase of the market, profit can be booked by option and derivative trading in short selling.

- Sideways Trend: Both supply and demand are almost equal, showing this trend. Buying at the bottom and selling at the top.



- Peak: Top of the trend
- Trough: Bottom of the trend

Trends inside Trend:

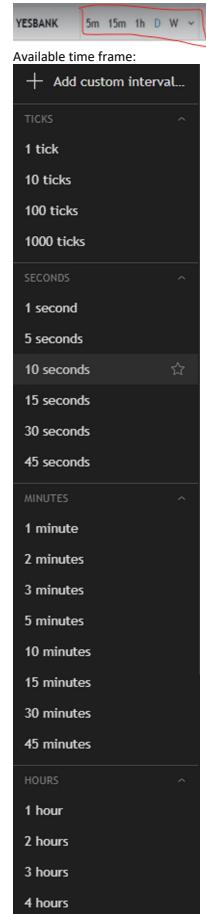
- Secular Trend: 5-20 years of period.



Trading Platform:
<https://www.tradingview.com/>

Time Frame:

Example of time frame: If D is selected that means every candle shows the data of every one day.



Different Types Of Trading Perspectives

▶ Intraday Trading – Hold Trades For Few Minutes To Few Hours But Not Overnight

▶ Scalping – Hold Trades For Few Seconds To Few Minutes

▶ PositionalTrading - Hold Trades Overnight

▶ Intermediate - Hold Trades For Few Weeks To Few Months But Less Than 1 Year

▶ Short Term (Swing Trading) - Hold Trades For Few Days To Few Weeks

▶ Long Term Investment (Long Term Positional Trading) - Hold Trades For More Than 1 Year

Time Frames To Be Chosen

▶ Intraday Trading – 15 Minute Chart

▶ PositionalTrading – Daily Chart

▶ Long Term Investment – Weekly Chart

Look Back Period:

Intraday Trading - Few months

Positional Trading - 2-4 Years

Long Term - 6-8 Years

Stages of the Stock Market:

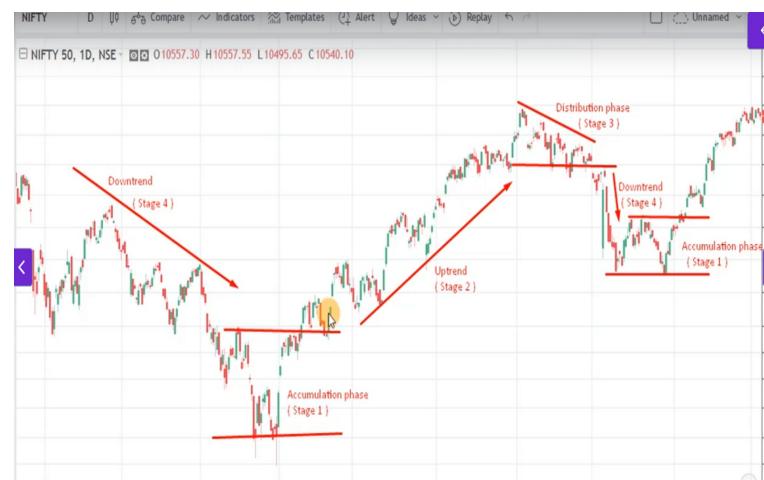
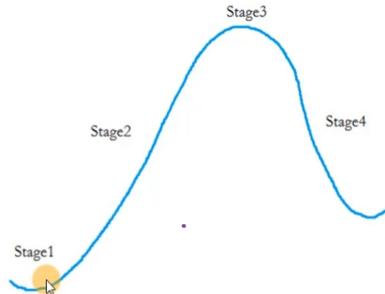
Stage 1: Accumulation Phase (Consolidation Phase) - En cash

Stage 2: Uptrend (Mostly a public participation phase) - Long Position

Stage 3: Distribution Phase (Consolidation Phase) - En cash

Stage 4: Downtrend

Four Stages of Stock Market



Stage 5: Excess & Exhaustion Phase (This is a dangerous phase after the uptrend better to exit immediately)



Trends (on Basis of Time)



Profit in Major Trend > Profit in Intermediate Trend > Profit in Minor Trend

Major Trend: Observe over a **weekly** frame over a 2-4 year frame. In every major time frame, there are many intermediate time frames that can be observed in daily time frames.



Intermediate Trend: Observe in daily chart



Minor Trend: Observe on hourly or min time frame



Buy & Exit: It means buying a stock at a lower price and selling it at a higher price to maintain profit.
Sell & Exit: It means to short sell a stock at a higher price and exit at a lower price to maintain profit.

Trend Line: Log scale always preferable *

It is very important to understand the market sentiment.

Trend line in Upward Trend: Join the lows in the trend to get the trend line.



Short Selling:

What Is A Short Sale

- ▶ A short sale is a sale of a stock, the seller doesn't own
- ▶ A trader borrows a security to sell it, then later buys back the security and returns it
- ▶ If you have short sell in equity segment, you have to square off your position, before the day ends
- ▶ If you want to hold your short sell trade for more than one day then, you have to trade in futures and options



If you believe that the stock price is going down, you can sell the share in the open market by borrowing from a broker, then set it back and book the profit. But for doing so, we have to maintain some margin,

Margin Validation

Initial Margin

- ▶ When we enter into a short sell trade we need to deposit a margin amount which is simply a percentage of the contract value.

Maintenance Margin

- ▶ It is the minimum amount that must be maintained at all times in the margin account.

Initial Margin: Usually 20% in the case of you wanting to trade between one and two days. 5-10% in the case of intraday, and it also depends on the broker.

In future trading, we have to buy in a lot in case we want to trade between days.

Quote As on Jan 10, 2020 15:30:29 IST

Index Derivatives Stock Derivatives Currency

Instrument Type: Stock Future Symbol: TATAMOTORS Expiry Date: 30JAN2020 Option Type: Select Select Get Data

| | | | | | |
|--------------|-------------|--------|--------|--------|--------|
| 195.25 | Prev. Close | Open | High | Low | Close |
| ▲ 2.25 1.17% | 193.00 | 193.00 | 199.65 | 190.85 | 197.10 |

Fundamentals Historical Data

| | Order Book | Intra-day | Future v/s Index |
|---------------------------|-------------|---|------------------|
| Traded Value (contracts) | 21,432 | Buy Qty: 4,200 Buy Price: 195.30 Sell Price: 195.40 | Sell Qty: 12,900 |
| Traded Value * (secs) | 1,79,707.32 | 4,200 195.30 195.50 | 55,900 |
| VWAP | 195.00 | 64,500 195.30 195.55 | 25,800 |
| Underlying value | 194.25 | 47,200 195.15 195.40 | 30,100 |
| Market Lot | 4300 | 1,07,500 195.10 195.45 | 25,800 |
| Open Interest | 48,000 | 63,02,800 Total Quantity | 38,35,600 |
| % Change in Open Interest | 23.89,500 | | |
| Implied Volatility | 3.63 | | |

Note: Cost of Carry Other Information

Margin Value Calculation:

Securities under ban:

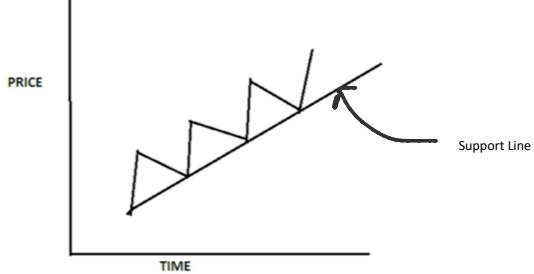
| | | |
|------------------|--------------------|---------------------|
| Exchange: NSE FO | Symbol: TATAMOTORS | Expiry: 30-JAN-2020 |
|------------------|--------------------|---------------------|

Product:

Futures Options

| | |
|---|------------------------------------|
| Side: <input type="radio"/> Buy <input checked="" type="radio"/> Sell | Net quantity: 4300 (Lot size 4300) |
|---|------------------------------------|

| EXCHANGE | PRODUCT | TICKER | EXPIRY | OPTION | QUANTITY | PRICE | SPAN | EXPOSURE | TOTAL |
|----------|---------|------------|-------------|--------|----------|--------|-----------|----------|-----------|
| NSE | Futures | TATAMOTORS | 30-JAN-2020 | 0 | -4300 | 195.25 | 121045.00 | 69684.73 | 190729.73 |



NSE Futures TATAMOTORS 30-JAN-2020 0 -4300 195.25 121045.00 69684.73 190729.73



Trend line in **Downward Trend**: Join the top of the trend to get the trend line.

| | |
|---|--|
| In an upward trend, if the trend line has a positive slope, it means the net demand is increasing and the buying pressure is high. Means more buyers are joining the trade. | In an upward trend, if the trend line has a negative slope, it means net supplies are more and selling pressure is building up in that time frame, which means more sellers are joining the trade. This can be a trend reversal signal. |
| In a downward trend, if the trend line has a negative slope, it means net supply is increasing and the selling pressure is high. Means more sellers are joining the trade. | In a downward trend, if the trend line has a positive slope, it means net demand is more and buying pressure is building up in that time frame, which means more buyers are joining the trade. This can be a trend reversal signal. |



Why Log Scale is better while drawing the trend line:

Difference Between Scale Settings

- A move from \$20 to \$40 is a \$20 Gain and it is a 100% Gain
- But in a \$100 to \$120 = \$20 Gain and a 20% Gain
- Therefore a move from \$20 to \$40 Should Appear Much Larger than a Move of \$100 to \$120

Note: Where there is a sharp change in the chart, that is called a Momentum Phase, we should not select that point as a starting point for drawing a trend line; we should look for the immediate next point to draw the trend line.

Break through a Trend Line tells about the new Trend:



Note: While drawing the trend line, one should not take points to connect together that are very close and very far apart, as this will lead to a wrong trend line interpretation.

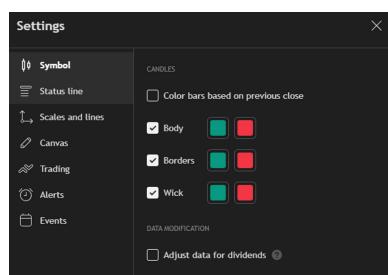


Always Draw Internal Trend Lines to get the Trading Signals

Internal trend line is very important when the two points are very far apart, this will give us an idea and points to trade in between. For example here we have an external trend line and inside of that we have got 3 points through internal trend line.



To change the Chart settings: Double click on the candlestick,



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