



Market Paathshaala

Earn, anywhere anytime...



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Volume is the most important indicator in Price Action Analysis





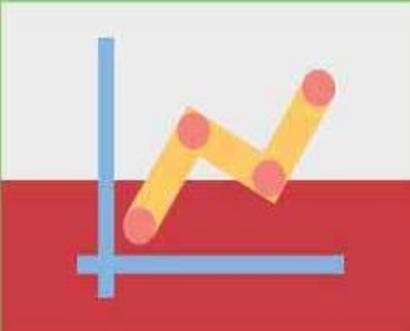
1 Meaning

Fundamental Analysis

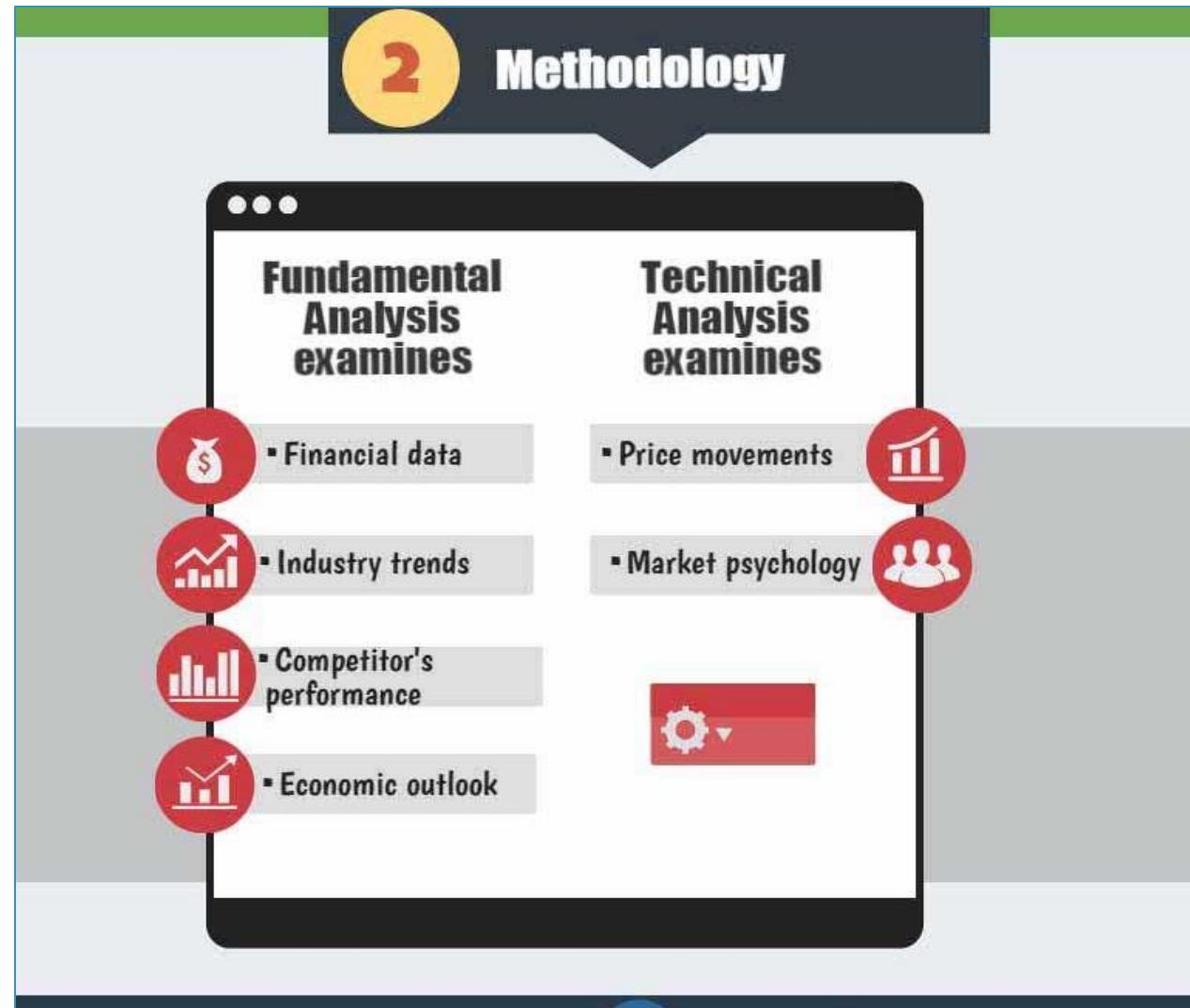


Includes evaluating company's stock to find its intrinsic value, and analyze factors that may affect the price in the future.

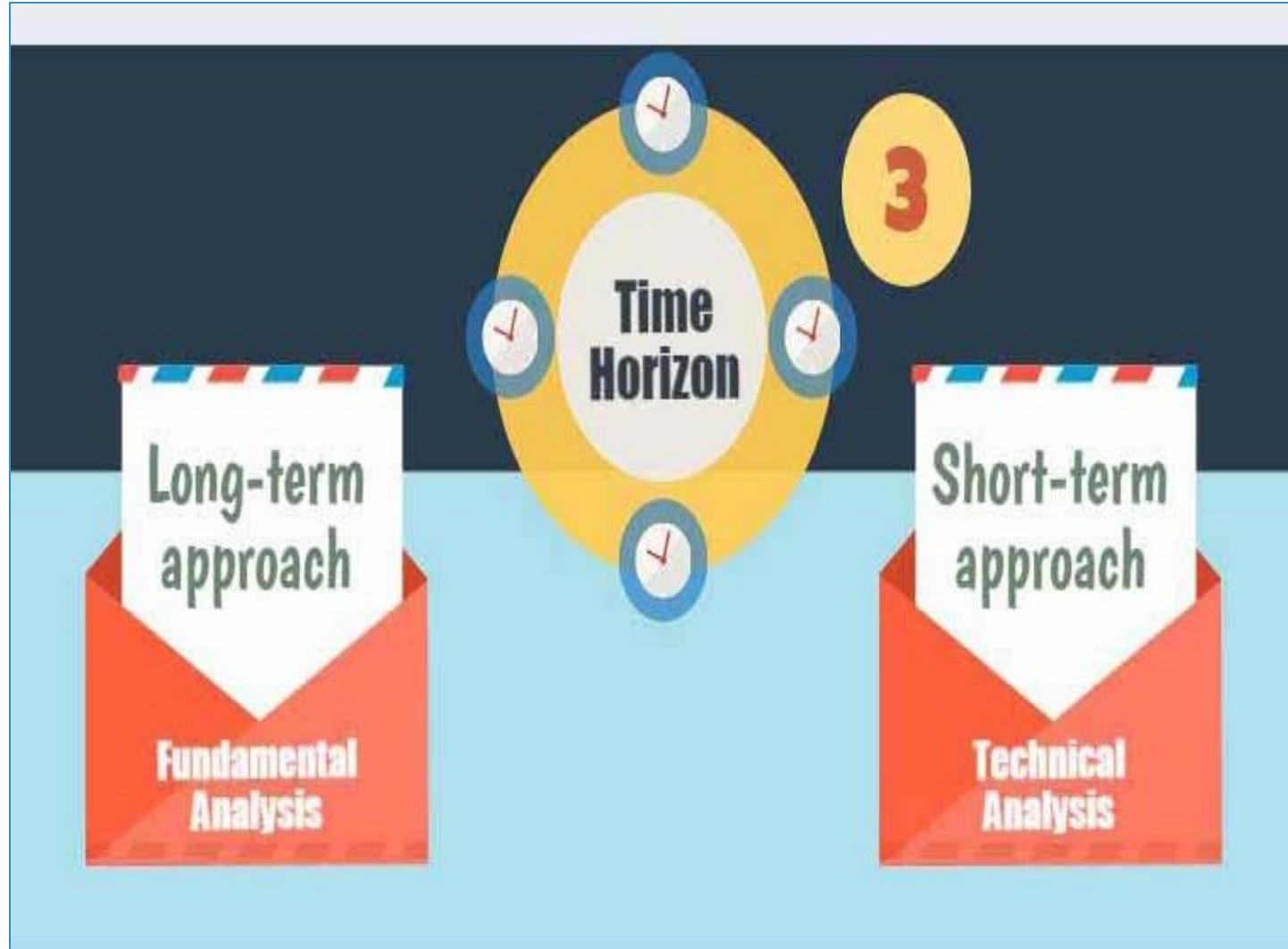
Technical Analysis



It is a statistical method used to find pattern and predict future movements based on past market data.



Basic Understanding of Fundamentals & Technicals (3/7)





Basic Understanding of Fundamentals & Technicals (5/7)





6

Concepts used



Fundamental Analysis

Return on Equity (ROE) and Return on Assets (ROA)



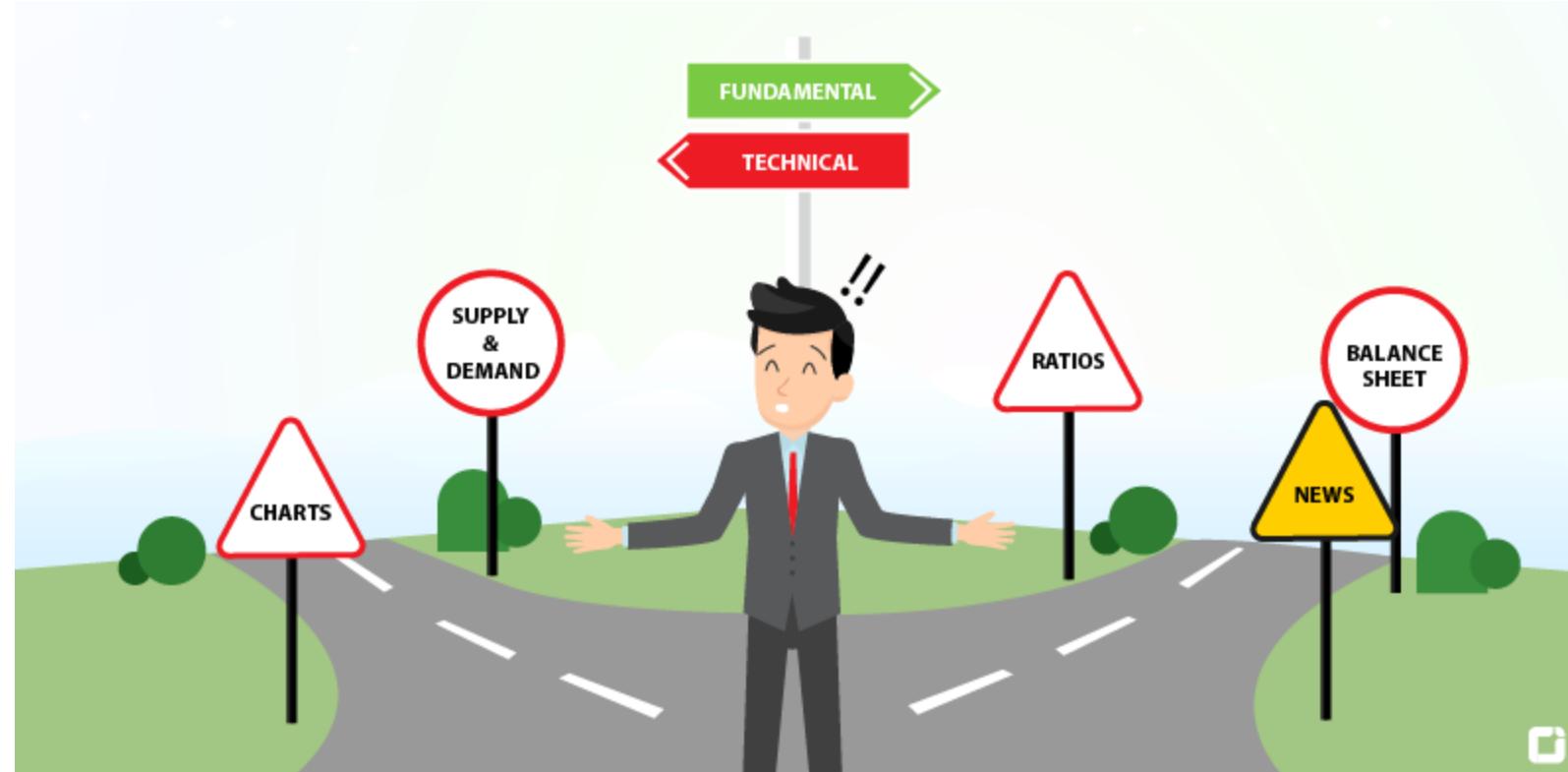
Technical Analysis

Dow Theory, Price Data





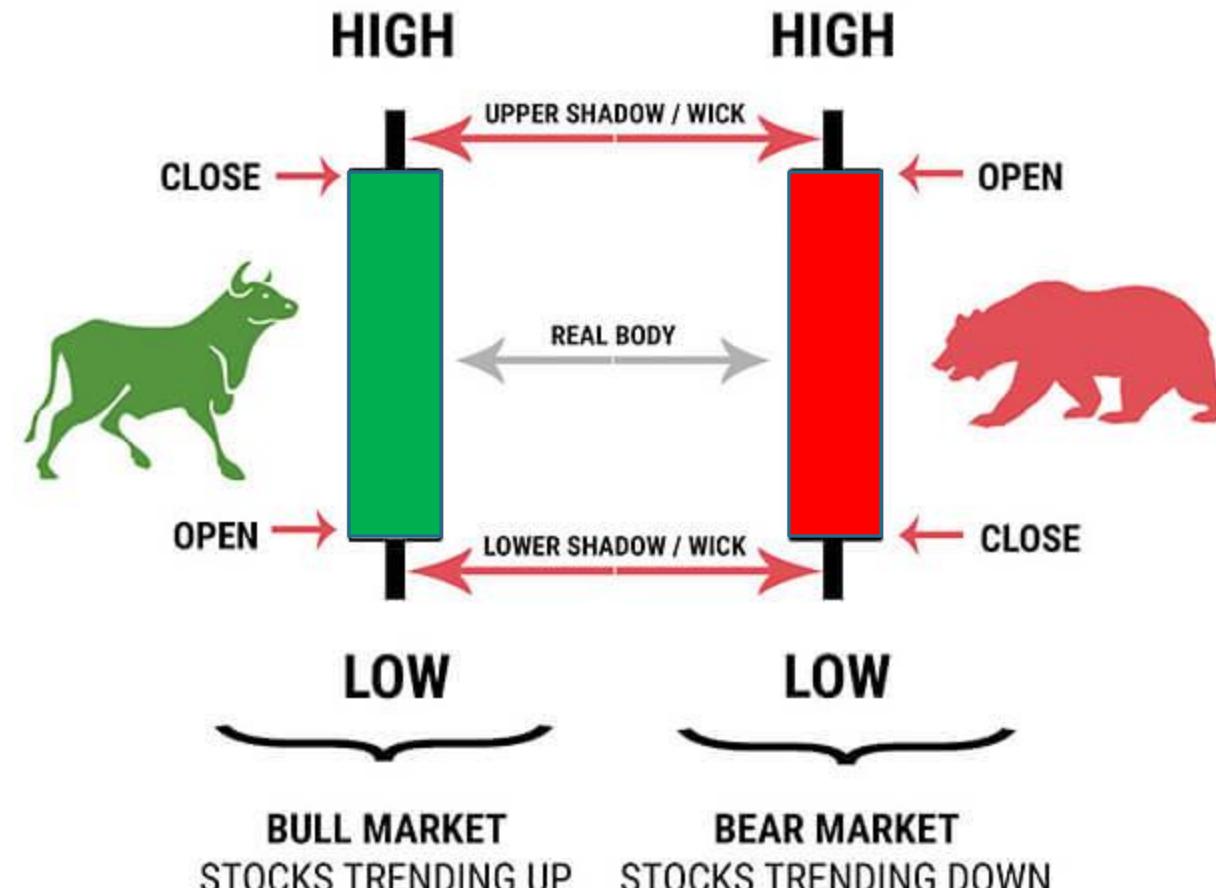
Types of Analysis





First look of a chart



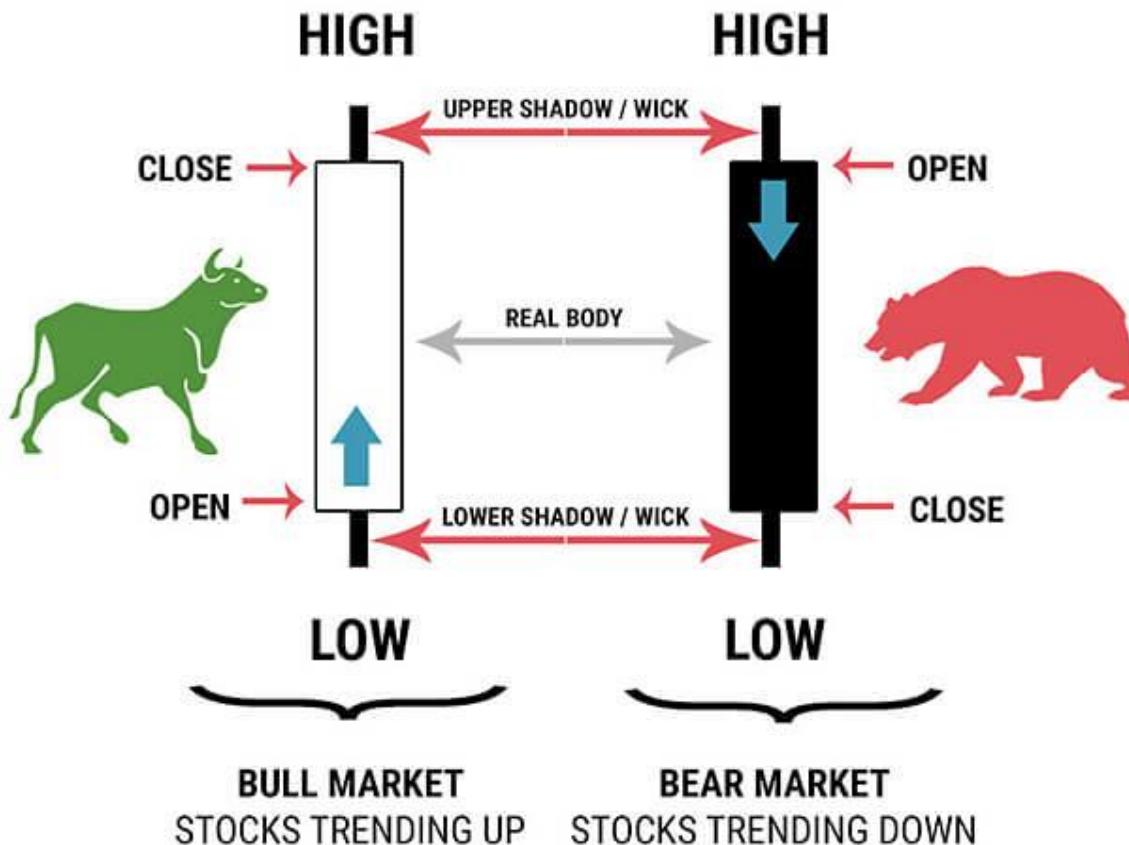


Buy on strength & Sell on weakness



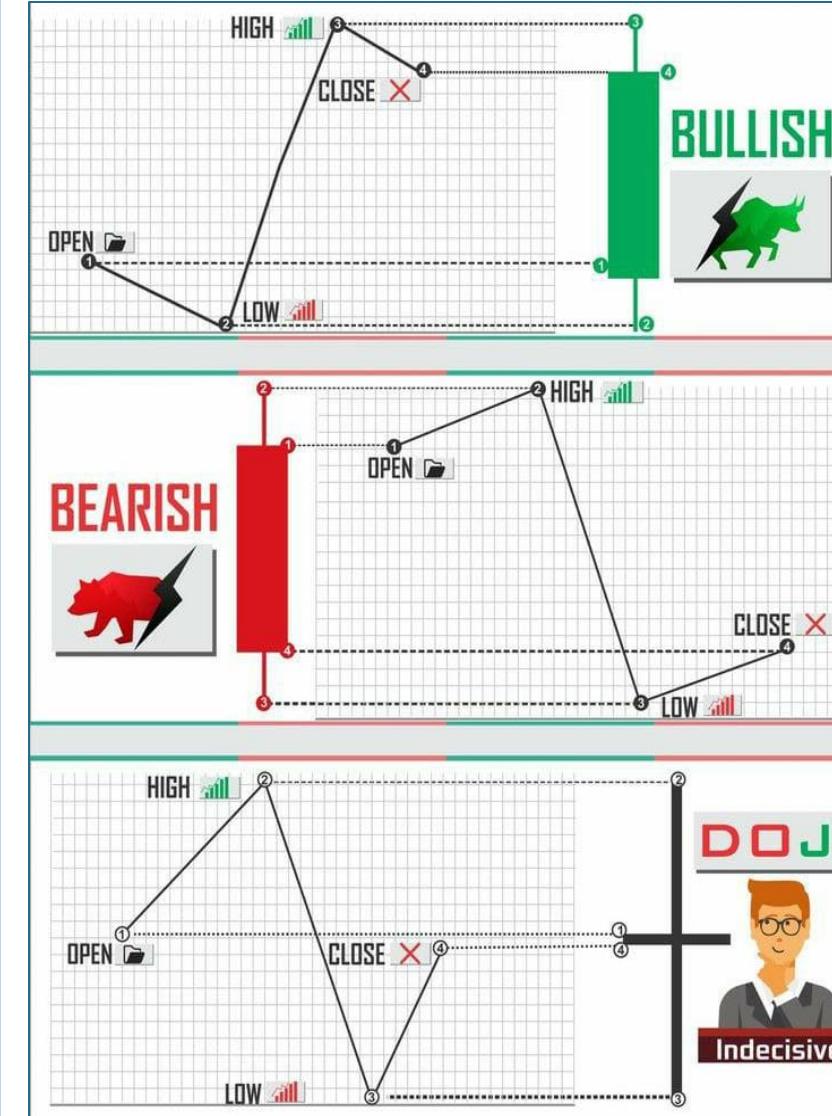
How a candle forms

How it Looks

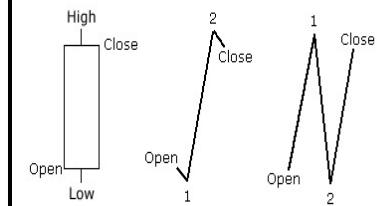


Buy on strength & Sell on weakness

Detailed presentation of each candle

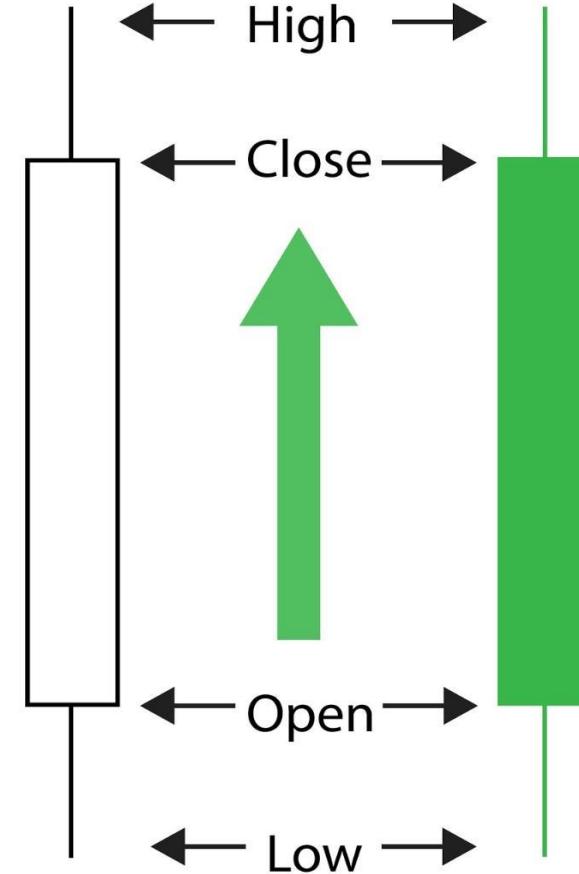


High Low Sequence





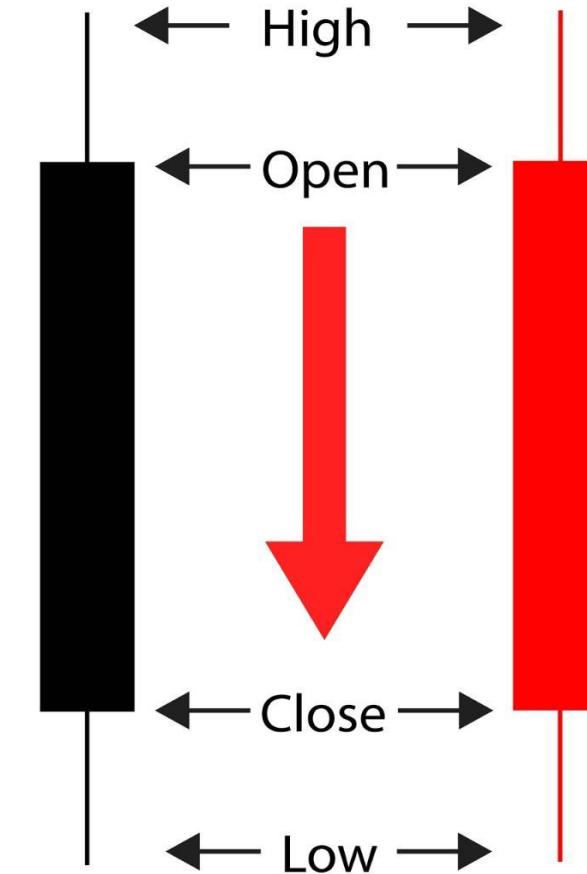
Bullish Candlesticks



Traditional

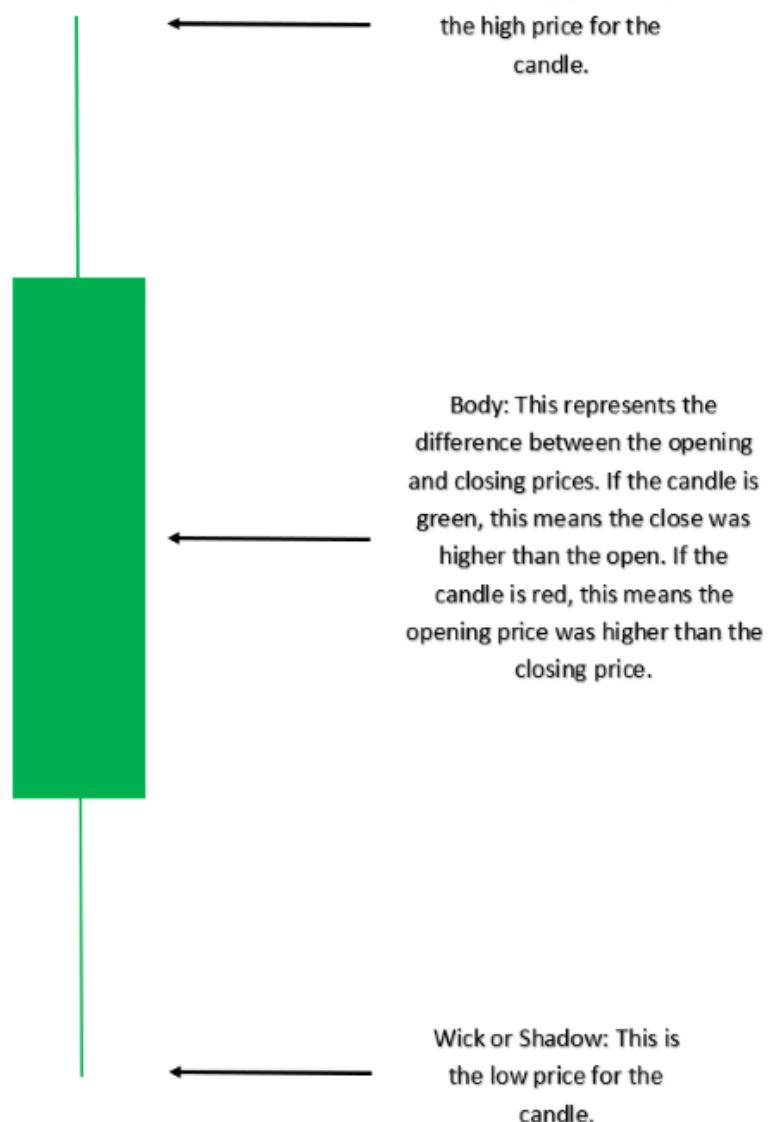
Modern

Bearish Candlesticks



Traditional

Modern





Candlestick Hidden Interpretation

1. Lower Wick (Lower Shadow)

- Means price went down at some point.
- Sellers pushed the price lower.
- But buyers came back strong and pulled the price up again.
- That's why a line forms at the bottom.
- Lower wick = buyers' strength (bulls).

 Easy to remember: "Price went down but couldn't stay there – buyers saved it."

2. Upper Wick (Top line)

- Means price went up at some point.
- Buyers pushed the price higher.
- But sellers came back and pushed it down.
- That's why a line forms at the top.
- Upper wick = sellers' strength (bears).

 Easy to remember: "Price went up but couldn't stay there – sellers stopped it."

3. Real Body Body (Middle box)

- Shows the move from opening price to closing price.
- Green body = buyers won.
- Red body = sellers won.



Assumptions of Technical Analysis

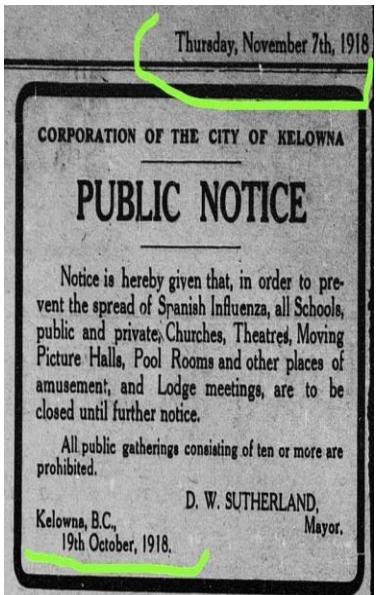
3 Assumptions of Technical Analysis



1



History repeats itself



2

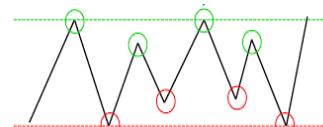


Price moves in a trend



Uptrend

Downtrend



Sideways

3



Market discounts everything





1) Market Action Discounts Everything: The statement “market action discounts everything” forms what is probably the cornerstone of technical analysis. Unless the full significance of this first premise is fully understood and accepted, nothing else that follows makes much sense. The technician believes that anything that can possibly affect the price-fundamentally, politically, psychologically, or otherwise-is actually reflected in the price of that market. It follows, therefore, that a study of price action is all that is required.

The technician is claiming that price action should reflect shifts in supply and demand. If demand exceeds supply, prices should rise. If supply exceeds demand, prices should fall. This action is the basis of all economic and fundamental forecasting. The technician then turns this statement around to arrive at the conclusion that if prices are rising, for whatever specific reasons, demand must exceed supply and the fundamentals must be bullish. If prices fall, the fundamentals must be bearish.

2) Prices Move in Trends: The concept of trend is absolutely essential to the technical approach. The whole purpose of charting the price action of a market is to identify trends in early stages of their development for the purpose of trading in the direction of those trends. In fact, most of the techniques used in this approach are trend-following in nature, meaning, that their intent is to identify and follow existing trends.

There is a corollary to the premise that prices move in trends-a trend motion is more likely to continue than to reverse. This corollary is, of course, an adaption of Newton's first law of motion. Another way to state this corollary is that a trend in motion will continue in the same direction until it reverses. The entire trend-following approach is predicated on riding existing trend until it shows signs of reversing.

3) History Repeats Itself: Much of the body of technical analysis and the study of market action has to do with the study of human psychology. Chart patterns, for example, which have been identified and categorized over the past one hundred years, reflect certain pictures that appear on price charts. These pictures reveal the bullish or bearish psychology of the market. Since these patterns have worked well in the past, it is assumed that they will continue to work well in the future. They are based on the study of human psychology, which tends not to change. Another way of saying this last premise-that history repeats itself-is that the key to understanding the future lies in a study of the past, or that the future is just a repetition of the past.

Source: Murphy, John. *Technical Analysis of the Financial Markets*; (c) 1999.



Daily Candlesticks

- Show short-term sentiment (*1 day's battle between bulls & bears*).
- Useful for traders (*Quick , ST & Positional Trades*)
- Capture immediate news/events impact.

Weekly Candlesticks

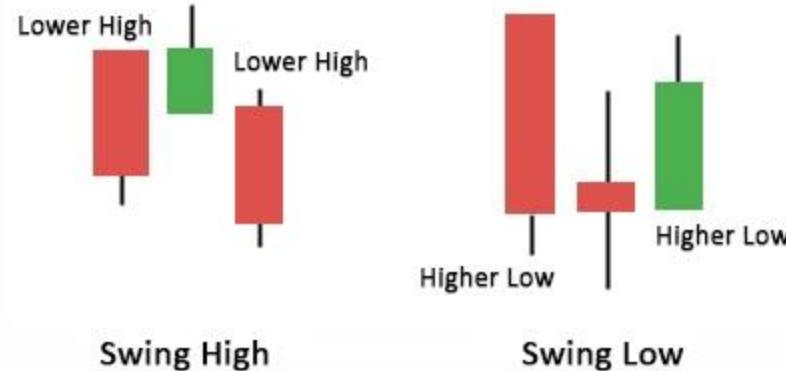
- Smooth out daily noise.
- Show medium-term trend & strength.
- Help in identifying strong supports/resistances.
- Preferred by ST Traders & MT Investors

Monthly Candlesticks

- Very powerful; represent long-term investor psychology.
- Show major trend direction.
- Used for investments & big picture view.
- Strong signals here = high conviction moves.



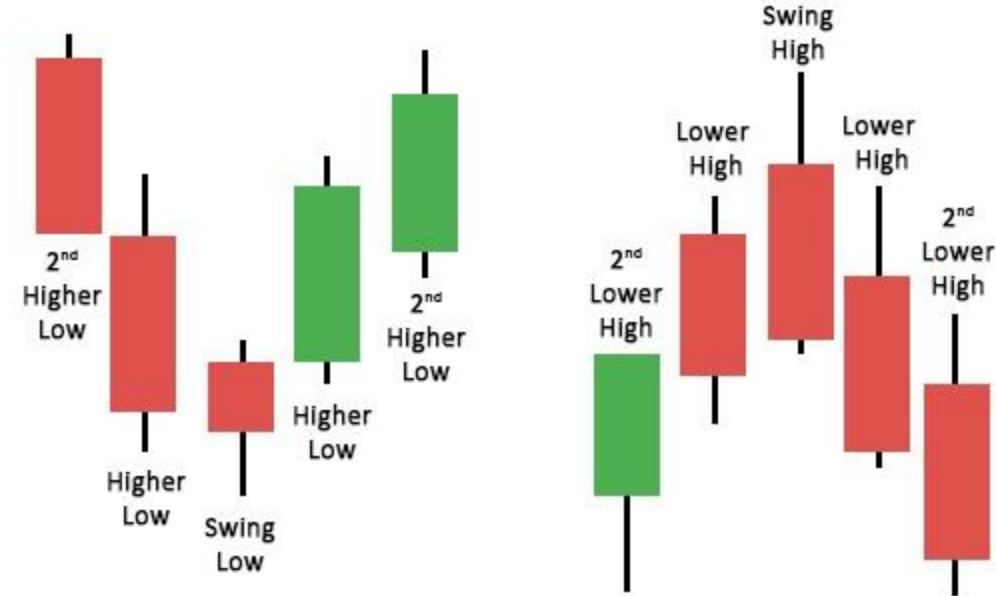
	Quick Traders/Futures	Positional Trading/ Short Term Trading/ Swing Trading	Medium Term Investments	Long Term Investments
Vision	Buy and sell with in 5-7 days	Buy & Sell with in 2-3 Months	Buy and Hold for 9-12 months	Buy & Hold for more than a year
Risk	High	Moderate	Low	Low
Reward	Totally depends upon your analysis skills	High	High	High
Charts Time frame	1day and sometimes 1hr	1 day/1week	1 week & sometimes 1 day	1 month & sometimes 1 week
Research Time Required	2-3 hrs in a day & Pro Active in market hrs	2hrs in a day & 2 hrs on weekend	3 hrs on weekend	3 hrs on weekend



A swing low is the low of the candle in a candlestick chart that has a higher low on either side.

A swing high is the high of the candle in a candlestick chart that has a lower high on either side.

- In the case of Swing High, the high of the neighbour candles are lower than the high of the main candle itself.
- In the case of Swing Low, the low of the neighbour candles are higher than the low of the main candle itself.





carahulranka published on TradingView.com, Mar 25, 2024 19:00 UTC+5:30









carahulranka published on TradingView.com, Jul 07, 2024 12:31 UTC+5:30





carahulranka published on TradingView.com, Jul 07, 2024 12:34 UTC+5:30



TradingView







Swing Highs as Targets

1. What is a Swing High?

- A swing high is a recent peak on the chart where price went up and then turned down.
- It shows that sellers were strong there earlier.

2. Why Use Swing High as Target?

- When price goes back near that old swing high, sellers might again enter.
- So, that level can act as resistance → a good place to book profit.

3. Important Condition

- Only use swing highs that are *not broken yet*.
- If the swing high has already been broken once, it means:
 - Sellers there have already lost the fight.
 - That level is no longer special.
 - It may not act as resistance again.



1. What is a Swing Low?

- A swing low is a recent bottom on the chart where price went down but then bounced back up.
- It shows buyers were strong there earlier.

2. Why Use Swing Low as Stop Loss?

- When we buy, our safety net is the swing low.
- Because if price goes below that swing low → buyers failed → trend may change → we exit.

3. Which Swing Low to Use?

- Always use the most recent swing low or sometimes the second last swing low.
- It should be clear and visible.
- This keeps our stop loss logical and practical.

4. Only ONE Stop Loss

- Stop loss cannot be multiple.
- If you set many stop losses, you'll keep shifting it lower... which means increasing losses instead of cutting them.
- One trade = one SL. Stick to it.

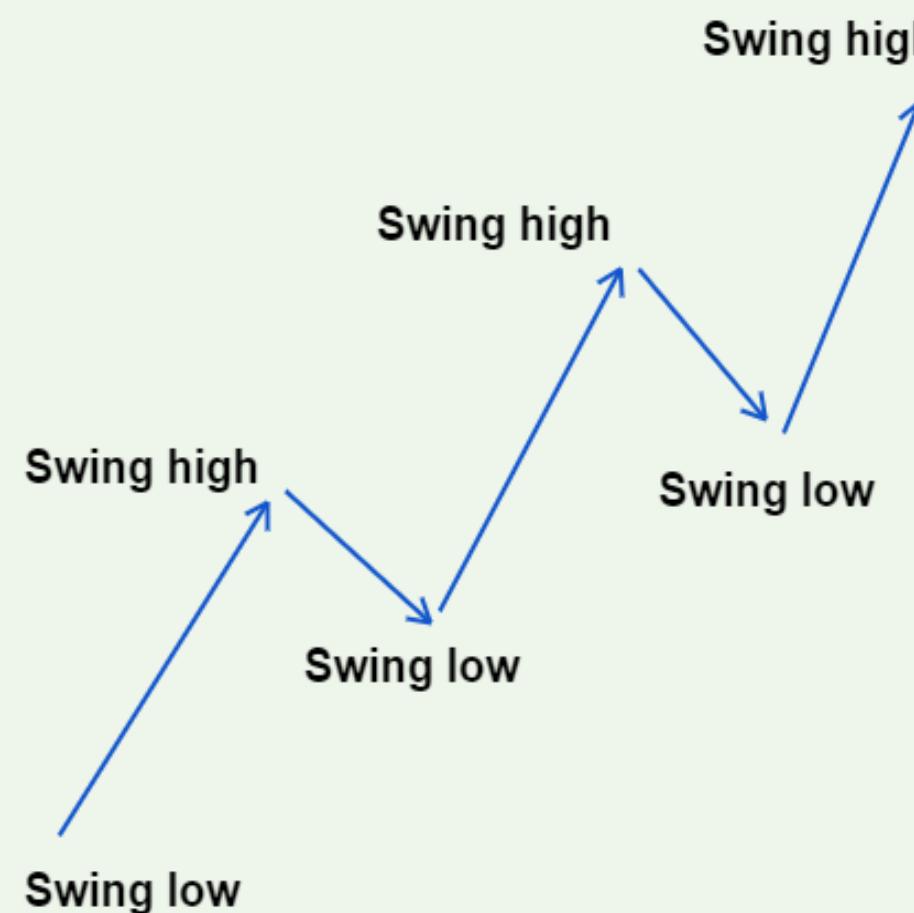
5. Easy Example

- Suppose stock made a swing low at ₹180, and now trading at ₹200.
- You buy at ₹200.
- Logical SL = ₹180 (recent swing low).
- If stock falls below ₹180 → buyers lost control → exit the trade.
- 👉 If you keep changing SL to ₹175, then ₹170, then ₹165... you are just digging a bigger hole.

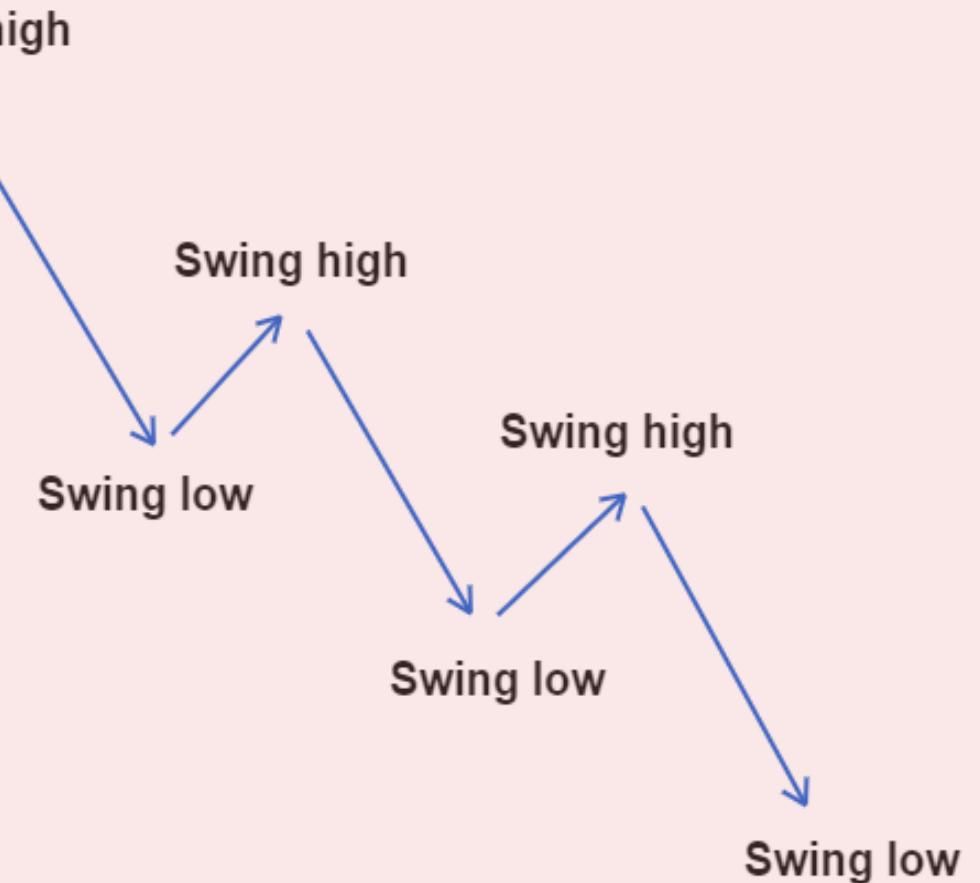
Swing Low and Swing High



During an uptrend, price makes higher highs and higher lows



During a downtrend, price makes lower lows and lower highs





How to Trade with **Support and Resistance Levels**







Support is the price level at which demand is thought to be strong enough to prevent the price from declining further. The logic dictates that as the price declines towards support and gets cheaper, buyers become more inclined to buy and sellers become less inclined to sell. By the time the price reaches the support level, it is believed that demand will overcome supply and prevent the price from falling below support



Support does not always hold, however, and a break below support signals that the bears have won out over the bulls. A decline below support indicates a new willingness to sell and/or a lack of incentive to buy. Support breaks and new lows signal that sellers have reduced their expectations and are willing to sell at even lower prices. In addition, buyers could not be coerced into buying until prices declined below support or below the previous low. Once support is broken, another support level will have to be established at a lower level.

Source : stockcharts.com



Resistance is the price level at which selling is thought to be strong enough to prevent the price from rising further. Logic dictates that, as the price advances towards resistance, sellers become more inclined to sell and buyers become less inclined to buy. By the time the price reaches the resistance level, it is believed that supply will overcome demand and prevent the price from rising above resistance.



Resistance does not always hold; a break above resistance signals that the bulls have won out over the bears. A break above resistance shows a new willingness to buy and/or a lack of incentive to sell. Resistance breaks and new highs indicate buyers have increased their expectations and are willing to buy at even higher prices. In addition, sellers could not be coerced into selling until prices rose above resistance or above the previous high. Once resistance is broken, another resistance level will have to be established at a higher level.

Source : stockcharts.com



AXIS BANK, 1D, NSE O1000.00 H1009.20 L988.90 C1003.25 +7.70 (+0.77%)

INR

860.00
820.00
780.00
764.75
740.00
700.00
696.55
660.00
630.00
610.00
590.00
570.00
550.00
530.00
510.00
490.00
475.00
459.00
443.00
428.25
412.00









Buy above 2420
SL 2270

Target 2640

USHA MARTIN, 1D, NSE O340.30 H344.90 L335.50 C336.60 -0.85 (-0.25%)

INR



1,235.00

1,195.00

1,155.00

1,115.00

1,075.00

1,035.00

995.00

955.00

915.00

875.00

862.10

2d 17h

835.00

805.00

785.00

765.00

745.00

725.00

705.00

685.00

665.00

645.00

625.00

605.00

589.00

573.00

557.00

542.00

527.00

513.00

499.00











TradingView



carahulranka published on TradingView.com, Apr 01, 2025 22:59 UTC+5:30

REC LTD · 1W · NSE O425.85 H432.35 L415.05 C416.90 -12.30 (-2.87%) -12.30 (-2.87%)



TradingView



carahulranka published on TradingView.com, Apr 01, 2025 23:00 UTC+5:30

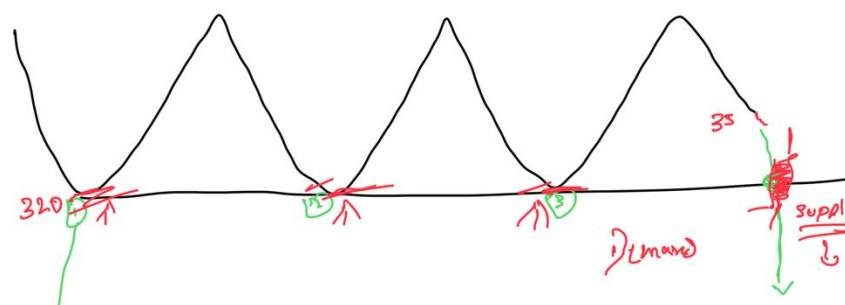
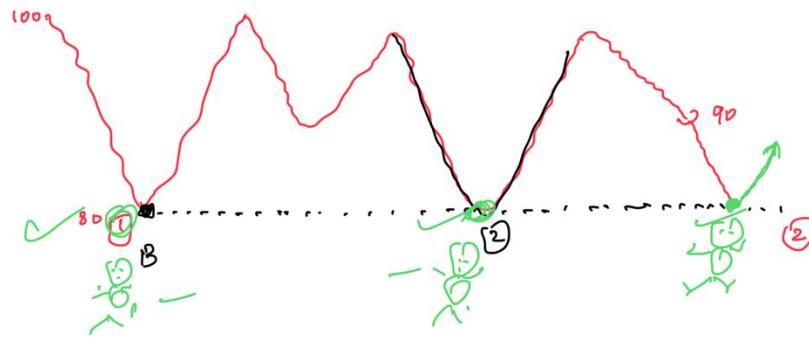
JSW STEEL LTD - 1M - NSE O1,063.00 H1,070.45 L1,053.35 C1,056.25 -6.95 (-0.65%) -6.95 (-0.65%)





Support

a Horizontal line which connects from one swing low
to another swing low $\Rightarrow [w|m]$





Downtrend Line

A **downtrend line** has a negative slope and is formed by connecting two or more swing high points. The second high must be lower than the first for the line to have a negative slope. Note that at least three points must be connected before the line is considered to be a valid trend line.

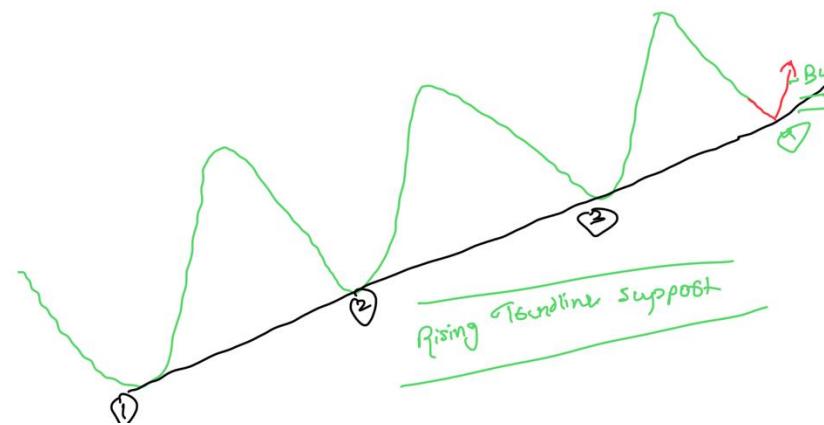
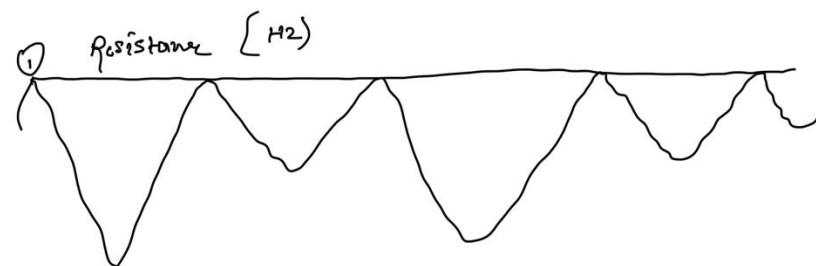
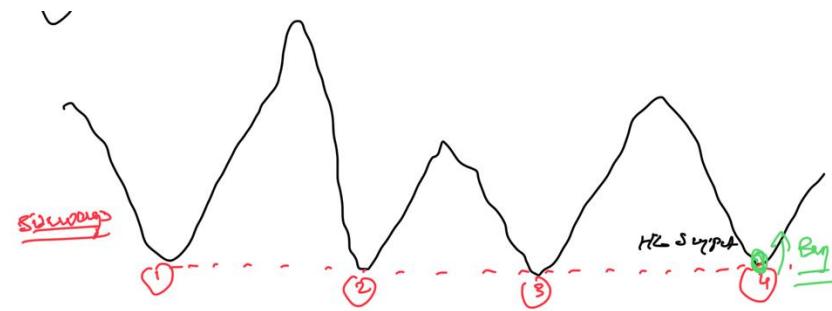
Downtrend lines act as resistance, and indicate that supply is increasing even as the price declines. A declining price combined with increasing supply is very bearish, and shows the strong sellers. As long as prices remain below the **downtrend line**, the **downtrend** is solid and intact. A break above the **downtrend line** indicates that supply is decreasing and that a change of trend could be **Possible**.



Uptrend Line

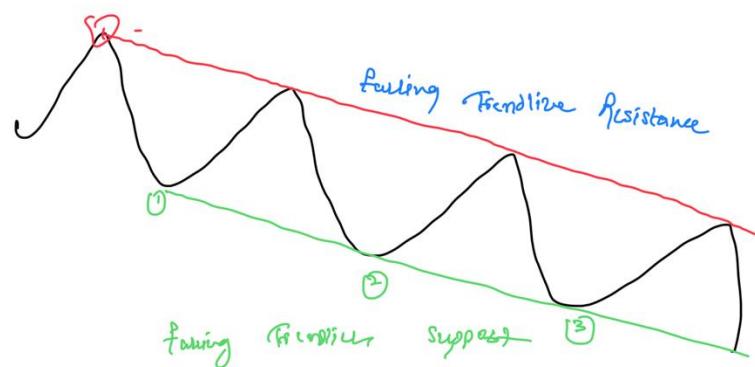
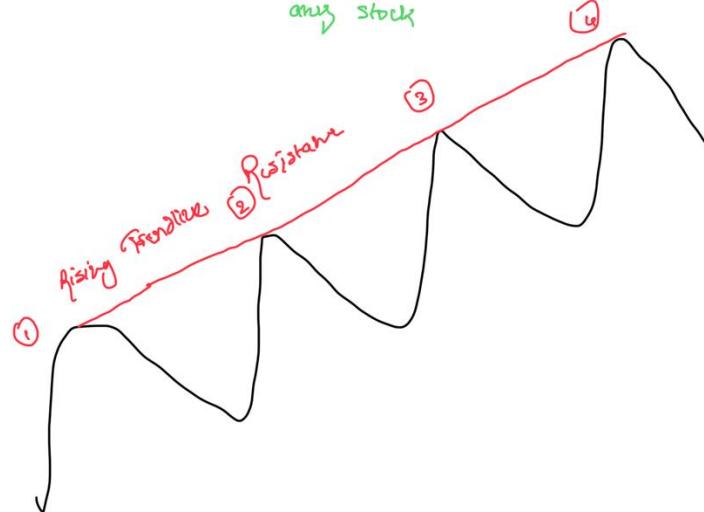
An uptrend line has a positive slope and is formed by connecting two or more swing low points. The second low must be higher than the first for the line to have a positive slope. Note that at least three points must be connected before the line is considered to be a valid trend line.

Uptrend lines act as support and indicate that demand is increasing even as the price rises. A rising price combined with increasing demand is very bullish, and shows a strong determination on the part of the buyers. As long as prices remain above the trend line, the uptrend is considered solid and intact. A break below the uptrend line indicates that demand has **weakened** and a change in trend could be **Possible**.





Trendline— A line which shows the trend of any stock





CENTURY TEXT & IND - 1D - NSE 0342.50 H387.70 L342.50 C374.80 +34.65 (+10.19%)

MA 20 close 0 ⚙

INR

700.00

650.00

610.00

570.00

530.00

490.00

460.00

430.00

410.00

390.00

370.00

352.50

336.50

Paathshaala Gyan :- avoid steep trendlines



Support and Resistance are horizontal areas on chart that shows potential buying/selling pressure and it's same for Trend Line. The only difference is, Trend Line isn't horizontal but sloping.



A trend line is a line that connects two or more swing points and then extends into the future to act as a line of support or resistance.





carahulranka published on TradingView.com, June 26, 2021 10:27:47 IST

NSE:INDUSINDBK, 1D 1012.90 ▲ +12.25 (+1.22%) O:997.00 H:1020.00 L:986.65 C:1012.90



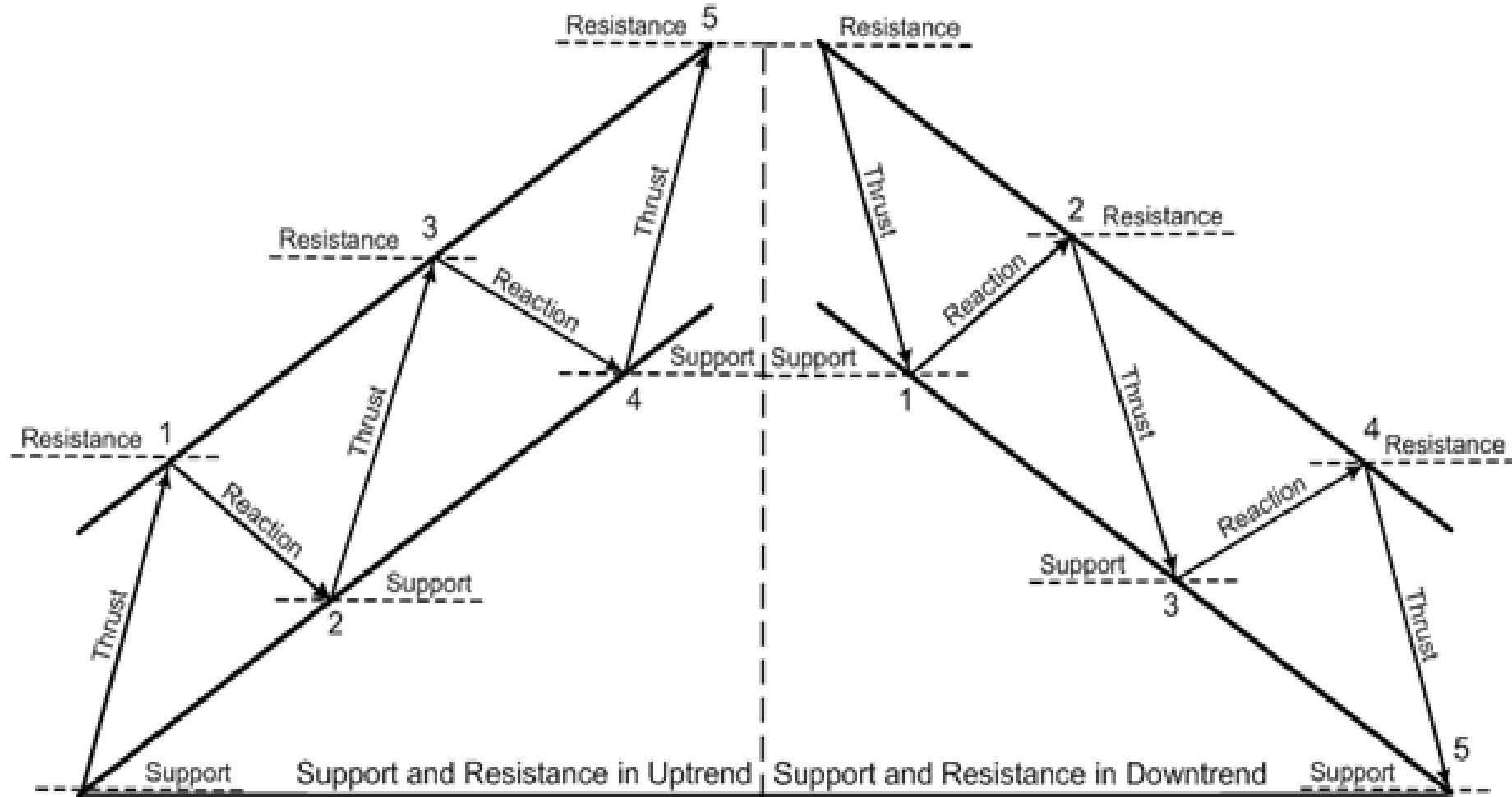


carahulranka published on TradingView.com, June 26, 2021 10:30:06 IST

NSE:INDUSINDBK, 1D 1012.90 ▲ +12.25 (+1.22%) O:1367.90 H:1367.90 L:1323.00 C:1331.95



Support & Resistance in Uptrend and Downtrend





How to draw a Trendline



How to draw a Trend Line ?

- 1) Focus only on the major swing points
- 2) Connect at least 3 major swing points
- 3) Adjust it so that you get the most number of touches

The more points touching the Trendline, higher the chances of successful breakout & breakdown

Paathshaala Gyan - Go only for those breakout/breakdown where touch points before break are at least 3.

Resistance





Notes: Support & Resistance Basics

◆ Horizontal Support

- **Definition:** A price level where the stock tends to stop falling and buyers step in.
 - **Formation Rule:**
 - Line must touch **minimum 2 clearly visible swings (U / V shaped bottoms)**.
 - From the **3rd touch onwards**, it can be considered a valid support.
-

◆ Horizontal Resistance

- **Definition:** A price level where the stock tends to stop rising and sellers step in.
 - **Formation Rule:**
 - Line must touch **minimum 2 clearly visible swings (inverted U / peaks)**.
 - From the **3rd touch onwards**, it can be considered a valid resistance.
-

◆ Falling Trendline Resistance

- **Definition:** A downward-sloping line connecting swing highs.
 - **Formation Rule:**
 - Connect **minimum 2 lower highs (clearly visible peaks)**.
 - From the **3rd touch onwards**, it becomes a valid falling trendline resistance.
 - **Psychology:** Indicates sellers are active on every rise.
-

◆ Rising Trendline Support

- **Definition:** An upward-sloping line connecting swing lows.
 - **Formation Rule:**
 - Connect **minimum 2 higher lows (clearly visible bottoms)**.
 - From the **3rd touch onwards**, it becomes a valid rising trendline support.
 - **Psychology:** Indicates buyers are active on every dip.
-



⌚ Timeframe Relevance

For Traders

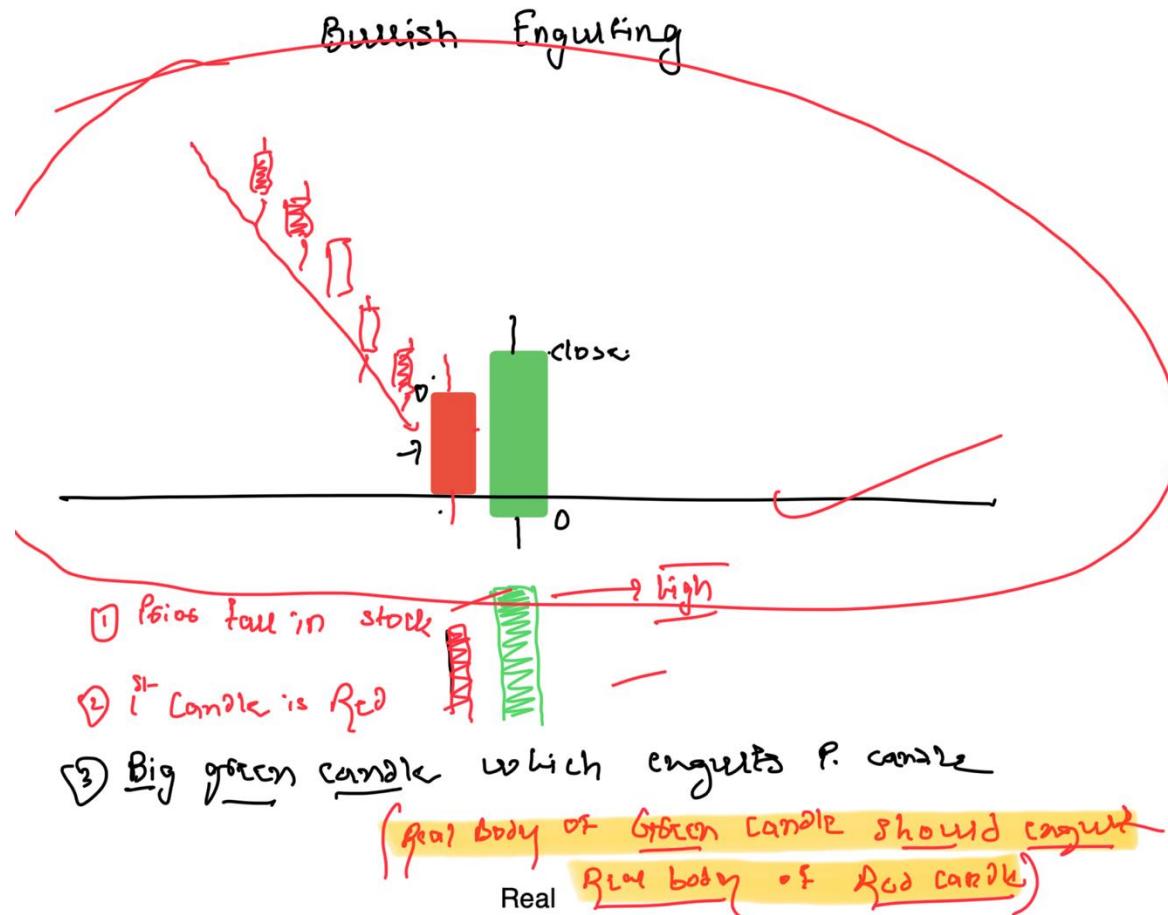
- Use **Daily Timeframe (TF)**.
- Length: **1 month – 1.5 years**.

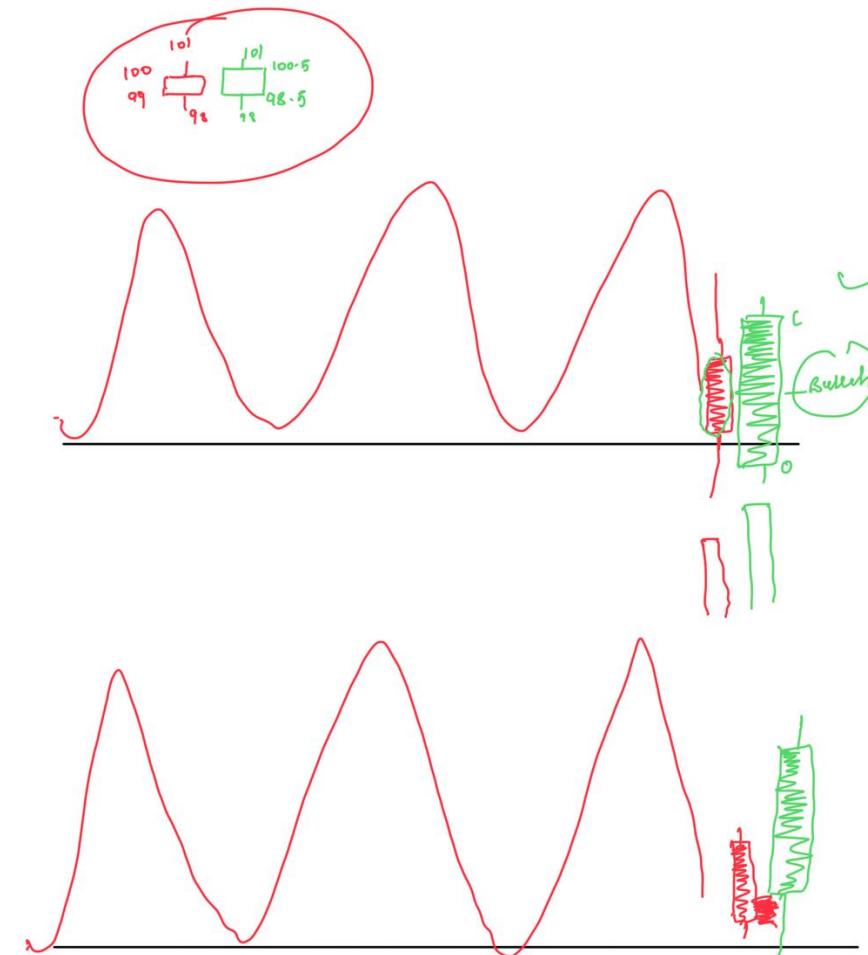
For Medium-Term Investors

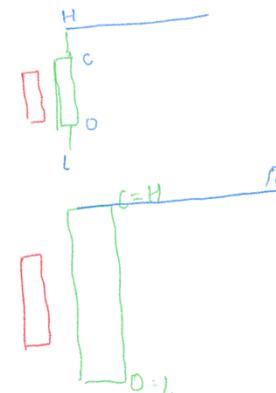
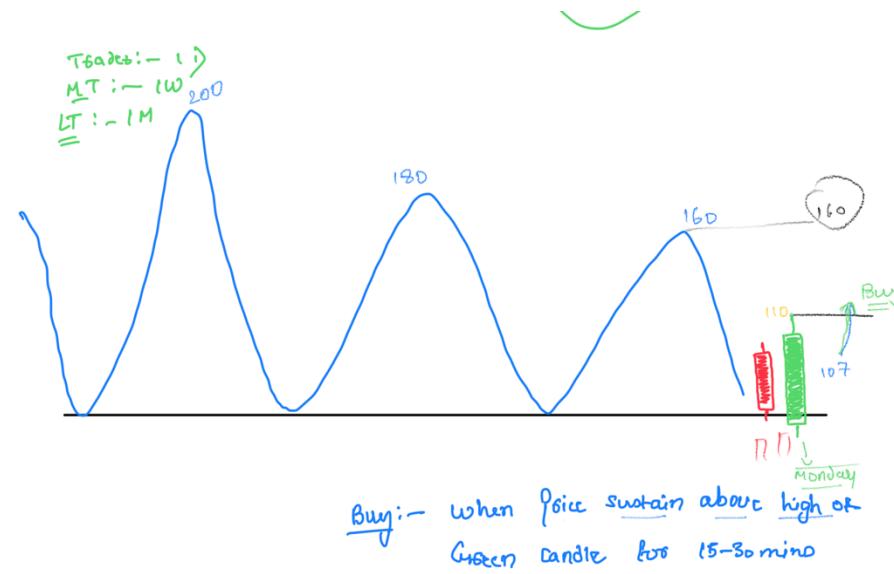
- Use **Weekly Timeframe (TF)**.
- Length: **1 year – 6 years**.

For Long-Term Investors

- Use **Monthly Timeframe (TF)**.
- Length: **5 – 6+ years**.









📊 Reversal Candle Checklist: Bullish vs Bearish Signals

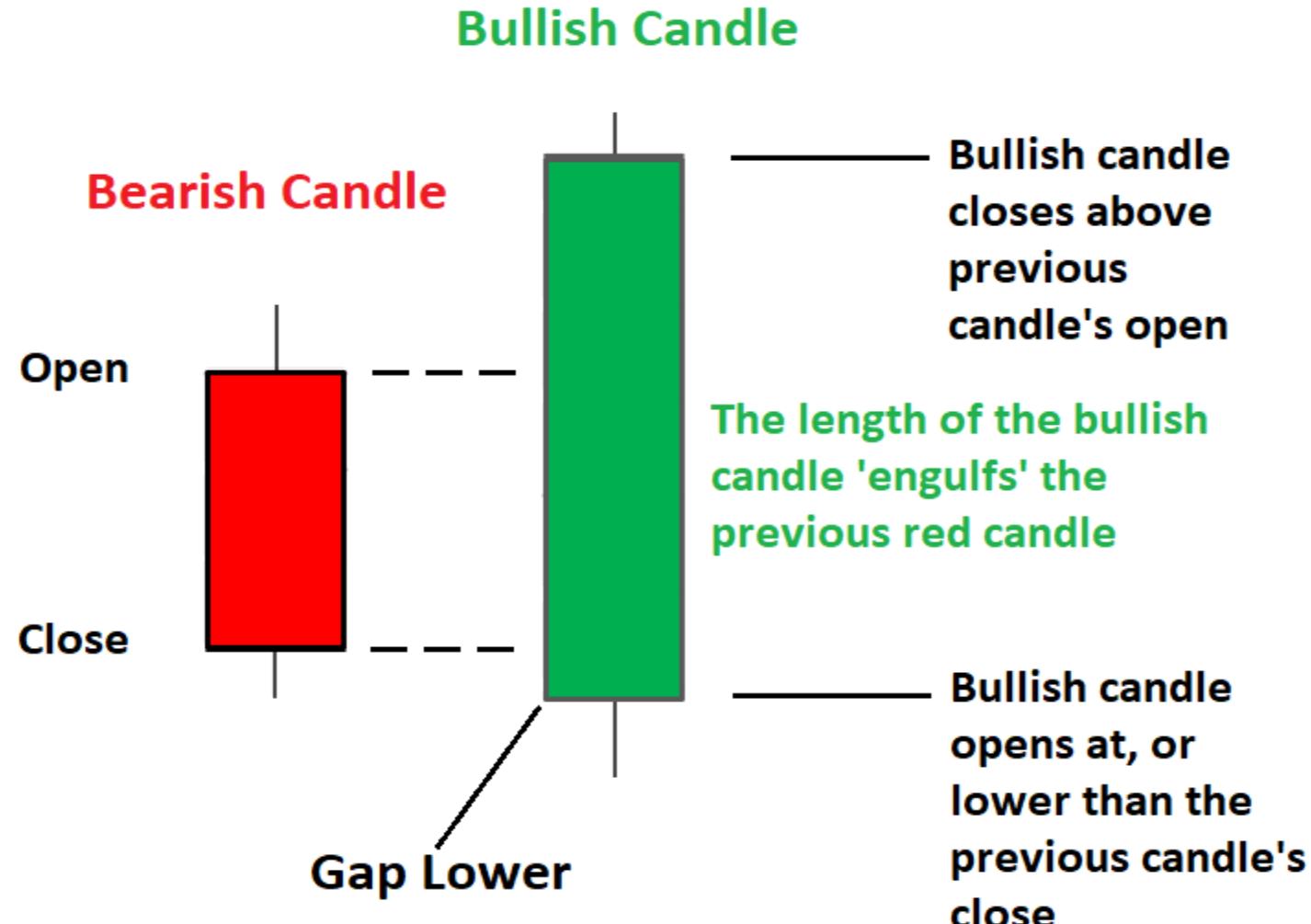
◆ Particulars	✓ Bullish Candles	▼ Bearish Candles
↖ Prior Formation	Stock should have fallen 5–7% or more before reversal	Stock should have risen 5–7% or more before reversal
📍 Candle Appears At	Support Zone — Horizontal or Rising Trendline	Resistance Zone — Horizontal or Falling Trendline
⌚ Volume Condition	Volume must be higher than previous candle	Volume must be higher than previous candle
ℹ️ Important Note	<i>If the candle body is large (3–4% move), slightly lower volume can still be acceptable</i>	<i>Same logic applies here as well</i>

🔴 Major Rule for Traders:

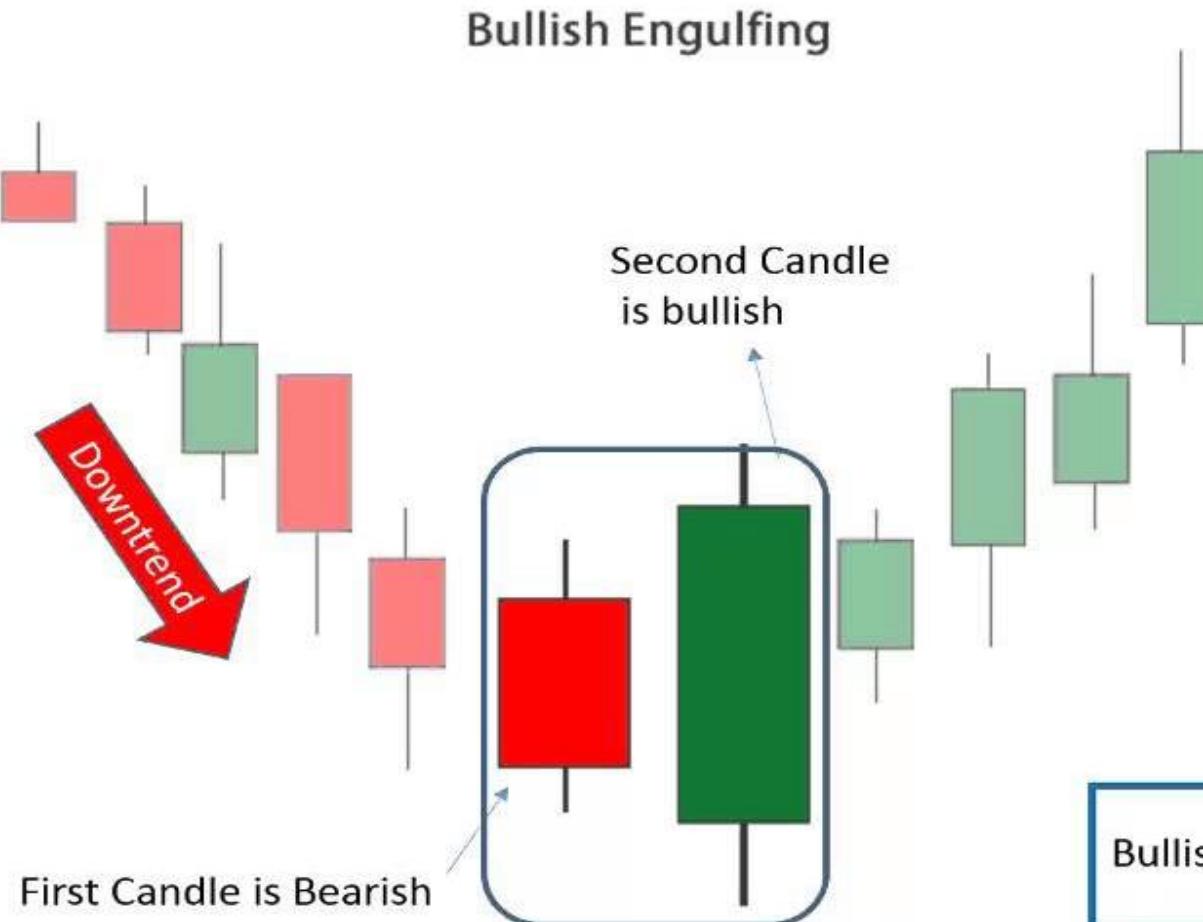
✓ Use Reversal Candle Concepts ONLY on Top 200 Stocks or F&O Stocks

This ensures:

- Liquidity is good
- Price moves are more reliable
- Volume analysis is meaningful



What is a Bullish Engulfing Pattern

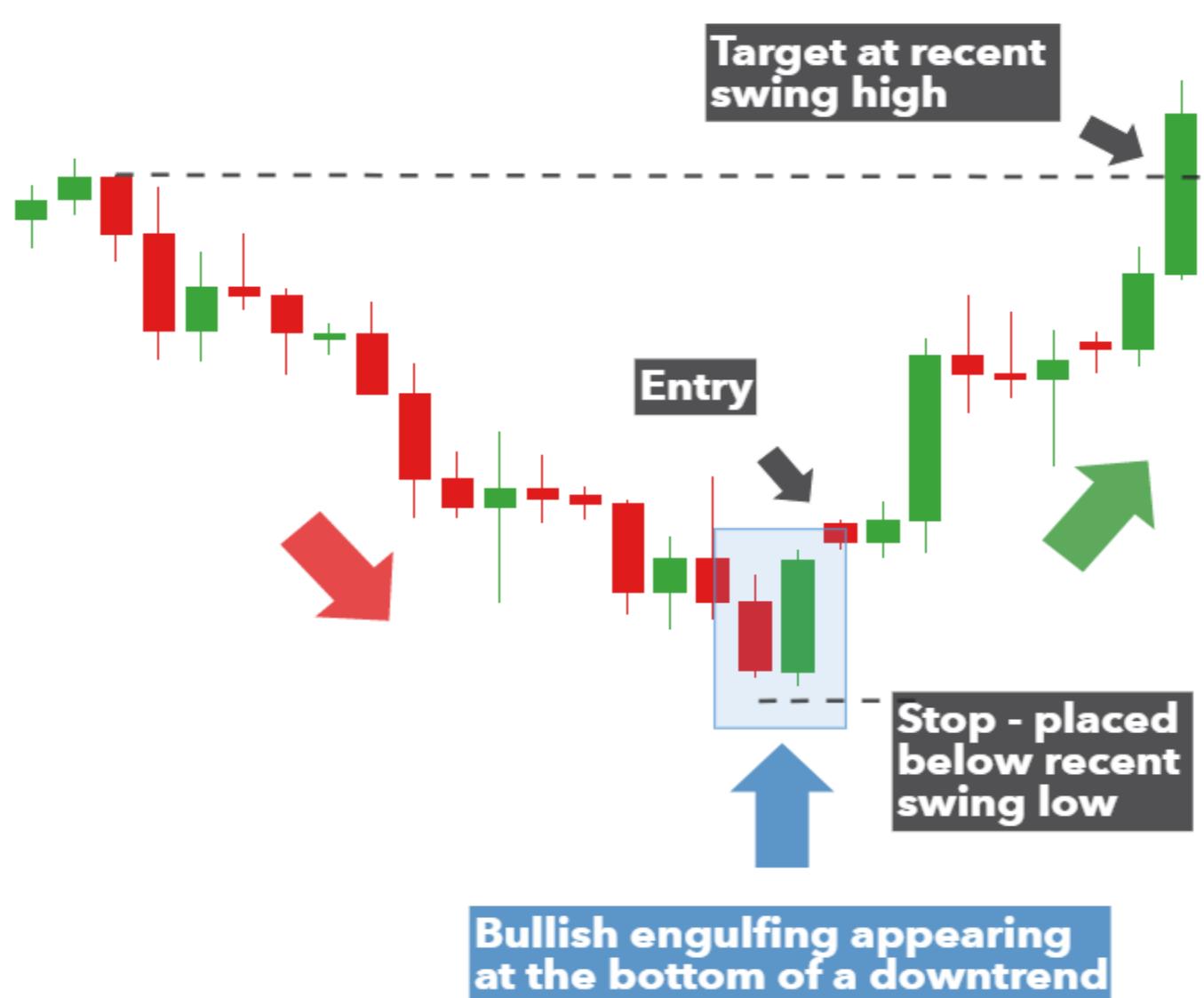


Key Criteria

1. Market must be in a clearly defined downtrend
2. The first candle is bearish
3. The second is bullish
4. The bullish candle engulfs the previous candle's body

Bullish Engulfing Pattern is an important bottom Reversal signal

Target and Stop Loss of Bullish Engulfing Pattern

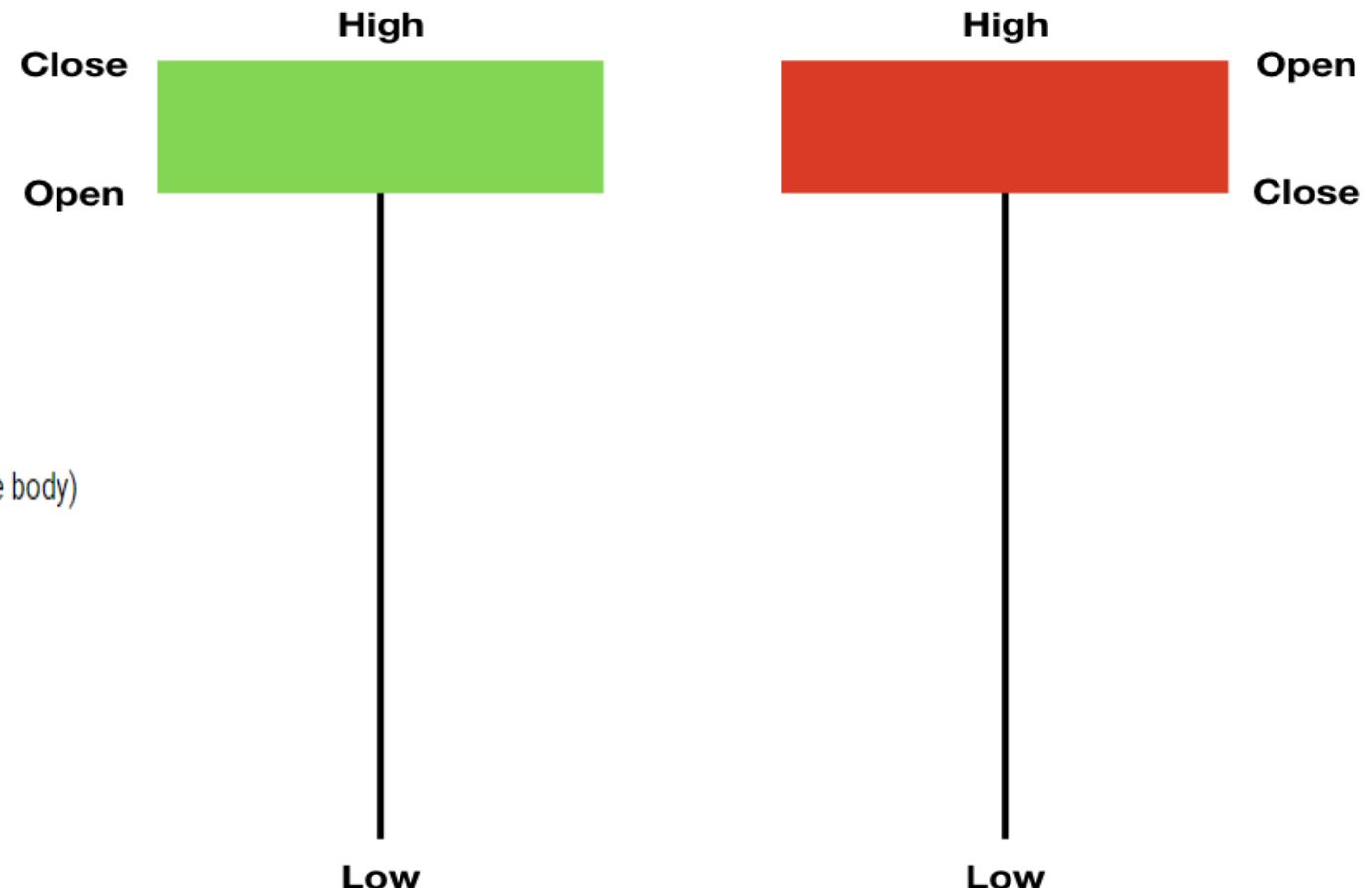








Hammer Candlestick



How to spot a Bullish Hammer pattern:

- Candle with a short body and long wick (at least 2x the size of the body)
- Occurs at the bottom of a downward trend
- Confirmation from other indicators as mentioned below

What does it indicate:

- Trend reversal to the upside (bullish reversal)
- Price rejection at a certain 'key level'

Sample Charts of Hammer

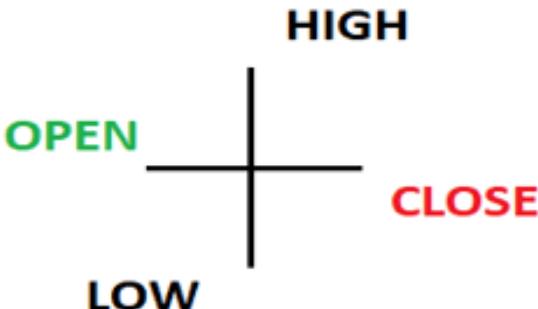


Sample Charts of Hammer on Support





Candle Pattern 5: Doji (Indecisive Candle)

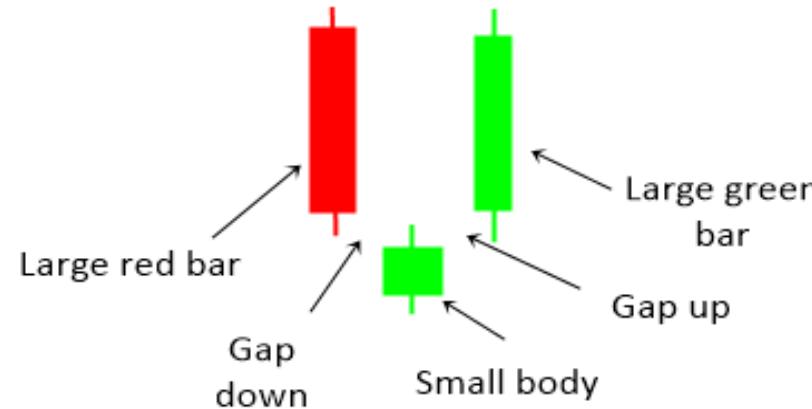
Pattern	Characteristics	Chart Formation	Indicates
Doji Star	<ul style="list-style-type: none">• 'Cross shape'• Same opening and closing price• Small, equal length upper and lower wick		Indecision
Long-Legged Doji	<ul style="list-style-type: none">• Extended upper wick• Extended lower wick• Greater volatility		Indecision

Paathshaala Gyan: We will only trade when its Morning/Evening Doji Star



Candle Pattern 6: Morning Star

The Morning Star
Candlestick Pattern



- 1. Establish an existing downtrend:** The market should be exhibiting lower highs and lower lows.
- 2. Large bearish candle:** The large bearish candle is the result of large selling pressure and a continuation of the existing downtrend. At this point traders should only be looking for short trades as there is no evidence of a reversal yet.
- 3. Small bearish/bullish candle:** The second candle is a small candle - sometimes a Doji candle - that presents the first sign of a fatigued downtrend. Often this candle gaps lower as it makes a lower low. It does not matter if the candle is bearish or bullish as the main takeaway here is that the market is somewhat undecided.
- 4. Large bullish candle:** The first real sign of new buying pressure is revealed in this candle. In non

Paathshaala Gyan: 3rd candle should close above at least 50%-60% body of 1st candle

Example of Morning Star





Final Reversal Buying Checklist

- Step 1 – Proper Fall:** Stock must have visibly declined ("lagna chahiye gira hai").
- Step 2 – Support Line:** Reversal from 3rd touch of a support line drawn with clear U or V swings.
- Step 3 – Bullish Candle:** Bullish Engulfing, Hammer, or Morning Star.
- Step 4 – Volume Confirmation:** Strong bullish candle supported by higher volume.
- Step 5 – Stock Selection:** Only trade in Nifty 200 stocks; avoid small, illiquid ones.
- Final Rule:** Prefer buying when Nifty 500 is above 20 & 50 SMA both for higher accuracy..



🚀 Breakout Strategy Guide: Entry Rules for Aggressive vs. Conservative Traders

📌 1. Entry Style

Type	Entry Condition
🔥 Aggressive	Enter when price breaks the resistance — no need to wait for candle close.
🛡️ Conservative	Enter next day after candle closes above resistance with confirmation.

🕒 Candle Closing Timings for Conservative Entry

- **Daily candle:** Closes at 3:30 PM → Buy next day on confirmation
- **Weekly candle:** Closes on Friday → Buy next Monday
- **Monthly breakout:** Wait for weekly closing above → Buy next week

📈 2. Volume Confirmation

Stock Type	Volume Requirement
📊 F&O Stocks	Volume should be rising and higher than previous candle on breakout
📅 Cash/Other Stocks	Volume should be at least 2x average — higher the volume, better the accuracy

✅ 3. Market Condition Filter

- 📈 Nifty must be **above both 20 SMA & 50 SMA**
This ensures you're trading in the direction of broader market strength.



		Quick Trades	Short Term Trades	Medium Term Trades	Long Term Trades
Time Frame		Daily	Daily	Weekly	Monthly
Length of Trendline		1 M - 18 Months	1 M - 18 Months	1 Yr - 7 Yrs	> 7 Yrs
When to Buy	Aggressive Buyer	When Price Break Resistance	When Price Break Resistance	When Price Break Resistance	When Price Break Resistance
	Conservative Buyer	N.A.	Confirmed Break out on Daily Basis	Confirmed Break out on Weekly Basis	Confirmed Break out on Weekly Basis
Stop Loss		Recent Clearly visible Swing Low (on Daily Charts)	Recent Clearly visible Swing Low (on Daily Charts)	Recent Clearly visible Swing Low (on Weekly Charts)	SMA / EMA
Range of Buy (Above Break out)		1% - 1.5%	3% - 4%	7% - 8%	7% - 8%
Target	If Recent Clear Swing High available	Recent Clearly visible Swing High (on Daily Charts)	Book 50% on 1st recent Swing High and Bal 50% at Next Swing High on Daily Charts	Recent Clearly visible Swing High (on Weekly Charts)	Recent Clearly visible Swing High (on Monthly Charts)
	No RCSH Available	Book 50% @ 5%	Book 50% @ 10- 15%	Book 50% @ 20- 30%	Book 50% @ 40- 60%
		Book 25% @ 8%	Balance 50% - Based on EMA / SMA	Balance 50% - Based on EMA / SMA	Balance 50% - Based on EMA / SMA
		Book 25% @ 10%			
N.B. : Gain to be calculated from the Break out Price and Not the Buying Price.					



📘 Topic: Breakout Concept

◆ What is a Breakout?

A **breakout** happens when **price breaks above a resistance level** with strong **volume** and a **bullish candle**, signaling a possible **trend change** from sideways/downtrend to uptrend.

✓ Confirm Breakout =

- Price closes **above resistance**
- Candle is **bullish and strong**
- **Volume is high**



◆ Types of Resistance to Trade

We trade breakouts of only two types of resistance:

1. Horizontal Resistance (Mother)

- Formed when price touches and rejects the **same price zone multiple times**.
- Example: Stock gets rejected around ₹200 three or more times → ₹200 becomes horizontal resistance.

2. Falling Trendline Resistance (Father)

- Formed by connecting **lower highs** in a **downward sloping trendline**.
- Breakout happens when price **closes above** this trendline.
- Used when a stock was in downtrend and now wants to reverse up.

🚫 **Do Not Trade** rising trendline breakouts — they don't change the trend.

◆ Time Frame & Resistance Length

Trader Type	Time Frame	Ideal Resistance Length
Quick / Short-Term	Daily Chart	1 month – 1.5 years
Medium-Term Investor	Weekly Chart	1 – 6 years
Long-Term Investor	Monthly Chart	6+ years

Example:

- A swing trader watching daily chart → prefer resistance formed over at least 1–1.5 months.
- A long-term investor → breakout of a 7-year resistance is very powerful.



◆ Touch Count Rule

- Minimum 3 swing high **touches** to confirm valid resistance.
 - Exception:
If the breakout happens at **all-time high**, then **2 touches** are enough.
-

◆ Volume Rules

- High **volume** = **higher accuracy**.
- F&O or Nifty 200 stocks: even **rising volume** is okay.
- Other stocks: prefer **2x–4x higher volume** than average during breakout.

Example:

If normal daily volume = 5 lakh shares, then breakout day should have 10–20 lakh+ shares traded.

◆ Price Structure Before Breakout

- Prefer setups where price is making **higher lows** before breakout.
→ Shows accumulation and increasing buying pressure.
- Frequent touches of resistance improve accuracy (shows repeated testing before final break).



◆ Rules for "Father" (Falling Trendline) Setup

To draw "Father" (falling trendline resistance):

1. Connect at least **2 or more lower highs**.
2. Trendline should not be too steep — like "**Pushpa – Jhukega Nahi**" 😊 (means a smooth, sloping line).
3. There should be a **prior uptrend** before this falling trendline begins forming.

Purpose → It shows a correction phase within a larger uptrend, ready to reverse once breakout happens.



◆ Buying Range After Breakout

Once breakout is confirmed, buying range depends on time frame:

Type	Time Frame	Buying Range from Breakout Point
Quick Trade	Intraday / Few Days	Up to 2% above breakout
Short Term	Daily	Up to 4%
Medium Term	Weekly	Up to 8%
Long Term	Monthly	Up to 12–14%

🟡 If price goes above this range → **Do not chase**. Wait for **retest** (will be covered later).

Example:

If breakout happens at ₹100:

- For short term (daily) → buy between ₹100–₹104.
- For medium term (weekly) → buy up to ₹108.

◆ Stop Loss (SL) Placement

- SL = Recent clearly visible swing low on respective time frame
 - or
- Rising trendline support below breakout.



◆ Target Setting

If there's a visible next swing high, use it as a target.

If not, follow percentage targets:

Trade Type	Target Range
Quick Trade	5–7–10%
Short Term	10–15%
Medium Term	20–25%
Long Term	40–50%

Example:

If breakout at ₹100:

- Quick Trade: ₹105–₹110
- Medium Term: ₹120–₹125
- Long Term: ₹140–₹150





Buy above 2420
SL 2270

Target 2640

USHA MARTIN, 1D, NSE O340.30 H344.90 L335.50 C336.60 -0.85 (-0.25%)

INR







TradingView



carahulranka published on TradingView.com, Apr 01, 2025 22:59 UTC+5:30

REC LTD · 1W · NSE O425.85 H432.35 L415.05 C416.90 -12.30 (-2.87%) -12.30 (-2.87%)



TradingView



carahulranka published on TradingView.com, Apr 01, 2025 23:00 UTC+5:30

JSW STEEL LTD - 1M - NSE O1,063.00 H1,070.45 L1,053.35 C1,056.25 -6.95 (-0.65%) -6.95 (-0.65%)





When Price close above Resistance with a view to change the trend, it is known as BREAKOUT



When Price close below Support with a view to change the trend, it is known as BREAKDOWN

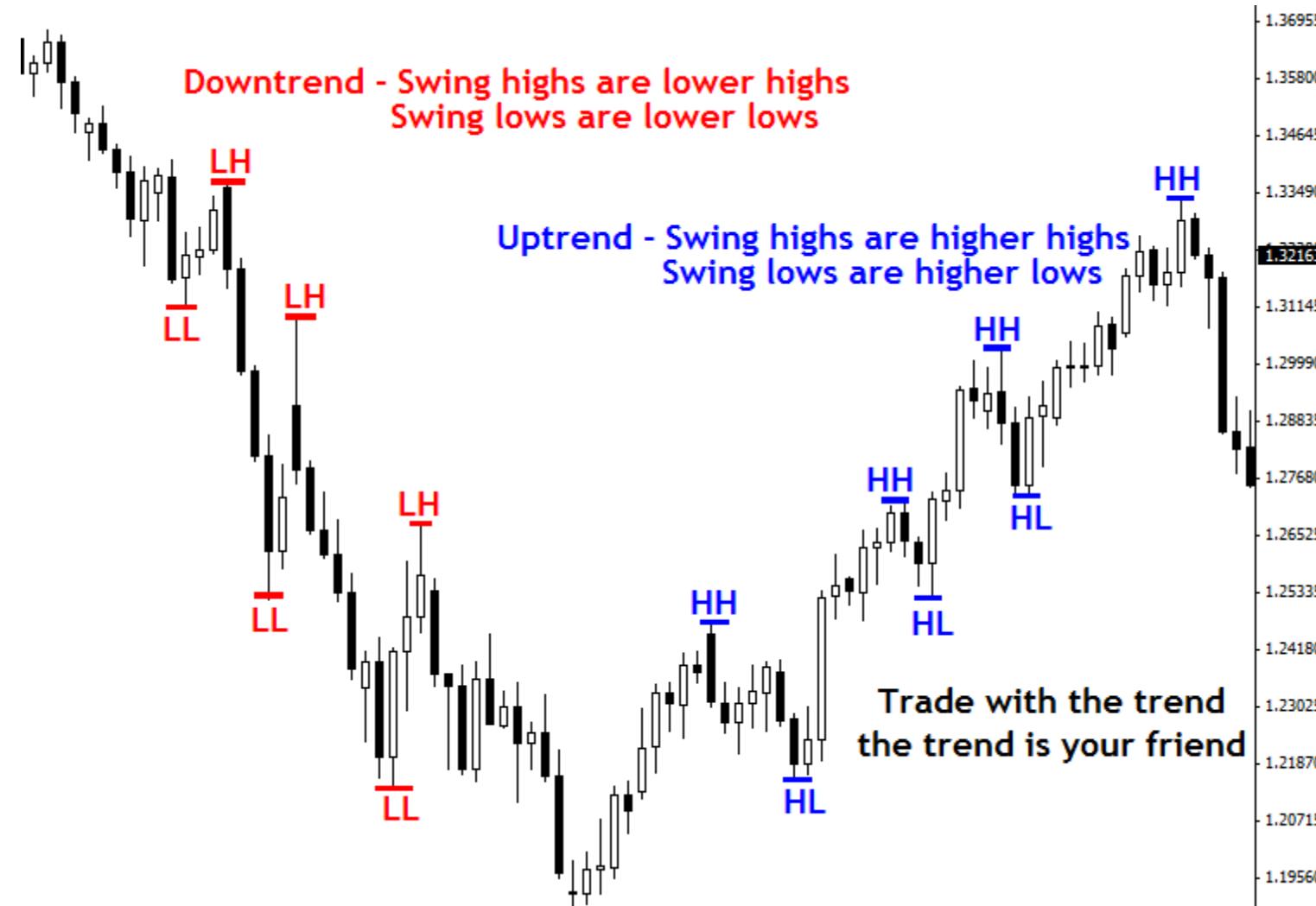


Multiple test of Support before breakdown



Support is weak, That's why price is not moving up and coming down again and again.

Support & Resistance: Trading with trend



Support & Resistance: Do not make steep trendlines





What is the Use of the Breakdown Concept?(Applicable on all stocks)

Breakdown is a **powerful tool** used in trading and investing to make smart, timely decisions.

1. Exit Signal for Investors & Swing Traders

- If a stock you're already holding breaks a major support(husband) or Rising trendline (Relatives)

→ It's a warning that the stock may fall further.

Use it as an exit signal to protect capital or lock in profits.

Remember: Breakdown = Demand is gone = Lower prices likely

2. Avoid New Entries at the Wrong Time

If you're planning to buy a stock and it is breaking its support,

→ Avoid buying now!

Buying during breakdowns can trap you into a falling stock.

Better to wait for stability or signs of reversal from another support



3. Opportunity to Short Sell (Derivatives Trading)

- In Cash Market, short selling is allowed only Intraday
- In Futures, breakdowns offer shorting opportunities:

High probability trades if:

- Breakdown is with volume
- Market sentiment is weak
- Retest gets rejected

Use Case

Existing Holding

Planning to Buy

Derivatives (F&O) Trading

How Breakdown Helps

Exit early before bigger fall

Avoid bad entry, wait for better zone

Enter short trades with better accuracy



What is Short Selling ?

Short selling means selling a stock first and buying it later, when the price goes down — to make a profit.

You are betting that the stock will fall.

Normal Investing (Buy First, Sell Later)

Step	Action	Price
1	Buy stock	₹100
2	Sell after some time	₹120
		Profit = ₹20



⌚ Short Selling (Sell First, Buy Later)

Step	Action	Price
1	Sell stock (borrowed)	₹100
2	Buy back later	₹80
💰	Profit = ₹20	

📍 Key Points about Short Selling in Indian Market

Point	Explanation
🕒 Allowed only in intraday	You must buy back the same day (before market closes at 3:30 PM)
✗ No delivery involved	You are selling borrowed shares , so can't hold overnight
💻 Must use intraday order	Use options like MIS or Intraday order type in your broker terminal
📈 Used when stock looks weak	Traders short sell when they expect stock to fall during the day
✗ Not allowed in delivery	You cannot short and hold the position for days unless using derivatives



🧠 Simple Example – Intraday Short Sell

You think **Tata Motors** is going to fall today.

1. ⚡ You sell 100 shares at ₹500
 2. ⚡ Stock falls to ₹480
 3. ✓ You buy back at ₹480
 4. 💰 Profit = ₹20 x 100 = ₹2,000 (before brokerage/taxes)
-

⚠ What If Stock Goes Up Instead?

1. You sell at ₹500, but
 2. Stock goes up to ₹520
 3. You are forced to buy back at loss before 3:30 PM
 4. ✗ Loss = ₹20 x quantity
-

RECEIPT How is it different from Futures Shorting?

Intraday Short (Cash)

Must close same day

Done in cash segment

Lower margin required

Futures Short

Can hold for days or weeks

Done in derivatives segment

Higher margin but higher flexibility



Horizontal Support Breakdown (HUSBAND)

H = Horizontal | S = Support | B = Break | D = Down

What is Horizontal Support?

- A horizontal support is a price level where price has bounced minimum 2 times in the past.
- It shows demand zone — buyers enter here again and again.
- It's drawn as a flat line connecting previous lows.

How to Draw Horizontal Support

1. Look for multiple lows near the same price level.
2. Mark the zone where price bounced repeatedly — 2 or more touches is ideal.
3. Avoid cutting the candles real body.

Breakdown of Horizontal Support

When price closes below the support zone, it signals sellers are taking control.
This is a breakdown — a bearish signal.



What to Expect After Breakdown

- Price often falls quickly after breaking support due to stop losses getting triggered.
- Next target is usually the next strong support or clearly visible swing low

Stop Loss for Breakdown Trade

- Place SL just above the recent clearly visible swing high
- If there's a pullback to retest, use the pullback high as SL.
- Always use proper risk management and position sizing.











Rising Trendline Support (Relatives)

R = Rising | T = Trendline | S = Support

What is a Rising Trendline?

A **rising trendline** is a line that connects **two or more higher lows** in an uptrend.

It shows that the price is **consistently making higher lows**, meaning buyers are stepping in earlier each time.

It acts like a **support line** — a range from where price bounces.



How to Draw a Rising Trendline

- 1. Find at least two swing lows** that are going higher over time.
- 2. Use a trendline tool** to connect the lows with a straight line.
- 3. Preferably, use 3 touch points** to make the trendline more valid.
- 4. Always draw from left to right.**
- 5. Do not force a line to fit the price — let price action guide you.**

How to Use the Rising Trendline

Breakdown of the Trendline

- If price **breaks below the rising trendline**, it means the **uptrend might be weakening**.
- This is called a **breakdown** and can signal:
 - **Profit-booking**
 - **Reversal** or
 - **Short-term correction**



What to Expect After Breakdown

- Price may fall to the next support or Upcoming clearly visible swing low
- Sometimes price retests the trendline from below before continuing lower

Stop Loss for Breakdown Trade

- Place stop loss above recent clearly visible swing high













📊 Reversal Candle Checklist: Bullish vs Bearish Signals

◆ Particulars	✓ Bullish Candles	▼ Bearish Candles
↖ Prior Formation	Stock should have fallen 5–7% or more before reversal	Stock should have risen 5–7% or more before reversal
📍 Candle Appears At	Support Zone — Horizontal or Rising Trendline	Resistance Zone — Horizontal or Falling Trendline
⌚ Volume Condition	Volume must be higher than previous candle	Volume must be higher than previous candle
ℹ️ Important Note	<i>If the candle body is large (3–4% move), slightly lower volume can still be acceptable</i>	<i>Same logic applies here as well</i>

🔴 Major Rule for Traders:

✓ Use Reversal Candle Concepts ONLY on Top 200 Stocks or F&O Stocks

This ensures:

- Liquidity is good
- Price moves are more reliable
- Volume analysis is meaningful



Candlestick – Trade Setup Checklist

The Bearish Engulfing pattern is a two-candle reversal signal indicating a possible trend reversal from uptrend to downtrend.

1. Prior Trend Must Be Up

- Pattern must occur after a clear uptrend or recent rally (5–7% rise or more).
- No uptrend = No trade.

2. Candle Structure

- Bearish Engulfing.
- Shooting Star
- Evening Star

3. Location Matters (Where It Forms)

- Should appear at a strong resistance zone:
 - Horizontal resistance Zone
 - Falling trendline Resistance zone
 - Breakdown retest zone



4. Volume Confirmation

- Volume on the bearish candle should be higher than the previous day.
- If volume is low or below average, avoid taking the trade.

5. Ideal Market Conditions

- Nifty/Index should not be in a strong uptrend — ideally flat or weakening.
- Avoid if broader market is extremely bullish.

6. Entry Rule

- Aggressive Entry: Short near the close of the bearish candle.
- Conservative Entry: Wait for next day confirmation (price trades below the bearish candle's low).

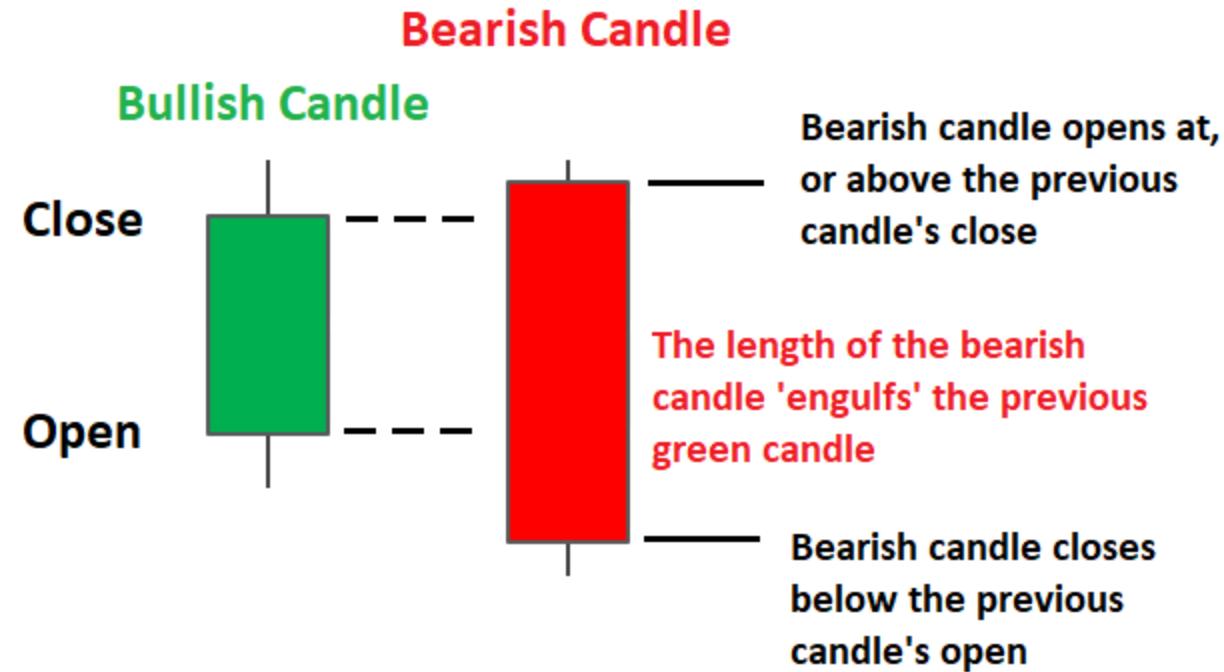
7. Stop Loss Placement

- SL just above the high of the bearish engulfing candle.
- For volatile stocks, give some buffer (0.25–0.5%).

8. Target Levels

- Target: Nearest Swing low zone

Candle Pattern 2: Bearish Engulfing



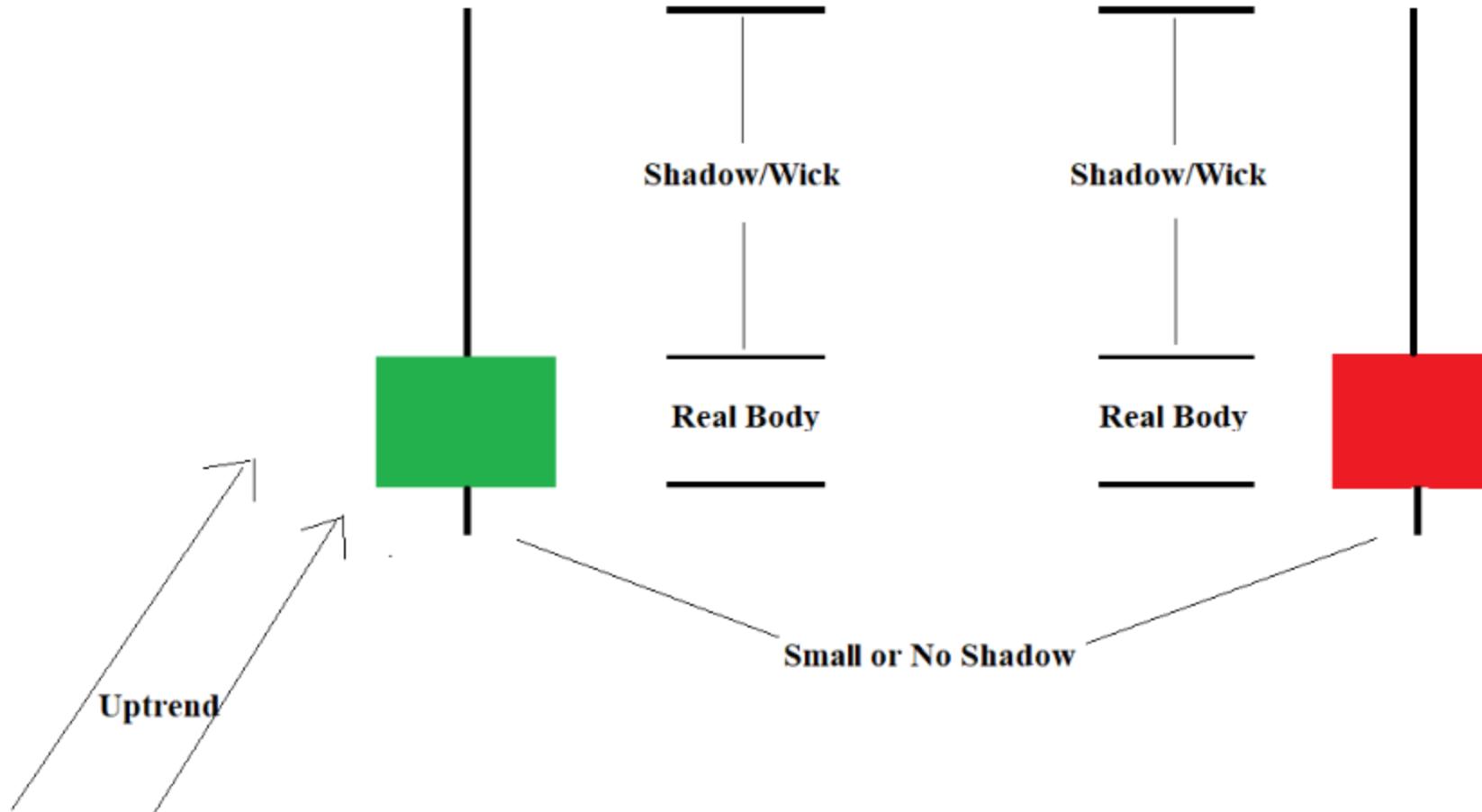
Target and Stop Loss of Bearish Engulfing Pattern



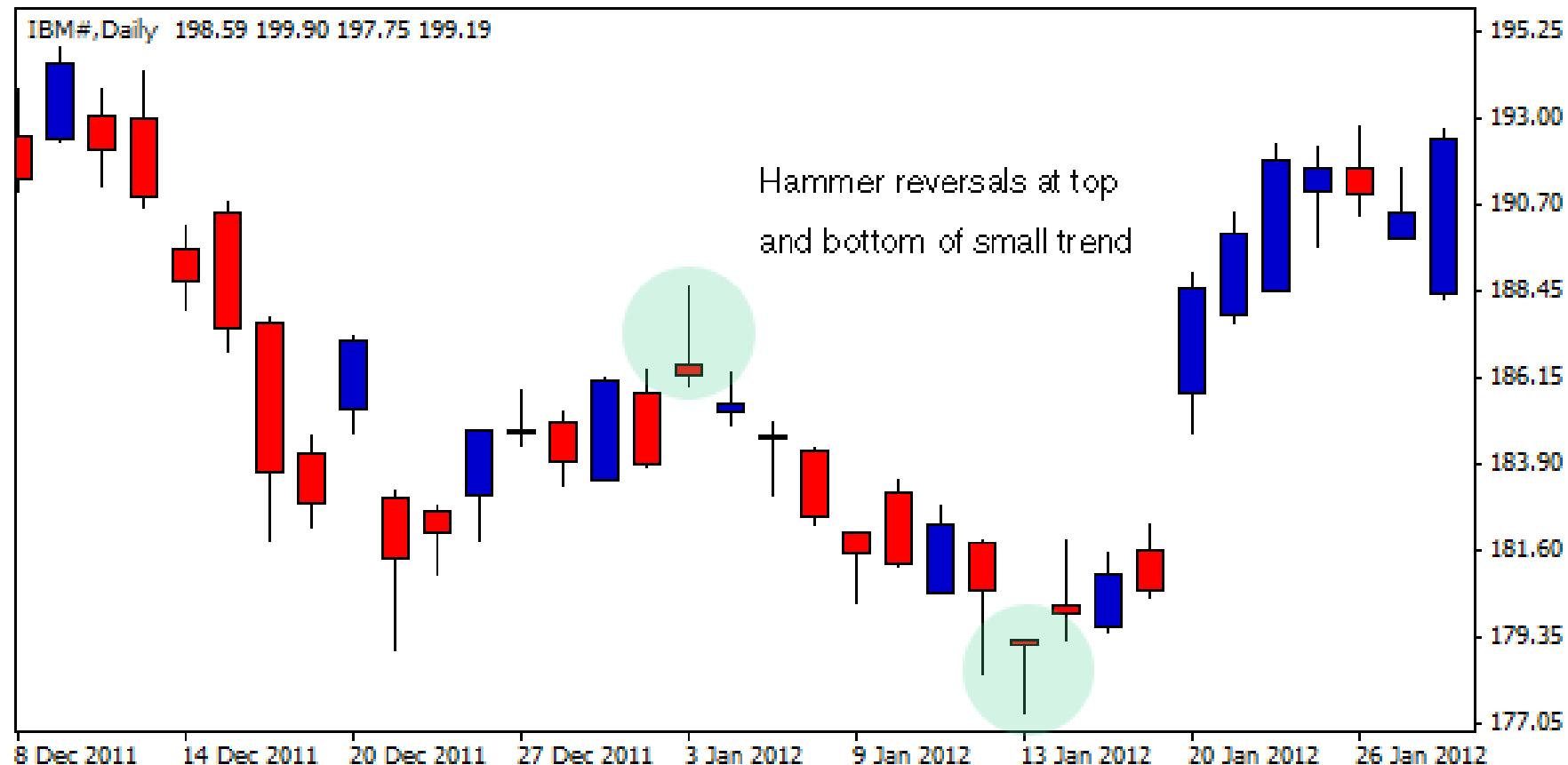
Bullish and Bearish Engulfing at a glance



Candle Pattern 4: Shooting Star

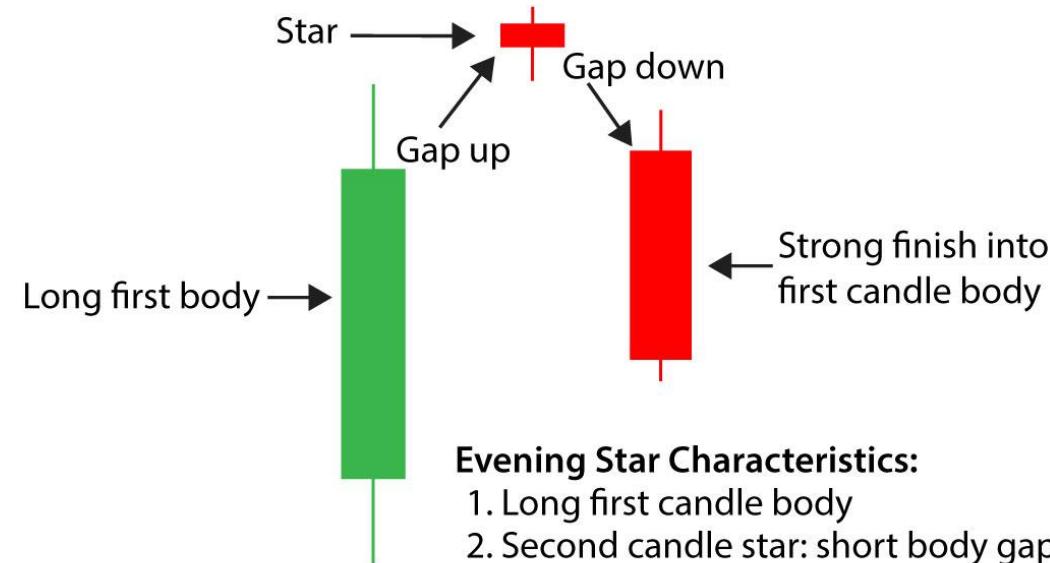


Sample Charts of Shooting Star & Hammer





Evening Star Candlestick Pattern



Evening Star Characteristics:

1. Long first candle body
2. Second candle star: short body gaps away from preceding candle
3. Third candle body closes into body of first candle

Paathshaala Gyan: 3rd candle should close below at least 50%-60% body of 1st candle

















BANK OF INDIA LTD - NSE - 21/01/2021 - 21/01/2021 - 21/01/2021 - 21/01/2021 - 21/01/2021







What is Simple Moving Average (SMA) in Technical Analysis?

SMA is the average of closing prices over a specific number of days.
It helps us understand the overall mood or trend of the market.

Think of it like this:

SMA = Average Price of Big People (Smart Money)
It smoothens the price data and gives us a clear direction – just like how you step back to see a bigger picture.

Works Best in Trending Market

SMA works well when the market is trending – either upwards or downwards.
In sideways (rangebound) markets, SMA may give confusing signals.

Focus on the Slope/Curve of SMA

If SMA is rising, it means the trend is up (bullish).

If SMA is falling, the trend is down (bearish).

If SMA is flat, the market is likely sideways or confused.



SMA	Meaning	What it Indicates
10 SMA	Quick	Quick, recent momentum
20 SMA	Short Term	Short trend direction
50 SMA	Medium Term	Health of the overall trend
200 SMA	Long Term	Big picture – long-term trend

Price Position vs SMA = Trend Clue

- If price is above the SMA → That trend is considered bullish
- If price is below the SMA → That trend is considered bearish

Example: If price is above 50 SMA → medium-term trend is strong and bullish
If price falls below it → medium-term weakness starts



When Nifty is Above Both 20 & 50 SMA

"Jam ke kaam karna hai"

- Trend is strong and bullish
- You can trade with confidence and full position
- Ideal time for aggressive entries

When Nifty is Below Either 20 OR 50 SMA

"Tham ke kaam karna hai"

- Trend is weakening or getting sideways
- Trade with caution
- Use reduced quantity and strict stoploss

When Nifty is Below Both 20 & 50 SMA

"Avoid or 30% quantity"

- Trend is weak or bearish
- Best to stay out of market
- If you're a full-time trader, trade with only 30% of your usual size

Why This Rule Works?

- 20 SMA = Short-term trend
 - 50 SMA = Medium-term trend
- If price is below both, it means buyers are losing control.





Breakout Trading Rule Using 20, 50 &200 SMA

Use this only in trending markets — not suitable for reversal trades

Applicable on: check this conditions on Daily ,weekly, monthly considering your vision

Price Position Relative to SMA (Very Imp)

Price must be above 20,50 & 200 SMA

Indicates long term bullish structure — ideal for breakout entries

If price is below any of these SMA — skip the trade, breakout may fail







Simple Trend-Following Rule Using 20 & 50 SMA

For those who want to trail in strong trending stocks — not for quick in-and-out traders

ENTRY :- Use earlier breakout entry rule, Price above both 20, 50 & 200SMA

EXIT Strategy (In Two Parts) (can be used on D/W/M)

Part 1 – First Exit on Weakness

As long as price is above 20 SMA, hold full position

If price closes below 20 SMA with a bearish candle,

Exit 50% of your holding (if you are a quick trader follow 10 & 20 instead of 20&50)

This protects you early when short-term weakness starts

Part 2 – Final Exit on Major Breakdown

Continue to hold remaining 50%

If price closes below 50 SMA with a strong bearish candle,

Exit fully

This helps you stay in the trend till the medium-term uptrend actually breaks

Optional Exit – Personal Comfort

•If you feel "bohot return ho gaya",

→ You can exit anytime as per your comfort

→ This is a mental trail, not a rule-based one



Benefits of This SMA Trailing System

- Helps you ride big trends when stock moves strongly
- Keeps your system disciplined and rule-based
- No need to guess top or bottom — just follow moving averages

Limitations

*Sometimes, price might fall below 20 or 50 SMA and bounce back
You may miss rallies after exit
But still better than exiting too early without any system*

Price Action	Action
Above 20 SMA	Hold full position
Closes below 20 SMA with bearish signal	Exit 50%
Closes below 50 SMA with bearish signal	Exit 100%
Any time you feel comfortable	Optional full/partial exit



⚡ QUICK EXIT TIP (For Fast Traders Only)

Logic: Price and 20 SMA behave like a **mother and child** — they cannot stay far apart for long. Stretching away leads to pullbacks or consolidation.

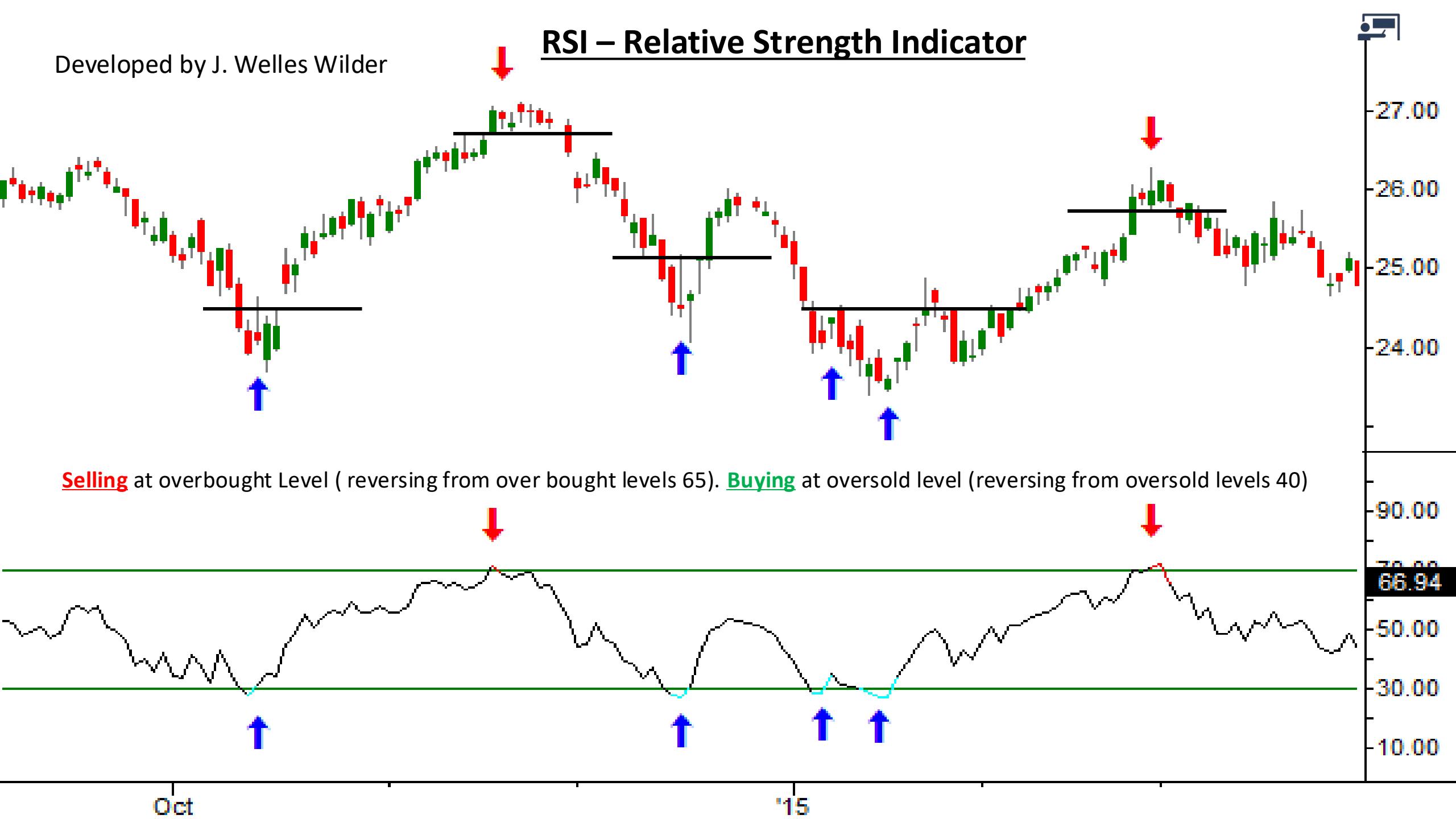
Profit Booking Rule:

Stock Type	If Price is This Much Above 10 SMA	Action
Cash Stocks	10% – 12%	Start booking part profits
F&O Stocks	5% – 6%	Book part profits or tighten stoploss

| For **quick trades only**, especially after sharp upmoves.

RSI – Relative Strength Indicator

Developed by J. Welles Wilder



Oct

'15



RSI MATHS

- RSI Formula can be defined as

$$RSI = 100 - \frac{100}{(1+RS)}$$

RS is defined as ratio between average gain to average loss over a certain period of time

$$\frac{\text{Average Gain over "n" period of times}}{\text{Average Loss over "n" period of times}}$$

Where n can be defined by user

Generally it is used as 14 days of period.

The Relative Strength Index (RSI), developed by J. Welles Wilder, is a momentum oscillator that measures the speed and change of price movements. The RSI oscillates between zero and 100. Traditionally the RSI is considered overbought when above 70 and oversold when below 30.



What is RSI?

RSI stands for Relative Strength Index – it's an indicator that tells you whether a stock is overbought or oversold. It helps you understand momentum – whether buyers are strong or sellers are strong.

How RSI Works:

- *RSI value moves between 0 and 100*
- *The higher the RSI, the stronger the recent buying*
- *The lower the RSI, the stronger the recent selling*

Standard RSI Levels (Wilder's Method):

- *Above 70 = Overbought (may cool down)*
- *Below 30 = Oversold (may bounce)*



RSI Rule of Thumb (Market Paathshaala Style)

RSI Behavior

RSI above 65 and sustaining

RSI below 40 and sustaining

RSI between 40–65

Market Message

Strong trend – bullish momentum

Weak trend – bearish pressure

Sideways



📘 RSI-Based Buy & Sell Rules – Market Paathshaala Style

🎯 RSI 65 = Resistance Zone

🎯 RSI 40 = Support Zone

These levels help us understand **momentum strength** before entering any **breakout or reversal trade**.

✓ FOR BREAKOUT TRADES

(Use when price is breaking resistance or all-time high)

◆ When to Buy:

- RSI is above 65 or crossing above 65
- Price is giving **clean breakout with volume**
- Shows that **momentum is strong and trend can continue**

💡 *Entry is safe because buyers are in control*

🔄 FOR REVERSAL TRADES

(For stocks bouncing from support or making a bottom)

◆ Buy When (Bullish Reversal Setup):

- Price reverses from a key **support zone** (like previous swing low, demand area, or trendline)
AND
- RSI was below 40 and now **bounces back toward 40 or above**

✓ *This confirms sellers are getting weak and buyers are stepping in*













📘 RSI-Based Short Sell / Breakdown Rules – Market Paathshaala Style

⌚ RSI 65 = Resistance

⌚ RSI 40 = Support

Use this for identifying **breakdowns** and **bearish reversals** on any timeframe (Daily / Weekly / Monthly)

▼ FOR BREAKDOWN TRADES

(When stock is falling below support or giving fresh short signal)

◆ Sell When:

- Price breaks below **key support zone** (horizontal level, previous low, trendline, etc.)
AND
- RSI breaks below 40 and starts falling
 This confirms strong bearish momentum – sellers are in control

⌚ FOR BEARISH REVERSAL TRADES

(When stock is turning down from a resistance zone)

◆ Sell When (Reversal Setup):

- Price is reversing from a **resistance zone** (previous high, supply area, or trendline)
AND
- RSI was near or above 65 and now turns down back toward 60–55 range
 Shows buying momentum is weakening and sellers may step in











Rules for Profit Booking in part qty or be cautious:

Time frame can use as per goal 1D/1W/1M:

1. If RSI crosses 82-85, it indicates short-term overheating
2. Book 30–50% profits
3. Trail remaining with moving average or candle-based SL Why This Rule Works:

Imp Tip : Avoid buying or initiating new trade when RSI is above 82-85 as per respective time frame

- RSI reflects strength of momentum
- Extreme RSI = crowded trade = higher risk of reversal
- Booking profits here protects you from sudden pullbacks

Pro Tips:

- Always combine RSI with candlestick clues or volume spikes for better timing
- RSI is a signal to reduce, not a panic button to exit all
- In strong trends, RSI can remain overbought for a while – so phase-out exits are better than full exit



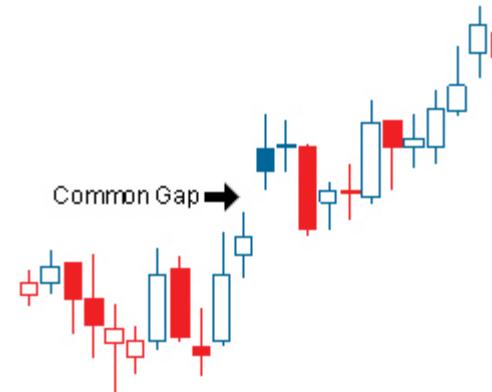
Gap Analysis

A **Gap** in a chart is essentially an empty space between one trading period and the previous trading period. They usually form because of an important and material event that affects the security, such as an earnings surprise or a merger agreement.

This happens when there is a large-enough difference in the opening price of a trading period where that price and the subsequent price moves do not fall within the range of the previous trading period.

Common Gap

As its name implies, the common gap occurs often in the price movements of a security. For this reason, it's not as important as the other gap movements but is still worth noting. These type of gaps often occur as a result of commonly occurring events, such as low-volume trading days or after an announcement related to stock. These gaps often fill quickly, moving back to the pre-gap price range.



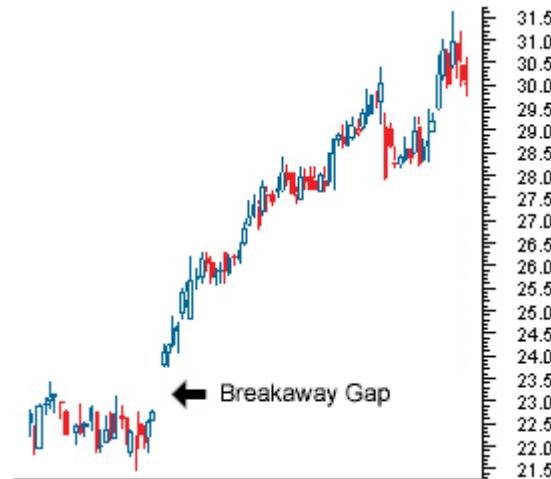
Consider such gaps as small support & Resistance zone on chart and trade accordingly with reversal candles when gap fill



Breakaway Gap

A breakaway gap occurs at the beginning of a market move – usually after the security has traded in a consolidation pattern, which happens when the price is non-trending within a bounded range. It is referred to as a breakaway gap as the gap moves the security out of a non-trending pattern into a trending pattern.

While the breakaway gap generally doesn't fill like the common gap, it will in some cases. The gap will often provide support or resistance for the resulting move.



Don't Jump to buy on breakout if there is gap up opening without any positive news, wait for gap to fill and reversal candle on 15-30 mins or Buy on closing confirmation of breakout with previous candle low as sl.



◆ 1) Common Gap

(Also called Area Gap or Trading Gap)

🧠 What It Means:

- Happens within a range or sideways zone
- Usually caused by normal news, market noise, or intraday imbalance
- Not very meaningful in most cases
- These gaps are often filled quickly (price comes back to close the gap)

📌 Characteristics:

- Appears in middle of consolidation zones
- No major trend change
- Often gets filled within 1–3 days

✅ How to Trade:

- Ignore for big decisions
- Wait for price to fill the gap before taking entry
- Use for very short-term trading or scalping only

◆ 2) Breakaway Gap

(Most powerful type of gap)

🧠 What It Means:

- Occurs when price breaks out of a major support/resistance or consolidation zone
- Signals start of a new trend – either bullish or bearish
- Usually supported by volume and RSI confirmation

📌 Characteristics:

- Appears after strong base or top formation
- Price does not fill the gap easily
- Can lead to sharp trending move

✅ How to Trade:

- For Gap Up Breakaway:
 - Enter long if price holds above the gap zone with volume
- For Gap Down Breakaway:
 - Enter short if price holds below the gap zone with weak RSI
- Keep stoploss just below/above gap zone depending on direction



Breakout Trade Checklist

1. Stock Selection (Post Market Scan)

- Run scanner **after market hours**.
- Track 2 types of stocks:
 - **About to Break Out** → Buy when it breaks and **closes above resistance**.
 - **Already Broke Out** → Check if it's still in **buying range** or wait for **retest**.

2. Swing Logic – On Mother Count

- Ensure 3 clear **swing highs** visible on resistance.
- Breakout should happen at **4th touch**.
- **Exception:** If stock is at an **All-Time High (ATH)** → even 2 touches are sufficient.

3. Downtrend Break (Father Count)

- Prior **uptrend** must exist.
- **Falling line** (downtrend resistance) must touch **3 swing highs**, breakout at 4th.
- Prefer near **horizontal** or **slightly tilted** trendlines, avoid steep ones.

4. Distance from Moving Average

- Avoid trades where price has **already run up a lot**:
 - For **trading (daily TF)**: Skip if price is **>15% above 20 SMA**.
 - For **investing (weekly TF)**: Skip if price is **>30% above 20 W SMA**.
- Tip: Prefer such stocks on **retest**, not on breakout.

5. SMA Confirmation

- Ensure **10 & 20 SMA are rising** at breakout point → Higher chance of breakout sustaining.

6. RSI Condition

- RSI should not be **>82–85** at breakout.
- **Best case:** RSI is also breaking **above 65 zone** during price breakout.

7. Volume Verification

- Volume must be **rising on breakout day**.
- Also check if **green candles** in recent trend show increasing volume.



✓ Reversal Trade Checklist

⌚ 1. Support Zone Criteria

- Take reversal trades only at 2 types of supports:
 - Horizontal support, or
 - Rising support (trendline or moving average-based)

⌚ 2. Swing Low Logic

- Ensure 2 swing lows already formed at/near support.
- Look for reversal from the 3rd swing low.

⚠ 3. Reversal Candlestick Pattern

- Prefer one of these strong reversal patterns:
 - Bullish Engulfing
 - Hammer
 - Morning Star

⌚ 4. Volume Confirmation

- Volume must be significantly higher on the reversal candle.
- Bonus points if green candles show increasing volume in recent bars.

✳ 5. Ideal Reversal Setups

- ★ High probability setups often combine:
 - Confluence of both rising & horizontal support
 - Weekly Morning Star at support
 - Strong reversal from major horizontal support + volume

📊 6. Stock Universe Filter

- If analyzing on daily or weekly timeframe → prefer only top 200 market cap stocks.
- If analyzing on monthly timeframe → can expand to top 500 stocks.



Point of Difference

Meaning

Cash Segment

You **buy and sell shares directly**

Futures Segment

You **trade contracts** based on future price of shares/index

Ownership

You become the **actual owner** of the sharesYou **don't own shares**, just bet on price movement

Delivery

Shares are **delivered to your demat account**

No delivery — purely for trading/profit/loss

Lot Size

You can buy **even 1 share**Must buy **minimum lot size** (e.g., 300, 1000 shares, etc.)

Capital Required

Need **full amount** to buy sharesOnly **margin (approx 20–25%)** needed to trade

Risk Level

Low to moderate — price risk only**High** — includes leverage risk + fast movement

Holding Period

You can hold **as long as you want**Futures **expire monthly** (typically 1-month contracts)

Who uses it?

Investors, long-term holders

Traders, short-term participants, hedgers

Short Selling

Allowed only for **intraday**Can **short sell and hold overnight**

MTM (Mark to Market)

Not applicable

Daily profit/loss is settled daily

Volatility

Comparatively **lower**Usually **more volatile** due to leverage

Profit Potential

Steady and safer in long-termCan be **high, but risky** — due to leverage

Taxation

Taxed as **short/long term capital gain**Taxed as **business income**



Criteria

Market Direction Filter

Rule / Guideline

Trade **with Nifty trend**: If **Nifty > 20 & 50 SMA** → focus on major longs. If **Nifty < 20 & 50 SMA** → focus on major shorts.

Open Positions

Maximum **4–5 futures positions** at a time.

Capital Requirement

Minimum ₹12 lakh to trade futures. - ₹12 lakh → 1 lot - ₹24 lakh → 2 lots - ₹36 lakh → 3 lots

Capital Allocation Rule

Maintain same per-lot capital ratio (~₹12L per lot).

Profit Target

Quick profit booking: **3% – 5% – 7%** (Partial or full exit depending on momentum).

Stop Loss Rule

Do not enter trade if the stop loss risk is **> ₹30,000 per lot**.
Example: If 1 lot = 500 qty, SL per share must be $\leq \text{₹}60$.

Discipline Rule

No overtrading, no averaging losers, stick to plan.



Futures Trading – Key Points & Priority

1. Breakout Risk in Futures

- SL is often far and volatility is high → risky in F&O.
- Prefer reversal from support or retest entries over fresh breakout entries.
- If trading breakouts → stick to Daily TF and resistance length of 1–6 months (small resistance gives 3–5% move within 1–2 weeks).
- Big resistance = slow move → MTM swings may push you out early.

2. Trend & Proximity to Support

- For long trades → price must be above 20 SMA and not too far from it.
- 20 SMA acts as strong support; also use it for early exit if price closes below.

3. Risk in Futures

- Losing ₹1.5–2 lakh in a month on ₹12 lakh capital is very possible in a dull market (can be worse in a bad market).

4. Capital Requirement

- Prefer trading only if risk appetite is very high and you have overall stock market capital of ₹40–50 lakh+. (allocate 12 in F&O rest in cash)

5. Trading Approach

- Goal = quick trading to avoid stress from whipsaws.
- No emotions in futures → profit toh profit, loss toh loss.

Rank Setup

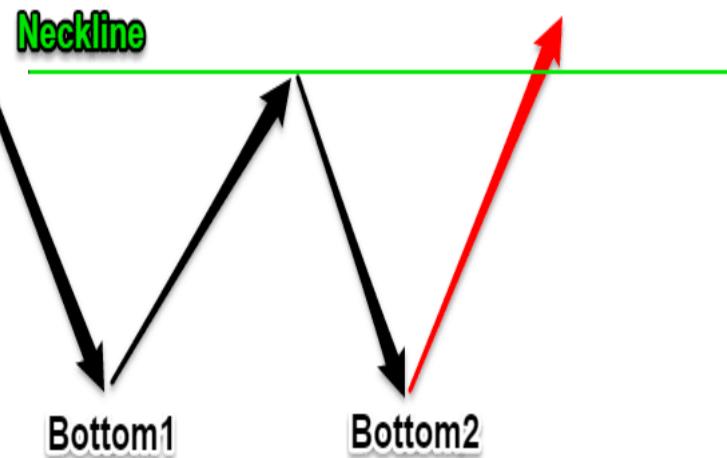
- | | |
|---|--|
| 1 | Reversal Candle from Support (Weekly/Daily TF) + RSI reversal from oversold (40) to normal + High volume on reversal candle |
| 2 | Unexpected Move concept (<i>Proprietary</i>) |
| 3 | Breakout on Daily TF with resistance length \leq 6 months + all SMAs rising |

What is Double Bottom Pattern and Conditions



Double Bottom Reversal Pattern

Bearish
Trend



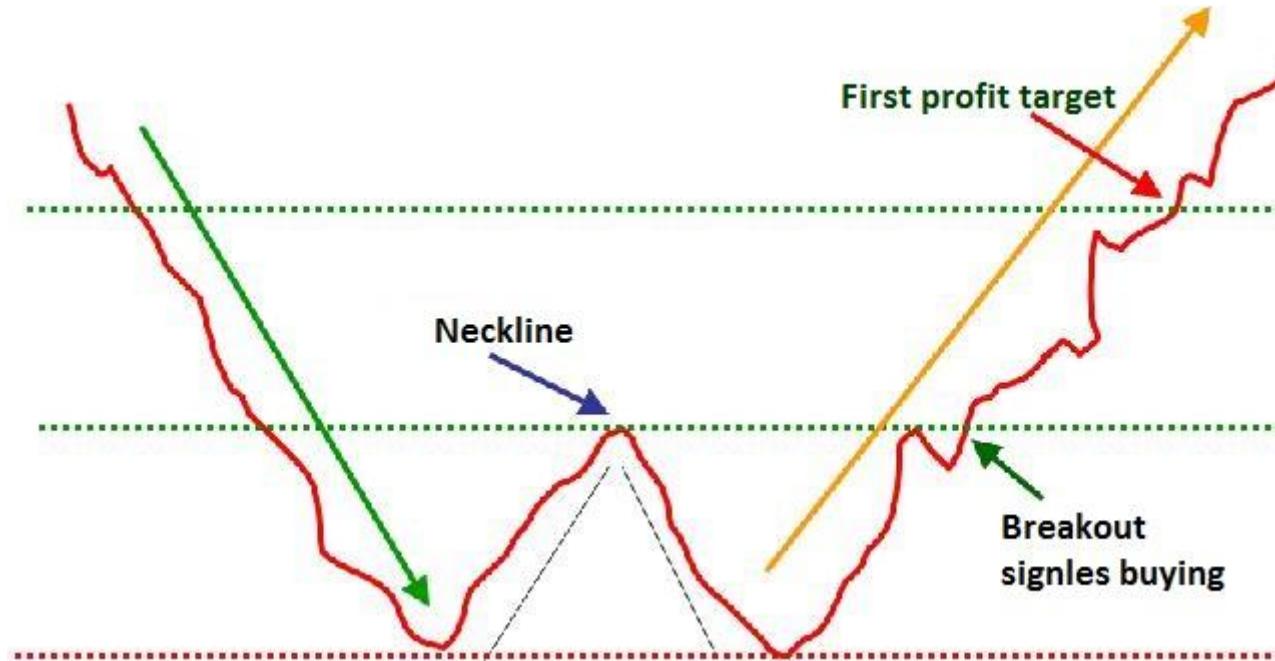
Reversal Pattern means there should be a prior
downtrend

Conditions:

- 1. Prior trend:** With any reversal pattern, there must be an existing trend to reverse. In the case of the double bottom, a significant downtrend of several months should be in place.
- 2. First Bottom:** It marks the lowest point of the current trend. Though it is normal in appearance and the downtrend remains firmly in place.
- 3. Peak:** After the first Bottom is reached, an advance ranging from 10-20% usually takes place. An increase in the volume from the first Bottom signals an early accumulation.
- 4. Second Bottom:** The time period between Bottoms can vary from a few weeks to many months, with the norm being 1-3 months. While exact Bottoms are preferable, there is some room and usually a Bottom within 1-1.5% of the previous is considered valid.
- 5. Advance from Bottom:** Volume gains more importance in the double bottom than in the double top. The advance of the second Bottom should be clearly evidenced by the increasing volume and buying pressure.
- 6. Resistance break:** Breaking resistance from the highest point between the Bottoms completes the double bottom. This too should occur with an increase in volume.
- 7. Resistance turned support:** Broken resistance becomes potential support and there is sometimes a test of this newfound support level with the first correction. Such a test can offer a second chance to close a short position or initiate a long.
- 8. Price target:** Target is estimated by adding the distance from the resistance breakout to Bottom lows on top of the resistance break. This would imply that the bigger the formation is, the larger the potential advance.



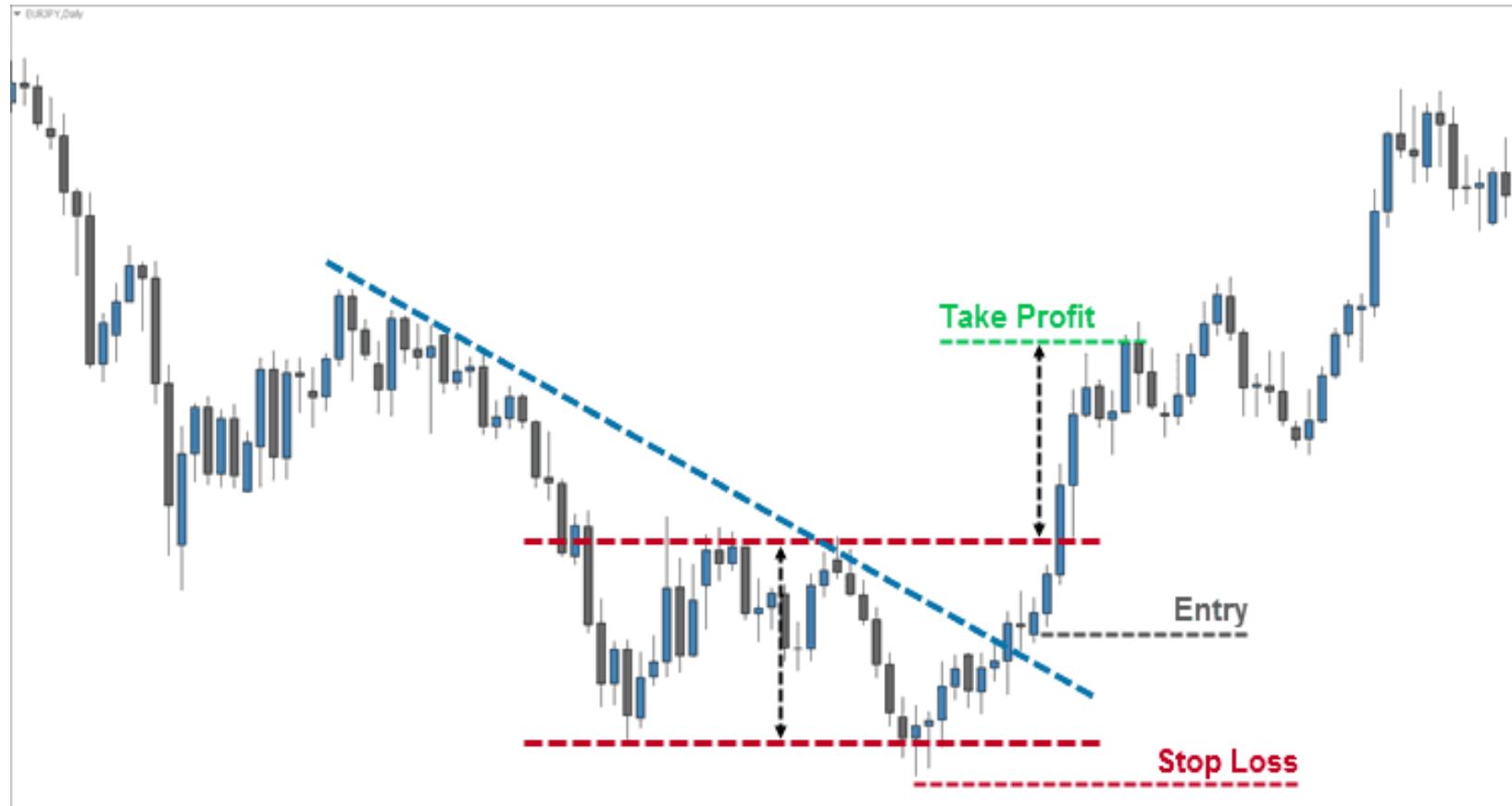
Double Bottom: Target



Paathshaala Gyan – Useful for positional (15-20 days) trade on daily chart and medium term (3-4months) on weekly chart



Double Bottom: Smart Entry



Paathshaala Gyan - Should take early entry (smart entry) and that will keep you ahead of other TA's. Benefits – Small SL, Can renter again above Double bottom breakout so that average cost price will be near to SL. Quick Traders should never miss smart entry

Double Bottom: Example





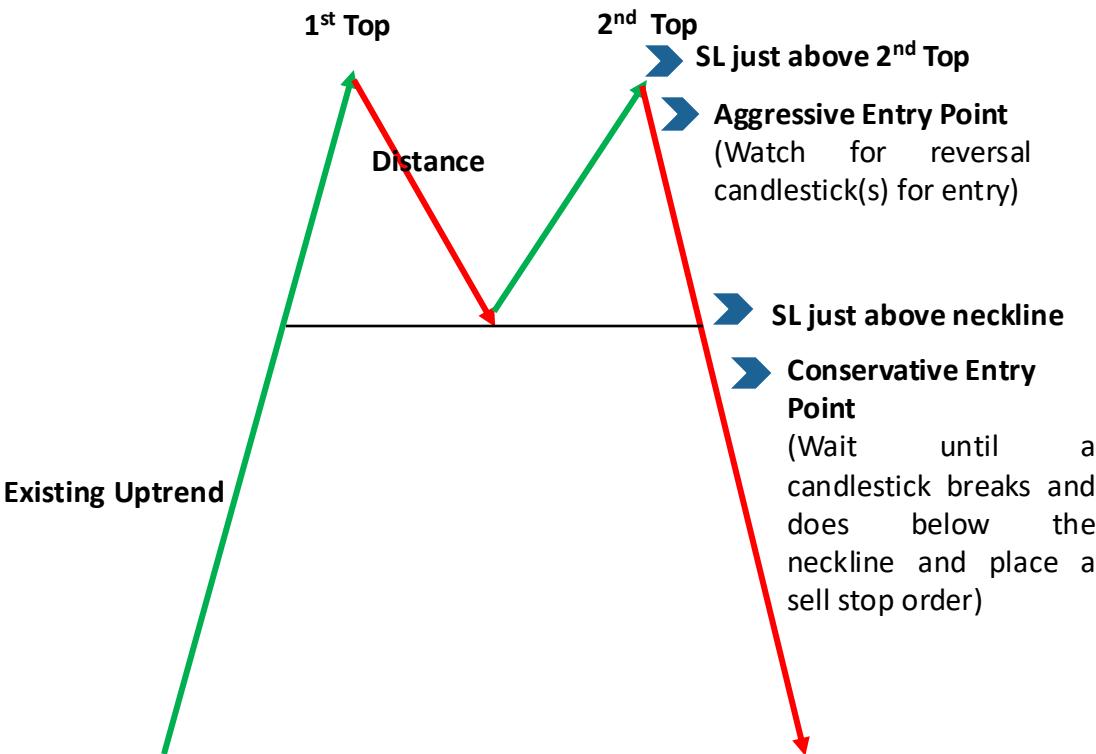
Double Bottom: Example





Double Top

What is Double Top Pattern and Conditions

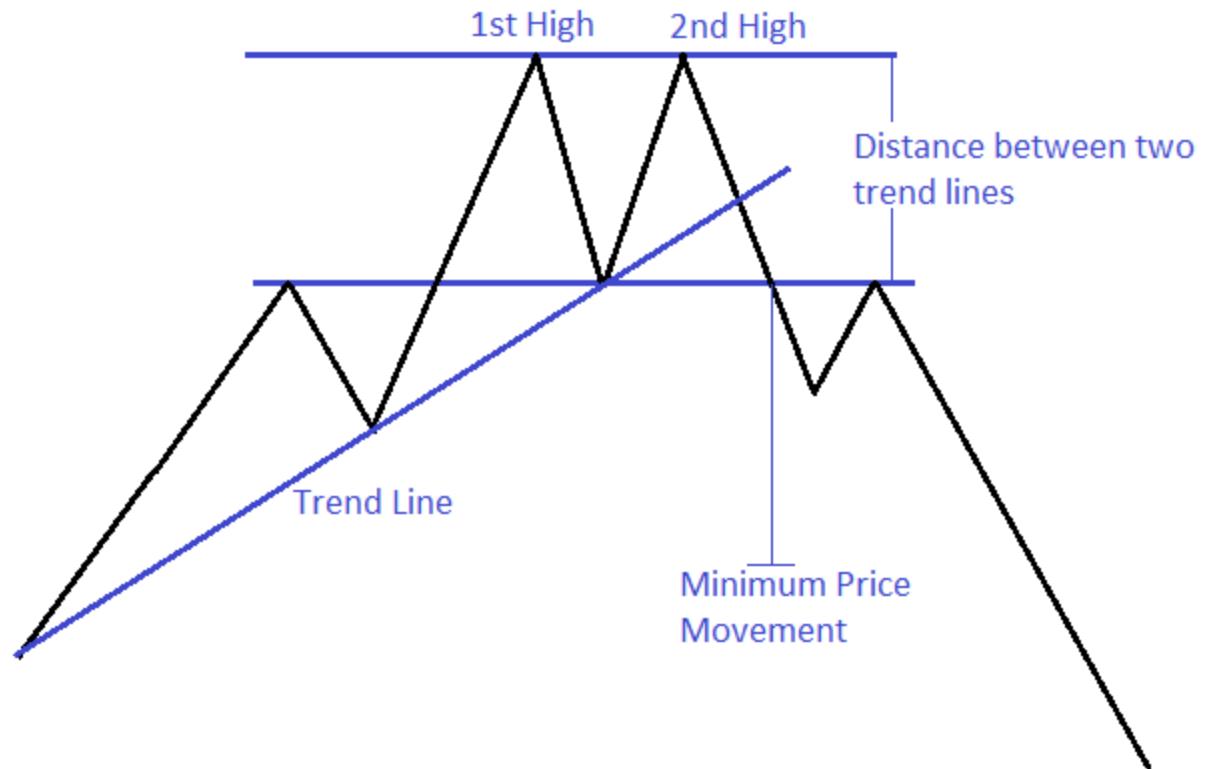


Conditions:

- 1. Prior trend:** With any reversal pattern, there must be an existing trend to reverse. In the case of the double top, a significant uptrend of several months should be in place.
- 2. First Top:** It marks the highest point of the current trend. Though it is normal in appearance and the uptrend remains firmly in place.
- 3. Low:** After the first Top is reached, an advance ranging from 10-20% usually takes place. An increase in the volume from the first Top signals an early distribution.
- 4. Second Top:** The time period between Top can vary from a few weeks to many months, with the norm being 1-3 months. While exact Tops are preferable, there is some room and usually a Top within 1-1.5% of the previous is considered valid.
- 5. Advance from Top:** Volume gains more importance in the double top. The advance of the second top should be clearly evidenced by the increasing volume and Selling pressure.
- 6. Support break:** Breaking support from the lowest point between the top completes the double top. This too should occur with an increase in volume.
- 7. Support turned Resistance:** Broken support becomes potential resistance and there is sometimes a test of this newfound resistance level with the first correction. Such a test can offer a second chance to close a long position or initiate a short.
- 8. Price target:** Target is estimated by adding the distance from the support breakdown to Top highs on bottom of the support break. This would imply that the bigger the formation is, the larger the potential advance.



Double Top Pattern: Simplified





Double Top Pattern: Example



Double Top Pattern: Example

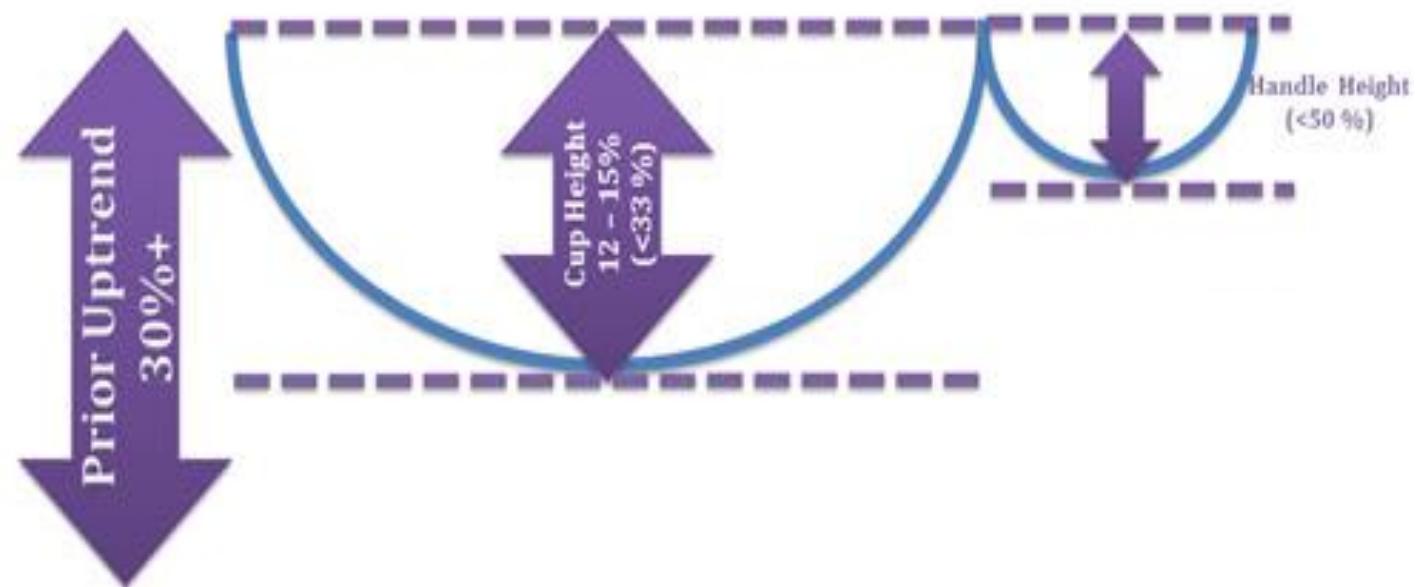




Cup & Handle



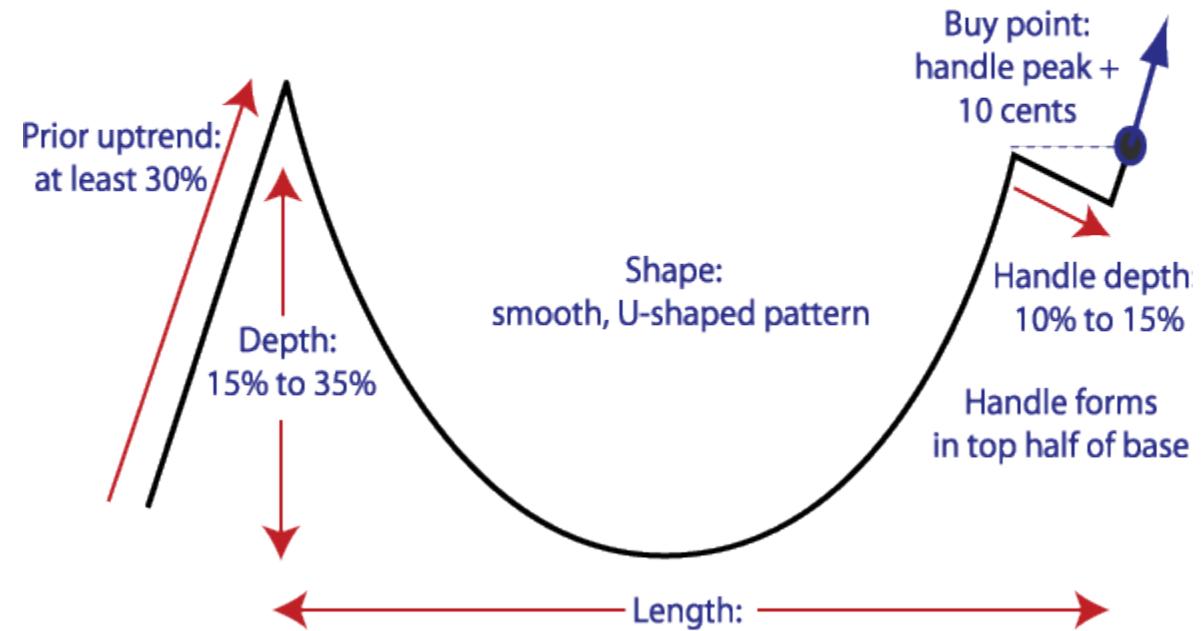
Cup & Handle



PAATHSHAALA GYAN- For higher accuracy, follow on weekly chart (so quick & Short term traders can avoid this)



Cup-With-Handle Base





Trend: To qualify as a continuation pattern, a prior trend should exist. Ideally, the trend should be a few months old and not too mature. The more mature the trend, the less chance that the pattern marks a continuation or the less upside potential.

Cup: The cup should be "U" shaped and resemble a bowl or rounding bottom. A "V" shaped bottom would be considered too sharp of a reversal to qualify. The perfect pattern would have equal highs on both sides of the cup, but this is not always the case.

Handle: Sometimes this handle resembles a flag or pennant that slopes downward, other times it is just a short pullback. The handle represents the final consolidation/pullback before the big breakout and can retrace up to 1/3 of the cup's advance, but usually not more.

Duration: The cup can extend from 1 to 6 months, sometimes longer on weekly charts. The handle can be from 1 week to many weeks and ideally completes within 1-4 weeks.

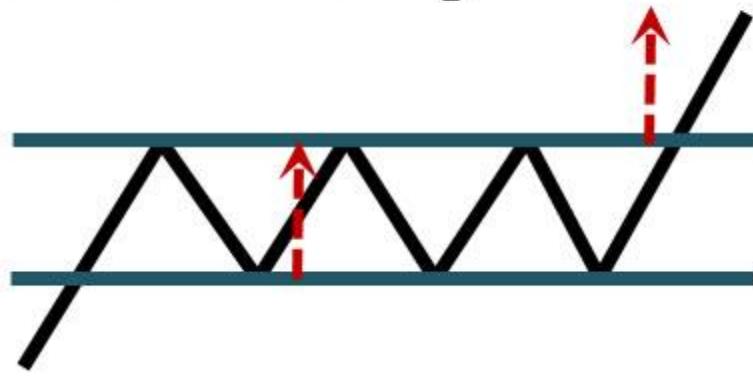
Volume: There should be a substantial increase in volume on the breakout above the handle's resistance.



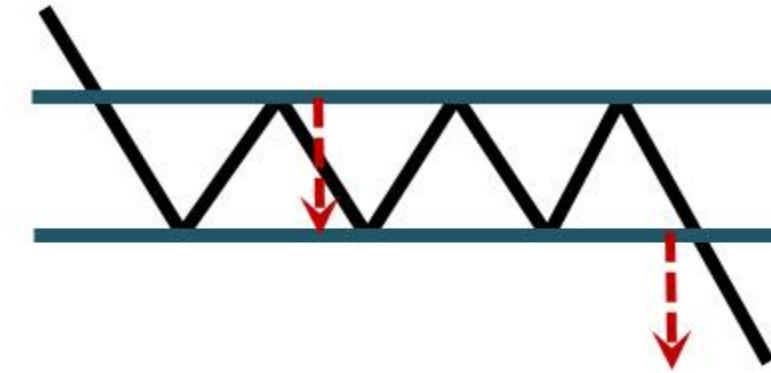


CHANNEL/RECTANGLE

Bullish Rectangle



Bearish Rectangle





Four (4) Points: At least two equivalent reaction highs are required to form the upper resistance line and two equivalent reaction lows to form the lower support line. They do not have to be exactly equal, but should be within a reasonable proximity.

Duration: Rectangles can extend for a few weeks or many months. If the pattern is less than 3 weeks, it is usually considered a **FLAG**. also a continuation pattern. Ideally, rectangles will develop over a 3-month period. Generally, the longer the pattern, the more significant the breakout. A 3-month pattern might be expected to fulfill its breakout projection. However, a 6-month pattern might be expected to exceed its breakout target.

Breakout Direction: The direction of the next significant move can only be determined after the breakout has occurred. As with the symmetrical triangle, rectangles are neutral patterns that are dependent on the direction of the future breakout

Return to Breakout: A basic tenet of technical analysis is that broken support turns into potential resistance and vice versa. After a break above resistance (below support), there is sometimes a return to test this newfound support level (resistance level)

Target: The estimated move is found by measuring the height of the rectangle and applying it to the breakout.



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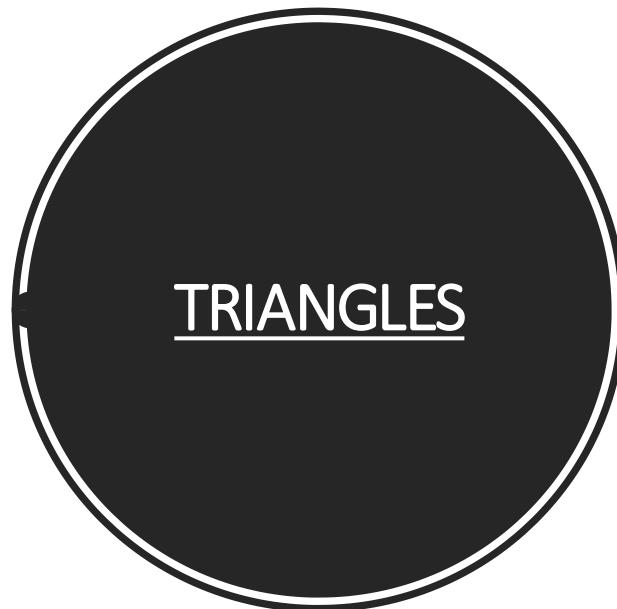
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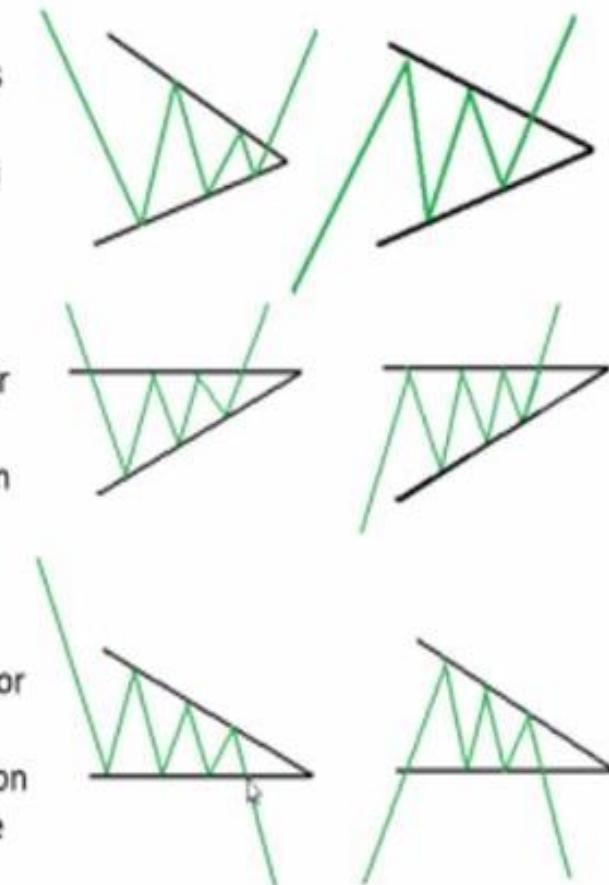
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There are 3 basic triangle shapes

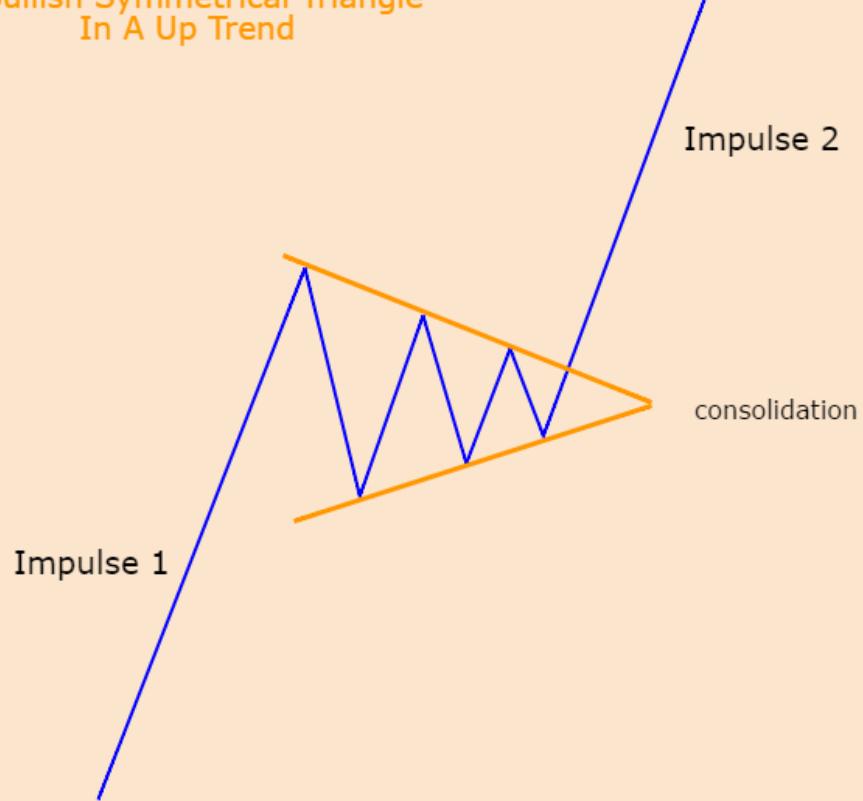
- Symmetrical Triangle: These are formed when price makes both lower highs and higher lows.
 - Because of its shape these triangles can be either a continuation or a reversal pattern
-
- Ascending Triangles: These are formed by a flat top or equal highs and higher lows.
 - This triangle is a bullish pattern that can be a continuation in an up move or a reversal at support on a down move
-
- Descending Triangles: These are formed by a flat bottom or equal lows and higher highs.
 - This triangle is a bearish pattern that can be a continuation in an down move or a reversal at resistance on an up move



-----Symmetrical triangle-----

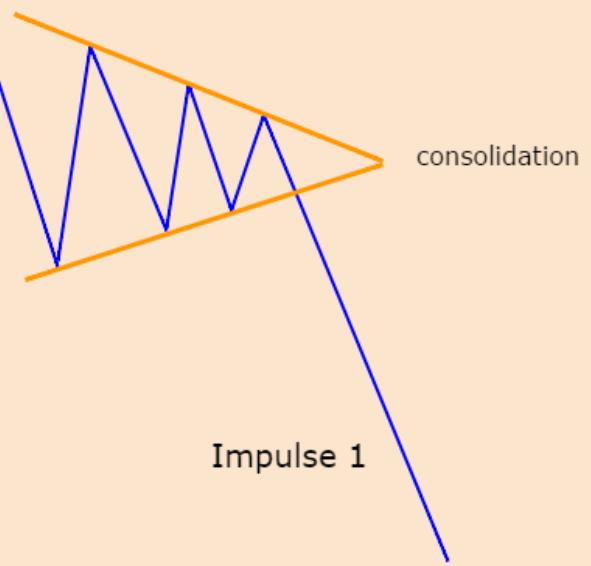
(Trend continuation pattern)

Bullish Symmetrical Triangle
In A Up Trend



Bearish Symmetrical Triangle
In A Down Trend

Impulse 2



Paathshaala Gyan – In symmetrical triangle Always trade with previous trend of the stock



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• Market Closed



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● Market Closed 925.00



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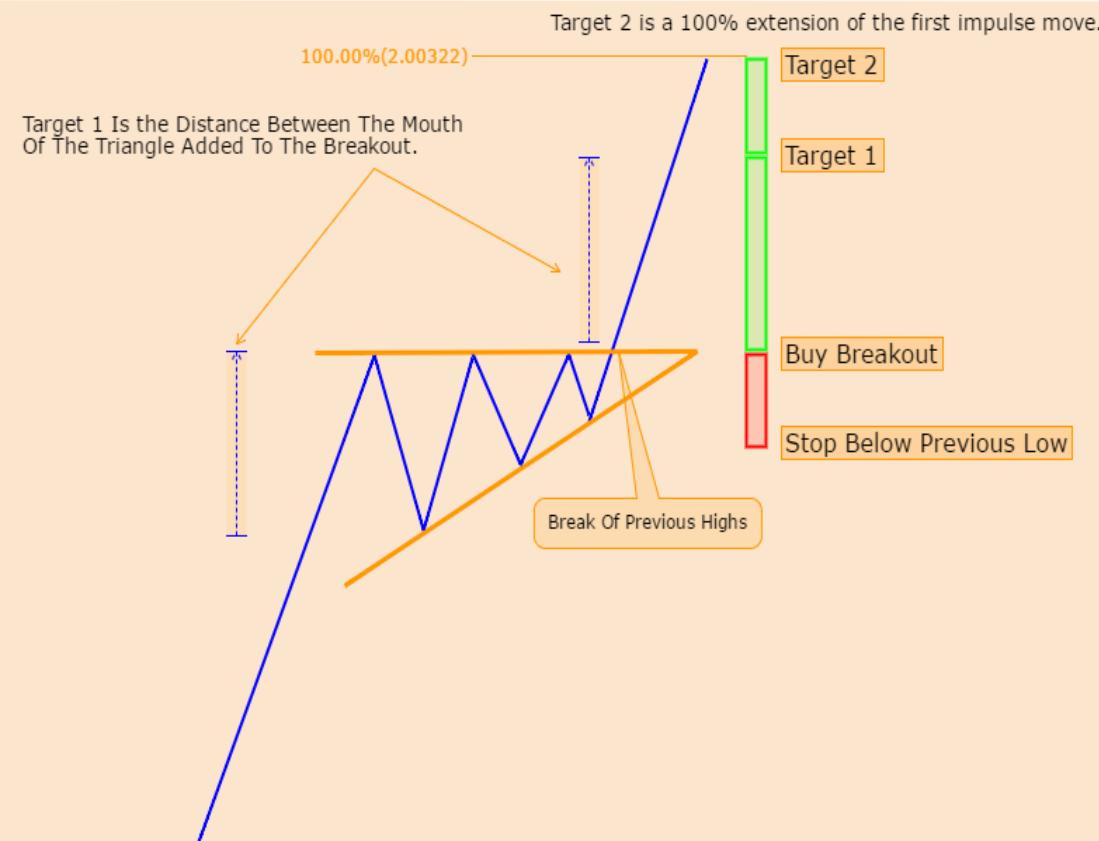
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-----Ascending Triangle-----

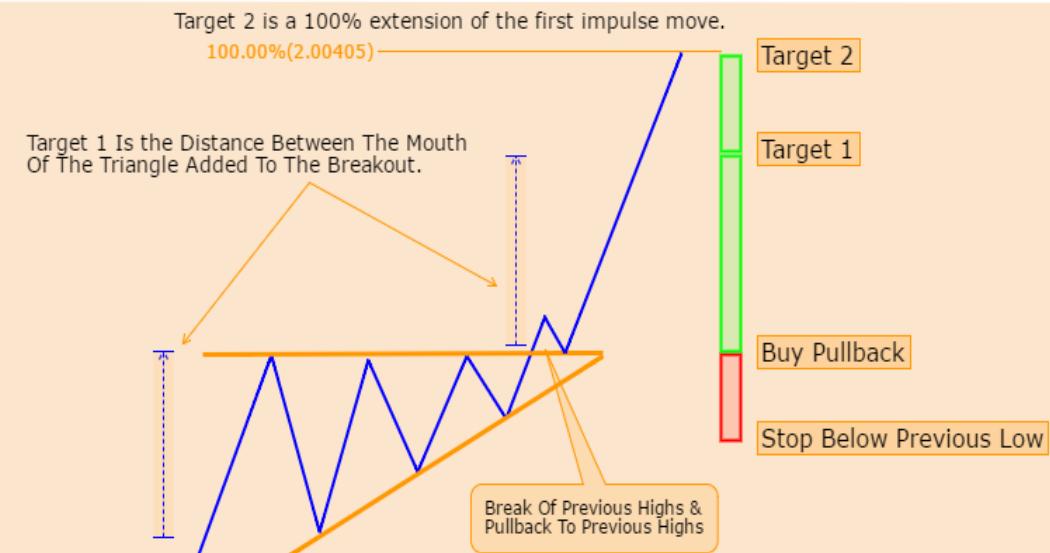
(Trend continuation pattern)

Conventional way of trading the bullish Ascending Triangle

((Breakout))



((Pullback))



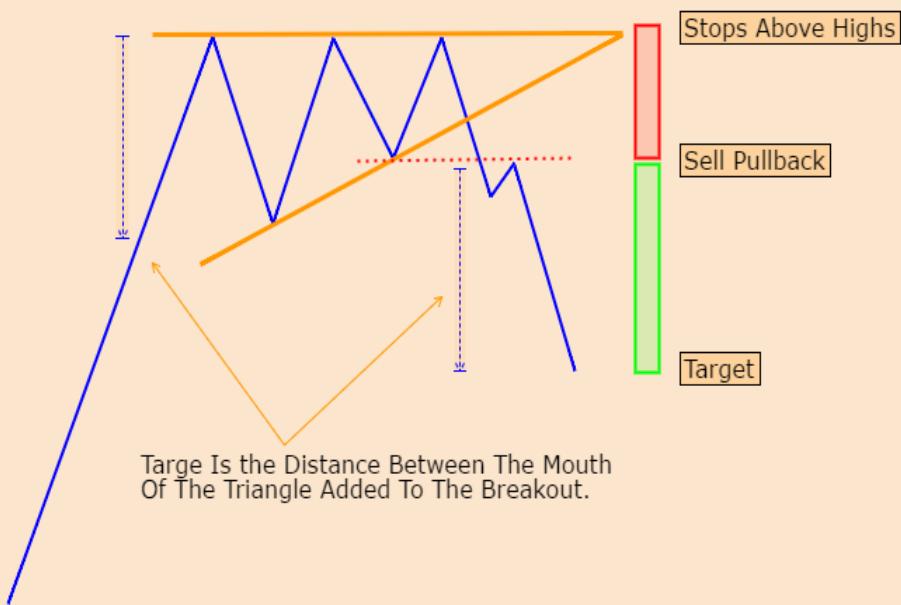
-----Ascending Triangle-----

(Trend Reversal Pattern)

Conventional way of trading the Ascending Triangle Reversal

((Bearish Reversa))

((Bullish Reversa))



Targe Is the Distance Between The Mouth
Of The Triangle Added To The Breakout.



-----Descending triangle-----

(Trend continuation pattern)

Conventional way of trading the Bearish Descending Triangle

((Breakout))

((Pullback))





1.Trend: In order to qualify as a continuation pattern, an established trend should exist. The trend should be at least a few months old and the symmetrical triangle marks a consolidation period before continuing after the breakout.

2.Four (4) Points: At least 2 points are required to form a trend line and 2 trend lines are required to form a symmetrical triangle. Therefore, a minimum of 4 points are required to begin considering a formation as a symmetrical triangle. Ideally, the pattern will form with 6 points (3 on each side) before a breakout occurs.

3.Duration: The symmetrical triangle can extend for a few weeks or many months. If the pattern is less than 3 weeks, it is usually considered a **PENNANT**. Typically, the time duration is about 3 months.

4.Breakout Time Frame: The ideal breakout point occurs 1/2 to 3/4 of the way through the pattern's development or time-span. A break before the 1/2 way point might be premature and a break too close to the apex may be insignificant

5.Breakout Direction: The future direction of the breakout can only be determined after the break has occurred.. Even though a continuation pattern is supposed to breakout in the direction of the long-term trend, this is not always the case.

6.Breakout Confirmation: For a break to be considered valid, it should be on a closing basis

7.Return to Apex: After the breakout (up or down), the apex can turn into future support or resistance. The price sometimes returns to the apex or a support/resistance level around the breakout before resuming in the direction of the breakout.

8.Price Target: There are two methods to estimate the extent of the move after the breakout. First, the widest distance of the symmetrical triangle can be measured and applied to the breakout point. Second, a trend line can be drawn parallel to the pattern's trend line that slopes (up or down) in the direction of the break.



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MA (50, close, 0) □ ○ ⚙ ✎

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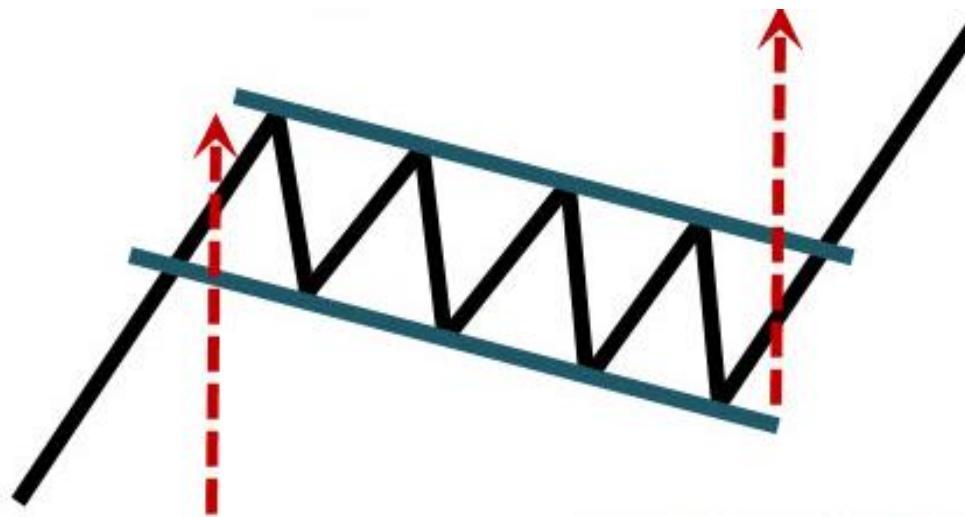
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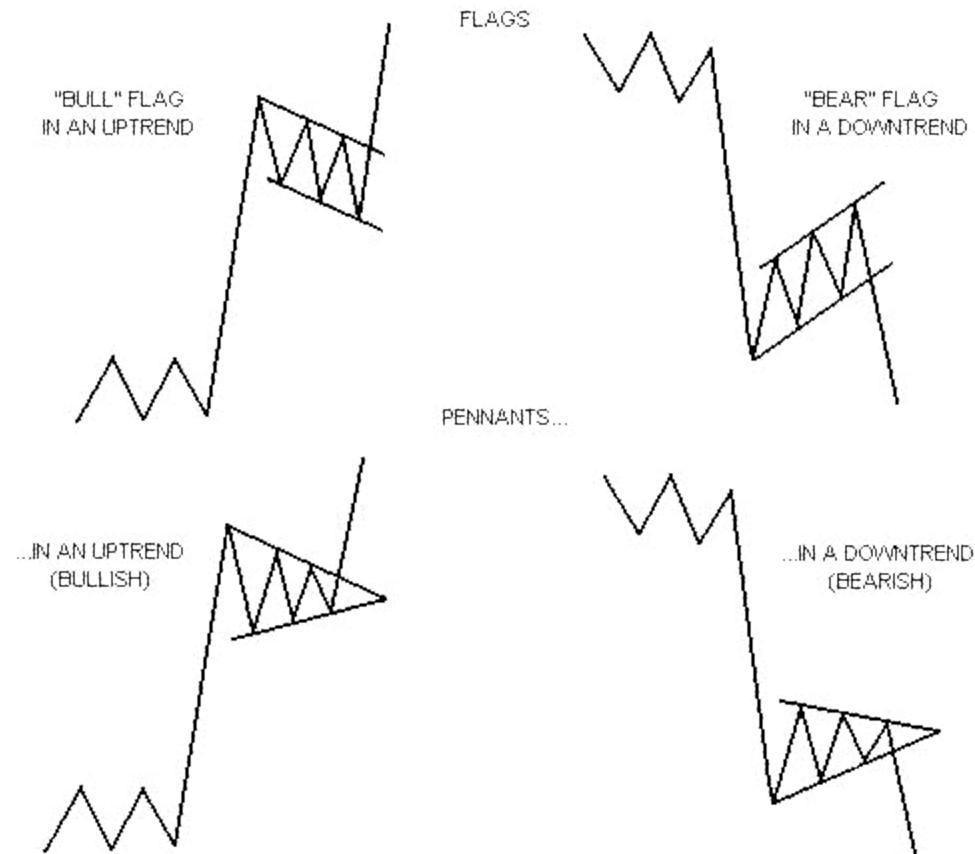
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DESCENDING CHANNEL





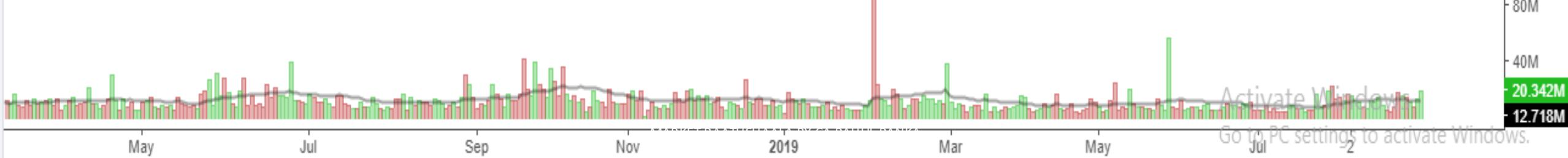








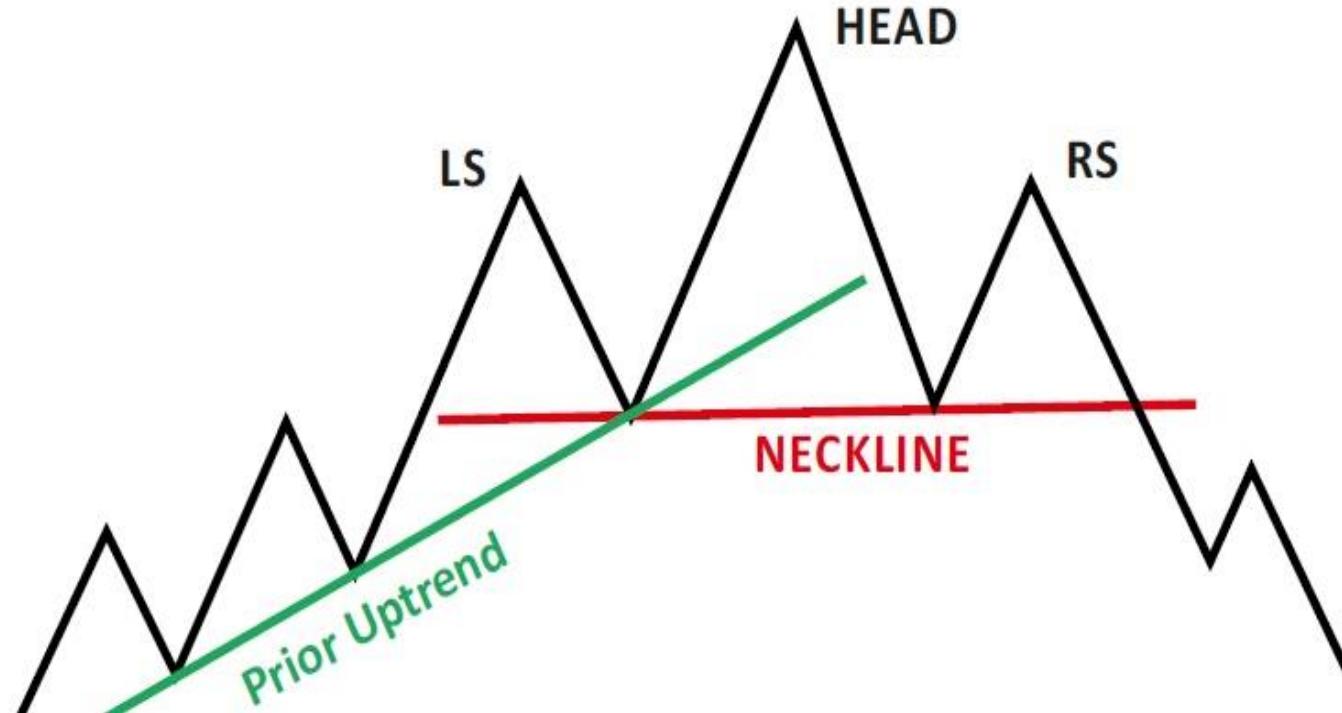
Volume ▾ 20.342M 12.718M





Head & Shoulder

Accuracy of H&S and InvH&S is less, can avoid also





Head & Shoulders



1. Prior trend: It is important to establish the existence of a prior uptrend for this to be a reversal pattern. Without a prior uptrend to reverse, there cannot be a head and shoulders reversal pattern.

2. Left shoulder: While in an uptrend, the left shoulder forms a peak that marks the high point of the current trend. It is formed usually at the end of an extensive advance during which volume is quite heavy. At the end of the left shoulder there is usually a dip or recession which typically occurs on low volume.

3. Head: From the low of the left shoulder, an advance begins that exceeds the previous high and marks the top of the head. At this point, in order conform to proper form, prices must come down somewhere near the low of the left shoulder –somewhat lower perhaps or somewhat higher but in any case, below the top of the left shoulder.

4. Right shoulder: The right shoulder is formed when the low of the head advances again. The peak of the right shoulder is almost equal in height to that of the left shoulder but lower than the head. While symmetry is preferred, sometimes the shoulders can be out of whack. The decline from the peak of the right shoulder should break the neckline.

5. Neckline: A neckline can be drawn across the bottoms of the left shoulder, the head and the right shoulder. A breaking of this neckline on a decline from the right shoulder is the final confirmation and completes the head and shoulder formation.

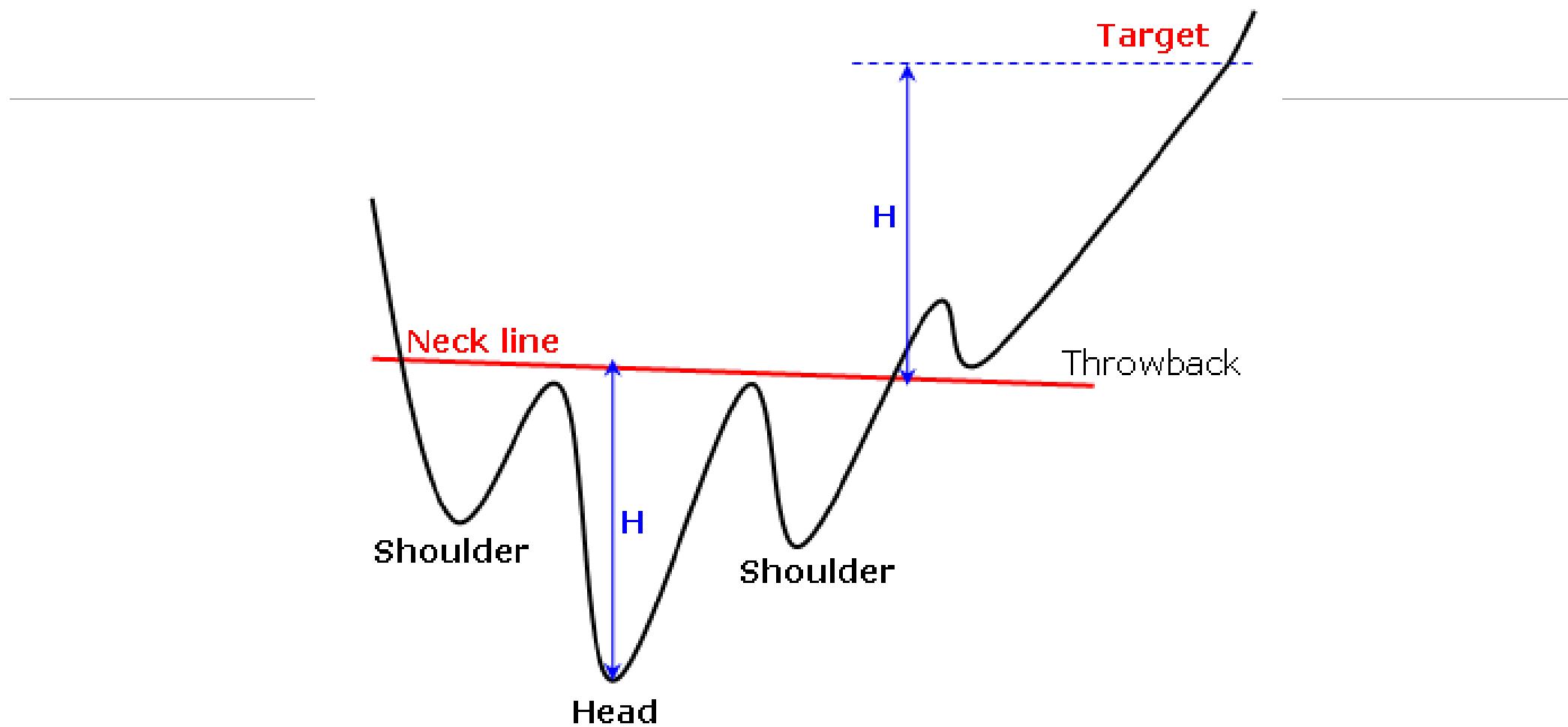
6. Volume: Volume plays an important role in confirmation. Ideally, but not always, volume during the advance of the left shoulder should be higher than during the advance of the head. The next warning sign comes when volume increases on the decline from the peak of the head. Final confirmation comes when volume further increases during the decline of the right shoulder.

7. Support turned resistance: Once support is broken, it is common for this same support level to turn into resistance. Sometimes, but certainly not always, the price will return to the support break, and offer a second chance to sell.

8. Price target: After breaking neckline support, the projected price decline is found by measuring the distance from the neckline to the top of the head.

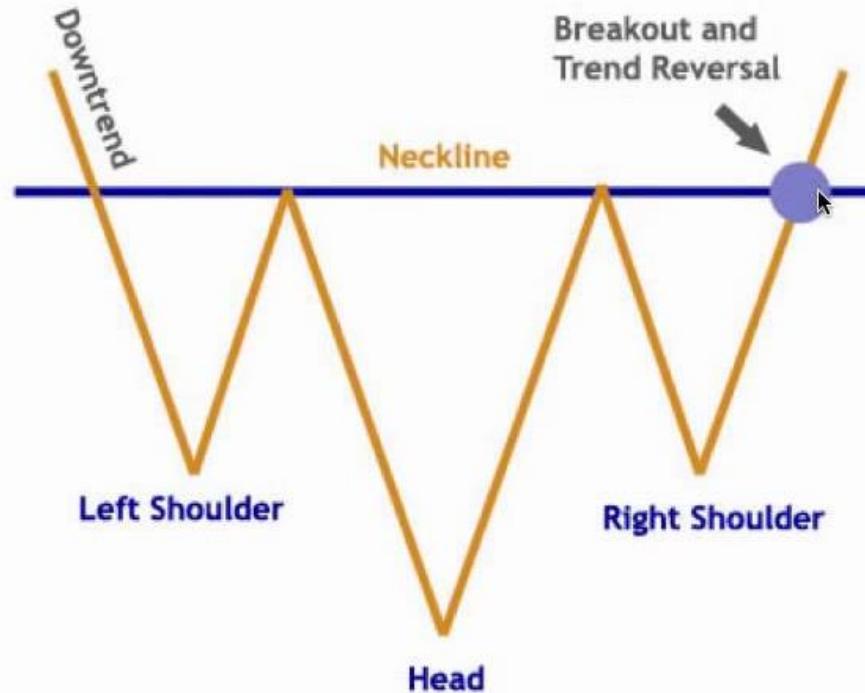


Inverted Head & Shoulder



Book half profit on first resistance and full as per pattern target

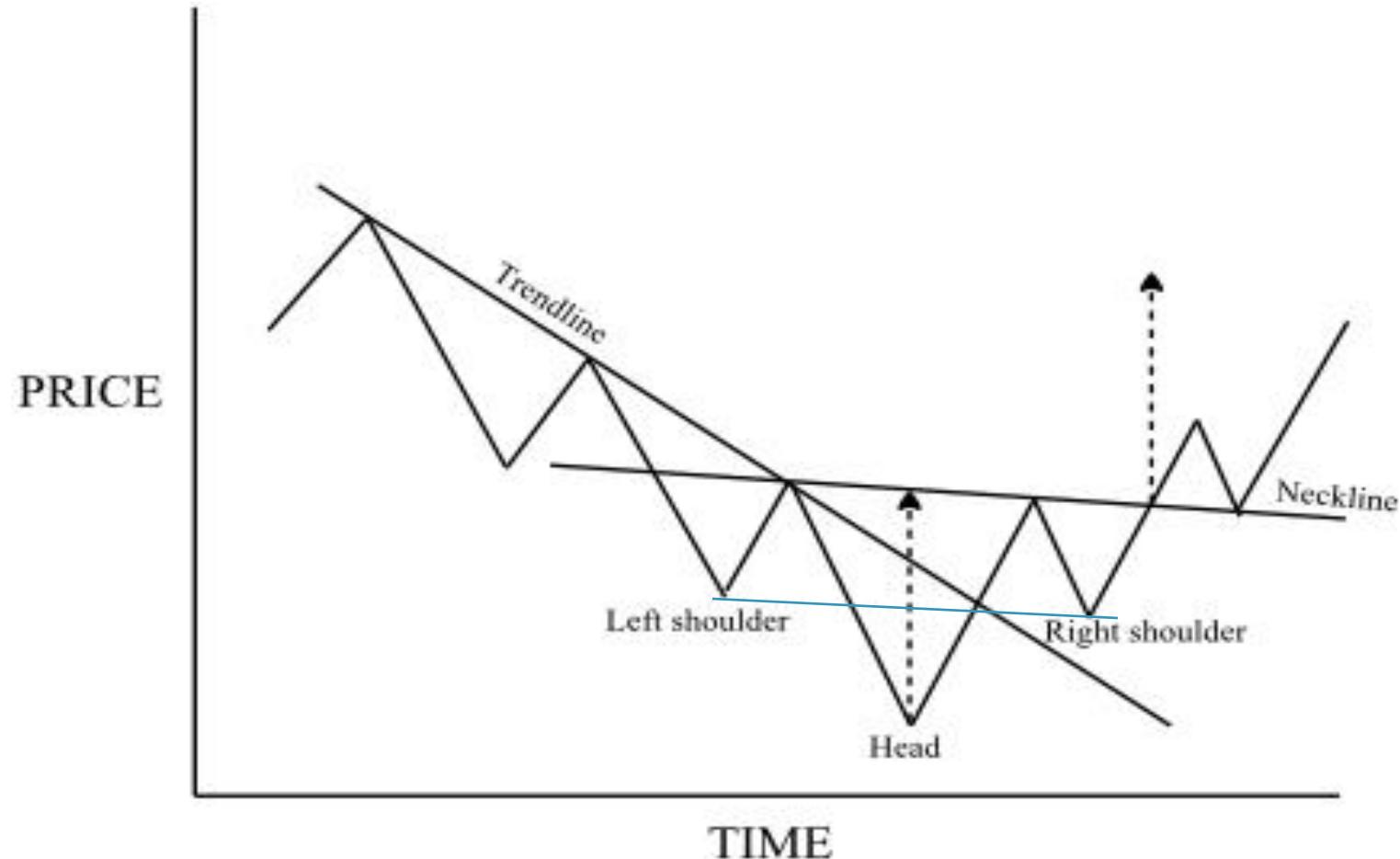
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As a major reversal pattern, the Head and Shoulders Bottom forms after a downtrend, and its completion marks a change in trend.

The pattern contains three successive troughs with the middle trough (head) being the deepest and the two outside troughs (shoulders) being shallower.

Shoulder should ideally be similar in height and duration.



Don't take smart entry as lightly, it can keep you ahead of other Traders.
MARKET PAATHSHAALA BY CA RAHUL RANKA

