**Gujral Book Notes**

**Chapter 1. Mastering Market Basics and Moving Averages**

**Market Basics**

* **Two Market Types**
  + **Trending Markets**: Prices make successively higher highs/lows (uptrend) or lower highs/lows (downtrend). Temporary retracements occur but trend resumes as long as support/resistance holds .
  + **Ranging Markets**: Prices oscillate between horizontal boundaries, forming trading ranges until broken by conviction moves .
* **Participants & Phases**
  + **Reactive Players**: Trade around perceived “fair value,” keeping prices within a range.
  + **Active Players**: Strong conviction breaks ranges and drives trends (expansion phase); ranges form (contraction) when conviction fades .
* **Economic & Sector Cycle**
  + Interest‑rate–driven expansions/contractions rotate leadership among sectors (e.g., housing → capital goods → commodities) in 3–5 year cycles .

**Moving Averages (MAs)**

* **Types**: Simple (SMA) vs. exponential (EMA), with EMA more sensitive to recent prices.
* **Key Characteristics**
  + **Slope**: Upward/downward slope confirms trend direction.
  + **Support/Resistance**: MA lines act as dynamic support in uptrends and resistance in downtrends.
  + **Lag & Time‑frame**: Longer MAs (e.g., 200‑period) lag more, shorter (e.g., 20‑period) react faster .
* **Practical Usage**
  + **20MA, 50MA, 200MA**: 20MA for tight trend support, 50MA/200MA for deeper pullbacks.
  + **Alignment**: Best trends have 20 > 50 > 200 (up) or 20 < 50 < 200 (down) .

**Chapter 2. Understanding Candles**

**Anatomy of a Candle**

* **Body**: Range between open/close; green (bullish) if close > open, red (bearish) if close < open.
* **Shadows (Tails)**: High/low extremes within the period; long tails signal rejection of extremes .

**Key Interpretation Factors**

1. **Colour** (bull vs. bear)
2. **Body Size** (magnitude of control)
3. **Tail Length** (strength of rejection)
4. **Close Position** (near extremes implies acceptance)

**Three Core Candle Types**

1. **Under‑sized (Lilliput/XXS)**: Tiny bodies, signify indecision or pause; common in consolidation .
2. **Super‑sized (Giant/XXL)**: Large bodies, reflect strong conviction; can start a trend, end a trend or produce sharp mid‑trend corrections .
3. **Reversal/Rejection**: Normal body but exceptionally long tail; signal rejection of extreme and often precede reversals .

**Chapter 3. Trading With Candles**

**How to Trade Lilliput Candles**

* **Range Breakouts**: Enter on breakout of multi‑day narrow ranges; tight stops minimize risk before expansion .
* **Trend Continuations**: Minor Lilliput pullbacks within a strong trend often precede fresh bursts; use as re‑entry points .

**What Giant Candles Reveal & How to Trade Them**

* **Trend Initiation**: XXL candles after correction/base signal new trend; enter in direction of candle .
* **Trend Exhaustion**: A giant candle near key resistance/support may mark trend end; wait for follow‑through reversal .
* **Sharp Corrections**: Opposite‑colour giant mid‑trend candles foreshadow deep pullbacks; trade resumption at support .

**How to Trade Rejection Candles**

* **End of Trend**: At end of move, long‑tail candle + break of its low/high confirms reversal; enter opposite side .
* **End of Correction**: In retracement within trend, long‑tail candle at support/resistance indicates resumption; enter with confirmation .

**Chapter 6. Trading Trending Markets — Part I: Trade Entry Tactics & Stop Losses**

**Stock Selection via Multiple Time‑frames**

* **Daily Charts**: Identify bias, ripe setups (e.g. breakout above multi‑day range) .
* **Intraday Charts (15 min, hourly)**: Confirm alignment with daily trend for tighter stops and faster profits .

**Trade Setup (Confluence of Three Tools)**

1. **Pivots** (floor & central pivot range)
2. **Moving Averages** (20, 50, 200)
3. **Candlestick Patterns** (Lilliput, giant, rejection) .

**Four Entry Tactics in a Trend**

1. **After Correction to Support/Resistance**
2. **On Minor Pullback**
3. **On Consolidation Breakout**
4. **On Rejection Candle at Key Level** .

**Initial Stop Loss Placement**

* Place just beyond entry candle’s extreme (low in long, high in short) or nearby swing point .

**Trailing Stop‑Loss Methods**

* **Two Steps Forward, One Back**: Move SL to prior candle low/high after every two‑candle advance.
* **MA‑Based Trailing**: Trail SL just below/above 8 MA or 20 MA for momentum chases .
* **Volatility Buffer**: Add small buffer to SL to avoid noise.

**Chapter 7. Trend Trading Tactics — Part II: Managing Trades, Counter‑Trend & Gaps**

**Trade Management & Targets**

* **Targets**: Range boundaries in channels, 50%–100% of prior swing (strong trends often exceed 100%).
* **Exit**: Timely booking to avoid overstay; partial exits at successive target levels.

**Counter‑Trend Trading**

* **Over‑Extension Pullbacks**: After sharp multi‑candle moves away from MAs, trade pullback to MA lines (20, 50, 200) .
* **Confirmation**: Reversal candle + break of its extreme before entry.

**Trading Gaps**

* **With Trend**
  1. Wait for pullback to support/resistance (pivot, MA, prior high/low), then enter on resumption.
  2. Or, on first‑bar breakout above/below opening range (e.g. 5‑minute high/low) .
* **Against Trend**
  1. Gaps can trap momentum; fade after confirmation of failure to follow through.

**Pyramiding Positions**

* **Add to Winners**: Scale in on trend‑continuation with partial exits at multiple targets for amplified gains.