



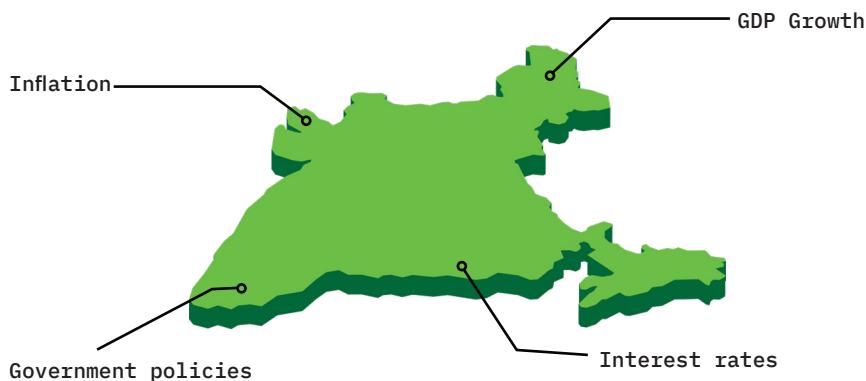
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## ② Macro-Economic analysis of Sectors

Macro-Economic analysis requires an investor to consider broader economic factors such as GDP growth, inflation within a particular economy, interest rates and government policies. Investors using this approach have to assess all these macro-economic factors and adjust their strategies depending on the impacts they can have on a particular sector.



## ③ Technical analysis of Sectors

Technical analysis of a sector involves a trader studying price and volume data to identify various price patterns, trends and support and resistance levels in a particular stock.

Traders using this approach deal with charts, technical indicators and oscillators to analyze historical price movements to make predictions about the future price movement within a particular industry or a sector.

Now that you are familiar with the concept of Sectoral Analysis, let's talk about the positional trading strategy involving Sectoral Analysis.



# SECTORAL ANALYSIS + RELATIVE STRENGTH

For this particular strategy, we are going to use a technical indicator named "Relative Strength". You can easily find this indicator on any charting software. After applying this indicator, your chart will look like the image below if you are using Trading View.



This is an example comparing Nifty Auto with Nifty 50.

Now, you can execute this very simple yet highly effective positional trading strategy in 2 easy steps –

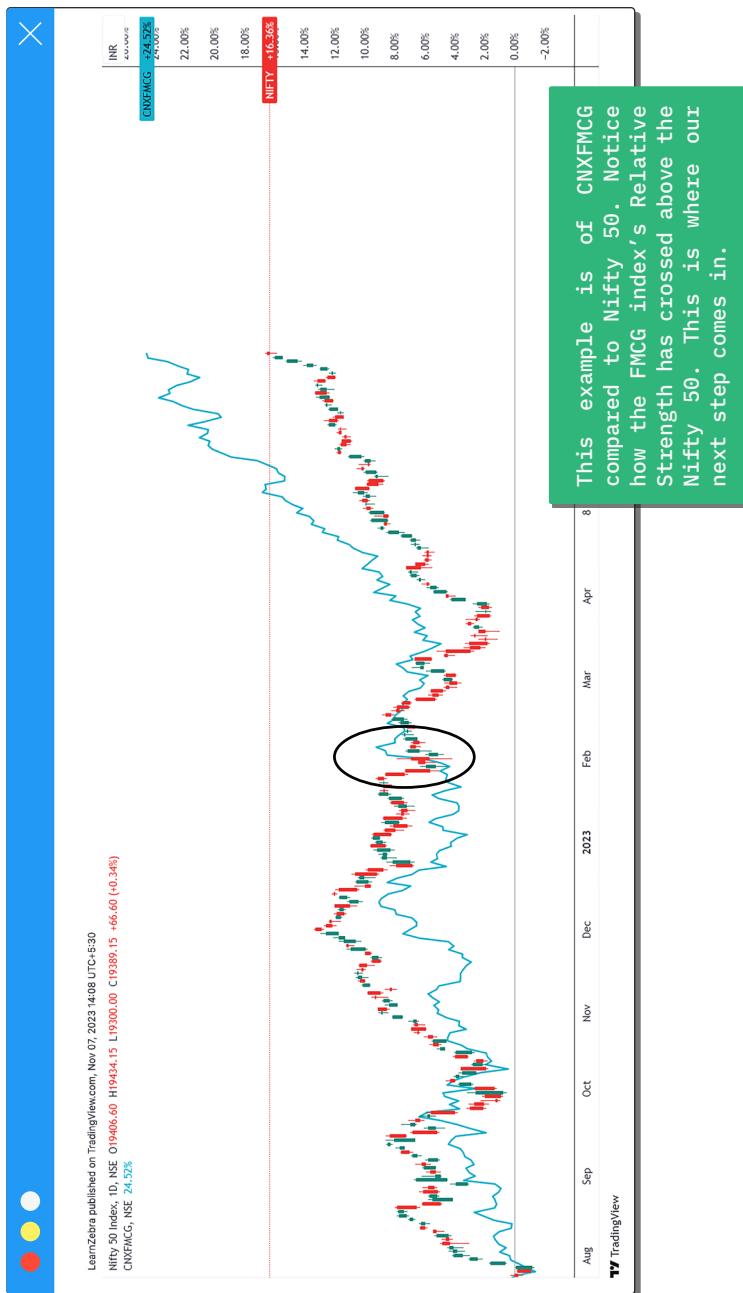
## ① SELECTING THE SECTOR

## ② SELECTING THE STOCK

## ① SELECTING THE SECTOR

Select any random Nifty index and compare it with the Nifty 50. We have already talked about how you can do that but here's a reminder. Just go on your charting website and search for Relative Strength or Right Click on any index on your watchlist and select "Compare to Nifty 50" option.

Now that you have selected a Nifty index and applied the Relative Strength indicator, look at the Relative Strength. The moment this indicator crosses above the Nifty 50 price we are going to choose a stock from that index. I know this might be confusing so let's take an example.



## ② SELECTING THE STOCK

244

The screenshot shows the NSE website's 'Sectoral Indices' section. At the top, there's a search bar with placeholder text 'Search by company name, symbol or keyword'. Below it, a red button says 'NSE' with a logo. To the right, there's a language selection 'English' and a search icon. The main navigation menu includes HOME, ABOUT, MARKET DATA, INVEST, LIST, TRADE, REGULATION, LEARN, RESOURCES, COMPLAINTS, and RESEARCH.

The breadcrumb navigation shows: Home > Products & Services > Capital Market > Indices > Sectoral Indices.

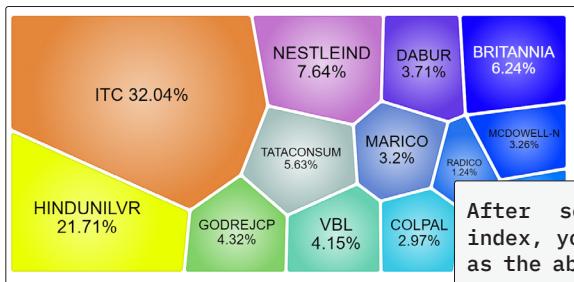
The main content area has a dark background with the text 'SECTORAL INDICES' and '9,000'.

Below the main content, there's a table with categories and sub-links:

Category	Link	Description
Capital Market	Derivatives	Fixed Income & Debt
	Equities	Emerge Platform
	Sectoral Indices	Public Issues
Indices	+	Nifty Auto Index
	+	Nifty Bank Index
	+	Nifty Financial Services Index
	+	Nifty Financial Services 25/50 Index
	+	Nifty Financial Services Ex-Bank Index
	+	Nifty FMCG Index
	+	Nifty Healthcare Index
	+	Nifty IT Index
	+	Nifty Media Index
	+	Nifty Metal Index
	+	Nifty Pharma Index
	+	Nifty Private Bank Index
	+	Nifty PSU Bank Index
Sectoral Indices	-	About Sectoral Indices
	+	Thematic Indices

A blue callout box on the right side contains the following text:

Go to the NSE's website and search for sector indices. Continuing the above example, let's click on the Nifty FMCG index and look for the stock which has the maximum weightage in this index.

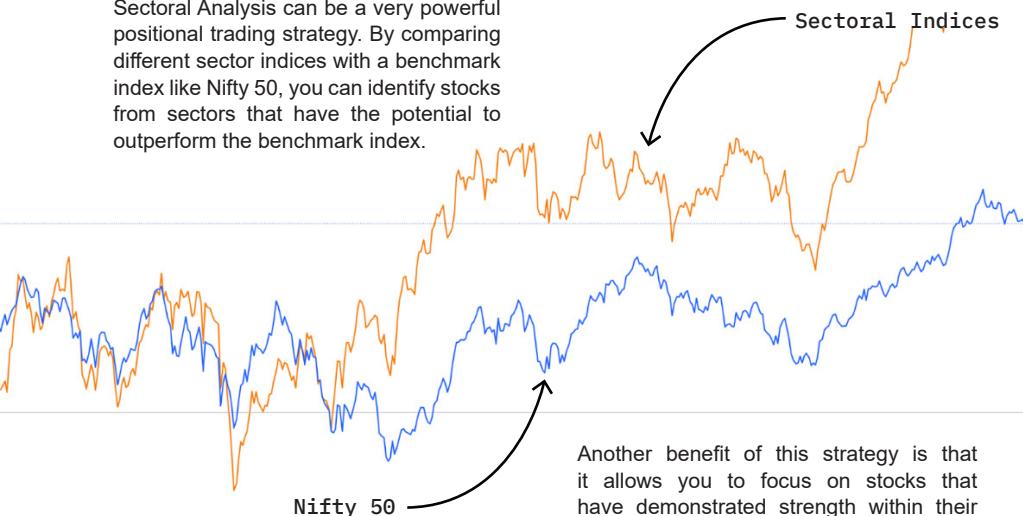


After selecting the Nifty FMCG index, you will see a similar image as the above. Now that you know that ITC has 32.04% weightage or the highest weightage in the Nifty FMCG index, go to your charting software and search for the particular stock and buy the same.

In the above example, the Nifty FMCG index had already crossed above the Nifty 50 and we could've bought the stock 4-5 months ago. You just have to use the same procedure and constantly compare multiple sector indices with Nifty 50 and upon seeing a familiar setup, buy the stock which has the highest weightage in that particular sector.

## CONCLUSION

Combining Relative Strength with Sectoral Analysis can be a very powerful positional trading strategy. By comparing different sector indices with a benchmark index like Nifty 50, you can identify stocks from sectors that have the potential to outperform the benchmark index.



Another benefit of this strategy is that it allows you to focus on stocks that have demonstrated strength within their particular sectors.



Indicators



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4.4

# M & W POSITIONAL TRADING STRATEGY USING RSI



Strategy video

The strategy I will talk about now only involves the use of RSI (Relative Strength Indicator). Like every other strategy in this book, M&W positional trading strategy is so simple that it can be executed easily.

This chapter explains a simple yet effective approach to positional trading strategy.

## POSITIONAL TRADING AND RSI

Positional trading involves taking trades and holding them for weeks or months.

BUY

SELL

A man in a suit is standing behind a spiral-bound notebook calendar, looking at the dates. A green circle with a white arrow points to the word "BUY" above the calendar. A red circle with a white arrow points to the word "SELL" below the calendar. The calendar shows the month from Monday, 29, to Sunday, 5. A green arrow points to Wednesday, 1, with a checkmark. A red arrow points to Saturday, 10, with a checkmark. A red arrow also points to Sunday, 10, with a checkmark.

Unlike day traders, positional traders have more time and this type of trading is relatively easier than intraday. In this strategy, I am going to teach you how to use M&W patterns formed on the RSI indicator and take trades on the basis of it.

In case you've forgotten, RSI is a widely used momentum indicator which measures the speed and change of recent price movements. This helps in understanding overbought and oversold conditions of the underlying stock.

RSI 14 close SMA 14 2



Let us talk about some of the things you will need to consider.

## EXPLAINING THE M&W POSITIONAL TRADING WITH RSI



The very core of this strategy is to look for M and W formations on the RSI indicator (These M and W structures may not necessarily form on the price chart). Generally, traders buy when they see a W like structure on the price chart and sell after the price of a stock makes an M like structure, but here we are looking at the RSI's M and W structure.



Here are 5 additional things to know when executing this strategy –



Indicators



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LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

RELIANCE INDNS · 1D · NSE

O2136.60 H2152.40 L2118.95 C2138.95 +3.70 (+0.17%)

2468.35

-0.00

2468.35



RSI 14 close SMA 14 2 38.48 31.15 Ø Ø

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E



TradingView

1

I am using the 14-period RSI and looking for RSI to give overbought (above 70) or oversold levels (below 30).

(You can also use 60-40 method but the accuracy of this setup might get affected.)

2

I am going to sell the stock when the RSI goes above the 70 levels and comes back (below the 70) while forming an M type structure.



INR

2700.00

2600.00

2500.00

2400.00

2300.00

2200.00

2100.00

2135.05

2100.00

2000.00

1900.00

1800.00

1700.00

1600.00

1500.00

1400.00

1300.00

1200.00

1100.00

1000.00

900.00

800.00

700.00

600.00

500.00

400.00



3

Conversely, I am going to buy the stock when the RSI goes below the 30 levels and bounce back (above the 30) while forming a W type structure.

4

The stoploss will be close to the nearest price swing near the entry point.

5

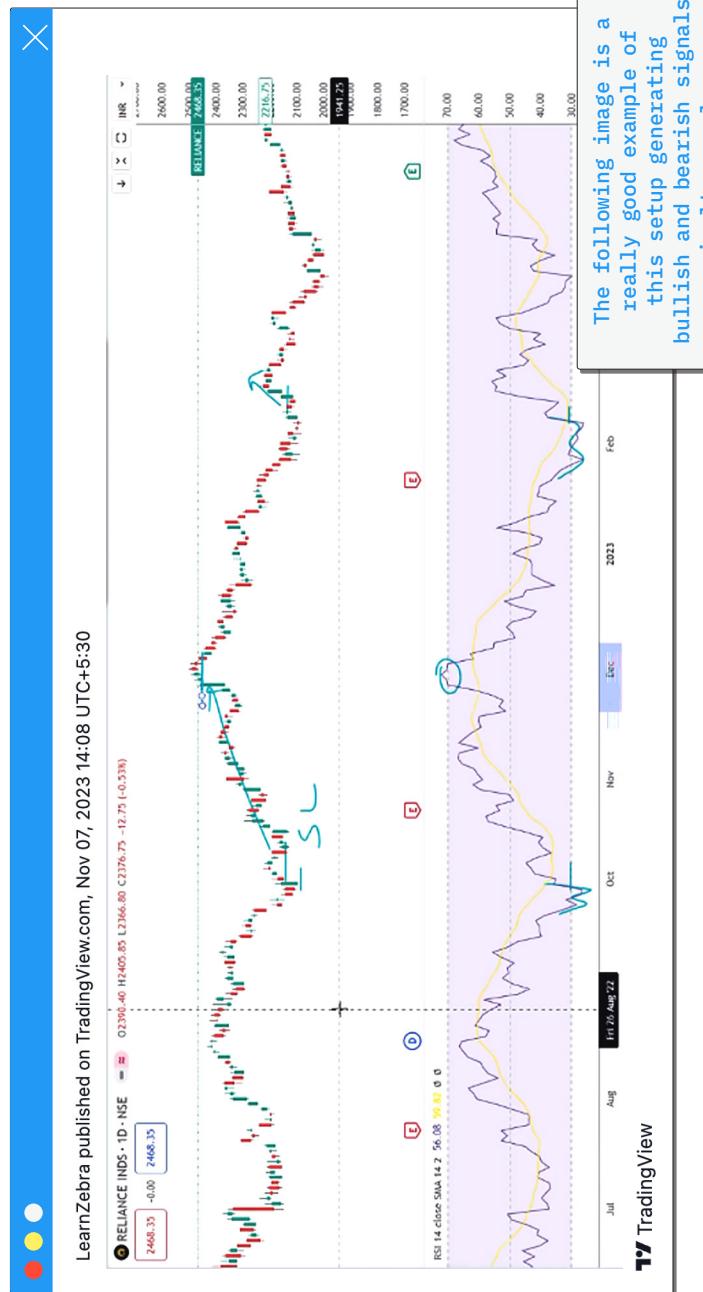
I am going to book profits when the RSI reaches the opposite overbought/oversold levels. 30 in the case of a bearish trade and 70 in the case of a bullish trade.



You can also try trailing your stoploss once the stock starts turning in your favor. This will help you in maximizing your returns while minimizing your risk.

This strategy helps you in identifying potential trend reversals to catch big trades by using simple pattern analysis on the longer timeframe. I recommend using this strategy on a daily timeframe.

Let us look at how this actually works.





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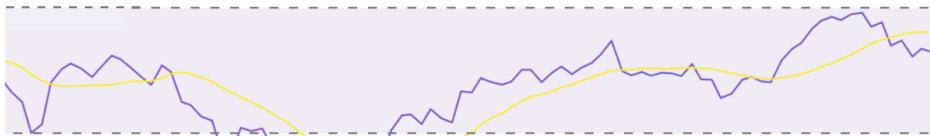
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Notice how the RSI makes a W like structure. I will buy the stock when the RSI makes the W like structure and re-enters above the 30 level.

A little way down the line, this setup generates a bearish trading signal when the RSI comes below the 70 levels by making a M like structure.

## CONCLUSION

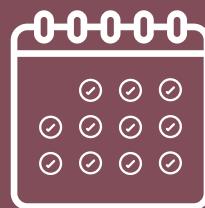
In conclusion, the M&W positional trading strategy with the Relative Strength Indicator offers a direct and effective approach for holding stocks for a longer period of time. This strategy leverages RSI's ability to identify overbought and oversold conditions in order to find potential reversals.

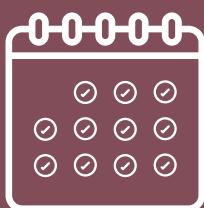


The trading signals can take longer to generate as we are using the daily timeframe. But by waiting patiently, you can potentially catch significant trend reversals using this strategy. ***It is also important to remember that no trading strategy is foolproof and you, as a trader, should always use effective risk management techniques.***

## CHAPTER 5

# SCALPING





- |                                                                                   |                                                  |
|-----------------------------------------------------------------------------------|--------------------------------------------------|
| 5.1    3-minute scalp trading strategy using Parabolic SAR, RSI, and Hieiken Ashi | 5.4    Scalping 1 Minute Consolidation Breakouts |
| 5.2    RSI Divergence + Bollinger Bands Scalping Strategy                         | 5.5    Moving Average Scalping Strategy          |
| 5.3    Scalp trading with RSI and VWAP                                            | 5.6    Martingale system                         |





Indicators



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5.1

# 3-MINUTE SCALP TRADING STRATEGY USING PARABOLIC SAR, RSI, AND HIEKEN ASHI



Strategy video

The fractal nature of the market gives a plethora of trading opportunities to traders as per their time horizon.

While some traders prefer to steer clear from the volatile market and prefer swing trading, some traders like volatility and go for scalping. Every trader has a preferred trading style and a unique approach to the financial markets.

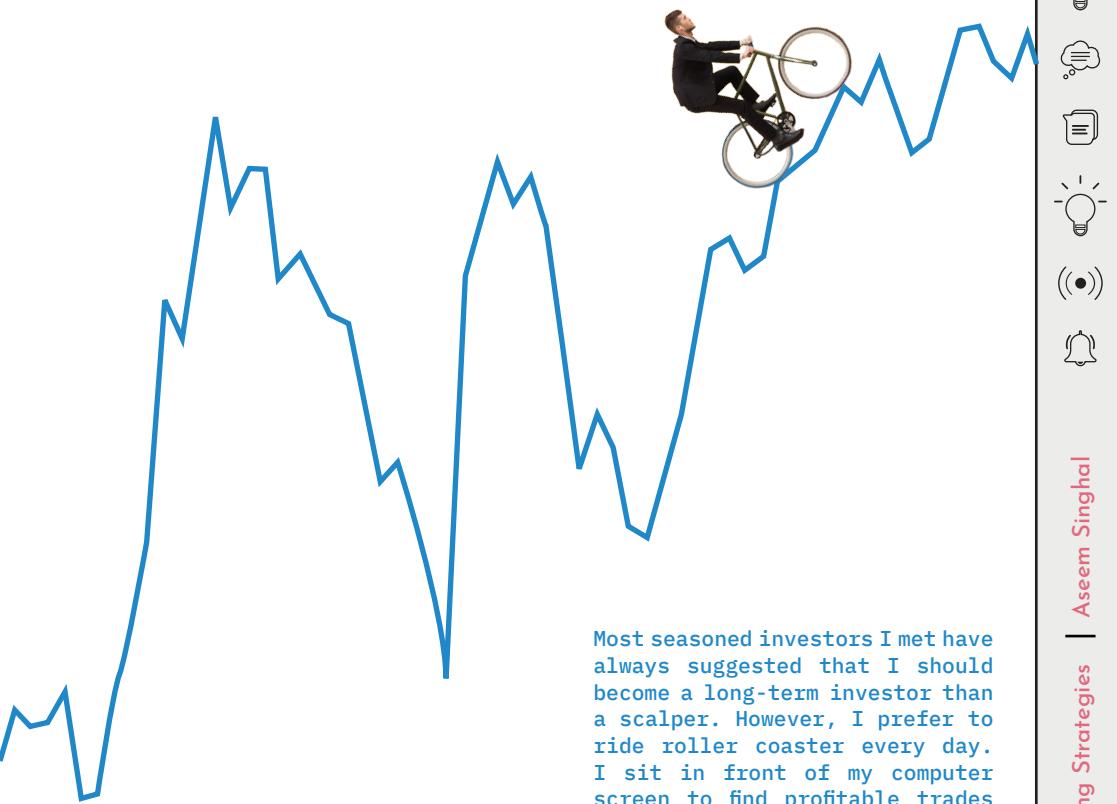


Scalp trading is a style where a trade is opened for a few seconds to a few minutes. This trading style is typically preferred by traders who want to benefit from volatility and go quickly in and out of trades. Scalpers prefer to trade on 1-minute or 3-minute timeframes and often get multiple trading opportunities in a day.

Do not confuse scalp trading with overtrading as here you place multiple trades in a single trading session with a decent Risk to Reward ratio. However, trading without a proper strategy erode your capital.

When I started scalp trading, I was clueless. I didn't know how to do it unless. I observed the market before putting any money at risk and learned it.

The market is noisy on smaller timeframes, but, it is the exact place where scalpers enter the game.



*In hope of making quick money, I even tried a 1-minute timeframe but that didn't suit me and my mental strength.*



Indicators



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Not long ago when I was introduced with scalping, I tried and tested few technical indicators to see what was the winning rate and how much was the drawdown. Since these are discretionary trading strategy, manual back-testing and having data points become a demanding task. Therefore, the market observation is important. I switched to Heiken Ashi candlestick pattern: a candlestick pattern that traders use to skim out the noise from the chart.

A Heiken Ashi candlestick with no lower body is a bullish candle



Whereas, a candle with no upper body is considered as bearish candles.

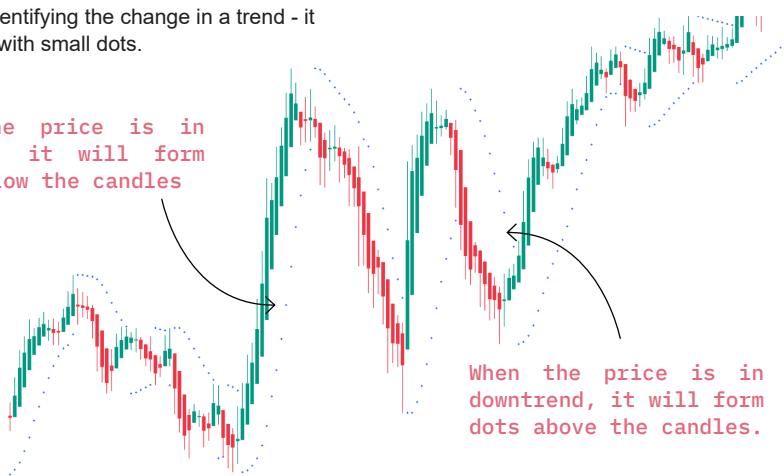
You can find Heiken Ashi candlestick pattern on any charting software. Along with Heiken Ashi candlestick pattern, I used a combination of Parabolic SAR and RSI.

SAR 0.02 0.02 0.2    { } X ...

RSI 14 close SMA 14 2    { } X ...

Parabolic SAR is a technical indicator that helps in identifying the change in a trend - it is formed with small dots.

When the price is in uptrend, it will form dots below the candles



When the price is in downtrend, it will form dots above the candles.



Autosave

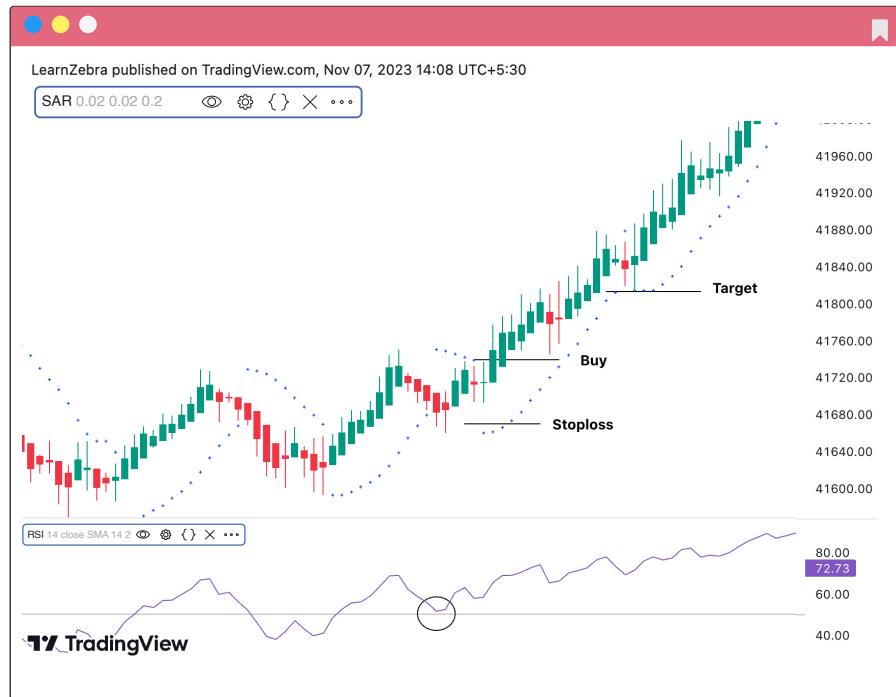


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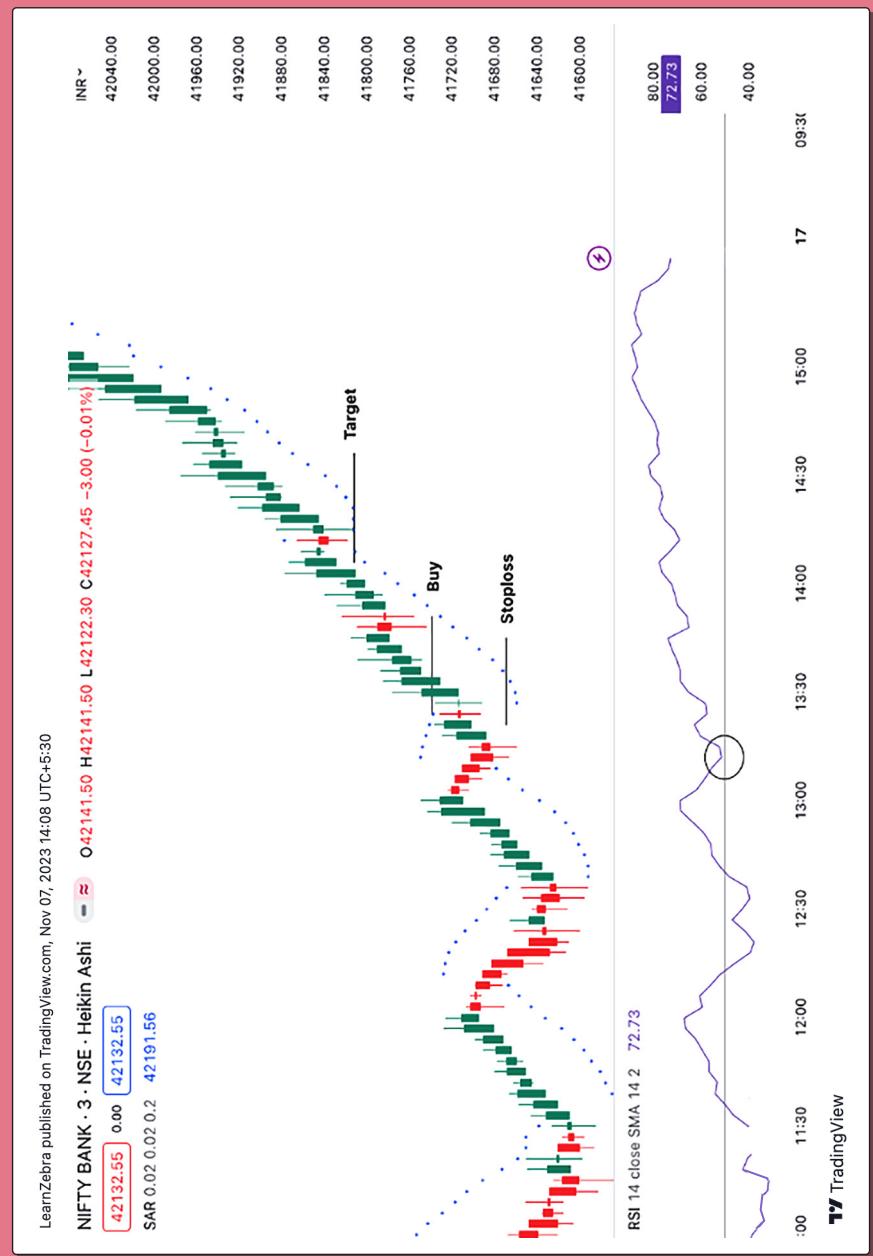
The RSI is a technical indicator which oscillates between the range of 0 to 100. The RSI region below 30 is considered as oversold which means with the timeframe selected, the downside move of the market can exhaust. The RSI region above 70 is considered as overbought which indicates the upmove can exhaust and hence the market might take a reversal from this point.

## THE STRATEGY

Using this strategy, we try to maximise our profits by having multiple confluences on a 3-minute timeframe chart. We will use the 50 level of RSI as our main trade signal generator. When the price is above the 50 level, it is a buy signal from the RSI. Also, at the same time the Heiken Ashi candles should turn bullish and the Parabolic SAR must be below the candle.



With all these confluences together, we confirm a buy trade and enter the market. Similarly, when the RSI is below the 50 level, Heiken Ashi candles are bearish, and Parabolic SAR is above the candles. With all these confirmations, we confirm a sell trade and enter the market.


▶ THE EXECUTION


## TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Set the chart of any security on a 3-minute timeframe.

Apply RSI, Parabolic SAR, and Heiken Ashi candlestick pattern.

Wait for the candles to turn bullish and Parabolic SAR below the candlestick.

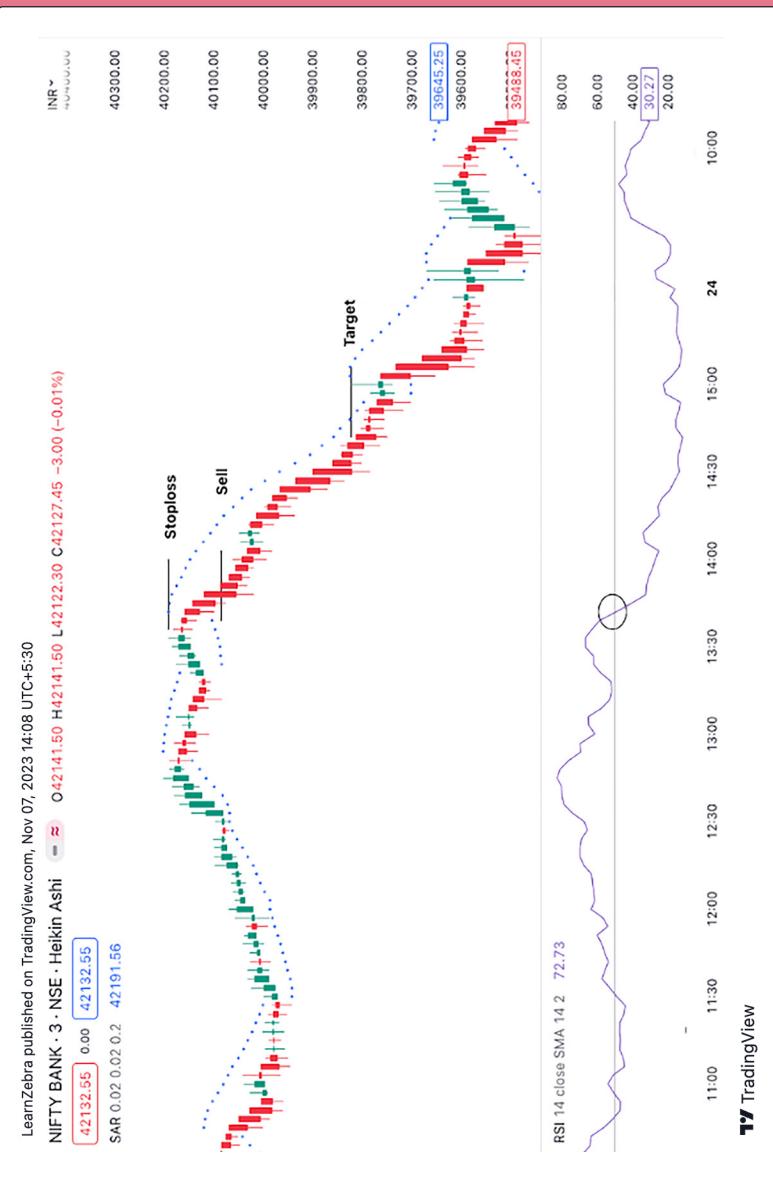
With the above two confluences, wait for the RSI to move above the 50 level.

Once all these confirmations hold true, the buy signal is triggered. **BUY** above the high of the bullish candle.

Place **STOPLOSS** at the Parabolic SAR.

**TARGET** is 1:2. If trading in multiple quantities, close half the position at 1:1.

In the above image, the BankNifty was moving sideways. Once the RSI took a pullback at the 50 level, we got a confirmation that the market was going to stay bullish. Still, we needed two more confluences: bullish candles and the Parabolic SAR to be below the price. Our trade triggered exactly at 1:30 p.m. The stipulated stoploss was at the Parabolic dot and the idea was to exit from the trade when the price met the Parabolic SAR.

 TO SELL


## TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Set the chart of any security on a 3-minute timeframe.

Apply RSI, Parabolic SAR, and Heiken Ashi candlestick pattern.

Wait for the candles to turn bearish and Parabolic SAR above the candlestick.

With the above two confluences, wait for the RSI to move below the 50 level.

Once all these confirmations hold true, the sell signal is triggered.  
**SELL** below the low of the bearish candle.

Place **STOPLOSS** at the Parabolic SAR.

**TARGET** is 1:2. If trading in multiple quantities, close half the position at 1:1.

In the above image, the Banknifty was moving sideways. It can be seen on the chart that the price came near its support making us alert for a breakdown. In this situation, we noticed that the RSI was falling below the 50 level, the candles turned bearish, and the Parabolic SAR was above the candles. Thus, all these confluences were confirming for a sell trade. At 1:48 p.m., we entered the trade. The target was hit around 3 p.m. We booked almost a profit of 1:3 Risk to Reward ratio.

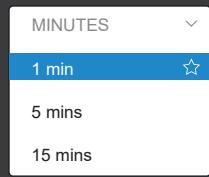


5.2

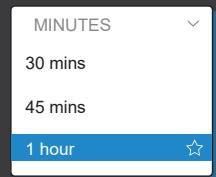
# RSI DIVERGENCE + BOLLINGER BANDS SCALPING STRATEGY



I have met with 10 scalp traders in my stock market journey, but none of them were actually profitable. Their most common reason for trading failure was not catching momentum. To be honest, catching the momentum in the stock market is a demanding task because you have to be really skilled at finding momentums in stocks.



*The job of a trader is to find opportunities in the early stages of a pattern formation. Be it 1-minute timeframe or a 1-hour timeframe.*



Suppose, you are seeing a bullish tenant pattern forming on the chart right now. You spot a breakout and you take an entry in that trade. Boom, you ended up joining the bandwagon that is quite prominent in the history of technical analysis.

Simply put, the formation of a bullish tenant pattern is initiated by accumulating the security at the cheapest price.



**BUT HAVE YOU EVER WONDERED WHO INITIATES THESE PRICE MOVEMENTS?**

**WHY ARE YOU ENTERING INTO TRADES WHEN THE PRICE HAS ALREADY REACHED MIDWAY?**

**WHY CAN'T YOU TAKE ENTRY AT THE EARLIER STAGES OF A PATTERN FORMATION WHERE THE ACCUMULATION IS HAPPENING?**

To become a trader who can catch a trend at the earliest, you have to understand the hidden secret of catching momentum in stocks. But, before we dive deep into concepts like divergence, we will have to understand what is an RSI oscillator and Bollinger Bands.

RSI is a technical oscillator that ranges from 0 to 100. It is an underlay indicator which means it is placed below the price chart. The RSI indicator helps you understand the price momentum. The traditional theory states that when the RSI is above 70 level, a stock is considered to be overbought and when the RSI is below 30 level, a stock is considered to be oversold.



But, the term "Relative Strength Index" by itself says that it is relative to the price. The fluctuation in the security price depends upon the nature of the security. If the stock belongs to an aggressive sector, there is a high probability that the stock will continue to rise above the 70 level and continue to fall even when the RSI is below the 30 level. This is why, I prefer to use the RSI for divergence.



Indicators



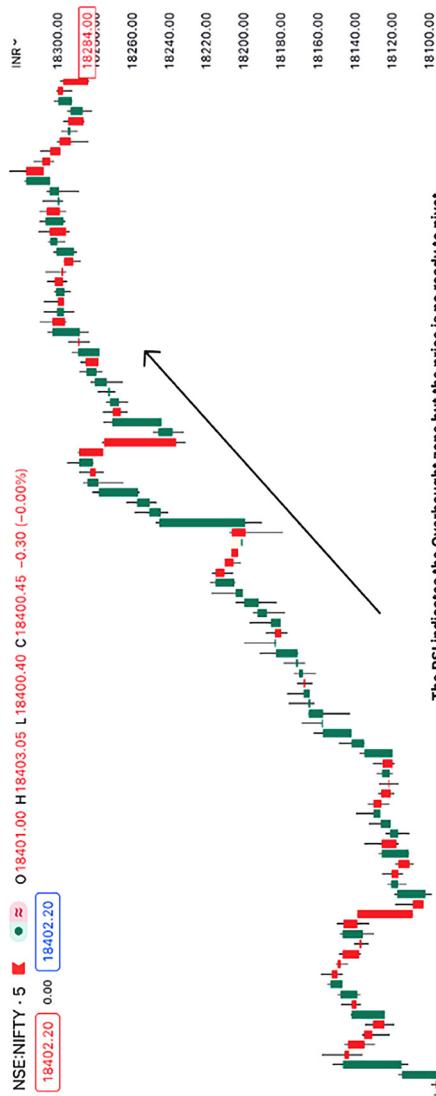
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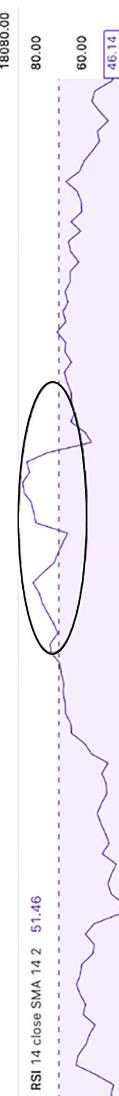


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NSE:NIFTY - 5 🔴 0 18401.00 H18403.05 L18400.40 C18400.45 -0.30 (-0.00%)  
18402.20 0.00 18402.20



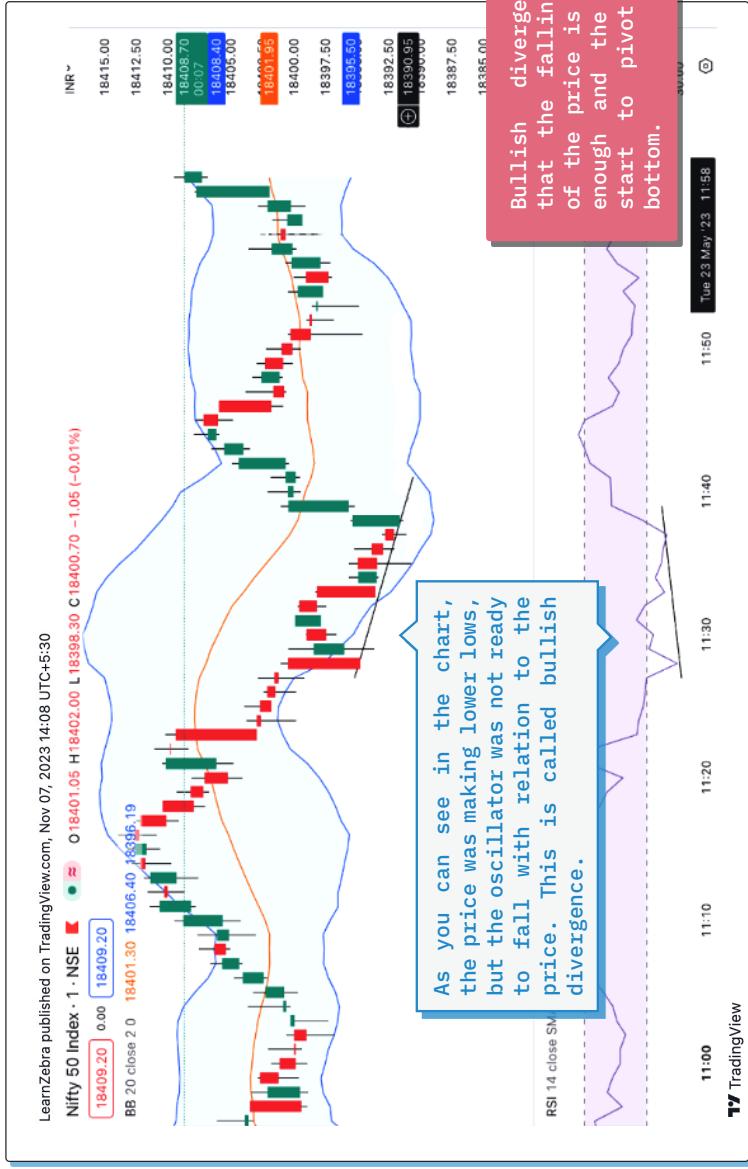
The RSI indicates the Overbought zone but the price is no ready to pivot



The fluctuation in the security price depends upon the nature of the security. If the stock belongs to an aggressive sector, there is a high probability that the stock will continue to rise above the 70 level and continue to fall even when the RSI is below the 30 level. This is why, I prefer to use the RSI for Divergence.

# WHAT IS DIVERGENCE?

Divergence refers to the movement of the oscillator not moving in tandem with the price. i.e. Price is making higher highs and the oscillator is failing to make higher highs with relation to the price and vice versa.



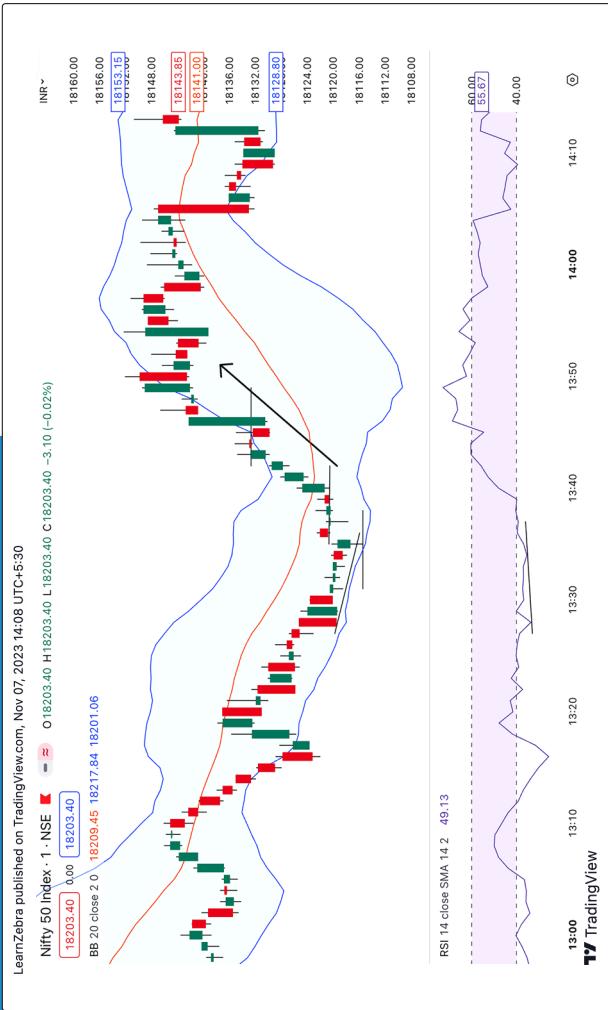


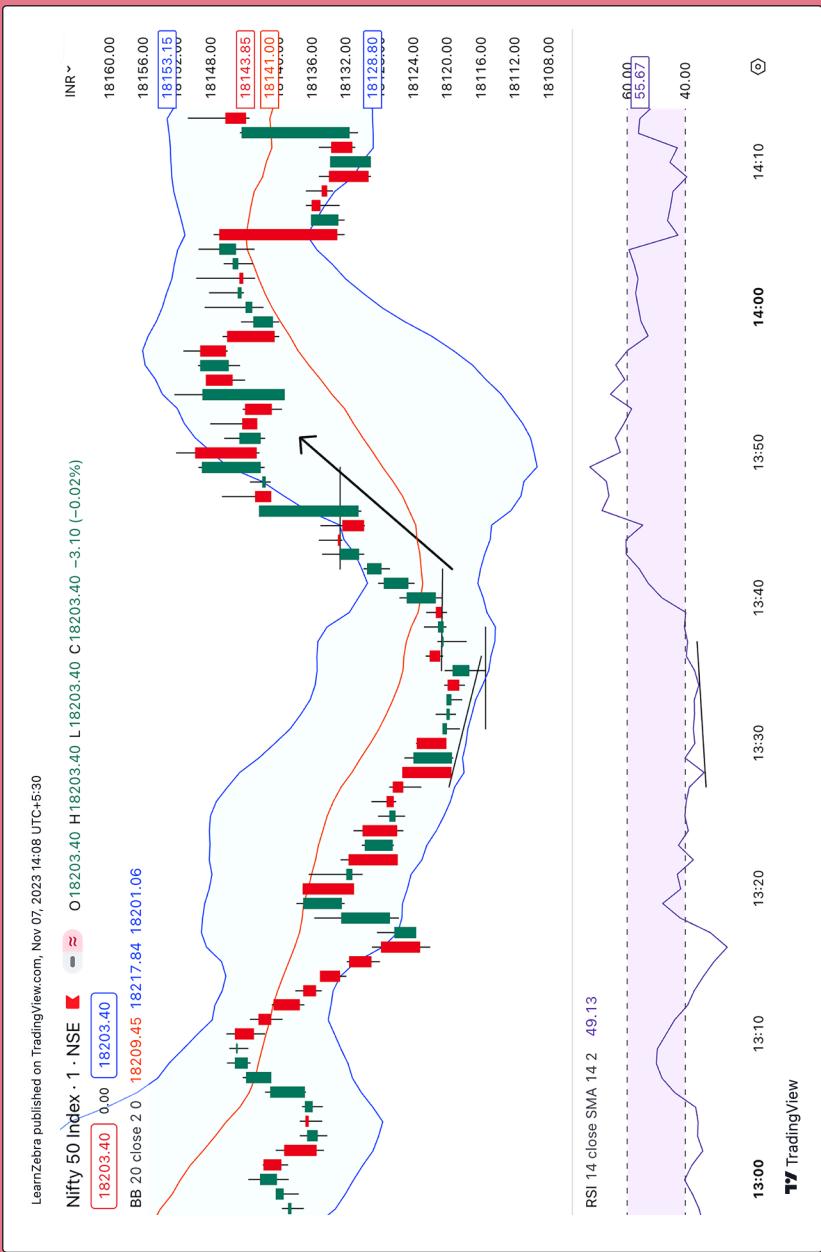
Another indicator we will use to make this strategy more effective is Bollinger Bands. When we have identified a range, we need to look for the price extremes to benefit from the whole trend. Bollinger Bands is a technical tool that uses 3 bands to mark the price levels. The middle band is the 20-day Simple Moving Average. The upper band of the Bollinger Band acts as a resistance and the lower band acts as a support.



# THE STRATEGY

The idea is to use the Bollinger Bands for getting a range and the RSI to spot divergence and take the trade at the earliest. For a Bullish trade, we wait for the price to cross below the lower Bollinger band and make lower lows. But, the RSI should not replicate the price movement. When we spot a green candle, we enter the buy trade and exit at the upper Bollinger Band. This same technique is used to take a short trade.



> THE EXECUTION


## TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Open any chart.

Apply Bollinger Bands and RSI on a 1-minute timeframe.

Wait for the price to form lower lows near the lower Bollinger Bands.

Observe the movement of the RSI, if the RSI - is going against the price movement, it is a Bullish Divergence.

**BUY** entry is triggered when the price makes a green candle after a fall.

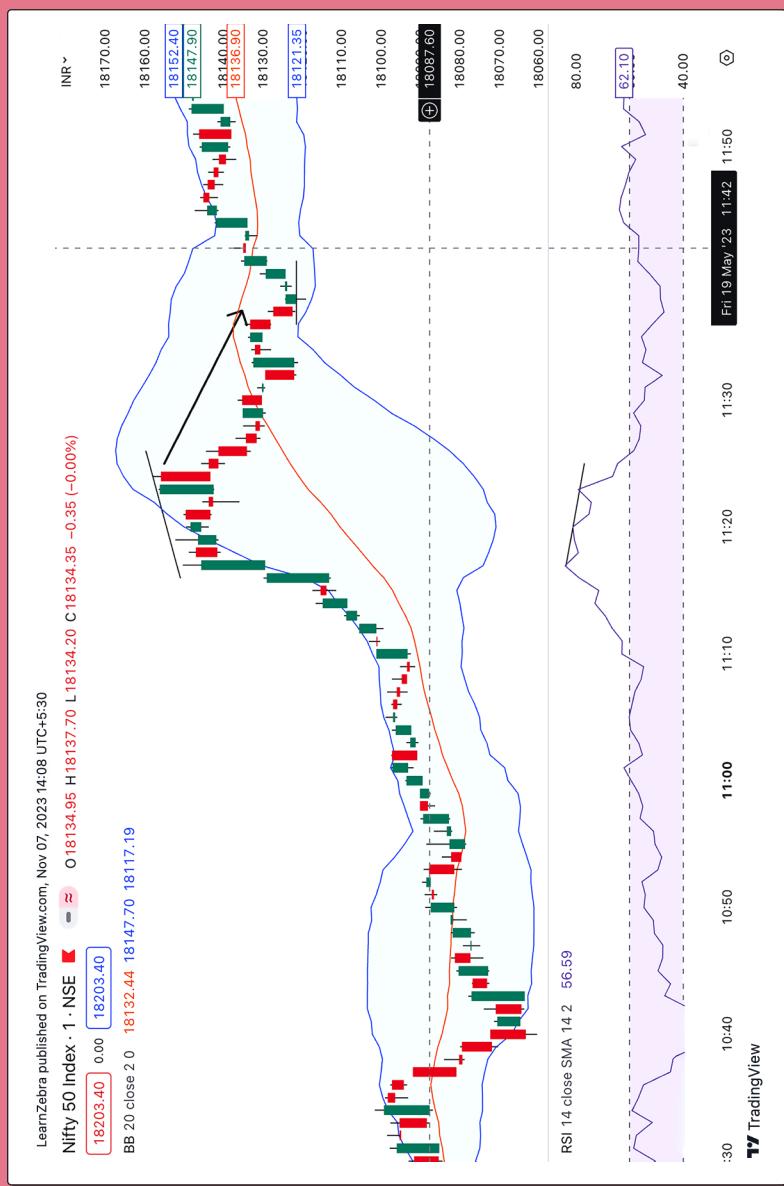
**TARGET** is at the high of the upper Bollinger Band.

The **STOPLOSS** is placed below the low of the green candle.

On the above chart, it is evident that the price was making lower lows but the RSI was not reciprocating the price movement. This indicated strength. As the price touched the Bollinger Band, it took the support and the candle turned bullish. With multiple confirmations, we entered the trade at the high of the green candle. According to the strategy, we put the stoploss below the low of the candle and target the high of the upper Bollinger Band. With this strategy, we successfully got a 1:2 Risk to Reward ratio.



**> TO SELL**



## TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Open any chart.

Apply Bollinger Bands and RSI to the chart on a 1-minute timeframe.

Wait for the price to cross the upper Bollinger Band and form higher highs.

Observe the movement of the RSI - if the RSI is not reciprocating the price movement, it is a Bearish Divergence.

**SELL** entry is triggered when the price makes a bearish candle.

The **STOPLOSS** will be above the high of the bearish candle.

The **TARGET** will be at the lower Bollinger Band.

In the above image, it is clear that the price was making higher highs after crossing the upper Bollinger Band. However, exactly at this time, the RSI was not reciprocating with the price movement, indicating that there was no strength in the price to move upward. As per the observation, we waited for the price to form a bearish candle and sell at the low. The trade ran for almost 10 minutes. We got the target as per the strategy and succeeded in getting a 1:3 Risk to Reward ratio.

**5.3**

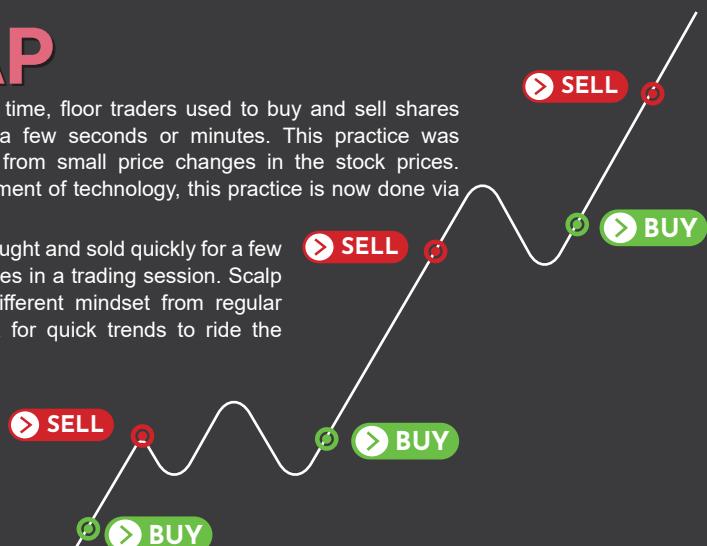
# SCALP TRADING WITH RSI AND VWAP



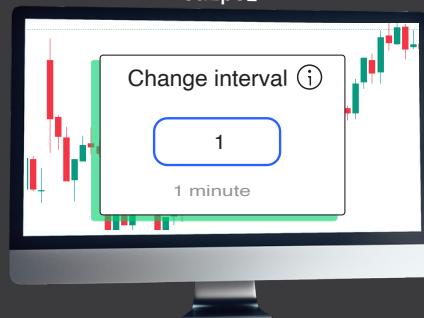
Strategy video

During the earlier time, floor traders used to buy and sell shares frequently within a few seconds or minutes. This practice was adopted to profit from small price changes in the stock prices. With the advancement of technology, this practice is now done via computers.

The shares are bought and sold quickly for a few points multiple times in a trading session. Scalp traders carry a different mindset from regular traders, they look for quick trends to ride the markets.

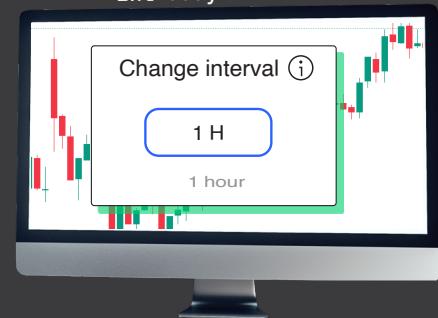


Scalper



Their preferred timeframe for scalping ranges from 1 minute to 3 minutes.

Intraday Trader



On the other hand, intraday traders or swing traders prefer a timeframe above 5 minutes- it can be 5 minutes or 1 hour depending upon their trading style.



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When my Guruji introduced me to scalp trading, *I thought this was totally absurd - buying and selling for a few points. It would cost more in brokerages and taxes. However, as soon as I learned how it was done, I got a clear understanding of the concept.*

The idea is to place large volume of orders for quick gains. When we trade with huge volumes, the brokerage is covered and we end up making profits. However, we can also incur losses if not traded with a plan.



After learning about scalp trading, I devised some plans and tested them in the live markets but, they failed miserably. This usually happens when you try to build a strategy that is profitable in the long run. No strategy will give you loads of profits. It will have drawdowns and losing streaks that will shake you from the core but you have to adhere to your rules.

The technical tools I use for scalping are RSI and VWAP.

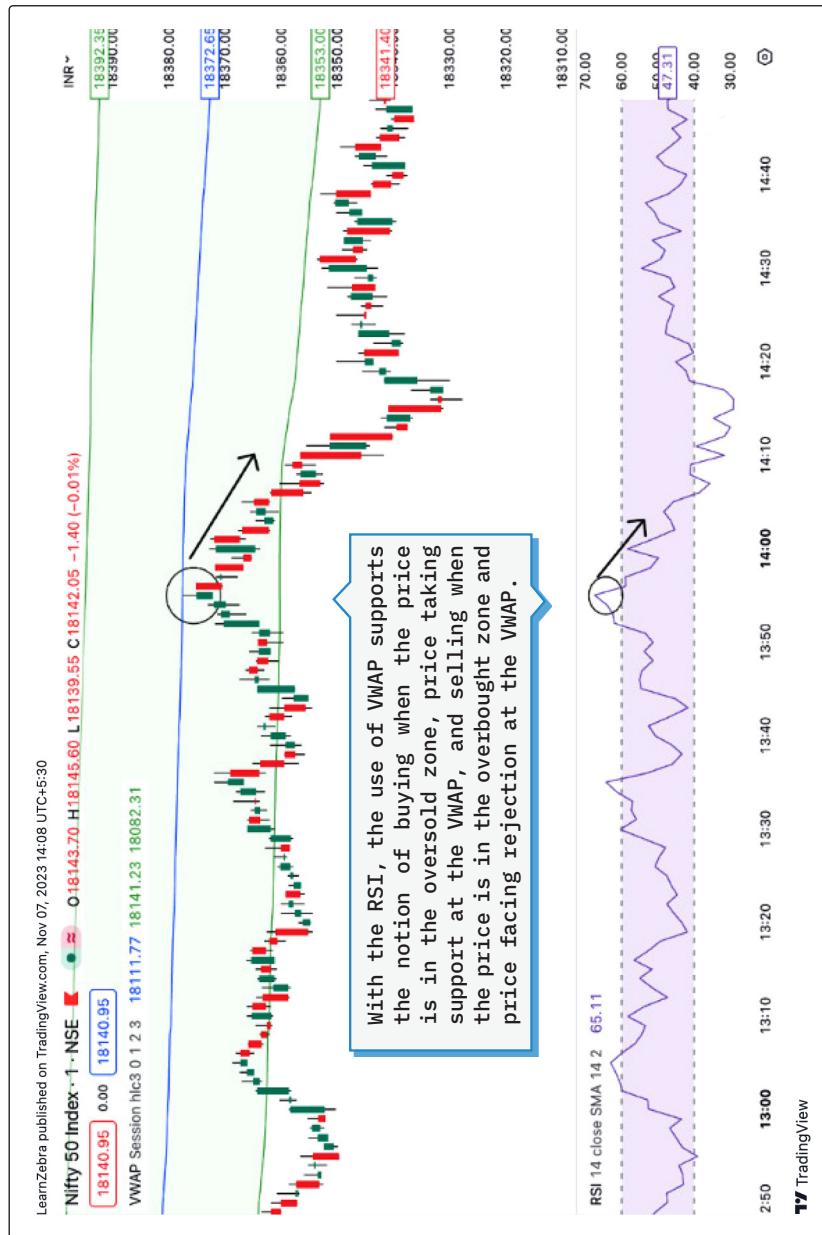
RSI 14 close SMA 14 2  { } X ...

VWAP Session hlc3 0 1 2 3  { } X ...

The RSI range from 70-100 is considered the overbought zone where the price tends to slow down after an advancement.

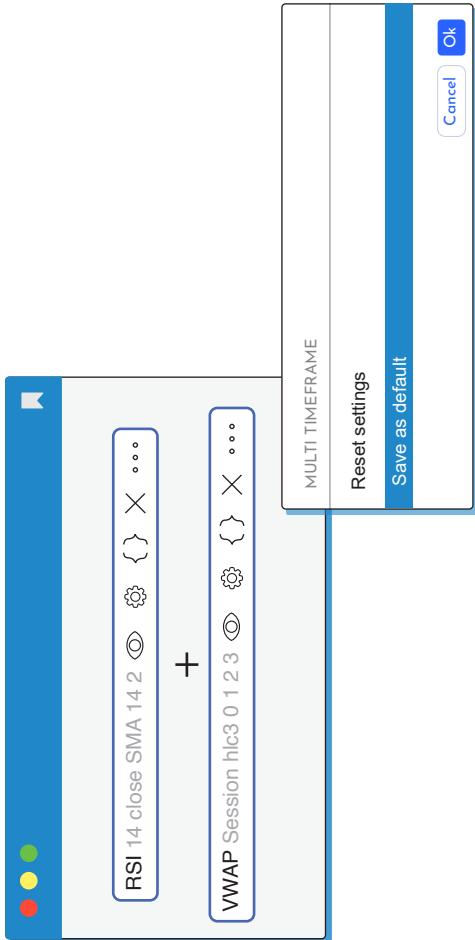
100.00  
75.00  
50.00  
25.00  
0.00

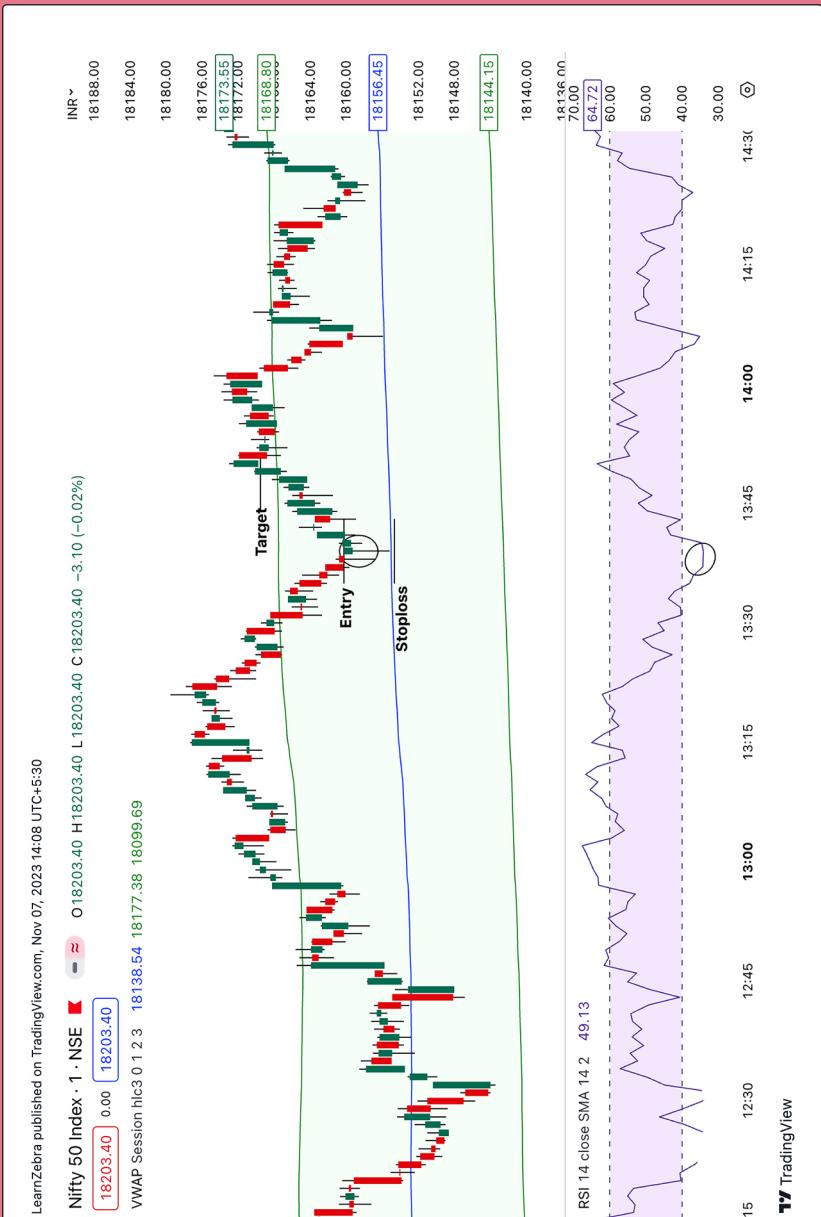
The 30-0 range is the oversold zone where the price exhausts after a decline.



## THE STRATEGY

The idea is to catch small but quick moves on a 1-minute timeframe. The combination of RSI and VWAP performs the best when used with default settings. The buy signal is triggered when the price takes support at the VWAP and the RSI is below the 30 level. Whereas, the sell signal is triggered when the price takes rejection from the VWAP and the RSI is in the overbought zone.



> THE EXECUTION


### TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

- Open any chart (stock, indices, etc.)
- Set the chart to a 1-minute timeframe.
- Add VWAP and RSI indicators to the chart.
- Look for the RSI to go in the oversold zone and the price to take support at the VWAP.
- BUY** when both indicators give a buy signal.
- STOPLOSS** should be below the VWAP.
- TARGET** should be at the upper band of the VWAP or trail it for maximum gains.

It is evident from the chart that on 2nd May 2023, the price took support on the VWAP and at the same time, the RSI was in the oversold zone. With multiple confirmations, we got a buy signal and took the trade, with a stoploss below the VWAP and a target above the upper band of the VWAP. Following this strategy, we got a Risk to Reward ratio of 1:2.

## TO SELL



## TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

- Open any chart (stocks, indices, etc.)
- Set the chart to a 1-minute timeframe.
- Add VWAP and RSI indicators to the chart.
- Look for the price to go in the overbought Zone and price to face a rejection from the VWAP.
- SELL** when both the indicators give a sell confirmation.
- STOPLOSS** should be above the VWAP.
- TARGET** at the lower band of the VWAP or trail it for maximum gains.

On 16th May 2023, the market was making lower lows in a 1-minute timeframe. The market was in a downtrend. Whoever entered the market would have benefitted from the trend but, for traders who could not get a chance, the price rejection from the VWAP was the right place to ride the trend. When the price faced rejection at the VWAP and the RSI was in the overbought zone, we entered the trade and trailed the stoploss till the previous price support.



Indicators



Alert

Replay



T



ZEBRA LEARN

5.4

# SCALPING 1 MINUTE CONSOLIDATION BREAKOUTS



Strategy video

This chapter is not for beginners. *If you are someone who has just started trading then I do not recommend you to use the strategy discussed in the following pages.* I say this because this chapter will talk about scalping.

On the other hand, if you have some experience trading the markets, this scalping strategy will help you in catching those quick moves with very small risk. You can use this setup in any stock as you wish. However, I recommend using it on highly liquid stocks or indices such as Nifty 50 and Bank Nifty.

Let me talk about what scalping is in brief in case you don't know what it is.

## UNDERSTANDING SCALPING AND ITS PROS AND CONS

Scalping is a method which aims to profit through micro moves from an asset's price fluctuation. It refers to a high frequency trading strategy. Generally, scalpers use a 30 seconds to 1 minute timeframe in order to scalp from the market.

(I will be using a 1-minute chart while using this setup).

MINUTES	STAR
1 min	★
3 mins	
5 mins	
15 mins	
30 mins	
45 mins	