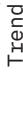


### Trend Continuation

Before I move on with the strategy, let me tell you, according to my strategy, I am not considering only continuation pullbacks but reversal pullbacks also. Why? Simply because we are considering Pivot points as crucial support and resistance.

S1



Now, for the price to go beyond that level, it needs to test that area again for fresh selling or buying. This is only possible when the price takes small pullbacks. When price hovers around the pivot points, it can either continue with the prior trend's direction or take a reversal from the pivot point.

R1

### Trend Reversal

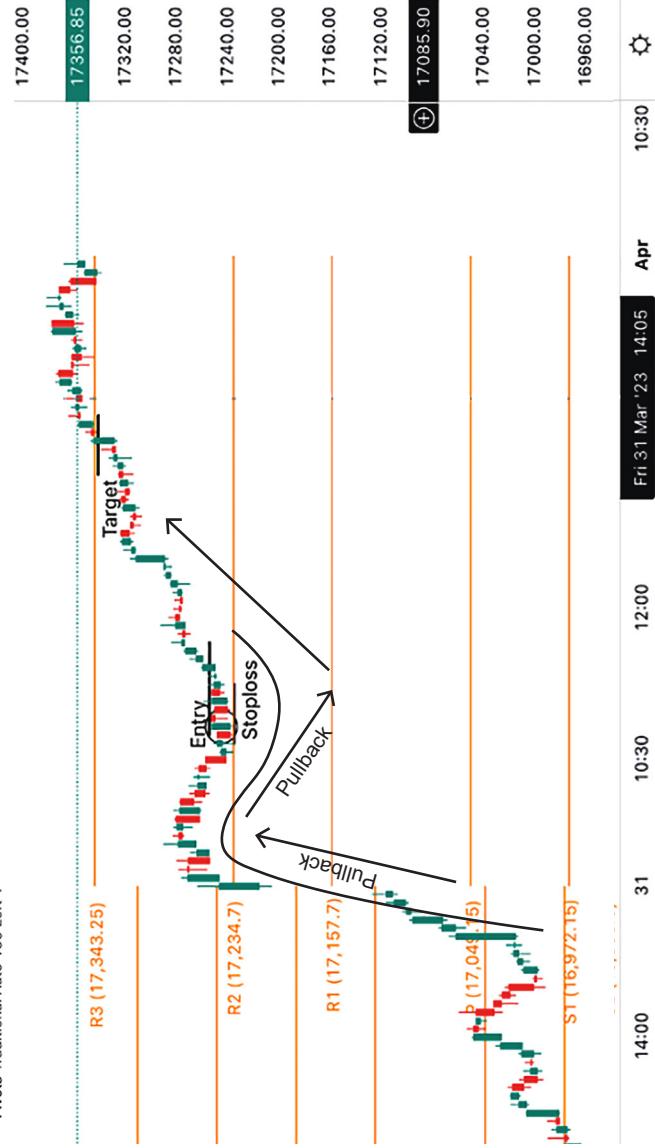


LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

Nifty 50 Index .5 - NSE

0.00 17359.75  
17359.75

Pivots Traditional Auto 150 Left 1



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

- Set the chart to 5-minute timeframe.
- Apply pivot points standard to default settings.
- Wait for the price to hover around a pivot point.
- Look for a pullback #1- if the pullback is occurring without breaking the pivot point, it is a reversal trade.
- Look for a pullback #2- if the pullback is occurring after breaking the pivot point, it is a trend continuation trade.
- BUY** entry will be triggered when a bullish candle is formed after the pullback.
- STOP LOSS** is placed at the low of the candle.
- TARGET** is placed at the next pivot point, but, if the pivot point is near the entry candle, the target is set to the very next pivot point.

The above illustration explains the market opened gap-up on 31st March 2023, the last day of financial year 22-23. The market was bearish for the past few weeks, and short covering was due. On the last day of FY, we saw short covering in Nifty 50 when the market broke the R2 and took a pullback at R2. Now, when the market took a pullback without breaking the support, a continuation trade was confirmed from the price action itself. With this strategy, we got a profit of almost 1:4.



## TO SELL

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

Nifty 50 Index · 5 · NSE 0.00 17351.25 H17367.50 L17351.10 C17356.85 +5.50 (+0.03%)

17359.75 17358.75

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

- Set the chart to the 5-minute timeframe.
- Apply pivot points standard to default settings.
- Wait for the price to hover around a pivot point.
- Look for a pullback #1- if the pullback is occurring without breaking the pivot point, it is a reversal trade.
- Look for a pullback #2- if the pullback is occurring after breaking the pivot point, it is a trend continuation trade.
- SELL** entry will triggered when a bearish candle is formed after the pullback.
- STOPLOSS** is placed at the high of the candle.
- TARGET** is placed at the next pivot point, but, if the pivot point is near the entry candle, target would be set at the very next pivot point.

In the above illustration, we can observe that the market opened a gap-down on 23rd March 2023. Looking at the structure, it was clear that the market was turning weak as it was making higher highs on the previous trading sessions but with less momentum. Post that, a gap down opening indicated profit booking in Nifty 50. Still, with hope price continued to move till the R1 level but fell, and took a pullback at R1 again, which made clear with a reversal trade in the later hours of the market. With this strategy, we got a reversal trade which hit our target and ended up with profits.

2.6

# DOUBLE RSI



Strategy video



John Welles Wilder Jr.

"Letting your emotions override your plan or system is the biggest cause of failure", famously said by John Welles Wilder Jr. He is known for his contribution to the world of technical analysis. He developed a few momentum indicators like Relative Strength Index (RSI), Average Directional Index, Parabolic SAR, and Average True Range.

He developed RSI to gauge market momentum and identify overbought and oversold areas. RSI is a momentum oscillator that oscillates between the range of 0 to 100. RSI ranging below 30 is considered to be an oversold zone - the downtrend has exhausted and the price can either consolidate or pivot from the bottom. RSI ranging above 70 is considered to be an overbought zone - the uptrend has exhausted and the price can either consolidate or pivot from the top.





Autosave



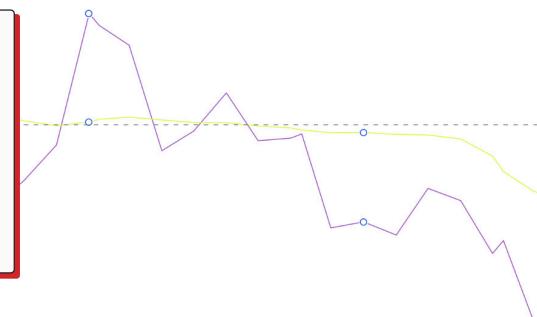
Publish

The levels of RSI can differ when the timeframe is switched. **Usually, it is believed that the RSI does not generate false signals. However, no one can surely claim on the success rate of the RSI.** While traders believe in having multiple confluences, in my trading journey, I have observed that the confluence of two RSI generates better results than any other technical analysis indicator with the RSI.



The use of double RSI is not new, it has been there for decades, and the execution may differ from trader to trader. You might use double RSI with a shorter and longer look back period, which can affect the sensitivity of the RSI. You can also have a bigger timeframe RSI with the timeframe I am trading in. Over the years, I have developed a trading strategy using Double RSI that gives concrete confluence for intraday trade.

As an intraday trader, having a couple of setups in hand helps me gain confidence over unprecedented market conditions. With different strategies to deploy in different situations, I can easily find good trading opportunities. As an intraday trader, I have my own setups to trade in the market at lower timeframes like 3 minutes and 5 minutes.





Indicators



Alert

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T



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The double RSI method involves two RSI, one with its default settings, and one with an hourly timeframe on a 5-minute chart.

## HOW TO APPLY DOUBLE RSI?

- Load any chart you wish to trade.
- Select the 5-minute timeframe.
- Go to Indicators > Relative Strength Index > select it, and keep the default settings.
- For the second RSI, go to Indicators > Relative Strength Index > select it.
- Change its settings: click on its settings icon > inputs > Timeframe = 1 hour.

Chart

- 15 seconds
- 30 seconds
- 1 minute
- 5 minutes**
- 30 minutes
- 45 minutes
- 1 hour
- 2 hours
- 3 hours

**RSI**

Inputs   Style   Visibility

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<input checked="" type="checkbox"/> RSI-Based MA	<input type="color" value="#00FF00"/>	<input type="button" value="..."/>
<input checked="" type="checkbox"/> Upper Bollinger Band	<input type="color" value="#008000"/>	<input type="button" value="..."/>
<input checked="" type="checkbox"/> Lower Bollinger Band	<input type="color" value="#008000"/>	<input type="button" value="..."/>
<input checked="" type="checkbox"/> RSI Upper Band	<input type="color" value="#800080"/>	<input type="button" value="..."/> 50
<input checked="" type="checkbox"/> RSI Middle Band	<input type="color" value="#00FFFF"/>	<input type="button" value="..."/> 50
<input checked="" type="checkbox"/> RSI Lower Band	<input type="color" value="#800080"/>	<input type="button" value="..."/> 50
<input checked="" type="checkbox"/> RSI Background Fill	<input type="color" value="#00FFFF"/>	<input type="button" value="..."/>
<input checked="" type="checkbox"/> Bollinger Bands Background Fill Color 0	<input type="color" value="#00FFFF"/>	<input type="button" value="..."/>

OUTPUTS

Precision: Default

Labels on price scale

Defaults   Cancel   Ok



Autosave



Publish

## PURPOSE OF DOUBLE RSI

The single RSI with its default settings gives a buy signal when it is below the 30 level. It gives a sell signal when it is above the 70 level. However, I have noticed that a trade taken on a single RSI indication has always failed to gain traction and the strength of the trend is lost after moving a few points. When the trade is taken with another RSI that uses an hourly timeframe for its calculation, it has given me trades with strong momentum.

 SELL

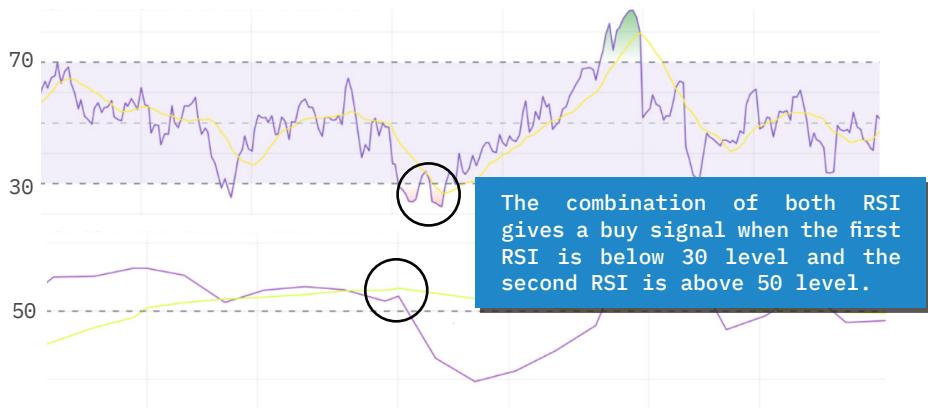
70 level

 BUY  
30 level

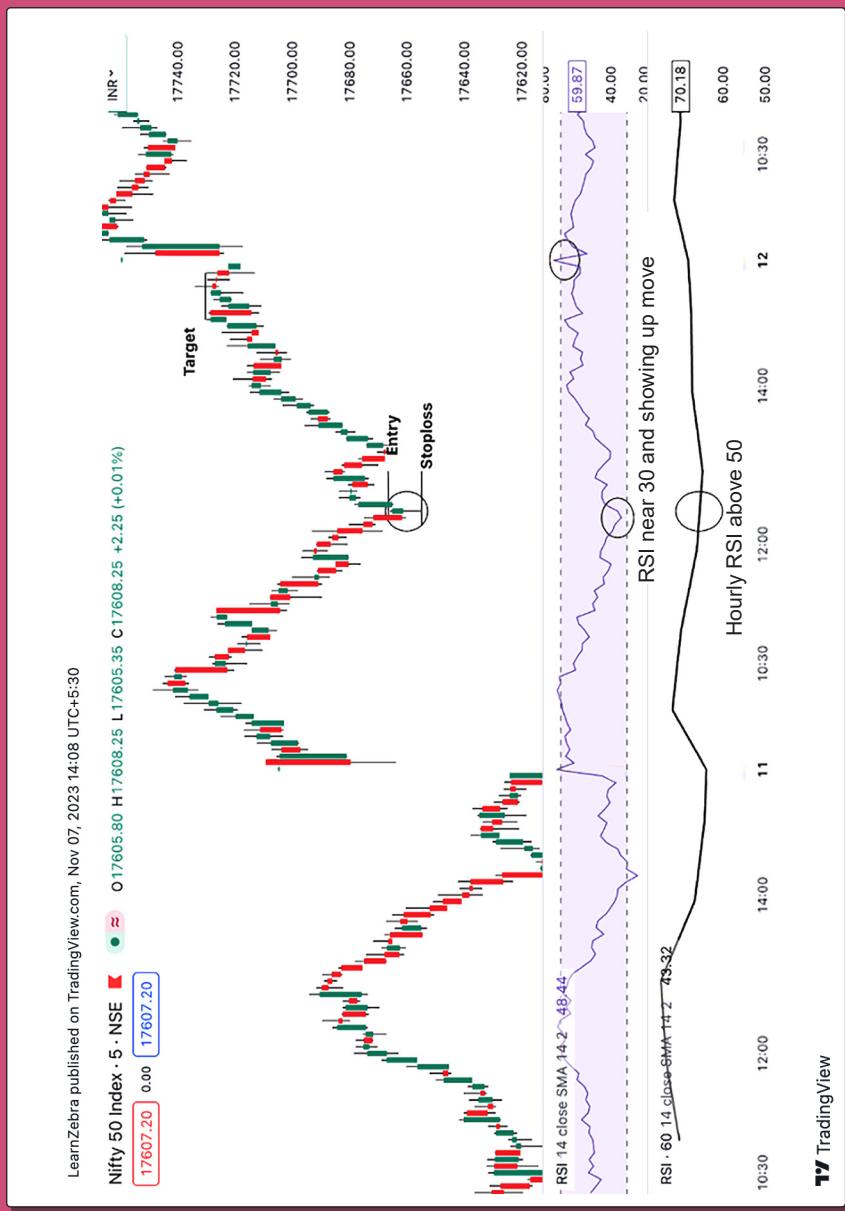
The purpose of using another RSI with 1-hour timeframe is that it filters out noise and provides signals once in 2-3 days. When the noise is filtered out, you have the assurance of not getting wiped out by the whipsaws. The RSI with hourly chart timeframe gives buy signal when it is above the 50 level and gives sell signal when it is below the 50 level.

## THE STRATEGY

This is an intraday strategy that is used on a 5-minute timeframe. The use of double RSI gives multiple confluences of a 5-minute timeframe and an hourly timeframe.



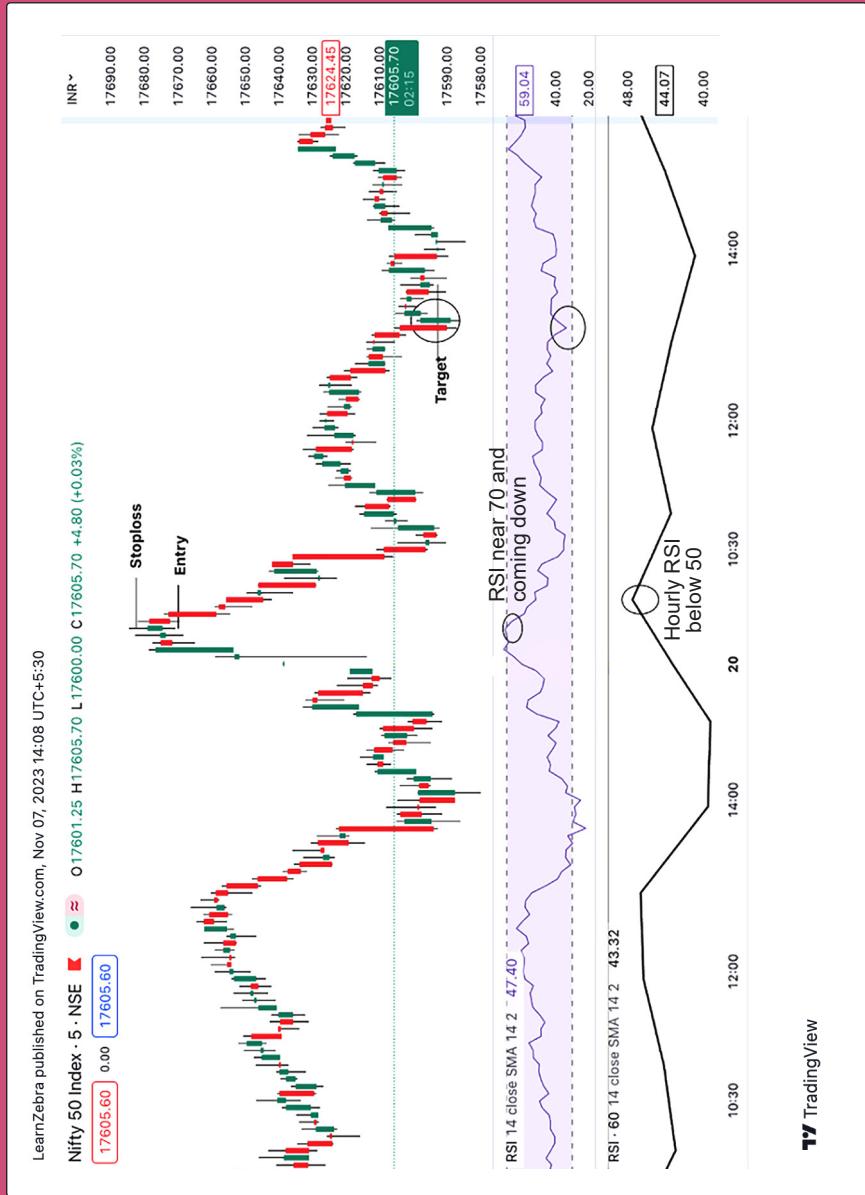
The sell signal is generated when the first RSI is above the 70 level and the second RSI is below the 50 level. The take profit point is at the pivot of the first RSI. For example, both indicators have given a buy signal, the trade opens with a good profit. Now, when the first RSI goes into the overbought zone and pivots from there, exit from the trade. Similarly, when the sell signal is triggered, the exit will be at the pivot point of first RSI from the oversold zone.



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

- Open any stock/index chart.
- Set the chart to a 5-minute timeframe.
- Apply RSI with its default settings.
- Apply the second RSI with an hourly chart timeframe.
- Look for the second RSI to be above the 50 level.
- Meanwhile, look for the first RSI to enter the oversold zone and for the price to form a bullish candle.
- BUY** at the high of the green candle.
- STOPLOSS** is below the low of the green candle.
- TARGET** is booked when the first RSI crosses the 70 level from above after entering the overbought zone.

On 11th April 2023, Nifty 50 index opened gap up and formed its day high. After pivoting from its day high, the day low was breached but a hammer candle was visible near the day's low indicating that there can be a demand zone. Exactly at 12:25 p.m., the first RSI reached near to the oversold zone and pivoted. The second RSI was above the 50 level. With multiple influences holding true, the buy entry got triggered and we entered the trade with the stoploss at the low of the Hammer candle. The booked profit was almost 4x of the stoploss (1:4 Risk to Reward ratio).

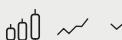


## TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

- Open any stock/index chart.
- Set the chart to a 5-minute timeframe.
- Apply RSI with its default settings.
- Apply the second RSI with an hourly chart timeframe.
- Look for the second RSI to be below the 50 level.
- Meanwhile, look for the first RSI to enter the overbought zone and the price to form a bearish candle.
- SELL at the low of the red candle.
- STOPLOSS** is above the high of the red candle.
- TARGET** is booked when the first RSI crosses the 30 level from below after entering into the oversold zone.

On 20th April 2023, the Nifty 50 opened gap up, went downward and formed a red candle with huge lower wick. This showed market strength. However, the upside move failed to sustain and the price fell abruptly. You can notice that the first RSI touched the overbought area and took a pivot along with the second RSI staying below the 50 level. The sell entry triggered at 9:40 a.m. with the stoploss at the high of the red candle. With this strategy, we booked profits at 1:10 p.m. with a Risk to Reward ratio of 1:5.





Indicators



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2.7

# CPR WITH TREND FOLLOWING



Strategy video

Before we move forward to the CPR trend following strategy, it is important to talk about the price momentum.

**Price momentum in the stock market refers to the phenomenon where stocks have been performing well and continues the same trend. When the momentum hits a stock, it is either backed by strong fundamentals or a bulk buying or selling in the stock. As a trader, we have to find such areas from where the momentum is expected.**



As you can see in the above example, the market was bullish on 27th April 2023. On the next day, it opened gap up and could not sustain on the downside. Looking closely at the chart, you can find the small demand zone from where the price pivoted. It is not possible for a newbie trader to look for details and that is why the pivot points are created. Pivot points are crucial levels where the probability of price reversal is high. Pivot points are denoted as P- Pivot, R1, R2- Resistance, and S1, S2- Support.

# CALCULATION OF PIVOT POINTS

For calculating the Pivot points, we have to consider the High, Low, and Close value of the respective trading sessions.

**Pivot Point (P)** =  $\frac{(\text{High} + \text{Low} + \text{Close})}{3}$

$R1 = (Px2) - 2$   
 $R2 = P + (\text{high} - \text{low})$   
 $S1 = (Px2) - \text{High}$   
 $S2 = P - (\text{High} - \text{Low})$



In my opinion, the Pivot fails to tell the market view. For a trader, it is equally important to understand and have a cue of the trend. Pivot points basically help in giving the crucial levels but fails to tell the market view and momentum.



# CENTRAL PIVOT RANGE

The Central Pivot Range is an extension of the Pivot Points. We have already discussed the importance of pivot points in trading. Now let us look at some observations by seasoned traders on the Central Pivot Range.



On 11th May 2023, the market was sideways. How did we observe that? The answer lies in the CPR.

Support

Pivot Points

Resistance

The CPR is formed with 3 major lines. I.e. top central pivot, central pivot, and bottom central pivot. The support and resistance stay the same as the pivot point standards. According to observations, it is believed that when the CPR is narrow (as shown in the above picture), the market has a higher probability of trending. On the other hand, if the CPR is wide, there is a probability of the market staying range bound.



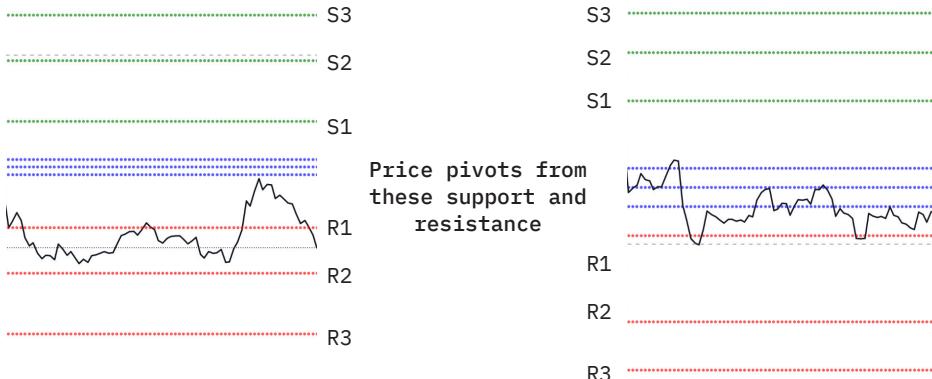
Autosave



Publish

**The use of CPR in intraday trading is important for traders to gauge the momentum. However, CPR does not help in indicating whether the market will be bullish or bearish.**

Intraday traders buy and sell at troughs and peaks within a range. Pivot points when used with CPR help traders with a defined range to trade the market. Levels marked by CPR can act either way - the price can reverse from there or continue after breaking the level.

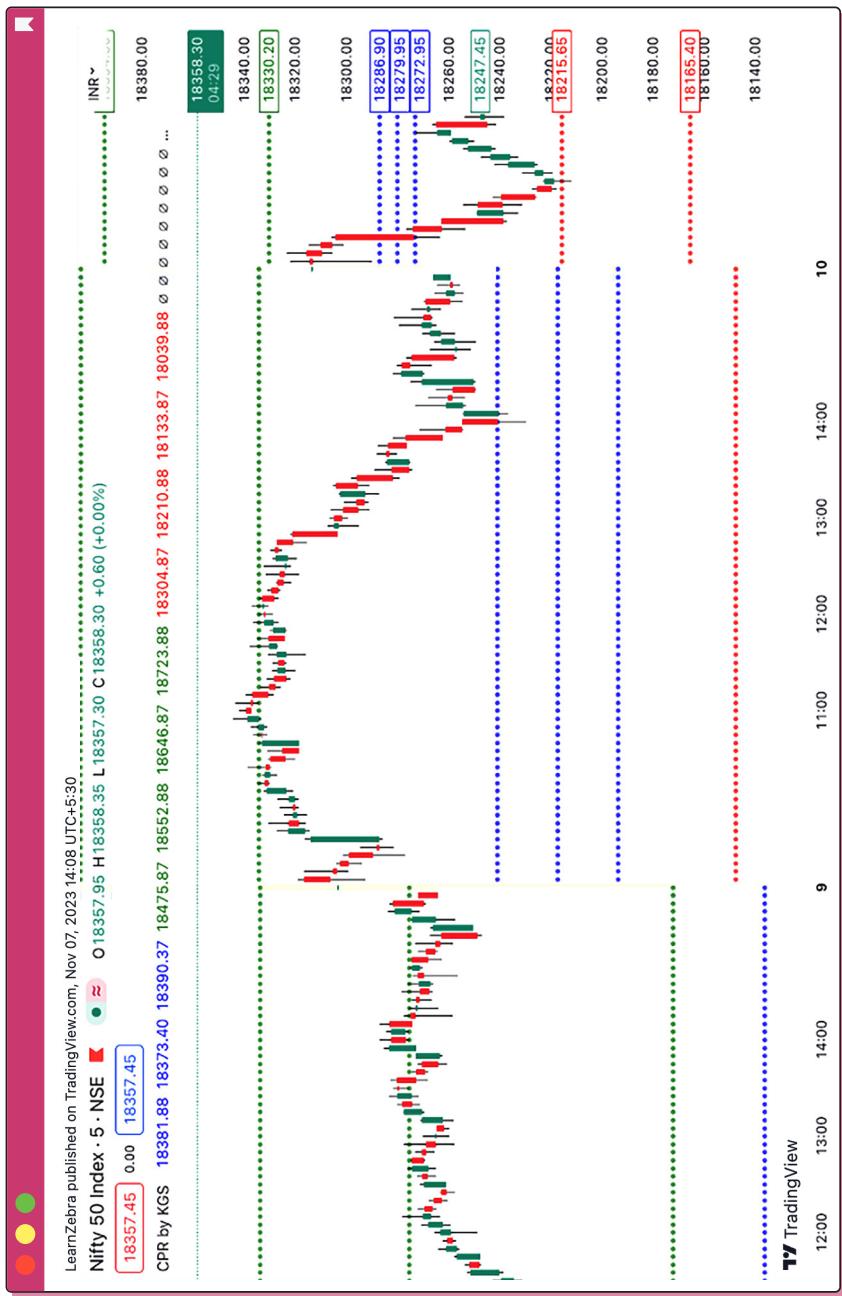


After years of observation, traders have found that when the **CPR is narrow**, there is a high chance for the price to continue in the respective direction.

On the other hand when the **CPR is wide**, the support and resistance levels act strong and the price pivots after touching them.



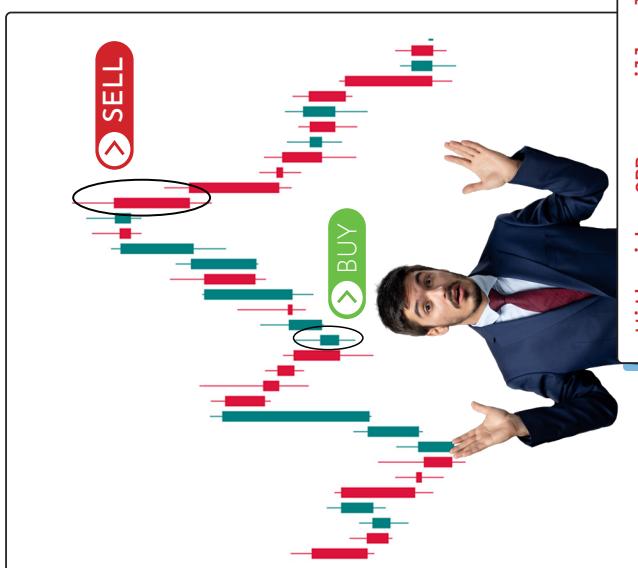
ZEBRA LEARN



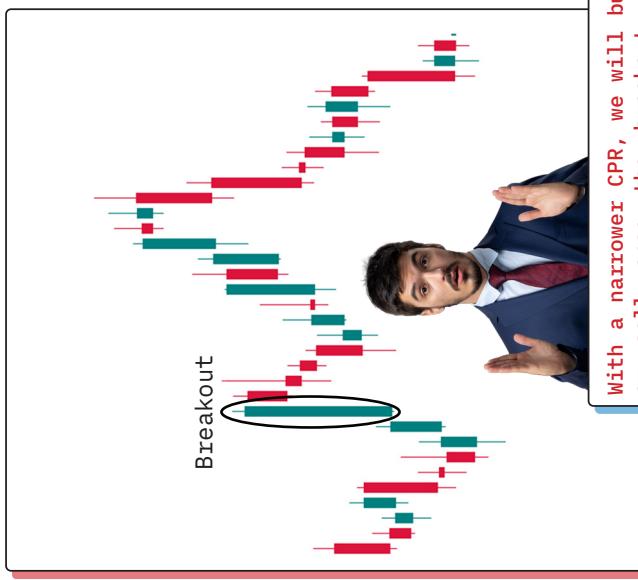
On 9th May 2023, the CPR was wide, indicating a range-bound market. The area between the resistance level and the CPR level is the range for the price. When the market opened gap up and tried to move beyond the resistance 1 level, the resistance acted strong and pushed the price below it. The top central pivot acted like a support and the price pivoted from the level.

# THE STRATEGY

The idea behind this strategy is to look for crucial levels for intraday trading. With the help of CPR, we will alter our strategy if needed. The strategy for a wider CPR will be different from a narrow CPR.



With wider CPR, we will sell at the top and buy at the bottom.



With a narrower CPR, we will buy or sell once the breakout is confirmed.



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

Nifty 50 Index - 5 - NSE ▲ 18319.80

O 18336.75 H 18337.35 L 18319.15 -17.75 (-0.10%)

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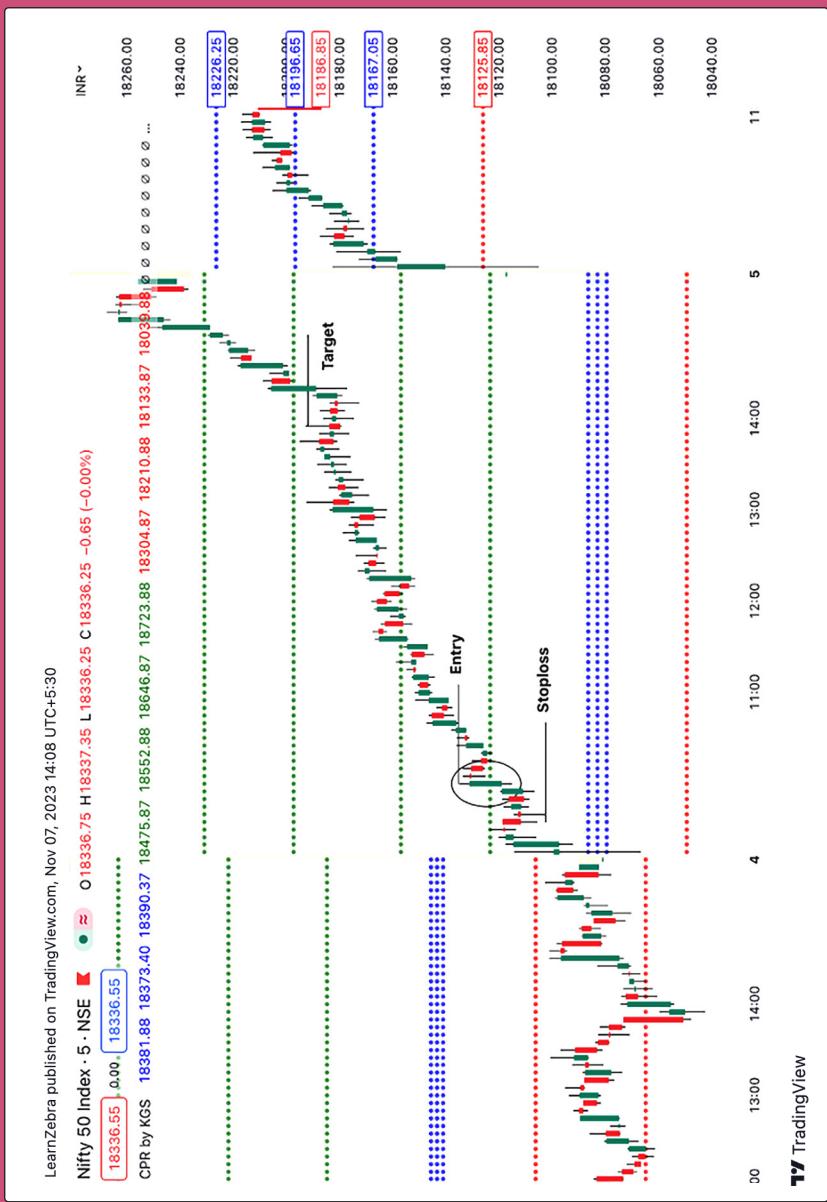
## IF THE CPR IS WIDE, BUY USING THIS STRATEGY:

- Open any chart.
- Set the chart on a 5-minute timeframe.
- Apply CPR (Central Pivot Range).
- BUY** when the price takes support at a level.
- Put the **Stoploss** below the buying candle.
- Trail the stoploss or book profit at the next pivot point.
- The ideal Risk to Reward ratio is 1:2.

On 25th April 2023, the market opened gap up and made a big bearish candle. Now, in such a situation, without using CPR, we could not have got the idea of the range-bound market and would have shorted the market but, with CPR, we knew that such a big fall after gap down was likely to end up nowhere and the market was range bound. The second 5-minute candle was a Hammer candle indicating that the market would turn upward. According to the strategy, when the CPR is wide, we buy and sell at the top or next pivot level.



# THE EXECUTION



## IF THE CPR IS NARROW, BUY USING THIS STRATEGY:

- Open any chart.
- Set the chart on a 5-minute timeframe.
- Apply CPR (Central Pivot Range).
- BUY** when the price breaks any level from below support, CPR, or resistance.
- Put the **STOPLOSS** below the buying candle.
- Book the **TARGET** at the next pivot point or trail it until the market reverses.
- The ideal Risk to Reward ratio is 1:2.

On 4th May 2023, the CPR was narrow and the market opened near its previous day's closing level. The price took rejection from the CPR and started moving towards the first resistance. With the narrow CPR, it was clear that the market could be trending. The buy entry triggered when the price broke the first resistance level. We bought at the high of the green candle and put the stoploss below the swing low. As per the strategy, we trailed the stoploss to gain the maximum Risk to Reward ratio. On the next pivot point, we exited from the trade.





## IF THE CPR IS WIDE, SELL USING THIS STRATEGY:

- Open any chart.
- Set the chart to a 5-minute timeframe.
- SELL** when the price touches a resistance level.
- Place **STOPLOSS** at the high of the reversal candle.
- Book the profit at the first pivot point or trail it for maximum Risk to Reward ratio.

On 9th May 2023, the market opened gap up but was close to its previous day's closing. As the market moved a bit, it was evident that the CPR was wide, indicating a range-bound day. With our arsenal, we entered the trade when the market made a bearish reversal candle and shorted when the price fell below R1. The target hit at the top central pivot with a Risk to Reward ratio of 1:4.



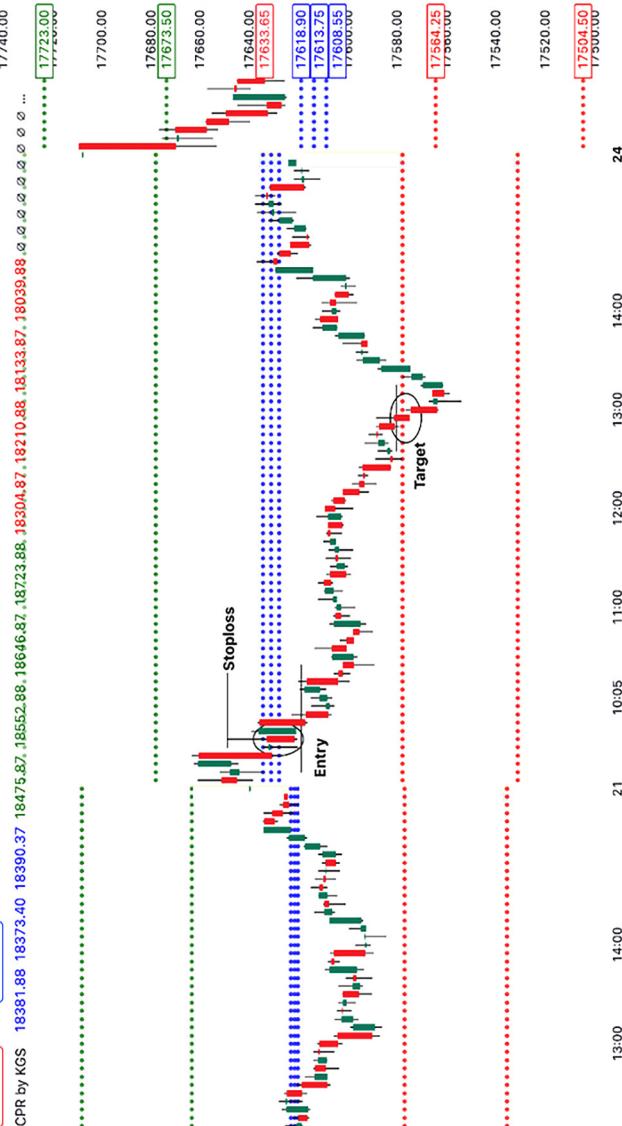


LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

NSE:NIFTY 5 🔴 018273.15 H18286.50 L18273.15 C18286.50 +9.75 (+0.05%)

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CPR by KCS 18381.88 18378.40 18390.37 18475.87, 18552.88, 18646.87, 18723.88, 18304.87, 18210.88, 18133.87, 18039.88



TradingView

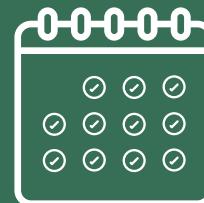
## IF THE CPR IS NARROW, SELL USING THIS STRATEGY:

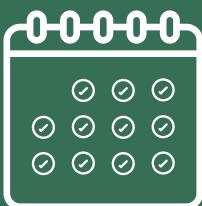
- Open any chart.
- Set the chart to a 5-minute timeframe.
- SELL** when the price breaks support.
- Place **STOPLOSS** at the high of the breakout candle.
- Book the profit at the first pivot point or trail it for maximum Risk to Reward ratio.

On 21st April 2023, the market opened between the first resistance and the CPR, the narrow CPR indicated a trending day. Once the CPR broke, we entered a short trade with the stoploss at the high of the candle. The target was the next pivot point. We trailed it along with the price but the trailing stoploss hit when the price pivoted back. With this strategy, we got a Risk to Reward ratio of 1:2.

# CHAPTER 3

# ADVANCED STRATEGIES





- 3.1 Basics of Dow theory
- 3.2 Smart Money Concept
- 3.3 Mastering Elliott Wave Theory for Profitable Trading

- 3.4 Mastering Fractal-Based Trading: A Personal Approach
- 3.5 Trading with Renko Charts
- 3.6 Donchian Channel and Pullback
- 3.7 Gann Fan





## 3.1

# BASICS OF DOW THEORY



Strategy video

In the current day and age, technical analysts use different technical tools to identify market trends. The technical analysis is entirely subjective. Everyone can have different views on the market which cannot be questioned, because, it is a zero-sum game.



If one is buying at a level then the other would be selling. However, they would have different thought process and decision-making abilities based on their own stock market theory and belief.

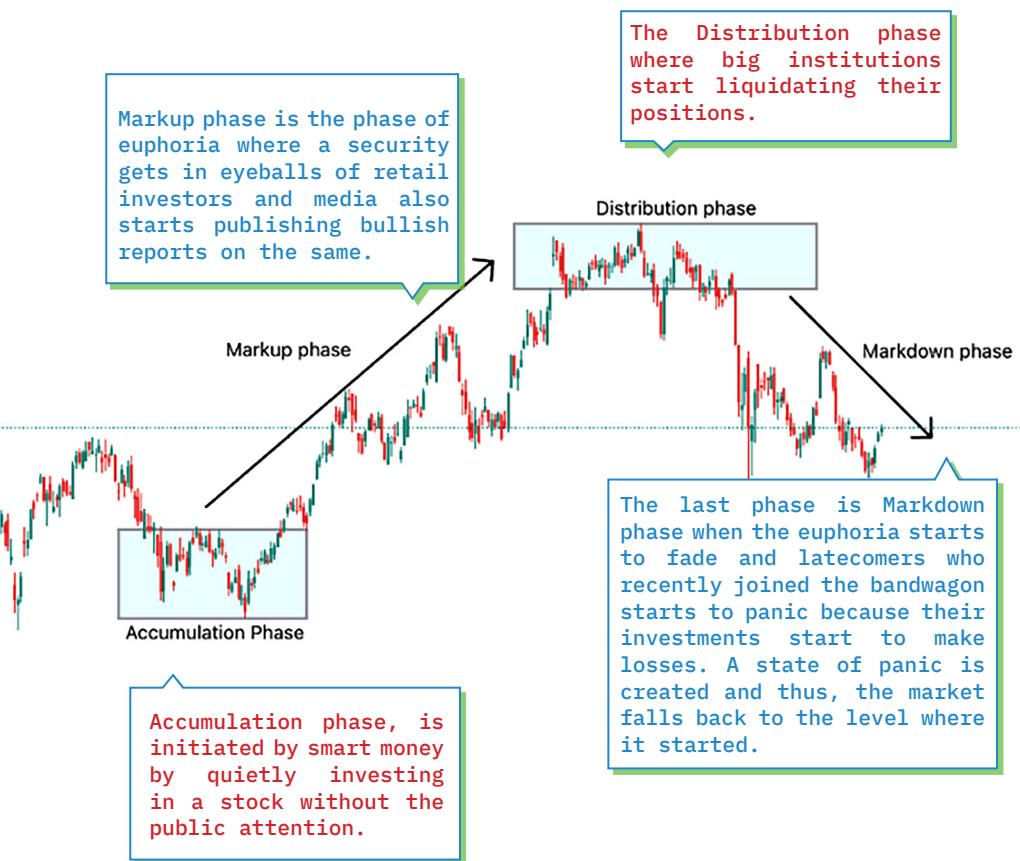


Charles Dow

Dow theory was introduced by Charles Dow, who was the founder of Dow Jones and Company and the first editor of the Wall Street Journal. This theory is based on many editorials he published between 1900-1902. After his death, William Hamilton continued to work on his theory.

Dow theory explains that the market moves in trends. A security cannot advance or decline in a straight line, there will be shorter counter-trends in the price movement. According to Dow theory, there are 3 trends - a primary trend which can last for years, secondary trends can last for several weeks to several months, and minor trends which are nothing but daily fluctuations.

Further, an important tenet of this theory is that each trend holds 4 phases. i.e.



While talking about tenets of the Dow theory, it is equally important to talk about how to identify trends in a particular security.





Autosave



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After years of understanding how the market works, everything boils down to the simplicity of understanding the market structure. If you cannot decipher trends in the market, you are prone to losses.

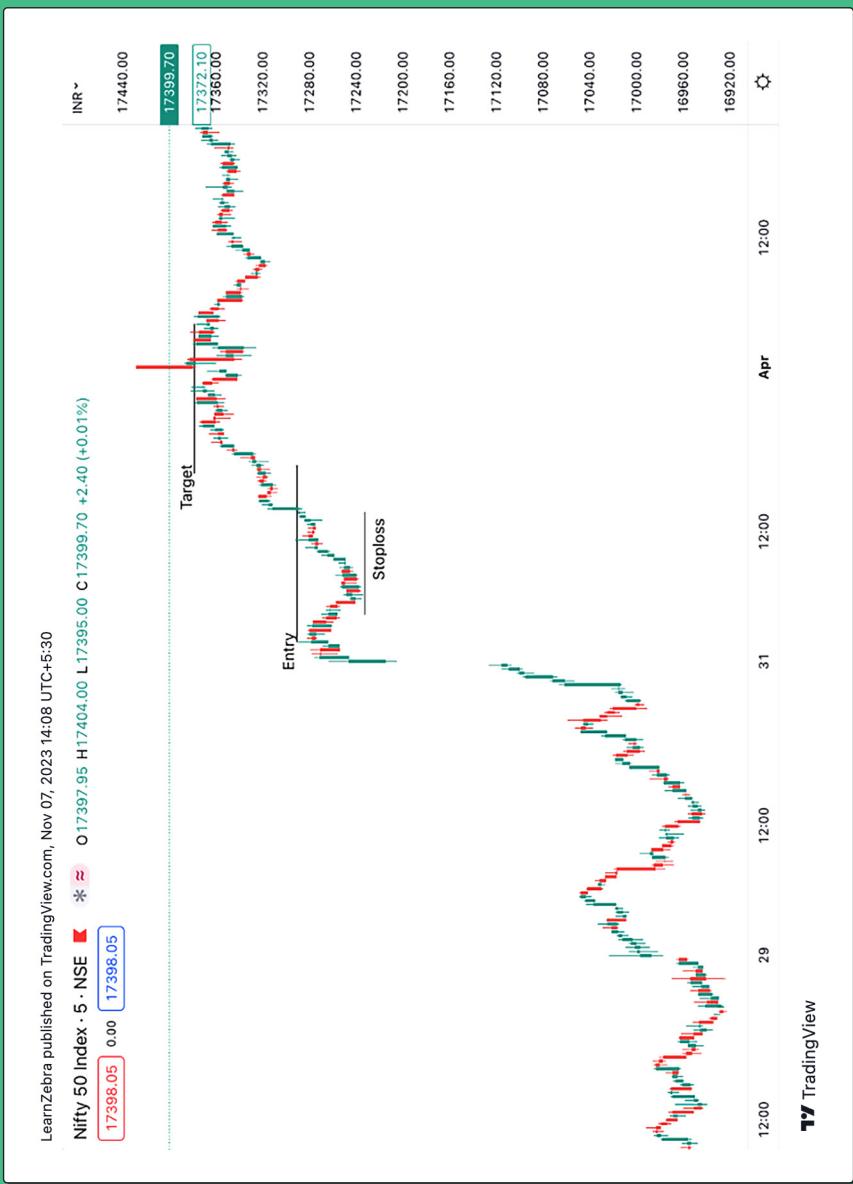
When I started trading, I began understanding trend formations by simply looking at the peaks and troughs of the price on the chart. This strategy is not restricted to any timeframe or market segment. This strategy works in every situation.



## THE STRATEGY

*Let us understand a trading strategy which is as simple as a nursery rhyme.* The idea of this strategy is to enter trades when the market structure confirms the entry with its formation. Observe the market structure, and it will help you make an informed decision. With this strategy, we will buy when the market is in an uptrend and sell when the market is in a downtrend.

## THE EXECUTION



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

Select the stock you want to trade.

Select the timeframe according to your trading style.

Wait for the price to break the previous high.

The buy entry is triggered when the previous high is broken.

**BUY** at the top of the candle which broke the previous high.

Place **STOPLOSS** below the swing low.

**TARGET** the next swing high or keep trailing.

In the above illustration, you see that the price opened gap up and retraced back till half of the first 5-minute candle. If you zoom in on the chart and switch to a 1-minute timeframe, you will notice that the price retracted to 61.8% Fibonacci level. At 12:30 p.m., the high was broken which confirmed the uptrend and the entry triggered with the stoploss at the swing low and the target on a trailing basis. With this strategy, we booked a profit of a 1:2 Risk to Reward ratio.



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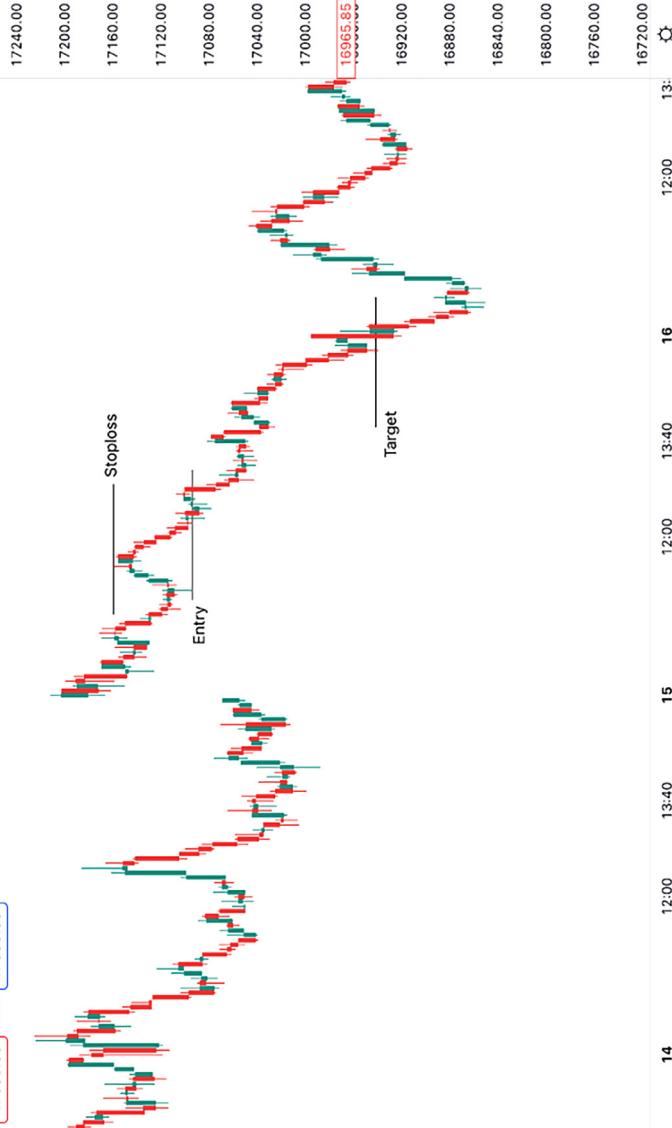
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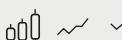
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## TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

- Select the stock you want to trade.
- Select the timeframe according to your trading style.
- Wait for the price to break the previous low.
- The sell entry is triggered when the previous low is broken.
- SELL** at the bottom of the candle which broke the previous low.
- Place **STOPLOSS** above the swing high.
- TARGET** the next swing low or keep trailing.

In the above illustration, it is evident that the market was in a downtrend. While the market opened a gap-up due to short covering, it was still in the downtrend. Once a low was created by the price, we waited for its breakdown to enter a short trade. At 12:50 p.m., a strong bearish candle broke the swing low and continued to plummet below the previous low which confirmed the sell trade. Keeping the stoploss above the swing high, we trailed the target and booked below another swing low which gave us a good 1:3 Risk to Reward ratio.

*The proponents of Dow theory believes in the market swings. When trading on Dow theory based strategies, you must confirm these trends with a momentum oscillator. Why? Because once a high or low is broken, the market needs strength to create another high or low. Without a momentum, the price will hover around the area and moves nowhere.*



Indicators



Alert

Replay



## 3.2

# SMART MONEY CONCEPT



Strategy video

It was raining cats and dogs in Mumbai in 2004. I was stuck near the Bombay Stock Exchange (BSE) when my path crossed with this gentleman. A brown-eyed stout with a briefcase in his hand, waiting for his driver. He came and stood near me. He picked up a call and said, "Haan? Breakout par hai? Okay! Kardo short". "What was he talking about? Seemed like he was into stock markets. I was wondering, "Should I should initiate a conversation with him?"

**Aseem**

"Are you a trader, sir?"

**Him**

"I don't know! I just buy/sell for a living."

**Aseem**

"Then definitely, you are a trader."

**Him**

"Haha! I wanted to become a Chartered Accountant, but God had different plans for me."

**Aseem**

"The market is quite bullish, sir. We are near the all-time high, and I'm quite excited."

**Him** (smirked and said,)

"Big money flows against the masses in the stock market."

**Aseem**

"What does that mean? Aren't you investing in the new Bharat? We are reaching skies, sir," I questioned.



Autosave



Publish

**Him**

"Not at this level. It's the time to sell not to buy."

This was when all my learning in the market flashed in front of my eyes in a fraction of a second and screamed- "Aseem! He is an operator". I couldn't believe I was talking to a stock operator. I have always imagined them as evil. I know they hit stoplosses of retail investors, and change the trend. My heart was pumping fast like I would get a heart attack. I gathered my courage and asked him.

**Aseem**

"Why do you kill the hopes of millions?"

**Him**

"Hahah! We don't. We just eat your stoploss in breakfast."

**Aseem**

"How can someone be so heartless? Knowing the fact that innocent people enter markets with a dream. A dream to spend a lavish life, a dream to become financially free, with a dream to have millions in their bank accounts."

**Him**

"Not my fault! You see, they first surrender themselves by being greedy. The only thing we do is just wait and wait for them to buy high and sell low. They catch the falling knife; we don't."

He said and left in his brand-new Lexus. That was a wake-up call for me- To review all my trading systems and check how I can optimise them to save myself from stoploss hunting. Truly, the market goes against the retail traders. Otherwise, a gentleman like him wouldn't be roaming in a Lexus but a Maruti. Then how do we identify where the big players enter and exit? Chart patterns, price actions, and all these indicators that we generally use, are no different from what they have. How could they be one step ahead of us?

***A few years later, after reading numerous books, I learned the hard way. They call it the 'Smart Money Concept'.*** This concept has its roots in the Western countries where forex trading is quite prevalent. This concept posits that some regions of high liquidity can pivot the market direction completely. Those areas have the high interest of High Net-worth Individuals (HNIs) and institutional traders. These are nothing but people with massive order brackets. Their bracket size, risk appetite, and rewards are more prominent than we generally know and have.



# SMART MONEY

Smart Money Concept is a trading technique that professional traders use to identify pools of imbalance and high liquidity zones.



TradingView

This concept helps traders to place trades with the big players. i.e. HNIs and institutions.

To be honest, there is a stark difference between the mindset of a retail trader and a professional one. Retail traders rush behind obvious signs of the price patterns whereas professionals create one.

