The background of the left half of the image features a complex financial chart. It includes a line graph at the top with data points labeled 1.7855, 1.7810, and 1.7765. Below this is a candlestick chart with several bars, some of which are circled. A vertical line is also present in the lower part of the chart. The overall color scheme is teal and blue.

SMM CONCEPTS Part 1



BECOME A PRO
MONEY WILL FLOW

**FOCUS =
SUCCESS!**

SMM Concept Part 1

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Background : Bulls, Bears and Pigs

- **Bull** – is a buyer who bets on a rally and profits from rise in prices.
- **Bear** – is a seller who bets on decline and profits from a fall in prices.
- **Pigs** – are greedy who get slaughtered when they invest / trade to satisfy their greed. These are people who buy or sell positions that are too large for them and get destroyed by a small adverse move.
- NEVER BE A PIG ...

What is a Share Price?

- Is it the perceived value of a company?
- Is it the intrinsic value of a company?
- Is it what last person paid?
- Is it what the next person is willing to pay?

There will always be contradictory views in the market

- Price is what the greater fool is willing to pay.
- It has very little to do with the company it represents.
- It is the consensus between a buyer & a seller. E.g. if there's no buyer for a company's shares and everyone wants to sell, the price per share could well be in pennies, make no mistake about it...

Tool: Technical Analysis

- It may sound a bit complicated but it's not.
- It has nothing to do with intrinsic value of a company.
- It deals with **forces of Demand & Supply** as reflected in the price movement of a stock or commodity and helps to align with the dominant force of the market.
- It's a study of predicting future price movements, based on the earlier price movements of stocks.
- Pricing charts are the primary tools for this analysis.
- It's NOT a SCIENCE ... **It's AN ART!**

WHY TA?

- Share Price is determined by market forces – demand and supply.
- Share Price is NOT determined by intrinsic value of a company alone.
- Only Technical Analysis gives you tool to study 100s of companies without having knowledge of the company performance / fundamentals.
- Technical Charts tell you if there is something good (or bad) happening with the company!
- Only Technical Analysis could help you determine your Money Risk and Reward.

DOW Theory:

- Charles Dow, who is also known as father of modern day technical analysis developed a theory known as DOW Theory.
- Things to learn from the Theory
 - Market moves in Trends (Uptrend, Downtrend, Sideways).
 - Volume confirms a Trend.
 - A Trend remains intact till it gives a signal.

DOW Theory – UPTREND

Bajaj Finance: 2016 - 2020



DOW Theory – DOWNTREND

Reliance Communication: 2014 - 2018



DOW Theory – SIDEWAYS



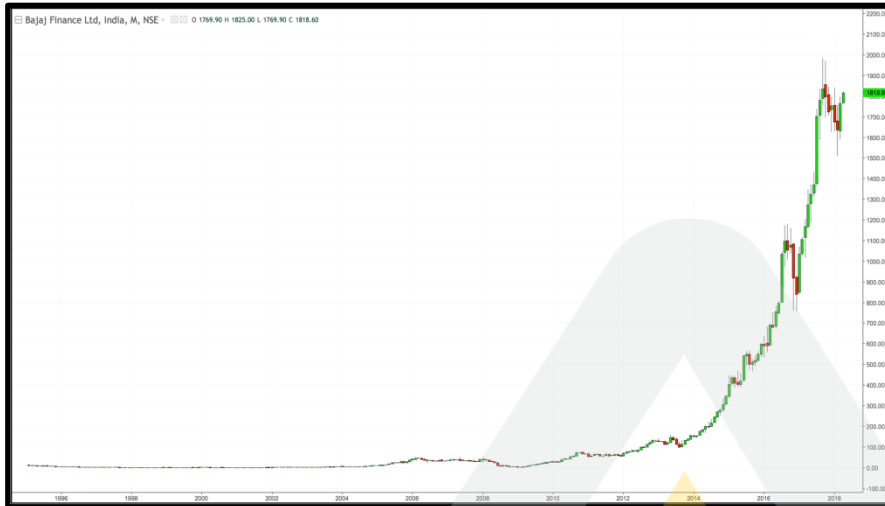
Simple TA : Ghoda vs Gadha

- Ghoda is an **OUT-PERFORMER**
- Gadha is an **UNDER-PERFORMER**
- Ride the Ghoda as a BULL!
- Roll with the Gadha as a BEAR!
- How to Identify them?

Examples:(not necessarily best buys at current levels)

- Ghoda : Eicher, HDFC Bank, Bajaj Finance.
- Gadha : RCOM, JP Associate, HDIL
- Comparison within sectors : Banks, Cement, Infra, Autos

Identify Ghoda vs Gadha



Identify Ghoda vs Gadha



Identify Ghoda vs Gadha



Charts & Candles

Chart:

A chart shows the price action of an asset over a period of time

- Helps to understand the equation of demand – supply forces
- Tells the past and helps to predict the future

Types of charts: Line Charts, Bar Charts, Candlestick Charts (most preferred)

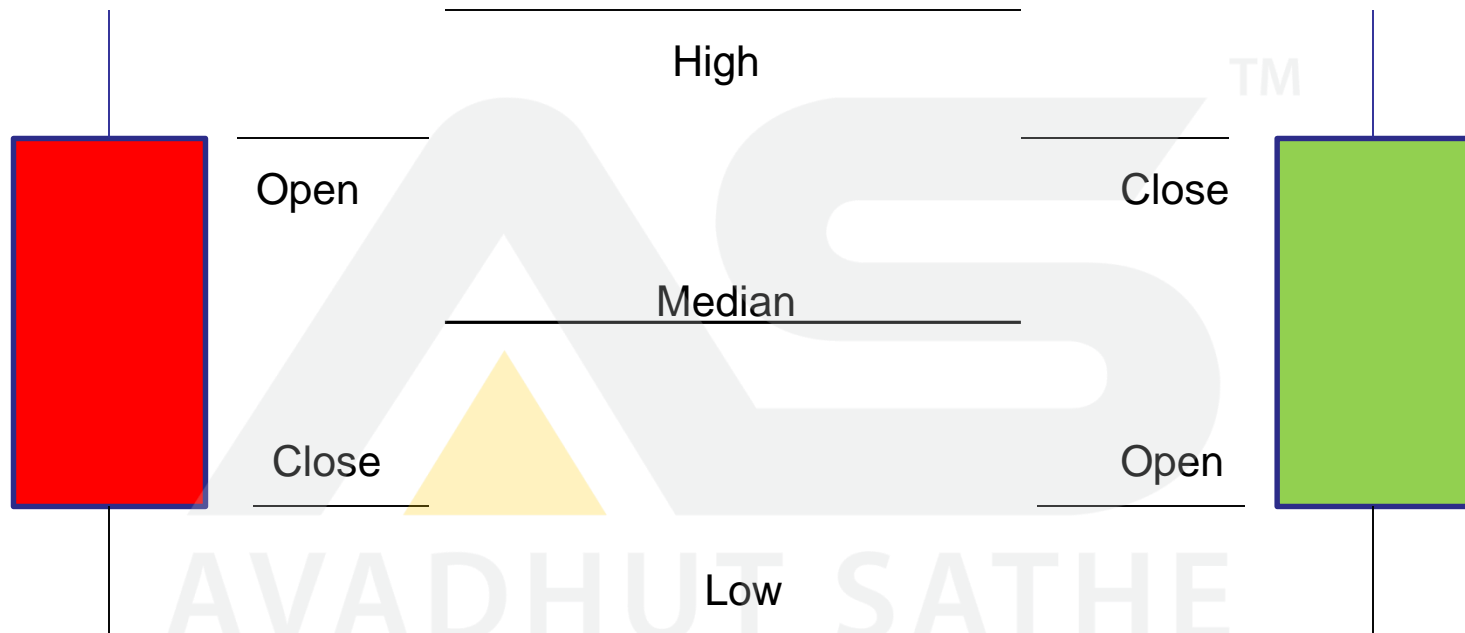
Candlestick:

- A candlestick chart (also called Japanese candlestick chart) was developed in the 18th century by a Japanese Rice Trader.
- Candlestick typically shows the price movements on a given timeframe.

Price Parameters - For a given time frame, price has following 4 parameters:

- **Open** - opening price (usually reflects the amateurs' opinion of value)
- **High** - highest price during the time frame
- **Low** - lowest price during the time frame
- **Close** - closing price (usually driven by Professionals – PROS)

Candlestick Example



Line & Candlestick Charts

Nifty : from 1999 to Oct 2017



Time Frames:

- Monthly Chart
- Weekly Chart
- Daily Chart
- Hourly Chart
- Intra-day (1 minute, 5 minutes, 15 minutes etc.)
- **Interpretation** - Each bar / candle represents price for the specific time frame. E.g. In daily chart “each candle” represents price for the day i.e. open, high, low & close of the day

Candlestick Patterns:

- Bullish candle patterns
- Bearish candle patterns
- Neutral candle patterns



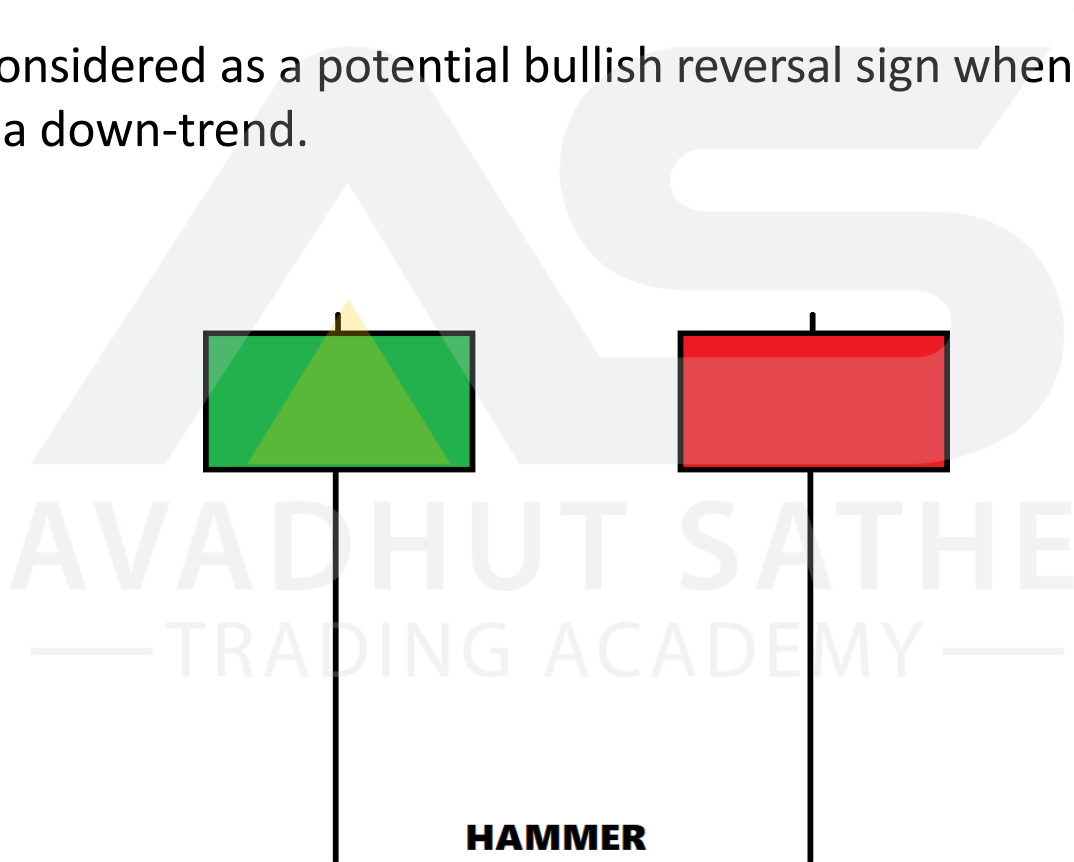
Bullish Candlestick Patterns:

- Bullish Candle
- Hammer
- Bullish Piercing
- Bullish Engulf
- Morning Star



Hammer:

- A Hammer candlestick pattern typically has a small body and a long lower wick/shadow. The lower wick/shadow is generally 2-3 times of the body.
- They are considered as a potential bullish reversal sign when found at the bottom of a down-trend.

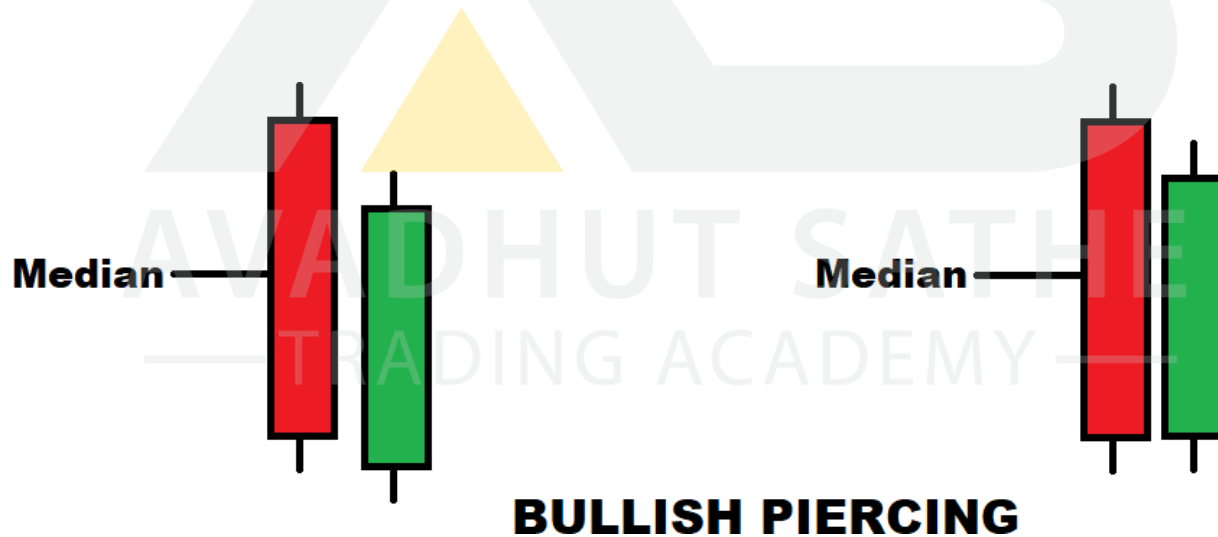


Hammer Example

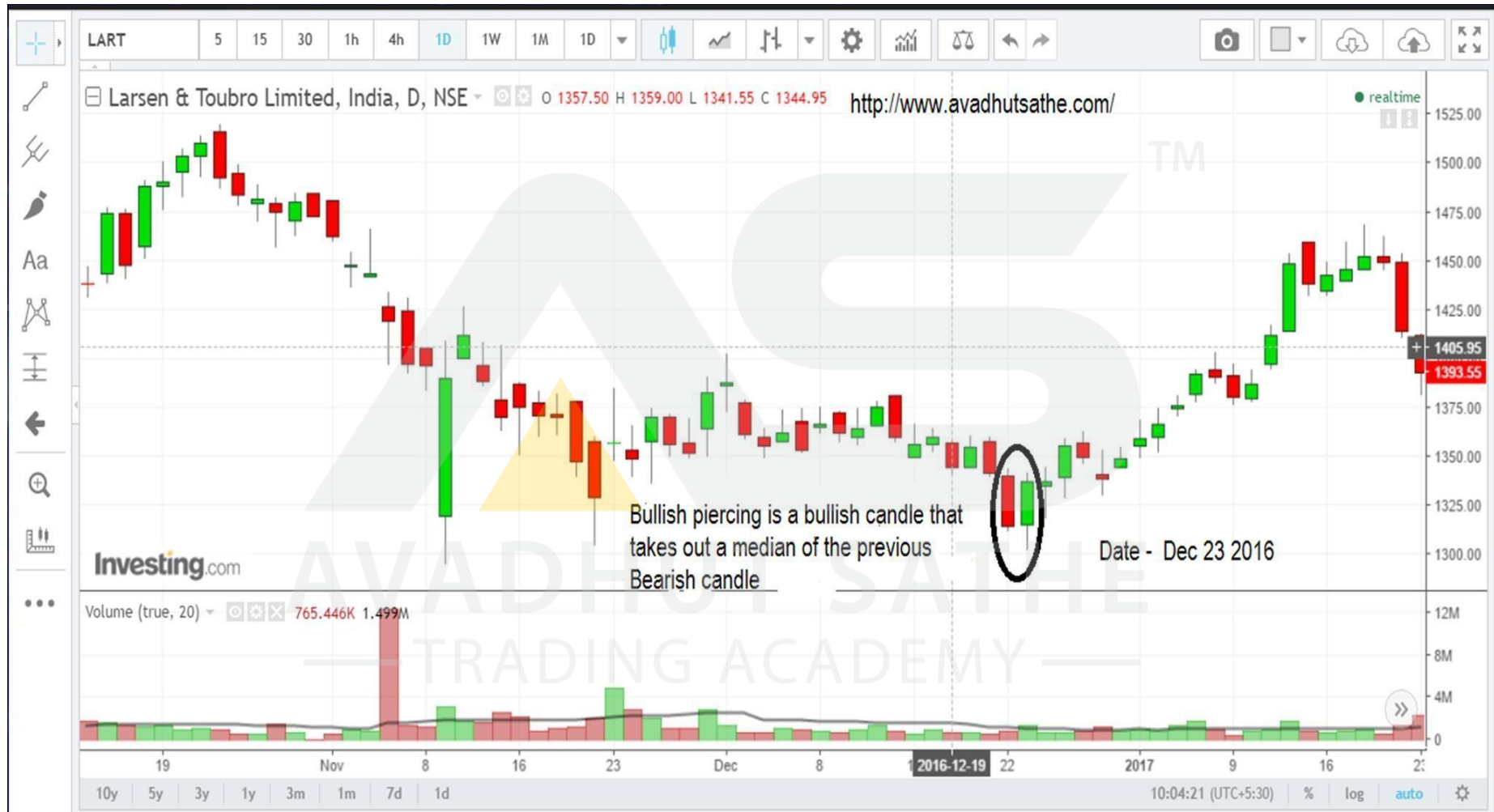


Bullish Piercing:

- Bullish Piercing is a two candlestick pattern where the first candle is a normal bearish candle and the second candle is a bullish candle.
- In ideal situations the second candle opens with a gap-down however, it can also open at the same level as the close of the bearish candle.
- Most importantly, the bullish should close above the median of the bearish candle.

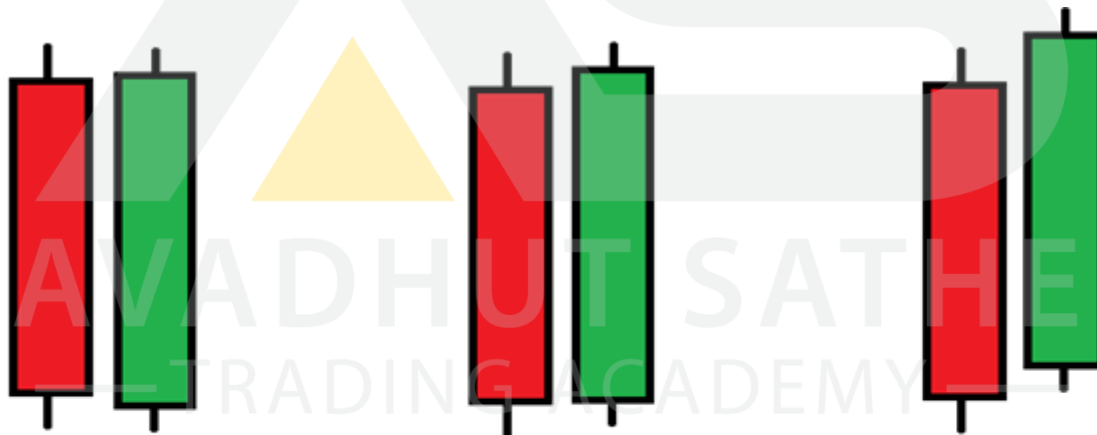


Bullish Piercing Example



Bullish Engulf:

- Bullish Engulf is a two candlestick pattern where the first candle is a normal bearish candle and the second candle is a bullish candle.
- In ideal situations the second candle opens with a gap-down however, it can also open at the same level as the close of the bearish candle and it should close above the open of the first bearish candle thereby, engulfing it.



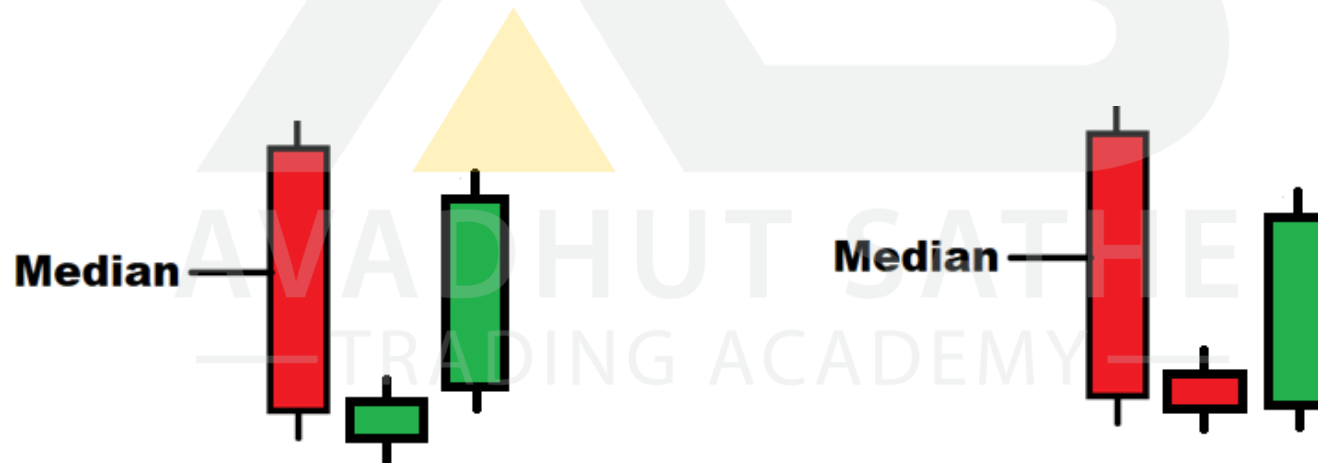
BULLISH ENGULF

Bullish Engulf Example



Morning Star:

- Morning Star is a 3 candle-stick pattern where the first candle is a normal bearish candle.
- The second candle, typically, is a neutral candle-stick pattern that opens with a gap-down whose low will mostly be lower as compared to the low of the first bearish candle (color of the neutral candle doesn't matter).
- The third candle is a bullish candle which opens with a gap-up and closes above the median of the first bearish candle.



MORNING STAR

Morning Star Example



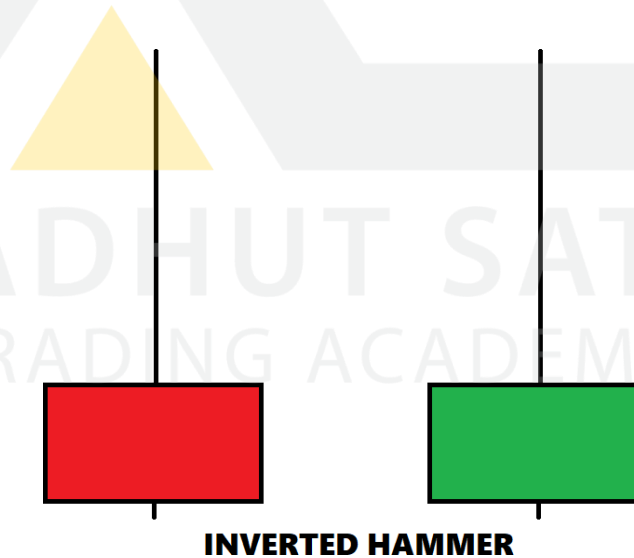
Bearish Candlestick Patterns:

- Bearish Candle
- Inverted Hammer
- Bearish Piercing
- Bearish Engulf
- Evening Star



Inverted Hammer:

- An Inverted Hammer candlestick pattern typically has a small body and a long upper wick/shadow. The upper wick/shadow is generally 2-3 times of the body. They're also called Shooting Star when found at the top.
- They are considered as a potential bearish reversal sign when found at the top of an up-trend.

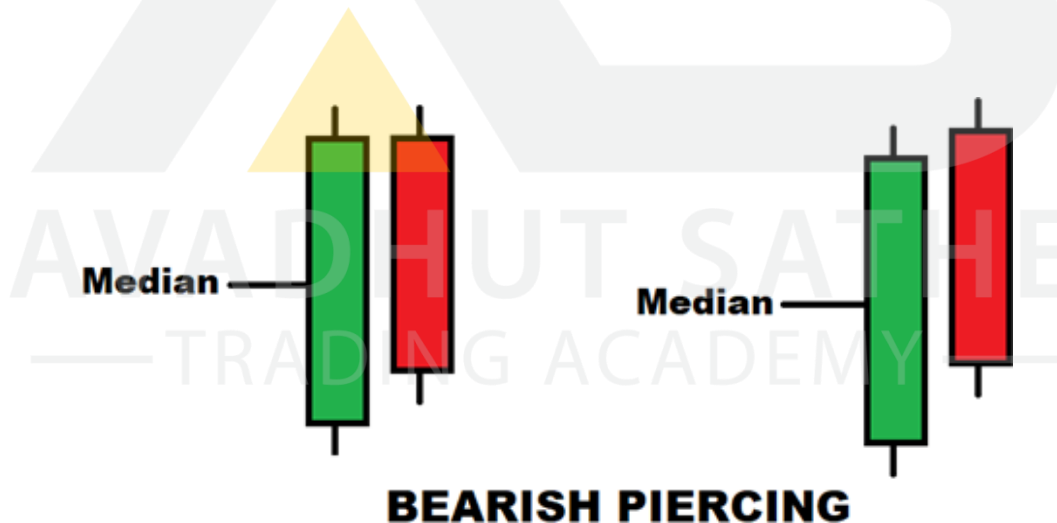


Inverted Hammer Example



Bearish Piercing:

- Bearish Piercing is a two candlestick pattern where the first candle is a normal bullish candle and the second candle is a bearish candle.
- In ideal situations the second candle opens with a gap-up however, it can also open at the same level as the close of the bullish candle.
- Most importantly, the bearish should close below the median of the bullish candle.

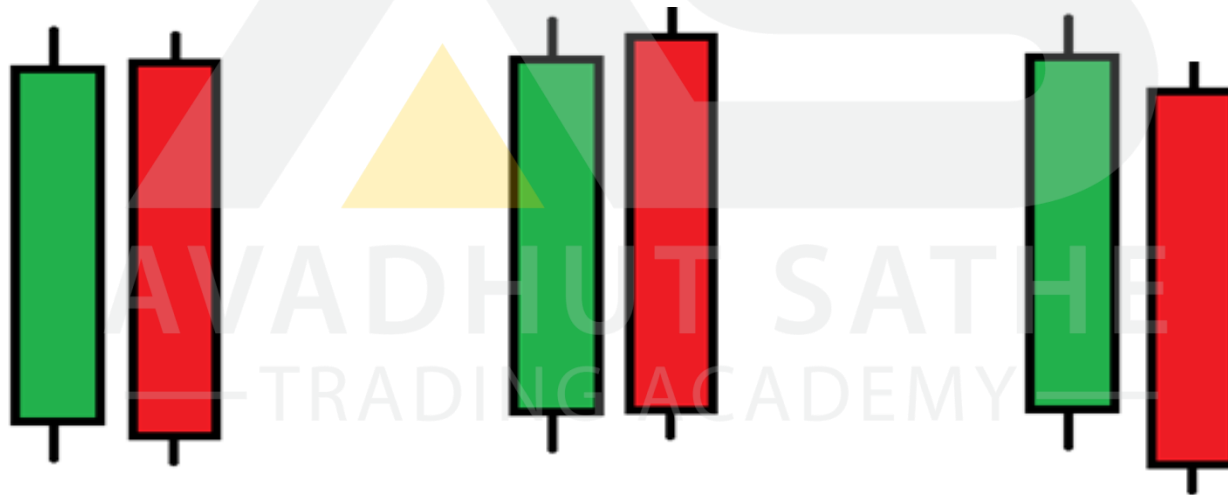


Bearish Piercing Example



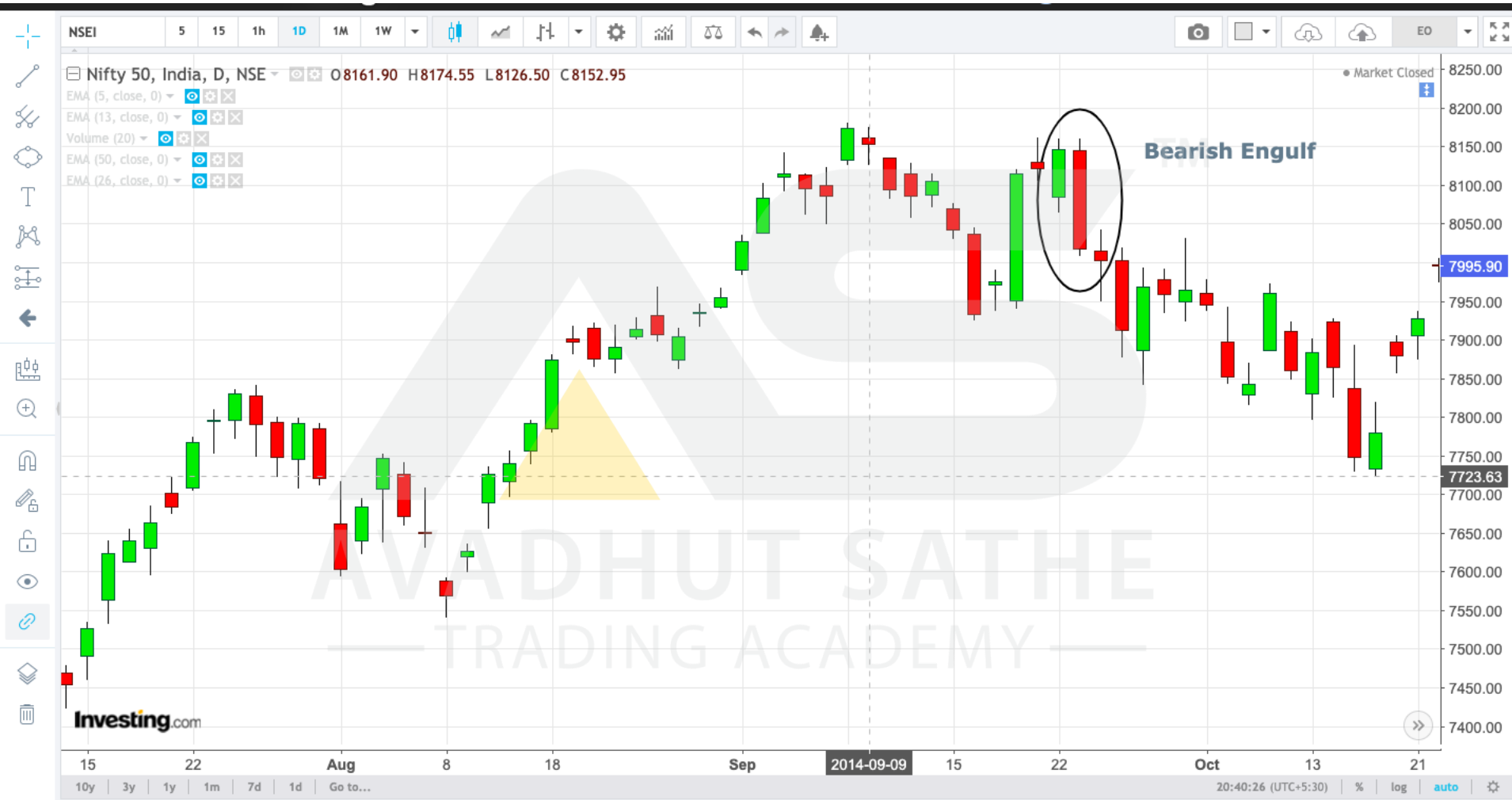
Bearish Engulf:

- Bearish Engulf is a two candlestick pattern where the first candle is a normal bullish candle and the second candle is a bearish candle.
- In ideal situations the second candle opens with a gap-up however, it can also open at the same level as the close of the bullish candle and it should close below the open of the first bullish candle thereby, engulfing it.



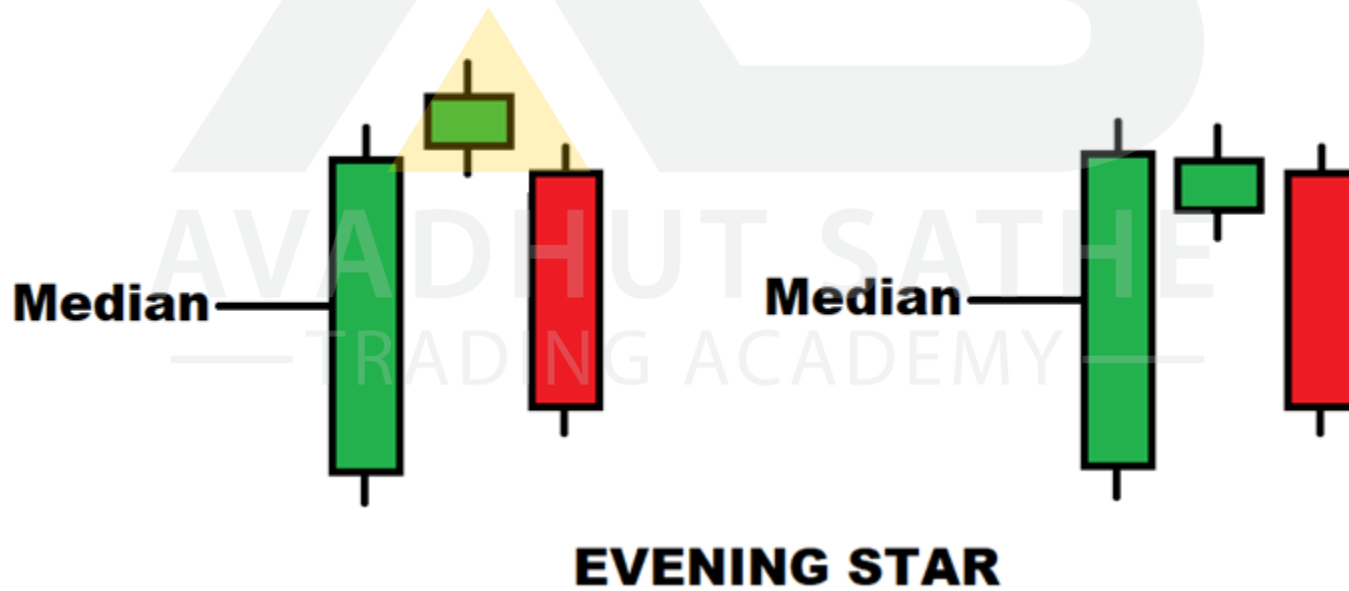
BEARISH ENGULF

Bearish Engulf Example



Evening Star:

- Evening Star is a 3 candle-stick pattern where the first candle is a normal bullish candle.
- The second candle, typically, is a neutral candle-stick pattern that opens with a gap-up whose high will mostly be higher as compared to the high of the first bullish candle (color of the neutral candle doesn't matter).
- The third candle is a bearish candle which opens with a gap-down and closes below the median of the first bullish candle.



Evening Star Example



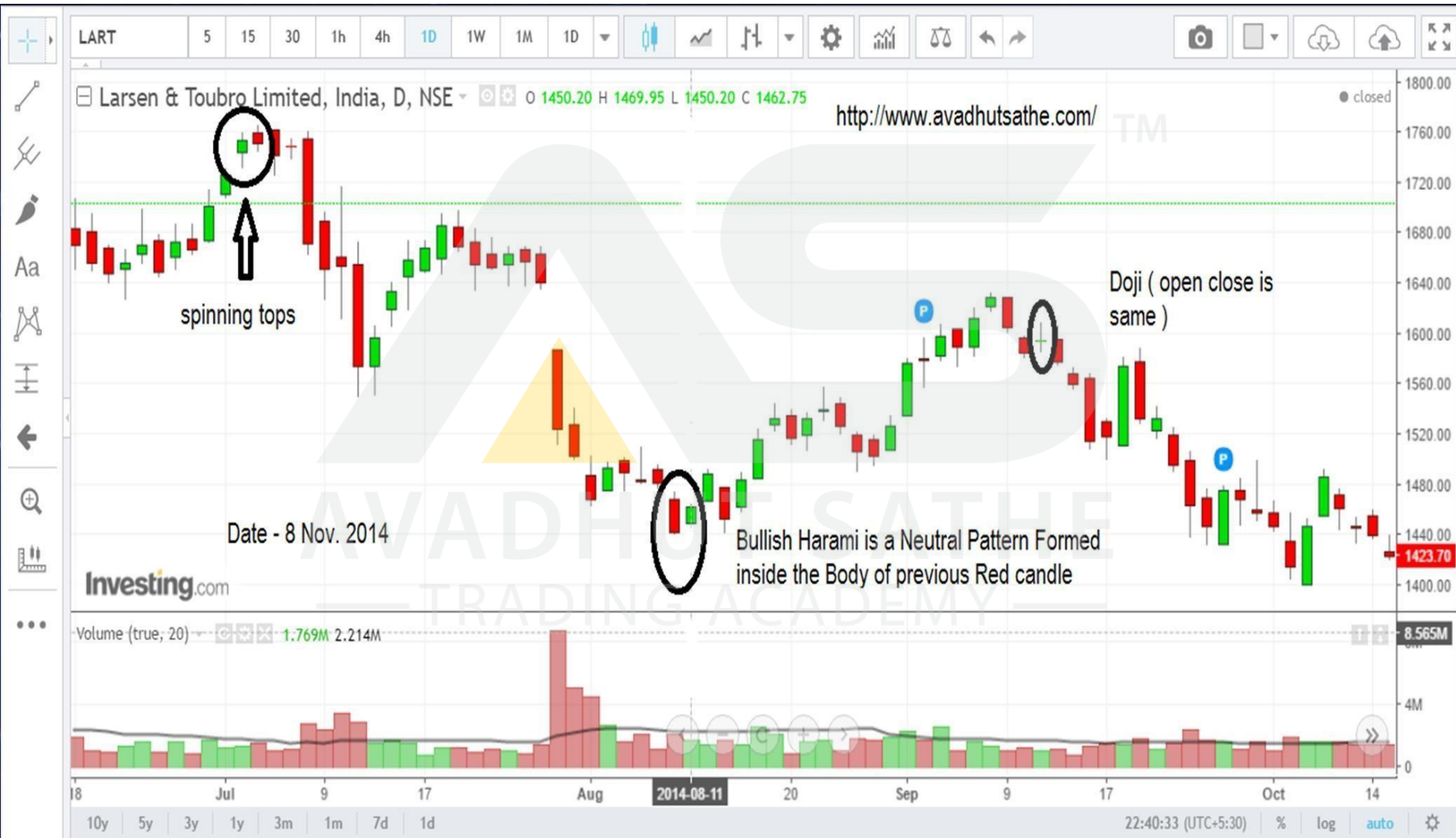
Neutral Candlestick Patterns

Neutral candlestick patterns are identified by their small to very small bodies. Neutral candles are formed when both bulls and bears are unable to outperform each other in the market.

Types of Neutral Candles:

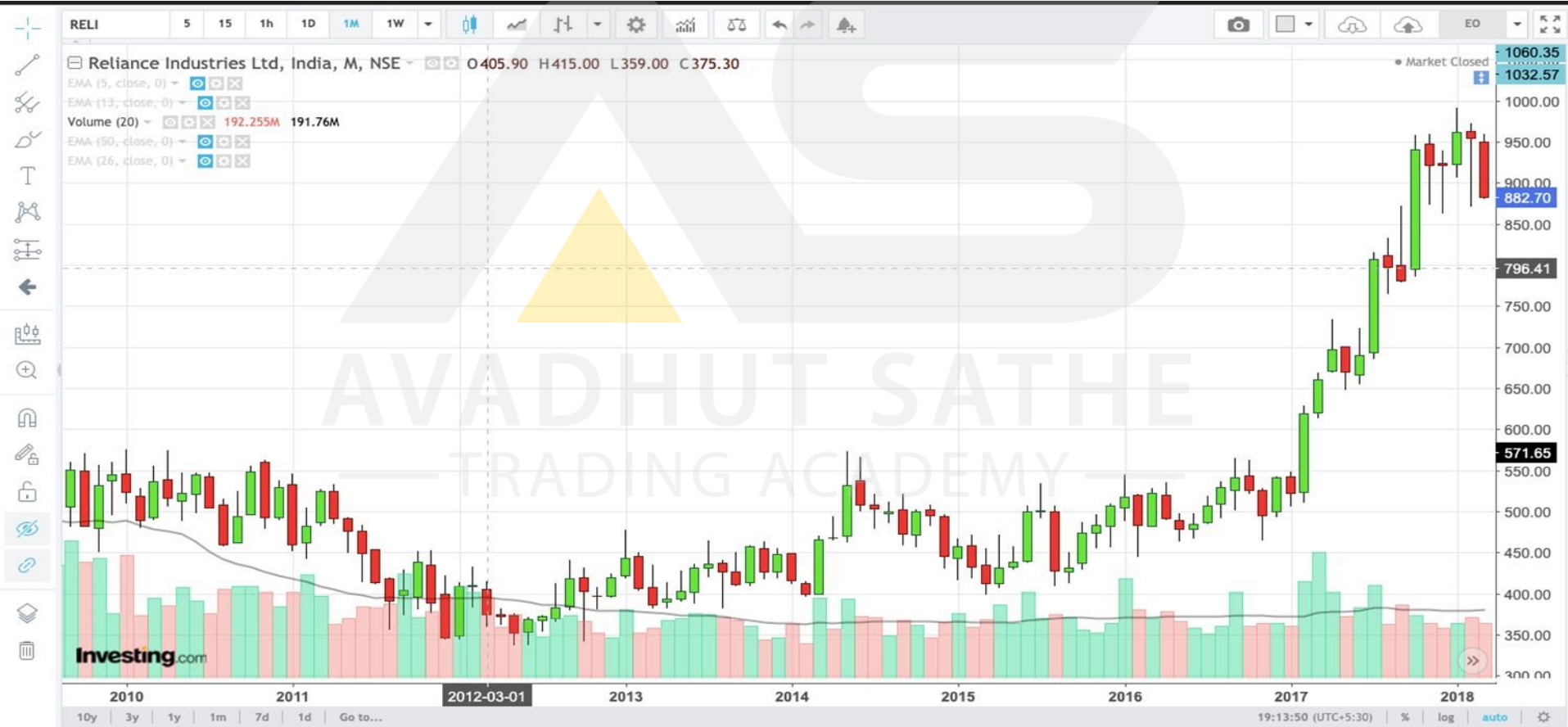
- Doji
- Spinning Tops
- Harami

Neutral Patterns Example



VOLUME

- VOLUME reflects the **INTENSITY** of the price move.
- VOLUME give a clue the genuineness of the **BREAKOUT** or **BREAKDOWN**.
- VOLUME is a key indicator to determine reversals.



Volume: Key indicator of Trend continuation



Volume: Key indicator of Trend Reversal

Yes Bank – Reversal with high volume



Ready for Question & Answers...!!??



Our Motto at



**ALL-FOR-ONE
ONE-FOR-ALL**

DEVELOPING CHARACTER THAT DESERVES SUCCESS!