

SMM CONCEPTS Part 2



BECOME A PRO
MONEY WILL FLOW

**FOCUS =
SUCCESS!**

SMM Concept Part 2

INDEX

Support & Resistance.....	3
Moving Average.....	11
Introduction to Fibonacci Numbers.....	17
Fibonacci Retracement.....	18

ASTM
AVADHUT SATHE
—TRADING ACADEMY—

Trend Lines: Support & Resistances

- A trendline is a line drawn over highs or under lows to show the prevailing direction of price.
- Trendlines are a visual representation of support and resistance in any time frame.

Support Trend Line:

- plot a line joining lows of the trend

Resistance Trend Line:

- plot a line joining highs of the trend

Trading Range or Channel:

- often stocks move in a channel defined by support and resistance lines

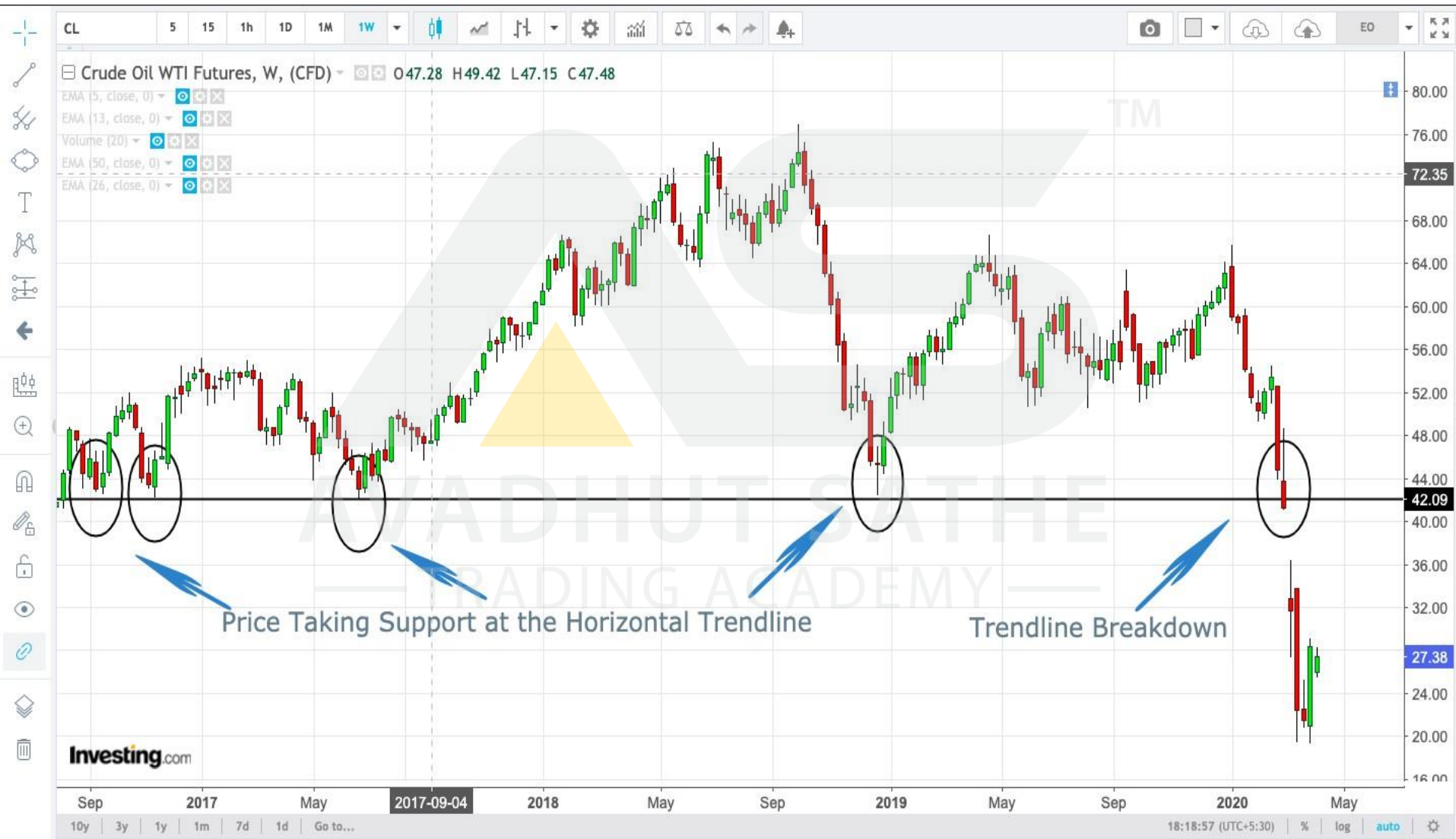
Breakout / Breakdown:

- When pressure builds (on either side) stock price breaks out/down of the range.
- They are often trend reversal signs and provide buy or sell confirmations.

Support Trend Line - Example



Support Trend Line - Example



Support Trend Line - Example



Support Turning into Resistance

When a stock breaks the support line with reasonable volume, the support turns into resistance.

Yes Bank Ltd, India, W, NSE ▾ O 27.50 H 27.65 L 26.60 C 27.05



Resistance Trend Line - Example



Resistance Trendline



Resistance Turning into Support

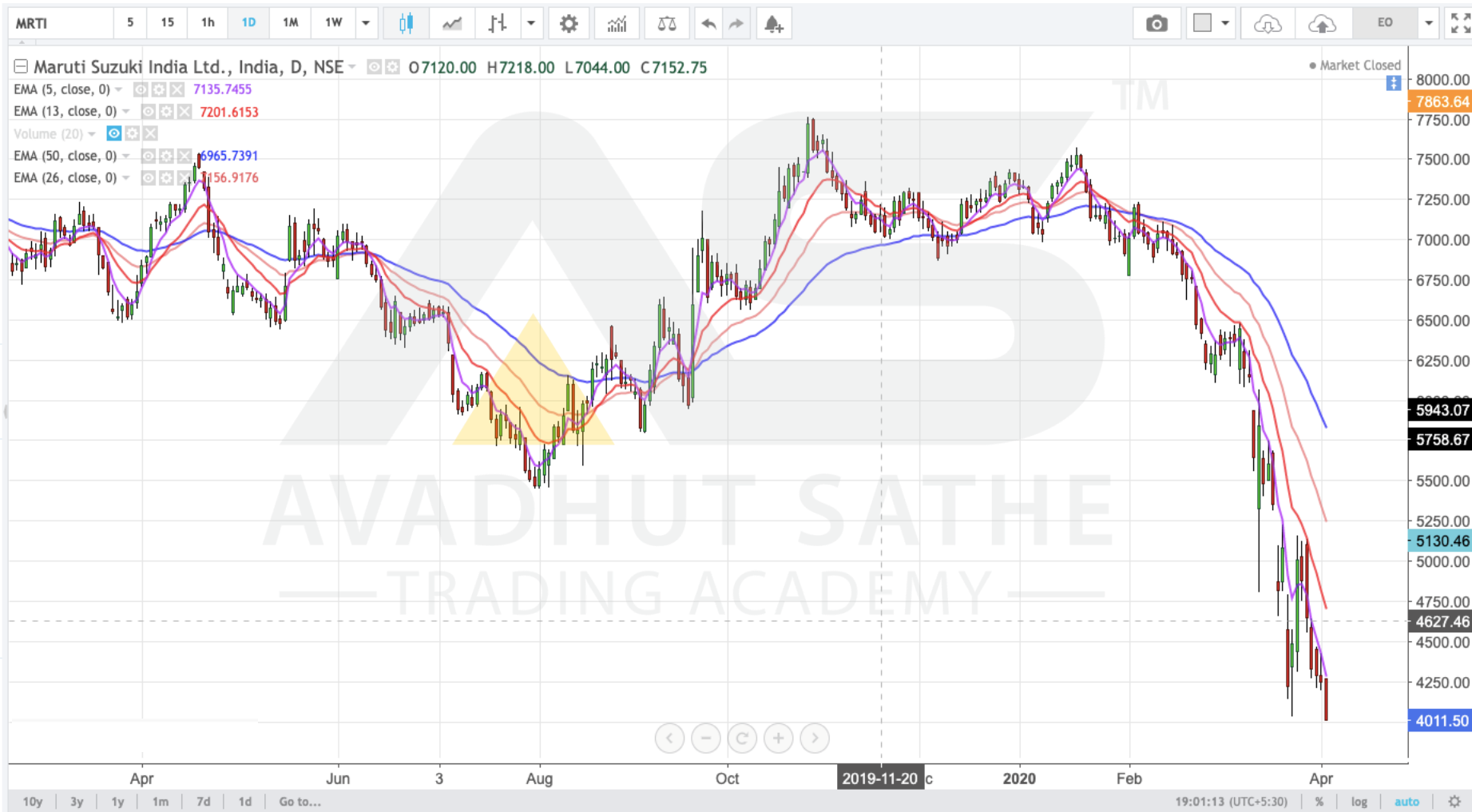
When a stock breaks the resistance line with reasonable volume, the resistance turns into support



Moving Average

- Moving Averages are average values for a given time frame and they reflect the **MOOD** of the market. They also give **BUY** or **SELL** signals.
- Values used are 5, 13, 26, 50, 100, and 200.
- There are 2 types of Moving Averages:
 1. **Simple Moving Average (SMA):**
 - It's a simple average of the past closing prices
 - e.g. 10 Day SMA is nothing but average of previous 10 Days' closing prices.
 2. **Exponential Moving Average (EMA):**
 - $\text{Today's close} * 0.09 + \text{yesterday's moving average} * 0.91$
 - More weight is given to the latest data
 - Typically used for short term averages i.e. 5, 10, 13, 50

EMA Example



EMA Positive Crossover

HDFC Bank chart from Mar 2019



EMA Cross-over Buy Signal

ICICI Bank chart from Apr 2017



For long term investors, it was a buy signal when 50 EMA did positive crossover with 100 EMA

EMA Negative Cross-over

SBI Chart from Feb 2020



EMA Cross-over Sell Signal

LUPIN Chart from Mar 2017



Introduction to Fibonacci Numbers

- Fibonacci numbers are named after the Italian mathematician Leonardo of Pisa.
- The Fibonacci Sequence is the series of numbers starting with 0, 1, 1, 2, 3, 5, 8, 13, 21, 34,...where the next number is found by adding up the two numbers before it.
- Example:
 - > the 2 is found by adding the two numbers before it (1+1),
 - > the 3 is found by adding the two numbers before it (1+2),
 - > the 5 is (2+3), and so on!
- GOLDEN RATIO (1.618...):**
- When we take any two successive (one after the other) Fibonacci Numbers, their ratio is very close to the Golden Ratio " ϕ " which is approximately 1.618034...

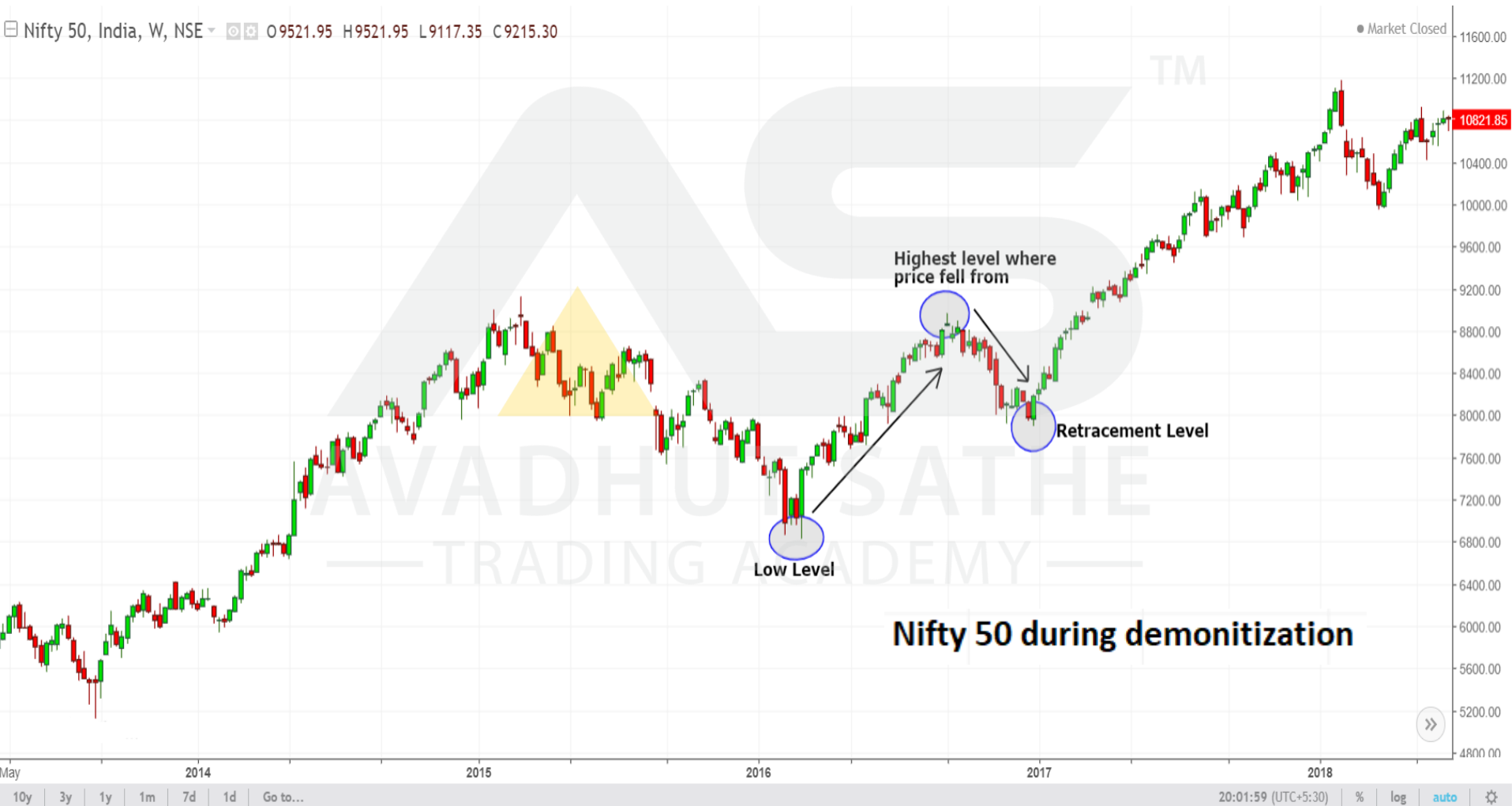
Pattern	Approximate value of ϕ
1 / 1	1
2 / 1	2
3 / 2	1.5
5 / 3	1.666
8 / 5	1.6
13 / 8	1.625
21 / 13	1.615
34 / 21	1.619

Fibonacci Retracement

- Nothing goes up (or down) straight!
- Exceptional stocks that goes up straight comes down straight. Example: **WIPRO, GTL, Himachal Futuristic**, etc.
- After moving a leg in upward direction, the bulls get tired. This is when stock starts falling. However, a strong trend ensures that a falling stock finds support. The same principles apply for a falling stock! i.e. it bounces in between on the downward journey.
- There's no greater fool to pay the higher price...in fact, some bulls turn bears!
- Fibonacci retracement levels are horizontal lines, based on Fibonacci numbers, that indicate where support and resistance are likely to occur.
Example: If a stock/instrument moves from Rs. 50 to 100 and slips back 50%, this retracement would take it to Rs. 75 before it continues upward again.
- Fibonacci retracement levels are associated with a percentage. The retracement levels are 23.6%, 38.2%, 50%, 61.8%, and 78.6%.

Fibonacci Retracement Uptrend

Nifty 50 – Plotting price levels



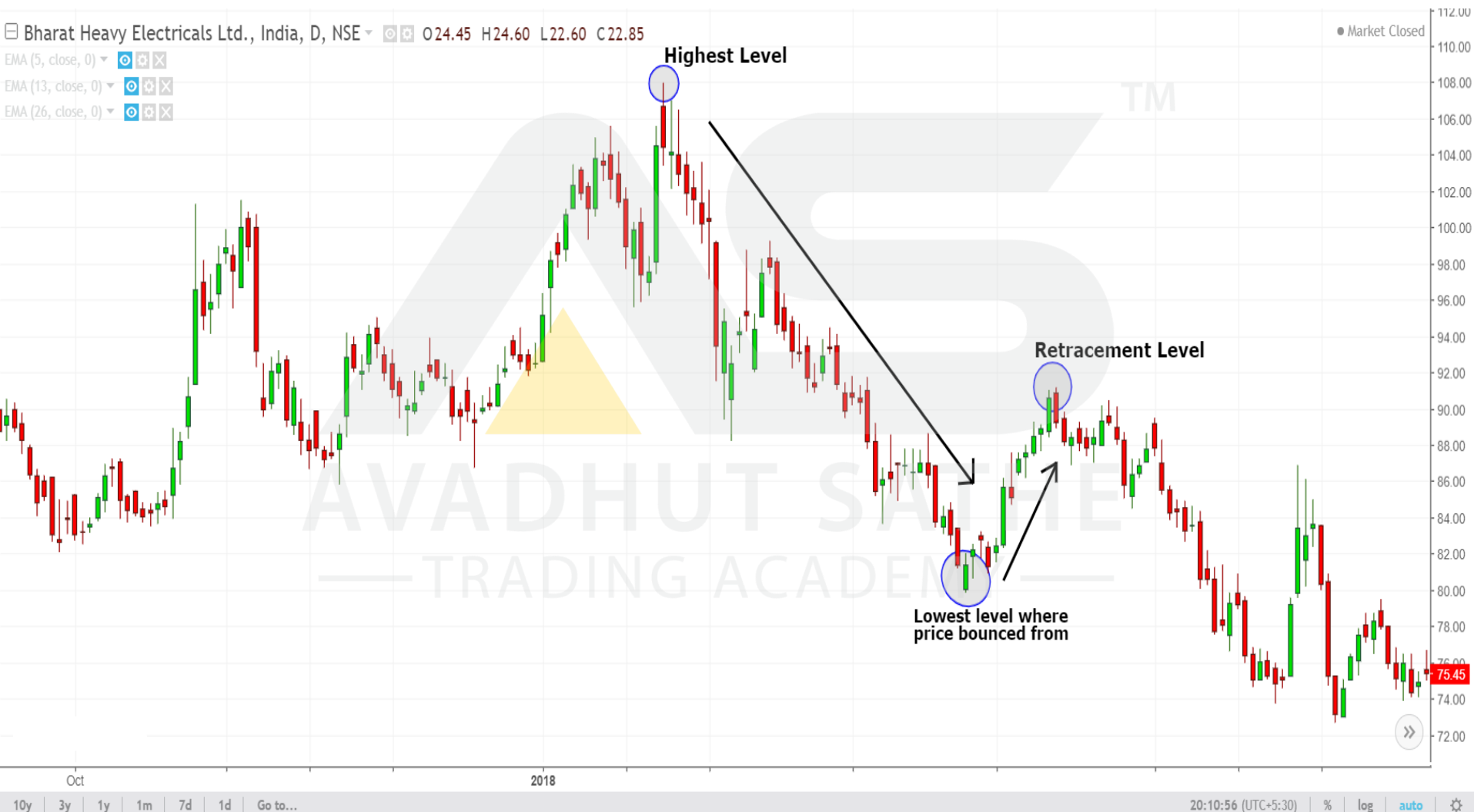
Fibonacci Retracement Uptrend

Nifty 50 – Applying Fibonacci in Uptrend



Fibonacci Retracement Downtrend

BHEL – Plotting price levels



Fibonacci Retracement Downtrend

BHEL – Applying Fibonacci in Downtrend



TM

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

AS
AVADHUT SATHE
—TRADING ACADEMY—

Our Motto at



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

DEVELOPING CHARACTER THAT DESERVES SUCCESS!