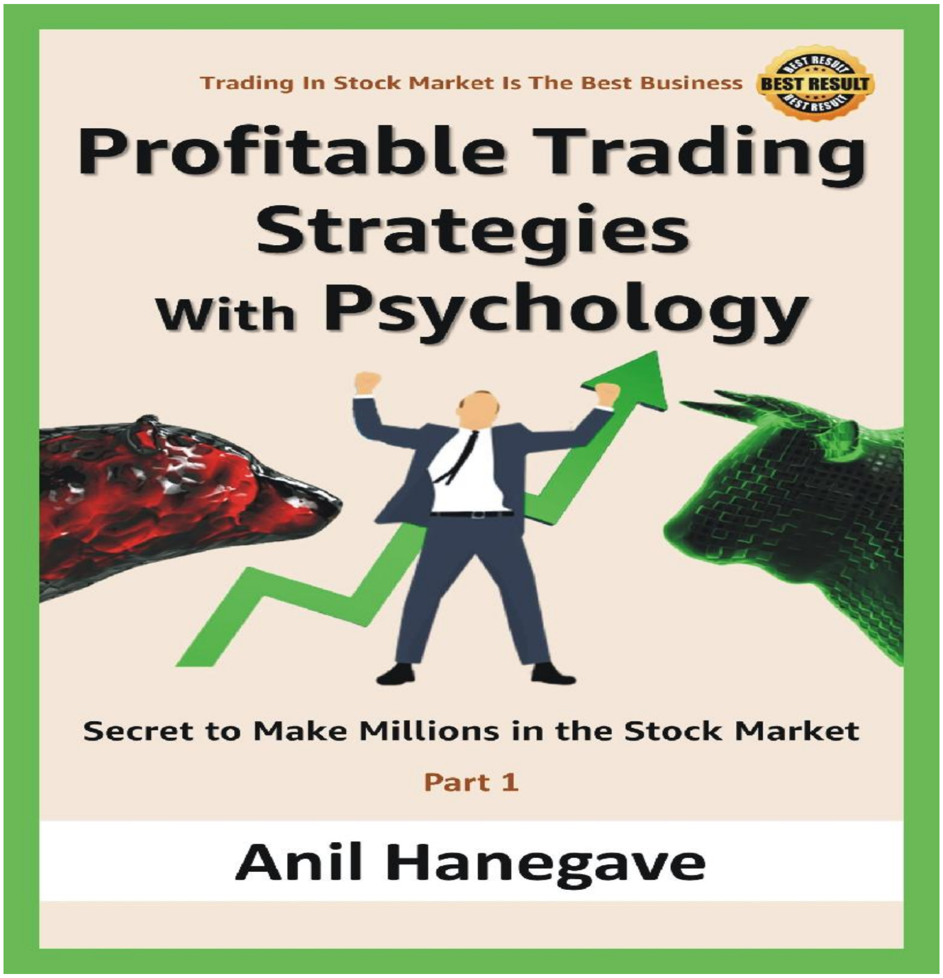
Trading In Stock Market Is The Best Business

Profitable Trading Strategies With Psychology

Secret to Make Millions in the Stock Market

Part 1

Anil Hanegave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BEST RESULT
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Dedicated To

This book is dedicated to all of the **traders**, investors I have had the pleasure of working with for many years as a trading coach.

Each one of you is motivated to write me a book that will be helpful to all normal retail traders to become a successful and professional traders. You all are part of the insight of this book.

These are tried and tested methods working for many years successfully which will help retail traders with a **systematic approach** and with a clear and confident state of mind.

Preface

Recently Algorithmic trading or automated trading increased, which follow the process designed by the best traders and use computers programs. They follow the defined set of instructions for executing a trade. While designing this program programmer considered the traditional support and resistance areas and they take it for trapping the retail traders to generate profits. Hence to generate profit in the market we need techniques followed by smart money. So, these strategies are designed by considering the trap zones and we just go with the smart money. This book's goal is to add **value to your trading** and investment **business**. This book is written for anyone who wants to learn the systematic methods, tools, and techniques that will transform you from an ordinary investor into a successful day trader in the industry.

I've been around the stock market for 10 years. I've seen a lot of investors and traders, few are happy, and most blame the market. There was a question in mind, is trading is a profitable business?

Initially, when I started trading, I was losing money in trading, but after building my educational foundation by attending training, readings books, I changed my approach. I talked to successful traders and discovered that many of them used technical analysis. I read whatever books I could find on technical analysis and trading psychology. I subscribed to successful international traders' YouTube channels. I have developed systematic processes, controlled emotions, Then I become successful.

This book will benefit you for **four quadrants of trading** from systematic technical analysis, money management, trading psychology, and life management that will make you market-ready. It reveals my tried and tested and practical day trading strategies and patterns that are easy to understand and implement in Indian as well as in the global Markets.

Packed with 30+ real market examples and charts, this book shows 6 tactics the market operates most of the trading day. This book offers a road map to the market that can be so amazingly accurate. Discover how to identify and take advantage of the market's day trend and demand and supply zones. **Emotions** keep repeating hence pattern keeps repeating, because it is created by human beings i.e., buyers and sellers. Basic emotions are Happy, fear, greed, hesitation, and Hope. Once you read this book completely you will be the driver, not just a passenger in your financial journey.

My total 11-day trading strategies are based upon Central pivot range and Moving averages. In this first part, I am covering 6 strategies. Combining CPR and Moving averages indicators intelligently allows you to read the market and identify situations where the probabilities are heavily in your favor. I understand big-picture market conditions. I do premarket analysis and publish it daily in YouTube channel **trading direction**: a sense that the market is more likely to trend in a particular direction on the next day. Most of the time it works perfectly. I stay flexible and adjust my analysis in real-time in response to market action.

I don't pay too much attention to the opinions of other traders or market analysts. I do my study, do my real-time analysis, and do my trading. I don't force trades. I wait for high-probability trades. And I stay flexible, which allows me to make money.

I respect the market: It will go where it goes, and I believe no one in the world can predict the market's direction all the time. I have my patterns for identifying high-probability trades that I am sharing in this book. But if the trades don't work out within my time limit, I'm out. And when they do go in my direction, I grab my profits.

I do trading with confidence. To me, quiet confidence is a function of emotional control, faith in my methods, and following my trading plan. My setups work in all the markets like the Indian market, commodity market, and forex market. Whatever you trade, however, make sure there is sufficient liquidity to get in and out of the market efficiently. The goal of a trader is to generate profits regularly, yet only 8 % of people ever really make constant money as a trader. Why small percentage of traders are profitable? To me, decisive factors are personality-suited trading strategy, risk management, and the psychological. The professional trader has a well-defined trading plan with calculated risk and they think like entrepreneurs.

This book will help you to manage your money effectively by a concept called Protection in the System, which reduces the average cost of doing business. The money mindset concept covered in this book is extraordinary, it can be applied in investment and trading. Our strategies are proven, profitable, and based on rules of the market that help to improve your trading style. You will learn how the industry works. I'm confident that anyone who meticulously and faithfully applies the ideas in this book will develop into a consistently profitable trader.

Anil S. Hanegave

Pune, India.

October 2021.

Acknowledgments

I would like to thank everyone who helped me on my path as a full-time trader and trainer and supported me in the research of this book. I would like to express my gratitude to all the traders who have given written feedback, after applying these 6 strategies that were verified from the reader's perspective.

I would like to thank Mr. Oliver Velez, who helped me to improve my trading skills effectively and boosted my confidence. I am grateful to successful traders and YouTuber who motivated me during the initial period of my time. We thankfully acknowledge the quotes from the finance and trading industry and motivational quotes of leading traders used in the book from publicly available sources on the Internet.

Grateful to the Traders like Franklin Ochoa, who introduced the Pivot concept on large scale, and Indian traders like Gomathi Shankar who uses pivots in his trading and developed free indicators for CPR traders on the tradingview platform.

Grateful to my webinar Students who applied this strategy, given confirmation that these strategies have a high probability. Thank you Ravindra Bhosure, Trader, who helped me with the book ideation process. Dr. S. G. Patel, a well-known swing and day trader who helped me with doing a trader’s survey and valuable inputs on trading psychology improvement. Thank you, Sunil Rai, for a successful trader who wrote me an email mentioning “Your book is so useful in day trading, I am very happy because your profitable trading strategies are working in the live market”. Grateful to Mr. Thejendra for his excellent editing and book cover designing. Grateful For the Tradingview platform, which gives the best real-time accurate platform for analyzing the market. I have used tradingview charts for examples.

Finally, I would like to thank the many traders from around the world who have attended my webinars over the years. I enjoyed training with each one of you. I hope this book strengthens what you've learned and helps you to trade more fruitfully.

About the Author

I am ANIL HANEGAVE one of India's most recognized day traders, market analysts, trading experts, mentors for global traders. My premarket analysis based on CPR and moving averages are very famous. I publish it regularly on the YouTube channel Trading Direction. I am a successful trainer for the **Paytm wealth community**. I am doing full-time **Intraday trading for 3 years** and coaching Indian traders for one year. By trading, I am enjoying freedom, independence, and prosperity. I have no boss to keep happy; no employees to manage, and no customers to satisfy. Trading is giving me a boundless life.

Reviews and Praise

I have a long association with Mr. Anil Hanegave sir. I have attended his live webinar & online trading sessions many times. He is a very passionate, hardworking, and very kind-hearted human being. Every time I learned a different aspect of the stock market & trading Psychology. His unorthodox trading strategies give him a unique edge. His secret strategies can be applied in any tradable instruments like stocks, currency, commodity, indices, crypto, forex & anything under the sun that can be tradable. Very special about Mr. Anil Hanegave sir is he delivers very complex things in very simple language so that it becomes a child's play to earn millions through trading.

Fortunately, we have such a wonderful trader, trainer & mentor who is sharing his experience, life's most important asset i.e., knowledge with us. I think Mr. Anil Hanegave sir is like a light house to all retail traders who need to reach the shore out of this vast ocean of share market. I must say every retail trader who is striving to become a professional & successful trader must have this book & should read many times. I am sure every time you will get something new gem of wisdom. My best wishes to all readers so that they get maximum benefits from these unique secret trading strategies. Mr. Ravindra Bhosure, Famous Future and Option Trader, New Delhi, India.

Your book is so useful in day trading I am very happy because your all-profitable trading strategies are working in the live market, thank you, sir, for making efforts to write this book! By Mr. Sunil Rai, Commodity Trader, Raipur, India. Email 25th Sept 2021

Secret trading pattern & strategy is really helpful. where a lot of retail traders' loss in a range bound market for those it's 99 % useful. Eventually, I will say that instead of wiping out the money in the market without mentor people should invest money to learn first through the right mentor. The learning on market behavior is great. I bought range-bound strategies then I realized why most of the traders lose money in range-bound. Original content with a very high probability success rate never gets anywhere. Mr. Suresh Danawale, Trader, Mahabaleshwar, India. Review Message on 12th Sept

This book and webinar will Genuinely be helping Retailers with authors' knowledge. Amazing, kind Hearted person. God Bless u & your Family. Mr. Kiran KR. Trader, India.

Your e-book is amazing. by Mr. Shakeer Sahila, Equity Trader, Kerala, India.

Hello Anil, I got a good depth of share market trading by reading your book. Teach me more once I am back in India. Mr. Sunil Madan, United States of America (USA).

Table of Contents

1 - Trading is the Best Business

Trading in Stock markets offers a very exceptional business opportunity. The beauty of a stock or index trading business is that it does not require any large investments compared to other businesses. You can operate this business from anywhere in the world. It just requires a laptop, internet connection, and DMAT account.

To become successful in investing and trading you should focus on risk-adjusted returns. Then whenever you are right automatically you will make money. You alone are responsible for the success of your business.

I consider Nifty and Bank Nifty as a prompt business partner. I treat them like a partner for every trade. I Negotiate rates for profit optimization. I select various options for buying and selling. Whenever I am right, they give me a good profit. Whenever I am wrong, they give me a signal to stop the game and exit.

My conviction is that with proper knowledge, skill, effort, and discipline, most people attracted to trading can become successful. I hope this book illuminates the path to success in trading. The rest is up to you.

Know the perception of Market and trading

1 - Day Trading and Swing trading is simple but not easy

Trading is simple just implement the rules of the market and use certain analytical systems. Once you have the **right technical tools like CPR**, you can recognize the market's next move. But once money is involved along comes emotions. Logic and reasoning come soon thereafter. Hence It requires a perfect trading strategy and perfect technical setup to trade.

2 - Market moves in three directions – up, down and sideways.

Whenever the directional movement happens higher highs and higher lows it can be said as Uptrend, it is termed as “Bull market”.

Whenever the direction movement makes Lower lows and lower highs it can be said as Downtrend, It is termed as “Bear market”.

The horizontal price movement that occurs when the power of supply and demand are nearly equal is termed the “Sideways trend”.

3 - Buy at low and sell at high.

Buy low, sell high plan is where you buy stocks or securities at a low price and sell them at a higher price.

Sometimes the lows aren't the lows and the highs push higher and higher. This is when you need to understand the different patterns and structures of the market to help you figure out where the best possible place is to buy or sell.

Once we understand the market, we need a trading plan. How do we enter? Where do we enter? Where is the protection or stop loss? This is where having a firm **checklist** helps! You can tick things off the list and grade the trade setup from good to bad and then enter accordingly using various entry methods.

Traders can use other tactics, such as Central Pivot Range, moving averages, the business cycle, the market sentiment to decide on when to buy and sell. Times of maximum fear are the best time to buy stocks, while times of maximum greed are the best time to sell.

It may turn to the worst business if you assume it to be a cakewalk. Trading requires a lot of dedication, patience, and time to master it. If you learn it properly, you need not work for anyone else.

Why trading is the best business in the world!

- No boss, no colleagues no people involved at all - just you
- You alone are responsible for the success of your business.
- You choose what you want to trade when to trade it, and in any amount you wish.
- You have no customers to keep happy.
- You have no employees to keep happy.
- You have no product to make, to advertise, or to sell.

- You have nothing to store.
- No accounting and credit sales.
- Buyers and sellers are immediately available when you want to transact a trade.
- You can scale up or scale down the business at your discretion.
- Does not involve physical labor

Trading involves all the features and benefits of a true dream business; hence it is the best business in the world.

2 - Why only 8 % of People are Successful in Trading?

The most frequently asked question is why traders lose and who earns that money?

Only 8 percent of the people who attempt to become traders are successful. Why do most fail?

This industry has 92 % failure rates. The trending market also has a high failure rate. It doesn’t mean you should not try? Business, in general, has a high failure rate, restaurants have a high failure rate, trying to become an entrepreneur has a similar failure rate.

There are two types of players in this game depositors and withdrawals. 8 % of traders and Institutional players or smart money withdraw from the market. Profitable traders, investment banks withdraw more amounts collectively from the small retail traders or depositors.

The most important factor to the successful trading secret is in Profitability Modeling like the smart money is doing. Trade with tried and tested methods and processes with emotional discipline. Most traders trading based on their feelings and not a systematic approach. They don’t follow a systematic risk management approach. You must develop the capability to patiently wait for a tradable situation to develop, and then, when it's in front of you, execute the trade. It sounds simple, but, believe me, the lack of blueprint and emotional discipline is the top reason that traders fail.

Trading Psychology	Life skills
Trading strategies	Money Management

Fig. 2.1 - Four Quadrants for the success of a Trader

Successful traders focus equally on trading strategies, money management, trading psychology, and life skills. This book will cover all four quadrants.

As I transformed myself from a losing trader to a winning trader, with training and 11 secret well defined profitable trading strategies with emotional discipline is the key to success. Along with this, I have developed a process for studying the market and recognizing good trades, and that was a big challenge. But managing feelings, developing positive thoughts, and stronger empowering beliefs has taken a long time. It can be improved by daily practice with the mentor.

Some traders tend to force trades when the probabilities are not in their favor. Others have difficulty executing the entry order when a good trade presents itself. Sometimes, some traders hold on to trades too long. As a result, losses commonly become bigger, and profits normally become smaller. These are all problems of emotional discipline.

Many successful swing traders also believe that emotional and psychological factors are more important than market analysis in determining success or failure.

“The key is repeating profits every week i.e. consistency and trading discipline”. When my **Trading Direction** you tube subscribers calls me for coaching, I observed that the traders who most closely followed the system and money management rules were the most successful.

Similarly, Warren Buffett's method for buying and selling stocks is well known. In addition, Buffett's stock holdings are fully disclosed and easily available. Yet very few investors and very few traders come anywhere near the performance of Buffett.

Expressively Trading is like weight loss. Knowledge is not the problem. Everyone knows that for losing weight you need to burn more calories than you consume. If you eat the right foods in the right amounts and exercise consistently, you'll lose weight. It's as simple as that. Yet there are hundreds of books on dieting and an entire industry devoted to helping people lose weight. Just as in trading, in weight loss the critical factor is emotional discipline. You have to do the right thing constantly, even if it feels uncomfortable. Traders look for potential and not risk.

Criteria for success and failure

1 - Traders lose more money in few trades

The best model in this game is don't lose money. The market's job is to generate profits. It is a partnership with the markets. The market is always neutral to all the traders and in constant motion. Hence, your job is to stop the game when the market is not doing its job. *You are the risk manager.* This is the top one of the reasons for traders becoming losers. Follow systematic risk management plan.

I give one example for 1 Lakh capital (if you have more capital then calculate percentage accordingly. Your Maximum Loss per trade should be maxing 1 % i.e. 900 to 1000 rs, when the stock goes in your favor move stop to break even. When the stock goes profit 1800/-, sell your 50 % lots. This works but novice traders want to profit at any cost they don't focus on the risk side, they even think that this is complicated before trying. Believe me, if you practice for one month it will become your habit.

Money is the life of a trader; money is everything in trading. This is a game when losses happen, but do not lose money. For system Rs. 900/- loss is not money, if you lose more than 900, that is money. You are allowed to lose 900/- As per plan. You implement just like a robot. Sometimes your stop-loss is 800 to 1100 based on nearest support and resistance. Your monthly average should come 1% stop loss per trade.

The first thing that a beginner needs to understand is that he must set aside his impulsive desire to earn immediate profits so that he can begin to adopt the mentality of a professional investor and later become one.

Decide how much you are ready to lose. It is like rent for your office, investment in the business. Like for manufacturing, you need machinery and labor. In trading only, a laptop, electricity bill and stop loss. It is the cost of doing the business, update your entrepreneurial mindset. Any business has a 3-year waiting period to become successful, for trading if you get a good mentor you can become successful in 1 to 2 years. Also, you will be able to recover all your losses.

2 -No investment in the learning and updating skills

There are so many professional traders and trainers, strategies, books, seminars, workshops, and webinars available. Where many fall short is that novice traders do not do the research to choose the best coach to work with. If You do, you will save a great deal of time, energy, and money if you decide what type of trading style you follow and which trainer is right for you.

Finding a good trader is also a tough task in this free media. Where there are multiple YouTube channels. Teachers teach based on the teacher's ability to sell them, on the teacher's reputation for making huge profits, or the ability for a teacher to make it look like there will be instant profits with little effort. But you should have a professional coach who can guide you thoroughly. Select only one or 2 trainers to stick to them, avoid free content from other sources that may distract you from implementing the original blueprint.

3. Inadequate fund for trading

Any entrepreneurial endeavor needs money to make the business profitable. Too many people come into the trading business with the idea that the money will somehow appear, someone will give them money or there will not be any losses. In reality, this is not the case.

Some people lose money in the first 90 days and when they get really good hands and they can able to generate money but at that time trades don’t have money to trade. If they ask relatives and patent they give free advice that Trading is gambling leave it. That again distracts his mind and demotivates him for the next trading.

If you want to earn more money, initially, think about survival by losing a small amount first before making profits. I have met several people who had the passion for trading that found their way into the business by becoming money managers for others, working in a prop house where money was provided, and/or being hired into a trading room. It takes an exceptional human being to make any of these three works without any money of their own. If you think that you are an entrepreneur you invest money, but if you practice an employee mindset then you may not invest money in the business.

Many traders call me and ask I am a successful trader, can you arrange funds for my trading? Initially, they were having funds, but they lost a large amount in trading cryptocurrency or investing in penny stocks. That indicates they don't have the mindset for money management and they don't know what to trade. Now blaming the market will not help them.

Those are successful they have a surplus amount for trading. They use it for hedging their risk. Sometimes they use the additional fund to manage their positions. You may have a comparatively small amount but if you manage position sizing you also can do this thing effectively.

My strategies are good for directional trading hence they require less capital. We suggest the ideal capital is 2 Lakh rupees for trading our strategies. So read this full book carefully before investing in the market and follow the Trading Direction YouTube channel.

4. Lack of blueprint: tried and tested trading strategies & patterns with a full proof plan

A trading business plan will make you accountable for your actions. Many traders do not want to put together a plan because they do not want to admit to themselves that they are working with a strategy that does not work. They also do not want to feel accountable for their strategy. They want to be master traders who follow intuition/discretion before they prove they can follow their technical strategy.

I am sure you must have seen some traders who do trading by using a lagging indicator like RSI or MACD or some combination of indicators. The reality is that these are not strategies; these are just technical setups and no one can consistently make money using these setups alone.

Professional traders, on the other hand, use back teste strategies that are based on the price action and behavior of the market. Until you have a plan, you will not reap the greatest rewards from your strategy. These strategies are having a good reward risk ratio, you can use them for your trading.

5. Trade without back testing - Not Learning from Mistakes

The only way that you will trust your strategy is by back-testing strategies. It will also increase your conviction. Traders keep making the same mistake over and over and over sometimes even after realizing them.

For example, a good friend of mine used to take trades during the market opening - exactly at 9:15 am in Bajaj Finance by guessing the market will go up or down. Only after making this mistake for several months and losing a lot of money, he finally realized that his compulsion to trade was going to ruin his career as a trader and he stopped doing that.

So, if you want to be a professional trader learn to do the analysis trading journal of every trade you take - what went right, what went wrong, and what could have been done better. Find each mistake you made that can be fixed and write a correction statement as a rule for the next trading.

6. Trading based on the news – unfamiliar stocks

Avoid tips from social media and news channels during the live market. You will get distracted due to social media, experts may be wrong sometimes. E.g., If your position is short in Nifty and you have seen one telegram post that suggesting long. That will create confusion. Sometimes analysts may be wrong and you are right.

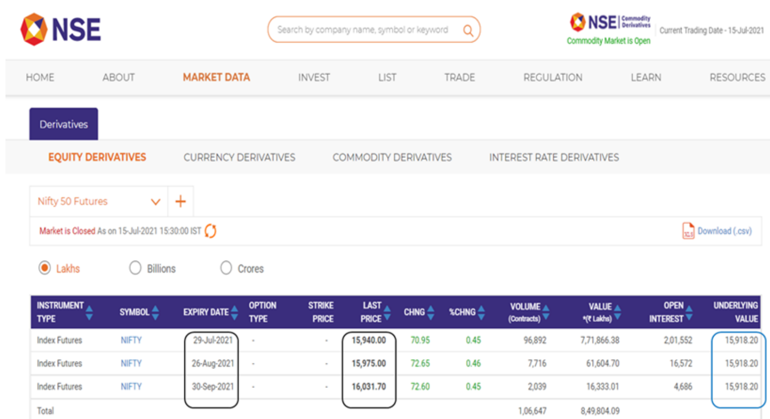
Few traders trade in stocks like DHFL, Unitech, etc., all the stocks that are making news for the wrong reason or are penny stocks, Low volume stocks, and strike prices are handled by operators.

Traders see these stocks going up or down some 15-20% in a day and they just get fascinated with them. Everyone around them seems to be talking about the same stock so their fascination even grows higher. They start to feel that everyone is making money on these stocks so why should they be left out.

Sometimes, they do get lucky in these trades but for every 1 profitable trade, they also take 10 other unprofitable trades. So, at the end of the day, they just lose money.

Professional traders stay away as far as possible from these random stocks because they know that a lot of time these stocks are manipulated by operators and they are not worth trading. Instead, pro traders select few stocks or indices for trading.

I prefer to trade in Nifty and Bank nifty- futures and Options. The ‘Nifty Futures’ is the most widely traded futures instrument, thus making it the most liquid contract in the Indian derivative markets. You may be surprised to know that Nifty Futures is easily one of the top 10 index futures contracts traded in the world. Once you get comfortable with futures trading, I would imagine, like many of us you too would be actively trading the Nifty Futures. As we know the futures instrument is a derivative contract that derives its value from an underlying asset. In the context of **Nifty futures**, the underlying is the **Nifty Index** itself. Hence the Nifty Futures derives its value from the Nifty Index. This means if the value of the Nifty Index goes up, then the value of Nifty futures also goes up. Likewise, if the value of the Nifty Index declines, so would the Index futures.



INSTRUMENT TYPE	SYMBOL	EXPIRY DATE	OPTION TYPE	STRIKE PRICE	LAST PRICE	CHNG	%CHNG	VOLUME (Contracts)	VALUE *(₹ Lakhs)	OPEN INTEREST	UNDERLYING VALUE
Index Futures	NIFTY	29-Jul-2021	-	-	15,940.00	70.95	0.45	96,892	7,71,866.38	2,01,552	15,918.20
Index Futures	NIFTY	26-Aug-2021	-	-	15,975.00	72.65	0.46	7,716	61,604.70	16,572	15,918.20
Index Futures	NIFTY	30-Sep-2021	-	-	16,031.70	72.60	0.45	2,039	16,333.01	4,686	15,918.20
Total								1,06,647	8,49,804.09		

Fig. 2.2 - Nifty Index and Future derivatives from the NSE website.

One of the main features of Nifty Futures and Bank Nifty futures that make it so popular is its liquidity. As you know the Nifty Index is a basket of 50 stocks. This makes Nifty a good representative of the broader economic activity in India. This naturally means if the general economic activity is going up or at least expected to go up then Nifty’s value also goes up, and vice versa. This also makes trading Nifty Futures much better options as compared to single stock futures.

Indices are hard to operate – The movement in Nifty is a response to the collective movement in the top 50 businesses in India (by market capitalization). Hence there is nearly no scope to manipulate the Nifty or Bank nifty index. However single stocks can be freeze or manipulated Remember Adani on June 14th, 2021.

7. Not understanding market move for short term and long term

Novice traders confuse between short-term and long-term trends. The market is designed in such a way that they should do mistakes. The market gives rewards for some mistakes. Hence novice traders keep repeating the same mistake.

When the market starts crashing, novice traders tend to buy and when the markets are moving up strongly, they tend to short. Never stand against a strongly trending market. The question is how to know the trend?

If you practice the 11 chart patterns mentioned in this book and practice them regularly then you will become an expert in identifying the trend and trend reversal.

8. Don’t overtrade

Successful traders trade only 3 to 4 trades per day, and scalpers do 10 to 15 scalping per day. Decide your specific trading style and timing for trading. In trading Lesser the better. During the live market, you should sit like a monk. If you overtrade your broker will become rich

Why Institutional Hedge fund managers and professional traders are profitable?

1 - Focus on how well to execute trades

If you were to look at a very meaningful habit among the 7 habits of highly successful traders then you need to focus closely on how to execute your traders. This has many dimensions. Do you place market orders or limit orders? Are you using charts effectively to identify good levels to enter and exit? Do you buy your position in bulk or do you phase it out gradually? Normally when you phase your purchase or sale you can get better levels. Are you overbuying or overselling amid momentum? As a trader, these small issues about execution matter a lot!

2 - Professional traders don't listen to social media

3 - Professional traders are organized, disciplined, and realistic

The trading plan and trading diary are both essential to being organized and disciplined. A realistic and disciplined trader minimizes risks and does not search for quick profits.

4 - Successful traders Don't Break Your Rules

You create trading rules to get you out of trouble when positions go badly. If you don't allow them to do their job, you've lost your discipline and opened the door to even greater losses.

Read your business report (Journal) A trading journal is a log that you can use to record your trades. Traders use a trading journal to reflect upon previous trades so that they may evaluate themselves, and you should too! You can use journals to evaluate where you can improve your trading.

- Journals could increase trading consistency.
- The journal could keep you accountable.
- The journal can help you pick your favorite trading strategy.

5 - Personal Life is balanced and does not impact to trading career

Whatever is wrong in your life will eventually carry over into your trading performance. Keep your trading needs separate from your personal needs, and take care of both.

Every Morning thinks positive and reads goals affirmations. Early morning has decided goals and results-oriented thinking whereas during the trading focus on the process take actions on the plan. Beginners underestimate the amount of focus required for active trading. It is up to the trader to tune into what the market is saying to capitalize on gains. If you are an active trader, make sure to keep your mobile in silent mode while trading. Even the sound of a phone ringing can break your concentration and can cause a lapse in judgment. Phone conversations are completely out. These conversations will distract you from the task at hand, making money, and cause you to lose your focus. The worst scenario is you hear the phone, and you answer it and the person you are talking to brings about negative energy or causes you to become emotional thus further breaking your concentration.

e.g., In cricket, while batting, batsman or bowler never use a mobile phone, Trading needs to be engaged so unaffectedly by external sources.

6 - Make Peace with Losses and understand it's the system

A leading organization in trading Goldman Sachs in 2015 was having 212 winning days and 38 losing days.

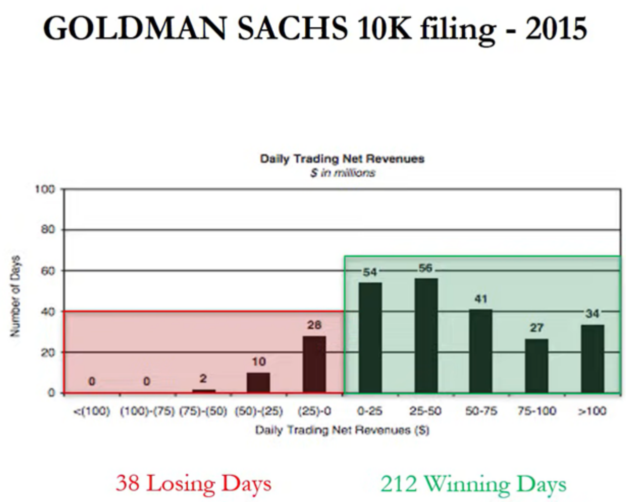


Fig. 2.3 - Goldman Sachs 2015 filing

They for 34 days they earned more than 100 million dollars. Even though they are experts in trading they lost 28 days a year for 28 million dollars. But overall for the financial year, they are profitable.

Trading is one of the few professions where losing money in trading is a natural path to success. Every trading loss comes with an important market lesson if you're open to the message. Also, know when to quit and take a break from trading. Accept the losses, take time to regroup, and then come back to the market with a new perspective. **Energy Management**: Manage your energy and stress.

When you are rested and relaxed, you'll have the high energy and stamina to handle stress. Regardless of whether you win or lose, you'll feel better if you reward yourself for all the work you do, regardless of the outcome.

Stress management techniques can allow you to cultivate a peak performance mindset that will help you trade objectively and profitably.

First and foremost, it is vital to take preventative measures to reduce stress, Exercise regularly. A rigorous exercise schedule will allow your body to let off pent-up stressful energy. It is also a good idea to sleep on schedule. Try to go to bed and wake up at the same time. It is hard to cope with stress when you are tired. You just won’t have the psychological energy.

During trading, practice breathing exercises while waiting. Take a deep breath and hold it for a while. Does it slowly allowing you to feel your body and muscles tighten when you hold your breath and loosen as you exhale? As you exhale, your body initiates a natural relaxation response. Repeating the process over and over in succession will help you relax and calm down.

Second, it is important to get up and walk around. It is tempting to sit in front of your screens all day, focused on the action. Your mind can only focus on a task for so long, however. It is necessary to walk around for five minutes every 90 minutes. I usually do trade for 2 hours a day, from 9 am to 11 am. That gives me sufficient profit. One trade for 9 minutes suit for my personality. If you become successful at managing your energy, you’ll find you’ll trade more calmly and profitably.

Conclusion and My Advice for beginners

Trading is a viable profession and a great way to enjoy the process of making money. If Goldman Sachs can do it, you can do it. If you are willing to do what it takes, then you will be among the eight percent who enjoy their lives as professional traders or hedge fund managers.

Your First action after reading this book, learn the skill of trading from an experienced trader or trainer. Attend the webinar on the Trading direction for more live examples. It takes a real 1 year to 2 years to be good at trading. If you leave before that, you are not giving a good opportunity to develop a good trader. Don’t come to the market with the expectation that you would be profitable in the first month itself because that’s a very impractical expectation.

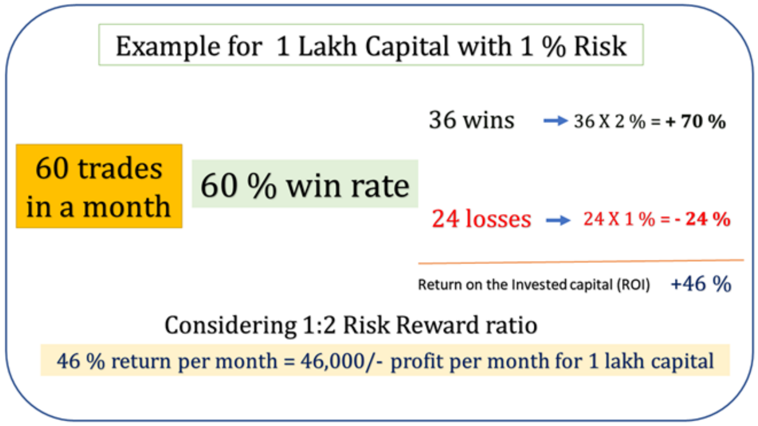


Fig. 2.4 - How you can earn 46000 per month by investing 1 lakh capital.

3 - Profitable Trading Setups and Trading Plan

The trade setup is the rudimentary conditions that need to be present to even consider a trade. You need to make sure you have the right setup. Each setup identifies a specific market condition that can be explained in terms of market psychology. When you correctly identify the setup, the price goes in your direction immediately. All trading requires is a focused trader who is disciplined and knows his/her bread-and-butter setups. Many factors contribute to a successful day trader. if you have a spare room at home, it can be a space to trade-in. If you have access to natural light in the trading room it's better. Set instructions about who can access your trading room at a given time. Invest in an excellent ergonomic chair.

1 - Trading Desk setup – Physiological well being

So, what’s the difference between a regular work desk and a standard trading desk setup anyway? The main differences can be defined by the following elements: comfort, quality, and good ergonomics.

You’ll need an ergonomic chair for comfortable sitting, a minimum of 2 Screen spaces, high-speed and stable internet which helps for fast order execution.

As you have perhaps already understood, you can’t make trading from your mobile. When it comes to setting up a multi-monitor trading system you can get as good as you’d like. Initially, I had started very simply with 1 laptop and 1 external monitor. I slowly added additional monitors as I needed more screens for analysis during the live market.

I started off using 1 Lenovo Laptop for my day trading, which has a solid-state drive and 16 GB of RAM. I also have a computer system. For day trading, the computer needs to be able to process a huge volume of data very quickly. For quick decisions, you need to have multiple windows open for real-time data, all while you are executing the trades where every second counts. Your system's ability to process all this material depends on its central processing unit. Your CPU’s performance is a measure of how quickly it can perform the tasks.

Your trading room setup is crucial in defining your productivity throughout the day, physiological comfort will allow you to manage stress effectively. Investing in a smart desk or table is an excellent choice for any workplace. Whether you are working from home or office, a smart desk or good table can make an immense difference in overall output. You don’t need to spend a lot of money buying these items, you can gradually improve infrastructure.

2 - Charts and Indicator set up

The best trader quickly identifies the pattern of the market and effectively positions their money at the right price.

If you are disciplined and adhere to a suitable trade management method and play only the best setups, you will become a successful day and swing trader. Many new traders emphasize the money very early in their trading journey, and they defocus on a systematic approach for trading. Of course, money is the ultimate goal, but that is the byproduct of the system implemented process in trading. Concentrate on playing the applicable setups at the exact times while using watchful money management procedures. Correct preparation and practice with a mentor play a major role in successful trading, it happens in every successful trading organization.

Trading is a game of precise repetition.

I was taking personal coaching for a trader over zoom call recently when a trader asked how I would have traded the previous day. I answered that the prior session was one of the coolest days to trade. The market opened positively and above the medium CPR and trended higher during the session, making it easy to buy and sell at the previous swing high. He wasn’t so impressed with my response.

“That’s easy to say today since you have charts of yesterday for observation,” he replied.

The answer I gave to him is similar which I share with you now. Every market day is unique, but it is a replica of some time in history, or a mix or two days. Technical analysis works because trader psychology, and human psychology remain the same. However, most new traders, and untrained traders, do not make the correlation that every market day is a variety of one that happened at one time. Many traders and investors do not make this finding for the initial period of trading careers. But when they do, they begin to understand the market on an entirely different level, which helps them to predict the market's next move.

Think about the first time you listen to a song. You like the music and lyrics, but they are wholly new to you. Eventually, you listen to this song five or six times, hence every lyric and rhythm has fixed in your mind. You can anticipate the recurrence and the future instrumental solo. You can even recognize the song by hearing a two-second clip. Trading is similar to listening to a new song. Once you've mastered the types of repetitive trading bullish and bearish patterns that occur in the market, you will be able to calculate trends, reversals patterns and true breakouts. Hence, with repetitions, you can master the markets.

Fig. 3.1 - Bullish Trading set Up

Liquidity *is the comfort at which one can buy or sell a particular stock, future, or Option.*

Liquidity measures how numerous purchasers and sellers are present, and whether businesses can take place easily. If there are only a few market players, trading rarely, it is said to be an illiquid marketplace or to have low liquidity. A liquid market is usually associated with less risk, as there is usually continuously someone willing to take the other side at any time. If the market is volatile, but there are fewer buyers than sellers, it can be more difficult to close your position. In this situation, risk of blocking in a losing position. Mostly it happens in Out of the Money options trading where volume is low, where the possibility of freak trade is high. So, the select strike price at the money (ATM) or in the money (ITM) for directional trading. Similarly, a select stock with a high volume of trading.

Trading with liquid stocks and strike price improve the possibility of quick trade execution. As intraday trading depends on precise timing, avoiding any delay in execution is key to success.

Trading plan

A trading plan is a set of **rules and guidelines** you will follow that includes strategy, risk management, and psychology.

A trading plan helps you make **logical and confidant decisions**. Some traders call and ask me sir tell me how to manage fear, I ask them this question do you have a written trading plan, guess what is his answer, No. If he doesn’t know the next step what to do? surely, he will be fearful because of a lack of clarity. Understand how professional traders think and where they take action so that you should also join their community of successful traders. A perfect trading plan is an all-inclusive decision-making tool for your trading activity. A trading plan should be personalized or suitable for your personality preferably designed by you, you can take the help of your trading mentor. Your risk and opportunity are unique, other trader's risk and available capital could be immeasurably different from yours.

Test your plan initially with paper money on the trading view platform in demo accounts over some time, afterword’s you can implement it with real money where you can trade with emotions.

A trading plan should cover - an individual roadmap

1. Why do you want to do trading?
2. Achievable trading goals – For Swing Trading, Day trading, and Scalping
3. Investment – Capital, Education, practicing your strategies, and Time.

4. Your attitude to risk – capital at risk without stress
5. The stocks or Index, strike price you want to trade
6. Selection of trade, conviction parameters
7. Your trading strategies – With psychology behind entry and exit.
8. Six Trading patterns – printed and visible in front of the system
9. Clarity Reward points – Target profit
10. Business Reports – Review after 20 traders

Why do you need a Trading Plan?

A good trading plan will help you to avoid making emotional decisions

A. **More impartial decisions**: you already know when you should take profit and cut losses, which means you can take emotions out of your decision process
B. **Better trading discipline:** by sticking to your plan with discipline, you could discover why certain trades work and others don't.

4 - Types of Market (Bazaar) days

Technical analysis is largely impacted by some very important factors. One of those very significant factors is the type of the market day. We will learn secret trading strategies and candlestick patterns in chapter number 8, before that understand the bazaar days.

Six types of bazaar days reappeared themselves, you can use it as a supervisory factor.

You should only trade when the conditions are the most satisfactory for a moneymaking outcome

1. **The Sideways Day –** No directional trading, only option selling day.
2. **Trend Day** – Bullish or Bearish movement
3. **Half Trend Day** – Double Distribution Day.
4. **Wide initial balance day -** Normal Day
5. **The channel trading day** – Tennis Day
6. **Moderate Initial balance day** - The Normal variation day

Let's see the type of bazaar days in detail,

1 - The Sideways Day or Consolidation Day

On this type of day, price is in consolidation mode and motionless, as both buyers and sellers refrain from trading. This type of session usually occurs **ahead of the release of a news event**, **political event, or in advance of a holiday**. This is not suitable for directional trading as no directional conviction. The initial balance is slightly narrow. On this type of day neither buy options or trade in futures. As an alternative, you can go for option selling to as premium decaying will be there as theta factor is in favor.

Figure 4.1 shows a five-minute chart of Infosys a typical Sideways Day, which occurred before the Announcement of first-quarter results. Infosys opened the day with a narrow initial balance and range extension was seen to the downside. The range narrowed to a 15 point, indicating that market members had either sleeping or had reached the restaurant early.

Figure 4.1 - Sideways Day

It is my experience that not every day should be a trading day. Many traders believe that since they are traders, they necessarily take part in a trade every day or at times.

It is my sureness that you will continue to study the six types of market days with each new session. The faster you can quickly and accurately recognize each market day, the quicker you will be on your way to profitable trading. It is difficult to remember hence take print of this type of day and keep it in front of your system. While every market day is alike to a day from the past, alike does not mean “exactly.” After practice, you will be able to recognize and trade in each type of day. Think of Committed practice with real money it creates a valuable experience.

2 - Trend Day

Clear bullish or bearish momentum and is the most aggressive type of market day.

The market wants to go long hence it starts its journey early and fasts. Hence more participants will enter the market, creating continued price movement. Occurs only a few times a month, but catching these moves can surely make your month, in terms of profits. There are 2 types of a trend day

a - Bullish Trend Day - The opening candle marks the day’s low, while the close candle is at the day’s high.

Fig. 4.2 - Bullish Trend Day

Take a look at Figure 4.2, which is a five-minute chart of the Bank Nifty Index. This chart demonstrates bullish Trend Day. Notice the Bank Nifty opened at the day’s high, which is a common trait of a bullish Trend Day. On 25th June there is a narrow Central Pivot Range (CPR), and the price is above the 200 and 20-period exponential Moving Averages (EMA). The day’s direction is clear, except for retracement near 20 exponential moving average. Initiative buying pressure glowed solid strength throughout the session. This initiative buying gravity directed to the involvement of further market participants, which enhanced prices even higher.

Observe, the previous day’s range was relatively lesser than normal. This type of quiet trading behavior can usually give you clue to succeeding a possible Trend Day. Remember, keeping your eyes on the graph allows you to sense that a big day would come in the subsequent session.

b - Bearish Trend Day - Opening candle usually is the day’s high and the market gradually declines throughout the day. Most of the time it happens below the Central Pivot Range.

Fig. 4.3 - Bearish Trend Day

In Fig. 4.3 Prices are opened below the Narrow CPR and 20 EMA. 1^{st} red candle is the indication of a bearish day. You can enter for the trade below the 20 EMA and book profit with a 2 :1 reward risk ratio easily. Whenever the market retraces it will allow you to enter again or you can add positions.

Trading is about reading the signals of the market that repetitively feeds you. Reward Risk Ratio is typically higher for a day trader during Trend Days.

3 – Half trend day or Double-Distribution Trend Day

This is slightly multifaceted and a very reliable method for engaging aggressive trades. That is why institutions and **professional traders use this approach to the fullest.** This day is categorized by its uncertain nature at the opening of the session. During this type of day, the market will usually open quietly, trading within a narrow range for the first hour of the session, thereby **creating a narrow initial balance (NIB).**

The **initial balance** is defined as the value range of the first hour of the trading day, which is an enormously significant level for the day trading. Institutions and Professional traders use the initial balance high (IBH) and the initial balance low (IBL) as important facts of the location to rationalize trade amongst buyers and sellers.

After the initial balance of the Day has been defined, for one hour, the price will break out from the range and travel to a new value, where it will form another distribution of price.

For example, DDT Day is a jogger. The jogger will take his time to properly stretch and warm-up before actually beginning his run. Once the "**warm-up**" time is complete, the jogger runs at a good speed toward his endpoint. Once he has completed his run, he will initiate the "**cooling down"** stage of his workout.

Likewise, the Double-Distribution Trend Day starts the trading session noiselessly, this trading within a narrow range for one 1 hour that can be viewed as the day's "warm-up" period. Once, the price breaks the Initial balance range and begins trending to the new value. When the market realizes a new price; it then forms another range before ending the day. **The consolidation happens at the beginning and end of the day**.

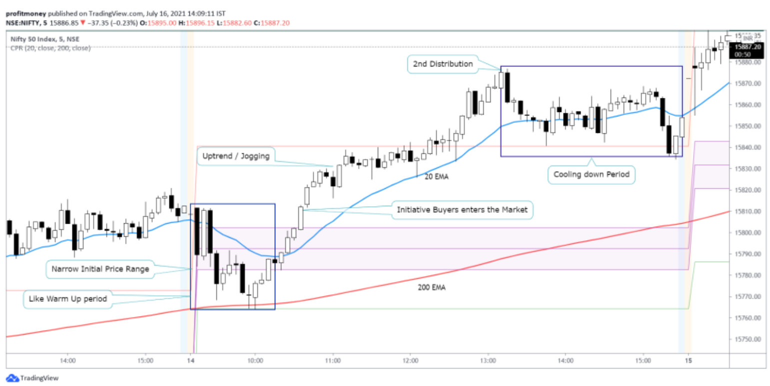


Figure 4.4

Take a look at Figure 4.4, which is a five-minute chart of the Nifty 50 Index. This chart shows a typical half Trend Day, as prices traded within a sufficiently narrow range. Since the initial balance was narrow, it became obvious that either buyers or sellers would finally immerse the range and push the price toward a new area of value.

In Fig. 4.4, In Nifty a narrow initial price range formed up for one hour then the price pushed upside eventually new range is formed. within the limits of a second range, thereby forming a second distribution of the day's trading activity.

The initial balance is **the base for any day's trading** and is extremely important to the Half trend day. A narrow initial balance is easily broken, while a wide initial balance is harder to break. The fact that the initial balance is narrow on this type of day shows that there is a good possibility of a breakout from the initial range, representing that you will likely see a move toward a new value. Once the way is decided, the price will freely move toward a new area of value since it is being driven by initiative market makers.

"The only thing to do when a man is wrong is to be right by stopping to be wrong." - Jesse Livermore

4 - Normal Day - Wide Initial Balance Day

This Normal day is categorized by a wide initial balance that is established for 1st one hour especially on wide CPR. A normal day is a composed market day type. Price usually rotates near the center of the day and the maximum participation happens at the center of the profile. Pressure from both sides indicates a lack of opinion among both the other time-frame buyers and sellers. Bulls or bear, No one is in control of this market type.

Figure 4.5

Figure 4.5 is a five-minute chart of the Indian stock market, Nifty Index, which clearly shows the model normal Day. This type of day happens on the wide Central Pivot Day. The Nifty opened the day with early strength in the first hour of the session, establishing a 100 - point range, or initial balance. After the wide initial balance was established, the fight lines had been drawn between bulls (buyers) and bears (sellers). During this type of day, you will usually see price trade backward and forward inside the boundaries of the Initial Balance range. You can enter the trade at support for long and exit trade with a 2 :1 reward risk ratio.

5 - Tennis Day - The Channel Trading Day

The tennis day or channel trading Day occurs when both buyers and sellers are actively betting the prices forward and backward within the day's channel, which is usually established by again the day's initial balance for one hour. On tennis day, the initial balance is about as wide.

This type of day is mostly **like a game of tennis**. The players stand on opposite sides of the court and take turns volleying the ball to one another throughout the match. Similarly, buyers and sellers will stand at the borders of the day and will enter the market when the price reaches the outside limits of the day's range. Reactive sellers will enter for shorts at the top level of the day, which causes to push the price back near the day's lows, while reactive bulls or buyers will enter for longs at the bottommost of the range, which again forces the price back toward the day's highs.

Figure 4.6 - Channel trading Day – Tennis Day

Figure 4.6 shows a five-minute chart of the Bajaj Finance equity during a classic tennis day. Notice that the initial balance was typical wide to begin the session, which meant that the bottom for the day would likely be as support base for days trading movement. As price approaches toward the top of the range at around 6170, alert sellers saw price as overrated and entered the market with sell orders, essentially pushing the price back toward the day's low. As price approached the bottom of the range at around 6100, reactive buyers saw the value and entered the market with buy orders, which forced the price up. This type of market day offers good trading entries once you study the market days completely. Entre the trade at IBH and IBL for Short and long respectively.

6 – Variation Day or Moderate IB day

This type of day is alike to the normal day in that it usually begins the session with an early directional opinion. However, price movement at the opening is not as robust as that seen during a normal Day. Once one of the day's levels is broken and price movement is seen in the direction of the interruption, which is usually caused by market makers buying or selling performance.

Figure 4.7 - Moderate Initial Balance

Take a look at Figure 4.7, which is a five-minute chart of the Nifty index, the initial balance is like that of a half trend day, but not so wide as the width of the Typical Day. In this case, the Market creator break the bottom of the day's initial balance and prolonged price movement to the downside. Selling pressure essentially increased the day's range. The initiative selling pressure led to constantly weakens the rest of the day, as price motivated to settle at a lower value.

Keep in mind that during a little variation day or moderate initial balance day, both the upper and lower boundaries of the initial balance are susceptible to breaking the levels. You can enter the trade once any one level is broken. In fig. 4.7 We can entre for short.

5 - Money Management Principles

This chapter protects people from destroying their capital. **Risk** is an opportunity to make money. Risk is part of any business. You need to take a calculative risk and embrace it courageously. More volatility in the market creates situations of more risk and more money-making opportunities. **Money works sensibly and practically in the financial market.** You need to understand when to be in the game and when to close it.

The principle is to **preserve the trading capital** and to minimize trading losses so that they are '**affordable**. The idea of money management is closely connected to risk management. As we learned in the 1st chapter Successful traders tend to think like an entrepreneur. Taking calculative risk is worth it. Your focus should be on Superior risk-adjusted returns. But, some traders trade in the dark, they don't understand what they are doing. This book builds the educational foundation to trade in the financial market. Just you need to apply these principles into practice.

Write your answers below

What determines if you take the trade?

……………………………………………………………

What risk would have been associated with each trade?

……………………………………………………………

Is taking the right amount of risk is worth it?

……………………………………………………………

What will be the Reward Risk Ratio?

……………………………………………………………

Once you are in profit, are you giving freedom to money to work for you?

………………………………………………………………

What if there are 10 trades that you can find every hour that meet the criteria, but you can trade only four, or two, or one? How do you decide the best one?

……………………………………………………………

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The reward-to-risk ratio is the alternative thing you can look at to determine if you take any specific trade. The **reward-to-risk ratio or "RR"** is the amount to be made from the entry to the target, related to the amount to be lost from the entry to the stop.

Many traders will demand that the possible RR for trade be a firm number like Two is to one (2:1) (Aiming for a Two-rupees target with a one rupee stop), or maybe even much higher. Keep in mind, you should not risk One rupee to make One rupee. The one-to-one trade will be easier to achieve. So, you need to analyze every trade based on the RR achievable, and then you will achieve that RR regularly and make consistency in generating profits in Intraday trading.

Some traders keep very close to protection i.e., SL, and they sometimes get succeeded, but can the target be achieved regularly enough under these tight entries and stop criteria to produce more profit regularly?

Write your answers with an action plan

……………………………………………………………

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……………………………………………………………

Defining risk per trade using position sizing

People constantly come to me and ask me to tell them the secret to making lots of money in the stock market within one month. Some people ask me for stock tips.

My humble answer to them is, the key to making millions from the financial markets is… **multiply your capital without losing money.** Some traders will vary the size of each trade, depending on recent trading performance.

I wrap this idea from Warren Buffet, the best investor of all time. He has 2 basic investment rules that he lives by. The first rule is “Don’t lose money”. The second rule is “Don’t forget rule number one rule”. great advice.

A top systematic trading strategy and sound risk management plan should help a trader make money over time. The focus for you as a trader is on minimizing your risk. You have to understand that you can’t control or enter the direction of the market every time.

However, what you can control is the risk or the amount of risk you take on every trade. You can control how much money you are willing to lose if a trade doesn’t work in your direction.

Set a maximum account drawdown

Let’s take this example. You have Rs. 10,0000 (rupees one lac) in trading capital and as an overall rule for a retail trader is, you should not risk more than 1% of one’s capital per trade. This means that you should not risk or lose more than 1000 for each trade (Rs. 10,0000 X 1%). And you should lose more than 2% of your capital in a single trading day. We accept rupees 2000/- loss for one day, this is allowed by the system. If you exceed 2000/- or 2 % of your capital then you are losing money.

A **drawdown** is a difference in account value from the highest the account has been over a certain period and the account value after some losing trades. You can minimize or limit risk is by putting a STOP LOSS order on each trade that you enter into. ***A Stop Loss order is defined as a pending order to exit out of a trade once the price reaches a predefined level.***

For example, let’s say you buy an In the Money (ITM) option of Nifty with a lot size of 75 at the price of 50. You decide that if the option price goes below 37 then you will sell that stock and take a loss. This means that you will set a stop-loss order at 37 so you protect your downside risk and minimize your losses.

I find it so surprising that so many traders don't have a stop-loss order attached to every one of their trades. You need to ask yourself "What's the shortcoming risk if the trade doesn't go in my direction?"

Now let's put these 2 concepts together. One is to determine the maximum loss that you are going to risk per trade. The other is what price you are going to exit if the trade doesn't go in your direction. I have involved an example below:

Nifty Futrure	• Nifty Future 1 lot (Size 50) - buy at 15800
Capital	• 100000 (One lakh rupees only)
Maximum Risk	• 1 % or Rs. 1000 (One Thousand only)
Buy Price	• 15800 (Prefer Limit Order)
Stop Loss	• 15780 (Capital Protection)
Profit Order	• 15840 (with 2:1 Reward Risk Ratio)

Fig.5.1 – Reward Risk Ratio – Profit booking

Based on the above, this means that you should only buy 1 lot of Nifty Future to manage the risk of this particular trade. The next time you put on a trade, think about the amount of risk you are comfortable in taking if the trade doesn't work according to your plan. This secret will save you a lot of money. If your first order is a loss of one thousand rupees, then you are eligible to execute one more order. For another order, you book profit on or above of 2000/-.

If you follow this rule, you will earn with weekly 16 % profit.

Blue print for Success in Trading					
Week	Capital	Max Risk	Return per week	Maintain for Weeks	Profits per Month
1	100000	4	16%	15	64000
1	200000	4	16%	15	128000
1	300000	4	16%	15	192000

Fig. 5.2 Blueprint for success in trading

1. Considering 4 days a week Trading
2. Start Earning profit within 6 months
3. You are eligible to withdraw an amount above 3 lakh rupees
4. Monthly 1 lakh Income
5. Earn 80000 per month by investing one lakh rupees.
6. Winning probability 66 %
7. Monthly return 64 %

Fig 5.3 Monthly income strategy

If we compare with other businesses, Weekly 16 % return for the investment of rupees 100000/- is very good ROI.

Trading expectations Vs Reality

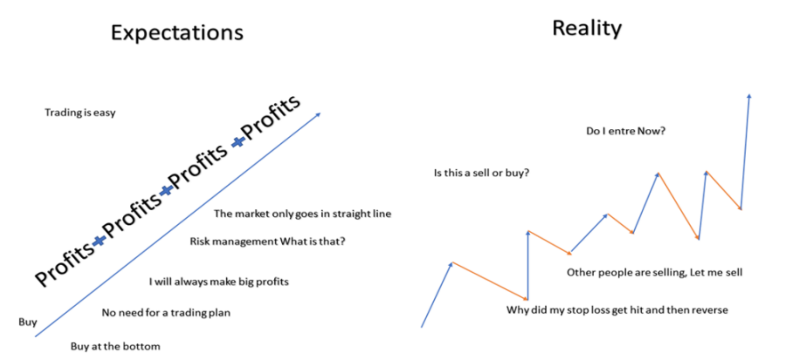


Fig. 5.4 Traders Expectation Vs. Reality

An important is to be careful to lose lesser than what you win. Protect your capital by managing risk. The financial market works with finance. You need to cut losses quickly and let profit run which is counter to human nature.

6 - Order Types and Best for Profitable Trading

Want to know How to do trading like stock market professionals? – Entry, exit, and order types?

An order is an instruction that an investor or trader gives to buy or sell instruments/stocks/ strike price on a trading platform or to a stock broker.

There are multiple ways of starting a trade in trading with the brokers portal. Below are some common order types that you MUST know:

1. Market Order

A market order gives you whatsoever price is available in the bazaar. A market order is a trade order command to buy or sell a desired financial instrument like Options, future on a present market price. In such an order type, the price is decided by the market available rates. Continuous price variations and spreads make market order quite risky to open a position. Market orders are advantageous especially when you require to get into or exit the trade immediately.

2. Limit Order

A limit order is a type of trade order to buy or sell a determined instrument at an exact price. It allows the trader to enter the market on a strict price level. There are two types of limit orders buy limit order or a sell limit order.

a - A Buy Limit

It is ordered to buy that is price or points placed below the current price. Buy limits used for placing targets order, exit trade profitably.

B - Sell Limit

It is an order to sell (or short) usually is placed above the recent price. The order is only filled at or above the limit price. Sell limits are also used to place targets, to book profit when the price comes to that range.

3. Stop-loss Order: - It is Insurance Policy.

Protection or Stop-loss order can be defined as an advance order to buy or sell an instrument when it reaches a specific price point. It stops for more losses hence called stop-loss order. Most of the traders who fail in trading are due to not following their stops or protection in the system.

For example, if you have bought a stock at ₹100 and you want to stop the loss to 85 if it goes down, so you can place an order in the system to sell the stock when the stock comes to 85. Such an order is called 'Stop Loss or protection'.

Some trades make a joke of protection, by asking what is a stop-loss? They think **It is made for hunting to the operator or market maker, right?**

Not categorically.

Placing stop loss is an art, for your trading, some may have narrow stops losses and some may be wide protection. Before entering the trade, you need to know the protection first, so you can play the right number of lots or shares so your maximum loss on a trade is within your limits as per your trading plan. You can't change the stop because that it questions the sanctity of the game. You can adjust your lot size or share size to make the potential loss within your specific limits.

Consider trader Mr. Sandeep, He works in Yes bank, hence he bought shares of Yes Bank at 300 rupees. Like everything in the bank is good, and he didn't undergo any pieces of training for protection, He has not kept stop loss in the system. Once the stock reached 60 rupees, he again invested in the stock hoping he will recover his losses. Again, that stock rate has fallen up to 15. Then literally he was crying in front of me and asking for help. Now nobody can help him. Now he is waiting to increase the prices.

Some traders, Win the trade the wrong way - sometimes traders get benefitted by not maintaining stop loss in the system and sometimes he wins also. But that may pay huge losses in the next trades. He doesn't remember the losses due to his mistake; he/she will always remember earlier one win. That is the way the mind works; it recalls what it wants.

We do coaching for the traders, during our trading journal analysis we have observed that most of the huge losses are due to not maintaining protection in the system. Sometimes, you may violate the stops because you remember only that one time when won the trade.

Consider trader Santosh. Maybe you can relate to his story. He goes long on a stock. It never goes quite right. The futures start slipping. His stock hits his stop. He does not sell it because he feels he is an experienced trader and his stock deserves a little more room. After all, his stock is holding up well, it is just the futures that have slipped. If they come back, surely his stock will do well. If he sells now, it is likely to reverse. And because he is in the trade, it is worth a little more investment to give it a chance. Does this sound familiar?

The stock does not come back much, and Santosh starts looking at his stop. He realizes that his stop was tight, and just a little bit lower is a major area of support. So, he makes that his new stop. Of course, that stop comes close, and he now looks and realizes that the low of the day is not far below, and that will be solid support. That will be the final stop.

Of course, as that stop gets violated, Santosh starts thinking that he can't sell it now: it can't get any lower, and it is due to bounce. Besides, the daily chart has support in this area. Finally, in some truly sad situations, Santosh may start looking up the fundamentals of the company. He has taken a scalp off of a five-minute chart and now has an investment. How did this happen? Does any of this sound familiar? Looking back, that original stop was not such a bad idea.

So, what do we do? First, as we discuss in this book thoroughly, have a trading plan with defined risk. You need to define a number of lots or shares you can trade with a stop loss at a time. This strategy ensures that you are trading with a lot size or stock size that allows you to take a calculative loss when required.

Second, have your plan and all of your rules in writing and keep them printed in front of your trading setup. Your plan should be very precise. It should be written as a commitment to yourself. Your mind responds differently it see the written words. Yes, it does. You must write and analyze your rules regularly.

When trading the Index, stock, future, or options, certain things are in your control and others are not. A good trader always does the things to reduce his risk on things that can be managed, like using limit orders instead of market orders and using Stop loss Limit order over SL-M, especially when trading contracts with a narrow market depth.

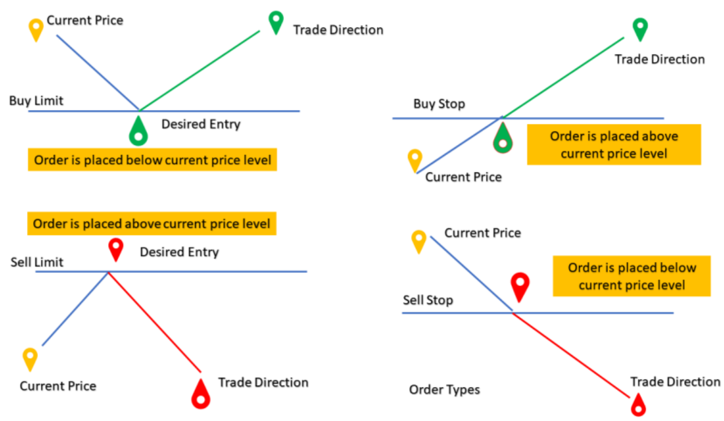


Fig. 5.6 Stop Loss

Write your rules keep in front of the system, and learn to follow them without missing. Always remember, that many retail traders held positions of YES BANK from 300 to 15 or lower over the last two years. Did people intend to do this? Did they use plays with 290 stops? Of course not. Most of them entered a day trade with a tight stop and did not honor the stop when it hit. Once that happens, it becomes harder and harder to sell at any level. This is why we call the stop an '***insurance policy.***'

How to Use Stops by beginners

Beginning traders must use protection in the system. Experienced traders who trade large positions may choose not to use stops because as they hedge their position by selling ATM options and Buying far OTM Options. You should place profit orders with a 2:1 reward risk ratio. Stops should not be used routinely to exit positions but should be placed to safety measures against unexpected moves. Stops are a form of accident insurance. We all have insurance, which is useful when something goes against us.

Stops should be placed outside the price limits with the nearest support or resistance. Protection should be placed above the nearest resistance or below the nearest support. Your stop-loss order should be triggered only in the reverse move happens. If you expect to be away from the market for any significant period, use stops loss order.

If you are trading online, sometimes you may experience internet network failure at any time. In the event of a sudden fast move happens in the market, to protect yourself against these losses, use stops losses.

4 - Trailing stop Loss order

A trailing stop is like a safety net that carries with you profits. The trailing stop is moved in the direction of the trade - upward for a buy position and downward for a sell or short position to protect you during a trade. Some traders use trailing stop loss in Option buying, to exit the positions as the probability of falling rates is high in a highly volatile session.

5 - Margin Intraday Square Off Order (MIS)

This is an intraday order. This means each order needs to be squared off or closed during one trading day. This is beneficial for the day traders, as overnight risk is not involved. And in case you don’t close the trade before 3:00 PM, the trade gets automatically squared off or closed by the broker or his system. leverage is the amount of money you can borrow to place a trade. In such orders, you pay a portion of the amount you are trading. The broker pays the rest of the amount. It is highly used in the Forex market.

6 - Bracket Order (BO)

Bracket order is the combination of many orders that are placed simultaneously allowing you to fully automate a particular purchase. It essentially consists of 3 Legs of orders, which allow you to place a buy or sell order, its target order with a stop-loss order. This results in a fully protected order in the system allowing you to both automatically book profits or close positions during losses.

You can use Bracket Orders for intraday trading. Choosing the right order type can help you to maximize your profits in stock market day trading.

If you want better control of profit booking and loss targets? Learn how bracket orders help you systematize exit strategies and help to achieve your profit with minimum risk.

An important factor of a successful trading strategy is risk management. which helps you manage possible profits and losses. Bracket orders help you to book profit when the price reaches the desired level.

How brackets work

Bracket orders can be used with three types of conditional exits: a profit booking exit, trailing stop exit, or stop loss exit. Exit orders are mutually exclusive, if one triggers, the other bracket legs will be canceled automatically.

Two benefits of bracket orders

This systematizes your exit strategy especially in day trading and it helps you separate actions from emotions.

a. Bracket orders give you the **flexibility** to set up a plan before or after starting a position. You can place this order while trading futures, equity, and option with predefined profit and loss exit points.

b. Bracket orders are **automated**, potentially making your trading more organized during your initial period of trading. If profit or loss targets are met, the order will execute even if you're away from your trading platform.

What is Long and Short?

Short Selling

Prices fall in more quickly than they rise, so the potential profits can be greater. Selling something short is a topic that confuses some people.

Many beginners confuse to do ‘short’ in a market or not. Let’s first deal with being ‘long’: Normally when you buy shares, this means ‘going long’ or ‘taking a long position’ in the shares or futures. You would do this as considering price will increase.

Going Long: Suppose, initially you don't have a position in any forex pair or index Nifty. You analyze and your view is that the market will go up. Now, you want to start a trade; you can buy a futures lot that is a 'long' position. Now you own a position that you could sell. It is similar to a grain trader who buys wheat from a farmer. The farmer is 'long' for wheat and after the trade, the merchant is now long for the wheat, it's simple.

The reverse of this, as you might expect, is 'going short or selling', 'taking a short position', or 'shorting the stock' – these all mean the same thing, and you would do it in anticipation that the shares will fall in price. It is the reverse of our normal experience of acquiring first and selling later. What you are doing is selling the shares before you buy them. You sell the shares at the existing high price, wait for the price to go down, and then buy the shares to replace those you sold and profit by the difference in price. You finish up not owing anyone any shares, and with a profit.

Decrease losing positions and add to winning positions (Pyramiding)

Most beginning traders make the mistake of increasing their position when a trade has moved against them, they make losses. Their logic is this: averaging in lower-cost shares with higher-cost shares lowers the overall cost per share. From math's point of view, it is correct. But this is the finance industry, it has its own rules or no rules, averaging is not a good practice.

If there is one error that destroys a trader, it is averaging down. NEVER, EVER, AVERAGE DOWN, means don't add position when you are wrong. The first **important point of successful trading is this: reduce losing positions and add to profitable positions.**

However, you can add to trading capital when you are in profit, cut back when you are in drawdown.

If you are committed to becoming a consistently fruitful trader, ***then every loss is a lesson like Guru****. A loss is not a loss if you have taken an important message from it.*

What are Futures?

A futures contract is simply a binding contract to buy or sell something at a future date.

One of the reasons that futures were designed was to help farmers control their costs and predict their income without more differences in prices. A farmer could know in advance how much they would be paid for their crop yield or livestock when they sold it six months hence, and this would allow them to plan their spending, and even to adjust in cropping pattern if another would give them better revenues.

Futures provide an excellent chance for profit, which must be balanced against the risk related. A futures contract is a derivative.

The other party or buyer to this futures contract might be a grain processor or mill owner, who would like to manage and regulate his costs and secure a supply of grain for future production. Both the farmer and the mill owner would advantage out of having a predictable future, they won't bother about price fluctuations. What they are undertaking is ‘hedging’ their positions so that they don’t have any surprises at the last moment.

The price that they agree with at the beginning or start is one that they are both happy with, so the futures contract has no unfairness. It is only over time that it may become clear that the price will be higher or lower than the market price that will be available when the contract comes to expiration.

Suppose it looks like there will be a bumper crop, so supply and demand will be low and that pushes the price lower. Do you think the investor would like to hold a contract where a manufacturer has assured to pay a certain price, regardless of what the market price is? Of course. That means that the futures contract takes on a value, and can be purchased and sold to different people at any time.

Commonly, futures contracts have a value that is derived both from the basic price of the goods and from how long it is until the date it can be settled, called the “**time value**”.

The ‘underlying asset’ is the underlying foundation of the contract. As above, the underlying can be a solid physical item, commodity, or index of top 50 companies such as gold or NIFTY INDEX. The underlying may be perishable, such as crops or “corn commodity”, and this is the basis of commodity trading. But the underlying could also be single stocks or stock market indices, and the futures contract would be based on what value these things attained at the expiration date of the contract. Futures contracts are a commitment to a deal, a buying, and selling, of the underlying at the future expiration date. You can buy and sell futures contracts before they get expired, as they change in value over time, and this is how you would make **profitable trading regularly.**

I want to mention here that the futures are not the only way to commit to buying and selling something in the future. Before futures were finalized, there was a very similar thing called a forward contract. Forward contracts were specifically written for the two parties who wanted a contract. They could mention the price, the date, the quantity, and the type of item to be bought and sold; in fact, they could put whatever they wanted in the contract. And forward contracts are still used today when two parties can agree on definite requirements.

What are the Options?

An option is a type of contract that allows & but doesn't require an investor or trader to buy or sell an underlying instrument like a commodity, Index, or ETF at a certain price for a certain period and Options do not represent ownership of the company.

Option: You pay for the option, or right, to make the deal you want. You are under no obligation to do so.

Derivative: The option derives its value from that of the underlying asset.

Let take an example of "Call" and "put" options contracts for the right to buy or sell an asset. Options give traders more leverage than buying the asset on its own. Buying options is betting on stocks to go up, down, or to secure or hedge a trading position in the market.

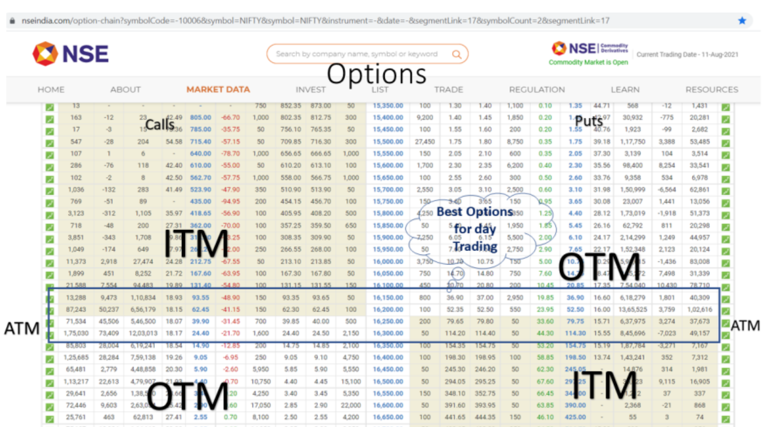
Options, at least if you are buying them, will only cost you a certain less amount and that is paid upfront. There is no additional obligation no matter how far the trade turns against you. As you may have predicted from the name, options contracts give the buyer the option for buying or selling it. So, it’s like a futures contract to the extent that a future deal is defined in advance at a defined price. However, as you have the choice of whether to go with the deal, then you will only 'workout the option' if it would make you a profit.

Options will cost you something that is called a '**premium**', Which is once paid you don't have to take any additional losses. There is a common saying in the stock market, *you have more choices when you trade options*. You can pick the price that you want for the underlying, and you can choose any "strike price" that may be ITM, OTM, or ATM. That strike price decides how much you pay for the premium.

Options strike prices are referred to as 'in the money (ITM)', 'at the money (ATM)' and 'out of the money (OTM)' depending on the price of the underlying associated with the contract price.

Any strike price the price for the call option that is above that share or index price is considered to be "out of the money." Conversely, if the strike price is under the current share price of the Index, it's called "in the money."

For example, in Nifty spot price, the 16100 option is 'out of the money, and the 16300 option is 'in the money. If the underlying was at the same price as the option contract price, then it would be "at the money" 16200.



So, you can make a profit in a rising or falling market, as long as you predict or forecast the moves of the index correctly based on the Central pivot Range.

We can say that the call options are usually bullish, while put options are usually bearish.

Trading Call vs. Put Options

Buying a call option is essentially betting that the price of the share of security or index will go up during a certain time or amount. When purchasing put options, you are expecting that the price of the underlying index or commodity to go down over time so, you're bearish on the stock or index.

Options trading (especially in the stock market) is affected primarily by the price of the underlying security or asset, time until the expiration of the option, and the volatility of the underlying asset. The premium of the option (its price) is calculated with intrinsic value plus its time value (extrinsic value). Volatility in options trading refers to how huge the price movement up or down is for a given index or stock during a certain period.

Value: Time Value and in/at/out of the Money

If you are buying an option that is previously "in the money" (meaning the option will instantly be in profit), its premium or the price will have an added cost because you can sell it immediately for a profit. On the other hand, if you have an option that is "at the money," the option is equal to the current stock price. And, as you may have forecasted, an option that is "out of the money" won't have additional value because it is now it is not in the profit.

If an option (whether a put or call option) is working to be "out of the money" near its expiry date, you can sell options to get advantages of time premium by theta factor decay. If an option has a lot of time beforehand it expires, the more extra time value will be added to the premium (price).

What is Open Interest?

Open Interest is well-defined as a count of the total number of buy or sell positions visible for everyone. It is also an indication of easiness to trade, type of trading volume. Open interest is taken as a symbol of the **liquidity of a contract.** It is used for futures and options contracts and is a count of all the remaining futures or options contracts that are out there. Remember, for every buy position there must be a sell position, so if you added them together you would be doubling the number of contracts. If there are many people involved in trading the futures or options contract, then it will be easy and simple to open or close a position because it's simple to find a buyer or seller when you want to trade. With experience, I mention here, volume and open interest for futures and options contracts are not as straightforward as volume is on shares. However, when both volume and open interest are rising, along with an increasing price, it is a strong validation of the trend.

Conclusion

If your option's underlying stock or index price increases or doubling your call or put option's value, you can exercise the contract instantly to book the profit even if you have many days left for the option expiry. You can enter the trade again after profit booking.

- Create a good exit plan for your option.
- For Option buying The cheaper an option's premium is, the more "out of the money" the option typically is, which can be a riskier investment with a low-profit probability if it goes wrong.
- For Option sellers, OTM is a good choice.

7 - Central Pivot Points / Range & Moving Averages

Central pivot range is the modern tool for day trading. It is very useful if you know and analyzes it correctly.

A trader needs to understand his or her strategy and should know when that strategy is best suited for execution in the current market. Think of that training, webinar, or any kind of piece of training, no matter how excellent, as only information. The process of taking that information and translating it into a workable system requires hard work, experience, and discipline on your part. Patience is necessary to play the bigger time frame.

Central Pivot points or Central Pivot Range

A pivot is an unbiased zone where the bullish and bearish sentiments of the investor and traders are in balance. A pivot is also a level from where you can determine a directional move in the price, Index, or premium value.

There are several pivot points used by price action traders, but the one that is working best with our strategies is Central Pivot Range or CPR Indicator. Central Pivot Range (CPR) Indicator for day trading is usually the best trading method to execute the trade. Most of the institutional traders use average mechanisms to decide their position. They trade in high quantity hence the average price is very important for them. Hence CPR setup is working perfectly for day trading and it is very easy and simple to use just you need to keep patience and let your setup form and then you can enter your positions. You must follow the money Management, and reward risk ratio for profitable trading.

The pivots offer one of the best and easiest ways to profit from exact trending markets.

- A pivot is a particular level of price at which the stock or Pair in forex or instrument is said to be at a balance between the buyers and sellers.
- It is also a key juncture where the buyers and sellers may fight for deciding the direction for further price action.
- Hence A pivot is a level from where you can predict a directional move in the price.
- The pivot range is where the market is likely to find support or encounter resistance. If it manages to break through the pivot range, the market would likely make a weighty move in that direction.

Figure 7.1 Daily pivots on the intraday chart of Nifty illustrating the price action prediction.

Pivot Trend Analysis

The primary important development of my trading career occurred when I first discovered the power of Pivot Points and the Central Pivot Range. After reading the book “Secrets of Pivot Boss” written by Franck Ochoa where I got more clarity about price action trading. Until then, I was trading only off chart patterns and candlestick combinations. Once I studied CPR then my accurate trading direction and thinking transformed. I felt that I had finally merged with the trader’s elite.

Many traders and institutional market participants are using these pivots to master the market for periods. Larry Williams re-popularized the formula by including it in his book, How I Made One Million Dollars Last Year Trading Commodities, in 1979. He described the “Pivot Price Formula” that he used to arrive at the next day’s probable high or low. Many successful traders in the world have implemented the pivots and have even combined them into many indicators with their favorite indicators.

Central Pivots range is very influential price-based support and resistance levels that are calculated using a previous period's high, low, and close.

The CPR is very crucial in pre-market analysis and assignment, as well as during live market hours. When preparing for the day ahead, you should focus on the CPR of the upcoming day, in combination with the CPR of several preceding days. This will give you the idea of whether the pivots are progressively higher or lower, and whether the pivot width is narrowing or increasing over numerous days.

The Central Pivot Range Formula

TC = (Pivot - BC) + Pivot

Pivot = (High + Low + Close)/3

BC = (High + Low)/2

This formula I have taken from the book secrets of pivot boss, author Frank Ochoa

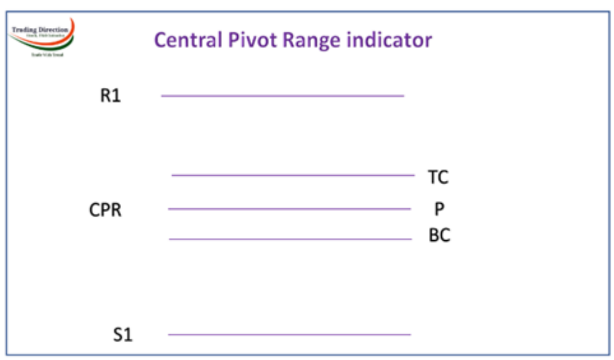


***Fig.** 7.2 Central Pivot Range Leading indicator*

The main reason these pivots can be so extraordinarily precise is a modest fact that market makers are observing and acting on these significant levels. Central Pivots offer a wonderful way to the sight of the market. Investor and Trader psychology and the human style have remained the same for decades due to **fear, greed, hope, and uncertainty**.

The pivot range is pivotal in terms of the market's direction. If the market successfully breaks through the pivot range, it should have adequate force behind it to make a considerable further move. Equally, if the market is above the pivot range and makes a move descending, it will find support at that level. If the market does break that support, it should have adequate force behind it to make a significant downward move.

Pivot Width Analysis

Analyzing Pivot width is a simple, yet powerful concept. Pivot width plays an important role in your ability to forecast market behavior. This analysis allows you to prepare for certain types of trading scenarios and utilize specific exit methods reliant on the width of the pivots. An unusually wide-pivot width usually leads to sideways trading activity, while an unusually tight, or narrow, pivot width typically yields breakout and trending behavior. The vital word here is "**unusually**," which is to say the pivots are unusually wide, or narrow. When the width of the pivots is unusually wide or unusually narrow, the chances for forecasting price behavior increases. If pivot width is of average size, then no factual behavioral cues can be concluded with any degree of accuracy. Therefore, you must be well-organized and honest in your approach to understanding important pivot width characteristics. Wide central pivot range allows us to anticipate a Trading Range or Sideways Day scenario, thereby permitting us to either sit on the side or trade short-lived intraday bounces with logical stops and close targets.

The quiet trading behavior of the first day led to the extremely narrow pivot width for the second day, which essentially led to an explosive breakout move. The breakout action of the second day directed to the unusually wide pivots for the third day which ignite a sideways movement. This isn't rocket science.

Sometimes, the market will not always behave as projected, but preparing for a course of action allows you to know when the market is following the script, or mixing the script.

Great traders do not require profits to be big; only those profits are easy and peaceful.

Here's an image that might help explain the concept of a width of the Central pivot range. Picture a fleshy man standing in profile. The distance between his stomach and his backbone is the pivot range. Now, imagine the market is a weapon (Spear). If the man is wearing a suit of shield, that sword isn't going to penetrate that man's stomach. It's going to **bounce** off it.

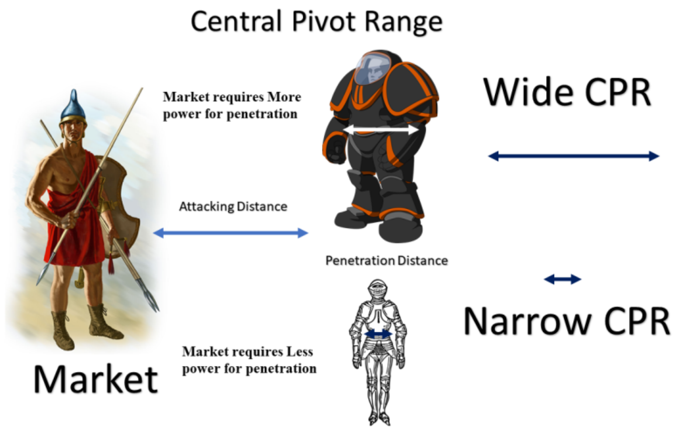


Fig. 7.3 Market width illustration

But what chances if the uniform of armor is weak? It's corroded and has a hole in it. In that case, the sword of the market will break through the armor and slice the man's stomach. It may take some effort to break through, but once the blade of the Spear or sword hits his soft stomach, it won't take much force to get through the other side. Then the man (the Central pivot range) is going to have a Spear/sword (the market) protruding out of its back!

If you're a day-trader or aspiring trader, you will use the high, low, and close of the previous trading day. If you are a longer-term player, you will use the high, low, and close of a longer period.

How to use Daily Pivot Range for trading?

What does CPR tell you? First, the underlying attitude or sentiment of the market. It can be known by the close of the previous trading day compared with today's pivot range. If the previous day's close was above today's daily pivot range, that would be considered bullish for today's trade. If it closed below the daily pivot range, it would be considered a bearish trading day.

Today's high, low, and close establishes the daily pivot and daily pivot range for tomorrow. Depending upon where the market established the previous day, the daily pivot range would either be support (Below the close) or resistance (above the close). If the market is established within the daily pivot range, it would be neutral.

Remember, the CPR system is symmetrical. What acts on the upside likewise works on the downside.

Reverse Role of Pivot

In conclusion, pivot levels are nothing but support and resistance, after broken, they also reverse their roles. The daily pivot levels tend reversing roles. Like any resistance which is once broken will turn into support during pull-backs.

Best Pivot Range Trading Strategies

Let's take a look at some specific strategies using only the pivot range. Trading in the Central pivot range is like trading in the original range. This is a neutral area until the market gets out and closes above or below the CPR.

We used the movement or momentum of the market around the pivot range to determine our strategy. If the market did manage to break through the pivot range, we established a short or long position/bias. If it broke through a support pivot range, we became sellers; if it penetrated a resistance, we will become buyers.

CPR Plus, and CPR Minus Days

An additional concept that is designed from the Central pivot range is what we call the CPR *plus* and CPR *minus* days. This is a simple scoring that is based on how the market performed in history. I call this *conveying a value to the pivot.*

- If the market opens below the pivot but closes above it, it's a plus day - *Opening trade Range < Central Pivot Range < Close price* = ***Plus, Day***
- If the market opens above the pivot but closes below it, means it is a minus day. *Opening price range > Pivot Range > Close* price = ***Minus Day***

Everything else is a neutral day.

Central Pivot works beautifully for intraday trading. The Central Pivot Range (CPR) helps to identify key price points to set up trades. Previous day's data is used mostly by day traders. Swing traders use past week's data to calculate pivot points of the following week. Positional traders calculate these points every month. We will learn 6-day trading strategies based on the Central pivot range in chapter no. 8. In this book, part 1, remaining will be covered in Part 2.

CPR is a modern tool for analyzing the market. However, it's best to use pivot points together with your favorite indicators like moving averages, candlestick patterns, etc. It is the expertise and trader's capability, and how sound he analyzes by using 2 factors.

Analysis trend by using CPR is very easy.

Moving Averages (MA)

Moving averages smooth the price information to form a trend following indicator. They describe the present direction, even though they lag due to being based on past prices. MA's screen out the noise by smooth price action. They are used for many other technical indicators like Bollinger Bands, MACD, and some Oscillators.

These moving averages zone can be used to recognize the direction of the trend or define possible support and resistance levels. The two best-used types of moving averages are the Simple Moving Average (SMA) and the Exponential Moving Average (EMA).

How is the moving average calculated?

A simple moving average is calculated by the average price of an instrument or the stock for a specific number of periods. Moving averages are based on closing prices; for example, a 20 simple moving average is the 20-candle sum of closing prices divided by 20. Exponential moving averages (EMAs) reduce the delay by applying more weight to recent prices. Of course, longer moving averages are lazy and slow to change. It takes a bigger and longer price movement for a 200-candle moving average to change progression on a 5-minute candlestick timeframe.

Exponential moving averages have usually less lag and are therefore more responsive to recent prices changes. Exponential moving averages will turn before simple moving averages based on the data.

It's easy for the new trader to identify the trend by using moving averages. Let me give you a few strategies. Moving averages are always a good guide for establishing the current trend by analyzing its slope.

Is the 20 moving average is rising or falling?

Is the price above or below the 200moving average?

Is the 20ma above the 200ma?

If the market is too choppy, often a moving average can help smooth things out and provide a clearer vision of what's going on in the market. Prices move above and below the moving average. It also displays an indication as to where the momentum is. It helps to identify whether it's a bear market or a bull market. The sloping moving average is the signal of a trending market.

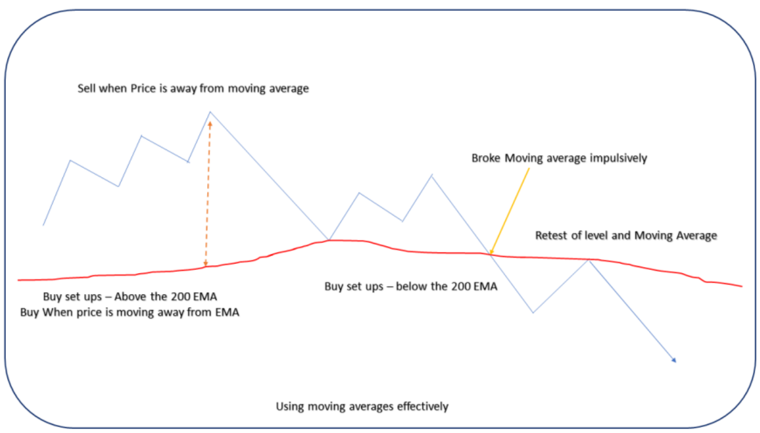


Fig. 7.4 How to use Moving averages for day trading

How to use moving averages?

For Intraday trading on 5 minutes time frame, if the price is above the 200 moving average, you can assume that the market is bullish. As the buyers are interested more to buy the stock above the average. If the price is below the 200 moving average, you can predict that the market is bearish or in a downtrend.

The way we use the moving average is that we see it as dynamic resistance/support.

Dynamic support – When the price is above the moving average and approaches it, the 20 Exponential moving average zones will act as a support base where the price could potentially bounce off.

Dynamic resistance – when the price is below the moving average, the price comes to 20 EMA act as dynamic resistance for one to two times.

The transition from bearish to bullish (vice versa)

One of the most probable moments where the moving average acts as a dynamic support/resistance is when price crossed through the moving average and then retests it or comes back to touch this level. It is possible to gain an entry on the retest provided other confluences are also giving the same signal. Like central pivot Range or price action – Demand and Supply Zone. Your confidence level will increase after practicing many times.

What moving average do we use for day trading?

20 (Blue color line on the chart) and 200 (Red Color line) Exponential moving average.

Fig. 7.5 Moving averages 20 EMA and 200 EMA

I am writing this chapter on 14th July 2021, I have given the same day example, redline – 200 exponential moving average, Blueline 20 exponential Moving average

Use 20 EMA for 1st retracement. It works most of the time, practice and back test it before applying.

The All-Important 200 Period Moving Average

Intraday trading is a world of probabilities. There are few outcomes of the analysis that traders can tally. Traders acknowledge that and follow rules that keep us where the probabilities should be in the trader's favor.

One example to follows those probabilities 200-period moving average and its influence to stop the strongest of rallies, support a fast-falling stock, and push stocks to new highs or lows once crossed. For the intraday trader, we use the 20 and 200-period moving averages on the 5- and 15-minute chart for best results.

Moving Averages, the Power of the 20 M.A.

The intraday trader lives off of the 5- and 15-minute charts. The main moving averages on both of these charts are the 20 and 200 along with Central Pivot Range. We use Exponential moving averages as we have back-tested them.

Sloping 20 EMA is acting as a support or resistance. When 20 EMA is flat there is no use or prices trade in range-bound.

You may ask why this line on the chart matters? Why do stocks respond to them? Is it just because everyone is looking at them? Yes, most of the institutional players average their position and act upon prices once reach these levels.

Reason 1) A 200-period moving average is looked at by most traders and investors. It is often considered the separating line between an 'uptrend' and a 'downtrend'. So, when a stock pulls back to the 200-period moving average, many will find an opportunity to buy.

The second reason is the element that, by the nature of how Moving averages are designed, moving averages can act as a '**timing mechanism**'. For example, a stock gaps up at the open. It slowly pulls back. Strong Index or stocks will pull back slowly and eventually find support at important moving averages. Very strong Index or stocks will base sideways and '**correct through time**'. If you have a question in mind that when is the price 'correct' and when is it time to move on? Habitually, the faster moving average, the 20, has the answer.

Figure 7.6 Bank Nifty Index 5 Minute Chart

For example, take a look at figure 4.3 Bank Nifty gapped up on this day.

You can see that in the chart, as the open price on the 13th is well above the closing price of the previous day. So, this stock was strong at the opening. Do you buy it at open? No. We would not buy the stock at the open that gaps up excessively. How far will it pull back? That is where the rising 20 periods moving average is moving. In the morning, strong stocks that pullback will often find support on the rising 20 periods moving average on the 5-minute chart. Notice, that at 10:55, it took the support of 20 EMA.

Remember, A moving average is not the ‘entry’ point. It tells you to watch for the entry.

I hope this has provided you with some insight into how intraday charts and moving averages can help your trading. Follow Trading Direction YouTube channel for live trading examples based on 20 EMA and CPR.

8 EMA – Exponential Moving averages

Use 8 EMA only after breakout or trending market, for downtrend prices will test 8 EMA and fall. For Uptrend prices will pull back up to 8 EMA and rise.

How to do a market analysis for trading?

Know both the macro and micro phases of the current market. What strategies and targets would be applicable for that particular market, should be a part of every trader’s daily routine analysis.

Many traders get so involved in looking for specific patterns in only a one-time frame. Some traders don't know the concept of looking at multiple time frames. For high probability trading, you want to have both the 'macro' time frame and the 'micro' time frame pointing in the same direction.

Having a plan of what you want to do every day is critical. Gauging your money management and deciding how much should be risked in uncertain conditions in both long and short-range accounts is crucial to fruitful trading.

It is significant to be watchful that an uptrend will also have many down days, and a downtrend will have many up days. Pullbacks are not is not just normal, it's a healthy part of a trend. Money can be made when you learn to make sense of these movements. That's exactly what a moving average line does. Once you understand how to read, read and use a moving average you can make millions in the market, it is a very modest tool.

Most trading software or designed trading algorithmic program considered CPR tools normal. Once you understand when and how to use it, there is no reason why you should get confused about the market's next move, or your own. A moving average cuts out the noise, i.e., the market's random variations, by giving you the average value of the price over a given timeframe.

Once plotted moving averages on your chart, your aim should be to use and interpret them correctly — and make money.

8 - Six Secret Trading Strategies and Patterns

Here is the cream of the book, as a practice, before I disclose my 6 trading patterns and strategies, I want to share a view to show the below facts to all traders (especially for the beginners because when someone is new to the stock market, he needs a systematic approach to the trading). I practice a total of 11 strategies, but in volume one I am sharing 6 patterns, and the remaining patterns I will share in Volume number Two which will be released soon.

But is there any plan that can give a 100% victory rate?? No, So, you need to keep that inattention. Trading is a probability Game, Not Certainty Have a probability mindset before starting your trading career. Traders always calculate the winning ratio. Suppose you are in profit of 7 trades out of 10 trades then your winning ratio is 70%.

Facts to Remember

1 - These 6-day trading patterns are high probable patterns (no guarantee that every time it works, so protection in the system is a must).

In Trading, there are only high probability and low probability setups, so it's best to avoid low probability 2 - setups and trade only high probability setups with a strict Stop Loss.

3 - Self-study and practice are more important to understand these patterns and get confidence for trading.

Start with preparing your chart before the market opens,

Chart Set up

1 - Mark previous day high/low (PDH/PDL), previous day turning points (Refer 5 min TF). It is the default in CPR by trading direction indicator in trading view. If you want its script then request it on indianpivotboss@gmail.com

2 - Mark if any remarkable supply/demand zone from the previous few sessions that can be resistance and support. (Timeframe can be any like 5 min to 15 min)

3 - Mark important previous swing highs/lows and GAPS on Daily Time Frame. (Refer only Daily TF)

4 - For one Index use 2 min and 5-minute timeframe on a single screen to get better clarity of the trade for scalping.

There are fewer chances that Nifty and bank nifty move in tandem, But Their frequency of moving together at the same time is low. Hence, you should take trade independently. Your Nifty move should not affect the trading decision of Bank nifty.

(Lastly remember If there are any Events/News in the market then all these levels may not work correctly, because more market participants at a time)

Six Secret Pattern and Trading patterns and strategies

History repeats itself and so do stock trading patterns! Well, I am going to impart to you some VERY powerful trading patterns that are sure to make you very large and reliable profits! What if you could find a way to accurately predict patterns that work better than 80% of the time? How would this material help you achieve your trading goals?

There is no perfect pattern, well, maybe there is, that can give you a continuous profit; however, there are several that have very reliable movements that you can trust. The key to success in these patterns is your entry and exits. If you master the entry, the exits will result in profits!

Remember, never try to "force" a trade since you are "thinking" it is going to happen. When you are trading this pattern, you need to just let it happen to make them positive. You can implement these strategies for the Indian index like Nifty and Bank Nifty, for futures trading. In the forex market, and high-volume stocks. However, I do not recommend you day trade with options except you are very experienced and can buy more than 4 lots to cover the commission with a small move in the option price—buy options with a Delta of .70 or greater for best results. The protection which I will mention is a must. Stop loss is non-negotiable and MUST be followed with 100% trading discipline! REMEM BER, you will have setups that may fail, but you will have many more that will result in a profit, so do not concern about losing trades,

1. Pivot Force Trading
2. CPR breakout – Breakout after consolidation
3. 180 Reversal Pattern
4. Wide Virgin CPR U-turn
5. Bullish candle breakout
6. Bearish candle breakout

Here we will learn in detail about patterns and how to trade this with the good reward risk ratio

1st Pattern- Pivot Force Trading

- This pattern is based on daily Central Pivot Range
- Origin or start of the 1st five-minute candle should be from central Pivot
- The first candle has to be bullish or bearish.
- Entre after the closing of 1st 5 min candle
- Stop loss above the pivot with buffer
- I have seen price easily approach to PDH/PDL, so better to book profit at PDH/PDL for a good reward Risk ratio.
- Sometimes if it synchronizes with the long-term trade then you can ride the profit
- Below I have given the pictorial example for best understanding

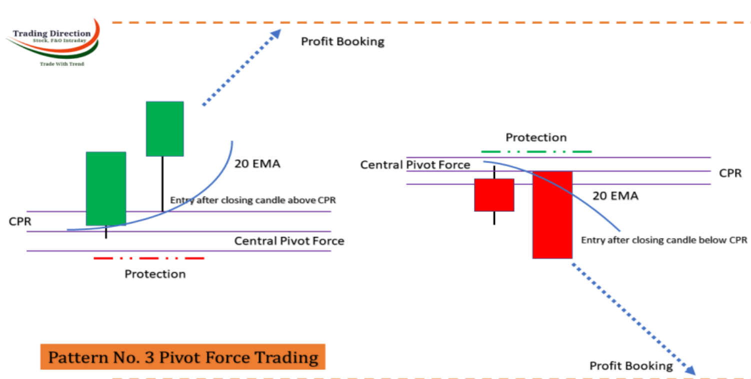


Fig 8.1 Pivot Force trading graphic view

This pattern is very effective for intraday trading and may give a trending day.

For bullish pivot force trading, entre once 1st candle is closed, and stop-loss below the pivot as shown in the picture.

Now we will see trading charts of Bank Nifty for back testing.

Fig. 8.2 Nifty Bank Pivot Force Trading - bullish

A. Entry for the trade
B. Protection below the central pivot
C. Profit booking with 2:1 reward risk ratio

In fig. 8.2 you can see Index opened flat and with support of Central Pivot range it formed 1st green candle. Once you see green candle and index start its journey from CPR or from Near the CPR then you can entre for long. As a process, you need to maintain stop loss below the Central pivot and profit booking with a 2:1 reward risk ratio.

Another confirmation for this pattern is Prices are starting their journey for the day from 20 EMA. (Blue line is 20 Exponential Moving average). And prices are above the 20 EMA, which indicates bullishness of the trade.

Once the first bullish candle forms above the CPR (previous day Average) all other market participants enter the trade and hence index moves very fast. As the candle is taking support of the Central pivot range, it is very strong support and resistance at, beginning of the session.

Prices above the 20 EMA are a clear indication of the bullishness of the trend. If you want to trail the stop loss then placing a stop loss below the wick is the best strategy. You have to always ask the question is there a trading opportunity today? If yes then entre.

This is an example of bullish pivot force trading. Next, we will learn bearish pivot force trading for Nifty. If you want to design a algo based on this strategy then you can contact me at stocktradingdirection@gmail.com for more help. Or you can follow on YouTube channel Trading Direction.

***Fig. 8.*3 Nifty Pivot Force Trading - Bearish**

A. Entry at 1st five-minute candle
B. Protection above the central pivot with a little buffer
C. Profit booking with a 2: 1 reward risk ratio
D. 1st red candle originating from CPR is the confirmation of the bearish trend.

Observe there is descending CPR that is the 1st sign of a downtrend. Don't forget the basic psychology of the market while taking action on advanced strategies. That creates your subconscious focus on high probable trades.

In Pivot force Trading at market opening, you will learn the trend of the market. Usually, the market will be more trending when there is narrow or medium CPR. And you can ride your profit. Whenever market it extra wide then you can book your profit at PDL (Previous day low). Hence Pivot force trading is morning session trade. It applies to Narrow, Medium, and wide CPR. If it originates from CPR and 20 EMA then the probability of reward will increase. This is One of the most favorite patterns. If you miss the entry in the 1st candle then you can enter after retracement near and below 20 EMA. More examples we cover in the webinar by Trading direction. You can subscribe to the YouTube channel of **trading direction.**

You need to be disciplined and maintain your objectivity for profitable trading - Christopher Cathey

2nd Pattern - CPR breakout –after consolidation

In 1st pattern is based on the candlestick formation first candle of the day. Whereas this 2nd pattern mostly occurs mid or late afternoon sessions. If CPR breakout is happening after consolidation, then it's a real breakout. This is high probable trade.

Breakouts refer to the points when the stock price moves beyond the support or resistance level. In CPR it refers to the points when the price moves beyond the TC (top line of CPR) or BC (bottom line of CPR) level. CPR breakouts are helpful in trading as it indicates the chance of continuing with the prevailing movements.

If a break occurs through CPR level, you typically see a blast of buying pressure that rises prices immensely higher, it is also an indication of fresh buyers participating in this event, step into the market actively to advance price to a higher value that creates momentum. CPR breakout can increase the success rate to approximately 70%.

In Fig 8.4 initially, prices are below the central pivot range, once they approach the CPR there are few red candle formations, price moves in a range, once the candle effectively closes above the CPR then you can enter in the next candle by keeping a stop loss below the pivot.

Following this CPR indicator religiously takes some time. It takes time to trust on the new indicator. Once you do practice then you can do trading by using CPR and 20 EMA. Don't CPR in the wrong way so understand this strategy and do back testing in your demo account.

Central Pivot Range Breakout

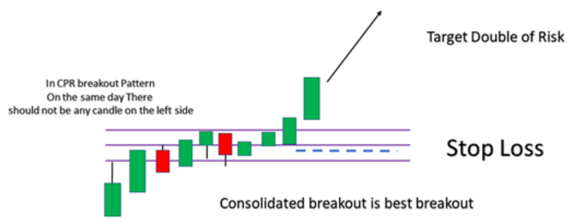


Figure 8.4 Graphic view for Central Pivot Range breakout after consolidation

Central Pivot range breakout gives good reward risk trade is breakout is truly strong. When the candle approaches CPR, I keep a close watch on price action Inside CPR. This is the place where sometimes reversal happens and sometimes breakout.

Breakout after a little consolidation is a valid breakout. If consolidation happens inside the CPR then it is good. A more powerful breakout happens when there is an Average to somewhat wider CPR. Breakout from very Wide CPR and too much narrow CPR is not significant. If the breakout materializes above the 20 EMA then it is the effective bullish breakout, likewise, if the breakout happens below the 20 EMA then it is an effective bearish breakout. Breakout without consolidation is a fake breakout and will not sustain the move. After learning this strategy, you need to do back testing and deal with the real money.

Central Pivot Range Breakout - Bullish

Figure 8.5. Central Pivot range breakout – Bullish, Bank nifty on 5 min timeframe

When the price is crossed CPR with plenty of energy, the market can get at an advanced rate of speed, reaching the R1 target very fast. There is no left side candle on the same day. That indicates there is **no resistance** and a clear pathway.

In above figure 8.5, the price rising from S1 and then making a stage at CPR.

- **A)** Breakout happens with a huge bullish candle, long that candle.
- **B)** Protection below the Central Pivot, here the risk is more and Reward is also high
- **C)** Book Profit at R1 or with 2 Rewards.

In Figure 8.5

The market has consolidated near 20 EMA lines and CPR zones of resistance before deciding to head higher.

CPR Breakout Bearish

Figure 8.6 Central Pivot Range breakout bearish – Bank Nifty on the 5-minute timeframe

In the fig. 8.6 figure Bank, nifty opened inside Gap down and made two bullish candles. But sellers become aggressive at the Previous day high which created selling pressure. For about 15 candles it consolidated and once the red candle closed below the Central pivot Range you can enter for short near to the 20 EMA and wait for trade development.

A. Trade Entry below and near 20 EMA
B. System protection above the Central pivot
C. Profit booking candle with 2: 1 reward risk ratio.

Advance strategies are designed based on basic rules, If the price is below the CPR and making bearish candle, then it is the clear indication of active sellers with a strong bearish day trend.

This is highly probable, Sometimes, if this trade doesn't work then exit and book loss. In reality, most people naturally can't accept losses. That becomes a problem for success.

We have learned two patterns that are based on the central pivot range indicator and price action near the central pivot range.

3rd Pattern - 180 Reversal Pattern

This pattern is based on price action and traders' psychology. 180 Reversal Pattern most Powerful for Instruments and Time frames. This is a reversal trade pattern.

- The most powerful event in the 5-minute timeframe. The location of this pattern increases its probability.
- It is the Important Turning events
- Easiest to recognize
- Applicable for All Time frame: I use in 5 Minute and 2-minute timeframe
- Applicable For Equity, futures & Options market, commodity and forex market.

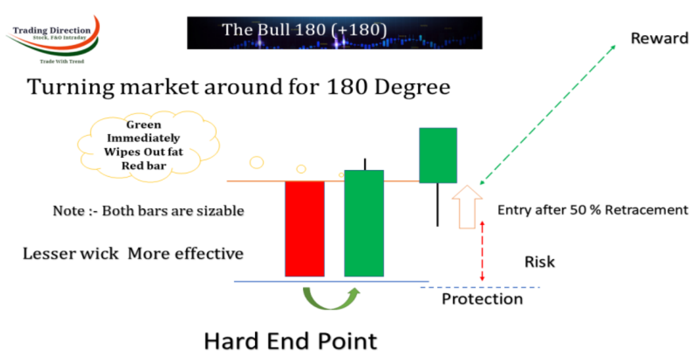


Fig. 8.7 The Bull 180 reversal pattern graphical representation

When the Market is bearish, suddenly green candle forms and it wipes out the red candle it indicates that strong buyers entered the market. Buyers will add their position at average cost, which means at approximately 50 % retracement. They will ride their profits hence further moves will be strong at least for 3 candles. The location of this 180-reversal pattern formation plays a very important role. We will see this in the real chart of the index.

1. Bull 180 reversal pattern is more powerful above the CPR, as it is the buyer's zone.

2. It is also more effective above the 20 and 200 EMA.

Fig. 8.8 Bull 180 reversal pattern in Nifty 5 Min timeframe

On this day Nifty 50 index is bullish and **above the CPR** and 20 EMA. Red candle formation above the 20 EMA is buying opportunity. There are two to three events where the Bull 180 pattern formed in the bullish area.

For the 1st time Once the bull 180 candles are formed you need to be ready for entry near the 20 EMA by keeping Protection below the red candles low or below 20 EMA. Book profit when prices move away from the 20 EMA or with a 2 :1 reward risk ratio.

Around 1 Pm 180 reversal pattern formed on the 20 EMA. Bull 180 pattern formed in the bullish zone. Don't hurry to enter, wait for the 50 % retracement, after retracement enters, and keep stop loss below the green candle of bull 180. Profit booking at C.

Your immediate assignment is to open your favorite stock or index and find the 180-reversal pattern and its location. Write your observation of what happened after the 180-reversal pattern below.

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Bear 180 reversal pattern

Fig. 8.9 The bear 180 graphical representation

Bear 180 Pattern is valid and has a **high probability below the CPR** and 20 EMA.

The initial green candle is buyers and when sellers wipe out the power of buyers, it indicates buyers are in a trap and sellers want to increase the profit.

Fig. 8.10 Bear 180 Pattern in Nifty Bank on 5 Min time frame.

In fig. 8.10 nifty bank, before 180 reversal pattern formation previously one candle was green, which again increase rewards for this pattern.

A. Right place entry for short
B. Low-risk Protection above S1 and above the red candle
C. Profit booking with 2:1 reward risk ratio.

This pattern is simple to spot and easy to execute on 2 Min, 5 Min, and 15-minute timeframe charts

180 Reversal Trading rewards

- *It happens every single day*
- *You may not capture all*
- *Identify location and entre*
- *Protection below the entry candle Risk Only One bar or Half bar (Candle)*

The market will turn once the red bar wipes out the green bar. It is good for a short trade.

Fig. 8.11 Nifty 50 bear 180 on Central Pivot Range and at near 20 EMA.

A. Entry once candle crosses 20 EMA
B. Protection above the 180-reversal pattern
C. Target with 2:1 reward risk ratio or at S1

Effective locations for 180 reversal patterns

- Near Support or Resistance like Pivot, PDH, PDL
- Near or on the 20 EMA or 200 EMA
- Near CPR or on the CPR
- Before bear 180 the 3 green candles increase the probability.
- For more Accuracy – Practice and back test on your favorite stocks

4th Pattern - Wide Virgin CPR Reversal

- This pattern is based on the Past 5 to 6 days virgin Central pivot range.
- If the price levels for a particular timeframe do not touch the CPR levels of the same timeframe, then that CPR is known as **Virgin CPR.**
- If the width of virgin CPR is more then it probably acts very strong reversal point**.**
- Virgin CPR can be used as a very strong support or resistance level
- There is a 30-40% probability that the price would not touch the CPR levels for a given day

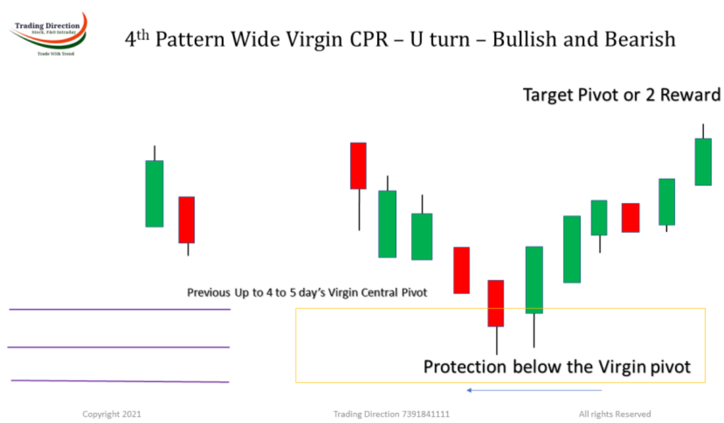

Fig. 8.12 Virgin CPR Reversal pattern graphical representation

The market sometimes reverses from the central pivot or BC, you need to enter with a confirmation candle. We will learn in detail by taking charts.

Entry should be after Green candle formation and your stop loss should be below the pivot of Virgin with a little buffer.

Fig. 8.13 Virgin CPR U-turn Nifty 50 index on 5min timeframe

A. *Entry with a green candle*
B. *Stop-loss with buffer*
C. *Target with 2 :1 rewards Risk ratio*

If travel of the trade starts with too long a distance, then it will act as strong support. As the inventory of the sellers will reduce, they will leave with less energy and buyers are actively waiting at virgin CPR they become active once the price reaches the level. And the sellers start profit booking that leads to a strong uptrend. Virgin CPR is effective for 5 to 6 days. As older it gets, it will become weaker.

Narrow virgin CPR is the weak support and resistance. Hence it will remain weak in the virgin CPR stage. Hence there will not be a reversal from narrow or medium virgin CPR.

We will see more examples to learn more.

Fig. 8.14 Virgin CPR resistance on Nifty Index on 5-minute timeframe.

Observe the width of virgin CPR it was wide sufficient to resist the trade to cross it.

However, Narrow Virgin CPR is not strong support or Resistance

Fig. 8.15 Narrow Virgin CPR is weak resistance

Whenever the virgin CPR is narrow that may break easily. Once it broke entre for the long, as the trade started very near from the virgin CPR and it broken virgin CPR means the market participant has sufficient inventory to take this trade further.

5th Pattern - Bullish candle Breakout

It is a reversal trading pattern; this trending market setup occurs when the market breaks a leading trend and begins to move in the opposite direction. It takes a lot of conviction to break a trend and push prices in the other direction, which means if you can identify the change in trend early enough, you can profit from a very enthusiastic price move, which can last for the day.

This Breakout pattern gives good Rewards and occurs very regularly. This pattern is but an SL shooting pattern. The mindset behind this pattern is when the market opens with a big green candle most of the retail trader's guess is it's a bullish day and it's going to go up, and they start taking long trades on every level, keeping SL below that Green candle. Institutional players or big money know these places where retailers have their SL, and if they can hunt their SL then they know it can lead to a big sell-off since all long trader's SL gets triggered.

As this is a trap and if we compare it with market profile then it is like half trending day pattern.

If this pattern happens below the CPR, then its probability will increase. Because the green candle is happening in the selling zone. Bullish candle formation in the area where sellers are more interested then they got sufficient trapped traders to increase their profits.

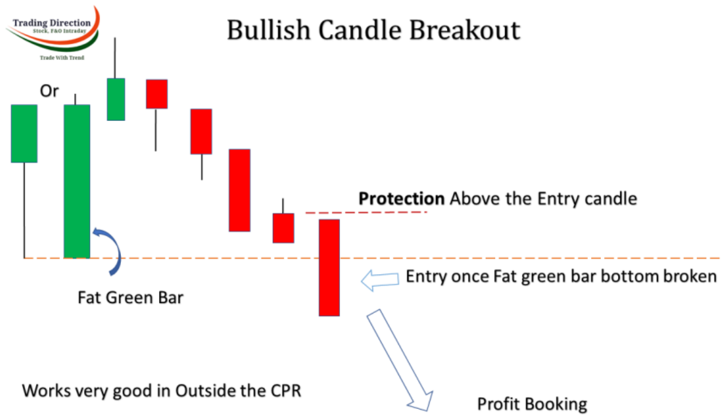

Fig. 8.16 Bullish candle or Pattern breakout graphical representation

- If this pattern happens it is the Indication of Sellers are stronger than buyers
- Pattern-based on the first one candle size of the candle or two candle
- Support will convert into the resistance zone
- They aggressively Sell again, if the price comes near the Resistance zone.
- Book profit based on reward ratio or nearest Support or Away from 20 EMA.
- Bullish candle breakout happened and prices were gone in the selling zone that given huge downtrend.

Fig. 8.17 Bullish candle breakout in Nifty 50 index

In the above pattern bullish candle formation happened on CPR, but once it has broken it has given wild move because of its stop losses get hit and that leads to very rapid move.

- *This pattern is relevant even if the preceding day had a big GREEN candle and its low gets broken the following day.*
- *So, one can take a short position if the first bullish green candle low gets broken.*

6th Pattern - Bearish Candle breakout: - Bullish Pattern

A bearish candle means the candle which indicates a downtrend, but once it breaks bullish trend will be leading the day. This is a trend reversal trading pattern.

- If the red candle breakout happens it is the indication of Buyer are stronger than sellers
- Pattern-based on the first size of the candle
- Resistance will convert into Support Zone
- Buyers aggressively buy again, if the price comes near the support zone.
- Book profit based on reward ratio or nearest resistance.

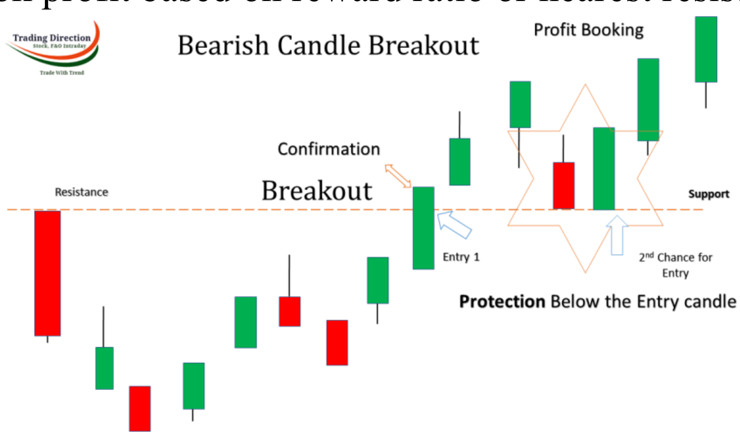

Fig. 8.18 Bearish candle breakout graphical representation

If this pattern happens above the CPR, then its probability will increase. Because this is a bullish pattern and happening in the bullish zone. Red candle formation is just a trap for retail traders. Along with the pattern if you understand the psychology then your conviction will increase for taking entry in the trade. In fig 8.19 1st red candle formation happened on the rising CPR, and above the current day's CPR. Hence this is a high probable pattern.

We will see more details by taking the Nifty Bank Index chart

Fig. 8.19 bearish candle breakout Nifty Bank on 5 Minute timeframe.

If you would like to learn more about this setup and how to trade it then make sure to subscribe Trading direction webinar and another 5 important patterns will be covered in Volume 2.

"The technique to make money is to make it. The system to make big money is to act on the right place at exactly the right time." Jesse Livermore

Here we have completed the 6 high probable patterns with trading strategies. The remaining 5 important pattens we will cover in the next part of this book. Make sure to submit your review in the amazon kindle, Google, and other platforms where you are purchasing this book so that I get the motivation to release the next part soon. Refer to the trading community so that your friend will get benefitted from this secret high probable pattern, thank you very much for sharing!

Understand Support and Resistance basics

- There are two types of support and resistance

Dynamic and static. If two-level matches then it will be a high probable level for trading.

- Most of the technical analysts use support and resistance levels to identify price points on a chart. This increases probabilities in the trader's favor or pause or reversal of a dominant trend.
- Support occurs where a downtrend is expected to pause due to an increase in the demand of buyers for buying.
- Resistance happens where an uptrend is expected to pause temporarily, due to a supply of stocks or activeness of sellers.
- Market psychology plays a major role as traders and investors remember the past levels and react to these levels.
- Support and resistance areas can be recognized on charts using moving averages, Pivot points, R1, S1, or trendlines.
- There may be a weekly swing high that may act as a resistance.
- Weekly swing low which acts as a support.
- Once these levels get break, support will convert into resistance and resistance will convert it into support.

Fig. 8.20 Support and Resistance Zone in Bank Nifty 5-minute timeframe

- In fig 8.2 demand zone acted as a support level where prices bounced from that level 32250.
- The same level once it has broken it converted into the supply zone and acted as a strong resistance.
- After two to three-time tests, it becomes weak level and susceptible for the breakout.

Trading Confluence principle

Using the trading confluence principle is the best way to improve trading accuracy and probability. Most professional traders use it for high probability trade. Multiple timeframe examination concepts don’t know by many traders or beginners. It helps you to identify high credible trends. If you are trading in a 5-minute timeframe then you should analyze 15 minutes timeframe, if you have 2 visible screens then it will help you better. I prefer to do trading in a 2-minute timeframe and do analysis in 5 minutes chart.

Confluence occurs when two or more uncorrelated indicators identify the same trend, or levels, as key areas of interest. I also call these levels **hot zones**. It happens when two technical indicators give the same trade signal. So, what is confluence all about? How to use it and make money.

Confluence is when you have an identified trend by using two tools. So, you might have a support level and to have confluence you would have to have something else like a Pivot point key level that would indicate confluence. Let's take another example. For example, you could have a scenario where support and resistance levels are almost in fine with Moving averages, and Previous day Low and High Confluence gives you a bit more justification for taking a trade.

For example, let’s say that one group of traders using the Central Pivots range, has identified a certain support level as an important area of interest. And Other groups of traders have also identified the same level as support, but by using different methods; one using the Exponential Moving Average. Eventually, when this level is tested, these two groups of traders are going to respond to this level, thus, creating an amazing level of participation that sparks a responsive buying rally.

Hence Above the CPR and 20 EMA, you should look for buying opportunities. If green candle forms, then your probability increases.

Likewise, below the descending Central pivot range and 20 EMA if prices are opening with one bearish candle that is the confluence of CPR indicator, moving average, and price action. If you take a short entry here then your probability will increase. You will make millions by using this principle in your trading.

Pairings of indicators

It's not the number of trades, but the quality of the trade and setups with the amount of money you're investing that matters a lot.

I use CPR and paired with 20 EMA and 200 EMA as a Hot Zone. The trend can be a major ally when playing the pivots. Any pullback within above the CPR and 20 EMA should be seen as a buying opportunity once a hot zone is reached, as the responsive market contribution is likely to occur.

Without a tool, how will you forecast market behavior? The **pivots give you leading information** to help you develop your plans before the first impulse of the market is recorded. With the use of pivot indicators, you can see all of the major relationships that we have covered in this book. These tools and techniques have been vital to my success in trading and daily market analysis. It is my firm belief that this strategy can help you achieve another level of trading success as well.

Multiple Timeframe Hot Zones (MTZ)

The reason these multiple timeframes work so powerfully is that each level inspires a certain type of trader. As different traders use different timeframes.

Types of Fund investment	Timeframe
Investors	Monthly Chart, Weekly Chart
Position Trader	Weekly Chart,
Swing Trader	Day Chart, 1 Hour Chart
Day Trader	15 Min, 5 Min chart

Fig. 8.21 Types of fund investors and suitable timeframe for analysis

When each of these types of market participants puts money to work at the same level, the result is usually extensive participation that leads to significant changes in the market by increasing volume. Multiple timeframe confluence levels convey an amazing ability to influence the price. This is because they facilitate the attention of numerous types of bazaar players. While trading based on intraday pivot levels can certainly brighten the path to profits, combining multiple timeframe confluence levels with higher timeframe pivot analysis can straightforwardly take your trading to another level of trading success.

The key to successfully trading with multiple timeframe confirmation, however, lies within the ability to screen out the "noise." While all timeframe has a certain quantity of significance.

Conclusion

Of course, this will come with practice, confidence, and patience. The more you involve this information, the more experience you will get. With knowledge and confidence, you will have the power to take action.

This simple analysis works perfectly, you should not switch to other indicators frequently. That may create confusion. In a month some days will come, especially on that day mixed or confuse signal market gives, that is the trapping day, and that will not generate a momentum which is required for-profit creation. Hence on those days stay away from the trading and save your capital so that you can use it when the market is giving clear signals.

Some days may be the breakeven day that is normal for any trader, so be happy on that day. When the market is in the decision-making phase, it may consolidate, during that period some weeks are boring.

To avoid compulsive trading, you may have 5 to 6 stocks on your watch list. So that you have the option to trade effectively.

The market may twist the script like question paper. For example, the examiner twists the question to verify and distinguish between studied students and average students. Those who understand the context and apply the learning will get good marks. Some really difficult questions you need to avoid to more focus on the easy questions and get good marks.

If you expect 80 to 90% marks then it's easy to opt for the question and select easy options, that will not create pressure. On the other hand, those who want compulsory 95% marks write answers under pressure and that creates a lot of confusion, and the probability of getting good marks will reduce, instead, you will get negative marks for the wrong question that will lower down your overall score.

The same principle applies in the stock market trading, go for solving easy puzzles and easy patterns. If you find it too difficult to understand the patterns then you should not attempt to make a profit.

9 - Business Negotiation to Optimize Profits

"Don't trade price, trade value."

The business negotiation concept helps to minimize your risk by fewer stop-loss point ideas.

The concept behind how the stock market transaction works is pretty simple. The stock market lets buyers and sellers negotiate prices and make trades. That supply and demand help to regulate the price for each index, currency, or share, the levels at which stock market sponsors are ready to buy or sell.

Buyers bargain a "bid," or the highest amount they're ready to pay, which is generally lower than the amount sellers "ask" for in exchange. This difference is called the bid-ask spread. For a trade to occur, a buyer needs to increase his price or a seller needs to decrease.

A total number of bids and offers refers to the order placed in the system, if prices come in that range order will get executed. Retail traders mostly place an order in the system with transparency. But most of the institutional players hide their orders and prefer to place a market order. Hence don't conclude immediately by seeing this bid and offer numbers.

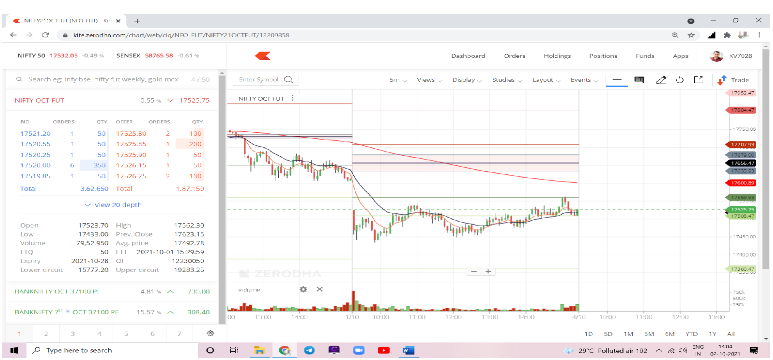

Fig. 9.1 Bid and Ask (offer) for Nifty Oct Future

You should ensure that you get the best returns from your trades. You should think like real estate property in the city, or border of city based on that you give the price. Likewise, while entry and exit you should consider the location of the price. Bungalow at prime location cost more but appreciate its value. Bungalows of outskirts of the city cost low by appreciating slowly or sometimes depreciate.

Market transactions

Three transactions elements can also be viewed as follows:

1. **Price** is a volatile variable and the fastest affecting market element.
2. **Time** is the constant around which all transaction data is organized.
3. **Volume** is also a variable, but it changes much more gradually than price (and volume represents the collaboration of time and price).

The Search for Value

To better understand how price, time, and volume create market-generated information, visualize that you're attending an art exhibition with a beautiful photo auction.

How does the unique photo sale drive reveal the motivations of the auction participants?

Whenever price attempts to move away from value, there are both expected and unexpected responses.

As price auctions are higher, it is *expected* that demand will decline and prices ultimately come back down toward the daily average or mean. As the prices move lower, supply usually reduces and prices auction back up toward the daily mean or value area.

You should realize that not all prices are equal, hence not all opportunities. We need to observe the variance between price and value, so we can begin to assess the true price range. The price might return to value or might the range of value lead to a higher value. With perception, concentration, and training, you can begin to visualize the market structure which is created, during the market hours before its completion.

Is Normal Distribution being a Decent Tool in analyzing index or share Price Volatility?

You can test any stock, most prices move like a normal distribution curve, bell-shaped curve. Thousands of incidences classically start to create a bell curve around the median value.

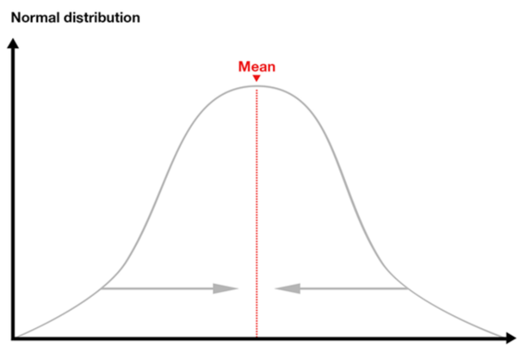

Fig. 9.2 Probability theory - Normal distribution– bells shape curve

Normal distributions are important in statistical analysis and are used a lot in trading to set values on random variables of future distributions that are not known. A normal distribution of prices is a very common kind of predictable future distribution value that is expected in technical analysis for traders looking for reversion to the mean trades in overbought and oversold markets. A standard normal distribution has two main parameters for the measurement of price action: the mean and the standard deviation from a Moving average.

Fig. 9.3 Contraction and Expansion phases in Bank Nifty

Mean Reversion theory

Most professional and experienced traders and investors are familiar with the term “regression to mean.”

Mean reversion is a financial concept that suggests that, after an extreme price move, asset prices tend to return to Average levels. Prices usually oscillate around the mean or average price.

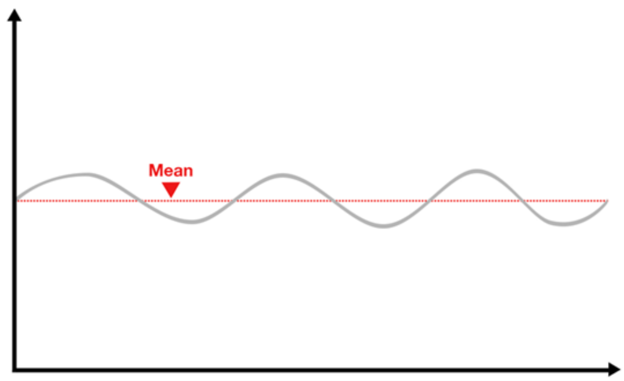

Fig. 9.4 Mean Reversion

As that graphic tells itself the prices over any given period, the market is inclined to average value area. Hence it is good that all market movement must be observed in the view of a larger market context and average value. It will help you in the negotiation process for entry and exit the trade.

However, Standard deviation does not tell us where a stock or index will go, but it does direct what the market insight is, based on implied volatility.

The world’s top chess players are not merely “**intuitive**,” but have spent significant time driving over patterns and potentialities, searching for that elusive advantage over the competition.

It takes an incredible amount of practice to become an expert trader, a person who is capable of observing, understanding, and decoding during market hours he has a great career in trading. Recognizing where you are in the auction process determines your reward to risk association. Markets by their actual nature regularly provide an easily recognizable location that is easy to identify beneficial trade sites. Breakouts occur for a reason, that may be open or hidden. They satisfy the need to carry inventories return into equilibrium.

Trading is extremely difficult when you are not clever to isolated the actions of the various timeframes; It's also a good to do your homework and identify significant levels that are above or below the current market level. Using predetermined levels, you can plan for entry in the market by waiting for the market to retrace to 20 EMA or candles low, rather than chasing the market.

What you don't do may be more important than what you do

Many traders constantly listen to business news, visit blogs, talk markets view with friends, and read numerous newsletters all of which provide erratic opinions for contradictory timeframes. This may distract your attention, and your mind will be pulled in multiple directions. This is the example of "fluid intelligence"?

Every day, we begin by asking ourselves *What was the market trying to do yesterday, and how fruitful was that attempt?*

The four elements we will primarily **examine** are

1. Previous day markets attempted direction
2. Ascending or Descending CPR - **Value placement**
3. Closing of the price below or above the CPR
4. Premarket opening above the CPR or below the CPR

Consider, whether the market is successful in trading attempted direction or not. Whether it's a true signal or a wrong signal.

Taking a loss properly begins with trade entry. One advantage of entering trades as closely as possible to critical short-term support or resistance. If the trade is entered when the stock is at a low-risk entry point, then the trader should assume that the price will not move against him by much. Keeping a close tolerance upon entry below the support provides the trader with good reason to exit the trade quickly if the price goes against his direction. If a trade takes much lengthier time than expected time, this may be a sign that the trade is not good to invest money.

Because markets are the free and spontaneous creation of buyers and sellers, the surprise is common, sometime it is dominated by market makers. The understanding mood of nifty is like the understanding mood of a spouse. If you know how to handle the mood of your spouse, it's very easy to understand the mood of the stocks or index… a good joke.

1. **Narrow CPR** - Nifty's mood is to be in trending today or if the not current day, then the next day. less scope for negotiation, be satisfied with few points negotiated rate, join the rally early.
2. **If Wide CPR** – Mood of stock is to be in the rangebound market. I prefer to wait until the price comes to my pre-decided range
3. **Medium CPR** – the unexpected move may happen, either it is trending or rangebound depending upon the candlestick pattern formation.

Conclusion

1. Place **limit orders** for a better-negotiated price
2. The negotiation rate should be acceptable by both you and business Partners (Stock, Index)
3. Don't overstretch the negotiation
4. If 1st round of negotiation fails, approach for 2nd round of negotiation
5. Don't be so much rigid, be flexible, be a wise negotiator.
6. Apply this principle for trade management and trade exit.

10 -How to Master Trading Psychology?

Trading success is the combination of psychology and implementing organized strategies. Without the mental strength to stick to a plan, the finest strategy in the world won't do any good. Good traders not only master a strategy, but they also develop more awareness of their behaviors such as discipline and patience. In this chapter, I will take you through various aspects of psychology and the best methods to develop a **winning attitude** that can lead to generating **consistent profits.**

Once you understand how the industry works, now you need to learn how to handle losing money and earning consistent money. Most people can't accept the small **losses**. Learn to give small losses to the market, otherwise, the market will take big losses from you. Hence, controlling emotions is essential to be a successful trader. You should be capable of reducing the risk appropriate time. You need to be an expert in making the right decisions at the right time and be able to complete the correct actions. That only happens if you can control your feelings. **Natural human nature is to take profit quickly and cut losses too late.**

When I became a profitable trader and will continue, the one thing I realized is that whether a trader makes money or not depends on our feeling, thought, beliefs and actions.

Power of Beliefs

Belief is a state of mind with full **confidence**. It is interior mental structure: that makes us "naturally choosy." When our beliefs are strong, we stop enquiring. The confident belief about trading results in the highest levels of performance in trading. Developing the right belief is a critical factor for achieving success at trading.

There are two types of beliefs 1. **Limiting belief and 2. Empowering belief**

Limiting beliefs stop you to take action. If you are getting limited results in any area of life that is the result of your limiting beliefs. Limiting beliefs stop you from taking action. E. g. Trading is like gambling and we cannot make a profit from trading. Is this true?

Is this worth believing this thought?

Write your answers below

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Another limiting belief is making money is very difficult?

Is this true, write your unbiased opinion below

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This may be your excuse that is limiting belief.

Where does this belief come from? My special view is that it comes from the deepest level of our existence, from society, relatives, and friends. It comes from the characteristics and personality qualities we acquire as a result of our social background. Mukesh Ambani’s son will not bother to take the risk, because he is trained for taking calculative risks. Hence everyone needs to make some mental modifications, unrelatedly to their educational background, aptitude, or how successful they've been in other actions.

In a typical Indian family, most members would put great pressure on the person to follow in the footsteps of parents, brothers, or job holders in society. They discourage you from really following any other new and risky interests. A child follows the instruction of a parent thoughtlessly. Learning what is good and what isn't and the value of things are important lessons the child must learn.

Taking no risk is the biggest risk!

We need to break limiting beliefs and create empowering beliefs by giving some evidence of successful traders and successful trading companies like Goldman Sachs, PR Sunder, Subhashish, Oliver velez, Dr. Christopher Cathey, Anton kreil, Ben berggreen, Etc. These are successful traders. If you search on the internet you will get many successful stories of many great stock market day traders.

On the other hand, if you research on google you will get failure stories also. Which you need to follow depends on your focus and belief system. So, you need to decide to develop empowering beliefs and repeat them every day at least 2 times that create positive mental makeup.

Now, you have 6 high probable strategies with back testing, do back testing, observe during the live market, start thinking like you are a successful trader, which build your confidence. You need to visualize how you will feel if this dream comes true. You feel highly energetic, successful, etc. Is this worth believing this empowering thought?

Write your answers here

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You need to learn to say thank you to the market for allowing making money by sitting in the home. You need to create affirmations and read them early morning. You will see improvement in your confidence and that gives you the results with applying this new belief system.

Subconscious needs

After learning a systematic approach and belief systems, you need to understand what is your subconscious need. If uncertainty and growth need is high then trading is for you. If your comfort and importance need is high then trading is not for you. In trading, you need to be flexible and follow the discipline. That is associated with our past. To understand your personality type, you need to understand your subconscious needs. Our subconscious needs and desires are created in our mental environment, and they are satisfied in the external environment. Being "up-set" implies unevenness. If the need gets fulfilled then, we're in a state of inside balance and we feel a sense of fulfillment or **happiness**. If these needs are not fulfilled and are not in correspondence, we usually experience frustration, dissatisfaction, and irritation it is **emotional pain.**

Understand with the story, when someone takes away a toy from a child who is not completed playing with it (maybe it is good for the child) but the common response will be emotional pain. Crying is a universal mechanism for reconciling these unsatisfied desires. Psychologists and researchers found that tears are composed of negatively charged ions. If teas are coming out from the eyes, then your negatively is going away. Crying with tears it will remove the negatively charged energy from our minds and bring us back to a state of balance, even though the original desire was never satisfied. It happens with every child.

But What happens if these instincts will not reconcile for long period? Automatically they accumulate in the mind and usually end up manifesting negativity that leads to addictive sadness, unhappy and uncontrollable emotional patterns.

How this mental construction and emotional pattern affects trading? If you buy below CPR, and 20 EMA then there is more risk. likewise, there are many kinds of trades in which the risk of loss is unlimited, you already know, even though you take that trade. The market is like a moving that is in constant motion. If you keep watching it continuously chances of doing mistakes will increase. Because it doesn't start, stop, or wait. Each trade has a possible conclusion, it could be a loser also. Even when the markets are closed, prices are still may go up or down. Hence, you need to use an alert mechanism that gives you an alarm when the prices come to your range for trade. Also, you need to standardize the process which suits your personality. Nowadays most of the trading is doing by machines using some kind of program. That program is designed for the trap. If you act in the wrong zone then you will also get trapped.

But the good thing is nothing starts until you press the buy or sell button, it lasts when you press the square off button, you can stay in the trade as long as you want, and it doesn't end until you want it to be ended.

Therefore, to function effectively in the trading environment, we need rules and boundaries to guide our behavior like Robots with algo program.

If you are a practitioner of positive feelings the possibility of staying in a state of emotional balance is high and you can ably make logical decisions. Traders do not start trading because they expect to lose. Remember, losses are the rule for the traders, but if you lose more than your risk capital then that is the money. Don't miss the money. Every aspiring trader first had to learn how to lose before he learned how to win.

Traders who fear losses do not fear the marketplace; they fear themselves. Once a trader believes that he has all the right to stop the losses and always acts to protect himself from large losses, he will no longer trade with fear. Once you enter the trade you should place your stop-loss limit order and profit order in the system that will help you to control your emotions.

Some traders do trade without knowing anything. They don't even understand what they are doing, they are in dark. Trading is dealing with risk. **Cutting losses quickly** is the first rule of risk management. A small loss releases the trader emotionally and financially to take the next trade daringly.

You need to put principles into practice, if you are not able to then you can develop an algo based on our strategies. If you need any help then you can contact me. Skilled traders can back away easily from losing positions because they are confident that they can always get back in. Losses are an ordinary cost of doing business. Accept them promptly and elegantly. Above all, do not let losses attract your anger or fear. Remember, Your goal is profit, not perfection.

Place money to work for you sensibly and practically. If your losses increase then you will be under stress. Initially don't be under stress, don't manage other people's money that may create pressure on you. Or don't borrow the money to make money from the stock market. The first master to manage your stress. If you feel that you are stressful then leave the trading room and enjoy your time with family. That will maintain your ability to apply what you learned.

Early morning or for the first time in trading, we're in complete control of everything we do. The trading environment requires that or prerequisite to act with some degree of limitation and self-control if we want to generate constant success. While designing the algo also your belief system plays a vital role. Most of the beliefs in our minds are given to us as a result of our social background and based on adoptions made by other people. Realize, most of the beliefs are acquired in our minds and did not originate in our minds. Many denied negative compulsions have never resigned from the mind and still exist inside of us as frustration, anger, disappointment, guilt, or revenge. The buildup of these negative feelings in our mind acts as a force inside our mental environment that motivates us to fight whatsoever that rejects us the freedom to do and be whatsoever, we want to do when we want to do. If you have such any revenge thoughts write them to remove them from your mind,

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To overcome this constraint, you have to form guidelines, and you must have the discipline to follow and the courage to obey your rules. Think, nothing materializes until we agree to start, we remain in the trade as long as we want, and it is system is in front of you can stop the game anytime. Traders who are not trained and not ready to take responsibility for the results of their strategies and actions, are always in the confusion. You should not fault any other person or the market for your losses. The reality of trading is that, if you want to create consistency, you have to start from the educational foundation and mental makeup that no matter what the conclusion, you are finally **responsible**.

I have given 6 patterns you need to enter once price forms the pattern and you should wait for other times and try not to enter casual trades. That may filter out the trap zones. I define casual trading as poorly planned trades or trades that are not planned at all.

When your subconscious need is met you are in a happy state of mind. You need to practice positive feelings like satisfaction and happiness to become successful in trading. You may be more confident while trading these strategies. Your personal life also affects your trading life. Your personal life should be peaceful, satisfied, and happy. Hectic personal life that can affect your trading career.

Emotional Discipline

Whenever money is involved in the transaction, people become emotional. You might have listened from childhood don't lose the money. Hence people try not to accept losses early and happily.

The centerpiece of my trading is the identification and proper execution of 2:1 reward risk ratio trade. That is highly probable and what I call 80/20 trades. I define 80/20 trades as setups that historically have been profitable about 80 percent of the time. You should not do trading which is not as per the setup.

Intraday trading requires a perfect strategy that gives 2 risk-reward ratios in Nifty and Bank Nifty. Our high probability strategies will help for successful trading. A common saying in the stock market is that the trend is friend, but the question is how to identify the right trend. These 6 trading strategies and CPR indicators will help you to find the most accurate trend. During trading, you just need to execute the rules or processes. If you are not able to implement the processes then hire an employee who can execute the trade on your behalf.

We also call the trading is waiting for the game for the following predefined process. Focusing on profit will not make a profit whereas reducing losses surely save you in the market. Sometimes we miss the trade due to late recognition of the pattern or sometimes movement is so quick, that may be created by computer programs. Missing Trade is the part of the game said by Mr. Charlie Munger, vice chairman of Berkshire Hathaway. So don't worry too much market is your business partner and it gives many opportunities for doing business of trading.

Enjoy trading, do what you like the most. Every job comes with a piece of stress. And people say that their jobs are boring. Trading is not different; you should decide your patience time and do trading for that time. Like me, I prefer to do trading for a maximum of 2 to 3 hours a day. People want to take risks but they dislike situations out of control. So the best solution is to avoid overtrading and overscheduling as per your capacity. For professional traders doing 7 traders is normal and it may not be overtrading for them, because of experience. Decide your capacity and earn a profit that you can digest easily. You should enjoy your life. Happiness is the true nature of human beings hence you should go for holidays and tours. Celebrate the moment, birthday, family function for the ideal and best state of mind.

Decision fatigue creates a scenario where you can make bad decisions. Hence you should be incredibly focused, organized and make sure your personal life is extremely simple and manageable so we can make decisions freely.

Your mindset is your biggest asset. You can develop a very good mindset by training and using tools like affirmations and visualization. When you practice daily and master positive feelings like Satisfied, Grateful, Passion, Love, and Richness. Then this area will grow in your life.

But in common, people have a scarcity mindset that is the biggest problem for success. Hence, they practice the Fear of Missing out (FOMO) and try to take every trade. Hence you should not don't force a trade, only trade when there is a high probability trade.

The problem with psychology and logic is that our direct experience of the markets tells us somewhat different. If you want to avoid obligation you will be susceptible to unstructured, random trading and susceptible to take tips from friends and social media. When we take action on our ideas, we are creative we get an instant reaction on how well our ideas worked. When we enter an unplanned, casual trade, peoples divert the responsibility by accusing their friends of bad ideas.

When we expect a particular outcome and it doesn't reflect, we're disappointed and feel bad. Many successful people in life have failed in trading. Due to they can use positional power to influence or show superior ability to operate social environment to answer to what they want. Most of us have learned or developed techniques to make the external environment follow our mental (interior) environment. None of these methods work with the market, because the market doesn't know anything, you cannot influence the market by your other power. Though the words "taking accountability" sound realistic, the concept is neither easy to grasp nor easy to put into practice in your trading.

How to improve trading Psychology and discipline

Making decisions very objective way and by eliminating distractions you can take better conclusions. Traders sometimes violate the rules of even the best system. Consider it a part of human nature, or an exercise of free will. Who knows! It might even be in your favor on some occasion. After all, Traders are humans and often highly emotional that differentiate from others. Thus, they do not follow logic like little robots. Hence best institutional players use computer programs to keep emotions aside. Even though they may face manageable losses.

Believe me, I could address discipline and the need to take only those trades that are dictated by the system. There would be the moment when traders including myself will disregard the system and trade their foolish ways. When this happens to you, you'll have your own emotional, silly reasons. Nobody can stop you from doing these mistakes. You can't even stop yourself! But if you can retain one piece of discipline, you won't load all your capital on these trades. After reading this book “profitable trading strategies with Psychology” It may be mistake happens, but you'll risk 1% Capital and not 5 %.

Acting on time when the right setup comes in front of you is required. If you follow the strategies mentioned in chapter no 8, and those traders who have confidence in their trades. A person who trusts on themselves for doing what needs to be done without hesitation, they become successful. They no longer fear the changeable behavior of the market.

Best traders are those who handle chaos in both personal life and trading life calmly, rationally, and unemotionally. Whatever happened in the past you cannot control you can learn from it, but success is in front of you. Develop a real trader's network that helps you when you have issues when you have problems. In our mentorship program, we push retail traders, where you get the right direction. We give them WISH frameworks that help them to build their trading careers. If you want to learn more you can join our professional trading masterclass to build your unconscious competence.

11 - Trading Business Reports - Trading Journal Analysis

A trading journal is a log that you can use to record your trades. Creating a business report and filling a trading journal is one of the most underutilized tools by new traders. Summarizing trades to break down what went right or wrong will help prevent future mistakes. If the same Mistake happens many times, it becomes an error and it is difficult to remove errors like a blind spot. You need a mirror to see your mistakes, a trading journal helps you to see your true picture and behavioral patterns.

In fig 11.1 I am giving you a standard business report format, you need to use it daily. Take its print and make a book. Your printed worksheet helps to track and manage your trades. It's a way for you to improve your business, and it helps you become better by seeing where you got success and what you are missing. Don’t forget to take a printout of this trading journal and feel it regularly. We naturally avoid this activity. If we create the routine habits of writing in our journal, our body feels as if it has to write every time. Yes, a trading journal does take a little more effort, but if you put in the time after the transaction, that effort will benefit you greatly! Keep this journal handy and always record it after making any trade.

Daily Business Report - Trading Journal

Month - September, Week - 3rd

Sl NO.	Script / Nifty / BN	No. of Lot / Qty	Strategy	Conviction	Position (Long / Short)	Reward to Risk	Points	P&L	Rules followed	Emotions	Note
1											
2											
3											
4											
5											
6											
7											
8											
9											
10											
Total											

Fig. 11.1 Business report – trading journal Format

Why trading journals are useful

- Journals could increase profitable trade consistency.
- They help you identify weak points and strong points in your trading style.
- The journal could keep you accountable.
- The journal can help you choose your best trading strategy.
- Keeping a journal is a simple thus a far extremely effective way to improve a trading plan.

Mention Reason for trade

The reason could be due to candlestick pattern confirmation, long above the central Pivot range and 20 Exponential moving averages. Once you have executed numerous trades you can reflect on this information to see if your reasons for trading are helping for good results. This could also help you determine which strategy works better and suits your personality.

Conviction for trade

Conviction is how you feel about the trade. If you are making the trade based on a technical pattern and if the pattern, the checklist is giving a good rating for several rules, then we can list the conviction as ‘high’. However, if the patterns on the parameter aren’t matching, then the conviction may be ‘medium’ or ‘low’. By writing down your conviction, you can calculate the number of successful trades you have had with each conviction level. This could help you determine whether you should only trade when you are very convinced or not.

Track Emotions in trading journal

You can put your feelings to record in your trading report or journal. Some traders add a criterion for how they feel emotionally when placing the trade. Anything you feel will help you for analysis, measure it properly.

Write the trades directly after the trade

Get into the habit of writing the details of the trade directly after the trade, while it is still fresh. This way you won’t have to remember what your reasons were for taking the trade. That may give relaxation to your mind. Make sure to do this only after placing your stop-loss and take-profit.

Assemble the data and Analyze

After 20 trades, you have enough data, you can compile the data in your trade journal. If you have a conviction criterion in your journal, tally up the number of successful trades made when your conviction was high, medium, and low. Once you have this data you can decide when it is worth trading, when your conviction is high or low.

For example, if you sustained a high conviction in 10 trades and seven of them were successful trades (Take-profits were hit) that's a 70% probability of success on your past trades. If your conviction was low on 10 trades and only Three were successful trades that's a 30% probability of achievement. Therefore, you would conclude that it is only value trading when your conviction is high. You can do this type of analysis for different types of criteria so that you can mirror your trading performance and improve it.

Conclusion

Anything you can measurable that can be improvable.

12 - Disciplined Success and Maintaining Success

Once you commit, you maintain discipline and hard work you can generate millions from the stock market.

Discipline means training yourself to follow rules or a certain type of behavior to get success consistently. Once you generate your ideas along with these 6 strategies, you can discuss them with your mentor. You need to remember trading is a function of **opportunity** in the marketplace. Sometimes we question our decisions, which can be avoided by maintaining discipline. Getting successful with discipline and maintaining success for a **longer time is very important**. For that, you must create a new version of yourself, just as a sculptor creates a likeness of a model. In trading, your eventual goal is **consistency** in generating profits. The best traders think in several unique ways. Successful traders have effectively eliminated the effects of fear and irresponsibility from their trading. Once the fear is gone, and you follow the trading journal mentioned in chapter number 11 there just won't be a reason to make these errors and, as a result, they will virtually disappear from your trading.

Framing your mental atmosphere

Sometimes overconfidence arises from a continuous of winning trades. For a trader, winning may provoke to take next unplanned trade. So, you need to learn to maintain discipline in trading. You can close the trading after getting your desired profits.

For example, if you want to choose one of the following two traders to manage your money, which one would you select?

The **first trader** uses a simple trading technique but possesses a mindset that is not susceptible to altering market information, hesitating, or jumping from one strategy to another.

The **second trader** is an outstanding analyst but is still operating with fears, Due to fear he watches the news and trying to verify ideas at the last moment that make him susceptible.

To whom you will select and why?

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Your right is clear, the first trader is going to achieve far better results with your money. There is nothing to think that trading is the easiest possible way to make money.

Initially, when the new trader takes his 1st trade, the lack of fear translates into a carefree state of mind. And you win the trade, which creates a carefree attitude that is a by-product of a winning attitude. What makes trading so good-looking and, simultaneously, problematic to learn is that you need both systematic strategies and an **authentic winning attitude**. The forecasters have the skills, but they don't have the winning attitude. They're operating out of fear. The new trader experiences the feeling of a winning attitude because he's not afraid. But that doesn't mean he has a winning attitude; it only means he hasn't experienced any losses from his trading activities to make him fearful or create emotional pain.

Losing and being wrong are unavoidable truths of trading. What happens when the new trader finally loses money in the trading? Will it affect his carefree state of mind? The answers will depend on his experience and expectations. And how he explains the experience is based on his beliefs and attitudes.

We have seen many new traders; after the loss, they suffer from emotional pain. As a result, his trading will take on an entirely new quality. The trader will lose that carefree state of mind, but more important, he feels and blames the market. He says to a friend, the market caused him to feel the pain he is suffering. Notice how our trader is blaming the markets for losing.

After making losses, then they want to learn profitable trading strategies. When they learn the strategies, they may not have the capital for trading. Hence if you are reading this book, just you need to be disciplined and book profit with a 2:1 reward risk ratio, otherwise trail the protection as per the system to minimize your risk.

The new trader wants the market to satisfy his expectations and his hopes. In Society or family, it may work, but it does not with the markets. In society, we can expect other people to behave in reasonable and responsible or expected ways. On the other hand, the market has no concern to give us anything that would benefit us. In reality, traders even don’t know if this kind of thinking habit he has. When you look at your association with the market, your purpose is to extract money from the markets, but remember, at the same time, the market's purpose is to extract money or capital from you. You place a trade for making money, likewise, every other trader in the world invests money for the same reason.

In the trading context, a Market is a group of people or companies interacting to extract money from one another. What is the market's responsibility to the individual trader? It has no responsibility to anyone; it just follows the rules created to facilitate this activity. If you are blaming the market means you have not accepted the fact that the market owes you nothing. Instead, you need a smart systematic methodology with discipline to get what you want, the market is ready to give it to you. But when you are in emotion and project your hopes, and desires onto the market and expect that the market will do something for you. When it doesn't, you'll feel angry, frustrated, and cheated.

Taking responsibility and continuing discipline means acknowledging and accepting, subconsciously, that *you are* responsible for your success or failure as a trader. The market's purpose is to deviate you from your money;

but in the process of doing so, it also provides you with an **endless stream of opportunities** for you to make money from it.

The market is neutral, which means the market doesn't know what you want, or it cares, unless, you place a position. The first major step after learning 6 strategies is taking complete and absolute responsibility and follow the system.

If you want insight into the market, your mind has to be relatively free of emotions like fear and greed. It can block your success by misleading information. The sudden shift from joy to pain usually creates quite a psychological surprise. Very few people master themselves and learn how to manage these kinds of experiences easily. So you need to be like a monk to manage your emotions.

After some experience, you may gain knowledge, but you now find that you have developed problems performing your trades. Sometimes trader analyses too much, ask a second opinion himself, or doesn't place money on a trade at all, despite the market gives your clear signals to do so. For traders, the only way to conquer the market is through market knowledge and timely actions.

Discipline is a bridge between your goals and your achievements.

Patience is an extraordinary quality of someone to keep the best attitude while waiting. But, the real fact is that our mind is wired to avoid both physical and emotional pain. Our minds have several ways to shield us from the data that we perceive as painful.

Mind denies the painful information example while staying in a losing trade, you call to friends, analyze on the higher timeframe, look the indicator you never used. All are these activities of gathering nonpainful information. At a subconscious level, our minds will automatically exclude information from our conscious awareness.

Remember, the market generates behavior patterns and the patterns repeat themselves, but not every time.

This kind of negative lookout is like the beginner tennis player, who is trying to not make any mistake. But the more he attempts not to make a mistake, the more mistakes he makes.

The best way to maintain discipline in your trading is by keeping a visible checklist. Review yesterday's trading ranges for clues as to what to expect today. Make a note of possible trades. Review the overnight markets for any unusual price movement. Check to open, is it within or outside? the previous day's range? Value area? To the upside or downside?

Identify references points, On the trading view platform at 9.07 Am you will come to know where the market is opening.

If you follow every step and implement the strategies mentioned in this book and if you are a person who likes risk and embraces it If Your willingness to learn and willingness to embrace risk is a perfect match. Then **trading is the perfect career for you.** You may be 2 steps away from success. Trading is the function of opportunity in the market hence when you are relaxed then you can enter the market at the appropriate time. For better results, you can do trading for 2 hours. Stop questioning your judgments. Start taking action.

Discipline in trade entry

Sometimes waiting for the price to reach your entry point level is best. But entering a trade in a hurry may be a costly business. A limit order can minimize this error. Don't violate the rules set by your trading strategy. Follow the predetermined rules and be patient until the price reaches your entry point level. That is what patience and discipline trading requires.

Searching for a suitable trade

- The market is full of trading opportunities and it is never difficult to find entry opportunities.
- It is important to find opportunities that are according to our trading strategy.
- While finding good entry points you have to get habituated after how many profits you will book the profit along with stop-loss level.
- Once you enter a trade according to your trading strategy, discipline trading requires you to follow all the protocols of your strategy and keep your emotions aside.

- In scalping, if the market may not move as you expected, you find lost in the momentum then you should be smart to book your profit and exit the trade.

Practice Practice Practice.

Top and experienced professionals in trading are realistically prepared, they are trained, engaged, and they have the right mental state to implement their strategies with a clear and open mind.

You can initially read the important concepts from this book, but you must also spend sufficient time in real work. The whole-brained trader does not get misplaced in distinct desire, instead understands a sense of the larger picture. Without factoring in the emotion, you can't even begin to understand risk. By practice, we gain experience and the flexibility that is required to make rapid decisions.

Like experienced surgeon: while the surgeon does considerable preparation while diagnosis by looking at MRI, blood reports and asking medical history, etc. After that, he concludes, but once the doctor makes a decision there will always have less time to adjust the operations. As the doctor has experienced similar situations, the little variations may happen, that is accommodated with calm efficiency, and the operation proceeds successfully.

Likewise, Successful traders know that they cannot make money consistently with a "scattered" trading approach. The best traders have practiced and employed one core trading strategy hundreds of times. It takes time for any trading strategy to be learned and mastered.

So right practice makes you a perfect trader.

Quality trade Vs. Quantity trades

Have you heard of the Pareto Principle? It's commonly referred to as the 80/20 rule. If you believe in this concept, it means that one should trade less and only look for high-quality trades.

The following five Trading Direction rules will greatly improve your trading.

1. Find prices are above the CPR and 20 EMA then prepare for a long position.

2. Once green candle formation starts then make entry near the 20 EMA.

3. Maximize your size when the trading scenario is favorable.

4. Place SL below nearest support.

5. If you have defined risk then you will trade with confidence.

When you trade, **pick your time frame** (one or 2) and stick with it. Don't become one of the bus people by hanging onto a position too long. Remember, the bus people are almost always wrong.

All of my trading direction YouTube subscribers and webinar students focus on quality traders versus quantity trades. You can identify high-quality traders, by seeing your trading history reflected in the trading journal. Ask yourself the following questions:

1 - What are the trades that have made you the maximum money? - …………………………………………………………………

2 - Which index, strike price or stocks are you the most confident in or have the most potential? - …………………………………………………………………

3 - Is option buying being profitable or Option selling? - …………………………………………………………………

4 - Which trading strategy is giving major profits? - …………………………………………………………………

If you want to analyze trading journal format by experts, then I can help just send your feedback on this book with a request to the below email id. Discipline in trading eventually leads them to improvements and finally to make you profitable by month-end.

Let me help you to become the next successful trader

My main passion in life right now is to share my techniques, strategies, and insights with driven, motivated individuals so they can become successful.

You can’t succeed in trading without a mentor

Trading will become simple and easy, with the right mentor's help.

Write me an email at stocktradingdirection@gmail.com Mob. W/A +917391841111

Conclusion

- The easiest way to make money is to identify the high probable pattern and book the profit.
- Focus on you and technical analysis.
- Lose professionally to win like a professional.
- Market evaluation and prices may differ, That's the way they are designed to operate.
- Markets are designed to discount the future.
- Know what you are doing while losing and know what you are doing when are winning.
- Don't force a trade, stay with quality setups. We stay selective. You must
- Trading affects your psychology, and your psychology affects your trading. Balance the thing.
- You can overcome fear by facing it.
- Try to make smaller amounts of money consistently. Then aim bigger. Go step by step.
- For those people who like risk and embrace emotions, trading is the best business choice.

Glossary

Bear market - A trend when the prices of stocks are falling or expected to fall for a certain period.

Breakout – When the stock or index moves away from resistance or support, with momentum and volatility in the market that is known as breakouts.

Belief – Permanent thought becomes belief; it is a state of mind with full **confidence** for that thought.

Bull market – A period when the prices of instruments are rising, faster than they have in the past, it gives higher highs.

Confluence – Synergy of two indicators, occurs when two or more uncorrelated indicators identify the same trend or level. I also call these levels are **hot zones**.

Conviction - a firmly held opinion, is how you feel about the trade.

Day trading - Opening and closing a small number of trades on the same day and closing on the same day and not holding any positions overnight. It is also called Intraday trading.

Day Trader – A trained trader for trading strategies with disciplines. Spends a good part of the day with the market and is trained to manage positions that may last for several minutes to days.

Discipline – obey the rules, it means to train yourself to follow rules to get success consistently.

Drawdown – It is a difference in the Capital from the uppermost account for a period and the account value after some losing trades.

Rangebound Market – Prices move in ranges when the price of the stock has little or no trend.

A future – It is a contract is simply an obligatory contract to buy or sell on a future date. It is an obligation to receive or deliver an instrument sometime in the future, with the agreed price today.

Index – A list of the larger stocks that are considered representative of the market. Like Nifty 50 and Bank nifty.

Initial balance – IB is defined as the value range of the first hour of the day, the levels are important for making trading decisions.

Intraday –Price movements within the day or even during one trading session from 9:15 am to 3:30 am.

Intraday volatility – Fluctuation in the prices during the day. A market like the HDFC Bank has great volume, but sometimes with less fluctuation called less volatility.

Liquidity - Average daily volumes, refers to the comfort with which security, can be converted into cash without disturbing its market price.

limiting beliefs -Thoughts that limit you to take action. If you are getting limited results in any area of life that is the result of your limiting beliefs.

Market – A place where commercial dealings are conducted. It is a group of people interacting to extract money from one another.

Market Volatility Index – provided by NSE and is used as a guide to indicate the level of anxiety of the market.

Patience - is an extraordinary quality of someone to keep the best attitude while waiting.

Pivot Points – Pivot point is a technical analysis calculation, used to determine the overall trend of the market. The Average of stocks or index high, low, and closing price.

Protective stop loss – the strategy that aims to limit potential losses to a desired level or amount by using stop loss, where stop further trading.

Positional trading - Holding trade positions for weeks or months with the expectation they will become profitable in the long term.

Pull back – Falling back of a price from its high to its mean.

Reward to Risk Ratio – The amount to be made from the entry to the profit booking, as compared to the amount to be lost from the entry to the stop loss.

Resistance – it is a level where, uptrend is expected to pause temporarily, due to a more supply.

Reversal times – Times during the trading day that the market is likely to reverse the most recent trend.

Swing trading: Holding trade positions over numerous days or weeks, to take advantage of market swings.

Support Line: it is a level where, downtrend is expected to pause temporarily, due to a more demand.

Sufficient liquidity – More volume of stocks for trade, so that you can enter and exit at or near your price targets.

Scalping: Engaging several trades per day, for a few seconds or minutes, in an attempt to make small profits that add up to a large amount.

Trading – It is the activity of buying and selling instruments. It is a function of opportunity in the marketplace.

Trading Plan – Systematic steps that defines what to trade, when to trade it, and how to trade and manage it.

Trading journal - It is a type of business report and log that you can use to record your trades.

Trend Line: The line connecting the higher lows and higher highs is called the Trend line. It is used as a basic method to identify a trend.

Virgin CPR - If the price levels for a particular timeframe do not touch the days CPR levels of the same timeframe, then that CPR is known as Virgin CPR.

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Profitable Trading Strategies With Psychology

This book is a must-read for anyone seriously interested in making profitable trades or investments in the stock market. By applying these 6 secret strategies you will become a consistently profitable trader. These strategies are based on Central Pivot Range (CPR) that are designed for high reward risk ratio (more than 2:1) trades. You can apply this secret trading strategy to the Equity market, Forex market, and Futures & Options trading. The psychology behind every strategy is explained very well. You can design your computer program (EA or Algo) for fast trading based on this strategy. Professional money management techniques covered in this book are unique. Every retail trader who is striving to become a professional & profitable trader must have this book. Sounds good? Then get your copy and win profits.

About the Author

Anil Hanegave is a full-time trader and trading mentor. He is India's most recognized market analyst and trading expert. He is trading and mentoring global traders for many years. His 11 secret trading strategies based on Central Pivot Range (CPR) and Moving Averages are very famous. He is the trainer for many organizations like the Paytm wealth community. His new trading strategies were designed by considering machine trading, algorithmic trading, and trap zones, Which give unique superiority to the trader. Please visit his official youtube channel Trading Direction for more learning videos.