

How to Use Yahoo Chart?

Based on swing High/Low

This strategy is for those who take several positions everyday and their trading style is scalping type, in high quantity is traded for the small move in nifty. This method of trading uses the pre-fed orders in the direction of the stochastic.

Long trade entry and exitrules:

Buy rule : place buy order at recent swing high+5 points (when rsi & stochastic are moving up.)

Sell rule : Place sell order at buy price + one step* of chart

{* one step: This is one of the great feature of the yahoo chart that it automatically expands when the volatility increases and the distance between two horizontal lines in the grid is refered as the one step)..

Note: Add or substract the difference between the spot and future prices in order prices , the chart shows the spot nifty prices

These trades are illustrated below.

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Short trade entry and exit rules:

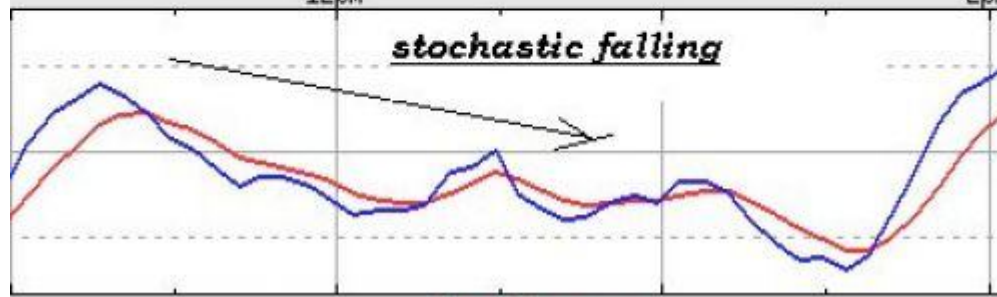
short rule : place short order at recent swing low-5points when rsi & stochastic are moving down.

cover rule : Place cover order at short price - one step* of chart

{* one step: This is one of the great feature of the yahoo chart that it automatically expands when the volatility increases and the distance between two horizontal lines in the grid is referred as the one step)..

Note: Add or subtract the difference between the spot and future prices in order prices , the chart shows the spot nifty prices

These trades are illustrated below



Prev Cls: ----



Some key tips to follow this system:

- 1) Always trade in the direction of main trend, you can trade the reactions also but the chances of hit and miss are more if you are trading in the direction opposite to the main trend.
- 2) Stoploss: As soon as you get the position (buy/short order executed) apply a stoploss of one step below/above the entry price.
- 3) Avoid the choppy days, you can identify the choppy day when the size on one step is 5 points only...
- 4) Never think that I will enter when the high/low is crossed , you will never get the price, because the break of that price cause the jerk move in the nifty.
- 5) Feed also sell/cover order at the same time. Don't decide to exit manually, this will include the emotional interference in the trading.
- 6) Use higher quantities so as to make good profit.
- 7) Avoid trader after 2:30 pm, more chance of hit and miss case.

AVOID TRADING THE CHOPPY DAY (MORE CHANCE OF HIT AND MISS)



Based on Rsi and Stochastic

This strategy is for those who take few positions everyday and their trading style is swing type. This method of trading uses the principle of entry based on the stochastic crossing and exit based on the rsi. In order to cover all the market situations the rules are further classified into two different trading days. One is normal day in which there is buying as well as selling surges, such day is identified by the move below 1.5% on positive or negative side. Other is the abnormal day in which the market moves in one direction under high buying or selling pressure, these days i call abnormal days and can be identified when the market riser or falls above 1.5% on either side. There are two set of rules to trade these two different scenerios.

A)RULES FOR NORMAL DAYS (move less than 1.5%)

Long trade entry and exitrules:

Buy rule : Buy nifty future when the stochastic crosses (blue line above red line) and crossing is below 20 (Ignore crossing above 20)

Sell rule : sell nifty future when the rsi touches the80 line.

Trading using this rule is illustrated using chart below.



SHORT trade entry and exit rules: www.stockmaniacs.net

Short rule : Short nifty future when the stochastic crosses (red line above blue line) and crossing is above 80 (Ignore crossing above 800)

Sell rule : sell nifty future when the rsi starts diverging down.



B) RULES FOR TRADING ABNORMAL DAYS (BIG MOVES above $\pm 1.5\%$)

For such days the normal rules cannot be applied because buying or selling pressure is so high that stochastic and rsi may not reach the overbought/oversold levels, hence these rules are a bit modified for such days. Generally in days of such moves we see big gap up or gap down in the market, so no problem in identifying these days. Only one modification in the rule stated above that the crossing in-between 20 and 80 is also considered and exit is based on rsi divergence

Long position rules

Buy rule : Buy nifty future when the stochastic crosses (blue line above red line) And stochastic below 50.

Sell rule : sell nifty future when the rsi starts diverging up.

SHORT position rules

SHORT rule : Short nifty future when the stochastic crosses (red line above blue line) And stochastic above 50.

cover rule : cover nifty future when the rsi starts diverging down.

few such trades are shown below



Based on Wave Pattern

After having years trading the nifty intraday, i have spotted certain behavioural patterns of nifty, and days after days the same history is repeated for the reversals. This is a bit safe strategy and to play only when the reversal occurs from the overbought or oversold state. As a thumb rule i have observed that generally the reversals in nifty takes place on TUESDAY and THURSDAY , and on other days generally the previous trend is followed. I say generally means this is not rule but just analysis from several intraday charts i collected over years. Well whenever the reversal may take place i am going to elaborate you how to spot the reversal and get benefited from it.

A) Bullish reversal in Nifty :

During intraday when the market crashes and the stochastic and rsi are both in the bottom region, when you spot a long candle it shows the exhausting of the bearish trend and it is the first indication that reversal may occur. But we can not take the chance, so in order to confirm the reversal we watch the 1-2-3 pattern.

The wave 1-2 is a sharp surge wave and then the market makes the higher bottom, This is the exact entry point. According to Elliott, the reactive wave of the first wave is about 38%,50% or

max 61% of the first wave. And if you spot that the reactive wave of first wave is not falling below 61%, then you should enter long at that point. The point is graphically illustrated in chart below,



Now when you spotted the exact situation here is how to enter, place stoploss and the target prices.....



TO Sum-Up we will go long when,

- 1) we see long candle when the stochastic and rsi are below 20,
- 2) There is formation of higher bottom
- 3) The reactive wave is not less than 60% of the first wave.

Then we will go long and then,

1) Place stoploss at previous swing low (start of wave 1)

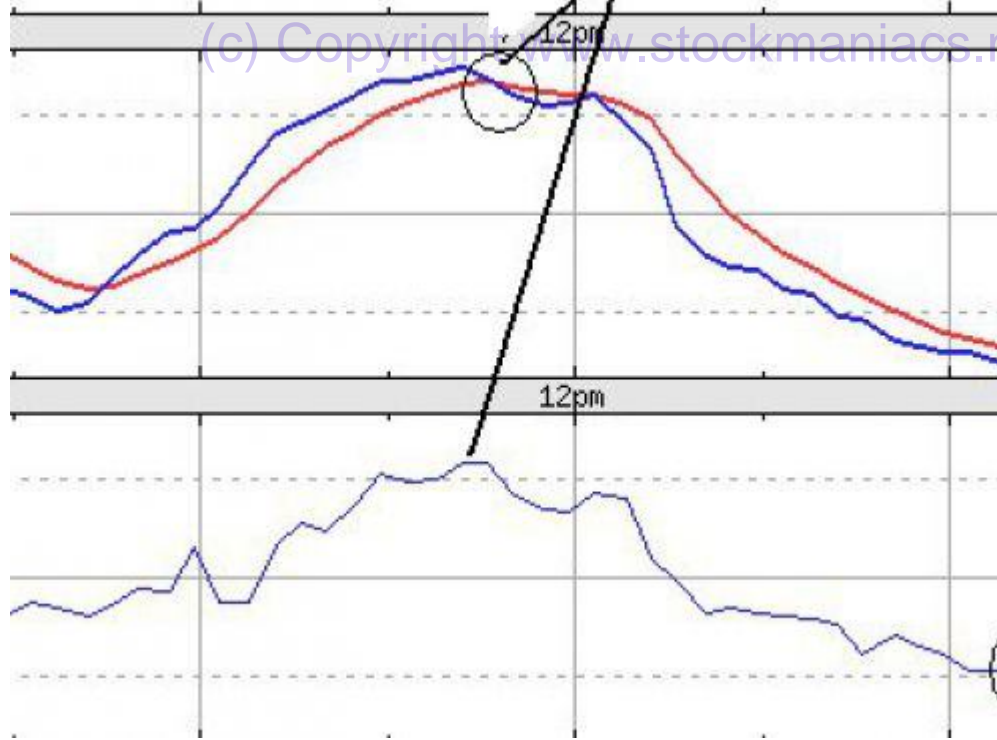
2) Place target order at $1.60 * \text{height of first wave}$ / go on moving the trailing stoploss up and up.

a) Bearish reversal in Nifty :

During intraday when the market rises and the stochastic and rsi are both in the top region, when you spot a long candle it shows the exhausting of the bullish trend and it is the first indication that reversal may occur. But we can not take the chance, so in order to confirm the reversal we watch the 1-2-3 pattern.

The wave 1-2 is a sharp down wave and then the market makes the lower high, This is the exact entry point. According to Elliott, the reactive wave of the first wave is about 38%,50% or max 61% of the first wave. And if you spot that the reactive wave of first wave is not falling below 61%, then you should enter short position at that point. The point is graphically illustrated in chart below,

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Other rules remain the same about stoploss and the target but just in reverse direction.

I wish to make it clear that such conditions may not occur daily and to spot them you will need patience and experience. This is the most reliable strategy in respect to risk to reward ratio as compared to other two.

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