

Twitter Thread by Professor



Professor

@DillikiBili



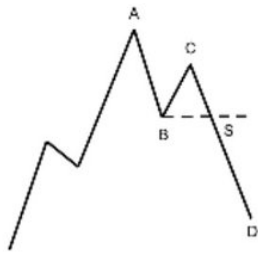
So friends here is the thread on the recommended pathway for new entrants in the stock market.

Here I will share what I believe are essentials for anybody who is interested in stock markets and the resources to learn them, its from my experience and by no means exhaustive..

First the very basic : The Dow theory, Everybody must have basic understanding of it and must learn to observe High Highs, Higher Lows, Lower Highs and Lower lows on charts and their implications.

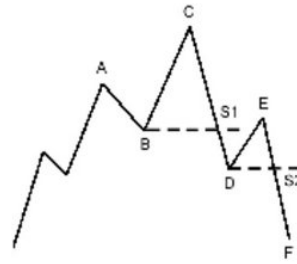
<https://t.co/MGKzygn1YW>

Even those who are more inclined towards fundamental side can also benefit from Dow theory, as it can hint start & end of Bull/Bear runs thereby indication entry and exits.



Failure Swing.

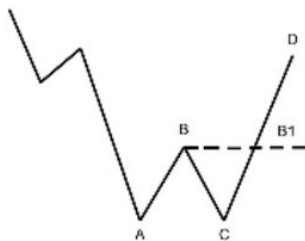
The failure of the peak at C to overcome A, followed by the violation of the low at B, constitutes a "sell" signal at S.



Nonfailure Swing.

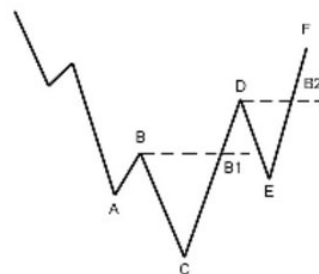
Notice that C exceeds A before D falling below B. Some Dow theorists would see a "sell" signal at S1, while others would need to see a lower high at E before turning bearish at S2.

Dow only took in consideration closing prices. Averages had to close higher than a previous peak or lower than a previous trough to be significant. Intraday penetrations did not count.



Failure Swing Bottom.

The "buy" signal takes place when point B is exceeded (at B1).



Nonfailure Swing Bottom.

"Buy" signals occur at points B1 or B2.

Next basic is Wyckoff's Theory. It tells how accumulation and distribution happens with regularity and how the market actually moves.

<https://t.co/72M2DCPJHZ>

Dow theory is old but gold...

<https://t.co/uqJRvfkxb5>

Old is Gold....

this Bharti Airtel chart is a true copy of the Wyckoff Pattern propounded in 1931..... pic.twitter.com/tQ1PNebq7d

— Professor (@DillikiBiili) [January 23, 2020](#)

How Wyckoff theory can help in stock market

<https://t.co/wWlpBplAYX>

With the basics, out of the way we'll now see some basics of Technical Analysis.

First concepts to be learned are finding support and resistance on charts or price levels.

<https://t.co/Q5njGt26zv>

The support and resistance (S&R) are specific price points on a chart expected to attract the maximum amount of either buying or selling, hence they are very important levels on chart.

For breakouts, they are very very important !

<https://t.co/kHK064D5z1>

Time for a video on basics of Technical Analysis. If you need only one, this is it.

<https://t.co/0qUaenJmAF>

Trendlines are also important. Just one important point, horizontal trend lines are more effective than sloping trendlines, because a breakout from horizontal levels is high probability breakout as compared to a breakout from sloping trendline.

<https://t.co/rWVklEAphx>

When we know how to draw trendlines and Support & Resistance (They are also trendlines only) we can move to Chart patterns that are formed by combining trendlines and few more inputs.

Here are most important ones.

<https://t.co/KlITvSWsj0>

I would complete the Technical Analysis part with this gift from [@nooreshtech](#) Sir who is an accomplished Technical Analyst.

This is his workbook on Technical Analysis <https://t.co/2GrnyclDWf>

No need to buy expensive books on Technical Analysis.

Now we'll see indicators, they are of 4 types:

Trend indicators : For direction and strength

Momentum indicators : For the speed of price movement

Volatility Indicators : For measuring fluctuations

Volume Indicators : For measuring strength of trend based on volume traded

Indicators introduction : A picture is worth thousand words

Types of TECHNICAL INDICATORS

A technical indicator is a mathematical calculation that can be applied to stock price patterns, designed to identify, or measure, technical analysis.

Technical indicators do not analyze any part of the fundamental business, the company's financial and/or other margins.

The most common that is used is:

- LEADING** The indicator is used to predict the future movement of a stock price.
- LAGGING** The indicator is used to confirm the future movement of a stock price.

Technical indicators are used to identify trends in the market, and they are generally designed to identify, predict, and confirm trends. Technical indicators are used to identify trends in the market, and they are generally designed to identify, predict, and confirm trends.

CATEGORIES OF INDICATORS

LEADING

These indicators are used to predict the future movement of a stock price.

These indicators are used to predict the future movement of a stock price.

LAGGING

These indicators are used to confirm the future movement of a stock price.

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TYPES OF TECHNICAL INDICATORS

TREND INDICATORS

These indicators are used to identify trends in the market, and they are generally designed to identify, predict, and confirm trends.

	LEADING	LAGGING
MOVING AVERAGE This indicator is used to identify trends in the market, and they are generally designed to identify, predict, and confirm trends.		✓
MOVING AVERAGE CONVERGENCE DIVERGENCE (MACD) This indicator is used to identify trends in the market, and they are generally designed to identify, predict, and confirm trends.		✓
PARABOLIC SAR This indicator is used to identify trends in the market, and they are generally designed to identify, predict, and confirm trends.	✓	

MOMENTUM INDICATORS

These indicators are used to identify trends in the market, and they are generally designed to identify, predict, and confirm trends.

	LEADING	LAGGING
STOCHASTIC OSCILLATOR This indicator is used to identify trends in the market, and they are generally designed to identify, predict, and confirm trends.	✓	
COMPOUND MOVING AVERAGE (CMA) This indicator is used to identify trends in the market, and they are generally designed to identify, predict, and confirm trends.	✓	
RELATIVE STRENGTH INDEX (RSI) This indicator is used to identify trends in the market, and they are generally designed to identify, predict, and confirm trends.	✓	

VOLATILITY INDICATORS

These indicators are used to identify trends in the market, and they are generally designed to identify, predict, and confirm trends.

	LEADING	LAGGING
PERCENTAGE BIAS This indicator is used to identify trends in the market, and they are generally designed to identify, predict, and confirm trends.		✓
PERCENTAGE TRUE RANGE This indicator is used to identify trends in the market, and they are generally designed to identify, predict, and confirm trends.		✓
STANDARD DEVIATION This indicator is used to identify trends in the market, and they are generally designed to identify, predict, and confirm trends.		✓

VOLUME INDICATORS

These indicators are used to identify trends in the market, and they are generally designed to identify, predict, and confirm trends.

	LEADING	LAGGING
ON-BALANCE VOLUME This indicator is used to identify trends in the market, and they are generally designed to identify, predict, and confirm trends.	✓	
ON-BALANCE VOLUME (OBV) This indicator is used to identify trends in the market, and they are generally designed to identify, predict, and confirm trends.	✓	
VOLUME RATE OF CHANGE This indicator is used to identify trends in the market, and they are generally designed to identify, predict, and confirm trends.		✓

TIPS ON HOW TO USE TECHNICAL INDICATORS

TIP 1
Never use more than one indicator at a time. Focus on one or two indicators and use them together to make a decision.

TIP 2
Never use more than one indicator at a time. Focus on one or two indicators and use them together to make a decision.

TIP 3
Never use more than one indicator at a time. Focus on one or two indicators and use them together to make a decision.

TIP 4
Never use more than one indicator at a time. Focus on one or two indicators and use them together to make a decision.

Some important indicators:

<https://t.co/Y4RShkuBFO>

A very important tool is Bollinger Band. This incorporates moving average and statistics and can produce wonderful results in the hands of a deft person.

Thanks [@bbands](#) for this excellent tool.

<https://t.co/W0UatdqXRw>

Often there is a tendency of overloading the chart with too many indicators ! Keep them to bare minimum. Remove one by one till you can't remove any further.



Another important point worth highlighting is combination of wrong indicators. If somebody uses RSI, MACD and Stochastic then what he/she will see is same view across all the indicators giving a false sense of confirmation by all 3 indicators. They belong to the same category.

So combine a trend indicator with momentum indicator and you are all set. Find your own combination.

An indicator cheat sheet is [here](#)

THE INDICATOR CHEATSHEET

THE ULTIMATE GUIDE TO USING INDICATORS IN YOUR TRADING

STOCHASTIC



- ➔ Mainly a range indicator to spot reversals
- 📊 It shows the speed of price movement
- 📈 Measures momentum of price

A widening Stochastic shows strength of price. A narrowing and closing Stochastic signals slowing momentum in the trend.

RSI



- ➔ Trend strength indicator
- 📊 Compares bullish and bearish candles
- 📈 Measures strength & momentum

When the RSI is high, it means that there were more past bullish candles and there were fewer in the past. A low RSI signals that past price action was bearish.

ADX



- ➔ Signals strength AND weakness
- 📊 < 25 range or weak trend
- 📈 25 - 50 modest trend
- 📉 > 50 strong trend

The ADX indicator can be used to differentiate between trend and range conditions.

MACD



- ➔ Trend following and momentum indicator
- 📊 A high MACD shows a strong uptrend. A low MACD signals a strong downtrend
- 📈 A cross-over of the MACD lines can signal a long or short setup

The MACD is effective during trends and should be used when the ADX is signaling a trend scenario.

MOVING AVERAGES



- ➔ A multi-function tool for different purposes

The size of which price is on can signal direction for trader

The slope of the MA shows strength of trends

The direction of the MA signals trend or range conditions

MA function as support and resistance levels

BOLLINGER BANDS



- ➔ BB are mainly used for volatility measures

The width of the BB shows current volatility

If price can stay outside the BB, it shows trend strength

Price reaching the outer band can also signal a reversal when price is over-extended

ATR



- ➔ The ATR is a volatility and price range tool
- 📊 The ATR measures the size of past candles
- 📈 Can be used to adjust stop and profit placement based on volatility

DIVERGENCES



- ➔ Divergences provide information about what is going on inside price

Signals that what you see on your charts is not reflected in price

Can show slowing momentum and weaknesses in trends

Often used to identify turning points or time trade exits

OVERBOUGHT / OVERSOLD

- ➔ Overbought and oversold can be used in 2 ways



During strong trends, price stays in overbought/oversold area for long times

In a range environment overbought / oversold can signal reversals

DO YOU NEED INDICATORS?

YES!

- 📊 Indicators make price information **easily understandable** and **avoid problems of misinterpretation**, especially during stressful times.

NO!

- 📊 Indicators don't do anything magical. Indicators only transform the price information from your charts into visual information.

In the end, it comes down to personal preferences and to what a trader feels comfortable with. There is a right or wrong when it comes to indicators.

After having fun with all the girlfriends/boyfriends there comes a time when everybody has to settle. Similarly after experimenting with all the indicators there comes a time when the trader decides that Price Action is best and instead of all these indicators i must focus on PA

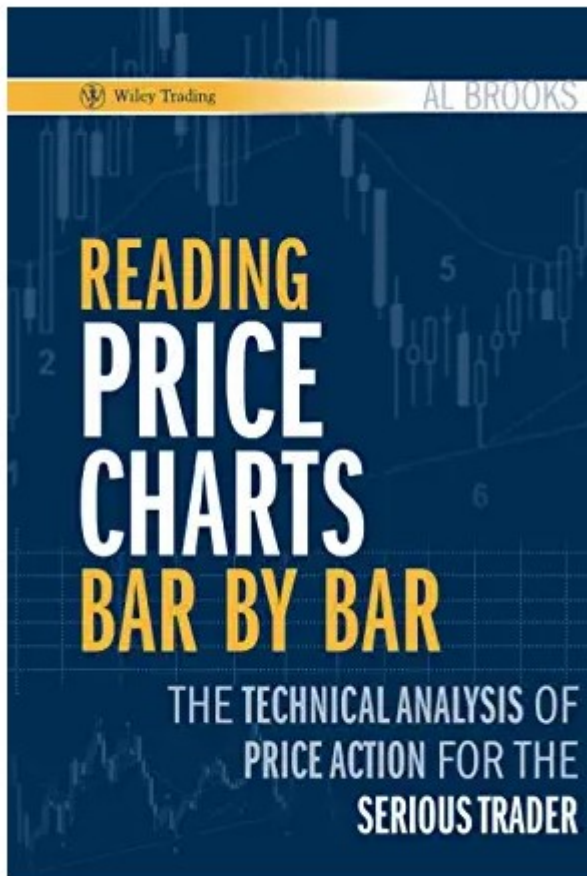
All the indicators/oscillators are based on either price or volume or a combination of both.

So once a person sees this light, he shifts to another gear increasingly trades on price Action, only occasionally taking support of indicators.

<https://t.co/TSZXAMe196>

Those who want to do a deep dive in price Action, may read these books.

Caution : These are only for advance readers.



Now coming to my Bread & Butter : Breakout Trading.

Accumulation, Distribution and Breakouts are regular feature in markets. One or the other is always happening in some stocks.

In Roaring Bull markets, Breakouts increase as now a days we are seeing daily.

Breakouts often happen after long consolidations. Longer the consolidation, stronger the breakout.

And the breakout may be in upside or downside both. If it happens after accumulation, it will be a bullish breakout and after distribution, it'll be bearish breakout.

And Breakouts are not only for trading, they make solid base for investing. If a fundamental investor enters a stock on breakout then it may give many successive breakouts and can reach stratospheric levels.

I simple love breakouts.

<https://t.co/2rCmYFK1Yr>

Legends on Breakouts

I don't buy stocks on a scale down; I buy on a scale up. — Jesse Livermore

Whatever method you use to enter trades, the most critical thing is that if there is a major trend, your approach should assure that you get in that trend. — Richard Dennis

If I were buying, my point would be above the market. I try to identify a point at which I expect the market momentum to be strong in the direction of the trade. — Ed Seykota

Opening range Breakout is a very popular strategy and it can be used in Stocks as well as Indices.

Wait for first 45 minutes, let the market settle and an opening range get formed. Now if any candle opens above or below this range, take trade in the direction of breakout.