Twitter Thread by The Chartians

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Ever wonder why a price corrects after opening gap up or price moves up after a dip.
Have you noticed this in stock market?

This phenomenon is called Climax.

This thread would on
"How to trade Climax"

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So far, nobody shared or discussed Climax phenomenon and this was just a mere observation for us.

If you haven't seen any example of climax yet, then let's see an example:
This happened with Tata Steel today in intraday today.

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Climax is the last/ending phase of the trend in stock market.

There are two types of climax based on the trend in market:
1. Bullish Climax
2. Bearish Climax

Shared example of both below.

Let's dig into each of these and see what would be a trading setup.

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Bullish Climax:
As name suggests, it is the ending phase of bullish move/trend. After this price starts downtrend.

Setup:
1. Price should open gap up by over 2%
2. Mark mid point of opening candle. Go short if price is below this.
3. Opening candle's high would be stoploss

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Use this climax trading setup only in #Intraday and use 5 mins time frame chart.

Let's see an example of a bullish climax that happened in Tata Steel today.

Entry got triggered (1317) at 9:20pm when the candle was below the reference point. Trailing SL got hit at 1286.

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Bearish Climax:
As name suggests, it is the ending phase of bearish move/trend. After this price starts uptrend.

Setup:
1. Price should open gap down by over -2%
2. Mark mid point of opening candle. Go long if price is above this.
3. Opening candle's low would be stoploss

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Let's see an example of a bearish climax that happened in Lupin.

Entry got triggered (924) at 9:20pm when the candle was above the reference point. Trailing SL got hit at 936.

12 points move captured in intraday, which is 1.3% returns.

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Sometimes even after gap up, price continues to go up and even after gap down, price continues to go down. We are skipping all this trade as the reference point which is the midpoint is crucial.
Buying or selling is done only if price is above or below the reference point.

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Even if trade goes wrong, then there is a final stop, which is #stoploss. Exit if stoploss is hit.
But contra move in climax is good and always keep Risk:Reward atleast 1:2.
If Risk is 10 points, then target for reward above 20 points.

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Trail your stoploss based on your own rule.
We follow recent high/low on 5 mins time frame and keep that as stoploss as the stock moves in your trend.

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This setup is easy, but one has to follow the rules diligently. This setup is only for intraday, don't use it on other than 5 mins time frame.

Mostly entry will trigger by 9:20am, so part-time traders can also use this for intraday.

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I hope everyone understood about #Climax #Trading.

These are not a universal rules one must follow. One can tweak or create their own rules.

Do comment if you have any queries. We will try to clarify all the doubts. Also, do check and backtest this on other charts.

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