

Twitter Thread by [Jainish Lamoria](#)



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■Market Breadth 101

It is a broad approach to overall market analysis that helps traders to realize the underlying strength or weakness associated with a market move

Thanks [@PradeepBonde](#) for the blogpost & [@iManasArora](#) for making breadth tool in context of Indian Market

(1/n)

(2/n)

Breadth will treat all stocks in an index equally. Stock with largest capitalization and the smallest are both equal in breadth analysis. It can be applied to any exchange or index of securities, any sector or industry group.

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One may consider it "oscillating indicator", when reached a threshold level, either positive or negative, they tend to reverse or take a halt.

It is concerned with probability that market is approaching a major turning point, so it isn't helpful knowing everyday trends.

(4/n)

Breadth is based on the price of the variables, still it can offer leading indications based upon the identification and use of previous levels or thresholds that are consistent with similar market action.

(5/n)

Breadth directly indicates/represents the market, no matter what the indices are doing.

Might look complex to understand it at sight. Let's try to break it down.

Link: <https://t.co/nvEuNXoiZ7>

A	B	C	D	E	F	G	H	I
Too many SOLID greens together is NOT good & vice versa	HEAT MAP							
	Number of Stocks up 4.5%+ Today	Number of stocks down 4.5%+ Today	Number of stocks up 20%+ in 5 days	Number of stocks down 20%+ in 5 days	Number of Stocks above 20 DMA (Early Signal)	Number of Stocks below 20 DMA (Early Signal)	Number of Stocks above 50 DMA	Number of Stocks below 50 DMA
Date	How to read MB: There is a clear pattern everytime. Markets tend to stall & continue or stall & reverse the direction							
18/11/21 (14-15)	38	50	21					
17/11/21	85	31	27	7	717	817	774	746
16/11/21	111	26	17	4	767	767	797	725
15/11/21	69	143	18	5	748	797	825	708
12/11/21	78	63	23	1	863	675	897	631
11/11/21	76	45	23	1	852	689	909	619
10/11/21	112	25	32	0	906	622	948	570
9/11/21	119	12	39	0	869	654	963	556
8/11/21	133	32	55	1	802	743	936	598
4/11/21	76	6	27	1	670	758	838	584
3/11/21	88	38	14	5	537	973	780	724
2/11/21	163	26	20	4	560	962	816	691
1/11/21	173	21	19	4	492	1029	774	732
29/10/21	79	41	15	5	378	1146	682	827
28/10/21	37	111	13	3	388	1134	700	807
27/10/21	121	23	15	1	558	964	840	667
26/10/21	214	16	9	4	543	981	816	686
25/10/21	43	183	8	21	411	1137	713	813
22/10/21	48	80	12	9	528	1000	838	674
21/10/21	74	74	15	5	649	887	910	603
20/10/21	36	146	18	6	692	860	944	590
19/10/21	40	205	30	4	944	619	1076	460
18/10/21	124	50	45	1	1196	372	1198	344
14/10/21	118	28	46	2	1214	348	1181	347
13/10/21	138	39	55	0	1139	358	1170	357
12/10/21	121	28	50	0	1142	404	1132	388

(6/n)

Possibilities:

- (B+) + (C-) :: BULLISH (+ve)
- (B-) + (C+) :: BEARISH (-ve)
- (B-) + (C-) :: NEUTRAL (consolidation/indecisiveness/pause)

Same can be applied to other columns as well.

Column A: Date

Column B: Number of Stocks up 4.5%+ today

Column C: Number of stocks down 4.5%+ today

Column D: Number of stocks up 20%+ in 5 days

Column E: Number of stocks down 20%+ in 5 days

Column F: Number of stocks above 20 DMA

Column G: Number of stocks below 20 DMA

Column H: Number of stocks above 50 DMA

Column I: Number of stocks below 50 DMA

(7/n)

Continuous "BULLISH (+ve)" or "BEARISH (-ve)" reading indicates market running out of breath and a high possibility of a pause or reversal in the trend.

Pic: (Line from the sheet, answering how to read Market Breadth Sheet)

A: Study market behaviour around extreme figures. There is a clear pattern everytime. Markets tend to stall & continue or stall & reverse the direction

(8/n)

Case: Continuous bullish readings followed by a fall (03/08/20 - 28/08/20)

Note: Indices does not represents all stocks, Market Breadth does. For instance, there is a possibility that the number of breakouts are pretty high and you don't see a good jump in indices.

A	B	C
10/09/20	117	6
09/09/20	27	81
08/09/20	41	56
07/09/20	54	19
04/09/20	42	40
03/09/20	82	22
02/09/20	133	24
01/09/20	55	72
31/08/20	15	703
28/08/20	73	56
27/08/20	114	44
26/08/20	164	21
25/08/20	128	37
24/08/20	175	21
21/08/20	196	16
20/08/20	168	12
19/08/20	183	7
18/08/20	161	11
17/08/20	138	20
14/08/20	70	75
13/08/20	157	32
12/08/20	126	30
11/08/20	125	36
10/08/20	214	21
07/08/20	170	21
06/08/20	151	20
05/08/20	137	15
04/08/20	165	16
03/08/20	145	37

(9/n)

Case: Continuous bearish readings (17/09/20 - 24/09/20) followed by a bounce (25/09/20 & 28/09/20)

A	B	C	D	E
24/09/21	64	24	23	1
23/09/21	109	11	14	2
22/09/21	161	8	18	2
21/09/21	80	26	20	2
20/09/21	45	140	18	1
17/09/21	46	72	21	1
16/09/21	91	26	35	1

(10/n)

Case: Low readings in Column B indicating weak buying pressure in the market, yet no high readings in Column C.
(01/10/20 - 15/10/20).

However, you might notice a rally in #NIFTY50 during this time, watching indices and making decision based on them has its negatives.

A	B	C
23/10/20	103	11
22/10/20	91	22
21/10/20	59	20
20/10/20	71	16
19/10/20	74	9
16/10/20	73	19
15/10/20	22	64
14/10/20	47	22
13/10/20	64	23
12/10/20	34	66
09/10/20	44	20
08/10/20	49	28
07/10/20	62	42
06/10/20	106	8
05/10/20	120	17
01/10/20	88	8

(11/n)

Case: "Extreme" bearish reading of just one day (21/12/20) followed by a bounce. It doesn't necessarily require a series of negative readings for a bounce. Same works vice-versa.

This was a rare negative reading, market ran out of breath the same day itself.

A	B	C
30/12/20	102	13
29/12/20	111	15
28/12/20	171	7
24/12/20	93	15
23/12/20	324	9
22/12/20	110	43
21/12/20	11	822
18/12/20	57	47
17/12/20	75	47

(12/n)

Case: Continuous selling pressure of 4-5 days (21/01/21 - 27/01/21), followed by a reversal (01/02/21 - 05/02/21)

A	B	C
09/02/21	63	39
08/02/21	156	29
05/02/21	90	47
04/02/21	166	19
03/02/21	144	12
02/02/21	167	16
01/02/21	227	27
29/01/21	49	40
28/01/21	74	21
27/01/21	38	86
25/01/21	33	90
22/01/21	41	64
21/01/21	55	57
20/01/21	79	15

(13/n)

When readings are more than usual limits for a long period of time, it hints "stretched market"

Jump in Column D: "Number of stocks up 20%+ in 5 days" indicates the possibility of a momentum. Market tends to reverse/pause when its close to extreme readings.

(14/n)

Column D faces a resistance around 55-60 readings, it kept breaching resistance readings in every few days. (27/04/21 to 15/07/21)

Numbers went over 100 on 08/06/21, we witnessed one of the strongest run in the market during this time.



(15/n)

August 2021 observed correction in market, selling exhaustion was visible twice during the month and gave a bounce in both instances.

Case I: Selling pressure (04/08/21 to 11/08/21), observed a small bounce/pause. However selling pressure was not visible in #NIFTY50

A	B	C	D	E
16/08/21	60	124	14	8
13/08/21	98	47	15	9
12/08/21	377	14	14	6
11/08/21	82	130	12	17
10/08/21	29	498	12	19
09/08/21	68	127	20	6
06/08/21	99	33	27	1
05/08/21	66	89	29	2
04/08/21	54	159	34	0
03/08/21	145	35	52	0

(16/n)

Case II: Market went weak again, selling continued for 4-5 days (16/08/21 - 23/08/21), bounced back stronger this time (24/08/21 - 02/09/21)

A	B	C	D	E
03/09/21	101	17	36	1
02/09/21	135	7	39	1
01/09/21	87	11	36	1
31/08/21	91	16	29	0
30/08/21	156	6	46	0
27/08/21	117	12	20	1
26/08/21	112	20	16	3
25/08/21	153	14	11	4
24/08/21	322	16	14	10
23/08/21	41	434	9	29
20/08/21	33	263	11	14
18/08/21	51	80	22	2
17/08/21	59	79	26	5
16/08/21	60	124	14	8
13/08/21	98	47	15	9

(17/n)

For more cases and recent examples (Oct & Nov 2021) check out Manas Sir's notes on side of the sheet. Other columns work the similar way, try to find the extreme readings and market behaviour near them.

Blogpost by [@PradeepBonde](#) -

Link: <https://t.co/Gv3ZQILfzx>

(18/n)

Like & retweet if you found this helpful. It was an honest attempt to break down Market Breadth tool the way I understand.

"Market Breadth Indicators" by Gregory L Morris covers other market breadth tools in detail.

(19/n)

Thanks to [@iManasArora](#) Sir for bringing drastic improvement in my trading journey, can't thank you enough. You have shortened my learning curve by years. Always grateful■