Twitter Thread by itrade(DJ)



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by a group friend

7:02

Done Mitesh Patel - FNO pe Charcha...

FNO Pe Charcha

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How long as a trader does one need to spent time on a strategy before giving up/changing?

- As a beginner one has to start with low capital
- As he has not seen market cycles - up / down /consolidation
- In short span of time in market – seeing one cycle – he might get false impression of been expert
- You can become professional & increase capital deployment when:
  - Improve probability of wining to more than 60-70% AND
  - Also get good Risk:Reward ratio – winning position higher than loosing position
- Miteshji's – risks only 0.5 to 1% (max) of total capital per trade and aim to capture at least 5%

Why don't people treat Trading as business?

- Majority of people enter trading to generate part time income or have interest in trading.
- People looking at trading as full time business are very small whose source of income is only trading.
- Eg: Restaurant business model – expected annual return is 15-20-25%
- One has to look at trading in similar way as business – decide & target to make average 25-30%
- But newbies come in market with expectation of making 50% in a month, 100-200% in a year - don't have unrealistic expectation at beginning.
- High returns can be made but you require necessary skills and have to give time to market.
- Everyday there are opportunities – stocks do move 10% in a day.
- Eg. Restaurant do not keep changing their recipes every now & then
- Similarly, Don't go on changing strategy – stick to one strategy – then only a beginner can make money.
- Even though that one strategy may not work for a period of 2-3 months in a year but had success probability of more than 70% - then stick to it.
- If you change strategies often and suppose they don't work – then will think that money can't be made by trading.
- Last 2 months market is consolidating – for non-directional traders good – could earn whole years earning within these 2 months – Maybe the consolidation will continue for another month.
- But these months not good for directional traders – but if he changes his strategy now and suppose the market gives breakout next week – he will miss chance to make money which would be possible if he had stick to his original strategy.
- Miteshji's main strategy – only breakup and breakdown
- After getting enough experience in market – gone through at least 3 market cycles – one can switch between directional & non-directional strategies and decide at what time which strategy should be played.
- Miteshji's target – 4% per month (can make much more)
- Which business gives 4L return on capital of 10L.
- Option buying does give 50-100-200% return – but it will form a habit – everyday market can't be trending – slowly will lose out money.
- To excel - option buyer requires more discipline – more skill than option seller – has to catch direction at right time and has to exit at right time.

What is your Stock selection process?

- Today there has been a thread posted on twitter on the same matter
- Play only FNO stocks – 150 to 200 stocks only
- Everyday not all stock moves by 5% up or down.
- Hardly 5 to 7 stocks move up or down
- Ignoring rest - trade only on these trending stocks with our predetermined setup.
- Eg. If you are range breakout trader – price is forming box and then trade breaking either up or down from the box.
- Recent example – Sunpharma – most of the day was in range and then gave breakout and kept on going up with volume.
- Other eg. Hindalco / Tata steel – these are momentum stocks – other stocks hardly move 1% in a day.
- If daily stocks move up/down by 5% then Nifty will also move up/down 5% - which is not possible
- So trade only those stock which are trending for the day – As operator are mostly active in those stocks.
- Mostly momentum in a stock, if it has to come can be seen in first hour.
- Have to do study beforehand to catch the momentum.