

# Twitter Thread by JayneshKasliwal



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## A Mega Thread on RELATIVE STRENGTH

**A method to improve  
Stock Selection and Conviction in trades**

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@JayneshKasliwal**

What is RELATIVE STRENGTH?

Relative strength is a strategy used in momentum investing and in identifying value stocks.

It focuses on investing in stocks or other investments that have performed well relative to the market as a whole or to a relevant benchmark.

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For example, a relative strength investor might select technology companies that have outperformed the Nifty50, or the Nifty 500.

This is basically used for Identifying the strongest sector , stocks , asset class by comparing the relative performance

2/n

How to apply it in tradingview?

Type

“Relative Strength”

Choose any

By bharattrader

By traderlion

By Modhelius

I use by bharattrader

In setting use 65 period

3/n

relative			
☆ Favorites	Relative Volume RVOL Alerts	oh92	2326
👤 My scripts	★ Relative Strength	modhelius	1975
📈 Built-ins	Relative Strength of Volume Indicators by DGT	dgtrd	1903
📖 Community Scripts	Relative Volume at Time	TradingView	1620
	Relative Strength Index Direction by Nico Muselle	Nico.Muselle	1123
	☆ Relative Volume	veryfid	998
	Relative Strength Index Вик	vik123	788
	★ Relative Strength of a stock	bharatTrader	765
	Relative Estimated Price REP by KIVANÇ fr3762	KivancOzbilgic	700
	Relative Currency Strength	john_everist	687
	Relative Momentum Index	everget	658
	Relative Momentum Index-coinigy	coinsspor	650
	Relative Volume (RVOL) - Beasley Savage	BeasleySavage	641
	Relative Strength(RSMK) + Perks - Markos Katsanos	midtownsk8rg...	595
	Relative Strength Volatility Variable Bands [DW]	DonovanWall	534

Formula for Rs

Using 65 as period and base as NiftyOne can use 123 or 250 as period depending upon your time frame of holding  
If your view is short term then 65 works great and mid to long term can use 123 and 250 .

@kuttrapali26

4/n

$$\frac{(\text{CurrentPrice} / \text{Price 65 days ago})}{(\text{Cmp Nifty/ Price 65 Days ago})} - 1$$

Why to Use RS ?

Helps to filter out stocks in good momentum and that are giving better returns than nifty

These stocks tend to outperform the market.

These are potentially superstocks

65 period signifies 3 months of trading

In 3 months we have around 65 trading days

5/n

How does RELATIVE STRENGTH look ?

0 line that helps to differentiate between underperformer and outperformer

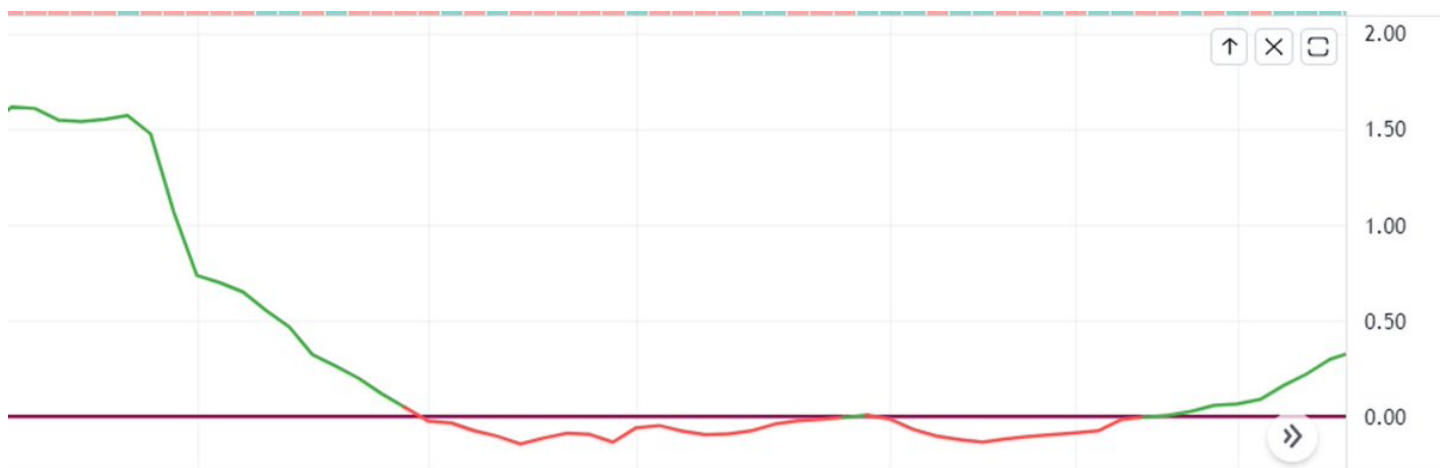
>1 Outperforming the markets

<0 Underperforming the markets

When 65 RS Goes above 2 its too much heated and generally goes into consolidation or pullback

[@vivbajaj](#)

6/n



Simple Example of Relative Strength

Nifty Falling 10% but your Stock is not falling and staying sideways Means it has Strength to fight against the falling market.

When Market Recovers it already had strenght and hence it will moe more faster

7/n



## Ways To Use RS

### Most Popular - Stock vs Index

(Example – Reliance Vs Nifty 50)

### Stock Vs Stock in same sector

(Example –LTI Vs Infy)

### Stock Vs Stock across sectors

(Example –Reliance Vs TataMotors)

## LTI

Comparing IT stock vs NIFTY vs IT index

8/n

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TradingView

Local Index Vs Global Index

(Example – NIFTY50 vs S&P 500)

Relationship across sectors

(Banking vs Telecom)

Relationship across asset classes

(Gold Vs Dow)

Relationship across segments of the market

(Mid-cap index vs Small cap index)

9/n

S&P500 Vs Nifty

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## NIFTY INFRA vs NIFTY 50 VS NIFTY psu

The Highlighted part means that

Nifty Infra is outperforming the nifty 50 index in that period but underperforming the Psu bank index

That indirectly means that psubanks have outperformed both nifty and nifty infra and hence is the strongest

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You can Compare any Asset with any other asset by changing the comparative symbol











You can use CNX IT , PHARMA , INFRA to compare your stocks to specific Sector

11/n

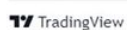


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[Futures](#)
[Forex](#)
[CFD](#)
[Crypto](#)
[Index](#)
[Economy](#)

SYMBOL	DESCRIPTION	
CNXIT	NIFTY IT	index NSE 
CNXAUTO	NIFTY AUTO	index NSE 
CNXFMCG	NIFTY FMCG	index NSE 
CNX500	NIFTY 500	index NSE 
CNXMETAL	NIFTY METAL	index NSE 
CNXPHARMA	NIFTY PHARMA	index NSE 
CNXFINANCE	NIFTY FIN SERVICE	index NSE 
CXENERGY	NIFTY ENERGY	index NSE 
CNXREALTY	NIFTY REALTY	index NSE 
CNXPSUBANK	NIFTY PSU BANK	index NSE 

12/n



Extended >2: Stock Correct

Extended >2 Stock turns Sideways

Globus Spirits Vs Goodluck

13/n

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Points to remember :

Key point: Relative Strength tends to select high beta or low beta stocks, depending on the market trend.

When that trend undergoes a major reversal, Relative Strength will see its peak underperformance.

Because tops and bottoms are sharp and quick.

14/n

Different Type of Relative strength

COMPARATIVE RELATIVE STRENGTH

One can Simply divide Stock Price by Index Price

This is known as ratio chart

15/n



# STOCK PRICE



# INDEX PRICE

In tradingView

use "/" Symbol to plot the ratio chart in symbol search

Reliance vs BalajiAmines

16/n

ingView

Symbol Search

RELIANCE/NIFTY

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All

Stock

Futures

Forex

CFD

Crypto

Index

Economy

SYMBOL

DESCRIPTION

All sources

NIFTY	NIFTY 50	index NSE
> NIFTY	S&P CNX NIFTY INDEX FUTURES	futures NSE
BANKNIFTY	NIFTY BANK	index NSE
CNXIT	NIFTY IT	index NSE
NIFTYPVTBANK	NIFTY PVT BANK	index NSE
NIFTYJR	NIFTY NEXT 50	index NSE
CNXMETAL	NIFTY METAL	index NSE
CNXAUTO	NIFTY AUTO	index NSE
NIFTY_HEALTHCARE	NIFTY HEALTHCARE	index NSE
NIFTYMIDCAP50	NIFTY MIDCAP 50	index NSE
CNXFMCG	NIFTY FMCG	index NSE

Sep

Pine E

Simply start typing while on the chart to pull up this search box

Understanding the trend

17/n

Denominator		Numerator		Ratio	
Up		More Up		Up	
Down		Up		Up	
Down		Flat		Up	
Flat		Up		Up	
Down		Less Down		Up	
Up		Less Up		Down	
Down		More Down		Down	
Up		Down		Down	
Up		Flat		Down	
Flat		Down		Down	

Out-performance

Under-performance

### Difference between RS vs CRS

The RS calculates the relationship between price of the past “N” period in our case 65

The CRS calculates the relation on daily basis price change and plots

CRS will show you the trend of the particular day while RS shows you trend of past 65 days

18

### Simpler Explanation

#### Example 1

Nifty Falls 10 % over a period but a stock a stock gains 10% . What does that mean ?

Nifty Stays Flat over a period but a stock gains 10% . What does that mean ?

Nifty Rises 10% over a period but your stock Rises 50% .

What does that mean ?

19/n

ANS :

Buyers are still interested in the stock/ Sellers are weak and when market recovers these are the stocks which move Ahead much faster as they already have strength .

Stocks that are showing strength in weak market will outperform in strong market

20/n

## Duckman's Relative Strength Techniques

(RS = Relative Strength; MAs = Moving Averages)

Here are some techniques I have found useful over the years to find stocks that stick out during a selloff, correction, or pullback. Nicolas Darvas eloquently stated in his book, (How I Made \$2,000,000 in the Stock Market) "I tried to detect those stocks that resisted the [market] decline. I reasoned that if they could swim against the stream, they were the ones that would advance most rapidly when the current changed." This gentleman laid it all out for us and William J. O'Neil galvanized this concept and folded it into the CANSLIM methodology. Relative Strength is the single most underrated tool within the technical analysis spectrum in my opinion. Here are some ways to identify RS:

- RS line at new highs
- Stocks with an RS line pointed at 12 to 2:30ish before a stock breaks out or as a stocking is breaking out (upward trending with the greater the ascent angle, the better)
- Stocks making 52-weeks as the market is in a correction or pulls back
- Stocks making all-time highs
- Stocks NOT making a new low when the S&P500 and Nasdaq are
- Stocks holding above short-term MAs like: 8ema, 10sma, 21ema, etc.
- Stocks with short-term MAs in order: 5ema above the 8ema, 8ema above the 10sma, 10sma, above the 21ema, etc.
- Stocks that undercut long-term MAs like the 50sma or 200sma less than the general market undercuts those same MAs on a percent basis
- Support candle on weekly/daily which needs to close in the upper half and preferably not a gap down but doesn't necessarily have to be a positive week or day
- Stocks that closed green for the week or day while the general market was down substantially
- Stocks that did not participate in the most recent rally and now act calm and orderly in a corrective tape
- Tight range closes and a tight high/low candle on minimal volume on a weekly or daily chart during a bad tape
- High RS rating (preferably >87)
  - Note: The RS line is more of a leading indicator than the rating
- Top RS stocks in the top 40-50 industry groups
  - Pick the fundamentally most sound stock with good liquidity that has the strongest RS line of the GROUP and not just the market
- EPS driven gaps on BIG volume are huge institutions buying clues
- Stocks holding EPS driven gap gains (<10% from the gap day close) in the following days
- Stocks breaking out of a sound base
- Stocks basing or consolidating calmly sideways while the market makes new lows
- Stocks clinging on to MAs that it hasn't attached to in the past (character change)
- Stocks not making a new intraday low when the market does
- Stocks that open green or near green on a deep red open

## CASE STUDYS

NIFTY Fallen 11% from highs

CHAMBALFERT : Stays Flat

MANINFRA : Up 22% in weak market

PVR : Falls More than 25%

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## CASE STUDY LIVE

Screenshot From Telegram channel

Technical Test given to followers to select the best stock

A) outperformer as + RS

B) and C) At support and hence most chose that as an answer as swing trading bet  
Over the next 10 days

A) JSL HISAR gave a + Return of 18%

22/n



Immediately the stock A) gave 6%+ Returns while other stocks closed in red  
Even though a stock is trading at support doesn't means its bound to rise  
A stock with Positive RS will move faster than a stock with -Ve RS  
That is OUTPERFORMANCE we are talking about  
23/n



## Technical Test 2

You have to choose only 1 stock

Purely for Swing Trade

Time Frame 1 month

Which one would you choose ?

A) CLEANSCIENCE

B) JubilantIngrevia

C) BalajiAmines

Give Your Reasons and Consider all Parameters.

edited 3.6K 15:55

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