Twitter Thread by Namrata

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Let’s learn the divergence.

Whenever I teach, my moto is to make u master in that. U should get something new to learn even though when u already know that thing.

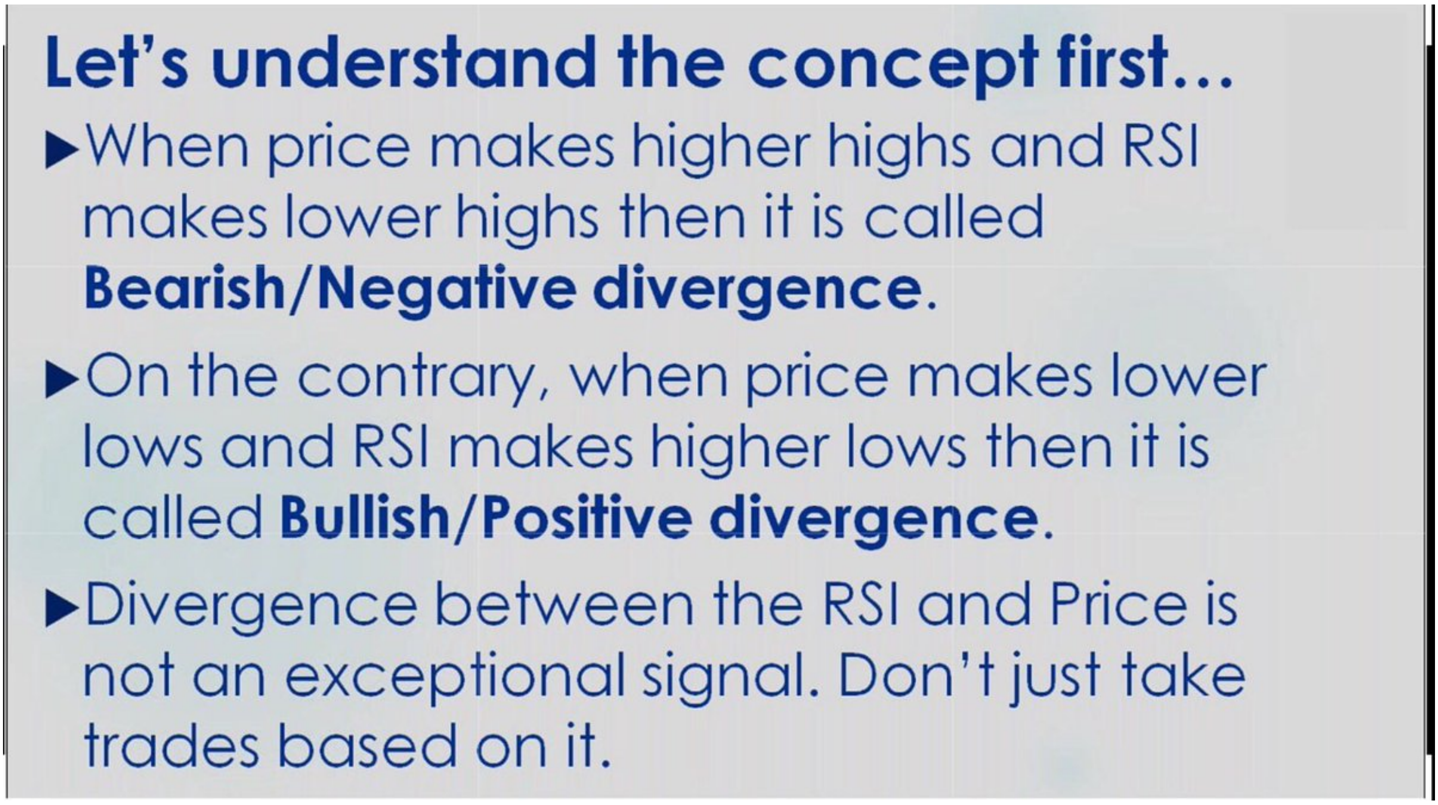
Divergence:- When price is not synchronised with the oscillator then the divergens occurs means

2/n
Means price is making higher high but oscillator doesn’t
or
price making lower low but oscillator doesn’t
means there is divergence as price is not synchronised with the oscillator.
Basically there are two kinds of divergence
-> Regular or classic.
-> Hidden divergence

3/n
A bullish divergence occurs when prices fall to a new low while an oscillator fails to reach a new low. This situation demonstrates that bears are losing power, and that bulls are ready to control the market again—often a bullish divergence marks the end of a downtrend.

4/n
Whereas Bearish divergence occurs when prices reaches to a new high while an oscillator fails to reach a new high. This situation demonstrates that bulls are losing power, and that bears are ready to control the market again—often a bearish divergence marks a halt uptrend.

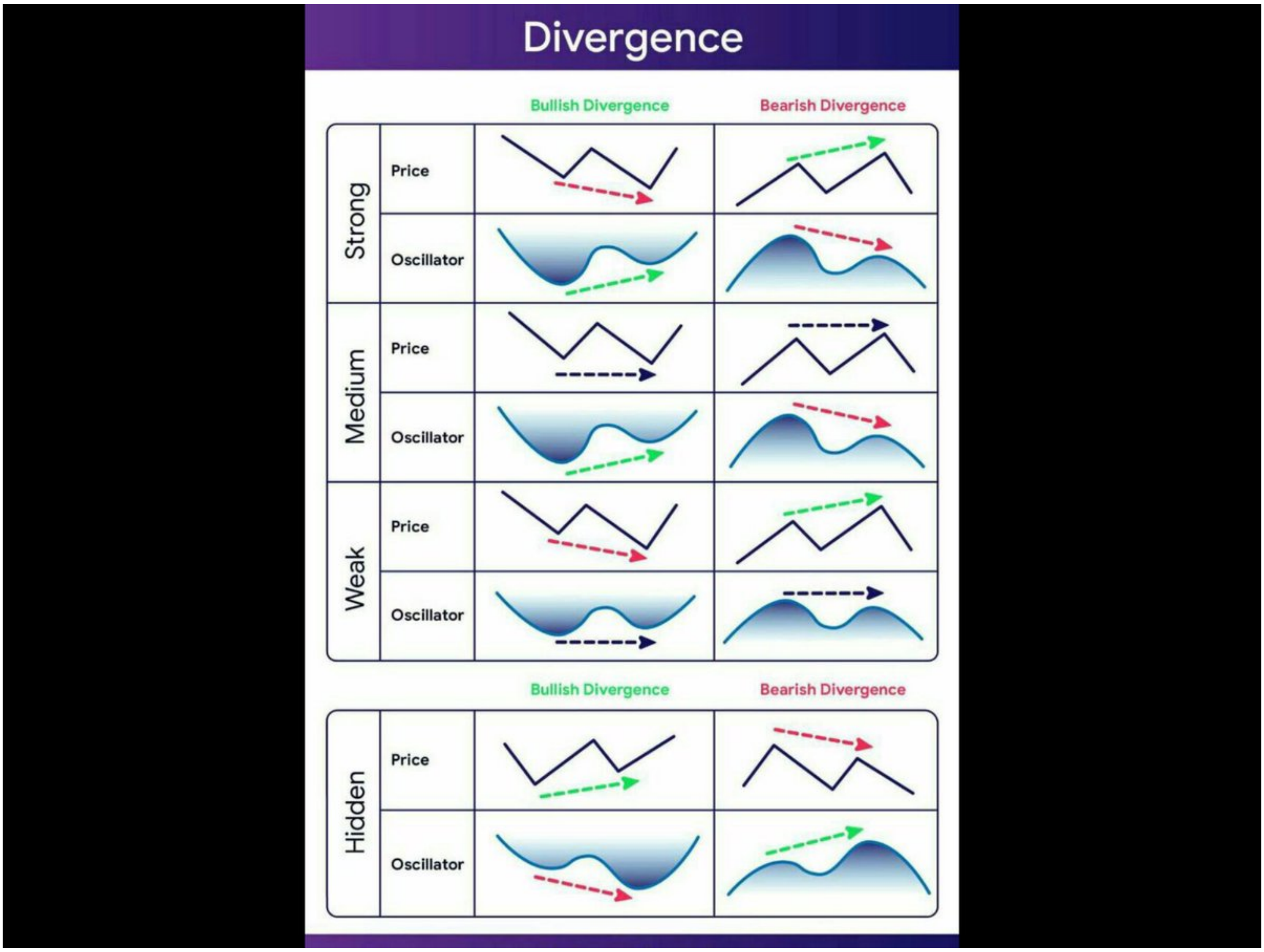
5/n
Generally bullish divergence works better than bearish divergence.
bullish divergence provides you an opportunity to buy the stocks at bottom with very high risk to reward ratio.
Both divergence comes under regular or classic divergence.



6/n

We can classify regular divergence in three category as per their strength :-

1. Class A strong,
2. Class B medium,
3. Class C weak.

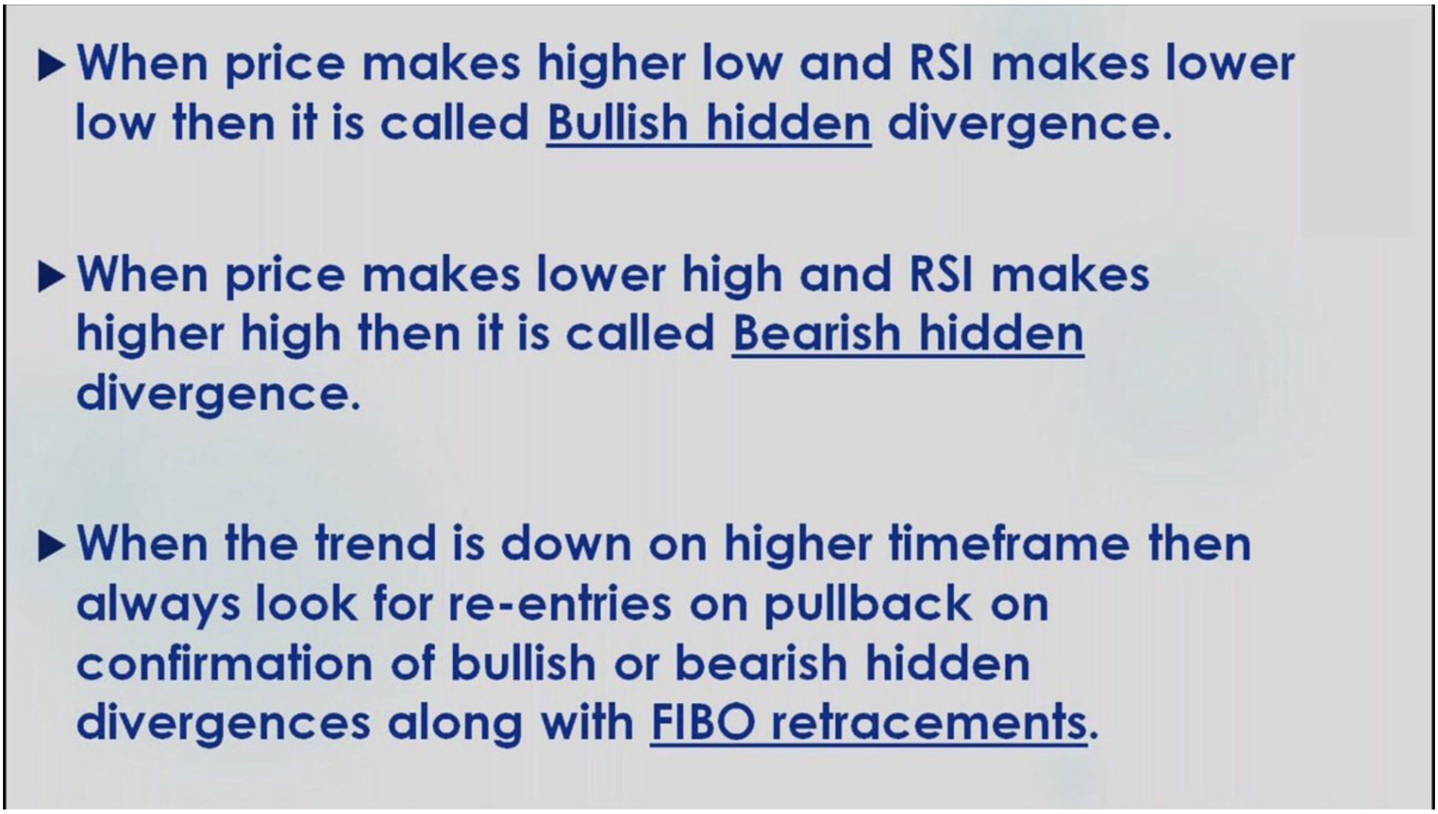


7/n
The strongest divergences are Class A;exhibiting less strength are Class B; and the weakest are Class C.The best trading opportunities are indicated by Class A divergences,while Class B and C divergences represent choppy market action and should generally be ignored.

8/n
Class A bearish divergences often signal a sharp and significant reversal toward a downtrend. While Class A bullish divergences are often the best signals of an impending sharp rally.

9/n
Now let’s learn Hidden divergence :-
If the price of an asset makes a series of higher lows, this can denote an uptrend is underway. If you spot that the indicator has at the same time made a series of lower lows, you have identified hidden divergence or vice versa.

10/n
Generally we see bullish hidden divergence when a stock in healthy uptrend goes for correction whereas bearish hidden divergence when a stock already in bearish momentum goes for some kind of 1-2-3 leg correction.



11/n

Difference between both is :-

-> Hidden divergence come ma in a healthy trend, when price correction occurs, used to board the main trend.

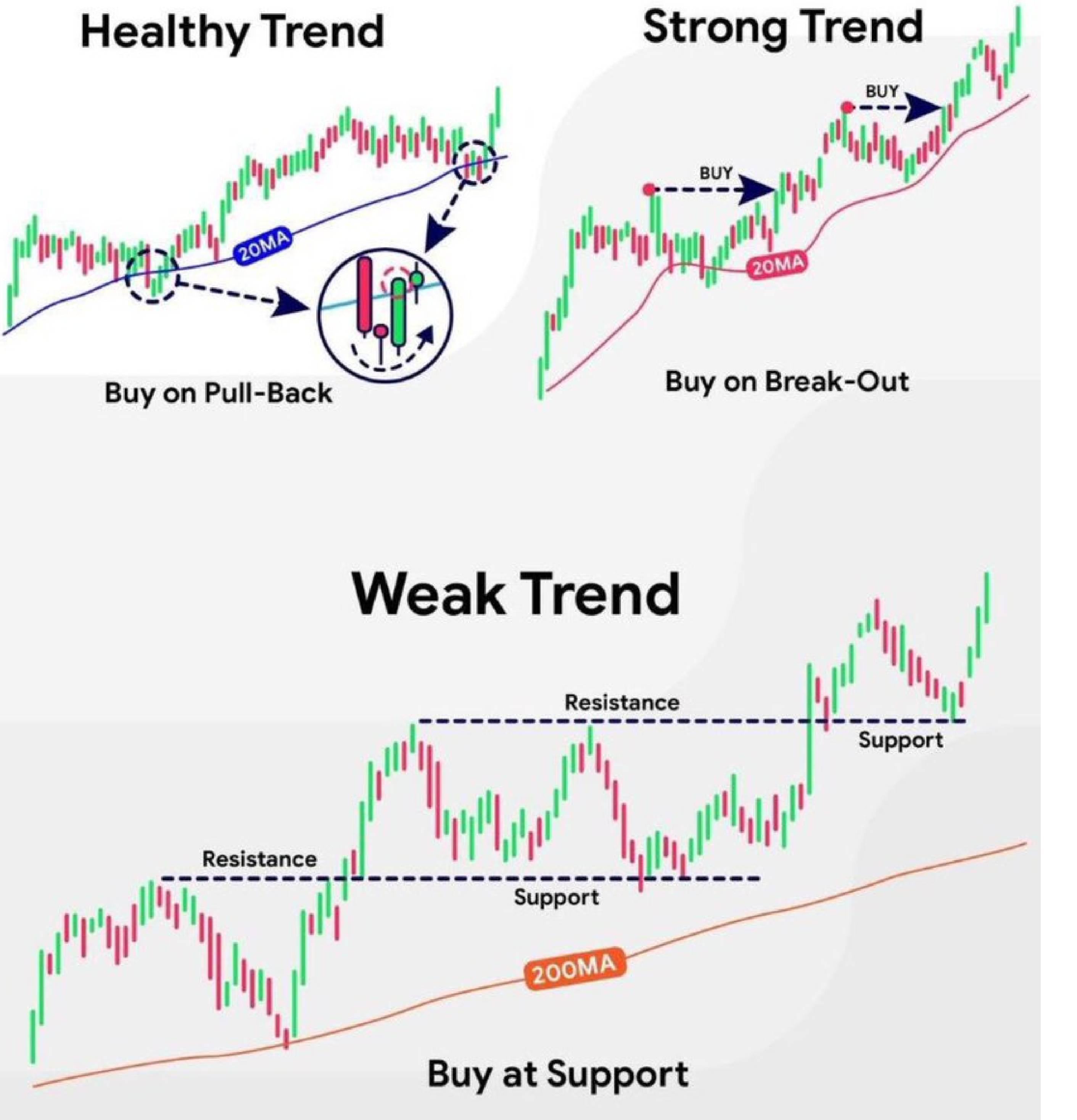
Tools required for entry is

->Trend-line BO

-> HH BO

-> candlestick Reversal pattern

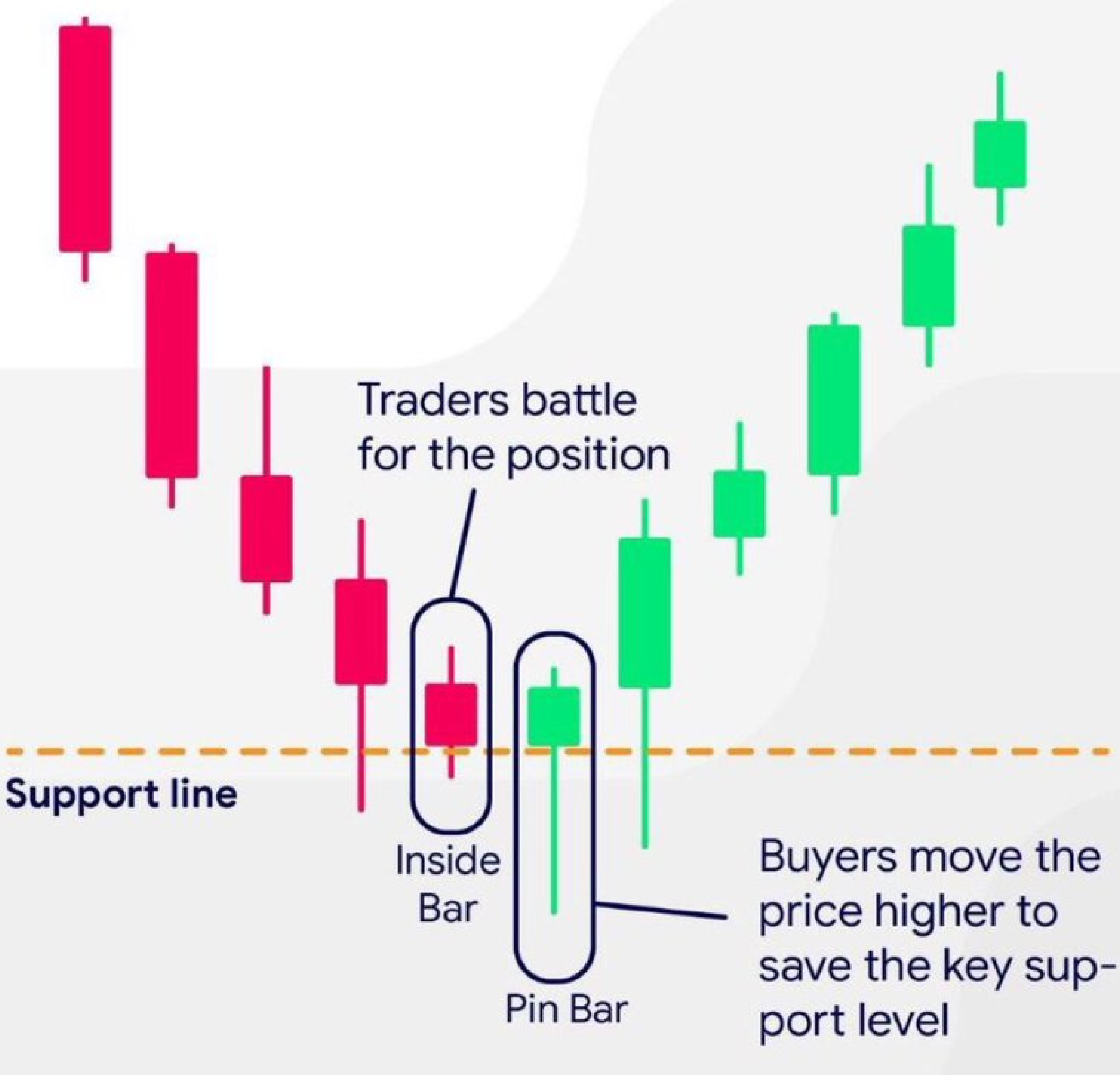
Trends Types



12/n
-> While regular divergence can alert you ahead of time to a possible reversal, or change in the price direction, hidden divergence can tell you ahead of time when a trend looks set to continue....
Let’s practice same on charts.

13/n
Now You may have had a fair idea of divergences.
In other words Divergence just show the weakness in current price move leg.
It can b observed when price reaches Support (Last swing low)
or
resistance (Last swing high)
that weekness can b seen without indicators too.

Daily Price Action



14/n

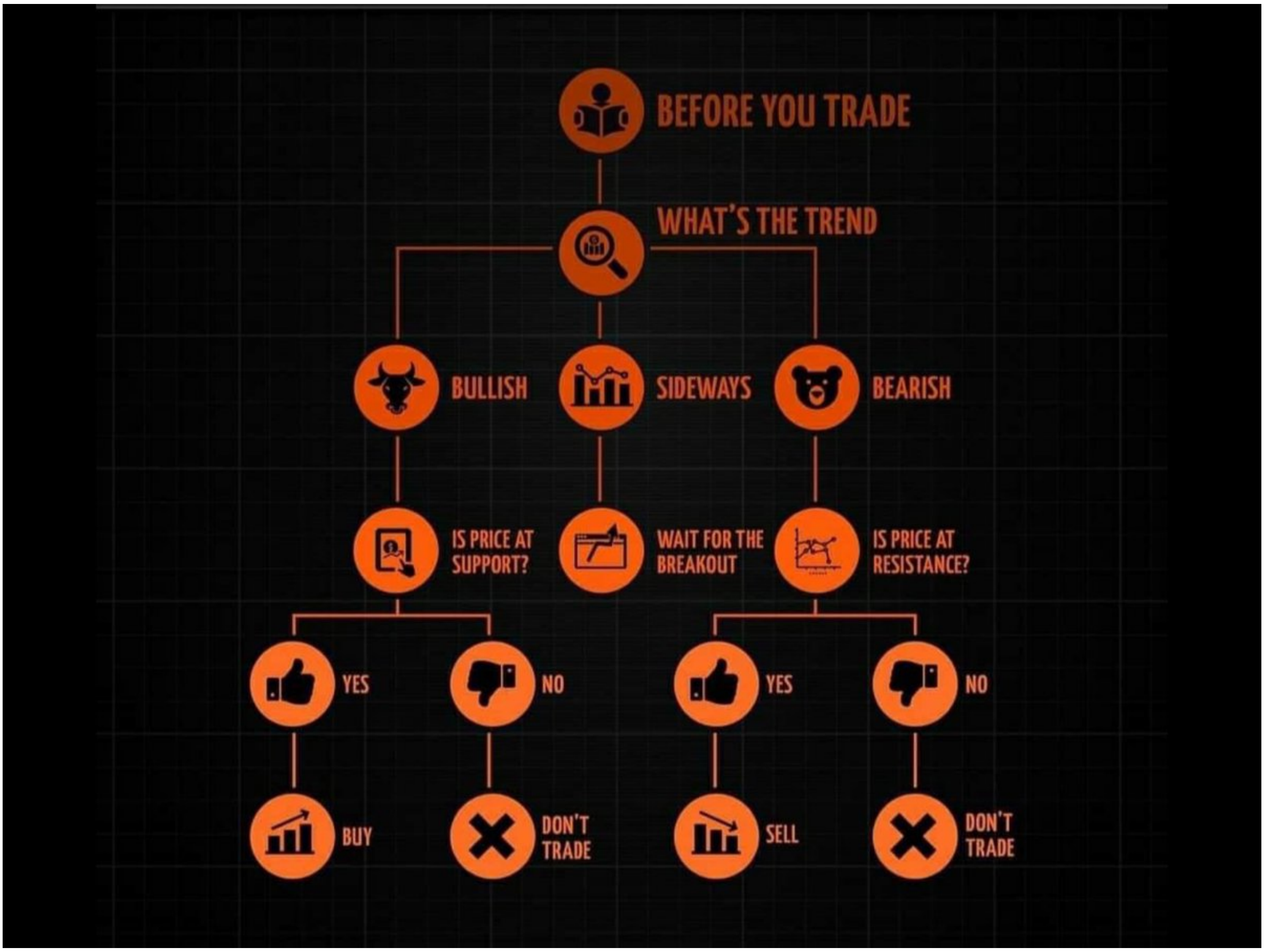
->when RSI indicator is overbought RSI above 70 then breakout happens then either avoid long or only long one fourth of your regular quantity as there are high chances of failed breakout

->where as when RSI is oversold below 30 avoid short trades or short 1/4 of your Vol.

15/n

-> Long only at support while correction or Pull back as far better RR (Buy on dips)

-> Short only at resistance or 1-2-3 upmove correction (Sell on rise)



Now Let me explain same on charts.

That how can we utilise this divergence.

Now as we are already in healthy bull run, so we ll get more bullish hidden divergence as prices goes for correction.


NSE:BANKNIFTY, 60 31167.25 −1019.65 (−3.17%) O:31176.05 H:31216.90 L:31131.95 C:31177.95
NIFTY BANK, 1h, NSE
Vol: No volume is provided by the data vendor.
Colored EMA /SMA (21, 5)
INR
32291.05
32000.00
31600.00
31177.95
30800.00
30400.00
30000.00
29600.00
29200.00
Price is not sync with RSI which is continuously falling making hidden bullish divergence.
@Chartsbank
Price is not sync with RSI which is continuously falling making hidden bullish divergence.
RSI (14, close)
80.00
60.00
40.00
20.00
28
2021
6
11
15:15
18
15:15