Twitter Thread by Trader knight



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"The 200 EMA play."

As most of you may know, that 200 EMA is mostly used to find the Value zone at any time frame, many times we see reversals happening at this zone.

Thread on How to use 200 EMA as a trading setup.



I use this setup mostly on daily and weekly time frames.

So ,what to look for -

1. First check whether the index is in uptrend or not, simple way to know this is if the index is above 20 and 50 DEMA then its in uptrend.

2. So if the index is in uptrend we will try to find the stocks for buying and if the index is in downtrend , find stocks for selling.

3. Now the best setup would be if the stocks is getting close to 200 EMA after a long time, buying/selling would be more furious in that case.

4. The best condition will be if the stock first touches the 200 EMA and shows rejection from that , it would be the ideal condition.

5. We have to buy above above the high of the rejection candle.

6. Stop loss can be 2 ATR away from the entry, ATR will be based on previous candle of the entry.

7. And trail sl with every 1R move in our favor.

Example 1 - Canara bank



- After a long time stock was approaching the 200 DEMA and also Nifty is in uptrend , then stock shows rejection from 200 EMA, now all conditions are satisfied.

- Now we will buy once stock breaks above the rejection candle, which is in this case 114.



- Our sl will be 2 ATR , ATR at previous candle is 4.5 , so our sl will be twice of that which will be 9.

- Sl is 105.

- Trail sl hit at 134 levels.

@PharmaBull20_22 bhaiya uses this setup a lot, you can check many examples on his TL.

Few more charts -



As like any other strategy this will also have losing and scratch trades, but our work is to take every best setup possible , by doing that we will do good in long term.

Thanks for reading till here.