Twitter Thread by Chartmojo

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An important Thread ■■

■ An introduction to Price and Volume Action.

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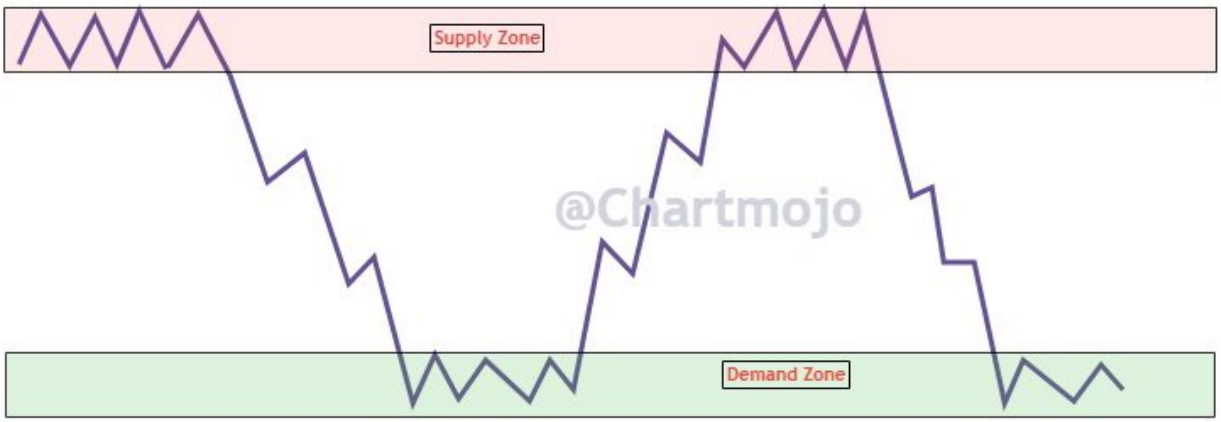
There is a saying in the indian stock exchange " Bhav Bhagwan Che ! " which forms the basis for price action and ultimately technical analysis.

Price Action is basically looking at price and the actions/ patterns it made during the tug of war betweern bulls and bears.

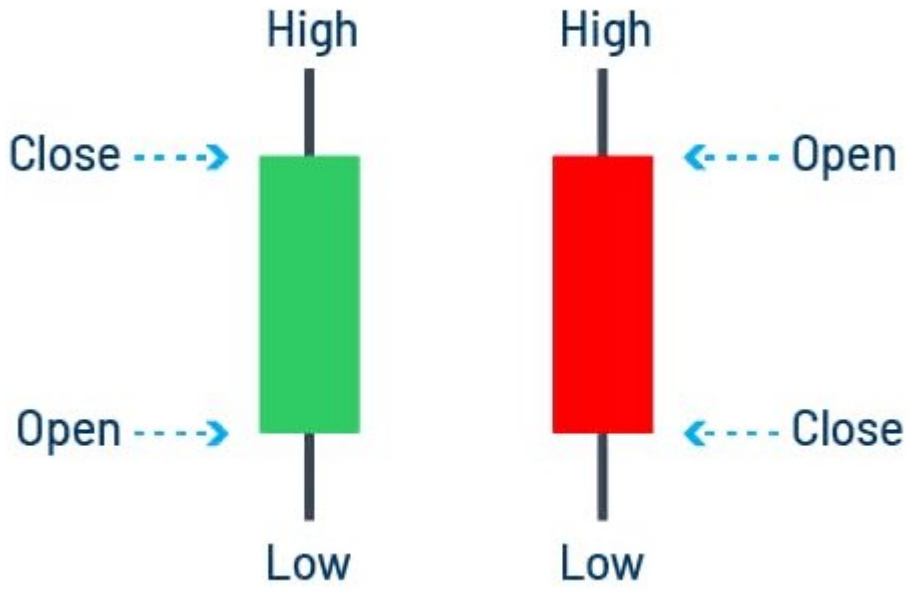


Price action helps us identify proper buy and sell areas.

It helps us understand supply and demand zones and based on the patterns we can assume who is going to take ground either bulls or bears.



We use candlestick to understand price action. Candlesticks are technical tools which helps us by providing sessions Open, High, Low & Closing price of that candle in a graphical representation which looks like a candle.



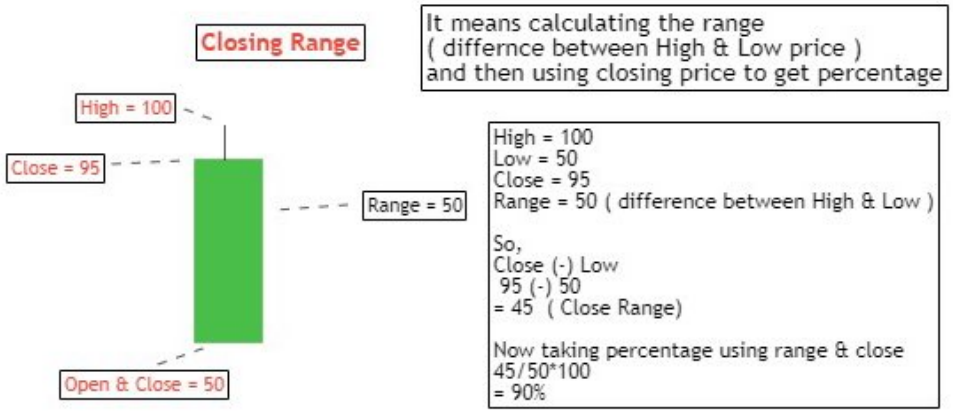
A candle stick is a tug of war between bulls and bears. We come to know who when when looking at closing price. So if the closing is above opening then bull have won and if cloing below open then bears have won. By this you must have understood how important is closing price



Closing range (CR) shows the power of the winning group by representing where the close within the range of high to low .



So in case bulls have won but closing is covering 65% of range means the bulls have beaten bears with only a slim range which means bulls are still not so strong and vice versa for bears.



One can use Closing range in higher time frame to take trade in lower time frame. Like looking at CR of Weekly candle and taking trade in Daily candle.

Volumes also play a pivotal role in assessing prower of the leading team.



If the bulls are winning but not with good volumes then this indicates bulls are not strong enough and can be taken over by bears and vice versa.

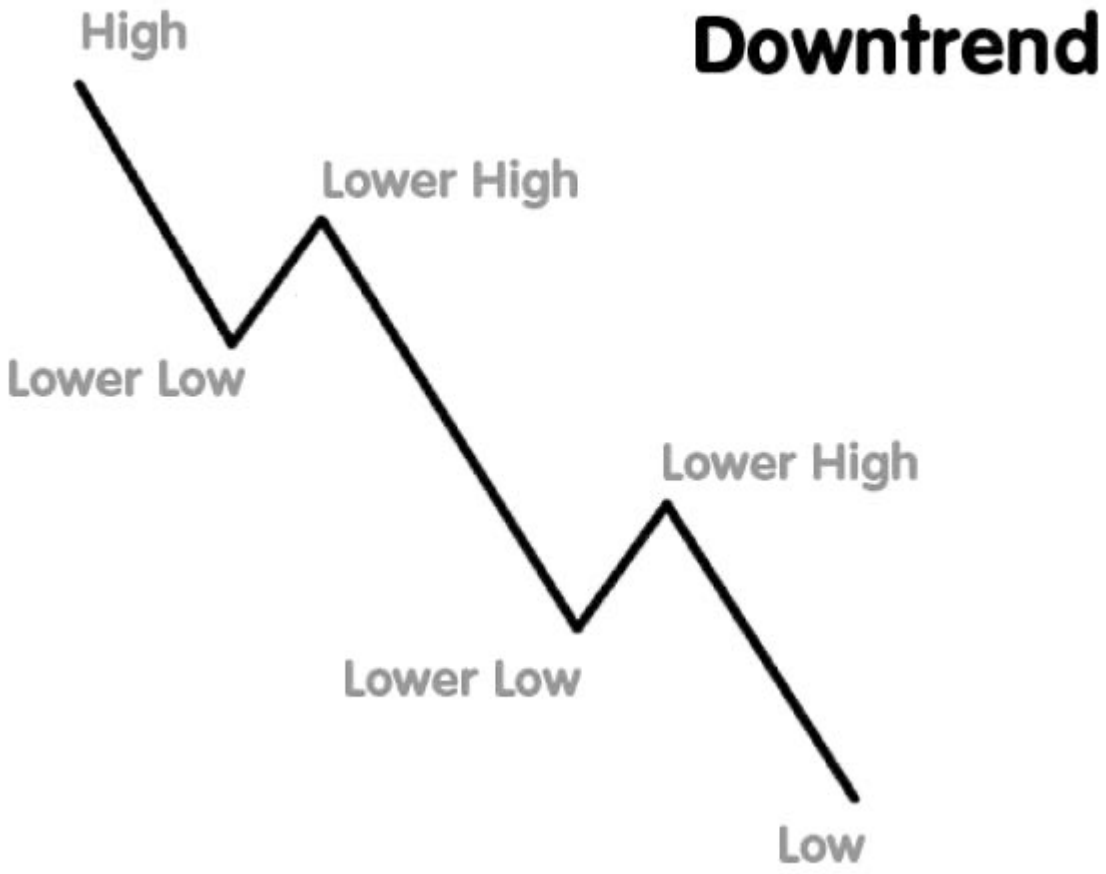
Usually one should also add avg line in the volume indicator to assess whether the winning team is strong or not.

IF bulls have won and the volume is green and above avg line then we can say bulls have beaten bears.

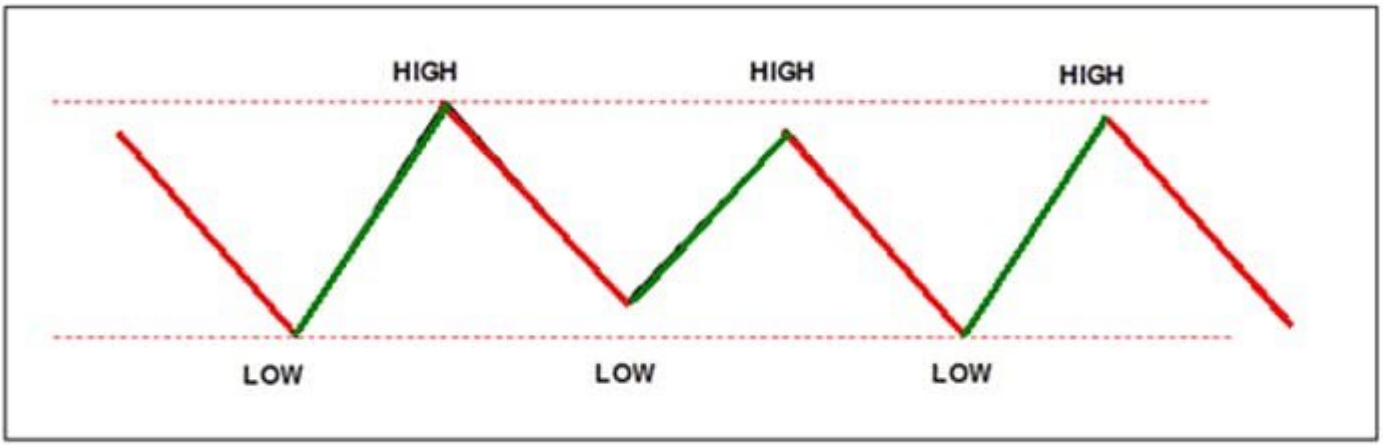
Price action consist of Uptrend, Downtrend & Consolidation. Uptrend means bulls are making price to form Higher highs and higher lows where it doesnt breach its Higher low .



Downtrend means bears are making price form Lower Highs and Lower Lows where it doesnt break it Lower Higha. Consolidation is a stage of confusion where there isn't any confirmation whether bears are strong or bulls.

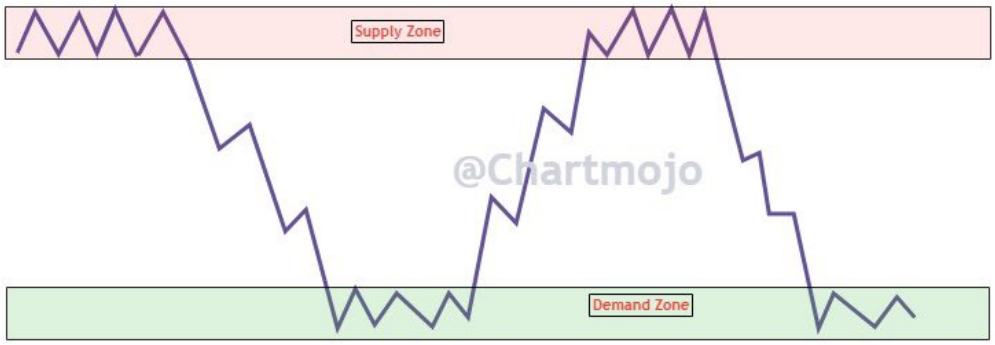


Consolidation can also be stated as " Peace beform the Storm" means there can be a big move in coming times depening upon the market sentiment for the script.



Sideways trend

Supply and Demand Zones are the crucial areas in chart which dictates price for a script as Smart money flows through these zones(FII, DII). Institutions plot their buy price at/near demand zones and sell price at/near supply zones.



One can go through buy/sell position of FII's & DII's on NSE/BSE site.

If you find it worthwhile than do spread the word abt it.■

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