

Market can remain irrational more than you can remain rational

To convince You

Get yourself ready to take a ride you have never experienced in financial markets. We are going to guide you step by step process as how to bet in stock markets so we can increase our chance to reap profits. Whatever example we take to explain is a real time trade taken by us at one point in time and we are more than happy to share the actual transaction detail so as to bridge and foster a mutual understanding with our associates.

Fundamental prospect

Market mechanism is supposed to figure out value of a company. We can link value to the underlying fundamentals of the company like EPS, Sales growth, Future visibility of earnings etc. So we can say price is a function of underlying Fundamentals(Case)

Too occupied with Fundamentals

But many companies are there in market whose underlying prospects are good but they should not be consider for immediate trading. why? You do not earn profit for to figure out whether earnings of a company is good. It is possible that a good company stock does not go up. Conclusion is that only when price moves you can have something either profit or loss and its pretty clear from our discussion that price is not only function of fundamentals.

Technical Aspect

We noted that a good prospect company price may not go up. Price increases when buyers are ready to pay higher and higher price in relation to what seller asks and consumes what they offer and still feels hungry. Remember for every buyer there is a seller so it is a fallacy to consider that more buyers can increase the price. It's not number of buyers but their enthusiasm to buy which reflect in market by buying . To analyse price we need *technical aspect*.

General Market Trend

Your company could have good prospect and could be a favourite of buyers but still you can end with making a loss. Suppose buyers wants to buy but there is not enough money to buy

Or

there could be a possibility that buyers see to make a greater return by buying gold so he will divert money to gold leaving not enough money to move prices of our good prospect company

or

General business environment is not promoting risk taking. we can sum up all these and call it general market trend. Remember to consider market trend always first and last (two times a day!!!)

One rupee loss hurts more than one rupee gain

There are so many ways to figure out trend that this sheet will not be able to accommodate all. Important is that when good company having good technical in up market trend has a good chances to rise in price

Is now enough???not yet but we will stop here and take a real trade example.

ANALYSIS OF GENERAL MARKET

In the below Nifty 50 price chart green line indicates an uptrend why? simple enough prices keep on increasing for days and months or if we want to sound academic we can say prices are forming higher top and higher bottom. Forget the latter for now!!!.same way red lines means a down trend. Assume we are comfortable only when we buy not when we short so we are looking for a indication that market trend is up.



You always wanted to marry stock market until a wise man told you market is not virgin

Symptoms of reversal

About end of November and in December note that price traded in a range and formed a prospective double bottom pattern as indicated by two blue lines in the chart below



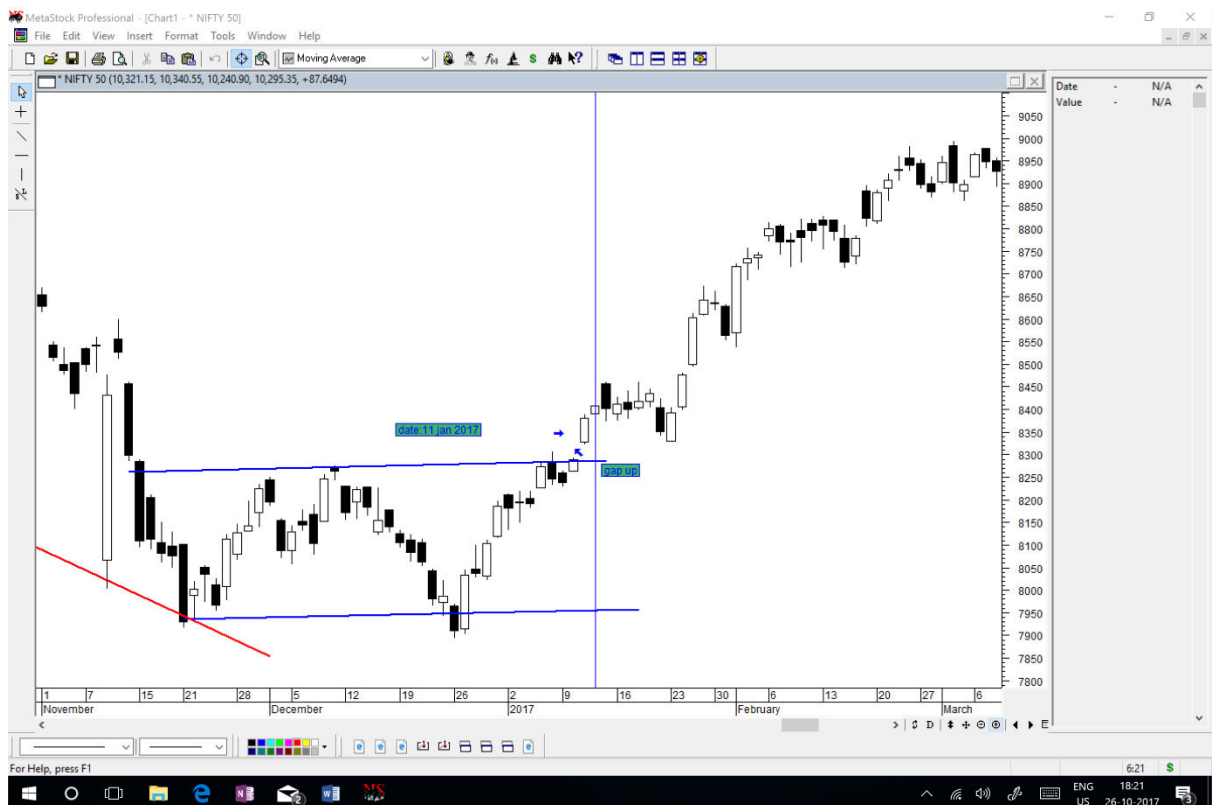
Everyone gets what they want out of markets

Break out day

On 11 Jan 2017 we noted

- 1) market moved up the blue line
- 2) with a gap

On next trading session market moves above the high of previous day and this is our confirmation that market has given a double bottom break out.



We see what we want to see

Searching for good prospect

On 11 Jan 2017 evening we ran our search criteria and comes up with below script and chart of IndusInd bank. We saw that it had good fundamentals and it has also created a gap with market on 11 Jan ,made a high of 1239 and its near it's all time high 1256 so we took a call to enter in script if at any day market moves up above 1239 without closing the gap with a 1171 (the point where the gap will be closed)

- 1)our stop loss is 1239-1171 =68 points that is about 5.5% of our buying price
- 2)we expect price to at least 10 % up giving us a minimum 1:2 risk reward



Unknowable is not same as unknown

Target achieved

On 16 march our target achieved of 1377 as seen in below chart

