What you will Learn?

- ❖ What is Technical Analysis
- ❖ Technical Analysis with Technical Indicators (RSI , MACD, Bollinger Bands ,Moving Averages)
- ❖ Technical Analysis with Candlestick Pattern

What is Technical Analysis?

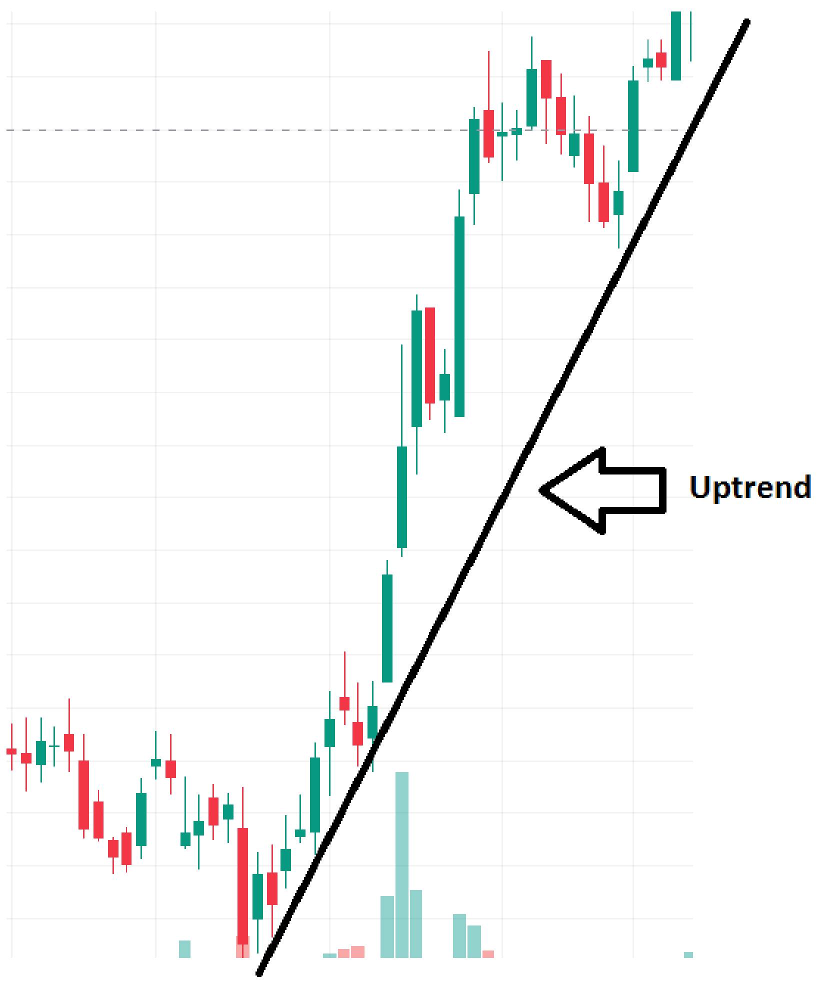
Answer:-

Technical analysis is a method used in the stock market to predict future price movements based on historical data.

Traders use charts to spot trends and patterns in prices.

There are three types of trends: -

- ❖ Uptrend (prices go up),



❖ Downtrend (Prices Go Down),

❖ and Sideways (prices move within a range).

(SideWays)

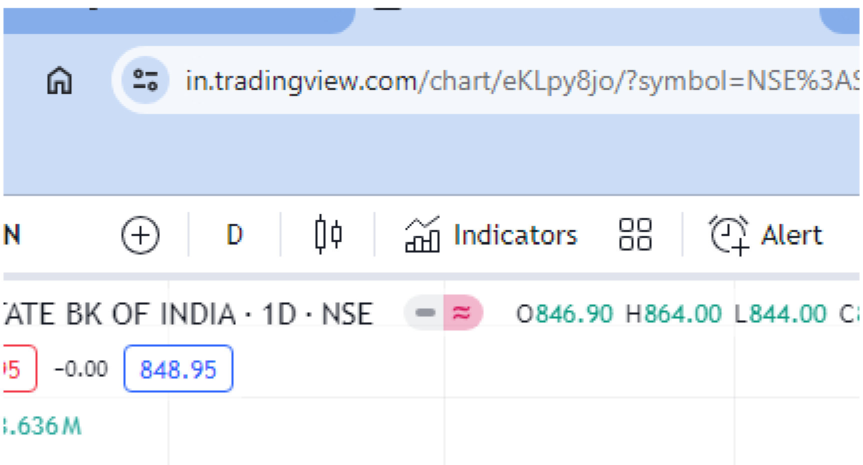
Technical indicators and chart patterns help traders make decisions.

Note:- In Uptrend we Go for Long (Buying) and in Downtrend we go for short sell (Selling)

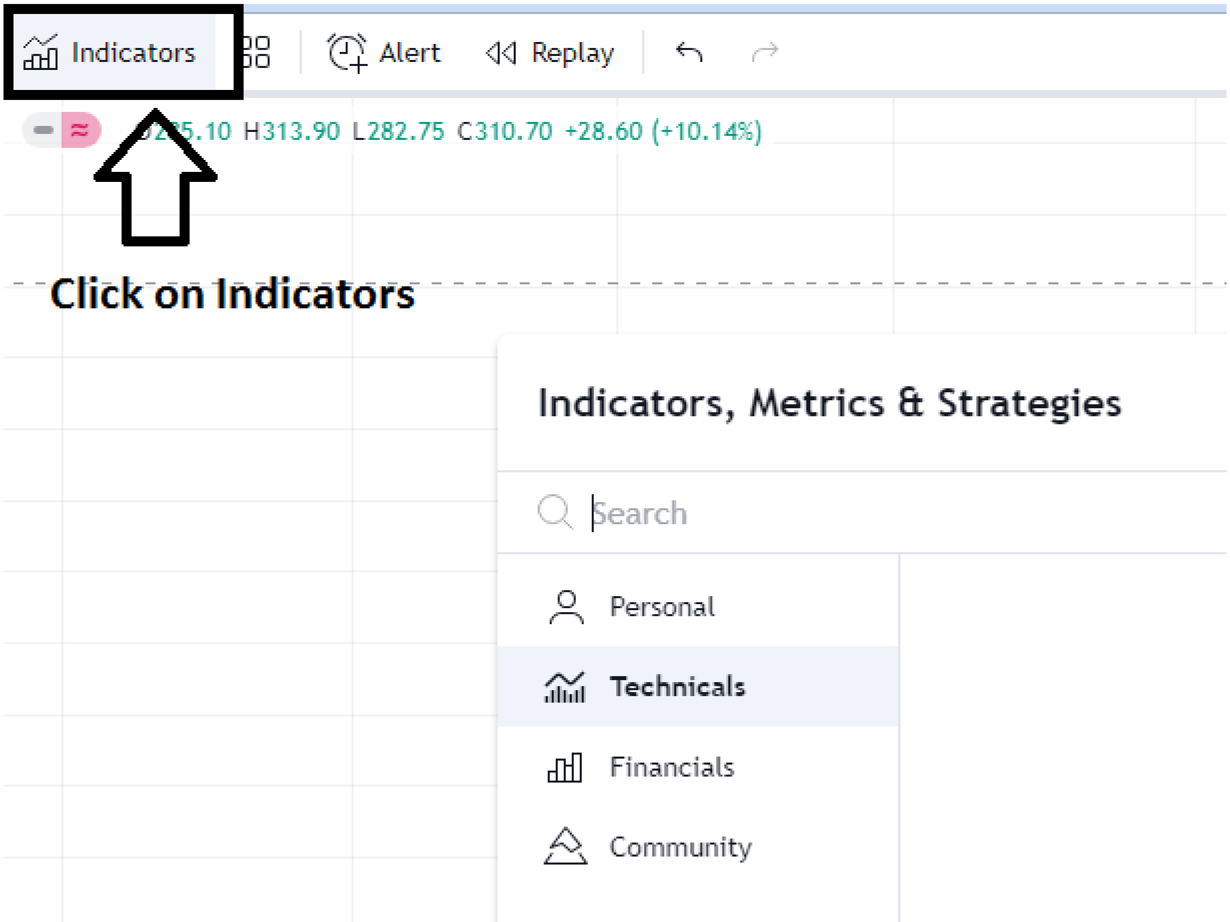
Technical Analysis with Technical Indicators (RSI , MACD, Moving Average , Bollinger Bands)

How can you practice uptrend and downtrend and sideways using indicators on Tradingview.com?

Step 1:- go to tradingview.com



Step 2:-


Indicators
Alert
Replay
H313.90 L282.75 C310.70 +28.60 (+10.14%)
Click on Indicators
Indicators, Metrics & Strategies
Search
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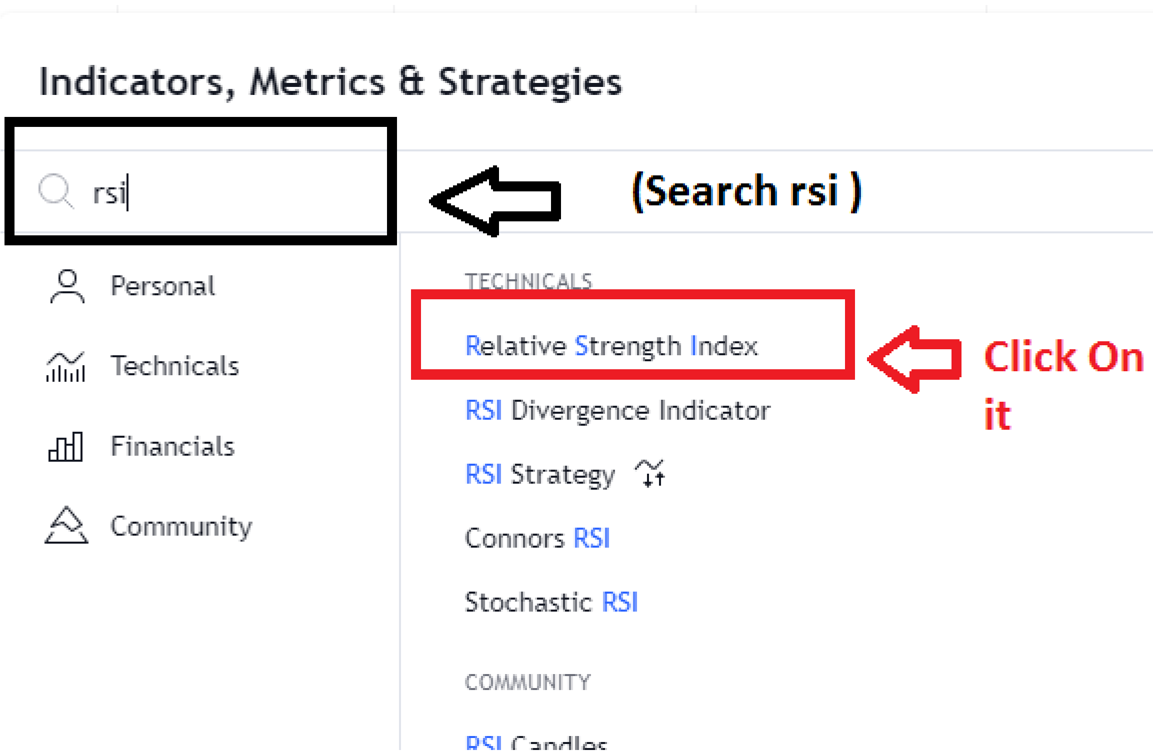
Technicals
Financials
Community

Step 3:-


Indicators, Metrics & Strategies
rsi
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Personal
Technicals
Financials
Community
TECHNICALS
Relative Strength Index
Click On it
RSI Divergence Indicator
RSI Strategy
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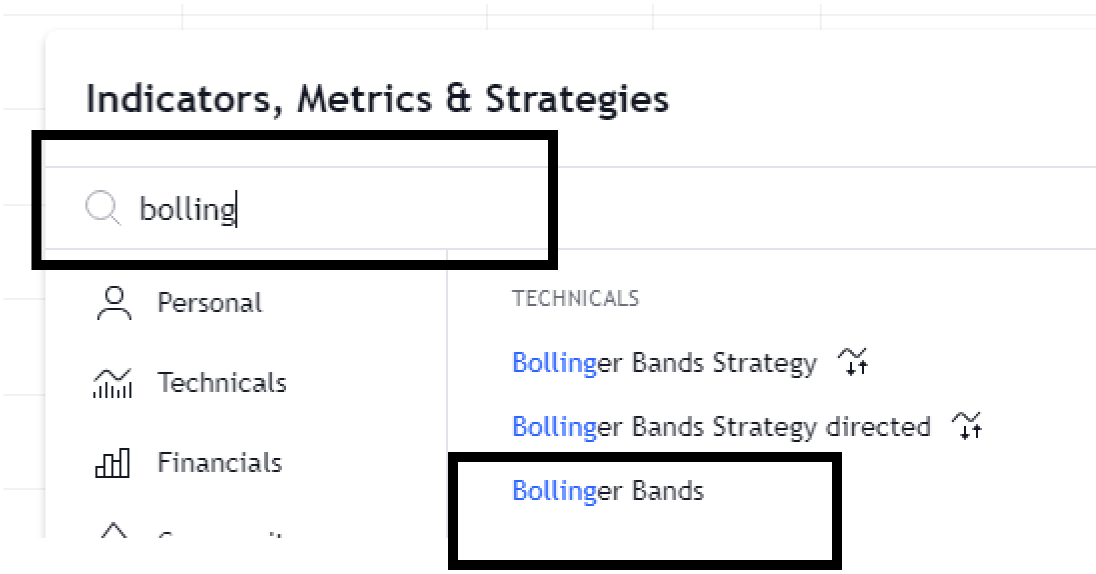
Step 4:-

Same manner we can add other indicators like Bollinger bands

, moving averge , ema cross , macd .



Now Note down RSI Uptrend and Downtrend range:-

The RSI oscillates between zero and 100.

Overbought :- The RSI is considered overbought when above 80 (never buy any stock if rsi is above 80 means stock is in overbought condition.)

And

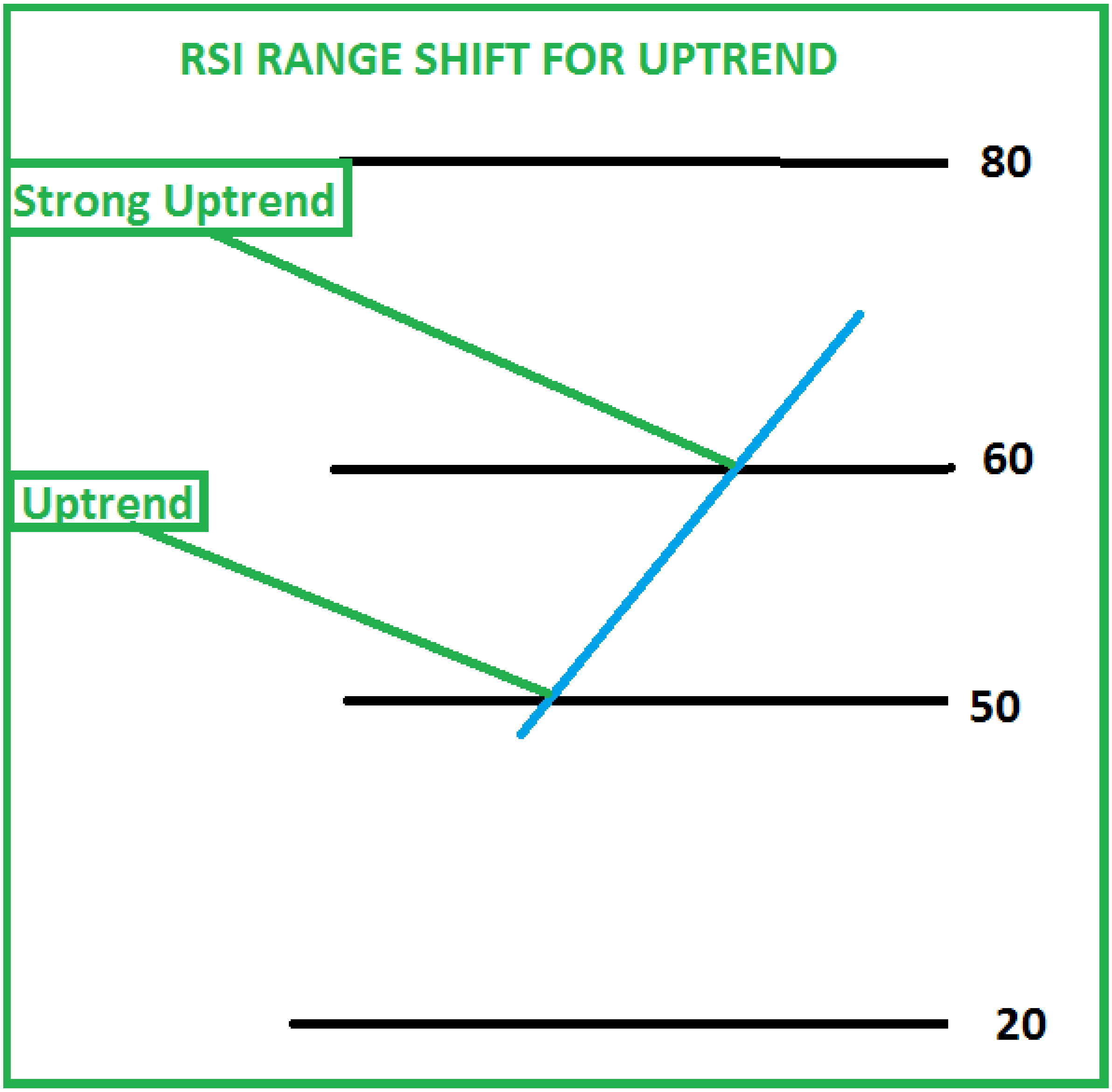
Oversold :- Oversold when below 30.

Low RSI levels, below 30, generate buy signals and indicate an oversold or undervalued condition.

High RSI levels, above 80, generate sell signals and suggest that a security is overbought or overvalued

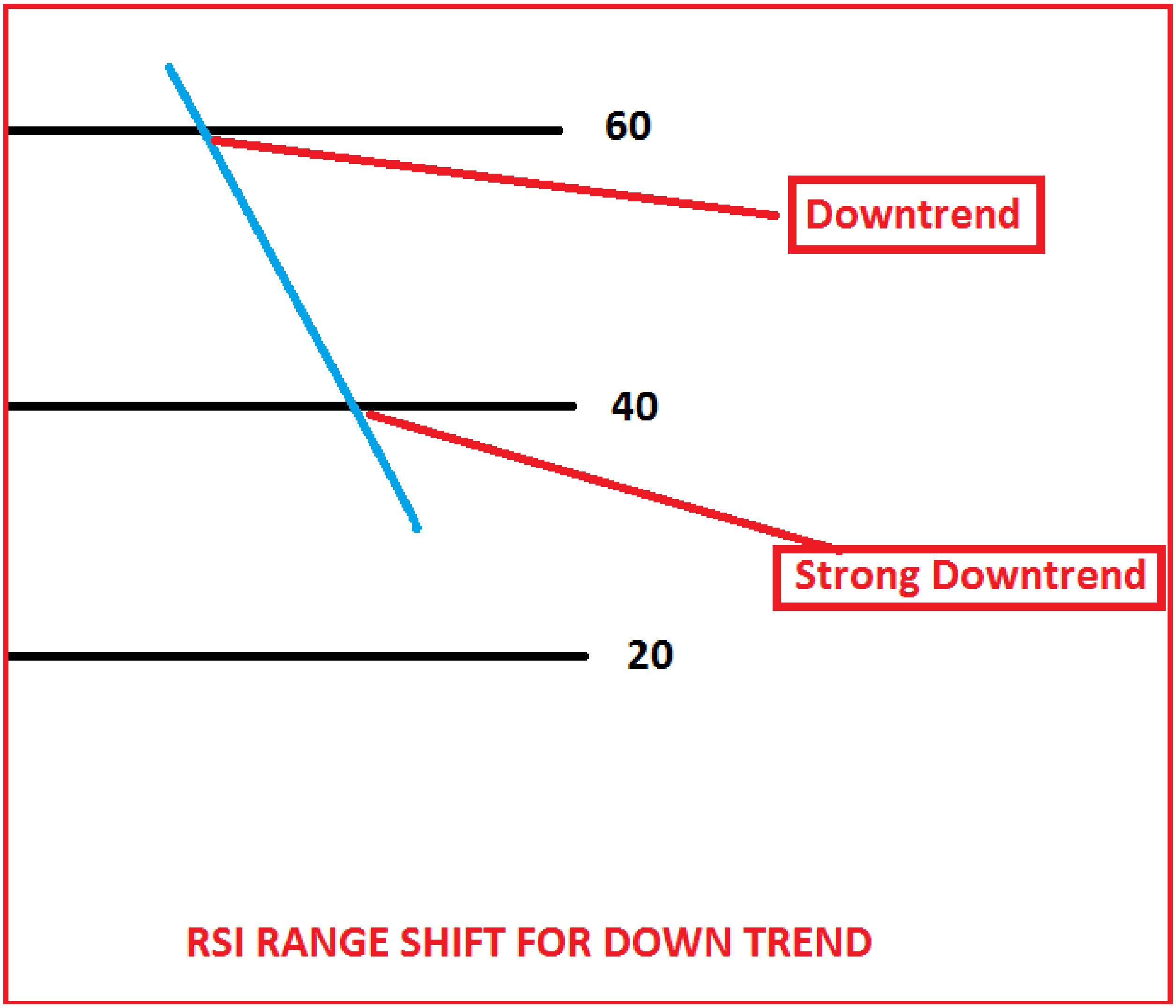
Uptrend(Buy signal) :- From rsi 50 to 80

Strong Uptrend (Strong Buy Signal):- from rsi 60 to 80

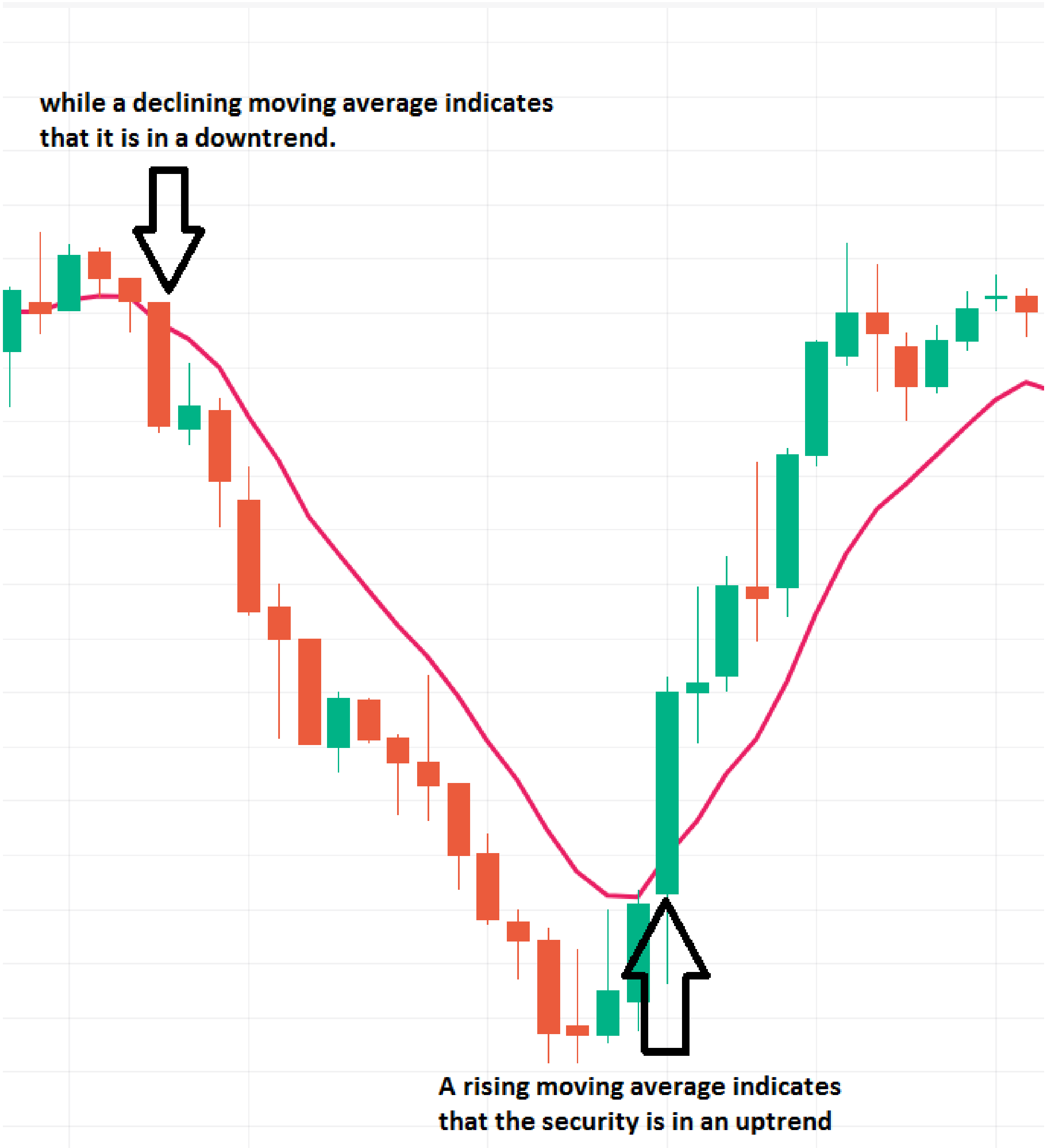

RSI RANGE SHIFT FOR UPTREND
Strong Uptrend
Uptrend
80
60
50
20

Downtrend(sell signal): - From 60 to 20

Strong Downtrend(Strong Sell signal): - From 40 to 20



Moving Average:-



Uptrend(buy signal):- price candles are above moving average and moving average is rising .

Downtrend (sell signal): price candles are below moving average and moving average is falling (declining)

Ema cross over Strategy:-

traders are bullish when the 9 EMA crosses above the 26 EMA or remains above the 26 EMA,

and

only turn bearish if the 9 EMA falls below the 26 EMA as shown below in diagram.

Bullish crossover for buy signal go for long position.

Bearish crossover for sell signal go for short sell .

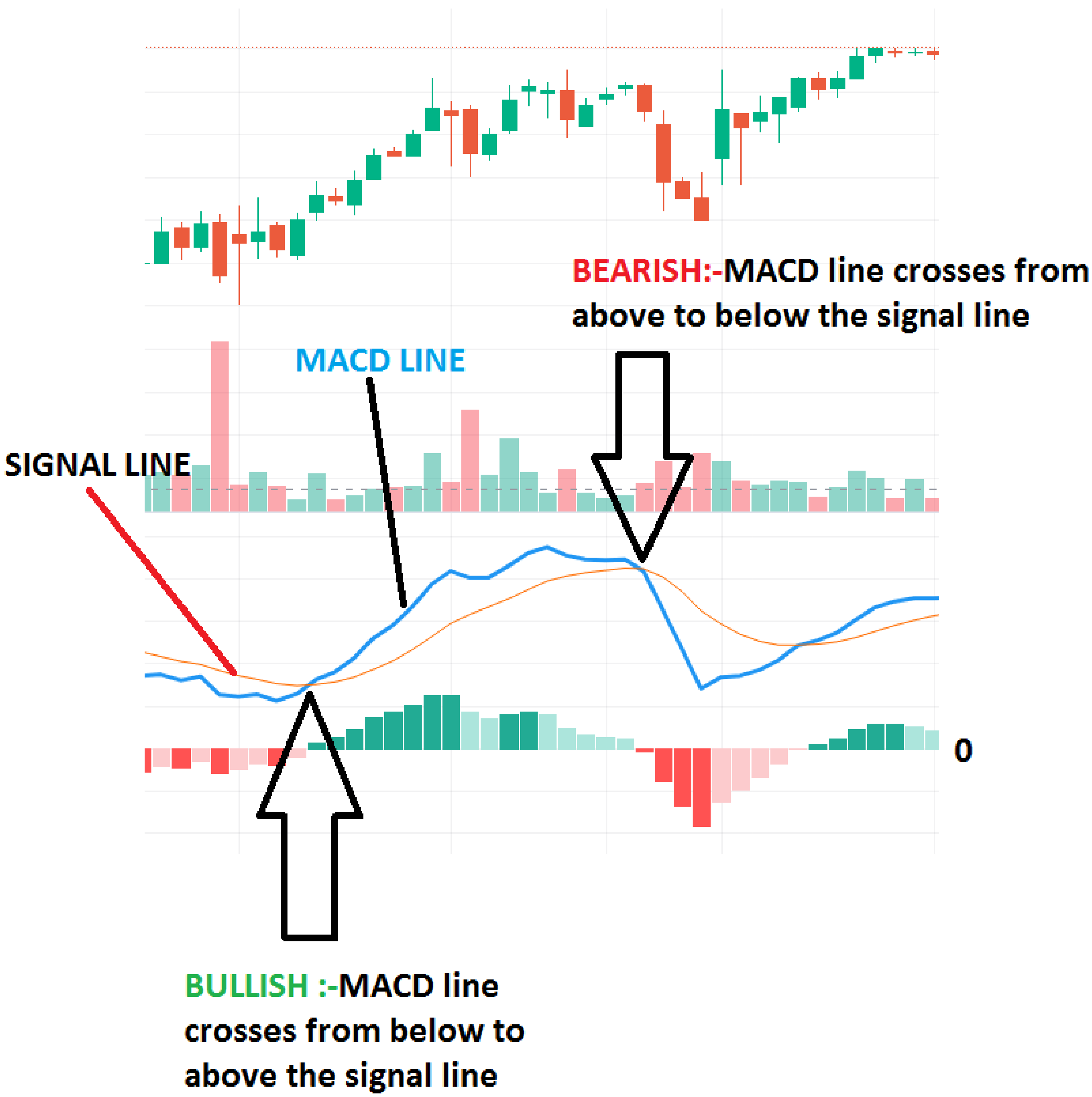
BULLISH :-When a short-term moving average crosses above a longer-term moving average

BEARSIH :- when a short-term moving average crosses below a longer-term moving average

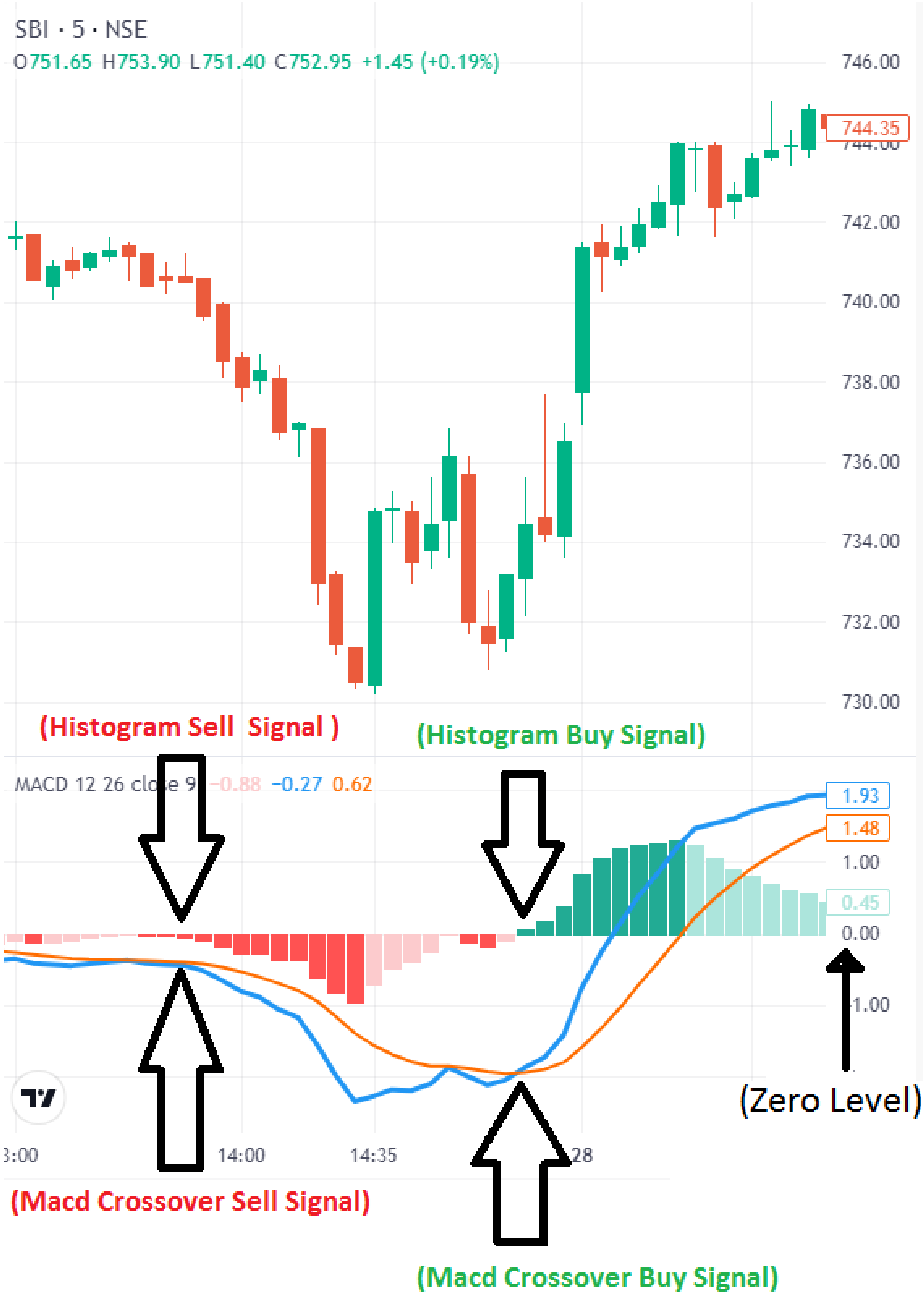
Macd Crossover:-

Bullish Crossover for Buy signal.

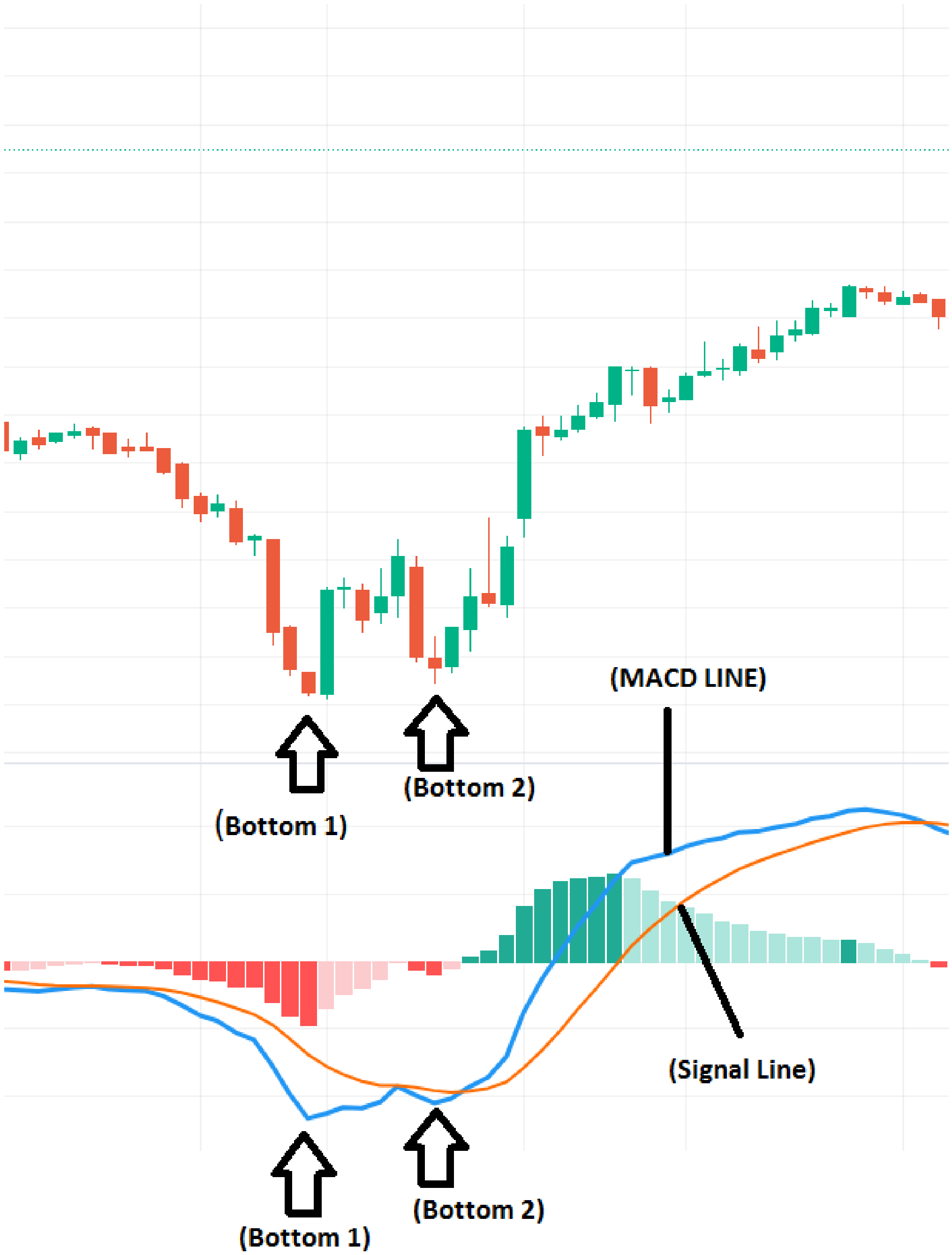
Bearish Crossover for Sell signal.



Macd Crossover with Macd Histogram :-



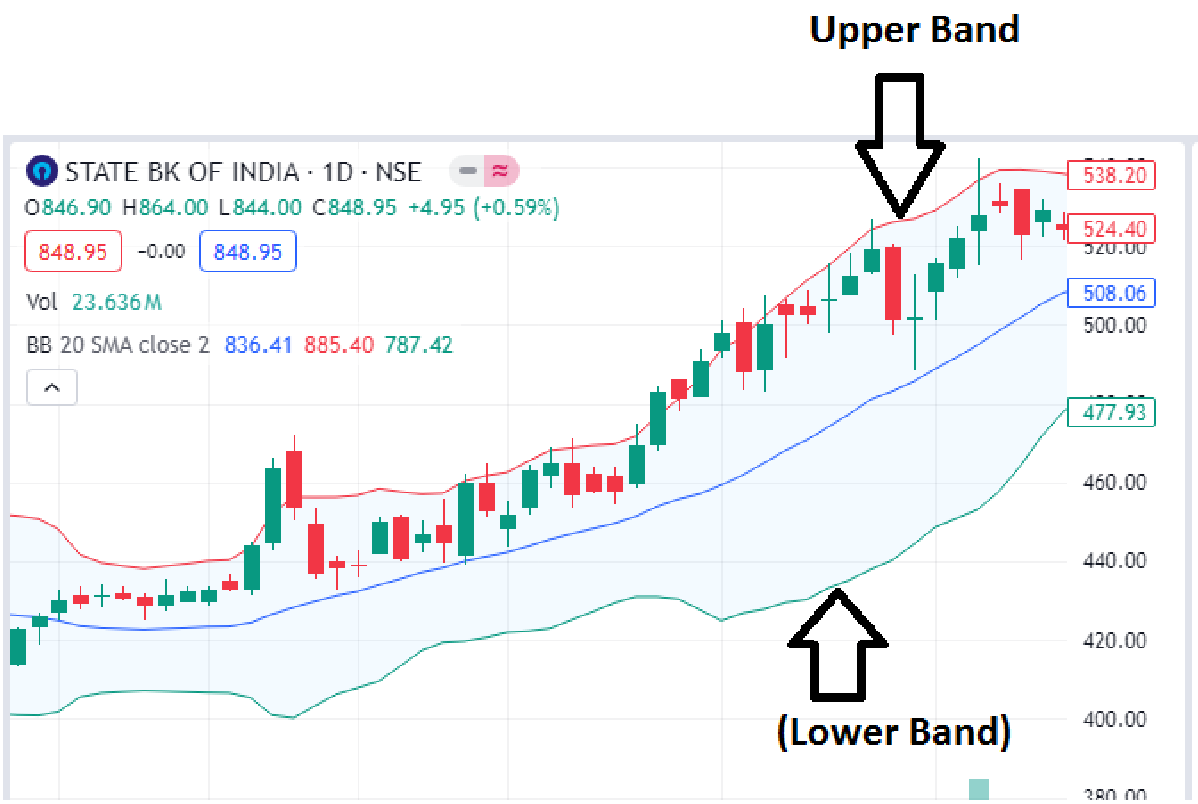
Macd W Pattern :-



Bollinger Bands:-

Bollinger Bands are typically plotted as three lines:

- ❖ An upper band
- ❖ A middle line
- ❖ A lower band



Bollinger Bands provide a visual representation of volatility.

The width of the bands (the distance between the upper and lower bands) increases when volatility is high and contracts when volatility is low:

- When the bands are far apart, it indicates high volatility.

- When the bands are close together, it indicates low volatility.

Overbought :-

When the price reaches the upper band, the asset is trading at a relatively high price and is considered overbought.

You could now look to sell the asset on the expectation that its price will fall back towards the central moving average band.

Oversold :-

When a price approaches the lower band, the asset is trading at a relatively low price and is considered oversold.

You could now look to buy the asset on the expectation that the price will go back towards the central moving average band.

Be cautious, however – just because the price may reach the upper and lower bands does not mean that the price will reverse. You will need further confirmation — using, for example, candlestick ,Rsi and Macd.

patterns or another indicator – that the price is reversing before you enter into a trade. How to use Bollinger Bands ?

you can use it to identify Overbought and Oversold situation.

1)When the price reaches the upper band it is considered overbought and tends to fall back towards the central band.

2)When the price reaches the lower band it is considered oversold and tends to rise back up towards the central band.

Note : With Bollinger Bands always confirm with Rsi and Macd technical indicators.

Technical Analysis with Candlestick Pattern

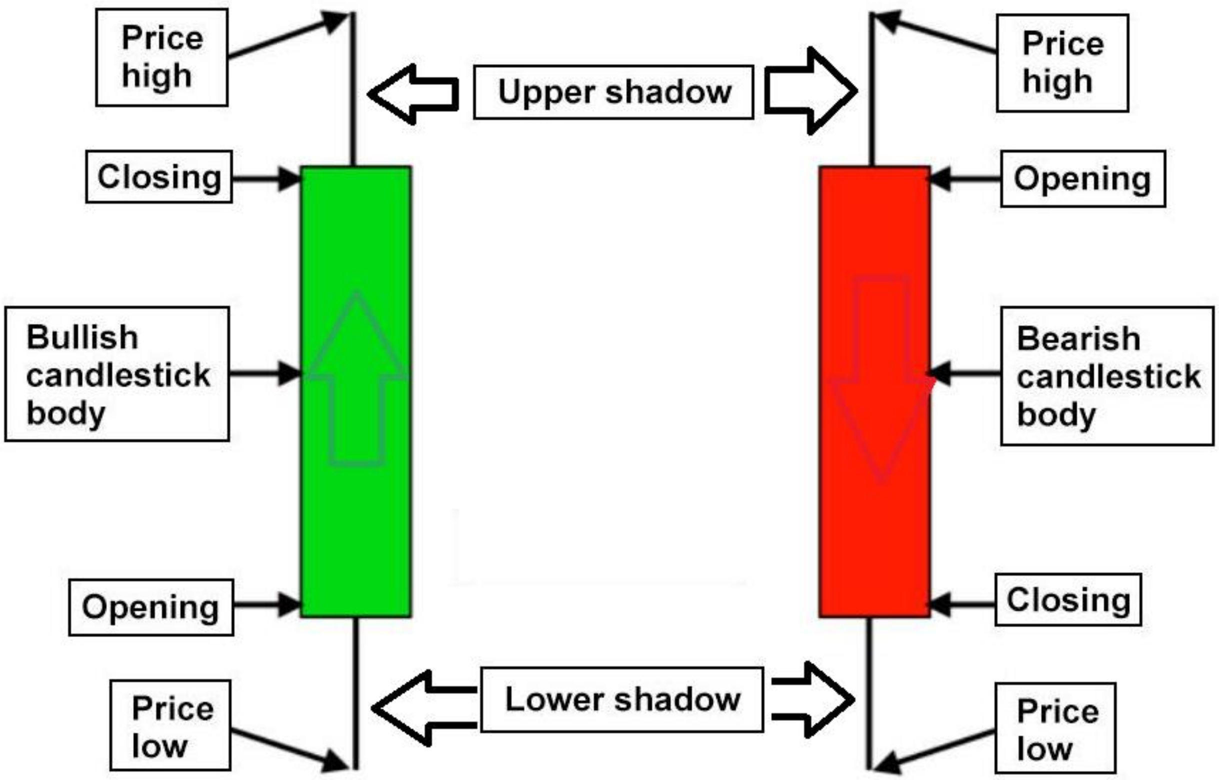
What is a candlestick?

A candlestick is a way of displaying information about an asset's price movement. Candlestick charts are one of the most popular components of technical analysis, enabling traders to interpret price information quickly and from just a few price bars.

This article focuses on a daily chart, wherein each candlestick details a single day's trading. It has three basic features:

- **The body,** which represents the open-to-close range
- **The wick**, or shadow, that indicates the intra-day high and low
- **The colour**, which reveals the direction of market movement – a **Green Candle** :- Green (or white) body indicates a price Increase,

Red Candle: - Red (or black) body shows a price decrease.



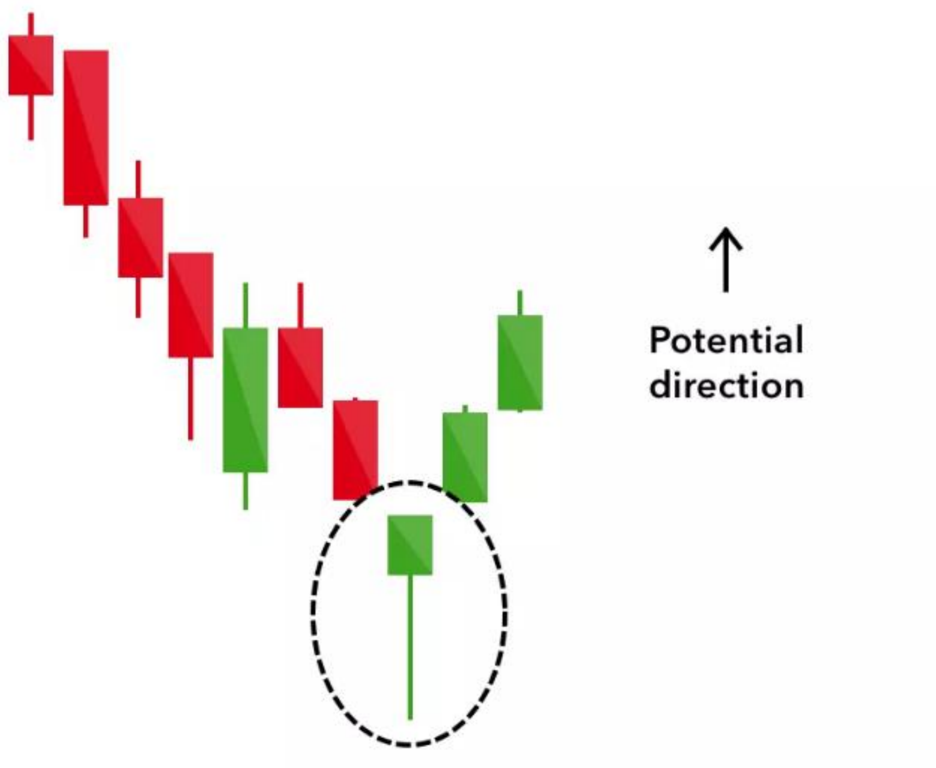
Bullish candlestick patterns

Bullish patterns may form after a market downtrend, and signal a reversal of price movement. They are an indicator for traders to consider opening a long position to profit from any upward trajectory.

Hammer

The hammer candlestick pattern is formed of a short body with a long lower wick, and is found at the bottom of a downward trend.

A hammer shows that although there were selling pressures during the day, ultimately a strong buying pressure drove the price back up. The colour of the body can vary, but green hammers indicate a stronger bull market than red hammers.



Inverse hammer

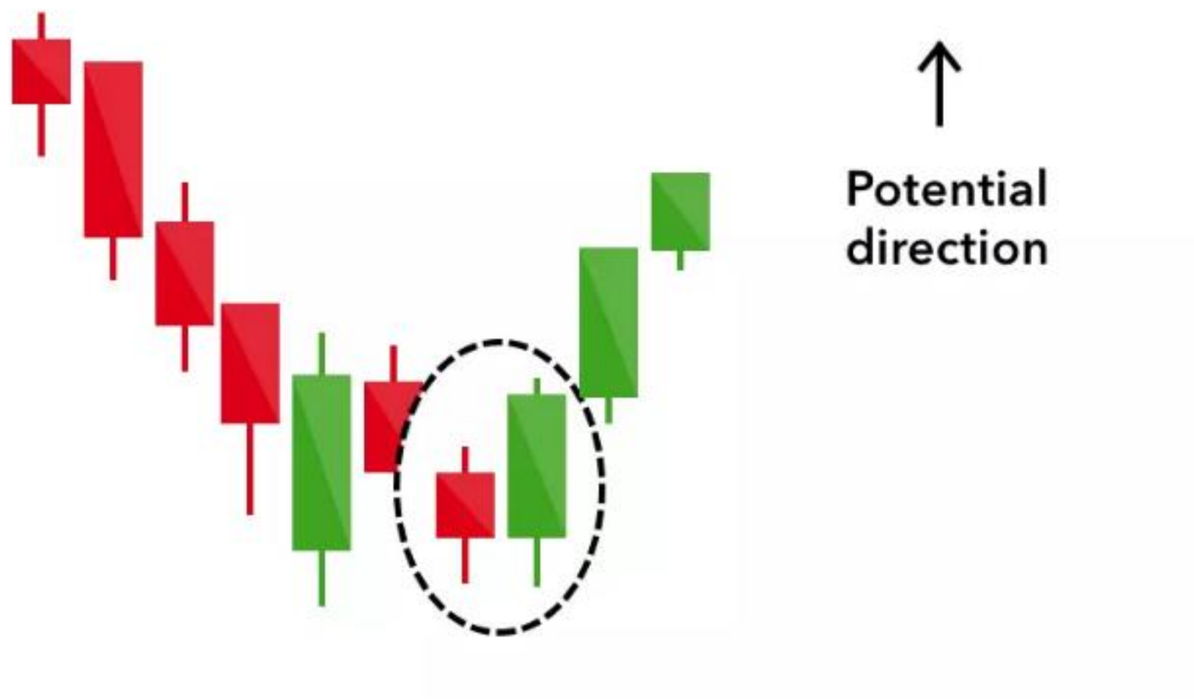
A similarly bullish pattern is the inverted hammer. The only difference being that the upper wick is long, while the lower wick is short.

It indicates a buying pressure, followed by a selling pressure that was not strong enough to drive the market price down. The inverse hammer suggests that buyers will soon have control of the market.

Bullish engulfing

The bullish engulfing pattern is formed of two candlesticks. The first candle is a short red body that is completely engulfed by a larger green candle.

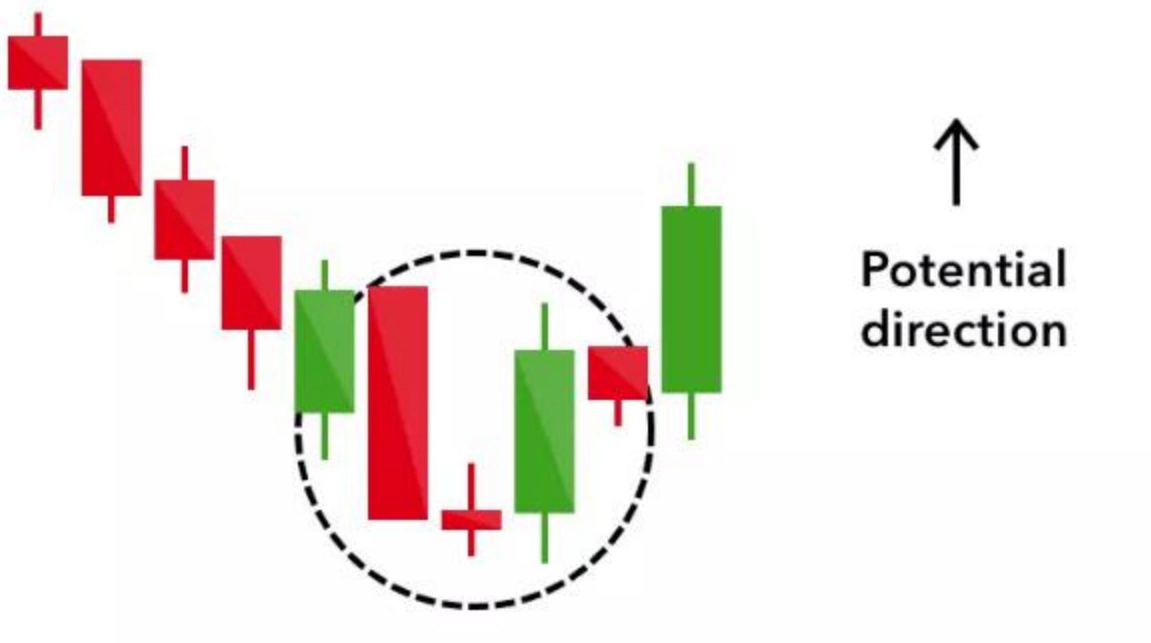
Though the second day opens lower than the first, the bullish market pushes the price up, culminating in an obvious win for buyers.



Morning star

The morning star candlestick pattern is considered a sign of hope in a bleak market downtrend. It is a three-stick pattern: one short-bodied candle between a long red and a long green. Traditionally, the 'star' will have no overlap with the longer bodies, as the market gaps both on open and close.

It signals that the selling pressure of the first day is subsiding, and a bull market is on the horizon.



Three white soldiers

The three white soldiers pattern occurs over three days. It consists of consecutive long green (or white) candles with small wicks, which open and close progressively higher than the previous day.

It is a very strong bullish signal that occurs after a downtrend, and shows a steady advance of buying pressure.

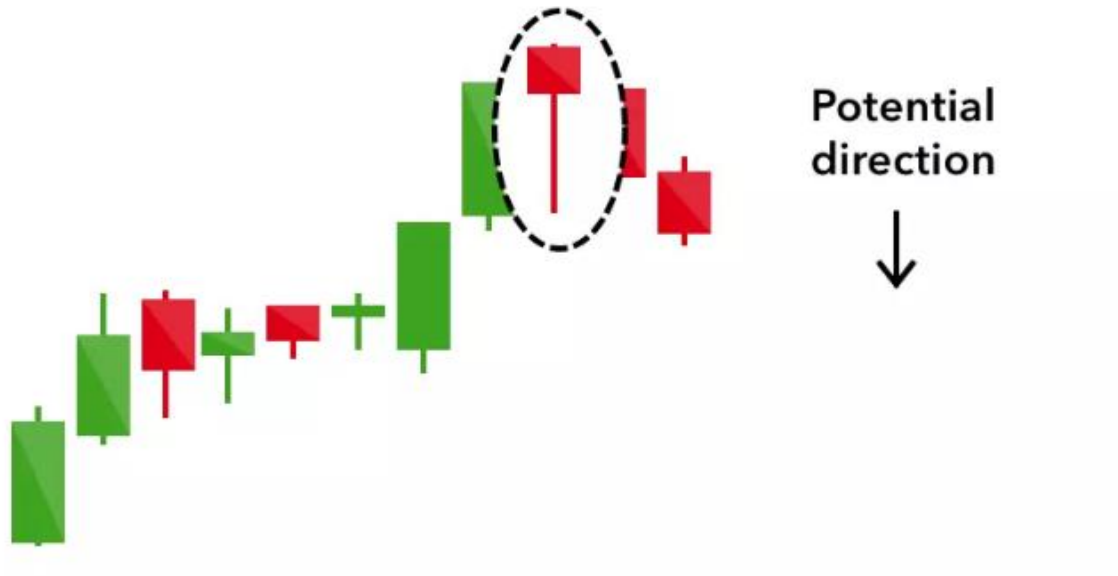
Bearish candlestick patterns

Bearish candlestick patterns usually form after an uptrend, and signal a point of resistance. Heavy pessimism about the market price often causes traders to close their long positions, and open a short position to take advantage of the falling price.

Hanging man

The hanging man is the bearish equivalent of a hammer; it has the same shape but forms at the end of an uptrend.

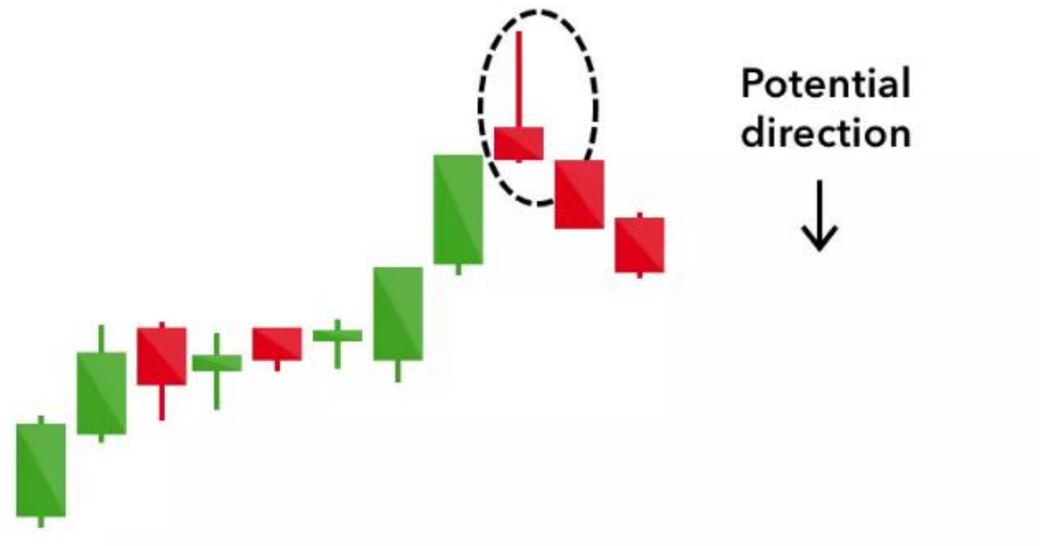
It indicates that there was a significant sell-off during the day, but that buyers were able to push the price up again. The large sell-off is often seen as an indication that the bulls are losing control of the market.



Shooting star

The shooting star is the same shape as the inverted hammer, but is formed in an uptrend: it has a small lower body, and a long upper wick.

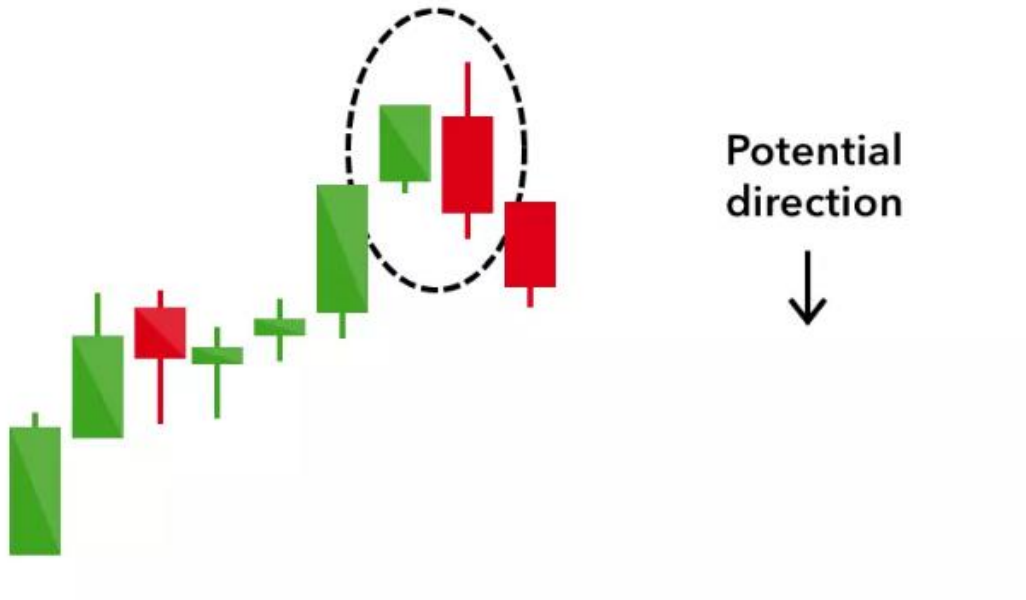
Usually, the market will gap slightly higher on opening and rally to an intra-day high before closing at a price just above the open – like a star falling to the ground.



Bearish engulfing

A bearish engulfing pattern occurs at the end of an uptrend. The first candle has a small green body that is engulfed by a subsequent long red candle.

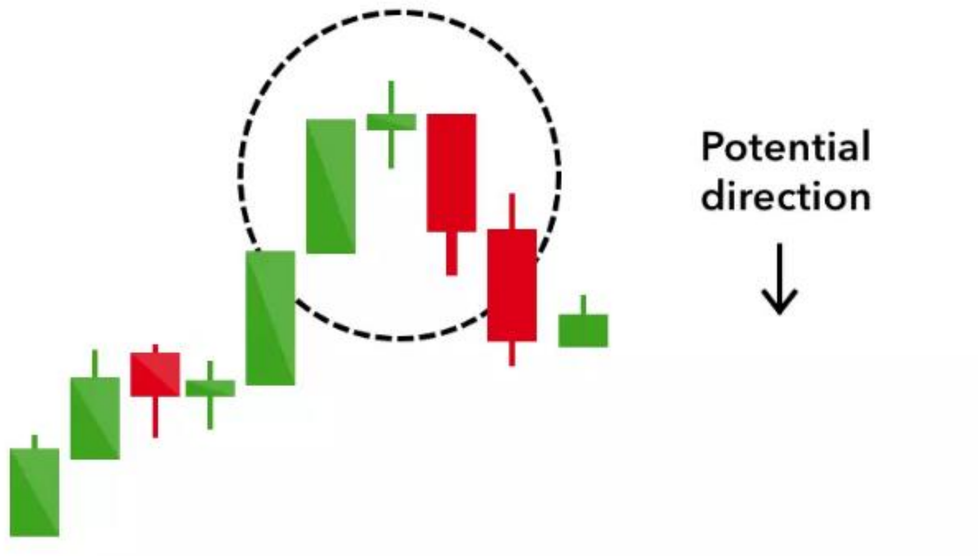
It signifies a peak or slowdown of price movement, and is a sign of an impending market downturn. The lower the second candle goes, the more significant the trend is likely to be.



Evening star

The evening star is a three-candlestick pattern that is the equivalent of the bullish morning star. It is formed of a short candle sandwiched between a long green candle and a large red candlestick.

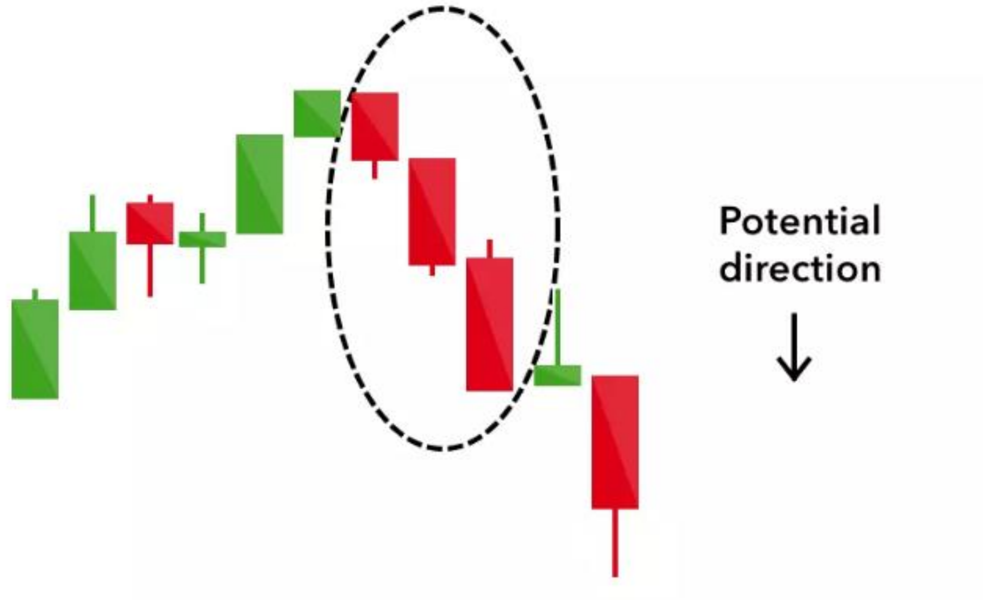
It indicates the reversal of an uptrend, and is particularly strong when the third candlestick erases the gains of the first candle.



Three black crows

The three black crows candlestick pattern comprises of three consecutive long red candles with short or non-existent wicks. Each session opens at a similar price to the previous day, but selling pressures push the price lower and lower with each close.

Traders interpret this pattern as the start of a bearish downtrend, as the sellers have overtaken the buyers during three successive trading days.


Potential direction

W Chart Pattern:-

The Double Bottom is a bullish reversal pattern that is formed after the downtrend. Double bottom chart pattern occurs at the bottom of a downtrend.

The double bottom pattern is also known as the W chart pattern.

After the downtrend, you can see a double bottom pattern. In this you will get to see two supports and one resistance.

Both supports can be equal or slightly above or below each other. But will always remain below the resistance.

Where do you see the resistance. With the same resistance you have to draw a horizontal line. You can also call this horizontal line as neckline.

As soon as any candle gives a breakout of the neckline. From that on the next candle you can make your Buy entry position in the market.

M Pattern (Double top):-

A double top pattern is formed after a market's price reaches two highs consecutively with small declines in between.

It forms an M-shape on a chart.

The double top is a bearish reversal pattern, so it's thought that the asset's price will fall below the support level that forms at the low point between the two highs. It's crucial to confirm this support level, as basing your trade solely on the formation of the two peaks can cause a false reading.

In a double top, an upwardly trending market twice tries to hit new highs. But both times, it retraces as sellers drive the price back down – a sign that bullish momentum may be on the wane.

Often, the second top won't be quite as high as the first, as it's signaling the end of buying pressure.