

Technical Analysis is not just about Trading

Nooresh Merani

www.nooreshtech.co.in

Introduction



- IT Engineer (many here)
- Quit an IT Job (who doesn't want to)
- Blog, Tweet, Chat
- Full time for 10 years.
- I am not a CMT
- I am not a MBA , CFA , CA

I am a
“Trader”, “Adviser”, “Educator”

- 100-200 + training sessions on Technical Analysis
- Pakoed thousands of people in Technical Seminars (U are not the only unlucky audience)
- 2500 posts nooreshtech.co.in

Technology - Trader/Adviser and Trainer



How to Invest Technically !!

Technical Analysis



Myth - Technical Analysis is for Day Traders

- The biggest myth about Technical Analysis is that it can be used only for quick traders doing day trading, swing trading.
- Its all about Buy XYZ Ltd at 100 rs stoploss 96 target 106 !
- Then everyone keeps shouting about 😊 Maine Bola Tha 😊
- There are so many business channels and so many analysts !!

Lets Start with What we do on TV



Pankaj Jain

Krish Subramanyam

Nooresh Mirani

Friday >> Jun 20, 2014

Company Name		Price	Target
MndTre	BUY	905.30	896.00
RCF	BUY	66.45	73.50
SterTech	BUY	70.25	74.00
TaMoDVR	BUY	316.75	334.00

Portfolio Value : **Rs 388,476.65**

Company Name		Price	Target
HSIL Ltd	BUY	275.70	280.00
Gruh	BUY	201.30	210.00
DCMSHr	BUY	201.30	162.00
Siti	BUY	26.80	30.00

Portfolio Value : **Rs 402,368.20**

Company Name		Price	Target
Sonata	BUY	74.45	80.00
UPL	BUY	312.40	360.00
Rallis	BUY	206.60	240.00
Biocon	BUY	489.40	550.00





Portfolio Value : **Rs 406,305.35**

Number of Traders in India

- Number of Demat Accounts = 3-4 cr.
- Number of HNI accounts = 1.25 lakhs (Multiply by 3 as below data is only CDSL) so say 4 lakhs.
- How many of these will be traders ? Some may not have any demat holdings – But still how many ?

ON THE RISE

Due to the market rally, accounts of wealthy investors have seen a sharp increase

	HNI accounts*	Total demat accounts	HNI as % of total	
2012-13	40,510	7,916,973	0.51	
2013-14	66,958	8,329,656	0.80	
2014-15	90,375	8,779,030	1.02	
2015-16	124,978	9,612,176	1.30	

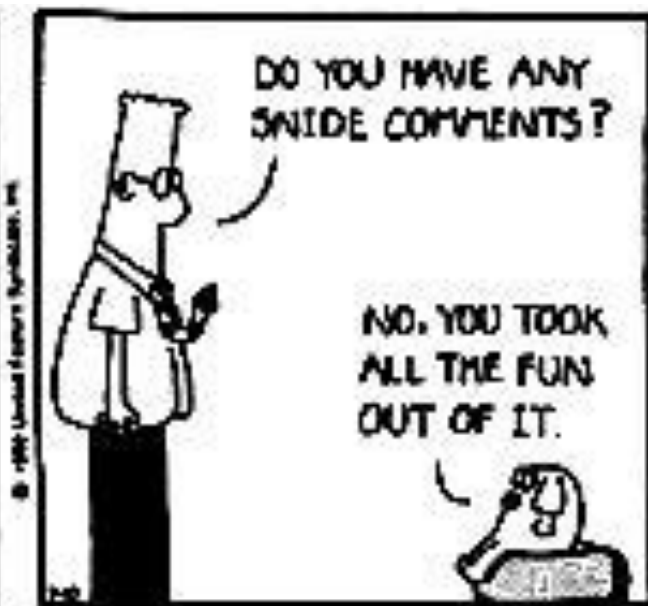
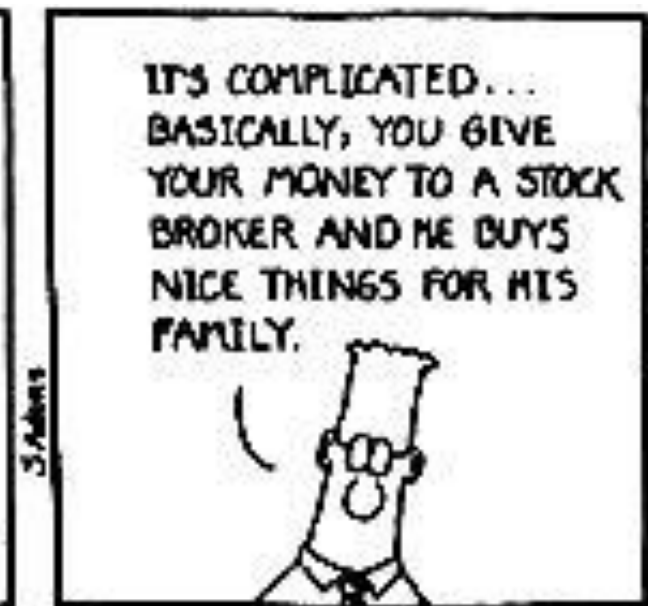
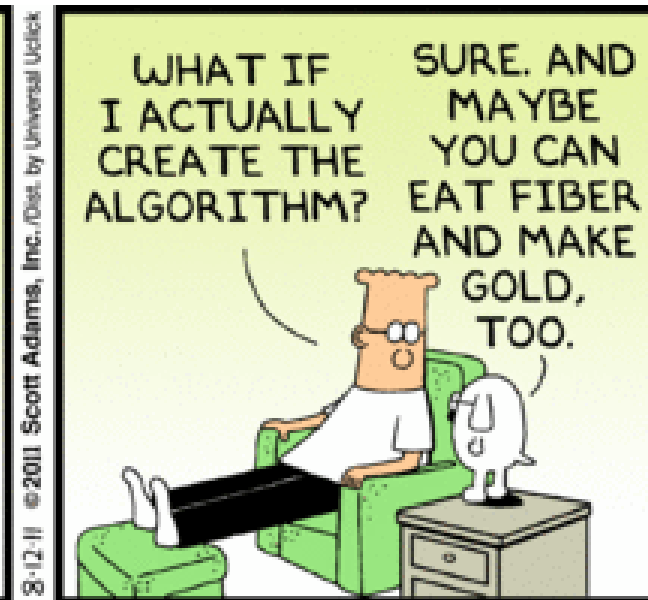
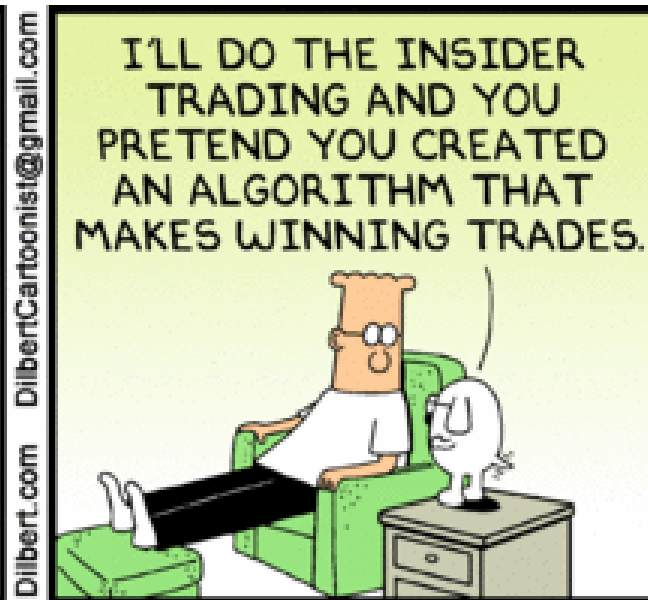
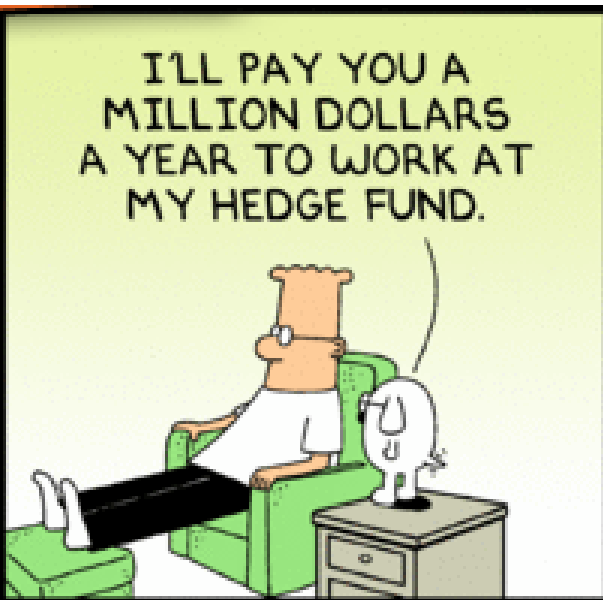
*Accounts where value of holdings is more than ₹10 lakh

Source: CDSL

Advisory Services – More Advisors than Traders



Algorithmic Trading and Options



Dilbert.com DilbertCartoonist@gmail.com

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Technical Analysis for Long Term

- Long Term Uptrends start with multi-year consolidations.
- Not difficult to spot Multi-Year High Breakouts and Momentum.
- In a long term uptrend – Benchmark Indices continue to make Higher Tops and Higher Bottoms.
- Lets look at previous such cycles with examples.

Long Term Analysis of Broader Market Trends - Nifty and Broader Indices.

The Market has Three Trends



Multi-Year Highs and HT HB

TECH MAHINDRA (558.000, 559.000, 551.000, 553.500, -3.75000)



Dow Theory - Major Trends Have Three Phases:

- Accumulation Phase - > Smart Investors recognize worst is over.
- Public Participation Phase -> Business Improves and price advances with technical trend followers participating.
- Distribution Phase - > Newspaper Headlines, Economy shining, Public euphoria, Smart Investors selling.

NIFTY Year 1999-2004 after Y2K Boom

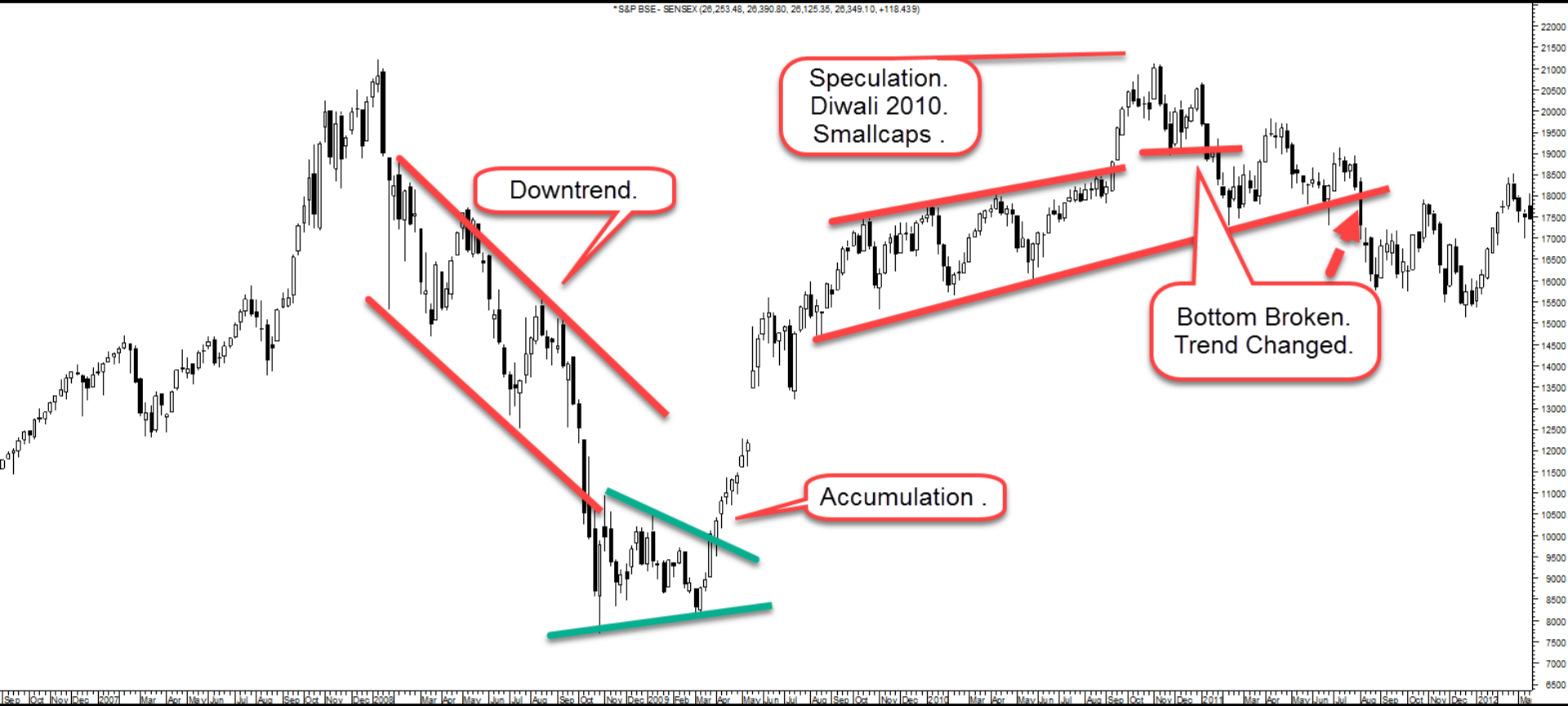


Sensex – 2003-2007 after Multi-Year Highs



Sensex 2008-2010

*S&P BSE-SENSEX (26,253.48, 26,390.80, 26,125.35, 26,349.10, +118.439)



Investing in strong uptrends.

*S&P BSE - SENSEX (26,253.46, 26,390.80, 26,125.35, 26,349.10, +116.439)

A 6 yr breakout a simple time to Invest and Ride

The next time Sensex crosses 30k could it be another Invest and Ride

Random Portfolio in a Trend

Months Return of Random Portfolio

6 Months returns

Random 1	1	63.45265
Random 2	2	81.64495
Random 3	3	71.84285
Random 4	4	69.63565
Random 5	5	44.56515
Average		66%

Index	Start Price	End Price	% Returns
CNX Nifty	6516.65	8002.4	22.80
CNX Midcap	8156.55	11397.8	39.74
CNX Smallcap	3432.7	4979.7	45.07

2 Months Return of Random Portfolio

months Returns

Time Frame – oct 2013 to oct 2014

Random 1	1	132.06125
Random 2	2	162.11915
Random 3	3	155.652
Random 4	4	116.44815
Random 5	5	97.58894
Average		133%

Index	Start Price	End Price	% Returns
CNX Nifty	5899.45	8114.75	37.55%
CNX Midcap	6977.75	11803.05	69.15%
CNX Smallcap	2799.35	5255.1	87.73%

<http://www.nooreshtech.co.in/2014/10/best-time-for-advisors-to-show-performance-reportscagr-to-sell-their-services-part-1.html>

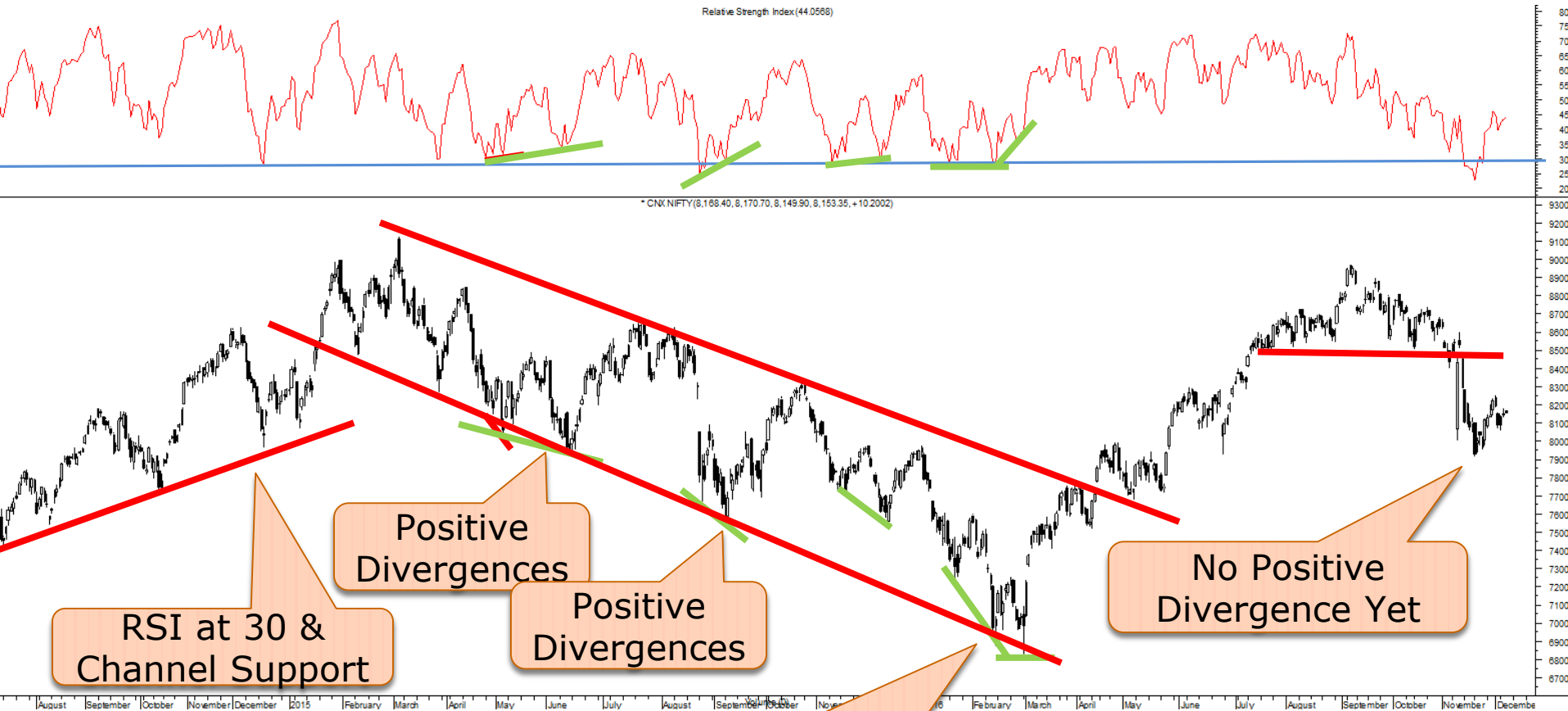
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Investing at Technically Bottoming out
Zones - RSI / Channels/Sentiments.

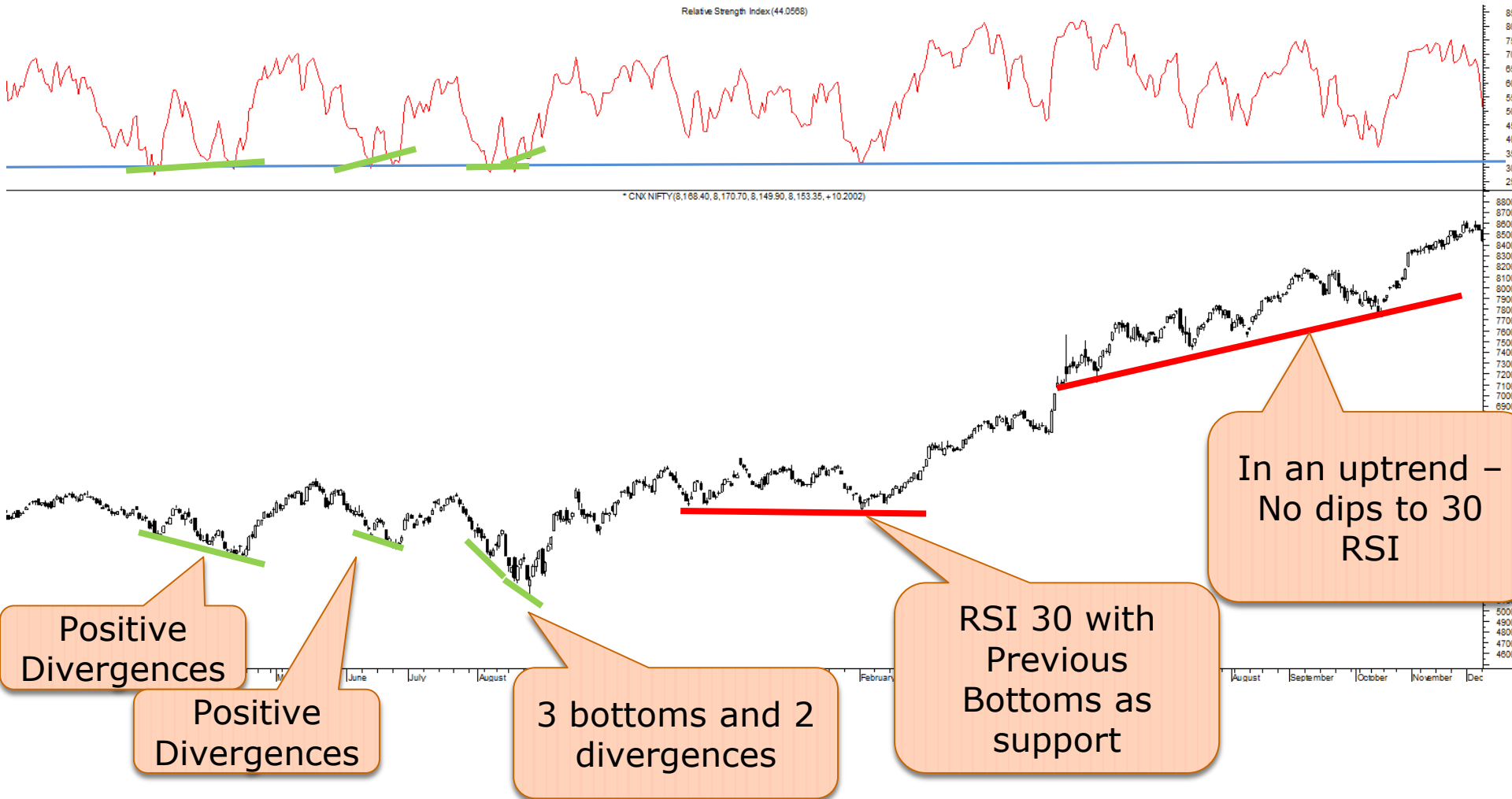
RSI –Oversold Zones – Deploy Cash

- Deploy cash in parts at Oversold zones.
 1. Deploy at 30 RSI if there are technical supports. (Preferably in Higher Tops Higher Bottoms)
 2. Deploy majorly on Positive Divergence and Second Bottom.
 3. Beg Borrow Steal and Deploy on Positive Divergence and 3rd Bottom.

Nifty – RSI in 2015-2016



Nifty 2013-2014



RSI Strategy – Customizations

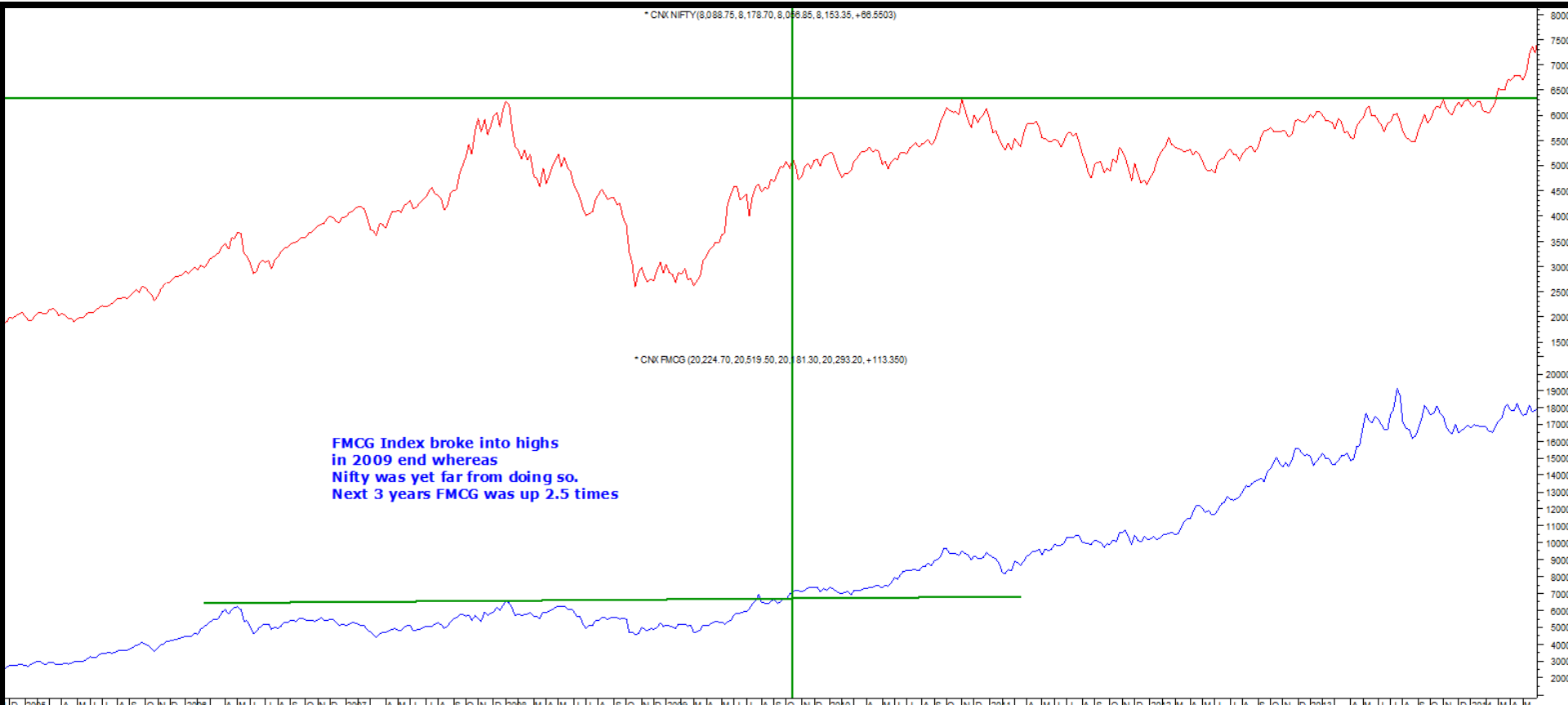
- Prefer to buy stock specific in oversold zones.
- Bounce of 6-10% on Nifty and a much bigger bounce on 3 bottoms with divergences.
- Deploy cash in 2 steps at 30 RSI and Positive Divergence.
- On 3rd Bottom buy into Call Options.
- In a strong uptrend – Multi Year Highs / All Time Highs there may not be dips to Oversold Zones.
- Book Partial Profits at 70 + RSI.
- Traders can size up more on Positive Divergences as better risk-reward.

Sectoral Leadership

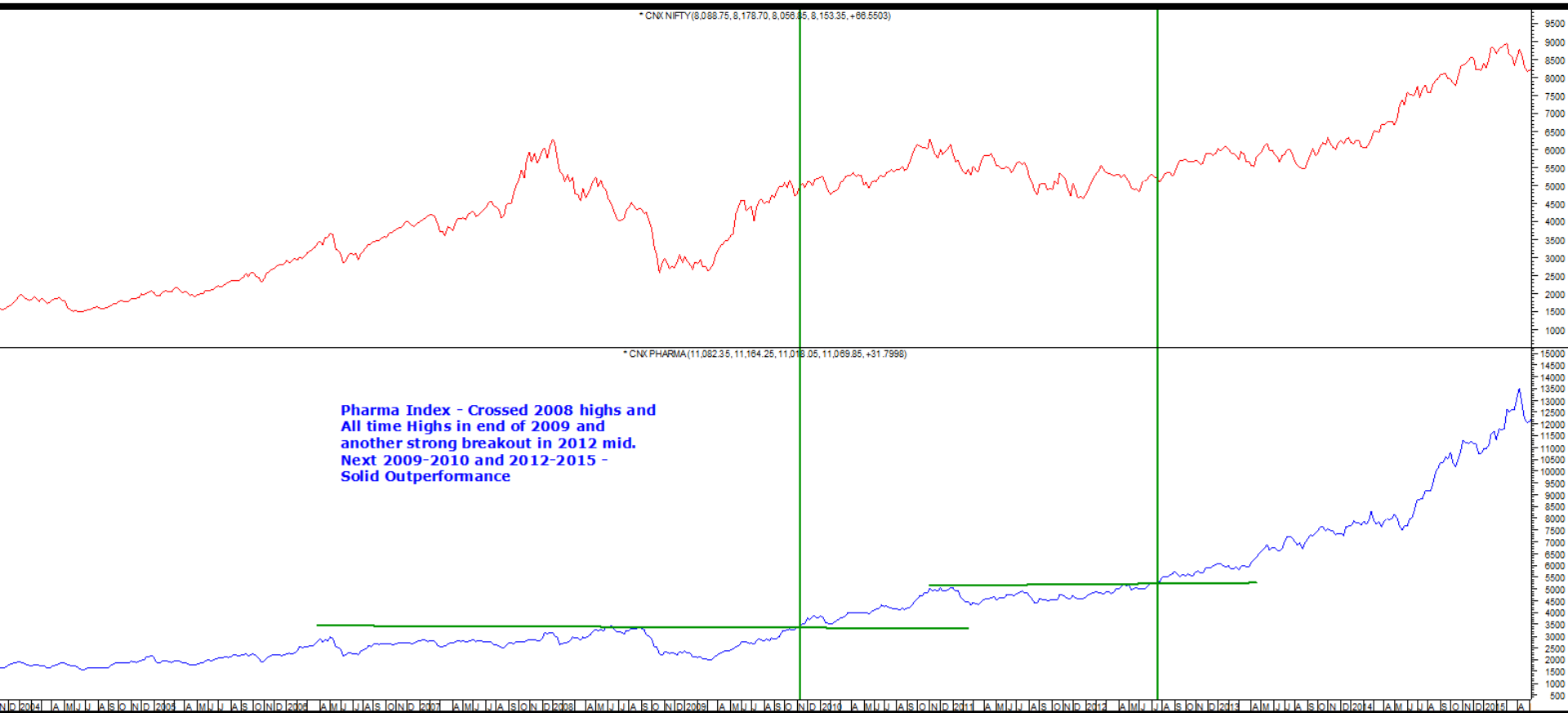
Sectoral Leadership

- Check Sectoral Indices on NSE / BSE
- Sometimes a lot of stocks within similar sectors look to be breaking out. (Ex – Sugars / Textiles/ Chemical/Paper) which do not have a sectoral index.
- Look for New Highs/Relative Outperformance to Nifty/Sensex.
- Sectoral Trends start with Larger Names and end with Microcap Names rallying. Example Lupin to Lincoln Pharma

FMCG – 2009-2013 – ITC ended up No 1 on Nifty



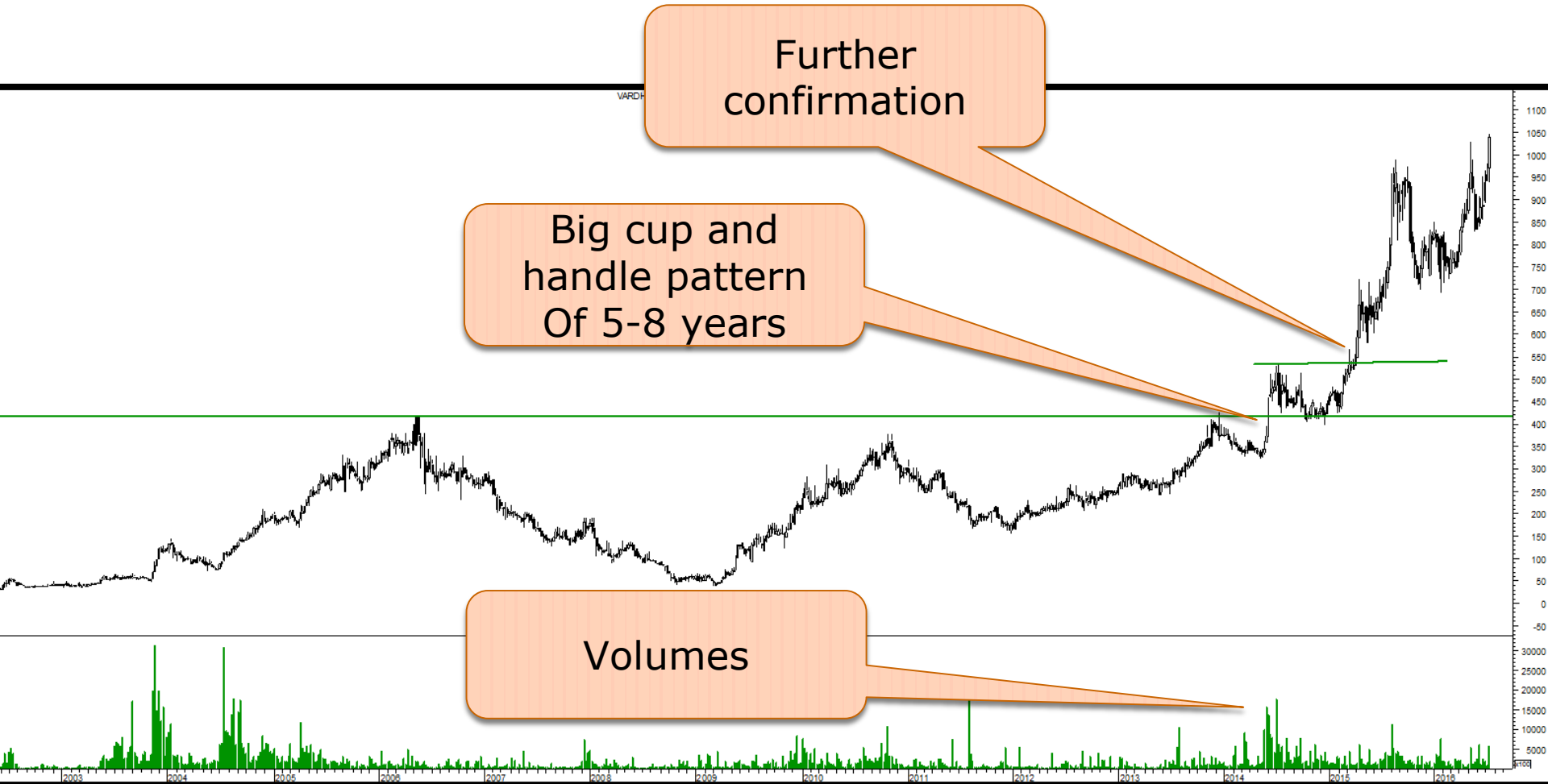
Pharma Index – 2012-2015 – Started with Sun Pharma/Lupin ended with Lincoln/Marksans



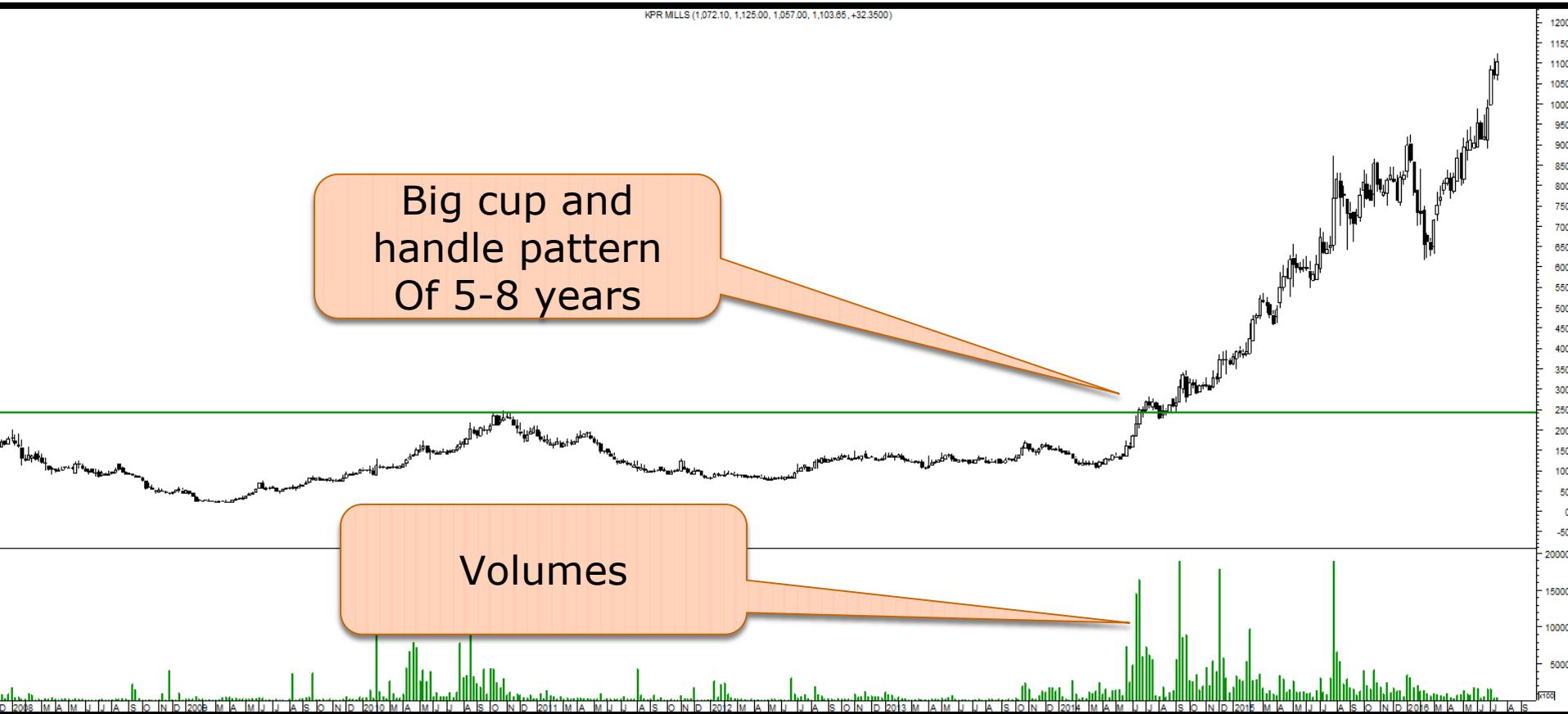
Techno Funda – Textiles Sector

- All the stocks in the sector first gave a breakout in Mid of 2014.
- A further confirmation with strong volumes in 2015.
- At the same time Index had topped.
- Strong relative outperformance suggested something big is cooking.

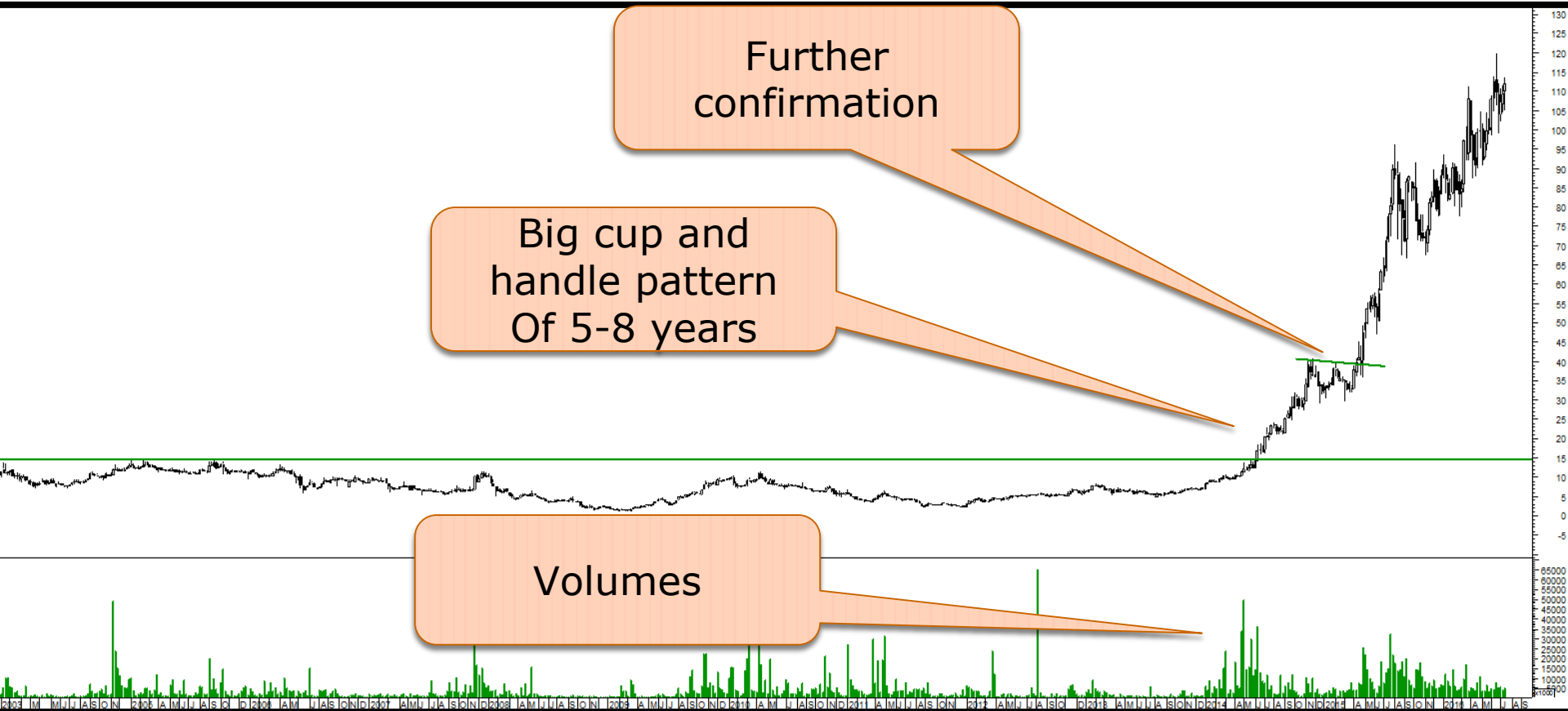
Vardhman Textiles – The biggie



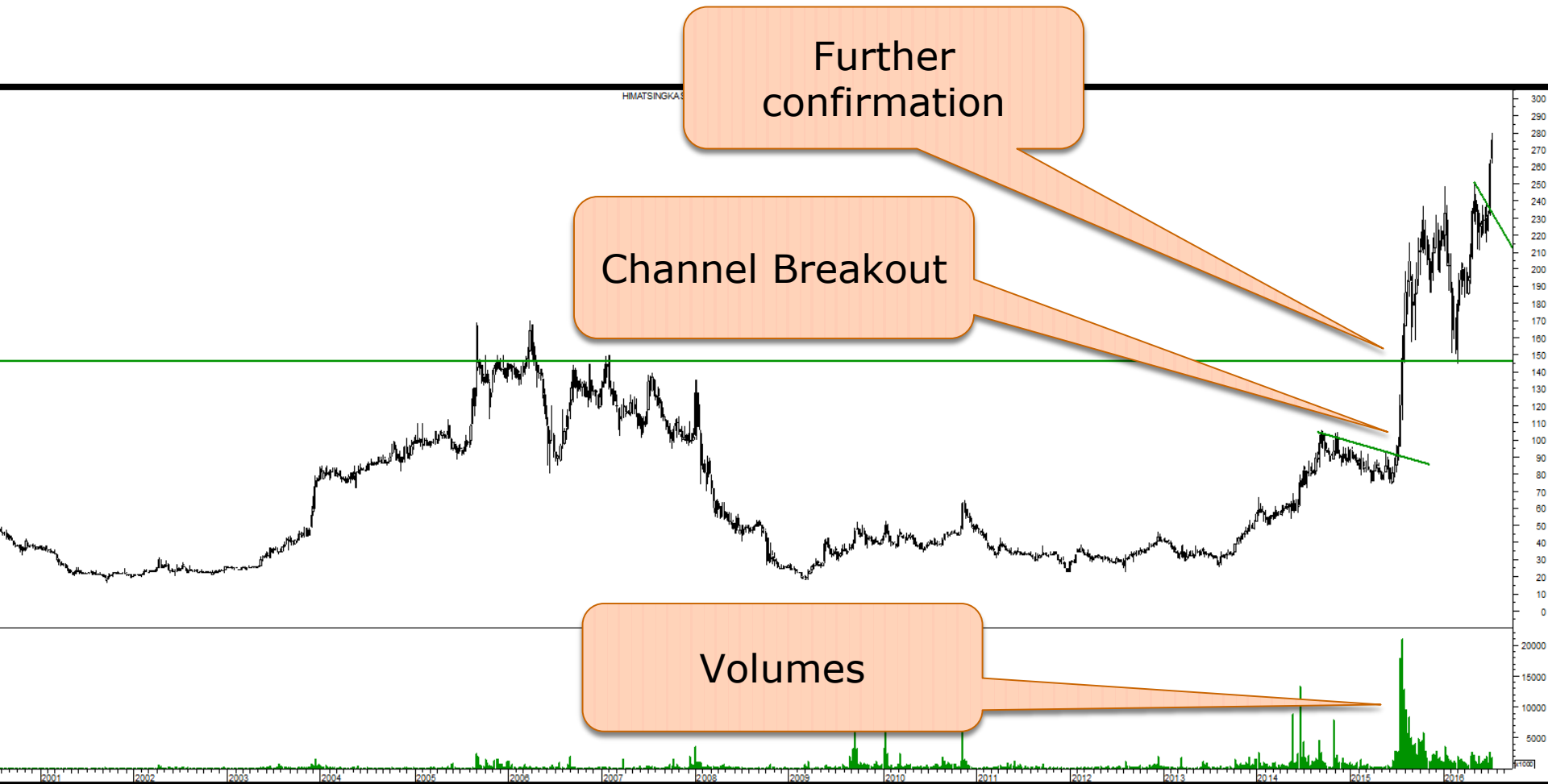
KPR Mills – Shift to Garmenting



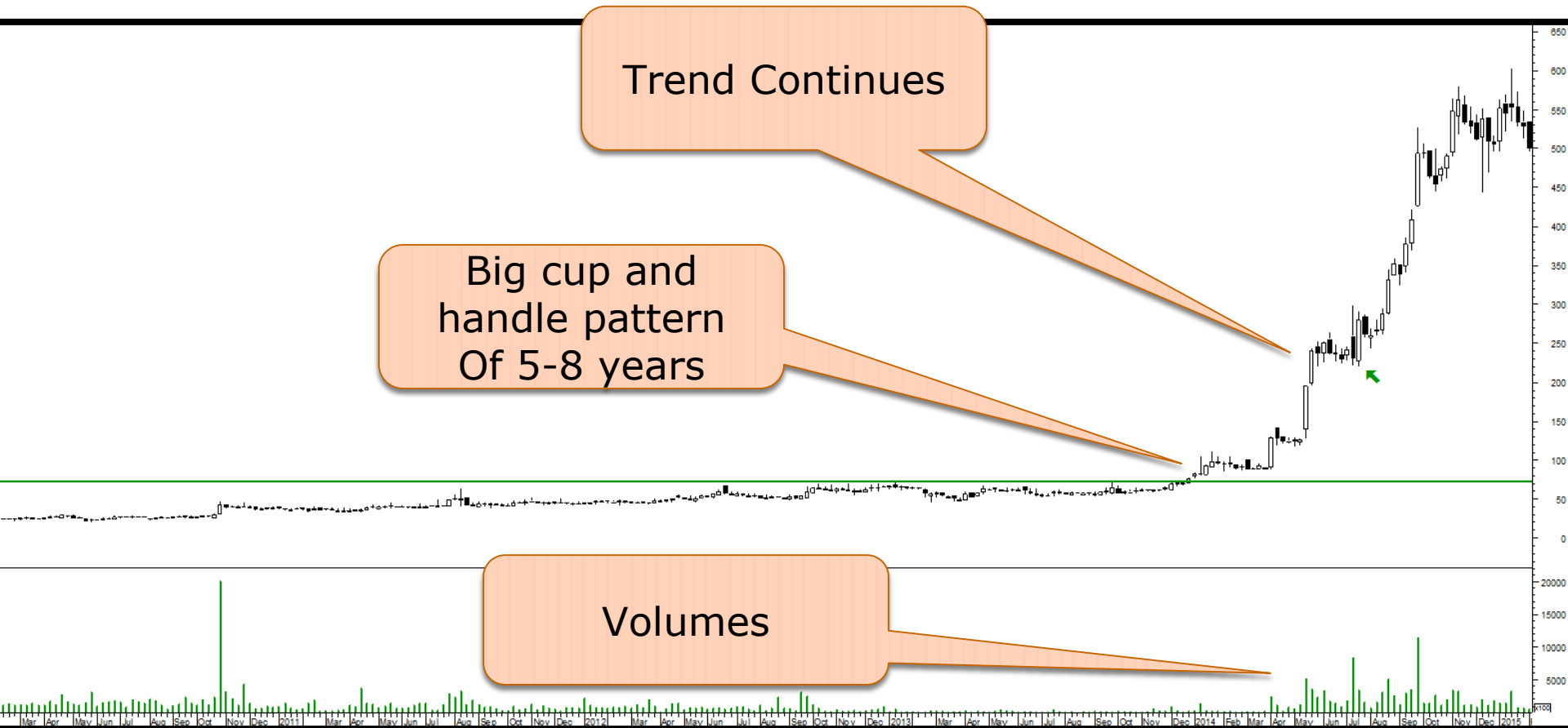
Welspun India – Its never too late in a trend



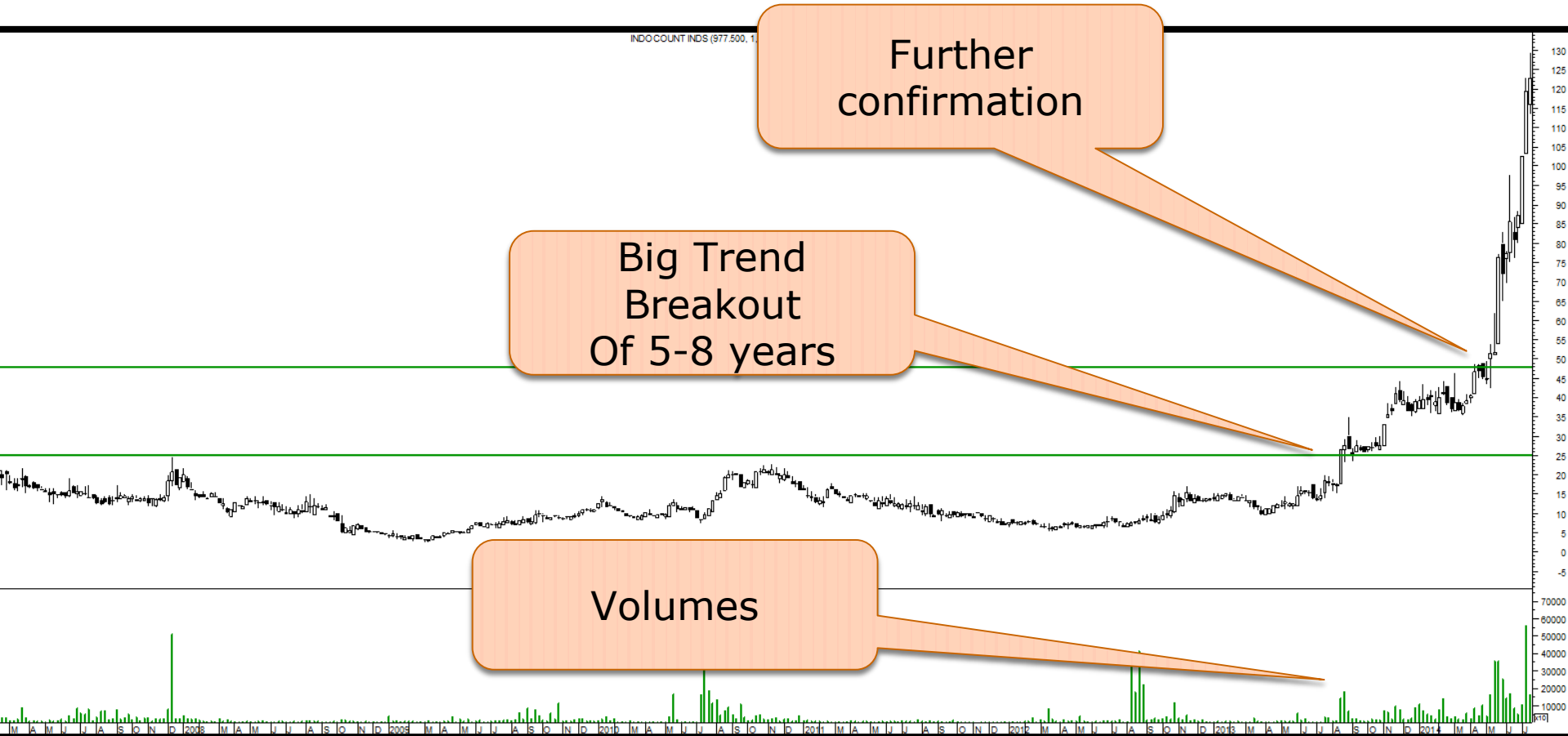
Himatsingka Seide



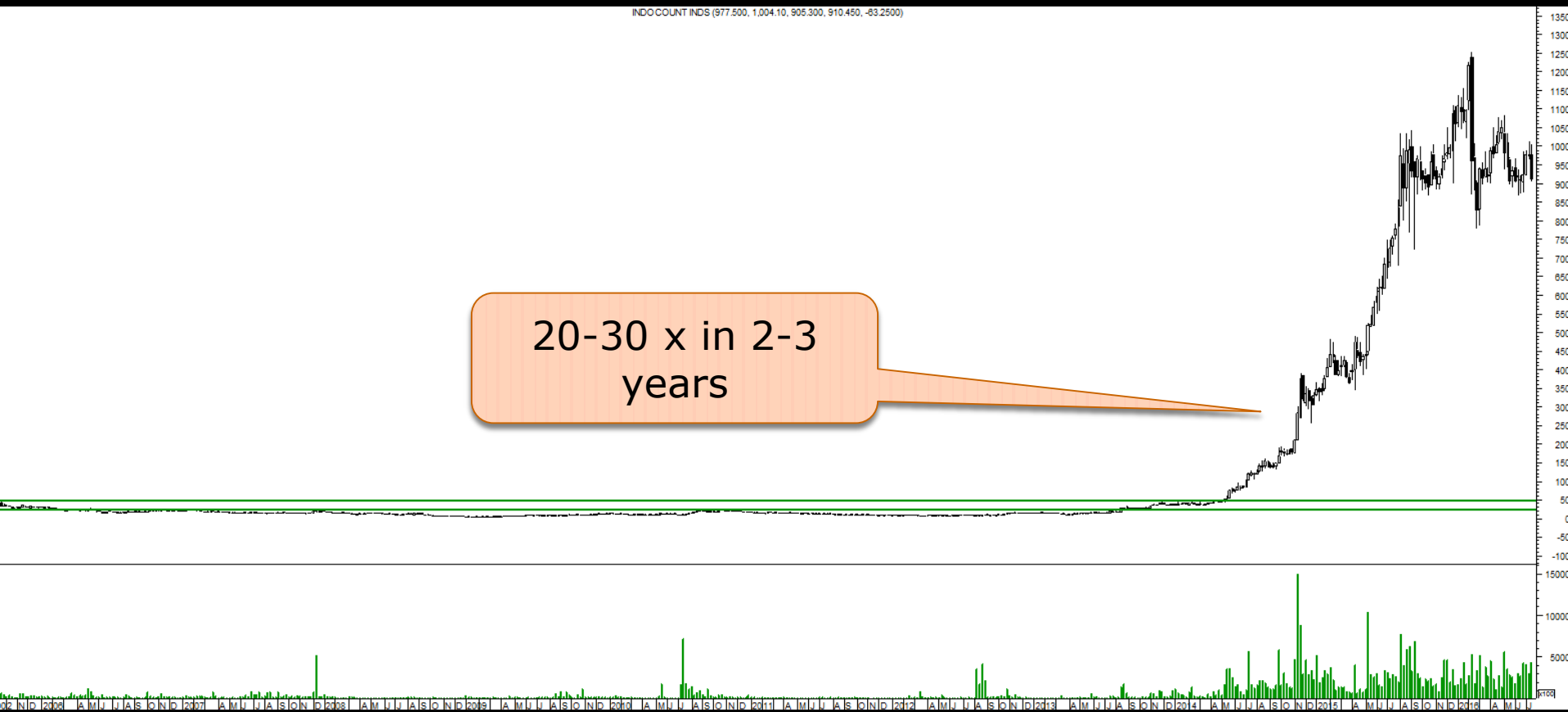
Kitex Garments – Never too Late



Indo Count – What a Miss – be patient



Indo Count – What a Move !!



Heart Burn of Catching it Early, Buying tiny only but not riding it

5 results match indo count

Nooresh Merani @nooreshtech
@nooreshtech WTF - **Indo Count** has gone up from 20-22 to 28 :(before one could look into it.
View on Twitter

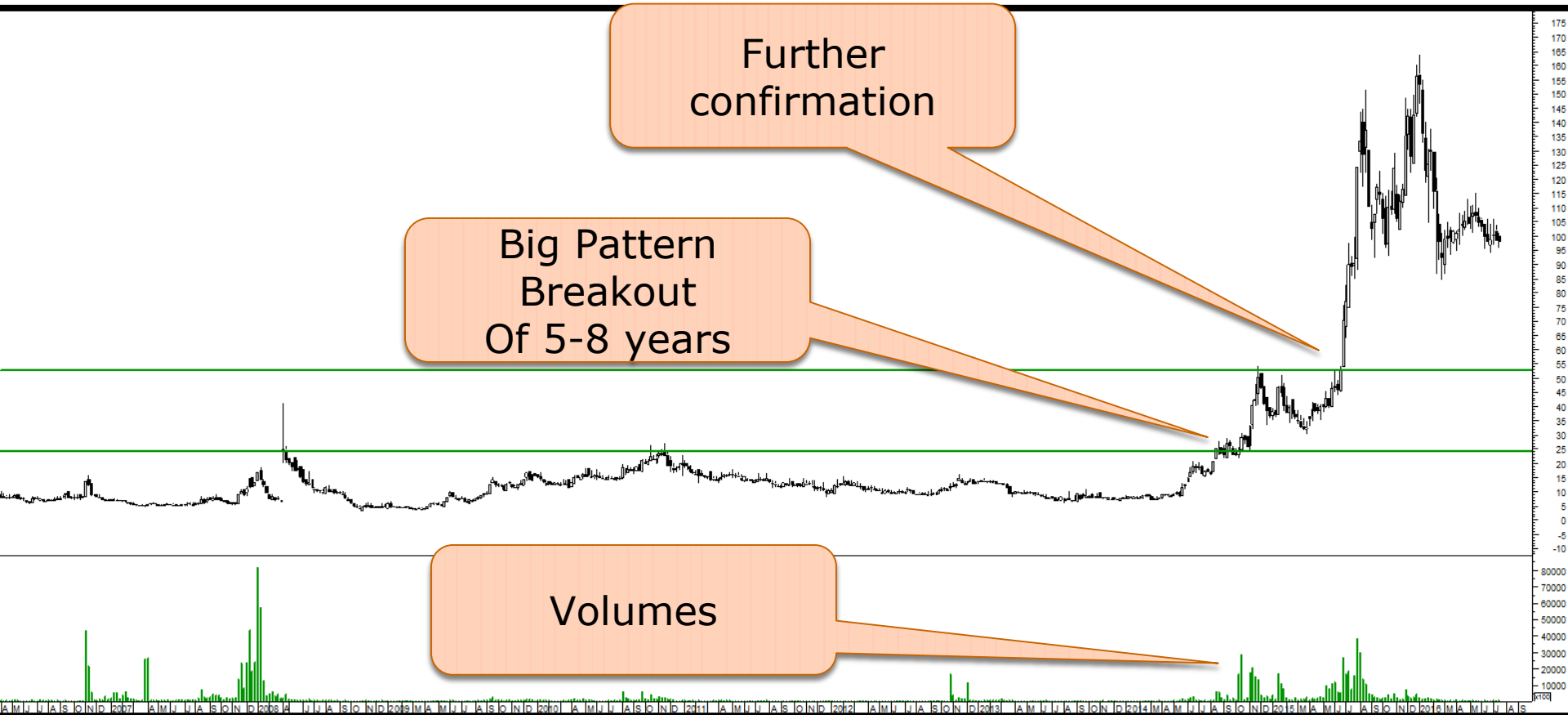
Nooresh Merani @nooreshtech
A small cap technical chart - **Indo Count** Industries knocking into 5 year highs. need to read on this one. indocount.com/index.html Export co
View on Twitter

Nooresh Merani @nooreshtech
indo count inds a small one which i looked at 22-24 and missed is at 38 today :(textile boom
View on Twitter

Nooresh Merani @nooreshtech
@nooreshtech Now thats called a Royal Miss and HeartBurn --- **Indo Count** Inds had looked at it 20-30 bucks :((twitter.com/nooreshtech/st...)
View on Twitter

Nooresh Merani @nooreshtech
@Vivek_Hardikar had bought **indo count** in 40-80 zone sold at 120. Chickened out looking at debt. Stock at 1000
View on Twitter

Welspun Syntex – IFCI sold at 60 giving the trigger



Increasing Cash on Topping Out or
Breakdowns in Long Term Trends.

When to Start Increasing Cash

- Previously we focused on RSI as a good tool to deploying cash and selection of sectors through relative outperformance.
- Now comes the part of when to increase Cash.
- Channel/Trendline and Higher Bottoms Break.
- BSE Smallcap/NSE Smallcap start outperforming Nifty by a big margin.

Nifty – Last 2 years

Bottom Breaks
And Unable to
cross previous
highs in the
pullback

Trendline/Channel
Breakdown



Breaks the
bottoms and
trendline at
8400-8500.

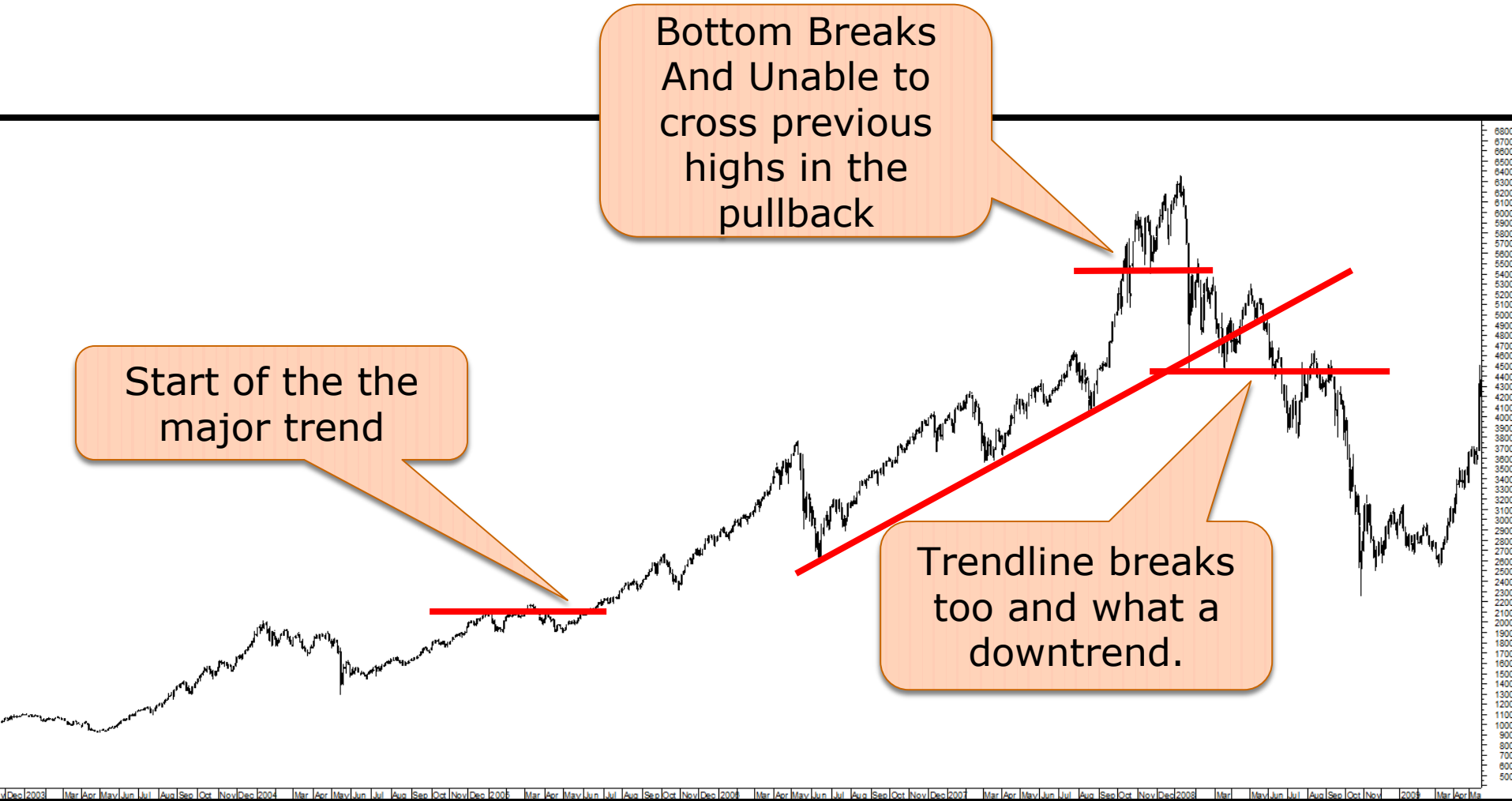
Nifty 2009-2013

Bottom Breaks
And Unable
to cross
previous
highs in the
pullback



This was a
tough zone.
Whipsaws
with new
highs and
new lows in
months

2005-2009 – Trend Followers Paradise



Bottom Breaks
And Unable to
cross previous
highs in the
pullback

Start of the the
major trend

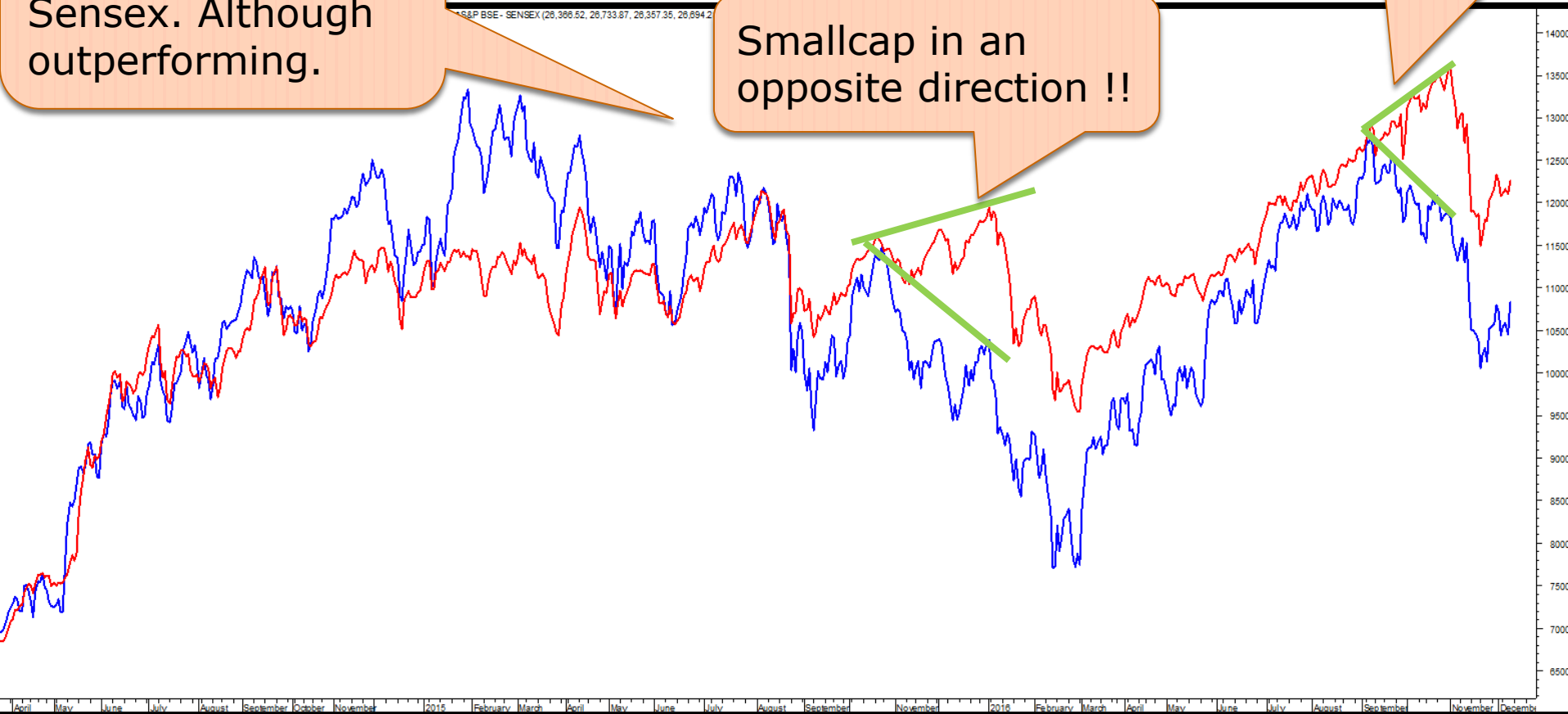
Trendline breaks
too and what a
downtrend.

Smallcap and Sensex

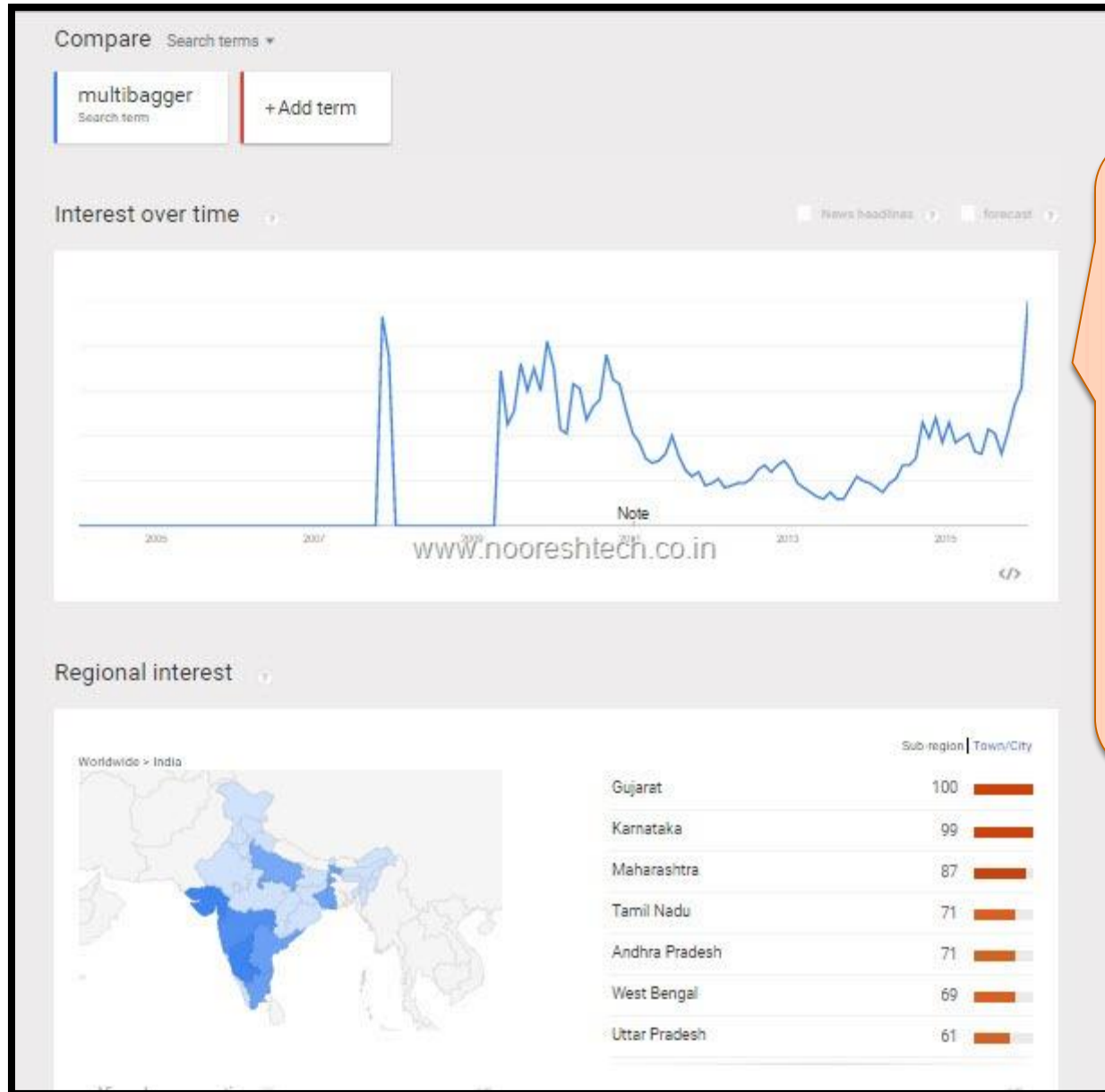
Smallcap – Moving in Direction of Sensex. Although outperforming.

Smallcap in an opposite direction !!

Smallcap in an opposite direction !!



MultiBaggers – Google Trends crosses 2007



Wrote this post on 06th January 2016. Did increase cash and re-jig portfolio but not enough 😊

2010 Rally and 2013 Panic

Smallcap – Moving in Direction of Sensex. But a vertical move with no pause !!



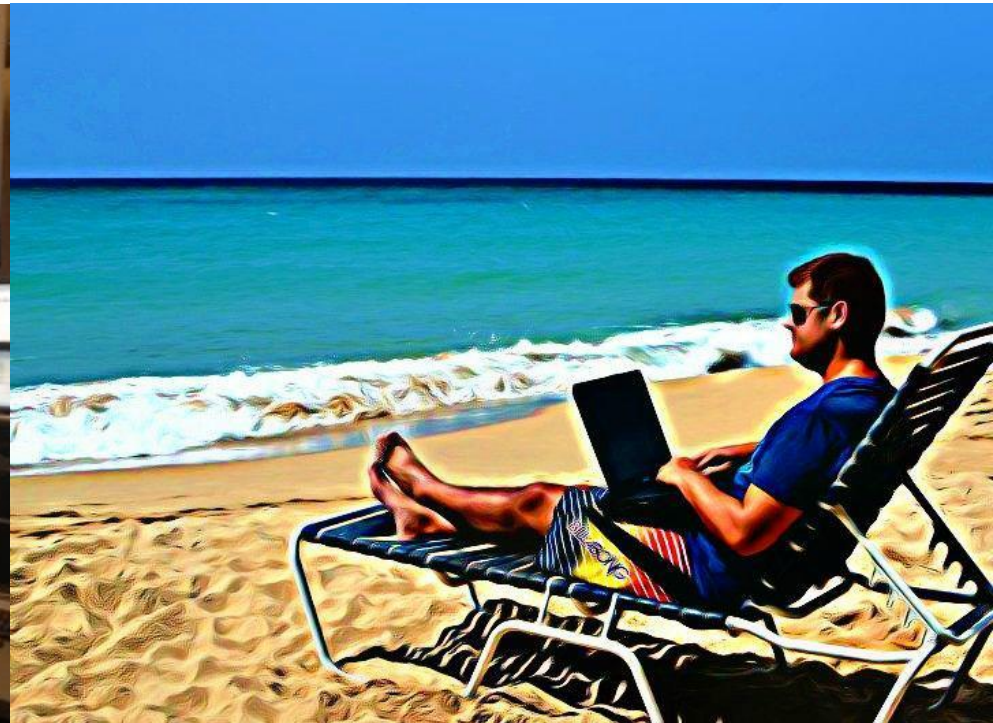
New lows below 2011. Panic in comparison to Sensex

2007 – As vertical as it can be !!



Full Time Trader !!

A Full Time Trader is the best Career



You can trade from anywhere with a laptop and a steady net connection.

The Wow Factor

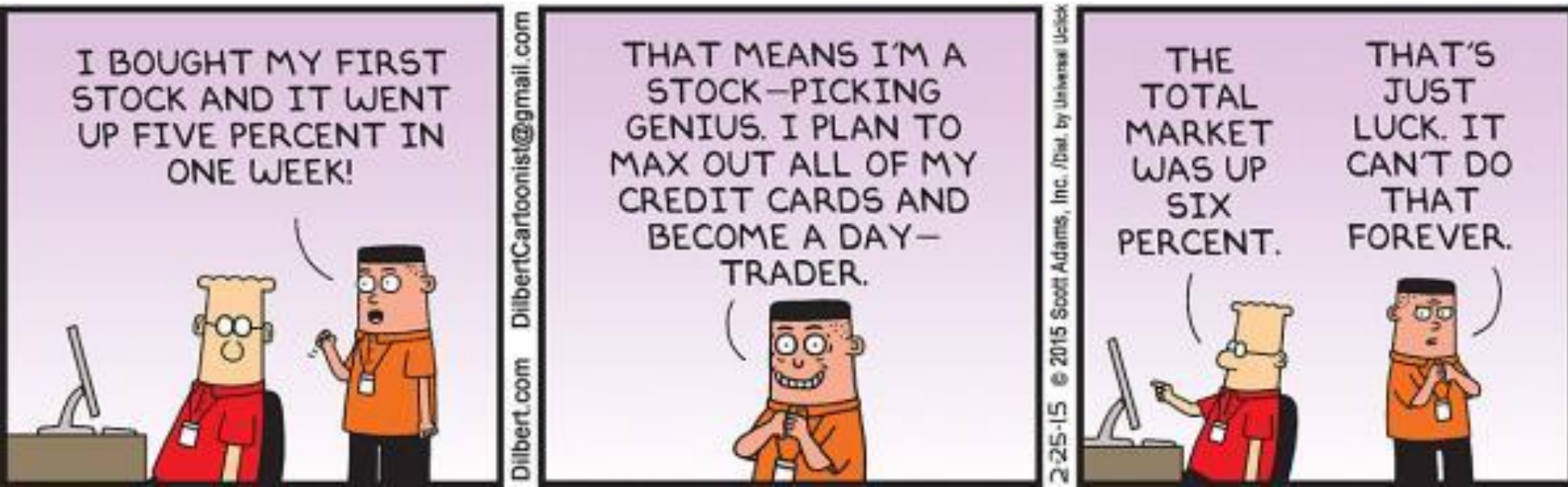
- Market timings 9.00 to 3.30. (Wow a 6 1/2 hour working day.)
- Work from home. (Who doesn't love to work in their boxers ?)
- No Boss, No Appraisal (I am the Boss)
- Total Mobility. Work from anywhere with a net connection (Did you not see that picture of a trader with a laptop in Goa ?)
- Tons of Money (If you are full time trader you make more money with the keyboard in your hands)
- More time with Family. (What would i do if i get done at 3.30)
- I can take vacations whenever i want to (and pray its not the big up or down day – for a discretionary trader. Traders are more weekenders)
- I just need to keep executing the system and chill. (The backtest results are just too good to think of position sizing)

If you are Salaried

- A Monthly Pay Package – (*It always small but it comes. Traders have bad months*)
- 20 days of Paid Leave (*Create a Clone or Black Box System or try trading on a vacation*)
- Salary – Appraisals, Job Switch (*Traders have drawdowns*)
- Job Security or Alternative Opportunity. (*A trader can only become an advisor with all the tensions*)
- Experience increases value in job market and even bonuses . Look at your boss he is older mostly not smarter. (*Return depends on Market Trends not your Age*)

What you need to Learn

- Everyone has a different methodology and belief.
- Technical Analysis, Derivative Strategy, Options Strategy, Day Trading, Delta Hedging, Automated Trading Systems, Trend Following, Gut Feel, Insider Trading, Tips, Advise etc.
- There is no point on debating which is the right way.
- Understand yourself before you understand the system.
- Every Trend creates a few Geniuses.



Simple Rule

Whatever Works and Makes Money
Consistently.

What works for me May not work for
You.

HOW YOU SHOULD FIND A TRADING STRATEGY vs. HOW TRADERS FIND A STRATEGY

HOW YOU SHOULD FIND YOUR STRATEGY

Find trading principles which you understand and which make sense to you

See that you cannot make any money

Find ways to tweak your strategy

Lose a bit less money

Make money consistently

You made it work!!!

Constant improvement

HOW MOST TRADERS LOOK FOR A STRATEGY

Stumble over a trading method in a forum that promises a shitload of money

See that you cannot make any money

Lose the biggest part of your account

Quit Trading!

The beginning of the end

Find What Works for You

- Technical Analysis the Classical Way.
- Price, Volumes, Moving Averages, Patterns and Individual Discretion.
- Techno Fundamental Analysis.
- Value Investing.
- Risk Management ,Common Sense & Luck.

Above Works for Me

- No Elliot, No Gann, No Time Cycles, No System Trading.

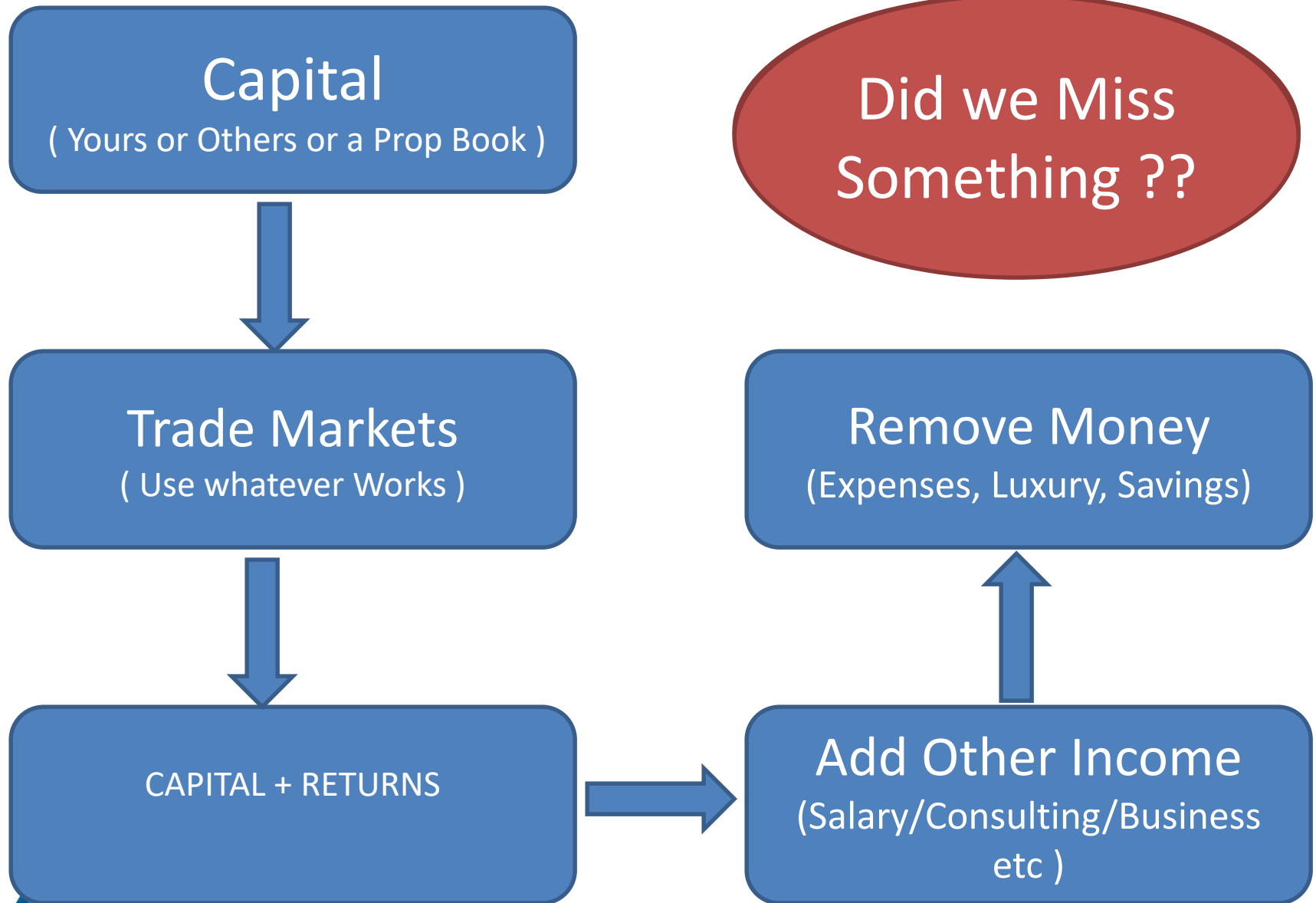
Some Questions

- Are you wanting to be a Full Time Trader because you don't like your Job/Business ?
- Are you in love or addicted with Markets ?
- There is no better thrill then a Winning Trade?
- I want more time for Family Life?
- How Long will I work for Someone?
- I want to be my own Boss?
- I want to make a lot of Money?

Yes for Any Questions ?

Don't think of Full Time Trading !!!

Trading Income

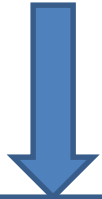


Assumptions

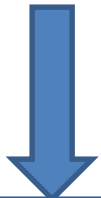
- A lot of people have discussed strategies and will discuss ahead.
- I leave it to you to find what fits your temperament.
- Always remember – Every trend creates New Geniuses. Check anything over multi year cycles.
- You will not use Crazy Leverage and lose 40-50-100-150% of your portfolio.
- You will make returns more than the FD rate

Simple Business

Raw Material
Buy Lemons, Sugar Salt and Ice



Make Nimbu Paani
(learn recipe)



SELL at a CRICKET GROUND



PROFIT

Raw Material is a big criteria.

Capital = Raw Material of Trading Business

How Much Capital Do You Need to Become a Full Time Trader

What do you Need to Become a Trader

- Bank Account with lots of Money
- PAN Card
- Trading Account with 45 signs.
- Computer/Laptop.
- Software.

- That's so F\$^\$^\$in easy.
- You need 45-50 certifications to open a Hotel .
- In Bull markets people want to become full time investors/traders

How much time it takes for others

Engineering – 4 years+ Work Experience

Doctors, CA , MBAs – 5-8 years.

Business – Few Years to Learn and Money.

Why do we Think We can Become Profitable
Traders in few days/months

Lets Say you found a Strategy Which works with bearable risks.

Go to Next step of Capital Needed.

How much do you need to Survive

- Assuming you will have all your income only from markets for ease of calculation.
- Start with your Annual Expenses (Include monthly expenses + contingency fund + more)
- How much do you make in your Salary, Business.

Sample Example

Annual Package = 12 Lakhs

Annual Expense = 8 lakhs

Returns in a Year ? Consistently YOY

10%

20%

30%

40%

50%

Stop There

Is there anyone who can make more than that consistently.

I plead you to take my money and all I can borrow and give me half of profits. I retire peacefully from trading

The Capital Matrix

Earnings Wanted	Exp Return	Capital
1200000	10	12000000
1200000	20	6000000
1200000	30	4000000
1200000	40	3000000
1200000	50	2400000

WHOA – We know the capital needed.

You forgot Inflation.

Also you are used to growth in
Salary/Business.

Considering 5% inflation

Expected Earnings	Exp Return	Capital	Capital to be added
1200000	30	400000 0	
1260000	30	420000 0	200000
1323000	30	441000 0	210000
1389150	30	463050 0	220500
1458607.5	30	486202 5	231525

The Big Bad Questions

- Will Returns be Linear at 30%
- When do you decide you cannot be a Trader.
- (30% capital loss or how many years)

In Minimum case you need 5x your Annual Income.
A logical case you need 10 times your Annual Income

The Big Bad Questions

- Will Returns be Linear at 30%
- When do you decide you cannot be a Trader. (30% capital loss or how many years)
- Do you have an Emergency/Contingency Fund?
- How will you pay up your expenses in times of drawdowns. You may essentially need at least 1 – 2 years salary in addition to your trading capital.
- Will you be able to add capital with increasing inflation or do you believe that a couple of years as a fulltime trader your expected returns should increase ?

In Minimum case you need 5x your Annual Income.
A logical case you need 10 times your Annual Income

Its Advisable to add other forms of income to give
comfort.

How much Capital to be a Full Time Investor

Considering a 2-3% dividend yield portfolio as the only income.

Capital requirement = 30-50 x the Annual Income.

Questions !!!

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My Evolution

2004-2006

- Doing trial and error with indicators/systems etc.
- Lost a lot and in debts.
- Learnt what not to do.
- Path to Recovery of Loss.

2007

- Paid Debts. Got Some Capital from work.
- Made lot of Money for Clients. So high Advisory Income.
- Started Training.
- A fresh tryst with Derivatives.
- 6x in 6 mths

2008

- Royally screwed – 6x to X.
- Sit on Cash.
- Advisory/Training slows down. Clients make their own mistakes.
- Capital reduced from peak.

My Evolution

Mid 2009

- Nothing to do. No trades.
- Played Cricket/Football.
- Learning through smart people.

2009-2010

- Picked the Turnaround.
- Growth in Advisory/Training/Trading.

2011-2013

- Consolidating time.
- Lots of ups and Downs but nothing major apart from one big trading drawdown.
- Tried a few things and luckily closed quicker before the things changed. (Broking, tie-ups, Sales Team)
- Got married 😊 in 2012

End 2013-2014

- Focused Effort on Trading with Higher Capital.
- Strong growth in Advisory/Training also continuing the Consulting.
- More Reading/Meeting People.
- The Best Year – Due to Bull Market.
- Trading Income – Much more important than every other revenue stream.

2015-2018

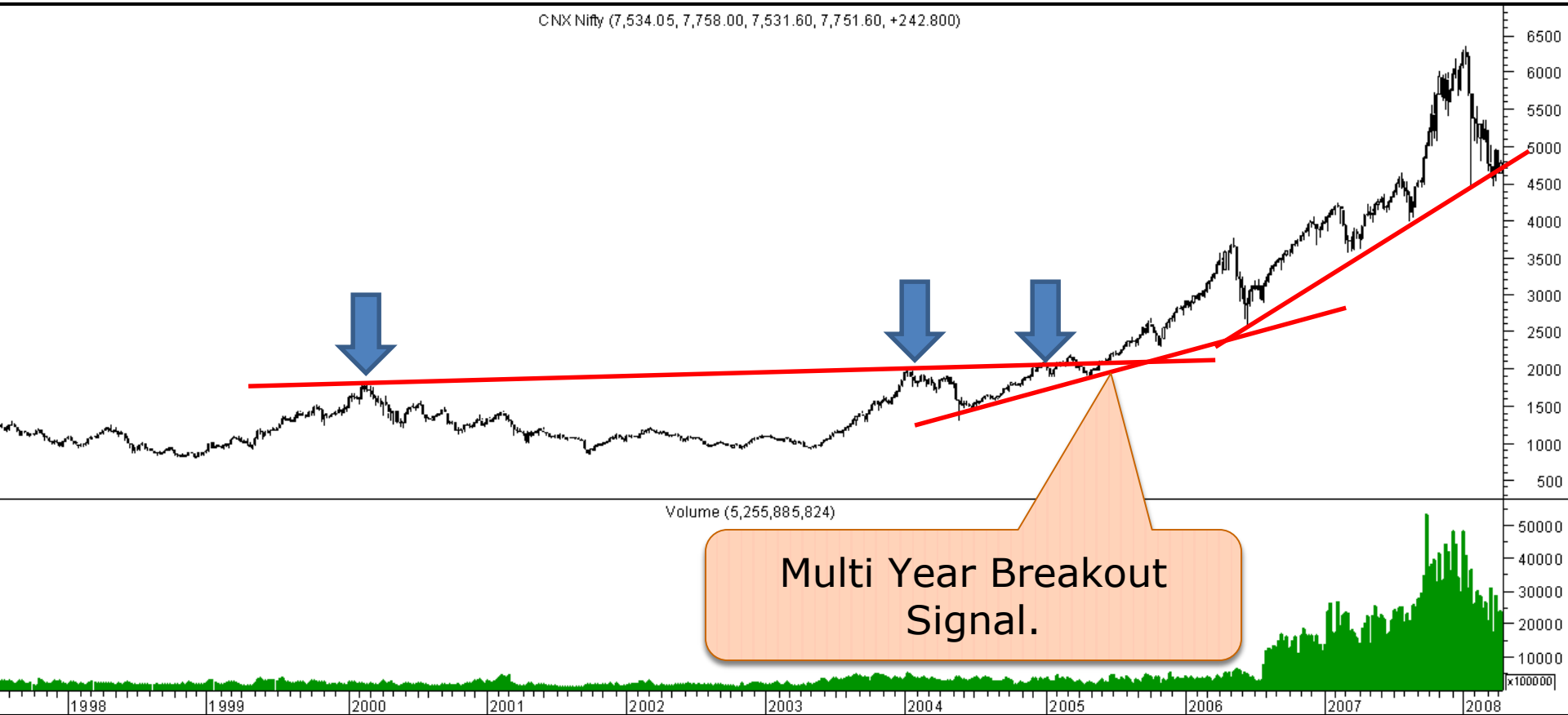
- Believe there is a big opportunity in next 3 years.
- Major Focus on Investing for Long term and Trading on Techno Funda.
- Create Wealth for Clients and Self.
- Write and Train More !

Major Aim – Be able to do what you like !!

Multi Year Trend Breakouts

- You just need to get one bull cycle or a bear cycle right in a lifetime to create some serious money.
- Lets look at an example of 2005-2008 how it could be seen on Technical Charts.
- Will look into our older presentation (Post 8000 boom or Doom in Sept 2005) in next session.
- In 2005-2008 it did not matter what you bought.
- In a bull market its about allocation more than selection !!

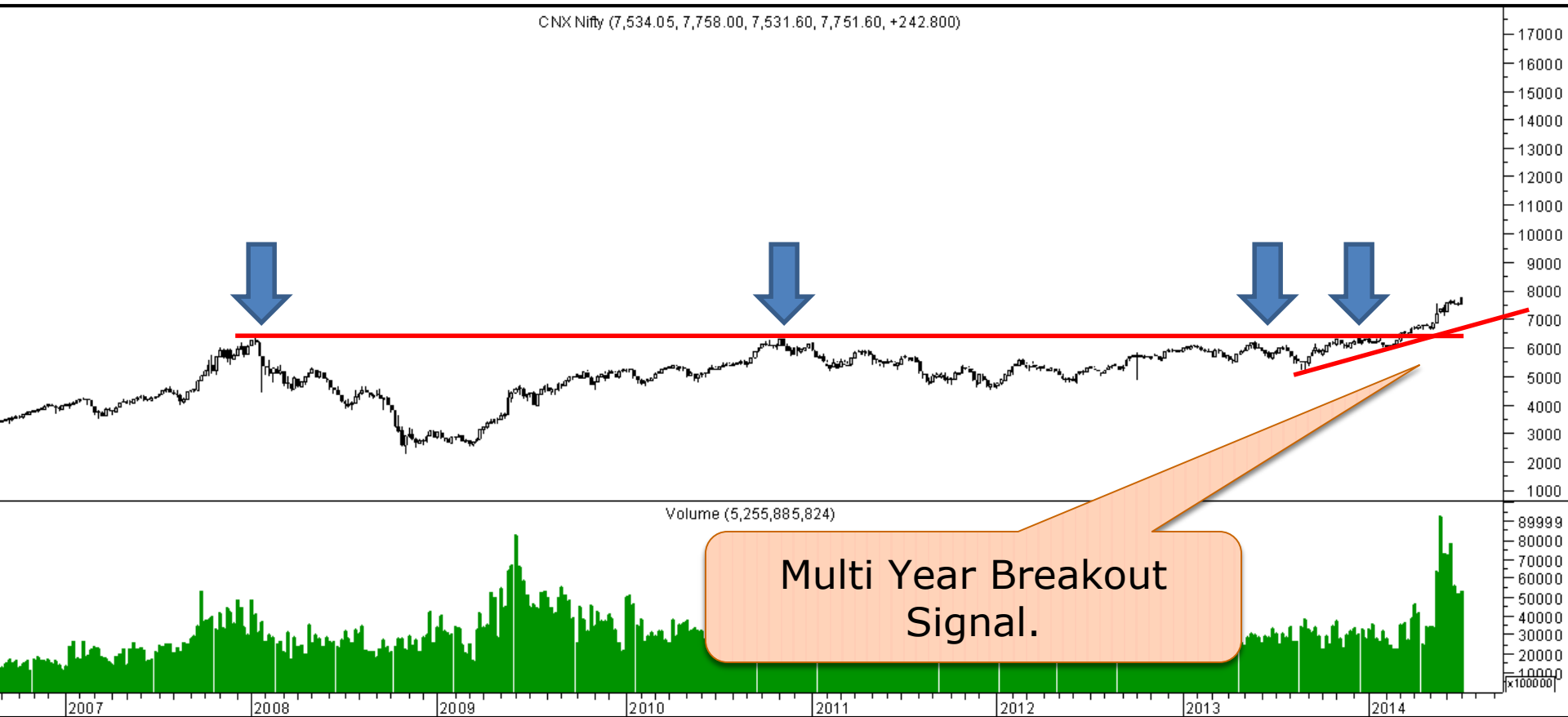
Nifty 2005-2008



Technical Breakout at 6400. Political Breakout at 7200/7600!!

- While everyone was trying to look at how many seats does Modi get , the market had already presumed and participated.
- We came out with a highly bullish report (kept it paid) in March end 2014. (in next presentation)
- So the trend was clear and just see how one does not need to be smart in a multi-year trend.

Nifty Breakout in 2014-2018 ?!!



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