How To Trade In Stock Markets?

A famous Chinese Proverb goes that, "Give a man a fish; you feed him for a day. Teach a man to fish and you feed him for a lifetime."

This article is for the newcomers to the stock market trading who have a great desires to learn the charts and the skill of trading. So, it'll be of no help for those people who make the trading decisions based on some fundamentals. Something that distinguished a flourishing trader from the rest is his judgment on when to get in, when to stay out and when to accept a mistake … He has his charts and the knowledge of using it.

Let us start trading lesson with the Basics of Trends:

TRENDS

As per time frames, we can classify Trends into following types:

A) SECULAR TRENDS
B) PRIMARY TREND
C) INTERMEDIATE TREND
D) SHORT TERM TRENDS

Every short term trend has within it one to several intraday uptrend and downtrends. Every intermediate trend has within it one to several short term uptrend and downtrends. Every primary trend has within it one to several intermediate uptrend and downtrends. So too, every secular trend has within it one to several primary uptrend and downtrends.

What we mean by Bull market is a market in a primary uptrend. What we mean by a Bear Market is a market in a primary downtrend.

A SECULAR BULL MARKET has primary uptrend (Bull mkts) higher in magnitude and duration as compared to its primary downtrends (Bear mkts). Expect the bull markets to unfold longer than the bear markets in a secular bull move. Vice versa for the SECULAR BEAR MKT.A secular bear market has primary downtrends greater in magnitude and duration as compared to its primary uptrend. Expect the bear markets to take longer to unfold than the bull markets in a secular bear move. A Secular trend usually lasts about 10-25 years.

We now know what a secular, primary trends and intermed trends are. We know that each larger time frame has within it smaller time frames of trends. We have an intermed uptrend followed by an intermed downtrend followed by an intermed uptrend, so on so forth.

Few rules:

1) After an intermediate uptrend, the correction should be only 33-66% of that cycle (One intermed cycle = one intermed uptrend and one intermed downtrend). Greater the retracement, the increased likelihood that the primary trend has reversed to the down.

2) substantive increase in volume during the price decline.

The above are some basics … if you are playing with indicators as well, then all the negative divergences, moving average crossovers puts you on Caution Mode. Most important thing that we all have to remember is that Trading is very simple. Our mind being complicated is the reason why we try to over complicate a simple thing. So as in anything simple, we try to leave it as simple as we can.

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About the Author

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