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Newsletter

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Nifty P&F analysis

Bank Nifty P&F analysis

Sector Relative Strength analysis

Nifty-500 Index: P&F Multi-column breakout list

Point & Figure chart analysis

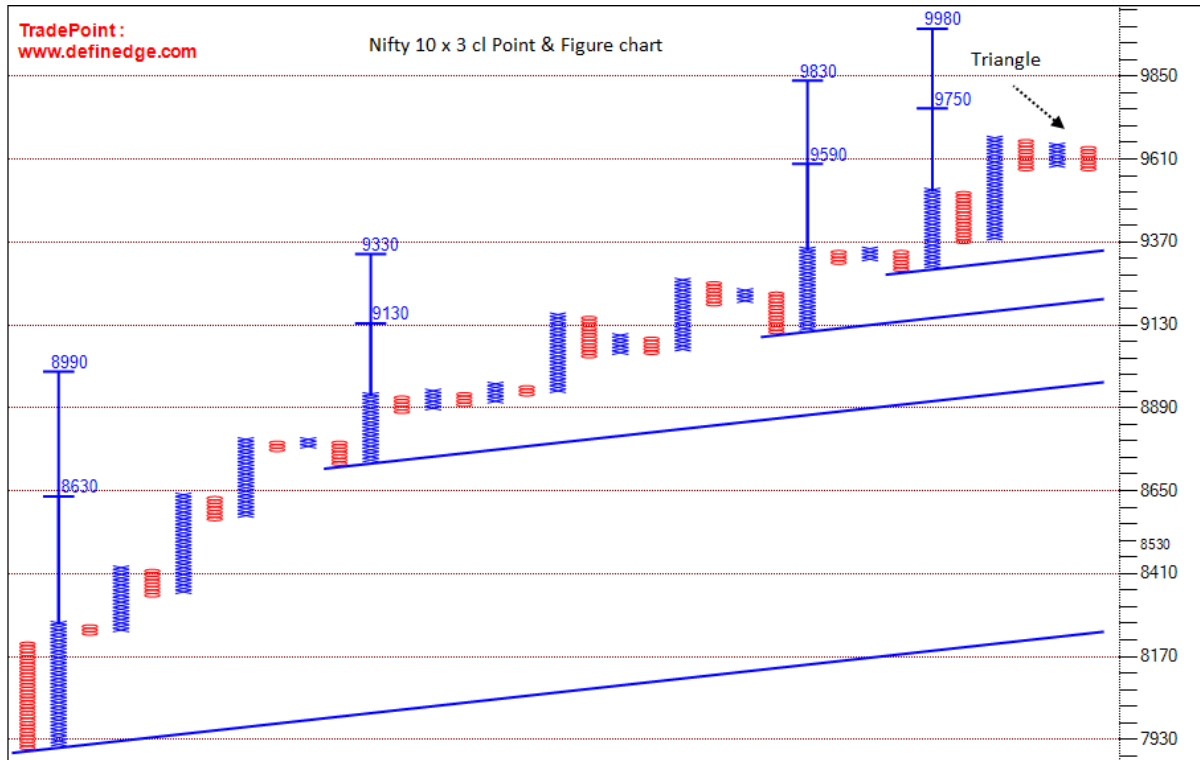Rising and Falling Three Candlestick patterns

Relative Strength Performance Matrix

Poles & Traps: Highly under-Rated Concept

Nifty P&F analysis

Chart shown below is 10 x 3 Point & Figure chart of Nifty

- Broader market trend is bullish, price is trading above bullish 45 degree trend line
- Current formation is triangle which indicates consolidation
- Bullish counts shown on the chart are still open
- Short-term counts of 9490, 9400 will be active if price closes below 9570
- Close above 9660 will trigger bullish continuation pattern
- In brief, medium term trend is up and price is witnessing short-term consolidation. 9660 and 9400 are reference levels.

Below is a P&F X-percent breadth indicator of Nifty 50

Advantage of breadth indicator over price oscillator is that it shows the health of constituents and not just the index price. In P&F X-percent indicator, we call it a neutral zone when it is between 75 and 25. Above chart shows that breadth line has remained in comfortable zone since Feb 2017 when Nifty went up by ~900 points.

Current reading of this indicator is 43%, meaning that 43% of Nifty 50 stocks are in column of X. Interestingly, price has gone up but breadth has witnessed periodic correction during the recent uptrend. It indicates inherent strength of the trend and provide opportunity when price trend is up and breadth hits oversold zone.

Bank Nifty P&F analysis

Below is a 0.15% x 3P&F chart of Bank Nifty showing short and medium term picture.
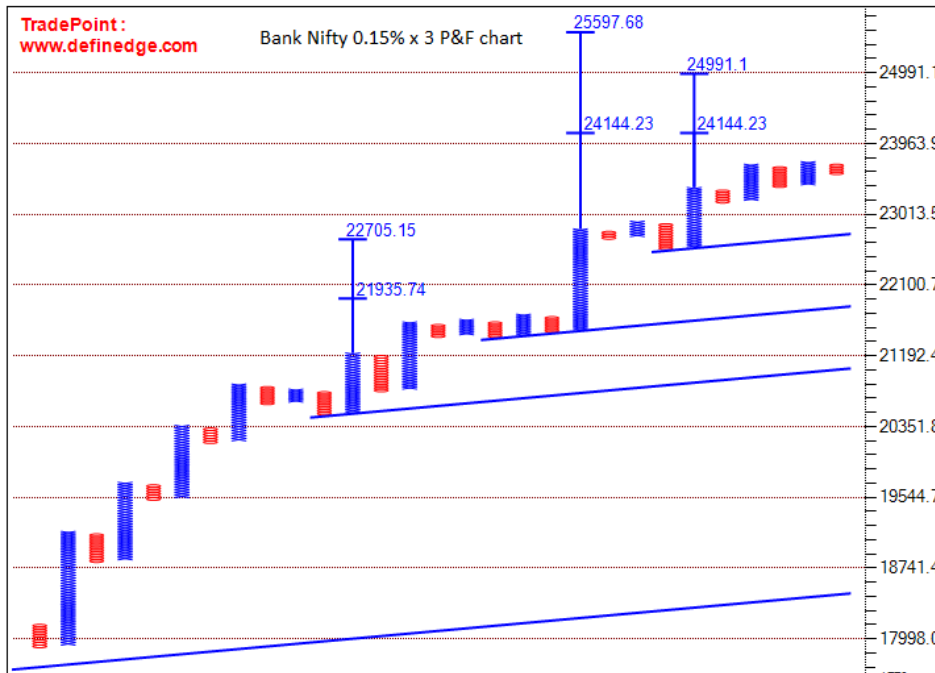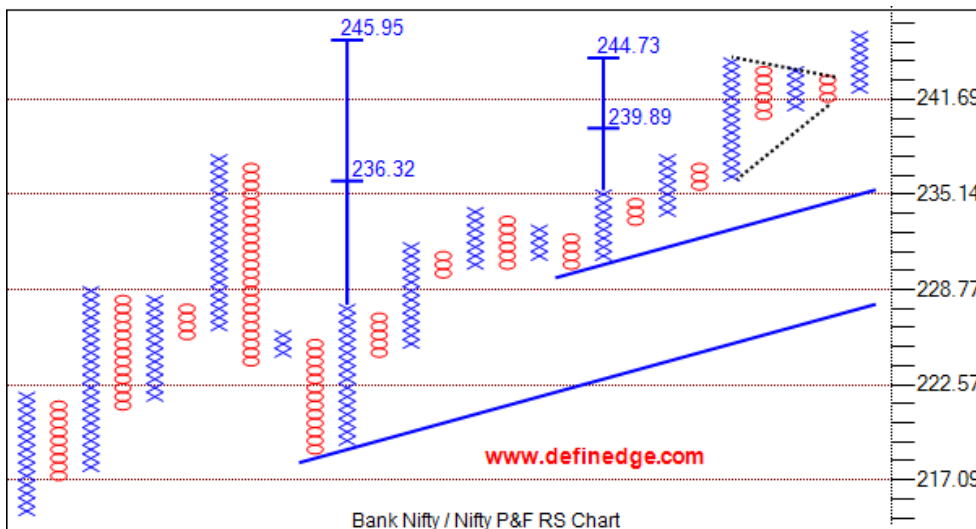

Chart is bullish and price is trading above 45 degree line. Below is a relative strength chart of Bank Nifty against Nifty.

Currently, Bank Nifty is out-performing Nifty and remains bullish unless it closes below 23100. Below is the performance of all stocks in the Bank Index as per P&F Relative Strength Matrix method.

Scrip	0.25%	0.5%	0.75%	1%	Total Score ▼	
HDFCBANK	2	2	2	2	8	Strong Outperformance
KOTAKBANK	2	0	1	2	5	Outperformance
ICICIBANK	2	0	1	1	4	Outperformance
BANKBARODA	1	1	0	-1	1	Outperformance
FEDERALBNK	0	0	0	0	0	At par
INDUSINDBK	-2	0	0	-1	-3	Underperformance
SBIN	1	-1	-2	-2	-4	Underperformance
YESBANK	2	-2	-2	-2	-4	Underperformance
CANBK	-2	-2	-2	1	-5	Underperformance
PNB	-2	-2	-2	-2	-8	Strong Underperformance
BANKINDIA	-2	-2	-2	-2	-8	Strong Underperformance
AXISBANK	-2	-2	-2	-2	-8	Strong Underperformance

Sector Relative Strength analysis

Relative strength charts plot P&F of a ratio chart of two instruments. Price of numerator is outperforming denominator if ratio line is rising. Conversely, it is under-performing denominator if ratio line is falling.

P&F formations help in identifying and scoring the sectors and it's constitutes based on the RS score matrix. Check this link http://www.definedge.com/how-to-use-matrix-in-tradepoint/ to understand the methodology of scoring a chart based on P&F formation of last three columns.

Sector Index	Matrix Score	Remark
Nifty Pvt Bank	8	Outperforming
Nifty Fin Service	8	Outperforming
Nifty Bank	8	Outperforming
Nifty MNC	6	
Nifty Serv Sector	6	
Nifty FMCG	4	
Nifty Consumption	4	
Nifty Infra	3	
Nifty PSU Bank	2	
Nifty Auto	2	
Nifty Pharma	0	
Nifty 50	0	
Nifty Metal	-3	
Nifty Realty	-4	
Nifty Commodities	-5	
Nifty Energy	-6	
Nifty IT	-7	Underperforming
Nifty CPSE	-8	Underperforming
Nifty Media	-8	Underperforming
Nifty PSE	-8	Underperforming

Performers of outperfoming sectors	
Stock name	Sectors
HDFCBANK	Pvt bank/Fin service/ Nifty bank

Underperformers of underperfoming sectors	
Stock name	Sectors
Srock name	Sector
Justdial	Nifty IT/
Network18	Nifty media
Dishtv	Nifty media
Hathway	Nifty media
IOC	Nifty PSE
IFCI	Nifty PSE
ONGC	Nifty PSE

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Nifty-500 Index: P&F Multi-column breakout list

Below is the list of stocks from Nifty-500 stock group where Triple top bullish formation is active on higher box value (3% x 3 Point & Figure chart). Pattern is considered as active unless basic sell signal is generated in the chart.

| Sr No	Stock Name	Qualification price	Current price	Running G/L %	Status
1	AEGISCHEM	106.9	188.25	76.10%	Open
2	AIAENG	1041	1381.85	32.74%	Open
3	AKZOINDIA	1441	1821.75	26.42%	Open
4	AMTEKAUTO	39.13	31.8	-18.73%	Closed
5	APLAPOLLO	468.65	1592.95	239.90%	Open
6	ASAHIINDIA	166.55	254.6	52.87%	Open
7	ATUL	2453	2450.15	-0.12%	Open
8	AXISBANK	428.9	504.65	17.66%	Open
9	BAJFINANACE	924.9	1400.75	51.45%	Open
10	BANKINDIA	127.65	134	4.97%	Open
11	BEML	1104.35	1541.65	39.60%	Open
12	BERGEPAINT	166.55	245.4	47.34%	Open
13	BIOCON	166.55	328.9	97.48%	Open
14	BRIGADE	182	270.05	48.38%	Open
15	CCL	283.55	282.75	-0.28%	Open
16	CENTRALBK	110.15	87.95	-20.15%	Open
17	DREDGECORP	455	644.45	41.64%	Open
18	EIDPARRY	267.25	309.95	15.98%	Open
19	ESCORTS	176.7	678.05	283.73%	Open
20	EXIDEIND	166.55	216.4	29.93%	Open
21	FCONSUMER	24.4	31.9	30.74%	Open
22	FINCABLES	267.25	482.2	80.43%	Open
23	FORTIS	204.85	172.5	-15.79%	Open
24	GAIL	283.55	354.15	24.90%	Open
26	GODREJCP	679.12	879	29.43%	Open
27	GREENPLY	204.85	275.65	34.56%	Open
29	HDFCBANK	1137.5	1678.65	47.57%	Open
30	HEROMOTOCO	2761	3660.1	32.56%	Open
31	HSIL	319.15	374.8	17.44%	Open
32	IGARASHI	668.15	1001.45	49.88%	Open

Sr No	Stock Name	Qualification price	Current price	Running G/L %	Status
33	INDIACEM	95	201.25	111.84%	Open
34	INDIGO	952.65	1241.75	30.35%	Open
35	INDUSINDBK	981.2	1491.4	52.00%	Open
36	IOB	29.15	25.1	-13.89%	Closed
37	IPAPPM	338.55	296.75	-12.35%	Open
38	ITDCEM	113.45	173.2	52.67%	Open
39	JSWSTEEL	100.8	195.7	94.15%	Open
40	JYOTHYLAB	328.7	366.75	11.58%	Open
41	KTKBANK	161.7	164.95	2.01%	Open
42	LT	1621.8	1722.7	6.22%	Open
43	M&MFIN	300.8	330.65	9.92%	Open
44	MRF	54654	69935.8	27.96%	Open
45	MRPL	113.45	117.35	3.44%	Open
46	NH	338.55	307.55	-9.16%	Open
47	NHPC	21.7	32.45	49.54%	Open
48	PFC	92.25	122.35	32.63%	Open
49	PFS	42.8	39.5	-7.71%	Open
50	PIDILITIND	752.05	830.3	10.40%	Open
51	RCF	51.05	79.85	56.42%	Open
53	SCHNEIDER	152.45	127.6	-16.30%	Closed
54	SHILPAMED	611.45	628.9	2.85%	Open
55	SKFINDIA	1528.7	1353.76	-11.44%	Open
56	SOBHA	338.55	381.6	12.72%	Open
57	SOLARINDS	708.85	812.9	14.68%	Open
58	SUNTV	441.75	809.25	83.19%	Open
59	SUPREMEIND	1010.65	1227.1	21.42%	Open
60	SUVEN	187.45	174.85	-6.72%	Open
61	SYMPHONY	1280.25	1331.95	4.04%	Open
62	SYNDIBANK	75	76.5	2.00%	Open
63	TATASPONGE	688.2	798.3	16.00%	Open
Sr No	Stock Name	Qualification price	Current price	Running G/L %	Status
64	TATASTEEL	441.75	507.25	14.83%	Open
65	TECHNO	283.55	374.3	32.00%	Open
66	THERMAX	924.9	935.3	1.12%	Open
67	THOMASCOOK	223.85	230.5	2.97%	Open
68	TRIDENT	54.2	79.1	45.94%	Open
69	UFLEX	292.05	382.9	31.11%	Open
70	VSTIND	1772.2	3309.4	86.74%	Open
71	ZEEL	441.75	509.75	15.39%	Open
71	ABFRL	182	173.8	-4.51%	Open
71	M&M	1399	1376	-1.64%	Open
71	MPHASIS	611.45	592	-3.18%	Open

Point & Figure chart analysis

Below are the P&F charts for the observation. Bullish patterns in them can be referred unless Nifty setup turns out to be bearish. Check this link http://www.definedge.com/pf-pattern-and-setup/ for setup rules.
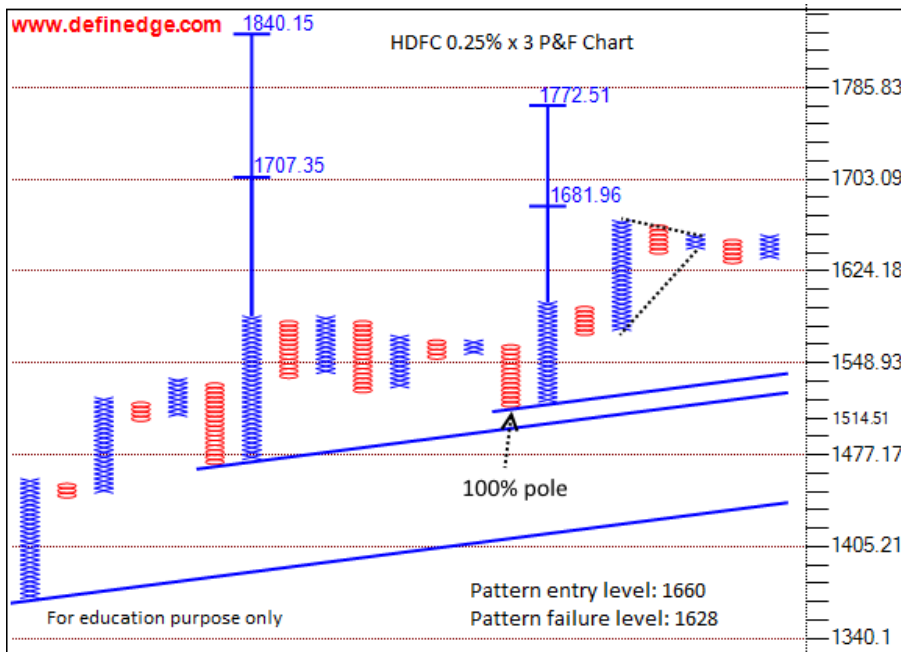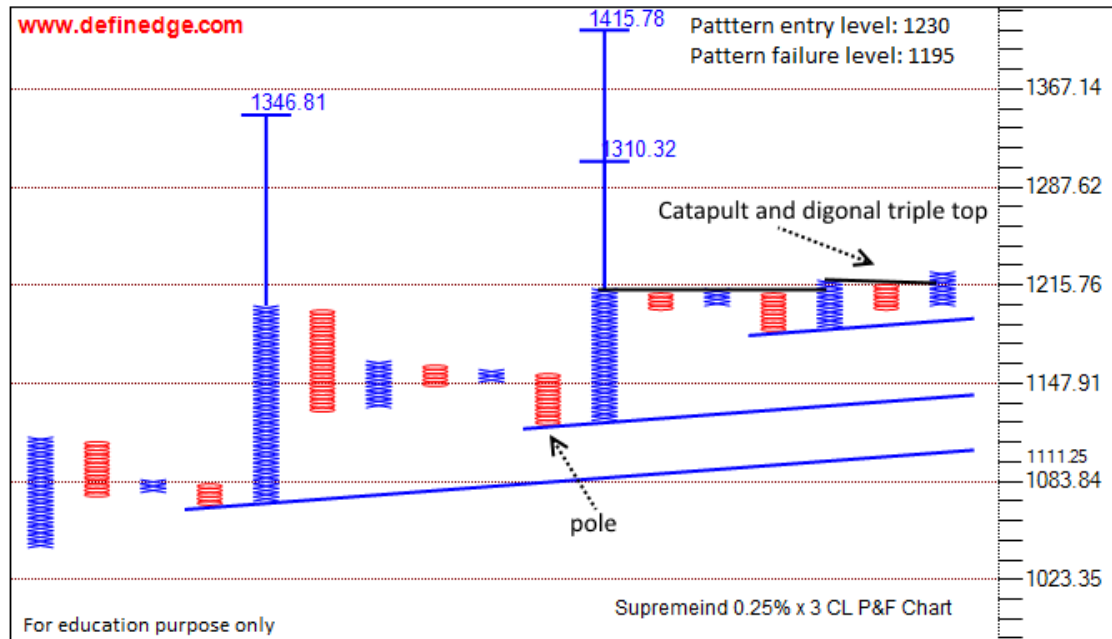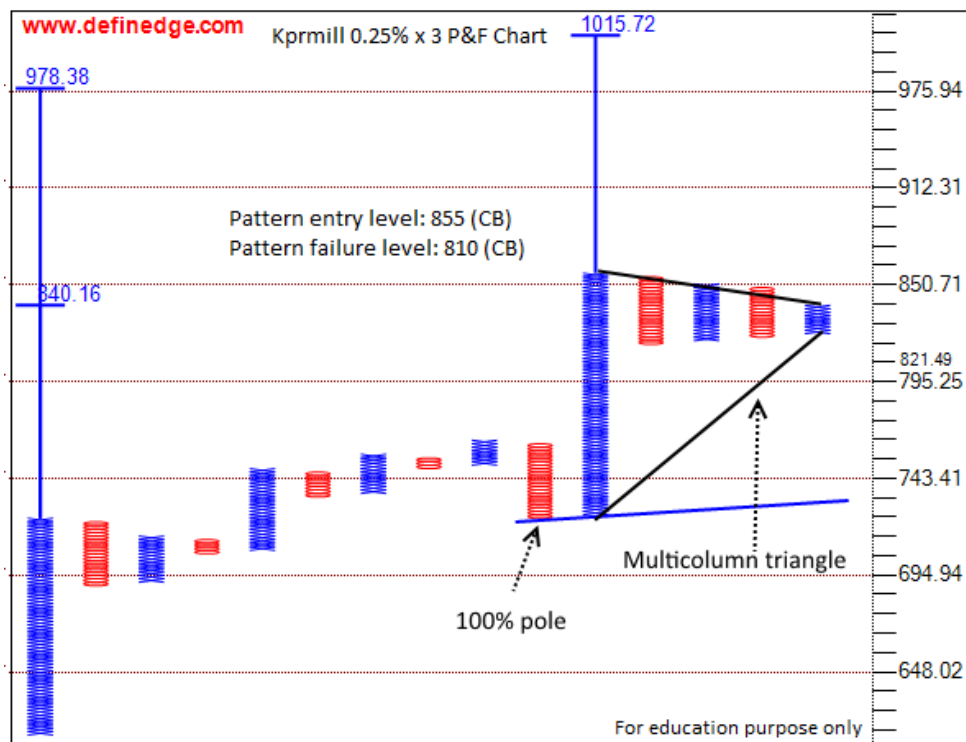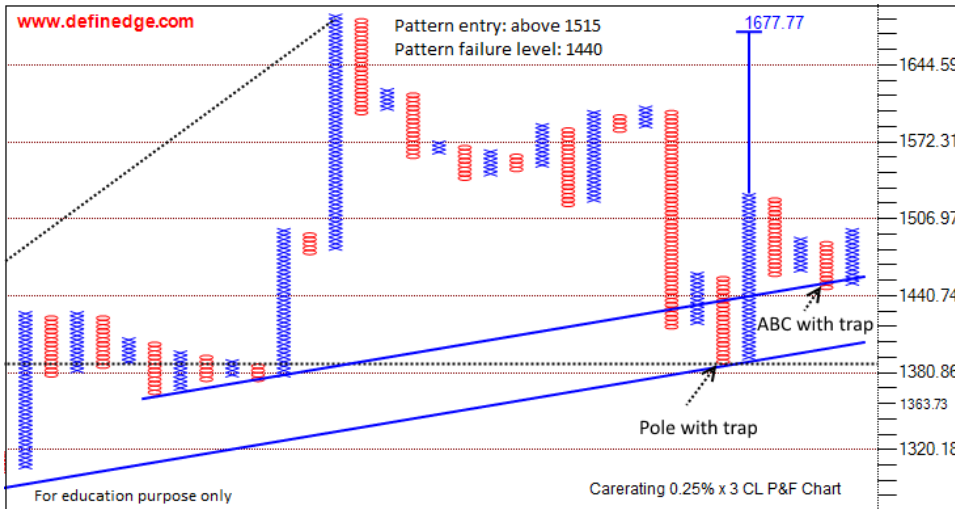
Rising and Falling Three Candlestick patterns

Bullish Rising three is a bullish breakout candlestick pattern. Here is a brief explanation of the pattern:

1. A bullish candlestick is followed by a group of two or more small real body candles that remain within the first bullish candlestick's range. So, in essence, it is multi-candle harami pattern, but the candles in this pattern would be contained within the shadows of the first candle.

2. If such a consolidation is followed by a strong bullish real body candle that closes above the first day's close, it then completes the bullish Rising three pattern. The final day open should be above the close of the previous session.

Same way, Falling three is a bearish candlestick formation.

1. In downtrend, when long bearish candlestick emerges and followed by more than two small rising candles whose real bodies is confined within the first candlestick's range.

2. The final candle opens under previous session close and then closes under the first red candlestick's close.

Below is an image explaining the same.

Bullish Rising Three   Bearish Falling Three
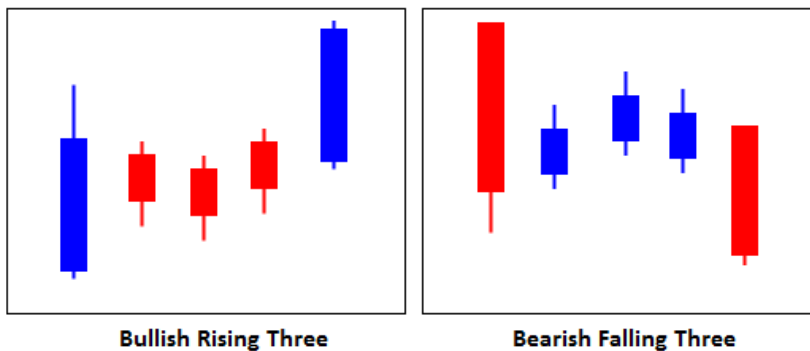
This pattern resembles the flag or pennant formation. If volume of first candle is higher than other candles, it lends more significance to this pattern.

Below are the charts showing the example of the pattern.

Maruti daily candlestick chart
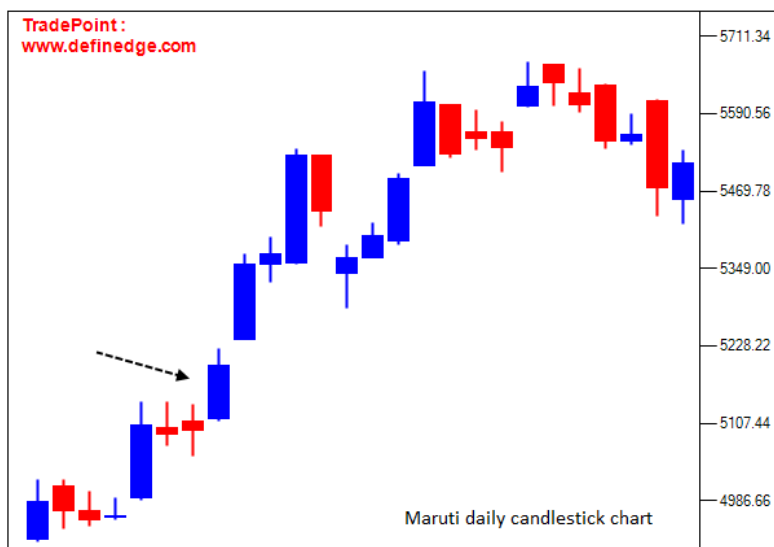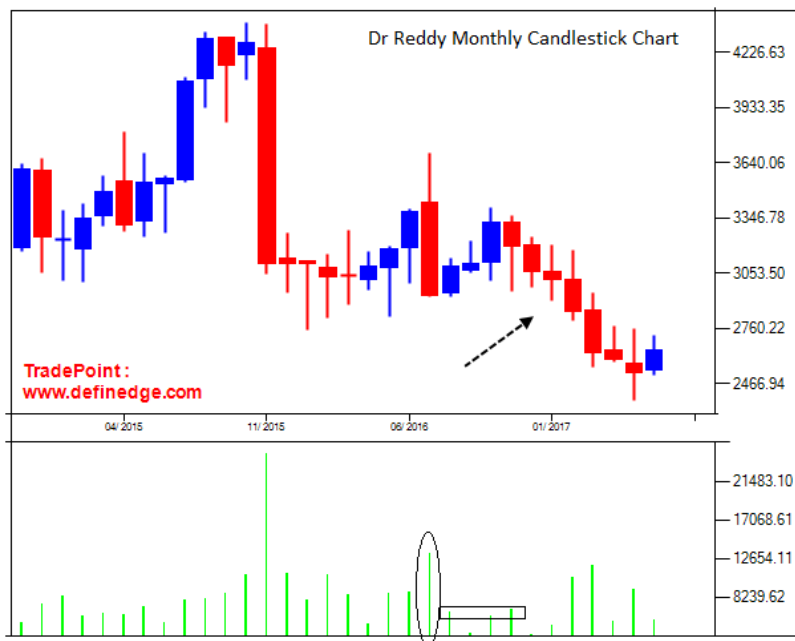
Relative Strength Performance Matrix

The "Relative Strength Performance Matrix" is a new feature introduced in the latest release of the TradePoint software. As the name suggests this feature provides a snapshot / matrix of the Relative Strength of various instruments / indices in relation to the benchmark, across different box sizes. As you must be aware, relative strength measures the performance of one instrument in relation to the other.

When the relative strength chart is in an uptrend, it indicates that the numerator is outperforming the denominator and vice-versa. Using the unique features of the point & Figure charts, we have designed a RS Performance Matrix which gives a summary of how various indices / instruments are faring in relation to the chosen benchmark.

The table below captures the relative strength matrix of various sectoral index benchmarked against the Nifty 50 index.

Index	0.25	0.5	0.75	1	Total Score	Remark
Nifty50 Div Point	-2	-2	-2	-2	-8	Strong Underperformance
Nifty CPSE	-2	-2	-2	-2	-8	Strong Underperformance
Nifty50 Value 20	-2	-2	-2	-2	-8	Strong Underperformance
Nifty Quality 30	-2	-2	-2	-2	-8	Strong Underperformance
Nifty Media	-2	-2	-2	-2	-8	Strong Underperformance
Nifty PSE	-2	-2	-2	-2	-8	Strong Underperformance
Nifty IT	-1	-2	-2	-2	-7	Strong Underperformance
Nifty GS 10Yr	-1	-1	-2	-2	-6	Underperformance
Nifty Energy	-1	-1	-2	-2	-6	Underperformance
Nifty50 TR 1x Inv	0	-1	-2	-2	-5	Underperformance
Nifty GS 10Yr Cln	-1	-1	-1	-2	-5	Underperformance
Nifty GS Compsite	0	-1	-2	-2	-5	Underperformance
Nifty Commodities	-2	-2	-2	1	-5	Underperformance
Nifty Small 100	-2	0	-1	-1	-4	Underperformance
Nifty GS 8 13Yr	0	-1	-1	-2	-4	Underperformance
Nifty Realty	-2	0	-1	-1	-4	Underperformance
Nifty50 PR 1x Inv	2	-1	-2	-2	-3	Underperformance
Nifty GS 11 15Yr	0	-1	0	-2	-3	Underperformance
Nifty Metal	-2	0	0	-1	-3	Underperformance
Nifty Div Opps 50	-2	-2	1	1	-2	Underperformance
Nifty100 Liq 15	-2	0	0	0	-2	Underperformance
Nifty GS 4 8Yr	2	-1	-1	-2	-2	Underperformance
Nifty Next 50	1	-1	-1	0	-1	Underperformance
Nifty MID100 Free	0	-1	0	0	-1	Underperformance
Nifty Midcap 100	0	0	0	0	0	At par
Nifty 50	0	0	0	0	0	At par
Nifty Pharma	0	0	0	0	0	At par
Nifty GrowSect 15	1	2	-1	-1	1	Outperformance
Nifty Mid Liq 15	1	0	0	0	1	Outperformance
Nifty Midcap 50	1	0	0	0	1	Outperformance
Nifty Auto	1	1	0	0	2	Outperformance
Nifty PSU Bank	0	0	1	1	2	Outperformance
Nifty SML100 Free	1	2	0	0	3	Outperformance
Nifty Infra	0	1	1	1	3	Outperformance
Nifty FMCG	0	0	2	2	4	Outperformance
Nifty Consumption	1	2	2	-1	4	Outperformance
Nifty 200	0	1	2	2	5	Outperformance
Nifty 500	0	1	2	2	5	Outperformance
Nifty GS 15YrPlus	2	2	2	-1	5	Outperformance
Nifty MNC	0	2	2	2	6	Outperformance
Nifty Serv Sector	2	2	2	0	6	Outperformance
Nifty 100	1	2	2	2	7	Strong Outperformance
Nifty50 PR 2x Lev	1	2	2	2	7	Strong Outperformance
Nifty50 TR 2x Lev	1	2	2	2	7	Strong Outperformance
Nifty Fin Service	2	2	2	2	8	Strong Outperformance
Nifty Bank	2	2	2	2	8	Strong Outperformance
Nifty Pvt Bank	2	2	2	2	8	Strong Outperformance

The above table captures the relative performance across four different box size or time frames. The user has the option to change these box size. The box-size is a proxy for the time frame of the chart. Higher the box-size, bigger the time frame and more significant the scores they represent.

A 1% box size can be considered as proxy for a weekly chart and 0.25% can roughly correspond to a daily time frame chart.

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For each box size, a score ranging from 2 to -2 is assigned based on different parameters. The above matrix is designed such that the max possible "Total Score" is 8 and lowest score possible is -8. This Total Score is arrived by adding the scores in the individual box size. Click this link for a detailed explanation on the scoring system. (http://www.definedge.com/relative-strength-performance-matrix1/)

A score of 8 represents that the index is outperforming the benchmark (Nifty 50 in this example) across all box size or time frames. So, it makes sense to focus on stocks from the sector that have a high positive score and ignore the ones which have a negative total score.

The Nifty IT index is at the bottom of the heap, with a total score of -7. This is not surprising as the frontline IT stocks have been in a broad downtrend and underperforming the Nifty for a while now. At the top of the table, there is Nifty Private Bank and Nifty Financial services index.

It makes sense to focus on the stocks from the banking and financial services sector and more importantly, stay away from the IT sector which is an underperformer.

The RS performance matrix can be used in more creative ways. We will discuss it in the next newsletter.

Poles & Traps: Highly under-Rated Concept
-B.Krishnakumar

Point and Figure charts have a lot of unique aspects which makes decision making relatively easy when it comes to investment or trading. There are a few reversal or failure patterns in Point & Figure charts which indicate zones where one camp (buyers or sellers) overpowered the other.

The popular failure patterns in Point & Figure chart include Traps and poles. A bull-trap pattern occurs when a buy pattern is immediately followed by a sell pattern. This indicates failure of the buy-pattern and indicates trapped buyers who will probably bail out when price revisits that neighbourhood.

Similarly, a bear-trap occurs when a sell signal is immediately followed by a buy signal. This indicates failure of the sell pattern and hence could act as a support when price revisits this neighbourhood. The bear and bull trap pattern is detailed below.

The pole pattern is another unique pattern in Point & Figure chart. A high pole pattern is triggered when a long column of X is retraced by more than 50%. This indicates that there was a big rally (represented by a long column of X) which was immediately retraced by 50%

or more. The exact opposite of this is a low pole pattern where a long column of O is retraced by 50% or more. This indicates presence of strong buying interest.

Check this link http://www.definedge.com/point-figure/ to read more about traps & poles

It makes sense to be cautious when price revisits a zone where a trap or a pole pattern occurred earlier. These zones can be used as a reliable resistance or support zones as price typically tends to at least halt at these zones before breaking out or turning around.

A low pole pattern or a series of low pole pattern in a neighbourhood could be a nice support zone while a prior high-pole zone will act as resistance. Similarly, price zone where a bear trap occurred earlier would be a strong support zone while a bull trap zone would act as a resistance area.

A strong breakout past resistance or breakdown below support is a valuable information as well. So, pay attention to these price markers for extra insight about what to expect and do.

Typically, price gets into a sideways congestion or consolidation phase or turns volatile when it revisits these prior failure pattern levels. A breakout and follow through beyond these zones will be a reliable sign of trend strength. Let's look at a few examples.

Featured below is the chart of Rural Electrification Corporation in a 3% box size.
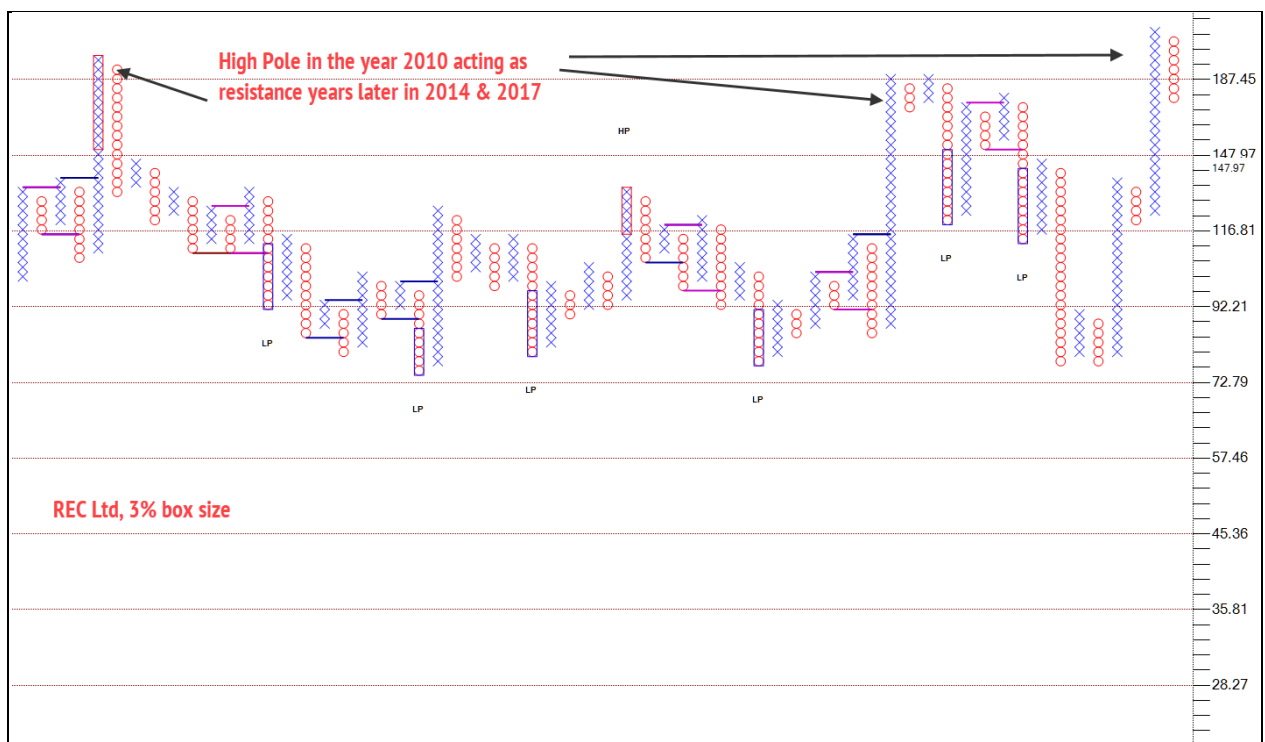
Notice how price formed a High Pole pattern way back in October 2010. There was a failure when price revisited this zone in July 2014. Notice how price has again flipped to a column of O when it revisited this zone few weeks ago.

A fresh buy signal now would be a very potent and significant development. It would confirm a major breakout and follow through above a key resistance zone. Until that happens, it would make sense to be cautious in this stock.

Have a look at the HDFC Bank 1% box size chart featured below.

Notice how a breakout above a prior High pole region, followed by a follow-through buy signal resulted in a strong rally. Investors can drill down to a small box size chart to fine tune entry in such cases.

The point we want to drive home is that these failure patterns act as significant markers where price can either stall and reverse or breakout. Use these markers in alignment with the underlying trend to make trading more profitable. We will discuss more examples in the next newsletter.

P&F Setup Scanner

Know trend and pattern status and levels of all stocks in one click.

Check this link http://www.definedge.com/pf-setup/ to view video explaining the same.

Sr No	Scrip	LCP	Setup	Pattern Reversal	Setup Reversal	Breakout Level
1	ABIRLANUVO	1742.35	Bullish	1698.84	1681.96	0.00
2	ACC	1636.7	Neutral	0.00	1648.70	1596.04
3	ADANIENT	126.35	Neutral	0.00	124.40	129.47
4	ADANIPORTS	365.45	Neutral	0.00	352.37	376.00
5	ADANIPOWER	26.8	Bearish	27.26	27.33	0.00
6	AJANTPHARM	1513.05	Bearish	1548.93	1600.03	0.00
7	ALBK	69.65	Bearish	70.94	70.58	0.00
8	AMARAJABAT	839.95	Neutral	0.00	876.58	833.89
9	AMBUJACEM	243.3	Neutral	0.00	246.57	230.49
10	ANDHRABANK	55.65	Bearish	58.24	58.97	0.00
11	APOLLOHOSP	1280.05	Neutral	0.00	1252.74	1353.55

Market: NSE

Scrip Group: F&O Stocks

Box Size(%) 0.25   Reverse Box: 3

Price
○ Close Only   ● High And Low

Save to Group

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For further enquiries please contact

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info@definedge.com
Tel: 020-65000270, 9764800700

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17-18, Lokmanya house, Near CNG pump, Paud road, Kothrud, Pune - 411038
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