BHARATH SHIKSHA

Foundation Track

The complete curriculum book for Stage 1.

Eight modules. Twenty-eight lessons. Forty-plus candlestick patterns. A printable trade journal. Everything a Foundation student needs to build a documented, repeatable trading process — without ever taking a buy-or-sell tip from anyone.

ENROLLED-STUDENT EDITION

COLOPHON

About this book

This is the official Stage 1 curriculum book of Bharath Shiksha. It is given to every student enrolled in the Foundation Track and is updated each quarter.

It is structured to be read in order. Module 1 establishes vocabulary; Modules 2–5 build the technical layer; Modules 6–7 cover risk and psychology; Module 8 turns everything into a documented daily process. The appendices are designed to be printed and used at your desk.

What this book is not

This book does not name specific securities. It does not provide buy, sell, or hold recommendations. It does not project returns. It does not claim accuracy statistics on any live trading signal. All examples are anonymised and use a 30-day minimum data lag, consistent with the SEBI January 2025 circular distinguishing education from advisory.

How to read

Each lesson follows the same shape: idea → mechanics → example → exercise → mistakes. The exercise is non-optional. Skipping it is the single most common reason students stall between Stage 1 and Stage 2.

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>
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FRONT MATTER

How to use this book

Read in order. The book is sequenced so that every later concept relies on something earlier. Skipping ahead — to candlesticks before market structure, to risk before strategy — is the fastest way to misuse it.

One module per week

Foundation is designed to be completed in eight to twelve weeks at one module per week. Each lesson takes about forty-five minutes if you do the exercise properly.

Print the appendices

Appendix A (the candlestick reference) and Appendix B (the trade journal template) should live next to your screen. The book is sized for A4 printing without re-cropping.

Pair with the lesson library

Each lesson in this book has a matching video lesson in the academy lesson library. The book is the canonical text; the video is the explanation. You can use either order — most students read the lesson, watch the video, then attempt the exercise.

Treat the exercises as non-optional

Every lesson ends with an exercise. Twenty-eight exercises across the book. If you do every one of them honestly, you will have a documented body of evidence — your own — that you understand the Foundation material. That evidence is what unlocks Stage 2.

> **KEY IDEA**
>
> Reading without doing produces the illusion of competence. Doing the exercise — even imperfectly — produces real competence. The book without the exercises is half a book.

CONTENTS

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FRONT MATTER

MODULE 1

How markets work

Three lessons that establish the vocabulary you will use for the rest of your trading life. Skip these and the later modules will feel like a foreign language.

Lessons in this module

1.1 What a market is and why prices move

1.2 How the Indian stock market is structured

1.3 Chart types — line, bar, candlestick

MODULE 1 · LESSON 1.1

What a market is and why prices move

A market is any place where buyers and sellers meet to agree on a price. The vegetable market in your city is a market. Online classifieds are a market. The stock market is a market. The mechanics are identical: buyers want the lowest price, sellers want the highest, and a transaction occurs only when one buyer and one seller agree on the same number at the same instant. That number — the last price both parties accepted — is what gets printed on the chart.

Why prices move

Prices move because the balance of buyers and sellers changes. If more buyers than sellers want to transact at the current price, the next transaction occurs at a slightly higher price (a buyer was willing to pay up). If more sellers than buyers want to transact at the current price, the next transaction occurs at a slightly lower price (a seller was willing to accept less). Repeat this thousands of times per second and you get a chart.

Two kinds of participants

There are exactly two kinds of market participants: those who must transact and those who choose to. A mutual fund receiving an inflow must buy. An exporter receiving dollars must sell them for rupees. A retiree liquidating shares to pay medical bills must sell. Discretionary participants — including most traders — choose when to act. Knowing which kind of participant is currently dominating a chart is the foundation of reading the market.

What a chart actually is

A price chart is a record of every transaction that occurred. It is not a forecast. It is not a story. It is not a magic shape that predicts the future. It is a transcript. Every reasonable thing you can do as a Foundation trader starts from the assumption that the past transcript is the only reliable evidence you have of how this market behaves.

KEY IDEA

Price is a record of transactions. Every trader who tries to skip this fact ends up believing they are predicting; they are not, they are reacting to a transcript that has already been written.

EXERCISE

Open any liquid Indian equity index chart on your charting platform. Spend five minutes scrolling through the past year on a daily timeframe. For ten distinct moves you can identify (five up, five down), write a one-sentence guess at what kind of participant — forced or discretionary — was dominating that move. You will be wrong on most of them. That is the point. The exercise is to develop the habit of asking the question.

COMMON MISTAKES

MODULE 1 · LESSON 1.2

How the Indian stock market is structured

Two exchanges

Indian equities trade on two principal exchanges: the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). Most liquid equities are listed on both, but the bulk of cash-segment volume runs through NSE. As a Foundation trader you will, in practice, only ever trade NSE. The point of knowing both exists is so that you can read any Indian price quote correctly.

Segments

Within each exchange there are several segments. The relevant ones are: cash equity (buying and selling actual shares); futures and options (contracts that derive their value from an underlying); and the currency segment (rupee pairs). Foundation focuses exclusively on cash equity charts and index futures charts for reading. Trading the F&O segment is locked behind Stage 2 and Stage 3 for a reason.

Sessions and timings

The cash market opens at 09:15 IST and closes at 15:30 IST, Monday to Friday, with a short pre-open session from 09:00 to 09:15. There is also an after-market block deal window. Several public holidays close the market — your charting platform marks these automatically. Crypto markets, for contrast, run twenty-four-seven; foreign exchange runs twenty-four-five. The point: every session has a personality, and chart behaviour in the first thirty minutes is statistically different from the last thirty.

Settlement

Indian equities settle T+1 — the day after the trade. Practically, this means that if you buy a stock on Monday, the shares hit your demat on Tuesday. T+1 is fast by global standards. F&O settles either on a specific expiry day or on cash-difference at expiry, depending on the contract.

Indices to know

Three indices matter for Foundation reading. Nifty 50 — the headline large-cap index. Bank Nifty — the financials sub-index, faster moving than Nifty. India VIX — the implied-volatility index, useful as a regime indicator. Knowing the regime of these three is enough for stage 1.

> **KEY IDEA**
>
> The structure of the market is not the market. But trading without knowing the structure is like driving without knowing the road signs.

EXERCISE

Identify, on your charting platform, the daily charts of: Nifty 50, Bank Nifty, India VIX. Note their last close, last twenty-day range, and how each behaved in the previous week. Write the three observations into your notes file. Repeat this exercise every Monday morning for the rest of Foundation; it takes about six minutes once you have the habit.

COMMON MISTAKES

MODULE 1 · LESSON 1.3

Chart types — line, bar, candlestick

Three families

Every chart you will ever see falls into one of three families. The line chart connects closing prices with a single line. The bar chart shows open, high, low, and close as a vertical bar with two horizontal ticks. The candlestick chart shows the same four numbers as a coloured rectangle (the body) with optional thin lines extending above and below (the wicks). Mathematically, a bar chart and a candlestick chart contain identical information.

Why candlesticks won

Candlesticks visually amplify the relationship between open and close. A green body (close above open) signals buyer dominance over the period. A red body signals seller dominance. The wicks reveal rejected price — places where price went but could not stay. The eye reads this faster than reading two ticks on a bar. That is the entire reason candlesticks are now the global default.

When line charts are still useful

A line chart eliminates intra-period noise. When you are trying to identify a multi-month trend on a high timeframe, switch to line. The simplification helps. For everything else — and especially for entry timing — switch back to candlesticks.

OHLC vocabulary

Four numbers per period: open, high, low, close. Memorise the abbreviation OHLC; it is the four-letter alphabet of all chart reading. Every pattern in the rest of this book is a relationship between OHLC values across one or more candles. There is nothing more complicated under the surface.

KEY IDEA

A candlestick is OHLC drawn for the eye. Everything you will learn about patterns for the next three modules is just OHLC relationships.

EXERCISE

Open the same Nifty 50 daily chart from the previous lesson. Switch the chart type from candlestick to bar to line and back. For each chart type, note one thing you can see more easily on that chart type than on the others. There are exactly three things, one per type. Write them in your notes. (Hint: trend continuity, intra-period extremes, OHLC relationships.)

COMMON MISTAKES

MODULE 2

Market structure

Four lessons that turn a candle chart into a readable map. Once these lessons land, you can open any chart on any timeframe in any market and read its current state in under sixty seconds. That single ability is what separates a Foundation graduate from someone who has merely watched videos.

Lessons in this module

2.1 Trends — higher highs and lower lows

2.2 Ranges — sideways consolidation

2.3 Breakouts — real and false

2.4 Reading any chart in sixty seconds

MODULE 2 · LESSON 2.1

Trends — higher highs and lower lows

A trend is a chart in which price is making progress in one direction. The vocabulary for that progress is universal: in an uptrend, each successive peak is higher than the previous peak (higher high) and each successive trough is higher than the previous trough (higher low). In a downtrend, the opposite — lower highs and lower lows. If either condition fails, the trend is in question; if both fail, the trend is over.

Identifying highs and lows

A swing high is a candle whose high is higher than the highs of N candles to its left and N candles to its right (typical N is three to five). A swing low is the same with the low. You do not need indicators for this; the human eye identifies swings reliably with practice. Indicators that promise to do this for you (ZigZag, fractal markers) are training wheels — useful at first, removed within a few weeks.

The minimum case

A confirmed uptrend requires at least one higher high and one higher low. With less, you have a single up-leg, not a trend. Insisting on this minimum stops you from calling every two-candle bounce an 'uptrend' — the single most common Foundation-stage error.

Trends end before they end

Trends rarely break suddenly. The usual sequence is: trend continues, momentum slows, a swing point gets violated for the first time in many bars, the next swing fails to make a new extreme, then the structure flips. The middle two stages — the slowdown and the first violation — are what give you time to step aside.

KEY IDEA

Higher highs and higher lows. Lower highs and lower lows. Memorise these four phrases. Every Foundation chart-reading task is built from them.

EXERCISE

On a daily Bank Nifty chart, mark the last six months of swing highs and swing lows by hand. Number them in sequence. Then write a single sentence about the structure: is it currently in an uptrend, downtrend, or transition? Justify the answer using only the swing-point sequence you marked. Three sentences total, no more.

COMMON MISTAKES

MODULE 2 · LESSON 2.2

Ranges — sideways consolidation

A range is a chart in which neither buyers nor sellers can take control. Price oscillates between an upper boundary (range high) and a lower boundary (range low). Ranges are extremely common — by some estimates, markets spend more than half of all trading time in some form of range. Recognising you are in one is half the battle.

Defining the boundaries

A range needs at least two clean touches of an upper boundary and two clean touches of a lower boundary. With only one touch each side, you have a guess; with two each side, you have a range. Mark both boundaries with horizontal lines on the chart. Some software lets you mark a 'box' instead — same idea, different shape.

Why ranges happen

Ranges signal one of three states: equilibrium (buyers and sellers agree on a fair-value zone); accumulation (large participants are quietly buying without pushing price up); or distribution (large participants are quietly selling without pushing price down). From the chart alone, you cannot tell which. From the chart plus volume — covered in Module 5 — you can sometimes tell.

Behaviour inside a range

Within a range, the simplest reading is: price moves toward the boundary it is closer to until it reaches that boundary, where the boundary either holds (price reverses) or fails (a breakout). This means the most expensive places to enter are at the centre of the range; the cheapest are within a few percent of either boundary.

KEY IDEA

A range is not a 'no signal'. It is a structural state with its own rules. The rules just happen to be the opposite of trend rules.

EXERCISE

Find any one Indian equity index chart that has spent at least the last twenty trading days in a range. Mark the upper and lower boundaries. Count the boundary touches. Then count the number of full range-traversals (touch one side, traverse to the other side, touch). Note the average time per traversal in trading days. This number — your range-rotation frequency — is the most useful single statistic for trading inside a range.

COMMON MISTAKES

MODULE 2 · LESSON 2.3

Breakouts — real and false

A breakout is the moment a chart leaves a structural level it had been respecting. Most often, this is a range boundary giving way; sometimes it is a long trendline snapping. Breakouts are the highest-attention events on any chart, which is exactly why they are the most engineered.

What real breakouts have

A breakout that follows through tends to share three characteristics: a strong close beyond the level (not just a wick), a noticeable volume expansion compared with recent bars, and a quick consolidation just outside the level (the breakout-retest, covered below). Two out of three is encouraging; three out of three is the textbook setup.

What false breakouts have

A false breakout has the opposite pattern: a wick beyond the level with no body, average or below-average volume, and price snapping back inside the level within one to three bars. The technical name for the snap-back is a 'failed breakout' or 'fakeout'. False breakouts are not bugs; they are a feature of liquidity hunting.

The retest

After a real breakout, price often returns to the broken level — now flipped from resistance to support, or vice versa — and finds it holds. This 'breakout-retest' is the highest-quality entry pattern in the Foundation toolkit. It allows you to enter after the level has been confirmed by both directions of price action.

Validation rules

A working rule of thumb at Foundation level: do not trade the breakout candle itself; wait for one of: (a) a close above the level on the next candle, (b) a successful retest, or (c) volume confirmation in the breakout candle. Without one of these, you are gambling on momentum, not trading on confirmation.

KEY IDEA

Breakouts are events. Trades are decisions. Never confuse the two: an event happening to a chart does not by itself mean a decision is required.

EXERCISE

Find five historical breakouts on Indian equity index daily charts (use any data older than thirty days for compliance). For each, write down: did it follow through, did it retest, did volume expand. Tally how many had all three. The number — out of five — is your first personal data point on breakout reliability in your chosen market.

COMMON MISTAKES

MODULE 2 · LESSON 2.4

Reading any chart in sixty seconds

Once you have trends, ranges, and breakouts in your vocabulary, you can build a sixty-second reading routine that works on any chart in any market. The goal is to compress a structural read into a habit so reliable you can do it under stress.

The four-question routine

Question 1 — Trend or range? Look at the last twenty bars. Does the chart make progress in a single direction, or does it oscillate between two horizontal boundaries? Decide in five seconds; if you cannot decide, the chart is in transition (which is itself a useful answer).

Question 2 — If trend, what state? Identify the most recent swing high and swing low. Are we currently above the last swing low (uptrend intact) or below the last swing high (downtrend intact)? Are we closer to the last swing extreme or to the previous one (which suggests a pullback)?

Question 3 — If range, where in the range? Mark the upper and lower boundaries. Are we within a tenth of either boundary, or are we mid-range? Boundaries are decision points; the centre is a no-trade zone.

Question 4 — Any breakout in progress? Is the most recent candle attempting a level break? If yes, has it confirmed (close beyond, volume, retest) or is it still in the unconfirmed phase? Default answer: it is unconfirmed.

Answers as a sentence

After the four questions, you should be able to write one sentence describing the chart. Examples: 'Uptrend, currently in a pullback to the last swing low.' 'Range, near the upper boundary, no breakout in progress.' 'Transition: previous downtrend broken upwards last week, currently consolidating just above the broken level.' If you cannot produce a sentence, you have not finished the read.

KEY IDEA

Sixty seconds, four questions, one sentence. Repeat until it is automatic. This is the single most valuable habit in Foundation.

EXERCISE

Practise the four-question routine on five different Indian equity charts in a single sitting. Time yourself. Aim for under five minutes total — sixty seconds per chart. Write down the one-sentence read for each. Speed is not the goal; consistency is — but speed comes naturally once consistency is in place.

COMMON MISTAKES

MODULE 3

Candlestick patterns

Six lessons that turn the candlestick alphabet into a language. Three or four lessons in, students typically realise that there are not hundreds of patterns to memorise — there are perhaps fifteen recurring relationships between OHLC values, dressed up under different names by different authors.

Lessons in this module

MODULE 3 · LESSON 3.1

Anatomy of a candlestick

Every candlestick on every chart you have ever seen is the same object: a rectangle (the body) with optional thin extensions above and below (the wicks, also called shadows). The body shows the open and close. The wicks show the high and low. Colour shows direction: green (or white) for close-above-open; red (or black) for close-below-open.

Body and wick proportions

The single most useful question to ask of any candle is: which is bigger, the body or the wicks? A long body with small wicks suggests one side dominated for the entire period — a 'marubozu' if the wicks are nearly absent. A small body with long wicks suggests indecision: price travelled but did not commit. The proportion is the signal.

Wick direction

An upper wick that is much longer than the lower wick suggests that buyers tried to push price higher but were rejected by sellers — bearish micro-context. A lower wick much longer than the upper wick suggests sellers tried to push price lower but were rejected by buyers — bullish micro-context. The longer the rejected wick, the stronger the rejection.

Reading a single candle

A trained Foundation eye, given any candle, can answer four questions in three seconds: Was it a buyer's candle or a seller's candle (colour)? Was the participation strong or indecisive (body size relative to recent average)? Did one side try to dominate but fail (wick proportions)? Where did it close relative to the previous candle? Those four answers contain almost everything a single candle can tell you.

What candles cannot tell you

A single candle cannot tell you the trend, the volume regime, or the wider context. It is a single sentence in a paragraph. The next two lessons teach you to read pairs and triplets of candles; lesson 3.6 teaches you to read those pairs and triplets in the wider context.

> **KEY IDEA**
>
> A candle is OHLC visualised. Body = open and close. Wick = high and low. Colour = direction. Four numbers, one shape, every chart in the world.

EXERCISE

Open a daily chart of any liquid Indian equity index. Pick five non-adjacent candles at random across the visible chart. For each one, write down the four-question read: colour, body strength, wick proportion, close vs previous. Then check whether the next candle agreed or disagreed with your read. This exercise is not about prediction — it is about calibrating your eye.

COMMON MISTAKES

MODULE 3 · LESSON 3.2

Single-candle patterns

There are roughly fifteen single-candle shapes that recur often enough to deserve names. Memorising the names is optional. Memorising what each shape encodes about OHLC is not.

The five core shapes

Marubozu — long body, no wicks (or very small wicks). One side dominated the entire period. Bullish marubozu: open at low, close at high. Bearish marubozu: open at high, close at low.

Hammer — small body at the top of the range, long lower wick (at least twice the body), little to no upper wick. Sellers pushed down, buyers rejected. After a downtrend, this is a candidate reversal candle.

Shooting Star — small body at the bottom of the range, long upper wick, little to no lower wick. The mirror image of a hammer. After an uptrend, candidate reversal.

Doji — open and close are essentially equal (the body is a thin line). Indecision. Neither side could close above the other. The longer the wicks, the more indecisive.

Spinning Top — small body in the middle of the range, similar wicks above and below. Lower-conviction version of a doji. Indecision.

The ten variations

Beyond the core five, there are named variations that are essentially modifications: Inverted Hammer (small body at the bottom, long upper wick — bullish reversal candidate in a downtrend); Hanging Man (hammer shape but appearing in an uptrend — bearish context); Dragonfly Doji (doji with long lower wick); Gravestone Doji (doji with long upper wick); Long-Legged Doji; Four-Price Doji; High Wave; Belt Hold (long opening candle with no opening wick); Closing Marubozu; Opening Marubozu. Appendix A covers all fifteen with diagrams.

Why context matters

Every single-candle pattern is a candidate signal — it becomes an actual signal only when the trend, the support/resistance level, and the volume agree. A hammer in the middle of nothing is a hammer in the middle of nothing. A hammer at a tested support level after a five-bar decline is structurally significant.

> **KEY IDEA**
>
> Single-candle patterns are candidates. Context promotes them to signals. Without context, every pattern in this lesson is just a shape.

EXERCISE

Find one example of each of the five core shapes (marubozu, hammer, shooting star, doji, spinning top) on real Indian equity charts. Save the chart screenshots into a folder labelled 'patterns/single'. Annotate each with the OHLC values and the structural context (was it at a level, in a trend, in a range). You will refer back to this folder for years.

COMMON MISTAKES

MODULE 3 · LESSON 3.3

Two-candle patterns

Pairs of consecutive candles encode richer information than singles. The most useful two-candle patterns describe how the second candle relates to the first.

Engulfing patterns

A bullish engulfing pattern: a red candle followed by a green candle whose body completely engulfs the previous body. Open below the previous close, close above the previous open. The bigger the engulfing, the stronger the signal. Bearish engulfing: the mirror — green candle engulfed by a red one. After a clean trend, an engulfing in the opposite direction is one of the strongest two-candle reversal signals.

Harami patterns

A harami pattern is the opposite of an engulfing: a small candle whose body is completely contained inside the previous candle's body. The smaller the inner candle, the stronger the indecision. A bullish harami (small green inside a previous large red) suggests selling momentum has stopped. A bearish harami suggests buying momentum has stopped. Haramis are early-warning signals, not entry signals.

Piercing line and dark cloud cover

A piercing line: in a downtrend, a red candle followed by a green candle that opens below the red's low and closes more than halfway up the red's body. Suggests buyers stepped in aggressively. Dark cloud cover: the bearish mirror — in an uptrend, a green candle followed by a red one that opens above the green's high and closes more than halfway down the green's body.

Tweezer tops and bottoms

Two candles whose highs (tweezer top) or lows (tweezer bottom) are nearly identical, rejecting the same level. Strongest after the second candle is a different colour from the first. A tweezer top in an uptrend is a candidate reversal; a tweezer bottom in a downtrend likewise. They work because they show that the same price level was rejected twice in two consecutive bars — explicit memory.

Combining with structure

A bullish engulfing in the middle of nowhere is interesting, not significant. A bullish engulfing exactly at the third test of a horizontal support level after a five-bar decline is a high-conviction Foundation setup. The pattern has not changed; only the context has.

> **KEY IDEA**
>
> Two candles tell you about momentum change. One candle tells you about momentum. Three candles — next lesson — tell you about momentum reversal.

EXERCISE

Find historical examples of each two-candle pattern (engulfing, harami, piercing line / dark cloud, tweezer) on Indian equity charts. Save screenshots to your patterns folder under 'patterns/double'. For each, write one sentence about the structural context: was it at a level, after a trend, with volume confirmation? You will start to see the pattern behind the patterns — context is the real signal.

COMMON MISTAKES

MODULE 3 · LESSON 3.4

Three-candle patterns

Three-candle patterns add a confirmation candle to the two-candle reversal grammar. The third candle is what separates a 'momentum has stopped' message from a 'momentum has reversed' message.

Morning star and evening star

Morning star: a downtrend candle (red), followed by a small-bodied candle that gaps down (a doji, spinning top, or small body of either colour), followed by a strong green candle that closes above the midpoint of the first red candle. The middle candle is the indecision; the third candle is the confirmation. Evening star: the bearish mirror at the top of an uptrend.

Three white soldiers / three black crows

Three white soldiers: three consecutive strong green candles, each opening within the previous body and closing near the high. Strong continuation signal in an uptrend, strong reversal signal at the end of a downtrend or at a support level. Three black crows: the bearish mirror — three consecutive strong red candles, each opening within the previous body and closing near the low. The strongest three-candle continuation patterns.

Three inside up / three inside down

Three inside up: a bearish candle, followed by a bullish harami inside it, followed by a green candle closing above the harami. Stronger than a harami alone because the third candle confirms direction. Three inside down: the bearish mirror.

Three outside up / three outside down

Three outside up: a bearish engulfing's mirror — a red candle, a bullish engulfing, a follow-through green close. The engulfing tells you momentum changed; the third candle confirms it survived a bar. The bearish version is three outside down.

Abandoned baby

A rare but high-conviction three-candle pattern: trend candle, gap-isolated doji (gaps on both sides), reversal candle. The doji is 'abandoned' by the surrounding candles. When it does appear, it is one of the strongest reversal signals on the chart. It is rare in Indian equities because of the gap-on-both-sides requirement.

> **KEY IDEA**
> Three candles = confirmation. The first sets up, the second pivots, the third confirms. Without the third, you have a guess. With it, you have a structure.

EXERCISE

Find historical examples of morning star, evening star, three white soldiers, and three black crows on Indian equity charts (any timeframe). Save to 'patterns/triple'. For each, write down: did the pattern lead to follow-through, what was the structural context, did volume confirm. Tally how many had follow-through and how many failed. The number is your first reliability data point on three-candle patterns.

COMMON MISTAKES

MODULE 3 · LESSON 3.5

Advanced and rare patterns

Beyond the core single, double, and triple patterns, there are perhaps two dozen named patterns that occur infrequently but are catalogued in Steve Nison's foundational candlestick literature. Foundation does not require you to memorise these. It does require you to recognise them when they appear.

Continuation patterns

Rising three methods — long green, three small reds inside its range, long green continuing the trend. The middle three reds are a small consolidation inside the up-leg.

Falling three methods — bearish mirror.

Mat hold — variation of rising three methods with slightly different rules on the inner candles.

Separating lines — gap continuation pattern; rare on Indian equities, more common in commodities and crypto.

Reversal patterns

Three line strike — three consecutive trend candles followed by a single candle that engulfs all three. Counter-intuitively, the engulfing candle is often a continuation signal, not a reversal.

Counterattack — opposite-coloured candles that close at the same level. Rare; significance debated.

Belt hold — single candle that opens at one extreme and closes near the other extreme of its own range. Strong if it appears at a level.

Kicker — a single trend candle in one direction followed by an opposite trend candle that gaps in the opposite direction. The strongest single-bar reversal in candlestick literature; extremely rare in Indian equities.

Why bother

Two reasons. First, when these rare patterns do appear, their reliability tends to be higher than common patterns precisely because they are rare — fewer participants front-run them. Second, many trading services and signal providers parade rare-pattern alerts as evidence of sophistication. Knowing what is and is not actually rare helps you ignore most of those alerts.

> **KEY IDEA**
>
> Rare is rare. If a pattern is being shown to you weekly, it is not the rare pattern — it is a relaxed cousin. The cousin is not the original.

EXERCISE

Skim Appendix A. Pick three rare patterns you have never heard of. Search your charting platform's history for examples of each. Did you find any in the last year? If not, on what basis would a paid signal service claim to alert you to them several times a month? (The honest answer is: by relaxing the pattern's strict definition.)

COMMON MISTAKES

MODULE 3 · LESSON 3.6

Reading patterns in context

By the end of lesson 3.5 you can name forty-plus candlestick patterns. Almost none of that knowledge matters in isolation. The skill that matters is reading any pattern in context — combining the candlestick read with the trend read and the support/resistance read.

The three-question pattern filter

Question 1 — Where is the pattern? Is it at a clean support or resistance level (high-significance), at a moving average or fibonacci level (medium significance), or at no defined level (low significance)?

Question 2 — Does the trend agree? Reversal patterns appearing against an established trend are higher conviction. Reversal patterns appearing in a directionless chart are noise. Continuation patterns appearing in a confirmed trend are higher conviction. Continuation patterns appearing against a stalling trend are warning signs, not entry signals.

Question 3 — Does volume agree? Lesson 5.2 covers volume in detail. For now: a pattern with above-average volume is more reliable than the same pattern on average or below-average volume. Volume is the universal corroborator.

The signal-decision distinction

A pattern in good context is a signal. A signal is not a decision. Even the strongest signal becomes a trade only after the risk-management questions of Module 6 have been answered: what is the stop, what is the position size, what is the risk-reward ratio. Foundation students who skip this step take signals; Foundation graduates take trades.

Practice routine

For the next four weeks, every weekend, audit your week's chart-reading. For each pattern you noticed, was it at a level (yes/no), did the trend agree (yes/no), did volume agree (yes/no). Tally how often you noticed patterns that scored 0/3, 1/3, 2/3, 3/3. Most beginners notice 1/3 patterns nine times out of ten and ignore the 3/3 patterns. The audit fixes that asymmetry.

KEY IDEA

Pattern + level + trend + volume. The pattern is the candidate. The other three are the interview. Patterns that do not pass the interview are not signals.

EXERCISE

Build a one-page filter sheet you will use for every pattern you spot for the rest of Foundation. The sheet has three columns: Level (yes/no), Trend agrees (yes/no), Volume agrees (yes/no). Print twenty copies. Fill one in every time you spot a pattern. By the end of week four, the columns will be ticked from memory and you will not need the sheet any more.

COMMON MISTAKES

MODULE 4

Support and resistance

Three lessons that establish the most important non-pattern concept in technical analysis. Most apparent 'magic' on charts is just price respecting levels that earlier price action established.

Lessons in this module

4.1 What support and resistance represent

4.2 Drawing levels

4.3 Flips, false breaks, traps

MODULE 4 · LESSON 4.1

What support and resistance represent

Support is a price level at which buyers have repeatedly stepped in. Resistance is a price level at which sellers have repeatedly stepped in. Both are made by humans (and their algorithms) acting on memory of where things happened before.

The three causes of a level

1 — Order clusters. Some price level was important to a large participant in the past — a strike price for an option, an institutional cost basis, a support pivot for a longer-term holder. When price returns to that level, the same orders that mattered before tend to matter again.

2 — Memory. Retail and professional traders remember levels where price previously reversed. When price re-approaches the level, they re-act. Memory is self-fulfilling: enough people watching the same level makes the level real.

3 — Round numbers. Round numbers attract orders for psychological reasons. The 25,000 level on a major Indian index is more significant than 24,973 even though no chart-physical reason favours either.

Why levels weaken

Levels do not last forever. Each test of a level extracts orders from it. After three, four, or five tests with no breakthrough, most of the original orders have been filled or cancelled. The level becomes weaker with each test, until eventually it breaks. This is why patterns that break long-tested levels often produce strong follow-through: the level was nearly empty.

Different timeframes, different levels

Support and resistance levels are timeframe-relative. A monthly chart shows you the century-scale levels. A daily chart shows you the year-scale. A 15-minute chart shows you intraday levels that will be irrelevant by tomorrow. The level you trade on must match the timeframe you trade on. Mixing them is the most common reason students draw 'good levels' that price ignores.

KEY IDEA

A level is not a magical line. It is a memory of where things happened. The memory is real because enough participants share it.

EXERCISE

Open a daily chart of the index you read in Module 1. Mark every horizontal level where price reversed sharply at least three times in the last year. You should end up with three to seven levels. Annotate each: how many tests, when was the last test. This is now your personal level map of that index. Update it monthly.

COMMON MISTAKES

MODULE 4 · LESSON 4.2

Drawing levels

Drawing levels is a craft, not a science. Two practitioners can draw slightly different level maps for the same chart and both can be defensible. The goal is not perfection — it is consistency with yourself.

Horizontal levels — the standard

Pick two or more swing highs (for resistance) or swing lows (for support) at approximately the same price. Connect with a horizontal line. The line is the level. Most level work — for Foundation purposes, all of it — is horizontal. Trendlines and diagonals come later, in Stage 2.

Trendlines — when and how

A trendline connects a series of higher lows (uptrend trendline) or lower highs (downtrend trendline). It needs at least three touches to be considered valid (two touches define the trendline, but it takes a third touch to confirm it). Trendlines are weaker than horizontal levels because they require continuous angle estimation; small misestimates change the level. Use them as additional context, not as standalone decision lines.

Round numbers and pivot points

Round numbers (every 1,000 on a large index, every 100 on a small one) are levels even without prior tests. Daily pivot points (the central pivot, R1, R2, S1, S2 calculated from yesterday's OHLC) are intraday levels used heavily by professional intraday traders. Foundation reading does not require you to use pivot points; knowing they exist helps you read intraday charts that respect them.

Drawing rules

Draw levels as zones, not as razor-thin lines. Price respects approximate levels, not exact ones. A level drawn as a 20–40 basis point zone is more useful than a single line.

Use the same level definition consistently. If you start counting wicks as tests, count them everywhere. If you only count body closes, stick to that.

Re-draw levels when they break. A broken level often flips polarity (lesson 4.3). Erase the old role; mark the new role.

> **KEY IDEA**
> Levels are zones drawn by you, used by you. Consistency with yourself matters more than consistency with anyone else's level map.

EXERCISE

On the daily chart of the same index, redraw your level map from lesson 4.1, but this time draw each level as a zone — pick the lowest test and the highest test and shade the area between. Compare your zoned level map with your line-only level map. Note: the zoned version probably has fewer levels, because some single 'levels' are actually two adjacent tests of a wider zone. The zoned version is more useful.

COMMON MISTAKES

MODULE 4 · LESSON 4.3

Flips, false breaks, traps

When a level breaks, three things tend to happen. The most common is that the level flips polarity: the old resistance becomes the new support (or vice versa). The second most common is that the break was false: price comes back through the level within a few bars and the level holds. The third is that the break is real and clean and price continues without retest. All three are real outcomes; you do not get to choose which one happens, but you do get to wait for evidence before trading.

The flip

When resistance is broken upward and price retests the broken level from above, the level often holds as support. This is the textbook breakout-retest setup. The same happens in reverse for broken supports flipping to resistance. The flip works because the level was filled with sell orders that have now been absorbed; the same level now has buy orders parked above it (the flip). Identifying flips well is, by itself, a tradeable Foundation skill.

The false break (fakeout)

Price closes outside the level for one or two bars, then snaps back inside. Two common signatures: closing back inside the level on the same day (intraday fakeout) and closing back inside within three bars (multi-day fakeout). Fakeouts are not random — they are the result of liquidity-hunting algorithms targeting stop orders parked just outside the level. Knowing this is happening lets you place stops structurally rather than at obvious levels.

The trap

A trap is a fakeout that sucks in real participants on the wrong side. Bull trap: false upward break that pulls in late buyers, then reverses. Bear trap: false downward break that pulls in late sellers, then reverses. Traps tend to produce the strongest subsequent moves in the opposite direction, because the trapped participants must exit (typically at a loss) and their exits accelerate the reverse move.

Operational guidance

At Foundation level: do not enter on a level break itself. Wait for either (a) a clean retest of the broken level that holds, or (b) a clear continuation move with volume confirmation. If you must enter at the break, accept that one in three breaks will be false at this level, and size accordingly.

> **KEY IDEA**
>
> Flip, false break, or clean continuation. Wait for the chart to tell you which. Acting before is gambling that you know the answer ahead of the chart.

EXERCISE

Find five historical examples of broken levels on Indian equity charts. For each, classify: did the level flip cleanly, did the break fail (fakeout), or was it a trap (fakeout that sucked in clearly visible volume on the wrong side). Tally. The proportions you see — out of five — will roughly match what you should expect going forward.

COMMON MISTAKES

MODULE 5

Volume

Two lessons that establish the only confirmation source independent of price. Without volume, every price-based signal is unconfirmed. With volume, the same signals become decisively stronger or decisively weaker.

Lessons in this module

5.1 What volume tells you that price doesn't

5.2 Volume confirmation and divergence

MODULE 5 · LESSON 5.1

What volume tells you that price doesn't

Volume is the count of shares (or contracts) that changed hands during a period. It is a measure of participation, not direction. A high-volume green candle and a high-volume red candle both involve many participants; what distinguishes them is which side dominated, which is shown by the candle, not the volume.

Volume as conviction proxy

When price moves on high volume, many participants agreed with the move enough to transact at the new prices. When price moves on low volume, few participants were willing to act. The same percentage move on high volume is more meaningful than on low volume — high volume is conviction; low volume is drift.

Relative volume — the only useful metric

Absolute volume numbers are nearly useless. What matters is volume relative to its recent average. A common tool is to compare today's volume to the 20-day average volume. A bar with twice the average is high-volume; a bar with half is low-volume. Some platforms expose this as a 'volume ratio' indicator. If yours does not, comparing the current volume bar's height to the visual average across the volume pane is sufficient at Foundation level.

What volume cannot tell you

Volume does not tell you direction. Volume does not tell you fundamentals. Volume does not tell you whether a single large participant or many small participants drove the count. Order-flow tools (Stage 3 and beyond) attempt to break volume down by participant size; at Foundation level, total volume is what you have.

KEY IDEA

Volume measures participation. Relative volume is the only useful comparison. Absolute numbers are vanity.

EXERCISE

On the same daily index chart you have used through this book, identify the five highest-volume bars in the last quarter. For each, write down whether it was up or down, what level it was near, and what happened in the next three bars. Most high-volume bars are at structural points — levels, breakouts, pattern completions. Notice how few are in the middle of nothing.

COMMON MISTAKES

MODULE 5 · LESSON 5.2

Volume confirmation and divergence

Confirmation

Volume confirms price when both move in agreement. An uptrend in which up-bars carry above-average volume and down-bars carry below-average volume is a healthy uptrend — buyers are participating, sellers are not. The reverse signature describes a healthy downtrend. When you see this kind of agreement, the trend has structural support.

Divergence

Divergence happens when price and volume disagree. The most useful Foundation case: price is making new highs in an uptrend, but each successive new high is on lower volume than the previous one. The interpretation: fewer participants are willing to buy at higher prices. This is a warning, not a signal — divergence often persists for weeks before price actually reverses. Use it as a reason to tighten risk management, not as a reason to short.

Breakout volume

The single most important volume read in Foundation: did the breakout candle have above-average volume? A clean breakout on heavy volume tends to follow through. A clean breakout on average or below-average volume tends to fail (fakeout) or chop. If you remember nothing else from Module 5, remember to check breakout volume before entering on a breakout.

Reversal volume

At a clean reversal — a hammer at support, a shooting star at resistance, an engulfing at a level — high volume strengthens the signal. The volume tells you that the reversal was not a thin-liquidity wick; real participants showed up to defend the level.

Volume divergence at extremes

Climactic volume — many multiples of the average — at the end of a trend is often the exhaustion signal that ends the trend. Often, but not always. Climactic volume should make you cautious, not predictive.

> **KEY IDEA**
>
> Confirmation, divergence, breakout volume, reversal volume. Four readings. Volume is small in vocabulary and large in usefulness.

EXERCISE

Pick three breakouts from your level audit (lesson 4.1). For each, classify the breakout volume: high, average, or low. Then classify whether the breakout followed through, faded, or trapped. Tally the relationship. Most students find that high-volume breakouts follow through significantly more often than low-volume breakouts. The data set is small but directional, and that direction is robust.

COMMON MISTAKES

MODULE 6

Risk management

Four lessons that establish, before any strategy is built, how you will not destroy your account. Most retail blow-ups happen not because of bad analysis but because of non-existent or sloppy risk management. This module is the most important in the book.

Lessons in this module

6.1 Why risk comes before strategy

6.2 Position sizing — the 0.5–2% framework

6.3 Stop loss placement

6.4 R-multiples and expectancy

MODULE 6 · LESSON 6.1

Why risk comes before strategy

Strategy is a probability bet. Risk management is the structure that lets you take the bet enough times to realise the probability. A strategy with a 60% win rate is worthless to a trader who is wiped out after three consecutive losses, because the 60% only manifests across hundreds or thousands of trades, not across three.

The mathematics of ruin

If you risk 50% of your account per trade, two losses in a row puts you at 25% of the starting balance. To recover from there, the account needs to triple — a 300% return — just to get back to flat. If you risk 1% per trade, the account needs to make 2% after two losses. The asymmetry between drawdown and recovery is the single most important fact in risk management. Below is the recovery table:

Drawdown	Return needed to recover
10%	11.1%
20%	25.0%
30%	42.9%
40%	66.7%
50%	100%
60%	150%
75%	300%
90%	900%

Behavioural failure modes

Beyond the mathematics, risk failure has predictable behavioural patterns: revenge trading after a loss (Module 7), position creep (the size that felt comfortable drifts up over time), and stop-widening (moving the stop to avoid getting taken out). All three are addressed by mechanical risk rules — rules so explicit they survive your worst day.

The Foundation rule

At Foundation level, risk no more than 1% of your account on any single trade — occasionally up to 2% on the highest-conviction setups, never more than 2%. This is the entire risk framework you need until you graduate to Stage 2. Everything else in this module is just the implementation of this single rule.

> **KEY IDEA**
> Risk management is not a constraint on strategy. It is the precondition that lets strategy work.

EXERCISE

Calculate, on paper, what would happen to a ■1,00,000 account under three risk regimes after a hypothetical losing streak of five trades: risking 5% per trade, 2% per trade, and 1% per trade. Tabulate the remaining balance after each loss, and the percentage return required to recover to ■1,00,000 after the fifth loss. The 5% column will alarm you. That alarm is the lesson.

COMMON MISTAKES

MODULE 6 · LESSON 6.2

Position sizing — the 0.5–2% framework

The formula

Position size = (Account size × Risk%) / (Entry – Stop). The numerator is the rupee amount you are willing to lose on this trade. The denominator is the per-share loss if your stop is hit. The quotient is the number of shares that make the rupee loss exactly match your risk amount.

Worked example

Account: ■2,00,000. Risk: 1%. Risk amount = ■2,000. Entry: ■500. Stop: ■485 (structurally placed below the support level). Per-share loss = ■15. Position size = ■2,000 / ■15 = 133 shares. Total exposure = 133 × ■500 = ■66,500. Important: the exposure is much larger than the risk. This is normal. The risk is what matters.

The conviction tier

Not every setup is equally strong. A reasonable tiering: routine setups at 0.5% risk; good setups at 1%; high-conviction setups at 1.5–2%. Some students prefer a flat 1% for simplicity; that is also a defensible choice. What is not defensible is risking more than 2% because a setup 'feels right'.

Position size adjustments

If your charting platform's position size, applied to the entry-stop distance, produces a value larger than your account can support (margin or cash), reduce the position size, do not widen the stop. Widening the stop to fit the position is the single most expensive habit in retail trading.

When to reduce risk per trade

Reduce risk per trade after a string of losses (e.g., halve risk after three consecutive losses until you have a winner), during high-volatility regimes (a higher VIX often means wider stops, which means smaller positions for the same risk %), and during periods of personal stress or fatigue. The risk % is a dial, not a constant.

KEY IDEA

Risk amount is fixed by you. Stop distance is fixed by the chart. Position size is the arithmetic that makes them consistent. You never override the chart by widening the stop.

EXERCISE

Build a position-size calculator in a spreadsheet. Inputs: account size, risk percent, entry, stop. Output: position size and total exposure. Use it for every trade, prospective or actual, for the rest of Foundation. After thirty entries, you will have internalised the relationship between risk, stop distance, and position size — a skill many discretionary traders never explicitly develop.

COMMON MISTAKES

MODULE 6 · LESSON 6.3

Stop loss placement

A stop loss is a pre-committed exit at a price where, by your own analysis, the trade thesis is invalid. The price level is not arbitrary; it is the level beyond which the structural reason for the trade no longer applies.

Structural stops

The default Foundation stop is structural. If you entered long because price held support at ■485, your stop goes below the structural low — typically ■482 or ■480, with a small buffer for noise. The buffer is to avoid getting wicked out by stop-hunt trips. The exact buffer is a function of the instrument's average range; a working rule is 0.25× to 0.5× the average daily range.

ATR-based stops

Some traders prefer a volatility-normalised stop. Compute the Average True Range over the last fourteen periods (ATR-14). Set the stop at 1.5× to 2× ATR away from entry. This produces wider stops in volatile regimes and tighter stops in quiet regimes — which is mathematically appropriate but, paired with fixed risk per trade, means smaller position sizes when ATR is high.

Time stops

Beyond price, you can stop a trade based on time. If a setup has not behaved as expected within N bars, you exit, often at break-even or a small loss. Time stops are a Stage 2 concept; at Foundation level, structural price stops are sufficient.

Mental stops vs hard stops

A mental stop is a level you have decided you will exit at, but have not entered into your broker as a hard stop order. A hard stop is an order parked at the broker. Hard stops are mandatory at Foundation level. The single failure mode of mental stops — watching price go through and not pulling the trigger — is the most common reason small losses become large losses.

Where stops should not go

Not at the obvious round number — stop-hunt algorithms target round numbers. Not exactly at the swing low or high — same reason. Not so wide that the position size becomes trivial — that means the trade was a bad fit, not that the stop should be wider. Not so tight that normal noise will trigger it — that means the trade is too early.

> **KEY IDEA**
>
> The stop is the price at which the chart proves you wrong. If you cannot define such a price, the trade is not yet a trade.

EXERCISE

Take five trades you have considered (paper or real). For each, write down the structural reason for the trade and the price level beyond which that reason no longer applies. That price level is the stop. Compute the stop distance and the corresponding position size. Most students discover that two of the five had no clearly definable stop level — those two were not, in fact, trade setups, just opinions.

COMMON MISTAKES

MODULE 6 · LESSON 6.4

R-multiples and expectancy

R-multiples

An R-multiple is the gain or loss expressed in units of risk. A trade where you risk ■2,000 and make ■4,000 is a +2R trade. A trade where you risk ■2,000 and lose ■2,000 is a –1R trade. Speaking in Rs forces apples-to-oranges comparisons across different account sizes; speaking in R units lets you compare every trade you have ever taken on a single scale.

Risk-reward ratio

The risk-reward ratio is the planned R-multiple for a trade before it is taken. A 1:2 risk-reward trade plans to make 2R if it works. A 1:1 trade plans to make 1R. A 1:0.5 trade plans to make less than the risk — generally not worth taking unless the win rate is very high.

Expectancy

Expectancy = (Win rate × Average win in R) – (Loss rate × Average loss in R). A 60% win rate with average +1.5R wins and 40% loss rate with average –1R losses gives expectancy = 0.6 × 1.5 – 0.4 × 1 = 0.9 – 0.4 = +0.5R per trade. Across one hundred trades that is +50R. Multiply by your risk amount to get expected rupee return. Negative expectancy means the strategy loses money in expectation. No amount of stress, hope, or focus changes that.

The minimum-viable rule

At Foundation level, a working rule: take only setups with a planned risk-reward of at least 1:1.5. Two reasons. First, this filters out marginal setups. Second, achieving even a 50% win rate at 1:1.5 produces positive expectancy.

Why expectancy is more useful than win rate

A high win rate with bad risk-reward (a common pattern in mean-reversion strategies) is not necessarily better than a low win rate with good risk-reward (a common pattern in trend-following). Expectancy is what matters; win rate alone is a marketing metric.

KEY IDEA

Win rate is what beginners brag about. Expectancy is what professionals optimise. The R-multiple is the unit that lets you talk about it consistently.

EXERCISE

For every trade you have taken (paper or real) for the last month, compute the R-multiple. Then compute your win rate, average winning R, average losing R, and expectancy. Most students discover that their win rate is reasonable but their average winning R is barely larger than their average losing R — meaning expectancy is near zero. Knowing this is the first step to fixing it.

COMMON MISTAKES

MODULE 7

Trading psychology

Three lessons that name the cognitive failures that destroy more trading accounts than bad analysis does. Once named, the failures become observable; once observable, they become avoidable. Without this naming, every Foundation graduate spends years rediscovering them at their own expense.

Lessons in this module

MODULE 7 · LESSON 7.1

Cognitive biases at the chart

Every trader carries the same set of cognitive biases as every other human. The trading edge — to the extent there is one — comes from being aware of which bias is active right now and which decision the bias is pushing you toward. Below are the five biases that, in combination, account for the majority of avoidable retail losses.

Confirmation bias

The tendency to notice and remember evidence that supports an existing belief, and to discount or forget evidence that contradicts it. In trading: once you believe a trade is going to work, you only see the candles that agree. The cure: explicitly list the disconfirming evidence before entering. If the list is empty, you have not looked hard enough.

Anchoring

The tendency to over-weight the first number you saw. In trading: an entry price becomes a psychological anchor; you measure 'fair value' against it. The cure: explicitly notice when you are reasoning relative to your entry rather than relative to the chart's structure. The chart does not care what your entry was.

Loss aversion

The asymmetry between the pain of losing ■X and the pleasure of gaining ■X. Most people experience the pain of loss as roughly twice the pleasure of an equivalent gain. In trading: this drives premature exits on winning trades (the gain is small but real, and you do not want to let it slip) and reluctance to exit losing trades (the loss is small but realising it makes it real). The cure: pre-commit to exits via hard stops and take-profit orders.

Recency bias

Over-weighting the most recent events when forecasting. After three winning trades in a row, the next setup feels reliable. After three losing trades, the next setup feels doomed. The cure: track expectancy across hundreds of trades, not the last ten. Long sample sizes wash out recency.

Sunk cost

The reluctance to abandon a position because of the time, attention, or capital already invested. In trading: holding a losing trade because 'I have waited this long, it has to come back'. The cure: trades are evaluated by their forward expectancy, not their past investment. The price does not know how long you have held it.

> **KEY IDEA**
>
> The biases are universal. The competitive edge is not in escaping them; it is in noticing which one is active right now.

EXERCISE

For each of the five biases, write down a specific example from your own recent decision-making (trading or otherwise — the biases are universal). Some biases are easier to spot retrospectively than in the moment; that is normal. The cure for that is journaling, covered in Module 8.

COMMON MISTAKES

MODULE 7 · LESSON 7.2

FOMO, revenge trading, overconfidence

Three named failure modes that are responsible for a substantial fraction of avoidable Foundation-stage losses. Each is a specific behavioural pattern, not a vague mood. Naming them in advance makes them recognisable in the moment.

FOMO — fear of missing out

The urge to enter a move that has already begun, because the alternative is to watch it without participating. The classic signature: a chart that broke out half an hour ago, you missed the breakout, and now you enter halfway up the move with a stop that is no longer structurally defined. FOMO trades are characterised by entries far from the structural level that originally validated the setup. The cure: pre-commit to skipping any setup whose entry is more than a defined distance from the level that validates it. If you missed the entry, you missed it.

Revenge trading

The urge to immediately re-enter the market after a losing trade, in order to recover the loss. The classic signature: an entry within minutes of a losing exit, on a different setup that does not meet your usual criteria. Revenge trades have, on average, lower expectancy than your normal trades because the criteria have been loosened. The cure: a mechanical rule — after a losing trade, no new entry for thirty minutes. The pause is the entire intervention.

Overconfidence

The asymmetric cousin of revenge trading. After three winning trades, the next setup feels obvious; you double the position size; the trade fails; the loss is twice the normal size. Overconfidence is harder to detect than FOMO because, by definition, you feel right. The cure: position size is set mechanically by the formula in lesson 6.2, not by feel. The risk percentage may move within 0.5%–2% based on setup conviction, but never outside that band — even when you are sure.

Why these three matter most at Foundation

FOMO, revenge, and overconfidence are the three failure modes that cost the most rupees per occurrence at Foundation stage, because they all involve loosening your own rules. A rule loosened in the moment is a rule that did not exist. Until your rules survive these three pressures, you do not have rules — you have suggestions.

> **KEY IDEA**
>
> Three named failure modes. Three mechanical rules. The naming and the rules are the entire technology of avoiding these failures.

EXERCISE

Write down, for each of the three failure modes, the mechanical rule you commit to following. For FOMO: the maximum entry distance from the validating level. For revenge: the cooldown duration after a losing trade. For overconfidence: the position-size calculation rule and the never-exceed boundary. Print this on a small card. Tape it to your monitor. Re-read it every Monday morning for the rest of Foundation.

COMMON MISTAKES

MODULE 7 · LESSON 7.3

Building discipline through process

Discipline is not a personality trait. It is a set of pre-committed behaviours that protect future-you from present-you. Foundation discipline rests on three interlocking processes: a checklist, a journal, and a weekly review.

The checklist

Before any trade, run a written checklist. Module 8 contains the canonical Foundation pre-trade checklist (ten questions). Refusing to take a trade until the checklist is filled out is the strongest discipline-forcing function in trading. Pilots use checklists; surgeons use checklists; the people whose mistakes are expensive use checklists. Traders should too.

The journal

After every trade, journal the trade. The journal entry is not 'I bought at X and sold at Y'. The journal entry is the setup, the structural reason, the pre-trade emotional state, the actual execution, the deviation from the plan if any, and the post-trade lesson. The journal is the asset, not the trade.

The weekly review

Every weekend, sit down for thirty to sixty minutes and review the week's journal entries. Tag each trade as: by the rules, slightly off the rules, off the rules. Plot your equity curve. Compute weekly expectancy. Note recurring patterns in the off-the-rules trades. The recurring patterns are where you focus the next week's improvement effort.

The compounding effect

Each individual review session looks low-impact. After twelve weeks of weekly reviews, the compounding effect on your discipline is dramatic. Most Foundation graduates who stick with the weekly review for the full Foundation timeline report that their self-knowledge increased more from the review process than from any single technical concept in the curriculum.

The accountability layer

Many students benefit from an accountability partner — another student or, ideally, a tutor — who reviews the journal weekly. The Bharath Shiksha tutor channel exists for this. Accountability is not a substitute for self-discipline; it is a scaffolding that helps self-discipline form.

> **KEY IDEA**
>
> Checklist before. Journal after. Review weekly. Three habits, ninety minutes per week. The entire discipline framework of Foundation.

EXERCISE

Schedule a recurring weekly review slot in your calendar. One hour, every Sunday morning, for the rest of Foundation. Treat it as immovable. Use the slot to review the previous week's journal entries, tag each trade, compute expectancy, and write three sentences about what you will change next week. Three sentences is a feature, not a bug — short reviews get done; long reviews get skipped.

COMMON MISTAKES

MODULE 8

Your trading process

Three lessons that turn the previous seven modules into a documented, repeatable daily process. By the end of this module, you have a checklist, a journal template, and a thirty-day study plan that you will actually execute. This is what Foundation has been building toward.

Lessons in this module

MODULE 8 · LESSON 8.1

The pre-trade checklist

A pre-trade checklist is a written sequence of questions you answer in writing before every trade. The checklist is not advice; it is gating. Until every question is answered, no order goes in. Below is the canonical Foundation checklist, ten questions, refined across hundreds of student trades.

The ten questions

1. What is the structural reason for this trade? (One sentence. If you cannot write the sentence, the trade has no thesis.)
2. What level am I trading from, and how many times has it been tested? (Levels with two or more tests are stronger than untested ones.)
3. Does the trend agree with the trade? (Trend-aligned trades are higher conviction than counter-trend trades at Foundation level.)
4. Does the candlestick pattern (if any) confirm the entry? (Pattern + level + trend = signal; pattern alone is candidate.)
5. Does volume agree with the move I am trading? (Above-average is confirmation; below-average is warning.)
6. Where is my structural stop, and what is the rupee distance from entry? (Stop is on the chart, not in your head.)
7. What is my position size given 1% (or specified) account risk? (Use the formula. No eyeballing.)
8. What is my target, and what is the planned R-multiple? (Minimum 1:1.5; if you cannot find a target with that ratio, the setup is not worth taking.)
9. What is my emotional state right now? (Tired, frustrated, overconfident, or neutral? Tired or frustrated → no trade.)
10. Have I taken a trade in the last thirty minutes? (If the previous one lost, this one is potentially revenge — wait out the cooldown.)

How to use the checklist

Print twenty copies. Fill out one — by hand — for every trade you are considering. If any single answer disqualifies the trade, do not take it. The point is not to find ways to satisfy the checklist; the point is to let the checklist disqualify trades that you would otherwise have taken on momentum.

The first ten checklists

The first ten checklists you fill out will feel laborious. By the twentieth, the answers will start to come from memory. By the fiftieth, the checklist runs in your head in seconds. The laboriousness early on is not a bug; it is the calibration phase. Skipping the laborious phase produces a checklist you have not internalised, which fails under pressure.

KEY IDEA

Ten questions. Hand-filled. Before every trade. The checklist is the most valuable single discipline tool in Foundation.

EXERCISE

Print twenty copies of the ten-question checklist. Fill one out — by hand — for every trade or paper trade you take in the next two weeks. After two weeks, audit how many trades you skipped because the checklist disqualified them. That number, divided by the trades you actually took, is the conservatively-estimated upside of using the checklist.

COMMON MISTAKES

MODULE 8 · LESSON 8.2

The trade journal system

The trade journal is the asset, not the trade. The trades come and go; the journal is what you keep. Below is the canonical Foundation journal entry — one per trade, filled within an hour of exit while the context is fresh.

Required fields per entry

Pre-trade

Date and time. Instrument and timeframe. Setup name (e.g., 'breakout-retest of resistance'). Structural thesis (one sentence). Pre-trade emotional state.

Execution

Entry price. Stop price. Target price. Position size. R-multiple planned. Screenshot at entry.

Outcome

Exit price. Exit reason (target, stop, manual exit). R-multiple realised. Screenshot at exit. Did the execution match the plan?

Reflection

One sentence: what did I do right? One sentence: what would I do differently? One bias check: which (if any) of the five biases was active during this trade?

Why screenshots matter

Memory is unreliable, especially under emotional pressure. A screenshot of the chart at entry, with your reasoning annotated, is verifiable evidence of what you saw at the time. Without screenshots, weekly reviews become exercises in retrospective rationalisation; with them, the reviews become learning.

Tools

Almost any tool works: a Notion database, a Google Sheet, a paper notebook, a specialised journal app like Edgewonk or Tradervue. The choice of tool matters less than the consistency of use. The Foundation recommendation: start in a Google Sheet (zero friction); migrate to a specialised app only if you find you need filtering or tagging features that the Sheet cannot provide.

Three filled examples (anonymised)

Appendix B shows three filled-in journal examples — one winning trade, one losing trade, one losing trade in which the execution was correct but the setup was wrong. Read these three examples carefully. The third one is the most instructive: a well-executed trade with a wrong setup is far more useful evidence than a correctly-executed trade with a correct setup.

> **KEY IDEA**
>
> Pre-trade, execution, outcome, reflection. Four sections. Every trade. The journal is what compounds.

EXERCISE

Set up your journal — Sheet, Notion, app, or paper — using the four-field structure above. Backfill entries for every trade you have taken in the last month. Most students discover that backfilling is impossible because the original information is gone. That impossibility is itself the lesson: from now on, the entries get made fresh.

COMMON MISTAKES

MODULE 8 · LESSON 8.3

Your first thirty days

A structured thirty-day plan to convert this book from a one-time read into an internalised practice. Most students who follow this plan report visible improvement in their reading and discipline by day thirty; most students who do not follow it report uneven progress.

Week 1 — Reading and structure

Days 1–7. Read Modules 1 and 2 in full. Each evening, do the lesson exercises on a single Indian equity index chart. Build the level map (lesson 4.1 will reference it later). Do the four-question routine on five different charts on day 7. Time your reads. Aim for under sixty seconds each by week end.

Week 2 — Patterns

Days 8–14. Read Module 3 in full. Each day, take one lesson and find five historical examples on real Indian charts of the patterns covered. By the end of the week you have a patterns folder of around thirty annotated screenshots. Review the folder on day 14.

Week 3 — Levels, volume, paper trades

Days 15–21. Read Modules 4 and 5. Update your level map daily. Begin paper trading (no real money) using the ten-question checklist for every entry. Aim for three to five paper trades total across the week. Journal each one, even though no real money is at stake.

Week 4 — Risk, psychology, process

Days 22–30. Read Modules 6, 7, 8. Continue paper trading. By day 30, you should have approximately ten paper trades in the journal. Compute your expectancy. Identify the recurring failure mode (every Foundation student has one) and write it on the discipline card from lesson 7.2.

Beyond day thirty

Foundation is not a sprint; it is a foundation. Most students take eight to twelve weeks total — at least four weeks beyond day thirty — to feel ready for Stage 2. There is no rush. Rushing Foundation is the single most expensive optimisation in trading education. The students who come out of Foundation slowest in calendar time are usually the ones who progress fastest in everything that follows.

How you know you are ready for Stage 2

- You can read any Indian equity chart in under sixty seconds and produce a one-sentence structural read.
- You can name and explain at least fifteen candlestick patterns and identify them in real charts.
- You have an active level map, updated within the last week.
- You have at least ten journaled paper or live trades with non-trivial expectancy analysis.

- Your last five trades all had a filled checklist before the entry.
- You have done at least four weekly reviews.

KEY IDEA

Thirty days. Four weeks. Six readiness criteria. The plan is simple; the discipline of executing it is what separates students who graduate from students who restart.

EXERCISE

On day 1 of your thirty-day plan, write the date next to each of the six readiness criteria. On day 30, score yourself on each. The score is your own; nobody else needs to see it. But it is the most accurate guide you will get to whether you are ready to progress to Stage 2 — more accurate than calendar time, more accurate than self-assessed confidence, more accurate than any external test.

COMMON MISTAKES

APPENDIX A

The forty-plus candlestick pattern reference

This appendix lists every candlestick pattern referenced in Module 3 plus several rare patterns covered in the academy's Stage 2 material, for completeness. For each pattern, the table gives the candle count, a one-line shape description, the typical context in which it has predictive value, and whether it is bullish, bearish, or neutral. Use this appendix as a desk reference, not as a list to memorise.

#	Pattern	Candles	Shape (essentials)	Context	Direction
1	Bullish Marubozu	1	Long green, no wicks	Strong continuation	Bullish
2	Bearish Marubozu	1	Long red, no wicks	Strong continuation	Bearish
3	Hammer	1	Small body top, long lower wick	After downtrend	Bullish
4	Inverted Hammer	1	Small body bottom, long upper wick	After downtrend	Bullish
5	Hanging Man	1	Hammer shape in uptrend	Top warning	Bearish
6	Shooting Star	1	Small body bottom, long upper wick	After uptrend	Bearish
7	Doji (standard)	1	Open ≈ close, mid-range	Indecision at level	Neutral
8	Long-Legged Doji	1	Doji with long wicks both sides	High indecision	Neutral
9	Dragonfly Doji	1	Doji with long lower wick only	Bullish reversal candidate	Bullish
10	Gravestone Doji	1	Doji with long upper wick only	Bearish reversal candidate	Bearish
11	Four-Price Doji	1	Open=high=low=close	Extremely thin trade	Neutral
12	Spinning Top	1	Small body, similar wicks both sides	Indecision	Neutral
13	High Wave Candle	1	Very long wicks, tiny body	Volatility expansion	Neutral
14	Belt Hold (Bullish)	1	Long green, opens at low	Strong continuation	Bullish
15	Belt Hold (Bearish)	1	Long red, opens at high	Strong continuation	Bearish
16	Bullish Engulfing	2	Green body engulfs prior red body	After downtrend	Bullish
17	Bearish Engulfing	2	Red body engulfs prior green body	After uptrend	Bearish
18	Bullish Harami	2	Small green inside large red	Momentum stalling	Bullish
19	Bearish Harami	2	Small red inside large green	Momentum stalling	Bearish
20	Harami Cross	2	Doji inside large prior body	Strong indecision	Neutral
21	Piercing Line	2	Red, then green closing >50% into red body	After downtrend	Bullish
22	Dark Cloud Cover	2	Green, then red closing >50% into green body	After uptrend	Bearish
23	Tweezer Top	2	Two consecutive matching highs	After uptrend	Bearish

#	Pattern	Candles	Shape (essentials)	Context	Direction
24	Tweezer Bottom	2	Two consecutive matching lows	After downtrend	Bullish
25	Inside Bar	2	Second candle's range inside first's range	Compression	Neutral
26	Outside Bar (Engulfing)	2	Second candle's range engulfs first's	Range expansion	Direction of #2
27	Morning Star	3	Red, small middle, green closing >50% red	After downtrend	Bullish
28	Evening Star	3	Green, small middle, red closing >50% green	After uptrend	Bearish
29	Morning Doji Star	3	Red, doji middle, green	After downtrend	Bullish
30	Evening Doji Star	3	Green, doji middle, red	After uptrend	Bearish
31	Three White Soldiers	3	Three strong greens, each opens in prior body	Strong reversal/continuation	Bullish
32	Three Black Crows	3	Three strong reds, each opens in prior body	Strong reversal/continuation	Bearish
33	Three Inside Up	3	Bearish, bullish harami, green confirmation	Confirmed reversal	Bullish
34	Three Inside Down	3	Bullish, bearish harami, red confirmation	Confirmed reversal	Bearish
35	Three Outside Up	3	Red, bullish engulfing, green confirmation	Confirmed reversal	Bullish
36	Three Outside Down	3	Green, bearish engulfing, red confirmation	Confirmed reversal	Bearish
37	Bullish Abandoned Baby	3	Red, gap-isolated doji, green	Rare; strong reversal	Bullish
38	Bearish Abandoned Baby	3	Green, gap-isolated doji, red	Rare; strong reversal	Bearish
39	Rising Three Methods	5	Long green, three small reds inside, long green	Continuation	Bullish
40	Falling Three Methods	5	Long red, three small greens inside, long red	Continuation	Bearish
41	Mat Hold (Bullish)	5	Variation of rising three methods	Continuation	Bullish
42	Three Line Strike (Bull)	4	Three reds, then engulfing green	Continuation (counter-intuitive)	Bullish
43	Three Line Strike (Bear)	4	Three greens, then engulfing red	Continuation (counter-intuitive)	Bearish
44	Bullish Kicker	2	Down candle, gap up to long green	Very rare; strong	Bullish
45	Bearish Kicker	2	Up candle, gap down to long red	Very rare; strong	Bearish

Note: 'Direction' is the bias if the pattern occurs in the appropriate context. The same shape in the wrong context is not a signal. Always combine with level + trend + volume (lesson 3.6).

APPENDIX B

Trade journal template & three filled examples

Blank template (one entry per trade)

Field	Value
Date / Time	
Instrument / Timeframe	
Setup name	
Structural thesis	
Pre-trade emotional state	
Entry price	
Stop price	
Target price	
Position size	
R-multiple planned	
Entry screenshot link	
Exit price	
Exit reason	
R-multiple realised	
Exit screenshot link	
What went right	
What I would do differently	
Bias check (if any)	

Example 1 — winning trade, correctly executed

Field	Value
Date / Time	2025-09-15 10:42 IST
Instrument / Timeframe	Index A — daily
Setup name	Breakout-retest of resistance
Structural thesis	Index A broke above a four-month resistance with above-average volume; today is the rete

Field	Value
Pre-trade emotional state	Neutral; reviewed checklist.
Entry price	X
Stop price	X – 1.2%
Target price	X + 2.1%
Position size	1.0% account risk
R-multiple planned	+1.75R
Exit price	Target hit at X + 2.1%
Exit reason	Target
R-multiple realised	+1.75R
What went right	Waited for retest instead of entering on breakout candle. Stop placed structurally.
What I would do differently	Could have considered scaling out partial at +1R.
Bias check	None active.

Example 2 — losing trade, correctly executed

Field	Value
Date / Time	2025-09-22 11:18 IST
Instrument / Timeframe	Index B — daily
Setup name	Bullish engulfing at support
Structural thesis	Index B at third test of long-standing support with bullish engulfing on average volume.
Pre-trade emotional state	Slight FOMO from missing previous day's move; checklist passed anyway.
Entry price	Y
Stop price	Y – 1.5%
Target price	Y + 2.5%
Position size	1.0% account risk
R-multiple planned	+1.67R
Exit price	Stop hit at Y – 1.5%
Exit reason	Stop
R-multiple realised	–1R
What went right	Stop was structural. Position size was correct. Did not move stop.
What I would do differently	Volume was only average; could have waited for above-average breakout volume.
Bias check	Mild FOMO noted pre-trade; did not affect execution.

Example 3 — losing trade, well executed but wrong setup

Field	Value
Date / Time	2025-10-01 14:05 IST
Instrument / Timeframe	Index C — daily
Setup name	Hammer in middle of range
Structural thesis	Hammer candle observed; took as bullish reversal.
Pre-trade emotional state	Confident after two prior winning trades.
Entry price	Z
Stop price	Z – 1.0%
Target price	Z + 1.5%
Position size	1.5% account risk (elevated)
R-multiple planned	+1.5R
Exit price	Stop hit
Exit reason	Stop
R-multiple realised	–1R (×1.5 sizing = 1.5% of account)
What went right	Mechanical execution; stop honoured.
What I would do differently	Setup was a hammer in the middle of nothing — no level present. Lesson 3.6 explicitly warn
Bias check	Overconfidence after prior wins. Caused both the setup acceptance and the size bump.

APPENDIX C

Pre-trade checklist (printable)

Print this page. Fill out one — by hand — for every trade. Without all ten gates passed, the trade does not get taken. This is the single highest-leverage discipline tool in Foundation.

#	Question	Answer
1	Structural reason (one sentence)?	
2	Level + tests count?	
3	Trend agrees? (Y/N)	
4	Pattern confirms? (Y/N)	
5	Volume agrees? (Y/N)	
6	Stop level + rupee distance?	
7	Position size (formula)?	
8	Target + planned R-multiple?	
9	Emotional state? (Tired/Frustrated/Confident/Neutral)	
10	Trade in last 30 minutes? (If yes and prior loss → wait.)	

DECISION GATE

If any single answer disqualifies the trade — pattern in middle of nothing, trend disagrees, emotional state is tired or frustrated, cooldown not yet expired — the trade does not get taken. The disqualification is not a suggestion.

APPENDIX D

Glossary

Every defined term in this book. Use this as a quick reference when re-reading later modules.

Term	Definition
ATR	Average True Range — a volatility measure computed over a lookback period (typically 14).
Body	The rectangular portion of a candlestick; spans open to close.
Breakout	Price movement beyond a previously respected support or resistance level.
Candlestick	Chart representation of OHLC for a period, drawn as a body plus optional wicks.
Confirmation	Independent evidence that supports a signal — typically volume agreement.
Divergence	Disagreement between price and a secondary measure (commonly volume); a warning, not a signal.
Doji	Candlestick whose open and close are essentially equal; signals indecision.
Engulfing	Two-candle pattern where the second candle's body fully covers the first candle's body.
Expectancy	Win-rate-weighted average return per trade in R units; the scoreboard of any strategy.
F&O	Futures and Options — derivative segment of Indian markets.
Fakeout / False breakout	A break of a level that does not follow through; price returns inside the level within a few bars.
Flip	Polarity change of a level: broken resistance becomes support, or vice versa.
FOMO	Fear of missing out; tendency to chase a move that has already started.
Hammer	Single-candle pattern with a small body and a long lower wick; bullish reversal candidate.
Harami	Two-candle pattern where the second body is contained within the first.

Term	Definition
Higher high	A swing high above the previous swing high; defines an uptrend.
Higher low	A swing low above the previous swing low; defines an uptrend.
Lower high	A swing high below the previous swing high; defines a downtrend.
Lower low	A swing low below the previous swing low; defines a downtrend.
Marubozu	Candlestick with a long body and very small wicks; one side dominated entirely.
OHLC	Open, High, Low, Close — the four numbers that define every candlestick.
Pivot point	Calculated intraday level (central pivot, R1, R2, S1, S2) derived from prior OHLC.
R-multiple	Trade outcome expressed as a multiple of the planned risk.
Range	Sideways consolidation between two horizontal boundaries.
Resistance	Price level at which sellers have repeatedly stepped in.
Retest	After a breakout, price returns to the broken level to test it from the opposite side.
Risk-reward ratio	Planned R-multiple before entry; minimum 1:1.5 at Foundation level.
Shooting Star	Single-candle pattern with a small body and a long upper wick; bearish reversal candidate.
Support	Price level at which buyers have repeatedly stepped in.
Swing high	Local price peak surrounded by lower highs to either side.
Swing low	Local price trough surrounded by higher lows to either side.
Trap (bull/bear)	False breakout that pulls in real participants on the wrong side before reversing.
Trend	Chart in which price makes consistent directional progress (HH+HL or LH+LL).
Volume	Total shares or contracts traded in a period.
Wick (shadow)	Thin lines extending from a candle body, marking the period's high and low.

APPENDIX E

Compliance & disclaimers

SEBI compliance

Bharath Shiksha is an educational platform. Per the SEBI January 2025 circular distinguishing education from investment advisory, the entire scope of this book is education in technical analysis, risk management, and trading psychology. The book does not provide investment advice, does not name specific securities in any context, does not provide buy/sell/hold recommendations, does not project returns, and does not claim accuracy statistics on any live trading signal.

Examples and data lag

All historical examples used in this book are anonymised — referenced as 'Index A', 'Stock A', and similar — and are presented with a minimum thirty-day data lag. No example uses data from the most recent thirty trading days. Examples illustrate methodology; they are not invitations to replicate any specific historical trade.

Risk warning

Trading and investing in financial markets involve substantial risk of loss. Past performance of any setup, methodology, or instrument does not guarantee future results. The skills taught in this book reduce avoidable losses; they do not eliminate market risk. Most retail participants who attempt to trade actively over multi-year periods underperform a simple buy-and-hold index strategy. Foundation graduates are encouraged to be honest with themselves about whether active trading is the right pursuit.

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