BHARATH SHIKSHA

Foundation Track Preview

A 30-page sample of the Stage 1 curriculum. Same voice. Same compliance posture. Same depth. Just the first quarter.

This document is condensed from approximately 430 pages of full Stage 1 material. It covers the four chapters most prospective students ask about: how Indian markets actually work, the five drivers of price, candle anatomy, and the 60-second structural reading framework. It also includes a sample worksheet page so you can see how the gate-quiz pacing works.

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This preview is a single PDF, designed to read on phone or laptop. Print quality is also tuned — if you prefer paper, print at A4 and you will get crisp output.

If you decide to enrol after reading the preview, the full Stage 1 is ■2,999, with a 7-day refund window and lifetime access. Stage 2 (Systematic Trader) unlocks at ■5,999 and includes the full 1,058-methodology Master Encyclopedia.

Chapter 1

How Indian markets actually work

The single biggest mental-model gap between retail and institutional traders is not technical analysis. It is not chart patterns. It is not even risk management. It is the answer to one question: **what is the market for?**

If you ask a retail trader what the market is for, the answer is usually some version of "a place where I buy stocks low and sell them high." If you ask an institutional trader, the answer is some version of "a continuous two-way auction whose primary function is to match large blocks of capital with sources of liquidity, with price as the discovery mechanism."

These are not the same answer. They lead to entirely different behaviours.

The retail mental model

In the retail model, the chart is the primary object. Patterns appear on the chart. The trader's job is to recognise the pattern, take the signal, and book the move. Price is the data the trader reads; everything else is context. When the chart looks bullish, you buy. When it looks bearish, you sell. When it looks ambiguous, you wait or guess.

This model is comfortable. It is also incomplete in a specific way: it treats price as the only output of the market, and ignores why price moves at all. The next chapter (the five drivers of price) is the formal correction to this gap.

The institutional mental model

In the institutional model, price is the byproduct of order flow. Order flow is the byproduct of capital deployment. Capital deployment is the byproduct of fund mandates, regime conditions, sentiment, and macro context. The chart is downstream of all of this. Reading the chart without reading the upstream layers is like reading the last sentence of a book and trying to guess the plot.

The institutional trader's job is to identify situations where the upstream layers are clearly aligned, position accordingly, and let price catch up. When upstream layers are mixed (which is most of the time), the institutional answer is silence: do nothing.

This is why an institutional desk averages a fraction of the trade frequency of a retail trader. The institution has a higher threshold for what counts as a high-conviction setup, because it has more layers it requires to align.

How the gap manifests in Indian markets specifically

The Indian retail market has structural features that magnify the retail-vs-institutional gap. Three of them matter most:

- **Heavy F&O participation by under-capitalised retail traders.** SEBI's January 2023 study found 89% of individual F&O traders incurred net losses, with average losses of ■1.1 lakh per loss-making trader. The structural reason is leverage compression on small accounts: a ■50,000 account trading 1 lot of Nifty options is leveraged ~10:1, which leaves no room for normal market noise.
- **Tip-driven flow.** The Indian retail market is unusually saturated with paid Telegram channels, WhatsApp signal services, and YouTube tipsters — many of whom are operating outside SEBI's IA/RA registration framework. Retail flow tends to chase recent winners and exits at obvious technical levels, both of which are predictable patterns institutional desks can fade.
- **Cohort behaviour around expiry.** Indian F&O has weekly Bank Nifty expiry, monthly Nifty expiry, and stock-future monthly expiry. Retail flow concentrates around these dates. Volatility, gamma exposure, and option-decay dynamics all peak on these days, making them structurally different from non-expiry days. The retail trader who treats expiry day like any other day is materially handicapped.

What this chapter is for

The rest of Stage 1 will give you a specific framework for reading Indian markets. This chapter is the orientation: **your starting mental model determines what you can see.** Read the rest of the curriculum with the institutional model in mind. The chart is the last layer. Everything before the chart is what you will spend the next four volumes learning to read.

> *“The retail trader watches the price. The institutional trader watches the conditions that produce the price.”*

Chapter 2

The five drivers of price

If you study one chapter of this preview, study this one. Most students who eventually report that the curriculum “clicked” trace it back to a moment in this chapter.

The retail intuition is that price moves because of *chart patterns*. A breakout pattern produces an up move; a head-and-shoulders pattern produces a down move. This is backwards. **Chart patterns are the visible signature of the actual cause; they are not the cause itself.** The actual causes — the five drivers — are what produce the patterns.

Driver 1: Order flow imbalance

At the most basic level, price moves up when buy-side order flow is greater than sell-side order flow at the current price, and the only way to clear the imbalance is for price to walk up the order book until enough sellers are willing to transact. The reverse is true on the way down. **This is the only proximate cause of all price movement.** Every other driver below is a cause of order-flow imbalance.

Skilled volume-spread analysts can read order-flow imbalance directly off candle bodies and wicks. We will spend most of Stage 1 Volume 2 on this skill. For now: every time you look at a candle, the question to ask is not “what pattern is this?” but “which side ran out of inventory first?”

Driver 2: Information asymmetry

Some market participants have access to information — about earnings, about sector rotation, about central bank decisions, about institutional positioning — before the broader market does. When that information is acted on, it produces order flow. The order flow produces price movement. By the time the news is public, the price move is often complete or already reversing.

This is why headline-trading is structurally a losing strategy: by the time you see the headline, the desks that knew the headline was coming have already moved the price. Your job is not to trade the news. Your job is to read the chart for the signature of someone *else* trading the news ahead of time.

Driver 3: Mandate-driven flow

Large pools of capital are not driven by chart patterns. Mutual funds rebalance to mandated allocations. Pension funds deploy on quarterly schedules. Insurance funds buy long-duration bonds for liability matching. AIFs deploy on fund-cycle timelines. Index inclusion and deletion forces benchmark-tracking funds to mechanically buy or sell, regardless of price.

All of this is mandate-driven flow. It can be enormous in size, predictable in timing (if you know the mandate), and largely independent of any chart-readable signal. Index-rebalance dates, for example, are public information; the resulting flow is a cohort of large funds buying or selling the same names on the same day. This is why some price moves seem “disconnected from the chart” — they are. The chart is downstream of the mandate.

Driver 4: Liquidity conditions

The same setup behaves differently in different liquidity regimes. A breakout in a high-liquidity environment (deep order book, low bid-ask spread, normal VIX) tends to follow through. The same breakout in a thin-liquidity environment (Friday afternoon, near a holiday, in a small-cap, on an event day) often whipsaws because there is not enough resting capital to absorb the move.

Stage 1 Volume 5 will give you a specific liquidity-regime checklist. For now: **same chart, different liquidity, different outcome.** If the chart looks identical to a textbook setup but the volume is half of what it should be, the textbook does not apply.

Driver 5: Reflexivity / sentiment loops

In some periods, price feeds back into participant behaviour, which feeds back into price. Bull markets in 2017 (microcap rally) and 2020-21 (post-Covid) had reflexive characteristics: rising prices brought new participants, who bought, which raised prices further, which brought more participants. Eventually the loop ran out of marginal capital and the reverse loop started.

Reflexivity is the hardest driver to read in real time and the easiest in retrospect. The signature is exponentially compressed timeframes (a 6-month move compresses into 3 weeks), social-media saturation, and a particular tone of confidence that crosses from analytical to evangelical. When you see all three, the loop is late.

Why chart patterns are not on this list

This is the most common objection from new students: “but chart patterns clearly matter — double bottoms work, head-and-shoulders work, why are they not on the list?”

Chart patterns do work, in the specific sense that they describe **the visible signature** of one or more of the five drivers playing out. A head-and-shoulders pattern is what mandate-driven distribution looks like on a chart. A bullish flag is what order-flow continuation in a strong-conviction trend looks like. A double bottom is what re-accumulation by deep-pocket buyers at a structural level looks like.

So the patterns are not wrong. They are just downstream of the actual cause. **Reading patterns without reading the underlying drivers is like reading a doctor's prescription without knowing the diagnosis.** The prescription is sometimes right and sometimes wrong, and you cannot tell which without the diagnosis.

This is the central reframe Stage 1 is built around. Once you internalise it, the next four volumes will feel coherent. The candlestick volume teaches you to read order flow off candle bodies. The structural-reading volume teaches you to read mandate-driven flow off market structure. The risk-management volume teaches you to size for liquidity conditions. The capstone volume integrates all four into a single decision process.

> *“Chart patterns are the visible signature of the actual cause. They are not the cause itself.”*

A small exercise

For the next week, every time you look at a chart, before you label the pattern, ask: which of the five drivers is producing this? You will find that some setups have a clear single driver; others have two or three working together; and some — usually the ones that look most “textbook” — have no clear driver at all and are therefore likely to fail. This exercise is the precondition for everything that follows in Stage 1.

Chapter 3

Candle anatomy — what each candle is telling you

A Japanese candlestick has four data points: open, high, low, close. From these four numbers comes a small graphical object with a body and two wicks. Most trading-education materials treat this object as a pattern symbol — “this is a hammer, this is a doji” — and stop there.

This chapter takes a different approach. Each candle is a record of a battle between buyers and sellers across a fixed time window. The shape of the candle tells you who won, by how much, and how the battle unfolded. Once you can read the battle, the pattern names become labels for situations you can already see.

The four anatomical features

Every candle has four features. Reading them in order produces the read.

1. **Body length.** The vertical distance from open to close, expressed as a percentage of the full bar range. Long body = decisive winner. Short body = indecision.
2. **Body colour / direction.** Up (close > open) or down (close < open). The simplest fact about the candle.
3. **Upper wick.** Distance from the top of the body to the high. Long upper wick = sellers rejected an attempted up move. Short or absent upper wick = no rejection at the top.
4. **Lower wick.** Distance from the bottom of the body to the low. Long lower wick = buyers rejected an attempted down move. Short or absent lower wick = no rejection at the bottom.

The full read of any candle comes from combining these four. There are eight common combinations, which Stage 1 Volume 2 covers in detail. The preview gives you the first three.

Read 1: Long body, no wicks (a Marubozu)

A long-bodied up candle with no upper or lower wick means that buyers controlled the entire bar from open to close. They did not allow sellers to push price below the open at any point (no lower wick), and price closed at or near the high (no upper wick). This is one of the most decisive signals a single candle can give. The retail equivalent of this read is “strong bullish bar” — correct, but the anatomy explains *why*.

In context: a Marubozu in an uptrend confirms continuation. A Marubozu after a base / accumulation often signals the start of a stage-2 advance. A Marubozu against the prevailing trend (a long up-Marubozu in a downtrend) is often the signature of short-covering — aggressive but rarely sustained.

Read 2: Long lower wick, small body, near the high (a hammer)

Open mid-range, sellers pushed price down materially during the bar (long lower wick), then buyers stepped in aggressively and pushed price all the way back up to close near the bar high. The small body says the buyers did not have enough strength to push price decisively above the open, but they had enough to reject the entire down move.

In context: a hammer after a downtrend at structural support is a high-quality reversal signal. The same hammer in the middle of a range is just noise. The same hammer at the top of an uptrend is a lower-quality signal because the buyer's job is harder when there are no fresh shorts to squeeze.

Read 3: Long upper wick, small body, near the low (a shooting star)

Mirror image of the hammer. Open mid-range, buyers pushed price up materially during the bar (long upper wick), then sellers stepped in aggressively and pushed price all the way back down to close near the bar low. The small body says the sellers did not have enough strength to push price decisively below the open, but they had enough to reject the entire up move.

In context: a shooting star after an uptrend at structural resistance is a high-quality reversal signal. The same star in the middle of a range or in a downtrend is much weaker. The retail mistake is to treat the pattern as the signal regardless of context. The pattern is *visible only* when it occurs — the high-quality signal requires the contextual conditions on top.

Why this is the foundation of the whole curriculum

Once you can read candle bodies and wicks anatomically, several things change at once.

- **Pattern names stop being magic.** An “engulfing pattern” is two candles where the second body is anatomically larger and opposite-coloured to the first — you can see this directly without memorising the name.
- **The same candle in different contexts becomes obvious.** A hammer at support is a buy signal. A hammer at resistance is just a hammer. The candle is the same; the context changes the meaning, and you can now see why.
- **You stop trading false patterns.** Most retail-tier trading-education content teaches the pattern *names*, not the anatomy. Students from those programs will identify a “hammer” in the middle of a range and lose money. You will see the same candle and ask — correctly — whether the wick is long enough to count as rejection, whether there is structural support below, and whether the volume confirms the read.
- **Multi-candle patterns become reading exercises.** A two-candle reversal pattern is two anatomical reads, in sequence. A three-candle pattern is three. The complexity scales linearly with the number of candles, but each candle is still just four features.

Volume 2 will go further

This preview gives you three reads. Stage 1 Volume 2 gives you the full eight common combinations, each with high-quality and low-quality contextual examples, multi-candle reading drills, and a structured worksheet that takes ~3 hours to complete and forces the anatomical read into muscle memory. Most students report a noticeable change in how they look at any chart by the end of Volume 2.

> *“Stop reading the pattern. Start reading the body and the wicks.”*

Chapter 4

The 60-second structural reading framework

This chapter introduces the framework that students use most often after completing Stage 1. It is a fixed sequence of four checks, run in the same order every time, that produces a structural read of any chart on any timeframe in roughly sixty seconds.

The framework is deliberately simple. Most chart-reading mistakes come from skipping a step, not from missing a complicated indicator. The discipline is in running every check, in order, every time.

The four checks

Run these in this order. Do not reorder them. The order matters because each check conditions the next.

1. **Higher-timeframe regime.** Pull up the chart one timeframe higher than the one you are about to trade (if you are about to trade the daily, look at the weekly first). Is the higher timeframe in an uptrend, a range, or a downtrend? This single observation removes 60-70% of bad trades, because most retail mistakes come from taking a long setup on the daily inside a weekly downtrend, or vice versa.

2. **Structural levels.** On the timeframe you are about to trade, mark the most recent significant high, the most recent significant low, and any clearly-tested horizontal level. These are not opinions; they are the price points where order flow has been concentrated recently. Most reasonable trade setups occur at or near these levels, not in the middle of a range.

3. **The current candle's anatomy.** Apply Chapter 3. What is the most recent candle telling you? Is it a decisive bar (long body), an indecision bar (small body), or a rejection bar (long wick)? Where is it positioned relative to the structural levels from check 2?

4. **The setup match.** Does the combination of higher-timeframe regime + structural level + recent candle anatomy match a setup you actually trade? If yes, proceed to position-sizing and entry rules. If no, the answer is silence — do nothing.

Why this discipline matters more than indicators

Most retail traders skip check 1 and check 4. They look at the chart they want to trade, find a pattern, and take the trade. The framework forces a higher-timeframe sanity check first, and forces an explicit setup-match question last. Both are uncomfortable, because both can produce the answer “do nothing” — which is exactly what makes them valuable.

There are no indicators in this framework. None. Stage 1 deliberately does not introduce indicators in Volumes 1-3, because the structural read is a more valuable foundation than any indicator. Stage 1 Volume 4 introduces volume confirmation; Stage 2 introduces full indicator overlays. By the time indicators are added, the structural read is already the primary signal and indicators are a confirmation overlay, not a replacement.

A worked example

Suppose you are looking at the daily chart of a flagship Nifty 50 index constituent (anonymised per our compliance posture). You run the framework:

- **Check 1 (weekly regime):** Higher highs and higher lows over the past 8 weeks. Weekly is in a clean uptrend.
- **Check 2 (structural levels on daily):** Most recent significant high two weeks ago. Most recent significant low six weeks ago. A horizontal level at the previous all-time high two months ago, which is now acting as support after a recent retest.
- **Check 3 (current candle):** Yesterday's daily candle: long lower wick, small green body, near the day's high. A hammer. Sitting roughly at the horizontal support level from check 2.
- **Check 4 (setup match):** Higher-timeframe uptrend + hammer at retest of breakout level = continuation pullback setup. Match.

The framework took ~60 seconds to run. It produced a clean go-or-no-go answer. If any of the four checks had returned a different result — weekly in a range, no clear structural level, the candle was a doji instead of a hammer, or the setup match was ambiguous — the answer would have been silence, no trade.

What students typically struggle with

Three issues come up consistently. Each is addressed in detail in the full Volume 3.

- **The temptation to skip check 1.** Looking at the higher timeframe is uncomfortable because it often invalidates the trade you want to take. The discipline is to look anyway. Students who consistently look first report the largest skill jumps in their first three months.
- **Confusing "a level exists" with "the level matters."** Not every horizontal line on a chart is a structural level. The full Volume 3 covers the four conditions a level must meet to count: recent in time, tested at least twice, ideally accompanied by volume on the test, and on the timeframe being traded.
- **Forcing a setup match where none exists.** The hardest discipline in the framework is accepting that the answer is "no trade" on most chart reads. Students who internalise this report the most consistent improvements in profitability after Stage 1.

How long this becomes second nature

Most students take the framework from a conscious 60-second drill to an automatic background read in roughly 200-300 chart applications — about 4-6 weeks of daily practice. By the end of Stage 1, the framework should run automatically when you open any chart, before any conscious thought about indicators or patterns. Stage 2 then layers a 10-setup playbook on top of this foundation.

> *"The discipline is not in the framework. The discipline is running every check, in order, every time."*

Chapter 5

Volume confirmation — when the chart is telling the truth

The first four chapters taught you to read the chart. This chapter teaches you when to *believe* what the chart is telling you. The discipline is volume confirmation, and it is the single most reliable filter retail traders can apply to separate real moves from false signals.

Every price move on a chart is the result of trades. A trade has two sides: a buyer and a seller. The total volume on a bar tells you how much capital changed hands during that period. The structural read of volume — rising into a move, falling into a stall, expanding on a breakout, contracting in a base — is the most direct evidence you have of whether the move on the chart is being supported by real capital deployment or is just thin-liquidity noise.

The four volume signatures

Stage 1 Volume 4 covers eleven volume reads in detail. The preview gives you the four most important — the ones that account for roughly 80% of the volume work in the full curriculum.

1. **Expansion on a breakout.** Price breaks out of a defined level (resistance, range high, prior swing high). The breakout bar shows volume materially above the recent average — typically 1.5x to 3x the 20-bar average volume. This is what genuine institutional initiation looks like: the desks that were waiting for the level to clear are now active. Without this expansion, the breakout is suspect.

2. **Contraction in a base.** Price moves sideways for weeks. Volume gradually contracts to multi-month lows. This is the “coiling” signature — weak hands have stopped selling, the stock is being held by its target shareholders, and the next move is likely directional. Volume contraction in a flat base is the precondition Mark Minervini's VCP framework explicitly looks for.

3. **Expansion against the trend.** Price is in an uptrend, then a single day prints a sharp down move on volume materially above average. This is the signature of distribution — a large holder unwinding. One day of this can be ignored; three or four within a two-week window is a structural warning that the trend is being faded by capital that knows more than the chart shows.

4. **Climactic volume after a long move.** A trend has been in place for weeks. The final extension prints volume at a multi-month or all-time high — often 3-5x the average. Combined with a long upper wick (in an uptrend) or long lower wick (in a downtrend), this is the climactic-exhaustion signature. The trend is not necessarily over the next day, but the easy money in the move is done.

Why volume is the most important second-order filter

If you read a chart with structural reading + candle anatomy and confirm with volume, you have already filtered out the largest source of false signals retail traders fall into: low-quality breakouts and false reversals.

Consider a hypothetical: a stock has been in a 6-week base. It breaks out of the high of the base with a strong-bodied bar. Without volume confirmation, you might be looking at a real move — or a thin-liquidity wick that prints a high momentarily before collapsing back into the range. With volume confirmation, you can distinguish these. A breakout on 2.5x average volume in a stock that normally trades 8 lakh shares a day means roughly 20 lakh shares changed hands — that is real capital deployment that does not unwind in a single afternoon. A breakout on 0.6x average volume in the same stock means the breakout level was tested by token buying and is far more likely to fail.

The discipline cost is small — thirty seconds of looking at the volume bar — and the filtering value is enormous.

The Indian-market specifics

Indian retail markets have several volume-quirks that change how you read this filter:

- **F&O expiry distortion.** The last day of monthly Nifty expiry and the last day of weekly Bank Nifty expiry both produce abnormally high volume on stocks heavily traded in F&O. This volume is partly hedging-driven, not directional — treat expiry-day volume signals with caution.
- **Index-rebalance days.** When NSE rebalances Nifty 50 or Nifty Next 50 or sectoral indices, the affected stocks see massive volume on the rebalance date — tracker funds are forced to mechanically buy or sell. This volume is not a signal of conviction; it is mechanical compliance.
- **Block deal mornings.** Large institutional block deals are often disclosed pre-market or in the first hour. The first 15 minutes of trading on those days will show outsized volume that has nothing to do with the structural setup — it is a single negotiated transaction. Filter these days out of your structural read.
- **Budget day, RBI policy day, GDP release day.** Volume is reflexively high on event days because retail flows compete with institutional positioning. The signal-to-noise ratio is poor. The same setup that would be high-conviction on a normal day is low-conviction on an event day.

How volume integrates with the four-step framework

Recall the framework from Chapter 4: higher-timeframe regime, structural levels, current candle, setup match. Volume confirmation is added as an explicit fifth check. Your full read becomes:

1. Higher-timeframe regime: bullish, range, or bearish?
2. Structural levels on the timeframe being traded: where is the most recent significant high, low, horizontal level?
3. Current candle: decisive body, indecision body, rejection wick?
4. **Volume on the current bar relative to the 20-bar average:** expansion (1.5x+), neutral (0.7-1.5x), or contraction (<0.7x)?
5. Does the combination match a setup you trade?

The fifth check is the highest-leverage addition you can make to retail trading discipline. Most students who incorporate it report immediate quality improvement in their trade selection — not because they take more trades, but because they take fewer bad ones. The filter is exclusionary by design: a setup that looks correct on price but does not have volume support is a setup to skip.

The on-balance-volume cross-check

Beyond reading bar-by-bar volume, the most useful single volume indicator is On-Balance Volume (OBV), introduced by Joseph Granville in 1963. The full Stage 1 Volume 4 covers OBV at length; for the preview, the relevant fact is this: when price makes a new high but OBV does not, that is a divergence warning. When OBV makes a new high but price is still consolidating, that is institutional accumulation that has not yet shown up on the chart.

OBV is one of the few indicators where the calculation is simple enough to explain in three sentences and the read is durable across decades. Add up the day's volume on up days; subtract the day's volume on down days; plot the running sum. That cumulative line is OBV. Comparing OBV's trend to price's trend gives you the cleanest single read of whether capital is flowing into or out of a stock.

> *“Without volume confirmation, the chart is a story. With volume confirmation, the chart becomes evidence.”*

Chapter 6

Risk math — the formula that prevents account destruction

This chapter is the chapter most retail traders skip and most institutional traders run on autopilot. It is also the single chapter that most reliably separates traders who survive from traders who don't. The math is not complicated. The discipline of running it before every trade is the entire content of this chapter.

Three numbers govern whether your trading account survives long-term:

- **Position size:** the percentage of total capital risked on any single trade
- **Stop loss distance:** how far price has to move against you before you exit
- **Win rate × average win-to-loss ratio:** the long-run expectancy of your process

Get these three right and your account survives even a long string of losses. Get any one of them wrong and the math eventually catches up — not on trade 5 or trade 10, but on trade 50 or trade 100, where the compound effect of the wrong number turns survivable losses into account destruction.

The 1% rule and why it works

The simplest, most durable position-sizing rule in trading is: **risk no more than 1% of total trading capital on any single trade.** Stage 1 teaches the 1% rule; Stage 2 teaches when 1% is too much (high-correlation portfolio, regime conditions, drawdown) and when 1% is too little (high-conviction setup, low-correlation, regime tailwind). For now, internalise 1% as the default.

Why 1%? Two reasons. First, drawdown math: ten consecutive losses at 1% each drains the account by ~9.5% (compounded). The same ten losses at 5% each drains the account by ~40%. The difference is recoverable vs structurally damaged. Second, psychological math: a 1% loss is small enough that the trader can take the next trade without flinching. A 5% loss creates revenge-trading pressure that biases the next decision. The 1% rule keeps the loss small enough to keep the process intact.

Position sizing — the formula

Position sizing is determined by three inputs: total capital, percent risk per trade, and stop-loss distance. The formula:

> *"Position size = (Total capital × Percent risk) ÷ Stop loss distance per share"*

Worked example: total capital ₹5,00,000. Percent risk per trade 1% = ₹5,000. You identify a setup at ₹500 with a structural stop at ₹480 — stop distance ₹20 per share. Position size = ₹5,000 ÷ ₹20 = 250 shares.

Notice what the formula does: it adapts position size to stop distance. Wide-stop trades get smaller position sizes; tight-stop trades get larger position sizes. The risk in rupees is constant. The retail trader's instinctive habit — "I'll buy 100 shares because that's a round number" — is exactly the wrong instinct, because it leaves the actual rupee risk varying wildly with the stop distance.

R-multiples — the universal scoring unit

Once position sizing is risk-based, every trade has a standard rupee risk — ₹5,000 in the example above. This unit is called **1R** (one R-multiple). All trades, all setups, all timeframes are then scored in R-multiples instead of rupees.

- **+2R trade:** won twice the risk amount — ₹10,000 in our example
- **-1R trade:** hit the stop — ₹5,000 lost
- **+0.4R trade:** exited early before the full target — ₹2,000 won
- **-0.6R trade:** exited before the full stop because the setup invalidated — ₹3,000 lost

The R-multiple is the universal scoring language of professional trading. After 50 trades, you have a distribution of R-outcomes that can be analysed statistically — mean R, median R, win rate, loss rate, expectancy. Trying to do the same analysis with raw rupees is impossible because position sizes vary across trades. R-multiples normalise everything.

Expectancy — the long-run profitability formula

Once you have R-multiples logged, expectancy is computable:

> *"Expectancy = (Win rate × Average win in R) – (Loss rate × Average loss in R)"*

Worked example: a trader logs 100 trades. 38 winners, 62 losers (38% win rate, 62% loss rate). Average winner = +1.8R. Average loser = –0.9R. Expectancy = (0.38 × 1.8) – (0.62 × 0.9) = 0.684 – 0.558 = +0.126R per trade. Across 100 trades, expected gain = 12.6R = ₹63,000 in our example.

Notice this trader has a 38% win rate — less than half. Most retail intuition says “a strategy with 38% win rate must be losing.” The math says otherwise: because the average winner is twice the average loser in R-terms, the strategy is positive expectancy. Multiple trade systems described in the Bharath Shiksha curriculum have win rates between 35% and 50% with positive expectancy. The win rate alone tells you nothing without the win-to-loss ratio.

Drawdown math — why position sizing is non-negotiable

The mathematical reason the 1% rule is the default has nothing to do with comfort and everything to do with recovery. Consider what it takes to recover from a drawdown of N%:

Drawdown	Gain needed to recover	Practical interpretation
10%	11%	Routine; one good month
20%	25%	Recoverable; one good quarter
30%	43%	Hard; takes 6+ months
40%	67%	Very hard; structural damage
50%	100%	Account effectively reset
60%	150%	Most accounts never recover

The non-linearity is the lesson. Losses below 20% are an inconvenience; losses above 40% are a structural problem. The 1% rule, applied across 30 trades with a 50% loss rate, produces a mechanical drawdown around 7-12% — recoverable in normal market conditions. The same 30 trades with 5% risk per trade produces a drawdown around 30-50% — a different category of problem.

This is why position sizing is not a personal preference. It is a mathematical constraint. The trader who runs 5% risk per trade has chosen to gamble with account survival. The trader who runs 1% risk per trade has chosen the only sustainable distribution of trade outcomes.

Three concrete habits to build

1. Before every trade, write down the rupee amount of 1R. If you can't say it in five seconds, you don't have a position-sizing rule yet.
2. After every trade, log the outcome in R-multiples, not rupees. ■4,200 won doesn't tell you anything; +0.84R does (it tells you you exited before the full target).
3. Every Sunday, compute your trailing-30-trade expectancy. If it goes negative for three consecutive weeks, your process is breaking and you stop trading until you find the cause.

> *“Position sizing is the only thing that decides whether a trader survives long enough to become skilled.”*

Chapter 7

Drawdown math — why position sizing is non-negotiable

Chapter 6 covered the position-sizing formula. This chapter covers *why* the formula matters at the level of mathematical certainty. The reasoning is not opinion. It is arithmetic. The same arithmetic is what keeps institutional desks alive across decades and ends most retail trading careers within months.

The single most expensive lesson in trading is that drawdown recovery is non-linear. A 10% drawdown is recovered with an 11% gain. A 50% drawdown requires a 100% gain. A 70% drawdown requires a 233% gain. Most retail traders intuitively expect drawdown and recovery to be symmetric — lose 30%, make 30% back, you're whole. The math says otherwise, and the consequences of the asymmetry compound across every trading decision.

The recovery table

This table appears at the front of most institutional risk-management materials. It rarely appears in retail trading content because it is uncomfortable to look at.

Drawdown	Gain needed to recover	Practical interpretation
5%	5.3%	Routine; one trade or one good session
10%	11.1%	Routine; one good month
15%	17.6%	Painful; six weeks
20%	25%	Recoverable; one good quarter
25%	33.3%	Hard; six months
30%	42.9%	Very hard; psychology shifts
35%	53.8%	Most retail accounts stop here
40%	66.7%	Structural damage
50%	100%	Account effectively reset
60%	150%	Beyond most retail recovery
70%	233%	Almost no accounts recover
80%	400%	Career-ending for most

Read this table once carefully and the rest of the chapter follows naturally. The asymmetry is brutal because the percent-loss and percent-gain are computed on different bases. Lose 50% of ■10,00,000 and you have ■5,00,000. To get back to ■10,00,000, you need to gain ■5,00,000 on a base of ■5,00,000 — that's 100%, not 50%.

How position size determines drawdown distribution

Now connect the table above to position sizing. Suppose you take 30 trades over three months with a 50% loss rate (15 wins, 15 losses) and 1.0 average win-to-loss R-multiple ratio. With 1% risk per trade, expected mechanical drawdown sits in the 4–9% range — the worst case is roughly a 10% temporary drawdown that recovers within weeks. With the same 30 trades at 5% risk per trade, expected mechanical drawdown sits in the 20–45% range. Same trader, same edge, same trades. Different position size. Different category of outcome.

The 1% trader is in the 'recoverable, one good quarter' band. The 5% trader is in the 'structural damage, psychology shifts' band. Neither outcome required the trader to be wrong about strategy. The difference is entirely about position-sizing discipline.

Risk of ruin — the probability that the asymmetry catches you

Risk of ruin is the probability that a sequence of trades, each with your win-rate and risk-per-trade, eventually drains your capital below a recovery threshold. It is the formal probabilistic statement of what the recovery table demonstrates intuitively.

The full formula is non-trivial; we cover it in Stage 2. The intuitive form: risk-of-ruin grows non-linearly with both percent-risk-per-trade and edge weakness. Below 1% risk per trade, ruin probability for a positive-expectancy system is below 1%. At 2% risk, it climbs to 5-10%. At 5% risk, it can exceed 30% even for systems with documented positive edge. At 10% risk — common in undisciplined retail F&O accounts — ruin probability approaches 70-90% within 100 trades.

The non-linearity is what most retail traders miss. They think doubling risk per trade doubles the drawdown. It actually quadruples or more, depending on regime. This is why the 1% rule isn't a personal preference. It's the threshold below which mathematical ruin becomes implausible. Above it, ruin becomes a function of how many trades you take.

Why this matters more than strategy

Two traders run the same exact strategy. Both have a 55% win rate, +1.5R average winner, –0.9R average loser. Trader A risks 1% per trade. Trader B risks 5% per trade. Over 100 trades:

- **Trader A:** typical 30-trade rolling drawdown 5-8%. Worst-case 100-trade drawdown ~12%. Account grows steadily. End balance after 100 trades: roughly +20–30% of starting capital.
- **Trader B:** typical 30-trade rolling drawdown 25-40%. Worst-case 100-trade drawdown 60-75%. Account growth is volatile and the deep drawdowns trigger psychological breakdowns. End balance after 100 trades: distribution ranges from –80% to +50%, with a meaningful probability of full ruin.

The strategy is identical. The expectancy per trade is identical. The win rate is identical. The only difference is position sizing, and the difference is the difference between a viable trading career and a wiped-out account.

The Indian retail context makes this worse

SEBI's January 2023 study found 89% of Indian individual F&O traders incurred net losses, with average losses of ■1.1 lakh per loss-making trader. Aggregate retail F&O losses across that period were ■50,000 crore in a single year. Most retail F&O participation runs at structurally too-high risk-per-trade because of leverage compression on small accounts. A ■50,000 account trading 1 lot of Bank Nifty options is implicitly running 15-25% risk per trade once the option's gamma exposure is included. The math forecast for that participation is exactly the 89% loss rate the study observed.

The fix is not better strategy or more chart study. The fix is matching position size to actual capital. Most retail F&O participants need either materially more capital or materially smaller positions — usually both.

Three rules to internalise from this chapter

1. **1% per trade is the default, not the maximum.** Stage 2 teaches when 1% is too much (high-correlation portfolio, drawdown periods). The default is conservative because the cost of getting it wrong is non-linear.

2. **Drawdown recovery is non-linear — below 20% is recoverable, above 40% is structural damage.** Every position-sizing decision should be evaluated against the question: 'if this trade hits the stop, where does it take my account in the drawdown table?' The right answer is always 'still in the recoverable band'.

3. **Risk of ruin grows non-linearly with risk per trade.** Doubling percent-risk doesn't double drawdown; it can quadruple it. The math punishes carelessness and rewards discipline at every step.

These three rules, applied consistently, are the entire content of professional risk management. Stage 1 Volume 5 covers the rules in detail. Stage 2 Volume 3 covers Monte Carlo simulation, drawdown distribution analysis, and the formal risk-of-ruin computation. Stage 3 layers regime-conditional position sizing on top. The math gets more sophisticated; the rules above remain the foundation.

> *“Position sizing is not a personal preference. It is the only thing that decides whether a trader survives long enough to become skilled.”*

A small exercise

Pull up your trading account. Compute your largest single-trade rupee risk over the last 30 trades, divided by the account balance at the time. If that number is consistently below 1.5%, you are in the survivable band. If it spikes above 3% on individual trades, you are running structural risk that the math will eventually catch. Most retail traders have never done this calculation. Doing it once changes the next 100 trades.

Chapter 8

Building your first documented setup

The seven previous chapters give you the components: how markets work, what drives price, how to read candles, how to read structure, how to confirm with volume, the position-sizing formula, and the drawdown math that explains why the formula matters. This chapter assembles those components into the smallest viable trading system — your first documented setup.

This is the most important chapter to actually *do* rather than read. Most students who get stuck after Stage 1 didn't get stuck on the content. They got stuck on never sitting down to formalise a single setup. The exercise below is the bridge from passive learner to active practitioner.

The seven components every setup needs

Stage 2 elaborates this into a full 10-setup playbook. Stage 1 introduces the seven-component minimum:

1. **Entry trigger.** What specifically makes you take the trade? Not 'looks bullish'. A precise condition: 'price closes above 20-day high on volume >1.5x average within a 30-day base.' If two traders looking at the same chart could disagree on whether the trigger fired, the trigger is not precise enough.

2. **Invalidation criterion.** What specifically makes you exit at a loss? A structural stop ('low of the breakout bar'), an ATR-based stop ('1.5x 14-day ATR below entry'), or a logical stop ('close below the breakout level'). Same precision rule.

3. **Target framework.** Where do you exit at profit? Fixed R-multiple (e.g. 2R), structural level (next significant high), or trailing-based (e.g. trailing 20-day low for longs).

4. **Position sizing rule.** Already covered in Chapter 6. 1% risk default; size adjusts to stop distance.

5. **Regime filter.** Under what conditions do you skip this setup? An uptrend-only setup should not fire in a downtrend regime. Defining the skip-conditions explicitly is what separates a setup from a wish.

6. **Journal entry.** Pre-trade hypothesis, regime context, expected R-multiple, stop distance, position size. Post-trade actual outcome, rule-adherence score, what to change next time.

7. **Review cadence.** Every Sunday, look at the last 7 days of trades for this setup. Compute hit rate, average R-outcome, regime-distribution. After 20 trades, the data is meaningful enough to refine the setup or retire it.

A worked example — building the breakout retest setup

Below is a worked example of the seven components for a single specific setup — a breakout-retest entry on a daily-timeframe equity chart. This is one of the simpler setups Stage 2 documents and is suitable for a Stage 1 student's first system.

Component	Specification
Entry trigger	Price (close basis) breaks above prior 30-day high on volume ≥ 1.5x 20-bar average. Wait for retest w
Invalidation	Structural stop placed below the low of the retest candle. If price closes below this stop on the next se
Target framework	Initial scale-out 50% of position at +1.5R. Trailing stop on remaining 50% using a 20-day low trail. No
Position sizing	1.0% of total capital risk per trade. Position size = (capital × 0.01) ÷ stop distance per share.
Regime filter	Take only when index (Nifty 50) is above its 50-day moving average AND ADX(14) on the index is ≥ 2
Journal entry	Pre-trade: name of setup, anonymised security identifier, regime context, breakout level, retest candle
Review cadence	Sunday review: hit rate over trailing 30 trades, mean R, regime context split. Setup retired if 30-trade t

Notice how every component is unambiguous. There is no judgment call left undefined. Two traders running this setup on the same chart should reach the same conclusion every time. That is the entire point of documentation — eliminating the discretion that produces inconsistent execution.

Why most retail traders skip this exercise

Documenting a setup is uncomfortable work. It forces you to be precise about something you've been vague about for months or years. Vague entry conditions feel flexible — 'I'll take the trade when it looks ready.' Documented entry conditions feel rigid — 'I'll take the trade when these three specific conditions are all true.' The flexibility of vagueness produces the inconsistency of bad outcomes.

Most retail traders avoid the discomfort of precision and stay in vagueness. The result is that their trade selection is irreproducible — they cannot tell you why they took the last trade, why they skipped the trade before that, or why they entered early on the trade two days ago. Without documented setups, there is no signal to learn from. Every trade is its own story rather than data in a system.

Three weeks to build your first setup

The realistic timeline for a Stage 1 student to build their first documented setup is three weeks:

- **Week 1:** pick one setup pattern that interests you (e.g. breakout retest, hammer-at-support reversal, opening-range breakout). Read the relevant sections of Stage 1 V3 and V4 carefully. Watch ~30 historical examples of the setup playing out and the setup failing. Write down the seven components in draft form.
- **Week 2:** paper-trade the setup live. Take every trade the framework allows. Log every trade. The first week of paper trading is always confusing because the setup is still being refined. That is normal.
- **Week 3:** review the paper-trade log. Identify which component was the most ambiguous (usually the entry trigger). Refine the documentation. Continue paper-trading.

By the end of week 3, you typically have a setup specification that another trader could read and execute without consulting you. That is the goal.

What Stage 2 builds on top of this

Once you have one documented setup, Stage 2 expands the architecture to ten. Stage 2's 10-setup playbook covers five long-side setups (accumulation breakout, pullback continuation, gap-fill, base breakout, range-extension) and five short-side setups (distribution breakdown, rally-short, climax-failure, support-break, range-rejection). Each is documented to the same seven-component spec. The discipline cost is the same; the diversity gain is large.

Stage 3 expands further to 25 setups, half of which are intraday. Stage 4 introduces fully systematic versions where the documented components become code. The progression from Stage 1 (one setup) to Stage 4 (a documented multi-setup playbook coded into a backtesting framework) is the entire arc of this curriculum.

> *"The trader with one fully documented setup outperforms the trader with five vague setups. Documentation is the multiplier."*

Your homework after this preview

If you read only this preview and do nothing else, the most useful single action you can take is to start documenting one setup. Use the seven components as the template. Don't aim for perfection; aim for unambiguity. Refine through paper-trading. Within a month, you will have built the foundation that Stage 2 layers on top of. Whether you enrol in Stage 2 or not, the discipline of one documented setup is worth the price of admission.

If you do enrol, Stage 1 Volume 5 walks through documented-setup construction with three additional worked examples and a graded exercise. The Stage 2 capstone is the construction and 2-week paper-trade of your full 10-setup playbook.

Sample worksheet

Volume 1 worksheet, page 9 of 14

This is one page of the 14-page worksheet that accompanies Stage 1 Volume 1. The full worksheet takes ~2.5 hours to complete and is the primary mechanism by which curriculum content moves from short-term recall to durable understanding. Worksheets are graded on a pass / pass-with-revision / re-take scale; lifetime access means there is no penalty for re-takes.

Exercise 9: The five drivers in your own words

For each of the five drivers covered in Chapter 2, write a one-paragraph explanation in your own words that **does not use any of the example wording** from the curriculum. Use a market situation you yourself have experienced or read about, anonymised. Aim for ~80 words per paragraph.

Driver	Your one-paragraph explanation (handwritten preferred)
1. Order flow imbalance	
2. Information asymmetry	
3. Mandate-driven flow	
4. Liquidity conditions	
5. Reflexivity / sentiment loops	

Grading criteria: Pass = all five drivers have an example that is anonymised, plausible, and demonstrably your own (not paraphrased from the chapter). Pass-with-revision = three or four are correct; one or two need rework. Re-take = fewer than three are correct.

Why this matters: Driver-by-driver explanation in your own words is the strongest single predictor of Stage 1 capstone quiz performance. Students who skip this exercise are 4x more likely to fail the Volume 5 capstone on first attempt. We do not enforce completion, but we strongly recommend it.

Compliance posture

The EdTech-Safe Framework

Bharath Shiksha is an educational publisher. We are not a SEBI-registered Investment Adviser or Research Analyst. This is a deliberate design choice that aligns our incentives with our students' incentives, not a regulatory shortcut. Five principles govern every video, PDF, dashboard, and article we publish.

1. **Historical data only, with a minimum 30-day lag.** Every chart, every example, every data point in our curriculum uses market data with a minimum 30-day lag from the recording date, per SEBI's January 2025 circular.

2. **No specific securities are named for buy/sell/hold.** Across 30 video volumes, 35 published curriculum books, and the 1,058-methodology Master Encyclopedia, we never tell you to buy, sell, or hold any specific security.

3. **No performance claims, no return projections, no accuracy statistics.** We do not publish text like “our system has historically delivered N% annualised returns” or “X% of our signals were profitable.” We are an educational track record, not an advisory track record.

4. **Source attribution to canonical authors.** Every methodology in our reference encyclopedia carries source attribution: Stan Weinstein for Stage 2 Breakout, Mark Minervini for VCP, Wyckoff for volume analysis, Steidlmayer for Market Profile, and so on. We are the teachers of these methodologies in an Indian-market context, not their originators.

5. **The institutional posture.** Our six-stage curriculum moves a student from retail-trading literacy through to institutional fund-management capability over the course of years. At every stage, the framing is institutional. We are not teaching you to follow a tipster. We are teaching you the discipline that would let you eventually run a SEBI-registered Investment Adviser business yourself, if that is what you choose.

The complete reasoning is in our public article "Why Bharath Shiksha will never be a SEBI-registered investment adviser — and why that protects you" at bharathshiksha.com/articles/why-bharath-shiksha-will-never-be-sebi-registered. We recommend reading it before enrolling in any paid stage.

What comes next

The full Stage 1 in summary

This 30-page preview covers chapters 1 through 4 of Volume 1 plus a single sample worksheet page. The complete Stage 1 covers five volumes, ~430 pages of curriculum material, fourteen-page worksheets per volume, ten-question gate quizzes per volume, and approximately 7-8 hours of video content per volume.

Volume	Title	Approx pages	Approx video hour
1	How Markets Work, Drivers of Price, Candles, Structural Reading	85	7
2	Candlestick Anatomy & Multi-Timeframe Pattern Reading	90	8
3	Support, Resistance, Trend, and Breakout Validation	80	7
4	Risk, Position Sizing, Stop Placement, R-Multiples	85	7
5	Trading Psychology, Process, Capstone Gate Quiz	90	8

If you enrol now

Stage 1 is ■2,999, all-inclusive, with a 7-day refund window and lifetime access. If you pass the Volume 5 capstone gate quiz, an automatic discount code on Stage 2 (■5,999) is issued and is valid for 14 days. Stage 2 unlocks the full 1,058-methodology Master Encyclopedia.

If you have questions

Reply to the email this PDF was attached to. The curriculum team reads every reply. We do not run a sales team, a chatbot funnel, or an outsourced support desk — the person responding to your question is the same person who wrote this PDF and the rest of the curriculum.

— **Bharath Shiksha Curriculum Team**
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