ProfitaMitra

प्रॉफीट मित्र — Learn • Earn • Share • Care

The Share Market Foundation Handbook

The original ProfitaMitra class notes — First Edition (2019), refreshed 2026

🎁 **Founding-Batch Gift — included with your ShreeGanesha ₹555 registration**

Vineet Pathak — Founder, ProfitaMitra
📞 7058 555 395 • www.profitamitra.com

A Note Before You Begin

This handbook is special to us. It is the **first document ever written for our share-market classes** — created in 2019, when ProfitaMitra was still called MoneyMatters and classes happened in small rooms in Pune. The teaching inside has guided our very first students, and now, refreshed and rebranded, it is our welcome gift to you — our founding batch.

Read it before your ShreeGanesha session if you can. Nothing here requires prior knowledge. Everything here will be built upon, live, in class.

> **Disclaimer (please read):** Investments in securities markets are subject to high risk. All information and content in this handbook is for informational and educational purposes only. It is not investment or trading advice, not a solicitation, and does not constitute any recommendation whatsoever. There is no guarantee that any strategy, pattern or technique described here will work at any given time. Do not take any investment decision without consulting your personal financial adviser; always do your own analysis and be comfortable with the risks before investing. Neither the author, ProfitaMitra, nor any associates are responsible for any loss arising from any information, content or opinion in this handbook. Subject to Pune jurisdiction only.

1. Two Ways to Analyse the Market

Every method of studying share prices falls into one of two schools:

- **Fundamental Analysis** — studying the business itself: earnings, balance sheet, management, industry. Answers: "*Is this a good company?*"
- **Technical Analysis** — studying price and volume behaviour on charts. Answers: "*How is the market treating this share right now?*"

Whichever school you lean toward, your analysis must ultimately answer four questions — **what** to consider, **when** to enter, **where** to book profit, and — most important of all — **where to exit with a small loss** (your stop-loss, and later, your trailing stop-loss). Professionals decide the answer to the fourth question *before* they enter. Amateurs decide it after — which is usually too late.

2. Share Trading Is a Business

Treat trading as a business with an investment of **time and money** — never as a lottery ticket. Every business has partners. Yours has three:

1. **YOU** — your discipline, emotions, and consistency
2. **Your Strategy / System** — written rules you actually follow
3. **Your Time Frame** — the horizon your decisions live on

Investor vs Trader — know which game you're playing

Trader	Investor
Can use short-selling to earn in a falling market	Profits mainly in a rising market
Holding period: minutes to a few days; not interested in bonus/dividend	Holding period: years; looks forward to bonus & dividends
Uses **pyramiding** to increase quantity	Uses **averaging** to increase quantity
Trades in larger quantities (lots)	Adds small quantities over time
May take multiple trades in a day	Takes very few, high-quality decisions in a year
Decides based on technicals	Decides based on fundamentals
Volume matters — trades liquid companies only	May invest in less-traded companies for the long term
Accepts **max 2% loss per trade**	May tolerate 10–30% drawdowns
Trailing stop-loss is a must	Rarely uses trailing stop-loss
Keeps analysis and strategy as simple as possible	Reads and analyses deeply before deciding
Capital protection is the goal	**Profit earning is the goal**

The Final Verdict (our oldest advice, still true)

- Buy small quantities at regular intervals
- Don't expect to become a millionaire overnight
- Failures are unavoidable — learn from mistakes, then avoid them
- Prefer businesses you understand
- Strictly follow your strategy/system
- Stay in the game forever — never quit after a setback

3. Dow Theory — the Grandfather of Technical Analysis

Dow Theory rests on three basic assumptions:

1. **Market price discounts everything** — news, hopes, fears: all already in the price.
2. **History repeats** — human behaviour on charts forms recurring patterns.
3. **Markets move in trends** (short, medium, long) — a trend remains intact until a clear reversal signal appears, and **volume confirms breakouts and trends**.

4. Reading Charts

Chart types

- **Line chart** — simplest; joins closing prices
- **Bar chart** — shows open, high, low, close
- **Candlestick chart** — the trader's favourite; the same OHLC data, visually intuitive

Chart periodicity

Intraday (5M, 15M, 30M, 1H, 4H) • Daily • Weekly • Monthly

> **Time-frame wisdom:** choose time frames based on your desired holding time and approach. **New traders should begin with a longer-term approach and longer-term charts** — move to shorter-term charts only as experience and success allow.

Candlestick anatomy

- **Body** — distance between open and close
- **Upper wick tip** — highest price of the period; **lower wick bottom** — lowest price
- **Candle range (length)** — indicates volatility
- **Bullish candle** — close above open (shown white/green/blue)
- **Bearish candle** — close below open (shown red/black)
- Besides OHLC, note the **mean price** = (Open + Close) ÷ 2

5. Trends — the Market's Direction

- **Uptrend** — higher tops and higher bottoms

- **Downtrend** — lower tops and lower bottoms
- **Sideways** — no clear structure; prone to false signals — most professionals simply wait it out

By duration

- **Primary trend** — 1 to 3–4 years
- **Intermediate trend** — 1 to 3–4 months
- **Short-term trend** — 3–4 days to a month

The two swing rules every trader must know

> **Rule 1:** In an uptrend, the previous swing low should NOT break during consolidations. In a downtrend, the previous swing high should not break.
>
> **Rule 2:** A *change of trend* is signalled when the previous swing low breaks (in an uptrend) or the previous swing high breaks (in a downtrend).

Trendlines

Join two consecutive **bottoms** to judge an uptrend — extended, that line acts as **support** (a demand zone). Join two consecutive **tops** to judge a downtrend — extended, it acts as **resistance** (a supply zone).

> **Remember:** Support and resistance are **ZONES, not lines**. Price respects areas, not exact numbers.

6. Volume — the Truth Serum

- High volume at a breakout tells you whether the breakout is **true or false**.
- A strong uptrend shows higher volume on upward legs, lower volume on corrective dips — and the reverse for downtrends.
- Low volume signals consolidation or a directionless phase.
- At major tops and bottoms, extraordinarily high volume often appears (panic selling near bottoms) — but conclude a reversal only with a clear reversal pattern.
- New trends frequently begin with a burst of volume as price breaks out of a range.

7. The Four Classic Indicators

Indicators describe what price has been doing — they are aids to analysis, not automatic instructions. Conventional readings below are how the industry interprets them.

Moving Averages (SMA / EMA)

The average of a chosen number of data points, rolling forward. Most effective in trending markets — it filters noise and reveals the underlying trend. A moving average tends to act as support in an uptrend and resistance in a downtrend. Commonly used: 5, 10, 20, 50 EMA/SMA.

Stochastic

A momentum oscillator, usable independently or with RSI. Conventional reading: %K crossing above %D is a bullish signal; %D crossing above %K is bearish.

RSI (Relative Strength Index)

Measures the speed and change of price moves on a 0–100 scale. Conventional reading: above 70 = overbought, below 30 = oversold. Default lookback: 14 (shorter = more sensitive). Above 50 conventionally supports a bullish view; below 50, bearish.

MACD

A trend-following momentum indicator: 12-day EMA minus 26-day EMA, with a 9-day EMA "signal line" plotted on top. Conventional reading: above zero supports the bulls; below zero, the bears.

8. Position Sizing — the Skill That Saves Accounts

Quantity must match your risk profile. Decide your risk per trade FIRST, then let mathematics decide your quantity:

Quantity = Risk per Trade ÷ Stop-Loss Points

Example: capital ₹1,00,000, risk 2% per trade (₹2,000), stop-loss 10 points away → quantity = 2000 ÷ 10 = **200 shares**. Never more — no matter how confident you feel.

> 💡 **Use our free calculator:** www.profitamitra.com/calculator.html does this math for you — the same tool we use in class.

Your Next Steps

- 📈 Attend your **ShreeGanesha LIVE session** — 1st Saturday of the month, 10 AM–1 PM
- 🧮 Practice with the free **Position-Size Calculator** and **Trading Journal** on our website
- 📊 Explore **Market Pulse** and the **Options Analyzer** — live, free market analytics
- 🎓 When ready: **StrategyMitra ₹5,555** — the complete rule-based trading system, at your pace