



# Mastering Stochastic Oscillator in Equity Trading

## 11<sup>th</sup> March, 2019

## Mastering Stochastic Oscillator in Equity Trading

- **Agenda:**
- 1. Explore the Stochastic Oscillator using technical analysis
- 2. Learn how Stochastics works for short term and positional traders
- 3. Experience live technical analysis and develop your knowledge of current market patterns and price action
- 4. Live Question & Answer Session

## **Stochastic Oscillator:**

The stochastic oscillator was developed in the late 1950s by George Lane.

As designed by Lane, the stochastic oscillator presents the location of the closing price of a stock in relation to the high and low range of the price of a stock over a period of time, typically a 14-day period.

# Stochastic Oscillator:

A stochastic oscillator is a momentum indicator comparing a particular closing price of a security to a range of its prices over a certain period of time.

The sensitivity of the oscillator to market movements is reducible by adjusting that time period or by taking a moving average of the result.

Divergence between the stochastic oscillator and trending price action is also seen as an important reversal signal.

## Stochastic Oscillator:

It is used to generate overbought and oversold trading signals, utilizing a 0-100 bounded range of values.

Traditionally, readings over 80 are considered in the overbought range, and readings under 20 are considered oversold.

## Stochastic Oscillator:

As a rule, the momentum or speed of the price of a stock changes before the price changes itself.

For the same reason Bullish and Bearish Divergence is most important trading signal.

# Stochastic Oscillator:

The Stochastic is useful in sideways or range bound markets.

If we increase the period of range then it is useful in trending markets also.

# Formula for Stochastic Oscillator

- $$\%K = \frac{(\text{CLOSING} - \text{LOWEST LOW OF LAST 14 DAYS})}{(\text{HIGHEST HIGH OF LAST 14 DAYS} - \text{LOWEST LOW OF LAST 14 DAYS})} \times 100$$

%K = the current value of the stochastic indicator.

%D = 3-period moving average of %K.



# Useful for Range bound market



Source - Spider Software Pvt LTD "The securities quoted are exemplary and are not recommendatory"

# Range Bound – Auro Pharma



Source - Spider Software Pvt LTD "The securities quoted are exemplary and are not recommendatory"

# Bullish Divergence

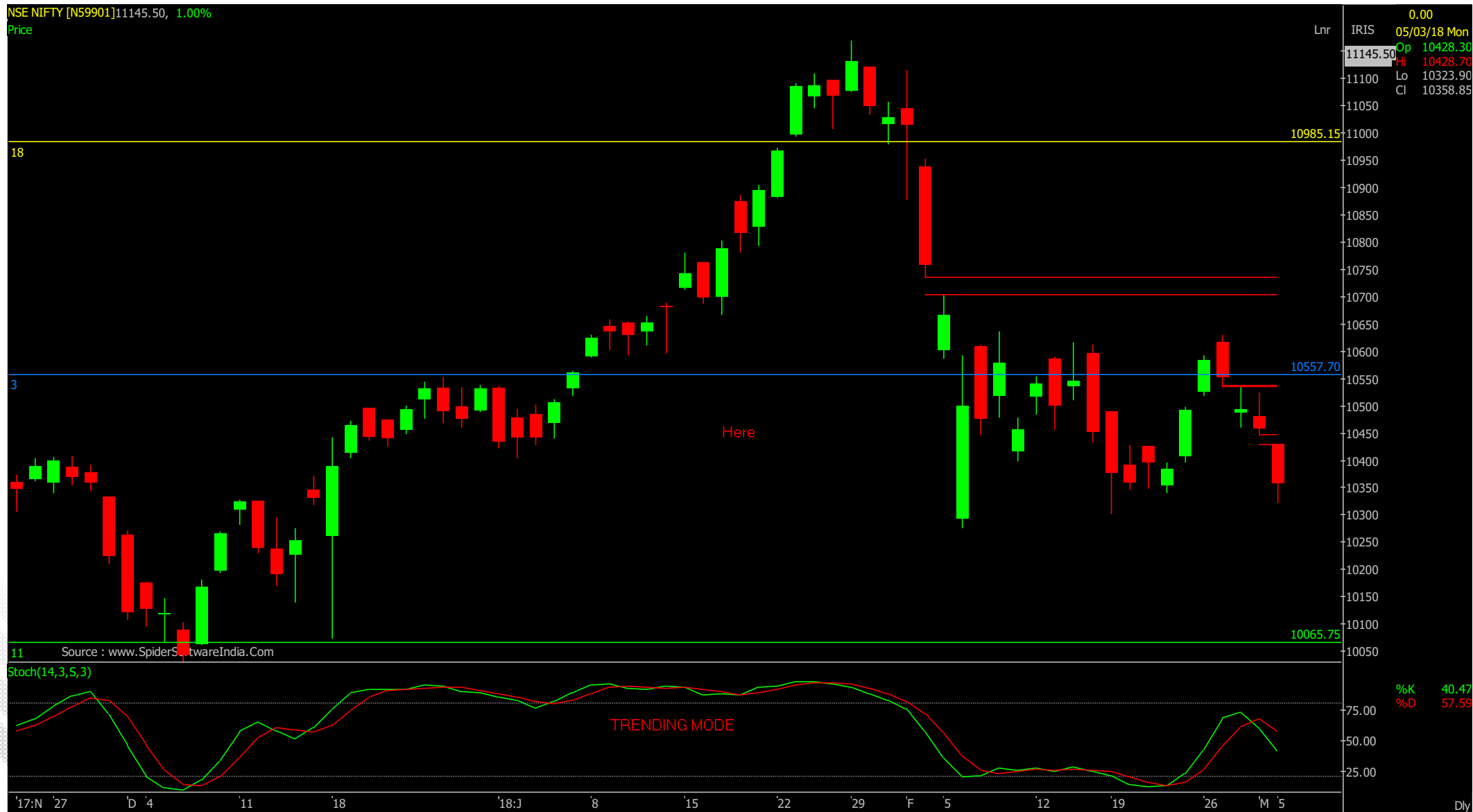


Source - Spider Software Pvt LTD "The securities quoted are exemplary and are not recommendatory"

# Bearish Divergence



Source - Spider Software Pvt LTD "The securities quoted are exemplary and are not recommendatory"



Source - Spider Software Pvt LTD "The securities quoted are exemplary and are not recommendatory"

# Bullish Divergence



Source - Spider Software Pvt LTD "The securities quoted are exemplary and are not recommendatory"



Source - Spider Software Pvt LTD "The securities quoted are exemplary and are not recommendatory"

# Data Points of Nifty @ 11150

INDIA Volatility Index – 14.95 (Mild Bearish)

(ahead of elections base is going to shift from 10 to 13 and from 20 to 25)

Put Call Ratio – 1.35 OF SAME SERIES (Neutral).

DAILY Relative Strength Index – AT 67% (STRENGTHENING)

Indian Rupee – WAS AT Rs.69.95 (corrected from Rs.74.50)

Crude was at \$66 (Neutral till \$70)

World Markets : Positive



# Nifty at Crucial levels.11100/11200 (Jan 2018/2019)



Source - Spider Software Pvt LTD

## Question & Answer

Queries should be specific to stock that are in FNO segment.

## RATING SCALE

- BUY** – A condition that indicates a good time to buy a stock. The exact circumstances of the signal will be determined by the indicator that an analyst is using.  
**SELL** – A condition that indicates a good time to sell a stock. The exact circumstances of the signal will be determined by the indicator that an analyst is using.  
**Stop Loss Order** – An instruction to the broker to buy or sell stock when it trades beyond a specified price. They serve to either protect your profits or limit your losses.

## FUNDAMENTAL RESEARCH TEAM

### Rusmik Oza

Head of Research  
rusmik.ozakotak.com  
+91 22 6218 6441

### Arun Agarwal

Auto & Auto Ancillary  
arun.agarwal@kotak.com  
+91 22 6218 6443

### Amit Agarwal

Transportation, Paints, FMCG  
agarwal.amit@kotak.com  
+91 22 6218 6439

### Nipun Gupta

Information Tech, Midcap  
nipun.gupta@kotak.com  
+91 22 6218 6433

### Deval Shah

Research Associate  
deval.shah@kotak.com  
+91 22 6218 6423

### Sanjeev Zarbade

Cap. Goods & Cons. Durables  
sanjeev.zarbade@kotak.com  
+91 22 6218 6424

### Ruchir Khare

Cap. Goods & Cons. Durables  
ruchir.khare@kotak.com  
+91 22 6218 6431

### Jatin Damania

Metals & Mining, Midcap  
jatin.damania@kotak.com  
+91 22 6218 6440

### Cyndrella Carvalho

Pharmaceuticals  
cyndrella.carvalho@kotak.com  
+91 22 6218 6426

### Ledo Padinjarathala, CFA

Research Associate  
ledo.padinjarathala@kotak.com  
+91 22 6218 7021

### Teena Virmani

Construction, Cement, Buildg Mat  
teena.virmani@kotak.com  
+91 22 6218 6432

### Sumit Pokharna

Oil and Gas, Information Tech  
sumit.pokharna@kotak.com  
+91 22 6218 6438

### Pankaj Kumar

Midcap  
pankajr.kumar@kotak.com  
+91 22 6218 6434

### Krishna Nain

M&A, Corporate actions  
krishna.nain@kotak.com  
+91 22 6218 7907

### K. Kathirvelu

Support Executive  
k.kathirvelu@kotak.com  
**+91 22 6218 6427**

## TECHNICAL RESEARCH TEAM

### Shrikant Chouhan

shrikant.chouhan@kotak.com  
+91 22 6218 5408

### Amol Athawale

amol.athawale@kotak.com  
+91 20 6620 3350

### Faisal Shaikh, CFTe

Research Associate  
faisalf.shaikh@kotak.com  
+91 22 62185499

### Siddhesh Jain

Research Associate  
siddhesh.jain@kotak.com  
+91 22 62185498

## DERIVATIVES RESEARCH TEAM

### Sahaj Agrawal

sahaj.agrawal@kotak.com  
+91 79 6607 2231

### Malay Gandhi

malay.gandhi@kotak.com  
+91 22 6218 6420

### Prashanth Lalu

prashanth.lalu@kotak.com  
+91 22 6218 5497

### Prasenjit Biswas, CMT, CFTe

prasenjit.biswas@kotak.com  
+91 33 6625 9810

## Disclaimer / Disclosures

Kotak Securities Limited established in 1994, is a subsidiary of Kotak Mahindra Bank Limited. Kotak Securities is one of India's largest brokerage and distribution house.

Kotak Securities Limited is a corporate trading and clearing member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), Metropolitan Stock Exchange of India Limited (MSE), National Commodity and Derivatives Exchange (NCDEX) and Multi Commodity Exchange (MCX). Our businesses include stock broking, services rendered in connection with distribution of primary market issues and financial products like mutual funds and fixed deposits, depository services and Portfolio Management.

Kotak Securities Limited is also a depository participant with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Kotak Securities Limited is also registered with Insurance Regulatory and Development Authority as Corporate Agent for Kotak Mahindra Old Mutual Life Insurance Limited and is also a Mutual Fund Advisor registered with Association of Mutual Funds in India (AMFI). We are registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advise/warning/deficiency letters/ or levied minor penalty on KSL for certain operational deviations. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

We offer our research services to clients as well as our prospects.

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.

This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Kotak Securities Ltd. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients.

We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed. Neither Kotak Securities Limited, nor any person connected with it, accepts any liability arising from the use of this document. The recipients of this material should rely on their own investigations and take their own professional advice. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

Kotak Securities Limited has two independent equity research groups: Institutional Equities and Private Client Group. This report has been prepared by the Private Client Group.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Kotak Securities Limited (KSL) may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. The views provided herein are general in nature and does not consider risk appetite or investment objective of particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with KSL. Kotak Securities Limited is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation. Kotak Securities Limited does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and take professional advice before investing.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

No part of this material may be duplicated in any form and/or redistributed without Kotak Securities' prior written consent.

Details of Associates are available on [www.kotak.com](http://www.kotak.com)

1. "Note that the research analysts contributing to the research report may not be registered/qualified as research analysts with FINRA; and
2. Such research analysts may not be associated persons of Kotak Mahindra Inc and therefore, may not be subject to NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account

Any U.S. recipients of the research who wish to effect transactions in any security covered by the report should do so with or through Kotak Mahindra Inc. (Member FINRA/SIPC) and (ii) any transactions in the securities covered by the research by U.S. recipients must be effected only through Kotak Mahindra Inc. (Member FINRA/SIPC) at 369 Lexington Avenue 28th Floor NY NY 10017 USA (Tel:+1 212-600-8850).

Kotak Securities Limited and its non US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non US issuers, prior to or immediately following its publication. This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. This research report and its respective contents do not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services. Accordingly, any brokerage and investment services including the products and services described are not available to or intended for Canadian persons or US persons."

Research Analyst has served as an officer, director or employee of subject company(ies): No

We or our associates may have received compensation from the subject company(ies) in the past 12 months.

We or our associates have managed or co-managed public offering of securities for the subject company(ies) in the past 12 months: No

We or our associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report. Our associates may have financial interest in the subject company(ies).

Research Analyst or his/her relative's financial interest in the subject company(ies): No

Kotak Securities Limited has financial interest in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

Nature of financial interest is holding of equity shares or derivatives of the subject company.

Our associates may have actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

Kotak Securities Limited has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report.

"A graph of daily closing prices of securities is available at <https://www.nseindia.com/ChartApp/install/charts/mainpage.jsp> and <http://economictimes.indiatimes.com/markets/stocks/stock-quotes>. (Choose a company from the list on the browser and select the "three years" icon in the price chart)."

Kotak Securities Limited. Registered Office: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. CIN: U99999MH1994PLC134051, Telephone No.: +22 43360000, Fax No.: +22 67132430. Website: [www.kotak.com/www.kotaksecurities.com](http://www.kotak.com/www.kotaksecurities.com). Correspondence Address: Infinity IT Park, Bldg. No 21, Opp. Film City Road, A K Vaidya Marg, Malad (East), Mumbai 400097. Telephone No: 42856825. SEBI Registration No: INZ000200137 (Member of NSE, BSE, MSE, MCX & NCDEX), AMFI ARN 0164, PMS INP000000258 and Research Analyst INH000000586. NSDL/CDSL: IN-DP-NSDL-23-97. Our research should not be considered as an advertisement or advice, professional or otherwise. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing. Investments in securities market are subject to market risks, read all the related documents carefully before investing. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts. Compliance Officer Details: Mr. Manoj Agarwal. Call: 022 - 4285 8484, or Email: [ks.compliance@kotak.com](mailto:ks.compliance@kotak.com).

In case you require any clarification or have any concern, kindly write to us at below email ids:

**Level 1:** For Trading related queries, contact our customer service at 'service.securities@kotak.com' and for demat account related queries contact us at [ks.demat@kotak.com](mailto:ks.demat@kotak.com) or call us on: Toll free numbers 18002099191 / 1860 266 9191

**Level 2:** If you do not receive a satisfactory response at Level 1 within 3 working days, you may write to us at [ks.escalation@kotak.com](mailto:ks.escalation@kotak.com) or call us on 022-42858445 and if you feel you are still unheard, write to our customer service HOD at [ks.servicehead@kotak.com](mailto:ks.servicehead@kotak.com) or call us on 022-42858208.

**Level 3:** If you still have not received a satisfactory response at Level 2 within 3 working days, you may contact our Compliance Officer (Name: Manoj Agarwal) at [ks.compliance@kotak.com](mailto:ks.compliance@kotak.com) or call on 91- (022) 4285 8484.

**Level 4:** If you have not received a satisfactory response at Level 3 within 7 working days, you may also approach CEO (Mr. Kamlesh Rao) at [ceo.ks@kotak.com](mailto:ceo.ks@kotak.com) or call on 91- (022) 4285 8301.

# Thank You