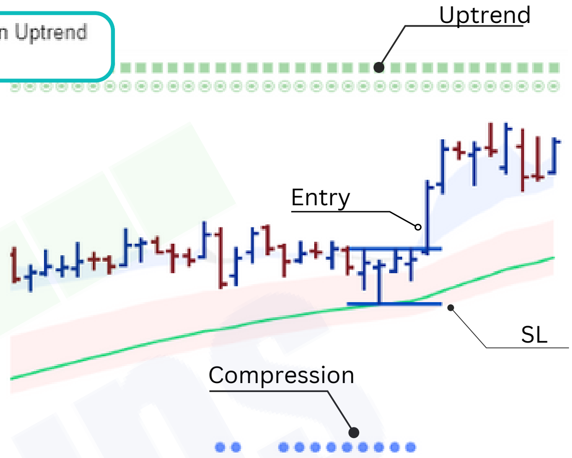
GMMA - 3 simple strategies to Trade

In **last week's Newsletter**, we learnt that:

- the **Blue** and **Red clouds** that you see in Pro-Setups indicator are based on **GMMA**.
- **Blue cloud** is combination of 3, 5, 8, 10 & 15 EMAs.
- **Red cloud** is combination of 30, 35, 40, 50 & 60 EMAs
- In a strong **trending market**, it is normal to see the **Blue cloud compress** while there is **no impact on Red cloud**.
- When blue cloud compresses, we get **blue dots** at the bottom of our chart in Pro-Setups indicator.
- In **Uptrend**, the Blue cloud continuously moves above the Red cloud.
- In **Downtrend**, the Blue cloud continuously moves below the Red cloud.

3 simple strategies that we can use to trade with these clouds

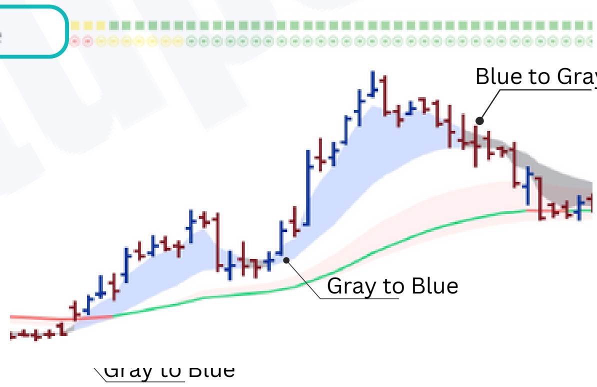
1. Compressed Blue cloud in Uptrend with Tight Range



Objective:
Identify stocks in Uptrend when their blue cloud is compressed and making tight range so that our SL is low. Enter when price starts to move up, breaking the tight range.
Scan:

- **Uptrend**: Weekly & Daily trend - Green, 50EMA>200EMA, Rising50EMA
- **Compression**: Atleast 3 blue dots
- **Tight range**: 3 week High-Low range < 20%, 5 Day High-Low range < 10%, Bollinger Band width < 15%

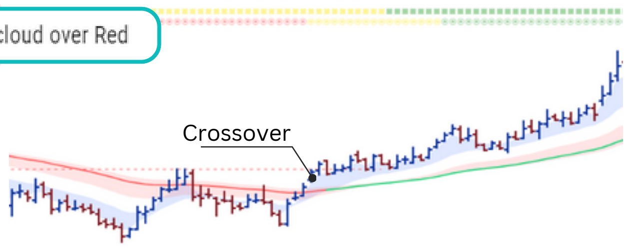
2. Gray cloud turns Blue



When price starts to fall, our Blue cloud turns Gray in color. We call it as price in stress. When price starts to rise again, it changes its color from Gray to Blue, meaning price is coming out of stress.
Objective:
To identify stocks that are coming out of stress. Blue cloud need not necessarily be compressed.
Scan:

- **Uptrend**: Weekly & Daily trend - Green, 50EMA>200EMA, Rising50EMA
- **Gray to Blue** filter.

3. Crossover of Blue cloud over Red



Objective:
To identify stocks that are changing trend. This strategy is prone to have a *higher failure rate* than the previous two strategies, because we are anticipating a trend change here. Hence, it is better to use it for ***positional trades*** once you know about the company fundamentally as well.
Scan:

- **Crossover of Blue cloud over Red** filter.