



# POM - POT - POM TRADING SYSTEM

**POM - POT - POM TRADING SYSTEM:**  
**POM - Plenty of Money!**

What if I can show you how to Earn Plenty of Money from the Stock Market?

**POT - Plenty of Time!**

What if I add that, to earn Plenty of Money you don't have to sit in front of the screen from 9:15 am to 03:30 pm and stay awake in the night, looking at "n" number of charts to plan next day's trade. You just need to spend 5 minutes to earn Plenty of Money resulting in you having Plenty of Time to do what you like/love to do in your life?

**POM - Peace of Mind!**

Not only a No Brainer, Zero Analysis System. This system of trading over a period of time will generate a steady and growing income for you without you investing your time & life in it which will result in Peace of Mind.

**Welcome to POM - POT - POM Trading!**

**Plenty of Money - Plenty of Time - Peace of Mind!!!**

The system that I am going to share now is nothing new, you all know about it "but are not trading it", in-fact after reading the above and getting your hopes high, you will think, what I am sharing is kind of an anti-climax and many of you might stop reading further, but trust me friends, if you stop reading it or don't apply it in your trading it will be at your own financial peril.

What I am sharing is from personal experience, in the last few years, I have spent lakhs of rupees, invested hours

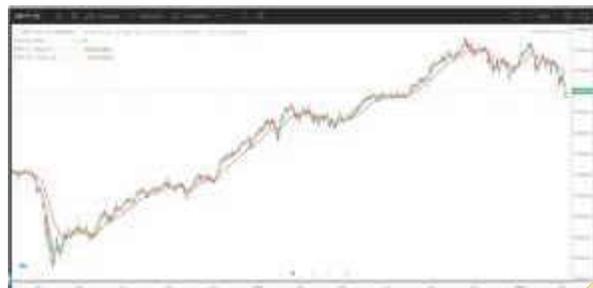
and days in attending paid webinars and undertook training from the best in the industry, read scores of books. There are a billion and more ways to earn money from the Stock Market; I felt it is very important for me to learn everything that I can and then decide what setup or system is best suited for my temperament especially my risk taking ability. So I have learnt Candle Sticks trading, Gann System, Elliot Wave, Point & Figure, Renko Charts and Astrology too.

Since I am a part-time trader it was very important for me to use a system that does not require me to invest my time and without any reservation in my personal trading experience a Moving Average Cross-over Trend Following system is the best way to earn consistent and high returns over a period of time.

I trade the Exponential Moving Averages 5:21 Crossover - Stop & Reverse (SAR) in Nifty.

**Mechanics of Trade:** When 5 EMA price crosses over the 21 EMA price, it signals a buy & when 5 EMA price crosses below the 21 EMA price, it triggers a square off and short trade i.e.: Stop & Reverse Trade.

**ILLUSTRATION 1**



Anti-Climax! Disappointed! Isme kya naya hai!!

This is such a simple system, that it is simple not to do.

Let me share here recent data of the past two years and then I shall also share the benefits, advantages and disadvantages of this system so that you can take an informed decision whether this system is for you or not.

The above Chart shows the trades that are executed from January 2020 till date. (See illustration 1)

executed in 27 months of trading. There would be months in which you will take trade only for roll-over and astonishingly this simple system can give you consistently average 75% return per annum over a period of time.

#### CAVEATS

1. Brokerage & Taxes are not considered in the above example.

**TABLE 1**

Date	Buy Qty.	Price	Position	Date	Sell Qty.	Price	Position	Points	Gain/Loss
09.01.2020	50	12215	Long	22.01.2020	50	12105	Sq. off	-110	-5500
12.02.2020	50	12200	Sq. off	22.01.2020	50	12105	Short	-95	-4750
12.02.2020	50	12200	Long	17.02.2020	50	12045	Sq. off	-155	-7750
20.04.2020	50	9260	Sq. off	20.04.2020	50	12045	Short	2785	139250
20.04.2020	50	9260	Long	14.05.2020	50	9140	Sq. Off	-120	-6000
28.05.2020	50	9490	Sq. off	14.05.2020	50	9140	Short	-350	-17500
28.05.2020	50	9490	Long	09.09.2020	50	11275	Sq. Off	1785	89250
10.09.2020	50	11450	Sq. off	09.09.2020	50	11275	Short	-175	-8750
10.09.2020	50	11450	Long	22.09.2020	50	11150	Sq. Off	-300	-15000
05.10.2020	50	11500	Sq. off	22.09.2020	50	11150	Short	-350	-17500
05.10.2020	50	11500	Long	02.11.2020	50	11670	Sq. Off	170	8500
03.11.2020	50	11815	Sq. off	02.11.2020	50	11670	Short	-145	-7250
03.11.2020	50	11815	Long	28.01.2021	50	13815	Sq. Off	2000	100000
02.02.2021	50	14650	Sq. off	28.01.2021	50	13815	Short	-835	-41750
02.02.2021	50	14650	Long	26.02.2021	50	14530	Sq. Off	-120	-6000
02.03.2021	50	14920	Sq. off	26.02.2021	50	14530	Short	-390	-19500
02.03.2021	50	14920	Long	17.03.2021	50	14720	Sq. Off	-200	-10000
08.04.2021	50	14875	Sq. off	17.03.2021	50	14720	Short	-155	-7750
08.04.2021	50	14875	Long	12.04.2021	50	14310	Sq. Off	-565	-28250
28.04.2021	50	14865	Sq. off	12.04.2021	50	14310	Short	-555	-27750
28.04.2021	50	14865	Long	04.05.2021	50	14500	Sq. Off	-365	-18250
06.05.2021	50	14725	Sq. off	04.05.2021	50	14500	Short	-225	-11250
06.05.2021	50	14725	Long	28.07.2021	50	15710	Sq. Off	985	49250
29.07.2021	50	15780	Sq. off	28.07.2021	50	15710	Short	-70	-3500
29.07.2021	50	15780	Long	29.10.2021	50	17670	Sq. Off	1890	94500
08.11.2021	50	18070	Sq. off	29.10.2021	50	17670	Short	-400	-20000
08.11.2021	50	18070	Long	11.11.2021	50	17875	Sq. Off	-195	-9750
12.11.2021	50	18100	Sq. off	11.11.2021	50	17875	Short	-225	-11250
12.11.2021	50	18100	Long	18.11.2021	50	17765	Sq. Off	-335	-16750
31.12.2021	50	17355	Sq. off	18.11.2021	50	17765	Short	410	20500
31.12.2021	50	17355	Long	24.01.2022	50	17150	Sq. Off	-205	-10250
08.03.2022	50	16015	Sq. off	24.01.2022	50	17150	Short	1135	56750
								<b>4520</b>	<b>226000</b>

On first glance at Table 1 above one would conclude that there are only 17 trades plus some rollover trades

2. The cost/profit due to roll-over is not factored in here. On roll-over there would be a cost, but there are

times when you are short with premium but at the time of stop & reverse the Futures price will be at par with spot or even at a discount and vice-versa. Using Deep In The Money (DITM) options having minimal theta can also reduce your cost and charges.

In consideration of the above, even though the table suggests that earnings are about 100% per annum, I have considered earnings to be 75% per annum.

#### ADVANTAGES OF THIS SYSTEM

1. **Least amount of time required:** In this system you just have to check price once between 03:25 pm to 03:30 pm. If the cross-over has taken place you have to execute the stop & reverse trade.
2. **No knowledge of Technical Analysis or Chart reading is required:** You just need to plot once the SMA/EMA/WMA Cross-over you want to trade & it's done. No other indicator or tool is required. Anything & everything else is noise.
3. **You will always be with the Trend:** Even though there would be whip-saws, you will find that eventually when the big move comes you will be riding the trend.  

To put it in another context, Elliottians aim is to trade the Wave iii of the Wave 3 and also the entire Wave 3. A disciplined SAR trader will ride this Wave for sure. He does not have to learn Elliott Wave and predict waves.

The Trend is your friend except at the end where it bends – **Ed Seykota**.
4. **Lose Less – Earn More**  

**You cut your losses early:** Since the stop loss is inbuilt in this SAR system, you will find that over a period of time when you lose you lose less and when you earn you earn big. Take the above Nifty example there is only three times when loss has been above 500 points but in this duration 4 times profit has been average 2000 points.

It's not whether you're right or wrong, but how much money you make when you're right and how much you lose when you're wrong – **George Soros**
5. **Low Brokerage & Transaction Fees:** Since the number of trades per year are very less, brokerage & transaction charges are the least compared to other setups or system.

#### DIS-ADVANTAGES OF THIS SYSTEM

1. **You cannot catch the bottom or tops:** You cannot earn 100% of the move. Take the case of Nifty fall in March 2020 from top of 12430.50 to 7511.10 (Total = 4919.40 points) your actual trade of short was at 12045 & long was at 9260, you have earned 2785 points on a move of 4919.40. You will find that you will be able to capture only about 60% - 70% of the move in your profitable trades.
2. **Low Hit Rate:** The number of losing trades will be more than winning trades, this can unnerve many traders.
3. **Whip-saws, False Breakouts, Losing Streaks :** In my opinion, losing streaks is the number one reason why traders leave this system. There would be times of losing streaks, series of trades will be losing trades, this unnerves most traders and they leave this system.  

In the above example, from February 2nd to May 6th there were continuous 9 loss making trades. It takes really nerves of steel to take that 5th, 7th, 10th SAR Trade.

I, too, have erred here. In the Covid fall of March 2020, I was only 1 lot short. I was shaken by the whipsaws preceding the fall....

This could be addressed by trading SAR in two different asset classes. Say, trade above in Nifty and also trade in Crude Oil/Gold/Silver or Currency. Loss in one asset class could get offset by the other.

In the present case, Crude Oil is having a ride of a life-time. It is always good to trade this system in 2 or 3 different asset classes simultaneously. Eventually over a period of time each asset classes will give 75% to 100% return per annum.

“The purpose of trading is not being right, the purpose is to make money, and I think that's my number-one rule. Don't get hung up on your current positions.”- **Dana Allen**.
4. **Leveraged Trade:** Since we are trading futures, which is a leveraged instrument theoretically it is unlimited profit or loss.  

This could also be addressed by trading in ITM/DITM Options which have minimal theta, this would not have unlimited risk. I will also share how to optimise using ITM/DITM later.

To summarize, like in other systems here too most of above dis-advantages can be addressed when one is psychologically strong. This system is very simple but it demands discipline. It is a real roller-coaster ride and you need to have a strong belief in the system and in my opinion, it is very important to do back-testing for the Instrument, whether it is stock, commodity, currency etc that you want to trade.

#### NO COMPROMISE RULES:

1. **Bhav Bhagwan Che:** At 03:25 pm or 03:29 pm or any time you have decided, if the lower time frame EMA price crosses higher time frame EMA price you “have to” execute the SAR order. Period.



2. **Only Variant here is that there is “No Variant”:**  
You should not add any tweak or filter of RSI, MACD etc. It should be a simple and clear SMA/EMA/WMA Cross-over trade. Keep It Simple, Stupid.
3. **At no cost you should miss a trade:** This is the most important aspect that one should keep in mind, you have to take each & every SAR trade without exception. When there is a losing streak, one would be tempted to stop trading for a while.... and we all know what would happen, the next trend will be the biggest trend and we might be sitting on the fence just watching.....

**Like the hindi saying goes :** Nazar haati aur durghatna gati.... one trade missed, might be the most profitable trade missed in the entire move...

**For e.g.:** Some traders take only Long Cross-over trade. I would strongly suggest not to have such limitations. In-fact here short trades will give bigger and faster profits.

As the maxim goes, Price climbs up the ladder but comes down in an elevator. This is because Fear is a stronger emotion than Greed.

#### HOW TO OPTIMISE THIS SYSTEM

##### Smart Pyramiding is possible here:

- A. For every loss making trade or whip-saw, increase one lot.

**For e.g. :** If I start with 1 lot & first trade is in a loss, I add 1 more lot in the SAR trade, so Nett I am 2 lots short. You can plan this depending on the capital that you can deploy, your money management rules or position sizing rules. If capital does not permit, you can add 1 lot after every two or three losing trades.

Here the principle of after every contraction there is expansion can be applied for our advantage. For extra lots bought you can have fixed points at which you will book profit (recover losing trade loss)

- B. If you have started trading with 10 or 20 lots, at every profit of Rs.75,000/- or Rs.1,00,000/- you can add one more lot to trade. Here you start compounding your profits.
- C. Whenever Nifty Futures/DITM is giving you profit above Weekly or Monthly ATR., on Wednesday or Thursday switch to weekly Near ITM Options which has minimal theta.

**For e.g.:** If I am long in Futures and having a profit of 1500 points, on Wednesday or Thursday, I can book profits in this future and buy ITM-Near ATM Option. This ensures that I lock in my profits and am not at the receiving end of the sharp movements on weekly expiry days. This could be done when IVs are relatively low.

Say I have sold Nifty at 17500 & on Thursday Nifty is trading at 16000., I can book 1500 points profit and buy say, 16100 PE simultaneously if it is trading at 110 or 120 (this is a conditional trade, you switch only if NITM Options has least theta). The benefit of this is that if in the last couple of hours Nifty goes up sharply by 300-400 points, it ensures that I will lose only 110 or 120 points instead of 300 to 400 points.

Irrespective of this system, this smart switch you can do in any high beta Futures trade. For e.g. You are long in DLF Futures and sitting on good profits, in the last week of Expiry book profits in Futures and buy Near ITM CE with least theta. If the price goes up you earn like you would earn in futures, but if the price falls drastically since you have locked in the profits by selling futures you only lose the premium amount that you bought ITM CE.

- D. The best way to optimize this system, is like I shared earlier, trade this system in two completely different asset classes.
- E. I have since December 2021 starting trading Nifty in Renko Trend Following system too, same instrument, but two different systems. Renko is giving lot of pain and whipsaws since the war broke out. But I know eventually this too will give at least 100% return per annum. This system I can share but may be in another article.

**Last but not the least,**

**What to trade**

Indexes like Nifty, Bank Nifty, HRITHIK stocks and fundamentally secular moving scrips like Asian Paints, Pidilite, Maruti, Bajaj Twins are good instruments to trade. Cyclical scrips like metals, Tata Steel, Vedanta etc are also good to trade because when they go up they keep going up & when the fall they keep falling due to cycles. Each scrip, Index, commodity has it only fundamental principles on which it moves. Mostly commodities like Crude, Natural Gas, Copper etc. trade on Demand Supply (especially disruption).

FMCG, Consumption stocks like HUL, Nestle etc. are also good to trade. Of course, every rule has an exception and here the exception is ITC. Lol.

**What to avoid:**

Avoid Pharma scrips, as FDA action can give erratic movements in these scrips, avoid scrips that depend on Government policy too.

**Which Moving Average to trade:**

To decide on which SMA/EMA/WMA in which asset class requires thorough back testing.

Since this is an in-house article, I take the liberty of acknowledging the contribution of Mahesh Shah who trades 6 SMA & 35 EMA in Nifty. He constantly impressed upon me the benefit of trading Moving Average cross-over and regularly shared his trading numbers too. Earning an exceptionally good yearly ROI without investing much of your time is too good to ignore.

**POM:** Very good ROI. On March 31st your ROI will define your trading success for this year.

**POT:** Invest just 5 minutes of your time.

**POM:** Laugh & dance all the way to the bank.

I would also like to acknowledge Raju Sir too, in his interaction with AIF Delhi chapter just before Budget, he was asked how to trade the Budget day, he said if the price is above 10 SMA go long, if it below 10 SMA go short and our Delhi chapter friends made a killing. Endorsement of MA trade from him was a big confidence builder. It got me thinking when I know the permutations and combinations, pros and cons why am I not trading it.

One request, If you monetarily benefit from this strategy, please feed animals especially mother cow, they can neither ask for water when they are thirsty nor ask for food when they are hungry. They depend solely on our benevolence.

Like Chief says, be a Santa Claus in somebody's life. Be blessed.

Disclaimer - The Article and the theory shared is strictly for educational purposes, Investments are subjected to market risks, please do your due diligence before following the strategy discussed hereinabove.

**Jitendra Thacker**

## About the Author

Jitendra Thacker, or JT as he is fondly called in the Advanced InvesTrade Forum, is a part time trader and long term investor. He got interested in the Stock Market in the early 1990s at the time of Harshad Mehta euphoria. When the bubble burst in 1992, like it happens to most he turned from trader to investor and later on he quit investing too.

About 2 decades later, a sub-broker friend of his Mr. Purav Shah, encouraged him to start trading in Nifty and introduced him to the Advanced InvesTrade Forum (AIF). Joining AIF and learning and trading with AIF associates took his trading to the next level. JT is still primarily a Nifty trader, in Intra-day he uses Open Interest study to take trades and for positional trades he is using simple Trend Following system like the Exponential Moving Average Crossover trading system explained in this article and Renko Charts. He is also actively trading USD-INR in NSE.

