



Indicators – Construction and Usage

Agenda

- *Introduction*
- MACD
- Accumulation/Distribution
- Stochastics
- Williams %R
- RSI
- Bollinger Bands
- Summary

Introduction

- Indicators are mathematical operations based on the basic data set that aim to provide further clues as to what is happening with respect to direction and momentum of market trends
- Some Indicators are more “trend following”, some aim to pick the short term turning points within a trend
- It is a misconception that these are a bit of magic that can find you the answer to the “Holy Grail”!

Introduction

- A firm understanding of how a particular indicator works and what it's trying to achieve is necessary to be able to use them effectively
- As they are designed to give an in-depth view of a **specific** aspect of market action, the reliance on an indicator in isolation is going to be of little use in determining future price movement
- By gaining a solid knowledge of the uses, strengths, and limitations of some indicators, we can apply them intelligently and have them aid instead of hinder our trading decisions

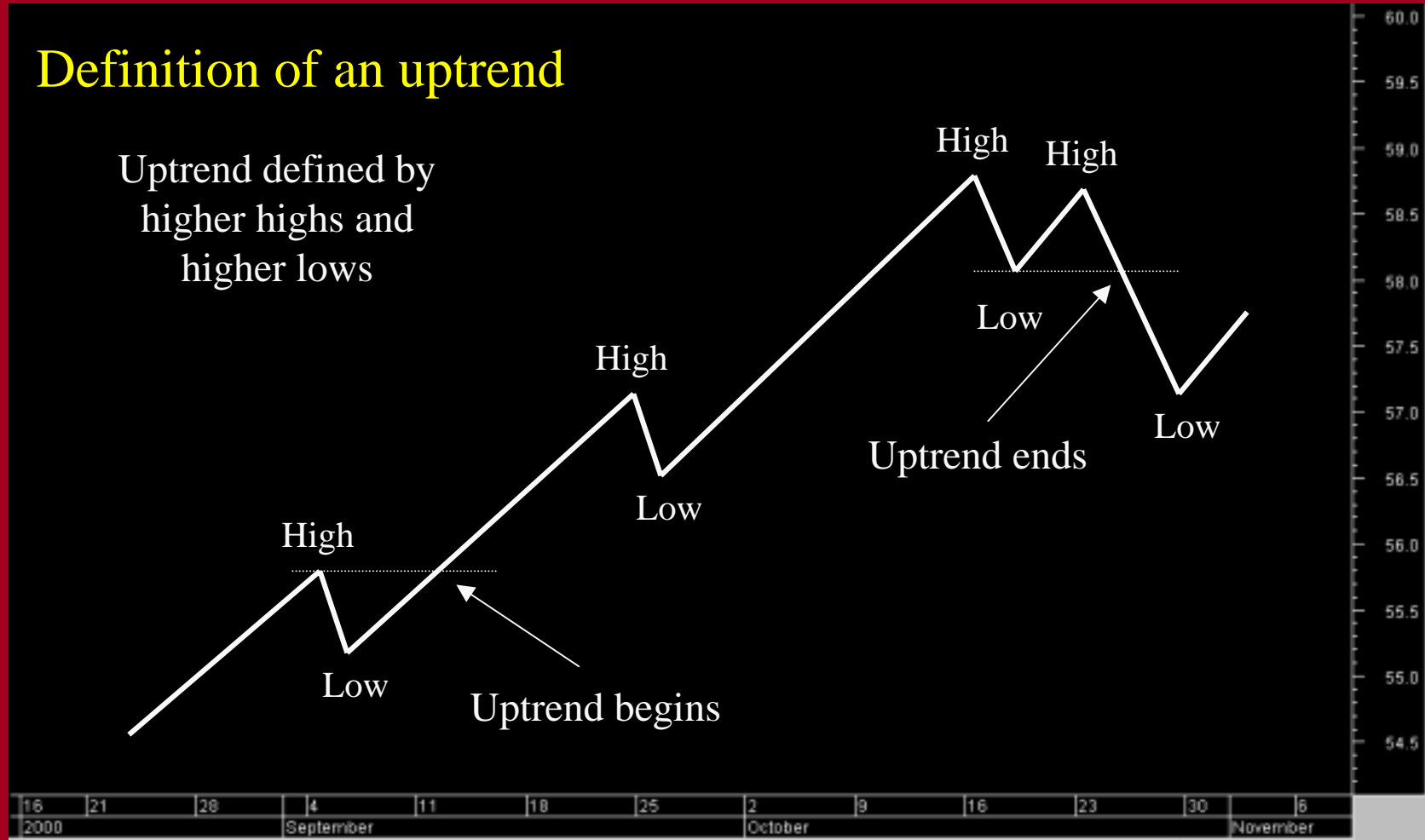
Introduction

- Indicators, like all other technical tools, are just another weapon in our arsenal and do not replace any other technical tools
- Instead, indicators can be a great asset in confirming signals generated from other tools and also in gaining a deeper insight into what these other methods are showing
- As mentioned, some Indicators attempt to follow the trend whilst others look for the peaks and troughs within a trend

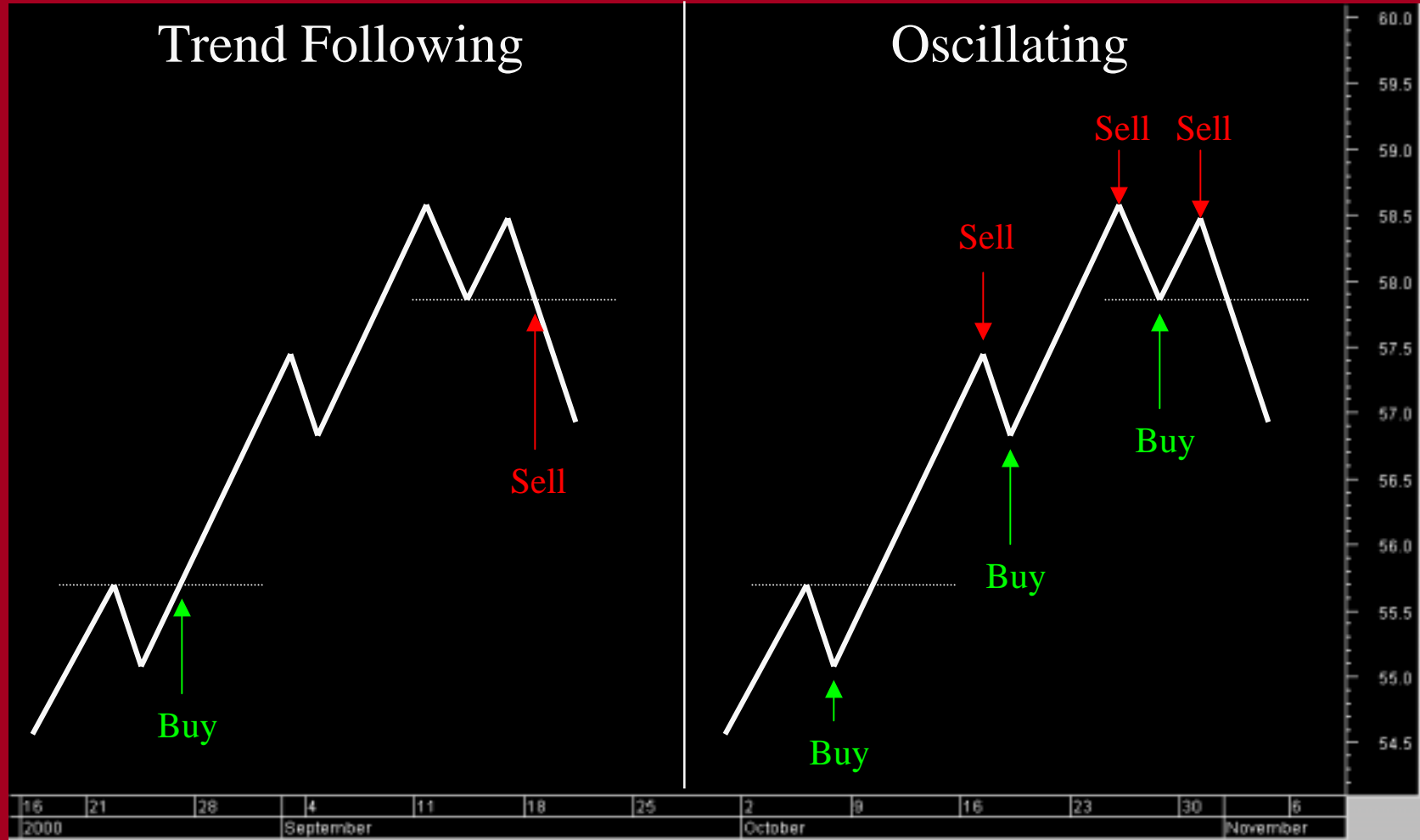
Introduction

Definition of an uptrend

Uptrend defined by higher highs and higher lows



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