

Technical Indicators

Technical indicators are crucial tools in day trading. Indicators are used in trading to analyze price movements, identify trading opportunities (entry and exit points), and manage risk effectively. The right combination of trading indicators will provide you with low risk, high probability trade opportunities. This is how our trading indicator sets are designed. Here is an explanation of each of the trading indicators on the small cap trading indicator set. If you haven't already setup your indicator set please see [📊 | tos-small-caps-setup](#) or [📊 | tos-large-caps-setup](#) before reading this channel.

1. Exponential Moving Averages (EMAs): There are 5 EMAs on your chart:

8 EMA (solid yellow line): This is a micro indicator, it is a great guide for holding if the stock holds it. Breakdowns of the 8 EMA can be used as sell signals/ exit points. Stop losses can also be placed below the 8 EMA. Crossovers between the price and the 8 EMA can signal potential trend reversals or continuation. For example, when the price crosses above the 8 EMA, it may indicate the beginning of an uptrend, while a crossover below the 8 EMA could signal the start of a downtrend. **21 EMA** (dashed purple line): This is a micro indicator, Very accurate. Above is bull, below is bear. This is one of the main EMA's to take entries off of long/short, also very good for holding if the stock holds it. Look for failed breakdowns of the 21 EMA for Long entries, look for failed breakouts of the 21ema for short entries. **34 EMA** (dashed orange line): This is a macro indicator. Above is bull, below is bear. Crossovers between the price and the 34 EMA can signal potential trend reversals or continuation. For example, a bullish crossover (price crossing above the 34 EMA) in a downtrend may suggest a reversal to an uptrend, while a bearish crossover (price crossing below the 34 EMA) in an uptrend could indicate a potential reversal to a downtrend. Taking a long trade when the stock price is below the 34 EMA is risky. However, depending on other factors, it is ok to take a long starter position if the stock price holds the 34 EMA. **55 EMA** (dashed cyan line): This is also a macro indicator, long underneath this is high risk, you should not take a trade below this. This is good for longer term holds if you have a good entry. **200 EMA** (solid light purple line): This is a macro indicator (bigger picture). You do not take a trade if the stock is below this, below is Macro bear, this is HIGH risk for a long. Use this to see whether a stock has potential if it is above it, also to take a trade off of if it holds.

2. Volume Weighted Average Price (VWAP)

- red line: This is an indicator which most retail traders use, very good for entries off of. Do not use as an indicator to hold the stock above, look at the other indicators for holding. Take entries long on holds of the VWAP or failed breakdowns of the VWAP. Take entries Short on holds below the VWAP or failed breakouts of VWAP. Short sellers like to short below the VWAP, so you know that they are trapped if it breaks above the VWAP.

Lower Indicators

3. TTM Squeeze:

This indicator is KEY. If it is above the centre line (histogram coloured cyan or blue), then it is bull. If it is below the centre line (histogram coloured red or yellow) then it is bear. Cyan: Strong bull Blue: Weak bull Red: Strong bear Yellow: Weak bear This will help you with knowing when to stay away from a stock, when it is ready, this will also help you with holding if the TTM stays above the centre line (bull) You can see a move weakening with the histogram size becoming lower than previous histogram size. When the TTM is yellow (weak bear), this is an indication of a potential bull reversal, but it is still risky to take a trade, look at other indicators to see whether the stock is still bull (either above cyan/pink line). When the TTM centre line is red, this is compression, which means it will release either bear or bull, these tend to be big moves once it releases, so look for the TTM to become bull (Cyan) once it is out of compression. Or bear release if it goes bear (Red)

4. Momentum:

This indicator is very important. Above the centre line is Bull, below the centre line is Bear. There will not be a bull move or release until the momentum is above the centre line (bull). Taking a trade long with bear momentum is HIGH risk. This indicator will also help with potential holds if the momentum stays above the centre line (bull). Strength is shown when the momentum histogram is increasing in height.

5. Auto-plotted support/resistance levels (S/R):

These are key retail support and resistance levels that are automatically plotted onto your chart. Use these for entries/exits.

- Support levels: pink
- Resistance levels: green

A support level is a price level where there is buying interest. If the stock price holds a support level, it means that there is enough demand to absorb selling pressure. So support levels are potential entry points for long (buy) trades. When the price approaches a support level, look at the other indicators on your chart for bullish signals to confirm the strength of the support level before entering a long position. A resistance level is a price level where there is selling pressure. If the stock price holds below a resistance level, it means there is enough supply to counter buying pressure. So rejections of resistance levels are potential entry points for short (sell) trades and breakouts of resistance levels are point entry points for long trades.

Bull/Bear Color Coded Candles:

- Strong Bull candlesticks: light green
- Bull candlesticks: bright green
- Weak Bull candlesticks: dark green
- Bear candlesticks: bright red
- Weak bear candlesticks: light red
- Dark blue: oversold candle

Bullish Candlesticks indicates that the closing price of the period is higher than the opening price. Bearish Candlesticks indicates that the closing price of the period is lower than the opening price. Strong Bull candlesticks indicate the greatest amount of buying vs selling activity during that minute and Bear candlesticks indicate the greatest amount of selling vs buying activity during that minute. For example, if the candlestick at 9:32am EST is light green, it means that the buying activity at 9:32am greatly outweighs the selling activity. **EMA Crossover (yellow arrows):** This indicator can be used as a signal to enter a long trade (if other indicators are also showing bullish signs). This specific crossover involves the 8 EMA and the 13 EMA. Each yellow arrow on the chart represents an instance where the 8 EMA crosses above the 13 EMA. This is known as a bullish crossover. A bullish crossover occurs when the shorter EMA crosses above the longer EMA, suggesting a potential uptrend, **Pre-market High (dashed cyan line):** This line is the pre-market high, the highest price the stock hit during pre-market trading hours. This is a key macro level. If the stock is above the pre-market high, it remains a target for potential long entries.

