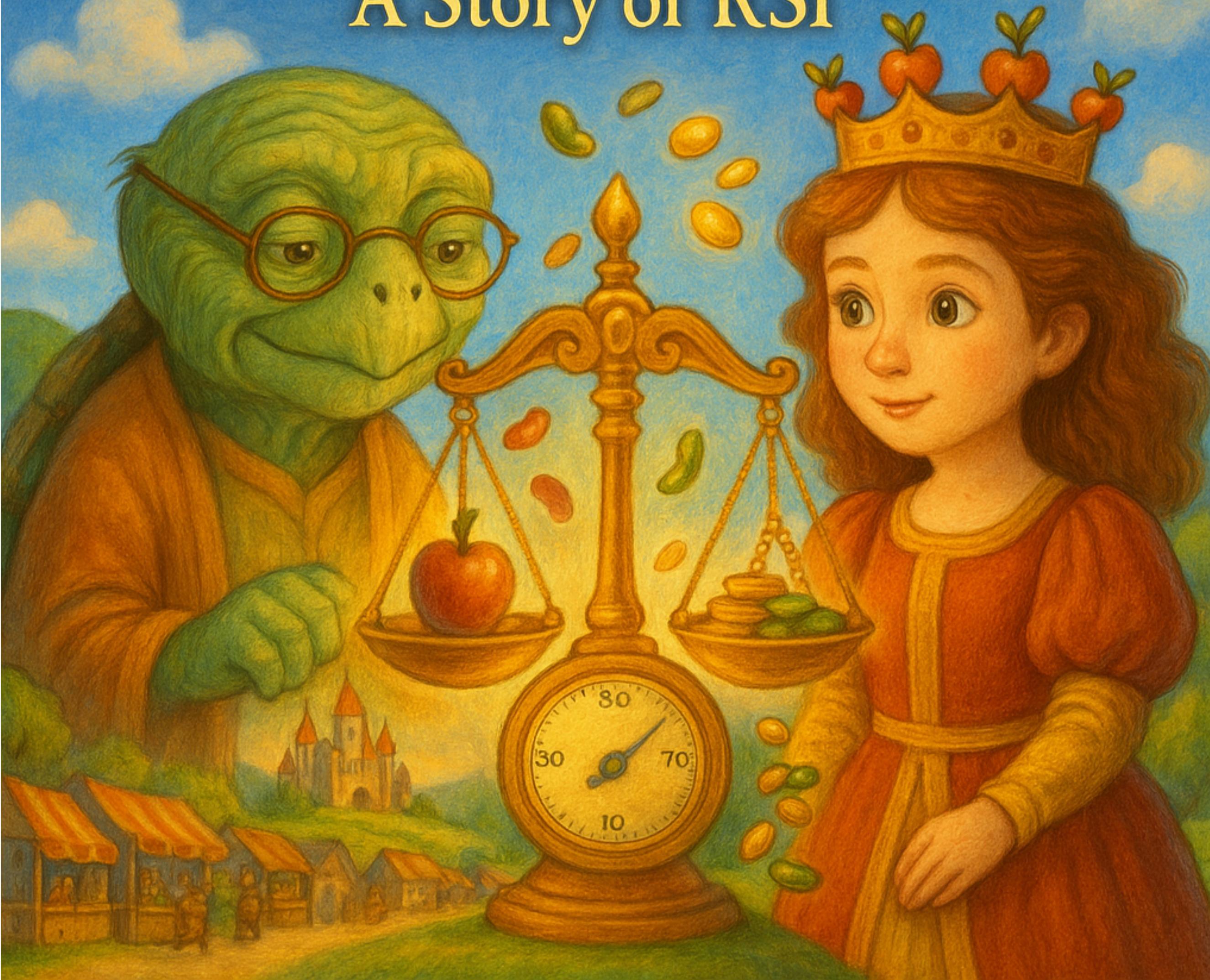


Author's Note

The character of Welles in this story is inspired by J. Welles Wilder Jr., who really did create the RSI indicator in 1978 after a successful career in real estate. His book "New Concepts in Technical Trading Systems" introduced the RSI and other technical indicators that are still widely used by traders around the world today.

The Balance Kingdom: A Story of RSI





The Kingdom of Marketland

Once upon a time, in a magical land called Marketland, there lived a wise old turtle named Welles. Welles wasn't always old and wise. Many years ago, he had been a builder who constructed beautiful houses with his friends. After finishing a magnificent castle, Welles decided to try something new.

"I've built enough houses," Welles told his friends. "Now I want to explore how things gain and lose value in our kingdom."

Welles moved to a tall hill overlooking the kingdom's busiest marketplace. From there, he could watch the traders exchanging apples, gold, and all sorts of treasures. Some days, people would pay lots of gold for apples. Other days, apples were hardly worth anything at all.

"How strange," thought Welles. "How can I tell when something is really worth buying or selling?"



The Mysterious Balance

Welles spent many days watching the marketplace. He noticed that whenever something became too expensive, people would eventually stop buying it. And whenever something became too cheap, everyone would rush to buy it.

"There must be a way to measure this," Welles said to himself.

One night, while gazing at the stars, Welles had a wonderful idea. He built a special balance scale that he called the "Relative Strength Indicator" or RSI for short.

This wasn't an ordinary scale. Instead of measuring how heavy things were, it measured how quickly prices were changing compared to themselves.

How the RSI Works



Welles' scale had special markings from 0 to 100. When the pointer moved above 70, it meant something was becoming "overbought" – too expensive and likely to come down in price soon. When the pointer fell below 30, it meant something was "oversold" – too cheap and likely to rise in price soon.

To make his scale work, Welles would:

- Watch the price of something (like apples) for 14 days
- Count how many days the price went up and by how much
- Count how many days the price went down and by how much
- Compare these numbers using a special formula
- The result would always be between 0 and 100



Princess Apple and the Bean Market

Princess Apple, the ruler of Marketland, heard about Welles' magical scale. She was having trouble with the bean market. Sometimes beans were so expensive that her people couldn't afford them. Other times, bean farmers couldn't earn enough gold because beans were too cheap.

"Wise Welles," said Princess Apple, "can your scale help bring balance to our bean market?"

"Indeed it can, Your Highness," replied Welles. "Let me show you how it works."



Watching the Bean Market

Welles placed his RSI scale in the royal castle, where everyone could see it. He began tracking the bean prices every day.

When the scale showed a reading above 70, Princess Apple would announce, "Beans might be getting too expensive! Farmers, perhaps it's time to sell your beans before prices fall."

When the scale showed a reading below 30, she would announce, "Beans might be too cheap! This could be a good time to buy beans before prices rise again."

Soon, the people of Marketland began to understand the pattern. But Welles warned them, "The scale isn't perfect. Sometimes prices keep rising even when the scale says they're too high. And sometimes prices keep falling even when the scale says they're too low."



The Great Bean Surge

One summer, there was a great bean surge. The price of beans kept rising and rising. Welles' scale went above 70, then 80, and stayed there for weeks!

Some of the kingdom's traders said, "The scale must be broken! Beans will keep getting more expensive forever!"

But Welles shook his head. "Look closely at the scale," he said. "Even though the bean price is still going up, it's not going up as quickly as before. This is called 'divergence' – when the price and the scale start moving in different directions."

Sure enough, a few days later, the bean price started to fall. The traders who had listened to Welles and sold their beans were very happy.

The Kingdom's New Tool



Soon, other kingdoms heard about Welles' magical scale. Traders from far and wide came to learn about the RSI.

Welles taught them important lessons:

- The scale works best when used with other tools
- Sometimes markets can stay "overbought" or "oversold" for a long time
- The scale can sometimes give false signals

It's especially useful for finding "double tops" and "double bottoms" – when the price tries to go very high or very low twice but can't

The Real World Applications



CHECKING WINTER STORAGE



TRADING WITH NEIGHBORING KINGDOMS



HARVESTING ROYAL ORCHARDS



PLANNING BUILDING

As years passed, Princess Apple used the RSI scale to help make decisions about many things in the kingdom:

- When to buy more food for the winter storage
- When to trade gold with neighboring kingdoms
- When to harvest the royal apple orchards
- When to start new building projects

The princess taught the children of the kingdom about the RSI scale too. "Even though you're young," she said, "understanding balance in value will help you throughout your lives."



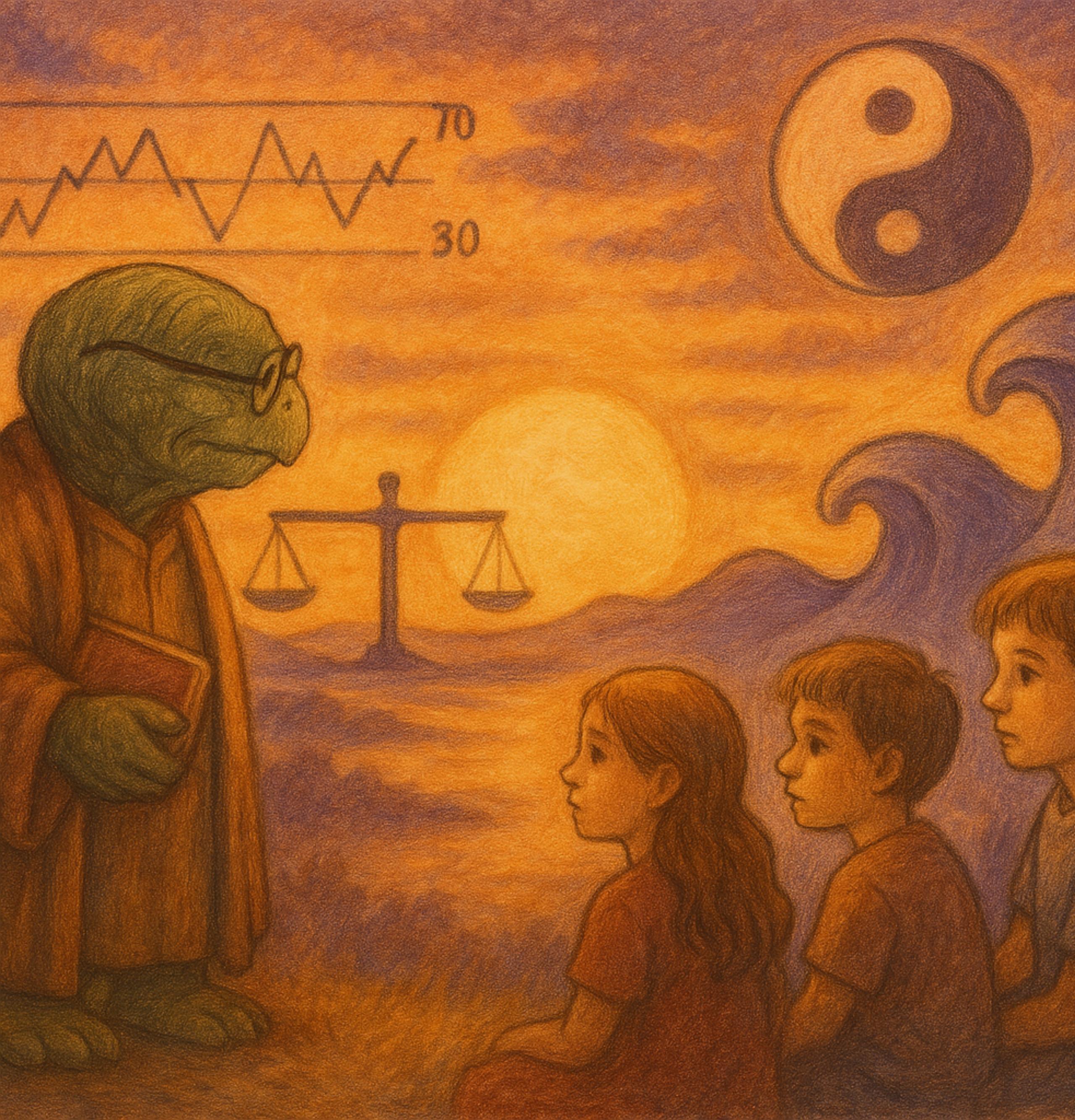
Welles' Wisdom

On his 100th birthday, Welles invited all the children of the kingdom to his home on the hill.

"I want to tell you the real story of the RSI," he said with a twinkle in his eye. "Many years ago, I was a builder who became curious about trading. I wasn't always a wise old turtle. I had to learn and experiment."

The children were amazed to learn that Welles had created the RSI back in 1978, after retiring from his real estate business at age 38.

"The RSI came from my curious mind and engineering background," he explained. "When I couldn't find the tools I needed, I created them myself."



The Moral of Balance

As the sun set over Marketland, Welles shared his final wisdom with the children:

"The true lesson of the RSI is balance. Nothing rises forever, and nothing falls forever. Markets, like life, move in cycles. The RSI helps us see when things might be getting out of balance."

"But remember," he continued, "no single tool can tell you everything. Always use multiple ways of looking at a problem. And most importantly, understand that what matters is not just the price of something, but how that price is changing compared to itself."

The children nodded, beginning to understand this important lesson about balance that would serve them well throughout their lives.

"And one more thing," Welles said with a smile. "The greatest value in life isn't found in beans or gold or apples. It's found in curiosity, in asking questions, and in creating solutions when none exist. That's the real treasure I hope you'll seek."