***Stochastic Analysis: An Accurate Buy and Sell Indicator***

1. Stochastics: measure the relationship between an issues closing price and price range over a period of time
   1. Evaluates when a stock has moved into an overbought or oversold position
   2. Relative Strength Index: a stochastic indicator with predetermined boundaries on the high and low sides
      1. It has a true range of 0 to 100, but is typically set at 20 to 80 or 30 to 70
   3. It is measured with two lines:
      1. The ‘K’ line: 100\*[(C – L5)/(H5 – L5)]
         1. C: the most recent closing price
         2. L5: the low of the five previous trading sessions
         3. H5: the high of the same five previous trading sessions
      2. The ‘D’ line: Average of previous 3 K values
      3. “Overbought” is when the ‘D’ line moves above the higher threshold. Sell at this point
      4. “Oversold” is when the ‘D’ line moves below the lower threshold. Buy at this point

See <https://www.youtube.com/watch?v=88n-a3rUmJQ> for more information on how to use this indicator