

More Indicators

- **Q: Are there more indicators than just prices and volume?**
- Think in terms of momentum: price momentum 10-day is the difference between closing price today and closing price 10-days ago (to see which direction prices are moving).
- Another broad measure of momentum is the (# of advancing stocks - # of declining stocks).
- **Q: Why not stabilize these with moving averages as well?**
- **Oscillator:** e.g. 10-day moving average of the difference between the # of advancers and the # of decliners.
- Lots of variations here.
- Subtract a moving average from price.
- Take the difference between two moving averages (MACD oscillator = 12-day MA minus 26-day MA). Why not other time frames, because this works, they say. $F > 0$, recent expectations more bullish than older one.

Some Terminologies

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- **Support** (demand) and **resistance** (supply) levels – are barriers to changes in expectations.
- **Traders remorse**—e.g. after resistance (or a trend) is broken, price goes up for a few days, but market participants change their minds. Creates a “bull trap” when price moves back to resistance. When do you believe the break? -- Check volume. IF successful, old resistance becomes new support.
- **Convergence/Divergence** => when the oscillator moves with or differently from the current price. (divergence when price reaches lows while oscillator doesn't).
- **Overbought/oversold**: when prices are too high (low) and subject to a decline (increase). Is a short-term expectation of a reversal and is inferred from extreme movements in oscillators.

Bollinger Bands

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- For any moving average, the upper and lower bands are 2-standard deviations above and below. Bands widen (narrow) with increasing (decreasing) volatility.



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