Math Behind Popular Trading Indicators

All the math you need in the stock market you get in the fourth grade.

– Peter Lynch –

PRIME BEHOOF

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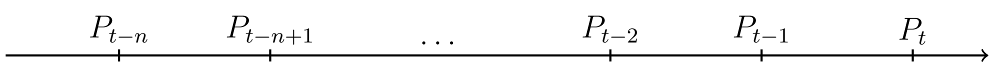
Abstract

Need to update.

DISCLAIMERS

In the discussion below, I will adopt the following conventions:

- Price data points may correspond to one of the following values:
  - O: Open
  - H: High
  - L: Low
  - C: Close
- Unless explicitly specified, P will serve as a placeholder for any of these price data points.
- Let P represent a price value. The observed price at time t is denoted as P_t, the price of the previous candle as P_{t-1}, and the price of the next candle as P_{t+1}.
- If not explicity specified, standard lookback period will have length of n.



Now that we have clarified the conventions of notation and indexing system, let us proceed with the discussion of indicators.