

Directional Movement Index (DMI):

Greeting frens, In this thread We'll discuss DMI(Directional Movement Index Indicator) in details.

Directional Movement Index (DMI):

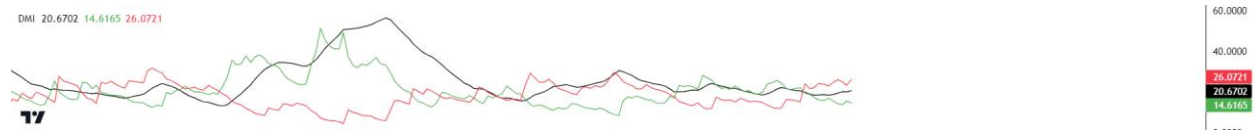
The Directional Movement Index (DMI) is a technical indicator used in trading to identify the direction and strength of a trend. It consists of three components: the Positive Directional Indicator (+DI), the Negative Directional Indicator (-DI), and the Average Directional Index (ADX). The DMI helps traders determine whether to enter, hold, or exit a trade based on trend strength and direction.

Let's see how can we use it.

If you search DMI on TradingView then this is the Indicator you'll get. Simply click on it and It will displayed on your Charts



Once you applied it then you'll show it as in image below



It Basically Contain 3 Lines in which

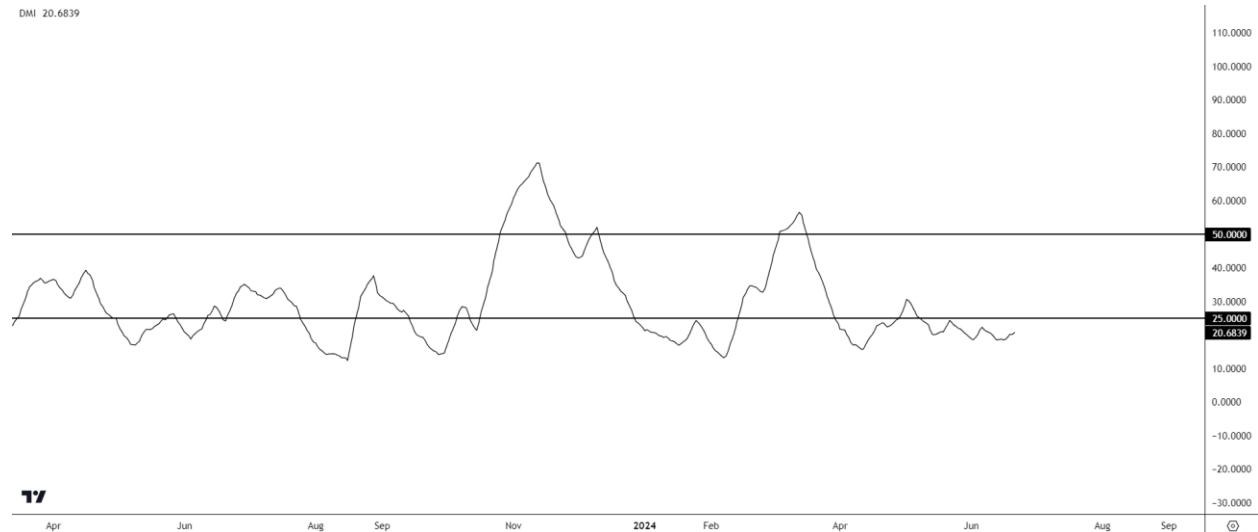
- 1- **Black**, Represent ADX (Average Directional Index) This measures the overall strength of the trend, regardless of its direction.
- 2- **Green**, +DI (Positive Directional Indicator): This measures the strength of upward movement.
- 3- **Red**, -DI (Negative Directional Indicator): This measures the strength of downward movement.

So we can use this indicator in 2 Ways:

To Find the Strength of Trend and for Oversold & Overbought Region

DMI as mentioned Earlier can be use as to find the strength of trend but it can also be used for to see the Oversold and Overbought region.

To find out first we'll Disable the +DI and -DI from the Settings of the indicator and only enable the Black line that represent the ADX and Draw two horizontal lines at 25 & 50. It will look like this:



So the Strategy is Simple Whenever we See ADX is below the 25 level and after that we see The Price is Moving Either Upside or Downside and ADX is breaking the 25 level then it's means the Trend will countinue at that Direction, If Previously Price is Pumped that's means the Bullish Trend is Strong, If Previous Price is Dumped and the ADX breaking 25 level then the Bearish Trend is Strong Simple.



Seond to Find out the overbought and oversold zone, the 50 horizontal line works for us. If the ADX is above 50 that's means the Price is either overbought or oversold. If we see the Price is Pumped before

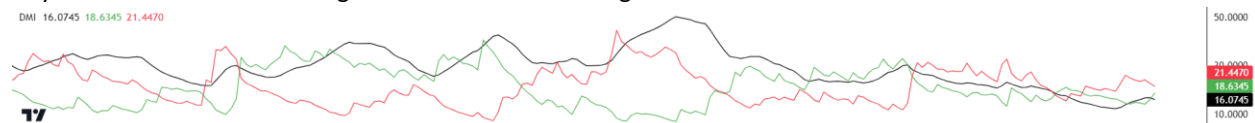
then it indicate the overbought, If it dumps before then it indicate the oversold. When the Price is Overbought it doesn't means to go Short, Either you can prepare for a Confirmed Short Entry by watching other things also But When the Price is overbought then you must be caution to Buy that if Price is Oversold you must be caution to sell that assets.



So that's how we use DMI one index for Check the trend strength and overbought and oversold zone. In the next section I'll teach you when to buy, When to sell??

To Find Who's Strong? Buyer Or Seller

So for this purpose we will enable the remaning two lines that are +DI and -DI. The +DI is shows the Strength of Buyer and -DI shows the strength of seller. After enabling the indicator will looks like this:



So the Stratergy is Simple, Whenever The +DI Green line above the both black and red lines, that's means Buyer are strong and we'll look for Buying oppurtunity. Here's the Below one Example Whenever the Green Lines above the both line we witness a Bull Rally



The Same it work for Bearish Trend, Whenever the Red line above the both lines then bears are strong and we'll look for Short positions



The Same things we can watch on the smaller timeframe also, But Remember one thing If you're watching Bigger timeframe that's mean it will require the patience to play out and most of the signal it did on higher timeframe are not fakeout, the the smaller the timeframe the higher the chances of fakeout. Let's look more examples

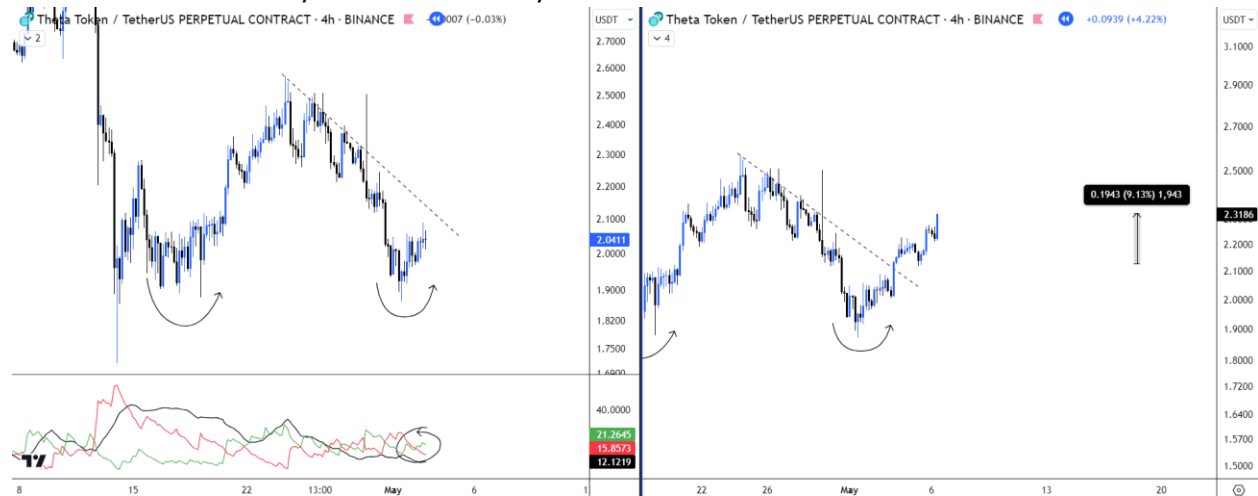
\$THETA H4 Chart:

In the left side we see the Price is actually breaking out the trendline and after that we see the Green line smashed above the all lines so it would be good buying opportunity. We can also use this indicator for confirmation, to identify fakeout from breakout, to identify the real breakout Etc. In this Below Picture the Breakout was real coz the DMI support the thesis



In the below Example of left side of the picture we can see that the price action showing a double bottom pattern and also we got the green line above all so it could be confirm of double bottom but the

trendline hasn't broken yet so for safer entry we can even wait for breakout to enter



\$PENDLE – 1D Chart – Taking Profit Example:

On the chart below in vertical line we see the Bulls confirms and after that we see more than 100% move in that coin, So as we discuss above the importance of 50 level that represent the overbought and oversold zone, So if you trading DMI and you enter at 1.8\$ in \$PENDLE after the confirmation of that Green line above both line then we have to take profit at 3.3\$ when the 50 level is reached by ADX and that represent the Overbought zone



\$WLD – 1D Chart:

Here I draw the all the possible crossover and the result you can see, I



I tried my best to explain the one of the underrated indicator in simplest way and I hope I Have done good job in term of your learning. This one sometimes gave fake breakout also the same thing I said above but we can use it with other indicator and strategies to get a massive indication in term of bull or bear. Today I've added one more masterpiece and I hope you'll enjoy it

In case of any difficulty you're facing you can contact me through arena admin

#TraderGauls