SMM CONCEPTS Part 4

AVADHUT SATHE
TRADING ACADEMY

BECOME A PRO
MONEY WILL FLOW

FOCUS = SUCCESS!

SMM Concept Part 4

AVADHUT SATHE
TRADING ACADEMY

INDEX

AVADHUT SATHE
TRADING ACADEMY

Technical Indicator

Introduction:

- Technical indicators are tools made out of calculation of historical price, volume, etc. and used to speculate the future price movement.
- They are plotted along with charts and mostly used as a supporting tool for analysis.
- Below mentioned are few indicators that we will be using for our analysis:
  1. **Moving Average Convergence Divergence (MACD)**
  2. **Stochastic**
  3. **Relative Strength Index (RSI)**

MACD

- Moving Average Convergence Divergence (MACD) is a trading indicator used in technical analysis. It is also called a “Trend” indicator.
- MACD indicator has 3 components in it:

i. **MACD Line** - MACD line is the “Blue” line in the MACD indicator. It is a calculation result of subtracting 26-period EMA from 12-period EMA.

ii. **Signal Line** – Signal line is the “Red” line which is plotted on top of the MACD line. It is basically 9-period EMA of the MACD line. When MACD line crosses the Signal line in upward direction it triggers a BUY signal and MACD line crossing the Signal line in downward direction triggers a SELL signal.

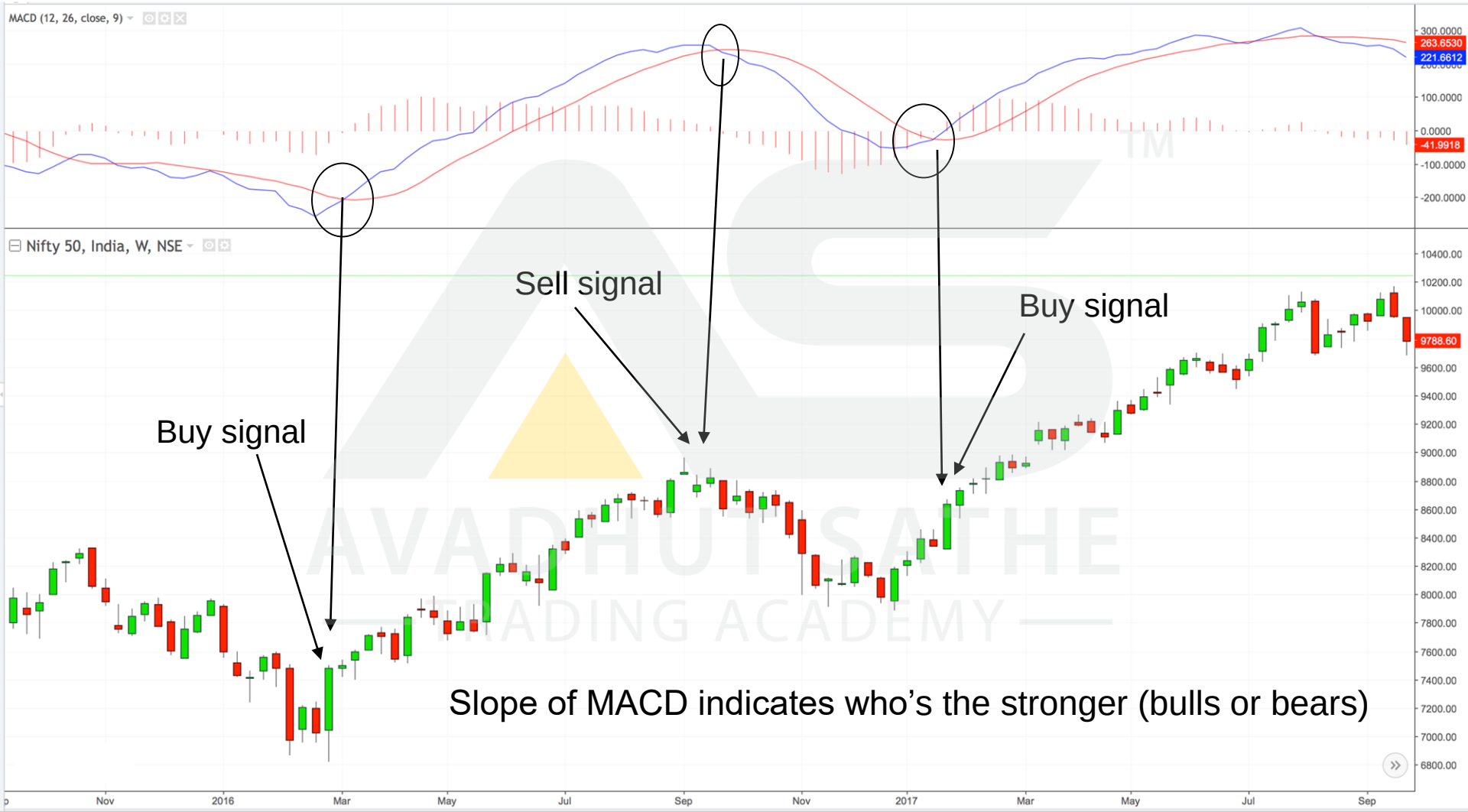
iii. **Histogram** – Histogram are vertical lines/bars which shows the distance between MACD line and Signal line.

MACD Example

Reliance Industries – Weekly chart with MACD

MACD Example

Nifty 50 – Weekly chart with MACD



Oscillators

- Oscillators help find turning points i.e. they identify emotional extremes of market crowds i.e. “**Overbought”** OR “**Oversold”** conditions.

- They work extremely well in **Trading Ranges** (Sideways Trend):

— Buy on Positive Crossover (ready to turn from oversold)

— Sell on Negative Crossover (ready to turn from overbought)

- There are 2 types of Oscillators:

i. Stochastic

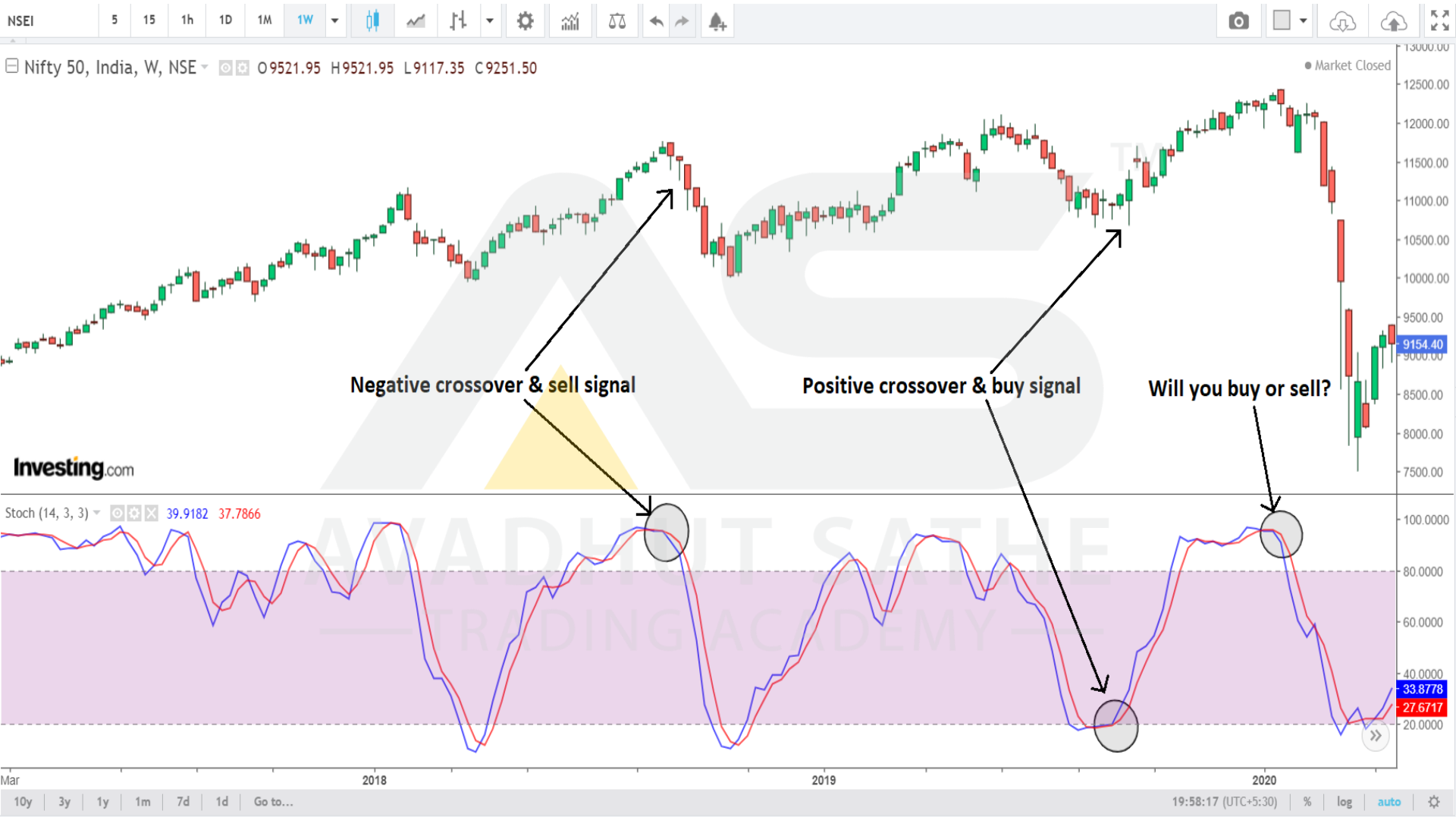
ii. Relative Strength Index (RSI)

AVADHUT SATHE
TRADING ACADEMY

Stochastic Crossovers

AVADHUT SATHE
TRADING ACADEMY

Nifty Weekly Chart with Stochastic



Relative Strength Index (RSI)

AVADHUT SATHE
TRADING ACADEMY

Bank Nifty Weekly Chart with RSI

Divergence

- To “Diverge” means to drift apart OR go on a different route. Generally, price and oscillators go hand-in-hand however, there are times when they diverge from each other.
- Oscillators give best trading signals when they diverge from price.
- **Divergences often help to identify market tops or bottoms.**

- There are 2 different divergences:

i. **Bullish Divergence** - Bullish Divergence is where price chart will show price making equal low or lower low while indicator (Stochastic/RSI) will make a higher low. In other words, bullish divergence occurs when price fall to a new low but an oscillator refuses to decline to a new low.

ii. **Bearish Divergence** – Bearish Divergence is where price chart will show price making equal OR higher high indicator while indicator (Stochastic/RSI) will make a lower high. In other words, bearish divergence occurs when price rise to a new high but oscillator refuses to rise to a new peak.

Bullish Divergence

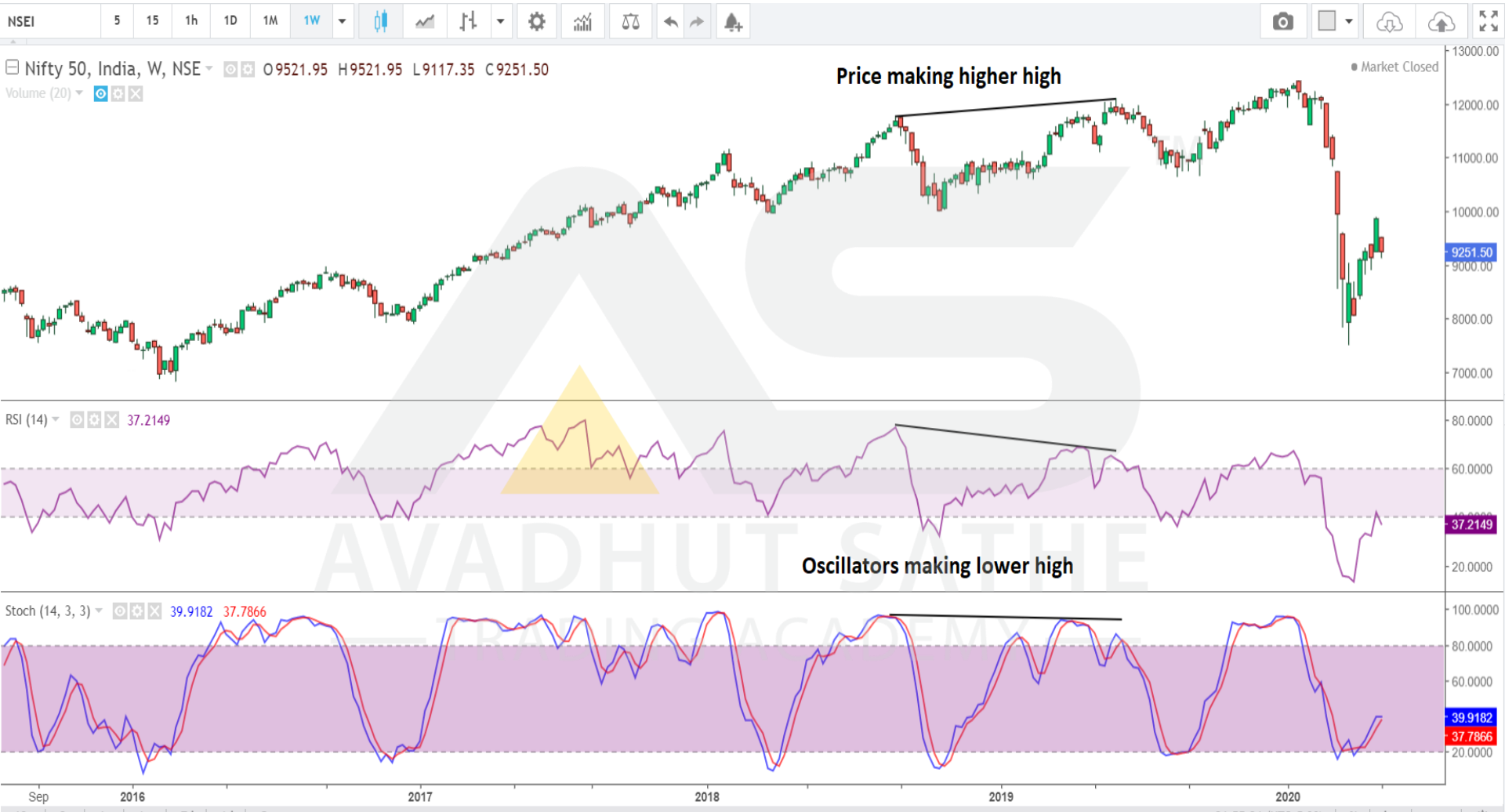
AVADHUT SATHE
TRADING ACADEMY

TCS - Daily chart showing a bullish divergence

Bearish Divergence

AVADHUT SATHE
TRADING ACADEMY

Nifty 50 - Weekly chart showing bearish divergence



Ready for Question & Answers…!!??

AVADHUT SATHE
TRADING ACADEMY

Our Motto at

AVADHUT SATHE
TRADING ACADEMY

ALL-FOR-ONE

ONE-FOR-ALL

DEVELOPING CHARACTER THAT DESERVES SUCCESS!

www.avadhutsathe.com