

OUTLINE

I. BASICS

- A. Definition of Relative Strength Index (RSI)
- B. Calculation of RSI and Time Period Selection
 - 1. Short Term: 3, 5, 7, 9
 - 2. Intermediate Term: 7, 9, 14
 - 3. Long Term: 14, 21, 25, 45
- C. Parameters of RSI For Trend Analysis
 - 1. Value of RSI: 0 - 100
 - 2. Normal Range: 70/30
 - 3. Bull Range: 80/40
 - 4. Bear Range: 60/20
 - 5. Overbought / Oversold 80/20
- D. Divergence and "The Signal Count"
 - 1. Momentum Highs / Momentum Lows
 - 2. Bullish
 - 3. Bearish
 - 4. Degree of: Short, Intermediate, Long Term
 - 5. The Signal Count (2 - 5)
- E. Positive / Negative Reversals
 - 1. Positive Reversal vs Bullish Divergence
 - 2. Negative Reversal vs Bearish Divergence

F. Basic Trend Analysis Guidelines

- 1. Uptrends
 - a. 80 - 40 RSI Range
 - b. Top Bottom Support
 - c. Bearish Divergence
 - d. Positive Reversals
 - e. Higher Highs / Higher Lows
- 2. Downtrends
 - a. 60 - 20 RSI Range
 - b. Bottom Top Resistance
 - c. Bullish Divergence
 - d. Negative Reversals
 - e. Lower Highs / Lower Lows

G. Moving Averages

- 1. RSI Value
- 2. Close Price
- 3. Simple (S), Weighted (W), Exponential (E)
- 4. Suggested Values for Moving Averages
 - a. Standard (Intermediate - Long Term) 9 & 45 (S/W)
 - b. Intermediate to Short Term 9 & 20 (S/E)
 - c. Short Term 4/20 (S/E)
 - d. Very Short Term 4/9 (S/S)
 - e. Short Term Overbought/Oversold SMA3 (RSI 3)
- 5. Guide Lines for Moving Average Interpretation
 - a. RSI Positive (+) / Close Positive (+): Up
 - b. RSI Negative (-) / Close Positive (+): Side Up
 - c. RSI Positive (+) / Close Negative (-): Side Down
 - d. RSI Negative (-) / Close Negative (-): Down

H. Bullish Sentiment

1. Up Trends: 80 - 40
2. Down Trends: 60 - 20
3. Trend of Sentiment

I. Time Cycles (Days, Weeks, Months & Years)

1. 4, 6 1/2, 9, 13, 16, 19 1/2, 20, 25, 26, 32 1/2, 36, 39, 45 1/2, 49, 52
2. Measurements, (Top/Top, Top/Bottom, Bottom/Bottom, Bottom/Top)
3. Coincident Cycles, (Top/Bottom, Bottom/Bottom, Top/Top, Bottom/Top)
4. Helpful with 4, 9, 13, 26, for Positive & Negative Reversal Windows

J. Price Cycles of Range of High/Low

1. Calculated on Range (Week, Day, Hour)
 - a. All Time High/Low (Intraday)
 - b. Contract High/Low (Intraday)
 - c. Weekly Range of High/Low on Closes
 - d. Daily Closes of Last High/Low
 - e. Time Cycle High / Low: (52, 26, 13, 9, 4 Weeks)
2. Retracement of 50%
 - a. High Close/ Low Close (Daily & Weekly, most important)
 - b. Intraday (Week, Day, Hour)
3. Gann: 1/8th, 1/5rd
4. Fibonacci: 38.2, 61.8

II. PATTERN RECOGNITION

A. Divergence Patterns

1. Bullish
2. Bearish

B. Reversal Patterns

1. Positive Reversals
2. Negative Reversals

C. Hidden Signal For Intermediate Trend Change

1. Bullish Divergence
2. Bearish Divergence

D. Overbought / Oversold

1. Up Trends - Intermediate to Long Term Support
2. Intermediate to Long Term Positive Reversals
3. Intermediate to Long Term Top Bottom Positive Reversals

E. Oversold / Overbought

1. Down Trends - Intermediate to Long Term Resistance
2. Intermediate to Long Term Negative Reversals
3. Intermediate to Long Term bottom Top Negative Reversals

III. PRICE TARGETING WITH POSITIVE & NEGATIVE REVERSALS

A. Naked Signals

1. Positive Reversals without Moving Average Confirmation
2. Negative Reversals without Moving Average Confirmation

B. Enhanced Signals

1. Positive Reversals with Moving Average Confirmation (Enhanced)
2. Negative Reversals with Moving Average Confirmation (Enhanced)

IV. TREND ANALYSIS & TREND CHANGE CHECKLIST

A. Up Trends

1. Top Bottom Support
2. Bearish Divergence
3. Positive Reversal
4. Higher Tops / Higher Bottoms
5. 80 / 40 Range of RSI
6. Top Bottom Positive Reversals
7. Spike Lows (RSI)
8. Close Moving Averages Positive
9. RSI Moving Averages Positive
10. Overbought / Oversold

B. Down Trends

1. Bottom Top Resistance
2. Bullish Divergence
3. Negative Reversal
4. Lower Tops / Lower Bottoms
5. 60 / 20 Range of RSI
6. Bottom Top Negative Reversal
7. Spike Highs (RSI)
8. Close Moving Averages Negative
9. RSI Moving Averages Negative
10. Oversold / Overbought

V. RELATED STUDIES

- A. Trading Bands (Based on Daily Close)
- B. Moving Average Convergence Divergence (MACD)
- C. Elliott Wave
- D. Gann
- E. Candlesticks

VI. GLOSSARY

VII. SUGGESTED READING FOR YOUR BOOKSHELF

VIII. ADVISORY & CHART SERVICES

VIII. TECHNICAL ANALYSIS SOFTWARE & PROGRAMS

IX. DATA SERVICES

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BASIC MARKET STRUCTURE
AND
OVERVIEW

BASIC MARKET STRUCTURE

1. Price
2. Momentum
3. Time
4. Sentiment
5. Reward / Risk Ratio
6. Probability

PRIMITIVE

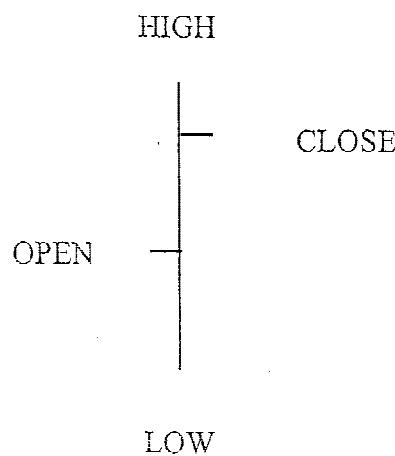
MARKET PRICE ACTIVITY AND MOMENTUM SENTIMENT INDEX

Bullish		+ 2	Momentum, Sentiment & Price High, Overbought, Too High, Bulls Ecstatic / Bears in Panic
Neutral/Bullish		+ 1	Bulls Have Edge, Bears Feeling the Heat
Neutral (Previous Close)		0	Balance of Buying / Selling
Neutral/Bearish		- 1	Bears Have Edge, Bulls Feeling the Heat
Bearish		- 2	Momentum, Sentiment & Price Low, Oversold, Too Low, Bears Ecstatic / Bulls in Panic

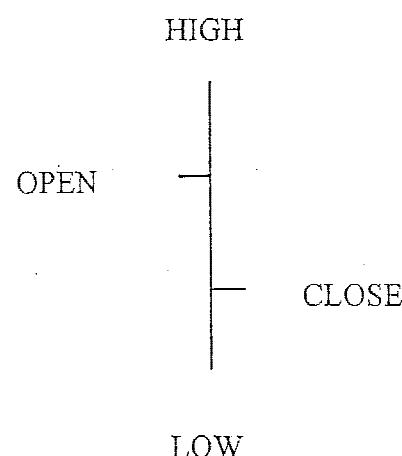
Trading Range for 1 Period of Price Activity. (Week, Day, Hour, 30 , 15 or 5 Minutes)

BASIC BAR STRUCTURE

UP CLOSE



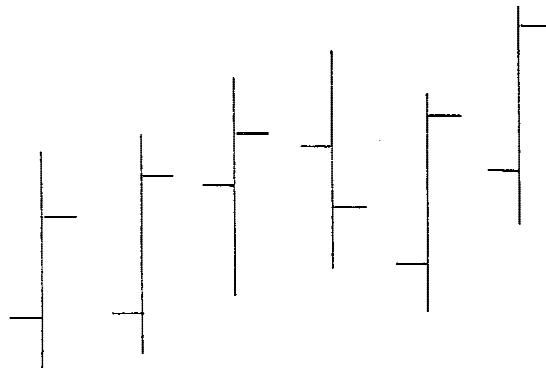
DOWN CLOSE



1 Period: Week, Day, Hour, 30 Minute,
15 Minute, 5 Minute or 1 Minute

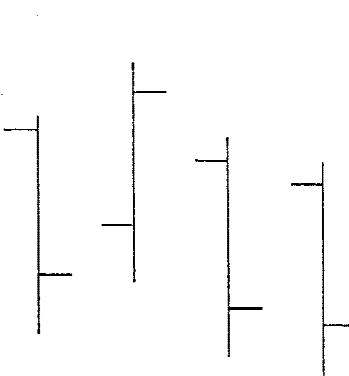
1 Period: Week, Day, Hour, 30 Minute,
15 Minute, 5 Minute or 1 Minute

BASIC UP TREND



"X" 1 2 3 4 5

BASIC DOWN TREND

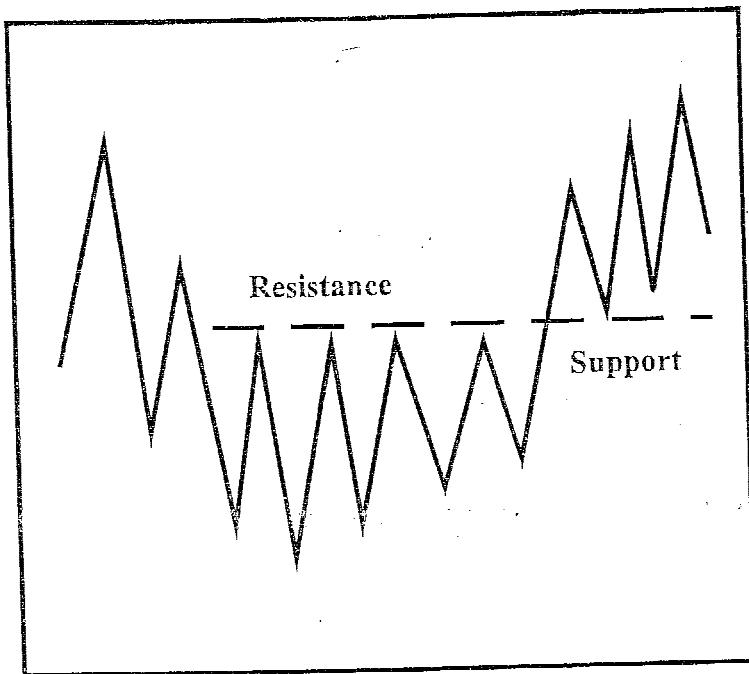


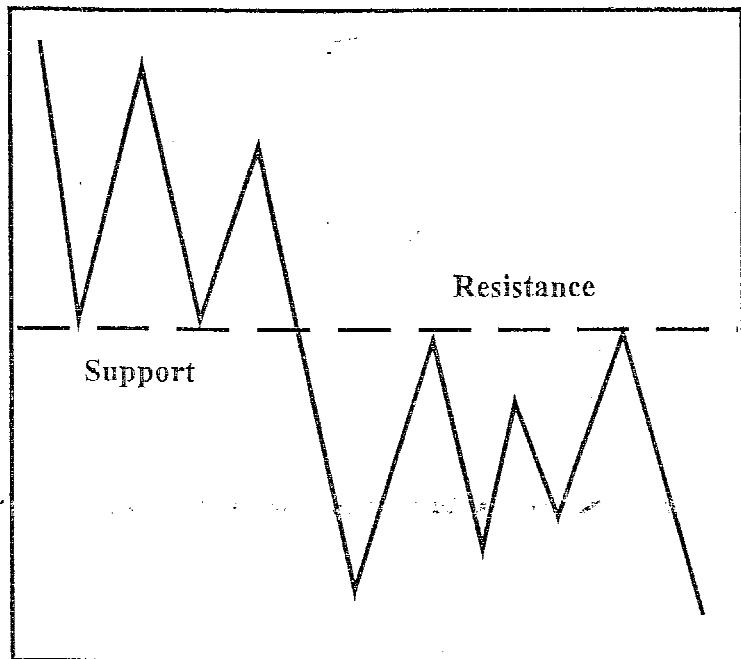
"X" 1 2 3 4 5

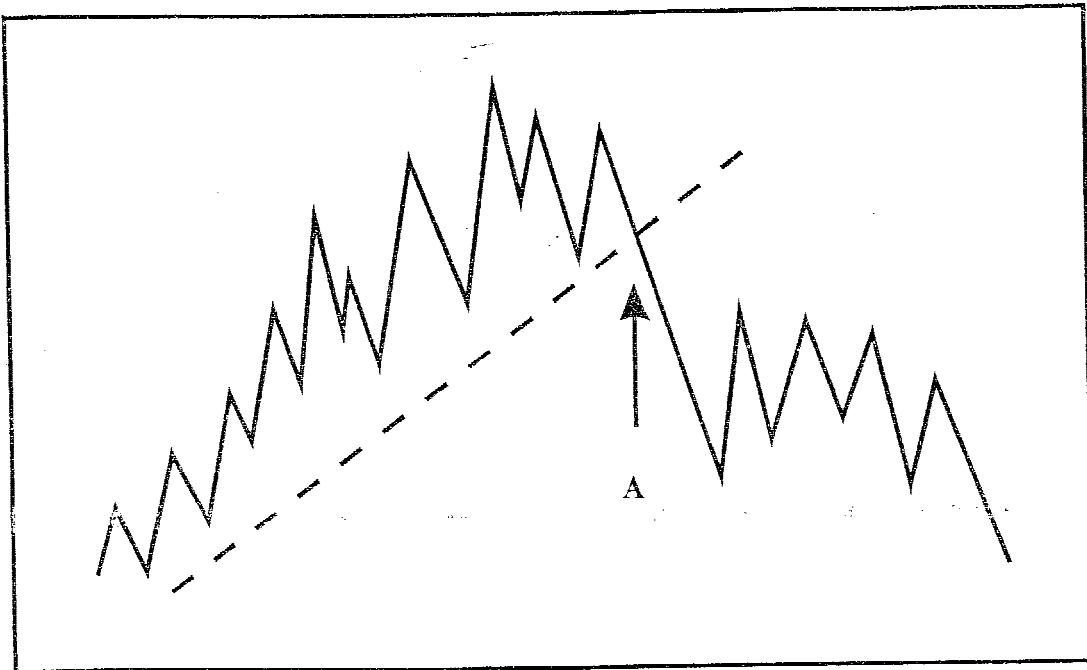
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Minute, 5 Minute or 1 Minute

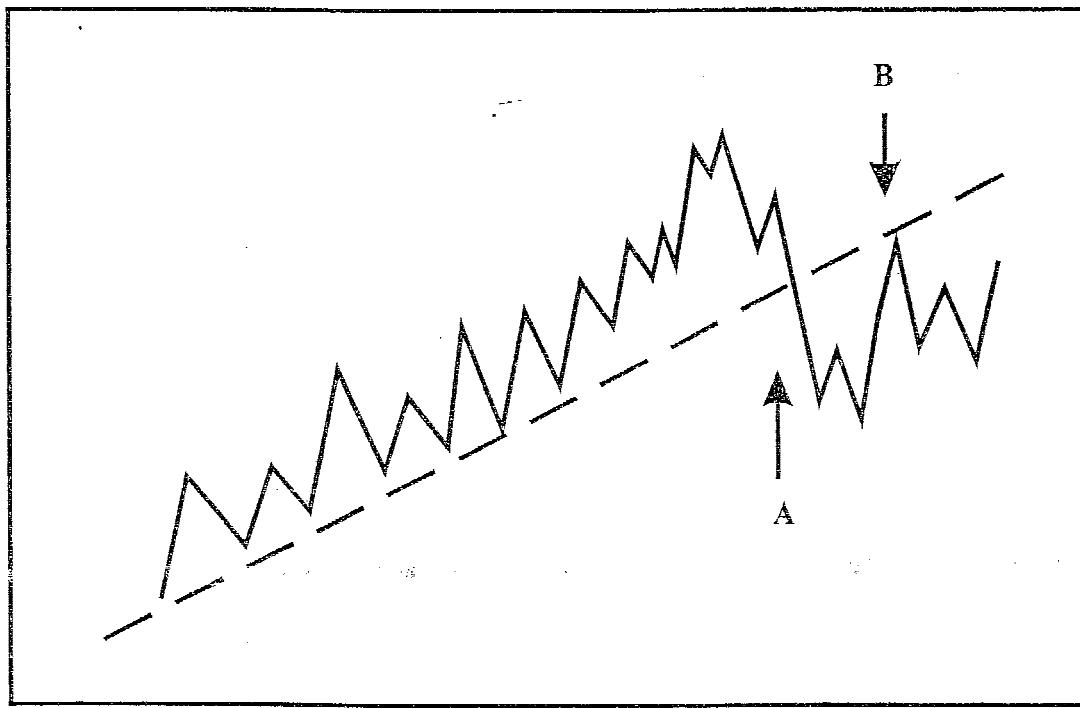
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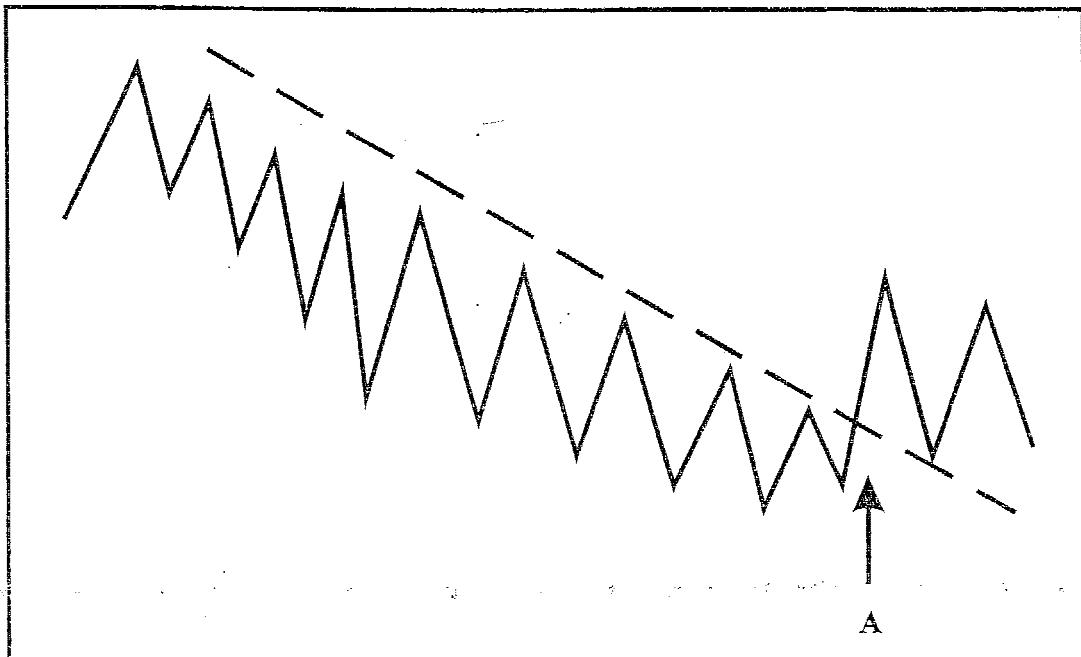
6 Period: Week, Day, Hour, 30 Minute,
15 Minute, 5 Minute or 1 Minute

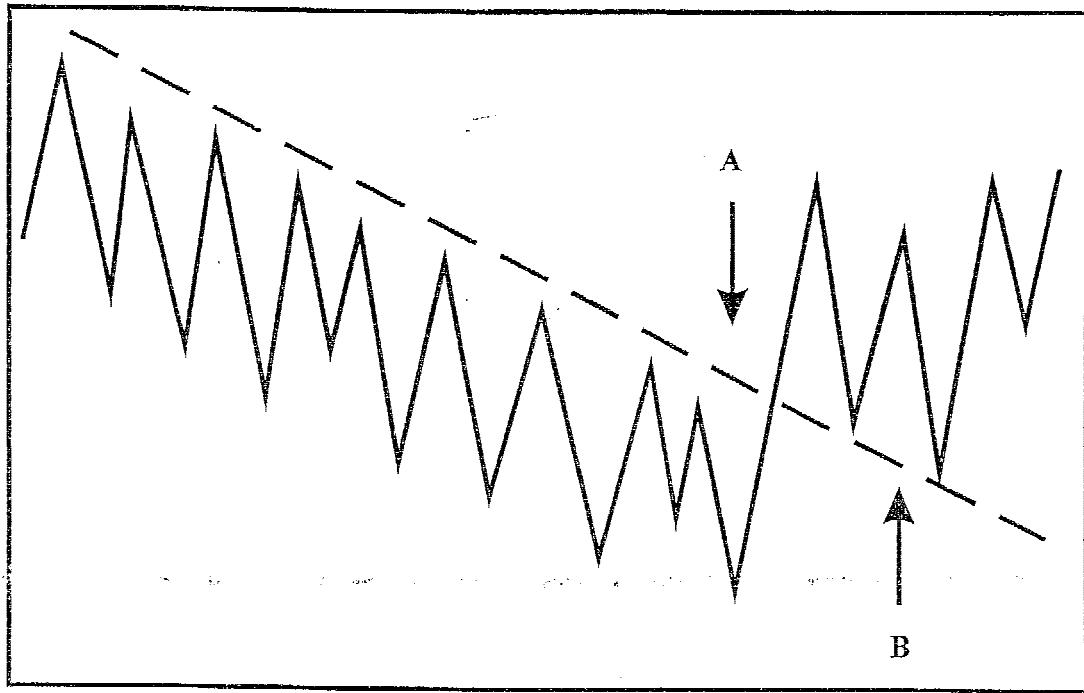


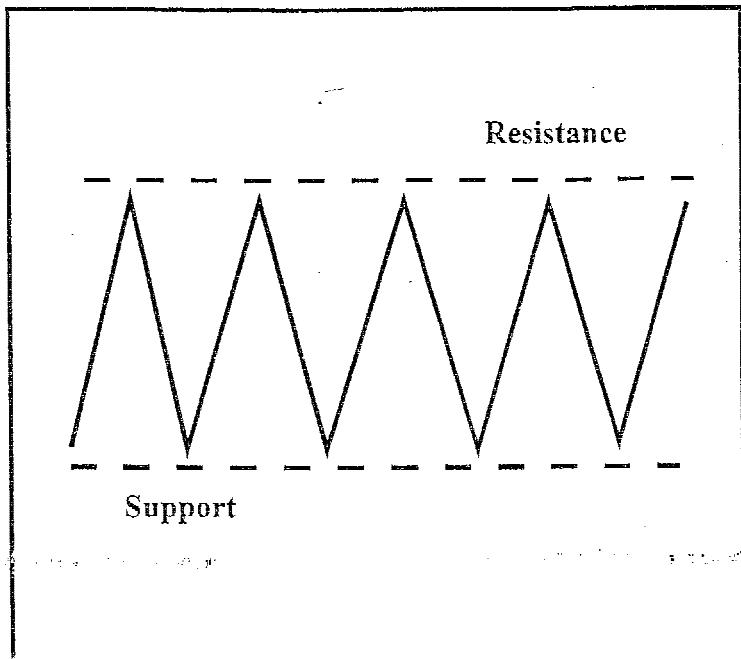


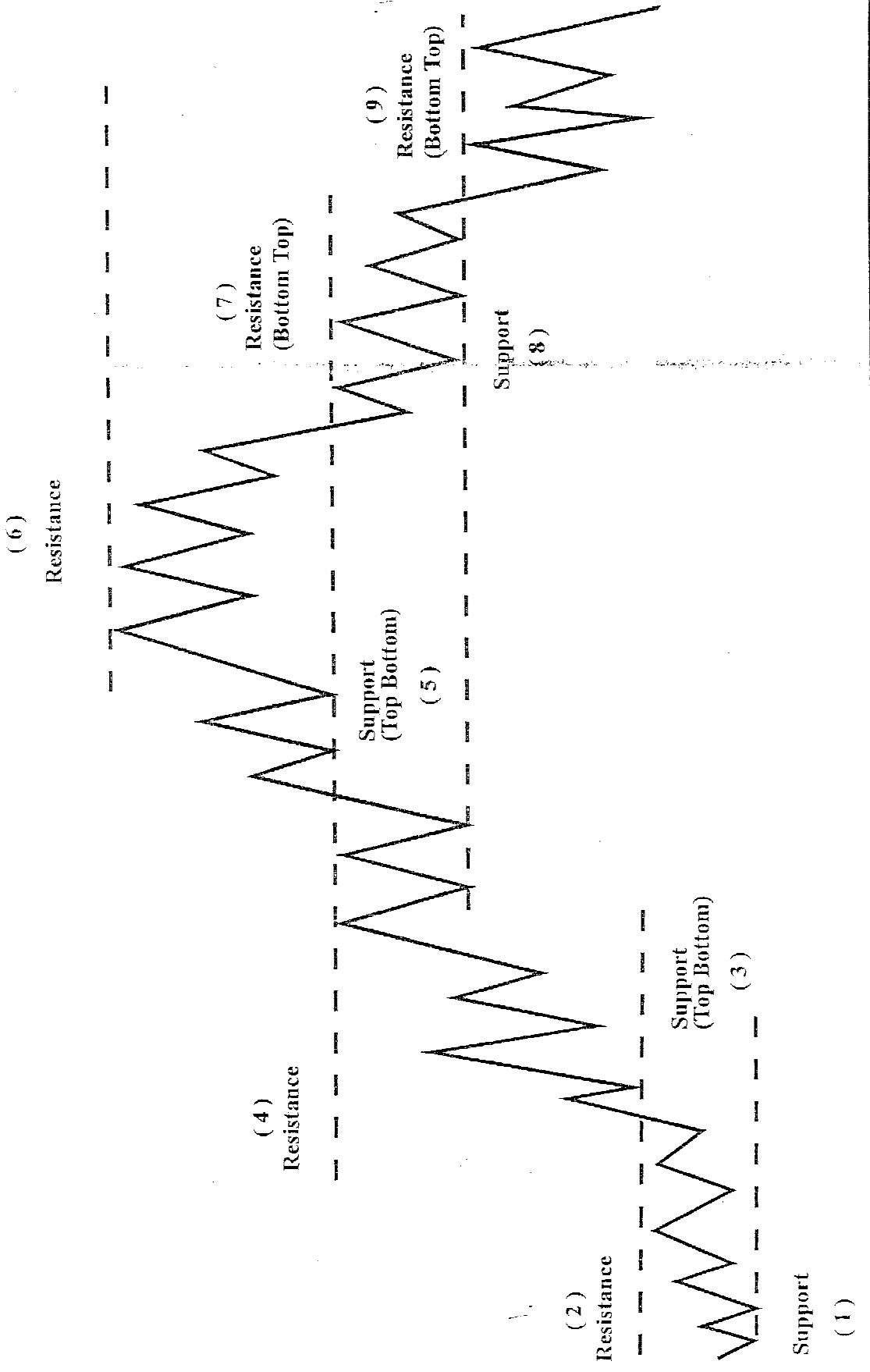




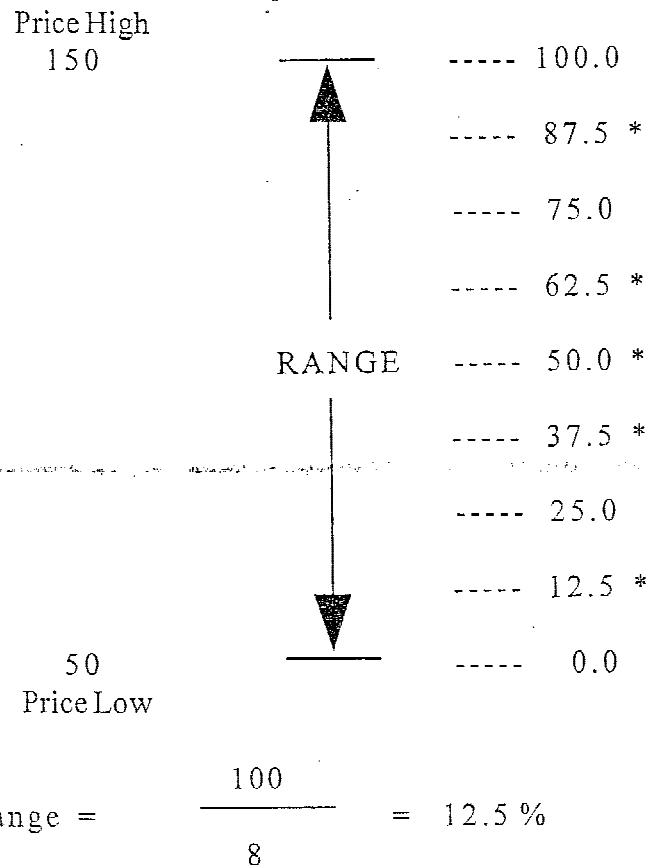








PRICE CYCLES

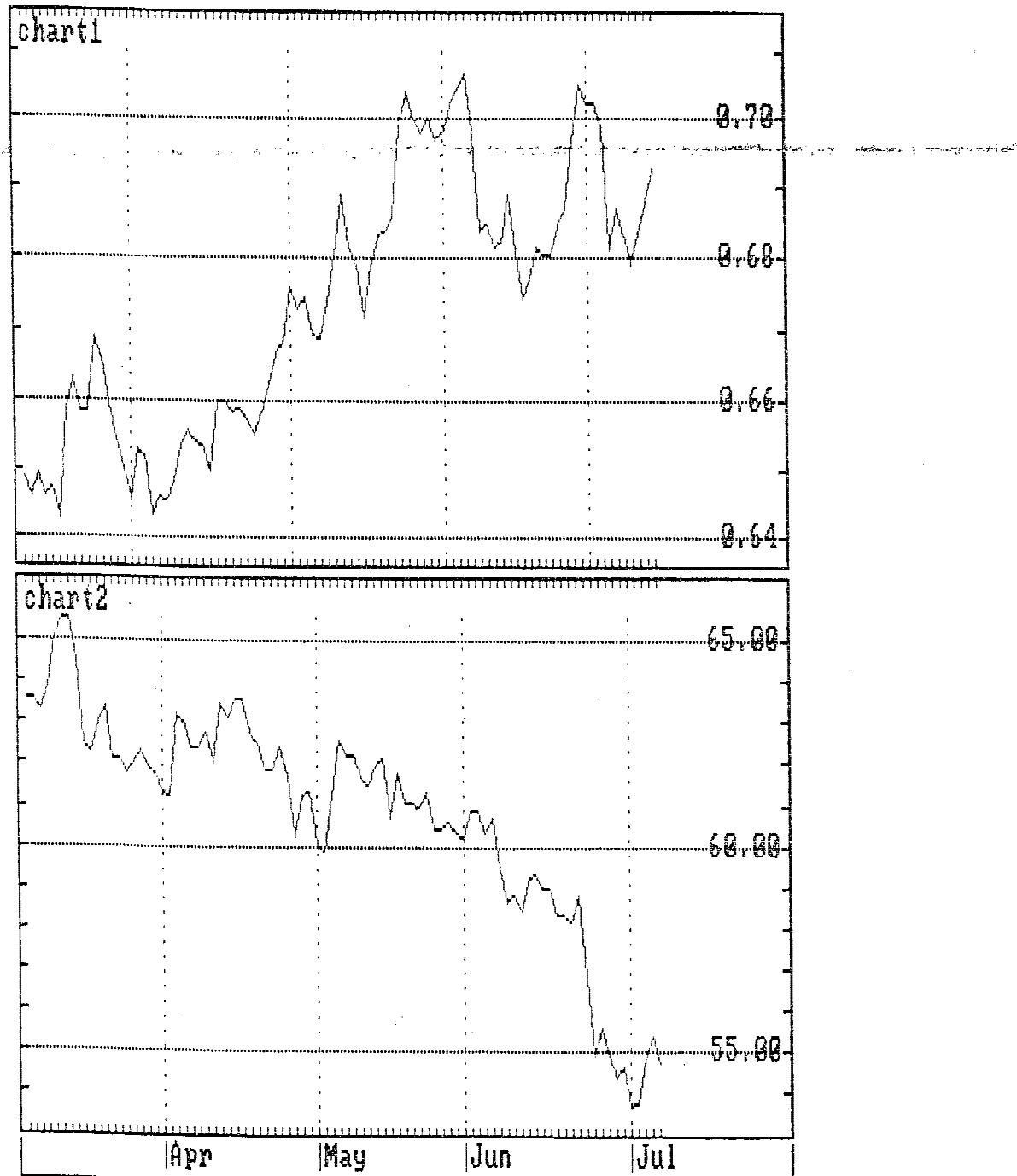


Price Cycles of The Range of The High/Low

1. Calculated on Range (Week, Day, Hour)
 - a. All Time High/Low (Intraday)
 - b. Contract High/Low (Intraday)
 - c. Weekly Range of High/Low on Closes
 - d. Daily Closes of Last High/Low
 - e. Time Cycle High/Low (52, 26, 13, 9, 4 Week)
2. Retracement of 50%
 - a. High Close/Low Close (Daily & Weekly, most important)
 - b. Intraday (Week, Day, Hour)
3. Gann: 1/8th, 1/3rd
4. Fibonacci: 38.2, 61.8

MONITORING MOMENTUM & TREND

- A. Close Only
- B. Simple Momentum
- C. Simple Moving Average
- D. RSI
- E. Moving Average Convergence Divergence (MACD)
- F. Directional Movement (ADX)



RATE OF CHANGE

MOMENTUM

Rate of Change = 100 (V/Vx)

Where:

V = Last Close

Vx = close (x) Days Ago

Simple Momentum

RATE OF CHANGE

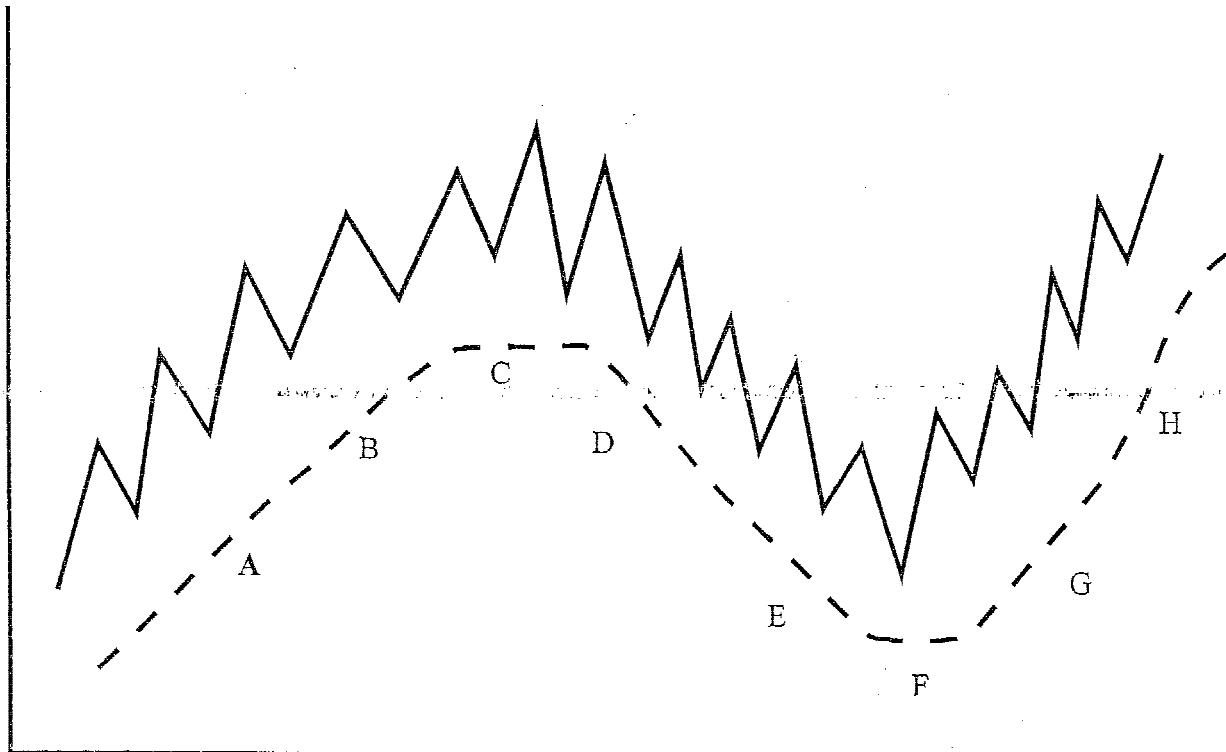
Momentum = V - Vx

Where:

V = Last Close

Vx = Close (x) Days Ago

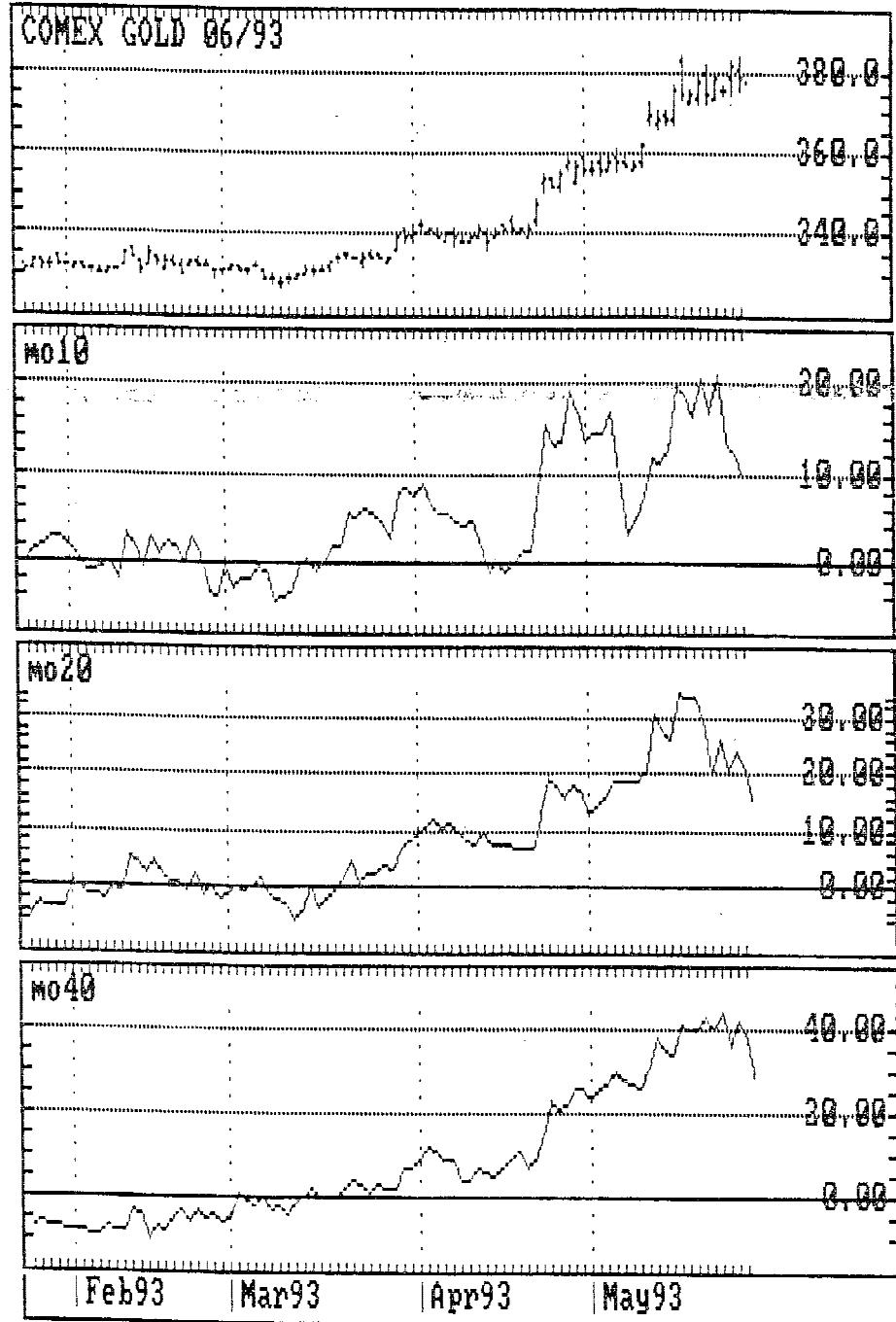
PRICE & MOMENTUM

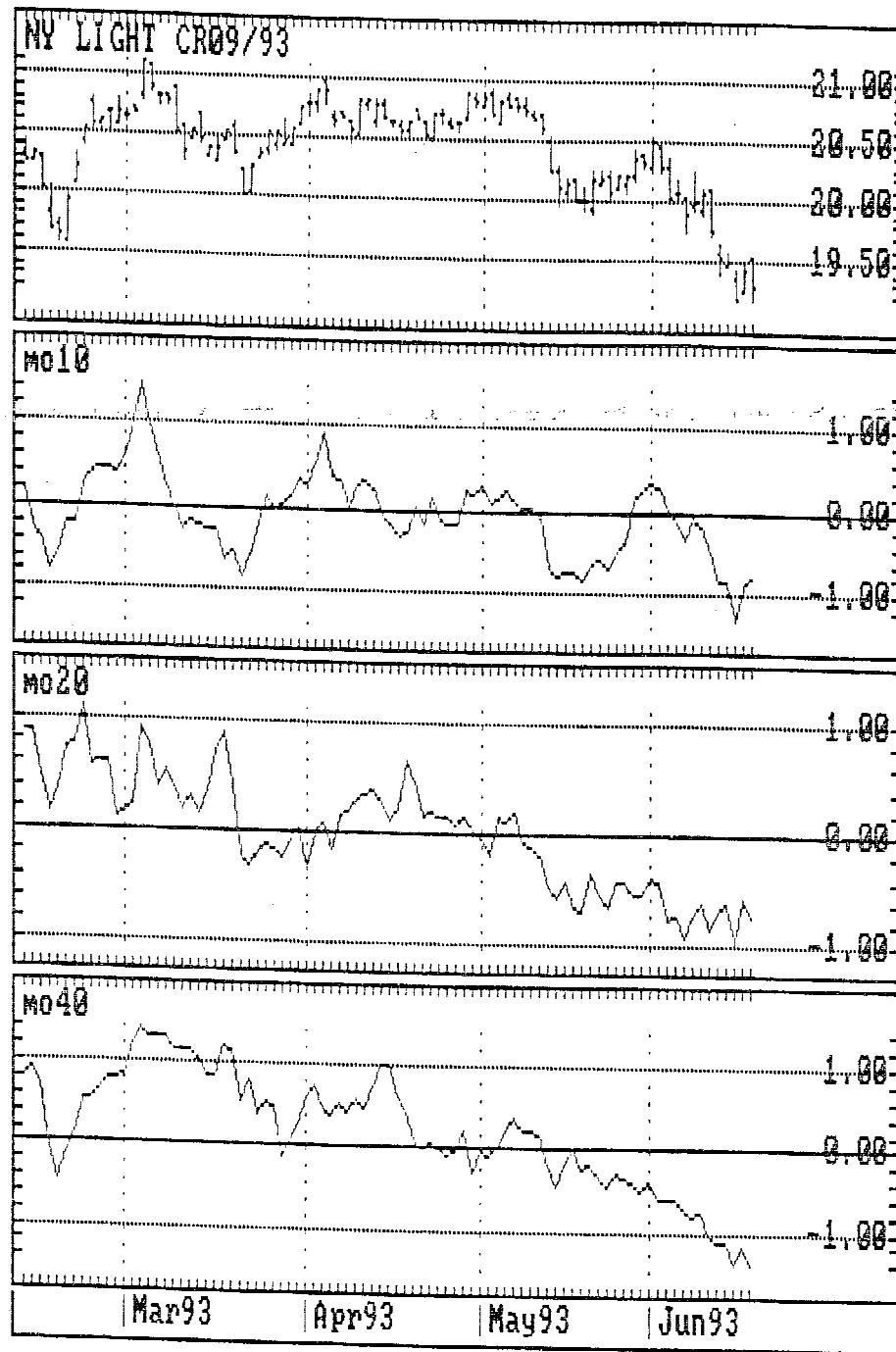


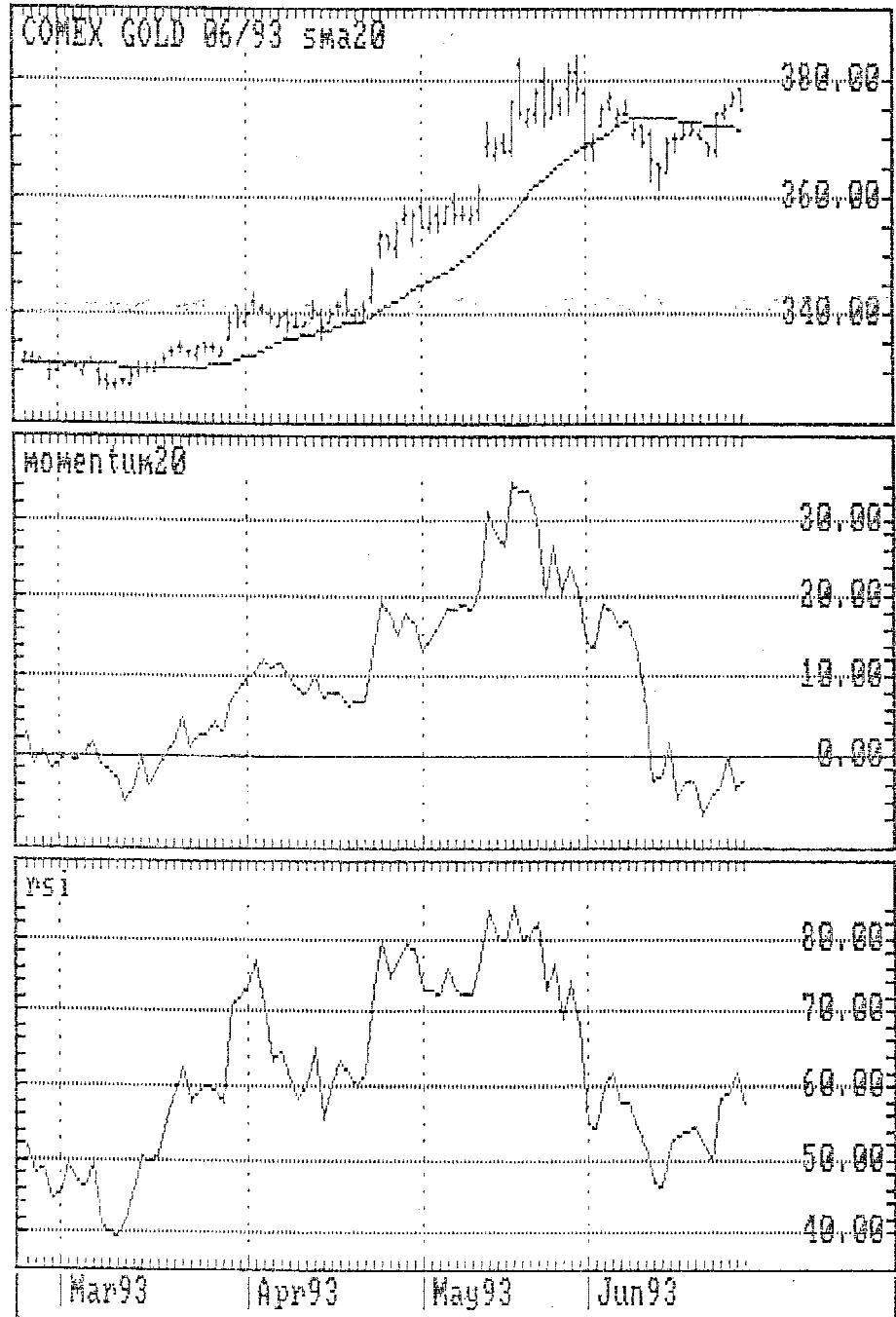
Price —————

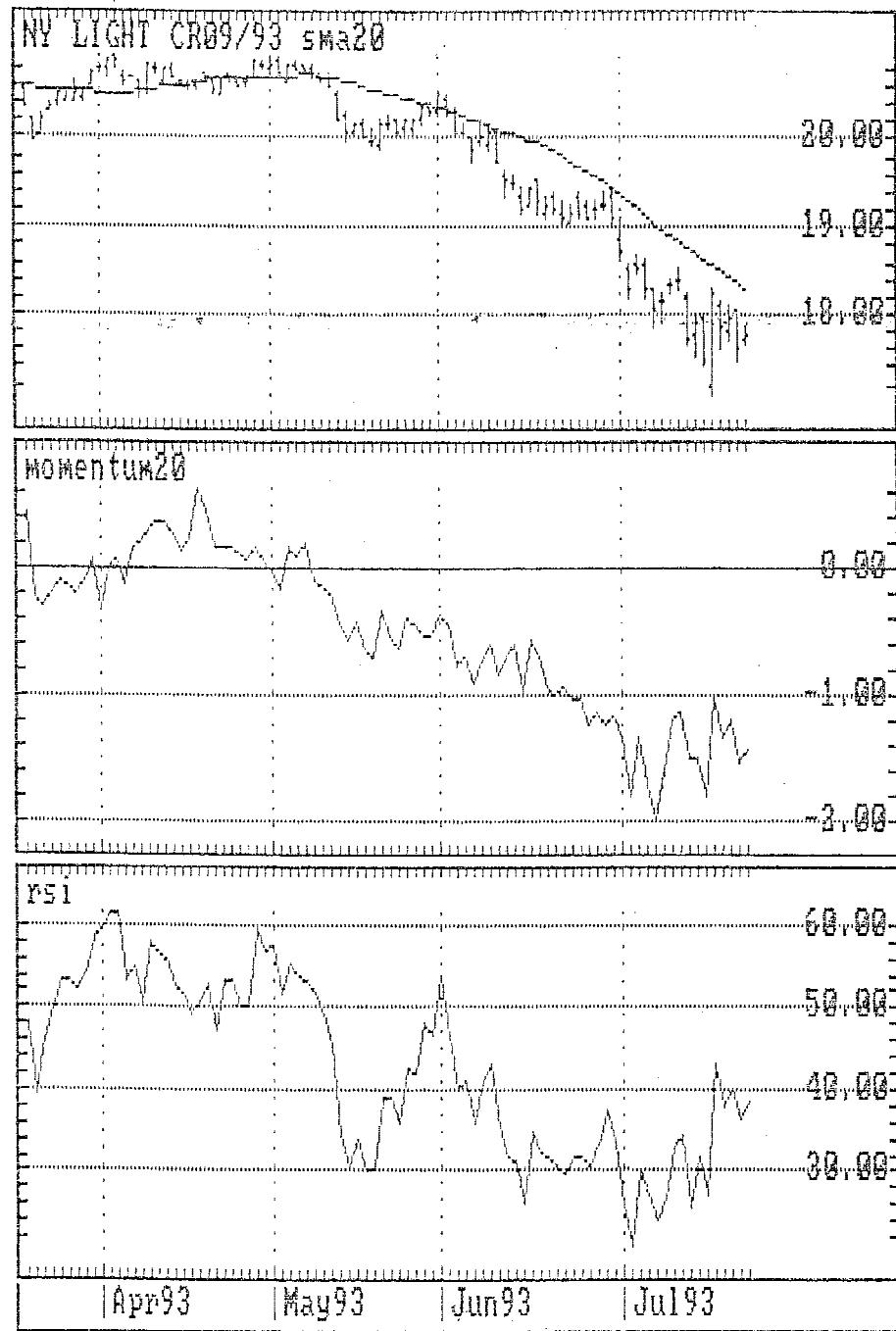
Momentum - - -

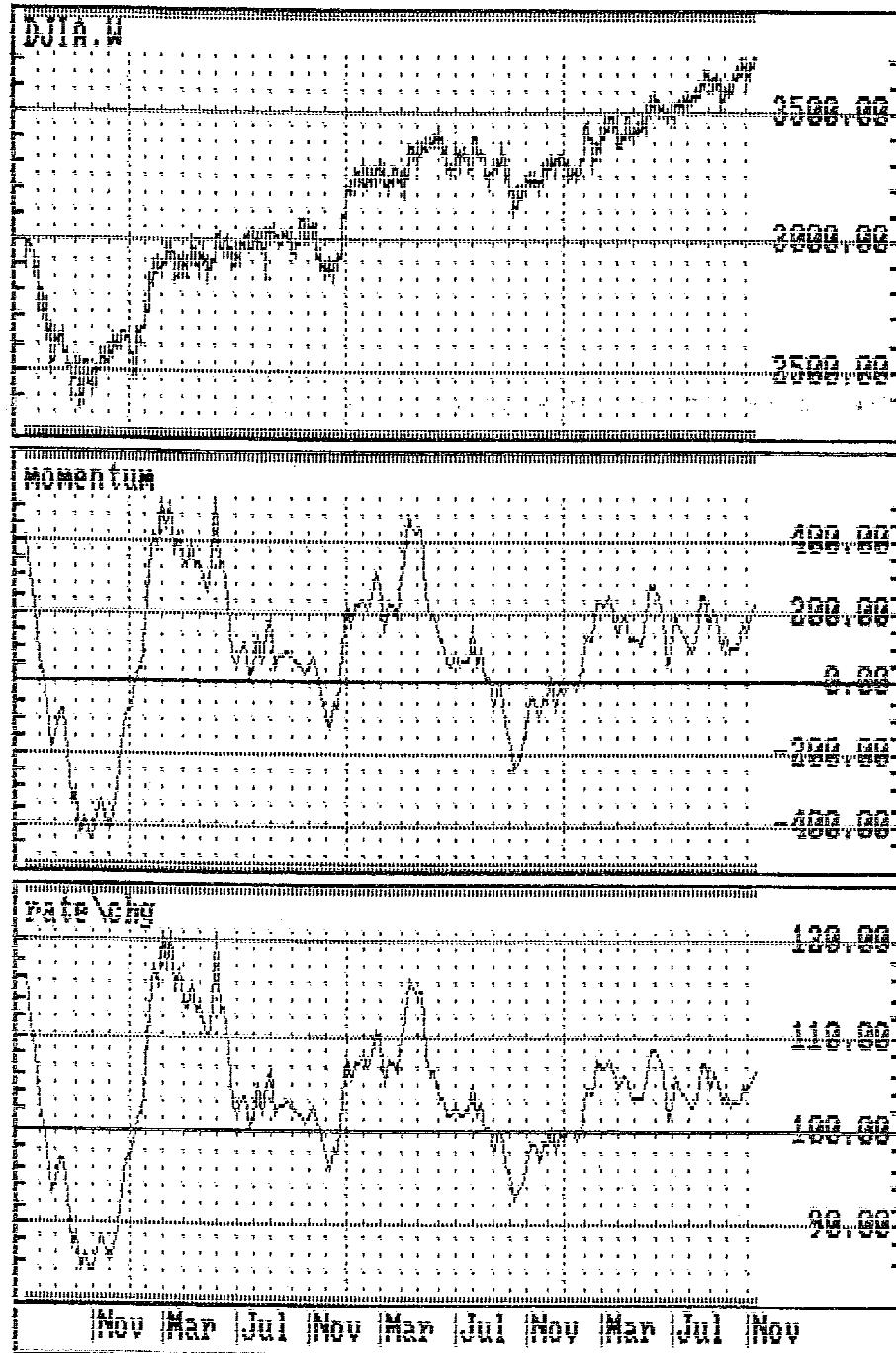
Up Phase: A, B, C
Transition: B, C, D
Down Phase: D, E, F











CDSPEC3.D

128/00

112/00

momentum

5.00

0.00

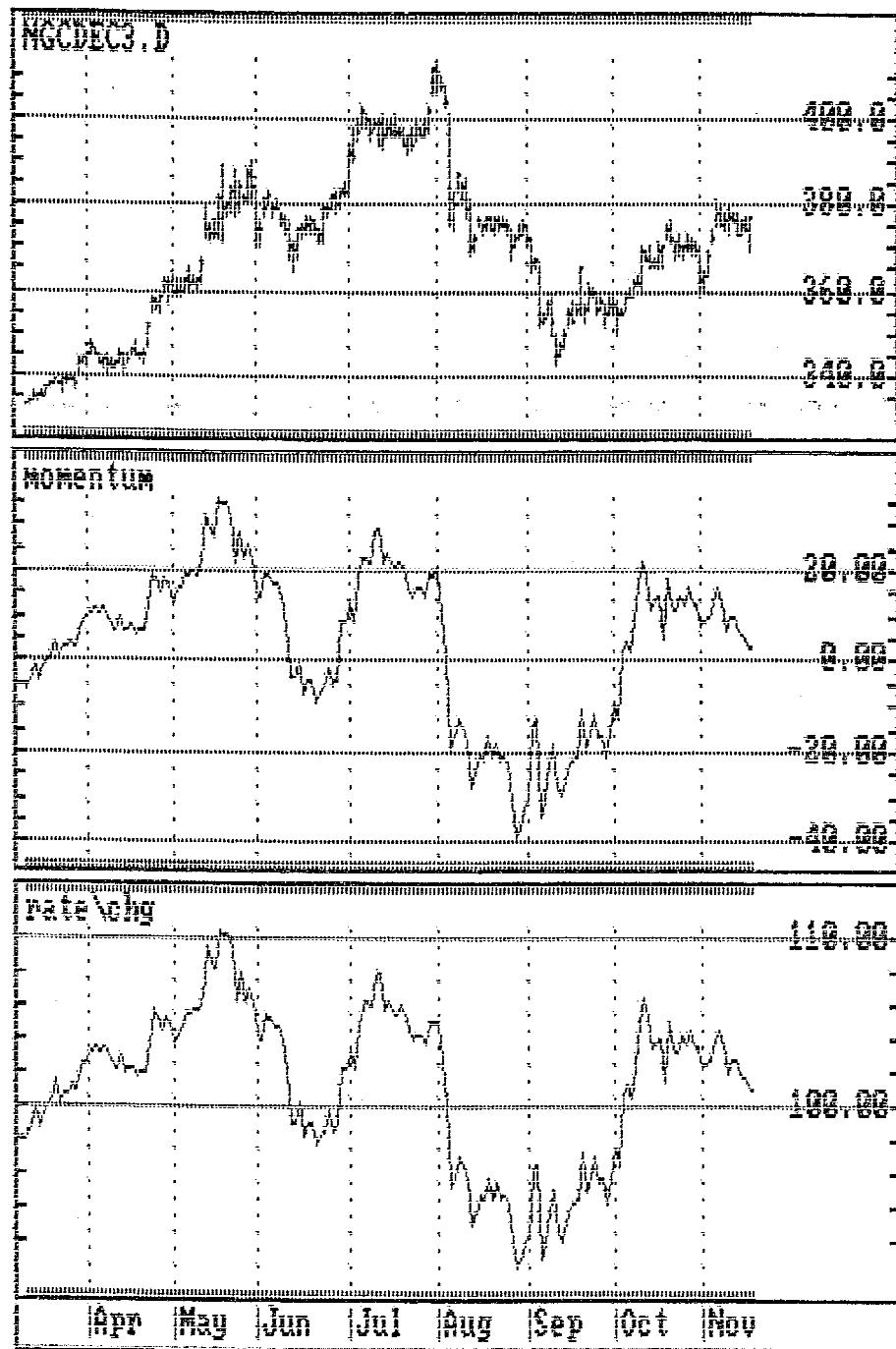
-5.00

rate/vol

1.00/00

-1.00/00

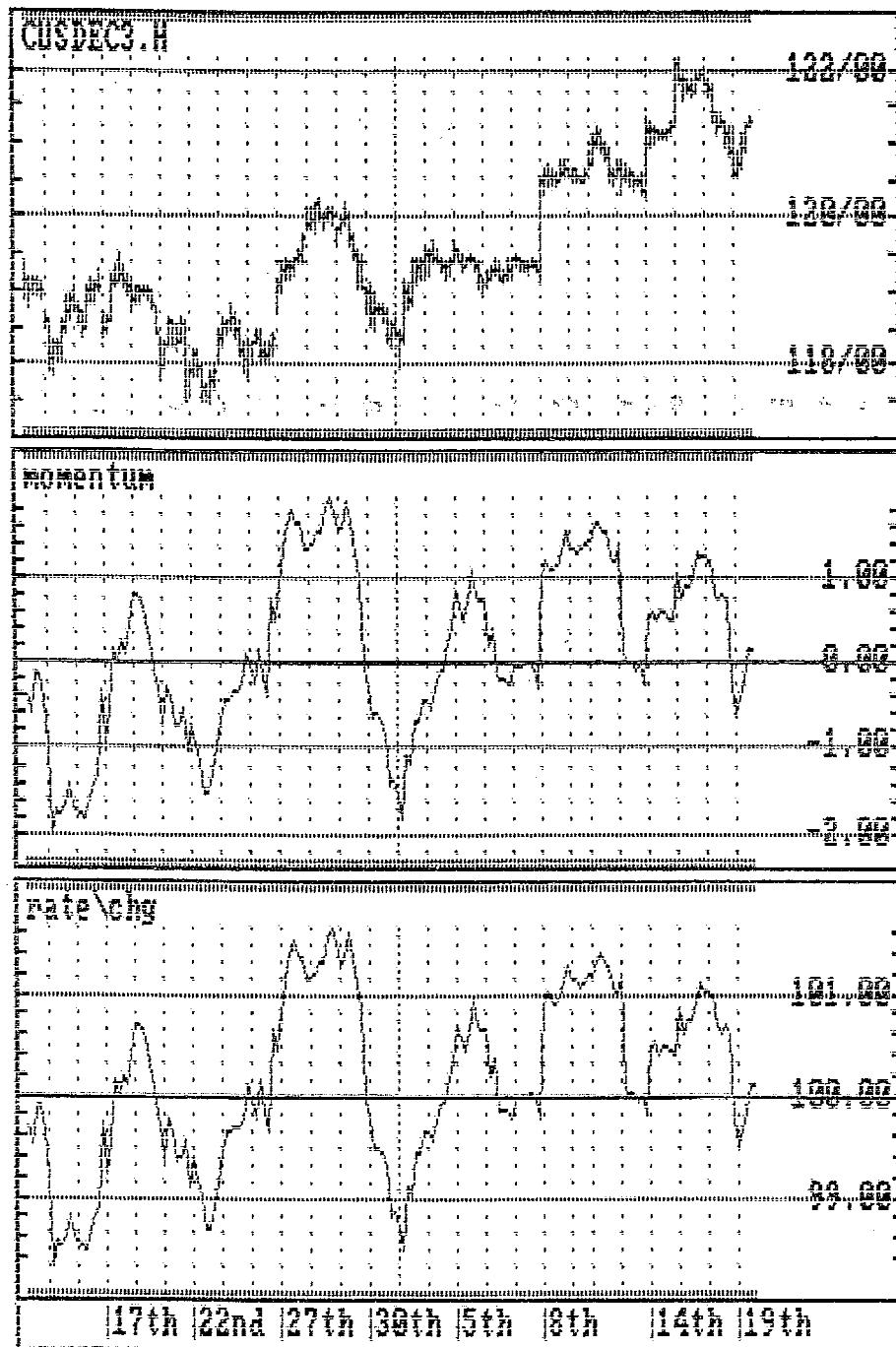
Apr May Jun Jul Aug Sep Oct Nov



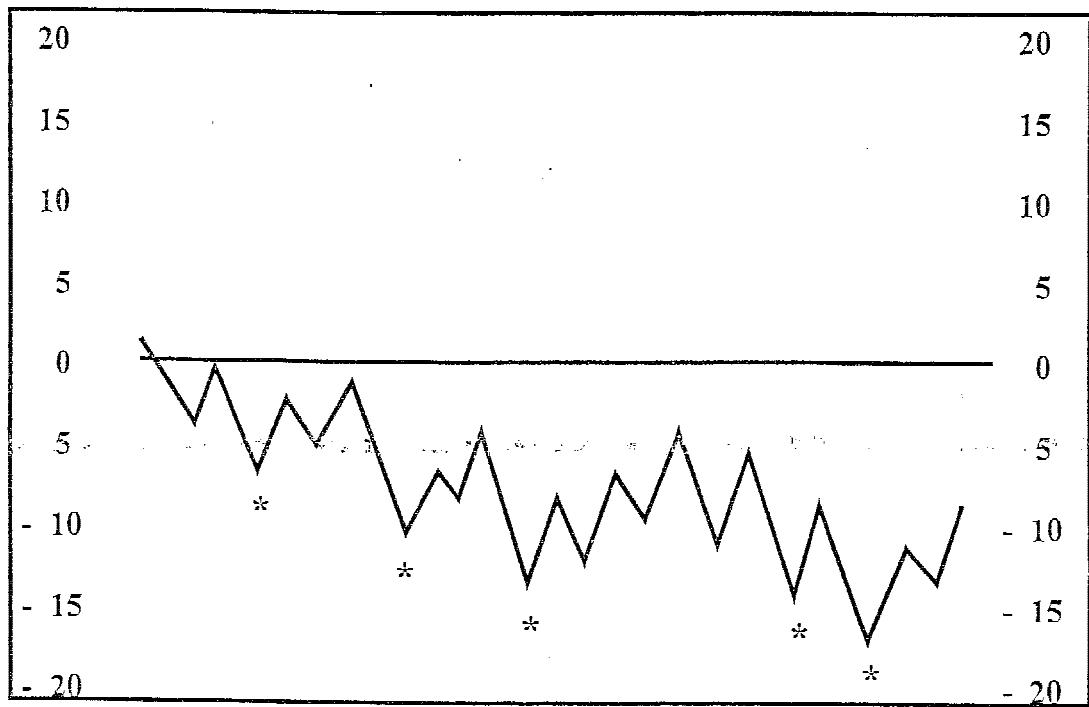
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1-22

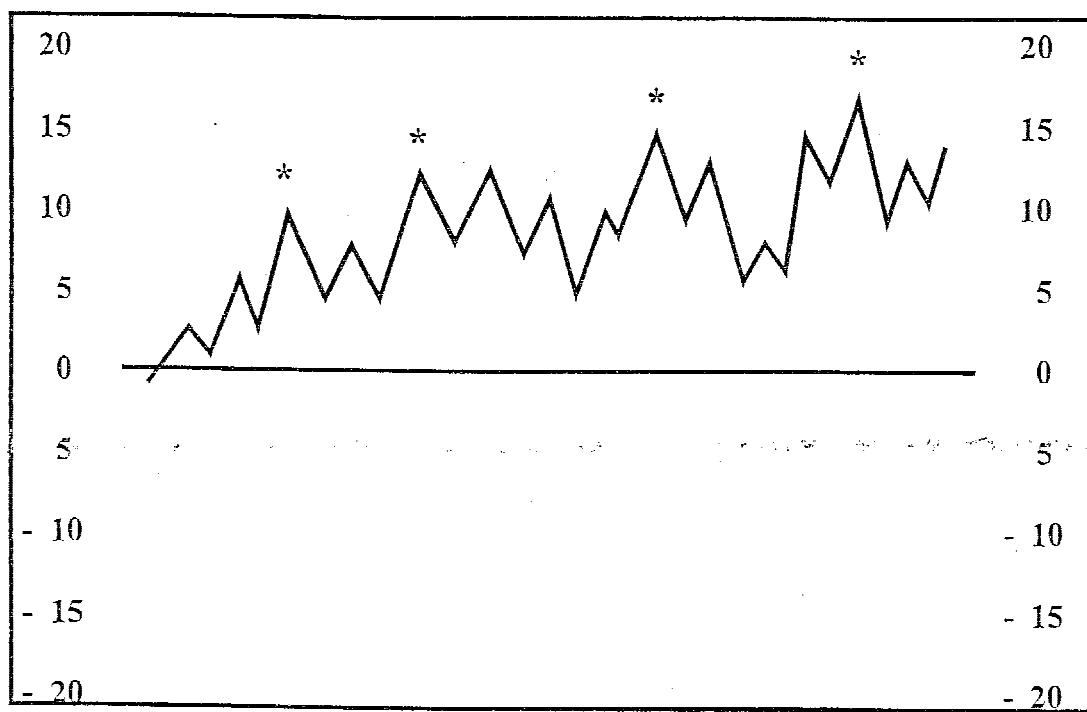


MOMENTUM LOWS
(Momentum)

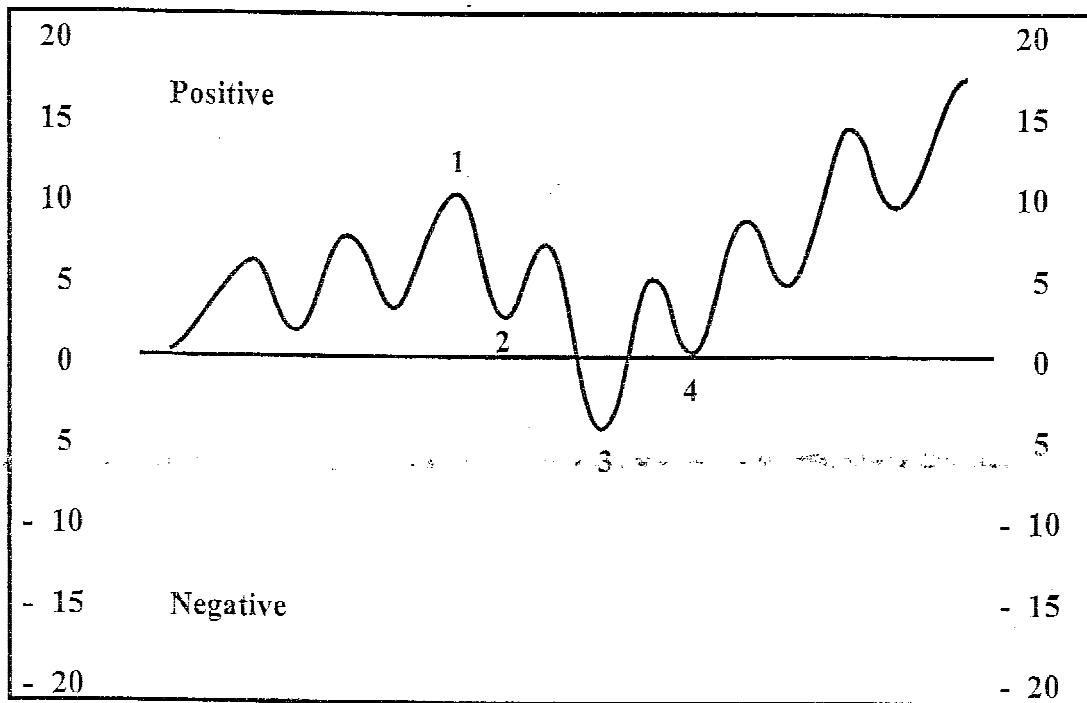


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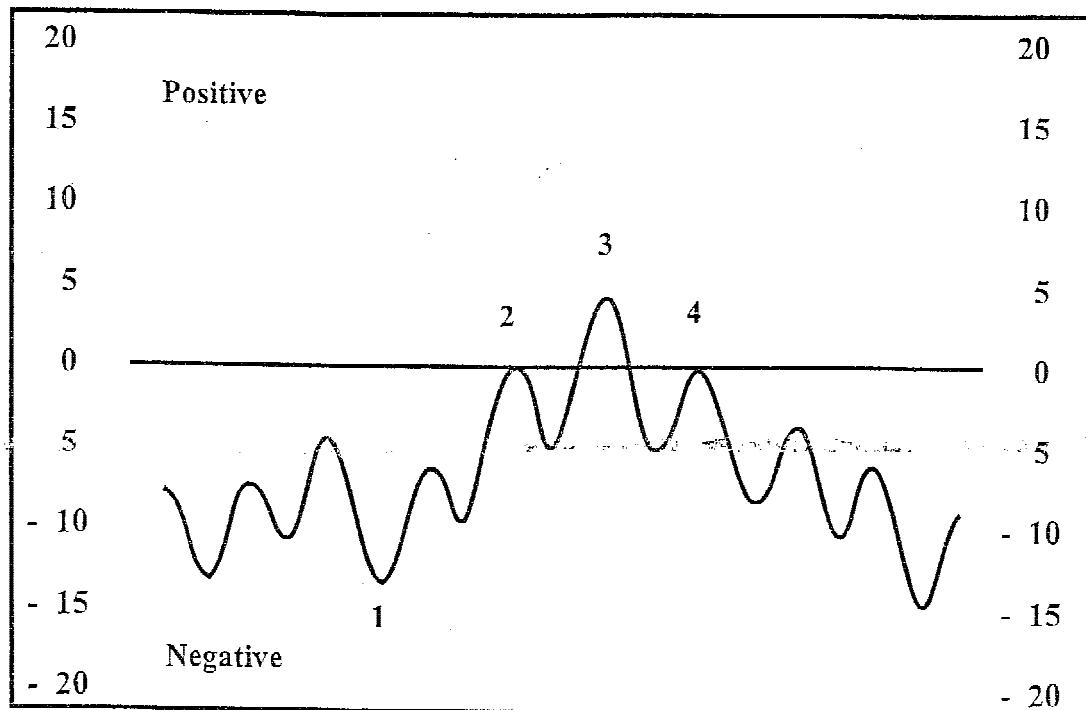
MOMENTUM HIGHS
(Momentum)



SIMPLE MOMENTUM



SIMPLE MOMENTUM



50% Rule
Ranges = $2 \cdot \xi^0$

TIME CYCLES

$$\frac{52}{1} = 52 \text{ Week Cycle}$$

$$\frac{52}{2} = 2 - 26 \text{ Week Cycles}$$

$$\frac{52}{4} = 4 - 13 \text{ Week Cycles}$$

$$\frac{52}{8} = 3 \frac{1}{2} \text{ Week Cycles}$$

52 Weeks

(1) [

26 Weeks

26 Weeks

(2) [

13 Weeks

13 Weeks

13 Weeks

13 Weeks

(4) [

6 1/2
Wks

(8) [

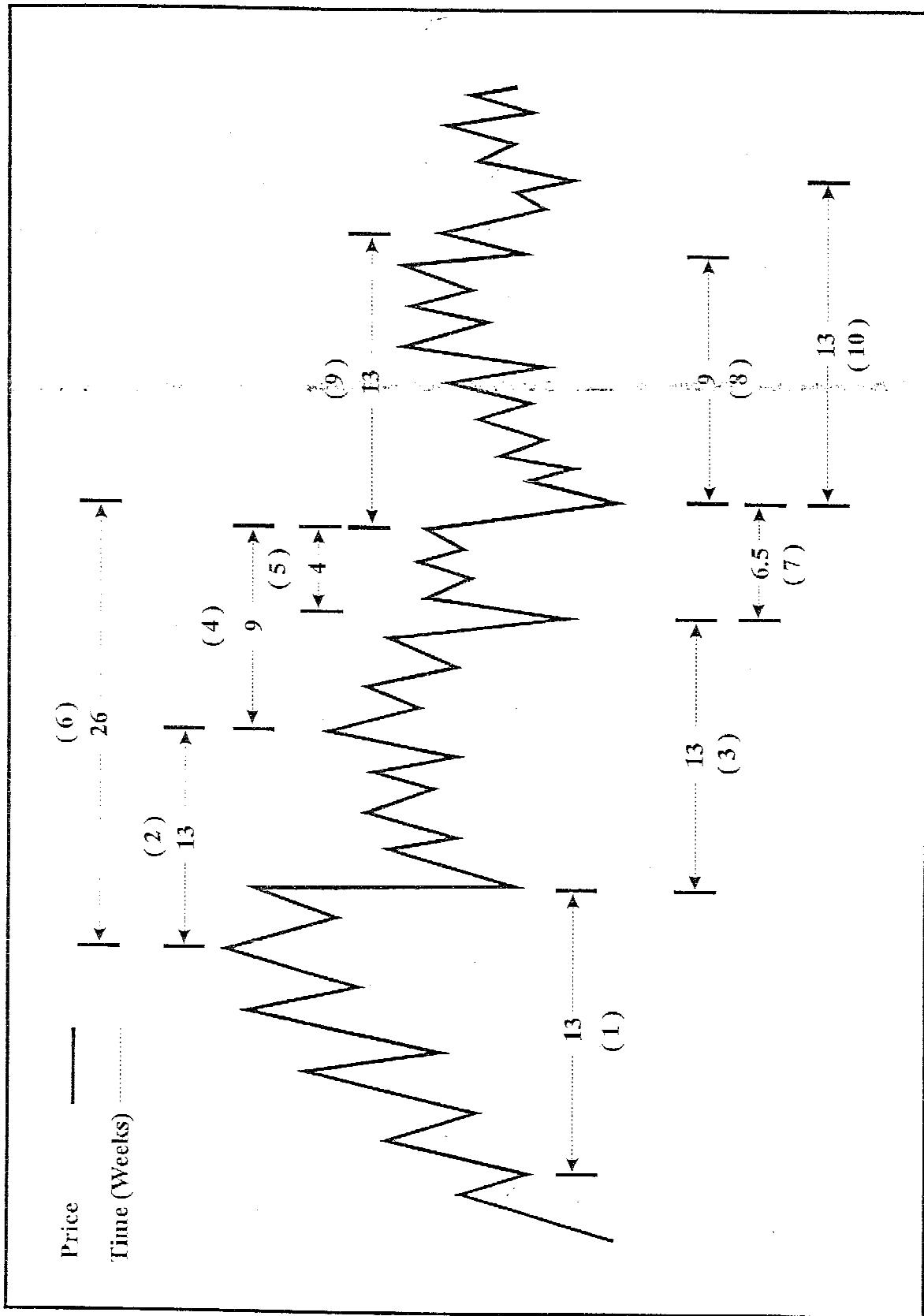
9 Weeks

9 Week Cycle = 45 Day Cycle. Approximately 1/8th of year.

18 Weeks

(18) [

18 Week Cycle = 90 Day Cycle. Approximately 1/4th of year.

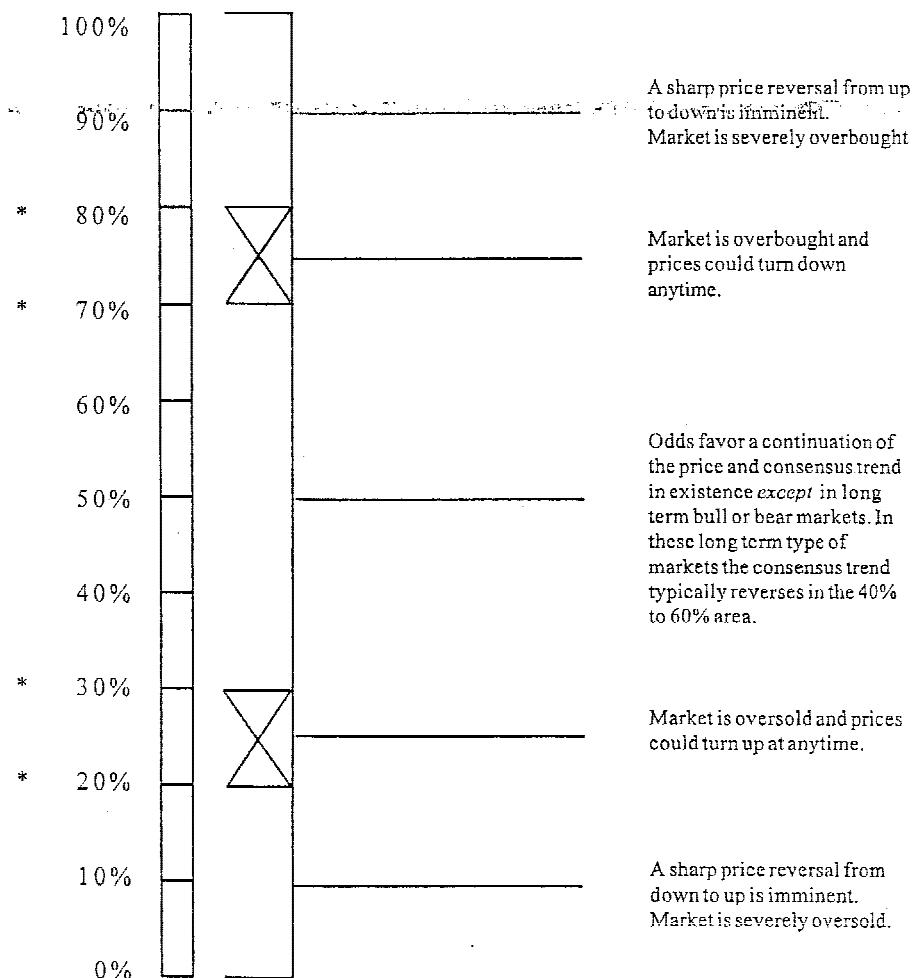


SENTIMENT

BULLISH CONSENSUS METER

Bullish Consensus

Market Conditions



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