

SECTION 4

Technical Analysis Indicators

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Technical Analysis indicators

In addition to the TradeGuider indicators, it is possible to plot a number of technical analysis (TA) indicators to aid you in your decision making. A technical analysis indicator is a mathematical formula calculated using the underlying security's price data. The results are usually plotted alongside the chart of the associative security and are used to "indicate" the present or future conditions of the security's price.

The Technical Analysis tools featured in TradeGudier are:

- Stochastics
- Moving averages
- Bollinger Bands
- MAC- D
- ADX
- RSI

The fastest way to plot an indicator is to use the Tech Tools toolbar.

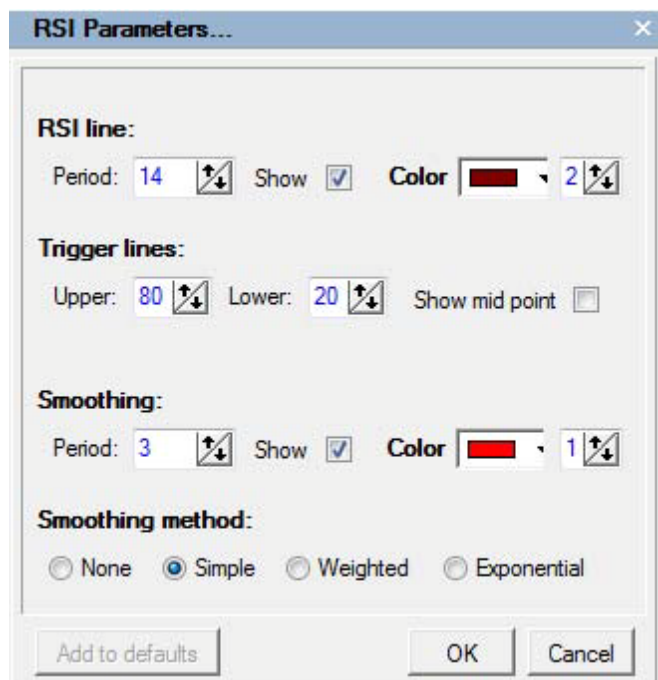
The Tech Tools are also available in the Tools menu.

The RSI Tool

As an example, we will plot an indicator called RSI, which is an abbreviation for Relative Strength Index:

Click on RSI

The RSI Parameters dialogue is displayed. For now, ignore the various properties and click the Ok button. The RSI indicator will be plotted at the bottom of the screen, above the volume histogram.



When the RSI triggers a new signal, TradeGuider is able to display special indicators on your chart, which are shown as yellow triangles to differentiate them from TradeGuider's own indicators. Click on Indicators from the Commands/Option menu that appears to the left of the RSI parameters dialogue.

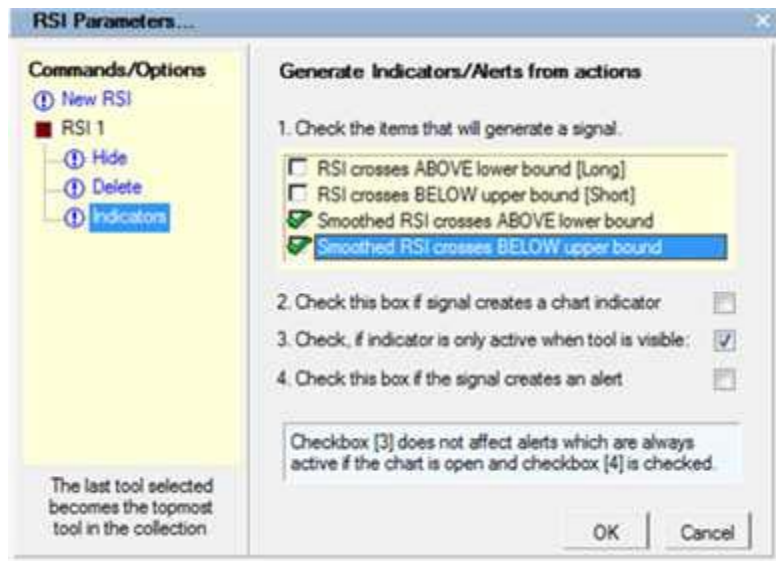
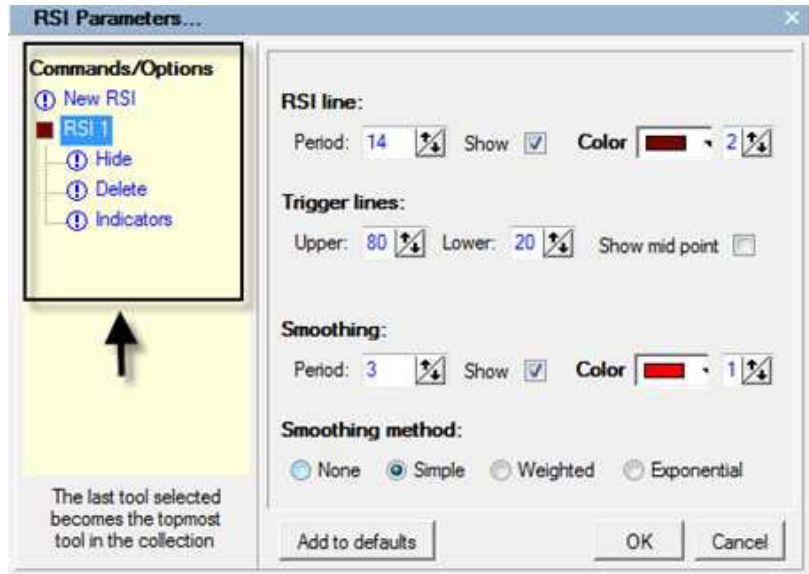
If you do not see the above dialog box, select Tools...RSI to activate it.

A new dialogue is displayed which gives you various options for generating the indicators on your chart.

Most traders prefer to generate a signal only if the smoothed RSI crosses the upper and lower trigger lines.

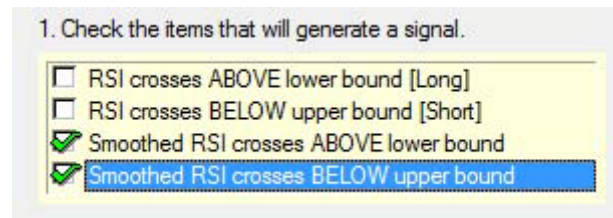
Select the last two check boxes that relate to the smoothed RSI to generate a signal.

Next, we need to tell the software that RSI indicators are to be shown on the chart. So, in step 2, make sure that the box is ticked (Check this box if signal creates a chart indicator.)



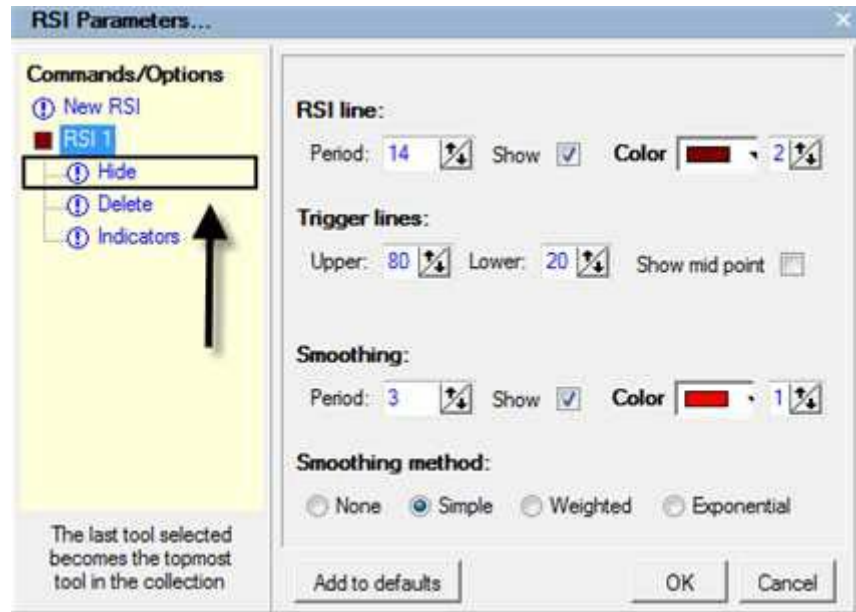
Click the OK button. You should now be looking at a chart that has an RSI plot, together with yellow indicators showing where the RSI indicators have fired.

The technical indicators can be toggled on or off by simply clicking the relevant button on the technical analysis toolbar. So, in this example, clicking RSI would turn off the plot, whilst clicking it again would display the indicator once more.



Turning Off RSI

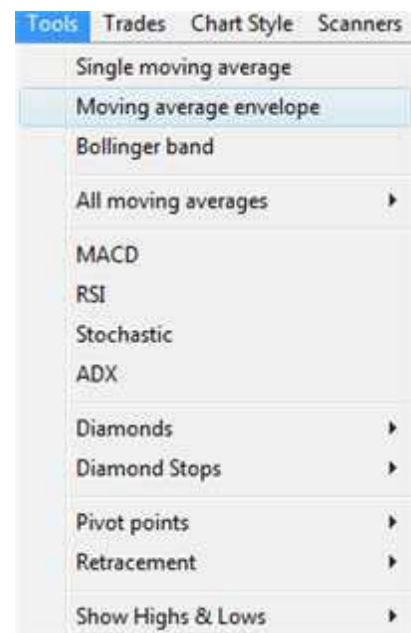
1. Select Tools...RSI
2. Select Hide and click OK. Check your chart. The RSI is now hidden.



Plotting a Moving Average

Another popular technical indicator is the moving average. There are many types of moving average, including simple, exponential, variable, and weighted. Many traders use a moving average cross-over to give an indication of a likely change in price direction. This section will show you how to plot a moving average on your chart.

1. Select **Tools....Moving average envelope**.

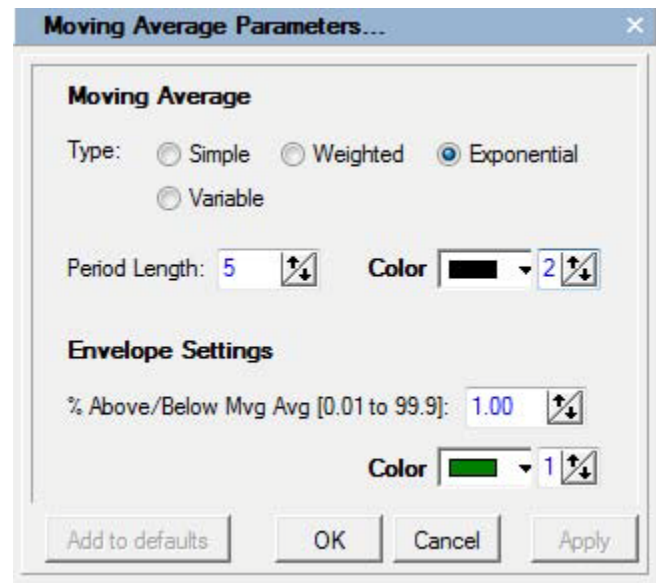


If you have the **Tech Tools** toolbar displayed, click the **MAv** button on the Tech tools toolbar. The Moving Average dialogue is displayed.



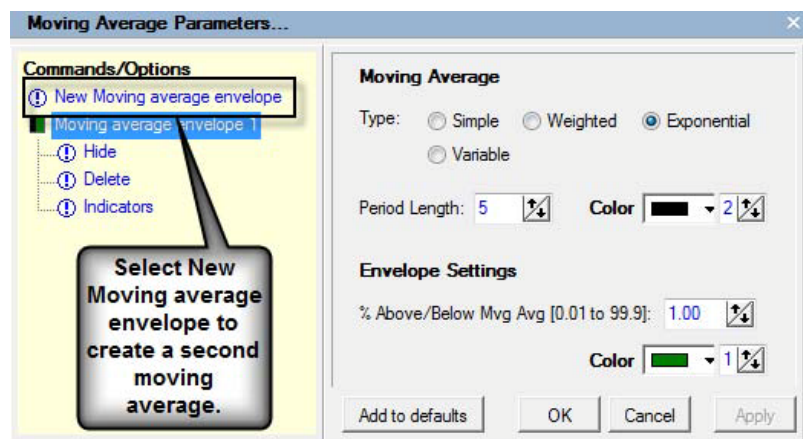
To hide the Envelope, change the **%Above/Below Mvg Avg** to **.01** and the color of the line to the same color as the moving average.

Select **Exponential** as the type of moving average. Change the Period Length to “**5**” and select **black** as the color. Then click the **Apply** button to plot the moving average on the chart.



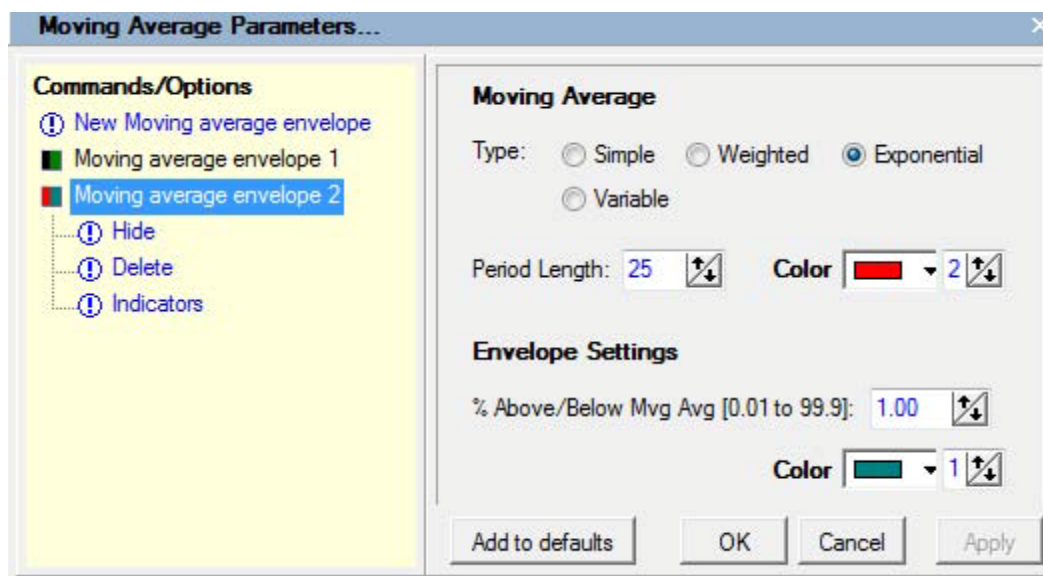
Select **Tools...Moving average envelope**. The Dialog box displays the settings for the first moving average. To create a second moving average, select **New Moving average envelope**.

Select **Exponential** as the type of moving average. Change the **Period Length** to “**25**” and select red as the color. Change the pen width from “**1**” to “**2**” to differentiate it from the fast moving average. Next, click the **Apply** button to plot the second moving average on the chart.



To hide the Envelope, change the %Above/Below Mvg Avg to .01 and the color of the line to the same color as the moving average.

Now we have the crossover plotted on the chart, all that is left to do is to display the indicators.

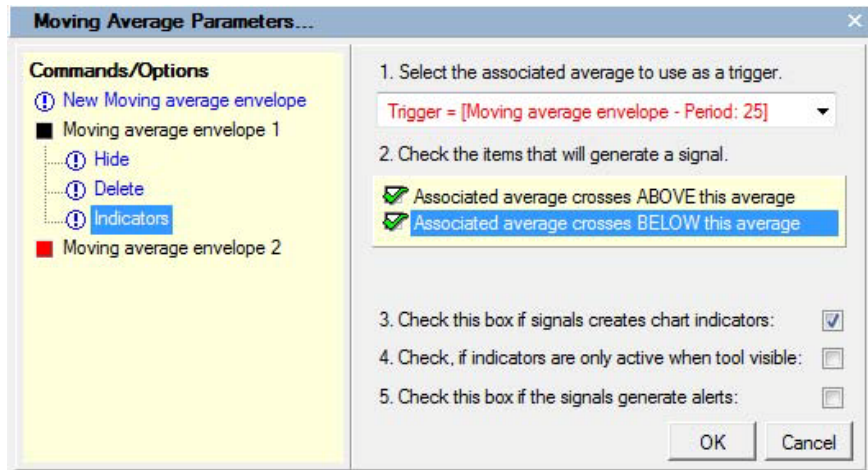


If the Moving Average Parameters dialog box is not longer displayed, select Tools...Moving average envelope.

Click on the fast moving average (i.e. the first one that was plotted.) This will be labeled as "Moving average envelope 1". A small menu will be presented -select Indicators.

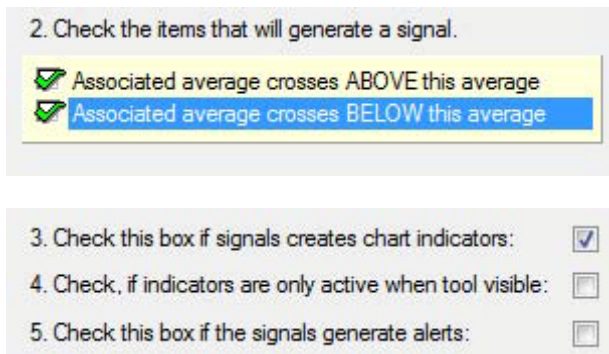
Once Indicators has been selected, a new dialogue is displayed which gives you various options for generating the indicators on your chart.

In step1 (Select the moving average tool to use as a trigger), you will find that only the slow moving average is listed, because the fast moving average cannot act as a trigger for itself. So, this option can be left as it is.



In step2 (Check the items that will generate a signal), check both options boxes. TradeGuider will now log all instances where the fast moving average (5 period exponential) crosses the slow moving average (25 period exponential.)

Next, we need to tell the software that the moving average indicators are to be shown on the chart. So, in step 3, make sure that the box is ticked (Check this box if signal creates a chart indicator.)





For now, ignore the remaining options,. Click the OK button. You should now be looking at a chart that has a moving average crossover plot, together with yellow indicators showing where the indicators have fired.