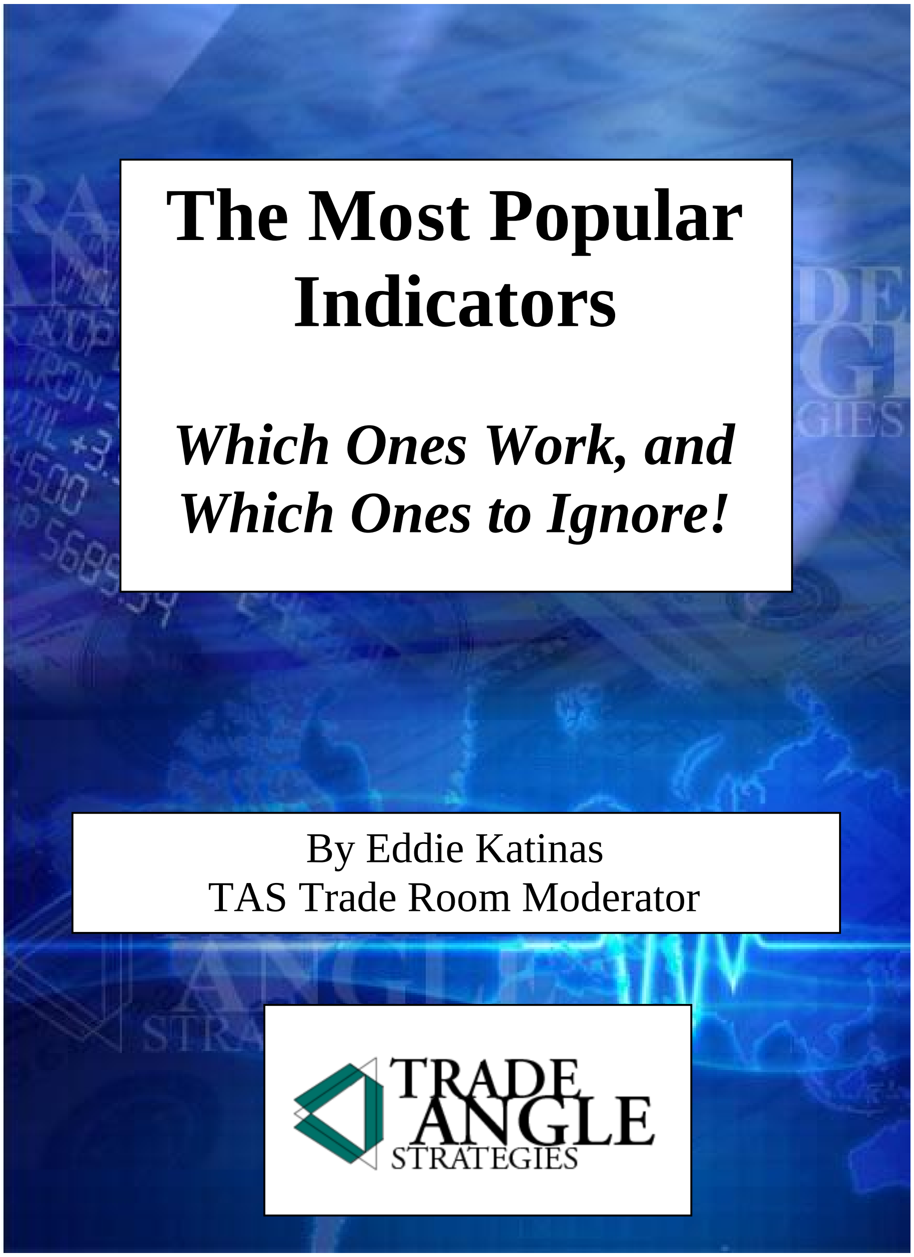

Following are the **Most Popular Indicators** with definitions and commentary by Veteran Master Trader Eddie Katinas. If you want to WIN the trading game, you must know which ones actually work – and which Indicators can cost you money!

*A **Trade Angle Guide** Special Report*

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Markets are strange and peculiar animals, because they are in the business of putting the things that are known about them out of business.

There was a time when a trader could draw some trend lines on a chart and some support and resistance lines and they would work like crazy because almost nobody knew about them. This was back in the late 19th century. They still have some value today, but the difference is that millions of traders are looking at them now.

There was a time when you could look at flags, rates-of-change, MACD, ADX, etc., etc. and they would be clean and relatively fake-out free. No longer. The markets have wized up to those things and many others. The usual and known indicators, even in complex forms, are anticipated now, and thus much less amenable to profit. You may have to take some time to find this out for yourself.

It is joke to suppose that a market is going to reward you for using things that virtually everyone else in that market is also aware of. It has no mechanism for doing so. It has no mechanism for rewarding traders when they are using things that are common knowledge among other traders and investors.

To use an example from fundamental analysis, when Benjamin Graham in the early 1930's devised his methods of valuing companies based on their intrinsic economic value, his methods worked like crazy because they were almost unknown.

Yet those same methods all but stopped working by the 1970's because there was now a horde of analysts using them, thereby drastically reducing the possibilities for success using those methods. Many other examples could be given.

A person can always get lucky for a limited time, but the markets *cannot* reward you consistently for approaching them in ways that are similar to everyone else's. It has no way of performing such magic, like giving candy to a child. Markets deal in psychological reality, and they are always right.

There was a time when charts themselves were a rarity. Now virtually all serious traders have electronic screens with all the standard indicators already built in. Tweaking these standard indicators a bit isn't going to help you when you are up against institutions and trading desks and professional traders and floor traders and market makers, all with access to unique advantages.

The individual trader and investor also has some unique advantages, but these are not immediately obvious. Though not readily apparent, they must be wielded with great clarity and insight to prevail.

It is imperative to be using something that the market knows very little about, because markets will keep constantly shaking out traders who are using indicators that are commonly available, or constructed upon technology that is commonly available. Indeed that is part of a market's job, to only reward those who have truly earned its beneficence.

Markets are not the easy money-transfer machines that traders sometimes imagine them to be. Profits in a trading situation must be earned by superior analysis, impeccable risk-management and clear-sighted perception.

The realities of the situation in modern-day trading and investing must be fully grasped and then used. Only then will the market deign to shine upon the positions, planted so hopefully, of the modern-day trader and investor.

1 - Moving Average	
Created	
Definition	The moving average may be the most widely used indicator. The Moving Avg indicator calculates and plots a simple arithmetic average of prices .. A moving average is generally used for trend identification. Attention is given to the direction in which the average is moving and to the relative position of prices and the moving average. Rising moving average values (direction) and prices above the moving average (position) would indicate an uptrend. Declining moving average values and prices below the moving average would indicate a downtrend. Buy when the closing price is over the longer moving average Sell when the shorter moving average goes below the longer moving average.
Markets	All
Strengths	None. When MA turns to direction of trend, its ALWAYS too late. It is better to watch the price itself, same thing, just price – it's not lagging. The 200 day and 100 days MA is used by money managers to gauge long term supports resistances on weekly or daily charts. Some use for that. When you review all of the technical indicators available to traders in today's analytical software, moving averages are still one of the most popular and widely-used indicators to help identify market trends. Moving averages form the basis of many single-market, trend-following trading strategies, ranging from the popular 4-9-18-day moving average "crossover" approach to the widely followed 50-day and 200-day simple moving averages used to highlight the underlying trend direction of broad market indexes and individual stocks. Moving averages, calculated according to precise mathematical formulae, are an objective (quantitative) way to ascertain the current trend direction of a market and develop expectations about its future direction. Moving averages filter out the random "noise" in past price data by "smoothing" or "averaging" out the fluctuations in price movement.
Weakness	Moving averages are simplistic. Couldn't an intelligent model do much better?A moving average system by definition always lags the market on the way up and on the way down. So, it always buys a bit late and sells late. **Lagging Behind** Traditional moving averages have one very serious deficiency: They are a '"lagging" technical indicator. By virtue of their mathematical construction (averaging prices over a number of prior periods), they have to rely on past prices that have already occurred so tend to lag behind the current market price. "Making trades based upon the analysis of moving averages typically results in getting

	into and out of the market late when you compare the points at which the market's price actually makes a top or bottom and when it changes trend direction "Depending on the market's price movement and the type and size of moving average used, this lag effect can be substantial, causing the difference between trading success and failure in today's highly volatile, global financial markets." An inherent assumption behind moving averages is that once a trend is underway, it tends to persist. Therefore, until the long moving average is penetrated by the short moving average in the direction opposite from the prevailing trend, an uptrend is assumed to remain intact. With today's unprecedented intraday and interday market volatility, caused in no small measure by the globalization of the markets and resulting effects of related markets on one another, traders can no longer rely solely on single-market lagging indicators such as moving averages. Knowing that a market made a top or bottom several days ago is no longer an effective way to make trading decisions, if it ever was. Even a one-day lag in today's fast-paced, globally interconnected markets is too long to wait for this information.
Result	Basic indicator, used by many computer programs. Use is too widespread to be of significant value. Low value to professional traders.

2 - Momentum	
Created	20 years ago at least
Definition	The Momentum indicator calculates and plots the net change, expressed in points, between each bar's price, as specified by the input Price, and that price the number of bars ago specified in the input Length. It calculates and plots the net change between the close of a bar and the close ten bars earlier. Measuring current prices versus earlier prices sheds light on the pace of a trend and possible trend reversals. It may also be useful in identifying overbought and oversold conditions when the Momentum becomes extremely strong or weak.
Markets	Only high or above average volume must be present to have relatively accurate readings
Strengths	Indicates trend strength. Can be used as additional tool measuring strength of the trend.
Weakness	50/50 identifying trend reversals and or trend continuations. When in overbought territory stays overbought as long as trend is strong. There is no way of telling when a trend reverses, and if and when trend reverses, it gives signal extremely late. This type of indicator is also being used by every novice trader looking for some form of free help by way of a very available indicator that can be found in any charting software.
Result	50/50 probability in long run, a coin flip

3 – Relative Strength Indicator (RSI)	
Created	
Definition	The Relative Strength Index (RSI) indicator calculates a value based on the cumulative strength and weakness of price The RSI plots as an oscillator with a value from 0 to 100. The direction of RSI should confirm price movement. For example, a rising RSI confirms rising prices. The RSI used in futures trading compares current price data to previous price data in the same time series. The RSI discussed here compares the magnitude of higher closes to lower closes over last *x* days in the following manner: RS = (Sum of positive net changes over the last *x* days) / *x* (Sum of negative net changes over the last *x* days) / *x* RSI = 100 – (100 / 1 + RS)
Markets	All
Strengths	RSI can also help identify turning points when there are non -confirmations or divergences. RSI is also used to identify overbought and oversold conditions when the RSI value reaches extreme highs or lows.
Weakness	A new high in price without a new high in RSI may indicate a false breakout.. but when price keeps going to the direction of break out and finally RSI confirms, it's usually too late. It's a lagging indicator. When price is over bought or oversold RSI shall indicate that, but it stays on the top or bottom of your value calculation grid in over bought or oversold conditions as long as price rally or decline. We have no use for it. RSI was developed in the 1970s……NEED I SAY MORE!!!!!!!!!!!!!!!!! RSI has most of its use if any by mitigating the data by using percen tages instead of actual prices in the data, therefore giving the trader a different type of lag, but still a lag.
Result	At best a 50/50 indication on forecasting future price action which, by the way, is as good as a coin flip.

4 – Stochastic	
Created	In stone age.
Definition	The Stochastic Slow indicator calculates the location of a current price in relation to its range over a period of bars. This calculation is then indexed, smoothed and plotted as SlowK. A smoothed average of SlowK, known as SlowD, is also plotted. SlowK and SlowD plot as oscillators with values from 0 to 100..
Markets	All

Strengths	The direction of the Stochastics should confirm price movement. For example, rising Stochastics confirm rising prices. Stochastics can also help identify turning points when there are non-confirmations or divergences. For example, a new high in price without a new high in Stochastics may indicate a false breakout. Stochastics are also used to identify overbought and oversold conditions when the Stochastics reach extreme highs or lows. Additionally, SlowK crossing above the smoother SlowD can be a buy signal and vice versa.
Weakness	It is clear that acting solely on overbought and oversold crossovers can generate false signals. Using crossovers of %D (slow) by %K (slow) can result in some good signals, but there are still many whipsaws. It is definitely slow and lagging. . No use at all in this current environment. Definitely can not be used to forecast future price action.
Result	It is at best a 50/50 frustrating experience.

5 – DMI	
Created	
Definition	The DMI indicator calculates and plots the DMI Plus and DMI Minus values. DMI Plus is calculated from a comparison of the highs on a series of consecutive bars versus the true range; DMI Minus is calculated from the lows on a series of consecutive bars versus the true range. These values are used to calculate ADX, which is also plotted by this indicator. ADX is commonly used to indicate whether a market is trending. Rising ADX values indicate a trending market without indication of the trend direction.
Markets	Must be with above average volume
Strengths	The DMI, can aid in identifying direction. DMI Plus crossing over DMI Minus is a bullish sign, and vice versa.
Weakness	Too many false signals. Needs serious filtering by other 'trigger' indicators. No use for forecasting price movement.
Result	

6 – TRIX	
Created	
Definition	TRIX is a momentum indicator that displays the percent rate-of-change of a triple exponentially smoothed moving average of a security's closing price. It was developed in the early 1980's by Jack Hutson, an editor for *Technical Analysis of Stocks and Commodities* magazine. Oscillating around a zero line, TRIX is designed to filter out stock movements that are insignificant to the larger trend of the stock. The user selects a number of periods (such as 15) with which to create the moving average, and those cycles that are shorter than that period are filtered out.

Markets	All
Strengths	Many analysts believe the TRIX crossing above the zero line is a buy signal while closing below the zero line is a sell signal. Also, divergences between price and TRIX can indicate significant turning points in the market.
Weakness	Since TRIX is based on three exponential moving averages it's lagging. The Trix also forces the trader to be boxed into using it during trending markets. How do we know that we are in a trending market? As soon as we recognize a tren d, and are therefore able to use this indicator, then every other trader in the world is looking at this trend, and then we are too late traditionally. This tool is the whipsaw king of all time.
Result	

7 – MACD	
Created	
Definition	The Moving Average Convergence Divergence indicator calculates 2 exponential moving averages of the lengths specified by the inputs. conditions.
Markets	All
Strengths	When the MACD crosses above the MACD Average, it may be the beginning of an uptrend. Conversely, when the MACD crosses below the MACD Average, it may be the beginning of a downtrend. As an oscillator, the MACD can indicate overbought and oversold
Weakness	As a trend-following indicator, the MACD may be interpreted similarly to other moving averages. We are in effect looking at the delayed information for starters as it converges and diverges away from each other on different time frames.
Result	