

# Momentum Studies

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# Momentum Studies - Agenda

- Introduction
  - MACD
  - Slow Stochastics
  - RSI
  - Williams %R
  - Parabolic SAR
  - ATR

(For each study we will look at it's strengths, weakness, interpretation, and best use, as well as delving into ideas like Divergence & Overbought/oversold indications)

- Summary



# Momentum Indicators

- Indicators are mathematical operations based on the basic data set that aim to provide further clues as to what is happening with respect to direction and momentum of market trends.
- Some indicators are more 'trend following', some aim to pick the short-term turning points within a trend.
- It is a misconception that these are a bit of magic that can find you the answer to the 'Holy Grail'!



# Momentum Indicators

- A firm understanding of how a particular indicator works and what it's trying to achieve is necessary to be able to use them effectively.
- As they are designed to give an in-depth view of a **specific** aspect of market action, the reliance on an indicator in isolation is going to be of little use in determining future price movement.
- By gaining a solid knowledge of the uses, strengths, and limitations of some indicators, we can apply them intelligently and have them aid instead of hinder our trading decisions.



# Momentum Indicators

- Indicators, like all other technical tools, are just another weapon in our arsenal and do not replace any other technical tools
- Instead, indicators can be a great asset in confirming signals generated from other tools and also in gaining a deeper insight into what these other methods are showing.
- As mentioned, some indicators attempt to follow the trend whilst others look for the peaks and troughs within a trend.

