

Chart Analysis



This week's Chart Analysis section illustrates the trend-following indicator ADX. ADX is a slow indicator but tells effectively whether a trend is strong or weak. During August 2006, ADX has been increasing to the >40 zone. Touching those extreme readings, the indicator came down before rebounding again in mid-October. However as of December 2006, the ADX has again moved to extreme readings of around 60.

XPertTrader™ Corner

This week, we are highlighting 1 rule from our ADX indicator's signal list which is the +DI/-DI crossover. This is a basic trading rule from the Directional index indicator where a bullish signal is obtained from +DI crossing up -DI and a bearish signal is obtained from -DI crossing up +DI. Editable parameters such as x and t allows subscribers to determine whether they would like the +DI and -DI to grow further apart before being screened. This can help to prevent too many false positives though the alert will be slower.

TA Bites

ADX Indicator

ADX indicator is an effective and frequently used trend indicator. When opening ADX in ChartNexus, 3 lines will be shown namely the ADX line, the +DI line and the -DI line.

The ADX line is an oscillator that measures the strength of a trend. A reading below 20 indicates a weak trend while a reading above 40 indicates a strong trend. As ADX is a slow indicator, some ADX practitioners interpret an increase from below 20 to above 20 as an indication of the formation of a strong trend and hence will take a position at that time. It is important to note that ADX line readings do not point to the direction of the trend namely a downtrend or uptrend but merely how strong is the trend. Hence ADX line has to be used in conjunction with other technical indicators for entry and exit point.

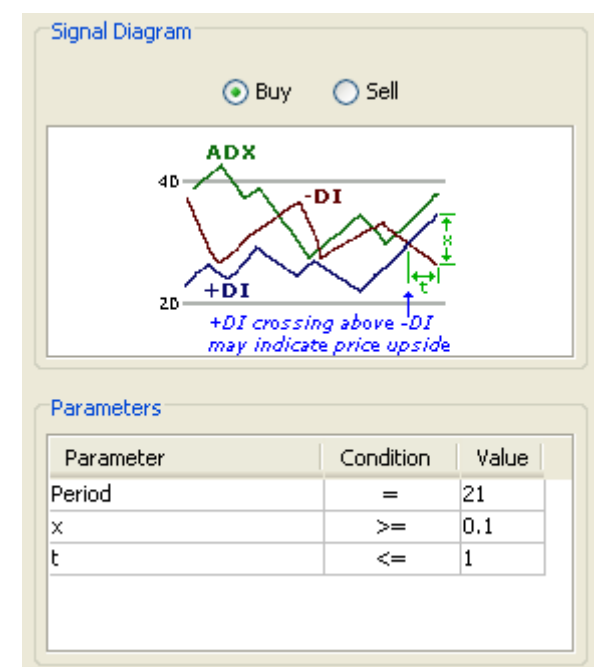
A basic trading rule from the +DI/-DI line is the crossover of the two lines. However in a trading market, many crossovers will occur and it is important to determine the strength of the market in order to avoid trading those "whipsaws".

Events

January Highlights

We are planning a "Cracking the Stock Market Code" technical analysis course and workshops on XPertTrader strategies to be held in January. Keep a look-out on our announcements.

<http://www.chartnexus.com/events>



Visit our XPertTrader information page at <http://www.chartnexus.com/products/xperttrader.php> for more details.

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