

Stoch

11-09-2008

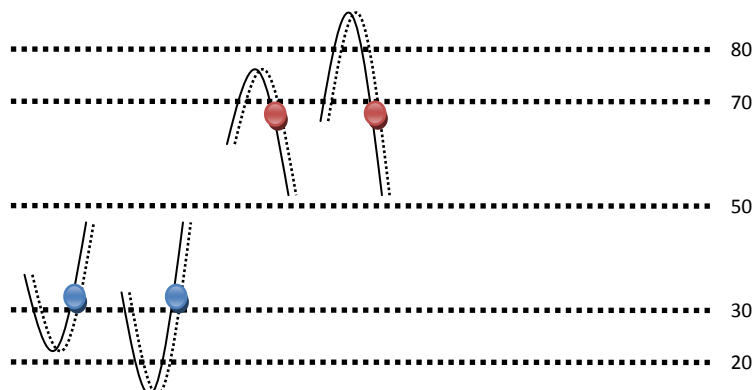
Stochastic settings (slow)

Values	Parameters	Levels
K% = 3	MA = simple Price field = Low/High	80
D% = 2		70
Slowing = 3		50
		30
		20

Entry signals

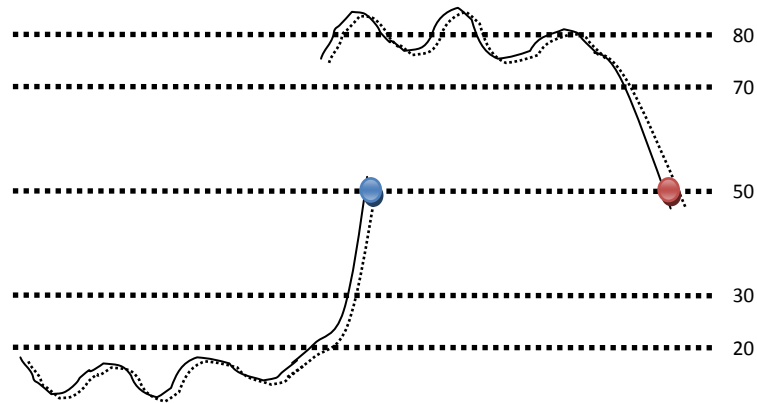
1. Crossings:

- if it passes over 70 but not over 80, wait to get under 70 and then sell;
- if it passes over 80, wait to get under 70 and then sell;
- if it passes under 30 but not over 20, wait to get over 30 and then buy;
- if it passes under 30, wait to get over 30 and then buy;



2. Interval reentry confirmation

- if it stays a long time over 80 or under 20, wait to touch the 50 line and then enter a trade:

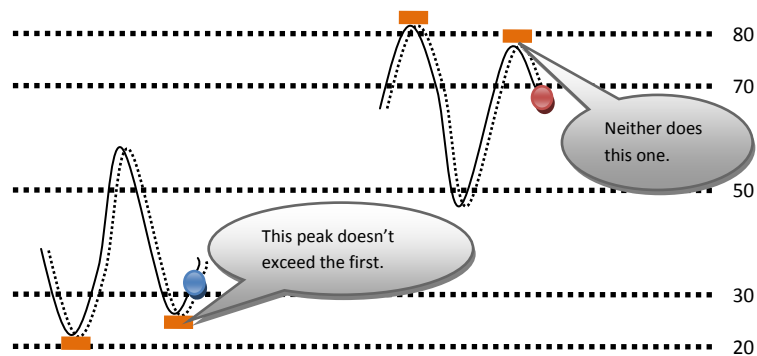


3. Divergences:

- for reversal divergences that occur over 70 and under 30;

4. Peaks comparison

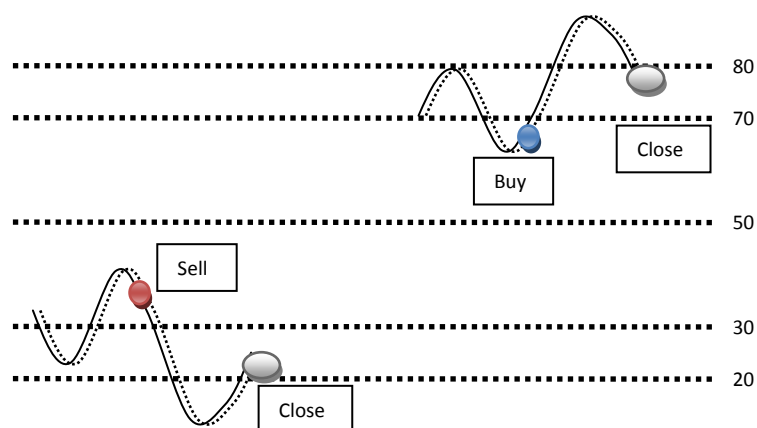
- when we have two signals of the same type (both buy/both sell), if the second doesn't exceed the first:



Complementation + exit signal

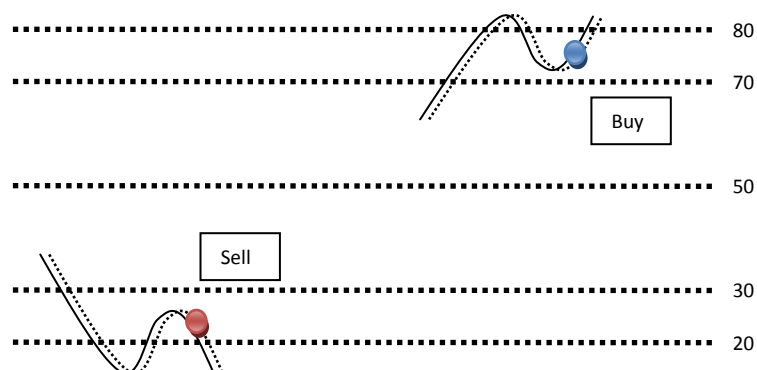
1. Inside 70-30 interval

- if it gives a signal under 70/ over 30 and after a very short while it gives an opposite signal, the way in which the price should move it's opposite to the first signal and It's a big chance for a big move in that direction. Assuming that a long term trade is already opened and you would not decide to close it on the first stoch opposite signal (meaning that if you are in a sell and you receive a buy signal, you would not close the trade as a result of the signal - or vice-versa) you can either hold that current position or add a new one and exit only after stoch returns in the 20-80 interval):



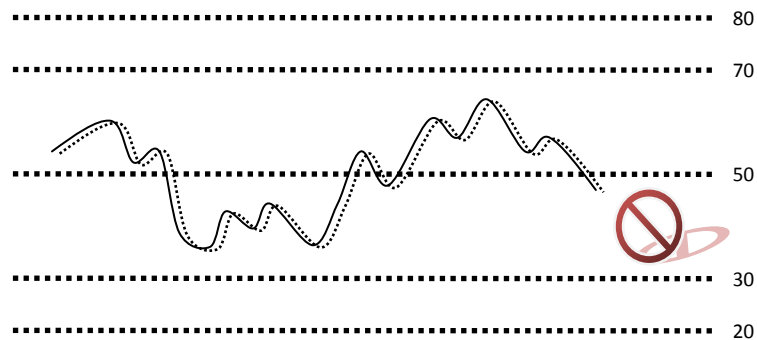
2. Outside 70-30 interval

- This method is actually a variation of the previous but the difference stays in the next detail: the price didn't yet enter the interval and so (view entry signals – crossings) an opposite signal (so, a change in the market direction) it is not yet waited. In other words, in this second situation, because the price is still outside the interval, you shouldn't think about a change but to exploit the continuation. The condition for an entry of this type is to have already received – on a bigger time-frame – a clear crossing signal (ex: an outside 70-30 signal on h1 has to be confirmed by a fresh d1 30 upward crossing). The exit will be also made by using that bigger's time-frame stoch signal.



"Stay away from the market" status

- When in the 30-70 interval are many crossings a) you should wait for a clear sign and not enter the market, but b) if you are very positive about your line-based analysis you can enter the market but by ignoring any signal given by stoch (that is by respecting the basic concepts of trend trading). You can pay attention again on the stoch signals only after it exits the 70-30 interval (view entry signals – crossings). The specified situation, when the stoch looks very noisy looks like:



REDtrader