

Think you know how to use stock chart indicators?

This guide will show you the 10 rules that separate the winners from the losers.

The Liberated Stock Trader 10 Powerful Stock Charting Insights

From small change to financial freedom



Barry D Moore

10 Powerful Stock Charting Insights

"There is no liberation without labor...and there is no freedom which is free."

Siri Singh

Introduction

use these rules to using Charting Indicators and you will be using a wealth of experience that comes only with years of trading and learning!

1. Understand the indicators

There are a lot of indicators out there; we cannot cover them all in detail, however the powerful principles of using stock chart indicators is to understand how they are calculated and what they are designed to achieve and how best to use them.

There are many articles describing the indicators at LiberatedStockTrader.com

<http://www.liberatedstocktrader.com/moving-averages-indicator/>

<http://www.liberatedstocktrader.com/volume-indicator/>

<http://www.liberatedstocktrader.com/macd-made-easy/>

<http://www.liberatedstocktrader.com/stochastics-indicator/>

<http://www.liberatedstocktrader.com/relative-strength-index-rsi/>

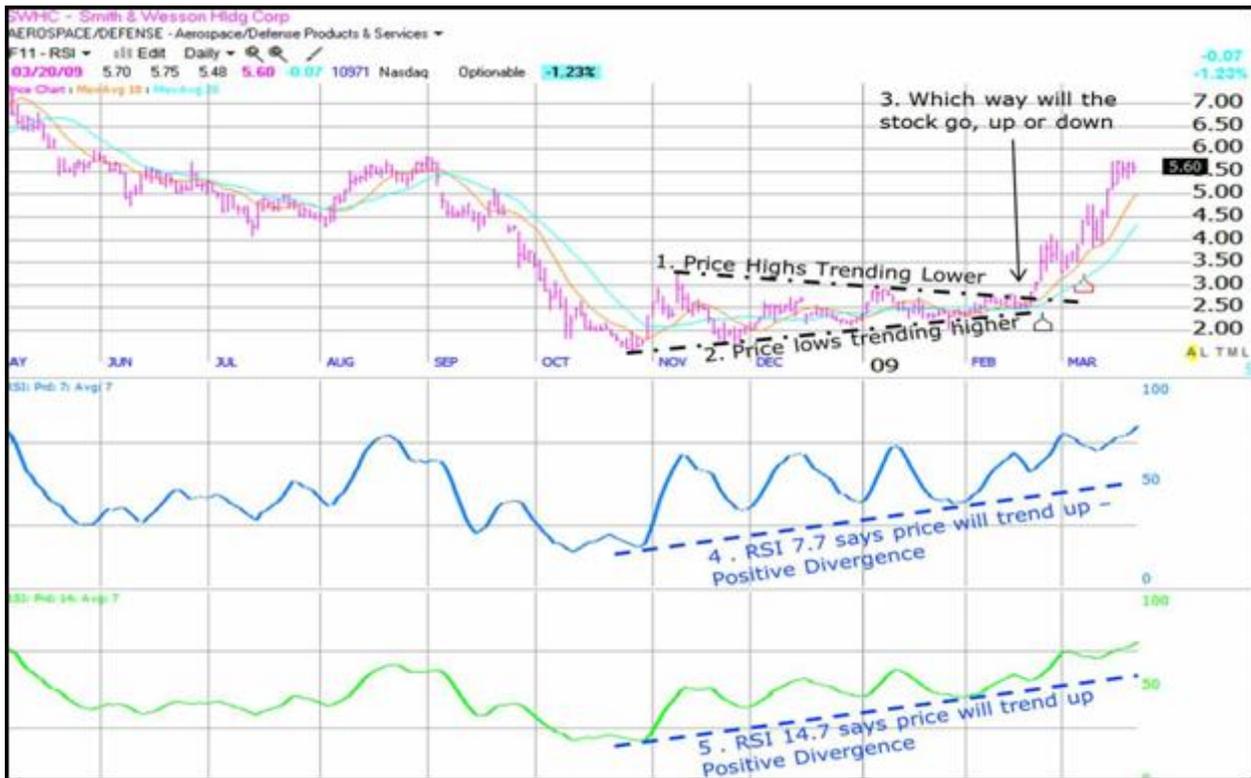
If you have registered a [Trading Academy Free membership](#) at LiberatedStockTrader.com you will find many more articles covering chart indicators in Section 6 – 6th Grade – Chart Indicators are your Friends

<http://www.liberatedstocktrader.com/free-stock-market-training-2/>

2. Divergence Is King

When an oscillating indicator moves in the opposite direction to price, this is a vital sign and it is called a divergence. It indicates buying pressure is building in the stock that is not yet reflected in the price. See the article on RSI indicator for an example of Divergence.

<http://www.liberatedstocktrader.com/relative-strength-index-rsi/>



3. Back test the indicators.

Did they work on this stock in the past. Scroll backwards to 1 year before. Then scroll forward day by day or week by week to see the indicator change, and then ask yourself. What is this indicator telling me?

Would I buy/sell this stock based on the information shown?

If the indicators worked on this stock in the past, it may have a better chance of working in the future.

4. Use a family of indicators

Never use one indicator alone. Use a family of indicators, they should mostly confirm each other. Use them as a suite of self checks before making a decision.

For example you may want to use a lagging indicator (as in the diagram in section 2), Moving Averages (MA) plotted on the main chart windows (which uses only price averages over a time period) and Relative Strength Index (RSI) a leading indicator which averages net up closing day prices, by its average net down closing process, for the period set.

5. Use Multiple Timeframes

Use indicators on multiple timeframes. 1 day, 5 day, monthly, yearly. In this way you can review how far back a trend goes, and see if your hypothesis stands the test of time. Beware that reviewing trends further back than 2 years may render the data irrelevant.

Sometimes markets have a very short memory and stocks can completely change character. If volume starts to dramatically pick up, this can indicate a change of character, also a change of trend.

6. Invest in a professional Stock Chart Analysis Program

Some indicators are proprietary and come only with "Pay For" applications. The person who has a larger portfolio may do well to invest in a solution that provides professional quality charting information.

We have compiled the webs most detailed stock market software product comparison.

Here: <http://www.liberatedstocktrader.com/top-10-best-stock-market-analysis-software-review/>

7. View different Timescales

Use **custom timescales** on the indicators that reflect the timescale that you want to invest. If you are buying a stock for the **long term (2-10 years)**, use longer term timeframes and base your decisions primarily on fundamentals, then on chart patterns.

If you are buying **Mid-Term (6 months – 2 year)**, use Earnings Momentum in the last 6 quarters, plus the chart indicators, Moving Averages 50, 100, 200 days)

If you are buying **short term (1 weeks to 6 months)** use indicators that are tuned for the short term, Moving averages 10 & 20 Days, Money Flow, MACD (10:30:5), Stochastics.

If you are a **Day Trader** you are usually full-time, stressed out, and trading Real Time / Intraday, which requires specialist software, and a penchant for losing money. The Liberated Stock Trader is not for you.

8. Remember Price is important

Price is the most important indicator of all, it does not matter what the other indicators say, if your stock is moving against you take action, do not blame the indicators.

9. Understand the influence of the Market

Be aware of the **markets influence** over your stock, if it is a disaster day on the markets, it does not matter what the indicators tell you will happen, your stock can get dragged down with the masses.

10. Pre- define your Rules

Pre-Define a set of rules for the trade and test the rules. For example.

MA 10 & 20 Cross Over

MACD shows a positive Divergence over 8 weeks

RSI shows a positive divergence

Good luck, and may the Trend be with you.

Barry D. Moore

Founder: LiberatedStockTrader.com

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It is essential for you to have a thorough understanding of the tools & strategies you are using. Ultimately, everything rests with the Trader. The Buck Stops with YOU, and only YOU are responsible for every aspect of the Trade. Never put your money on the line without a thorough understanding of what you are doing, and why you are doing it, based on your own personal knowledge and experience.

No Chart Pattern works out the way we think it should every time, so it is vitally important to have a protective Stop-Loss and/or Exit strategy planned before entering into a Trade. Do your own research and testing before attempting any new technique. To properly utilize this tool, you must do enough thorough testing on your own to be satisfied with the results, and how those results will affect your personal Trading and Risk Management, before making any trading decisions.

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