

Momentum Indicators

MACD
Moving Average
Convergence Divergence

CCI
Commodity Channel
Index

RSI
Relative Strength
Index

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RSI

Relative Strength Index

What Is the Relative Strength Index (RSI)?

The relative strength index (RSI) is a momentum indicator used in technical analysis that measures the magnitude of recent price changes to evaluate overbought or oversold conditions in the price of a stock or other asset. The RSI is displayed as an oscillator (a line graph that moves between two extremes) and can have a reading from 0 to 100. The RSI measures the speed and change of price movement over a 14 trading day period.

Traditional interpretation and usage of the RSI are that values of 70 or above indicate that a security is becoming overbought or overvalued and may be primed for a trend reversal or corrective pullback in price. An RSI reading of 30 or below indicates an oversold or undervalued condition.

What Does RSI Tell You?

The primary trend of the Crypto or Stock is an important tool in making sure the indicator's readings are properly understood. For example, well-known market technician Constance Brown, CMT, has promoted the idea that an oversold reading on the RSI in an uptrend is likely much higher than 30%, and an overbought reading on the RSI during a downtrend is much lower than the 70% level.

As you can see in the following chart, during an uptrend, the RSI would peak near the 80-90% level rather than 70%, which could be used by investors for a more reliable signal for bearish conditions. Many investors will apply a horizontal trend line that is between 30% and 70% levels when a strong trend is in place to better identify extremes.



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MACD

Moving Average Convergence Divergence

What Is Moving Average Convergence Divergence (MACD)? Moving average convergence divergence (MACD) is a trend following momentum indicator that shows the relationship between two moving averages of a security's price. The MACD is calculated by subtracting the 26-period exponential moving average (EMA) from the 12-period EMA.

The result of that calculation is the MACD line. A nine-day EMA of the MACD called the "signal line," which is then plotted on top of the MACD line, which can function as a trigger for buy and sell signals. Traders may buy the security when the MACD crosses above its signal line and sell—or short—the security when the MACD crosses below the signal line. Moving average convergence divergence (MACD) indicators can be interpreted in several ways, but the more common methods are crossovers, divergences, and rapid rises/falls.



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CCI

Commodity Channel Index

What Is the Commodity Channel Index (CCI)?

The Commodity Channel Index (CCI) is a momentum-based oscillator used to help determine when an investment (Crypto currency) is reaching a condition of being overbought or oversold.

This technical indicator assesses price trend direction and strength, allowing traders to determine if they want to enter or exit a trade, refrain from taking a trade, or add to an existing position. In this way, the indicator can be used to provide trade signals when it acts in a certain way.

What Does the Commodity Channel Index (CCI) Tell You?

The CCI is primarily used for spotting new trends, watching for overbought and oversold levels, and spotting weakness in trends when the indicator diverges with price.

When the CCI moves from negative or near-zero territory to above 100, that may indicate the price is starting a new uptrend. Once this occurs, traders can watch for a pullback in price followed by a rally in both price and the CCI to signal a buying opportunity.



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