Teach Yourself Technical Analysis

Common Indicators

in the Meta Trader

SAMPLE

Introduction

Technical indicators are an integral part of technical analysis. They help in timing entries and exits in the markets, as well as confirming and anticipating market biases. There are expert traders who base their trading decisions on technical indicators, coupled with price actions, and they do so successfully with it. It is amazing that most traders are familiar with only a few indicators, while ignorant of the usefulness and potential of other indicators. This book will introduce you to some indicators you may have never heard of, or that you have never practiced with. We will reveal their parameters, apply them to charts, and explain how each of them can be used to make trading decisions.

In order to see the list of the indicators in the MT4, just click on *'View'* and then click on the *'Navigator'* tab (short cut: *Ctrl+N*). Then in the Navigator area, you will see the tab for Indicators, the tab for Expert Advisors, and the tab for Custom Indicators. Some clarification ought to be made here. This book only examines the technical indicators under the Indicators tab. It does not look at Custom Indicators; nor does it talk about other forms of technical analysis, such as those that require specialised studies, for example Gann, Fibonacci, Andrew's Pitchfork, Cycle Lines, etc.

Do Technical Indicators Still Work?

This topic is now a bone of contention among traders. Some say that indicators only confirm what the price is doing and nothing more. Some say that lagging indicators (indicators that give signals after the market bias has been confirmed) can make one miss out on many trading opportunities. Some say that leading indicators (indicators that signal next price movements before they actually happen) can lead to bogus signals. Just as everyone has experiences that can help a trading career, everyone also has experiences that can cause them to temporarily doubt the validity of this career. Traders can have some negative thoughts about their ability to reach the level of permanent competence. These thoughts suggest to the trader that she/he cannot be a good trader. They often come when one is facing losses, crises and vulnerability in one's trading career; or when one staggers under the weight of failures and disappointments in trading.

The truth is that, whether you use indicators or not, no trading methodology is perfect. Whether you trade purely on price action, use a highly sophisticated robot in trading, use chart patterns or use some exotic method brought to you by an alien from another planet, I can tell you that the method is not perfect, as the indicators you berate are not perfect either. This reminds us that uncertainty and losses happen to market wizards as well. For inevitable drawdowns, some think that what once was normal may not be normal again.

Whatever trading methodology you use, you should remember that it is natural to want immediate success in your trading results (for we are an instant gratification culture). This kind of mindset does not pay in trading; it is like dwelling in a fool's paradise, and that does not improve one's real trading experiences.

Technical indicators still work and they will continue to work, though their use should be coupled with stringent position sizing and conservative risk control, just like any other trading methodologies championed by haters of technical indicators. All such experiences illustrate that making changes that can safeguard your portfolios is possible; and doing so always brings benefits. Market speculators cannot talk about the future with utmost certainty, and simply buy or sell whenever their strategies signify that they should do. Those who follow the line of the least resistance open long orders in an uptrend with the hope that the price could go further northwards, or they may open short orders with the hope that the price might go more southwards.