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Macd is the simplest & most reliable indicators available. Macd uses Moving Averages & turn them into momentum indicator by subtracting longer MA from shorter MA. The subtracted value when plotted forms a line that oscillates above & below zero, without any upper/ lower limits.

Using shorter Moving Average (5 & 10) will produce a quicker, more responsive indicator (fast macd), while using longer MA (12 & 26) will produce a slower indicator (Slow macd), less prone to whipsaws.

Macd measures the difference between two Exponential Moving Averages (EMAs).

A +ve Macd indicates that 5 or 12-day Ema is trading above 10 or 26-day Ema. A -ve Macd indicates that 5 or 12-day Ema is trading below 10 or 26-day Ema. If Macd is -ve & declining, then -ve gap between faster MA & slower MA is expanding & Downward momentum is accelerating..

MACD Bullish Signals

1.Positive Divergence

2.Bullish Moving Average Crossover

3.Bullish Centerline Crossover

Positive Divergence

A Positive Divergence occurs when Macd begins to advance and the security is still in a downtrend and makes a lower reaction low. Macd can either form as a series of higher Lows or a second Low that is higher than the previous Low. Positive Divergences are probably the least common of the three signals, but are usually the most reliable, and lead to the biggest moves.

Bullish Moving Average Crossover

A Bullish Moving Average Crossover occurs when Macd moves above its 9-day EMA, or trigger line(red). Bullish Moving Average Crossovers are probably the most common signals. If not used in conjunction with other technical analysis tools, these crossovers can lead to some false signals.

Bullish Centerline Crossover

A Bullish Centerline Crossover occurs when MACD moves above the zero line and into positive territory. This is a clear indication that momentum has changed from negative to positive, or from bearish to bullish. After a Positive Divergence and Bullish moving average Crossover, the Bullish Centerline Crossover can act as a confirmation signal.

Investors: with huge portfolio use week macd to spot -ve div. to "Part Book" once & during Bearish Cross over 2nd "Part book" & last one at Bearish centreline crossover. Start buying in parts when +ve div. start & add more with Bullish cross over & Bullish centreline crossover

MACD Bearish Signals

MACD generates bearish signals from three main sources. These signals are mirror reflections of the bullish signals:

1.Negative Divergence

2.Bearish Moving Average Crossover

3.Bearish Centerline Crossover

Negative Divergence

A Negative Divergence forms when the security advances or moves sideways, and the Macd declines. The Negative Divergence in Macd can take the form of either a lower High or a straight decline. Negative Divergences are probably the least common of the three signals, but are usually the most reliable, and can warn of an impending peak.

Bearish Moving Average Crossover

The most common signal, a Bearish Moving Average Crossover occurs when Macd declines below its 9-day EMA. As such, moving average crossovers should be confirmed with other signals to avoid some false readings.

Bearish Centerline Crossover

A Bearish Centerline Crossover occurs when Macd moves below zero and into negative territory. This is a clear indication that momentum has changed from positive to negative, or from bullish to bearish. The centerline crossover can act as an independent signal, or confirm a prior signal such as a moving average crossover or negative divergence. Once Macd crosses into negative territory, momentum, at least for the short term, has turned bearish.

Traders: Use in combo with basic EW knowledge to make entry & exits. When you combine studies of diff. time frames such as Week, Day & Hour, you have potentially a system which will follow prices to good accuracy.
No foolproof system but only more efficient one in relative term.

MACD Benefits

One of the primary benefits of Macd is that it incorporates aspects of both ***momentum and trend in one indicator***. As a trend-following indicator, it will not be wrong for very long. The use of moving averages ensures that the indicator will eventually follow the movements of the underlying security. By using Exponential Moving Averages (EMAs), as opposed to Simple Moving Averages (SMAs), some of the lag has been taken out.

As a momentum indicator, Macd has the ability to ***foreshadow moves in the underlying security***. Macd divergences can be key factors in ***predicting a trend change***. A Negative Divergence signals that bullish momentum is waning, and there could be a potential change in trend from bullish to bearish. This can serve as an alert for traders to take some profits in long positions, or for aggressive traders to consider initiating a short position.

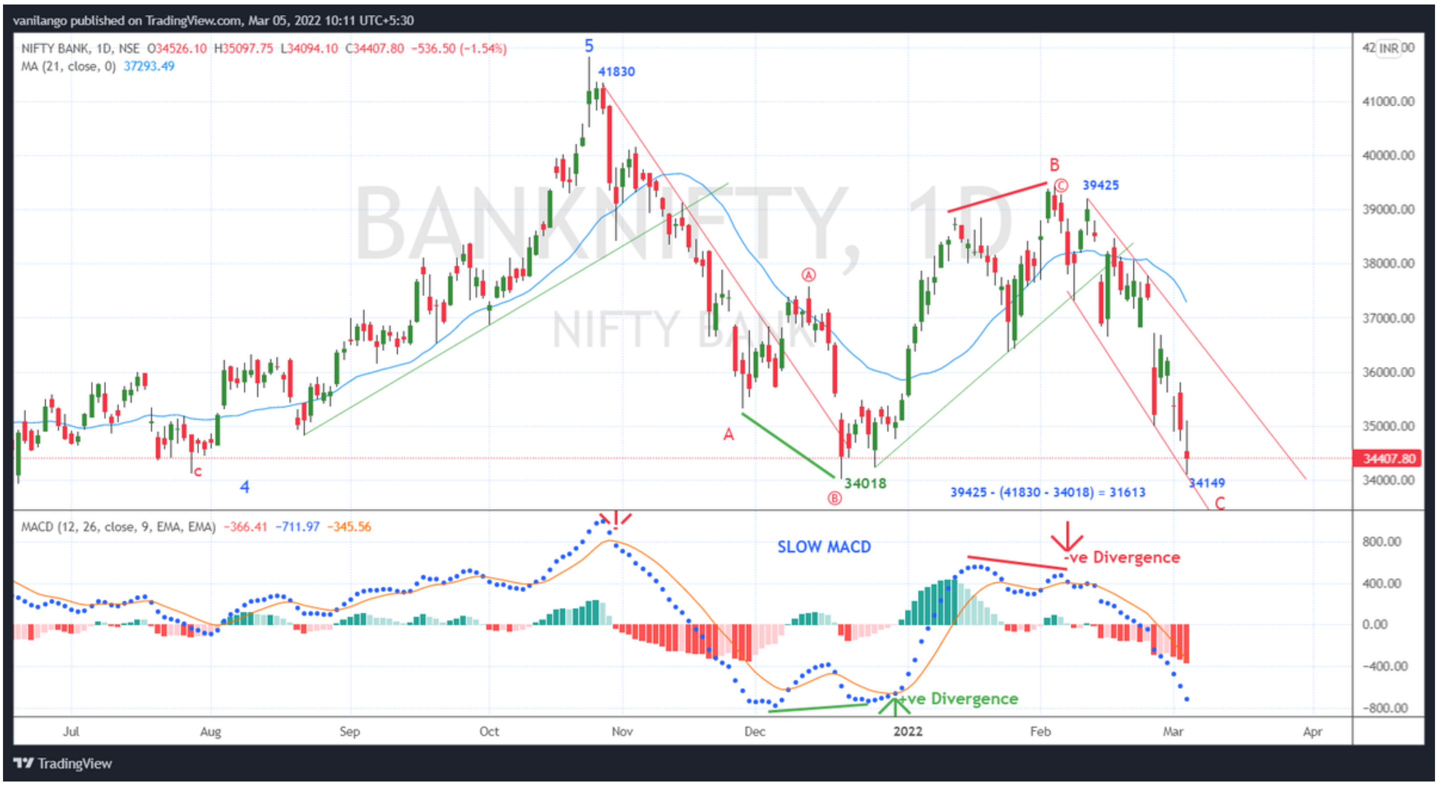
Since Macd's introduction, there have been hundreds of new indicators introduced to technical analysis. While many indicators have come and gone, the **Macd has stood the test of time**. The **concept** behind its use is **straightforward**, and its **construction is simple**, yet it remains one of the **most reliable indicators** around. The effectiveness of the Macd will vary for different securities and markets. The lengths of the moving averages can be adapted for a better fit to a particular security or market.

MACD Drawbacks

One of the beneficial aspects of the Macd is also one of its drawbacks. Moving averages, be they simple, exponential or weighted, are lagging indicators. Even though Macd represents the difference between two moving averages, there can still be some lag in the indicator itself. This is more likely to be the case with weekly charts than daily charts. ***One solution*** to this problem is the ***use of the Macd-Histogram.***

Your experience, your discriminating ability to stay off market when picture is unclear with choppy moves, your patience to wait for good opportunities, your intuitive risk taking ability when euphoria & Fear are at their peaks will set you on a path to riches.

Get rich slowly.■



Few more charts with #Trendindicator (MACD) of Day t/f

#ICICIBank

#TCS

#ITC

#AxisBank

In #Nifty, when week MACD is downtrending, 4 weeks of upmove unfolded fm 16410 to 18351 which could be managed with Day & Hour MACD & once Day & Hour turned Down, it fell to 16134