Power of Divergence continued.

Chapter 2.

Divergence is the only living method which can allow a trader to potentially sell on top and buy on bottom and that is what professional trading is all about.

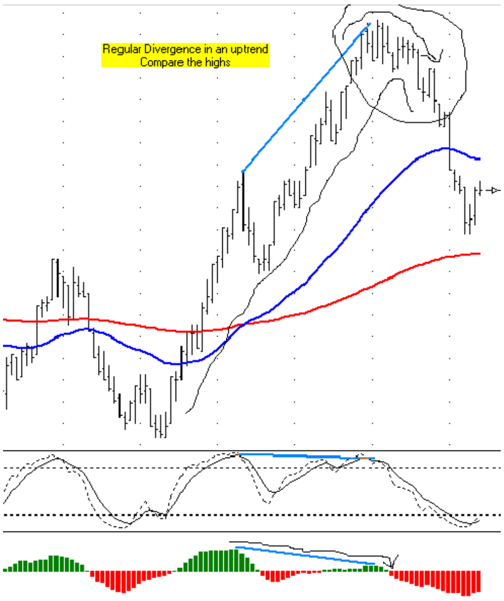
Before getting into divergence its extremely important you understand price action, detect momentum so and so forth an that is one reason why most traders first understand strategy then apply divergence to it which then completes the strategy.

Regular Divergence:

- Higher highs in price and lower highs in the oscillator which indicate a trend reversal from up to down.

- Lower lows in price and higher lows in the oscillator which indicate a trend reversal from down to up.

Divergence is a comparison of price to technical indicators. Divergence occurs when what you are comparing is moving in opposite directions. Divergence can signal an up coming change in trend, a change of trend in progress.
A divergence signal suggests watching for a trading opportunity in the direction of the signal.
Divergences may continue over many swing highs/lows so price action should confirm your trade. This can be done in many ways, some of which are: price making a higher high/low or lower high/low or price testing the last swing high/low, price trading past high or low of previous bar, many of which will correspond with the MACD histogram crossing zero.



DIVERGENCES PLAY OUT THE BEST ON HIGHER TF'S THAT ONE REASON WHY WE LIKE THE 4HR BETTER LESS FAKE SIGNALS AND IT GETS CLEARER.

There are lot of indicators that are used to spot divergences the best ones to use is the Custom Macd and stochastic.

Both are equally good provided you understand them well. Use the custom macd first as it is easier to comprehend.

Divergence is considered to be one of the most important tool by top institutions, hedge funds etc.

Now most traders in the world apply divergence to Stocks, Indices and in forex they apply it to currency pairs. However we apply it to individual index which makes divergence stronger.

One reason being divergence on an index is equivalent to several positions on various pairs.

We suggest you to start reading divergence on your index charts which will give you multiple positions.

Lot scaling prior to divergence and post divergence.

Based on your Account balance you need first decide the max sustainable loss for the account. So you need to decide your max scalable lot based on the size of the account.

Example.
Scalable lot for a 1000 USD Account should be 1 or 2 micro lot max which means your pip value stands at 10 or 20 cents.

For a 5000 USD scalable lot should be 5 to 6 micro lots which means your pip value stands at 50 to 60 cents per pip.

10000 USD scalable lots should be 1 mini lot which means your pip value stands at 1 USD per pip.

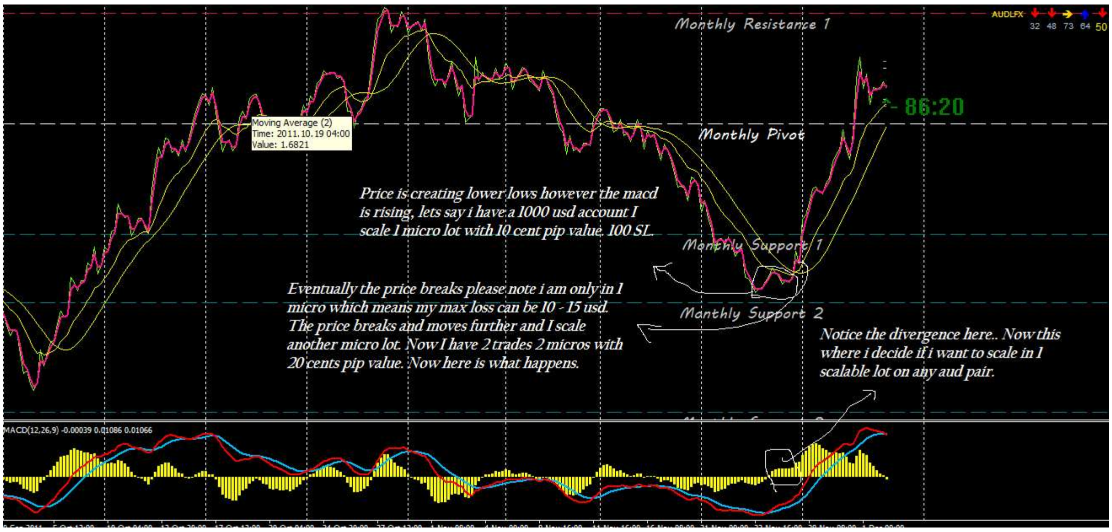
Now let me explain what we mean by minimum scalable lot.

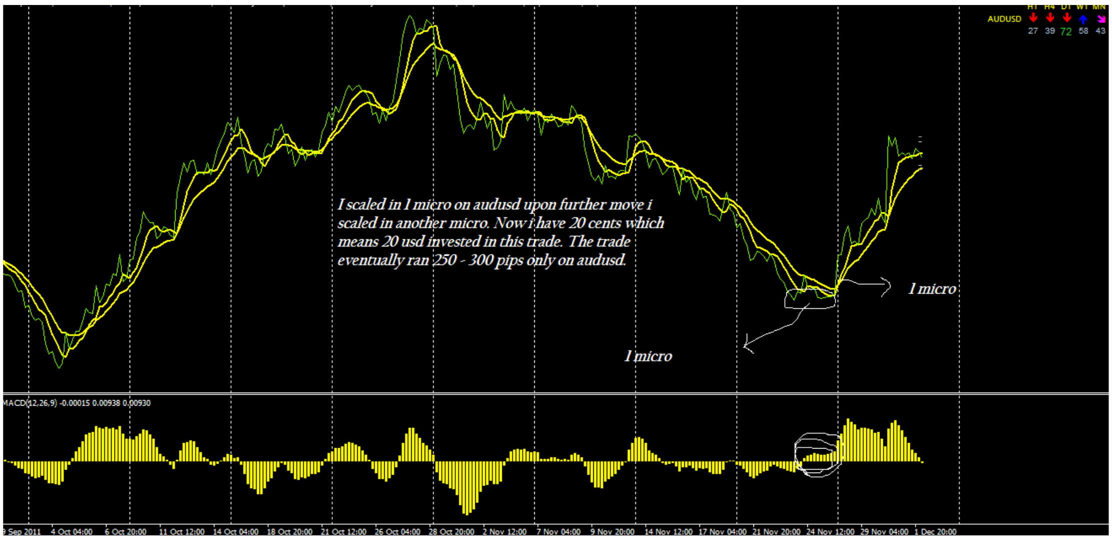
One of the safest ways of trading Forex is to trade divergence. One main reason being once we miss the big entries it gets difficult to enter trades again.

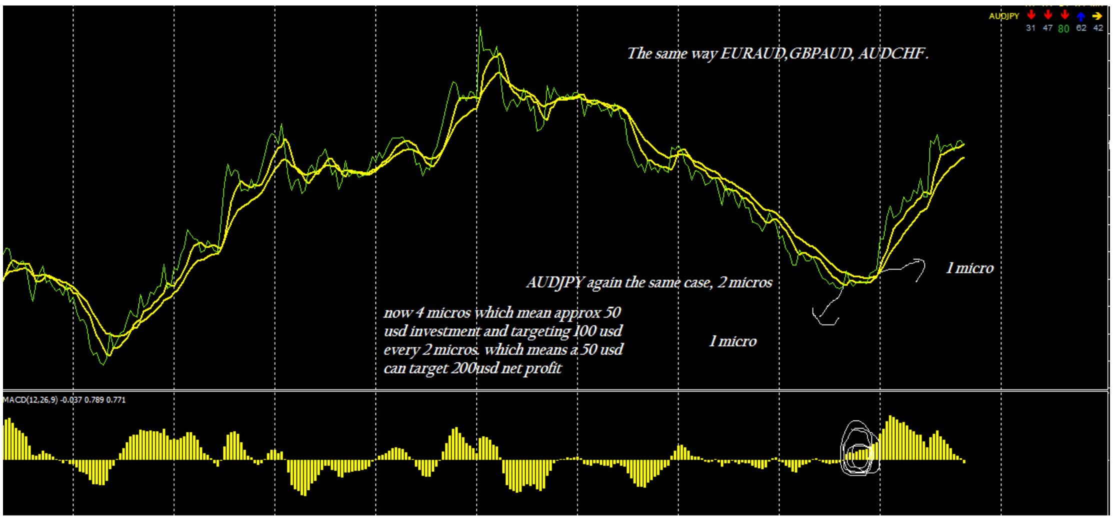
And usually one diverging index can produce multiple trades.

Here is what I mean by scaling in on trades.
Let's take some examples.

The most recent super trades that happened on 25th NOV.







Regards Raul.