

StoCoTo.com – Technical Analysis

Technical analysis to deep-dive into a single stock

The STock COmparison TOol provides for a set of individual companies a technical analysis. These consist of volatility, RSI, MFI, MACD, OBV, A/D, stochastic oscillator and CCI plotted against the share price over time, using a line chart. They are intended to provide technical trading signals for buying or selling.

The different technical indicators are based on price, volume or both and are derived from a different time frame using their own calculation. Therefore, the provided signals are dissimilar to each other. A background into each technical indicator provides more insight into its intended use. In addition, comparing them to each other or historically can provide a stronger trading insight.

Table and Values

	Price	Volume
Volatility		
RSI		
MFI		
MACD		
OBV		
AD		
StochOsc		
CCI		

	Lagging	Leading
Volatility		
RSI		
MFI		
MACD		
OBV		
AD		
StochOsc		
CCI		

	Oscillator	Cumulative
Volatility		
RSI		
MFI		
MACD		
OBV		
AD		
StochOsc		
CCI		

- Each of the technical indicators is calculated based on price, volume or both. They can be considered lagging or leading and is represented as an oscillator or is cumulative.
- If a trader wants a simplified view, it can be assumed that price follows a trend, while volume is considered to be more indicative of an upcoming change. In practice, this is more complicated.
- The difference between leading and lagging is not always clear as all are based on historical data and the technical indicators are intended to provide a trading signal.
- The shape of the indicator is important as when it behaves as an oscillator, it is more straightforward to interpret as the signal moves between boundaries, but also reference values that act as a trading indicator can be derived. Cumulative values should be compared to the price over time and is subject to the start of a new trend, meaning that the current interpretation could not be valid.

Developing a Trading Strategy

To be successful in trading, a strategy needs to be developed. This involves more steps than directly applying the insights from a single table. The other visualizations of the features are more useful. Another step is to understand the theory behind these graphs and how they are intended to be applied. Helpful are 'The Big Manual' and the articles on the technical indicators.



Overview of the technical indicators available for individual stocks

RSI

Relative Strength Index

- Calculates the speed and magnitude (momentum) of recent price changes of a stock.
- Compares the positive and negative price gains over the last 10 trading days.
- A share is considered overbought when the RSI is above 70 and oversold when it is below 30.

MACD

Moving Average Convergence Divergence

- Indicator of momentum
- Compares the two moving averages of 26 and 12 days. The difference is the MACD.
- A reference of 9 day moving average is added as a signal line.
- When the MACD crosses above the signal line it is considered a buy signal while the MACD diving below the signal line is considered a sell signal.

MFI

Money Flow Index

- Measure the enthusiasm of the market
- Compares the positive and negative money flow (volume*price) over the last 10 trading days.
- Below 20 is considered oversold and above 80 overbought.

OBV

On-Balance Volume

- Momentum indicator that uses the flow of trade volume to predict changes in stock price.
- It indicates if the volume is flowing in (price rise) or out (price decrease) of a given stock.
- The value of OBV is cumulative and has no range or references. Its importance is the trend it follows compared to the share price

A/D-Indicator

Accumulation Distribution Indicator

- Uses volume and price changes within a trading day to determine if a stock is being accumulated or distributed.
- A daily price is calculated and multiplied by volume and added to the previous value.
- It has no reference value and the trend divergence compared to the price determines the signal.
- A rising A/D line divergence confirms a rising price trend, while a decreasing A/D line divergence confirms the downtrend of a price.

StochOsc

Stochastic Oscillator

- Momentum indicator that compares the current closing price of a share to its price range over the 14 previous trading days.
- In an upward trend the closing price is expected to be high, while in a downward trend the closing ends the day low.
- An alternative to the original value (Kfast) is a 3-day value (Kslow).
- A signal value above 80 suggests a share is overbought, while a value below 20 indicates it is oversold.

CCI

Commodity Channel Index

- Measures the difference between the current price and its historical average share price.
- Compares the positive and negative money flow (volume*price) over the last 10 trading days.
- The typical price of the day is compared to a moving average and a correction factor is applied.
- A value of above +100 indicates a rising price trend (bullish), while a value of below -100 suggests a falling price trend (bearish).