

Indicator Quick Reference

RSI, MACD, Bollinger Bands, EMAs - settings, signals, and traps.

RSI (14)

Default setting: 14 periods.

Readings above 70 are overbought; below 30 are oversold.

Divergence signal: price makes a new high but RSI does not (or vice versa). Stronger than level-based signals.

Trap: in a strong trend RSI can sit above 70 for weeks. Do not short just because RSI is high - use divergence and structure.

MACD (12, 26, 9)

Two lines: MACD = EMA12 - EMA26. Signal = EMA9 of MACD. A crossover signals momentum shift.

Histogram = MACD - Signal. Rising histogram = strengthening move; shrinking = weakening.

Best on 4-hour and daily charts. On low timeframes it lags badly and chops you up.

Trap: a crossover in a sideways market gives a false signal - combine with structure.

Bollinger Bands (20, 2)

Middle = 20-period SMA. Upper/lower = +/-2 standard deviations.

Squeeze: bands tighten = volatility is low = breakout coming. Direction not predicted.

Walking the band: in a strong trend, price hugs the upper (or lower) band. Do NOT fade - ride it.

Trap: 'price touched the upper band so short it' is one of the most expensive lessons in trading.

EMAs (20, 50, 200)

Standard trend filters. Stack $20 > 50 > 200$ = uptrend; $20 < 50 < 200$ = downtrend.

Golden Cross: 50 crosses above 200 = long-term bullish shift. Death Cross: opposite.

Pullbacks to the 20 EMA in a clear trend = high-quality entries with tight stops.

Trap: in sideways markets EMAs cross constantly. Apply trend filters first.

Combination Rule

No indicator works in isolation. The reliable workflow:

1. Higher timeframe trend (EMA stack).
2. Key level (support/resistance/zone).
3. Trigger (candlestick pattern + RSI divergence or BB squeeze).
4. Defined risk before entry.

