

# DIVERGENCE

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# Disclosures

- The information in this presentation is unreliable, use at your own peril.
- If you use some of the methodologies I will present today and loose money  
**I AM NOT RESPONSIBLE !**
- However, if you do make money, I'd like to have a cut of the profits. 😊

# Agenda

- What is Divergence?
- Where do you use Divergence?
- Timeframes.
- What tools do you use?
- How do you recognize Divergence?
- Examples, examples, examples.
- When is Divergence not reliable?

# What is Divergence?

- Divergence is the lack of confirmation between **Price** and **Momentum**.
- It is used for setting the Context.
- It is not a signal.
- It alerts you to look for a good Entry Signal.

# Where do you use Divergence?

- Divergence is used for counter trend entries.
- Can be used for continuation trades.
- You can also use it for exit confirmations as well.

# Timeframes

- Divergence works on all timeframes.
- I use it from 5-minute bars to weekly charts.
- More reliable on Longer Term charts.

# What tools do you use?

- **Price:** Bar charts  
*I use Candle Sticks.*
- **Oscillator:** Commonly used with RSI  
(7 or 14)

# Helper Indicator

- Though technically not necessary, I always use Exponential Moving Average (20) as well.
- *When price extends too far from EMA, either price will snap back to it, or price will linger until EMA catches to it.*

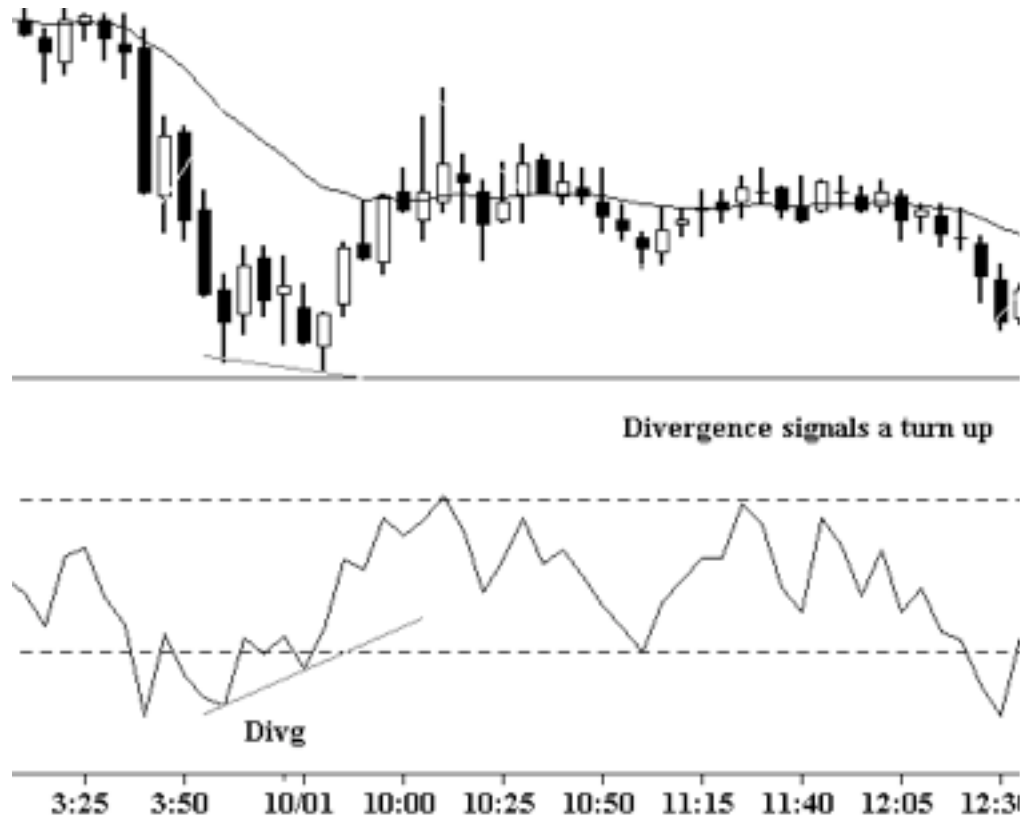


# How do you recognize Divergence for LONGs?

- When Price makes a lower-low, yet the oscillator makes a higher-low, you have Divergence.

*Potential LONG confirmation (or SHORT exit).*

# Divergence for LONG Entry



# How do you recognize Divergence for SHORTs?

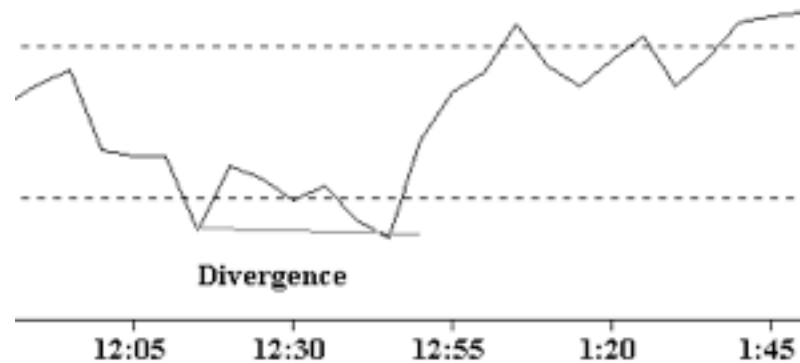
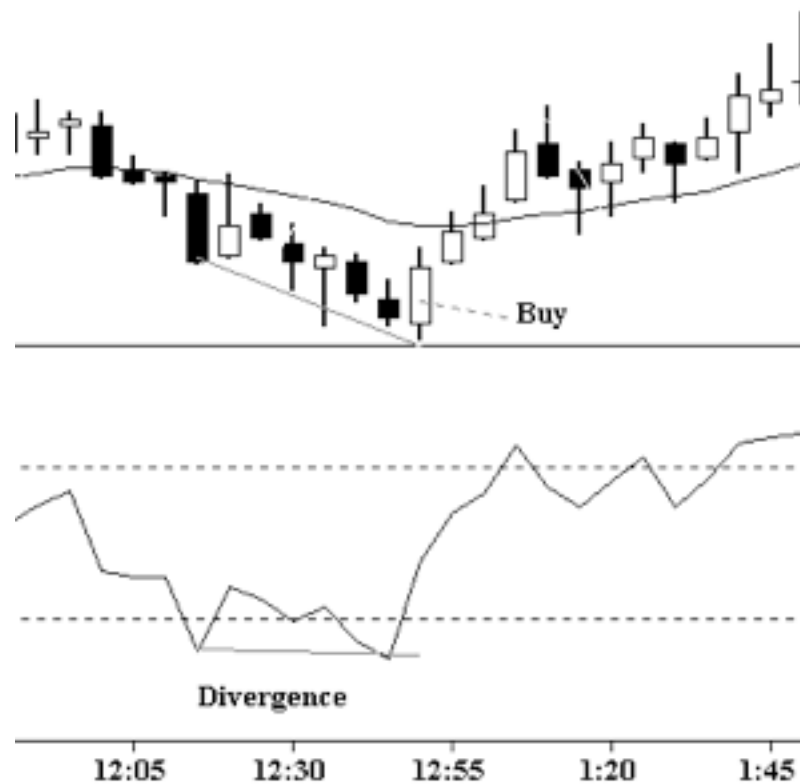
- When Price makes a higher-high, yet the oscillator makes a lower-high, you have Divergence.

*Potential SHORT confirmation (or LONG exit).*

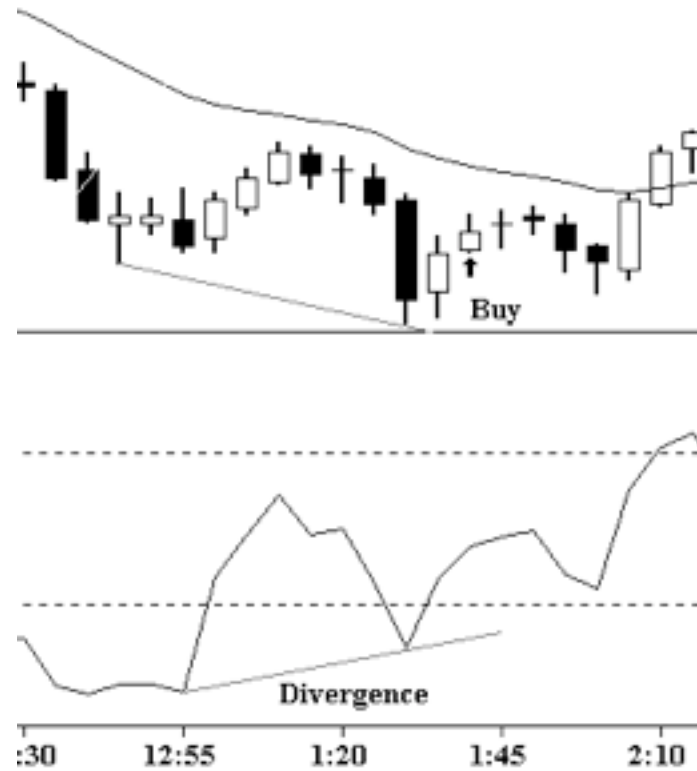
# Divergence for SHORT Entry



# Examples



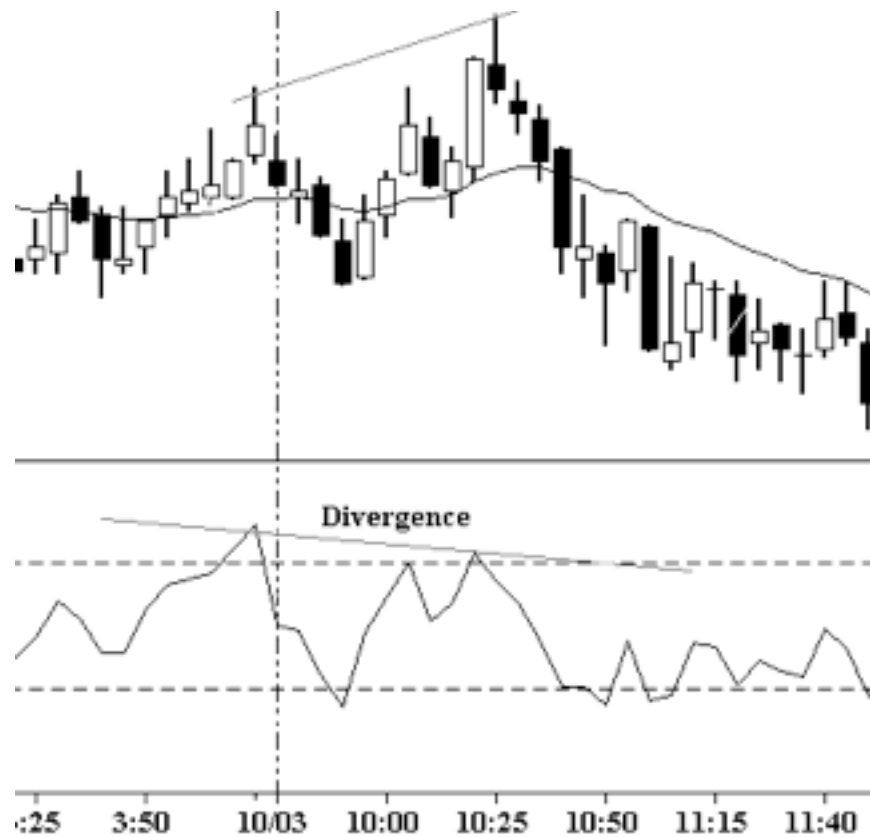
# Examples



# Examples



# Examples





# When is Divergence not reliable?

- When you have a strong trend.
- $ADX > 30$ .
- You may still have some scalping opportunities, but in general the Counter Trend trades do not last and are hard to manage.

# Examples



Q & A

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Questions ?

**End**

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**Thank you.**