MOMENTUM INDICATORS

The use of momentum indicators by traders allows them to more clearly understand how rapidly or slowly the price of a security fluctuates. Momentum indicators should be used in conjunction with other indicators and tools because they only indicate the timeframe during which a price shift takes place, not the direction of movement.

Traders can determine the rate of change in the price of particular stocks with the aid of momentum indicators. The strength of price changes is another thing these indicators assist us comprehend. The value of the stocks may decline quickly one moment and slowly the next. The momentum indicators can be used to analyse the rate of a stock's rise or decline.

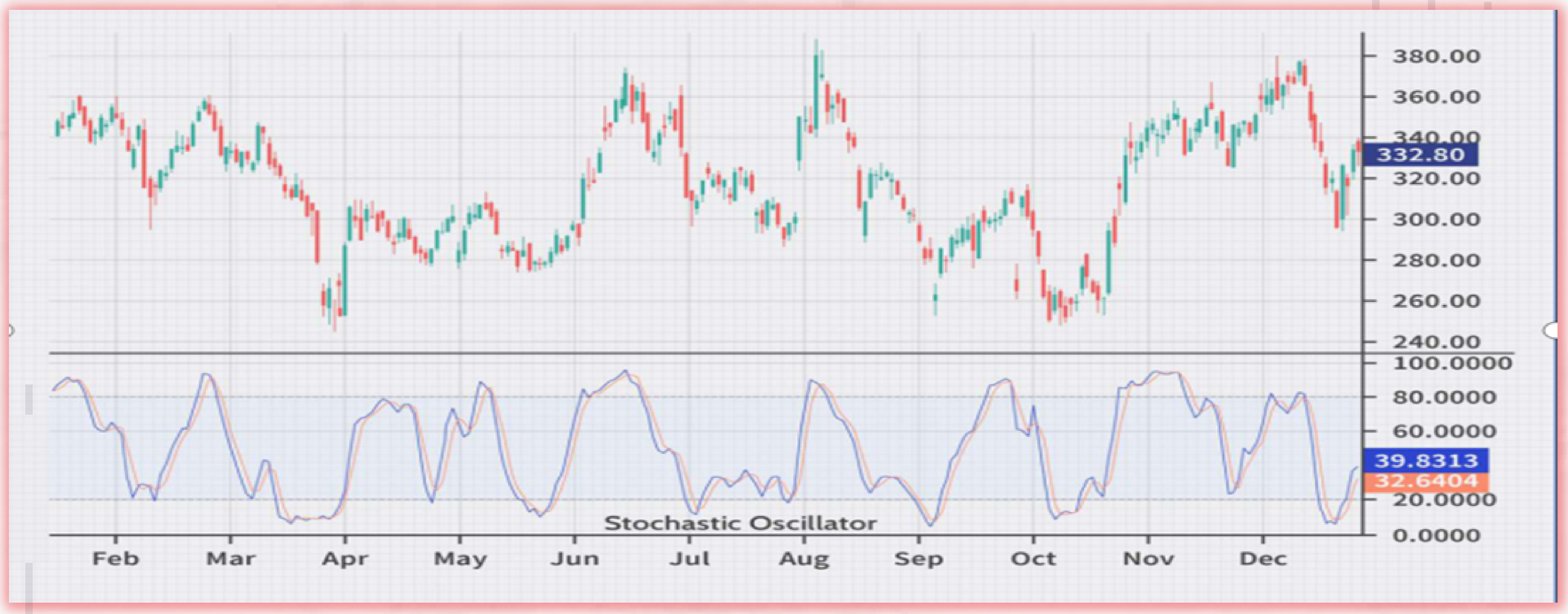
The prominent momentum indicators that traders use to determine the rate at which prices are moving are listed below.

1. Relative Strength Index

The Relative Strength Index (RSI), measures price movements and the rate at which they occur over a specific time period. Between 0 and 100, the indication fluctuates. Trading professionals can identify signals by looking for divergences and when the indicator crosses over the 50-point centerline. However, if the RSI reaches 70 or above, it is a sign of overbought conditions. Positive and upward momentum is signalled when the RSI crosses over 50.

2. Stochastic :-

The stochastics momentum indicator is used by traders to compare a stock's current closing price over a specified time period. It does not take volume and price into account; rather, it tracks the market's momentum and speed. Stochastics oscillates between 0 and 100 and aids in spotting overbought and oversold areas. This indicator indicates an oversold zone when it is below 20 and an overbought zone when it is above 80.



3. Moving Average Convergence Divergence (MACD) -

The relationship between the two moving averages, or the 26 EMA and the 12 EMA, is shown by the momentum indicator known as MACD. The MACD line and the signal line are its two main components. The signal line is nine exponential moving averages (EMA), and the MACD line is the difference between the 26 and 12 EMAs. The MACD generates a buying signal when it crosses the signal line from below, and a selling signal when it crosses the signal line from above, as seen below.

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