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# What chart can one use to determine sell signals?

1 I believe that MACD is great for buy calls but not so good for sell. Which chart is good to determine sell and why do you indicate this?

2 [signals](#) [macd](#)

edited Sep 13 '11 at 10:16

 chipa  
 1.8k • 32 • 40

asked Sep 11 '11 at 01:21

 morrishe  
 297 • 1 • 21 • 32

## 7 Answers:

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5 Hi again Morrishe. Based upon your answer in the form of the link you provided, I'm guessing you are fairly new to Technical Analysis.

I'm going to answer your question in a number of different ways. The idea being to give you a road map for your own self-study.

1. The short answer. MACD is one of the better indicators around. You need to spend time in understanding how the MACD is calculated and why it works the way it does. You have not done this well. Our own Stockcharts School offers a very good introductory article. <http://stockcharts.com/school>

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Just trust me on this. And if you have really mastered the MACD material here, you should understand why StockCharts PPO indicator is a superior variation of the MACD. And you will understand the rest of my answers below.

1. Gerald Appel who invented MACD suggested 3 possible settings; a. (6,19,9) for a fast acting MACD b. (12,26,9) medium speed c. (19,39,9) slow
2. Stock Trader's Almanac uses; (8,17,9) to buy and (12,25,9) to sell
3. Using Elder's idea of Multiple Time Frame Analysis; example - If Weekly MACD (12,26,9) is on a BUY signal then a Daily MACD (12,26,9) BUY signal has a stronger chance for success
4. The MACD centerline is also significant.

But I think you get the idea. There is a lot more to MACD than meets the eye. And it all starts with a proper understanding of how it's calculated. I've only just scratched the surface here.

[link](#)

answered Sep 11 '11 at 07:12



Petero1298

564 • 1 • 5

Thanks for the input - It takes some reading and I am getting the picture - Yes I am a faily new - hahaha



morrishe (Sep 11 '11 at 07:41)

2

This is another question where you are going to have multiple answers. Not all traders are the same. Some are daytraders, others swing or position traders and then you have investors. Each one must develop their own techniques. Some use moving averages as sell signals, others use the Williams %R. You can also use Fib numbers. I use a different set of combinations starting with a stop-loss. Basically, one size doesn't fit all.

Hope this helps...Peace...Trade\_to\_Live

[link](#)

answered Sep 11 '11 at 01:56



Trade\_to\_Live

2.0k • 1 • 18 • 27

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[How are the 3,10,16 parameters superior to the standard parameter for MACD/PPO?](#)

The best help I can offer at this point in time is to ask you; "Why do you say that the

## 2 MACD gives bad SELL signals?"

Your clarification will help guide us in our answers.

[link](#)

answered Sep 11 '11 at 02:03



Petero1298

564 • 1 • 5

Sorry - I was reading through some papers and they commented on the reliability of MACD selling signal

[http://www.tradingonlinemarkets.com/Articles/Technical\\_Analysis/MACD\\_Indicator.htm](http://www.tradingonlinemarkets.com/Articles/Technical_Analysis/MACD_Indicator.htm).



morrishe (Sep 11 '11 at 05:26)

I would say that MACD can help you confirm sell signals.

## 2 The Chart School articles are very good but if you want a more in depth view of MACD, it's well worth reading the inventors book.

Technical Analysis - Power Tools for Active Investors

<http://store.stockcharts.com/products/technical-analysis-power-tools-for-active-investors>

[link](#)

edited Sep 11 '11 at 03:35

answered Sep 11 '11 at 03:33



AgnosticTrader

8.7k • 26 • 36

## 2 Maybe you need different settings? I agree with you that the canned MACD settings are a little slow, so I use Linda Raschke's [3/10 MACD](#), a "Three-in-one" Oscillator: Momentum Oscillator, Swing Indicator, and Trend Indicator. It has great buy signals and sell signals. It is very popular with traders in all time frames.

Or if you already like your settings and find the sell signals late you can scale out of your position by selling half at a certain percentage. Some swing traders will sell half their position when they reach a profit target of 8-10% and let the rest ride. This helps some traders "relax" as they know they are riding on the house's money.

Or you may want to add another visual indicator like the [Elder Impulse System](#). It's as close to a red light / green light system as you're going to get. It works with almost all MACD settings and it will give you a blue bar when momentum is waning. The blue bar can sometimes act as an early warning system and always goes off before the MACD sell signal.

Ultimately trading is journey about finding yourself. You need to find a system and stick to it like glue. And remember, no system is perfect, but when you find one your results will flourish.

Cheers :)

[link](#)

edited Sep 11 '11 at 06:19

answered Sep 11 '11 at 06:05



[Love\\_To\\_Trade](#)

6.1k • 1 • 9 • 18

Thanks - Great comments. The more I read up on Elder the more impressed I am.



[morrishe](#) (Sep 11 '11 at 06:48)

0

Good answers above. I'd like to throw a few thoughts into the mix about relying on signals from a swing trade perspective. First, a sell decision doesn't have to be final. There is no rule that says you can't get back in, even at a higher price if the risk/reward is there. Second, consider how long you have been in the trade and whether it has been paying you for that time. Is the additional upside worth the wait? Any trade has an opportunity cost because your capital is not available for other possibly better trades. Third, remember that as long as your money is in the market you risk a sudden, significant loss (your position sizing strategy should prevent a catastrophic loss - see Tharp, Trade Your Way to Financial Freedom). What I'm getting at is that you don't have to be a slave to signals. You can get out BEFORE the signal. Consider time and risk even though there are no indicators for them on your chart. I know the adage is, let your profits run and you shouldn't sell just because you have a profit, but when your trade stops paying you for your risk, it can be a lot safer to be out of the market than in it. If you worry about missing the upside, you could use a buy stop above the market or even some out of the money calls. Thanks for reading. Comments welcome.

[link](#)

answered Sep 12 '11 at 19:26



[markd](#)

15.4k • 15 • 23

[@markd](#): Fascinating - You mentioned that "Any trade has an opportunity cost ..." and suggested selling a stock even before there was a sell signal if "your trade stops paying you for your risk". These comments turned on a light for me. It seems that you have at least a subconscious estimate of how much your trade should be paying you per day it is taking the risk of being in the market. Do you have any idea what percentage that might be?



[Bob S](#) (May 11 '12 at 18:51)

[@markd](#): Let me clarify. I would not use this % number to determine whether to get out on any particular day because the % had not been met for 3 days in a row. Rather, I am hoping for some general rule of thumb like "if over 2 weeks time it has not moved at least x%, it is not paying well enough." or something like that.



[Bob S](#) (May 11 '12 at 21:14)

I'm not sure you could formulate a rule; it might be better to say, when the trade stops moving as expected, short of your intended exit, reduce or close your position to protect what you have, now that there is doubt. Changes in behavior are often trouble. But price movements are just too variable I think to make a rule of thumb involving numbers. In any case, you would have to tailor any rule to your time frame. Instead of looking for a number, you might look at the habits of your stock and the stage of the market - for instance, sometimes, a 3-5 bar stall in a rally is OK, another time that's just how long it takes to set up for a decline. Not very helpful, I know, but if you could put it in a few words, there wouldn't be so many books on the subject:)

 markd (May 12 '12 at 14:42)

@markd: That was more helpful than you might have thought. I can see what you are saying. Do you have an expected target (exit) for each trade before you initiate the trade? Do you use hard stops, mental stops or trailing stops along the way?

 Bob S (May 12 '12 at 17:37)

Welcome to the room Morrishe: There is a lot smarter people here than me!

0 What time frames are you working with might help narrow the field a bit?

BEst

F

BTW: Petero1298 nice work on the run down for MAC'd's funny I'd forgotten some of those: Have to put them back on my screen again. Thanks for the reminder...F

[link](#)

answered May 11 '12 at 22:35



The Trading Lab

281 • 3 • 8

Your answer