

Test for 2-7MA versus TDI

As a point of clarification, I am not criticizing the TDI, nor how it works, I just like to have the majority of my information of the main chart, so this is a personal preference. Also attempting to keep the “TMS” principals intact – especially the “simple” part. KISS for me has always meant Keep It Short & Simple.

I do still like to see what the RSI 10 is up to and this is often a tiebreaker for me when I am undecided on an entry.

Whatever the method, as traders we still need to use the basic chart analysis skills for candle patterns, S&R levels, etc. Having an MA cross method does not override the PA basics.

On to the chart review:

1. 2-7MA Cross - Positives
 - a. APB colour change – good APB candle size
 - b. Confirmation arrow
 - c. PA crosses and closes below 2MA
 - d. RSI crosses below 49
 - e. TDI cross

2-7MA Cross – Negatives

- a. Candles close just above 100EMA –
- b. 200EMA is 100pips below candle close

ATR 7 on the set up candle is 78pips. Probably best case scenario for this set up is that the Entry Point is below the 100EMA – most likely off the Fractal Low break set after the Pull Back – TP1 would be hit which leaves TP2 as a BE at the next Pull Back candle

2. 2-7MA Cross – Positives
 - a. Follows a Pull Back Candle
 - b. 2nd candle following APB colour change
 - c. PA crosses and closes above 2MA and 100EMA
 - d. PA is bouncing off of the 200EMA
 - e. TDI cross

2-7MA Cross – Negatives

- a. No confirmation arrow
- b. RSI remains below 51

ATR 7 on the set up candle is 76pips, so if the Entry Point is taken, this is going to result in TP1 and TP2 taking a loss in the next 4 to 8 candles. Depends on how much notice you take of RSI 10!

3. 2-7MA Cross – Positives
 - a. PA bounces below 100EMA and closes below 200EMA

- b. APB colour change
- c. Confirmation arrow
- d. RSI 10 below 49

2-7MA Cross – Negatives

- a. Occurs before TDI cross – not really a negative
- b. Recent resistance – previous Fractal Low

ATR 7 on the set up candle is 72 pips. This depends on where the Entry Point is set. The Fractal Low is broken after 4 candles with a new Lower Close and a new Lower Low. RSI 10 would show a Bullish Convergence over the same 4 candles. PA does not really follow through, so again TP1 and TP2 are at risk if the Entry was taken!

From a TDI perspective, the Trade Signal Line is moving higher, so any crosses showing short entries would be ignored.

4. 2-7MA Cross Positives

- a. APB colour change
- b. PA closes above 2MA
- c. Confirmation arrow
- d. TDI cross

2-7MA Cross Negatives

- a. PA closes between 100/200EMA
- b. RSI 10 is at 50.1, so is not > 51
- c. PA is still ranging

ATR 7 on the set up candle is 75 pips. The Entry Point would be set above the Set Up candle high, and this becomes a Fractal, so the Entry Point now become a Fractal Break which will also see RSI 10 break 51.

5. This becomes a continuation of 4 especially as PA breaks the Fractal High and closes above 100EMA and RSI 10 >51. This becomes and Add-On Candle

6. is a Fractal High Break, with RSI well above 51. 6 occurs a candle earlier than TDI for the bounce. This becomes and Add-On Candle. TP1 would be hit as well as TP2 plus Add-Ons with an exit opportunity following the next Pull Back candle. TP1 = 75pips, TP2 = 300pips, AOC 1 = 190pips, AOC 2 = 140pips.

The Pull Back candle following 7, is the first sign that the PA is running out of steam with RSI 10 breaking 80 and TDI RSI Price Line heading above 68. When a Pull Back candle is followed by the bear candle, this can be a heads up of a change in direction as well as an exit point for the current trades.

8. The APB colour change occurs on the Sunday candle, so consequently no volume or size associated with it – it is just a result of the previous Pull Back and direction change from the previous 2 days. PA is moving away from the new Supply Zone, so here is an indication of a possible trade entry. Large reversal candle which is $2 \times \text{ATR } 7$, so a major shift in direction and depending on whether this pair was being watched on Sunday/Monday, may have been taken. Again PA is returning to the 100EMA and does not present an Entry Point as PA does not go lower after this candle closes. The Pull Back candle gives a heads up again as does RSI 10.

9. MA2-7 Cross – Positives

- a. APB colour change
- b. Arrow confirmation
- c. PA closes above MA2
- d. TDI cross
- e. RSI 10 crosses >51

ATR 7 on the set up candle is 70 pips. TP1 would be hit and TP2 would be BE

10. Although this results in the MA2-7 cross and a TDI cross, there is no PA support and the Set Up candle becomes a Pull Back, so no Entry Position.

11. MA2-7 Cross – Positives

- a. APB colour change – good sized candle which is just $> \text{ATR}7$
- b. Arrow confirmation
- c. PA just closes below MA2
- d. PA moving away from Supply Zone
- e. TDI cross

MA2-7 Cross – Negatives

- a. RSI still above 51 – does drop below 49 on next candle
- b. PA moving back to 100EMA, but has over 100pips, so plenty of room

ATR 7 on the set up candle is 64 pips. TP1 would be hit and TP2 may get stopped out for 300pips on the reversal after 12 days which sees a Draw Down of 160pips

12. PA has just sent RSI 10 into Oversold territory, so a heads up for a price reversal / Pull Back.

13. With a doji candle showing a Pull Back from the Friday / Sunday / Monday pattern, preceding a continuation, (day trend still shown after the Pull Back) there may be an opportunity to trade the MA2-7

bounce – but if you are only checking in at close of day candles, then no opportunity. If the trade was not stopped out there is an opportunity to take the break of the Fractal Low.

Additionally, RSI 10 is showing Bearish Convergence against PA between 12 and 13, so good possibility that we are seeing the end of the current trend.

Conclusions?

Does the MA2-7 cross plus RSI 10 perform better than TDI? Not much to choose between the two – RSI 10 does keep you out of trades, so may be a candle delay on entries depending on whether you are basing your entry off of the cross / RSI value, or are going off of candle patterns. The major conclusion is that any MA cross system must be supported by PA and S&R levels.

Does the MA2-7 cross plus RSI 10 perform worse than TDI? No, so it is all down to personal preferences in the end. What I do like about TDI is that if you use the Trade signal Line as an indicator together with PA, and only enter on crosses where it is moving in the same direction as PA, it will save you from some potentially losing trades.

