

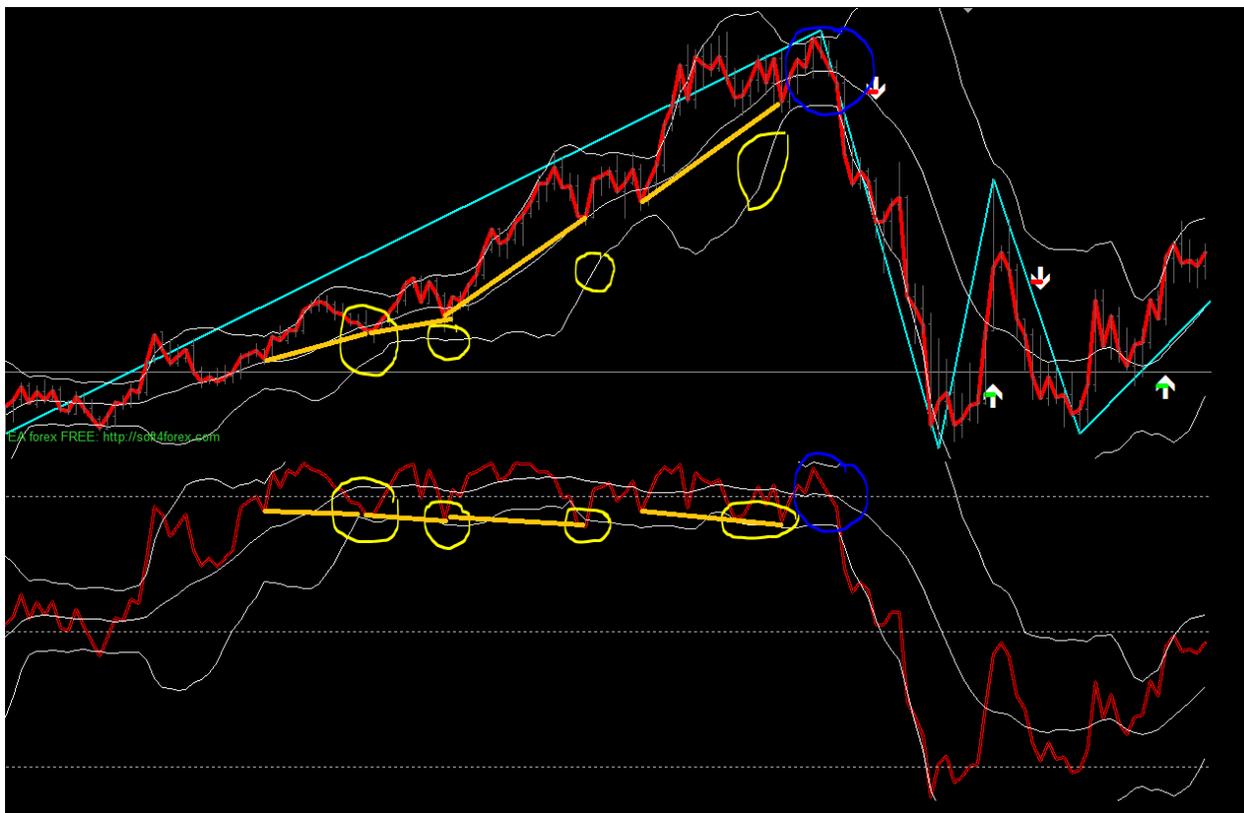
<http://www.forexfactory.com/showthread.php?t=434603&page=6>

Divergence in mis-pricing charts posted by Eurussdd.

Eurusdd: "People have to understand that the similarity principle is a good way to spot mis-pricing in the market. However, the indicators you used also matters. For example, the stochs-method is 50% more efficient than the cycle-identifier method! However, it is 10% less efficient that the bollinger method. This method requires only one time-frame! Look at the red&white lines in the top and bottom windows in the chart below!!!!

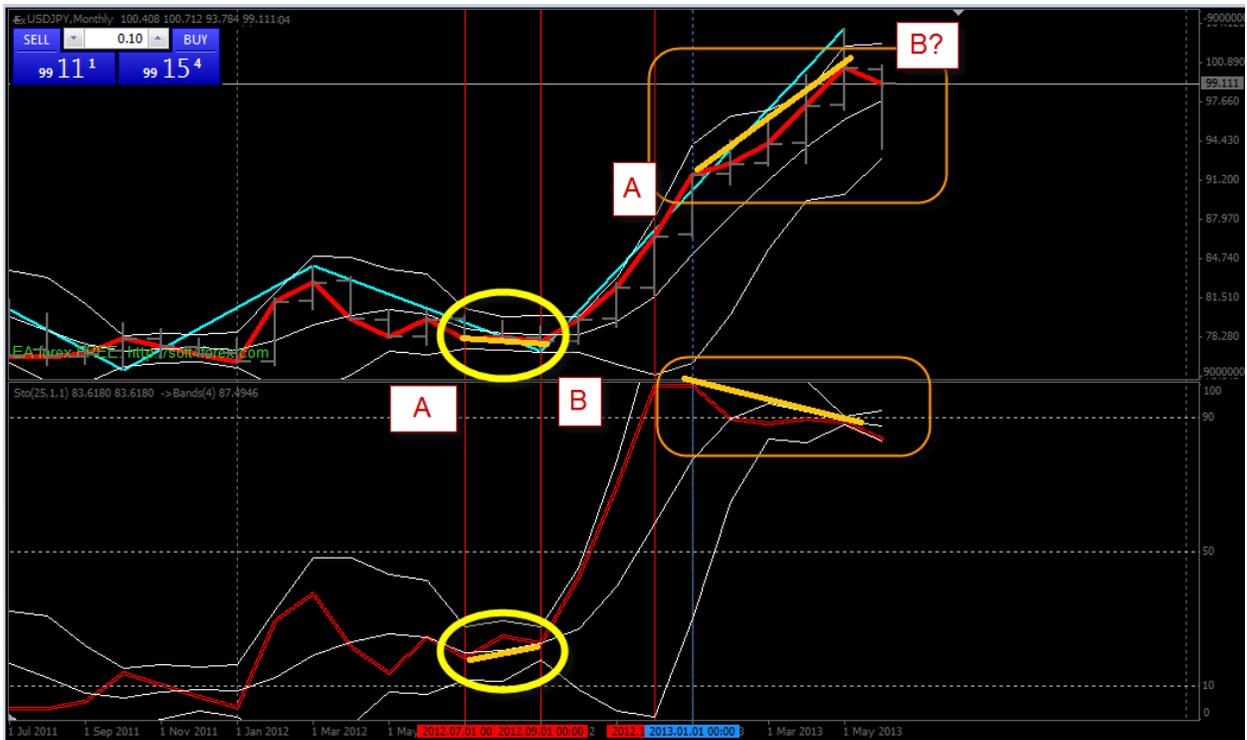
Do you see that both are similar????

Now, the top window is real-price and so, whenever the down window differs YOU HAVE A TRADE! The down will always play catch-up with the top!!!!"

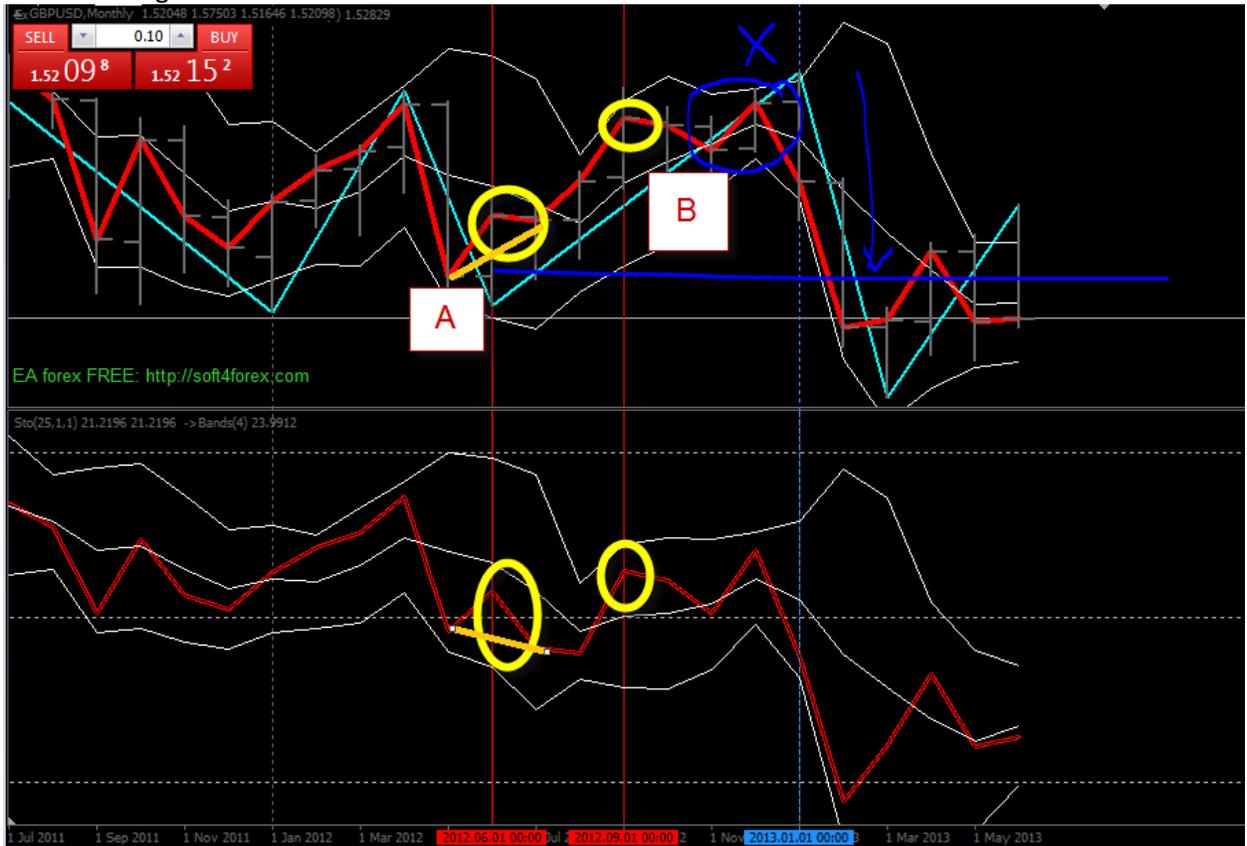


Above are examples of hidden divergence. Expect price to continue up and drag the indicator up with it.

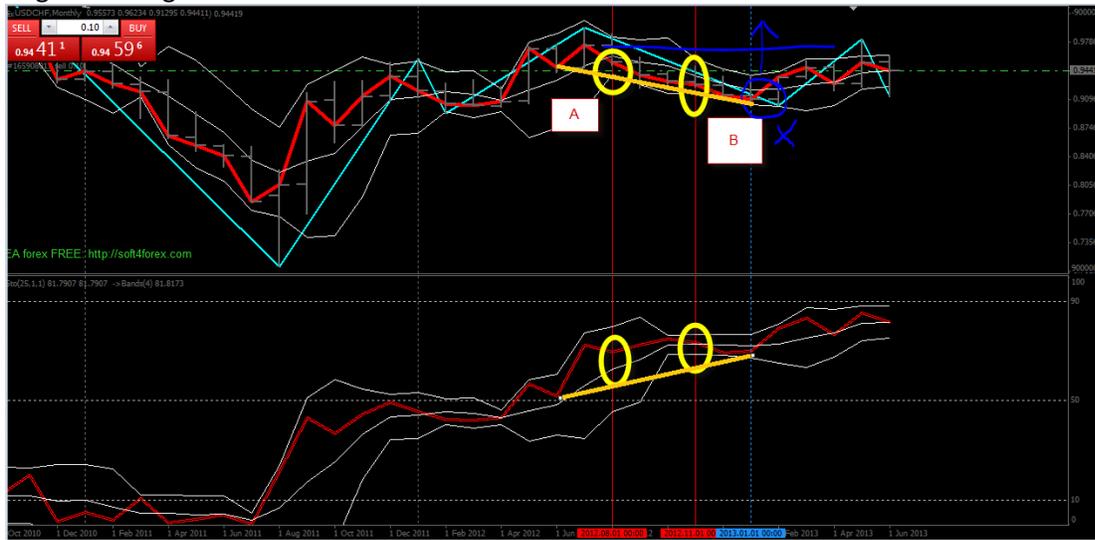
Then the uptrend ended with regular divergence and price returned to the level where the first mis-pricing occurred. Good trades could have been made on the way up and then back down.



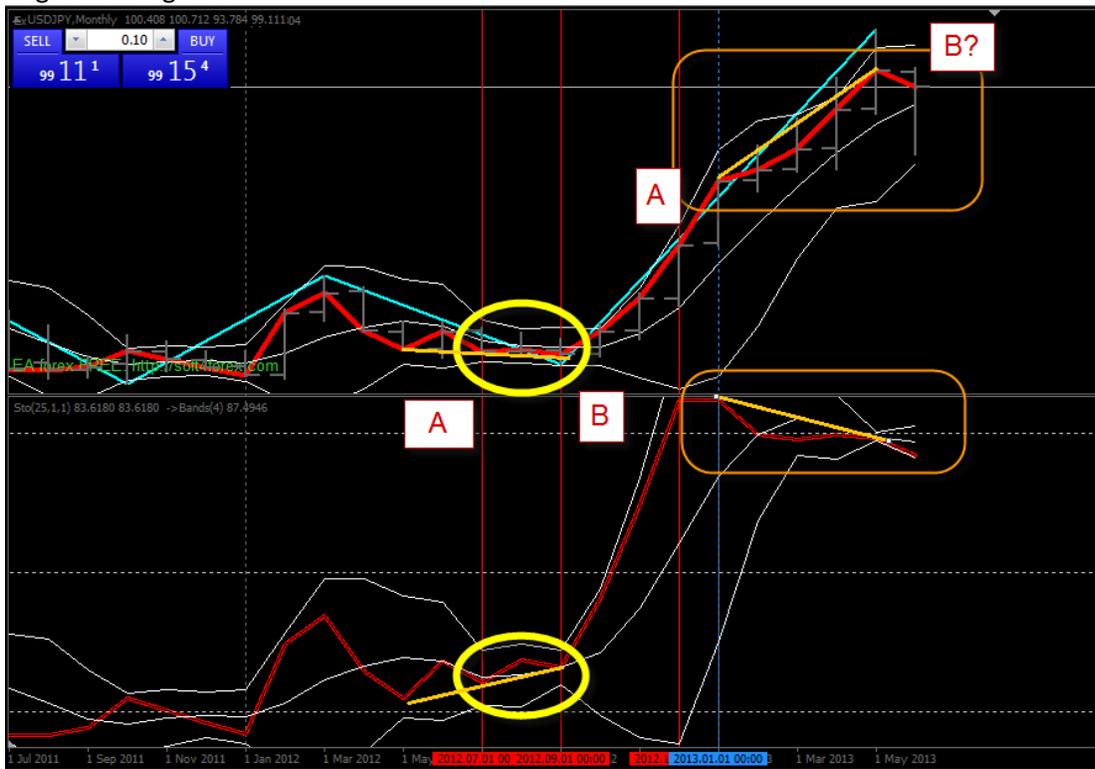
Hidden divergence:



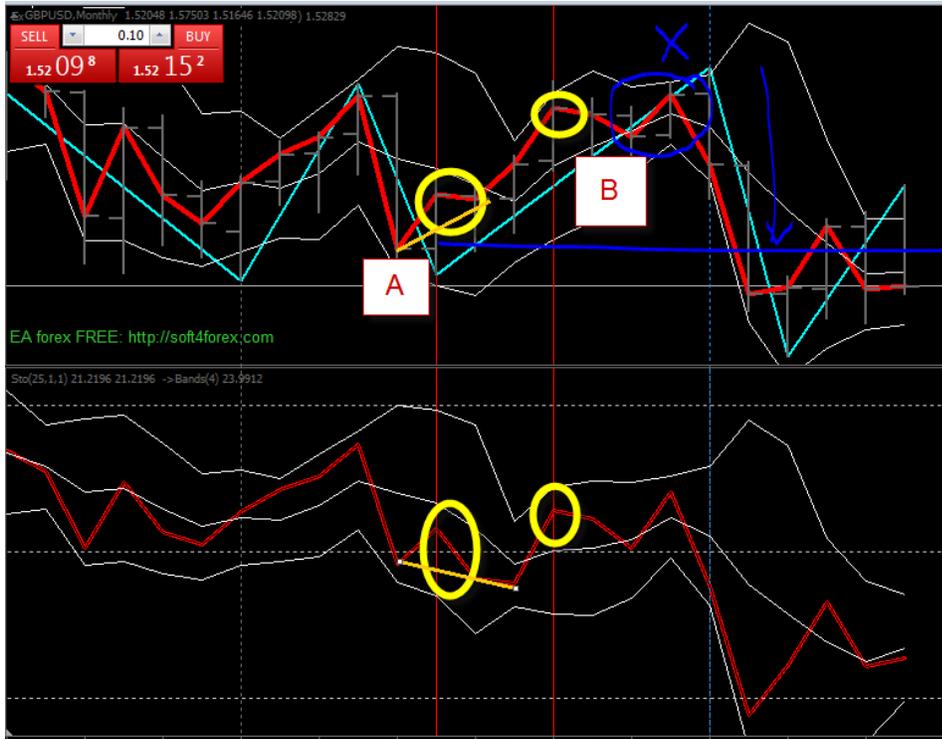
Regular divergence:



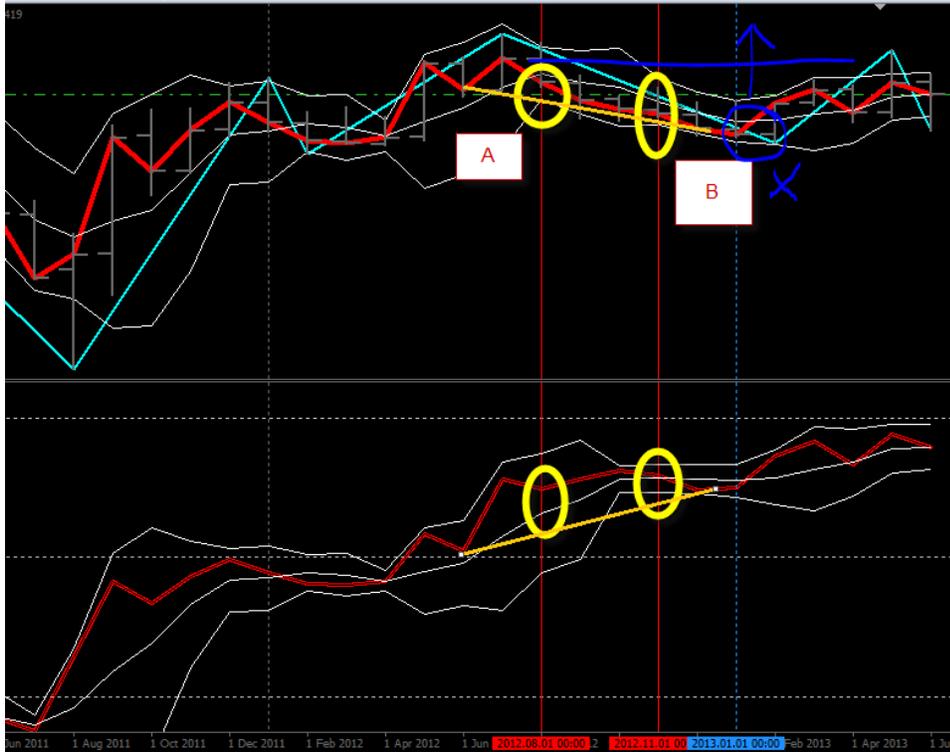
Regular divergence:



Hidden divergence:



Hidden divergence:



Hidden divergence:



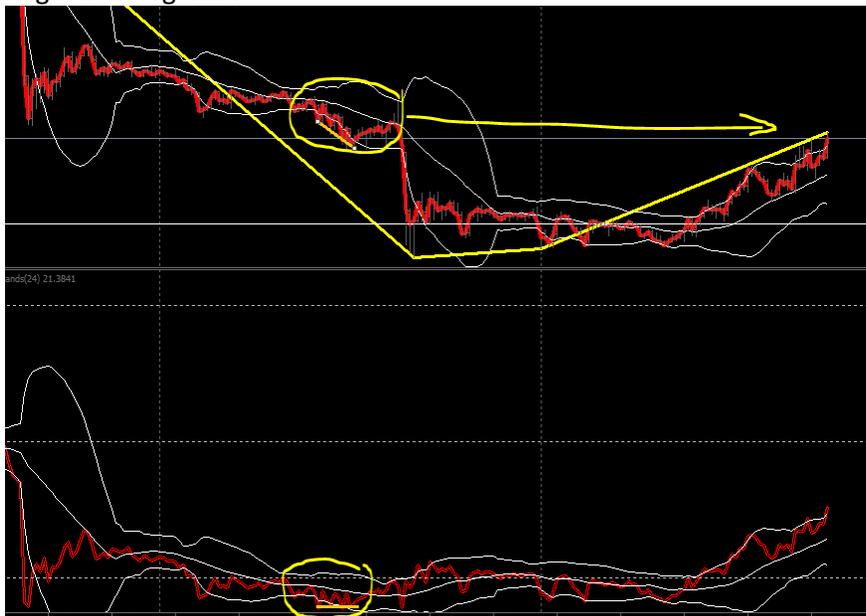
Hidden divergence:



Hidden divergence:



Regular divergence:



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