

Spud's Dynamik

I would consider the following a tool, to use in conjunction with the Combination Rules, Escalator to Pips, Sonic Indicator, or anything else you like.

I've included the templates below, as the setup is quite cumbersome for MT4 newbies. I'll explain what is in the Dynamik, but not how to set it up on MT4....use the templates!

Spud's Dynamik is used to follow momentum, trend and trend changes. there are 4 key components:

1. Price Chart - MacD 12,26,9

Trend change is indicated when the (red) bars cross the (yellow) moving average line. Long Term Momentum is measured by the MacD values of the highs and lows for the corresponding segments (see chart below). For example, progressive lower valued "short" peaks indicate a longer long trend if the "long" peaks are higher in value. (read more on MacD in Google)

Short Term Momentum is measured from the bars...bars increasing in length mean sustained momentum, bars shortening mean weakening momentum.

2. Chart 2 - Stochastics Scale

We bring in the stochastics but use neither the %K or %D...what we simply want is the stochastics to lock in the 80/20 % scale for us.

3. Chart 2 - MACD-Colored_v102 5,13,1

This is a slightly modified MacD indicator. The only line we use is the moving average line (yellow). However, we are using the other hidden elements of the MACD in a different way. These elements are the tri-signal average lines calculated from the MacD, and the "shift" of the MacD scale within our stochastic scale. I will go into more detail on the "shift" later. We can also use this as a momentum tool, when (yellow) moving average line peaks the price is exhausted in that direction. We can also encompass the (yellow) moving average for "off-peak" trading when it peaks above 80 and below 20.

4. Chart 2 - Tri-Signal Moving Averages MA(2),(3),(4)

This is our confirmation tool for trend changes. The moving averages signal when MA(2) and MA(4) converge and cross. When and where this happens is the most important factor.

When it happens after a cross of the (yellow) moving average line

When it happens at the peak of the (yellow) moving average line

In all cases, this convergence must correspond to our first MacD (on the price chart) when the bars cross the moving average. This may happen at the same time, just before or just after.

Below is a quick look at the chart and I'll break it down into detail in the following posts. Attached Thumbnails



Attached Files

-  [MACD Colored v102.mq4](#) (5.7 KB, 85 views)
-  [spud dynamik filter m5.tpl](#) (5.4 KB, 97 views)
-  [spud dynamik price m5.tpl](#) (4.1 KB, 80 views)

The Dynamik Cross on the Price Chart

Below are examples of the (red) bars crossing the (yellow) MA of our MacD where the yellow arrows point. We can also see on our price chart the corresponding price moves. This is called our Dynamik Cross.

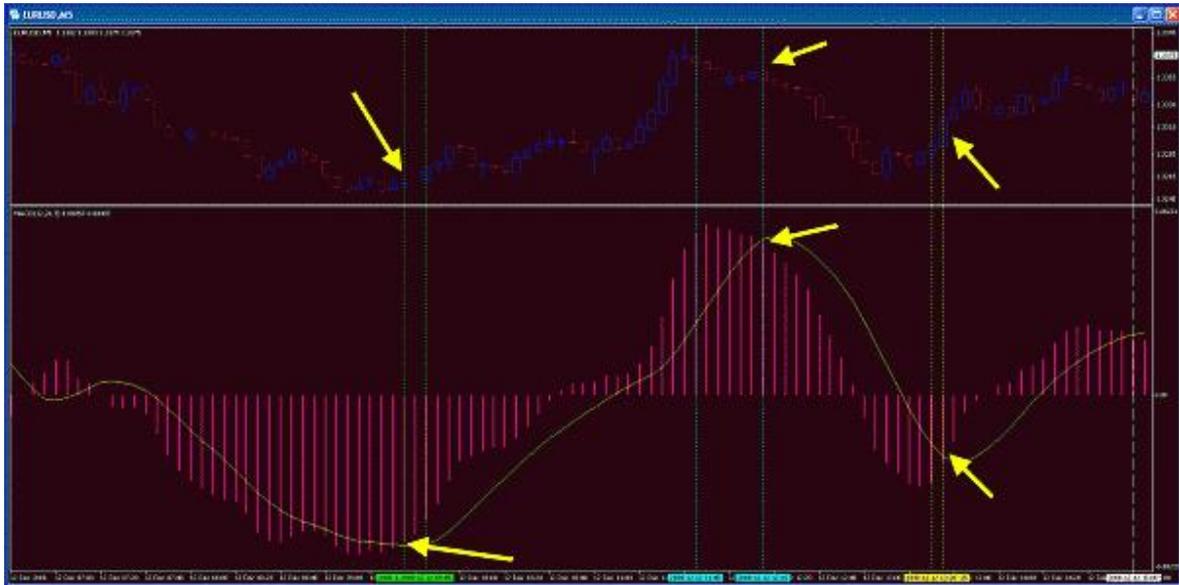
The vertical lines represent our trend change area. This area is denoted by where we get our Dynamik Cross and the Tri-Signal Convergence Cross on our other chart (not shown).

I messed up with the graphic on the 3rd cross, it should be the next bar. But picking that as a cross isn't wrong...just early and predictive.

I'm not going to explain using this for momentum. There is a wealth of information on MacD as a momentum indicator with the settings of 12,26,9...I strongly suggest you read and understand that...just google MacD Momentum. I believe the momentum aspect is fairly obvious.

Of course using this indicator alone is not enough. Although it can be extremely accurate alone, it is also prone to many false signals. So as always we need to weed out those false signals as best we can without impacting the good signals.

Attached Thumbnails



The Dynamik Filter

So the first one was easy....this is a little more complicated...but is really easy once you get the hang of it.

Let's talk about this chart for a while because there are many things going on all at once. We have to learn to read this chart to fully appreciate it everything it tells us.

If you ever scrolled through a MacD chart you know that the scale shifts when price breaks the scale (range) boundaries. This shift is an extremely important tool for filtering out price moves in the over bought/sold markets. You need to be aware of this shift because it greatly affects any backtesting you do. You cannot look at MacD on this chart statically, you will have to scroll forward and watch for shifts of the (yellow) MacD MA. We are only worried about the "present" location and not the past of the MACD MA.

This shift is why we have incorporated the stochastic 100% scale. This makes it far easier to see the over bought/sold conditions occurring because MacD cannot exceed our scale and therefore must shift within our scale.

THE ONLY THING YOU NEED TO KNOW NOW IS THAT THE "SHIFT" OCCURS AND IF BACKTESTING YOU MUST ACCOUNT FOR THIS SHIFT.

So let's leave the shift behind for another rainy day and look at to what signals trend change.

The vertical lines correspond to my previous chart post..here we just have the green and blue vertical lines. These lines represent the fuzzy area of our trend change....I call them Dynamik Transition Zones. They simply mark when we get our first signal from or

Dynamik Cross and then mark where our Tri-Signal MA's converge and cross. That's it.

So, the Dynamik Transition Zone is the time between our Dynamik Cross and latest Tri-Signal Convergence Cross. This can be simultaneous or spread out....but it must happen or we won't have a trend change. We generally want it to happen as close together as possible.

The other dynamic of our Dynamik Transition Zone is where the Tri-Signal Convergence Cross occurs. There are really only two positions we want...the move across our (yellow) MAcD MA or one that occurs at a MacD MA peak. Remember we only care about the one near to our Dynamik Cross, the rest don't matter. This location of our Tri-Signal Convergence Cross is called our Dynamik Signal.

So what we want to establish is our Dynamik Transition Zone which is made up of our:
Dynamik Cross
Dynamik Signal

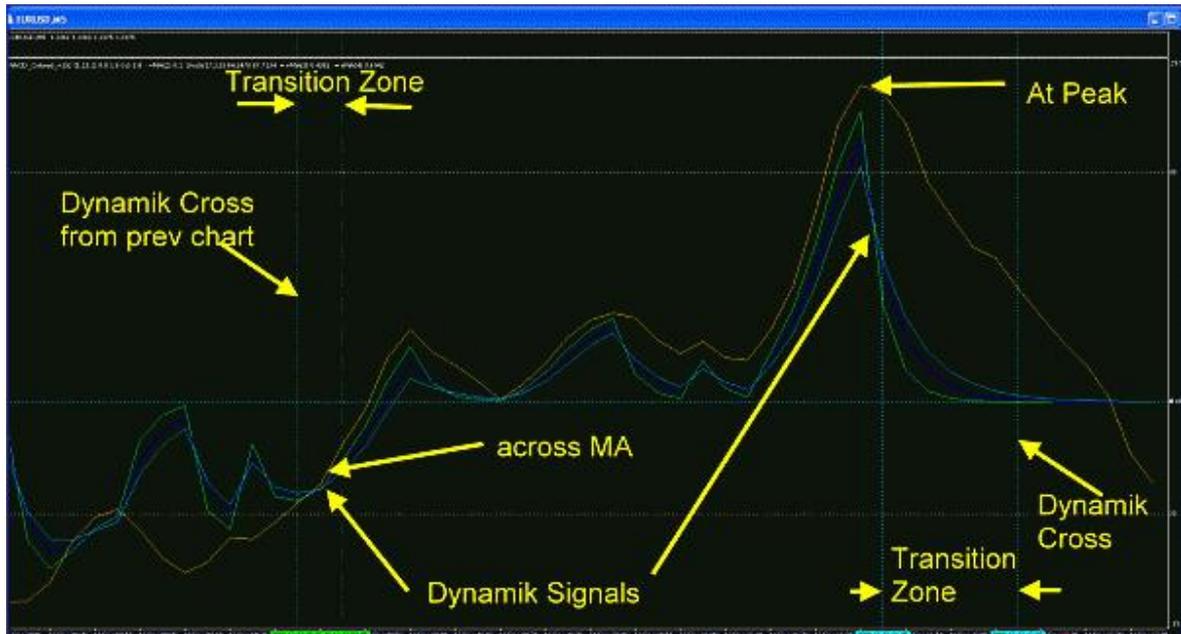
Just burn this chart below in your head.

Obviously we won't see a transition zone until it happens. But as such we have three points of entry we can confirm with whatever else we use to enter a trade. The first and earliest would be to receive only a Dynamik Cross or Dynamik Signal...this is obviously the riskiest but may get you in earlier. The second is waiting for the Transition Zone to establish and trade at the point the zone is established. The third is to wait and trade after the transition zone. You can usually see things developing so when you use this tool, you'll find it much easier to time trades in real time.

There are two more important details. The first is the peak. Trading off the MacD MA peaks on the Dynamic Filter is almost always a guarantee for a long trend...well as long as the trend allows. If you use this in combination with every thing else and whatever you use to enter then you will almost certainly have a good trade with the trend and have filtered out the over market killer. The important thing about trading off these peaks is waiting for our Transition Zone to get established and the "shift" to end (more on shift later).

The last detail is the MacD 0 line. If our Tri-Signals don't cross the 0 line our current trend stays true. They may ride the 0 line..or fuzzy around the 0 line...but no cross keeps our trend true. This is a very delayed indicator unfortunately, because we should be entering trades just before the cross of the 0 line to maximize our entry. However, with your other tools at hand you will learn to use this during your trade.

So, that's seems like a lot but in practice it is all actually very easy to understand and see.
Attached Thumbnails



Walking Through A Trade

Let's examine a trade with our Combination Rules and see how we do.

Chart time is 12/12 9:35 EurUsd and we have our first signal coming from our Dynamik Cross where the MacD on our price chart (red) has crossed the (black) MacD MA.

Everything else at this point is pretty much a no go for trade entry, but we do have some hopes we may get a long entry developing.

The second chart 10 mins later tells us everything is a go or a Long trade. We have our Combination Rules met, we have a Dynamic Transition Zone established when we got the Dynamic Signal.

So, Long it is at 9:45 chart time (9:50 EST +7).
Attached Thumbnails



The Dynamik Filter Shift

We are now just into our trade and something kinda cool is going to happen. We are going to witness the Dynamik Filter "shift".

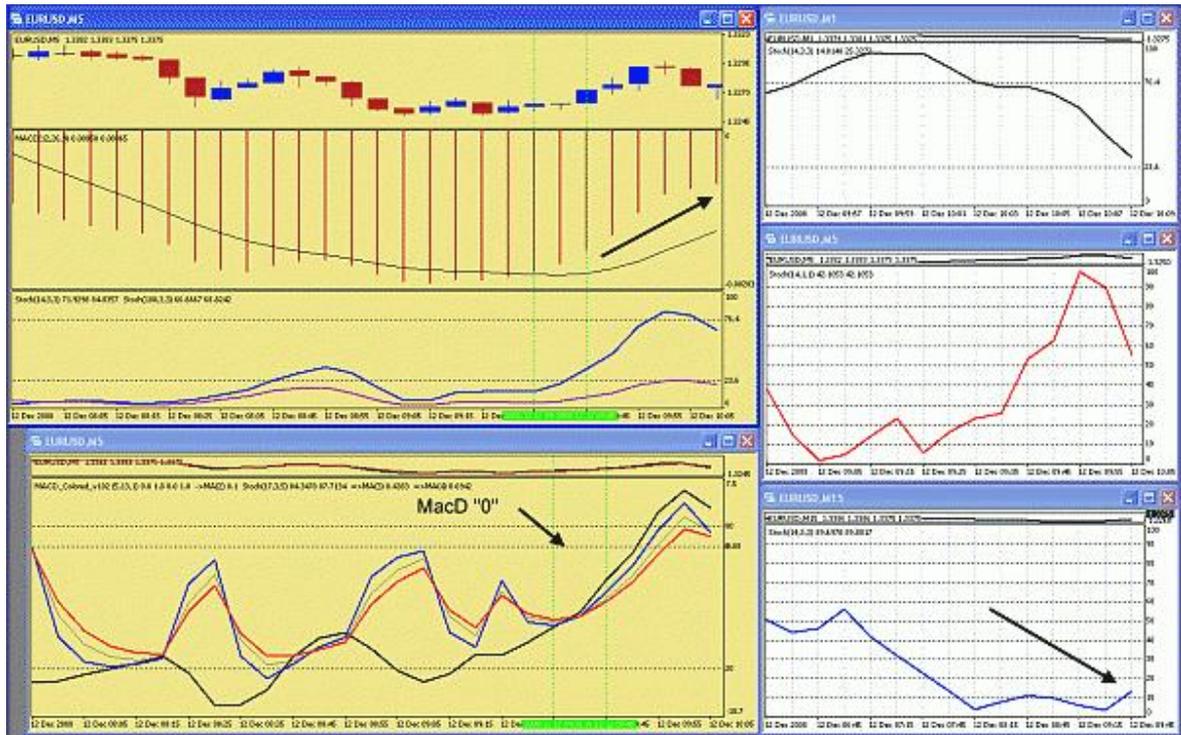
Notice on the bottom chart the MACd (black) line is all the way up near the top. Also see the MacD 0.00 line is well near the top as well.

In the second chart I will show you the "shift". You will see the 0.00 line come down as the MacD shifts in the upward trend. This is an easy play to follow in a trade and you can also see our MacD on the price chart is still in the long trend and our M1 filter will go into overbought.

The second chart goes to the end of the shift motion. So, you noticed price dropped. Eh? (Being Candian we say, "eh?" a lot). What don't you see here. You don't see our MACd indicating any break in our Long Trend and look at how low our M15 stochastic is. You know what you are looking at.....this is M1 and M5 stochs coming down to get the M15 to bring it back up.

Attached Thumbnails





To The Exit

So let's jump to the exit. During that trade we had another shift, the MacD's kept us in our uptrend and basically there was nothing but follow the M15 stochastic up to the top peak where it now sits.

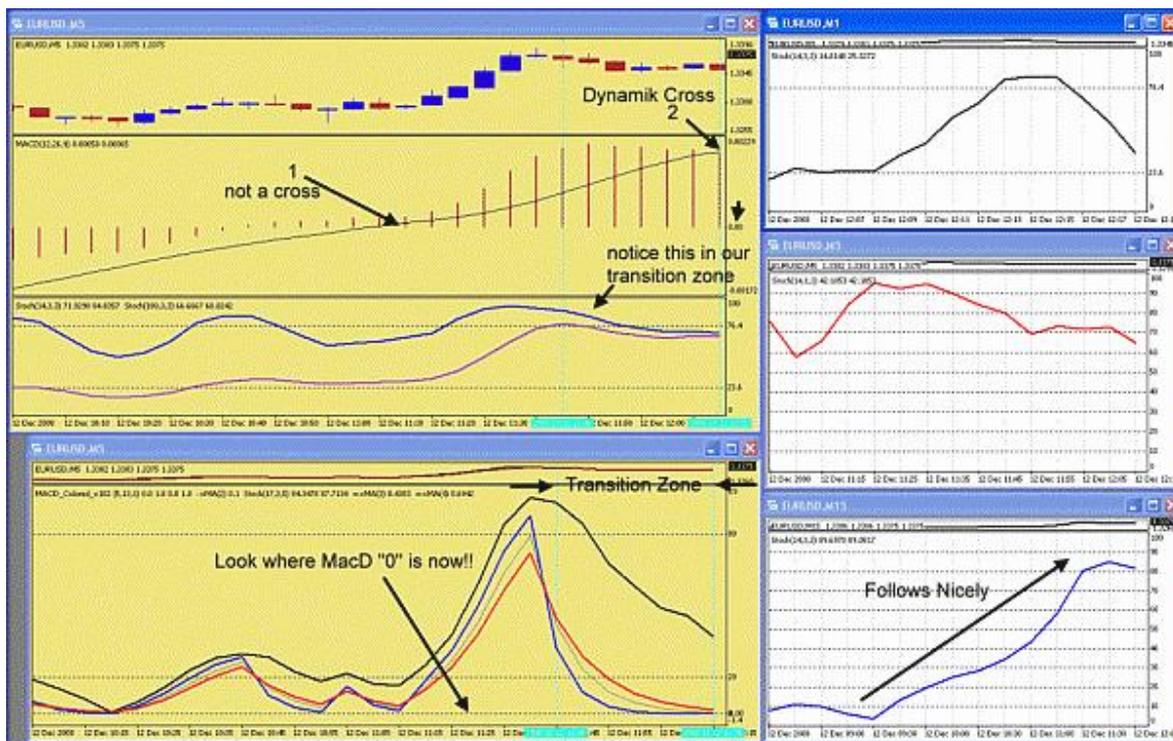
You can see we have an entirely new "SHORT" Transition Zone established...so somewhere in here is your best exit.

One thing to note is the The Dynamik Cross. You may think the cross happened earlier at Arrow 1...this is not a cross as our bars have reversed coming up above the MacD zero level..so these long bars have to shorten up now and fall below our MACD MA as they do at Arrow 2.

You can also clearly see our Dynamik Signal at the peak of the MacD that established our Transition Zone.

Our Combination Rules..are clearly heading for a short...note how much longer we could stay in this trade and follow the trend and how it coincided with our M15 Stochastic.

All of this works together.
Attached Thumbnails



With The Sonic (Rope)

Here's a trade with the Sonic Indicator, Dynamik and Combos....you can easily see how they all work together.

Trade signals start popping in the Transition Zone on the Dynamik. Depending how you want to enter, by the Combos, by the end of the transition zone at the Dynamik Cross...it is your choice. Also look how the Sonic Indicator is showing us this trade by convergence and crossing the 76.4.

Take a good look at the square box on the Dynamik Filter chart. You will see this pattern many times for a great exit signal. The ultimate exit is where the red arrow points. See how the Tri-Signals and the MacD MA split apart..and the small peak prior to that where they come together as seen where the green arrow is. You will see this signal time and time again, a good one to post on the wall. As I said, this is a great exit confirmation.

If we wait...we get our M5 crossing up over the M15 to exit, or our Sonic breaking out from the oversold convergence.

You can see how our short trade ran the M15 nicely in one smooth move.

This is Nov 24 around 1:10 (EST +7) to 3:20. I decided I put Nov 24th to the test as there is a nice long trend with tons of false entries for the combos...so let's see how we do when we add the Dynamik.

Attached Thumbnails

