

## OSCAR FORMULA

Another indicator I use that can help us get an idea where prices may be headed is one I call Oscar (OSC).

What we're looking for is an indicator that will tell us on a somewhat consistent basis that prices have reached an "overbought" or "oversold" level. In other words we want to know if prices might be getting ready to change direction. Oscar often coincides with a change of direction and confirms the event.

There are a number of ways to construct an oscillator. The one I use gives me the best combination of averaging and simplicity that I've found for the strategy I employ.

This is the formula we use:

- let A = the highest high of the last eight days (including today)
- let B = the lowest low of the past eight days (including today)
- let C = today's closing price
- let X = yesterday's oscillator figure (Oscar)

Today's "rough" oscillator equals  $(C-B)$  divided by  $(A-B)$  times 100.

Next we "smooth" our rough number (let's call it Y) like this:

Final oscillator number =  $((X \text{ divided by } 3) \text{ times } 2)$ , plus  $(Y \text{ divided by } 3)$ .

Let's do an example. We'll use a common stock, United Technology. The program was originally written for stocks, but works equally well with the Forex market.

Turn to the next page. Go to April 8<sup>th</sup>. Count back eight days. The high for that period is 91.32 ( just happened to be today). The low is 84.75, made on March 30<sup>th</sup> (just happened to be 8 days back). Today's close is 89.80.

Yesterday's oscillator (shown in the second column), is 87.

Today's closing price, 89.80 minus the 8 day low, 84.75, equals 5.05.

The 8 day high, 91.32, minus the 8 day low, 84.75, equals 6.57.

5.05 divided by 6.57 equals 0.769. 0.769 times 100 equals 76.9.

87 divided by 3 equals 29.00. 29.00 times 2 equals 58.00.

76.9 divided by 3 equals 25.63.

58.00 + 25.63 = 83.63, or 84 rounded off.

On the last two pages we show how to start the Oscar figures. Simply go down and enter 50 in the seventh line and start your calculations. Within several entries the indicator will average out and become usable.

SYMBOL: UTX

DT	OSC	HIGH	LOW	CLOSE	SWING	AVG↑↓	TARGET	ENTRY
3/22	25	85.46	83.81	84.35				
23	20	85.48	84.35	84.38				
24	16	84.77	83.50	84.05	5.92	6.33	88.59	85.03
25	24	85.90	84.25	85.90				
26	32	86.90	85.47	86.30				
29	36	87.10	85.70	85.85				
30	41	86.10	84.75	85.75				
31	53	87.02	84.77	86.30				
4/1	63	87.20	86.20	86.58				
2	72	88.18	87.10	87.74				
5	79	89.55	88.10	89.23				
6	85	89.90	88.29	89.75				
7	87	90.70	89.04	90.19				
8	84	91.32	89.19	89.80	7.82	5.33	84.99	89.42
9	-	-	-	-				
12	78	90.06	89.15	89.19				
13	64	89.72	88.00	88.08				
14	51	88.65	87.45	88.17				
15	43	88.45	87.04	88.14				
16	42	88.75	87.76	88.72				
19	37	88.60	87.45	88.20				
20	28	88.86	87.03	87.48				
21	23	86.05	84.21	85.02	7.11	6.59	89.54	85.81
22	36	88.35	85.20	87.70				
23	53	89.00	86.79	88.93				

HR	MIN	HIGH	LOW	CLOSE	OSC	↑ ↓		NOTES
01	45	124	104	116				
02	00	133	112	129				
	15	138	122	127				
	30	134	117	130				
	45	171	128	163				
03	00	195	162	187				
	15	208	182	204	50			
	30	226	194	211	63			
	45	243	210	232	73			
04	00	235	213	220	76			
	15	222	212	217	77			
	30	281	215	267	82			
	45	283	263	264	83			+179
05	00	268	231	238	74			
	15	243	219	222	60			
	30	236	212	217	43			
	45	245	216	242	43			
06	00	248	218	229	37			
	15	229	208	222	31			-75
	30	241	213	235	33			
	45	263	234	260	51			
07	00	276	253	254	57			
	15	270	245	264	65			
	30	296	264	289	74			
	45	301	284	300	82			



