

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 8th. 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 30th (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			

HR	MIN	HIGH	LOW	CLOSE	OSC	↑ ↓		NOTES
08	00	314	295	295	82			+106
	15	297	280	284	78			
	30	289	269	278	70			
	45	294	265	270	59			
09	00	286	268	280	56			
	15	280	266	274	44			
	30	287	262	283	43			-52
	45	296	283	291	47			
10	00	293	287	288	56			
	15	309	282	305	68			
	30	322	303	307	70			
	45	315	303	315	76			
11	00	315	299	313	79			
	15	327	312	313	79			
	30	326	307	319	80			
	45	326	316	318	80			
12	00	329	318	327	85			
	15	332	322	324	82			+70
	30	331	316	322	78			
	45	322	313	322	75			
13	00	322	309	309	53			
	15	320	309	317	49			
	30	322	311	312	37			
	45	314	303	303	25			

