Traders Dynamic Index Pro

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Traders Dynamic Index Pro

Overview

The Traders Dynamic Index Pro (TDI Pro) indicator is the next generation of the popular Trader Dynamic Index indicator developed by Dean Malone and released in 2005. The TDI Pro includes the addition of Divergence signals and multiple crossover alerts. By combining the original Traders Dynamic Index with Divergence signals and alerts, traders get a highly responsive indicator that shows direction, market sentiment, continuation, and turning points in one indicator.

The Traders Dynamic Index Pro uses a component of the Relative Strength Index and combines the computations of trend, momentum, and market strength into an "all-in-one" indicator that reveals positive and negative sentiment. Using the TDI Pro, traders can compare price action and sentiment. When both are aligned, in agreement, there is a higher probability of a favorable trade. When price action diverges from sentiment, the probability of a favorable outcome in the direction of price decreases and traders can prepare for a potential market reversal.

At a glance, the TDI Pro displays:
1. Alert Signals.
2. Crossover arrows on the Price Chart.
3. Divergence lines on the Price Chart matched to Divergence lines in TDI Pro Window.
4. Divergence arrows and Trend Direction Display in the TDI Pro window.

Traders Dynamic Index Pro

Benefits of the TDI Pro

The benefits of trading with the TDI Pro:

- Plots entry and exit conditions.

- Ranks Trend strength and weakness.

- Reveals Positive and Negative market sentiment.

- Identifies market reversals with Regular Divergence signals.

- Identifies continuation patterns with Hidden Divergence signals.

- Triggers multiple crossover alerts for more trade opportunities.
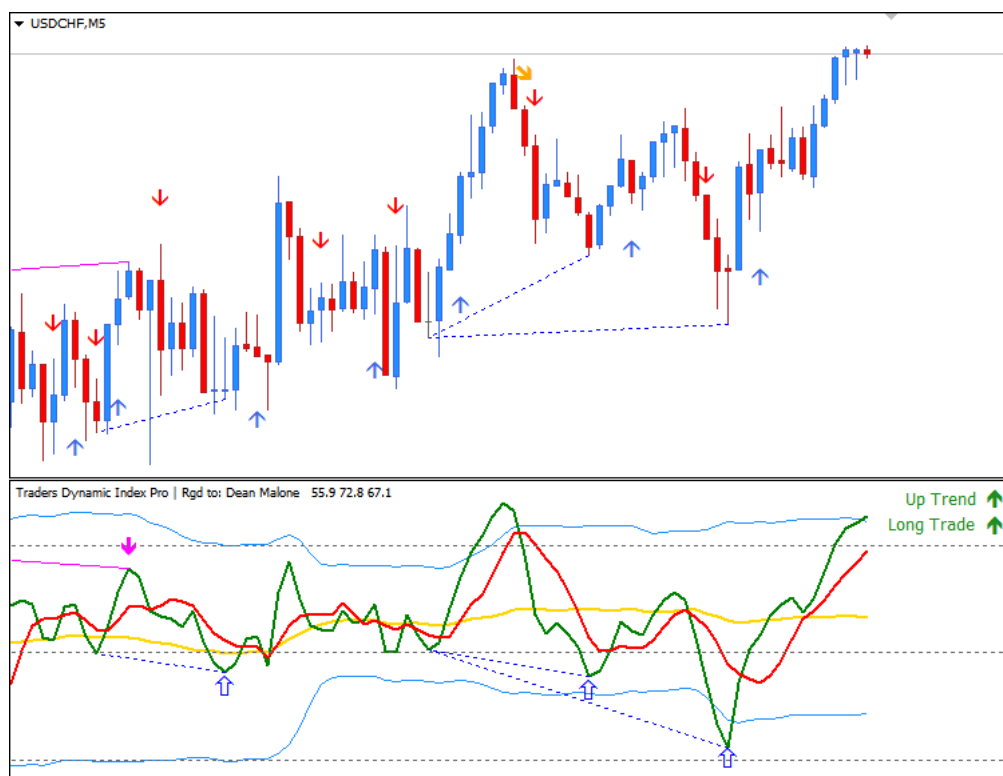
Traders Dynamic Index Pro

Structure of the TDI Pro
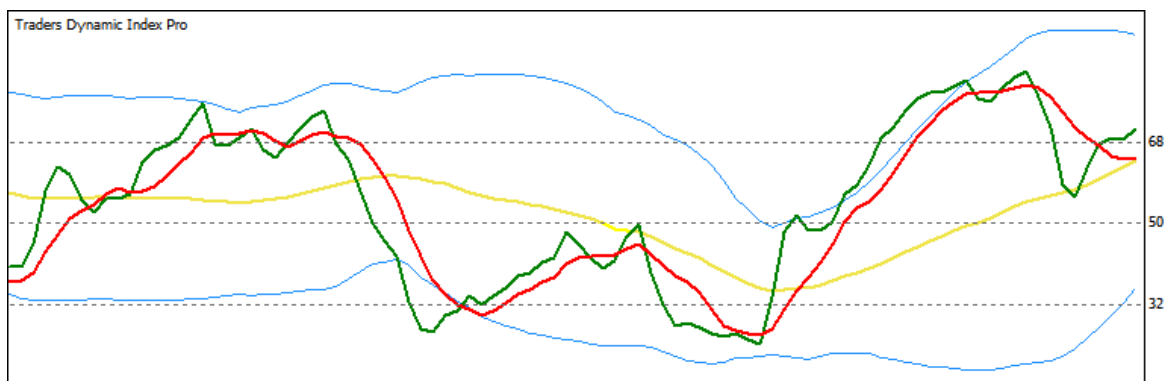
Take a look above at the snapshot of the TDI Pro. Without going into any detail, most traders can perceive market direction just by the up and down movement of the TDI Pro. Most likely, as sentiment rises and falls, price moves in step or follows shortly thereafter. Why? It is supply and demand of the market. When demand for a currency increases, the price of the currency rises until it reaches a peak where buyers are reluctant to buy more. The buyers become sellers exiting Long positions which causes price to fall. Selling attracts more Short sellers pushing the price down and supply increases. Price eventually reaches a floor with accumulated supply. At this level, buyers' demanding a better price for the currency step into the market and buy the currency again causing the cycle to repeat.

To simplify the comparison of price action and market sentiment, the following points are general rules to follow when making trading decisions using the TDI Pro:

- *Price rises and the TDI shows upward movement within certain levels, trade Long.*

- *Price rises but the TDI is flat, turns down, or above certain levels, prepare to trade Short.*

- *Price falls and the TDI shows downward movement within certain levels, trade Short.*

- *Price falls but the TDI is flat, turns up, or below certain levels, prepare to trade Long.*

Another advantage of trading with the TDI Pro is the formation of chart patterns within the TDI Pro. Notice in the middle of the chart, the TDI Pro has two lows (troughs) forming a "double-bottom" pattern. This is a Long trade bias and the market eventual trades Long.

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Structure of the TDI Pro

The structure of the TDI Pro is made of 5 lines and 3 levels:

Green line   -   RSI Price Line

Red line   -   Trade Signal Line

Yellow line   -   Market Base Line

Blue lines   -   Upper and Lower Volatility Bands

68 level   -   Upper level line = Buying Exhaustion (overbought condition)

50 level   -   Mid level line = Median point between Positive and Negative sentiment

32 level   -   Lower level line = Selling Exhaustion (oversold condition)

RSI Price Line (Green)
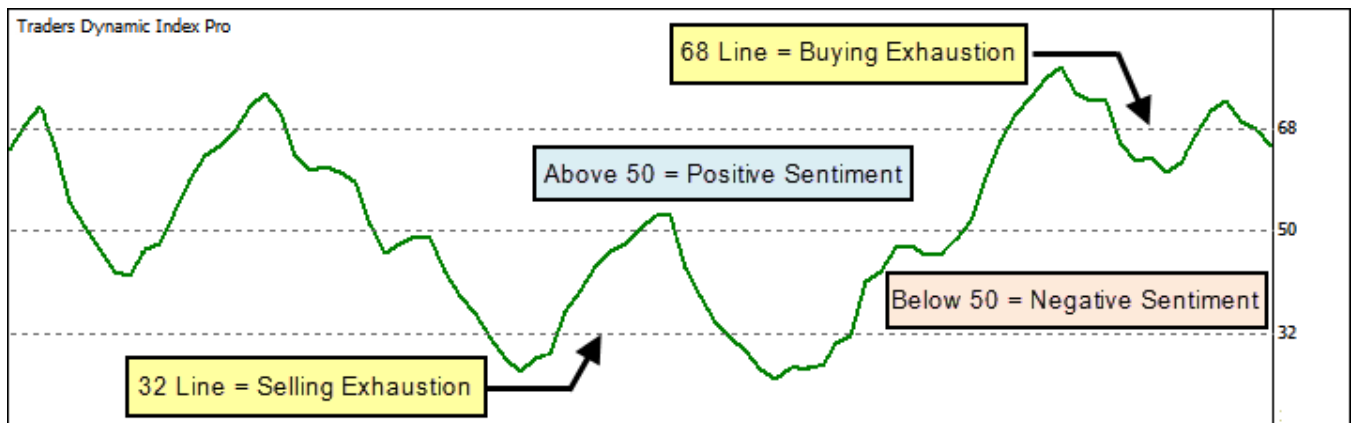
The RSI Price Line (RSI PL) is a sentiment profile of current price action. It is designed to show both agreement and divergence compared to price action. The 50 level is the dividing line between positive and negative sentiment.

Hint: *Green line > 50 = positive sentiment and buyers buying.*

Green line < 50 = negative sentiment and sellers selling.

Green line > 68 … Buying momentum will slow and reverse.

Green line < 32 … Selling momentum will slow and reverse.

If the Green line is rising and < 50, sellers are covering and buyers begin to buy.

If the Green line is falling and > 50, buyers are exiting and sellers begin to sell.

Traders Dynamic Index Pro

Structure of the TDI Pro

Trade Signal Line (Red)
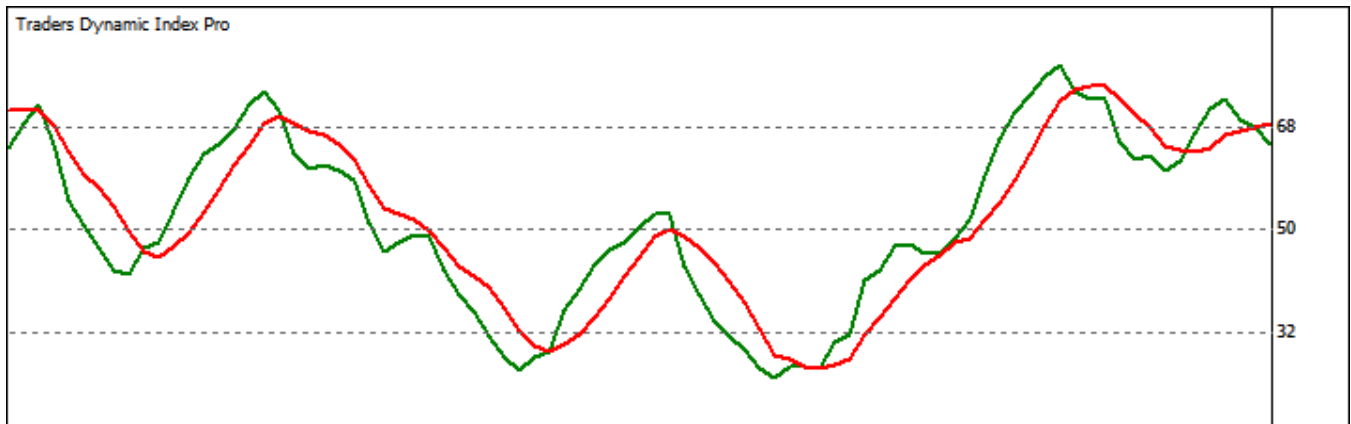
The Trade Signal Line (TSL) is a lagging moving average of the RSI Price Line. It is used as a guide for traders considering a trade entry or exit.

Hint: Green line > Red Line … consider a Long entry … OR … a Short exit.
Green line < Red Line … consider a Short trade… OR … a Long exit.
When entering a trade, be cautious entering Long >= 68 level or Short <= 32 level.

Market Base Line (Yellow)
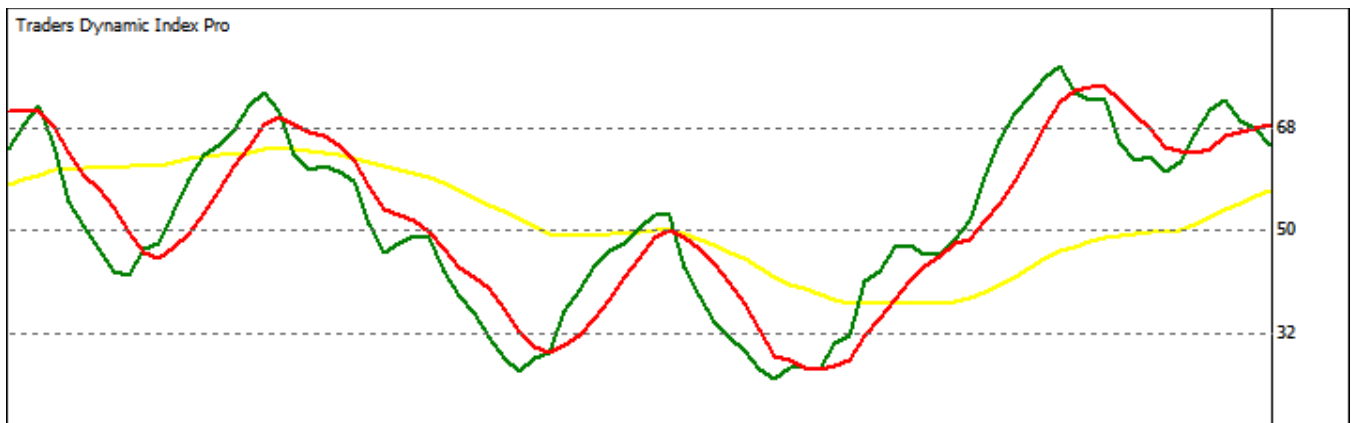
The Market Base Line (MBL) represents the overall market trend. When the MBL is rising, the larger trend of the market is trending up. If the MBL is descending, the larger trend of the market is trending down. The primary base of the MBL is the 50 level.

Traders Dynamic Index Pro

Structure of the TDI Pro

When trading the MBL, consider the following:

Hint: Green > Yellow & Yellow is flat or trending up … consider trading Long.

Green < Yellow & Yellow is flat or trending down … consider trading Short.

When Yellow <= 32, be prepare for a Long market reversal.

When Yellow >= 68, prepare for a Short market reversal.

From time to time, current price action will converge with the overall market trend and attempt to break it. This is illustrated by the Green line moving sharply towards the Yellow line. If the overall market trend is unyielding, the Green line will "bounce" off the Yellow line as shown in the highlighted circle in the picture below.
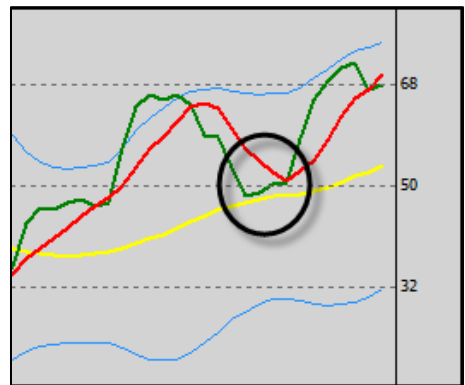
Hint: When the Green and Yellow lines converge, consider economic events that might strengthen current price and cause a market reversal that is strong enough to break the overall trend direction.

One of the most unique aspects of the MBL is forecasting potential market reversals on larger time frames. Markets reversals generally occur after the MBL is >= 68 or <= 32.
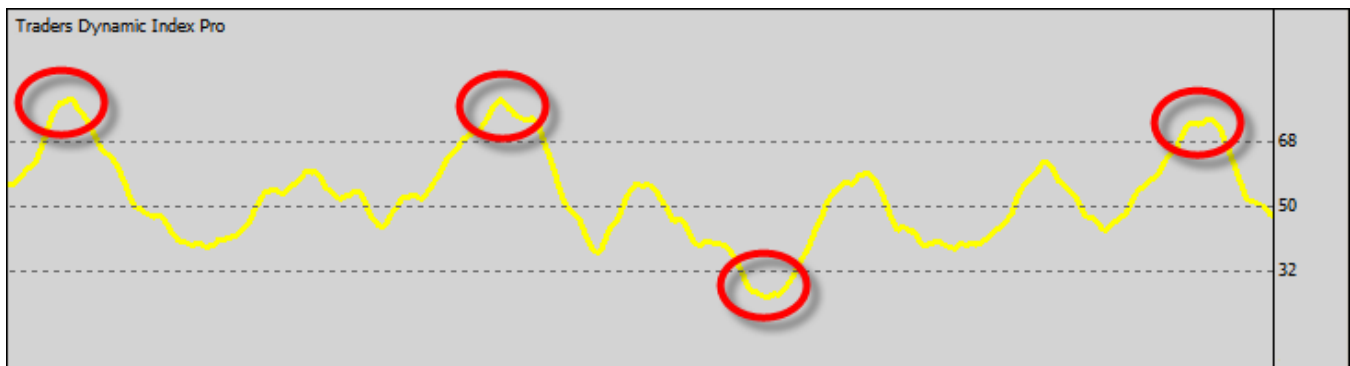
Traders Dynamic Index Pro

Structure of the TDI Pro

Volatility Band (Blue)
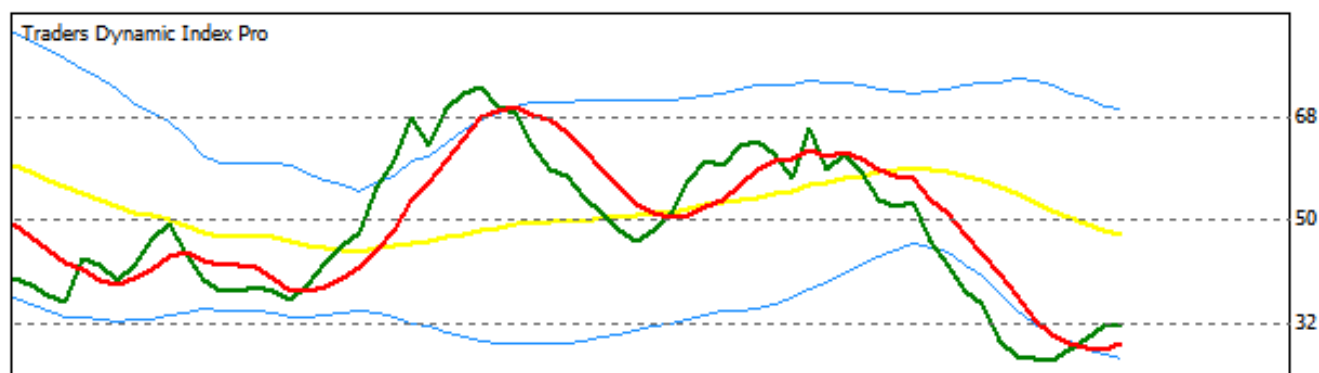
The Volatility Band (VB) adds another facet of market sentiment – strength and weakness. It is represented by two blue lines that typically run outside the RSI PL, TSL, and MBL.

It is a self-adjusting band showing strength and weakness in relation to the rate of change in price. As prices slowly tighten into a narrow range, the market slows down and the blue lines of the VB contract or squeeze together. This is a sign of weakness in the market. As prices rise or descend sharply, the market trends with increasing volatility and the blues lines widen – a sign of strength.

Traders Dynamic Index Pro

Structure of the TDI Pro

Using the TDI Pro, traders can take advantage of four trading techniques with the VB.

1. Trade a breakout when a VB Squeeze occurs.

   Hint: Trade Long if a VB Squeeze is near the 32 level.

   Trade Short if a VB Squeeze is near the 68 level.

   If a VB Squeeze is near the 50 level, the market can break either way.

   Evaluate price and economic events to determine which direction to trade or wait for the breakout to occur.
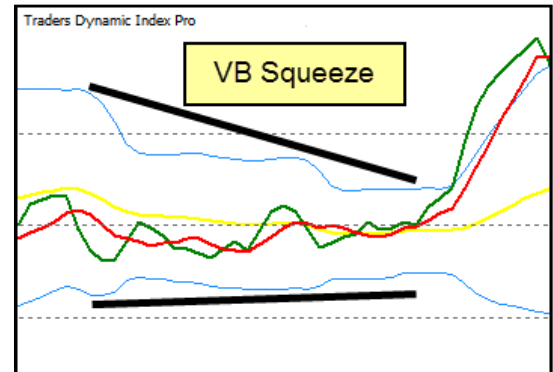
2. Add to a position:
   a. If in a Long position, add when the Green line crosses VB trending up between 50 and 68.
   b. If in a Short position, add when Green line crosses VB trending down between 50 and 32.

3. Exit a position:
   a. If in a Long position, if Green > upper VB and crosses below VB back towards the 50 level.
   b. If in a Short position, if Green < lower VB and crosses above VB back towards the 50 level.

4. Trade the TDI Hook.

   Hint: Trade Short if Green > 68 and > Upper VB line and "hooks" down.

   Trade Long if Green < 32 and Green < Lower VB line and "hooks" up.

   Trading the Hook against the overall trend has greater risks. Scalp trade when against the trend.

   Generally, the better TDI Hook trades are trading retracements of the overall trend back in the direction of the overall trend.
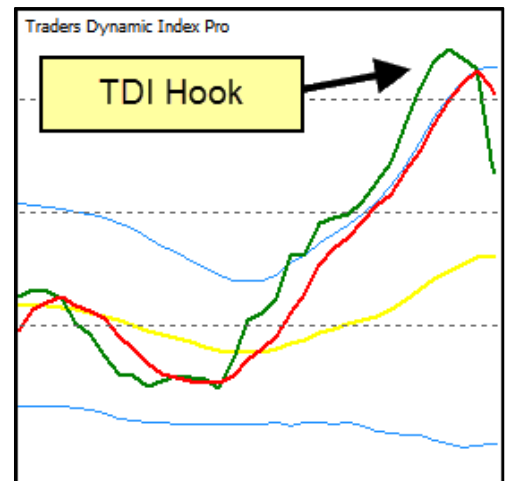
Traders Dynamic Index Pro

Installing the TDI Pro

The TDI PRO works with the MetaTrader 4.0 trading platform on the following Windows operating systems: Windows XP, Windows Vista, Windows 7, Windows 8, and Windows 10.

BEFORE INSTALLING: **Update MetaTrader 4.0 to Build 890 or higher.**

Follow these steps to update the Build number of MetaTrader 4.0,:

1. Open MetaTrader 4.0 (MT4).
2. Select "Help" in the top menu bar.
3. In the drop-down menu, select "About".
4. A pop-up window will appear similar to the one below.
5. The Build number is located in the lower left corner (outlined in red).

6. If the Build number is less than 765, go to the broker's website and download a new demo.
7. When installing the new demo account, follow the prompt instructions.
8. Allow the update to complete.
9. The latest Build number will now appear in the "About" window of MT4.
10. Repeat this process for each MT4 platform on your computer.

To install the TDI Pro indicator, click this video link: TDI Pro Install Video

Traders Dynamic Index Pro

Parameters

Variable	Value
Custom_Indicator	Traders Dynamic Index Pro
Copyright	℗ 2005-2015, Dean Malone, CompassFX
Web_Address	www.compassfx.com
RSI Value	10
i_Alert	=== Alert Settings ===
Show_Divergence_Alert	true
Show_TDI_Alert	true
i_TDI	=== TDI Arrows Settings ===
Show_TDI_Cross_Arrows	true
Show_MBL_Cross_Arrows	false
Show_TDI_Hook_Arrows	true
TDI_Arrow_Size	Size_1
TDI_Arrow_Distance	2.5
TDI_Arrow_Lookback_Bars (0=All)	500
i_Display	=== Display Settings ===
Show_Trend_Display	true
Trend_Display_Font_Size	Size_9
Corner_Display	Upper_Right_Corner
i_Divergence	=== Divergence Settings ===
Draw_Divergence	true
Show Regular Divergence	true
Show Hidden Divergence	true
Show Divergence on Price	true
Divergence_Arrow_Size	size_1
Maximum_Bars_for_Divergence	40
Minimum_Bars_for_Divergence	3
Divergence_Arrow_Distance	0.5
i_TDI_Color	=== TDI Line Color & Width ===
RSI Price Line	Green
RSI_Price_Line_width	2
Trade Signal Line	Red
Trade_Signal_Line_width	2
Market Base Line	Yellow
Market_Base_Line_width	2
Volatility Lines	DodgerBlue
Volatility_Lines_width	1
Level Lines	DimGray

Variable	Value
i_TDI_Alert_Color	=== TDI Alerts Colors ===
TDI_Arrow_Up_Color	RoyalBlue
TDI_Arrow_Down_Color	Red
MBL_Arrow_Up_Color	SeaGreen
MBL_Arrow_Down_Color	OrangeRed
Hook_Up_Color	LimeGreen
Hook_Down_Color	Orange
i_TDI_Display_Colors	=== TDI Display Colors ===
Long_Trend	ForestGreen
Weak_Long_Trend	MediumSeaGreen
Short_Trend	Red
Weak_Short_Trend	Tomato
Extreme_Long_Short_Caution	Yellow
Flat_Range	Gray
i_TDI_Divergence_Colors	=== TDI Divergence Colors ===
Bullish_Div_Arrow_Color	Blue
Bearish_Div_Arrow_Color	Magenta
Bull Divergence Line Color	Blue
Bear Divergence Line Color	Magenta
i_TDI_Vertical_Lines	=== TDI Vertical Lines ===
Show_Vertical_Lines	false
Vertical_Lines_Up_Color	DeepSkyBlue
vertical_Lines_Down_Color	PaleVioletRed
Vertical Line Style	DOT
Vertical Line Width	Size_1

Traders Dynamic Index Pro

Applying the Indicator to a Chart

To apply the Traders Dynamic Index Pro, follow these steps:

1. Open the MetaTrader 4.0 (MT4) platform.
2. Open a new chart.
3. Locate the Custom Indicators folder in the Navigator window.
4. Scroll down and double-click on the "Traders Dynamic Index Pro" indicator.
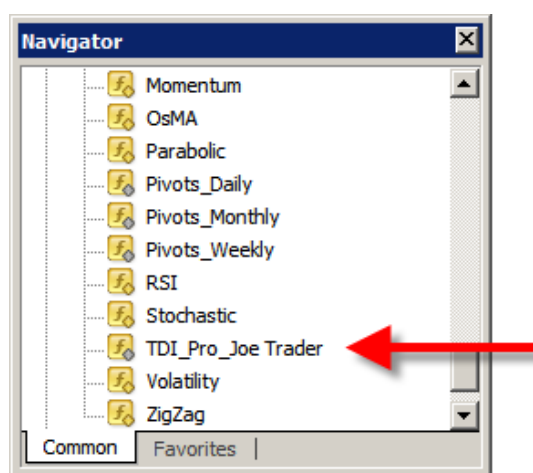
5. The "Custom Indicator – Traders Dynamic Index Pro" window will appear.
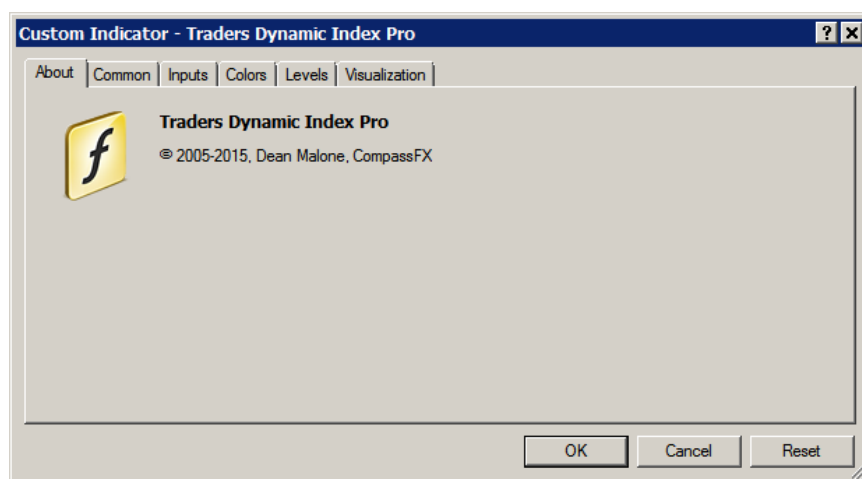
Traders Dynamic Index Pro

Applying the Indicator to a Chart

6. Click on the "Inputs" tab.
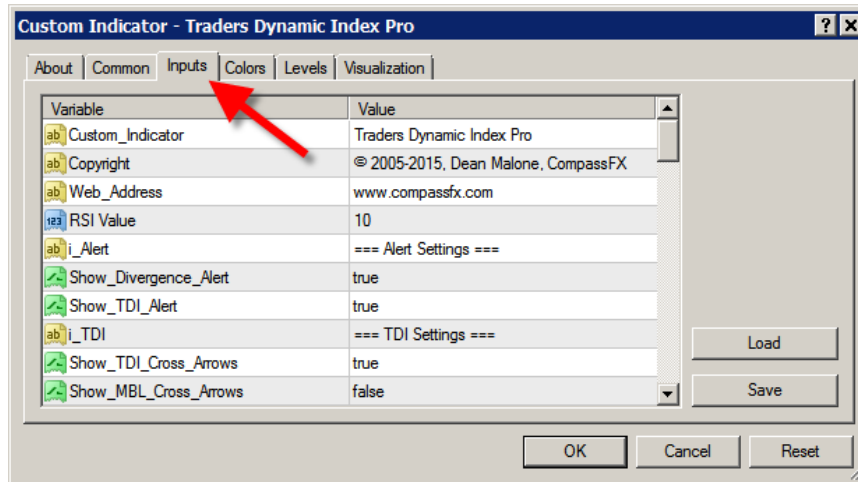
7. Click "OK" or select and modify the User options.

8. RSI Value – Default set to 10. Modify to adjust the RSI value smaller or larger.

9. Alert Settings:

   a. Show Divergence Alert – Default set to true. Allows divergence alert pop-up message.

   b. Show TDI Alert – Default set to true. Allows TDI alert pop-up message.

Traders Dynamic Index Pro

Applying the Indicator to a Chart

10. TDI Settings:

Variable	Value
ab i_TDI	=== TDI Settings ===
Show_TDI_Cross_Arrows	true
Show_MBL_Cross_Arrows	false
Show_TDI_Hook_Arrows	true
TDI_Arrow_Size	Size_1
TDI_Arrow_Distance	2.5
TDI_Arrow_Lookback_Bars (0=All)	500

a. Show TDI Cross Arrows – Default set to true. Shows arrow on price chart when TDI Green line and TDI Red line crossover.

b. Show MBL Cross Arrows – Default set to false. Shows arrow on price chart when TDI Green line and TDI Yellow line crossover.

c. Show TDI Hook Arrows – Default set to true. Shows arrow on price chart when TDI Green line crosses inside of Blue Volatility lines.

d. TDI Arrow Size – Default set to "Size 1". Double-click and select "Size 1" to "Size 5".

Variable	Value
ab i_TDI	=== TDI Settings ===
Show_TDI_Cross_Arrows	true
Show_MBL_Cross_Arrows	false
Show_TDI_Hook_Arrows	true
TDI Arrow Size	Size_1 ▼
TDI_Arrow_Distance	Size_1
Total Signal Bars (0=All)	Size_2
	Size_3
	Size_4
	Size_5

e. TDI Arrow Distance – Default set to 2.5. Modify distance of arrow away from price bar.

f. TDI Arrow Lookback Bars – Default set to 500. Modify number to view TDI arrows for less or more bars. Set to 0 to see all TDI arrows for the maximum bars in the chart.

Traders Dynamic Index Pro

Applying the Indicator to a Chart

11. Display Settings:

Variable	Value
ab i_Display	=== Display Settings ===
Show_Trend_Display	true
123 Trend_Display_Font_Size	Size_9
123 Corner_Display	Upper_Right_Corner

   a. Show Trend Display – Default set to true. Ranks trend and trade strength and weakness.

   b. Trend sentiment

   - Up Trend / Weak Up Trend   Up Trend ⬆   Weak Up Trend ⬆

   - Down Trend / Weak Down Trend   Down Trend ⬇   Weak Down Trend ⬇

   - Range-bound   Range ≋

   c. Trade sentiment

   - Long Trade / Weak Long Trade   Long Trade ⬆   Weak Long Trade ⬆

   - Short Trade / Weak Short Trade Short Trade ⬇   Weak Short Trade ⬇

   - Flat *(No Trade)*   Flat ⬌

   - Long Caution / Short Caution   *(Extreme levels > 68 and < 32)*   Long Caution   Short Caution

   d. Trend Display Font Size – Default set to "Size 9". Double-click and select "Size 9" to "Size 12" to adjust font size.

Variable	Value
ab i_Display	=== Display Settings ===
Show_Trend_Display	true
123 Trend_Display_Font_Size	Size_9 ▼
123 Corner_Display	Size_8
	Size_9
	Size_10
	Size_11
	Size_12

   e. Corner Display – Default set to "Upper Right Corner". Double-click and select "Upper Right Corner" or "Lower Right Corner".

Variable	Value
ab i_Display	=== Display Settings ===
Show_Trend_Display	true
123 Trend_Display_Font_Size	Size_9
123 Corner_Display	Upper_Right_Corner ▼
	Upper_Right_Corner
	Lower_Right_Corner

Traders Dynamic Index Pro

Applying the Indicator to a Chart

12. Divergence Settings:

Variable	Value
ab i_Divergence	=== Divergence Settings ===
Draw_Divergence	true
Show Regular Divergence	true
Show Hidden Divergence	true
Show Divergence on Price	true
Divergence_Arrow_Size	size_1
Maximum_Bars_for_Divergence	40
Minimum_Bars_for_Divergence	3
Divergence_Arrow_Distance	0.5

a. Draw Divergence – Default set to true. Set to false to remove all divergence arrows and lines.

b. Show Regular Divergence – Default set to true. Shows Pink solid arrows and lines for Bearish Regular divergence and Blue solid arrows and lines for Bullish Regular divergence. Set to false to remove only Regular divergence arrows and lines.

c. Show Hidden Divergence – Default set to true. Shows Pink hollow arrows and dash lines for Bearish Hidden divergence and Blue hollow arrows and dash lines for Bullish Hidden divergence. Set to false to remove only Hidden divergence arrows and lines.

d. Show Divergence on Price – Default set to true. Set to false to remove all divergence lines from price chart.

e. Divergence Arrow Size – Default set to "size 1". Double-click and select "size 1" to "size 5" to adjust arrow size.

Variable	Value
ab i_Divergence	=== Divergence Settings ===
Draw_Divergence	true
Show Regular Divergence	true
Show Hidden Divergence	true
Show Divergence on Price	true
Divergence_Arrow_Size	size_1
Maximum_Bars_for_Divergence	size_1
Minimum_Bars_for_Divergence	size_2
Divergence_Arrow_Distance	size_3
	size_4
	size_5

f. Maximum Bars for Divergence – Default set to 40. Change number to adjust maximum bars.

g. Minimum Bars for Divergence – Default set to 3. Change number to adjust minimum bars.

h. Divergence Arrow Distance – Default set to 0.5. Modify distance of arrow away from price bar.

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Traders Dynamic Index Pro

Applying the Indicator to a Chart

13. Color Settings:

    a. TDI Line Color & Width

        Note: The line width can be set from 1 to 5.

Variable	Value
ab i_TDI_Color	=== TDI Line Color & Width ===
RSI Price Line	■ Green
123 RSI_Price_Line_width	2
Trade Signal Line	■ Red
123 Trade_Signal_Line_width	2
Market Base Line	■ Yellow
123 Market_Base_Line_width	2
Volatility Lines	■ DodgerBlue
123 Volatility_Lines_width	1
Level Lines	■ DimGray

    b. TDI Alert Colors

Variable	Value
ab i_TDI_Alert_Color	=== TDI Alerts Colors ===
TDI_Arrow_Up_Color	■ RoyalBlue
TDI_Arrow_Down_Color	■ Red
MBL_Arrow_Up_Color	■ SeaGreen
MBL_Arrow_Down_Color	■ OrangeRed
Hook_Up_Color	■ LimeGreen
Hook_Down_Color	■ Orange

    c. TDI Display Colors

Variable	Value
ab i_TDI_Display_Colors	=== TDI Display Colors ===
Long_Trend	■ ForestGreen
Weak_Long_Trend	■ MediumSeaGreen
Short_Trend	■ Red
Weak_Short_Trend	■ Tomato
Extreme_Long_Short_Caution	■ Yellow
Flat_Range	■ Gray

    d. TDI Divergence Colors

Variable	Value
ab i_TDI_Divergence_Colors	=== TDI Divergence Colors ===
Bullish_Div_Arrow_Color	■ Blue
Bearish_Div_Arrow_Color	■ Magenta
Bull Divergence Line Color	■ Blue
Bear Divergence Line Color	■ Magenta

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Applying the Indicator to a Chart

e. To change the color of the display from the default setting, click on the color in the Custom Indicator window and a drop-down selection will appear.
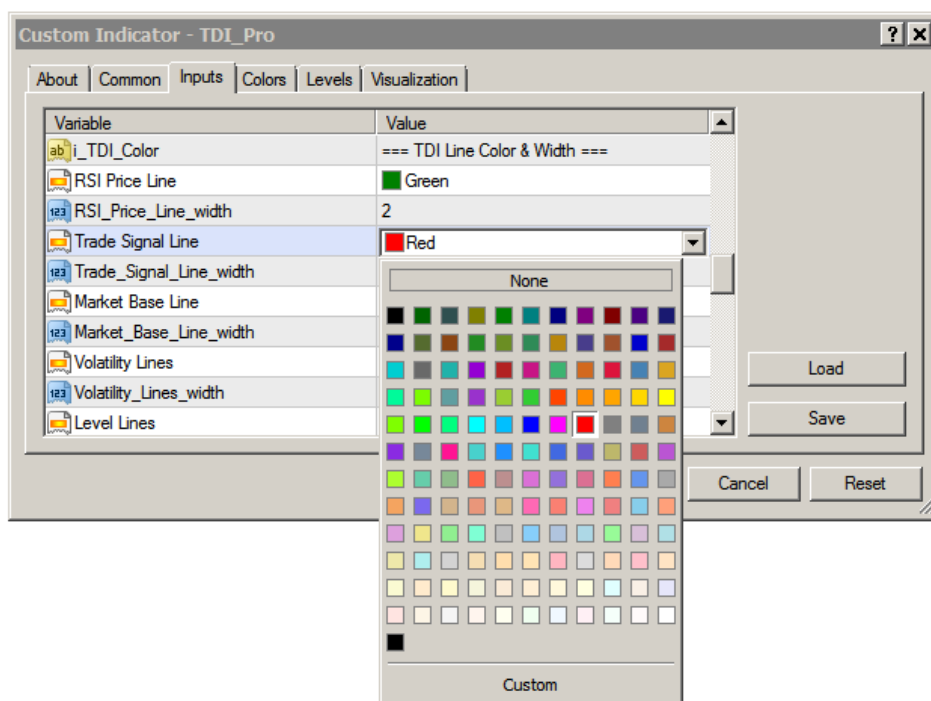
Traders Dynamic Index Pro

Applying the Indicator to a Chart

f.   TDI Vertical Lines – Default set to false. Change to true to display vertical lines from price chart down through the TDI indicator window for each TDI Cross, MBL Cross or TDI Hook alert.

Variable	Value
ab i_TDI_Vertical_Lines	=== TDI Vertical Lines ===
Show_Vertical_Lines	false
Vertical_Lines_Up_Color	🟦 DeepSkyBlue
vertical_Lines_Down_Color	🟥 PaleVioletRed
Vertical Line Style	DOT
Vertical Line Width	Size_1

TDI Vertical Lines is a visual tool allowing traders to "visually align" the TDI arrows shown in the price chart with the crossovers in the TDI Pro:

- TDI Cross Arrow appears when TDI Green line and TDI Red line crossover.
- MBL Cross Arrow appears when TDI Green line and TDI Yellow line crossover.
- TDI Hook Arrow appears when TDI Green line crosses inside of Blue Volatility lines.

The example below illustrates the TDI Vertical Lines. Note the vertical lines appear where the arrows and the crossovers occur.

Traders Dynamic Index Pro

TDI Pro Alerts

TDI Pro Alerts are designed for traders who favor either trend or counter-trend trades depending on the market sentiment conditions. Using the TDI, when sentiment and price action are in agreement, there is a higher probability of a trend trade having a favorable outcome. However, the divergence between market sentiment and price action can offer potential counter-trend trades.

The TDI Pro Alerts are designed to take these rules and display Up and Down arrows on the price chart. Up arrows represent "Long" bias. Down arrows represent "Short" bias.

The TDI Pro includes three audible, pop-up message alerts:

1. TDI Cross – This trend alert triggers when a confirmed cross of the RSI Price (Green) line and Trade Signal (Red) line occurs.

2. MBL Cross – This trend alert triggers when a confirmed cross of the RSI Price (Green) line and Market Base (Yellow) line occurs.

3. TDI Hook – This counter-trend alert triggers when a confirmed cross of the RSI Price (Green) line and either the upper Volatility or lower Volatility (Blue) lines occur at specified levels.

The TDI Pro alerts display when the "Show TDI Alert" is set to true and type of Arrow is set to true.

NOTE: Arrows appear on the price chart at time of crossover, and Alerts trigger at Open of next bar.

When a TDI Pro alert triggers, the following will automatically occur:
1. An arrow will appear on the price chart.
2. An audible alert sounds.
3. A pop-up "Alert" message box displays.

The TDI Pro Alerts are listed in sequential order with these details:
1. Local time stamp of the user's computer
2. Currency pair
3. Time chart of the alert
4. Type of TDI Pro alert

Traders Dynamic Index Pro

TDI Pro Alerts

TDI Cross Alert

When the TDI RSI Price (Green) line and Trade Signal (Red) line crossover, an arrow will appear on the price chart. The arrow indicates a crossover based on a shift in sentiment related to current price action. Green crossing above Red indicates a potential Long entry; whereas, Green crossing below Red indicates a potential Short entry.

There are two conditional alerts: *TDI Cross Long* and *TDI Cross Short*:

- TDI Cross Long – Current Green line > Red line, and Previous Green line < Previous Red Line.

- TDI Cross Short – Current Green line < Red line, and Previous Green line > Previous Red Line.
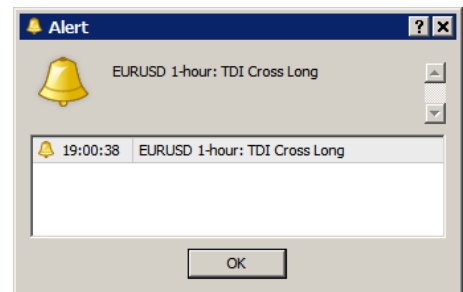
NOTE: Arrows appear on the price chart at time of crossover, and Alerts trigger at Open of next bar.

Traders Dynamic Index Pro

TDI Pro Alerts

MBL Cross Alert

When the TDI RSI Price (Green) line and Market Base (Yellow) line crossover, an arrow will appear on the price chart. The arrow indicates the directional sentiment of current price action compared to the direction of the overall trend represented by the Market Base line.

It is generally most favorable to trade a MBL Cross Alert in the trend direction of the Yellow line. This crossover typifies the smaller (intraday) trend following the larger (overall) trend. If the Yellow Line is flat, a MBL Cross Alert could signal a potential reversal.

There are two conditional alerts: *MBL Cross Long* and *MBL Cross Short*.

- MBL Cross Long – Current Green line > Yellow line, and Previous Green line < Yellow Line.

- MBL Cross Short – Current Green line < Yellow line, and Previous Green line > Yellow Line.
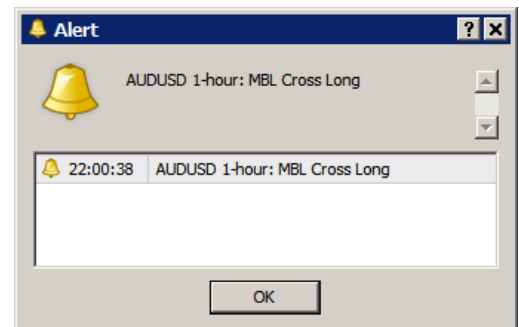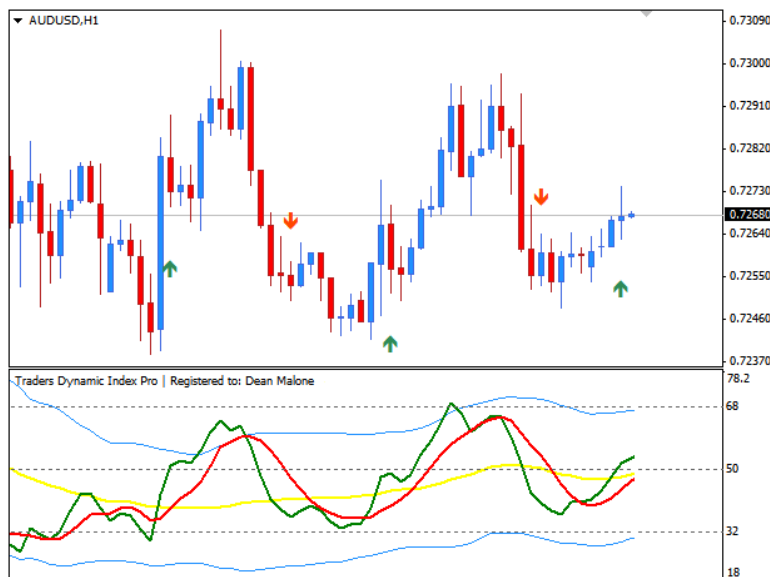
NOTE: Arrows appear on the price chart at time of crossover, and Alerts trigger at Open of next bar.

Traders Dynamic Index Pro

TDI Pro Alerts

TDI Hook Alert

When the RSI Price (Green) line is above the upper Volatility Band (VB) and rolls down or below the lower Volatility Band and rolls up, the appearance of the Green line is similar to a fish hook; hence, the name of this alert. Unlike the previous two alerts, the TDI Hook is a counter-trend alert informing traders of the market attempting to return to a norm during either an overbought or an oversold condition.

When the RSI Price line is above the 68 level and the upper Volatility Band and then "hooks down" below the upper Volatility Band, this condition suggests a Short opportunity. When the RSI Price line is below the 32 level and the lower Volatility Band and then "hooks up" above the lower Volatility Band, this condition suggests a Long opportunity. The two conditional alerts are:

- *TDI Hook Short* - Green line > 68 Level and > upper VB, and then crosses below upper VB.

- *TDI Hook Long* - Green line < 32 Level and < lower VB, and then crosses above lower VB.

In either case, market sentiment is fading the current price trend. Prices are too high and buyers are reluctant to buy higher and start to close Long positions, or prices have fallen too low and sellers are not selling but rather closing Short positions.
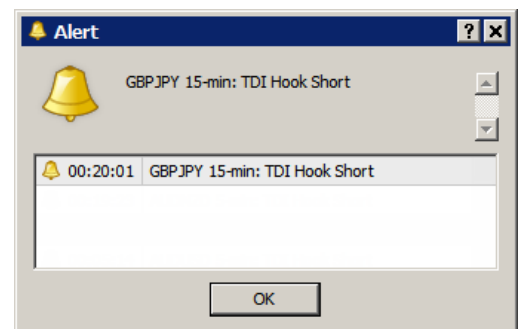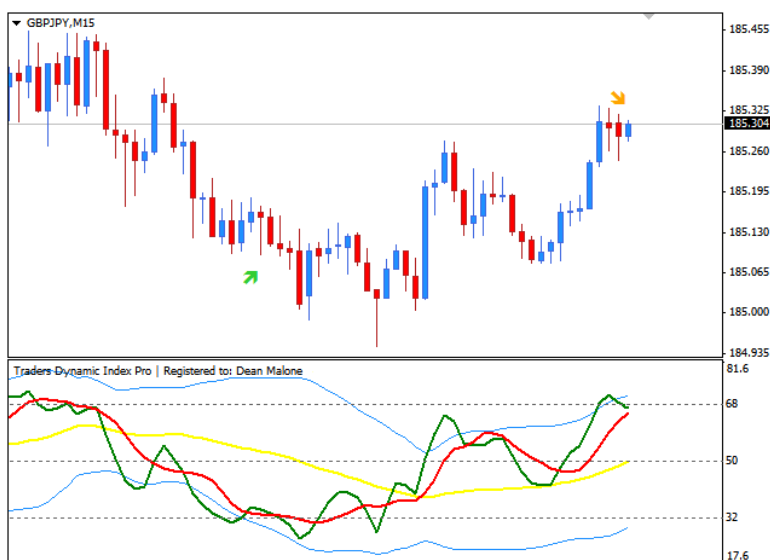
NOTE: Arrows appear on the price chart at time of crossover, and Alerts trigger at Open of next bar.

Traders Dynamic Index Pro

TDI Pro Alerts

TDI Hook Alert (cont'd)

Even though a TDI Pro Hook alert triggers, traders should be aware when trading counter-trend that price may continue moving stubbornly in the direction of the trend due to market related economic events or news related announcements. In this case, the *TDI Hook Short* alert will weaken as price rallies; whereas, the *TDI Hook Long* alert will falter as price fades.

Hint: *When trading the TDI Hook, monitor the trend of the Market Base Line.*

If the Market Base Line shows a downward sloping angle at the time of a TDI Hook Long alert, be watchful for price continuation Short.

If the Market Base Line shows an upward sloping angle at the time of a TDI Hook Short alert, be watchful for price continuation Long.

If trading a TDI Hook, consider setting a Stop Loss order just above the previous High of the TDI Hook Short or below the previous Low of the TDI Hook Long.

Traders Dynamic Index Pro

TDI Pro Divergence Signals

Traders tend to compare price action and momentum indicators to see whether they are in agreement or not. It is when there is a disagreement between the direction of price and the direction of the indicator that signals a potential change in trend. This occurrence is known as Divergence.

Divergence can signal an upcoming change in trend, a change of trend in progress, or that a trend should continue. Often, divergence is an indication of the expected direction in the market; however, it is not always a signal to enter the market. Divergence may continue over many Swing Highs or Swing Lows; therefore, price action should confirm direction before entering a trade.

There are two primary types of Divergence: **Regular** and **Hidden**.

- Regular divergence is an indication of a Reversal in price direction.

- Hidden divergence is an indication of a Continuation in price direction.

Within each primary type, there is a secondary classification: **Bearish** (*Negative*) and **Bullish** (*Positive*).

- Bearish divergence occurs when the indicator moves lower while price either rises or flattens.

- Bullish divergence occurs when the indicator moves higher while price either declines or flattens.

Divergence Type	Divergence Direction	Price Action	Traders Dynamic Index Pro	Trade Direction
Regular	Bearish	Higher Highs	Lower Highs	SELL
Regular	Bullish	Lower Lows	Higher Lows	BUY
Hidden	Bullish	Higher Lows	Lower Lows	BUY
Hidden	Bearish	Lower Highs	Higher Highs	SELL

Traders Dynamic Index Pro

TDI Pro Divergence Signals

Regular Divergence

Regular Divergence in its simplest terms is when:

- Price is making higher Highs while the TDI Pro Green line is making lower Highs… potential Short.
- Price is making lower Lows while the TDI Pro Green line is making higher Lows… potential Long.

In either case, a trader looks for a potential reversal in price action.

Regular divergence is best used as a comparison of current Swing High or Swing Low to the previous current Swing High or Swing Low. With regular divergence, the trend is weakening and market sentiment has shifted in the opposite direction. Traders can prepare to trade a favorable reversal or retracement.
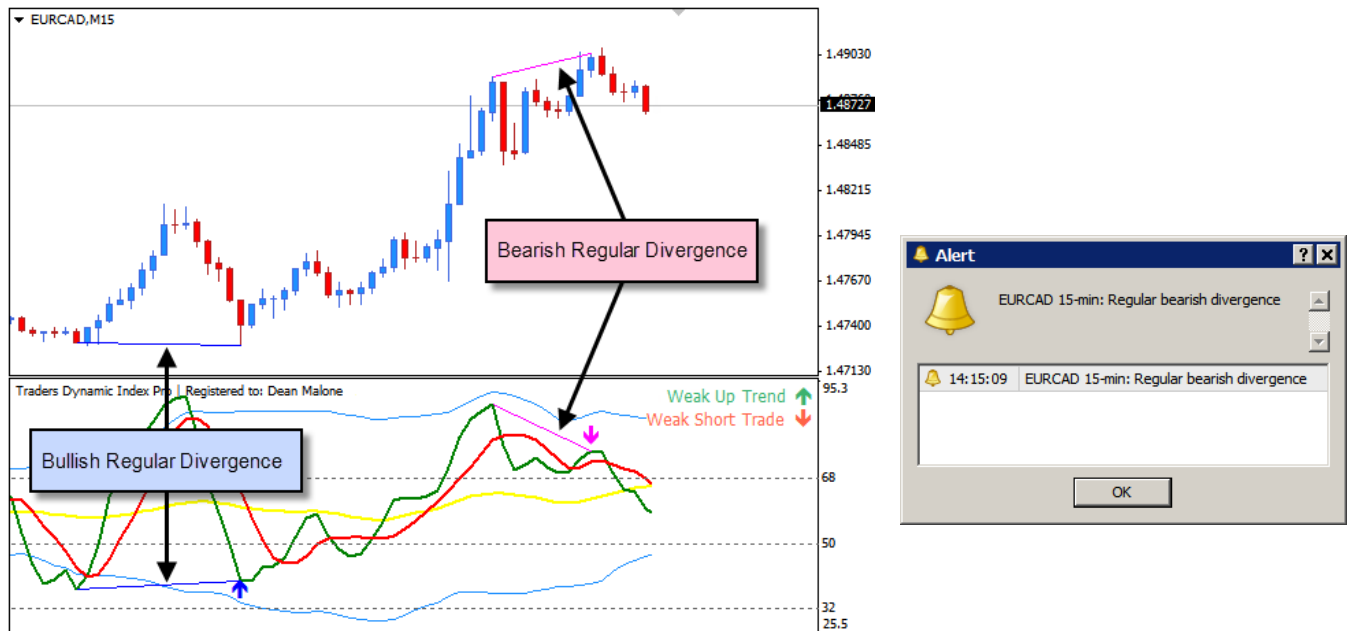
In the TDI Pro, regular divergence is shown as follows:

- Bullish Regular Divergence – Blue solid arrow and solid line. The line width is unchangeable.
- Bearish Regular Divergence – Pink solid arrow and solid line. The line width is unchangeable.

NOTE: Divergence Arrows and Alerts appear at Open of the bar following a confirmed divergence.

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Traders Dynamic Index Pro

TDI Pro Divergence Signals

Hidden Divergence

Hidden Divergence in its simplest terms is when:

- TDI Pro Green line is making lower Lows while price is making higher Lows… a potential Long.
- TDI Pro Green line is making higher Highs while price is making lower Highs… a potential Short.

In either case, a trader looks for a potential continuation in price action.

Hidden divergence is best used to assess price related to the prevailing trend. After a pullback, price will often continue in the direction of the trend towards the level of the last Swing High or Swing Low. With hidden divergence, the trend may be weakening but it has not completed yet. As shown below, the market pulled back probably due to profit-taking, and looks to resume the downtrend.
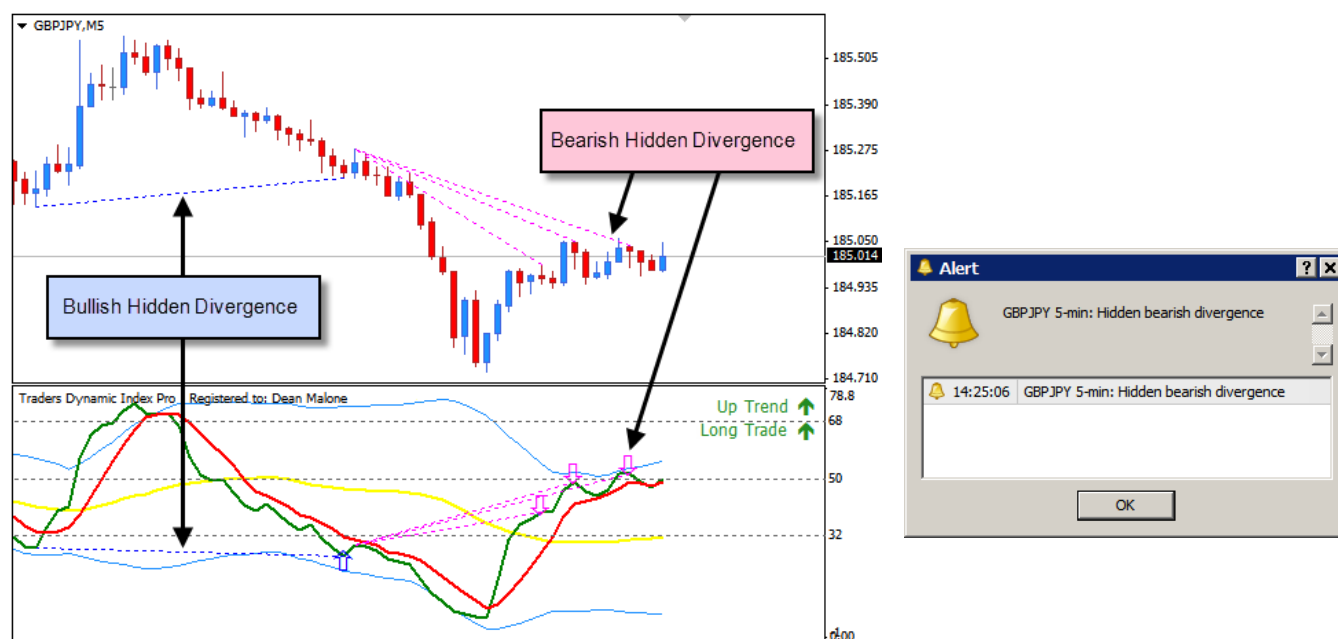
In the TDI Pro, hidden divergence is shown as follows:

- Bearish Hidden Divergence – Pink hollow arrow and dash line. The line width is unchangeable.
- Bullish Hidden Divergence – Blue hollow arrow and dash line. The line width is unchangeable.

NOTE: Divergence Arrows and Alerts appear at Open of the bar following a confirmed divergence.

Traders Dynamic Index Pro

TDI Pro Divergence Signals

Trading with Divergence

This is a quick note of caution when trading with Divergence. Be aware that the market may not move in the direction of a Divergence signal. It is important to understand that Divergence is an indication of a *potential* change or continuation in market direction. It is important to monitor price movement to confirm market direction. Also, make note of the overall direction of the TDI Pro. If the Green and Red lines are below a falling Yellow line, there exists the possibility that price will continue to move lower. Just the opposite when the Green and Red lines are above a rising Yellow line, there is a chance for price to move higher.

Look at the chart below. In this example, the TDI Pro shows both Hidden Bullish and Regular Bullish divergence signals. The Hidden Bullish Divergence (dash Blue lines) highlights a potential continuation up, which occurs for 1 to 2 bars then the market drifts lower. Later, Regular Bullish Divergence (solid Blue lines) highlights a reversal Long, which price moves up 1 bar then rolls back down and continues showing a slight downward trend.
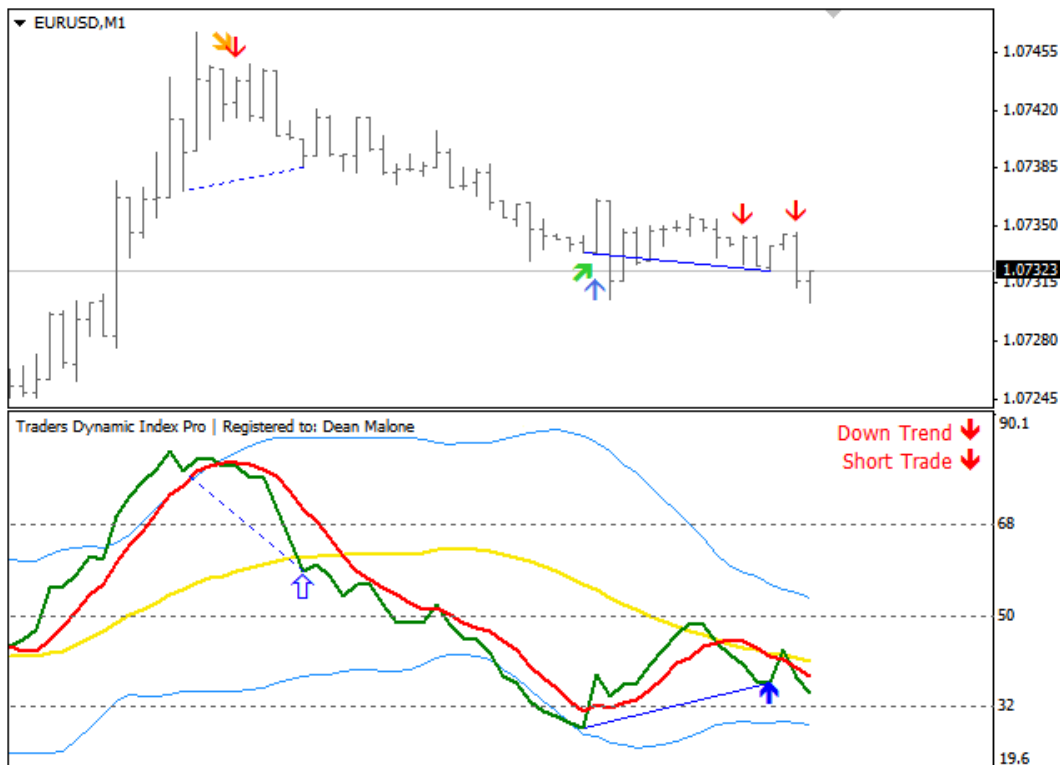
Traders Dynamic Index Pro

TDI Pro Trend Display

The Trend Display is an algorithm that deciphers current market conditions measured by the TDI Pro, and provides traders a "quick read" of the market at a glance.

The Trend Display is divided into two categories: *Trend Sentiment* and *Trade Sentiment*.

1. Trend Sentiment – measures the overall market trend sentiment and displays one of the following:

    - Up Trend / Weak Up Trend   Up Trend ⬆   Weak Up Trend ⬆

    - Down Trend / Weak Down Trend   Down Trend ⬇   Weak Down Trend ⬇

    - Range-bound   Range 〰

2. Trade Sentiment – measures the current market sentiment and displays one of the following:

    - Long Trade / Weak Long Trade   Long Trade ⬆   Weak Long Trade ⬆

    - Short Trade / Weak Short Trade   Short Trade ⬇   Weak Short Trade ⬇

    - Flat *(No Trade)*   Flat ⬌

    - Long Caution / Short Caution   Long Caution   Short Caution   *(Extreme levels > 68 and < 32)*

Both the Trend Sentiment and the Trade Sentiment are placed together and shown in the Upper Right corner of the TDI Pro indicator window as shown below. There is an option to shift the Trend Display to the Lower Right corner.

| Up Trend ⬆ | Down Trend ⬇ | Weak Up Trend ⬆ | Range 〰 |
| Long Trade ⬆ | Short Trade ⬇ | Weak Long Trade ⬆ | Weak Short Trade ⬇ |

To understand and utilize the Trend Display function, the following chart illustrates each type of Trend and Trade with corresponding Trade Outlook and Expectation.

Traders Dynamic Index Pro

TDI Pro Trend Display

Trend	Trade	Trade Outlook / Expectation
Up	Long	Favorable Long trade condition. Look for Long entry.
	Weak Long	Pullback from Highs. Potential Long trade on a bounce of a support level or a break of previous High. Look for Hidden Bullish divergence for continuation Long.
	Weak Short	Pullback from Highs. Exiting Long positions. Possible start of a Short reversal. Look for Regular Bearish divergence for reversal Short.
	Flat	Market at Highs and trading sideways. Look for Regular Bearish Divergence for reversal Short.
	Long Caution	TDI RSI (Green) Line >= 85. Market trading in an overbought area.
Weak Up	Weak Long	Pullback in a diminishing Up trend. Look for bounce of a support level and Hidden Bullish divergence for continuation Long. If market fails to move higher, look for Short reversal.
	Weak Short	Market attempting to go Short in a diminishing Down trend. Look for Regular Bearish Divergence.
Down	Short	Favorable Short trade condition. Look for Short entry.
	Weak Long	Pullback from Lows. Exiting Short positoins. Possible start of a Long reversal. Look for Regular Bullish divergence.
	Weak Short	Pullback from Lows. Potential Short trade on a bounce of of a resistance level or a break of a previous Low. Look for Hidden Bearish divergence for continuation Short.
	Flat	Market at Lows and trading sideways. Look for Regular Bullish Divergence for reversal Long.
	Short Caution	TDI RSI (Green) Line <= 15. Market trading in an oversold area.
Weak Down	Weak Long	Market attempting to go Long in a diminishing Down trend. Look for Regular Bullish Divergence.
	Weak Short	Pullback in a diminishing Down trend. Look for bounce of a resistance level and Hidden Bearish divergence for continuation Short. If market fails to move lower, look for Long reversal.
Range	Flat	Sideways consolidating market. Look for Price and Volatility bands to tightening.
	Long	Market breaking the top of the Range. Look for Long entry.
	Weak Long	Market moving towards the top of the Range. Potential break above Range Highs.
	Weak Short	Market moving towards the bottom of a Range. Potential break below Range Lows.
	Short	Market breaking the bottom of the Range. Look for Short entry.

Traders Dynamic Index Pro

TDI Pro Trend Display

Reading Trend Sentiment and Trade Sentiment

In this example, the Trend Sentiment is an "Up Trend" and the current Trade Sentiment is a "Long Trade".

Interpretation: With the Trend Sentiment in an Up Trend, the Green line rising above a Red line, and the Yellow line in an upward direction, the conditions exist for a favorable Long trade.

Note: When both the Trend Sentiment and Trade Sentiment are aligned and moving in the same direction as shown in this example, there is a higher favorable trading condition.

Reading Trend Sentiment and Trade Sentiment

In this example, the Trend Sentiment is a "Down Trend" and the current Trade Sentiment is a "Short Trade".

Interpretation: Trend sentiment shows a Down Trend with a declining yellow line. Given the current Green line dropping below the falling Red and Yellow lines, conditions exist for a favorable Short trade.

Note: When both the Trend Sentiment and Trade Sentiment are aligned and moving in the same direction as shown in this example, there is a higher favorable trading condition.
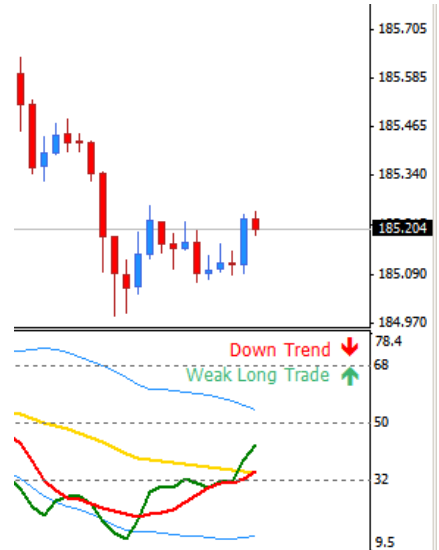
Traders Dynamic Index Pro

TDI Pro Trend Display

Reading Trend Sentiment and Trade Sentiment

In this example, the Trend Sentiment is in a "Down Trend" and the current Trade Sentiment is a "Weak Long Trade".

<u>Interpretation</u>: Trend sentiment is in a Down Trend; however, the current Green line is rising above a rising Red line and crossing above the Yellow line. A Weak Long Trade condition exists which may only be a pullback from the Lows or the start of a Long reversal.

Note: A higher favorable trading condition exists when both the Trend Sentiment and Trade Sentiment are aligned.
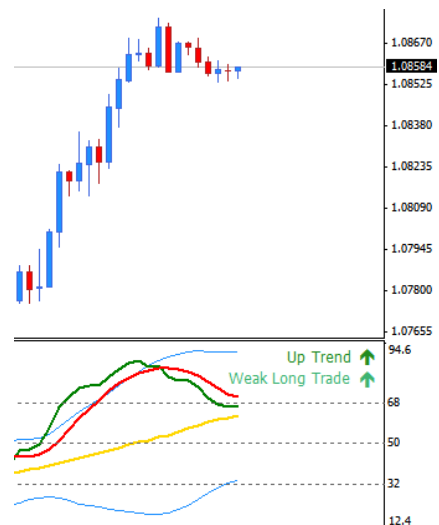
Reading Trend Sentiment and Trade Sentiment

In this example, the Trend Sentiment is an "Up Trend" and the current Trade Sentiment is a "Weak Long Trade".

<u>Interpretation</u>: Trend sentiment is in an uptrend. The Green line is dropping below a declining Red line showing a pullback, yet the yellow line is rising. A Weak Long Trade condition exists which is a pullback from the Highs. Look for a bounce of a support level, a break of the previous High, and Hidden Bullish divergence.

Note: A higher favorable trading condition exists when both the Trend Sentiment and Trade Sentiment are aligned.

Traders Dynamic Index Pro

TDI Pro Trend Display

Reading Trend Sentiment and Trade Sentiment

In this example, the Trend Sentiment is in a "Range" with sideways price action and the current Trade Sentiment is a "Flat".

Interpretation: When Trend Sentiment is in a Range and the Trade Sentiment is Flat, this is not a trade condition. Wait for a breakout of the range.

Note: A higher favorable trading condition exists when both the Trend Sentiment and Trade Sentiment are aligned.
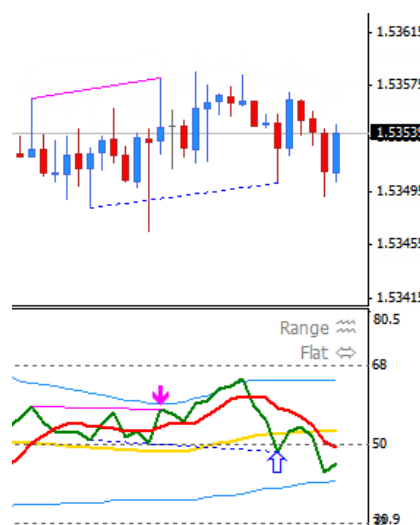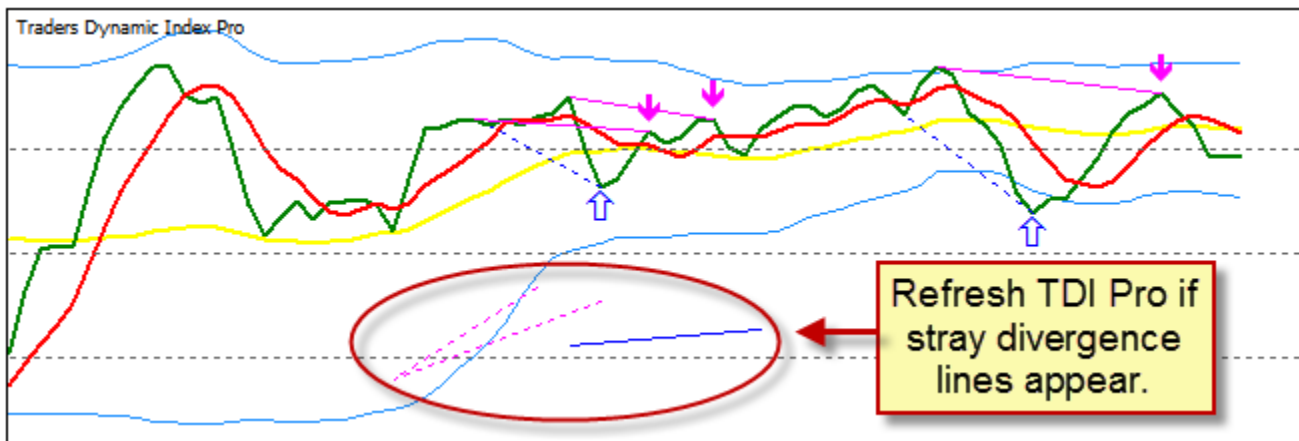
Traders Dynamic Index Pro

Troubleshooting

Troubleshooting

Template Error – If a new template is created that includes the TDI Pro with Divergence lines, it is possible that stray divergence lines will appear when the template is applied to another currency pair or a different time chart. If this occurs, remove and reapply the TDI Pro.

Technical Support

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