This week’s Chart Analysis section illustrates the trend-following indicator ADX. ADX is a slow indicator but tells effectively whether a trend is strong or weak. During August 2006, ADX has been increasing to the >40 zone. Touching those extreme readings, the indicator came down before rebounding again in mid-October. However as of December 2006, the ADX has again moved to extreme readings of around 60.

**XPerTrader Corner**

This week, we are highlighting 1 rule from our ADX indicator’s signal list which is the +DI/-DI crossover. This is a basic trading rule from the Directional index indicator where a bullish signal is obtained from +DI crossing up –DI and a bearish signal is obtained from –DI crossing up +DI. Editable parameters such as x and t allows subscribers to determine whether they would like the +DI and –DI to grow further apart before being screened. This can help to prevent too many false positives though the alert will be slower.

**TA Bites**

**ADX Indicator**

ADX indicator is an effective and frequently used trend indicator. When opening ADX in ChartNexus, 3 lines will be shown namely the ADX line, the +DI line and the –DI line. The ADX line is an oscillator that measures the strength of a trend. A reading below 20 indicates a weak trend while a reading above 40 indicates a strong trend. As ADX is a slow indicator, some ADX practitioners interpret an increase from below 20 to above 20 as an indication of the formation of a strong trend and hence will take a position at that time. It is important to note that ADX line readings do not point to the direction of the trend namely a downtrend or uptrend but merely how strong is the trend. Hence ADX line has to be used in conjunction with other technical indicators for entry and exit point.

A basic trading rule from the +DI/-DI line is the crossover of the two lines. However in a trading market, many crossovers will occur and it is important to determine the strength of the market in order to avoid trading those “whipsaws”.

**Events**

**January Highlights**

We are planning a “Cracking the Stock Market Code” technical analysis course and workshops on XPerTrader strategies to be held in January. Keep a look-out on our announcements.

http://www.chartnexus.com/events

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