

Study 1

While playing with the 5,3,3; 14,3,3; and 15,5,5 stochastics on the 1H chart I have noticed 3 traits that signal price moves.

1. Elasticity - this occurs prior to a price move where the 5,3,3 stretches away from the other 2 stochs and then snaps back. Elasticity periods seem to be points of lesser pip moves.
2. Tightness - this is where all 3 stochs are moving closely together (which would mean they are in agreement. Tightness usually follows an elasticity or convergence period and pretty much occurs as price moves. Tightness periods seem to be points of strong pip moves.
3. Convergence - this follows an elasticity period and the area of convergence usually signals the price reversal and entry point. Periods after convergence seem to equal price reversals and strong pip moves.

The 5,3,3 is the thick black line and measures elasticity

The 14,3,3 (red)/15,5,5(blue) are for convergence and tightness measurements with the 5,3,3.

This seems to play out as a very consistent pattern. Obviously it is easier to see the "big" elasticity periods and tight convergences.

Taking this information from the 1H and moving to lower time frames...like 5M will focus your entry point better and allow you to see convergences much better.

So to sum up:

Elasticity comes **BEFORE** a convergence.

Convergence of the stochs is the entry point.

Tightness is a good time to be in the trade.

Use multiple time frames to focus convergence periods and see the elastic cycles more clearly. When you see it all together it is quite clear.

Convergence is more an "area" than a single point. Nice when stochs all sit on top of each other, but more often than not they will converge very closely to each other. The convergence area pip moves seem small in most cases from close to close so being too early or a little late shouldn't have huge effects on your pips or draw downs from what I can see so far.

Attached Images

1.9930 1.9935 1.9915 1.9921
seconds left to bar end



48.8636 64.1835 Stoch(14,3,3) 84.8485 87.7895 Stoch(15,5,5) 86.4097 88.9966

