



TradeTheMBI.com
D-Omega Converted
“DOC”
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What is the DOC? And how does it work?

To some, this may seem like a bunch of crazy lines, but in the pages to follow this indicator will reveal a very simple and compelling way to use algorithms for trading markets.



Getting Up Close with the DOC

In this closer view we see the DOC is made up of 5 lines. At its core, the focus will begin with the Green line, its relationship to the Red line and then, more importantly, to the Cyan and Steel colors.



Familiar but Different

The algorithms depicted are converted into colored lines. These algorithms are complex and dynamic, their visual form has been modified to look like indicators most traders are familiar with. A **Buy Cross** when line 1 crosses above line 2 and a **Sell Cross** when line 1 crosses below line 2.



Spread Relationships & Dynamic Interactions

Unlike standard indicators the spread relationship between the Green trigger line and Cyan line impacts velocity as well as direction of a trade. The Steel color is used as a trigger and direction modifier. Details of these functions to follow.



The Anatomy of a Signal

At the blue rectangle we find crossover #1 , Steel crosses Green followed by #2 , slightly special circumstance, Cyan pivots lower and preferably below the +7.5 zone then, #3 Green pivots upward for the buy signal.



Anatomy of a Signal, continued

In this photo #1 is at the Steel crossing Cyan. Either Steel crossing Green or Cyan can be considered a #1. #2 in Green is a pivot upward from previous reading. #3 is Green crossing Red. #4 depicts Red crossing above White. #5 depicts Green moving above Cyan. #6 not marked is Cyan moving below Red.



Progressing Through A Trade

Similar to the previous slide, at #5 where Green crosses above Cyan we expect continuation with Cyan moving below Red/White as a continuation of a trade.



Continuation To A Break Down

Parallel Magenta lines show clean decline with no buys until #1 and #2. At 3# we expect Cyan to dip below Red for upside continuation but instead moves to a sell #4 with Cyan above Green, #5 Cyan > 0 #6 Green below Red . #7 Red below White.



What is the Death Zone?

The Death Zone is considered the range between -7.5 and -13.5 where new buy signals from Green above Red or Red above White have weaker prospects of success. Extra care needs to be observed when trading to the long side in the Death Zone.



Solid Buy, but Weak Results...Here's Why.

Steel algorithm in the +7.5 or greater zone reflects an increased appetite for accumulation. When Steel is at this level mute your break out expectations until it has receded below the 7.5 and generates a new signal. This reading tends to come off protracted downturns.



Safety Dance!!!

Oscillators with their fake sell signals in overbought conditions could learn from the Safety Zone. When Steel is below -7.5 and falling, in what would be a normal sell signal from Red below White and Green below Red with Cyan above 0, is minimized by the Safety Zone. Dips in this area often become new buys after extended runs. Every short trader needs this signal!



Safety Zone Continued

The blue rectangle shows Steel moving outside the Safety Zone at a point where a new buy is signaled; Green above Red and Red above White. At right vertical line, we see oversold (Green < -7.5) with Steel in the Safety Zone as new buy signal is generated.



Similar But Very Different

- A= Steel above Cyan, depicting buy
 - B= flat to slight rising Green
 - C= Red still falling
 - 1= Steel above Cyan, depicting buy
 - 2= rising Green
 - 3= Red has pivoted higher
- Red and Green moving upward (#1,2,3) is the correct buy set up



The Spread Rise and Fall

Advanced study: Not necessary for most trades as the color of candle depicts the trade and direction. For advanced viewers this is very powerful. Rising spreads of Cyan above Green, while Green moves lower depicts weakness for price while contraction of same is bullish and leads to Vortex consolidations (detailed later) that are extremely volatile. Crossover points are pivotal continuations or trend changes.



The Spread Rise and Fall, Continued

We can even delve further by examining pivot peaks and valleys seen in white lines. Higher peaks of Cyan are a precursor to higher price just as higher valleys on Green represent the same. Additional bias can be ascertained by studying pivot relationship at the various zone changes. Yellow line represents solid Red line uptrend continuation until breached.



The Vortex

Simply stated, the vortex is the merging of a series of algorithm lines to a centralized point where a breakout usually results in a high volatility move. Downside breakouts tend to meet at or near the zero line.



Vortex Amplified

Focused here at the zero line, Steel dips below Red and Green, Green below Red, Cyan above all and finally Cyan increases spread from Green accentuating the volatility of the move. It has no impact on new 1, 2, 3 buys.



Upside Vortex Breakout

This GOOG snapshot shows a 1,2,3 buy that slipped to sell but led to a new 1,2,3 buy at an oversold vortex near -7.5. This took place BEFORE price breakout to the upside.



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Eliminating the Shake Out

Just after the AMZN 1,2,3 buy Steel enters the “Safety Zone” at -7.5 after a large gap that began to consolidate. Weakness in price was in fact a safe entry on buys while in protection of the “Safety Zone”.



The Full Range

This AAPL chart provides a full range of signals from the 1-7 buy, the Safety Zone sell protection, followed by a new 1-4 buy only to be hit shortly after with the inverse 1-4 sell.



Advanced Baseline Modifier (ABM)

The ABM shown here as a series of trailing lines below Green candlesticks and above Red ones, resets and becomes a trailing stop that can be used at various levels depending on the current indicator readings. An extraordinary and useful tool in managing a trade and its risk profile.



Summation

The inter relationship between a series of algorithms depicted as lines seen in standard indicators allows us an unrivaled view inside the anatomy of a trade. Simple color transition from a Red sell to a Green buy removes interpretation and replaces it with precision. Advanced indicator users can layer this simplicity by utilizing some of the unique configurations to further enhance entries and exits.