

Trading the Trend Effectively with the Moving Average Channel

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May 28, 2009

Disclaimer

There is a significant risk of loss in forex, futures and options trading.

Today's Topics

- Learn about the Moving Average Channel (MAC), a useful indicator of Trend, Support and Resistance.
- Learn to easily define trend using the MAC
- Learn to easily determine support and resistance using the MAC
- Learn to use multiple timeframes with the MAC
- Review current technical analysis of the major commodity and currency markets using the MAC
- Understand aggressive and conservative buy/sell signals and specific entry points with the MAC

About the Speaker

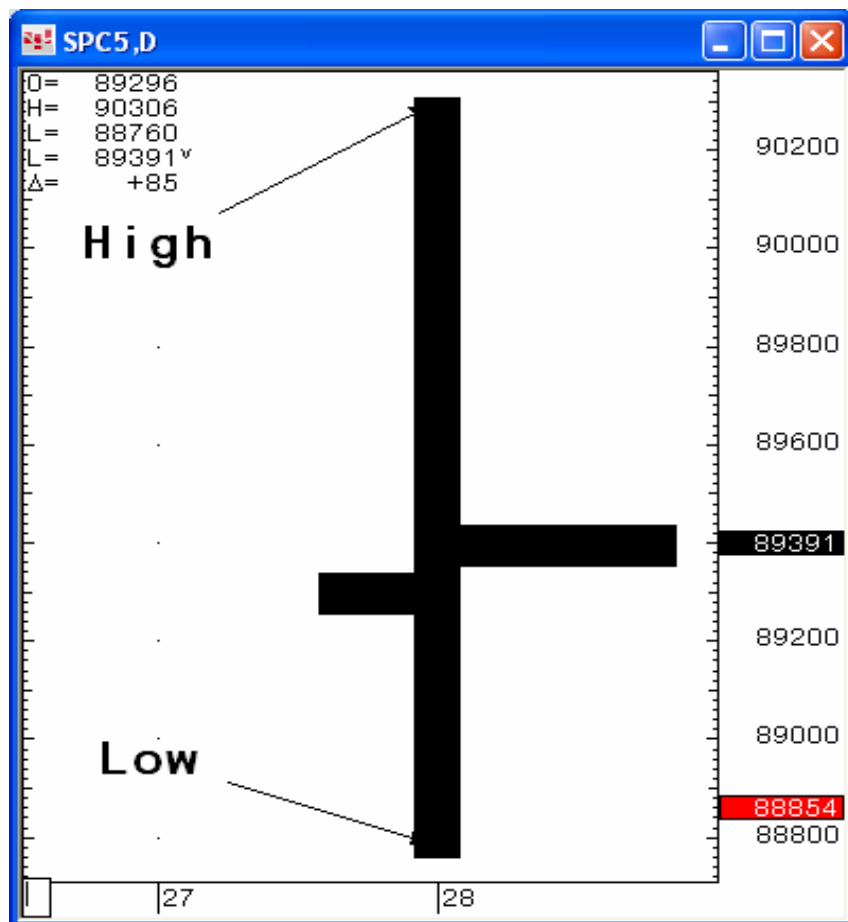


- **Paul Kavanaugh** is a Commodity Broker, Associated Person & CTA with over 17 years of experience educating and managing individual investors specializing in risk management specific to the leverage available in the commodity futures markets. Paul has also provided live weekly market commentary from the floor of the Chicago Board of Trade and Technical Analysis Web Seminars at the CBOT.



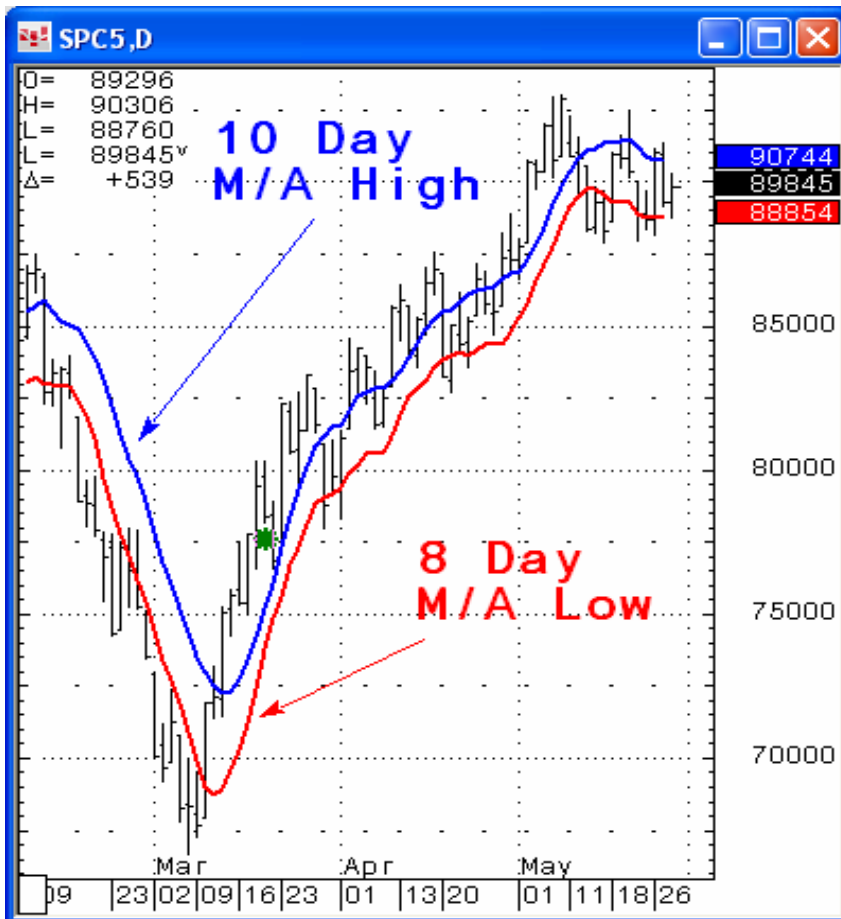
Learn about the Moving Average Channel (MAC) useful indicator of Trend, Support and Resistance.

Moving Average Channel



- The MAC is composed of two simple moving averages
- 10 period of the high
- 8 period of the low
- Simple Moving Averages

10/8 Hi/Low MAC



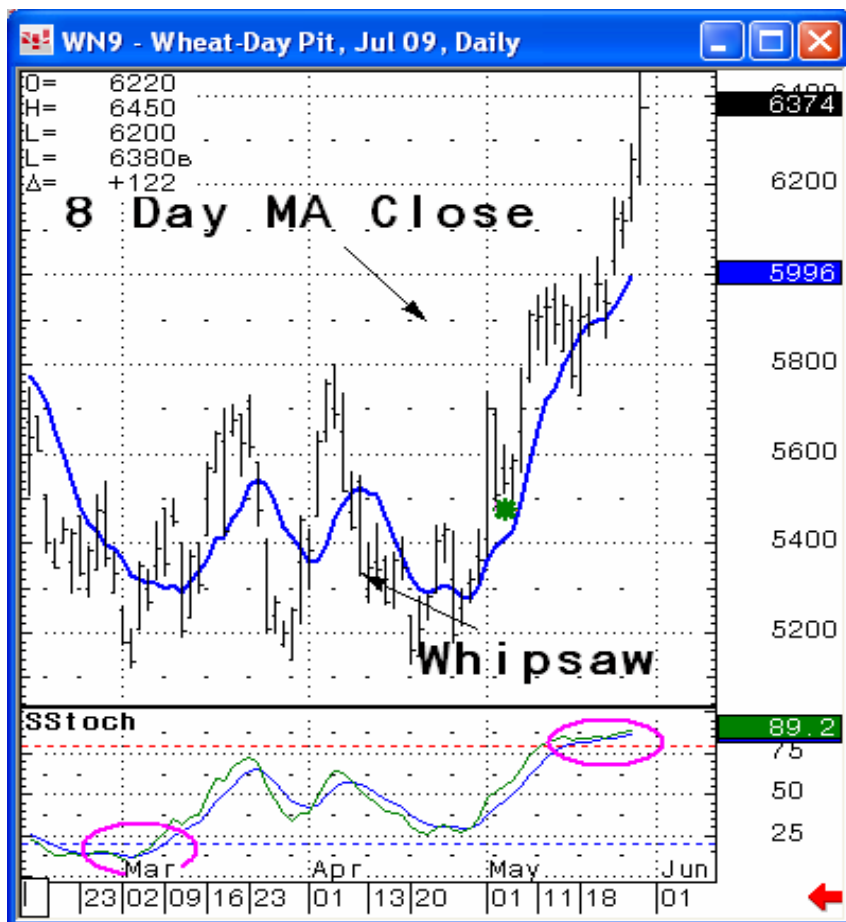
- Blue Line is a 10 period simple moving average of the HIGH
- Red Line is an 8 period simple moving average of the LOW

Basic Calculation

- 10 M/A High
- Add up last 10 highs
- Divide by 10
- 8 Period M/A Low
- Add up last 8 lows
- Divide by 8

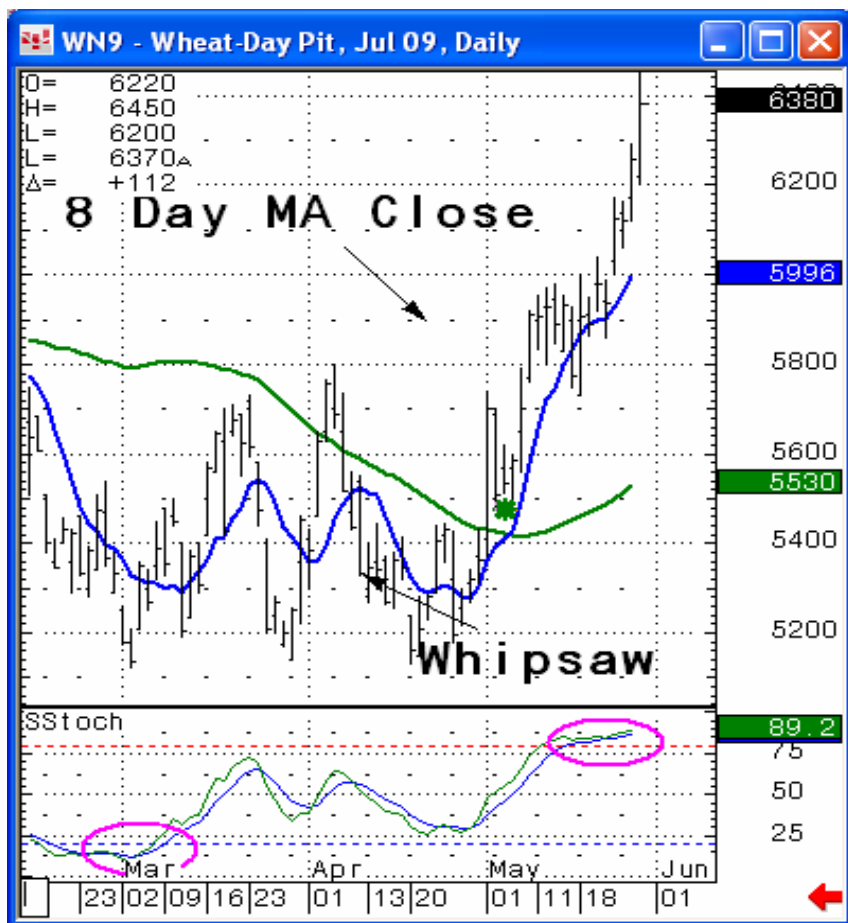
The Moving Average study plots the average price over a specified period of time. Moving averages are one of the most common forms of technical analysis because they tend to be effective tools for identifying the trend of a market.

Rising or Falling



- Many trading strategies use the MA as a filter and only go long when the MA is rising or the price is above the MA and only go short when the MA is falling or below the MA
- MAs tend to work best in trending markets and often lead to whipsaw type action in a sideways trading range market
- Therefore it is important to use other filters in order to understand trend including oscillators like stochastics

Different Lengths

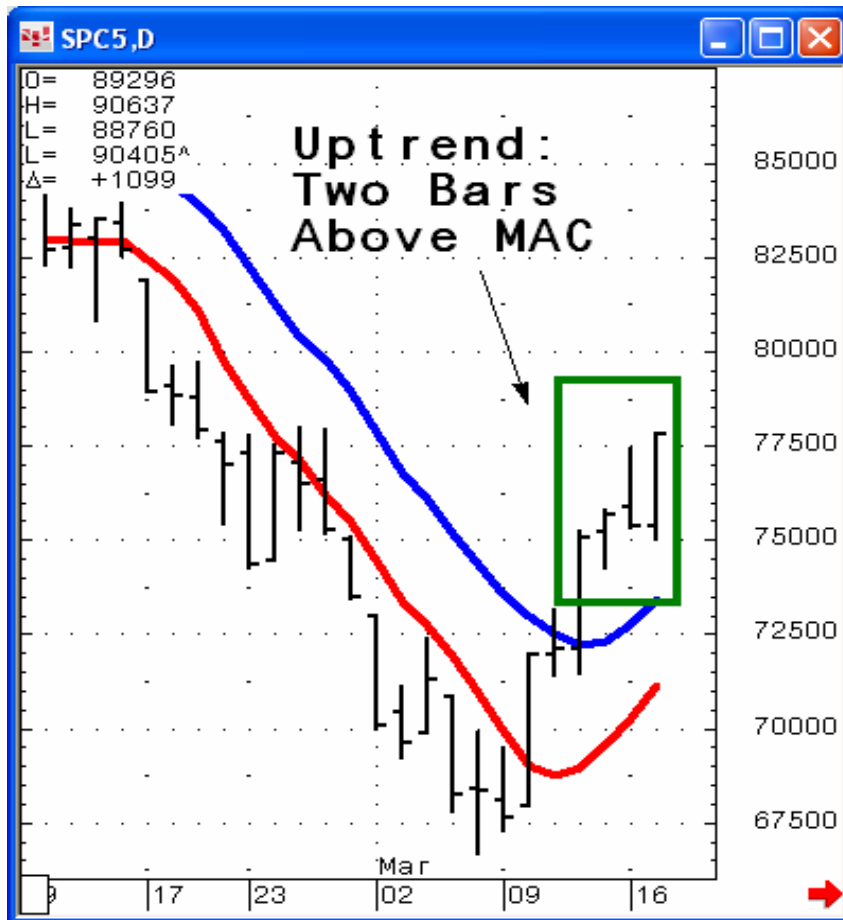


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- Traders will often use multiple MAs of different lengths or calculations and watch for crossover points
- The relationship between two MAs may be measured by using MACD
- The MA is often used as a support or resistance point
- Stochastics (SStoch) is generally used to identify overbought or oversold conditions that can be used to identify a breakout or extreme point that can be traded against
- Between 20 and 80 is neutral

Learn to easily define trend
using the MAC

Defining Trend with the MAC



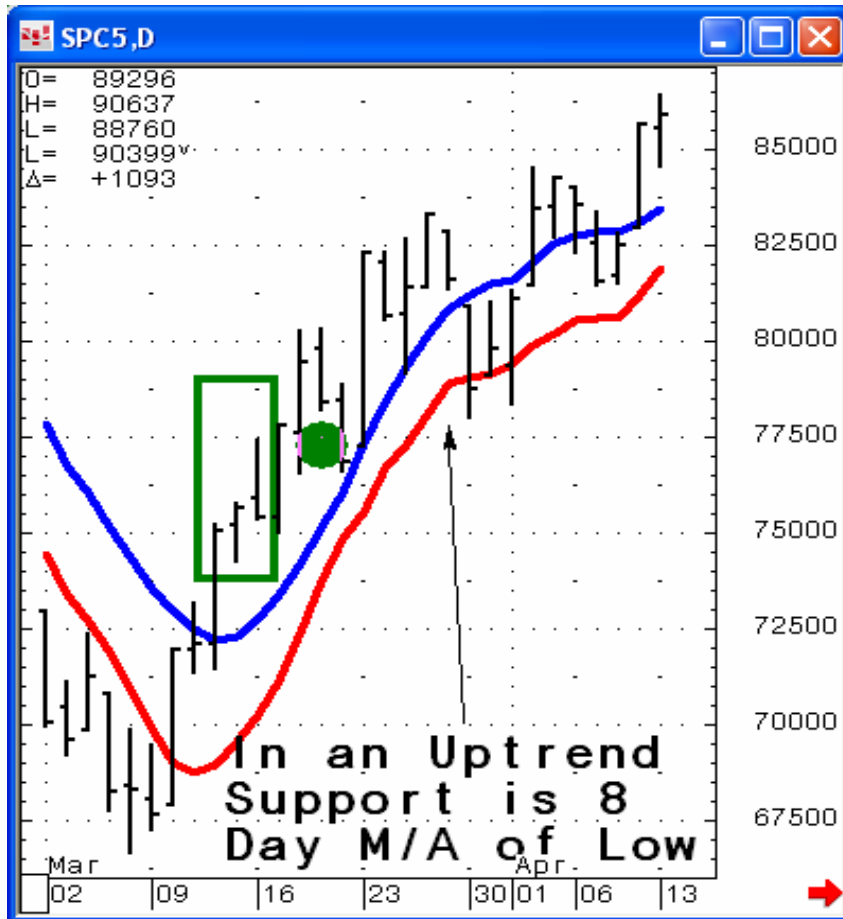
- With the MAC, two bars completely above the 10 day M/A of the high defines the trend as up...

Defining Trend with the MAC



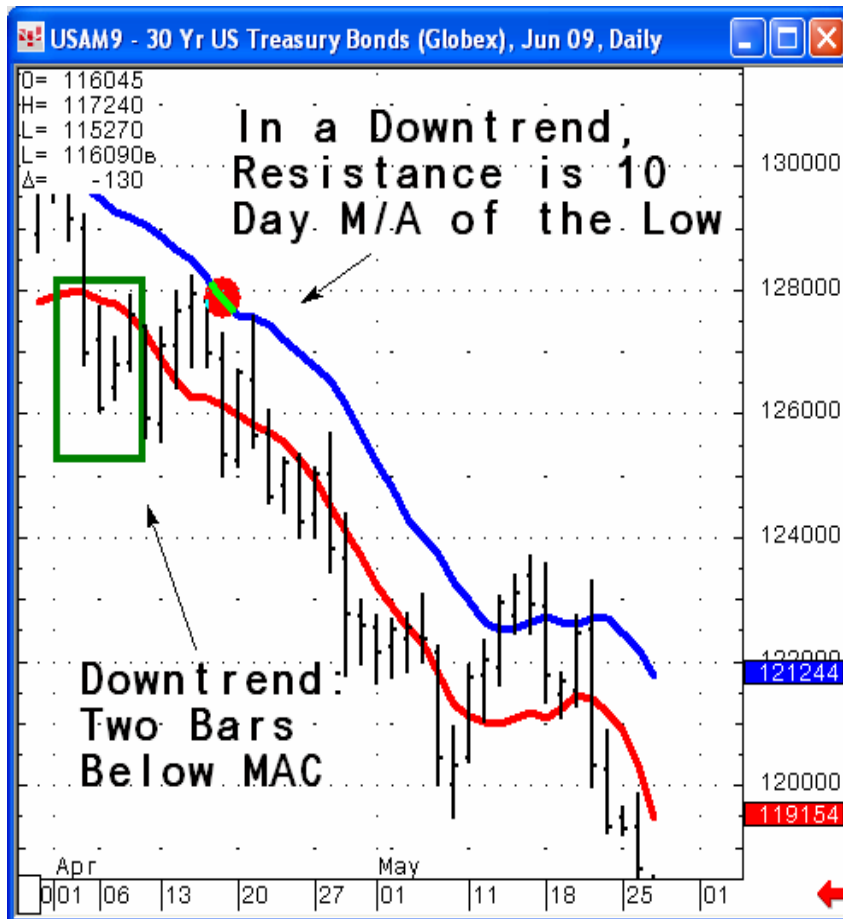
- With the MAC, two bars completely below the 8 day M/A of the low defines the trend as down...

Determine Support and Resistance



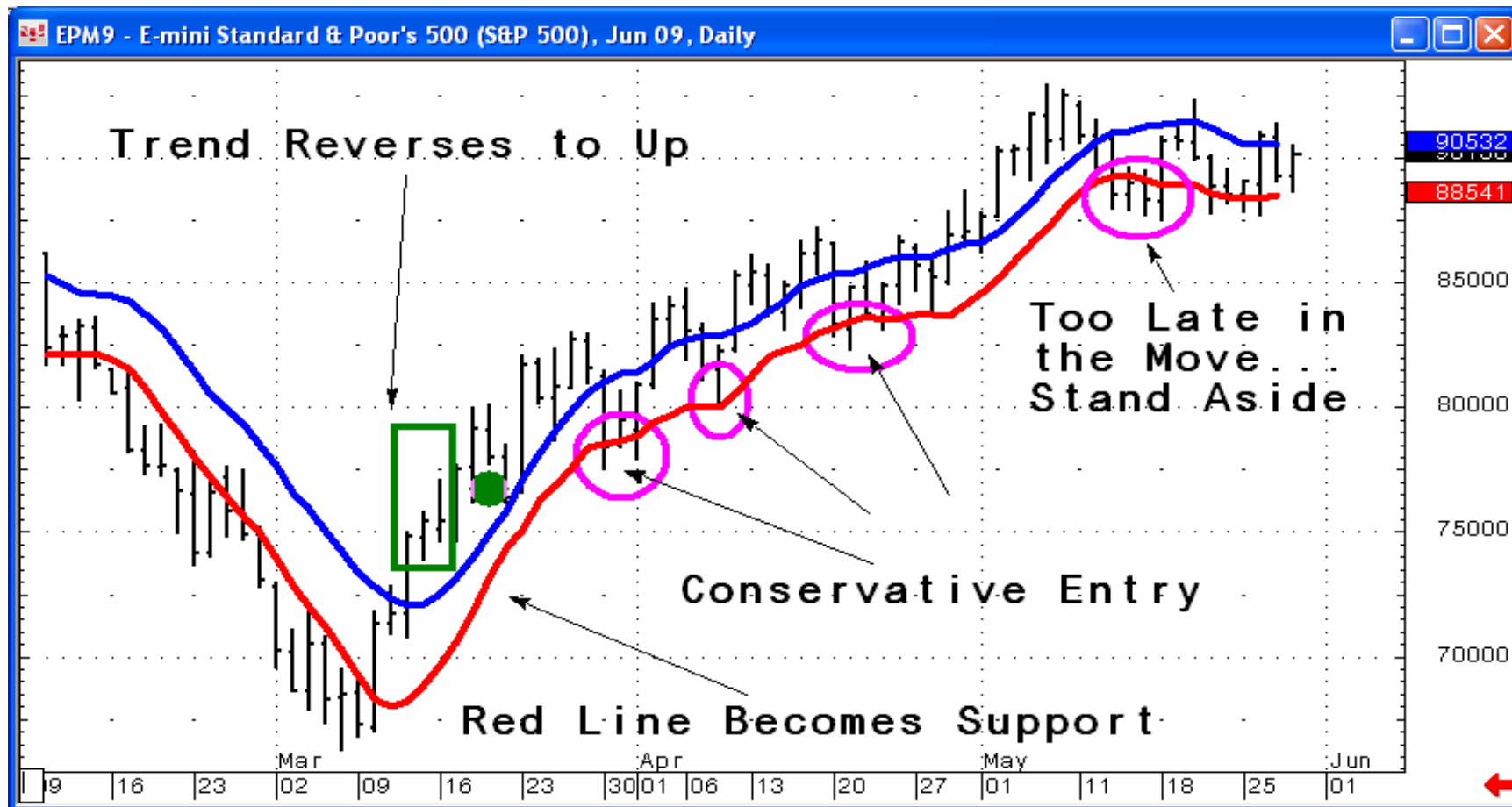
- In an Uptrend, Support is the Red Line, the 8 Day M/A of the Low

Determine Support and Resistance

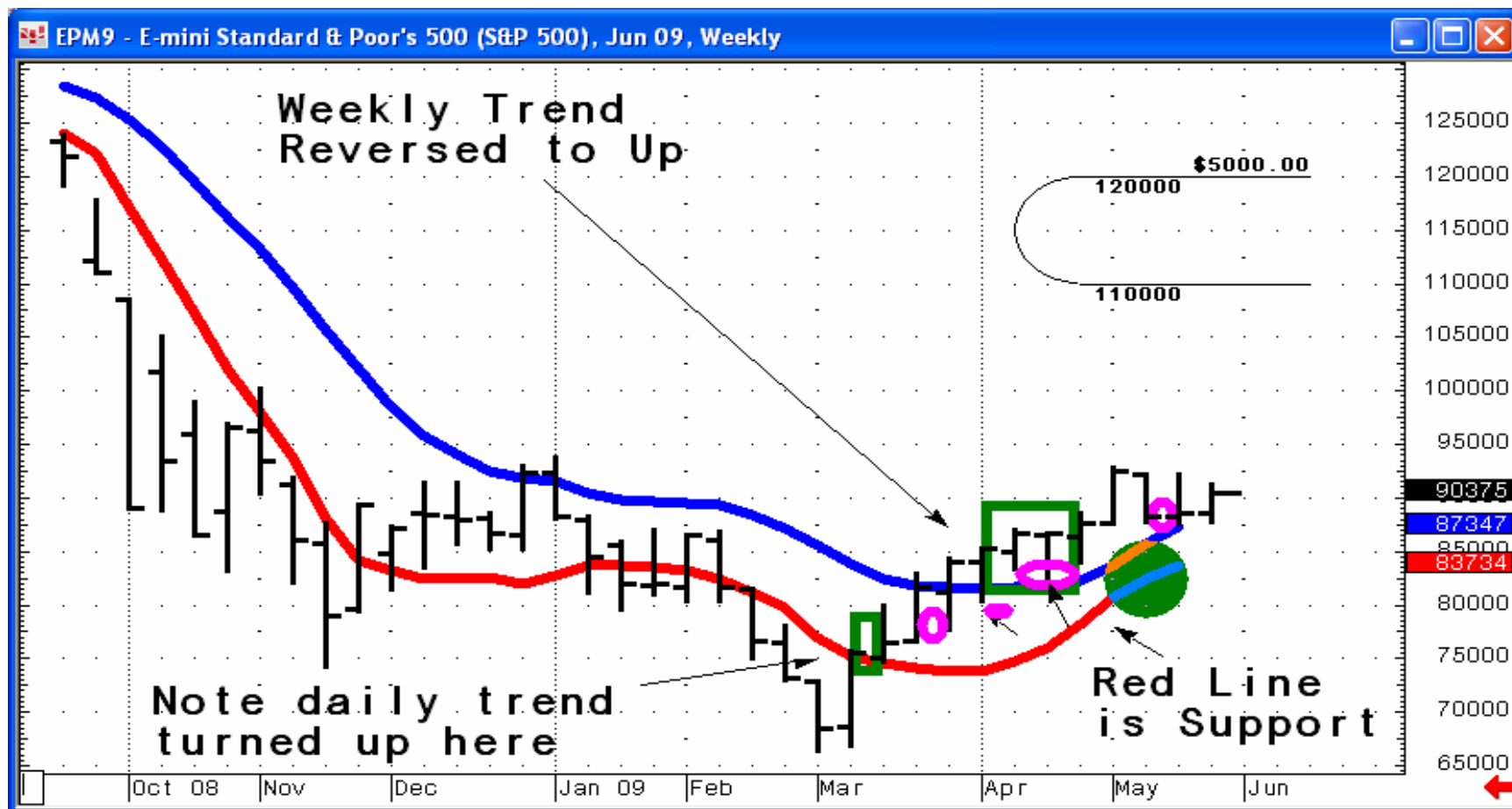


- In a Downtrend, Resistance is the 10 Day M/A of the High...

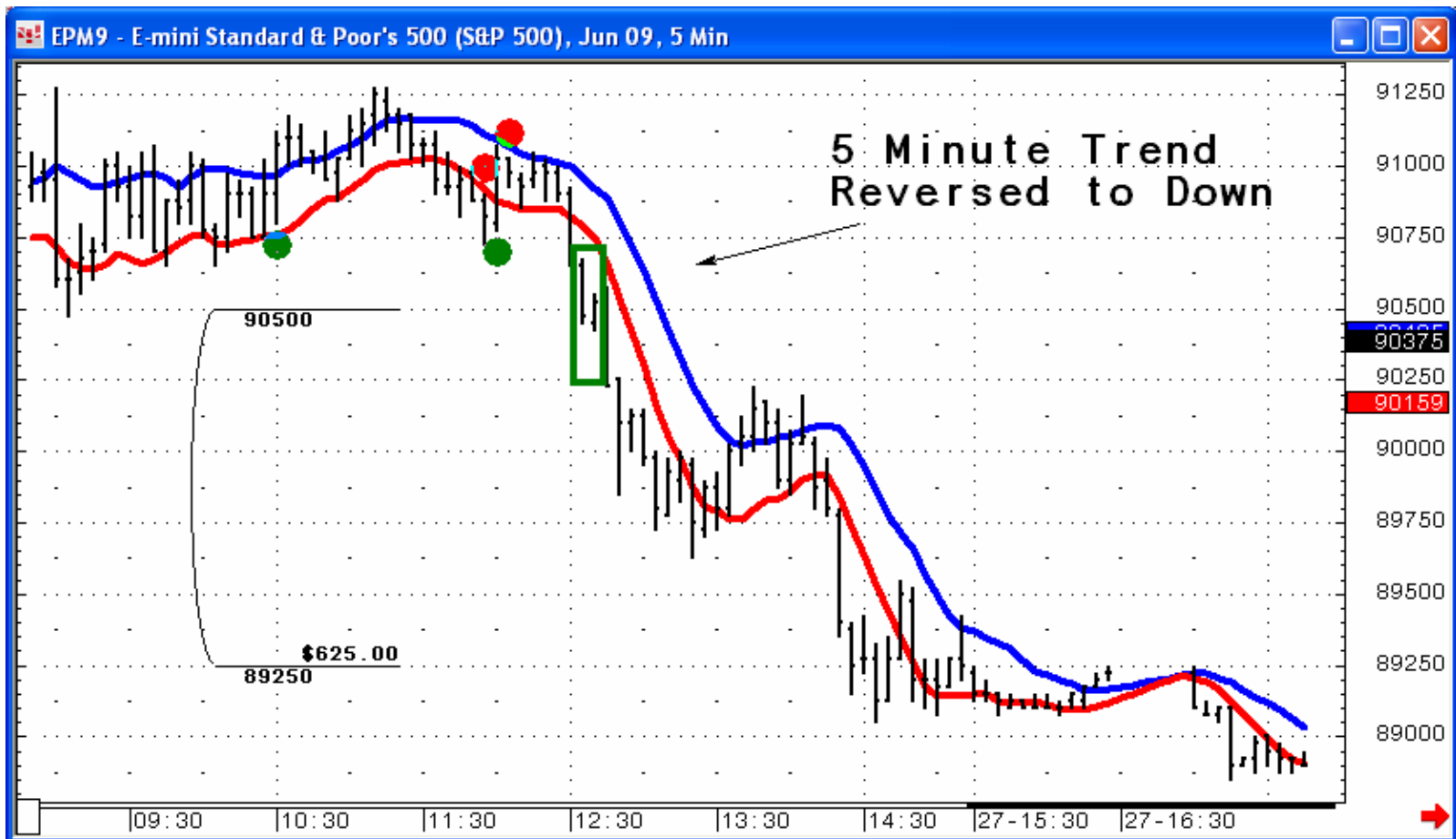
Conservative Entry Signals



Multiple Time Frames



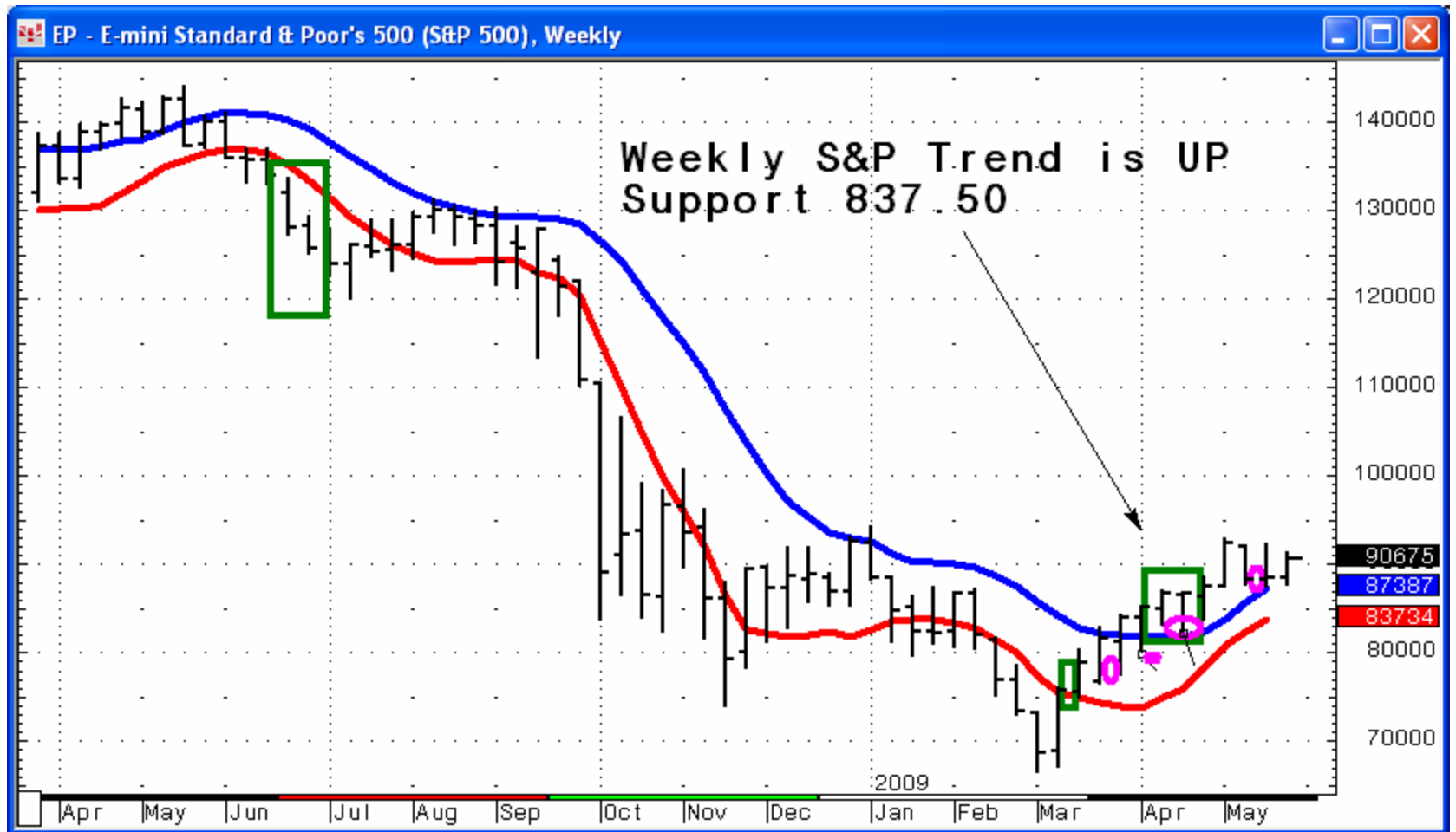
Multiple Time Frames



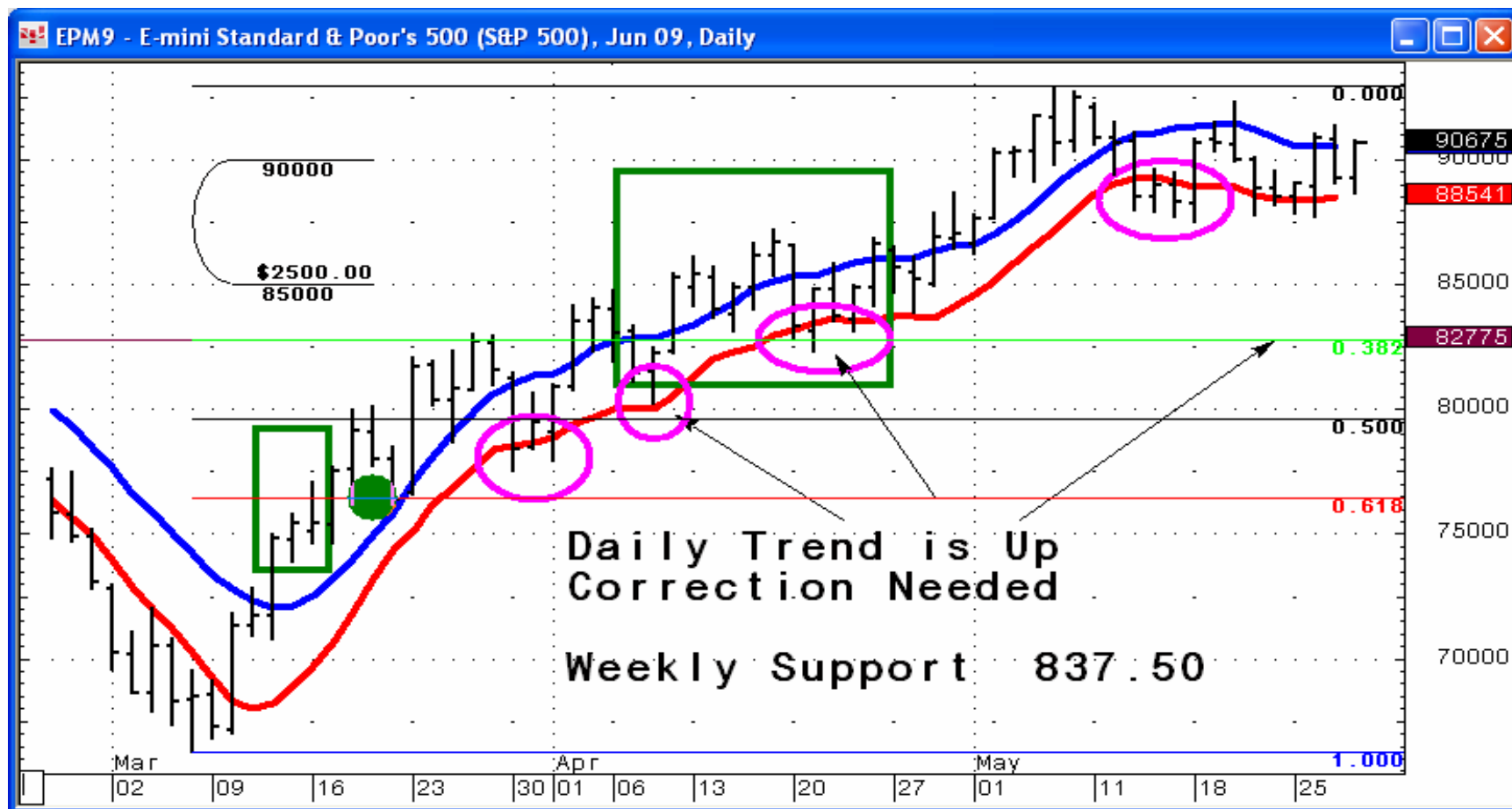
Review current technical analysis of the major commodity and currency markets using the MAC

May 28, 2008

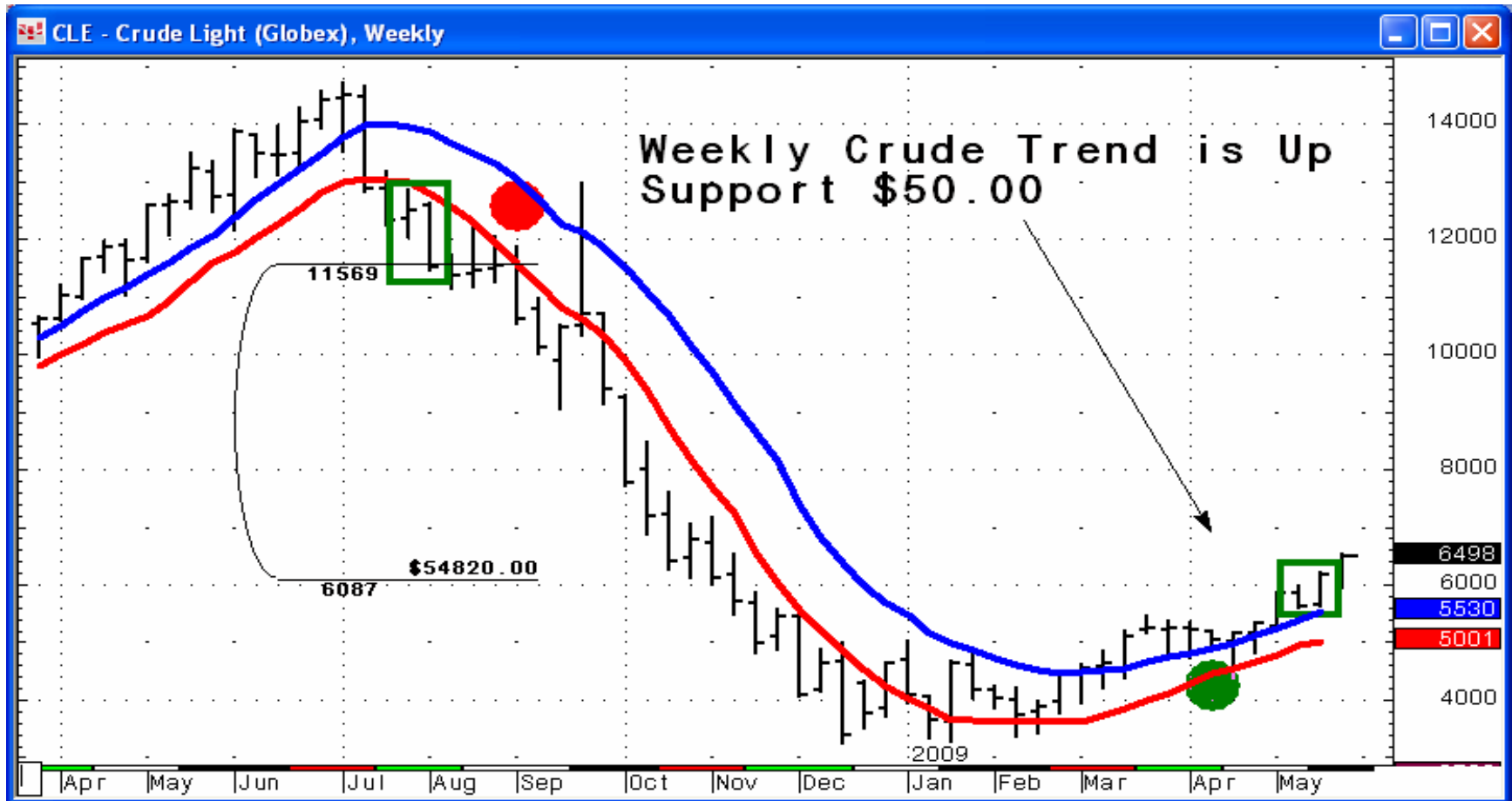
Weekly Emini S&P



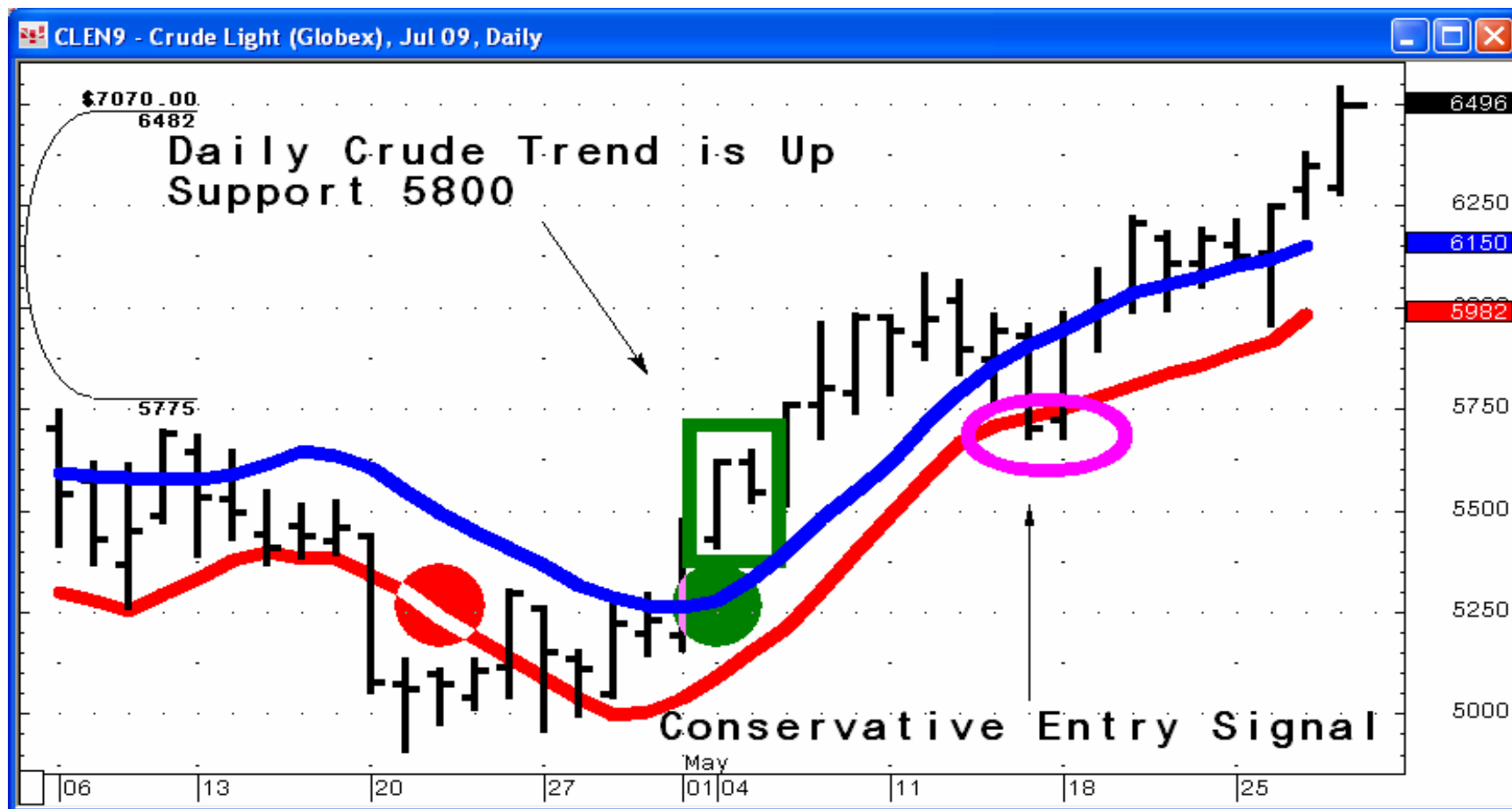
Daily Emini S&P 500



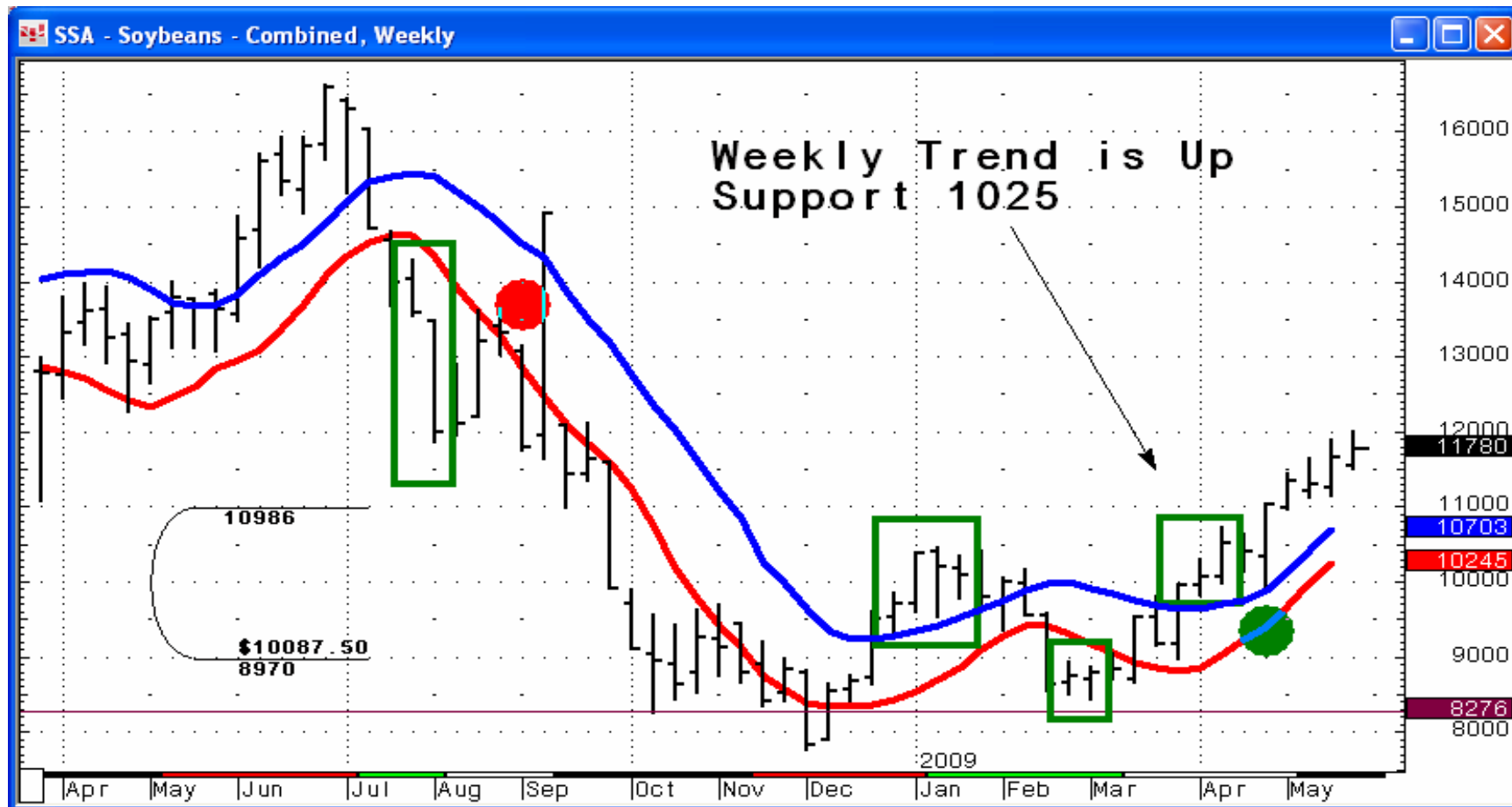
Weekly Crude Oil



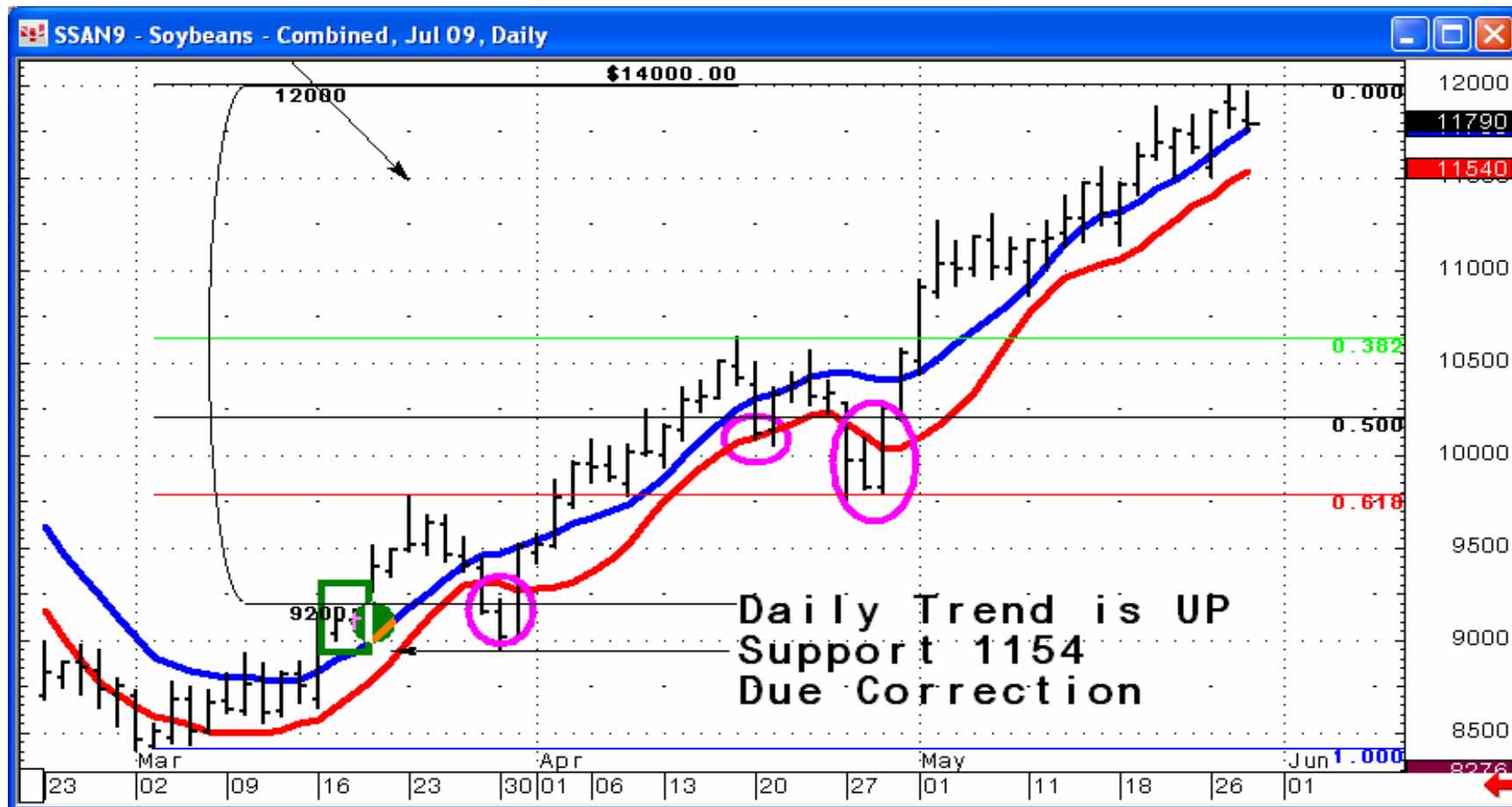
Daily Crude Oil



Weekly Soybeans



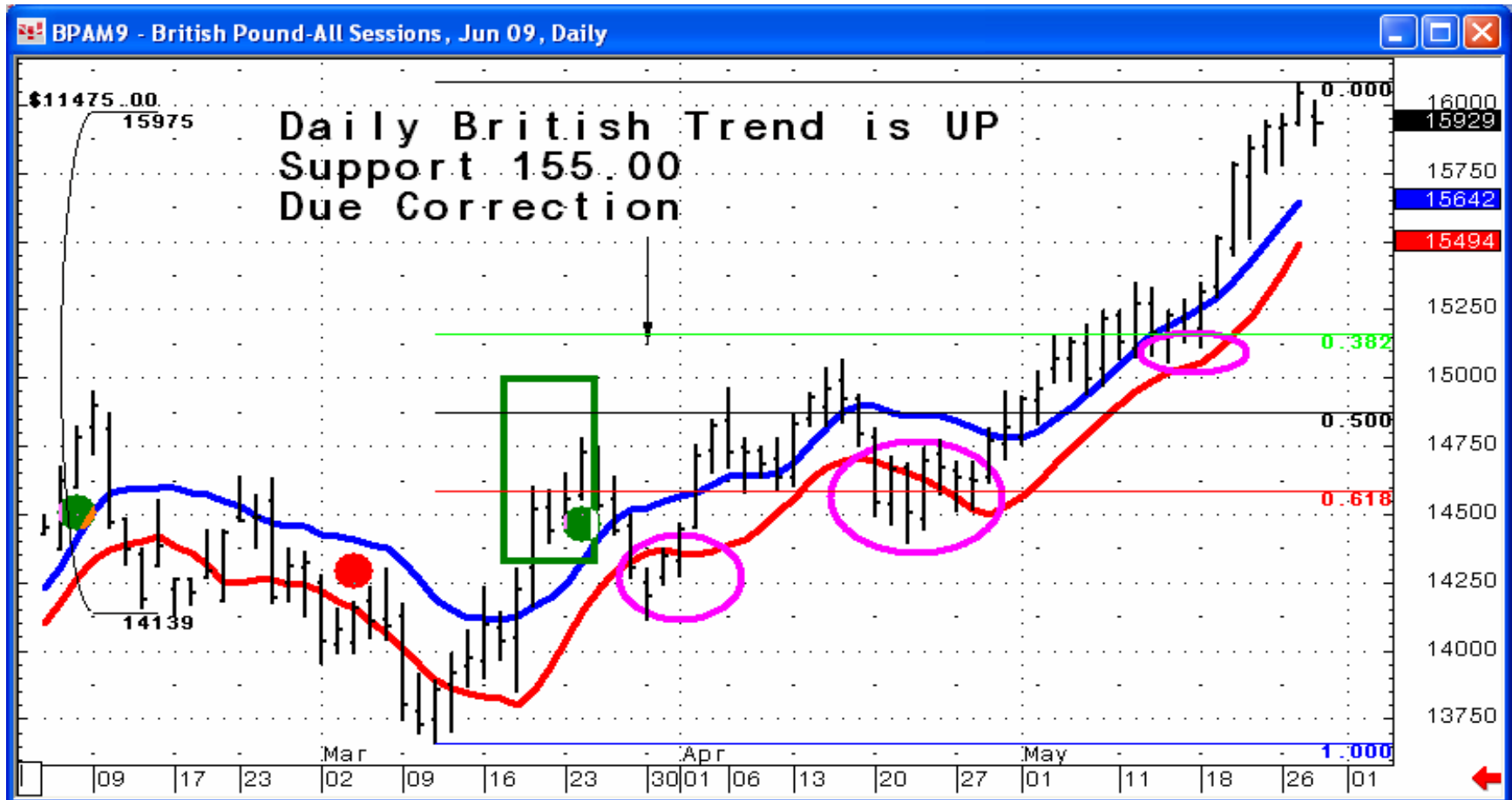
Daily Soybeans



Weekly British Pound



Daily British Pound



Trading with the Trend

Trading with the trend is the best way to put the odds of success in your favor.

Conversely, Picking Tops or Bottoms is successful only about 10% of the time

The Importance of Trend

- In my 17 years of Providing Trading Education and Brokerage, There has been no more important factor in the success of the traders I worked with than Identifying and Applying Trend Analysis in their Trading. The Trend is Your Friend... 'Till the End

Thank You, Paul J. Kavanaugh

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