

How to use the WyckoffSMI Technometer

***Only available at WyckoffSMI.com**

The Wyckoff tools of OP, Force, and Technometer when combined with price and volume provide a variety of indications that are helpful in determining direction and timing. Some of these are easier to use than others. Perhaps the easiest to use is the indication of an overbought or oversold condition.

These days, there are many overbought/oversold indicators to choose from. The age of computerization is responsible for all these choices. The WyckoffSMI Technometer has an advantage over all of them. It considers each day of market action from the standpoint of buying and selling waves (demand and supply). All of the others tend to view the market action from the standpoint of arbitrary time increments and to consider only the net effect of these increments (price only). The WyckoffSMI Technometer considers all three of the important variables – price, volume and time.

The trader who uses an overbought/oversold indicator as aid in timing positions must realize and accept two very important facts. There are no absolutes. Nothing is perfect. Traders and investors who refuse to accept these facts frequently fall into the trap of trying to use the Technometer by itself and in a mechanical manner. Although this will work much of the time, it will not work all of the time. The times when it does not work can be fatal for the individual who does not integrate the full range of observations and indications.

The underlying concept at work with the Technometer is that the vulnerability to a change in direction increases as the market or stock becomes more overbought or oversold. Theoretically, a Technometer can read as low as 0 or as high as 100. From a practical standpoint, this will never happen. This presents a problem. How overbought is overbought enough? How oversold is oversold enough? Fortunately, these questions can be answered with a high degree of reliability.

In a trading range market, overbought is 50, oversold is 38. In a market with an upward bias, overbought might be 52, oversold 40. In a market with a downward bias, overbought might be 48, 36 oversold. WyckoffSMI monitors these changes on a daily basis and will provide thoughts on appropriate levels.

The Technometer will be most useful if it is used as the ending point or the starting point of an analysis. When used as a starting point, it can be a time saver. If the Technometer of the stocks you are monitoring are not high enough or low enough to consider action, additional analysis is not needed. If the values are high or low enough, a more complete analysis is in order. It should provide two or more confirming indications before any action is taken.

When the Technometer is used as an ending point, its purpose is confirmation. Here, the starting point is the trend and position. Does a primary trading opportunity exist? Is that position compatible with the trend? Is there divergent or inharmonious action? Is there a worthwhile potential? Finally, is the Technometer high enough or low enough to justify immediate action? If the answer to all the questions is yes, a position may be established.

Remember that our "Pulse of The Market" Charting Software makes this a little easier to monitor by offering a button on the navigation bar labeled "Show Spreadsheet". This will auto populate the OP, Force, and Technometer for all symbols in our symbol list. This should help you to save time, and let you zero in on those symbols you should spend additional analysis on.