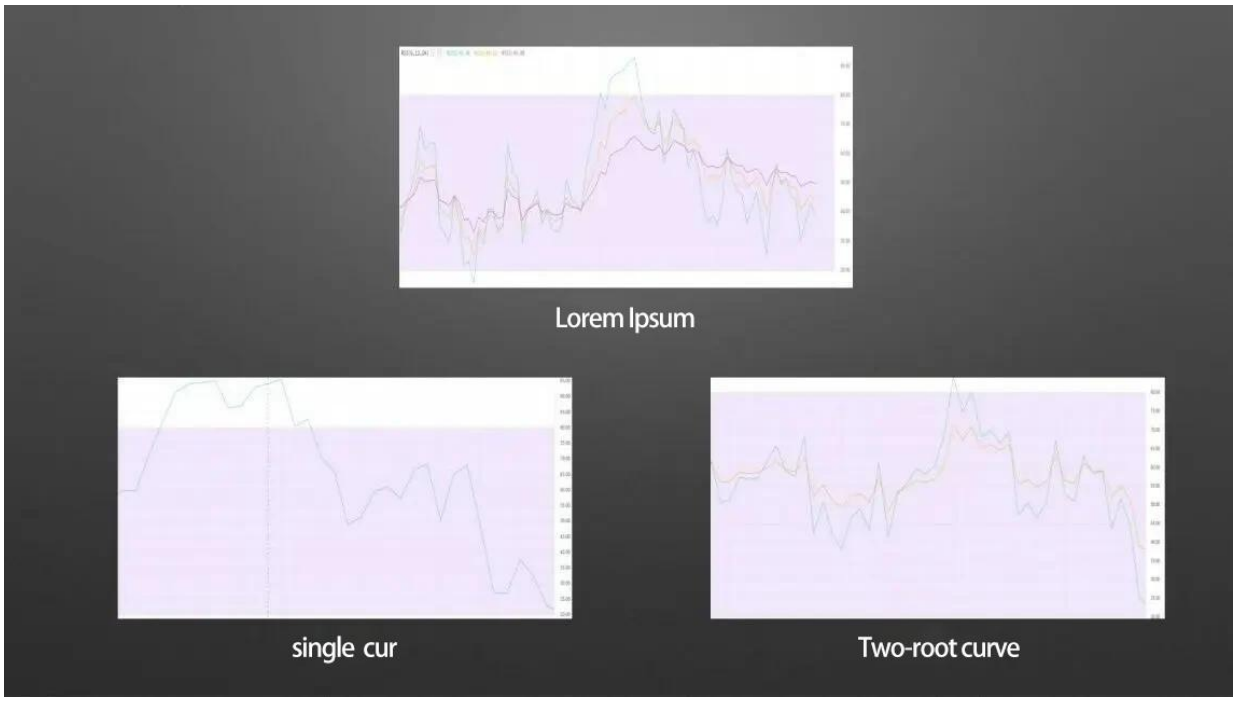
Common analysis index - RSI

Relative Strength index RSI

In this episode, we'll study a wide range of technical indicators in Lecture 6 -- the relative strength index.

Firstly, let's learn the RSI index diagram.



The common RSI index is usually composed of three curves with different parameters, which can also be set into one curve or two curves. This index, proposed by Welles Wilder, can reflect the economic degree of the market in a certain period. It is a short and medium term index commonly used in technical analysis at present.

2. Application rules of RSI index

So how to use the RSI index to judge the market rise and fall?

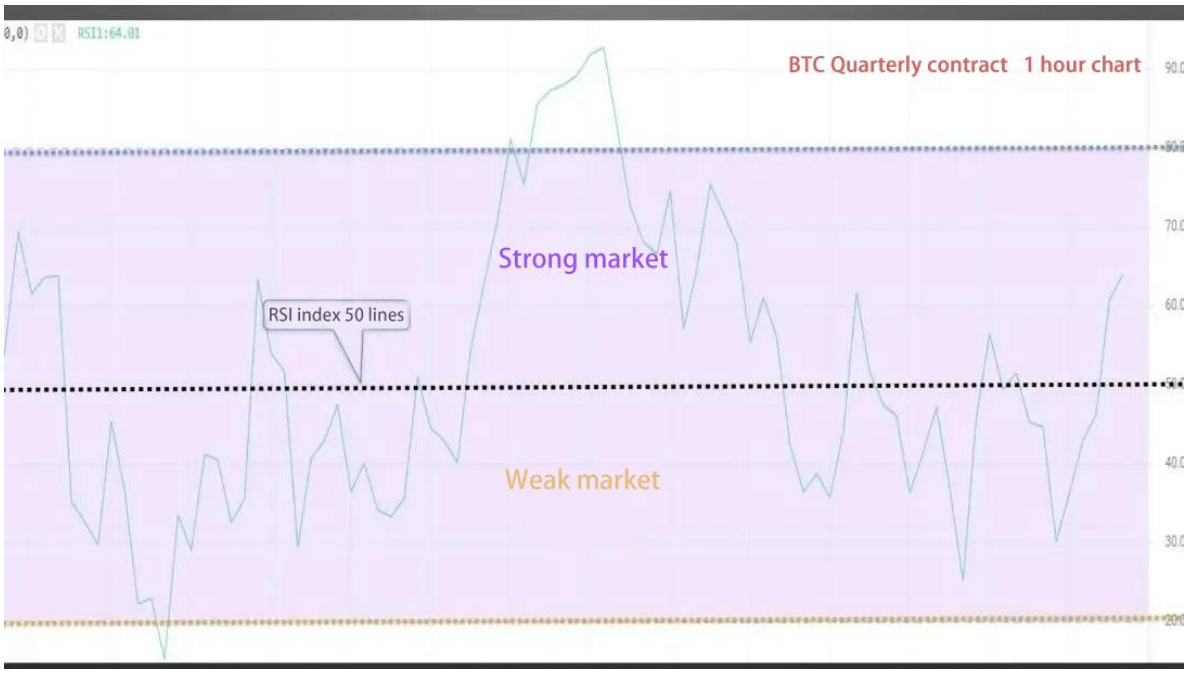
The value of RSI index

The cross of RSI curve

The form of RSI curve

The deviation of RSI curve

Deviation of curve shape from RSI index.

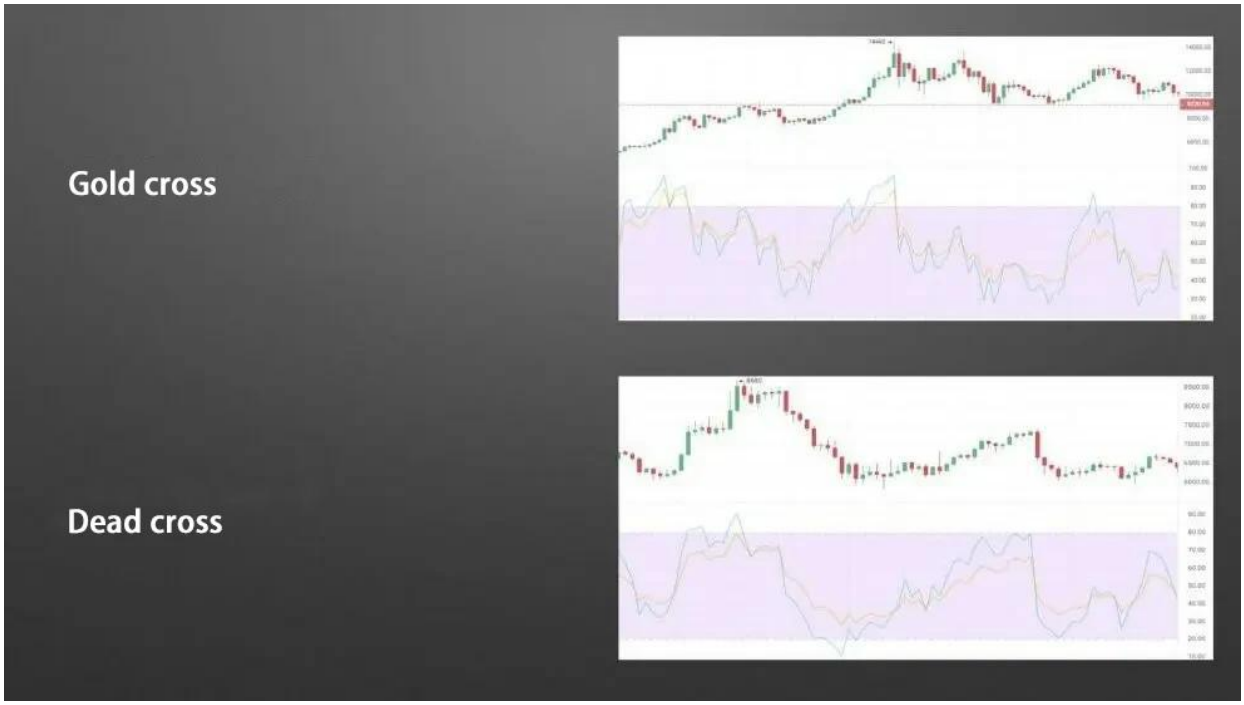


First of all, let's take a look at the value of RSI index. The chartis from the one-hour chart of the quarterly BTC contract of Auyi. The value range of RSI is between 0 and 100, RSI=50 is the dividing point between the strong market and the weak market, and the RSI curve drops below 50 from the top down, indicating that the market has become weak.

The RSI curve has broken the 50 position from the bottom up, indicating that the market has started to strengthen.

When the RSI value is less than 20, it indicates that the market is in an extremely weak oversold stage, which is a potential bullish signal.

An RSI of more than 80 indicates that the market is extremely overbought, a potentially bearish signal.



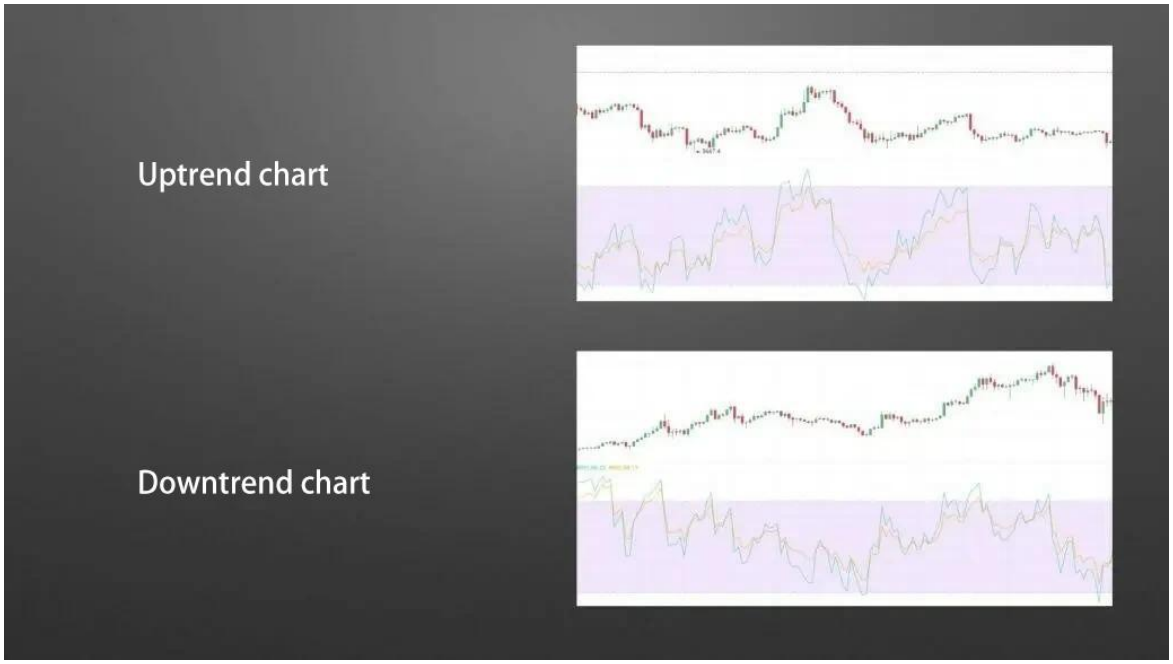
Then let's see the crossover of RSI curves. Same as the KDJ index in the previous section, the crossover of RSI curves can also be divided into two forms: golden crossover and death crossover, as shown in the figure respectively.

Golden cross case: chartfrom the daily chart of EYI BTC quarterly contract. When the green RSI curve of short period crosses from bottom to top with the yellow RSI curve of long period, the golden cross, also known as the gold cross, is formed. As shown in the red dotted line arrow of the corresponding coin price above, the afternoon market has a high probability of rising from the corresponding coin price above.

Death Cross case: The chartis also from the daily chart of Aoyi BTC quarterly contract. When the green RSI curve of a short period crosses from top to bottom with the yellow RSI curve of a long period, a death cross, also known as the death cross, is formed. As shown in the red dotted line arrow of the corresponding coin price above, there is a high

probability that the afternoon market price will start to decline from the top.

Having learned some basic uses of the RSI index, let's look at how the RSI curve can be morphologically analyzed.



According to different directions, the shape of RSI curve is usually divided into upward trend line and downward trend line, as shown in the figure respectively.

Uptrend line: The chartis from the daily chart of the quarterly contract of EYI BTC. The currency price keeps rising, and the RSI index moves upward along the uptrend line. When the RSI curve falls below the support level formed by the uptrend line, a bearish signal appears

Downtrend line: The chartis also from the daily chart of the quarterly contract of EYI BTC. The currency price fell slightly, and the RSI index moved down along the downtrend line. When the RSI curve broke the pressure level formed by the uptrend line, a bullish signal appeared.

In addition, the more common forms of KDJ curve include M head, W base, triangle shape, etc. The corresponding usage method can be referred to the relevant content in the K-line shape analysis in the previous course.

After learning the shape of the RSI stochastic indicator, we will talk about the divergence of the RSI stochastic indicator, which is also extremely important for traders to judge the turn of the market.

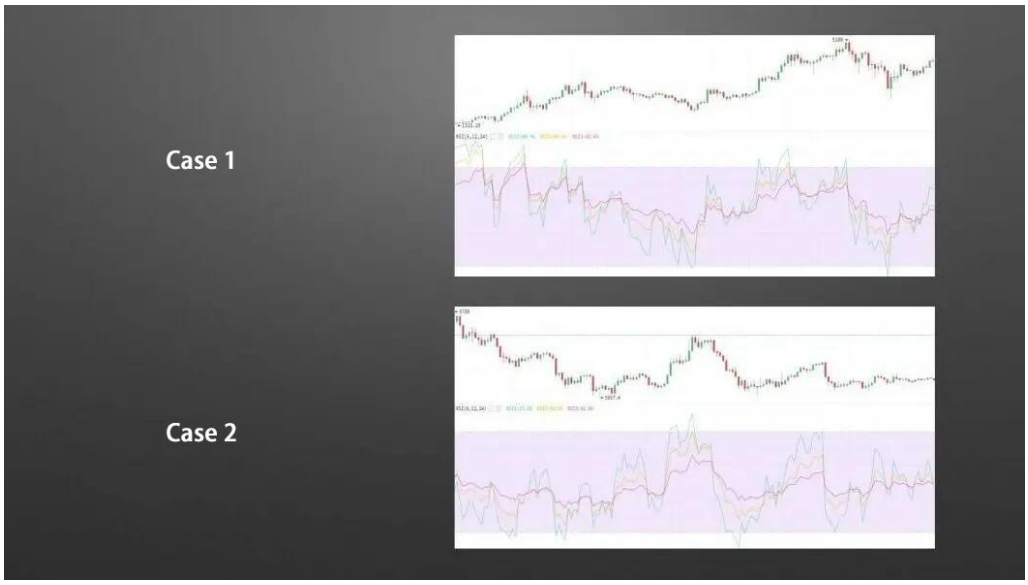
Like other indicators, the deviation of RSI index can be divided into top deviation and bottom deviation, as shown in the figure respectively.

Top divergence: The chartis from the 4-hour chart of the quarterly contract of EuroETH. When the K-line price hits a new high, but the RSI

does not follow the new high, there is a top divergence, as shown in the blue area in the figure, there is a high probability of a bearish signal, and then the currency price begins to fall.

Bottom divergence: The chartis from the 1-hour chart of the EYI BTC quarterly contract. When the K-line price hits a new low, but RSI does not follow the new low, there is a bottom divergence, as shown in the red area in the figure, there is a high probability of forming a bullish signal, and then the currency price begins to rebound.

Finally, let's talk about the practical application of RSI index.



Actual combat cases are shown in Case 1 and Case 2.

Case 1: RSI downtrend line and the application of the Kaixing bullish K-line combination, screenshot for the BTC quarterly contract daily chart, RSI pattern top along the downtrend line downward, when the RSI

indicator breaks through the downtrend line, and the price of the formation of the previous 3rd course on the Kaixing bullish K-line combination, this is a bullish signal, stop loss line can be located in the Kaixing bullish K-line pattern lowest point, and then the price of the coin ushered in a wave of rise.

Case 2:

The application of the combination of RSI high dead cross and tower top bearish K-line, chartfrom the daily chart of Oyi BTC quarterly contract, the price of currency keeps rising, the high K-line appears the tower top bearish K-line combination mentioned in the fourth course, and the RSI index appears dead cross, which is a bearish signal. The stop loss line can

be set at the highest point of tower top bearish K-line combination, and then the currency price starts.

So much for the random index RSI.

Next time, we'll start studying SAR metrics.