Divergence

The Divergence study is actually a Study on a Study. A second study is needed in order for the Divergence study to work. For example, first place a Stochastic study on a chart. Then place the Divergence study on the chart. Open the Properties window for the Divergence study and select the Stochastic study to be the 'Data Point'. The Divergence study will then show on the chart all of the places where the Stochastic study is diverging from the Prices on the chart. Divergence occurs when the Price is going higher, and the Stochastic study is moving lower. Or, when the Price is moving lower, and the Stochastic study is moving higher. Lines will be drawn on the chart that show where the Divergences occur.

Properties

- **Regular Divergence** - Place a check mark in the 'Regular' box to show Regular Divergence. Regular Divergence occurs at a high point when the Price is moving higher and the specified study is moving lower. Divergence occurs at low points when the Price is moving lower and the study is moving higher. The Divergence lines will plot from study peaks. Corresponding Divergence lines will be plotted on the chart bars. Use the 'Threshold' parameter to filter the number of divergences that occur. If the study value is not greater than the 'Threshold' value, then a Divergence will not be triggered.

- **Hidden Divergence** - Place a check mark in the 'Hidden' box to show Hidden Divergence. Hidden Divergence is the opposite of Regular Divergence. Hidden Divergence occurs at a high point when the Price is moving lower and the study is moving higher. Hidden Divergence occurs at low points when the Price is moving higher and the study is moving lower.

- **Trend Line** - Place a check mark in the 'Trend Line' box to display Trend Lines on the study. Trend lines will be automatically plotted from key High and Low swings on the study.

  This study needs to be fine-tuned for each study that it is applied to. The Threshold value and the Location will have to be adjusted for different studies. Change the Location parameter to match the window where the 2nd study plots.

- **Threshold** - This value is used to filter the Regular and Hidden Divergences. For example, if the Divergence study is placed on a CCI study line, then if the CCI line is not greater than the Threshold then a Divergence will not be shown. A Threshold value from 150 to 200 is often used for the CCI study. If the

Divergence is placed on a Stochastic study, then use a Threshold number like 60. This will filter out any divergences that occur in the 40 to 60 range of the Stochastic value. In this case, the Threshold value will calculate up from 0 (0 + 60 = 60), and down from 100 (100 – 60 = 40) to create an upper and lower Threshold range.

Lag Time

Why does it take so long for the indicator to show?   The divergence tool waits to see that a point under consideration is indeed a swing point.   For this Ensign waits for two additional bars to complete to see that they are higher for a low swing point or lower for a high swing point.   Until a turn is confirmed, the study values that are in transition. The implementation is a good one in spite of wishing it could show the results immediately.