

Parabolic Stop

The Parabolic Stop study is a trailing stop. As time progresses the stop accelerates towards the market prices at a specified rate. The stop moves in the direction in which the trade was initiated, regardless of the current market direction. When the data point price penetrates the stop then the position is reversed. The extreme high or low of the previous trade becomes the initial stop value. Watch for the price to penetrate the parabolic stop line. When the price penetrates above the high stop line or below a low stop line, it indicates a possible continuation of price movement in that direction. The software will track the possible implied profit (P) in points, winning trades (W), and losing trades (L) for this study in the study values sub-window at the left edge of the chart.



Properties

Maximum - The Acceleration Maximum limits the acceleration of the stop value towards the market price (usually 20).

Acceleration - This value is added to the acceleration factor each period (usually 2). This increases the acceleration.

Formula

InitialStop = High Price (when long) or Low Price (when short)

Parabolic Stop = PreviousStop + (Acceleration Factor * (InitialStop - PreviousStop))

Acceleration Factor = Previous Acceleration Factor + Acc
(until Acceleration Factor = Acceleration Maximum)