



Lesson 5 NOTES

ALT FINS **Education**

CRYPTO TECHNICAL ANALYSIS (TA) AND
TRADING USING ALTFINS PLATFORM

Lesson 5 NOTES

Lesson 5 (strategy): Oversold at Support, Overbought at Resistance

STRATEGY DESCRIPTION

This **Swing** trading strategy looks for coins that are very oversold (RSI), approaching Support and with potential momentum (MACD) inflection.

And vice versa for very coins that are very overbought, approaching resistance and momentum inflection.

TA CONCEPTS COVERED

- RSI (Overbought, Oversold)
- Support / Resistance
- MACD Histogram inflection

Oversold at Support, Overbought at Resistance

PRACTICAL IMPLEMENTATION

- Scan for coins that are oversold (RSI), approaching Support and with potential momentum (MACD) inflection
- Creating Alerts for Very Oversold / Overbought coins using RSI
- Using Signals Summary page

TRADING RULES

- Buy when RSI dips under 25 and MACD Histogram inflects bullish or price near support
- Sell near the next Resistance or when MACD Histogram inflects bearish

Lesson 5: Relative Strength Index (RSI)

- **Relative Strength Index** – RSI is a momentum indicator that measures the magnitude of recent price changes to analyze overbought or oversold conditions. RSI will rise as the number and size of positive closes increase, and it will fall as the number and size of losses increase.
- **RSI values range from 0 to 100**
$$RSI_{\text{step one}} = 100 - \left[\frac{100}{1 + \frac{\text{Average gain}}{\text{Average loss}}} \right]$$
- In a strong uptrend, RSI will often exceed 70 for sustained periods, and downtrends can stay at 30 or below for a long time.
- Coin is considered overbought (due for a correction) when RSI is above 70, and oversold (due for a rebound) when it is below 30. **Recommend using more extreme levels (80/25) to reduce false readings.**
- RSI (14) uses 14 periods to calculate values. altFINS also offers RSI (9) and RSI (25).

Lesson 5: How to use RSI?

1. **Extreme Oversold at Support:** potential entry areas in Uptrend when RSI dips under < 30

RSI 14 is below 40 ✘ Market Cap (\$) is above 5000000 ✘

RSI 14 is below 40 ✘ Medium Term Trend is Up ✘ Long Term Trend is Up ✘ Market Cap (\$) is above 5000000 ✘

RSI 14 is below 40 ✘ Medium Term Trend is Up ✘ Long Term Trend is Up ✘ Market Cap (\$) is above 5000000 ✘ MACD Histogram H2 is Up ✘

2. **Extreme Overbought near Resistance:** Warning sign for your existing positions. Trim your position when RSI reaches extreme Overbought levels ($RSI > 80$), especially when near Resistance.

RSI 14 is above 80 ✘ Market Cap (\$) is above 5000000 ✘

3. **Bullish sign when RSI crosses above 50.** Potential entry areas in Uptrend. Could use it to confirm MACD crossovers:

RSI 14 crossed above 50 within last 5 intervals ✘ Medium Term Trend is Up ✘ Long Term Trend is Up ✘ MACD crossed above MACD Signal Line within last 2 intervals ✘

Lesson 5: RSI Divergence

RSI Divergences:

- Bullish divergence: price declines but RSI rises
- Bearish divergence: price rises but RSI declines
- Can be used as a confirmation of a reversal pattern breakout (Falling Wedge or Channel Down)

We don't have a way of scanning for RSI Divergence yet on altFINS platform but you can scan for Falling Wedge or Channel Down patterns.

Lesson 5: Bullish RSI Divergence



Bullish divergence:

Price declines
but
RSI rises

Confirms Bullish
Breakout from
Falling Wedge

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"Technical Analysis is the only way to measure the emotional component of the market. We know that many times an ounce of emotion can be worth a pound of facts. How else to explain a sudden shift in the market without a change in the fundamentals?"

- STEVEN NISON

credited for bringing Japanese techniques to the western world

Instructor

Richard Fetyko, CEO and Founder, altFINS



Mr. Fetyko spent 14 years on Wall Street as an equity research analyst at investment banks like Janney Montgomery Scott, covering Internet and Tech sectors, and then 6 years as a portfolio manager at a family fund Twin Capital.

During his Wall Street career, Mr. Fetyko was ranked among top analysts for his coverage of Internet:

[Ranked No. 2](#) by StarMine Analyst Awards in 2010 for ratings performance in Internet Software & Services industry

Ranked No. 4 and No. 2 by The Wall Street Journal's "Best of the Street" Analyst Survey in Advertising and Publishing sector in 2008 and 2007, respectively.