Session Number	39
Level	advanced
Instructor	PForex Department of Education

Relative Strength Index-RSI Indicator

Thirty ninth session of Forex Training

Welcome to Forex professional training in **financial markets**.

Relative Strength **Index-RSI** indicator, Overbought and Oversold will be studied in this session.

RSI

RSI, Relative Strength Index, is a widespread oscillator which is based on a **Momentum oscillator**.

RSI indicates the saturation of buying or selling in the market.

RSI predicts the future movement of the market price, thus RSI is one of the most popular **oscillators** among traders.

Overbought is the time when there is abundance of **Buy orders** on a symbol and a considerable number of traders are closing their Buy orders.

Overbought occurs when a trend in RSI passes the level 70 towards the top.

Whenever price crosses the level 70 towards the bottom, a **Sell order** would be beneficial, thus, a trader should wait for that moment to place a Sell order.

Forex Training: Thirty Ninth Session

Relative Strength Index or RSI, Over Bought and Over Sold

- RSI or Relative Strength Index

- Based on a Momentum, saturation of Sell and Buy orders

- Over Bought price - above the level 70 - over bought starting point, price breaks level 70 towards the bottom- Sell order

- Over Sold price – below the level 30 - over Sold starting point, price breaks level 30 towards the top – Buy order

- Market trend with RSI, above level 50 indicating a Bullish trend - time to buy; below the level 50 indicating a Bearish trend - time to sell

Oversold is the time when there is an abundance of Sell orders on a symbol and a considerable number of **traders** are closing their Sell order.

Oversold occurs when a trend in RSI passes the level 30 towards the bottom. Whenever price crosses **level 30** toward the top, a Buy order would be beneficial.

When RSI trend is between 70 and 50, market price may have a rising direction and traders can place Buy orders.

When RSI trend is between 30 and 50, **market price** may decline and traders can place Sell orders.

RSI can be applied for the following purposes:

1. To predict **reverse point** of trends beforehand
2. To specify divergence and **convergence**
3. To indicate overbought and oversold regions

Patterns can be applied on oscillator trends, too. Some useful examples can be reviewed for further study.

RSI can be inserted from an Oscillators option of the **Indicator** menu.

In modification window, trader can add another level that has a value of 50.
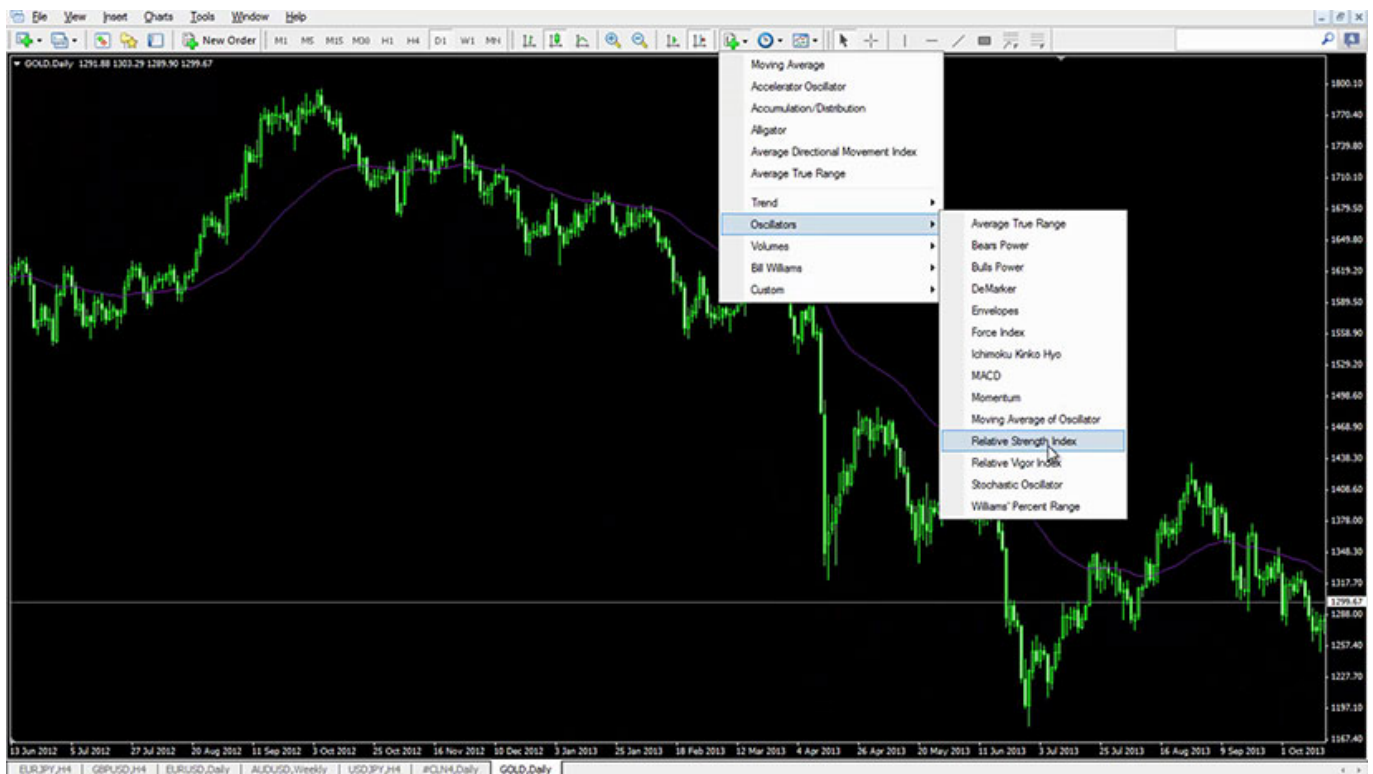
There is a gap between the RSI trend and the market trend. **Market trend** has a faster manner rather than RSI trend.

RSI trend went up to level 70 and passed this level. When RSI trend is over level 70, market is in **Overbought** condition.

RSI trend has forecasted downward market trend, thus trader could place a **Sell order**.

Trend has passed 30 toward the bottom followed by an upward

[movement](#).

When it passed level 30, trader could place a Buy order on this symbol.

Another Overbought condition on the RSI trend followed by a **fluctuation** around the level 70.

After RSI trend passed the level 70 towards the bottom, Sell order could have been placed.

Another example of an **Oversold** condition in which RSI trend was less than level 30.

After the RSI trend crossed level 30 and moved towards the top, trader could have placed a **Buy order**.

RSI shows us Overbought and [Oversold](#) conditions.

When RSI trend is over the level 50, an **uptrend** is more presumptive rather than a downtrend.

If RSI trend is lower than the level 50, it is recommend to place a Sell

order. Support and **resistance lines** can be drawn on the RSI chart.

For instance, there is a support line on the RSI, relative trade can draw a support line on the market trend.

Comparing the timeframe of declines on the market and RSI indicates that RSI predicted the downtrend before the market started its **downward** movement.

An Engulfing candle pattern has formed on the market trend, too.

This Engulfing pattern covers the previous candlestick completely, thus it is an ideal **Engulfing** pattern.

A **good opportunity** has formed to place a Sell order by traders.

Even on the previous Oversold example, traders could detect a Level which had a significant effect on the **market price**.

Market trend can be speculated through using an RSI oscillator. A **downward trend** on RSI can be drawn.

Concurrently, market price has declined. When RSI trend was passed towards **the top**, market price has increased around 1,600 pips.

A **hammer** pattern has confirmed the uptrend on that timeframe, too.

That concludes this session, until next time and another session take care.

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