

# BackTesting Report Presents The Official Study Guide For The Truth About MACD Video Series

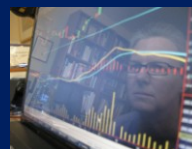


## LESSON 1: INTRO TO MACD

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**THE TRUTH  
ABOUT MACD**

What Worked  
What Didn't Work  
How to Avoid Mistakes Even Experts Make



Trading involves risk of loss. See the full disclaimer at the end of this video.

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## Course Overview

### How to Make MACD Work for You

- ☉ **How MACD Signals Are Used and Misused**
- ☉ How BackTesting Helps You Choose a Strategy
- ☉ BackTesting Results of MACD Strategies
  - How to Pick the Best MACD Strategy
  - When NOT to Rely on MACD
- ☉ Critical Skills to Manage Risk
- ☉ Bringing it All Together: Trading with MACD

## Introduction to MACD

- ☉ MACD Overview
  - Moving Average Convergence Divergence
  - Technical indicator
  - Invented by Gerald Appel in 1970s
  - Difference of two moving averages (MA)
  - Gets the jump on MA crossovers

### **“Divergence” is an Overloaded Term**

- ☉ D in MACD is not the divergence you seek
  - Moving Average Convergence Divergence
  - MACD line moving away from its zero line means moving averages spreading farther apart which indicates trend increased in strength
- ☉ Anatomy of MACD
  - Anatomy of MACD: MA is backbone
  - MACD Line is Difference of Two MAs
  - Appel’s Histogram Tracks MACD
  - Signal Line Smooths MACD
  - MACD Histogram is Difference Between MACD and Signal Lines
  - Basic MACD Order of Events
- ☉ MACD Signals
  - MACD Divergences – where the indicator does not confirm price
  - MACD Positive Divergence





**© Review Quiz Answers**

1. *MACD represents the Difference of Two MAs*
  - a. *Typically the MACD line is calculated as the difference between the 12 Bar Exponential Moving Average (EMA) and the 26 Bar EMA.*
  
2. *The two ways to draw a MACD histogram are:*
  - a. *MACD line plotted as a Histogram or "Appel's Histogram"*
  - b. *MACD Histogram is the difference between MACD and signal lines*
  
3. *The conditions for a positive or "bullish" divergence on the MACD are:*
  - a. *When price makes a low, and then an even lower low, while the MACD indicator makes a higher low.*

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