

C H A P T E R 25

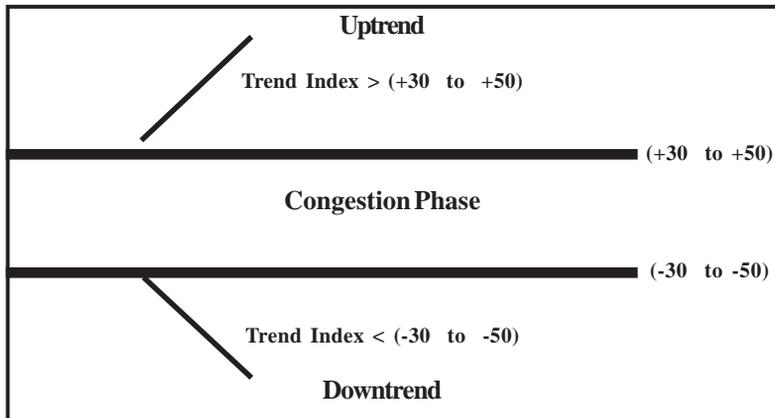
Joseph Trend Index

The Joseph Trend Index (JTI) is a dynamic mathematical model that can be used to identify the Trend of the market, the direction of the Trend and the strength of the Trend. Of all the studies in eSignal, the JTI has the most complex routines and takes the most time to calculate. The JTI also uses the same algorithm for all markets and all time frames (such as daily, weekly and monthly).

The JTI calculates a Trend Index value which can be set to track the short-, medium-, normal- or long-term Trend of the market. If the Trend Index Value is greater than (30 to 50), the model classifies the market as trading in an Uptrend. If the Trend Index Value is less than (-30 to -50) the model classifies the market as trading in a Downtrend. There are times when a market fails to generate a Trend Index Value; these are usually seen during extreme congestion periods.

The JTI is very different from studies such as the DMI. It uses a proprietary correlation routine that calculates the Trend Index. The primary objective while designing the JTI was to create a study that kept one from taking positions against a major trend. Historical testing indicates that JTI handles this very well. The added bonus is its ability to act as an early warning study both prior to a break out of the Trend and at the end of a Trend.

The JTI is an older study in the eSignal program. The newer XTL study has the same basic goals and principles as the JTI, and does it without having to add another study to your chart, taking up additional space. We recommend using the XTL over the JTI, but for those who would like to use the JTI, here is a brief explanation.



Once the Trend Index Value is calculated, the software internally calculates and projects various price action values, which are dynamically adjusted to the current market conditions. This is used to classify the strength of the Trend and is displayed in four colors.

Red – The Trend is very strong

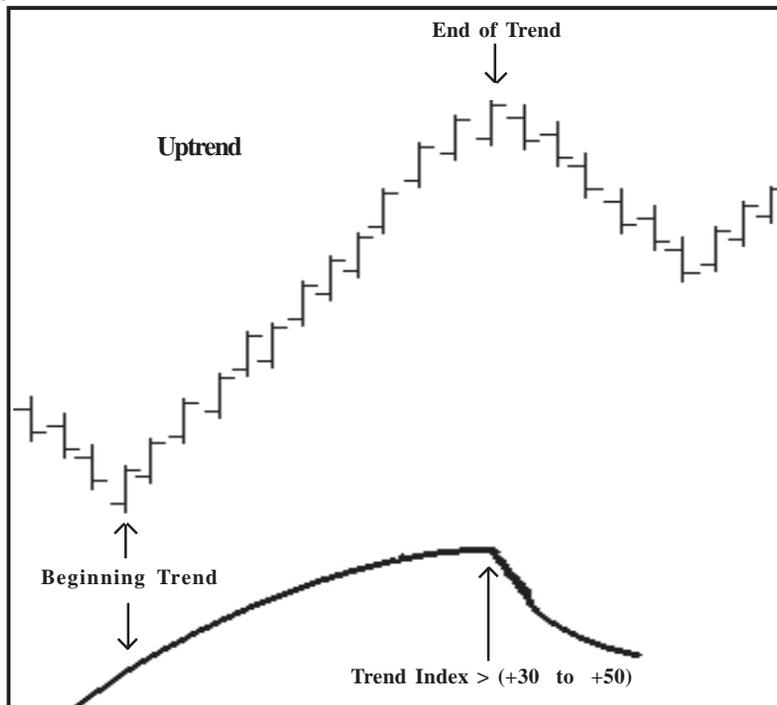
Blue – The Trend is of medium strength

Green – The Trend is of low strength

Yellow – For most part is caused by noise in the market

Almost all Wave Three phases and extended Wave Five Phases generate a Strong (red) Trend Index Value. Generally, most of these phases start out with low or medium strength Trends and progress to a strong trend. However, many times the Strong (red) Trend appears during the early stages of a move and the JTI is designed to detect this.

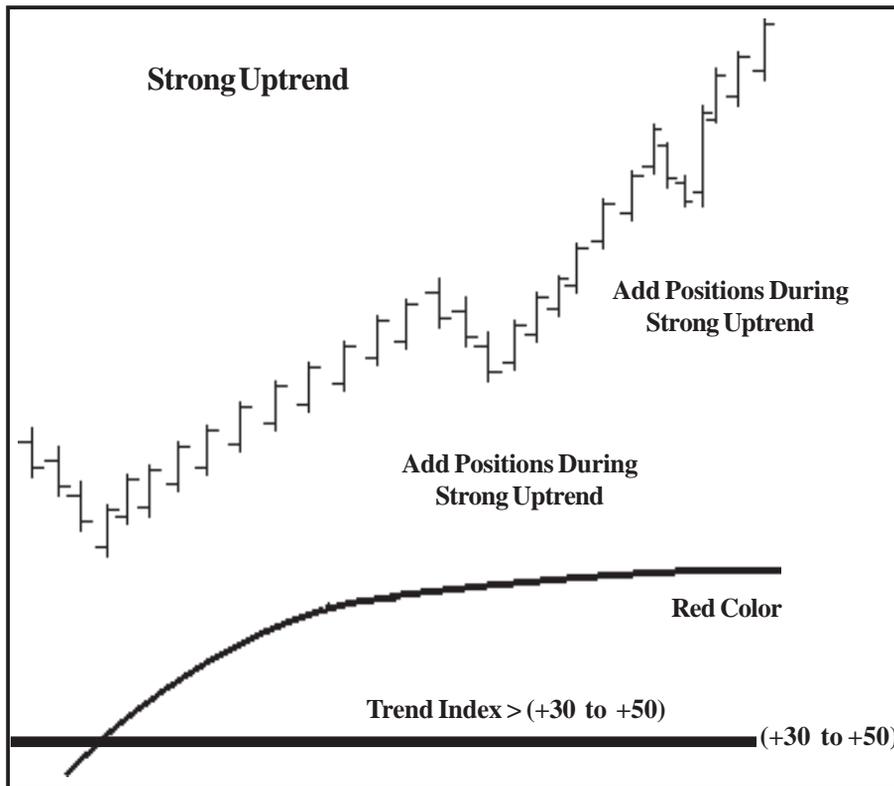
Wave Three phases and extended Wave Five phases also show a strong tendency to lower their trend strength prior to completion. The JTI is quick to detect this and alerts the user by downgrading its trend strength and changes to a lower strength color.



JTI indicates the trend is over either by showing lower trend values or by downgrading the trend strength and then changes to a lower strength color.

How JTI Can Be Used

- 1) The JTI can be used as an early warning signal to identify the beginning stages of a Major Trend.
- 2) The JTI can be used as an early warning signal to identify the end of a Major Trend.
- 3) The JTI can also be used as a non-biased and objective tool for adding positions on interim pullbacks during a confirmed strong Trend.
- 4) The JTI provides a mathematical model that classifies Trend Strength, and keeps one from initiating trades against a Strong Trend while the Strong Trend is still in progress.



Please Note: Since the JTI is a new study and slightly non-conventional due to its two dimensional display (direction and strength), some users may find it hard to grasp the concept. The only way to overcome this is to work with historical data repeatedly until you become familiar with the JTI study.

Notes

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