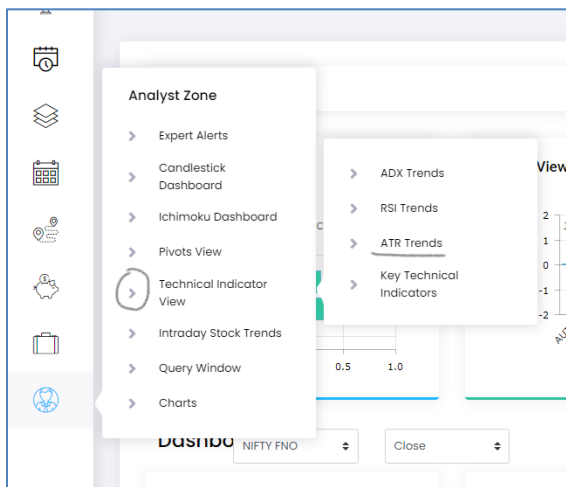


## ATR TRENDS

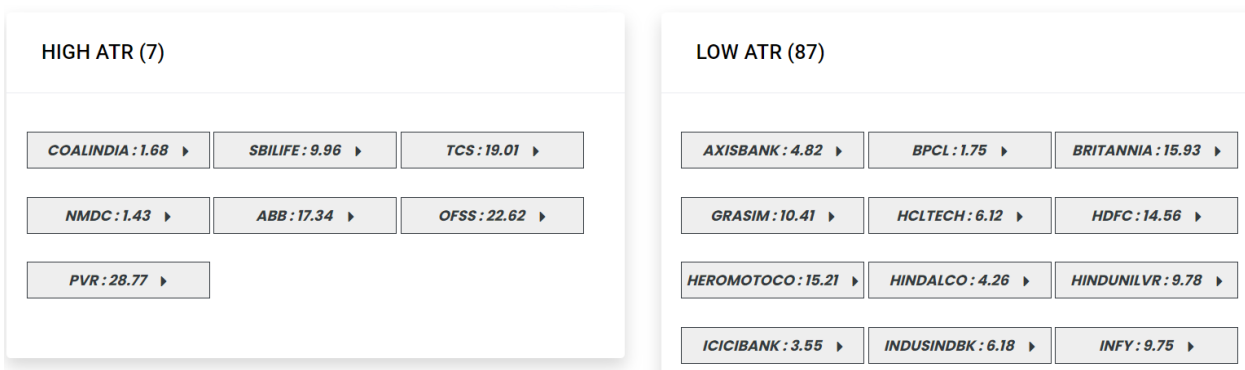
The average true range (ATR) is a market volatility indicator used in technical analysis. The true range indicator is taken as the greatest of the following: current high less the current low; the absolute value of the current high less the previous close; and the absolute value of the current low less the previous close. The ATR is then a moving average, generally using 14 days, of the true ranges.

### How NeoTrader Uses ATR

NeoTrader has created a dedicated page for ATR indicator and this is available under the tab Technical indicators.



Here is what you see soon as you open this tab of ATR Trends



The page shows some selection of stock names divided into High and Low ATR. One has to understand here that ATR is a measure of volatility of the stock.

Volatility is directionless and is classified as being high or low. When movements are larger in a given time frame, its volatility readings shall be large and when moves become quiet and limited, the volatility readings shall be low. Now, volatility has a mean reverting characteristic and hence it is important for us to know which stocks are exhibiting what kind of volatility.

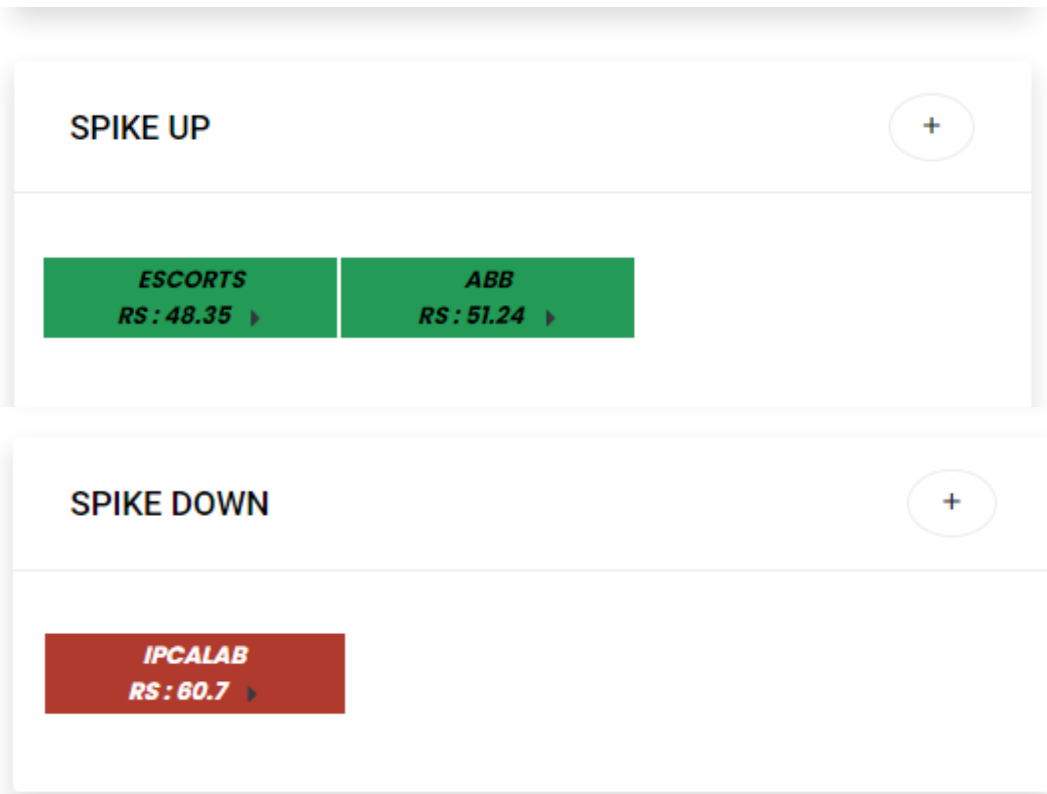
We have defined a certain threshold for volatility measure and therefore only selected stocks will finally make it to the list of High and Low volatility, shown by the ATR levels. The rest of the stocks from the selected universe can be said to be facing 'normal' volatility.

### **ATR as a Stop loss/ Target Mechanism**

- ATR is an absolute figure. This figure is displayed against the name on the ATR page or shown separately under the Levels table.
- This figure shows the average range that the stock has exhibited over the past 14 periods (of chosen time frame).
- Since future range of price movements are often governed by past price action, it is expected that the ATR figure shown can be used to gauge what can be the movement in the next candle.
- The ATR figures are used directly to calculate Stops and Targets from the entry price of your trade. You can also play around with ATR figure as per your convenience; for e.g. one time of the ATR can be used as a stop loss and 2 times of the ATR figure can be used as the target and so on. If ATR values are large, you can use a fraction of it (such as half ATR etc.) for placing stops and targets.
- ATR figures are market generated numbers. Using these for stops and targets makes more sense because using random Rupees as stops and targets makes it arbitrary. So is using percentages of price. Hence using ATR figures, we can be more oriented to the actual movement of the stock.

## ATR Spikes

This section helps cumulate all the stocks that have shown some *volatility* spikes (please note, not price).



ATR spikes is a signal of onset of momentum, when a sudden movement happens in a stock it denotes change, and where there is change, there lies an opportunity. The concept is simple, when something is standstill there isn't much opportunity, but where there is movement there is a chance to profit from that movement. Neotrader tracks the significant changes in volatility readings on an intraday and multi day basis and identifies the stocks where this is happening.

By doing this we have managed to add a directionality aspect to volatility (which, like we said earlier, is essentially directionless). Please note that this is

capturing the last volatility spike as per the ATR and is *not catching* the latest movement of the stock as per the recent candle.

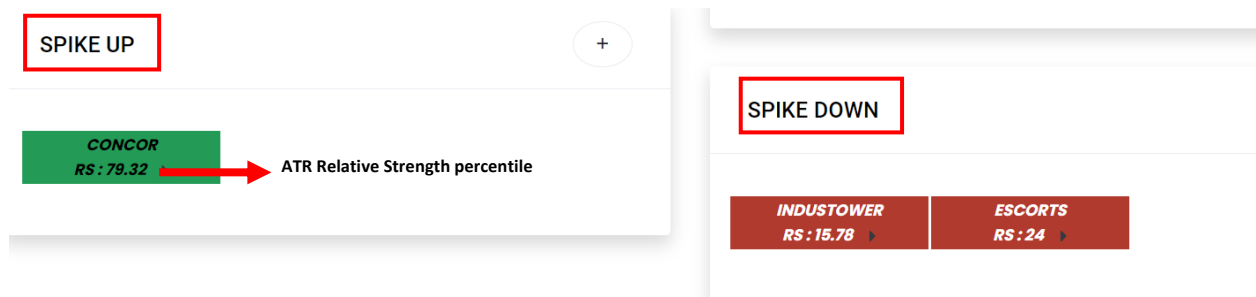
The stocks in this section could be setting off on a new move and hence worthy of further study.

### ATR – Relative Strength (RS)

The ATR –RS is a proprietary indicator of NeoTrader to gauge the extent of move in volatility. Given that volatility is mean reverting in nature, we must know if volatility is already extended or there is more room left for it to expand or contract.

The ATR relative strength is a percentile reading of how much the stocks has moved from the lowest ATR reading recorded In the recent past. To put this in simple terms, it is like a reading of how much movement has happened in the scrip, for e.g. if the stock is at zero level then a bulk of the movement in the stock is pending, if it is at 20-40 the move is just beginning and there is enough headroom for the stock.

Please note that this is a percentile number and not an absolute figure.



- ❖ **Spike up** – cumulates all those stocks that are showing a sudden change in ATR with an upward bias
- ❖ **Spike Down** - cumulates all those stocks that are showing a sudden change in ATR with an downward bias

### ATR levels

Clicking on the Levels will open up the table of values for you.

**ATR Levels**

NIFTY FNO    All    Trend Now    Auto Refresh

Search...    Add to Watchlist

	SYMBOL	TIMEPLAY	ATR	CS VALUE	ATR-RS	LOW	HIGH
<input type="checkbox"/>	ADANIPOINTS	Week	51.36	745.2	59.15	0	0
<input type="checkbox"/>	ADANIPOINTS	30min	5.19	774.75	44.03	0	0
<input type="checkbox"/>	ADANIPOINTS	60min	7.38	774.75	40.48	0	0
<input type="checkbox"/>	ADANIPOINTS	Day	20.45	774.75	33.85	0	0
<input type="checkbox"/>	ASIANPAINT	Week	220.68	3049.95	98.25	2950.55	3117.3
<input type="checkbox"/>	ASIANPAINT	30min	15.84	3077.55	14.72	3066.1	3081.5

The time frame selection can be set to All to see the ATR values across different time frames at one glance. If only a specific time frame is desired, then that can be selected too.

It can be noted that different time frames show different values for the ATR of the same scrip. If one wants to set a stop or target using the ATR levels, one can choose any of the values as indicated by analysis.

One can therefore exercise a great deal of flexibility regarding one of the most vexing problems while trading – what stops and targets to set for a trade! Neotrader now has the easy answer for you!

If you have created a short list of your favorite stocks, just open that in the Universe tab and check out stops and targets of the stocks that you are interested in!