

CONVERGENCE

DIVERGENCE

CONGRUENCE

CONV./DIV./CONG. (CDC) Patterns that determine the strength of the trend or the life span of the trend.

The market conditions become either.

-Bearish divergence or Bullish divergence

The CDC Setup Strategy (cdc) An actual strategy for trading when CDC is present in the market.

CDC

Convergence, Divergence, Congruence

This is a sign that the market is slowing or going to change directions.

On larger time frames, Day - 4 hr charts, it could mean a change in the direction the market is moving ... reversing direction

- If the market was going up it is now going to turn, change direction and head down
- If the market was going down it is now going to turn, change direction and head up

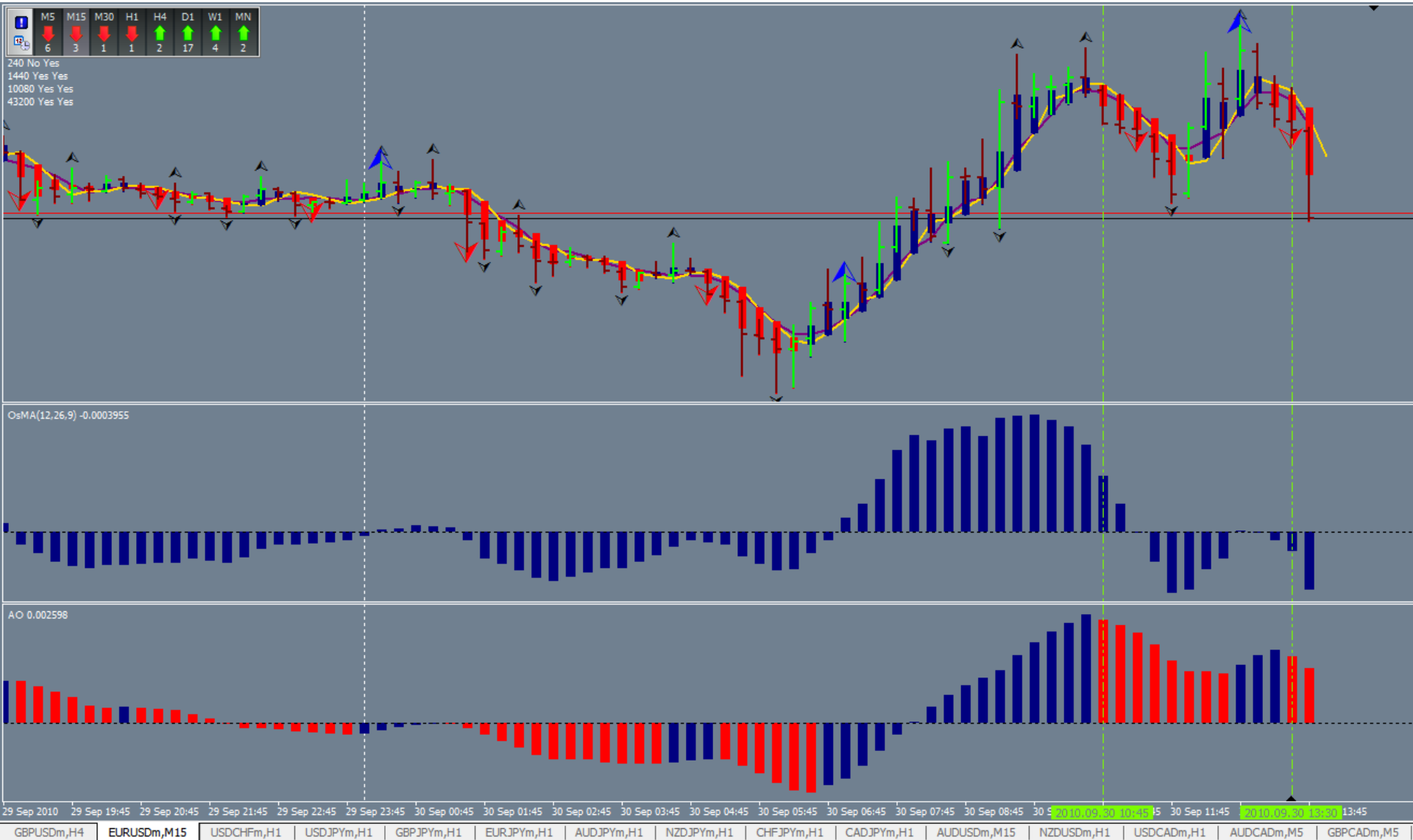
On smaller time frames 1hr, 30min, 15min CDC usually means the market is going to rest, consolidate, or do a small retracement then continue in the same direction of continue with the larger time frame trend

CDC

Convergence, Divergence, **Congruence**

This is simply when the market is agreeing with the direction and not giving mixed matters. This is what happens 75 - 85% of the time. The other 25 -15% of the time the market will become weak and show bearish or bullish tendencies.

QUIZ

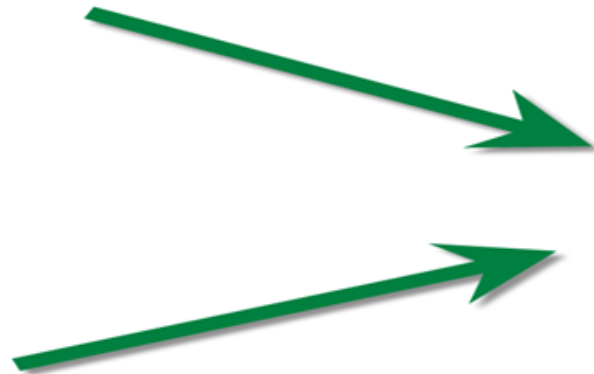




Convergence

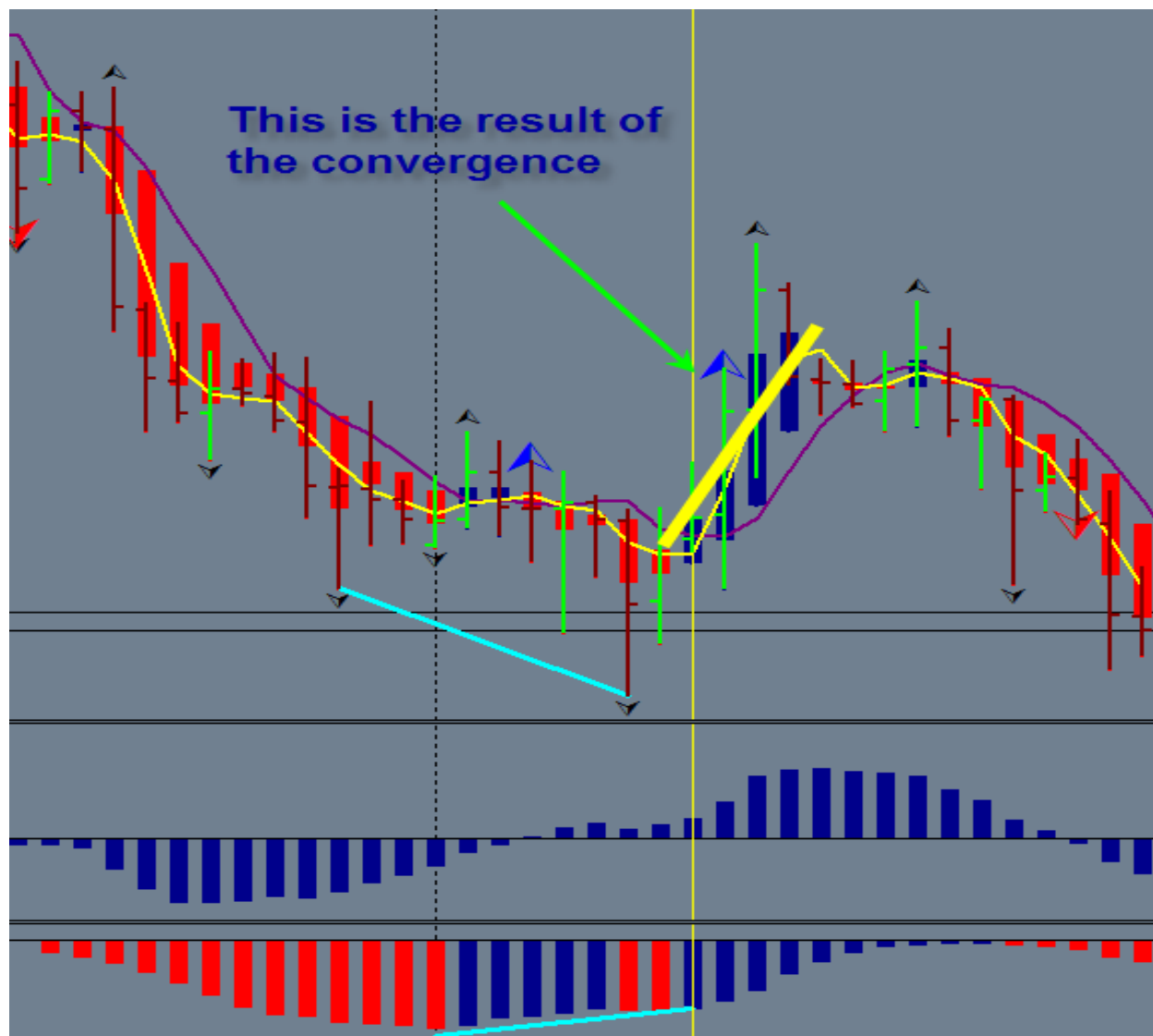
Price Bar

AO



Convergence is where the price bars are going down and the AO is below the zero line going up or closer to the zero line ... the direction the price bar and AO are moving towards each other

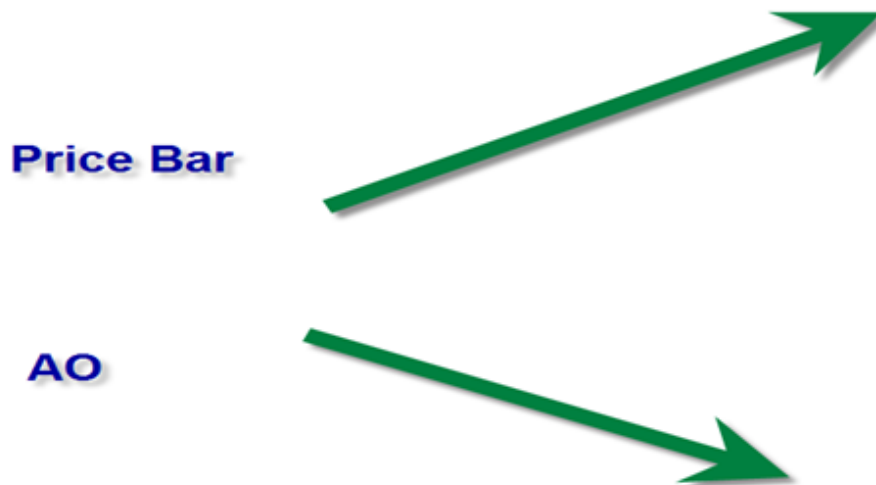
Lower, Lows on the price bar



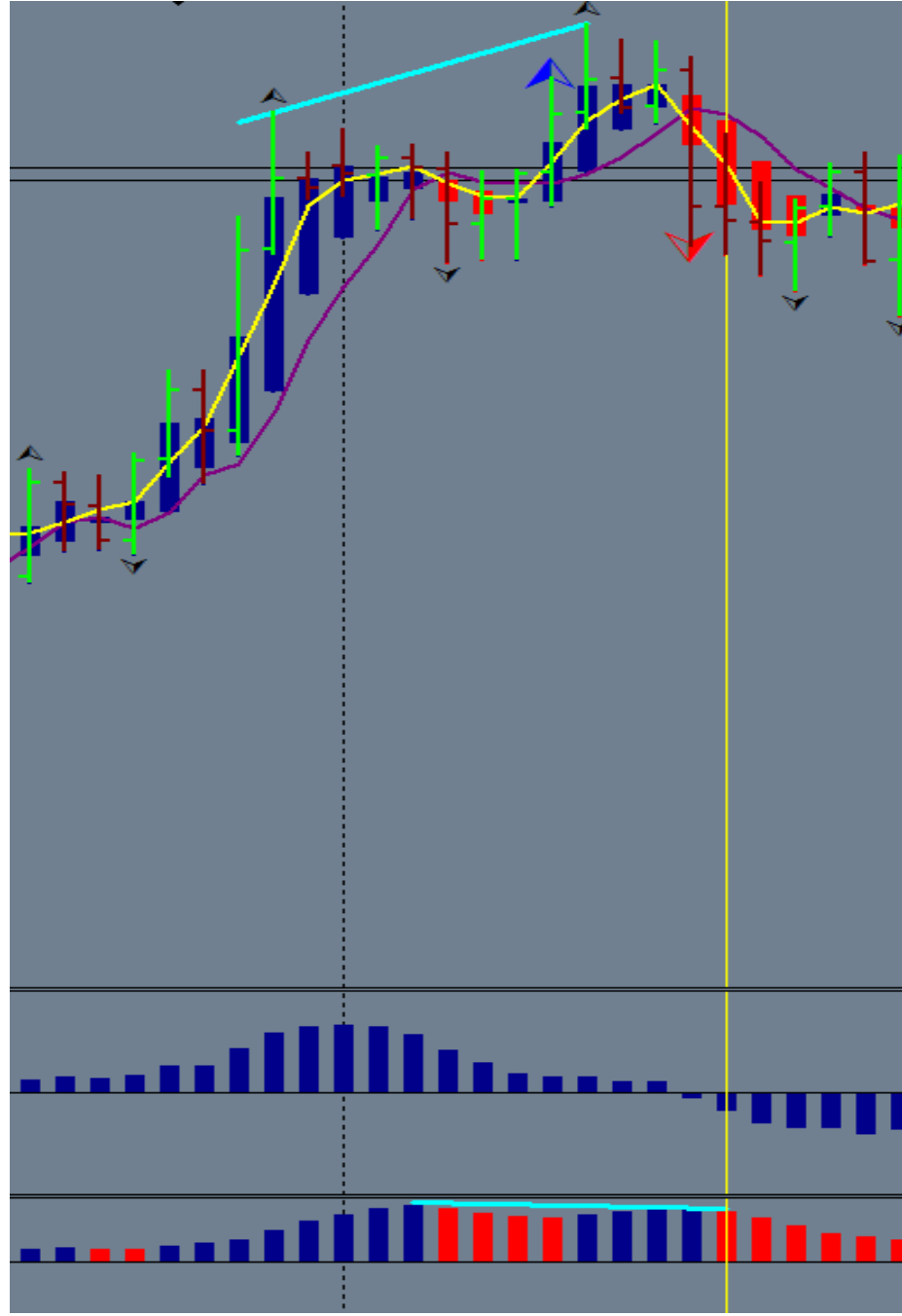


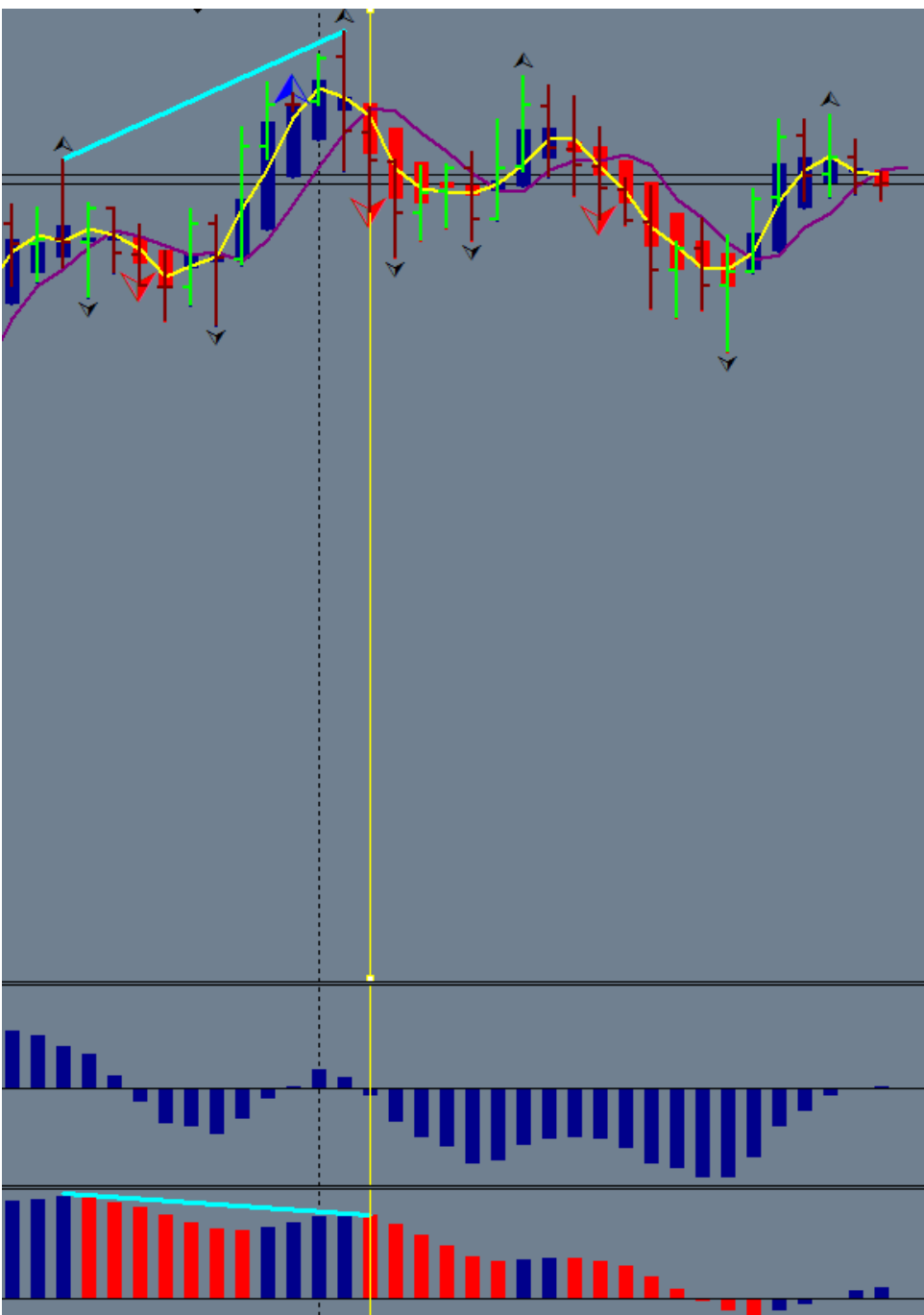
You can see the change in direction once Convergence takes place

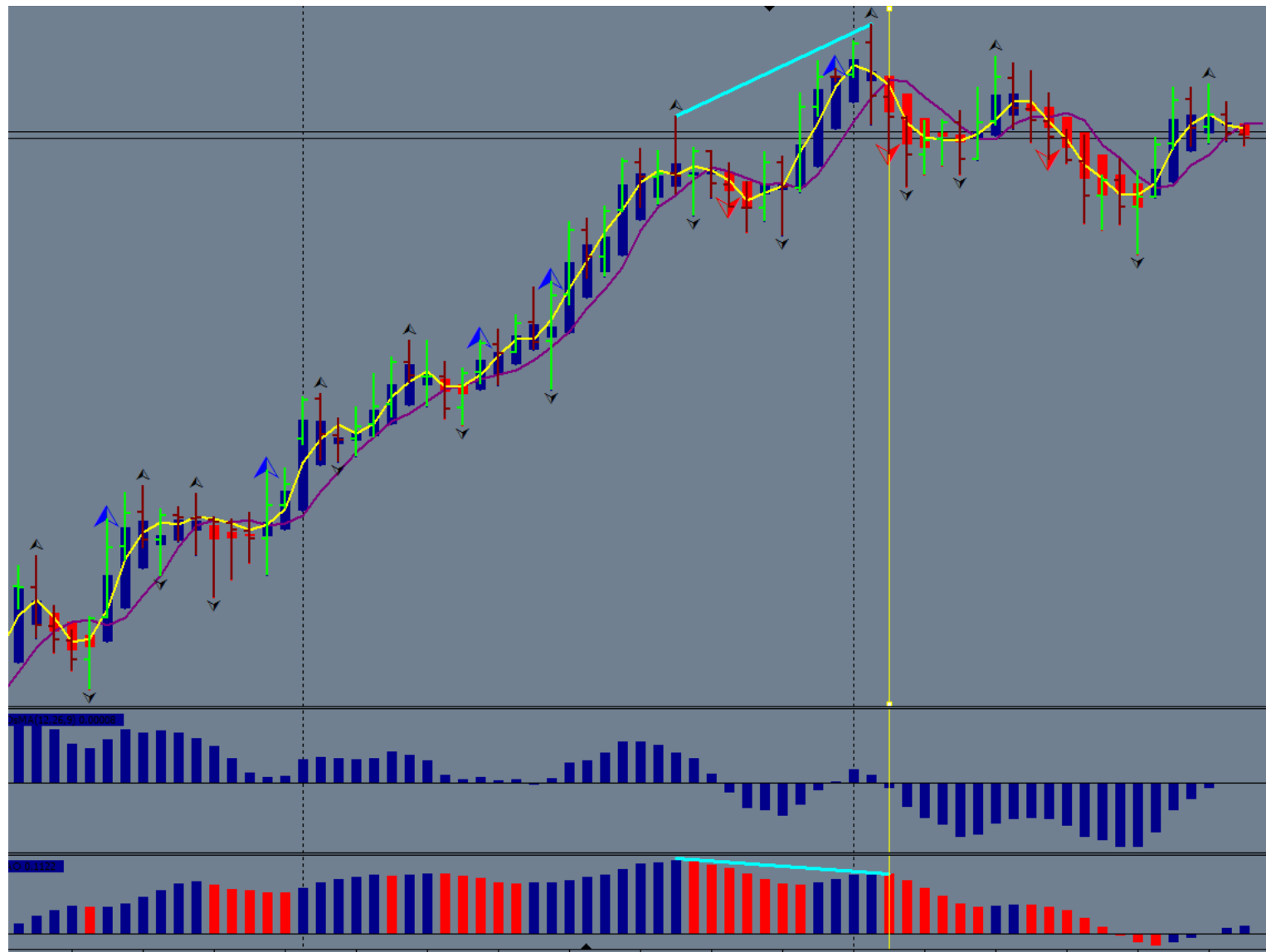
Divergence



Divergence is where the price bars are going up and the AO is above the zero line going down or closer to the zero line ... the direction the price bar and AO are moving away from each other







Market was going up on this 4hr chart
When the momentum on the AO changed the market slowed, started to consolidate
You can see the change in direction once Divergence takes place

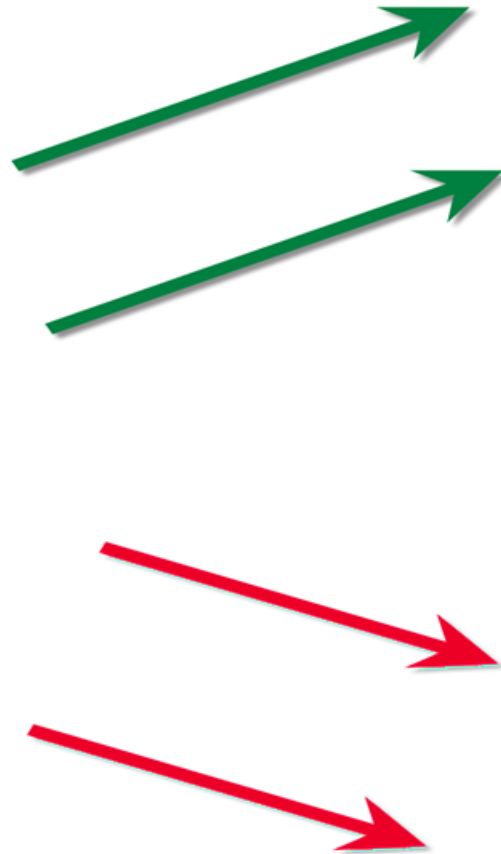
Congruence

Price Bar

AO

Price Bar

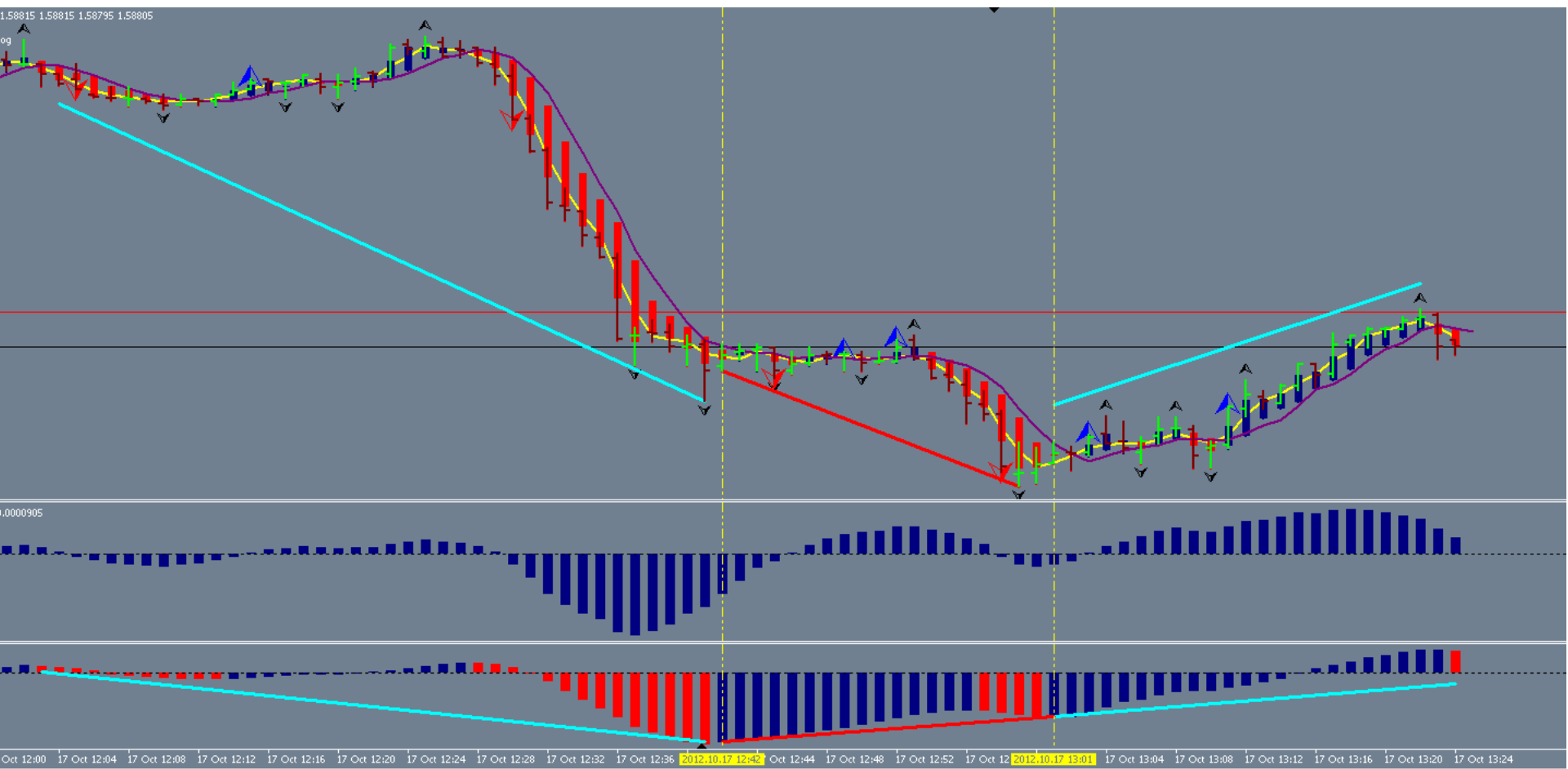
AO





CONVERGENCE

Examples



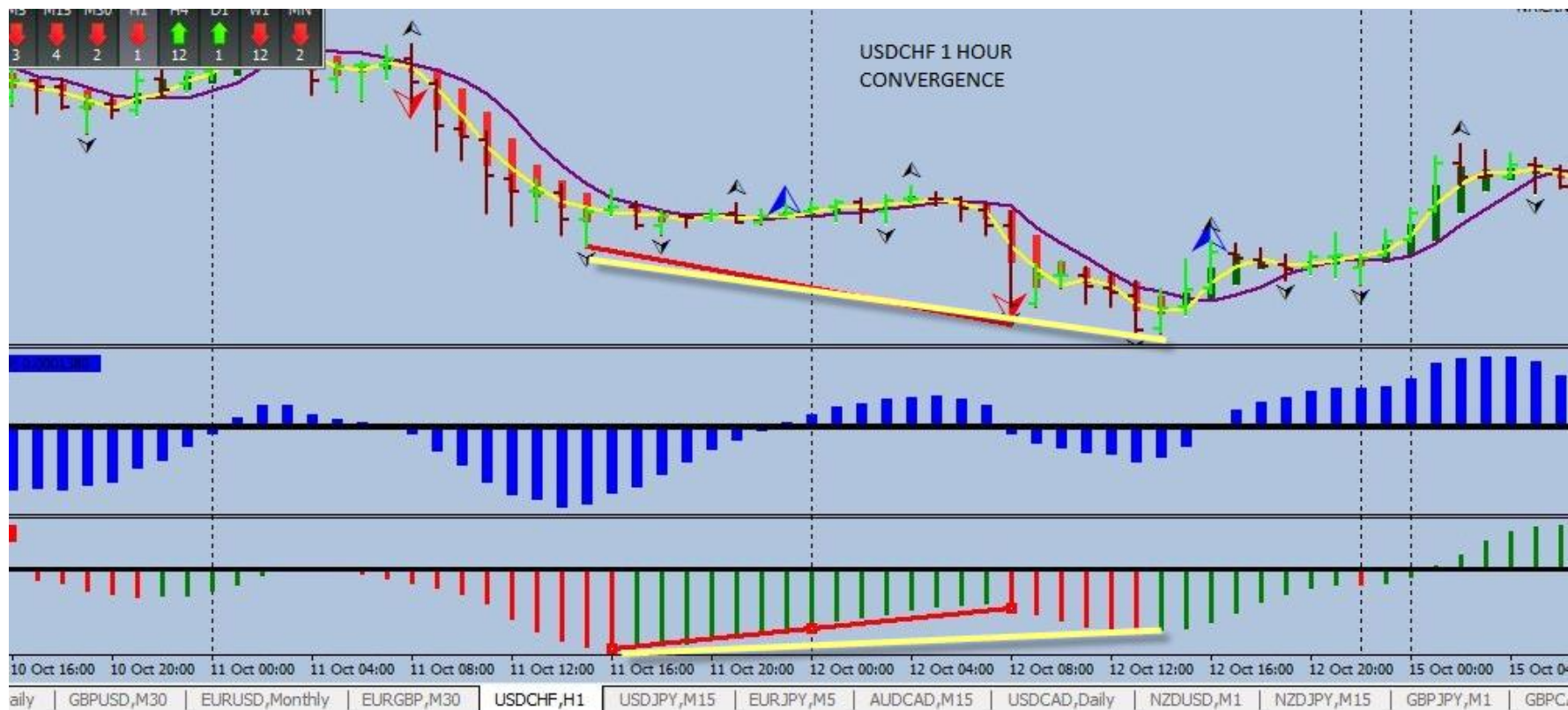






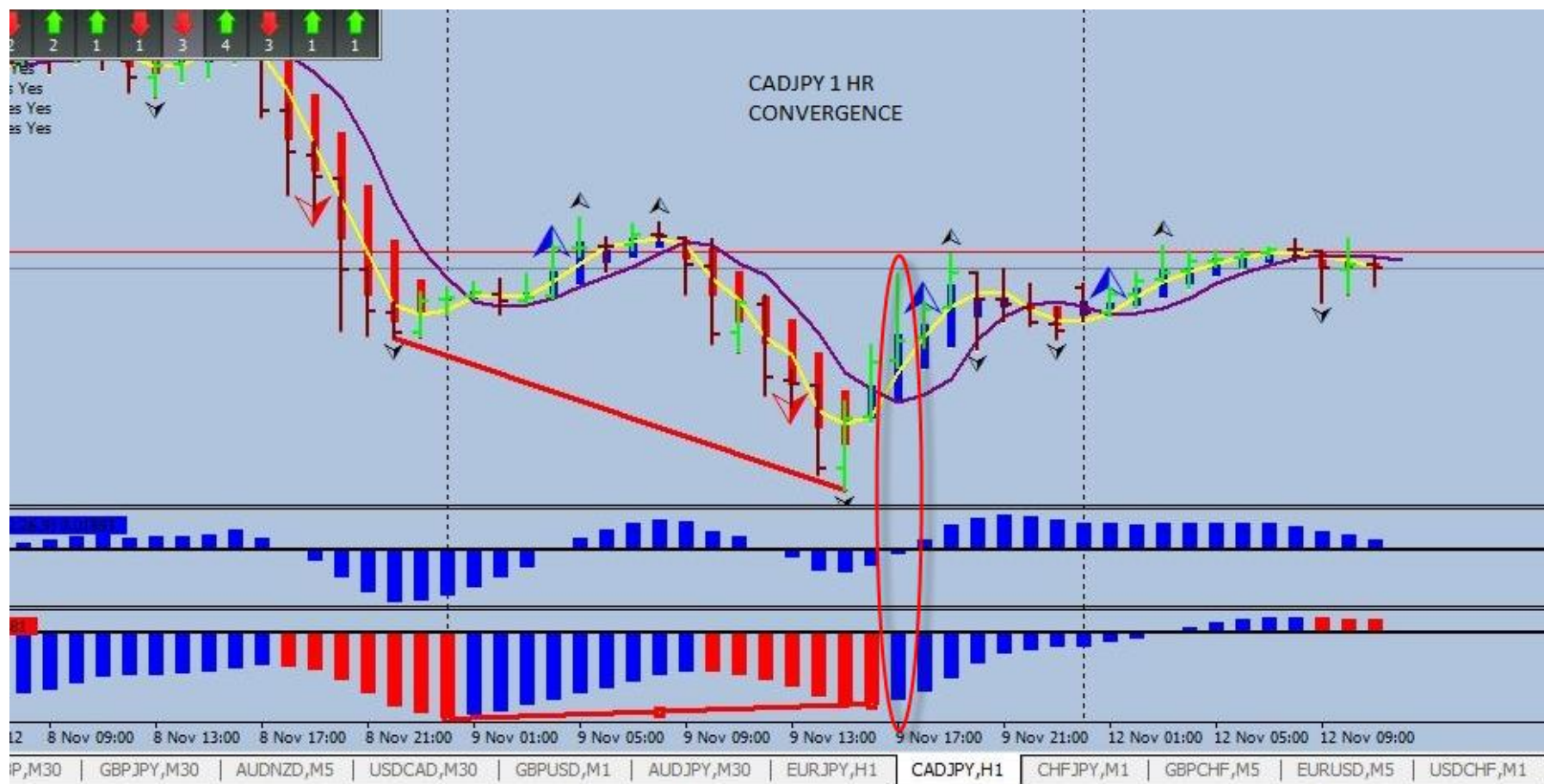




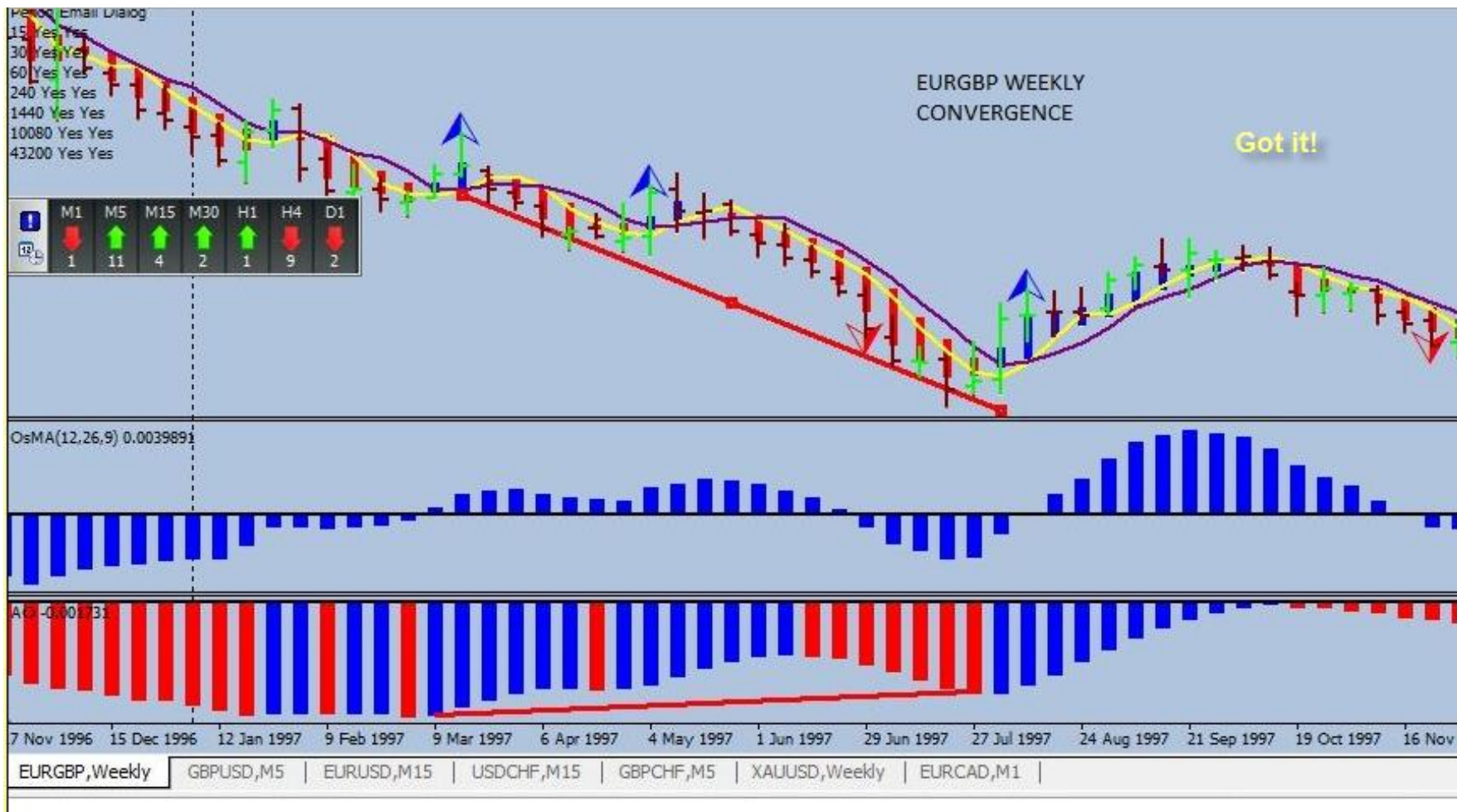


CADCHF DAY CHART -
CONVERGENCE











DIVERGENCE

Examples

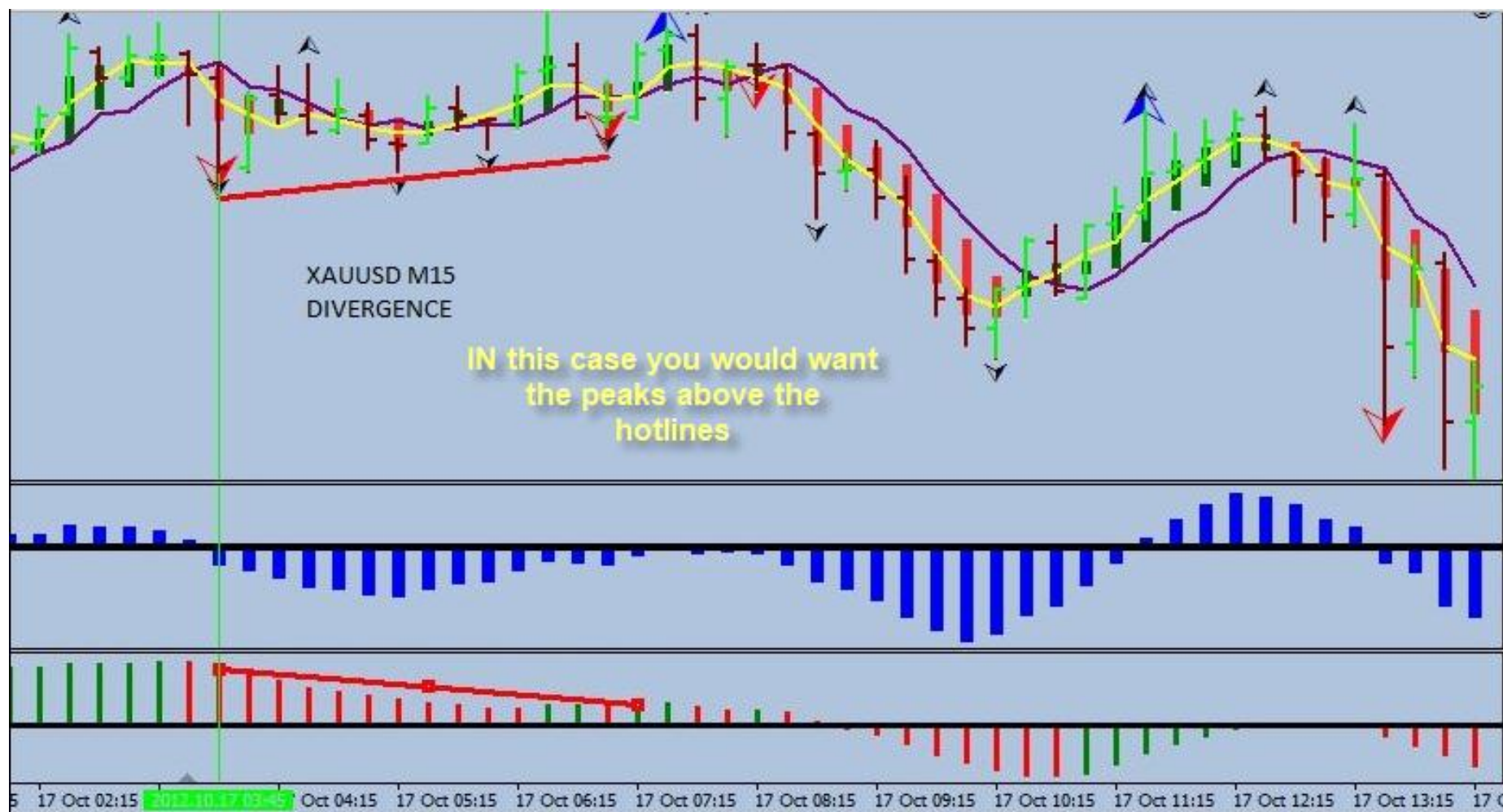


DIVERGENT MARKET

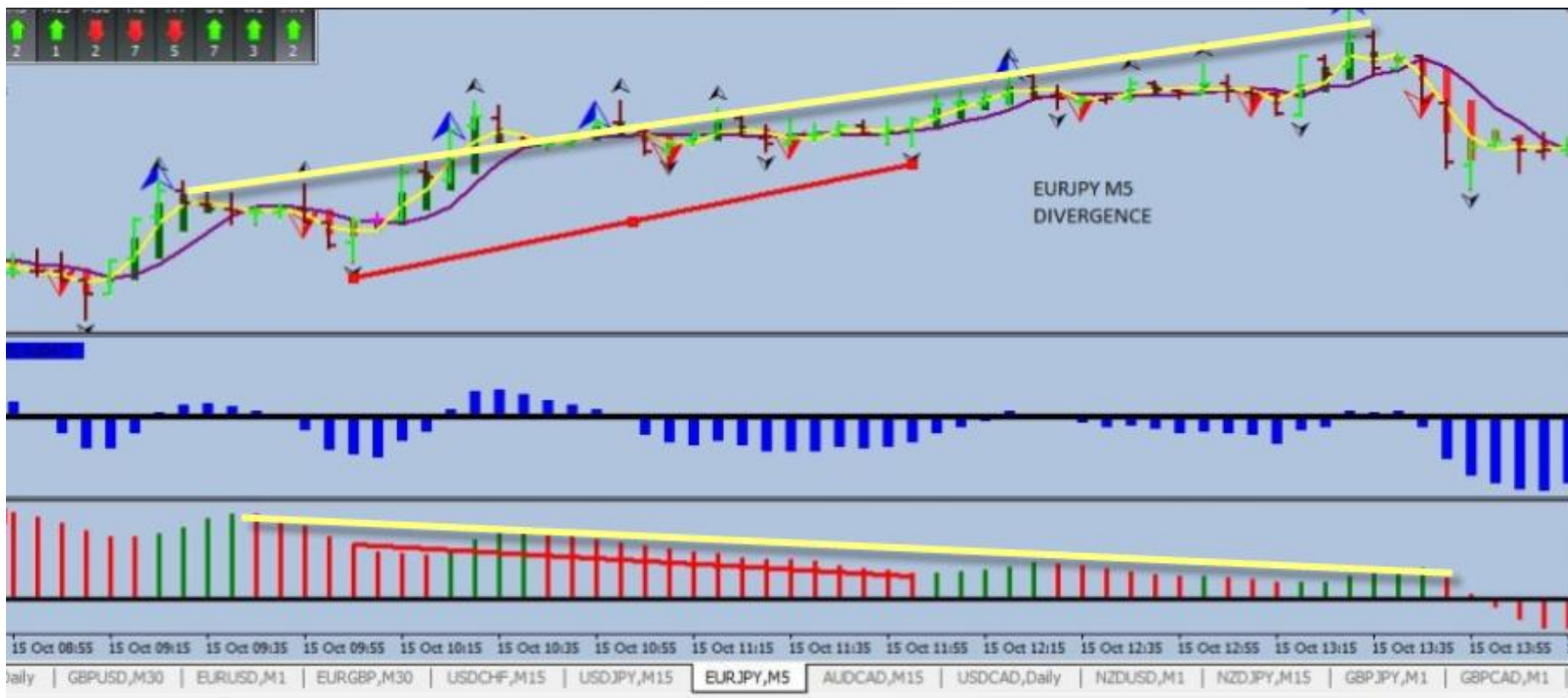


DIVERGENT MARKET



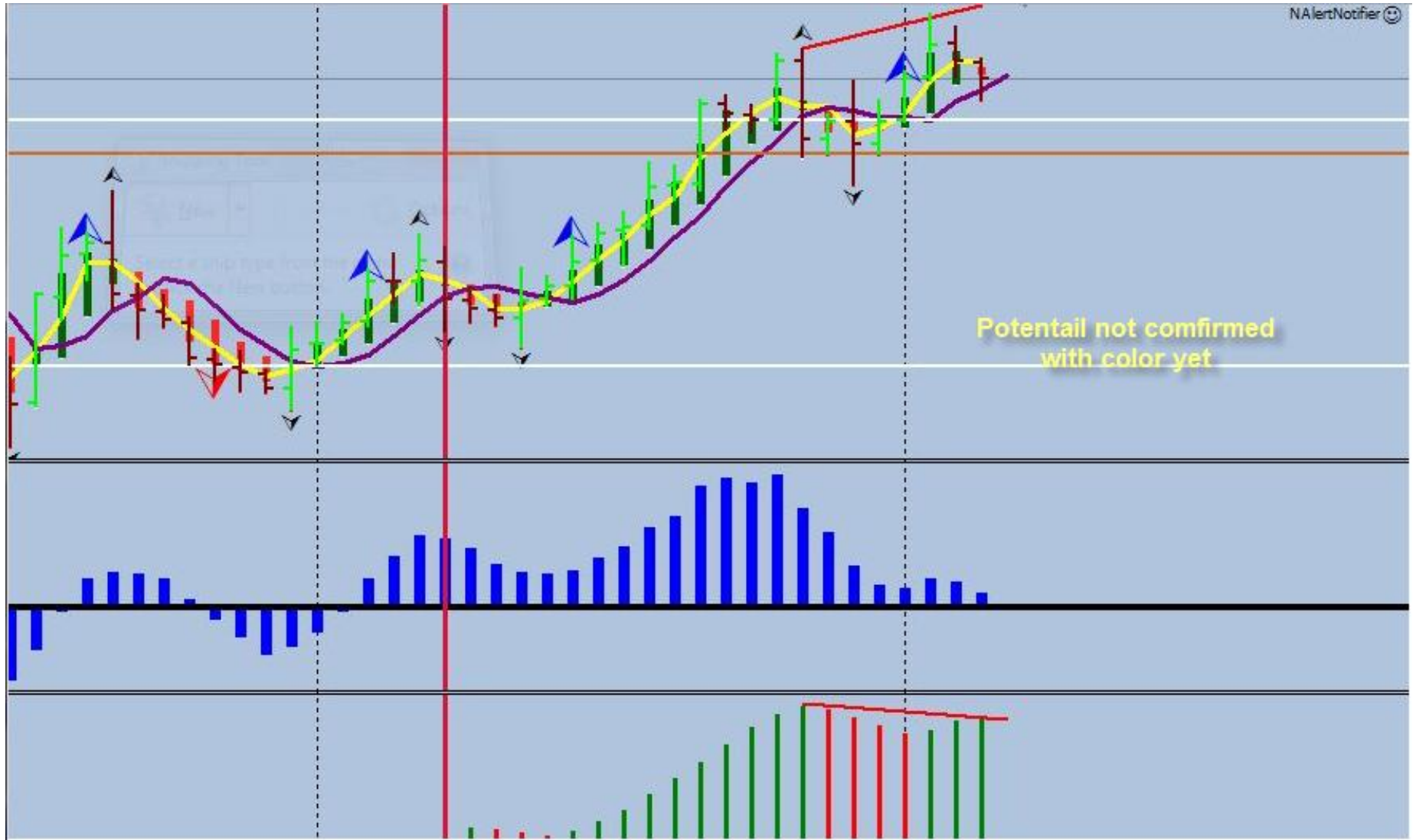














CONGRUENCE

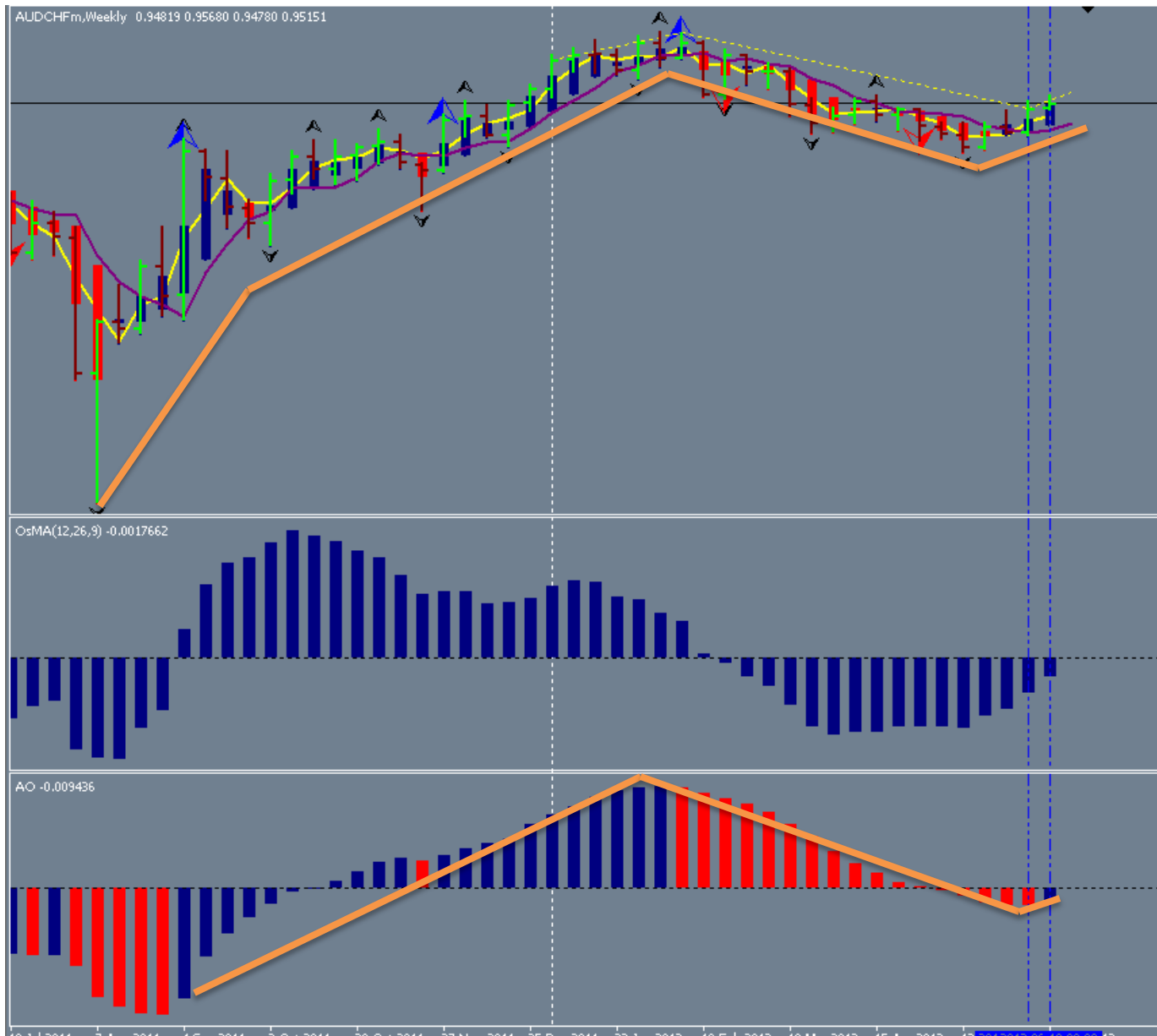
Examples



CONGRUENT MARKET



CONGRUENT MARKET



CONGRUENT MARKET



CONGRUENT MARKET



DIVERGENT MARKET UNTIL GREEN VERTICAL LINE THEN CONGRUENT.



CONVERGENT MARKET UNTIL GREEN VERTICAL LINE THEN CONGRUENT.



DIVERGENT MARKET UNTIL GREEN VERTICAL LINE THEN CONGRUENT.

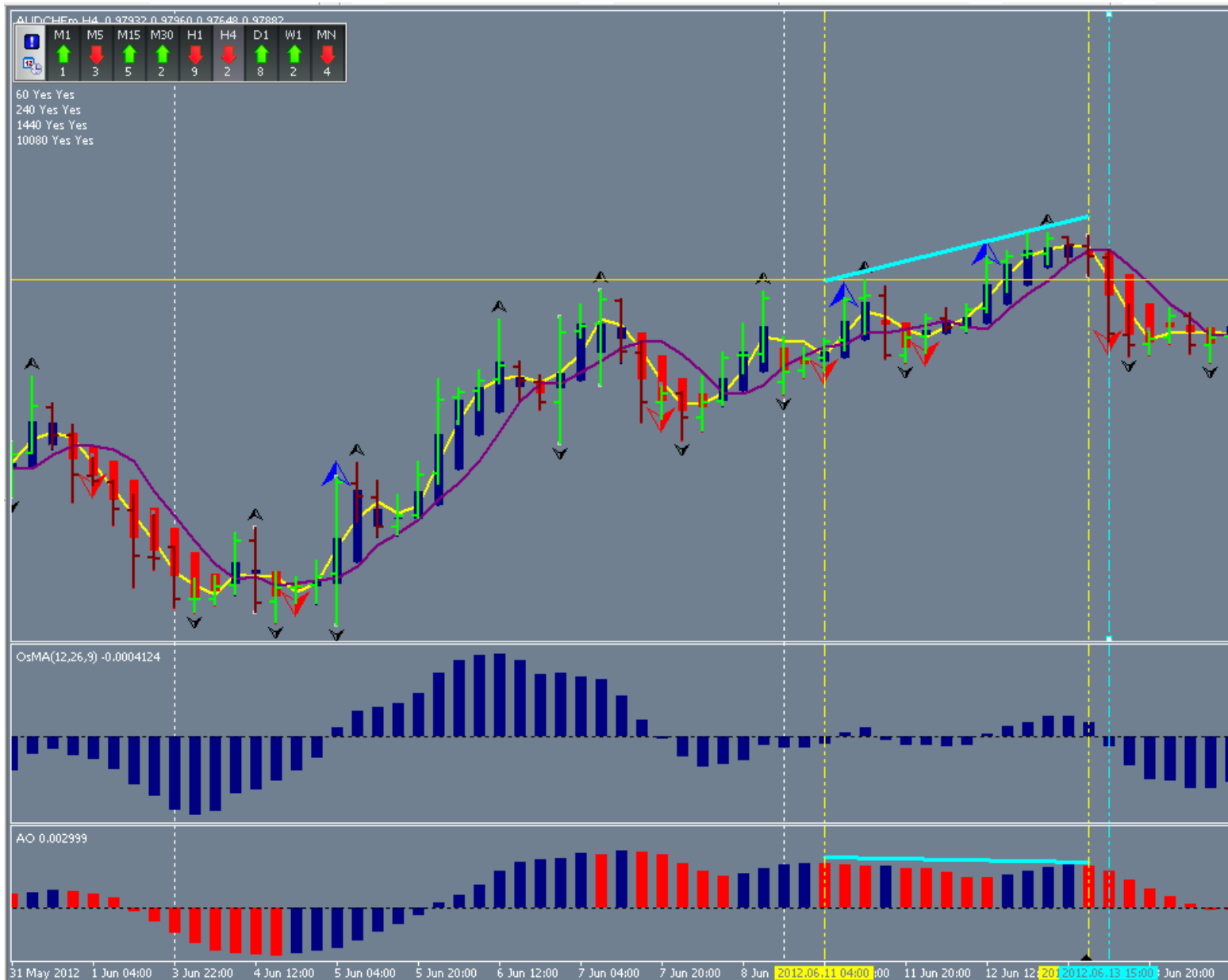
CDC Set up

RULES:

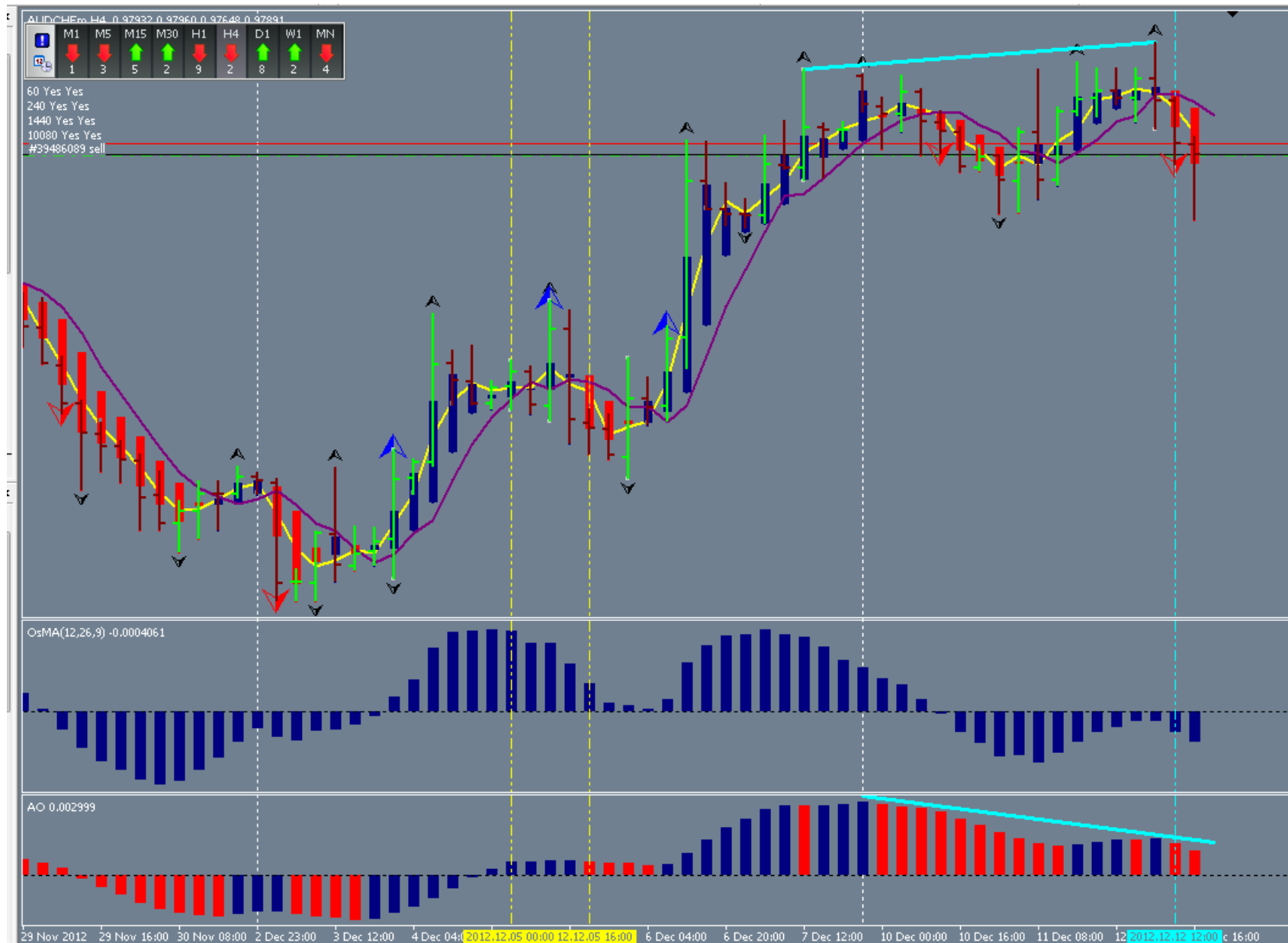
- Minimum 8 bars maximum 21 bars from confirmation bar to qualify.
- It must have to have a color change on the HA and AO to qualify.
- Enter on a 5 Alarm on a lower time frame. Preferably adjacent time frames.

Count the number of bars from the highest high to the lowest low and divide that number in half. This number is the number of bars that the move will most likely go before losing steam or turning.

Trade management tighten up stops or set a hard Take Profit or exit manually when you get to that last bar of the run.





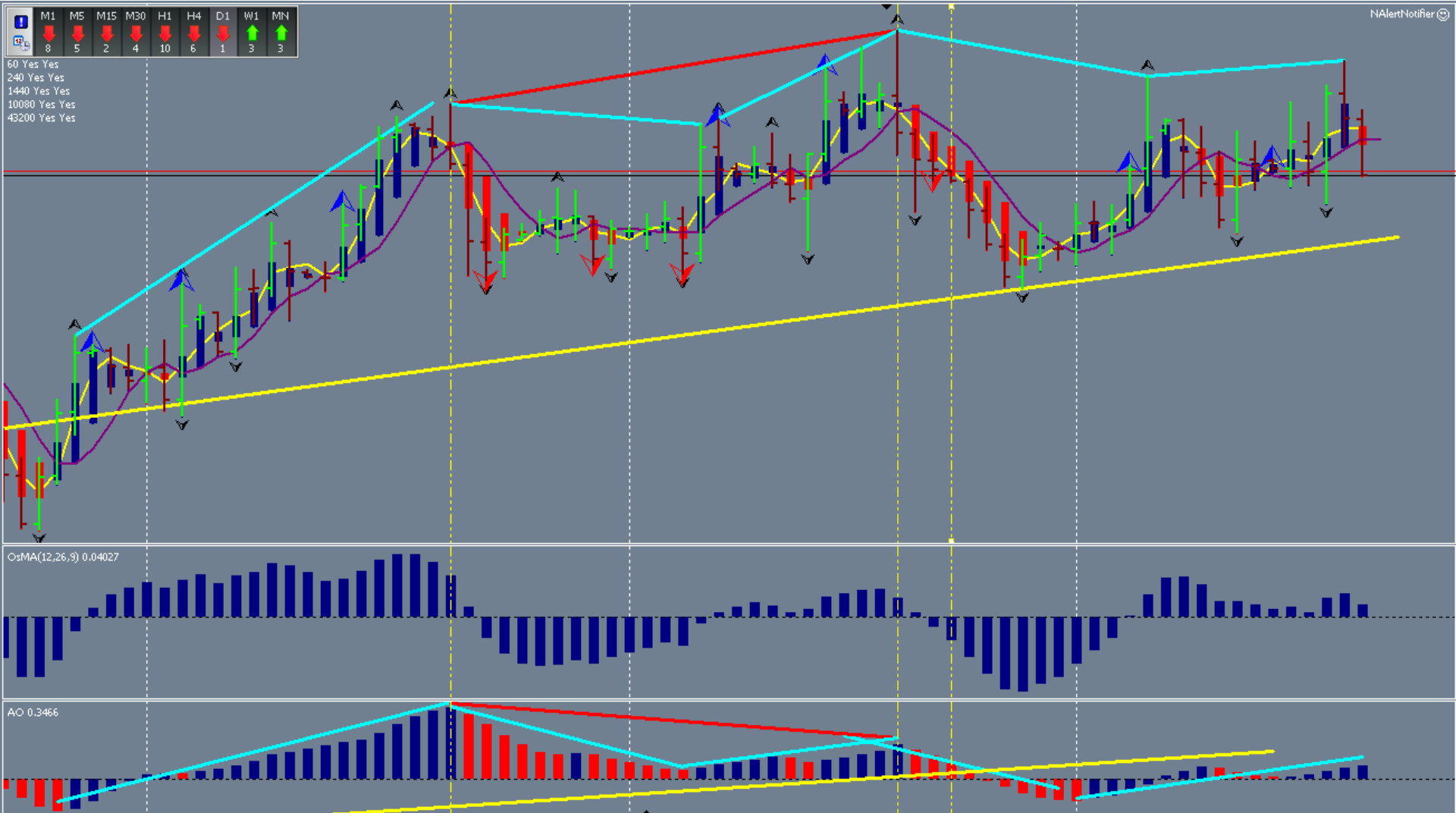




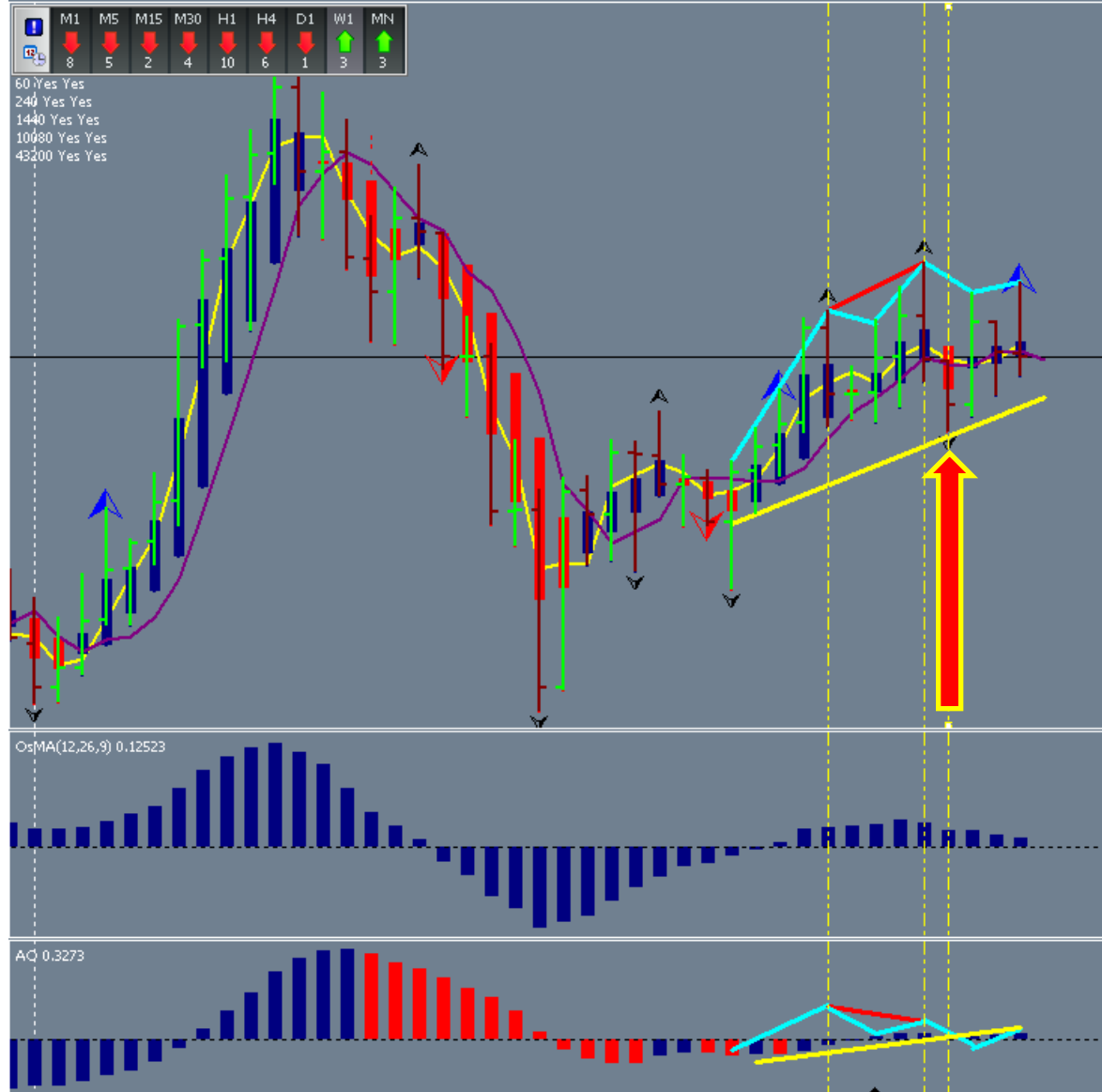
Multiple Time Frames

Multiple Time Frames

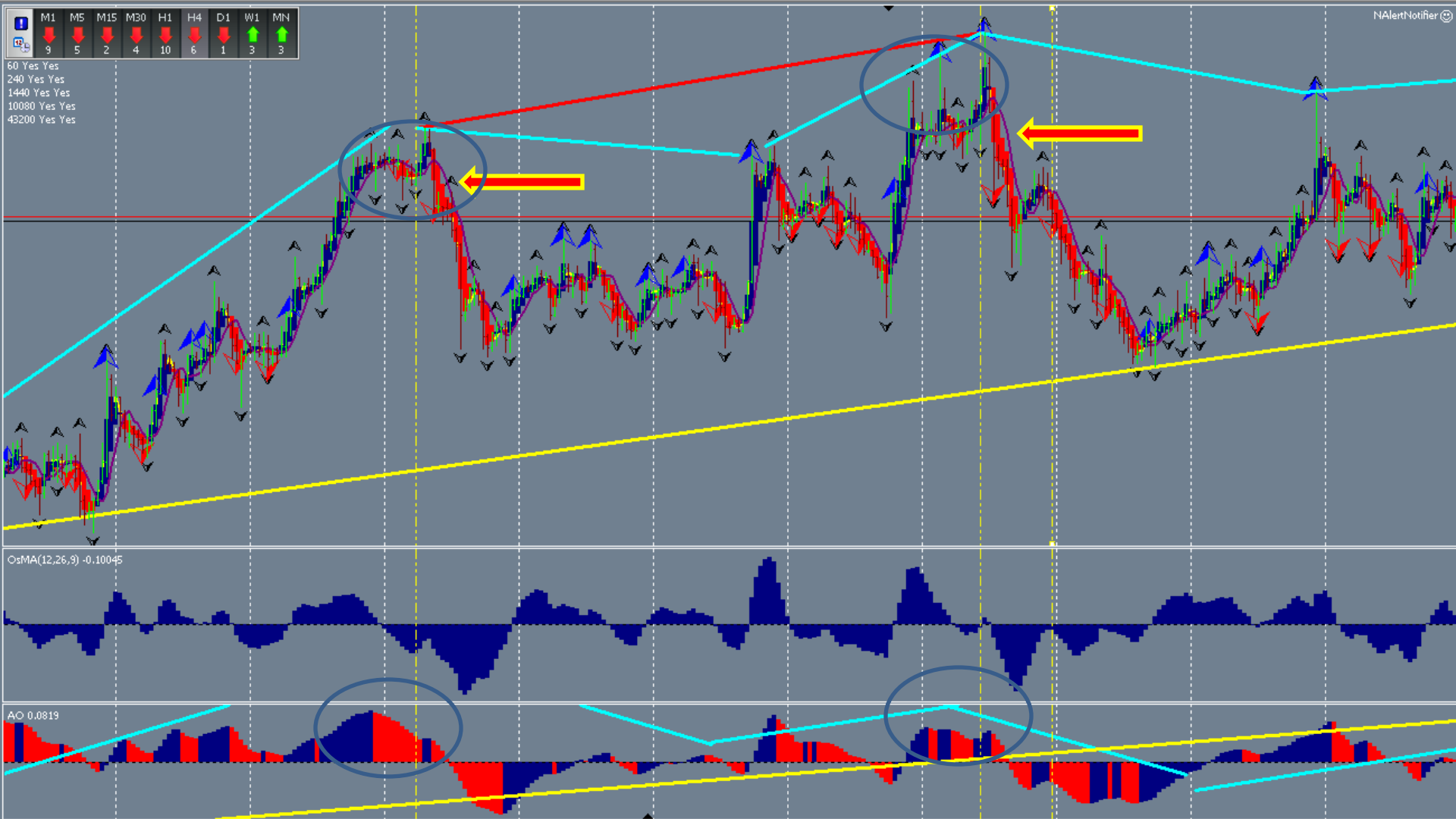
Hidden Divergence and Convergence



Day chart Note how the market gets hard to trade where the divergent lines are drawn. Also note that the last 11 bars on the chart are also looking choppy this is a possible heads up to look for DIV. or CONV. In the market.

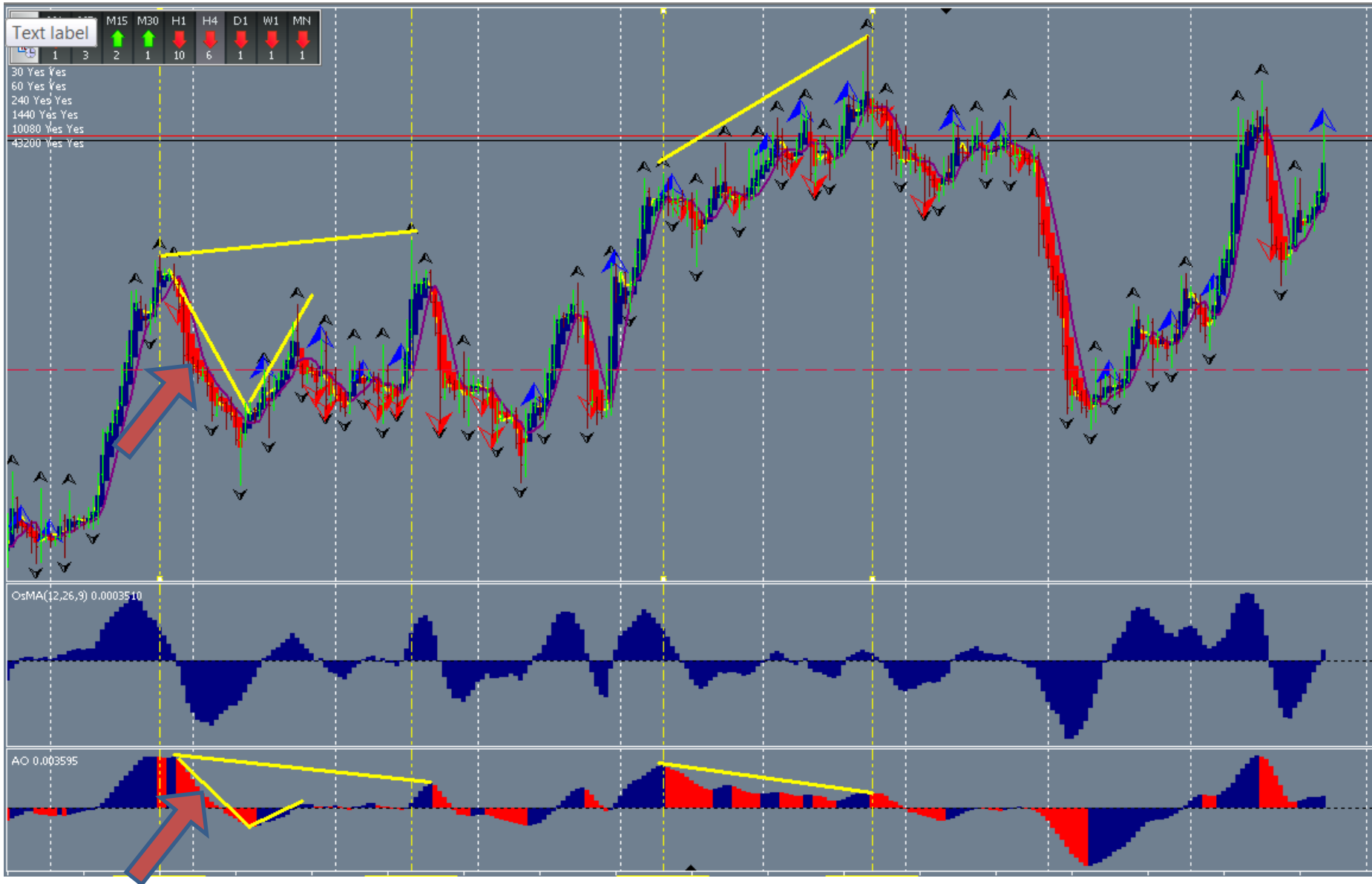


Week chart Note that the over all trend is congruent. How ever there is the BLS short that we could have traded going short on the 4 hr chart with a 5 alarm trade.



4hr chart Note That there are several places to be trading in the direction of the week chart here on the 4 hr as well as the US of the CDC pattern (circled) to catch the leg 1 (arrowed). I noticed while setting up this page that there was also an earlier CDC set up as well.





If AO crosses the zero line it cancels out Convergence or Divergence .
From there you will want to draw lines to see if the pattern is congruent or not.

CDC and Exits

AUDCAD

Daily





AUDCAD

1 Hr

AUDCAD

4 Hr



AUDCHF

Daily



1 Hr



AUDCHF

4 hr



EURAUD
Daily



EURAUD

1 hr



EURAUD

4 hr



GBPUSD

Daily



GBPUSD

1 Hr



GBPUSD

4 hr



Order	Time	Type	Size	Symbol	Price	S / L	T / P	Time	Price	Swap	Profit
194365837	2012.11.29 02:46	sell	1.00	audcadm	1.03767	1.03710	0.00000	2012.11.30 05:13	1.03575	-0.85	19.33
194365835	2012.11.29 02:45	sell	1.00	audchfm	0.97185	0.96840	0.00000	2012.11.30 05:11	0.96675	-1.20	55.01
194365831	2012.11.29 02:45	buy	1.00	euraudm	1.23843	1.24270	0.00000	2012.11.30 05:12	1.24588	-1.77	77.68
194365827	2012.11.29 02:43	buy	1.00	gbpusdm	1.60165	1.60320	0.00000	2012.11.30 05:12	1.60451	0.22	28.60

Total pips 179

Tying in with other strategies

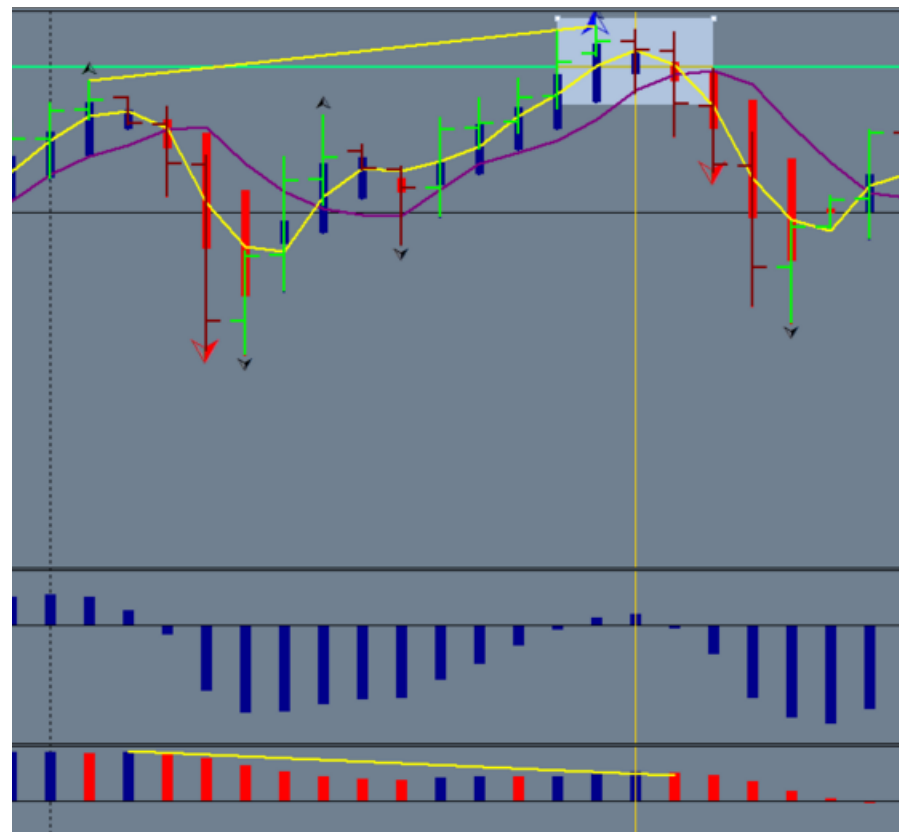
CDC and the Leg 2



CDC and the ZONE



CDC
and the
MEGA Trade



CDC
and the
Camel backs
What is the difference?





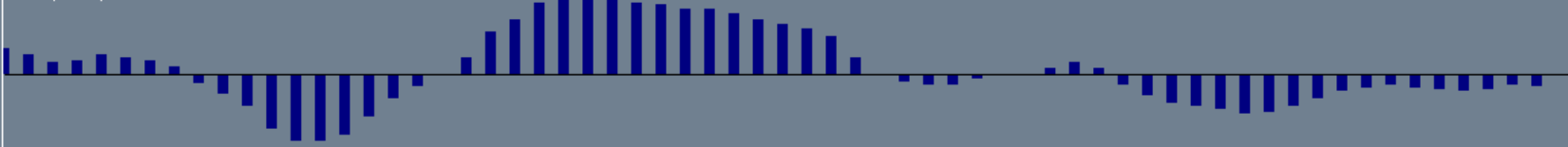


#39464089 sell



AUDCAD
Daily

OsMA(12,26,9) -0.0004662



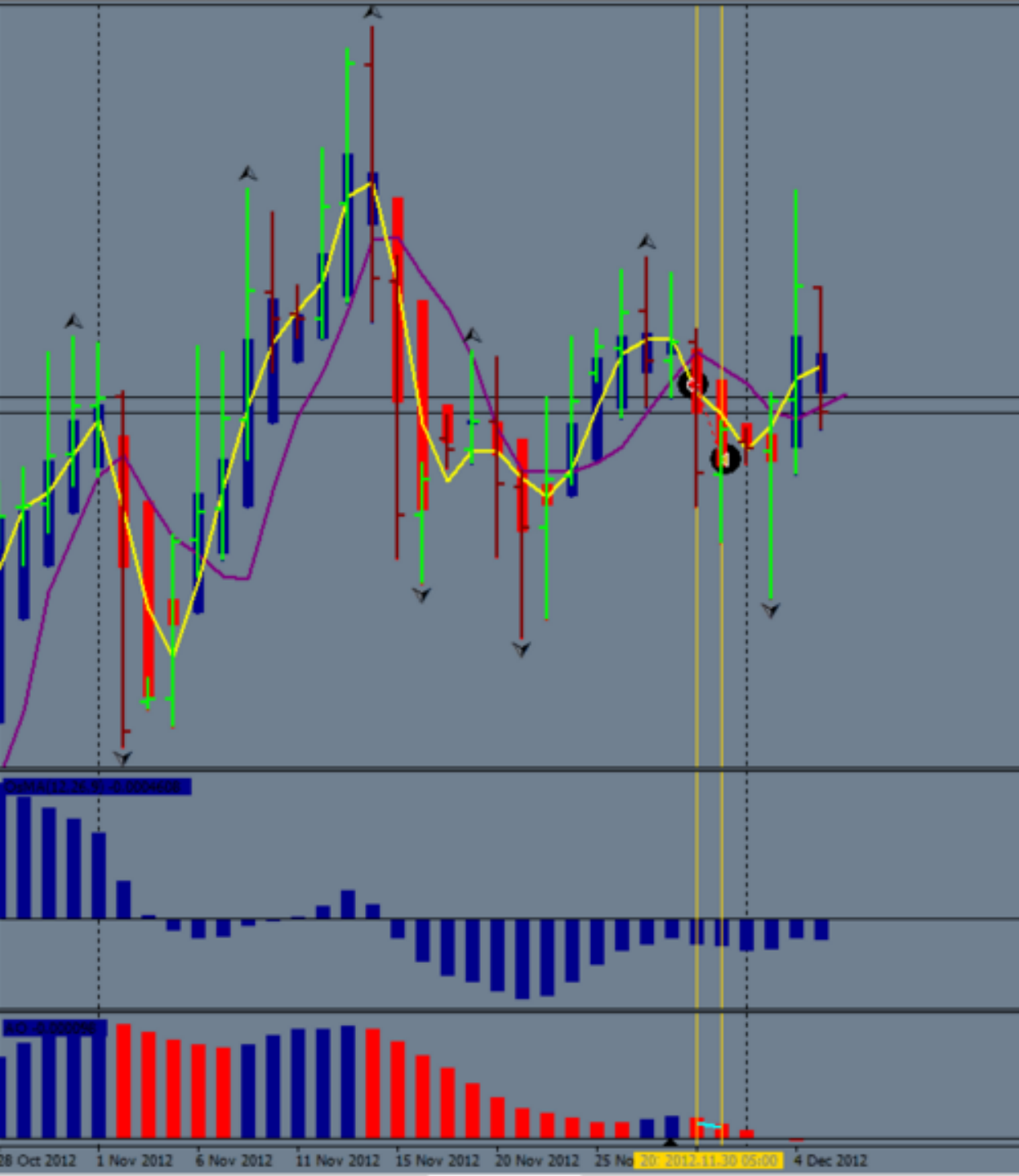
AO -0.000147



GBPUSD

Daily

Camel back



Assignments:

Find 3 examples of each:

Convergence

Divergence

Congruence

Using Multiple time Frames show how you timed an entry with at least three time frames to confirm using CDC

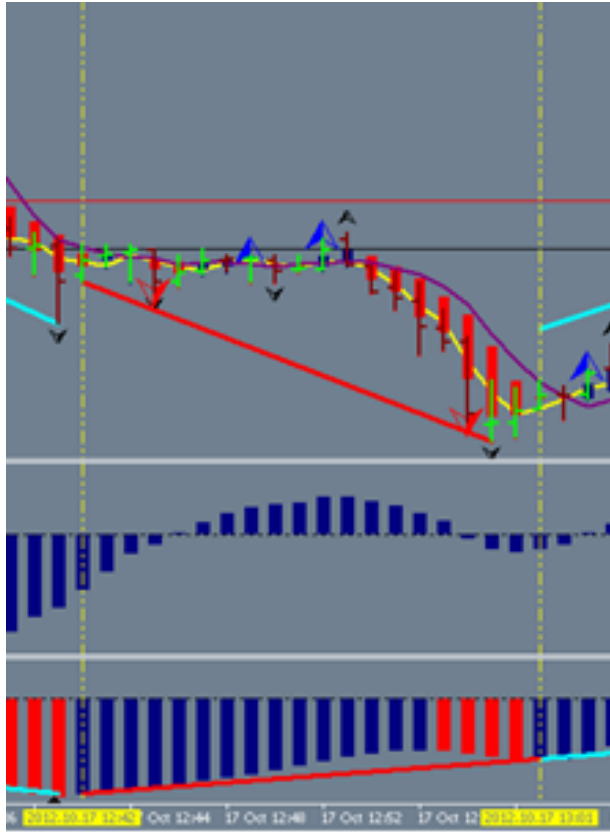
Example: find CDC on a larger time frame enter and confirm on the next two lower time frames

Recognizing hidden CDC

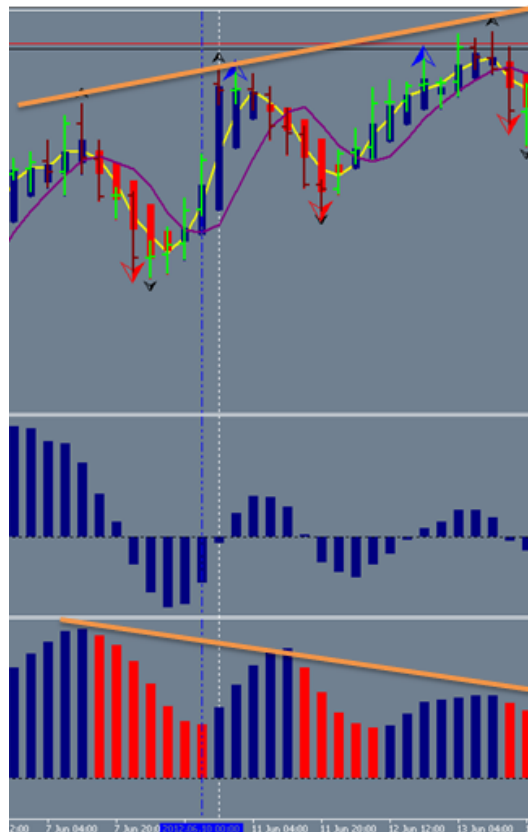
Using CDC to time exits

Example using three time frames finding CDC on the smaller or entry time frame confirming on middle time frame for the close.

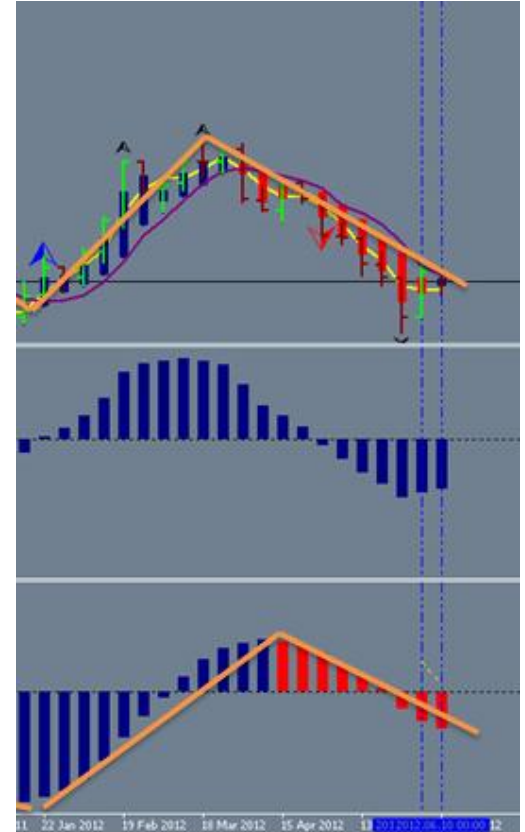
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Divergence



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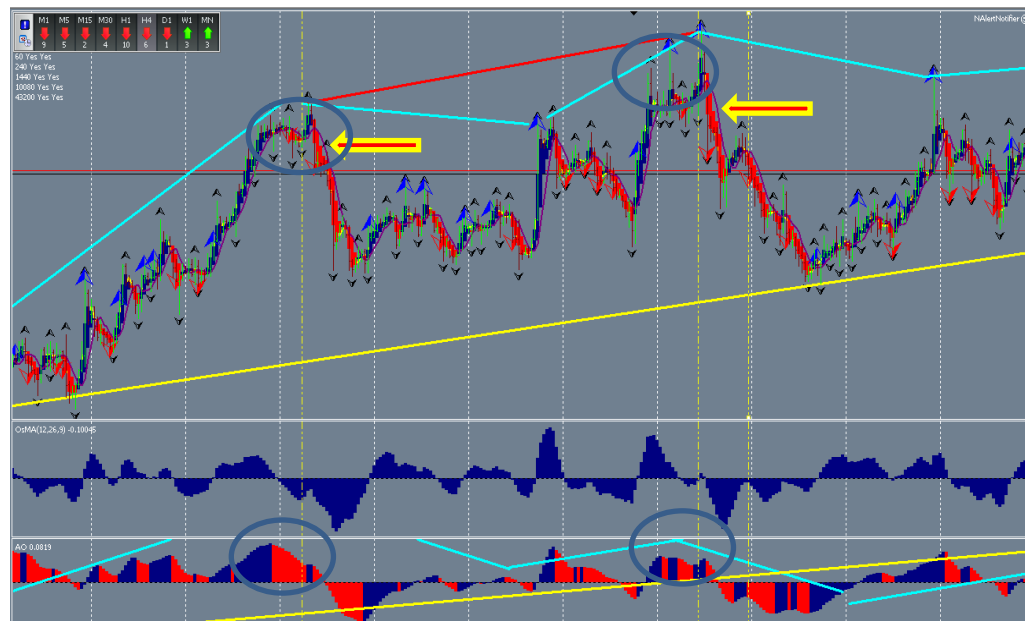
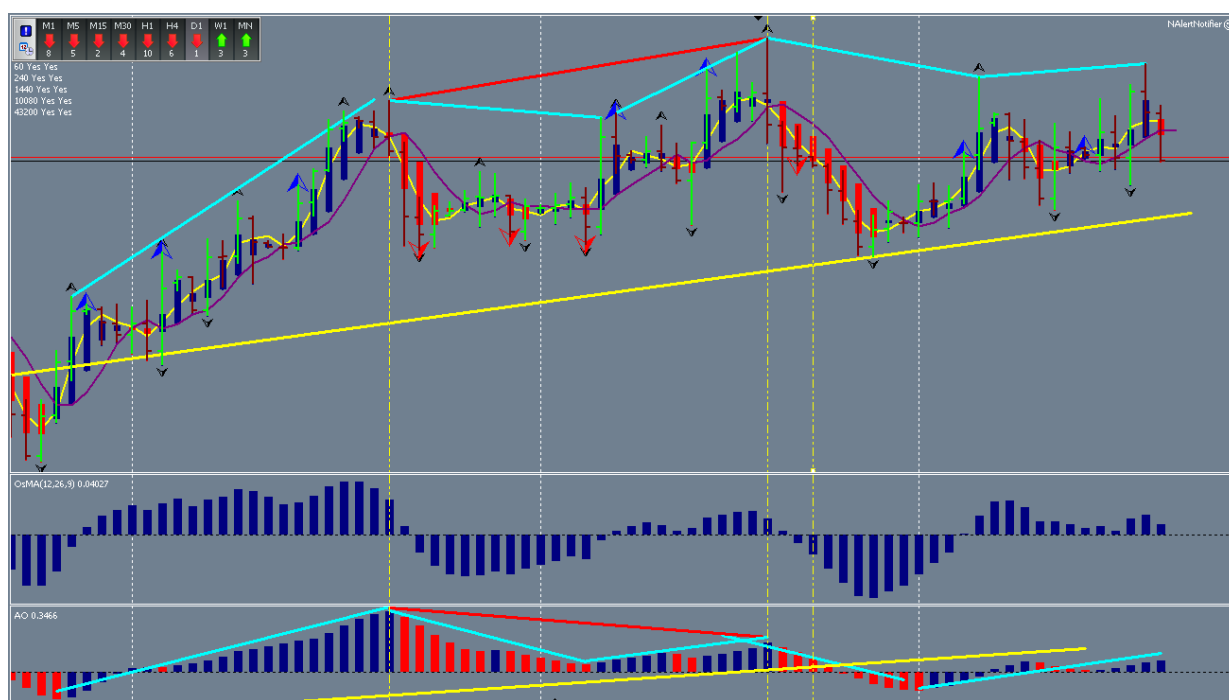
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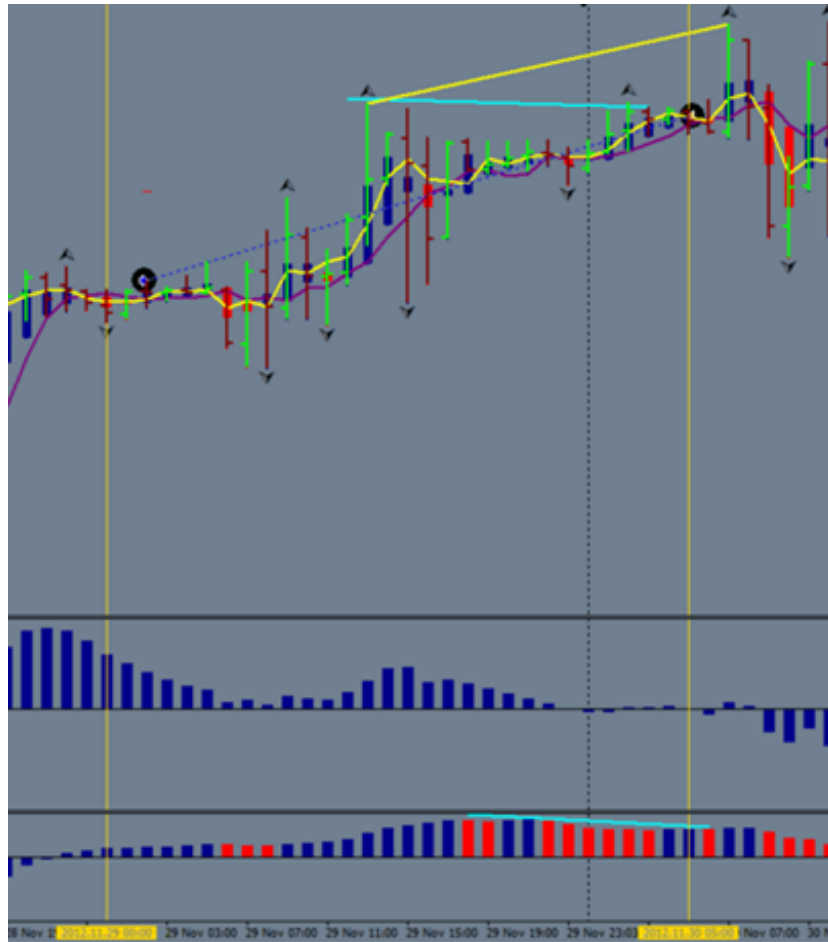
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Daily



1 hr



4 hr

