SIGNAL PILOT EDUCATION

Divergence Count Worksheet

Signal Pilot Education — companion to Lesson 34: Divergence.

A divergence is price disagreeing with a number computed from price. Two settings decide whether one exists at all, and before either of them looks at an indicator, the swing rule alone decides whether there are thirty-three places to look or five.

> **Educational only.** Trading involves substantial risk of loss. Not financial advice. Past performance does not guarantee future results. Every number in this worksheet is one you measure on your own record; the figures in the right-hand column are what the lesson measured on its own sixty bars, and they are there to be disagreed with rather than copied.

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1. Count the places before you count the signals

Take **sixty consecutive closes** from your own instrument. Mark the swing highs and lows using one bar either side, then again using three, and count the pairs of consecutive same-type swings. Not the divergences: the pairs.

Swing rule	Swing highs	Swing lows	Pairs of consecutive same-type swings
One bar either side			
Three bars either side			

	Your number	Lesson 34's closes
Ratio between the two pair counts		33 places against 5

That ratio is the size of the universe each setting grants itself **before an indicator is involved**. Most people have never seen their own two numbers side by side.

2. Change one number and recount

On the same sixty closes at your usual swing rule, mark every regular divergence with a seven-period RSI, then again with a fourteen-period one.

Oscillator period	Divergences found
7	
14	
Found by both	

The ones that survive both settings are the only ones that were not a property of the setting. On the lesson's own closes, ordinary values of the two settings give three divergences, or two, or one, or none.

3. Calibrate the second push before you call a reduction a warning

Take **twenty two-push moves**, winners and losers alike, no trades required. For each, compute the delta on the first push and on the second, and record the fraction of the first that is missing from the second.

#	Delta, first push	Delta, second push	Fraction missing
1			
2			
…			
20			

Sort the twenty and read off:

	Your number
Median fraction missing	
75th percentile	
90th percentile	

Your threshold is not a number from a lesson. It sits near the top of that distribution, and a reduction at the median is what a second push does on an ordinary day.

What you are holding when this is filled in

Two numbers and a distribution: how many places your swing rule grants itself before an indicator is consulted, how many divergences survive a change of period, and where on your own distribution a

reduction stops being ordinary.

Signal Pilot Labs, Inc. — /education/curriculum/intermediate/34-divergence.html