

LESSON 3: RELATIVE STRENGTH INDEX

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Forex Training Summary and Quiz

RSI in Forex

Developed by Wells Wilder in 1978, the Relative Strength Index (RSI) calculates a value that represents the strength of the current market trend for a currency pair. The resulting RSI value is plotted on a scale ranging from 1 to 100.

The RSI is an oscillator type indicator because it moves (i.e. oscillates) over time and it is this movement that produces trade signals.

An RSI value of 70 or more is considered to be an *overbought* situation and is seen as a sell signal.

An RSI value of 30 or less is an *oversold* situation producing a buy signal.

A centerline crossover occurs when the RSI value moves over the centerline of the RSI scale (i.e. 50 on the scale).

A movement from below the centerline to above is seen as a *rising* trend.

A crossover from above the centerline to below, indicates a *falling* trend.

Putting It All Together

1. The Relative Strength Index is considered a(n) _____ type indicator as it reacts in response to market rate changes.

- moving average
- volume
- oscillator
- short-term

2. On the RSI scale, a value in the 0 - 30 range is considered _____.

- overbought
- oversold
- inconclusive
- a strong signal

3. On the RSI scale, a value in the 70 - 100 is considered _____.

- overbought
- oversold
- inconclusive
- a strong signal

4. For the Relative Strength calculation, Wilder recommended _____ reporting periods as the optimal number for calculating average gains and average losses.

- 10
- 25
- 50
- 14

5. A "centerline crossover" occurs when the RSI value crosses the _____ line on the RSI scale.

25
50
75
90

6. A centerline crossover where the RSI value crosses over and *above* the centerline, indicates _____ in the current market trend.

- decreasing strength
- a market reversal point
- no change
- increasing strength

7. A centerline crossover where the RSI value crosses over and *under* the centerline, indicates _____ in the current market trend.

- decreasing strength
- a market reversal point
- no change
- increasing strength

Score 7/7

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