

# Chapter 6 - Rahul Mohindar Oscillator System

The Rahul Mohindar Oscillator and its associated tools and indicators were developed by Mr. Rahul Mohindar of VIRATECH ([viratechindia.com](http://viratechindia.com)). In addition to being a trader and trainer, Mr. Mohindar is a panelist on both CNBC and CNN India.

These set of tools and indicators and expert can be used across any timeframe for Stocks, Commodities and Forex. It is designed to work with Open/High/Low/Close (OHLC) bar charts only.

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## RMO Trade Model

The RMO Trade Model consists of 4 key modules:

### The RMO

This module detects the *primary* trend of the instrument's trading value.

### SwingTrader (Indicators & Expert)

This module detects each swing within a trend and automatically places *red* (Sell) or *blue* (Buy) arrows on the price chart at these points.

### Sentiment Detector

This module colors the OHLC chart bars *red* (bearish) or *blue* (bullish) indicating the prevailing sentiment

### Exit Swing Indicator

This module is used only when registering a profitable trade as a trailing stop loss and works well as an exit signal.

### RMO Indicator

The RMO was developed to smoothen out multiple market swings, indicating a longer term major trend.

If the RMO is positive (above zero) you should look for blue Buy arrows with blue bars.

If the RMO is negative (below zero) you should look for red Sell arrows with red bars.

## Swing Trade Indicators

The three SwingTrd indicators are constantly measuring the strength of market swings.

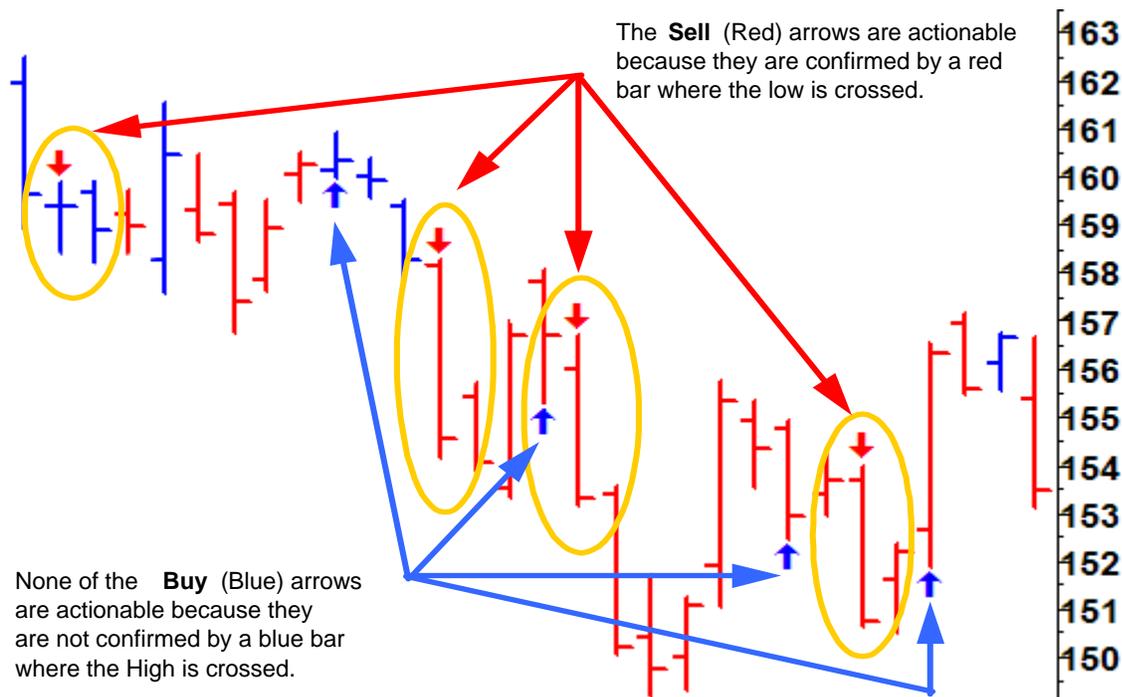
**SwingTrd 1** Tracks minor (short-term) trends

**SwingTrd 2** Tracks medium-term trends

**SwingTrd 3** Tracks long-term trends (and is slower to change)

SwingTrd 2 and SwingTrd 3 are plotted in the same window. When they intersect (cross), it can result in a potential trend change as that is where strength is building or dropping for the stock. This can be easily detected with arrows on the price charts that are automatically plotted by the expert.

When the SwingTrd 2 indicator goes above or below 0, it should be treated as the first indication of trend change or breakout; this can be easily viewed with red and blue bars with the RMO expert that has been provided. A more confirmed interpretation is to expect strength when the high of a blue breakout bar is crossed and weakness when the low of a first red down breakout bar is broken.



### Notes:

You can trade on any one indicator; for example, you could just be using the RMO or only using Bar Colors.

Whenever taking a Trade, place a STOP at the nearest support or at least a few points below the level marked by the SwingTrd buy arrow.

The RMO Explorers can further help you detect instruments that have fresh opportunities, whether with a new Blue/Red bar or a Swing Trade Buy/Sell signal.

### The Exit Swing Signal

Once you take a trade and get into profit – or a trend sets in – you will want to use this indicator to mark where your trailing stop loss point should be set so that you exit your trades closer to the peak.

Once you have entered into an instrument and are profitably into an established trend, you can exit longs below the low when the EXIT Swing Indicator leaves the over-bought region (where the ESI is below 75).

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## Using the RMO

Below are two possible setups for using the RMO as a trading indicator. Although both of these are designed for indicating buys, they could easily be reversed to indicate sells.

### “Trade with the Trend” Setup

**Swing Trade:** BUY Arrow (Blue)

**Sentiment:** BLUE Bars

**RMO:** Positive (Above 0)

This setup is a strong buy trade as the primary trend is up, an up swing is setting in and also the sentiment is bullish.

As we are trading in the direction of Primary Trend (RMO), this setup is even more accurate & reliable.

### “Aggressive BUY Breakout” Setup

**Swing Trade:** BUY Arrow (Blue)

**Sentiment:** BLUE Bars

**RMO:** Negative (Below 0)

With this setup you are essentially expecting that the market sentiment will turn positive when you see the bars change to a blue color and the swing trade buy arrow shows up. However, as the primary trend (RMO) is still negative, you might want to consider trading in smaller amounts, a covered strategy, or just buy “call” options.

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## Interpretation of the RMO Model

There are four aspects to the RMO to be interpreted. These are discussed below.

### The RMO

This is an oscillator which clearly identifies whether the major (primary) market trend is positive or negative. If the RMO is positive—i.e. above the 0 Line—this indicates a probable strength and increases the indicator's "Buy" preference. The converse (RMO below the 0 line) would indicate probable weakness, and so put more weight on "Sell" trades.

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**Note:** The shape size or curve of the RMO has no relevance; all that matters is whether it is above or below the 0 line.

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### The SwingTrader indicator

This is a set of indicators for which every intersection/crossover signals a possible trade opportunity. Each signal is marked with an expert arrow, so you do not necessarily need to view the SwingTrd indicators directly.

#### *Use:*

The buy and sell arrows show up frequently, and you probably don't want to trade on every single one of them. To increase the number of valuable trades, consider making trades on the buy arrows only when the RMO is positive, and on the sell arrows only when the RMO is negative.

For further safety, buy only above the High of the signal/arrow bar, and be sure to set a stop loss point—either at the previous bar's low or when an identified support level is broken. Likewise, sell only below the low of a sell arrow bar, and set a stop loss above the previous bar's high or the breaking of an identified resistance level.

### Sentiment Detector

This built-in expert colors your OHLC bars blue or red by evaluating the medium-term trend for strength and weakness. There are two ways to use these indications:

A slightly aggressive trader might just trade on the bar colors, not integrating them with any other tools or indicators. As an example, such a trader would buy above the high of a blue breakout bar, and sell below the low of a red breakout bar.

A position or longer-term trader would exit long either by seeing a combination of red bars and a red arrow, which is a hint that the trend may be turning negative, or by getting stopped out.

**HINT:** You could integrate this with the RMO and SwingTrader Arrows as follows:

**TRADE** when you get all three going the same direction (i.e. if the bars are blue, the RMO is positive, and you get a Buy arrow, you would buy).

## Exit Swing Indicator

This provides you with a profit-taking exit strategy\*.

Here is an example:

If you are long on a stock and have got into an uptrend, each time the exit swing indicator slips below the red (75) line, look at putting in a trailing stop or exit below the low of the corresponding price bar. Likewise if you are short and are into a downtrend, every time the indicator crosses above the blue (25) level look at putting in a trailing stop or exit above the high of the corresponding price bar.

**CAUTION:** This should not be used immediately after taking a trade.

Mr. Mohindar recommends using the Exit Swing Indicator only after you have entered a trade and are profitably trending. He suggests partially exiting when you achieve an intermediate financial goal/target (such as break-even), and then using this indicator to trail your stops and/or exit at better levels.

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\* The Exit Swing indicator is lesser used and is recommended for fast profit taking and to active traders.