

Divergence Trading Settings Worksheet

Divergence — price making a new extreme while an oscillator does not — is a timing clue, not a signal by itself. This worksheet sets out honest settings by timeframe and the confirmation rules that separate tradable divergence from chart decoration.

1. The honesty box (read first)

- ☐ Every divergence indicator needs confirmed swing points, and swings are only confirmed after the fact. A "non-repainting" divergence tool therefore signals late by construction — typically by the pivot confirmation bars — or it repaints. There is no third option.
- ☐ Divergence against a strong trend can persist for a very long time ("the oscillator can diverge longer than your account can stay solvent"). Trade divergence with the trend (hidden divergence) for continuation, and against it only with a separate confirmation.

2. Settings by timeframe (starting points to test, not commandments)

Timeframe	Oscillator	Period	Pivot lookback (L/R bars)	Notes
M5–M15	RSI	14	5 / 5	Very noisy; only with a higher-timeframe bias filter
M30–H1	RSI or MACD	14 / 12-26-9	5 / 5	The working band for most divergence traders
H4–D1	MACD	12-26-9	7 / 7	Fewer, heavier signals; suit swing invalidation levels

3. Confirmation rules to choose (pick before testing)

- ☐ Structure confirmation: wait for a break of the local trendline or the most recent minor swing in your direction.
- ☐ Candle confirmation: an engulfing or pin bar at the divergence extreme on the trading timeframe.
- ☐ Momentum reset: oscillator returns toward mid-range before entry, proving the move is not simply continuing.
- ☐ Invalidation: a close beyond the price extreme that created the divergence. If price makes a further extreme with the oscillator now agreeing, the idea is over.

4. The live test

- ☐ Screenshot every signal at the moment it appears and again 10 bars later. Compare: did the signal move or vanish? (If yes, it repaints, whatever the description said.)
- ☐ Log 30 signals with your chosen confirmation rule applied and not applied. The difference in results is what the confirmation rule is worth.

The worksheet rule: divergence tells you momentum is tiring. It never tells you price must turn. Your confirmation rule and your invalidation are the trade; divergence is just the invitation to look.

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