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Ecopetrol S.A. (EC)'s STC Running Lower in Consecutive Sessions

Posted by Katie Hansen on April 6, 2019 at 4:47 am

Ecopetrol S.A. (EC) shares have seen their Schaff Trend Cycle gradually downtrend this week over the past few sessions. While this indicates negative price momentum, it also suggests that if the reading moves into oversold territory (STC of 30), then the likelihood of a reversal greatly increases. Investors will be watching very closely over the next few days to see if the trend continues or reverses.

The Schaff Trend Cycle (STC) indicator combines the common indicators of MACD & Stochastic. The benefit of the Schaff Trend Cycle is that it is meant to be quicker than the standard macd and stochastic signals. The indicator uses similar methods to a MACD i.e. uses exponential moving averages but applies a cycle factor to them. Then the 'price' is smoothed using a modified Wilders' smoothing algorithm. The Schaff Trend Cycle indicator fluctuates between 0 and 100. Readings below 20 are considered oversold while readings above 80 are considered overbought. The STC indicator fluctuates between 0 and 100. Readings below 20 are considered oversold while readings above 80 are considered overbought.

Even for seasoned investors, it can be natural to become wary when certain stocks are tanking in the stock portfolio. The knee jerk reaction can be to immediately change up the portfolio mix to help rectify the situation. Sometimes changes may need to be made, but often times, resisting the urge to make changes based on temporary downturns may prove to help the longer-term health of the stock portfolio. Investors may find themselves in the same predicament when markets are heading higher and every stock seems to be a winner. The impulse might be to double down and buy even more shares of a name that has been over performing recently. Once again, sometimes this may work out, but there will also be times when stocks have finished the run and adding to the position may end up nullifying previous gains if momentum swings back the other way.

Active traders have a wide variety of technical indicators at their disposal for completing technical stock analysis. Here we will take a look at a few more. Presently, the 14-day ATR for Ecopetrol S.A. (EC) is spotted at 0.54. First developed by J. Welles Wilder, the ATR may assist traders in determining if there is heightened interest in a trend, or if extreme levels may be signaling a reversal. Simply put, the ATR determines the volatility of a security over a given period of time, or the tendency of the security to move one direction or another.

Investors might have been ready to throw in the towel as the rally stalled recently. However, the panic subsided and growth-hungry investors came searching for their favorite stocks in the wreckage. Keeping things in perspective, the economy seems good, and so does earnings growth. Investors may be wondering where the money will be flowing in the second half of the year. Many people may assume healthcare and tech would be the easy targets, primarily because that's where the earnings growth is. Industrials and staples are no slouches for growth either, but they may be well fully-valued for their growth. Traders will most likely be honing their strategies that they created, trying to beat the market over the next couple of months.

Some investors may find the Williams Percent Range or Williams %R as a helpful technical indicator. Presently, Ecopetrol S.A. (EC)'s Williams Percent Range or 14 day Williams %R is resting at -74.11. Values can range from 0 to -100. A reading between -80 to -100 may be typically viewed as strong oversold territory. A value between 0 to -20 would represent a strong overbought condition. As a momentum indicator, the Williams R% may be used with other technicals to help define a specific trend.

Investors may use multiple technical indicators to help spot trends and buy/sell signals. Presently, Ecopetrol S.A. (EC) has a 14-day Commodity Channel Index (CCI) of -51.66. The CCI was developed by Donald Lambert. The assumption behind the indicator is that investment instruments move in cycles with highs and lows coming at certain periodic intervals. The original guidelines focused on creating buy/sell signals when the reading moved above +100 or below -100. Traders may also use the reading to identify overbought/oversold conditions.

The Average Directional Index or ADX is a popular technical indicator designed to help measure trend strength. Many traders will use the ADX in combination with other indicators in order to help formulate trading strategies. Presently, the 14-day ADX for Ecopetrol S.A. (EC) is 19.44. In general, an ADX value from 0-25 would indicate an absent or weak trend. A value of 25-50 would indicate a strong trend. A value of 50-75 would signal a very strong trend, and a value of 75-100 would indicate an extremely strong trend. The ADX alone was designed to measure trend strength. When combined with the Plus Directional Indicator (+DI) and Minus Directional Indicator (-DI), it can help decipher the trend direction as well.

Taking a peek at some Moving Averages, the 200-day is at 21.03, the 50-day is 20.27, and the 7-day is sitting at 21.60. The moving average is a popular tool among technical stock analysts. Moving averages are considered to be lagging indicators that simply take the average price of a stock over a specific period of time. Moving averages can be very useful for identifying peaks and troughs. They may also be used to help the trader figure out proper support and resistance levels for the stock.

Sharp investors typically realize that stock returns can fluctuate, and the periods of extreme ups and downs can sometimes be quite long. It can be very difficult to predict when a big market downturn will occur. However, investors who have a plan in place will often find themselves in a better position than those who do not. Investors following an individual plan can include some preparation for the unknown. The plan may involve specific criteria, and it may be uniquely tailored to suit the individual's goals. When markets get choppy, it can be tempting for the individual investor to go into survival mode. Some of the best stock buying opportunities will present themselves during a lengthy period of decline. Being ready to pounce on these opportunities might end up being a huge benefit to the investor when the time comes.

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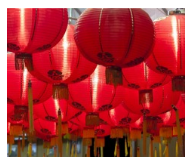
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