

Farley's Acc/Distrib Accelerator (ADA)

Examine the velocity of accumulation and distribution using this invaluable technical indicator. ADA formations create clear support/resistance and trendlines as well as oscillation between upper and lower extremes. Use ADA to measure "lag" between price and volume. When price leads, expect it to pause for ADA to "catch up". The most dynamic price surges occur when ADA significantly leads the action.

(Formula below uses TradeStation/SuperCharts language)

Where:

C = Close today

O = Open today

H = High today

L = Low today

V = Volume today

1. Start with Williams Accumulation-Distribution above (and available in most charting programs).

$$LWAccDis = \frac{C - O}{H - L} * V$$

2. Calculate the difference between the LWAccDis of current bar and prior bar.

$$F1 = LWAccDis - LWAccDis[1]$$

3. Compute a 14 bar exponential moving average of this difference.

$$F2 = @XAverage(F1, 14)$$

4. Smooth this average using a 7 bar exponential moving average.

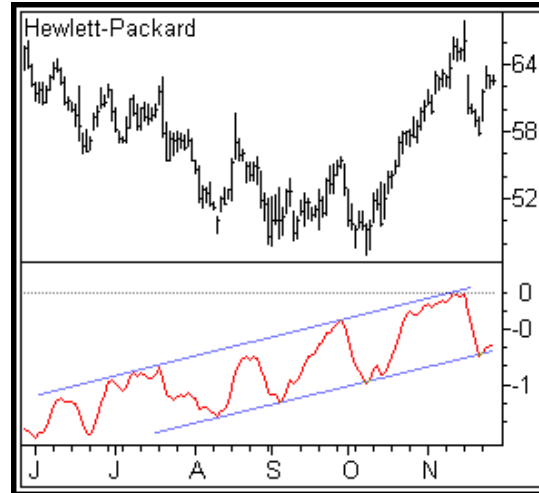
$$Farley's\ ADA = @XAverage(F2, 7)$$

5. Plot 0 Line.

$$F3 = 0$$

EXAMPLE #1

ADA draws recognizable patterns that identify hidden volume support and resistance. Note HWP's November down gap. While the stock rallied into perfect position for a short sale, ADA showed support at the bottom of a parallel channel. At the least, the cautious trader will withhold short entry until that channel is broken.



EXAMPLE #2

ADA often reveals significant accumulation or distribution well in advance of price movement. As buyers jumped into IMNX in October, ADA was carried through a key breakout level 3 weeks before price finally followed.

