

Investment Studios

Williams Accumulation/Distribution Line Indicator

Description

The Williams Accumulation/Distribution indicator was developed by Larry Williams as a way to trade stocks based on a divergence between the A/D line and the price. For example, if the price is making a new low, but the A/D line is not making a corresponding new low, that would be an indication that this may be a time to start watching for a buy signal for this particular stock. Also keep in mind that is an accumulative indicator, so the previous value is an input for today's value.

To calculate the William's A/D Line you first need to determine the true range high and the true range low.

- The true range high (TRH) is determined the greater of yesterday's close and today's high
- The true range low (TRL) is determined by the lesser of yesterday's close and today's low

The current accumulation/distribution line is then computed according to the following:

- If the current close is greater than the previous close: Current A/D = Current Close - TRL (always positive)
- If the current close is less than the previous close: Current A/D = Current Close - TRH (always negative)
- If the current close is equal to the previous close: Current A/D = 0

Now that you'd determined the Current A/D, to compute the final William's Accumulation/Distribution Line:

- William's A/D = Current A/D + Previous A/D

Again, this is used mainly as a divergent indicator. When you see prices making a new low, but the William's A/D Line is not making a corresponding new low, it may be time to start watching that stock. Alternatively, when you see stocks making a higher low, and the William's A/D Line is making a new lower low, that may be a cautionary signal.

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