

## Chande Momentum Oscillator (CMO)

### Chande Momentum Oscillator (CMO) indicator

The Chande Momentum Oscillator (CMO) is a momentum indicator similar to the Relative Strength Index (RSI).

$$\text{CMO} = 100 * (\text{pos\_sum} - \text{neg\_sum}) / (\text{pos\_sum} + \text{neg\_sum})$$

Where pos\_sum is absolute sum of positive differences of current and previous values within period.

neg\_sum is absolute sum of negative differences of current and previous values within period.

The CMO values oscillate between +100 and -100. Values above +50 indicate that the market is overbought; values below -50 indicate that the market is oversold.

According to this, when CMO moves above +50, it is not recommended to open buy positions because of the bearish tendency.

When the CMO moves below -50, it is not recommended to open sell positions because of the bullish tendency.

When CMO crosses the 0 line from below, it can be considered as a confirmation of the uptrend. When CMO crosses the 0 line from above, it can be considered as a confirmation of the downtrend.

10-days SMA can be added to the CMO to work as a signal line, in order to generate trading signals before the CMO crosses 0 level:

- When CMO crosses its SMA from below, it's a signal to Buy.
- When CMO crosses its SMA from above, it's a signal to Sell.

As with all oscillators, positive or negative divergence between CMO and the instrument price can also provide the trading signals

Price can be High, Low, Open, Close, Middle, Typical and Weighted. (Close is set by default).

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