

The Parabolic SAR

Trend indicator that could help us to determine trend direction.
by ActivTrades,

Oct 23 2014, 12:58 BST



Knowing where to exit a trade is just as important as knowing where to enter a trade. The Parabolic SAR indicator is a great tool that can help us determine when the trend has ended. The letters SAR mean Stop And Reversal and this is because the indicator may show us when the trend is changing direction and it could also be used to place our stop losses. The dots on the chart above, courtesy of the **Forex Broker ActivTrades** <http://www.activtrades.co.uk/>, is the Parabolic SAR and they appear over the candles when the trend is bearish and under the candles when the trend is bullish.

If we had a short position, then we could use the dots above the candles to place our stop loss and keep moving it down as the new dots keep appearing; therefore, it is a great guide to determine when to move our trailing stop loss. When the price eventually starts rising, then our stop loss would be triggered and the dots start appearing below the price.

Signup for Alerts on articles from ActivTrades

If we had a long position, then the opposite may be applied. We could use the lower dots to place out stop loss and keep moving it higher as the new dots keep appearing below the candles.

Out of all the trend indicators that we have available, we could say that the Parabolic SAR is one of the easiest to use and to understand.

Alexander Londoño – Analyst Contributor at ActivTrades

Legal Disclaimer: Leveraged products carry a high degree of risk to your capital. The thoughts and opinions expressed here are solely those of the writer and do not necessarily reflect the view of ActivTrades Plc. This commentary is for information purposes only and should not be considered as investment advice. The decision to act on any ideas and suggestions presented is at the sole discretion of the reader. ActivTrades PLC is authorized and regulated by the Financial Conduct Authority, FCA registration number 434413. ActivTrades PLC, 1 Thomas More Square, London, E1W 1YN, United Kingdom.