

MACD Trading Strategy | ThinkorSwim & 1 Min Timeframe

By winkler · September 6, 2022

TL;DR

This blog post explores the Moving Average Convergence Divergence (MACD) indicator on ThinkorSwim, focusing on its application in 1-minute trading. The author shares personal insights and strategies, including specific settings and examples of trades that resulted in significant profits. Learn how to effectively utilize MACD for day trading and understand its role in identifying market trends.

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Divergence

Divergence is defined as separating, changing into something different, or having a difference of opinion.

Convergence

The act of converging and especially moving toward union or uniformity

Full video: [MACD Trading Strategy \(5 Examples & How To Add on ThinkorSwim\)](#)

I

In this post, we'll be reviewing the Moving Average Convergence Divergence Indicator (MACD) on ThinkorSwim (TOS) with a focus on the 1-minute timeframe. I have been using it for [1 month now](#) ([\\$6,717.39](#) in profit. Not bad) and want to share my settings and learnings. As well as how I plan to use it moving forward.

Quick Overview

The MACD ("Moving Average Convergence/Divergence") is a trend following momentum indicator that shows the relationship between two moving averages of prices. The MACD was developed by [Gerald Appel](#), publisher of Systems and Forecasts and [Technical Analysis: Power Tools For The Active Investors](#).

The MACD is the difference between a 26 and 12 Exponential Moving Average (EMA). A 9 EMA, called the "signal" (or trigger) line is plotted on top of the MACD to show buy/sell opportunities. Appel specifies EMAs as percentages. Thus, he refers to these three moving averages as 7.5%, 15%, and 20% respectively.

Interpretation

The MACD proves most effective in wide-swinging trading markets. I refer to these as trending markets and even more specifically frontside or backside. The three most popular ways to use the MACD: are crossovers, overbought/oversold conditions, and divergences.

A little teaser of trades using MACD on my chart.

[Long HPCO \\$179.83 \(4.12%\) on TD Ameritrade in Day Trading Momo](#)

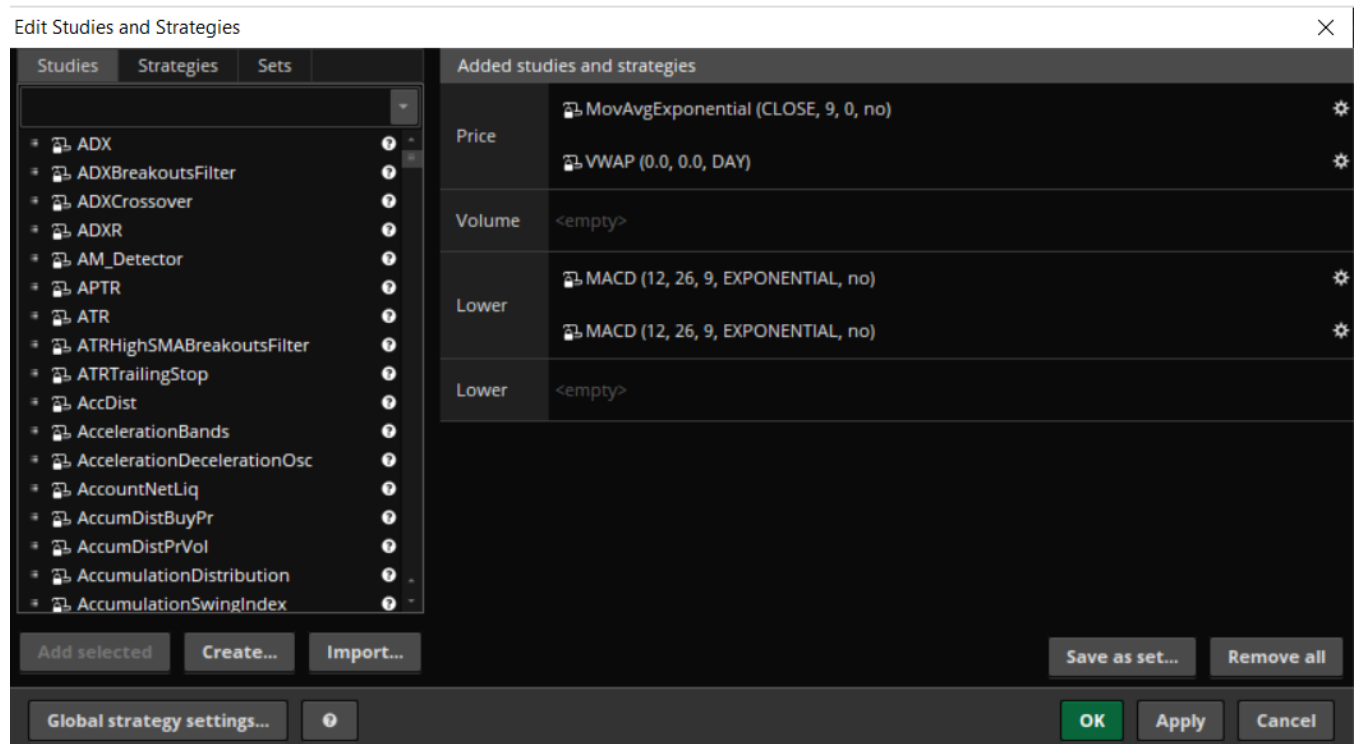
Now that you have a better idea of what MACD is and you know what it looks like.. time to get it setup on your charts.

How to setup MACD on ThinkorSwim (TOS)

Once you're inside the TOS application go to the chart you'd like to add the MACD on and click "Studies" / "Edit Studies"



You'll see all the studies you're using. You'll want to search for MACD on the left Studies search field and move 2 MACD studies into one of the lower rows.



Then go to the first (upper) MACD indicator and leave all "Input and Options" alone and only edit the Value and Avg as I've done so in the pictures below:

MACD Customizing ✕

🔒 Thermo Mode Save as default Reset to factory default

▼ Inputs and Options

Inputs:

fast length

12

+

-

?

slow length

26

+

-

?

macd length

9

+

-

?

average type

EXPONENTIAL

▼

?

show breakout signals

No

▼

?

Options:

☒ Show study

☐ Show plot names

☐ Show input names

☐ Left axis

▼ Plots

Value

Avg

Diff

ZeroLine

UpSignal

DownSignal

Values:

Numerical

▼

Draw as:



▼

Style:

—

▼

Width:

1

▼

Color:



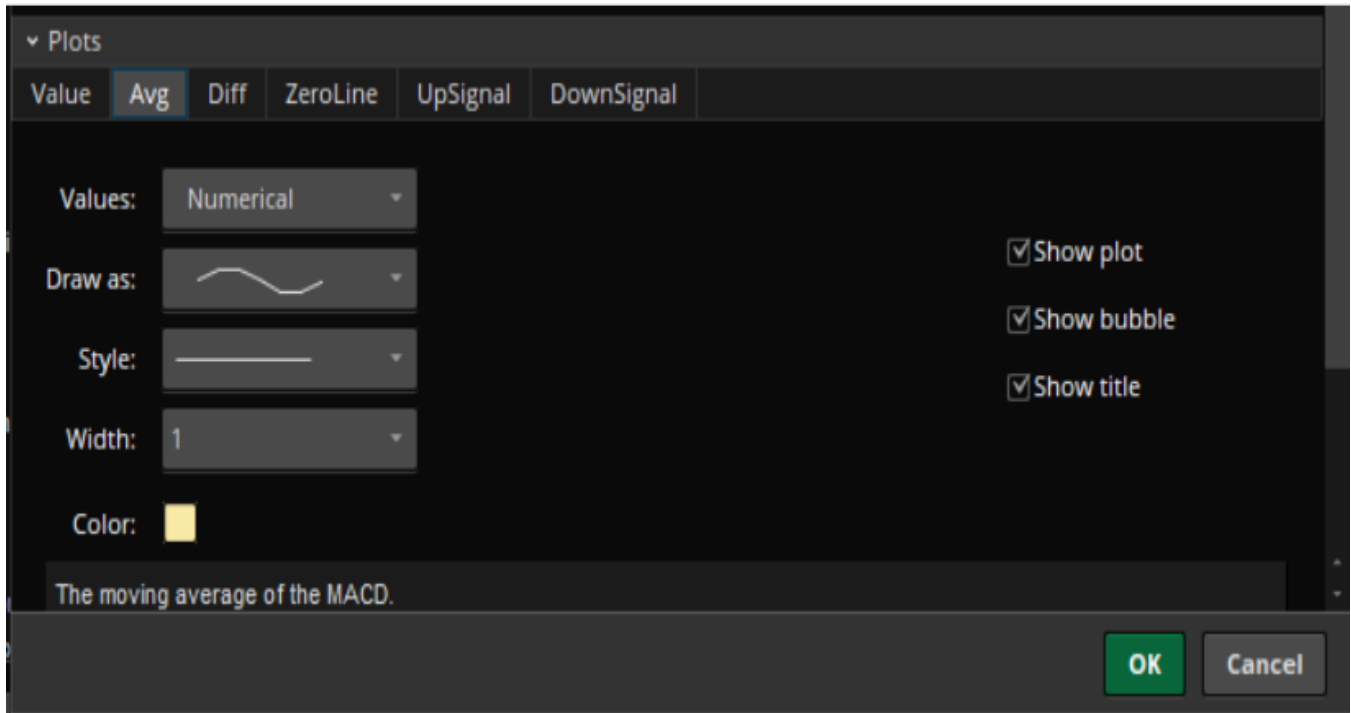
☒ Show plot

☐ Show bubble

☐ Show title

The Moving Average Convergence/Divergence plot.

OK Cancel



Then go to the second (bottom) MACD indicator and again leave all "Input and Options" alone and only edit the Value and Avg as I've done so in the pictures below:

MACD Customizing

Thermo Mode Save as default Reset to factory default

Inputs and Options

Inputs:

fast length 12

slow length 26

macd length 9

average type EXPONENTIAL

show breakout signals No

Options:

☒ Show study

☐ Show plot names

☐ Show input names

☐ Left axis

Plots

Value	Avg	Diff	ZeroLine	UpSignal	DownSignal
Values: Numerical					
Draw as: 					
Style: 					
Width: 1					
Color: 					

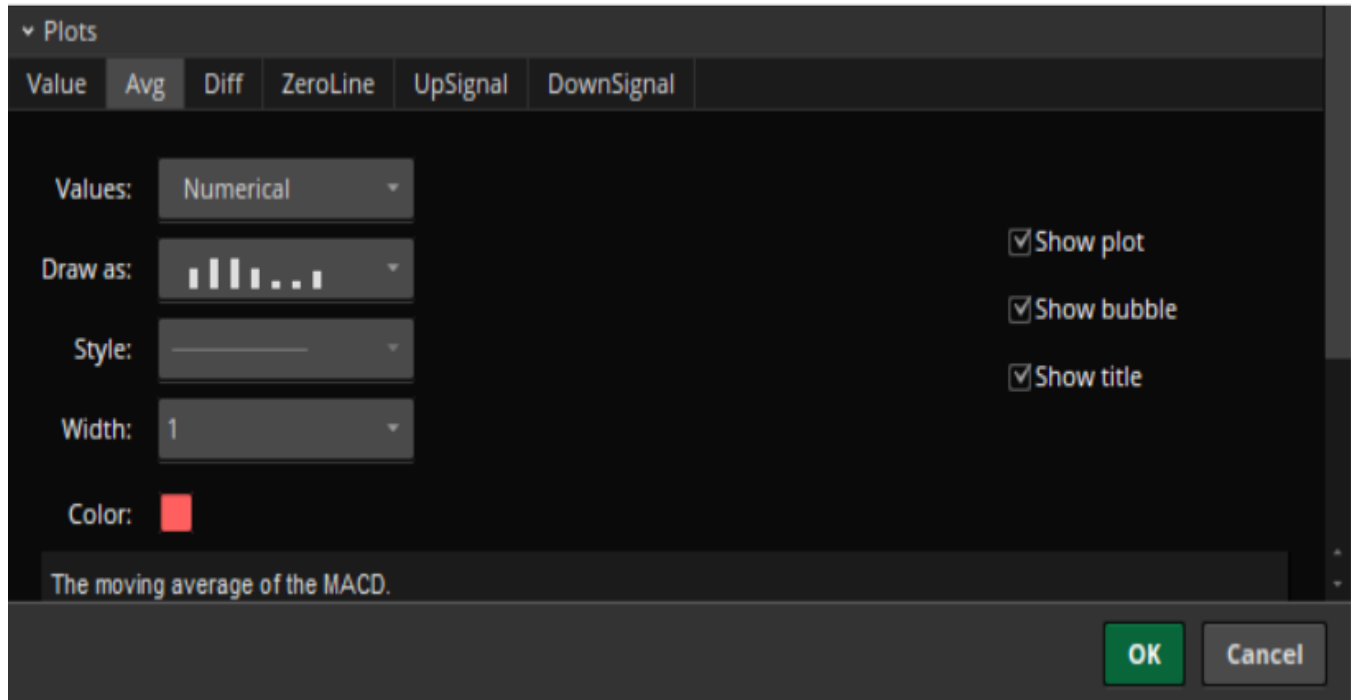
☒ Show plot

☐ Show bubble

☐ Show title

The Moving Average Convergence/Divergence plot.

OK Cancel



How To Use MACD Day Trading 1 Minute Price Action

Over the last month of day trading, I've incorporated the MACD on my trading chart and I'm still fully getting used to having it. I also switched from the [histogram MACD \(video\)](#) layout to doubling up the standard MACD into one lower row as seen in the section right above "[How to setup MACD on ThinkorSwim \(TOS\)](#)". I've learned a few things on how best to use the MACD for my [momentum day trading strategy](#).

Remember all indicators are lagging behind classic price action and by no means do I think this indicator can replace good knowledge of price action. That should always be your goal to master first and foremost.

How I use it:

1. New Frontside Is Starting & Strong (Divergence / **BUY**)
2. Confirmation A Frontside Is Extended & Weak (Convergence / **SELL**)

Almost every trade has both of these so each ticker I show below will first have the frontside indicator and then end with the

Start reducing position size or stop trading when smaller/lower MACD mountains (making lower highs), the price goes up. Always look for extended moves! RSI is another indicator that's great for this but RSI for me has been more useful for swing trades using the 4h and daily timeframes. I personally do not use or plan to use RSI for day trading.

Here are 5 examples but [check out my momo portfolio](#) for an endless supply of old and new real trade examples.

(1) Notice the two front sides on [HPCO](#), around 8:10 we get that 5m breakout and you'd have to be quick on the 1m entry. That's also the start of the MACD green signal where it's trending well above the red and starting to diverge. Again this happens slightly after the market opens when HPCO opens up has again a solid 5m breakout, gets above VWAP, and has a quick 1m PB before ripping and getting halted. Quickly the MACD starts to converge signaling that the move is getting weak and extended. Pure price action is also giving me a warning because of the recent fakeout/failed breakout with big red vol on the 1m.

[Long HPCO \\$179.83 \(4.12%\) on TD Ameritrade in Day Trading Momo](#)

(2) Not the best ticker here but again you see it shortly after the open [PXMD](#) rip-up. For me, it's not in play until over VWAP but this ticker didn't give much follow-through. You had to be quick on that initial flash pull-back BUT at least MACD gave you a warning of lack of momo as you see that convergence coming in.

[Long PXMD \\$53.41 \(0.92%\) on TD Ameritrade in Day Trading Momo](#)

(3) Another classic example, [NUWE](#) MACD pushes green and starts to Diverge from the red. Eventually, we hit convergence during the 5m pull-back and you can see this ticker losing momo, although it's harder to spot with only Price Action. Often time in these weak markets we just don't get those 30-45 minute long front sides anymore.

Long NUWE \$87.26 (3.00%) on TD Ameritrade in Day Trading Momo

(4) **MOB** is a really good example because we see a very clear mountain range forming. The problem is the second mountain range is smaller and is very worth being cautious on. Ultimately it still has the classic divergence and convergence phase. HOWEVER we also now have a divergence of mountain ranges. Higher prices but a smaller mountain. This is not good.

Long MOB -\$10.00 (-0.30%) on TD Ameritrade in Day Trading Momo

(5) **INAB**, this is the perfect follow-up trade from number (4). That's because this time we have increasing mountains. From 9:30 until 10:20ish we have one growing mountain range. This is a good sign that the momo gets better and better. We can also tell from the increase in vol (especially obvious on the 5m). The convergence at the end is a bit tricky but on that last PB it starts selling off quickly and MACD no longer made a new high. So we have a lower high mountain range. That's a big red flag for continuation.

Long INAB \$200.21 (3.56%) on TD Ameritrade in Day Trading Momo

Is MACD Worth It For Day Trading?

For me so far yes, especially as Ross Cameron says "In a slower market" the MACD is extra helpful to avoid all these false breakouts (fakeouts) and keep more profits on that initial pop. I can see how in a bull market the MACD might just get in the way by making you too risk averse when the move still has a few legs but that MACD is showing else.

What are your thoughts on the MACD?

Do you use MACD for your Day Trading?

Will it only be a weaker market/summer indicator?

What's your favorite MACD setup?

I'm all ears!

FAQ

What is the MACD indicator?

The MACD, or Moving Average Convergence Divergence, is a trend-following momentum indicator that shows the relationship between two moving averages of prices.

How do I set up MACD on ThinkorSwim?

To set up MACD on ThinkorSwim, go to your desired chart, click 'Studies' then 'Edit Studies', search for MACD, and adjust the settings as outlined in the blog.

What are the main uses of MACD in trading?

MACD is primarily used for identifying crossovers, overbought/oversold conditions, and divergences, which can signal potential buy or sell opportunities.

Can MACD be used for day trading?

Yes, MACD can be effectively used for day trading, especially in trending markets, to help identify momentum and potential reversal points.

What results has the author achieved using MACD?

The author reports a profit of \$6,717.39 over one month of trading using the MACD indicator on the 1-minute timeframe.