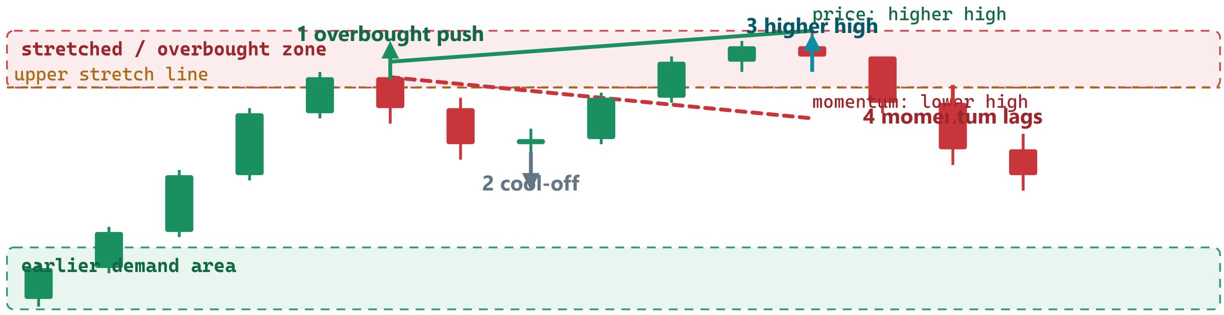
INDICATORS & TOOLS

reading momentum with RSI

The relative strength index is a momentum gauge that moves between 0 and 100. It tries to answer one thing: how strong has recent buying been compared with recent selling? Here is how to read it.

QUANTREEF
market microstructure



1
a push into overbought
Price rallies into a first high and RSI climbs above the 70 line. Readings this high just mean the recent up-moves have been large and fast, not that a move is due to end.

2
a cool-off
Price pulls back and RSI eases toward the middle of its range. Momentum has softened but the broader move is still intact, so the reading sits nearer 50.

3
a higher high in price
Price grinds up to a new, slightly higher peak. On the surface this looks like continued strength, and it is where many people expect momentum to confirm the move.

4
divergence: momentum lags
Even though price made a higher high, RSI made a lower high than at point 1. This gap is a bearish divergence: the second push was weaker under the surface, a descriptive sign of fading momentum.

Key terms

oscillator — an indicator that moves inside a fixed range, here 0 to 100, rather than tracking price directly.

overbought / oversold — shorthand for RSI above about 70 or below about 30, meaning recent moves were unusually strong in one direction.

momentum — how quickly and forcefully price has been moving, separate from the direction alone.

bearish divergence — price sets a higher high while RSI sets a lower high, hinting the up-move has less force behind it.

How to read & use it

read the level, not a verdict
Above 70 or below 30 describes stretched momentum. Strong trends can stay overbought or oversold for a long time, so a level alone is context, not a conclusion.

compare the peaks
Divergence is about relationships. Line up a price high with the matching RSI high, then check whether RSI rose or fell versus the prior peak.

pair it with structure
RSI is one lens. Traders usually read it alongside price levels, trend and volume rather than treating any single reading as the whole picture.

HOW QUANTREEF USES THIS

Where Quantreef shows momentum readings like RSI, they are descriptive context to help you learn what the chart is doing. They are educational information, not a signal, recommendation, or prediction, and nothing here tells you to buy or sell.