

# PARABOLIC SAR



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The **parabolic SAR** attempts to give traders an edge by **highlighting the direction an asset is moving**, as well as providing entry and exit points.

### Key Takeaways

- The indicator uses a **trailing stop** and reverse method called "SAR", to identify suitable exit and entry points.
- A dot is placed below the price when it is trending upward, and above the price when it is trending downward as well as **drawing attention** to when the price **direction is changing**.

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## What Does the Parabolic SAR Tell You?

The SAR works well for **capturing profits during a trend**, but it can lead to many false signals when the price moves sideways or is trading in a choppy market.

The parabolic SAR is also a **method for setting stop-loss orders**. When a stock is rising, move the stop-loss to match the parabolic SAR indicator. The same concept applies to a short trade.

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