

## INDICATORS

# Why Most Indicators Lag (And What To Do Instead)

June 14, 2026 By Marcus Reyes

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Every indicator built on a moving average — and that's most of them, including MACD, Bollinger Bands, and even RSI's smoothing component — is mathematically a function of past closes. That means by construction, they cannot lead price. They confirm what already happened.

This isn't a reason to throw indicators away. It's a reason to use them correctly.

## What indicators are actually good for

Lagging indicators excel at filtering, not predicting. RSI above 70 doesn't mean "sell now" — it means "this move has been strong enough for long enough that a pause or pullback is statistically more likely than a continuation at the same velocity." That's a filter you apply to a setup you've already identified through structure, not a standalone signal.

Moving average crossovers work the same way. A 20/50 EMA cross doesn't tell you a trend is starting — it tells you a trend has already started and gathered enough momentum to move the shorter average through the longer one. By the time you see the cross, price has usually moved 15-30% of the way through the trend it's confirming.

## What actually leads price

If you want information that isn't lagging, look at:

1. **Order book imbalance** — resting liquidity that hasn't traded yet, which is why prop desks pay for DOM data.
2. **Liquidity pools** — obvious stop clusters above/below recent swing highs and lows. Price is drawn toward these because that's where the volume to fill large orders exists.
3. **Volume profile / value areas** — where the market has spent the most time trading, which acts as a magnet for future price even before a new candle forms.
4. **Higher-timeframe structure** — the trend on the 4H or Daily is already "known" before your 15-minute indicator catches up to it.

## A practical framework

Use structure and liquidity to form your thesis. Use lagging indicators to time or filter your entry within that thesis. For example: you've identified a demand zone from swing structure (leading information). Price arrives at the zone. Now you wait for RSI to show bullish divergence and a moving average to flatten before entering (lagging confirmation). You're not asking the indicator to find the trade — you're asking it to help you not jump the gun on a trade you already found.

Traders who treat MACD crossovers as entry signals in isolation are trading the market's memory.

Traders who treat them as confirmation of a thesis built on structure are trading probability. Same tool, very different results.