



FS Magic Cloud Indicator

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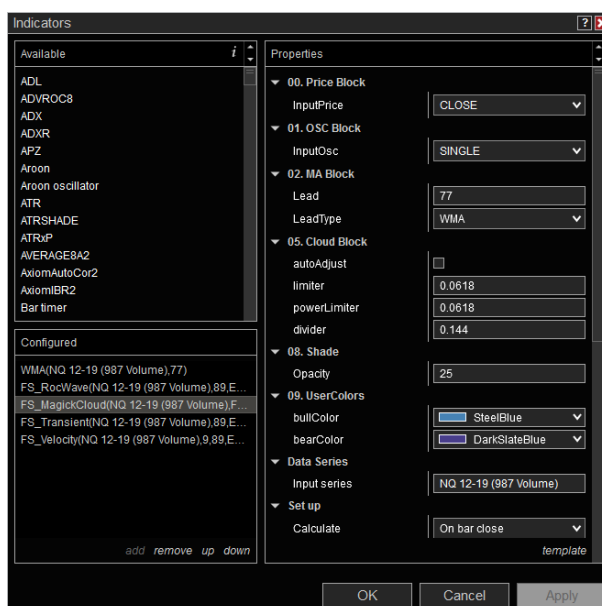
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The Momentum Cloud

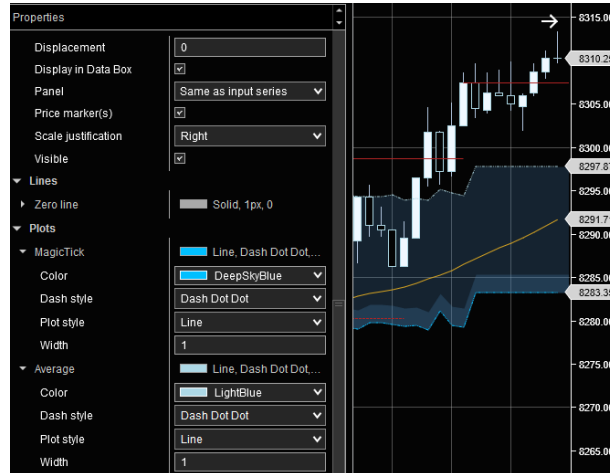
The Magic Cloud is an add on to the Roc Wave and was developed for the purpose of converting the ROC “0” line into a price that can be displayed on the chart as a value. The average power of the wave is also converted into a price with this indicator and it is now easy to see the momentum wave displayed as a cloud. Price will be observed reacting to this cloud and the incorporation of critical levels, pivots, or perhaps transients in conjunction with this cloud can be used to further evaluate the momentum conditions about these areas.

The inputs are the same as the ROC and should be set as such so that the cloud lines up with the ROC and the proper “0” line is displayed. The “MagicTick” output in the settings window is the “0” line represented as a price. The “limiter” setting will stabilize the lines represented on the chart with higher values. The difference in the ROC readings bar by bar is the “velocity” and the relative value of this is what should be used as an approximation to the “limiter”. The “auto-adjust” feature will automatically attempt to adjust the values but for a more accurate adjustment a manual approach can be used. The same process can be used for the “Average” output and the “powerLimiter” settings control the stabilization for the “Average”. The Magic Cloud uses no smoothing function.



Set the shading of the cloud with “opacity” and set the colors for the bull vs. bear phase. The “divider” will shade the region closest to the “0” to emulate the ROC “limiter” idea that values and price can be shown to confirm breaking away from the pivot. This is useful for qualifying confirmations of momentum shifts because the market will often play with this pivot before deciding which direction to take.

The average power line is important to watch as it is a critical pivot in the trend. The trend is strong above in a bull phase or weak below in a bear phase. Strong trends can be recognized when price cannot penetrate the average power line for very long.

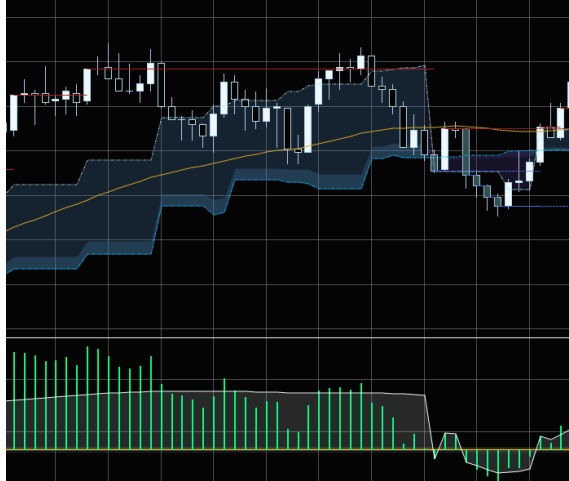


Price that holds inside the average is a sign that the trend is weakening. When price holds inside the cloud the average edge can be observed containing the price.

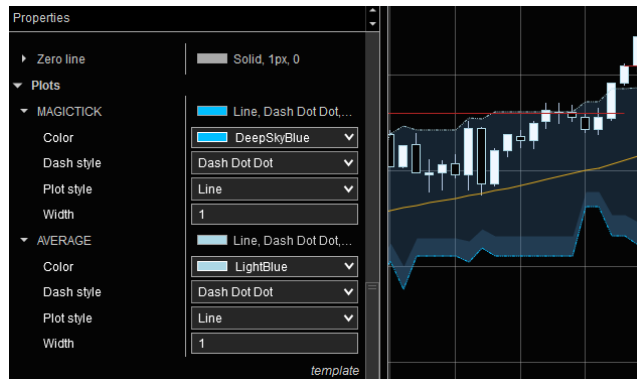


The transient line should be watched in relation to the average power and when the average line is above the resistance transient in a bull or below the support transient in a bear the price is considered to be “stalling”. This phenomenon is magnified by the size (duration of “X” bars) of the wave and this could be a price exhaustion. The market is potentially ready to rip in the opposite direction if this scenario is present and positions of value should be trimmed or exited. Countertrend trading opportunities can also be engaged in this type of setup and as a general rule it is best to wait until the ROC crosses the “0” line to confirm the momentum shift in the opposite direction although a pre-emptive % of position can be entered with the idea to enter on the remaining % when the “0” line is crossed. If the “MagicTick” line crosses the transient watch out as the trend is now gaining significant strength by proving that momentum pivot is now beyond the extreme level of activity.

This scenario displays the average edge crossing the red line transient peak price and stalling.



The available outputs for the Magic Cloud are the “MAGICTICK” and the “AVERAGE” and can be accessed to use in a strategy by importing and calling the indicator.



END OF LINE.