

# FS Transient Indicator

MOMENTUM TOOLS

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## The Transient

The transient of a sound wave is a burst of high amplitude around a given frequency. The burst of buying and selling activity in the market also produce transients. These peaks of activity are usually the ends of short term trends, stop hunts, or blowouts.



Transients that are revisited and taken are usually the indication of a more persistent trend developing and the extended wave can be seen (and heard) building upon itself as buying begets more buying, or selling begets more selling. The transient is the high (or negatively low) point in the ROC wave reading and the period's price is recorded. This price peak is a critical area and once it is hit the action decays from there until renewed strength forces the market beyond the transient price. Price can go beyond the transient price but if momentum does not make a higher reading this is known as a "divergence". There are many technical systems and trading approaches that have been developed over the years devoted to capitalizing on this type of setup. If momentum and price make a new high this recycles the peak and the market resumes the initial move with more conviction thus perpetuating the trend. Careful observation of price behavior about the transient will reveal the intentions of the market participants. The transient can act as resistance or support when the price returns to there and sometimes trading against this can offer some good trade location as this is the point where the market stopped on the last attempt. This indicator keeps track of the current transient as well as the "old" transient. There is an old adage of "support becomes resistance" and "resistance becomes support" in trading.

The reason this is a prevalent concept with these transients is that the market finds barriers and when they are captured these pivots can reverse polarity. The pivots now become opposite in nature compared to what they were before. The old resistance can and often does act as support. The old support once broken will be resistance at least temporarily as the market readjusts itself to the new landscape with the participants changing sides and rebalancing positions.

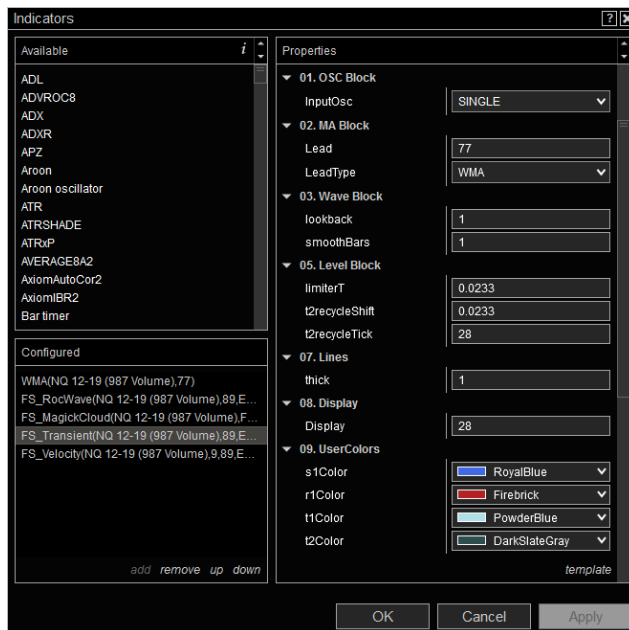


The above slide shows the dashed red transient as providing further resistance and the new fresh transient forms in the same area. The dashed blue line is the old support and it also is supporting the theory of a breached support becoming resistance. These simple yet extremely powerful concepts are what make this indicator an essential tool for any trading kit.

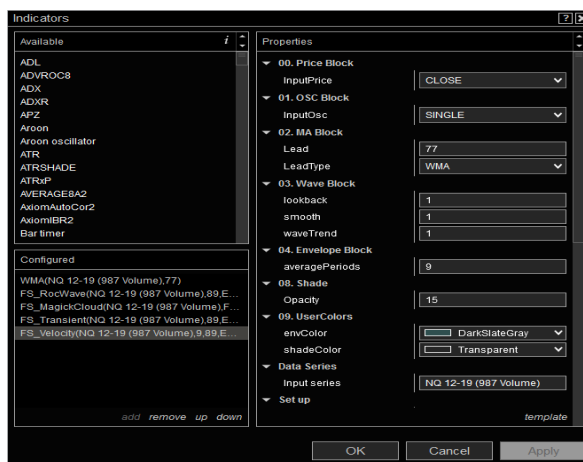
Strong moves or powerful bars from the initial transient are a very good indication that the move leading up to that action has been some sort of manipulation of price in order to maximize the ricochet effect and benefit the controlling interests. The market often will often lure in late buyers or sellers to feed on a critical but hidden price at the time and the reaction off this price confirms this event. The powerful down bar off the peak is the signal that the counteracting forces are present in the market.



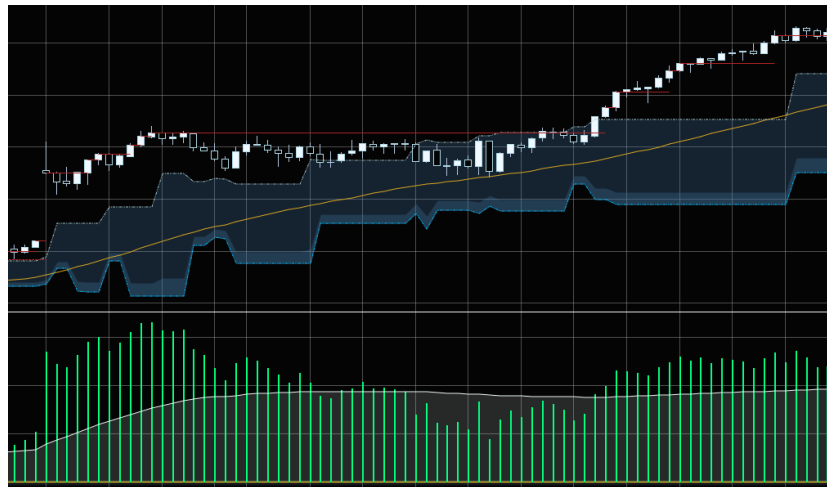
The transient indicator can be set much like the ROC with the same inputs and choices of averages. There are some additional features however that control the behavior and adjustability of the moving transients.



The “limiterT” controls when to store the old transient and begin calculating a new one. Set this value by observing how far the ROC reading must go beyond the “0” line to warrant an update in the active levels. This is adjustable to remove unnecessary creation of cluttered levels that can appear too frequently for one’s taste on the chart selected. The “t2recycleShift” can be adjusted to determine the sensitivity of new transients being created by requiring the current ROC value exceed the current transient’s ROC value by “X”. It is essential to experiment and find settings that are tuned according to style and taste. Transients that update too soon will not filter out the proper noise, and obviously too much filtering removes necessary granularity needed for more accurate trading moves. Refer to the FS Velocity manual and use the velocity calibration setting to tune the transients properly.



The “t2recycleTick” is also used to recycle the transients when a “drift” occurs. A drift is when the trajectory of the market has been so strong that price is significantly beyond the momentum transient price and it is now beneficial to establish a new support or resistance level based on the turning of price. The market is being carried by the initial momentum of the trend at this point and the price is capable of moving great distances with much less momentum behind it. This scenario can be detected when the price is holding above or below the transient for “X” bars. The slide below shows that momentum peaked out rather quickly but the gap opening higher produced enough activity initially to carry the market much higher as momentum continued to decay. This is when the trajectory effect comes into play and produces strong excursions in price.



The “showOutput” switch will print the transients and their values to the output window. These outputs can be accessed by importing and calling the indicator in a strategy. R1 or S1 is the active transient, R2 and S2 are the old transients.

```

NinjaScript Output
~ biP/O * bAr No. 2514 - 12:14:49.4640000 / 8399.25
R1 == 8402.25
S1 == 0
R2 == 8397
S2 == 8382.5
*****
~ biP/O * bAr No. 2515 - 12:20:48.1670000 / 8398.25
R1 == 8402.25
S1 == 0
R2 == 8397
S2 == 8382.5
*****
~ biP/O * bAr No. 2516 - 12:24:11.2380000 / 8397
R1 == 8402.25
S1 == 0
R2 == 8397
S2 == 8382.5
*****
~ biP/O * bAr No. 2517 - 12:26:49.1280000 / 8396
R1 == 8402.25
S1 == 0
R2 == 8397
S2 == 8382.5
*****

```

END OF LINE.