

Super RSI™



Trader Guide

Fibozachi 

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An Overview of Super RSI™ - A Next Generation Trading Indicator -



The RSI Indicator (Relative Strength Index) continues to be one of the most popular technical indicators used by novice and professional traders alike. However, because it is not as effective or accurate in today's dynamic, fast-paced markets, the classic version of the RSI leaves much to be desired. As markets evolve, the technical indicators that we rely on to trade successfully must also evolve. Our *Super RSI™* Indicator Package is specifically designed to overcome the limitations of the classic RSI while also offering several powerful new features.

The indicators included within the Super RSI™ Indicator Package are:



Super RSI™



Super RSI™ RadarScreen



Super RSI™ PaintBar



Super RSI™ Market Analyzer

A Comparison of the Original RSI & Super RSI™ - Old vs. New -

The *Super RSI™* includes a variety of new features and customizations that you will not find in the original RSI. Check out the comparison chart below to see why the *Super RSI™* is far superior to the original RSI.

List of Advanced Features	Super RSI™	Original RSI
Built-In State of the Art "Divergence Engine"	✓	✗
Issues Divergence Signals & Alerts	✓	✗
Automatically Draws Divergence Trendlines	✓	✗
Allows Price Data to be Smoothed	✓	✗
Calculates the RSI-value using any of 9 Different Averaging Methods	✓	✗
Option to Calculate RSI using "OHLC / 4" or Closing Price	✓	✗
Gapless Technology Allows RSI to Ignore Price Gaps	✓	✗
Customizable Color-Coding for All Plots	✓	✗
Customizable Alerts for Crossovers & Divergences	✓	✗
Special RadarScreen Indicator & Workspace (TradeStation Users)	✓	✗
Special Market Analyzer Indicator & Workspace (NinjaTrader Users)	✓	✗

Built-In State of the Art “Divergence Engine”

- The *Super RSI™* includes a special “Divergence Engine” that is unlike anything you have seen before. It is trader-friendly and easy to use, while still offering numerous advanced features, settings and customizations; making it ideal for both novice and professional traders.

Issues Various Divergence Signals & Alerts

- Our Divergence Engine is not limited to only simple bullish & bearish divergences; it issues a whole array of various divergence signals, such as standard divergences, “Filtered Divergences” and 3-Point Divergences! In addition, you can be immediately notified of each divergence signal by customizable audio, visual and/or email alerts!

Automatically Draws Divergence Trendlines

- Color-coded divergence trendlines are instantly drawn directly onto the price panel and indicator subpanel (depends on platform) as soon as any kind of valid divergence is detected.

Allows Price Data to be Smoothed

- Only the *Super RSI™* allows users to smooth the price data that flows into the RSI formula. By smoothing the price data, the actual plot of the *Super RSI™* becomes much smoother than the jagged plot of the original RSI.

Calculate the RSI with 8 Different Averaging Methods

- Allows you to select any averaging method to use when smoothing price data. Choose from SMA, EMA, DEMA, TEMA, WMA, TMA, HMA, or GMA!

Option to Calculate RSI using “OHLC / 4” or Closing Price

- The original RSI only takes the previous closing price into account. The *Super RSI™* gives the user the option to use the (OHLC / 4) of each bar instead of the closing price. This allows all available price information to be included in the calculation of the RSI value.

“Gapless Technology” Allows the RSI to Ignore Price Gaps

The user has the option to set the “Gap Filter” to any value between 0 – 1.0.

- At a setting of “0”, all price gaps will be included when calculating the RSI.
- At a setting of “1”, all price gaps will be excluded when calculating the RSI.

Customizable Color-Coding for All Plots

- Each and every one of the various plots is fully customizable, giving you the ability to choose your own color, shape and size for any plot!

Customizable Alerts for Crossovers, Reversals & Divergences

- Users have the ability to activate or deactivate each of the various alerts, so that they can avoid being distracted by signals that they aren't trading.

Special “RadarScreen” Indicator & Workspace

- Included for all TradeStation users is a specialized “RadarScreen” version of the *Super RSI™* and a pre-formatted workspace, so that you can begin running automated scans with just the click of a button!

Special “Market Analyzer” Indicator & Template

- Included for all NinjaTrader users is a specialized “Market Analyzer” version of the *Super RSI™* and a pre-formatted workspace, so that you can begin running automated scans with just the click of a button!

The Concept of Smoothing Price Data

The original RSI formula uses the previous bar's closing price when calculating the RSI value. This is not an ideal approach since price can be significantly different from bar to bar, which sometimes causes the RSI value to become 'jittery'. Having an overly sensitive RSI will result in excessive amounts of whipsaws or false signals. This cannot be overcome by simply increasing the length or period of the RSI, since that will lead to delayed or lagging signals.

The most effective way to overcome these inherent limitations is to smooth the price data *before* the RSI performs its calculations; this is precisely what we have done with the *Super RSI™*. Instead of using only the previous bar's closing price, traders can now input a length that determines how many bars to use in order to obtain an average price over the last "N" bars. This way the price data that is flowing into the RSI calculations is "filtered", so to speak. It cannot differ drastically from bar to bar since it is being averaged, which produces a much smoother RSI value.

Original RSI



Super RSI™



An Overview of the Various Averaging Methods

The following pages provide chart examples and descriptions of the different types of averaging methods that can be applied to the *Super RSI™* to obtain unique results.

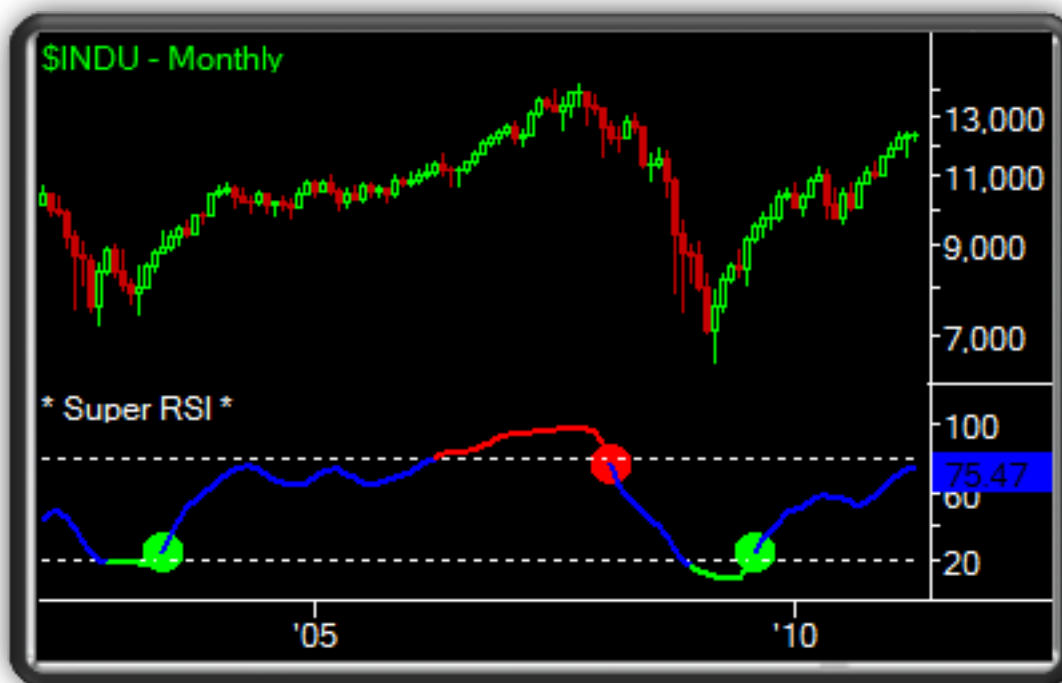
When viewing the following chart examples, note how the plot of the *Super RSI™* differs with each averaging method. Each chart example uses identical price data, so that you can visually distinguish the differences between the various averaging methods.

If you are already familiar with the various averaging methods, you may wish to skip directly to the “*Expert Tips & Advice*” section on page 17.

*** All of the following chart examples use a *Super RSI™* length of “14” and a price smoothing length of “5” to obtain a good balance between the smoothness of the RSI plot and its response time.

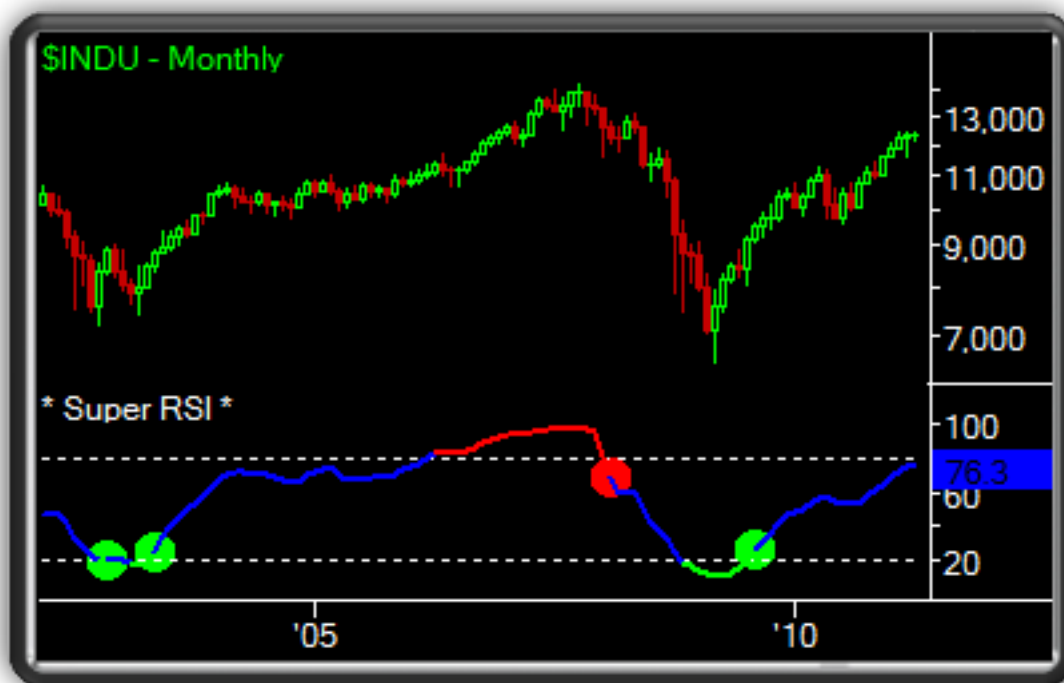
Simple Moving Average (SMA)

The *Simple Moving Average (SMA)* calculates the standard arithmetic mean of prices or values over “N” interval periods (number of bars). Since there is an equal weighting between each bar used in its calculation, the *SMA* is less responsive to current price action when compared to most of the other Moving Average methodologies.



Exponential Moving Average (EMA)

Since the *Exponential Moving Average (EMA)* places a greater weighting on the most recent price data, it is more responsive and robust than the *SMA*. The *EMA* is actually quite similar to the *WMA* in that it is a weighted moving average. However, a critical difference is that the calculation of an *EMA* includes a smoothing factor in addition to including all of the price series data for the *entire life* of the trading instrument under analysis, where every single bar's data affects each new calculation. Ultimately, the weighting assigned to each bar of *EMA* data continually shrinks as a new average is continuously calculated; yet, each individual datum point captured remains forever part of a derivative function within the *EMA*.



Double Exponential Moving Average (DEMA)

The *Double Exponential Moving Average (DEMA)* is a bit of misnomer in that it is not simply an *EMA* of an *EMA* but is rather the difference between a single *Exponential Moving Average* and a *Double Exponential Moving Average*. The advantages of the *DEMA* are that it exhibits a lower lag than its two separate moving averages alone and tracks price more closely than an *EMA*.



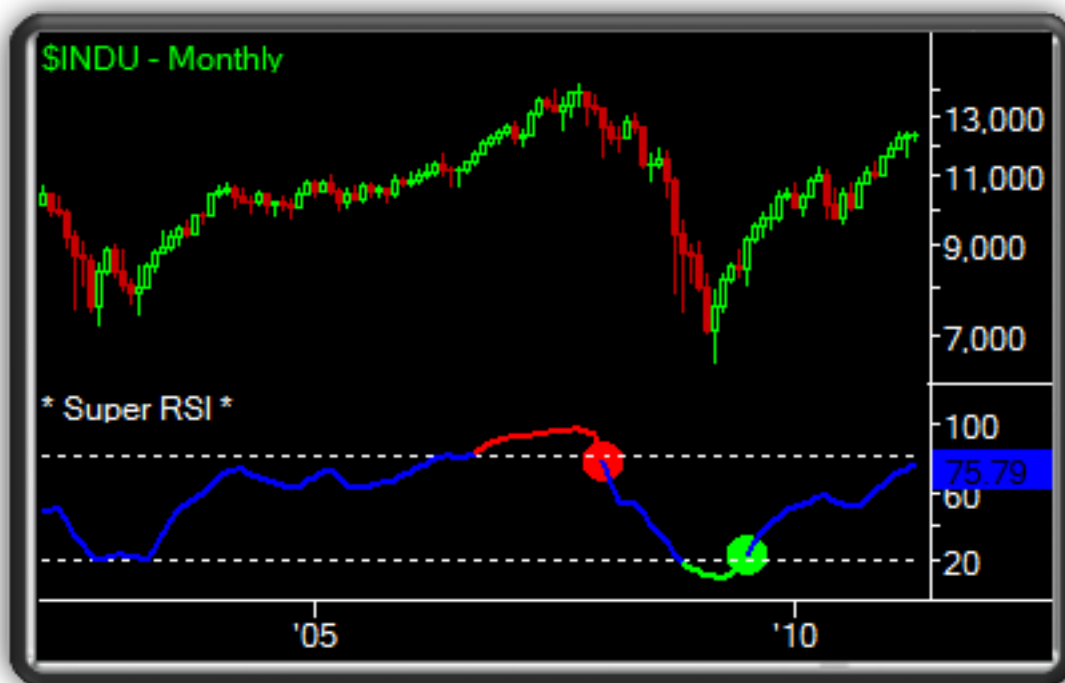
Triple Exponential Moving Average (TEMA)

The *Triple Exponential Moving Average (TEMA)* is also a misnomer in that it is not simply an *EMA* of an *EMA* of an *EMA*, but is rather the product of an *EMA* of an *EMA* of an *EMA* added to a modified *DEMA* value. The advantages of the *TEMA* are that it exhibits one of the lowest lags of all nine Moving Average methodologies and tracks price more closely than either the *EMA* or the *DEMA*.



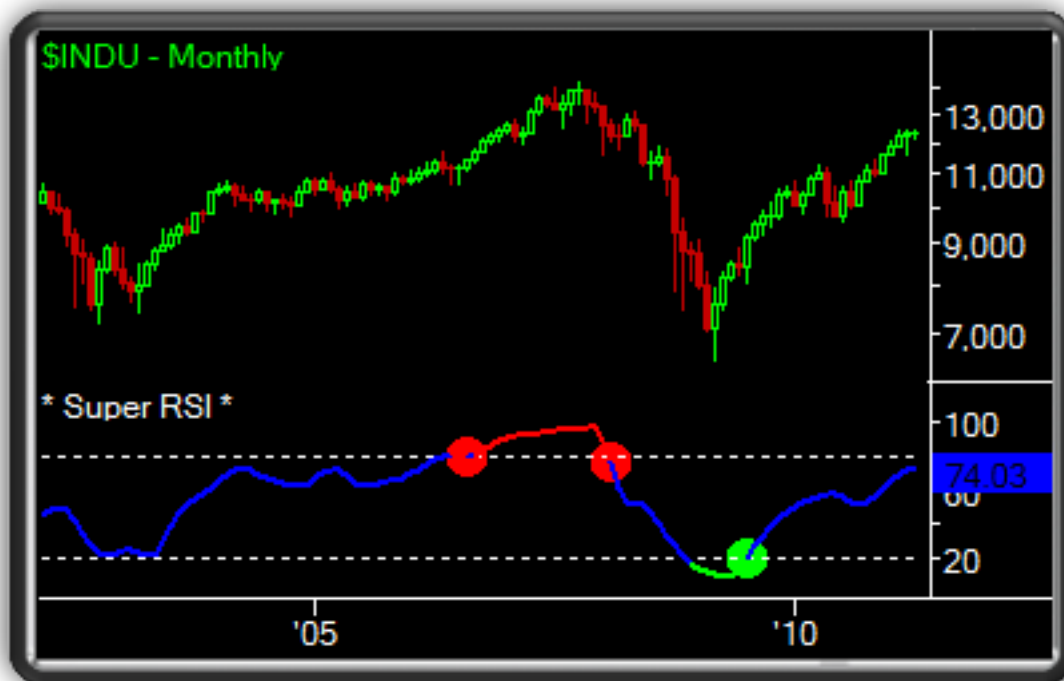
Weighted Moving Average (WMA)

The *Weighted Moving Average (WMA)* assigns an increasingly greater weighting to the most recent price data by taking closing prices over “N” interval periods (number of bars) and then multiplying them by their specific position within the price data series. For example, a 10-day WMA would multiply today’s closing price by ten, yesterday’s by nine and so on until multiplying the very first day in the series by 1; then, after compiling these results together, it divides by the total sum of the multipliers.



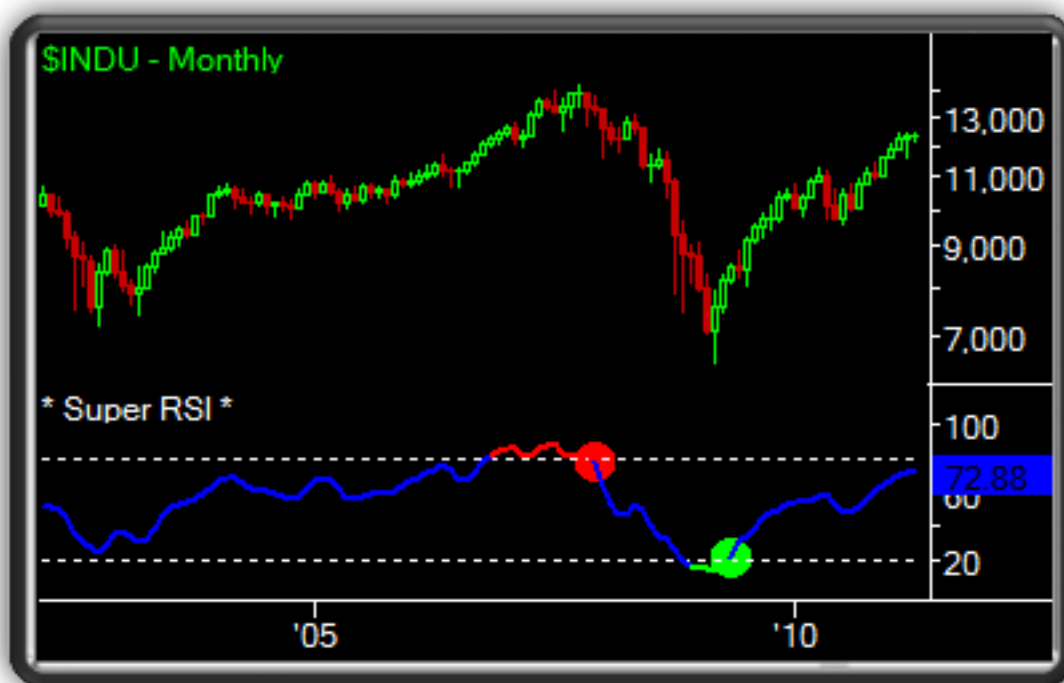
Triangular Moving Average (TMA)

The *Triangular Moving Average (TMA)* is a variation of a *Weighted Moving Average* that assigns a greater weighting to the *middle* portion of price data over “N” interval periods (number of bars). Since the *TMA* employs a double-smoothing calculation it exhibits a slightly greater lag and is less responsive than many of its peers; in actuality, the *TMA* is simply an *SMA* that has been double-smoothed. Because of this additional smoothing, *TMA*’s tend to exhibit smooth, wavelike movements without sharp or jagged plots; for this simple reason, the direction of a *TMA*’s slope is the single most important factor to analyze.



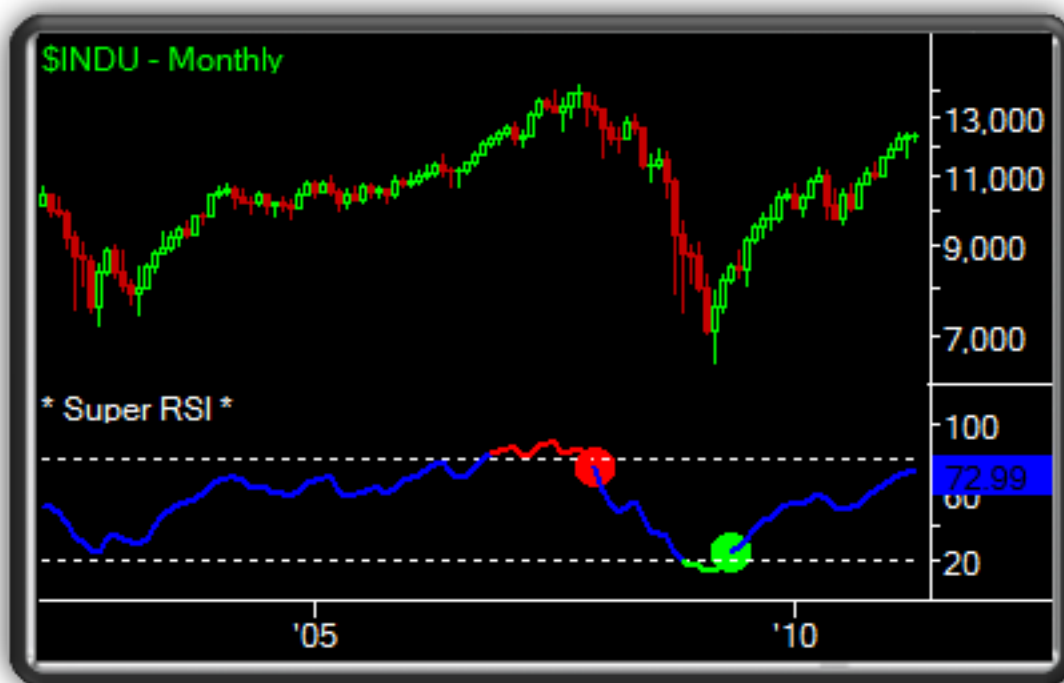
Hull Moving Average (HMA)

The *Hull Moving Average (HMA)* is a *modified Weighted Moving Average* that dampens the effect of smoothing by using the square root of an interval period instead of the actual interval period itself; resulting in a reduced lag and much smoother plot. The *HMA* reacts very quickly to price, often overshooting large gaps and thrusts in price action, which is why the angle of its slope is significantly more important for analysis than whether it is actually above or below price.



Gaussian Moving Average (GMA)

The *Gaussian Moving Average (GMA)* is actually a filter, designed for use across various areas of statistics and electronic signal processing. *Gaussian filters* exhibit minimal possible group delays (lag) and minimize both rise and fall times *without* overshooting price. Simply put, the *GMA* is a mathematically superior Moving Average methodology, which we at *Fibozachi* have found to be one of the most accurate and robust of all the averaging methods.



Super RSI™ PaintBar - Intuitive Color-Coding -



The *Super RSI™* PaintBar enables traders to monitor RSI trend conditions directly from the chart or price panel. By utilizing advanced and flexible color-coding techniques, the *Super RSI™* PaintBar allows you to customize the appearance of each plot based upon your own personal preferences.

Traders can now choose from any of the following color-coding options:

- ▶ **Slope Color-Coding**
- ▶ **OB / OS Color-Coding**
- ▶ **MidLine Color-Coding**
- ▶ **RSI Avg. Color-Coding**
- ▶ **Gradient Color-Coding**

Slope Color-Coding



MidLine Color-Coding



RSI Avg. Color-Coding



OB / OS Color-Coding



Gradient Color-Coding



Gradient Color-Coding (Dynamic)



DOBOS™**Dynamic OverBought/OverSold Levels**

We at Fibozachi have added an innovative and proprietary new feature to many of our Indicators called "DOBOS™", which stands for "Dynamic OverBought/OverSold Levels". These special OB/OS Levels are calculated using recent price movements and Indicator values, which help to determine exactly where the Indicator will become OverBought or OverSold, based on the current market environment. This is a significantly more accurate and effective method of determining the OverBought and OverSold Levels of an Indicator. Instead of always using static values like "80" and "20", DOBOS™ will automatically synchronize the OB/OS Levels after each bar so that you remain in perfect harmony with the current market.

Market environments are rapidly changing and price often behaves much differently during one period of time than another ... this holds true whether you are trading on a 1-minute chart or a monthly chart. Therefore, it is vital that the Indicators we use to trade are able to recognize and adapt once a market or price begins to behave differently. Using static OB/OS Levels that never change is just not reliable or effective since both price and the market environment is constantly changing and evolving. Our "DOBOS™" Levels overcome this problem by adapting to the recent market behavior and pin-pointing the ideal values for where the OverBought and OverSold Levels should be, based on the current market environment.

DOBOS™ Parameters & Input Settings

OB/OS Lookback Period: This is the number of bars used for calculating the OB/OS values. Since part of the formula references the Min/Max range of indicator values over the "Lookback Period" number of bars, using a longer number like the default "200" will provide stable longer-term OB/OS levels, whereas a shorter setting of say "50" will act more like "Deviation or Bollinger Bands" in the way that they move (more closely with the indicator's peaks and troughs).

OB/OS Buffer: This extends the OB/OS levels so that they are more difficult to penetrate. This setting should be a value between 0 and 1.0 and you can experiment with it to adjust how 'strict' the OB/OS levels are (how often they are penetrated).

Show OB/OS Crossovers: These signals occur when the Indicator value crosses above or below the OB/OS Levels.

Show DOBOS™ Reversals: These reversal signals are a blend of conditions that must occur along with the Indicator value being either OB/OS and reversing its slope. If all conditions are satisfied, then a DOBOS™ Reversal signal is generated and plotted. These signals are rare, yet they are extremely accurate and often catch major tops and bottoms in price.

Expert Tips & Advice

EXPERT
ADVICE

Utilize the Gradient Color-Coding Techniques

► One of the most unique and useful upgrades that we have incorporated into the *Super RSI*™ is its ability to utilize special Gradient Color-Coding techniques. We at *Fibozachi* strongly recommend that you implement Gradient Color-Coding when using the *Super RSI*™ PaintBar because it is significantly more informative (and less misleading) than other color-coding methods. This is due to the fact that the colors of the bars are always a perfect representation of current RSI trend conditions.

Using the dynamic gradient option will make the color-coding more leading and predictive, as opposed to simply being concurrent with price. Rather than gauging where the RSI value is within the possible range of “0 – 100”, it will instead determine where the RSI value is within the range of the minimum and maximum RSI values over the last “X” number of bars. Consider the following examples:

Standard Gradient Color-Coding: If the RSI is at a value of “30”, it will be colored more towards the bearish color (Red). It is essentially a blend of 70% red and 30% green.

Dynamic Gradient Color-Coding: If the RSI is at a value of “30” and it is the lowest value over the last “X” bars, it will be colored 100% bearish (Red). However, if the RSI is at a value of “30” and it is the highest value over the last “X” bars, it will be colored 100% bullish (Green).



Focus on Filtered Divergences

► Our team of Chartered Market Technicians (CMT) devised the concept of and formula for a “Filtered Divergence”, which is a simple yet incredibly effective trading signal. In its simplest terms, a Filtered Divergence occurs when both the Indicator and Price register simultaneous pivots at both the start and endpoint of a divergence. Filtered Divergences are vastly superior to standard divergences since they ensure that price also registers a pivot high or pivot low. We strongly recommend that you place much more emphasis on locating Filtered Divergences as opposed to just any ordinary divergence. You will notice that Filtered Divergences are much more predictive (often marking major price highs/low) and accurate (higher rate of follow-through).

EXPERT
ADVICE

Modify the Overbought / Oversold Levels

► The default “Overbought / Oversold” levels for the original RSI are 70/30, respectively. While these settings may be suitable for basic chart analysis, they are a bit too lenient for actual trading. The RSI moves above “70” and below “30” too often, which produces excessive crossover signals at times where an instrument may not actually be legitimately “Oversold” or “Overbought”. The best fix for this is to use stricter thresholds for the Overbought / Oversold levels, such as “80/20” or even “90/10”. This will help to filter out weaker trades so that you are only focusing on instruments which are *extremely* overbought or oversold.



Use the Super RSI™ to Identify Possible Breakouts

► The *Super RSI™* can also be used to identify when a bullish or bearish trend reaches a point of significant strength.

When the *Super RSI™* value crosses above the Overbought level, it often marks the point at which price is amidst a strong bullish trend and is likely to continue moving upwards.

When the *Super RSI™* value crosses below the Oversold level, it often marks the point at which price is amidst a strong bearish trend and is likely to continue moving downwards.

*** This trading concept should be used with Overbought / Oversold levels around “70/30”, which enables one to catch a trend in its middle stages. Using levels of “80/20” would catch a trend in its later stages, greatly diminishing the potential for profit.

EXPERT
ADVICE

Identify Your “Sweet Spot”

► The *Super RSI*™ enables you to smooth price data before the RSI value is calculated. Therefore, it is crucial that you find your own ideal balance between the smoothness and response time of the RSI. The more that you smooth price data, the more that the RSI will tend to lag actual price action. It is important that you experiment with various settings to identify your ‘sweet spot’, where the balance between the smoothness and response time of the RSI is ideal for your specific trading style.

Customizing the Super RSI™ Indicator

Show RSI Average: Set to “TRUE” to display the RSI Avg.

Gap Filter: This value is the percent of each price gap that will be ignored when calculating the RSI value. For example, a value of “0.3” means that 30% of each price gap will be ignored when calculating the RSI, whereas a value of “1.0” means that each price gap will be completely ignored when calculating the RSI.

RSI Length: Length or period to use when calculating the RSI.

RSI Average Length: Length or period to use when calculating the RSI Average.

Price Smoothing Length: Number of bars to include in the averaging method that is used to smooth the price data.

OHLC Price Activation: Set to “TRUE” to enable the RSI formula to use the “OHLC / 4” as the price for each bar. Set to “FALSE” to enable the RSI formula to use the close as the price for each bar.

OB/OS Crossover Signals & Alerts: Set to “TRUE” to enable “dot” signals and alerts for when the *Super RSI™* enters and exits the overbought or oversold thresholds.

RSI Average Crossover Signals & Alerts: Set to “TRUE” to enable “dot” signals and alerts for when the *Super RSI™* crosses above the RSI Average while in oversold territory or crosses below the RSI Average while in overbought territory.

Slope Reversal Signals & Alerts: Set to “TRUE” to enable “dot” signals and alerts for when the *Super RSI™* reverses the direction of its slope while in the overbought or oversold territory.

Slope Color-Coding: If set to “TRUE”, the RSI will be color-coded “Green” when it is sloping upwards and “Red” when sloping downwards.

Overbought / Oversold Color-Coding: If set to “TRUE”, the RSI will be color-coded “Green” in Oversold territory and “Red” in Overbought territory.

MidLine Color-Coding: If set to “TRUE”, the RSI will be color-coded “Green” when it is above the MidLine (> 50) and “Red” when below the MidLine (< 50).

RSI Average Color-Coding: If set to “TRUE”, the RSI will be color-coded “Green” when it is above the RSI Average and “Red” when below the RSI Average.

Gradient Color-Coding: If set to “TRUE”, the RSI will be color-coded using a special gradient method. The color of each bar is based upon the current RSI value and where it lies within the possible RSI range of “0 - 100”.

Use Dynamic Gradient: If set to “TRUE”, the gradient color-coding method will become dynamic. This means that the color of each bar is based upon the current RSI value and how it compares against the maximum and minimum RSI over the user-defined “Gradient Color Range”.

Gradient Sensitivity: Determines how reactive the gradient color-coding is to movements in price. A higher value will result in quicker color changes while a lower value produces a more stable color blend.

Gradient Color Range: Determines the lookback period or amount of bars that will be referenced when obtaining the Maximum and Minimum RSI values that are required for Dynamic Gradient Color-Coding.

Automated Scanning Capabilities

- Scanning for Crossovers, Reversals & Divergences -

NinjaTrader Market Analyzer

Super RSI™ also includes a special pre-formatted “Market Analyzer” Indicator and template for all NinjaTrader users. All of the columns, colors and text are completely customizable so that you can personalize it to your own preferences. As you can see from the screenshot below, using *Super RSI™* with the Market Analyzer allows you to quickly scan an entire list of symbols for the most important information in just seconds! You can also sort the data by any column to organize your scan results into easy-to-read lists.



Instrument	Super RSI™	OB/OB Crossovers	RSI Avg. Crossovers	Slope Reversals	Divergences
AAPL	36.77	→	→	→	→
ADBE	26	→	→	→	→
ADP	37.99	→	RSI Avg. Crossover ↑	Bullish Slope Reversal	→
ADSK	15.5	→	→	→	Bullish Divergence
AKAM	26.00	→	→	→	→
ALTR	31.7	→	→	→	→
ALXN	6.35	Entering OB	RSI Avg. Crossover ↓	→	→
AMAT	16.22	→	→	→	Bullish Divergence
AMON	52.25	→	RSI Avg. Crossover ↑	→	→
AMZN	36.59	Entering OB	→	→	→
APOL	73.04	Entering OB	→	→	Bullish Divergence
ATVI	46.79	→	→	→	→
BBBY	37.4	→	→	→	→
BIDU	25.38	→	→	→	→
BHB	45.59	→	RSI Avg. Crossover ↑	Bullish Slope Reversal	→
EMC	42.91	→	→	→	→
BRCM	41.13	→	→	Bullish Slope Reversal	→
CA	23.8	→	→	→	→
CELO	52.3	Entering OB	→	→	→
CEPH	84.96	→	→	Bullish Slope Reversal	Bullish Divergence
CERN	44.83	→	RSI Avg. Crossover ↑	→	→
CHKP	56.56	→	RSI Avg. Crossover ↓	→	→
CHRW	38.15	→	→	→	→
CMCSA	53.28	→	→	→	→
COST	37.95	Entering OB	→	→	→
CSCO	16.55	→	→	→	→
CTRP	31	→	RSI Avg. Crossover ↑	Bullish Slope Reversal	→
CTSH	33.79	→	→	→	→
CTXS	44.35	→	→	Bullish Slope Reversal	→

The following is an overview of the various columns and their purpose:

Super RSI™: Displays the current *Super RSI™* value. It is also color-coded, so that the cell is “**Green**” when the RSI value is in oversold territory, and “**Red**” in overbought territory.

OB/OS Crossovers: Displays OB/OS Crossover signals when the *Super RSI™* enters or exits (crosses over) the user-defined overbought/oversold thresholds.

RSI Average Crossovers: Displays RSI Crossover signals when the *Super RSI™* crosses above the RSI Average while in OS territory, or below while in OB territory.

Slope Reverse: Displays Slope Reversal signals when the *Super RSI™* reverses its slope while in either overbought or oversold territory.

Divergences: Displays all valid *Super RSI™* “Divergence” signals.

- *Continued on Next Page* -

Market Analyzer Values

A special pre-formatted Market Analyzer template is included for all NinjaTrader users. If you would like to create your own templates, you must adhere to the following values when setting up your own cell conditions:

Entering Overbought = 100

Entering Oversold = -100

Exiting Overbought = 50

Exiting Oversold = -50

RSI Avg. Crossover + = 1

RSI Avg. Crossover - = -1

Bullish Slope Reversal = 1

Bearish Slope Reversal = -1

Bullish Divergence = 1

Filtered Bullish Divergence = 10

Bearish Divergence = -1

Filtered Bearish Divergence = -10

TradeStation RadarScreen

Super RSI™ also includes a special pre-formatted “RadarScreen” Indicator and workspace for all TradeStation users. All of the columns, colors and text are completely customizable so that you can personalize it to your own preferences.

The following is an overview of the various columns and their purpose:

Super RSI™: Displays the current *Super RSI™* value. It is also color-coded, so that the cell is “**Green**” when the RSI value is in oversold territory, and “**Red**” in overbought territory.

OB/OS Crossovers: Displays OB/OS Crossover signals when the *Super RSI™* enters or exits (crosses over) the user-defined overbought/oversold thresholds.

RSI Average Crossovers: Displays RSI Crossover signals when the *Super RSI™* crosses above the RSI Average while in OS territory, or below while in OB territory.

Slope Reverse: Displays Slope Reversal signals when the *Super RSI™* reverses its slope while in either overbought or oversold territory.

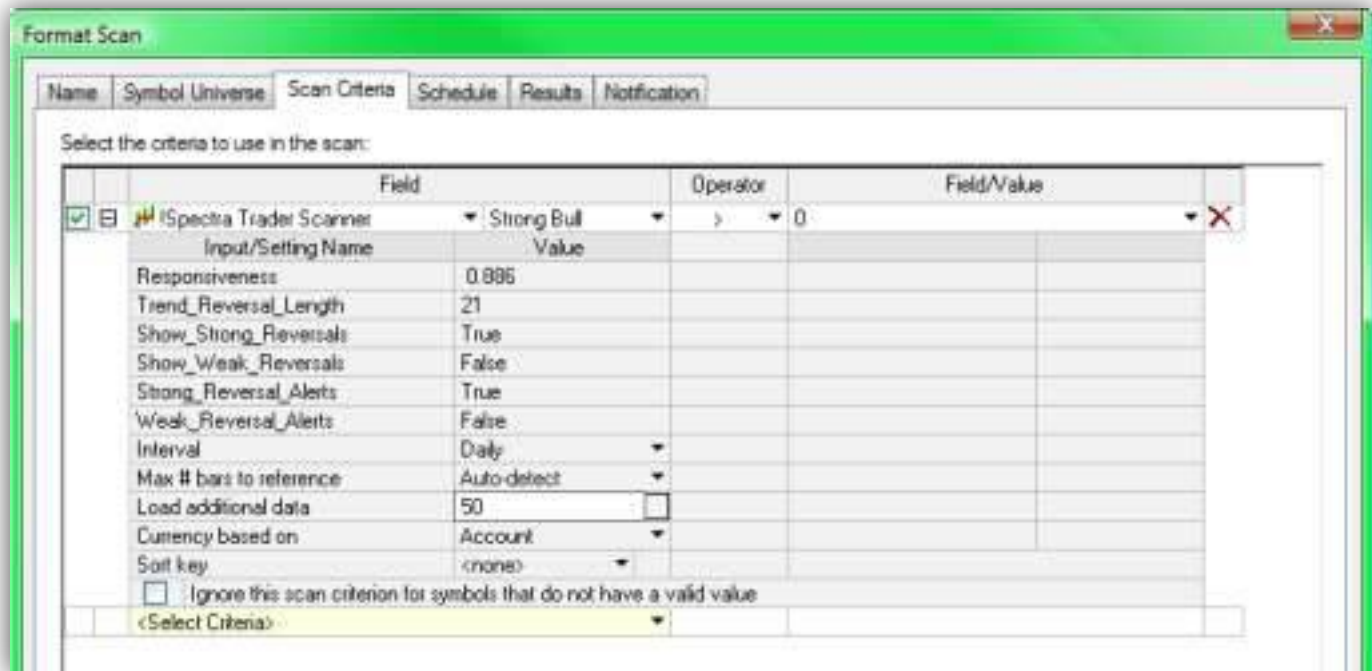
Divergences: Displays all valid *Super RSI™* “Divergence” signals.

Symbol	Interval	Super RSI™	Crossovers	SlopeReverse	Divergences
1 Dow Jones Composite (00)					
2 SCMP	Weekly	11.17			
3 WTC	Weekly	11.17			
4 JBHT	Weekly	23.37			
5 JBLU	Weekly	36.20			
6 JBU	Weekly	39.35	Down		
7 JPM	Weekly	69.58			Down
8 KFT	Weekly	11.17			
9 KO	Weekly	23.37			
10 KSI	Weekly	53.55			
11 LSTR	Weekly	11.17			
12 LUV	Weekly	31.26			
13 MCO	Weekly	69.32			
14 MMM	Weekly	23.37			
15 MRK	Weekly	65.95			
16 MSFT	Weekly	29.48	Down		
17 NI	Weekly	76.97			
18 NSC	Weekly	11.17		Down	Divergence
19 OSG	Weekly	7.85			
20 PCG	Weekly	22.95	Down		
21 PED	Weekly	11.17			
22 PFE	Weekly	23.37			
23 PG	Weekly	49.46			
24 R	Weekly	73.59			
25 SO	Weekly	64.16			
26 T	Weekly	11.17			
27 TRV	Weekly	11.17			
28 UAL	Weekly	9.32			
29 UPS	Weekly	52.24			
30 UTX	Weekly	74.46			
31 VZ	Weekly	11.17			
32 WMB	Weekly	23.37		Down	Divergence

TradeStation Scanner Tool

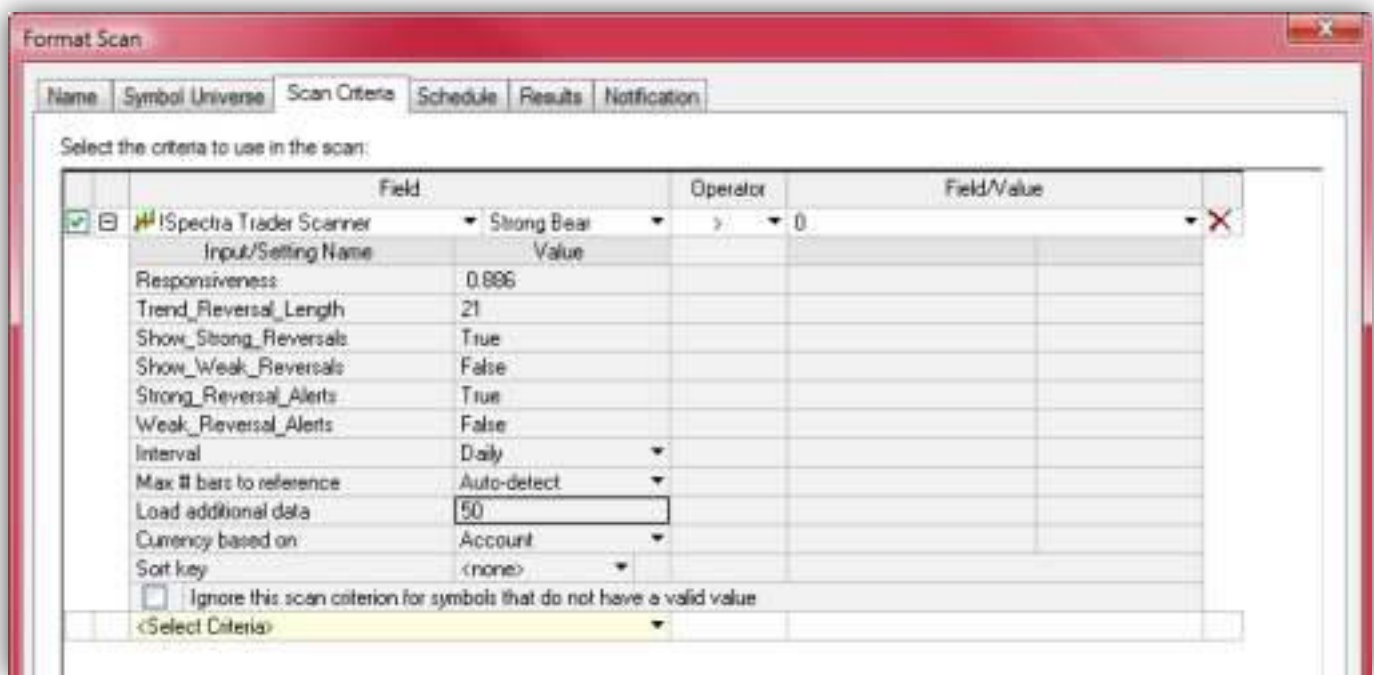
Scanning for Bullish & Bearish Crossovers

- 1) Open up a new “Scanner” Window
 - 2) Go to “Format Scan”---“Scan Criteria“: (Indicator → ! *Super RSI™ Scanner*)
 - ▶ For a **Bullish Trend Crossover**: select “Crossover = 1”
 - ▶ For a **Bearish Trend Crossover**: select “Crossover = -1”
 - ▶ For a **Bullish Slope Reversal**: select “Reversal = 1”
 - ▶ For a **Bearish Slope Reversal**: select “Reversal = -1”
 - 3) Click the (+) to the left of “*Super RSI™ Scanner*” under the “Field” column. Here you can change the input settings and select your desired time interval.
- *** You must ensure that you enter a value for “Load Additional Data” so that the indicators have enough historical price data to perform the proper calculations.



Scanning for Bullish & Bearish Divergences

- 1) Open up a new “Scanner” Window
- 2) Go to “Format Scan”---“Scan Criteria“: (Indicator → ! *Super RSI™ Scanner*)
 - ▶ For a **Bullish Divergence**: select “Divergence = 1”
 - ▶ For a **Bearish Divergence**: select “Divergence = -1”
 - ▶ For a **Filtered Bullish Divergence**: select “Divergence = 2”
 - ▶ For a **Filtered Bearish Divergence**: select “Divergence = -2”
 - ▶ For a **3 Point Bullish Divergence**: select “Divergence = 3”
 - ▶ For a **3 Point Bearish Divergence**: select “Divergence = -3”
 - ▶ For a **3 Point Filtered Bullish Divergence**: select “Divergence = 4”
 - ▶ For a **3 Point Filtered Bearish Divergence**: select “Divergence = -4”
- 3) Click the (+) to the left of “*Super RSI™ Scanner*” under the “Field” column. Here you can change the input settings and select your desired time interval.











State of the Art “Divergence Engine”

- Automatic Divergence Detection -

The *Super RSI*™ includes our state of the art “Divergence Engine”, which has the ability to automatically detect any valid bullish or bearish divergence between the Indicator and Price. When any valid divergence is detected, the indicator automatically draws a divergence trendline directly onto the chart, alerting you to the increased likelihood of a price reversal. It also includes fully customizable audio and visual alerts so that you can be sure of never overlooking valid divergence signals again.

Our Divergence Engine is unique in that it is truly the most advanced, most customizable tool of its kind available on the commercial market. Traders can now take full advantage of the special features that only our Divergence Engine offers:

-  **Turn Divergences & Divergence Alerts On/Off**
-  **Show “Filtered Divergences Only” Option**
-  **Automatically Draws Divergence Trendlines on Price & Subpanel**
-  **Customizable Color-Coding of Bullish & Bearish Divergences**
-  **Modify “Divergence Lookback Length”**
-  **Modify “Left Pivot Strength” and “Right Pivot Strength” Independently**
-  **Calculates Price Pivots using Closing Price or High/Low Price**
-  **Detects Long-Term Divergences by Using 3 Pivots**

Beginner's Guide to Divergences

- An Introduction to Divergence Trading -

Confused about how divergences work or don't completely understand the various features of our Divergence Engine? There is no need to worry ... the following pages clearly explain and illustrate examples of both Divergences and our own special 'Filtered Divergences' (a trading concept devised by our team of Chartered Market Technicians). Read on further to view full explanations of all the different features and customizable settings within our Divergence Engine, including a step-by-step overview to help you get started with divergence-based trading.

► What is a Divergence?

Simply put, a divergence occurs when price is in disagreement with the *Super RSI™*. In other words, each are moving in opposite directions. A bullish or positive divergence occurs when the *Super RSI™* value *increases* while price *decreases*. A bearish or negative divergence occurs when the *Super RSI™* value *decreases* while price *increases*.

► Why are Divergences Important?

Divergences are a common symptom of an unhealthy market (or stock, etc.). When an issue is healthy, price and technical indicators (momentum, volume, etc.) will move in harmony (both are moving up or down). As an issue becomes overbought or oversold, technical indicators may begin to move in the opposite direction of price. This results in a divergence, which can serve as an important warning sign for a trader. It informs you to 'be on alert' to the increased likelihood of a price reversal, retracement or correction. Many swing highs and lows in price are marked by such divergences, making them effective entry or exit signals.

Bullish Divergence (Positive Divergence)

A valid bullish divergence is based upon the following rules:

- 1) Two consecutive bottom pivots in the *Super RSI*™;
- 2) First pivot < Second pivot;
- 3) Price at first pivot > Price at second pivot.

In simpler terms, the *Super RSI*™ value has increased while Price has decreased.

In the following example, note how the *Super RSI*™ is at its lowest value over the last “3” bars (Default Left Pivot Strength) and then changes direction and moves higher for “1” bar (Default Right Pivot Strength).



Bearish Divergence (Negative Divergence)

A valid bearish divergence is based upon the following rules:

- 1) Two consecutive top pivots in the *Super RSI*™;
- 2) First pivot > Second pivot;
- 3) Price at first pivot < Price at second pivot.

In simpler terms, the *Super RSI*™ value has decreased while Price has increased.

In the following example, note how the *Super RSI*™ is at its highest value over the last “3” bars (Default Left Pivot Strength) and then changes direction and moves lower for “1” bar (Default Right Pivot Strengths).



Filtered Bullish Divergence

A valid “Filtered Bullish Divergence” is based upon the following rules:

- 1) Two simultaneous bottom pivots in both the *Super RSI™* and Price;
- 2) First pivot’s *Super RSI™* value < Second pivot’s *Super RSI™* value;
- 3) Price at first pivot > Price at second pivot.

In simpler terms, the *Super RSI™* value has increased while Price has decreased. But what makes it a ‘Filtered Bullish Divergence’ is that each time the *Super RSI™* made a valid bottom pivot, Price simultaneously made a valid bottom pivot as well.

In the following example, note how both Price and the *Super RSI™* are at their lowest values over the last “3” bars (Default Left Pivot Strengths) and then change directions and move higher for “1” bar (Default Right Pivot Strengths), thereby confirming valid bottom pivots.



The example above uses the setting “Use High/Low for Price Pivots” = True. This means that the price low is used for determining whether a Price Bottom Pivot is valid. If “Use Close for Price Pivots” = True, then only the closing price is used for determining whether a Price Bottom Pivot is valid.

Filtered Bearish Divergence

A valid “Filtered Bearish Divergence” is based upon the following rules:

- 1) **Two simultaneous top pivots in both the *Super RSI*™ and Price;**
- 2) **First pivot’s *Super RSI*™ value > Second pivot’s *Super RSI*™ value;**
- 3) **Price at first pivot < Price at second pivot.**

In simpler terms, the *Super RSI*™ value has decreased while Price has increased. But what makes it a ‘Filtered Bearish Divergence’ is that each time the *Super RSI*™ made a valid top pivot, Price simultaneously made a valid top pivot as well.

In the following example, note how both Price and the *Super RSI*™ are at their highest values over the last “3” bars (Default Left Pivot Strengths) and then change directions and move lower for “1” bar (Default Right Pivot Strengths), thereby confirming valid top pivots.



The example above uses the setting “Use High/Low for Price Pivots” = True. This means that the price high is used for determining whether a Price Top Pivot is valid. If “Use Close for Price Pivots” = True, then only the closing price is used for determining whether a Price Top Pivot is valid.

An Overview of the Divergence Features

Turn Divergences & Alerts On/Off

- Users can toggle the option on/off to either show or hide divergences, as well as issue divergence alerts.

Automatically Draw/Plot Divergences on Price & Subpanel

- Whenever a divergence meets the user-defined criteria, the divergence trendline is automatically drawn directly onto the price panel and/or the indicator subpanel (depends on trading platform).

Show “Filtered Divergences Only” Option

- Activating this unique feature requires that both the *Super RSI™* and Price plot simultaneous pivots at both the start and endpoint of each divergence. Filtered Divergences are far superior signals because they are significantly more accurate and powerful than standard divergences.

Detects Long-Term Divergences by Connecting 3 Pivots

- User has the option to turn on/off divergences that span out over 3 consecutive pivots. When this feature is activated, divergences can be detected between Pivot 1 and Pivot 2, Pivot 2 and Pivot 3, and Pivot 1 and Pivot 3!

Customizable Color-Coding of Bullish/Bearish Divergences

- Users have the option to change the colors that are used when drawing the bullish and bearish divergences.

Modify “Divergence Lookback Length”

- Users can modify the maximum number of bars that are allowed between the starting point and endpoint of each divergence.





Modify “Left Strength” & “Right Strength” Independently


- Users have the ability to set different values for both the left pivot strength and the right pivot strength.


Calculates Price Pivots using Closing Price or High/Low

- Users can decide if price top pivots and price bottom pivots are calculated by using the closing price or the high/low prices.


An Overview of the Divergence Input Settings

-  **Show Divergences:** This setting determines whether or not to show divergences between price and the *Super RSI™*. If set to “True”, then all valid divergences will be calculated, identified and drawn automatically.
-  **Show “Filtered Divergences Only”:** If set to “True”, divergences will only be plotted after fulfilling the criteria for a “Filtered Divergence”. For a “Filtered Divergence” to occur, each point in a divergence (start and end) must occur with simultaneous pivots in both the *Super RSI™* and Price.
-  **Use Divergence Alerts:** If set to “True”, then all divergences will issue audio/visual/email alerts just seconds after they are registered and plotted.
-  **Divergence Lookback Length:** Determines the “lookback period”, or the maximum amount of bars between two points/pivots that form a divergence.


For Example: If set to “50”, then the two pivots that form a divergence must occur within 50 bars of each other.
-  **Left Pivot Strength:** The number of bars before the pivot point that must be higher/lower than the pivot bar’s *Super RSI™* value.

For Example: If set to “3”, the value of the *Super RSI™* at the pivot point must be higher (top pivots) or lower (bottom pivots) than each of the “3” bars preceding it.
-  **Right Pivot Strength:** The number of bars after the pivot point that must be higher/lower than the pivot bar’s *Super RSI™* value.


For Example: If set to “3”, the value of the *Super RSI™* at the pivot point must be higher (top pivots) or lower (bottom pivots) than the “3” bars after it.

 **Price Left Pivot Strength:** The number of bars before the price pivot point that must have a price that is > or < than the pivot bar's closing price.

For Example: If set to "3", the closing price at the pivot point must be higher (top pivots) or lower (bottom pivots) than each of the "3" bars preceding it.

 **Price Right Pivot Strength:** The number of bars after the price pivot point that must have a price that is > or < than the pivot bar's closing price.


For Example: If set to "3", the closing price at the pivot point must be higher (top pivots) or lower (bottom pivots) than the "3" bars after it.

 **Use HighLow Price Pivots:** If set to "False", then only closing prices will be used to calculate price pivots.


For Example: For a top price pivot, the **closing price** of the pivot bar must be greater than the previous "3" bars (if left strength is set at "3") and the next "3" bars that come after it (if right strength is set at "3")... vice versa for a bottom pivot.

-- If set to "True", then the price highs/lows will be used to calculate price pivots.

For Example: For a top price pivot, the **price high** of the pivot bar must be greater than the previous "3" bars (if left strength is set at "3") and the next "3" bars that come after it (if right strength is set at "3")... vice versa for a bottom pivot.

 **Show 3 Point Divergences:** If set to "True", divergences that span out over 3 different pivots will be detected and plotted. Activating this setting will produce longer-term divergences, as well as "double divergences".

Normal divergences only connect Pivot 1 with Pivot 2. However, activating this setting will connect divergences from Pivot 1 to Pivot 2, Pivot 2 to Pivot 3, and Pivot 1 to Pivot 3; resulting in longer-term divergences and "double divergences".

 **Line Size:** Determines the size of the divergence trendlines that are drawn.

Extensive Customer Support



Should you ever have a question about the *Super RSI*™ Indicator Package, we are always just an email away at support@fibozachi.com to answer any of your inquiries and provide additional customer support.

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