

The Relative Strength Index ( RSI ) is a momentum indicator used in technical analysis that measures the magnitude of recent price changes to evaluate overbought or oversold conditions in the price of any financial asset. The RSI is displayed as an oscillator (a line graph that moves between two extremes) and can have a reading from 0 to 100. The indicator was originally developed by J. Welles Wilder Jr. and introduced in his seminal 1978 book, "New Concepts in Technical Trading Systems." Smoothie RSI Cloud (SRC) is a hybrid version of that same standard RSI which is a very powerful indicator that has every feature like the standard RSI , for example, it provides technical traders information about bullish and bearish price momentum, and it is often plotted in "Existed pane below". An asset is usually considered overbought when the SRC is above 70 and oversold when it is below 30. A bullish divergence occurs when the SRC create an oversold reading followed by a higher low that matches correspondingly lower lows in the asset price. This indicates rising bullish momentum, and a break above oversold territory could be used to trigger a new long position. A bearish divergence occurs when the SRC creates an overbought reading followed by a lower high that matches corresponding higher highs on the price. This indicates weakness in the trend and bearish momentum getting stronger which can signal for a new short position. Being an advance form of regular RSI our indicator usages some well-known other calculations like weighted moving average ( WMA ) which determines trend direction more accurately than the simple moving average ( SMA ), and it assigns identical weights to all numbers in the data set. The smoothed period is also used which we can also set manually from setting and they all are calculated together with RSI value to make this wonderful indicator work in action. It has beautiful colored clouds that aware market players the current market sentiment & momentum. Light blue color indicates bullish sentiment situation or bullish momentum strengthening and light red color indicates bearish sentiment situation or bearish momentum strengthening. Those can be used to judge the optimistic or pessimistic mode of the overall market in that period of time. SRC lines are advance and it reflects light blue when the actual price of the asset is appreciating and its color change into light red when the actual price of assets is devaluing. The vertical transparent red color on the indicator indicates SRC line crossing above or below 70 or 75 overbought lines. While the light blue color indicates SRC line crossing lower or above 30 or 25 of the oversold level.

## << Features >>

- 1) Measures the magnitude of recent price changes to evaluate overbought or oversold conditions in the price of any financial asset.
- 2) Provides technical traders with information about bullish and bearish potential price momentum.
- 3) Divergence detector in any financial market.
- 4) Standard RSI calculation in conjunction with weighted moving average ( WMA ) and Smoothing period functions.
- 5) Beautiful colored clouds that aware market players the current market sentiment or momentum of any given asset price.
- 6) Vertical transparent colors over SRCs line indicating SRCs line crossing above or below a certain threshold of two extremes levels of the oscillator indicator

**<< Things to know >>**

## About the indicator: -

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BITSTAMP:BTCUSD, 30 11506.33 ▼ -13.64 (-0.12%) O:11482.15 H:11510.00 L:11477.54 C:11506.33



## About the setting: -

The screenshot shows a configuration window titled 'SRCs' with a close button (X) in the top right corner. It has two tabs: 'Inputs' (selected) and 'Style'. The 'Inputs' tab contains six input fields, each with a handwritten red number next to its label:

- SRCs Length** (1): A text box containing the value '14'.
- WMA Length For Rsi** (2): A text box containing the value '8'.
- Source** (3): A dropdown menu currently showing 'close'.
- Smoothie Length For Rsi** (4): A text box containing the value '3'.
- Overbought-Zone** (5): A text box containing the value '70'.
- Oversold-Zone** (6): A text box containing the value '30'.

At the bottom of the window, there are three buttons: 'Defaults' with a dropdown arrow, 'Cancel', and 'Ok'.

### 1) SRCs length: -

The SRCs Length calculation is used for the formation of the SRC line. It is the period which is used later with the Relative Strength Index (RSI) momentum oscillator that measures the speed and change of price movements in conjunction with Exponential moving average (EMA) to get our SRC line.

### 2) WMA Length For Rsi: -

It is that period which is needed for the calculation on Weighted Moving Average (WMA) with user selected source (in input value '3') in conjunction with Relative Strength Index (RSI) and a smoothie value. This is how SRC indicator has used two Relative Strength with complex calculation to generate those wonderful cloud that tells a trader about market sentiment.

### 3) Source: -

A source data which can be any either :- high, low, close, hl2 etc that is used for generating that second modified RSI which we talked about in 2<sup>nd</sup> input value (WMA Length For Rsi) above.

4) Smoothie Length For Rsi: -

A value which is used for generating smoothie effect for our second modified RSI which we talked about in 2<sup>nd</sup> input value (WMA Length For Rsi) above.

5) Overbought-Zone: -

It's the upper horizontal line in light red color which decide either the market price is overbought or not. Default value is set 70 for overbought-zone but it can be changed to 65 (lower than 70) or 85 (higher than 70) depending on trader's requirement.

6) Oversold-Zone: -

It's the lower horizontal line in light blue color which decide either the market price is oversold or not. Default value is set 30 for oversold-zone but it can be changed to 20 (lower than 30) or 40 (higher than 30) depending on trader's requirement.

How it looks when SRC Spots Bullish Divergence?

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BITSTAMP:BTCUSD, 60 11638.65 ▲ +118.68 (+1.03%) O:11526.29 H:11649.00 L:11526.29 C:11638.65



How it looks when SRC Spots Bearish Divergence?