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Volatility Profit Indicator (VPIH, VPIL) [1]

The Volatility Profit Indicator had it's origins in a February 2005 Article in TASC titled "The Truth About Volatility" by Jim Berg. This article was geared toward longer term (weekly) charts, but has been found to work equally well for shorter term trading on intraday charts. The high band is computed by taking a moving average of the highs and adding a multiple of the average true range. The lower band is computed by taking a moving average of the lows and subtracting a multiple of the average true range. The moving average type and period, along with the true range period and multiplier, are all customizable. When price reaches the high band, it is considered overbought, and the user might look to exit a long position and/or enter a short. Conversely, when price reaches the low band, it is considered overextended to the downside, and the user might look to exit a short and/or enter a long position.

Presentation

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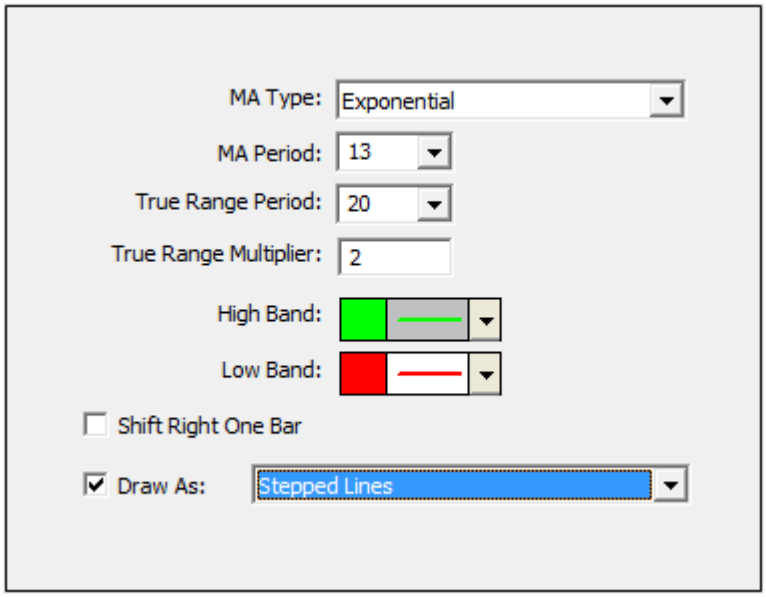
Above is a 5-minute candle chart of the S&P E-mini Futures Contract (@ES#, IQ Feed). The candles are overlaid with the Volatility Profit Indicator, using the preferences seen below, showing the High Band in red and Low Band in green. The chart also contains a 20 period EMA in white.

Preferences:



- **MA Type** - Type of smoothing used to smooth the high and low in the formula above. Defaults to Exponential smoothing.
- **MA Period** - Period used to smooth the high and low in the formula above. Defaults to 13.
- **True Range Period** - Period used when compute the ATR (average true range) in the formula above. Defaults to 20.
- **True Range Multiplier** - Multiplier or TR used in formula above. Defaults to 2.
- **High Band** - Color, style, and width of the high band.
- **Low Band** - Color, style, and width of the low band.
- **Draw Solid Band Between High and Low** - When this option is checked, a solid band will be drawn between the high band and low band.

Formula Copy

```
VPI High Band =
MA(HI, type, x) + y
* ATR(z) VPI Low
Band = MA(LO, type,
x) - y * ATR(z)
```

Related RTL Tokens

The RTL Tokens for the VPI are VPIH (for high band) and VPIL (for low band). A common system for trading the VB might be to short when price rises above the high band and go long when price falls below the low band: HI >= VPIH LO <= VPIL

VOLATILITY [2]

OTHER [3]

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