

# UNEVEN TRANSIENT ZONES 1.0

23 SEPTEMBER 2014 – VLADY1974

## PROPOSITIONS

Let's recall Eurussd's original propositions and definitions:

1. If  $X_T(t)$  at any time  $t$  relative to Timeframe  $T$ , then almost surely, there exists positive integers  $h$  and  $k$  such that every price belonging to the set  $[X_T(t) - k, X_T(t) + k]$  is  $h(T)$  recurrent.
2. A price,  $X_T(t_0)$  is  $h(T)$  recurrent whenever  $X_T(t_0)$  is between the high and low of the bar in the timeframe  $T$ , then at least one of the previous or next  $h$  bars passes through  $X_T(t_0)$ .

## DEFINITIONS

Let's translate the propositions above into the following Definitions for this document:

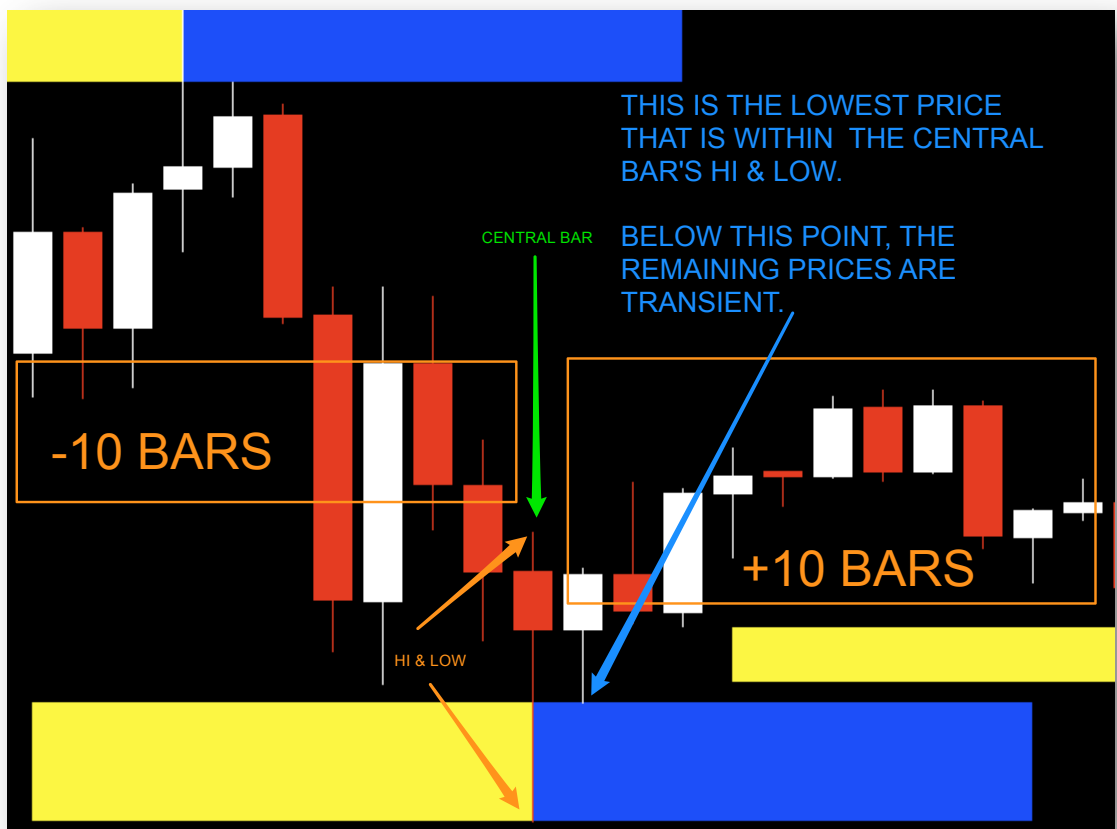
- The timeframe  $T$  is the timeframe of a Chart. Our example is 1H.
- The time  $t$  in a timeframe is represented by a price bar or candlestick
- The High and Low of a Bar creates the Zone.  
Let's call this the Central Bar.
- Recurrent Zone : Price Action will return to the price,  $X_T(t_0)$   
Transient Zone : Price Action will **not** return to the price,  $X_T(t_0)$
- Both Zones are formed within  $h$  bars, before and after the Central Bar.

Let's put these into a chart:

- $h$  is set to 10
- Timeframe is 1H
- The time and prices are chosen randomly
- Indicator used: FreeFox's *Transient\_Zone*



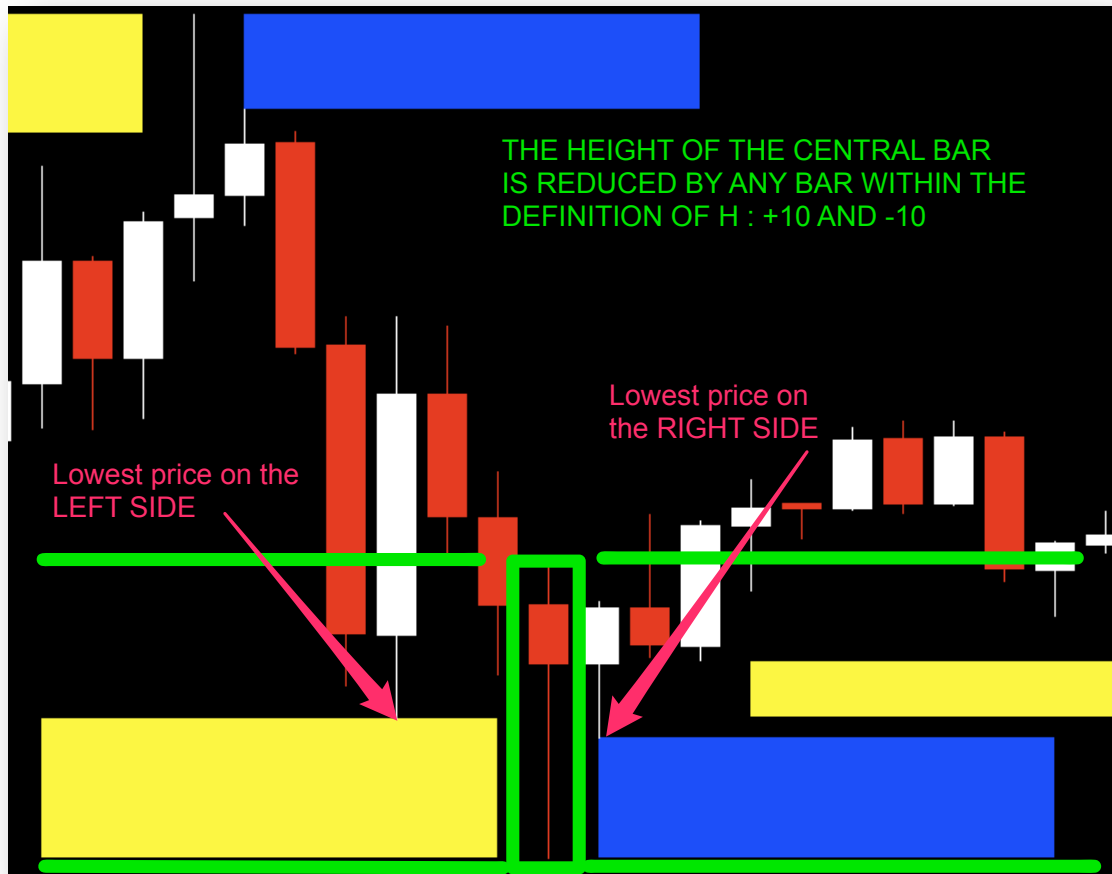
Let's look at one of these Zones in detail:



The Yellow/Blue Rectangle is a TRANSIENT ZONE. There was only one candle or time where the prices were not returned to at any other time within 10 bars, before or after, this is the CENTRAL BAR and is usually a top or bottom.

In this chart, we have switched on the Indicator Feature, **Combine Zones** and set it to false. This means that the HI/LOW range of the Central Bar is reduced by any price bar within h (-10 bars or +10 bars of the Central Bar), split into left and right side.

This means, the left area of the Central Bar is reduced by any price within MINUS 10 bars. The area to the right is reduced by any price within PLUS 10 bars of the Central Bar.



The green lines show what the Height of the Box *would have looked like* if none of the +/- 10 bars had a low that went beneath the High of the Central Bar.

The **Combine Zones** default setting of TRUE takes the LOWEST price for any BAR within h bars (ie. 20 bars because it is 10 bars before plus 10 bars after), and reduces the height by that amount.

If **Combine Zones** is set to FALSE, this is turned off the area is split in two and it takes the lowest price of the left side and reduces the height by that amount. It repeats this for the right side of the Central Bar.

If the LEFT HEIGHT <> RIGHT HEIGHT then it is an UNEVEN TRANSIENT BAR.

## SIGNIFICANCE

As of the time of writing the following observation is made regarding UNEVEN TRANSIENT ZONES.



Zooming out of the 1H chart, and focusing only on the UNEVEN TRANSIENT ZONES (UTZ), we can see they are usually found at Tops and Bottoms.

This means that once these Transient Zones are defined or fully formed – that is, all of the h bars have printed and none of those bars have not invalidated the transient zone completely – then the next transient zone will not breach the previous zone.

In other words, a bottom UTZ will have the next UTZ above it. After that, it will be below it, then above it, and so on.

There are rare events where a transient zone is actually an EVEN transient zone. On this chart, I can see only one. The observation with EVEN transient zones is that price will always return to those price levels AFTER or OUTSIDE the number of H bars... in this case, price returns at any time greater than 10 bars.

The above can be observed in any timeframe from 1M, 2M, 5M, 15M, 30M, 1H, 2H, 4H, 1D, 1W, 1M.

The above can therefore create trading opportunities summarised in the next section.

## SUMMARY

### HISTORICAL

Any price action in the past can be said to have an Uneven Transient Zone if using the **Transient\_Indicator**, the chart shows two rectangles of different areas/sizes.

Uneven Transient Zones signify Tops and Bottoms with greater probability than Even Transient Zones.

Even Transient Zones are more likely to be returned to once the H period of bars has expired.

The additional way to use UTZ is to extend the price of the Zone to the right of the chart, which can act as an indicator or Support/Resistance Line.

### PRESENT PRICE

If the H is set to X, eg. 10, then the Transient Zone will be **fully formed** after 20 bars – that is 10 bars to the left and 10 bars to the right.

A Transient Zone that is not fully formed is if the setting is 10 but 20 bars have NOT transpired.

It has been observed that it is better to wait and confirm that the LEFT SIDE ZONE has been formed. So if H is 10, then if there is an chart Top and the 10 bars have not breached the Top's high.... It is potentially a fully formed Left Side Zone. At this point, any number of bars between 1-h on the right can indicate whether or not the zone will be UNEVEN if the bars have lower highs. This would be a Short Trade.

Vlady1974  
23<sup>rd</sup> September 2014