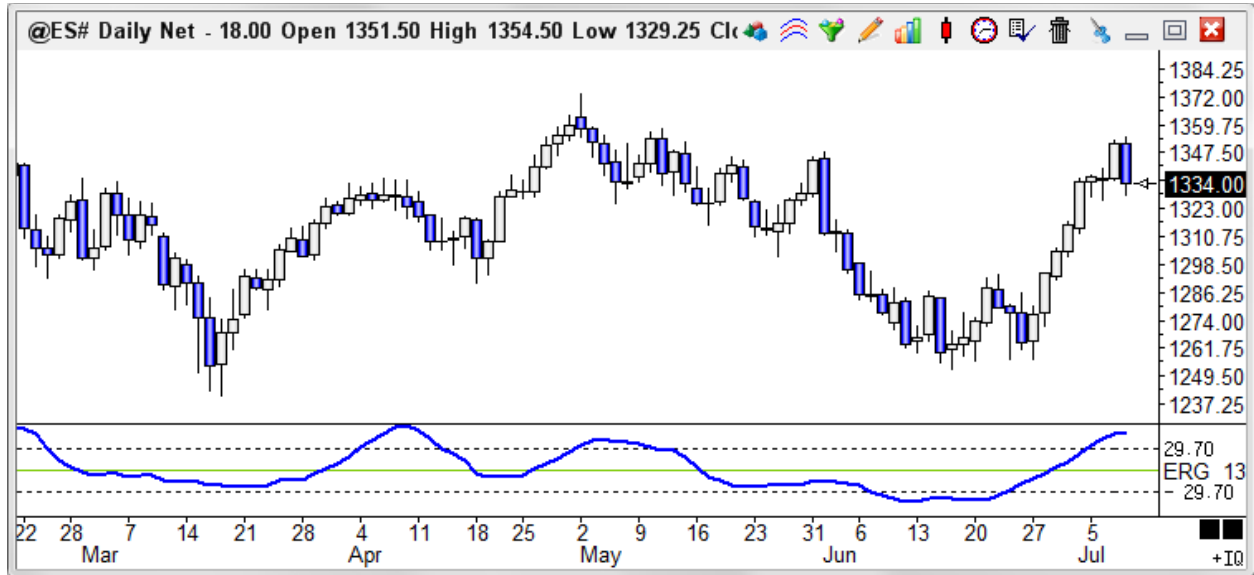


Ergodic Indicator

The Ergodic Indicator is an Average of an Average of the Net Change, divided by an Average of an Average of the Absolute Value of the Net Change. In essence the Ergodic is just another moving average. But, because the Ergodic is a ratio it cannot be plotted on a price scale. Ergodic has its own scale, and the range for this scale will fluctuate.

Basically, the study will display which way the market is trending. Watch for a turn in the indicator to indicate a turn in the market. Watch for Divergence between the Indicator and the price.



Properties

- **Ave1** = Number of bars used to calculate the first average of the Net Change (13 typical).
- **Ave2** = Number of bars used in the average of the Ave1 (5 is often used).
- **Average** = Optional Average line of the Ergodic Indicator (5 is often used).

Formula

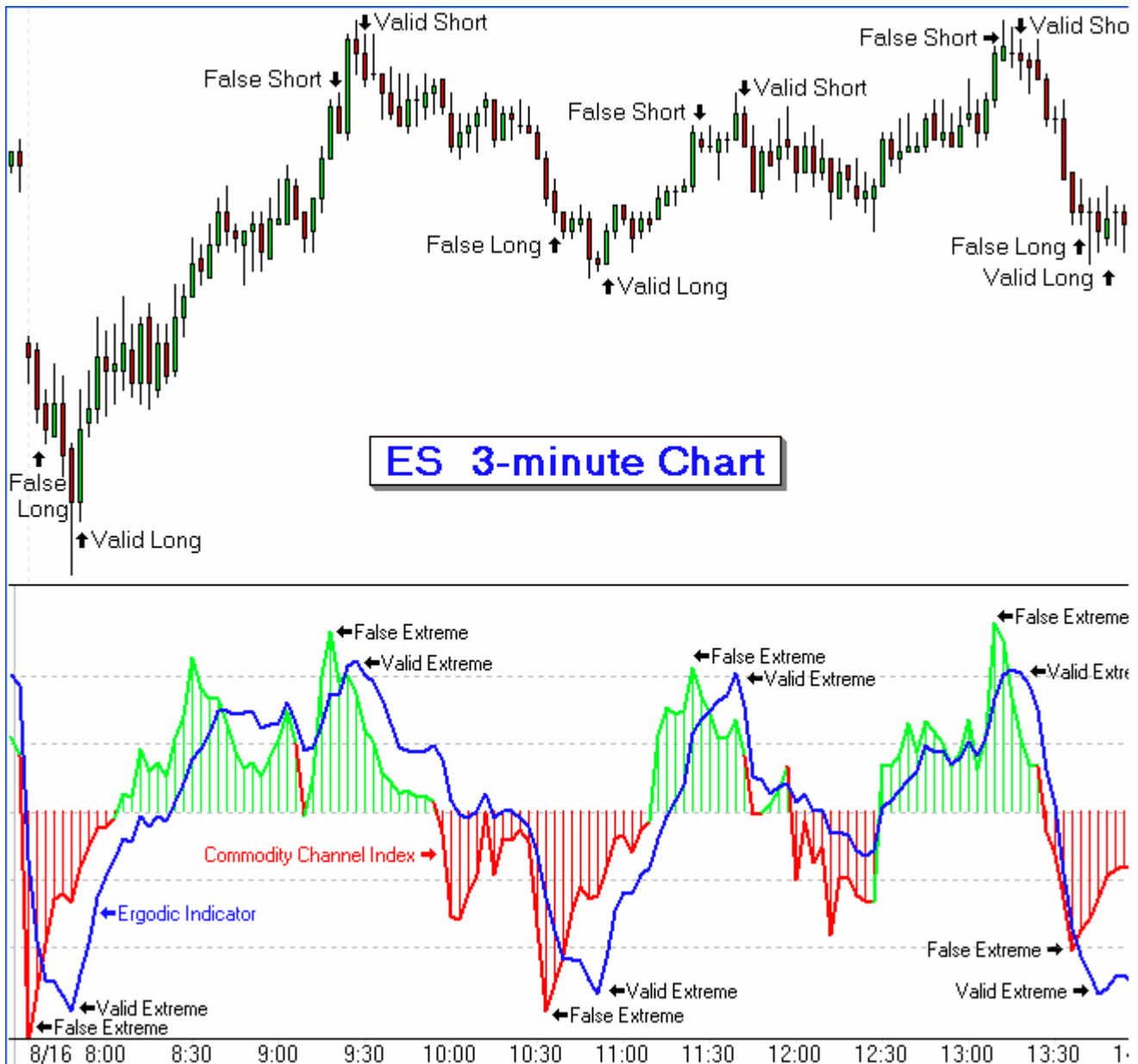
$$\text{Ergodic} = \frac{\text{Average}(\text{Average}(\text{Net}, \text{parameter } 1), \text{parameter } 2)}{\text{Average}(\text{Average}(\text{Abs}(\text{Net}), \text{parameter } 1), \text{parameter } 2)}$$

Credits

Developed by William Blau

Ergodic with CCI

One way to use the Ergodic indicator is as a qualifier for the CCI indicator. The blue line is the Ergodic study superimposed on the Commodity Channel Index study. Ergodic confirms the CCI extreme trades very well. We used to get a 50/50% win/loss ratio on these trades. The last few days it is running more like 80% winners. This method is only used for reversals when the CCI is in the extreme range.



The Ergodic study parameters used to create the example chart were:

Ave 1 = 35 Weighted, Ave 2 = 35, Average = 2 Exponential, Data Point = Net.
ERG Line is not plotted. Average line is plotted.