

THE ALGO TRADER, LLC

SIGMA SPIKE INDICATOR

USER GUIDE

PRICE PRESSURE | VOLATILITY EXPANSION | SCALP EXHAUSTION



Designed for Opening Bell and Cycle Hunter workspaces

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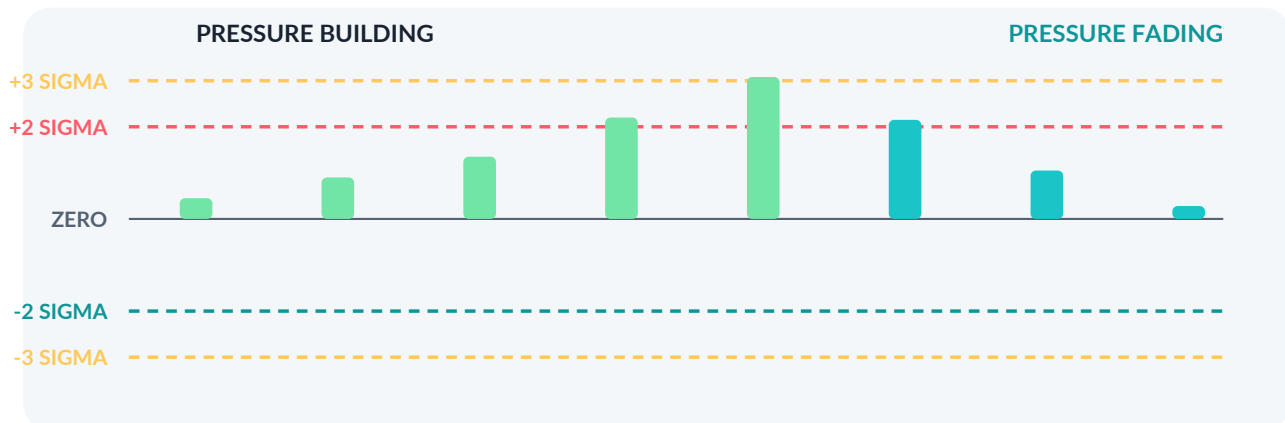
What Sigma Spike Does

Sigma Spike is a short-term price-pressure and exhaustion tool built for scalpers. It measures how significant the current price move is relative to the market's recent volatility.

**Use it only inside the Opening Bell and Cycle Hunter workspaces.
It is not a standalone trend-trading tool.**

The core question

Sigma Spike helps answer one question quickly: Is short-term price pressure building, holding, or fading?



Read the panel as a pressure gauge, not as a mechanical buy/sell signal. A move through 2 Sigma tells you pressure is meaningful. A move through 3 Sigma tells you pressure is extreme. What happens on the next one or two bars tells you whether that pressure is continuing or exhausting.

How to Read Sigma Spike

Each bar represents the current price change in standard-deviation terms relative to recent market behavior. This lets you compare price pressure across quiet and volatile conditions.

- Positive readings: Price moved up relative to the prior bar. Larger positive readings mean stronger upside movement versus recent volatility.
- Negative readings: Price moved down relative to the prior bar. Larger negative readings mean stronger downside movement versus recent volatility.
- 2 Sigma: Meaningful short-term expansion. This is where scalpers should start paying close attention to continuation versus pressure loss.
- 3 Sigma: Extreme short-term expansion. This often marks a mature impulse and deserves immediate attention for exit management.

Default visual behavior

DISPLAY	WHAT IT MEANS
Green bar	Current input is above the prior input.
Red bar	Current input is below the prior input.
Yellow bar	Current input is unchanged.
+2 / -2 lines	Meaningful volatility-adjusted price expansion.
+3 / -3 lines	Extreme volatility-adjusted price expansion.

The sequence of Sigma Spike bars matters more than a single reading.

Understanding the 2-Sigma Zone

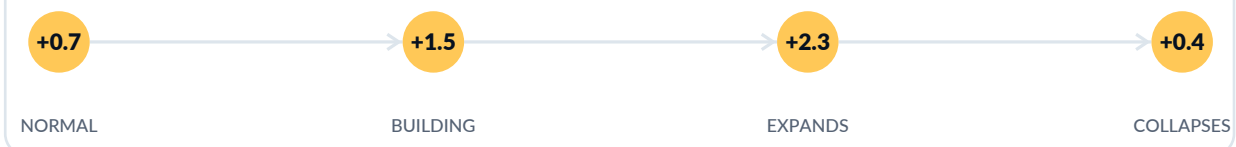
A move above +2 or below -2 signals meaningful short-term expansion. The key is not simply crossing the line - it is whether pressure keeps building, stays elevated, or collapses.

Continuation example



Interpretation: The move breaks through +2 Sigma and the next bar expands further. That supports continued upside pressure when the rest of the workspace agrees.

Pressure-loss example



Interpretation: The move reaches +2.3 Sigma, then pressure collapses toward normal. For a trader already long, that is meaningful information for profit protection or exit evaluation.

**Do not mechanically exit because a bar closes below 2 Sigma.
A small pullback from +2.3 to +1.9 is very different from a collapse from +2.3 to +0.4.**

Understanding 3-Sigma Exhaustion

A 3-Sigma move is extreme relative to recent volatility. It does not guarantee a reversal, but it tells the scalper that the impulse is statistically stretched and should be monitored closely.

Typical upside exhaustion sequence



When price reaches 3 Sigma and the subsequent spike closes back below 3 Sigma - especially if the next reading continues to decline - the move is often beginning to fizzle. This is most useful as exit-management information for an existing scalp.

Typical downside exhaustion sequence



The same concept works in reverse on the downside: an extreme negative spike followed by rapidly less-negative readings can indicate that downside pressure is dissipating.

**Extreme does not mean automatic reversal.
Strong breakouts and news-driven moves can remain unusually strong.
Always read Sigma Spike with the rest of the workspace.**

Continuation vs. Exhaustion

The most important skill is distinguishing a strong move that is merely cooling from a move that has actually lost pressure.

SEQUENCE	READING	GENERAL INTERPRETATION
+2.3 -> +2.6	Expanding	Pressure is strengthening. Continuation is supported if the rest of the setup agrees.
+2.3 -> +2.1	Still elevated	Pressure cooled slightly but remains meaningful. The move may still be intact.
+2.3 -> +1.7	Moderating	Pressure is easing. Watch the next bar and your workspace context.
+2.3 -> +0.4	Collapsed	Abnormal upside pressure largely disappeared. Possible exhaustion.
+3.2 -> +2.1 -> +1.0	Extreme then fading	Classic exhaustion profile for managing an existing long scalp.

Think in pressure states

- Building: Readings are increasing toward 2 Sigma.
- Expanded: Readings are beyond 2 Sigma and still elevated.
- Extreme: Readings reach or exceed 3 Sigma.
- Fading: Readings contract meaningfully after an expanded or extreme move.

Entries and Exits

Sigma Spike is designed to improve decision quality inside an already-valid Opening Bell or Cycle Hunter setup. It should confirm pressure - not invent a trade that the underlying system does not support.

ENTRY USE	EXIT USE
Look for expansion that agrees with an existing valid setup. Example: momentum, structure, and the workspace favor a long, while Sigma Spike builds from +0.6 to +1.8 to +2.2. The 2-Sigma expansion adds evidence that real pressure is entering the move.	Watch for pressure loss after a mature impulse. Example: a long scalp expands from +1.1 to +2.5 to +3.1, then contracts to +1.7 and +0.8. That loss of pressure can support scaling out, tightening risk, or exiting when the rest of the workspace agrees.

Sigma Spike provides information. The complete workspace provides context.

What to check before acting on a spike

- Is the Opening Bell or Cycle Hunter setup itself valid?
- Does momentum agree with the direction of the spike?
- Does market structure support continuation or suggest exhaustion?
- Are Flow State and the other workspace tools confirming or diverging?
- Did the spike hold pressure on the next completed bar, or did it collapse?

Recommended Length Settings

Different markets, bar constructions, and timeframes need different volatility lookbacks. Use the recommended Length for the chart you are running unless you are intentionally conducting your own testing.

WORKSPACE / CHART	LENGTH
Opening Bell NQ Flow Bars	16
Opening Bell NQ Heiken Ashi	14
Opening Bell MNQ Flow Bars	16
Opening Bell MNQ Heiken Ashi	14
Opening Bell ES Flow Bars	48
Opening Bell Asian Session Flow Bars	16
Opening Bell Asian Session Heiken Ashi	14
Opening Bell GC Flow Bars	25
Cycle Hunter NQ 5 Min Scalp	16
Cycle Hunter NQ 5 Min Flow State	11
Cycle Hunter ES 5 Min Flow State	14
Cycle Hunter NQ 4 Min Scalp	26
Cycle Hunter NQ 1 Min Scalp	10
Cycle Hunter 1 Min Flow State	16

Do not assume one Length works across every chart. The Length changes the recent-volatility baseline used to normalize the current move.

Rules That Keep the Tool Useful

Sigma Spike becomes most valuable when it stays in its intended role: a pressure and exhaustion layer inside a short-term execution framework.

1**SCALP IT**

Use Sigma Spike for short-term execution in Opening Bell and Cycle Hunter. Do not turn it into a longer-term trend indicator.

2**RESPECT 2 SIGMA**

Treat 2 Sigma as meaningful expansion, not as an automatic exit or reversal.

3**RESPECT 3 SIGMA**

Treat 3 Sigma as extreme expansion and a reason to watch an existing scalp carefully.

4**WATCH THE NEXT BAR**

The bar after a 2- or 3-Sigma event often tells you more than the first spike.

5**MEASURE THE DROP**

A slight cooling is different from a complete collapse in pressure.

6**USE CONTEXT**

Combine Sigma Spike with momentum, structure, Flow State, and the rest of the workspace.

7**WAIT FOR THE CLOSE**

The indicator is bar-close based. Evaluate completed readings, not unfinished bars.

Read Pressure. Read Context. Manage the Scalp.

Sigma Spike is designed to make short-term price pressure easier to see in volatility-adjusted terms.

EXPANSION

Readings build toward or through 2 Sigma. Pressure is becoming meaningful.

EXTREME EXPANSION

Readings reach or exceed 3 Sigma. The move is unusually powerful and potentially mature.

EXHAUSTION

An extreme or expanded move contracts substantially on subsequent bars. The impulse may be running out of gas.

Do not trade the Sigma lines mechanically.
Watch the progression. Watch the subsequent bar. Watch the rest of the workspace.

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