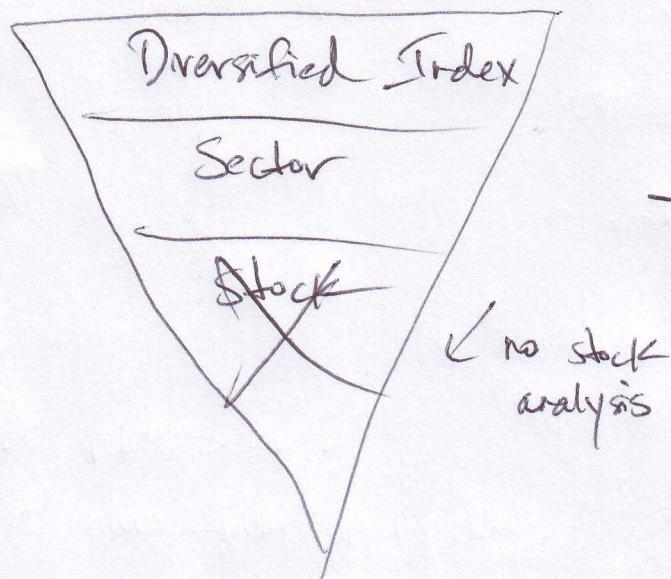


ETF / Index traders

"exchange traded funds"

E-minis, Spiders, Qubes, diamonds.

Related Markets



Lateral analysis is index trading sector to sector.

- Can also occur at index level -

Compare the environment, direction, speed, magnitude, relative strength or weakness across different industry groups.

Foundations and distinctions in trends that are all interconnected!

Related Markets

lateral analysis: characteristics in the trend as we cut across different markets

relate how far the market is from prior turning points!

Compare Turns, Speed and Magnitude.

Which market is giving the best reaction?

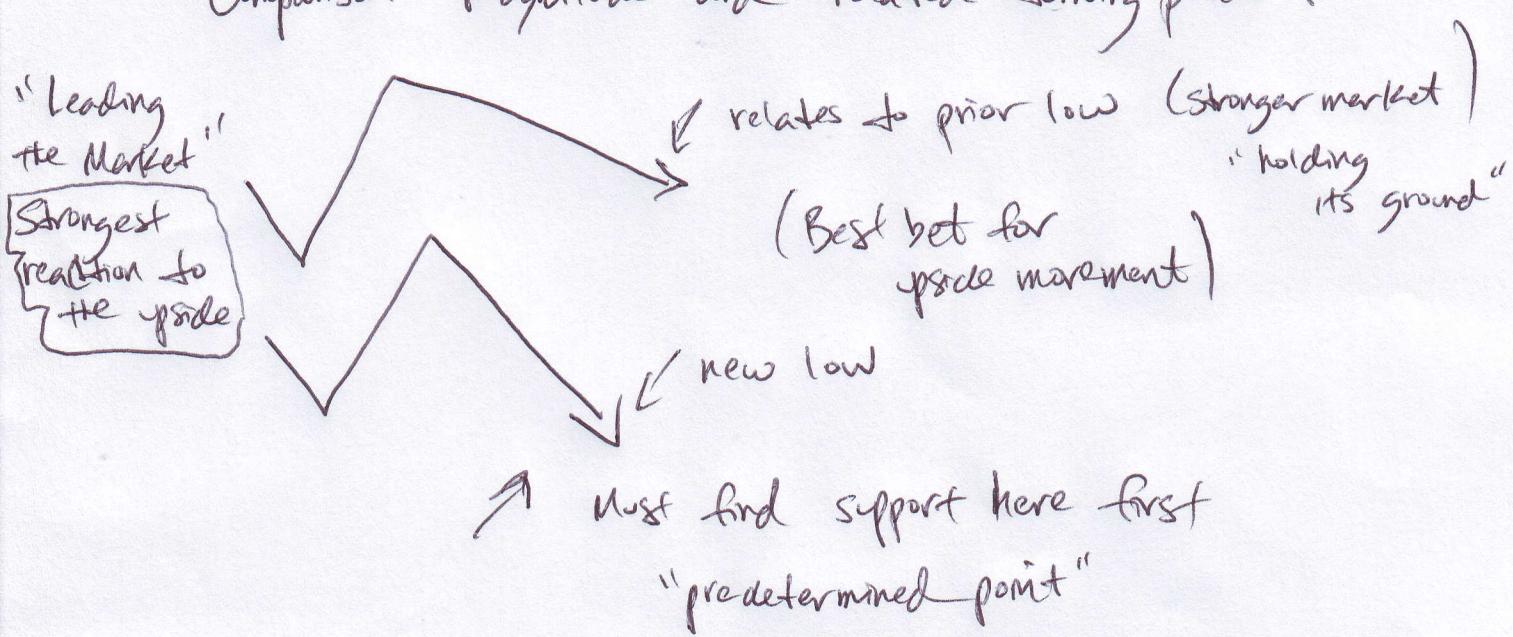
Distinguish between ^{*}leaders and ^{*}laggards

Leaders and Laggards

→ relative strength/weakness

(Lateral and top/down)

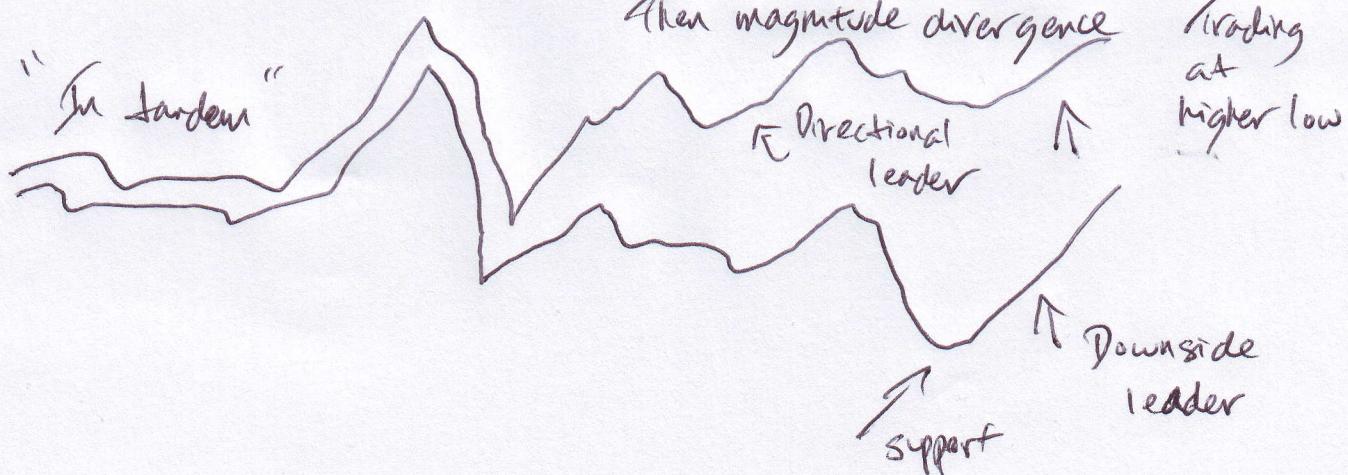
Comparison = Magnitude and related turning points.



"How to search for directional leadership"

try index to index

e.g.: S and P / NAZ (NASDAQ)



Which is the stronger stock?

Magnitude and related turning points.

Trends: Classifying by environment

Basis: Uptrend = series of higher-highs and higher lows

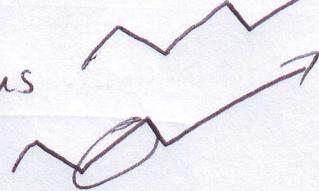


Downtrend = lower lows and lower highs.

Trends: 2 environments in the trend

① Impulsion: the dominant directional environment

② Correction: pauses between impulsions



Traders objective is to enter impulsions as early as possible and exit as late as possible.

Impulsions are powerful, high speed movements, easily cuts through support and resistance. (on smaller time frames)

Increasing volume

The Corrective environment

Slower more quiet than preceding impulsions

decreasing volume (in most cases)

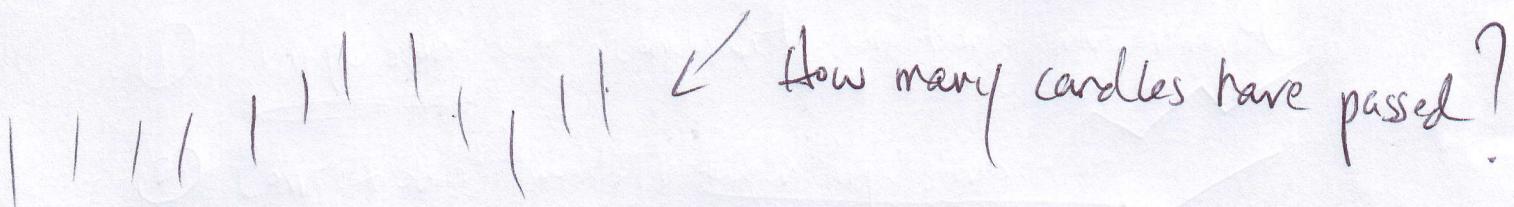
longer in duration than impulsion

("more time in correcting than impulsive")

Corrective environments are an opportunity to enter the trend.

[Support, resistance and gap filling play a critical role during corrective phases.]

Again, traders want to enter as late as possible
into the correction



12 candles in the impulsion →

→ so at least 12 candles
in the correction.

Must cross check candle counting with support and resistance lines.

Be careful; an impulse of one time frame may be a
correction in another. (Keep a broader perspective)

What is the force of the larger trend?

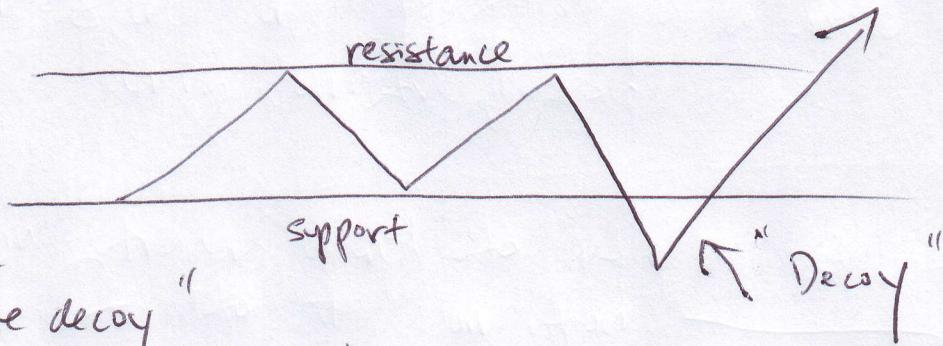
physics says : "a body in motion continues until acted upon"

Decoys

False breakouts that lead to thrust reversals
(out of range of preceding trend.)

In the market → more decoys than Breakouts. "Survive the decoys"

"The market loves the decay"



"Reflection of collective behavior"

Trends are simple market behavior that are complex in detail.

Identifying the trend...

what is the trend?

Is the market in an impulsive or corrective phase?

"Seemingly complex, yet orderly"

Broadening range formation (series of decoys on both sides)

AKA: range expansion, expanding triangle, Megaphone

Broadening of both price and time.

"Fascinating representation of collective human behavior"

