GEORGE LANE'S

1988 FULL WEEK STOCHASTICS SEMINAR

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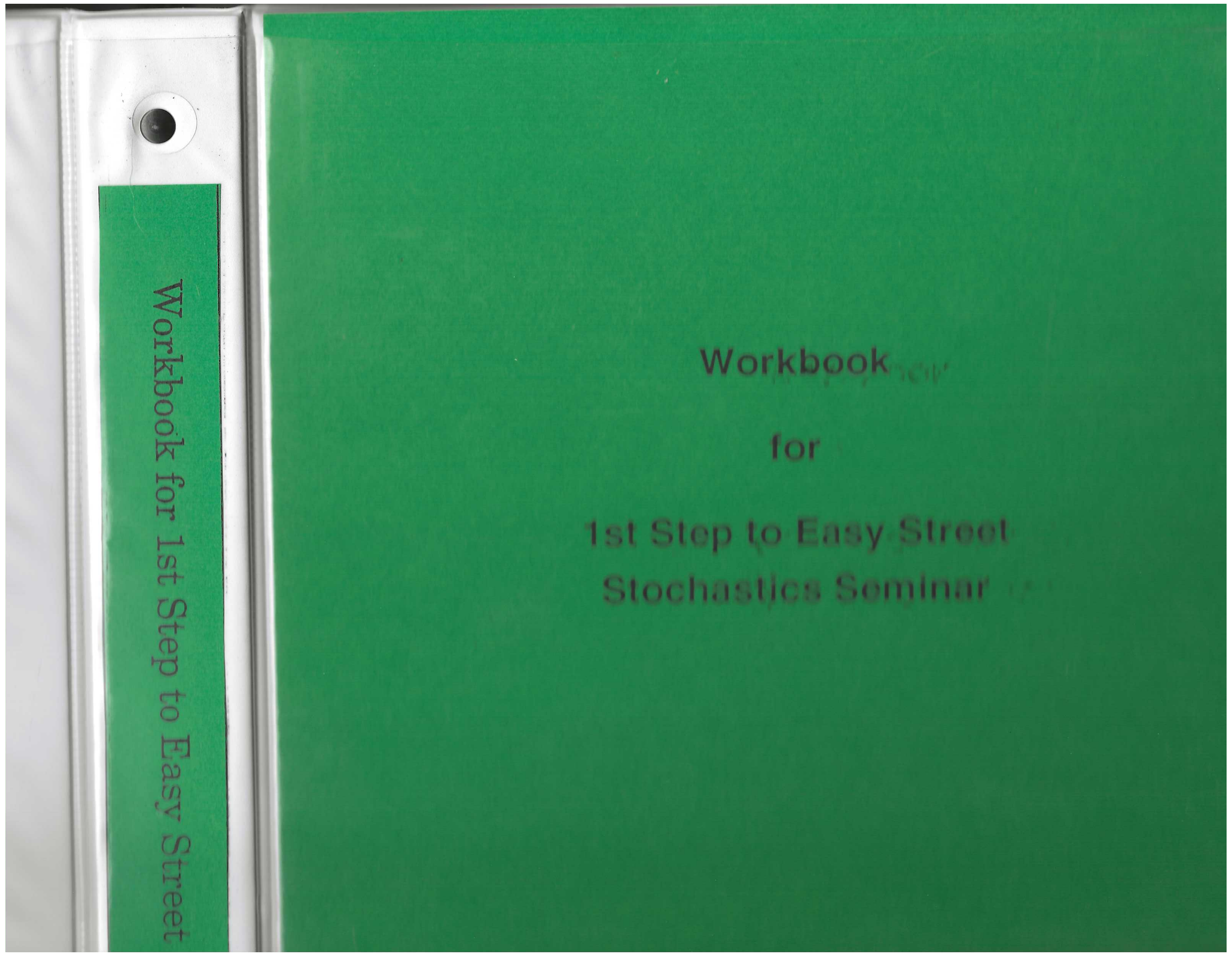


Workbook

for

1st Step to Easy Street Stochastics Seminar

by George C. Lane

Written by George C. Lane

Published under the auspices of INVESTMENT EDUCATORS.

Excerpts from
The Stochastic Man

1 We are born by accident into a purely random universe. Our lives are determined by entirely fortuitous combinations of genes. Whatever happens happens by chance. The concepts of cause and effect are fallacies. There are only *seeming* causes leading to *apparent* effects. Since nothing truly follows from anything else, we swim each day through seas of chaos, and nothing is predictable, not even the events of the very next instant.

Do you believe that?

If you do, I pity you, because yours must be a bleak and terrifying and comfortless life.

I think I once believed something very much like that, when I was about seventeen and the world seemed hostile and incomprehensible. I think I once believed that the universe is a gigantic dice game, without purpose or pattern, into which we foolish mortals interpose the comforting notion of causality for the sake of supporting our precarious, fragile sanity. I think I once felt that in this random, capricious cosmos we're lucky to survive from hour to hour, let alone from year to year, because at any moment, without warning or reason, the sun might go nova or the world turn into a great blob of petroleum jelly. Faith and good works are insufficient, indeed irrelevant; anything might befall anyone at any time; therefore live for the moment and take no heed of tomorrow, for it takes no heed of you.

A mighty cynical-sounding philosophy, and mighty adolescent-sounding, too. Adolescent cynicism is mainly a defense against fear. As I grew older I suppose I found the world less frightening, and I became less cynical. I regained some of the innocence of childhood and accepted, as any child accepts, the concept of causality. Push the baby and the baby falls down. Cause and effect. Let the begonia go a week without water and the begonia starts to shrivel. Cause and effect. Kick the football hard and it sails through the air. Cause and effect, cause and effect. The universe, I conceded, may be without purpose, but certainly not without pattern. Thus I took my first steps on the road that led me to my career and thence into politics and from there to the teachings of the all-seeing Martin Carvajal, that dark and tortured man who now rests in the peace he dreaded. It was Carvajal who brought me to the place in space and time I occupy on this day.

2 My name is Lew Nichols. I have light sandy hair, dark eyes, no significant identifying scars, and I stand exactly two meters tall. I was married—two-group—to Sundara Shastri. We had no children and now we are separated, no decree. My current age is not quite thirty-five years. I was born in New York City on 1 January 1966 at 0216 hours. Earlier that evening two simultaneous events of historic magnitude were recorded in New York: the inauguration of the glamorous and famous Mayor John Lindsay and the onset of the great, catastrophic first New York subway strike. Do you believe in simultaneity? I do. There's no stochasticity without simultaneity, and no sanity either. If we try to see the universe as an aggregation of unrelated happenings, a sparkling pointillist canvas of noncausality, we're lost.

My mother was due to deliver in mid-January, but I arrived two weeks ahead of time, most inconveniently for my parents, who had to get to the hospital in the small hours of New Year's Eve in a city suddenly deprived of public transport. If their predictive techniques had been keener, they might have thought of renting a car that evening. If Mayor Lindsay had been using better predictive techniques, I suppose the poor bastard would have resigned at his own swearing-in and saved himself years of headaches.

3 Causality is a decent, honorable principle, but it doesn't have all the answers. If we want to make sense of things, we have to move on beyond it. We have to recognize that many important phenomena refuse to be packed into neat casual packages but can be interpreted only by stochastic methods.

A system in which events occur according to a law of probability but aren't individually determined in accordance with the principle of causality is a stochastic system. The daily rising of the sun isn't a stochastic event; it's inflexibly and invariably determined by the relative positions of the earth and the sun in the heavens, and once we understand the causal mechanism there's no risk in predicting that the sun will rise tomorrow and the next day and the next. We can even predict the exact time of sunrise, and we don't *guess* it, we *know it in advance*. The tendency of water to flow downhill isn't a stochastic event either; it's a function of gravitational attraction, which we hold to be a constant. But there are many areas where causality fails us and stochasticity must come to our rescue.

For instance we're unable to predict the movements of any one molecule in a liter of oxygen, but with some understanding of kinetic theory we can confidently anticipate the behavior of the whole liter. We have no way of foretelling when a particular uranium atom will undergo radioactive decay, but we can calculate quite accurately how many atoms in a block of U-235 will disintegrate in the next ten thousand years. We don't know what the next spin of the roulette wheel will bring, but the house has a good idea of what its take is likely to be over the course of a long evening. All sorts of processes, however unpredictable they may seem on a minute-to-minute or case-by-case basis, are predictable by stochastic techniques.

Stochastic. According to the Oxford English Dictionary this word was coined in 1662 and is now *rare* or *obs.* Don't believe it. It's the OED that's *obs.*, not *stochastic*, which gets less *obs.* every day. The word is from the Greek, originally meaning "target" or "point of aim," from which the Greeks derived a word meaning "to aim at a mark," and, by metaphorical extension, "to reflect, to think." It came into English first as a fancy way of saying "pertaining to guesswork," as in Whitefoot's remark about Sir Thomas Browne in 1712: "Tho' he were no prophet . . . yet in that faculty which comes nearest it, he excelled, i.e., the stochastick, wherein he was seldom mistaken, as to future events."

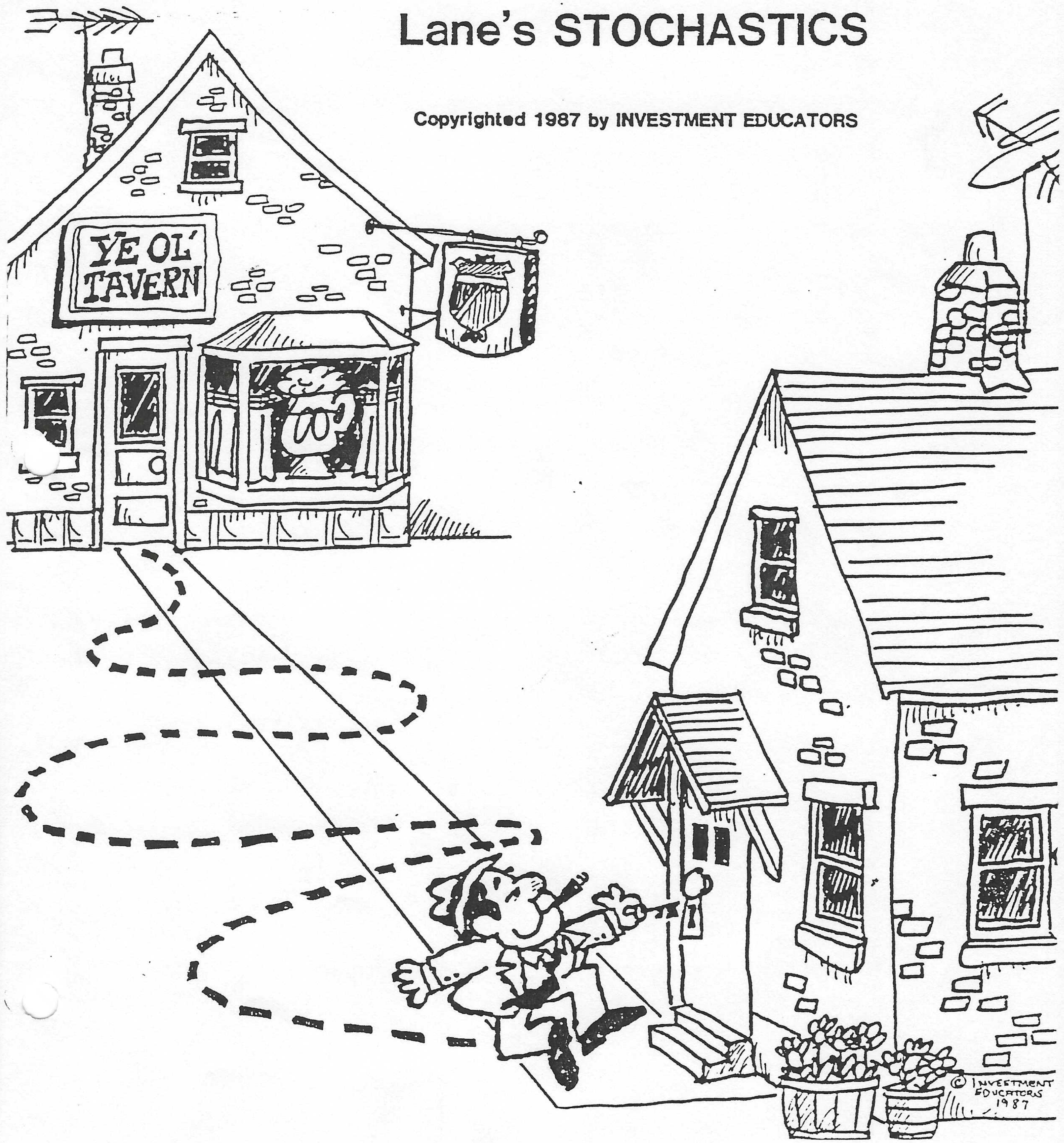
In the immortal words of Ralph Cudworth (1617–1688), "There is need and use of this stochastical judging and opinion concerning truth and falsehood in human life." Those whose way of life is truly governed by the stochastic philosophy are prudent and judicious, and tend never to generalize from a skimpy sample. As Jacques Bernoulli demonstrated early in the eighteenth century, an isolated event is no harbinger of anything, but the greater your sampling the more likely you are to guess the true distribution of phenomena within your sample.

So much for probability theory. I pass swiftly and uneasily over Poisson distributions, the Central Limit Theorem, the Kolmogorov axioms, Ehrenhaft games, Markov chains, the Pascal triangle, and all the rest. I mean to spare you such mathematical convolutions. ("Let p be the probability of the happening of an event in a single trial, and let s be the number of times the event is observed to happen in n trials . . .") My point is only that the pure stochastician teaches himself to observe what we at the Center for Stochastic Processes have come to call the Bernoulli Interval, a pause during which we ask ourselves, *Do I really have enough data to draw a valid conclusion?*

I'm executive secretary of the Center, which was incorporated four months ago, in August, 2000. Carvajal's money pays our expenses. For now we occupy a five-room house in a rural section of northern New Jersey, and I don't care to be more specific about the location. Our aim is to find ways of reducing the Bernoulli Interval to zero: that is, to make guesses of ever-increasing accuracy on the basis of an ever-decreasing statistical sample, or, to put it another way, to move from probabilistic to absolute prediction, or, rephrasing it yet again, to replace guesswork with clairvoyance.

So we work toward post-stochastic abilities. What Carvajal taught me is that stochasticity isn't the end of the line: it's merely a phase, soon to pass, in our striving toward full revelation of the future, in our struggle to free ourselves from the tyranny of randomness. In the absolute universe all events can be regarded as absolutely deterministic, and if we can't perceive the greater structures, it's because our vision is faulty. If we had a real grasp of causality down to the molecular level, we wouldn't need to rely on mathematical approximations, on statistics and probabilities, in making predictions. If our perceptions of cause and effect were only good enough, we'd be able to attain absolute knowledge of what is to come. We would make ourselves all-seeing. So Carvajal said. I believe he was right. You probably don't. You tend to be skeptical about such things, don't you? That's all right. You'll change your mind. I know you will.

Lane's STOCHASTICS



OBJECTIVES OF SEMINAR

A. Charting

- Pattern Recognition
- Trendlines
- Trend of the Market
- Double Bottoms (Tops)
- C.P.R.'s (Closing Price Reversal of Trend)
- Stochastics
- Volume
- Support & Resistance
- Swings & Proportions of Swings
- The Thrust Method

B. Discipline

- Check List
- Broker Requirements

C. Money Management

- Stop-Loss
- Trailing Stop-Loss System
- Commissions
- Margin

Everyday printout 4-5 perfect trades.
and then mark every trade you did.

- critsize your didn't's & your dids" &
it will bring them together.

Calculate next day's cycle.
on 5 min, - not essential

- watch ... 12-16 bars where mkt (SP)
reverse.

goes out flat side - professional
trading.

- if opens even - buy

- Check period weekly - but it
is forgiving

Other Tips

- use 3 pd MAvg on Volume - easier to use.

- George defines double bottoms differently.

bicycle double bottom.

* In order to use Stochastics must have

1. Inside day
2. narrow range day
3. Test at bottom.
4. CPR AND Light Volume
5. Thrust follow up.

1. Pattern
2. Stochastics
3. Volume
4. Trigger (CPR)

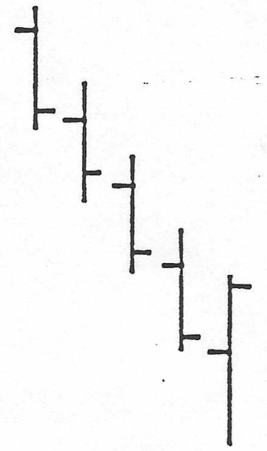
- ADX > 28 = a runaway mkt... don't
use Stochastics!

- Tick Vol is OK.

Charting Patterns That Signal Reversal of Trend

1. Closing Price Reversal of Trend (CPR)

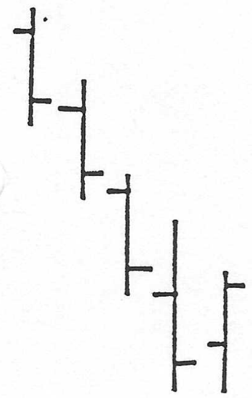
A.



Strong

Period 5 made a new Low for the move, but reversed the trend anad closed up above the previous Close.

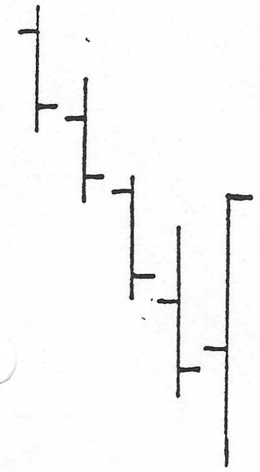
B.



Stronger

Period 5 made an equal Low and closed above the previous Close. Period 5B is stronger than Period 5A. Buyers came in just at the previous Low and took over the market, closing it higher.

C. Key Day Reversals

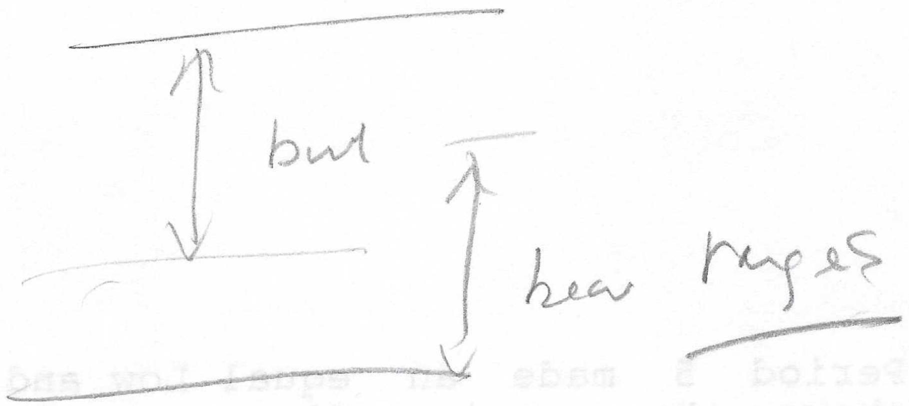


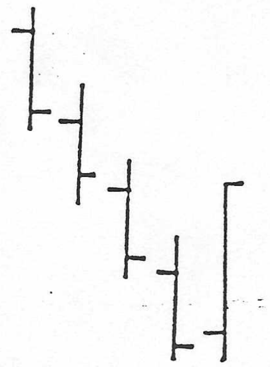
Very Strong

Period 5 exceeded the Range of the previous period in a Selling Climax and closed higher.

- 10 min for larger trend.

- use 1m for cancel/replace.

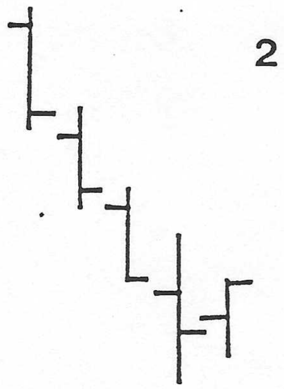




Stronger

Period 5 made a Low equal to the Low of the previous period but the attempt to go lower failed. Period 5 then closed higher.

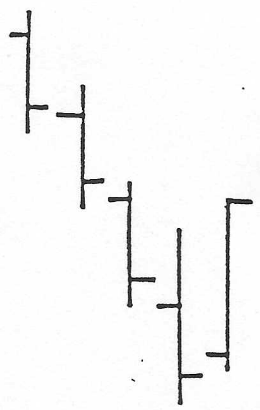
2. Inside Day



Very Strong

Perod 5 was unable to reach the Low of the previous period and then closed above the Close of the previous period. Period 5 is stronger than 5A or 5B, in that buyers came in at a high level, not even permitting Period 5 to reach Period 4 's Low.

3. Close Above High of Low Day

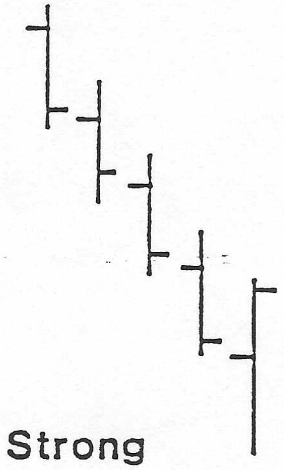


Strongest

Period 5 was never allowed to reach the Low of the previous period. Strong buying came in at a higher level and then pushed the Close above the High of the Low Day. Very bullish!

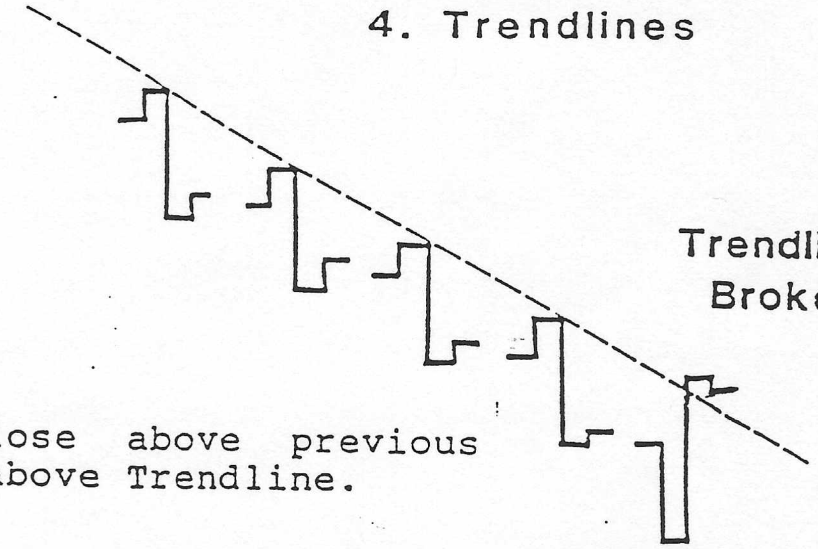
4. Trendlines

A.



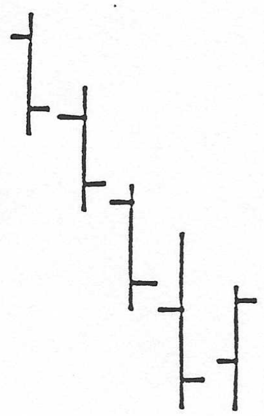
Strong

Strong Close above previous Close and above Trendline.



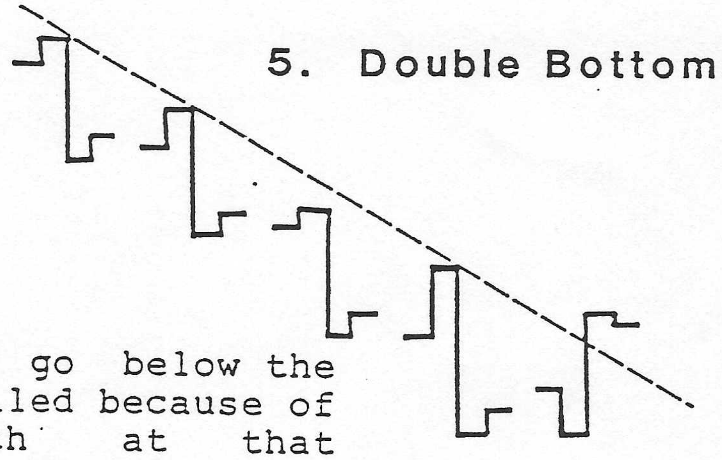
5. Double Bottoms

B.

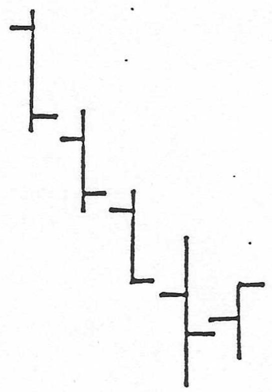


Stronger

The attempt to go below the previous Low failed because of buying strength at that previous Low. Closed above Trendline.

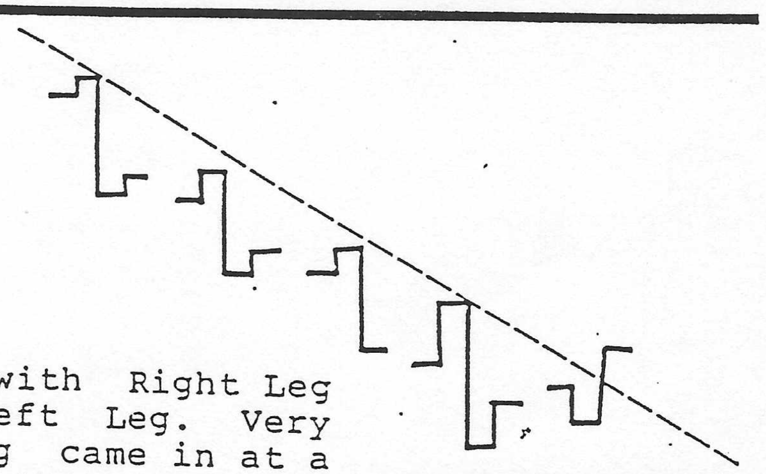


Double Bottom



Very Strong

Double Bottom with Right Leg shorter than Left Leg. Very Bullish! Buying came in at a higher level than previous period.



Double Bottom with Right Leg Higher

6. Oscillators

Stochastics

Relative Strength Index

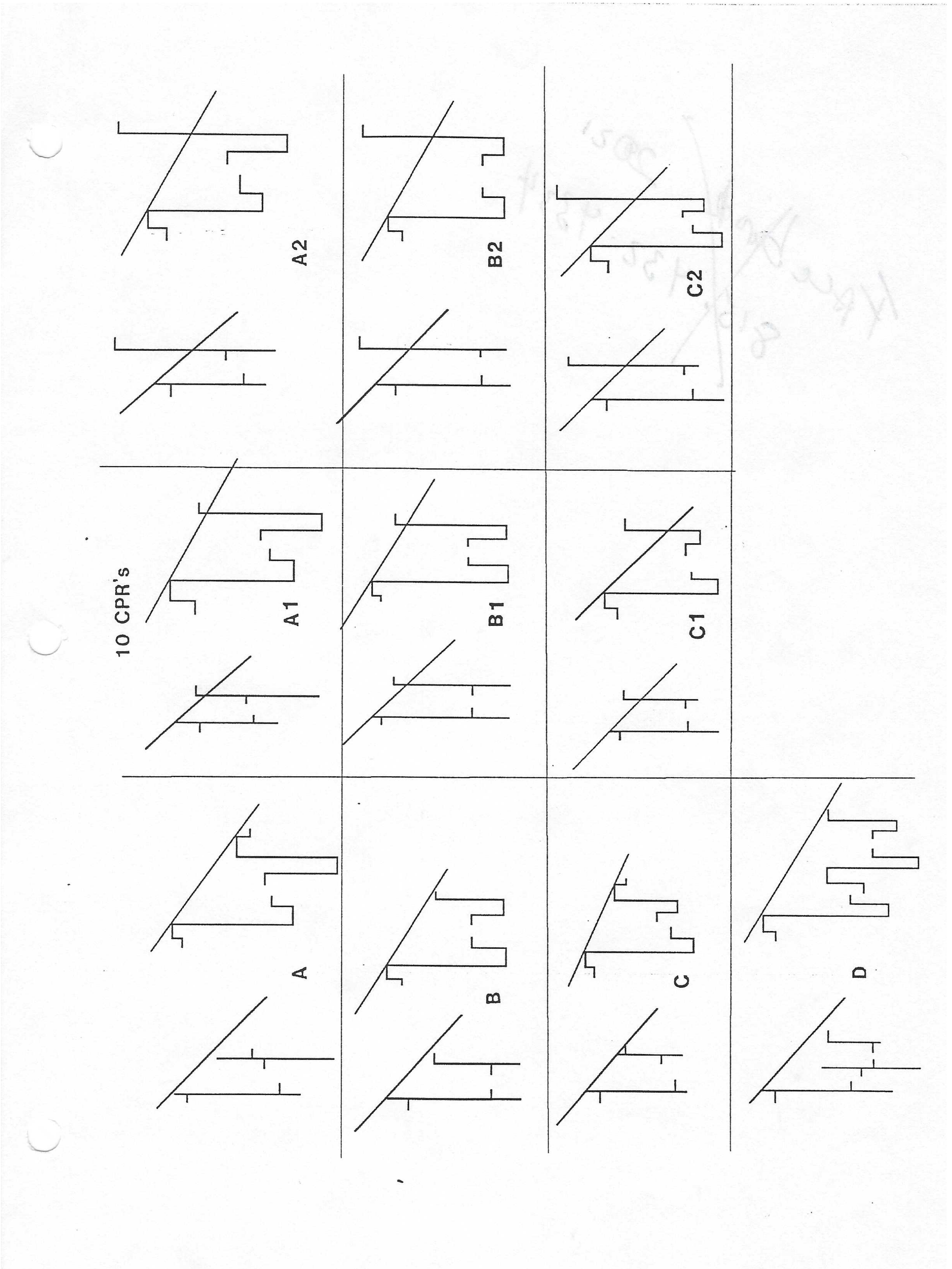
Commodity Channel Index

On-Balance Volume

CB 2021 NOTE

REMINDER CPR = CLOSING PRICE REVERSALS

THESE ARE THE TRIGGER SIGNALS



INVESTMENT EDUCATORS

Looking at Lane's STOCHASTICS
Retrospect and Revision
By George C. Lane

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At the time I was introduced to the technical side of the market in 1953-54, the technical leaders of the day were Dunn & Hargitt, who conducted the first computer analysis of all known technical indicators, Jeff Drew, the "odd lot" man, and Elliott, the "wave" man (who was not quite yet accepted as a serious technician).

I went to work for Bert Larson and Ralph Dystant, who were teaching a technical course based on Dow Theory, Tubbs and Wycoff. When Mr. Larson (who was getting on in years) retired, Mr. Dystant became the guru and I took the No. 2 spot, teaching commodities. Mr. Dystant had a heart attack and, for a time, I taught both stocks and commodities.

Some 43 members of the Chicago Board of Trade, Chicago Mercantile Exchange and the MidAmerican Commodity Exchange went through our series of basic, intermediate, advanced and postgrad courses. They were sharp, experienced traders, who took an aggressive approach to their professional training.

When you teach something, you really have to understand how it works. Fortunately for me, I was forced to learn the field of commodities thoroughly just to stay ahead of these students.

Ours was the first school to teach a heavy course in Elliott Wave. We featured such notable speakers of the day as Bolton, Marcheal, Jeff Drew, etc..

These were research days, as well: 20 hour days, all calculations done by hand. The staff expanded to five. To protect their privacy, I'll refrain from mentioning the names of my colleagues.

In our research applying the Stochastic Process to stocks and commodities, our indicators were running all over the page. So, we developed the technique of expressing them as a percentage of 100. We developed %A, found that didn't work. We went on to research and to follow many indicators. I believe we went through the alphabet twice. As we progressed through the oscillators we were developing, we expressed them as percentages as well; thus: %D, %K, %R.

Finally, we felt we had something that worked. We went on to test our indicator on vacuum tube computers. It was predictive in nature and it called the turns nicely. We taught a few students how to use it and then we all got busy making money.

Now, after 30 years, Stochastics is no longer our secret. Not only has Larry Williams made our %R public, but the formula for Stochastics and some of the original documentation I wrote in 1957 has found its way into the public domain.

In order to protect inexperienced traders from the disasters that can befall those who possess "a little knowledge", I felt it was time to revise and expand upon my former work.

How to Use Stochastics

This method is based on the observation that as price decreases, the daily Closes tend to accumulate ever closer to their extreme Lows of the daily range. Conversely, as price increases, the daily Closes tend to accumulate ever closer to the extreme Highs cf the daily range. This concept holds whether you are working in 1 minute, 3 minute, hourly, daily, weekly, or monthly time periods.

In the Fifties, I wrote:

> In working with %D it is important to remember that there is only ONE valid signal. That signal is a **divergence between %D and the stock with which you are working.**

The above is not strictly true.

Let us approach the subject of "The Trend of the Market". Let's assume that the trend is up. Let's construct a channel across the Tops and across the Bottoms.

In analzing the Tops, we find they are congested, taking many time periods to top out before turning down and approaching the bottom trendline. They are characterized by Double and Triple Tops --- "GARBAGE Tops" we call them.

Finally, price turns down and approaches the bottom trendline. At this level, price quickly makes bottom and turns up--- giving us "SPIKE Bottoms".

Conclusion: In an UPTRENDING market, you can expect GARBAGE TOPS to develop with contratrend moves and quick, SPIKE BOTTOMS when you return to the trend. In DOWNTRENDING markets, expect GARBAGE BOTTOMS, and SPIKE TOPS.

It was assumed that most traders knew the above. It is featured in our basic class at Investment Educators. But, now we find that many newcomers are entering the market, buying a computer, and trading sizable amounts of money without learning the basics first.

The (risky and unecessary!) trade-off that they make when they approach the decision-making process is a great deal of information vs. too little knowledge of how to use it. To us, this is like running from home plate to third base, back to home plate --- missing first and second base! You go through the motions, but you don't score. In fact, you pay a heavy price for ignorance when you play the markets!

- divergence is not just.

but

angle...

take divergence in d & k.

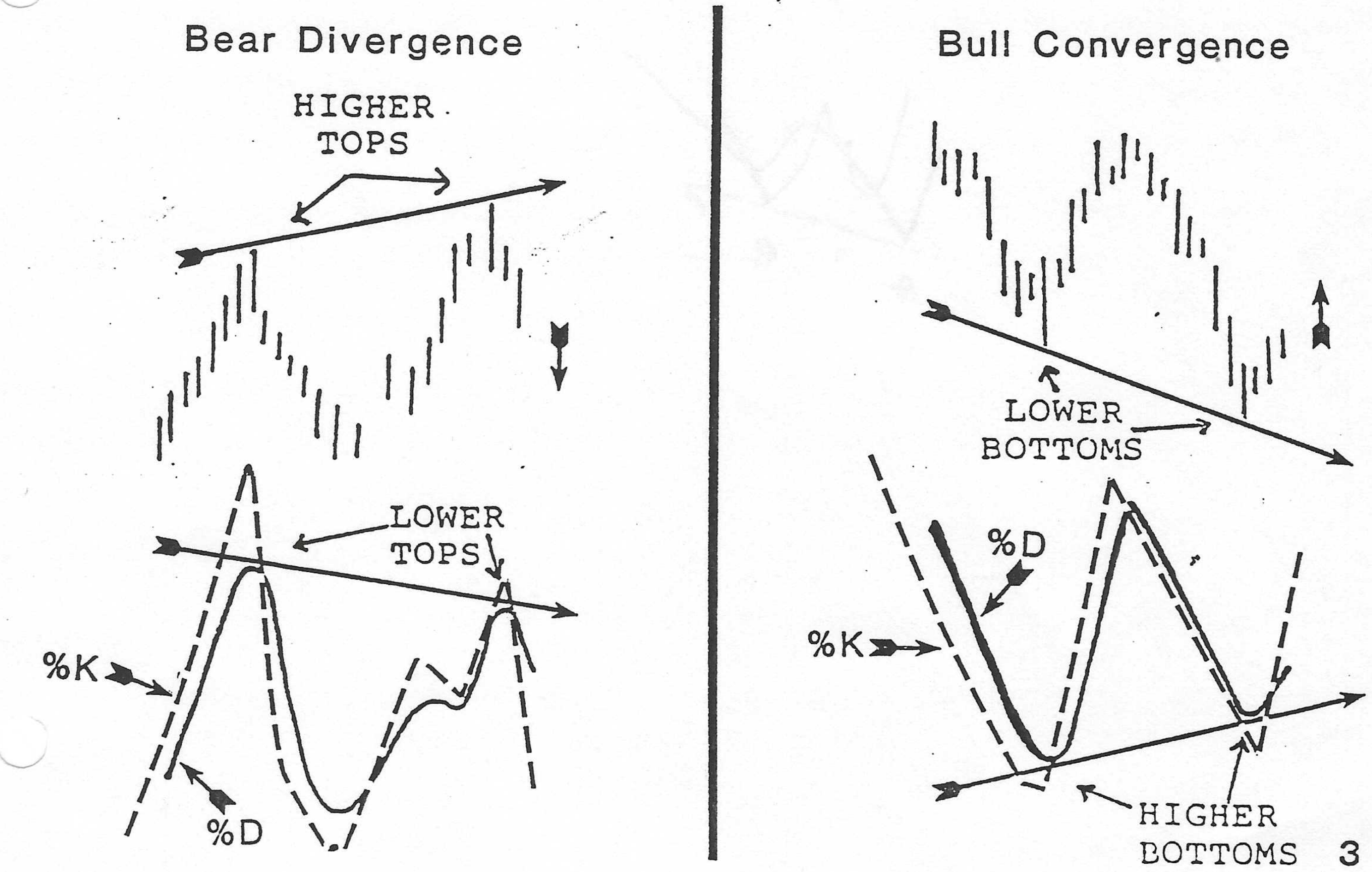
On the other hand, there is the Monkey Principle. As one of our better analysts, Jake Bernstein, says --- tongue in cheek, of course --- If he could train a monkey to read technical signals and <u>ACT</u>, the monkey would outperform the analyst because it didn't know the dangers of its actions, while the more sophisticated analyst did know them and would, therefore, hesitate while considering how best to perform.

We believe that a well-trained novice can outperform any monkey. One of our students has overcome this problem by training his wife to trade the indicators and has prohibited her from reading about, or investigating, anything in the markets. They're making about $6,000 a week --- and he isn't even there to botch things up!

Continuing with our revision of our earlier work, let's now look at some of the general principles of Stochastics.

Rules for Stochastics

I. Divergence - Convergence
When a stock or commodity has made a High, then reacts, and subsequently goes to a higher High, while the corresponding peaks on %D make a High and then a <u>lower</u> High, **a bearish divergence is indicated.**
Conversely, when a stock or commodity has made a Low, then rallies and subsequently moves down to a lower Low, while the corresponding low points of %D have made a Low and then a <u>higher</u> Low, you have a **bullish convergence.**



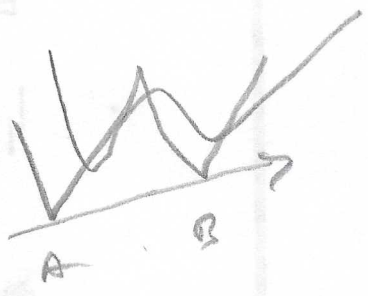
Stochastic - greek word; construe

Stole it from George

programmer named 'X'.

D is deviation from the normal.

K (Kelly's his name) needed leading indicator... called it K.



Please note that in the case of a Bottom, the downtrending arrow off the commodity and the uptrending arrow off the oscillator will, if extended, converge, while at a Top, the two arrows will never converge. Therefore, Tops diverge, while Bottoms converge.

The signal to act on this divergence or convergence comes when %K crosses on the right-hand side of the peak of %D in the case of a Top, or on the right-hand side of the low point of %D in the case of a Bottom.

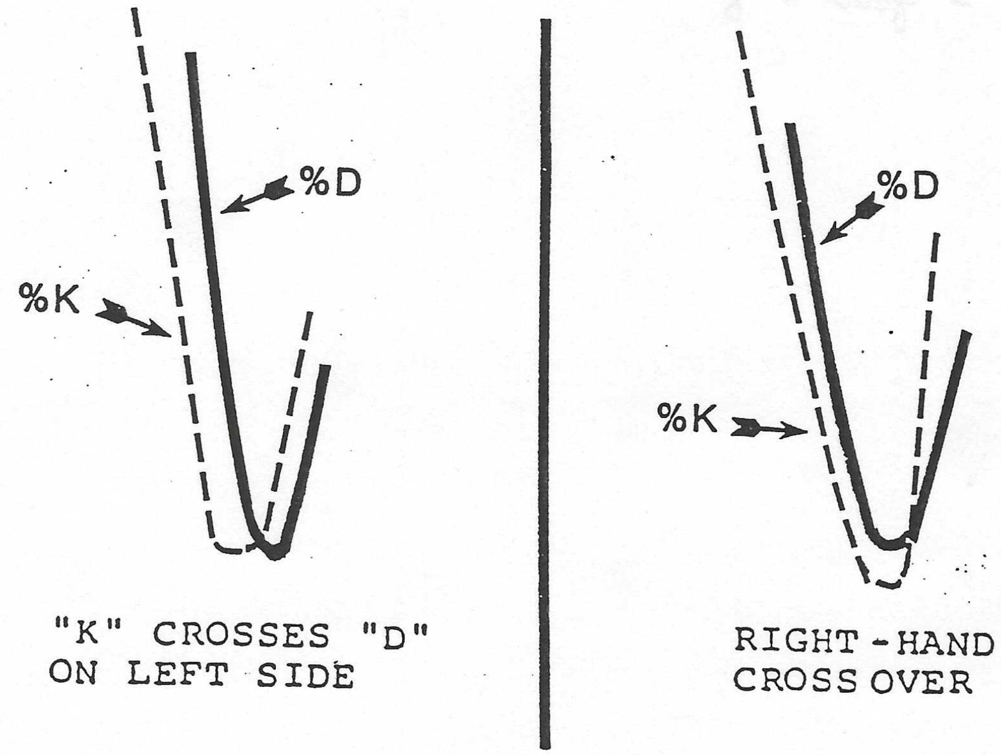
Divergence/convergence is a signal which will cause you to sell or buy, **but it will be against the major trend of the market.**

"A right-hand crossover is the most desirable." is what I wrote in the Fifties. That's still true, but it isn't the whole story.

II. Types of Crossover

When a change in trend returns the commodity to the major trend, a SPIKE or "V" Bottom (or Top) will

Crossovers



"K" CROSSES "D" ON LEFT SIDE

RIGHT-HAND CROSS OVER

5 pd M Avg of K.

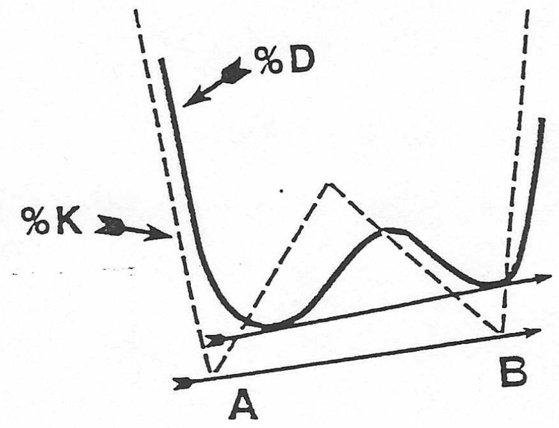
occur. When returning to the major trend at such a Bottom (or Top), a left-hand crossover is acceptable.

The same does not hold true in the case of GARBAGE Bottoms, which are basically congestion changes in trend.

left handed crossover nearly always rectifies with a 'kiss' of %D

divergence only in K is OK.

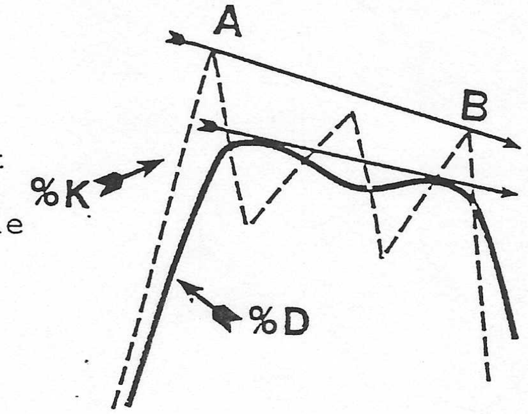
- good signals in spikes



This illustration shows a less than desirable change in trend at Bottom A, but an acceptable crossover at B, with convergence in both %K and %D.

This pattern usually accompanies a Double Bottom in the stock or commodity.

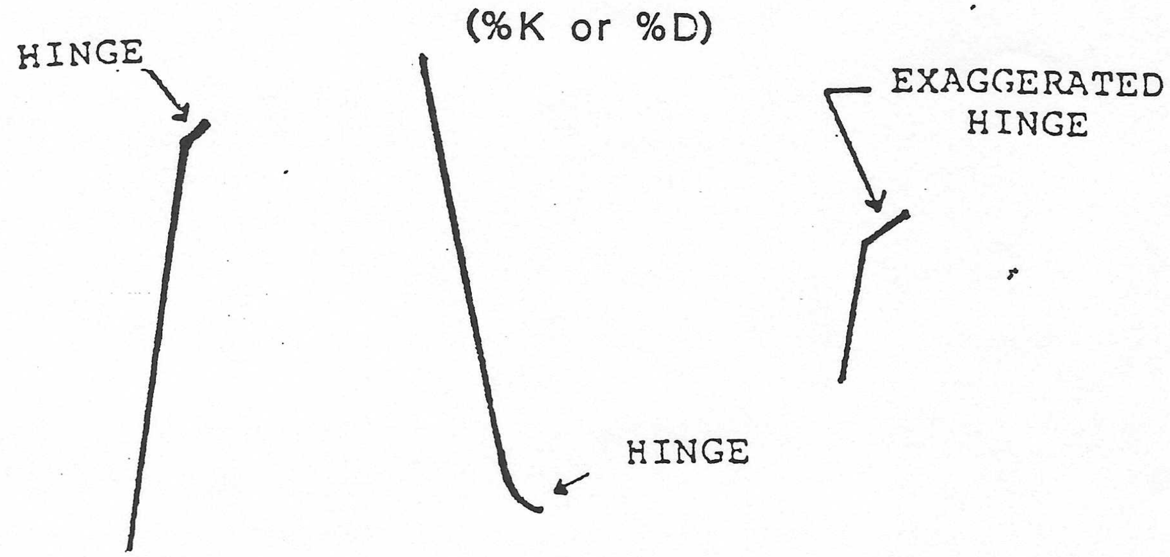
Now for a Top. Note that Top A again is a less desirable crossover, while at Top B we have a good, clean crossover, with divergence in %K and %D.



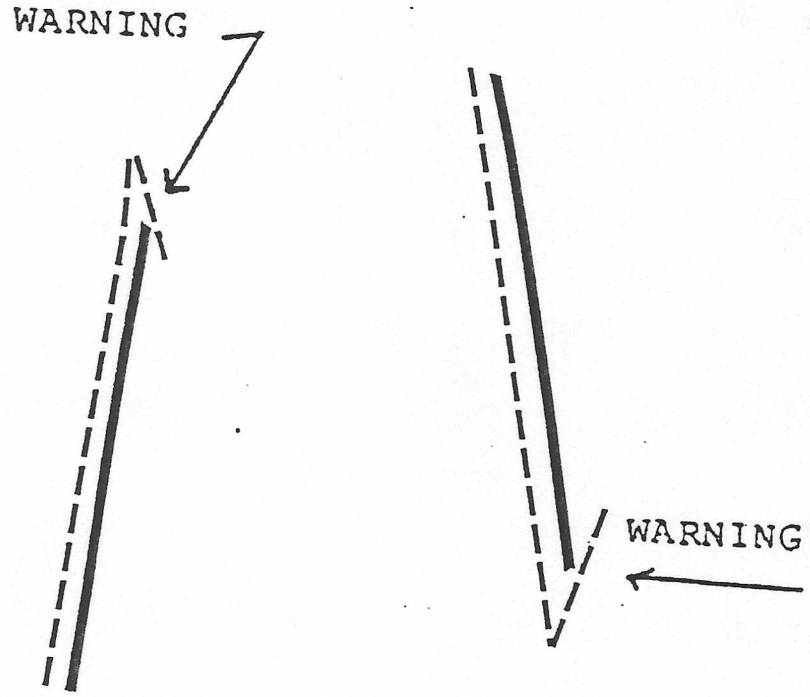
In GARBAGE (or congestion) Tops and Bottoms, a right-hand crossover is the desired signal.

III. Hinge

A reduction in the velocity of movement in either %K or %D usually indicates a reversal of trend for the next period.



IV. Warning
When %K has been declining each period and then one period reverses sharply (2-12%), this is a warning that you may have only a few more time periods before a reversal.



V. %K Reaching the Extremes (0% or 100%)
When %K declines to a value of 0, this does not denote an absolute bottom in the stock or commodity. On the contrary, it **signifies extreme weakness.**

Important: After %K initially reachesd 0, it will rebound, usually to about 20-25% and then come back toward 0. It may not always reach 0 the second time, but it should at least come close. (Your experience and observation will indicate what close means.) Normally, it will take from 2 time periods to 5 time periods for %K to come back this second time, depending on the velocity of the commodity or stock.
The importance of it all is that you can depend upon its coming back toward zero.
On the second time against 0, you can expect at least a minor rally to start.
The reverse of these rules apply at Tops, using 100%. As in the case of the Low, expect a sell-off, or correction, after the second attempt at 100 by %K. It must be remembered that **100% does not mean that the stock or commodity is as high as it can go, nor does 0% mean that we have reached the culmination of the downward move.** In fact, they mean just the opposite. You will have a reaction or hesitation at that level, then **a resumption --- of that degree ---- of the major trend,** which is still in force.

It is in this statement that we find the basis of the <u>"Stochastics Pop"</u> named and popularized by Jake Berrstein.

In a market returning to the major trend: the short-term trend is up, the intermediate trend is up and the long-term trend is up. When %K reaches the 75% overbought level, the commodity is frequently <u>only halfway to its price High.</u>

So, your plan of action is as follows:

A. Plan on taking profits (or moving a stop-loss up close) when the stock or commodity has moved up to a price that is twice the price it had at the 75% level, its 100% price objective; or

B. Take profits when %K falls below 60%; or

C. Take profits when %K crosses below %D.

D. Expect a Garbage (or Congestion) Top; therefore, take profits when you complete a pattern of divergence.

The "Stochastics Pcop," which I so named because of its close relationship with the down or "diarrhea" phase of the market, is a "Pcop" in reverse. In a downmove, we note the price of the commodity when %K reaches the 25% level, double that and use it for our price objective. We take profits when %K rises above 40%, or when %K crosses above %D, or when we have completed a pattern of divergence.

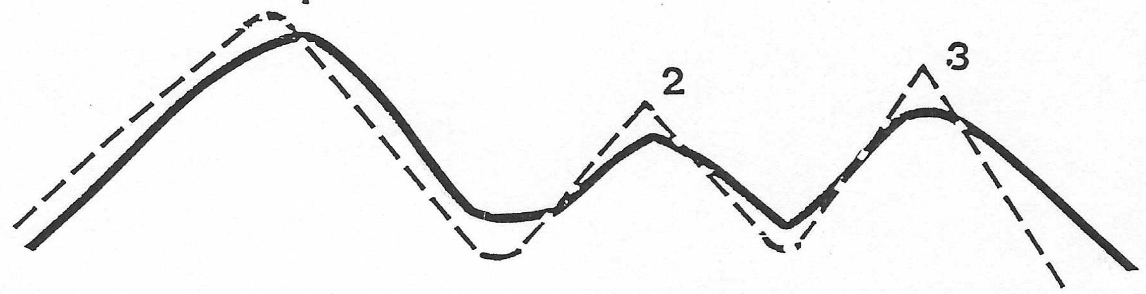
Our 1957 work was not written for the public. It was written as a quick reference guide for students who had taken Elliott Wave and Stochastics courses from us and who were thoroughly familiar with certain ideas that were not contained in the syllabus, among them the classic and secondary divergence signals.

Tubbs, a brilliant market technician of the Twenties and Thirties and the precursor to Elliott, wrote in his course about "The Threes" --- Three Rallies to a Top, Three Drives to a Bottom. (I believe he was also the first to talk about a running Head & Shoulders.)

Almost always in a volatile up market, the market tops out by making three rallies to a Top. We now have a collection of 35-40 of these major Tops over the last few years.

The Classic Divergence Signal

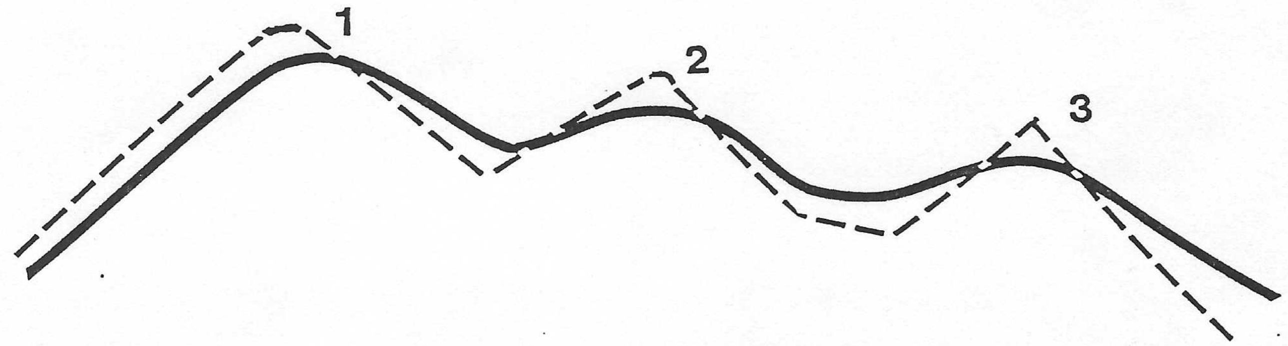
The corresponding Top in the oscillator follows the classic pattern shown below.



The second High (2) is lower that the first High (1), showing divergence. The third High (3), however, is higher than the second High (2), but lower than the first High (1).

Secondary Divergence Patterns

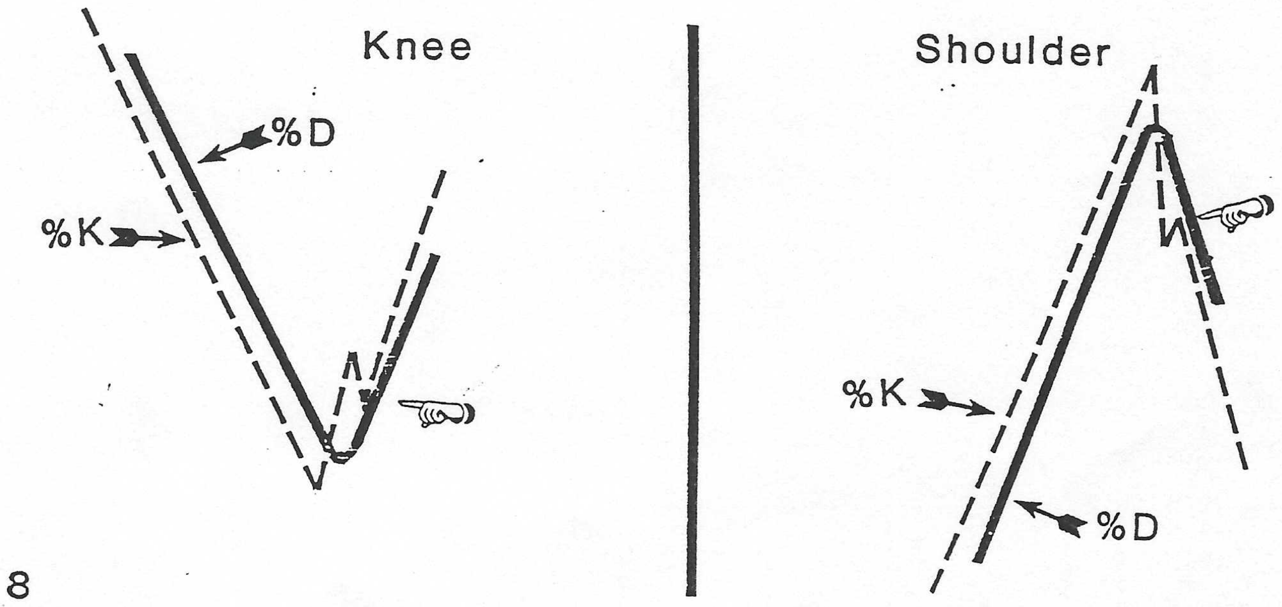
We all know that the market does not always behave like a lady, so we can readily accept the secondary pattern signaling divergence shown below.



In this pattern, the commodity makes three rallies to a Top, while the oscillator shows a second High (2) lower than the first High (1) and the third High (3) lower than the second High (2), giving a divergence signal.

To further complicate matters, I have seen a few instances of <u>four</u> rallies to a Top. In this case, the oscillator also shows four divergent Highs. <u>But</u>, I have never seen five rallies to a Top. That doesn't mean it can't happen, or hasn't happened --- but, in 33 years of making a living trading commodities, I just haven't seen one.

VI. Knees and Shoulders (Originally Labeled "Failure")
When %K has crossed up through %D and then pulls back a few percentage points the next period, but fails to re-penetrate %D on the downside before turning up, we call this a **knee**. It **denotes strength,** or a continuation of upward progression.
The same holds true on the downside, only we call it a **shoulder.**



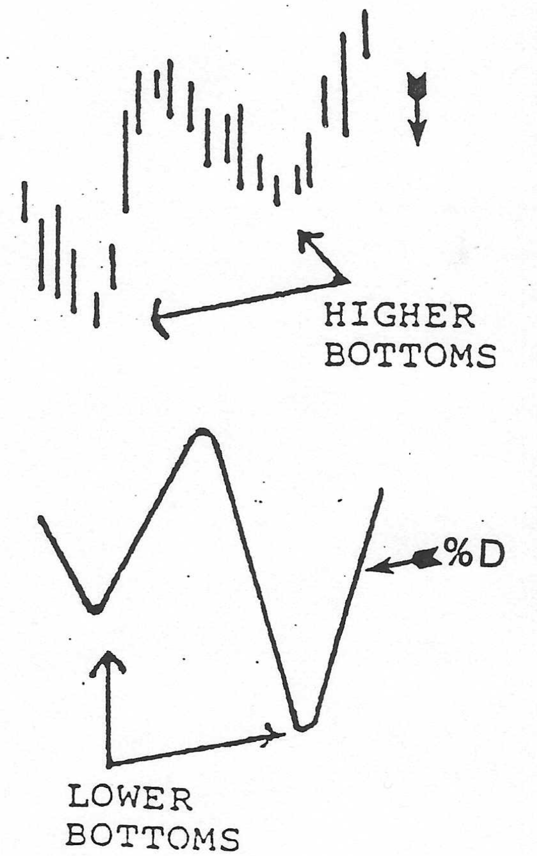
This signal is mostly utilized at a SPIKE change in trend, where we have the less desirable left-hand crossover. %K rectifies its earlier left-hand crossover by reacting to and kissing (or almost kissing) %D, after which they both waltz off together in the direction of the major trend.

Note that %K gives divergence at the Spike Top or convergence at a Spike Bottom, even though %D cannot. This is a good signal in %K.

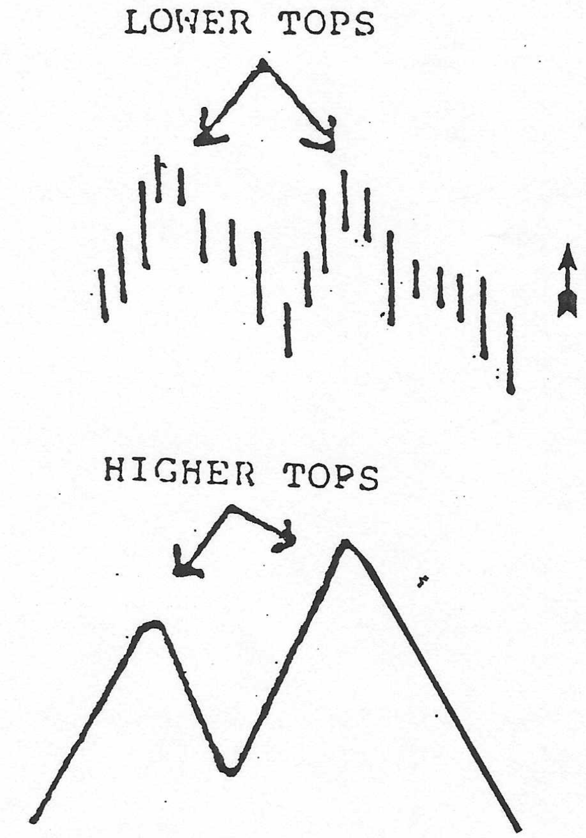
VII. Divergence in %K Only
In a Garbage Top or Bottom, many times we observe divergence in %K only. These divergences are necessarily a few periods apart. The significance of this signal in this circumstance is not as great, for it merely suggests a minor reaction.
<u>However</u>, if you happen to get this signal in conjunction with a major divergence or convergence in %D, you will have an additional aid in timing.

VIII. Set-up
This is another form of divergence or convergence. **The primary function of this signal is to forewarn of a coming <u>important</u> Top or Bottom.**

Bear Set-up



Bull Set-up



> If a corresponding Low is made on the stock or commodity and on %D and then a swing to the upside occurs; **if**, on the sell-off, the correction of the stock or commodity is normal (in proportion, making a higher Bottom) but %D falls to new Lows, exceeding its prior Low --- **a bear divergence set-up is signified.** This means that **the next** swing up will probably **provide an important Top.**
>
> The reverse of this holds true for Tops.

Be prepared to study and to learn the above, as it is not logical. In fact, the illogical signal, as juxtaposed to a normal signal, is at an advantage.

This is a case where the oscillator can predict Elliott Wave. In this case, the oscillator is calling for an A-B-C Elliott Wave Count, not a 1-2-3-4-5. **This is a correction, not a new trend.**

In my opinion, Stochastics should be used in the following manner.

Always know and refer to a chart of the next larger degree complete with Stochastics. This will contain the next larger Cycle than the one you are trading. **Keep the big picture in mind.**

With this chart, you can anticipate the type and speed of the next change in trend. **When in doubt, trade in the direction of the longer-term Stochastic.**

Keeping monthly, weekly and daily Stochastics on 20+ commodities was a tedious, time-consuming job. Now -- thanks to CompuTrac--- it's easy!

I find that keeping Stochastics with another oscillator, such as R.S.I., Demand Index or Demand Aggregate, or Commodity Channel Index --- or any of the 18+ assorted indicators available in CompuTrac --- is very helpful.

However, in my opinion, the best is Volume --- tick, or real. We feel so strongly about Volume that we teach it in every one of our courses.

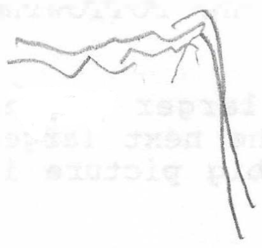
Periodicity of %D

We are often asked the optimum number of periods to use for a particular commodity. As a general principle, **the number of periods to use in Stochastics is based on the Cycle you are trading.**

To select the correct periodicity:

1. Study the printout of each of the charts you could possibly trade, be it 3 minute, 15 minute, daily, weekly, or monthly charts of the commodity of your choice. Decide which you are going to use, based on your own guts level and trading style.

- Stochastics cannot handle runaway markets.



poop

- nt

- 18 bar directional osc, 3min

2. Determine the Cycles in the charts you select, using the tools available in Computrac. Pick the optimum Cycle for you, one offering the greatest potential profits commiserate with the greatest risk you can afford moneywise and psycologically.

3. **Use a periodicity (number of bars) that is 50% of the Cycle you choose to trade.**

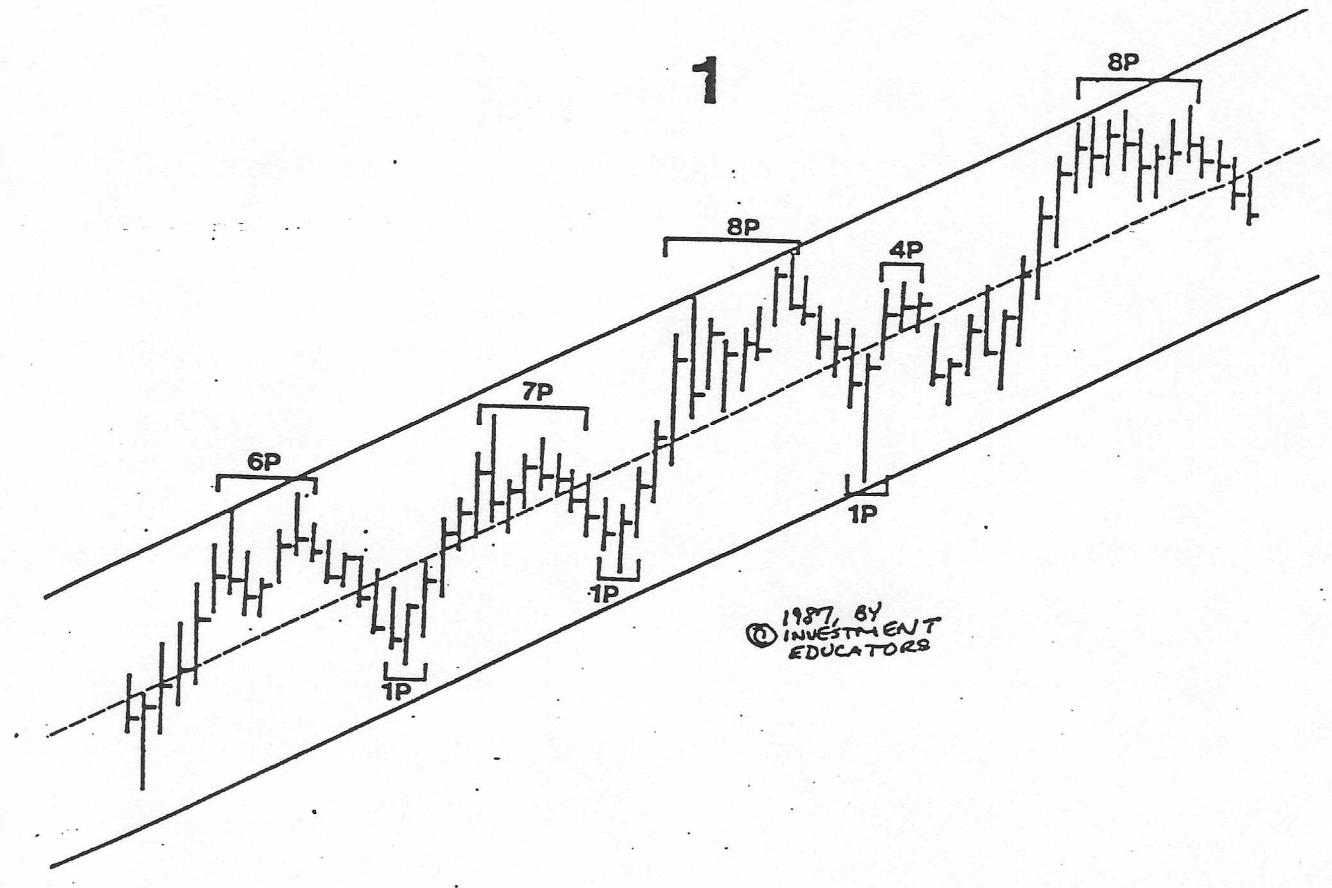
4. **Use a smaller periodicity only when you are at the point of decision,** to confirm an anticipated signal. Immediately, revert back to your optimum Stochastic. **Remember! You want to use Stochastics with the trend,** not against it!

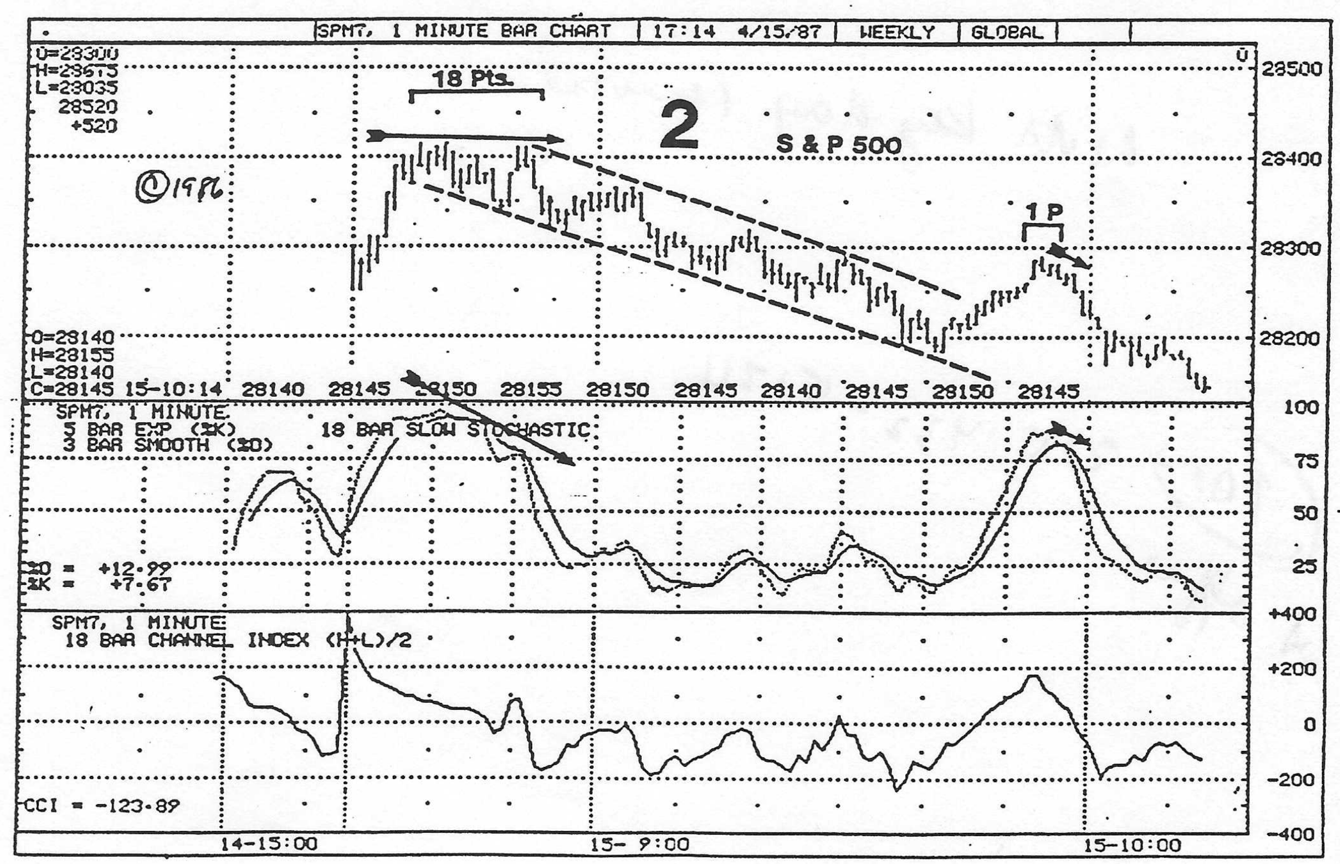
Stochastics is not a mechanical "black box" system, nor is it a simple crossover system. If you try to use the process that way, you're very likely to get hurt. There is a certain amount of study, interpretation and flexibility of mind necessary to use Stochastics successfully. However, in combination with conventional charting techniques and common sense, it beats anything else I know!

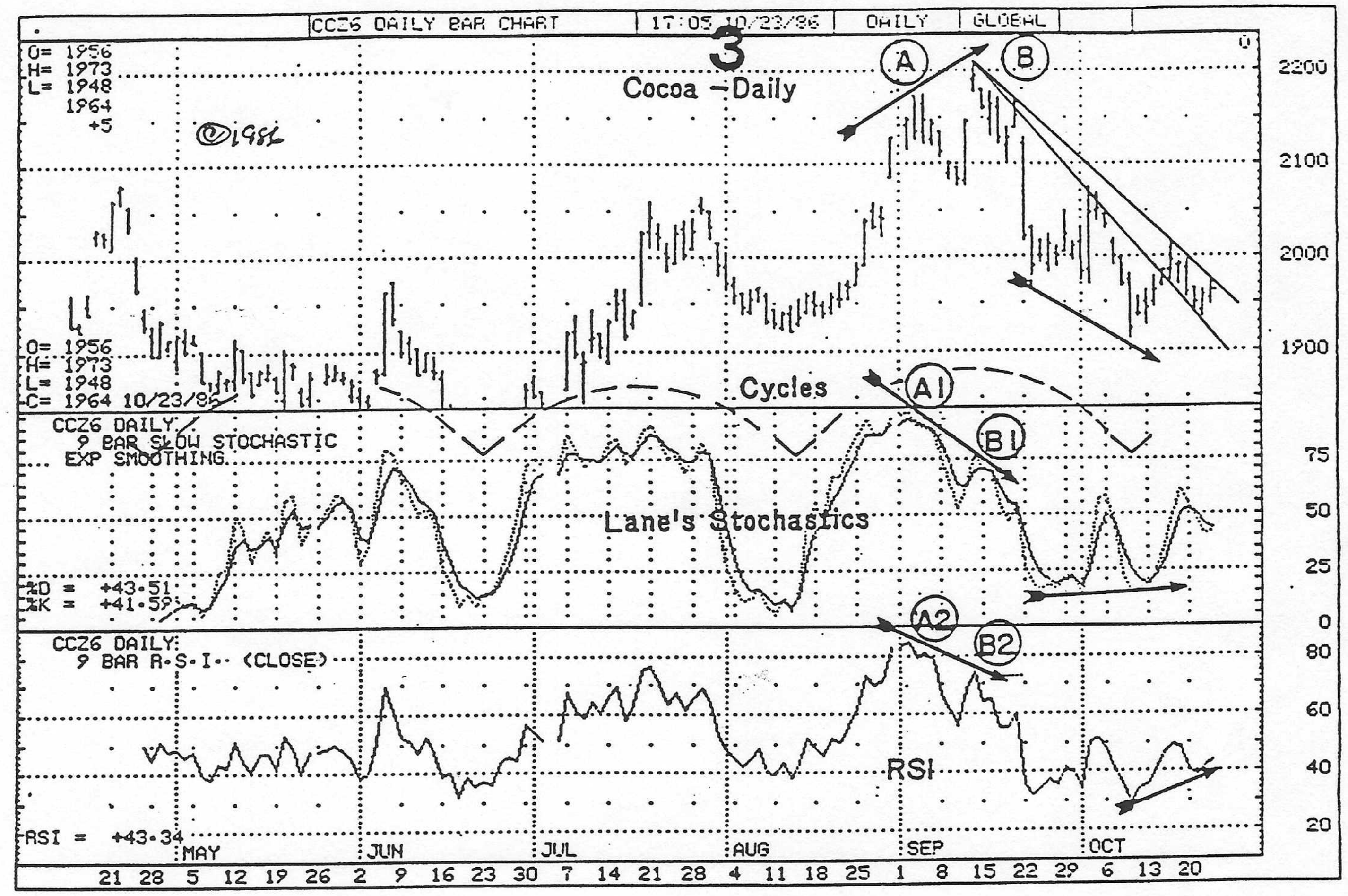
How good is Stochastics? I'm still making more money than my wife can spend! Doesn't that say it all?

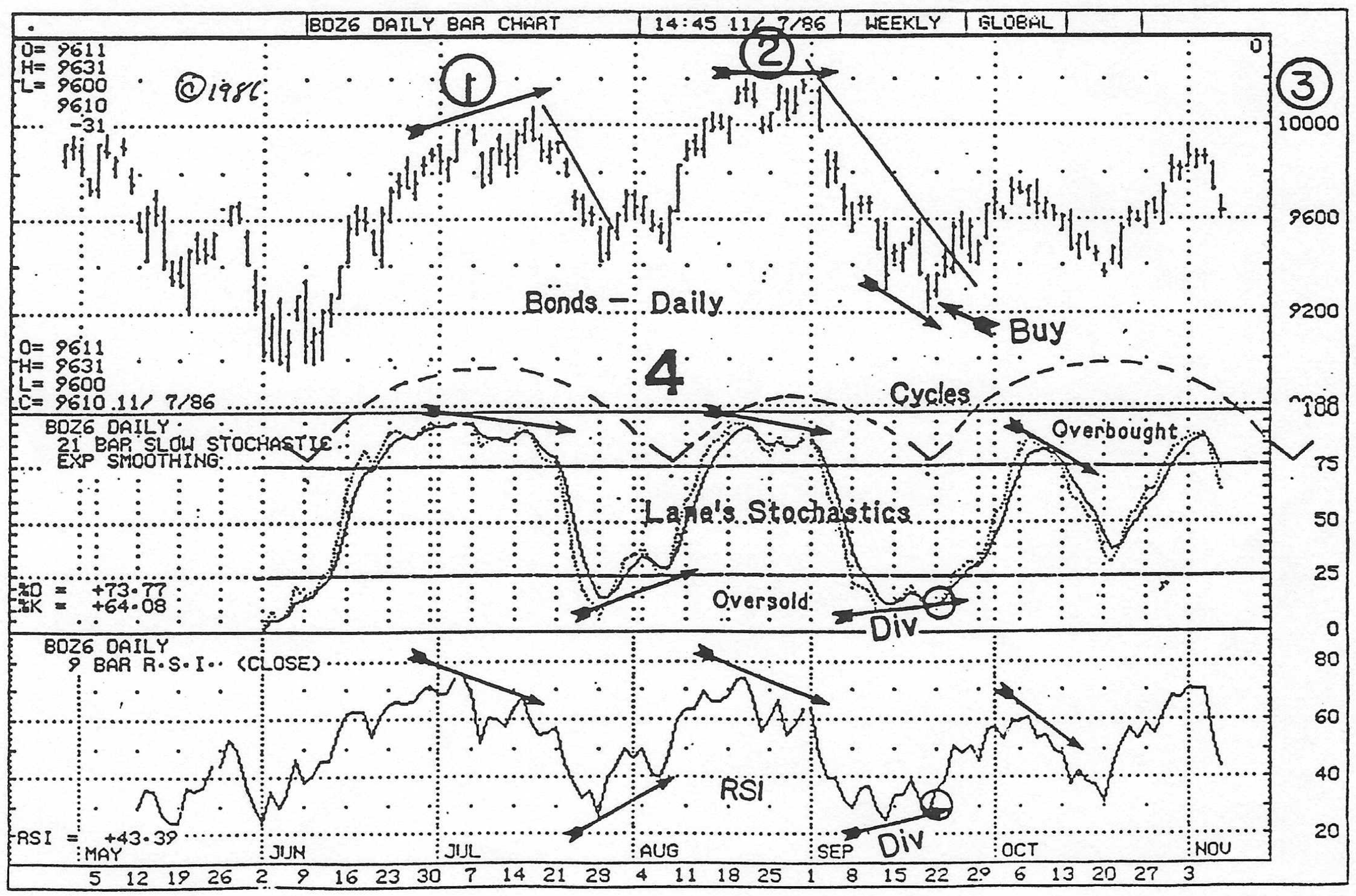
CB 2021 NOTE

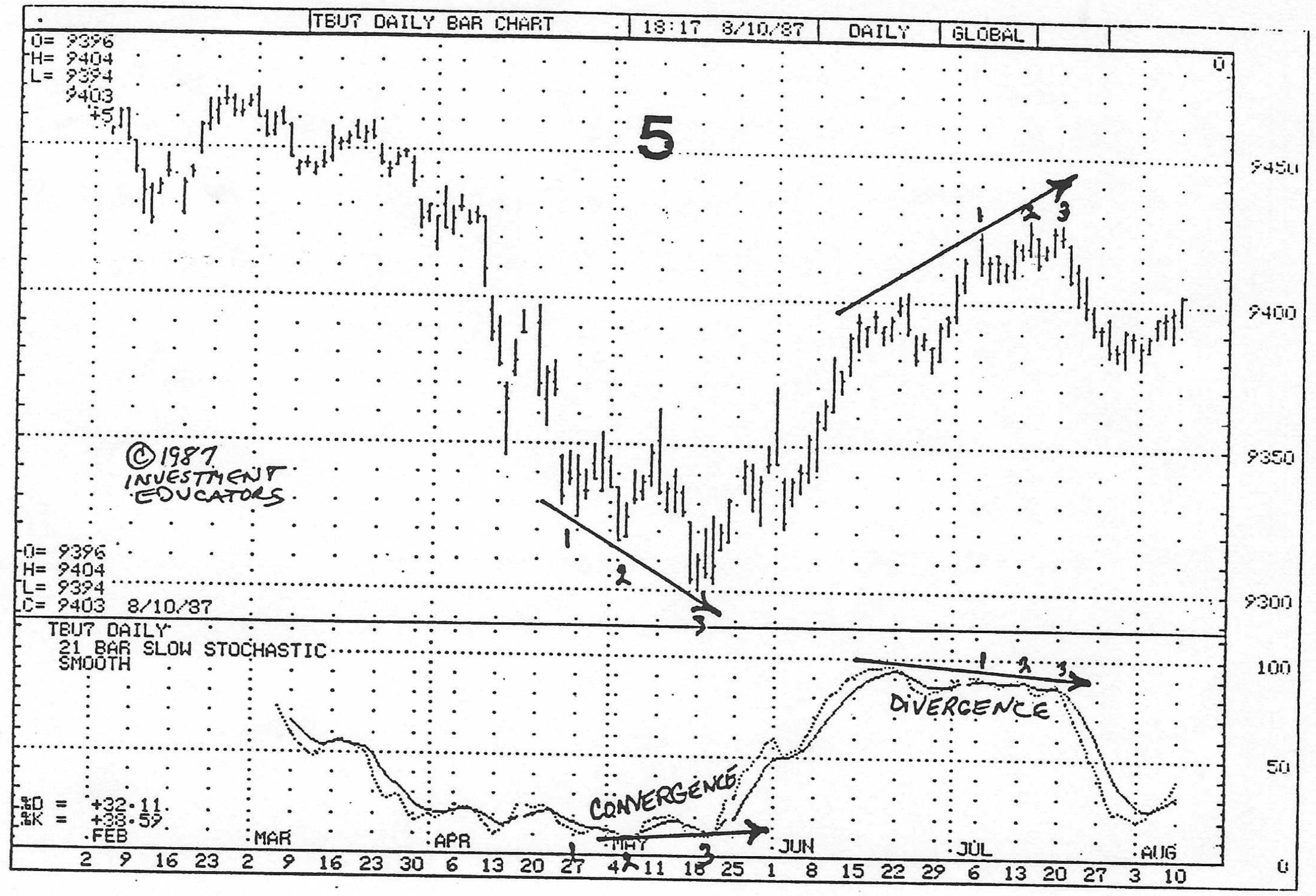
IMAGE '1' IS DESCRIBED LATER... IT SHOWS HOW UPTRENDS HAVE COMPLEX TOPS, OR IN GEORGE'S PHRASE 'GARBAGE TOPS' AND THE BOTTOMS ARE SHARP WITH A SHORT DURATION. THE REVERSE FOR DOWNTRENDS.



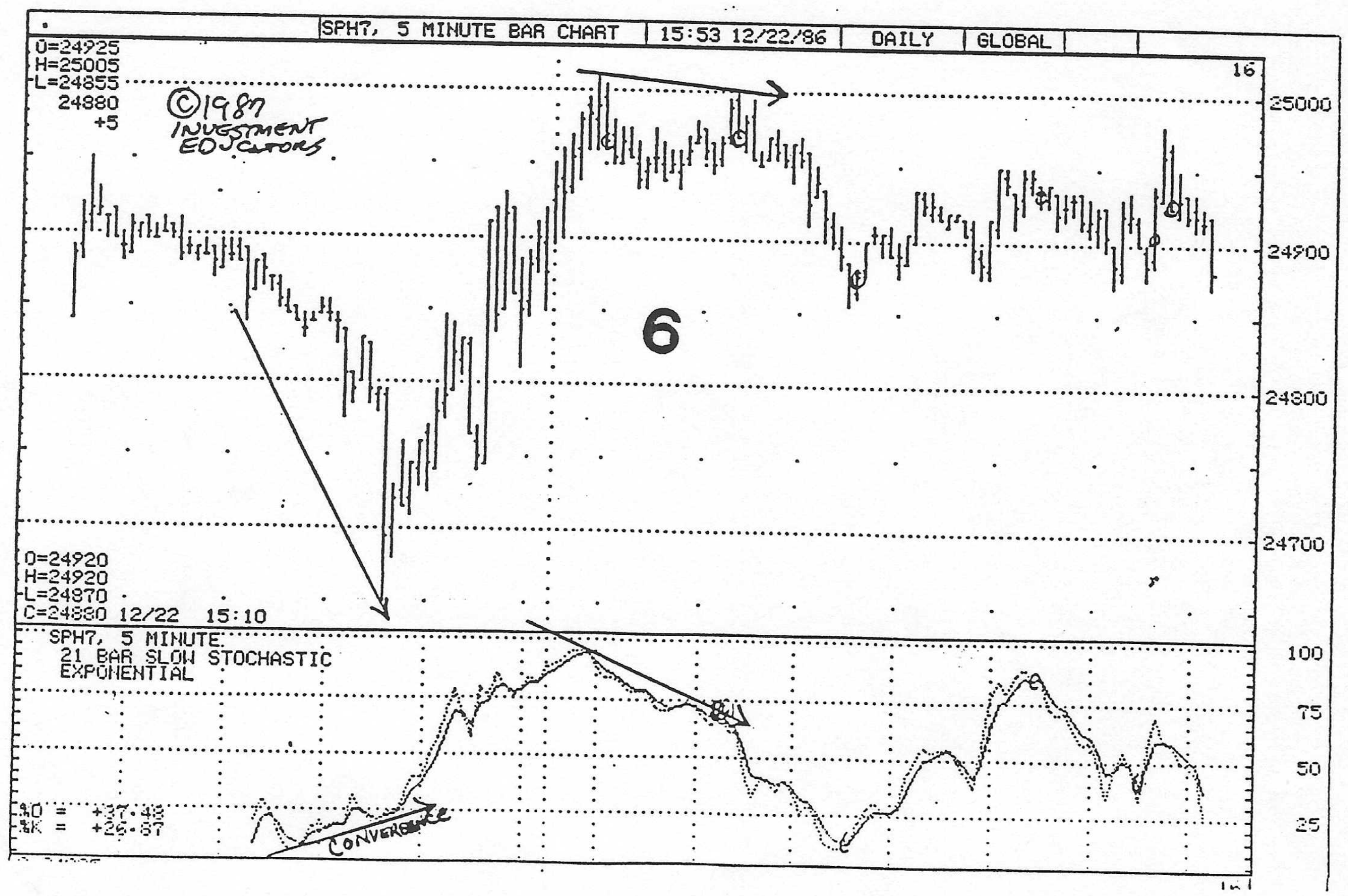



CCZ6 DAILY BAR CHART
17:05 10/23/86
DAILY
GLOBAL
3
Cocoa — Daily
©1986
O= 1956
H= 1973
L= 1948
C= 1964 10/23/86
Cycles
CCZ6 DAILY
9 BAR SLOW STOCHASTIC
EXP SMOOTHING
Lane's Stochastics
%D = +43.51
%K = +41.59
CCZ6 DAILY
9 BAR R.S.I.. (CLOSE)
RSI
RSI = +43.34
A
B
A1
B1
A2
B2
MAY
JUN
JUL
AUG
SEP
OCT
2200
2100
2000
1900


BDZ6 DAILY BAR CHART
14:45 11/ 7/86
WEEKLY
GLOBAL
©1986
1
2
3
4
Bonds — Daily
Buy
O= 9611
H= 9631
L= 9600
C= 9610 11/ 7/86
Cycles
BDZ6 DAILY
21 BAR SLOW STOCHASTIC
EXP SMOOTHING
Lane's Stochastics
Overbought
Oversold
Div
%D = +73.77
%K = +64.08
BDZ6 DAILY
9 BAR R.S.I.. (CLOSE)
RSI
RSI = +43.39
MAY
JUN
JUL
AUG
SEP
OCT
NOV
10000
9600
9200



TBU7 DAILY BAR CHART
18:17 8/10/87
DAILY
GLOBAL
O= 9396
H= 9404
L= 9394
9403
+5
5
©1987
INVESTMENT
EDUCATORS
O= 9396
H= 9404
L= 9394
C= 9403 8/10/87
TBU7 DAILY
21 BAR SLOW STOCHASTIC
SMOOTH
CONVERGENCE
DIVERGENCE
%D = +32.11
%K = +38.59
FEB
MAR
APR
MAY
JUN
JUL
AUG
9450
9400
9350
9300
100
50
0



SPH7, 5 MINUTE BAR CHART
15:53 12/22/86
DAILY
GLOBAL
O=24925
H=25005
L=24855
24880
+5
©1987
INVESTMENT
EDUCATORS
6
O=24920
H=24920
L=24870
C=24880 12/22 15:10
SPH7, 5 MINUTE
21 BAR SLOW STOCHASTIC
EXPONENTIAL
%D = +37.48
%K = +26.87
CONVERGENCE
25000
24900
24800
24700
100
75
50
25

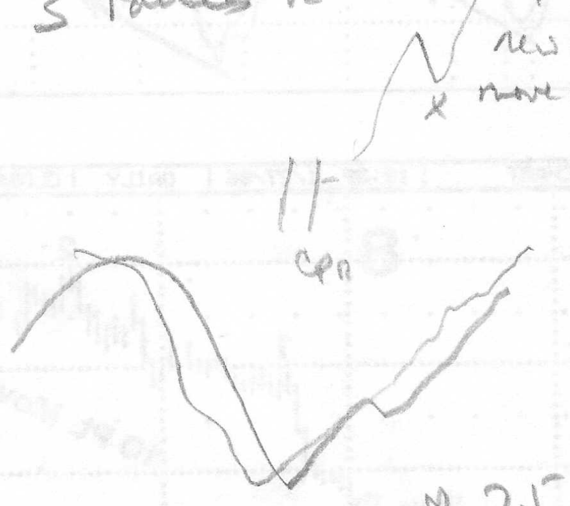
NOTE SHOULD READ %K = 75

K = 75 measure price to low & double.

projected...

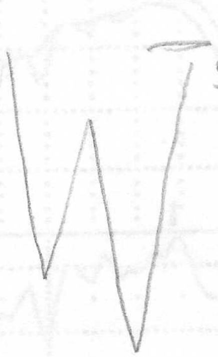
3 rallies to a top & 3 divergence

new high
moves top to prior low



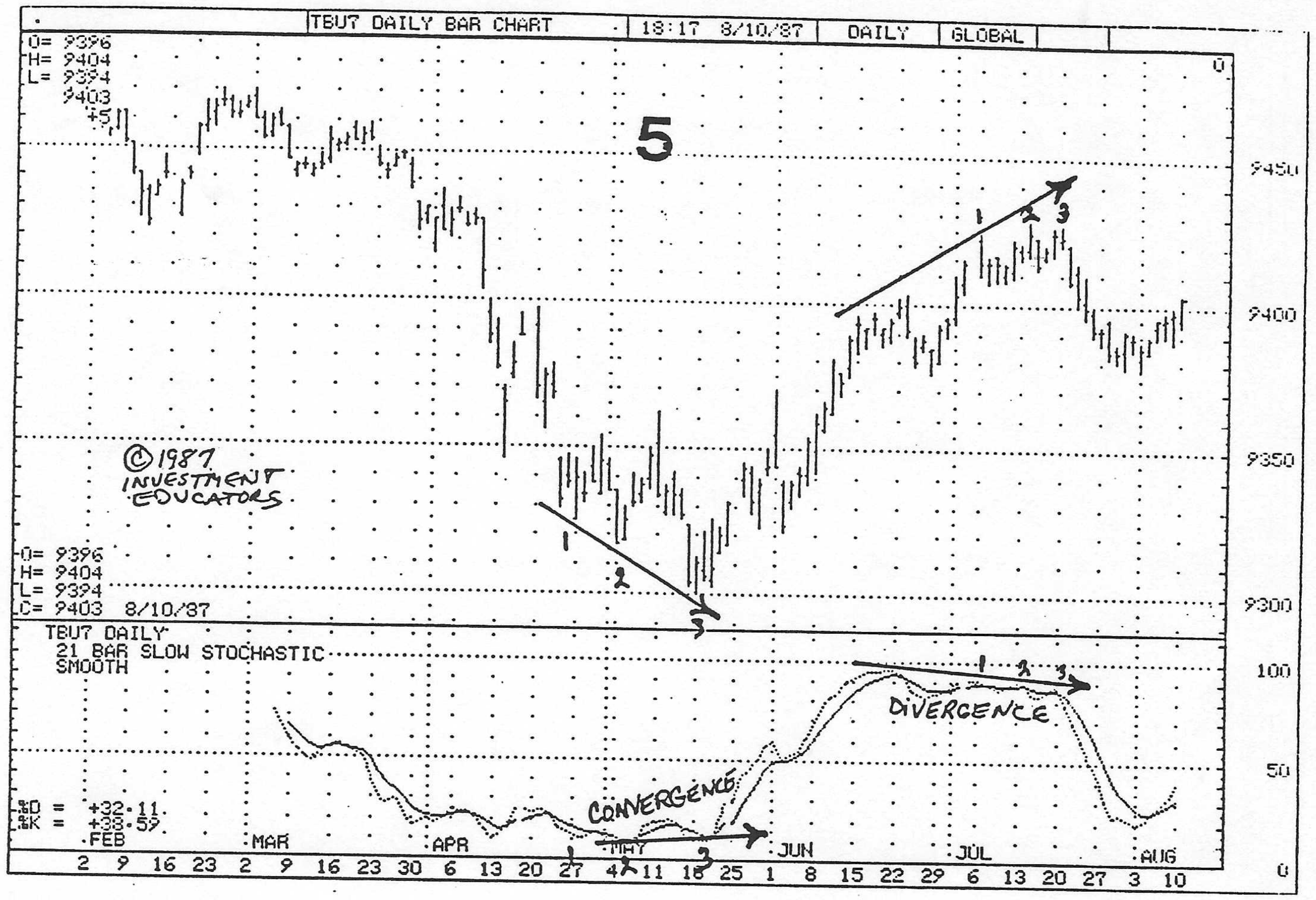
at 75 buy another one.

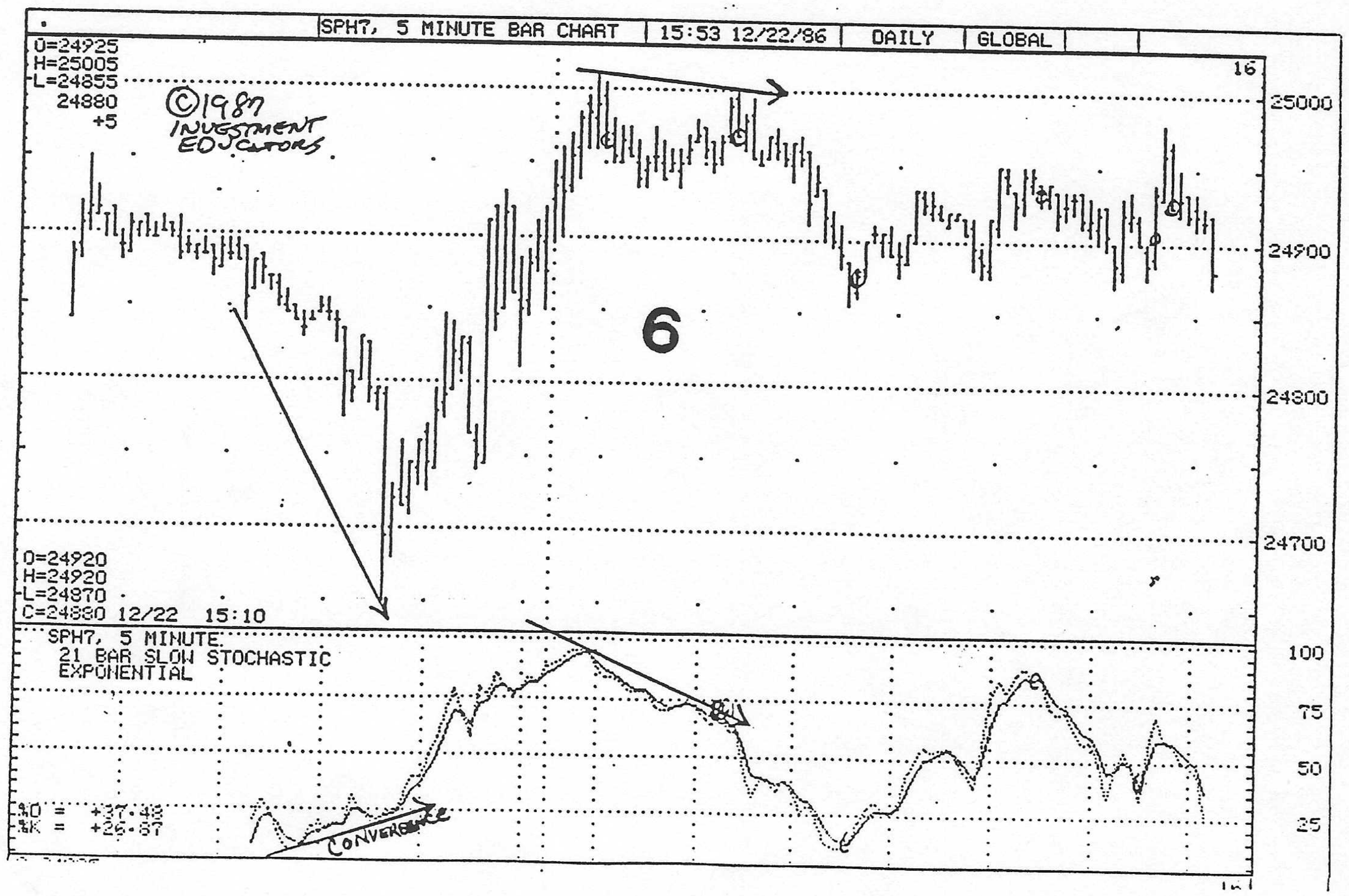
AT 75 BUY ANOTHER ONE

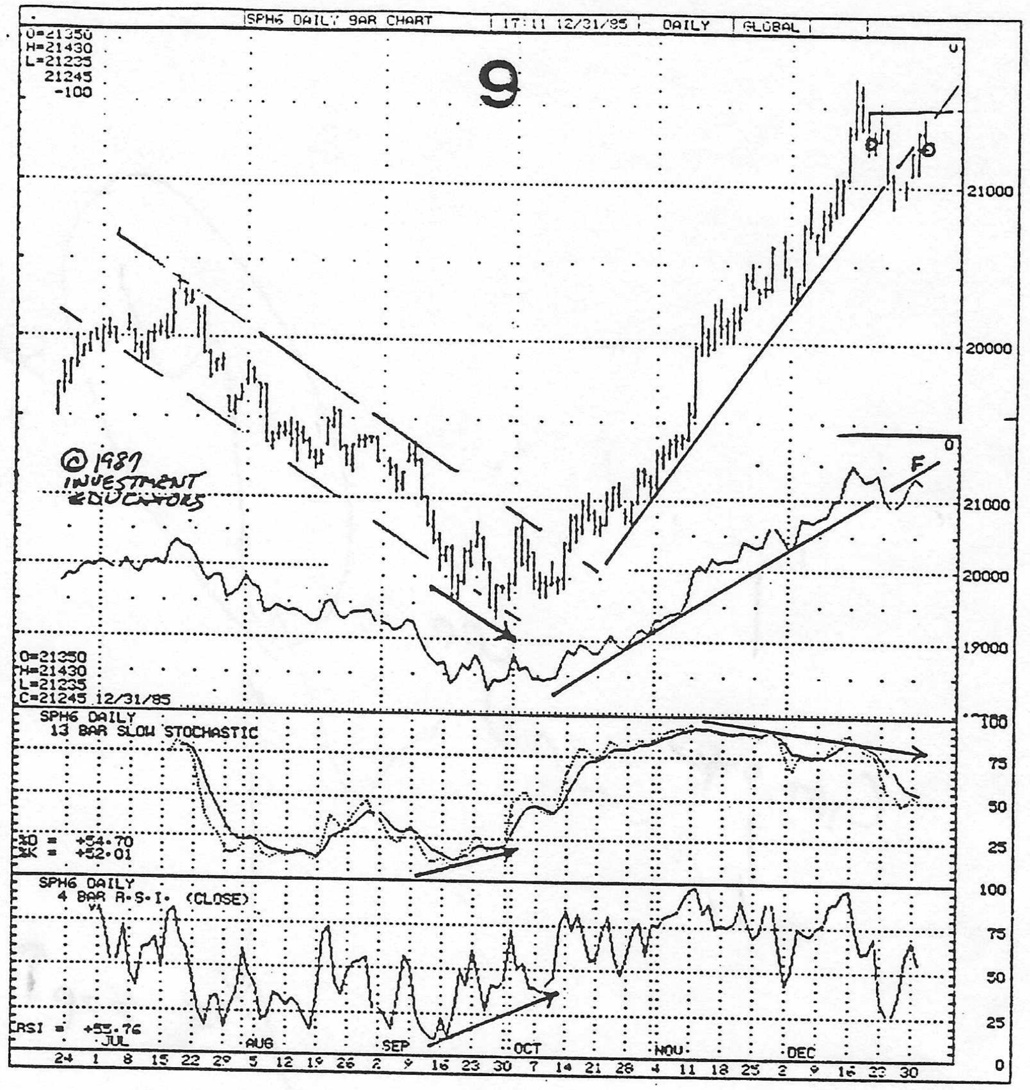


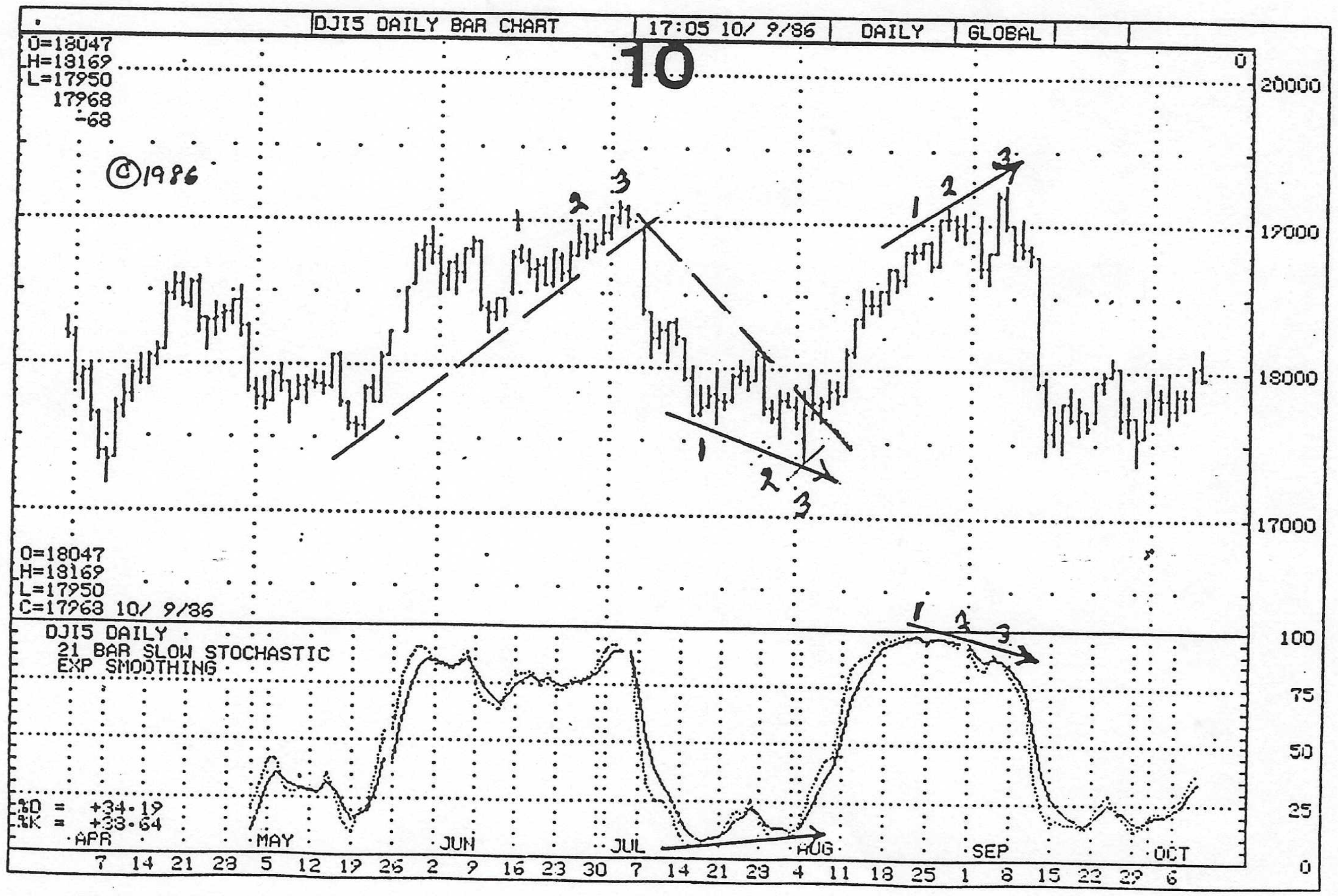
50% price

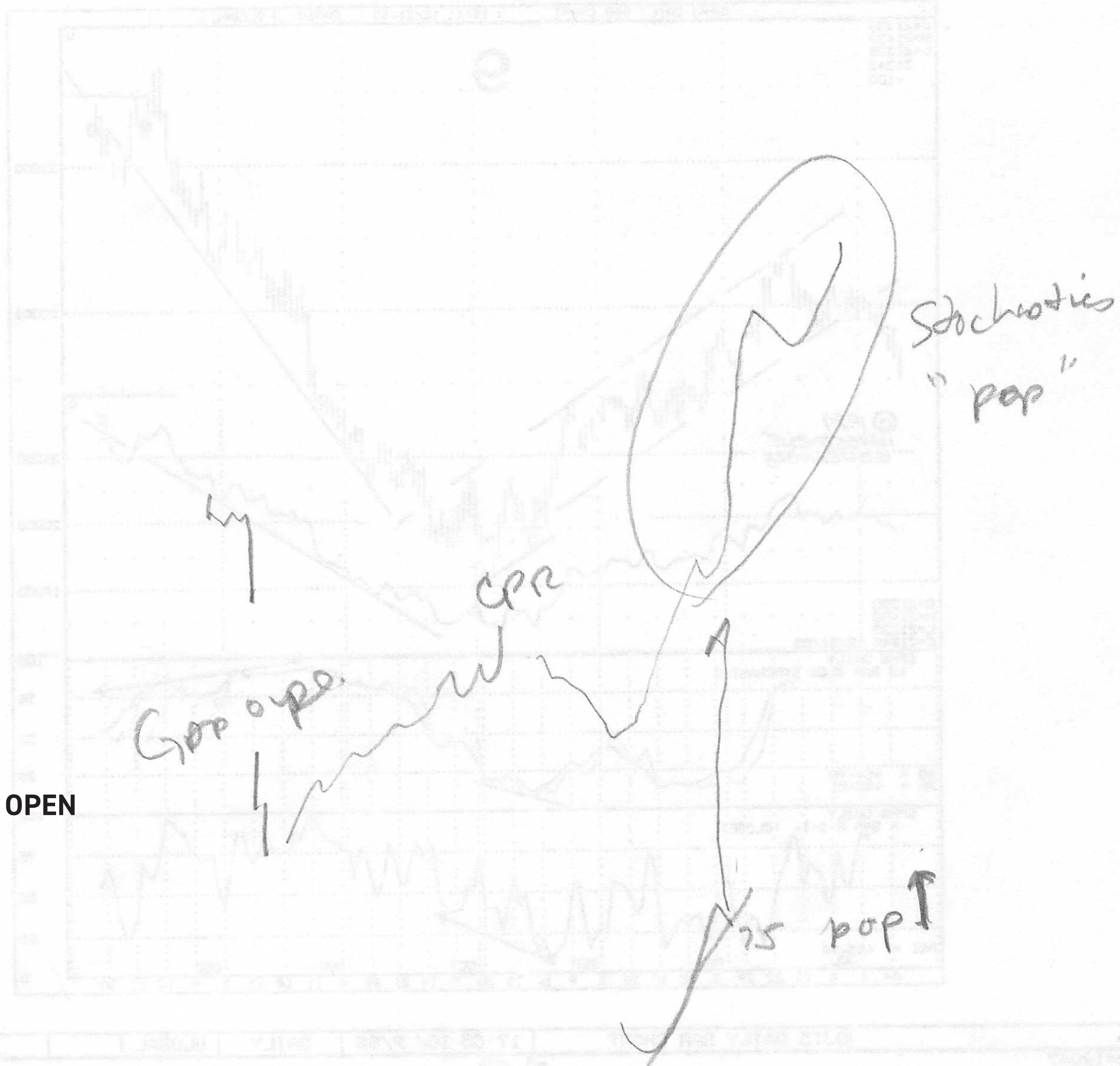
kd verges





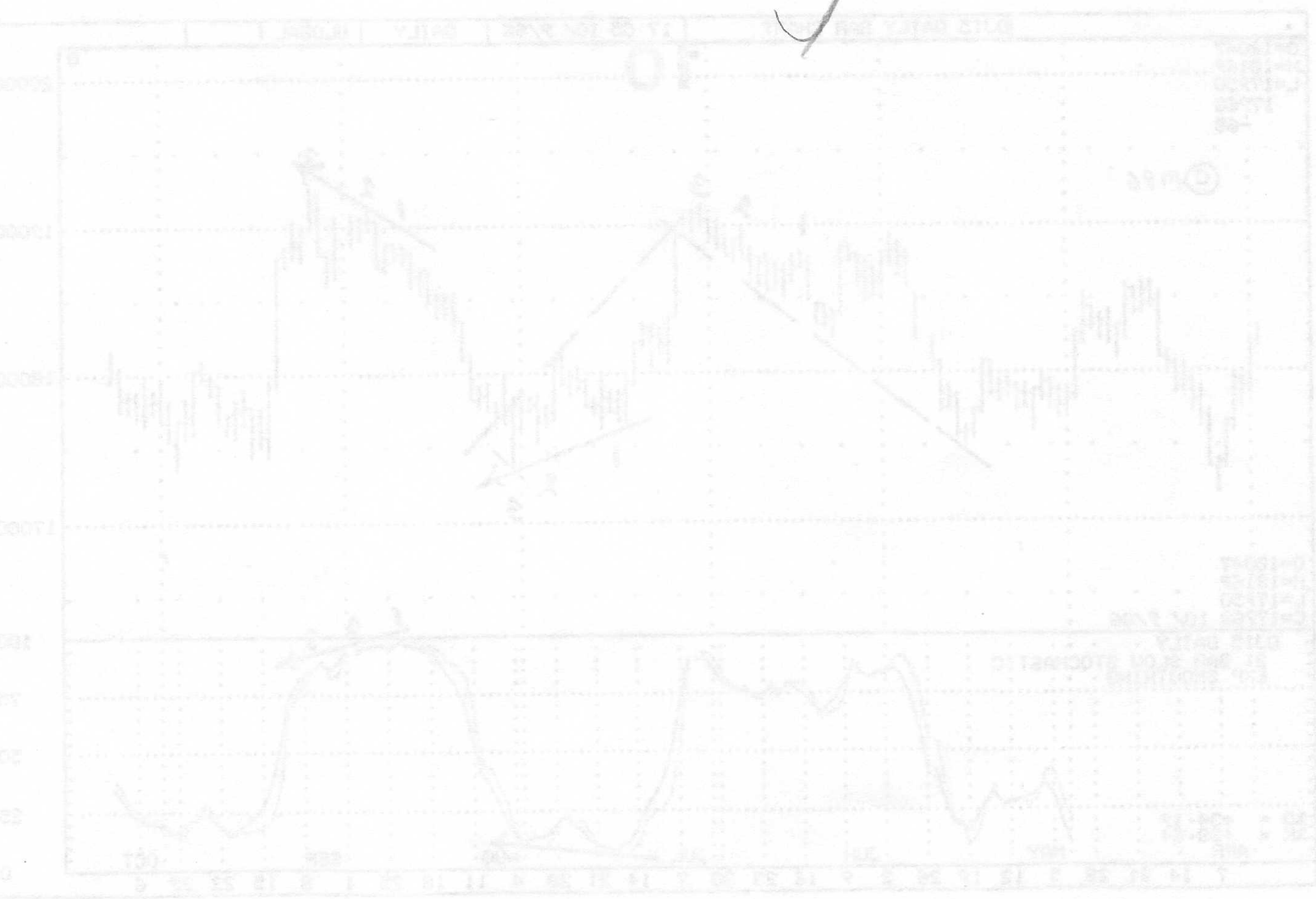

SPH6 DAILY BAR CHART
17:11 12/31/85
DAILY
GLOBAL
9
O=21350
H=21430
L=21235
C=21245 12/31/85
SPH6 DAILY
13 BAR SLOW STOCHASTIC
SPH6 DAILY
4 BAR R·S·I· (CLOSE)
© 1987 INVESTMENT EDUCATORS

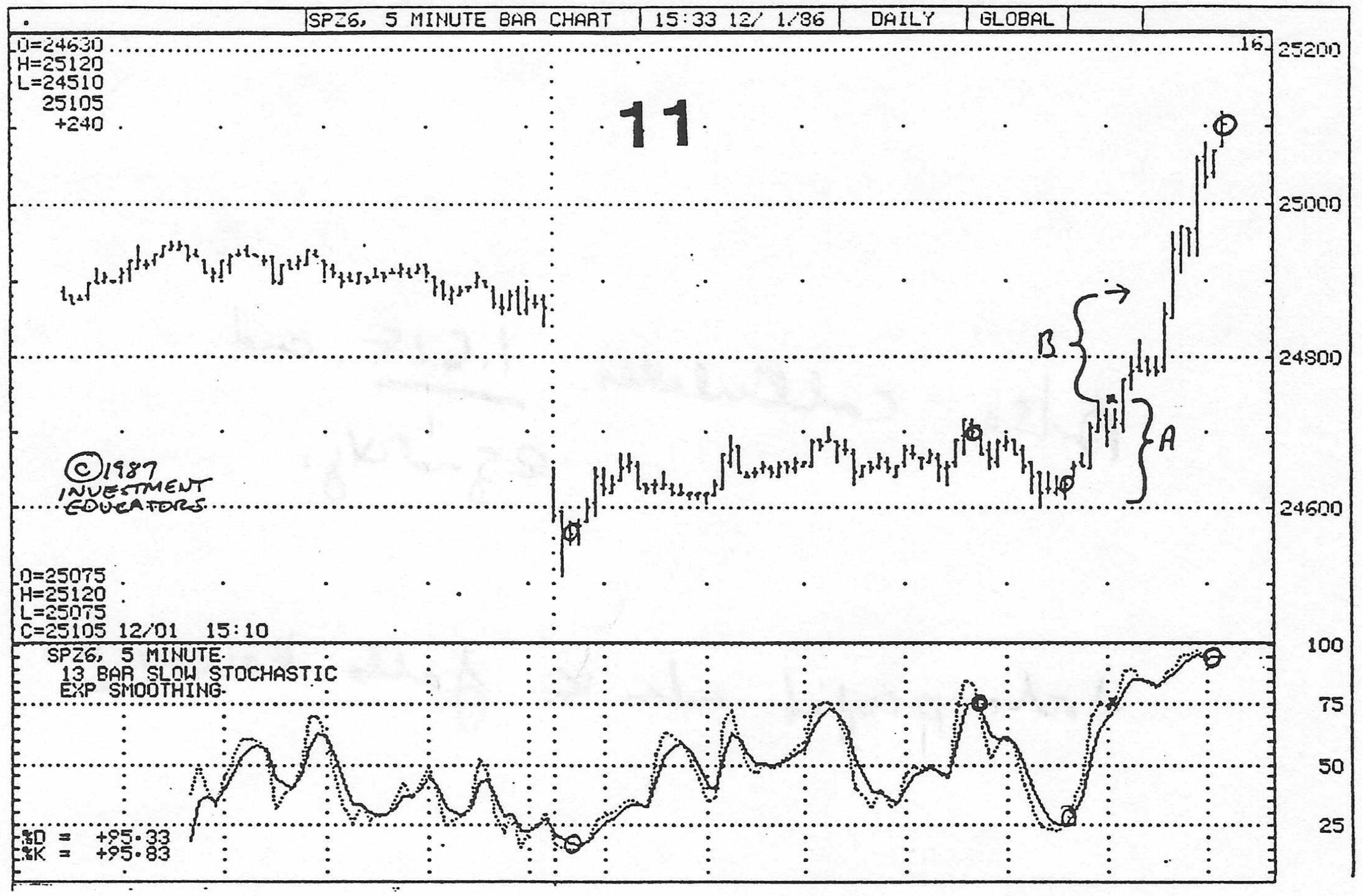

DJI5 DAILY BAR CHART
17:05 10/ 9/86
DAILY
GLOBAL
10
O=18047
H=18169
L=17950
C=17968 10/ 9/86
©1986
DJI5 DAILY
21 BAR SLOW STOCHASTIC
EXP SMOOTHING
%D = +34·19
%K = +38·64



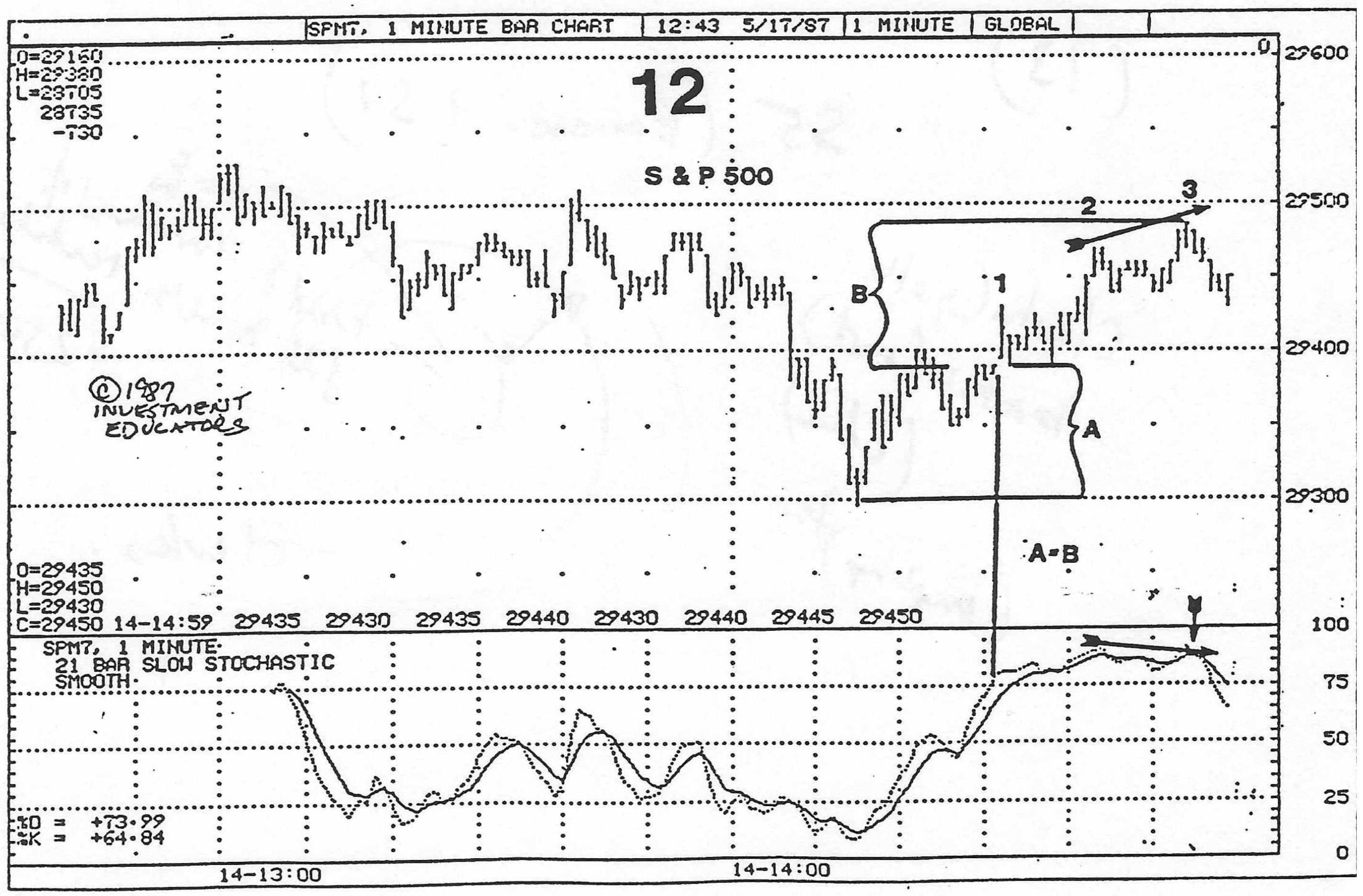
Stochastics
"pop"
CPR
Gap open
75 pop

GAP OPEN





SPZ6, 5 MINUTE BAR CHART
15:33 12/ 1/86
DAILY
GLOBAL
O=24630
H=25120
L=24510
25105
+240
11
©1987 INVESTMENT EDUCATORS
B
A
O=25075
H=25120
L=25075
C=25105 12/01 15:10
SPZ6, 5 MINUTE
13 BAR SLOW STOCHASTIC
EXP SMOOTHING
%D = +95.33
%K = +95.83
25200
25000
24800
24600
100
75
50
25



SPM7, 1 MINUTE BAR CHART
12:43 5/17/87
1 MINUTE
GLOBAL
O=29160
H=29380
L=28705
28735
-730
12
S & P 500
1
2
3
B
A
A=B
©1987 INVESTMENT EDUCATORS
O=29435
H=29450
L=29430
C=29450 14-14:59 29435 29430 29435 29440 29430 29440 29445 29450
SPM7, 1 MINUTE
21 BAR SLOW STOCHASTIC
SMOOTH
%D = +73.99
%K = +64.84
14-13:00
14-14:00
29600
29500
29400
29300
100
75
50
25
0

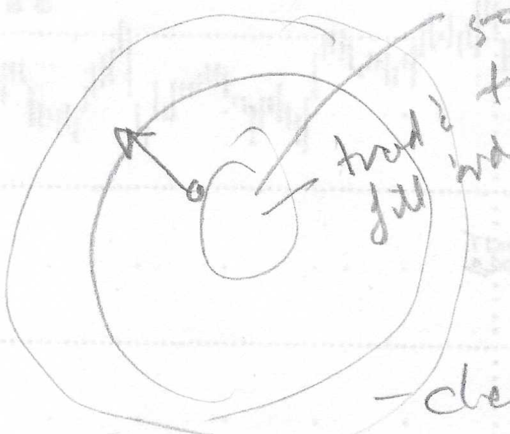
Also calculates 1.618, and equality.

take profit when K falls below 60

(13)

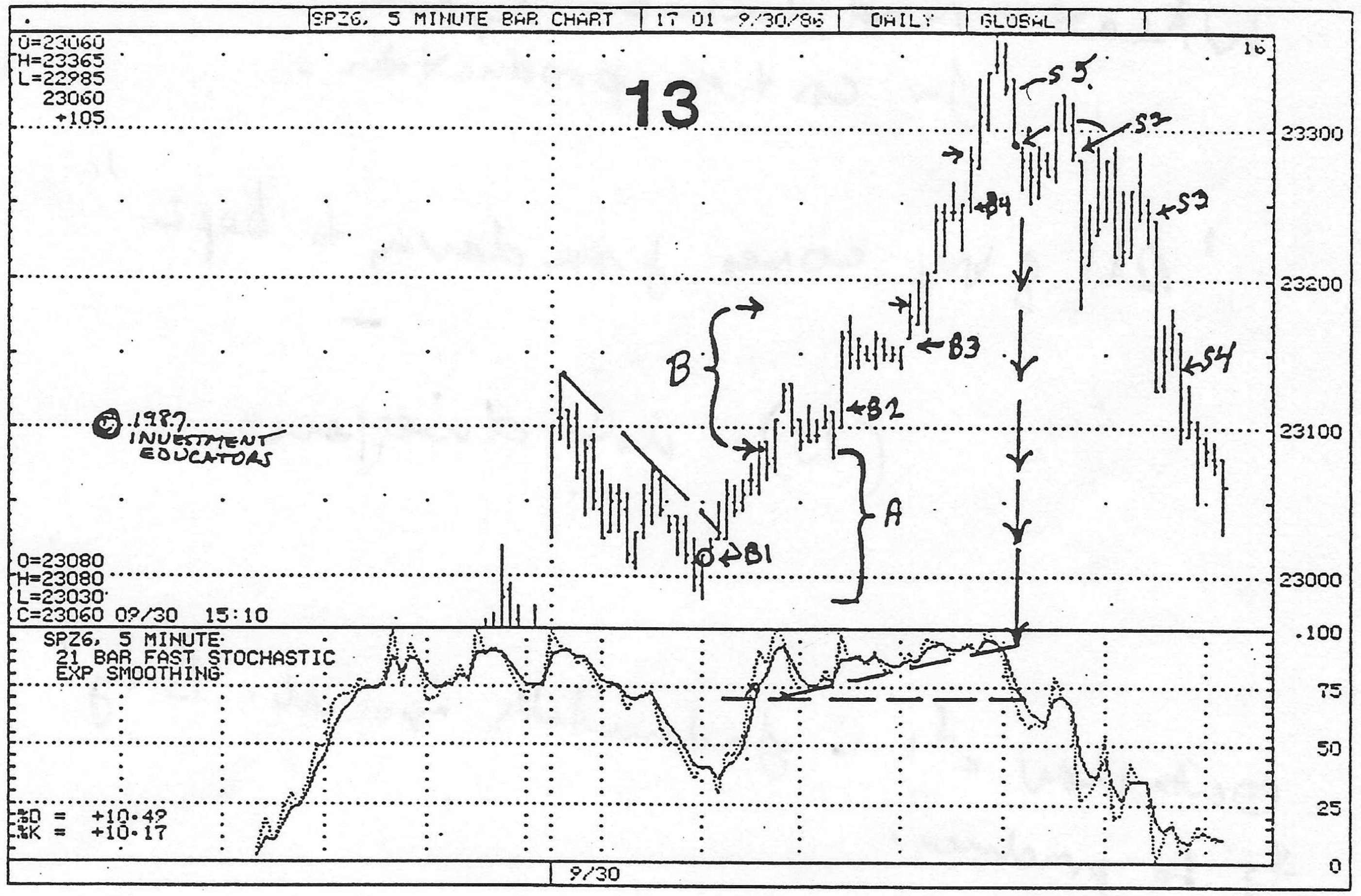
S5 (Reverse + S1)

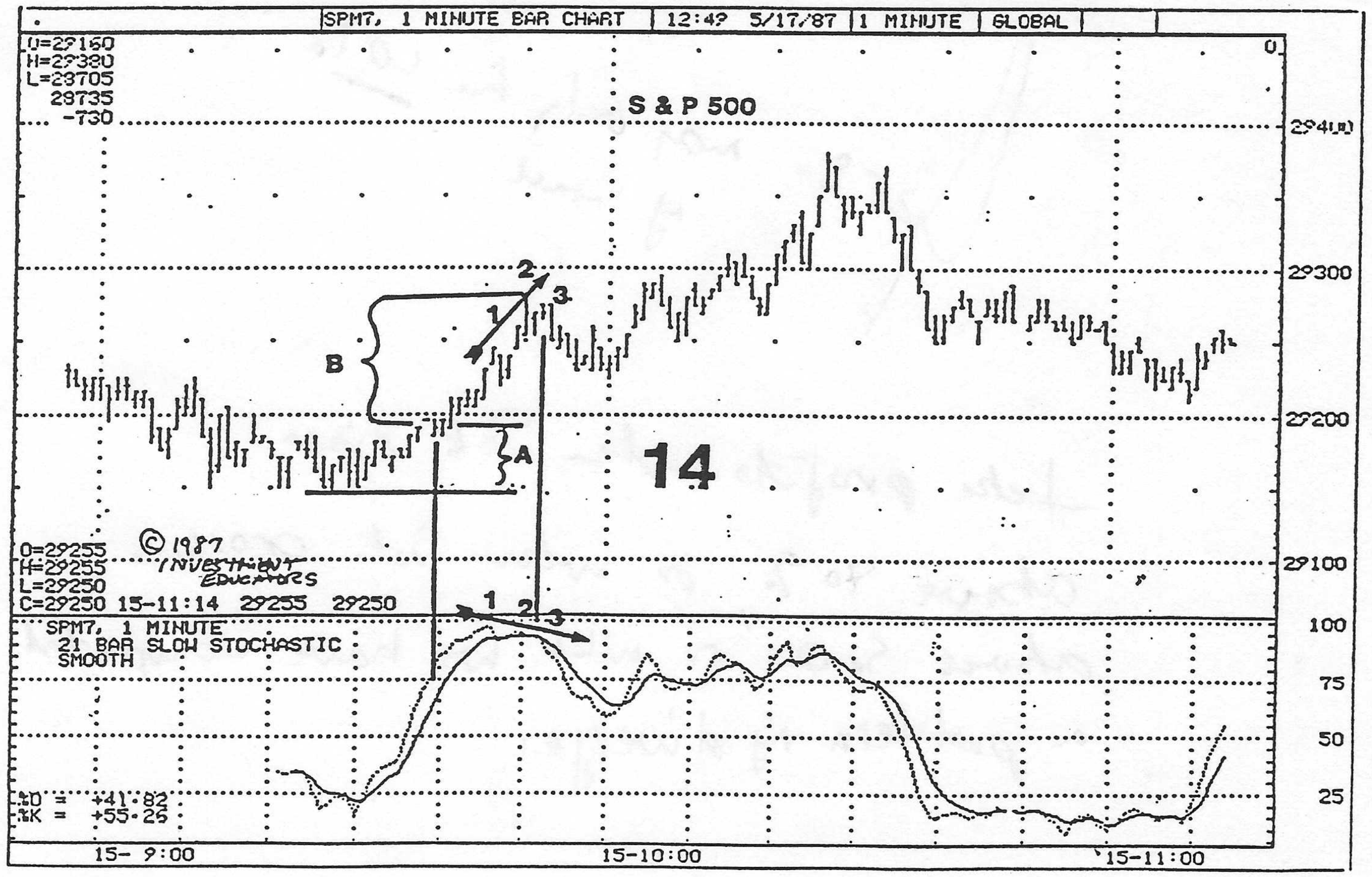
clerks (yellow)
brokers (red)
(blue)
(employees) then



trade & fill orders.
50% turnover of traders.
$2500/mo

— clerks.





Wheat - read Consensus report for cost of production.

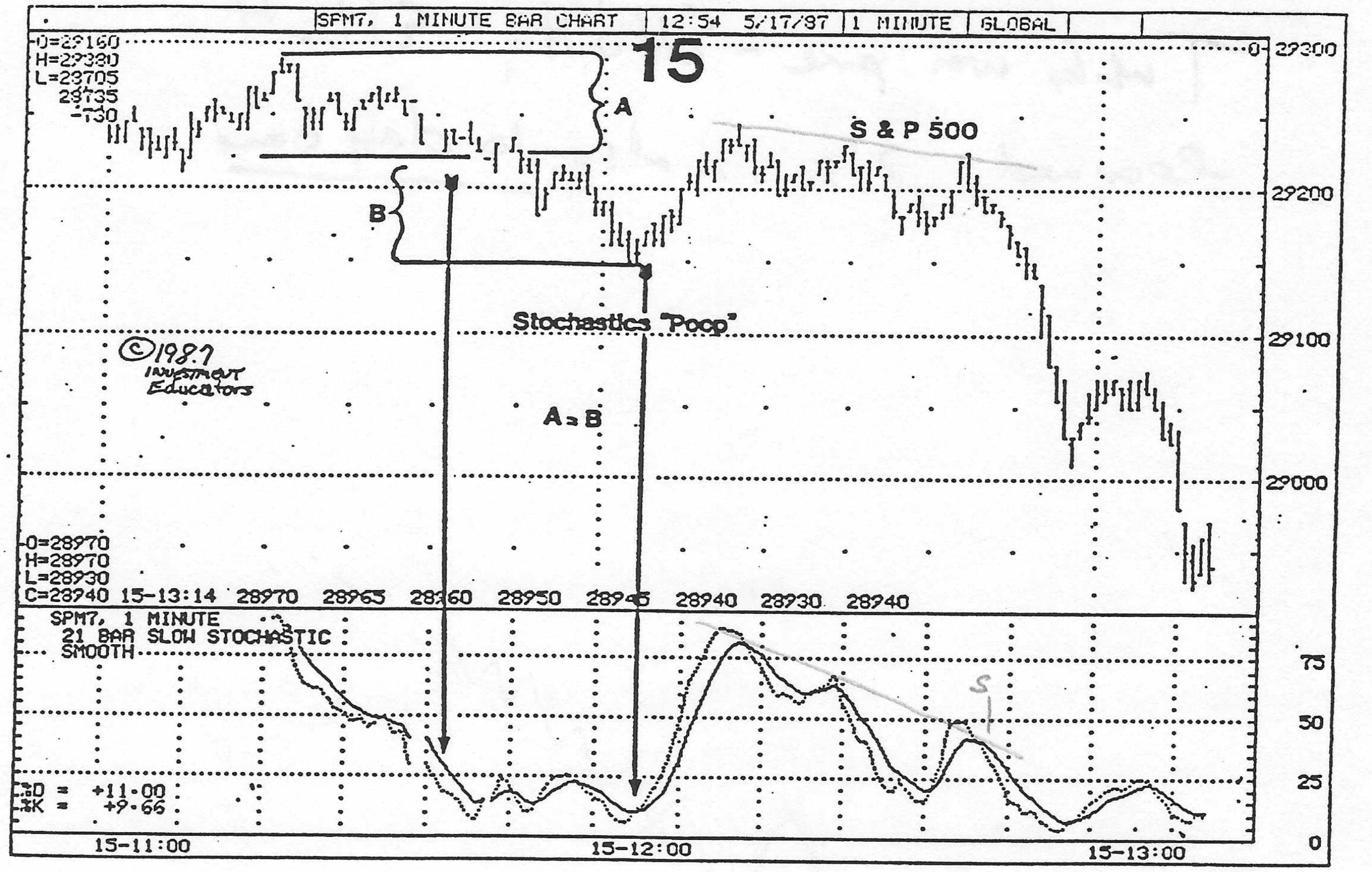
'All glory comes from daring to begin'

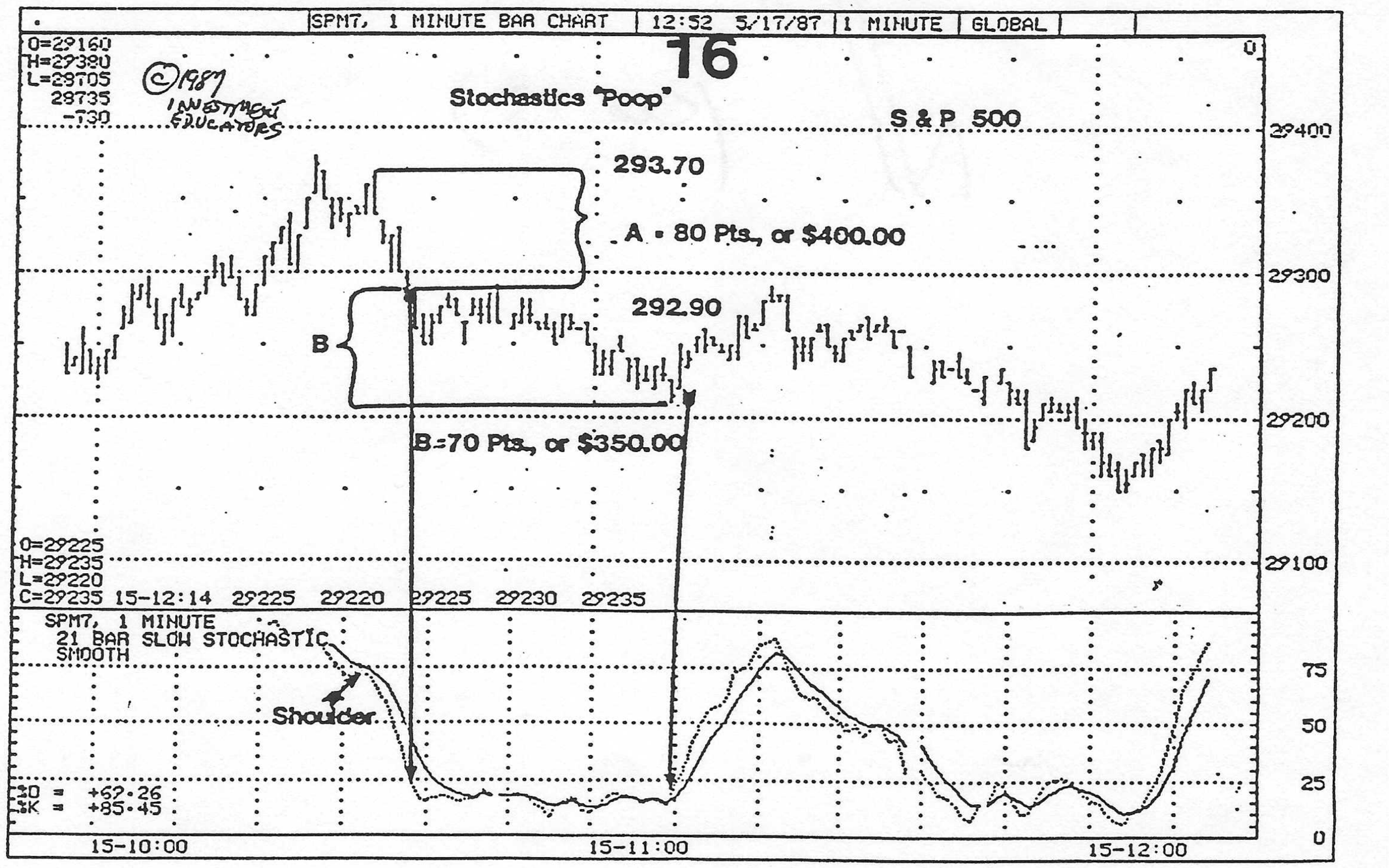
(15) - note divergence

- Oats under $1 is fundamentally impossible. Buy!
- $3 to produce.

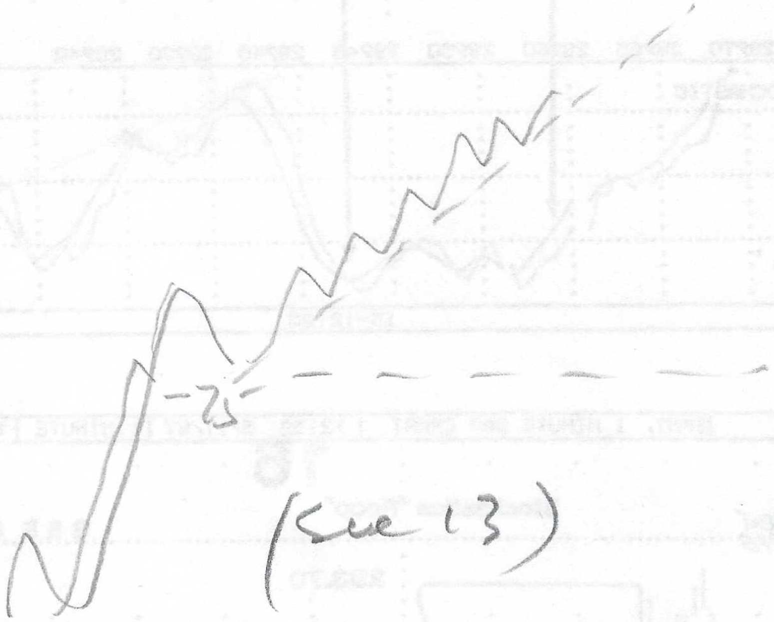
25% may only be 10% of move

take profits when %K rises above 40%, or when %K crosses above 50%, or when we have completed a pattern of divergence.

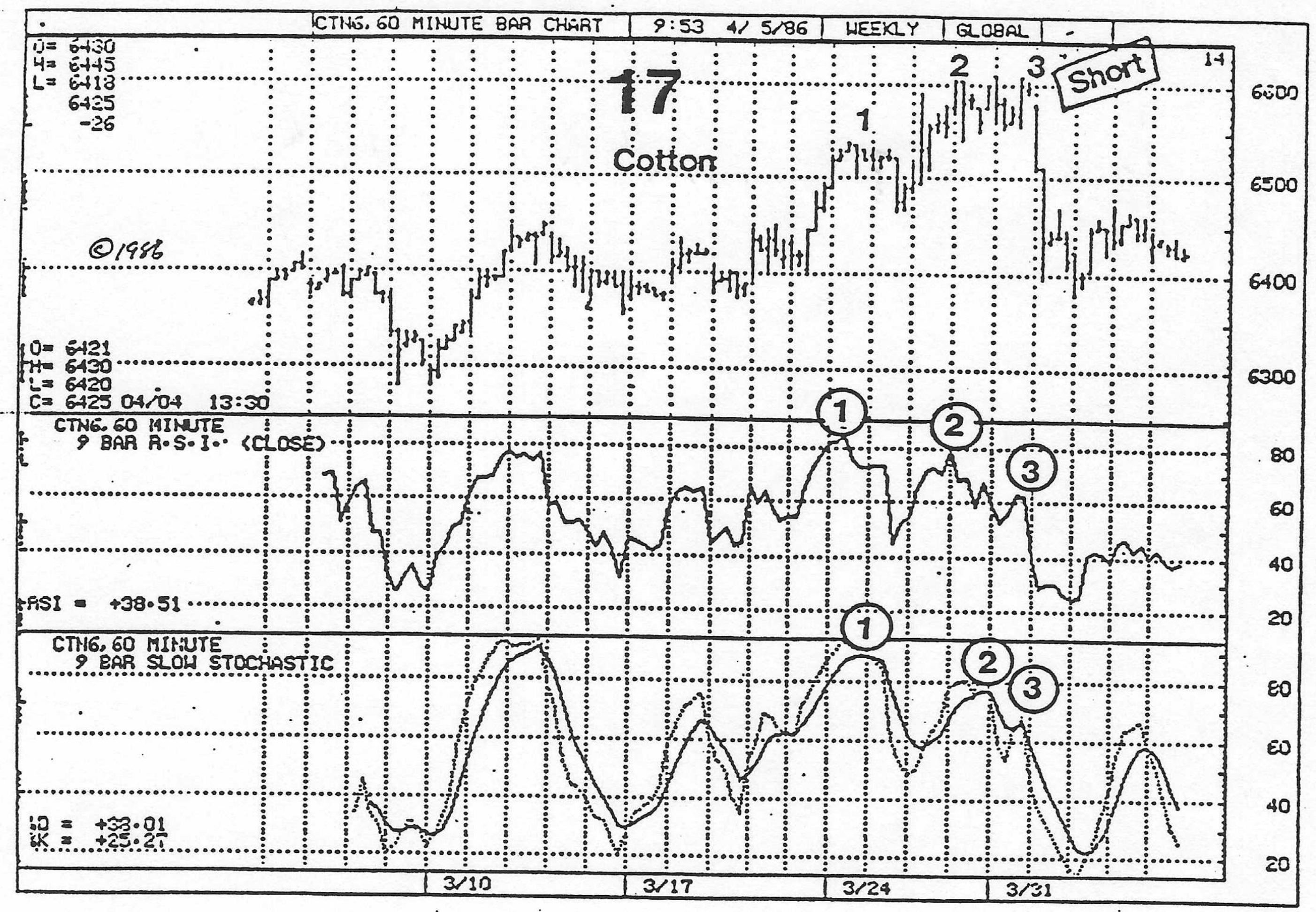


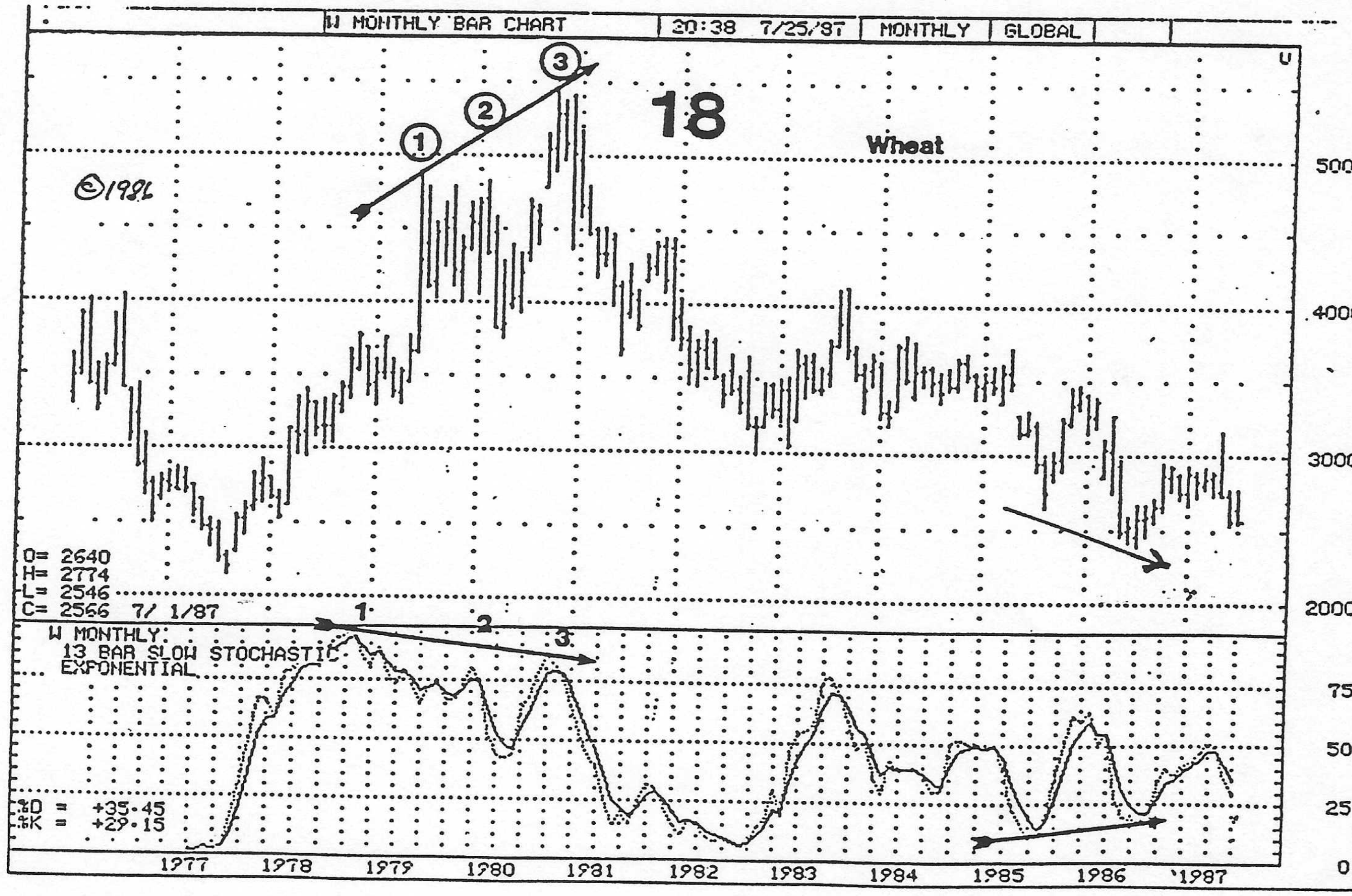


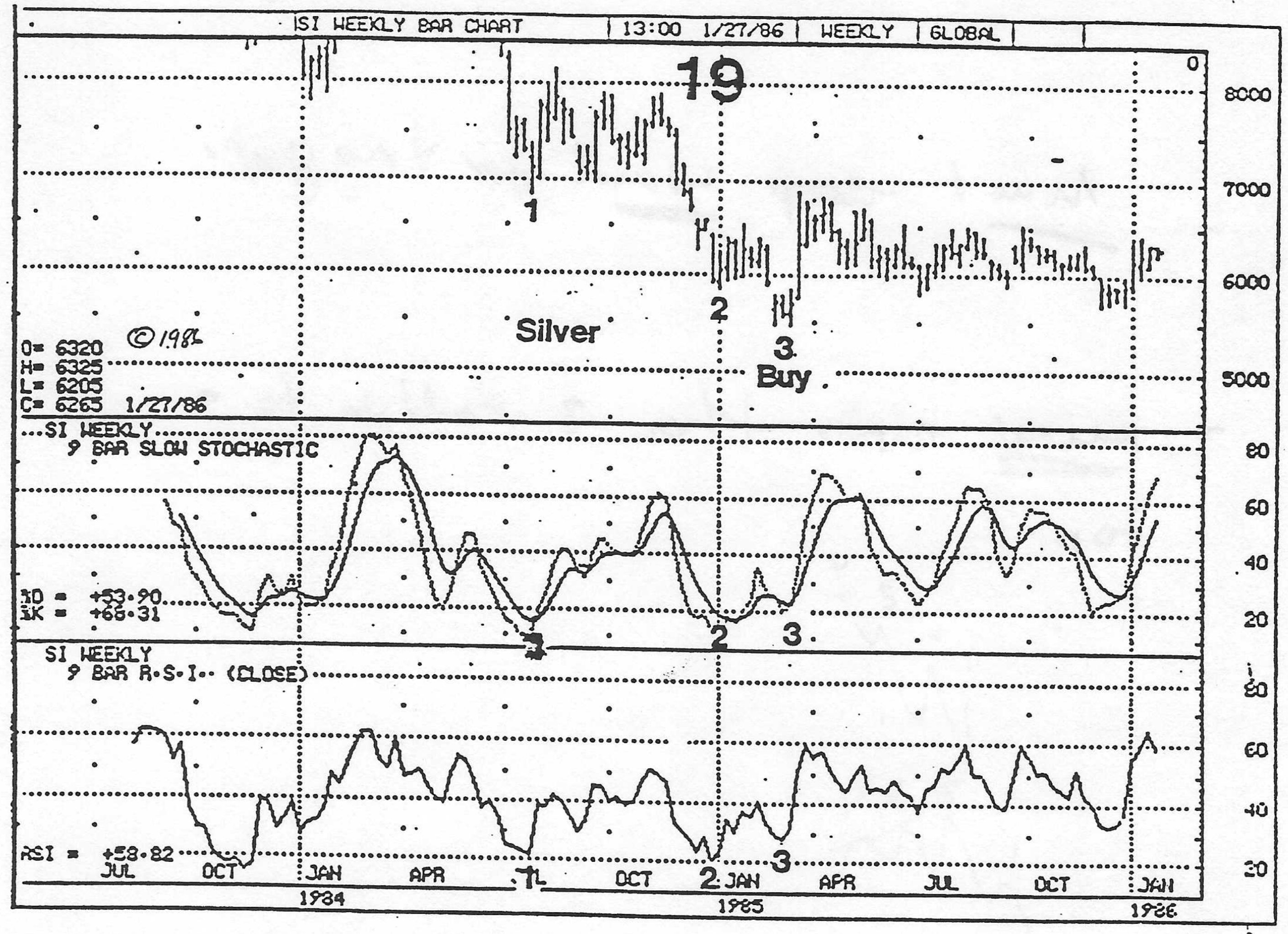
Tubbs was pre-Elliott, Elliott learned 3's ... also 10 day base

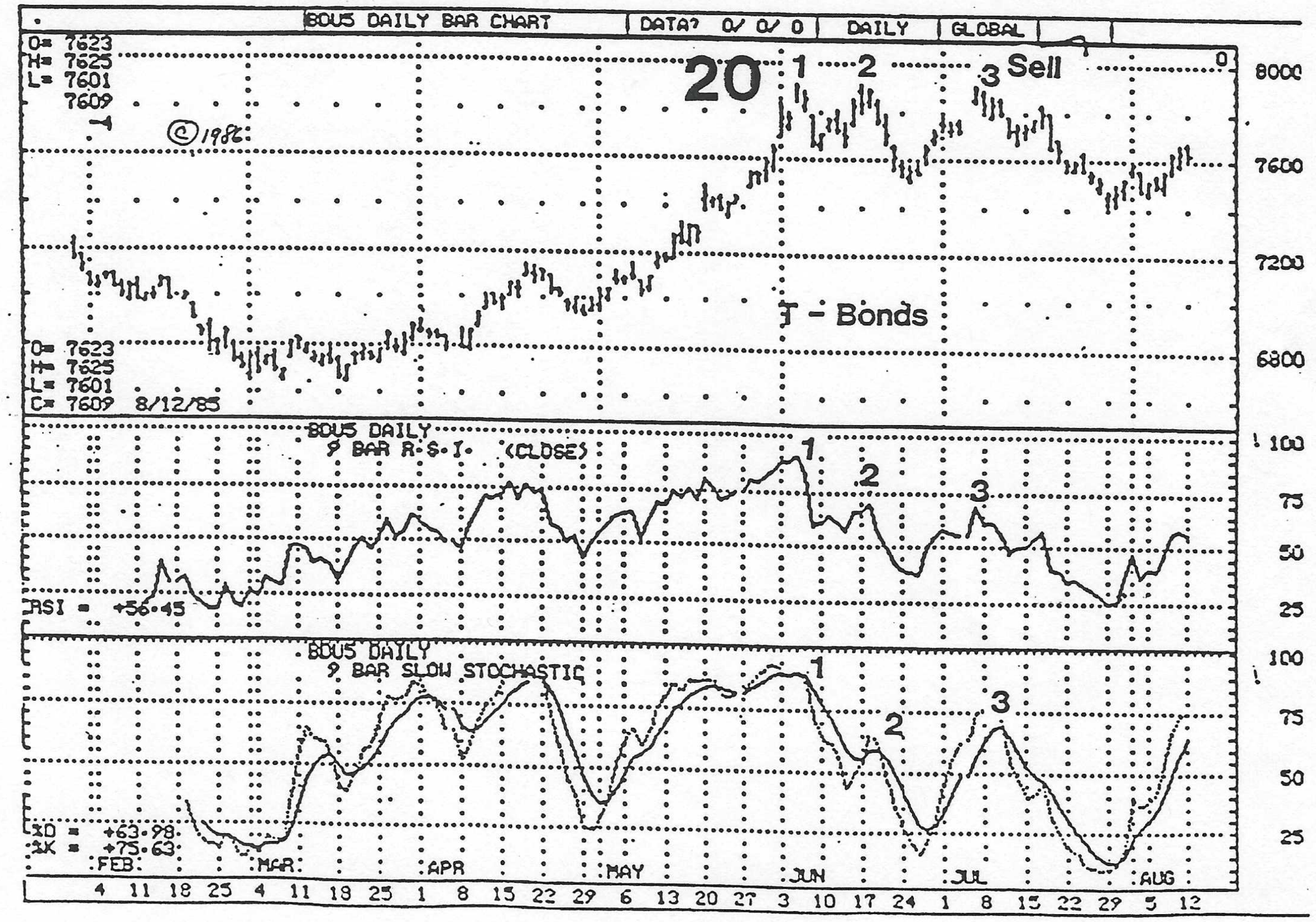


(See 13)






SI WEEKLY BAR CHART
13:00 1/27/86
WEEKLY
GLOBAL
19
Silver
Buy
O= 6320
H= 6325
L= 6205
C= 6265 1/27/86
SI WEEKLY
9 BAR SLOW STOCHASTIC
%D = +53.90
%K = +68.31
SI WEEKLY
9 BAR R.S.I.. (CLOSE)
RSI = +58.82
1984
1985
1986


BDU5 DAILY BAR CHART
DATA? 0/ 0/ 0
DAILY
GLOBAL
20
Sell
T - Bonds
O= 7623
H= 7625
L= 7601
C= 7609 8/12/85
BDU5 DAILY
9 BAR R.S.I. (CLOSE)
RSI = +56.45
BDU5 DAILY
9 BAR SLOW STOCHASTIC
%D = +63.98
%K = +75.63

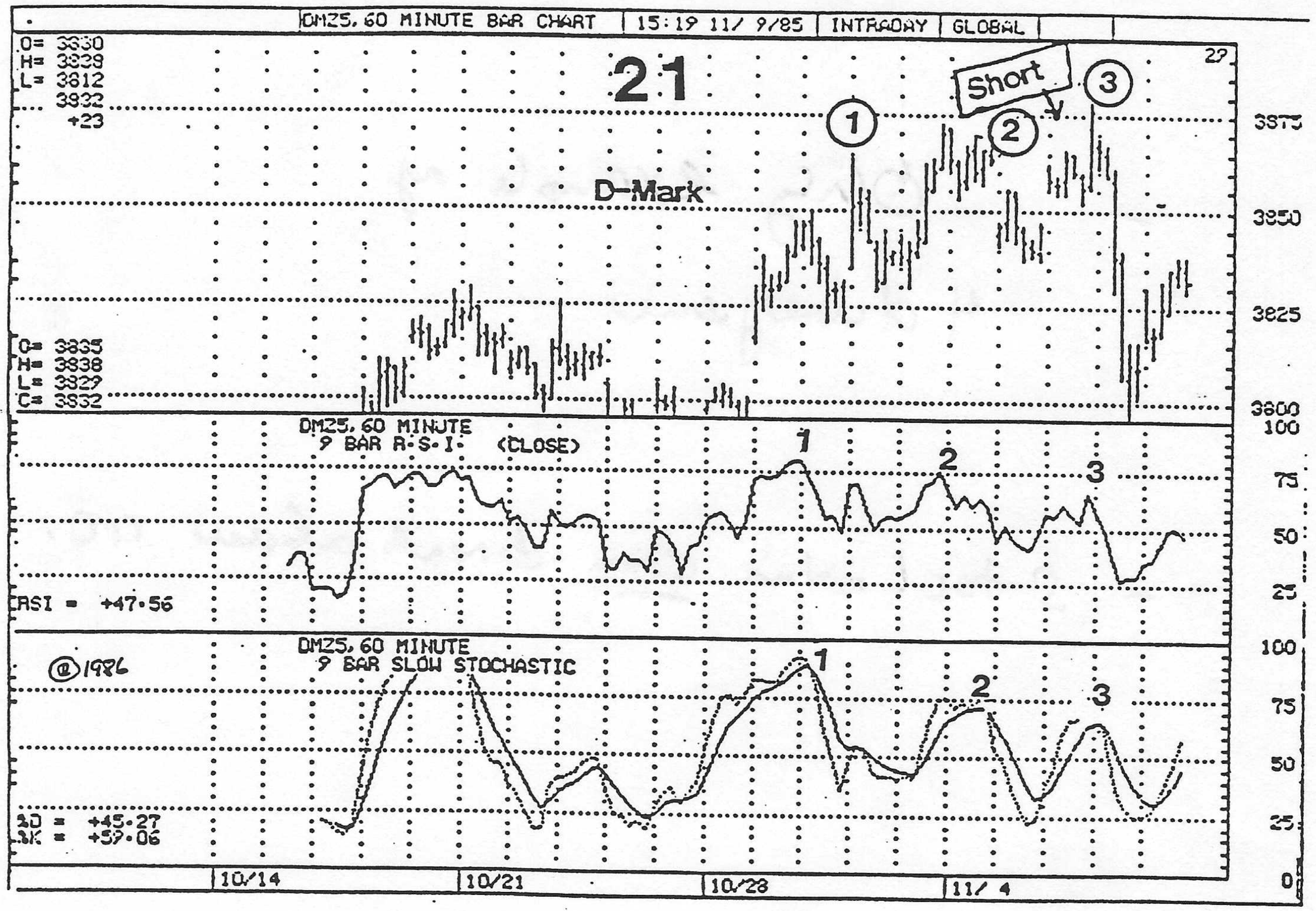
- must ~~app~~ wait for trigger.

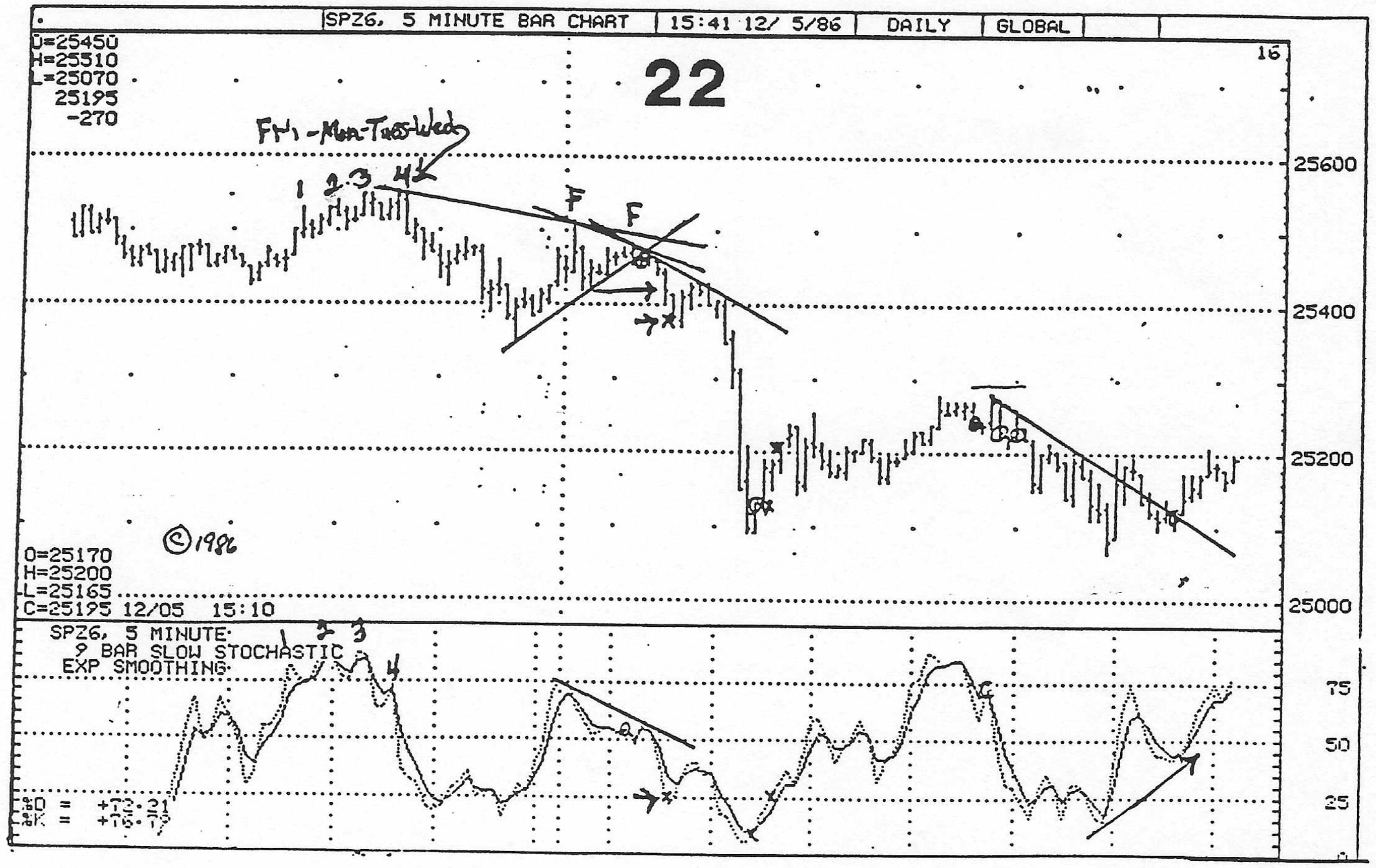
- ~~must~~ note the 3 rallies to a top.

CB NOTE 2021 - LAST 1988 SEMINAR NOTE NOT TRUE...

CONSIDER THE

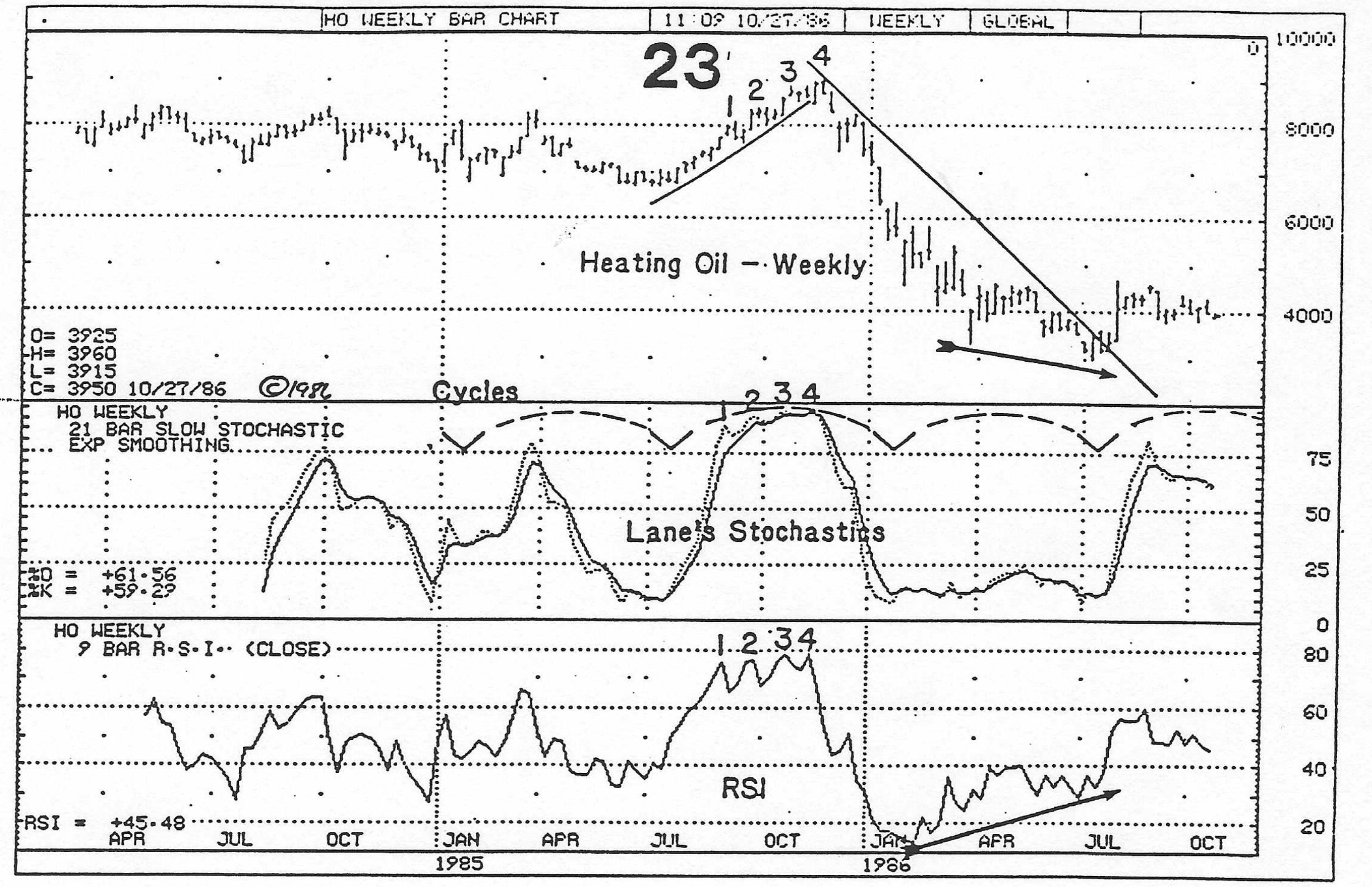
TERMINATION DIAGONAL TRIANGLE PATTERNS. (ELLIOTT)

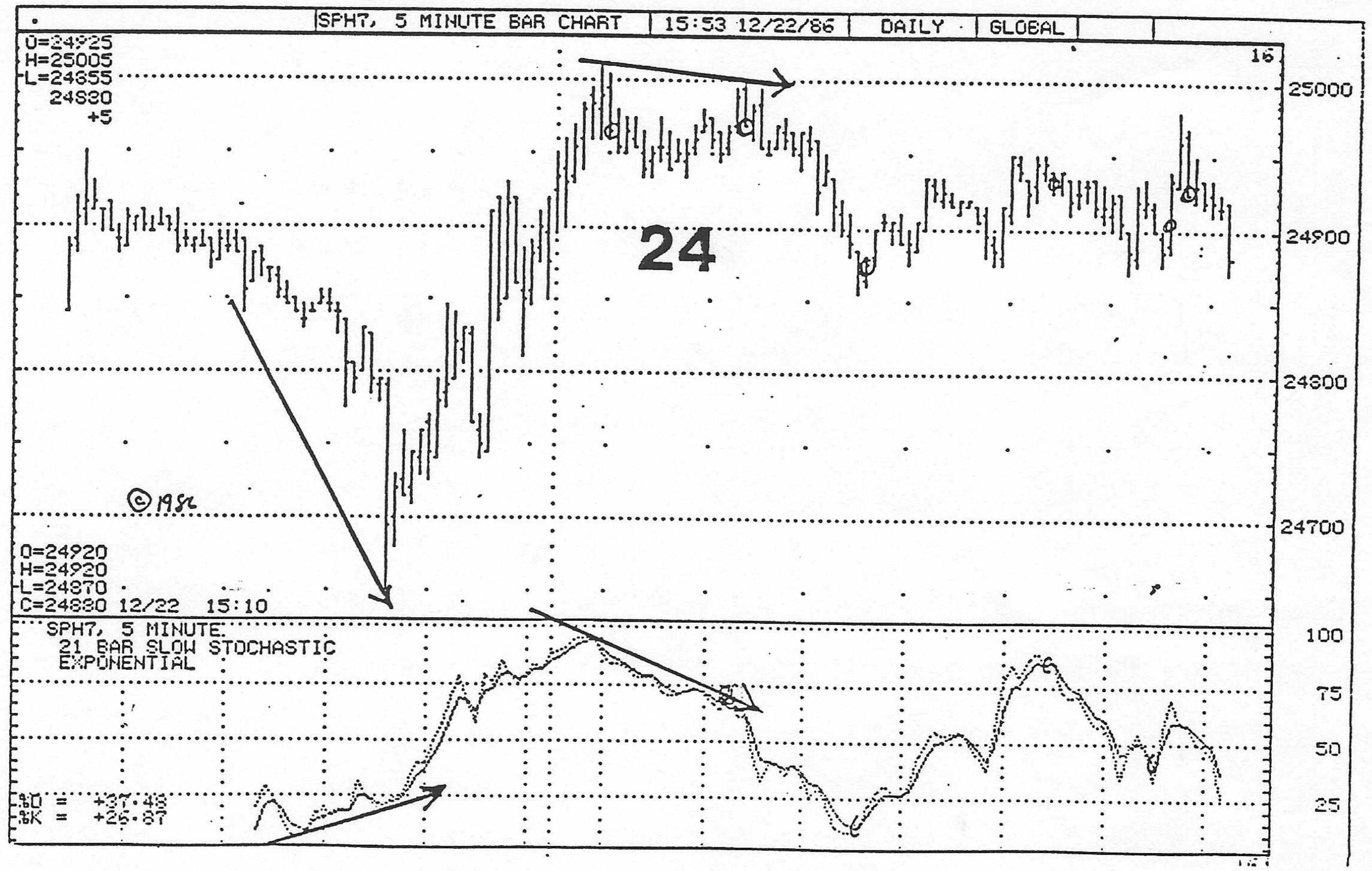


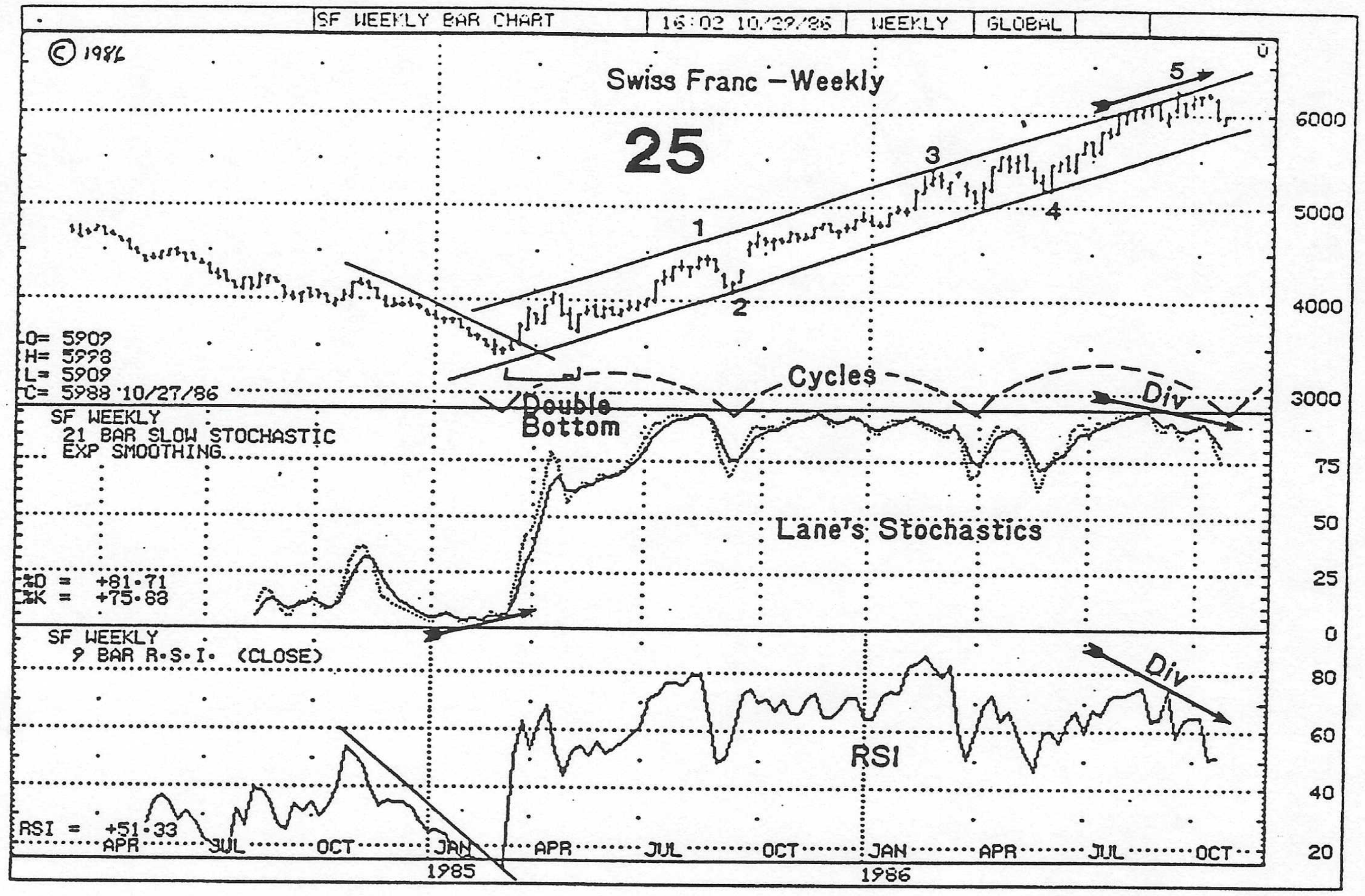


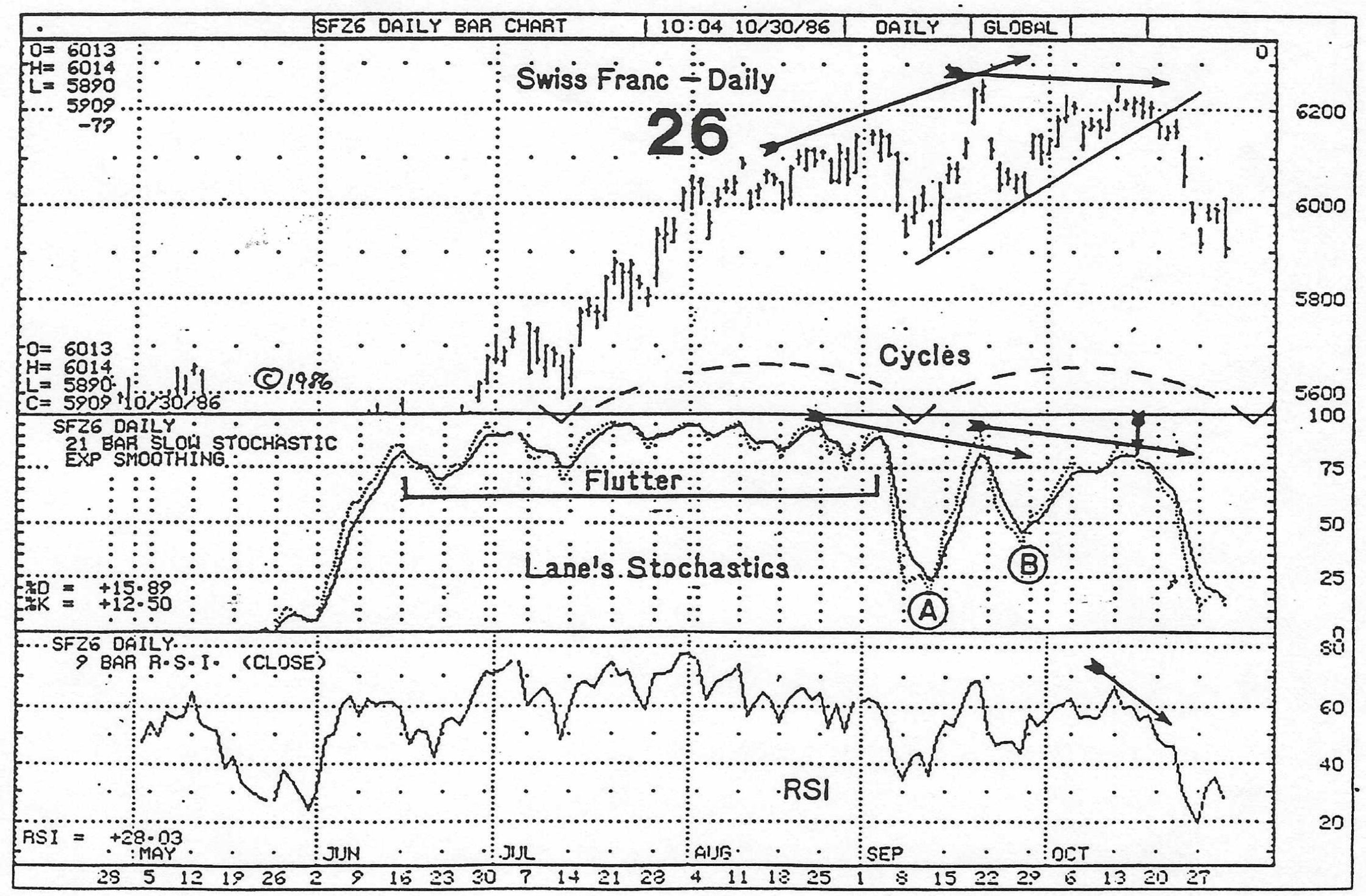
– Only example of 4 divergence –

– Stochastics can break above 80.



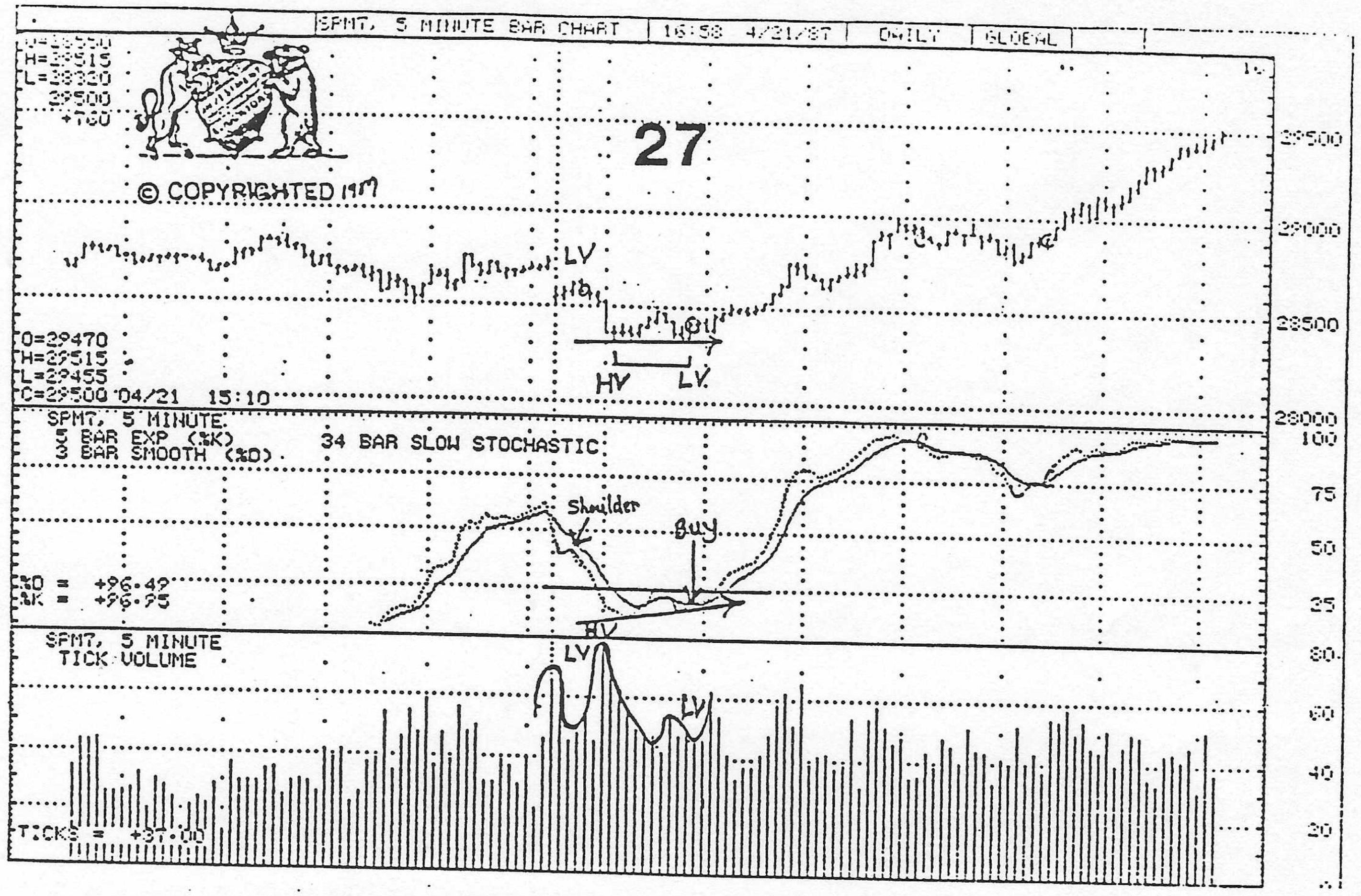


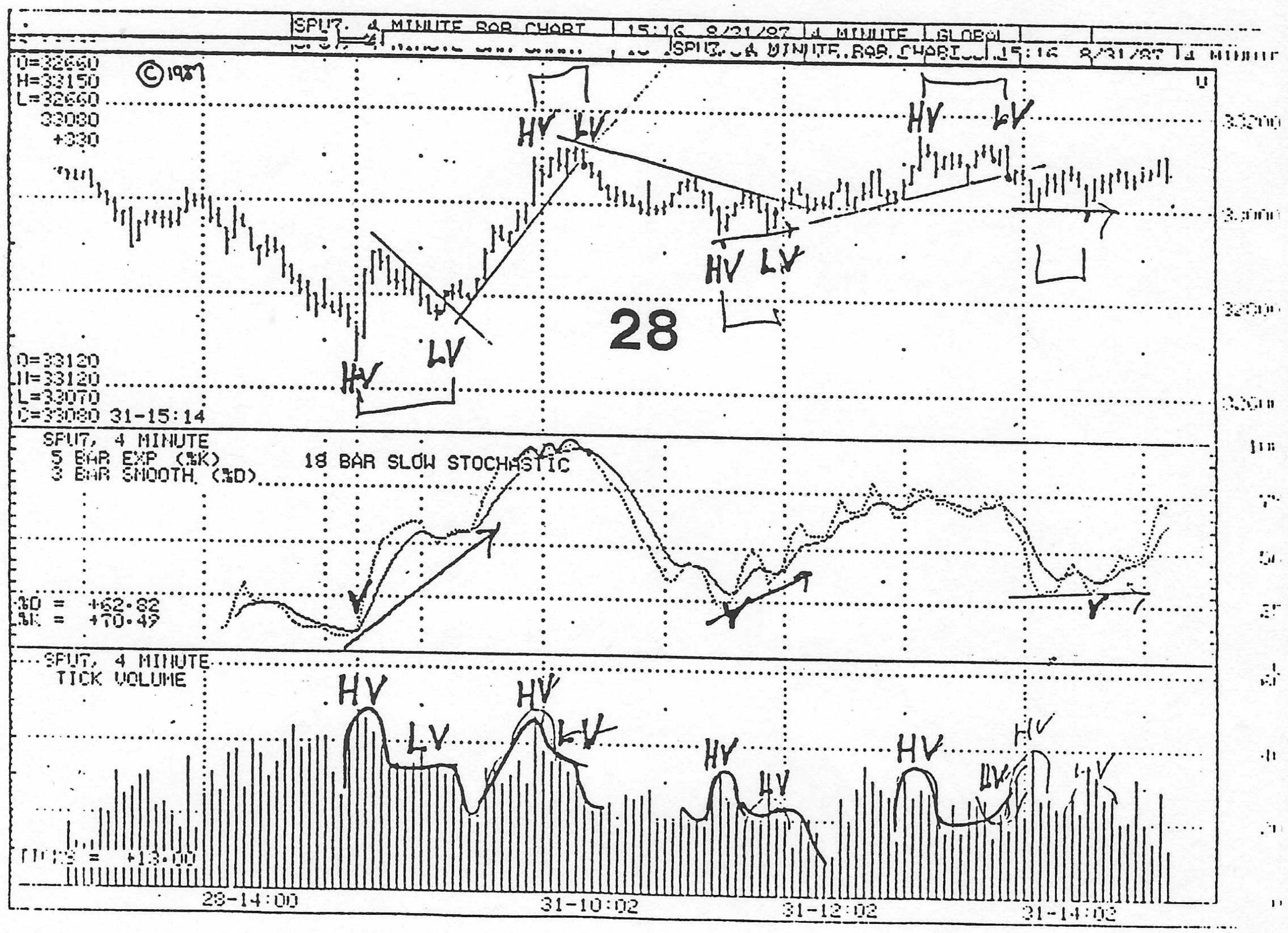

SF WEEKLY BAR CHART
16:02 10/29/86
WEEKLY
GLOBAL
© 1986
Swiss Franc — Weekly
25
1
2
3
4
5
O= 5909
H= 5998
L= 5909
C= 5988 10/27/86
Double Bottom
Cycles
Div
SF WEEKLY
21 BAR SLOW STOCHASTIC
EXP SMOOTHING
Lane's Stochastics
%D = +81·71
%K = +75·88
SF WEEKLY
9 BAR R·S·I· (CLOSE)
Div
RSI
RSI = +51·33
APR
JUL
OCT
JAN
1985
APR
JUL
OCT
JAN
1986
APR
JUL
OCT
6000
5000
4000
3000
75
50
25
0
80
60
40
20

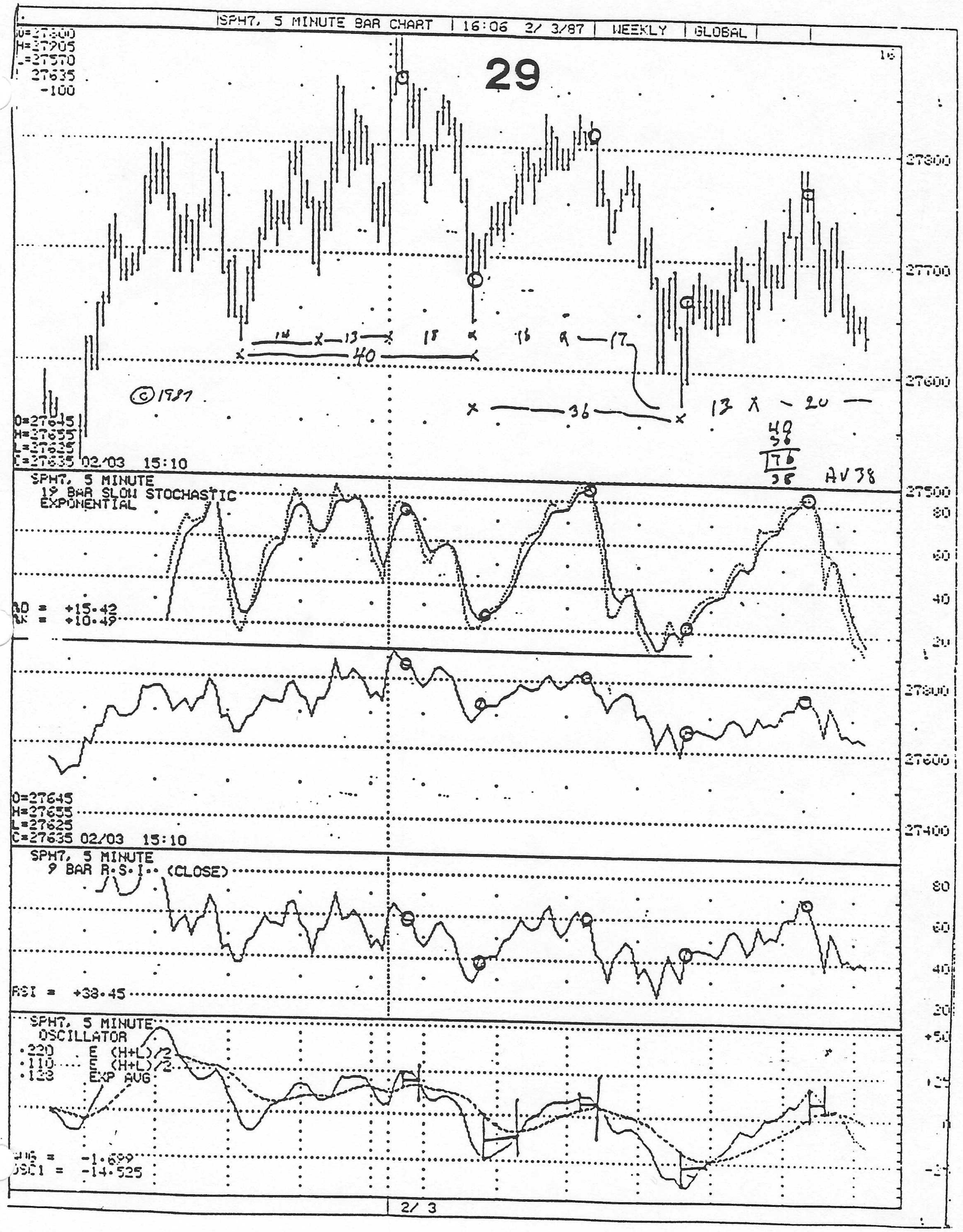

SFZ6 DAILY BAR CHART
10:04 10/30/86
DAILY
GLOBAL
O= 6013
H= 6014
L= 5890
5909
-79
Swiss Franc — Daily
26
O= 6013
H= 6014
L= 5890
C= 5909 10/30/86
© 1986
Cycles
SFZ6 DAILY
21 BAR SLOW STOCHASTIC
EXP SMOOTHING
Flutter
Lane's Stochastics
A
B
%D = +15·89
%K = +12·50
SFZ6 DAILY
9 BAR R·S·I· (CLOSE)
RSI
RSI = +28·03
MAY
JUN
JUL
AUG
SEP
OCT
28 5 12 19 26 2 9 16 23 30 7 14 21 28 4 11 18 25 1 8 15 22 29 6 13 20 27
6200
6000
5800
5600
100
75
50
25
0
80
60
40
20

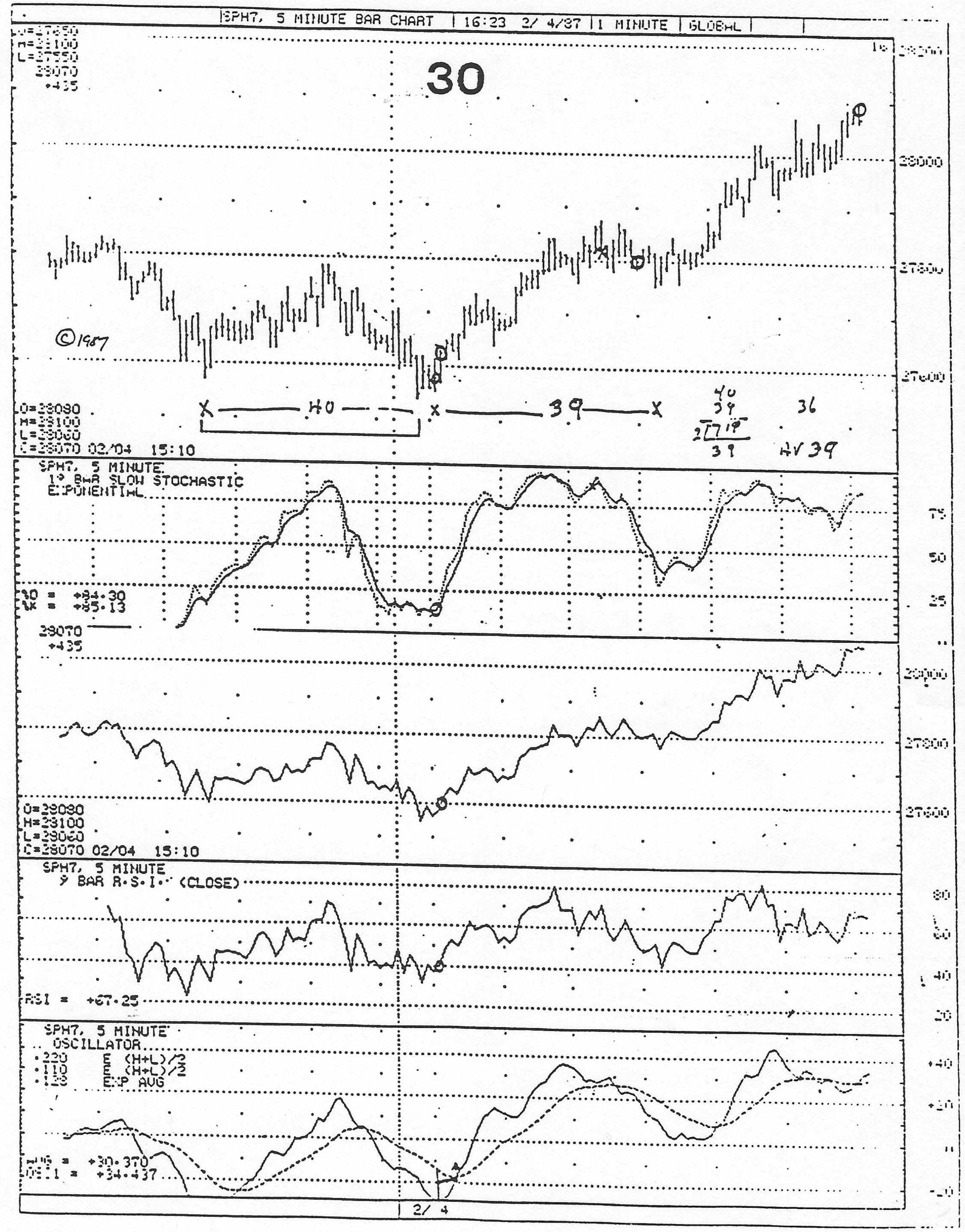
THIS PAGE IS VERY IMPORTANT TO STUDY BUT VOLUME IS NOT IN EVERY TRADING CHART TO FOLLOW. THE REASON IS THIS ... AS YOU BECOME VERY FAMILIAR WITH THE CHARACTER OF OSCILLATORS ... YOU READ VOLUME AS A HIDDEN CHARACTER OF THE OSCILLATOR. YOU NO LONGER NEED TO SEE THE VOLUME AS THE CONVERGE/DIVERGENCES CORRELATE.

YOU SEE THIS IN THE CHART AT RIGHT.






SPH7, 5 MINUTE BAR CHART | 16:06 2/ 3/87 | WEEKLY | GLOBAL |
29
O=27600
H=27705
L=27570
27635
-100
©1987
14 X 13 X 18 X 16 9 17
X 40 X
X 36 X 13 X 20
40
36
76
38
AV 38
O=27645
H=27655
L=27625
C=27635 02/03 15:10
27800
27700
27600
27500
SPH7, 5 MINUTE
19 BAR SLOW STOCHASTIC
EXPONENTIAL
%D = +15.42
%K = +10.49
80
60
40
20
27800
27600
27400
O=27645
H=27655
L=27625
C=27635 02/03 15:10
SPH7, 5 MINUTE
9 BAR R.S.I. (CLOSE)
RSI = +38.45
SPH7, 5 MINUTE
OSCILLATOR
.220 E (H+L)/2
.110 E (H+L)/2
.128 EXP AVG
AVG = -1.699
OSC1 = -14.525
2/ 3


SPH7, 5 MINUTE BAR CHART | 16:23 2/ 4/87 | 1 MINUTE | GLOBAL
30
©1987
X —— 40 —— X —— 39 —— X
40
39
36
39
AV 39
O=28080
H=28100
L=28060
C=28070 02/04 15:10
SPH7, 5 MINUTE
19 BAR SLOW STOCHASTIC
EXPONENTIAL
%D = +84.30
%K = +85.13
28070
+435
SPH7, 5 MINUTE
9 BAR R.S.I. (CLOSE)
RSI = +67.25
SPH7, 5 MINUTE
OSCILLATOR
E (H+L)/2
E (H+L)/2
EXP AVG
AVG = +30.370
OSC 1 = +34.437
2/ 4
28000
27800
27600
75
50
25
80
60
40
20

CB NOTE 2021;

INCREDIBLY IMPORTANT DISCUSSION HOW TO

ENTER TRADES WITH

CONFIRMING LOW VOLUME (LV)

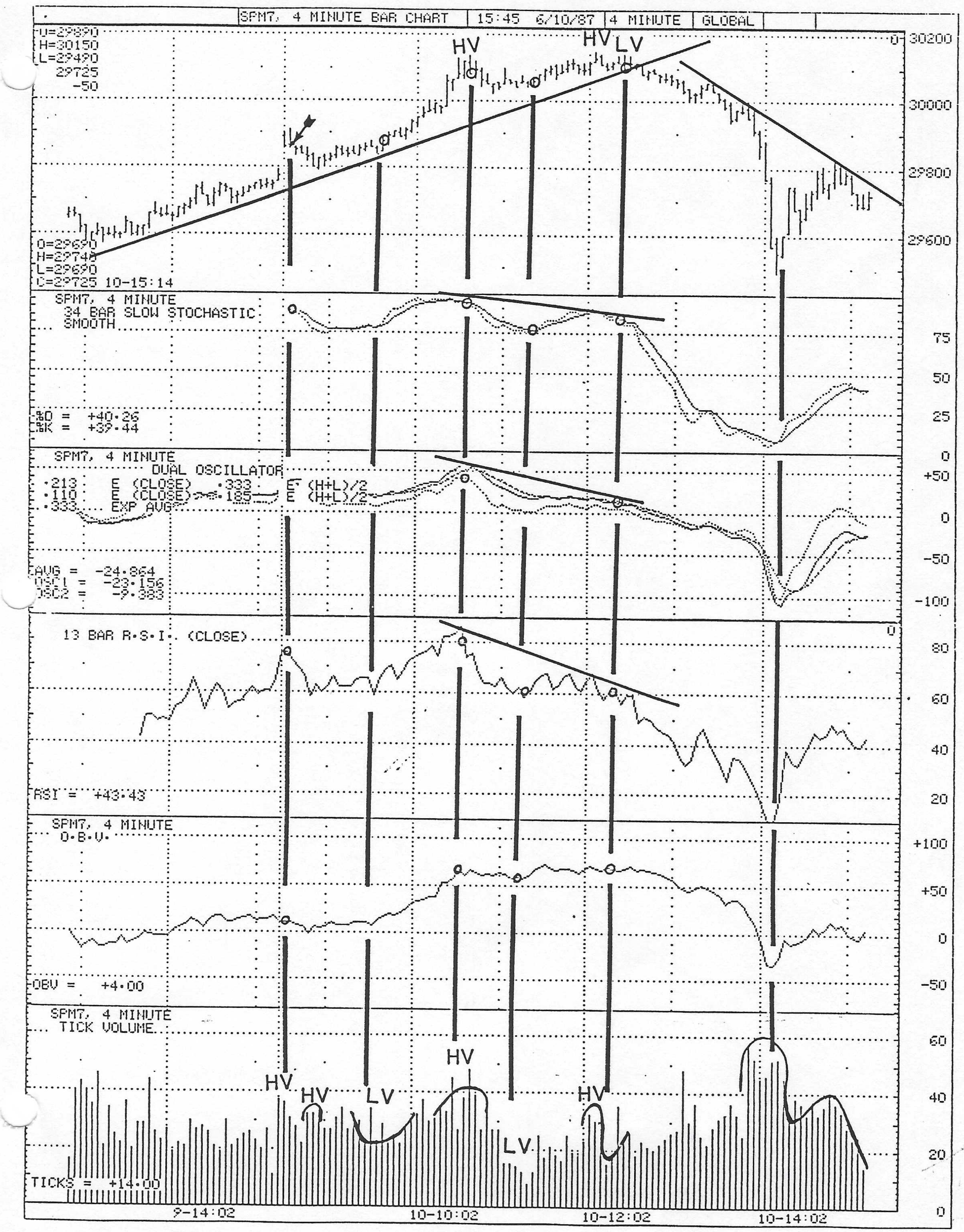
VOLUME IS A COMPARISON .. NOT A VALUE RANGE

THIS CHART STARTED A NEW SECTION

ON ENTRY/EXIT TECHNIQUES AND THE DECISION LOGIC TREE

GEORGE LANE USED FOR EACH TRADE. HE NOTATED ALL THESE

WORKING TRADE CHARTS.



2021 CONNIE B. COMMENT…

AT RIGHT IS A CHECK LIST. IT IS A TEMPLATE TO CREATE 2 DIFFERENT NOTEPADS. THEY WERE THIS SIZE AND YOU CAN SEE THE STAPLE IN THE TOP LEFT CORNERS. MAKE A DOZEN AND CUT DOWN THE MIDDLE. GEORGE MADE US USE THESE NOTEPADS FOR ALL THE CHARTS WE WERE ASKED TO EVALUATE ON SCREENS (3-MINUTE BARS). HE WOULD CHECK OUR LOGIC AND ENTRY/EXIT TIMING. THEN HE WENT THROUGH THE SERIES OF CHARTS THAT FOLLOW EXPLANING ALL THE TRADES WITHIN THE CHARTS USING THE LOGIC HE USED FOR EACH TRADE. THESE CHARTS ARE PRICELESS AND NOT ON THE NET. THEY WOULD HAVE BEEN LOST IF NOT FOR THE EMAILS I WAS SENT THAT PEOPLE COULD NOT FIND "EASY STREET' I REFERENCED IN MY BOOK 'THE THIRTY-SECOND JEWEL'. THANK YOU FOR SPEAKING UP TO ASK ME AS THIS MATERIAL WAS NOWHERE TO BE FOUND BASED ON HUNDREDS SEARCHING FOR IT.

THESE ARE ALL ACTUAL TRADES AND NOTATIONS ON THE CHARTS TO ENTER/EXIT BY GEORGE. STUDY THEM WITH THE CHECK LIST IN HAND.

DURING THE LAST 3 DAYS THERE WERE NUMEROUS VISITORS TO SEE GEORGE. HE TOLD US JUST TO LISTEN. HE WAS TEACHING US HOW TO LEARN FROM INFORMATION AROUND US AS WE LISTENED TO THE CONVERSATIONS AND QUESTIONS POSED TO GEORGE. HIS VISITORS WERE ALL MAJOR CORN PRODUCERS. GEORGE OWNED ALL THE SILOS FOR THOUSANDS OF ACRES OF PLANTED CORN CROPS. I LEARNED HOW SEASONAL WEATHER AND ECONOMIC PATTERNS ARE REPEATED AND TAUGHT FROM GREAT GRANDFATHERS TO GRANDFATHER… FATHER… SONS… ETC. THE WEATHER PATTERN WAS A MAJOR CONCERN CAUSING ALARM AT THE TIME.

THE WEATHER PATTERNS AND CROP YIELDS THEY DISCUSSED FOR NEXT SEASON …………………

……………………… BECAME SPOT ON ACCURATE FOR THE NEXT 2 YEARS.

SEQUENCE OF EVENTS
FOR
SELLING TOPS

1. Time nearing a Cycle Crest
2. Price nearing a Turning Point Resistance # } form a window of Time & Price
3. Last sell-off was on light Volume
4. Market makes a crest on heavy, "Buying Climax" Volume
5. Market breaks down through the Up Trendline
6. Decline bottoms out and rallies toward previous top

The market turns up; on the rally toward the previous High, we look for
7. Inside Day
8. Narrow Range Day
9. Test of the Top (usually retraces 50% of down leg)
10. Test of the Top on lighter Volume
11. CPR down at Test of the Top
12. Confirmation from Stochastics -- Divergence

Having received confirmation from the oscillators, Stochastics & Volume
13. Sell down CPR, if risk is within limits
14. Enter Stop-Loss
15. Expect a down Thrust; sell 2nd unit at Thrust Sell Point
16. Close below bottom of Intervening Low confirms change in trend
17. Lower Stop-Loss to Intervening High when new Low has been made

SEQUENCE OF EVENTS
FOR
BUYING BOTTOMS

1. Time nearing a Cycle Low
2. Price nearing a Turning Point Support # } form a window of Time & Price
3. Last rally was on light Volume
4. Market makes a bottom on heavy, "Selling Climax" Volume
5. Market rallies and breaks up through the Down Trendline
6. Rally tops out and market falls off toward previous bottom

The market turns down; on the decline toward the previous Low, we look for
7. Inside Day
8. Narrow Range Day
9. Test of the Bottom (usually retraces 50% of up leg)
10. Test of the Bottom on lighter Volume
11. CPR at Test of the Bottom
12. Confirmation from Stochastics -- Convergence

Having received confirmation from the oscillators, Stochastics & Volume
13. Buy CPR, if risk is within limits
14. Enter Stop-Loss
15. Expect a Thrust; buy 2nd unit at Thrust Buy Point
16. Close above crest of Intervening High confirms change in trend
17. Raise Stop-Loss to Intervening Low when new High has been made

SEQUENCE OF EVENTS

1. Time nearing a Cycle Low } form a window of Time & Price
2. Price nearing a Turning Point Support #
3. Last rally was on light Volume
4. Market makes a bottom on heavy, "Selling Climax" Volume
5. Market rallies and breaks up through the Down Trendline
6. Rally tops out and market falls off toward previous bottom

The market turns down; on the decline toward the previous Low, we look for

7. Inside Day
8. Narrow Range Day
9. Test of the Bottom (usually retraces 50% of up leg)
10. Test of the Bottom on lighter Volume
11. CPR at Test of the Bottom
12. Confirmation from Stochastics -- Convergence

Having received confirmation from the oscillators, Stochastics & Volume

13. Buy CPR, if risk is within limits
14. Enter Stop-Loss
15. Expect a Thrust; buy 2nd unit at Thrust Buy Point
16. Close above crest of intervening High confirms change in trend
17. Raise Stop-Loss to intervening Low when new High has been made

NOTES FOR TRADING PLAN

Try to determine trend of the market using Volume and Garbage or Spike change of trend indicators

Trend of the market tells you what kind of bottoms and tops to expect

Trend of the market governs size of position
" " " " " expectations as to length of move

As the S & P 500 opens, use 1-Minute Chart for first 15 minutes of trade

On a down gap, take a position between 8-14 minutes of market opening
On an up gap, " " " as early a 3-7 minutes of market opening

When signal received from Sequence of Events, call Broker; place trade

Enter Stop-Loss

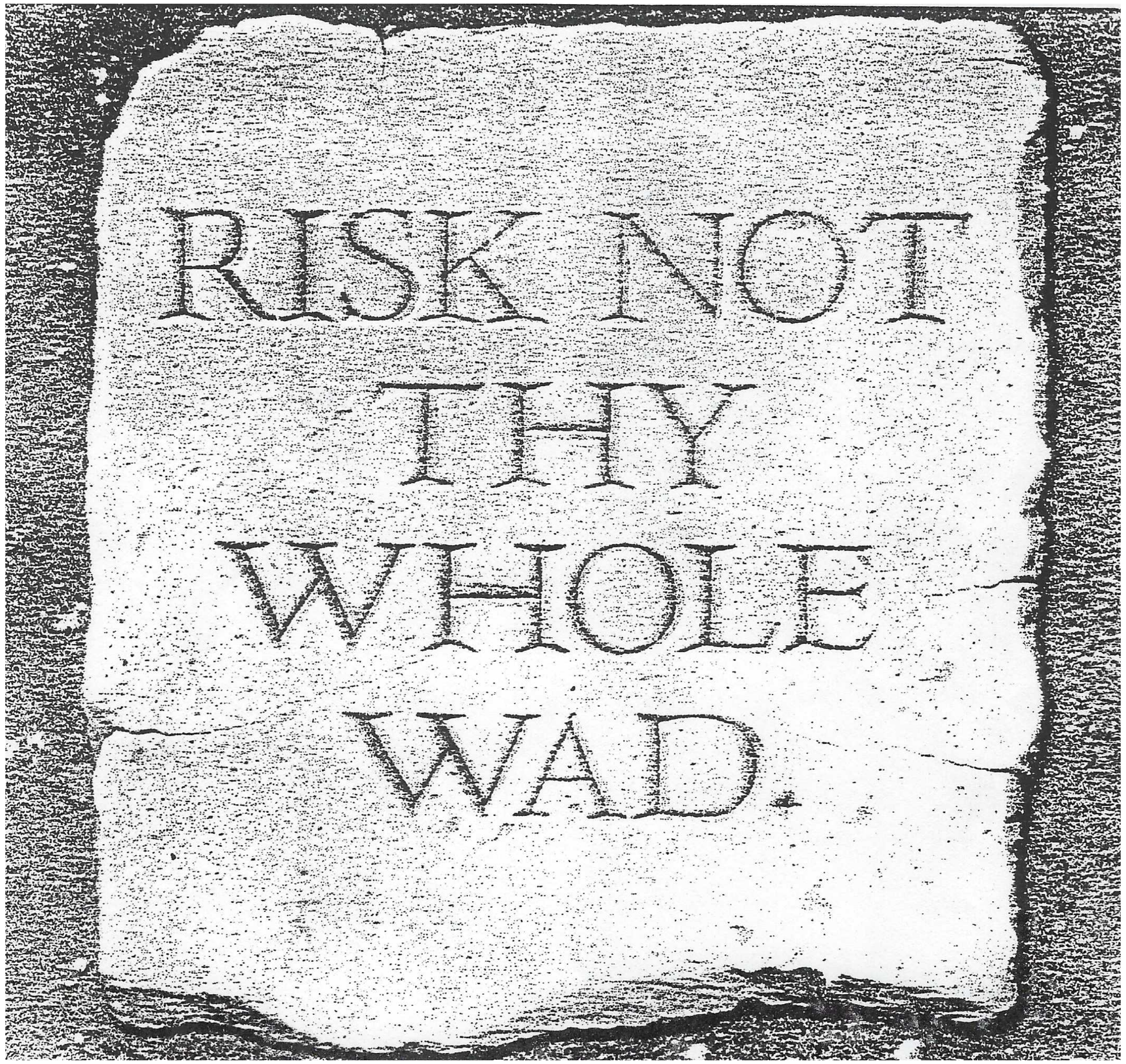
After first 15 minutes, go to 3-Minute Chart

Use 5-Minute Chart if Market is Volatile

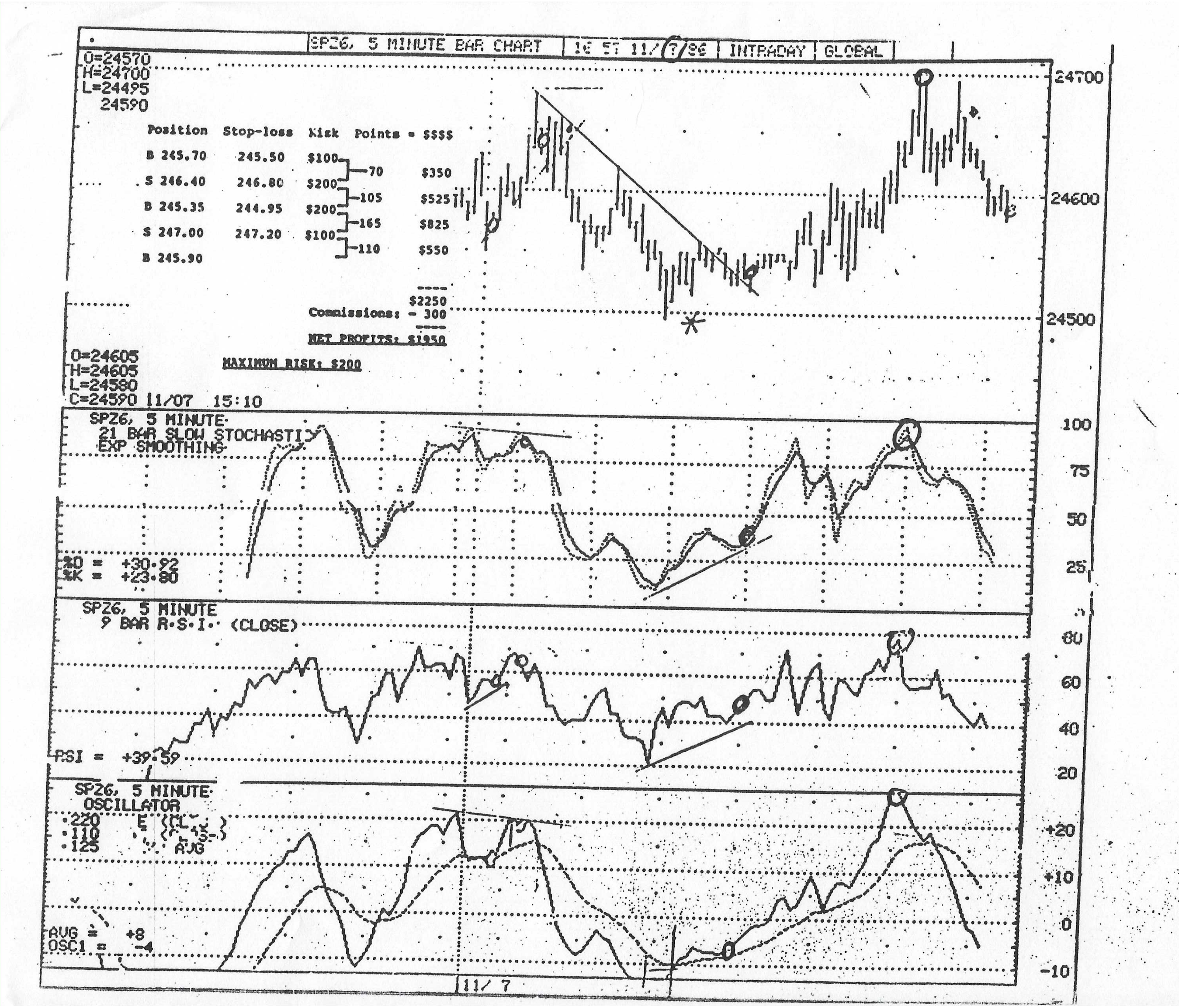
Keep eye on 15- or 30-Minute Chart for major trend

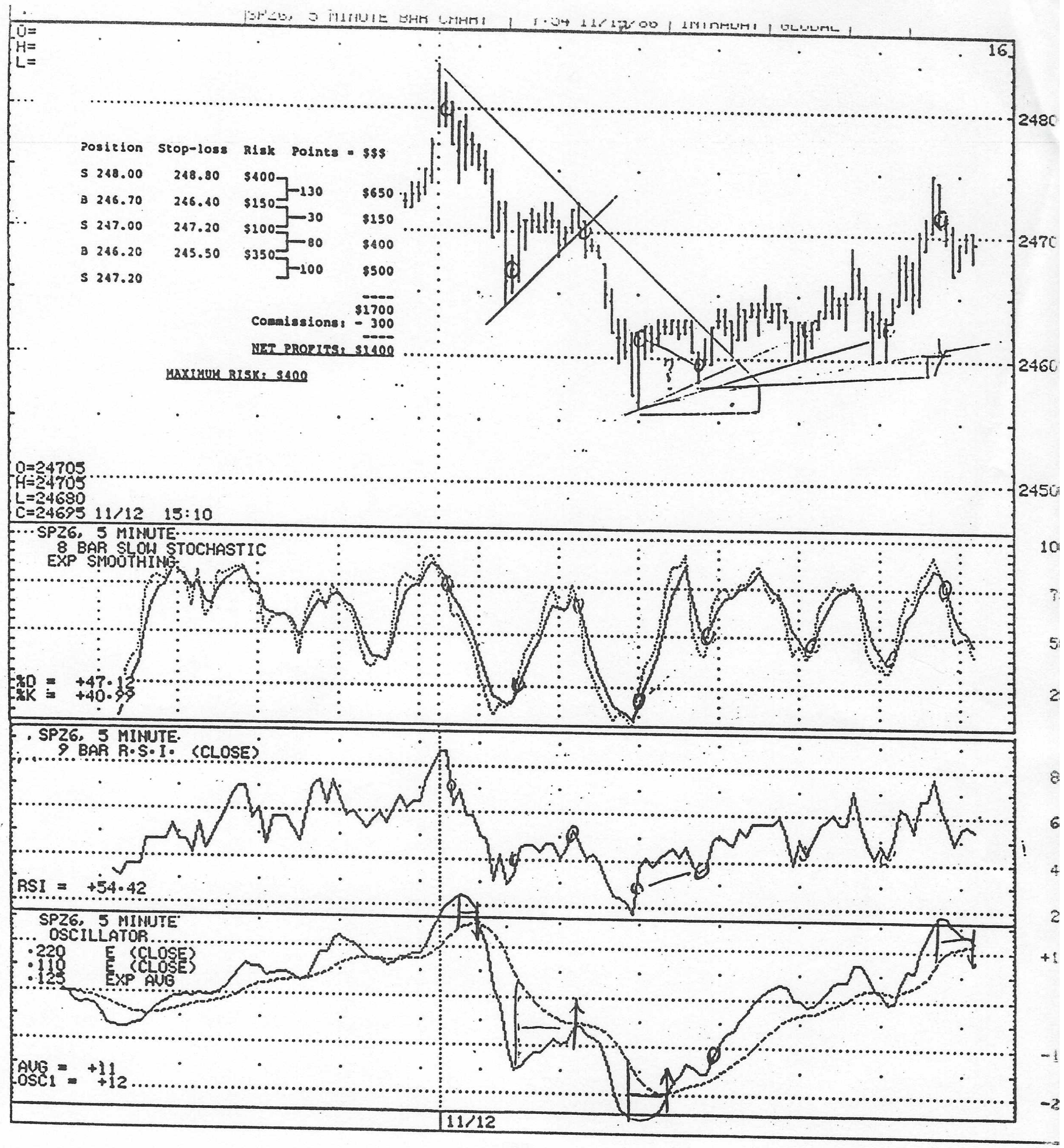
After making trade and entering Stop-Loss, use trailing Stop-Loss plan, at very minimum, till above entry price

Use 1-Minute Chart for Cancel-Replace Changes on Stop-Loss Protection

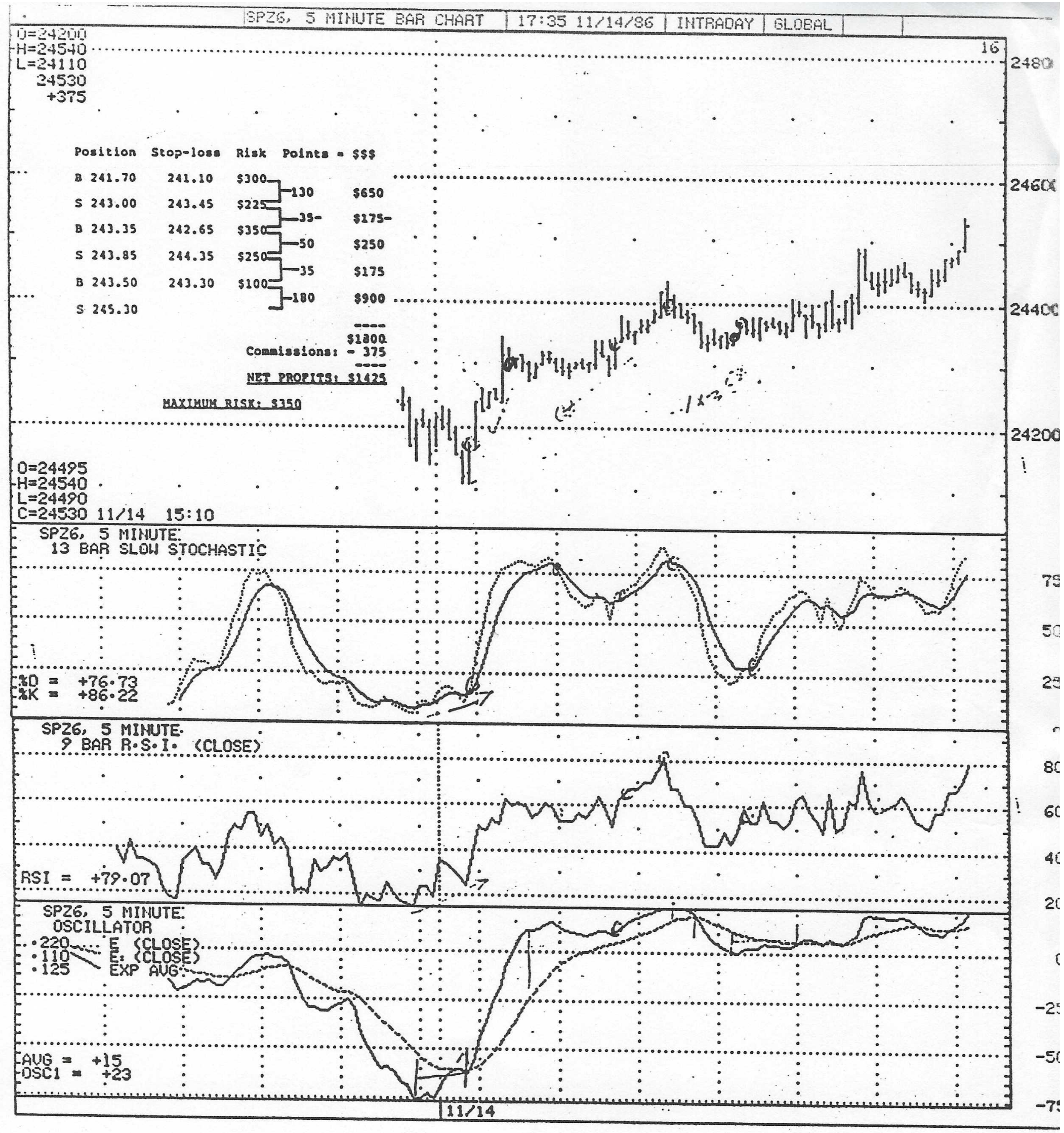


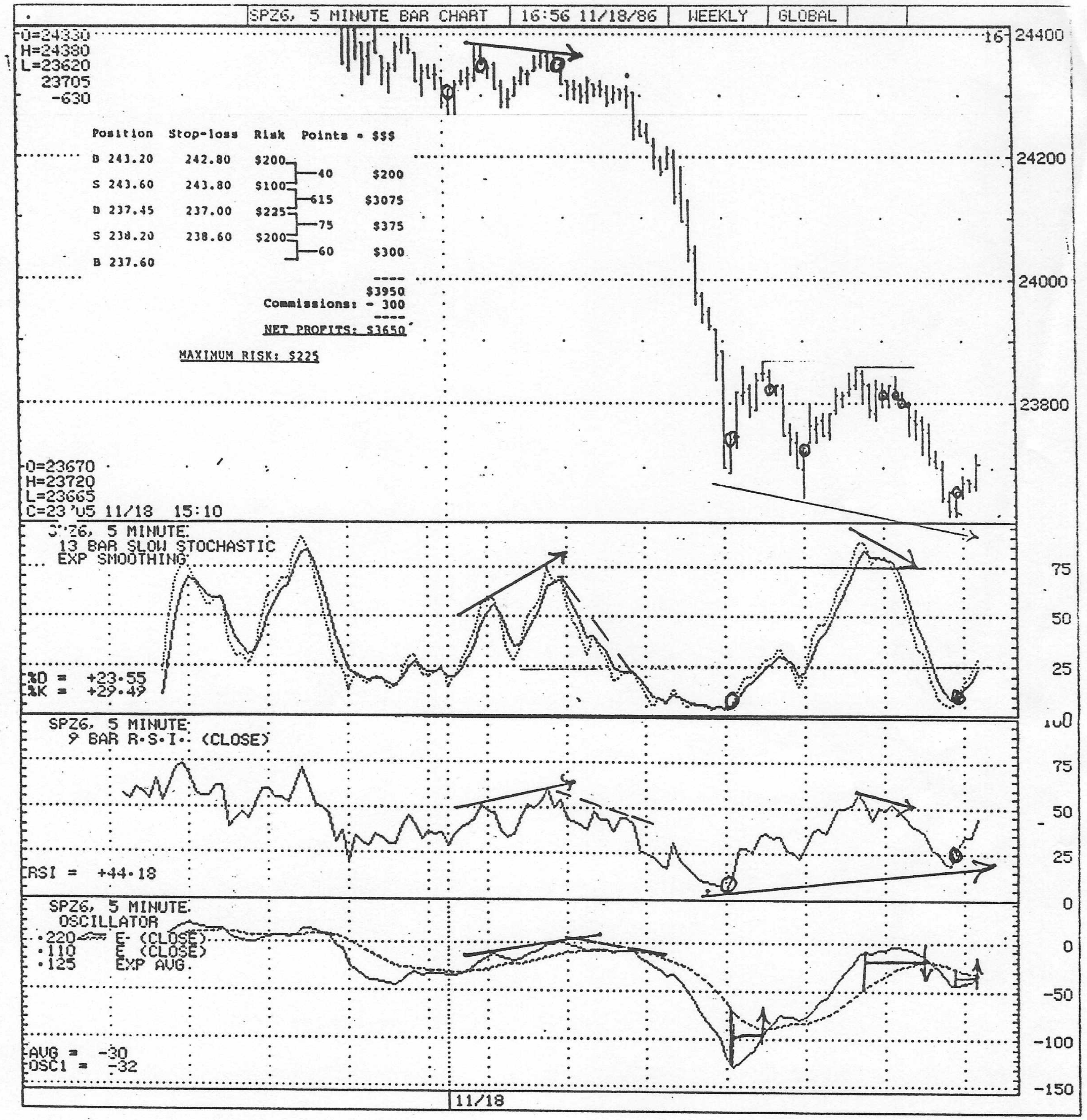
SORRY ... THE WEIRD PAGE ANGLES ARE IN THE ORIGINALS TOO AND DISTORT IF REFRAMED. BETTER THIS WAY. /CONNIE





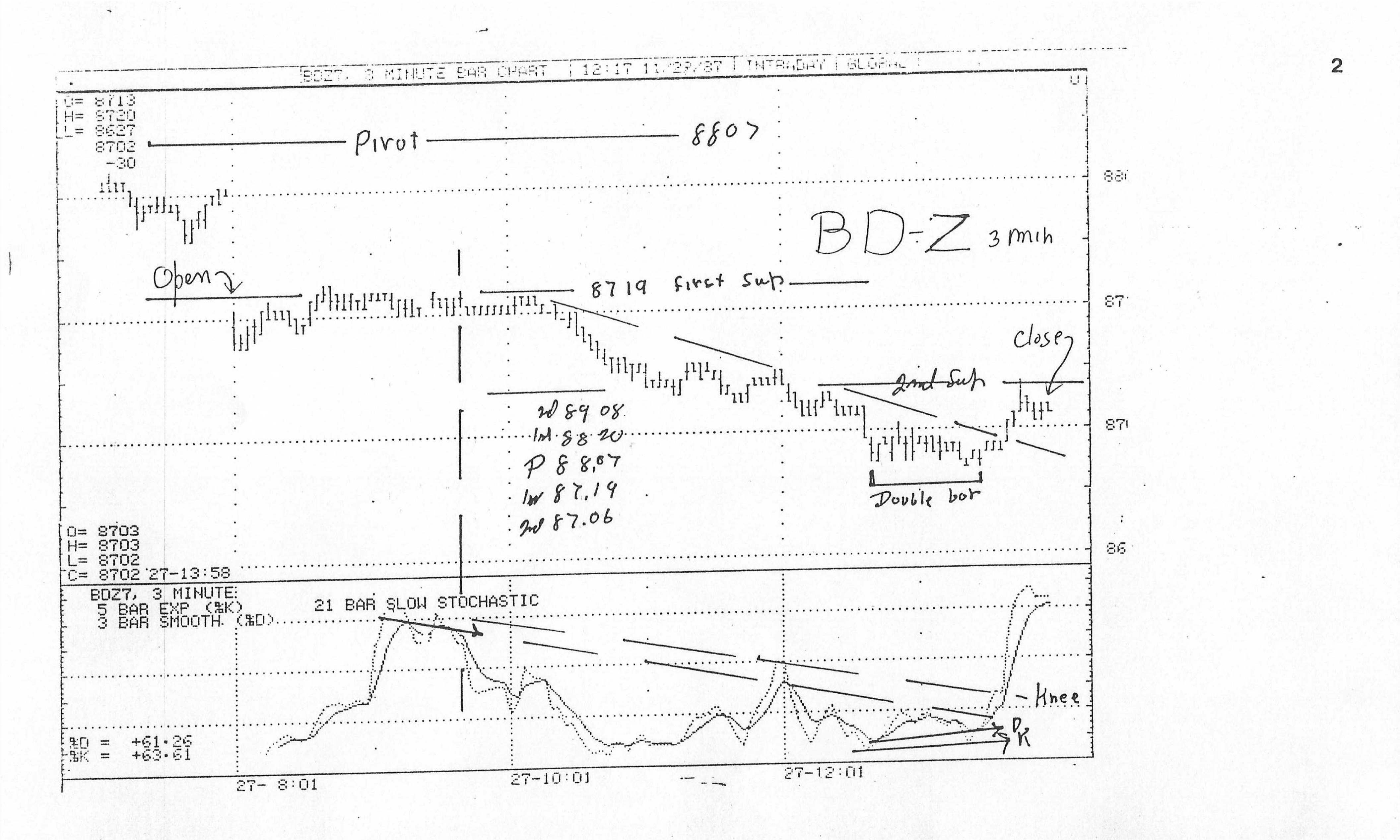
SPZ6, 5 MINUTE BAR CHART
11/12
O=
H=
L=
Position Stop-loss Risk Points = $$$
S 248.00 248.80 $400
B 246.70 246.40 $150
S 247.00 247.20 $100
B 246.20 245.50 $350
S 247.20
130 $650
30 $150
80 $400
100 $500
$1700
Commissions: - 300
NET PROFITS: $1400
MAXIMUM RISK: $400
O=24705
H=24705
L=24680
C=24695 11/12 15:10
SPZ6, 5 MINUTE
8 BAR SLOW STOCHASTIC
EXP SMOOTHING
%D = +47.12
%K = +40.99
SPZ6, 5 MINUTE
9 BAR R.S.I. (CLOSE)
RSI = +54.42
SPZ6, 5 MINUTE
OSCILLATOR
.220 E (CLOSE)
.110 E (CLOSE)
.125 EXP AVG
AVG = +11
OSC1 = +12


SPZ6, 5 MINUTE BAR CHART
17:35 11/14/86
INTRADAY
GLOBAL
O=24200
H=24540
L=24110
24530
+375
16
24800
24600
24400
24200
Position Stop-loss Risk Points = $$$
B 241.70 241.10 $300
S 243.00 243.45 $225
B 243.35 242.65 $350
S 243.85 244.35 $250
B 243.50 243.30 $100
S 245.30
130 $650
35- $175-
50 $250
35 $175
180 $900
$1800
Commissions: - 375
NET PROFITS: $1425
MAXIMUM RISK: $350
O=24495
H=24540
L=24490
C=24530 11/14 15:10
SPZ6, 5 MINUTE
13 BAR SLOW STOCHASTIC
%D = +76.73
%K = +86.22
75
50
25
SPZ6, 5 MINUTE
9 BAR R.S.I. (CLOSE)
RSI = +79.07
80
60
40
20
SPZ6, 5 MINUTE
OSCILLATOR
.220 E (CLOSE)
.110 E (CLOSE)
.125 EXP AVG
AVG = +15
OSC1 = +23
0
-25
-50
-75
11/14



Position	Stop-loss	Risk	Points	= $$$
B 243.20	242.80	$200		
			40	$200
S 243.60	243.80	$100		
			615	$3075
B 237.45	237.00	$225		
			75	$375
S 238.20	238.60	$200		
			60	$300
B 237.60				
				$3950
			Commissions:	- 300
			NET PROFITS:	$3650

MAXIMUM RISK: $225



CB 2021 NOTE - TO UNDERSTAND THIS CHART YOU NEED THE NEXT PAGE WITH A VERY OLD ARTICLE. NOTICE THE WRITTEN WORD "PIVOT", THEN "FIRST SUPPORT", "2ND SUPPORT" WRITTEN IN THE CHART ABOVE.

GEORGE NEVER DISCUSSED HIS PIVOT POINT NOTATIONS IN THE CHARTS DURING THE 1988 SEMINAR. ON A LATER VISIT IN 1995 I BROUGHT THE ARTICLE WITH ME AND AND ASKED HIM PRIVATELY. THESE WERE THE PIVOT POINT CALCULATIONS IN COMMON USE BY FLOOR TRADERS. GEORGE SAID THEY WERE LIVID WHEN THEY WERE RELEASED BY GREENSPAN IN THE ARTICLE. OVER THE YEARS PEOPLE HAVE TWEEKED AND MODIFIED THE CALCULATIONS. THIS ARTICLE WAS THE TRUE FORMULA GEORGE CONFIRMED FOR ME THAT THEY USED ON THE FLOOR .. AND GEORGE WAS FURIOUS. THE GUY WHO WROTE THE ARTICLE NEVER HAD A FAIR FILL AGAIN I SUSPECT.

The Pivot Point For Trading

Courtesy of
Technical Analysis of
STOCKS & COMMODITIES

Want to know what the pros use in trading? Well, you're in luck. The founder of the Commodity Boot Camp, a Chicago Mercantile Exchange floor trader, explains how he uses the pivot technique in trading.

by William I. Greenspan

For the first nine years as a professional floor trader, I was oblivious to any technical trading techniques. I traded Treasury bonds, currencies, cattle, soybeans and Standard & Poor's 500 contracts with only fundamental trading techniques. As the markets have become more efficient and in turn I have become — I hope — a little wiser, I have acquainted myself with some technical tools to help me compete in today's market.

One of the most valuable technical trading tools that I use everyday is the pivot technique. I was introduced to pivot technique trading about six years ago, although it has been around for decades. Many professional traders use the pivot technique and others keep the pivot calculations handy to know what the pivot traders are doing and not get in the way.

For an active day trader, the pivot technique can offer numerous profit opportunities. This technique works efficiently in all futures markets, although it responds better in markets with a wide daily trading range, such as T-bonds, the S&P 500 and currencies. It is harder to use in the corn, wheat or soybean markets, which currently have narrow trading ranges.

THE PLAIN PIVOT

The pivot technique consists of five basic arithmetic and algebraic formulas and is founded in the very basis of technical analysis. The first formula, which provides the daily pivot, requires you to identify the previous day's high, low and closing (or settlement) price in any futures market. You must add these three figures together and divide the sum by three. This is known as the *daily pivot*. The daily pivot is used in all four of the other formulas that make up the pivot technique and is given the most emphasis when used in day trading.

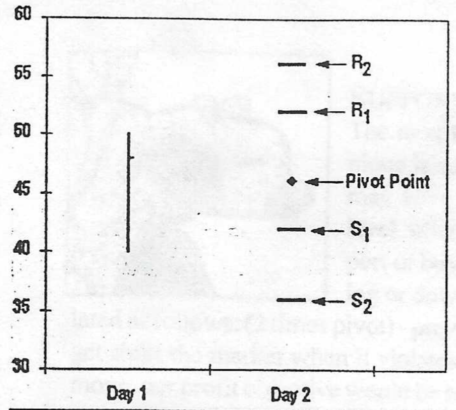


FIGURE 1: PIVOT POINT. *Today's pivot point, support and resistance levels are calculated based on yesterday's high low and close. Here's an example based on a day where the market had a high of 50, a low of 40 and a closing price of 48.*

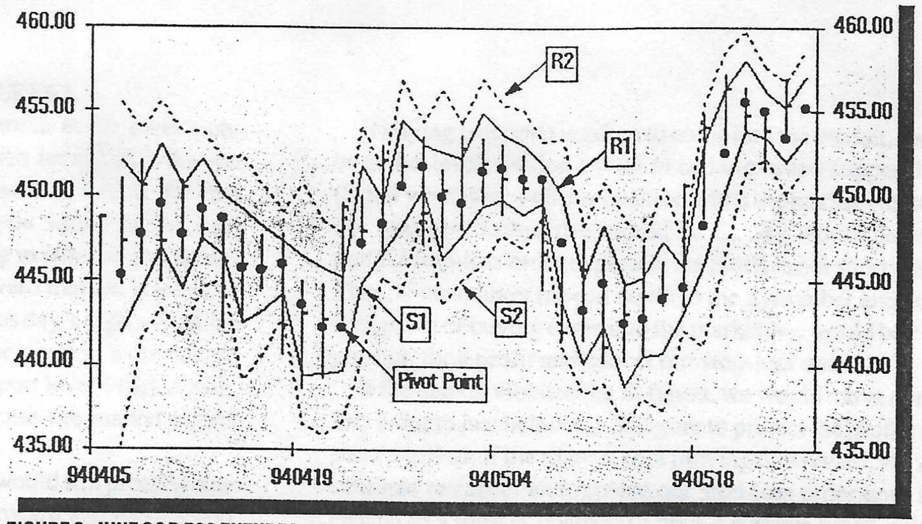


FIGURE 2: JUNE S&P 500 FUTURES. *Here, the values for R_2, R_1, S_1, and S_2 are plotted as bands, while the pivot point is plotted as a dot.*

The idea here is that you want to be long above the pivot and short below the pivot. However, the essence of day trading the pivot lies in going long when the market violates the pivot in a bull rally and going short when the market violates the pivot in a bear break or downward move. This is how active day traders use the pivot. And of course, the first time the pivot is violated on the upside or downside is most important. It is given less weight (that is, less attention) the more often it is violated throughout the trading day.

The other four formulas of the pivot technique provide two support levels in the market below the pivot and two resistance levels in the market above the pivot. The five pivot technique formulas are as follows:

[Formula 1]	$(H+L+C) / 3 = P$
[2]	$(2)(P) - L = R_1$
[3]	$(2)(P) - H = S_1$
[4]	$(P - S_1) + R_1 = R_2$
[5]	$P - (R_1 - S_1) = S_2$

in which:

P = Pivot	R_1 = Resistance level 1
H = High (previous day)	S_1 = Support level 1
L = Low (previous day)	R_2 = Resistance level 2
C = Close (previous day)	S_2 = Support level 2

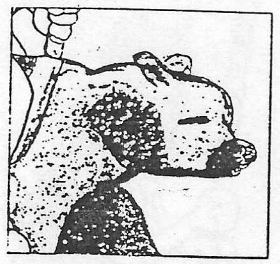
Figure 1 is an example of a market on the first day with a high of 50, a low of 40 and a closing price of 48 and calculating the next day's pivot point, support levels and resistance levels. The pivot point would be 46, S_1 is 42, R_1 is 52, S_2 is 36 and R_2 is 56. Figure 2 is the June S&P 500 contract with the next day's pivot point, support levels and resistance levels plotted based on the previous day's range and closing price. Now let me explain the ways I use each of these numbers in my trading.

The essence of day trading the pivot lies in going long when the market violates the pivot in a bull rally and going short when the market violates the pivot in a bear break or downward move.

RESISTANCE LEVEL 1

Resistance level 1 (R_1) is the second formula of the five that make up the pivot technique. Recall that R_1 = (2 times pivot) - previous day's low. This is the first level where we would expect the market to meet resistance in a bull rally; this is where the first selling should appear in a rallying or up market, and it would be our profit objective if we got long at or just above the pivot point.

Now, the market can (and does) penetrate resistance points, but this is the first level of resistance. If we use a trailing stop-loss order to protect the long position that we initiated at the pivot point and the market met resistance at R_1, we could sell out our long position for a profit and then cancel our stop-loss order. But if the market violated the R_1 figure, we would move our stop-loss order to just above the R_1 figure to maintain our long position and gain more profit. (Resistance numbers tend to become support numbers once they are violated.)



SUPPORT LEVEL 1

The next formula in the pivot technique is support level 1 (S_1). As you may have guessed, this is the first level where you would expect support or buying to come in to a breaking or downward market. It is calculated as follows: (2 times pivot) - previous day's high = S_1. If we get short the market when it violates the pivot in a downward move, our profit objective would be support level 1 (S_1). Again, we would trail our stop-loss order in case the market turned around.

If our stop-loss order was elected, we would still protect some profit. But if the market continued downward and met support at the S_1 level, we would take our profit and cancel our stop-loss order. If the market continued downward and violated support level 1 (S_1), we would move our stop-loss order to just below support level 1 (S_1), because support levels tend to become resistance levels once they have been violated. If the market continues to move downward, we would continue to move our stop-loss order down to protect more profits.

RESISTANCE LEVEL 2

The next formula in the pivot technique is resistance level 2 (R_2). To compute this number, take the pivot - (S_1 - R_1) = R_2. Resistance level 2 is the last point you would expect resistance to come into a rising market. That is, we don't want to be short when the market violates R_2.

If we stayed with our long position when the market violated resistance level 1 (R_1), our next profit objective would be resistance level 2 (R_2). We would, of course, be using a trailing stop-loss order to protect our profit, but if we were to get lucky and the market went up to R_2 and met some resistance (selling pressure entering the market), we would sell out our long position for a generous profit and cancel the stop-loss order that we had been trailing to protect our profitable long position.

If the market penetrated the R_2 level, we would move our stop-loss order to just above the R_2 level. Then if the market continued to rally, we would face two courses of action: First, adjust our stop-loss order until the market reversed and elected our stop-loss order, or we achieved a level in the market at which we wanted to take a profit. Remember that once a resistance level is violated, it tends to become a support level.

SUPPORT LEVEL 2

The last formula in the pivot technique is support level 2 (S_2). To calculate this number, take the pivot - (R_1 - S_1) = S_2. This is where we would expect the last support in a downward or bear-trending market.

If buying (support) is going to come into the market, it should be at that level; we don't want to be long below support level 2 (S_2). If we stayed with our position when the market violated S_1, our next profit objective would be S_2. We would be using a trailing stop-loss order to protect the profit in our short position. Then, if the market moved down to the S_2 number and support for a profit or buying came into the market, we would buy in our position for a profit and cancel our stop-loss order.

If the market violated the S_2 figure, we would move our stop-loss order to just below the S_2 figure to protect the profits in our short position. If the market kept moving downward, we would continue to cancel and replace our stop-loss order until it was elected in a market reversal or until a suitable profit objective was achieved.

HOW MUCH RISK?

The pivot technique (and any trading technique) is meant to be traded with stop-loss orders. You must decide in advance of every trade how much risk you are willing to take and how much money you are willing to lose.

I allow only a six-tick ($150.00) stop-loss order when trading S&P 500s for the pivot number to hold. In T-bonds, I use a three-tick (93.75) stop, and in currencies, eight ticks ($100.00). The markets are not a science where everything is exact; they need room to breathe and you must always take into account the emotion that governs the markets.

When trading the pivot technique, you can enter the market at any of five levels that the formulas calculate. But like all trading, it is a judgment call on whether to buy (that is, get long) or sell (that is, get short) at any of these levels. And just like all trading, trades are made because opinions differ; after all, you can't have a buyer without a seller. You may trade against other pivot traders whose opinion on the current market situation is different from yours.

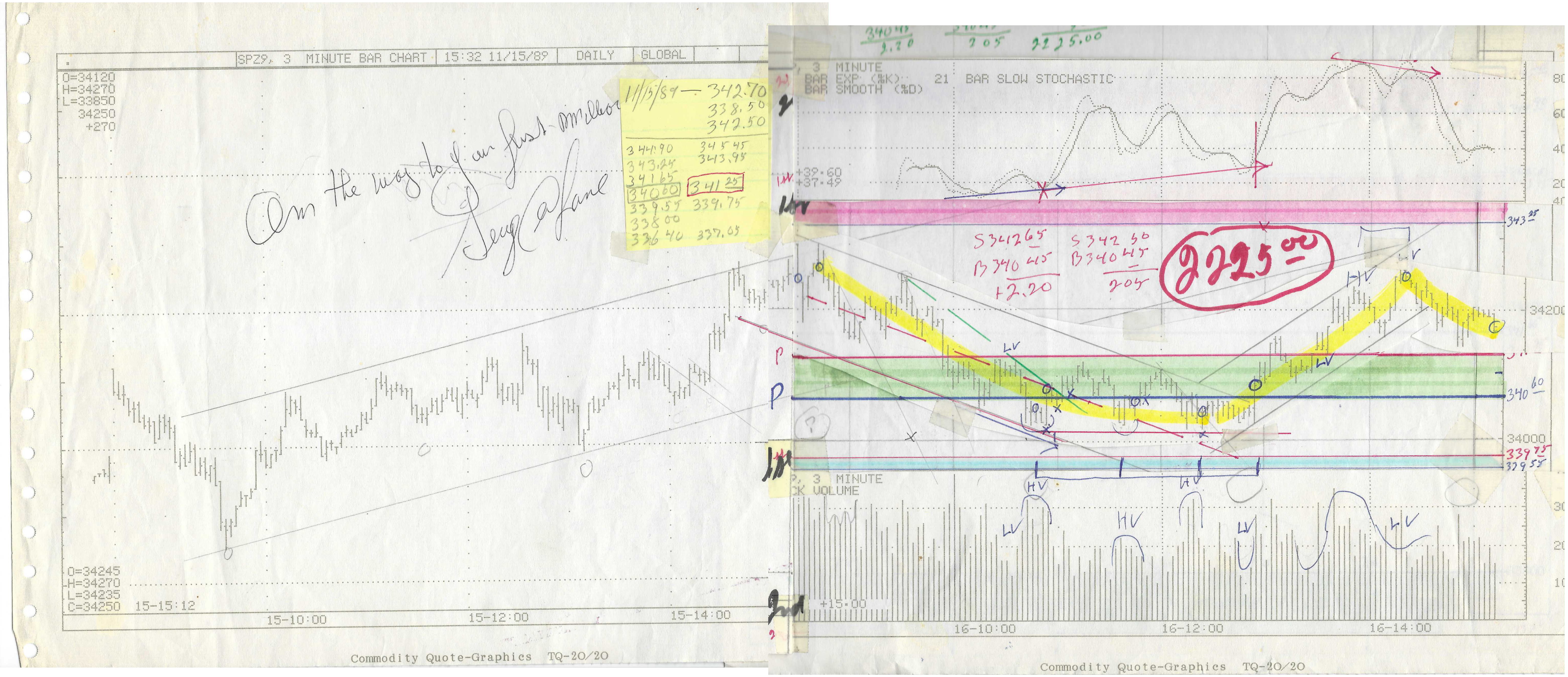
One final word. Only one thing is certain when you trade the markets. The *market* is never wrong. Our *opinions* about the market are wrong.

William I. Greenspan, 312 930-1777, is a local trader in the Standard & Poor's 500 pit at the Chicago Mercantile Exchange (CME) and the founder of Commodity Boot Camp, an intensive training program for traders.

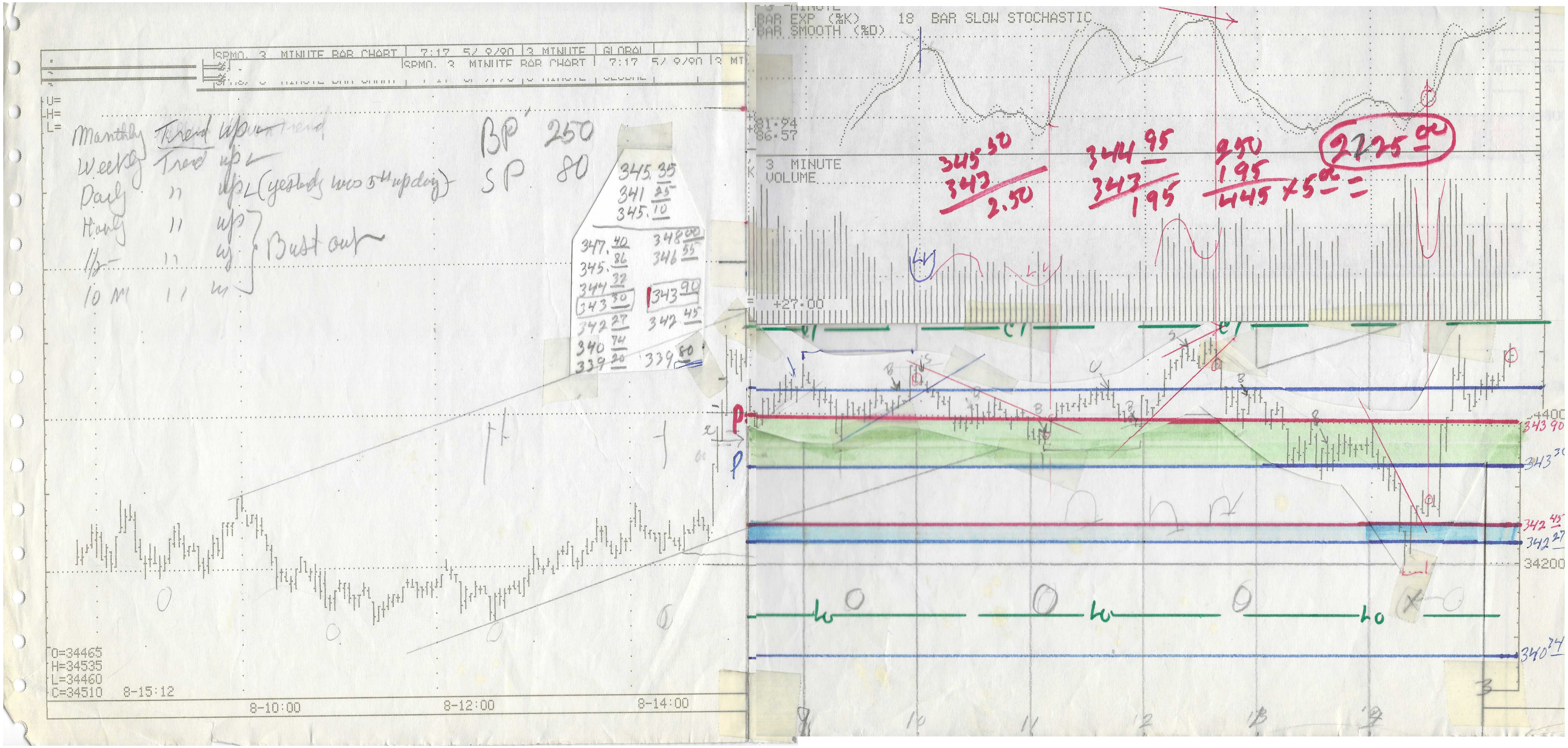
ADDITIONAL READING

Greenspan, William I. [1994]. "Using stops to your advantage," *Technical Analysis of* STOCKS & COMMODITIES, Volume 12: March.

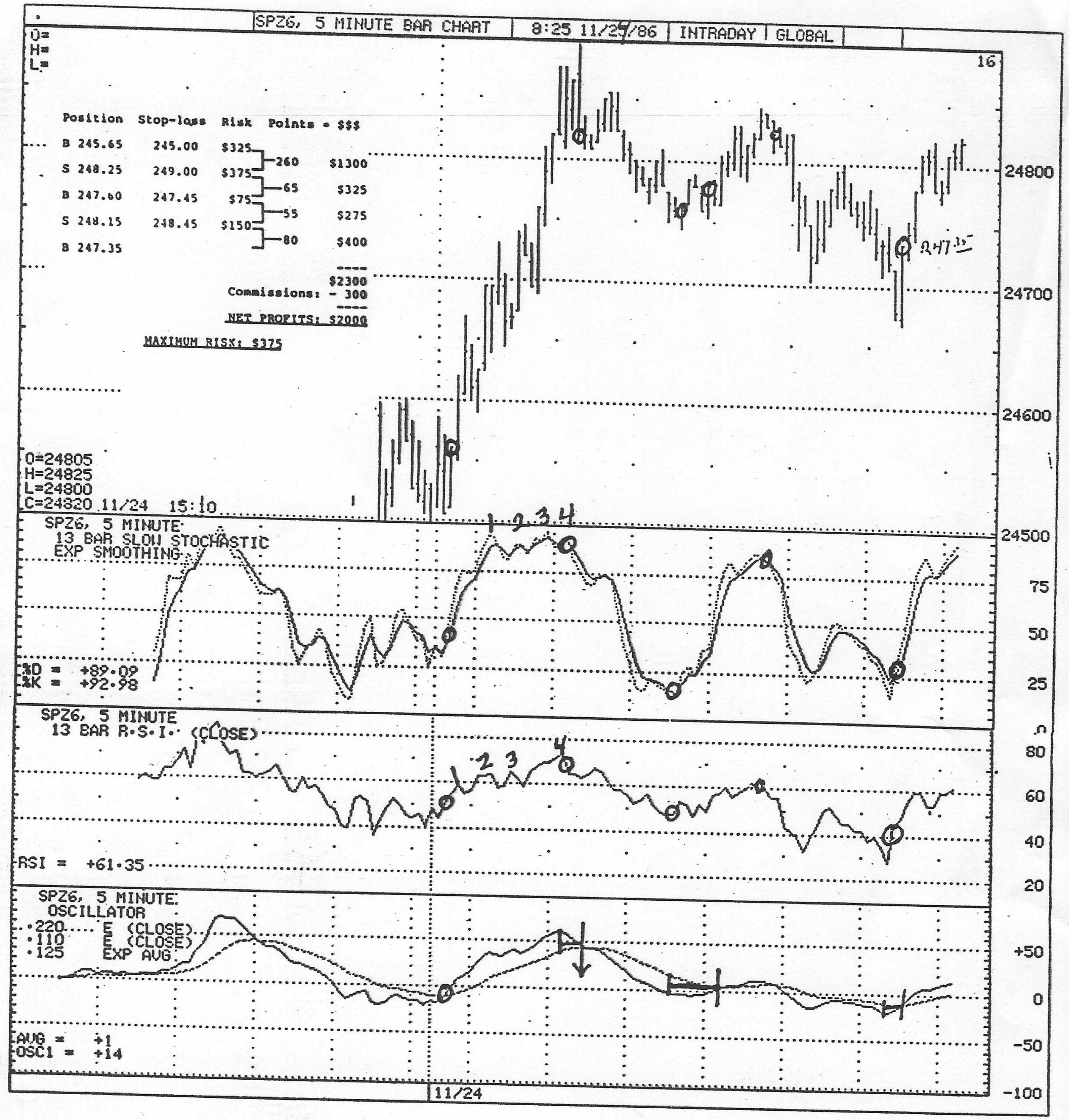
THIS CHART WAS GIVEN TO ME BY GEORGE IN A LATER VISIT ON 11/15/1989. AWESOME DAY INDEED! EASIER TO SEE THE PIVOT POINT NOTATIONS IN COLOR. THE CHART IN 'THIRTY-SECOND JEWEL' HAD TO BE IN B&W DUE TO PRODUCTION COSTS.

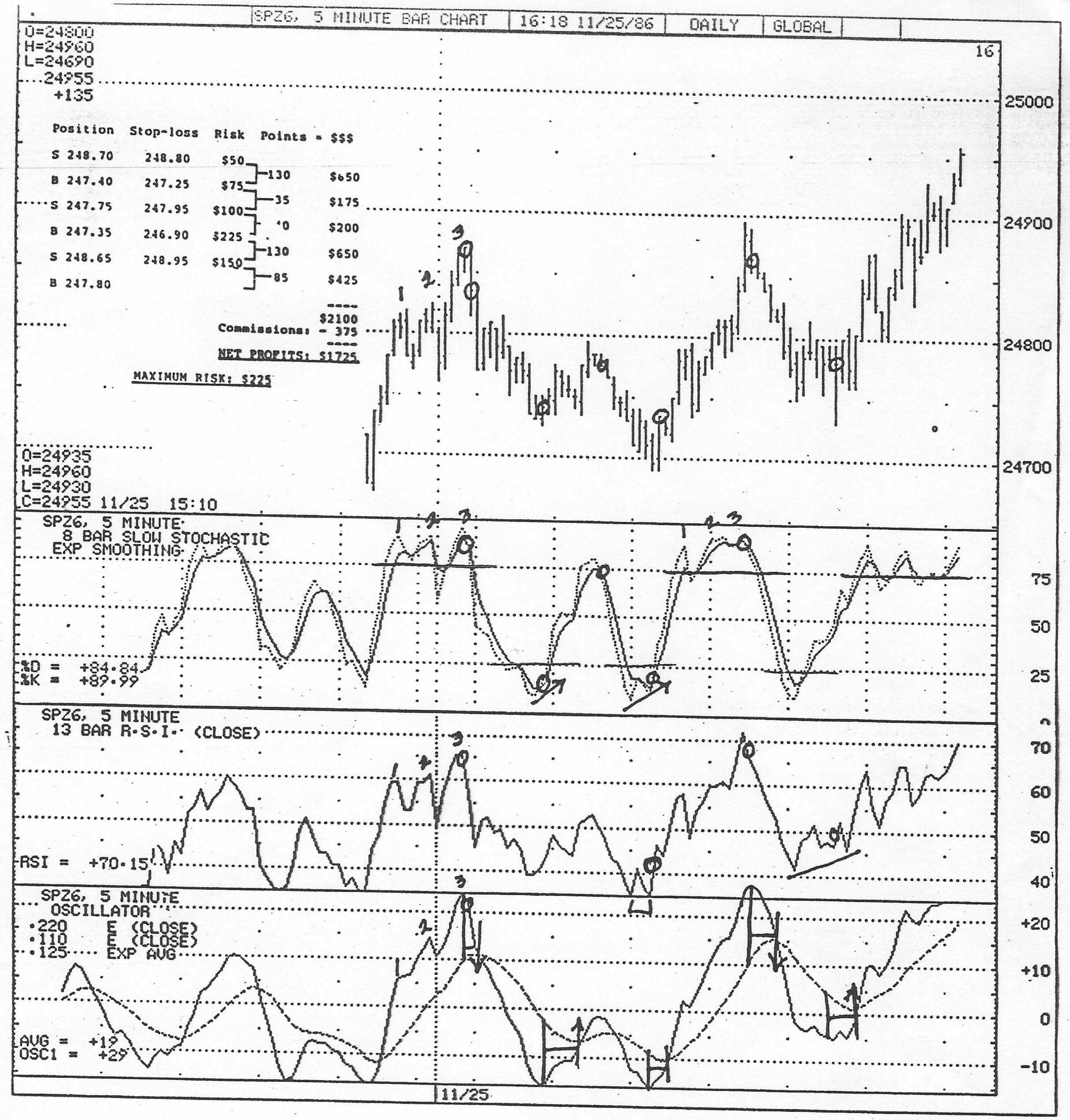


FROM A DIFFERENT VISIT ON 05/09/1990 - GEORGE TRADING AND NOTATING THE CHARTS SEVERAL TIMES THROUGH THE DAY TO RECORD EVERY TRADE. YES, LOTS OF LITTLE PAPER CUT OUTS ATTACHED TO EACH PAGE.



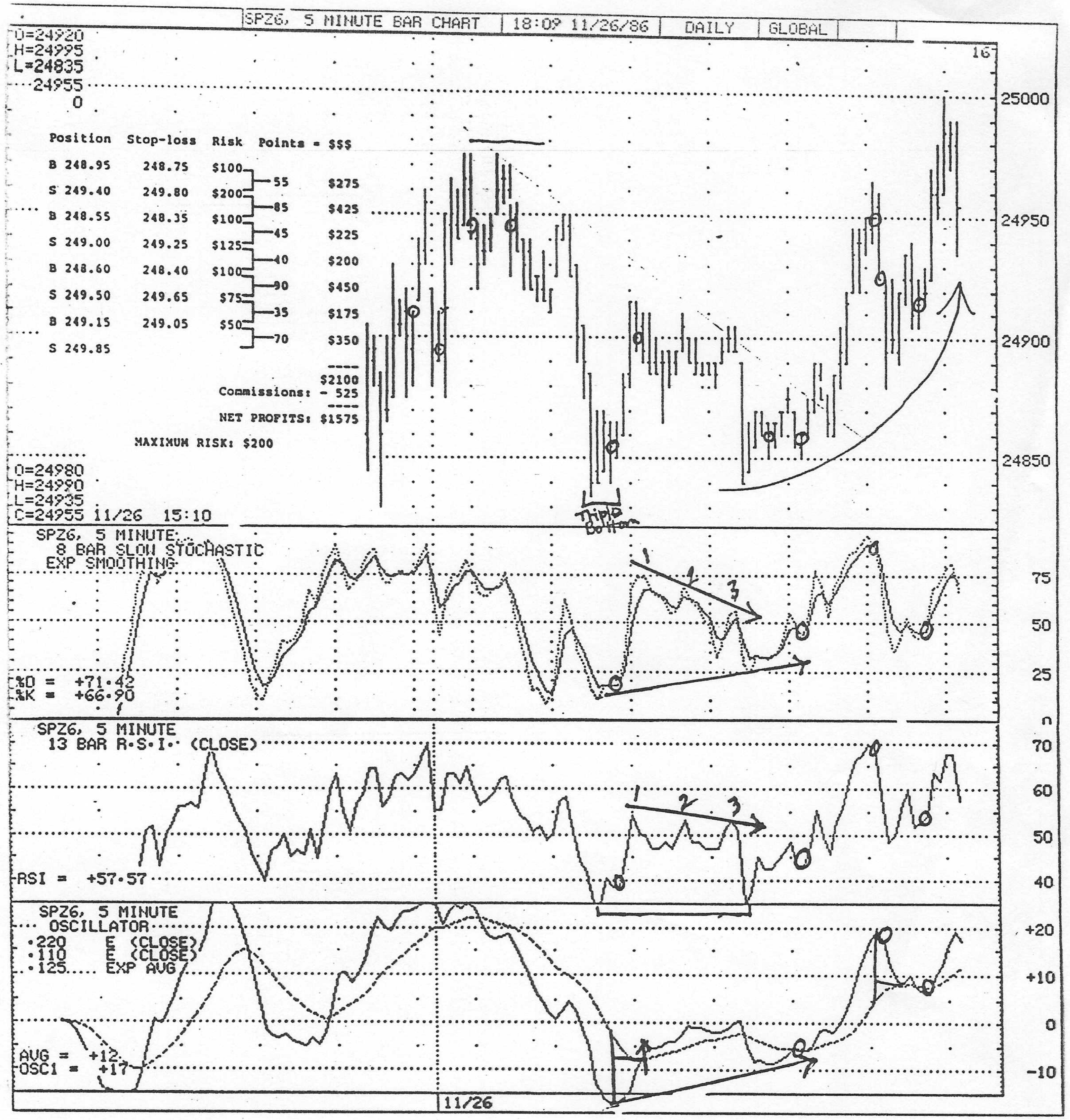
OK, BACK TO THE 1988 SEMINAR

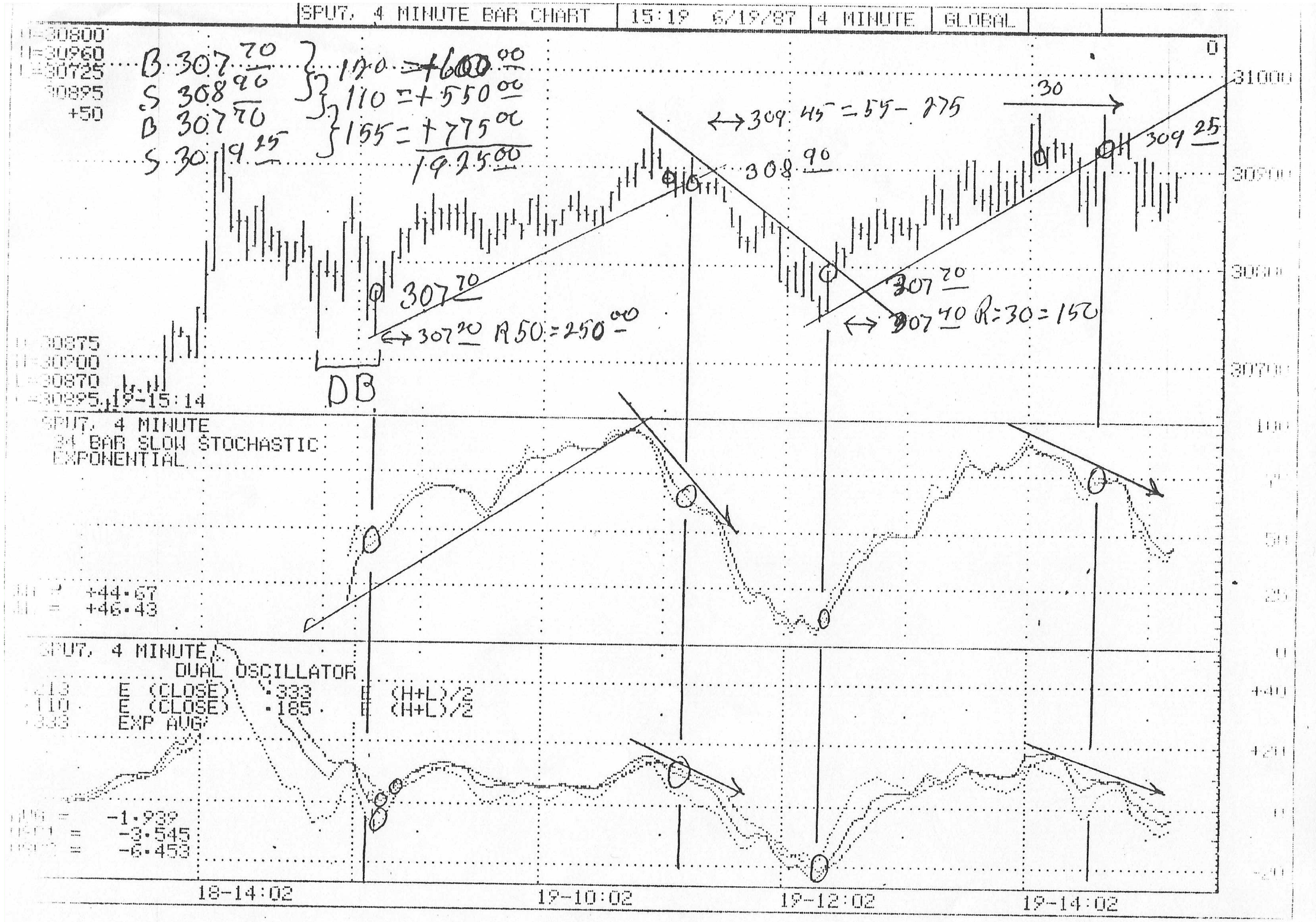




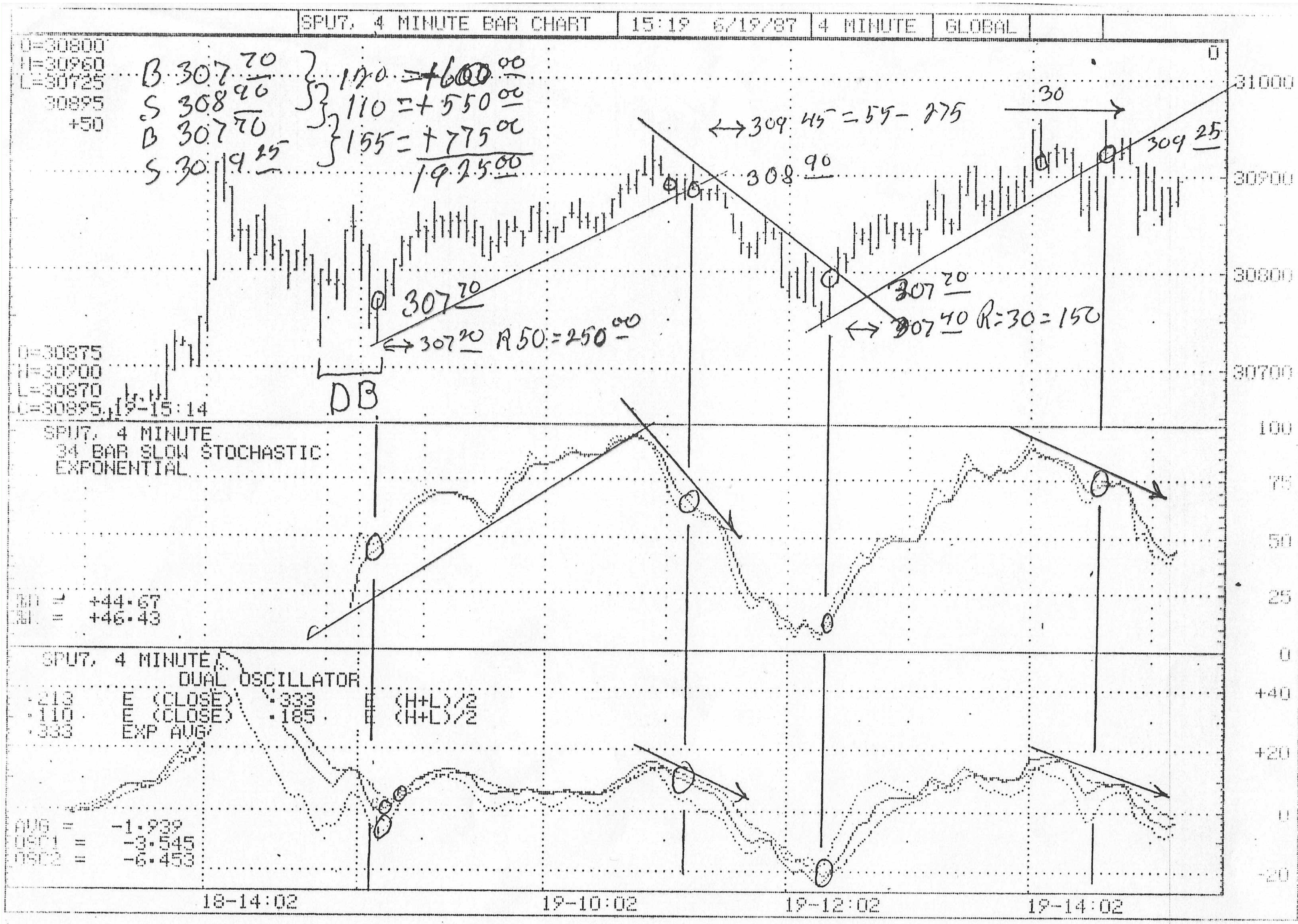
Position	Stop-loss	Risk	Points	= $$$
S 248.70	248.80	$50		
			130	$650
B 247.40	247.25	$75		
			35	$175
S 247.75	247.95	$100		
			'0	$200
B 247.35	246.90	$225		
			130	$650
S 248.65	248.95	$150		
			85	$425
B 247.80				
				$2100
			Commissions:	- 375
			NET PROFITS:	$1725

MAXIMUM RISK: $225


SPZ6, 5 MINUTE BAR CHART
18:09 11/26/86
DAILY
GLOBAL
O=24920
H=24995
L=24835
24955
0
Position Stop-loss Risk Points = $$$
B 248.95 248.75 $100
S 249.40 249.80 $200
B 248.55 248.35 $100
S 249.00 249.25 $125
B 248.60 248.40 $100
S 249.50 249.65 $75
B 249.15 249.05 $50
S 249.85
55 $275
85 $425
45 $225
40 $200
90 $450
35 $175
70 $350
$2100
Commissions: - 525
NET PROFITS: $1575
MAXIMUM RISK: $200
O=24980
H=24990
L=24935
C=24955 11/26 15:10
Triple Bottom
25000
24950
24900
24850
SPZ6, 5 MINUTE:
8 BAR SLOW STOCHASTIC
EXP SMOOTHING
%D = +71.42
%K = +66.90
75
50
25
0
SPZ6, 5 MINUTE
13 BAR R.S.I. (CLOSE)
RSI = +57.57
70
60
50
40
SPZ6, 5 MINUTE
OSCILLATOR
.220 E (CLOSE)
.110 E (CLOSE)
.125 EXP AVG
AVG = +12
OSC1 = +17
+20
+10
0
-10
11/26

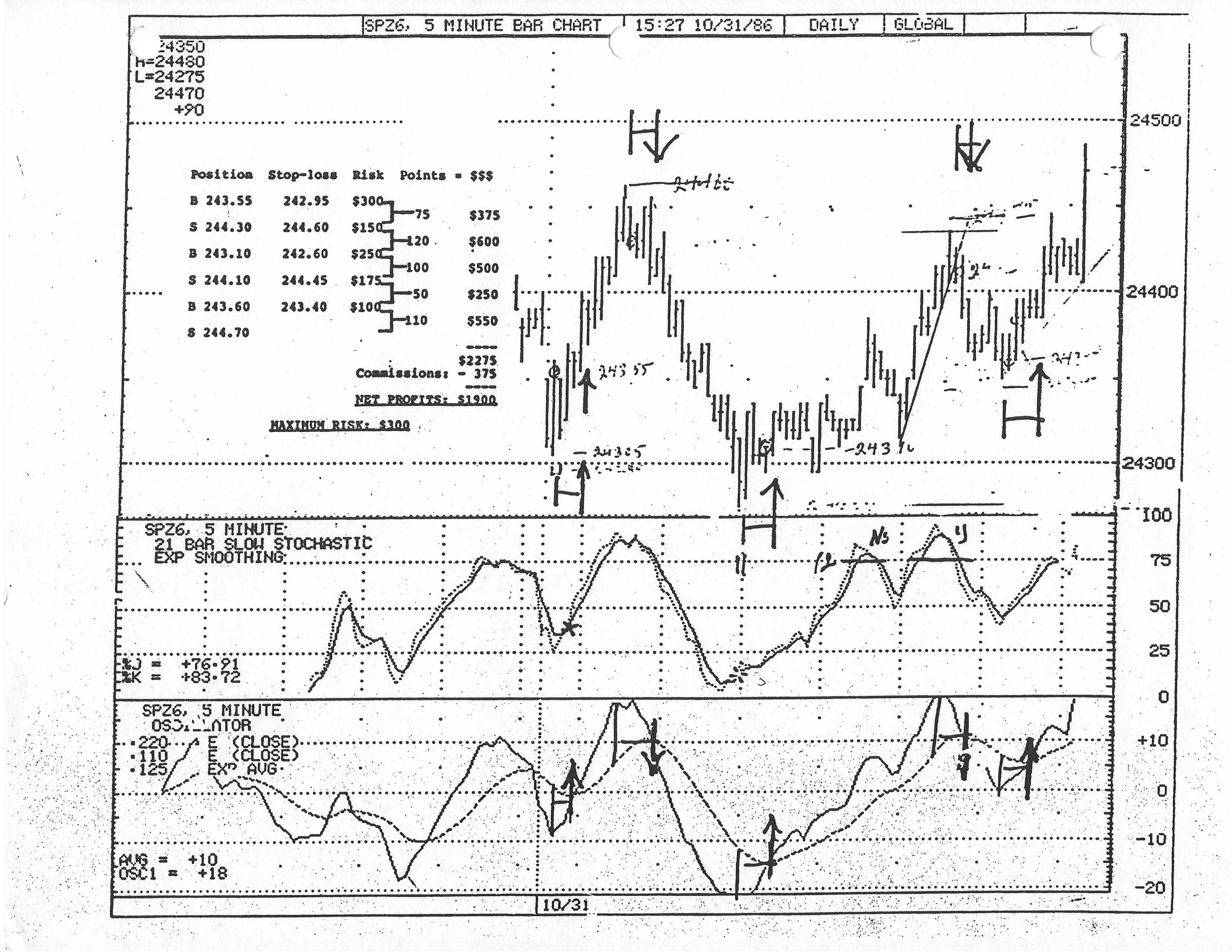


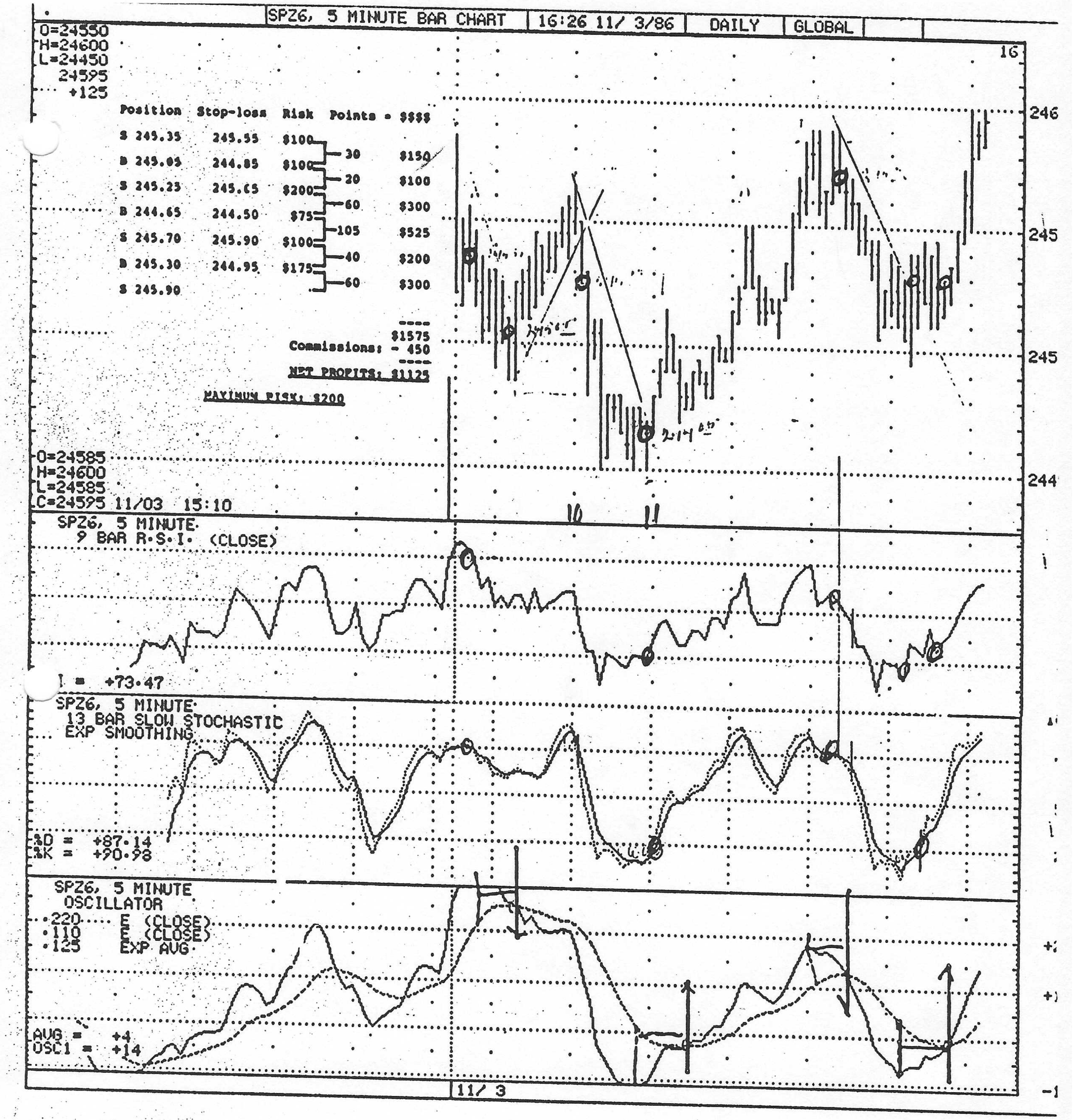
SPU7, 4 MINUTE BAR CHART
15:19 6/19/87
4 MINUTE
GLOBAL
B 307 70
S 308 90
B 307 70
S 309 25
110 = +600 00
110 = +550 00
155 = +775 00
1925 00
309 45 = 55 - 275
308 90
:30
309 25
307 70
307 70 R 50 = 250 00
307 70
307 70 R:30 = 150
DB
SPU7, 4 MINUTE
34 BAR SLOW STOCHASTIC
EXPONENTIAL
+44.67
+46.43
SPU7, 4 MINUTE
DUAL OSCILLATOR
E (CLOSE) .333 E (H+L)/2
E (CLOSE) .185 E (H+L)/2
EXP AVG
-1.939
-3.545
-6.453
18-14:02
19-10:02
19-12:02
19-14:02

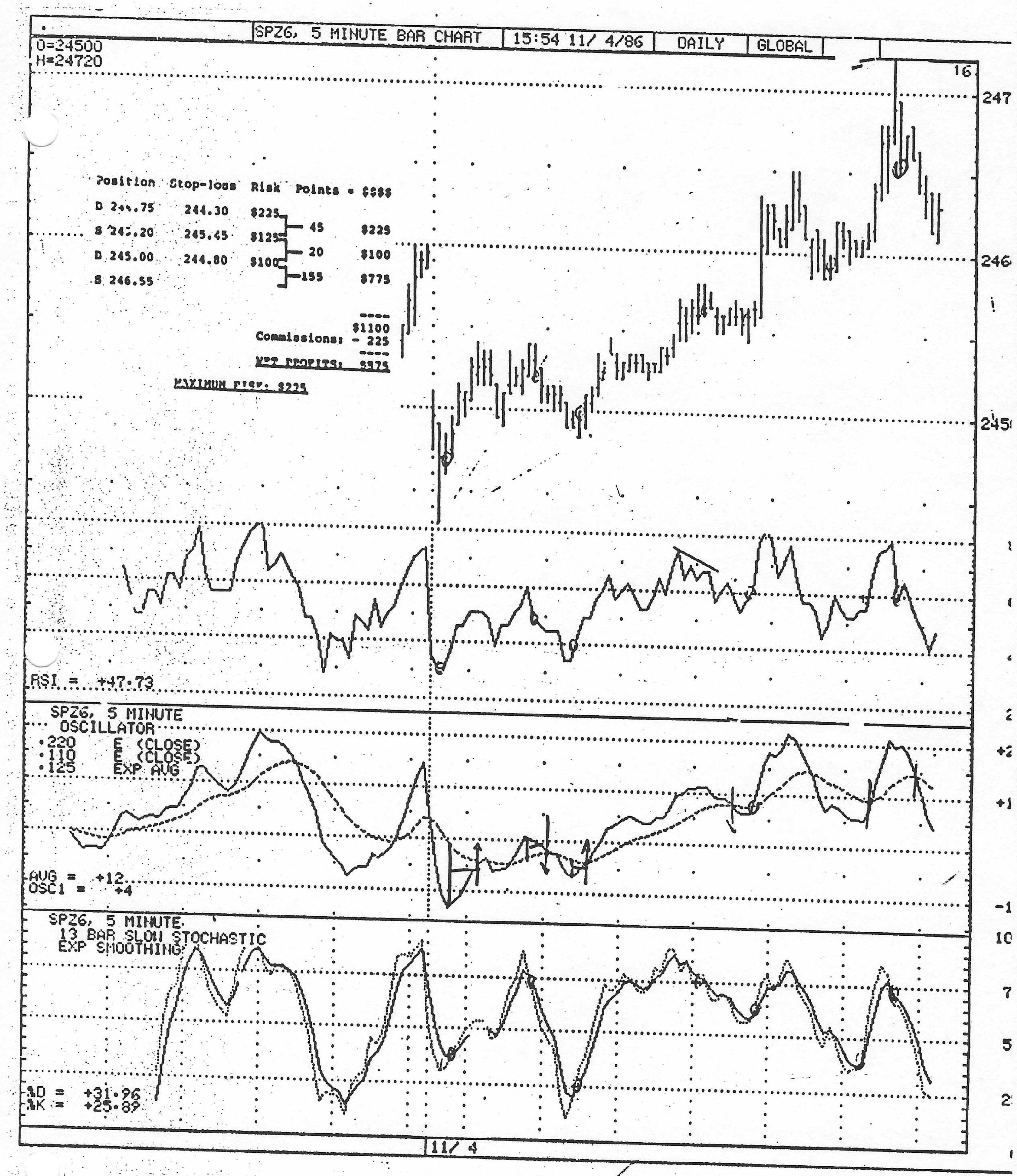

SPU7, 4 MINUTE BAR CHART
15:19 6/19/87
4 MINUTE
GLOBAL
O=30800
H=30960
L=30725
30895
+50
B 307 70
S 308 90
B 307 70
S 309 25
170 = +600 00
110 = +550 00
155 = +775 00
1925 00
307 70
307 70 R 50 = 250 00
DB
309 45 = 55 - 275
308 90
307 70
307 40 R = 30 = 150
30
309 25
O=30875
H=30700
L=30870
C=30895 19-15:14
SPU7, 4 MINUTE
34 BAR SLOW STOCHASTIC
EXPONENTIAL
+44.67
+46.43
SPU7, 4 MINUTE
DUAL OSCILLATOR
.213 E (CLOSE) .333 E (H+L)/2
.110 E (CLOSE) .185 E (H+L)/2
.333 EXP AVG
AVG = -1.939
OSC1 = -3.545
OSC2 = -6.453
31000
30900
30800
30700
100
75
50
25
0
+40
+20
0
-20
18-14:02
19-10:02
19-12:02
19-14:02

EASY TO MISS WHAT IS TO FOLLOW ... OFFERED AT THE END OF THE SEMINAR AS "A FEW EXTRA CHARTS IF YOU WANT THEM." NO OTHER EXPLANATION WAS GIVEN. SEVEN PEOPLE ANXIOUS TO LEAVE REFUSED THE ADDITIONAL PACKAGE ... THEY DIDN'T WANT MORE WEIGHT IN THEIR BAGS OR SOME OTHER DUMB REASON. I WAS THE ONLY ONE THAT SAID... "YES PLEASE". I DID NOT UNDERSTAND GEORGE'S SMALL GRIN AS HE HANDED THEM TO ME. THEY LOOKED THE SAME AS THE REST OF THEM. IT TOOK MONTHS LATER FOR ME TO SEE WHAT THEY REALLY WERE. THE NEXT SERIES OF CHARTS FROM THIS PAGE FORWARD BEGIN ON OCTOBER 31, 1986 AND FOLLOW IN ORDER HIS DAY-TO-DAY SEQUENCE OF TRADING SESSIONS IN 5-MINUTE BAR CHARTS (S&P500 - BIG CONTRACT) UP TO FEBRUARY 12, 1987.

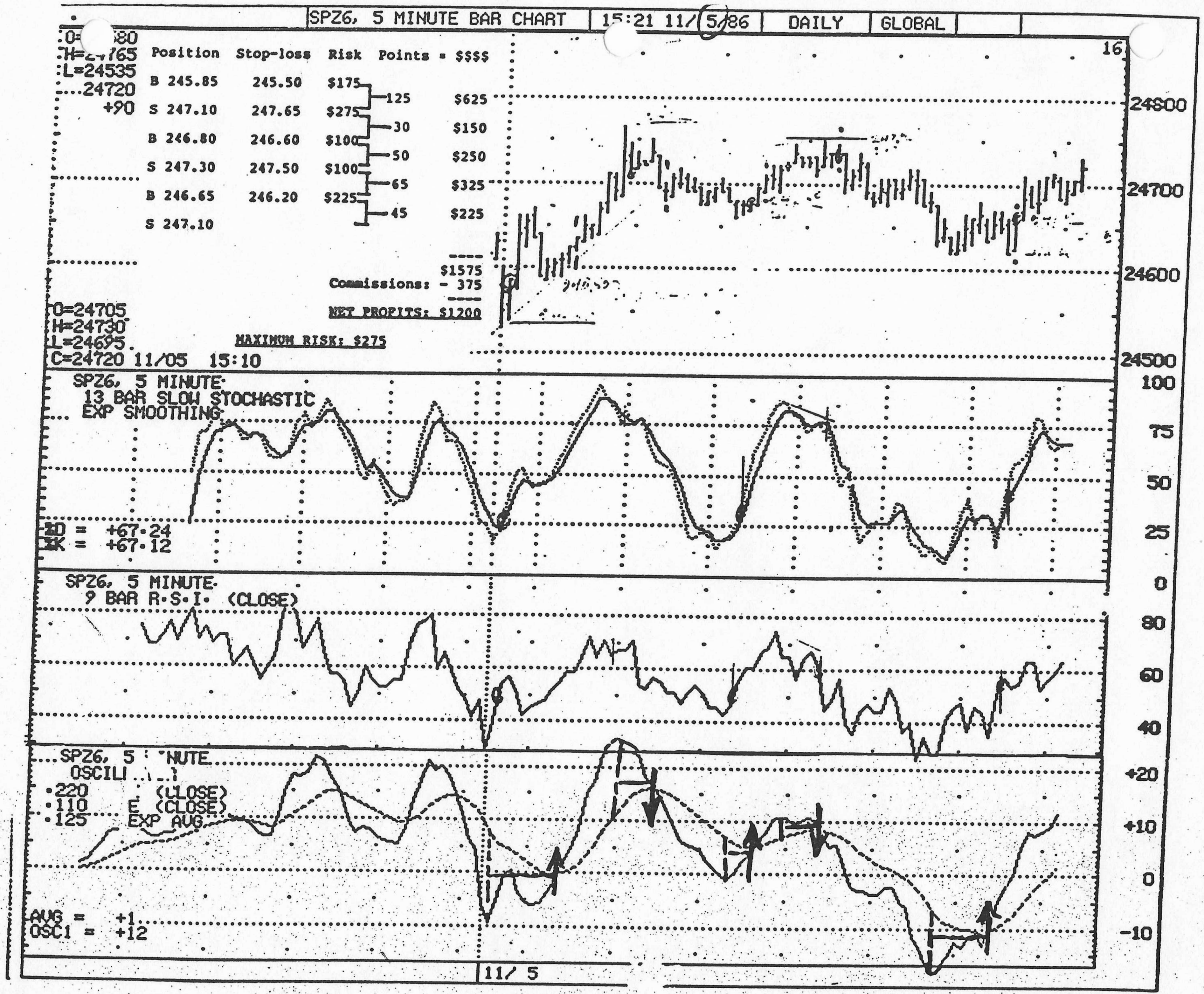
IT WAS THE BEST CONTENT WE COULD HAVE BEEN GIVEN TO STUDY. A GOLD MINE! /ENJOY .... CONNIE



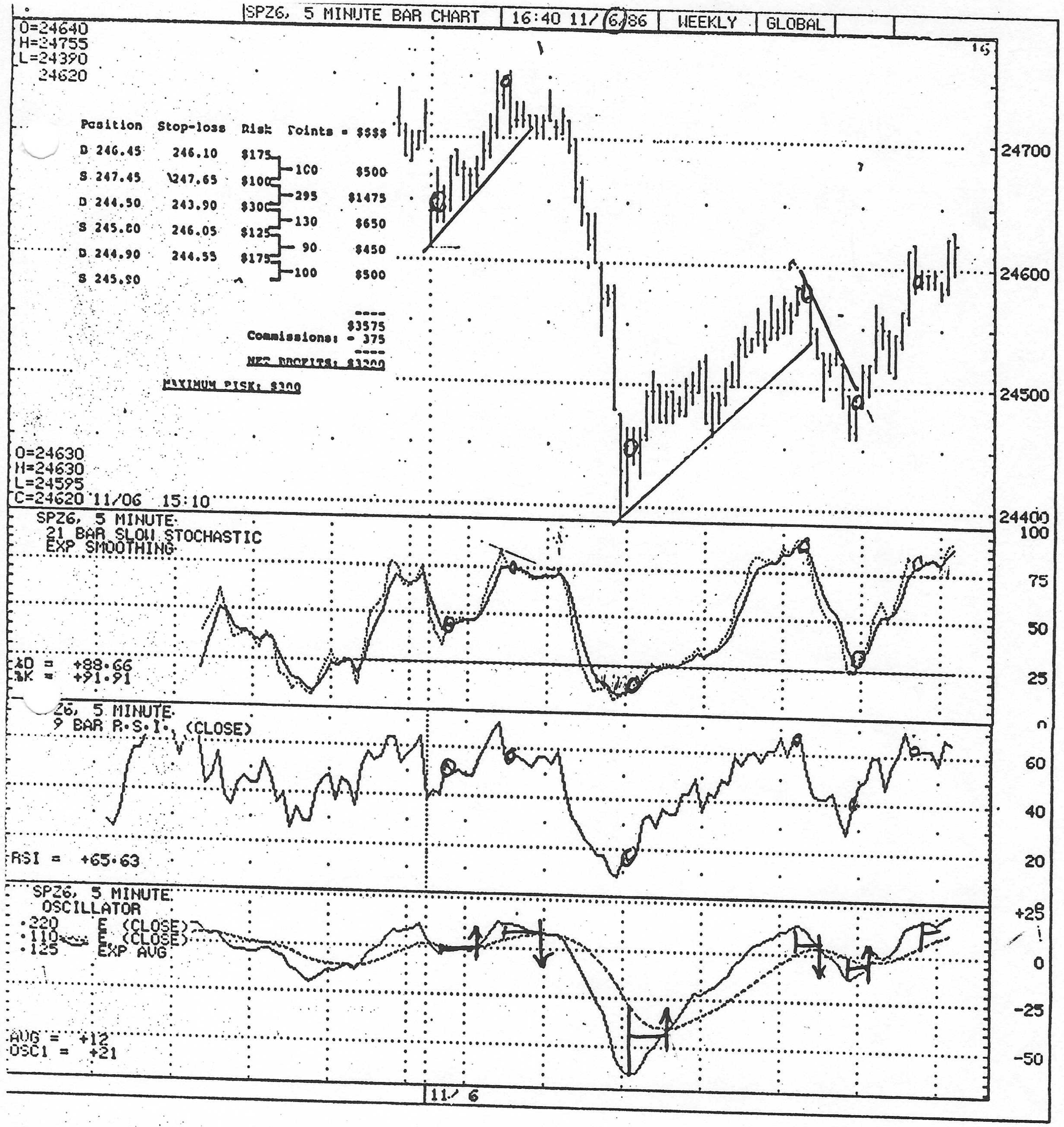

SPZ6, 5 MINUTE BAR CHART
16:26 11/ 3/86
DAILY
GLOBAL
O=24550
H=24600
L=24450
24595
+125
Position Stop-loss Risk Points = $$$$
S 245.35 245.55 $100
B 245.05 244.85 $100 30 $150
S 245.25 245.65 $200 20 $100
B 244.65 244.50 $75 60 $300
S 245.70 245.90 $100 105 $525
B 245.30 244.95 $175 40 $200
S 245.90 60 $300
$1575
Commissions: - 450
NET PROFITS: $1125
MAXIMUM RISK: $200
O=24585
H=24600
L=24585
C=24595 11/03 15:10
SPZ6, 5 MINUTE
9 BAR R·S·I· (CLOSE)
I = +73·47
SPZ6, 5 MINUTE
13 BAR SLOW STOCHASTIC
EXP SMOOTHING
%D = +87·14
%K = +90·98
SPZ6, 5 MINUTE
OSCILLATOR
·220 E (CLOSE)
·110 E (CLOSE)
·125 EXP AVG
AVG = +4
OSC1 = +14
11/ 3
10
11



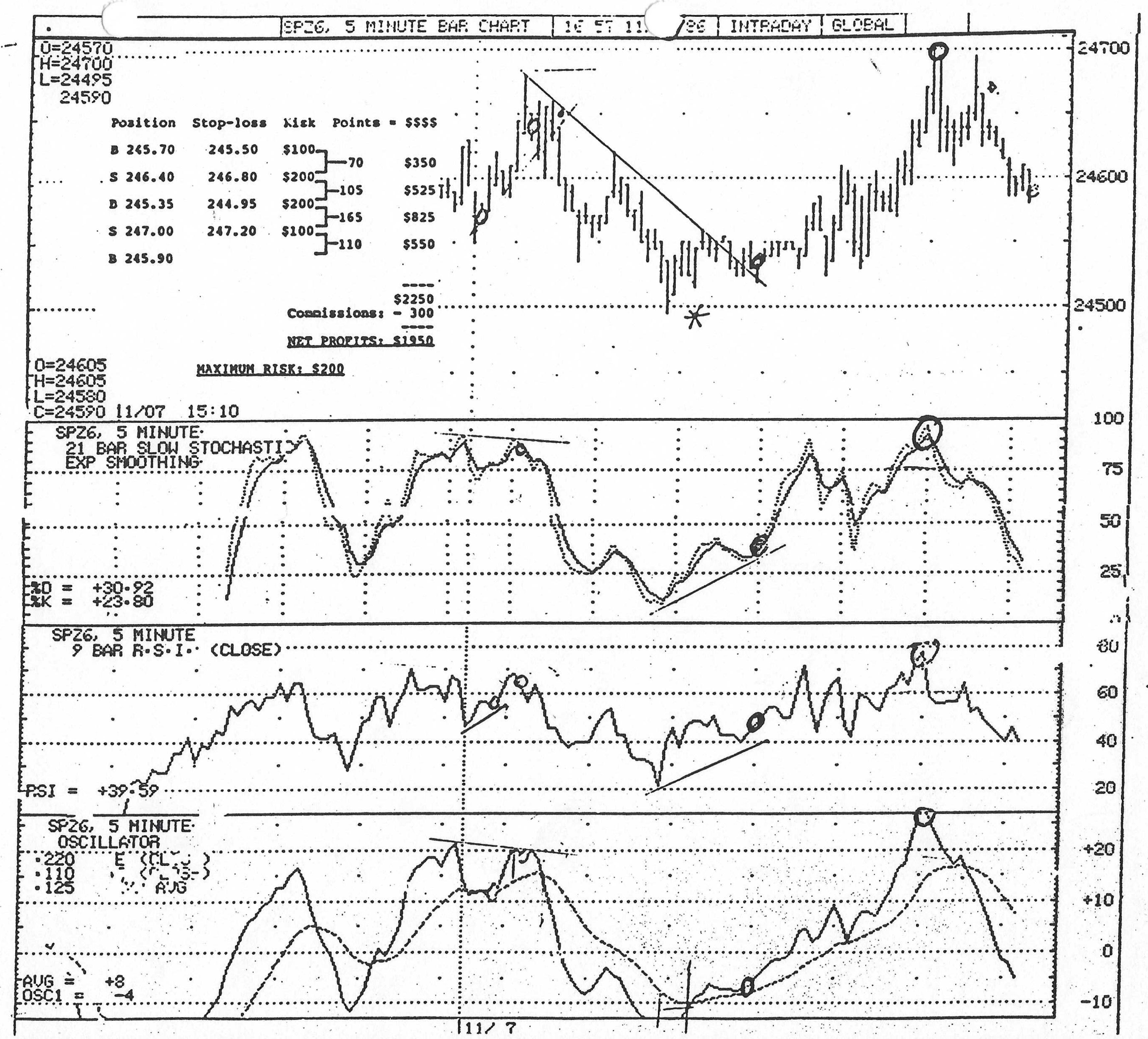
SPZ6, 5 MINUTE BAR CHART
15:54 11/ 4/86
DAILY
GLOBAL
O=24500
H=24720
16
247
246
245
Position Stop-loss Risk Points = $$$$
D 2??.75 244.30 $225
S 24?.20 245.45 $125 45 $225
D 245.00 244.80 $100 20 $100
S 246.55 155 $775
$1100
Commissions: - 225
RSI = +47.73
SPZ6, 5 MINUTE
OSCILLATOR
.220 E (CLOSE)
.110 E (CLOSE)
.125 EXP AVG
AVG = +12
OSC1 = +4
SPZ6, 5 MINUTE
13 BAR SLOW STOCHASTIC
EXP SMOOTHING
%D = +31.96
%K = +25.89
11/ 4

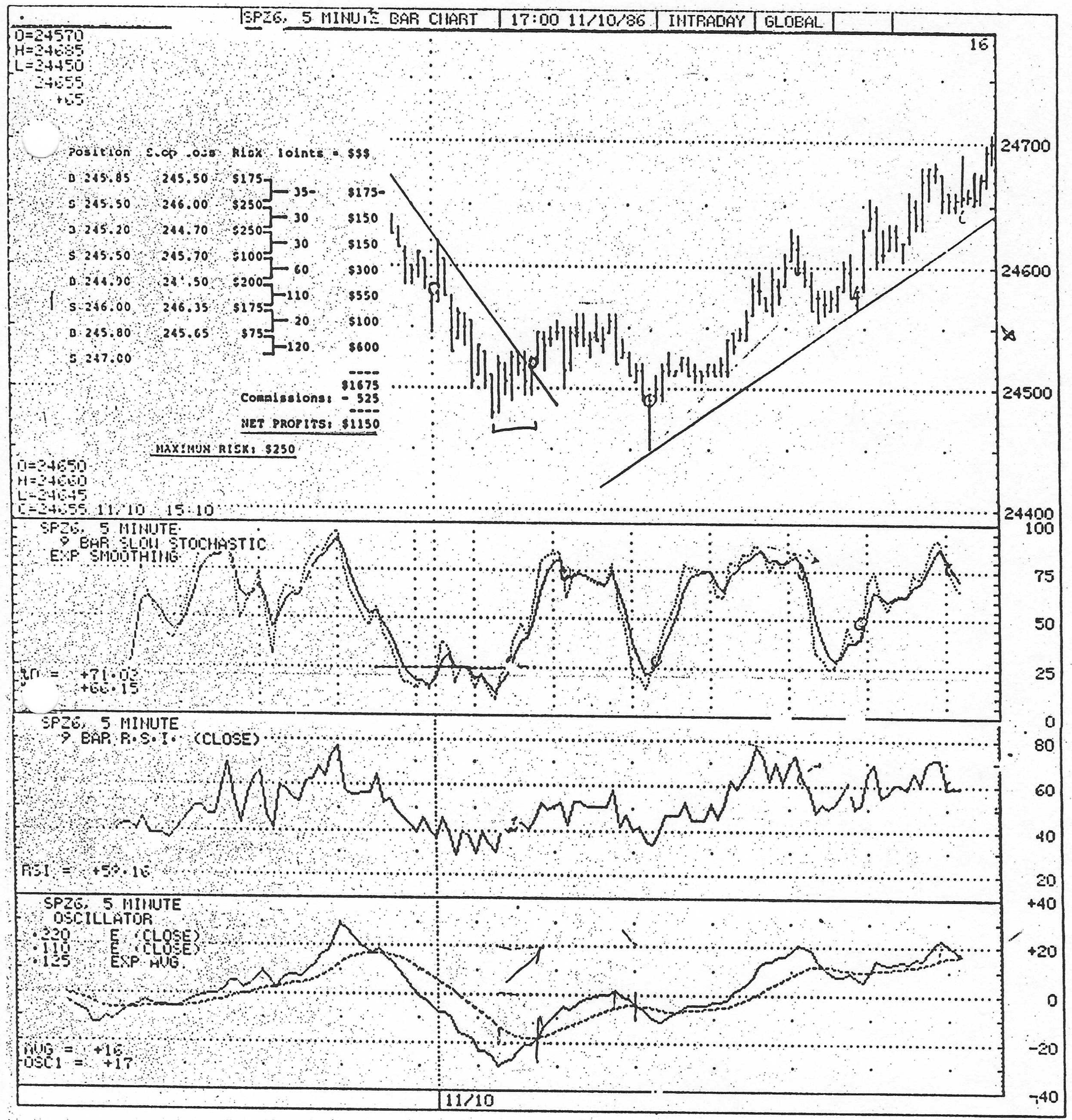


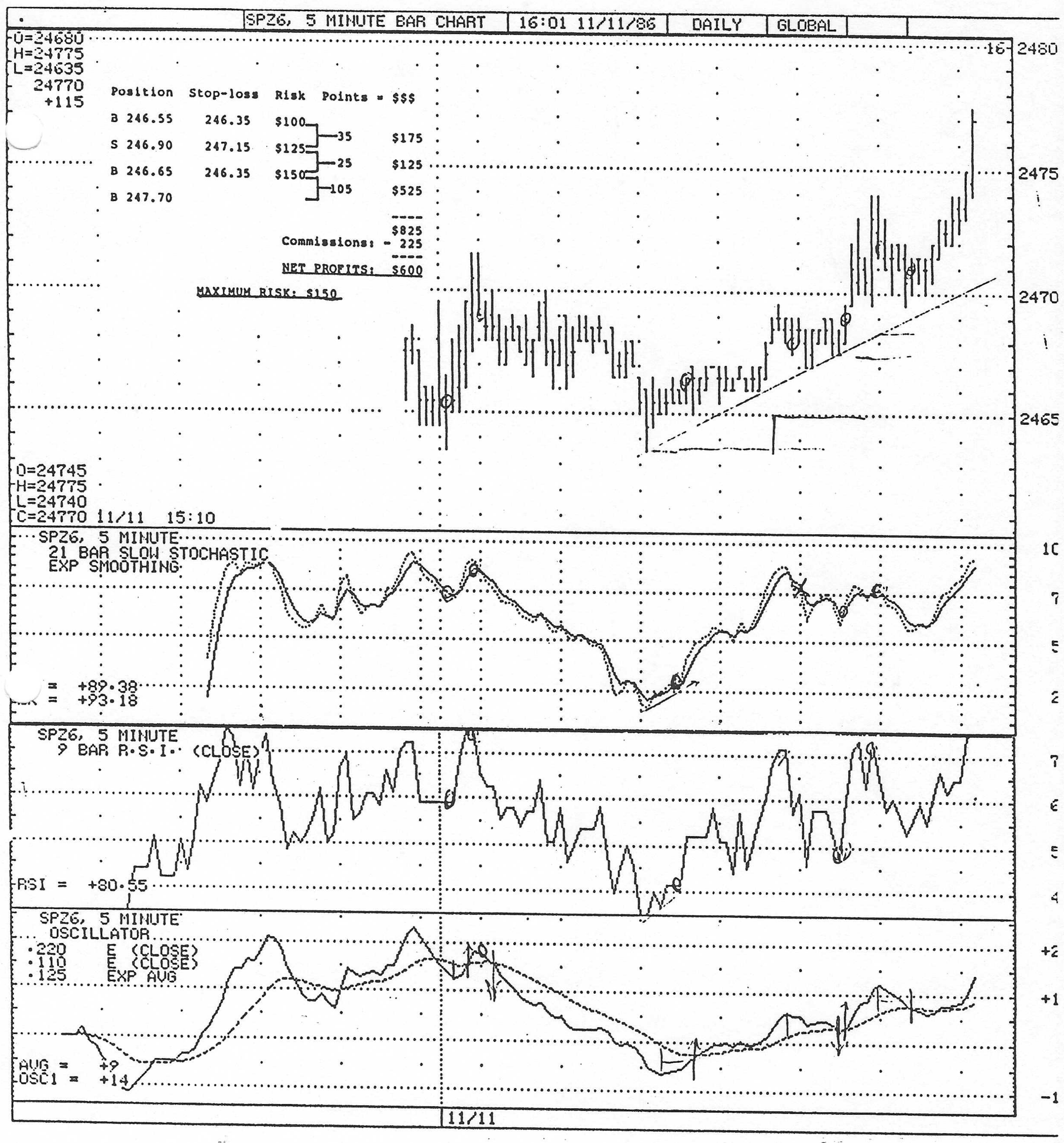
SPZ6, 5 MINUTE BAR CHART
15:21 11/5/86
DAILY
GLOBAL
H=24765
L=24535
24720
+90
Position
Stop-loss
Risk
Points = $$$$
B 245.85
245.50
$175
125
$625
S 247.10
247.65
$275
30
$150
B 246.80
246.60
$100
50
$250
S 247.30
247.50
$100
65
$325
B 246.65
246.20
$225
45
$225
S 247.10
$1575
Commissions: - 375
NET PROFITS: $1200
MAXIMUM RISK: $275
O=24705
H=24730
L=24695
C=24720 11/05 15:10
24800
24700
24600
24500
SPZ6, 5 MINUTE
13 BAR SLOW STOCHASTIC
EXP SMOOTHING
%D = +67.24
%K = +67.12
100
75
50
25
0
SPZ6, 5 MINUTE
9 BAR R.S.I. (CLOSE)
80
60
40
(CLOSE)
E (CLOSE)
EXP AVG
AVG = +1
OSC1 = +12
+20
+10
0
-10
11/ 5

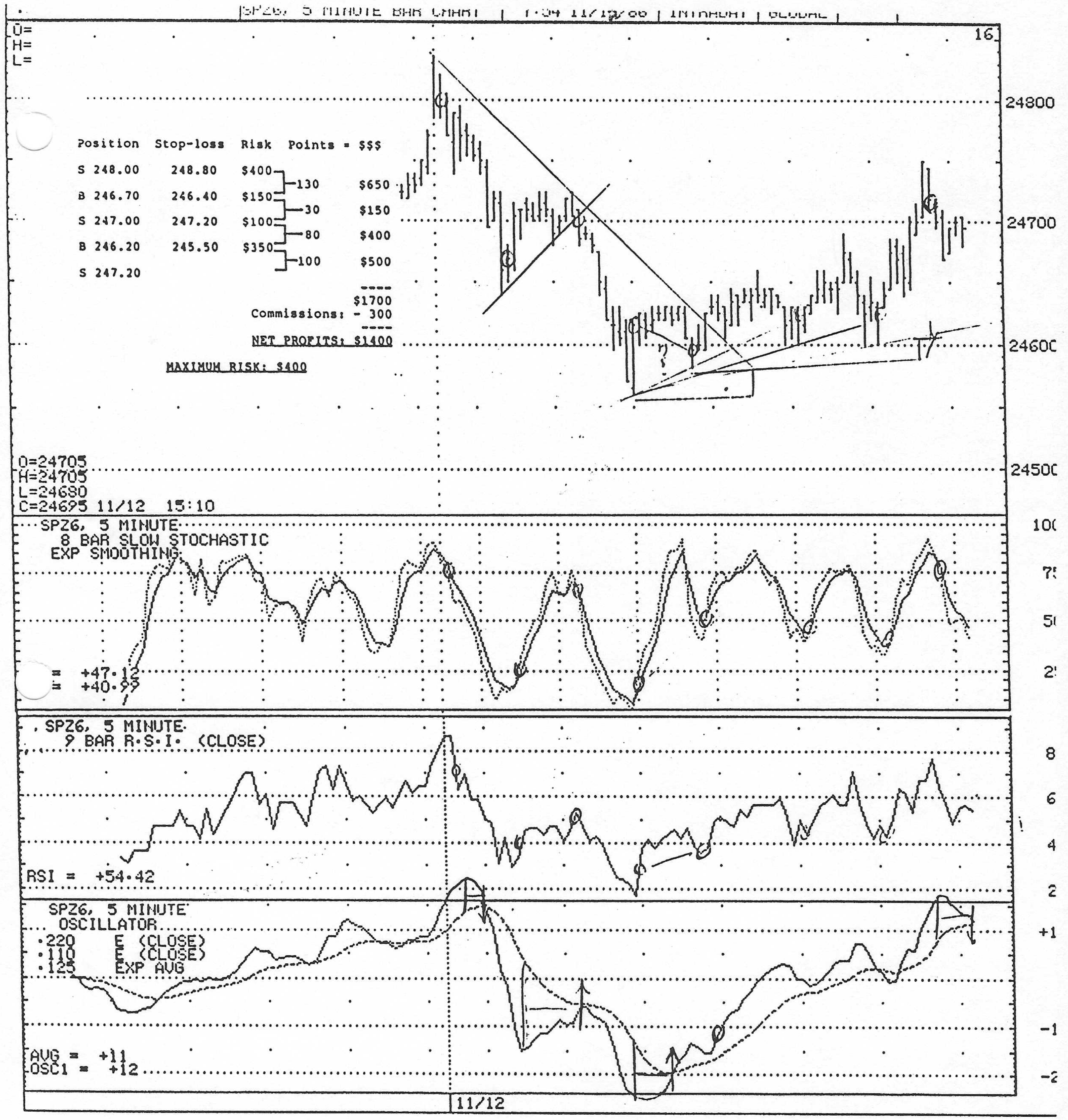


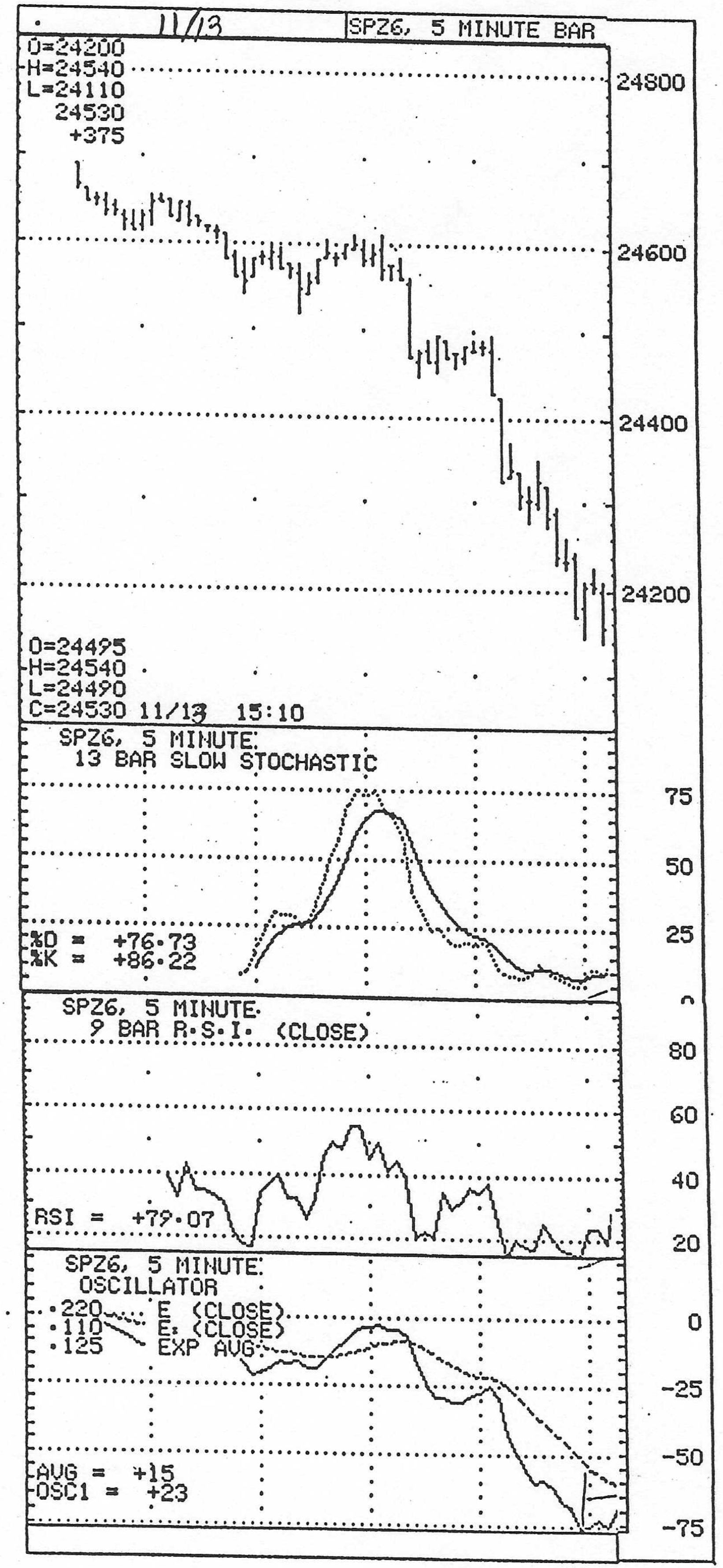
SPZ6, 5 MINUTE BAR CHART
16:40 11/ 6/86
WEEKLY
GLOBAL
O=24640
H=24755
L=24390
24620
Position Stop-loss Risk Points = $$$
D 246.45 246.10 $175
S 247.45 247.65 $100 100 $500
D 244.50 243.90 $300 295 $1475
S 245.80 246.05 $125 130 $650
D 244.90 244.55 $175 90 $450
S 245.90 100 $500
$3575
Commissions: - 375
NET PROFITS: $3200
MAXIMUM RISK: $300
O=24630
H=24630
L=24595
C=24620 11/06 15:10
24700
24600
24500
24400
SPZ6, 5 MINUTE
21 BAR SLOW STOCHASTIC
EXP SMOOTHING
%D = +88.66
%K = +91.91
100
75
50
25
0
SPZ6, 5 MINUTE
9 BAR R.S.I. (CLOSE)
RSI = +65.63
60
40
20
SPZ6, 5 MINUTE
OSCILLATOR
.220 E (CLOSE)
.110 E (CLOSE)
.125 EXP AVG
AVG = +12
OSC1 = +21
+25
0
-25
-50
11/ 6

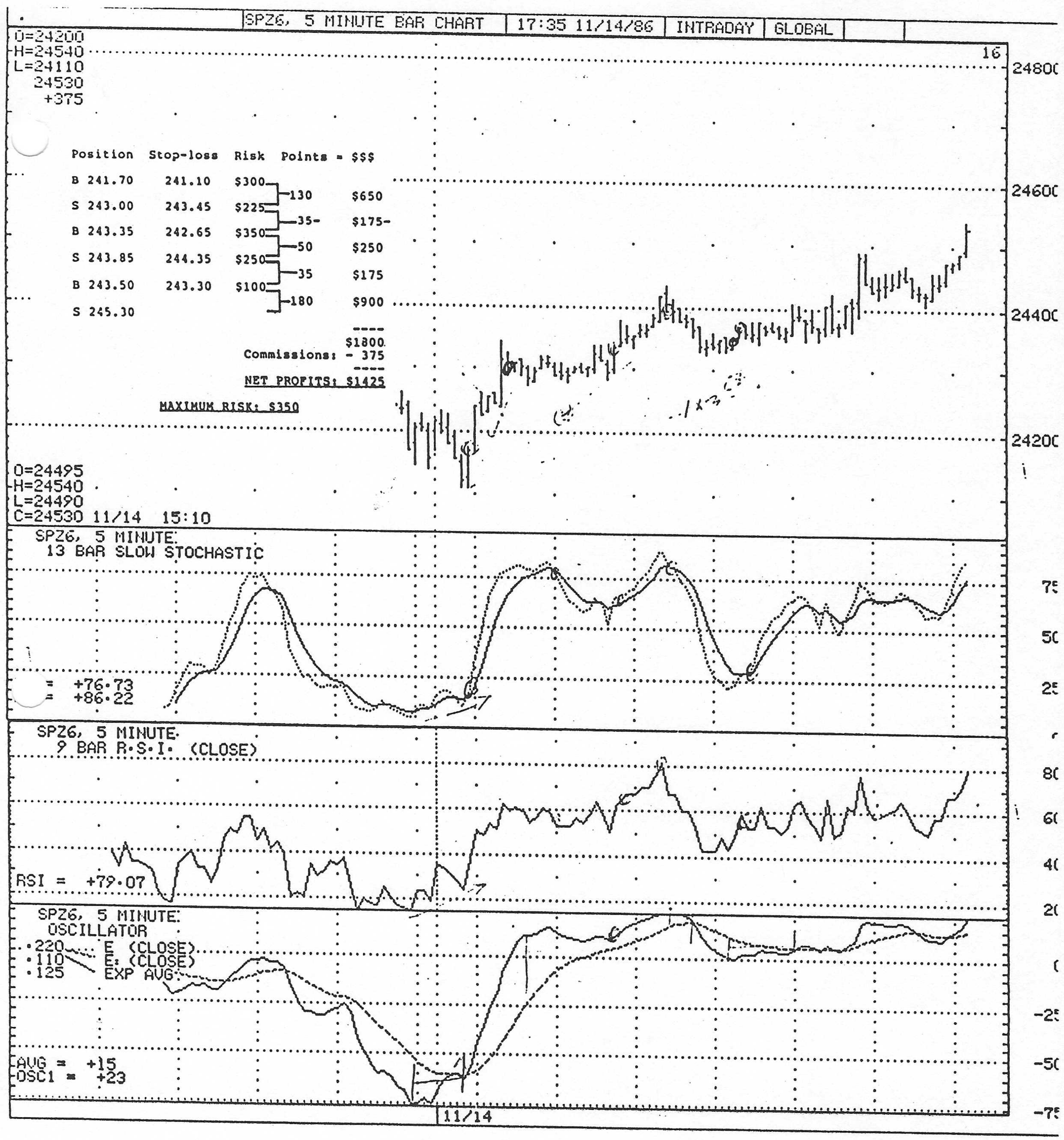

SPZ6, 5 MINUTE BAR CHART
INTRADAY
GLOBAL
O=24570
H=24700
L=24495
24590
Position Stop-loss Risk Points = $$$$
B 245.70 245.50 $100
S 246.40 246.80 $200 70 $350
B 245.35 244.95 $200 105 $525
S 247.00 247.20 $100 165 $825
B 245.90 110 $550
$2250
Commissions: - 300
NET PROFITS: $1950
MAXIMUM RISK: $200
O=24605
H=24605
L=24580
C=24590 11/07 15:10
24700
24600
24500
SPZ6, 5 MINUTE
21 BAR SLOW STOCHASTIC
EXP SMOOTHING
%D = +30.92
%K = +23.80
100
75
50
25
SPZ6, 5 MINUTE
9 BAR R.S.I. (CLOSE)
RSI = +39.59
80
60
40
20
SPZ6, 5 MINUTE
OSCILLATOR
AVG
AVG = +8
OSC1 = -4
+20
+10
0
-10
11/ 7


SPZ6, 5 MINUTE BAR CHART
17:00 11/10/86
INTRADAY
GLOBAL
O=24570
H=24685
L=24450
24655
+65
Position Stop Loss Risk Points = $$$
B 245.85 245.50 $175 35 $175
S 245.50 246.00 $250 30 $150
B 245.20 244.70 $250 30 $150
S 245.50 245.70 $100 60 $300
B 244.90 $200 110 $550
S 246.00 246.35 $175 20 $100
B 245.80 245.65 $75 120 $600
S 247.00
$1675
Commissions: - 525
NET PROFITS: $1150
MAXIMUM RISK: $250
O=24650
H=24660
L=24645
C=24655 11/10 15:10
24700
24600
24500
24400
SPZ6, 5 MINUTE
9 BAR SLOW STOCHASTIC
EXP SMOOTHING
+71.02
+66.15
100
75
50
25
0
SPZ6, 5 MINUTE
9 BAR R.S.I. (CLOSE)
RSI = +59.16
80
60
40
20
SPZ6, 5 MINUTE
OSCILLATOR
E (CLOSE)
E (CLOSE)
EXP AVG
AVG = +16
OSC1 = +17
+40
+20
0
-20
-40
11/10


SPZ6, 5 MINUTE BAR CHART
16:01 11/11/86
DAILY
GLOBAL
O=24680
H=24775
L=24635
24770
+115
Position Stop-loss Risk Points = $$$
B 246.55 246.35 $100
35 $175
S 246.90 247.15 $125
25 $125
B 246.65 246.35 $150
105 $525
B 247.70
$825
Commissions: - 225
NET PROFITS: $600
MAXIMUM RISK: $150
O=24745
H=24775
L=24740
C=24770 11/11 15:10
2480
2475
2470
2465
SPZ6, 5 MINUTE
21 BAR SLOW STOCHASTIC
EXP SMOOTHING
+89.38
+93.18
SPZ6, 5 MINUTE
9 BAR R.S.I. (CLOSE)
RSI = +80.55
SPZ6, 5 MINUTE
OSCILLATOR
.220 E (CLOSE)
.110 E (CLOSE)
.125 EXP AVG
AVG = +9
OSC1 = +14
11/11


SPZ6, 5 MINUTE BAR CHART
INTRADAY
GLOBAL
O=
H=
L=
Position Stop-loss Risk Points = $$$
S 248.00 248.80 $400
B 246.70 246.40 $150 130 $650
S 247.00 247.20 $100 30 $150
B 246.20 245.50 $350 80 $400
S 247.20 100 $500
$1700
Commissions: - 300
NET PROFITS: $1400
MAXIMUM RISK: $400
24800
24700
24600
24500
O=24705
H=24705
L=24680
C=24695 11/12 15:10
SPZ6, 5 MINUTE
8 BAR SLOW STOCHASTIC
EXP SMOOTHING
= +47.12
= +40.99
SPZ6, 5 MINUTE
9 BAR R.S.I. (CLOSE)
RSI = +54.42
SPZ6, 5 MINUTE
OSCILLATOR
.220 E (CLOSE)
.110 E (CLOSE)
.125 EXP AVG
AVG = +11
OSC1 = +12
11/12


11/13
SPZ6, 5 MINUTE BAR
O=24200
H=24540
L=24110
24530
+375
24800
24600
24400
24200
O=24495
H=24540
L=24490
C=24530 11/13 15:10
SPZ6, 5 MINUTE
13 BAR SLOW STOCHASTIC
%D = +76.73
%K = +86.22
75
50
25
0
SPZ6, 5 MINUTE
9 BAR R.S.I. (CLOSE)
RSI = +79.07
80
60
40
20
SPZ6, 5 MINUTE
OSCILLATOR
.220 E (CLOSE)
.110 E: (CLOSE)
.125 EXP AVG
AVG = +15
OSC1 = +23
0
-25
-50
-75

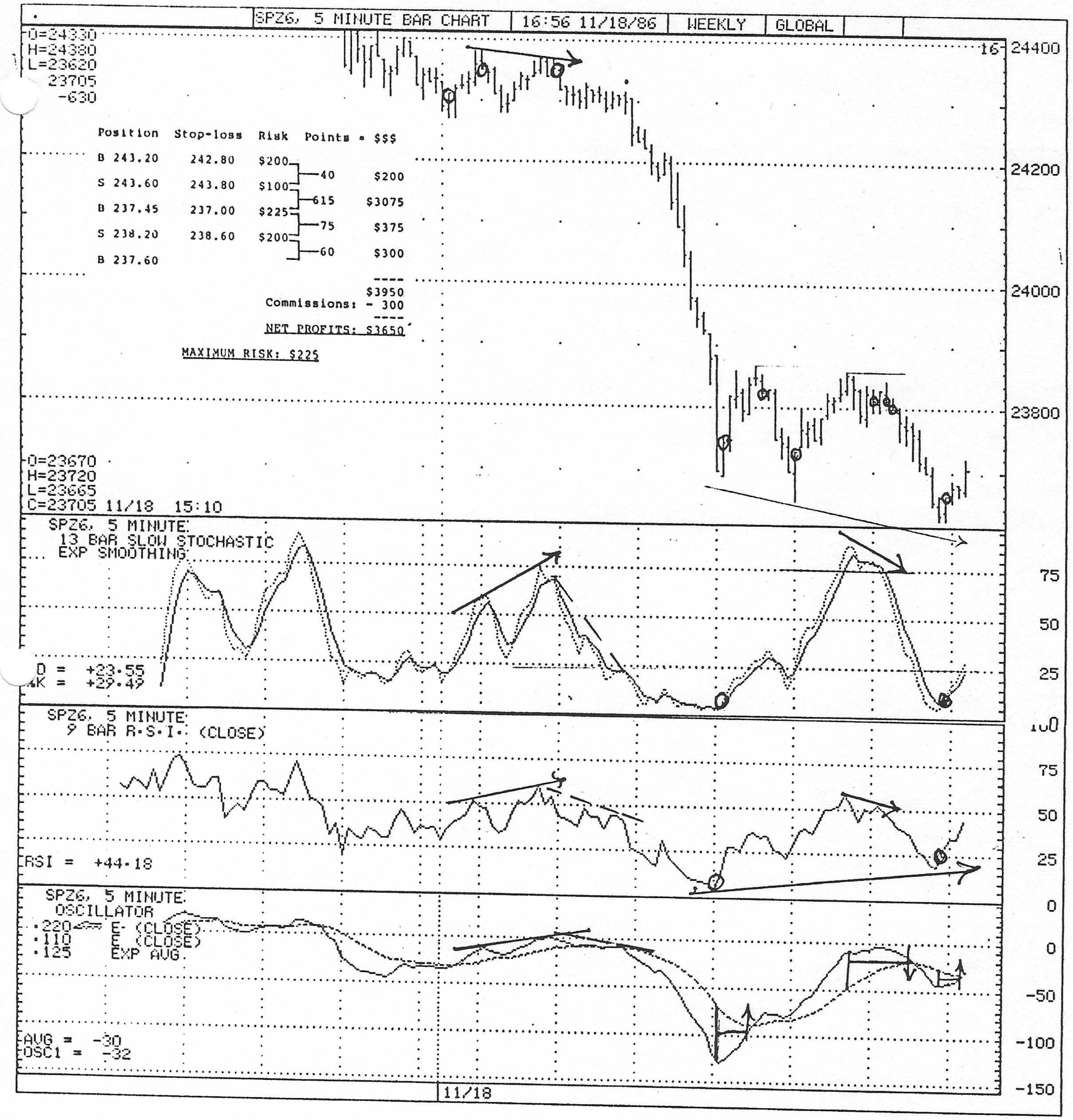


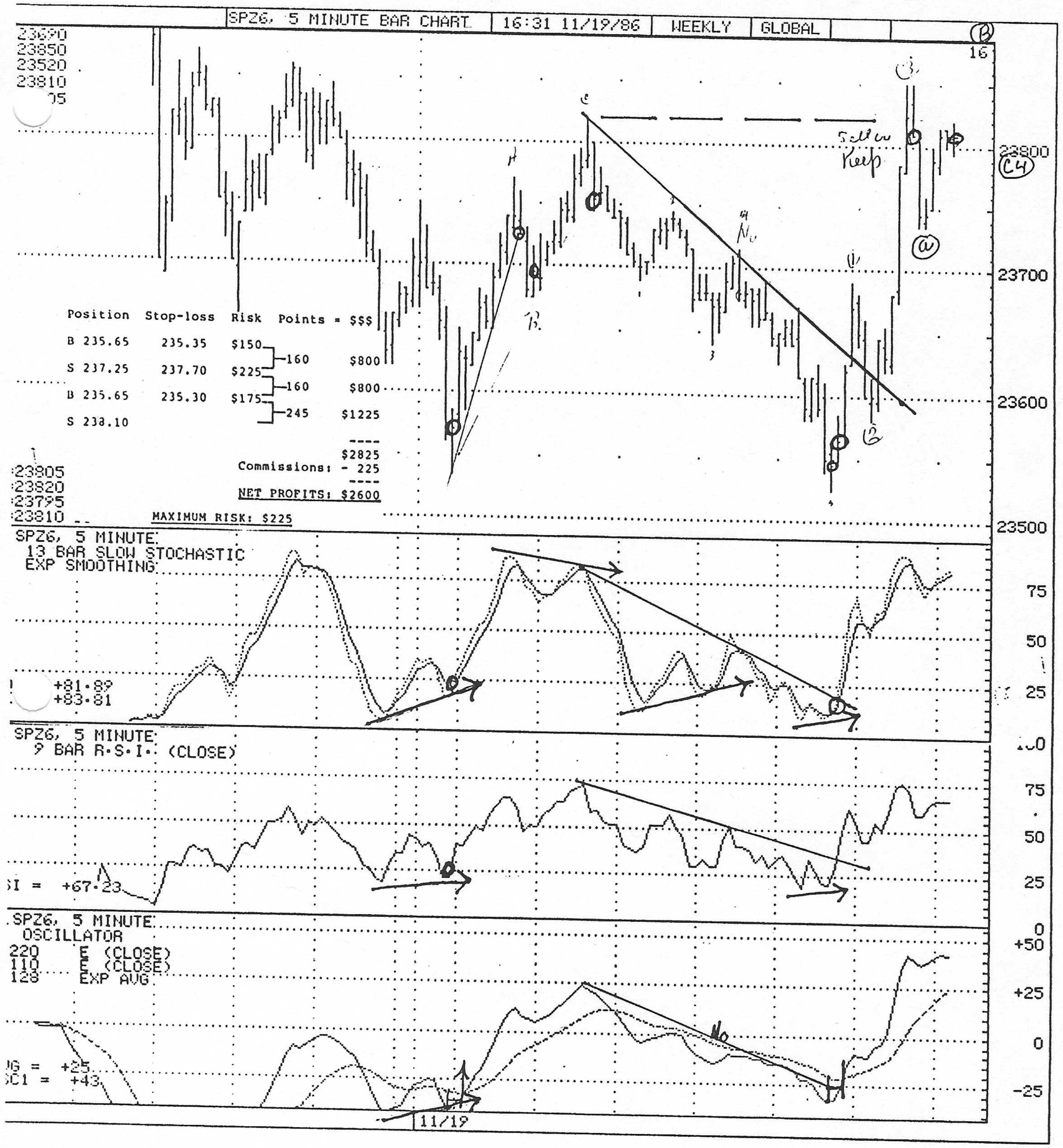
Position	Stop-loss	Risk	Points	= $$$
B 241.70	241.10	$300		
			130	$650
S 243.00	243.45	$225		
			35-	$175-
B 243.35	242.65	$350		
			50	$250
S 243.85	244.35	$250		
			35	$175
B 243.50	243.30	$100		
			180	$900
S 245.30				

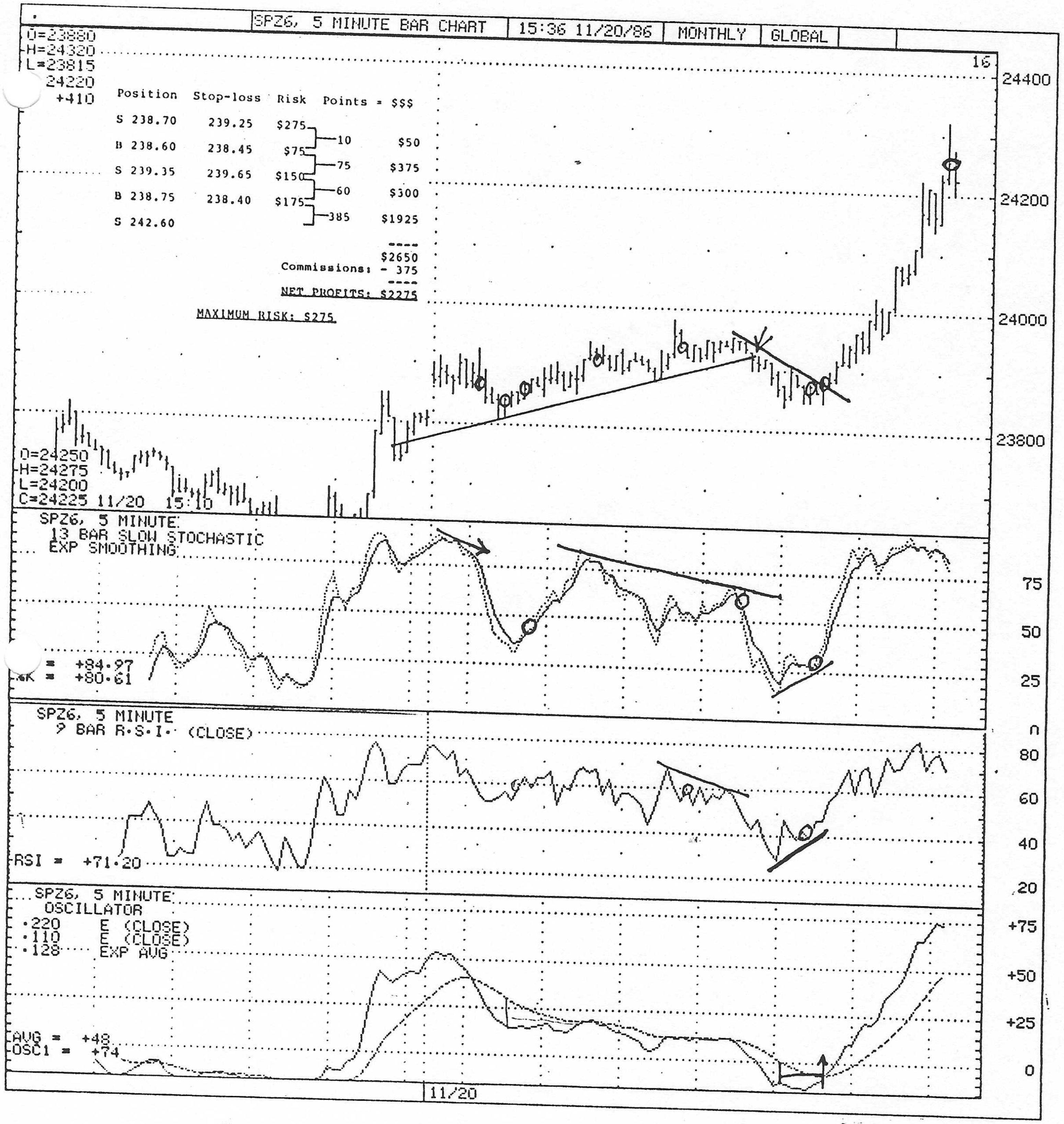
$1800
Commissions: - 375

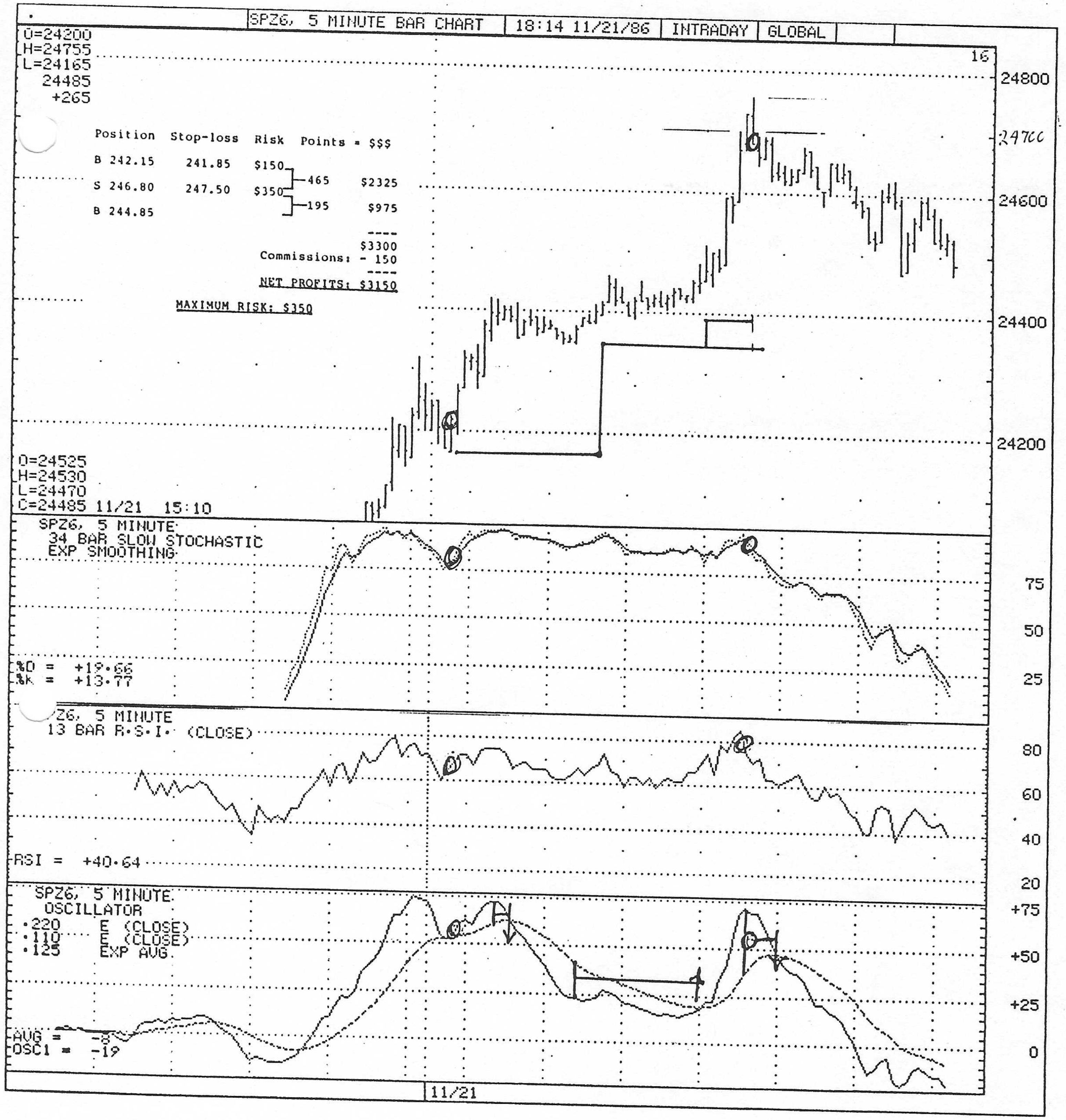
NET PROFITS: $1425

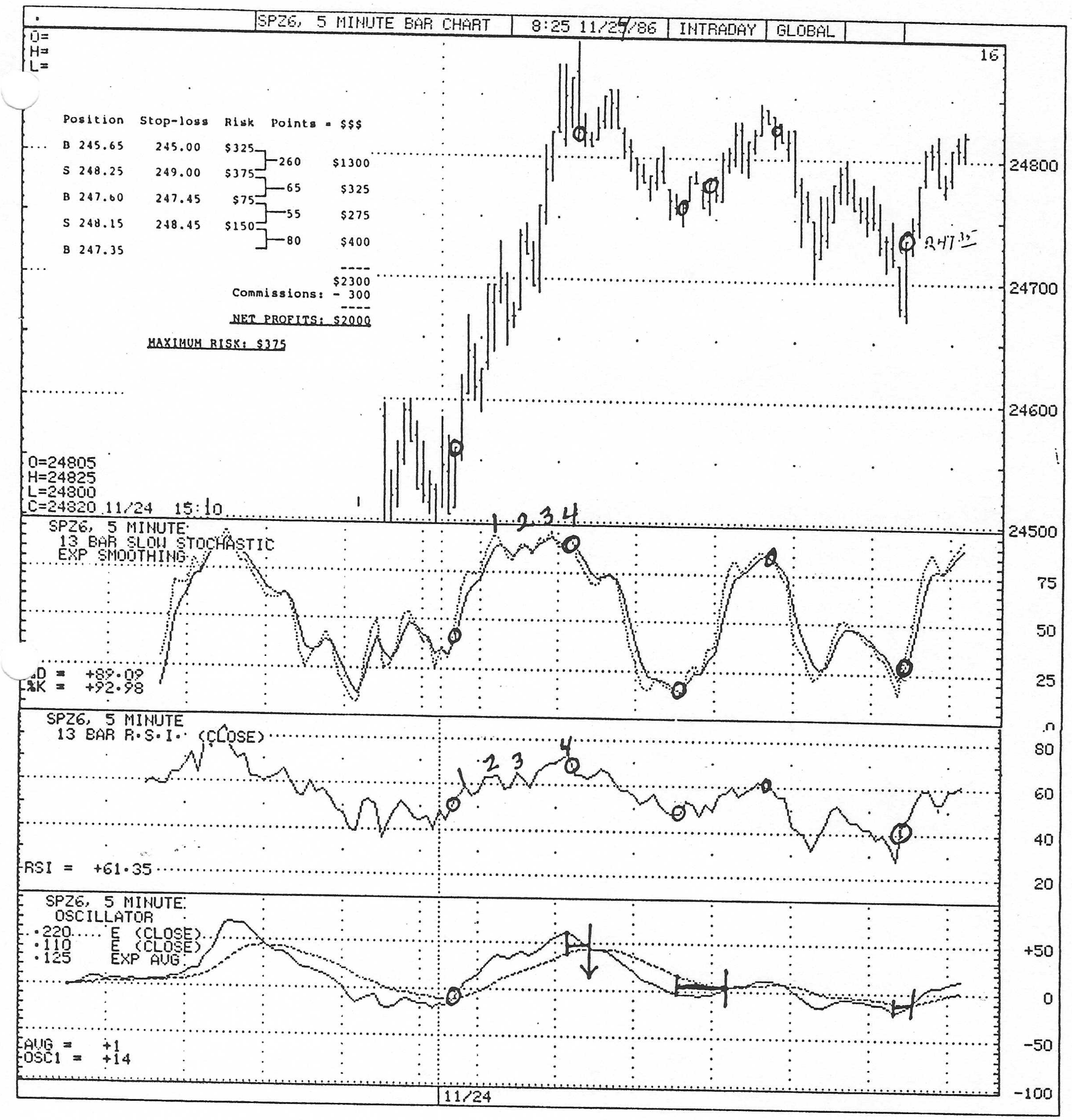
MAXIMUM RISK: $350

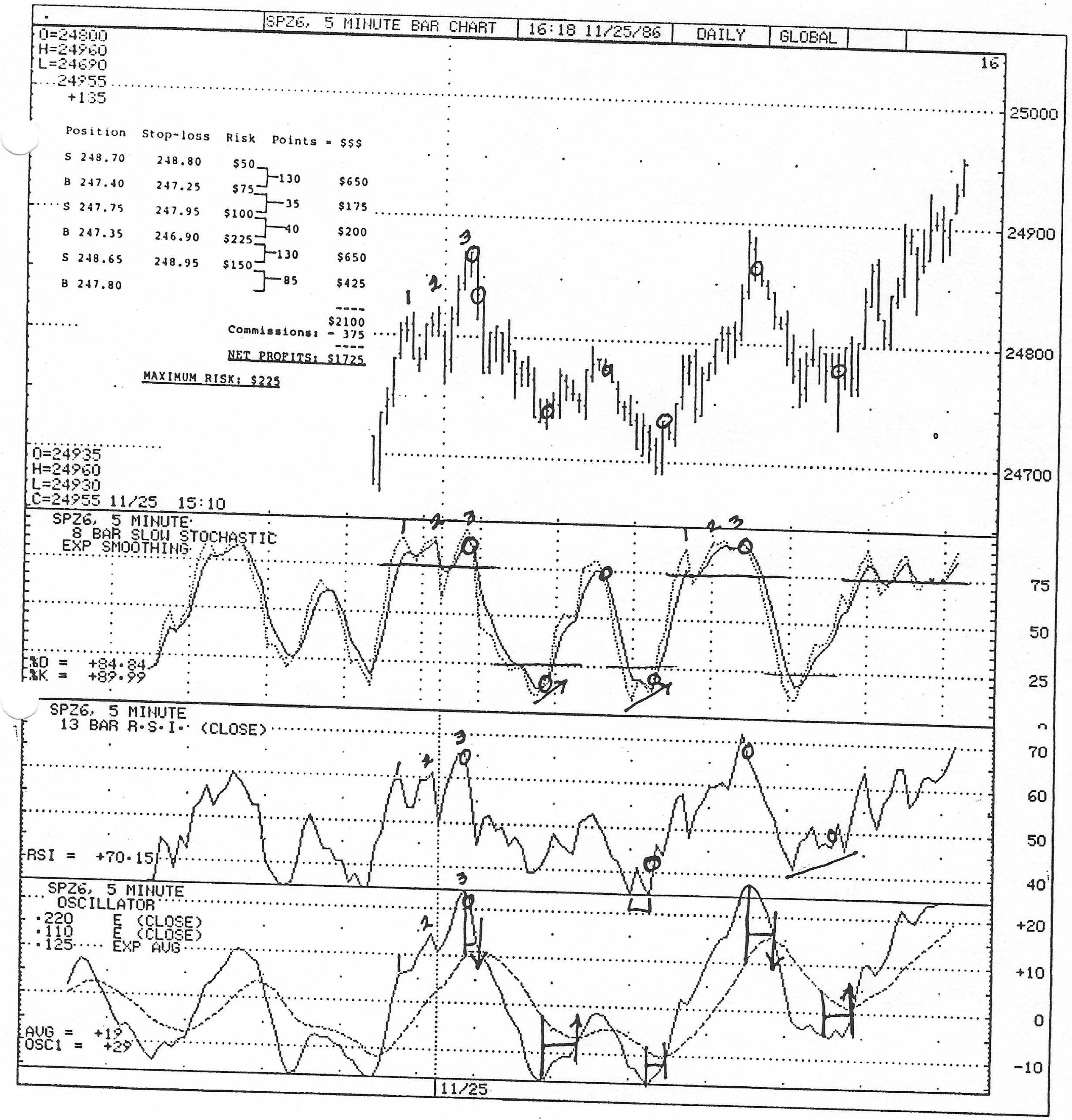

SPZ6, 5 MINUTE BAR CHART
16:56 11/18/86
WEEKLY
GLOBAL
O=24330
H=24380
L=23620
23705
-630
Position Stop-loss Risk Points = $$$
B 243.20 242.80 $200
S 243.60 243.80 $100 40 $200
B 237.45 237.00 $225 615 $3075
S 238.20 238.60 $200 75 $375
B 237.60 60 $300
$3950
Commissions: - 300
NET PROFITS: $3650
MAXIMUM RISK: $225
O=23670
H=23720
L=23665
C=23705 11/18 15:10
24400
24200
24000
23800
SPZ6, 5 MINUTE
13 BAR SLOW STOCHASTIC
EXP SMOOTHING
D = +23.55
K = +29.49
75
50
25
SPZ6, 5 MINUTE
9 BAR R.S.I. (CLOSE)
RSI = +44.18
100
75
50
25
0
SPZ6, 5 MINUTE
OSCILLATOR
.220 E (CLOSE)
.110 E (CLOSE)
.125 EXP AVG.
AVG = -30
OSC1 = -32
0
-50
-100
-150
11/18

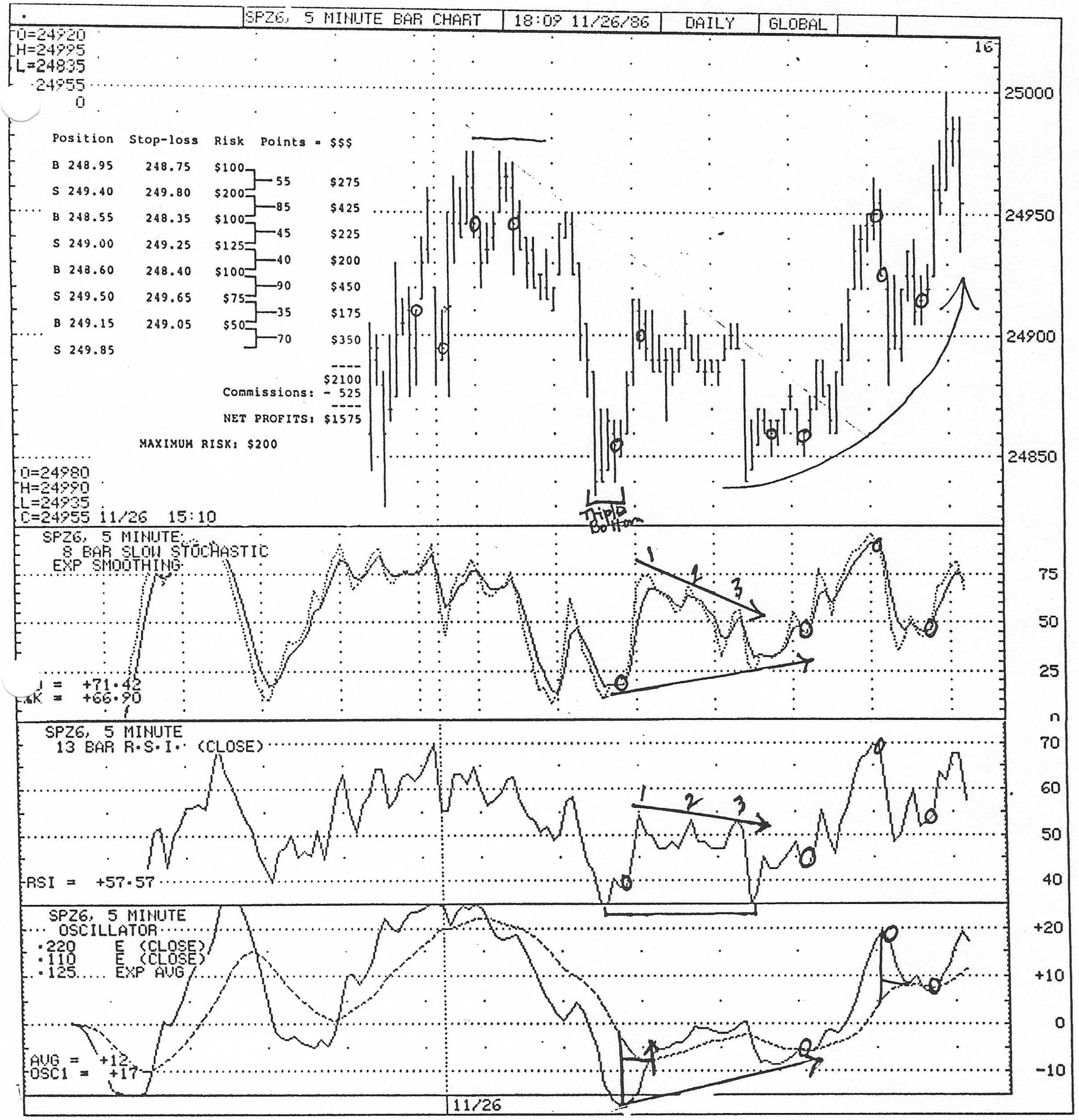

SPZ6, 5 MINUTE BAR CHART
16:31 11/19/86
WEEKLY
GLOBAL
23690
23850
23520
23810
23805
23820
23795
23810
23800
23700
23600
23500
Position Stop-loss Risk Points = $$$
B 235.65 235.35 $150
S 237.25 237.70 $225 160 $800
B 235.65 235.30 $175 160 $800
S 238.10 245 $1225
$2825
Commissions: - 225
NET PROFITS: $2600
MAXIMUM RISK: $225
Keep
SPZ6, 5 MINUTE
13 BAR SLOW STOCHASTIC
EXP SMOOTHING
+81.89
+83.81
75
50
25
SPZ6, 5 MINUTE
9 BAR R.S.I. (CLOSE)
+67.23
75
50
25
0
SPZ6, 5 MINUTE
OSCILLATOR
220 E (CLOSE)
110 E (CLOSE)
128 EXP AVG
+25
+43
+50
+25
0
-25
No
11/19


SPZ6, 5 MINUTE BAR CHART
15:36 11/20/86
MONTHLY
GLOBAL
O=23880
H=24320
L=23815
24220
+410
Position Stop-loss Risk Points = $$$
S 238.70 239.25 $275
B 238.60 238.45 $75 10 $50
S 239.35 239.65 $150 75 $375
B 238.75 238.40 $175 60 $300
S 242.60 385 $1925
$2650
Commissions: - 375
NET PROFITS: $2275
MAXIMUM RISK: $275
16
24400
24200
24000
23800
O=24250
H=24275
L=24200
C=24225 11/20 15:10
SPZ6, 5 MINUTE
13 BAR SLOW STOCHASTIC
EXP SMOOTHING
+84.97
%K = +80.61
75
50
25
SPZ6, 5 MINUTE
9 BAR R.S.I. (CLOSE)
RSI = +71.20
80
60
40
20
SPZ6, 5 MINUTE
OSCILLATOR
.220 E (CLOSE)
.110 E (CLOSE)
.128 EXP AVG
AVG = +48
OSC1 = +74
+75
+50
+25
0
11/20


SPZ6, 5 MINUTE BAR CHART
18:14 11/21/86
INTRADAY
GLOBAL
O=24200
H=24755
L=24165
24485
+265
16
24800
24760
24600
24400
24200
Position Stop-loss Risk Points = $$$
B 242.15 241.85 $150
S 246.80 247.50 $350
-465 $2325
B 244.85
-195 $975
$3300
Commissions: - 150
NET PROFITS: $3150
MAXIMUM RISK: $350
O=24525
H=24530
L=24470
C=24485 11/21 15:10
SPZ6, 5 MINUTE
34 BAR SLOW STOCHASTIC
EXP SMOOTHING
%D = +19.66
%K = +13.77
75
50
25
SPZ6, 5 MINUTE
13 BAR R.S.I. (CLOSE)
RSI = +40.64
80
60
40
20
SPZ6, 5 MINUTE
OSCILLATOR
.220 E (CLOSE)
.110 E (CLOSE)
.125 EXP AVG
AVG = -8
OSC1 = -19
+75
+50
+25
0
11/21


SPZ6, 5 MINUTE BAR CHART
8:25 11/25/86
INTRADAY
GLOBAL
O=
H=
L=
16
Position Stop-loss Risk Points = $$$
B 245.65 245.00 $325
S 248.25 249.00 $375
B 247.60 247.45 $75
S 248.15 248.45 $150
B 247.35
260 $1300
65 $325
55 $275
80 $400
$2300
Commissions: - 300
NET PROFITS: $2000
MAXIMUM RISK: $375
247.35
24800
24700
24600
24500
O=24805
H=24825
L=24800
C=24820 11/24 15:10
1 2 3 4
SPZ6, 5 MINUTE
13 BAR SLOW STOCHASTIC
EXP SMOOTHING
%D = +89.09
%K = +92.98
75
50
25
0
SPZ6, 5 MINUTE
13 BAR R.S.I. (CLOSE)
1 2 3 4
RSI = +61.35
80
60
40
20
SPZ6, 5 MINUTE
OSCILLATOR
.220 E (CLOSE)
.110 E (CLOSE)
.125 EXP AVG
AVG = +1
OSC1 = +14
+50
0
-50
-100
11/24


SPZ6, 5 MINUTE BAR CHART
16:18 11/25/86
DAILY
GLOBAL
O=24800
H=24960
L=24690
24955
+135
Position Stop-loss Risk Points = $$$
S 248.70 248.80 $50
B 247.40 247.25 $75 130 $650
S 247.75 247.95 $100 35 $175
B 247.35 246.90 $225 40 $200
S 248.65 248.95 $150 130 $650
B 247.80 85 $425
$2100
Commissions: - 375
NET PROFITS: $1725
MAXIMUM RISK: $225
O=24935
H=24960
L=24930
C=24955 11/25 15:10
25000
24900
24800
24700
SPZ6, 5 MINUTE
8 BAR SLOW STOCHASTIC
EXP SMOOTHING
%D = +84.84
%K = +89.99
75
50
25
SPZ6, 5 MINUTE
13 BAR R.S.I. (CLOSE)
RSI = +70.15
70
60
50
40
SPZ6, 5 MINUTE
OSCILLATOR
.220 E (CLOSE)
.110 E (CLOSE)
.125 EXP AVG
AVG = +19
OSC1 = +29
+20
+10
0
-10
11/25

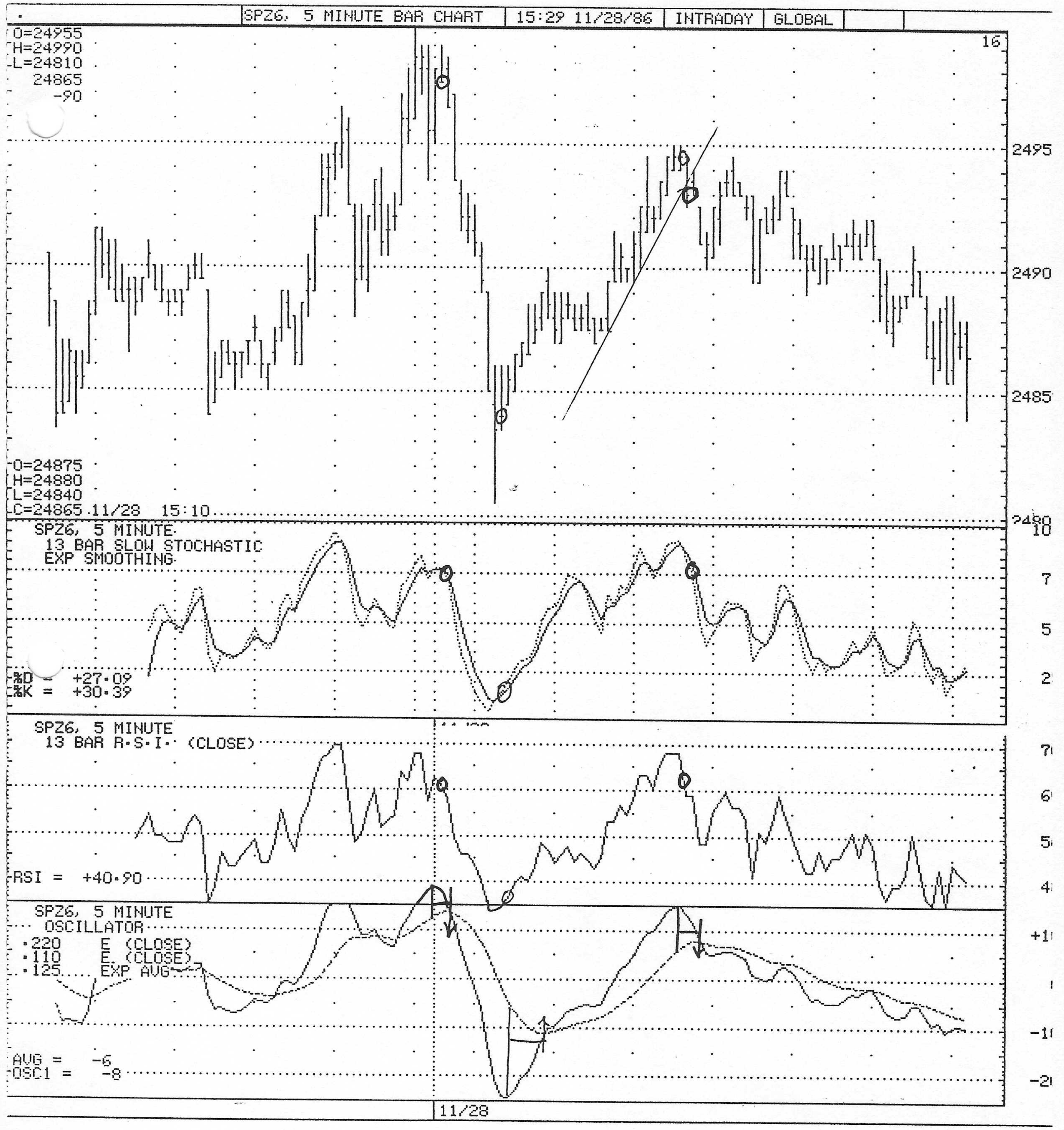

SPZ6, 5 MINUTE BAR CHART
18:09 11/26/86
DAILY
GLOBAL
O=24920
H=24995
L=24835
24955
0
16
Position Stop-loss Risk Points = $$$
B 248.95 248.75 $100
S 249.40 249.80 $200 55 $275
B 248.55 248.35 $100 85 $425
S 249.00 249.25 $125 45 $225
B 248.60 248.40 $100 40 $200
S 249.50 249.65 $75 90 $450
B 249.15 249.05 $50 35 $175
S 249.85 70 $350
$2100
Commissions: - 525
NET PROFITS: $1575
MAXIMUM RISK: $200
O=24980
H=24990
L=24935
C=24955 11/26 15:10
25000
24950
24900
24850
Triple Bottom
SPZ6, 5 MINUTE
8 BAR SLOW STOCHASTIC
EXP SMOOTHING
%D = +71.42
%K = +66.90
75
50
25
0
1
2
3
SPZ6, 5 MINUTE
13 BAR R.S.I. (CLOSE)
RSI = +57.57
70
60
50
40
SPZ6, 5 MINUTE
OSCILLATOR
.220 E (CLOSE)
.110 E (CLOSE)
.125 EXP AVG
AVG = +12
OSC1 = +17
+20
+10
0
-10
11/26

LANE'S TRADE LOG SUMMARY UP TO NOV 26TH.

THEN THE CHART CAPTURES AND TRADES CONTINUE ON ...

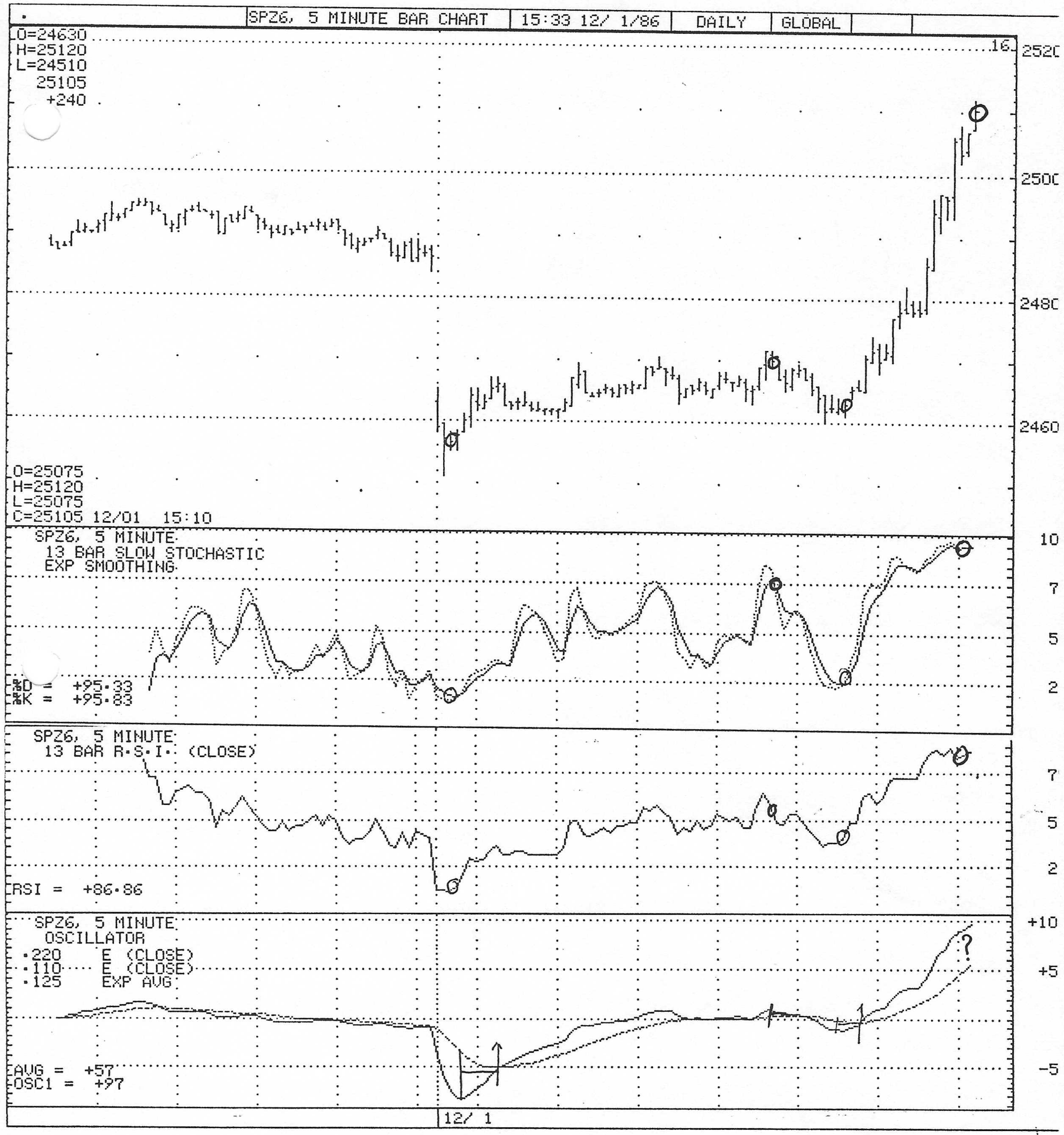
10-31-11-26-86 (19 TRADING DAYS)

Date	Wins	Losses	Highest Risk	Biggest Win	Small Win	Net Tot.	Net Trade
10-31	5	0	300	600	250	1900	380.00
11-3	6	1	200	525	100	1125	187.50
11-4	3	0	225	775	100	875	291.67
11-5	5	0	275	625	150	1200	240.00
11-6	5	1	300	1475	450	3200	640.00
11-7	4	0	200	825	350	1950	487.58
11-10	7	2	250	600	-175	1150	164.29
11-11	3	0	150	525	125	600	200.00
11-12	4	0	400	650	150	1400	350.00
11-13	1	0	200	1625	1625	1550	1550.00
11-14	5	1	350	900	-175	1425	285.00
11-17	6	2	325	1225	100	2725	454.16
11-18	4	0	225	3075	200	3650	912.50
11-19	3	0	225	1225	100	2600	866.67
11-20	4	0	275	1925	50	2275	568.75
11-21	2	0	350	2325	975	3150	1575.00
11-24	4	0	375	1300	275	2000	500.00
11-25	5	1	225	650	175	1725	345.00
11-26	7	0	200	450	175	1525	225.00
	83	8 8300	265.79	1121.05	-175Av	27860	538.05

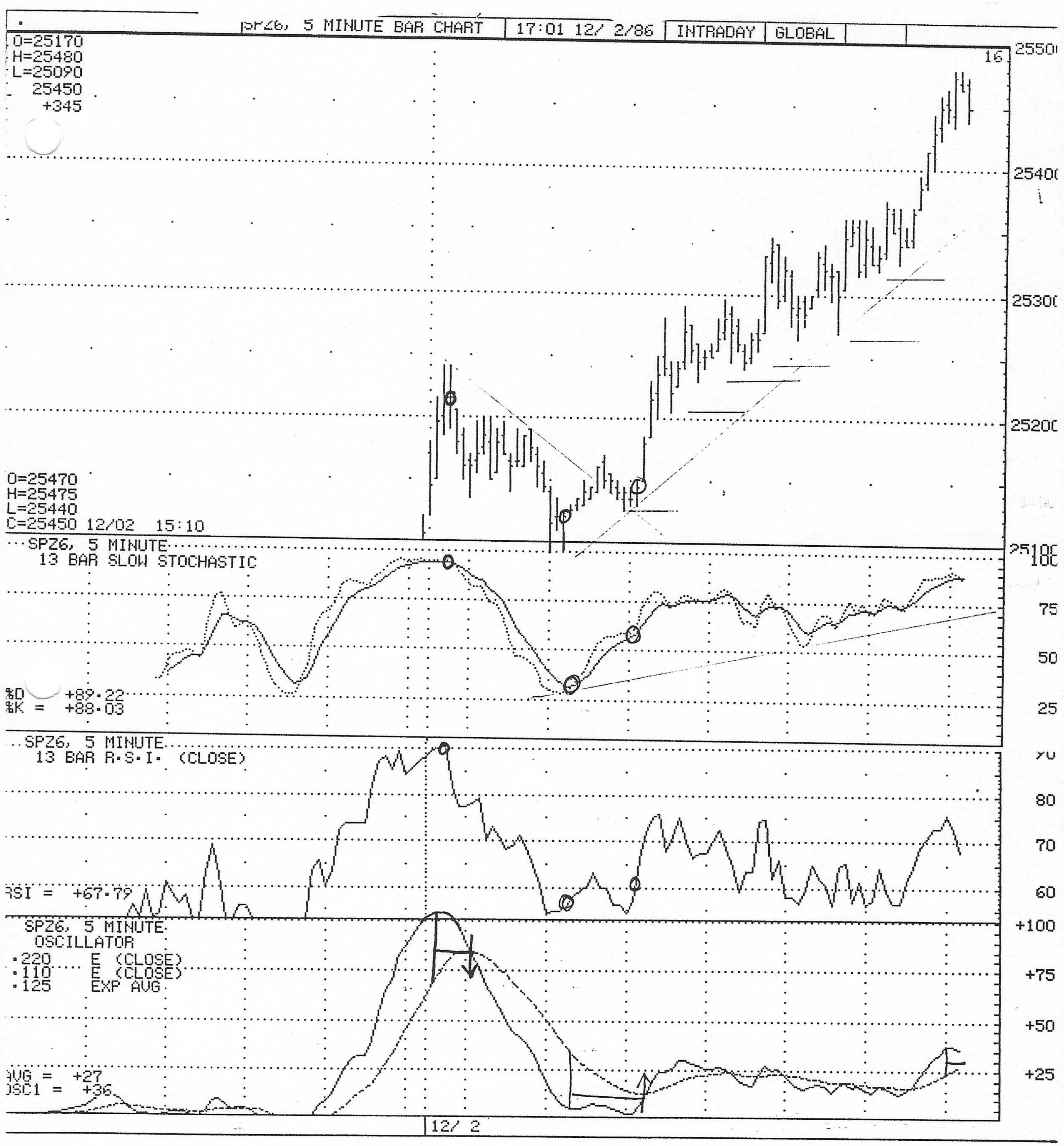


Commodity Quote-Graphics TQ-20/20

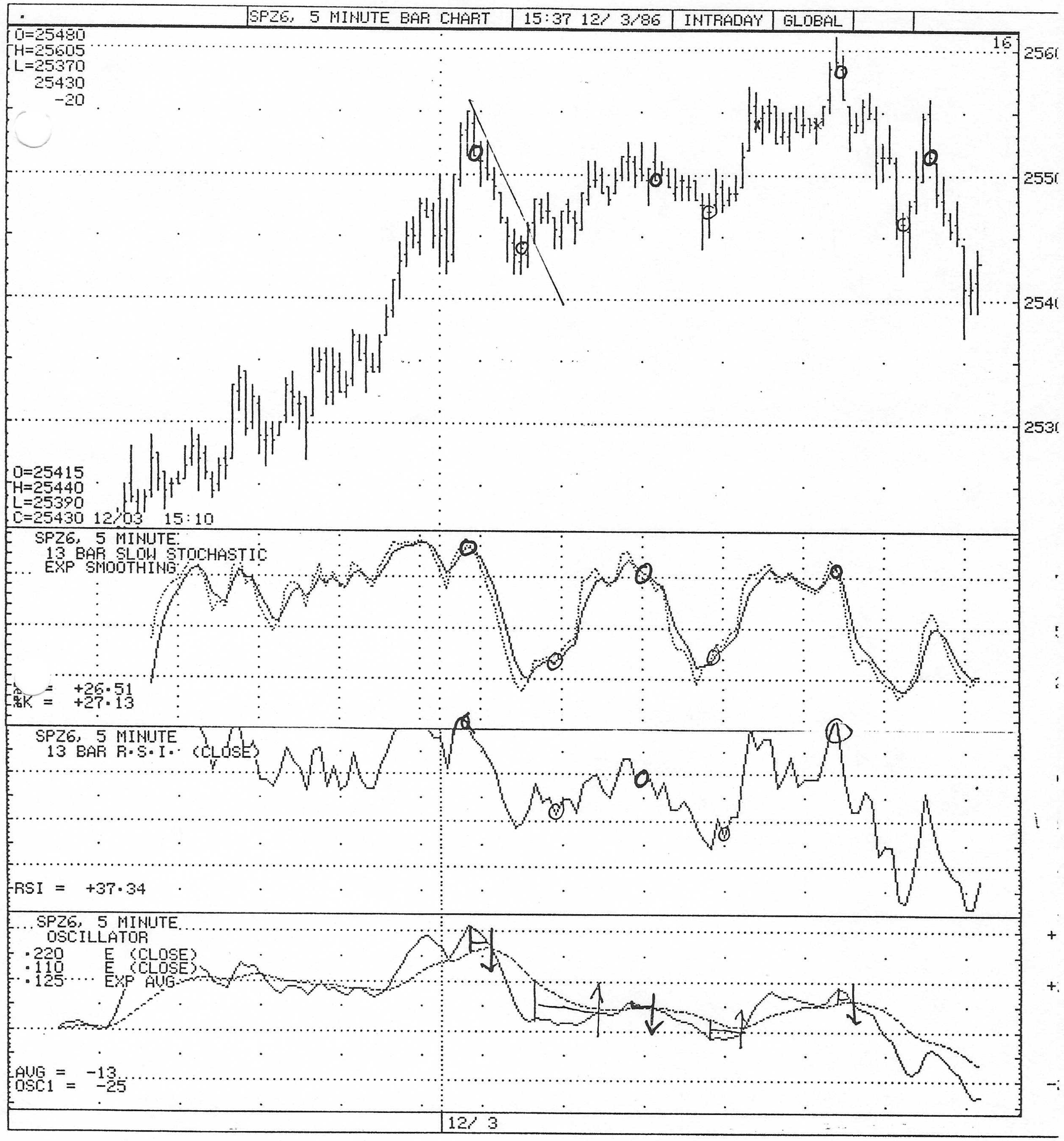
THE START OF DECEMBER 1986. /CB NOTE



Commodity Quote-Graphics TQ-20/20

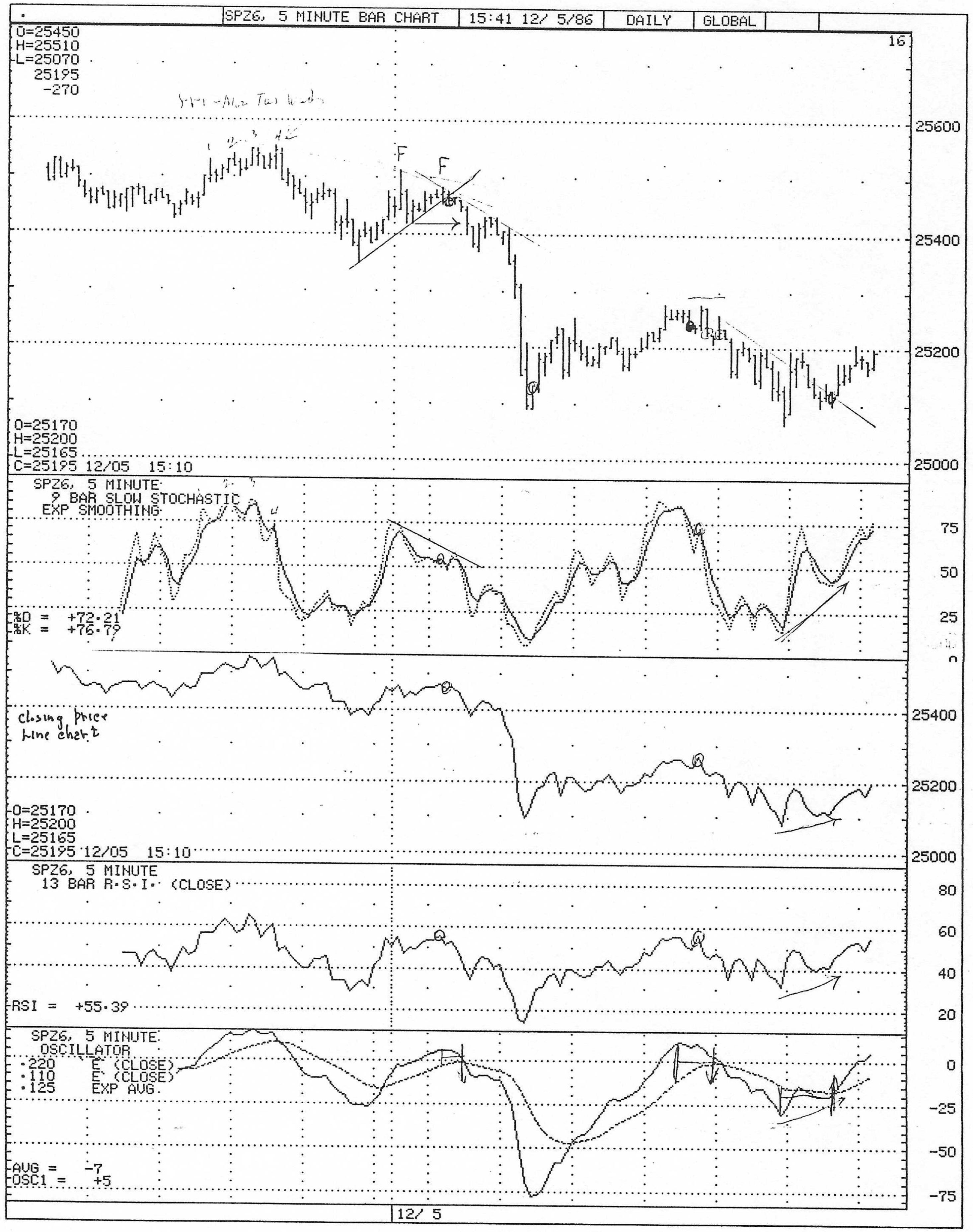


Commodity Quote-Graphics TQ-20/20

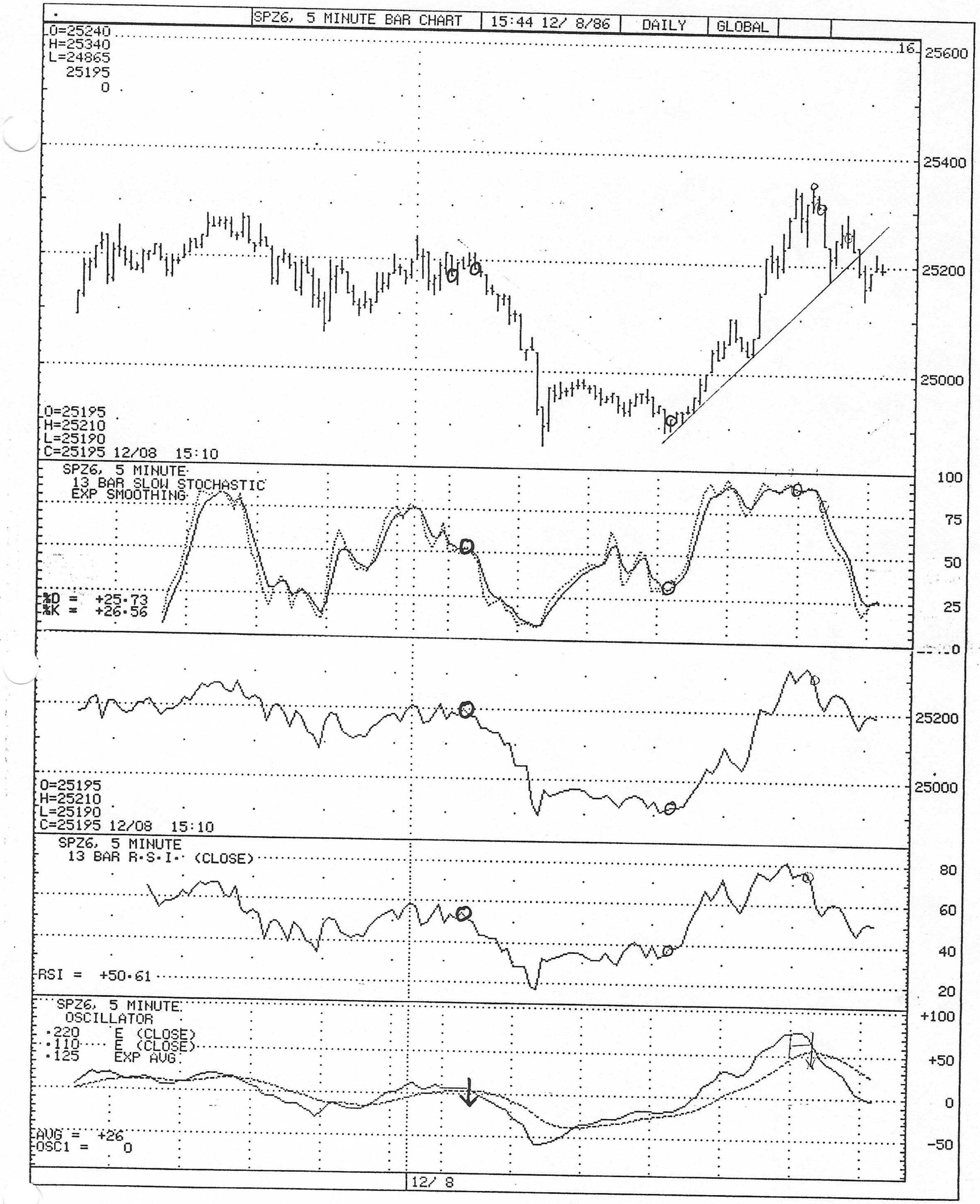


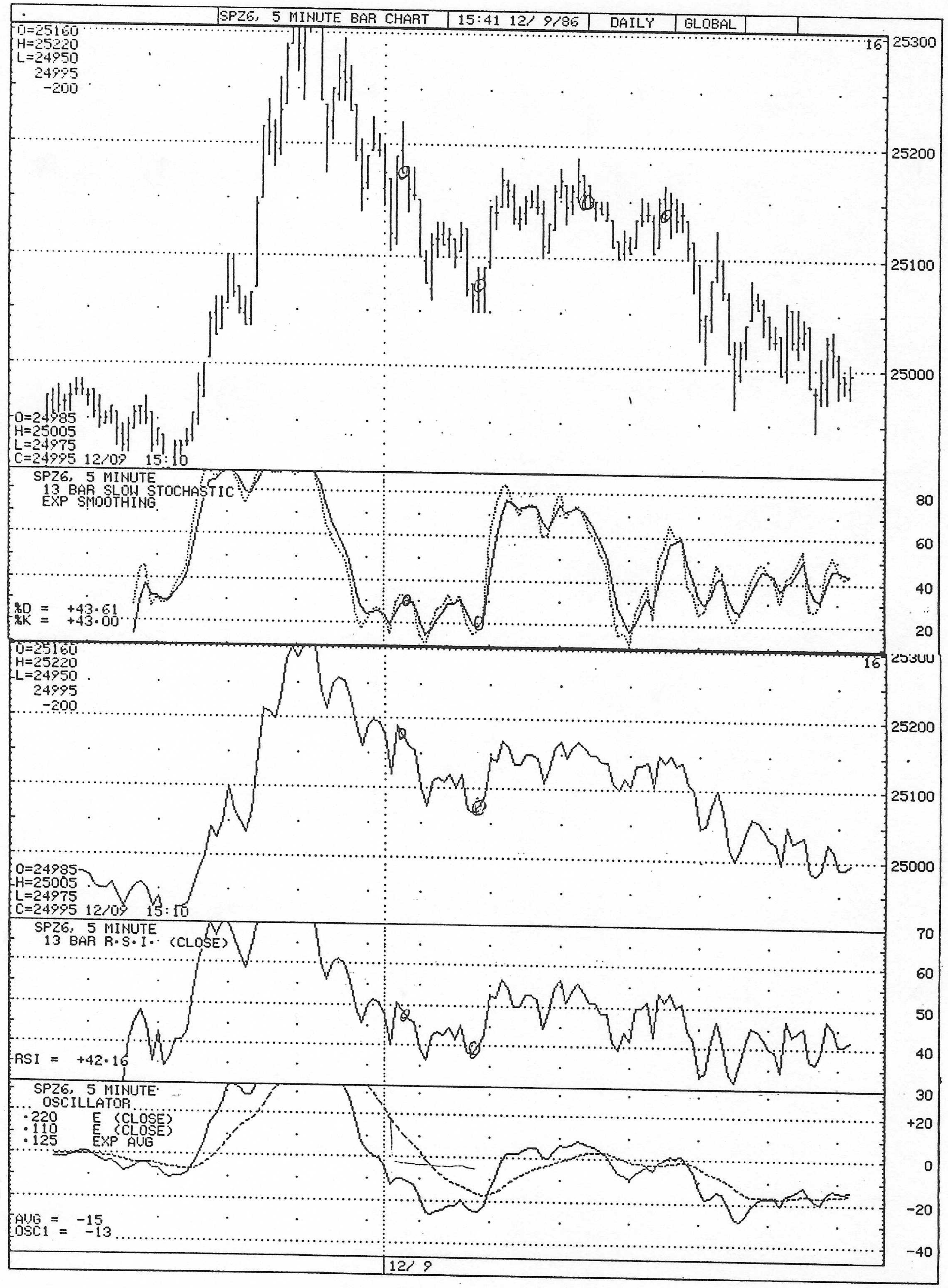
Commodity Quote-Graphics TQ-20/20

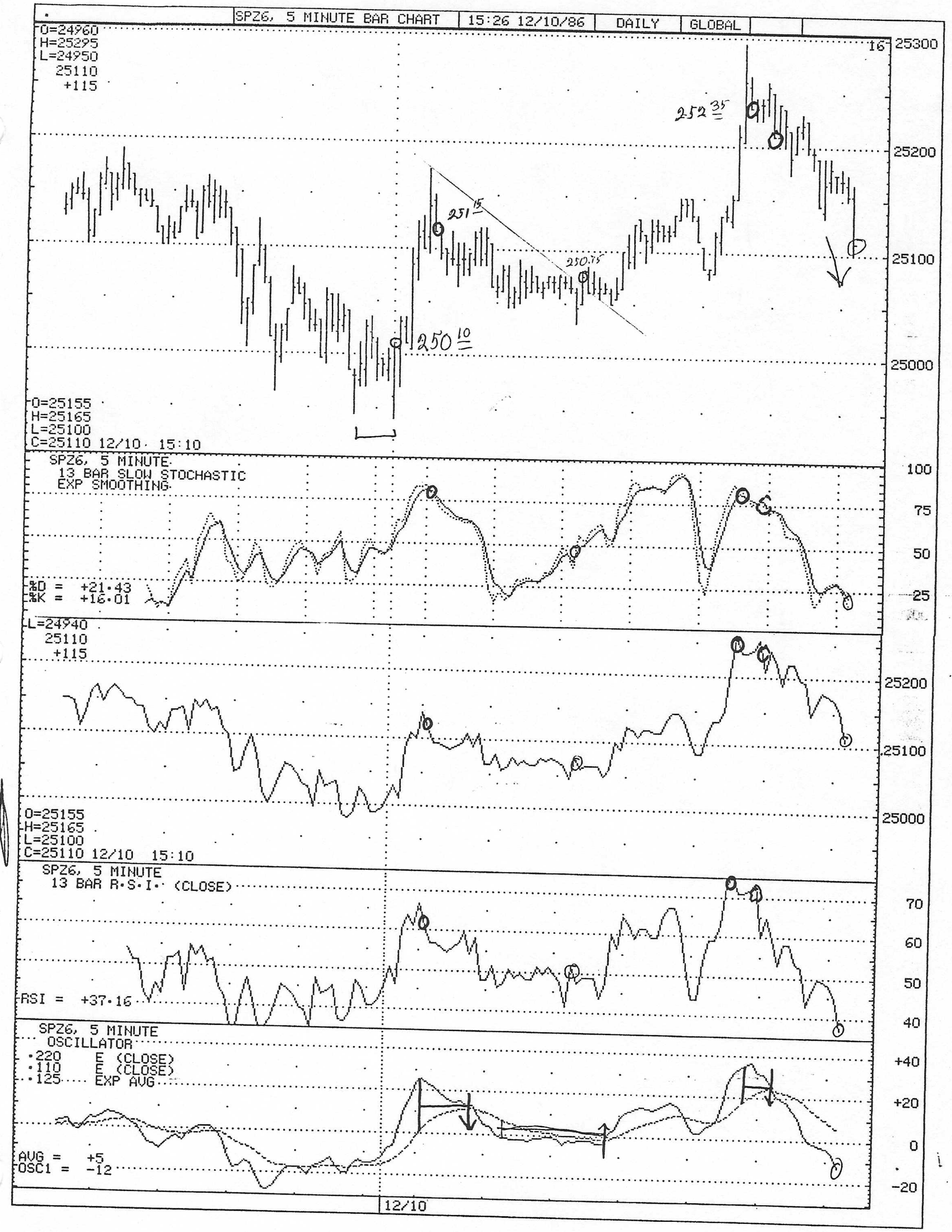
Commodity Quote-Graphics TQ-20/20



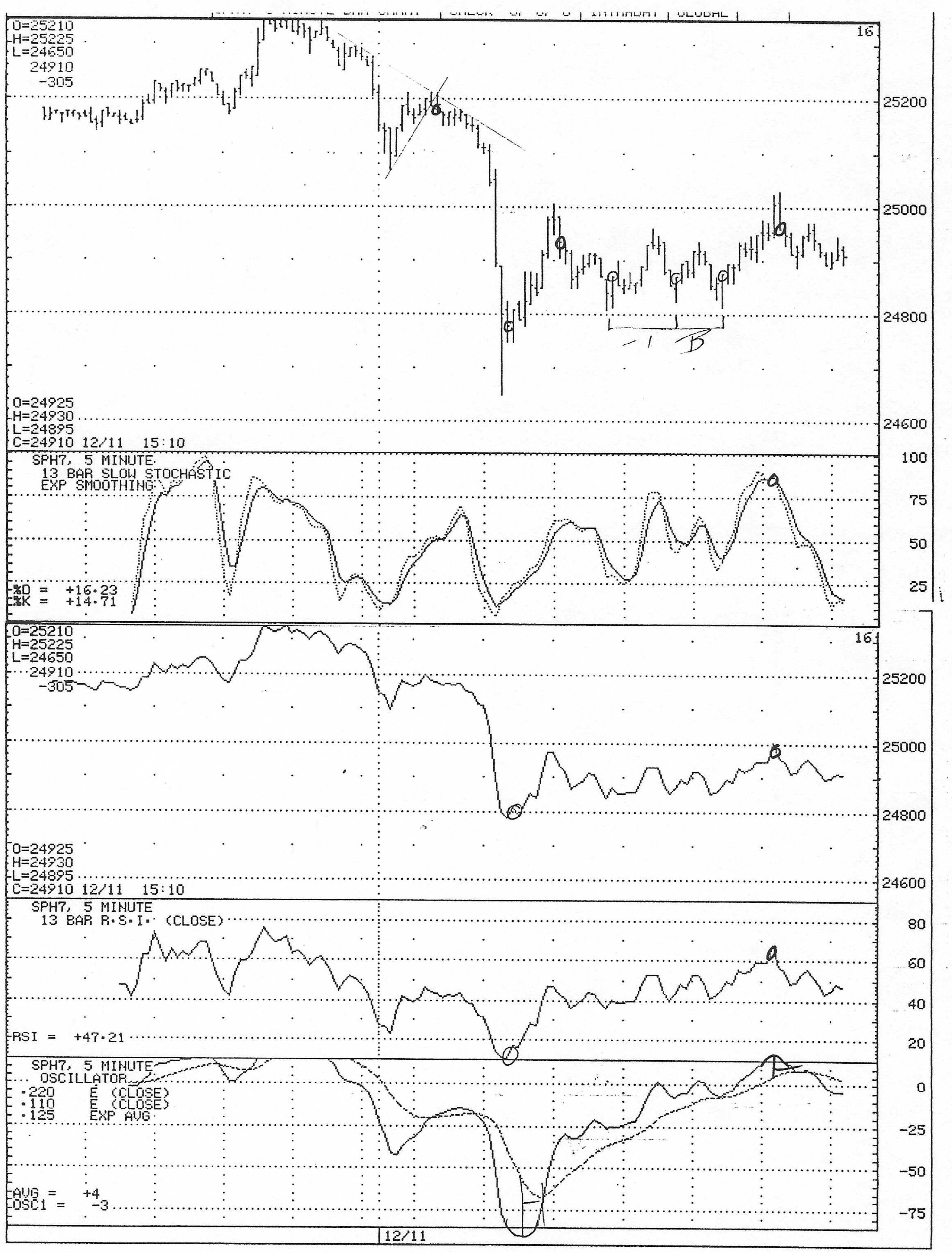
SPZ6, 5 MINUTE BAR CHART
15:41 12/ 5/86
DAILY
GLOBAL
O=25450
H=25510
L=25070
25195
-270
16
25600
25400
25200
25000
O=25170
H=25200
L=25165
C=25195 12/05 15:10
SPZ6, 5 MINUTE
9 BAR SLOW STOCHASTIC
EXP SMOOTHING
%D = +72.21
%K = +76.79
75
50
25
Closing Price
Line chart
SPZ6, 5 MINUTE
13 BAR R.S.I. (CLOSE)
RSI = +55.39
80
60
40
20
SPZ6, 5 MINUTE
OSCILLATOR
.220 E (CLOSE)
.110 E (CLOSE)
.125 EXP AVG
AVG = -7
OSC1 = +5
0
-25
-50
-75
12/ 5

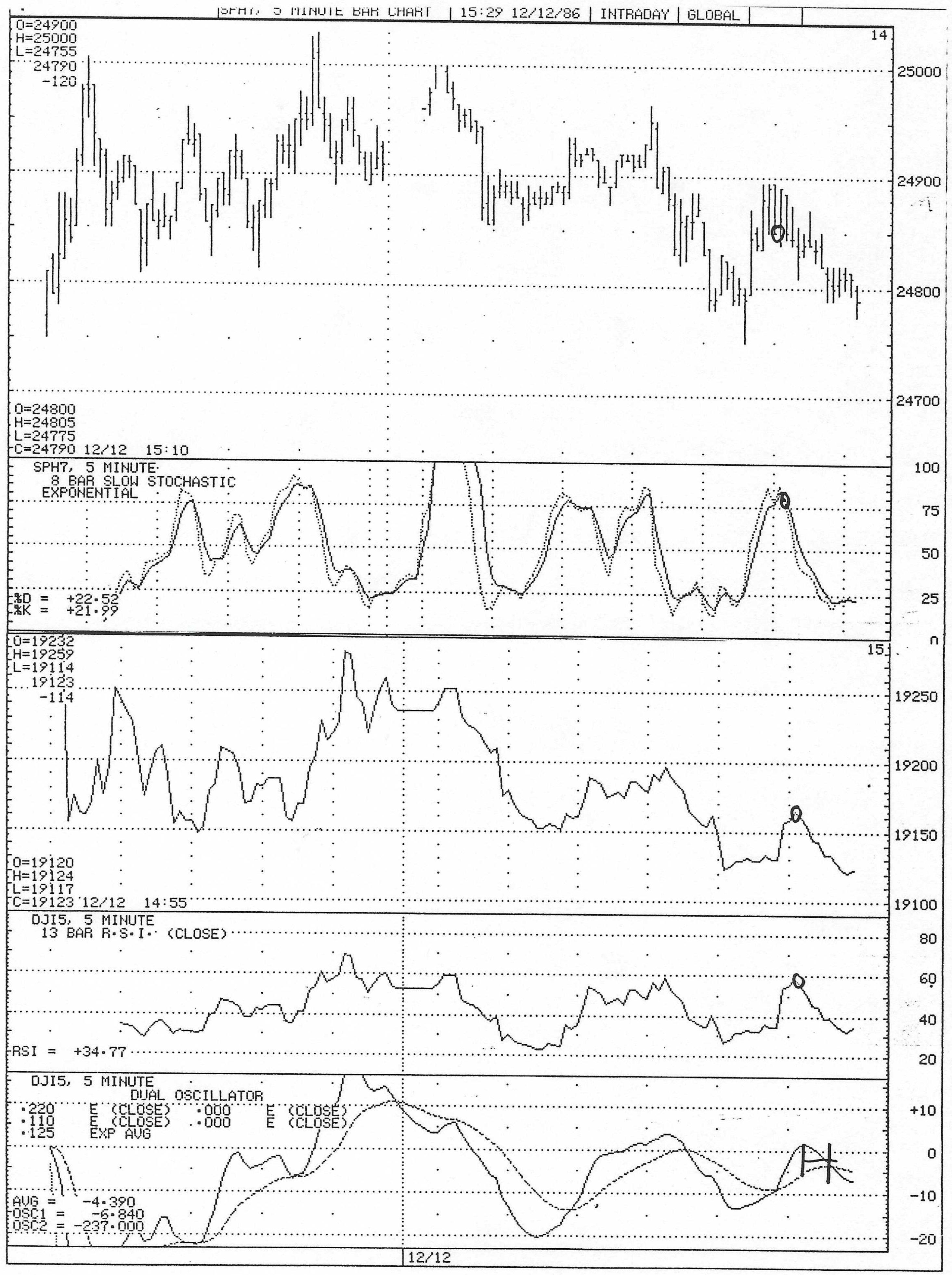

SPZ6, 5 MINUTE BAR CHART
15:44 12/ 8/86
DAILY
GLOBAL
O=25240
H=25340
L=24865
25195
0
25600
25400
25200
25000
O=25195
H=25210
L=25190
C=25195 12/08 15:10
SPZ6, 5 MINUTE
13 BAR SLOW STOCHASTIC
EXP SMOOTHING
%D = +25.73
%K = +26.56
100
75
50
25
0
25200
25000
O=25195
H=25210
L=25190
C=25195 12/08 15:10
SPZ6, 5 MINUTE
13 BAR R.S.I. (CLOSE)
RSI = +50.61
80
60
40
20
SPZ6, 5 MINUTE
OSCILLATOR
.220 E (CLOSE)
.110 E (CLOSE)
.125 EXP AVG
AVG = +26
OSC1 = 0
+100
+50
0
-50
12/ 8


SPZ6, 5 MINUTE BAR CHART
15:41 12/ 9/86
DAILY
GLOBAL
O=25160
H=25220
L=24950
24995
-200
O=24985
H=25005
L=24975
C=24995 12/09 15:10
SPZ6, 5 MINUTE
13 BAR SLOW STOCHASTIC
EXP SMOOTHING
%D = +43.61
%K = +43.00
SPZ6, 5 MINUTE
13 BAR R.S.I. (CLOSE)
RSI = +42.16
SPZ6, 5 MINUTE
OSCILLATOR
.220 E (CLOSE)
.110 E (CLOSE)
.125 EXP AVG
AVG = -15
OSC1 = -13
12/ 9

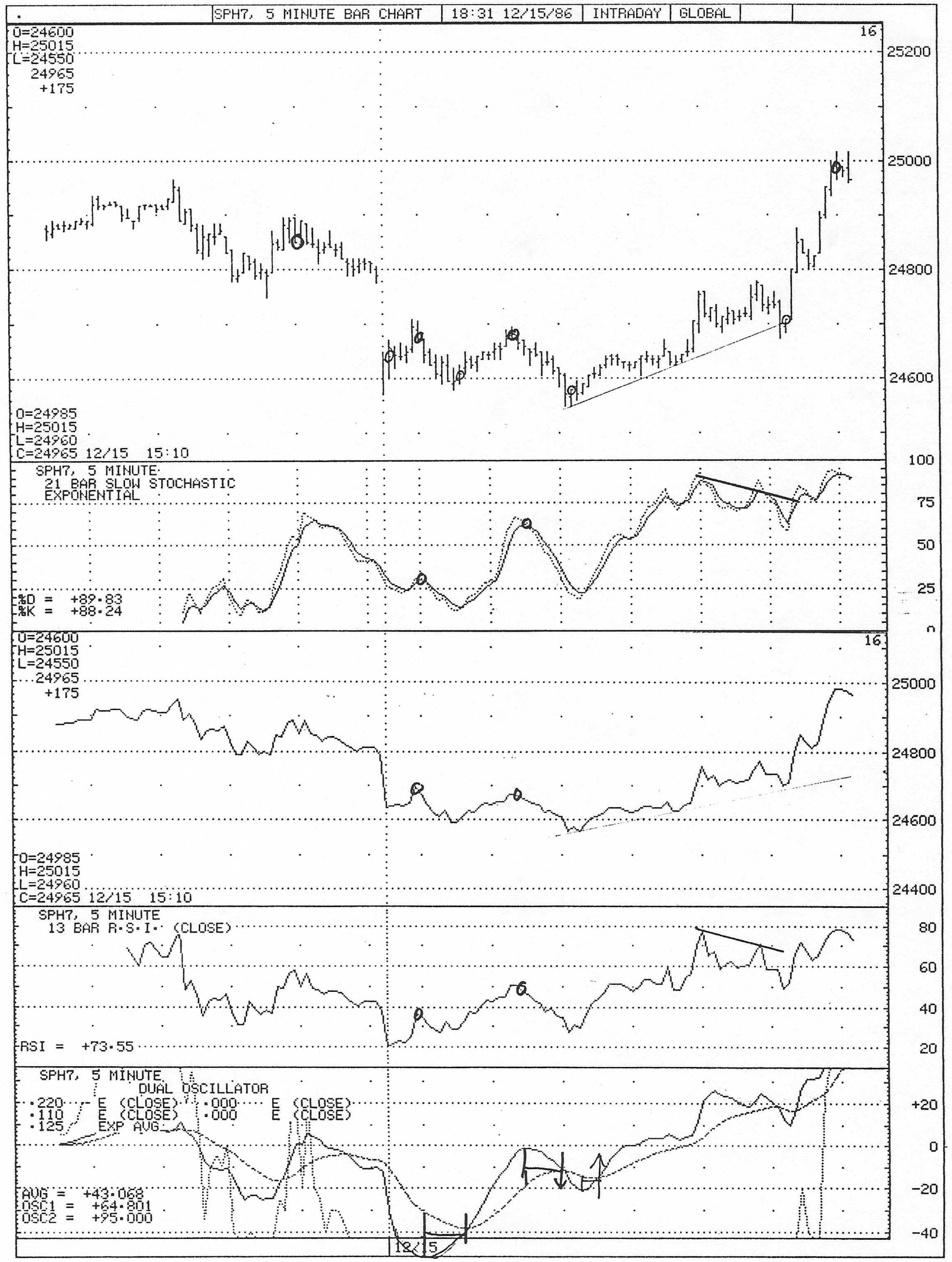


Commodity Quote-Graphics TQ-20/20

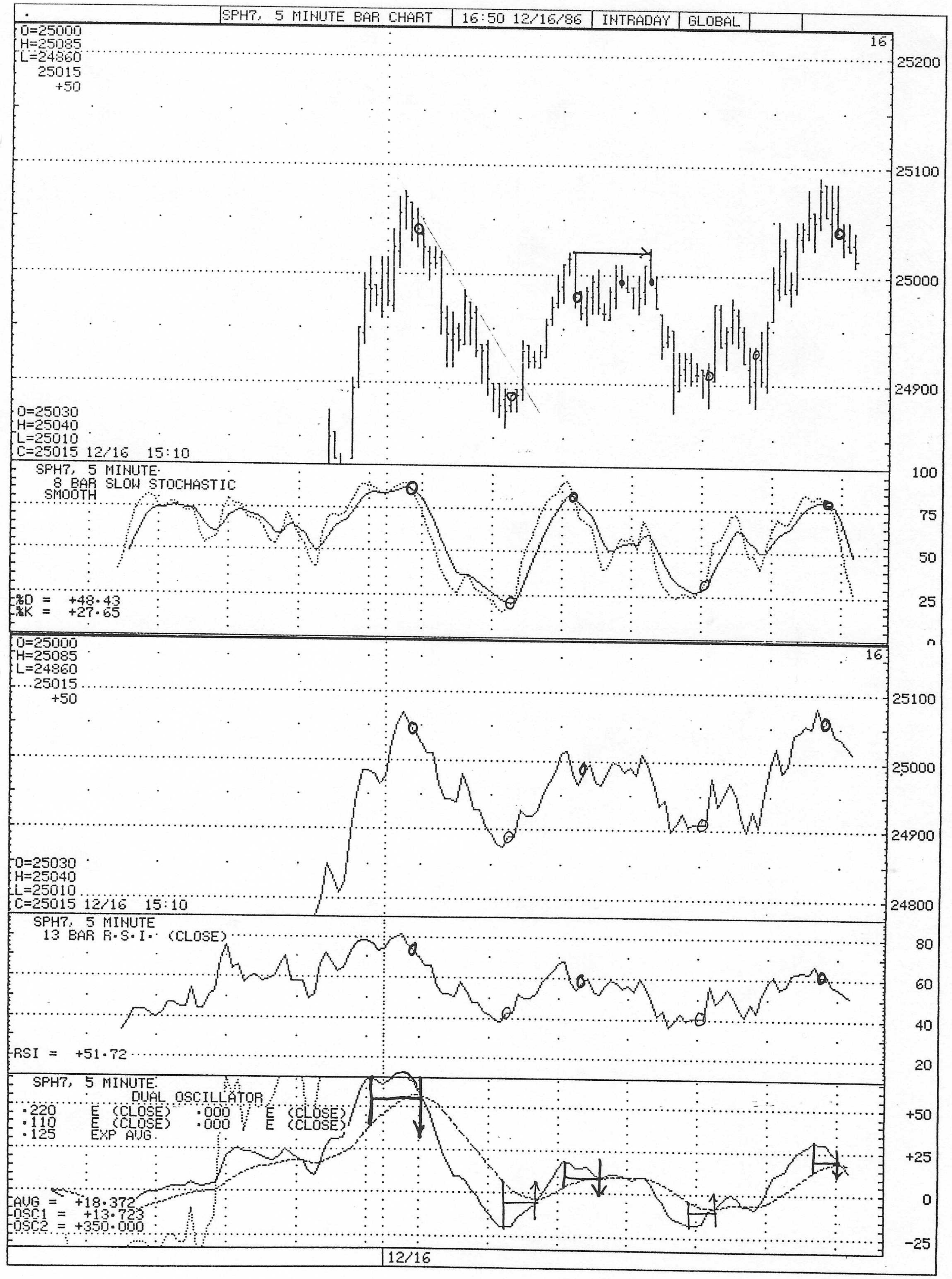

O=25210
H=25225
L=24650
24910
-305
16
25200
25000
24800
24600
O=24925
H=24930
L=24895
C=24910 12/11 15:10
SPH7, 5 MINUTE
13 BAR SLOW STOCHASTIC
EXP SMOOTHING
%D = +16.23
%K = +14.71
100
75
50
25
-1 B
SPH7, 5 MINUTE
13 BAR R.S.I. (CLOSE)
RSI = +47.21
80
60
40
20
SPH7, 5 MINUTE
OSCILLATOR
.220 E (CLOSE)
.110 E (CLOSE)
.125 EXP AVG
AVG = +4
OSC1 = -3
0
-25
-50
-75
12/11



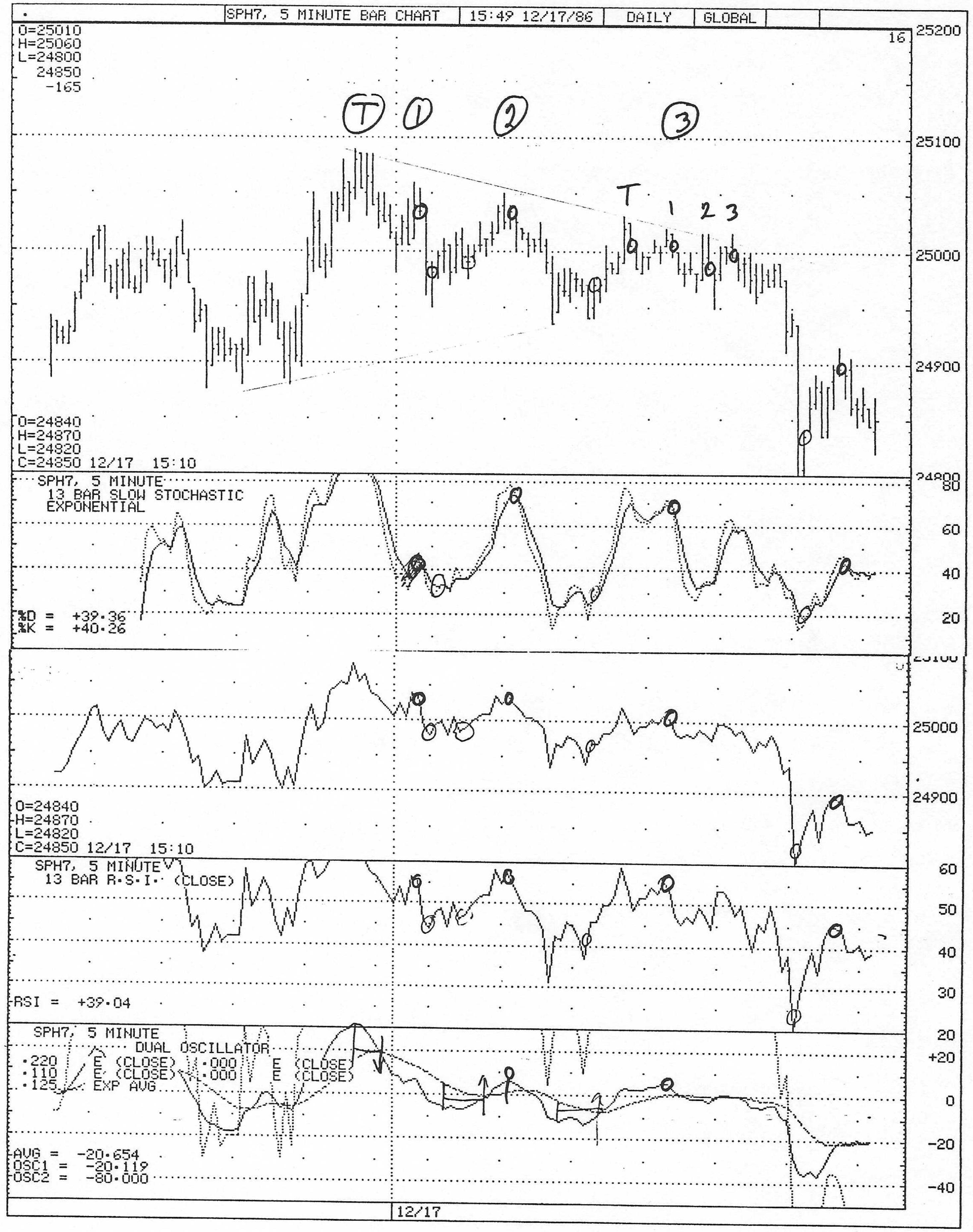
Commodity Quote-Graphics TQ-20/20



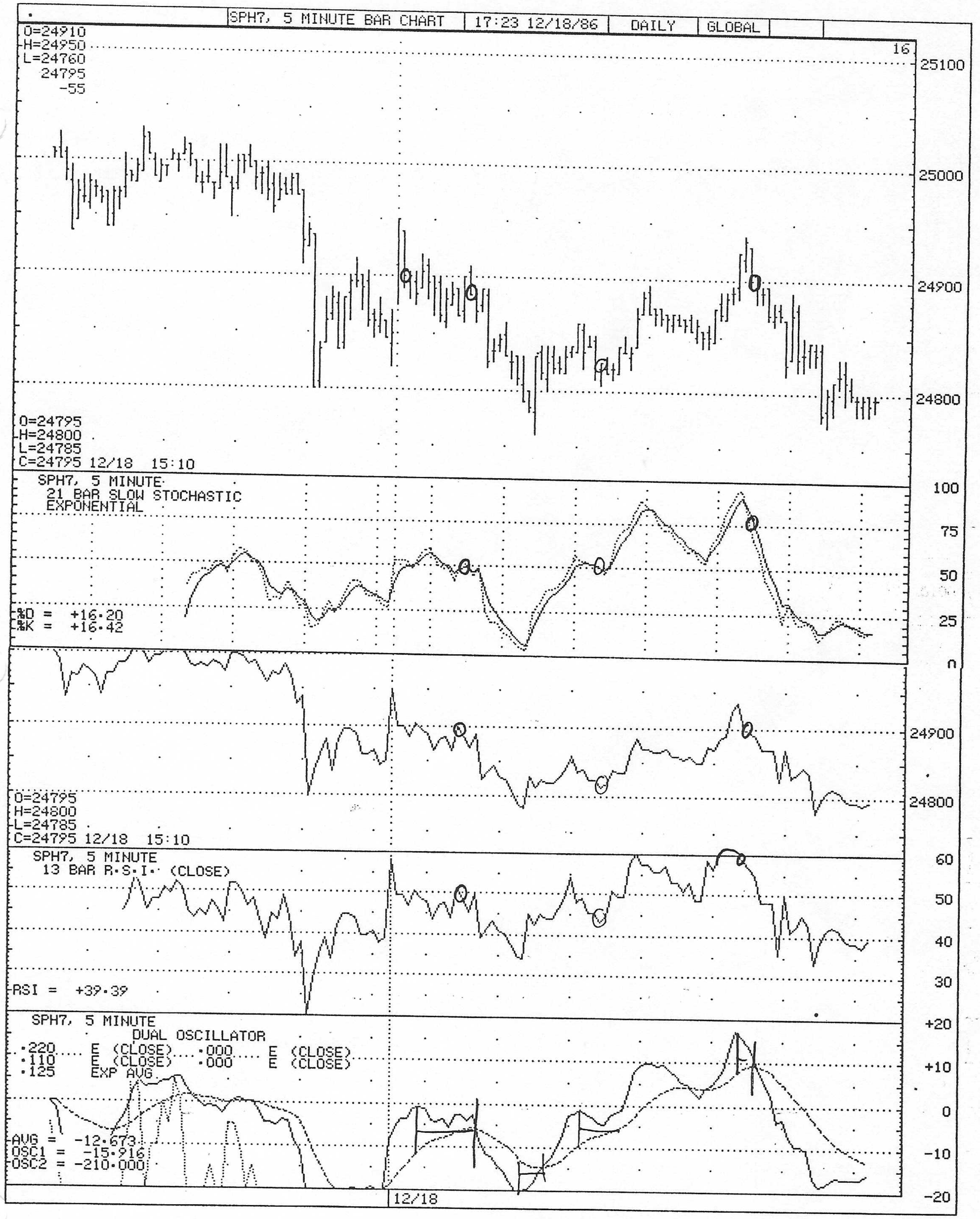
Commodity Quote-Graphics TQ-20/20



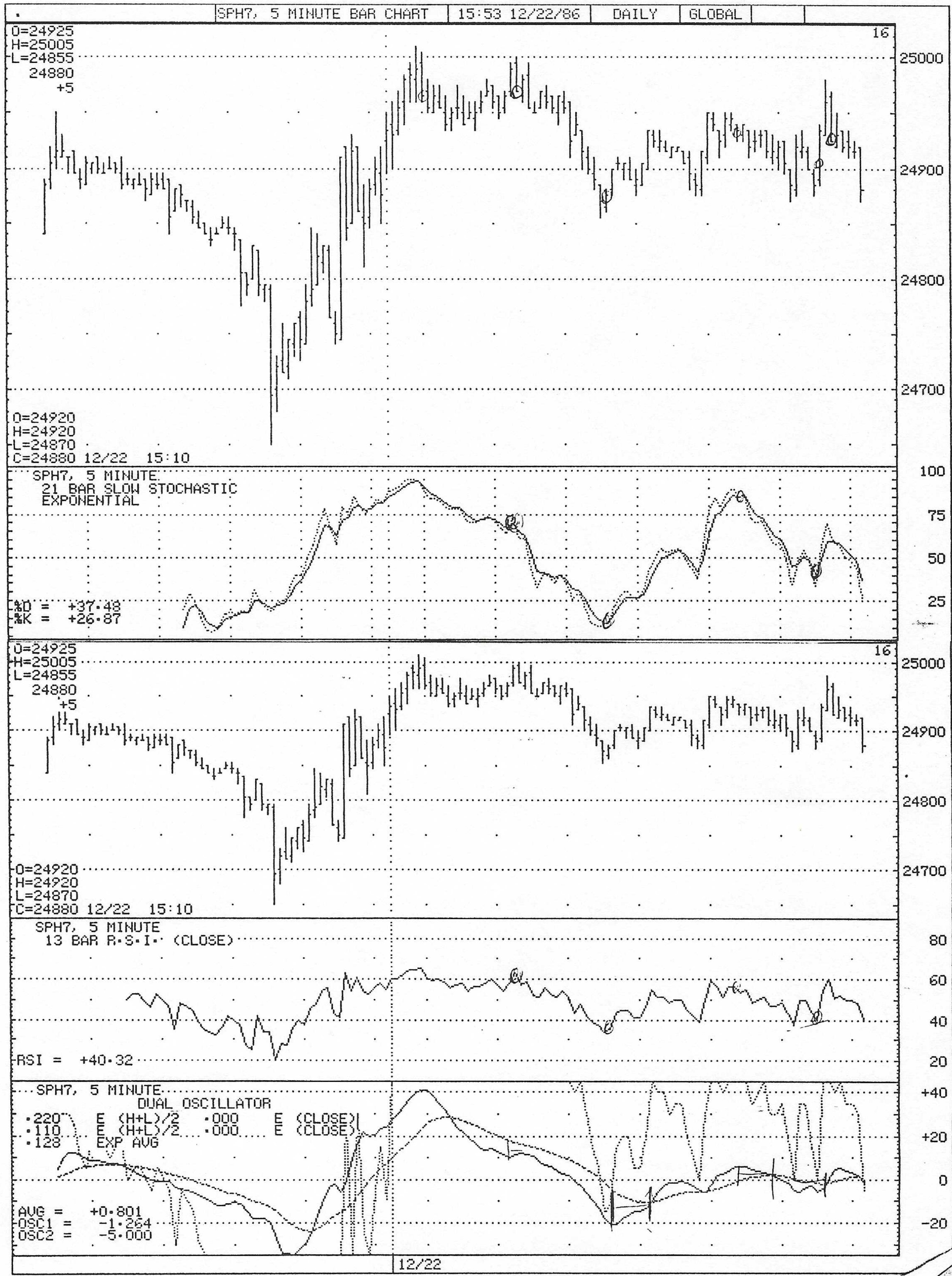
Commodity Quote-Graphics TQ-20/20



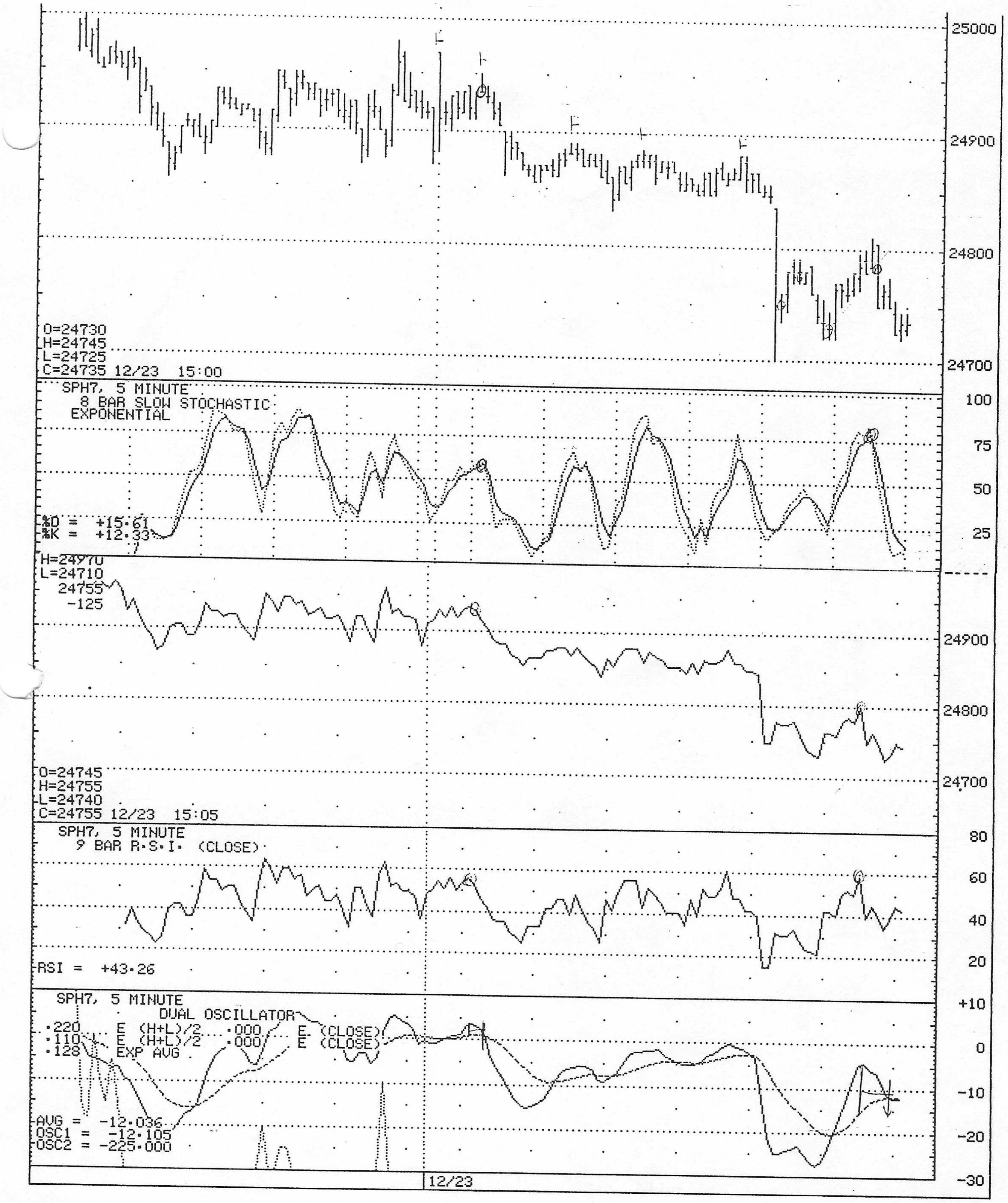
Commodity Quote-Graphics TQ-20/20



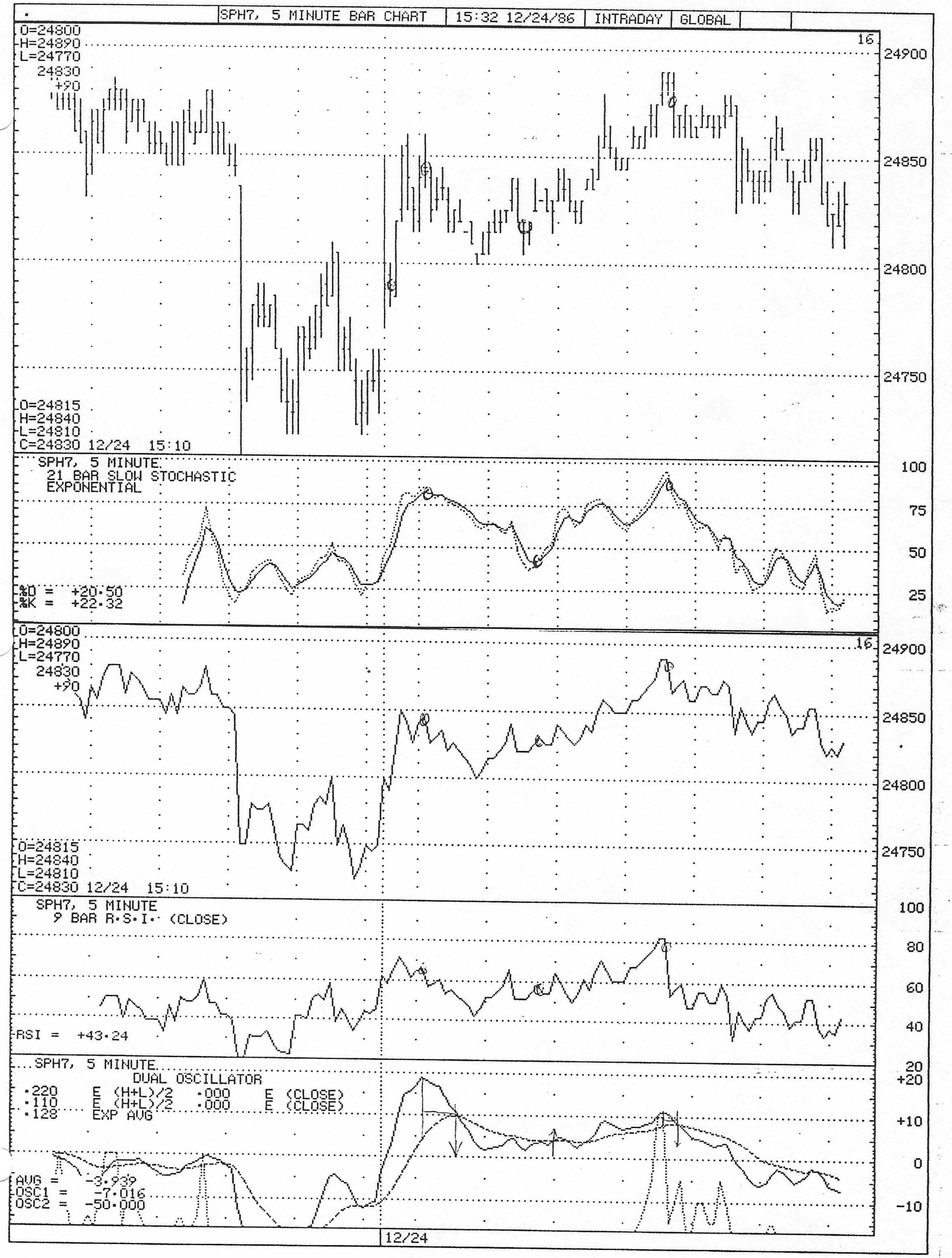
Commodity Quote-Graphics TQ-20/20



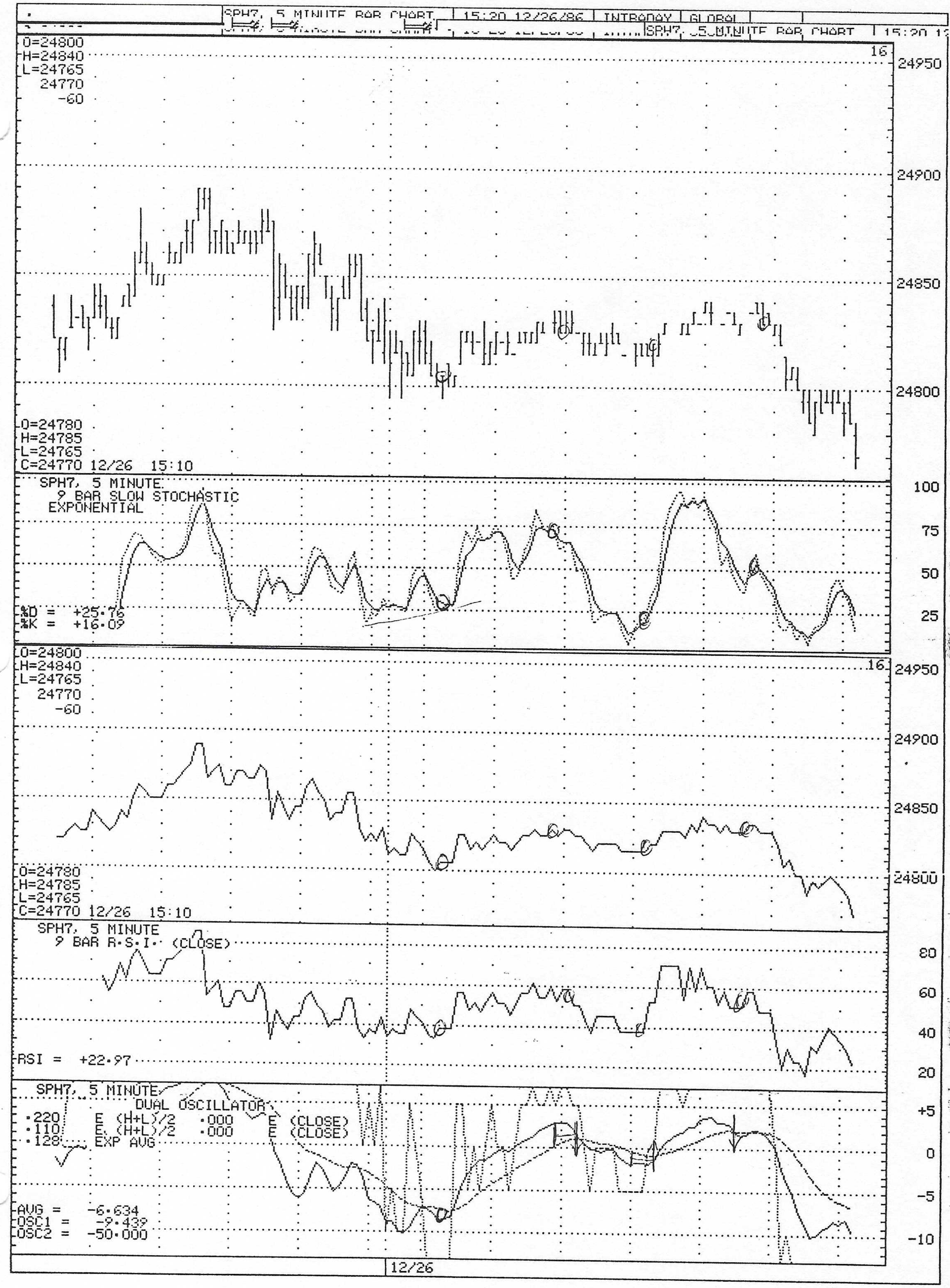
Commodity Quote-Graphics TQ-20/20



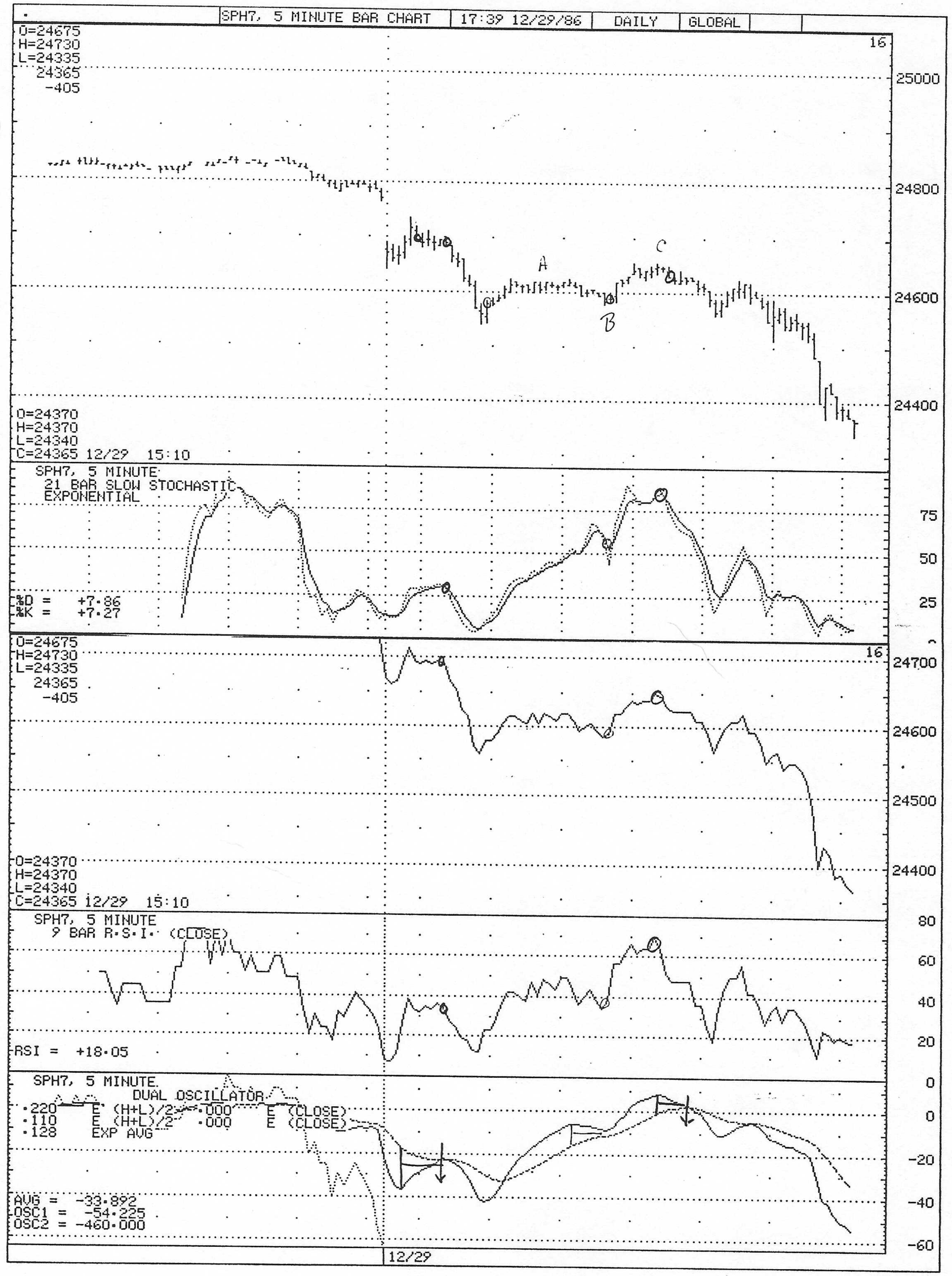
Commodity Quote-Graphics TQ-20/20



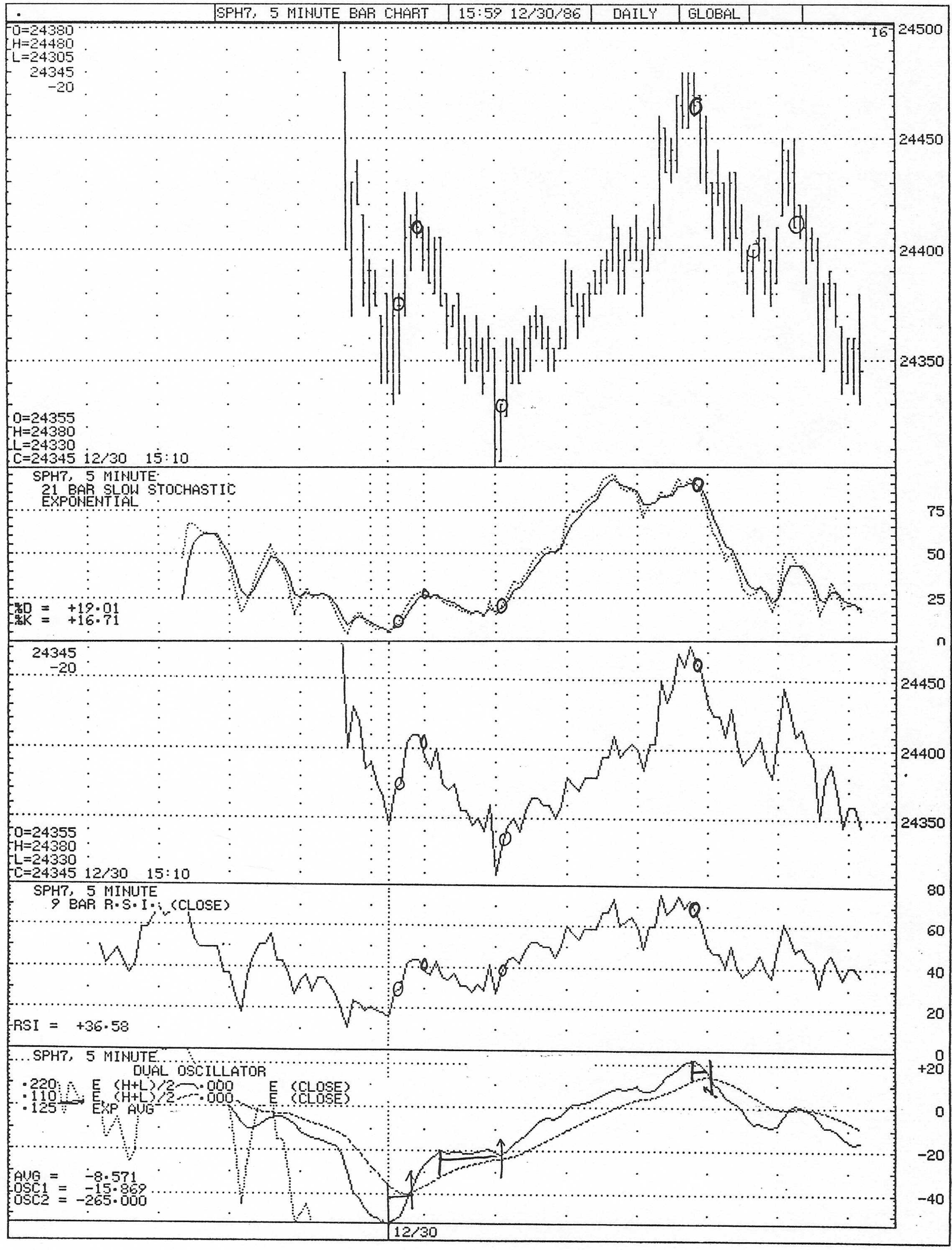
Commodity Quote-Graphics TQ-20/20



Commodity Quote-Graphics TQ-20/20



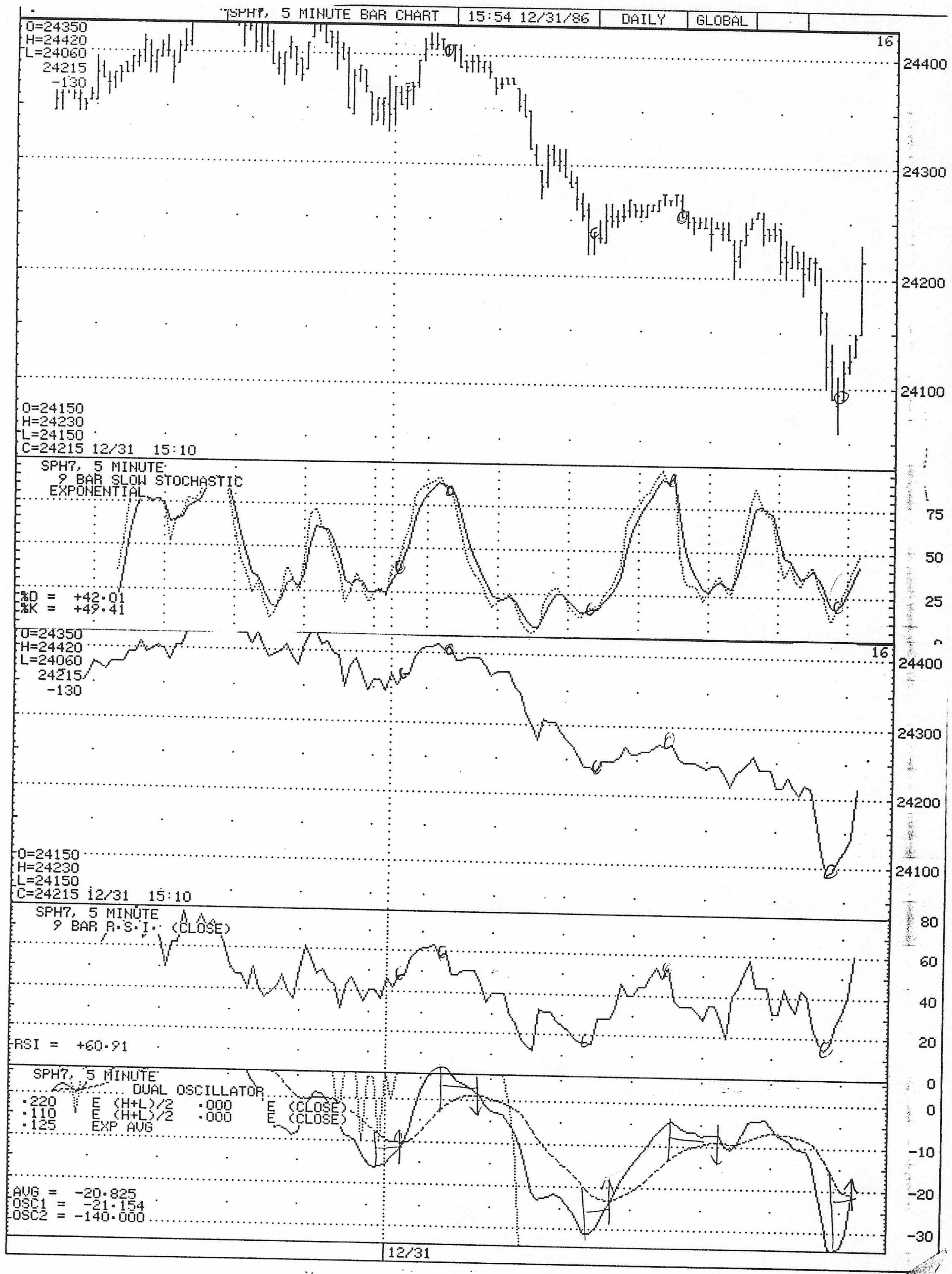
Commodity Quote-Graphics TQ-20/20



Commodity Quote-Graphics TQ-20/20

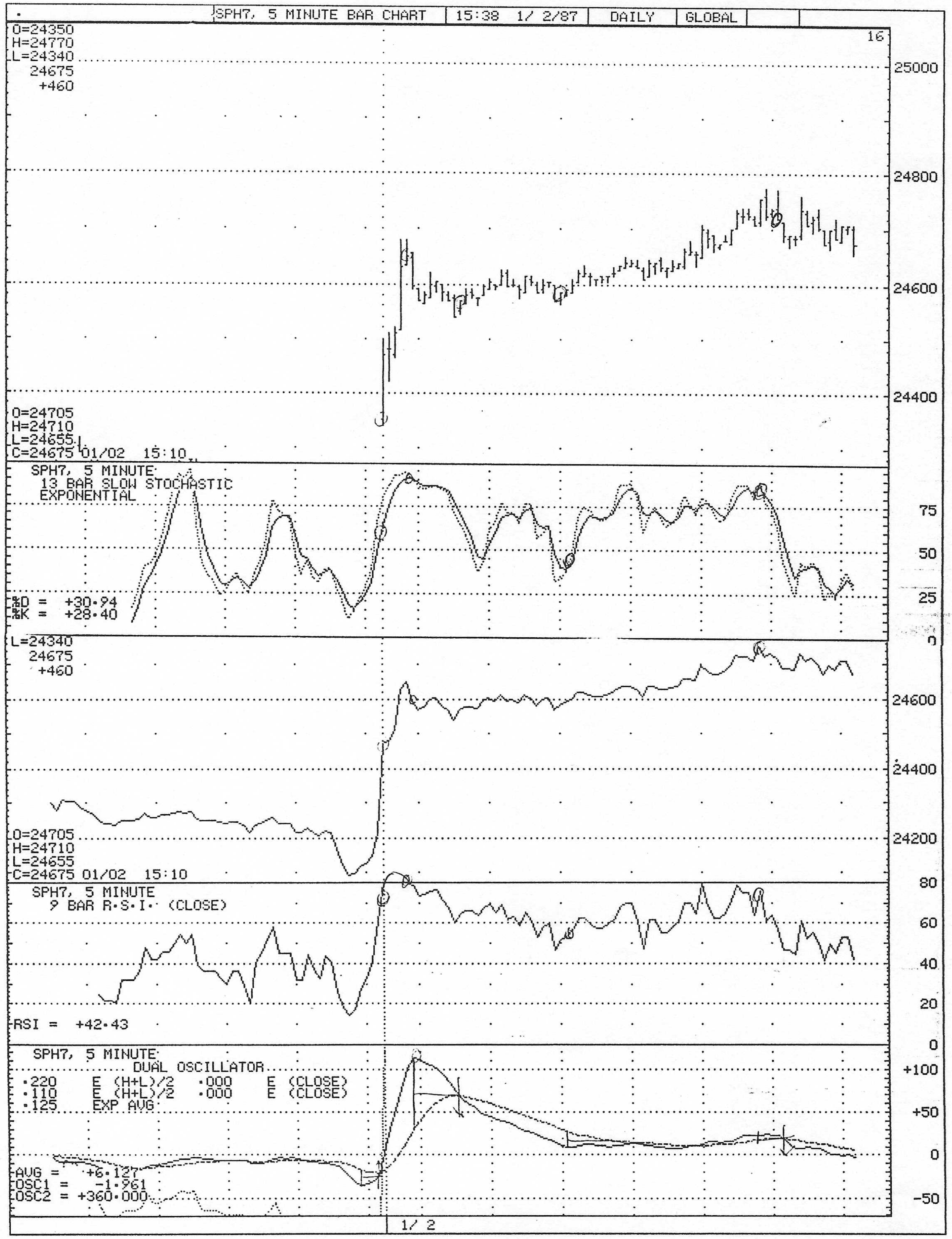
LAST TRADING DAY FOR 1986.

NO TRADE LOG ... ASSUMING IT WAS A YEAR-END LOG. NEXT CHART STARTS 1987 ... NO, WE DON'T HAVE OCTOBER IN THE PACK ...

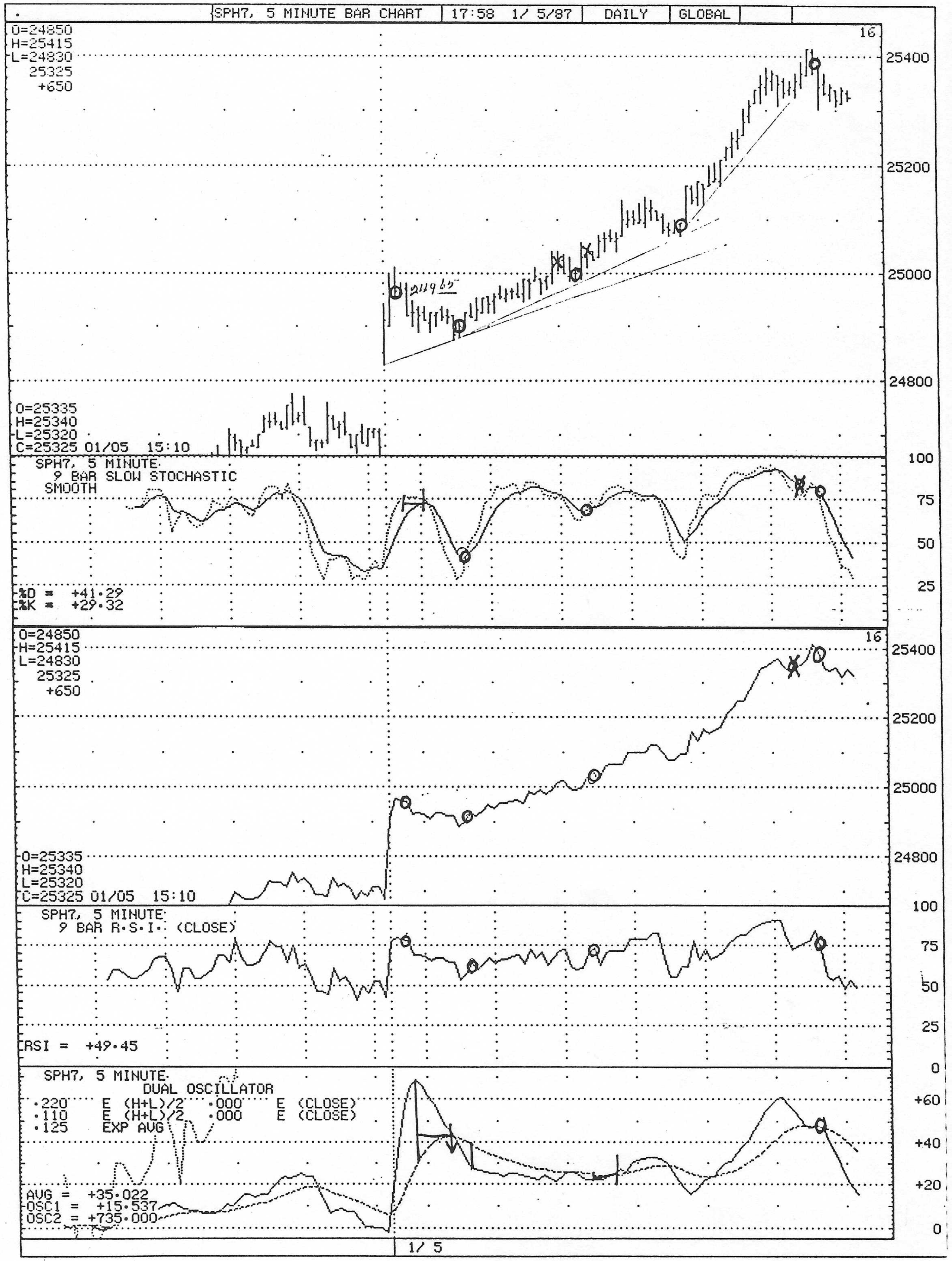


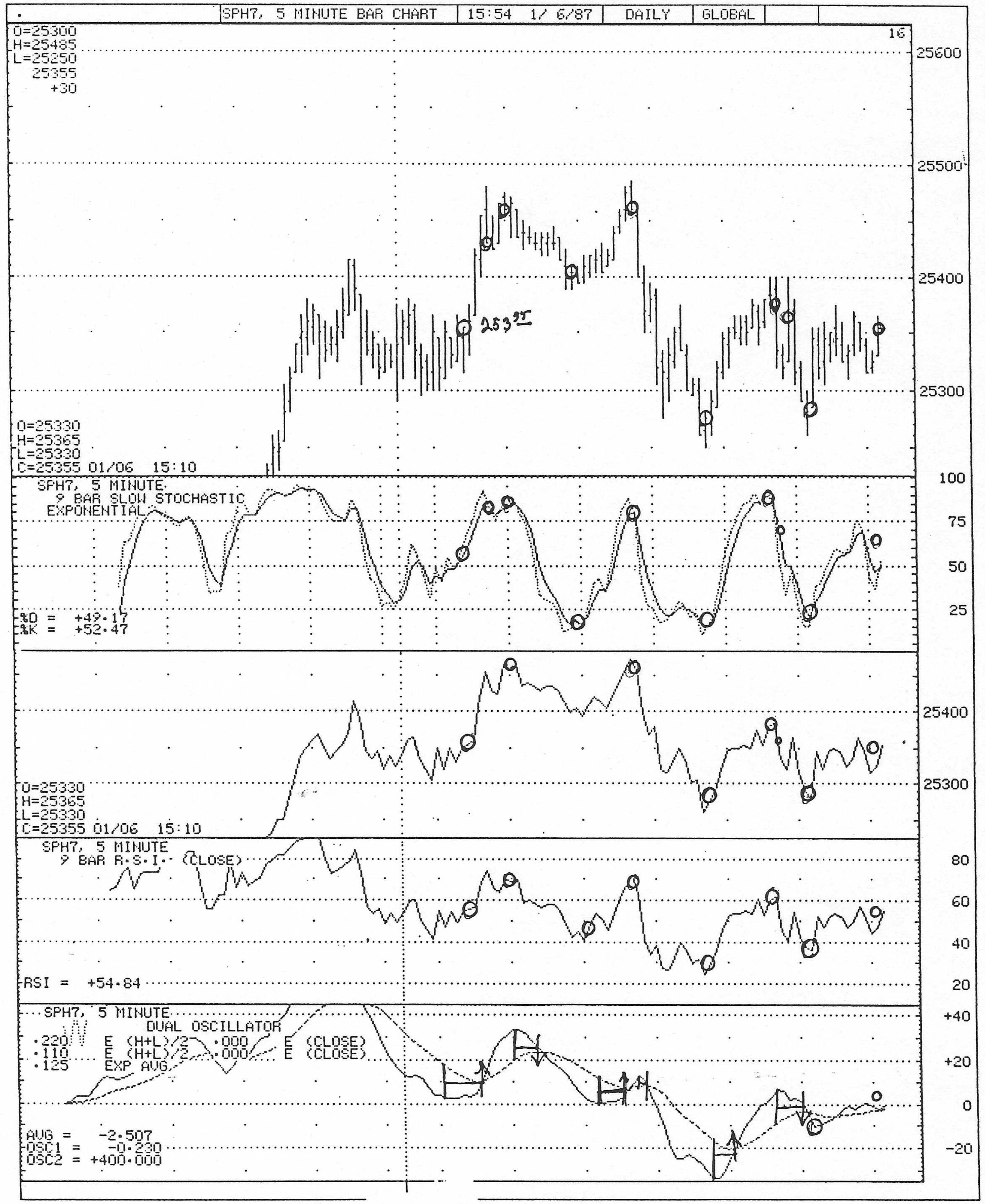
Commodity Quote-Graphics TQ-20/20

JANUARY 2, 1987

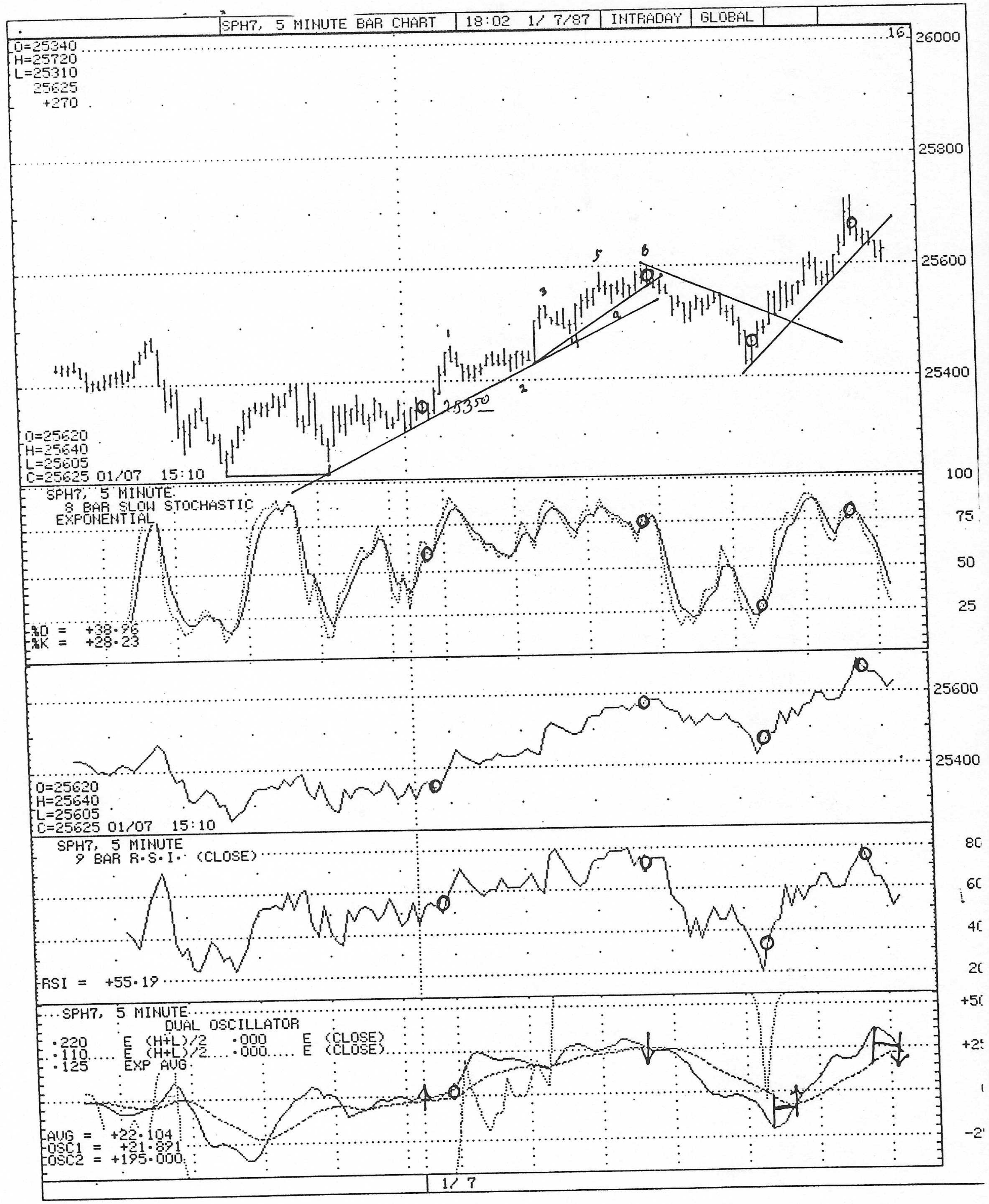


Commodity Quote-Graphics TQ-20/20

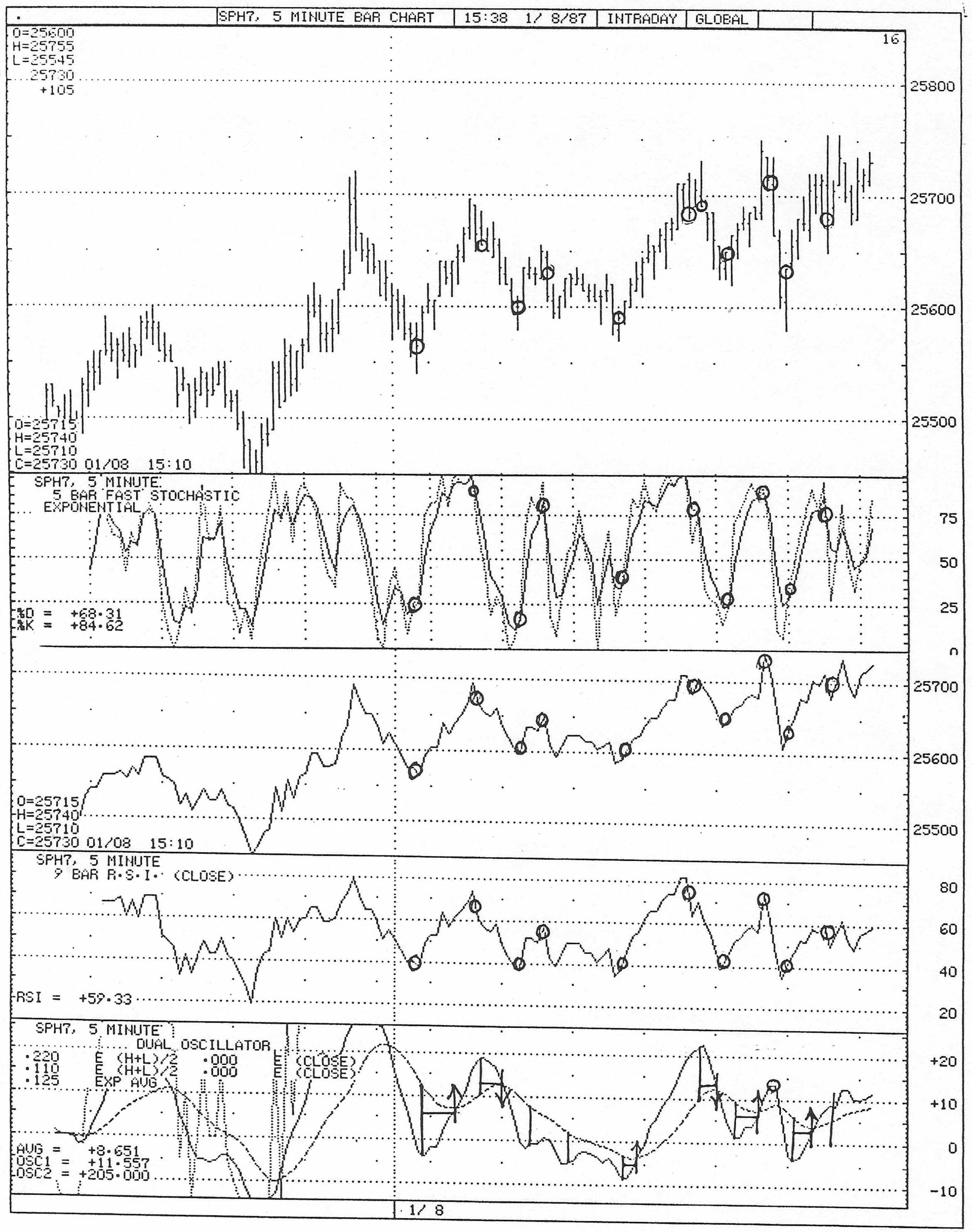

SPH7, 5 MINUTE BAR CHART
17:58 1/ 5/87
DAILY
GLOBAL
O=24850
H=25415
L=24830
25325
+650
16
25400
25200
25000
24800
O=25335
H=25340
L=25320
C=25325 01/05 15:10
SPH7, 5 MINUTE
9 BAR SLOW STOCHASTIC
SMOOTH
100
75
50
25
%D = +41.29
%K = +29.32
O=24850
H=25415
L=24830
25325
+650
16
25400
25200
25000
24800
O=25335
H=25340
L=25320
C=25325 01/05 15:10
SPH7, 5 MINUTE
9 BAR R.S.I. (CLOSE)
100
75
50
25
0
RSI = +49.45
SPH7, 5 MINUTE
DUAL OSCILLATOR
.220 E (H+L)/2 .000 E (CLOSE)
.110 E (H+L)/2 .000 E (CLOSE)
.125 EXP AVG
+60
+40
+20
0
AVG = +35.022
OSC1 = +15.537
OSC2 = +735.000
1/ 5



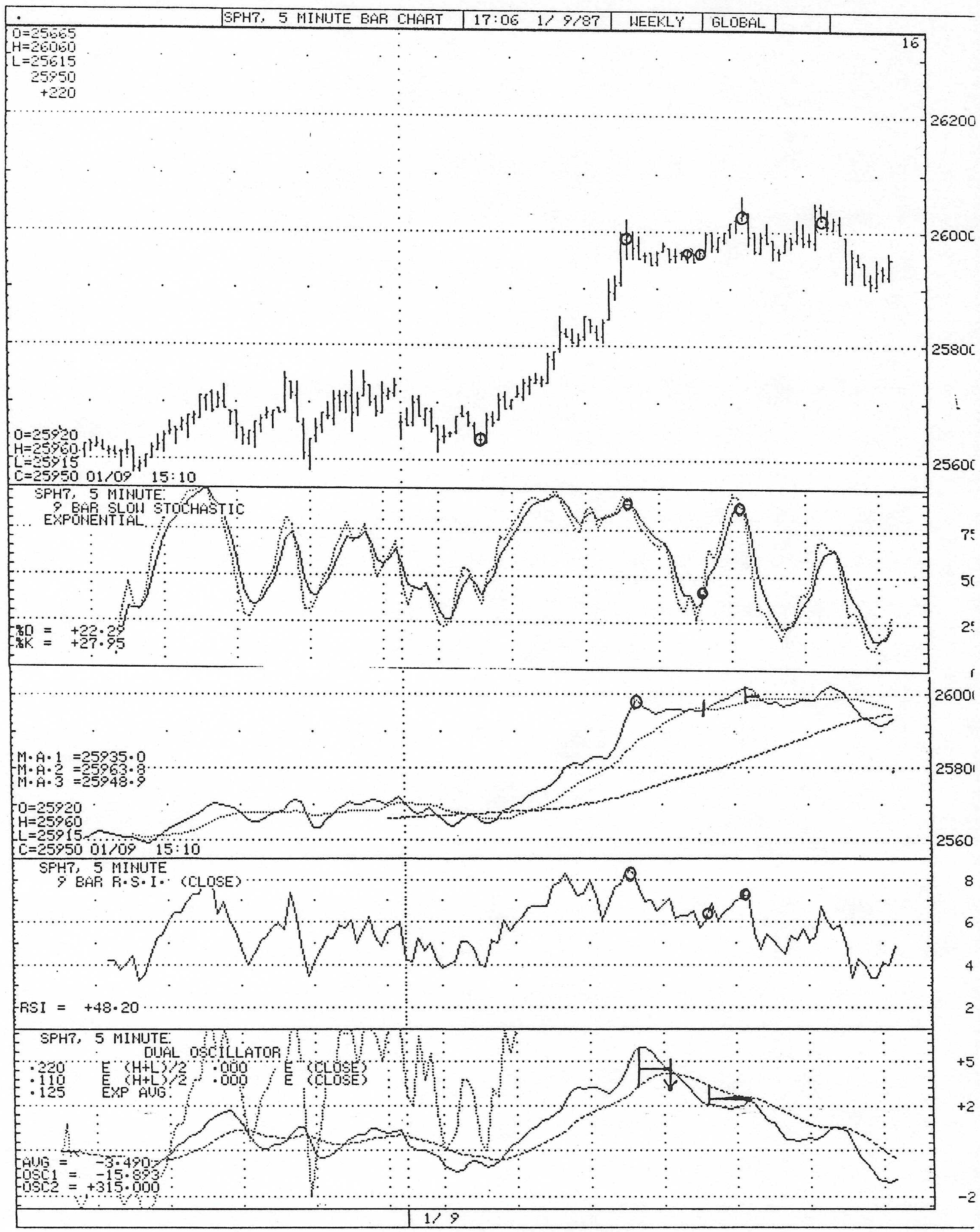
SPH7, 5 MINUTE BAR CHART
15:54 1/ 6/87
DAILY
GLOBAL
O=25300
H=25485
L=25250
25355
+30
16
25600
25500
25400
25300
O=25330
H=25365
L=25330
C=25355 01/06 15:10
253⁹⁵
SPH7, 5 MINUTE
9 BAR SLOW STOCHASTIC
EXPONENTIAL
%D = +49.17
%K = +52.47
100
75
50
25
O=25330
H=25365
L=25330
C=25355 01/06 15:10
SPH7, 5 MINUTE
9 BAR R.S.I. (CLOSE)
RSI = +54.84
80
60
40
20
SPH7, 5 MINUTE
DUAL OSCILLATOR
.220 E (H+L)/2 .000 E (CLOSE)
.110 E (H+L)/2 .000 E (CLOSE)
.125 EXP AVG.
AVG = -2.507
OSC1 = -0.230
OSC2 = +400.000
+40
+20
0
-20



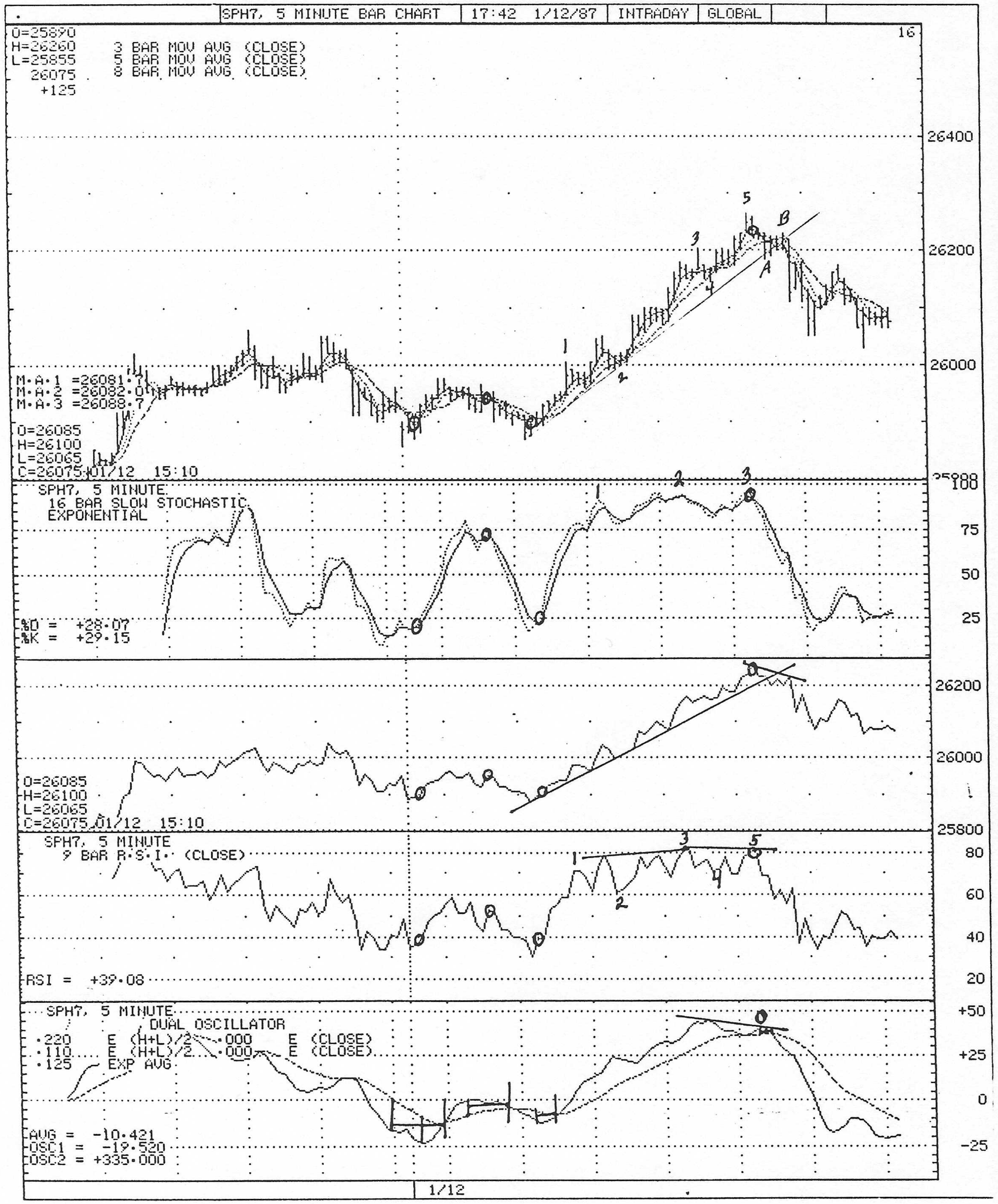
Commodity Quote-Graphics TQ-20/20



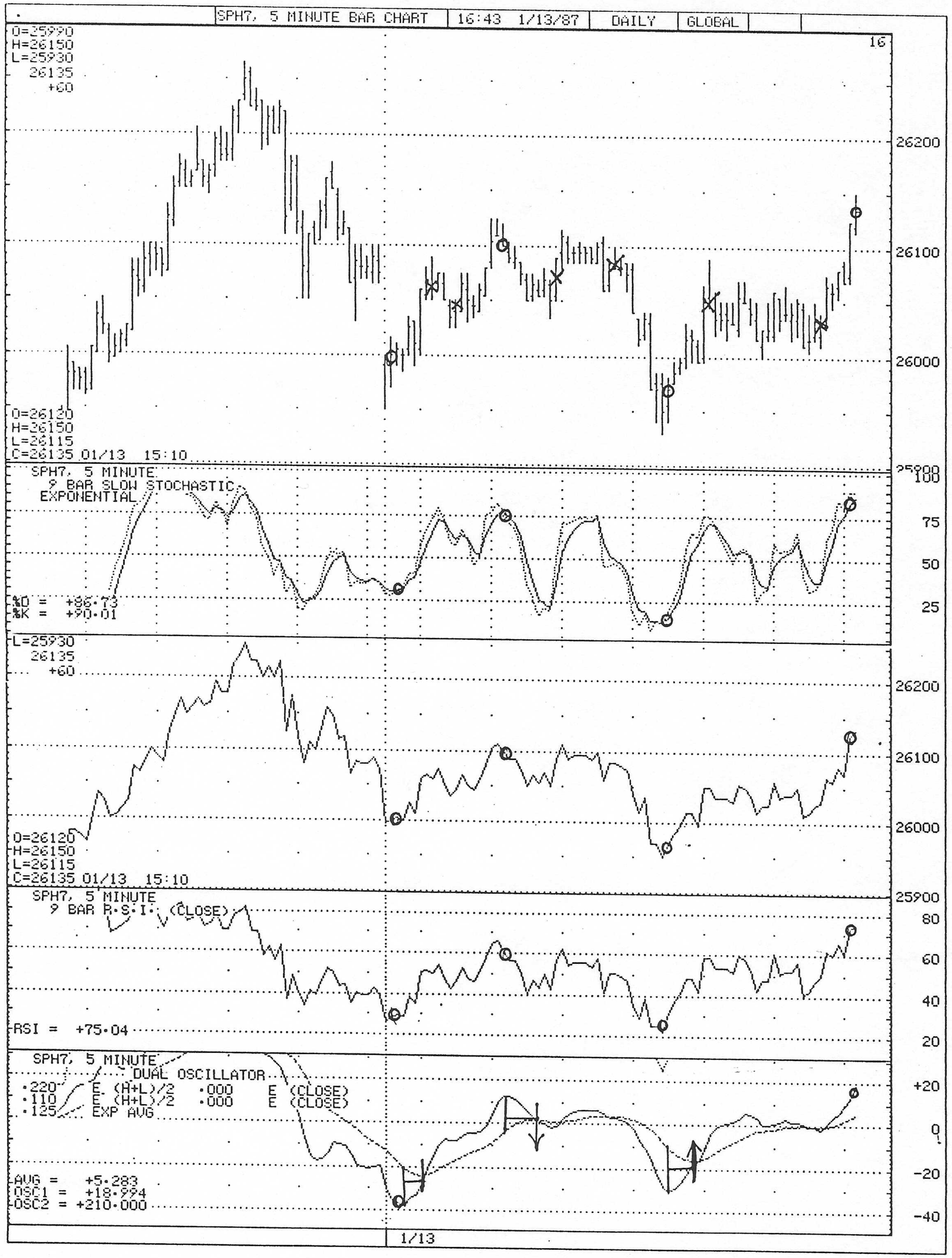
Commodity Quote-Graphics TQ-20/20



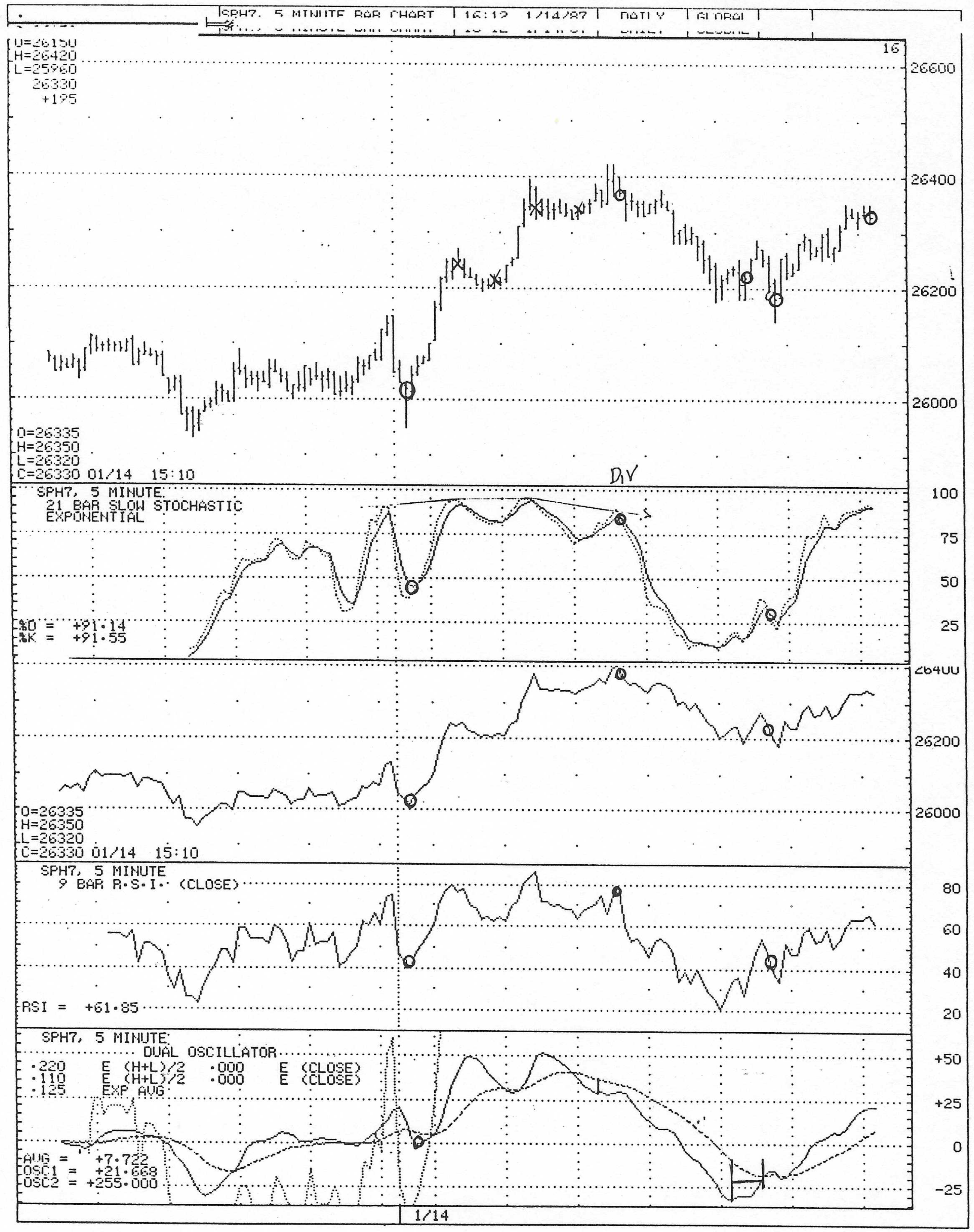
Commodity Quote-Graphics TQ-20/20

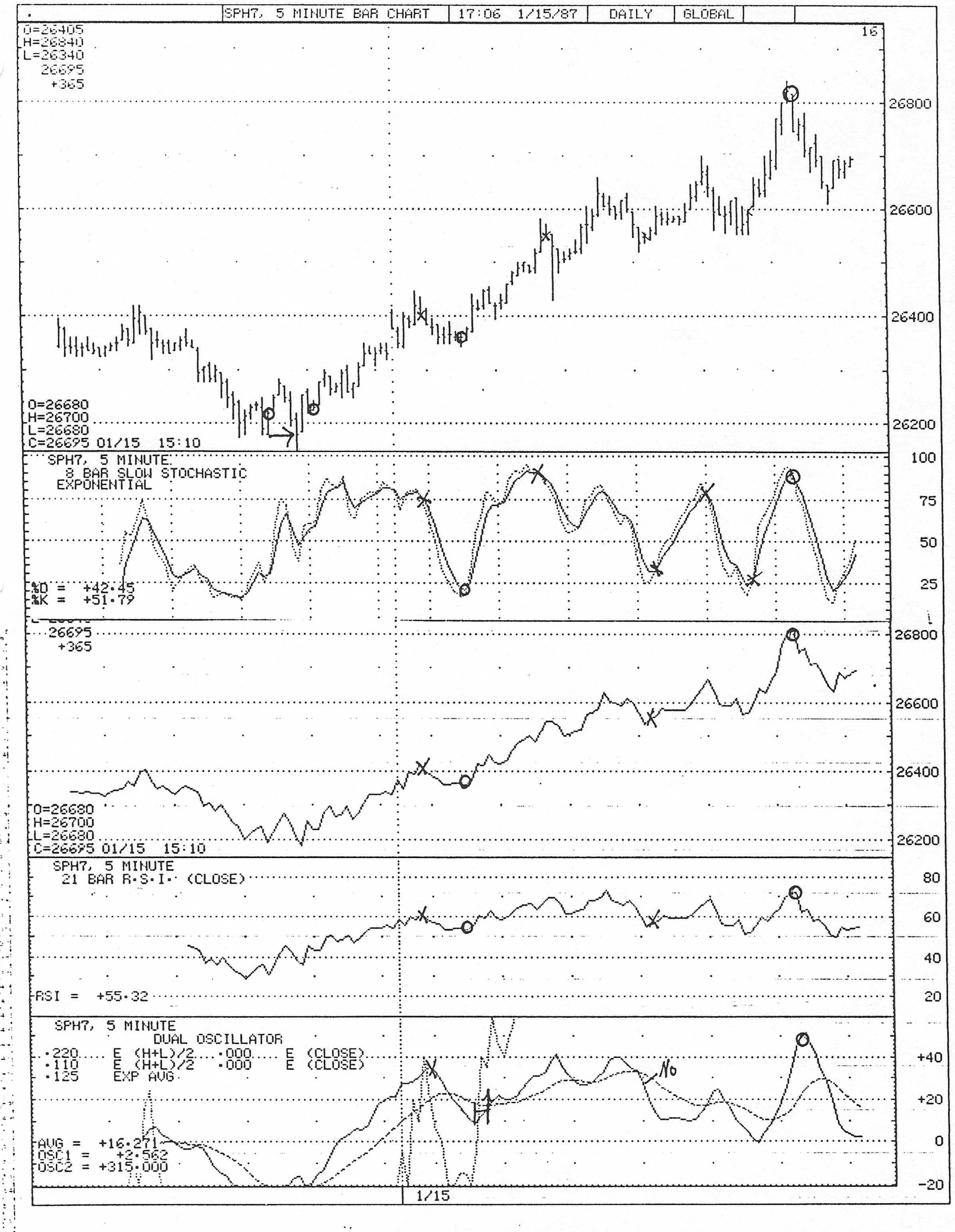


Commodity Quote-Graphics TQ-20/20

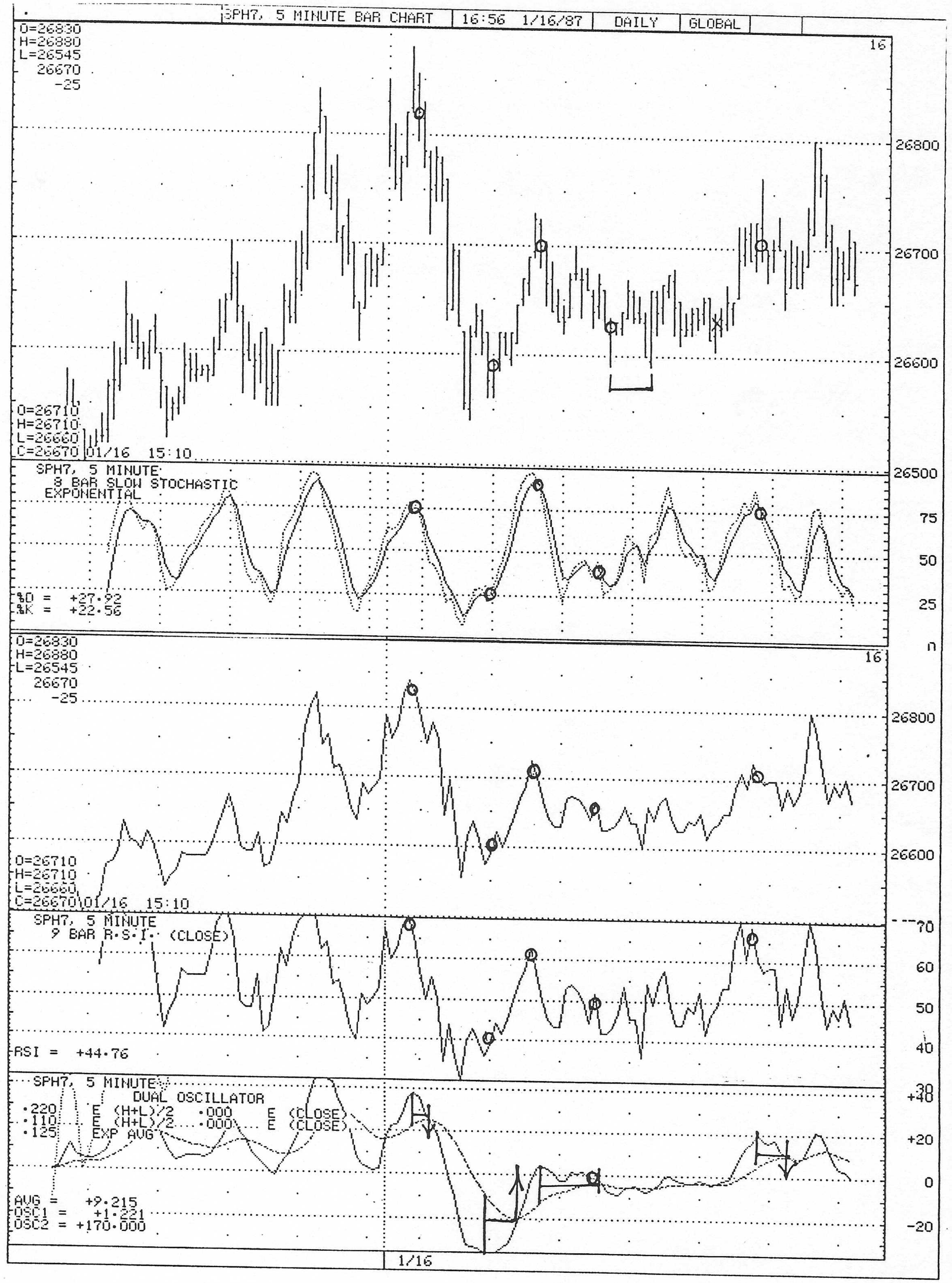


Commodity Quote-Graphics TQ-20/20

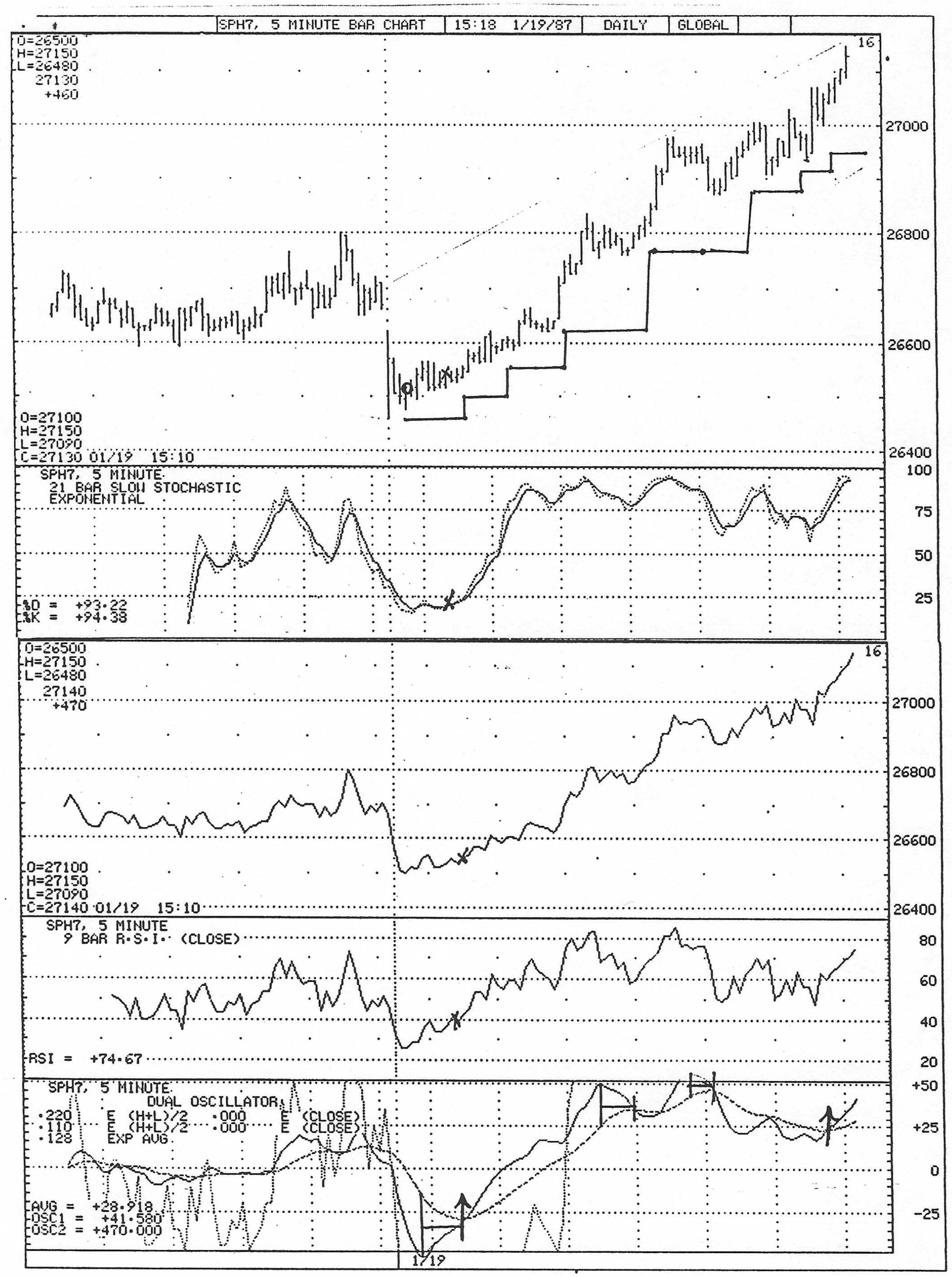

SPH7, 5 MINUTE BAR CHART
16:12 1/14/87
DAILY
GLOBAL
O=26150
H=26420
L=25960
26330
+195
16
26600
26400
26200
26000
O=26335
H=26350
L=26320
C=26330 01/14 15:10
DIV
SPH7, 5 MINUTE
21 BAR SLOW STOCHASTIC
EXPONENTIAL
%D = +91.14
%K = +91.55
100
75
50
25
26400
26200
26000
O=26335
H=26350
L=26320
C=26330 01/14 15:10
SPH7, 5 MINUTE
9 BAR R.S.I. (CLOSE)
RSI = +61.85
80
60
40
20
SPH7, 5 MINUTE
DUAL OSCILLATOR
.220 E (H+L)/2 .000 E (CLOSE)
.110 E (H+L)/2 .000 E (CLOSE)
.125 EXP AVG
AVG = +7.722
OSC1 = +21.668
OSC2 = +255.000
+50
+25
0
-25
1/14



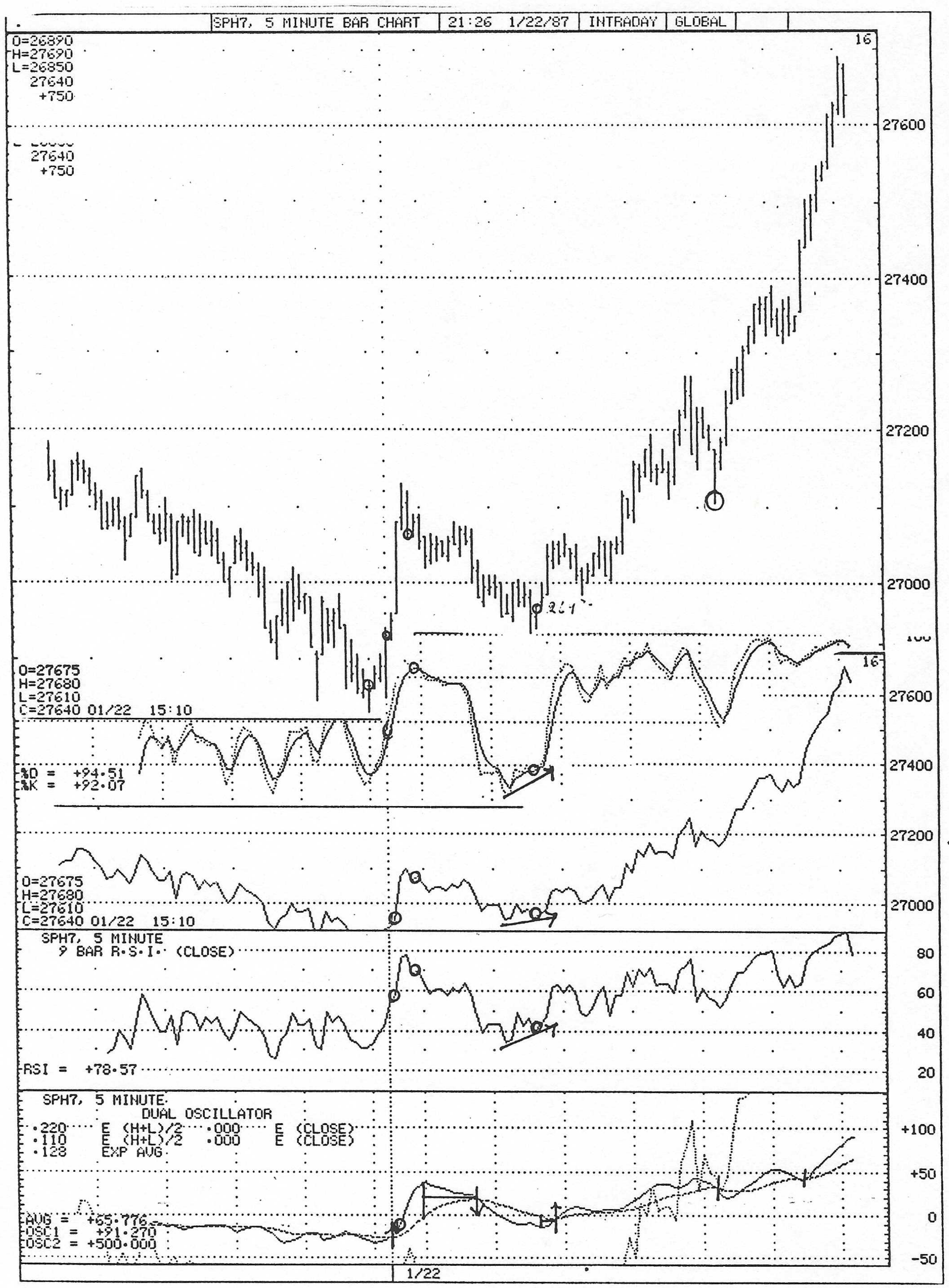
Commodity Quote-Graphics TO-20/20



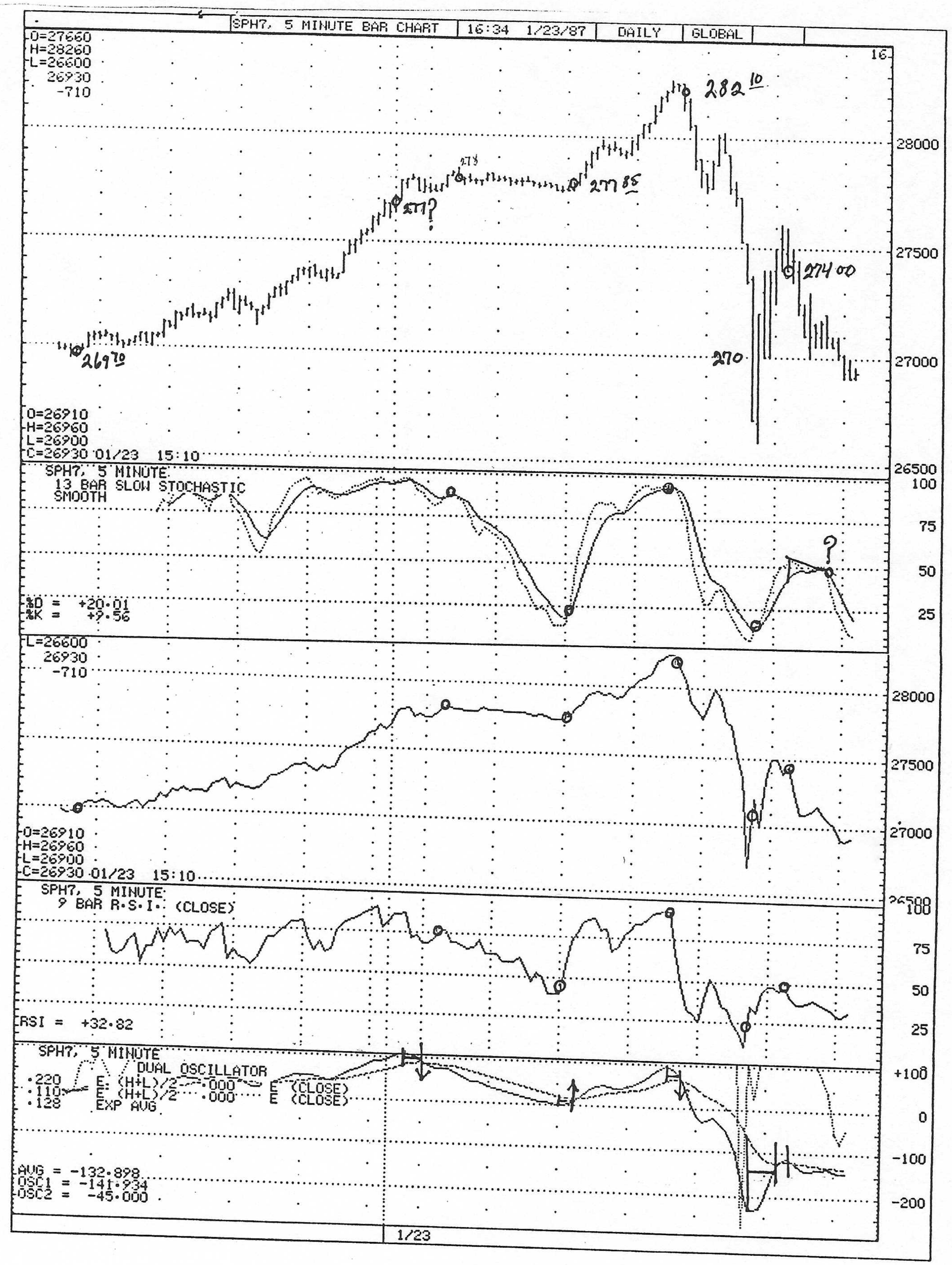
Commodity Quote-Graphics TQ-20/20



Commodity Quote-Graphics TQ-20/20

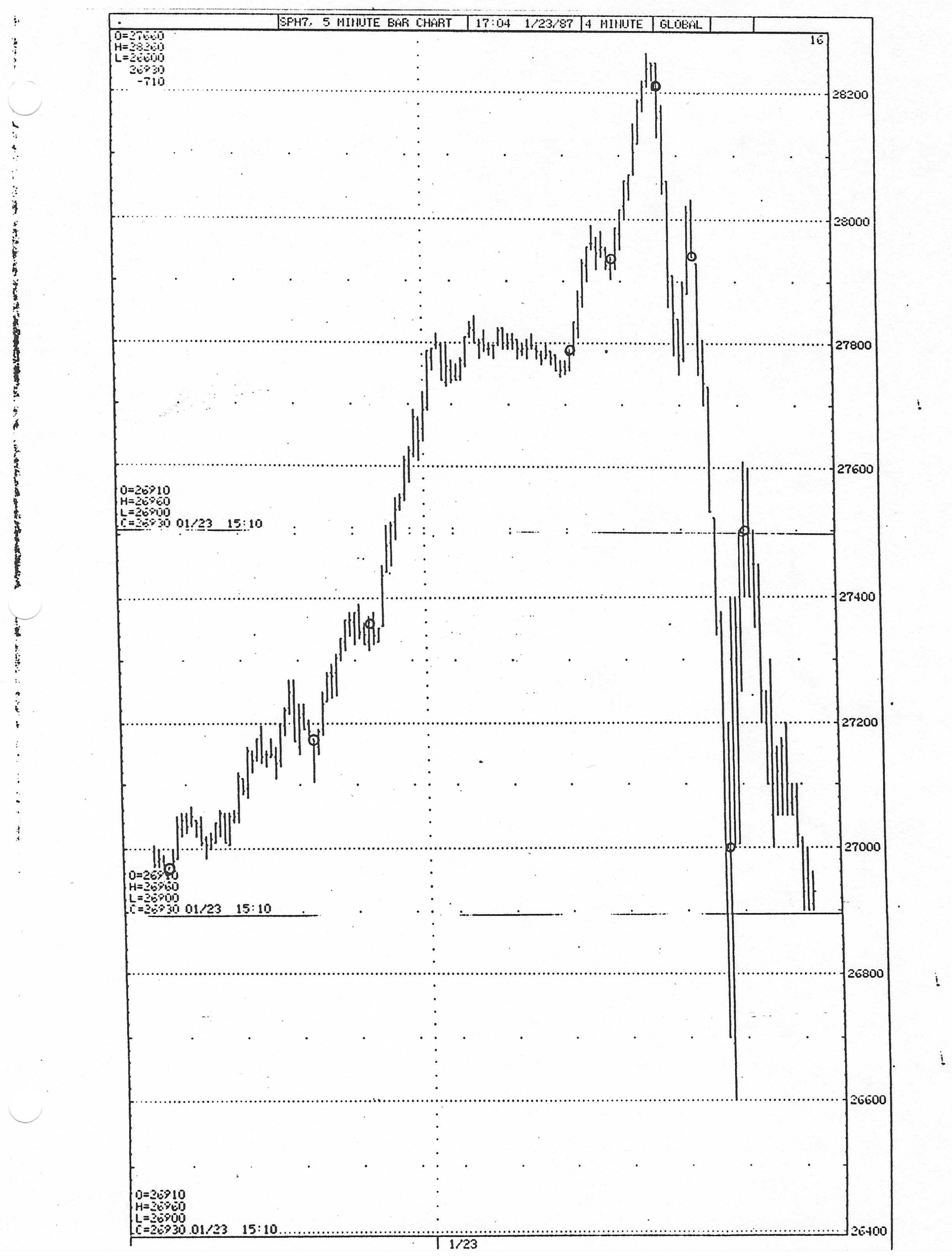


Commodity Quote-Graphics TQ-20/20

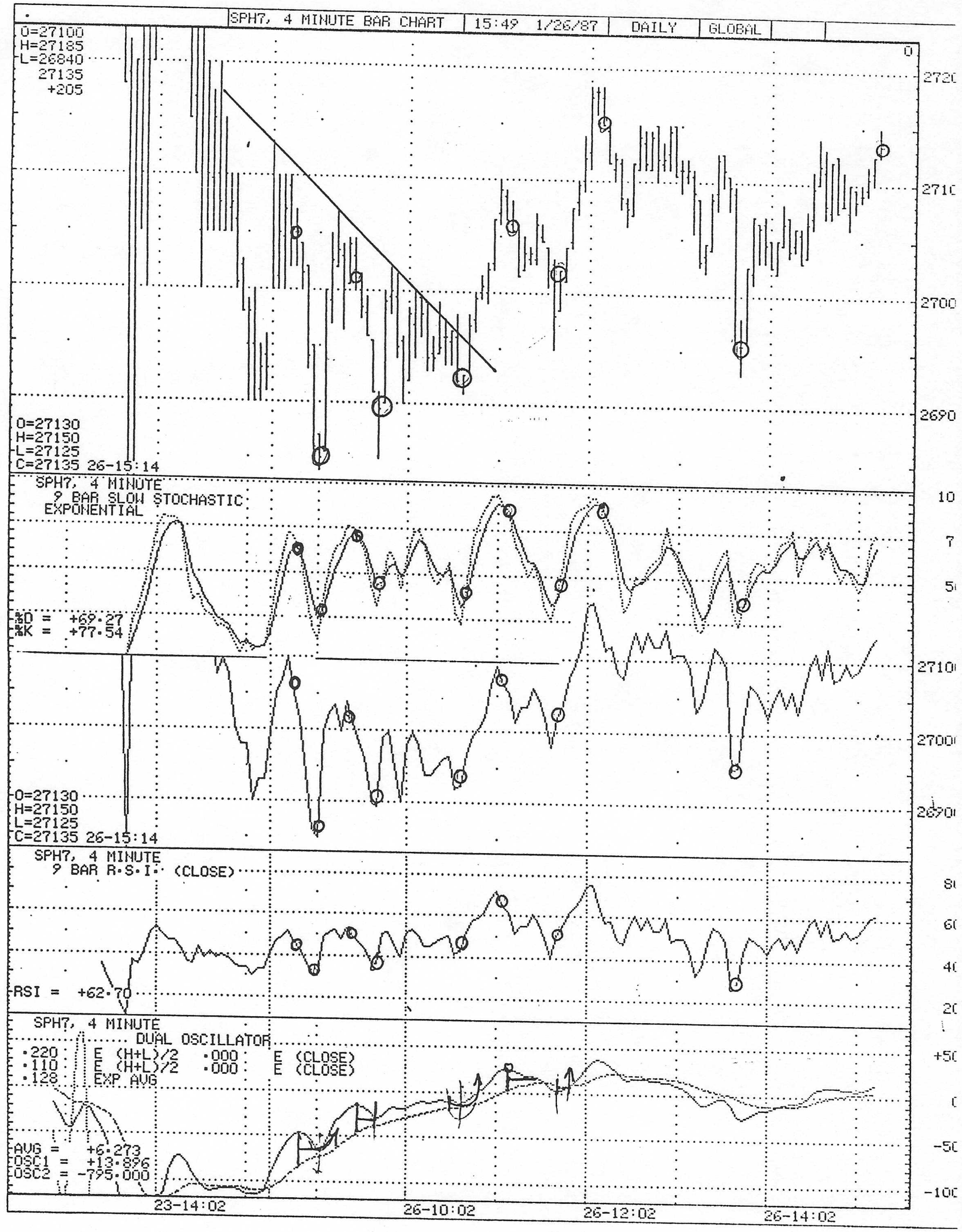


Commodity Quote-Graphics TQ-20/20

CLOSE-UP OF LAST CHART ... (4-MINUTE)

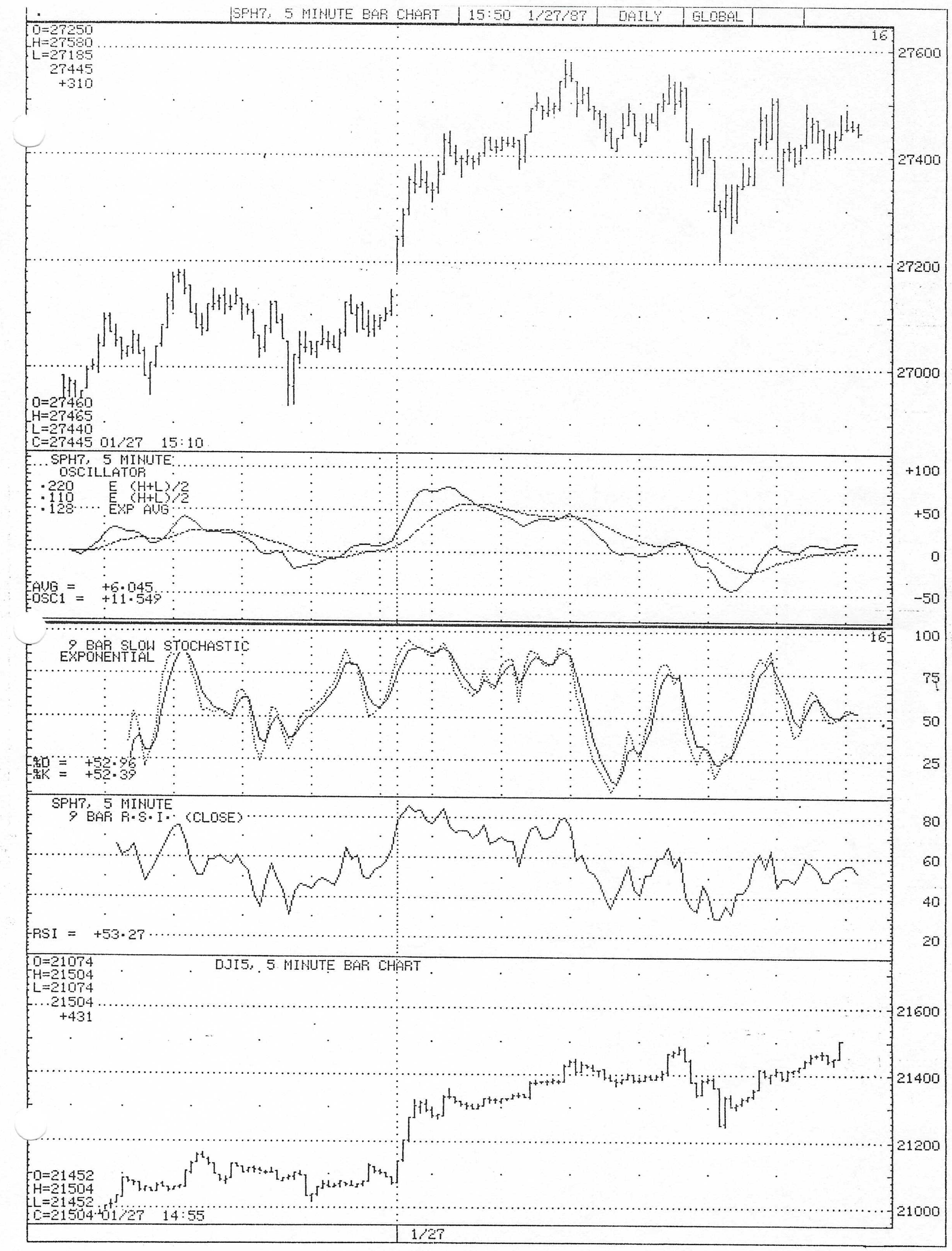


NOTICE GEORGE STAYS IN 4-MINUTE TIME HORIZON.



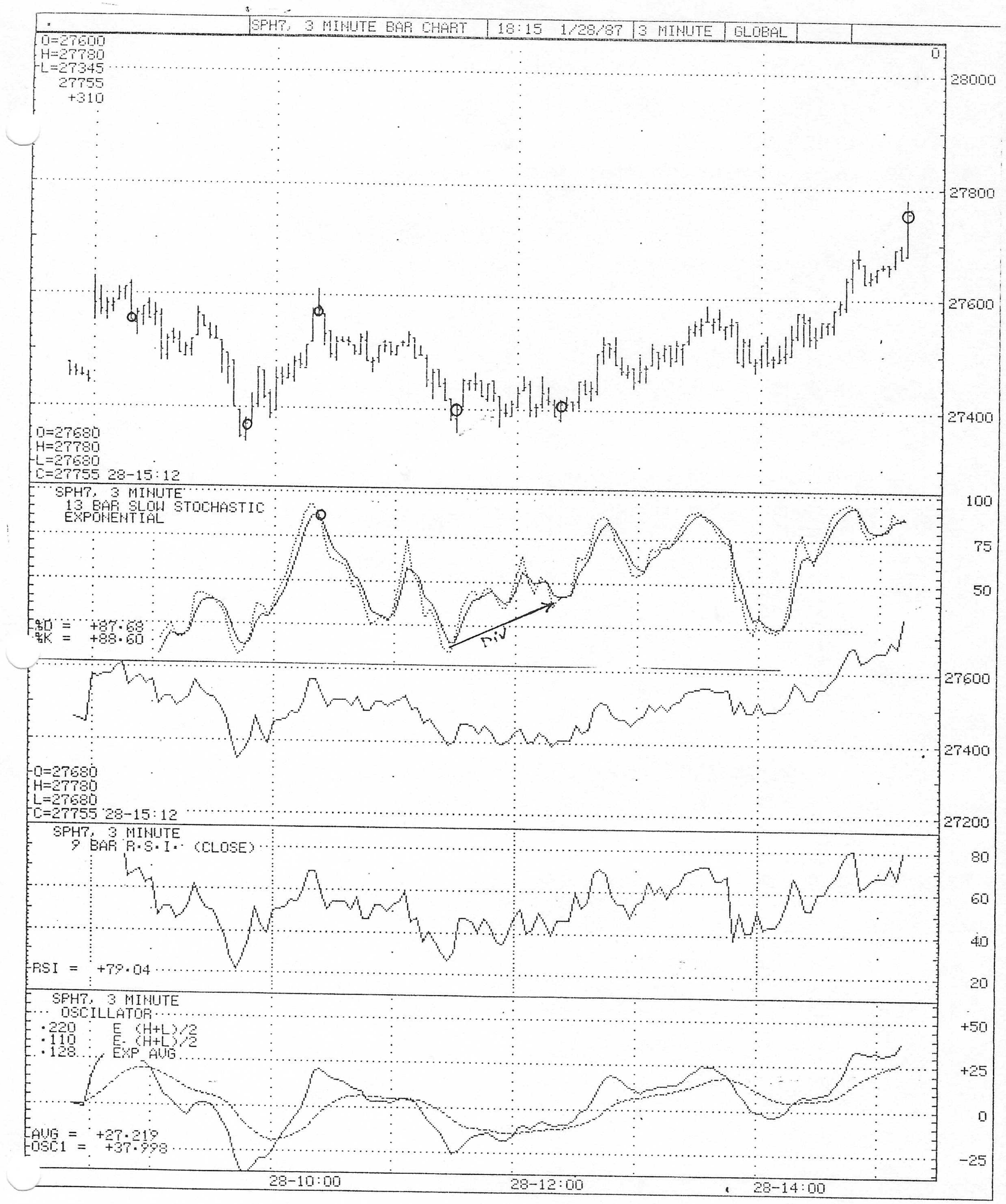
Commodity Quote-Graphics TQ-20/20

BACK TO 5-MINUTE BAR CHART.

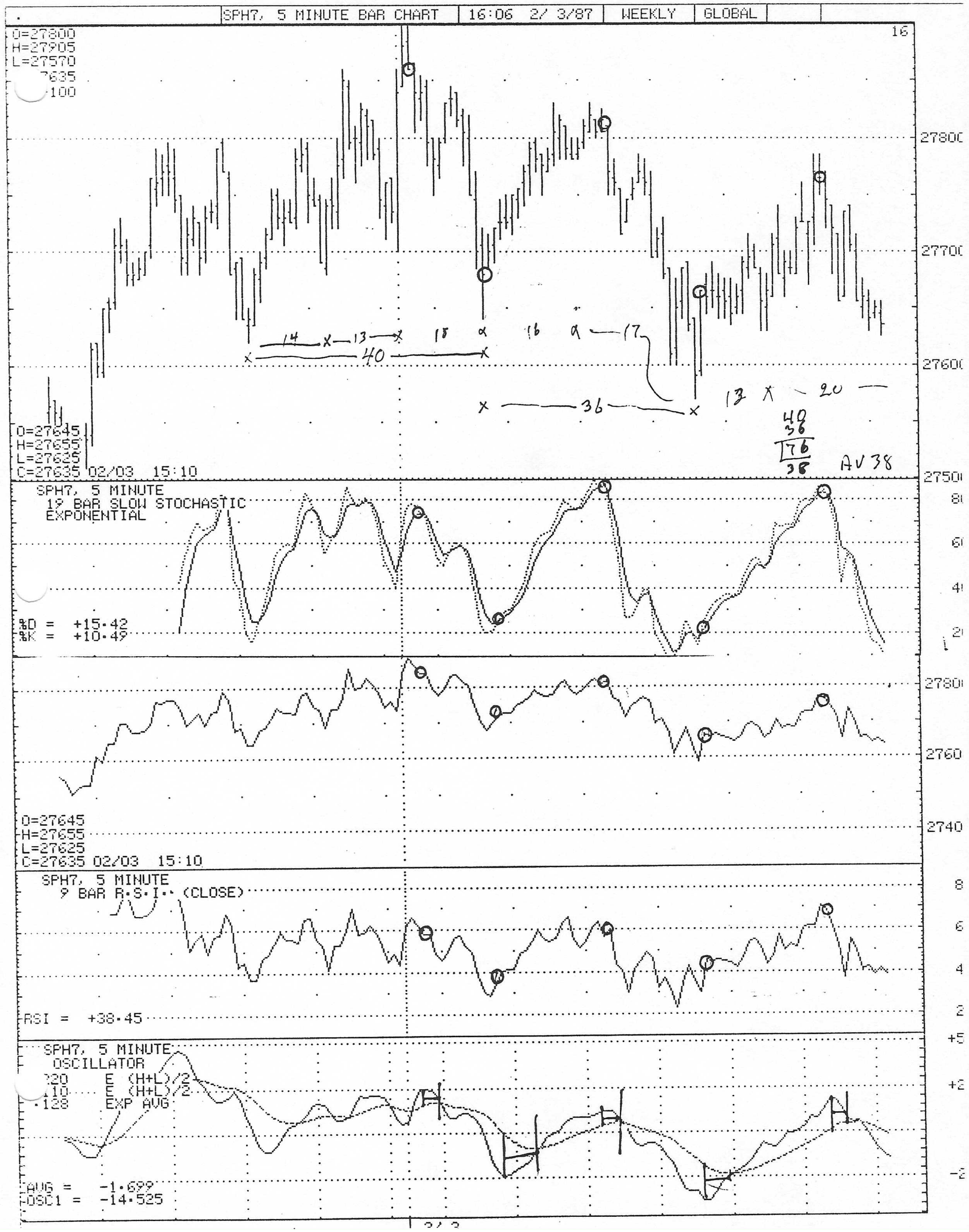


Commodity Quote-Graphics TQ-20/20

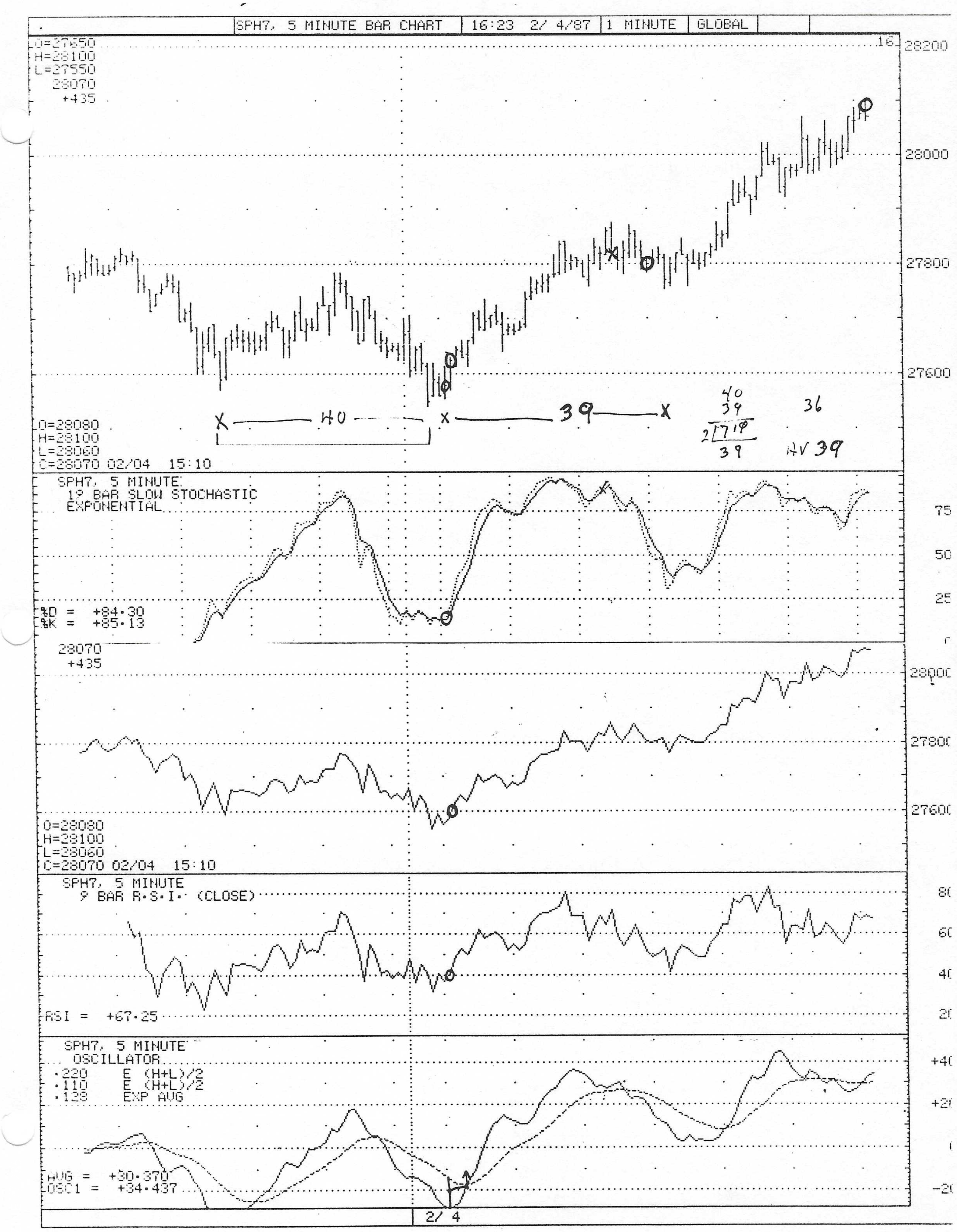
3-MINUTE BAR CHART ... JUST WATCH THE TOP LINE LEFT



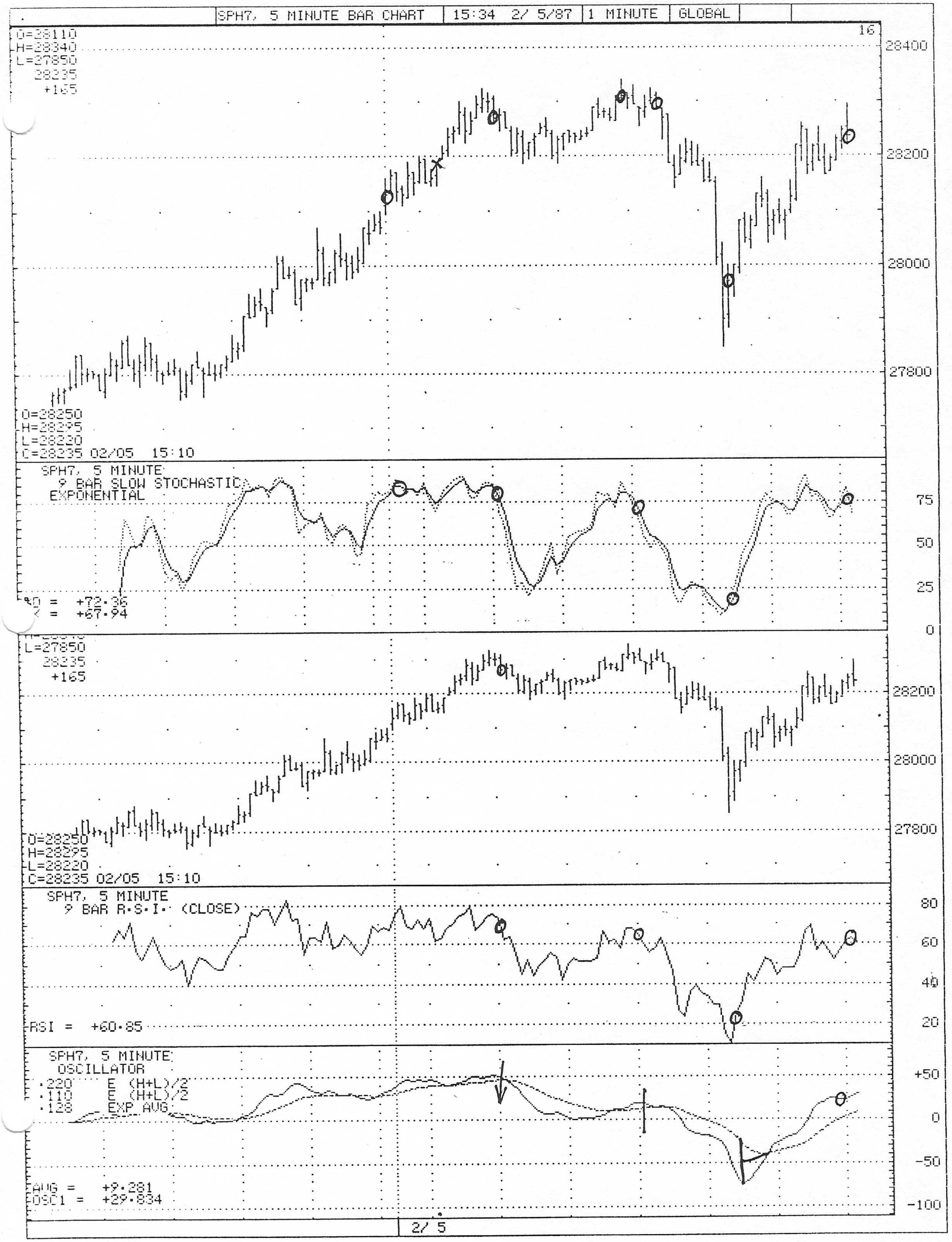
Commodity Quote-Graphics TQ-20/20



SPH7, 5 MINUTE BAR CHART
16:06 2/ 3/87
WEEKLY
GLOBAL
O=27800
H=27905
L=27570
O=27645
H=27655
L=27625
C=27635 02/03 15:10
SPH7, 5 MINUTE
19 BAR SLOW STOCHASTIC
EXPONENTIAL
%D = +15.42
%K = +10.49
SPH7, 5 MINUTE
9 BAR R.S.I.. (CLOSE)
RSI = +38.45
SPH7, 5 MINUTE
OSCILLATOR
E (H+L)/2
E (H+L)/2
EXP AVG
AVG = -1.699
OSC1 = -14.525
AV 38

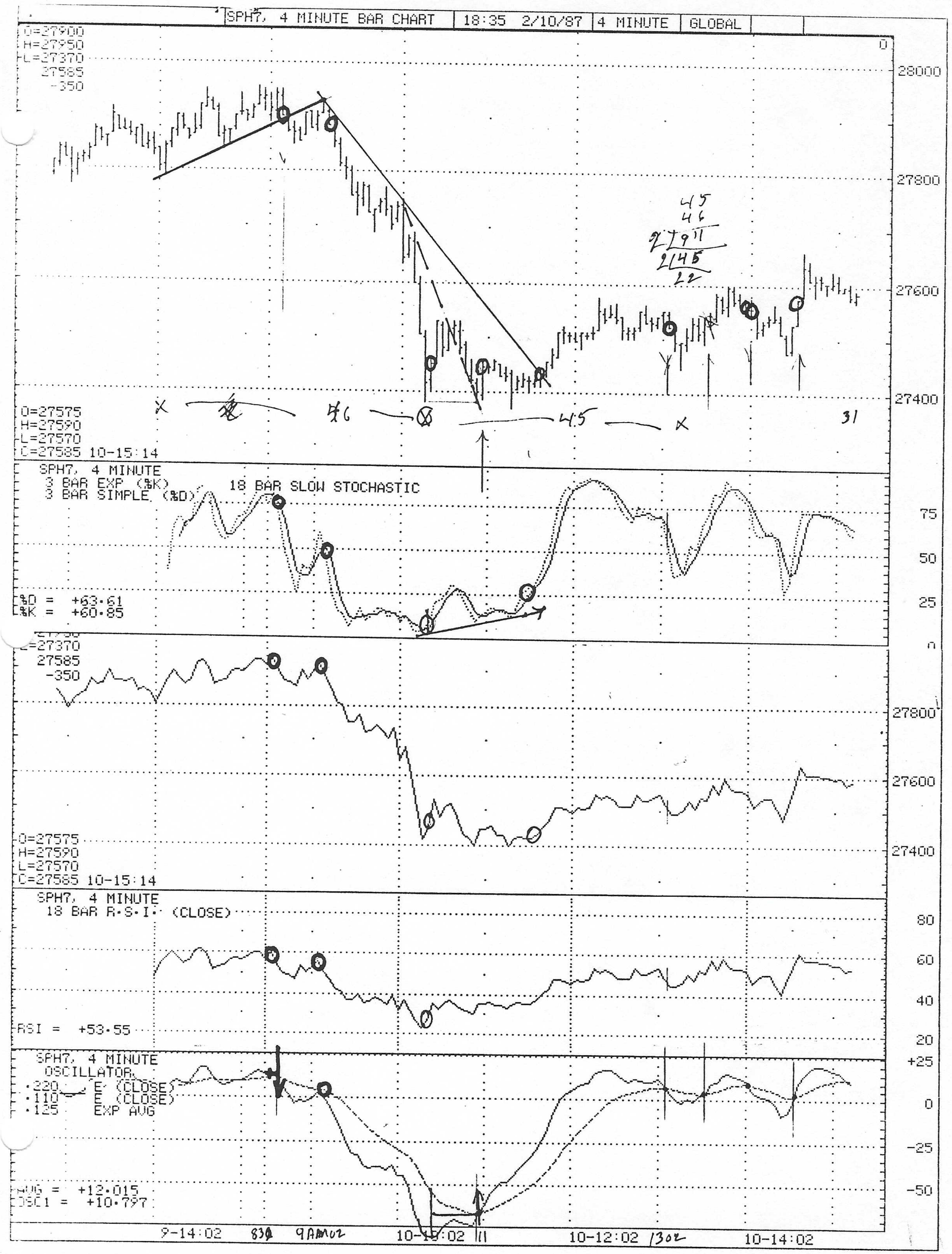


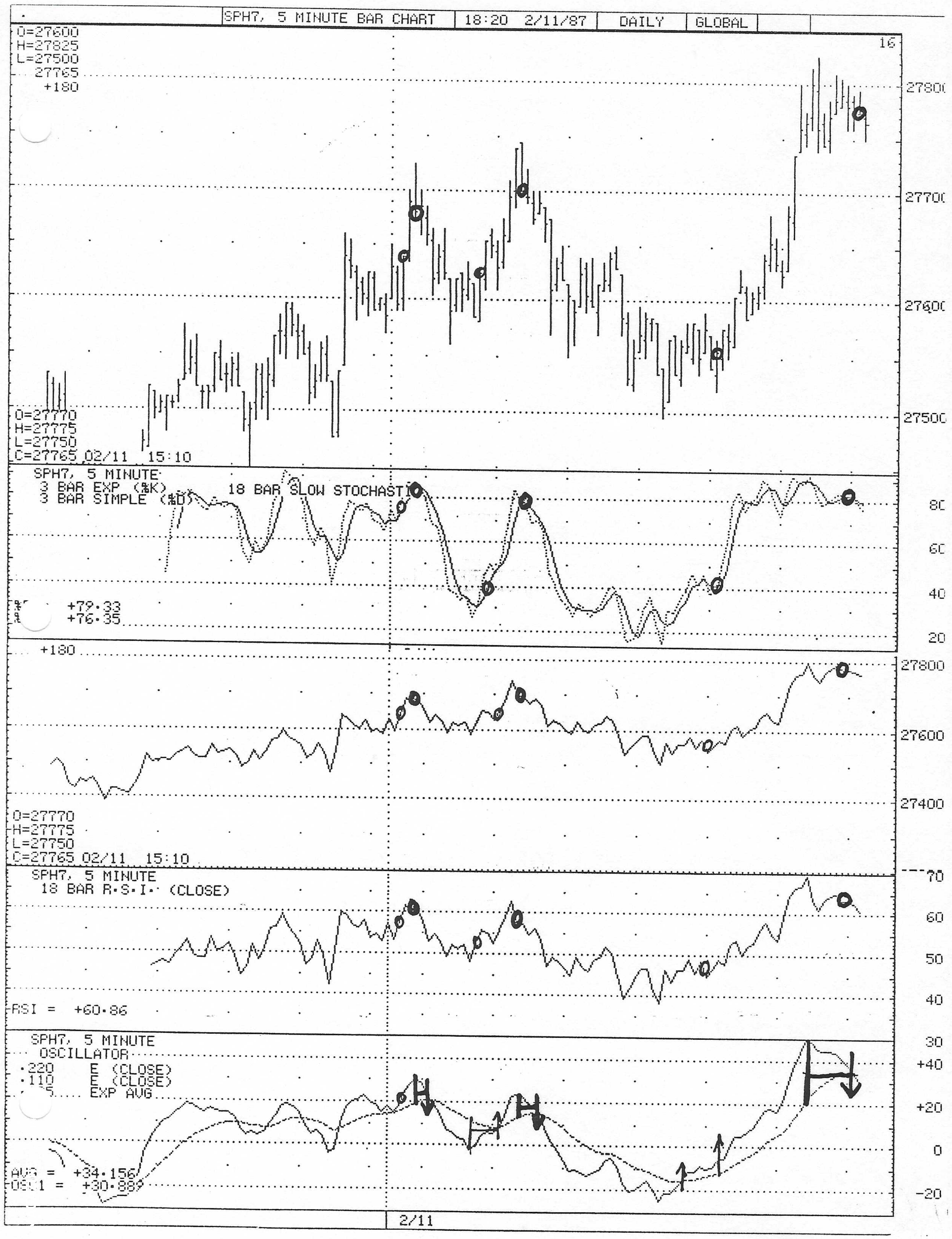
Commodity Quote-Graphics TQ-20/20



SPH7, 5 MINUTE BAR CHART
15:34 2/ 5/87
1 MINUTE
GLOBAL
O=28110
H=28340
L=27850
28235
+165
O=28250
H=28295
L=28220
C=28235 02/05 15:10
SPH7, 5 MINUTE
9 BAR SLOW STOCHASTIC
EXPONENTIAL
+72.36
+67.94
SPH7, 5 MINUTE
9 BAR R.S.I. (CLOSE)
RSI = +60.85
SPH7, 5 MINUTE
OSCILLATOR
.220 E (H+L)/2
.110 E (H+L)/2
.128 EXP AVG
AVG = +9.281
OSC1 = +29.834
2/ 5

Commodity Quote-Graphics TQ-20/20

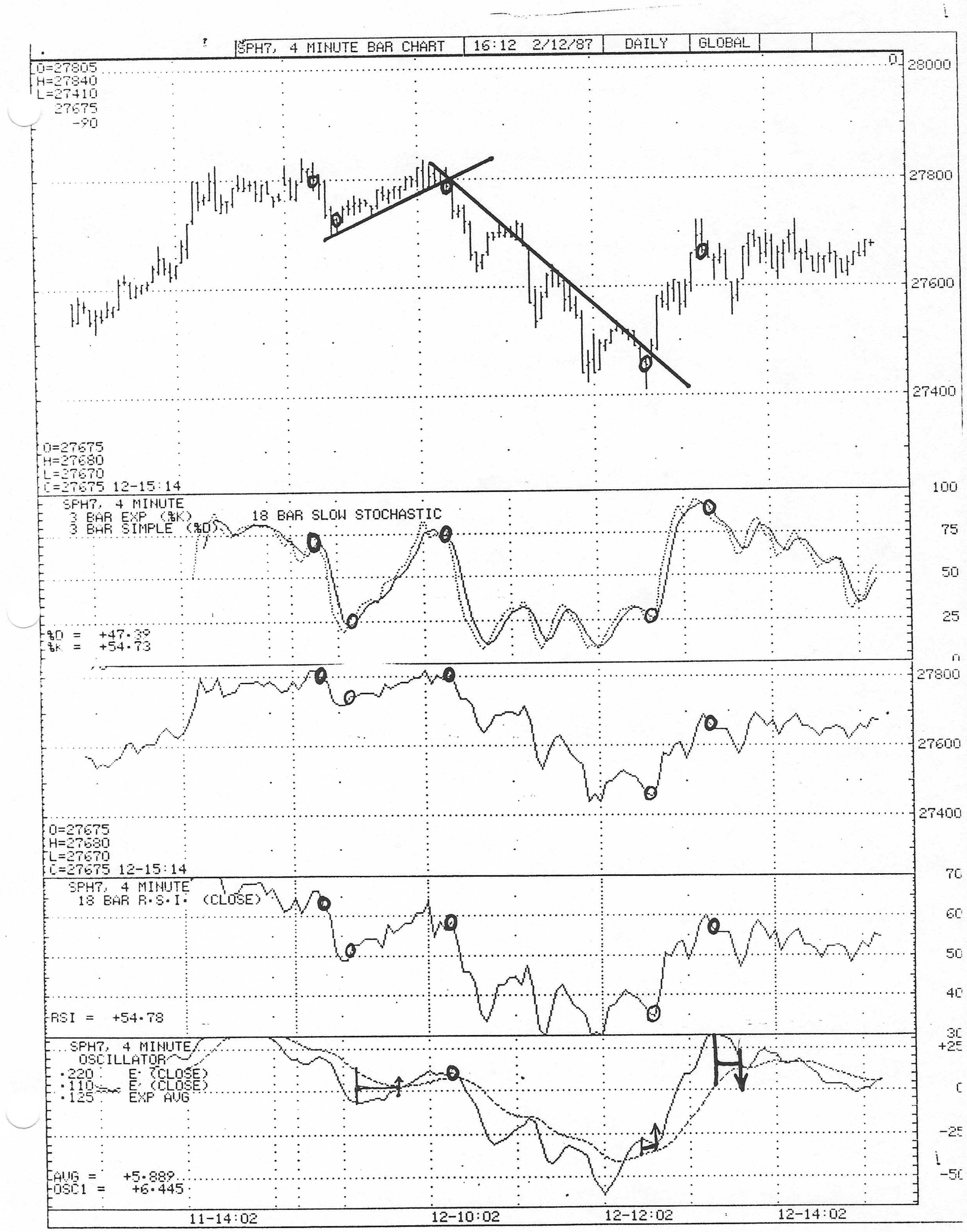

SPH7, 4 MINUTE BAR CHART
18:35 2/10/87
4 MINUTE
GLOBAL
O=27900
H=27950
L=27370
27585
-350
O=27575
H=27590
L=27570
C=27585 10-15:14
SPH7, 4 MINUTE
3 BAR EXP (%K)
3 BAR SIMPLE (%D)
18 BAR SLOW STOCHASTIC
%D = +63·61
%K = +60·85
SPH7, 4 MINUTE
18 BAR R·S·I· (CLOSE)
RSI = +53·55
SPH7, 4 MINUTE
OSCILLATOR
·220 E (CLOSE)
·110 E (CLOSE)
·125 EXP AVG
AVG = +12·015
OSC1 = +10·797
9-14:02
10-12:02
10-14:02


SPH7, 5 MINUTE BAR CHART
18:20 2/11/87
DAILY
GLOBAL
O=27600
H=27825
L=27500
27765
+180
16
27800
27700
27600
27500
O=27770
H=27775
L=27750
C=27765 02/11 15:10
SPH7, 5 MINUTE
3 BAR EXP (%K)
3 BAR SIMPLE (%D)
18 BAR SLOW STOCHASTIC
+79.33
+76.35
80
60
40
20
+180
27800
27600
27400
O=27770
H=27775
L=27750
C=27765 02/11 15:10
SPH7, 5 MINUTE
18 BAR R.S.I. (CLOSE)
RSI = +60.86
70
60
50
40
30
SPH7, 5 MINUTE
OSCILLATOR
.220 E (CLOSE)
.110 E (CLOSE)
EXP AVG
AVG = +34.156
OSC1 = +30.889
+40
+20
0
-20
2/11

AND THIS IS THE LAST WORKING CHART IN THIS SERIES.

ONE OF THE OTHERS IN THIS SEMINAR REFUSED THE CHARTS IN HAND ... BECAUSE THEY WERE NOT 3-HOLE PUNCHED. YOU HAD TO WALK TO THE END OF THE ROOM AND USE THE AVAILABLE PUNCH TO INSERT THEM IN THE BINDERS. I'VE RUN INTO THIS KIND OF THING TEACHING. IF YOU DIDN'T LEARN FIBONACCI CONFLUENCE ZONES IN THE START OF MY GANN CLASS... YOU DIDN'T GET MUCH AFTER EITHER. MAYBE THIS EXPERIENCE WITH THESE HANDOUTS TAUGHT ME TO USE SUCH TESTS TO FIND THE COMMITMENT.

GEORGE WOULD ANSWER ANY QUESTION ASKED ... BUT YOU HAD TO ASK OR YOU GOT NOTHING MORE. HE WAS A GREAT TEACHER.

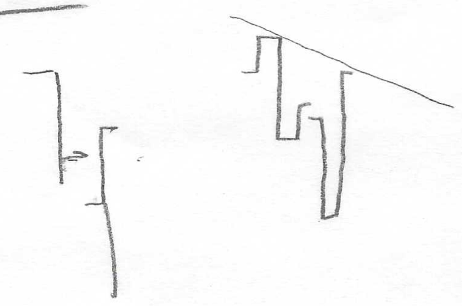


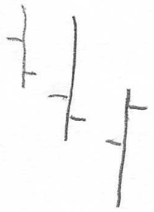
A FEW PAGES LOOSE IN THE BACK OF MY BINDER. I USED THIS LOG FOR MANY YEARS UNTIL IB'S STARTED GIVING US THESE IN EXCEL FORMAT.

BUY									SELL										MGT.			
							Risk										Risk		Gain/<Loss>			
Time	Order #	# of Contracts	Commodity–Month	Price	Order#	SELL-STOP	Pts.	$$$	Time	Order #	# of Contracts	Commodity–Month	Price	e	Order #	BUY-STOP	Pts.	$$$	Points	$$$	– Comm	=NET

"CPR" Closing Price reversal.

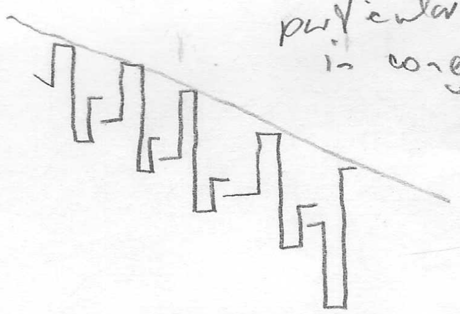
TRIGGERS



1  "good"

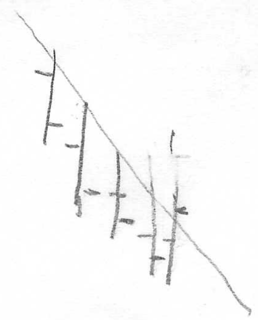
1st clue
mkt is changing
direction closes
above prior close

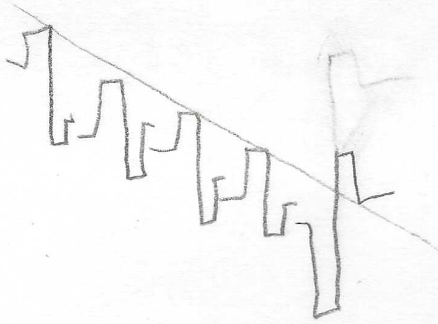
reversed chart

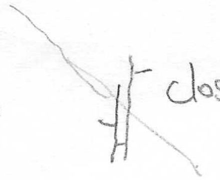


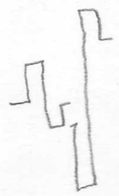
particularly useful
in congested area.
draw it.

2 "better"





3 "best"  closes above
prior high and close.



4 Flat bottom CPR.

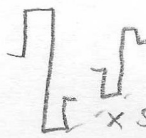
"professional buying."
Locals reaching for it.
limit discretion orders. -Use

5 

6 

Inside day

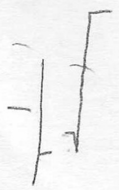
7 

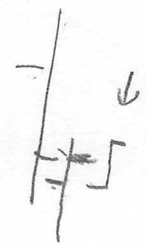


x sell stop.

professional buying, comes
down to prior days close
buy all... then stops.

8  Inside day with a
high close.

9  Close above
high of prior
day.

10 

usually followed
by inside
day CPR.

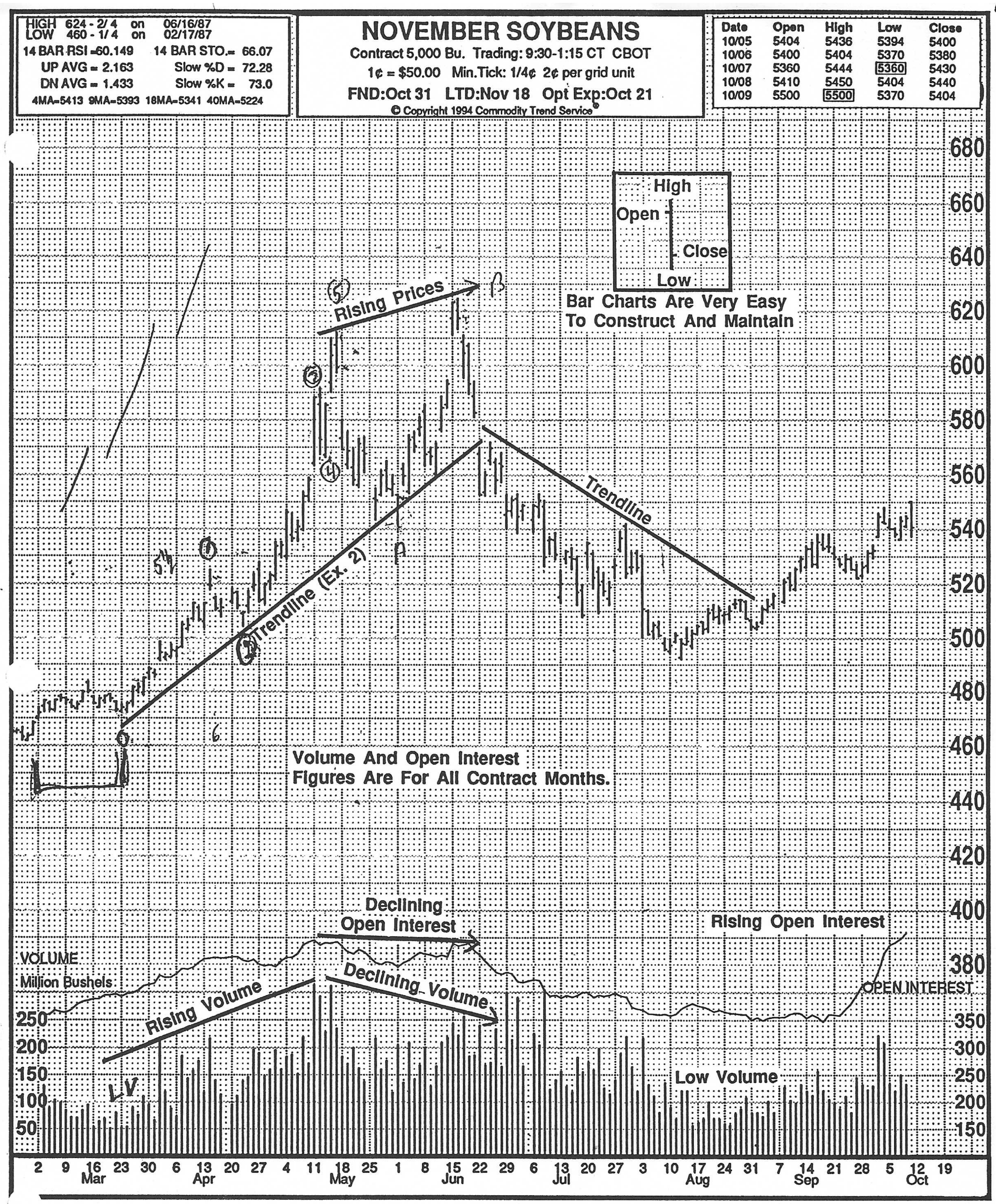
failure
close

4
chinese

CB LECTURE NOTES ON TRIGGERS

CLEARLY FROM A VOLUME OPEN INTEREST DISCUSSION. LIKELY FELL

OUT OF MY BOOK FROM MUCH HIGHER IN THE BINDER.



6 3/2

OK.. LAST PAGE.

THIS IS WHAT GEORGE LANE CALLED ‘ELLIOTT WAVE’. IT DOES NOT FOLLOW THE TENENTS OF THE ELLIOTT WAVE PRINCIPLE.

BUT ... HIS METHOD OF WAVE STRUCTURE EVALUATION TRACKS GRAIN MARKETS .. HE CREDITS TUBBS. I’M NOT SURE. AS A PURE ELLIOTTICIAN I HAD TO NOT STUDY IT FOR FEAR OF MESSING ME UP THEN. NOW I SEE HE COUNTS THE STRONG BARS ALWAYS AS ‘3’S’ AND LETS THE BARS BEFORE AND AFTER VIOLATE ELLIOTT RULES OF SUBSTRUCTURE.

HE ASKED ME ABOUT IT AS HE KNEW I WAS TRAINED BY BOB PRECHTER. I TOLD HIM DON’T CHANGE WHAT HAS WORKED ALL THESE YEARS FOR YOU. WE KNOW TRUE ELLIOTT HAS ISSUES IN GRAINS ... YOU HAVE A SOLUTION AND A DIFFERENT EYE FOR YOUR CORN MARKET. YOU’LL NOTICE HE HAS NO MARKINGS ON HIS CHART ... OR FEW.. IN THE S&P500 CHARTS.

FINAL THOUGHTS ...

PLEASE KEEP THIS PACKAGE AS A COMPLETE DISTRIBUTION. OVER THE YEARS THE VENDORS HAVE ONCE AGAIN TAKEN THE LEAD AND SENT THE INDUSTRY OFF TRACK. WHEN I FOUND THIS BINDER AFTER ENDLESS EMAILS FROM PEOPLE TO SAY NOTHING REMAINED OF HIS WORK THEY COULD FIND ... THE PLAN HATCHED. SO MUCH OF WHAT I DO STARTED FROM THIS ... AVERAGES ON OSCILLATORS, MULTIPLE TIME HORIZONS, TRADING LOGIC SEQUENCE ... ETC.

SEPTEMBER 3, 2021 - CONNIE BROWN, SUPPORT@AEROINVEST.COM