



# MARKET MOVERS (M<sup>2</sup>)

## STRATEGY PAPER #4

### NEUTRAL BIAS SHIFT

NEUTRAL BIAS SHIFT Market Mover Stocks have moved from one end of the neutral zone to the other. These stocks provide excellent oscillator strategies to fade extremes.

NEUTRAL BIAS SHIFT Market Movers offer opportunity on both sides of the R bias.

Market Symbol	MC C	MC V	Signal Bias	R	CC
<b>Telecom.</b>					
SEC	5	5	TREND ACCELERATION	25.48	0.84
<b>Utilities</b>					
AEP	6	0	CORRECTIVE	24.2	0.62
NI	5	0	NEUTRAL BIAS SHIFT	16.62	0.38
<b>Financials</b>					
PGR	-5	0	NEUTRAL BIAS SHIFT	56.2	0.82
CB	-7	-7	BREAKOUT	56.11	-0.18
<b>Energy</b>					
NO SIGNALS					
<b>Inform. Tech.</b>					
LLTC	-4	0	NEUTRAL BIAS SHIFT	27.67	0.93
YHOO	-4	-1	NEUTRAL BIAS SHIFT	14.88	0.76
ALTR	-5	-4	BREAKOUT	12.04	0.82
<b>Health Care</b>					
KG	8	0	NEUTRAL BIAS SHIFT	17.53	0.9
SGP	5	1	NEUTRAL BIAS SHIFT	20.2	0.76
BMET	-4	-2	NEUTRAL BIAS SHIFT	29.77	-0.34
BSX	-4	3	CORRECTIVE	37.45	0.6
HCA	-5	-1	NEUTRAL BIAS SHIFT	50.02	0.63
THC	-5	-5	BREAKOUT	46.78	-0.08
MDT	-7	0	CORRECTIVE	44.96	0.81
<b>Materials</b>					
IFF	6	4	BREAKOUT	32.98	-0.41
ECL	4	9	TREND ACCELERATION	47.98	0.64
EC	-4	-7	BREAKOUT	23.36	0.61
DD	-5	-1	NEUTRAL BIAS SHIFT	40.98	0.6
<b>Industrials</b>					
GPC	-4	-6	TREND ACCELERATION	29.96	-0.48
CTAS	-4	0	NEUTRAL BIAS SHIFT	49.08	0.92
MMM	4	0	NEUTRAL BIAS SHIFT	136.38	0.92

**Theory – Opportunity 1**

The market has been in a sideways neutral trade and this neutral trade is expected to continue. The NEUTRAL BIAS SHIFT Market Mover has produced a significant technical signal into the extreme of the neutral consolidation. No follow through is expected. Therefore, any further price action in the direction of this signal is not expected to be sustained and will provide a fade opportunity. To capture this opportunity, an Oscillator Overlay is used to fade moves against the signal (MC Change) bias. JS Services teaches a Relative Strength Index (RSI) overlay. However, any other Oscillator signal type study can apply.

*NOTE: NEUTRAL BIAS Stocks have been pushed to the extreme, if they don't snap back as expected to a neutral posture, there is the potential to for the market to be moving into a Breakout position. Market structure can be used as a guide to avoid a potential breakout scenario. A positive NEUTRAL BIAS SHIFT Market Mover that has move beyond a significant price high should discount any extreme signals against the strength until the market is again back below the significant market high point.*

**Practical Application– Opportunity 1**

Studies            Chart 3 min  
                          RSI    7 bar

**Oscillator Overlay Systems**

**RSI OB/OS** – 80-20 bounded extremes. A market’s RSI =>80 for Overbought (OB) and RSI =<20 for Oversold (OS).

**Strategy** – Enter market when RSI is at an extreme against the direction of the MC Change bias. So for a positive MC Change NEUTRAL BIAS SHIFT equity, all OB signals should be taken. This strategy is enhanced by using existing market structure for precise entry.

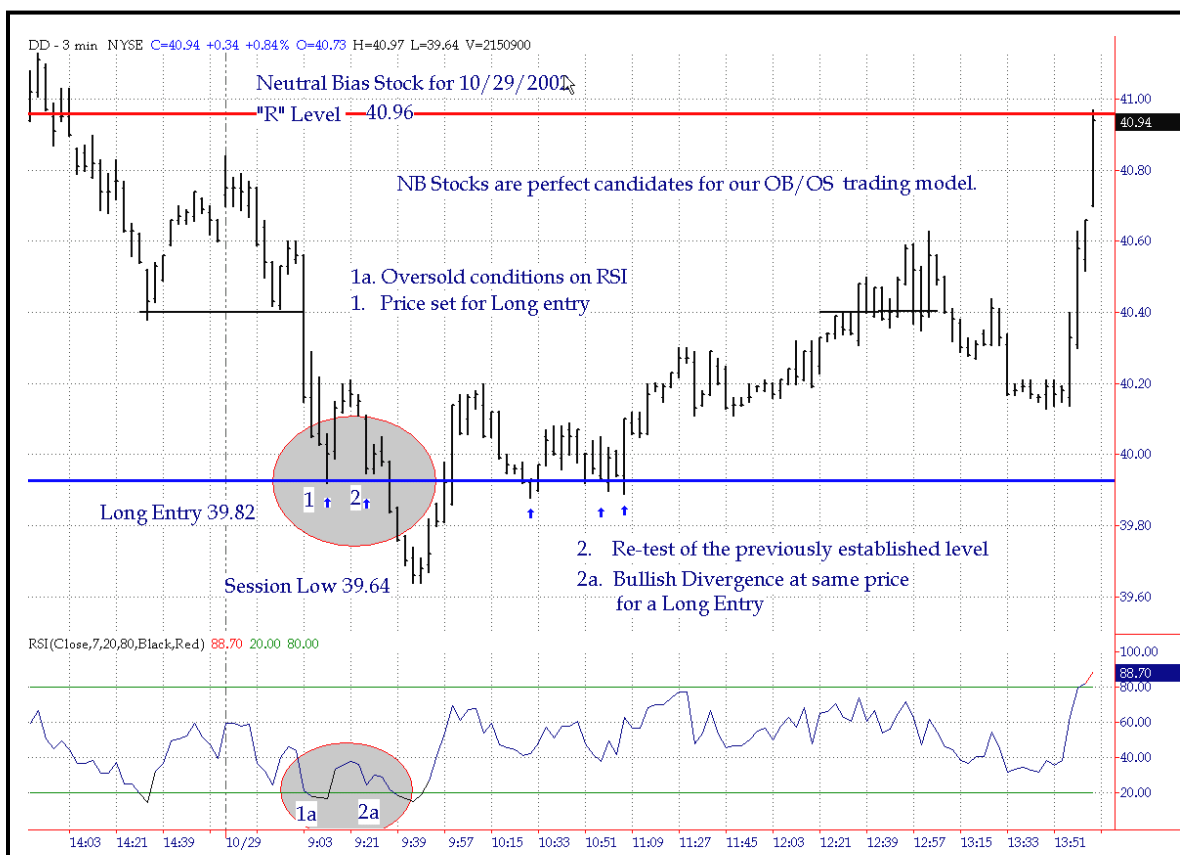
**RSI OB/OS with Divergence** – Price action must first breach the OB/OS extreme. The trader then waits for the market to set a high or low for the move, and then pull back. On the re-test of the move (high or low), the RSI diverges, posting a lower RSI at the same price high for a positive move, or a higher RSI for the re-test of the same price low for a negative move. Here again, this strategy is enhanced by using existing market structure in conjunction with the signal for precise entry.

***Example: Opportunity 1***

Symbol	MC C	MC V	Bias	R	CC
DD	-5	-1	NEUTRAL BIAS SHIFT	40.98	0.6

The MC C for DD is negative, so we are looking for Overbought (OB) or Oversold (OS) and Divergence signals with the 40.98 R level as an expected target.

# NEUTRAL BIAS SHIFT



## Trade Recommendation

JS Services NEUTRAL BIAS SHIFT Market Movers Trade Recommendation rules are to enter the market at or near the R level trading in the direction of the R bias (buy breaks above the R, sell rallies below the R) or with a qualified Oscillator signal against the MC Change bias.

Stops should be placed in accordance with **Table A** with profits taken at least a 1-to-3 risk/reward ratio.

TABLE A	STOP	
	Min – Max	Min tick
\$10-\$19 Stocks	15 - 25cents	.01
\$20-\$35 Stocks	20 - 35cents	.02
\$36 -\$85 Stocks	35 - 45cents	.05
\$86-\$150 Stocks	45 - 75cents	.10
\$151-\$200 Stocks	\$1.00 - \$2.00	.25
\$201 + Stocks	\$3.00 - \$5.00	.50

## NEUTRAL BIAS SHIFT

### Theory – Opportunity 2

An R level is provided for each Market Mover. This is the market's session bias and should be plotted on an intra-day chart as a visual aid. A held trade above this level shows a buy break bias, and a held trade below this level shows a sell rally bias for the session.

The Oscillator signal can also be used at the R level. Whereas signals away from the R level can only be against the MC Change bias, signals at the R level can occur in either direction. The theory is that the R level will act as a pivot point for the session with the market rotating around this level within the neutral zone. Any extreme deviation signals into this qualified value area will provide opportunity.

### Practical Application– Opportunity 2

Studies            Chart    3 min  
                       RSI      7 period

### Oscillator Overlay Systems

**RSI OB/OS** – 80-20 bounded extremes. A market's RSI  $\Rightarrow$  80 for Overbought (OB) and RSI  $\leq$  20 for Oversold (OS).

**Strategy** – Enter market when RSI is at an extreme at or near the R level. So for price action above the R level, OS signals into the R level will provide buying opportunity. For price action below the R, OB signals will provide sell signals against the R level. This strategy should use the R level as entry point.

**RSI OB/OS with Divergence** – Price action must first breach the OB/OS extreme at or around the R level. The trader then waits for the market to move away from the R level and then re-test with a diverging RSI - a higher RSI for an OS signal above the R and lower RSI for an OB signal below the R. Divergent signals may occur at the R level without first entering the extreme. Although these are valid signals, a deviation at an extreme provides a higher probability.

### *Example: Opportunity 2*

Symbol	MC C	MC V	Bias	R	CC
CTAS	-4	0	NEUTRAL BIAS SHIFT	49.08	0.92

CTAS opened in an Overbought (OB) setup into its R level for any early trade opportunity. No Oversold signals against the MC C negative signal were presented for any Type 1 Opportunities.

# NEUTRAL BIAS SHIFT



## Trade Recommendation

JS Services NEUTRAL BIAS SHIFT Market Movers Trade Recommendation rules are to enter the market at or near the R level, trading in the direction of the R bias (buy breaks above the R, sell rallies below the R) or with a qualified Oscillator signal against the MC Change bias.

Stops should be placed in accordance with **Table B**, with profits taken at least a 1-to-3 risk/reward ratio.

TABLE B	STOP	
	Min – Max	Min tick
\$10-\$19 Stocks	15 - 25cents	.01
\$20-\$35 Stocks	20 - 35cents	.02
\$36 - \$85 Stocks	35 - 45cents	.05
\$86-\$150 Stocks	45 - 75cents	.10
\$151-\$200 Stocks	\$1.00 - \$2.00	.25
\$201 + Stocks	\$3.00 - \$5.00	.50

