

PRICE-MAP[®]

PRACTICAL APPLICATION

The Price Map should be used as a guide to aid in trade initiation and exit. If you have a bias, the Price Map can tell you the following: where you are right; where you are wrong; if you are right, where you should expect the market to go; and if you are wrong, when the momentum will reverse. If you do not have a bias, the Price Map will give you the session bias along with the market's trend, extending out 6 months.

This document contains detailed description of each Price Map qualifier and an example of Practical Application.

- 1. DIRECTIONAL**
- 2. CRITICAL RANGE – UP (Upside Pivot) | DP (Downside Pivot)**
- 3. R – REVERSAL NUMBER**
- 4. SUPPORT | RESISTANCE ***, **, * STAR TARGETS**
- 5. +C | -C CONTINUATION MOMENTUM NUMBERS**
- 6. TRENDS**
- 7. TECHNICAL OUTLOOK**
- 8. MC VALUE**
- 9. Trading Tips using the Price Map to trade Equities**
- 10. Using the Price Map analysis with the MarketColor Equity Ranking Tables**
- 11. Stop Levels and Average Price Map Distance (APMD) values**

1. DIRECTIONAL

The Directional shows the general tone for the market and is a great indication of which way the market is leaning.

Using the Directional as a Stop

The Directional provides an excellent stop point for any positions initiated off a Critical Range breakout, a violation of either the UP (Upside Pivot) or DP (Downside Pivot). The market is trying to make a move and should not trade back through the Directional level if the signal is valid. A trader should note the difference between the violated Pivot and the initial target (#1), and keep in mind a 1 to 3 risk-reward ratio. If the risk is too great for the reward, the Directional should still be used as a guide to the market potential follow through and a tighter stop used, understanding that the trader is not "wrong" until the Directional is taken out.

	135400	***4	
	134750	**	
Momentum Number	133700	***3	+c
	133200	*	Resistance Projections
	132450	***2	
	131750	*	
Reversal Number	131030	***1	R
	130400	**	
Upside Pivot	130000	UP	Critical Range
	+++++++		
Directional	< 129500 >		
	+++++++		
Downside Pivot	129000	DP	
	128750	*	
	128150	***1	
	127150	**	
Momentum Number	126500	***2	-c
	126000	*	Support Projections
	125550	**	
	124950	***3	
	123200	**	
	121700	***4	
	APMD		350-500 pts.

TRENDS

MIN UP 128150

INT UP 115400

MAJ UP 102500

EXAMPLE 1

Referring to the Price Map (left), the Directional can be used as a stop for a pivot breakout. A failure from the Downside Pivot (1290.00 DP) would not be negated until the market trades back above the < 1295.00 > Directional.

To use the Directional as a stop would depend on the difference between the DP, the Directional and the #1 downside target 1281.50 (**1). The risk reward relationship should be at least 1 to 3.

In this example, it would not be advisable to use 1295.00 as a stop for a 1290.00 entry, with 1281.50 the initial target (risk 500 pts., reward 850 pts.). A tighter stop should be used, but the market "worked" from the short side below 1295.00.

The Directional would be advisable as a stop, using the 1265 (**2) #2 downside target as an objective (risk 500 pts., reward 2500 pts.). This is a 1 to 5 risk-reward relationship.

It should be understood that a failure from 1290.00 is a negative signal, and the market will continue to have a negative "lean" with all trading below 1295.00. Only above 1295.00 is the downside opportunity gone.

Often the market will break out of the Critical Range early in the session and trade sideways around the violated pivot for the bulk of the morning. Then later in the session, it will follow through on the signal without violating the Directional before doing so.

2. CRITICAL RANGE PIVOTS – UP (Upside Pivot) and DP (Downside Pivot)

The Critical Range Pivots represent the big resistance (UP) and support (DP) for the session. Price movement into either pivot should first be viewed as a fade and not a hopeful breakout. The following are a few things to consider when using the Critical Range Pivots:

Critical Range Breakouts – UP | DP Violations

If the market violates a Directional Pivot (UP or DP), how does the market react? Is it a sharp pop breakout or does the market languish, trading around the pivot area?

- A clean, sharp breakout is a statement. Sentiment has shifted quickly and any pullback to the violated pivot is expected to hold, as a play for the #1 target is the forecast. After the #1 target is attained, it then becomes the directional level for the continuation of the move.
- A languishing market that chops back and forth through a pivot (UP or DP) signals that the market may need some time to produce a signal. Under these circumstances, it is best to note the market position in relation to the R number. If the pivot violation is also in the R trend bias direction, it will have a higher probability of follow through. The Directional < > should be used as a momentum number and stop for any trades initiated at either pivot (UP or DP).
- A messy chop back and forth through a pivot that is counter to the R bias is more likely to be a false breakout with no follow through potential.

Confirmation of Signals

- **TIME and PRICE Qualified.** A breakout is confirmed when there is a PRICE violation that is greater than a market's minimum stop value (refer to Stop Values) and trading beyond the violation is held for at least 15-20min. At this point the breakout is confirmed and trades can be accepted against the violated pivot in the direction of the violation.
- A PRICE breakout that cannot TIME qualify is suspect to either a retreat back within the Critical Range or a reversal.
- This PRICE/TIME qualifier can be used as a confirmation for all Price Map levels.

Breakout Targets

- After a Critical Range breakout, the market is expected to go to the specified target levels, designated by the numbers 1, 2, 3, 4 and 5. The following is a breakdown of the target descriptions:

- #1 – The minimum expected price target.
- #2 – The expected price target for a UP violation or DP failure.
- #3 – The maximum expected target for the session.
- #4 & #5 – Both are extended targets for a sustained move over the coming sessions.

3. R – REVERSAL NUMBER

This is the most important value on the Price Map. It tells the trader what the session bias is. Trading above the R signals a positive buy break bias and below the R signals a negative sell rally bias.

Traders should note if the market is trading with or against the session bias. Is the current price action corrective (trading against the bias) or trending (trading with the bias)?

Corrective movements against the trend should be viewed as temporary with profit potential limited to the R level. Signals in the direction of the trend are a better opportunity.

	135400	***4	
	134750	**	
Momentum Number	133700	***3	+c
	133200	*	
	132450	***2	Resistance
	131750	*	Projections
Reversal Number	131030	***1	R
	130400	**	
Upside Pivot	130000	UP	
	+++++		Critical Range
Directional	< 129500 >		
	+++++		
Downside Pivot	129000	DP	
	128750	*	
	128150	***1	
	127150	**	
Momentum Number	126500	***2	-c
	126000	*	
	125550	**	Support
	124950	***3	Projections
	123200	**	
	121700	***4	
	APMD	350-500 pts.	

TRENDS

MIN UP 128150

INT UP 115400

MAJ UP 102500

EXAMPLE 2

In the Price Map example (left), the 1310.30 (***) R initial resistance target is also the Reversal number.

A market open at the < 1295.00 > Directional would indicate underlying negative trending tendencies below 1310.30.

A failure from the 1290.00 DP would reinforce the negative bias, as it is a continuation of the current intra-day trend.

However, a breakout above the 1300.00 UP, up to the 1310.30 R level, should be viewed as corrective with additional sellers expected to come in below 1310.30 to resume the negative trend.

A violation of 1310.30, however, would signal a shift in sentiment, reversing the underlying bias. So instead of selling rallies, the system would be buying breaks. Here traders may choose to "roll" their position.

NOTE: Moves with the trend will be reinforced and moves against the trend more laborious and not sustained.

Reversing Position - Rolling Long or Short

The Price Map highlights critical pivot points in the market. Waiting for the market to get to these stress areas allows you to improve your risk-reward ratio.

3. R – REVERSAL NUMBER cont.

For example: The market is approaching a three star *** R level. The trader sells the market against this resistance. After a brief pause at the R level, the market violates it and continues higher. The trader quickly buys double the amount sold reversing his/her position. This technique is called rolling long or short.

Caution: This technique should only be used at significant levels in good trending markets. Hint: Watch the ADX indicator. If it is in a **PURPLE** position or has a value > 33, then the market is showing trending tendencies. If not, the probability of this technique working is significantly reduced.

Low Risk Fade into the Reversal Number

Often the market will make a move in the direction of the R bias early in the session. After attaining the 1st or 2nd target, the market pulls back to the R level on a squeeze later in the session. This is a low risk fade.

	135400	***4	
	134750	**	
Momentum Number	133700	***3	+c
	133200	*	
	132450	***2	Resistance
	131750	*	Projections
Reversal Number	131030	***1	R
	130400	**	
Upside Pivot	130000	UP	
	+++++++		Critical Range
Directional	< 129500 >		
	+++++++		
Downside Pivot	129000	DP	
	128750	*	
	128150	***1	
	127150	**	
Momentum Number	126500	***2	-c
	126000	*	
	125550	**	Support
	124950	***3	Projections
	123200	**	
	121700	***4	
	APMD	350-500	pts.

TRENDS

MIN UP 128150
INT UP 115400
MAJ UP 102500

EXAMPLE 3

For example: The market breaks below the 1290.00 DP right off the opening and continues lower throughout the morning, down to the 1281.50 and 1271.50 support targets. By mid-session, the market is chopping back and forth within the 1287.50 and 1281.50 range.

After 1:30 p.m. CST, the market starts to make a positive push above 1290.00. The buying continues, without a pullback, up through 1300.00 and is approaching the 1310.30 initial resistance target and Reversal number.

This is a low risk fade. Sell the market against the 1310.30 Reversal number.

The market has made a substantial move into the R level and is expected to exhaust itself.

These opportunities happen often and usually provide one opportunity to fade. Typically after such a move, the market quickly retreats back through the previous major Price Map level, in this case below the 1300.00 UP.

Note: The R - Reversal Number is the stop for session bias. Once the R number is "taken out", the sentiment for the session will reverse.

4. SUPPORT / RESISTANCE TARGETS (***, **, *)

Three star *** levels

These are the strongest support and resistance numbers on the Price Map and carry the same amount of weight as one of the directional pivots (UP, DP, R). These major Price Map levels should be used to gauge a market's momentum from a Critical Range breakout. A sustained trade beyond this level will keep this signal intact, targeting the next major three star *** weighted level.

In addition, a market that has made a substantial move in the session and is fast approaching a three star *** level should expect a short-term reaction. These are high probability scalps. It is important, however, not to get "turned around" against the underlying session trend. View this opportunity as a place to "work" or "lighten" any intra-day position.

Two star ** levels

Two star ** levels are solid support and resistance points. These levels do not carry the same amount of directional significance for the extended market move as a three star *** level, but are good gauges of market momentum within the Price Map.

For example: An upside breakout above the 1300.00 UP has the market rallying up to 1304.00 (**). The rally fizzles and falls back under the 1300.00 UP. This is a sign of weakness, and a play for the 1295.00 Directional should be expected.

Conversely, sustained trading above 1304.00 is sign of strength, and further gains up to the 1310.30 (***) initial resistance target should be expected.

One star * levels

These are minor levels, but do offer opportunities as spike numbers and stop placement.

For example: The market trades below the 1290 DP breaking quickly down to 1287.50. After one test of this support the market bounces back up to the 1294.00 level and then finds support above 1290. This is a positive signal as the test of 1287.50 * should be considered a spike. The market has spiked through big support and flushed out stops. A rally up to the 1300 UP should be expected.

	135400	***4	
	134750	**	
Momentum Number	133700	***3	+c
	133200	*	Resistance
	132450	***2	Projections
	131750	*	
Reversal Number	131030	***1	R
	130400	**	
Upside Pivot	130000	UP	Critical Range
Directional	+++++++ < 129500 >		
Downside Pivot	+++++++ 129000	DP	
	128750	*	
	128150	***1	
	127150	**	
Momentum Number	126500	***2	-c
	126000	*	Support
	125550	**	Projections
	124950	***3	
	123200	**	
	121700	***4	
			APMD 350-500 pts.

TRENDS

MIN UP 128150
INT UP 115400
MAJ UP 102500

5. +C / -C CONTINUATION MOMENTUM NUMBERS

The Continuation Momentum numbers show the extremes for the market's current technical position.

Markets tend to press extremes and, like a rubber band that gets pulled to its limit, will quickly snap back. The +c and -c pinpoints the extreme "limit" or breaking point at which a close beyond that price would "break the rubber band" and produce follow through to a new trading level in the next session. Profits made in a session are at greater risk in markets where the closing price is not beyond the continuation momentum level. A short-term position that is at a loss, should "give up hope" after a close beyond a Continuation Momentum number.

Traders should note these levels during the session and expect them to carry added directional weight.

A move into a Continuation Momentum level should expect a reaction on the initial test, if not a complete reversal.

6. TRENDS

The Trends section shows the market's underlying trend foundation. Traders should note if the session trend, the R bias, is in sync with these longer-term trends.

Markets which have trends that confer will have a smoother trading environment. Markets which have trends that are in conflict will have a more laborious, choppy trading environment.

Short-term day traders should note if the R session bias is in line with the MIN – Minor Trend (2-week trend). If they confer, signals in the direction of that bias will have a higher probability of follow through. If they disagree, signals should not be expected to follow through or go beyond the #2 resistance target.

	135400	***4	
	134750	**	
Momentum Number	133700	***3	+c
	133200	*	
	132450	***2	Resistance
	131750	*	Projections
Reversal Number	131030	***1	R
	130400	**	
Upside Pivot	130000	UP	Critical Range
Directional	< 129500	>	
	129000	DP	
Downside Pivot	128750	*	
	128150	***1	
	127150	**	
Momentum Number	126500	***2	-c
	126000	*	
	125550	**	Support
	124950	***3	Projections
	123200	**	
	121700	***4	
	APMD	350-500 pts.	

TRENDS

MIN UP 128150
INT UP 115400
MAJ UP 102500

EXAMPLE 4

In the Price Map example (left), assuming a steady opening within the Critical Range, the market has a negative bias for the session with the R Number above the market at 1310.30 (**1 R).

This is in conflict with the MIN (Minor) 2-week trend, as well as the 8-week (INT) and 6-month (MAJ) trends. The session bias is correcting the 2-week bias and a choppy trade should be expected. Critical Range breakouts in either direction will be limited.

A failure from the 1290.00 DP should expect to "bottom out" above 1281.50 (**1), the MIN trend change. Rallies above the 1300.00 UP are expected to "fizzle" below the 1310.30 Reversal number.

A violation of 1310.30, however, would have additional power, as this signal is in the direction of all of the underlying longer-term trends.

7. TECHNICAL OUTLOOK

The Technical Outlook is designed to keep the trader on the right side of the market by providing insight to the market's current technical position.

The outlook is updated each session, but typically will carry price projections out 3 to 10 days.

Traders should note terms such as "keep it tight" or "be patient". These phrases are used to signal a pause or short-term reversal of sentiment when a market is approaching a significant Price Map level and is expected to produce a reaction. Traders with a position into this price point are advised to "keep stops tight" to avoid giving away profits.

"Be patient" is used when the market is approaching a major breakout or turning point. Traders are advised to "be patient" and not press any position into this price point. Although follow through forecasts are enticing, the price level should be expected to hold instead of a hope of a violation.

"Stay nimble" is another term that is used often. The market has failed from or is approaching a Price Map level, and choppy trading conditions are expected. Traders should keep a flexible or "nimble" bias, as swings in both directions are expected. The outlook is for a pause, typically at least one-hour-and-a-half of sideways digestion.

Please review our Glossary of Terms in the Price Map User Guide for definitions of other terms used in the Technical Outlook.

8. MC VALUE

The MC Value is the numerical representation of the market's underlying technical bias. The value is based off the MarketColor position of the different technical indicator systems. Markets with more systems in a positive position will have a greater MC Value, and markets with more systems in a negative position will have a lower value. Markets counter-balanced or neutral will have a value of zero (0).

Technical indicators by design are lagging. The result of these indicators, the MC Value, will be as well and should be viewed from the perspective of the Minor trend change or 2-week trend.

The following is an overview of the different MC Values and their momentum bias.

MC Values

-11 -10	-9 -8 -7 -6 -5 -4	-3 -2 -1 0 +1 +2 +3	+4 +5 +6 +7 +8 +9	+10 +11
Extreme	BEAR TREND	NEUTRAL	BULL TREND	Extreme

-3 to +3 range

Markets in this range are more likely to be in a neutral and corrective state, and are candidates for neutral trading strategies.

-9 to -4 or +4 to +9 range

Markets in this range will have good trending opportunities.

Below -10 or above +10

These markets are near the end of a powerful trend move or at an extreme. Sharp moves in the direction of the trend are suspect, as a pause in the momentum is expected.

9. Trading Tips using the Price Map to trade Equities

The Price Map was designed as an aid in providing trade initiation and risk management. Liquid futures contracts, such as the S&P500 and NASDAQ100, representing over \$50 billion in notional value transacted each day, provide a good overview of the general market tone. By noting the key Price Map levels for the broad-based indices, a trader can greatly enhance the execution proficiency in equity trading.

- Focus on a group of stocks that have a high Beta or are negatively correlated to the S&P500, NASDAQ100 and the Dow Futures.
- Watch the Index for momentum signals. If the Index is breaking out above the UP, is my stock firming up? If the Index is holding its rally, is my stock? If not, you may not want to own it or you may look to sell and reverse on a negative signal. Conversely, if the Index is breaking down to support and your stock is holding its own, as the Index comes off support, an advance should be expected in your stock.
- Note overnight action of Indices for market feel. If the futures market was higher overnight and is now opening lower, this is not healthy. Look to sell against overnight highs. Conversely, if the futures market was lower overnight and is now higher, note low points for additional market support.

Example

Beta is better – Stocks that have a high correlation with the broad-based indices, such as the SP, ND, DJI, will be influenced more by intra-day swings in these Indices. Traders should note any divergences. *For example:* The ND goes negative on the day and is breaking down to its DP. CIEN, which is higher on the day, remains positive and is not breaking but is languishing in a sideways trade. As the ND approaches its DP and shows signs of finding support by not being able to penetrate the DP price level, this would be a buying opportunity in CIEN. The stock was not able to break when the underlying index broke and any positive or non-negative action should allow the stock to rally.

Conversely, JNPR takes a tumble when the ND starts to break down to its DP. As the ND starts to find support, the stock pauses. When the ND bounces off its support level, JNPR continues its sideways trade, unable to rally. When and if the ND approaches the directional < >, a test and rejection from this resistance would provide a selling opportunity in JNPR as the stock is already showing negative tendencies and any negative action in the index would expect an exaggerated effect in the stock. In addition, a failure from the ND's DP would be an aggressive sell signal in JNPR, as the general market is now in a strong negative posture, trading below the DP.

- Watch the Sector Index in which your stock has a high % weight. How is the stock performing vs. the Sector Index? How is the stock performing vs. other top weighted stocks in that sector? The answers to these questions will provide additional insight for the component issues you are trading.

10. Using the Price Map analysis with the Ranking Tables

The MarketColor Ranking Table should be used as a quick overview of the general market, as well as the broad-based and sector index components.

- Focus on a couple of sectors. Use the Equity Index Ranking table to identify sectors on the move. A +/- 4 MC Value shows a sector with a definite bias. +/- 11 are the extreme parameters for the MC Values.
- Note the "Previous 6 MC Values" view to identify markets that are on the move.

For example: A market that has an MC Value of +5 will be a more favorable selection if its MC Values over the past few days have been increasing in value versus decreasing.

DOW JONES INDEX RANKING								MC VALUE	R REVERSAL	MARKET COLOR INDICATORS						CORRELATION COEFFICIENTS		
RANK	SYMBOL	Previous 6 MC Values View Index Description								MA	DMI	ADX	RSI	SS	DC	ND	DJI	SP
1	DD	3	2	2	3	5	8	8	47.69							0.24	0.38	0.3
1	MMM	3	3	6	9	7	8	8	120.5							0.78	0.84	0.8
2	CAT	7	5	7	3	1	3	7	58.65							0.90	0.97	0.9
3	AA	5	0	0	2	0	4	6	38.62							0.67	0.68	0.6
3	HON	3	7	6	5	6	7	6	39.96							0.83	0.94	0.9
3	MCD	2	3	3	5	4	5	6	28.26							0.78	0.76	0.7
4	AXP	7	7	7	7	4	0	5	41.08							0.93	0.98	0.9
4	KO	-3	-3	0	2	2	2	5	48.16							0.30	0.49	0.4
4	PG	1	1	0	1	1	1	5	85.76							-0.46	-0.28	-0.3
4	UTX	2	3	6	8	7	8	5	74.16							0.80	0.89	0.8
5	GE	4	-1	0	-1	0	3	4	41.53							0.94	0.93	0.9
5	IP	3	2	3	1	3	3	4	44.07							0.66	0.69	0.6
5	JPM	2	5	4	4	4	4	4	35.5							0.93	0.93	0.9

A large jump is especially appealing. As in the above example, AXP and UTX have the same MC Value of +5. AXP's MC Value jumped 5 spots from 0 to +5, while UTX's MC Value declined 3, from +8 to + 5.

- Stocks that correlate well (>+0.70) or have a negative correlation to one of the broad-based indices will have the added advantage of using these Price Map levels for confirming and counter signals.
- When selecting the component issues, focus on the following MarketColor profiles: Action colors in the direction of the sector index bias; both trend indicators (MA , DMI) coincide showing a strong trend bias; no turning point or oscillator deviation signals; and a **PURPLE** ADX with good follow through potential.
- Use the R-Reversal Number as a stop area for any position. A bid stock must be above its R number to remain bid. Any position initiated in this stock is at risk down to the R level. Only below the R number is the positive bias negated for the session.

11. Stop Levels | Average Price Map Distance (AMPD)

CONTRACT	SYMBOL	AMPD	Stop Range	CONTRACT	SYMBOL	AMPD	Stop Range
S&P500 INDEX	SP	500-1000pts	150-250pts	EURO BUND	DB	30-50tics	5-10tics
NASDAQ100 INDEX	ND	1200-3000pts	500-800pts	EURO BOBL	DL	15-30tics	4-8tics
DOW FUTURES	DF	150-300pts	25-50pts	DAX INDEX	DD	50-100tics	10-15tics
RUSSELL 2000 INDEX	RIA	500-800pts	100-200pts	DJ Euro STOXX 50	DSX	50-100tics	10-15tics
S&P100 INDEX	OEX	400-600pts	120-200pts	FTSE 100 INDEX	QF	50-100tics	10-15tics
SWISS FRANC	SF	15-20tics	5-8tics	SOYBEANS	S	2-3 cents	2-3tics
EUROFX	EU	15-20tics	5-8tics	SOYBEAN MEAL	SM	8-12 cents	3-4tics
JAPANESE YEN	JY	20-25tics	6-9tics	SOYBEAN OIL	BO	8-10 cents	2-3tics
BRITISH POUND	BP	15-20tics	5-8tics	WHEAT	W	1.5-2 cents	2tics
CANADIAN DOLLAR	CD	12-15tics	5-8tics	CORN	C	1-1.5 cents	2tics
MEXICAN PESO	MX	15-20tics	5-10tics				
AUSTRALIAN DOLLAR	DA	20-40tics	5-10tics	\$20-\$30 Stocks		35-45 cents	10-25tics
US 30yr T-BOND	US	12-16tics	4-8tics	\$40-\$70 Stocks		45-65 cents	15-35tics
US 10yr T-NOTES	TY	8-12tics	3-6tics	\$80-\$130 Stocks		75 cents-\$1.25	30-50tics
US 5yr T-NOTES	FV	6-8tics	3-5tics	\$140-\$200 Stocks		\$2-\$3	150tics
EURODOLLAR 1-4	ED	4-6tics	2-3tics	\$200 + Stocks		\$5-\$6	300tics
EURODOLLAR 5-8	ED	6-8tics	3-4tics				

AMPD: The Average Price Map Distance is the average distance between major support/resistance levels on the Price Map. *For example:* For the S&P500, the distance between major levels is between 500-1000 points.

STOP RANGE: The Stop Range contains 2 parameters. The 1st is the distance or number of tics through a Price Map level for it to be considered violated. The 2nd would be the stop range for a specific Price Map level. *For example:* A minimum stop level for an S&P500 Price Map level would be between 160-250 points. Note: It is recommended to look for 1 to 3 risk-reward relationships.