

# JS SERVICES – PRICE MAP

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# PRICE MAP

The JS Services' PRICE MAP has evolved over its 15-year history into a dynamic risk management trading tool for the front line market participant. The service does not offer specific buy/sell recommendations but remains objective allowing the market to trigger system parameters. JS Services uses a combination of stress levels, breakout points and directional momentum indicators to produce an efficient and easy to use trading tool.

## Basic Design

The PRICE MAP is built around the evidence that the market trades in levels and price bands. Through an array of classical technical and proprietary statistical analysis JS Services technicians are able to pin-point specific parameters that make up these price bands. The service is not automated but one compiled daily by professional analysts into a series of support and resistance levels on the PRICE MAP.

## PRICE MAP

The PRICE MAP is a series of market stress areas and support and resistance levels that are qualified and weighted using symbols and stars \*\*\* (table A).

### KEY TO DIRECTIONAL SYMBOLS AND STARS

#### **DIRECTIONAL SYMBOLS {< >, UP, DP, R, +c, -c}**

Levels on the PRICE MAP followed by symbols are directional pivots or trend indicators. The symbols represent a specific directional bias.

#### **< > DIRECTIONAL**

The DIRECTIONAL is the initial pivot point that the market will rotate around to find its immediate bias for the trading session, not a trend.

#### **UP UPSIDE PIVOT**

Key directional resistance and initial upside breakout level.

#### **DP DOWNSIDE PIVOT**

Key directional support and initial downside failure level.

#### **Critical Range**

Trading range whose parameters are set by the UP and DP.

#### **R REVERSAL NUMBER**

Represents the intra-day underlying trend bias.

#### **+c / -c CONTINUATION MOMENTUM NUMBER**

Denotes a high probability of follow through in the next trading session if the market closes beyond either of these price points.

## SUPPORT/RESISTANCE WEIGHTS and TARGETS

Price levels followed by \*\*\*s are weighted support and resistance levels.

\* \*\* \*\*\*  
, ,

The support and resistance \*\*\* value weights are determined by the coincidence of occurrence of different studies on a price point. The more \*\*\*s the more value a level has and the greater the number of technical studies that coincide, or occur on that point.

\*\*\*1,2,3,4

Numbers following the \*\*\* star value weights are support/resistance levels.

## DETAILED EXPLANATION

### **The Directional ( < > )**

The Directional is the crux of the system. Its primary function is to offer an initial bias for the trading session, gauging the markets first move. In our price map example (Table A) 1295 is the Directional. A print of 1294 would show a negative bias and the expectations of the market breaking down to the 1290 Downside Pivot (DP).

### **Pivots and the Critical Range (UP,DP)**

The Upside Pivot (UP) and the Downside Pivot (DP) are the directional momentum levels of the Price Map. A violation of a pivot signals a move in the direction of the violation to specified targets designated by the numbers 1, 2, and 3 following the \*\*\*star weight. These pivots set the parameters for the Critical Range and represent the lowest risk sell and buy for the trading period. Markets have the tendency to consolidate for significantly longer periods of time than when they are trending. The pivots represent the markets maximum stress tolerance parameters before snapping and moving to a new level. Even after a pivot has been violated it will remain a key level as its converse. The UP should be considered the best resistance level for the trading session and the DP the strongest support. A trader should not buy or sell into either pivot hoping for a breakout.

### **Note**

**An important element to watch on all levels of the price map, especially the pivots, is that the market must sustain each successive level violated to continue a trend move. Sustain meaning hold above an upside violation and continue to trade below a downside failure.**

### **R - Reversal Number**

The Reversal Number aids traders in quickly highlighting the session's trend bias. Trading above the R signals a positive buy break bias and below the R signals a negative sell rally bias. Traders should look to sell rallies below the R and buy breaks above the R.

Traders should note the R position for an indication of the sessions underlying trend. Is

the market trading with or against the bias? Is the current price action corrective or trending?

Corrective movements against the trend should be viewed as temporary with profit potential limited to the R level. When Price Map levels are violated in the direction of the

132450 ***2
131750 *
131030 ***1 R
130400 **
130000 UP
< 129500 >
129000 DP
128750 *
128150 ***1
127150 **

trend they will have greater probability of follow through to the next Price Map level. For example:

The 131030\*\*\*1 R initial resistance target is also the Reversal number. A market open at the < 1295 > Directional would indicate underlying negative trending tendencies below 131030\*\*\*1 R. A breakout above 1300 UP up to the 131030 R level, in this example, should be viewed as corrective with additional sellers expected to come in below 131030 to resume the negative trend. A failure from the 1290 DP would reinforce the negative bias, as it is a continuation of the current intra-day trend. A violation of 131030\*\*\*1 R however would signal a shift in sentiment reversing the underlying bias. So instead of selling rallies the system would be buying breaks. Moves with the trend will be reinforced and moves against more laborious and

not sustained.

### Momentum Continuation Numbers (+c, -c)

To aid in value at risk considerations and overnight position exposure the Price Map provides a market momentum indicator represented by +c and -c. These are the levels on the Price Map that the market must close above (+c) and below (-c) to present a high probability of further price movement of at least 1 APMD in the direction of the signal. APMD is the average distance between two levels on the Price Map (refer to Appendix A for individual market breakdowns).

In the Price Map example a close below 1265 \*\*\*2 -c would signal downside follow through of at least 600-1200 points (1 APMD increment).

**Note: In 24hr markets the momentum signal may present itself in the electronic after hours session instead of the RTS (regular trading session).**

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 neutral or at a loss should give up "hope" for a break-even pull-back after a close beyond these parameters.

**Note: A closing price of 2 or more standard deviations of the APMD beyond the momentum continuation number will negate the value of this indicator. The market has "made its move" and although follow through is likely the reliability is not as great.**

### TRENDS

The system highlights three trends: Minor, Intermediate, and Major. UP and DN signify if the trend is up or down, respectively. NEU signals that the trend is in a neutral position. The price following the trend indicates the point at which the trend will reverse. For example, a Minor UP 128150 means the Minor trend will change to DN or NEU when the market closes below the 128150 level.

### **Minor Trend**

The Minor trend is a short-term trend encompassing a 1-day to 2-week period. For active day traders this is the most important trend for the system. The Minor trend helps to identify corrections of the Intermediate trend. It should be noted that when the Minor trend is correcting the Intermediate trend the trading conditions will typically be choppy. A Minor trend that coincides with the Intermediate trend would be expected to be smoother and less volatile.

### **Intermediate Trend**

The Intermediate trend is the underlying market trend encompassing a 2-8 week period. Any long-term position should be with this trend. In the Price Map example the Minor and Intermediate trend are in sync signaling a strong underlying positive bias.

### **Major Trend**

The Major Trend is the extended underlying market trend with a 2-6 month outlook. An agreement of all three trends is a strong trend move that should not be faded. A gap opening or major pivot breakout against a strong trend position provides the trader with an opportunity to fade the move.

**Note: A change of trend is only confirmed on a closing price.**

## **Utilizing the PRICE MAP as a Trading Tool**

### **Signals**

Signals are generated when pivots and levels are violated on the Price Map. A breakout of the Critical Range signals a trend move to specified support or resistance targets designated by the numbers #1, #2 and #3. To attain a target after a breakout of the UP or DP, the market must sustain trading above or below the violated pivot. A trend move will remain intact when the successive price targets are sustained continuing up to the #3 objective. A breakout that is not sustained signals a price movement back to the previously violated level or directional pivot.

**Note: price map support and resistance levels become their converse after they have been violated. What once was support is now resistance.**

Price action that violates a market level and then cannot sustain the violation is a signal of exhaust. This type of signal provides an opportunity to fade the formerly violated level expecting a price move back to the previous Price Map support or resistance level.

Markets tend to gravitate toward major "3 \*\*\*" levels. A breakout above the UP with a mid-session high at a no star or 1\* star level is a sign that the market has yet to commit to a trend. A held trade above the UP shows the markets intentions of going higher and repeated tests of the low weight mid-session high would be expected to give way gravitating toward a 3 \*\*\* target.

Trading within the Critical Range represents a neutral posture for the market. A false breakout of the Critical Range is a signal that the market is set up for either a reversal or range day. An unsustained violation of both pivots is a signal that the market is digesting and range trade conditions should be expected.

## **Risk Management**

Controlling risk is a major component of Price Map basic structure. The primary element of the system is its ability to highlight specific levels and trading bands in the Price Map series. This feature allows for the continuous adjustment of position risk using the Price Map as a guide to lock in any unrealized profits by raising and lowering stops within the series.

Day traders should look for opportunities in the direction of the (R) Reversal number bias working positions off the directional pivots and levels with a value weight of at least 2 stars \*\*. Traders with a longer-term outlook should trade off the Minor and Intermediate trends using the Reversal number and major Price Map levels to adjust position size and develop exit strategies.

## **Stop Placement**

The risk/reward ratio chosen is based on each individual traders market expectations. The markets trades in levels and price bands and that is what the Price Map provides. When a level is violated the market will trend toward the next level. Risk tolerance parameters should fall in line with a benchmark 1 to 3 risk reward ratio using Price Map levels as a guide.

A 4 to 6 tic stop is tight and only active traders are able to fully profit from such short- term price fluctuations. Traders with a day trade view will look to use stop placement at the next Price Map level beyond entry or a distance equal to the average price map distance (APMD). APMD is the average distance between two levels on the Price Map (refer to Appendix A for individual market breakdowns).

Referring to Table A, the Directional can be used as a stop for a pivot breakout. In a strong market a buy above the upside pivot (130000 UP) should have a stop below 129500. Using the Directional in this way would depend on the difference between the UP, the Directional and the #1 target. The risk reward relationship should be at least 1 to 3. In this example it would not be advised to use a 129500 stop as a stop for a 130000 entry with a 131030 \*\*\*1 minimum target (risk 500pts, reward 1030pts). A 1 to 2 risk reward relationship. The directional would be advisable as a stop using the 132450 \*\*\*2 target as an objective (risk 500pts, reward 2450pts). A 1 to 5 risk reward relationship.

Table A

**PRICE MAP EXAMPLE**

	135400 ***4	
	134750 **	
	133700 ***3 +c	
	133200 *	
	132450 ***2	
	131750 *	Resistance
Reversal Number	131030 ***1 R	Projections
	130400 **	
Upside Pivot	130000 UP	
Directional	< 129500 >	
Downside Pivot	12900 DP	
	128750 *	
	128150 ***1	
	127150 **	Support
	126500 ***2 -c	Projections
	126000 *	
	125550 **	
	124950 ***3	
	123200 **	
	121700 ***4	

**TRENDS**

MIN UP 128150

INT UP 115400

MAJ UP 102500

**APMD** 500-1000 pts

## **Example**

JS Services views the market as a staircase trading in levels and price bands. When the upside pivot (UP) or downside pivot (DP) is violated the extent of the move is determined by how many successive levels the market sustains. Referring to system example (Table A), a rally up to 131030\*\*\*1 target would be expected after a violation of the 130000 UP. This move is dependent on the market holding above 130000. The up trend will continue as long as the market sustains trading above each successive level that it violates, with 135400\*\*\*4 the upside objective for the trading session.

The levels are precise, +/- 4 tics to determine a level failure. These parameters are a little wider for markets like the S&P 500 and less for markets like the Eurodollars. For example a long position from 130200 with the market at 132800 would have a profit stop at 132350 (+\4 tics from the 132450\*\*\*2 (#2 target). This is an aggressive risk management adjustment. A more conservative, longer-term outlook, would be to put a stop below 131750 \* or the next level on the Price Map. If the market cannot sustain trading above the 132450\*\*\*2 level, a failure down to 131750\* or 131030\*\*\*1 support levels would be expected. A trader's individual risk tolerance and market velocity will determine the stop placement that complements his/her personal trading style.

Position initiation can be used in this way also. Gap openings against the Reversal number or Minor trend provide good opportunities for this type entry. In the example the minor (MIN) trend is UP above the 128150 level. A gap opening down to this level would provide a quick buying opportunity expecting a bounce back to at least the 129000 DP. Trend changes are powerful momentum levels in the market and provide excellent areas for position initiation.

**An important note: a trend change is only confirmed on a closing price above the trend change level, whereas an R reversal number violation or failure can shift intra-day.**

The Price Map is dynamic and can be incorporated into any trading style or system providing trading opportunities for different risk tolerances and time horizons.

## **Spike Numbers**

A common occurrence in the market is a false violation of a major pivot. For example, the market violates the DP and breaks hard down to a minor support level (a no star or 1 \* star number), then immediately following the low print rallies back above the DP. This is commonly referred to as a spike. Price aberrations such as these are common with intra-day price volatility. Referring to the Price Map example, the market is trading at 129500 and begins to break down and test the 129000 DP. After a few tests of 129000 the market fails and breaks violently down to 128750\*. Immediately after a 128750 print the market bounces back to test 129000. The market trades at this level for a few minutes and then starts to edge higher above 129000. This is a BUY signal with high reliability. The market should be bought off the 129000 DP with an expectation of a rally up to at least the UP at 130000.

## **Range days**

Continuing with our example, the market trades above 129000 and rallies up to 130000 and then 130400. The market's excitement cannot sustain the rally and is soon trading back within the Critical Range and below the 130000 UP. The market has spiked through the UP and DP creating two false breakouts. This is a consolidation signal with high reliability indicating that the market will go sideways for the remainder of the trading session and should be traded as a range day fading all rallies and breaks.

## **Counter Trend Moves**

A pivot breakout against a trend can be similar to a spike. Referring to the Price Map example. A rally above the 130000 UP has the market in a corrective position with the R at 131030\*\*\*1 R. The market starts to move higher pressing 130400\*\*; this rally should be viewed as a short-term selling opportunity up to 131030\*\*\*1 R. Only a held violation of 131030 would negate and reverse this position. A reversal here would have dual importance as this would shift the intra-day trend in line with the Minor trend adding to the strength of the signal. A breach of the 131030\*\*\*1 R target reversal number would switch the intra-day bias to positive which is the same as the Minor trend (MIN UP 128150). Signals with the trend will show greater follow through potential.

## **Gap Openings**

Assuming a 129500 close and a gap higher opening at 131200. The market has opened up above the #1 target and should be bought off the 131030\*\*\*1 R. 132450\*\*\*2 is the initial resistance target. The market has gapped in the direction of the Minor trend and has turned the intra-day trend positive as well. This signals puts the market in a strong positive position with 132450\*\*\*2 the minimum target. Major directional resistance rests at 133700\*\*\*3 +c. This is major directional resistance because it is a \*\*\*3 target and the +c. Longs initiated on the 761200 gap opening should use this as the profit target for risk management parameters placing a stop below 130400\*\*. 130400 is one Price Map level below the 131030\*\*\*1 R reversal number. (If the market is going to extend higher in the session it should not do much if any trading below the reversal number in this example). Directional. Re-cap: bought 131200 with a stop at 130400 and a target of 133700 (risk 800pts/reward 2500pts, or a 1 to 3 risk reward ratio).

When the markets trends are in sync it is wise to "give the position some room". This is advisable to filter out any random "noise" or price spike. On any gap opening it should be noted that the market likes to fill in overnight price gaps and will usually at least make an attempt to fill it.

## **Significant Gap Opening**

A significant gap opening up or down would be a gap opening above or below the #1 initial objective. After the significant gap opening the market has set the bias for the period and the trader should note if this is with or against the trend. The target objectives (#1, #2, and #3) should be used as the new Critical Range parameters. For example, a market opening down at 128000 is in a position to reverse the Minor trend (MIN UP 128150) and would be expected to trade lower down to 126500\*\*\*2 -c, the #2 target. 128150\*\*\*1, the #1 target, has now become resistance and is a low-risk sell opportunity. 128150-126500 encapsulates the new Critical Range. If the market cannot sustain trading below the 128150\*\*\*1 level, it would indicate a buy opportunity with high reliability. The trader should expect a quick rally up to at least 128750\*, with 129000 DP the initial upside resistance target. It should be noted that in this example the rally would be counter trend and offer additional selling opportunity and not a new up trend. Only a breakout above 131030\*\*\*1 R would produce a fresh buy signal with high reliability.

## **Summary**

The examples presented are self-evident when used throughout the trading period. The markets are dynamic and the Price Map is a flexible risk management tool that can be used to enhance or create trading opportunity in the ever-changing market environment. The JS Services Price Map is not computer generated but computer assisted and compiled by professional market technicians each day. If you have any other questions regarding the service or need further explanation please contact JS Services at 1-800-555-9745 or 1-312-648-1232, [info@jsservices.com](mailto:info@jsservices.com).

## Glossary

Critical Range: The price range encompassing the Upside pivot and the Downside pivot. It is a directional range that when violated determines the markets initial direction.

Upside Pivot (UP): The most important directional resistance level for the trading session. The lid or ceiling containing any sustained advance. A violation of said pivot is a clear buy signal for the session, with #1 target the initial objective for the surge.

Downside Pivot (DP): The most important directional support level for the trading session. The base or floor supporting any sustained decline. A failure of said pivot is a clear sell signal for the session, with #1 target the initial objective for the dip.

Directional: The pivot which the market is expected to rotate off. The pivot point on the teeter-totter were the markets bias shifts from up to down within the Critical Range.

Reversal Number (R) – The trading sessions immediate trend bias. Rallies below the R should be sold and breaks above the R bought.

Continuation Momentum Numbers +c, -c – The Continuation Momentum numbers are the points in which the market must close above (+c) or below (-c) to signal follow through in the coming session.

APMD: Average Price Map Distance (APMD) is the average distance between support and resistance levels on the PRICE MAP.

Resistance: Price levels above the current market price that will resist an advance.

Support: Price levels below the current market price that will support a break.

Target: The expected price target on a breakout of the Critical Range.

Objective: The expected price objective for a trend move for the trading session.

Major Level: A price map support or resistance level with a weight of at least 2 \*\*s.

Violation – A violation is positive action referring to an upside breakout above a PRICE MAP level.

Failure – A Failure is a negative action referring to a downside breakdown below a PRICE MAP level.

Sustained / Held – Refers to when a market trades above or below a PRICE MAP level and continues to trade above or below that level.

Release – A sharp emotional sell-off.

Breakout – A neutral sideways market violates its consolidation extremes providing a new trend move.

Trend Move – A sustained price movement either up or down.

Digestive – Sideways directionless trading action. This type of price movement typically occurs after a sharp market rise or fall and is considered a continuation neutral term.

Consolidation – A corrective neutral posture for the market. No directional bias.

Extreme – The edge of the envelope or extreme price point for a trend move. The exhaustion point of a trend move.

Touch and Go – A phrase used to describe a quick test of support and resistance, followed by an immediate reaction. Typically only one print will occur at the extreme.

Lock and Load – A phrase used to alert traders to be ready to short sell at a specific price point. A sharp move into and rejection from resistance is expected providing a “One shot” trade opportunity.

Swing – Big sideways action. Directionless.

Choppy – Erratic sideways trading conditions. Typically accompanied by false breakouts and low volume.

Acceleration – Fast trading conditions and price movement.

Momentum – Underlying positive or negative action or trend.

Follow Through – A continuation of the current trend.

Set-back – Referring to a break in a positive trending market.

Pull-back – Referring to a rally in a negative trending market.

Build a Base – A phrase referring to a weak or negative trending markets attempt to build a support base for a rally.

## APENDIX A

### Average Price Map Distance (APMD) - Market Values

	<u>SYMBOL</u>	<u>EXCHANGE</u>	<u>APMD</u>
SWISS FRANC	SF	IMM	15-20tics
EURO	EU	IMM	15-20tics
JAPANESE YEN	JY	IMM	20-25tics
BRITISH POUND	BP	IMM	30-40pts
CANDIAN DOLLAR	CD	IMM	12-15tics
MEXICAN PESO	MX	IMM	15-20tics
AUSTRALIAN DOLLAR	DA	IMM	20-40tics
US 30YR TREASURY BOND		US	12-16tics
US 10YR TREASURY NOTE		TY	8-12tics
US 5YR TREASURY NOTE	FV	CBOT	6-8tics
EURODOLLAR OPTIONS 1-4	ED	IMM	4-6tics
EURODOLLAR OPTIONS 5-8	ED	IMM	6-8tics
S&P500 INDEX	SP	IOM	500-1000pts
NASDAQ100 INDEX	ND	IOM	1200-3000pts
DOW JONES INDUSTRIAL AVERAGE	DJI	CBOT	300pts
S&P100 INDEX	OEX	CBOE	400-600pts
EURO BUND	DB	EUREX	20-30tics
EURO BOBL	DL	EUREX	15tics
EURIBOR	QM	EUREX	4-6tics
DAX INDEX	DD	EUREX	250pts
FTSE 100 INDEX	QF	LIFFE	400pts
DJ EURO Stoxx 50	DS	EUREX	250pts
CAC 40 Index	PIL	MATIF	400pts
SOYBEANS	S	CBOT	7-8cents
SOYBEAN MEAL	SM	CBOT	5cents
SOYBEAN OIL	BO	CBOT	2 _ cents
WHEAT	W	CBOT	3 _ cents
CORN	C	CBOT	3 _ cents
\$20-\$30 Stocks			\$1
\$40-\$70 Stocks			\$3
\$80-\$130 Stocks			\$5
\$140-\$200 Stocks			\$8
\$200 + Stocks			\$13