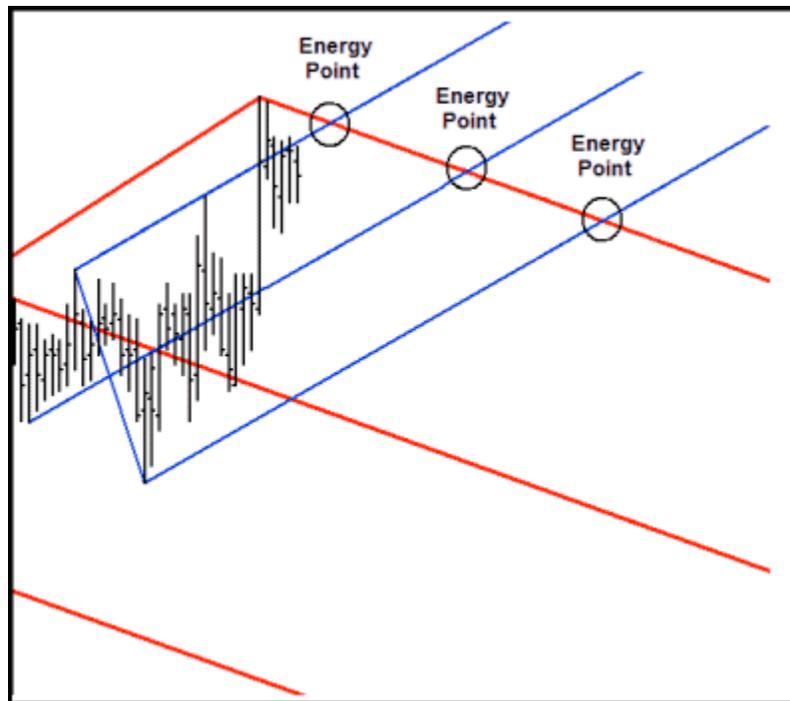


Walk Down the Hallway Until the Door Opens

One of the tools I am proud to have introduced to the world of technical analysis is the Energy Point. Energy Points are formed when two lines of opposing force cross and my research has shown that Energy Points not only act as price attractors, but they are also areas that you should watch for either a change or an acceleration in trend. But what do you do if there are more than one Energy Points staring at you on your chart? The easiest answer is to simply wait for price to get to the Energy Point and then let price show you what it is going to do before attempting to enter with a high probability entry setup.

Let's look at a fascinating example from a recent market session:

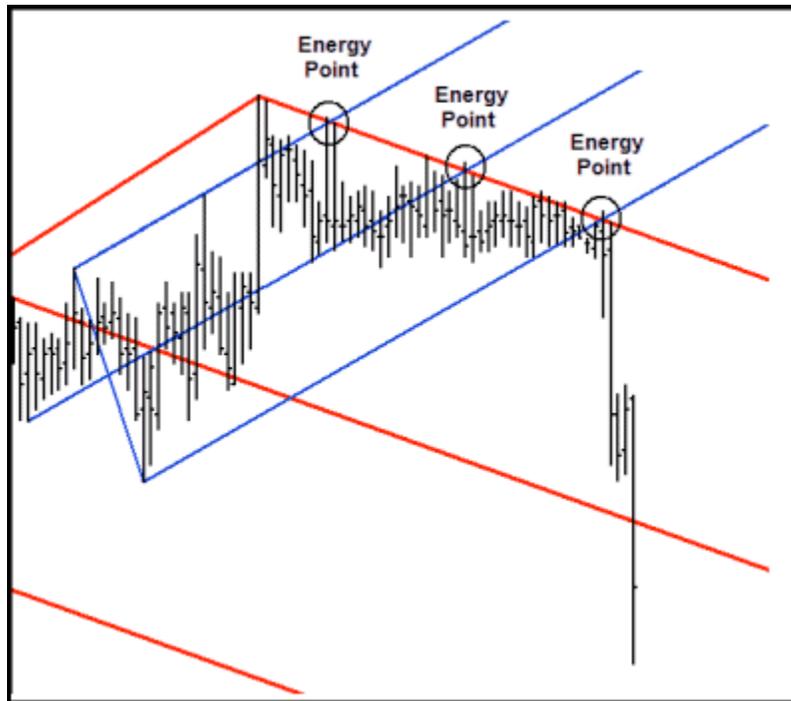


This is an interesting chart because there are three Energy Points relatively close to each other, lined up nearly horizontally. And price will move past these Energy Points in one trading session. How do you choose the most likely Energy Point of these three to give you the change in trend or acceleration of the trend?

Let me give you one last piece of the puzzle before I show you how price played out against these three Energy Points: This is a chart of the Euro FX against the US dollar early in the US trading day on a recent Federal Reserve meeting day. If you trade at all, you know there will come a time when this day becomes volatile, so one of these Energy Points may be a great area to initiate a position. But you also know that the extreme volatility that can appear on Fed days can 'wash and rinse' you out of your position, leaving you without a position as the market returns to the trend.

How did price interact with these three Energy Points as the day progressed? Which Energy Point gave you the opportunity to enter a high probability position?

Let's see how the market played out from yesterday's Tip.



Looking at the chart, you can see that any of the three turned out to be places you could have sold—all three even gave you my favorite high probability entry, the 'test and -re-test'. There would have been nothing wrong with getting short at any of the three Energy Points and then hiding your stop loss orders above prior swing highs.

But let me point something out you may not consider: The three Energy Points were nearly horizontally aligned. With the Fed announcement coming out just after 1 pm CST, wouldn't it be better to recognize that Energy Points *do* act as price attractors? Can you guess what time the last Energy Point came in at on the chart?

That's right! Price was going to intersect with the final Energy Point right at the release of the Fed's announcement. Once you've seen this 'horizontal placement' of Energy Points on a news day—I call it a "hallway"—you may consider that price will just be dragged horizontally throughout the day *until* the news release is at hand, especially if the timing of the news release coincides with an Energy Point. Then simply watch price at the Energy Point that coincides with the news release and watch for a high probability trade entry set up.

In this case, price tested the final Energy Point to the up side, failed and closed below the Energy Point with great down side separation. This allowed me to sell a re-test of the down sloping red Upper Median Line, with a tight initial stop loss above the prior bar's high. Though I may have missed a few ticks by not getting short at the first Energy Point in early morning session, I didn't have my capital exposed all day on a news day while

price traded in a tight range. And when I did finally enter, price quickly moved away from my entry area, giving me near instant gratification and the ability to 'box in' profits as price plunged.

Did the chart and the lines 'know' the Fed was speaking later in the afternoon? Of course not! But after you've seen these types of tools work over and over, you begin to wonder if most everything is reflected in price and in the charts, *if* you have the right tools.

I wish you good trading.

Timothy Morge

President

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