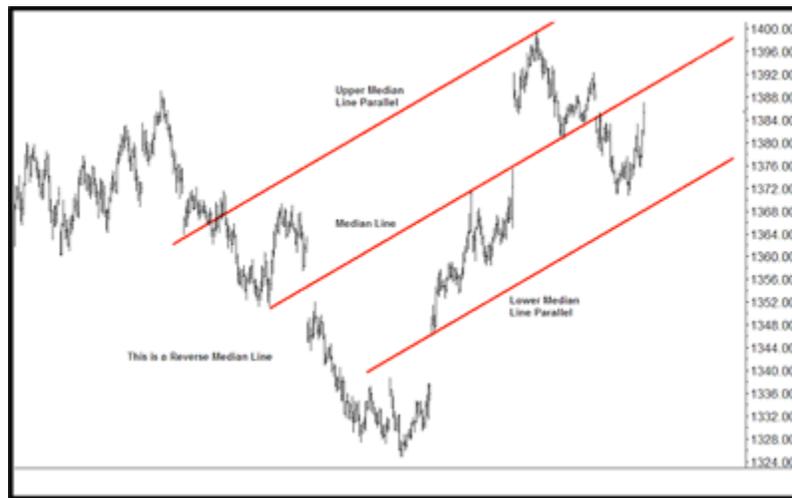


Tips for Traders | 5/19/2008

Finding Good Vibrations can Lead to Great Profits

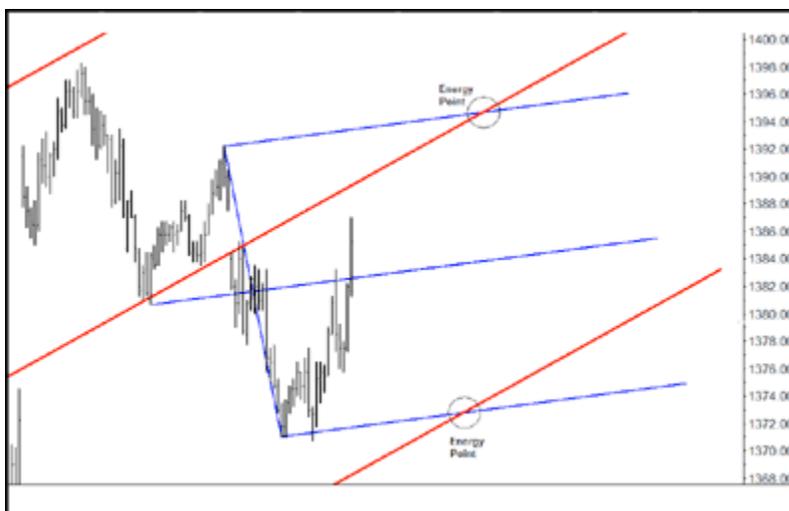
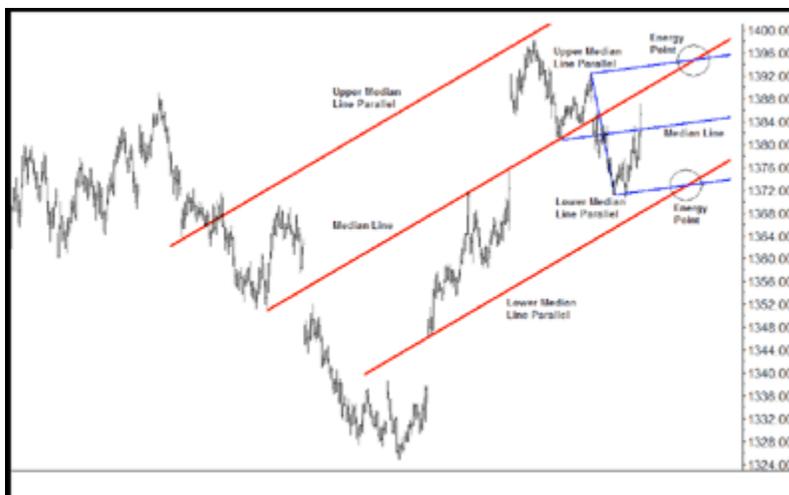
My years of schooling at the University of Chicago Physics Department taught me that all parts of the universe vibrate with energy. When I use median lines to show me the probable path of price, I am using the mathematical relationship between three alternating pivots to give me a sloped line of force shaped by the over-riding vibrations of that particular market in that particular time frame. Simply put, if I can tune in and identify the 'good vibrations', I have a good chance of knowing where price is going and where it will likely stop on the down side and the up side.

Let me show you what I mean:

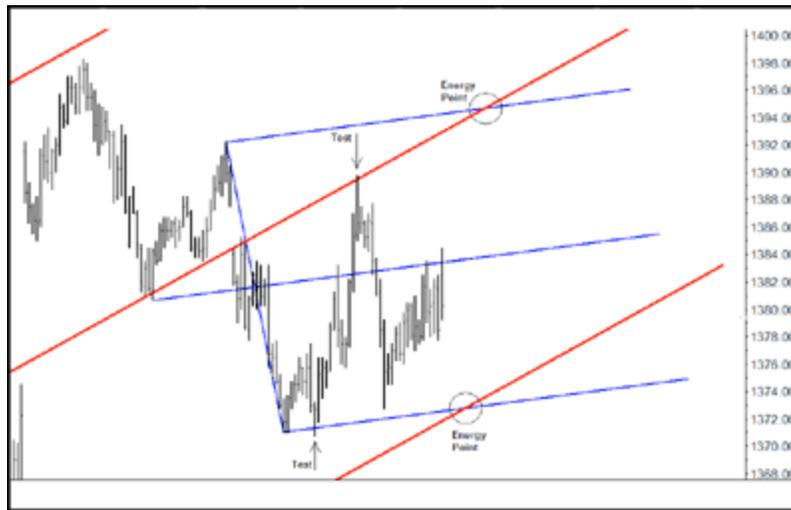


This is a fifteen-minute day session only bar chart of the e-mini S&P 500 futures. After a nice down move, price traded higher, gapping open higher two days in a row and those gaps remained unfilled, a sign of strength. To determine the probable path of price, I used a special median line, a reverse median line. A traditional median line uses three alternating pivots to determine a center or median line and then the upper and lower median lines are drawn parallel to this center line, off of the extremes of the 2nd and 3rd alternating pivot. Reverse median lines use a center line or median line that is determined by connecting multiple highs and lows; then the upper and lower median lines are drawn parallel to this center line, but they are drawn off of price extremes above and below the center or median line-in essence, the reverse median line is drawn backwards, although once it is drawn, it is used like a traditional median line for trading purposes.

In the chart below (also used in Part 1), I added a red up sloping center line or median line that connects five major highs and lows. I then ran a line parallel to the center or median line through the high for the move and that gave me the upper median line parallel. Last, I measured the distance from the center line to this upper median line parallel and draw a line below the center line that same distance—and happily noted it caught the bottom of the first open gap. This told me that the reverse median line was vibrating with the market and should be a good predictor of the path price is likely to take as time moves forward.

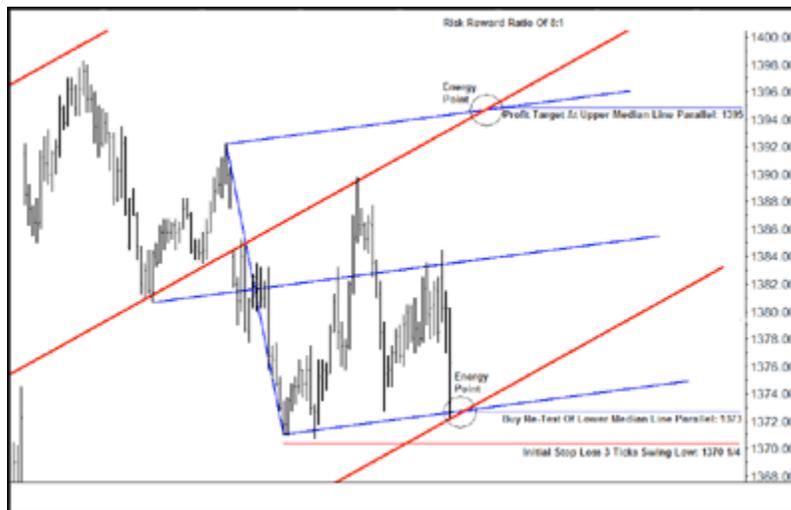


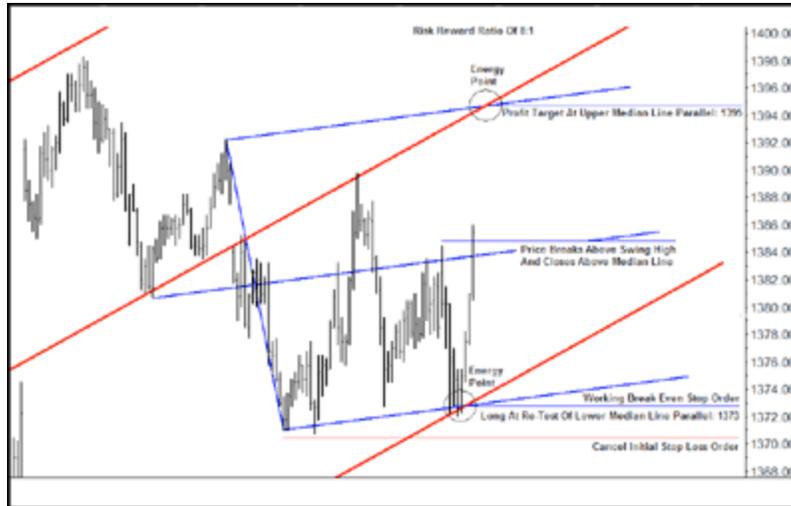
Because the reverse median line and its parallels are rather wide, I added in a traditional blue median line off alternating low-high-low pivots. I immediately note the pair of energy points, areas where the two median line sets intersect, and circle those areas, because they usually act as price attractors: I expect they will act as magnets and draw price to them, even though they seem far apart.



This is the same chart, but I zoomed in closer so you can see the energy points and the pivots I used to draw the blue traditional median line and its parallels.

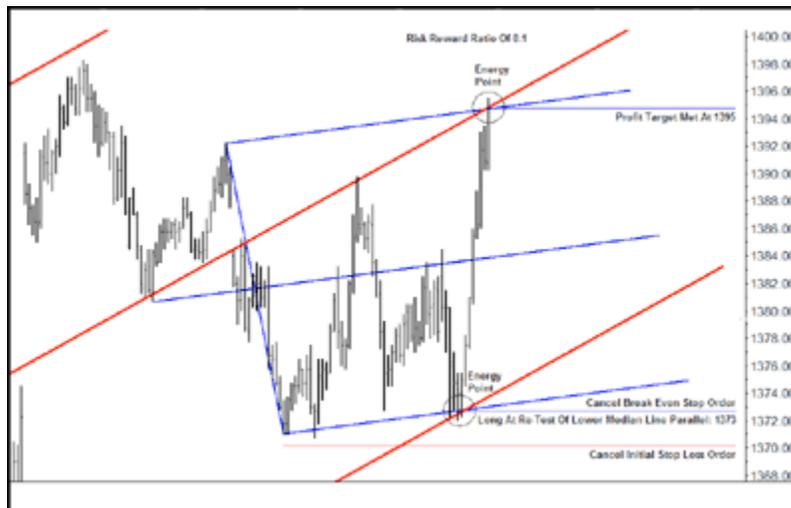
Continuing our discussion of median lines, as you can see in the chart below the price climbed higher and tested the red up sloping reverse median line before turning lower. There are also several nice touches at the blue up sloping median line, as well as a test of the blue lower median line parallel. Both of these sets of lines are vibrating with price and doing a great job showing where price should run out of up side directional energy and where price should run out of down side directional energy.



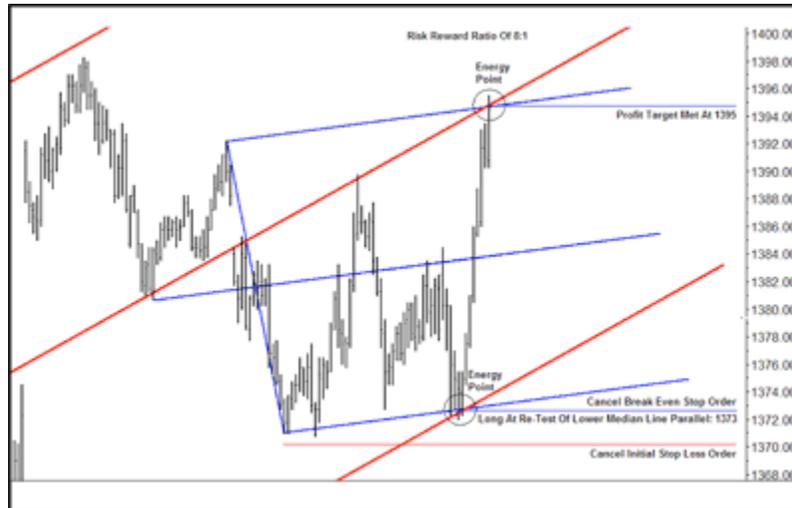


When price tests both the blue and red up sloping lower median line parallel and then closes well back above both lines, I am ready to place my orders. I want to get long e-mini S&P 500 futures near or at the energy point, at either of the lower median line parallels-price will intersect with either of them at 1373. My initial stop loss order on this trade will be below the swing low at 1371, as well as below the spike low that tested the blue lower median line parallel. And my profit target will be at the energy point to the up side and the upper median line parallel, at 1395. This gives this potential trade a risk reward ratio of 8:1.

Price re-tests the set of median lines at the energy point, getting me long at 1373. After consolidating for several bars, it quickly climbs higher. When it breaks above the prior swing high and closes above the blue up sloping median line, I cancel my initial stop loss order and enter a break even stop loss order.



As you can see below, the upper energy point attracted price perfectly.



When price tested the energy point, my profit target was hit. I netted 22 e-mini S&P points on this trade in about two hours, which comes out to \$1100 per contract before brokerage. Note how well price was attracted to each of the two energy points-even though they seemed to be a great distance apart!

When you are 'in tune' with the markets, great things can happen!

I wish you good trading.

Best,
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