

Market Cycle Quick Reference

The 4 Phases Every Trader Must Know

The 4 Market Phases



Phase 1: Accumulation

CHARACTERISTIC	WHAT YOU SEE
Price Action	Sideways range, low volatility
Volume	Low, occasional spikes on tests
Duration	Weeks to months
Emotion	Disbelief, boredom, capitulation
Smart Money	Quietly buying from weak hands

Pentarch Signals in Accumulation

- **TD (Touchdown)** fires at range lows
- Regime: Often red/transitional
- Pilot Line: Flat or orange

Recognition Checklist

- [] Price in defined range after decline
- [] Lower volume than previous decline
- [] Multiple tests of range support
- [] Selling exhaustion (absorption)

Phase 2: Markup

CHARACTERISTIC	WHAT YOU SEE
Price Action	Higher highs, higher lows, trending
Volume	Increasing on advances, light on pullbacks
Duration	Months to years
Emotion	Hope → Optimism → Excitement → Greed
Smart Money	Adding on pullbacks, scaling in

Pentarch Signals in Markup

- **IGN (Ignition)** fires on breakouts
- Regime: Green (bull)
- Pilot Line: Green, sloping up
- NanoFlow: Consistent green crosses

Recognition Checklist

- [] Break above accumulation range
- [] Pullbacks hold at higher levels
- [] Increasing volume on advances
- [] Positive news starts appearing

Phase 3: Distribution

CHARACTERISTIC	WHAT YOU SEE
Price Action	Sideways range at highs, volatile
Volume	High, erratic, churning
Duration	Weeks to months
Emotion	Euphoria → Anxiety → Denial
Smart Money	Selling to eager retail buyers

Pentarch Signals in Distribution

- **WRN (Warning)** fires at range highs
- **CAP (Climax)** indicates exhaustion
- Regime: Often green but weakening
- Pilot Line: Turning orange

Recognition Checklist

- [] Price stalls after extended markup
- [] High volume without price progress
- [] Failed attempts at new highs
- [] Negative divergences forming

Phase 4: Decline (Markdown)

CHARACTERISTIC	WHAT YOU SEE
Price Action	Lower highs, lower lows, trending down
Volume	Spikes on selloffs, dead cat bounces
Duration	Months (faster than markup)
Emotion	Fear → Panic → Capitulation
Smart Money	Shorting rallies, waiting for accumulation

Pentarch Signals in Decline

- **BDN (Breakdown)** fires on structure breaks
- Regime: Red (bear)
- Pilot Line: Red, sloping down
- NanoFlow: Consistent red crosses

Recognition Checklist

- [] Break below distribution range
- [] Rallies fail at lower levels
- [] Increasing volume on declines
- [] Negative news dominates

Phase Transitions

TRANSITION	KEY SIGNAL	WHAT TO WATCH
Accumulation → Markup	IGN after TD	Volume expansion on breakout
Markup → Distribution	WRN at highs	Price stalls, volume churns
Distribution → Decline	BDN after CAP	Breakdown below range
Decline → Accumulation	TD at lows	Selling exhaustion, range forms

Timeframe Considerations

TIMEFRAME	CYCLE DURATION	BEST FOR
Weekly/Monthly	Years	Position trading, investing
Daily	Months	Swing trading
4H/1H	Weeks	Active swing trading
15m/5m	Days	Day trading

Key Insight: Cycles nest inside cycles. A daily accumulation can occur within a weekly markup.

Common Mistakes by Phase

PHASE	RETAIL MISTAKE	BETTER APPROACH
Accumulation	Selling after "long decline"	Wait for signs of absorption
Markup	Waiting for pullback that never comes	Buy early breaks with stops
Distribution	Buying the "dip" at highs	Recognize exhaustion signals
Decline	Bottom-picking too early	Wait for accumulation signs

Quick Phase Identification

Ask These Questions:

- 1. Is there a defined range?**
- 2. Yes at lows = Accumulation**
- 3. Yes at highs = Distribution**
- 4. No range = Trending (Markup/Decline)**
- 5. What's the dominant trend?**
- 6. Up = Markup**
- 7. Down = Decline**
- 8. Sideways = Accumulation or Distribution**
- 9. Where did we come from?**
- 10. After decline + at lows = Accumulation**
- 11. After markup + at highs = Distribution**

Historical Examples

MARKET	ACCUMULATION	MARKUP	DISTRIBUTION	DECLINE
BTC 2018-2021	2018-2020	2020-2021	Early 2021	Late 2021-2022
S&P 2008-2009	Mar 2009	2009-2020	Feb 2020	Mar 2020
Gold 2013-2019	2013-2018	2019-2020	Aug 2020	2021-2022

The Cycle Trader's Mantra

Accumulate when others capitulate. Mark up when others doubt. Distribute when others celebrate. Step aside when others hope.

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