Michael S. Jenkins
Secret Angle Method

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Introduction

Over the years **I** have taught many traders and have studied my own mistakes closely. In 99% of the cases losses are due to traders being too anxious to 'do something' and start trading without having done enough preliminary work to know what the actual trend is and what cycles are operating. Most of my books address this question but human nature being what it is has a tendency to want immediate gratification and not spend much time doing the work necessary. This 'Secret Angle Method' I release today solves that problem in that it is very easy and fast and can be done in as little as a minute and yet gives extremely accurate results. This angle grid system will point out cycles operating in the price pattern and tell exactly to the bar when they will appear and usually at what price. **I** urge you not to abandon other methods but use this as a preliminary one to get a quick 'heads up' look and then use the other methods to validate these findings. I also remind you not to trust angles and lines. They are merely an approach to setting up the trade and it is imperative that you execute the trade using some common sense like waiting for a signal reversal bar to confirm the change in trend. Just because your chart suggests a change in trend doesn't mean you should blindly 'guess' the market will turn and jump in. If you know a top or bottom is at hand you can wait one bar to see the reversal and still have a great many bars of profit potential left without taking on all the risk of buying or selling into the extreme bar. The other thing I would urge you is to only buy or sell at your specific price and not just jump in at the market. This angle and gird method will give you plenty of exact support and resistance, as well as time, entry and exit points. There is also an assumption here that you know a little bit about reading a chart and that you will utilize others factors like 'measured moves' wave counts, or pattern recognition to help in deciding if the angle system indicated buy or sell makes sense in the overall pattern. When you combine all this you will find that this is an extremely easy and profitable system and it should eliminate 90% of your impatient mistakes that cost you so much money.

Acknowledgements

I wish to thank the following software vendors that I have used and recommend for this method. Most all products can be used with a little 'tweaking' as the only requirement is a retracement percentage tool, and a trendline and some way of determining its angle of slope when placed on a low to high or high to low swing. If necessary this can all be done by hand with a protractor but that can take an extra few minutes of time and inconvenience.

TradeStation **www.TradeStation.com**

Ensign Windows www.ensignsoftware.com

MetaStock **www.equis.com**

MarketAnalyst www.Market-Analyst.com

Background Basics

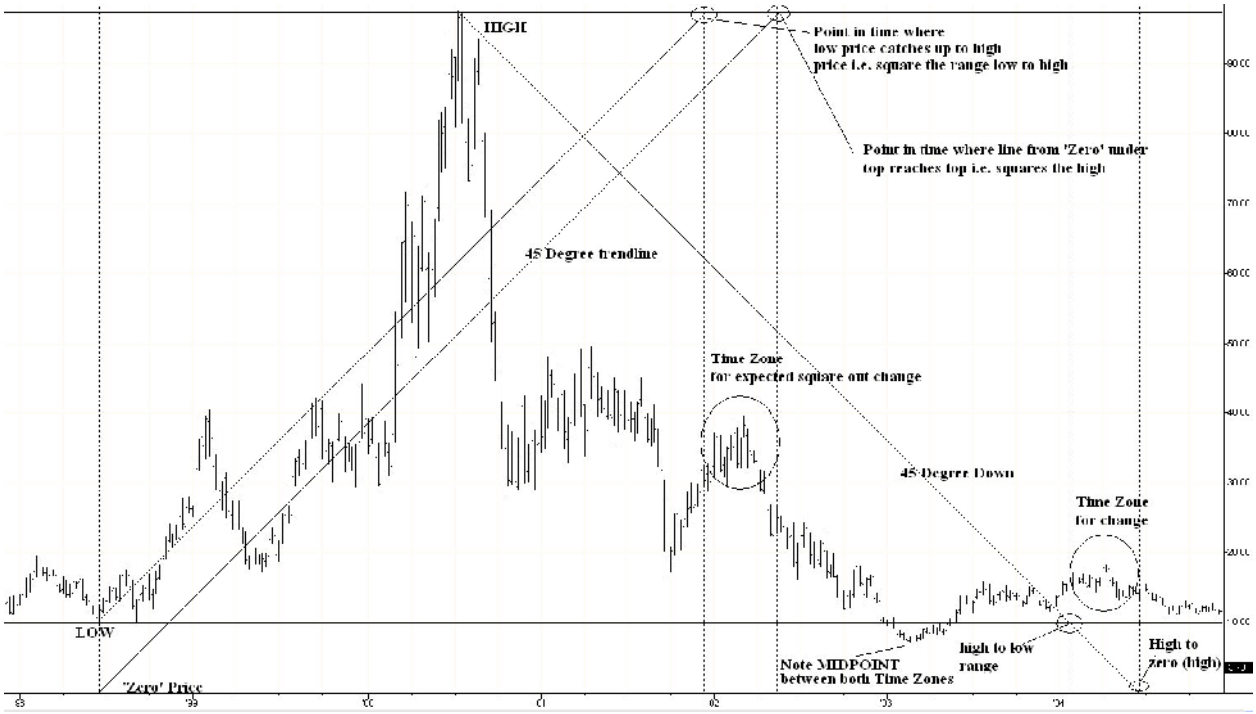
Basic Premises:

1) Cycles exist, so patterns emerge that are repeated and trends persist.
2) The price of a stock tells something about the cycle it is following. In many of my books I give the example of a $50 top in a stock spinning out time unit cycles of 50, i.e. 50 days, 50 hours, 50 minutes, 50 trading bars, etc. This is a fact. Terminal points in this stocks' cycle should be harmonics of 50.

Basic Techniques:

1) Square the high
2) Square the low
3) Square the range

What this means is if we take a trendline of 1 unit of price and 1 unit of time and draw it down from a top of $50. It will hit 'zero', 50 units later. Visually this is a 45 degree diagonal or 'timing line'. This also demonstrates 'Square the High' since we could fill in a box diagram around that diagonal and make a 'square' of 50 x 50. These trendlines can come down from a top to 'zero' or they can start under a top at zero price and go up until they cross the price of $50. These are both squaring the high. If you start at the low of $23 and go up to $50, then that 45 degree trendline would 'Square the Range' when the angle had covered 27 units. Finally you can also square a midpoint by moving a trendline down from a high, and also move one up from a low and where they intersect would be a type of range squaring, but note, depending on the time duration between the high and low, the angles would intersect at varying places.



The chart above squares the 'range' from the low to the high, and squares the 'high' from the zero price origin. The two different starting points yield two top points or a 'zone' of time for the changes to take place. Note the effect on prices in those circled areas. Midpoints can often help, rather than striving to be too exact as to the square out date. Also note above, the crossing of angles in the $70 to $80 range, demonstrate a hybrid 'square the range' with price zone below that crossing.

Harmonic Trendlines:

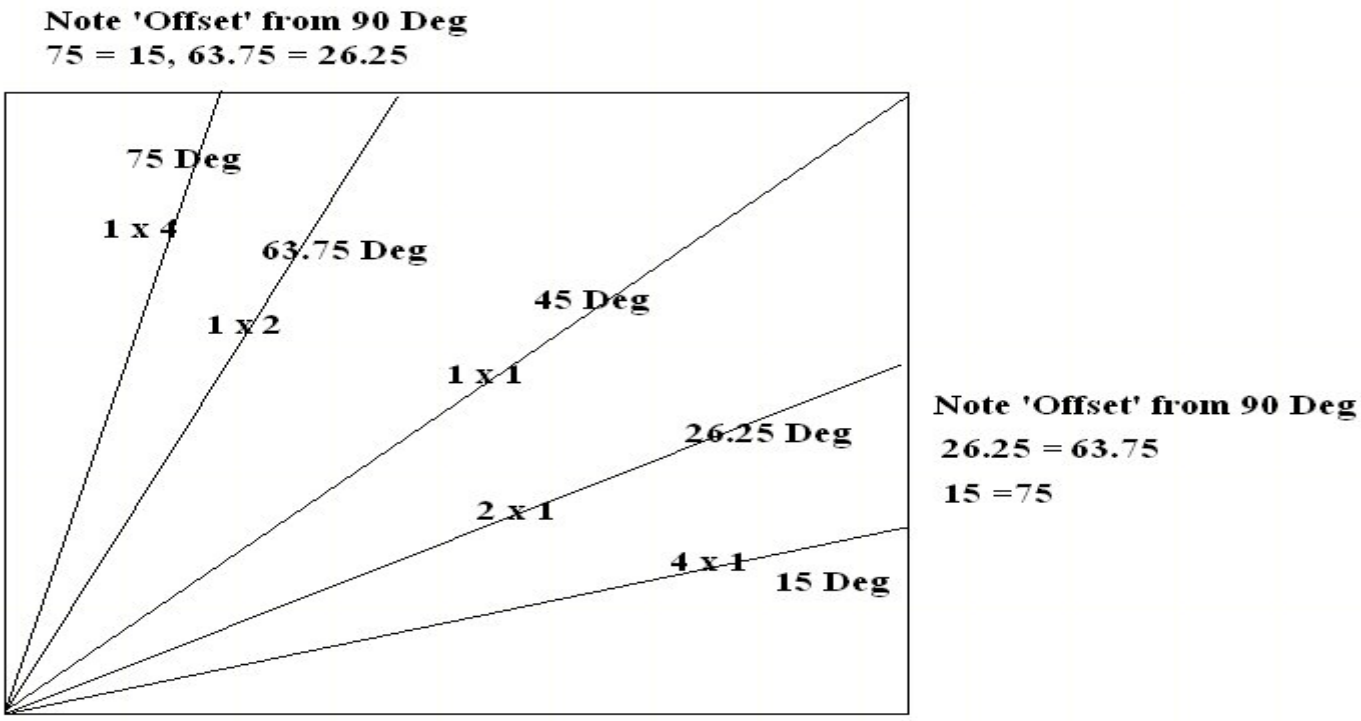
1) 1 x 1 = 45 degrees
2) 1 x 2 = 63.75 degrees
3) 1 x 4 = 75 degrees
4) 1 x 8 = 82.50 degrees

These are 'up' trending angles.

The ‘down’ trending angles are:

1) 1 x 1 = 45 degrees
2) 2 x 1 = 26.25 degrees
3) 4 x 1 = 15 degrees
4) 8 x 1 = 7.5 degrees

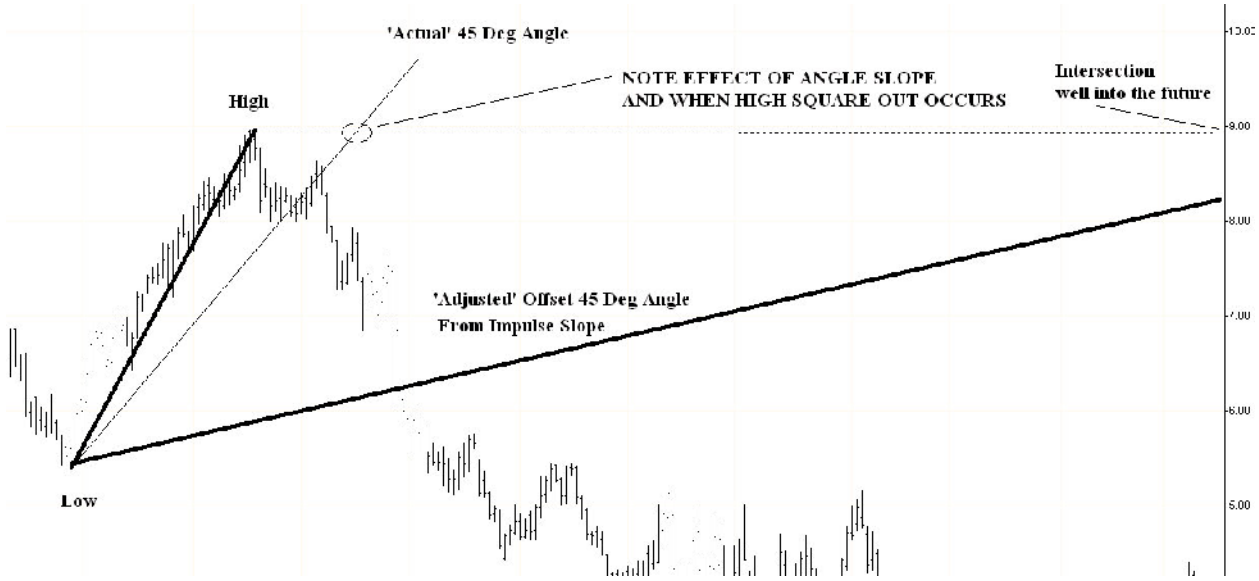
These are geometric ‘box’ derivatives:



Not shown above are the steep 82.5 deg and 7.5 deg 1 x 8 and 8 x 1 angles.

Angles can be plotted straight up or down like a typical X, Y coordinate plane we see in math text books, or they can be plotted as ‘offset’ angles, laid off from an initial axis

Offset Angles and effects on timing of 'square out':



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Note above how the price slope with 45 deg angle offset, GREATLY affects the angles intersection of the 'time' or horizontal plane of the high as compared with the typical 45 deg angle.

(Please note that many of the graphics in this manual have been 'resized' to fit in the available space and that will DISTORT the actual angles. Do not expect to put a protractor over any page of this manual and get the exact angles mentioned because of that distortion. The graphic still 'works' because it is uniformly distorted and angle crosses and square outs still take place where they are supposed to).

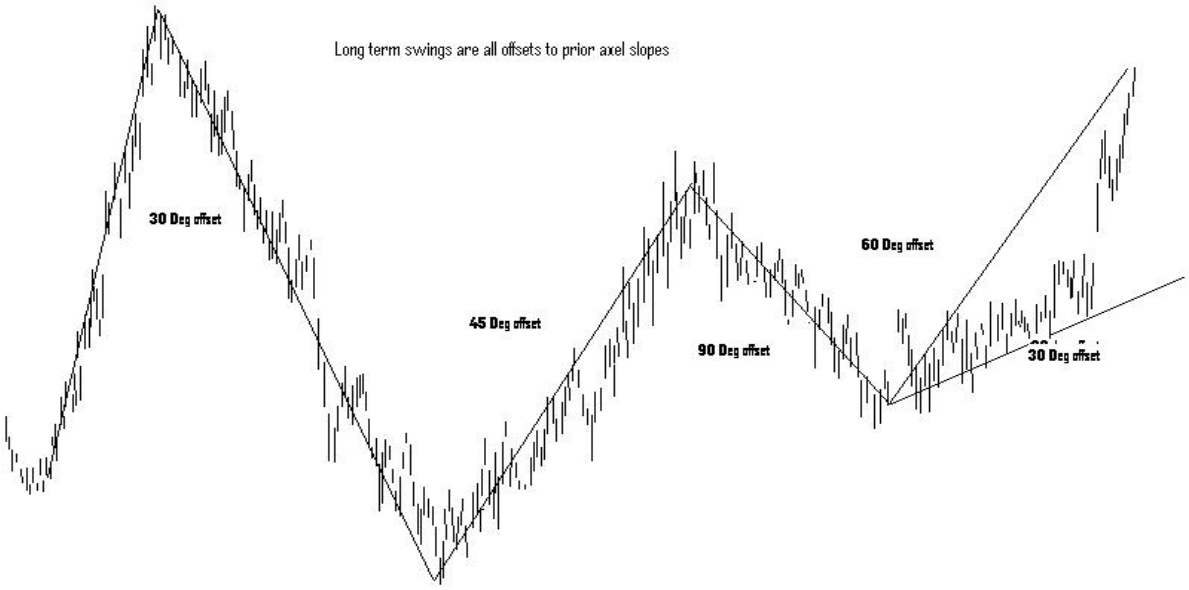
Below is a 'geometric box' method of drawing angles that are proportionate parts of the side of the 'box' (not drawn, only bottom and right side shown). It is VERY IMPORTANT TO NOTE THESE ARE NOT 'OFFSET' ANGLES. An offset angle would be a displaced 15 deg, 26.25 deg, 45 deg etc. from that line from low to high. For example, lets assume that low to high trendline actually measures 57 degrees. An offset angle of 1 x 4 (75 deg, offset is 15 deg from 90) would be 57 – 15 = 42 deg.

This next chart demonstrates the 'offset' angle technique, with the 1 x 2, 1 x 1, 2 x 1 angles offset from the SLOPE of the initial low to high bull market impulse wave or what I call the 'axis of inclination".

You have seen this chart before, because it is a bedrock principle. NOTE THE HORIZONTAL LINE STARTING AT THE FIRST TOP. Now see that when the offset angles intersect this line, *the bull and bear market swings begin and end.* Look at each 'dot' along the horizontal top line where the angles intersect it. The next bull or bear trend starts at the point and continues on until the next angle intersects. Now realize that all bull and bear market DURATIONS are due to the difference in time length between those angle

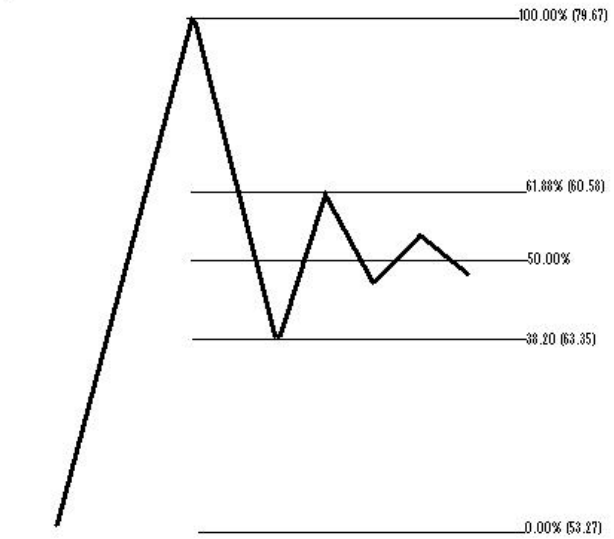
intersections and that is VARIABLE AND DEPENDANT ON THE INITIAL AXIS INCLINATION SLOPE. 'Steeper' angles have shorter cycles; less steep angles spin out longer time period cycles.

This next chart shows that many individual swings are also offsets to the prior swing slope using traditional 30, 45, 60, or 90 degree offsets.



One of the basic purposes of angles is that they give us a way to divide BOTH time and space. Most traders can find a 50% retracement of a price, and some may look for a 50% retracement of the time a movement took, but few realize how a moving trendline balances time and price simultaneously. The use of the word 'timing line' rather than 'angle' can help clear this up and we see if a timing line coming from 'zero' price and is a 1 x 1 angle, we will note that when the line crosses the price number 30 it will be 30 price units up and 30 time events over. An angle of a differing number of degrees like 1 x 2 will cross 30 in half the time or 15 time units (remember this is just our grammar school math of 'over one, up two' or over one time unit and up two price units).

Let's now look at some methods of dividing time and price to see where angles can give us key secrets we haven't seen before. The basic price retracement is usually thought of as a percentage like 50%. The midpoint between a low to high is always the strongest point and by definition if you never retrace more than 50% and advance again, you will be in an up trend that goes up forever. Once you decline more than 50% and continue that pattern sooner or later you will go to zero. It's like those slot machines in Las Vegas which 'pay out' 98%. You can put in $100 and get $98 back after the first 100 pulls but unless you hit a jackpot or stop, eventually you will lose ALL your money. Proportional parts or 'harmonics' (dividing a number by integers) also serve as strong collection points like 75%, 66%, 50%, 33%, 25%, and also the Fibonacci percentages of 38.2% and 61.8%. We have all heard of a 'dead cat bounce' and any object that falls to the ground will bounce and then bounce again and then bounce until all the energy is gone into a 'flatline' graphic. Usually stock correction bounces go to the Fibonacci levels either side of the 50% retracement and gradually settle at the 50% for a bullish correction. Because of this, many technicians won't declare a breakdown when a stock declines more than 50% but wait for it to go past 61.8% to be sure it won't snap back. The same thing for a advance of 50%. Once it goes past 61.8% of the range it's usually safe to assume that a 100% retracement or advance will take place and these 38.2 and 61.8 levels often see big 'pull away' moves rather than at the 50% mark.



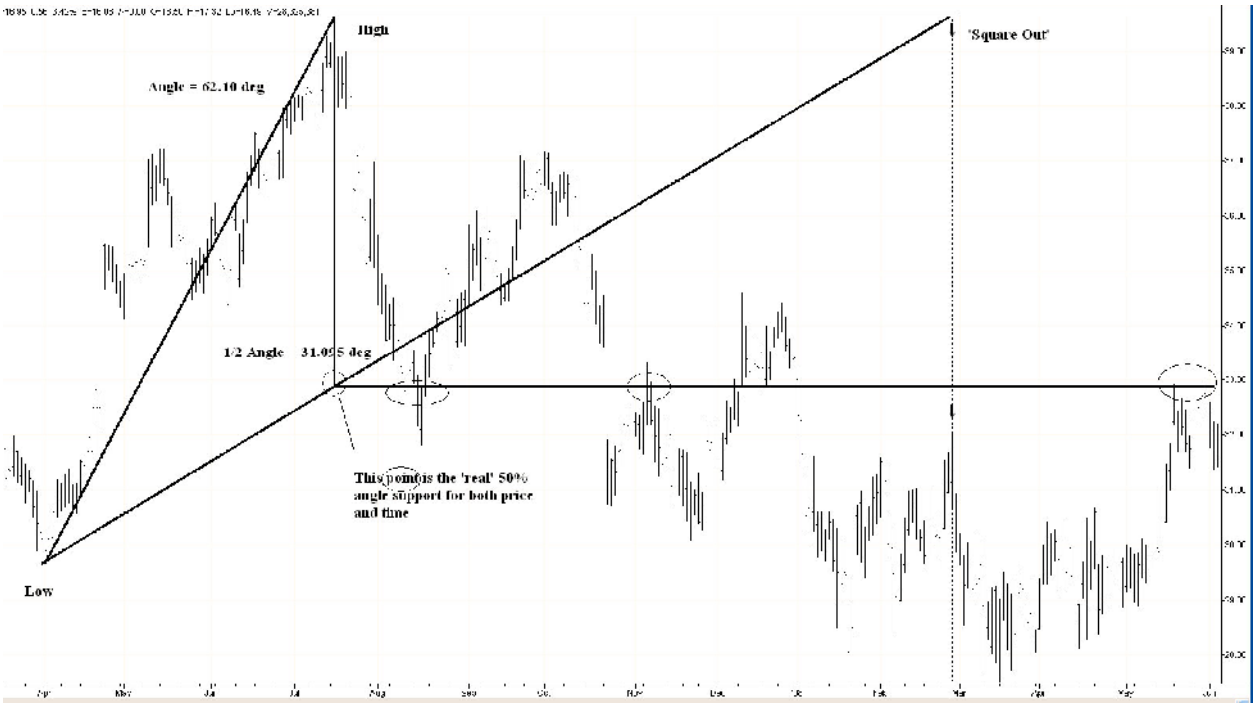
This chart above shows PRICE retracement without regard to time and since time AND price are always involved in market movements we must account for it. The common way is to use an angle or timing line and watch when it crosses that 50% price level and at that point the time would be a 50% harmonic if it was a 1 x 1 angle. The problem has always been keeping track of all those changing 'slopes' of the initial impulse wave of each stock advance. *As we saw in prior exhibits, an offset angle will square out a high at vastly different time periods depending on the slope* so it would be nice to have a simple universal means of adjusting the various slopes to their 50% harmonics or any other fractions we may want to determine. In my books I have used circles to do this but in this simple angle method I will stick to angles (hence the name of the method).

The first discovery I made was that each *specific* angle of slope was unique for each stock and we could take mathematical harmonics of that specific angle and these would resonate very well with each particular stock. In other words if the initial advance was an angle of 58 degrees, we could take 50% of that i.e. 58/2 = 29 and find that 29 subsequently take another half of that or $1/4^{th}$ of the first angle and get the next harmonic just like the 1 x 4 angle.

Here we see a low to high trendline and the slope angle is 62.10 degrees. We take one half of that or 31.095 degrees and draw a second angle and you can see the prices creeping up that angle acknowledging its existence in fact. Also note the second ½ angle intersection of the top price to create a 'square out' effect on the price at that time.

The 'math' is simple, just divide the angle by 2 to get the ½ angle or any other integer we will use later on. In many of the following exhibits I will label them like 'Angle' and '1/2 Angle' for the convenience but you merely take the exact degree of the 'Angle' and divide it by two to get the ½ angle.

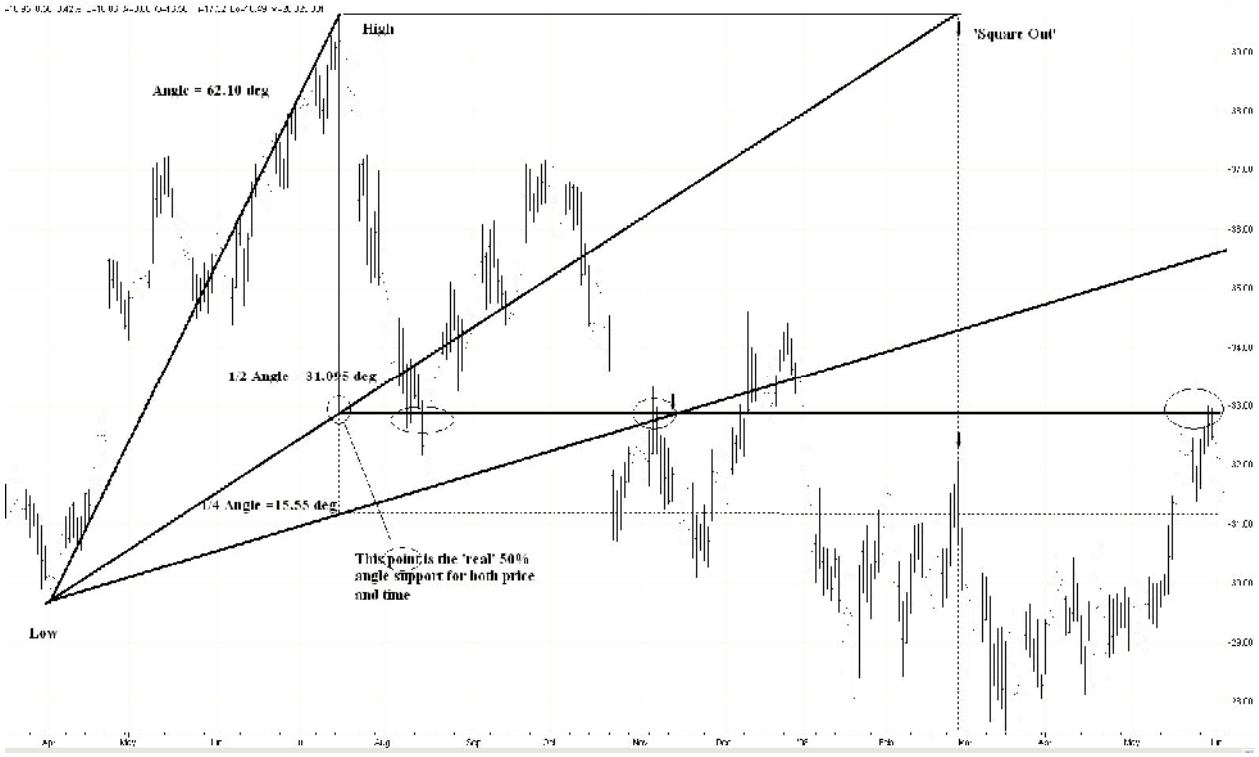
The great discovery from this was the observation that THE POINT



UNDER THE TOP PRICE WHERE THE ½ ANGLE HIT WAS THE KEY SUPPORT LEVEL.

Note in the above chart how the first low fell almost exactly to that POINT which is the 50% STRONGEST ANGLE support while the actual retracement of the price level was closer to 70% down from the top. This was still a BUY at the 50% strong angle point with a stop as long as it walked up that angle but it was bearish that it couldn't later hold the angle and broke below that horizontal level indicating a retracement all the way back to the lows.

We can now advance this idea of angles further thus:

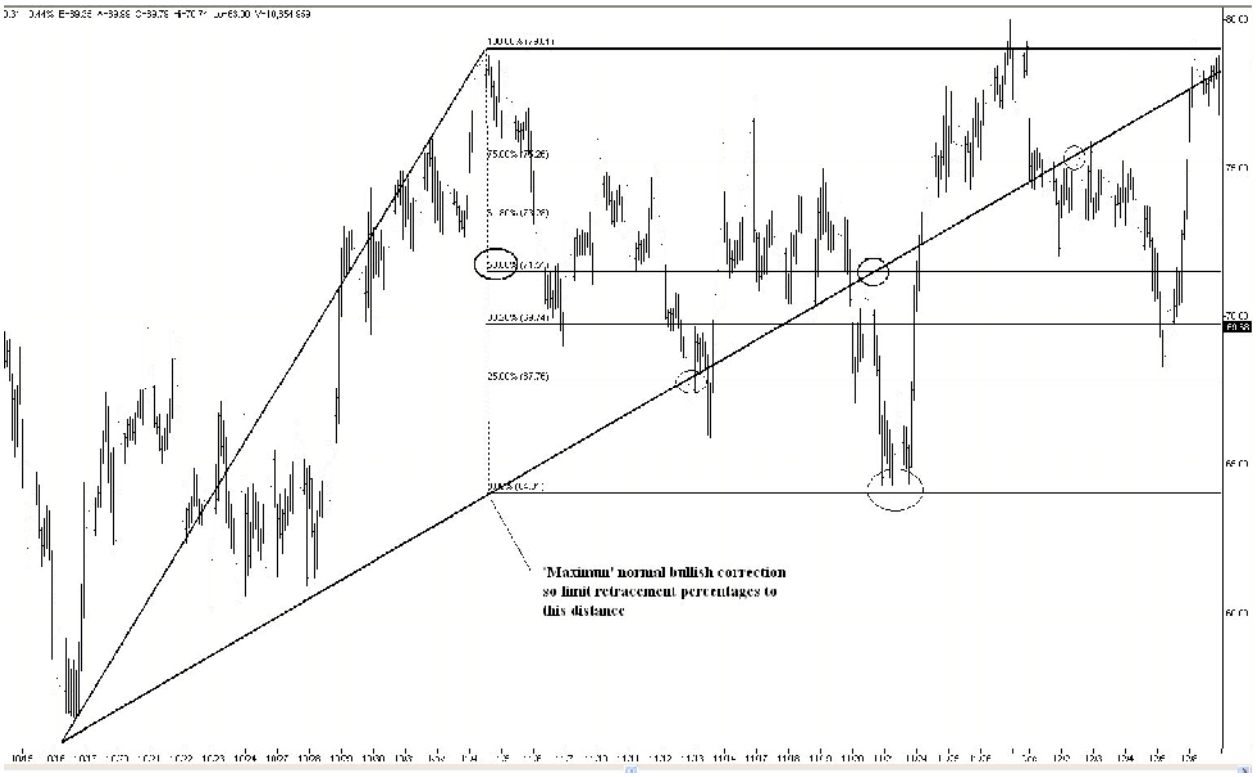


Here we see the ¼ angle and its horizontal support/resistance. Note in particular the crossing of this angle with the 50% point of the prior angle (near 'gap' area), as this is a major time harmonic. Similarly if you could follow this angle all the way to the top you would find the next major square out turn.

If you are a day trader, or if you are in a strong bull trending market, the corrections down to the 50% Angle usually don't occur on the first low which is much higher, and only move sideways to the angle over time since the price doesn't drop severely but just consolidates in a strong bull trends. To account for this and provide us with innumerable trades on smaller time frames *I have combined two techniques.* I now take the 'normal' price retracement levels and combine them with the 50% primary angle vertical distance to get harmonic support and resistance.

Like this:

Below I have put a price retracement grid from the high to the ½ angle point and you can clearly see how the prices 'bounce' around these retracement grid values. Also note the three circled points located

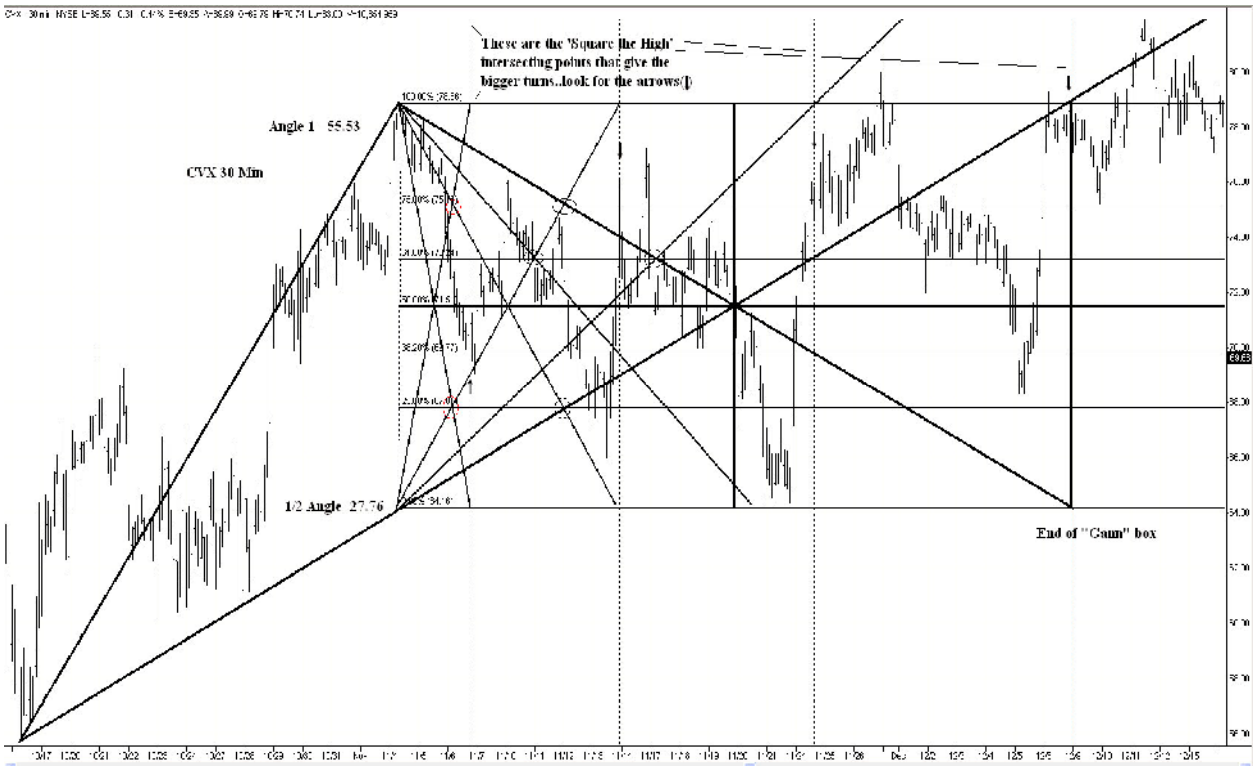


on the ½ angle line. At THOSE points the price reverses AND is simultaneously at a support or resistance level.

We can now start to fill in the blanks for our system. We see how the prices bounce around the support and resistance horizontal lines based on the expected maximum downside as being equal to the vertical distance between the Angle and the ½ Angle and we see changes in trend developing around our 'timing angle'.

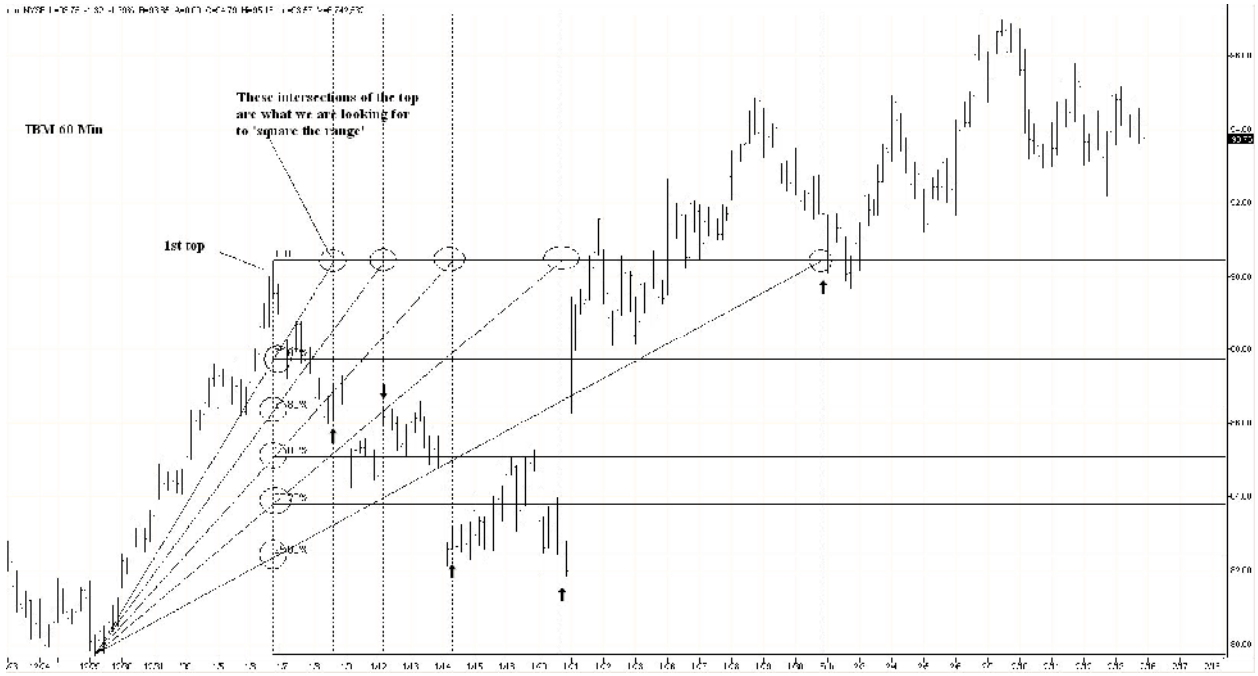
(NOT MEANT TO BE SHOWN IN THIS 'SIMPLE' SYSTEM IS THE MULTIPLE DISTANCES UP OR DOWN FROM THAT ½ ANGLE, BUT THE ASSUMPTION IS MADE THAT WHEN THE ½ ANGLE BREAKS YOUR TARGET ON THE DOWNSIDE WILL BE THAT DISTANCE BELOW THE ANGLE). Note the fact in the first angle chart on page 10. I'm not demonstrating that here, as I would like you to do some work yourselves!

We are almost done with the basics of our system now and only need to try some 'down' angles and various settings for up or down markets. Note that in the following chart THE ORIGIN point is the key ½ angle intersection. Angles coming up from that 'secret' point on the chart create slopes not apparent on the normal price chart but nonetheless we see the support and resistance of the prices responding to these angles. To draw the 'grid' the STARTING POINT is the main angle down from the top and it intersects the 50% retracement line AT THE EXTENSION LINE OF THE ½ ANGLE where it intersects the 50% point. Once we have that division we can make Gann boxes and subdivide these boxes. The subdivisions usually are made thru those circled intersections such as a 25% line through another 25% line or in some cases the Fibonacci intervals. While this is starting to look confusing, bear with me for another chart or two and it will be made apparent what we are doing. Remember, our basic principle of 'square the high' or 'square the low' and always look for angles that go up or down to our high or low, end targets. It is at those points where most directional turns will come. The other angles provide support and resistance along the trip but *the primary trend usually lasts until the high or low is squared.* We must also keep track of the time frame, in a turn on a 5 minute chart may not mean as much on a 60 minute chart and certainly not much at all on a daily chart. This is where you rely on 'fractal patterns' or wave counting techniques to help in the interpretation of the coming turn, but, as you will see, if you just mechanically trade off these turns every hour or so it won't make much difference as you will make money anyway.



Here we see the primary angle of the first impulse top and its corrective ½ angle *to be used during the correction after that 1st top.* On this chart note the "End of Gann box' comment and note that soon after that point, the stock went ABOVE the initial top that the structure is based on. That means the next leg up is underway and another technique will be applied to get that measurement, as we will see later on. Also not that the *primary low* was made EXACTLY on the ½ angle 50% support horizontal line and very near the halfway point of the 'box'. These are clues you will seek as you become more familiar with the system to judge when changes are taking place. Remember after a first top like that first angle, we are looking for a consolidation or retracement correction. That's where these 'boxes' come in, by timing the duration of the correction and breaking it down into sections or waves to keep track and anticipate the next leg up. Hitting that 50% secret support level is a good indication the stock is about to turn up.

Now we are going to backtrack to grasp the 'big picture' and use a more basic method that is done first to get a idea of what is going on and where we are in the cycle. Sometimes this is all you will need. This is the simple high to low retracement without regard to our secret angle and ½ angle method. We will add them in later to the final pattern but for now let's review the basics of squaring the range with percentage angles. This is done by dropping retracement lines on the chart after the first run from low to high.



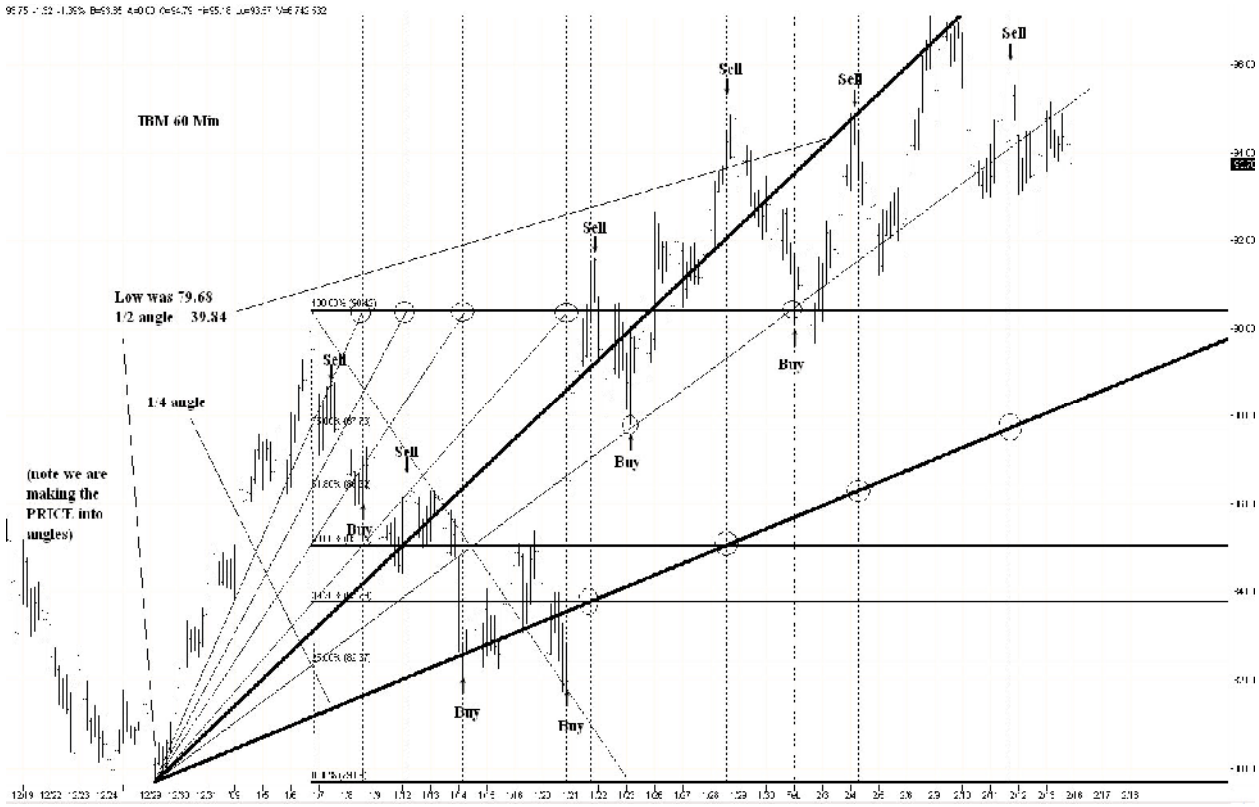
(Naturally if your particular software package doesn't do this – 99% do, you can calculate these ranges with a calculator and put on horizontal lines)

Here we see the 25, 50, 75 percent retracements along with the Fibonacci 38.2 and 61.8 percent. These are retracements of the vertical price advance only. Our goal is to convert these price retracements into time retracements. You can also add more lines, like the 1/8th intervals and sometimes fewer on small charts like 5 minutes where the simple 50% and 25% are enough. Note that while the angles from the low, up thru the percent retracement levels UNDER THE TOP PRICE do form angles of support and resistance, we are primarily concerned with the top of the chart where they square out the top price and indicate a change in trend

Note too that by using those retracement levels under the top we are doing the same type of thing as we did with the ½ or ¼ angles lined up under the top price. Note how the low price *projects* angles upward thru those circled harmonics of the range and it looks like a magnifying glass expanding the rays along the top horizontal dimension. Note how the spacing at the top 'time' line is a proportional expansion of the vertical price spacing between retracements levels. This is why time cycles vary with prices and the slope of distance between low and high price. This technique can be used in other places to translate lows or highs to time periods so you may want to think about that idea.

We need now to discuss the most important principle of all technical analysis and trading and that is that CHANGES IN TREND OCURR WHEN BOTH TIME CYCLES AND PRICE SUPPORT OR RESISTANCE COME TOGETHER. In other words when a stock falls to a price support, a time cycle comes out, the trend will reverse and the stock price will go back up. This is why we place key emphasis on those vertical dotted lines that indicate cycle turns. If we see the price on support or resistance, at the time we reverse our trade with a stop above or below the support or resistance level and expect the trend coming out of that turn to go to the next support or resistance level, or even make it to the next cycle turn. Go back to the chart above and look at those 'arrows'. They are the points where BOTH a time cycle vertical line was present and the price was near to and responding to a support or resistance level. Note in particular that the first time the price fell to the 50% price support it tried to hold it but you can see it just 'flopped' around trying to hold support and there was no time cycle nearby until later at the same level the time cycle hit and the stock reversed and went up to the next level of resistance.

Another major discovery I use is the idea that 'time and price are the same thing'. They are interchangeable. This being the case a price of $79.68 which was the low in the last chart is related to time periods of 79.68 but since we have seen how angles and ½ angles relate we can also *make these prices into angles.* In the case of a $79.68 price low. The ½ angle would be 79.68/2 = 39.34 and the ¼ = 19.92 degrees. This idea is shown in the following chart, which completes the above chart and solves the 60 min IBM teaser in the advertisement describing this method.



Note the circled areas where the trendlines crossed levels for potential turning points but note when the prices were exactly up against angles and at vertical dotted lines indicating turning points the 'trade' was obvious as to what you should do…buy or sell with a stop on the other side of the angle. The 'big thick' angles here are the ½ of $79.68 or 39.84 degrees and the ¼ of the 79.68 or 19.92 degrees derived from the impulse wave low of $79.68. Note how the 'final' top touched the special angle from the origin to square out the exact time and price harmonics. Note that when the ¼ angle based on specific price, intersected retracement levels, it predicted ALL TURNS!

This next chart is the 'clean' chart before the markups.

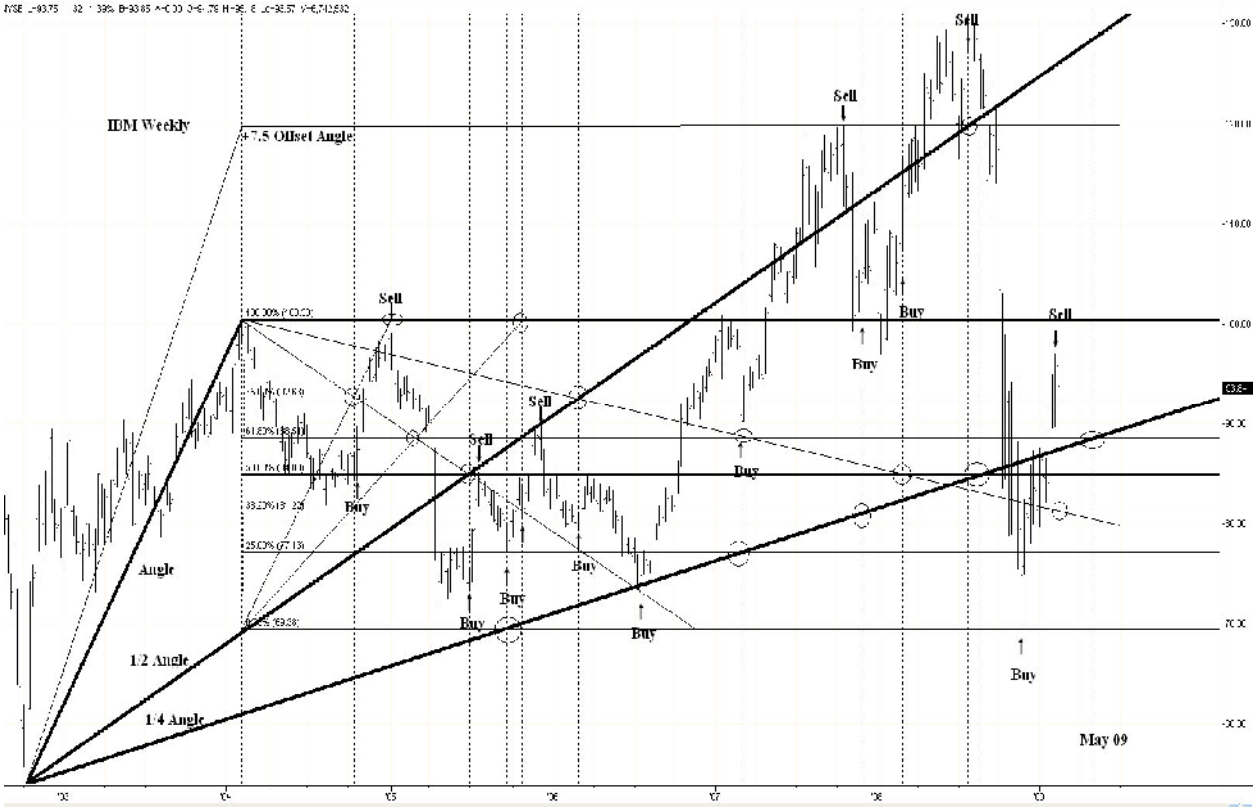
When reading this material try imagining you are trading and are watching these angles going up or down and you know well in advance when the angles will intersect the vertical time cycle lines. As you approach those critical levels you watch to see the stock hit resistance or support and wait for a reversal signal bar to trade like my 'high of the low bar' buy signal, or my 'low of the high bar' sell signal. When you combine these technical bars that confirm exhaustion of trend with the turning points and graphics your trading will become much easier.

The above was a 60 min chart of IBM so now lets go out to a much longer time frame and see how we look at the IBM Weekly chart over six years and see if this kind of comprehensive pattern approach will work. Below is the initial 'clean' chart and following that will be the marked up chart.


IBM Weekly
Once this high
is made, all future turns
are revealed
Sell
Buy
Sell
Buy
Sell
Buy
Buy
Sell
Buy
Sell
Buy
Buy
Sell
Buy
Sell
Buy
May 09

The key new addition below is the '7.5 Offset Angle'. This is adding 7.5 degrees to whatever actual slop the primary 1st wave was. It is equivalent to a 1 x 8 angle.

Note how most of the turns are just the 'dark' ½ and ¼ angles intersecting retracement levels from the top to the key ½ angle level. These are circled.



As seen in earlier exhibits you can offset angles from a straight line slope and this is like taking a plastic protractor or triangle and laying it against that slope. It's much easier to just take a top slope like 53 degrees and subtract 7.5, 15, 26.25 or 45 for the 1 x 8, 1 x 4, 1 x 2, or 1 x 1 angles offset from that slope. In the case of 53 degrees these would be 45.5, 38, 26.75 and 8 degree angles. These can also be added to the top to get the next level up but usually they get 'very steep' and are impractical to use. You can similarly try doubling the primary angle and if that exceeds 90 degrees, take that number and add it to the top and take a midpoint or quarter point in the acceptable range. And of course you can convert the PRICE into an angle and take ½, ¼, or one eighth of that to use as an angle. The best way is to try a lot of examples and the accompanying CD has scores of varying examples and should be studied.

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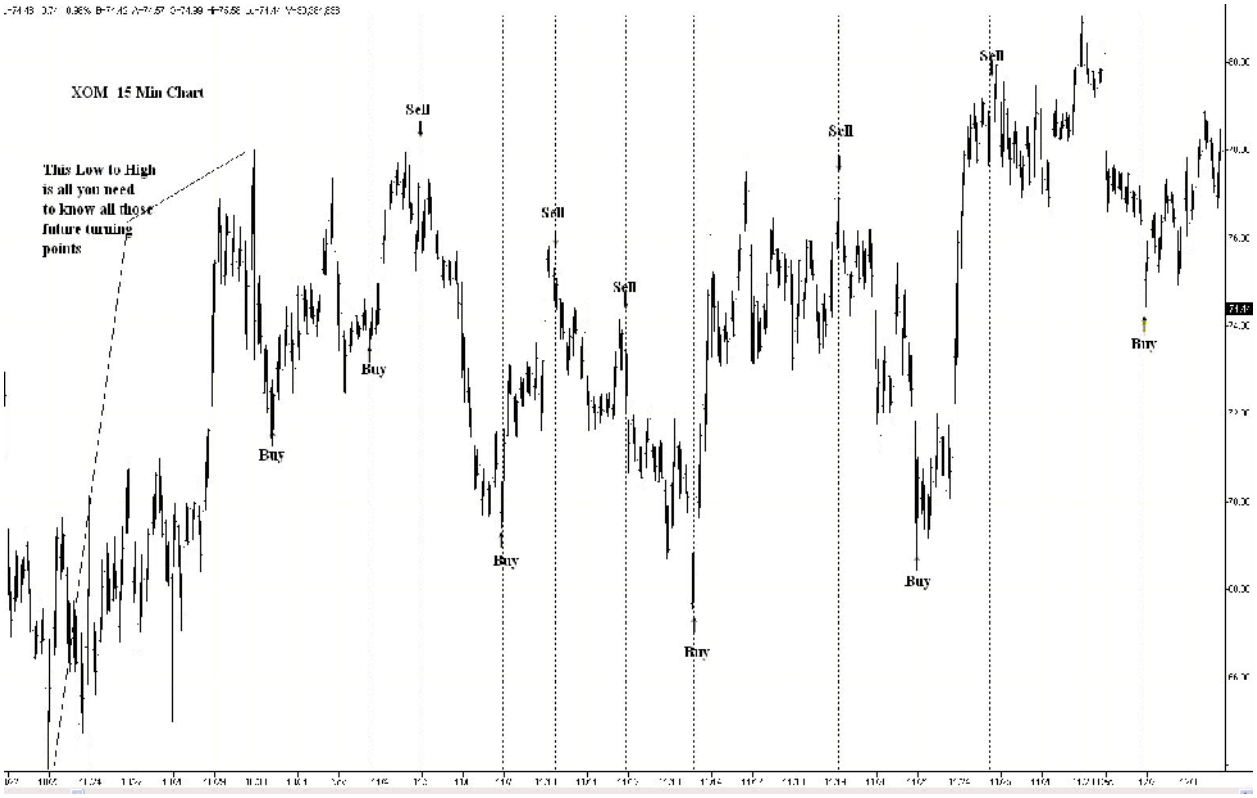
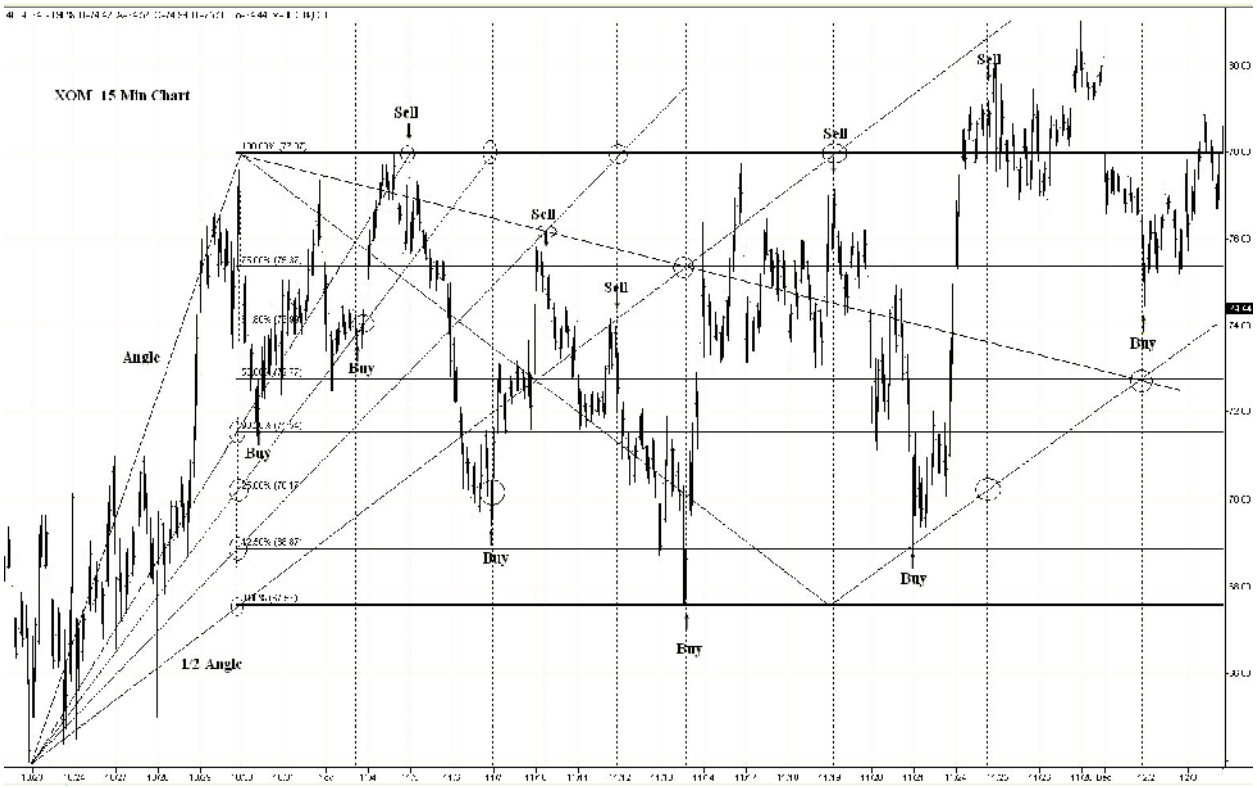


This is the unmarked up XOM chart and on the next page is the marked up one.

Note that most of these vertical lines that were great trading moves were just simple retracement projections from the low to square the high, BUT the *key was the retracements only went down to the ½ angle level.* Follow the angles from the low thru the first circles up to the top circles. Remember again that you want to see BOTH a vertical time line AND have the stock be a support or resistances to make a trade and better yet at that point wait for a signal reversal bar to take action.



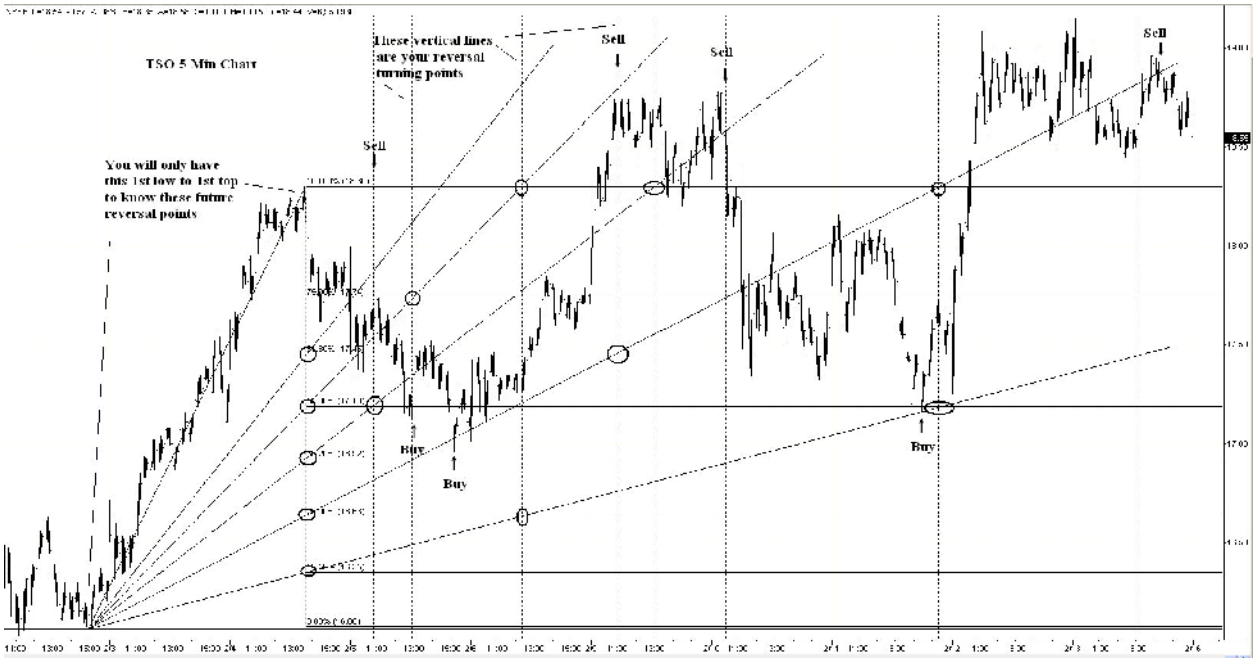
Of course none of this precludes you from using any of my advanced techniques in my books like square root support levels, or circular arcs to tell if it's a high or low, or 'measured moves' to determine if the chart pattern is ready for a normal reversal. You should use them all but in this simple method manual I won't do that now, but will just show you this technique, although I certainly use everything I can think of while waiting for a trade to 'set up'.

Note in this chart above that the usual low is found at the crossing of the 50% and the ½ extended angle but in this case a 'spike up' inverted the pattern and the low came EXACTLY AT THE 50% ½ ANGLE PRICE and the angle intersection of the 75% retracement line causing the time turn harmonic.

Please appreciate again that it is the knowing where that ½ angle point IS, that is the basis of all this. Study this as there are several subtleties. The first is that the *retracement levels only extend down to the ½ angle.* The second is that the angles come up from the origin low thru those retracement points and this is different from a prior chart where I showed the angles coming up from the ½ point only (page 14). Both methods work and you 'fish' around a bit to get the best fit to find which will work the best over the long term and then it's good for the duration of the chart drawing. I say 'drawing' since I know I will get a hundred questions about scaling and computers re-drawing the charts and making angles go haywire. That will happen with computers so my advice is make your initial chart big enough to encompass three days of future trading ('white space to the right') on 5 or 15 minute frames, and two weeks or so on a 60 minute or dailies. You will also be redrawing a lot of charts and not want to keep just the original, since as each new high or low is made, sometimes the angles shift slightly and it's better to start again with a new expanded range. It really only takes a few minutes to do a complete chart once you have practiced a bit.

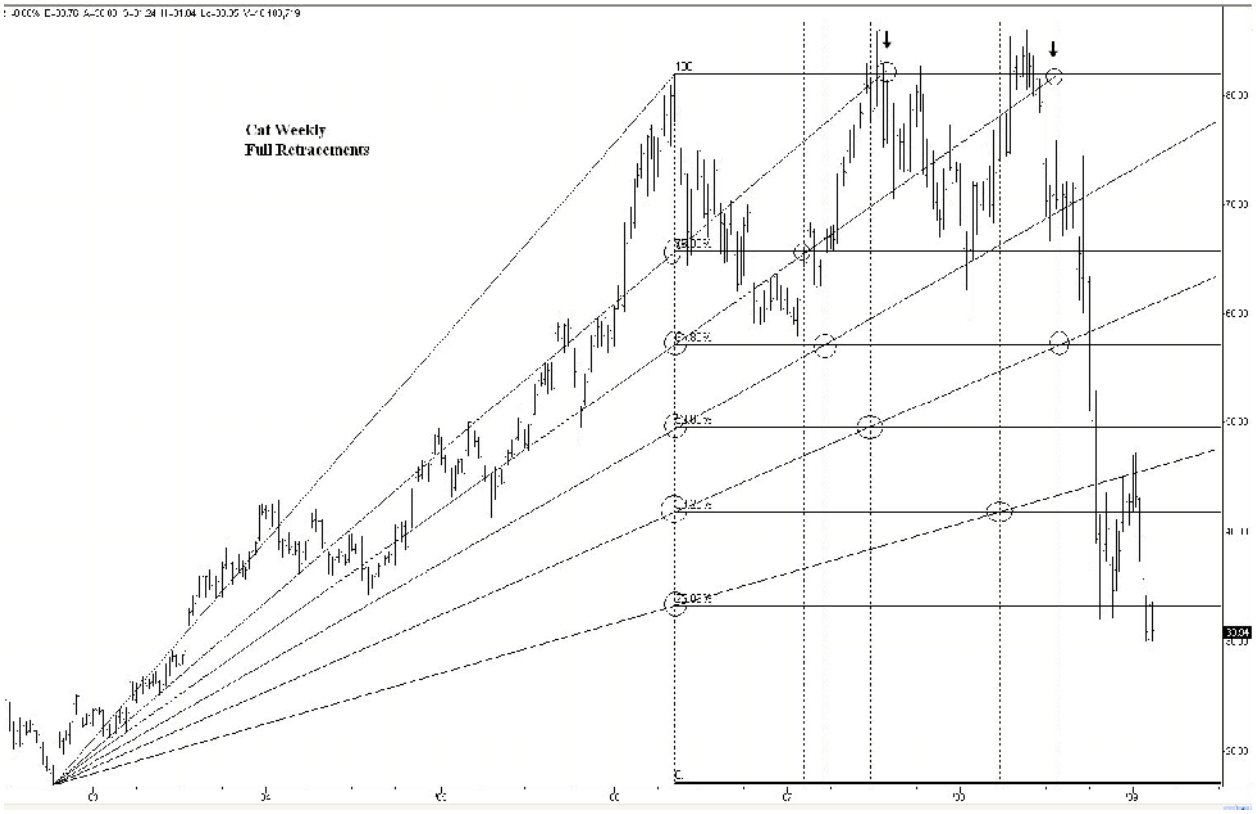
Following is the 5 minute Tesoro chart unmarked and below is the marked up version:

Note below that I did not use the retracements only down to the ½ angle (not shown) as with XOM above, since I wanted to demonstrate this idea of 'projected' vertical price points onto the horizontal top time plane and the intersections of those projected lines. Remember we are looking to trade at BOTH resistance or support AND a time cycle turn to get a reversal in trend.



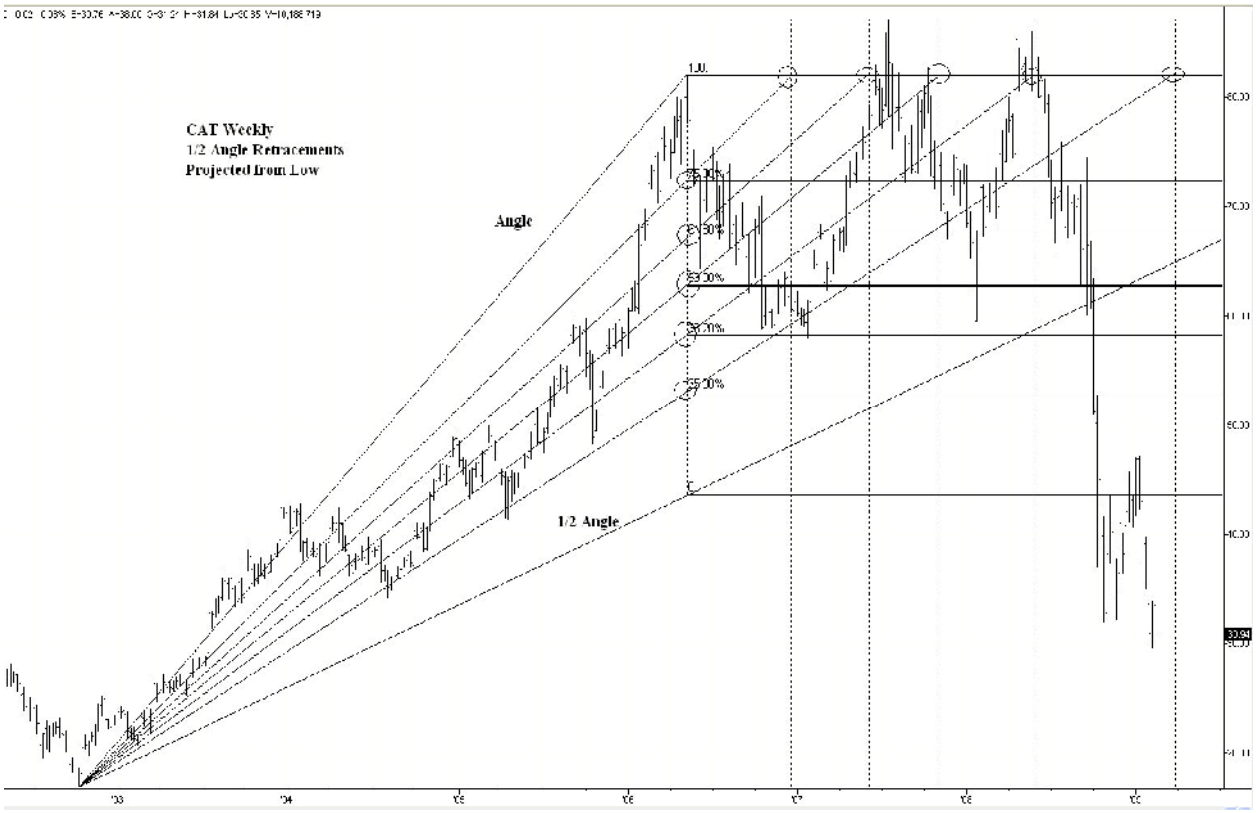
Note above that much more information could have been obtained with a Gann box grid but again I wanted to demonstrate the PROJECTION technique from a price plane to a time plane (those top square outs). It might be noted that the 25% and the 50% projections provide major lows.

The following three charts show differing techniques on a long term weekly chart of Caterpillar. While these charts demonstrate good harmonics the shorter term ones will give much more accurate details.

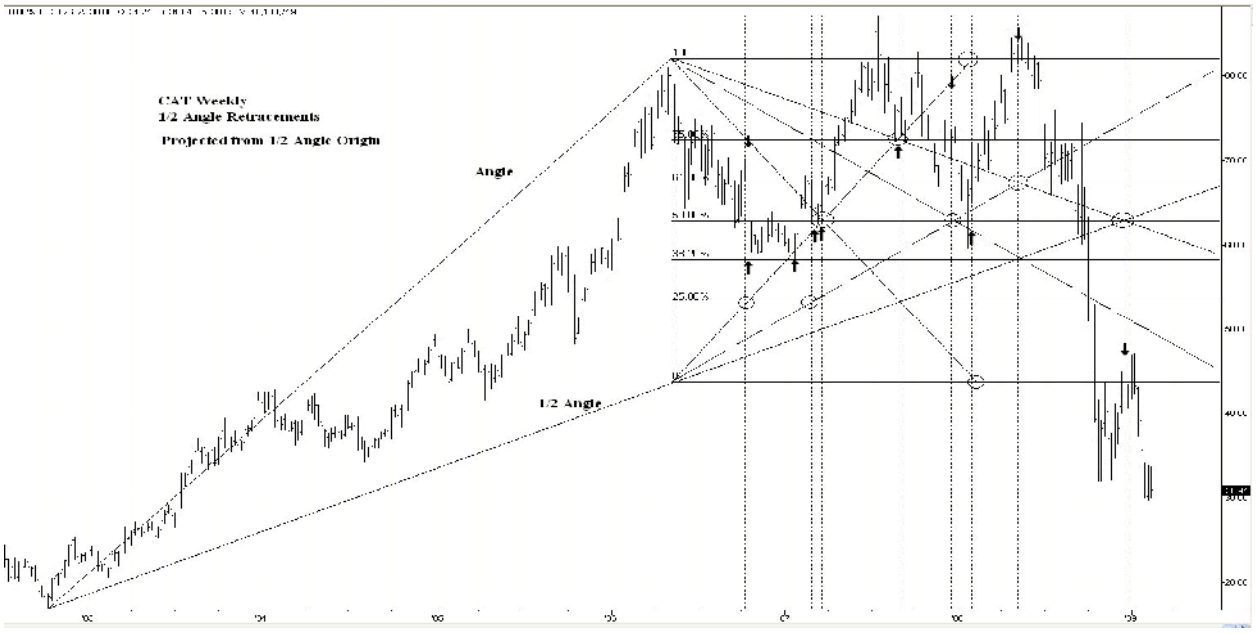


Remember we are using a quick trendline angle method so the accuracy will depend on the quality of your charts and accuracy of your drawn lines. On shorter term frames this is much easier to do so once you have a potential fit for a big turn on the daily or weekly chart, try and get the 15 minute harmonics to fall into place so you can time the move much more accurately.

This first chart uses the full price range retracement with angles from the origin low through the retracement points. Note the vertical dotted lines to see several possible long term swings. Not bad but needs work.

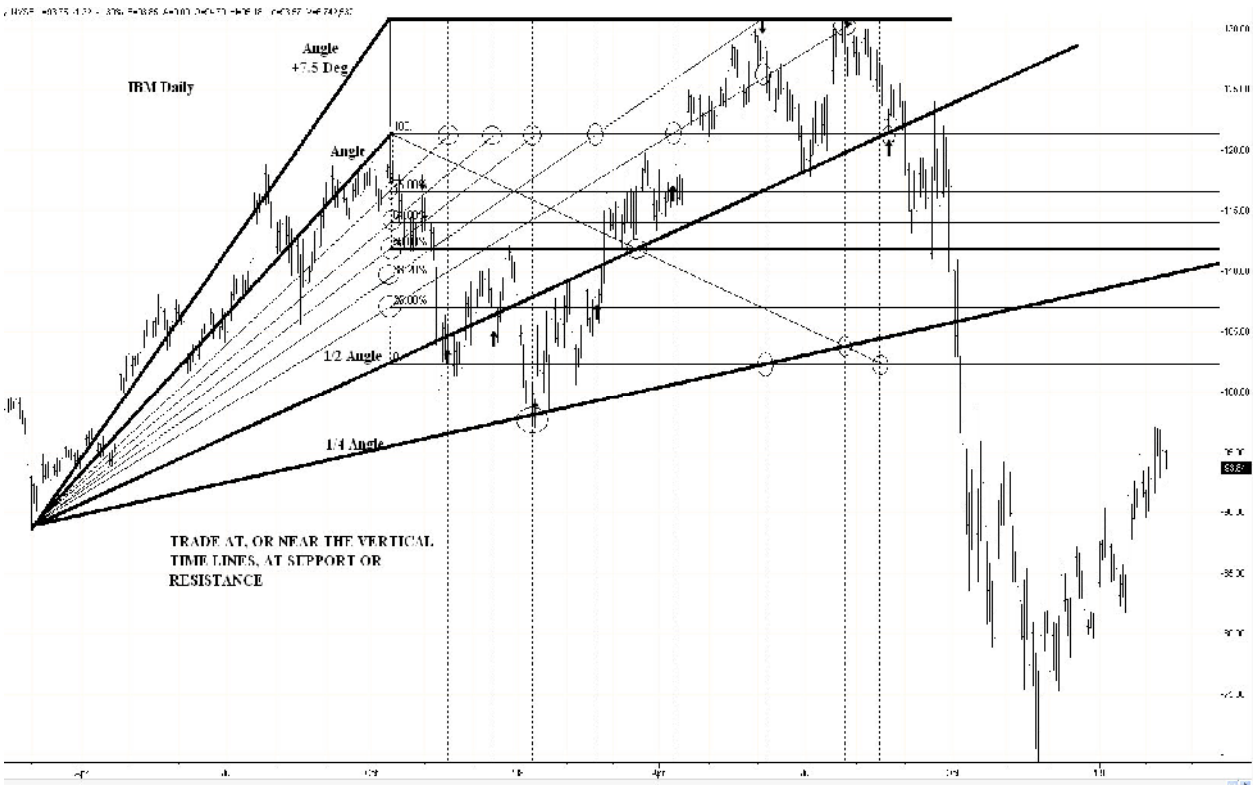


This next chart uses the ½ angle as the primary support and the retracement percent on go as low as that angle. The vertical timing lines look a bit better and if you follow the angles up thru the stock prices they seem to fit better than the full retracement method shown prior. Also note that when the ½ angle approached the 50% point and the stock broke, it signaled a bear market and the price collapsed.



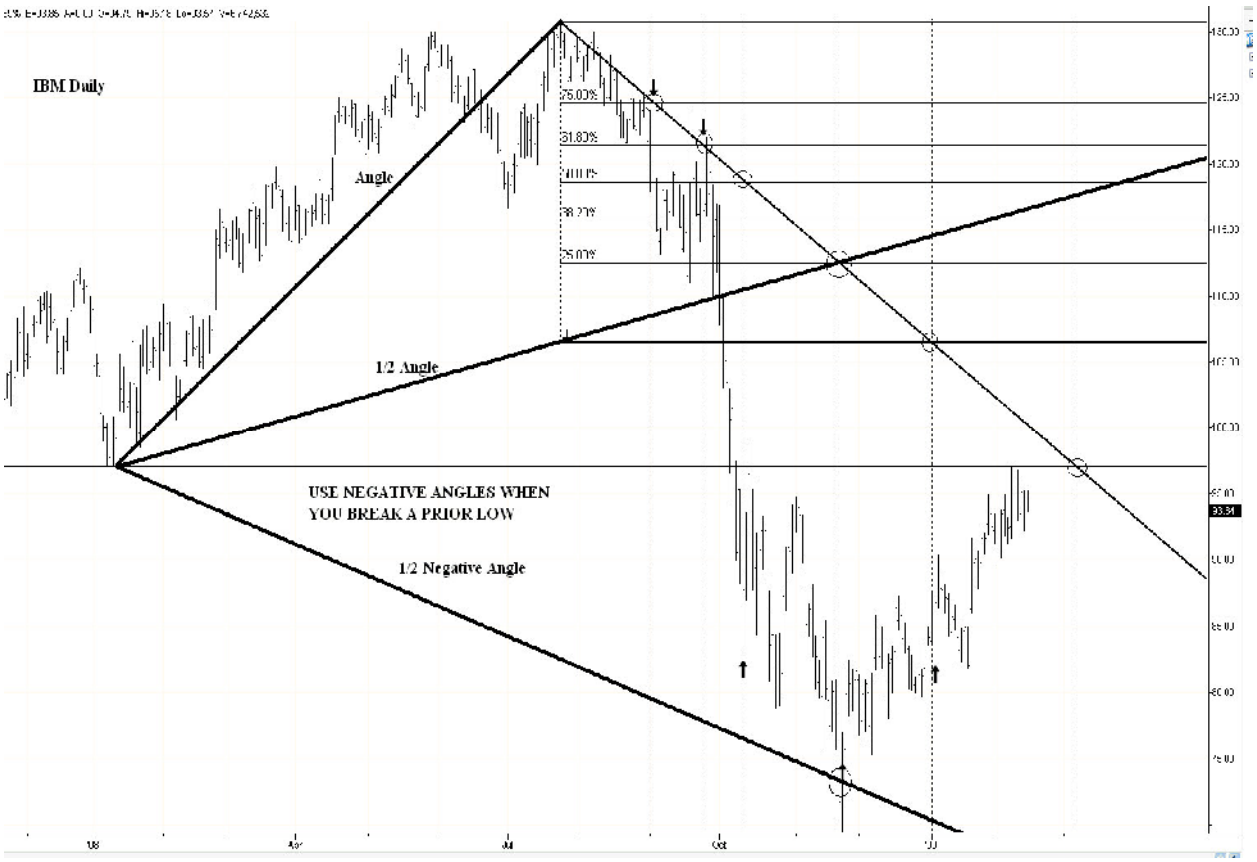
Finally I show the retracement grid and Gann box method. Here we see the origin point for the trendlines as the ½ angle point. The intersections of the angles create the timing lines, and both the timing lines and the angles support/resistance, seem to work better than the prior two methods. The key to the angles is to always start with the top down angle intersecting the 50% retracement line AT THE POINT WHERE THE EXTENDED ½ ANGLE LINE INTERSECTS THAT 50% POINT. After that, the next angles intersect the other levels (circled) on that first line.

Long term bull and bear market swings can often be estimated quite well with these techniques with a little thought of effort as shown below. The chart above shows simple 25% levels down from a high to the low and then angles projected thru the levels ABOVE THE LOW. When those angles from the top hit the bottom, they 'square the range' and a big turn is indicated, in this case the first major top and then the subsequent low. Note the 'amplifying' effect of the relatively small vertical distance between the 25% price levels projecting to over a year of time along the base line.



This chart above is a daily chart of IBM with ½ and ¼ angles and retracement projections thru the ½ angle range. When the top was exceeded I put on an offset angle of 7.5 degrees which forecasted the next top price area. Note that the real bear market started when the ½ angle intersected the top to end the uptrend (end of 'box' geometry).

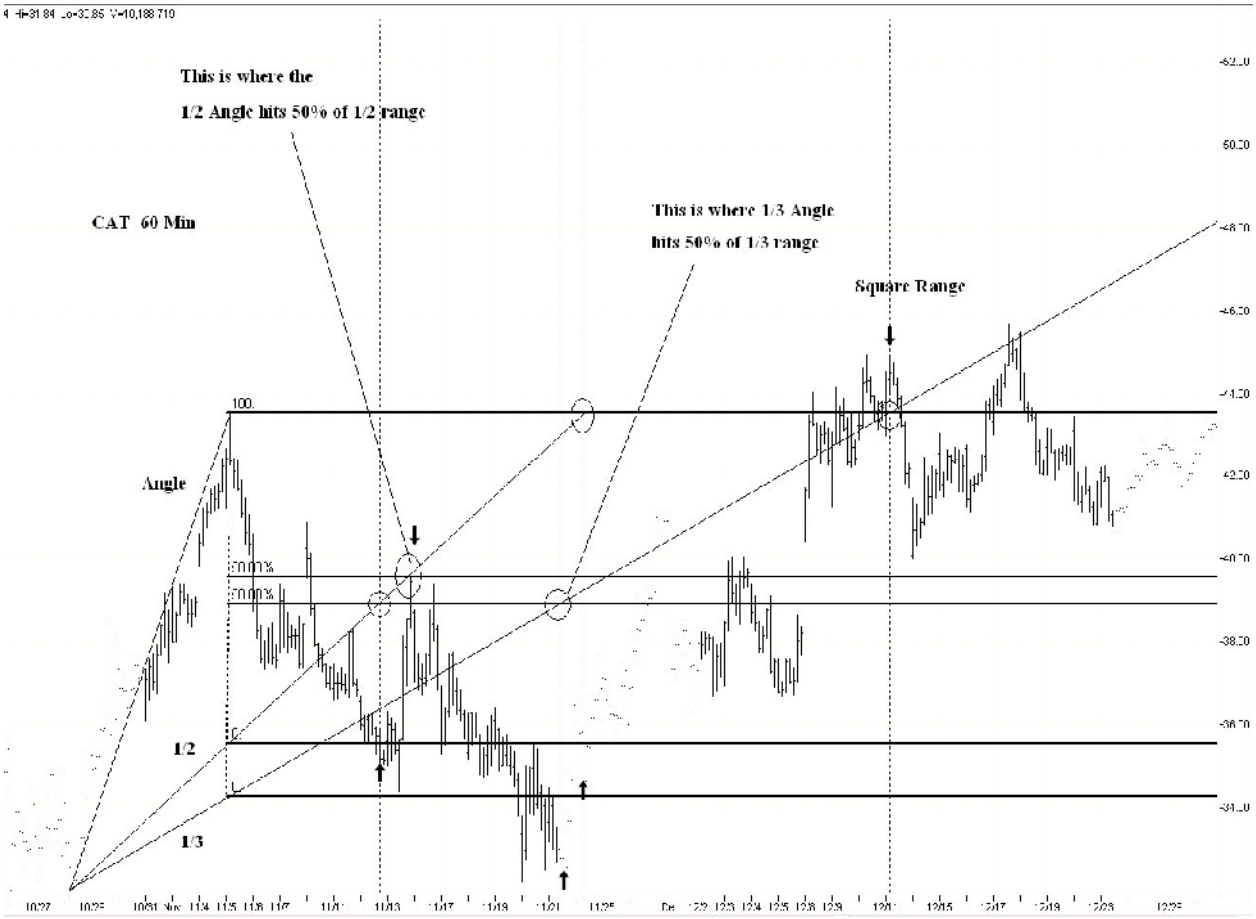
The following IBM daily chart shows once an initial high to low angle has been established and the price breaks below the prior low, negative angles can be drawn using the same degree slopes as the angles prior to price breaking down.



In the above charts I used several slightly different methods such as full range price retracements, price retracements to the ½ angle level, angles projected up from the low, and angles projected up from the ½ angle point, as well as Gann box intersections. You may wonder which is best to use? In truth you need to make a quick calculation or two in real time to try and find the first 'hit' after a top. If you can place one or those vertical dotted lines indicating range square outs on your chart and it works perfect, than that particular technique is the one to use. If you find your angles are slightly off then you need to adjust. As a professional day trader I have nothing but time on my hands between trades waiting for them to mature so I spend that time tinkering with the charts to fine tune them. It really isn't that hard once you spend a few hours at it and you become very instinctual after a bit. Believe me, there is nothing more motivating or satisfying than knowing you have a pattern that is absolutely guaranteed to work and make money if you wait for the trade. Sometimes it may take a day to find the harmonics on a 15 minute chart but once you have them it's good for several days and perhaps three trades per day that are virtually certain.

When you are not used to this kind of 'grid trading' it can be confusing so try and forget about the 'grid' and just look at the pattern. For example the Exxon Mobil 15 Min chart on page 22 is much easier to understand if you think like this: after the first top is made, the chart will consolidate or correct, and this correction could take the form of an 'A' 'B' 'C' pattern or a 5 wave decline. If bullish it should approach the 50% level BUT NOT LOWER AND THE 'WAVES' IN THE PATERN SHOULD ALL BE SIMILAR 'MEASURED MOVE' LENGTHS. Now go to page 22 again and look at the chart with the idea of looking for measured moves and wave patterns. You will see that they fit perfectly into the grid timing lines and support and resistance angles so what kind of trade to make (buy or sell) is much more obvious. Just remember when doing all this that you still have to think a little bit and use some strategy. The angles and timing lines just make it a lot easier to know when trades are about to occur and you decide which ones you want to take.

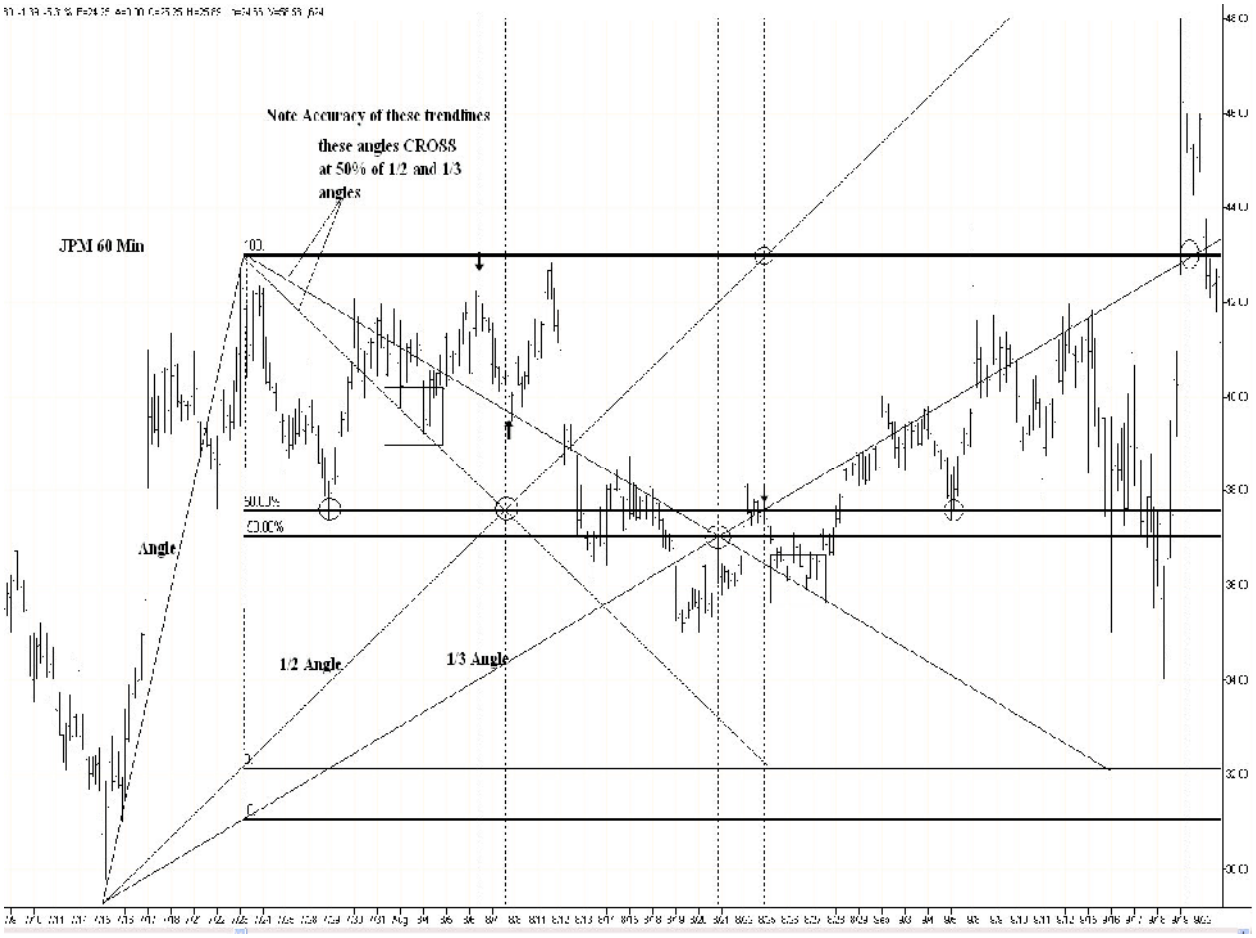
Now it's time to add some more advanced ideas. We saw how the ½ and ¼ angles worked as support and resistance in time and space, but what happened to 1/3?



In this CAT 60 minute chart I have used a ½ angle and a 1/3 angle and BOTH price retracements down to each respective angle. So as not to confuse too much I only put on the 50% retracement lines from each angle range. Obviously the slightly higher 50% is the ½ angle range, and the lower 50% the 1/3. Note how the 1/3 angle pretty much nailed the low as it crossed its midpoint and timed the high as it intersected the two 50% levels. We learn this that thirds are just as important as halves and if you study music or read my music chapter in 'Secret Science' you can relate to various thirds and quarters.

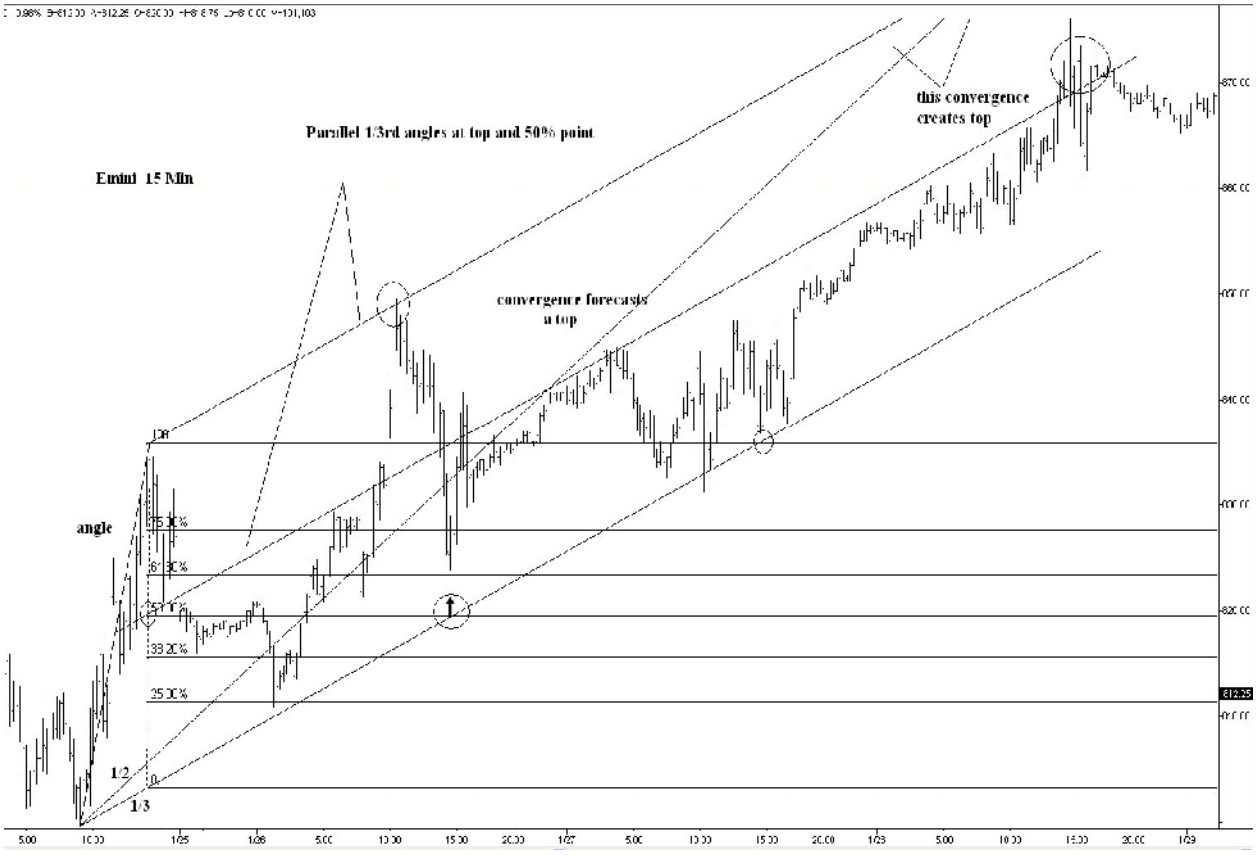
Here's a 5 minute chart of BIDU based on the 1/3 angle and price retracements of that amount. Note that once again the 1/3 angle crossing the 50% mark gave us the low perfectly. Also the projection angle thru the 50% gave the first low exactly on the 1/3 level. Is this just luck?

This next 60 minute chart of JP Morgan shows yet another low at the 50% mark with the 1/3 angle. If you now look at the prior couple of exhibits you will note that the ½ angle at the 50% retracement seems to be a relative 'high' compared with the 1/3 angle intersections. Also note on the JPM chart how the squaring of the highs with the 1/3 angle was extremely explosive (far right hand side).

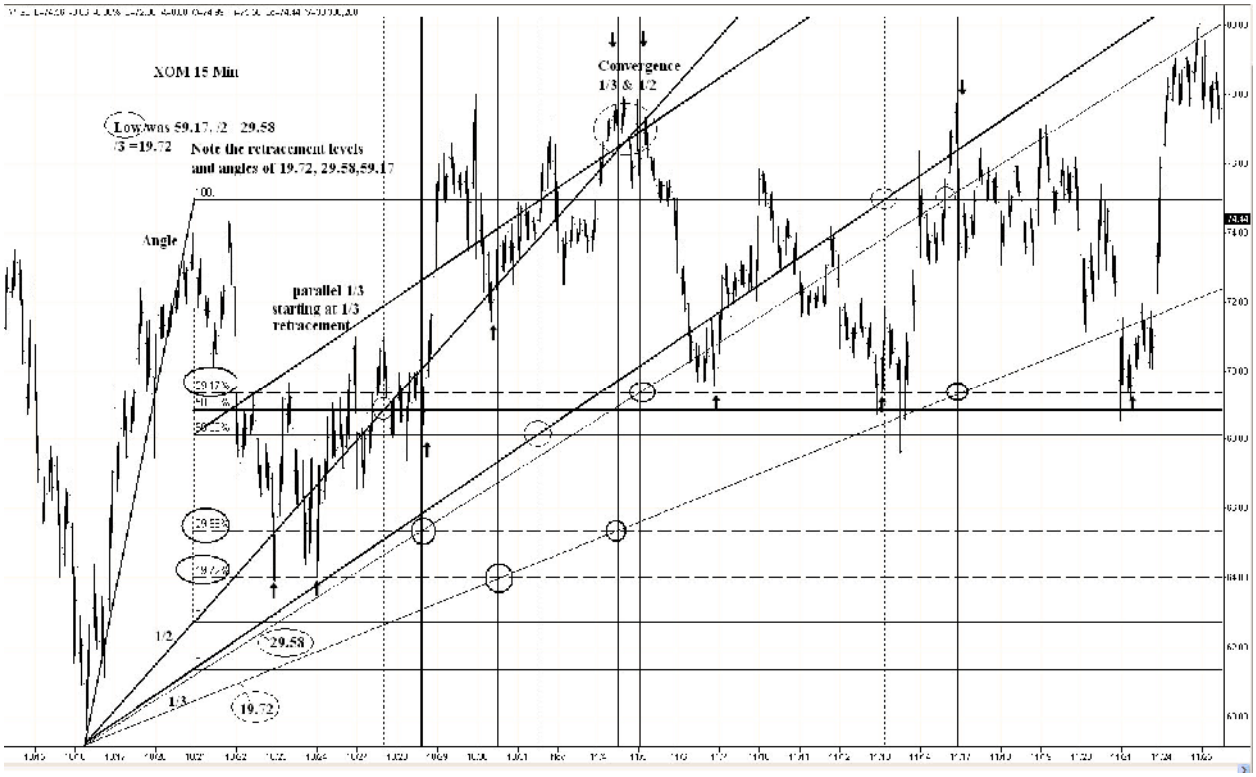


This next MMM 5 Min chart uses a 1/3 negative angle to catch a low when the 1/3 rising angle intersects 50% or very close in this case with the ½ top square also hitting. This 'close' hit or miss of the low lining up with a vertical line is a 'tip off' that another harmonic should be tested to find the one really at work. Here the ½ angle squaring the top was more accurate than the 1/3 crossing the 50% point (which was a great short trade) but the major culprit should tie in with the major patterns in the stock price.

Angles can also be used as parallels, and converging to points of culmination. Often we want to extend our graphics above or below the chart range and if we have a valid ½ or 1/3 angle we can make a parallel to it and add it to the top, bottom or 50% of our chart. We can also start two diverging angles with differing slopes to converge to a point where the pattern terminates. Below is an EMINI chart showing these possible uses. Note again the 1/3 angle at 50% pointed to a LOW.

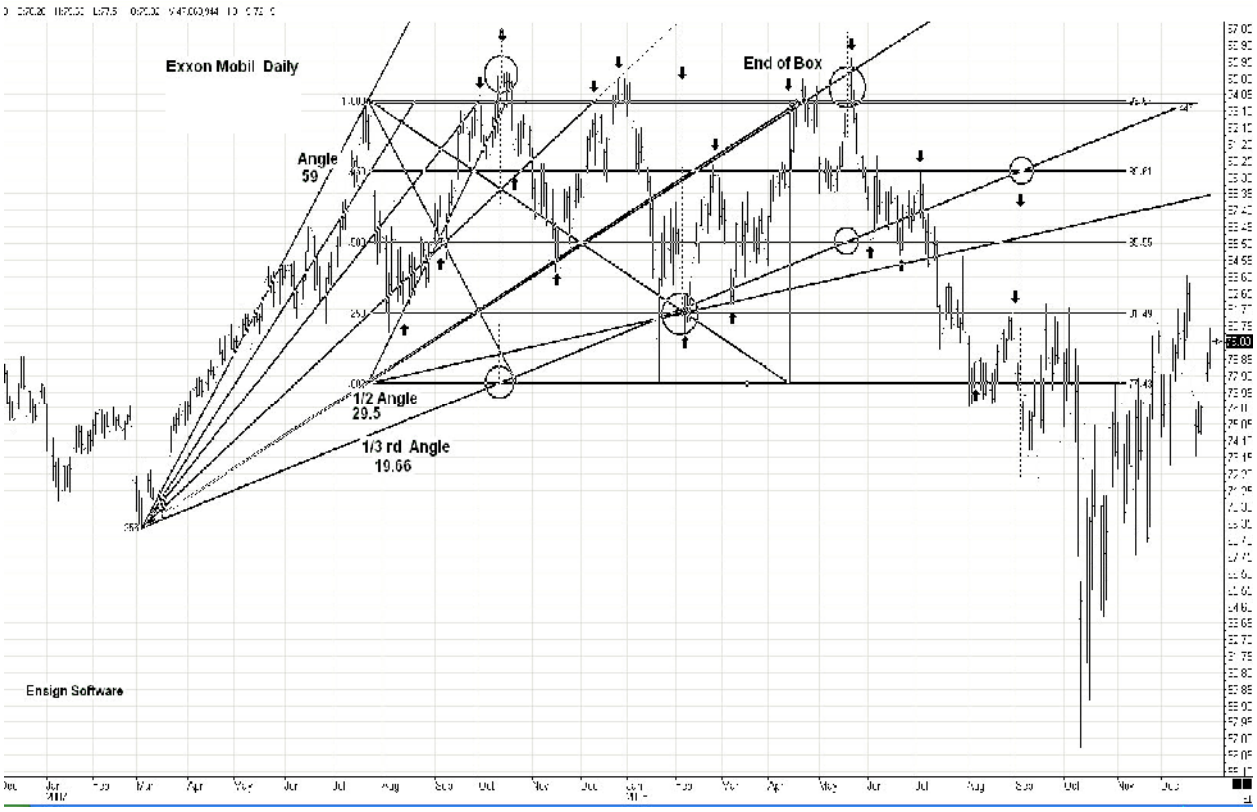


The next chart is very busy and is a final resolution of the theory of angles and numbers. It is XOM on a 15 Min basis and I have shown a number of things like convergence of a 1/3 and ½ angle sloping trendlines that converge at the final top. Also the 50% crosses of the ½ and 1/3 angles but most important I used the PRICE of the low $59.17 as an angle and a ½ and 1/3 angle *in price*. I also made RETRACEMENT PERCENTS of 59.17 and ½, 29.58, and 1/3, 19.72 which represent literal price substitutes. When the angles of these specific price trendlines cross the specific retracement levels are the 'dotted or slashed' horizontal lines, and the 'thin' rising angles are the price specific angles of 19.72, 29.58 and 59.17. We can clearly see in this chart a tie in of time and price numbers. The 'thick' vertical lines are the harmonic hits. They were MAJOR turns in all cases. Those points are circled.

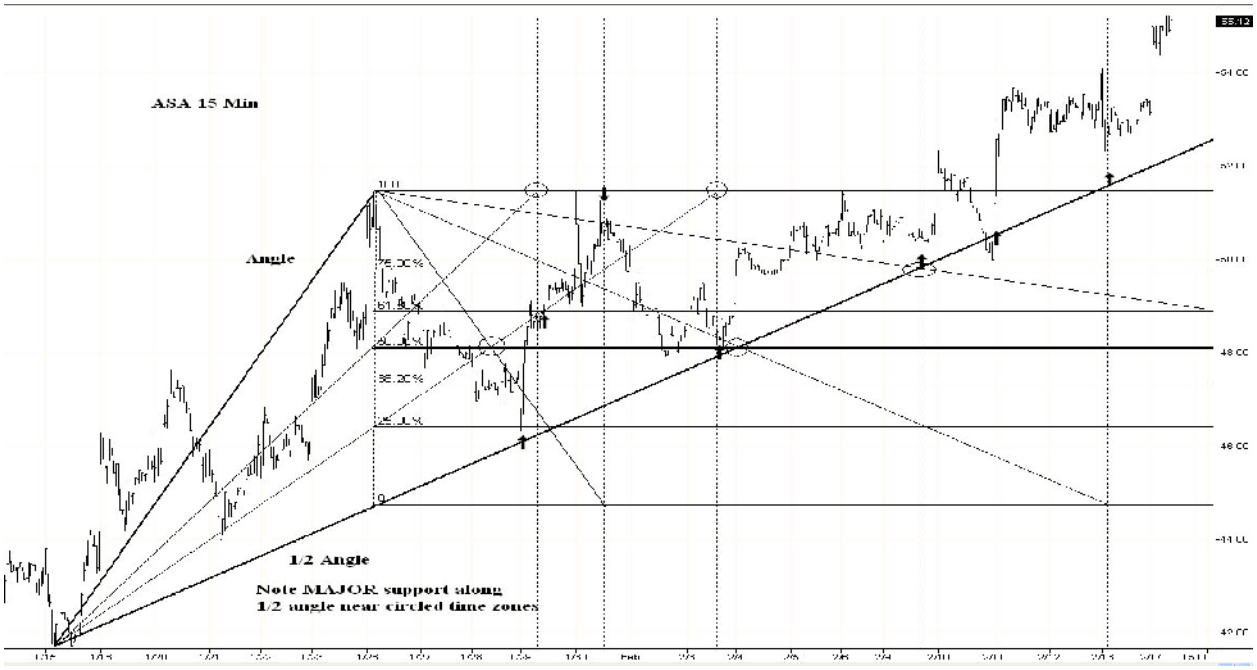


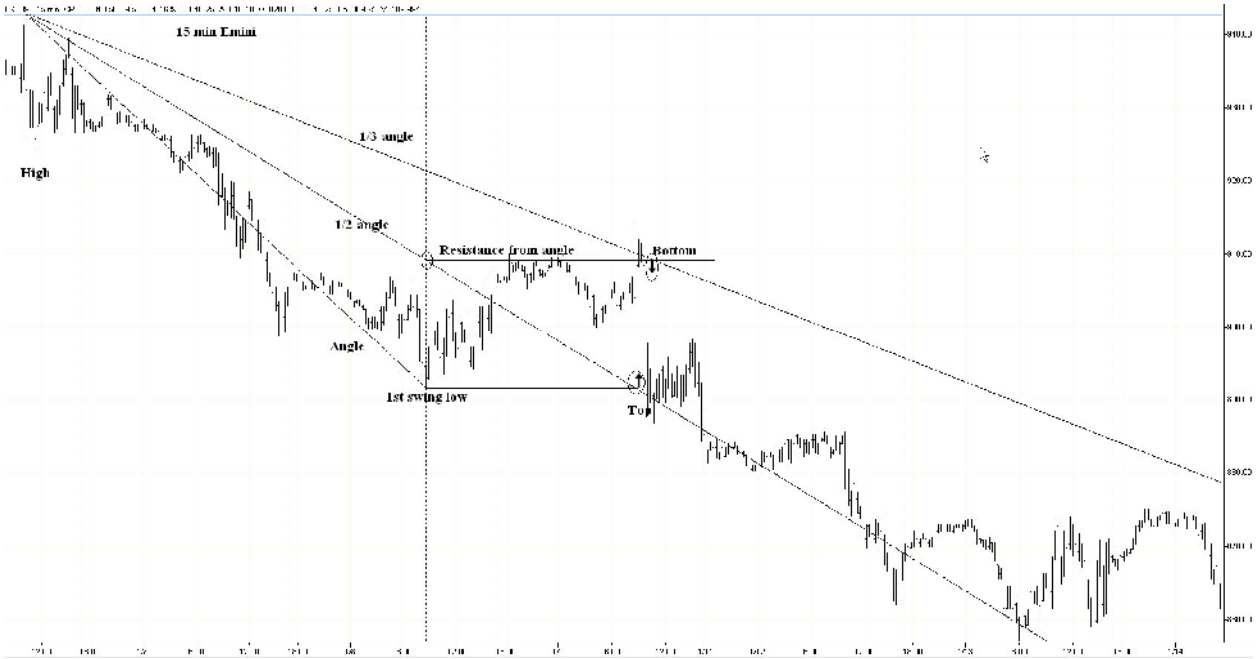
The 'dotted' lines are the price specific retracements, and the 'light or thin' angle lines are the price division angles of 19.72, 29.58. The 59.17 angle was not drawn but caused that first big low near 10/23 if you put it on. Note that while this is a 15 min chart it does cover over a month of future trading, giving you plenty of time to play with these alternative angles as you go through your trading day making trades.

In the following pages I will show several charts of varying techniques for you to study. The enclosed CD has all the exhibits in the manual and many more new ones and they are perhaps more easily seen on the computer. I captured these in a fairly high resolution so if you have a hard time seeing them clearly you may want to increase your monitor to its maximum resolution if need be.

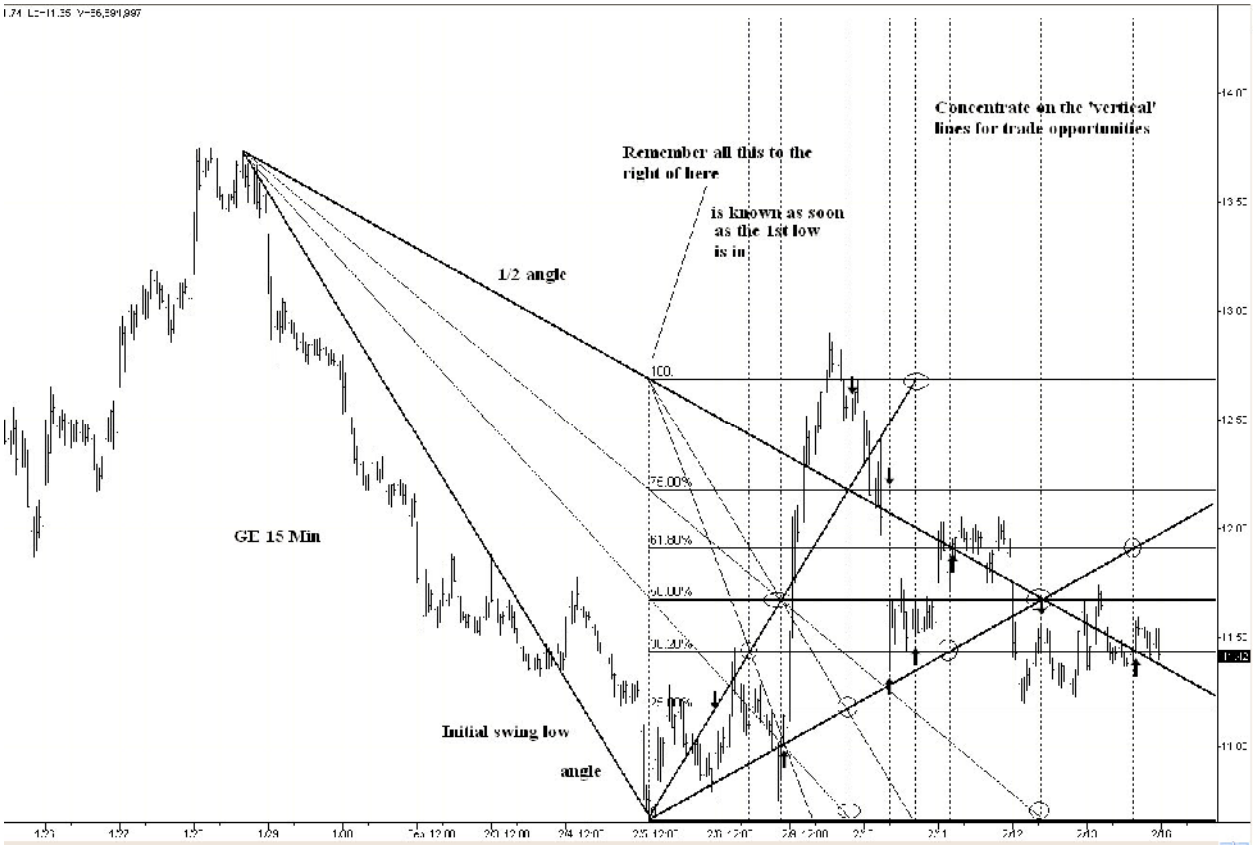


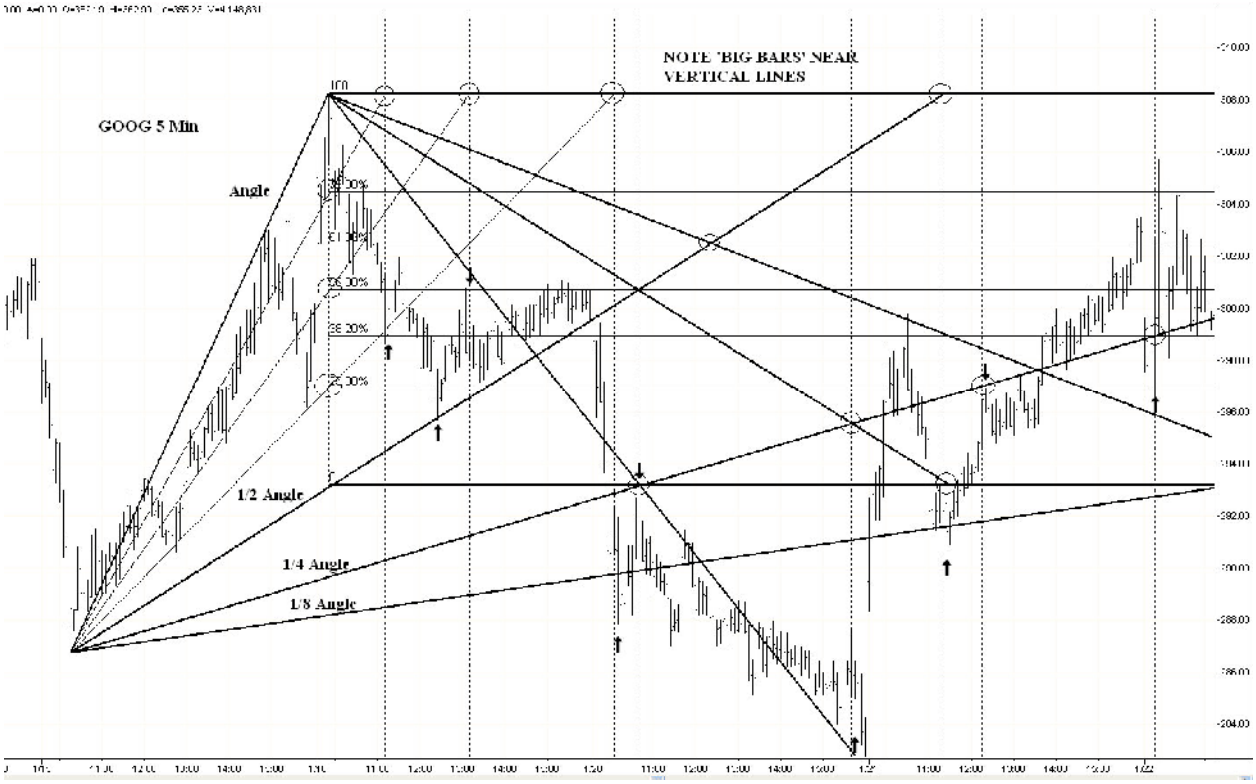
Just keep remembering to first to look for the vertical lines that indicate a turning point is at hand (and note how those lines were created i.e. squaring the range or angles crossing retracements levels) and after the turn is located look for the support and resistance level to trade near. The first principle of all trading is to trade at OUR price and not the market's. That's why we wait for the turn and wait for the price to hit the resistance or support to 'square out'. Only then can we trade with a reasonable and close stop.

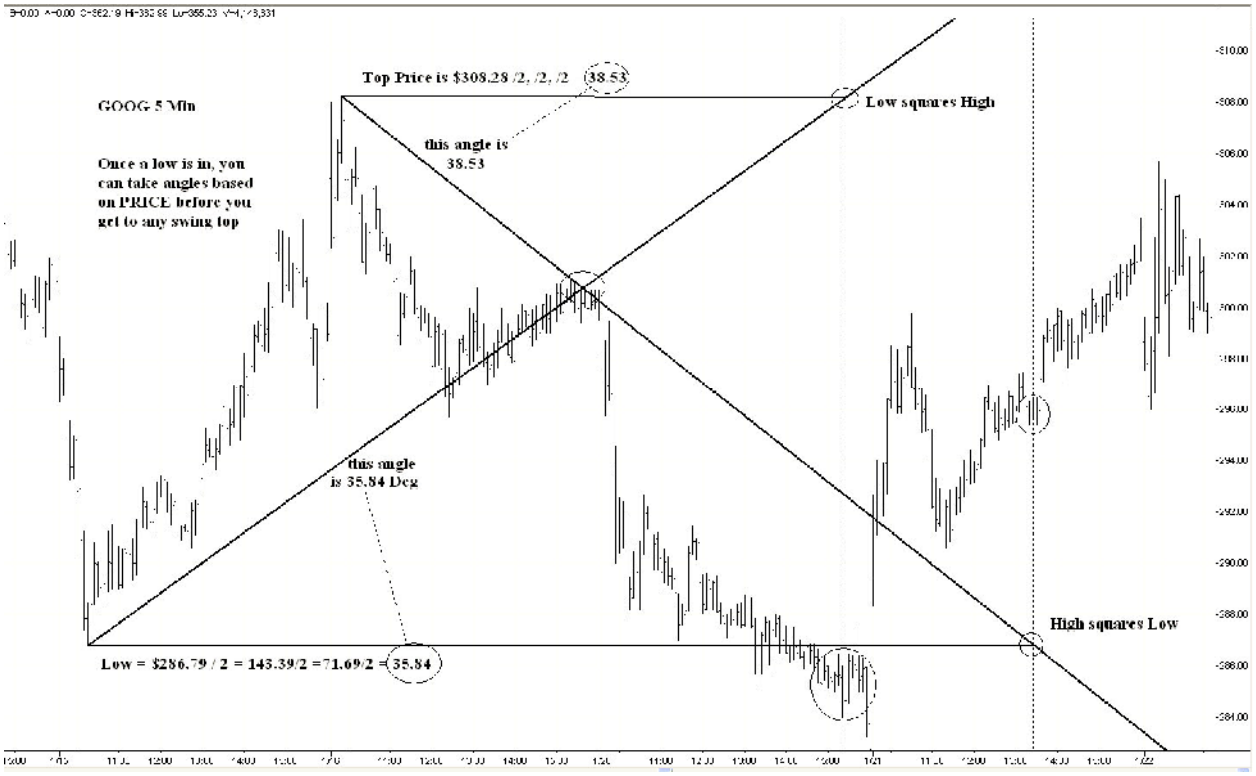


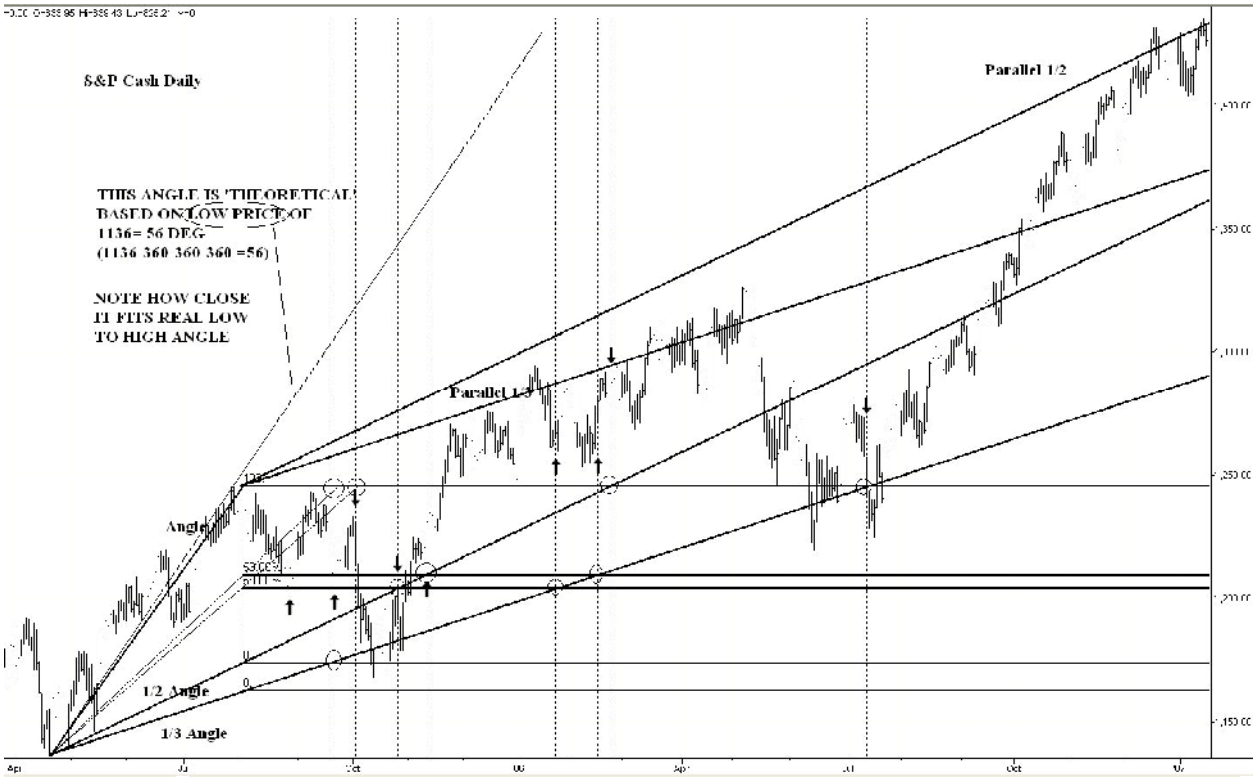


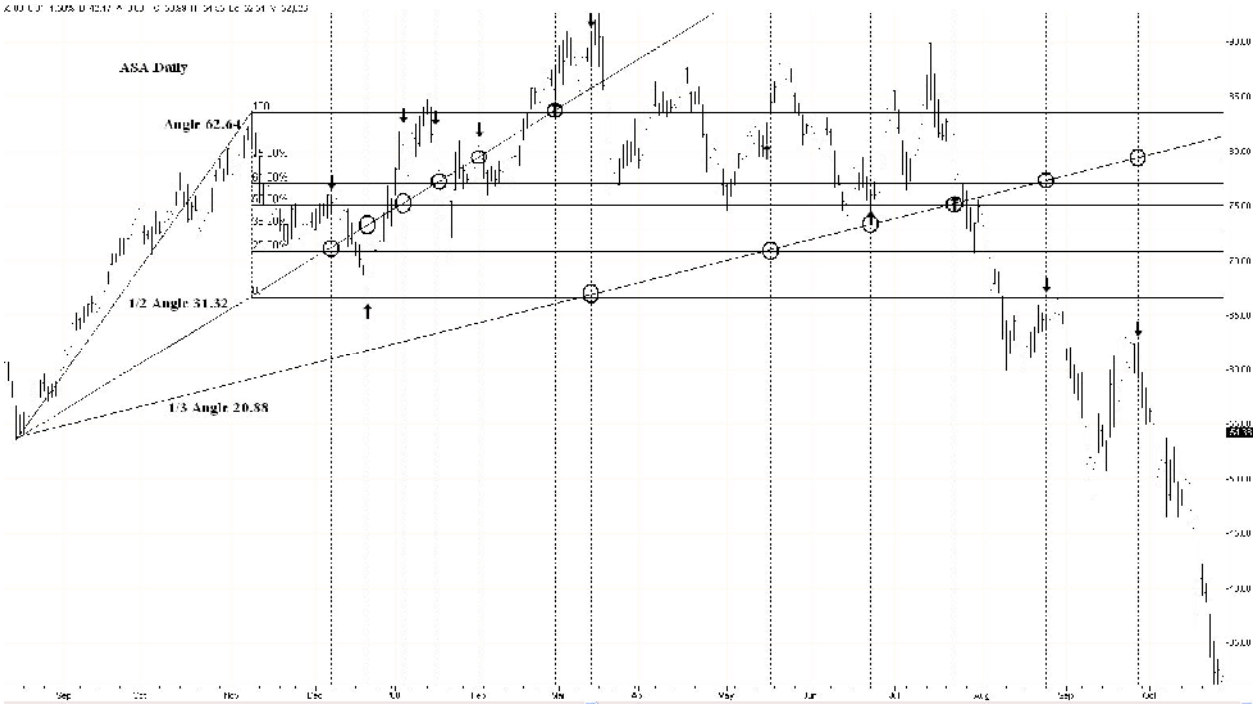
Note on this E-mini chart that the techniques are really meant for the 'consolidation' or contra-trend period after the 1st low. When the main trend resumes to a new low you need to make a bigger swing chart, although angles will still extend into the future very well as shown above.

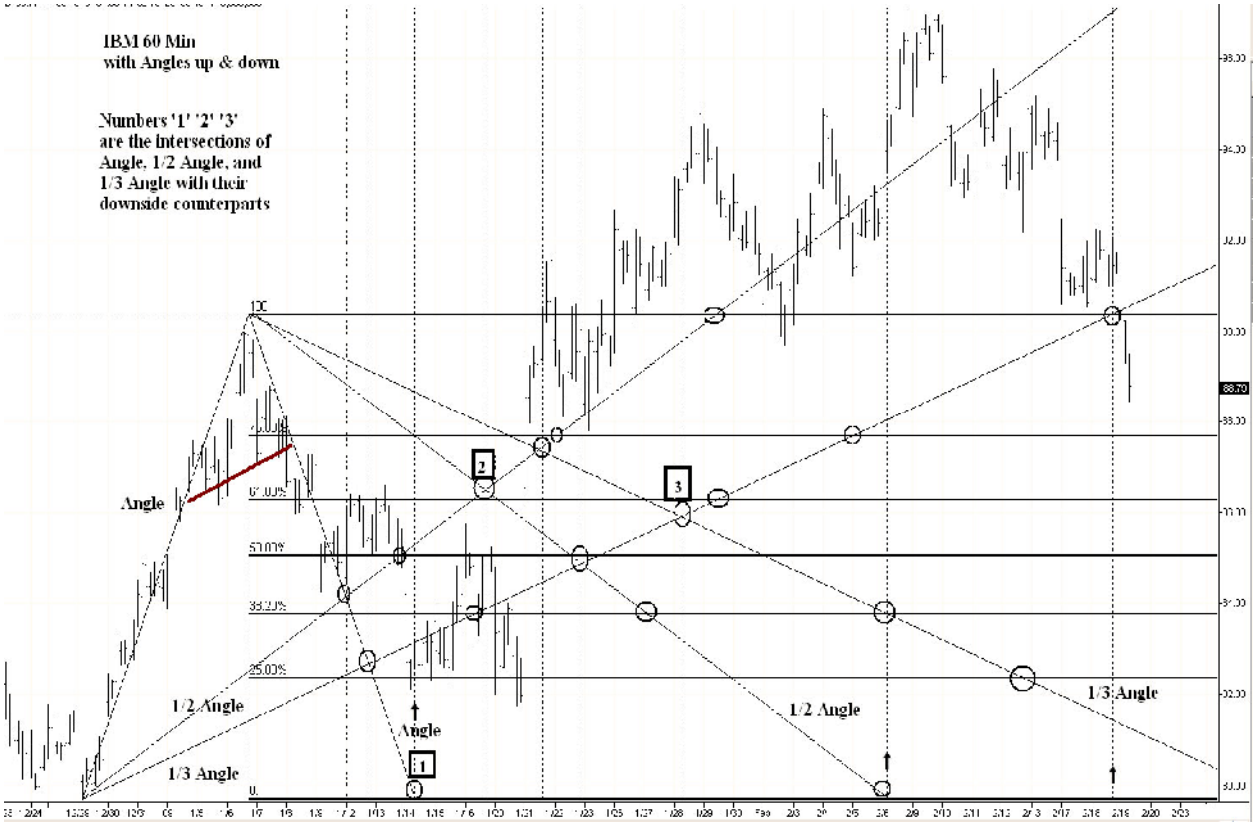

Concentrate on the 'Vertical' lines for trade opportunities
Remember all this to the right of here
is known as soon as the 1st low is in
1/2 angle
100.
75.00%
61.80%
50.00%
38.20%
25.00%
GE 15 Min
Initial swing low
angle


NOTE 'BIG BARS' NEAR VERTICAL LINES
GOOG 5 Min
100
Angle
1/2 Angle
1/4 Angle
1/8 Angle


GOOG 5 Min
Top Price is $308.28 /2, /2, /2 (38.53)
Low squares High
this angle is 38.53
Once a low is in, you can take angles based on PRICE before you get to any swing top
this angle is 35.84 Deg
High squares Low
Low = $286.79 / 2 = 143.39/2 =71.69/2 = (35.84)


S&P Cash Daily
Parallel 1/2
THIS ANGLE IS THEORETICAL BASED ON LOW PRICE OF 1136= 56 DEG (1136 360 360 360 =56)
NOTE HOW CLOSE IT FITS REAL LOW TO HIGH ANGLE
Parallel 1/3
Angle
1/2 Angle
1/3 Angle


ASA Daily
Angle 62.64
1/2 Angle 31.32
1/3 Angle 20.88


IBM 60 Min
with Angles up & down
Numbers '1' '2' '3'
are the intersections of
Angle, 1/2 Angle, and
1/3 Angle with their
downside counterparts
Angle
1/2 Angle
1/3 Angle
Angle
1/2 Angle
1/3 Angle
1
2
3

General Comments On Software Vendors, Scaling and Accuracy

TradeStation is pretty straight forward in that you just use their 'Drawing Tool' 'Trendline' and if you put the 'labels' on or hold down the mouse click on the end of the trendline you will see a label box with the degree listed. You can then divide that angle by any amount and just draw another trendline of that amount. Under Drawing, TS also has 'Fibonacci Tools' 'Price Retracement Lines' and these can be set to any retracement needed.

Metastock has a 'Trendline by Angle' tool, which shows the angle at the bottom of the chart as you move the trendline around. Sometimes it will show an angle like 315 and you should subtract that from 360 to get a 45 degree trendline. Metastock also has a number of retracement tools like quarter divisions and Fibonacci levels. These have limited setting but get the job done.

Ensign has lots of Trendline Drawing tools but they don't give you the specific angle. IF you know the angle they have a great Circle tool with a 'Degree Fan' check box, which changes it from a circle to a number of fans of any degree you specify. This is great if you want to subdivide the main angle into halves, thirds, quarters or other functions and they will all be drawn automatically. Again the main problem is getting the first angle of the slope. It can be estimated with the circle tool and you can change the estimate until it hits perfectly but I'm sure it can be programmed quit easily and they may have a study that does it I'm not aware of. I've asked them to do so and am waiting for a response but if they take too long I will program it myself. For years I used to use a plastic protractor and just hold it to my screen to get the numbers before all this computer stuff developed. That works too. Part of the problem is Ensign prides themselves at being the best in programming and they have a great product. Their trendlines can be 'right clicked' on and in the properties window they do give the exact 'slope' of the trendline in the bottom right hand corner. This slope is quite accurate and THE SAME TECHNIQUE EXPLAINED IN THIS BOOK CAN BE APPLIED WITH SLOPE BUT IT IS NOT THE SAME AS AN ANGLE.

Let me explain because sooner or later you always run into this problem of programmers who insist they know better than you as to what you 'really' want. For years I tried to get programmers to draw a 'round' circle for me and was told over and over that I did not want a 'round' one but an 'oval' or 'ellipse' one because the screen coordinates and size of the screens varied and changed as the screen was resized. That may be factually true but what I use a 'round' circle for is to find out the EXACT time and price coordinates to properly scale my charts. A circle drawn around a sloping line that predicts a low or high at the circles edge, has the coordinates you want at the diameter to that edge and you can keep those exact coordinates for each particular stock and it will be properly scaled. The ellipse method changes for everything and doesn't convert well into constant radius distances. The same problem occurs with 'slopes' and 'angles'. Slopes are more accurate over long distances with re-scalings because they reflect the actual 'rise over run' and when the chart is redrawn these same slopes always adjust the prices to the same relationship. Angles always work on the particular chart real estate you are working with but the angle itself will change as the chart rescales. An angle might be 64 on one chart and rescaled becomes 55 but the units of price and time are still the same constants. I use angles are placed on the chart they too are rescaled in the same scale so the intersecting points and relationships usually stay the same. It's just easier to use slope ratios when you are programming so you don't have to worry about rescaling. I prefer angles, which are easier to interpret and you can also be subdivided into harmonics whereas slopes can't be divided in the same way. A slope of .50 divided by 2 is .25 but this is quite different from a 60 degree angle going to 30 degrees. Because angles per se change with every change in the screen resizing you will have to redraw your charts with new angles when your charts rescale. Slopes don't need this and you can experiment with them using the same idea of dividing them into halves and quarters and eights and for years I have done this with Ensign with good results. You just won't get the same lines as shown in this manual doing it that way but most of the big harmonic turns will come out at the same date and price, just on another angle.

In any event the IDEA in this method is to use the angle or slope to find its unique midpoint and use retracements only to that 50% and its subdivisions. You can take that idea and apply it to slopes or better yet, my TCB's as the retracement level.

Accuracy will be dependent on your drawing skills, the quality of your software and its ability to define and angle without rounding up or down too much. This should not matter as once you get the approximate fit that times the market IT'S NOT ILLEGAL to change the angle slightly to make your hits more accurate. This is an approach to trading not a rigid computer black box execution method. The angles will give you the best and closest estimates as to the change in trend and its support and resistance. The fact that the 'high tick' you drew your angle to, was even valid and perhaps you should have used the closing low and high rather than the lowest low or highest high. My point is it's only in approach to determining the most probable direction and time table for turns. You need to use common sense and wait for a good technical signal to act upon at the turning point and at your perceived support and resistance level. If you do that you will find several great trades every day from this system once you get up you gird. Also keep in mind the greatest use of this system is for retracement periods after an initial impulse wave. If you are in the impulse wave you just trade with the trend, but once the corrections start this method defines the 'chop' very well. When the main trend resumes you need to adjust your angles to the next level top to get a bigger fractal trading scale. You may want to set up your computer screens with one for 15 minutes, one for 60 minutes and one for daily and do the same method for each time frame so you can see the internal cycles coming out and they will merge into the BIG trade as a smaller time frame ends a Gann Box and starts the next larger time frame.

Recap

1) Put your 'vertical' lines on first by projecting from the low or the ½ or 1/3 angles up through the retracement levels
2) Look for horizontal support intersections of angles and retracement levels
3) Look for 'measured move' distances up or down into your vertical timing zone and approaching support or resistance
4) While you can 'guess' and trade at the turn, it's usually better to wait for a technical buy or sell like a low of the high bar sell signal or a high of the low bar buy signal and then trade with a stop
5) Most trades should go from one 'square the range' vertical line to next so try and count 'waves' or patterns to see where you are in the move.

Once again I urge you to study the enclosed CD since there are a great many more examples and demonstrations in addition to this short theoretical manual. The CD charts are also easier on the eyes and can often be blown up and seen much better than in this manual.

Finally, you have paid a fair price for this method so please don't copy the CD or graphics and share them with your friends. Methods have a habit of not working as well once they are widely disseminated.

February 18, 2009
Michael S. Jenkins