Techniques of an Astrotrader

By Earik Beann

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1. Introduction

The manual you now hold represents over ten years of refinement and research into what makes markets tick and how to use that information to grow a trading account. Over that period of time, I bought countless trading books and courses, attended seminars, and studied bodies of knowledge from the most technical, such as artificial intelligence, to the most esoteric, such as numerology and the vibration of the spoken word. I've been around the block when it comes to studying trading methods, and over time I've learned what works and what doesn't. Surprisingly, the reason most traders fail is not due to a lack of effective tools, but to faulty preconceptions about what it takes to be profitable and an ignorance of how to manage trading operations as a business.

When I was fresh out of college and starting out on this path, I had a very fixed idea about what it took to make money in markets. I thought that you could just come up with a few rules, maybe test them over a couple years of data, then jump into the markets and make millions overnight. I was so confident that I could crank out profits hand over fist that I went ahead and borrowed $25,000 on credit cards to fund my trading account and pay for all the various things that it took to be a futures trader. I had my $500/month data feed clicking away, my $2000 charting platform set up, my fancy $3000 black-box mechanical system issuing buy and sell signals, my broker programmed on my speed dialer, and I was ready to be the next Jesse Livermore.

In those days, the S&P futures market traded at $500 per point, which meant that if you were trading one contract, the smallest amount possible, you could make or lose $10,000 or more on a big day. Of course, I didn't really know what I was doing, had everything totally backwards, and in about a week or two I had lost more than half of my trading account and was totally disillusioned and desperate.

It turned out that markets weren't actually as easy as I thought, and I was badly hurt. The next three years were very difficult for me. I had no job, huge credit card debts, and my only source of income was a market that seemed to spit fire at me every time I touched it. But rather than giving up, I went into serious research mode, figured a few things out, and managed to maintain my precarious position. Eventually, I figured some things out, got my footing, paid off the debts, and went on to be quite successful, but those early days were the most difficult I had ever faced and I was totally unprepared for them.

There is actually one benefit to struggling and being on the brink of disaster, and that is you become mentally very sharp. It's like the street cat that has to live on his wits or perish. He's going to be able to find those mice to eat, and he's going to find ways to catch them, because if he doesn't, he's history. I've been that street cat, and market knowledge was the mouse that I needed to catch to survive.

One of the things I learned very early on is that you can't rely on conventional knowledge to succeed in markets. For those of you who have extensive trading libraries, you know what I'm talking about. How many of those books can you actually use to take money out of the markets? I've got two or three bookshelves full of trading books, filled floor to ceiling, and I can't say I really use any of them in my actual trading, not even the manuals that cost me over $10,000 each. They all sound nice, and have pretty charts, but good luck going from the book to your computer screen to actually place trades that put money in your account.

It's not that all the books are faulty or misleading, it's that the books generally aren't written by actual traders, and tend to only focus on one small piece of the trading puzzle. The myth in the industry is that all you need to do is find a good entry tool and you'll be all set. If you can count your Elliot Waves, and figure out where that 5th wave is, then you just sell short and the money piles up nicely. Or if you can just get your technical indicators set up right, they'll get you in at tops and bottoms of swings and you'll be master of the universe. The truth is that you can catch the tops and bottoms, and you can do so with incredible accuracy, but you can ***still*** lose money. This is because market analysis and entry signals are only a piece of what you need (a very small piece) to consistently profit in the markets.

Since I run Wave59 Technologies, I get to talk to a lot of traders during the day—many of them beginners—and I am continually reminded of the assumptions we bring to the game. For those who might not know, Wave59 is a charting and analysis software program that I developed, and all of the charts in this book have been created with it. It contains various technical indicators and tools that traders can use to locate low risk trading opportunities, and in the right hands it can be very powerful.

Anyway, I offer a free 30-day trial for the program, so lots of traders take it for a test drive, then come back and tell me what they think. Strangely, a surprising number of traders cancel because they saw a top or a bottom in the market that Wave59 failed to pinpoint for them. "I really like your indicators, but they missed the big move today, so I want to cancel." I'm usually very courteous about it, thank them for trying the software, and just cancel them out. They expect to catch every single move that the market makes, and that's just plain impossible. No software program, including Wave59, can give them what they are looking for if their goal is perfection. My goal is not to catch every move, or even half of the moves. I only have one goal, which is for the account to grow each and every week. If I only make one trade the entire week, and it's profitable, then I am succeeding as a trader.

There's a related question that I get almost every day: "How accurate is your software?" We'll be discussing accuracy more in a later chapter, as it's related to one of the prime faulty assumptions that keeps traders from being profitable. What's important is not how accurate the software is or is not, but instead, how much money goes into your trading account at the end of the day. From a business perspective, that ought to make a lot of sense.

I know traders who only get 30% of their trades right and make literally millions every year. I also know traders with 80% accuracy who have blown out their accounts. Accuracy is related to the human need for perfection—to conquer the markets, to catch every move, to always be right. Again, my goal is not accuracy. My goal is to **put money into my account**. Accuracy is nice, but profits are what we're after in this business, and they are two totally separate things.

It may seem like I'm harping on this point, but most traders really do not know what they are trying to do in the markets. Your goal is to make money. You have no other objective. This is the first and most important step in becoming a successful trader. It sounds silly, but most traders I talk with during the day really do not have that as their goal. They want to catch all the moves, be great forecasters, pinpoint tops and bottoms, etc. No one ever says, "I just want to make money, show me the best way."

If you have any trading books, go back and take a look at them and ask yourself what exactly the book is trying to teach you. In most cases, it will be about some entry technique with a high accuracy. That's what sells trading books, because that's what people want. It's an attractive topic to traders, as it feeds their subconscious yearning for accuracy, but unfortunately it tends to have nothing to do with actually making money.

This book takes a different approach. I'm going to discuss everything you need to know to run the business of trading. This includes risk management, profit targets, psychology, discipline, and position sizing. I'm also going to discuss some extremely powerful tools that will tell you at what time and what price you should place a trade. It's a complete system, and I will cover all the components required to be a profitable trader. I'll bring it all together at the end by taking you into my virtual trading room to demonstrate how it all works under fire, and I'll be trading real money the whole time.

My goal is for you to be able to take what you've learned in this book, and then go to the markets and take money out of them. I don't care what your accuracy is. I don't care whether you rode the whole move down. I don't care if you missed or didn't see the huge break that just happened. As long as you put money in your account, and do so consistently, then I will have been successful in writing this book. I'm really aiming for those traders who have a little experience but have never been profitable before. The advanced traders will find something in here that they can take and use as well, but it's really that group on the edge of profitability that I'd like to push over the line.

As far as I know, no one has ever delivered a complete astro-based trading method before. Sure, there are books about how an astrological aspect pinpointed such-and-such a top or bottom in the past, or had such-and-such correlation to various market averages, but no one ever said, "Here are your entries, here are your exits, do it like this." That's what I'm going to provide here.

This is not a theoretical manual—everything that I will discuss comes from actual experience, and I've used it all to place trades with real money. It's the real deal,100% proven and workable. I'm not a "floofy" kind of person. I'm very practical, very methodical, and I wouldn't use anything in the markets that didn't add to my edge in a measurable way. I was a trader long before I got involved in the esoteric side of things, so I really have no built-in bias towards astrology. It's just that astrology works. It really does. If you know how to use it, it's more reliable and more accurate than any technical indicator ever invented. If you don't believe me, keep reading and I'll prove it to you.

So I've given a bit of background on myself and my goals in writing this manual, and I hope I've impressed upon you exactly what it is we're going to be looking at in the rest of this book. Without further ado, let's jump in and discuss some of the preliminary information we need to cover before we can get into the nuts and bolts of how this method works.

2. Astrology

If we look back in time even a few hundred years, astrology held a much different position in society than it does now. Astrologers enjoyed a great deal of status, and the study of the stars was considered an extremely important field both spiritually and practically. The ancient Babylonians painstakingly recorded planetary data for thousands of years to understand what effects various planetary configurations would have on their society, and the job was not a small one.

But today, astrology is generally labeled as a pseudoscience and is mercilessly ridiculed by those who consider themselves "serious" scientists. I remember an astronomy professor of mine in college taking a good 15 minutes out of his lecture to deride astrology and set it apart from his own discipline. From the way he spoke, it was obvious he had no astrological knowledge to speak of, but strangely that didn't stop him from speaking out authoritatively as if he had studied the entire field in depth and had conclusively proven it to be faulty.

I think anyone growing up in this society is at some point taught to be suspicious of astrology. It doesn't help that every newspaper prints daily forecasts for each sign that tend to be, shall we say, less than accurate. I know I had serious misgivings about this field of study when I first began learning about it, but here I am writing a book about astrotrading, so obviously I changed my mind somewhere along the way...!

My path as a student of astrology was quite a bit different than the average astrologer's mainly because it was markets that I was interested in, and not human psychology. This was important, because there is no subjectivity in markets.

They either go up, or they go down. You either make money, or you lose it. Unlike a personal horoscope reading, you never sit there and say, "Yes, if I think hard enough, I suppose that statement might be true…" In the markets, you can go look at the history of the Dow Jones Industrial Average back into the 1800's to verify whether or not a particular astrological tenet held true over time, and to what extent. So if Mars-square-Saturn really is evil, you ought to be able to make money by selling the Dow short each time that aspect manifests. If you can't make money doing that, then obviously something is wrong with either the rule or your interpretation of it.

So what markets gave me was an objective, unbiased way to evaluate different astrological rules. This, above anything else, is what allowed me to make progress in this field. Whereas other students of astrology had to study books and take the writers' word for what was being said, I could actually go to the real world and test those rules to see if they did indeed hold true. My criteria was very simple: If it worked, I ought to be able to see the bias in the market and make money. If the rule didn't work, I ought to break even or lose money by placing hypothetical trades on it. The stock market does have a time and place of birth, so it can be treated exactly the same as a person as far as the astrological predictions that can be made.

Don't get me wrong, I use astrology every day, and the last thing I think it needs is more criticism, but the lack of an objective testing ground is one of the main reasons why I think astrology is so downtrodden in the logical, scientific society in which we live. Today, anyone can read a few astrology books, buy astrology software, open up a business, and call themselves an astrologer. There is no rigor in judging the predictions that such an astrologer makes. As long as they keep the predictions

relatively open-ended and based in psychology, there is no way to objectively gauge their accuracy.

I remember that at one point I really wanted to study Vedic astrology, so the first thing I decided to do before jumping in was to find the best Vedic astrologer I could and get a reading. That seemed a logical way to proceed, as I felt I ought to be able to get a good feel for how the system worked by consulting an expert practitioner. The astrologer I found was very highly regarded, and had done a great deal of consulting work on some of the first computerized astrology programs. He was definitely a big shot as far as I could tell, and charged $400 for a reading, so he wasn't cheap.

Anyway, he recorded his reading on tape, and mailed it over to me. I popped the tape into the player, got my notepad ready, and started listening. Within the first ten minutes, I learned (much to my surprise!) that apparently I was planning to have a sex change operation, and although I was very confused at this point, out of everyone to whom this could have happened, I was the best prepared to deal with this type of a problem. Oh, and stay away from the stock market, there was no way I would ever be successful at such an occupation. Jupiter just wasn't into it for me. Needless to say, I didn't finish listening to that tape!

I complained, and he made me fax over my birth certificate to him to prove that I hadn't made a mistake with my natal information, which I hadn't. He then proceeded to move certain planets into different house cusps, and tried changing his reading to fit with the reality of my life as I explained all the places where he was wrong. He eventually got it relatively close, but by then my confidence in him was completely shattered. Imagine if it had been my old astronomy professor that had heard this reading! Readings like this do little for the honor and reputation of the science of astrology as a whole.

What I learned from that experience is that if I was going to make progress in this area, I would have to do everything myself, and not rely too much on books written by astrologers who thought they knew something but really couldn't perform in the real world. I took the same advice for trading knowledge long ago—don't listen to anyone who can't actually make money for themselves in the markets. How many rich astrologers do you know? Astrology is meant to work in a practical way in the mundane world. If your favorite astrologer is having trouble paying the rent, odds are their forecasting techniques really aren't up to snuff. Any spiritualism thrown over the reading to compensate for lack of accuracy is just a cover—real astrologers really don't care what your free will has to say about their forecasts.

So the techniques that you will learn in this book are all of the homegrown variety. Truthfully, I was not able to make any of the standard techniques work in the markets, and I've tried pretty much everything. Astrology does work, but it is often seriously misapplied. Once you know how to do it correctly, it is actually very easy to use. Figuring out the correct technique can take years though. The Babylonians didn't etch 4000 years of planetary phenomena into those stone tablets for nothing!

So the question arises, how does astrology really work? If we are going to be looking at planets to forecast the stock market, we ought to at least have some idea of the connection between the two things. What is the link between planets that are millions of miles away from us, and the stock prices that tick up and down each day in the business section of the newspaper?

The truth is, no one really understands the exact mechanism by which this all works. We can study the effects and work backwards to learn the rules, but the actual mechanism itself is very elusive. The best theory that I've heard comes from Dr. Al Larson, a friend of mine and fellow market researcher. It goes something like this:

The Sun is a gigantic engine, sending out waves of particles in all directions. These energetic particles are known as the Solar Wind, and they vary in speed and intensity just as we observe with the more familiar wind we have on Earth. There are quiet days, and there are stormy days. When there's a solar storm, all kinds of things can happen on Earth—satellites can get knocked out, electrical storms can strike, and most importantly, people's moods can be affected.

You may not realize it, but you're actually a battery. There's a voltage running down from your head to your feet, and this charge is modified by what is going on in the atmosphere. If a solar storm is underway, the energetic particles will interact with our atmosphere, which interacts with us individually, which in turn affects our moods. When we get in a bad mood, we feel like selling our stocks. When we get in a good mood, we have a positive outlook and we feel like buying those stocks back.

The planets come into play because they have been shown to have an effect on the Sun, and therefore an effect on the Solar Wind. So there's a whole physical model that describes how different planetary positions cause a chain reaction that leads through the Sun, to the solar wind, to the atmosphere, to your body, to your moods, and finally to your stock portfolio.

The Federal Reserve Bank of Atlanta published a working paper entitled *"Playing the Field: Geomagnetic Storms and the Stock Market,"* by Anna Krielyova and Cesare Robotti. This paper documented the impact that geomagnetic storms have had on human behavior, and more importantly on people's decisions about risk. The researchers found that on stormy days, people tend to sell their stocks, because they incorrectly attribute their bad mood to negative economic prospects rather than bad environmental conditions. The researchers further found that periods of low geomagnetic activity correlated with high returns in the stock market, and went on to show that this was true not only in the US, but worldwide. So basically, it's best to hold stocks when the weather in the solar system is calm.

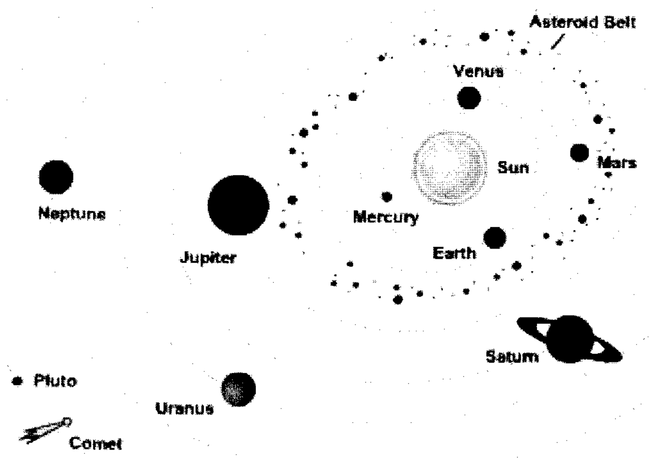
So there is more and more research being done, and it's especially exciting to see an institution like the Federal Reserve Bank looking into this sort of thing. My favorite proofs always come from looking at individuals who have mastered the correct use and application of this science. Traders like W.D. Gann and George Marechal were famous for amazing forecasts and trading results using astrology. Their accomplishments say a great deal about the power of the tools they were using.

A favorite quote of mine about astrology comes from J.P. Morgan, who said, "Millionaires don't use astrology. Billionaires do." The proof of the pudding is in the eating. One J.P. Morgan or W.D. Gann is worth thousands of nay-saying astronomy professors. Your friends may joke around when you tell them you're using astrology to trade stocks and futures, but with the likes of Gann and J.P. Morgan, you are in good company.

3. The Basics

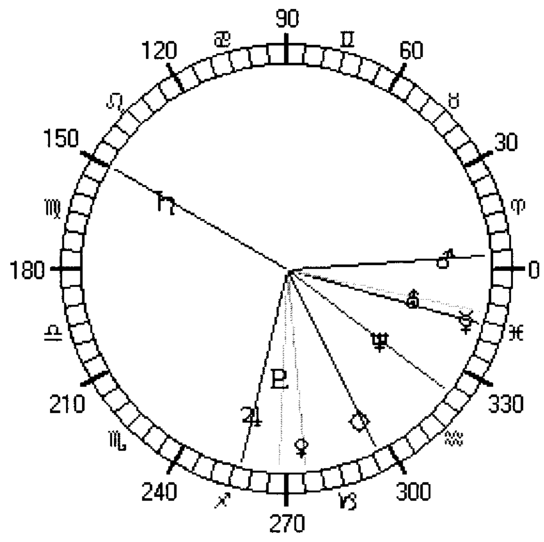
This chapter is included for those readers who know what a planet is, but only vaguely. It is designed to give a basic background on astrology as far as terminology and the basic procedures that we're going to use. Advanced astrologers and traders who likely know this stuff backwards and forwards may feel free to skim this section to get to Chapter 4 where we actually get into analyzing markets. For everyone else, please make sure to read through this chapter and understand how it all works. The last thing you want to do is stumble over some basic definitions when trying to learn the more involved trading applications.

Our solar system consists of the Sun, and nine planets that orbit around it. Here's a picture that NASA came up with to show what it all looks like:



The Sun is the largest object in the Solar System, and is at the center. It has the largest gravitational force by far, and everything else orbits around it. The planets, beginning with the one closest to the Sun, are: Mercury, Venus, Earth, Mars, Jupiter, Saturn, Uranus, Neptune, and Pluto.

We can represent this system using an **ephemeris**, or planetary wheel. Here's a picture of the ephemeris wheel from Wave59:



This picture shows the same information, and it is set for a very specific date. The center of the wheel represents the Sun, and everything orbits around it. Each spoke pointing out from the center is a particular planet, and the planets are labeled using their traditional symbols. Note that we aren't concerned with distances away from the Sun here—every planet is treated as if it's the same distance away. We are only concerned with what

direction they point, as if we were looking down on the whole system from the top. The planetary wheel runs from 0 degrees to 360 degrees, as you can see on the graphic. Each 30-degree span covers one zodiac position. So 0 to 30 degrees is Aries, 30 to 60 degrees is Taurus, 60 to 90 is Gemini, etc. In this course, you don't really need to know where the signs are and what their symbols look like. You do need to know about the planets though. A list of planets and their symbols is included for your reference:

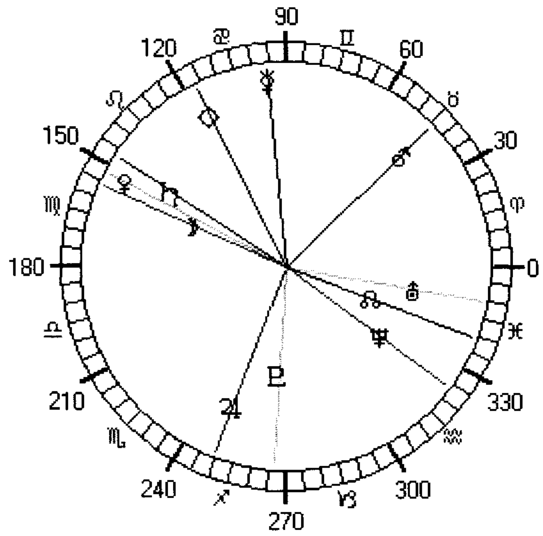
Planet Name	Symbol
Moon	☽
Mercury	☿
Venus	♀
Sun	☉
Mars	♂
Jupiter	♃
Saturn	♄
Uranus	♅
Neptune	♆
Pluto	♇
North Node	☊
South Node	☋

I will do my best to always spell out planet names when required, but you will see the symbols on the graphics generated by the software, so use this table if you want to know which planet a certain line represents and aren't quite sure.

Note the two items shown at the bottom of the list, the North and South Nodes. These aren't actually planets. These are the locations of the Moon's nodes, which represent the intersections between the path of the Moon's orbit around the

Earth and the path of the Earth's orbit around the Sun. For an eclipse to happen, the Moon must be at one of its Nodes, because that's where all three bodies fall in a straight line. The North Node is the point where the Moon moves above the ecliptic plane, and the South Node is the point where the Moon moves under it. These points are invisible to a telescope, but astrologers have long recognized that they act just as planets do and need to be treated the same as if they were planets. What is interesting about the Nodes is that they move backwards, or retrograde, traveling the opposite direction from all the other planets.

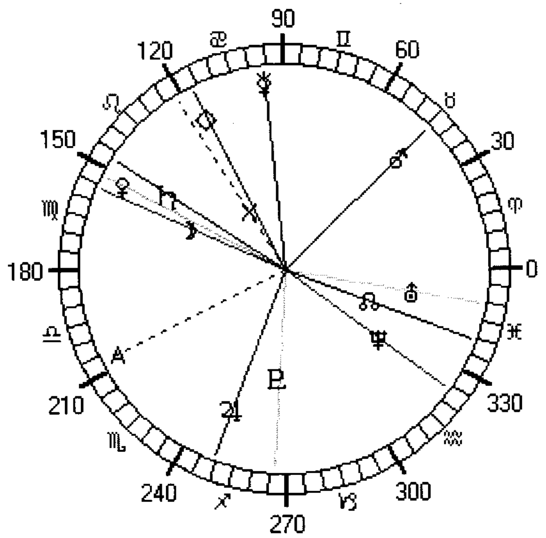
Referring back to the picture of the astrologer's wheel from Wave59, note that those positions represent the planets as viewed from the Sun. This is called the **heliocentric** viewpoint ("Sun-centered"). A more common way of displaying the planets (which nearly 100% of astrologers do instead) is by using a **geocentric**, or "Earth-centered" view, where the Earth is at the center and the rest of the planets are shown in their positions relative to it:



This ephemeris wheel represents the exact same date and time as the previous one, but it is shown with the Earth at the center rather than the Sun. You can see that the pattern formed by the planets is quite different. The argument for using a geocentric wheel is that we live on Earth, and we want to see how the planets relate to us here rather than if we lived on the Sun. In practice, I've found that both geocentric and heliocentric wheels have their uses, and in this course we'll be using both depending on what we are trying to do.

One of the benefits of using a geocentric wheel is that you have access to more than just planets. When we look at day trading, two of the most important points on the wheel are the Ascendant and Midheaven. The Ascendant represents the degree value of the Eastern horizon at a particular location, and the Midheaven can be thought of as straight up. In addition, we can also watch the Descendant (the degree of the Western horizon), as well as the Imum Coeli (the point underneath us, or "bottom of sky").

Let's add the Ascendant and Midheaven to the wheel that we just looked at:



The Midheaven is marked with an "X" on the chart above, and the Ascendant is marked with an "A." Both are shown by dotted lines. The Midheaven just passed the Sun, at 120 degrees, and the Ascendant is almost to 210 degrees. Both of these points move about a degree every 4 minutes, so they're pretty fast, and very useful for helping us signal intraday turning points.

Since the Midheaven and Ascendant refer to very specific geographic locations, we need to specify exactly from where on the Earth we want to view them. Since the New York Stock Exchange is in Manhattan, I usually use New York as the location, although if you are trading commodities you would choose Chicago instead. Stock index futures, like the S&P or E-mini, are traded in Chicago, but they are actually based on stocks in New York, so I use New York for them as well.

One distinction to note has to deal with zodiac positions. There's a **tropical** zodiac, which is what is used in Western astrology, and then there's the **sidereal** zodiac, which is used in Eastern astrology. The tropical zodiac places zero degrees at the Vernal Equinox, while the sidereal zodiac uses the position of fixed stars (usually Spica) to define the zodiac.

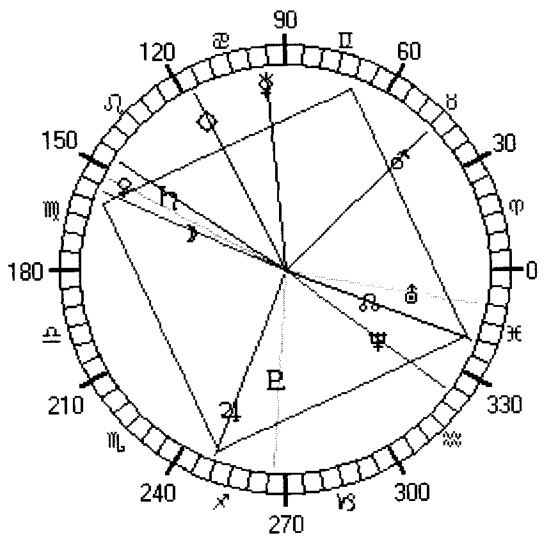
Around 1700 years ago the Vernal Equinox and Spica were on top of each other, which meant that Western and Eastern astrology used the same planetary positions. But due to the precession of the equinoxes, the Vernal point has been slowly moving forward. This means that the degree values obtained from each of these systems are different. Currently, the difference is around 24 degrees. So in one system the Moon can be in Aries, while in the other it's in Taurus.

The thing to note is that the relationship between the planets remains the same across zodiacs. So if the Moon is five degrees ahead of Mars, it will be five degrees ahead no matter whether you look at it in the tropical zodiac or in the sidereal zodiac. The difference is that the actual degree number that the Moon is on will differ.

In this course, the degree value that a planet is on is very important, and we're going to be using the tropical system. I've had some success with the sidereal zodiac in certain applications, but in this case we need high accuracy in our time and price targets, and only the tropical system has been able to provide this.

For those who are curious, we're actually going to be using equatorial coordinates (based on the projection of the Earth's equator onto the celestial sphere). This has been shown to be more accurate in markets than the ecliptic coordinate system, where the ecliptic (path of Sun) is used as the fundamental plane. The differences between these two coordinate systems are very small, but definitely noticeable when we start looking at fast-moving planets like the Moon. The software that comes with this course will automatically default to the correct settings, so don't worry about getting on the wrong coordinate system and getting incorrect results.

Now let's talk about aspects. Aspects represent certain relationships between planets in the ephemeris, and various degree values have been found to be important. For example, if two planets are 90 degrees apart, they are said to be "square" to each other, and the aspect is traditionally considered an evil one.

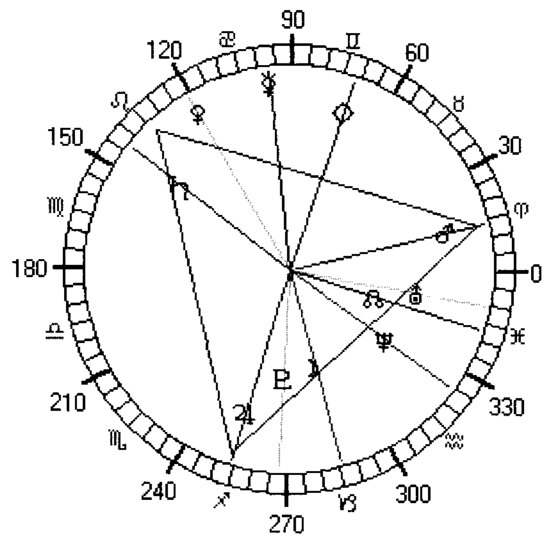


The ephemeris above shows a square between Jupiter at 250 degrees and the North Node at 340 degrees. You can see why it is called a "square" aspect, as the two planets fall into two corners of a square drawn around the zodiac. Note that in

our case, the Moon is about to take up a third position on this square at 170 degrees.

Rather than memorizing a list of aspects, it is more important to understand where they come from. Important aspects are simply divisions of the circle into equal parts. A square aspect, as shown above, is a division of the ephemeris into four parts. If we divided the ephemeris into three parts instead, we'd have a trine, or 120-degree aspect, which is considered to be a "good" aspect.

Earlier this year, we had a trine between Mars and Jupiter. Here's what it looked like:

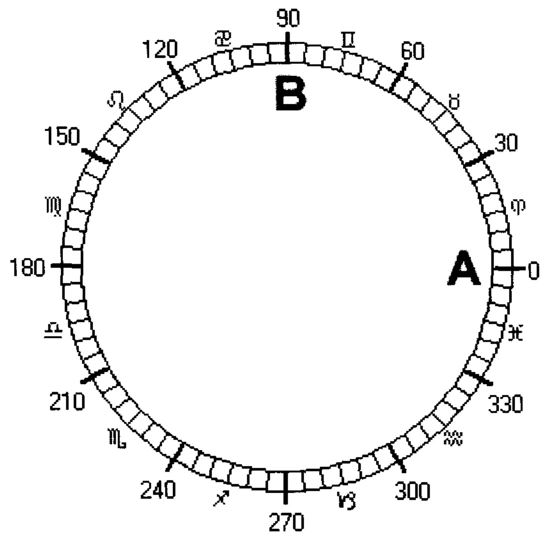


So in this case, we have a triangle on our ephemeris wheel rather than a square. We could also divide by 5, 6, 8, 12, etc, and we would recreate all the important aspects handed down to us by the classic astrology books. A short list of the most commonly used aspects, along with their names, is given below:

Aspect Name	Division of Circle	Degrees Apart
Conjunction	1	0 or 360
Opposition	2	180
Trine	3	120 or 240
Square	4	90 or 270
Sextile	6	60 or 300

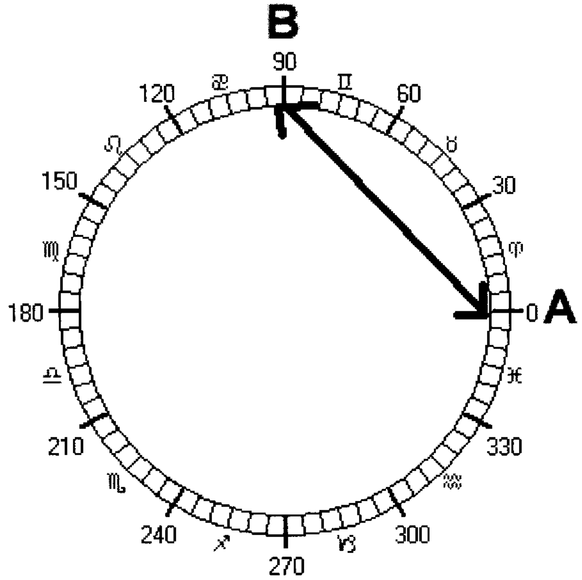
So when two planets are right on top of each other, that is called a conjunction, and represents the whole circle. If two planets are exactly opposite each other on the wheel, that is called an opposition, and represents the division of the circle into two parts. Trines are the circle divided into three parts, squares are four parts, etc. I've seen some astrologers divide the wheel into 24 parts, so the process can continue for quite some time. The main thing is that the circle is being divided into equal subdivisions.

The reason for needing equal subdivisions is that what we're actually measuring is energy generation in the wheel, which only takes place when we get the circle divided into equal parts. Imagine that each planet has a specific energetic bond with every other planet, and that positioning them at certain degree values modifies the frequency of the vibration they produce together as a pair. In that case, if we position them at the correct locations, we can create a standing wave as energy bounces around the wheel. So:



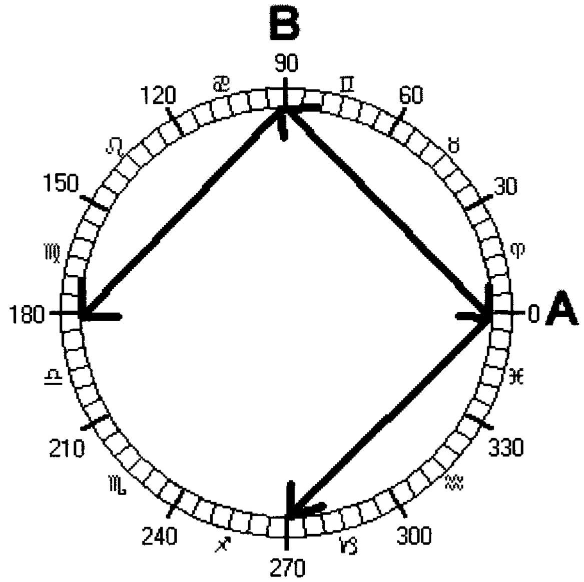
In the wheel above, imagine we have two planets, Planet A and Planet B. These two planets are not independent of each other, but are connected energetically. When they are at this position, they create a particular vibration, determined by their angular distance.

The vibration can be represented like this:



So we have a line of energy moving between points A and B. However, this is a vibration, so it has a frequency, just like radio waves. The frequency is the line segment AB, and it continues forward and backward from both planets that generated it.

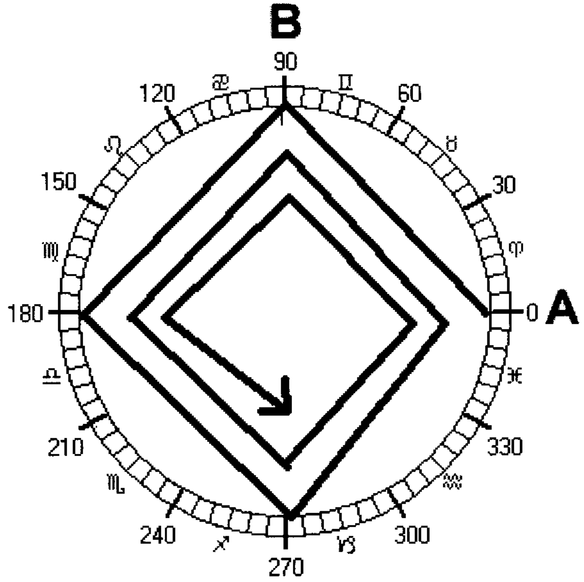
Let's look at the next section of the wave created by this planetary pair:



So even though the planets are sitting at 0 and 90 degrees, their combined energy reaches out to touch points at 180 and 270 degrees as well. They are 90 degrees apart, so their combined frequency has a wavelength of 90 degrees. This means that we can sit down and add or subtract 90 degrees from their positions to determine where on the wheel the energy gets focused. Let's do that now, starting with Planet A at 0 degrees:

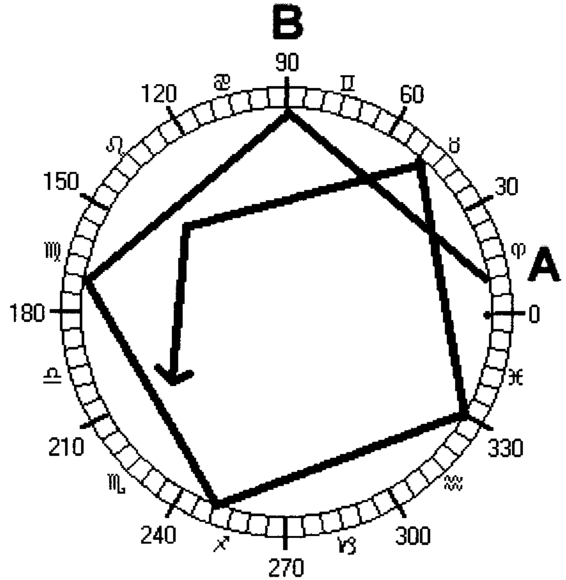
0, add 90 = 90
90, add 90 = 180
180, add 90 = 270
270, add 90 = 360
360, add 90 = 450
450, add 90 = 540

Keep in mind that we can't actually go over 360 degrees, because we start over in our wheel at that point. When you get a number over 360 degrees, you just subtract 360 until you get in the correct range. So the values of 450 and 540 degrees are actually just 90 and 180 again. This means we have calculated energy hits at: 0 – 90 – 180 – 270 – 0 – 90 – 180, etc. Can you see what is happening? The same numbers are getting reinforced over and over again. A picture will make this clearer:



So the energy created by this particular planetary configuration is self sustaining—it reinforces itself over and over as it goes around the circle. It represents constructive energy addition, and is why I referred to it earlier as a standing wave. The shape would have looked the same if we had started at B and moved the other direction around the wheel.

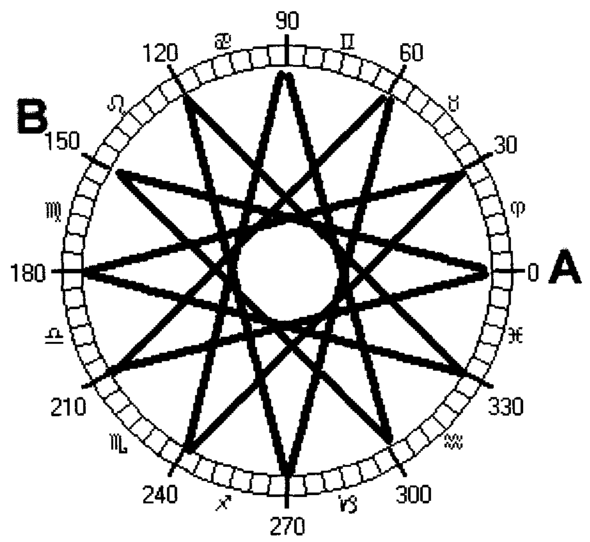
Now let's see what happens when planet A moves forward by 10 degrees, so that the wavelength shifts to 80 degrees instead of 90:



Do you see the difference? In this case, when the energy comes back around, the same points are not reinforced. We don't get a clear shape as we did previously, but more of a mess. The farther out we go with this shape, the messier the picture will get, but the previous shape was always a square, no matter how many times we wanted to run around the circle. This is why 90 degrees is considered to be a powerful aspect, while 80 degrees is not.

So when we start talking about aspects, what we're really talking about is the subtle energy patterns that various planets are moving into and out of at a given point in time. If we have a square forming on our ephemeris, it means that there's an energy wave similar to the one traced out above. Since it's an energy function, it's easy to see that each corner of the square is important, not just the corners where the planets are. This is why on the very first square aspect, I drew an actual square shape on the wheel, rather than just connecting the planets with a line as you'll see in a lot of the popular astrology programs. This is also why certain aspects that aren't equal divisions of a circle can also be considered powerful.

For example, 150 degrees is called a "Yod" and is held by various astrological teachings to be important. 150 doesn't go into 360 evenly, but if you went ahead and drew the energy anyway, you'd find that it's actually just part of the 30-degree aspect pattern. So it's based on 12 divisions of the circle, which hits 0, 30, 60, 90, 120, 150, 180, 210, 240, 270, 300, 330, and back to 0 again. Here's a picture to show how it would look when the two generating bodies are 150 degrees apart instead of only 30:



So start at A, move to B, then follow the lines around the wheel. Eventually you'll make your way around the circle back

to A, and see that this aspect is self-sustaining just as the square aspect was. It makes a pretty picture too! That's why 150 is considered important.

All of the important aspects handed down to us work the same way—they are all self-sustaining in that the energy wave reinforces the same degree values over and over again as it makes its circuit around the wheel. We'll be learning more about energy and how it shows up in markets later. It's very fundamental to how all of this works.

At this point, your introduction to the language of astrology is complete. You know what the planets are, what the two zodiacs are, the difference between heliocentric and geocentric positions, and what aspects are based on. You are now ready to jump into the next section, where we'll take a look at actually applying some of this to market movements.

4. The Declination System

In the previous chapter, we went over the basics as far as how the solar system can be represented in an astrologer's wheel. In addition to having a degree value telling us what part of the sky a planet falls in, we also have a measurement telling us how far above or below the celestial equator the planet is. This is called the declination of a planet. So not only do planets move around us, they also move above and below us in their journey around the Sun.

This vertical up-and-down movement is known to astrologers, but is not commonly used by them, because standard astrological practice tends to focus much more on aspects between various planets, and the houses in which planets fall based on the time of birth. It's a shame that declinations aren't taken more seriously, as they are incredibly powerful.

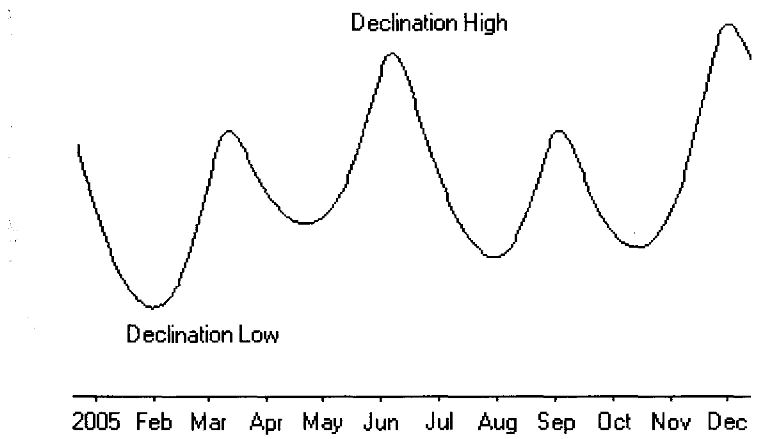
There are as many different declinations that can be watched as there are planets. In this chapter, I'm going to focus on a very specific calculation that I've found to be very predictive when used to forecast the stock market. The calculation is as follows:

Declination System =
6 x Mercury Declination +
5 x Venus Declination +
4 x Earth Declination +
3 x Mars Declination +
2 x Jupiter Declination +
1 x Saturn Declination

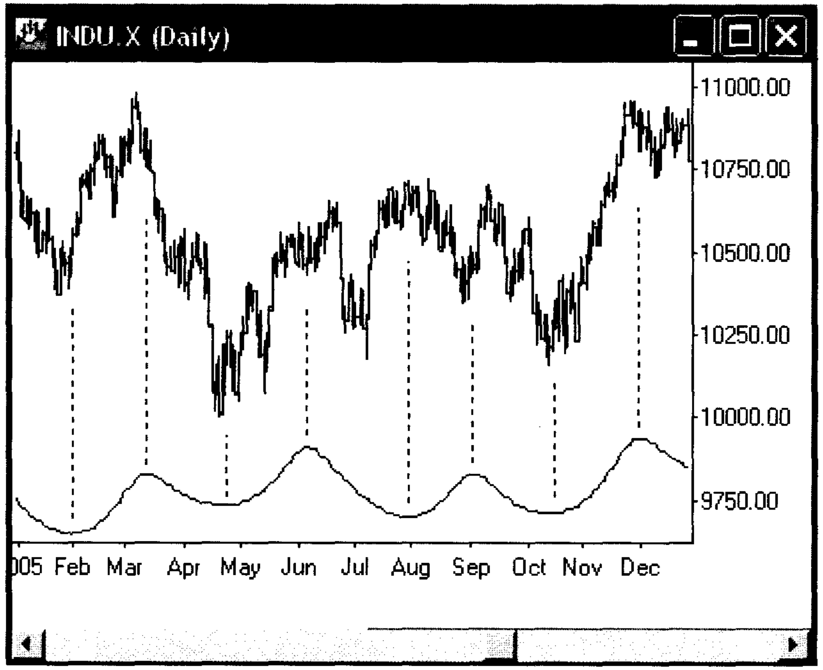
Note that these are heliocentric (sun-centered) declinations! Remember the physical model introduced in

Chapter 2 that described how the Solar Wind could influence the moods of people on Earth, which in turn would affect their stock portfolios? This particular calculation is based upon that premise, and each planet is weighted according to its distance from the Sun.

Mercury is the closest planet to the Sun, and Venus is the second closest. Because of that, and because those two planets can come between the Earth and the Sun, they are given the most weight. They actually account for 95% of the variation in the Declination System, so you could just use them and ignore the other planets if you wanted to. I add them all in because I use a computer that does the hard work for me, and the long-term planets actually do shift things by a day here and there, but if you're going to be computing this by hand, just use those first two planets and you'll get the same results.

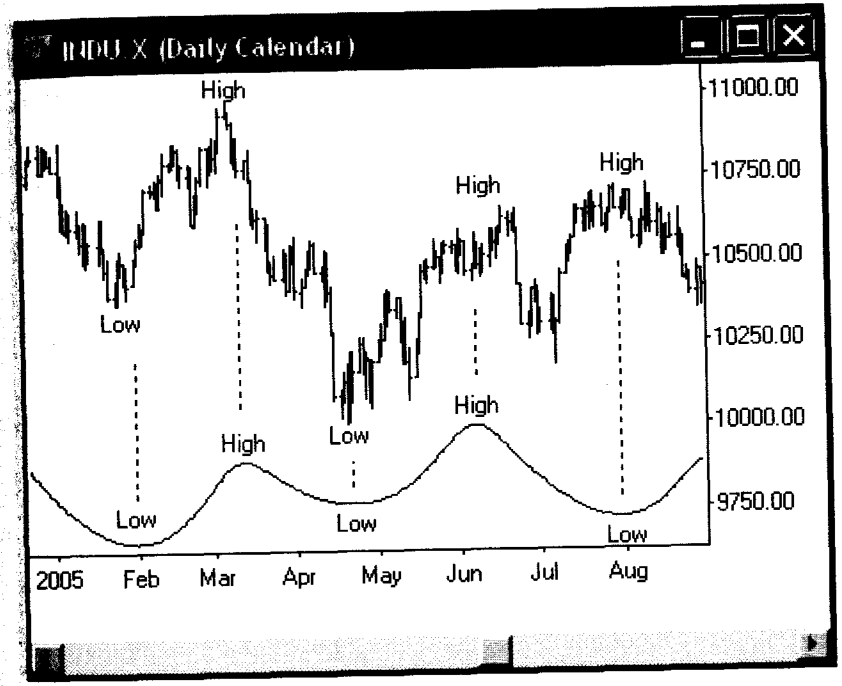


The chart above shows our declination calculation back in 2005. When the line makes a low, it means the average declination for all planets in the equation is low, and when it makes a high, it means on average all planets have a high declination. The key points are the peaks and troughs in the curve, when the trend of the declination line changes. Take a look at what happens when we overlay this onto a chart of the Dow Jones Industrial Average for the same time period:



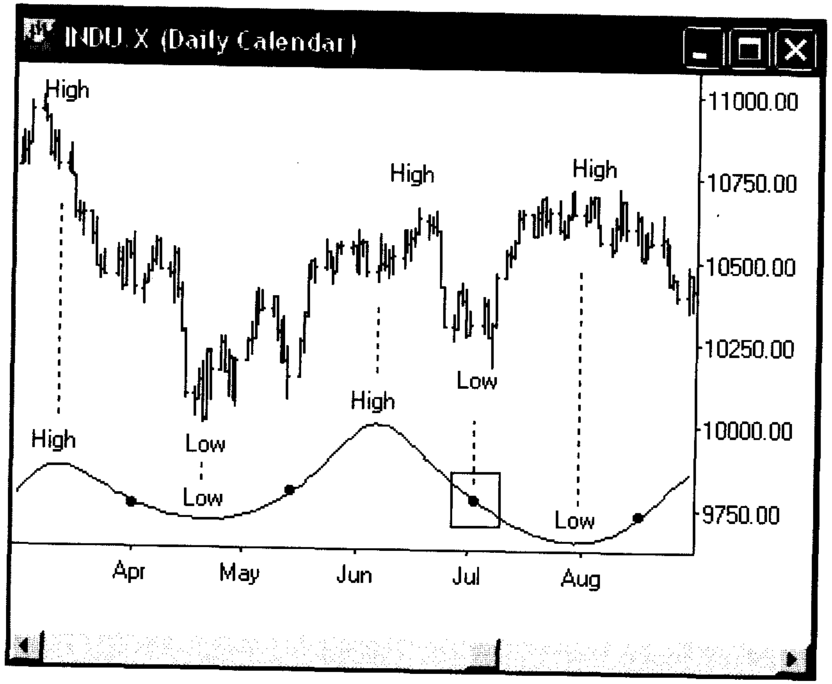
You can see that when the declination curve makes a top or bottom, the stock market responds and also makes a top or bottom. Tops don't always go with tops, and bottoms don't always go with bottoms, but the trend changes and the market makes a turning point at that time. So if the market falls into a declination peak or trough, we expect a bottom, and if it rises into one, we expect a top.

Let's zoom into the first half of this chart and examine what is happening in detail:



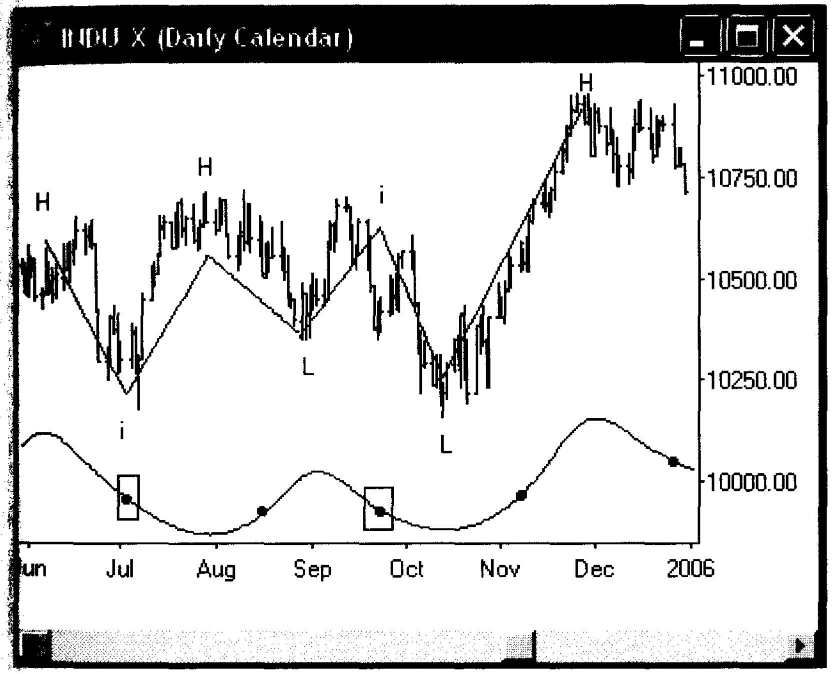
In February, the forecast made a low, and the market made a low. Then the forecast made a high, another low, and a high, all of which correlated perfectly with the market. But the final low on the chart, in August, corresponded with a high in the market instead of a low.

Imagine the declination forecast as being a drummer, pounding out the rhythm that the market will dance to. In the first part of the chart, the market took a step each time the declination played a beat. They were totally in synch. But later in the chart, the market took two steps instead of one, which meant that when the beat came along, the market was now on the opposite foot, and we had a high instead of a low.



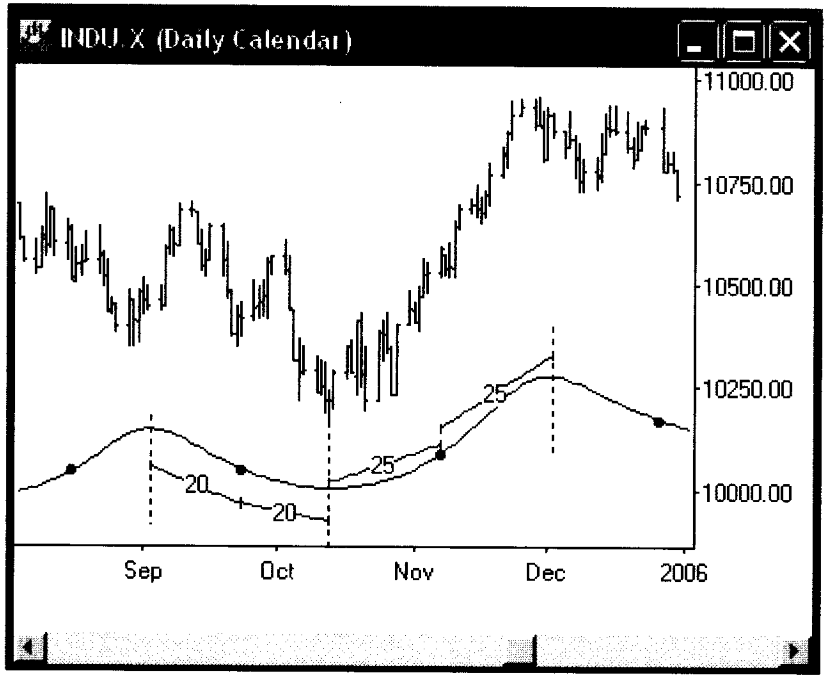
The market is very precise. If you don't know the dance it is moving to, it seems awfully confusing, but once you know the music, it always takes a step at the correct time. So if it is going to do a double step, it's going to want to do that at some important point in the rhythm. If you look at the chart above, you can see that the extra step, forming the low in July, happened exactly halfway down the declination cycle. I've been talking in terms of drums and dancing, but from a more scientific viewpoint, the market exhibited frequency doubling at this point: one larger wave split into two equally sized smaller waves.

You can see that we again had frequency doubling later on that year to get us back into the regular rhythm that we originally started with:



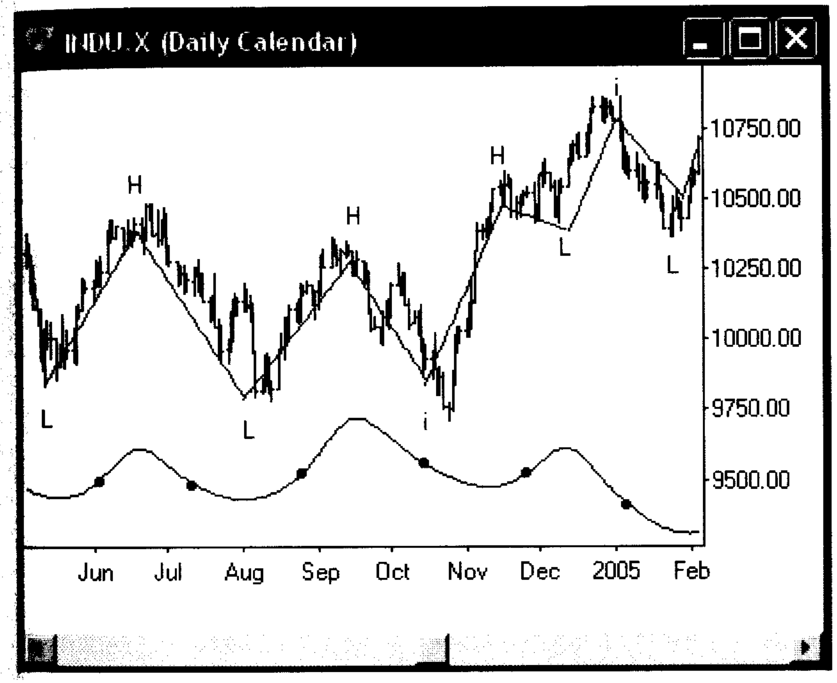
I've labeled the swings, and have boxed in the areas where frequency doubling occurred. The one we just studied was the first box, and then the second occurred in September, where the market formed a high at the halfway point to get back onto the beat.

I tend to mark highs with an "H," lows with an "L," and halfway turns with an "i." The "i" stands for "Inversion," and represents turns that take place on those halfway dots in the forecast. Inversions are where we experience frequency doubling, and the rule is that the market can only invert at those halfway points. If it doesn't invert there, then the market won't be able to change direction until it reaches the next turn in the declination cycle.



A halfway point is simply the midpoint between two consecutive turns in the declination forecast. To calculate where they fall, simply count the number of days between two turns in the forecast, and go exactly halfway in between. In the downward swing from September to October, the halfway point occurred 20 days into the cycle. The next upswing was a longer one, so the halfway point occurred 25 days into that leg. For ease of application, I've programmed the computer to draw dots at all the halfway points. The code to replicate this plot has been included in the appendix at the back of this book.

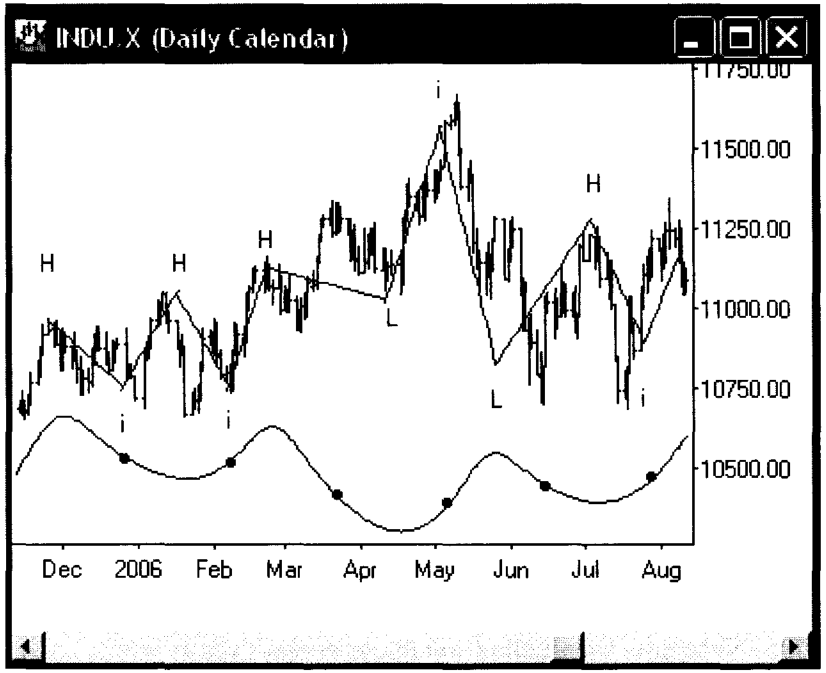
Let's go back a bit farther and see how the declination cycle mapped to price leading up into 2005:



2004 was actually a very easy year to trade using this tool. The market followed the declination cycle pretty much turn-for-turn. You can see that we had an inversion form in October, and another one just as the calendar turned over to 2005. Note how the declination cycle doesn't really say anything about how large a particular move will be. It only tells you the direction and duration of the move. So the downward cycle in November to December was quite muted compared to other downswings, due to the upward trend that the market was in at the time.

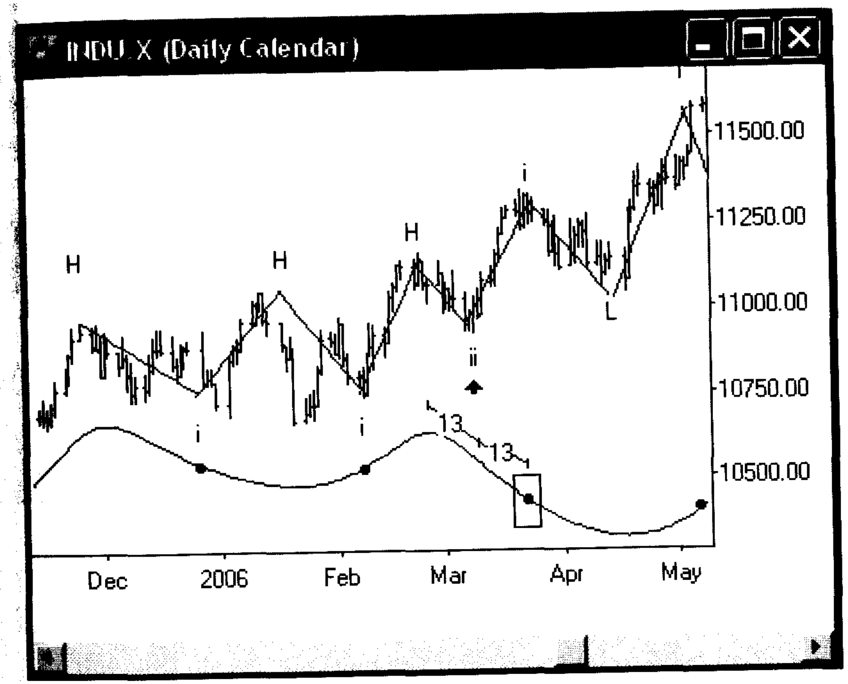
Generally speaking, you can learn a lot about the underlying trend in the market by watching how the declination cycles manifest themselves. If a cycle is having big trouble making headway, it means that it is going against the prevailing trend and odds are that once the cycle finishes, the market should take off in a snappy way the other direction.

Now let's go forward in time, and look at 2006:

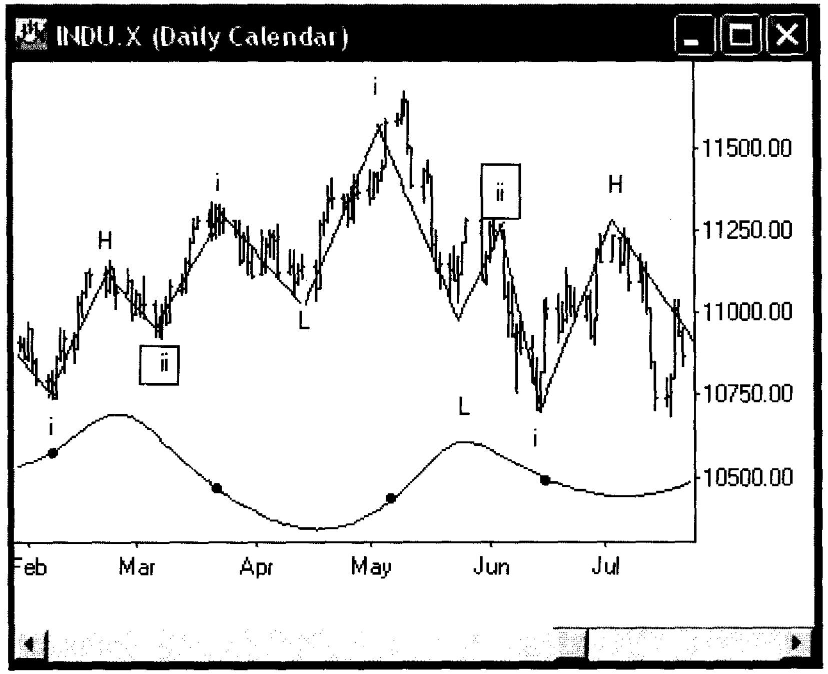


One of the reasons I started with 2005 is that I wanted to give the general rules before I got into some complicated special cases. The first part of 2006 was pretty straightforward, although we did have two inversions in a row. Anytime you start seeing a lot of inversions clumping together, you know that the market might do something funny. Look at the H-L swing starting in

March. The way I've labeled it looks kind of strange, doesn't it? The reason is that we had a very rare frequency quadrupling at that point, which I haven't talked about yet. The technically correct labeling would therefore be:



That's much better. The "ii" stands for the quarter point in the cycle, or the halfway point between the dot and the cycle high. I'm not sure what the market was dancing to here, but it must have been a lively tune! Frequency quadrupling is very rare, and I can't actually remember ever trading one before this example showed up. But markets tend to have echoes, so if you see it once, you tend to see it again sooner rather than later. This was no exception, and we had another frequency quadrupling a couple months later:

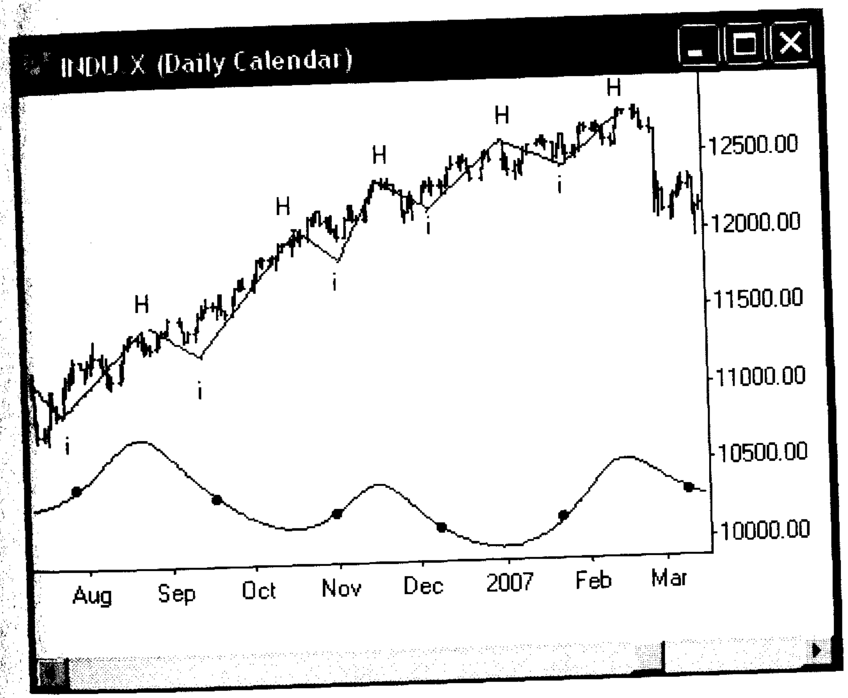


The two quarter point turns that we had in 2006 are boxed in on the chart above. The second one was on the way down from the top in May, and I do remember getting faked out by it. You need to be aware that the markets can do this, but they are rare enough that you probably won't ever look for them, and they tend to get camouflaged by market noise so it's hard to react in time. My advice is not to worry about the quarter points. It's good to know that they can happen, but you may have to wait years before you see another one.

Much more important than quarter points is the ability to correctly deal with a strong trending market. We have already seen how a cycle going against a strong trend will get squashed down. In a very strong trending market, what you'll see is a succession of squashed cycles with lots of inversions. On the

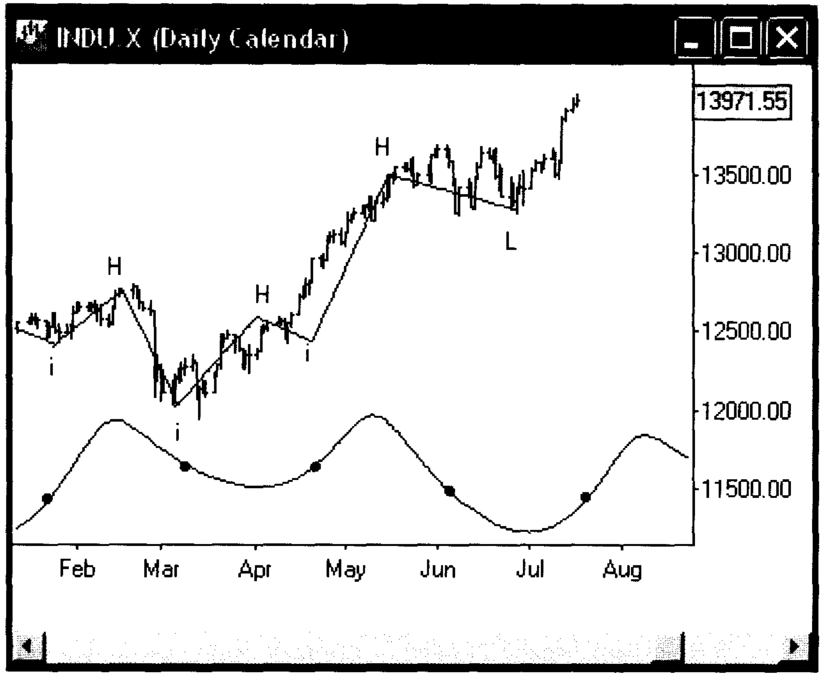
other hand, the cycles going in the same direction as the main trend will be quite exaggerated.

The market at the end of 2006 and leading into 2007 was a classic example of how the cycles build to create a strong trend:



So in August, we had the beginning of the large upswing on an inversion point. From then on, the downward swings were flat, and the upward swings were very large. The cycles are all still there, but they are a little distorted. In all of the big moves I've studied, the inversion points were the ones that lined up with the trend, so if you find yourself in a trend like this, look to use the inversion points as a place to enter or add to your position.

In this case, the trend experienced a correction in February, but remained intact. The reason I say that the trend remained intact was that pattern of making lows on inversions didn't change, despite the fact that the downward move was actually able to make some headway for the first time.

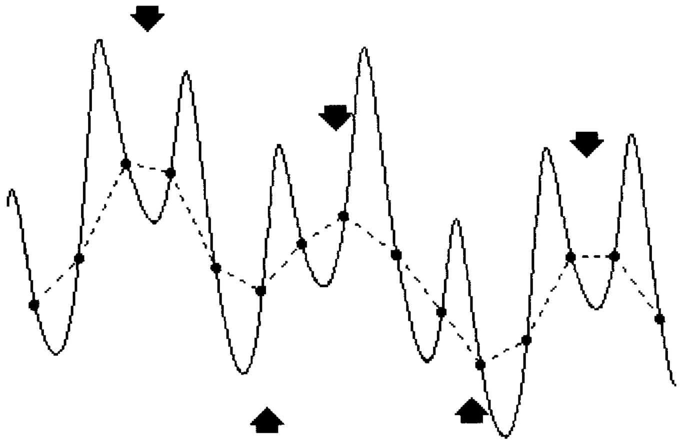


We bottomed on the inversion point in March, just as we had been doing all the way up, and then the market continued moving up strongly off the inversions. The first sign that the character of the market had changed actually came in July, when we bottomed on a declination cycle for the first time in almost a year. Up until then, all peaks and troughs in the declination cycle were "H" points, and all market bottoms were "i" points. Now something is different—the music has changed. This

means we can expect a change in the general character of the market as well.

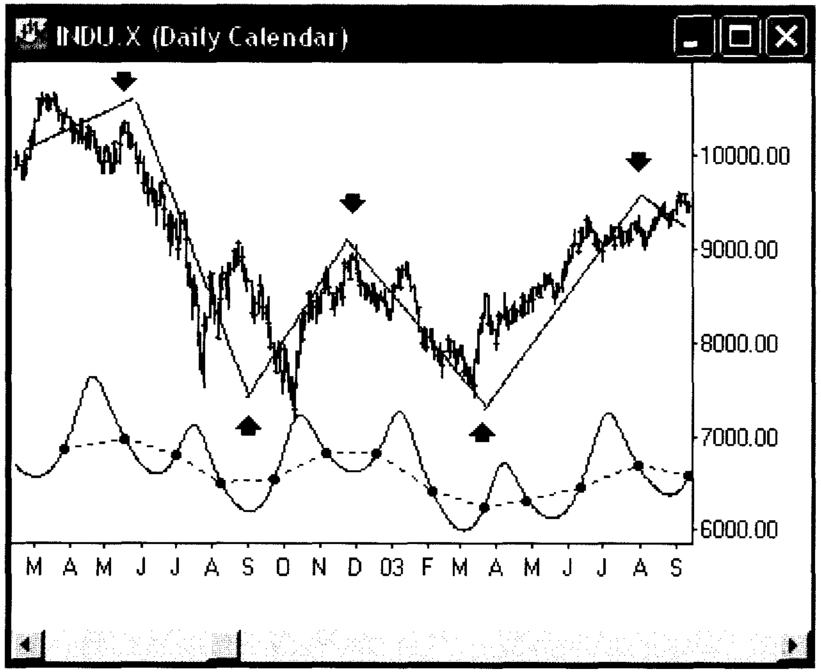
So, as I'm writing this, the next potential inversion date is on July 20, and the next cycle top is on August 8. Those are the zones in which I'd look to position myself in this market. I wouldn't be afraid to take the short side either, now that the market has broken the classic trend pattern.

There is another way you can know when the big moves will start and end, and it has to do with a hidden cycle embedded in our declination forecast.



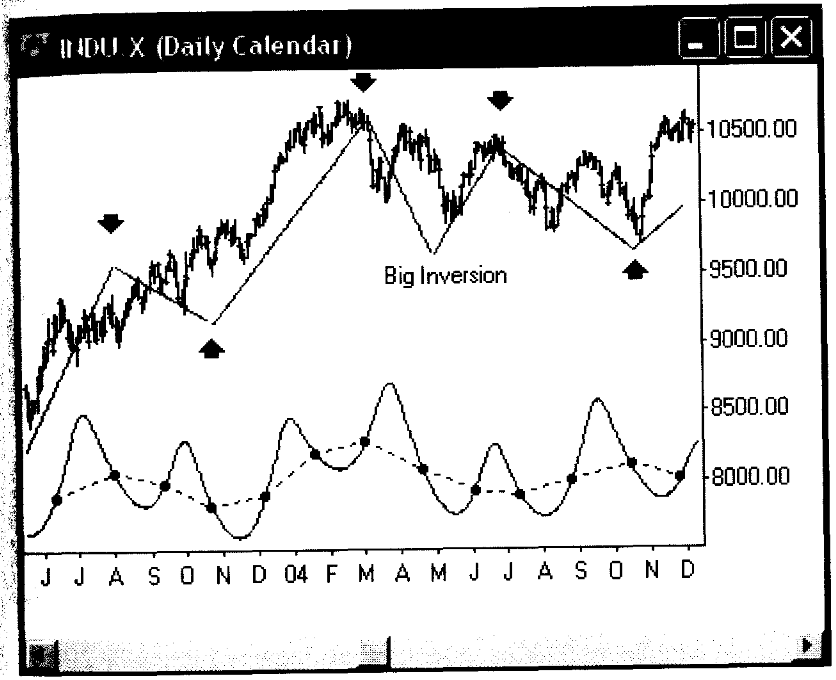
This cycle requires a year or two of data to detect, but it is based upon the halfway points that we use to find the inversion areas. If we simply connect those dots, the longer term cycle will be revealed. On the picture above, the solid line is our regular declination forecast, the dots are the halfway points, and the dashed line is the long-term cycle found by linking all the dots together. The arrows show the areas where our longer term forecast changes directions. These areas will be associated with major changes in the stock market.

Let's walk through the recent history of the Dow and examine this cycle, beginning with the high in 2002:

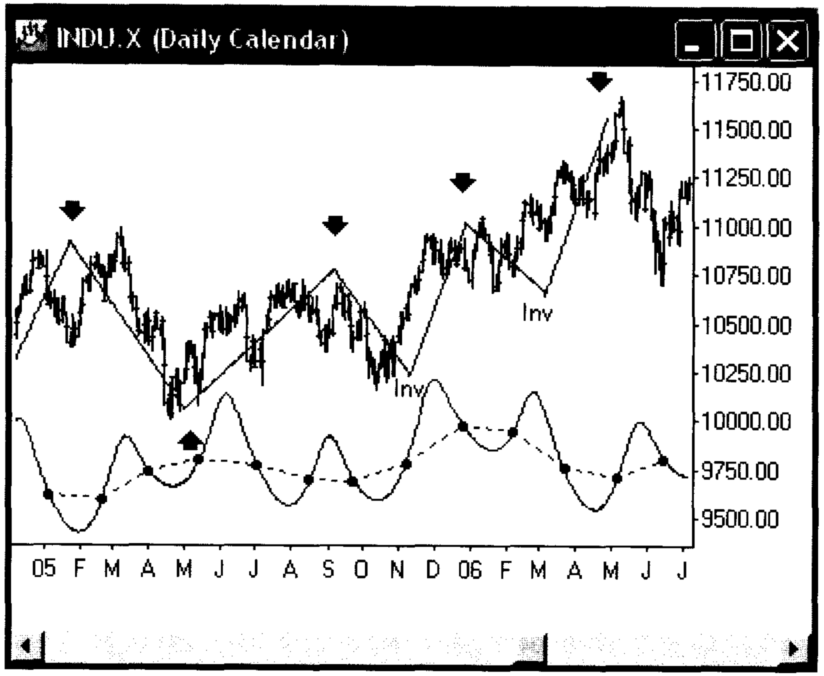


The arrows on this chart correspond with turning points established by our longer term cycle. This cycle does not give the exact bottom and tops of swings—those are still in the realm of the faster cycle—but it does give the zones where the larger underlying trends will begin and end. So if you find yourself stuck in one of those extended trends like we saw in the last chart, you can reference the longer term cycle to see how long that trend should last.

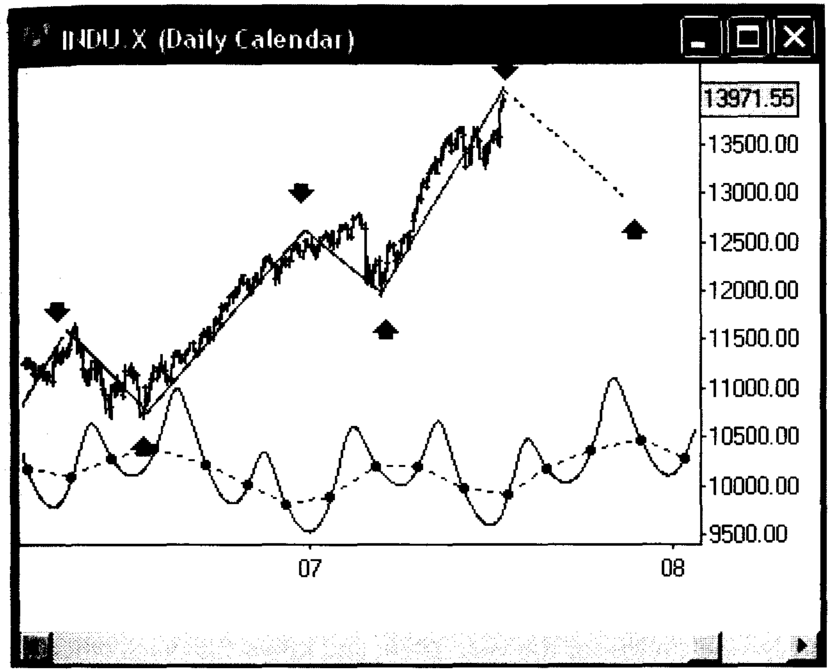
Let's move forward:



This cycle follows all the same rules that governed the behavior of our original declination forecast. Note how the swing at the end of 2003 was a "squashed" one. This is because there is a major upward trend here, created by an even larger cycle, and downward cycles get squashed in upward trends. Also note that this major cycle can invert, as it did in May 2004.



We had a pair of inversions that occurred in early 2005. Remember that multiple inversion points in sequence tend to go the same direction as the prevailing trend, so these inversions confirmed that we were in a strong upward trending market.



We experienced a correction in 2006, and then the trend continued strongly up into the time that I'm writing this. Note that the larger cycles are calling for a change in trend here, which we've already detected from the way the smaller cycles have been acting. One possibility is a top here with a decline into the next major point in November. If the cycle were to invert, that would change the scenario to give us a bottom in September and a top in November instead. Odds are very high that the market will play out one of those two possibilities over the next six months. We'll see if I can get this course out in time for that forecast to be useful! If not, it's not a problem, as you now know how to find the next major turn yourself.

In any case, it's always best to keep an eye on both cycles. Sometimes you have to spend a little time working out the swings, but once you have them, they will provide you with invaluable information about what the trend is doing, how long is will last, and at what points you ought to try and take a position.

Remember that the market really doesn't like to change direction anywhere except where the forecast permits, so if you've done your homework, you'll know where those points are and will be able to go with the flow from one point to the next. You won't always be right, and you won't always see the inversion points coming, but with practice you ought to be able to be right more often than not, and you should be able to come up with some very tradable market forecasts in the process.

The main thing to realize is that all these cycles are known in advance, which means there's no excuse not to be prepared and ready to expect all possibilities. I can sit down and look at the cycles for the year 2020, and know the dates when the major turning points ought to form in that year. I can then use the smaller cycles to come up with a very specific game plan as to how I'm going to position myself to take advantage of those big turns. Now that you know the beat that the Dow is dancing to, you ought to be able to do the same thing.

5. Intraday Astro

Now that we've gotten our feet wet with the Declination System, let's take a look at how we can get trading information directly from the ephemeris wheel. Before I go into some actual techniques, it's helpful to understand the general procedure to apply when doing this sort of analysis.

The astrologer's wheel will provide you with three key pieces of information. First, it will provide you with a general setup pattern, which tells you which particular patterns will be active in a given day. Next, by watching the fast movers like the Ascendant and Midheaven, it will provide you with exact times these patterns ought to come into effect in the market. So you'll have a trigger event that tells you when to trade. Lastly, it will provide you with price levels at which these events ought to take place. So you'll know the time to take action, and you'll know the price to take action. You'll also know the times and prices *not* to take action, which is just as valuable. No other analysis technique that I know of can provide this much information in advance.

It can be a bit confusing at first if you are unfamiliar with astrology and don't know your way around the ephemeris, so we'll take it step by step and build the method from the ground up in this chapter. In the next chapter, we'll extend these ideas even farther to create a very accurate (and easy to use!) intraday turning point forecaster.

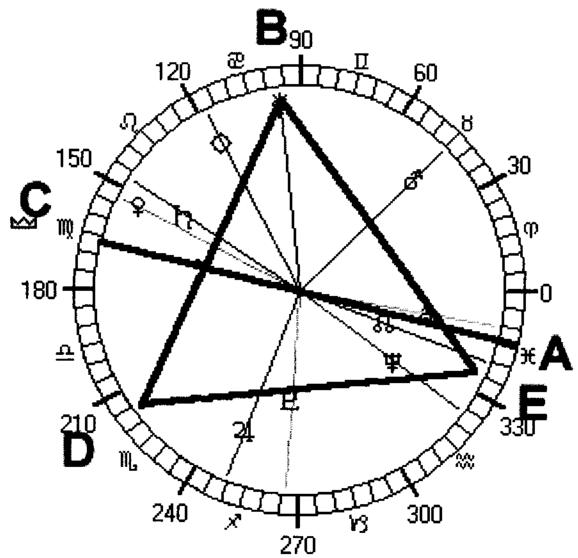
So when we look at the ephemeris in light of trading stocks and futures intraday, we need to split the planets into two groups. The first part is the setup group, and this is created by aspects between any of the planets, from the Moon to Pluto. Remember that aspects create energy patterns in the ephemeris wheel, so when we see an aspect between any two planets, we have a potential energy signature that can reveal itself during the trading day. The more planets that get involved, the more powerful the energy signature will be. Likewise, the more exact an aspect is, the more powerful the signature will be. If two planets are exactly 90 degrees apart, we'll have a perfect square. If two planets are 88 degrees apart, we'll also have a square, but it will be a sloppier one, and the energy will not be as clean. You want to use the most exact aspects you can find.

The second group of "planets" from the ephemeris wheel refers to the fast movers, such as the Ascendant and Midheaven. These two points are actually defined by the geographic location of a particular spot on Earth. Unlike the planets, these points don't generate any energy. What they do is channel energy that has already been generated. So if the Moon and Mars create a powerful energy signature on a specific day, this represents potential energy waiting to be unlocked, just as if it were stored in a battery. It takes the Ascendant or Midheaven to come along and release this energy into the environment. Without them, the energy will not be able to manifest itself.

So to find important times of day for the stock market, we first examine the wheel for close aspects. This is the setup phase. Then we look for the Ascendant or Midheaven to come along and complete the pattern to actually trigger an event. Remember that an aspect creates a particular geometric shape on the ephemeris. So if we have a trine aspect, we actually form a triangle on the ephemeris. What we want to see is the Ascendant or Midheaven come along and take a position in that triangle pattern, at any one of the three corners.

An example should make this clearer. If you pull up an ephemeris for yesterday, July 18, 2007, you'll find that there are

two aspects that are relatively close to being exact. The first is the Moon opposed to Uranus, and the second is Mercury trine the North Node. If you pull up an ephemeris, it will look like this:

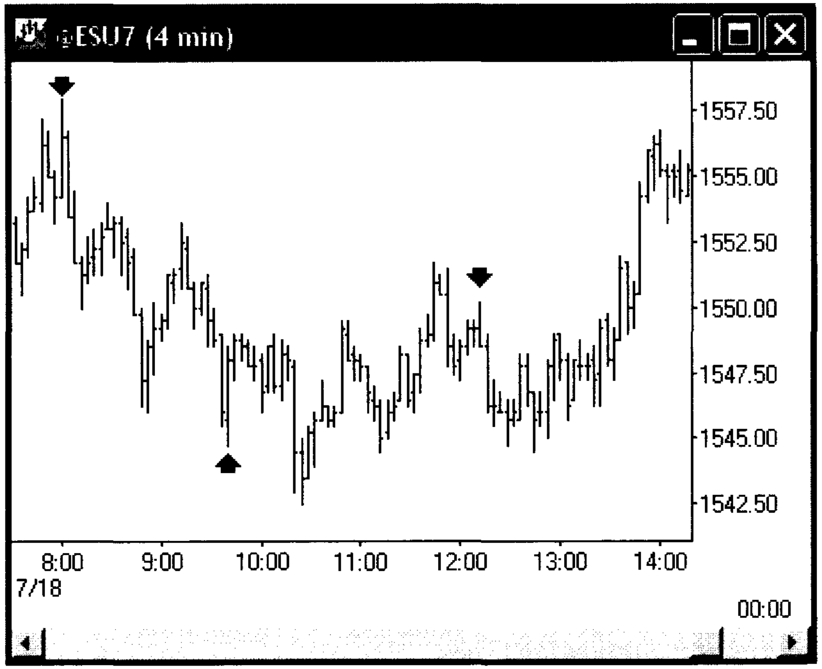


I've drawn the aspects in on the wheel, and labeled them with letters so it's easier to talk about. The Moon-Uranus aspect is the line A-C. The Mercury-Node aspect is the triangle B-D-E. These are the only two aspects for this day that are exact within four degrees or less.

These two patterns represent the energy that is in play for this day. To find when this energy will express itself in New York, we need to watch when the Ascendant or the Midheaven takes up positions at any of the five points we've labeled. This happens at the following times:

8:00 – Ascendant at point C (on the Moon)
9:40 – Midheaven at point B (on Mercury)
12:15 – Ascendant at point D (completing the triangle)

Neither one took up any other position during trading hours. These times are in Mountain Time, which is the time zone I'm in. The charts are all in Mountain Time as well, so everything will synchronize. Keep that in mind if you try to replicate this example and find yourself off by an hour or two. I always do everything in my local time, because if I don't, I'm guaranteed to get something wrong in the heat of the moment during trading, and that can be costly. You don't want to be doing any kind of math, even simple addition or subtraction, when the market is moving and there is money on the line.



This is a chart of the E-mini for the day we're talking about. The E-mini is a stock index future (ticker = ES) that is very popular with trading. It's like being able to trade the entire stock market as a whole without having to pick any one stock. It's the only market that I trade, and it's what we'll be studying in this course. The techniques apply to other markets as well, but you really only need to be able to make money in one market to be successful.

The arrows represent the times we just calculated. The first arrow caught the high of the day, and a nice drop followed. The second arrow caught a low point during the day, very close in price to the actual low of the day, and the third point caught a minor top on the way back up into the close.

Just like with the Declination System, what we are looking for here are times when the market will turn around and change direction. So if the market moves up into our 8:00 time, we will look for a top, and will go short. If it declines into 9:40, then we'll look for a bottom, and will go long.

One important note is that these aspects were both **applying aspects**. Applying aspects mean that as time moves forward, the aspects get closer and closer to being exact. Eventually, the aspects are perfectly exact, and then the planets start to move off of that exact spot. Those are called **separating aspects**. Applying aspects are more powerful than separating aspects.

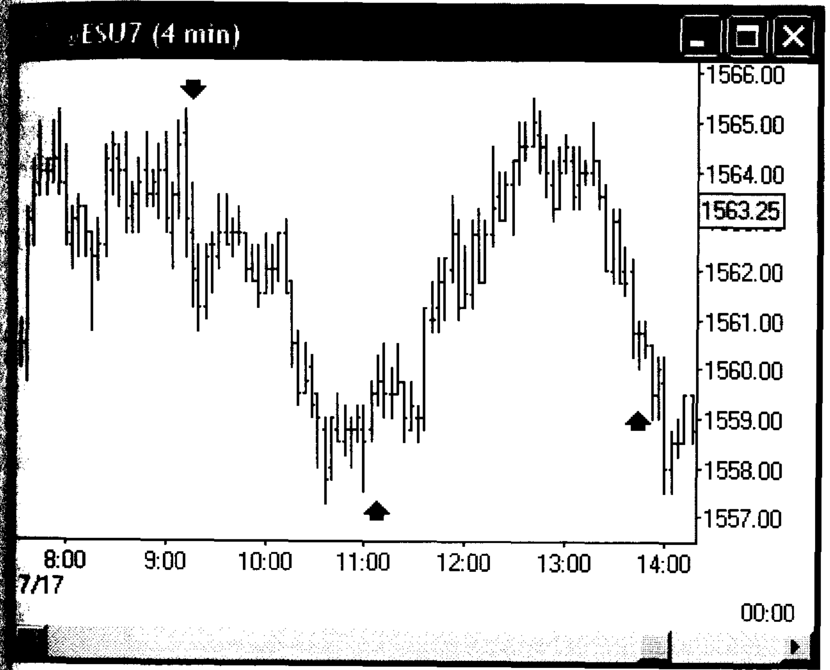
Imagine snapping your fingers, and then slow that action down in your mind's eye. What you will see is that pressure gets applied to the two fingers, and keeps building until a certain point when your fingers slip, and that's when the snap happens. At a fraction of a second before the snap, there's a large build up of energy in your hand. At a fraction of a second after the snap, the energy has totally dissipated. Aspects are like that. Applying aspects have a huge amount of energy building, which then gets released when they are exact. After that point, there's not nearly as much juice flowing through the system, although it's not totally dead either. So for this process, I'll only consider applying aspects, and will ignore separating ones.

Let's look at the previous day, July 17. On this day there were three applying aspects in play. They were: Moon-sextile-Mercury, Neptune-sextile-Pluto, and Moon-square-Jupiter. Neptune-sextile-Pluto is a long-term aspect, so it actually stays in play for awhile and could have been used to good effect in the previous example, but that's too many aspects to deal with for one day. So what you do is either chop off the longer term planets like I did previously, or you rotate to stay on the most exact aspect during the day.

So what I'm going to do is watch carefully which aspects are closest to being exact, and I will only pay attention to when the Ascendant or Midheaven triggers that key aspect. This day started out with Moon-sextile-Mercury being the most powerful aspect, being only a degree off of being exact. It became exact at 9:20, right as the Midheaven was moving to cover Mercury. The Midheaven wasn't in perfect position yet, and was 15 minutes away from doing so, but once the aspect moves from exact to separating, the power drops off considerably. So if we're going to use it, we have to use it at 9:20.

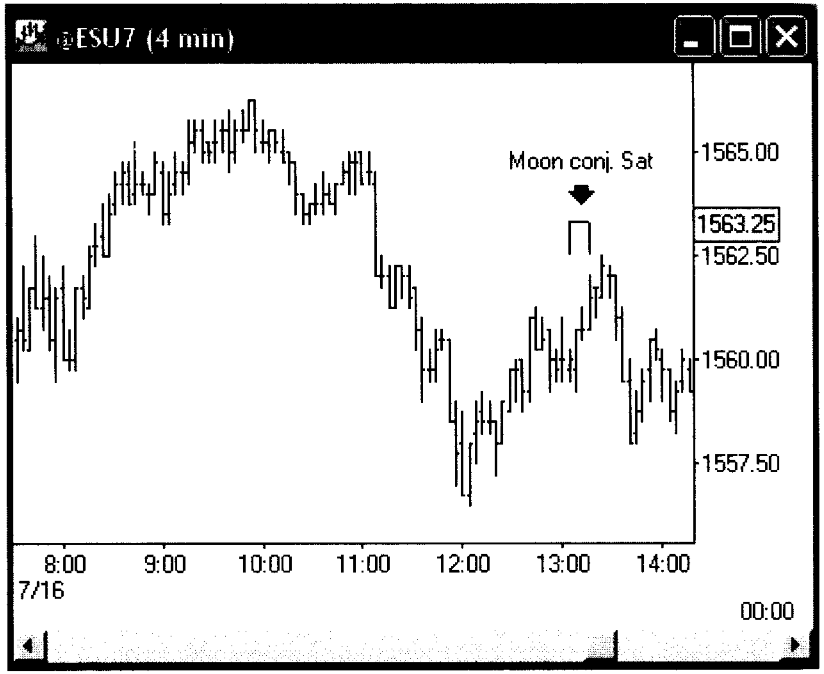
At that point, Neptune-sextile-Pluto became the aspect in control. At 11:10, the Midheaven took up a position along the hexagon created by this aspect. A few minutes after that, the Moon-square-Jupiter moved in as the tightest applying aspect,

and the Midheaven moved onto the Moon's position to trigger the aspect at 13:50.



This chart shows how the market reacted to these times. The first two times were great signals, flagging the time of a nice high and then the low of the day. The third one came too early, as the market actually bottomed for the day about half an hour later. But all in all, you can see that the market is responding to these events.

If you go back one more day and look at July 16, you'll find a very interesting example. There were actually three aspects in play that day, Moon-opposition-Neptune, Neptune-sextile-Pluto, and Moon-conjunct-Saturn. However, the Ascendant and Midheaven were unable to move to trigger any of them except for Moon-conjunct-Saturn late in the day. So there was only one indicated time the entire trading day, which happened at 13:10-13:15, depending on whether you count the Midheaven being conjunct with the Moon or Saturn. It called a nice top late in the day on our ES chart:



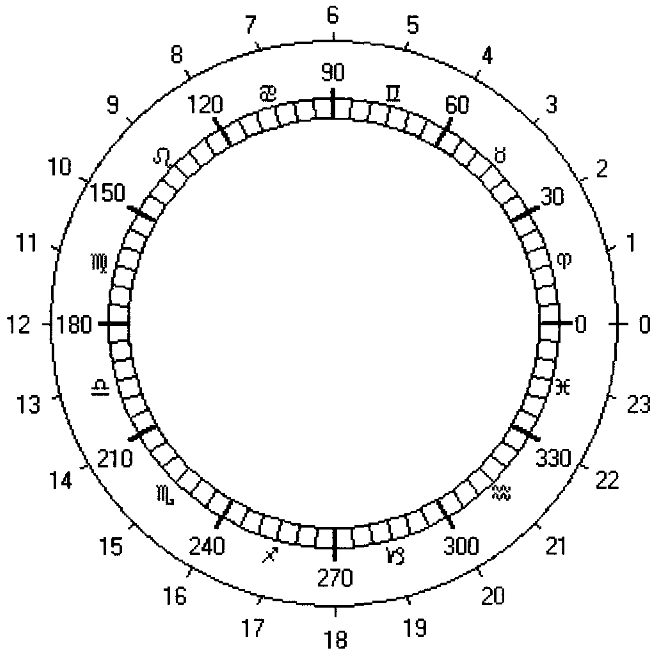
So that's the basic technique for finding times of turns. You look for where the energy is coming from in the ephemeris wheel, and use the Ascendant and Midheaven to find the times during the day to expect a change. I've been using New York, as we're dealing with stock indexes and the NYSE is in New York, but if you were trading stocks in the UK, you'd use London instead, etc.

Readers of my earlier work, *The Handbook of Market Esoterica*, know that time, price, planetary degree, and even volume are just different ways of expressing the underlying energy that drives the markets. There is actually not a distinction between time and price, and you can convert back and forth from one to the other. In the *Esoterica* material, among other things, I used important prices in stocks to predict important times in the future. If time and price really were independent variables, with no relationship between them, then something like that would be impossible to do.

I won't repeat myself and go through the proofs of that here, but if you are interested in learning more, you can look over the discussion in that manual. The main thing to realize is that in addition to getting time off the ephemeris wheel, you can also get price.

Price is related to degree, and you can interchange back and forth between them. There are 360 degrees on the ephemeris, representing one complete cycle. All we have to do is determine how many units of price correlate with one cycle, and we'll be able to map price right onto our wheel. For the S&P and E-mini, I've found that the magic number is actually 24 points per 360 degrees.

If we take 24 points, match them up to 360 degrees, then wrap them around the ephemeris wheel, we will get something that looks like this:

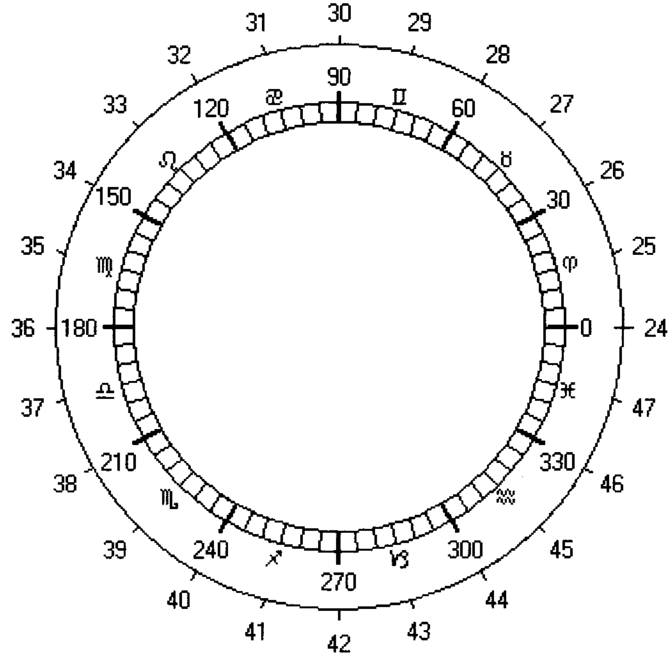


What I've done is added another ring on the wheel that corresponds to price. At the far right, 0 price and 0 degrees line up, and then we just move around one cycle in each. So we move 360 degrees in a circle on our degree scale, and we move 24 points around our circle on our price scale. This is what I meant when I said 24 points per 360 degrees. That value represents our scale factor, and tells us how we can convert between price and degree.

If you're an astrologer, and haven't traded much, this ought to be a totally new concept to you. There are not many traders who realize the connection between price values and degree values, and this is one of the proofs of the tropical zodiac. If you move the zodiac by 24 degrees to get to sidereal mode, you will get totally different results when you convert a planet's location from degree to price. Those prices work in

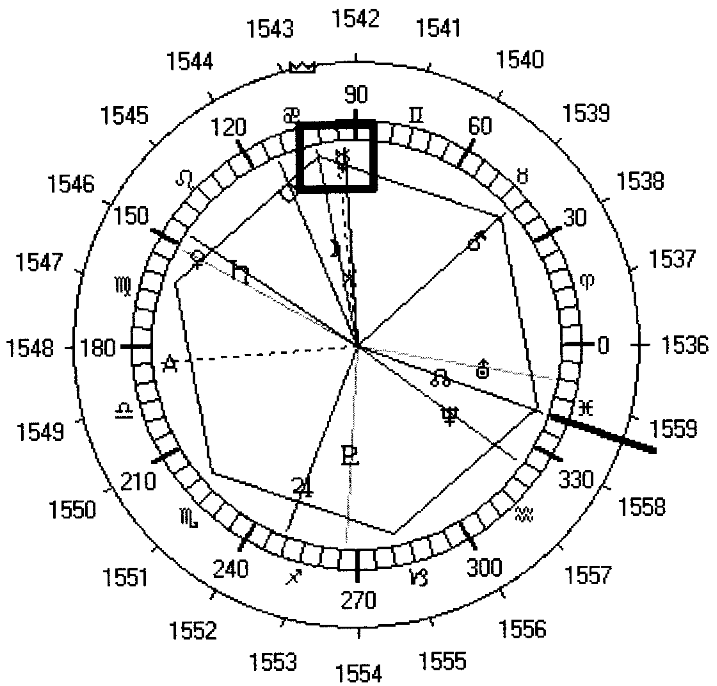
some special cases, but by and large the tropical zodiac will be the one with predictive value on the price chart.

So what happens if the price of our stock goes above 24? Remember that we are dealing with cycles here, and a circle has no beginning and no end. We started out at 0, then ran all the way around the circle to get to 24, so we can just keep going. The next cycle up would look like this:



This is the second cycle of 24 points, and runs through the numbers up through 48. The mapping is still the same, we just spun around the circle one time to get the numbers into the second cycle. We can keep spinning around, adding 24 points each time, until we get the price levels into the correct range for the market we are trading. In the examples we are looking at, the ES is trading at price levels in the mid 1500's, so we need to spin our ephemeris around about 65 times to get the levels to match.

Let's go back to Monday, July 13, and see how price fits into the equation. On that day, we had Moon-sextile-Mars, which went exact at 9:55. The Midheaven had been working to move its way into position on top of the Moon to act as trigger, but after the aspect separates it starts losing power, so we're going to take it at the time it was exact.

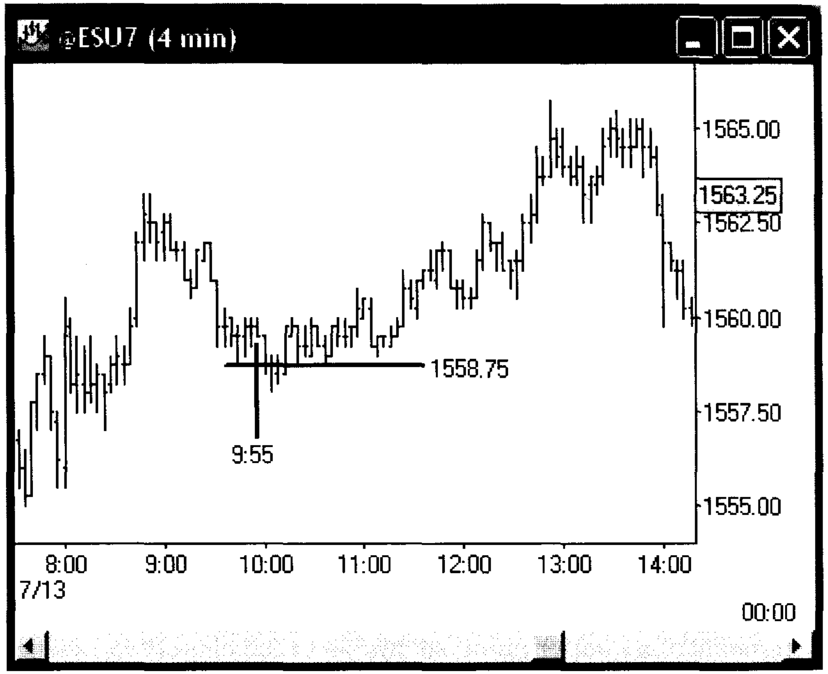


This is the time we are looking at. The moon is at around 100 degrees, near the top of the wheel in the rectangle I've drawn in. Mars is at about 40 degrees in the upper right. They

are sextile, so the energy function they create looks like a hexagon, and it is drawn in on the ephemeris. The Midheaven is a dotted line just past 90 degrees, also in the rectangle. This is as close as it was able to get before the aspect separated, but it's close enough to trigger the energy into New York.

The price wheel is set up to correlate with the current price of the ES. Our scale is 24 points per 360 degrees, so 24 x 64 = 1536, which is the starting point for the price ring. We've had to spin it 64 times to synchronize it into the correct price range.

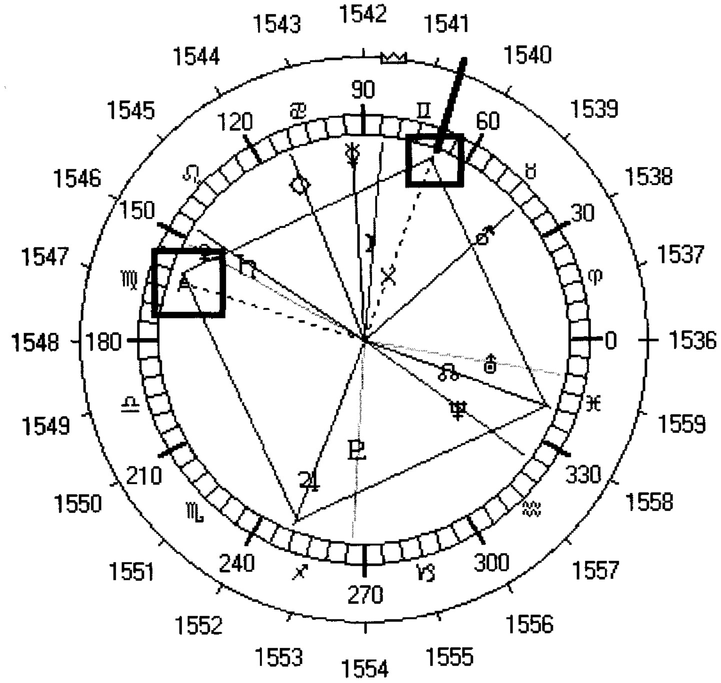
At 9:55, the energy from this aspect gets released into New York. This means the entire hexagon, not just the planets, becomes active. Any corner of the hexagon will be hot on the price wheel. I've highlighted one corner with a thick line. The price value of this corner is 1558.75 (the ES moves in increments of a quarter point, so you go to the closest real value you can). Our time is 9:55. Our price is 1558.75. Here's what happened in the market:



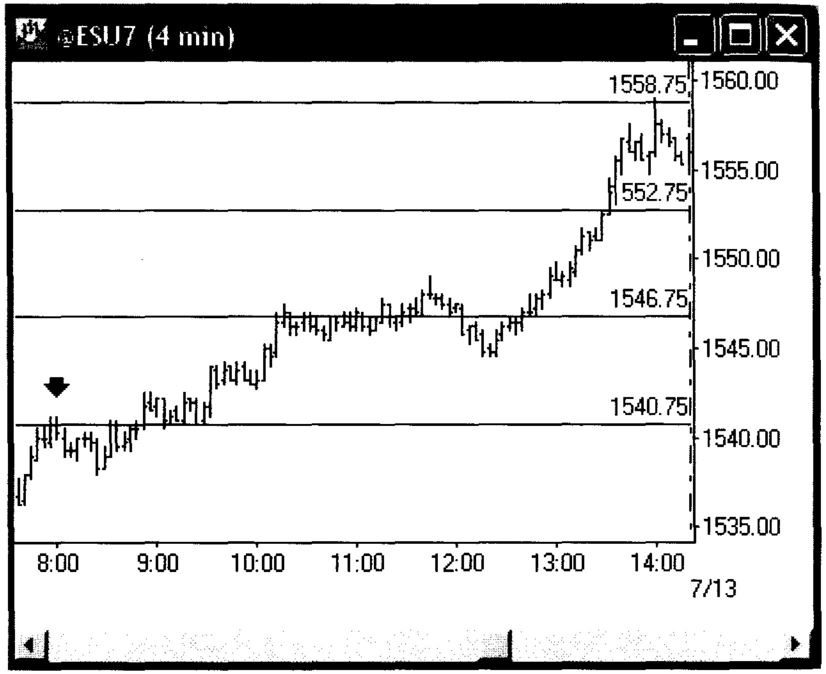
So we were a little early in time and a little high in price. How far off were we? About 10 minutes in time and 3 ticks (0.75) in price. That's about as close to perfect as you'll see in this business. The market moved down into our time, so we were expecting a bottom and a buy signal. It hit our price, went a few ticks below, then shot up 7 points over the next few hours.

Having those price levels there is incredibly helpful. Not only do they tell us the price we ought to try and get in at, they give us a guide as to where we place our stop-loss orders. The day before this was a good example of how we can still use these price levels even if we get the initial trade incorrect.

The main aspect on July 12 was Jupiter-square-Node, which was less than half a degree from being exact. At 8:05, both the Ascendant and Midheaven moved to trigger the aspect:



Both of our trigger points are boxed in. Having both the Ascendant and Midheaven present in a pattern is usually quite powerful. The indicated price is 1540.75, shown by the square corner that the Midheaven occupies at 70 degrees.



This is how the day unfolded. We rallied up into the 8:05 time, and bounced off the indicated price. That was a very clear signal to sell the market. It went 3 points in our favor, moved sideways for a bit, then broke to the upside for a huge gain of 20 points on the day. So we definitely went the wrong way on this one, but it's actually not too big of a deal, as we wouldn't have lost much, despite being on the wrong side of a freight train.

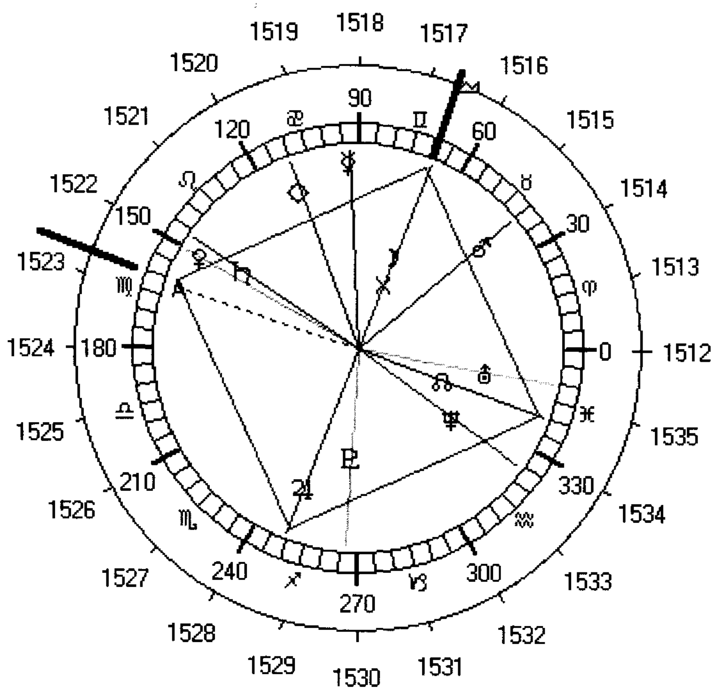
The reason we wouldn't have been hurt much is that we knew we were wrong when the 1540.75 level was broken and our 8:05 high was taken out. We knew this before the event even happened. There isn't a lot of slop in these price and time calculations, so positioning protective stops is pretty easy. Ours would have been just above the high, maybe one point off our level at 1541.75. So we would have taken a small loss on this

ade, but it would have been miniscule due to our knowledge of those price levels.

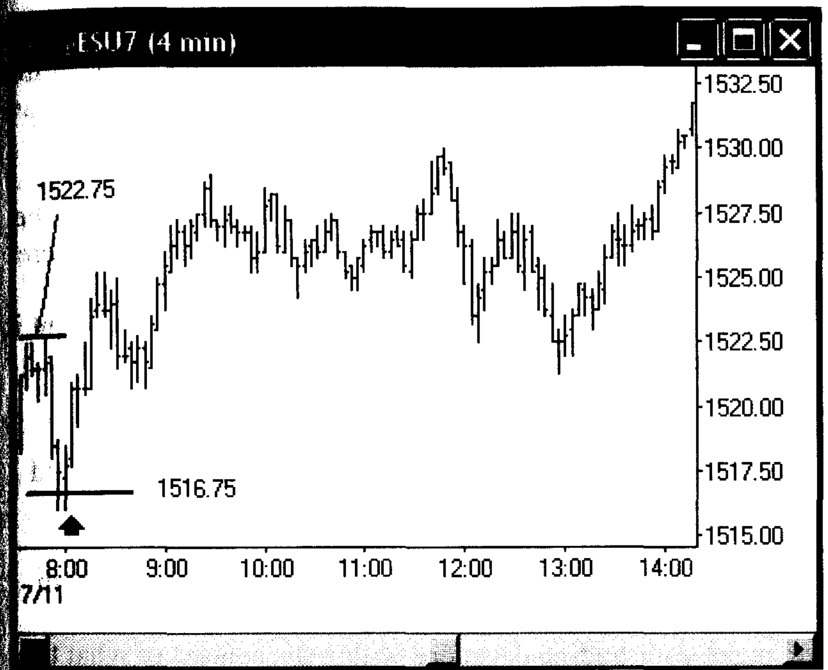
Notice how other corners of that Jupiter-Node square worked their way into the price chart the rest of the day. 1546.75 was the first resting point for the lunch hour doldrums, and 1558.75 was one tick off the high of the day.

Let's go back one more day and do a final example. On July 11, Jupiter-square-Node was still the primary aspect. However, Moon-opposed-Jupiter and Moon-square-Node were also coming into play. So what we have is a T-square pattern, where three corners of the square are occupied. In a case like this, we use the entire pattern, rather than just the two planets that are the most exact.

Here's what our wheel looked like at 8:05:



You can see the T-square formed by the Moon, the Node, and Jupiter. This creates our square energy pattern. The Ascendant has taken up the empty corner, and the Midheaven has joined the Moon in its corner. Indicated prices are 1516.75 and 1522.75. Let's take a look at our price chart:



This setup caught the low of the day, at 1516.75. The market bounced at our time and price level, marked by the arrow, then rallied a quick 10 points over the next two hours.

I wanted to include this example because it shows an interesting situation. The Ascendant and Midheaven were both involved in this pattern. The Ascendant moved into position at 7:55, and the Midheaven at 8:05. So there's a 10-minute gap between when one hit and the other hit. So if you were early, and just jumped in at the Ascendant signal, you might have decided to sell the market against the 1522.75 level. If you had seen that the Midheaven was also coming to the party, you might have been more patient and waited longer to buy the 1516.75 level.

In either case, you would have been fine. If you had sold it at 1522.75, you would have been 6 points in the money by the time it hit the next price level down, and at the worst would have at least moved your stops to break even if you were pushing for a continued sell-off. If you bought the market at 1516.75, you'd have been a happy camper with 10 points in the bank by 10:00. If you drank your coffee that morning and were on your game, you would have sold the market on the Ascendant trigger at the 22.75 level, then reversed and bought it back at the Midheaven trigger at 16.75.

So even though two traders may have gone different ways depending on their interpretation of which trigger would be the effective one, no one would really have lost out if they used the price levels set by the energy pattern correctly. Remember, to take a trade using this approach, you need both price and time together. As long as you follow that guideline, and make your trading decisions within the context of what the ephemeris is telling you, you should do just fine.

This chapter described how to use the ephemeris to obtain price and time targets based on the energy created by the tightest applying aspects on a given trading day. It is a very powerful technique, but a bit of an art, because you must be able to sit down and work with the ephemeris correctly. You also need to be able to tell which aspects are applying and which are separating! But if you can do that, it's a very effective and reliable technique.

I didn't go back and look for any special examples—I just started out with yesterday's results, and worked my way backwards day by day from there. So what you have seen in this chapter isn't special or hand-picked—it's just another week of regular signals. The benefit of being an author of a book like this

is that I don't have to hunt through my charts for impressive examples where everything works perfectly—they happen every week, right on schedule, over and over again.

6. The Energy Model

In the last chapter, we took a look at how close aspects on a particular day can be used to determine high probability times for turns in the market, as well as the price where those turns ought to occur. However, I have an issue with that method, and it has to do with only using one or two aspects at a time. Obviously, from the perspective of a trader, you don't want to have to juggle ten different aspects during the day all at once. Not only would you have way too many turning point times and prices to deal with, but the sheer number of the aspects would likely lead to mistakes, confusion, and losses. This is the reason why I recommended that you stick with the tightest applying aspect, and pretty much ignore the others.

But if we consider our earlier discussion about how aspects generate energy, we will come to realize that just because a particular aspect is the tightest aspect in the day doesn't mean it's the *only* aspect in the day. There are lots of other aspects happening at various degrees of exactness, and taking only one at a time ignores a lot of what is going on.

This is actually one of the difficult issues in astrology in general. All the aspects are happening together, so theoretically we really need to analyze all of them as parts of a whole and blend them together. If we've got two evil aspects, and two good aspects, then what is the net effect? Is it going to be a good period for the subject we are analyzing, or is it going to be a bad period? This is not an easy question to answer. Most astrology software packages tend to just spit out a list of four interpretations and keep everything compartmentalized and separate.

It was in response to concerns like these that I came up with what I call the Energy Method, where all aspects are considered in our analysis, and the blended effect is what is actually used to make predictions. What we are looking for in this approach is the times of day when the net energy is at its highest. Remember that each aspect creates various energy points around the wheel. So if two planets are in square aspect, they will create a square shape with four energy centers (one at each corner). Two planets in trine aspect will throw off three energy centers, one at each corner of the triangle pattern that they generate. Each self-sustaining aspect will create some energy signature, and throw off a number of energy points corresponding to the shape of the pattern that the signature in question generates.

All of these aspects happen at once, and all of the energy signatures overlap and blend. In the real world, it is the blended effect that really gets absorbed by markets and individuals, and by modeling the system properly we ought to be able to significantly improve our results. So rather than trying to determine whether a particular aspect is good or bad, or which one is the strongest, we can just calculate all the energy generated by all the aspects, add it up, and find the parts of the wheel that are energetically very powerful.

As there are usually many aspects to consider, this can be a rather cumbersome procedure and is best suited to the skills of a computer rather than a human. However, it can be done be hand, and I've definitely done my share of these calculations. Let's go through one here, so the entire procedure is totally clear.

First of all, what we need to do is decide which aspects we are going to use in our calculations. Obviously, we'll use conjunctions and oppositions, but how about 15 degree aspects, or 7.5 degree aspects, etc? I've found that it's best just to stick with the "main" aspects, so I use the following list: conjunctions, sextiles, squares, trines, and oppositions. If you think in harmonics, it's the first few divisions of the circle: first, second, third, fourth, and sixth harmonics. I used to include the fifth as well (72 and 144 degree aspects) but they didn't seem to add any clarity to the results so I ended up getting rid of them. Simpler is always better.

So any aspect that falls in this list will be used in our calculations. I use an orb of five degrees, so as long as the aspect is exact within five degrees, it will be counted. Let's do this calculation for July 6, 2007.

The first thing we need to do is figure out all the aspects within five degrees that are happening on this date. I'm going to use both applying and separating aspects. Applying is technically stronger, but remember we're blending everything together all at once in this technique, so we want the most complete picture possible. In testing, I found that pure applying aspects definitely worked better than pure separating aspects, but they didn't work better than the combination of both applying and separating aspects together.

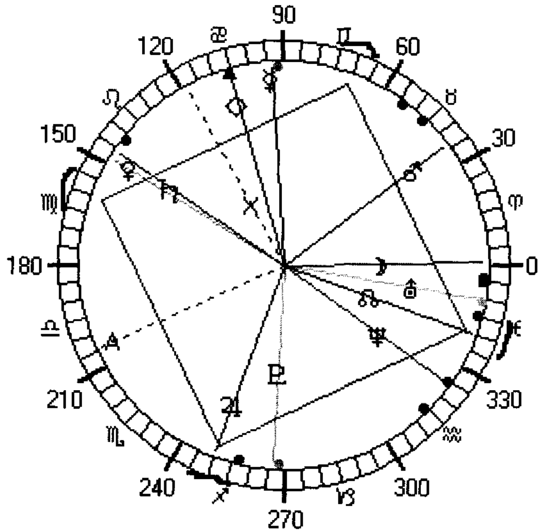
Here is a list of the aspects we need to consider on this day:

Jupiter-square-Node
Venus-trine-Pluto
Saturn-trine-Pluto
Saturn-oppose-Neptune
Moon-square-Pluto
Venus-conjunct-Saturn

Neptune-sextile-Pluto
Mercury-sextile-Mars
Mars-sextile-Node
Venus-oppose-Neptune
Moon-square-Mercury
Sun-trine-Uranus
Mercury-sextile-Venus
Sun-trine-Node

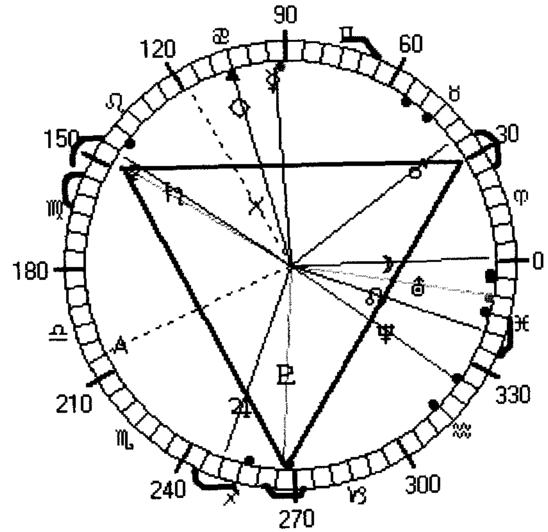
So there are 14 aspects that are going to be active on this day. Each one is going to create its own energy signature on our ephemeris. What we need to do is go through each aspect, one by one, and figure out what its energy signature is and what degrees of the wheel it is charging up. I'll use a simple count that will tell us how many energy signatures fall on a particular degree. So if one degree is getting energized by only one of these aspects, it will have an energy count of 1. If another degree is getting hit by five of these aspects together, it will have an energy count of 5.

Let's begin with the first aspect in our list, Jupiter-square-Node:



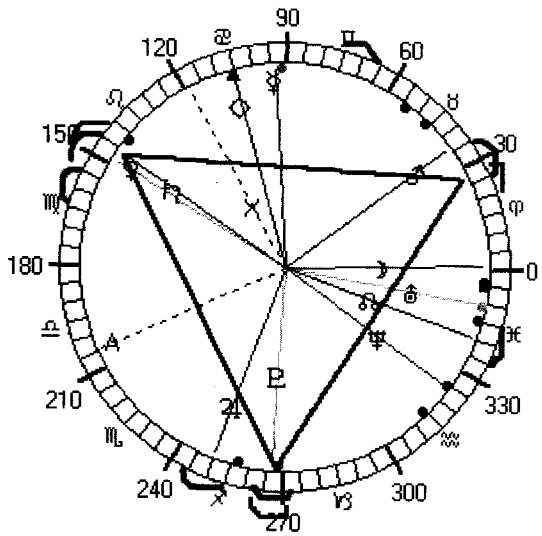
The Jupiter-square-Node aspect creates a square shape on our ephemeris wheel, and each corner of that square holds some energy. I've drawn in some lines at each corner, extending five degrees from exact to show the energy generated by this shape.

Next, we have Venus-trine-Pluto:



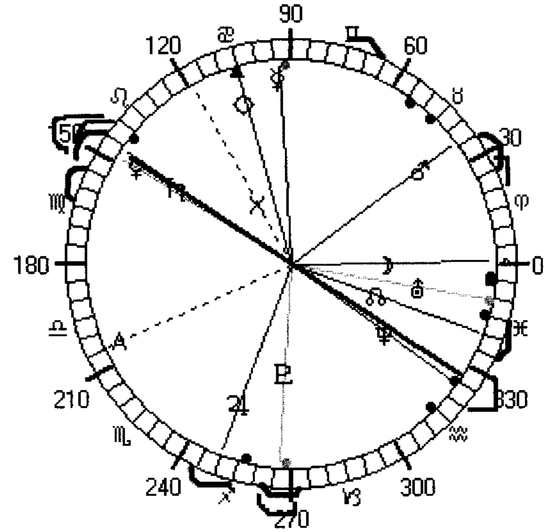
Venus-trine-Pluto creates a triangle, so each corner of the triangle gets some energy. I've added this energy to our ephemeris with more thick lines. Note that the lines from the previous square shape have been left in. What we are doing is building up a composite.

Next comes Saturn-trine-Pluto:



You can see that this triangle is almost exactly the same as the last one. That's because Venus is on top of Saturn, so both of them are trining Pluto. We need to add each aspect separately though, so that actually counts as two separate triangles. You can already see how the energy is starting to cluster in certain areas of the chart. In particular, 150 degrees seems to be a hot spot.

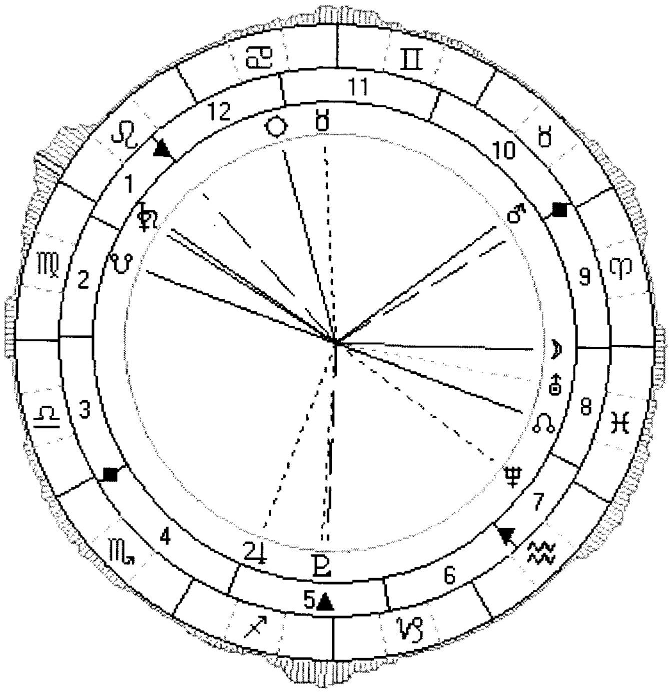
Saturn-oppose-Neptune comes next:



Since an opposition is a division of the circle into two parts, the shape created by this aspect is actually just a straight line. Both ends of the Saturn-Neptune line we just plotted generate energy, and you can see that 150 degrees is definitely building steam according to our energy calculations. In comparison, a conjunction would only put energy at one place in the entire wheel, as it represents the first harmonic, or dividing the circle by one.

And so the entire process continues, and we mark down the parts of our wheel that are energetically charged from all of the different aspects in our list. Every aspect is associated with a particular shape, and every corner of the shape is energetically charged. As we go along, we will slowly build up a picture of exactly where on our wheel the energy lies.

Let's fast-forward, and take a look at the final result:



Up until now, I've been using the ephemeris from within the Wave59 program. This particular screenshot is from a different source, so it's arranged a bit differently. It was the grandfather version of the software program found on the CD that comes with this course. Everything is basically the same as in the other ephemeris, except now we have a bumpy histogram that runs all the way around the outside edge of the wheel. This histogram represents the energy count as found using the same method as just described.

It shows where the energy has gathered on the ephemeris, due to a blending of all aspects happening at that time. Notice the large bump by Saturn and Venus, in the upper left corner of the wheel. That's our 150-degree point, and there's tons of energy there.

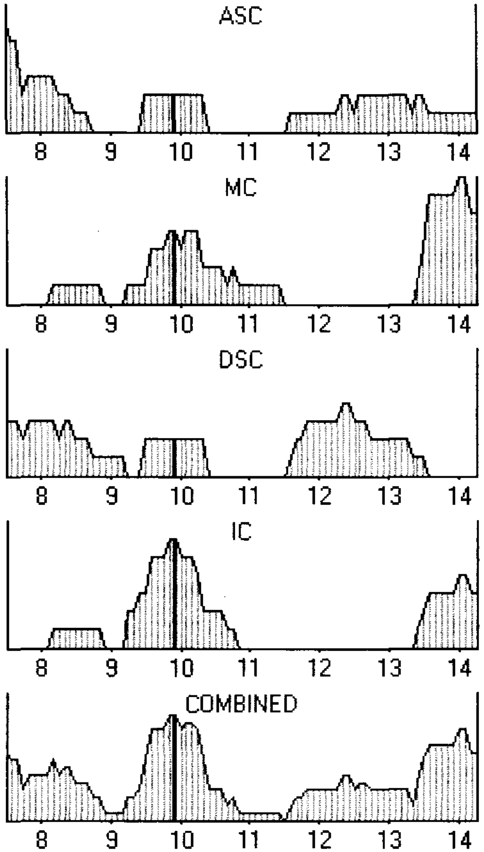
You can see that there are other energy clusters as well. There's a pretty big one at the bottom of the wheel near Pluto, and another at the top near Mercury. Those areas are very highly charged. You can also see areas that are energetically very weak, such as the dead zone between Pluto and Neptune in the lower right corner of the wheel.

So rather than looking for a specific aspect as our setup, we can use our energy calculations instead. We now know exactly how much energy is stored in every single degree in our wheel. All that is required for this energy to be released is for a geographical point, like the Midheaven or Ascendant, to pass over those locations.

Remember from Chapter 2 that there are actually four important geographical points that we can use on our ephemeris: the Ascendant (rising degree), Midheaven (degree overhead), Descendant (setting degree), and Imum Coeli (degree underneath). I'm going to make things easy on myself and shorten them to ASC, MC, DSC, and IC. These are the standard abbreviations used by astrologers, so they should be familiar to most of the readers of this book.

Each of these points will unlock the energy stored in the degree that it is passing through at the time. The Earth rotates at a speed averaging one degree every four minutes, so that's about how fast these points will move as well. At any given moment, each of these points will be passing over a different part of the sky, so to get the net energy being applied to a given geographical location, we have to sum all the energy being released by all four points into a single value.

Here's how that would look:

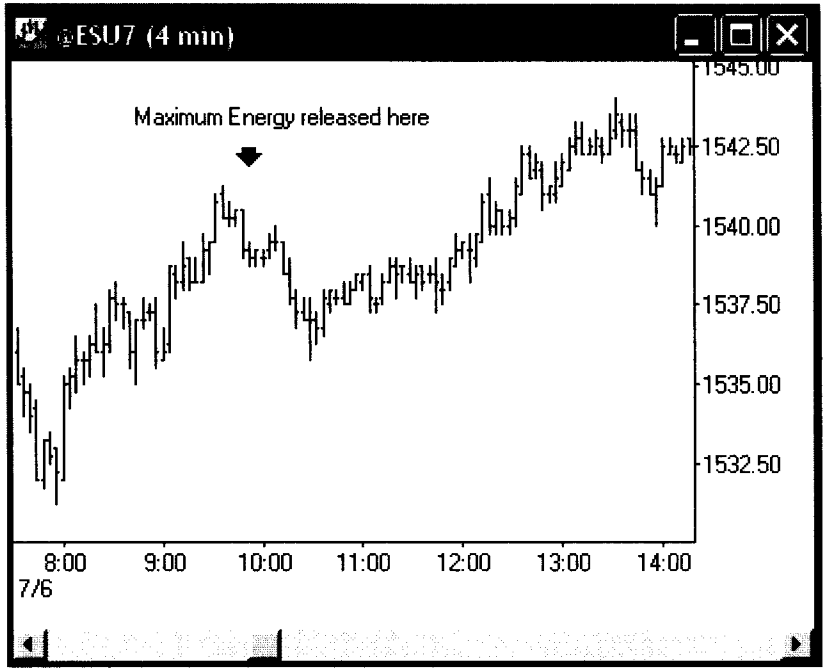


There are five graphs here, and I will discuss each one. First of all, they are indexed by time at the bottom. So the top graph represents the ASC passing through various energy centers on the ephemeris. It starts at 7:30 and ends at 14:15 Mountain Time, which are the hours that the E-mini trades during the day. So if you want to see how much energy the Ascendant is absorbing on this day at 11:00, you just look at the "11" on the time scale, and check the energy plot. In this case, it's a dead time, and there is no energy being absorbed at all.

All of the other graphs work the same way. The second one down shows the Midheaven, the third the Descendant, and the fourth the IC. The fifth graph is the most important one because it shows the combined energy release when adding all four individual points together. So this represents the net energy flow for the day on July 6.

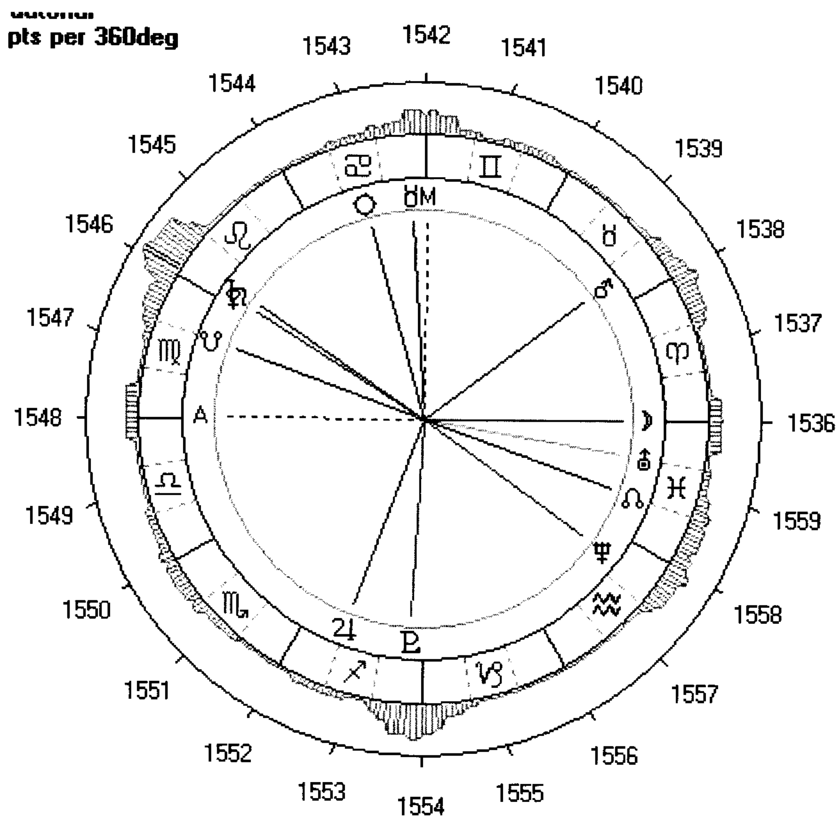
Take a look at that combined graph. At what time is the most energy going to be released into the NYSE on this day? If you said 10:00 Mountain time, you get a cookie. If you figured it out without paying attention to that bold line I put in there, you get two cookies.

At 9:55, New York will move into position to trigger the maximum energy release for the entire day. Something interesting ought to happen at that time in the stock market. Let's take a look:



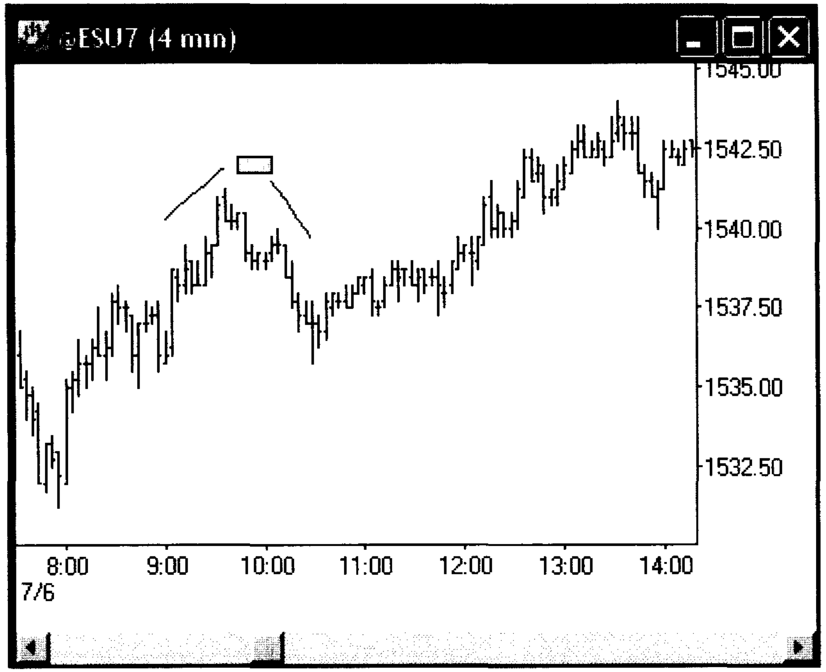
The arrow shows the time in question on the chart above. The market was in an upward trend this day, and you can see that this energy had a negative effect, causing the trend to reverse for a good three hours before it was able to recover and continue.

Just like in the last chapter, we can also use this energy to give us price levels:



This is our energy wheel, and there's a price ring around the outer edge of it. The price ring is the exact same one we've been using, and is scaled at 24 points per 360 degrees. In addition to giving us the times of turns, we can use the energy peaks to tell us the important price levels at which the markets will absorb energy.

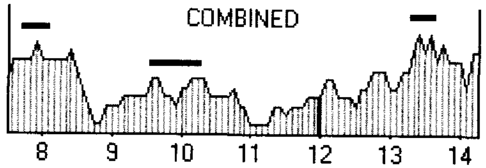
If you look at the wheel above, you can quickly see which price levels will be hot for this day. 1546 stands out as a strong level. So does 1542 and 1538.



The boxed-in rectangle represents our high energy point, in time and price. This is where we expect the market to change direction. This particular target ended up being a bit late and a bit high, but only by 10 minutes and half a point.

Admittedly, these calculations are tedious to do by hand, but once you have the results, it is incredibly simple to determine important times and prices. All you have to do is look for the high energy centers during the day, and you are ready to go. The program included on the CD with this course can do all the heavy lifting, so the process is actually quite simple, and can be done only minutes ahead of the market open to determine what potential trades there are for the day.

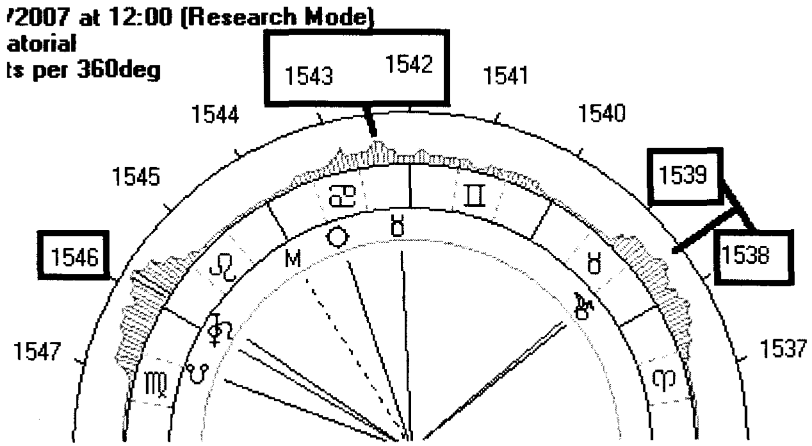
Let's look at a few more examples. I skipped over July 9, so let's go back and examine that day. First, let's take a look at what times we can expect to be trading:



This is the snapshot taken for noon on this day. Certain aspects, such as lunar aspects, will change during the day, so this plot will not remain fixed for an entire 24-hour period. If you want to get a whole day's picture at once, do the calculations for noon. Alternatively, if you have software to do it for you, you can do the calculations live and watch as the plot changes during the day. The basic shape will remain constant, because lots of aspects go into creating it, but it's best to be as accurate as you are able.

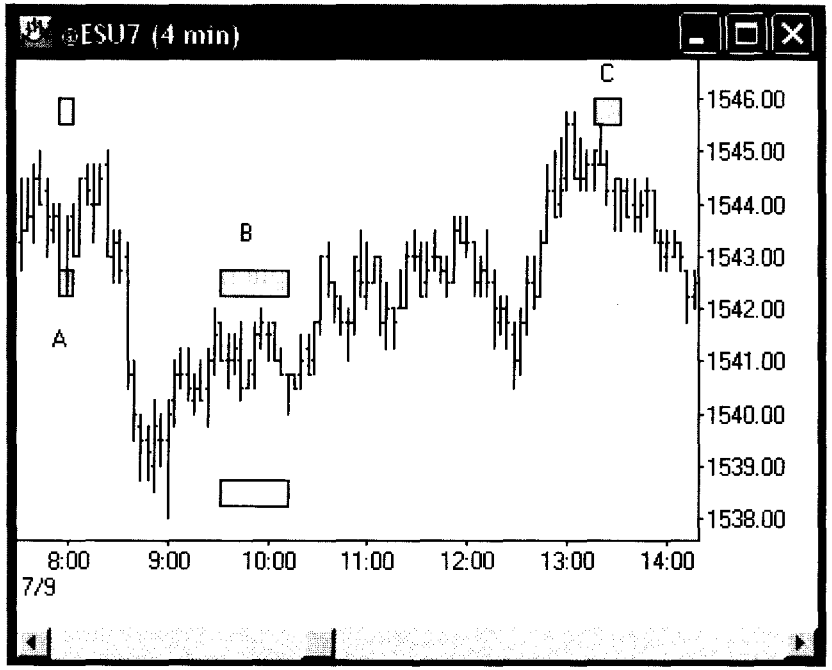
Anyway, there are three energy peaks that jump out at me for this day. The first is at 7:55, the second is from 9:30-10:10, and the third is at 13:30. Before the market even opens, we now know what times we are going to pay attention to, and what times we are going to ignore.

Let's get some price levels to go with these times:



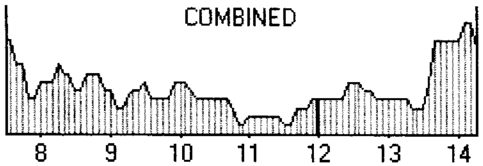
I've chopped off the bottom of the ephemeris, because those prices were off the market and we don't need them. The three price levels that the energy plot tells us to pay attention to are: 1538.50, 1542.50, and 1545.75.

What I like to do during the day is draw rectangles in on my charts to show the times and prices where I expect turning points to form. I give a quarter each side of the expected price, and five minutes each side of the expected time. Then it's simply a matter of reading the market as it moves into these key areas. Here's how that would have looked on this day:



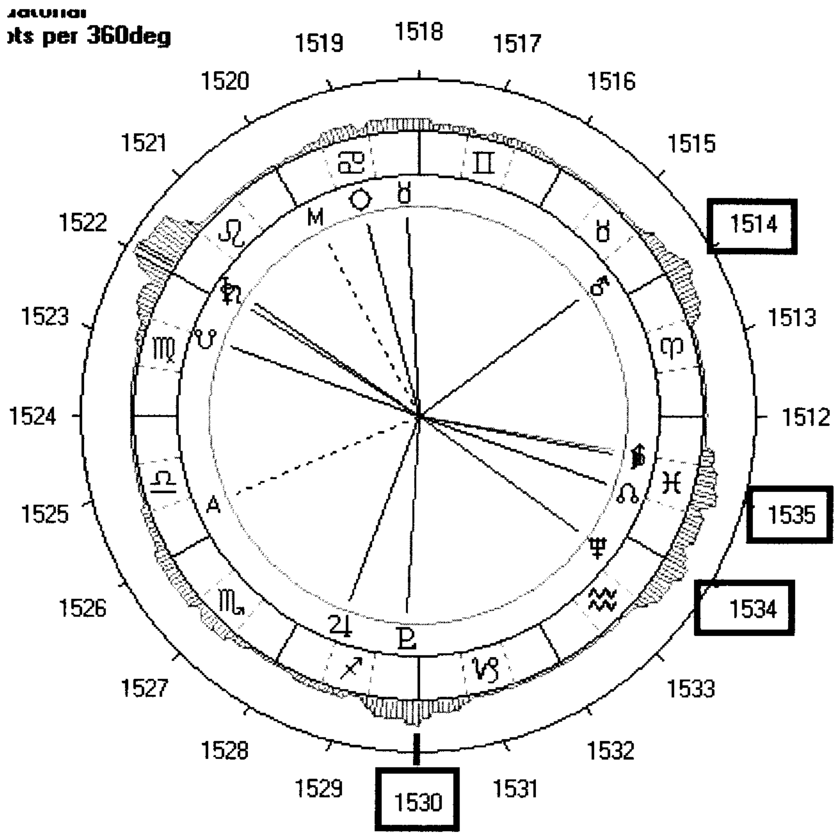
Our three points are labeled as A, B, and C. Point A came only 25 minutes into the day, so it was a harder one to read. If you had looked at the previous day, you would have seen a late rally into this area, so I was actually looking for a sell signal here, although you can see that there was a bounce off that second rectangle down. Point B was a signal for a top that didn't work out, but Point C did catch the high of the day. It was a profitable day, but not a great one. Notice how our prices actually caught the low and high of the day—the low was early, at 9:00, but right at the level of our second rectangle at Point B. Point C caught the high, both in time and price.

Let's continue backwards to the next day we haven't looked at yet, July 5. Here's the time plot for this day:



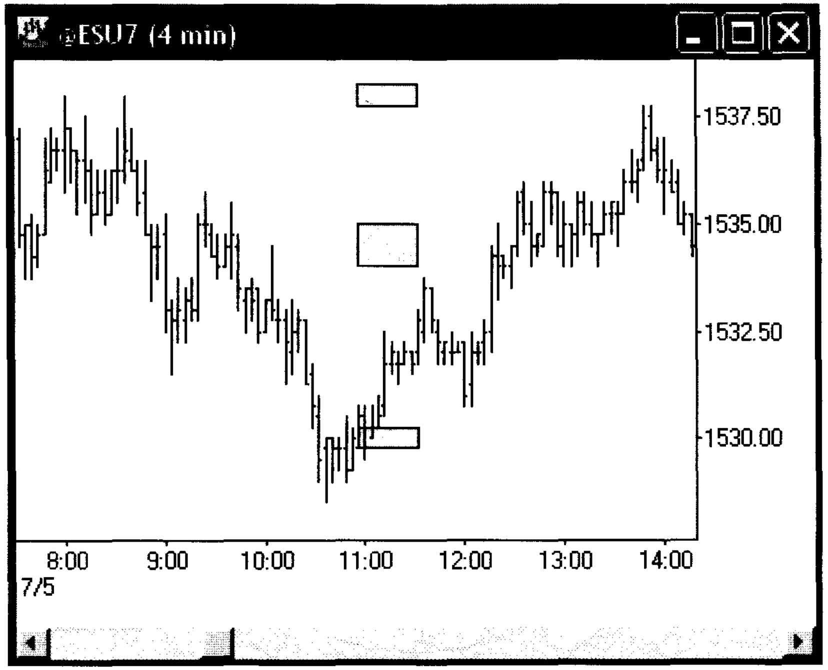
This is a good day to examine because there's not much going on in the way of big energy peaks. There's one at 14:00 at the close, and it looks like there was one right before the open, but only small stuff during the day. Actually, the most interesting part of the day is the low energy period at 11:00-11:30. I usually don't like to trade low energy periods, but markets can turn then too, as long as there's nothing else to lock into.

Let's look at the price wheel and get some prices for this day as well:



I've boxed in the prices that were close to the market. We've got 1530, 1534-1535, and 1538. 1538 is the same as 1514, just in the next price ring up.

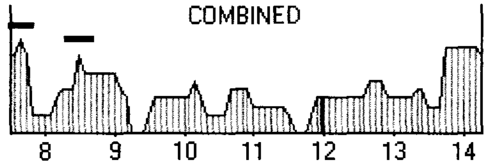
Here's the chart for that day:



Again, these boxes are drawn in for the time shown by our low energy zone, the only feature that stood out this day. In most cases, I probably would have just passed on this day, or used some other tools, but I'd have taken a trade if it had set up just right on that low period. You can see that the market fell into the projected time, telling us to look for a bottom there. The market went a bit below our price, but then climbed back into the rectangle. The breakout above the rectangle would have been the entry.

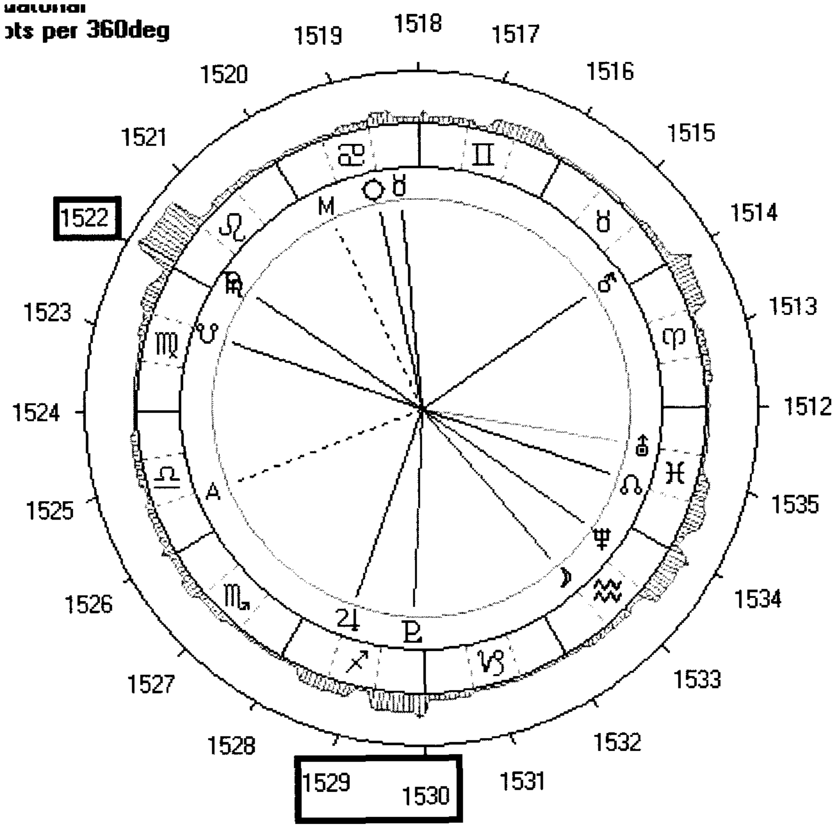
Remember that energy peak at 14:00, at the very edge of our combined time plot? That came in right on time as a high, at our calculated price of 1538. Good to see, but not really tradable unless you're willing to hold overnight.

One final example, as we've got one more full day left to look at in July. This is the time plot for July 2:

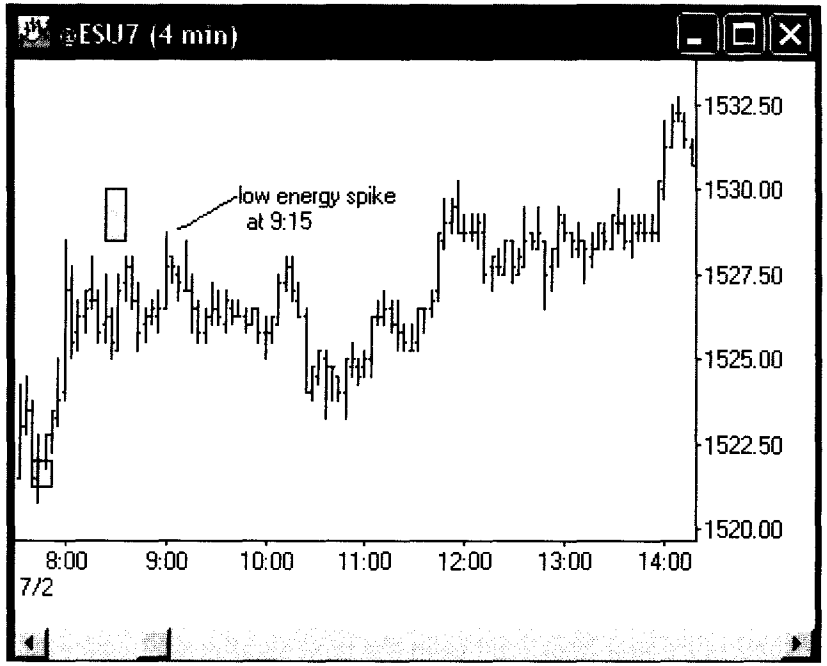


This day is a little choppy as well, but there are two energy peaks that stand out. The first is very early in the morning, at 7:40. The next one is a little later, at 8:30. Both of these have potential to be turning points in the market.

Next step, let's get our price levels for this day:



There are not very many price targets today. 1521.25-1522 is one level, and 1529.50-1530 is another. Since the energy area actually extends down to 1528.25, when drawing the rectangle I'd let it go lower, but ideally would like to see it all the way up at 1530, because that's the highest point of that energy block. The little bump at 1526 is too small to consider, although the cluster at 1534 would be valid if the market could make it up that far.



The market bounced off our first energy box and ran almost up to the second. The market chopped around our turning point time, and you can see from the chart that it was having big trouble clearing that time and price box. We had a zero energy spike at 9:15, and then the market decided to cooperate and the whole thing went down as expected.

If you go over the chart further, you can see that the rest of the day followed the energy plot very closely. The midday low was actually formed on the 10:00-10:40 energy bump on the time plot, we rallied into a hot energy level at 1530, and the final top of the day happened on the late 14:00 energy bump.

If you study the energy plot, you can get a very good idea when certain things will happen, and at what price. I personally do not like to sit there all day and trade back and forth, so I like to just pick the most obvious times from the time plot, and pay attention when those times roll around. The rest of the time, I go do other things. Watching stock charts tick back and forth will hypnotize you into trying to take some kind of action in the markets, and that's not really what you need to be doing with this kind of information at your fingertips. Simply isolate the high energy peaks, and only trade those.

So in this chapter, we discussed a technique that allows us to take a more complete view of the ephemeris. In this method, we don't care about individual aspects or planets, but are looking at the entire system as one organic unit. Each planetary aspect pair adds energy to the mix, but it is the combined effect that we are really interested in.

We'll be discussing more about how this information can be used in trading later on, but in the next chapter we'll take a closer look at the nature of energy in the markets to understand exactly what it is that we're measuring in these calculations.

7. Measuring Energy

What we've discussed in the last chapter is a method to locate the high energy points around the astrologer's wheel, which can be used to find high probability turning points in both price and time. The method works well, and we'll get a chance to use it more when we get into the video portion of this course. For now, let's take a few pages and discuss energy in more detail.

I've been throwing the word "energy" around a lot in this book in regards to markets, in particular looking for times of the day when the energy is particularly high or low. It's an esoteric sort of energy that we've been talking about, but let's think for a minute about the physical world that we live in.

Let's say there was a rock sitting on the ground in the front yard. What happens if we walk up to that rock and give it a push with our foot? The answer is that the rock would move forward from where it was. We can measure exactly how much force we applied to the rock by considering the force of gravity and friction that we've had to overcome in order to move the rock to its new location, and we can come up with an exact numeric value to describe the energy we exerted to do that work.

We can do the same thing with markets. Just as the rock we pushed had a certain mass that had to be overcome, so does the market. If we apply energy to a market in the right direction, the market will move. If we apply a little energy, the market will move a little bit. If we apply a lot of energy, the market will move a lot. If we apply a huge amount of energy, all in one direction, the market will crash. This is what happened during 1929 and 1987—everyone pushed at once, and the market plummeted.

So how much energy does it take for the market to move one tick, or the minimum price fluctuation? The answer actually depends on the volume being traded. So if it is lunch time, and no one is trading, a group of floor traders will have enough energy to be able to move the market up or down a little bit. That's because the volume is thin, so the rock that they are pushing is a small one. But during the first hour of trading, when there are all kinds of orders rushing in, the market is more like a large boulder, and those floor traders will be too weak to push it by themselves. In that case, it takes a lot more energy to move the market.

So to calculate the energy being applied to the market at any given time requires two pieces of information. First, we need to know how far the market moved during that time. Second, we need to know how many shares (or contracts) traded. Once we know both of those two things, we can work our way backwards and determine how much energy was being applied to the market between points A and B.

The formula to calculate market energy is:

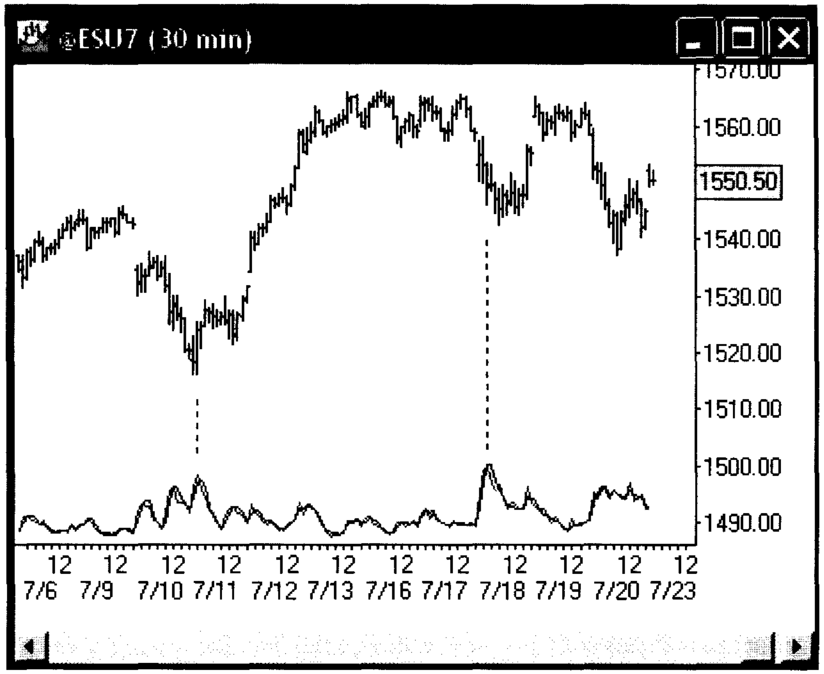
$$\mathbf{E = Price \times \sqrt{Volume}}$$

So Energy equals Price times the square root of Volume. It took me awhile to work out the square root, but that's required because volume is a much larger number than price, and ends up dwarfing it otherwise. You'll see the resemblance to Einstein's famous equation, $E = MC^2$. In our equation, we use volume instead of mass, and price instead of the speed of light, but the relationship between the two variables is the same, although Price is not a constant like the speed of light, but a distance measurement.

So if we were going to calculate the energy applied to the market on a particular bar, we'd first need to add up the entire distance traveled by the market during that bar. So if the market opened, dropped 2 points, rallied 10 points, then fell 1 point to close, it actually traveled $2 + 10 + 1 = 13$ points total price distance on that day. Markets move up and down, not in straight lines.

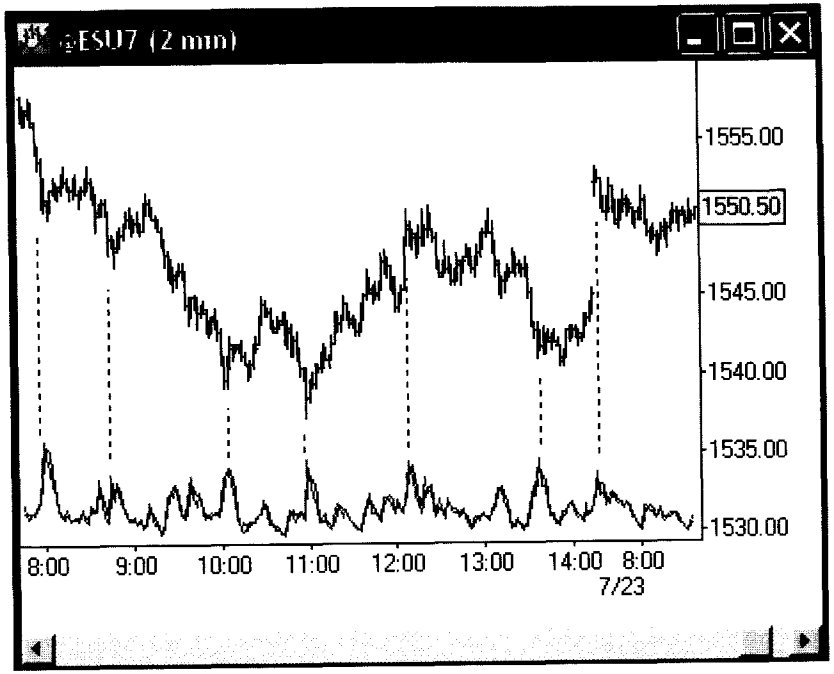
Technically speaking, the market actually moved a lot more than that, ticking up and down all day long, back and forth, back and forth, and each individual tick represents a certain amount of motion. To be exact, we could create a tick chart and measure all the small distances traveled from tick to tick, then add them up to get a total. This gets us a more exact figure, but I've found that the general relative values between different bars don't actually change much by being this exact, so I just use an approximation as described in the previous paragraph.

Once we know how to calculate energy, we can create an energy plot at the bottom of our price charts:



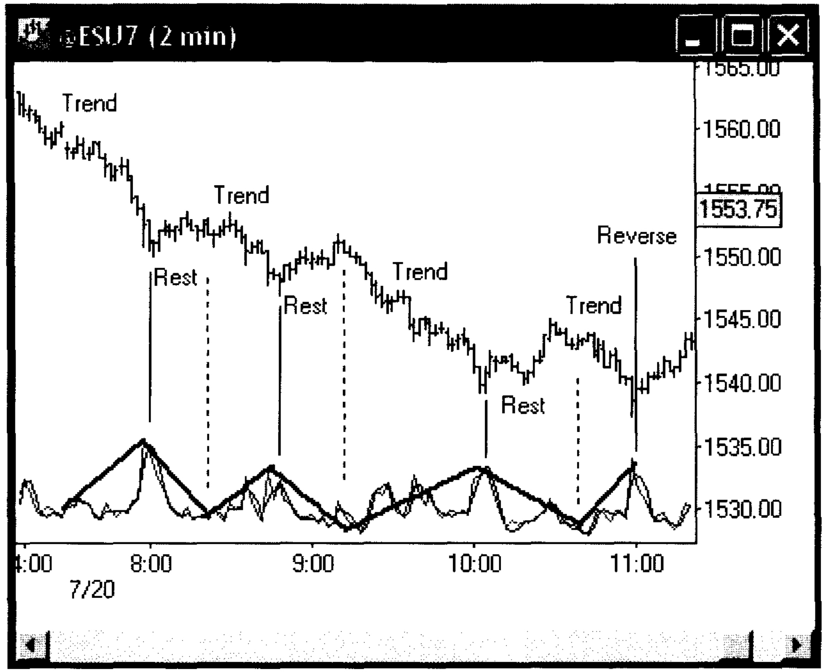
The chart above is a 30-minute chart of the ES. The line at the bottom is the amount of energy present at each bar. So I calculated the total price distance traveled, as well as the volume of contracts traded, and plugged them into our formula to come up with an energy value.

The energy curve moves up and down, showing us high and low energy periods. There were two very high energy periods over this period, and you can see that they both corresponded with turning points in the market. I've marked them on the chart.



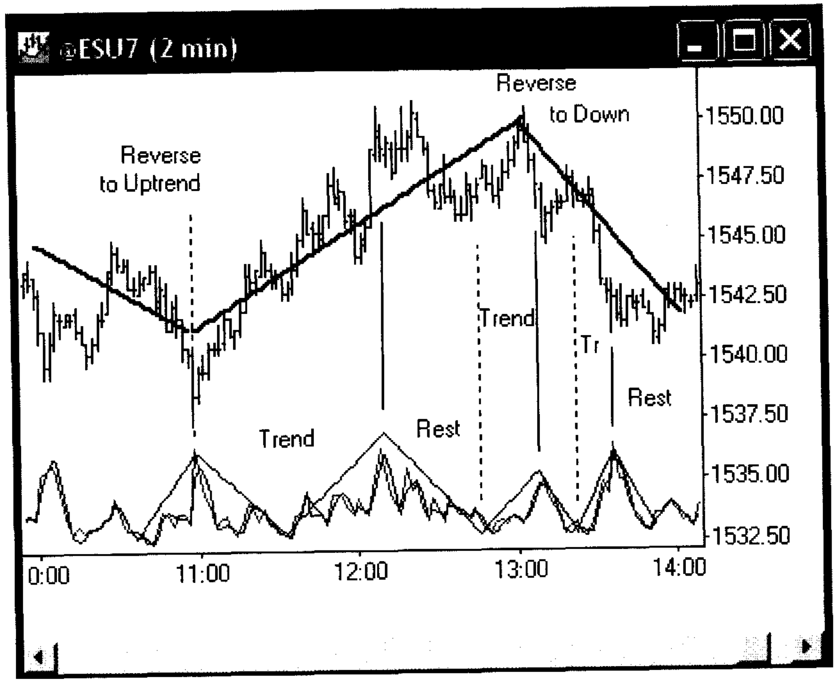
It works the same way on all time frames. This is a 2-minute chart, and the energy plot is shown at the bottom. Notice what happens in the market after the energy spikes to high values. In all cases, a turning point was formed, and the market headed the other direction.

Actually, the behavior of the energy plot is more interesting than just these simple observations. Consider the following chart:



I've zoomed in on the downward trend shown in the previous chart. You can see that the phases of the trend are determined by which way the energy is going. The energy will move up into a peak, during which time the market trends. The energy peaks, and the market makes a bottom. The energy then declines, and the market rests. So all the trending periods are associated with increasing energy, and the consolidation and retracement periods are associated with decreasing energy. I've drawn the cycle in on the chart. Eventually, we will hit our final low on an energy spike, then reverse into an uptrend.

Here is how the next leg up looked:



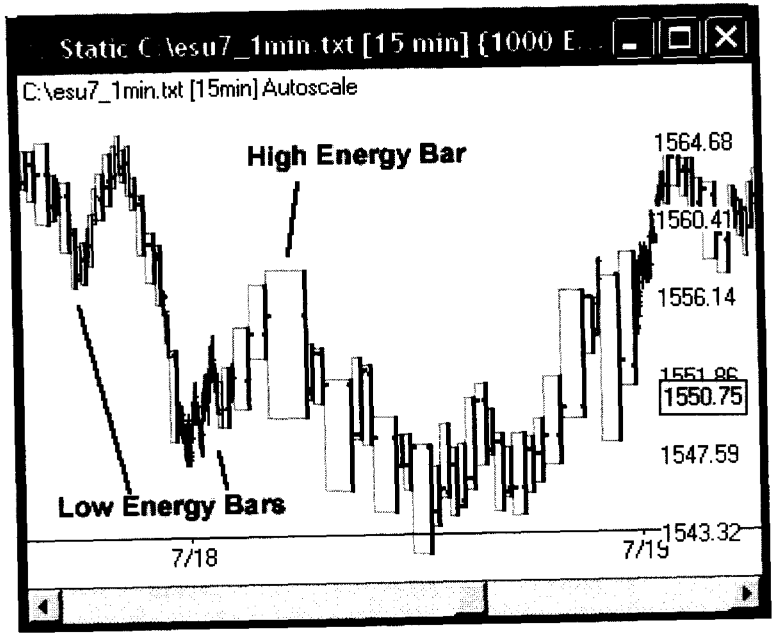
The 11:00 low was the bottom of the previous downtrend, and now we're going to move up. So we have our initial upward push, then the first high comes at an energy spike, where the pattern repeats. Energy drops into 13:00, and the trend rests. It runs again just past 13:00, when we reverse to a downward trend on an energy high and the pattern flips back.

You can watch as the market goes through these various cycles. It's as if the market is breathing. The market exhales, energy rises, and trends form. The market inhales, energy falls off, and trends pause. It goes back and forth: inhale, exhale, inhale, exhale; trend, rest, trend, rest, etc. This is the breath of the market, and explains why finding those energy highs using the astrologer's wheel gives us turning points instead of something else. It is because turning points are always formed on energy highs. Astrology simply gives us the tools to locate them ahead of time rather than waiting for them to form as we have to do when we explicitly measure the energy as in the last few charts.

Now that you know how to calculate energy from the price chart itself, you have a very powerful tool to help you read the trend of the market and determine reversals. Another technique I'd like to share, just for kicks, involves creating "energy bars" or a price chart based entirely on energy itself.

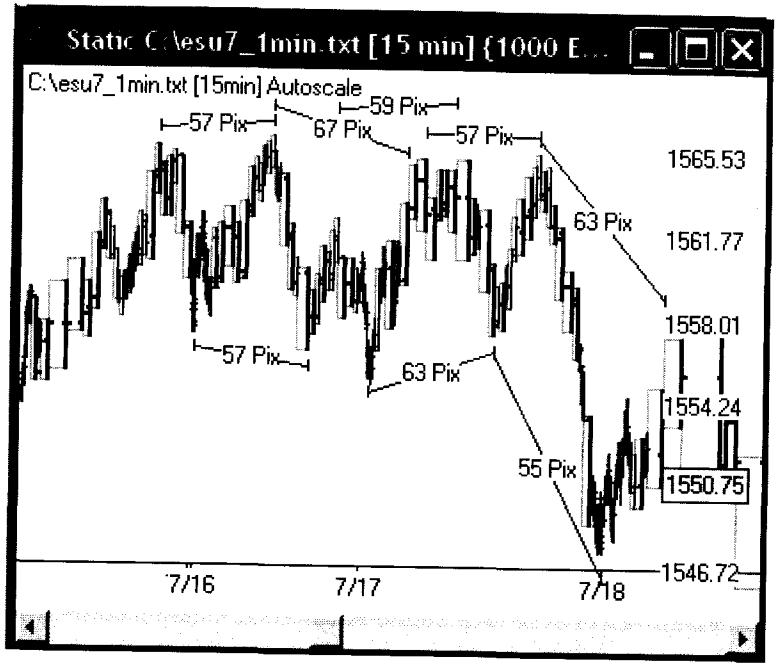
In our normal methods, we create a price chart where the bottom axis measures time, and the vertical axis measures price. This is done everywhere, and should be second nature to anyone who has been trading for even a short while. An energy chart is different in that rather than using time at the bottom, we use energy.

We still move from left to right, and each bar is still worth a certain amount of time, but the width of the bar is based on the energy of the period and not the time passed.

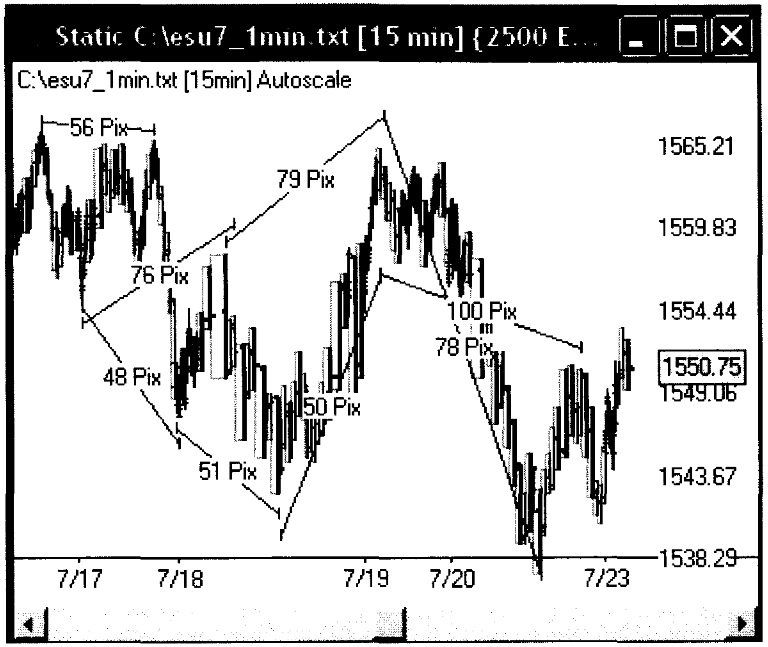


This chart was creating using an experimental program I wrote which draws the bars according to the energy rules just described. Each bar represents one 15-minute period, but it requires a certain amount of energy to progress forward along the chart. So bars with low energy are very skinny, and bars with high energy are very fat. The second area of low energy that I've marked corresponds with the night session, where volume is generally much lower. You can see the difference immediately.

One of the interesting things that we see when we plot energy is that there are various fixed-length energy cycles embedded in the chart.

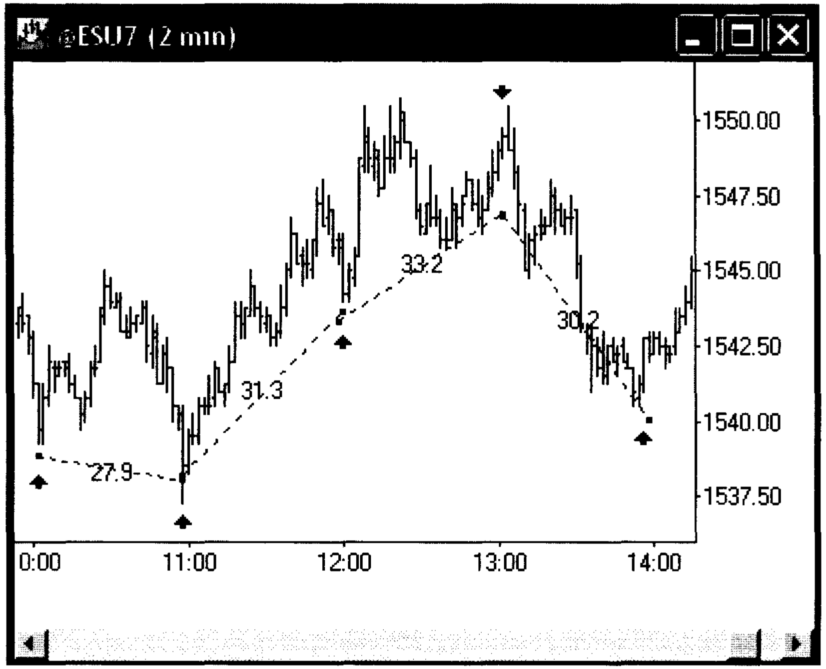


On this chart, there's a very clear 60-pixel cycle going on in the market. Since energy is fixed at the bottom, we can measure in terms of screen pixels. This means that 60 screen pixels, a fixed physical distance, always represents the exact same energy value. You can see it showing up when we measure top-to-top or bottom-to-bottom.



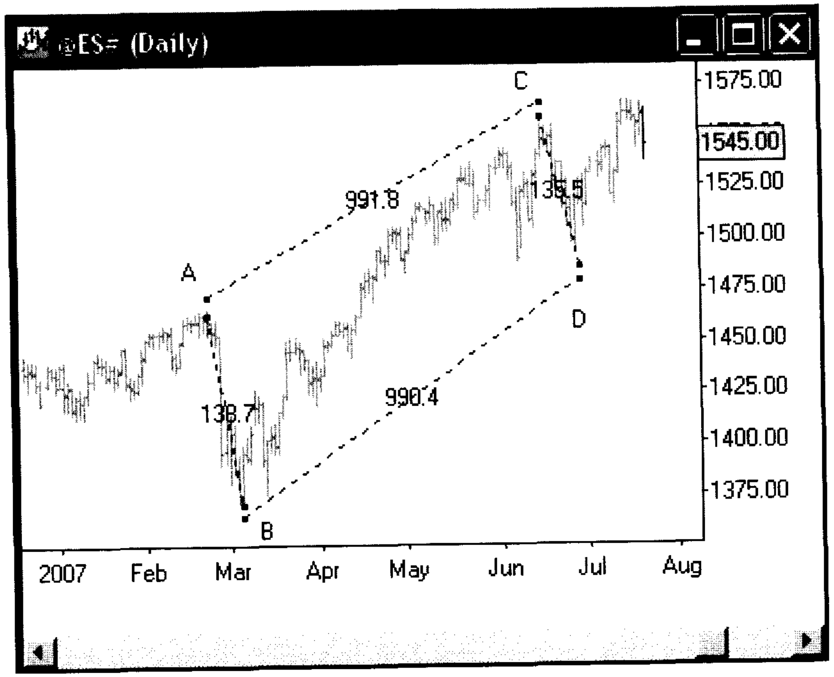
This chart is a longer term view, requiring more energy to move across. You can see there are two clear cycles in the chart. The first is a 50-unit cycle that starts at the first low on July 17, catches another low on July 18, and then the high on July 19. The second is a 79-unit cycle which starts out at the same low as the 50-unit cycle, confirms the last high, and then gets the big low on July 20.

So there is an intelligence in this energy, and the market reacts to it. These charts required a custom research program to draw them, which is not available at this time, but the same results can be produced using the script in the back of this book and Wave59:



In this case, our chart is again based on time, and our script measures the energy between two points. It displays the actual energy value divided by 100, rather than pixels. So there's a 3,000-unit cycle occurring between important tops and bottoms in this 2-minute chart. The arrows describe it clearly.

These energy cycles appear on all time frames. Here's a daily chart:



I said earlier that markets like to echo themselves. This is a perfect example. Legs A-C and B-D are the same length when measured in energy, at 990 units. The declines, legs A-B and C-D, are also of equal length, coming in at 138 units.

The study of energy in markets is a very interesting one, and potentially very rewarding. In this chapter, we saw how energy could be measured in our charts, and looked at how that energy behaved in different situations. The most important point to remember was that market turns usually occur on energy spikes, which is why locating the high energy points on the ephemeris is so powerful. The market is like a freight train, running forward in one direction. It takes a lot of energy to stop that train and turn it around. If you can determine the times in the day when the maximum energy will be absorbed by the market (or by the various traders that make up the market), you'll also be able to determine the times of day when the market will form important tops and bottoms. You can then place trades at those times with a very high probability of success.

8. How to Enter

So far, we've looked at a few techniques that will tell you, with high probability, when a turning point is forming in the market. The techniques are very accurate, and if you go over your charts and practice, you will be able to determine ahead of time exactly where the market ought to stop and reverse direction.

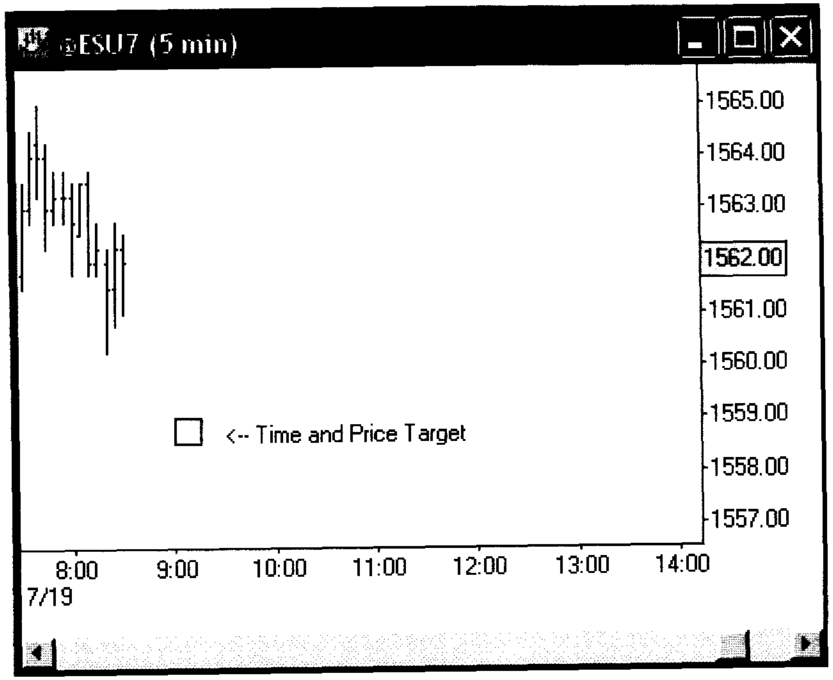
Analysis techniques are great, but you still need to actually place a trade to make any money. Calling the high or the low of the day isn't worth anything on its own—you have to go long or go short to profit from your knowledge. The purpose of this chapter is to introduce a couple patterns you can use to trigger yourself into a position.

Ideally, we would be able to recognize exactly when the market bottomed or topped, and simply enter with a market order and get in very close to the actual high or low. Unfortunately, our tools aren't 100% accurate, and there is always a degree of market noise that is going to make things difficult. This means that, while we can get in close to the top or the bottom, it will be almost impossible to nail it exactly. When using market orders, odds are we will pull the trigger early, and the market will run against us a bit. There's nothing worse than being correct about the market and placing the trade in the right direction, but then getting stopped out only to watch the market go and complete the forecast anyway. I used to do that all the time when I first started out. I'd look at my forecasts, and they were all correct. Then I'd look at my trading results, and see dismal results. The problem wasn't that my tools weren't working, it was that I was always getting in too early and getting stopped out.

If the market is a mountain, and you are a skier, it's always easier to ski downhill rather than uphill. If the market is going to make a top, you want to sell short and ski down the side of the mountain. You don't want to jump off your helicopter early, land on the wrong side of the mountain, and then have a whole mountain peak in front of you that you need to climb over to get to the slope you were aiming for. What we're doing is picking tops and bottoms, an incredibly difficult task which is commonly believed to be pretty much impossible in the mainstream trading community. It is quite possible to trade profitably this way, but you have to be careful.

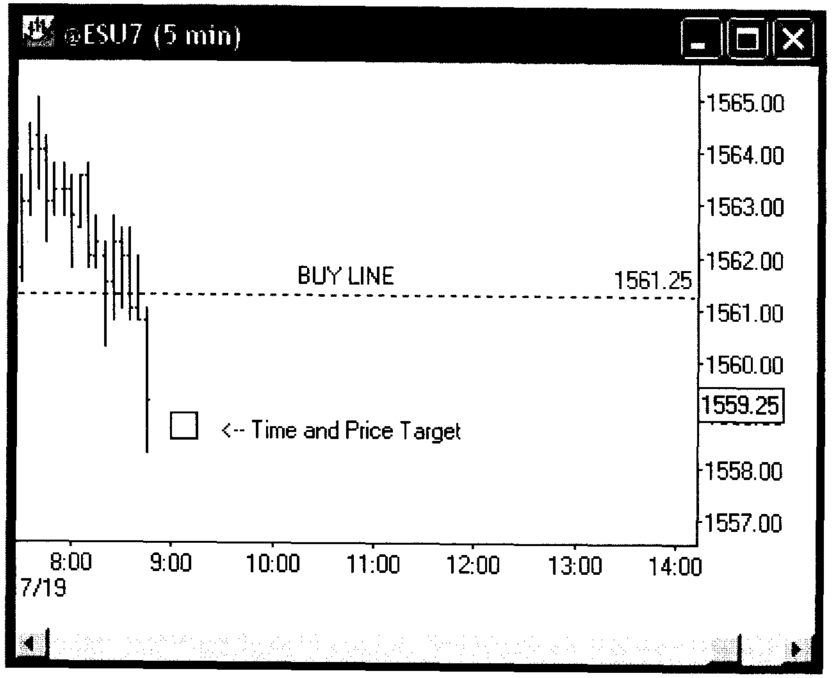
The safest method of entry is to wait until the bottom or top actually comes in, then get in on the move going the opposite direction. You're not going to get within ticks of the absolute high or low doing that, but you're not going to enter early and get stopped out of a good trade either. We're going to wait until we're definitely clear of that mountain peak before we jump out of the helicopter.

Let me illustrate how this is done with an example. On July 19 we had the following situation:



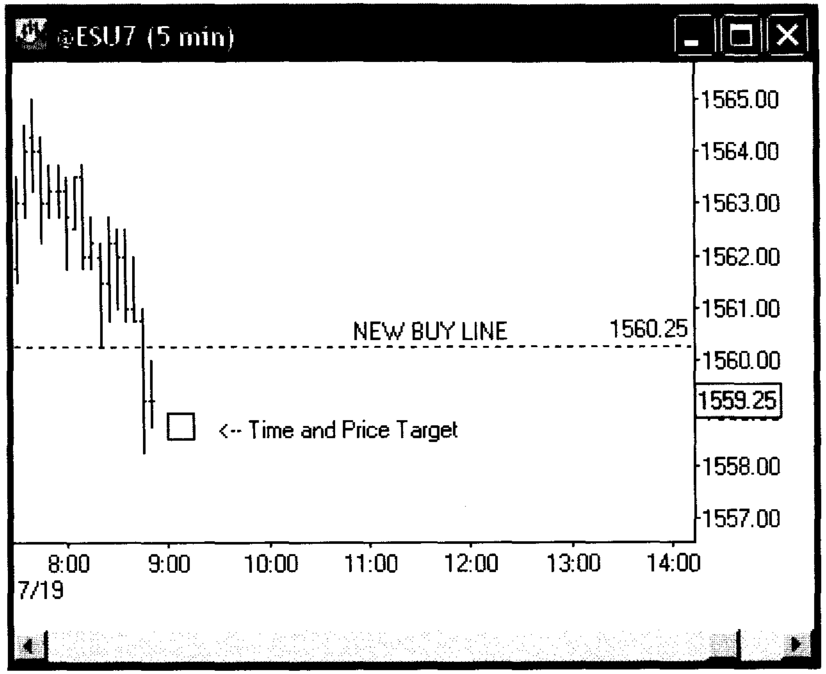
We had a forecasted change of trend time for 9:00-9:15, and a probable price of 1558.50. This was determined using our energy model before the market opened. With this information, we can then draw in our time and price target on the chart, as I've done here.

As the market is declining into this time, we are going to be looking for a low. The market gets to decide the exact low price, but it should be relatively close to what we have calculated. We need to wait until the market gets closer, then prepare for a reversal to the upside.

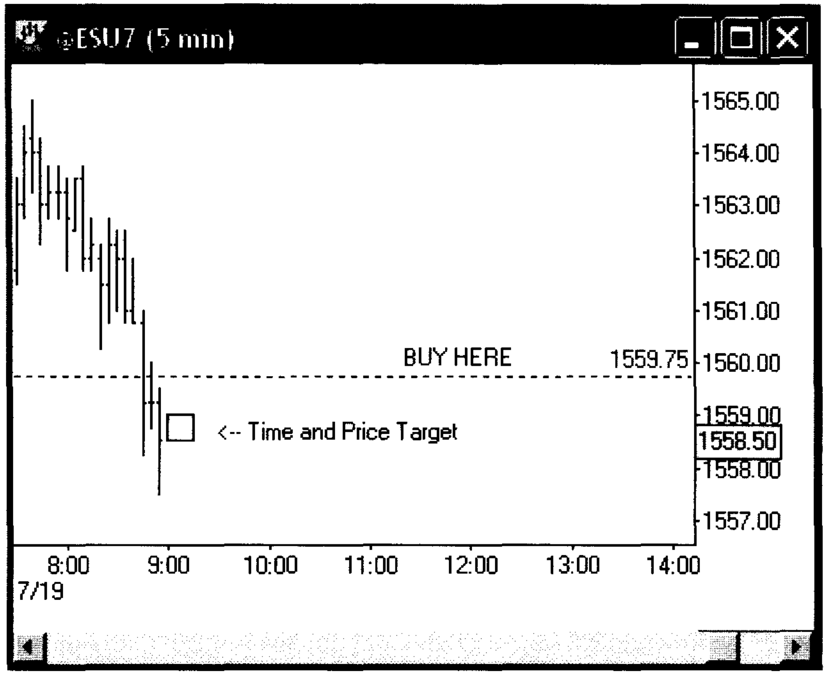


At 8:50, the market fell into our price level, which held. It's still a bit early, but if our target is going to hold, the market shouldn't decline much more than this. The bottom should be near, although we're not sure if it's going to be this bar or not. In any case, it's time to be ready to go long.

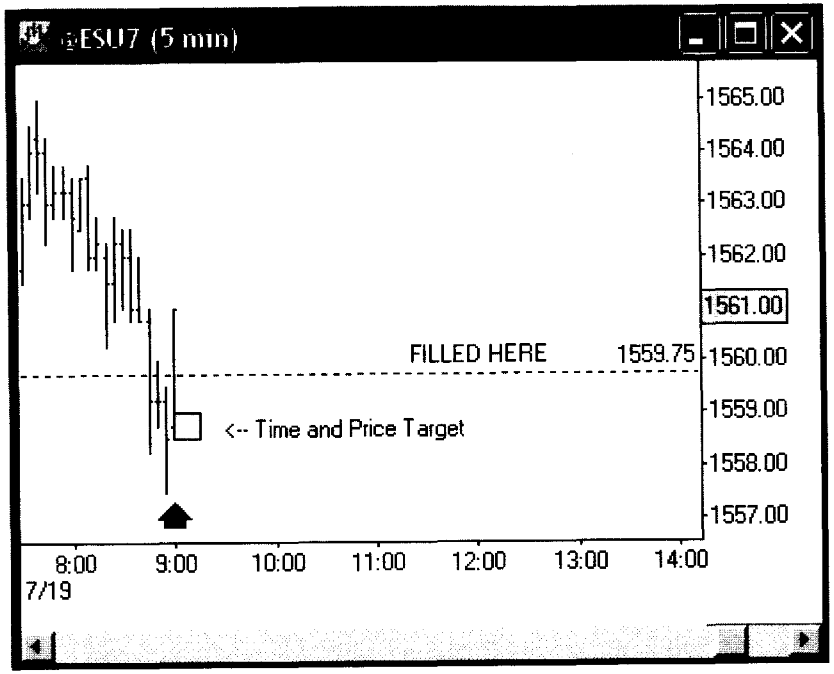
So what we do is enter our buy order one tick above the last high. We want the market to prove to us that it has made a bottom, and to do this we require that it break a previous high at the least. In a strong downward market, it won't be able to break any previous highs. Remember, this is going to be a high energy area, so until the market has actually bottomed and turned, it's going to be moving strongly. We don't actually expect our stop to get filled on the next bar, but it's time to start fishing for the bottom.



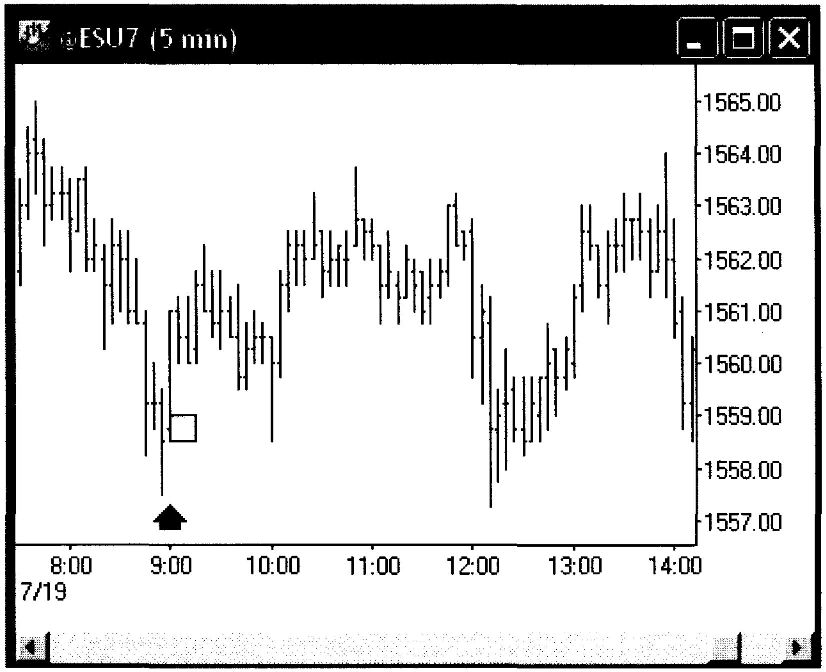
We wait five minutes, and another bar has completed. This bar did not break the previous bar's high, so we simply move our buy level down to just above this most recent high. We'll keep doing this until the market triggers us into a position. If our time and price target gets broken significantly, we'll cancel the order, but otherwise, we want to go long on the bounce.



The market makes a lower low, underneath our price level, but can't close down. We broke past our target by about a point, but that might just be market noise. If we bottomed here, the trade would still be good. But if the next bar goes any lower, I'd cancel this order and look for a low near 1553.75, the next price target down on our wheel.



The market turned and rallied strongly. Our order was filled, and at this point it definitely looks like we caught the bottom.



Here is the rest of the day. We definitely caught the bottom correctly, and had an upward swing into 11:00. We're not going to worry about exits at this point, as they are the subject of the next chapter. The important thing is that we allowed the market to trigger us into our position, and that we had a mechanical way of doing it that didn't require too much thinking.

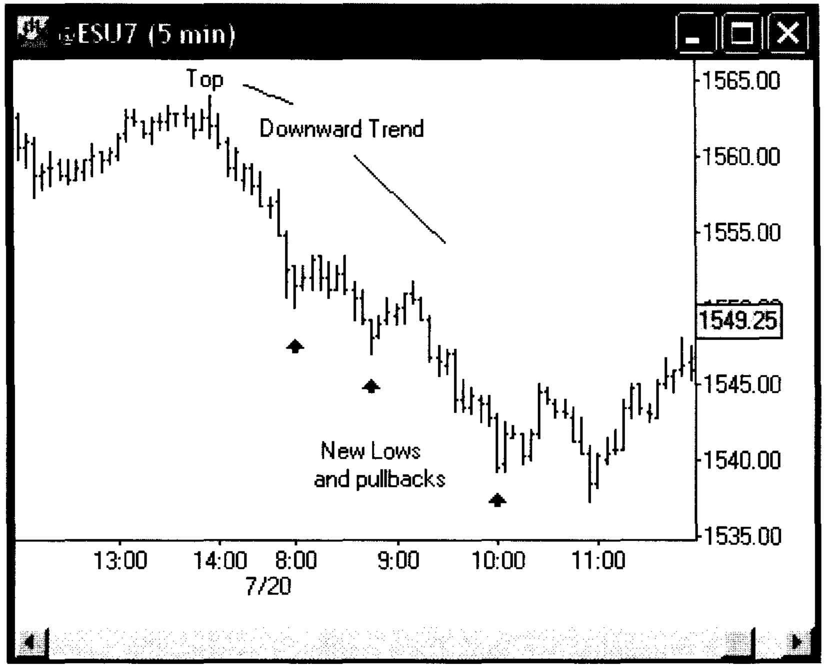
If you're going to make a mistake, odds are it's going to be at the entry or the exit. That's why it's good to have a method to follow at these times. In our case, we just keep moving our buy order down. Once a lower high forms, we just move it above that, and continue until we're in the trade.

If we were going to sell the market, we'd do the same thing in reverse. When we got close to our projected high, we'd just put our sell level one tick under the lowest low of the high bar, and keep raising it as higher lows formed. Eventually, the market will form a top and break to the downside, at which point we'll be triggered into the trade.

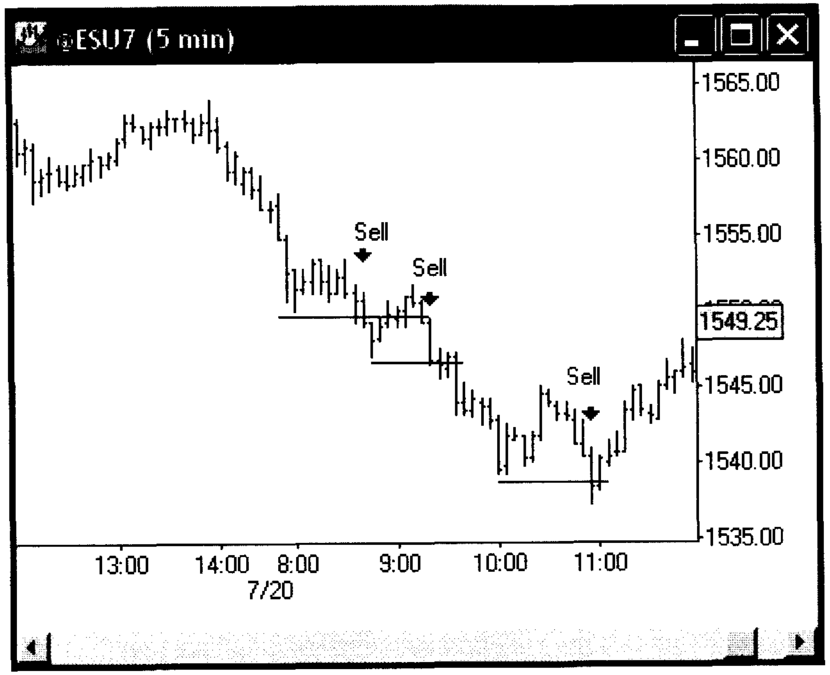
This is the first entry method we'll be looking at, and is used when you think you are right on top of a turning point. It's not always perfect, but it's very easy to understand and apply. We'll call this our basic reversal entry.

The second kind of entry we can use is a breakout entry. This entry always goes in the direction of the trend, and is used to add to positions, or to enter a position if the reversal entry was missed or got stopped prematurely.

In this entry, we look for a pullback against the trend to create a breakout level for us. I like to look for two-bar pullbacks, but technically you really only need one bar. A pullback is defined as when the trend makes a new high or low, then pulls back off that high or low for a few bars. After the market corrects a bit, it will break the current high or low and continue along. It takes a bit of energy to break a new high or low, so if you've identified these breaks correctly, they ought to carry you safely into new territory before a subsequent correction occurs.



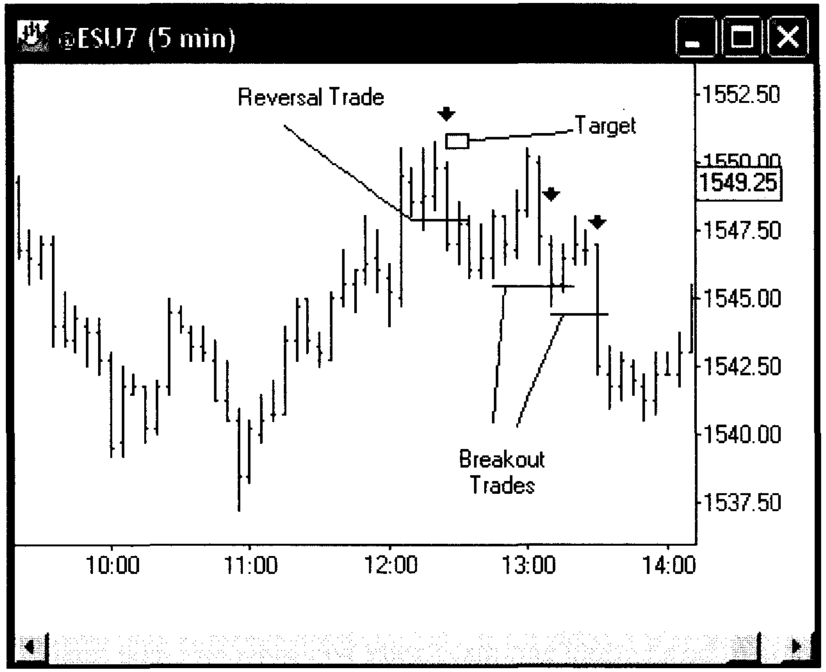
In the example above, the market made a top, and began a downward trend. On the way down, the market formed three pullbacks, marked by the arrows. We had a new low, then at least two bars where the new low wasn't broken. Once those two bars complete, we can use the new low as a breakout level, and we would place sell orders one tick underneath them.



Here's what the sell signals would have looked like. The first two were great, and the third was a loser. You can't keep selling breakouts to the downside because eventually there's going to be a bottom and the market will move up. You really only would use this on the first breakout in the newly formed trend, and you definitely wouldn't do it anywhere near an upcoming energy point.

The idea is that the market will move from one energy point to another. So if you hit the first one, and the trend is young and there's still a lot of time before the next energy point comes due, then you can jump in on a breakout trade. But if the trend is sufficiently mature, and you've already had a couple of breakouts already, it's probably too late and you'd be better off waiting for the next reversal trade instead.

I don't have to go back too far to find a good example of how these two entries can work together. Below is a trade that set up late in the day on July 20. We had a time of 12:30, and a price of 1550.75:



The market rallied into our energy point, telling us to look for a top. It hit exactly on our price level, and was only ten minutes early. The reversal trade was a good one, but (if you were writing a book at the time) you may have missed it. The market only dropped a couple points after the reversal entry before it pulled back. The pullback didn't break the previous high, which tells us that our outlook as this being part of a downtrend is still valid. The pullback therefore constitutes our first breakout level. This level was broken, and immediately a three-bar pullback formed, giving us a second breakout level in

the same area. Both of these are marked on the chart, and either one could have been used to good effect to get in on the trade missed earlier.

The key point to remember about entries is that it's really up to the market to confirm or deny the forecast. If it's going to form a turning point at our forecasted time and price, then let it actually demonstrate that before you jump in there with a trade. If the market smoothly blows past your price level, then you don't really want to be in on that trade anyway. Let it prove you right by breaking a previous high or low before you take a position. The same with a breakout trade—let the market pull back and actually demonstrate that it's going the right direction by breaking a previous support or resistance level. If it can't break those pullback levels, then it means you are wrong about the direction of the trend and shouldn't be in the trade.

The reversal and breakout entries are very mechanical, so they work well when you're under stress or time pressure. After you've identified the time and price at which you would like to trade, and the market looks to be confirming your projections, then it's best to take your thinking mind out of the game and just execute a predetermined entry strategy. If you think too much about it and try for market orders at the right spot, you'll probably mess the whole thing up anyway, so just let the market tell you where you ought to enter and you'll be much better off and trading will be much more stress free.

9. How to Exit

In the last chapter, I recounted how at one point I had been having difficulty being profitable even though my analysis was very accurate. It's a strange feeling to get the direction of the market right eight or nine times out of ten, but to still lose money in the end. I kept a detailed trading journal, and would go over the results, and would just shake my head. I figured that my stops must be too close since I was getting stopped on a lot of the trades, so I'd loosen them to avoid the problem, but I *still* wouldn't be profitable. It took me awhile to figure out what was wrong, but eventually I did, and it made all the difference in my trading.

If you look at the trading magazines that are being published today, you'll see an overwhelming emphasis on entry techniques and analysis. It's all about figuring out what is going to happen next, or finding that perfect indicator that will signal you in at the exact top or bottom of a move. I've spoken with traders who have literally spent 15 years or more searching for the perfect entry signal, know everything there is to know about trading techniques, but still can't trade their way out of a wet paper bag. No entry technique will help a trader like this, because it's not their entries that are hurting their results. The problem is they haven't realized the most important rule about actually making money in the markets.

Before I go on, let me demonstrate something very important to you. As I write this, it's July 25. Let's take all the previous days in this month and do a little experiment. First, I'm going to go back and buy the open of the mini SP on every day this month. I'll put a two-point protective stop in, and I'll exit at four points profit. I'll exit on the close if for some reason I'm still in the market at the end of the day. Here are the results:

Buying the Open
18 trades taken
8 trades were winners, 10 trades were losers (44% accurate)
Net profit = +7.25 points ($362.50 per contract traded)

So I made almost $400 per contract this month, just buying the open. I was less than 50% accurate, but I still came out on top. Not the Holy Grail of trading systems by any means, but it's a positive result. Now let's turn it around and sell the open instead. Using the same rules—two point stops, take profits at four points, exit on the close—these were the results:

Selling the Open
18 trades taken
7 trades were winners, 11 trades were losers (38% accurate)
Net profit = +6.75 points ($337.50 per contract traded)

Wait a minute. I bought the open, and made money. Then I sold the open, and made money also. Did I use any forecasting techniques to tell me which way the market would go off the open? No. Did I use a mystical astronumerological technique to pinpoint the exact minute that the market would reverse? No. Did I use W.D. Gann's long lost, super-secret, master system, that I paid $10,000 to learn, in order to place my trades? No. All I did was make sure that my winning trades were twice as large as my losing trades. That's it. That's all I did. That's the secret. And over this testing period, I would have made money no matter whether I bought, sold, or just flipped a coin.

If our average winning trade is twice as large as our average losing trade, we only need to be 33% accurate to break even. If our accuracy is anything higher than that, we'll make money. You can see that in both cases in the example above, I was more than 33% accurate, so I made money. 33% means one out of three trades is a winner. If you flip a coin, do you think you'll be able to beat 33% accuracy?

Here is a formula that defines the relationship between accuracy, the win/loss ratio, and what you need to break even in the market:

Accuracy x Average Win = (1 - Accuracy) x Average Loss

If you remember your algebra, you can rearrange this equation to solve for various parts of it. So if our average win is three times our average loss, what accuracy do we need to break even?

First, solve for Accuracy in the equation by moving all the Accuracies to the right side and moving everything else to the left side. The result is:

Accuracy = Average Loss / (Average Win + Average Loss)

So if our average win is three times our average loss, let's plug some numbers in. Average loss = 1, average win = 3:

Accuracy = 1 / (1 + 3) = 0.25

In that situation, we need to win 25% of our trades to break even. That's one out of four. If we do any better than that, we'll make money. To lose money, we'll have to do worse than 25% accuracy. Do you think that you could guess the direction of the market correctly one out of four times? Do you have a tool that could do that for you, maybe a quarter or something? If your winning trades are three times larger than your losses, you'll make money using a quarter. If your accuracy is

anywhere close to 50% in a situation like that, you'll make ***tons*** of money.

So what keeps most traders from being profitable is that they don't understand the relationship between risk/reward and accuracy. As long as your winning trades are larger than your losing trades, you can make money with average and below average accuracy. If your winning trades are smaller than your losing trades, you can lose money with above average accuracy.

I have traders call me up all the time and they all want to know one thing: "How accurate is your system?" I always get a chuckle out of that question, because it tells me a lot about where the trader asking the question is coming from. Accuracy is totally meaningless unless you know the risk/reward ratio that goes with it.

I was having lunch with a good friend of mine, who is also a market analyst and trader, and he was telling me about a particular signal he had found watching one-minute charts of the ES. He told me that this one signal was very accurate—almost 80%—and that he'd just use a large stop which would only rarely get hit. So usually he'd have winning days. I then found out that his stop was four times as large as his profit target, and I knew instantly that he wasn't going to be trading that system for long.

With 80% accuracy, but a losing trade four times as large a winning trade, what is the expectation for each trade?

Expected Profit Per Trade =
(Accuracy x Avg. Win) – ((1 – Accuracy) x Avg. Loss)

This equation comes directly from the ones we were using before. Assuming a win of one and a loss of four to satisfy the risk/reward profile that we know, his numbers are:

$$(0.80 \times 1) - (0.20 \times 4) = \text{Expected Profit per Trade} = 0$$

So his system is right at breakeven. He can trade it until he's blue in the face, but his account won't make any steady progress. In fact, he'll see a drop in value because he's got to pay a $5 commission each time he trades. So it's a good way to stretch your account out to patronize your broker for as long as possible, but it's not a moneymaker. Unfortunately, eventually your account will reach $0 and you'll blow out.

So there's an 80% accurate system that still loses money. Now let's say that my friend figures out the problem, and can get the losing trades down to three times winners without reducing the accuracy. What is his trade expectation in that case?

$$(0.80 \times 1) - (0.20 \times 3) = 0.20 \text{ per trade}$$

Now he has a profitable system. He can expect to make 2/5 of a point each time he trades it. That's less than one tick, or the minimum fluctuation of the ES, with a dollar value of $10. So if his commissions are $5, he can expect to make $5 per trade. Does that sound stable and consistent to you? It sounds pretty dangerous to me…

With average losses three times larger than average wins, what accuracy would we need to break even?

$$\text{Accuracy} = \text{Avg. Loss} / (\text{Avg. Win} + \text{Avg. Loss})$$
$$= 3 / (1 + 3) = 75\%$$

So in this scenario, you need to be 75% accurate just to break even. You need to beat 75% accuracy to make money, and if you fall below it, you will lose. His system is barely above this threshold at 80% accuracy. What happens if he overestimated his accuracy, or if his system has a bad period and loses that 5% edge? Then it goes under, and with losses three times wins, it's going to go under hard. If he takes three losses in a row, it will take nine winners in a row just to dig out of that hole. Very scary, and not a position I'd want to be in.

The point here is that accuracy alone doesn't mean anything. It's the relationship between accuracy and risk/reward that will determine your profitability. In the example I used in the beginning of this chapter, I showed how a win/loss ratio of 2:1 made profits no matter what direction the market was traded off the open. In a situation like that, you can lose a lot of trades and still make money. Every winning trade wipes out two losers, which means that it's much easier to climb out of losing streaks, and there's no huge stress due to needing very high accuracy. If you can maintain a boring old 50% accuracy, your account will grow fantastically.

Imagine if someone came up to you and said, "I've got this coin-flipping game I want you to play. If I flip this coin, and it comes up tails, you have to pay me $1. But if I flip it and it comes up heads, I'll pay you $2". Would you play that game? You bet you would! But that would never happen. No one is stupid enough to offer that kind of game unless they want to give away all their money. But take a look at what you can do in the market. If you can get 50% accuracy, and your wins are twice your losses, you will have recreated the coin-flipping game. You will have created the ultimate money machine.

This is the sort of thing you need to have in mind when you decide how to exit your position. Your goal is not to pick tops and bottoms in the market. Your goal is not to catch every top, or ride the move down from the high of the day to the low of the day. **Your goal is to recreate the coin-flipping game**. You get to decide where your stop loss is, and you also get to decide where your profit-taking level is. So just set the profit level to two times the loss amount. That gives you the payout ratio of 2:1 on winning trades versus losing trades. All that is left is to get the 50% accuracy, and that's what we use astrology for.

This mindset and plan of action will set you apart from almost every other trader. You will have certain times of day that you're going to place your trades, and you know the time and price you need to get in at. Once you're in a trade, you set your stop, set your profit target, and then you walk away. You don't even need to watch the computer anymore. There's no decision-making at that point. You're either hit with a loss, or out with a win, but the odds are on your side and, over time, the account should grow steadily.

The reason beginners fail at this is because they have a natural human need to be perfect. They want to catch every top, and every bottom, and if they aren't able to then they get upset. That's why they cancel out of Wave59—the tools missed a top!! They get so focused on being perfect, and getting all the swings, that they totally ignore the money management side of the game. After a month of trading, you really are not going to care about any of the moves you missed. You aren't going to care about whether or not you get in at the exact high or low tick of the swing either. All you will care about is whether your account showed a profit or a loss. If you can recreate the coin-flipping

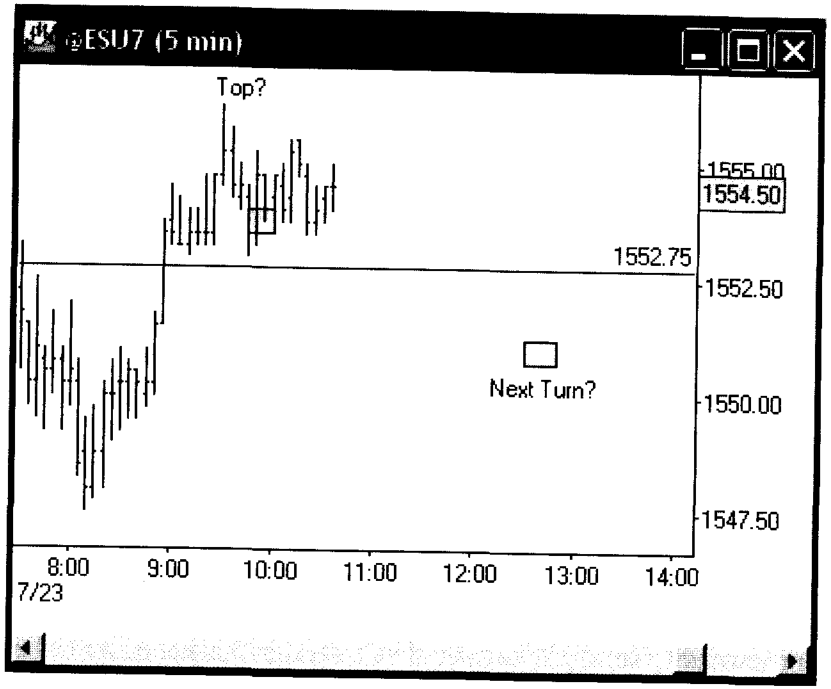
game successfully, your account will show a profit, and that's what this is all about, right?

So now let's take a look at how this would work with the tools that we've discussed so far. Since we're going to set our profit target at two times our loss, everything is really dependent on where those stops are placed. There are two methods to use when placing stops.

The first method is based on a fixed point value. This is what I did with the demonstration in the beginning of this chapter. In that approach, you take some point value, and always set your stops to that. So if we decide our stop value is two points, then we just set our stops to two points off our entries, and set our profit targets to four points. This works well if you have a feel for the market, but you need to be careful for volatile periods because you may find that your stop becomes unreasonably small. What you don't want is market noise to be taking you out of every trade. Imagine trading with a 25-cent stop on the S&P—you'd be stopped out every single trade. So the stop value needs to be researched a bit when using this approach.

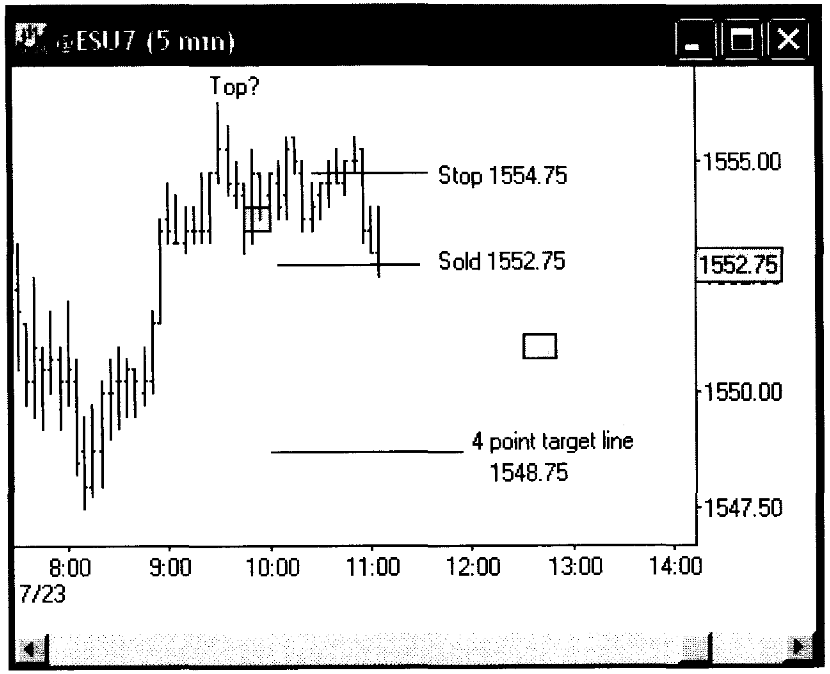
The second method is based on of the chart itself. You put your stop at some important place on the price chart. This course is all about picking tops and bottoms, so if we are at a top, and have just sold the market short, we would put our stop a tick above where we think the top is. So for us to get stopped out, we'd have to be clearly wrong in our analysis, and the market would have to break to higher ground. Our profit level would then be calculated by measuring the distance from our entry to our stop, and then multiplying that value by 2.

Here's an example, from July 23:



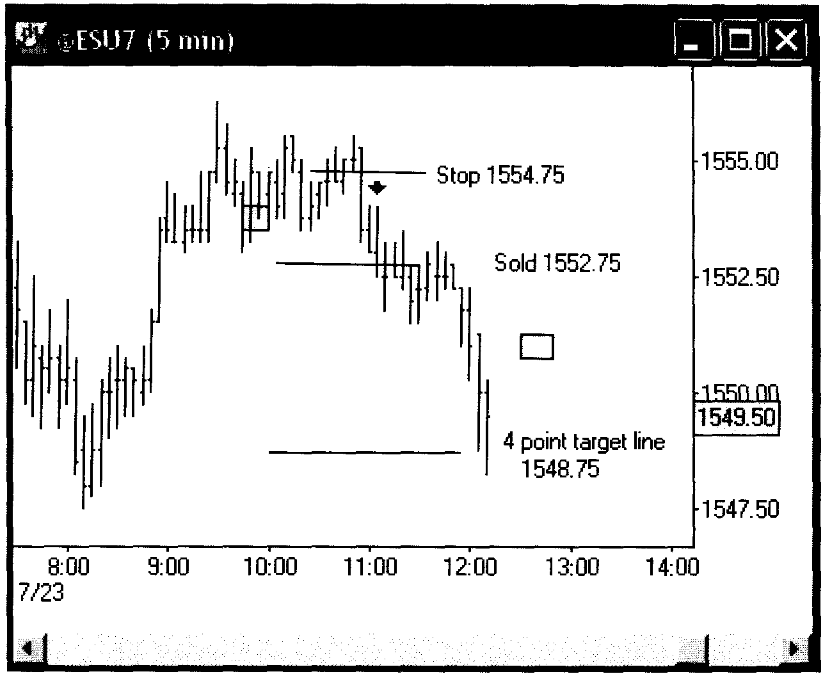
We had a time projection for 9:55, at a price of 1553.50. The market rallied up towards our target, but then moved past and retraced back into it. Although the market declined three bars into our target, we are looking at big swings with this tool, so we really are looking for a top due to the big rally into this period. But it's a bit confusing, since the market did break past us, then declined to bounce up off our target.

We wouldn't have taken a reversal trade here due to price moving past our target level to form the top, but we might be able to take a breakout trade. If this really is a top, the market ran down to 1553.00 then pulled back over the next hour or so. This gives us a breakout level of 1552.75, which is drawn in on the chart. If the market declines that far, we should have a decent move down, as our next target isn't until 12:30.



The market drops, triggering our entry order. I've been personally using two-point stops for about a month now in breakouts, so I'll just use that value. We could also have put it right above the high of the bar that triggered the breakout, which also tends to work. In that case, we'd have a much closer stop and profit target.

So with an entry at 1552.75, we put a stop at 1554.75, two points higher. We then put in a limit order to buy back at 1548.75. Both of these orders should be in the market as soon as you get filled. Get them in there, and tell your broker to cancel the order that doesn't get filled. Then you just wait.



The market dropped, took out our limit order, and now we're flat, with a profit of four points per contract. During the trade, your job is to sit on your hands and keep yourself from doing something stupid. You aren't allowed to take profits early or to change your profit target. When you get stopped out, you're going to get stopped for the full amount, so you need to make sure that when you take a win, you get the full win and not a partial win. A partial win means your risk/reward level is no longer 2:1, and there's no better way to destroy a good method than taking quick profits when you have the chance. A quick profit now means a blown-out account later on down the road, so don't mess with your orders once they're in there!

There are only two things you are allowed to do once a trade is on and the orders have been sent to your broker. The

first is that you are allowed, in certain situations, to move your stop to break even. If the market drops four points to touch your target, but your limit order doesn't actually get filled, then you probably don't want to let that trade turn into a loser. You can move to break even (or slight profit) under that situation. But be careful—don't move the stop too early and get yourself taken out of a winning trade. That's why you're moving the stop in the first place—if it's obviously a winning trade, but the market just isn't going to go far enough due to it being a low volatility day, then it's probably a good move to lock in at least a wash on the trade. Keeping winners from turning into losers is a good practice, especially when the market gets really close to your profit target but just can't quite make it past.

The second thing you are allowed to do once a trade is on is to leave the office. If you know you're going to get all stressed out and mess with the trade if you stay, then just leave. Your orders are in, you've set them up to be OCO orders (one-cancels-the-other), and your job is done. You'll either win or lose, and there's nothing you can do about it at that point. The next trade on the day we looked at would have been at 12:30, so break for a couple hours and go take the dog for a walk, or do something else productive. If you need to "manage" the trade, you might as well go shopping instead. That way at least you'll get something in return for the money that you're going to lose, rather than just giving it to the market for free.

Since I run Wave59 in addition to trading, what I do when my trades are on is just answer emails, or do research and programming. I keep an eye on what's happening on my screen because it's hard not to, but I keep myself busy with other things. Each trade is just another flip of the coin, and you're guaranteed to lose a bunch of those flips, so you can't get too attached to any one trade. You just have to put them on as you see them, get the odds stacked in your favor as best you can, and let your edge leverage itself into profits over time.

10. Position Sizing

You now know the best times of the day (or the month) to place a trade, and you know how to enter and exit your positions. The last thing you need to understand is how many contracts to trade each time you put on a position.

There has been a lot of work done on position sizing, and it is actually quite easy to find information on this subject with a little searching. Risk management, as we discussed in the last chapter, is what will make you profitable. Position sizing is what will let you get very big once you are profitable.

When you usually see a discussion about position sizing, you'll come across all kinds of mathematical formulas. Once you know the exact value of your edge in the market, found by analyzing your trading results, you can come up with an optimal percentage of your account to trade each time you take on a position. By trading this optimal percentage, your account will grow at the maximum rate. Unfortunately, if you don't know exactly what your edge is and you trade larger than the optimal percentage, you are mathematically guaranteed to blow out your account eventually. Playing with models like that is dangerous. Even if you have a commanding edge, you really don't want to be risking 40% of your account on any one trade. I don't care what the math says—that's just a dumb thing to do.

I prefer a much simpler approach. I determine how much money I need to trade a single contract. So if the margin requirement for the ES is $2,000, then I take that value, and add however much I feel I would lose on a bad streak with enough left to be able to pull out and recover. So, for me, that's about $3,000. So that comes out to be $5,000. Now, since we're going to be conservative, and we tend to overestimate our skills and our systems, let's double that value. So we get $10,000.

That means I need $10,000 to trade one contract of the E-mini. For each additional contract, I need an extra $10,000 in my account. So if my account value is $30,000, that means I can trade three contracts.

That's the procedure I go through. Not very fancy is it? If I'm shooting for 4-point profit on the ES, it means every win will be a gain of 2% and every loss will be a loss of 1% of my account. I can live with those numbers. They're not going to give me any ulcers. If I take ten losses in a row, which would be a terrible losing streak, I'd only be down 10% on the account. I'll be miffed about the whole thing, but no one's going to be jumping out of any windows because of it.

The most important thing is that the odds of me getting a margin call are close to 0. I'd have to totally self-destruct, and lose the equivalent of 80 times in a row, to get close to being forced out of the game. If we're thinking in terms of the coin-flipping game, what are the odds of landing tails 80 times in a row? The answer is 1 chance in 1.2×10^{24}. That's a 10 with 24 zeros after it, a really, REALLY, big number. I want to stick around and be able to trade for a long time, so I like those odds!

So what you need to do is sit down and work out the dollar value to be able to trade one contract of whatever it is you are trading. The numbers will vary depending on the margin requirement, and your average win and average loss. If you have a higher average win and average loss, for example if you were trading the daily Dow chart using the Declination System, you will require more in your account to trade a single contract. If, for some reason, you were possessed by unseen forces and had

the incredible urge to day trade Oats, you would require a smaller dollar value, as the margin and average trade would be reduced. Just make sure that each loss is no more than 2% of your account value in the worst case, and you should be OK.

Once you've figured your number out, you take the total value of your account, divide by the dollar value per contract, and you get the maximum number of contracts you can trade. So if you've got $100,000 in your account, you can trade ten E-minis. If you have $15,000, you can only trade one. If you have $4000, then you can't trade any, because you are under the threshold level.

One of the main reasons why beginning traders blow up their accounts and have to leave the game forever is that they tend to be extremely undercapitalized. If you are trading on a shoestring, you can have a great system but still be forced out just by market noise.

Back when I lived in Chicago, I met a guy who was really excited to be a futures trader. He had already bought all kinds of systems and courses, and over the course of 5-10 years he had lost over $100,000 to the markets using all of these different methods. I felt sorry for him, so I gave him access to a Treasury Bond system that I had developed that was extremely accurate.

Over the course of the next month or two, my Bond system was 100% accurate, taking no losses. I was very proud of it, and when my friend called me back one day, I was expecting him to tell me of his success. Unfortunately, it turned out that he blew his account out on the signals. And he did it not once, but *twice* in that month. After he blew it out the first time, he went out and borrowed some money, and just blew it out again right after.

What happened was that this guy was trading with basically nothing in his account. My system was a daily system, so the stops were relatively large as daily bars are much bigger than intraday bars. If the margin for trading Bonds is $2,000, and your account is $3,000, and if the position moves against you by $1,000, you'll get a margin call and the broker will liquidate your trade at the worst possible price. They do that because they need to protect themselves from getting stuck having to be responsible for their client's trading losses. All the signals in the system made profits, but the market did go against them temporarily in the beginning, and kept knocking this guy out of his trades. So he was turning winners into losers.

You need to be able to absorb losses. If you can't even absorb one loss, how long can you really expect to last in this kind of business? You can make money very quickly, but you can also lose it very quickly. No one trade should be able to ever take you out of the game. No one trade should ever be able to even hurt you. A loss should be nothing. You won't like it, but it shouldn't keep you up at night. If a single loss can do that to you, it means you are trading too much for your account size.

The moral of the story is: don't trade with a tiny account. It's better to paper trade and build yourself up until there's a reasonable amount in your account, rather than to risk what you've got when the odds are severely against you. The markets will wait for you. They'll be there in a year or two when you're ready, don't worry. You want the odds to be with you, not against you, so be patient and trade with the correct amount of capital.

Once you do have the correct amount, only then should you trade. At that point, success will be assured, as you'll be running your operations like a business person and not like a gambler. Trading is not gambling. We only trade when the odds are on our side. We don't ever trade when the house has the edge.

So once you have the number for trading one account, you use that to determine how many contracts you are permitted to trade. If you start with $10,000, you trade one contract until you reach $20,000, at which point you increase to two contracts. When you get to $30,000, you then trade three. The magic of this is that it takes half the time to get to three contracts as it did to get to two. That's because your account will grow exponentially.

Let me show you what I mean. Let's say that we are day trading the ES, and that we average 5 points ($250) of profit every week, which is nothing special. So if we start with $10,000, it's going to take us 40 weeks to double the account. At that point, we have $20,000, and now we're going to trade two contracts, so we're going to make 10 points a week now instead of only 5. At that rate, it takes 20 weeks to get up to $30,000, where we trade three contracts. After 13 weeks we get to four contracts, etc.

Account Value	**Contracts Traded**	**Time to Next**
$10k	1	40 weeks
$20k	2	20 weeks
$30k	3	13 weeks
$40k	4	10 weeks
$50k	5	8 weeks
$60k	6	7 weeks

$70k	7	6 weeks
$80k	8	5 weeks
$90k	9	4.5 weeks
$100k	10	4 weeks
$400k	40	1 week

So at first it takes awhile to increase the number of contracts traded. But as the account grows, additional contracts get added faster and faster. When you're big and trading 40 contracts, you get to add a contract every week. This is how you turn a small amount of money into a large amount of money. It's not by selling the high of the day and buying the low of the day, but by being consistent and trading large size. Things are always hardest when you're small, so just make sure to get all your ducks in a row, manage your risk, and trade the appropriate number of contracts. Keep plugging away, and you'll be able to work your way up to join the heavy hitters in no time.

11. The Unmeasurables

At this point, we've covered all the technical aspects of trading that you'll need to succeed in the markets. If you follow the rules and guidelines given so far, you will be profitable. Unfortunately, trading requires a few more skills that aren't nearly as easy to teach.

If you know the time a market will turn, and the price where it will turn, and exactly where you need to put your stop, and exactly how long to stay in the trade to create a positive long-term expectancy, you still aren't going to be able to make any money unless you actually pull the trigger and execute the trade in the real world. Trading is a very difficult game, and trading turning points, like we are doing here, makes it even harder due to the psychological issues involved.

When you trade a turning point, you are basically bucking the crowd. The market is moving up strong, people are buying, and the general energy flow is up. If you sit there and watch the chart, you'll be leaning in the direction that everyone else is leaning. So when the market reaches your projected turning point, you must have the strength to turn around and sell what you think is a rising market. It sounds easy, but it's tough to do, especially after you've lost a trade or two already.

Trading in general requires courage. You've got to be able to do the right thing at the right time, despite fear and greed pulling you in the opposite direction. One thing to realize is that your emotions in trading will always be wrong. When you feel the most fear, that's probably the best time to jump in and initiate a trade. When you feel the most greed, and really want to take those profits, that's the best time to wait and take no action, as it would likely be a premature exit. So fear and greed will be your main obstacles to overcome.

Your emotions will be working against you at all times, so it's important to have rules and procedures in place to guide you. You need to know what to do at any given point in the trading cycle, and you never want to make important decisions on the fly. In my trading, I know exactly when I am permitted to take a trade, and at what prices. This keeps me from being a gambler, and forces me to only trade the situations where the probabilities are on my side. I have already figured out what my risk level is, so I know exactly where my stop loss goes, and the same for my profit target. I put them both in as soon as I enter, and I even have rules for when I am able to move them.

So there are always guidelines to follow. If I start getting nervous, or feel greedy and want to pull a trade, all I have to do is remember to follow the rules and I'll be protected. You need discipline, courage, and emotional control to succeed. I've heard it said that trading is 10% rules and 90% psychology, and I tend to agree with that statement. If you haven't put on any trades at this point in your career, you'll find that your biggest obstacle to profits is yourself. If you can overcome the internal issues, you'll be ahead of every casual trader who tries their hand at timing the market.

Fear and greed come from attachment to the trade. No one trade really means anything. It's the results of many trades that need to concern you. If you are attached to the outcome of a particular trade, then obviously you're going to be upset when that trade turns out to be a loser. But if you don't really care, and if losers are expected, then it doesn't matter so much. It was a loss, but if you're playing the coin-flipping game, do you really expect it to come up heads every time there's a flip? You need

to always keep the bigger picture in mind—an individual win or an individual loss really should really have very little meaning to you, as long as it falls within the context of the rules you have set up before beginning your operations.

One of the best ways to overcome the psychological obstacles is to treat your trading operations as a business. It's not a trip to Vegas, where you're going to hit it big if you're lucky. It's a day-to-day business, with profits and losses. The market is not really the most important thing—it's following your business plan and procedures. Losses are expected, and are built into the plan. The way you judge your success is by asking yourself how well you executed the plan after everything is said and done. If you executed perfectly, you had a good day, even though you may have lost money. If you executed poorly, and made money, it's still not a good day, just a lucky one.

So don't force the trades, follow your plan, and don't get too emotional about individual wins and losses. Just keep plugging away with the odds on your side, and your account will grow. It won't grow in a straight line—it will be up and down—but the trend will be pointing up. Keep a trading journal, and write down your trades as you take them. If you notice a strong emotion making you take a certain action, write that down. After a few months of journaling, you'll be able to go back and identify your psychological weaknesses, which you will then be able to deal with.

This is not a long chapter, because there's not much I can do to help you in this area. I can point out some of the obstacles that I've found in my own path, and that I've heard about from others. I can try to make you aware of these obstacles, but you are the one who will have to overcome them. Everyone is different in this regard, and needs to use a slightly different approach. And some people are just not cut out for trading. I told you about the guy who blew out on 100% accurate signals. Gann wasn't lying when he said that some people would lose money even if they had tomorrow's newspaper. I've met quite a few people who were so out of control emotionally that there was no way I'd ever be able to get them anywhere near profitable. They were just built to self-destruct, they didn't want to work on themselves, and so they stubbornly kept losing until they eventually found themselves broke. The market will eat you up if you let it.

But remember that in order to find yourself down $400k, you first have to find yourself down $200k. And to get there, you have to go through $50k, and $100k. Profits and losses will tell you how well you are doing. If you find you are piling up those losses, you need to eventually stop and review not only your methods, but your psychological framework, because something is obviously not working. If what you are doing is causing losses, and you keep doing it, it will continue causing losses.

So keep that journal and keep a record of your trading results! You can learn a lot from those two things. If you find that every trading day after an argument with your spouse is a losing day, then maybe you just don't trade on those days. You're never going to be able to determine those kinds of things unless you write your thoughts down in your journal. If you know yourself, the markets are much easier to deal with.

12. Conclusion and Next Steps

This course was a little different from some of the other material I've written. Rather than hit you over the head with a dozen complicated trading methods, I've presented only two approaches, each of which is very easy to apply. The Declination System requires watching the turns in the declination curve and longer term curve, and being aware of the halfway points. The Energy Method requires finding the energy peaks during the day, and looking for the market to bounce off important price levels during those times. There are no progressions to watch, no special chart scaling required, and no fancy math. These are two very powerful methods, but at the same time they are relatively easy to implement, which was my goal for this course.

In addition to finding good trades, I've also discussed how to manage the risk once you are in them. This is very important—even more important than finding the trades themselves. If you are a breakeven trader at best, odds are this area is the thing that was holding you back.

I also discussed aspects of position sizing and discipline, and have thrown in some tidbits from my own experience along the way. Hopefully, all of this material will give you everything you need to begin trading profitably. If you are already a professional trader, then you ought to be able to take the timing tools presented and run with them. They may be easy to drive, and require less involvement than some other tools you may be using, but think of them as Lamborghinis with paddle shifters. Just because you don't need to work the clutch doesn't mean you can't still go 200 mph!

The next part of this course is contained in the CDs. The purpose of this book was to give you the nuts and bolts information on how these methods work. So think of it as the theory portion of the course. Now that you know what to do, and how to apply these tools to markets, it's time to get some experience to see how it is done with real money.

Since I can't invite everyone into my office to trade with me, I decided to do the next best thing and make some videos of me using these tools to take money out of the markets. I've opened a special account, and will trade as if I'm a beginning trader, using nothing but these tools. So I'm going to ignore everything else I know about markets except for what I put in this course, and then go forward under that assumption and discuss the trading day as I see it. Yes, I'll be placing real, live trades with this, so you'll get a close-up view of everything—entries, exits, stop placement, etc. That will give you some experience with the methods, as you will be vicariously trading along with me. It should also help answer any lingering questions you might have about any of this, and clear up any areas I might not have explained as well as I thought.

But if you still have questions after reading through this book and watching those CDs, feel free to email me at earik@wave59.com. I'm always happy to answer questions about this material and hear how others are doing with these tools—I love markets and enjoy talking about them. I also invite you to visit the Wave59 community at www.wave59.com. The discussion group at www.wave59.com/idealbb is where we all congregate to share information about trading, so there will be plenty of other traders there who are working with this material. It's a great way to network, meet new friends, and see how others are doing with these tools.

Thank you for purchasing this course. I hope you found it worthwhile, and I hope it gets you started on a very profitable trading career. I've put everything I could think of in here that I thought a new trader would need in order to be profitable, so I really tried to give you as big a push as I was able.

Good luck, and happy trading!

Appendix A: Trading Resources

This is a list of resources that will help you in your trading. You will need a few tools to get started in this business, and this is the list of the tools I personally use and recommend.

<u>Trading Software</u>: Wave59 (www.wave59.com)

What can I say…? I wrote this program and I think it's perfect. Other traders, especially esoteric traders, use it every day to pull money out of the market. It's relatively inexpensive, and contains the most powerful tools you can get at any price. All the charts in this book were created with Wave59. A 30-day trial is available, so give it a shot and see what you think.

<u>Broker</u>: Interactive Brokers (www.interactivebrokers.com)

This online broker is very popular, and has incredibly cheap commissions. You can trade stocks, futures, options, and forex through one account, so it's very convenient. You can plug their data into Wave59, and use it to place trades right off your chart.

<u>Discussion Group</u>: Trader59 (www.trader59.com)

This is a free chat room and bulletin board that we provide as a resource to traders using these tools. Everyone is welcome to join and participate. Some of the most skilled traders that I know visit the bulletin board frequently, so if you've got questions or want to interact with some very talented traders, this is the place to go.

Appendix B: Declination Script

The Declination System in Chapter 4 was created using this script, which works in Wave59. It is provided with the intention that it be used only by authorized purchasers of this course. You can also find it on the software CD.

Indicator: Declinations

```
input: ahead(60),color(blue),thickness(1), show_midline(true),
show_middots(true), midptcolor(red), midstyle(ps_dot),
midline_thick(1);
if (barnum==barsback) {
  lastlo,lasthi=-1;
  lastmidbar=-1; lastmidprice=0;
}
df=DeclinationSystem(ahead);
plot1[-ahead]=df;
color1[-ahead]=color;
thickness1[-ahead]=thickness;
if ((df[1]<df[2]) and (df[1]<df)) {
  lastlo=barnum-1;
  loval=df[1];
  if (lasthi>0) {
    back=(lastlo-lasthi)*0.5;
    offset=barnum_to_offset(barnum-(back+1)+ahead);
    if (show_middots==true) plot_dot(barnum-
(back+1)+ahead,df[offset+ahead],color,3+thickness);
    if ((show_midline==true) and (lastmidbar!=-1)) {
      ref1=trendline(lastmidbar,lastmidprice,barnum-
(back+1)+ahead,df[offset+ahead],midptcolor);
      set_tl_style(ref1,midstyle);
      set_tl_size(ref1,midline_thick);
    }
```

```
    lastmidbar=barnum-(back+1)+ahead;
    lastmidprice=df[offset+ahead];
  }
}
if ((df[1]>df[2]) and (df[1]>df)) {
  lasthi=barnum-1;
  hival=df[1];
  if (lastlo>0) {
    back=(lasthi-lastlo)*0.5;
     offset=barnum_to_offset(barnum-(back+1)+ahead);
    if (show_middots==true)plot_dot(barnum-
(back+1)+ahead,df[offset+ahead],color,3+thickness);
    if ((show_midline==true) and (lastmidbar!=-1)) {
      ref1=trendline(lastmidbar,lastmidprice,barnum-
(back+1)+ahead,df[offset+ahead],midptcolor);
      set_tl_style(ref1,midstyle);
      set_tl_size(ref1,midline_thick);
    }
    lastmidbar=barnum-(back+1)+ahead;
    lastmidprice=df[offset+ahead];
  }
}
```

Function: DeclinationSystem

```
input:ahead;
merc=astro_declination(year[-ahead],month[-ahead],
day[-ahead],time[-ahead],astro_mercury,false);
ven=astro_declination(year[-ahead],month[-ahead],
day[-ahead],time[-ahead],astro_venus,false);
sun=astro_declination(year[-ahead],month[-ahead],
day[-ahead],time[-ahead],astro_sun,false);
mars=astro_declination(year[-ahead],month[-ahead],
```



```
day[-ahead],time[-ahead],astro_mars,false);
jupiter=astro_declination(year[-ahead],month[-ahead],
day[-ahead],time[-ahead],astro_jupiter,false);
saturn=astro_declination(year[-ahead],month[-ahead],
day[-ahead],time[-ahead],astro_saturn,false);
total=merc*6+ven*5+sun*4+mars*3+jupiter*2+saturn;
return total;
```

Appendix C: Energy Scripts

The energy plot and energy counter tools in Chapter 7 were created using these scripts, which work in Wave59. They are provided with the intention that they be used only by authorized purchasers of this course. You can also find them on the software CD.

Indicator: EnergyPlot

```
#formula: energy = volume x price^2 [=sqrt(V) x P]
input: thresh(10), smooth1(2), smooth2(5), tickspetpoint(4),
use_volume(true), use_thresh(true), color(gray), smcolor(red),
threshcolor(green);

energy=Energy(tickspetpoint,use_volume);
ls=leastsquares(energy,smooth1,0);
sm1=xaverage(ls,3);

ls2=leastsquares(energy,smooth2,0);
sm2=xaverage(ls2,3);

plot1=sm1;
color1=color;
plot2=sm2;
color2=smcolor;
if (use_thresh) {
   plot3=thresh;
   style3=ps_dot;
   color3=threshcolor;
}
```

Function: Energy

```
input:tickspetpoint,use_volume;

energy=(h-l);
if (close>open) {
  energy+=(open-low)+(high-close);
}
else if (close<open) {
  energy+=(high-open)+(close-low);
}
else {
    energy+=(h-l);
}
energy*=tickspetpoint;

if (use_volume==true) {
  energy*=sqrt(volume);
}

return energy;
```

Indicator: EnergyCounter
(set 2 hotspots in script properties before building!)

```
input: tickspetpoint(32), divisor(100), use_volume(true),
pad(0.1),color(blue), line_style(ps_dot);

if (barnum==barsback) {
  bar1=hotspot_to_bar(1);
  bar2=hotspot_to_bar(2);
  price1=hotspot_to_price(1);
```

```
    price2=hotspot_to_price(2);

    if (bar1>bar2) {
      temp=bar1;
      bar1=bar2;
      bar2=temp;
      temp=price1;
      price1=price2;
      price2=temp;
    }

    if (price2<price1) tpad=-1*pad;
    else tpad=pad;

    energy=0;
  }

  if ((barnum>=bar1) and (barnum<=bar2)) {
    amount=h-l;
    if (c>=o) {
      amount+=(h-c)+(o-l);
    }
    else {
        amount+=(h-o)+(c-l);
    }
    amount*=tickspерpoint;
    if (use_volume==true)
      amount+=sqrt(volume);
    amount/=divisor;
    energy+=amount;
  }

  if ((barnum==bar2) or (barnum==updating_bar-1)) {
    energy=round(energy,1);
```



```
    ref=trendline(bar1,price1,bar2,price2,color);
    set_tl_style(ref,line_style);
    ref=plot_dot(bar1, price1,color,2);
    ref=plot_dot(bar2,price2,color,2);
    ref=text((bar2+bar1)/2,
          (price2+price1)/2+tpad,energy,color,tx_center,8);
  }
```

Appendix D: The Handbook of Market Esoterica

The tools in this course are based on an original body of research done by Earik Beann of Wave59 Technologies. This research has shown that time, price, volume, planetary degree, and even numbers are expressions of the same energy field that manifests in all freely traded markets. Once this energy is understood, it can be used to pinpoint market turns weeks, months, and even years in advance.

After you've absorbed the material in this course, and are successfully trading, you will want to take your analysis to the next level of precision. At that time, you will need the tools presented in *The Handbook of Market Esoterica*. For more information, visit www.market-esoterica.com, or look in the bookstore at www.wave59.com/bookstore.asp.

A brief outline of that course follows. Yes, I know this is a blatant plug for my other material, but hey, it's my book so I can write what I want! ☺ Seriously, it will give you forecasting tools that are very powerful, and that work hand-in-hand with what you've learned here.

Chapter 1: Introduction

Chapter 2: Magic Numbers

Introducing the idea of resonance and vibration. Every object has a resonant frequency at which it absorbs energy. If enough energy is absorbed, the object will be overloaded and will shatter, just as the Tacoma Narrows bridge collapsed in 1940. Markets have resonant frequencies as well. When a market absorbs enough energy on its resonant frequency, its trend will deteriorate and it will form a turning point. This chapter will teach you how to find those turning points years in advance.

Chapter 3: Volume

This chapter discusses resonance in volume. You will learn about volume cycles, how to measure them properly, and how to use them to pinpoint the end of trends. If you trade stocks, you won't need much more than this chapter.

Chapter 4: Price to Time

You will learn the true relationship between price and time. Without the knowledge of the fundamental truth presented here, the doors to forecasting using market geometry will remain locked forever. Learn how the Crash in 1929 forecasted the Crash in 1987.

Chapter 5: Price/Time

This chapter demonstrates how to correctly measure the energy behind a trend move, and reveals how all market swings are related. You will learn how the same natural growth patterns found in sunflowers and galaxies also works its way through market movements.

Chapter 6: Setting Up the Chart

One of the reasons why modern analysts fail to come anywhere close to the legendary traders of the past is because modern traders have no idea how to draw their charts. If you can't see the road, you can't drive the car. After reading this chapter, you will be able to outperform any RSI or Stochastic oscillator by using nothing more than simple shapes from kindergarten.

Chapter 7: Geometry

How to use the fundamental law evolved in chapters 4-6 to trade the markets. You will learn how to pinpoint tops and bottoms in price and time in any market and time frame. Learn about the ancient Egyptian pattern that pinpointed the high and low of the Crash in 1987, and nearly every other major turning point since then.

Chapter 8: Astro Primer

What did Gann, Bayer, Marechal, and nearly ever other legendary trader have in common? They studied the link between patterns in the market and patterns in the solar system. Astrology has been widely denounced in modern times by the uninformed, but no less than the Federal Reserve Bank of Atlanta has proven the link between cosmic patterns and the movement of financial markets. This chapter covers the basics, as well as a simple tool that has been nearly 100% accurate in forecasting turns in Microsoft over the last few years.

Chapter 9: Intraday Astro Trading

You will learn the link between astro patterns and individual markets, and how to use that information to forecast where a market should go intraday and what time it should go there. You will learn why the same pattern will work on one market and fail on another, and the missing piece to the astro puzzle that keeps most astro traders from being successful.

Chapter 10: Progressions

This chapter discusses an advanced concept based on natural cycles that will reveal the link between past and future highs and lows. The open has been called the most important price of the day, and you will see why.

Chapter 11: The Secret Planet

Learn the closely guarded calculation that will provide the location of an incredibly powerful point used in market forecasting.

Chapter 12: Numbered Squares

This chapter covers Gann's mysterious numbered squares, and demonstrates the application of this and similar tools to market forecasting. You will learn what these tools are really meant to measure, and how they tune into market vibration. You will learn about the vibration rate of the S&P and E-mini futures markets, and which numbered square can be used to track all important price and time levels in these markets. (Nope, it's not the Square of Nine!)

Chapter 13: Number Vibration

In this chapter, we'll look at the link between number cycles, vibration, and planetary positions. You will learn a technique to forecast when a trend will end based on the day it began with very high accuracy. Learn why a particular planetary cycle can work on markets one day and not the next, and how to tell the difference ahead of time.

Chapter 14: Astronumerology

This chapter details a complete forecasting system based on the science of Astronumerology. Most ancient divination tools were meant as ways to track changes in vibration as experienced through a particular individual (or market). This chapter describes an entirely original approach to measuring these influences in markets. You will learn about the intimate connection between time, price, number, and planetary cycle, and how to use it to project market behavior.

Chapter 15: Conclusion