

# Trading Methodology For Turning Points

Introduction.....	2
Background.....	2
Concept of Confirmation and Divergence.....	2
Example: RSI Divergence.....	3
Basic INTER/INTRA Market Analysis.....	3
Example: Gold vs. Silver .....	4
Expression Chart.....	5
Example: C2008N - C2008Z.....	5
Example: $(EC2008H / BP2008H) * 100$ .....	6
Example: Crack - (contracts).....	6
Example: Crack - (continuous).....	7
Discrepancy Signals .....	7
Basic Setup.....	7
Example: Sugar “Disc” Signal.....	8
Choosing the Expression.....	10
INTRA Market Spreads.....	10
Example: Gold.....	10
Example: Soybeans .....	11
INTER Market Spreads.....	11
Example 1: Gold/Silver.....	12
Example 2: Gasoline/Crude .....	12
Example 3: Soybeans/Soymeal.....	13
How to use.....	13
Daily Updates -VERY IMPORTANT!.....	13

## Disclaimer:

There is a risk of loss in futures trading and is not suitable for all investors. Only risk capital should be used when trading futures. Past performance is not indicative of future results.

## Introduction

Expression charts can be employed as a powerful tool to characterize chart patterns, price consistency, confirmation and divergence. A signal can be derived by filtering a futures contract high (low) with an expression chart to reveal failures in price consistency, or discrepancies, to provide what we call a "Disc" signal. If a market is making new highs or lows and the expression charts do not show any divergence, chances are the market will continue higher. If however divergence occurs with our expression charts, this is the "RED FLAG" that a potential price reversal could present itself.

The trading focus is on intermediate term strategies to catch trending price action. In the following you will be shown analytical techniques of price premiums & discounts, along with confirmation & divergence using INTER and INTRA market analysis in the form of a mathematical expression chart.

Applying expression charts to filter price consistency is a powerful analytical technique, which once grasped, just might prove to be the filter to compliment your personal trading methodology.

To help you with the understanding of this unique aspect of looking at the markets, we are providing you a 2 week trial to our services. During the 2 week period, we will post live examples for you to follow. We encourage you to follow these postings on [www.ccstrade.com](http://www.ccstrade.com) and to call with any questions. We pride ourselves in helping our customers anyway we can. However, it is up to you to take the step and call us.

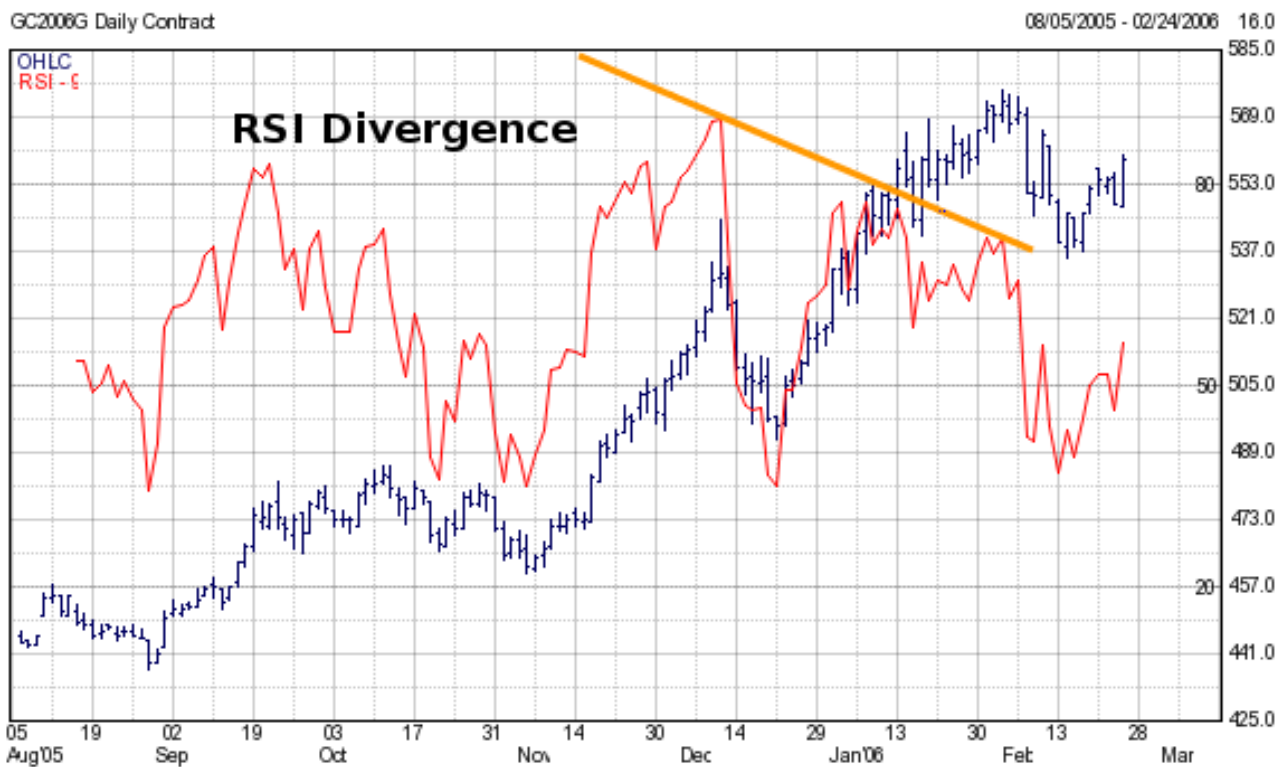
Before we describe how to identify a "Disc" signal some basic background knowledge should be understood.

## Background

### ***Concept of Confirmation and Divergence***

The concept of confirmation and divergence is not new and many ordinary momentum indicators (eg. rsi, macd) are widely followed, however the applications of INTRA/INTER market analysis remains a mystery to many traders.

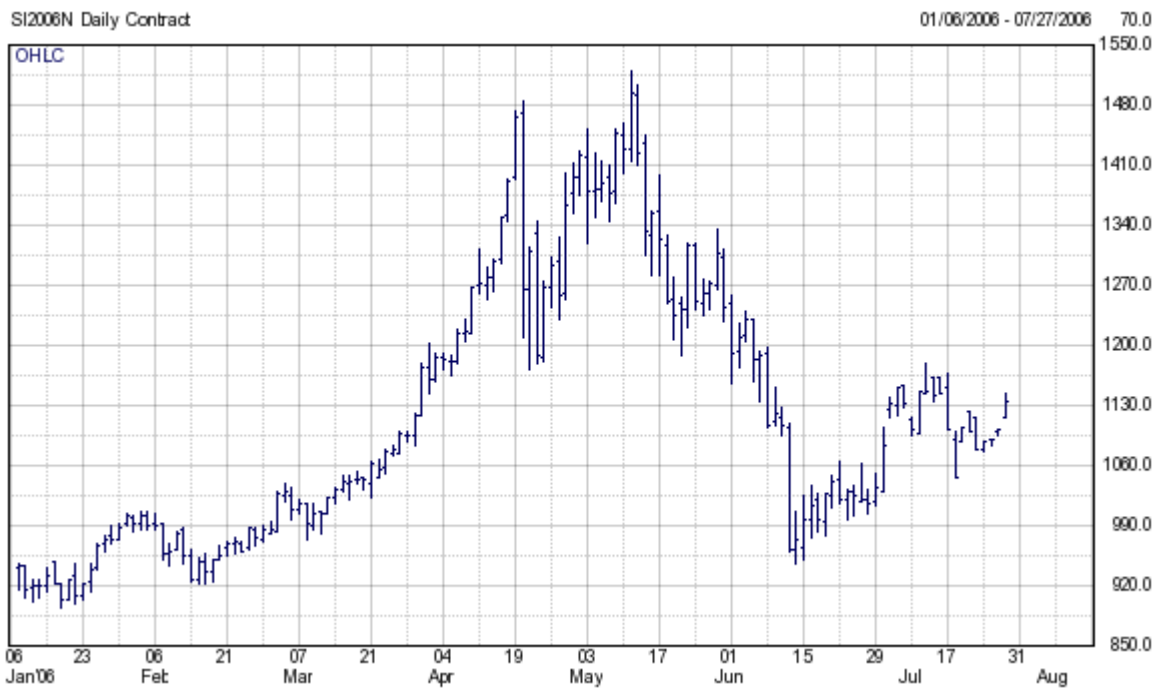
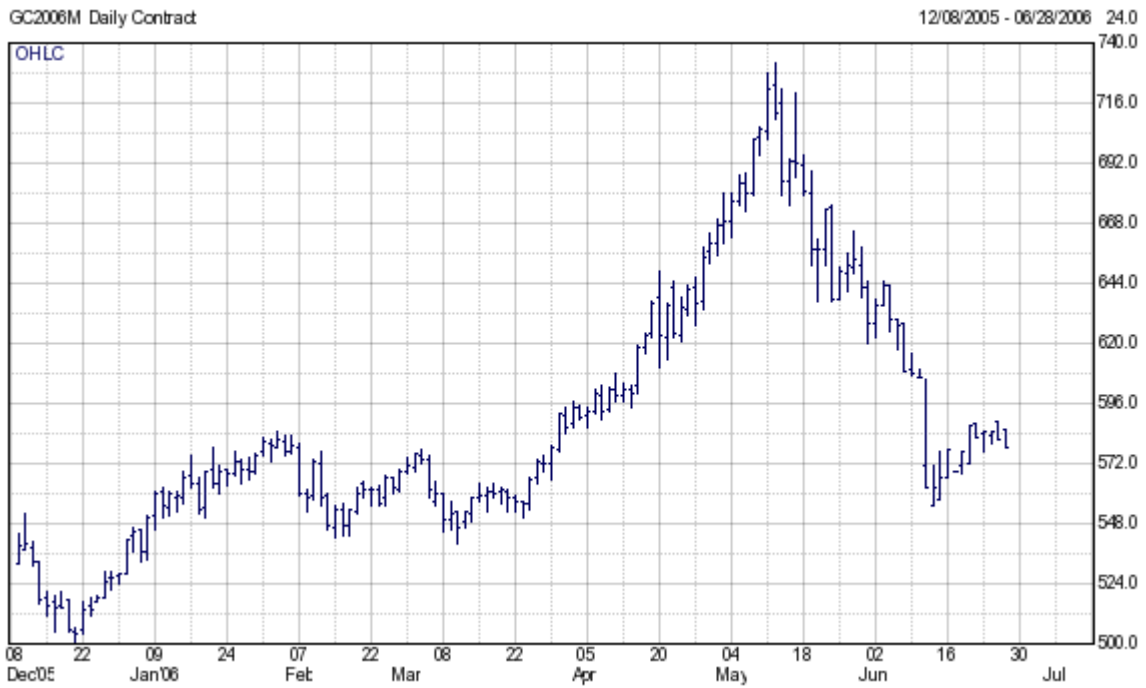
## Example: RSI Divergence



### ***Basic INTER/INTRA Market Analysis***

Basic inter/intra market analysis is common sense and apply to futures markets in many ways. For example, when the cash S&P moves to a new low, that low should be confirmed by the futures markets. Failure to do so signals divergence, a sign of a pending price reversal. Similarly, related markets, such as the metals markets, one can expect new highs or lows to be confirmed by other contracts as well.

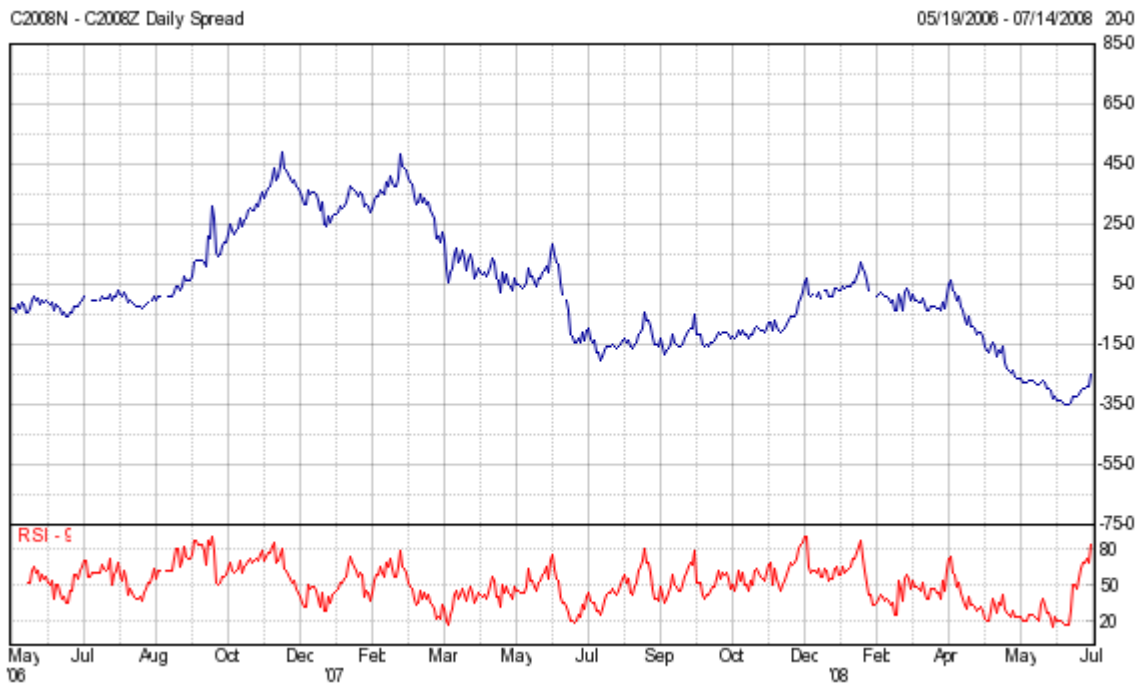
# Example: Gold vs. Silver



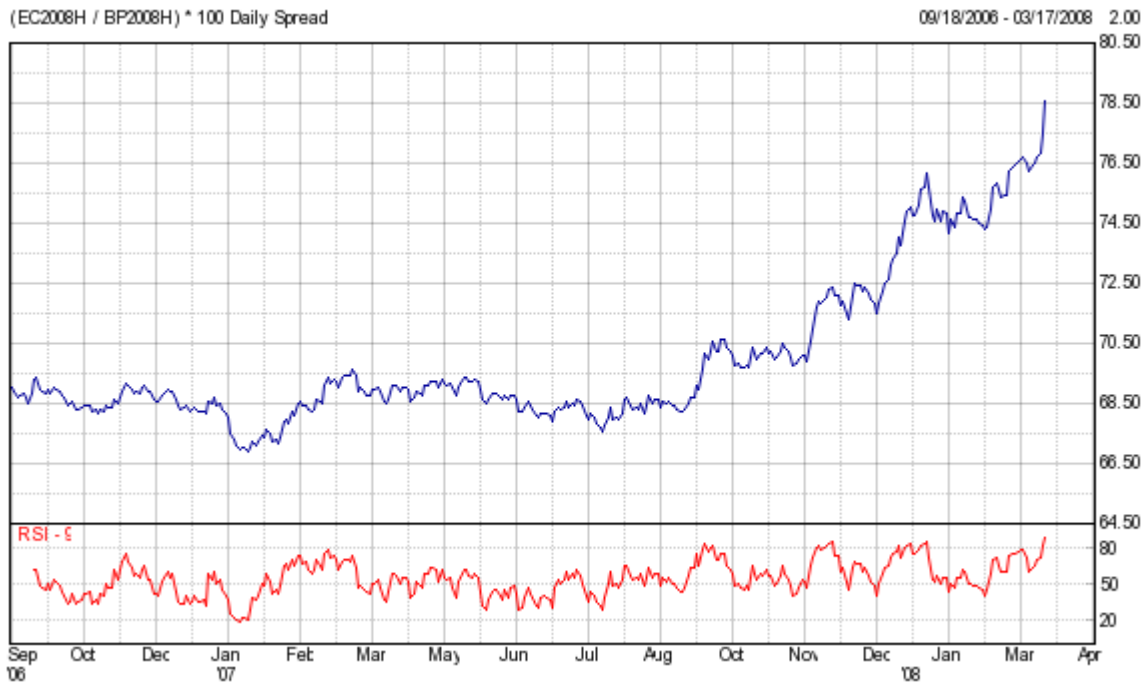
## Expression Chart

Expression charts provide a plot of algebraic expressions of futures contracts, commonly referred to as Spread Charts. These Spread or Expression charts can be in the form of basic spreads such as July Corn minus December Corn (CN09-CZ09), Euro Currency divided by British Pounds (ECH09/BPH09). Further, more complex formulas as the Crack Spread,  $(-CLZ07*3 + RBF08*2*42 + HOF08*1*42)/3$ .

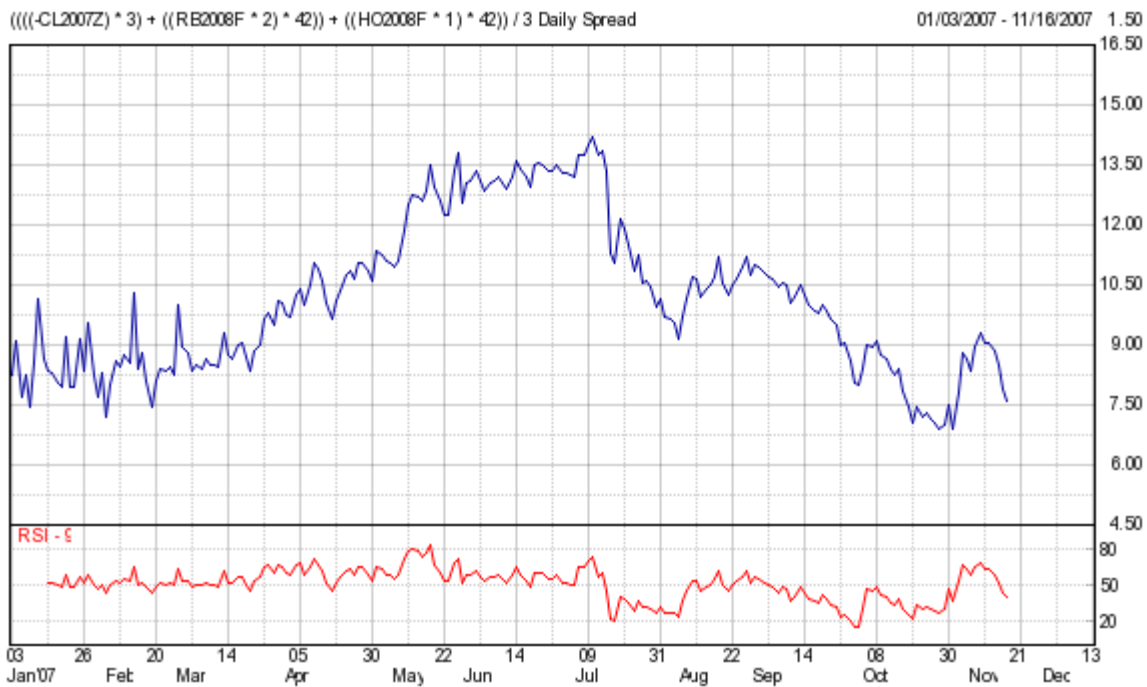
### Example: C2008N - C2008Z



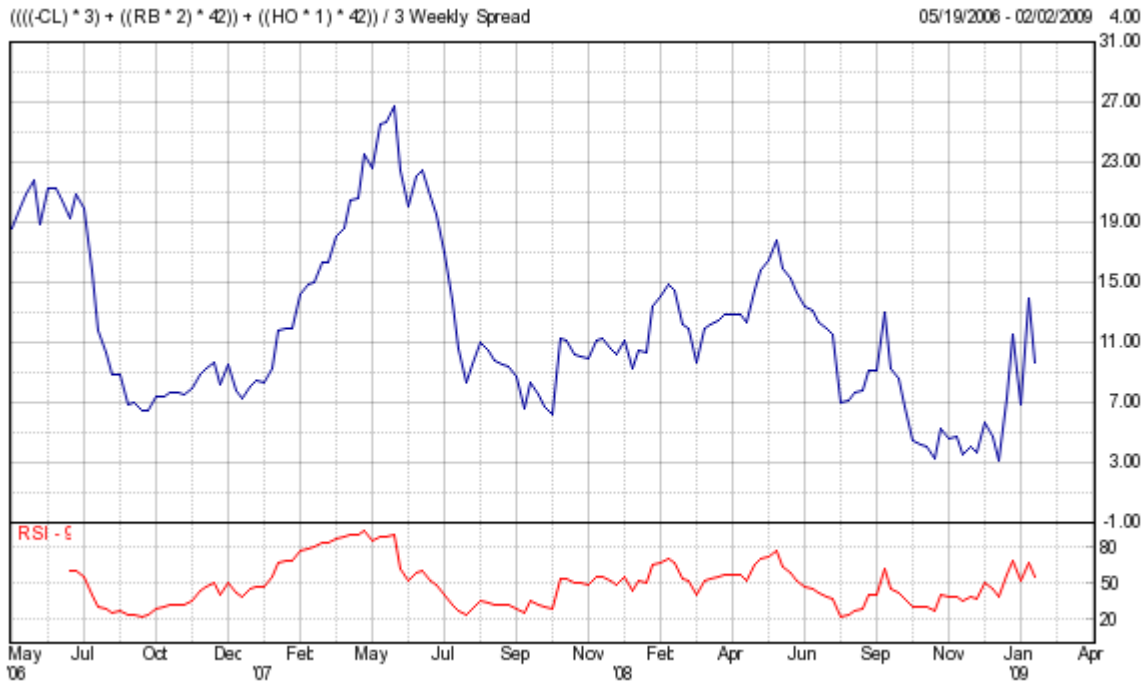
## Example: (EC2008H / BP2008H) \* 100



## Example: Crack - (contracts)



# Example: Crack - (continuous)

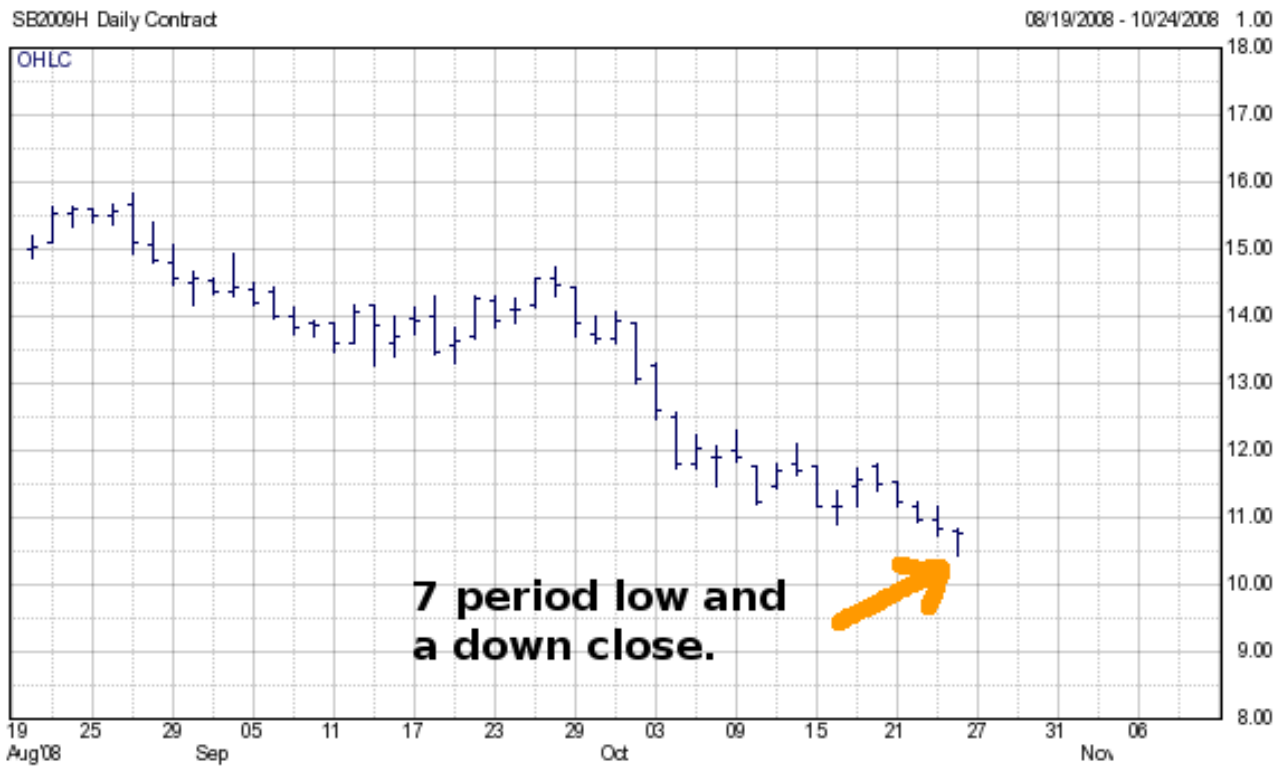


# Discrepancy Signals

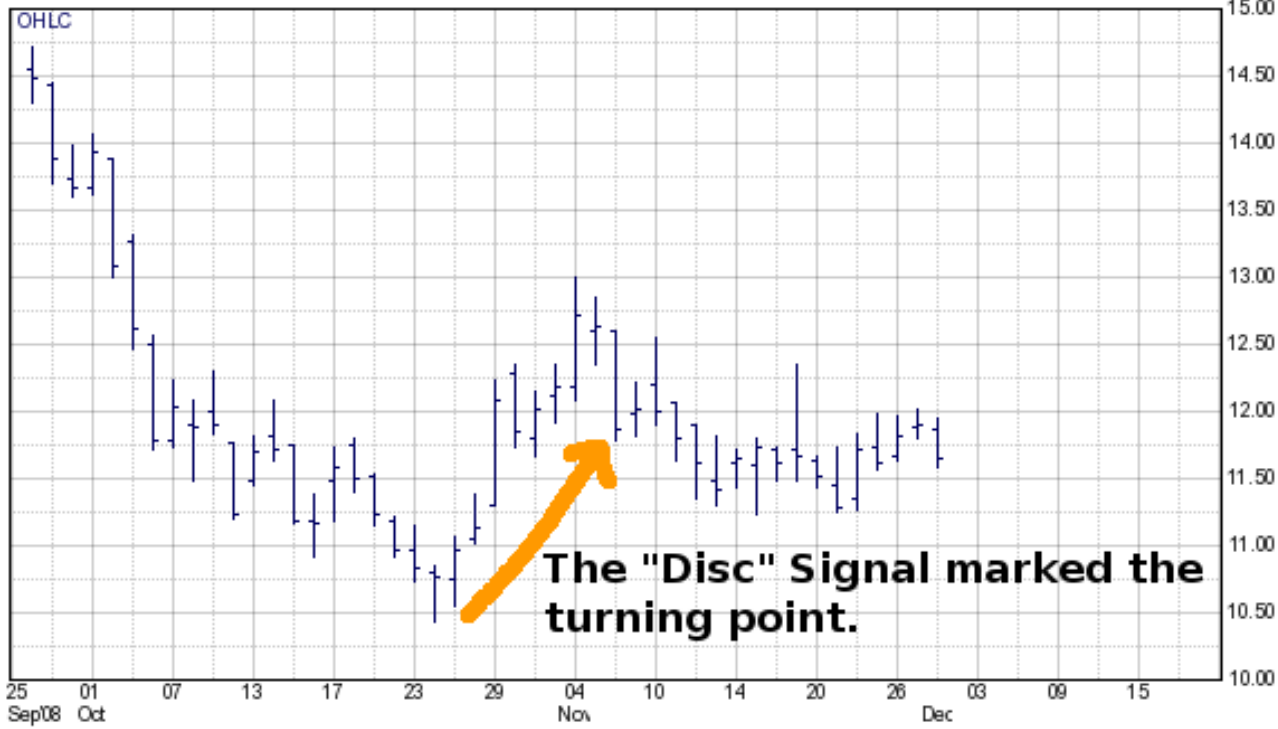
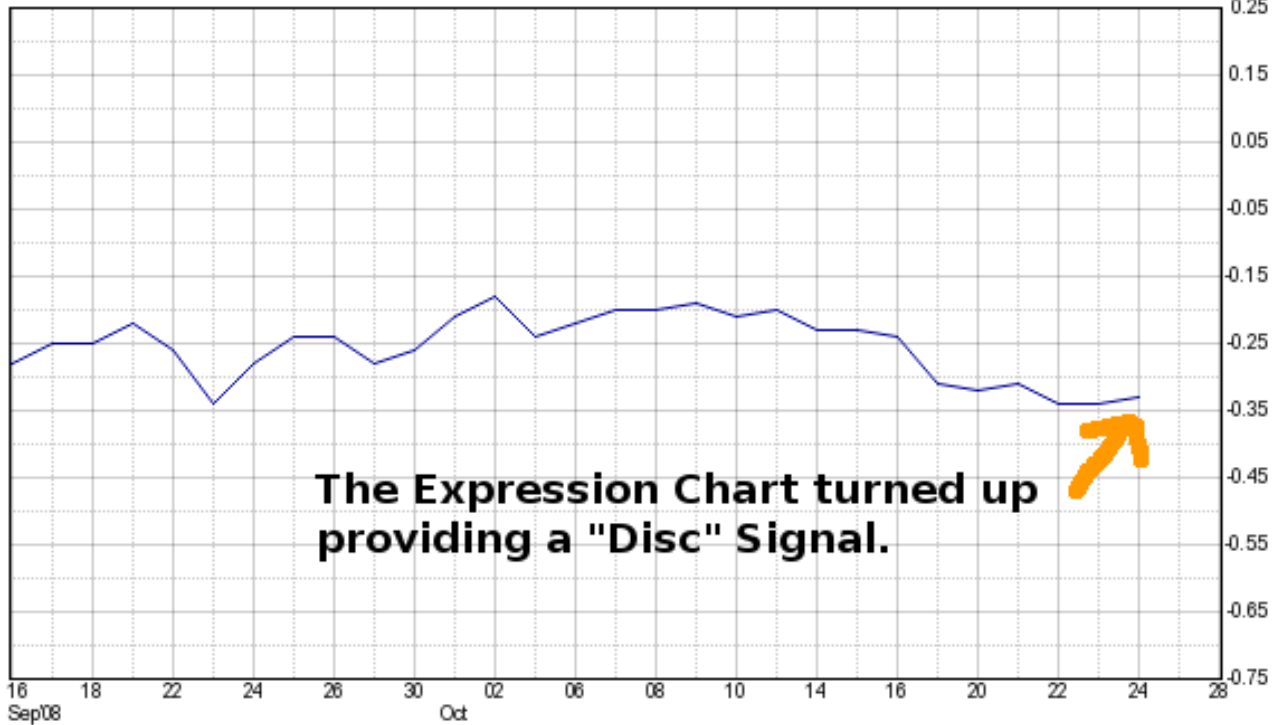
## Basic Setup

The basic setup starts with a new (3 bar or 7 bar) period high or low and an up or down close. This is considered an important, strong, seemingly decisive move. To confirm this price an expression chart is applied to ascertain a price premium or discount. Failure of the expression to confirm the price action is an inconsistency or discrepancy forming the "Disc" signal. In essence, the expression either confirms the new high or shows divergence of the high. When you have a new high with divergence, this is the red flag and potential signal to either get out, tighten your stop and possibly reverse your position.

## Example: Sugar "Disc" Signal







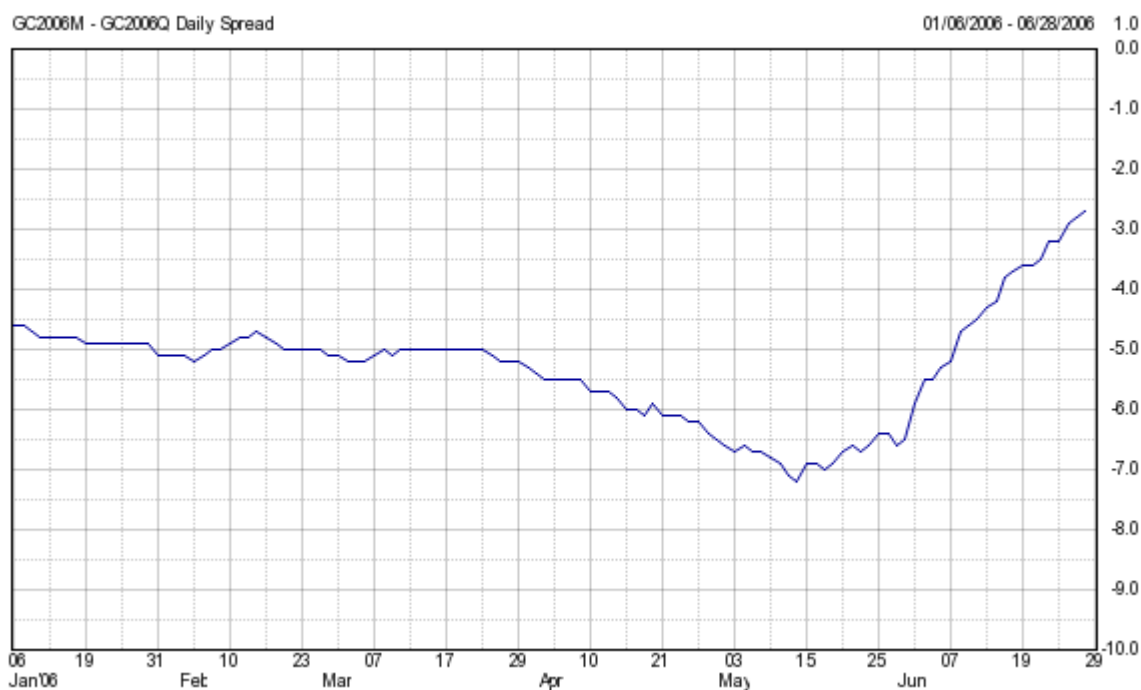
## Choosing the Expression

Choosing which expression chart to apply is the key to the signal. Common sense choices of INTER/INTRA market premiums and discounts are preferred.

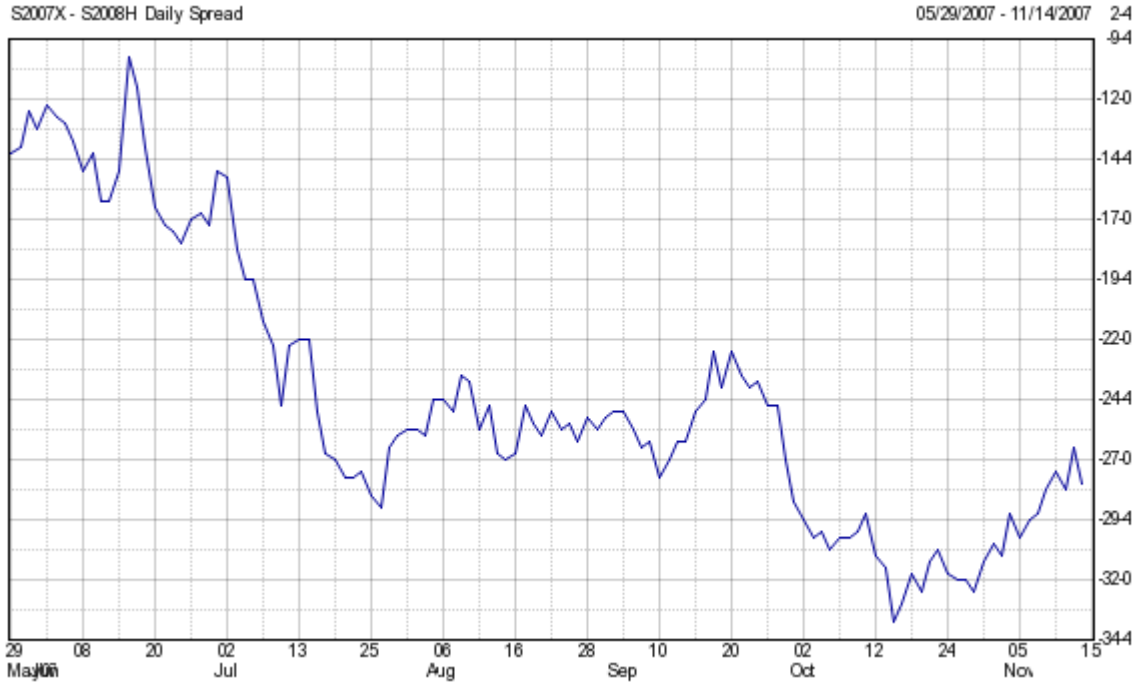
## INTRA Market Spreads

Examples of Intra market spreads such as calendar spreads in contango are natural choices: December Gold's price is less than February Gold, February is less than April. The following charts provide examples of Intra market spreads:

### Example: Gold



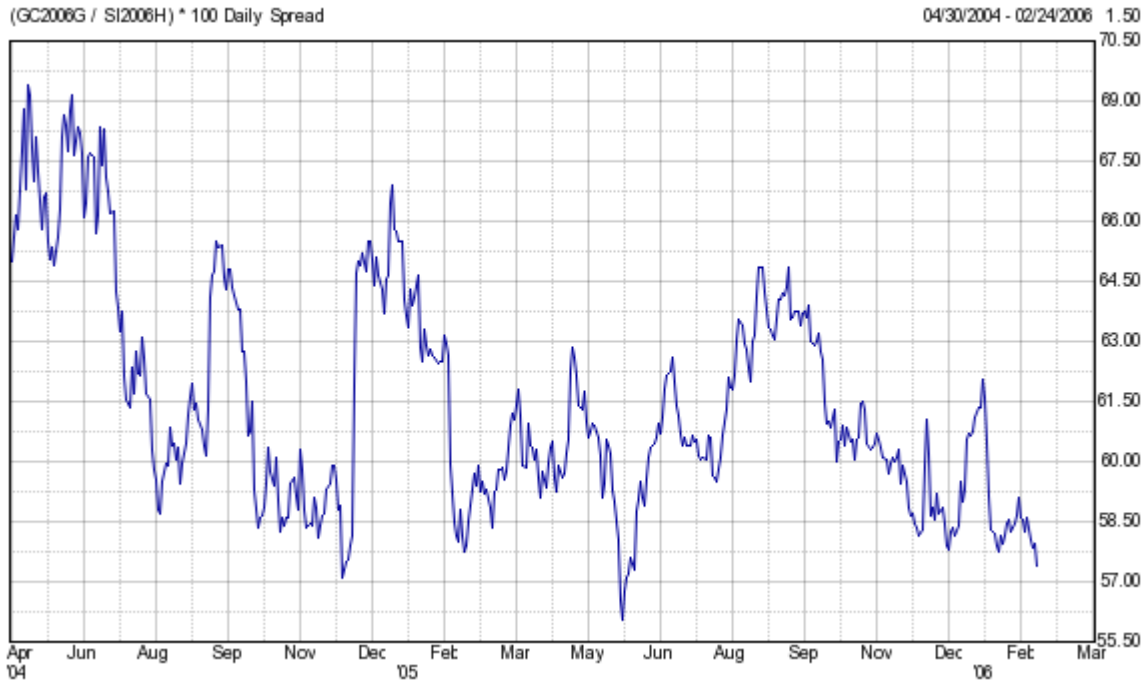
## Example: Soybeans



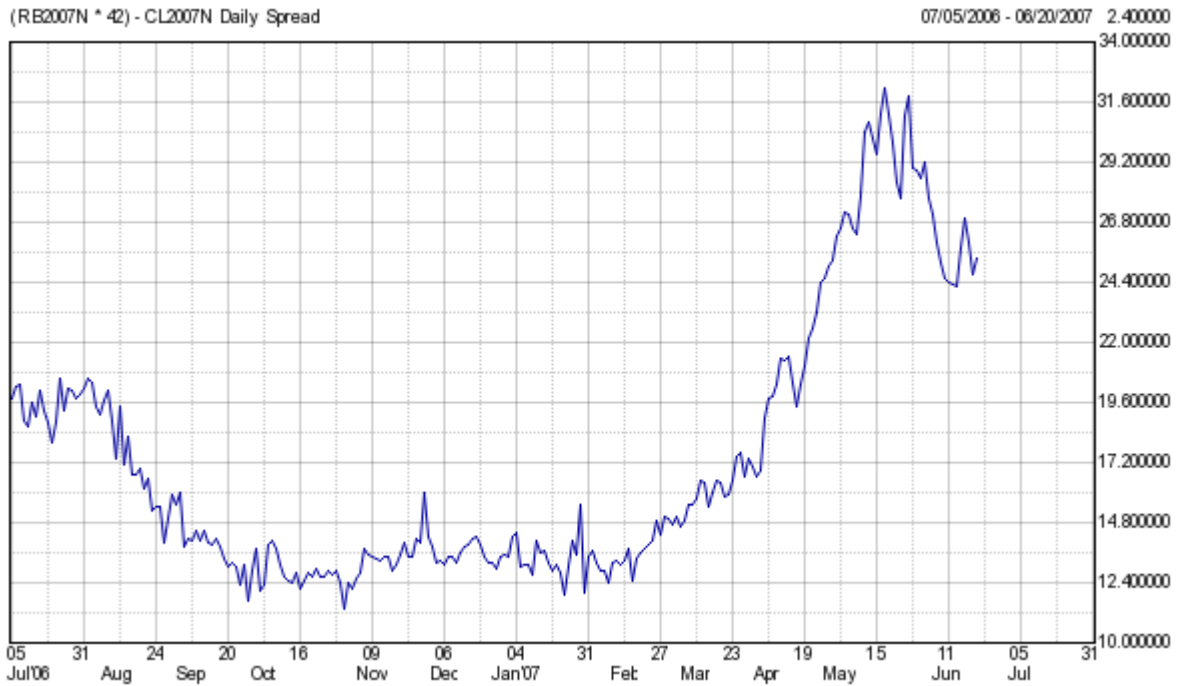
## INTER Market Spreads

Examples of Inter market spreads such as Silver/Gold ratio, Gold/Canadian \$ ratio, Gasoline/Crude crack, Soymeal/Soybean crush can be seen in the next set of charts.

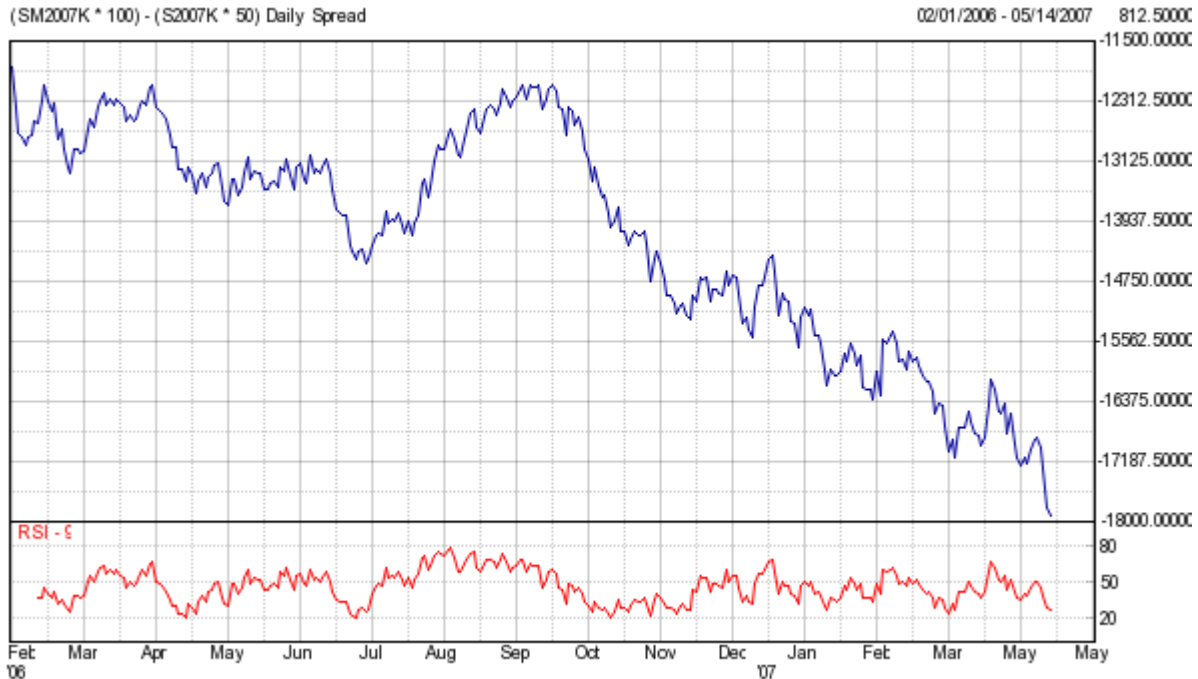
**Example: Gold/Silver**



**Example: Gasoline/Crude**



## Example: Soymeal/Soybeans



### How to use

The Disc setup is not a mechanical trading system and it doesn't provide buy and sell signals. Although this class of price action can be among the most important indicators of a potential market reversal, they are usually not strong enough to justify positions. However, once you develop an understanding of the current market context, you will be inclined to make adjustments such as tightening stops, exiting positions, and looking for signals to take the first sign of price reversal.

### Daily Updates -VERY IMPORTANT!

We take the "Disc" Signals a step further and scan Expression Charts, we feel are relevant, and post a page of "potential signals" each evening by 8:00 PM EST.

View the daily updates online at: <http://www.ccstrade.com/my/research/disc/>

We encourage you to follow these postings on [www.ccstrade.com](http://www.ccstrade.com) and to call with any questions. We pride ourselves in helping our customers anyway we can. However, it is up to you to take the step and call us. **(800) 876-8050**.