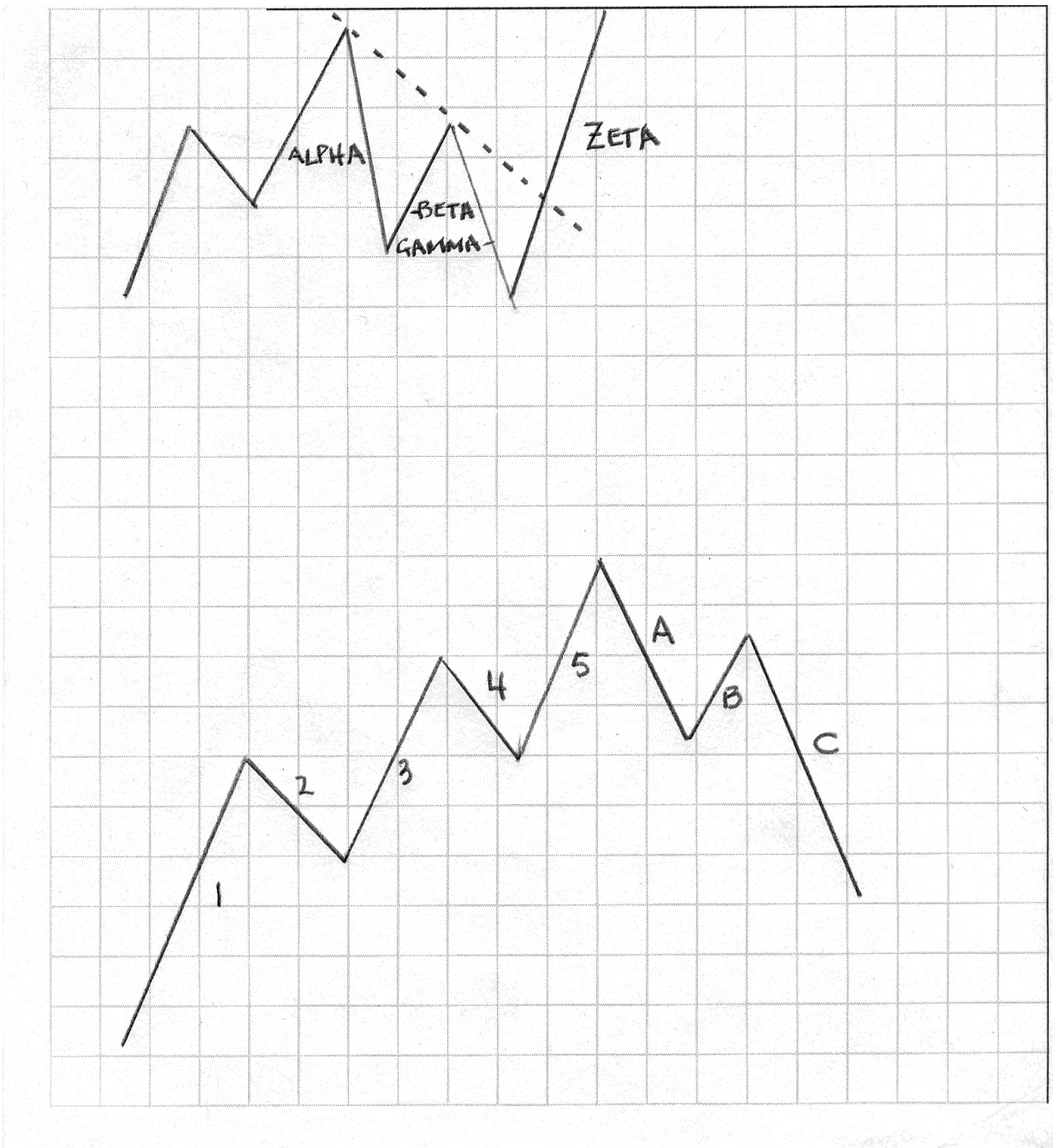


The Alpha-Beta-Gamma-Zeta Pattern



Traders, starting with myself, are often confronted with the problem of reentering a bull trend when they have bailed out, for whatever reason. In fact the difficulty of reentering often inhibits an advisable exit. Studying this problem I observed a pattern which seems to recur regularly. I have drawn it at the upper left here. I call it the Alpha-Beta-Gamma-Zeta pattern. This is partly for ease of reference, and partly to distinguish it from the ABC pattern, which refers to much

bigger and more important waves. As will be seen from the accompanying silver chart the ABG-Z pattern is short lived and is mainly of use in reentry --or pyramiding.

I originally called it the dump-bump-dump pattern. That is, in an uptrend a downwave, often violent and quick, creates a downwave (dump, or sell-off) which is arrested by buyers looking for bargains, causing the bump. They are shortly punished for buying a downwave by another dump. The wavelet plays itself out and canner traders jump on the issue and create a power bar up and a surge (seen as the dotted line is crossed). This pattern often furnishes us with an opportunity to re-enter a trend we exited (for whatever reason). This pattern seems to be fractal and operate on large and small scales. The trade can be signaled by the penetration of the dotted line and/or by the making of a new high. The bottom of the wavelet down furnishes a good Basing Point for a stop (but with a tighter filter than a full trend filter). Ironically buying when a new high is made is probably more conservative -- although many many investor/traders shy away from buying new highs.

The right diagram is, of course, the classic Elliott Wave Pattern. We are not Elliotticians, although we find the theory interesting. I divide my interests into theoretical and pragmatic and Elliott Wave falls into the theoretical for me. However one part of the pattern I find to be useful --the ABC pattern of downwaves. You could even call our dump,bump,dump pattern an ABC and we wouldn't be offended or insulted.

Recently we pointed out that real estate looked to us to be in the B wave with another downwave to come. That C wave seems to have appeared as of May 2011. Let us also point out that there may be more than one C Wave.

A SILVER LINING IN THE THEORETICAL CLOUD.....



Here the ABG-Z pattern can be seen a couple of times. It is even hinted at in the May crash, but that pattern is not a good example. The trendline is too steep and the B wavelet, or bump is too weak. But it might work anyway.



The pattern can also be seen in gold, as illustrated here. Once again the May example is not an excellent illustration, but has many of the correct aspects. I bought GLD on the last bar, which is a power bar.