THE POLARITY FACTOR SYSTEM

AN INTEGRATED FORECASTING & TRADING STRATEGY

INSPIRED BY W. D. GANN'S MASTER TIME FACTOR

BY
DANIELE PRANDELLI

INSTITUTE OF COSMOECONOMICS
WWW.COSMOECONOMCIS.COM

Table of Contents

PUBLISHER'S PREFACE

As a trader, how happy would you be if you were consistently able to pull 20-30 points of profit a week out of the S&P500 Index, which would be the equivalent of 200-300 points a week on Dow Jones Index? That would be approximately 80-130 points a month on the S&P or approximately 800-1300 points a month on the Dow! Multiply that by 12, and you're looking at making 1000-1500 points annually on the S&P, equivalent to 10,000-15,000 points a year on the Dow, which would be like riding a bull market on the Dow from 0 to its all-time high every year!

Most traders would consider these to be quite good trading results, if not even excellent, but with this new trading course, ***The Polarity Factor System***, results such as these begin to come into the reach of the properly educated trader. If you think these sorts of results are unrealistic, see Daniele Prandelli's trading records for September-November 2011, posted on our website, as these are exactly the documented results Prandelli produced over his last 3 months of trading prior to writing this course! And these results are not really that spectacular in Prandelli's experience. In fact, the month of September was the continuation of a 2 month sideways, trendless, whipsawing market, which ate most investors alive.

Obviously, it must take something special to consistently produce these kinds of trading results, and indeed it does! It takes accurate timing, precision pricing, and strategic risk management, all woven into an integrated trading methodology which consistently identifies ideal trading opportunities, and provides a working strategy for profiting from them. And that is exactly what this course does.

Students of Prandelli's former work, ***The Law of Cause & Effect,*** have seen the accuracy of adjusted Planetary Longitude lines in determining tops, bottoms and resistance levels. Now imagine adding a timing system with an equivalent sophistication and precision to determine not just potential turning points, but the actual polarity of turning points, meaning whether a turn will be a top or a bottom in the market, and doing this consistently on an intermediate-term (meaning daily-weekly) scale. Combine with this pricing and timing system with a well-tested trading strategy, which limits losses and lets profits run, and you are on your way to producing the results mentioned above.

Like his earlier course, ***The Law of Cause & Effect,*** the time forecasting system presented in ***The Polarity Factor System*** is based upon the powerful insights of the great market master, W. D. Gann, and particularly upon his **Master Time Factor**, presented in one of his rarest and most secret courses. Prandelli has redeveloped **Gann's Master Time Factor** and programmed it in his own proprietary software (using Microsoft Excel) to create yearly forecasts of the market of the same level of accuracy as those produced by Gann in his ***Supply and Demand Letter***, almost 100 years ago.

This timing technique, which he calls the **Polarity Factor System (PFS),** forecasts market tops and bottoms with an 80% accuracy, giving clear directional indications, and the confirmatory tools included in this course, when combined with the PFS forecasts, at times increase these odd even more. But this course does not only provide a time forecasting system, it also includes a sophisticated strategy to trade the forecast. Prandelli says, that to provide a forecast without clearly showing how to trade it is almost useless, and therefore he develops an entire methodology using time, price and trading strategy, to maximize trading profits in the markets.

And this is what you will learn in this course, how to use accurate time forecasting, combined with precision price lines, along with a refined trading strategy that integrates all of these techniques into a clean and efficient trading methodology. This is a course for traders, and we will be surprised if even the newest student of the markets is not able to learn and follow this methodology with great success.

Included with this course is an Excel spreadsheet that produces the PFS forecast models presented in the course. This Excel spreadsheet will be emailed to you with your own personalized password for privacy and protection of this valuable material. If you have not yet received this, please take a moment to email me, and I will send it to you right ways.

The course further includes membership in an Online Discussion Forum that is moderated by Daniele Prandelli, where all course owners can ask questions about the course, discuss market analysis, and share new ideas and research. We strongly encourage all of you to take advantage of this valuable resource, as it is the equivalent to the classroom wherein the study presented in this course is discussed, elaborated and put into practice. If you have not received your personal registration for this Online Forum, again please email me and I will set you up.

While this course presents the study and application of this methodology on the S&P500, that being the primary market that Daniele trades, the techniques should work equally as well on any market where there is sufficient date to create the PFS forecast, essentially 60 years' worth. We strongly encourage all of you to experiment with other markets, and work with entering the data for your favourite market into the Excel spreadsheet to create new models for different stocks and commodities. We even encourage you to share these spreadsheets with other course owners, thereby creating amongst the group a larger database of markets that everyone can apply these principles to and trade. With the combined contribution of the group, different individuals having different historical databases and specialties, together we could create forecasting models for many of our favourite historical markets, and further experiment with different cycle combinations, as presented by Gann in his various courses, particularly in the Master Time Factor course included in the appendix.

So with this I will leave you in Daniele's hands and wish all of you the greatest success with this fascinating and incredibly applied course. May it improve all of your trading results and bring you great success in the markets!

William Bradstreet Stewart

Institute of CosmoEconomics

Idyllwild, CA, December 21, 2011

Institute@CosmoEconomics.com

PREFACE

For some time, I thought about writing this course, and in so doing, asked myself, "How would I expect the most practical trading course to be presented?" After contemplating this question, I developed the foundations for the structure of this course. Having carefully read and studied many books and courses on trading, I concluded that the three main characteristics of a trading course that I rarely found elsewhere were:

- to be precise
- to be realistic
- to be profit-making

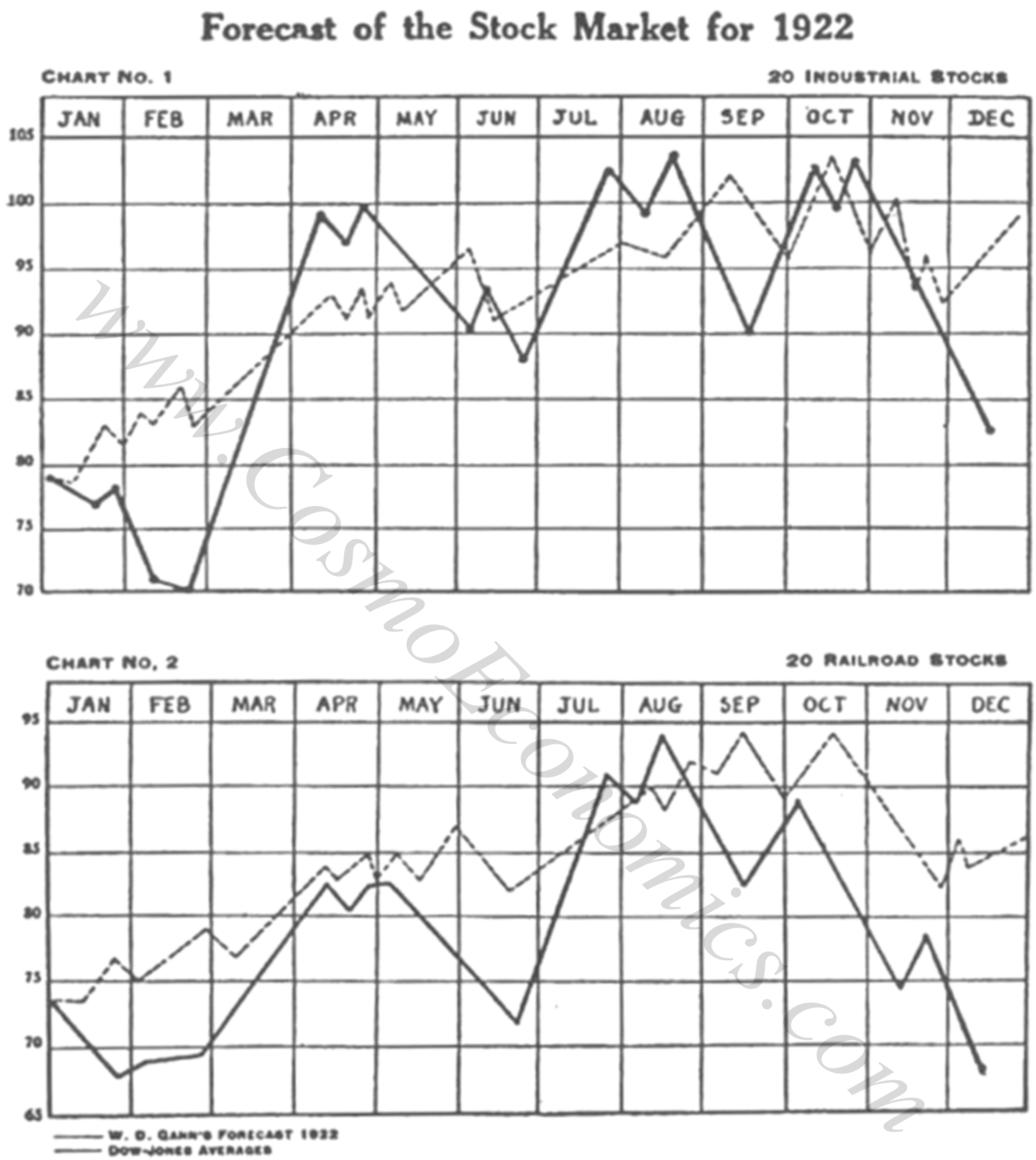
These are the principal points that I would expect to find in a practical trading course. Precision was one of the most difficult elements to find. I often found that I was not able to put into practise the knowledge acquired because I didn't know exactly where and when I was supposed to enter market. The reality of what is learned in a course is often very different from the reality presented by the market. It is useless to show 20 charts where a line perfectly hit a price, without showing how it behaved in the other 100 cases when the line didn't govern the price trend. Reality must be shown in its entirety, both in favourable and adverse situations because nobody is infallible, but we must be able to manage both circumstances. In the end, I needed to learn something that would enable me, or at least help me, to make profits from my trading. I wonder if you have ever read a book that meets all three of these requirements. Personally, I have read very few books of this sort, and none of them studied the market using cycles or forecasting in the analysis. It is possible that this was due by my incapacity to understand the material, though I tried really hard and dedicated myself to applying my studies to real-time trading.

Therefore, the venture I am about to undertake is anything but easy. In order to accomplish all three of these points, some specific requirements are necessary. First, I must know very well the market I am going to trade, and I need clear proof that the method works practically and is profit-making. The first requirement was obtained after years of practice using the same tool, specifically the S&P500, in my case. The second requirement was obtained through my Online Blog "***I AM in BORSA***", which presented the trading signals and strategy through an ongoing commentary written every day before the stock market opening. The Blog demonstrates the proof that we can produce profits from the market using the analysis and trading strategies presented herein.

In this course, I am going to present to you a statistical methodology, not a fool proof system. I will tell you when you can expect something and when not. A good trader must know when he can trade and when he must simply observe. Much of this work is based upon pure forecasting, but not forecasting alone, since it is rare to make a perfect forecast. Even Gann did not make perfect forecasts, so to compensate for the factor of potential errors, one must have a trading strategy which takes the forecast into account, but which also reads the market indications in real-time and allows one to adjust one's trading accordingly. This course presents the techniques and the tools I use to make forecasts of the US stock market, with the application of the strategies on the S&P500 index.

Over the last year, I have been repeatedly asked to write another course about my forecasting methods and my Polarity Factor System (PFS). It seems that many people are more attracted to timing techniques than to price methodologies alone. The power of this course consists in the teaching of the method for the prediction of the polarity of turning points and a means for forecasting the trend of the market. This is the primary desire of Gann's (or similar author's) followers. This is not a group of tools that makes a fool-proof forecast because, as Gann said, nobody is infallible. This is clearly shown by Gann's own forecasts published in his Supply and Demand Letter.

Let's look at an example of his forecast for the year 1922. Following is shown his ***Forecast of the Stock Market for 1922***, showing the 20 Industrial Stocks and 20 Railroad Stocks:



The dotted line represents the market, while the continuous line is Gann's forecast. Obviously, the forecast is not bad, but it's also not precise, and trading an imprecise forecast is not as easy as it seems.

There are several difficulties presented by a forecast that is not exact:

- When initially the forecast seems not to work, we are prone to lose confidence and to look for different solutions, even though eventually the forecast may end up producing some correct results.

- Taking positions following a forecast that is generally correct, but is sometimes also imprecise, without a strategy to compensate for the times when it is wrong, will give most traders a lot of trouble. This because the trader can lose a lot of money during the periods when the forecast is wrong, though his final profits may be great when the forecast is correct.

We will examine many examples and show how to compensate for these issues in real trading practice. The fundamental thing is the price strategy, and for this reason Gann always underlined the importance of discipline, even though he was skilful in forecasting.

Gann's forecast for the 20 Industrial Stocks shows a low around the end of February, but the actual market made its low on the 10th of January. It's not precise, but the important information to exploit is the up-trend beginning from the end of February. In the presence of price confirmations you can enter the market following the trend, and these confirmations are impossible to miss. Gann foresees a high on the Railroad Stock Index in August and a following downtrend, but the high was made in mid-October. Despite these few imprecisions, the forecast eventually becomes correct. What is taught in this course is how to create these general forecasts and, following the market day by day, make them more and more precise using other techniques. In this way you can enter the market on the most ideal days and later follow the trend shown by the forecast, which is generally right.

Here is where the price strategy comes into play as fundamental element that enables you to gain consistent profits while avoiding big risks.

Concerning Gann's 1922 forecast, we don't mind if it is wrong during the first days of the year. If the market rises where a downtrend is expected, we have a signal of strength.

Therefore I wait for the date when the stock is expected to increase. That is to say, I wait for the end of February with regard to 1922, when in fact an excellent exploitable up-trend began.

In these pages, I will try to make everything as operative and practical as possible. More precisely, I am a trader, and every day I face the difficulties typical of one who risks his own **REAL** money with every position taken. I know what trading is because I do it every day, and I am well aware that a good forecast does not necessarily imply a lot of profits. I'm not able to draw lines, circles etc. with profit. I don't want to belittle other works, and perhaps I've never had the right ability or the proper mentality to make profits with angles and circles. What is sure is that nobody has been able to demonstrate to me that they can make great profits with those tools alone. In my experience, I have found that the three points expressed above have presented me with the most practical and applicable trading results that I have yet found.

What I wish you to learn from this book, if you have enough patience, is demonstrated on my Blog: http://iaminborsa.blogspot.com, where you can see the results of my forecasting and trading over the last 18 months. You will learn exactly how I forecasted the downtrend in June 2011, the following up-trend from the 27th, and many other forecasts. But at times, it isn't so easy, because I must admit I had some difficulties in April and at the end of July 2011. It's much like Gann's forecast from 1922, which seems not to work in some moments, but then returns to normal, realigns and becomes correct again. The art of trading is to know how to work around these problem times, and to use secondary confirmation tools, price strategy, and other insights to protect yourself in every situation, and still make profits, even when the forecast is wrong.

Let's consider Gann's forecast for the Railroad Stock Index in mid-September. Gann expects a low, but the market makes a high. "Oh my God! Gann was wrong!" some people will have thought, mistrusting his forecast. But with a little patience, if one waits for just one month, they will understand that Gann's foreseen downtrend was ultimately right, even though it was not so precise in its Timing. In such cases, through the use of other Timing techniques and strategies, the forecasts can become more precise.

Indeed, my general forecasts are quite similar to Gann's, and in situations of imprecision, you can note from the Blog that during this phase, price strategy enables us to not lose money, or at least to lose only a few points through the understanding of price levels as treated in my former book, ***The Law of Cause & Effect***. The method of integrating these timing and price techniques will be explained in detail in this course. You can imagine how many points you can make when the forecast is right on and you enter the trend correctly as outlined by the forecast. But when that is not the case, here is the biggest secret for making profits: you immediately cut losses in the case of a mistake, and you let profits run in the case of correct forecast.

A fundamental part of this work consists in the fact that part of what we can foresee for the future has already happened in the past. The entire forecast is based on the past. Gann underlined this aspect constantly, quoting Ecclesiastes:

"The thing that hath been, it is that which shall be; and that which is done is that which shall be done: and there is no new thing under the sun.."

Ecclesiastes 1:9 (King James Version)

"To every thing there is a season, and a time to every purpose under the heaven:

A time to be born, and a time to die; a time to plant, and a time to pluck up that which is planted;

A time to kill, and a time to heal; a time to break down, and a time to build up;

A time to weep, and a time to laugh; a time to mourn, and a time to dance;

A time to cast away stones, and a time to gather stones together;

A time to embrace, and a time to refrain from embracing;

A time to get, and a time to lose; a time to keep, and a time to cast away;

A time to rend, and a time to sew; a time to keep silence, and a time to speak;

A time to love, and a time to hate; a time of war, and a time of peace."

Ecclesiastes 3:1-8 (King James Version)

And this is exactly what will be shown in the following pages.

My work is based upon the S&P500 because I have been studying this Index for a long time, and I know very well the prices which work on it. If I want to convey something really important to the reader, I certainly must know the instrument I am using very well. The PFS forecast is made using the Dow Jones Industrial Index, because it is there that I have sufficiently long historical data to enable me to make the calculations taught in this book.

In my opinion, this technique is also valid if applied to other markets, the main requirement being sufficient historical data to enable you to reproduce the work presented here. But as will be demonstrated with the help of Gann's charts, he also used the same technique on different markets.

This work will be a bit long, since there are a number of different studies you have to digest, but once you have understood them all, it will become very logical and easy.

Following is a layout of the topics to be covered in this course:

- Method for determining the general annual trend.
- Method for making the PFS forecasts.
- Secondary timing techniques to confirm or adjust the PFS.
- The study of the price. Namely, which levels must be observed to understand if the market is in a strong or weak position, so that we can enter at precise price points.
- The art of joining all of the studies together to make operations with a high probability of success, using forecasting methods combined with a real-time trading strategy.

Now we will move on to the actual techniques and applications, which I hope all you sincere traders will find of great benefit for your future trading!

Sincerely,

Daniele Prandelli

Brescia, Italy, November 2011

CHAPTER 2

THE POLARITY FACTOR SYSTEM (PFS)

...if the idea of karma is true, would it not also be true for the stock market?

The PFS concept is not so different from the one outlined in the previous chapter, except that it will be further refined and precisely calculated in order to make the idea clearer and more applicable to shorter term trading.

The full name of this tool is the Polarity Factor System, shortened to the acronym PFS. I chose that name because initially, during the study and test phase, I considered this instrument an excellent solution to Gann researchers' biggest problem: the polarity of market turns. There are many books and studies that forecast a turning date or period, but none of those I have seen clearly determine whether the dates will be lows or highs with a high degree of reliability.

Therefore, once I discovered this strong cyclic correlation, I was able to use the PFS to determine if a turning day, week or month would be a low or a high.

As we will see in this chapter, I expected a turn during the week of 12-16 of September, and the PFS indicated that it would be a high. After that, a decline was forecasted to begin from the 19th of September. You can see that the PFS gives us specific timing as well as directional indications or the polarity of market turns.

A valuable aspect of this approach consists in the fact that, though at times, it may not make perfect forecasts for a period, it will soon realign with the market and continue to work again. Do you remember the example shown in the preface of Gann's forecast for 1922? It happened that sometimes it did not work for a period of time, but before long, everything returned to the forecast as predicted. Even the great W. D. Gann's forecasts were not perfect, but they were still quite useful.

The PFS is easy to use, but much more difficult to discover. Everything is based on the fact that the past reveals to us the future. Gann always spoke about cycles and many of his charts show lines indicating cycles. But these cycles often quit working and became meaningless, both in the past and in the future. Some analysts try to explain the future using a sum of sinusoidal cycles suitable to the past, hoping to create a model which will project the future. But as if by magic, the market trend does not always follow the sinusoidal summation as expected.

And yet Gann demonstrated that usually he was able to make quite good forecasts, and people have always wondered how he managed to create them? Gann continually asserted that all is written in the past, and therefore I tried to investigate it following his direction. What did I observe in the past? Market movements! Examining the past means to consider it as a whole, not as simple collection of sinusoids added up to determine trends using specific time cycles!

Actually, all my tests started from a fundamental concept, a simple and linear reasoning. If the market trend is affected by celestial bodies, logically the same situations should repeat themselves every time heavenly bodies are in the same position. Therefore the Earth always had to be in the same place with respect to the Sun, and the same went for any planet in question. These theories also explained the reason why some particular months, like March and September, often presented similar movements in different years, or why the same turning dates repeated themselves in the past, and continue to do so in the future.

Hence, the basis of this idea is that the market had to repeat itself with a particular date correspondence. This means that the Earth was always in the same position with respect to the Sun, and this happens every year when it concludes a revolutionary cycle around it. But how long does it take a planet to be in the same position with respect to the Earth, on the same date in the future? That is to say, if today, September 4, the Moon is at 11° Sagittarius, how many years from now will we again find it in the same position on September 4?

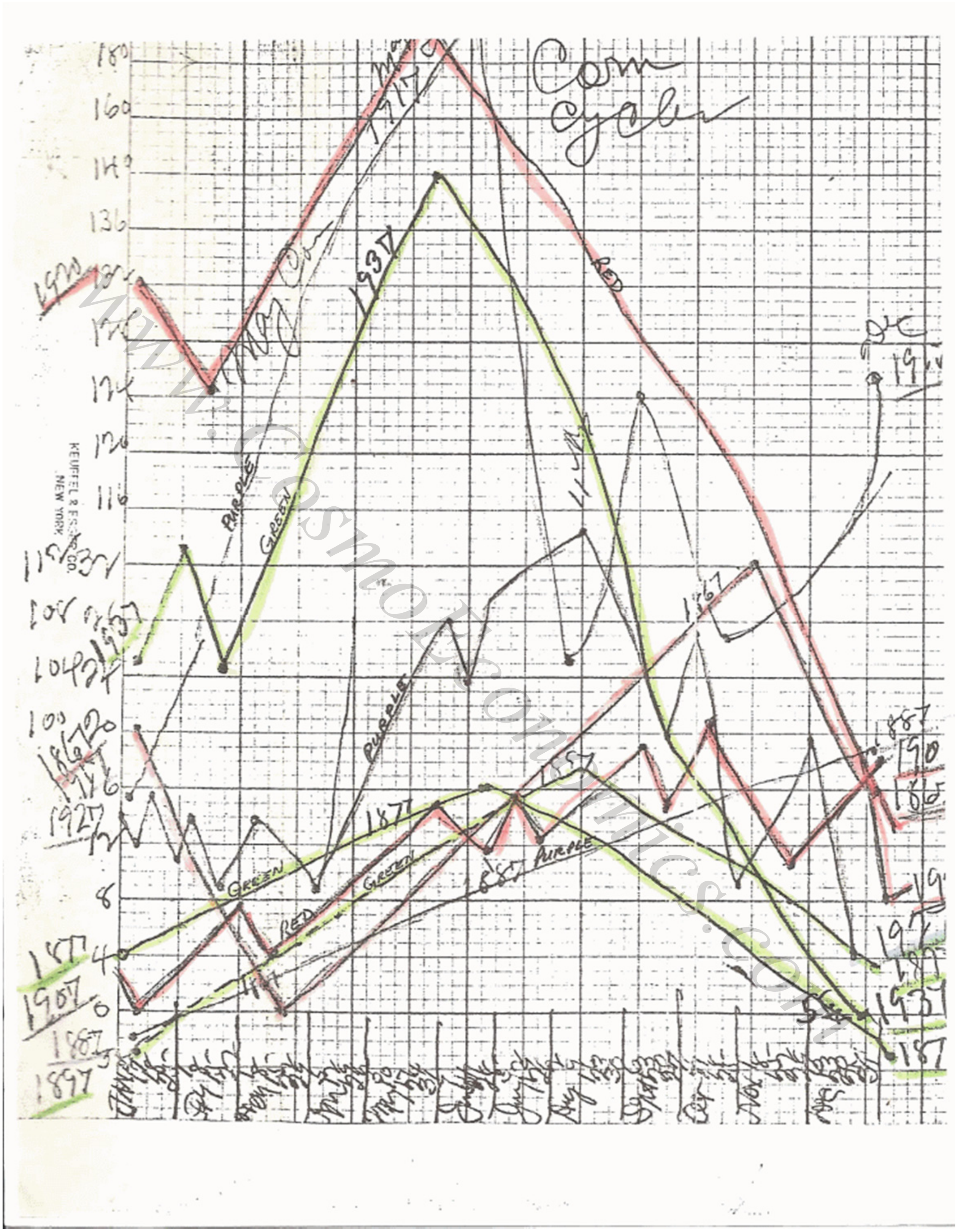


Fig. 2.1: Gann Corn Cycle Chart

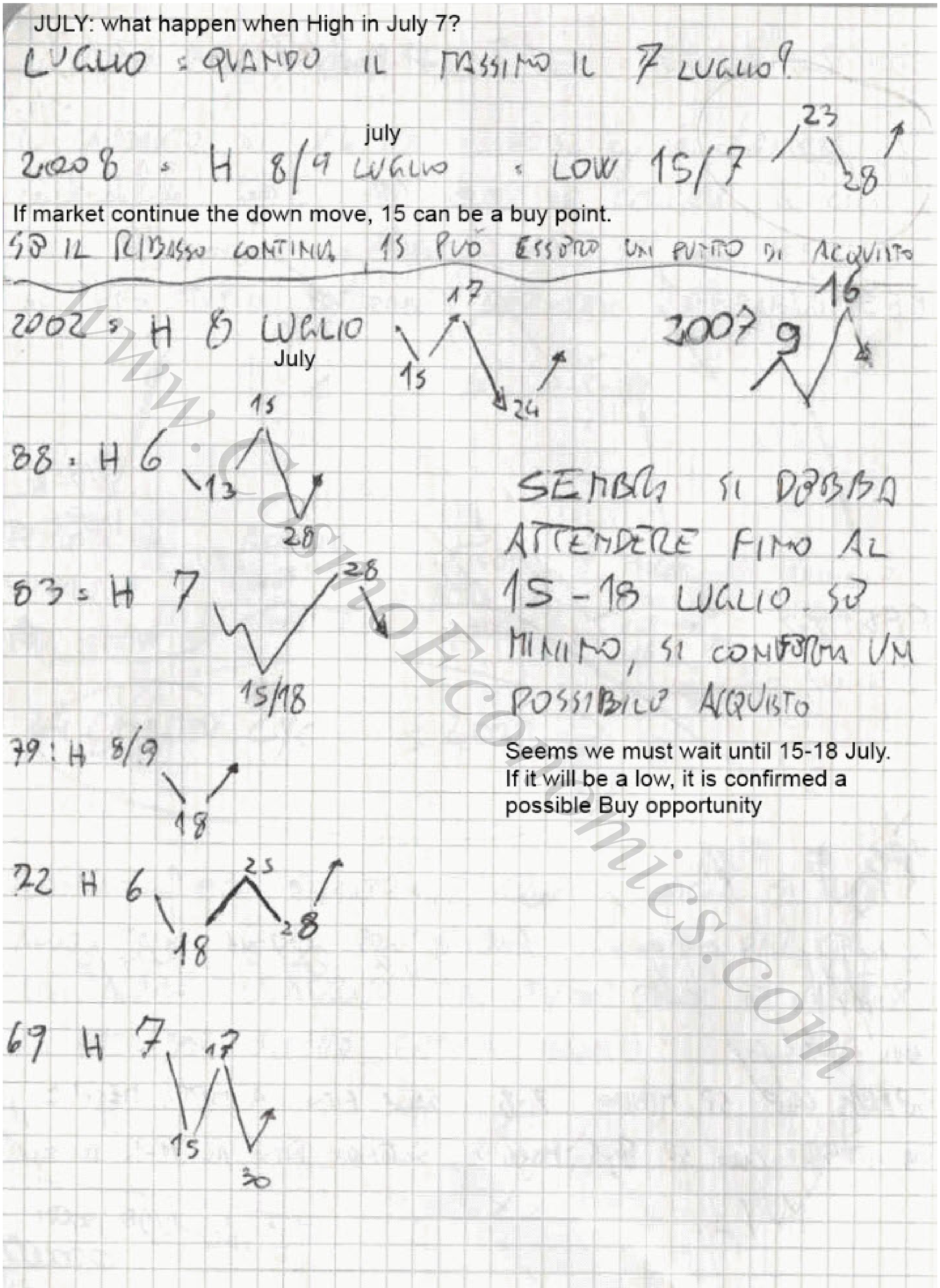


Figure 3-10: Study of July 2011

CHAPTER 4

LOOKING FOR MONTHLY & WEEKLY TURNS

This subject was also treated in my former course, ***The Law of Cause & Effect***, where I gave an explanation of how I forecasted the high in April 2010, and the important turn between the end of June and the beginning of July 2010.

I will cover the topic again in this chapter in order to explain the calculations I use to forecast weekly or monthly turning points.

With regard to the calculation of weeks, I use the cycle of 4.25 years or 229.5 weeks. This cycle is then divided into both 3 and 4 parts, giving the cycles of 76.5 and 57.375 weeks:

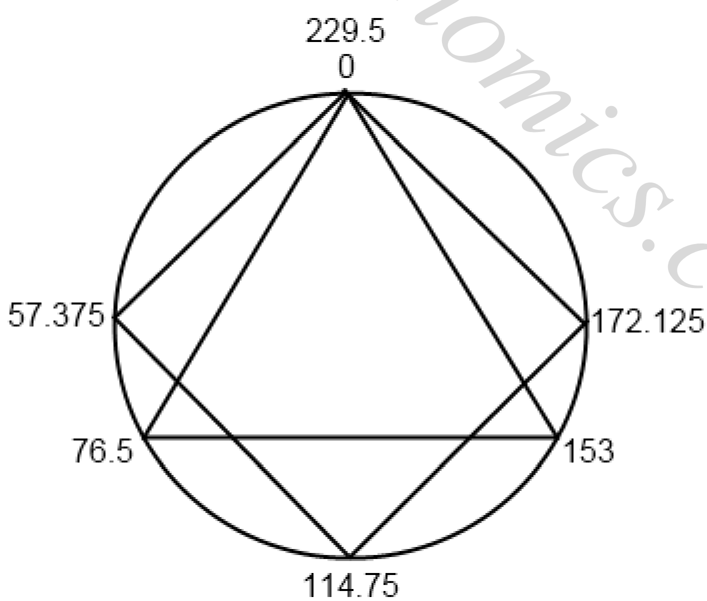


Figure 4-1: 229.5 Week Cycle

Figure 4-2: S&P500 1998 – 2011 76.5 Week Cycle

The cycle fell exactly between the end of June and the beginning of July. For the details of the count, make reference to my former book, ***The Law of Cause and Effect***. If we count 57/58 weeks from the low in July 2010 (the counting used is 57.375 that derives from 229.5/4), we arrive at the first or second week of August 2011, and this means that we can expect a turn in this time span, which was the exact low following the huge drop in July/August this year.

If you combine this information with the PFS study and the historical pattern research, everything becomes very clear. It's just a matter of research and patience. In the same manner, if you observe the PFS for 2010 you notice that both the PFS 19 and PFS 20 showed a low on 29^{th} – 30^{th} June. With this information it was evident that that period would be a low. All our studies confirm this thesis. Obviously, the market could have behaved in a different way, but OUR REALITY was that we could not foresee anything different than a low using this information.

CHAPTER 5

THE VITAL IMPORTANCE OF PRICE

I am a trader and I have no kind of mental restriction in my activity. Nothing is real, nothing is perfect, and the infallible does not exist. My mind is far from every ideal, bias or prejudice. There is no information, news or rumour that can make me think differently. NOBODY IS RIGHT. I trust more the uncertain than the certain in the markets, because the uncertain covers much more and is therefore more conscious than the certain.

I know that I do not know! This is the greatest knowledge one can hold in the market. Do you know what I am certain about? If I buy at 10 and market goes to 8, I lose 2. And this is the only thing I trust. Only price is right. This is why I trade only when price shows it's the right moment. Never mind if the forecast or my calculations don't work if the market doesn't follow the foreseen trend, because I do not listen to them. I just look at price. I trust only price. If the forecast tells me the market is rising, but I see it is falling, I just observe it on its decline. If the forecast tells me market is increasing, but it doesn't move, I just look at the price and wait for it to become clear. If the forecast tells me the market is bullish and it really does begin rising, it's not the forecast, but the market which is telling me that it is rising, just because it is doing so.

This brief concept makes the difference between those who gain and those who do not, in my opinion. Keep this in mind! Otherwise you can go on trading just trusting your unfailing forecasts, without waiting for the price to tell you what to do. But it's a serious mistake if you believe your forecast will make you earn a lot of money. It's better to think that the market will make you gain. The difference is that you know what the forecast indicates for the following day, but you don't know what the market will show you. Hence the wisest thing to do is to wait for it. Sooner or later it will speak to you with its movements. Do you fear you might miss a trade? Then think of how much you lost when you entered too early for fear of missing a trade, and you have the answer. Be patient, missing a Trade is normal, it has happened before and it will happen again, conditions are not always favourable for entering the market. I've seen lots of *people lose money because of taking a trade at the wrong time, myself included, but nobody wasted money by missing it.*

This is the most important chapter of all, in my opinion! Maybe it is not the same for you, because everybody tends to be fascinated by forecasts. But I must frankly affirm that if this is the case for you, perhaps you have a problem with your Ego, and you should part with it as quickly as possible in order to gain. You must realize that this is the chapter that will make you earn, the others are just the framework that will help you to follow the trend with trust.

The subject covered in this chapter is developed in much greater detail in my prior course, ***The Law of Cause & Effect***, but I am including a review of theoe principles here in order to teach you how to integrate and apply this most important concept in conjunction with the timing and forecasting information provided in this course. Really, these two courses are intended to go together, hand in hand, because without a firm understanding of the price strategy, it is much more difficult to take advantage of the forecasting information. If you do not have my former course, I strongly advise you to get it, because it provides the KEY to making profits in the markets, not only with my forecasting techniques, but with any other trading tools you use.

This chapter contains the real secret of my method, even though it does not teach you to make forecasts. It doesn't help to foresee the length of the trend, the turning dates or similar things. It teaches you to wait for the best attack point without knowing when it will be. Only the price with its movement will tell this. The main purpose of this chapter and of my strategy in general, is to advise the trader how to go to war and to take as many prisoners (profits) as possible, while losing the fewest soldiers (losses).

There are prices in the market which have a particular energy, drawing the market to them and then pushing it away. But in which direction? I don't need to know that in advance because the market movement itself will show it at the right moment. What I know for certain is that this push will take place sooner or later, and the price will be pushed far away, and the farther it goes, the more prisoners we will take.

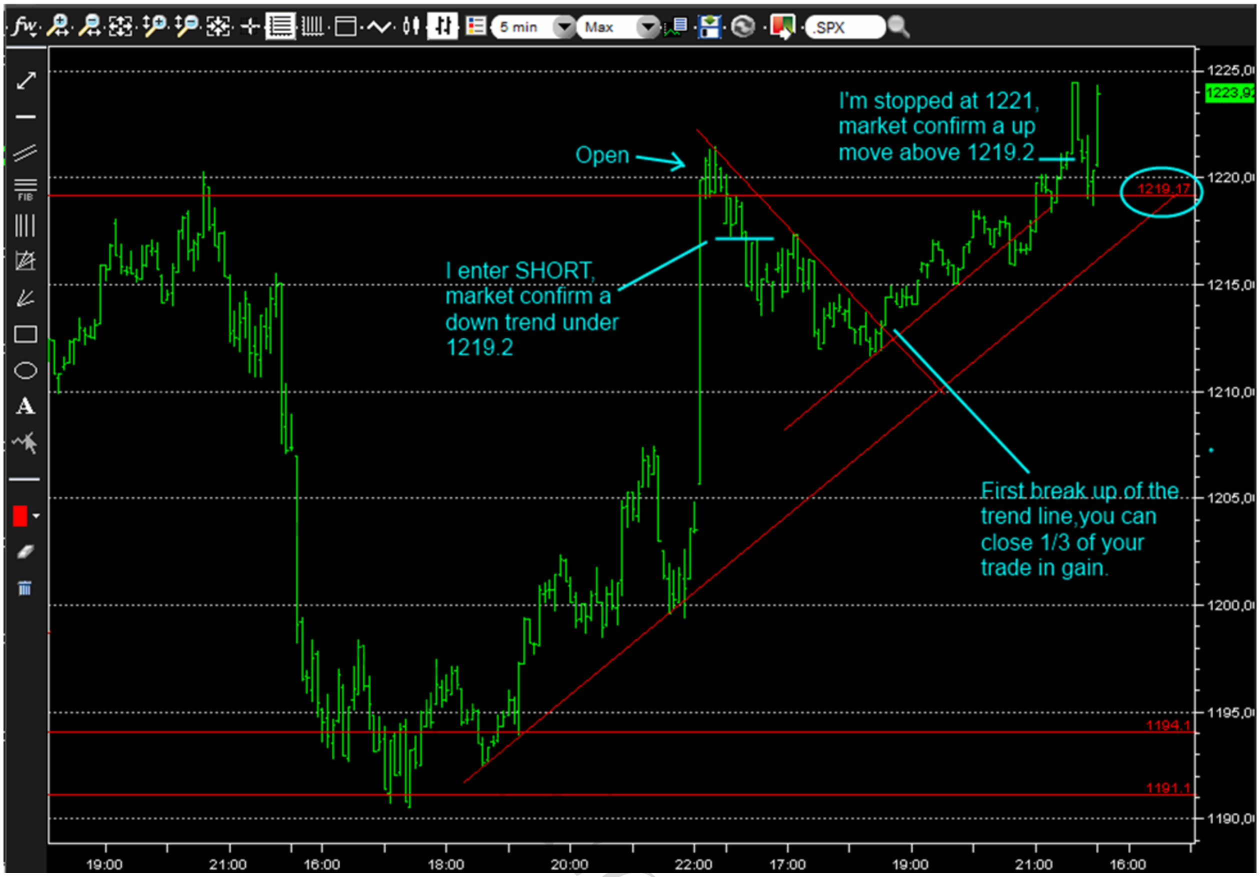


Figure 6-7: S&P500 14th October 2011 Intraday 5 min. Chart – Key Price

The market opens above 1219.3 points. I expect a possible downtrend that should start on Friday the 14th or Monday, October 17th. I will enter on the decline when I get the confirmation that the market is weak, that is to say below 1219.2 points. During the first minutes, the market remains perfectly above my level with the price line holding the lows of each bar. Then there is a first break and 4 bars consolidate below the key price 1219.2. I decide to enter short when these bars break, as it is a good confirmation of a forthcoming downtrend. The market begins to fall, but at midday it breaks through the declining trend line. At this point it's advisable to close out 1/3 of the position, so that these first profits are locked in. The market begins to rise again, reaching 1221 and consolidating above my 1219.2 price line, confirming that that market has crossed my key price. I close out all of my position, losing 4 points and I wait for Monday, October 17 to enter short again. Considering that the forecast hasn't come true yet, the loss is very small, particularly considering that we gained 4 points on 1/3 of the position. This left us with only a total 4 point loss on the three contracts.

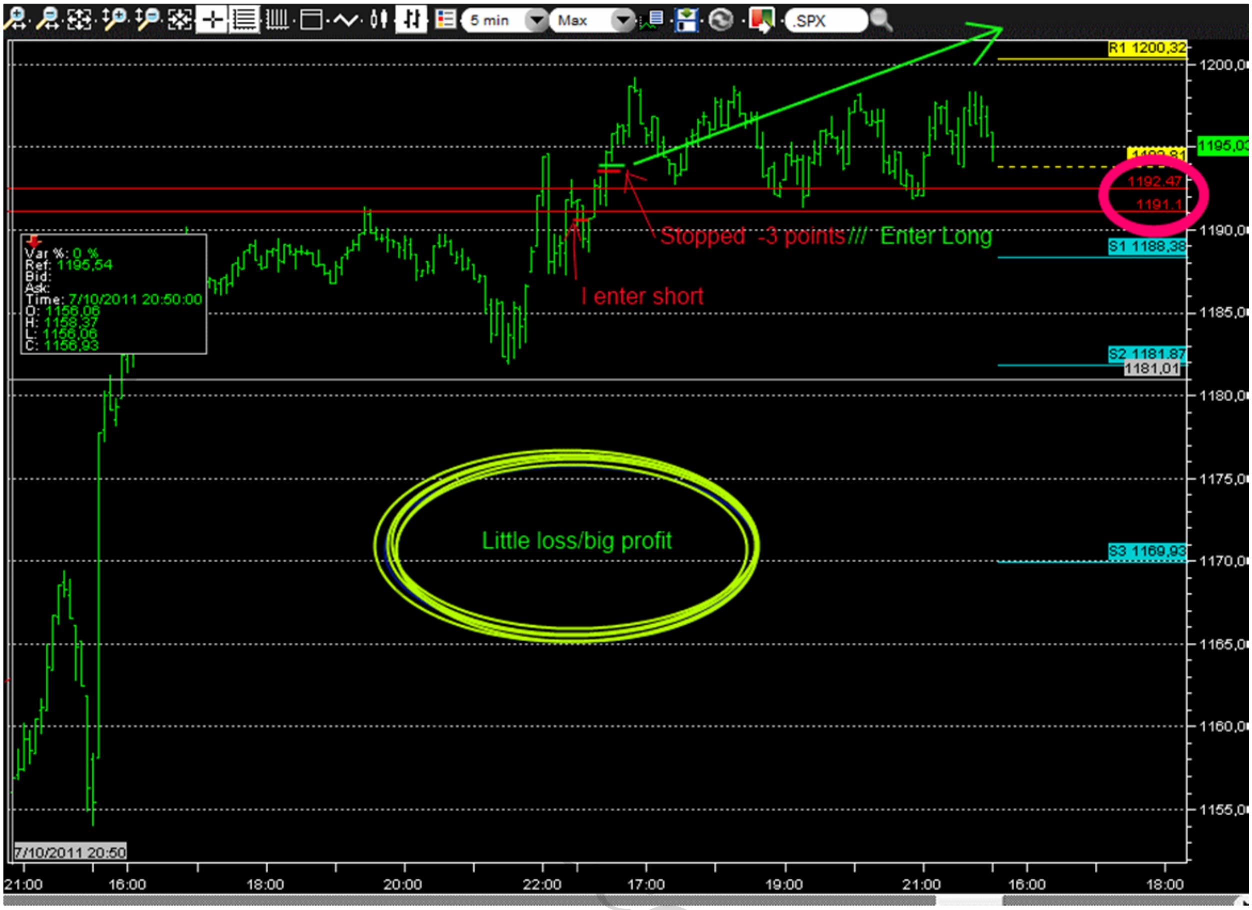


Figure 6-8: S&P500 11th October 2011 Intraday 5 min. Chart – Key Price

"The chart shows the intraday trend from yesterday. Indications were: Short below 1191 or Long above 1192.4. And I did exactly that. I entered Short with a small position, but was stopped with a 3-point loss above 1192.4 (exactly around 1193.5). Then I immediately entered Long. The S&P500 Index did not consolidate its movement below area 1191-1192 where I would have closed the position, hence I am now long. I closed half of the position (see the note "Update"). This phase in uncertain, the PFS remains lateral and now we are close to the resistance area that has always stopped the market over the last 2 months. I let the rest run for the uptrend because the break above 1191 is, in any case, a signal of strength in the short-term. I'll close the position if the market comes back below 1193, the present key price."

From the chart of Tuesday, October 11, is clear that the key price 1192.4, together with the mid-term price of 1191 led me to enter Short after having noted that market was accelerating

The dates where we generally see lows in December are the 4th-5th, 8th-9th or 14th. Following is the page from my notebook where you can see all of these years drawn out with the Highs and Lows and the patterns that they made in that year. As you can see, it does not have to be a long and complex analysis, just a quick sketch of the patterns gives you all you need to know. It's a very simple but logical analysis that will serve you greatly.

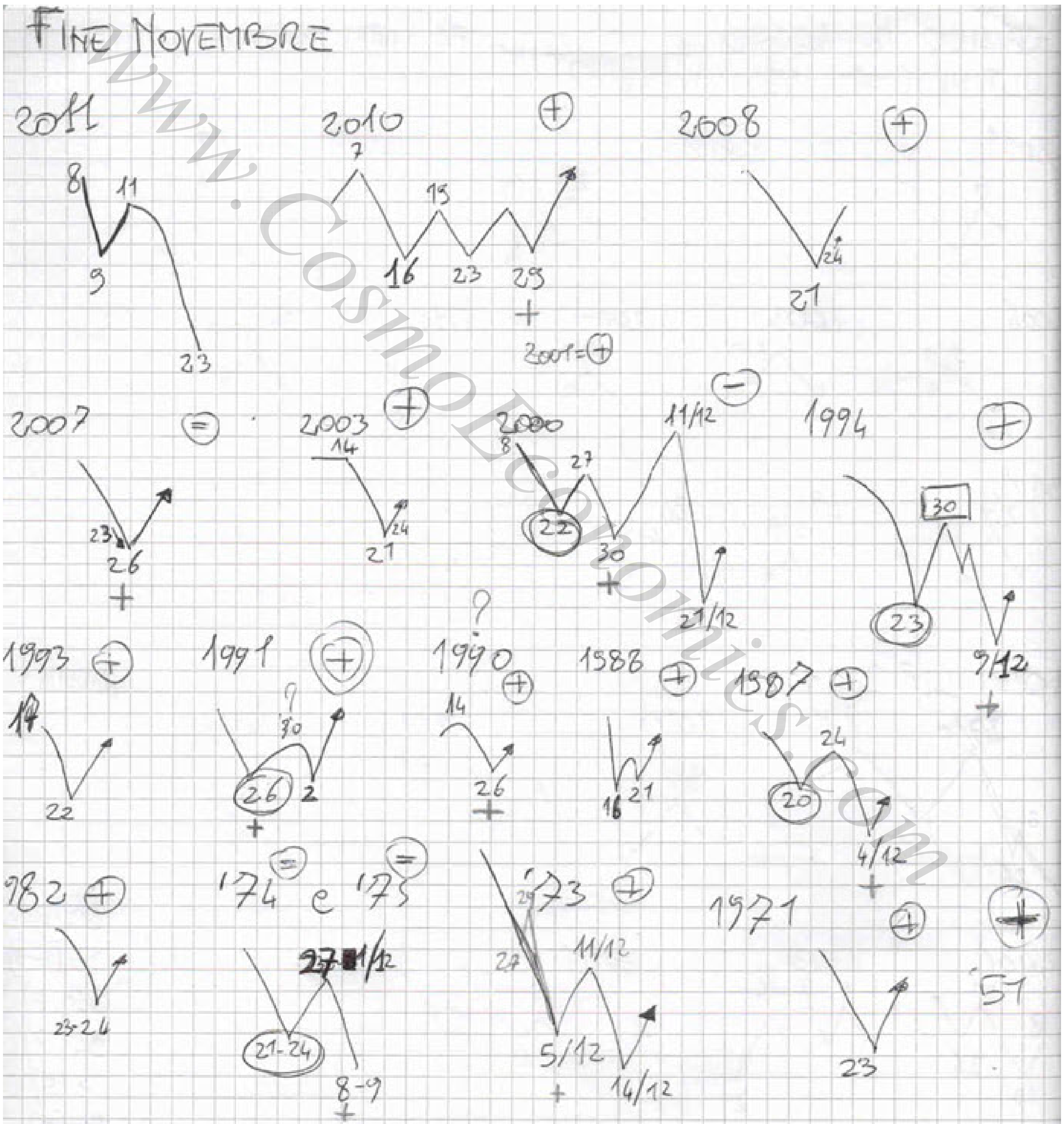


Fig. 6-29: November 2011 Pattern Recognition Worksheet

We conclude this section with the complete chart of S&P500 for 2011, from which it becomes evident that it is possible to handle extremely important mid-term and long-term operations using very precise prices for confirmation. The strategy is always the same: risk little and demand a lot.

Let's see examine now some of the trading activity from May as it was documented on my Blog, looking at the most important trades to observe how they were forecasted and handled.

Following is the commentary for May 2 with the related forecast on the chart:

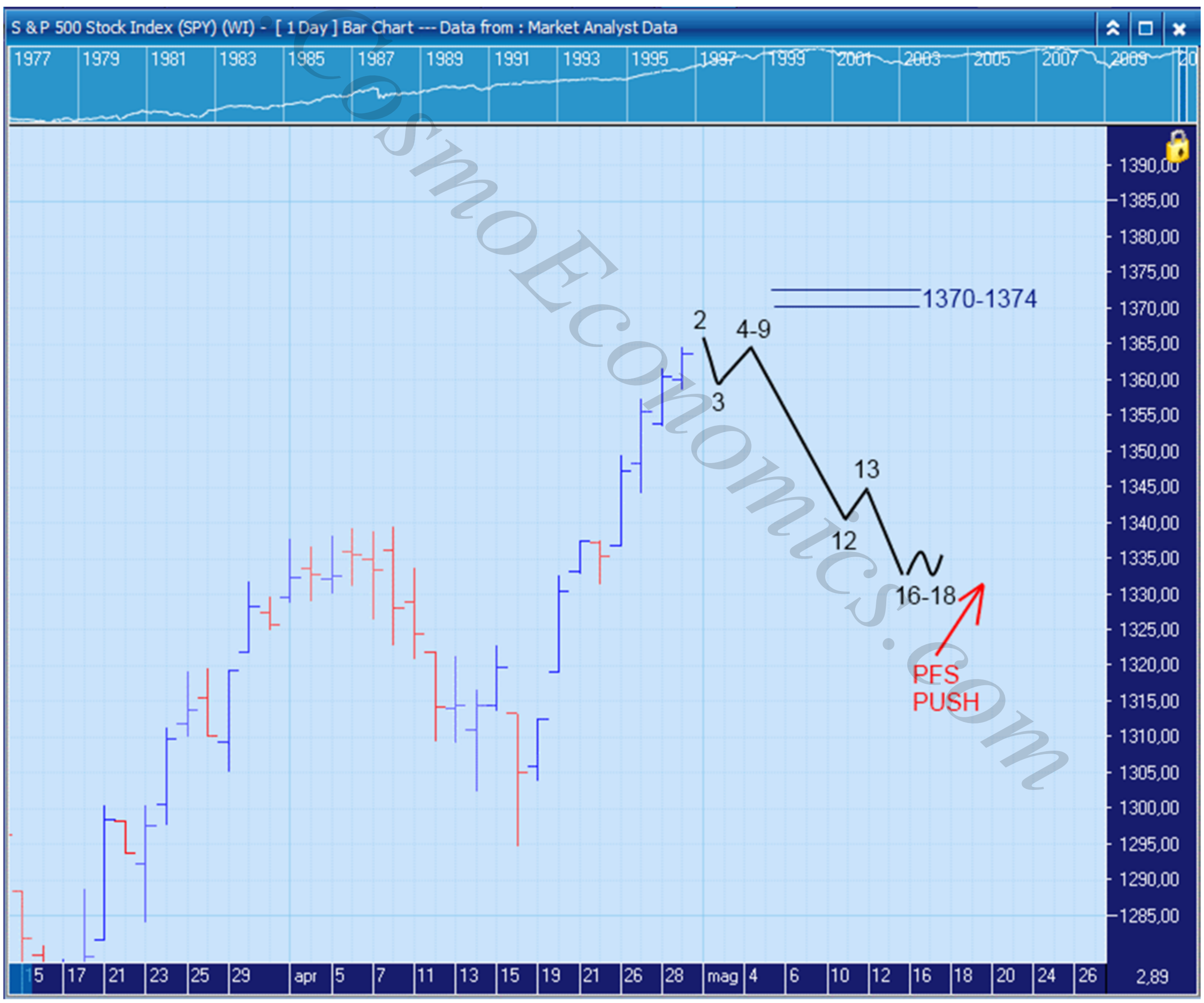


Fig. 6-19: S&P500 May 2011 Forecast

The PFS showed a general up-trend in the following days, so I followed this forecast:

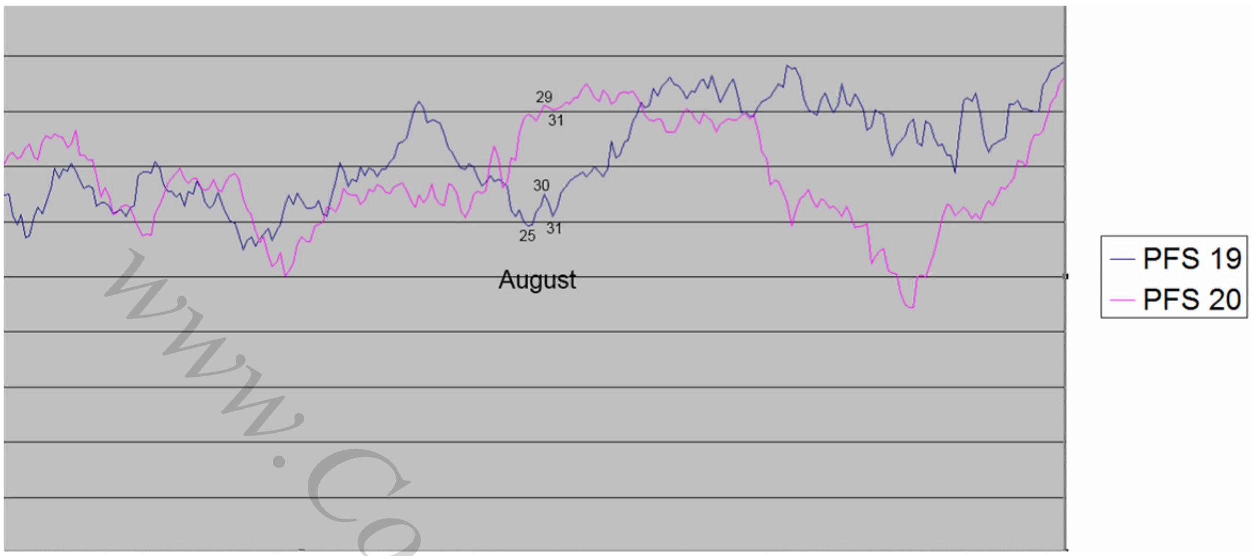


Fig. 6-2: PFS 19 and 20 for August 2011

Theoretically the day should close bullish, since market hasn't shown signals of weakness below 1190 points.

Also, looking at past years when August ends with an up-trend, we generally have a high in the first days of September and not before. The years I investigated were 2008, 2007, 2006, 2003, 2000, 1995, 1994, 1993, 1991, 1989, 1986, and 1983. Among these 12 years, 9 show high prices at the beginning of September. Hence, I follow my studies and I stay Long above the key price. So we see that to forecast the market, I observe the PFS and the past years together. Prices are useful in understanding whether the market is in a strong position to buy or a weak position to close out the trade.

Here is part of the commentary for the following day:

August 30, 2011: *"I am Long and I remain Long. Today's key point is area 1189-1190. I'll stay Long above this price and I'll close the trade with a trend confirmation below this level. As long as we are above this area, I stay Long. The first good resistance is at 1217-1219, but I think it will be broken. At this point we can close 1/3 of the position."*