

- A** Anticipate/Analysis
- B** Participate (Buy)
- C** Exit Long (Sell)
- D** Avoid

Accumulation

Occurs after a drop in prices. Process of buyers gaining control from sellers which leads to markup.

Markup

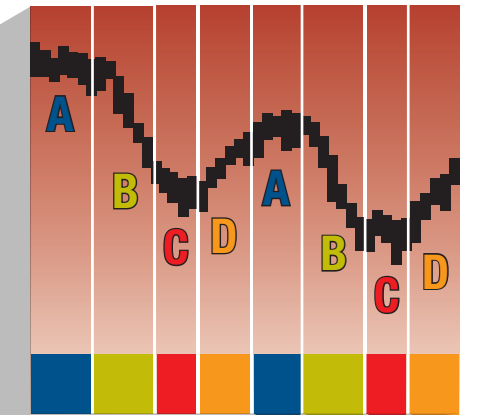
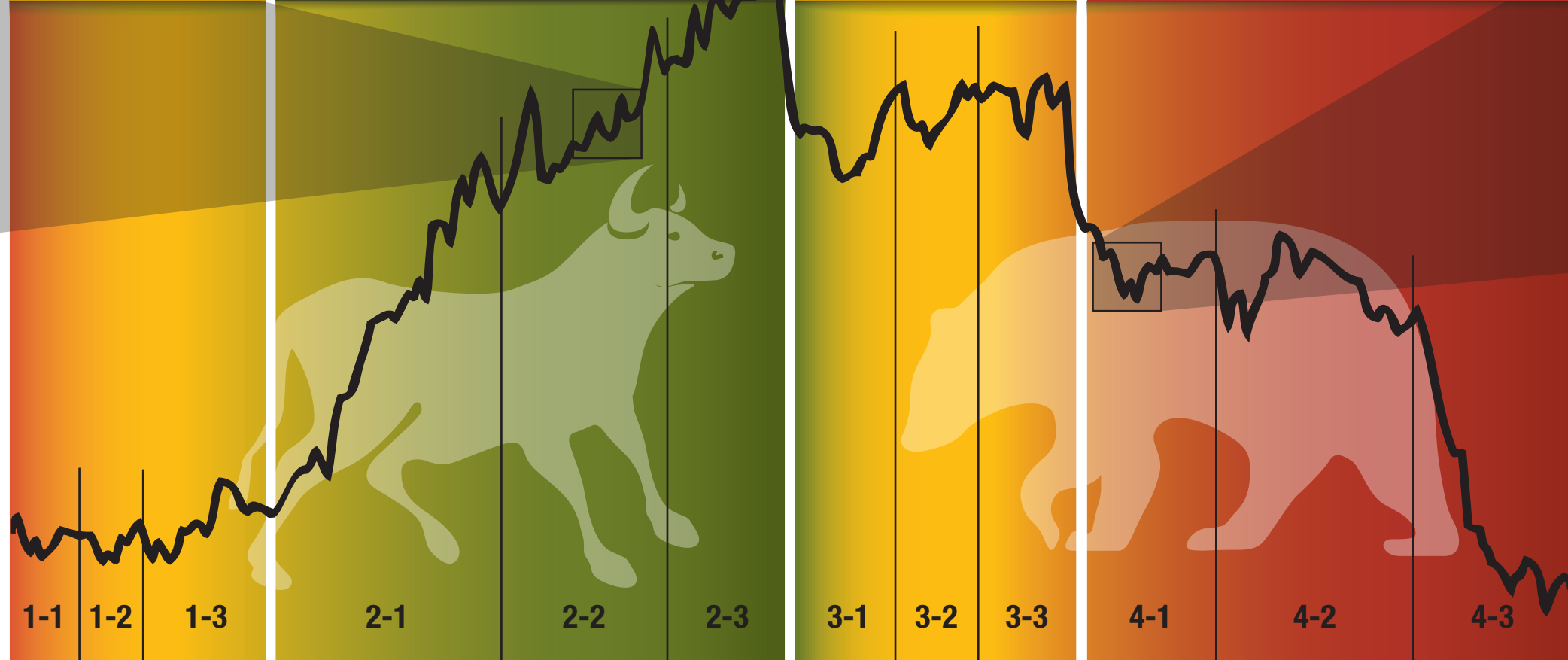
Bullish phase of a stocks life is defined by higher highs and higher lows. This is where you want to get long on breakouts and after short term pullbacks. Rallies are "innocent until proven guilty".

Distribution

Occurs after a prolonged price advance, process of sellers gaining control of prices, which leads to decline.

Decline

Bearish phase of a stocks life, this is where you want to be short, look to sell short fresh breakdowns after short term rallies have exhausted themselves. Rally attempts are "guilty until proven innocent".



- A** Anticipate/Analysis
- B** Participate (Sell Short)
- C** Exit Short (Buy to Cover)
- D** Avoid

EARLY ACCUMULATION

1-1 Beginning of transition from bearish trend to more neutral, longer term moving averages are still declining and the stock will cross above and below those moving averages. Many of these stocks will continue lower and should continue to be monitored for short opportunities.

MID ACCUMULATION

1-2 Bearish forces become more neutral as buyers methodically accumulate shares, but still no signs of upward momentum develop.

LATE ACCUMULATION

1-3 Higher lows will often develop but the stock is unable to penetrate a longer term resistance level to create a higher high. Moving averages have flattened out as buyers slowly gain control.

EARLY MARKUP

2-1 Stock first establishes a pattern of higher highs and higher lows above rising longer term moving average. These stocks show considerable upside momentum and should be monitored closely on shorter term timeframes for low risk buying opportunities.

MID MARKUP

2-2 Pullbacks above the rising longer term average may become deeper but these stocks are often in the "sweet spot" of an uptrend where gains can come quickly.

LATE MARKUP

2-3 The upward momentum is still present but rallies may take longer to develop after pullbacks. Gains can come very quickly, often at the expense of "trapped" short sellers who have incorrectly bet against the uptrend.

EARLY DISTRIBUTION

3-1 Shorter term moving averages begin to cross one another which indicates a confusion of trend. Many of these stocks will continue higher so they should still be monitored for potential long candidates.

MID DISTRIBUTION

3-2 These stocks have become more neutral and should be looked at as "correcting through time." Upside is still possible, but becomes less likely as the interest from momentum traders shifts to more active issues.

LATE DISTRIBUTION

3-3 Some of the shorter term moving averages may be declining and acting as resistance but the stock has not broken key support to place it in official downtrend. These stocks are quite vulnerable to decline.

EARLY DECLINE

4-1 The stock first establishes a pattern of lower highs and lows below the declining longer term moving averages. These stocks are beginning to show signs of fear and can decline rapidly. These stocks should be on watchlists for short sale opportunities.

MID DECLINE

4-2 Rallies to longer term moving averages typically fail as more participants lose hope in a rally and the reality of a declining stock starts to settle in. These stocks offer excellent shorting opportunities.

LATE DECLINE

4-3 The downward momentum is still present and declines can come rapidly, but so too can violent short squeeze rallies, particularly after "bad news" is reported.