

7 POWERFUL NEW Patterns in CPRM4!

For CPRM4, we reviewed the universe of Chart Patterns to identify those that would make the biggest difference in our customers' trading.

This page illustrates the new patterns that are built around the Top & Bottom concept. Double Tops & Bottoms are the most frequent and we have been very impressed with the profitability of these new patterns.



Double Tops & Bottoms

Double Tops & Bottoms appear fairly often in charts. While Support and Resistance levels are useful,

Double Tops & Bottoms identify bounces off recent highs and lows, providing excellent trading opportunities. This is a great short term trading pattern, taking advantage of clearly identified Support and Resistance.

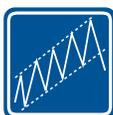
The pattern seeks to confirm a bounce, and signal the pattern on the first solid move away from the level. We actually generate several pattern "dots" at different points in the move—an early, intermediate and highly confirmed bar. This gives us several opportunities to act on the pattern.



Triple Tops & Bottoms

Even though these patterns appear rarely, when they do they are quite powerful. Typically, when a Support

or Resistance level is touched multiple times, the market will react to it. That's when YOU want to consider taking action—ahead of the crowd.



Channels

Channels are narrow ranges of price motion. When a break of a channel occurs, price often moves quickly and

decisively away from the formation, as shown in the example to the right.



For Double Tops & Bottoms we post 3 pattern signals: early, intermediate, and highly confirmed.



A recent Double Top on Amazon with 3 entry points.



A Channel forms on WAG for a profitable move.



Cup & Handle Pattern

William O’Neill (founder of Investor’s Business Daily) made this pattern famous with his CANSLIM approach.

He advised watching for a “Cup & Handle”, a pattern based on a Saucer (Cup) followed by a Consolidation (Handle).

The Saucer tells us that an increase in demand has occurred, and the Consolidation provides a classic and powerful continuation pattern. The breakouts from the handle are usually very strong indications of continued upside movement.

CPRM4 identifies this type of pattern. It is amazingly accurate on stocks that have bottomed or are starting to rally.



Scallop Pattern

Scallops are small Saucers that form in the middle of advancing/declining price. This pattern is related to the

Cup and Handle pattern, except the pattern signal occurs on the right-hand formation of the Saucer. It is quite accurate, indicating a confirmation of upward pressure.



7 New Patterns continued on page 10.

Pure Profit POWER!

The chart to the right was generated by applying the new patterns in CPRM4 to Honeywell (HON). Below is an approximate gain that could have been realized on each pattern signal.

Pattern Identified:	Gain:
1. Range Breakout	10%
2. Double Bottom	15%
3. Scallop	18%
4. Channel Break	8%
Total	51%



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Head & Shoulders

This classic pattern goes back to the first books ever written about Technical Analysis. A Head & Shoulders is formed by two lows that form a *neck line* on either side of a highest-high move. When the line is broken, that is usually a great place to go Short. Moves like the one shown in the capture to the right are not uncommon.

Inverted Head & Shoulders patterns are great opportunities to go Long. Notice how clean the break is through the neckline? This is what makes these patterns so powerful. Tighter stops can be used because, when a pattern forms it usually moves rapidly in the direction of the break. This is an amazingly powerful pattern.



(Trading) Ranges

A Trading Range is a Consolidation, formed by a wider range.

When a Range forms, price does not remain long at the trend line forming either boundary. Most often, price will bounce off the boundary (as shown in the example) forming a Range Bounce Signal.

However, if price breaks through the Range to the outside, that constitutes a break of support or resistance formed by the boundary—another great trading opportunity.

Now you can instantly find all these important patterns with CPRM4. You will also know WHICH patterns are the most profitable, using the new **Chart Pattern Profit Analyzer** feature described on the next page.



ABT shows a normal Head & Shoulders in 2010 and an inverted Head & Shoulders pattern in 2011.



An Inverted Head & Shoulders on Google prior to a 5% move.



A Trading Range forms on JNJ resulting in a very strong rally from the bottom of the range.

Introducing the Chart Pattern PROFIT ANALYZER

Know WHICH Patterns are the Most Profitable on Your Symbols!

The NEW CPRM4 Chart Pattern Profit Analyzer makes it easy to SEE which patterns have been the most profitable on your symbol list.

Sub-patterns were released in CPRM3. As a result, and with the 7 new patterns in CPRM4, there are literally hundreds of patterns to choose from. So now, what we really wanted to know, "Which patterns are the best (i.e., most profitable) to use?" CPRM4 provides the answer!

Automatically enable patterns that meet your minimum performance criteria.

Some patterns work well on Stocks, others on Futures, depending on the timeframe. Now you can see which patterns are the best to use based on the symbols and timeframe you are trading. This new feature, in addition to the 7 NEW patterns, has easily tripled the profit potential of the module.

You will see how many examples of each pattern fired, and how profitable they were over past data using optimal exits. While past performance is not a guarantee of future results, the report provides a very good idea of which patterns we should use going forward.

We can also automatically select patterns we want to follow by establishing minimum past performance criteria. Once you have defined minimum criteria, simply click Apply and the patterns meeting your criteria will automatically be enabled.

CPRM Chart Pattern Profit Analyzer Report

Pattern	Term	#	PPT	HR	APR	ADD
Channel	Long	78	2.01	69.23	110.37	4.5
Cup and Handle	Short	92	0.97	67.39	20.02	5.39
Head and Shoulders	Long	105	6.51	74.29	99.75	4.74
Range Breakout	Long	176	3.38	78.41	43.95	2.81
Range Reversal	Long	6	-2.98	50	-1.41	9.1
Scallop, Ascending	Short	47	-0.08	46.81	-8.1	4.05
Scallop, Descending	Short	14	-3.99	14.29	-160.86	5.9
Double Bottom	Short	166	10.76	78.31	34.88	6.8
Double Top	Short	66	2.06	66.67	69.79	7
Three White Soldiers	Short	104	0.7	65.36	36.82	2.86
Three Black Crows	Short	134	2.79	58.21	94.58	2.81
Belt Hold	Short	343	1.59	65.6	72.96	3.09
Counterattack	Short	348	1.29	54.6	29.94	3.69
Three Methods	Short	191	0.61	56.54	77.59	3.58
Engulfing Lines	Short	3098	0.95	58.01	29.02	3.54
Hammer	Short	857	0.27	49.59	1.69	4.26
Hanging Man	Short	902	-0.4	45.01	-7.53	3.73
Inverted Hammer	Short	108	-1.08	37.04	-128.65	5.42
Shooting Star	Short	60	-0.1	41.67	-25.92	4.16
Kicking	Short	616	1.76	67.05	49.65	3.31
Morning Star	Short	433	0.61	53.81	11.06	3.78
Evening Star	Short	339	1.4	58.41	21.83	3.29
Three Outside Up	Short	727	1.36	63.27	61.28	2.98
Three Outside Down	Short	793	1.54	62.17	47.71	3.12
Piercing Lines	Short	240	2.62	58.33	72.4	4.02
Dark Cloud Cover	Short	236	-0.18	50.42	-69.97	4.93
Harami	Short	2352	-0.54	44.05	-33.06	4.47
Stick Sandwich	Short	104	-2.85	30.77	-100.73	5.9
Side By Side White Lines	Short	34	-0.45	52.94	-2.58	3.48
Tasuki	Short	117	-1.58	36.75	-42.91	5.52
Three Inside Up	Short	1037	0.74	61.43	51.46	3.68