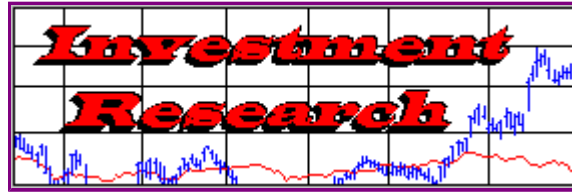
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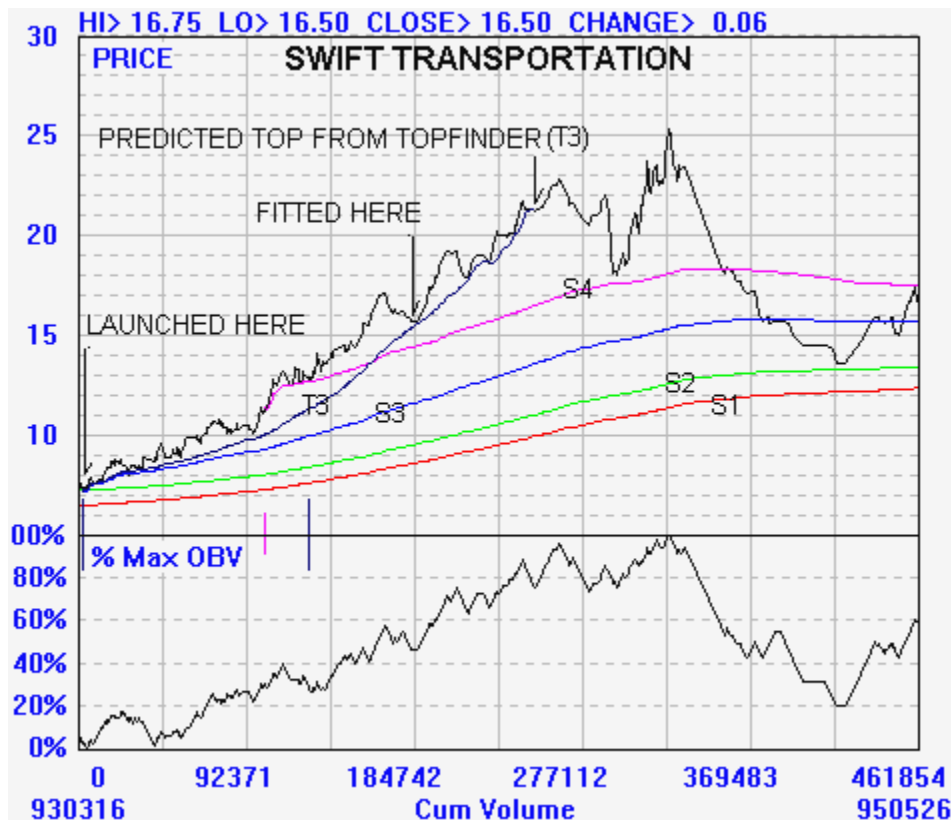


Introducing the MIDAS Method of Technical Analysis (13) by Paul Levine

This is the thirteenth article in a series. Click here to go to the [first](#), [second](#), [third](#), [fourth](#), [fifth](#), [sixth](#), [seventh](#), [eighth](#), [ninth](#), [tenth](#), [eleventh](#), or [twelfth](#) article.

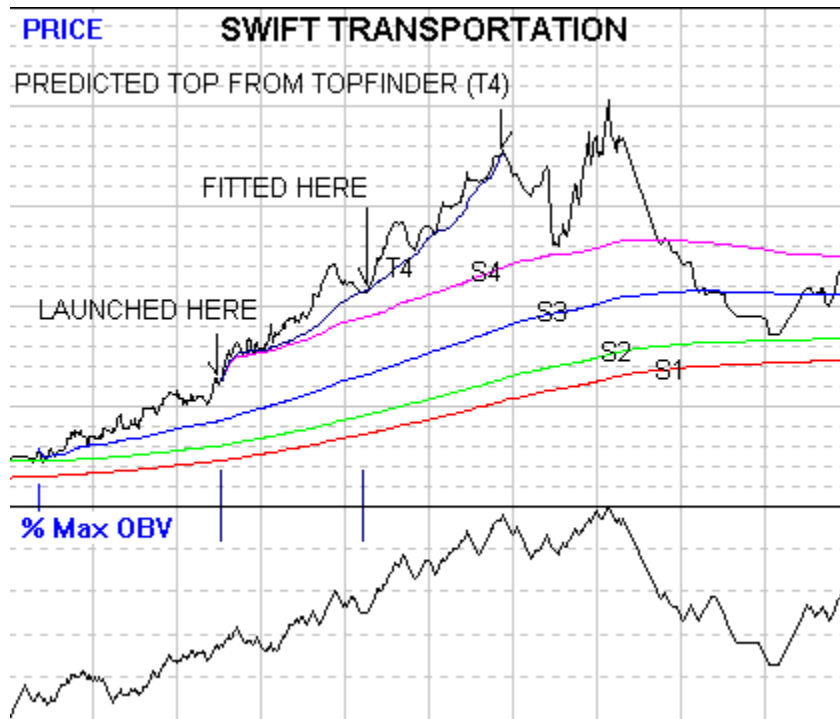
In the previous article we introduced the concept of TOPFINDER (or BOTTOMFINDER) wherein a strongly trending move finds support (or resistance) on pullbacks at a new type of S/R curve which accelerates away from the normal S/R and terminates at a predetermined cumulative volume. In order to recognize the types of Midas curves for which TOPFINDER may be applicable, it is worthwhile to examine a few more examples before we present the algorithm and consider its implications.

The first figure contains a Midas chart for a massive bull move and subsequent bear correction in Swift Transportation. In contrast to the Midas charts you have seen thus far (which are generated by a Lotus 123 spreadsheet program I initially wrote for the HP 95LX pocket computer) this figure is obtained from a Windows application called WINMIDAS which we will discuss in a future article (and possibly even have available for download!).



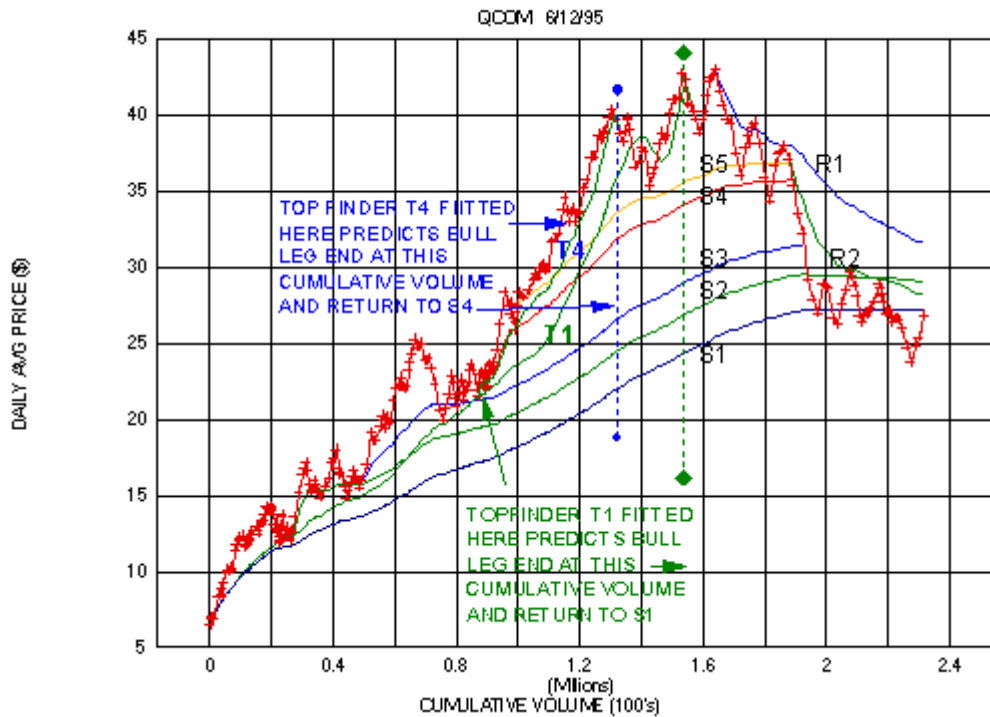
Per the comments in the previous article, after launching S3 and observing that the price failed to pull back to S3 - trending instead strongly upwards - a TOPFINDER curve T3 was launched as well. As the move evolved, the point at which T3 was fitted to the various pullbacks was refined until the final fitting point shown in the figure was used.

Note that the subsequent pullbacks were well fitted by this TOPFINDER curve but that the predicted burnout was a bit premature. Furthermore, the subsequent correction went only as far as S4, rather than S3. Was this a failure of the theory? Not quite, for (as shown in the second figure) when we go back and launch the TOPFINDER T4 associated with S4 - again fitting it to the same pullback as with T3 - we find lo and behold that with T4 the burnout point shifts to the right just enough to catch the actual top!



So apparently just as there are short term bull moves contained within longer term ones, TOPFINDERS associated with different members of an S/R hierarchy can be simultaneously operative. This is clearly shown in the third figure which is an (older style) MIDAS chart for Qualcomm (QCOM). Note first that the TOPFINDER T1, associated with the primary support level S1, catches the climax of the whole bull move quite well (actually the first of the double-top formation).

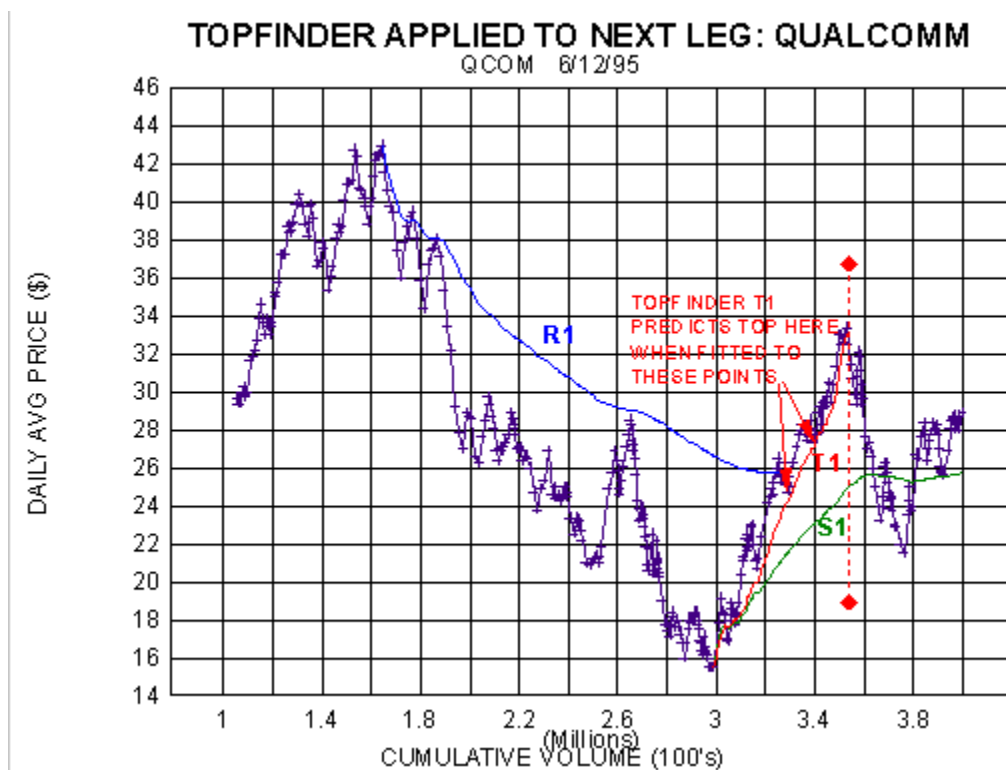
NESTED TOPFINDERS IN MIDAS CHART FOR QUALCOMM



Yet within this "six-bagger" move from 7 to 43, was a near doubling move from about 22 to 41 associated with the launch of S4. If the corresponding T4 is plotted, it is seen that the intermediate top is located quite well when T4 is fitted to the short term pullbacks as shown. (In the event, the subsequent correction carried only to S5 rather than S4 as anticipated, but this deviation from form could be interpreted as a complication arising from the fact that the T1 had enough "fuel" left to counteract the decline from the T4 peak.)

The foregoing examples underscore the circumstance that application of TOPFINDER techniques frequently involve ambiguities either in the choice of launch and "fit" points, or in the possibility for more complex simultaneous structures. While a regrettable frustration in our search for the magic wand that turns all to gold, there do occur "textbook" examples devoid of such complications which have great profit potential.

So to end on this positive note, let's go a bit further with QCOM and look at the next bull leg - another double from 16 to 32. As seen in the fourth figure, the straightforward T1 associated with the new S1 works like a charm catching the top exactly. So something is clearly going on here and in the next article we'll examine the TOPFINDER algorithm and try to understand why it works.



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Paul Levine first became interested in technical analysis when he was a "runner" on Wall Street as a high school student. After graduating from MIT and gaining a PhD in theoretical physics from CalTech, he took a fresh look at the problem some thirty years ago and stumbled upon what has now evolved into the Midas method. Following retirement as Chief Scientist and a co-founder of Megatek Corporation in 1981, he developed further elaborations of the method and is now in his fourth year as a professional trader. He can be reached via e-mail at [WinMidas website](mailto:winmidas@winmidas.com)>winmidas@winmidas.com or visit the [WinMidas website](#).

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