

BALANCE MAGIC

Understanding the Language of the Markets

Part 2

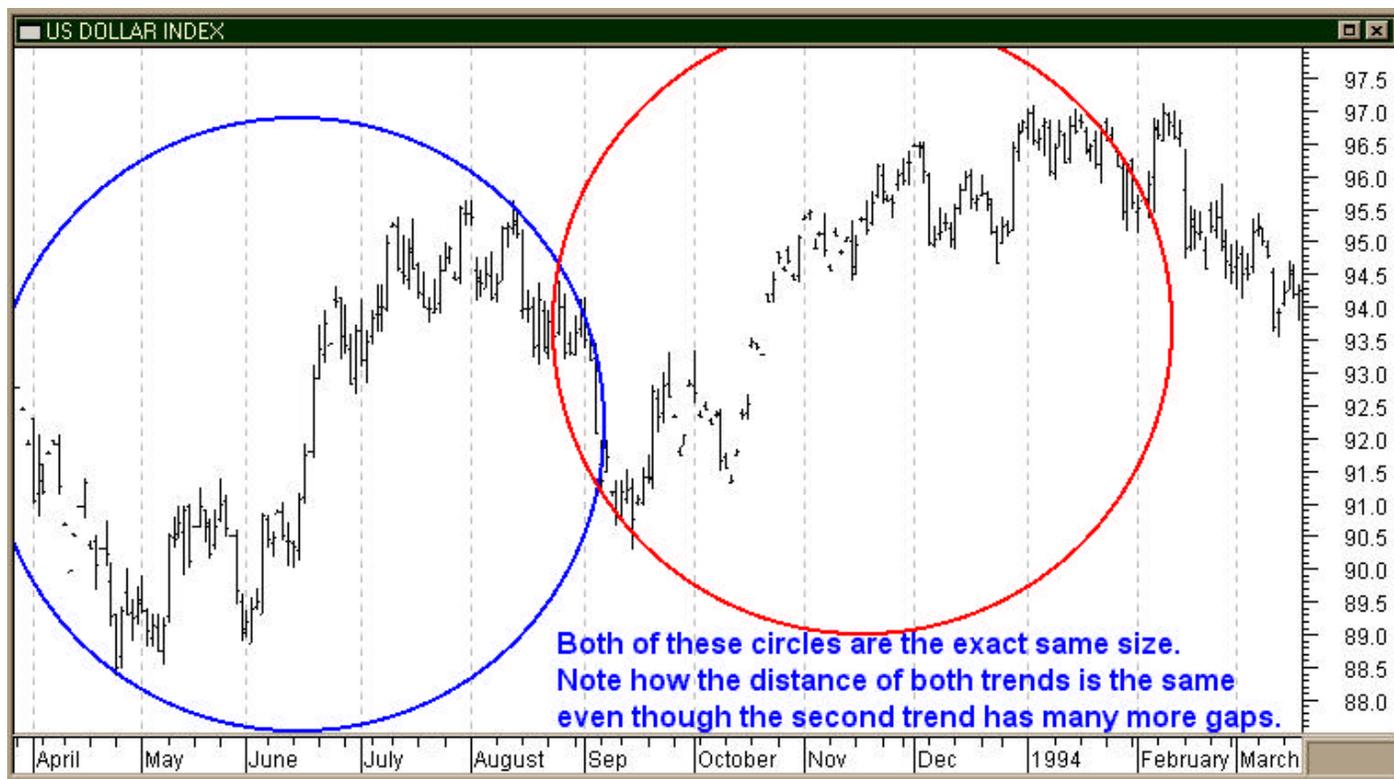
Written By Michael J. Parsons

All Rights Reserved

While there are many waves that run through a market and so not all trends will match up with one another, every trend will have a corresponding opposite of itself. What is even more amazing is the fact that similar waves are more common than dissimilar waves.

Lets take a look at a few examples of this phenomenon.

Figure 22



How is this information of value to you in trading? If you know the length of a trend, by either using a compass or the circle program in your charting software, you can gauge the likely place and time of the next trend (That is of course, if it is a matching trend). Utilizing trend lines will also help in further gauging where the price will go.

Usually one side of the trend will be different in its price movement, so naturally you would inversely change the time factor. For example, once a trend line can be drawn, by placing you ratio circle starting at the beginning of the trend you can know the most likely distance the price will travel.

Figure 23



There is also another way to look at this relationship, called boxing. As you will recall, we discussed a form of boxing earlier in figuring the distance of current trends based on **BALANCE MAGIC** points, in essence the spread between a high and low. In this case, boxing is used to determine the spread between two highs and two lows.

For example, by taking the horizontal distance of the last two highs, you can determine in most cases the horizontal distance between the last low and the upcoming low. Amazingly, they tend to match one another, emphasizing the symmetry that exists in the market.

In a very short time we have covered what it takes most traders years to understand about the symmetry, geometry and language of the markets. Sadly, most will never develop a clue regarding this incredible relationship of price and time. Are your eyes beginning to see what this means and the value of speaking the language of the markets as it relates to your trading success?

Realistically, as I mentioned earlier, even though you have seen the examples and explanations, it still takes your own personal development of these skills. Even though I have laid the groundwork for you, your ability to interpret this language successfully requires you to practice it. And that truly is the key to success - practice, practice, and more practice. Just as someone who learns a foreign language must use that language, so too to use the language of the markets requires you to use it to develop your skill in its interpretation.

As you practice your skills, why not experiment to see what other relationships exist within the market. As I mentioned in the beginning, there is even more to discover than what I have shown here. I am just not ready to reveal all the details because I am still developing and testing them out. But they are there and each piece of the puzzle opens your eyes even further to the remarkable nature of the markets.

As you continue to put all the pieces together, I think you will agree with me that the markets make such a beautiful picture. What comes to my mind is an image of the sun rising up over a beach while waves are gently flowing up to shore. What wonderful beauty and symmetry exists in the world all around us and exists in the markets!

BALANCE MAGIC in Action

Now that we have seen some of the aspects of ***BALANCE MAGIC***, how do we effectively use it to help make winning trading decisions?

The key here is to take the most powerful ***BALANCE MAGIC*** symmetry and use it to your advantage. While markets are always in some transition, you obviously want the most profitably set-ups to trade. So what do you look for?

Starting with monthly, weekly and then daily charts, look for the markets that due for substantial moves with time running out. When the trend gives confirmation of changing into the direction of the natural destination point, you have your set-up. These larger time frame set-ups many times provide the most powerful trading opportunities that you will find in the markets.

That is not to say that you can't take advantage of this method with smaller time frames. This works equally as well with time frames down to one-minute. For example, I often monitor ***BALANCE MAGIC*** on the S&P using the ten-minute time frame and find it repeatedly tells me exactly where the price will go to the very point.

Figure 24



Figure 25



Putting it all together

Trading successfully is a challenge that many just will never rise to. It requires great methods, skill, patience, timing, mental and emotional control, good money management techniques and desire.

As important as method and technique is, it is far from the only thing required to be successful. If you do not have patience and know how to use timing, then you will find yourself entering and exiting the market at the wrong time and face losses. If you do not have control of your emotions, then they will be the source of your trading decisions instead of sound judgment. Emotional trading is almost always wrong and can be very costly.

While I can't teach you how to handle each of these aspects in just one book (it would require volumes that would compete with World Book), I can show you what I do and how I make decisions when trading. The following pages will show charts with notes attached that will demonstrate "my thinking" while trading. Please realize that I can never fit all the factors in these charts that affect my decisions, but if you look closely I think you will get the general idea.

Figure 26

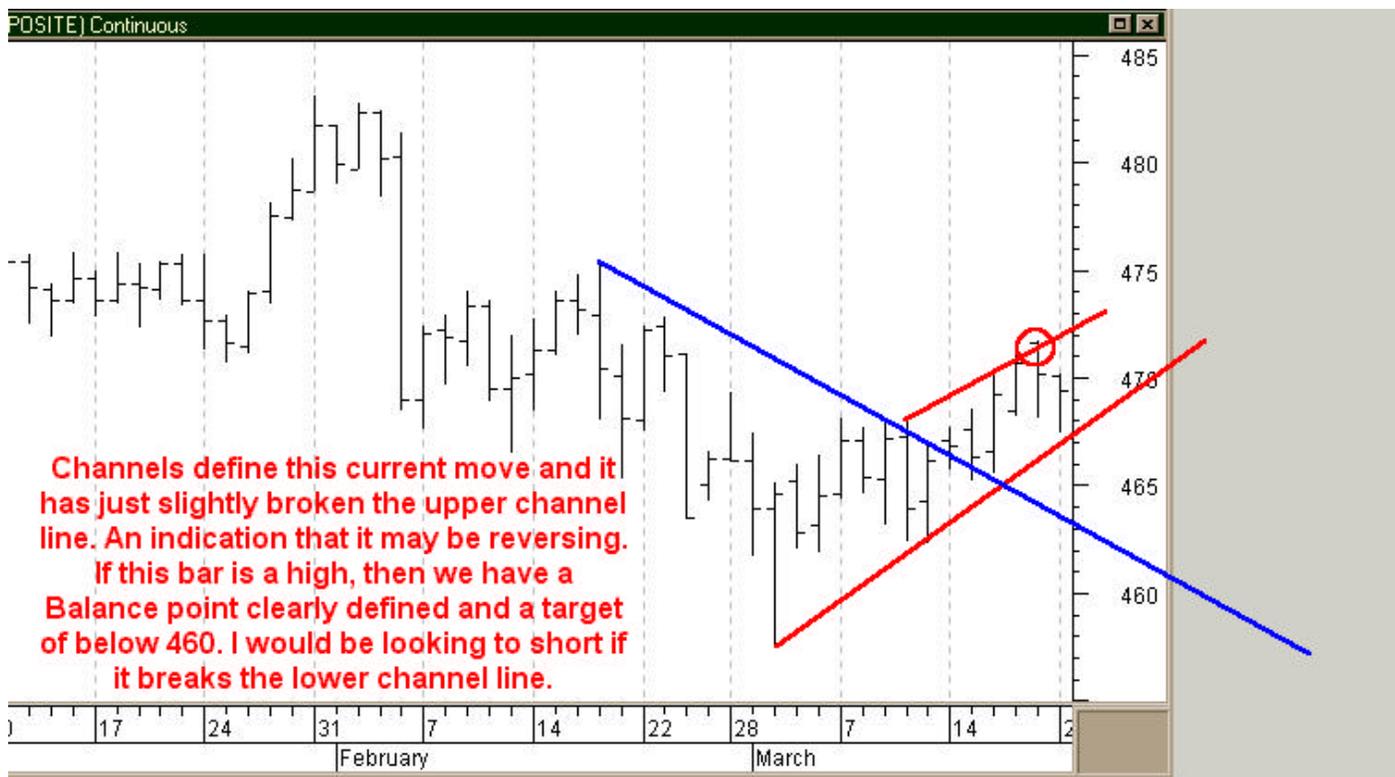


Figure 27



Figure 28



Figure 29



Figure 30



Figure 31



Figure 32



Figure 33



Figure 34



Figure 35



Figure 36

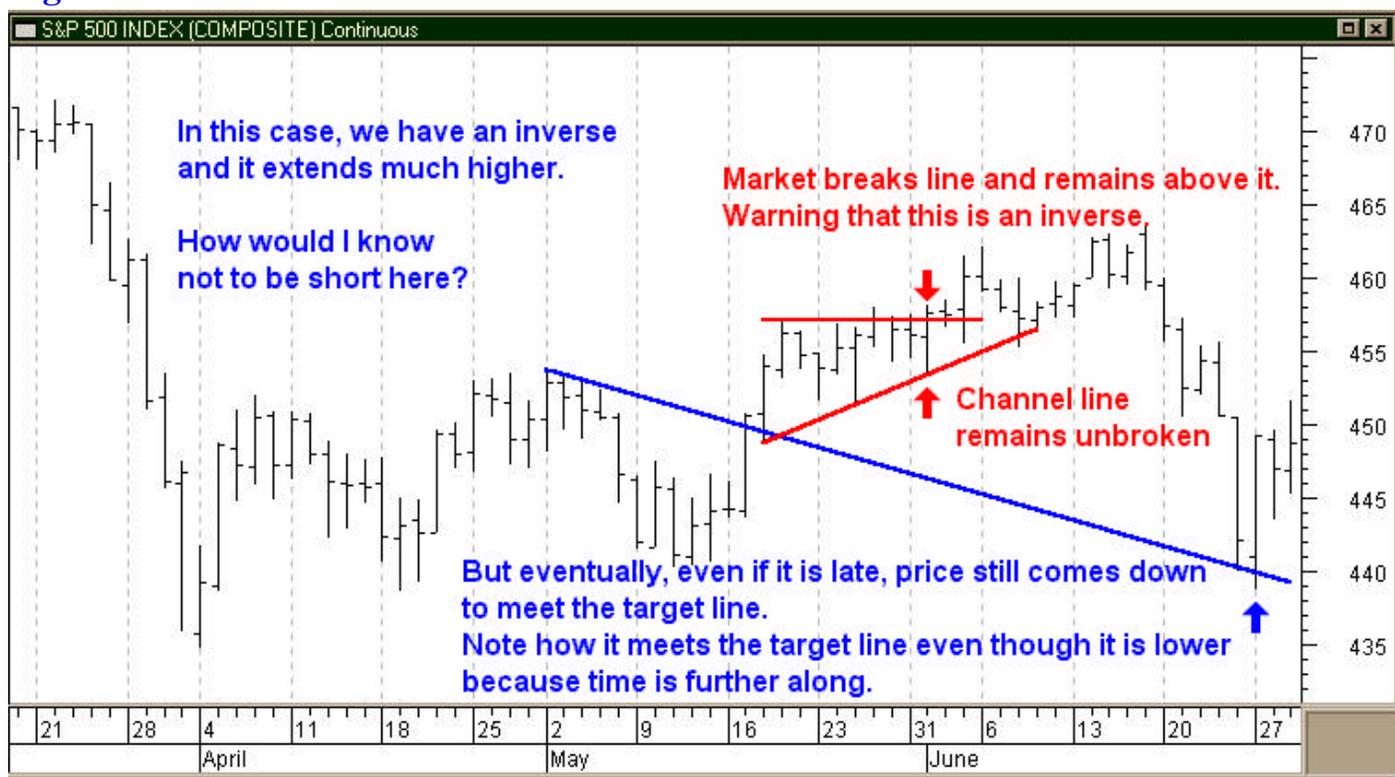


Figure 37



Figure 38



Figure 39

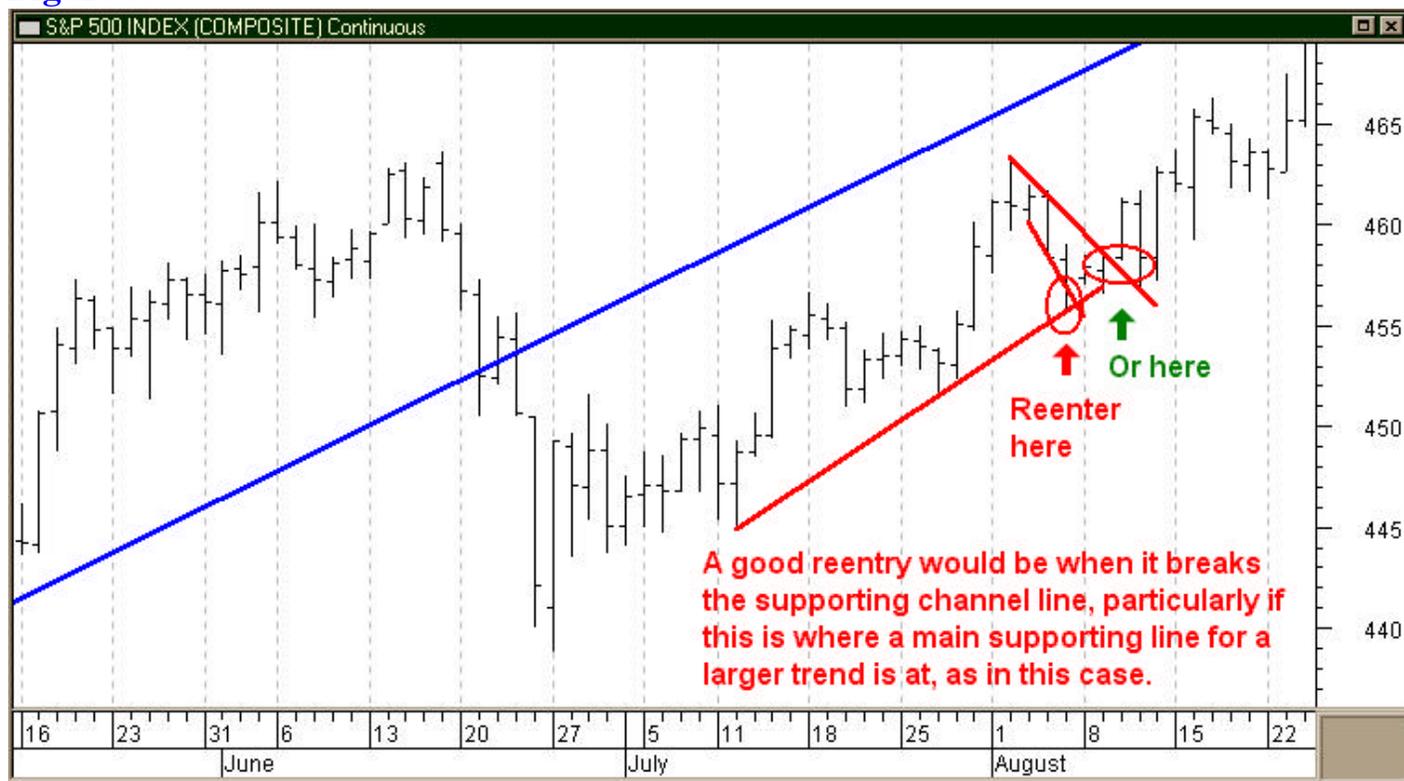


Figure 40

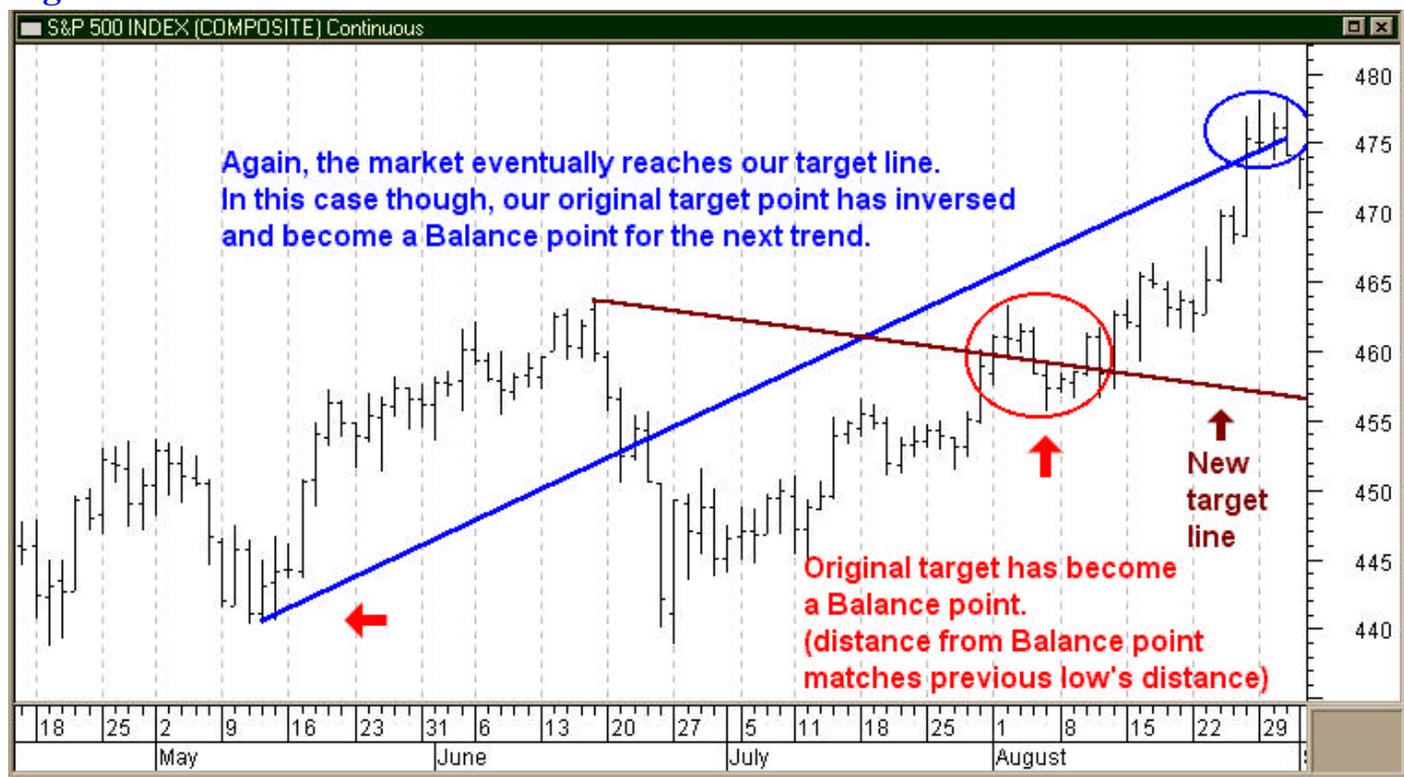


Figure 41



Figure 42



With practice, this technique starts to become very easy to do and eventually you won't even have to draw lines. "Eyeing" the targets for Balance Magic is relatively easy. But if you need to draw lines, that is perfectly fine. The key is that you learn how to properly apply it and that you use it.

BALANCE MAGIC is a skill, but one that isn't difficult to learn. Remember, you are reading the language of the markets. If what you read is confusing or doesn't make sense, then wait until it does. You don't have to trade anything that you don't feel comfortable with. Don't ever feel that you have to. There are many times that I am not in the market. Sometimes it's just a matter that I get a little lazy or just don't feel like trading, but I especially don't trade if I don't like what I see. Standing aside is a position just the same as being long or short.

I could add chart after chart of examples of **BALANCE MAGIC** and how to trade it, but I would rather you pick a chart of your choice and start looking at it. I have no doubt you will see **BALANCE MAGIC** in action very quickly on the patterns that have already developed on the chart. But go a step further and actually start using the principles here to actually forecast what the market will do, then watch the results develop. When you are wrong, make an effort to understand why. When you are right, as I am sure you will be often, use it to build your confidence in your trading ability and eventually your bank account.

One thing about **BALANCE MAGIC**, if you are an options trader, this is a fantastic method for winning in the difficult game of options. Most option traders who buy options lose money. The reason is because they are priced so that the odds favor the seller. Unless you have some inside information as to where the market is going, the odds are set against you from the start. This is why there are many who recommend selling options rather than buying them. However, with **BALANCE MAGIC** you now have insider information and know not only what the market will do, but also when. This puts the odds overwhelmingly in your favor.

When you combine **BALANCE MAGIC** with **REVERSAL MAGIC** and **Channel Surfing** you have as one student calls it, the Terrific Triad. The awesome power of these three make trading a pleasure and profitable.

As magical as this knowledge is, it really is a simple matter of understanding the language of the markets. Like most things in our world, the markets have a beautiful symmetry that can't be fully appreciated until you understand it. Learn to speak the language of the natives. Not the language of the brokers. Not the language of the floor traders. And certainly not even the language of the analysts, but the language of the market itself. It will talk to you if you listen. And it has a lot to say.

In fact, it's talking about money right now and it's just begging to give it away, if only someone would just listen!

Do you hear it? Are you listening?

My friend, may you Trade well and be happy.

Michael J. Parsons