Analyst Insight

BALANCING TIME FRAMES

By Jason Sidney

PART ONE:

Identifying equal time frames is a great way to demonstrate “order” from the apparent “random” activity found in markets using the basics of geometry or what’s commonly known as geometric charting. The lesson that follows is a summary of the recent lesson I gave to Canadian radio station 580 CFRA in Ottawa, Ontario as part of a live interview for the program they were running at the time on Gann techniques and how they were applied to financial markets. With the recent anniversary of the September 11 disaster, a subject on everyone’s minds at the time. I thought it fitting to compare the recent decline we have all just witnessed in world markets with the decline that was a direct result of the September 11 disaster. While the event itself was a catastrophe, the “order” or balance that has unfolded in markets since that event has been quiet amazing.

There are four main points on a chart you would look at when trying to identify equal time frames, and they are the time frames between swing highs and lows. The swing highs and lows you would look at, are the difference between high to low, low to high, high to high, and low to low. This can be done on any time frame chart, daily, weekly or monthly, depending on whether you’re trying to determine the short term or long term trend.

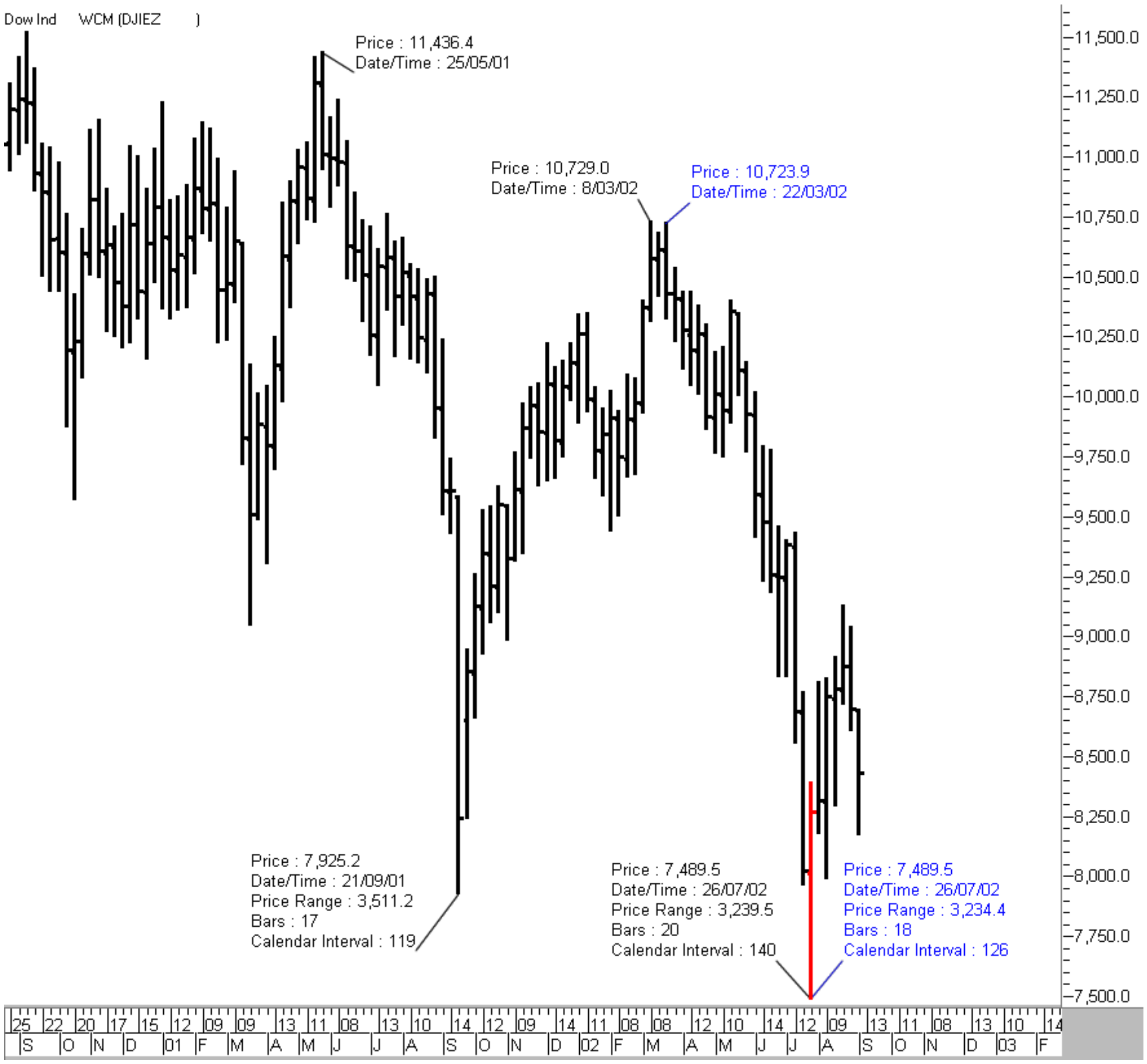
If we were to now look at the S&P 500 cash market and the Dow Jones Industrial average and compare the run down that occurred during the September 11 disaster with the recent decline we have all just seen, you would find some interesting examples of equal time frames. While the S&P 500 cash market and the Dow Jones Industrial average are very similar markets. The S&P 500 is based on 500 stocks, where as the Dow Jones Industrial average is only based on 30 stocks. I point this out because although they are similar markets, the S&P 500 is made up of more stocks and can therefore have a little more voting power when it comes to determining the direction of the overall American stock market. If we were to now take a look at the S&P 500 cash market and compare the run down it had during the September 11 disaster with the recent run down we have all just witnessed, you will find a good example of an equal time frame.

The high before the September 11 disaster run down was 1316 on the week of 25/5/01, it then continued to run down to a low of 945-21/9/01. The number of weeks between these two points is 17 weeks. If we were to now compare the recent run down from the high of 1174-22/3/02 down to the low of 775-26/7/02, you would find the number of weeks between these two points is 18 weeks. So we have just compared the time frames from high to low on the two most recent swings going in the same direction, and found the most recent decline to be almost equal in time to the previous swing going in the same direction.

If we were to now compare the same declines with the Dow Jones Industrial average we will find similar alignments in time. It's important to remember the date of the recent high before the decline on the S&P 500 cash market, because although they are both similar markets, the S&P 500 cash market actually made its high on a slightly different date than the Dow Jones Industrial average. As you will soon see the date of this high is relevant to the Dow Jones Industrial average in identifying equal timeframes.

Looking now at the run down that occurred during the September 11 disaster on the Dow Jones Industrial average. You can see the high before the decline is 11436-25/5/01 and the low that follows is 7925-21/9/01, which gives us 17 weeks between these two points. If we were to now look at the most recent decline on the Dow Jones Industrial average, the high before the decline is 10729-8/3/02, which then continued down to a low of 7489-26/7/02. The time frame between these two points is 20 weeks. Not as precise as was seen on the S&P 500 cash market. You will notice when looking at this high on the Dow Jones Industrial average, another slightly lower, almost equal high that occurs on the 22/3/02.

The date of this high shown in blue, just happens to occur on the same date as the high on the S&P 500 cash market. So if we were to now use the date of this new high 22/3/02, and looked at the difference in time from this date down to the low of 10729-8/3/02 you would find the time frame between these two points is 18 weeks. This gives us another good example of an almost equal time frame. So again we have just compared the time frames from high to low on the two most recent swings going in the same direction and found the most recent decline to be almost equal in time to the previous swing going in the same direction.



In the next edition of *Analyst Insight*, I will take this subject further and look at other equal time frames and how they relate to the significance of this recent low and the rally that occurred as a result of it.

Best regards,

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