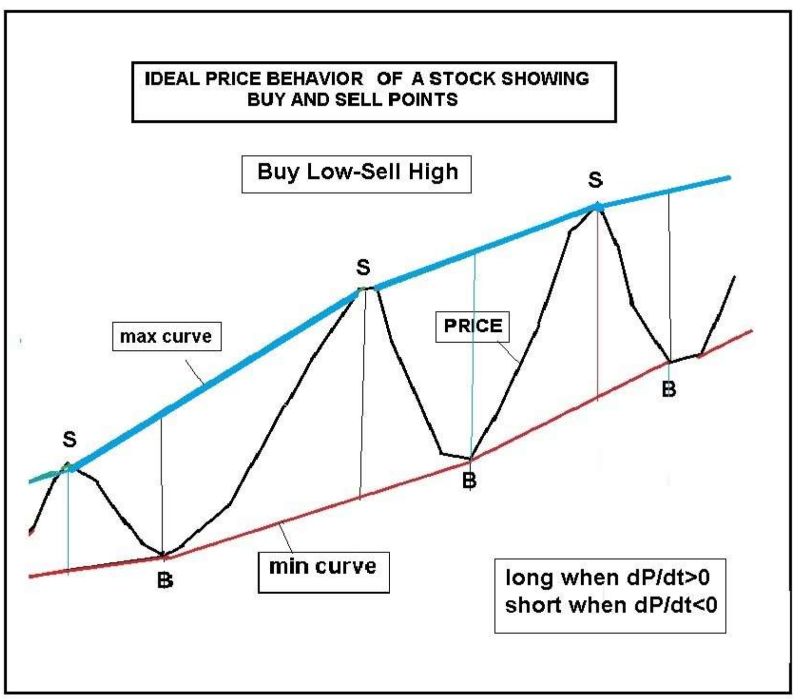
A NEW TECHNICAL APPROACH FOR PREDICTING THE NEAR FUTURE OF STOCK PRICES

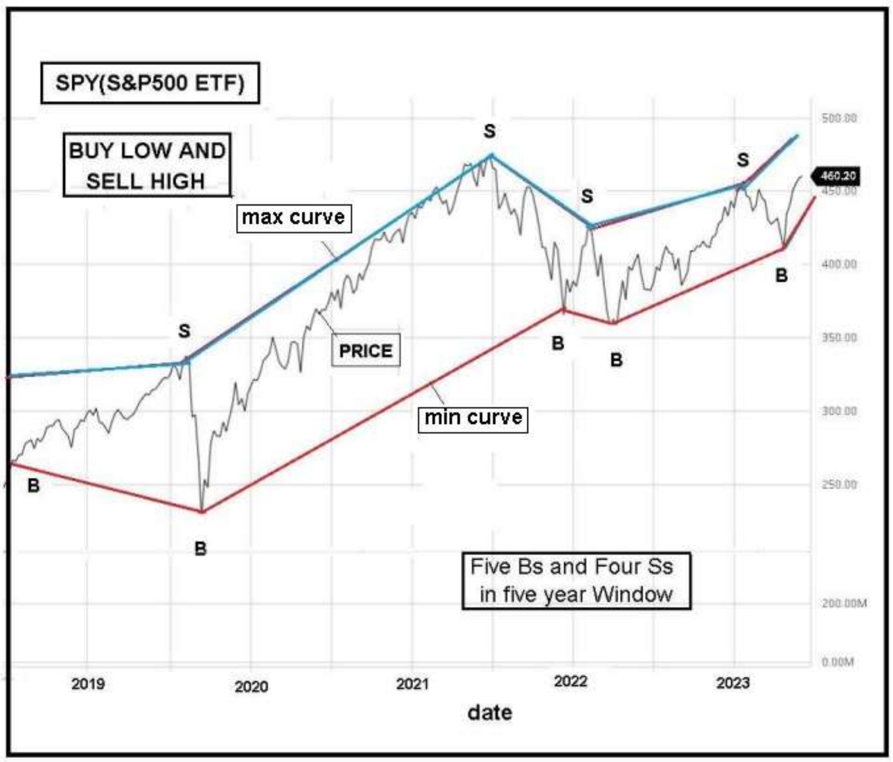
Predicting the future of stock prices based on both fundamentals such as earning trends and chart patterns, used by technicians, is pursued by millions of individuals and professionals throughout the world. It is an inexact science with both winners and losers determined by the future price of the stock in question. Price gains are made when future demand exceeds the supply and visa versa. Remember at a given price the supply and demand are equal. The main thing to always keep in mind is to <u>Buy Low and Sell High</u> whenever possible. It is our objective here to introduce a new type of technical approach for predicting near future stock prices using five and ten year price windows of the past and looking at their wave patterns.

My approach to stock investing began over seventy years ago by studying hundreds of stock price patterns extending up to twenty years into the past. What one noticed is that there are points in time where a stock has a local maximum (S for sell) and a local minimum (B for buy) One typically observes the following pattern-



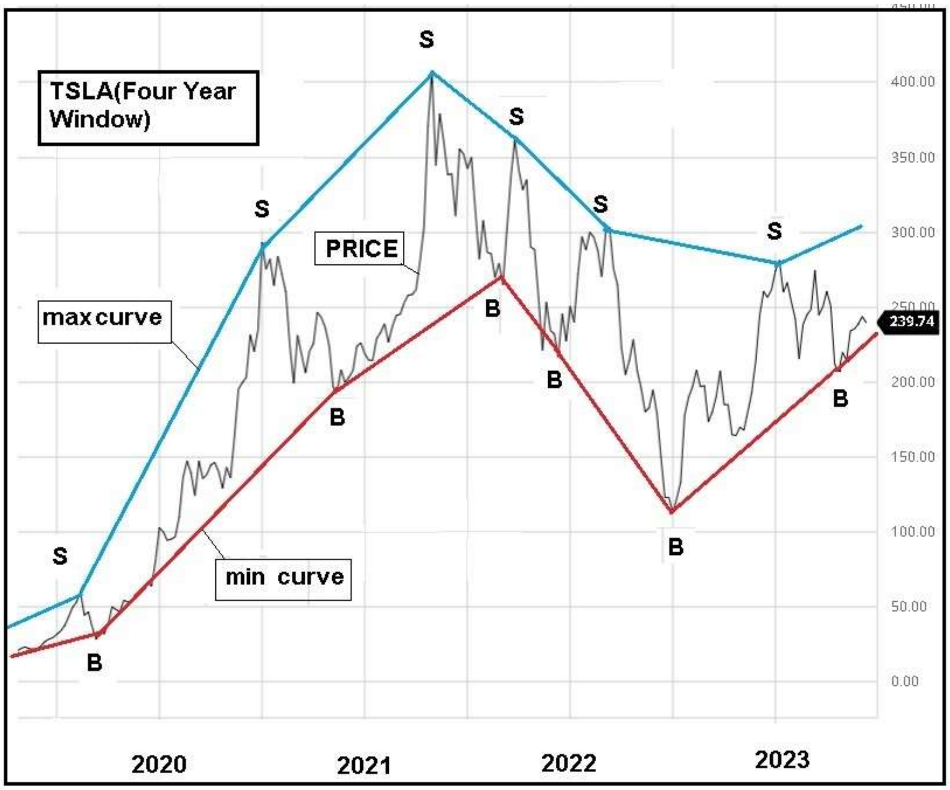
The price within a given chosen price window has about four to eight local extrema . The price typically exhibits a wave like pattern with changing wavelength and frequency. One should be long of a stock if its price slope dP/dt>0 and short when dP/dt<0. At the moment the hypothetical pattern shows dP/dt is positive and so the stock should be a buy. It should become a sale when the price approaches the blue sell curve where dP/dt=0.

We next apply the present procedure to SPY, an ETF stock for the S&P500 index. We chose a five year price window as shown-

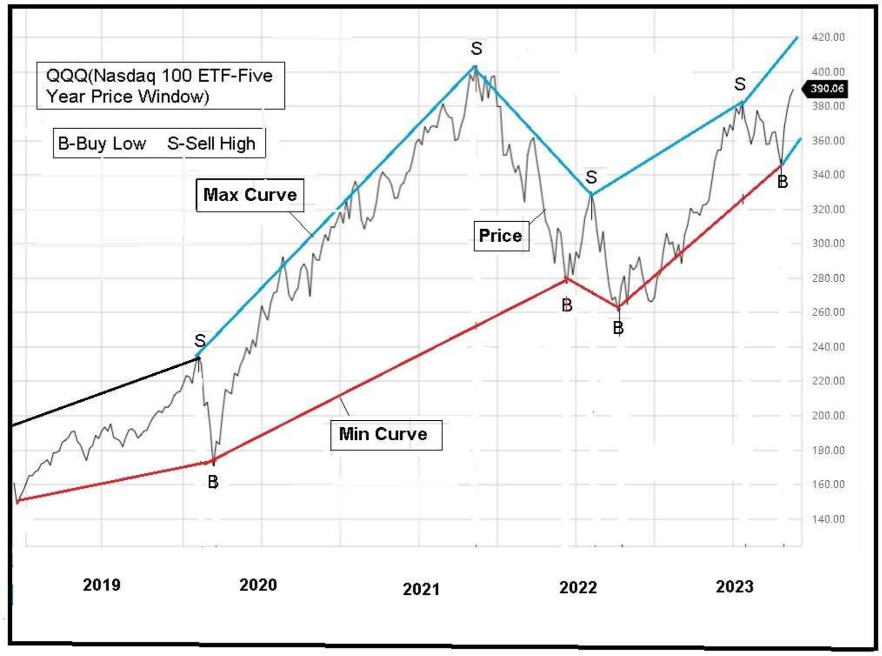


It has four sell points and five buy points. Its latest price lies near $460/sh with dP/dt>0. The graph wave pattern indicates that SPY remains a buy until about $500/sh where the blue sell curve will be reached. Should the prediction fail by a sharp downturn in price one should sell immediately.

The present technical method also applies to individual stocks but does so at somewhat greater risk. Here is a four year price window for TSLA stock-

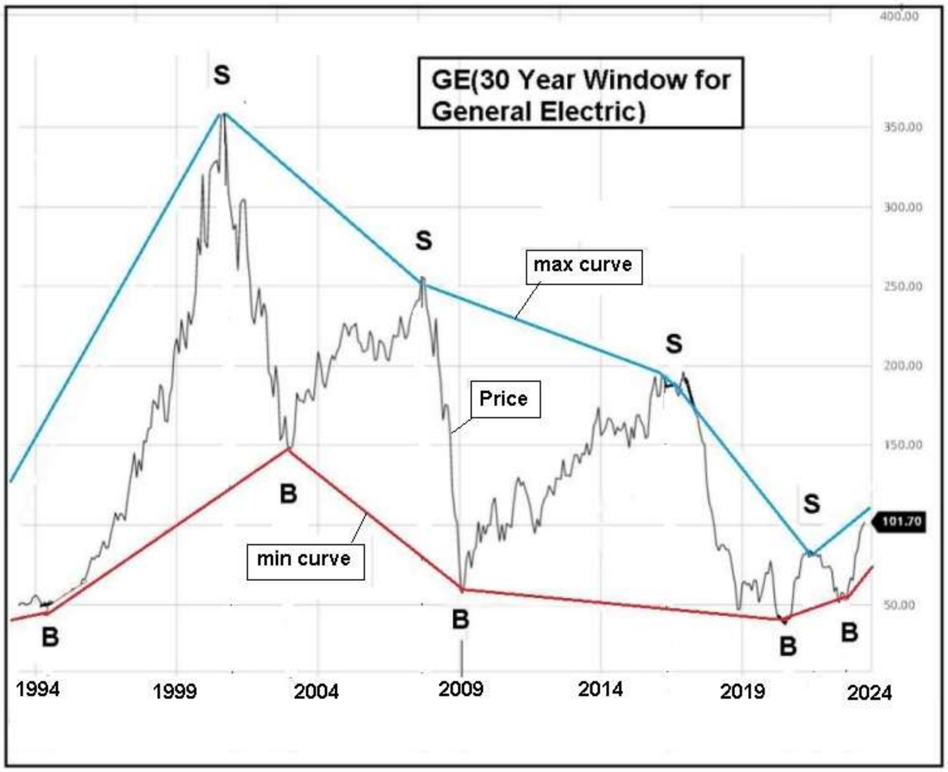


It has six S points and six B points. At the moment it is a buy near $240/sh and possibly could move to $300/sh. Note that for individual stocks the price fluctuations are larger than for multiple stock holding ETFs. That is the reason I deal mainly with ETFs where the daily stock price swings are much lower in the one percent range. A second ETF graph is QQQ. It is an ETF representing the 100 Nasdaq stock index and the second most active of the several hundred existing ETFs. Here is its five year price graph with sell and buy curves indicated-



There are four S and four B points in this five year stock window. At the moment we are at about $390/sh with a possible target of $420/sh in the next three months. Again one should get out immediately should the prediction be wrong.

As a final stock consider GE with a thirty year stock window graph. Here is the picture-



This thirty year stock window indicates five B and four S points. At the present time it is nearing a sell point near $110/sh. GE is an interesting stock for me. I inherited several thousand shares in 2000 and sold things right away protecting me from a poor price performance over the next twenty five years if I had held on without doing any trading . However, with the present technical approach one could nevertheless have made some positive returns by being in this downtrend stock only during the periods where dP/dt >0.

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