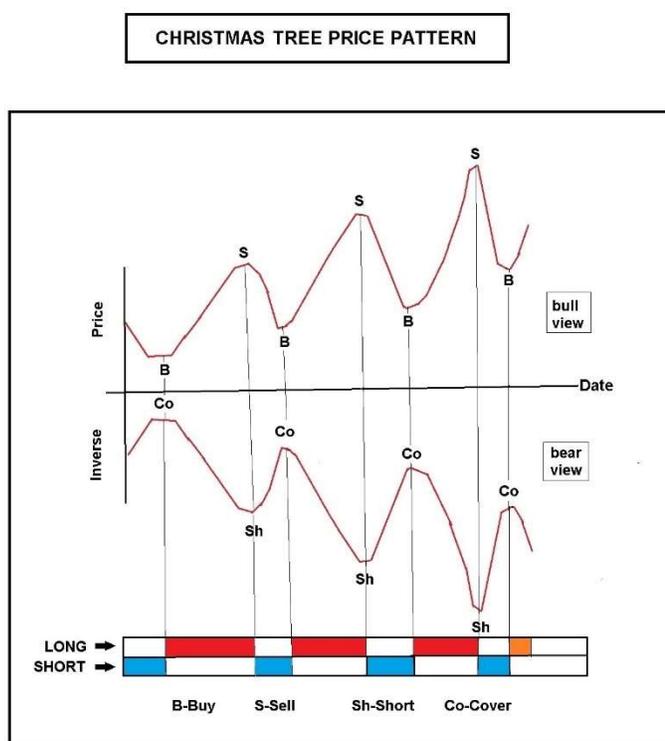


CHRISTMAS TREE PRICE PATTERNS

Introduction:

About a month ago on this Tech-Blog Web Page we introduced a new technical way to look at stock, bond, and commodity prices which show price movements from both a bullish and bearish viewpoint. The essence of the method is to start with a graph of the longer term (5 years or so) price history of an equity of interest obtainable from barcharts.com. Next one creates an inverse price curve constructed with Microsoft paint over the same time period. Combining the two graphs into one produces a pattern which typically looks like a 90deg rotated Christmas tree as shown here for an ideal case-



The shape of the tree will widen to the right for an equity following a longer term uptrend. The reverse is true when an equity is in a longer term downtrend. Unlike what most traders do by looking at only price $P(t)$ versus time t , the Christmas Tree Patterns also allows one to simultaneously look at things from a bearish view point. There are just four possibilities which an equity can find itself in at a price turning point. They are-

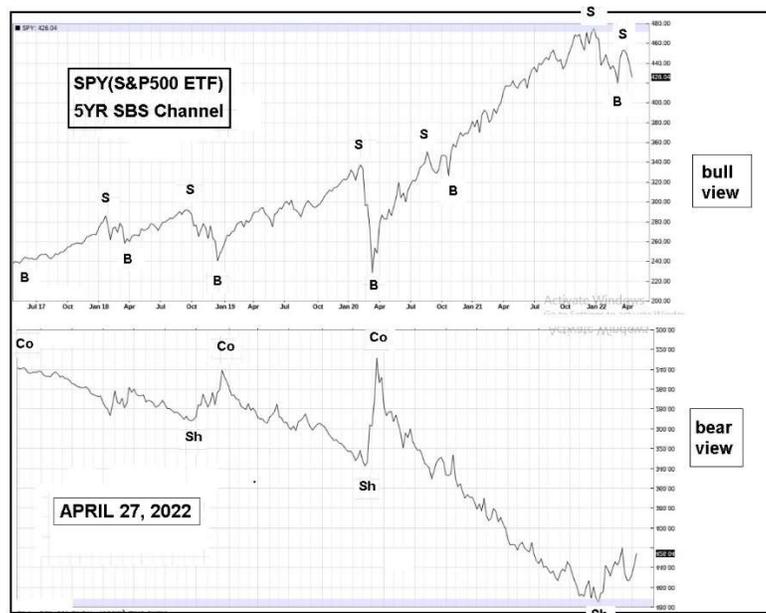
B-Buy S-Sell Sh-Short Co-Cover

A bull market for an equity is found only in the range B-S and a bear market when the range is Sh-Co. Following this rule will on average produce gains while violation of this

rule will generally produce losses. It is the purpose of this note to look at the Christmas Tree Patterns for several different equities including stocks, bonds, and ETFs.

Pattern for the ETF SPY:

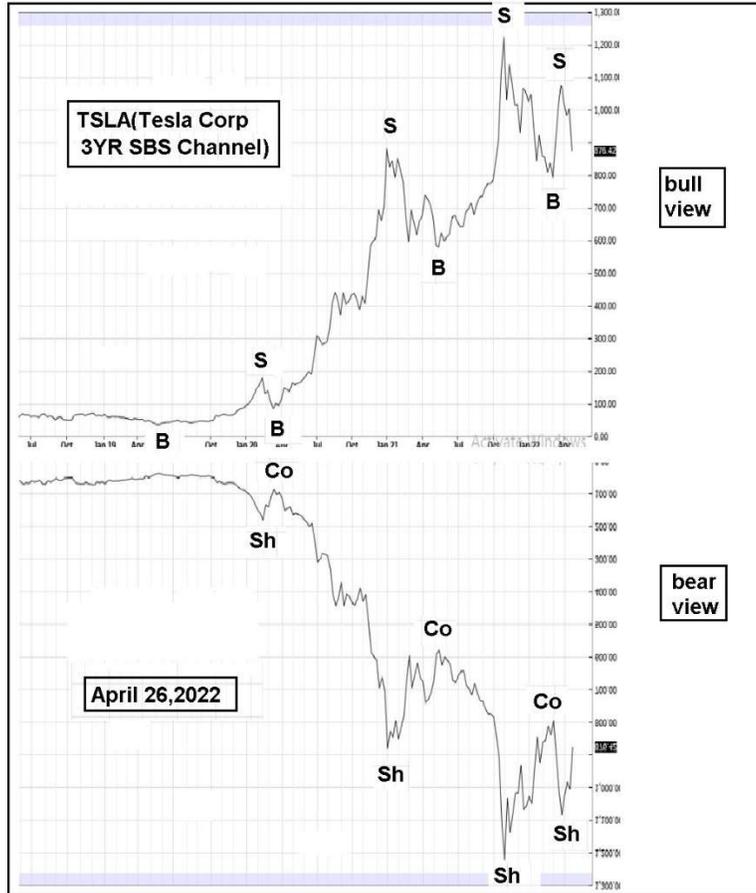
We begin with SPY. It is the most actively traded ETF on the NY Stock Exchange representing a collection of 500 S&P stocks. It is one of the best indicators of whether the overall stock market is in a Bull or Bear phase. The daily price swings for SPY are no more than 2% compared to the riskier price swings of 10% or more for individual stocks. The Christmas Tree Pattern for SPY follows-



Notice at the moment SPY finds itself in a bear phase with a short Sh set at the beginning of 2022. One is awaiting a cover signal Co. After that SPY will be a buy again. I had good returns on my investments with SPY during its bullish phase from 2019 through the end of 2021.

Pattern for TSLA:

This is one of the most active stocks during the last five years. Its daily price swings can easily exceed 10% and hence considerably more than ETFs. The returns can be large but involve considerably higher risk especially if bought on margin. Here is the latest Christmas Tree Pattern-



Tesla is at the moment in a short trend with a Sh signal given about a week ago. A cover signal Co can be expected when the price hits about 700. Notice that when averaged over time, TSLA is in a long term uptrend confirmed by the rapid widening of the tree pattern when looking toward the right.

Pattern for TLT:

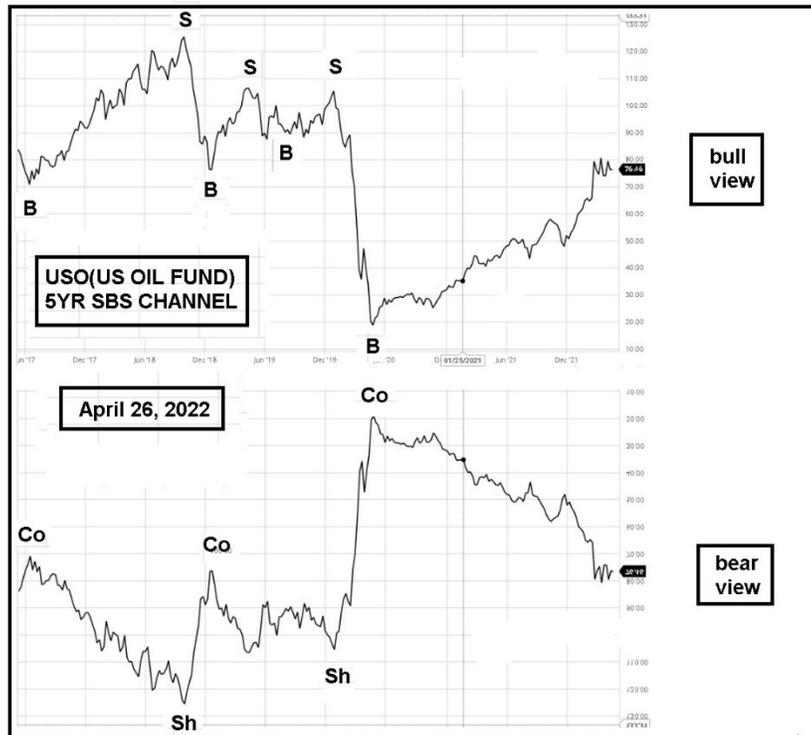
Here we consider the five year Tree Pattern for the 20 Year Treasury Bond TLT. This is an ETF based on government bonds and thus controlled to a large extent by the actions of the Federal Reserve. It will rise when bond interests are falling and fall when interest rates are rising. Here is its Christmas Tree Pattern over a five year period-



TLT has been dropping in value since last summer when the FED became serious for the first time in recent years about raising interest rates. The short Sh set at that time remains in effect and is returning a good gain for anyone short TLT. We probably won't see a cover Co signal until they have driven rates up to the effective inflation rate which at the moment lies near 10%.

Pattern for USO:

The last of our Christmas Tree Patterns in this article will be for the oil commodity Fund USO. It is an ETF fund based on west Texas light crude and sweet crude oil. It measures essentially oil as a commodity. Here is its Christmas Tree Pattern-



At the moment it is still a buy but a little late in the game coming closer to a short signal. The return on the long side over the last two years for USO has been impressive reaching over 300%.

Summary:

It has been shown that stocks, ETFs, bonds, and commodities each have their own unique Christmas Tree Patterns allowing one to choose equities for transactions only when the price trends support such a move. My best gains have been made with buying equities long near the beginning of an S-B trend. Although I have not been involved directly in the short side of the market, this should work out equally well if bought shortly after an Sh signal has been given.

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 April 27, 2022
 Gainesville, Florida