

The next step, of course, is to determine as best we can when the selling (or buying) pressure that is stimulating a given spring or upthrust is receding and even reversing. To study these subtle shifts in supply/demand is to discover new signals for tactical entries. The list on p. 49 is in a sense a list of such markers of supply/demand shifts.

### Subtle Changes in Speculative Power

Let's examine the price action that develops at a point of potential trend change from the perspective of line continuation through the POC. (I've defined line continuation as the ability of a line change to extend itself in a given direction to new lows or highs.) Because line continuation is a way of describing buying and selling pressure, we can use it as a way of measuring supply/demand imbalances and even minor trends.

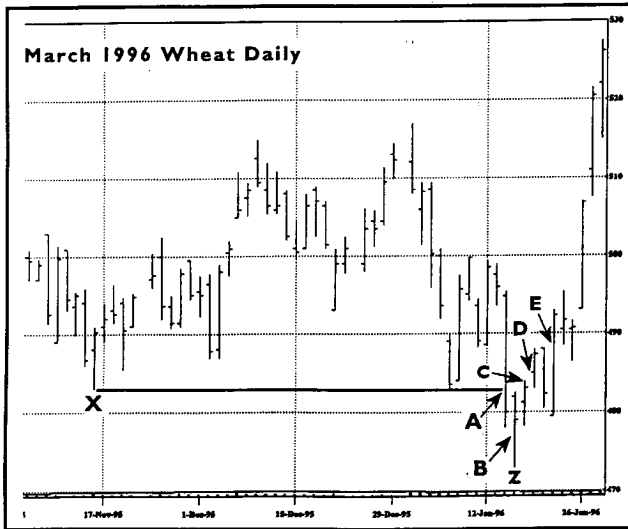


Chart 29. Line continuation count reversal.

Let me demonstrate graphically what I mean. At A on Chart 29, above, which represents the moment a new low occurs through the 18D POC at X, a price event begins. We begin our line-continuation count (LCC) from this price event. Let us say that at A the value of the line continuation is 1 unit (that is, 1 unit of selling pressure). At B, line continuation occurs when price moves to a new low through the previous line extreme, here the low of the period at A. If the initial penetration of X has a value of 1, then the line continuation at B increments the LCC, to a value of 2 (that is, 2 units of selling pressure). Thus we can say that the penetration price action to Z has a line continuation value through the POC of 2 units of selling pressure.

If the value of the price effort that penetrated the POC was 2 units of selling

More specifically, we can quantify the selling or buying pressure any given penetration of a POC implies by assessing the value of the line continuation as it pushes through the point of change. In fact, by monitoring subtle shifts and reversals in the line-continuation value at the POC we can detect subtle reversals of a spring or upthrust itself. And we can use this technique to dynamically adjust an entry trigger relative to the original penetrating price effort—the spring or upthrust—that immediately precedes it.