

change. Knowing the context transforms intrinsic value into absolute value. Consistent profits and trading excellence follow from mastery of the ability to judge the *absolute* value of a given price relationship, not just its *intrinsic* value.

In a way, this appreciation of absolute value is what this course has been about all along. It is why I have gone to such length explaining larger-timeframe structures; in understanding of these structures you are factoring the contextual variable into your trading. And when I speak of the all-important 10% or 15% judgmental component of my trading, I am talking about context valuation.

[CONTEXTUAL VALUES CONSTANTLY IN FLUX]

While intrinsic values are fairly stable, contextual variables change almost every day (and sometimes even intra-day). Context comprises all the environmental components mentioned above: overall market structure; larger timeframe trends that control smaller timeframes; and the highly volatile pressure of mass psychology and external news events.

In the next section we discuss absolute values as they relate to several important price relationships. How can we effectively use our understanding of absolute values in entries and exits?

§ “Consistent profits and trading excellence follow from mastery of the ability to judge the absolute value of a given price relationship, not just its intrinsic value.”

· SECTION II ·

Strategic and Tactical Studies

In our very first discussion (February 1994 issue; Vol. 1. No. 1, pp. 2) I spoke of the difference between speculative *power* and speculative *force*. I said that, at some point, “finally, some psychological change in the speculative force leads to a decided change in the balance of power and the market reverses...” In examining the following patterns, we’re discussing the most valuable of information: exactly how a market tips its hand to tell us that this subtle process is occurring.

Most situations I’ll discuss here are from actual trades I was involved with either recently or in the past. I’ll discuss the *intrinsic* values of each, and will then set the pattern in its structural context so that you can get a sense of its *absolute* value.

[THE WIDE-RANGE PERIOD PATTERN]

We’ve already examined this pattern at length. You should know by now that