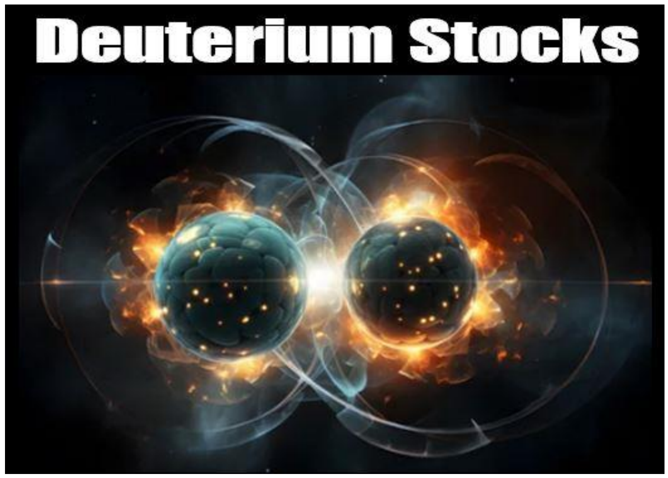
Deuterium Stocks and the "Millionaire Maker Pattern"

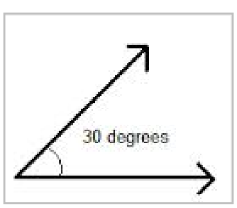


Finding "Cream of the Crop" Trades

What separates consistently winning traders from consistently losing traders? A good start is having a system in which you have developed an abiding faith, due to proving (with backtesting and then real money) that you can consistently trade and make money with confidence. Also, I'm quite sure a system offering stock selection criteria and definitive entry and exit rules, and which identifies the "cream of the crop" stocks on a regular basis would be on every trader's wish list.

If there is ONE thing that has helped me the most to become a much better stock trader, I believe it was developing an understanding of what constitutes quality price action. In theory, that may sound easy - but when you are in the process of learning on live charts - with real money - the learning curve can be painful, to say the least (not to mention expensive)!

What do I mean by quality price action and how does it relate to its "sister", Price Tension?



OK, I think we can all understand that a stock's price going up at a 30° angle *without* any pullbacks would be the epitome of a stock with excellent, albeit generally not normal price action.

So, if the reason we buy stocks is to see them go up in price, and hopefully reap some rewards from our endeavors, it stands to reason the more stocks we can trade with an upward trajectory, and avoid stocks that languish in unproductive consolidation zones, then the better chance we will get towards our goal of making money in the markets.

In the universe of stocks in which I tend to focus much of my energies and trading capital these days, the ones that tend to shine show charts with what I call the “Millionaire Maker” (MM) pattern. What I mean by this is the charts that tend to have the highest predictable performance, as well as percentage gains in a condensed period of time, are those displaying not only great momentum, but great “cycles” within their trading patterns.

The study of cycles is a science unto itself - it took me many years to fully understand them - but the ones that relate to stock trading and intermediate swing trading, and the ones I use on a daily basis to separate the “wheat from the chaff,” are the ***monthly*** cycles. These cycles help me shine a light on only the highest-potential stocks in the markets at any given time. This does not mean I use monthly bars to enter and exit trades. I use the daily bars, taking note of exactly where the monthly cycles are lining up within the daily cycles. This allows for tighter entries *at just the right time.*

In fact, during any given month there are usually only 8-12 stocks out of a universe of 6400+ (if even that many) that display prime MM patterns (thus our reasoning for calling them “Deuterium Stocks” (a rare isotope also known as “heavy water”). This makes it much easier to confidently commit capital to a trade, knowing that the stock has checked all the boxes.

This can also allow an increased capacity to pull the trigger on option trades that may appear to be far out of the money. But for the learned who are keen on the subtle nuances of price action within these monthly and even short-term weekly and daily swing cycles - it can result in some spectacular short-term gains.

AXSM-Axsome Therapeutics was a powerful example of being hyper-selective by not having trading capital tied up in inferior trade prospects while this one came along. My trading partner caught this MM Pattern for over a 300% gain in a little more than a month.

This was a VERY high scoring chart (95+) and its stratospheric gains reflected that. Right on cue, the TM-1 Cycle telegraphed its potential by rising into the 80-85% of prior pivot high (that was set in September) at its cycle set.

After a big runup prior to that and to print such a strong cycle set was very strong confirmation of its potential.

Here is another example…one I traded for a 100%+ gain in just 3.5 months (for an annualized gain of 342%). The full run is not shown – I just want to show the subtleties inside the base consolidation. The stock actually peaked near $139 in January 2015 after a 260% gain out of its base.

This is another situation where the price action displayed strength within the monthly cycles. Stocks that 'lollygag' along inside their consolidation zones are fine if you prefer a good snooze. But when I commit my own trading capital to a trade, I prefer to maximize the movement and minimize the consolidation zones. The TM-2 set here was well above the 80-85% threshold and the pullback from the set held above the TM-1 cycle lows bringing in a "Slinky Price Squeeze."

Momentum trading using the concept of "price tension" is nothing new. But bringing it down to a science - where you focus on only the stocks with the most explosive potential in the market - can allow you to quickly become an upper echelon trader and cut through the immense learning curve that often goes with becoming a successful stock trader.

In fact, this is one of the best things about the discovery of these stock cycles. The capacity to, in just minutes, have a list of stocks with HUGE potential by using the right MATH (BMI & VR) and the right timing (TSS Cycles). Nothing comes close, in my humble opinion than this criteria to quickly and without a lot of gnashing of the teeth find the market's next Power Stocks…onward….

These monthly, weekly and daily swing cycles show their cards by flashing what I call a "TSS", which stands for **Trendline Setting Spike.** These TSS's generally set up in areas of the "effect" part of "cause and effect." What I mean by this is news or market events that trigger a catalyst for movement in a stock's price (either up or down) play off of timing cycles initiated by the event and offer a high level of predictability as to when to expect the next turn in a stock's price.

Investors, who follow a company closely, are the ones monitoring these news cycles and their vote of confidence in the company's prospects, is hard to disguise and can be deciphered by the analysis of the price action prior to the release of these news events. Spotting signs of accumulation is as simple as watching for elevated lows coming in *at retests of prior cycle lows*.

Like SGML-Sigma Lithium Corporation below:

I initially discovered these cycles during a multi-year reverse engineering process of the biggest stock market winners of all time. You know the ones from the big tech run-up, stocks like **JDS Uniphase (NASDAQ: JDSU), Qualcom (NASDAQ: QCOM), MRV Communications (NASDAQ: MRVC), Cisco Systems (NASDAQ: CSCO)**, and later stocks like Intuitive Surgical **(NASDAQ: ISRG), Dry Ships (NASDAQ: DRYS), Nutrisystems (NASDAQ: NTRI), First Solar (NASDAQ: FSLR), Titanium Industries (NASDAQ: TIE), Taser International (NASDAQ: TASR)** and many more. These cycles first became apparent to me on the daily timeframes, and then over time I began to see the same cycles over and over on the weekly, monthly, and even yearly time frames.

The same bar counts continued to show up over and over when I analyzed pullbacks within consolidation zones. After seeing the same cycles on the larger time frames, my understanding of the key cycles that drive stock price momentum hit a crucial "Eureka Moment."

Based on these findings, I developed simple "1-2-3" stock selection criteria exploiting cycles that I then combined with two momentum indicators I developed (BMI & VR). I then created powerful software scans I now use to uncover the next batch of high-performing stock prospects.

When something happens consistently in the market (oftentimes 80-90% of the time), you start to pay attention. And the times where things don't work as expected, you can often find valid reasons when you dig a little deeper. You can then create additional rules and further refine your stock selection.

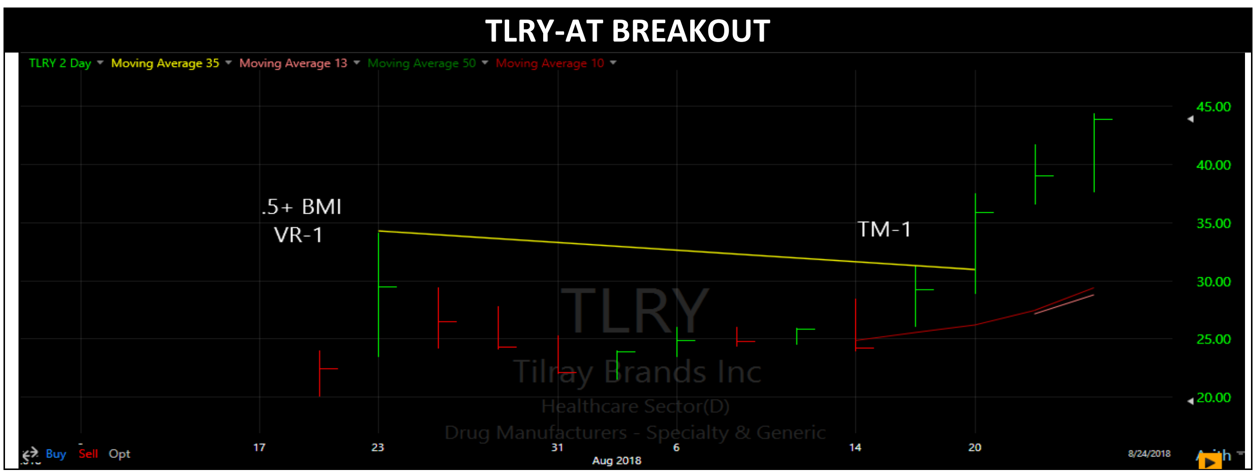
Like anything to do with trading, this is not a panacea. Cycles are not without flaws, and don't ALWAYS predict what is to come with 100% accuracy. But what they are capable of doing very well is allowing you to see - in all its sweet glory - the potential move that lies ahead in the next leg of a stock's journey. And if you pick the right stock using these cycles, it is possible to turn a 300% gain on a stock into a 2,000%+ gain on its options.

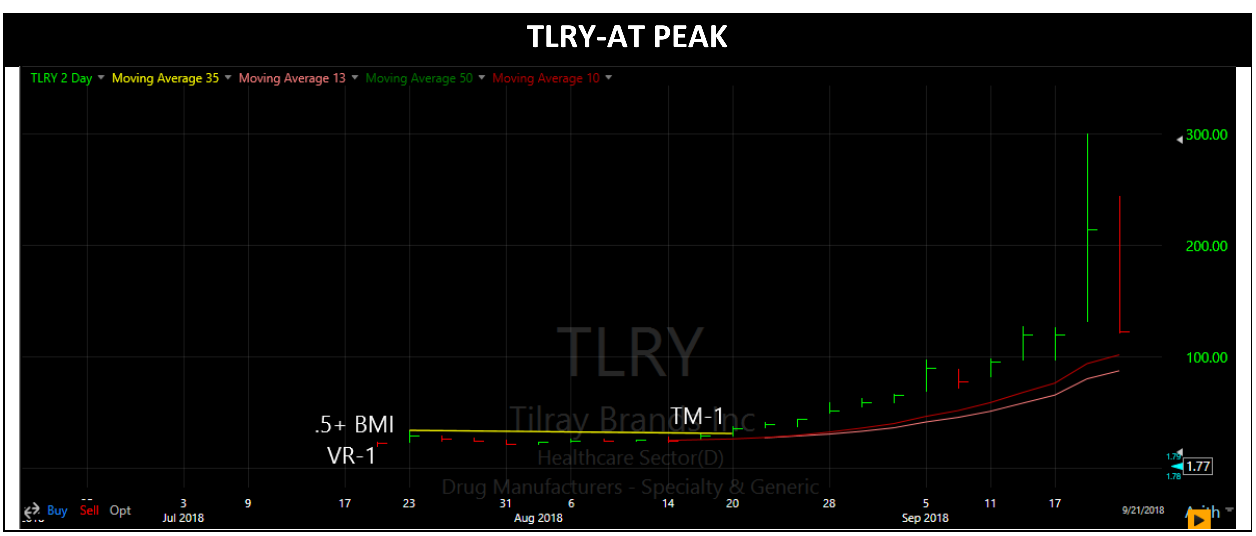
Cycles that turn up on longer time frames are especially powerful. And since the Black Scholes option volatility model is an *estimate* of intrinsic value that does not take into account (at least not always accurately) the relevance of these long-term cycles, it is possible to regularly exploit this knowledge by riding explosive breakouts near earnings cycles.

These momentum setups coming off of IPO's are especially powerful due to the price's proximity to "Blue Sky" (no overhead supply-prices hadn't traded that high yet).

I had a particularly painful experience with this on TLRY-Tilray Brands, Inc. In August of 2018 I spotted the TM-1 Cycle setting up greater than 80-85% of the prior pivot and bought options on it going out a few months. After price popped for a quick 100% gain, I sold it prior to the Labor Day weekend looking for a better opportunity to buy lower on a pullback the following week. The pullback never happened.

Here is the before and after:





The price ran from the $25 area to nearly $300 in a month. My 100% option trade that I made a quick $3300 on turned into a $100K trade (33-X) with me on the sidelines ☹ … I would add a dunce cap to that but don't see it in the emoji section.

Such are the travails of a trader. Trade long enough and you'll see plenty of missed opportunities as you traverse in your trading journey. It's all part of the game. I would like to see far fewer of these missed opportunities as we build out our trading club throughout 2024 and here is a blog, I wrote about that and some goals we have for missing far fewer of these opportunities:

What Is The Big Kahuna Trading Club? (there is a even a little more on the MM Pattern written here)

Welcome to the Big Kahuna Trading Club

If explosive trade opportunities like TLRY above are the kind of stocks you would prefer focusing on trading, you can find out more about our Shockwave Power Options course here:

Shockwave Power Options

I envision having many traders focused on JUST THESE cycle-based price squeeze setups in our trading club in the years ahead.

In my opinion, the determination of stock trend direction changes is best suited using – in order from best to "least best" - trendlines (cycle-adaptive), support and resistance, Fibonacci Retracements (albeit "dead zones" are often a problem with relying on this indicator) and finally, wave analysis. Some would add candlestick analysis, and although that can be good at times, there are often a plethora of false signals that can chop into your trading capital until the key breakout occurs.

There is nothing nebulous about applying a trendline based on the correct cycle and then buying on Day One of the first close outside the trendline. No gnashing of teeth is involved. If you have identified the incorrect cycle, you should know within a few days if there will be follow-through… and entering the trade at this juncture will usually maximize the "meat of the move."

In my opinion, ***simplicity*** is the key to trading success. For every successful trader who follows the news and has an abundance of good-performing stocks in their portfolio bought on recommendations made by the "talking heads" on CNBC and the like, there will be nine others with underperforming portfolios due to over-diversification and under-focus.

I pay the most attention to the prime stocks that display these characteristics of strong price momentum: shortened consolidation zones, relatively shallow pullbacks into these consolidation zones, and price spikes at key junctures, affirming the ongoing potential of the stock to break out into additional leg(s).

As I mentioned above, about one in a thousand stocks in the market make it to the "cream of the crop." Some pre-built scans are capable of pulling a hefty percentage of these into my trading watch lists. But just to make sure I don't miss any, I manually go through 6400+ charts each month to identify the stragglers, or to get a jump on stocks that look like they have the right stuff to make it to future scans.

Finding these 8-12 "cream of the crop" stocks requires further filtering of 200+ "wannabe" MM Patterns and analyzing the consolidation zones from several different angles to get to the final list. This extra effort is more than worth it, since the sole purpose of finding “MM Stocks” is to identify those with the potential of hundred percent plus gains (in some cases multi-hundred), having previously demonstrated the capacity to do so. The added benefit of targeting these stocks is these breakout moves will often finish inside of a few months, allowing you to take your profits and roll them into the next trade. Chain a few of these together in the course of a year, and I think you’ll understand how some of the world’s top traders are momentum traders.

To learn more about trade stacking view this video:

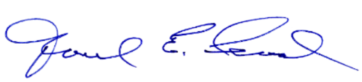
Trend Line Mastery Using Cycle Based Trend Lines!!

Here is a short list of Deuterium stocks over the past few years that were “Millionaire Maker” setups: ***100%+ Gains:*** AGIO, AVNR, CEMP, KITE, SWIR, VIMC, RDCM, CVTI, MGPI, TASR, PTCT, HA, PAYC, ANIP, CBPO ***200%+ Gains***: BLUE, WLDN, HGSH, HNNA ***300%+ Gains***: DQ, LIVE, TEAR, RCPT, TTPH, IG, MTEX and many more.

These cycles are also present in most other markets, including futures, Forex, commodities, etc. Like anything in the market, there is generally no “one size fits all” with every trading instrument, and the cycles vary across different time frames, bar type, etc.

Some of the pioneers of momentum trading, like Jesse Livermore, Nicholas Darvas and others, laid the groundwork for advances in the understanding of stock momentum and “tape reading.” But the best teacher has always been… and always will be… the chart itself. Scroll back though some of the best performing stocks of the year. I am sure you will see for yourself the consistent patterns of behavior before a stock breaks out that telegraphed the move ahead.

Let’s Rule The Freakin’ Market’s Together!



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