## SACRED NUMBERS IN DAY TRADING

Everything in nature can be described in terms of geometry. One ratio that I'm about to show you can be found on all levels of existence and is one of the most important numbers that you will be using as a day trader or swing trader. In fact, almost every ancient archaeological site predating recorded history employs the following certain mathematical ratios throughout their design. This includes the Pyramids of Egypt, Stonehenge, Myan temples, Japan's pagodas and Solomon's temple just to name a few. I have found two of these ratios that are very predictive in also calling the tops and bottoms in all markets and in all time frames including the futures, forex and individual stocks. The two geometric ratios that I have found to be most effective are 1.618 and 1.414. In fact, consider the first segment of any given finger. The length of the second segment will measure a close to 1.618 times longer than the first. The third segment will be close to 1.618 times longer that the second and the fourth segment 1.618 times longer than the third. The point is that 1.618 is a golden ratio that you must understand to have an edge in the markets. Don't take my word for it just look at the following charts below. These two ratios not only have a very predictive nature in all markets, they have shown day after day to be major turning points in the markets. Many top technical analyst on wall street use the golden ratio to indicate support or resistance of a price level and use this number to find patterns in the markets, however, I have programmed an algorithm that automates these major turing points for day traders and position traders.

What I have done is take my fibonacci knowledge over the last 20 years and programmed my top two sacred numbers in an automated program to predict high probability turning points daily in all markets. What makes my program different then all of the other programs on wall street is that I use a combination of parameters to find correct recent swings needed to do my projections. Another advantage is that I take all swing highs and lows and project confluence areas where the market has a high probability of turning. I then take it a step further and look for my 1.618 and 1.414 number to meet exactly at one price level from previous swings creating a "cluster" or "confluence". This cluster or confluence of my sacred numbers creates high probability turning points. Below you will find recent charts with several different time frames utilizing my 1.618 and 1.414 automated numbers. The key to using the system is to wait for the 1.414 and 1.618 numbers to plot for high probability turning points. A blue dot for buys and red dots for sells will plot when the 1.414 and 1.618 plot together. The individual numbers can be traded alone, however, its when these two numbers meet at the same price and time from different swings is when you get a strong signal. Also, if I get a 1.414 and 1.618 to come together at one price point and at the same time another fibonacci number plots at the same price it will create confluence which is even a stronger signal.

Below are recent charts that show you the power of my automated "JayCluster" program and how traders with this software can have an edge over their daily trading opponents. This allows the individual trader to start trading with the institutions instead of against them. Lets take a look at the recent charts. I even took a live snapshot when my dot posted in my live room to show you the power of the system.
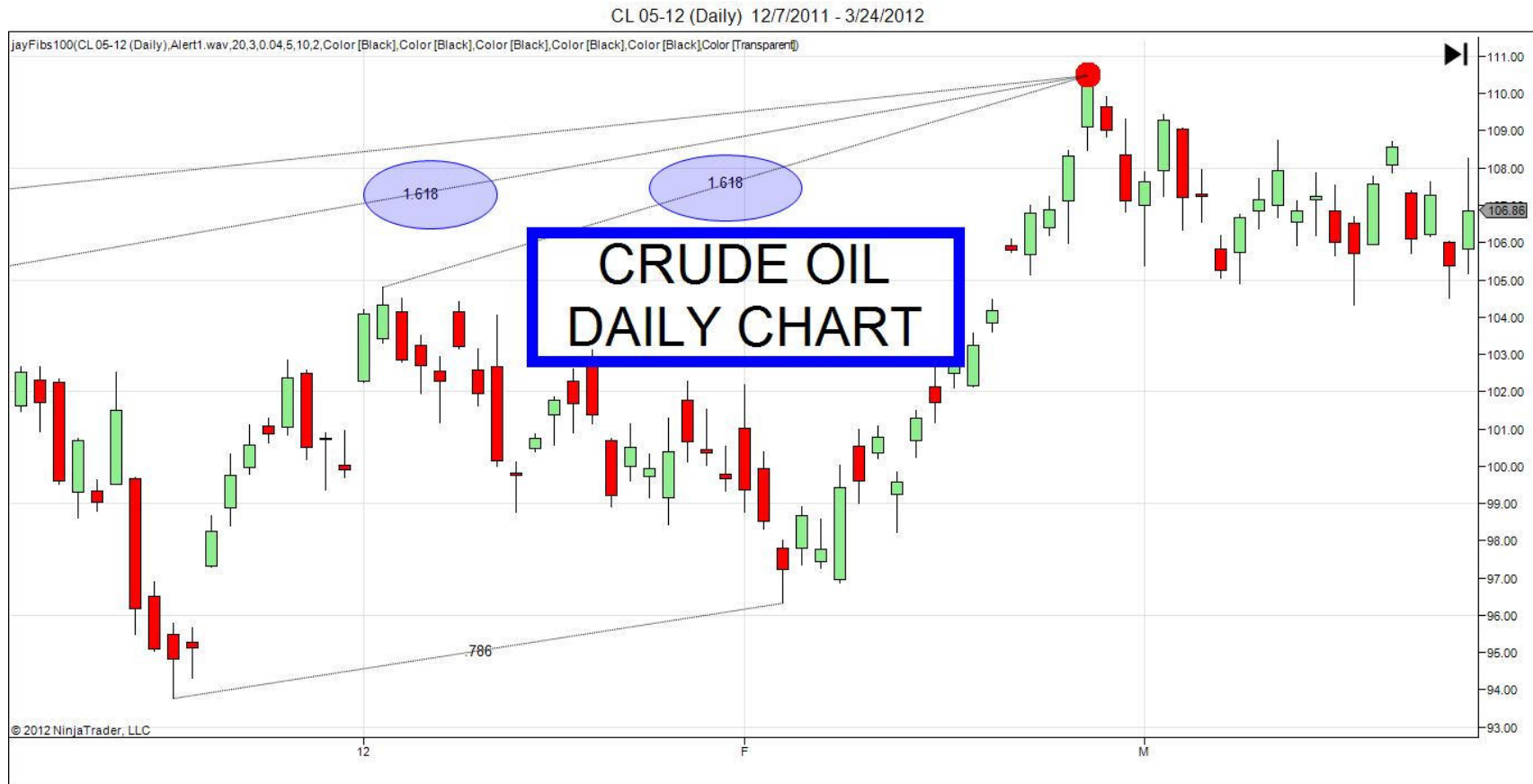
This is the daily chart on Crude Oil. Remember, this automated system works on all time frames and all markets. This includes daily,

minute, tick, range and volume(share) charts. Lets take a look at this live signal on the Euro recently.

6E 06-12 (60 Min) 4/21/2012

The chart above you will notice my 60 minute chart just plotted a sell dot. To show you the power of the system I took a live shot of the 60 minute Euro chart showing when the 1.414 and 1.618 dot came up. This was projected in my live room 2 hours before it even came up. Now notice the chart below and how the system not only called the high, the market continued down for over 100 ticks. This same setup repeats itself over and over. It does not matter what market you trade or what time frame you use. The algorithm will spot the next high probability turning point. Look at the chart below and see how Jay Cluster called the high on the Euro.

6E 06-12 (60 Min) 4/24/2012

jayFibs100(6E 06-12 (60 Min),Alert1.wav,20,3,0.13,5,10,2,Color [Black],Color [Black],Color [Black],Color [Black],Color [Black],Color [Transparent])

886

1.414

1.618

OVER 100 TICK DROP

786

886

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4/19   4/20   4/22   4/23   4/24

1.3240
1.3230
1.3220
1.3210
1.3200
1.3190
1.3180
1.3170
1.3160
1.3150
1.3140
1.3130
1.3120
1.3110
1.3100
1.3090
1.3080
1.3070
1.3060

YM 06-12 (60 Min) 4/21/2012

Notice how the 1.618 an 1.414 conflu together for the exact same setup on the Dow Futures.

Another strong strategy that I like to use is that once the market has reversed off of a major extension like the 1.618, it will then like to reverse on the next .786 or .886 retracement. Before you go any further please take a look at the Euro and Dow 60 minute charts above. Notice they both were 1.618 extensions with 1.414 confluence and they both made .886 retracements after the extension high was made for another solid trade to the downside. The 1.618 number is considered the extension and the .886 is considered the retracement. What I have found over the last 20 years working with fibonacci numbers is that if the market goes into an extension of

1.618 and it reverses then I will be looking for a retracement of .786 or .886 on the next swing move. This is very important knowledge because you will then be looking to buy a higher low or lower high after a 1.618 calls the low or high on the next swing giving you an additional setup. This allows another solid trading opportunity. My JayCluster will automatically print these extensions and retracement numbers live for you. Remember, 1.618 is an extension and .786 and .886 are retracements. The opposite can happen where the market has been in a retracement pattern of .786 or .886 all day then breaks out to an extension of 1.618. This is a great signal because the market has went from a retracement into an extension. This strategy works on all time frames. For example, lets look at the SP500 futures on the 5 minute chart below. Notice how the 1.618 and 1.414 came together at one price point and called the exact low. Then price rallied from the extension and did a retracement of .786.

SP500 FUTURES
4-24-2011
1.618/1.414 CALLS LOW=EXTENSION
.786 CALLS NEXT SWING=RETRACEMENT

1.272

1.618

1.414   1.618   786

1.272

HIGHER LOW

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Remember, 1.618 and 1.414 extensions are possible major reversals on all markets and all time frames.

   Let me show you another filter I like to use when using the JayCluster. I like putting a simple 50 day moving average on my 5 minute chart. This tells me the overall trend of the market by looking at just the slope of the moving average. If the slope is angled hard up then I want to buy retracements and extensions, if the slope is down I want to concentrate on selling retracements and extensions. This just allows me to stack the odds in my favor at my favorite fib levels. Notice the Dow on the 5 minute chart below. The sell signal was textbook at the 1.618 and 1.414, however, notice the angle of the 5 minute chart was up so the 1.414 buy was the ultimate signal. What I have found is that if the moving average is flat as a pancake then I'll sell the highs and buy the lows. This is a great time to look for a 1.618 extension. This means the market is flat and a major push up/down into a 1.618 will likely fade right when the number is posted.

YM 06-12 (5 Min) 4/24/2012

High Probability confuence signal of 1.618 and 1.414

1.618

1.414

1.414

886

2x confluence with trend

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Another strong signal that I see a lot is when I get a 1.618 and 1.414 signal and it has another fib for confluence. This is when three or more fibs meet at one price. This is a very very strong trade because I have the 1.618 and 1.414 and additionally another fib retracement. Notice the chart below. A 1.618 and 1.414 with .886 from the previous day. This is textbook.

GC 06-12 (5 Min) 4/24/2012

GOLD
4-24-2011
1.618 AND 1.414 WITH 3X CONFLUENCE

You can see confluence of these sacred fib numbers are key to all markets and all time frames. What if the 1.618 and the 1.414 come up by themselves and not together. Can this be traded? Yes, when a market plots a 1.618 and 1.414 and an additional fib plots with it at the same price this is still called confluence. Notice the 60 minute Crude Oil chart below. The 1.618 number with confluence fibs.

CL 05-12 (60 Min) 4/19/2012

CRUDE OIL

3x confluence with 1.618 strong signal
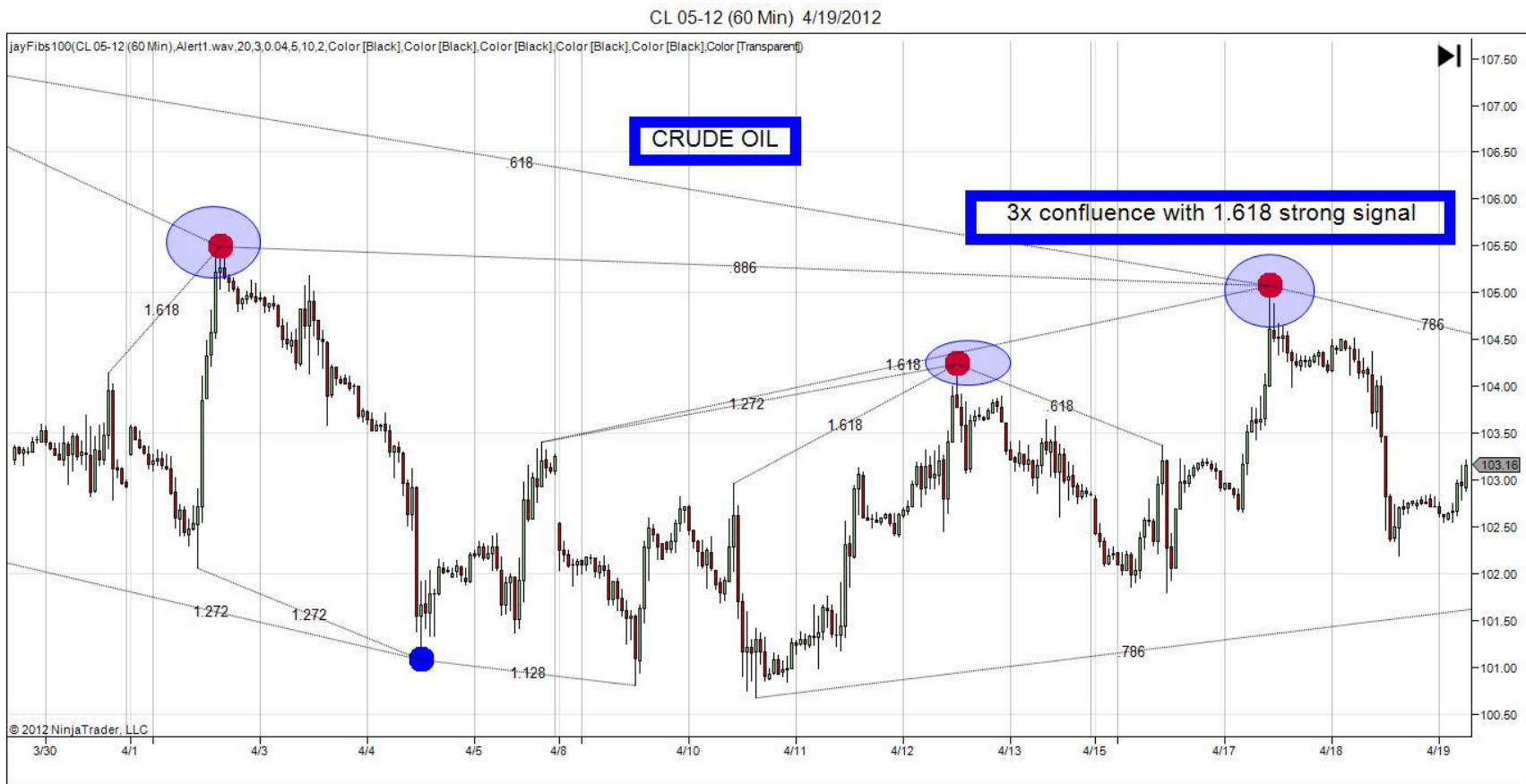
Notice all those highs with the sell dot had the 1.618 extension signal with confluence. Monday in my live trading room the 60 minute called the high on Oil and the market dropped 350 ticks. That same Friday the Jay Cluster called the high on the Euro for over 100 ticks. Both were 1.618 trades off the 60 minute chart.

Another exciting strategy that I like to use is when the market reverses on a 1.618 extension on a longer time frame such as the 60 minute chart. I will then focus on the smaller time frames and take extension shorts and retracement shorts in that direction. This allows you to let the macro chart(60 minute) call the direction change or reversal then the smaller 5 minute and tick charts to find entry points with the direction change. For example, below my Jay Cluster called the low on the SP500 on the 60 minute chart. My focus was to buy 1.618 and 1.414 confluence on my 5 minute chart and tick charts. This gave me several opportunities to get long the SP500 on a smaller time frame with the overall macro 60 minute push. Take a look at the 5 minute chart after the 60 minute chart calls the trend change. The 5 minute gives the 1.618 and 1.414 buy signal with 60 minute trend direction buy signal. Macro to micro!!!

ES 06-12 (60 Min) 4/24/2012
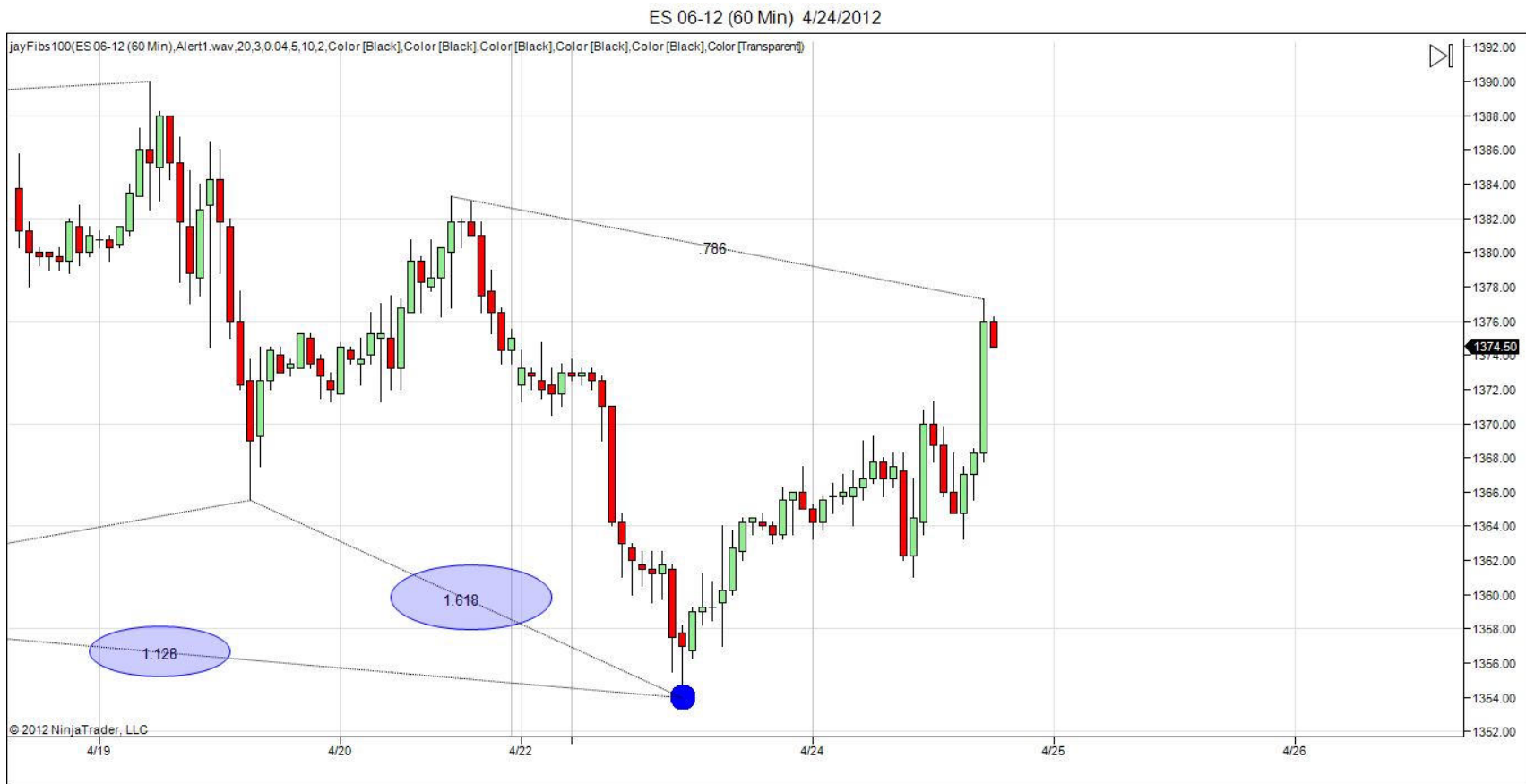
Here is the 60 minute trend change. Watch how the 5 minute calls the low the next morning with a 1.618 and 1.414. The tick charts also gave multiple entries on the way up on pullbacks.

ES 06-12 (5 Min) 4/24/2012

Notice the 5 minute gives the buy signal with 60 minute trend direction.

NQ 06-12 (60 Min) 4/21/2012

Trading opportunities are created even with a single 1.618 which had .786 confluence. Remember, the most powerful signal you can get is when the 1.414 and 1.618 come together, however, you can still look for confluence trades with other fibonacci's when the 1.414 or 1.618 come up by themselves with other fibonacci confluence.

QM 05-12 (60 Min) 4/19/2012

Another strong signal that I see a lot is when you have two 1.618 or two 1.414 numbers that come from different price swings that meet at the same price. These numbers are not after the fact, they are live signals as price hits those levels. Most indicators are lagging indicators, this indicator is very leading. In fact, when you come to a 1.272 then get ready for a possible price reversal at the 1.414 and 1.618 levels. I did this in my live room on Friday 2 hours before the 60 minute hit the 1.618. The heads up was the 1.272.
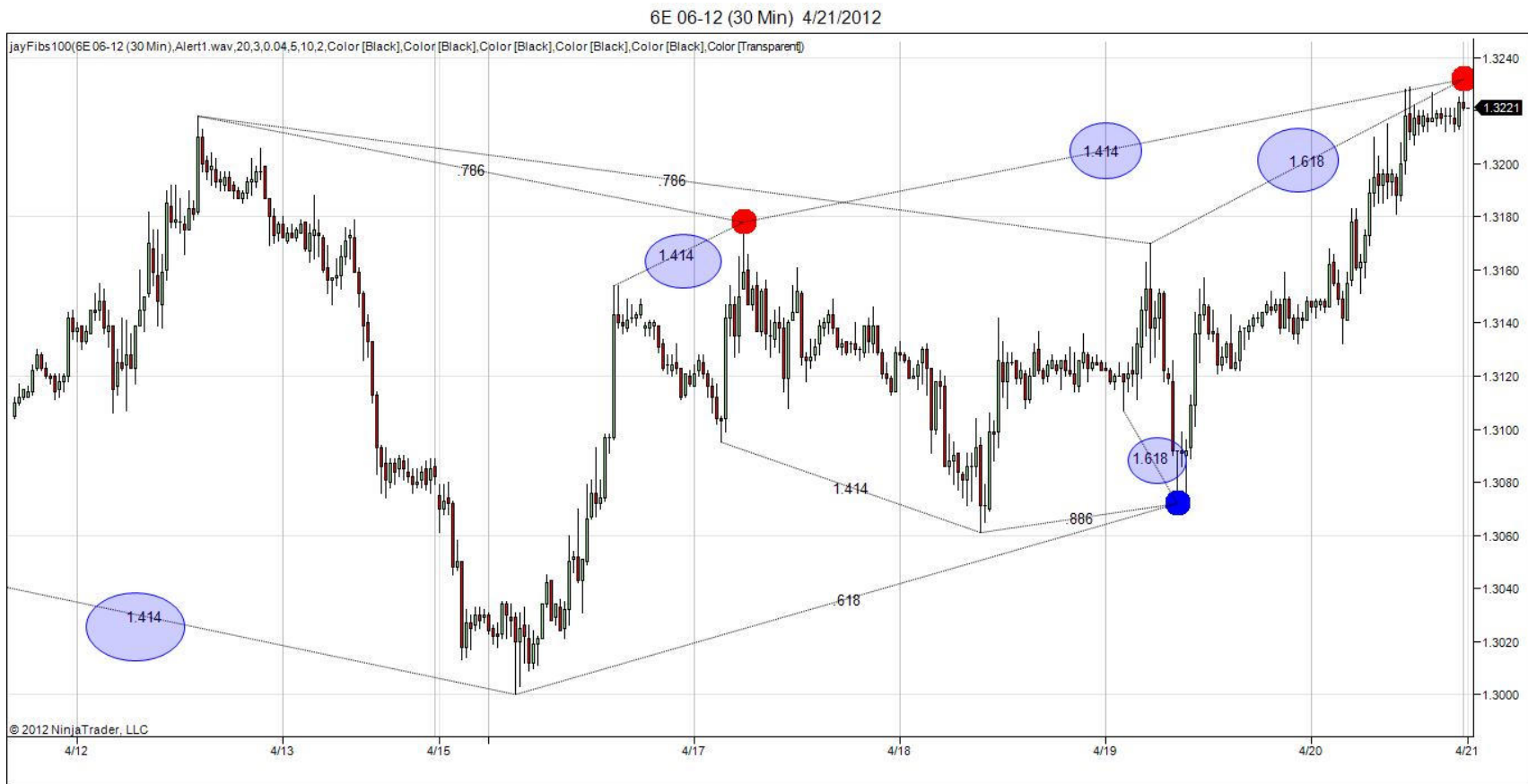
Notice the 60 minute chart below has 3x confluence with a 1.618.

6C 06-12 (60 Min) 4/21/2012

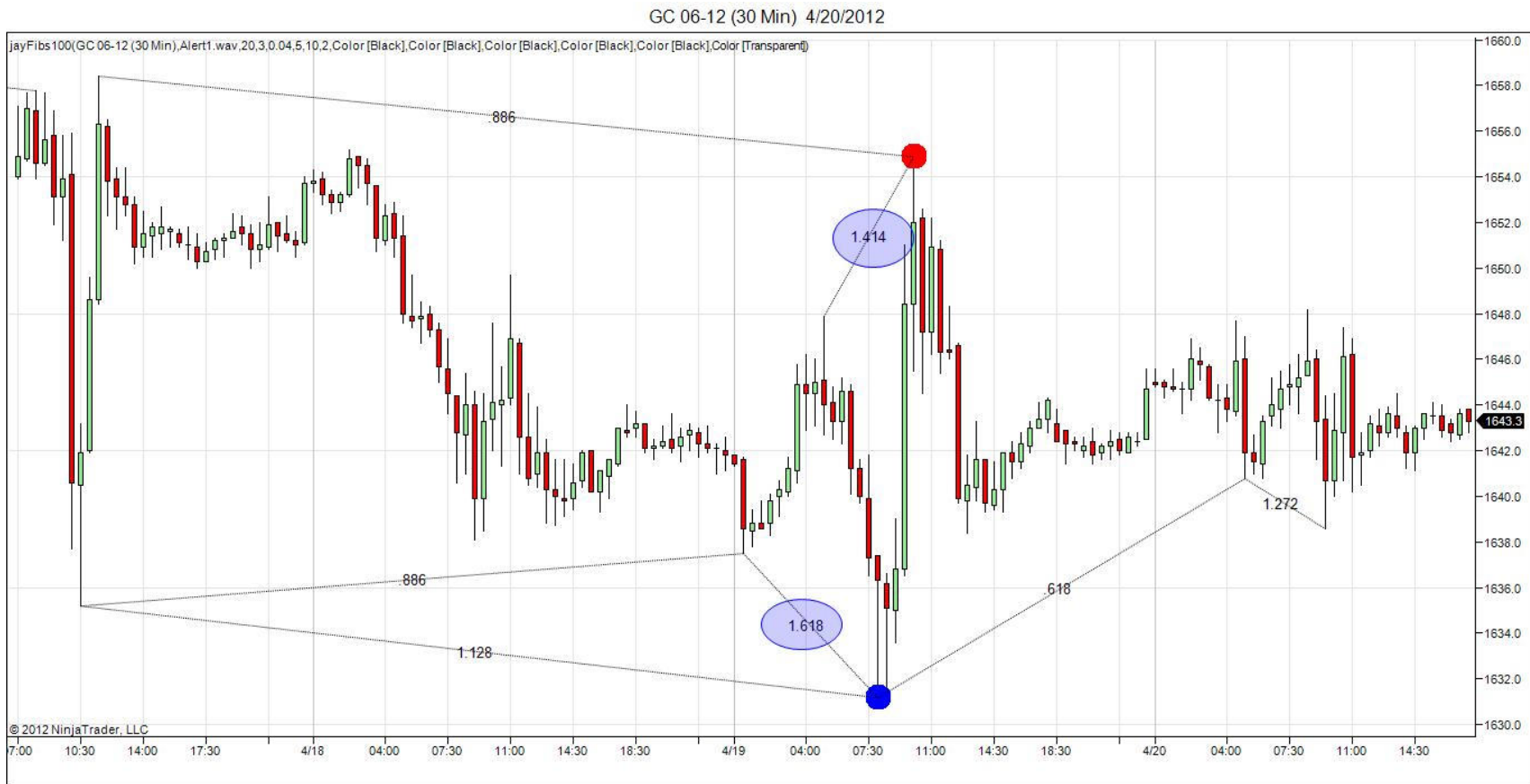SI 05-12 (60 Min) 4/20/2012
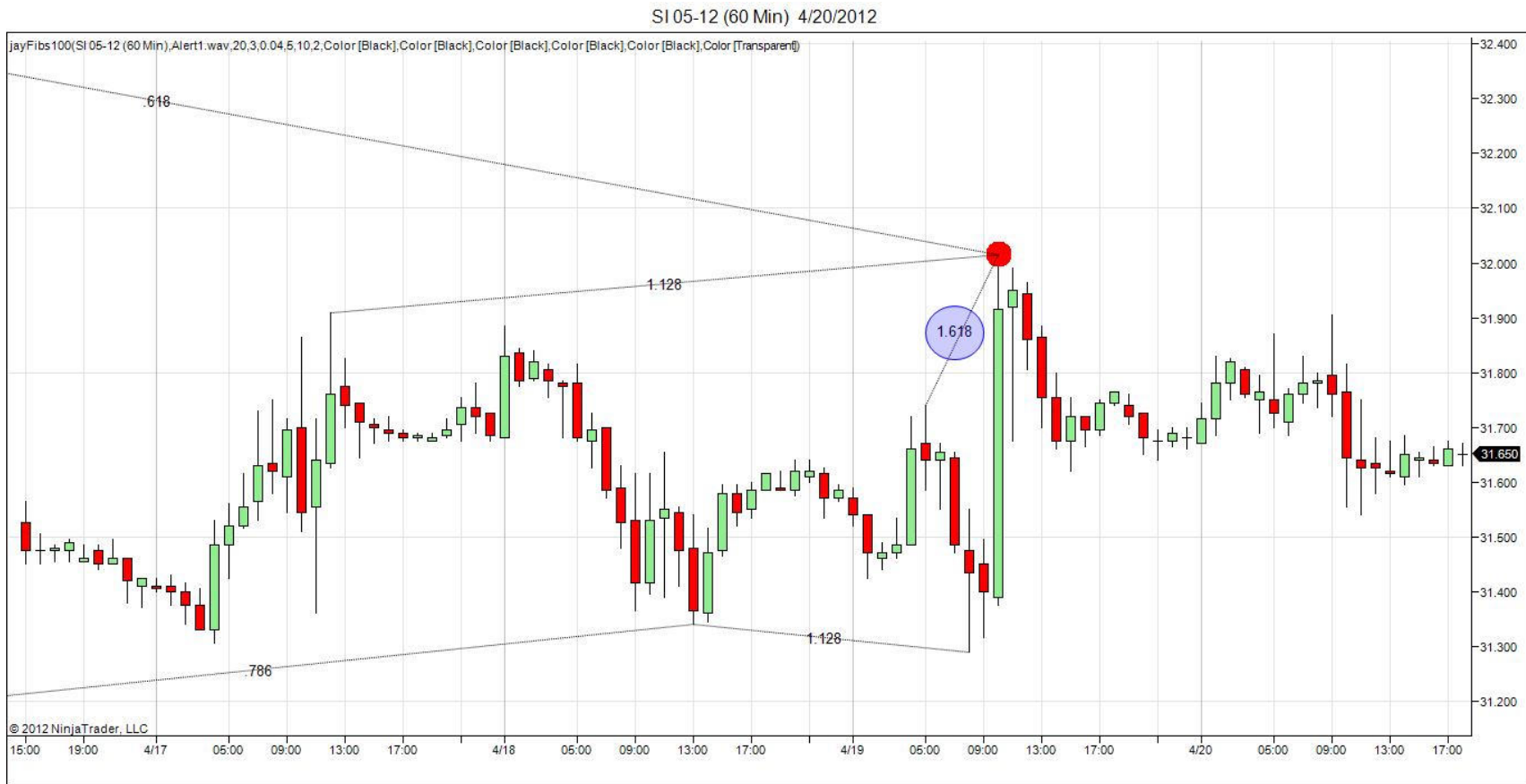
This is what I call 3x confluence which is a powerful signal. This indicates that i have a 1.618 extension with two other confluence

points. Notice below the key 1.618 and 1.414 numbers.

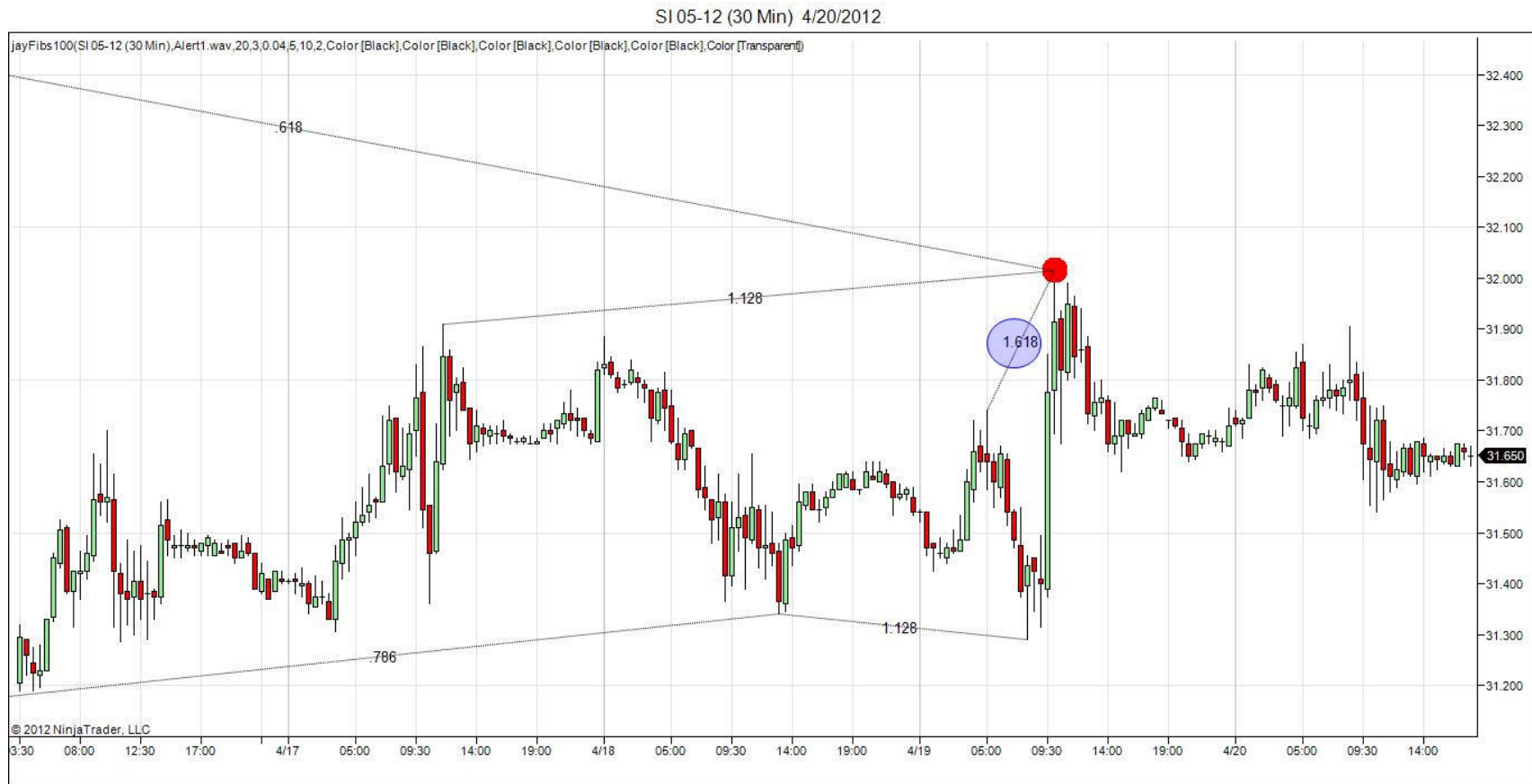6E 06-12 (30 Min) 4/21/2012

GC 06-12 (30 Min) 4/20/2012

This is a 30 minute chart. Remember, these combos work on all markets and all times frames. I prefer the 60 and 5 minute chart.

Notice the 1.618 came up twice at the same price level from two different swings. This is a strong signal.

CL 05-12 (30 Min) 4/18/2012

This is 3x confluence with a 1.618 on Silver.

SI 05-12 (30 Min) 4/20/2012

SI 05-12 (15 Min) 4/20/2012

jayFibs100(SI 05-12 (15 Min),Alert1.wav,20,3,0.04,5,10,2,Color [Black],Color [Black],Color [Black],Color [Black],Color [Black],Color [Transparent])

1.128

1.618

1.414

1.414

1.128

1.272

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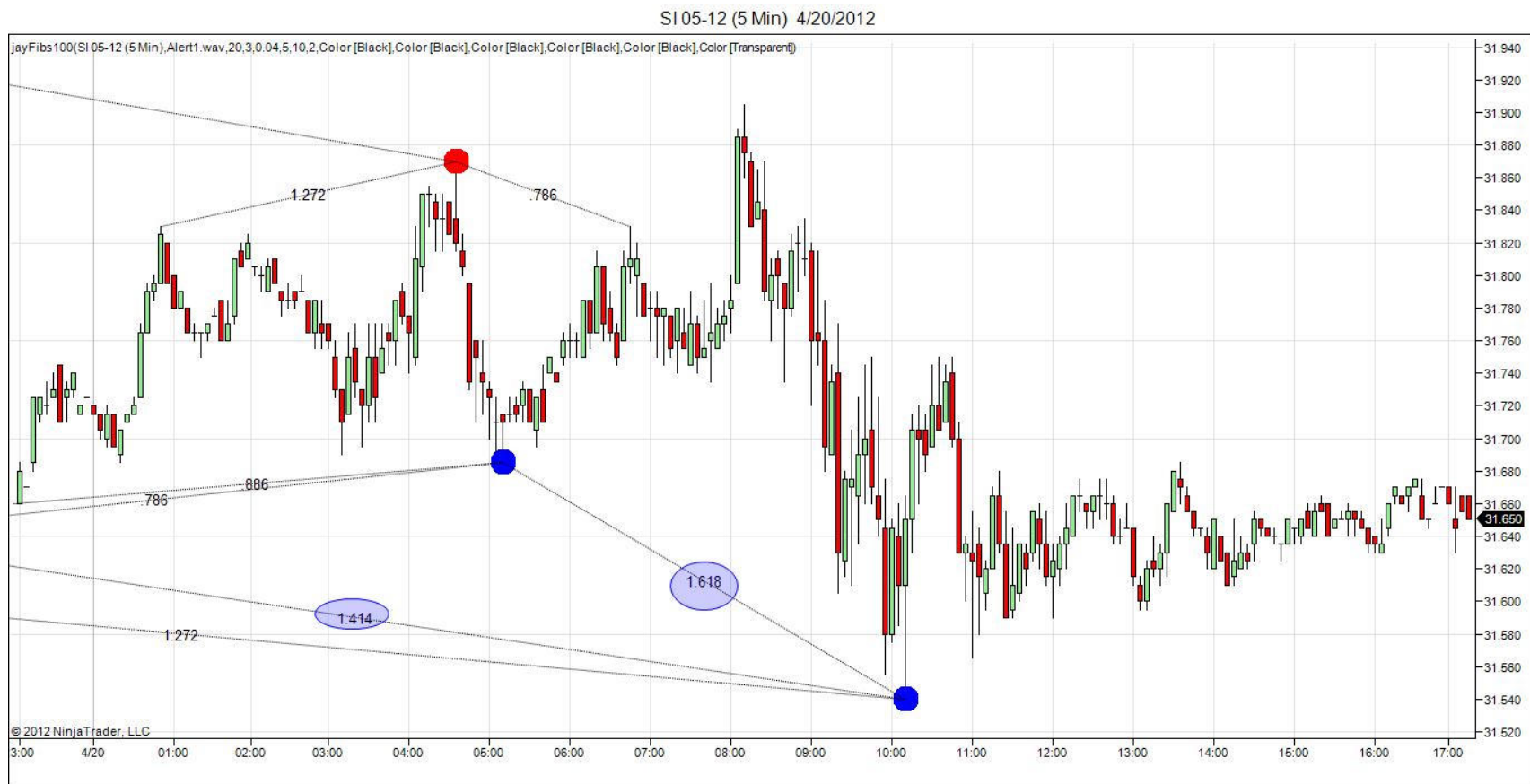
6E 06-12 (5 Min) 4/21/2012

The 5 minute chart is one of my favorites when locating possible major daily turning points.

GC 06-12 (5 Min) 4/20/2012

This is a signal that you love to see. When you get a 1.618 and 1.414 that conflu together on a 5 minute or 60 minute chart. The swings can be very large off these two time frames. Smaller minute and tick chart just produce smaller swings, however, great entry charts.
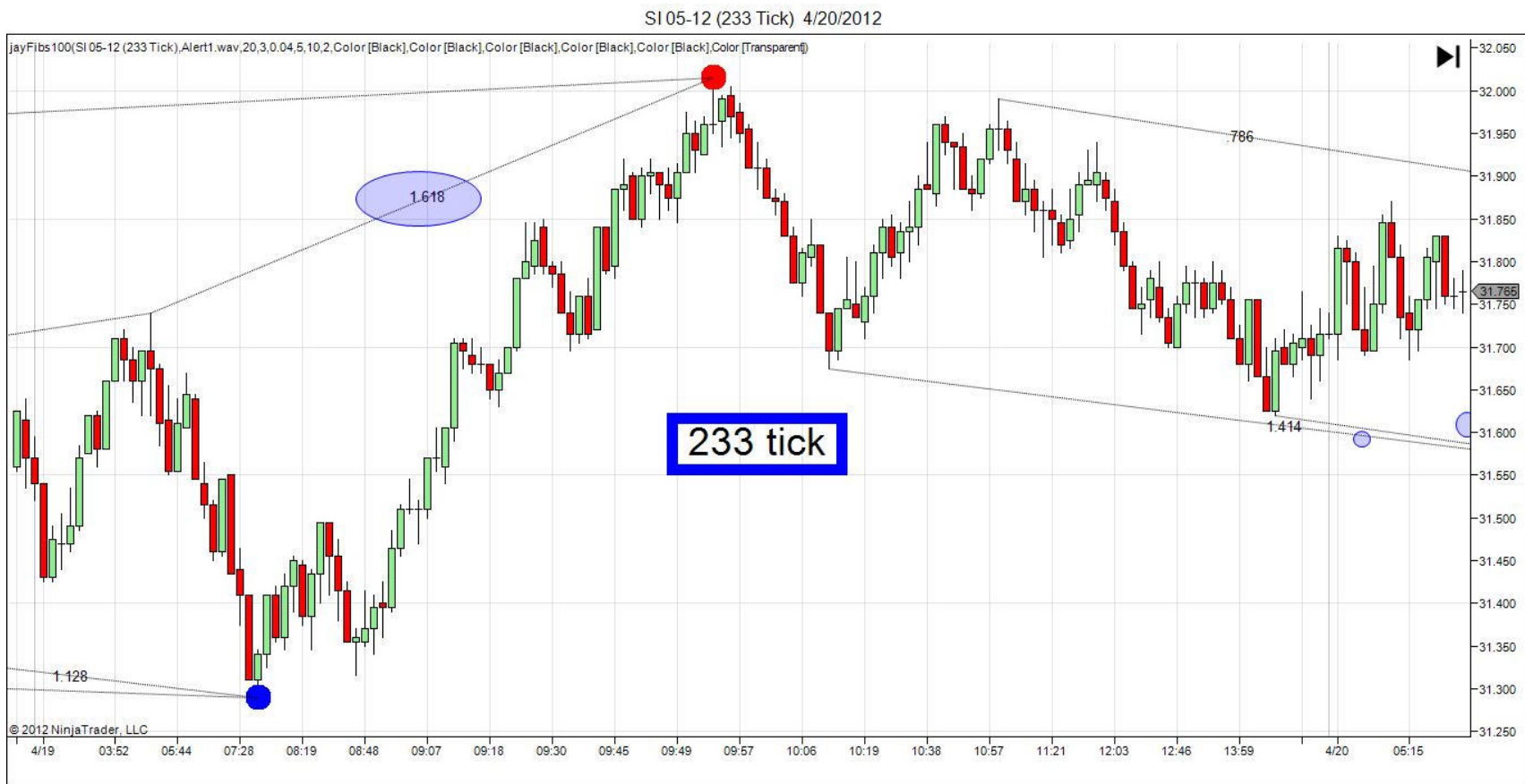

SI 05-12 (5 Min) 4/20/2012

Double 1.618 signals from two different swings creating great confluence.

NQ 06-12 (5 Min) 4/20/2012

6E 06-12 (233 Tick) 4/20/2012

jayFibs100(6E 06-12 (233 Tick),Alert1.wav,20,3,0.04,5,10,2,Color [Black],Color [Black],Color [Black],Color [Black],Color [Black],Color [Transparent])
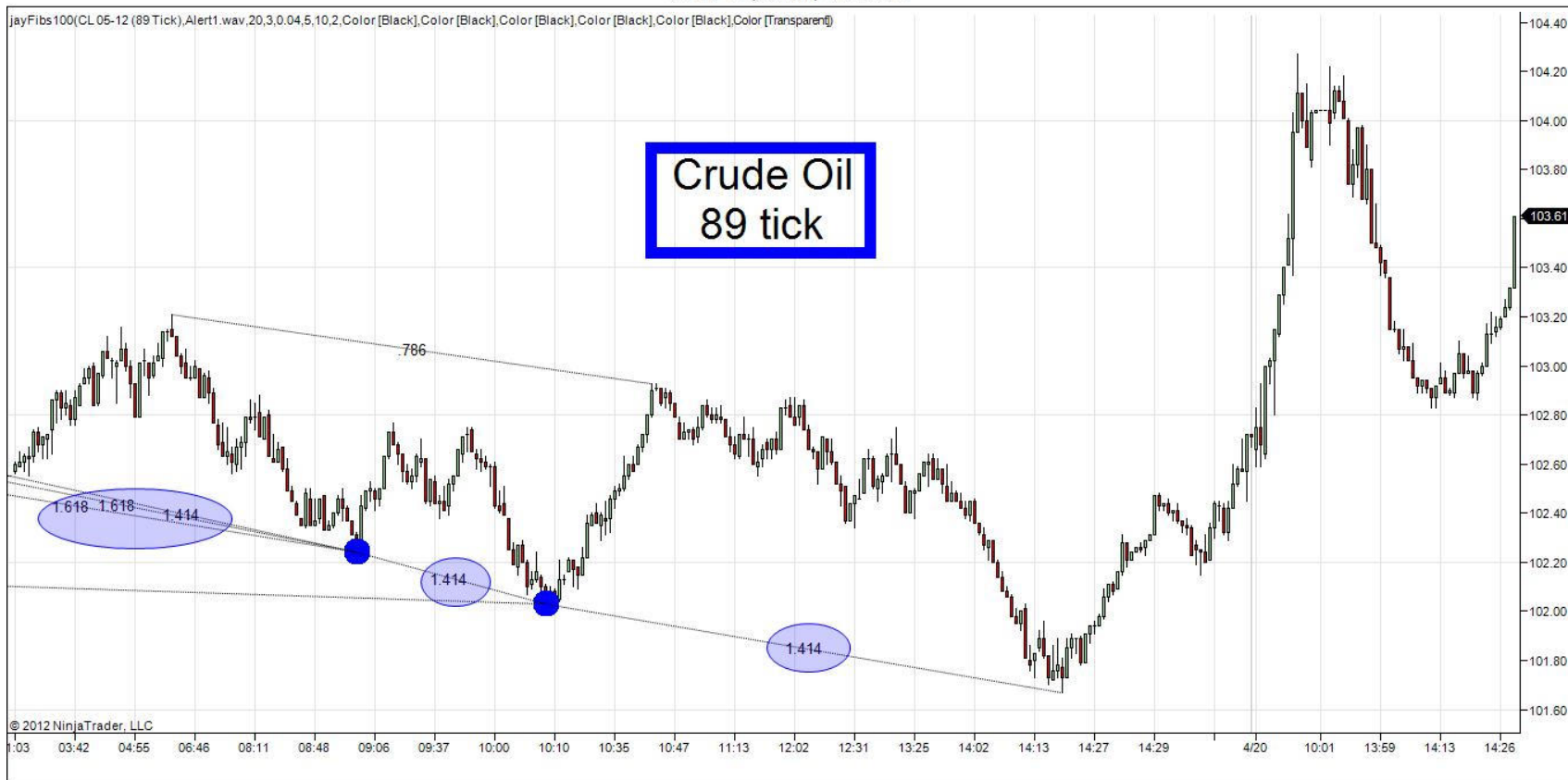
EURO
233TICK

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Tick charts are great because they will produce more signals. My favorite way to use the tick is to only take signals with the overall
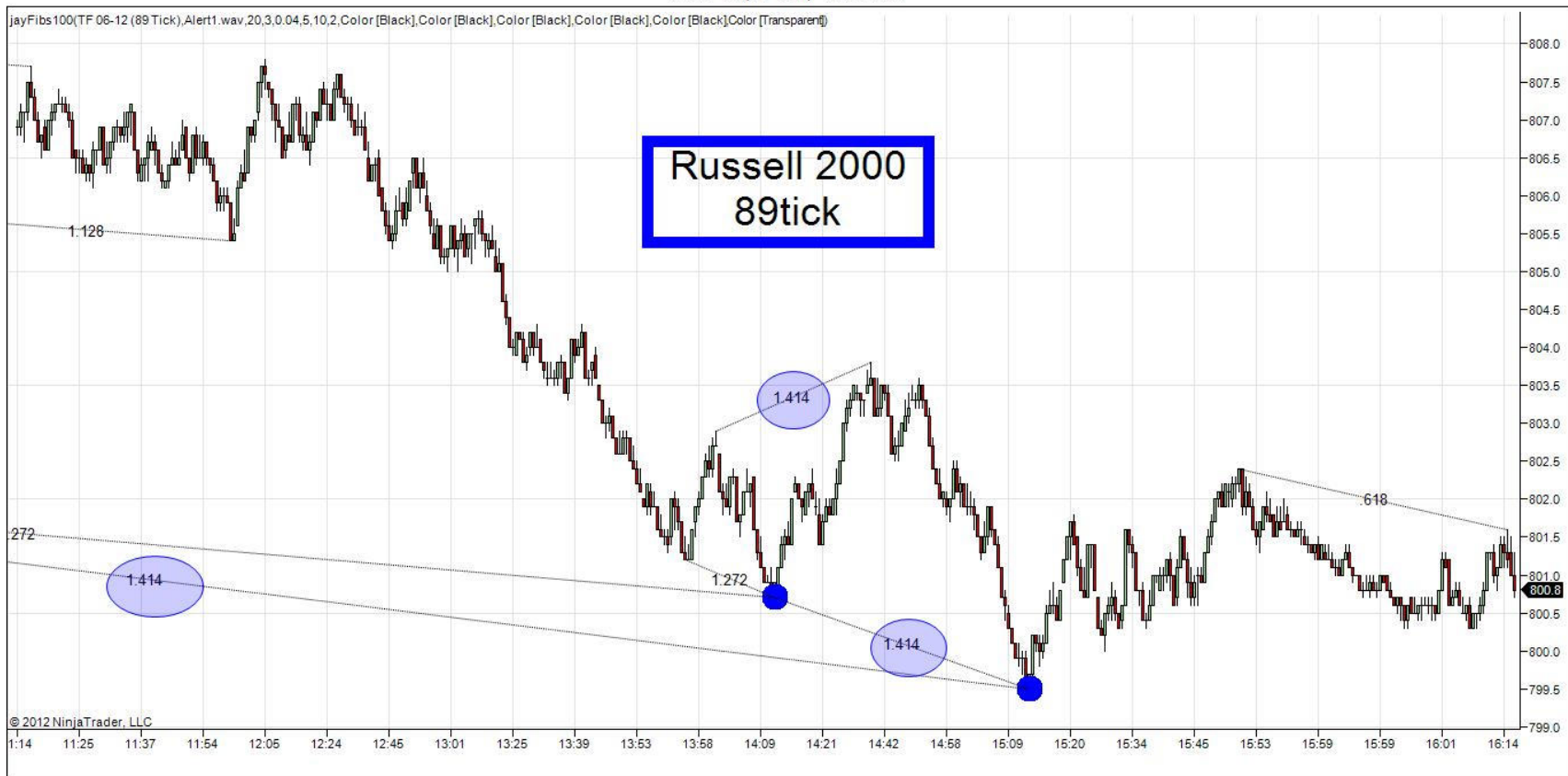
trend. Also, if I get a 1.618 sell signal on the 5 minute chart, I immediately look at my tick charts to find sell entry signals.

SI 05-12 (233 Tick) 4/20/2012

jayFibs100(SI 05-12 (233 Tick),Alert1.wav,20,3,0.04,5,10,2,Color [Black],Color [Black],Color [Black],Color [Black],Color [Black],Color [Transparent])

1.618

786

233 tick

1.414

1.128

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CL 05-12 (89 Tick) 4/20/2012

jayFibs100(CL 05-12 (89 Tick),Alert1.wav,20,3,0.04,5,10,2,Color [Black],Color [Black],Color [Black],Color [Black],Color [Black],Color [Transparent])

Crude Oil
89 tick

786

1.618 1.618   1.414

1.414

1.414

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TF 06-12 (89 Tick) 4/20/2012

jayFibs100(TF 06-12 (89 Tick),Alert1.wav,20,3,0.04,5,10,2,Color [Black],Color [Black],Color [Black],Color [Black],Color [Black]Color [Transparent])

Russell 2000
89tick

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6E 06-12 (2 Range) 4/20/2012

jayFibs100(6E 06-12 (2 Range),Alert1.wav,20,3,0.04,5,10,2,Color [Black],Color [Black],Color [Black],Color [Black],Color [Black],Color [Transparent])

EURO
RANGE BARS

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SI 05-12 (2 Range) 4/20/2012

jayFibs100(SI 05-12 (2 Range),Alert1.wav,20,3,0.04,5,10,2,Color [Black],Color [Black],Color [Black],Color [Black],Color [Black],Color [Transparent])

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CL 05-12 (2 Range) 4/20/2012

ES 06-12 (2 Range) 4/20/2012

SP500
RANGE BARS

YM 06-12 (1000 Volume) 4/20/2012

DOW
VOLUME CHARTS

Notice how the signals work both on range and volume charts too. JayCluster is very consistent on all time frames and all markets.

Even the Forex markets. JayCluster calls the recent high on the EUR/USD. Stocks and Etf's work the same.

You can see the power of the two numbers. Most traders focus on the wrong retracement or the swing in calculating levels which will crumble any trading plan. You must have the correct swing to measure or you are done from the beginning. This took years to perfect the swing signals. Because if your swings are wrong then your extension and retracements are wrong.

You must have an edge in the markets if you are going to compete with the institutions, banks, hedge funds and high frequency traders. Around 5% control the market, 10% try and follow the 5% and the rest are losing traders. Having the edge of high probability major turning points will allow you be on a level playing field with the top traders and algorithms that control the markets.

Key Points:

***Due to the multiple live calculations that my software is running, an Intel 4 core processor is recommended. A 2 core tends to lock up the charts.

***Traders in my live room should use these cluster dots on support/resistance to give the ultimate confluence signal.

***Entry techniques can be made right at the confluence dot with a hard stop, first target then the runner. A great exit after an extension of 1.618 is at one of the opposite retracement numbers of .618-.886 with a great final target of 1.272. It is always nice to scale when you reach the retracement numbers. Some traders of the software are using pull in bars or hybrid renko's on Ninja Trader for entry after the signal with success.

***To see all the dots that the system produced for the day, it is recommended that you leave the system run all day. This will allow you to see the dots that nailed the highs and lows and additionally the ones that failed. This will show all the dots that came up for the entire day. If you shut the system down and restart, it will erase the earlier calculations.

***All owners of my "JayCluster" program will be getting a free upgrade with Ninja Market Analyzer. This will allow you to plug in multiple time frames per instrument and it will show a buy or sell in the panel. This allows you to view multiple time frames in a single window. When and if I shut the program down to the public like I have done in the past then all owners will get this upgrade for free.

Many Ticks
Jay

*Risk Disclosure / Risk Disclaimer:

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