



# **MMTA Course One – Cycles and Chart Patterns in Financial Markets**



# THE STRUCTURE OF MARKET CYCLES: PATTERNS, PHASES, AND SUB-CYCLES

## Module Lesson Two



**Disclaimer and Appropriate Use of Course Information:** The content and instruction made throughout this course are provided solely for reference and educational purposes to students, traders, and analysts (Participants).

By participating in this course, you agree that all trading or investment decisions made by Participant are at the sole risk to the Participant and Participant assumes all responsibility for any and all decisions made in financial markets.

By taking this course, you also acknowledge that trading in financial markets involves risk of loss as well as the potential for gains. As a student, trader, or investor, you agree to assume all responsibility for any and all actions you initiate in financial markets, and neither the authors, instructors, or publishers affiliated with this course, or anyone whose work is cited or referenced in the course, assumes any liability whatsoever for your decisions.

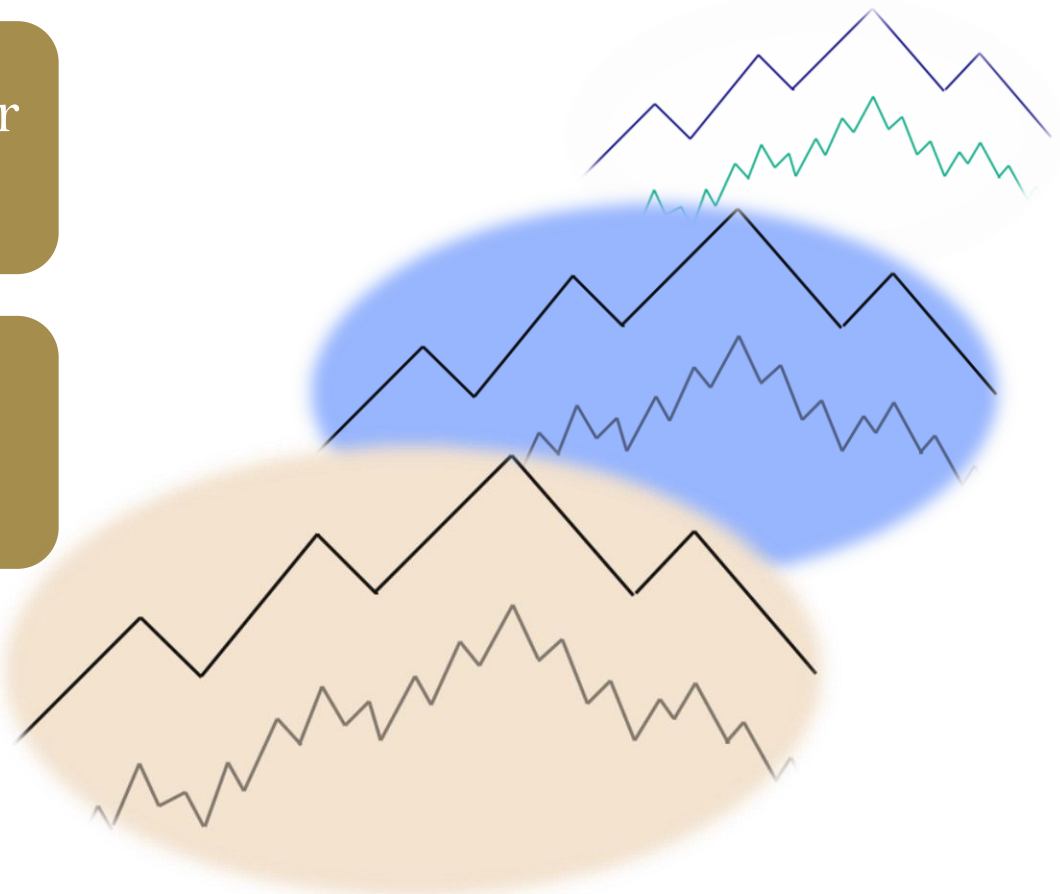
Futures or options trading are considered high risk. Information provided in the MMTA course or MMA publications is provided with sincere intent, and according to MMA's own proprietary and copyrighted processes and methodologies. All content and information provided is the intellectual property of MMA and MMTA developed by Raymond Merriman and his 40+ years of experience, observation, and research. Students may use this material responsibly and solely for their own trading and investment planning. They may cite brief sections of these studies with proper credit to MMA or MMTA. However, any other reproduction or use of this copyrighted material must be with the written consent of MMA.

# CYCLES WITHIN CYCLES

Every Cycle is:

Comprised of sub-cycles, or phases

A phase or sub-cycle of a greater cycle



# PHASES OF A CYCLE

Every cycle is comprised of:

- 2 or 3 phases (or sub-cycles) of approximately equal length, given an allowable orb of influence.

- **Within every cycle are:**
  - Smaller cycles (sub-cycles or phases) that are divisions of the greater cycle by 2 or 3.
  - Or, every cycle is part of a greater cycle by a multiple of 2 or 3.

# THE THREE BASIC CYCLE PATTERNS

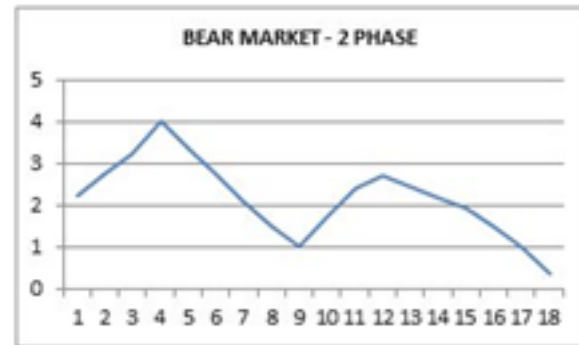
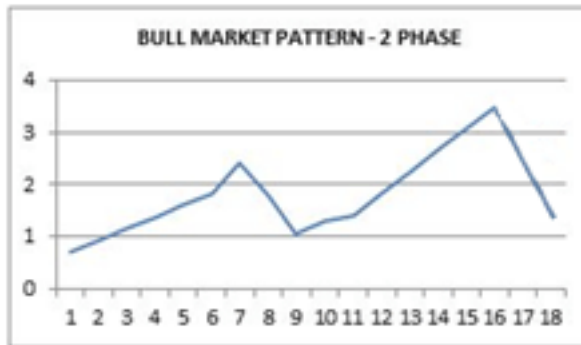
Every cycle is comprised of:

- 2 or 3 phases (or sub-cycles) of approximately equal length, given an allowable orb of influence.

• **The 3 basic cycle patterns are:**

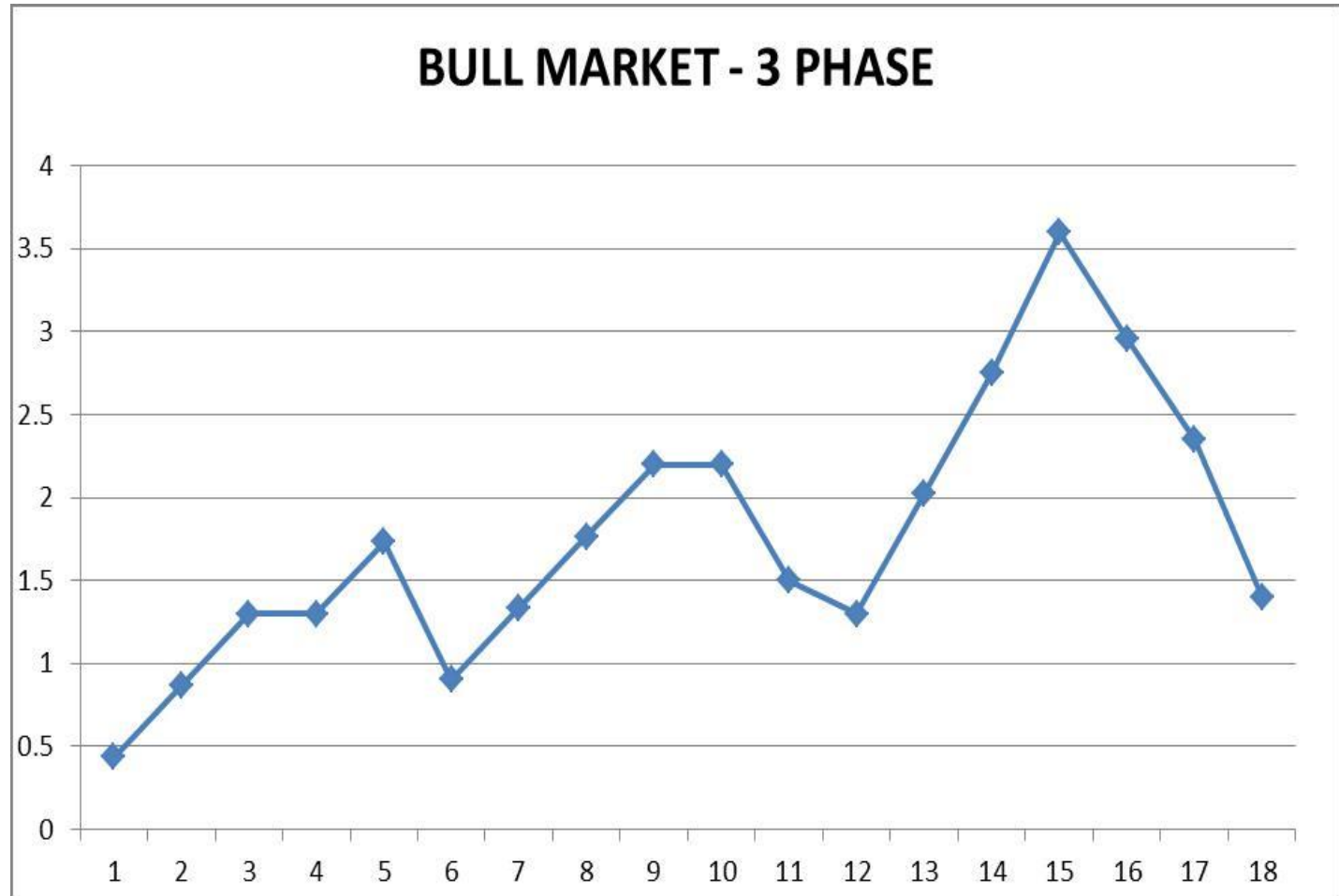
- Classical three-phase.
- Classical two-phase
- Combination

# EXAMPLES



# THE “CLASSICAL 3-PHASE” CYCLE PATTERN

Within a three-phase cycle pattern are three sub-cycles that are approximately 1/3 the length of the greater cycle.



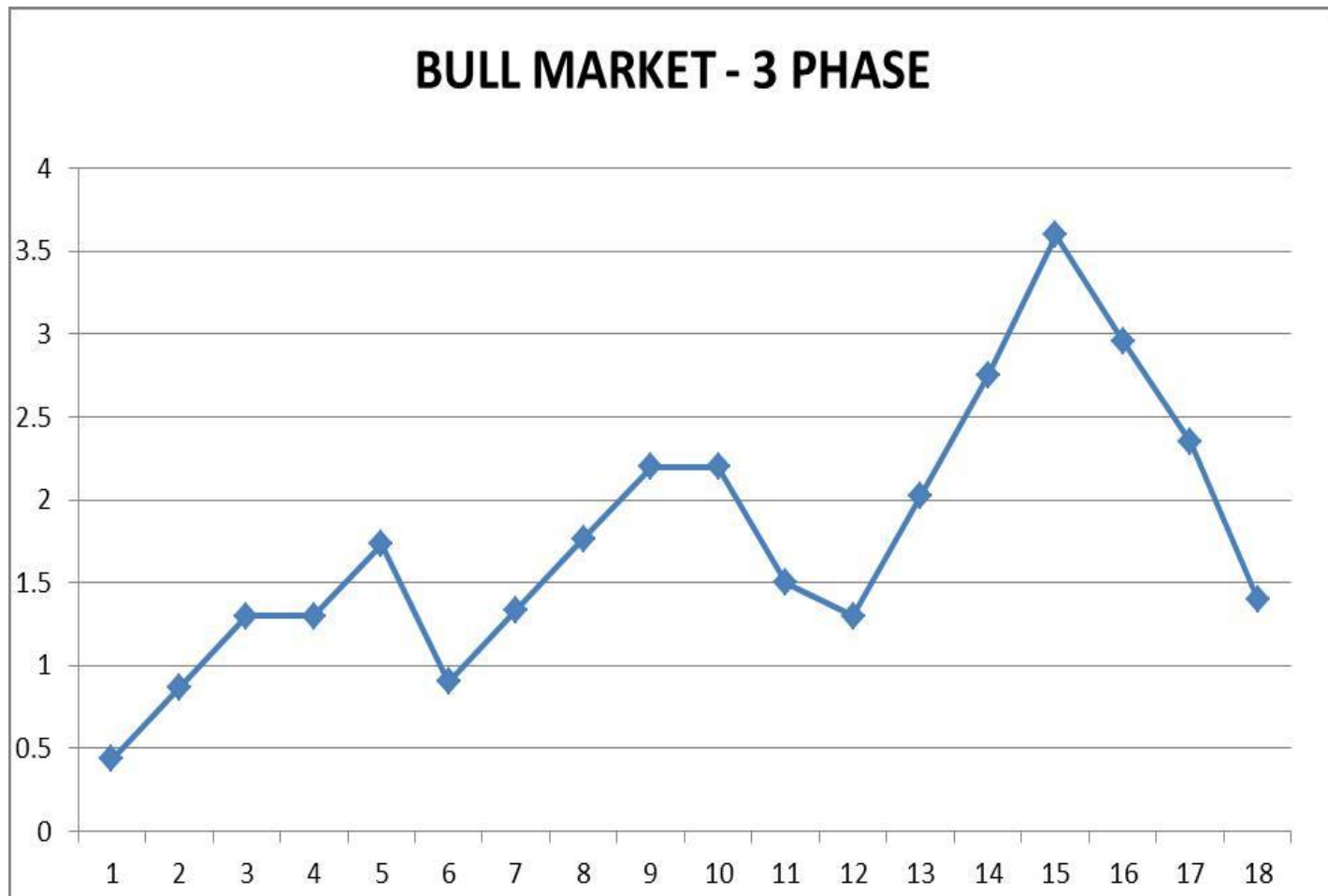
These 3 sub-cycles are known as the “phases” of the greater cycle.



# THE “CLASSICAL 3-PHASE” CYCLE PATTERN

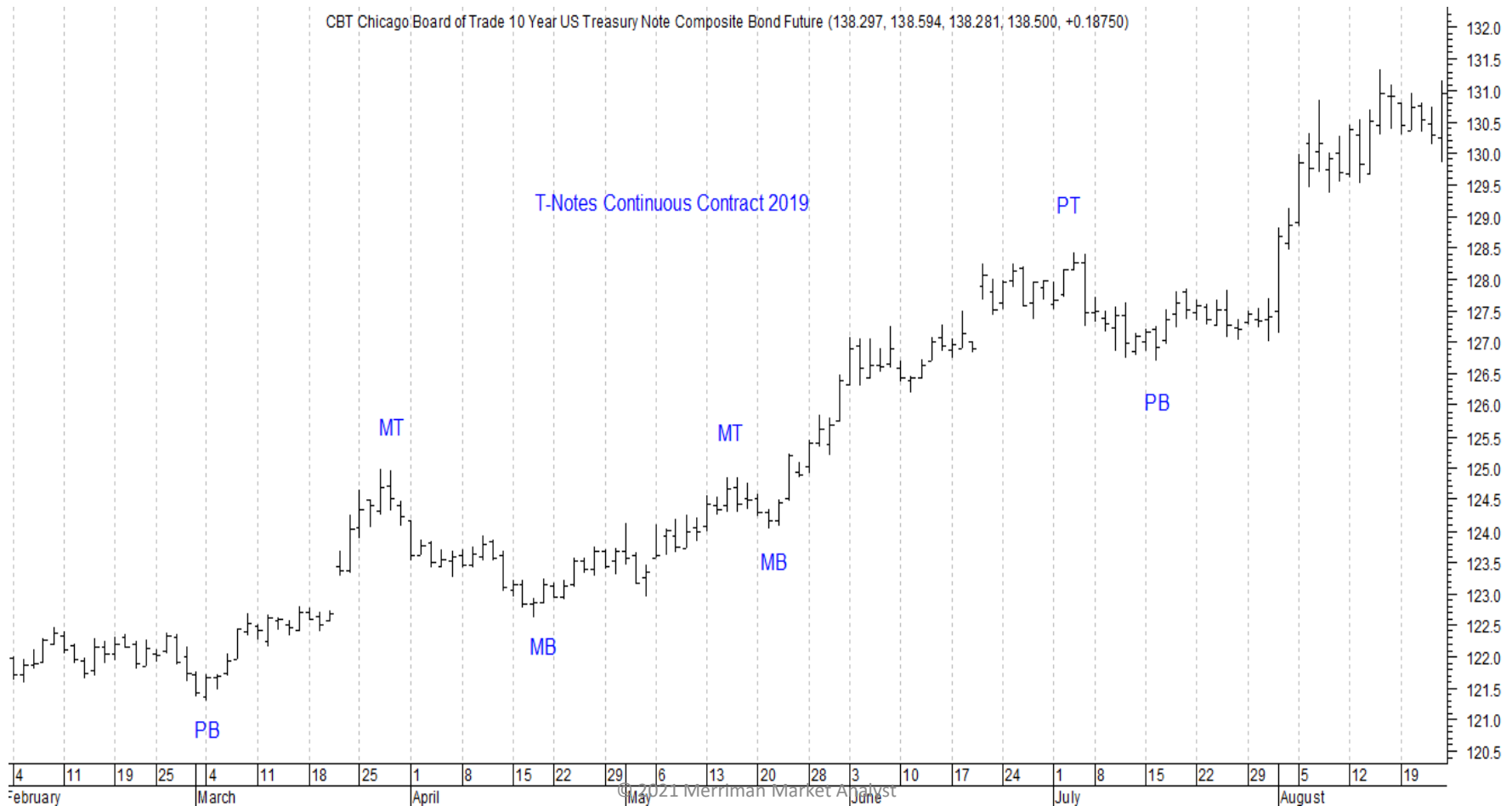
Can you find an 18-week cycle?

Can you find three 6-week cycles?



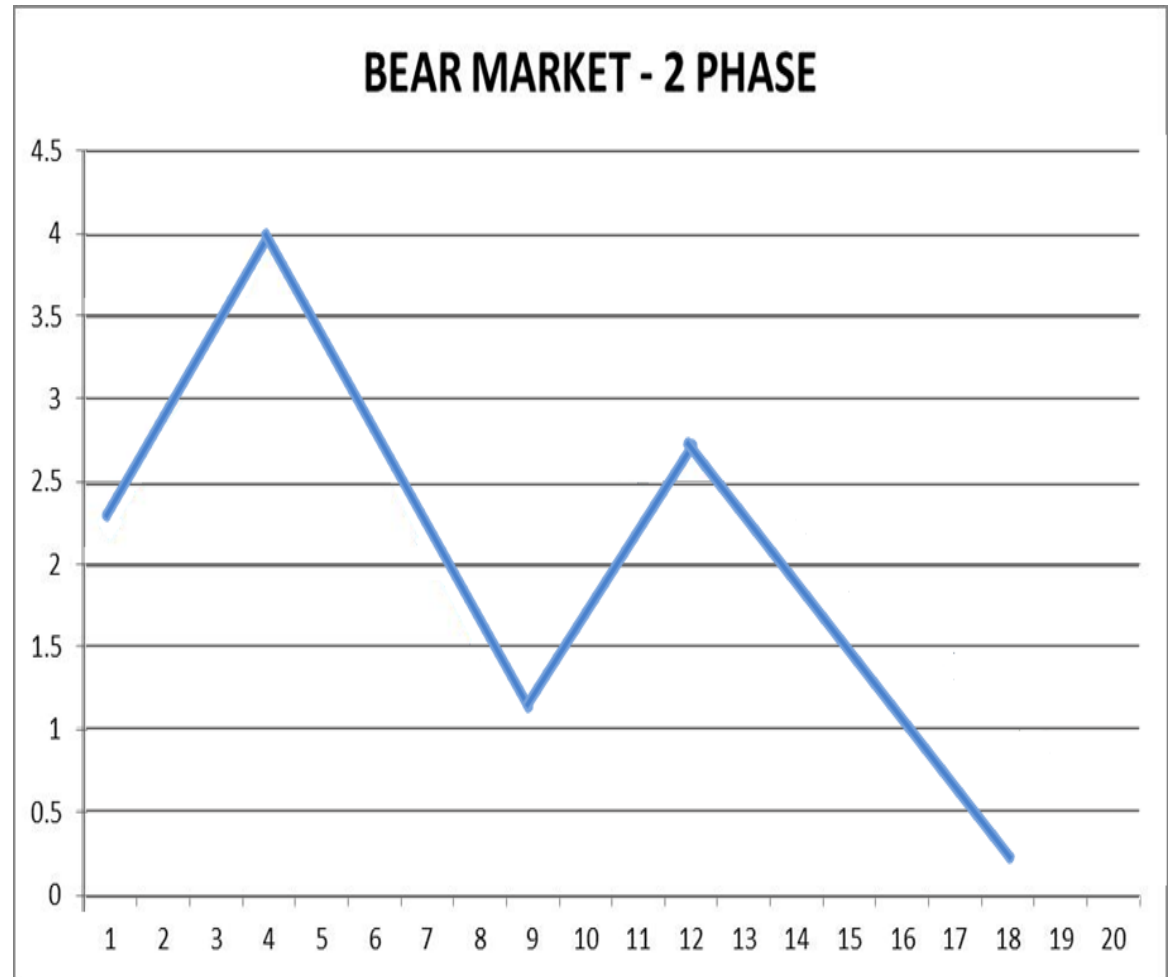
# EXAMPLE OF A 3-PHASE PATTERN

Can you find the three phases that make up the primary cycle in T-Notes?



# THE “CLASSICAL 2-PHASE” PATTERN

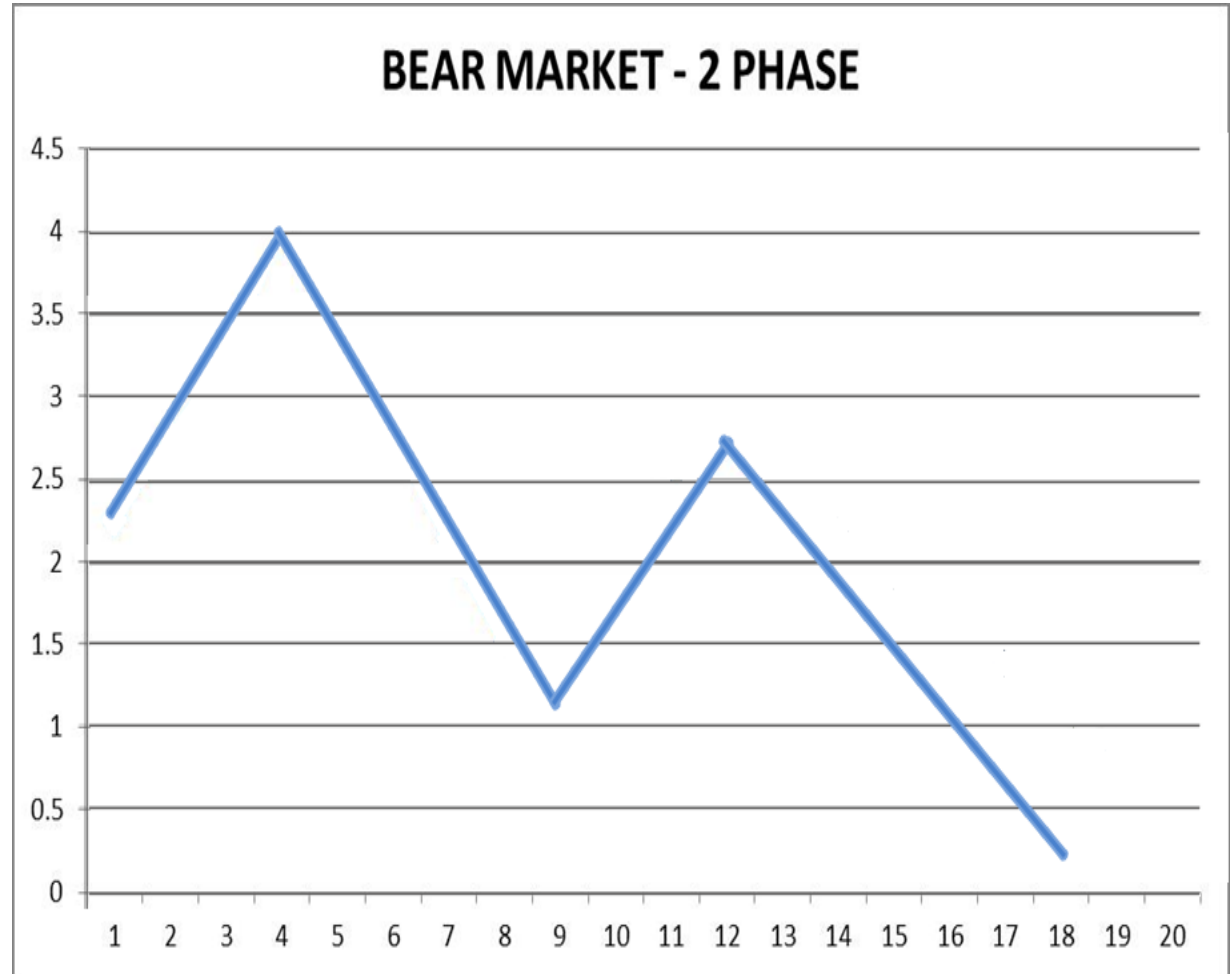
This pattern contains two sub-cycles, or phases, each approximately 1/2 of the mean cycle length.



These 2 half-cycles are known as the “phases” of the greater cycle.

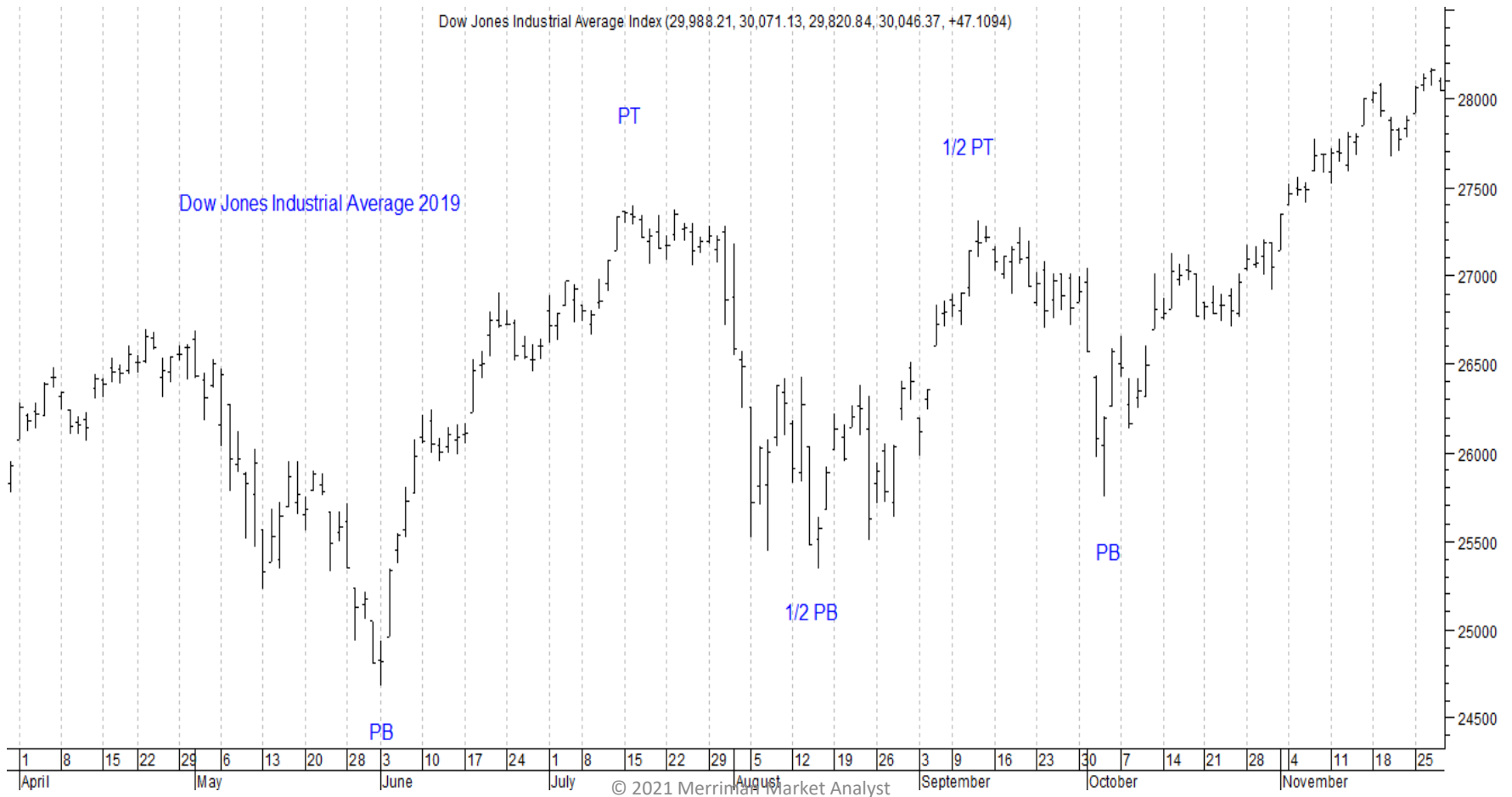
# THE “CLASSICAL 2-PHASE” PATTERN

In the graph, can you see an 18-week cycle? Can you also see two 9-week phases, or sub-cycles?



# EXAMPLE OF A 2-PHASE PATTERN

Can you find the two phases that make up the primary cycle in the DJIA?

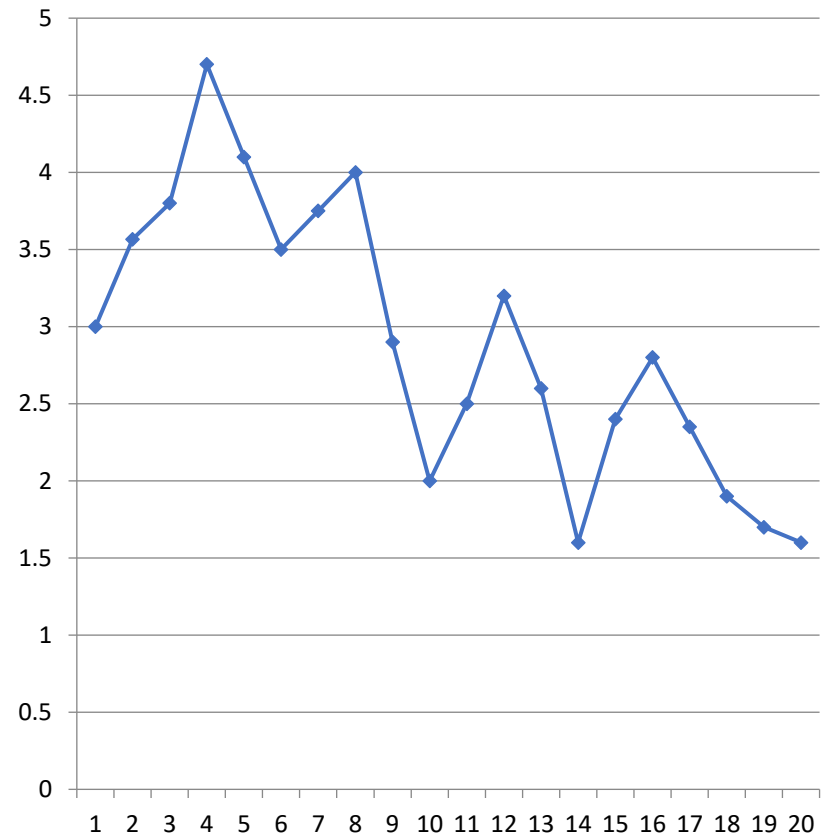


# THE “COMBINATION” CYCLE PATTERN

Within a combination cycle pattern are 3 sub-cycles that are approximately the  $1/3$  points within the greater cycle, and 2 sub-cycles at approximately the one-half cycle point.

Therefore, it looks like 4 sub-cycles.

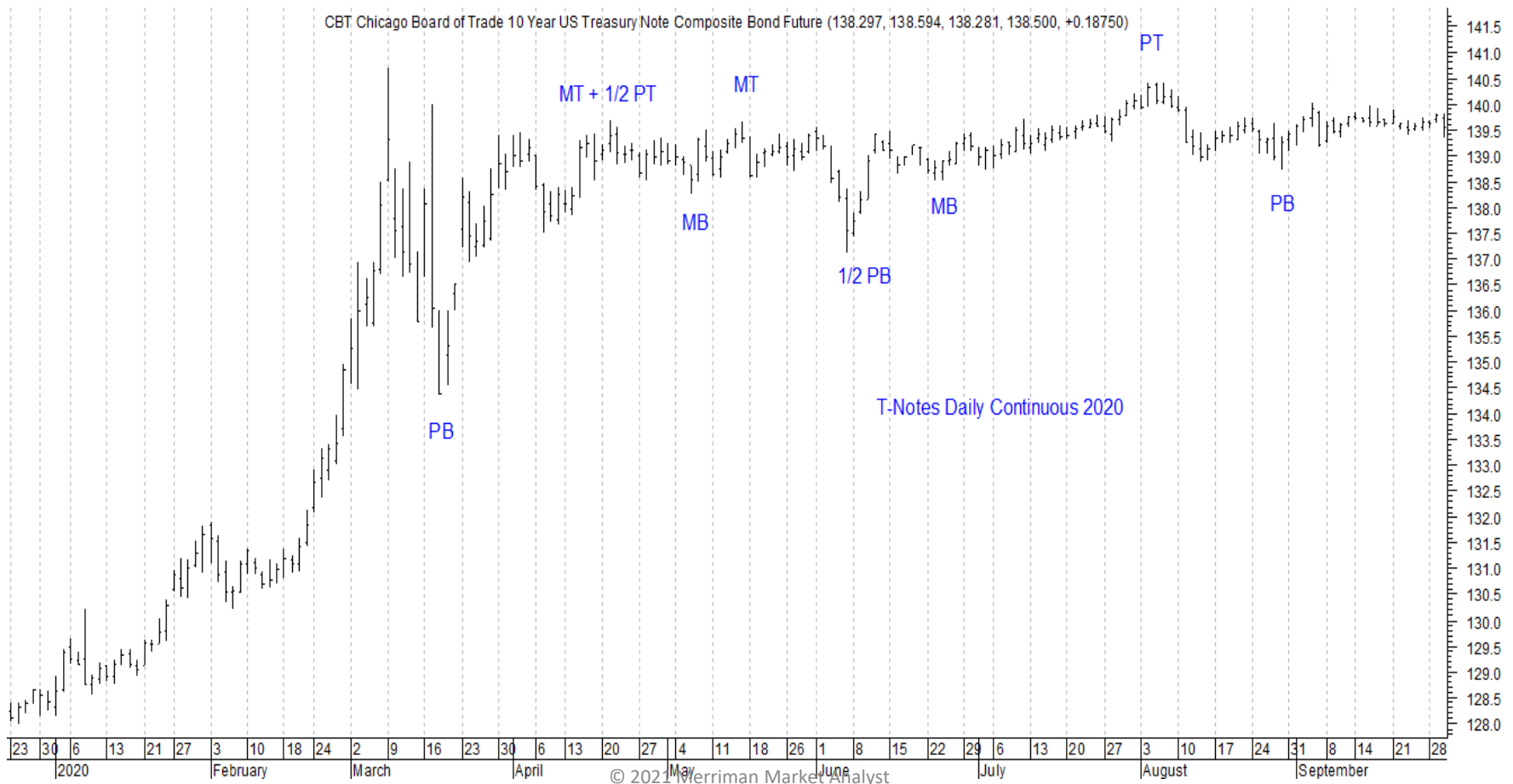
COMBINATION BEARISH



Can you find sub-cycles at the  $1/3$  and  $1/2$  points?

# EXAMPLE OF A COMBINATION PATTERN

In the graph of the Nikkei shown here, can you see the phases of the greater 6-year cycle at the  $1/3$  and  $1/2$  points?



# QUIZ #2

## The Patterns of a Cycle



# QUIZ #2

1. Every cycle is comprised of smaller cycles.
  - What are the two names these smaller cycles are known as?
2. What are the three types of basic cycle patterns?

# QUIZ #2

3. In an 18-week primary cycle, which pattern is the easiest to trade?
- How many phases are in it?
  - What is the name we give to those phases?
  - How long is the normal length or mean periodicity of each phase?
  - What is its normal range?
  - About how often does this pattern occur?

# QUIZ #2

4. In an 18-week primary cycle, which pattern is the most difficult to trade?
- How many phases are in it?
  - What is the name we give to those phases?
  - How long is the normal length or mean periodicity of each phase?
  - What is its normal range?
  - About how often does this pattern occur?

# QUIZ #2

5. In an 18-week primary cycle, which is the other type of pattern that occurs?
  - At what intervals of time do the troughs usually occur here?
  - About how often does this pattern occur?

# QUIZ #2

6. Below is a chart of a primary cycle in Bitcoin. Label the start and end to the primary cycle, its crest.

Then label its phases, both troughs and crests.

# QUIZ #2

Below is a chart of a primary cycle in Bitcoin. Label the start and end to the primary cycle, its crest. Then label its phases, both troughs and crests.



# End of Module Lesson

Break