



MMTA Course One – Cycles and Chart Patterns in Financial Markets



BULL AND BEAR MARKET PATTERNS (TREND ANALYSIS)

Module Lesson Three



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3 Market Types: Bullish, Bearish, or Mixed

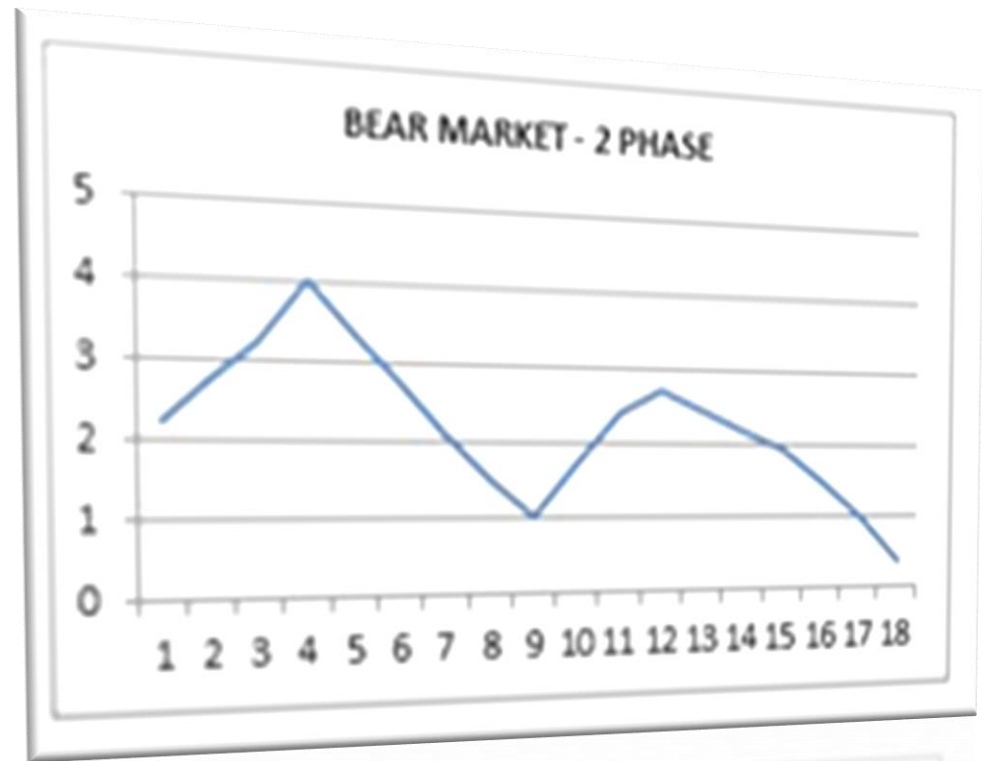
All market cycles are either bullish, bearish, or mixed.

The first phase of any cycle is usually bullish, even if it is part of a larger cycle that is bearish



3 Market Types: Bullish, Bearish, or Mixed

The last phase of any cycle is usually bearish, or has the steepest decline of the entire cycle, even if the larger cycle is bullish.



Five Basic Characteristics of a Bull Market

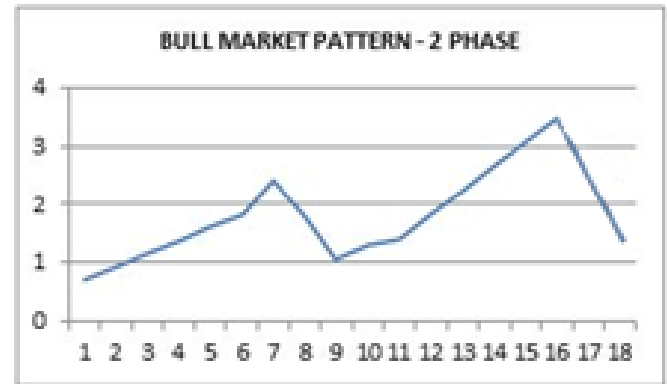
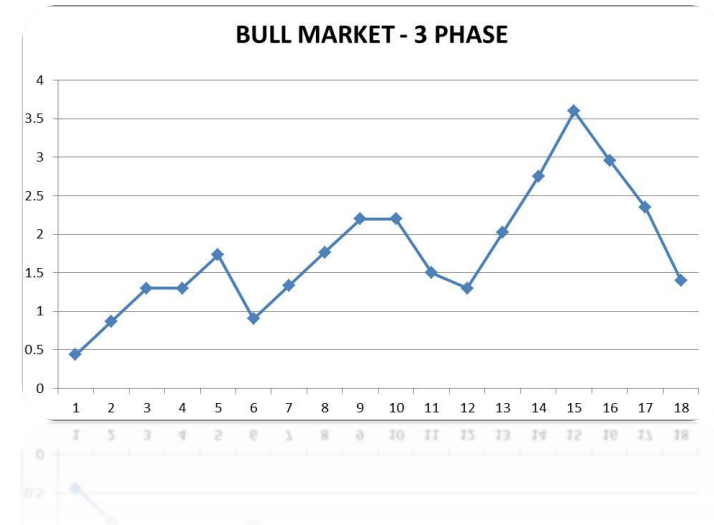
Consecutively higher troughs of the same cycle type

Consecutively higher crests of the same type

Right translation pattern

The lowest price is the start of the cycle.

“Bullish 8-Week Rule”



Five Basic Characteristics of a Bear Market

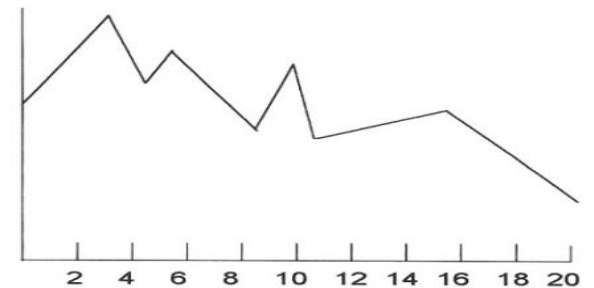
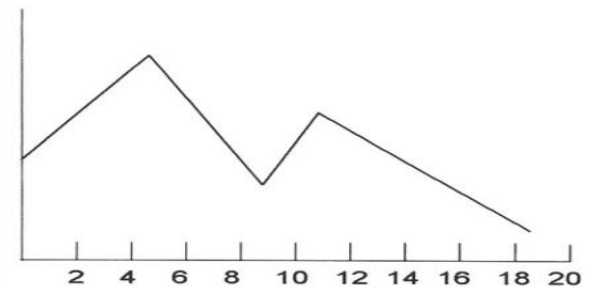
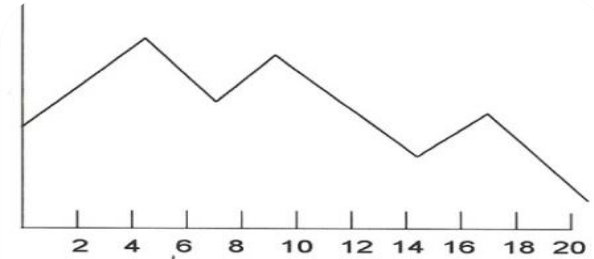
Consecutively lower troughs of the same cycle type

Consecutively lower crests of the same type

Left translation pattern

The lowest price is the end of the cycle

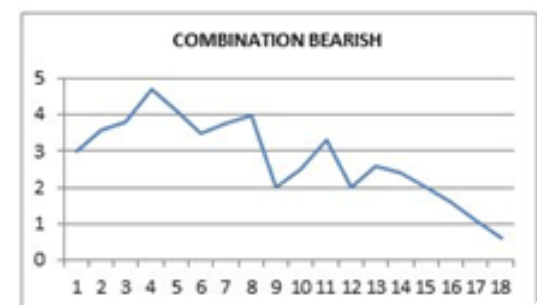
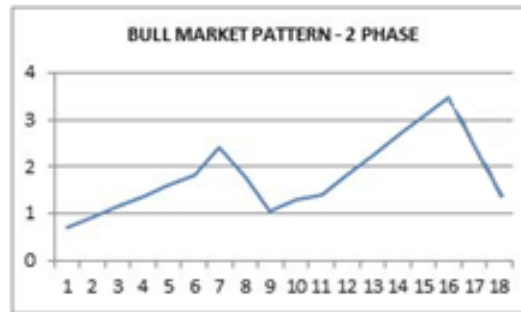
Market tops out before the 8th week of primary cycle



5 4 6 8 10 12 14 16 18 20

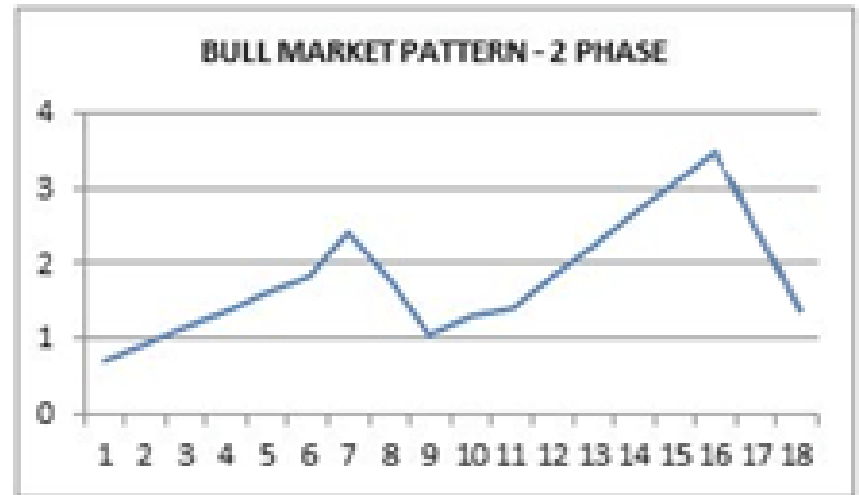
Review Cycle Patterns – Bullish

- The first phase of any cycle:
 - Is usually bullish
 - Even if it is part of a larger cycle that is bearish



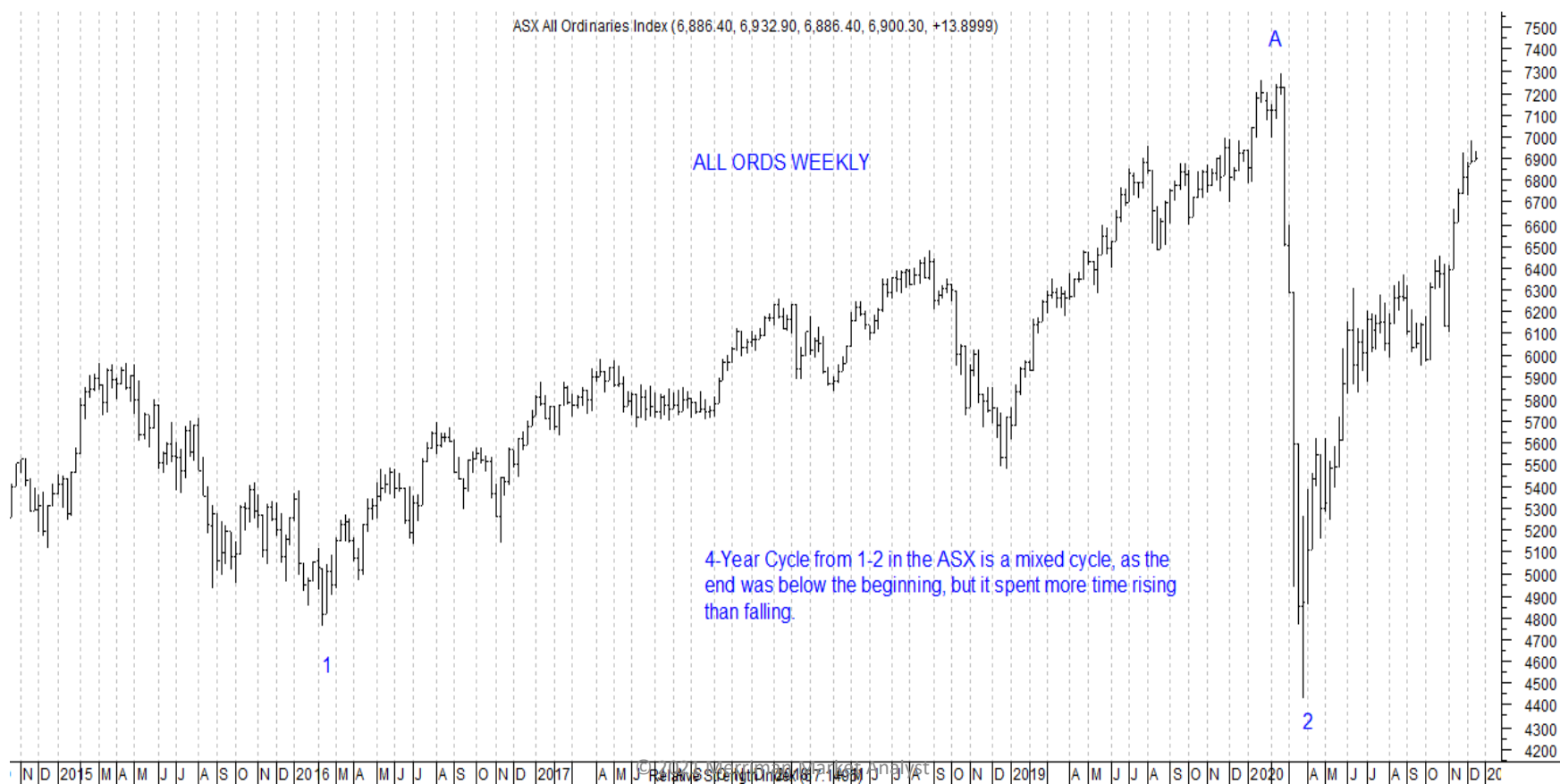
Review Cycle Patterns – Bearish

- The last phase of any cycle is usually bearish.
- Even if the cycle is bullish, you will see the steepest decline in the last phase.



Mixed Trends

A “mixed trend” occurs when only some (but not all) of the bullish or bearish characteristics are present in a cycle.



Trend Analysis - Continued

The most important consideration in a cycle's trend is the price at the end of the cycle relative to the price at the start of the cycle.



If the price breaks below the start of the cycle, it is bearish.

Bullish and Bearish Strategies

If prices remain $>$ start of a cycle, cycle is potentially bullish

- Apply bullish strategies
- Buy the dips, with a stop-loss $<$ start of cycle.

If prices fall $<$ start of cycle, trend becomes bearish

- Apply bearish strategies
- Sell the rallies, with a stop-loss $>$ crest of cycle

QUIZ #3

BULL AND BEAR MARKET PATTERNS (TREND ANALYSIS)

QUIZ #3

1. All markets cycles are either bullish, bearish, or mixed.
 - True or false?
2. Which phase of a cycle is almost always bullish?
3. Which phase of a cycle is usually bearish?
4. What are the five basic characteristics of a bull market cycle?
5. What are the five basic characteristics of a bear market cycle?

QUIZ #3

6. In a bearish primary cycle, when does the crest usually occur?
7. What would be the characteristics of a “mixed” cycle?
8. What is the most important consideration of all the characteristics of a cycle in determining whether it is bullish or bearish?
9. When should bullish strategies be applied in trading via cycles?

QUIZ #3

10. At what point should bearish strategies be applied in trading via cycles?
11. What exactly is meant by “bullish” and “bearish” strategies?
12. On the chart of the next slide, label the primary, half-primary, and major cycles of the ASX, both troughs and crests.
Note: The ASX has a 19-25 week primary cycle.

QUIZ #3

12. Label the primary, half-primary, and major cycles of the ASX, both troughs and crests.

Note: The ASX has a 19-25 week primary cycle.



QUIZ #3

12. Continued

- **Note:** the ASX has 19-25 week primary cycle. What is its mean periodicity?
- What is its orb?
- At what point in the first primary cycle would you shift from bullish to bearish strategies?
- Is the second primary cycle bullish, bearish, or mixed?
- At what point in the second primary cycle would it begin to look bullish?

QUIZ #3

What is its mean periodicity? What is its orb? At what point in the first primary cycle would you shift from bullish to bearish strategies? Is the second primary cycle bullish, bearish, or mixed? At what point in the second primary cycle would it begin to look bullish?



Note: The ASX has a 19-25 week primary cycle. © 2021 Merriman Market Analyst

End of Module Lesson

Break