Automatic Chart Pattern Recognition is HERE!

Profitable Patterns Appear Automatically!

It has often been said that a picture is worth a thousand words. It may in fact be worth thousands of dollars.

When CPRM^2 is activated, a large number of Patterns are identified for each chart. You can see ALL the Patterns by selecting Strength=1 (see article, next page).

For the charts on this page, the Module was activated at Strength "5" which told it to ONLY identify and display the Patterns with the greatest strength and the highest probability for success.

One Picture can be worth thousands of dollars.

The Pattern Recognition Module is based on a 20-year Patterns Database. This database is used to determine Pattern strength for Patterns as they appear. **There is no optimization and the Pattern Signals never change.**

Never before has this kind of tool been available to individual traders. With CPRM^2, you can automatically confirm your OmniTrader Signals with the best Chart Patterns.

How much is this information worth in your trading?

ABC shows several additional examples of Patterns identified by CPRM^2. Resistance is not always obvious in day-to-day trading. CPRM^2 finds the prime opportunity zones, like the two Resistance Breaks marked on this chart. Volume Trend is a powerful "continuation" Pattern. Again, it is important to note that these are all Strength 5 Patterns—the most profitable opportunities based on matches in the Patterns Database. More Patterns can be generated at lower strength settings with a single click in the Patterns toolbar. (see article, "It's the Strength that Counts" on the next page).

This chart shows several Strength 5 Patterns identified by CPRM^2. Pattern Signals appear as "dots" in the chart at the point the Pattern fired a Signal. In this chart for HP, we see a Trend Line Break in September, a Consolidation Breakout in early November and a sharp reversal at a 38% Fibonacci Retracement in January—all profitable.

It's the STRENGTH That Counts!

How We Solved the Chart Pattern Recognition Problem

It's actually not that difficult to just "find Patterns." The HARD part is finding the good ones. When we created the Chart Pattern Recognition Module, we took a different approach that truly does "separate the wheat from the chaff." Here's how we did it.

Finding the Patterns: First, we painstakingly wrote code to recognize each of the 7 Chart Patterns that I teach in my seminars—Gaps, Support/Resistance, Saucers, Fibonacci Retracement, Volume Climax, Consolidations, and Trend Lines, plus Candles. This took many months to complete.

Measuring the Patterns: We characterized each Pattern according to visible criteria such as Trend Line touches, angle and so on, similar to what Thomas Bulkowski did in his book, "Trading Classic Chart Patterns" (except that our factors are different).

Ranking the Patterns: We then found all Patterns in the stock market over 20 YEARS of market data. For each Pattern variation (such as, a Lower Trend Line with 3 touches and a slope of 20 degrees) we saved off accuracy and profitability statistics in a Patterns Database.
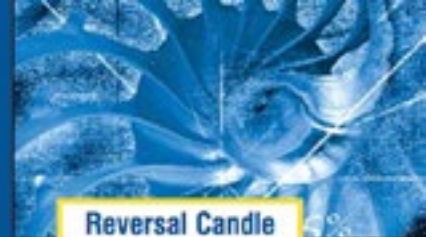
From this information, we were able to define Strength Ratings from 1 to 5. The "1" rating shows "ALL Patterns" while a "5" rating shows the best Patterns according to profitability. Each Pattern has its own strength rating factors that are user-adjustable (see Features, page 8).

The result is an automatic ranking system that allows us to only show the BEST Patterns (or ALL Patterns if we want more general confirmation). An example of Patterns at different strengths is shown at the right. You can see that, at Strength 5, virtually all the Patterns were profitable. The Pattern Strength Rating system separates the most profitable Patterns from the mediocre ones and is totally unique to CPRM[2].

Strength 1+
All Patterns

Strength 3+
Good Patterns

Strength 5
BEST Patterns

All 7 Patterns are Recognized, PLUS Candles

After studying the market for 25 years, I have come to the conclusion that 7 Patterns are important for confirming technical Signals. I discuss these Patterns in my book, *The 7 Chart Patterns that Consistently Make Money*. Each Pattern identifies and takes advantage of a specific psychology in the market.

Support (or Resistance) is a price that buyers and sellers have "agreed" on as proper value for a stock. As price approaches a Support level, buyers increase. Because there are more buyers than sellers, price "bounces" off the Support level. Sometimes, however, price will "drop" through a clear Support level. A steep decline occurs as more sellers dump their holdings.

Trend Lines are essentially sloped Support or Resistance zones. Trend Line Breaks offer powerful confirmation of a move, especially if the line is well-formed and obvious to the market. Similarly, as price approaches a valid Trend Line and reverses, the market sees the reversal and reacts to it, fueling the move in the direction of the reversal.

Reversal Candle

Support Reversal

Trend Line Break

Fibonacci Retracement

This chart for ABK shows several key Patterns identified by CPRM[2]. Often, multiple Patterns will fire in rapid succession, such as the Reversal Candle and Trend Line Break that occurred in March. When these Patterns occur with an OmniTrader Signal, the highest level of confirmation is achieved.

Saucer Patterns are fairly rare, but show us a smooth transition in price from down to up. Market participants see the smooth change in trend and begin buying in anticipation of a follow-through. Again, a self-fulfilling behavior.

Fibonacci Retracements demonstrate an interesting aspect of human psychology. As markets retrace 38%, 50% or 62% of a prior move, buying or selling will come in as the participants anticipate a reversal.

Price Gaps indicate sudden changes in supply or demand. If there is good news, for example, a lot of buyers (or sellers, if the news is bad) will enter orders during the overnight session. When that happens, a price gap forms. These imbalances in supply or demand are indicative of internal pressure and further price movement.

Volume Climax is another interesting phenomenon that I discovered several years ago. As price reaches a low (or high) point, volume can pick up. If at a low, this occurs because more sellers are "giving up" and selling. As price starts to reverse, there are few sellers, so it takes very little pressure to rally the stock.

Consolidations are very powerful and predictive Patterns. When a tight range forms, AFTER a significant move up or down, we look for a break out of the range as a highly confirmed sign that a continuation move will occur.

Candle Patterns are identified with strength values assigned based on performance. It is uncanny how often bullish or bearish Candle Patterns lead to a reinforced move in the market.

Examples of these Patterns can be seen throughout this newsletter. CPRM[2] offers a comprehensive, accurate package for identifying the most important psychological Chart Patterns.

Chart Pattern Recognition Module^2 Helps

Powerful and Easy to Use

This page demonstrates the amazing fire-power of the Chart Pattern Recognition Module. When the To Do List is run, CPRM^2 automatically analyzes your Focus List to find all the Patterns. From there, you simply review, confirm, and trade.

Focus List Columns

New columns in the Focus List include Pattern Direction (PD), Pattern Type (Pat), and Pattern Strength (Str). A green dot in the Pattern Direction column indicates a bullish Pattern, and a red dot identifies a bearish Pattern. The Pattern Type shows an abbreviation for the Pattern, like "TLN" for Trend Line. The Strength is the apparent strength of the Pattern, based on the Patterns Database.

Prospecting with CPRM^2

The Module makes prospecting for great trades easier than ever before. Just look for green Signals with green dots or red Signals with red dots. Sometimes, you have a bullish Pattern with a bearish Signal - cases that should probably be avoided. But many other Signals will be confirmed.

"The Chart Pattern Recognition Module is excellent in pointing out tops and bottoms."

– Abco Liek

"I love the Chart Pattern Recognition Module—it's great for confirming trades!"

– Roel van de Paar

Pattern columns show the most recent Pattern along with direction and strength.

Symbol	Sig	Adv	Pat	PD	Str
BLC	▲	63	TLN	●	5
DNP	▲	82	TLN	●	5
KSL	▲	55	TLN	●	5
NTLI	▲	99	FIB	●	5
CBT	▲	76	SR	●	5
TSU	▲	93	CAN	●	5
ONXX	▲	80	TLN	●	5
IUSA	▲	51	TLN	●	5
FRX	▼	96	FIB	●	5
GSF	▼	55	CAN	●	5
PGN	▼	61	TLN	●	5
YELL	△	50	FIB	●	5
MAFB	△	78	TLN	●	5
DBD	△	51	FIB	●	5
TINY	△	63	FIB	●	5
TNOX	△	77	FIB	●	5
TNL	△	51	GAP	●	5
AEP	△	83	TLN	●	5
MICU	△	95	VOL	●	5
SAFC	△	82	FIB	●	5
PZZA	◪	94	FIB	●	5
ATRS	▽	68	CAN	●	5
DSPG	▽	57	FIB	●	5
LTXX	▽	51	TLN	●	5
ACCL	▽	68	TLN	●	5
AMXC	▽	63	TLN	●	5
OPMR	▽	63	VOL	●	5
INFT	▽	32	CAN	●	5
XRX	▽	52	VOL	●	5
GLYT	▽	43	CAN	●	5
AMG	▽	49	VOL	●	5
$SPX	▽	49	TLN	●	5
BRKT	▽	86	TLN	●	5
LRY	▽	93	GAP	●	5
SLNK	■	63	CNS	●	5
TDW	■	83	CNS	●	5
IMA	■	63	CAN	●	5
CSX	■	49	CAN	●	5
CHDN	■	84	VOL	●	5
APSG	■	97	FIB	●	5
ASYTE	■	68			
BFAM	■	80	FIB	●	5
KFY	↑	87	CAN	●	5
RCN	↑	89	CAN	●	5
PVN	↑	51	TLN	●	5
IYH	↑	60	TLN	●	5
JBX	↑	51	VOL	●	5
MDCO	↑	0	FIB	●	5
KELYA	↑	51	FIB	●	5
MBG	↑	51	TLN	●	5

This screen shot shows Chart Pattern Recognition Module^2 in action. The Strength Level has been set to "5" to only show the most powerful Patterns.

You Quickly Find Profitable Trades

Strength 5 selected.

Just bring up the confirmed charts and examine the opportunities. You are so much further ahead by knowing which Signals are confirmed by a powerful Chart Pattern.

Dynamic Strength Rating

As you click a Strength Rating on the Patterns Toolbar, the Focus List will automatically adjust to only show Patterns that have at least the designated strength. Only want the best Patterns? Set your Strength to "5" and sort the list on the Sig column.

Prospect from the Patterns to get even more candidates

Another great way to use $CPRM^2$ is to sort on the Pattern Direction and Pattern Strength columns, and then bring up the charts that have strong Patterns. Often, you will find a Pattern-based trade that is so strong, it is worth taking on its own merit. $CPRM^2$ is 100% automated, which makes it a breeze to use.

in ANY market

"The Pattern Recognition is awesome! It shows Patterns that I would never have seen without it. I am amazed how it is able to identify so many different Patterns and how easy it is to see and use them."
— Gary Rickle

Note how many of these Signals are profitable—especially the Fibonacci Retracements and the Gap Signals. The Focus List columns help you quickly find OmniTrader Signals that are firing with a Chart Pattern; look for green Signals confirmed by green Patterns and red Signals confirmed by red Patterns.

Right Edge Control

Using the Patterns dialog box, you can set your Chart Patterns to display:

· All Patterns and/or Tags
· The Most Recent Patterns and/or Tags
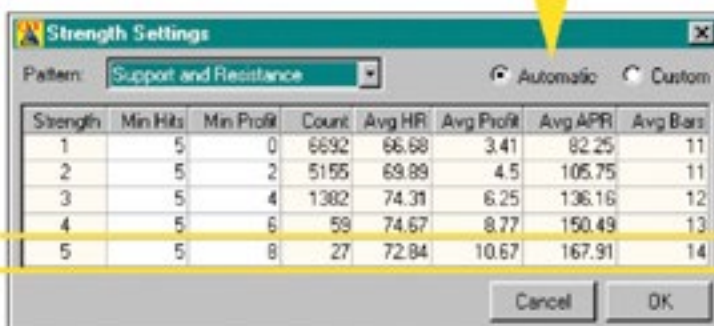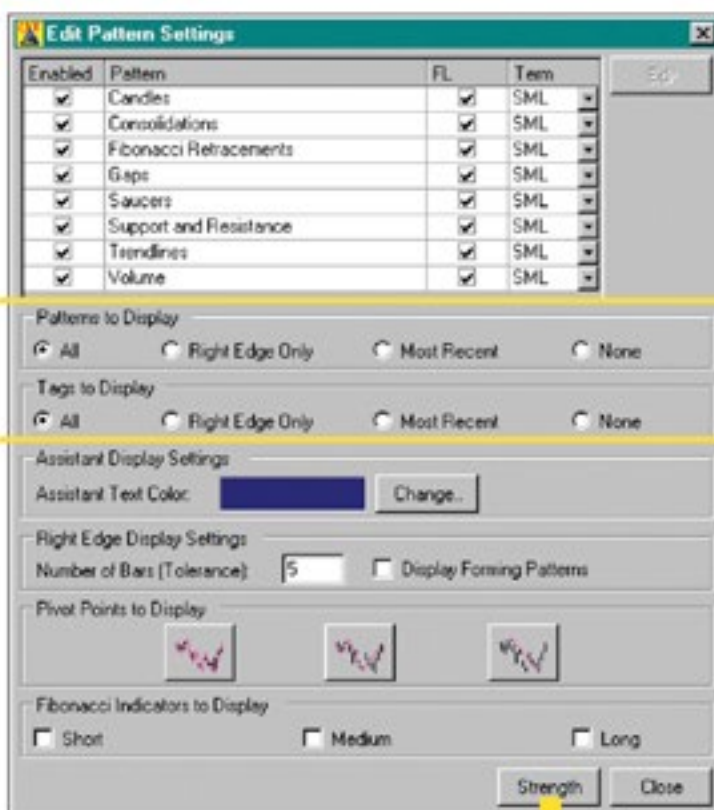· All Patterns and/or Tags within N Bars of the Right Edge

This provides maximum flexibility of Pattern display. When you are trading, you will only want to see the Right Edge Patterns. But when you are studying, you will want to see all of them. With CPRM^2, you have virtually unlimited flexibility in how you view the tags and Patterns that are displayed in the charts.

Customizable Strength Levels

The Patterns Database contains the strength of all Patterns based on the historical performance of thousands of stocks over a 20 year period. By clicking the Strength button on the Patterns dialog box, you can see the Strength definitions for all the Patterns.

Those users who want to alter the constraints for a given strength rating can do so quickly and easily. For example, if you want Strength 5 Support and Resistance Patterns to be those with a Minimum Profit of 10%, change the Min Profit entry to 10. From then on, only Patterns which historically show a profitability of 10% (or more) per trade will be shown in the Chart and Focus List when Strength 5 is selected.

CPRM^2 is the only Pattern Recognition system that has a Strength Rating system. The fact that it is configurable means you can set the system to show precisely the kinds of Patterns you want to see at any Strength level. This is useful for those who (for example) only want to see Candle Patterns if they are very profitable, but want to see ALL consolidations. With CPRM^2, you can set it just the way you want.

Edit Pattern Settings

Enabled	Pattern	FL	Term
✔	Candles	✔	SML
✔	Consolidations	✔	SML
✔	Fibonacci Retracements	✔	SML
✔	Gaps	✔	SML
✔	Saucers	✔	SML
✔	Support and Resistance	✔	SML
✔	Trendlines	✔	SML
✔	Volume	✔	SML

Patterns to Display
◉ All   ◯ Right Edge Only   ◯ Most Recent   ◯ None

Tags to Display
◉ All   ◯ Right Edge Only   ◯ Most Recent   ◯ None

Assistant Display Settings
Assistant Text Color: Change...

Right Edge Display Settings
Number of Bars (Tolerance) 5   ☐ Display Forming Patterns

Pivot Points to Display

Fibonacci Indicators to Display
☐ Short   ☐ Medium   ☐ Long

Strength   Close

Strength Settings

Pattern: Support and Resistance   ◉ Automatic   ◯ Custom

Strength	Min Hits	Min Profit	Count	Avg HR	Avg Profit	Avg APR	Avg Bars
1	5	0	6692	66.68	3.41	82.25	11
2	5	2	5155	69.89	4.5	105.75	11
3	5	4	1382	74.31	6.25	136.16	12
4	5	6	59	74.67	8.77	150.49	13
5	5	8	27	72.84	10.67	167.91	14

Cancel   OK

Each Strength Rating can be configured by adjusting the Min Hits and Min Profit columns. Min Hits is the number of samples of a given Pattern that must meet the Min Profit requirement in order to display at the given strength.

In this example at Strength 5 (with Min Hits of 5 and Min Profit of 8%), we have 27 Pattern variations that were 72.8% accurate, with average profit of 10.6% and APR of 168% over an average trade of 14 bars.

Forming Line - Set Buy Stop at 14 1/2

Line turns green at break
tag

50% Gain!

Also Displays "Forming" Patterns

The Forming Pattern feature of CPRM^2 can help you enter trades early by setting stops above or below a forming line for trade entry.

Forming Patterns are shown as grey lines, as shown in the first image to the left. The visible right edge of the chart shows the "Forming Patterns" that would have been visible on the right edge. As soon as the Pattern forms a true break, the line turns green and the tag is added below (or above) the same bar.

Forming Patterns can help a great deal in your prospecting. For example, you might notice that a Trend Line has formed, but that price has not broken it yet. One way to take advantage of this is to establish a Buy, Stop Limit order at the point the line might be violated the next day, thereby getting an early entry ahead of the actual break.

Forming Patterns give you more information about the setups that are occurring in the market. This "heads up" provides better clues about what the market is likely to do—especially in the case of Consolidations and Trend Lines.

To our knowledge, CPRM^2 is the ONLY Pattern Recognition tool with the Forming Pattern feature.