

THE KEVIN HAGGERTY
INNER CIRCLE
TRAINING PROGRAM

September 7th, 2005

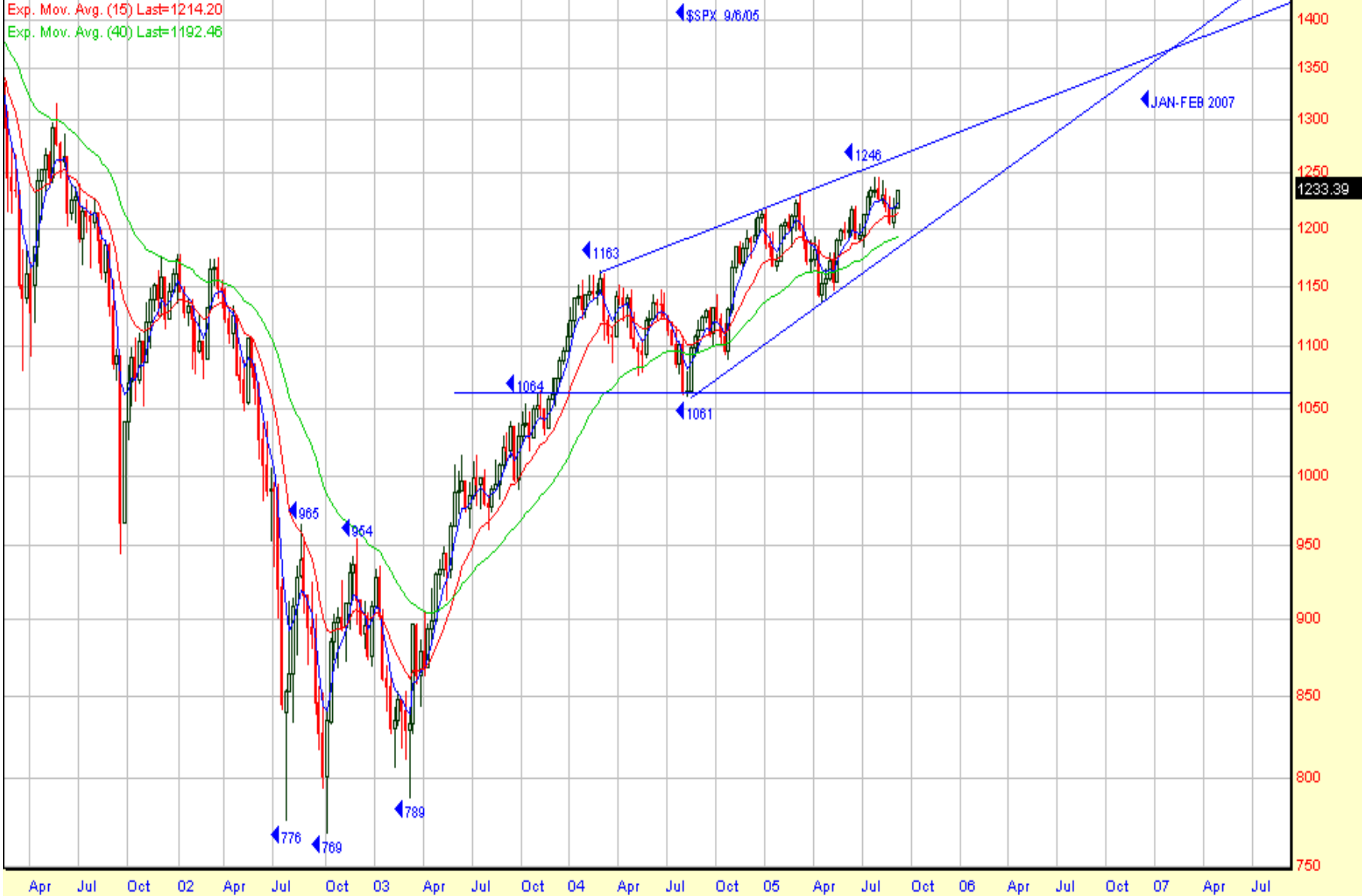
Momentum Lines

This is the retracement table for the SPX 1553 top to bear market lows back to 1982, and also the retracements from 769 to 1553 for the current bull move.

	1998	<u>1553</u> <u>923</u>	1994	<u>1553</u> <u>436</u>	1990	<u>1553</u> <u>295</u>
.236		1404		1289		1256
.382		1312		1126		1072
.50		1238		994		924
.618		1164		863		776
.707		1107		763		664
.786		1058		675		564
	1987	<u>1553</u> <u>216</u>	1982	<u>1553</u> <u>216</u>	2002	<u>1553</u> <u>769</u>
.236		1237		1210	.786	1385
.382		1042		998	.707	1323
.50		884		827	.618	1254
.618		727		656	.50	1161
.707		608		527	.382	1068
.786		502		412	.236	954

S&P 500 Index 1233.39 15.37 1.26%

Exp. Mov. Avg. (5) Last=1223.05
Exp. Mov. Avg. (15) Last=1214.20
Exp. Mov. Avg. (40) Last=1192.46



Fibonacci Dates and Ratios

The following SPY chart is an example of a Fibonacci day count in sequence with previous highs and lows.



Fibonacci Dates and Ratios

You can see the obvious sequence of days on this chart. Starting with the 117.45 high, it was 34 days down, 8 up, 21 days to the next swing point high, followed by 13 days to the next lower high, and then 13 days from that high close to the 77.68 July 24 low. The entire leg down from 117.45 to 77.68 was 88 days (missed by one day). The symmetry continued off the 77.68 low to a 34-day retracement high, then 21 days to the October 2002 low of 77.07, and it was up and away from that low. Of course, it was 55 days from the 77.07 low to 78.20.

Casino Example

Sequence trading is all about gaining "the edge," which means identifying and trading only those situations where probability is in your favor. So far, we have described volatility bands and standard deviation, which gives you the probability of price being contained within a certain statistical range, which gives you a big edge in making trading or investing decisions.

You have seen how there is a natural order of price movement which can be defined by Fibonacci retracements and extensions. This measurement gains symmetry when price and time are in sync. You also know how to anticipate Fibonacci dates by ratio and sequence using the Fib numbers, all of which can be done with Fibonacci and date calculators, in addition to most major quote vendors that have these tools.

Casino Example

After you complete this seminar, you will understand that you have gained an edge because the market itself is really the "house" (casino) with the edge. When you trade or invest like the "herd" of traders that all seem to do the same thing, why is it that only a small percentage are successful in any significant manner?

Casino Example

Here is another way to look at what you gain by becoming a sequence trader or investor.

Consider a roulette bet at a casino. There are 38 spots on a roulette wheel (1 - 36, 0, 00). Suppose the casino offers a bettor the following deal:

The bettor may place a bet on any number. If his number comes up, he wins \$36. If any other number comes up, he loses his bet. What is the bettor's expected return from this proposition? In other words, what amount should the bettor be willing to pay in order to just break even in the long run?

Casino Example

The bettor has one chance in 38 of winning \$36, so in the long run, he can expect a return of $\$36/\38 , or about .954. The casino charges \$1.00 for this bet. The five-cent difference between the price and expected return represents the profit, or edge, which the casino can expect to earn on each dollar that is bet.

Given the above conditions, one would rather be the house, or else find a casino where this bet is selling for less than the expected return of .954, for example, 90 cents. Then you would have "the edge."

This example points out that the market beats most traders, but by using sequence, you can put that probability on your side.

The next tool that we will describe is parallel lines, which provides even more symmetry to the basic Fib retracements and extensions that you have seen so far.

S&p 500 Index 1218.02 0.00 0.00%

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Exp. Mov. Avg. (20) Last=1220.28

Exp. Mov. Avg. (60) Last=1220.10

Exp. Mov. Avg. (240) Last=1215.99

←\$SPX 8/29/05



Th

3

Fr

10

11

12

1

2

3

Mn

10

11

12

1

2

3

1200

1202

1204

1206

1208

1210

1212

1214

1216

1218

1220

STANDARD & POORS DEP REC 122.27 0.00 0.00%

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Exp. Mov. Avg. (20) Last=122.30
Exp. Mov. Avg. (60) Last=122.40
Exp. Mov. Avg. (240) Last=122.17
Exp. Mov. Avg. (480) Last=121.95



STANDARD & POORS DEP REC 122.27 0.00 0.00%

Exp. Mov. Avg. (8) Last=122.22

Exp. Mov. Avg. (20) Last=122.30

Exp. Mov. Avg. (60) Last=122.40

Exp. Mov. Avg. (240) Last=122.17

Exp. Mov. Avg. (400) Last=121.95



Tu 9:45 10:00 10:15 10:30 10:45 11:00 11:15 11:30 11:45 12:00 12:15 12:30 12:45 1:00 1:15 1:30 1:45 2:00 2:15 2:30 2:45 3:00 3:15 3:30 3:45

S&p 500 Index 1218.02 0.00 0.00%

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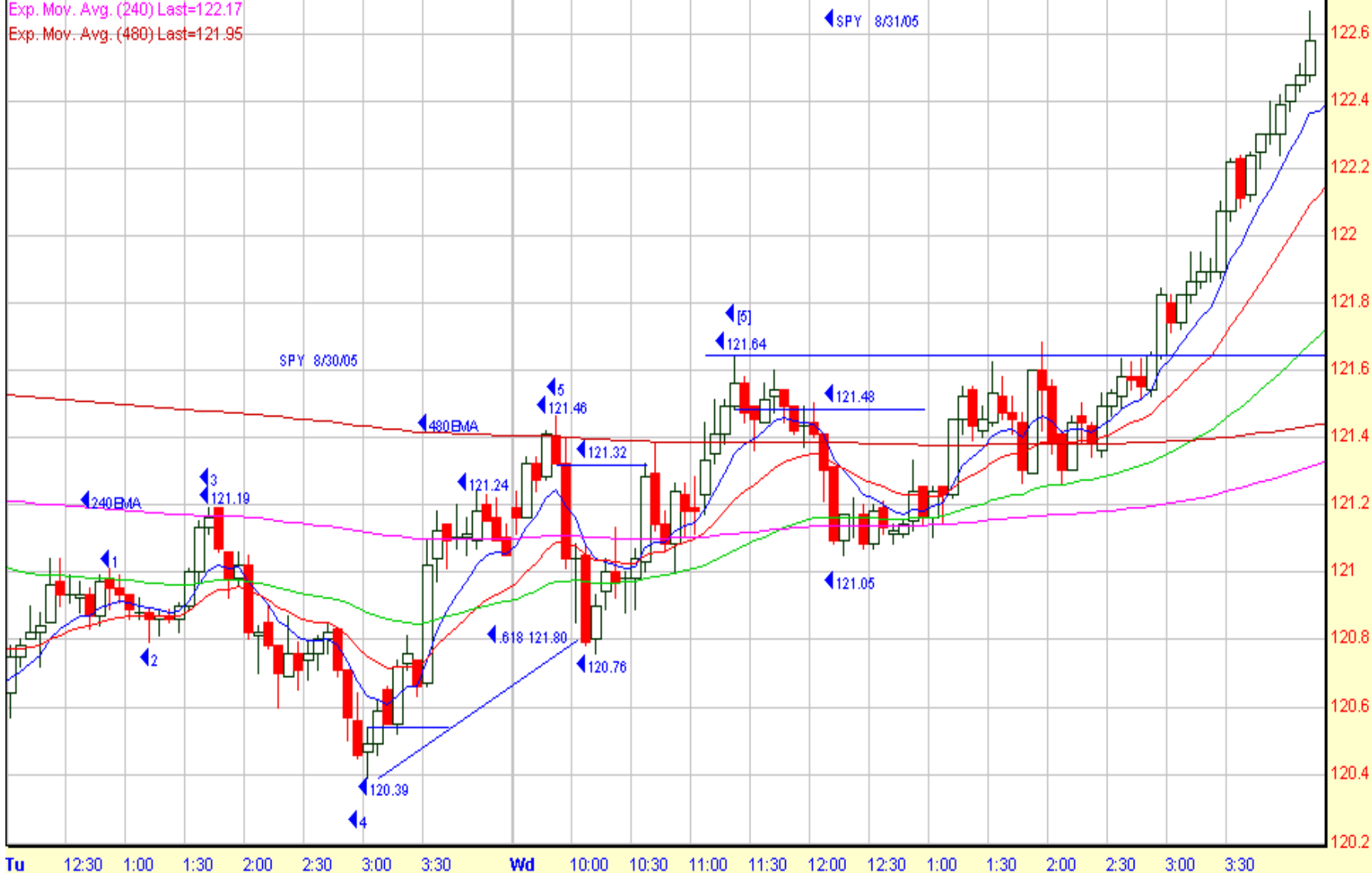
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STANDARD & POORS DEP REC 122.27 0.00 0.00%

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DIAMONDS TRUST 104.60 0.00 0.00%

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DIAMONDS TRUST 104.60 0.00 0.00%

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Exp. Mov. Avg. (240) Last=104.54
Exp. Mov. Avg. (480) Last=104.52



3:30 Mn 10:00 10:30 11:00 11:30 12:00 12:30 1:00 1:30 2:00 2:30 3:00 3:30 Tu 10:00 10:30 11:00 11:30 12:00 12:30 1:00 1:30 2:00 2:30 3:00 3:30

DIAMONDS TRUST 104.60 0.00 0.00%

Exp. Mov. Avg. (8) Last=104.56
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Exp. Mov. Avg. (60) Last=104.66
Exp. Mov. Avg. (240) Last=104.54
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Tu 10:30 11:00 11:30 12:00 12:30 1:00 1:30 2:00 2:30 3:00 3:30 Wd 10:00 10:30 11:00 11:30 12:00 12:30 1:00 1:30 2:00 2:30 3:00 3:30 Th

RETAIL HOLDRS TRUST 95.29 1.26 1.34%

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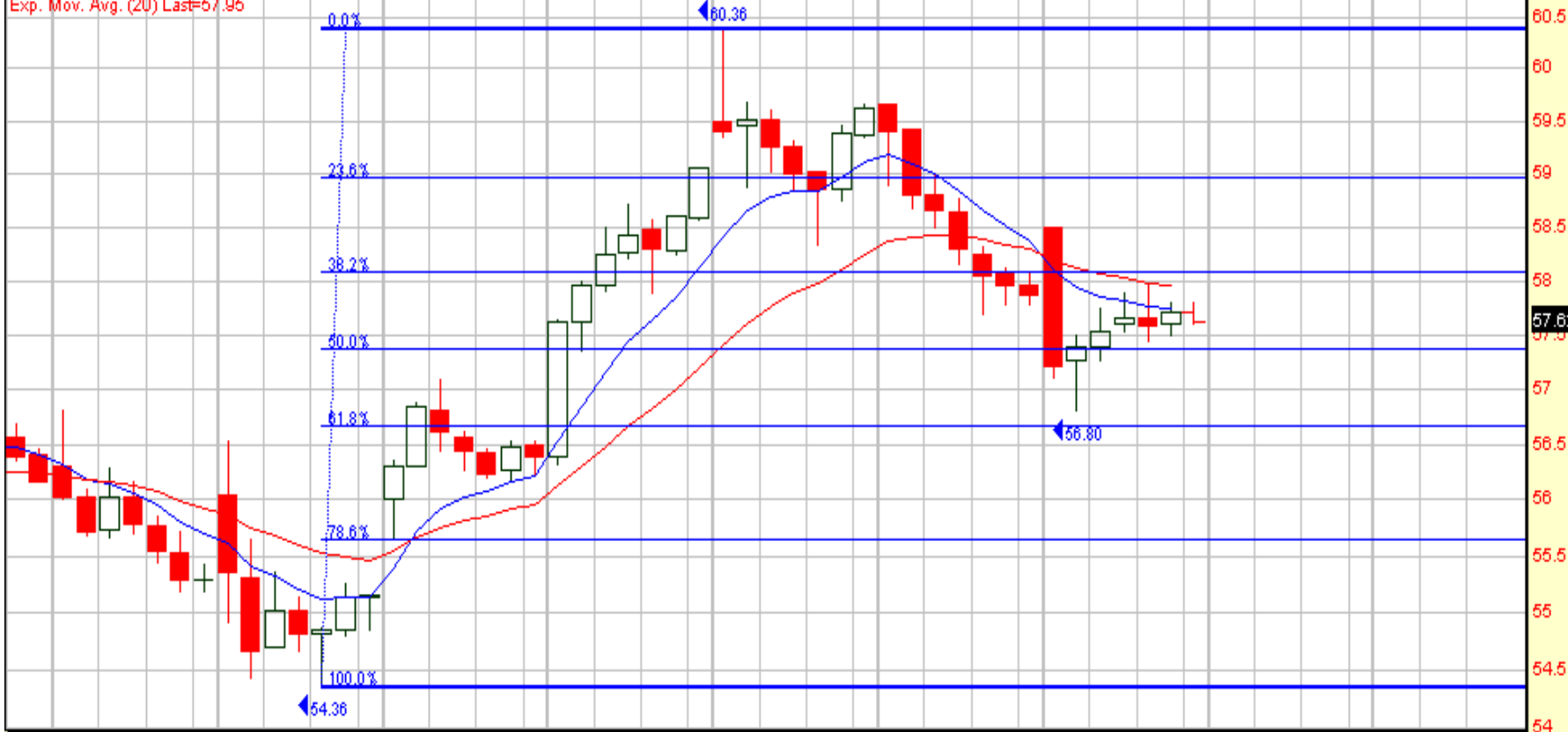
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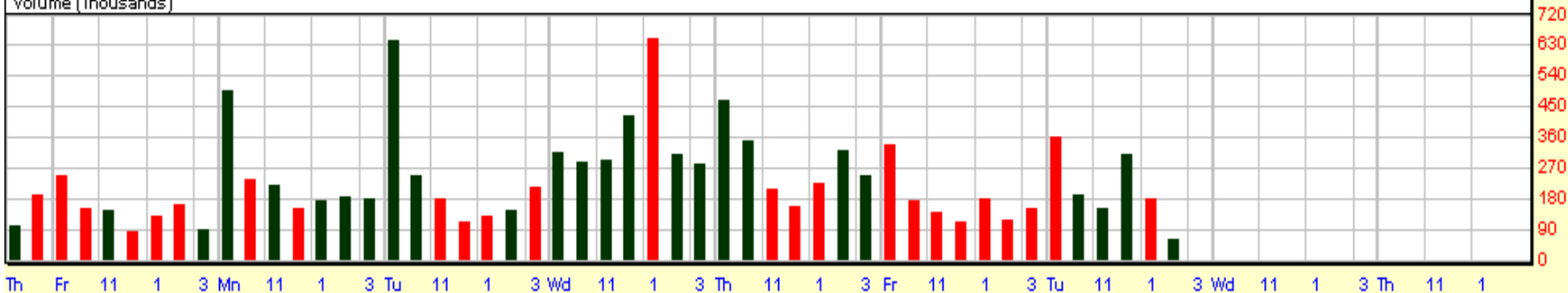
DIAMOND OFFSHORE DRILLING 57.62 -0.24 -0.41%

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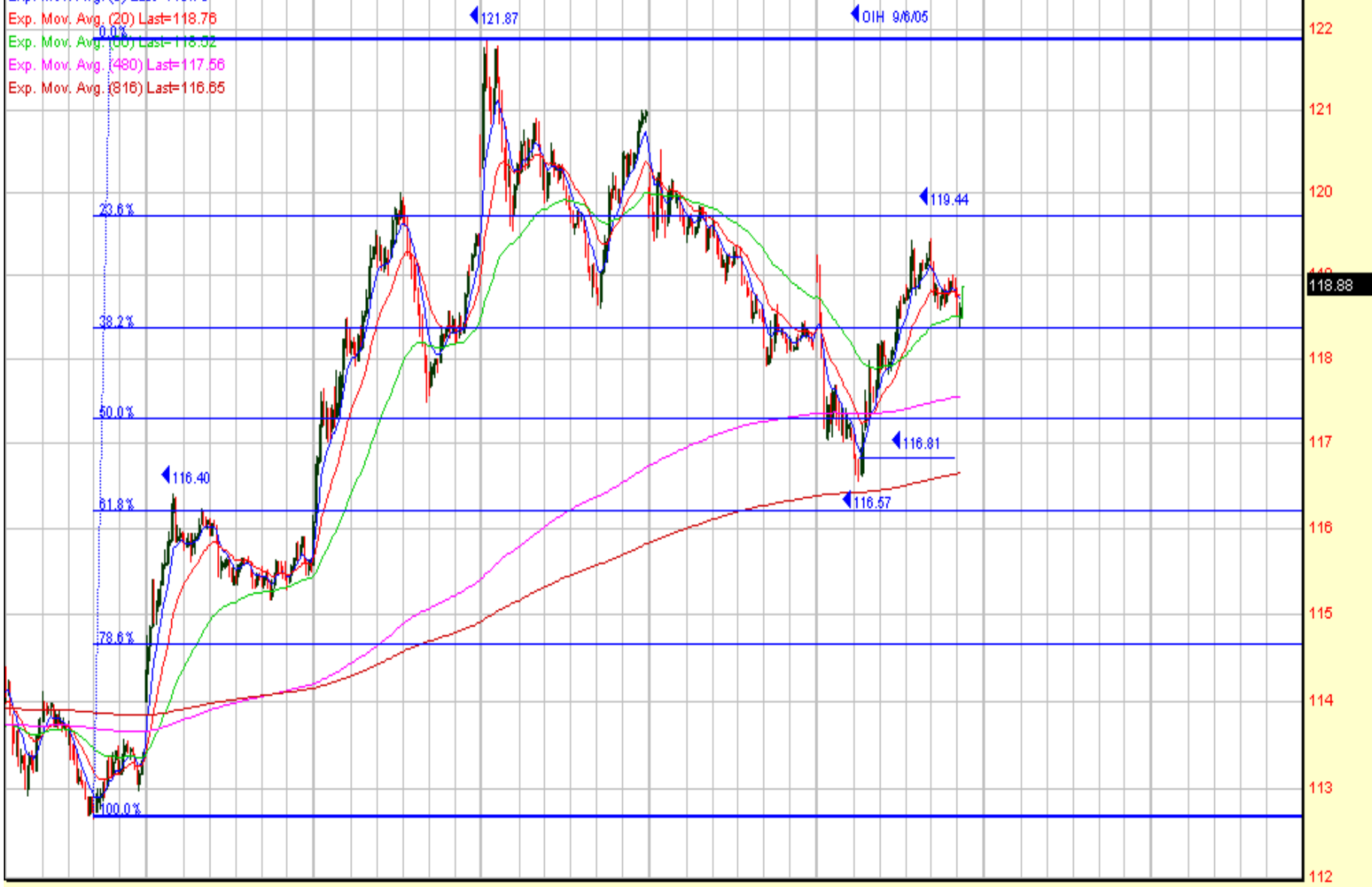


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Volume (Thousands)



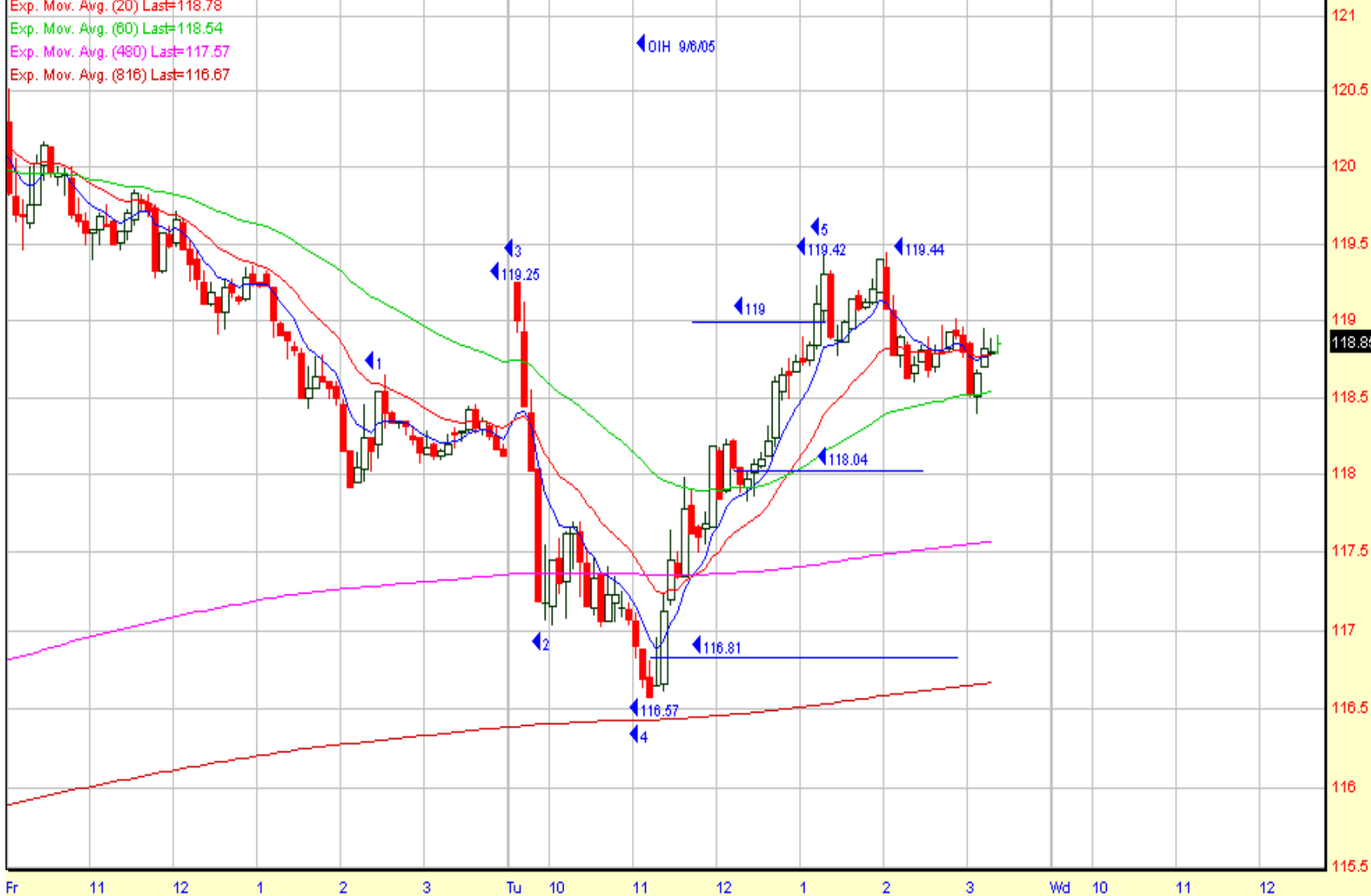
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Exp. Mov. Avg. (816) Last=116.85



Mn 12 1 2 3 Tu 11 12 1 2 3 Wd 11 12 1 2 3 Th 11 12 1 2 3 Fr 11 12 1 2 3 Tu 11 12 1 2 3 Wd 11 12 1 2 3 Th 11 12 1 2

OIL SERVICE HOLDERS TR 118.85 0.73 0.62%

Exp. Mov. Avg. (8) Last=118.77
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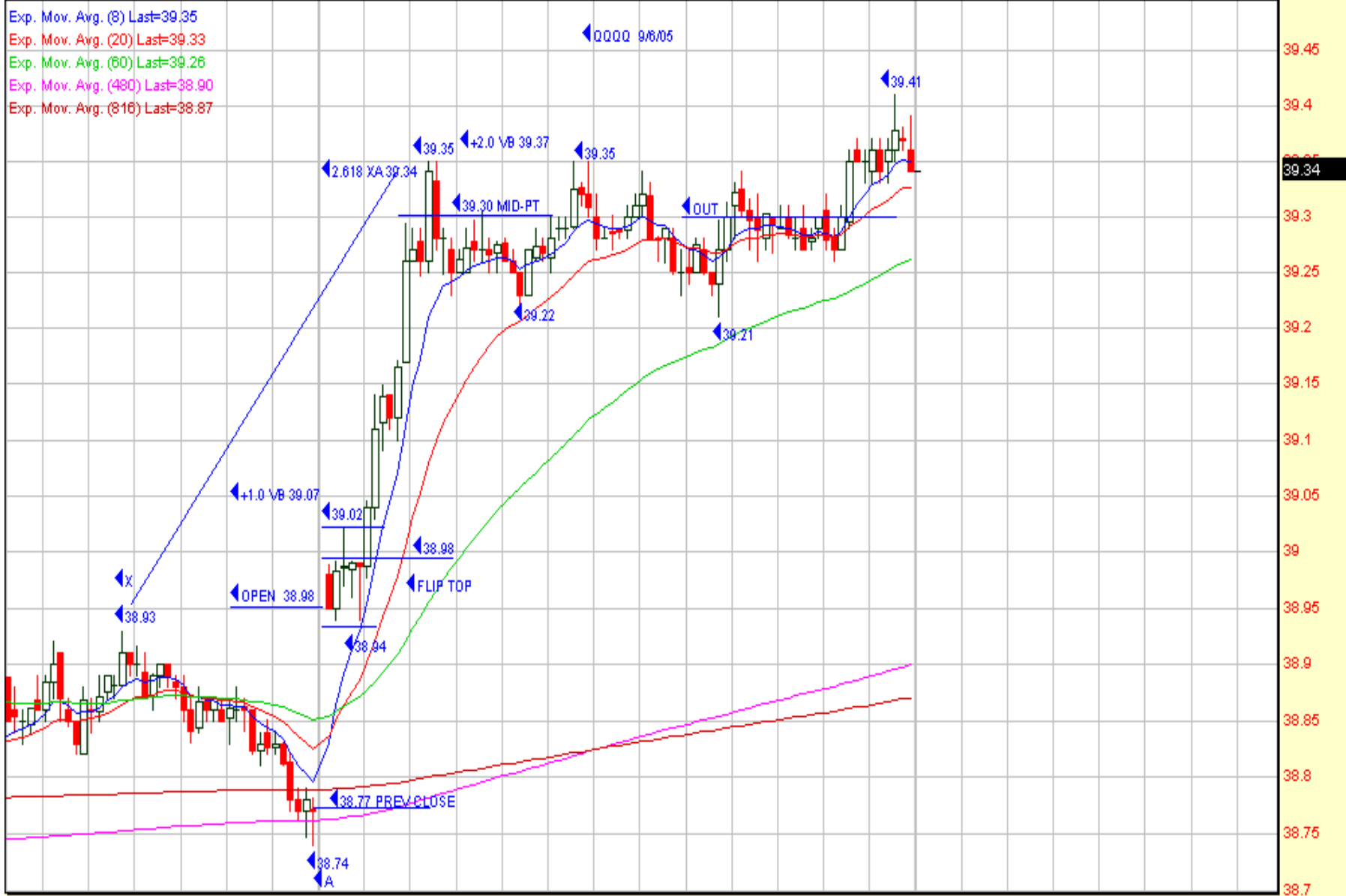
DIAMOND OFFSHRE DRILLING 57.79 -0.07 -0.12%

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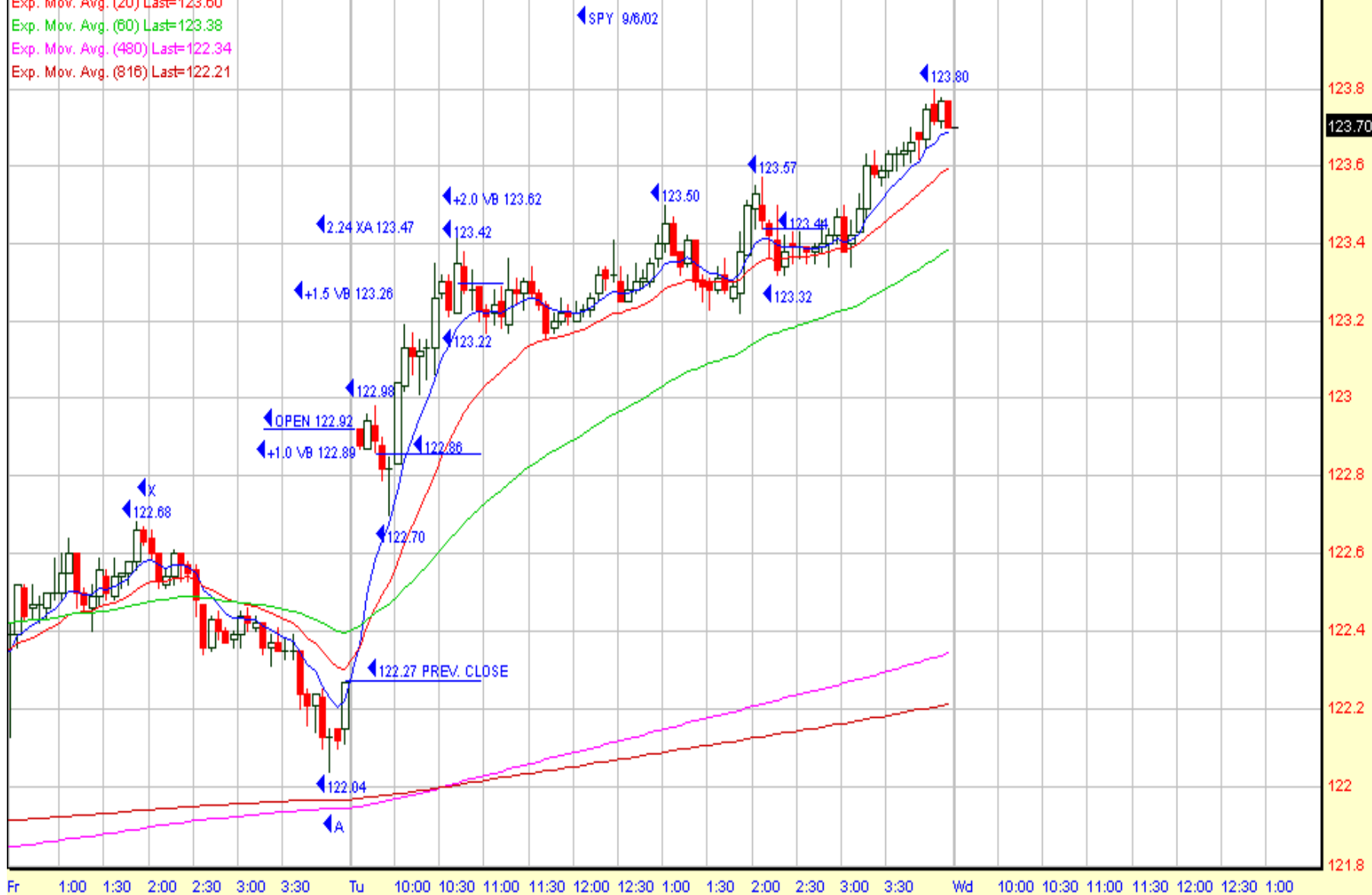


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Exp. Mov. Avg. (8) Last=123.69
 Exp. Mov. Avg. (20) Last=123.60
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 Exp. Mov. Avg. (480) Last=122.34
 Exp. Mov. Avg. (816) Last=122.21



Home Depot Inc 41.68 -0.03 -0.07%

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Exp. Mov. Avg. (50) Last=40.81

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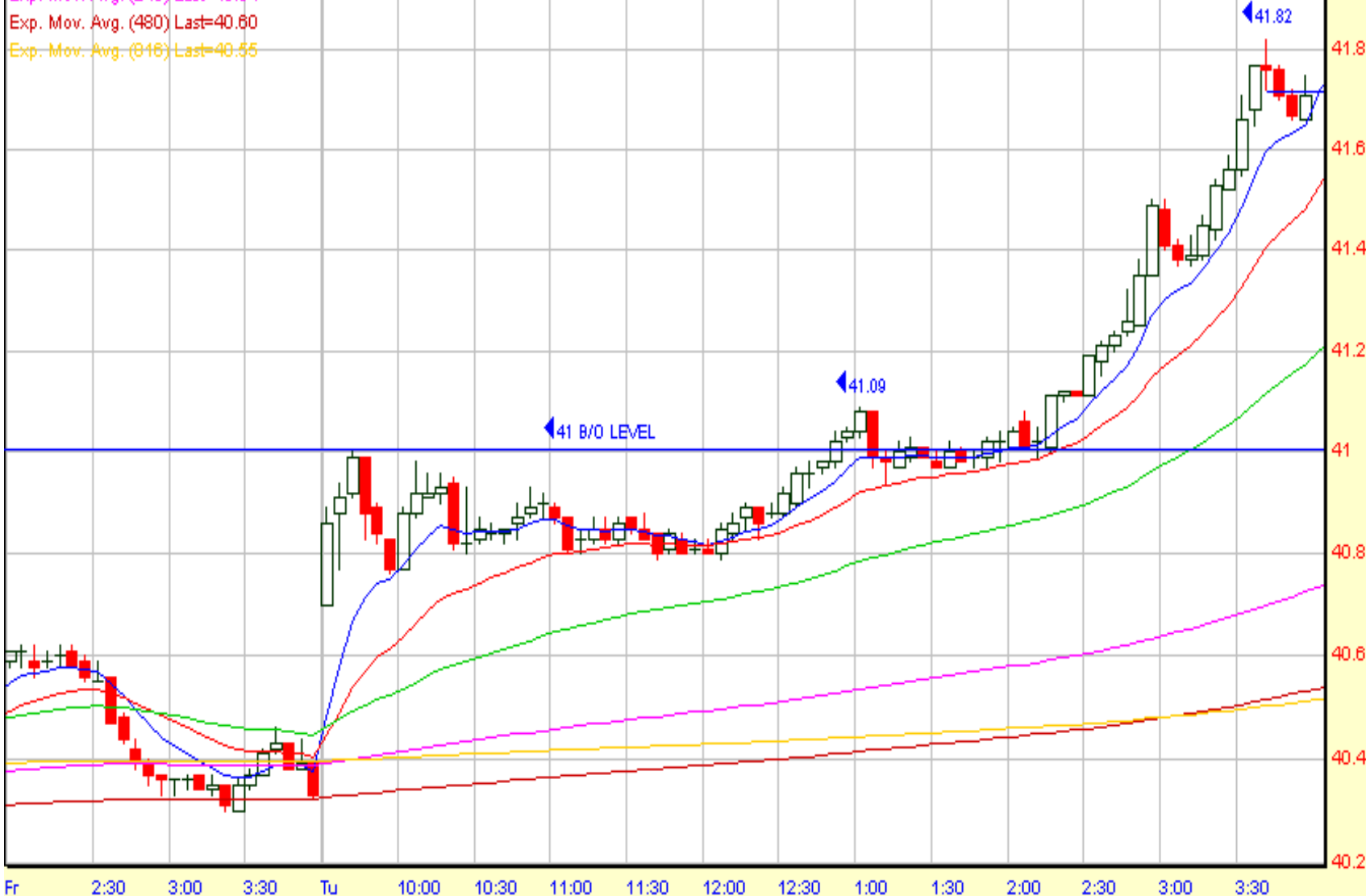
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Exp. Mov. Avg. (816) Last=40.55

HD 9/6/05



Fr 2:30 3:00 3:30 Tu 10:00 10:30 11:00 11:30 12:00 12:30 1:00 1:30 2:00 2:30 3:00 3:30

Exp. Mov. Avg. (8) Last=25.84
Exp. Mov. Avg. (20) Last=25.76
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Exp. Mov. Avg. (480) Last=25.34
Exp. Mov. Avg. (816) Last=25.38

