

Bell Curve Trading Partners

Tutorial

Overview

- Bell Curve's analysis and terms
- Example – Home Depot

Bell Curve's Analysis

- Principles based on **Normal Distribution Theory**
- Markets are either **balancing (trading market)**
or
- Markets are **unbalanced** as they move to a new distribution curve (**trending market**)
- Markets balance **both in price and time**

Time Price Opportunity, TPO

The basic unit of analysis of trading activity. Each curve is divided into **time frames which are represented by letters of the alphabet**. Each print represents a trade at that price during the designated time frame.

Longest Line

The Longest Line is the price at which the **greatest amount of trading is facilitated** by supply and demand forces, and represents the **price level at which the market believes true value to exist.**

Mathematical Mid-Range

Mathematical mid-range represents the **mathematical fair value** within a given time distribution.

Value Area

The range of traded prices falling **within one standard deviation** of a given normal distribution curve.

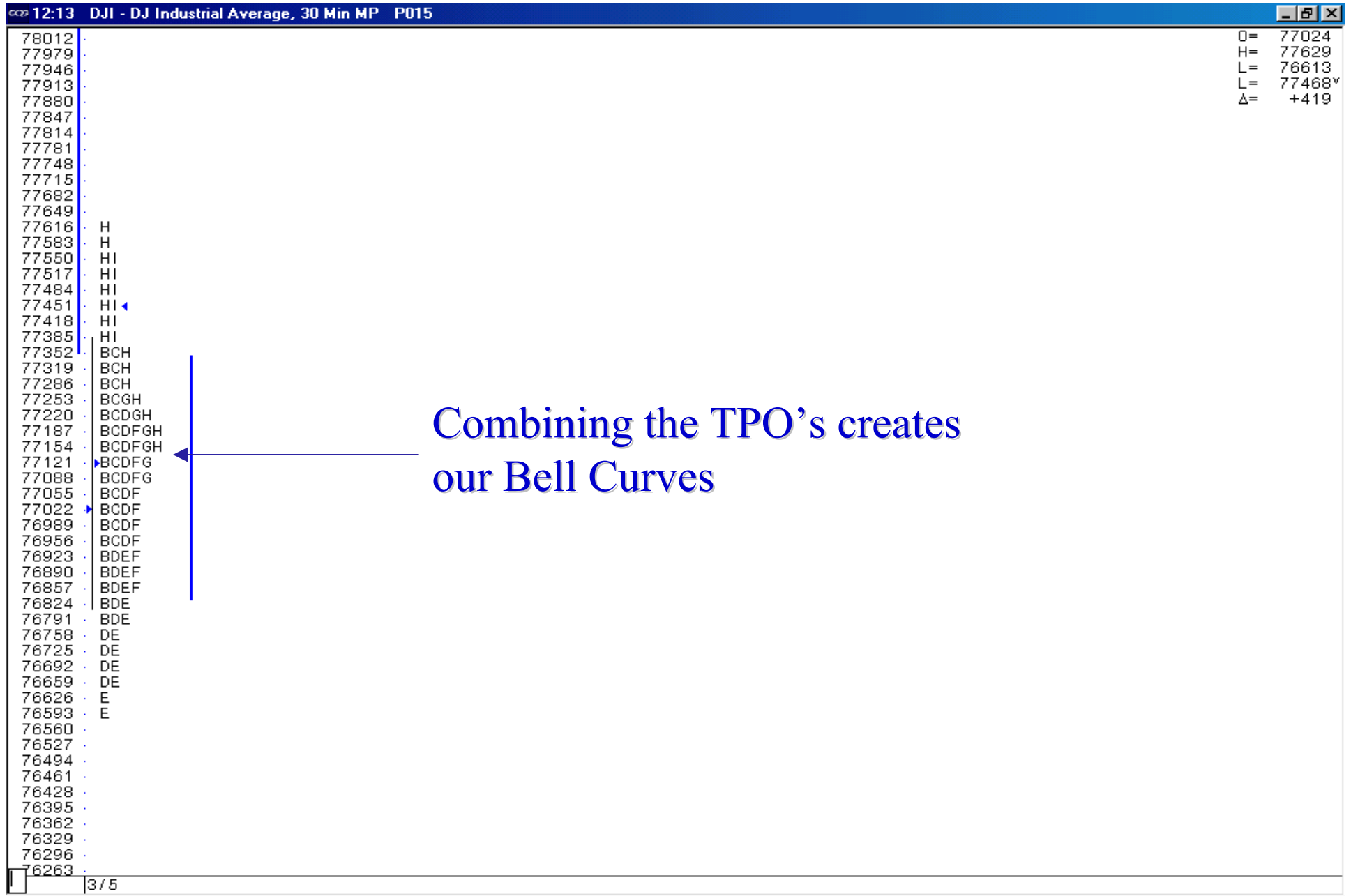
Supply & Demand, (TPO) Balance

The TPO balance price shows the price at which **supply and demand forces are at equilibrium**. It is the price at which there is equal trading activity above and below within a given time distribution.

Graphical Formation

- Graphs are broken down into time components, i.e., 30 minutes, hourly, daily, etc.
- Each time component is represented by an alpha numeric called a TPO which stands for (time price opportunity). When the market trades at a price, within a given time period, the appropriate TPO print is created.
- Once a print is created within the given time period, subsequent trades at that price, in that time period, do not create an additional TPO print.
- When a new time period commences, the process starts again using that time period's alpha numeric for prints.

Graphical Formation – 30 minute Dow



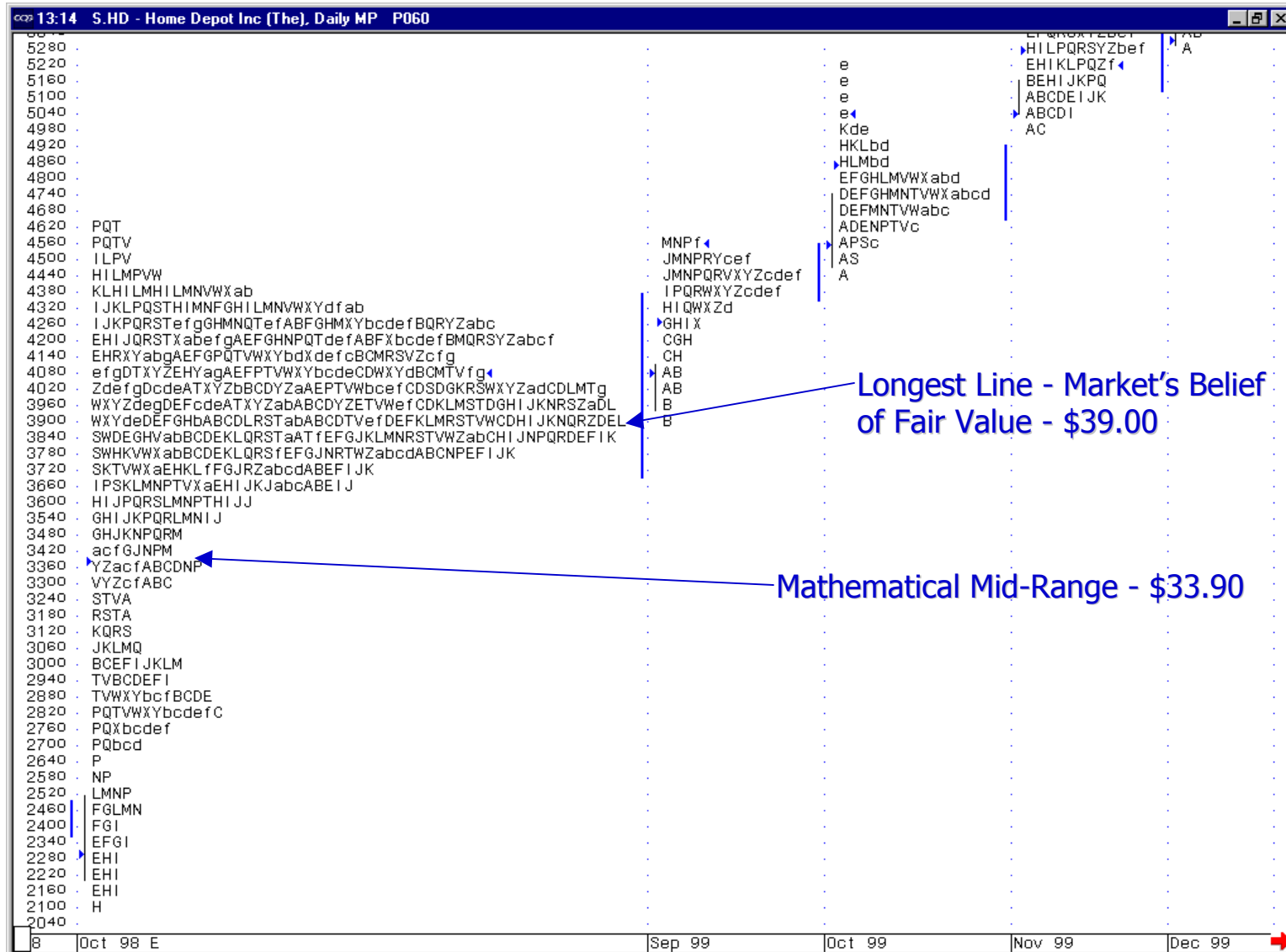
Benefits

- Customized service - tailored to your market(s) and your time frame(s)
- Identifies when, and at what price levels, to buy below and sell above value
- Identifies the activity of commercial investors
- Graphically displays supply/demand balances and imbalances
- Identifies increasing position risk faster than other methodologies

Example

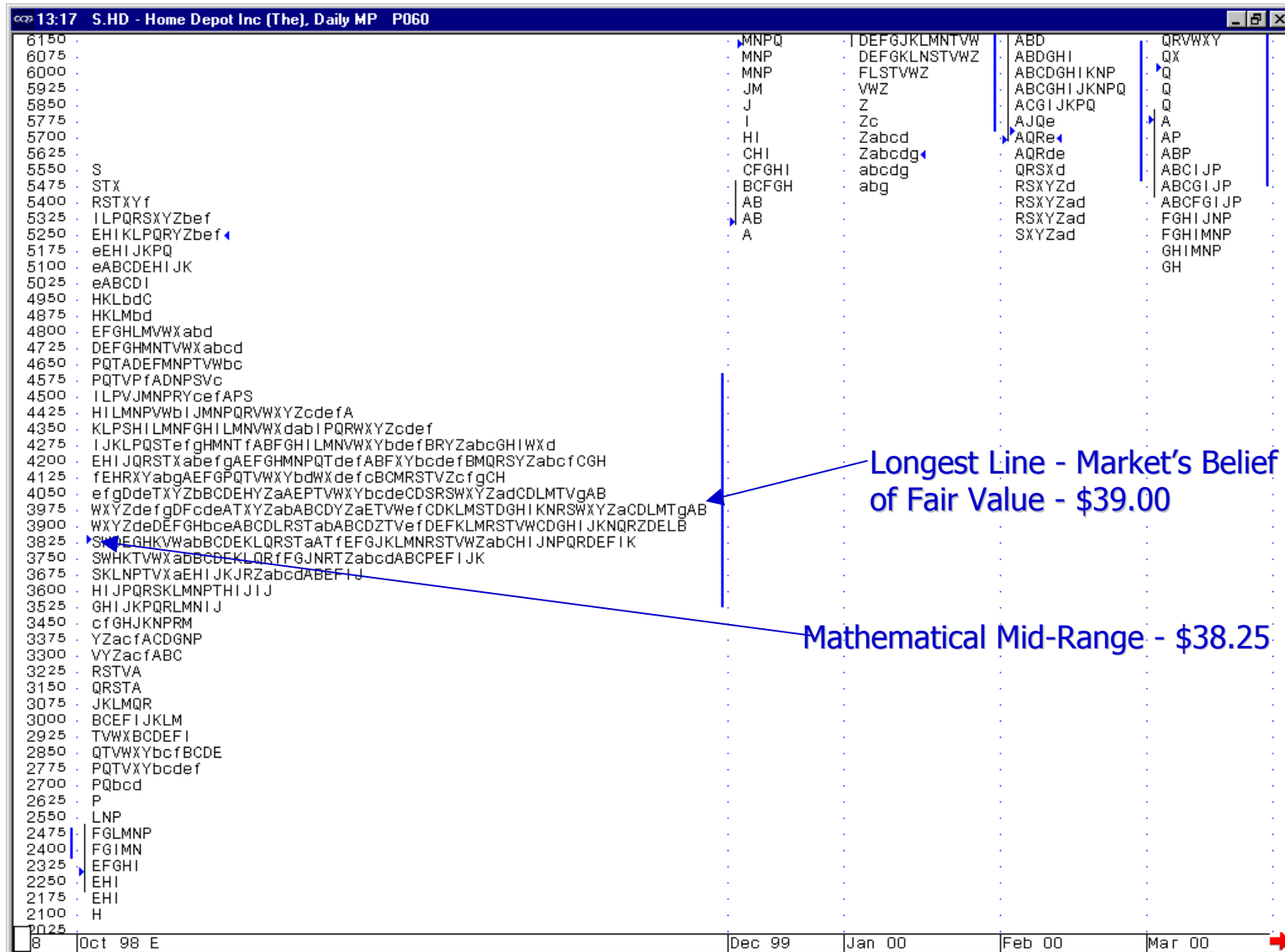
Home Depot

Home Depot – Oct '98 to Aug '99



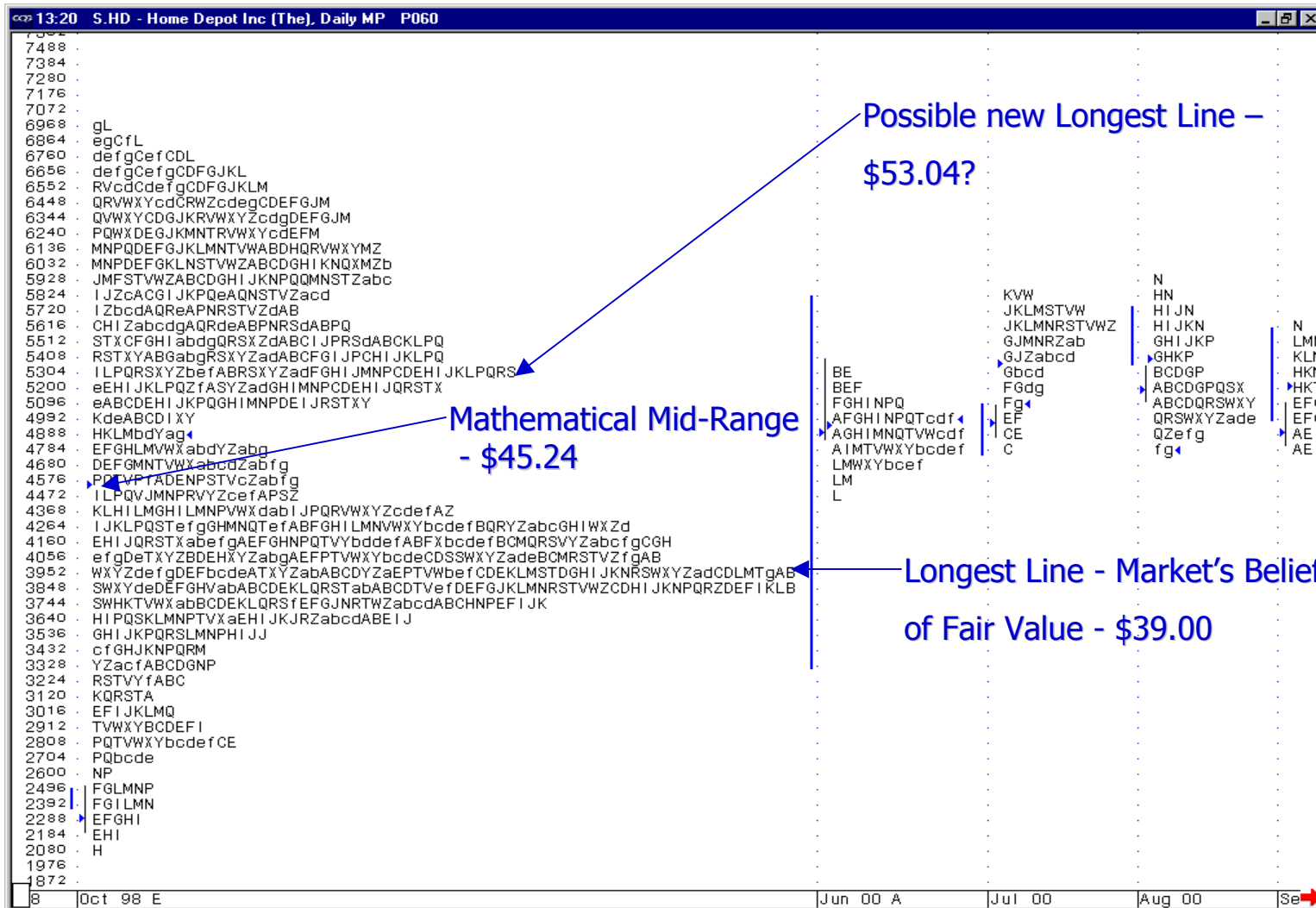
The Oct '98 distribution shows a move to \$56.40 as we enter Sept. '99.

Home Depot - Oct '98 to Nov '99



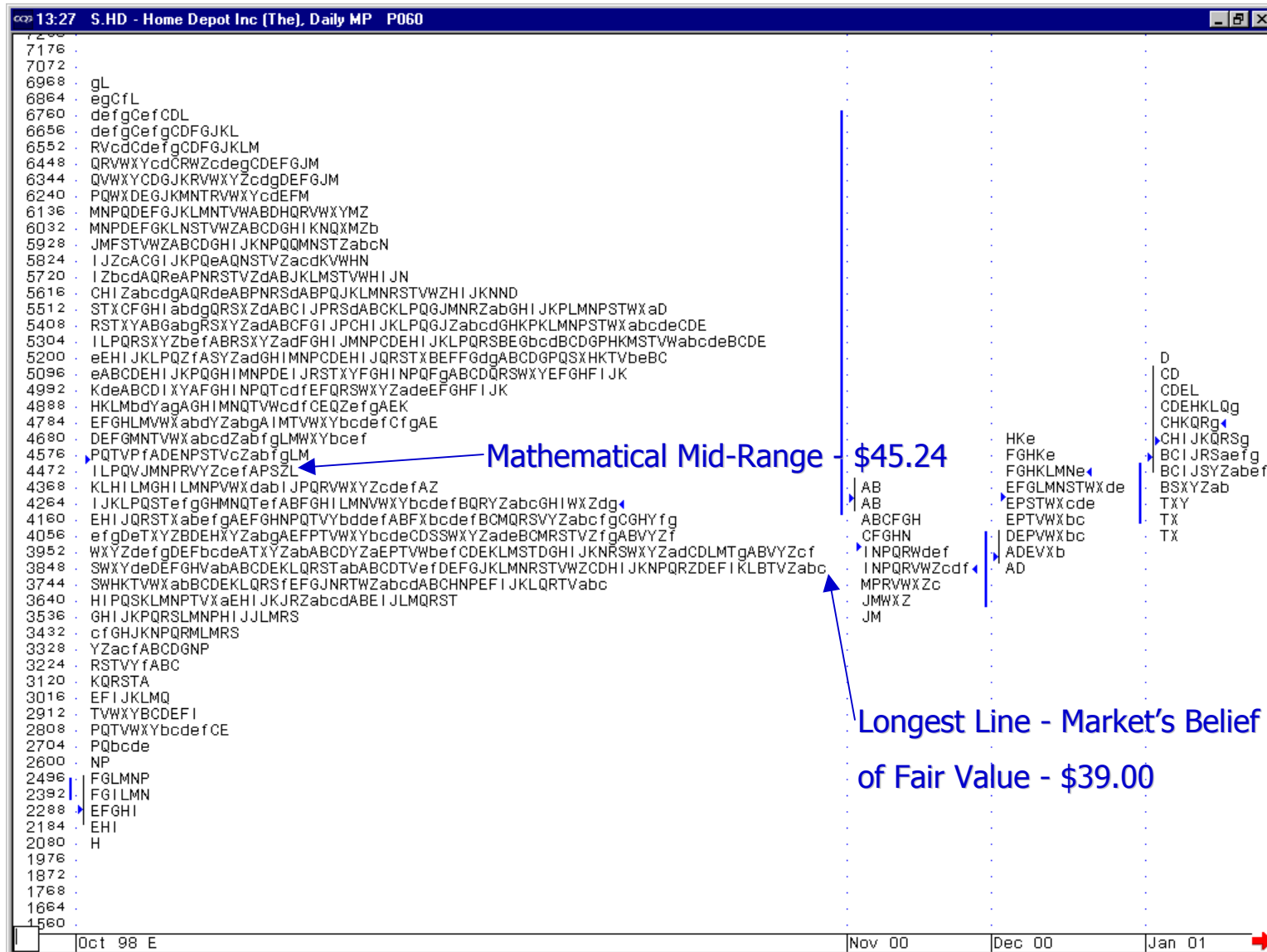
By 12/99 we reached our \$56.40 objective as we now believe the price is overvalued above \$56.40

Home Depot - Oct '98 to May '00



The market broke our objective of \$56.40 by \$13.28. By 5/00 the market had dropped back below our \$56.40 objective and is moving sideways. We must now watch. Building value above \$53.04 and moving the longest line up is bullish telling us to reset our longs. Value below this level is bearish telling us the 10/98 distribution will now balance, meaning a move to \$20.80 is expected.

Home Depot - Oct '98 to Oct '00



By 10/00 the market builds value around \$38.00 which tells us the 10/98 distribution is balancing for a move to \$20.80. Look to sell in front of \$53.04, the higher Longest Line price.



@ 2003 CQG, Inc. All rights reserved worldwide. <http://www.cqg.com>