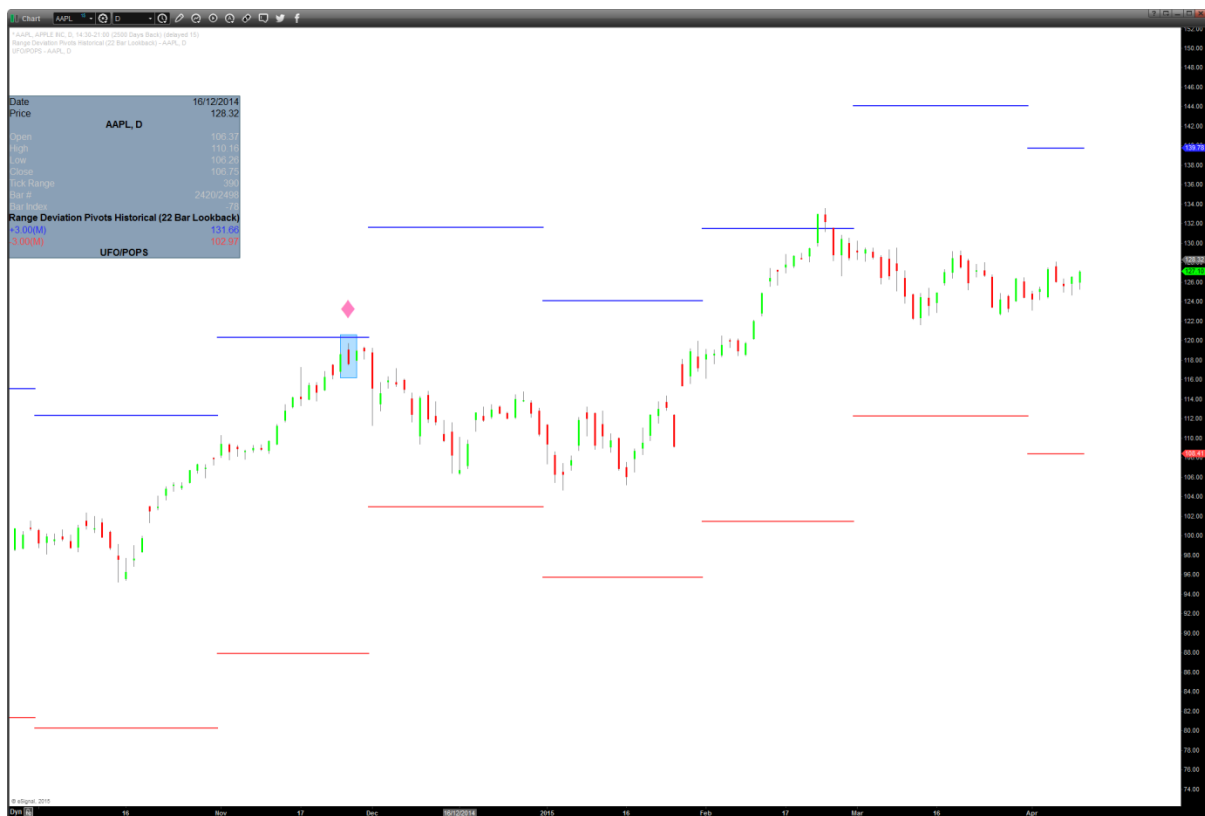


UFO-POPS

The proper quantification of divergence is one of the hardest and most complex tasks an analyst can undertake. I have spent over 20 years developing a set of tools that achieve this feat with accuracy and rarity, of which two are included in 4th Dimension. There are actually seven that are used currently, but in order to simplify the divergence process only two appear at the moment, the first of which being UFO-POPS. This is one the earliest creations dating back 20 years, and although basic in its approach, it serves its purpose. Primarily, it is used a warning to trend following positions, although when placed in conjunction with other studies, provides an exit to trend trades. Secondly and more powerfully, it provides signals that act as a continuation of the trend pattern. This sounds counter intuitive, but the signals can be extremely powerful.

The first chart is of Apple once again on a Daily basis. The divergence signals are marked as diamonds and this case is a reversal signal. Its proximity to the monthly 3rd Deviation means that it is an exit to a trend following and an entry for a short.



Divergence as a continuation is rare but powerful, especially if the Expansion filter is switched on. This Daily chart of Tesla shows a strong breakout after a consolidation.



Within the Set-Up there is just one variable. This is the ability to switch on an Expansion Filter, which suppresses the number of signals.

