How to Use Above the Green Line System

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Chapter 1: Goal

Before investing any money in the market – one needs to consider what is it they are actually investing their money for?

Investors want to grow their money, with the least amount of risk. Risk can be reduced by owning investments that have more Buyers than Sellers. How can you determine that? An easy way is to measure the Flow of Money into and out of an investment is to plot a Chart. We have found that using a 250-day moving average of the price of the investment (Green Line), is an easy way to visualize the Money Flow. If the price of the investment is Above the Green Line, and the Green Line is trending up, then the investment has more Buyers than Sellers. Below the Green Line is inferior, and should be avoided. We would rather sail "with the wind, than against it". Investments Above the Green Line are safer, as they have more Buyers than Sellers, and the confidence in the investment is higher. This also helps the investment hold up better in declining Markets. Investments that are Above the Green Line, and thus more Buyers than Sellers, have a **higher probability of success!**

To reach our Goal and minimize risk, we must follow strict Rules as discussed in Chapter 8.

Once you find an investment that is Above the Green Line + Above 90 Relative Strength, then we must know when to Buy it. The Green Line System uses the Money Wave Indicator (Slow Stochastic) to help time when to Buy. It is best to Buy when the investment is over-sold, not when many are chasing it up…

The Money Wave Indicator needs to Close down in the Green Zone (below 20). When the Money Wave is going to Close > 20, then a Buy Signal is created. We will email or text you on the Buy Signals before the Market Closes.


AMD Advanced Micro Devices, Inc. Nasdaq GS
17-Apr-2020
© StockCharts.com
Open 57.35 High 57.76 Low 55.55 Close 56.60 Volume 76.9M Chg -0.35 (-0.61%)
AMD (Daily) 56.60
MA(10) 50.92
EMA(50) 47.67
EMA(250) 38.73
BB(20,2.0) 38.31 - 47.85 - 57.38
Volume 76,908,776
MA(50) 84,383,040
Caution! Way Above the Green Line.
Target $54.
Stop below Pink Line.
Green Line
Slow STO %K(5) %D(1) 88.93, 88.93
Money Wave Buy
SCTR-AMD 99.7
MA(155) 91.09
Apr 15 Caution! Money Wave is in the Red Zone. Short Term Traders: Sell if it Closes below the Pink Line.

Chapter 2: How is the ATGL system different?

The Green Line System is different than most Investment methods, as predicting is not allowed. Most investment analysts try to read a "crystal ball" and predict what will happen in the future. Predicting is usually not very successful over the long term.

The Green Line System is based on high probabilities. The Rules require that you can only Buy investments that are Above the Green Line (250-day moving average) + Above 90 Relative Strength.

Investments Above the Green Line have more Buyers than Sellers, thus your probabilty of success is higher.

When you only buy the Strongest Investments based on Above 90 Relative Strength (Above 90 Relative Strength means the Top 10 %), then your probabilty of success is higher.

Finally, the Green Line System requires that you Buy when the investment has pulled back down from the recent High, and is over-sold. The Money Wave (Slow Stochastic Indicator) moves from 1 to 100 and is used to determing over-bought (> 80), or over-sold (< 20). So the System basically Buys below 20, and Sell above 80 on the Money Wave.


AMD Advanced Micro Devices, Inc. Nasdaq GS
17-Apr-2020
Open 57.35 High 57.76 Low 55.55 Close 56.60 Volume 76.9M Chg -0.35 (-0.61%)
Caution! Way Above the Green Line.
Target $54.
Stop below Pink Line.
Green Line
Money Wave
Apr 15 Caution! Money Wave is in the Red Zone. Short Term Traders: Sell if it Closes below the Pink Line.

Chapter 3: What is Technical Analysis?

Technical Analysis is the forecasting of future financial price movements based on an examination of past price movements. Like weather forecasting, technical analysis does not result in absolute predictions about the future. Instead, technical analysis can help investors anticipate what is "likely" to happen to prices over time. Technical analysis uses a wide variety of charts that show price over time.

Technical analysis is applicable to stocks, indices, commodities, futures or any tradable instrument where the price is influenced by the forces of supply and demand. Price data (or as John Murphy calls it, "market action") refers to any combination of the open, high, low, close, volume, or open interest for a given security over a specific timeframe. The timeframe can be based on intraday (1-minute, 5-minutes, 10-minutes, 15-minutes, 30-minutes or hourly), daily, weekly or monthly price data and last a few hours or many years.

Chapter 4: What is the Green Line?

The Green Line is a back-tested 250 day exponential moving average (EMA) which represents the historical pricing of 250 trading days of any Investment that can be charted for pricing.

Investments go Way Above the Green Line when emotions are high, and GREED has forced the HERD to PANIC BUY. Investments go Way Below the Green Line when FEAR has forced the HERD to PANIC SELL.

Chapter 5: What is Relative Strength?

The **Relative Strength** Index (RSI), developed by J. Welles Wilder, is a momentum oscillator that measures the speed and change of price movements. The RSI oscillates between zero and 100. Traditionally the RSI is considered overbought when above 70 and oversold when below 30. Signals can be generated by looking for divergences and failure swings.

Relative Strength can indicate how certain Investments have fared over the past year relative to the other funds. It's simple 0-100 ranking makes comparisons a snap. Relative Strength is a percentile ranking of the price performance relative to other secuities and relative to the broad U.S. market performance. RS is measured over 1 year and weighted to emphasize more recent performance. The values for RS range from 0 to 100 with the better performing funds having higher values.

Relative strength is a technique used in momentum investing. It consists of investing in securities that have performed well, relative to their market or benchmark. For example, a relative strength investor might select technology companies that have outperformed the Nasdaq Composite Index.

5.1 Understanding Relative Strength

While the goal of value investing is to buy low and sell high, the goal of relative strength investing is to buy high and sell even higher. As such, relative strength investors assume that the trends currently displayed by the market will continue for long enough that they can realize a positive return. Any sudden reversal to that trend is likely to lead to negative results.

To identify investment candidates, relative strength investors will begin by observing a benchmark, such as the Nasdaq Composite Index. They will then look to see which companies within that market have outperformed their peers, either by rising more rapidly than their peers or by falling less rapidly than them.

Because relative strength investing assumes that present trends will continue into the future, it is most effective in stable periods with minimal disruption. By contrast, chaotic periods such as the 2007–2008 financial crisis can be dangerous for relative strength investors because they can lead to sharp reversals of the previous investment trends. In those situations, investor psychology can suddenly reverse itself, with yesterday's investment darlings quickly becoming shunned by investors.

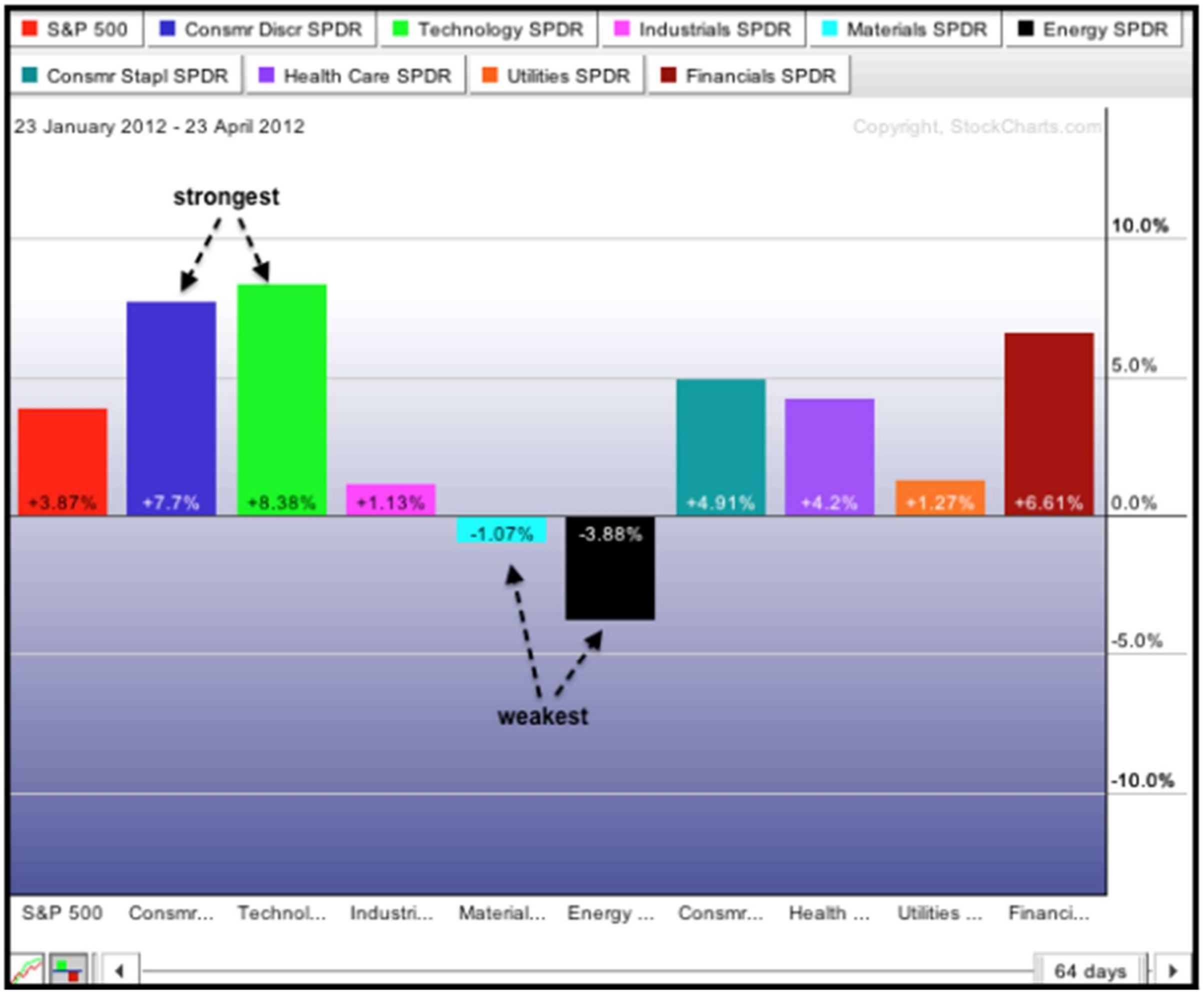
Although momentum investing is often associated with individual stocks, it can also be applied to whole markets or industry sectors using index funds and exchange-traded funds (ETFs). Similarly, investors can make relative strength investments in other asset classes, such as in real estate using real estate investment trusts (REITs). More exotic instruments, such as commodity futures, options, and other derivative products, can also be used.

5.2 Real World Example of Relative Strength

Harry is a relative strength investor who keeps a close eye on corporate bond prices and the S&P 500. His investment portfolio consists of an S&P 500 index fund and an ETF that tracks the corporate bond market. As a relative strength investor, he periodically increases his allocation toward whichever asset is outperforming at that time. In doing so, he hopes to benefit from the continuing trend of that asset's outperformance, effectively buying high and selling higher.

In recent months, he has noticed that investors seem to be increasing their portfolio bond allocations at the expense of stocks. This inflow of money into the bond market has been raising bond prices and lowering yields.

Expecting this trend to continue, Harry responds by decreasing his investment in the S&P 500 and increasing his investment in the corporate bond ETF. He hopes to benefit from any ongoing outperformance of bonds relative to stocks.



S&P 500
Consmr Discr SPDR
Technology SPDR
Industrials SPDR
Materials SPDR
Energy SPDR
Consmr Stapl SPDR
Health Care SPDR
Utilities SPDR
Financials SPDR
23 January 2012 - 23 April 2012
Copyright, StockCharts.com
strongest
weakest
10.0%
5.0%
0.0%
-5.0%
-10.0%
+3.87%
+7.7%
+8.38%
+1.13%
-1.07%
-3.88%
+4.91%
+4.2%
+1.27%
+6.61%
S&P 500
Consmr...
Technol...
Industri...
Material...
Energy ...
Consmr...
Health ...
Utilities ...
Financi...
64 days

Chapter 6: Rules are Important

Above the Green LineTrading Rules

Investment should meet these 3 RULES:

1. Above the Green Line.
2. Above 90 Relative Strength Factor* (Not RSI)
3. Money Wave should be < 20 and turning up.

Help Us Help Animals

A. Short Term Traders:
Buy the Strongest Investments when the Money Wave Closes below 20, and then turns up.
Wait for a Close above 20 (for a buy signal).
Many try to buy 5-10 minutes before the Close, if the Money Wave is going to Close >20.
Place sell stop loss under recent swing low. **(MUST CLOSE < Support)**

When Money Wave > 50 (Daily or Intra-day), and it is GOING TO CLOSE below your entry price, EXIT!

When Money Wave > 80: Caution, it is probably too late to Buy.
If it is GOING TO CLOSE below the Pink Line (10-day avg.) EXIT!

B. Medium Term Traders: Keep the Strongest Funds as long as they are **Above the Red Line** (50-day avg.) **and Above 90 Relative Strength.**

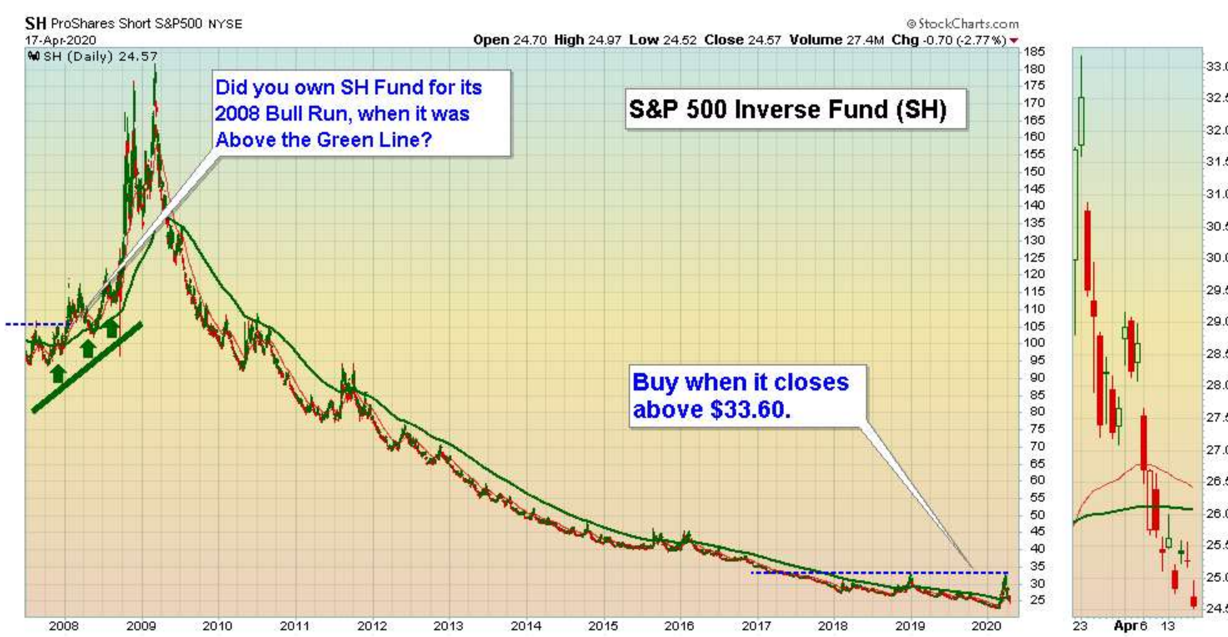
C. Longer Term Investors: Keep the Strongest Funds as long as they are **Above the Green Line and Above 90 Relative Strength.**

Chapter 7: What About Down Markets?

Historically investments will cycle up and down over the years. A Bull Market is when a Market has many years of trending upward. But after a long Bull, the Market can cycle down for a while and sometimes loose ½ or more of the Bull rally. This decline is called a Bear Market.

A simple way to grow your money in a Bear Market could be to Buy an a Inverse Fund. Inverse Funds usually do the opposite of the Markets, and can go up in a Bear Market. Inverse Funds are not understood very well by most.

Remember that the Green Line System requires Above the Green Line + Above 90 Relative Strength. If Inverse Funds are meeting the Rules, then we will normally Buy them. We want to own investments where the money is flowing into them, not out.



Chapter 8: How to Structure Your Account

If you follow the Rules of the Green Line System, and Stop Out of investments correctly when they turn down, then you should do fine by splitting your account into 5 – 8 positions at one time.

Most are taught “don’t put all of your eggs in one basket”. We like to own the Strongest only, but “watch the basket very closely”.

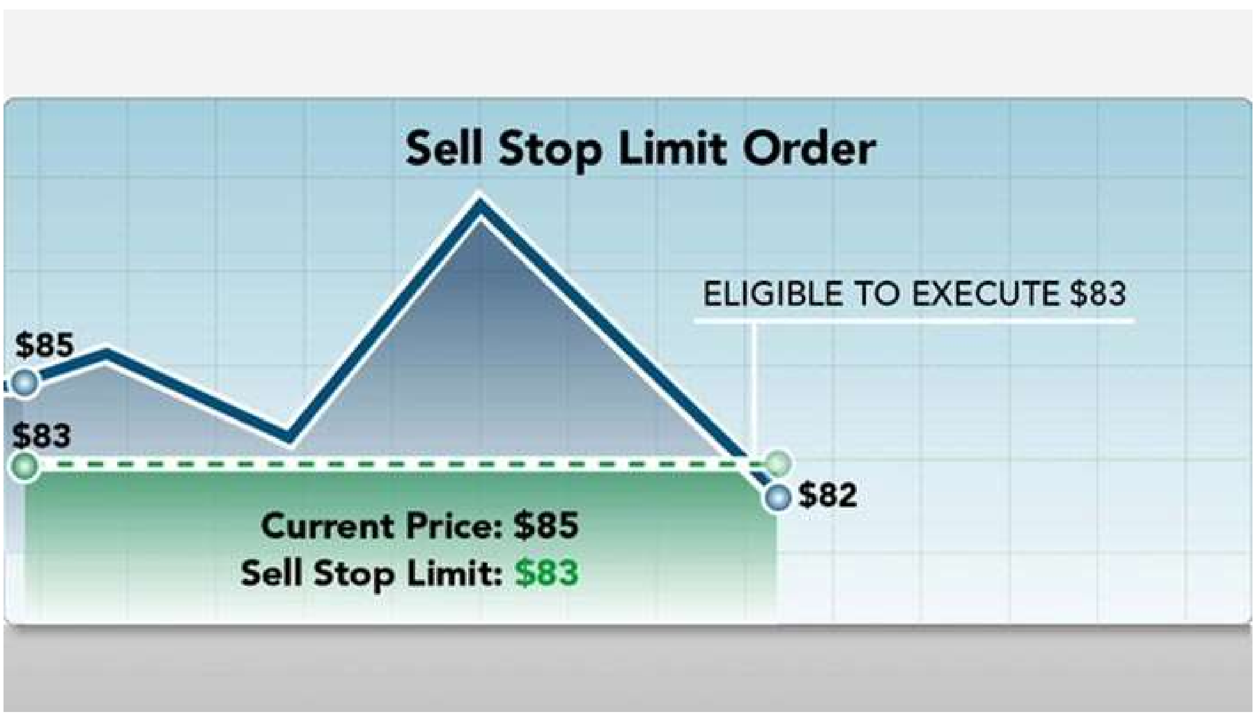
Chapter 9: Working with Stop Loss Orders

<u>Sell Stop Orders</u> - An order placed with a brokerage account to sell a security when it reaches a certain price. A stop-loss order is designed to limit an investor's loss on a position in a security.

With a stop-loss order for a long position, a market order to sell is triggered when the stock trades below a certain price, and it will be sold at the next available price. This type of order works well if the stock or market is declining in an orderly manner, but not if the decline is disorderly or sharp.

The Green Line System does not Stop Out of a position unless it <u>Closes</u> below the Sell Stop Price. Many times the Market Makers will let the price dip just slightly below Support to "Run the Stops".

If the Market Makers can see that there are not many Sellers Stopping Out, then they might pile in and BUY!



Chapter 10: Comments and Questions

Many times, the Market Maker can push the Stop BELOW Support during the day to FLUSH out the weak Hands. The Rules call for a CLOSE below Support, to avoid "whipsaws.

Our friend Kevin worked on Using Sell Stops and also Avoid Intra-day Whipsaws:

The Above the Green Line model exit strategy is based on an initial exit level, the state of the slow stochastic indicator, and the 10 day moving average. There are two ways to implement the exit strategy.
1. The first is focused on where the stock or ETF is going to close for the day and requires the ability to monitor the markets and enter orders during the day. We will call this the **Active Monitoring** method.
2. The second uses good-until-canceled stop orders and does not require intra-day monitoring. We will this the **Set It and Forget It** method.

Note: All entries, exits, and returns detailed on our open and closed positions lists are based on the active monitoring model.

Active Monitoring

The active monitoring model makes trade decision based on where the instrument is going to close in relationship to a few different criteria. It entails setting alerts for stop levels instead of actual stop orders. The reasoning for this is that market makers will often 'run the stops.' When this happens the instrument price will be driven down to take out stops and then 'recover.' Below are the rules.

1. When an AGL trigger occurs, the instrument is purchased at the close and an alert is set for the previous swing low.

2. Once the Slow Stoch is greater than 50, the alert is moved to the purchase price.

3. Once the Slow Stoch is greater than 80, the alert can be moved to the 10 day moving average.

In practice, it looks like this:

1. The alert fires

2. The instrument is monitored until near the close of business.

3. If the price remains below the alert level, the position is closed. If it rises above, the alert level, the alert is reset for the next trading session.

4. Rinse and repeat.

Set It and Forget It

The set it and forget it model uses actual stop orders placed with your broker. If you do not have the ability or desire to monitor the markets during the day and place trades, this model is for you. However, it is susceptible to market makers running the stops as indicated above. What does this mean? It means that sometimes you will be closed out of a position that the Active Monitoring model would not have. **We can try to mitigate this a little by placing our stops a little looser** than they might be otherwise, but this has not been tested rigorously at this time. Below are the rules.

1. When an AGL trigger occurs, the instrument is purchased at the close or first thing next session and a good-until-canceled stop order is entered just below the previous swing low.

2. Once the Slow Stoch is greater than 50, the stop is moved to the purchase price.

3. Once the Slow Stock is greater than 80, the stop is moved below the 10 day moving average and updated daily.

In practice, there really isn't anything that the traders has to do other than adjust stops. When the stop criteria is met, the instrument will be sold automatically.

Chapter 11: Glossary

Commodities - A physical substance, such as food, grains, and metals, which is interchangeable with another product of the same type, and which investors buy or sell. The price of the commodity is subject to supply and demand. Risk is actually the reason exchange trading of the basic agricultural products began. For example, a farmer risks the cost of producing a product ready for market at sometime in the future because he doesn't know what the selling price will be.

More generally, a product which trades on a commodity exchange; this would also include foreign currencies and financial instruments and ETF indexes.

Green Line – the Green Line is a back-tested 250 day exponential moving average (EMA) which represents the historical pricing of 250 trading days of any Investment that can be charted for pricing. Investments go Way Above the Green Line when emotions are high, and GREED has forced the HERD to PANIC BUY. Investments go Way Below the Green Line when FEAR has forced the HERD to PANIC SELL.

Human emotions are temporary, so Way Above or Below the Green Line creates OPPORTUNITES for Investors to BENEFIT for others who cannot control their Emotions!

Green Zone - As a bound oscillator, the Money Wave Oscillator makes it easy to identify overbought and oversold levels. The oscillator ranges from zero to one hundred. No matter how fast a security advances or declines, the Stochastic Oscillator will always fluctuate within this range. The Green Zone is the area of the Oscillator between 0 and 20, where below 20 is the oversold threshold (better odds of bouncing). Readings below 20 for the 5-day Stochastic Oscillator would indicate that the underlying security was trading near the bottom of its 5-day high-low range.

Above the Green Line requires that the Money Wave Close in the Green Zone, then when it Closes Above 20, it becomes a Short Term Buy Signal.

Money Wave - The Money Wave (or Slow Stochastic Oscillator) is a momentum indicator that shows the location of the close relative to the high-low range over a set number of periods. The Money Wave doesn't follow price, it doesn't follow volume or anything like that. It follows the speed or the momentum of price. As a rule, the momentum changes direction before price. As such, bullish and bearish divergences in the Stochastic Oscillator can be used to foreshadow reversals. This was the first, and most important, signal. This oscillator is used to identify bull and bear set-ups to anticipate a future reversal. Because the Money Wave is range bound, is also useful for **identifying overbought and oversold levels**.

Moving Average - Moving averages smooth the price data to form a trend following indicator. They do not predict price direction, but rather define the current direction with a lag. Moving averages lag because they are based on past prices. Despite this lag, moving averages help smooth price action and filter out the noise.

The two most popular types of moving averages are the **Simple Moving Average (SMA)** and the **Exponential Moving Average (EMA)**. These moving averages can be used to identify the direction of the trend or define potential support and resistance levels.

Red Zone - As a bound oscillator, the Money Wave Oscillator makes it easy to identify overbought and oversold levels. The oscillator ranges from zero to one hundred. No matter how fast a security advances or declines, the Stochastic Oscillator will always fluctuate within this range. The Red Zone is the area of the Oscillator between 80 & 100, where above 80 is the overbought threshold (better odds of falling). Readings above 80 for the 5-day Stochastic Oscillator would indicate that the underlying security was trading near the top of its 5-day high-low range.

Relative Strength - Relative Strength can indicate how certain Investments have fared over the past year relative to the other funds. It's simple 0-100 ranking makes comparisons a snap. Relative Strength is a percentile ranking of the price performance relative to other secuities and relative to the broad U.S. market performance. RS is measured over 1 year and weighted to emphasize more recent performance. The values for RS range from 0 to 100 with the better performing funds having higher values.

SCTR - The StockCharts Technical Rank (SCTR) is a numerical score that ranks a stock within a group of stocks. The methodology for these rankings comes from the wisdom of John Murphy. Stocks are assigned a score based on six key indicators, which cover different timeframes. These indicator scores are then sorted and assigned a technical rank. Using SCTR tables, chartists can sort stocks according to their technical rank. This makes it easy to identify the technical leaders and laggards within a specific group.

Small Caps - Small cap is a term used to classify companies with a relatively small market capitalization. A company's market capitalization is the market value of its outstanding shares. The definition of small cap can vary among brokerages, but it is generally a company with a market capitalization of between $300 million and $2 billion.

Stop Orders - An order placed with a brokerage account to sell a security when it reaches a certain price. A stop-loss order is designed to limit an investor's loss on a position in a security.

With a stop-loss order for a long position, a market order to sell is triggered when the stock trades below a certain price, and it will be sold at the next available price. This type of order works well if the stock or market is declining in an orderly manner, but not if the decline is disorderly or sharp.