

" P & L ACCUMMULATION/DISTRIBUTION "

- KNOWING WHEN TO TRADE.

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- : MENTAL DISCIPLINE**
- : KNOWING WHEN TO TRADE, AND WHEN NOT TO TRADE**
- : IDENTIFYING AND MONITORING THE 3 PRIMARY WAYS IN WHICH SUPPORT/RESISTANCE BREAKS DOWN,**
- > IS ACHIEVED BY IDENTIFYING ACCUMMULATION AND DISTRIBUTION.**

- THAT'S OUR ARGUMENT .

Let's look first at :

Mental Discipline

Be careful of the thoughts you think.
They have structure and shape.

Happy thoughts



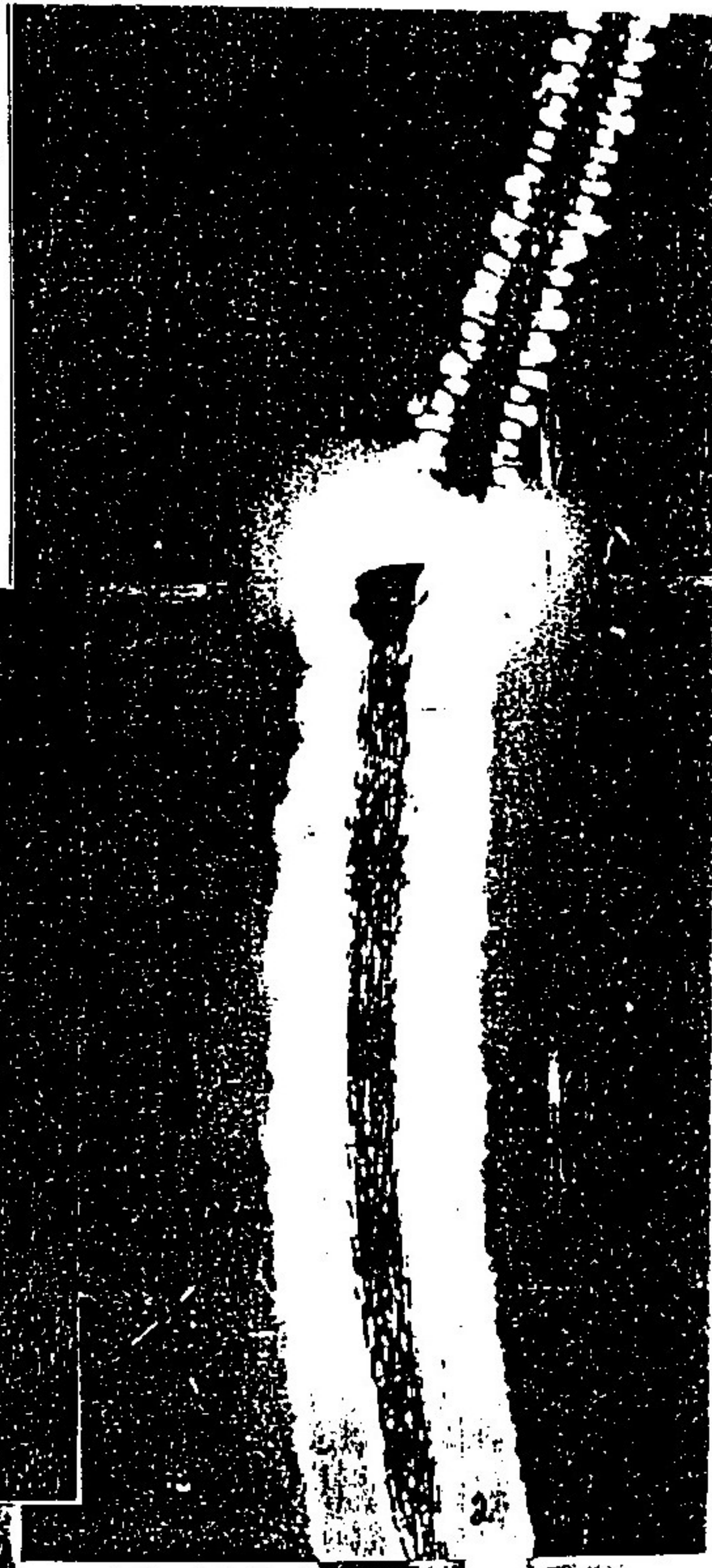
Unhappy thoughts

- anger



Rat's tail

- life
and
death



1. The Mental Discipline Required when Buying Support and Selling Resistance

- || Be careful of the thoughts you think. They have structure and shape.**

Proof ?

- Kirlian Photography**
 - o Rat's tail - life and death.**
Death is jagged, live is smooth
 - o happy thoughts - smooth**
 - o bad thoughts - jagged**

The assumption could be made that poor thought processes can lead to a poor existence, closer to death. The key could be to avoid negative thoughts during trading and in preparation for it.

The process then could become : how to avoid poor thoughts. Drummond does that by observing his own thought processes. The argument here is that he can be alert to when they arrive, and if watching, then they can have no control over him. The issue here, is that perhaps, bad thoughts can have no control over you if you ignore them. That is to say, that negatives only have control over you, if you react to them. Then, how can one place oneself in a position where one does not react to negatives ?

Negatives only have power over you if you react to them.

We are almost saying that we must cultivate the conscious mind, since this indeed might influence the subconscious mind, if you accept that thoughts have structure.

(WE WILL NOT ADDRESS THE ISSUE OF THE SUBCONCIOUS, EXCEPT TO SAY THAT IT CAN BE INFLUENCED BY THE CONSCIOUS, ESPECIALLY IF IT HAS PHYSICAL SHAPE.)

There are possibly four techniques for ignoring negatives.

- 1. "observe" the negative thought**
- 2. cut it off - replace it with a different thought**
- 3. exaggerate it into ridiculousness**
- 4. counteract it with its exact opposite**

Quotes by Richard Driehaus : " The New Market Wizards" : by J.D. Schwager

- : - " The mind is like a parachute - it's only good when it's open."**
- : - " What does not destroy me, makes me stronger "**
- : - " If you reach high, you just might amaze yourself "**

Therefore, in trading, there may very well be two ways for mental discipline.

- 1) Do not react to negative thoughts. Watch them, ridicule them, make them silly, or make them the opposite to what they intend. - change their shape ?
- 2) Avoid the onslaught of negative thoughts by analysing the negative chart patterns in trading.

Quote: " More is learned from one's errors than from one's successes" - Primo Levi

- source: New Market Wizards
- by J.D. Schwager

THE KEY TO SUCCESSFUL TRADING IS TO KNOW WHEN A PATTERN IS FAILING.

- to monitor it.

And, this can be done by observing the quality of accumulation and distribution.

2. Knowing when to trade and not to trade.

Simply put:

You do not trade when,,,,,

**When there are poor signs of accumulation
or poor signs of distribution.**

**This is done by observing the 'closes' to our termination
of energy.**

**To Drummond, this is the key to trading. It overrides
objective thinking, and is the art in qualifying and simplifying
the rationale to make a trade.**

**And, this will be the objective of our project .
To know when to trade, avoiding bad thoughts, and clues as to when support/resistance
will break down.**

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4. How to identify and monitor the 3 primary ways in which support/resistance breaks down.

The three primary ways for support/resistance to break down are:

- 1) prices 'lab',,,,,, work their way thru.**
 - 5 kinds of trading. For example: if support is to break, then resistance will hold, particularly nearby resistance. Rationale for this will be evident in a higher time period.**
- 2) prices will 'pop' thru support/resistance.**
 - for example: if resistance is to break, the low of the bar will be above it.**
- 3) prices will move thru support/resistance, becus it does not exist.**
 - for example: for some reason, 80 cents could be resistance, perhaps because of the weekly chart, but there is no geometrical resistance on the daily.**

BUT THE KEY IS: - TO IDENTIFY AND MONITOR THE BREAKDOWN OF SUPPORT/RESISTANCE.

THIS IS DONE BY OBSERVING THE QUALITY OF ACCUMULATION IN SUPPORT AND THE QUALITY OF DISTRIBUTION IN RESISTANCE.

We do this by observing the action prior, to the bar in which we wish to take action. We observe how it is reacting to support and resistance. And, we also know what the higher time period wants to do, as well, by how it is accumulating and distributing.

Besides the use of our conventional P&L tools, we can use specific tools to monitor those conventional tools, to know their quality of accumulation and distribution.

**And, this is the meat of our project. What possible tools could exist to enable us to monitor and identify when to take action and when not to, and thus enhance the mental discipline required when buying support and selling resistance?
And through this, avoid negative thoughts.**

Before we begin, I want to show you one chart:

The " U.S.A. M2 Money Supply Growth " chart :