1. INTRODUCTION

POINT AND FIGURE CHART has had various names over the years and had different variations, starting at end of the last century. **The POINT AND FIGURE CHART is a study of pure price movement**. That is to say, it does not take time into consideration while plotting the price action.

On the CHART, only the price changes are recorded. If no price change occurs, the chart is left untouched. During active market periods, a considerable amount of plotting may be required. During quiet market conditions, little plotting will be needed.

2. NYSE BULLISH PERCENT

During a time when all eyes are on computerized trading and terms like stochastic, waves, and Fibbonacci numbers are being hurled about, most investors are overlooking the simple market indicators that have worked for years. Once such indicator is the **New York Stock Exchange Bullish Percent**. Where most investors go wrong does not know when to sell. We look at the market like a football game. There is a time to have the offensive team on the field (buy stocks) and a time to have the defensive team on the field (sell or hedge stocks). The NYSE Bullish Percent Index can be instrumental in helping investors gauge the prevailing risk in the market place. Understanding which team to have on the field (offensive or defensive) is the key to risk management. Put another way, risk perception is the key to risk management.

The NYSE Bullish Percent **is based on the percent of stocks on the NYSE that have bullish point and figure charts.**

If there are 2000 stocks on the NYSE and 600 of those stocks have buy signals on their point and figure charts and 1400 have sell signals, then the NYSE Bullish Percent is at 30 percent.

- A stock is considered **bullish** if its last signal was a buy
  (The last column of X's - demand - exceeds a previous column of X's).

- A stock is considered **bearish** if the last signal was a sell
  (The last column of O's - supply - exceeds a previous column of O's).

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BULLISH             BEARISH

x < buy             o
x   x               o x o
x o x               o x o
x o x               o x o
x o x               o   o
x                       o < sell
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<u>The same approached is used for the OTC stocks.</u>

The **<u>Optionable</u>** <u>Bullish Percent</u> (all stocks which have standardized options) is used as an early indicator for our two main indicators, the **NYSE** and the **OTC Bullish Percent**.
Often this indicator turns before the main one's.

3. SECTOR BULLISH PERCENTS

These indices are constructed and interpreted in the same manner as the NYSE Bullish Percent. Instead of the stocks underlying the NYSE, stocks in similar industry sectors are grouped together and a bullish percent is calculated from this sector. As with the NYSE Bullish Percent, each box on these charts represents 2% and three boxes, or 6%, is necessary for a change in direction on the chart. Since these sectors have fewer stocks in them than does the NYSE, these individual sectors can move either higher or lower than the NYSE Bullish Percent. Though a rare occurrence, we have seen sectors hit 100% where all of the stocks in the sector are on buy signals and 0% where all stocks are on sell signals on their point and figure charts. Neither of these extreme levels has been hit by the NYSE Bullish Percent. Buy signals are given on reversals from below to above 30% and on the penetration of a previous high. Sell signals are given on a downside reversal from above to below 70% or on the penetration of a previous low. These charts are updated weekly.

4. MARKET CONDITIONS

There are six basic market conditions :

1. *BULL CONFIRMED MARKET*

This is the strongest of market conditions and one which should be played heavily on the upside. It typically occurs when a column of X's exceeds a previous top, generating a buy signal. This buy signal typically comes from a low level. In this case, we want to buy stocks. You can take single buy signals on the Point and Figure charts and buy those stocks.

2. *BULL ALERT MARKET*

This occurs when the bullish percent declines below the oversold 30% level and then reverses to the upside. This upside reversal requires 6% of the stocks within the universe to move from Point and Figure sell signals to buy signals. This typically comes after a long move down and many stocks are making, or may have made, their lows. It alerts you that a bull move could be coming. The odds are in your favor for an upside play. A long trading posture can be established at this time but with caution. Stocks in this phase will have a tendency to retest their lows before a long up trend begins and that is why you should proceed with caution. Keep in mind though that a higher bottom in a particular stock at this time while the Dow itself may make a lower bottom is bullish for the stock. Avoid any stocks giving sell signals on their Point and Figure charts.

3. *BULL CORRECTION MARKET*

This type of market occurs after a Bull Confirmed status has been established and then a reversal down occurs. The 6% decline on the chart typically occurs between the 30% and 70% levels. This means we are likely to see a brief correction but that the up trend should resume shortly thereafter. Many of the leaders in the market will pull back to support levels because of profit taking before rallying again. Option strategies such as selling call options or purchasing puts as insurance against a potential decline can be initiated here. A reversal back to the upside would move the group back in Bull Confirmed status and traders can buy on that reversal. The bull market is still intact, it's just taking a breather.

4. ***BEAR CONFIRMED MARKET***

This is the converse of the Bull Confirmed status and is the weakest of market conditions. The Bear Confirmed status occurs when a column of O's penetrates a previous low. You should not second-guess this type of market. Short positions in individual stocks or in market indices can be initiated. All other long positions in stock should be hedged, using the options markets if possible.

5. ***BEAR ALERT MARKET***

A Bear Alert market occurs when the bullish percent rises above the overbought 70% level and then reverses back below 70%. A previous bottom is not penetrated here, as that would mean a change to Bear Confirmed. This type of market suggests that a market decline could be coming. Here again, long positions should be hedged and short positions can be initiated on weak stocks. Very often when we see a Bear Alert status, the bullish percent will fall to the 50% level before reversing back to the upside. That upside reversal would then move the bullish percent back into a Bull Confirmed status and any shorts should then be covered. Investors must be nimble because the market will eventually revert back to Bull Confirmed or slip into Bear Confirmed status. If the market slips into Bear Confirmed status, the short positions should be held and should prove very profitable.

6 ***BEAR CORRECTION MARKET***

A Bear Correction occurs after a Bear Confirmed status has been established and then an upside reversal occurs. This upside reversal typically occurs before the bullish percent has fallen to the oversold 30% level. This is in essence a pause in a bear market. Some stocks will rally back to resistance but a long sustained rally is not yet ready to begin. When the bullish percent reverses back to the downside, the market moves back into Bear Confirmed status and any long trading positions should be closed. A move down to the oversold 30% level would then be expected.