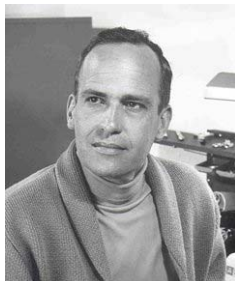


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2. Jesse Livermore and the great crash 1929
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## Indicator Library

### Jim Hurst method

The originator of this method is from the writings of Jim Hurst.



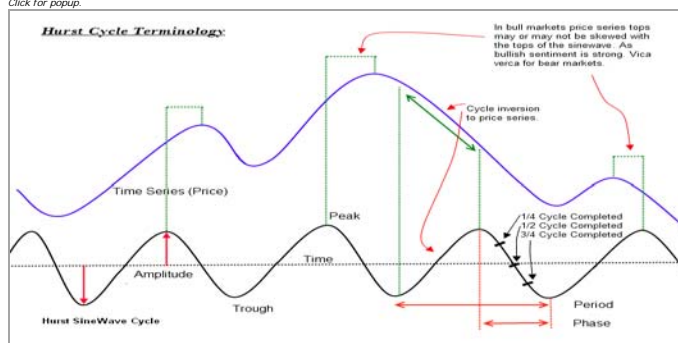
James (Jim) M Hurst is a legend to knowledgeable individuals interested and involved in the study of cyclical price movement in the financial markets.

By training and background an aerospace engineer, he was the first true pioneer in the computerized research into the nature of stock price action, devoting many years and over 20,000 computer hours to this study. His conclusions were first documented in his groundbreaking classic, The Profit Magic of Stock Transaction Timing.

The work of Hurst inspired cycles analysts who came later, and represents the most important factor behind the work later done by such cycles luminaries as peter Eliades, Jim Tillman, Walter Bressert, and Brian Millard.

First, lets review some basic cycle terminology.

*Click for popup.*



Jim Hurst published his methods in the book called 'The Profit Magic of Stock Transaction Timing' (see our [education page](#)). Hurst determined that a price series may have dominating cycles that can be used to time stock transactions for profit. You can also learn more via our [YouTube videos](#).

#### How would Hurst Trade:

In short he would:

- 1) Find the dominant cycle or cycles: One can use the basic eyeball method or as we prefer the readtheticker.com 'RTT Cycle Finder Spectrum' tool to determine dominating cycles within a price series.
- 2) Find the sub cycle by dividing the dominant cycle in half. (Example: A dominant cycle of 80 would have a sub cycle of 40). Of course, you can use other lower period cycles that have a good Bartels value.
- 3) Time your stock transaction with turns of (2) within the trend of (1). See more on the subject under the post titled PI: Price to continue or reverse?

Note: We use the RTTHurstDPO or the RTTHurstROC to time price action to the dominant cycle.

To use the full set of Hurst tools you require a membership to RTTIndicators. Standard indicators have limited Hurst Cycle functionality.

Please review the 80 period cycle within the SPY ETF (image below). The dominance did not really start until mid 2008, then it has led the way of nearly all major market turns. You will need to search far and wide to find a better leading (not lagging) stock timing indicator than the hurst cycle. However, like anything a cycle dominance can fade, dominance can shift, therefore one has to be diligent and monitor a price series closely. The chart below is an example why Hurst was successful. Price and their underlying cycles can be predictable and therefore stock transaction timing is very possible and can be very profitable.

*Click for popup.*



The Hurst cycle we use is a sinewave filtered by price, the higher correlation of price to the sinewave the less the sinewave is altered. Thus allowing one to view good and poor periods of price cycles behavior.

*Click for popup.*



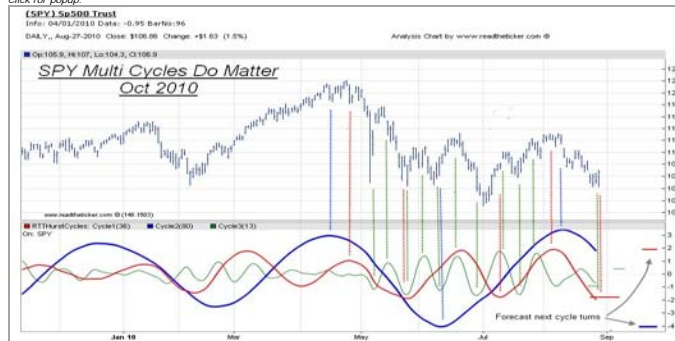
If you find multiple significant cycles, you can plot them together and then combine them to see the master cycle.

[Click for popup.](#)



Or it might be best to study multiple cycles individually.

[Click for popup.](#)



Cycles do exist in the market or any time series. Just check out these cycles lows found on the Dow Jones.

[Click for popup.](#)



Once we determine the dominant cycle, a scientific method is required to measure the performance of price relationship to the cycle. Future price action is always an 'unknown', but we can say that future price action will take one of three forms:

- (i) Conform to the cycle.\*
- (ii) Temporarily trend in a inverse manner to the cycle.\*
- (iii) Break the cycle, as to render cycle influence as random.

\*These periods are excellent opportunities to profit.

The following chart highlights the two tools we use to measure price action with the dominant cycle, the RTTHurstDPO and the displaced moving average. Hurst expected price to conform to the cycle by the completion of the half cycle, but Hurst understood that price in trends can temporarily inverse to cycle, this is accepted as long as price re affirms its relationship to the cycle by the next swing.

[Click for popup.](#)



When price action fails to obey the cycle this is called an inversion. How to judge possible inversions is a technical art that the Hurst analyst must master.

Methods available are:

- 1) Apply a displaced simple moving average to price, displacement being half of the cycle period. If price fails to break the average then price is likely to inverse to the cycle.
- 2) Apply the RTT HurstDPO. If the DPO price breaks the cycle swing, then price is likely to inverse to the cycle.
- 3) Apply the RTT TrendPower tool, to determine if the strength or weakness of the trend concurs with expected cycle outcome (*note: if the cycle period is 80, then use 40 within the RTT TrendPower Indicator*).
- 4) Apply methods from the Wyckoff and Gann tool chest. Gann Angles, Wyckoff market phases and volume patterns will increase your odds of correctly determining a price inversion to the cycle.

Example: Gann Angles help with the determination of price inversion to the dominant cycle.



#### Readtheticker.com Cycle Finder Spectrum

We have incorporated the latest advanced mathematics to find within a price series sample:

- 1) Cycles with significant amplitudes
- 2) Rank cycles with their 'Bartels Significance Value'.
- 3) Determine win loss percentage of cycle profitability to price.

The 'RTT Cycle Finder Spectrum' is a pop out tool within the members area. It is designed to scan for cycles while you are building an analysis or cycle chart. There is no charting functionality within this tool.

#### The Bartels Significance Value

Developed by Julius Bartels, a geophysicist who worked at the Carnegie Foundation in Washington in the 1930's. The advanced maths measures the stability of the amplitude and phase of each cycle. The method provides a direct measure of the likelihood that a given cycle is genuine and not random. The closer the cycle Bartels value is to zero, the less likelihood the cycle has been influenced by random events, and therefore significant to the data series.

To conclude: *The lower the 'Bartels value' the more significant the cycle to the price series sample used.*

We color code the report table for easier use, as follows.

Red < 2.5  
Blue < 7.0  
Green < 12.0

Any reading over 7.0 requires an eyeball determination as to the cycles significance. For readings over 12 the cycle is unlikely to be significant, and most likely to be random. Cycle readings under 2.5 are considered to be significant. The 'Bartels value' does change over time for each cycle period, therefore regular monitoring of the price series to cycle dominance is required.

Examining the profit win loss percentage of cycles is another tool to use to determine the dominant cycle. This is very useful when you have a cluster of low Bartels cycle scores.

Recently we found a dominant cycle within the SP500 index, that had a Bartels score of 2.0245, a win/loss count percentage of 80%, a win/loss SP500 points of 85%. Knowing this cycle I made very sure we did not invest against it. Where as the general market participants had no idea of this dominant cycle and most likely suffered a loss. Further, it is great to have an indicator that is 80% accurate, it is even better when you add our proprietary RTTrendStatus and RTTHurstDPO tool to make the percentage chance of success even higher.

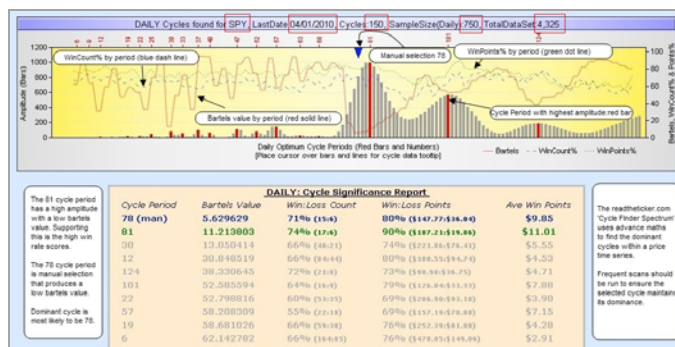
Another point to note is that a Bartels scan is cumulative over the data sample selected, that is it examines all data over the cycle period selected. This is not like stock scans for RSI levels or MACD levels which are at a point in time.

Example output from the readtheticker.com 'RTT Cycle Finder Spectrum'.

Specification are:

Symbol: SPY  
Run to last date (optional): 04/01/2010  
Manual cycle period selected (optional): 78  
Max cycle periods to scan up to: 150  
Daily data sample size used: 750 days  
Max daily data sample available: 4325 days.

Click for popup.



See why Bartels Significance Values do matter.

[Click for popup.](#)



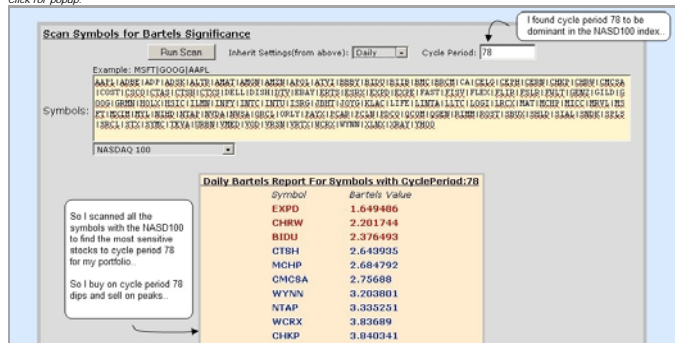
This is the methodology used to determine win loss percentage of cycles related to price time series.

[Click for popup.](#)



We also take a portfolio approach with Hurst logic. For example, we scanned the NASDAQ100 index to find the dominant cycle. This turned out to be cycle period 78. Then we wanted to find stocks within the NASDAQ100 that are most sensitive to cycle period 78 for our portfolio. The results follow.

[Click for popup.](#)



Once a dominant cycle has been determined and added to an 'Analysis Chart', constant monitoring of the cycle Bartels performance is required over time to ensure the cycle statistical significance is maintained, this is because new price data can either enhance or reduce cycle dominance. To monitor the 'Bartels' of the cycle we use the 'Cycle Chart'. Therefore if you have a portfolio it is easy to monitor your favorite cycles and their Bartels over time for each symbol in your portfolio.

Example of the Cycle Chart

[Click for popup.](#)





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