

The Murrey Math Trading System

Every activity in creation requires three fundamental elements.

Space, Matter and Time.

Where is the action? **What** is the action? and **When** is the action?

Every repeated activity creates a pattern or rhythm.

Seasons, celestial movement, tides, growth cycles, etc. (what goes up must come down).

Recording the repeated activity draws a picture of the rhythm.

The fundamental rhythms in creation are the same.

The math is the same, the picture is the same, the result is the same: predictable change.

By knowing the **TIME** of a cycle we can consistently anticipate the likely future direction of the rhythm by knowing **where we are NOW** in the cycle. Half moon to full moon etc.

The **Murrey Math Trading System** is based on the **precise measurements** of these universal cycles.

Murrey Math uses **numbers and geometry** (the pictures of math in action), to **record, measure** and **visualize** the buy and sell harmonic rhythms of the financial market place.

A Fundamental Understanding of Market "Investments."

The purchases of stocks from the exchange are not really an investment in a company.

Capital infusions into the issuing company are limited to **the first sale at the lowest price**, less underwriting cost.

All additional profits from the sale of that stock goes into the pocket of someone other than the company.

Most likely you are not buying **the companies shares**, you are buying shares from **someone who owns** company shares.

Price earnings ratio's are meaningless in today's market. Reasonable ratio's were pasted years ago on even the strongest top 100 companies.

The entire market is about **speculating on the trading cycles**.

Everything that pretends to be **based on the true value of the stock** is just market place noise and the psychology of the exchange.

The Role of Mutual Funds.

In 1992 the government released its so called “Red Book,” a 560 page, “loop-hole” treasure chest, that set **mutual funds free from investment restraint**, and the **government free from fiscal liability**.

Ignoring the dismal history of its predecessor, the Investment Trust, Mutual funds could now soar.

The **unprecedented “market highs”** in the ninety’s can be directly attributable to the Mutual Fund Industry’s capacity **to lure billions** from the **safety of insured accounts** into **the exposed world** of stock market **investments**.

As proof of the absurd, there are now **nine thousand mutual funds** chasing **four thousand stocks**.

That’s **too much “focused” money** trying to squeeze into, **too small a space**.

It’s a field day for the Insiders.

These funds are capitalized by **millions of uninformed**, passive long term investors.

Many in the “trusting” masses **don’t even realize** that their “Retirement/Mutual Fund” is a stock market investment.

Nearly 43% of the population are in the market through 401(k’s)/IRA, mutual fund instruments with billions of new payroll contributions each month.

When you add **the billions** from bailed out **S&L depositors** spoiled by their guaranteed 15% returns, and the **“cashed out” billions** from **forced early retirements** there is little wonder the market is **unjustifiably high** with “built in” volatility for the foreseeable future.

Competitive forces require fund managers to take risks that were **not even legal** before 1992. Mutual fund’s are consistently outperformed by the “no-brainer” indexes. So much for “expertise.”

History proves that artificial highs don’t last forever.

Long Term Mutual Fund success is fiction.

However, there is **One Group** that are **consistent winners**, in **Bull or Bear** markets.

Up or Down, these folks win. Let’s meet them.

Creating the Cycle.

In order to understand how stock market cycles are created there is one thing we must know. A few **legal insiders**, trade in such large volume that they almost **single handedly determine the direction of the market**. They in effect own the goose. These insiders make massive amounts of money by **constantly changing directions** as soon as enough people **follow their previous move!** These traders are the pied piper’s of Wall Street. Their functional control enables these legal insiders to make millions from **small percentage profits** (from **2% to 10%**), **EVERYTIME** they change directions. This constant flow of huge profits from modest percentages in **BOTH directions** enables the truth to be camouflaged through official explanations of the market’s Up’s and Down’s. **The noise of the market place serves as a verbal smoke screen that hides the**

real-profit-taking activity.

Interest rates, inflation fears, international incidents, etc., mean nothing unless the Insider's are ready to take their next profits.

Murrey Math provides a **CLEAR picture** that allow us to ignore all the unreliable sounds of the market place. Our single objective is to **Watch what the legal insiders DO** so that we can respond quickly when they change direction. We **ignore** what they **Say!** We **Do** what they **Do!**

A Closer Look At The Players And Their Relationship.

Insiders. Traders who have the power to effect the entire Market, day after day, year after year. A person who is a part of the initial offering or someone who has advanced knowledge of information that is going to significantly effect a specific stock is **not who we mean** as an Insider.

Long Term Investors. "Buy and hold," The mantra of "the masses" taught to believe the **only profitable direction is UP.** This is the official trading rhetoric of the marketplace. It is the psychologically acceptable way to explain staying in a losing position or failure to take available profits.

The Dynamics of the Relationship.

"Buy and Hold." This is what "The Insiders" tell the masses to do, **it is not what they do!** The Insiders **must have** the majority of investors thinking long-term to make their lucrative strategy work. Long Term Investors serve two vital functions from "The Insiders" point of view. First, this basic, no-action-strategy, **maintains** the overall **stability** of the trading column. Second, Long Term Investors **provide the money** that the insiders **take as profits** in both directions on the constant **Ups** and **Downs** that take place on the top **10%** of the stock column.

This subtle orchestration must be managed very carefully. "**Long Term Investors**" who buy close to a downward reversal may get out when the price comes back to their entry level. **Immediate losses are hard for most people to accept psychologically.** These Insiders know that these sellers create **a natural buying resistance** which they must push through each time they come back up to their last reversal line. However, if stock prices go **above** the entry level **before going below**, the **exact same losses** are amazingly accepted as a "Long Term" investment strategy. "Long Term Investors" provide both **the Profits** and **the Stability** of the trading column. "The Insiders" thrive on the mental gymnastics that keep "Long Term Investors" locked in their **one direction stupor.**

Murrey Math discovers "A Family" who makes Money in Both Directions On Every Reversal!

We begin by personifying the Insiders **as a Family** who discovered a great secret. The family name is **PROFIT.** Each trading day will represent the life span of a family member. Everyday we **WATCH** what **Mr. Profit** does. True to their name "**The Profits**" make **Money, (Profits)** when the market **goes UP** and they make **Money, (Profits)** when the market **goes DOWN.** **That's the Family Secret . . . Profits in Both Directions! Profits on Every Reversal!**

If you know the Right direction there are **always profits** in **BOTH** Directions. Which direction, is not the issue, the **RIGHT** direction is the only one that wins. "**The Profits**" can't lose for a very simple reason, **their actions determined the Direction!** They move in one direction until enough buyers

follow them **UP** or **DOWN** and then **REVERSE**, collect their **PROFITS**, and start **another profit cycle** in the opposite direction. Day after day, year after year, The Family secret has been undetected, carefully concealed by complex rhetoric and the noise of the market place. . . **UNTIL** . .

T. H. Murrey discovered that words can't hide what Math Reveals!

Mr. Murrey has used his knowledge of **Universal Harmonic Rhythms Cycles** to build a Computerized "Camera" that **Watches, Tracks** and even **Anticipates** "The Profits" every move! He's got them on screen, boxed in by their own actions. Murrey Math does not affect "The Profits," it enables you to **be the first** that follows them, to do what they do!

Murrey Math can be validated by "the Entire History" of the Market. It's control group includes every investor. The consistency of the **buy/sell psychology** creates **market rhythms that conform precisely** with the mathematical laws of the Universe. **Every** Murrey Math Line is a "**wall of resistance**" and therefore anticipates a change of direction. The Human Factors, and unpredictable decisions may move the market through "a specific" Murrey Math Line. If so, it will be observed, measured and resisted **even more strongly** by the next line.

The Ways of the Insiders.

Since "**The Profits**" **do not have** total control over the market, they must monitor the losses of the masses. **All losses must be explainable and within acceptable limits.** The masses must be kept in the game. This is accomplished several ways.

1. When **too many sellers** follow "the Insiders" down **too quickly** they may overrun an acceptable target. When this happens "The Profits" immediately "**give back**" some of their latest gains from selling **Short** by becoming **significant Long** buyers. They "**rally**" the **market** in order to shore up the psyche of the Long Term Investors.
2. Substantial **Short Profits** that wipe out months, even years, of "paper profits" must be rare, once a decade or so.
3. "**The Family**" is very adept at **faking in one direction** for part of the day and then **swiftly changing directions**. This action is designed to avoid detection and to reinforce the concept of random markets. It works, over and over. This is **the "Michael Jordan" move**.
4. **New breaks**, good and bad make the Insiders job much easier. **News provides an official rational for movements**. However, only the Insiders can decide if the news is important enough to move the market. If they don't respond the news doesn't matter. They can ignore big deals for days or make big deals out small ones. **The news is used** as vital part of the Insiders strategy, it does not control it. Remember, the only thing that matters is what they do.
5. Since Insiders constantly **make money in both directions** on every reversal they will always make sure there is **constant movement** on the top of the column.

Becoming a "Top-Gun," Murrey Math Trader

Murrey Math's "Two-Staged-Strategy."

Stage One: You must be willing to accept Immediate, modest LOSSES when the Insiders reverse against any NEW position.

This is the most important point to learn because it is the most difficult. It's all about psychological maturity. It's about being able to view small LOSSES as an necessary part of a Winning Strategy. It is impossible to utilize Murrey Math if you won't accept modest LOSSES as a fact of life. The Insiders determine the direction, not us. Sometimes they pull a "Michael Jordon," they fake us out. Sometimes the Two Arena's that aren't predictable move against us.

These unexpected directions are not exceptions to the math cycles! They come from the microcosm, right down on the point of the movement. It's an up close, jagged edge that can't be seen in the Big-Picture cycle. However, if your money is on the line, where the jagged edge is being formed You PULL OUT immediately. We call Stage One, "Top-Gun" Trading.

"Top-Gun" Trading: To be a "Top-Gun" Pilot you must be able to PULL OUT of a flight pattern *the instant* you are in danger. REACTION TIME is the characteristic that determines success or failure. You must be able to respond automatically and instantaneously. "Top-Gun" pilots are not macho! Wisdom not recklessness WINS the War. If the enemy fools a "Top-Gun" Pilot, their Sole Objective is to ESCAPE; live to fight another day. "Top-Gun" Training schools program pilots for a proper UNEMOTIONAL, automatic response to trouble.. The decision to "Pull Out" MUST BE put on "Automatic Pilot."

All you have to do is place a sell/stop or a buy/stop *immediately behind* your exposed position. These stops must be "engaged" EVERYTIME you take a new position! (If the market jumps over your stop you will be taken out at the next opportunity.)

Stage One Summarized: PULL OUT When you have a NEW position and the market moves against you! Small losses powerfully protect the profits of Stage Two.

Now that you know how to minimize *inevitable losses* we are ready to . . .

Stage Two: Follow the Insiders as they Make Money in Both Directions, *Every time* the Market Reverses.

The Law of Entry: Never enter a stock position without knowing how far Mr. Profit has walked since he last changed direction!

The Profit's USUALLY reverse after going up THREE blocks! SOMETIMES they will get a burst of energy and go up as much as SEVEN blocks before changing directions. On RARE occasions they will go beyond eight blocks into a "New" Eight Block section of Wall St. (more about this later).

Remember, we view the microcosm of Wall St. as EIGHT blocks long. The First two blocks, (1/8 and 2/8, picture three) are on the BOTTOM of the trading range. The Last two blocks, (7/8 and 8/8) are at the TOP of the trading range.

Enter/Exit Rule 1#: NEVER enter a position if Mr. Profit has moved Three or More Blocks in either direction! Entering in the middle of the range (3# through 6#) is avoided if possible. (When the market is locked in this range you must be willing to accept smaller profits).

The stock you choose SHOULD BE On the BOTTOM or On the TOP of the Trading frame! If

the stock is **on the BOTTOM** you go **LONG** with a **Short, Sell/Stop** order. If the stock is **on the TOP** you go **Short** with a **Long, Buy/Stop** order.

Enter/Exit Rule 2#: When your stock **moves Three Blocks (3/8ths)**, you **SELL half your position!** (We anticipate based on known history!) This is **SURE** profit! Your objective is to **MAKE MONEY Every time** you take a position! Remember, we are observing, measuring and anticipating Mr. Profit!

Enter/Exit Rule 3#: If Mr. Profit goes more than the **normal Three Blocks** you follow him with the remaining **Half of your money**. When Mr. Profit **PULLS OUT**, we **PULL OUT!**

To Summarize: We Follow for Three Blocks then **ANTICIPATE** by **Selling Half** our position for **Sure Profits!** We reset or continue to **FOLLOW** with our balance to **MAXIMIZE** on Mr. Profit's current move with **NO RISK** of missing the move! We reset or sale/buy stop right behind our new position.

Reminder: Murrey Math Traders have accept the philosophy of the legal Insiders. We **constantly make money** on the **Up's and Down's** of the market place **over a Long Period of Time**. We are "the true" Long-Term Traders.

"Irrefutable Laws": The basis of Murrey Math

The Law of Mathematics: We live in a mathematical universal absolutely controlled by mathematical law. All of the grand cycles, eclipses, stellar movements, seasons, growth/birth cycles, music etc., submit themselves to the mathematical law of cycles. Murrey Math precisely applies these immutable laws to reveal the harmonic rhythm cycles inherent in all market buying/selling activities. The result is a **Visual Representation of market action**.

The Law of Harmonic Rhythms: All Repeated Actions produce **MOVEMENTS** that create a **Harmonic Rhythm Cycle** or **Reoccurring Pattern**. The four seasons and their specific weather patterns create the basic rhythms of life. From the macrocosm to the microcosm, rhythms and patterns are everywhere. Everything that exist is a part of a pattern, components that dance to a fundamental harmonic rhythm.

The Law of Observation: By **Consistent Observation** these *harmonic rhythms cycles or reoccurring patterns* can be **MEASURED** and **PLOTTED**, (visually illustrated), with **Dependable Mathematical Exactness**. Aside from modest variations (Indian summers and late winters), these rhythms or patterns are very precise, with no exceptions.

The Law of Predictability: Once the **Movements** that create the **Harmonic Rhythms or Patterns** are mathematically **Measured and Plotted**, *Continual Observation*, allows **SUCCESSFUL PREDICTION** of their **Future Direction**.

Two arena's that cbe predicted.

1. Back-room decisions.

A. Security and Exchange Commission C. Boardrooms of Trading Companies.

B. Pre-opening strategies. D. Federal Reserve Action

2. Impacting news before it happens.

These Two arena's require every Murrey Math trader to Learn to accept *Immediate*, modest LOSSES when reverses go against you. (See: Top-Gun-Trading). Once these non-predictable events are activated, they immediately become predictable.

Learning to See the Market!

The Murrey Math System captures, measures and visualizes the movements of stocks. The picture of the movements enables **those trained to SEE** to consistently predict the probable future direction. Once your eyes have been trained to accurately **SEE** the past, you can **SEE** the future. Murray Math is **DEAF** to what the market **says!** We **WATCH** what the market **does!** We **GO** where the market **is going!**

You learn to SEE Murrey Math ONE Picture at a time!

(Use the memory keys to lock in the pictures quickly)

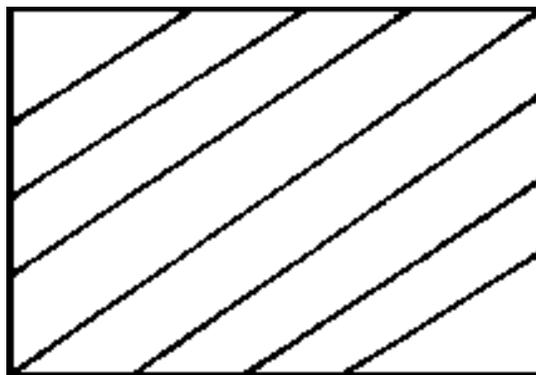
Murray Math is based on the mathematics of Music, (eight notes to an octave). The "Square in time," is divided into EIGHT sections. 1/8, 2/8, 3/8, 4/8, 5/8, 6/8, 7/8 and 8/8.

1st Picture. "The Picture Frame." The Murrey Math Trading Frame. Mr. Murrey calls it a "Square in time." **Everything that we need to know will be found and SEEN inside this square!**

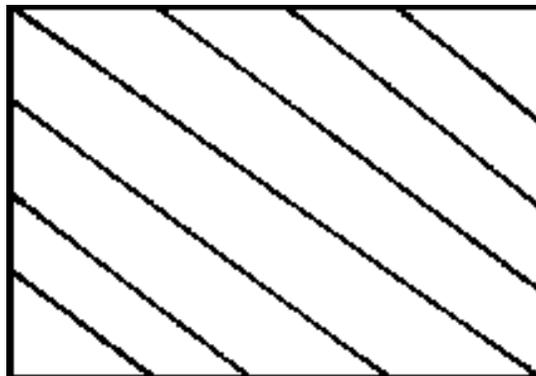
2nd Picture: "Eight City Blocks." **Seven Horizontal Lines** that divided the Trading Frame from **side to side**. These Horizontal lines create **EIGHT Vertical zones**. They measure **PRICE and expected Reversals**. (From **bottom to top** the first interior line is **1/8ths**, the second **2/8ths** or **25%** of the **WHOLE** and so on **UP** to the top of the frame.) Horizontal lines measure **height** of activity.

3rd Picture: "The Time Zones." **Seven Vertical Lines** that divided the Trading Frame from **bottom to top**. These Vertical lines create **EIGHT Zones**. They measure **TIME** and expected **Changes of Direction**. (From **left to right** the first interior line is **1/8ths**, the second **2/8ths** or **25%** of the **WHOLE** and so on **ACROSS** the frame.) Vertical lines measure the **Width** of activity.

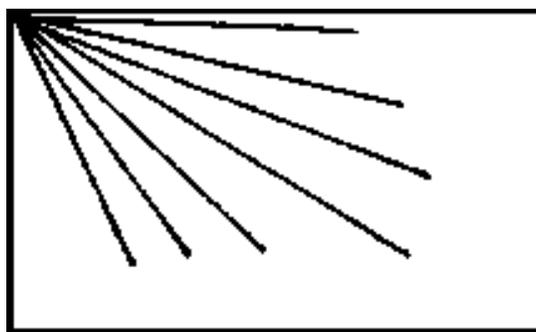
4th Picture: "The Ski-Lifts." **LONG Angled Parallel Lines** which measure **Continual Momentum** in an **Upward direction**. We stay with parallel momentum.



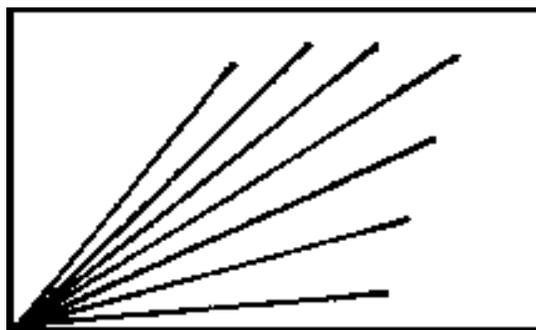
5th Picture: “The Skiers.” LONG Angled Parallel Lines which measure **Continual Momentum** in a **Downward** direction. We stay with parallel momentum.



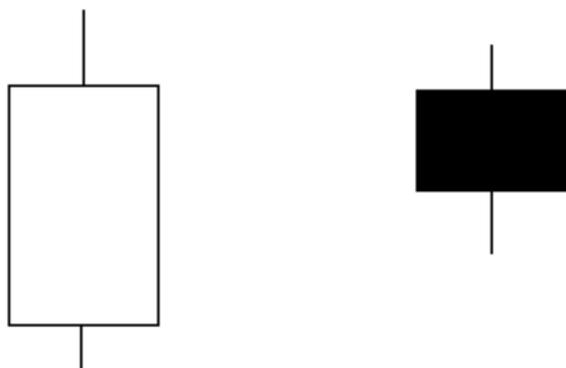
6th Picture: “The Skydivers.” Seven angle **SPEED** lines that run from **TOP** to **bottom, left to right**, through the trading frame. These seven angled lines Measure **IMMEDIATE Fast Reverses** in an **Upward** direction. These lines are **Walls of Resistance**. If the market can’t breakthrough or jump over a wall, it will **reverse Downward fast**.



7th Picture: “The Astronauts.” Seven angled **SPEED** lines that run from **BOTTOM** to **top** through the Trading Frame. The “Skydiver’s” lines measure **IMMEDIATE Fast Reverses** in a **Downward** direction. These lines are also **Walls of Resistance**. If the market can’t penetrate, it will **REVERSE Downward Fast**. Measure **SPEED** of **Time** and **Price** Reversals. The fewer the zones being touched the sharper the angle and the faster the speed.

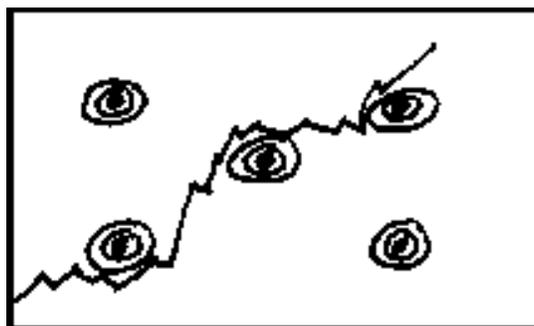


8th Picture: “Mr. Profit.” A Rectangular Column, (clear or shaded) represents one day of trading activity or the total volume of a company’s marketable shares. We personify the column as Mr. Profit. Each Mr. Profit’s **Total Productivity** ends with the closing bell. Mr. Profit’s **SON** is the next trading day. The son is a completely different person but carries his father’s genes. By studying father/grandfather/ etc., the general rhythms of the family can be determined.



With these **Eight pictures** we can **measure the markets TOTAL activity**. Murrey Math allows us to **WATCH** Mr. Profit move **Up** and **Down** Wall St. We can See **WHAT** Mr. Profit is doing, **WHERE** he is doing it, **WHEN** he does it. Content. Space. Time. Mr. Profit, **On Camera**, moving through **the Trading Frame**, the real world of buying and selling.

9th Picture: The Murrey Math’s Big Picture “Bonus Secret.” ‘Five Areas of Conflict!’ “Equal distant circles” that markets have great difficulty going through. They will almost always “sell” around these areas.



How Mr. Profit Made Money TODAY!

Before we learn to **READ** Mr. Profits' movements through the **Trading Frame**, (the square in time), we must be able to **READ the column**, to know what a **ONE day picture** of Mr. Profits activity tells us.

Each column tells us Seven facts about Mr. Profit activity.

The Prices: The Directions:

1. Opening 5. Where are his hips?
2. Closing 6. Where are his shoulders?
3. High 7. Where is his waist?
4. Low.

How to Read the Column

Wall St. is **Eight Blocks Long**. When Mr. Profit makes his money **walking UP** Wall Street, the Sky is **CLEAR**, so is the column. When Mr. Profit makes his money **walking DOWN** Wall Street, clouds hide the sun, the column is **SHADED**. **Clear means UP. Shaded means DOWN. Up means profits. Down means More profits.** Mr. Profit's **Hips** are at the **Bottom** of the **UP** Column. He made money walking **UP in the sun**. His **Hips** are at the **TOP** of the **DOWN** Column. He made money walking **DOWN in the shade**. (Appears upside down)

KEYS: Mr. Profit's HIPS are the Opening Price Line, in both directions! Mr. Profit's SHOULDER is the Closing Price Line, in both directions!

If you look closely, you will notice that many columns have **LINES** that extend in **ONE** or **BOTH** directions from the **Top** or **Bottom** of the Column. (Remember, Shady days appear upside down when you are first learning to **Watch** Mr. Profit). These **Lines** indicate "intra-day" trading **Highs** and **Lows** beyond the **Opening** and **Closing** Prices. **YOU MUST GET THIS!** Our One dimension graphic presents these price movements as Vertical Lines **FROM** the column. (**Ex. 1**). When we look at the **same activity** from another dimension, we get a "**side-view**." This picture shows what the **Total PRICE movement** looked like in relationship to the **opening** and **closing PRICE**. (**Ex. 2**).



Make sure you can explain what Mr. Profits did on each of these days.

Ex. 1. From the opening price (first horizontal line), Mr. Profits feinted **Up** to **H** before he reversed and started making money walking **DOWN** Wall St., He walked all the way **Down** to **L**, until finally settling his head at the top of column with the closing bell.

Ex. 2. From the opening price, Mr. Profit walked **Down** the street most of the day before running back **Up** the street during the closing session. Right before the closing bell he **CROSSED** the opening price line and finished in the evening sun slightly **UP** the street.

Ex. 3. From the opening price, Mr. Profit feinted **Down** the street to **L** for a few minutes then reversed his direction **CROSSED** the opening price line for a strong move **UP** the street to **H**. He moved slightly back **Down** the street just before the closing bell.

Think of Volume as taking on MORE Weight, i.e., gold bars. The father Mr. Profit walks the **More Volume** he must carry. He will tire. The **Faster** he goes, the **Quicker** he tires out. If the Profit's have walked in **one direction a few days**, or have **Run Fast** in **one direction**; they will be ready to **“sell their load”** and start **“building volume”** in the **opposite direction**.

You Must Look at All of These Lines, (pictures 1# through 9# plus the seven facts about Mr. Profits activity) in order to SEE what he is Doing!

Remember our objective is react quickly to Reverses!

Key Questions to ask as you start each day?

- 1. What SEVEN things did Mr. Profit tell you yesterday? READ** yesterday's column. If you can't answer this question you are not ready to trade.
- 2. What direction is Mr. Profit walking?**

3. How far have “the Profits” moved since their last reversal? (Length of move) How many blocks? We do not deal in fractional blocks. If the market has moved $\frac{1}{2}$ or more into the next block, start your count from the new block. If it has not moved $\frac{1}{2}$ into the next block count from current block.

4. How does today’s volume compare to yesterday’s?

A difference of **25%** or more in either direction **usually signals a reverse.**

5. How fast is Mr. Profit moving? (Speed of move)

Use MM Speed Lines to judge, Remember markets reverse fastest off **33, 45 or 78 d. Angles.** We can remember them as the “Gold Records.”

6. Where does this market enter the trading frame? Look back to the last reversal for point of reference. This entry point tells you how much you will make (%) from a reversal up or down.

7. Where is the move in relation to the “Circles of Conflict?”

Is it going **around**, going **under**, or moving **into** the Circle? On those rare occasions when the market moves into the circle it’s direction will usually be determined by its immediate direction from the center of the circle.

8. On Which MM Line did the your market reverse?

Price, Time, Speed or Momentum?

9. Check the Three Time Trading Frames. 16, 32 and 64 days.

You are looking for the most precise **horizontal price lines** that allow you to establish The **last high** and the **last low** within the **smallest 8/8ths** as possible.

10. Setting our Murrey Math Trading Lines.

A. Zero to 100: $\frac{1}{8}\text{th} = 12.50 = 1.5625 = .1953125$

B. 250 to 1,000: $\frac{1}{8}\text{th} = 125. = 15.25 = 1.953125$

C. 2,500 to 10,000: $\frac{1}{8} = 1250 = 156.25 = 19.5$