

THE CIRCUMSCRIBED OBJECTIVE

This interesting method of arriving at definite price objectives is based on the pure mechanics of markets.

It is unique in several respects but especially so in that it can be applied at any time or place in the market or to any stock or commodity on which daily quotations are available. Experience has shown, however, that its greatest value lies in the measuring of the extent of outstanding movements, some of which take several years to be completed.

And after all it is on these larger movements of the market and from an accurate knowledge of the direction of the broad general trend of prices that successful traders make their money and big business planning must be based, and not on the little day to day fluctuations which are only incidental to the general price movement as a whole.

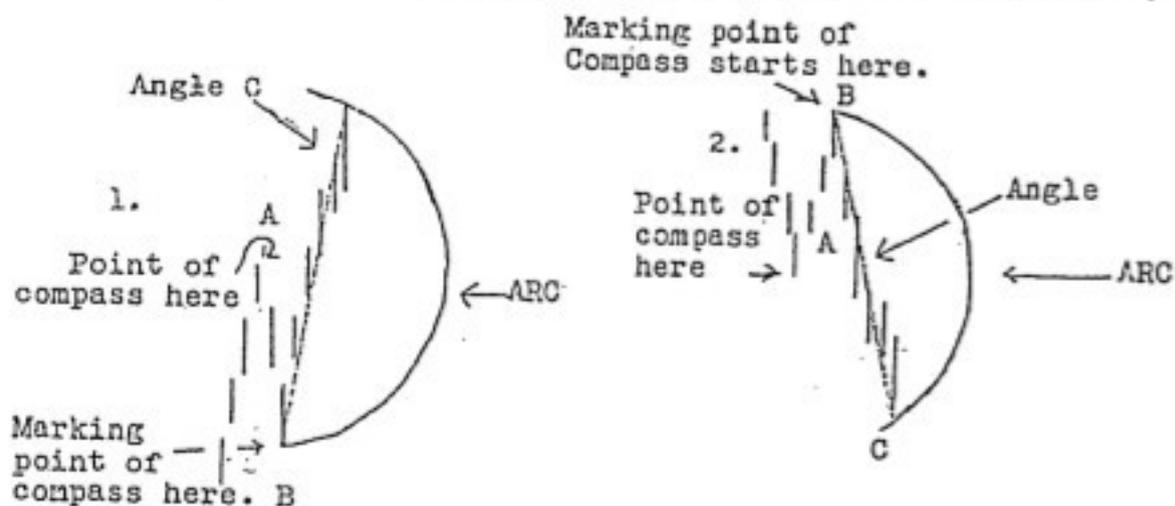
As you know, it is essential to success in life for one to have a definite objective toward which to strive, and to set up another goal immediately that one has been reached. So is it also an essential to successful trading that one have his mind on a definite price objective in order to keep from being swayed this way and that by the conflicting news which may come into the market from day to day and week to week.

Thus having in mind a definite price objective, arrived at by applying the best known methods, does not mean that one can force the market to reach that price objective any sooner than it is logical under existing circumstances for it to do so. But it does require those two essentials which all successful traders and business men possess, that of patience and unswerving faith in one's deductions, once a decision is made. This means, of course, after applying to the problem all the methods one has learned to use. This faculty was the secret of Mr. Patton's success, yet he stated that he had "run like a scared cat" when he found he was wrong. This we doubt happened to him very often, because of the care he used in reaching a decision.

The "circumscribed" method of determining objectives is one of utilizing arcs and angles, the arcs as well as the angle lines being drawn from one outstanding direction point to another outstanding reactionary point of the market.

The graph paper used in utilizing this arc-angle method of arriving at a circumscribed objective, is of the type shown attached to Page 4, Lesson 5, each square up and down representing $\frac{1}{4}$ ¢ and longitudinally each square a market period of one day.

For the axis of the arc you use the point preceding the most recent one. Thus in an up market it would be as shown in illustration No. 1. And for a down market as per illustration No. 2.



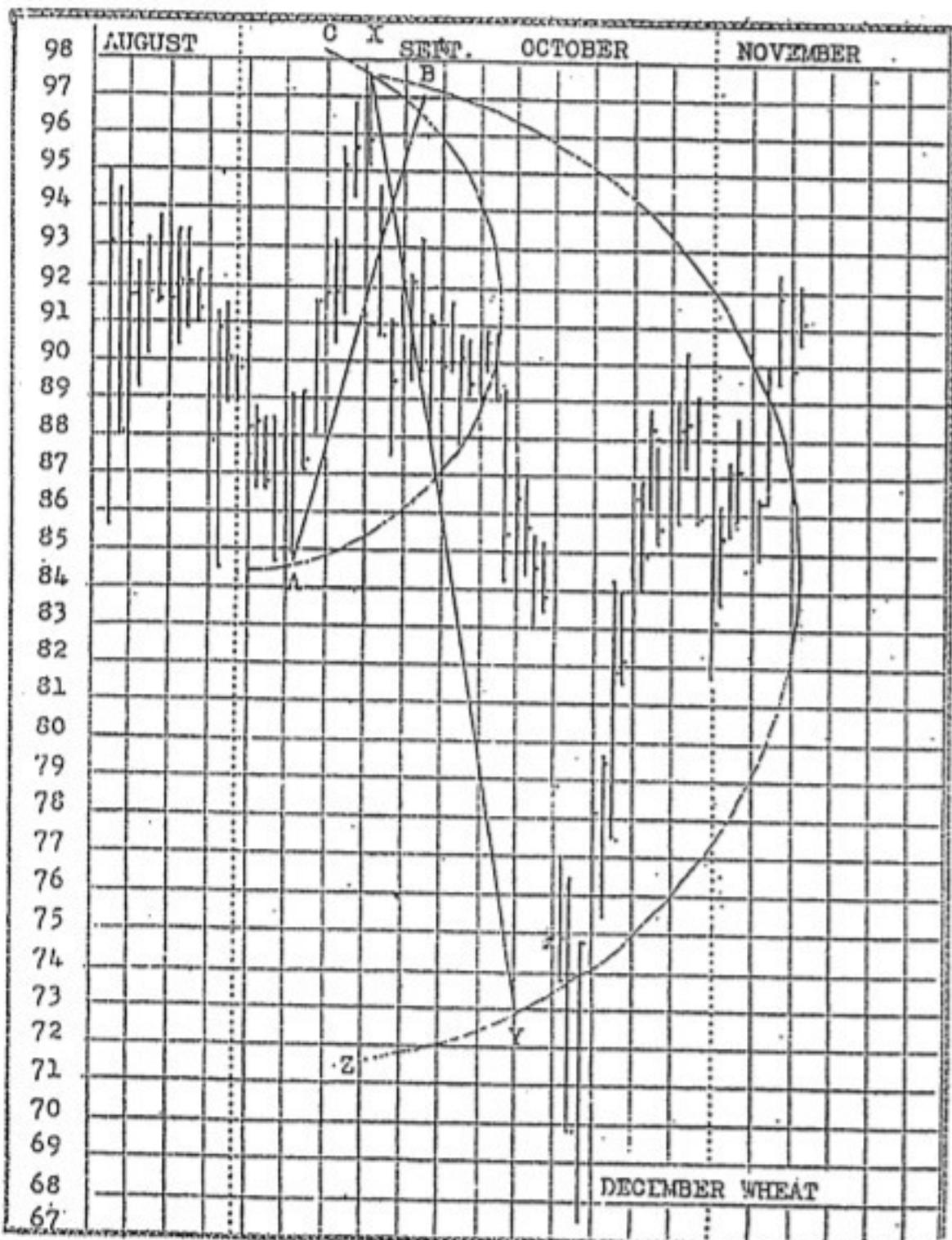
The angle line is drawn at exactly the same degree from B to C as the market moved from A to B in an up or a down market. The point at which this angle-line cuts through the arc is the objective indicated.

Thus, in December wheat, of 1933, shown herewith on Pictograph No. 2, December wheat had advanced from $84\frac{1}{2}$ on September 8, to $97\frac{1}{8}$ on September 19. The market thereupon put in a "Narrow Day" (the 20th) and broke sharply away from the top.

The reaction from that point is characteristic of a market making a top or bottom and from it comes most of the secret of success of this circumscribed method of determining objectives. WHEN THE MARKET IS MAKING A TOP OR BOTTOM IT SHOULD GET AWAY RAPIDLY FROM THE EXTREME HIGH OR LOW.

The advance from the 8th of September at $84\frac{1}{2}$ to $97\frac{1}{8}$ on the 19th of that month consumed ten days, inclusive. The easiest way to determine how to draw the angle-line from $97\frac{1}{8}$ to where it circumscribes the arc at "Y" would be to place a dot at $84\frac{1}{2}$ over sidewise ten lines from the 8th of September to the perpendicular line on which the market of the 19th was recorded. Then with a compass, one point of which is on this dot at $84\frac{1}{2}$, on the line of the market; also at $84\frac{1}{2}$ on the 8th. Then turning the compass around to the point at $84\frac{1}{2}$ an equal number of days to the right of that dot at $84\frac{1}{2}$ and on the same lateral line, draw an angle-line (X-Y) from that point (at $84\frac{1}{2}$) to the high of $97\frac{1}{8}$ made on the 19th. Extend this line on downward. Then with the stationary point of the compass at $84\frac{1}{2}$, (the low of the 8th) place the other

PICTOGRAPH NO. 2.



end of your compass at $97\frac{7}{8}$ and draw an arc of which the distance from $84\frac{1}{4}$ to $97\frac{7}{8}$ would be the radius. This arc will intersect the angle at $73\frac{1}{2}$ --and automatically set that up as an objective to which the market should go. And, theoretically, that objective should be made to the exact fraction of a cent on the day indicated.

As may be seen, this system is designed to combine both time and distance in the market, which is the goal of all mechanical market predictive methods. The theory is that the market will either make the price objective indicated, or spend the time within the radius of that arc. Its originator termed it "The Law of Definite Extent and Periodic Relationship". It is not a law. Webster defines a law of philosophy and science as "A statement of order or relation of phenomena which, so far as known is invariable under the given condition". We state frankly that this method of arriving at an objective through circumscribing the objective, using therefore the outstanding points of the market, does not invariably give the same result. Therefore, it cannot conform to a scientific definition of a law.

But in a running market; and particularly where the market GETS AWAY FROM ITS TOP OR ITS LOW POINT VERY RAPIDLY, this method is excellent to utilize in conjunction with the five methods previously outlined in determining an objective. Our experience has shown, however, that the definite price objectives which this method so designates are more dependable than the time elements involved by the length of time covered by the diameter of the arc. And we wish to emphasize that the great value of this system lies in noting the rapidity with which the market gets away from its outstanding point.

It must be obvious, of course, that a slow, creeping market will destroy the effectiveness of this method. And a market may congest during all of the length of time circumscribed by the arc --and then when it is beyond the confines of this arc react rapidly to reach the price objective first indicated.

As stated, the value of this method consists primarily in utilizing the speed with which the market gets away from an extreme point. Usually on a break the decline for the first two or three days will stay below the angle-line drawn off the top as shown at X-Y in Pictograph No. 2. On an advance, it will stay above the angle-line drawn in a similar manner. Thus in the illustration the angle-line drawn off the bottom of the 11th of September, equal distance from the high of the 31st of August, would show that the advance from the 11th to the 19th was so much more rapid than the decline from the 30th of August to the 11th of September that at no time was the market below the angle-line A-B. It not only made the objective indicated where the Line A-B bisects the arc A-C, but it went almost precisely to the top of that arc A-C within the arc. Then it turned and broke rapidly, the break staying below the angle-line X-Y indicating that it was really a turning point in the market and that there was a possibility of the objective made by the intersection of the angle-line X-Y on the arc X-Z being reached.

In this instance the market went through the objective several cents.

In theory the market should make the price shown where the angle-line circumscribes the arc and on the day designated. Should, however, this not transpire, the objective changes each day to the point on the arc where it crosses each succeeding day as shown on the graph. We state that this method has proven more dependable in measuring the distance a market will travel rather than the time it will consume in doing so, because we have seen many instances when a market will consume in congestion the entire period covered by the arc and then "step out" to make the price objective shown after working sideways clear on outside of the arc. In other words, although the time limits shown have apparently been consumed, the extent of the movement shown may still be made.

It is to be noted that the objective determined by this method would be somewhat similar in result to method No. 2 of Page 6 of this Lesson, whereby the objective determined in a decline is calculated by taking the distance from a high point to a previous low point and subtracting it from the low point, or the objective of an advance is calculated by taking the distance from a low point to a previous high point and adding it to the high point. This circumscribed method is much more rapid in calculation, however; it furthermore gives angle-lines with which to gauge the relative speed of an advance or a decline--a most important market observation; it also gives some semblance of a time limit on the objective.

MARKET SCALE WEIGHTS.

In utilizing the methods of determining objectives in the market scale for weighing the market, a weight of 10 points is put on the scale the moment that a Bottom or a Top is completed. This weight is put on for "Distance unfinished to an important price level or objective". But the moment the general price area of an important price level is reached, a counteracting weight of 15 points is put on the scale pan in the opposite direction to that in which it has been traveling.

Thus, if the market makes a Bottom, thereby automatically setting up a price objective at a higher level--and one should assume first that it will reach a price half-way back from the last low to the previous important high point, then a weight of 10 points would be put on the Bull side of the scale pan. This would be in addition to the weight given for the Bottom formation and for the market being above its last straight average and previous straight average. (All other weights for averages would of course be dropped from the market scale as per Lesson 7.) But the moment that the market reaches an objective determined by--
(1) the straight average between outstanding high and low points;
(2) the nearest extremity of a previous congestion; (3) the placing of the distance from the most recent high point to the previous low point on the bottom for an objective in a bear market, or the distance from the most recent low to a previous high point

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on top of the high point for an objective in an advancing market; (4) a previous major top of corn for an objective on wheat in a declining market; (5) a Circumscribed Objective, and/or (6) a Figure Chart objective (as will be explained in Lesson 9)--when any or all of these objectives are approached a weight of 15 points is immediately put on the Bear side in such an advancing market.

That weight, for "Distance Finished to an important price level or objective" is kept on the scale balance until the market has a reaction of considerable proportions in that price level and either puts in an opposing formation (a Top after an advance, or a Bottom after a break) and completes it by closing out of it, or else it has a reaction and then closes in new highs above the high point of the advance to the important price level or price objective (or closes in new lows on a decline).

SCALE WEIGHTS	POINTS
Distance Unfinished to an Important Price Level or Objective.....	10
Distance Finished to an Important Price Level or Objective.....	15
Important Price Level or Objective Recognized by Reaction and then Closed in New High (or Low) Prices.....	5