

We have just had a major shift in all timeframe cycles with the close of the trading year.

The Primary, Secondary, Intermediate, and short-term cycles have all ended and dynamically shifted for 2006.

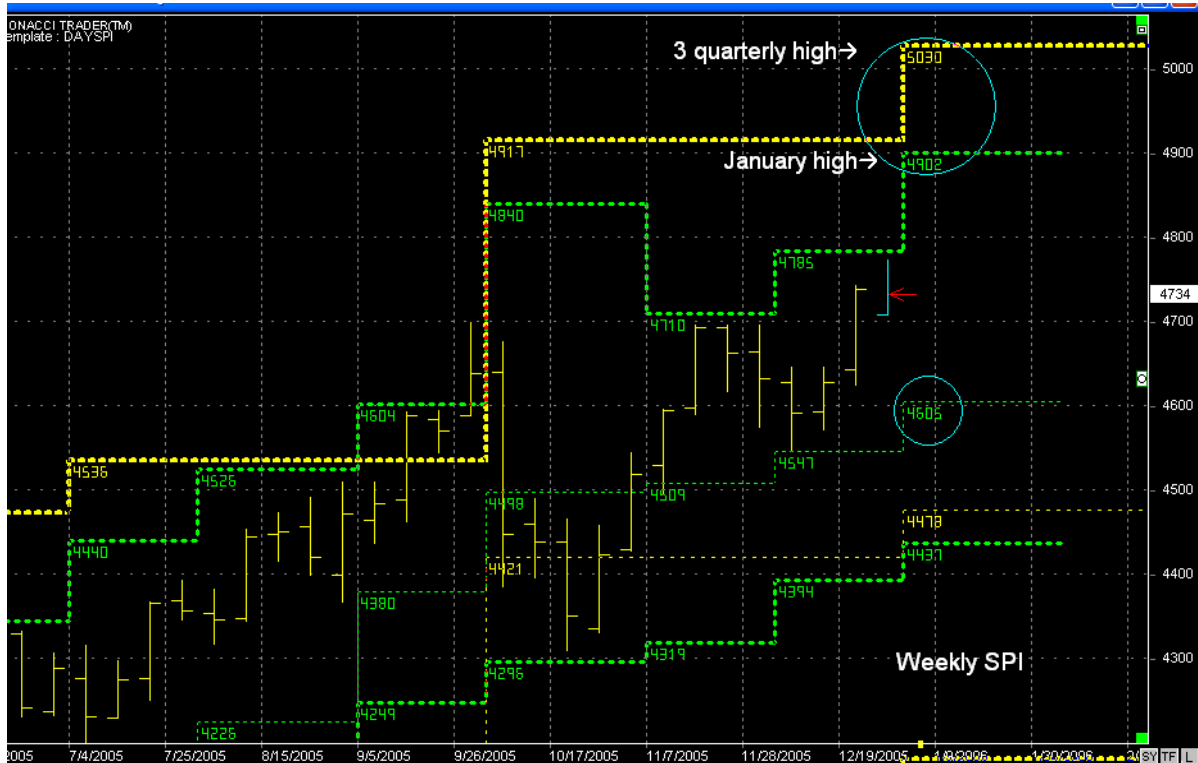


figure 148

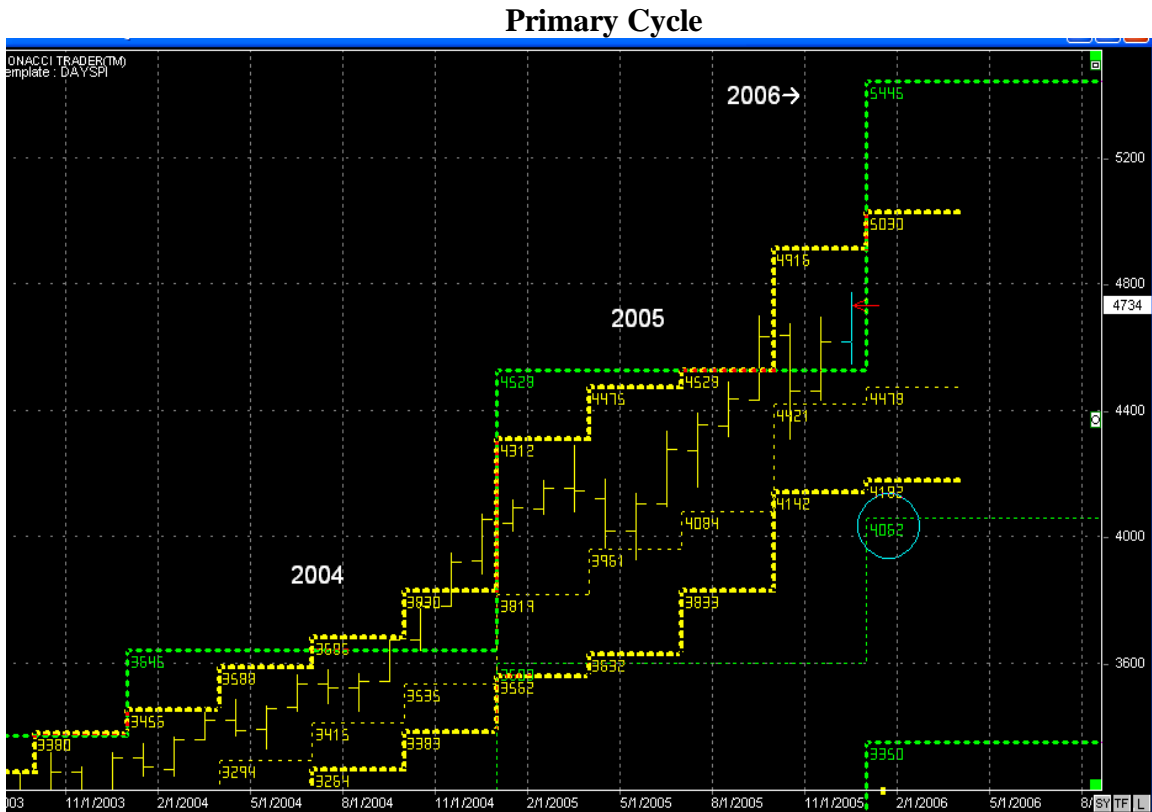
We can see in the weekly chart of the SPI (and all other markets) the shift in the Monthly and Quarterly dynamic timeframes higher. These dynamic levels will clearly define the market path for the market in the New Year 2006 along with defining Market Risk.

Because as the market shifts dynamically higher, so does our 50% levels that clearly define the strength of the trend. In January 2006 it is 4605.

Since the market crossed over 4490 in November, the 3-month 50% level has defined the strength of the trend whilst the extreme of the range gave us a probably path for the market to move towards within the timeframe.

Once the weekly closed above 4490 it confirmed our 100% entry into leverage positions because of the expectation of the Christmas Rally towards the December 2005 extremes.

Once it reached the December extreme traders can make the decision to exit 50% leverage positions. Others might want to use the change of the 3-day cycle to exit their 50% holdings, or Traders can have the same expectation as in 2005, hold for the 3-Quarterly extreme in 2006 whilst using 'Trailing' stops.



**Figure 149**

Figure 149 shows the monthly chart of the SPI and the Primary Dynamic range. We have our ultimate target for 2006 (5445).

You will also notice that the monthly timeframe has once again closed above the Primary range high, this confirms a breakout in the Primary cycle. Remember whenever there is a close above the extreme of the range we have an expectation that price 'could' move towards the next extreme within the same timeframe. So in 2006 we need to keep in mind that 5445 is still a possibility. This is the reason why traders should exit 50% leverage positions only. You don't want to miss the market moving another 700 points higher in 2006.

### **Trailing stop**

Using the same patterns in the market and the AMT model we have the expectation of the market moving higher, so traders would need to use the exact same patterns in the market when defining our 'Trailing Stops'. These trailing stops are based on the 3-month 50% levels and the weekly close, for the month of January we need a weekly close below 4605 and the 3-month 50% level to exit all leverage positions.

The following month this 50% level will once again shift dynamically, so our trailing stop will shift also, whilst we are trading a dynamic market that keeps on moving higher based on the multiple higher timeframes.

Traders would exit and remain on the sidelines until the variables line up once again.

This is important because you will also notice that the 3-Quarterly 50% level is 4478, this is the exact same level as the 50% of the single Primary cycle.

Price needs to remain above this Primary 50% level in 2006. Any test of this level and we would need to see the market move back above the 3-month 50% level once again. If it does, then traders would want to move back into leverage positions once again, preferably 100%.

If the market keeps on rising in early 2006, then traders would seriously think about exiting all their leverage positions at the 3-Quarterly highs @5030. This is the exact high as in March 2005 based on market dynamics. Once 100% cash traders will remain on the sidelines until the AMT variables line up once again.

Because this is based on the Index, traders should focus on trading the stocks that have the largest weighting within the market they are trading. Normally there's only a hand full of stocks that have a large weighting within each index, so that's the focus when trading leverage positions.

### **Market Risk within the Primary**

You will notice that we have had a 3-year rally on the markets. By following the AMT model we have clearly defined the Market Cycles, Market Path, Structure and Market Risk.

This is important, because we also have to acknowledge that the market will retrace back towards the 3-year 50% level. It might not happen in 2006, but it will happen and we should all be ready for it to happen.

In figure 149 we can see that the 50% level is 4062, more than 700 points below where the market closed in 2005. That is why we need to acknowledge and define the strength of the trends based on the 50% levels. If we are 100% cash and trading below the 3-period monthly 50% levels then we wait until the variables are aligned to re-enter.

If it doesn't cross and close on the weekly timeframe then we wait.

If and when it reaches the 50% level of the 3-year range then we enter 50% leverage positions, and then wait until the market crosses back over the 3-month 50% levels once again to confirm our 100% entry.

It can't be simpler than that.

All Traders will always be subjected to the market. We have our long-term compounding in place with the timing model of September/October to build wealth. **(Note: over 100 years on the Dow the statistical date for the market to rise has been October 27<sup>th</sup>)**

We have our medium term cycle trading using leverage to with clear trading strategies using 3-period cycles and dynamics.

And lastly we are trading 100% mechanical AMT systems for derivatives on a daily basis.

Traders who have followed the AMT model over the years knows how accurate and precise it has been, and I'll take a calculated guess that it will be accurate and precise in the future.

The AMT model and methodology has been the most accurate analysis there is on markets around without doubt.

### **My Personal Thoughts:**

Traders need to develop mechanical systems that have been back-tested and provide a 'positive expectancy' that each trade 'can' succeed, and that system incorporates the axiom of 'letting our profits run whilst cutting our losses quickly.' Each trader needs to fully understand this to guarantee success when trading short-term derivatives

Traders now have a 'visual' of how well the trend is cycling by the use of the 3 period cycle and when the odds of the trend stalling and/or reversing at each dynamic timeframe extreme based on the higher timeframes.

However, these systems will be different depending on each individual trader but the dynamic levels are not. These levels are clearly defined and often provide traders with the variables of taking trades discretionally. Traders also need to understand that each trade still operates under the random distribution of wins and losses. We still don't know whether the trade will work or how much we will make, the only thing we do know is our dollar risk because our stop loss will be clearly defined. And traders need to understand that they have to subject themselves to the market continuously if they decided to introduce a discretionary method to enhance their already mechanical system that returns a positive expectancy.

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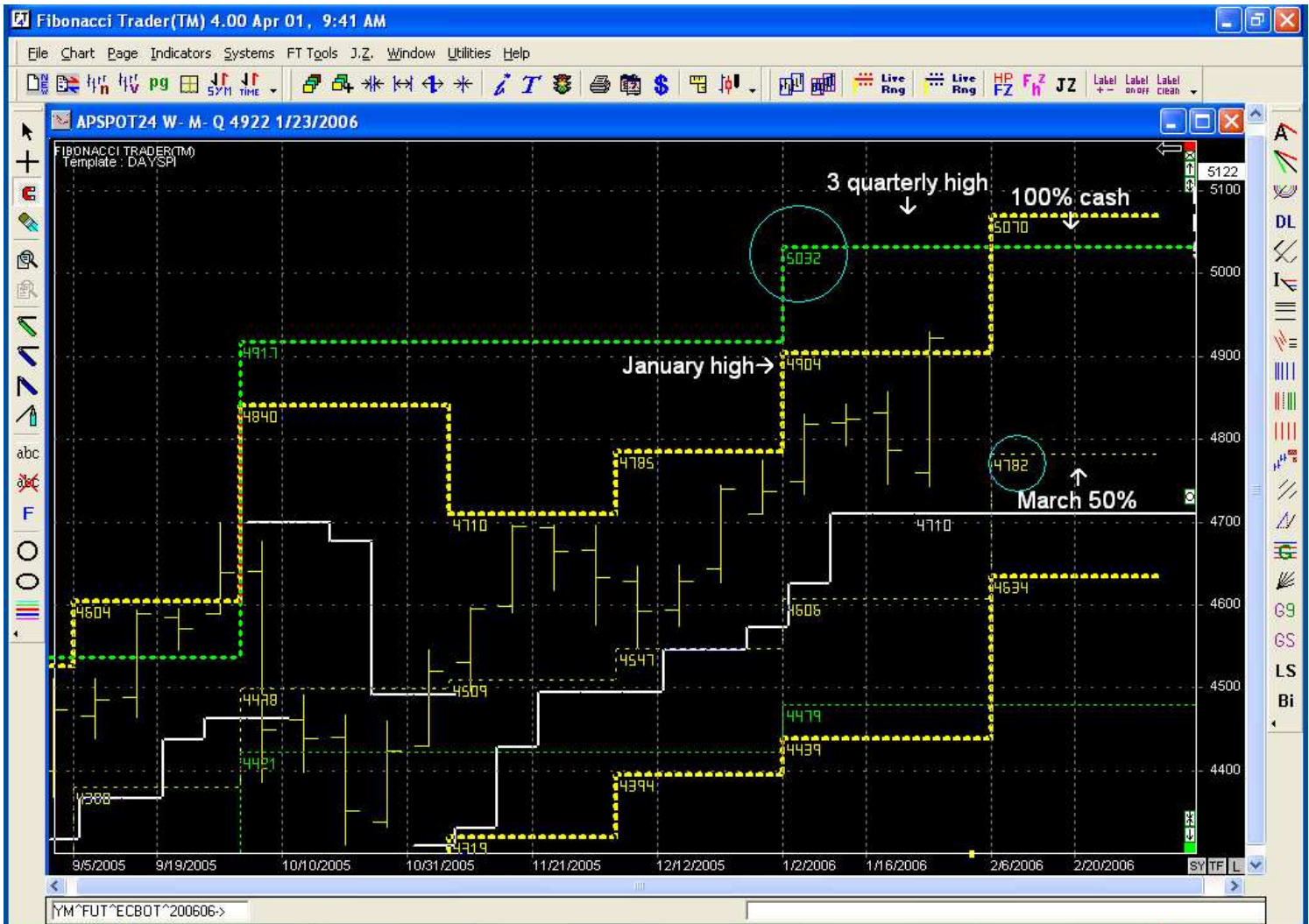
**By FRANK DILERNIA.**

**Note: Please log into this website for continued updates and analysis of current market action, and my short, medium, and long-term forecasts based on the information that is within this book.**

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## Market continues higher and hits the January Dynamic highs.



Time shifts the market once again and we have our Feb highs matching our Quarterly highs @ 5030

This is the level I will be going 100% Cash on all leverage trading stocks since first crossing the 50% level in early November.

It is the same pattern as in March 2005.

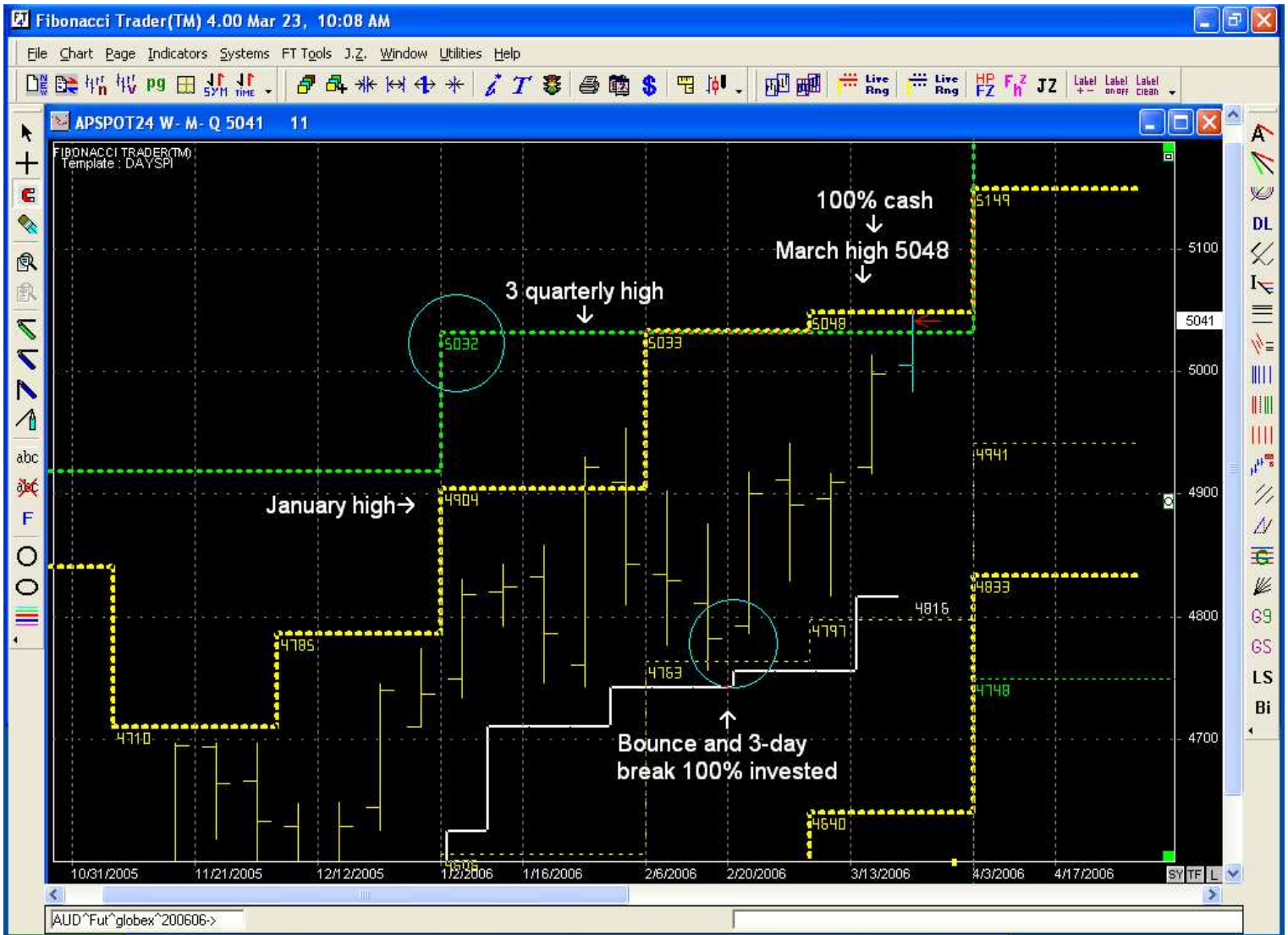
It is not a forgone conclusion that price will move that high, but my trailing stop has also shifted higher in February.

A weekly close below the new Feb 50% level and I'll cover positions.

And once again wait for the right variables to re-enter the market and repeat the process

**Frank Dileria**

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This is the leverage trading on the markets using the **AMT model**.

Longs from cross over the 50% level in November. 4490

50% exit at the 3-month highs in December, and move rest into trailing weekly stops using the 3-month 50% level.

Upper target based on 2006 dynamics is 5030 and the Quarterly extreme and exit.

Re-enter 50% leverage once again in Feb (100% invested) bounce off 50% level and break of 3-day highs.

**Exit at this weeks highs and move in 100% cash and wait.**

**Frank Dileria.**

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