

THE REIF SWING CHART METHOD

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INTRODUCTION

The purpose of this paper is to provide the analyst with a precisely defined method for plotting a swing chart. This method plots the 5 minute, hourly, daily, weekly, monthly quarterly, and yearly time frames in exactly the same way without exceptions. The author will show how any price action is plotted, so that all the key highs and lows are identified. It will be show how the plots of various time periods are related to each other using the "wheel concept" of cyclical analysis. It will be shown that one of the most useful observations is the study of price behavior after the various swing charts turn up or down.

BACKGROUND

W. D. Gann was one of the first market analysts to develop various types of swing charts. In his book, *How to Make Profits In Commodities*, Gann described the use of a 2 day, 3 day, and a 7 calendar day chart. In his *Stock Market Course*, he developed an entire trading method on a swing chart approach called the Overnight Chart. In addition, in his books *45 Years on Wall Street* and *New Stock Trend Indicator*, he described two types of 3 day charts: a trading day version and a calendar day version. The author has found it very difficult to use all of these charts, because there are times when the price action is so volatile that it becomes quite difficult to know how to plot it. Moreover, Gann did not provide us with the method he used to tie the analysis of all these charts together so that a consensus forecast could be made.

There have been other methods that provide the analyst with precisely defined pivot points. Arthur Merrill, in *Filtered Waves*, described an excellent method to measure swings in the market. He used a percentage reversal that would filter out any reversal less than the percentage selected. For example, if the analyst only wanted to see swings greater than 10%, the chart would remain up until a 10% or more decline, from the highest high reached up to that point, occurred. Once a decline of 10% occurred, the last high was defined. The next low would not be defined until the market moved up 10% from the lowest point reached. In 1979, Merrill published *M & W Patterns*, which provided excellent research on the probabilities of any given 5 point wave (M or W) to project future price action. The author has had trouble with this approach wondering if a 9.7% correction was not significant, while a 10.1% correction was significant. Despite this concern, I have found this approach to be quite helpful in defining key pivots in market action.

Jerry Favors, of *Jerry Favors Analysis*, is probably the modern day expert on the Gann swing charts. In his presentation before the Market Technicians Association monthly meeting in November, 1990, he described an Inside 5, a Daily Trendline, and a Three Day Chart. Favors keeps numerous swing charts, each having its own rules for plotting and analysis.

Another approach was developed by John R. Hill in his book, *Stock and Commodity Market Trend Trading by Advanced Technical Analysis*. Hill describes a method to determine a pivot point with a swing being the movement from one pivot point to the next. In his book, a top pivot point is defined as the highest point reached in a swing prior to the penetration of the low of the top day. A bottom pivot point is the lowest point reached in a swing prior to the penetration of the high of the low day. The main problem I have found with this approach is determining what to do when a long bar period presents itself in the price structure.

In 1986, after studying all of the above methods in great detail, the author decided to try and develop a single plotting method that was precisely defined and that could be used on any time frame, be it a 5 minute chart or a yearly chart. In addition, I wanted the chart to show the periods that were not plotted, including "inside periods" and "multiple plot" periods. I also wanted to be able to study a daily, weekly, monthly and quarterly chart of a stock or commodity and compare each chart's picture at key historical turning points. This effort led to the following plotting rules.

