The Delta Phenomenon

or

THE HIDDEN ORDER IN ALL MARKETS

By

Welles Wilder

PROLOGUE

I never thought, even in my wildest dreams, that I would ever write this book . . . much less publish it.

However, an almost unnoticed ad in a national newspaper in the summer of 1990 started a chain of events that resulted in the publication of this book.

On the day the ad was published, two of the Delta Directors (from different parts of the world) called me regarding the ad. They were concerned that the Delta secret, for which they had each paid $35,000 to learn was out!

One of them faxed the ad to me and I must admit I was shocked and alarmed by what I saw. Someone (whom I shall call Gary Mackhan) was looking at me, stating that he was offering a book for sale which revealed the secret of **"the most important discovery ever made about the markets."**

The ad layout and wording was almost exactly like the ad I had published in newspapers and magazines all over the world in 1985 and 1986 regarding THE DELTA SOCIETY INTERNATIONAL. The picture of George Marachal's chart . . . the statement that the turning points on the same two time frames could be predicted ten years or more ahead . . . and even the accuracy ratings (slightly changed) were all as in my previous ad. I knew immediately that nothing on this planet but The Delta Phenomenon could make the claims that were in that ad.

Not only was I astonished that someone was publishing a book about Delta, but he had the audacity to use my ad to try to sell it!

First, I tried to obtain a copy of the book, but was told that it would not be ready for three or four weeks. Next I tried to contact Gary Mackhan, but was unsuccessful. Then I called an emergency meeting with my attorneys and we set out a course of action. We sent Mr. Mackhan a registered letter demanding that he cease immediately from publishing my ad and expressed our fears that he was knowingly involved in an illegal scheme that involved a breach of contract . . . etc. We also asked for a book.

This book is published by and available from

THE DELTA SOCIETY INTERNATIONAL
P.O. Box 128
5615 McLeansville Road
McLeansville, NC 27301

It is the intent of THE DELTA SOCIETY INTERNATIONAL
to publish and maintain the availability of

THE DELTA PHENOMENON
or
THE HIDDEN ORDER IN ALL MARKETS

in perpetuity.

The price is one hundred and seventy-five dollars.

IMPORTANT NOTICE!

PATENT PENDING

The technique for utilizing the concept and underlying materials as disclosed herein is the subject of pending patent applications. Such patent rights will be strictly enforced against violators.

We informed all appropriate magazines and newspapers that Mr. Mackhan was about to be enjoined in litigation regarding plagiarism of my ad copy and warned that publication of the ad might involve them in the litigation.

Mr. Mackhan hired a lawyer who exchanged letters with my attorneys. He admitted nothing and tried to defuse the issues. He would not send us a copy of the book and finally stated that Mr. Mackhan had decided to do more research and rewrite the book . . . whatever that means!

It was obvious to all involved that the secret was out and it was only a matter of time until someone would try to capitalize on it. It was also obvious that one of the Delta Directors had broken his contract not to reveal the secret.

I must admit that at first I was devastated by this turn of events. Then, gradually, as I began to consider the options, a plan began to take shape.

First, I would obtain a patent on the Delta secret. Then I would write the only original and proper book revealing it in its entirety. I would give back to the Delta Directors three-fourths of the profit from the book. Although the book would fully reveal everything I had taught to each Delta Director who came to Greensboro to learn the secret, it would not give solutions or future turning points for ail markets.

To do so would be a breach of trust to the members of THE DELTA SOCIETY INTERNATIONAL who get this information every year until the year 2000.

The book would enable anyone who purchased it to duplicate the work that Jim Sloman and I had done in solving any market for Delta on any of the five Delta time frames. This would then enable him to develop computer programs that would give future dates for any market. **However, since the Delta Phenomenon is patented, he could not distribute or sell this information** ... but he could use it for himself.

The more I considered this plan, the more it appeared that the gains to everyone outweighed the losses.

The Delta members would continue to be the only exclusive group to get **the future Delta turning points and my monthly members letter** which maintains a constant update on all markets and points out the best trading situations developing in all markets on all but the Short Term Delta time frame. They would get a copy of the book which would give them the secret of Delta. They would also have the information on the Short Term Delta time frame as shown in this book.

The Delta Directors would still be the exclusive group who would have all the solutions to all markets that I had solved, for both stocks and commodities. They also would be the only exclusive group to have all the future Delta dates on all time frames on all commodities and stocks as **far into the future as they want for their lifetime.** They also would, over time, probably get back as much or more from the proceeds of this book than their membership cost initially.

Both groups, the Delta members and Directors, would be protected (remain exclusive groups) by the patent. Obviously, the readers of this book will benefit from the revelations put forth. For a time, they also may become Members or Directors of the Society. However, the total membership will continue to be limited.

To be brief, I sent a comprehensive report to each Director detailing the action I had taken and was continuing to take against Gary Mackhan. I laid out my plan as outlined above to write and publish the proper and only Delta book. I asked them to supply their comments and suggestions and to vote whether I should proceed.

Their input was good and was very appreciated. The vote was almost unanimous. That is why you are reading this book.

FOREWORD

It all started with a phone call in the fall of 1983. I think the month was September.

I came back from a trip and among my calls to return was a call from one Jim Sloman. I had never heard of Jim Sloman so I fielded the more important calls first. Toward mid-afternoon I returned the call to Jim Sloman. My life has not been the same since!

Rather than trying to give you a history of what happened next, in the following pages I have included the two brochures that I wrote in 1984 and 1985 to make membership in THE DELTA SOCIETY available to traders. These brochures not only cover the history of what happened those first two years, but will give you a quick preview of what you are about to read.

After the brochures, I have included an interview that was published in the national magazine, TECHNICAL ANALYSIS OF STOCKS AND COMMODITIES in the February 1986 issue. In it I tried to answer questions regarding my experience and background and questions about The Delta Society.

After the interview is a Table of Contents and then the book begins.

I have written this book in my usual first person conversational style and I have tried to tell the story of how it all happened as I move through the material. I believe this adds an element of interest and excitement to the learning process.

As with all my books, I have tried to include only relevant and essential information in the most precise way possible.

To make it easier to read, I have often deviated from the grammatically correct usage of stating certain numbers as words and used the Arabic numbers instead of word numbers.

FUTURES TRADERS & MARKET ANALYSTS. THIS IS...

THE MOST IMPORTANT DISCOVERY EVER MADE ABOUT THE MARKETS.

THERE IS PERFECT ORDER BEHIND THE MARKETS...

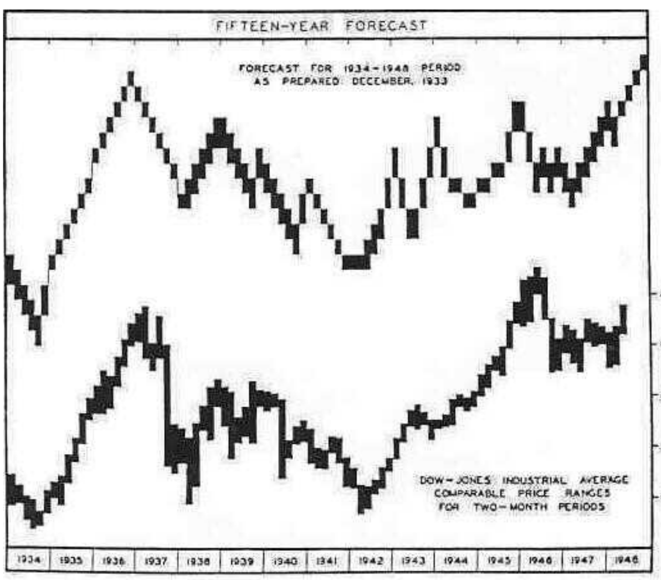
It makes no difference whether the markets are stocks, commodities, or any other freely traded markets. This perfect order is the **basis** of all markets.

GEORGE MARECHAL DISCOVERED THIS FIFTY YEARS AGO...

In 1933 Marechal drew a projection of what the stock market would do for the next fifteen years. (See below.) George Marechal lived to be almost ninety years old but when he died, his secret died with him. **One man working alone in Chicago in the summer of 1983 rediscovered what I believe was Marechal's secret.**

THIS SECRET HAS JUST BEEN REDISCOVERED...

It is now available to members of the DELTA SOCIETY INTERNATIONAL (DSI). Applications for membership are currently being accepted.



The top line of price fluctuations is an actual reproduction of a copyrighted fifteen year market forecast as calculated and drawn in 1933 by George Marechal.

The bottom line of price fluctuations is the actual Dow-Jones Industrial average from 1934 to 1948—the same fifteen years as projected by Marechal.

Welles Wilder is known world-wide for his innovative and original concepts for technical trading systems. His revolutionary book, **New Concepts in Technical Trading Systems** is legendary, in technical circles. FORBES MAGAZINE (Oct. '80) singled Mr. Wilder out as *"The* premier technical trader publishing his work today." FORBES goes on to say, "For those of you who have seen all the conventional systems, this book is the place to start."

Wilder's "Relative Strength Index" (RSI) is monitored daily by many big brokerage firms and is charted by most chart services for each commodity. His "Directional Movement" system and "Parabolic Time/Price" system have become bywords to technical traders world-wide. Most computer trading systems in use today utilize some of Wilder's originally published concepts.

Mr. Wilder is an active trader and advisor on technical trading systems and methods. He has authored many articles on trading techniques and makes appearances on radio and television programs. Around the world, there are probably more traders using Mr. Wilder's systems and methods than any other single discipline.

Mr. Wilder has presented his methods and systems at technical trading seminars in Asia, Australia, Canada, the U.S. and the capitals of Europe. Mr. Wilder's company, Trend Research, Ud., McLeansville, N.C. develops computer trading programs and computer software, and distributes his book.

There is no "One Minute Recap" to what I am about to say. But when you have a few uninterrupted minutes, you should sit down and read this through. . .and if you have ever traded the markets, (any markets) whether or not you decide to apply for membership, you will never forget what you are about to read.

For example, I am going to tell you that all markets are predictable. . . not just the next intermediate swing or major swing, but **all future** major and intermediate swings. I have calculated all intermediate and major tops and bottoms through the year 2000 for all COMMODITIES, STOCK INDICES, FINANCIALS and CURRENCIES. This is now available to you as a member of THE DELTA SOCIETY INTERNATIONAL

IT'S HARD TO BELIEVE, BUT IT IS THE TRUTH

Pick a year. . .then pick a commodity. . .for example, T-Bills 1994.1 can chart every intermediate turning point and every major turning point that T-Bills will make in 1994. Or better yet, pick a date. . .any date. . .say March 22, 1988. I can punch that date into my Apple or IBM Computer and immediately obtain a hard-copy print-out of the previous intermediate turning point, the next intermediate turning point and the following intermediate turning point. . .for every commodity. . .or for any portfolio I choose.

Replacing that program disk with the long term disk, again. I can punch in any date and obtain a hard-copy print-out of the previous long term turning point, and the next two long term turning points for all commodities or any predetermined portfolio of commodities.

I know this is hard to believe. That's why I chose three people to show this to...people whose integrity would not be questioned. On the back page of this letter, is their verification that it is true.

HOW DID THIS THING COME ABOUT?

My name is Welles Wilder. I wish that I could say that I discovered this phenomenon, but I'm not that smart. It all began with a phone call. It was the second week in September, 1983. The essence of the conversation went like this:

"Mr. Wilder, my name is Jim Sloman. I have discovered something about the markets that I want to present to you."

"What is it," I replied. . ."a trading system?"

overlooked the lake. We could hear the surf rolling in.

"How did you ever get this apartment?" I asked.

Jim said, "I visualized that I was living in a beautiful apartment overlooking Lake Michigan. Shortly after, through a series of seemingly accidental circumstances, it happened."

We were sitting in the living room chatting and I was scheduled to catch the 5:30 flight back to Greensboro.

"How long will it take to show me your discovery?"

"Not long," said Jim, "but first if you wouldn't mind, I would like to tell you how this thing, DELTA, came about."

"Is that what you call it, DELTA?"

"Yes. DELTA is a Greek letter derived from a word meaning 'door,' in this case a door to the unknown. It also means for me the word 'diagnosis,' a diagnosis of the markets. A few months ago I began thinking about the markets in a way that was different for me. I attempted to find out if there was some kind of order in all markets. I visualized the markets as being a hologram. Do you know what a hologram is, Welles?"

"Yes, a hologram is a projection in three dimensions."

"Right. Do you know how one is made?"

"No."

"A hologram is made by projecting laser light through a holographic negative. . .much like a photographic negative. However, if one looks at the holographic negative with normal lighting, it looks like mass confusion. When laser light is projected through the negative, then the three dimensional hologram appears.. .the confusion is replaced by perfect order."

"This was my approach to finding order in the markets. Suppose the holographic negative was the markets. . .mass confusion. If, so to speak, I could find the right laser to shine through that negative, if there was order there, it would be immediately obvious." He asked me to come into the kitchen and sit down at the table. "Here is a regular bar chart of the last nine months of the S & P's. It's mass confusion. Now look at the same chart with this projection on the chart. Just study it for a minute."

I looked at the chart. It was overlayed with colored lines and numbers. It took about five seconds for it to hit me... to comprehend what I was seeing. I simply could not believe the answer was that simple. I suddenly felt a sense of awe. . . like my eyes were opened and I was seeing something that no one else had ever seen. I felt like the person who had spent a lifetime searching for something, and ended up finding it in his own back yard. Suddenly, Jim brought me back to reality with a question.

"Welles. where is the next turning point for the S & P's?"

"Why, it's right here," I exclaimed, pointing to a place on the chart about two weeks in the future from the last daily bar. It was suddenly so clear why it had to be there.

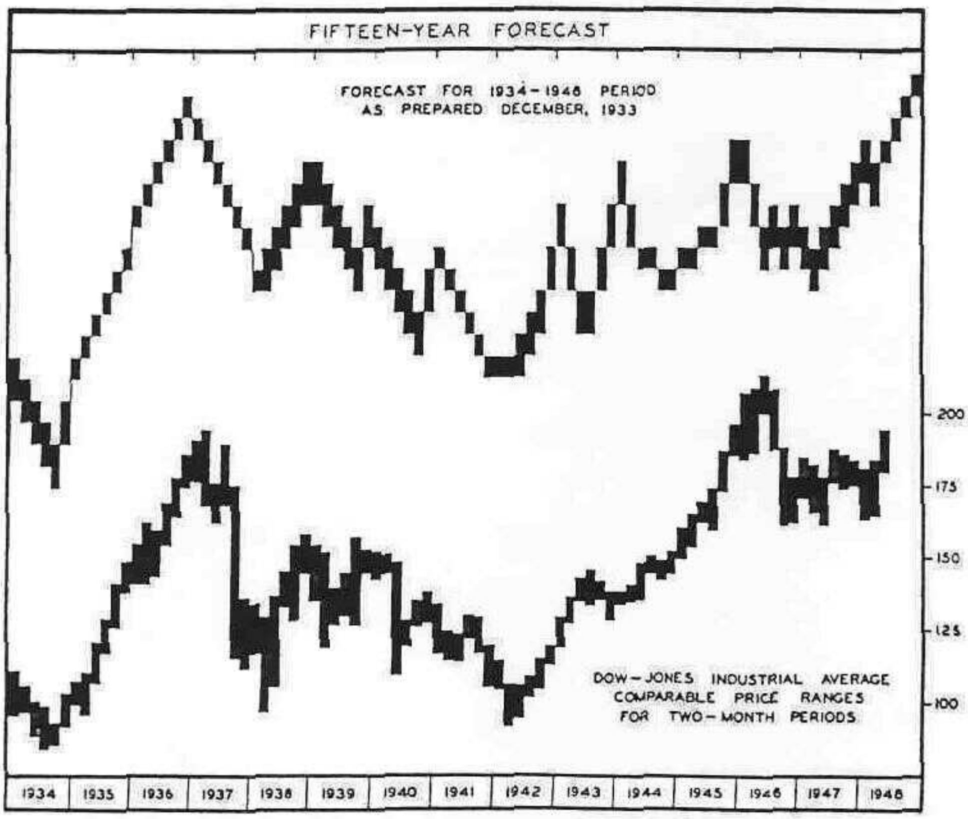
"Right," said Jim, "and obviously it will be a top. Now where will the next bottom come after that top?"

"Right here," I answered, feeling a spine-tingling sense of wonder. It was obvious that I was shaken by what I was seeing. "Let's see some other charts."

For the next several hours Jim explained the discovery to me. I looked at fifteen different bar charts of fifteen different commodities under the projection of Jim's colored lines and numbers. It was obvious that there was an order that the markets followed. Each turning point did not necessarily come on the exact day that it should have, but it was incredibly close. . . within two or three days in most cases. I knew what this order

"Marechal, by mathematical methods of his own, was the first to demonstrate that there is **order** underlying the so-called random changes in price fluctuations. No professor at any university, no government economists, have ever been able to produce a similar chart showing, as Marecnal's famous chart, copyrighted in advance, what the Dow-Jones Industrial stock averages would do 15 years ahead. As one of many other samples of this **mathematical orderliness regulating the flow of stock prices,** the writer received from this remarkable man, now approaching 90, several months before President Nixon's election, an accurate prognostication of what the D.J. Industrial Average would do the day after Nixon's election."

(Alan H. Andrews, Director - THE FOUNDATION FOR ECONOMIC STABILIZATION, Boston, Massachusetts — 1969.) (Emphasis added.)



"The top line of price fluctuations is an exact reproduction of a copyrighted forecast as calculated and drawn in late 1933 by George Marechal, formerly of Montreal, Canada. One of the original copies has been in the author's possession since 1935. As each year was divided into six parts, the actual fluctuations of the Dow-Jones Industrial Average have been added below on the same basis by taking the high and low for two month's periods."

"Clearly, the pattern of forecasts and the actual pattern of the market rniss many times in detail and exact timing. Nevertheless, the broad picture of the trends from 1934 through 1947, at least, is remarkably similar."

(NEW METHODS for PROFIT in the STOCK MARKET by Garfield Drew, pp. 161. The Metcalf Press — Boston, Massachusetts — Enlarged Edition, 1948.)

! still had a little while before I needed to leave for the airport so Jim and I decided to walk to a restaurant nearby and have something to eat. Jim was somewhat shy to talk about himself, but I was persistent. I wanted to know more about a person who could conceptualize the DELTA phenomenon. I learned that another area of Jim's interest was the phenomenon of the human mind. He had written and published a book on life and the mind which he titled *"Nothing."*

(By the way, if anyone would like an insight into Jim's concepts on the mind, the book is available from Palmetto Publishing Co., 5731 N. W. 37th St. #401, Miami Springs, Fla. 33166. The price is $9.95 plus $2.00 postage & handling.)

Jim feels that human health can be greatly influenced by the power of the mind. For example, under hypnosis one could touch a cold stove believing it was hot, and a blister would form on one's finger. Think about that! Body tissue physically changed by the power of the mind. Could not the mind influence body chemistry if one could get the message to the right part of the mind?

In fact, Jim had proved this a number of times. In one case a young woman had terminal cancer. The surgeons had found cancer everywhere and she was given only two months to live. The girl's father, a good friend, contacted Jim and he began to work with her using a combination of visualization and nutrition. Four months later she went back to the surgeons who, to their utter amazement, found no trace of the cancer. Jim was quick to point out that it was the girl herself who restored her health, not him.

Recently, he had rented an auditorium, filled it, and talked informally for three hours about "The role of gratitude and trust in creating one's life." At the restaurant I found out what Jim's new project was. He was preparing to make a feature length film. He outlined the film for me. I liked it very much.

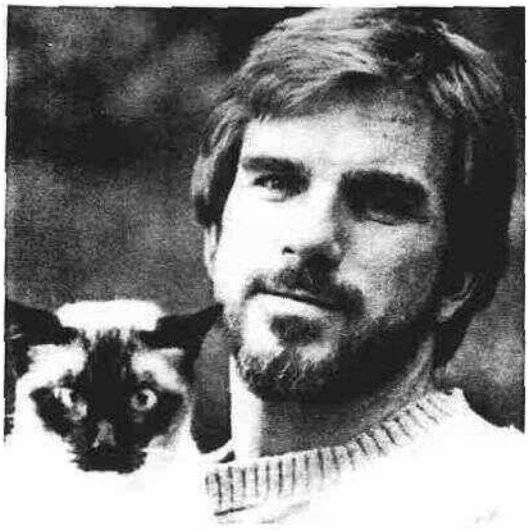
On the plane back to Greensboro that night, my mind was racing over the different courses of action to take from here. There was so much work to be done. Each market had its own characteristics relating to DELTA. Jim had identified these characteristics for the intermediate term for fifteen markets and for three markets long term. Also, I wanted to go back about ten years or so for each commodity and tabulate the intermediate term DELTA turning points. To tabulate the long term DELTA turning points required going back even farther when the data was available.

I decided to commit all of my time to this project. To remain completely objective and undisturbed I would refrain from trading until the project was complete. For the next few months, I rarely went in to the office, but stayed home and worked where there were no quote machines or telephones to distract. Six months later the project was almost finished. I had applied DELTA to more than **two hundred years** of daily charts covering twenty five commodities and more than **three hundred years** of monthly and weekly charts. It was unbelievable how the accuracy of only nine months of charts that I brought back from Chicago held up through all these years. Of course, Jim knew it would, but I had to prove it to myself.

During this intensive study it became more and more apparent how DELTA is the **basis** of all market movement. DELTA is not a market follower. . .it is the **reason** for market cycles. Yet DELTA is not cyclic...it is not a cycle phenomenon.

When the study was almost finished I called Jim and invited him to come to Greensboro for a week to verify my findings. When Jim arrived we both worked night and day on the project. Jim went over every chart in detail. He also worked out the **long term** DELTA for the rest of the markets.

During the last six months of research and study into DELTA, a thought kept popping up in the back of my mind. The DELTA discovery was too significant not to be shared in some way with others. The secret must be kept secret but the results and capabilities of DELTA should be shared. The secret also would have to be passed on to succeeding generations, but how could this be done? I considered publishing a DELTA trading letter but just couldn't fathom the idea of being tied down to getting out a letter every week.



Jim Sloman

"It's not a trading system although it could be used to trade the markets. If you will come to Chicago, I will show it to you."

I replied that I had received phone calls of this nature before and had been on a number of wild-goose chases, and was not too interested in going on another one. Could he just tell me over the phone what it was he wanted to show me and why he wanted to show it to me.

Jim replied that he could only show it to me if I came to Chicago. He insisted that it would certainly be worth *a* day of my time. I asked a few questions as to the nature of his trading method.

"Does it follow or predict market action?"

"Predicts."

"Does it involve Fibonacci numbers?"

"No."

"Does it have anything to do with the works of Elliott or Gann?"

"No."

"Or Andrews or Dow or anybody else?"

"No."

"Is this a completely original discovery?"

"Yes."

At this point I was getting interested and the answer to my next two questions clinched it.

"Why do you want to show me your discovery?"

"I need a very large sum of money to begin another project."

"How will I know its value in order to make a decision?"

"Come to Chicago and I will show it to you. At that point you can decide whether or not you want to buy it."

Several days later I caught the 8:00 AM flight from Greensboro to Chicago and Jim met me at the airport. On the way to his apartment, I directed the conversation toward learning something about him.

He is a very gifted person. His intellectual abilities were first recognized in high school when he placed among the top in the country in a national exam given to all senior math students. Subsequently, he was awarded a National Merit Scholarship to Princeton University where he studied math and physics in special advanced classes.

Jim had done many different things since college, looking for an elusive fulfillment. He started out on the corporate ladder, became a high achiever but felt that something was missing. He wrote a novel, and studied film directing at Columbia University. He had been a stock broker and briefly a commodity trader, but he left that profession because he felt that he did not have the right temperament for it. Lately Jim had been experimenting with manifesting things by visualizing them.

Jim turned into the parking lot of the only apartment building on the North shore of Lake Michigan with its own private beach. His beautiful apartment was and I knew what was causing it. The realization slowly sank in that with this knowledge I would always know, with very high probability and as far in advance as I wanted to project it, where the intermediate turning points would occur.

"Jim, this looks incredible on these fifteen charts for the last nine months, but how do you know that this will hold up going back in the past and going ahead in the future?"

"I'm quite sure that it will continue as you see it now in the past or in the future because **what causes it never changes,** but you will just have to prove this to yourself. There is one other aspect to this that will verify that for you. DELTA also holds true in a long term perspective on either weekly or monthly charts. Here is a monthly chart of Live Hogs since 1962 with the projection on it."

I studied the monthly chart since 1962 and again was awed by the beauty of it. The significance of what I was now seeing did not escape me. The **long term** DELTA gave the major direction and major turning points. Using this with the **intermediate term** DELTA gave the complete picture.

It had been several hours since we arrived at Jim's apartment and I now knew both the **long term and intermediate term** DELTA. Jim sensed that we had come to the moment of truth.

"Well, Welles, is DELTA worth what amasking you to pay for it?"

I thought to myself, of course it is worth it, and what's more, I already know it.

"Jim," I answered, "let me see if I understand this deal. If I pay you this sum of money, does it mean that DELTA is mine to do with as I choose? Does it even mean that I could take credit for discovering it? Does it mean that you will tell no one else the secret?"

"Exactly," said Jim. "I would like you to know my feeling on two things. One is that I would like to think that this knowledge will not die with you. I would like you to make the fruits of it available somehow. The second is that you would give me credit for discovering it. However, DELTA is yours.. .you do not have to do either of these things."

"Would you also agree to consult with me if I should have any questions on this in the future?"

"Yes," Jim replied.

I said, "Jim, you've got a deal."

I sat down and wrote Jim a check for a very large sum of money.

Handing Jim the check, I had another question. "Of all people to whom you could have chosen to sell DELTA, why me?"

"Welles, I read one of your brochures, and something said to me, this is the person that should have it. The only way I could sell it was to first reveal it to a buyer.. .then once he knew it, why would he buy it? This was my problem. Somehow, I knew you would pay for it even after you knew it."

"Jim, I'll have to admit, the thought flashed through my mind to make you a counter offer for less money. Then I remembered that just two days ago I found out unexpectedly that I was going to receive exactly this sum of money from an investment that I had made several years ago. I have learned that when things come together like that, you don't fool around with them. Too many good things have happened for me not to believe that there is a reason behind them. In the same way that you trusted me with DELTA I trust you when you tell me that you will tell no one else about it."

I packed the DELTA charts in my briefcase and sat down to make some notes to myself about the DELTA phenomenon. I could not think of anything to write down. Once you saw it, it was so incredibly simple.. .yet at the same time it was just as incredible that someone could set out to discover it and actually do so. I think only one other person may have discovered it. Of course, it can't be proved, but George Marechal must have discovered the long term part of this. It would explain the timing of the market turns shown in his 1933 stock market chart.

Since September, I had been following DELTA every day on my daily bar charts. I had made an overlay for each chart which showed the location for the DELTA intermediate turning points. I began to draw vertical bands on the chart where the future DELTA turning points should be. Usually the turns came within plus or minus two or three days of the midpoint of the band.

One day it occurred to me that I could increase the accuracy of determining the turn day if I knew the **average** of that point for the documented history of DELTA for that commodity. Taking it one step further, I posed the following problem . . .What day, plus or minus two days, will have the highest accuracy? How about plus or minus three days... or four days? How about a way to rate the accuracy of each turning point?

I already had the data necessary to determine this from the two hundred charts. It was just a matter of designing a computer program to analyze and categorize the information. Several weeks later I had the print-out for each commodity which I kept with each chart. I now knew the probability that the turn would occur within a specific time frame for each point. I also knew which turning points had a history of being the most accurate.

After utilizing this information for a few weeks, I had another idea. With this new information, it was now possible to design a computer program that would print out the turning points with the probabilities for all commodities **for any date; past, present or future.** This thought was staggering, yet all of the information was available to do it.

I designed this computer program and put my programmer to work on it. He did a brilliant job on that program and had it completed in six weeks. Now all I had to do was punch in today's date and the information on the current turning points of all commodities was printed in seconds. Also, **I was able to structure the program so that it was done without knowing the secret of DELTA.** The program contains the results of DELTA, but not the secret. This is significant, because it means that the secret could not be learned even if someone were able to decipher the object code of the program. (By the way, my programmer doesn't know the secret!)

All of the pieces of an idea for sharing DELTA had come into place except one. **Who would believe it?** I could offer to sell or lease the computer program that gave the DELTA turning points, but there was no way I could prove that DELTA was so unbelievably accurate without actually revealing the secret as a part of the proof. I mulled this over for a couple of weeks and then one morning at 3:00 AM the solution came. The answer was THE DELTA SOCIETY INTERNATIONAL. (DSI)

THE DELTA SOCIETY INTERNATIONAL would be the guardian and perpetuater of the secret. There would be two types of membership, Members and Directors. Those accepted as MEMBERS would receive the DELTA computer program for both the **intermediate** DELTA turning points and the **long term** DELTA turning points. The programs would be updated annually for members in good standing. There would be an initial cost of membership and a small annual sustaining membership fee which would go toward supporting the Society on an annual basis. The cost of initial membership would be $3,500 with an annual sustaining fee of $100 adjusted periodically for inflation.

In addition to supporting the software, the society would make the program continually available for the two most popular computers used by traders over the years. Membership would last until DECEMBER 31, 2000. At that time members in good standing would have the option of renewing their initial membership.

Those accepted *as* DIRECTORS of the DELTA SOCIETY INTERNATIONAL (DSI) would be taught the secret and be given a copy of all the hundreds of years of charts that validate the DELTA statistics. Directors would also receive the computer programs. This is why DELTA would be believed...because I would have to reveal the secret to some people.

The Directors will meet twice a year somewhere in the world. The purpose of these meetings will be primarily to share ideas and experiences with DELTA that would benefit other members. The Directors would also have the responsibility of carrying out the business of the society and protecting the secret of DELTA. If accepted, the cost of a Directorate membership would be $35,000 and would last for life. There would be no annual maintenance fee for Directors.

When I told Jim about my plans for THE DELTA SOCIETY INTERNATIONAL, he was elated. In one stroke, the DSI accomplished what he wanted for DELTA. I suggested that he be the first president of DSI. (So far he has declined, but we'll see). Also I told Jim that I felt it was only fair that he should be included in the profits made from DELTA. In turn, Jim said that any new ideas he got about the markets would become our joint property. The DELTA SOCIETY INTERNATIONAL was the perfect vehicle to safeguard and perpetuate **the most significant market discovery ever made.**

HOW DOES ONE USE THE DELTA COMPUTER PROGRAM?

There are two DELTA Programs, the **intermediate term** and the **long term.** First, the intermediate term. To start at the beginning, insert your disk in the drive and turn on your computer. The program boots and the name DELI appears on the screen. Below that two options appear. One says DATE, the other says SETUP. If you had already set up your portfolio, you would simply type in today's DATE and the printer would print out the DELTA information for the portfolio. **(Note that you never have to punch any prices or other information into the program. The software program already contains all the information it needs.)** However, since this is the first time you have run the program, simply type "SETUP." A new screen appears with the names of 25 commodities. Beside each commodity is a number. The order used for punching the commodities into the portfolio will be the order of the print-out. You could punch in all 25 commodities to your portfolio, or any smaller portfolio you may choose. Below is an actual example.

The title of the print-out identifies it as the intermediate term DELTA and gives the date you punched in. First the commodity is printed which in the example is COFFEE. Next, three turning points are given for the commodity. Beside each turning point are five headings as follows:

DATE This is the date for the turning point, 5/18. The date will always be a weekday. (If you should punch in a Saturday or Sunday, the nearest weekday will be printed.)

AR This is the **accuracy rating** for that particular turning point. The number 17 means that the average distance from this point to all previous occurances of that point is 1.7 days. Obviously, the lower the AR, the more accurate the point.

*2 This is the probability that the turn will occur within 2 days of the date given for that point.

*3 This is the probability that the turn will occur within 3 days of the date given for that point.

*4 This is the probability that the turn will occur within 4 days of the date given for that point.

This information is printed for each commodity, four commodities per page. **A print-out need not be run more often than once per week.**

DELTA INTERMEDIATE TERM TURNING POINTS
TODAYS DATE IS 5/23/84

COMMODITY	DATE	AR	*2	*3	*4
COFFEE		24			
CURRENT OR PREVIOUS TURNING POINT	05/18	17	667.	93'/.	S>ay.
NEXT TURNINS POINT	05/25	16	7B'/.	837.	SBV.
FOLLOWING TURNING POINT	06/07	25	43X.	68'/.	78X

HOW ACCURATE ARE THE DELTA TURNING POINTS?

For all twenty-five commodities, which include over 200 years of observing the DELTA phenomenon, the average accuracy for intermediate term swings is as follows:

[1] 51% of the time, the projected DELTA turning point will occur within two days of the day projected.

[2] 68% of the time, the projected DELTA turning point will occur within three days of the day projected.

[3] 81% of the time, the projected DELTA turning point will occur within four days of the day projected.

The average accuracy rating (AR) for all DELTA intermediate term turing points is 27. This means that the average distance of every DELTA turning point from the date specified is **less than three days.** I know it sounds incredible to make the statement that all intermediate turning points in the future will maintain this accuracy. I was convinced of this only after researching this phenomenon over *two hundred years* of daily data and over *three hundred years* of weekly and monthly data.

The reason that this accuracy will continue is that the markets *follow* DELTA. The DELTA phenomenon is the underlying cause of market movement. It is most obvious to the observer in liquid markets that are moving, but even sideways markets adhere to the DELTA turning points. DELTA is the essence of market movement.

The accuracy of the DELTA turning points can even be improved upon by observation. If a turning point comes early, it can be missed. However, **if the turning point comes late then it will not be missed.** This one observation has the effect of substantially increasing the chances that the turning point will be caught. Of course, this advantage is not reflected in the statistics set out previously.

There is another observation that also tends to increase the accuracy when actually following DELTA. Many times if a point is going to come early, this becomes obvious to the observer. Let's say that the market is moving toward a high turning point, It becomes obvious that the market is trying to make that high point on time as it is supposed to do, but it seems to be laboring and losing steam as each day progresses toward the expected turn. This is a tip off that the market is weak and the point may come early and the observer should be prepared to go short at the first sign of a break down.

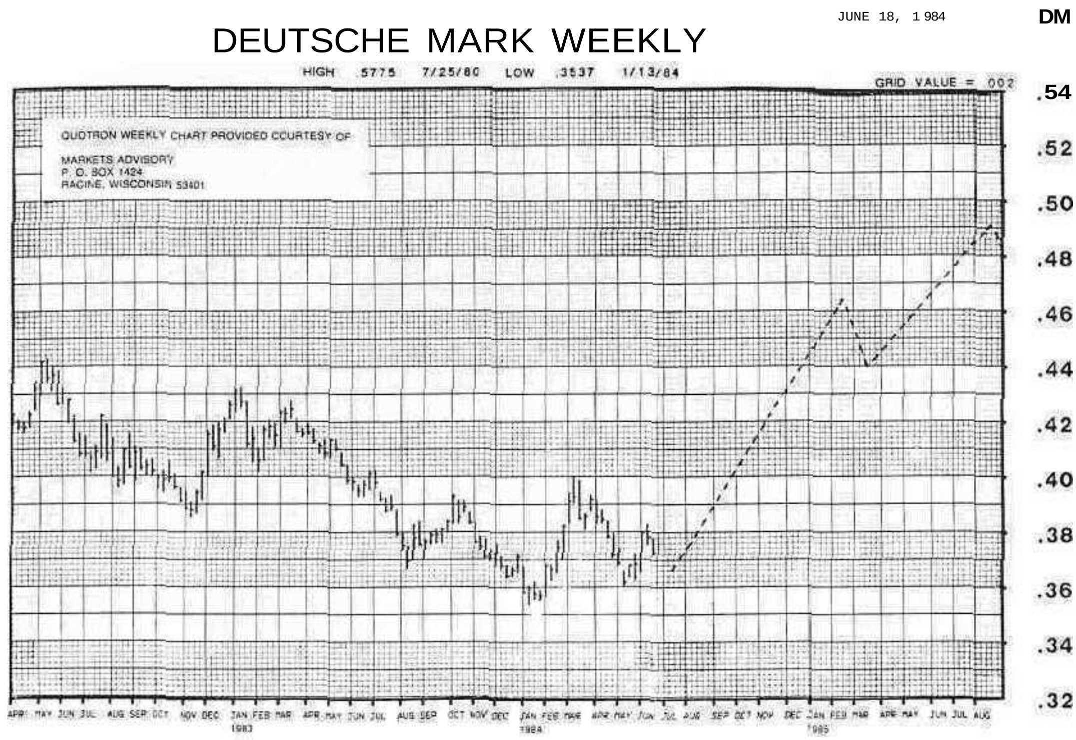
HOW CAN DELTA BE USED TO TRADE THE MARKETS?

Although DELTA is not a *"trading system"* as such, it is the **ideal tool for every trader.** It doesn't matter if one is a chart trader, a systems trader, or a fundamental trader, DELTA will become the basis for your decision making. Let's see how DELTA applies to these three groups of traders.

CHART TRADERS

There are probably more trades made based on chart analysis than any other single discipline. First of all, the chart trader should mark the long term DELTA turning points on his weekly chart. (I use a yellow highlighter for this purpose.) The long term DELTA print-out gives dates for the 100% range, the average date for the turn, and the dates for one standard deviation. The 100% range is the maximum distance between all previous occurrences of that particular point. The average is the average of all previous occurrences of that point. One standard deviation is the range wherein approximately two-thirds of the previous points occurred. (I also draw a dotted line connecting the average points to show the direction of the move only, not the price level.) The chart of the D-Mark shows an example of the way I set up DELTA on a long term chart.

I considered including a long term chart of T-BONDS here, but since many traders put such importance on T-BONDS as a basic indicator for other markets, I decided to keep that for DELTA members only. This is probably the first brochure that gave something valuable to the reader just for reading it. You should be aware that the chart of the D-Mark points out future long term turning points only. It does not indicate the magnitude of the price movement.

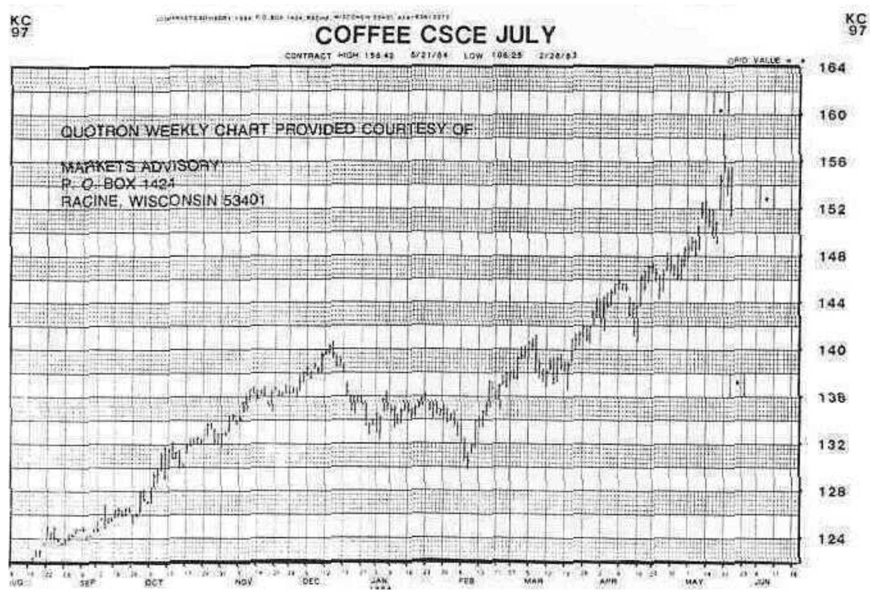


There are a number of reasons why DELTA is the ideal tool for the chart trader. First, the **long term** DELTA gives the current major trend and the **duration** of that trend. This bit of information alone is invaluable to the chart trader. Also, the **intermediate term** DELTA gives the intermediate term trend and turning points.

The intermediate term trader will use **long term** DELTA as the *direction* in which to trade the **intermediate term** DELTA. He will probably also use other chart trading tools that he has found to be accurate in the past. DELTA does not tell the trader when to enter a trade. It tells him the approximate point in the future at which the turning point is most likely to occur and backs it up with a level of probability and accuracy. The trader must then use his own entry technique to enter the trade.

Some traders may use chart entry signals such as "the first close below the low of the high day" or "the first down day," etc. Some may use a turn down or failure swing of the RSI. Some traders will need more or less confirmation of a turn than others. Some will use the same entry signals they have always used.

On the daily charts, I use a slightly different procedure; however, I still use the highlighter to show the future turning points. Notice on the chart of July Coffee (next page) that each projected turning point is highlighted with a dot on the day that is given on the print-out. The DELTA print-out does not state whether the turning point is a high point or a low point. As soon as you apply the DELTA turns to your daily bar chart, it will be immediately obvious whether a high or a low point lines up with the DELTA turns. From then on each point will rotate from low to high, etc. The only exception to this is that about once or twice a year there may be two consecutive DELTA high points or low points that fit the DELTA projection (skipping the intervening point). On the long term points, this may happen once or twice in 10 or 15 years Without knowing the DELTA secret, this is JUST something you will have to live with, but I don't see how that will be a great problem.



*This chart of May Coffee corresponds with the previous example of the **print-out** of Coffee which lists the three turning points for the date of 5/23/S4*

THE SYSTEMS TRADER AND DELTA

The systems trader can use the **long term** DELTA and the **intermediate term** DELTA as a *filter* for his system trades. If DELTA shows the markets to be in a long term up trend, then he can take only the Long system trades and vice versa. Also, he can screen out trades that do not come at the intermediate term DELTA turning points.

THE FUNDAMENTAL TRADER

DELTA is also the answer for the fundamental trader. Exact timing is the one thing that fundamentals do not provide. The fundamental trader will use the long term DELTA to establish his position with pinpoint accuracy.

DELTA IS NOT TOMORROW'S WALL STREET JOURNAL

DELTA is not a guarantee that any trader who uses it will get rich. It has been said that some traders could lose money even if they always had tomorrow's WALL STREET JOURNAL. Well, I doubt that, but I do know traders who could lose money if they had tomorrow's WALL STREET JOURNAL only fwo days a weeW Making money in the commodity market is not easy. There's no easy sure thing. In fact, when you get DELTA I recommend that you set up your monthly or weekly charts and then your daily charts with the yellow highlighter and simply follow the markets for *a* couple of months without trading so you can become an objective student of DELTA and appreciate the uncanny beauty of it. **If you do this, you will find, as I have, that DELTA will give you confidence and a completely new perspective on the markets. In fact you will never again look at markets in the same way.**

THE INTERMEDIATE TERM

There are two things that the intermediate term trader will get from DELTA. One, of course, is the future turning points. The other is an insight into the *strength and weakness* of the market as it relates to the DELTA turning points. This means that even at the few times when market turns do not occur at the predetermined DELTA points, this tells the trader something about the current strength and weakness of the market that nothing else reveals.

Each market wants to act exactly as DELTA prescribes, yet occasionally it deviates slightly because temporal forces are strong. This can be understood and used to an advantage. For example, if the market is in a strong trend, sometimes the current turning point may be late and the next turning point may be slightly early. When one plots the DELTA turning points on a daily bar chart and watches the market action relative to these points, one gets a feel for the real underlying strength and weakness in a market that can be discerned in no other way.

THE LONG TERM

The long term trader will use the intermediate term DELTA to pinpoint the most likely time for a long term move to begin. He can also use the intermediate term DELTA to add to his long term position on expected reactions. One revelation to me in following the DELTA turns is the confidence I have in a position when the reactions to my position are *expected* and happen "at the *expected* time. This gives a whole new dimension to the markets that one will never know until he has followed the markets with DELTA.

I can recall so many times when I have updated my charts in the evening and I will see a rather directionless market approaching a high turning point. I say to myself, there has got to be an upmove in the next couple of days to make that high point. Sometimes I even write it down on a piece of paper and give it to Bob or Frank. **Invariably it happens!** I just wish I could convey to you the power and beauty of this discovery.

WHAT MARKETS DOES DELTA COVER?

Since DELTA is the basis of all market movement there are no markets to which DELTA does not apply. Each market has its own "personality" relative to DELTA. Once this personality is identified, it is a constant.. .it never changes. When you understand DELTA, the personality of a market becomes apparent. Jim and I have identified the personality of the following twenty- five markets.

SOYBEANS*	**0 J**	**CATTLE**	**T-BONDS**
WHEAT	**COFFEE**	**SUGAR**	**T-BILLS**
CORN	**LUMBER**	**COTTON**	**S-FRANC**
OATS	**GOLD**	**COCOA**	**J-YEN**
P-BELLIES	**SILVER**	**S & P**	**B-POUND**
HOGS	**COPPER**	**H-OIL**	**C-DOLLAR**

'Includes Soybean Oil and Soybean Meal **D"MARK**

Since heating oil has a short history, its long term DELTA personality is not yet definitive (although coming into view). The S & P does not have enough history for either the intermediate term or long term; however, we found that the S & P fit perfectly with the Dow Jones Industrial Index. By the way, we established the DJI 30 Industrials from a chart that went back to 1962. Then we got hold of a chart that went back to 1924. You guessed it.. . it **fit perfectly on back to 1924.** Of course, it also lined up with Marechal's fifteen year projection. Later, we found charts of cash wheat and corn going back for over a hundred years. . .the answer was the same.. **.it fit perfectly!**

HOW LONG WILL DELTA BE AVAILABLE?

I don't know the answer to this question. I'm inclined to accept only so many members initially and then let the dust settle and see if there is any effect on the markets. Since DELTA does not give entry signals as such, I don't think the DELTA trading tools will affect the market. **Primarily, I don't want my own trading affected.** As long as this doesn't happen and we can make a "fair" profit, we will continue to make it available. The "fair" profit part is important to us. I believe sincerely that this is one offer that will return many, many more times its value to the trader than the price he is paying. It may be the first time this has happened and it may be the last time, but I can tell you this. I am not known to throw money around. In fact, there are those who think I am a little tightfisted. . .but when I looked at those nine months of charts that Jim showed me in Chicago, I was willing to pay a very large sum of money for what I saw just for my own trading and I didn't even know for sure at that time that it would hold up over the years. That says something!

I do reserve the right to close out the DSI membership offer at any time; I reserve the right to reopen membership for a specified period of time again at a future date at an increase in price. I also reserve the right to reject any application for regular membership or Director membership without giving cause or reason.

THE WORD WILL GET AROUND

Traders who use DELTA will see for themselves the incredible advantage it gives them. I foresee the time, probably in the not too distant future, that DELTA membership will be rationed by a substantial increase in the cost of membership. I therefore would advise anyone who is an active trader or who ever intends to trade to make application for membership as soon as possible. It could be that this first mailing would produce more applications than I would want to accept initially. If so, a waiting list will be set up.

MEMBERSHIP IN THE DELTA SOCIETY INTERNATIONAL (DSI)

The DELTA computer software package is provided with membership in DSI. The software package is available for the Apple II, Apple II +, or Apple lie with a disk drive and a printer. It is also available for the IBM-PC or IBM-XT (IBM personal computer) with a disk drive and a printer. The package does include a protection device so that the program can only be run on the computer with the device installed.

The cost of membership which includes the software package is $3,500. This includes both the **long term and intermediate term** DELTA. There is a maintenance fee of $100 per year, adjusted for inflation, through the year 2000 at which time the membership expires. Averaged over the next sixteen years, the annual cost for the DELTA information is about the cost of a good chart service. . .$319.00 per year.

The cost of *a* DIRECTOR Membership is $35,000. Those accepted as Directors will learn and have the responsibility of safeguarding the DELTA secret. Complete details are set out in the respective membership applications and trust agreements.

WHAT DELTA IS NOT

I have talked at length about what DELTA is, now let me talk for a moment about what DELTA is not. It is not based on support and resistance lines or areas of congestion. It is not based on trend lines, fan lines, degree lines or geometric angles. It is not based on trend identifiers, momentum studies, moving averages or oscillators, whether simple or complex. It is not based on Fibonacci numbers or the golden section or mean. It is not based on cycles, Fourier or spectral analysis. It is not based on supply and demand studies or buying and selling power. It is not related in any way to the works of Gann or Elliott or any of the "old masters." In fact, what I am saying can be said quite simply, **DELTA is not based on anything whatsoever now known in the commodity world.**

What am I talking about then? Stated in the plainest way possible, DELTA is a revolutionary discovery concerning the underlying nature of all markets. It is indeed a door to something entirely new and a diagnosis of all markets. You see, far from being based upon any of the things above, it is just the other way around. **Ultimately, they are all based upon it, because DELTA is the underlying basis of market movement.** That is why I call this discovery revolutionary. That is why all the academicians cranking away on their main-frame computers looking in more and more sophisticated ways for evidence of cyclically or randomness or whatever cannot ever discover it, even if their computers crank away night and day for the next hundred years. Why? **Because in the last analysis, markets just don't fundamentally work that way.** It is not their **underlying** nature. What am I actually saying, then? This: In my humble opinion, **DELTA is the most important discovery ever made about markets.**

CLOSING COMMENTS

Those who know me well, know that for many years now I have had a great interest in the futures markets. I have seen many, many systems and methods in my time, some of them of considerable merit. I have had the privilege of developing a few of them myself. Those who know me well, know that I have tried to live my life with integrity and fairness. I enjoy the markets, I enjoy the challenge they present, and from time to time, I have made available personal trading discoveries that I felt were good and useful. Those who know me know that I am not given to making vain statements about things.

But, I don't quite know what to say here because it has been my lot to come across a discovery that is like *nothing else* I have ever come across before. It is not simply different, it is **altogether different.** I have, in this brochure, made this discovery available in a way that will not compromise its uniqueness and integrity.

From the moment I first came across DELTA, I have never again been able to look at the markets in the same way. This completely new perspective is, in effect, what I have attempted to convey to you.

I will end this brochure by a statement Jim Sloman made as he finished work on the last long term DELTA chart before he left Greensboro. He looked up from the chart and said, **"Welles, it's like having a map out into the future. What an incredible advantage to those who have it."**

Sincerely,

J. Welles Wilder, <Jr.

ORDER COUPON

There are two types of membership available in THE DELTA SOCIETY INTERNATIONAL. Member and Director. Below is a synopsis of each type. Further details are set out in the membership application forms and trust agreements which may be requested.

MEMBER

The initial cost of membership in THE DELTA SOCIETY INTERNATIONAL is $3,500. Initial membership lasts through the year 2000 at which time initial membership may then be reinstated. Upon being accepted into membership the new member will receive an intermediate term and long term DELTA software package for either the Apple or IBM computer. The software package produces a print-out of the intermediate term and long term DELTA turning points for 25 commodities. **The only input is the date. (No prices.)** The program need be run only once a week.

The annual sustaining fee for members is $100 per year, adjusted for inflation. This covers the cost of annual updates and maintaining the software package compatibility for the two most popular computers used by traders until the year 2000.

Member application deposit is $100.
(Which is refundable)

DIRECTOR

The lifetime cost of a Director Membership is $35,000. If accepted, a Director will spend two days in Greensboro, N.C. and be personally taught the DELTA secret. The Director will receive a copy of each of the two hundred daily charts which prove the DELTA intermediate term statistics and *a* copy of the more than three hundred years of monthly and weekly charts that prove DELTA'S long term statistics. Directors will also receive all software packages and updates at no charge. There are no annual sustaining fees for Directors.

Semi-annually, a Directors meeting will be held somewhere in the world. The purpose of the meeting will be to conduct the business of the society and to share with other members knowledge gained through using DELTA. A Director's primary responsibility is to guard the DELTA secret.

Director application deposit $1,000.
(Which is refundable)

I have a serious interest in becoming a **MEMBER** in THE DELTA SOCIETY INTERNATIONAL. Enclosed is my check for $100 to be applied to the cost of membership. Please send an application form and trust agreement by return mail. If my application is not accepted or if I should decide not to become a member I understand that my $100 will be immediately refunded.

I have a serious interest in becoming a **DIRECTOR** in THE DELTA SOCIETY INTERNATIONAL. Enclosed is my check for $1,000 to be applied to the cost of membership. Please send an application form and trust agreement by return mail, if my application is not accepted or if I should decide not to become a member I understand that my $1,000 will be immediately refunded.

I would require the D APPLE or niBM software package.

Deposits will be accepted via credit card. Telephone (919) 698-0500.

Make checks payable to: J. WELLES WILDER, JR.
TREND RESEARCH, LTD.
P. O. Box 128
McLeansville, N.C. 27301

NAME.

ADDRESS

CITY___ .STATE. .ZIP

(PLEASE PRINT CLEARLY)

CHARTER DIRECTOR MEMBERS OF THE DELTA SOCIETY INTERNATIONAL

STANLEY KROLL is one of the most highly respected and successful commodity traders and operators of our time. Mr. Kroll's impressive trading record at financial achievements have been featured in numerous leacmg financial publications. In The Money Masters, by John T-ain (Harper & Row, 1980) Kroll is featured as one of the nine greatest portfolio investors of our time.

Mr. Kroll has authored numerous articles and two highly acclaimed books on commodity trading, strategy and money management which induce The Commodity Futures Market Guide (Harper & Row. 1973) with Irwin Shisko. Mr. Kroll is author of a bi-weekly comodity column for Financial World magazine and is currently at work on a new book on commodity investment strategy for the 1980's.

I have reviewed over 500 years of charts that have been set up with the DELTA holographies and 50 pages of computer tabulated analysis of the DELTA phenomenon. I also carefully studied this brochure before it was printed. Based on my analysis of DELTA, I can state that I have confidence the facts and projections contained in it are true.

From my experience with Welles' previous work I have found him to be meticulous and conscientious in his research and analysis, which is a reflection of his analytical engineering background. His analysis of the DELTA approach to trade timing is one of the most thoroughly researched and documented studies I have seen in Wall Street; it is truly an impressive piece of work.

I think the DELTA studies, when used properly, as Welles documents in his material, will give the trader a unique and definite advantage in the markets whether he be a speculator or hedger. It is an honor to be included as a Charter Director Member of the DELTA SOCIETY INTERNATIONAL.

JOE GAGLIANO completed a career in the Air Force as a fighter pilot and participant in the astronaut program. In the early seventies he founded COMM BASiC ASSOCIATES and became one of the pioneers in the development of technical trading software. Before COMPU TRAC, Mr. Gagliano had put together an elite software trading package which is used by hundreds of traders world wide

COMM BASIC, located in Dayton, Ohio, supports the users group and continues to develop state-of-the art software which now includes systems to help the farmer and producer in marketing his products utilizing the future markets.

Mr. Gagliano has lectured at numerous trading seminars and demonstrated his software packages in many parts ot the world

When I read the printer's copy of this brochure and Welles invited me to be a charter member, I knew that I was going to learn something important. At first glance it was unbelievable and after a few minutes I realized that I knew right then what each market would do between now and the first of the year.

In my opinion, the brochure does not adequately cover my primary use of DELTA which will be the long term. My favorites, the financials, currencies, etc. which are the most accurate make the major turning points within two or three weeks of the expected date. It should be pointed out that a trader with the long term DELTA information could look at a weekly bar chart once a week and trade with confidence.

Nothing else I have seen solves the two basic issues of trading — timing and direction. Long term DELTA gives the turning point, the direction and the duration of the trend. It's like having a flight plan prepared for your trade. You know the direction you are going and how long it will take to get there.

RAY FRECHETTE is known world-wide for his analysis and application of cycle theory for both stocks and commodities. Mr. Frechette began his career in technica analysis working witri the legendary Jim Hurst, author of The Profit Madic o' Stock Transaction Timing. Later he oought Hurst's company and founded Cycle Sciences Corporation and for many years published a technical letter emplasizing the cyclic approach to market timing.

Mr. Frechette has presented his technical trading methods and cyclic analysis at more than a hundred seminars in the U.S. and abroad. He is iighly respected as a market analyst and for his contributions to the area of technical trading.

When Welles showed me the DELTA phenomenon it immediately became obvious why cycles work well at times and then do not work well at other times. There is no question that DELTA is the most significant discovery yet made about the markets. Nothing else even comes close to it. I have read the typeset copy of this brochure and it does not exaggerate the case. DELTA is the basis of market movement.

After studying hundreds of charts and computerized data it is my opinion that the long term aspect of this thing is understated. I believe if the long term DELTA were used only as a filter it would eliminate most lost trades, resulting in doubling the profits of virtually any good automatic trading system.

I still find it hard to believe that what Jim Hurst and I and many others tried so hard to find *is* actually there—and it is so simple-yet so well disguised it couldn't be discovered.

Delta Society International

TREND RESEARCH LTD.
McLeansville, N.C.

NOTE

If you do not presently have an Apple or IBM computer and want to join the DELTA SOCIETY INTERNATIONAL to obtain the DELTA information, please contact this office and we will endeavor to make alternate arrangements for you.

TREND RESEARCH, LTD.
McLEANSVILLE SQUARE
McLEANSVILLE, N.C. 27301

TELEPHONE (919) 698-0500

TELEX 574-479 TRENDRESLD

ONE YEAR LATER...

DELTA WAS 100% CORRECT!

[I WAS ONLY 86% CORRECT]

PLEASE DO NOT READ THIS BROCHURE UNTIL AFTER YOU HAVE READ THE ENCLOSED *ORIGINAL* DELTA BROCHURE WHICH WAS WRITTEN OVER A YEAR AGO.

The enclosed DELTA brochure which you just read (or perhaps you remember reading it last year) was written in the spring of 1984.1 am now writing this brochure in the spring of 1985...one year later. Having just read the original DELTA brochure, obviously you want the answer to one question...

What happened to the D-MARK? "It moved exactly opposite from what I said it would do."

I'll answer that question shortly. It not only involves my most embarrassing moment and my biggest mistake, but a story which you may find amusing. First, though, let me go back to July 2, 1984.

I had just received the July issue of FUTURES magazine and was reading the MIDYEAR OUTLOOK. A group of financial experts had been interviewed regarding their forecasts for the financial markets for the rest of 1984. As I read the article I found myself saying "Well, he is right about this market but wrong about that market, etc.!" The experts all seemed to make a good fundamental case for their positions, but they appeared to be more often wrong than right about what the markets would do for the rest of 1984.

For example, the stock market was in a definite down trend and most analysts thought that this down trend would continue through the end of 1984.1 pulled out my DELTA long term chart of the Dow Jones Industrial Average for the last 50 years to once again confirm what I already knew. There was just no way that the stock market could continue to go down for the rest of 1984. In fact, it was not only going to bottom and move up soon, but it would most likely make a new all time high in the January 1985 area. I checked the S&P intermediate term DELTA printout and noted that the next DELTA low was due the next day and the following intermediate term DELTA low was due on July 24th.

[The actual low day occurred July 25,1984!]

Another area of some agreement among the experts was that interest rates would move higher the rest of 1984. I checked my DELTA long term computer printout. The date printed for the bottom in T-BONDS was 6/27/84 with a standard deviation range for this bottom of 6/20/84 to 7/4/84. There was no way that interest rates could continue up until the end of 1984 if T-BONDS were going to go up until then, because T-BOND futures and interest rates move inversely. I looked at my chart of September T-BONDS and noted that they were in a strong down trend and had just today (July 2,1984) made a new low for the move, at 59.12 basis the September contract. I thought to myself, "If today isn't the long term bottom, then it must occur very soon because according to my printout, the next intermediate term DELTA low was due in three trading days."

[The low day was July 2,1984!]

At this point in time, I had been following the DELTA phenomenon for about 10 months and had become somewhat accustomed to seeing the markets actually move as DELTA predicted. And yet, when I thought about it, I was amazed that I was sitting there, reading about market forecasts made by people who knew much more than I about financial markets and yet I knew with a very, very high degree of probability what these markets would do... and the experts didn't.

Either I was crazy, or the smartest person tha ever looked at a chart, or I had access to information that could tell me what the markets would do. Well, I'm not crazy and I'm not very smart... in fact, I am just dumb enough to believe something if I see it... whether or not I can fully explain it.

I thought to myself, "Why shouldn't I give my opinion to FUTURES magazine also?" So, I turned around to my word processor and punched out the following letter to Darrell Jobman, the Editor of FUTURES MAGAZINE.

TREND RESEARCH, Ltd.

(919) 698-0500 McLeansville Square McLeansville, N.C. 27301

July 2, 1984

Mr. Darrell Jobman
FUTURES MAGAZINE
219 Parkade
Ceder Falls, Iowa 50613

Dear Darrell:

The MIDYEAR OUTLOOK section in the July issue of FUTURES MAGAZINE was most interesting. It seems that based on fundamentals that the experts are about evenly divided on which way the financial markets will go from now until the end of the year.

Without regard to fundamentals, but purely from a technical viewpoint, I would like to present what the charts are indicating to me for these markets between now and the first of 1985. Today is July 2, 1984.

T-BONDS - On bottom now, moving up until December.
D-MARK - Midsummer bottom, then up for rest of 1984.
B-POUND - Down until November, then up.
J-YEN - On bottom now, moving up until September, then down to December.
C-DOLLAR- Midsummer bottom, then up for rest of year.
LUMBER - July bottom, then up for the rest of 1984.
STOCK MARKET- On bottom now, then up until January - probably to new highs.

The implications of this analysis are that interest rates will back off some, the dollar will weaken, and the stock market will go up between now and the end of this year. It will be interesting to see what happens.

Sincerely,

J. Welles Wilder, Jr.

When the August issue of FUTURES MAGAZINE came, I was surprised that there was no mention of my letter. I called Darrell and asked if my letter had come to his attention. He acknowledged that he had received the letter but too late to be included in the August issue. However, he would include the essence of my letter in the September issue under the PIT STOPS section. Since my forecasts were now over a month old, he said he would include the date of my letter within the content.

My forecasts appeared on page 90 of the September 1984 issueof FUTURES MAGAZINE.

continued

tance levels. Thus, some corrections may be on the way.

Schwager finds support for Chicago Mercantile Exchange's (CME) December T-bill contract at 88.75 and even stronger at 88. He sees resistance at around 89.60 and also at 90.20.

In the December Eurodollars, look for a faster drop than in the bills, making the spread look good for selling Eurodollars and buying T-bills. The December CME contract should find resistance between 88.00 and 88.50, Schwager notes.

Supports for certificates of deposit are at 87.40 and 86.50, while resistance is between 88.60 and 89.40.

In the Chicago Board of Trade's December T-bonds, support is around the 62 level, and greater at 60, while the upside should hit resistance between 68 and 70.

Currencies — Hints of a U.S. economic slowdown and lower interest rates that spurred a currency rally in late July and early August might be

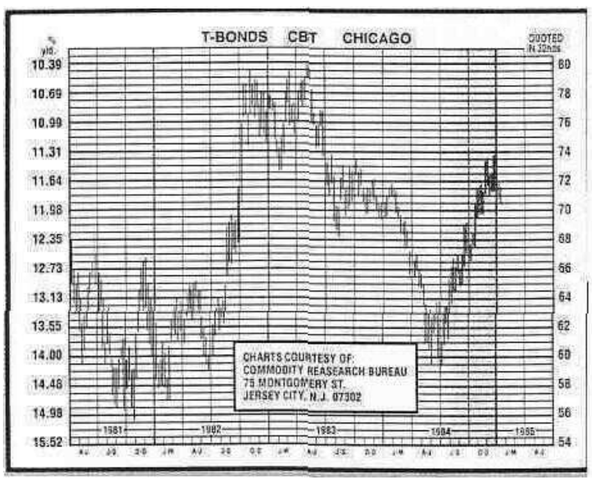
Without regard to fundamentals but purely from a technical viewpoint, J. Welles Wilder Jr. of Technical Research Ltd. in McLeansville, N.C., also expected a midsummer bottom in the Canadian dollar and Deutsche mark. And he thought the British pound would move down until November and then up, and the Japanese yen would move up until September and then down to December.

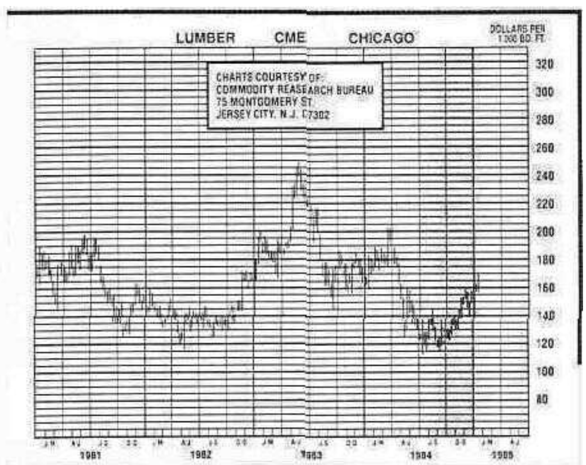
His forecasts of July 2 also indicated July bottoms for T-bonds, lumber and the stock market, followed by upward trends for the rest of the year, including probable new highs for the stock market.

"The implications of this analysis are that interest rates will back off some, the dollar will weaken and the stock market will turn up between now (July 2) and the end of this year," Wilder savs.

Energy Bottomed

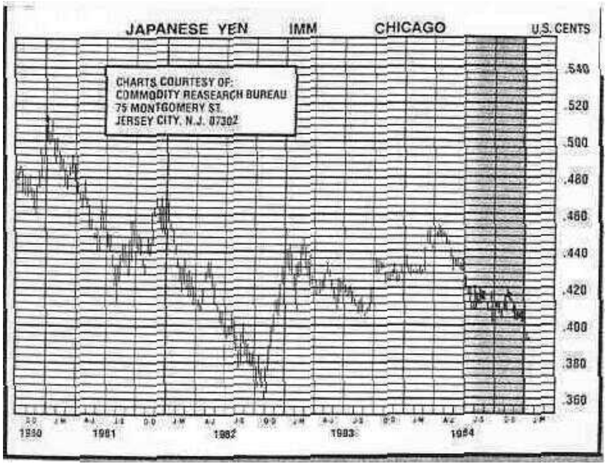
THE ORANGE SHADED AREA IS THE TIME PERIOD BETWEEN JULY 2,1984 AND THE END OF 1984,





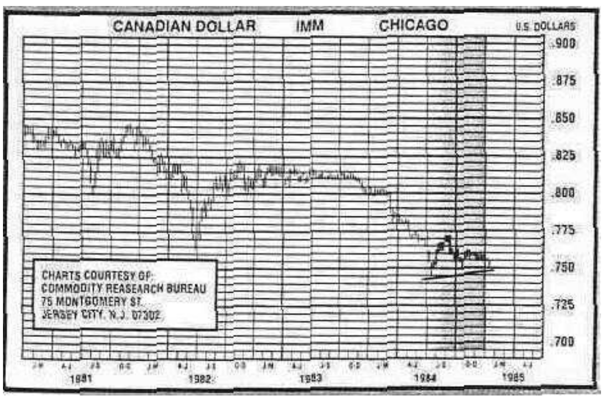
T-BONDS—On bottom now, moving up until December.

LUMBER- -July bottom, then up for the rest of 1984.



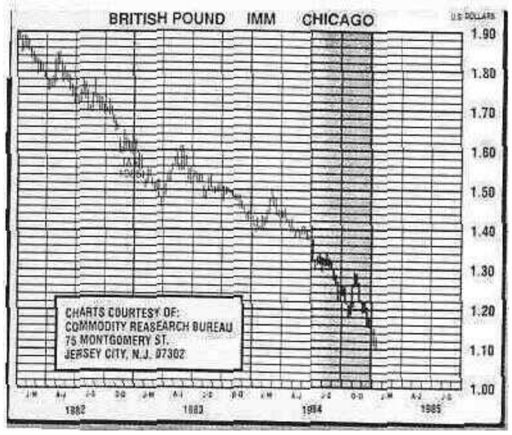
J-YEN—On bottom now, moving up until September, then down to December.

Since the DELTA turning points must rotate... high/low...high/low... often in a sustained down move, the high points may appear as a sideways movement. This is fully explained in the 50 page manual that is a part of the DELTA membership package.



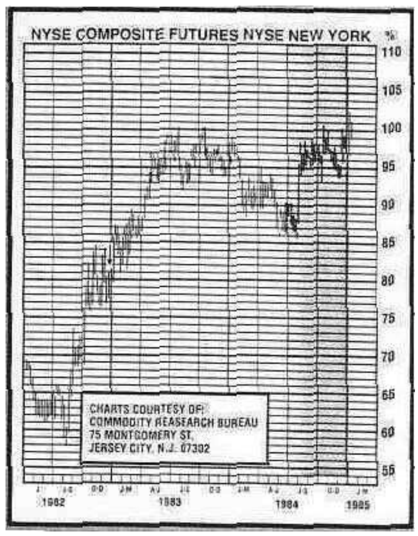
C-DOLLAR—Midsummer bottom and then up for the rest of the year.

The upmove was confirmed by the higher lows after the major midsummer low which was right on target. This is another example of a pause in a confirmed down trend. When a market is very weak, you will often see ft struggle to hold itself up until the next DELTA high is reached, after which it collapses. (Again, this is explained in the manual, and can be used to great advantage, because the sideways movement to the next DELTA high shows exactly how weak the market is, and thus clearly portends the subsequent collapse.)



B-POUND—Down until November, then up.

The B-POUND moved down until November, then turned up exactly as projected. Notice that no time period was given for the "up". I didn't say "up until such-and-such time." The reason for this is that, in long-term DELTA, a market will experience, on an average of about once in 10 years, what is known in DELTA as an "inversion" or an "intervening point"—where the market literally flips upside down. DELTA still operates, but now projected tops become bottoms, and bottoms become tops, i knew that the pound would be in a potential inversion area just after November (and of course members and directors were aware of it also), which is why I didn't give a time frame for my "up". And in fact, the pound did invert in late November. More on this later.



STOCK MARKET—On bottom now, then up until January—probably to new highs.

I don't remember a *single analyst* who would have agreed with this projection in July 1984. What more can I say!

It's obvious that I was correct on six of the seven DELTA forecasts. On the D-MARK I was dead wrong. Out of all 25 markets that DELTA covers, guess which one I picked to show as an example in the original DELTA brochure? You guessed it... The D-MARK.

And yet, the D-MARK was, in fact, doing just what it was supposed to be doing. You guessed it again. The D-MARK had an intervening point and inverted in the summer of '84. Now its projected tops would be bottoms and its projected bottoms would be tops. We'll examine the chart shortly to see just how that worked out.

(I should mention that the actual mechanics of how inversions work and why they can be potentially expected at certain times is fully known by Directors who are privy to the inner workings and discoveries of DELTA. However, members are kept informed of potential inversions through periodic support letters sent out by DSI. Also, there is a good discussion of inversions in the 50 page manual sent to members.)

I *started* to use T-BONDS instead of the D-MARK for the illustration in the original DELTA brochure. I knew that T-BONDS could not have an intervening point for a number of years. I was aware that the D-MARK was in a time period that there **could** be an intervening point. So why did I choose, *of all markets,* the D-MARK to show as an example in the DELTA brochure? The reason was that I had convinced myself in the Spring of '84 that there would *not* be an inversion because this would mean that the D-MARK would continue down for another nine months. I knew this just would not happen so I just disregarded that possibility. That was my biggest mistake. My most embarrassing moment lasted for more than six months.

I had been right on six out of seven markets. But that wasn't enough. The one market that everybody knew about was the one in the brochure... the D-MARK. I had put my reputation on the line... even more important... I had put **"The most important discovery ever made about the markets"** on the line... with that one infamous D-MARK chart.

Some of my esteemed contemporaries began to publish jokes about me in their trading and newsletters. One that I thought particularly artistic (I appreciate good art wherever I can get it) was the following:

"He who lives by the crystal ball must learn to eat glass... just ask Welles Wilder's dentist."

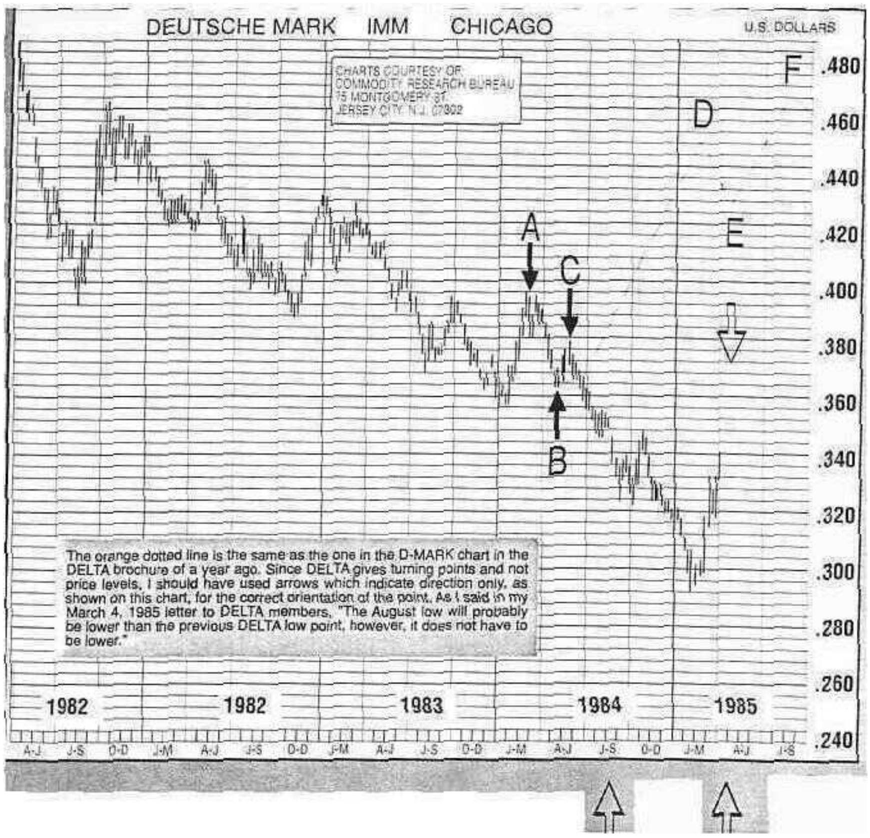
I knew that at some point in time the DELTA phenomenon for the D-MARK would snap bacK into place and it would be apparent what happened. Of this I was sure. Many times over the phone I had given the following answer :o the inevitable question.

"I have followed the DELTA phenomenon over 25 markets long term and intermediate term for more than 500 years, and I have never seen DELTA fail yet... sure, I've seen some turning points come early and some come late, but I have never once seen the pattern broken."

I was also sure that this would not be the first time... but I had taken a position... and by constantly having to defend this position **had become inflexible.** Sounds like a problem that most traders have had at one time or another, doesn't it? I had long ago learned my lesson in the markets, but now I was making the same mistake in another area.

In late February 1985, Jim Sloman, the discoverer of DELTA came to Greensboro. You can imagine that uppermost in my mind was to have a discussion of the D-MARK. We weren't even in my office five minutes before I showed him that long term D-MARK chart. He looked 2t it for a few seconds and said, "Welles. ina D-MARK inverted last summer."

What? No! How...? What? But there we= no denying it. There it was. *Defending my pos!::on* had caused me to disregard the possibility



potential inversion for the D-MARK in that time frame. Suffice it to say that my emotions ran the gamut from feeling dumb to being elated. (Jim insists that I add here that he felt pretty dumb too, because he should have spotted it when he looked at the charts back in the early fall.)

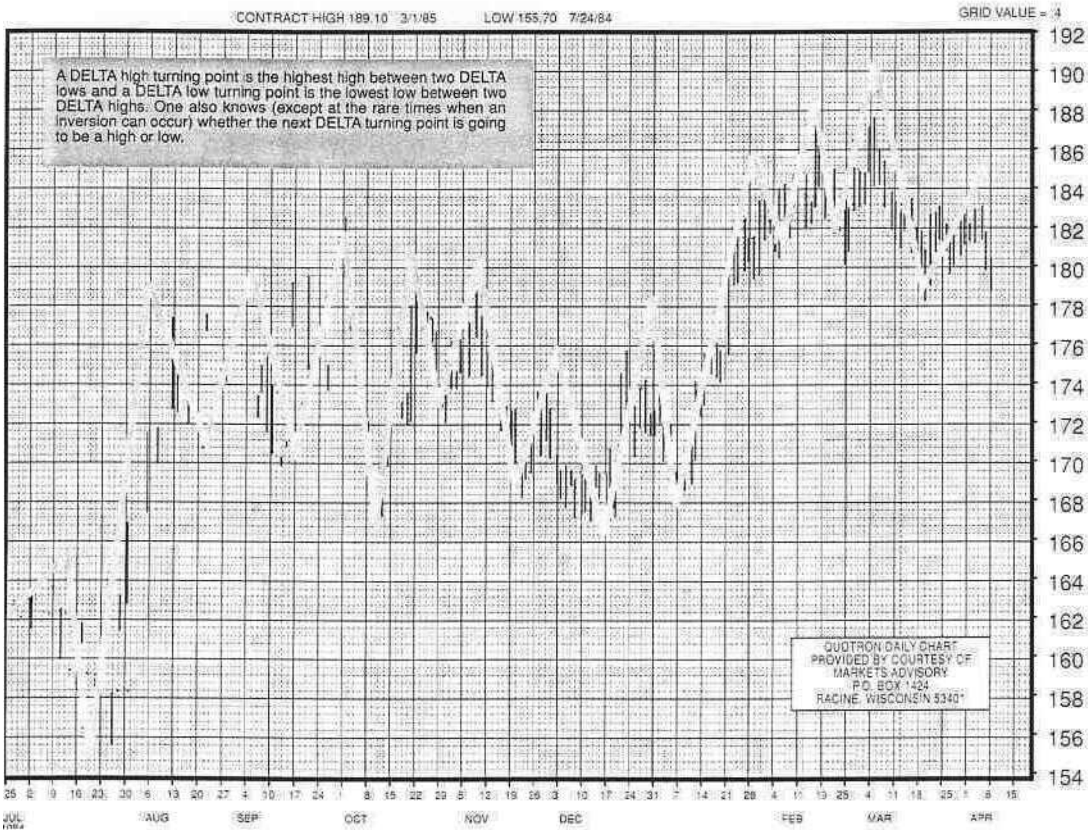
On the chart of the D-MARK, (above) the low at B is the intervening point and the high at C is the second consecutive high point. A rotation had occurred and now point C was the midsummer DELTA point... *only it was a high rather than a low...* and it was within three weeks of the original time period forthe point to occur. D was a predicted high which will now be a low; E was a low which will now be a high, and F was a high which will now be a low.

What happened? DELTA *predicted the turning points for the D-MARK just as accurately as for the other 24 markets that it covers.* Actually, it's even more incredible than that. Those turning points were, in fact, predicted back in the **summer of 1983** when Jim Sloman first put the finishing touches on the discovery of DELTA. Now you see why I had to send this brochure out... why I had to demonstrate in this brochure' for everyone with eyes to see, that DELTA is every bit as revolutionary as I said it was. That it was, and is, **the most important discovery ever made about the markets.**

In last year's DELTA brochure I did not include charts of past DELTA turning points. To have shown hypothetical charts of past DELTA turning points would have proved nothing. Why? Because they could have been DESIGNED WITH THE BENEFIT OF HINDSIGHT.

The above chart of the S&P is ***not hypothetical.*** The **intermediate term** DELTA turning points that you see were in the hands of early DELTA members in *July of 1984.* The DELTA intermediate term turning points are superimposed on the chart **after July 1984.** Look at the chart of the S&P and then ask yourself if you know of anything else in this universe that could have predicted those turning points back in the summer of 1983, when they were, in fact, first predicted.

STANDARD & POORS FUTURES IMM JUNE



Notice that not all turning points are right on the nail. You will find some that are early and some that are late. *Great advantage can be taken of this,* because an early or late market conveys important information. The manual goes into this in some depth. But notice, too, that the market almost always gets immediately back on track at the next turning point.

Why? Because DELTA is not based on whims or hunches or some sort of statistical analysis. *It is driven by forces that are much more powerful than the markets themselves.* It is based on principles that are entirely new in the markets, or for that matter in science itself. In fact, the principles of DELTA could be used to predict weather patterns, war patterns, medical histories and many other things. Here, at this time we are using it to predict commodity markets, although some DELTA Directors are actively researching the application of DELTA to other areas.

Several hundred DELTA members will be reading this brochure along with everybody else. They have seen these turning points on their own charts this past year and they have the ability to very easily go back and double check each turning point shown on any charts in this brochure... and believe me, a lot of them will do just that! There is no way that I would present anything in this brochure that was even minutely different from what the DELTA members have had since July, 1984.

The bottom line is that every prediction and turning point shown in this brochure was given *before* the fact.

Take a minute and study the chart above O'~ the S&P 500. I don't think any logical person could look at that chart knowing that all of the turning points (alternating from high to lowi were determined and available before July 1984... and not be absolutely amazed. The leve: of accuracy in this chart is just the same as the accuracy level maintained in the past as many years as one cares to go back.

Stop and think for a minute... what would be the chances that anyone could know a year in advance **without** the DELTA information:

[1] how many turning points to pick,

[2] where in time to place them on the above chart,

[3] in rotation,

[4] highest high to lowest low,

[5] to continue to maintain the above accuracy level indefinitely into the future,

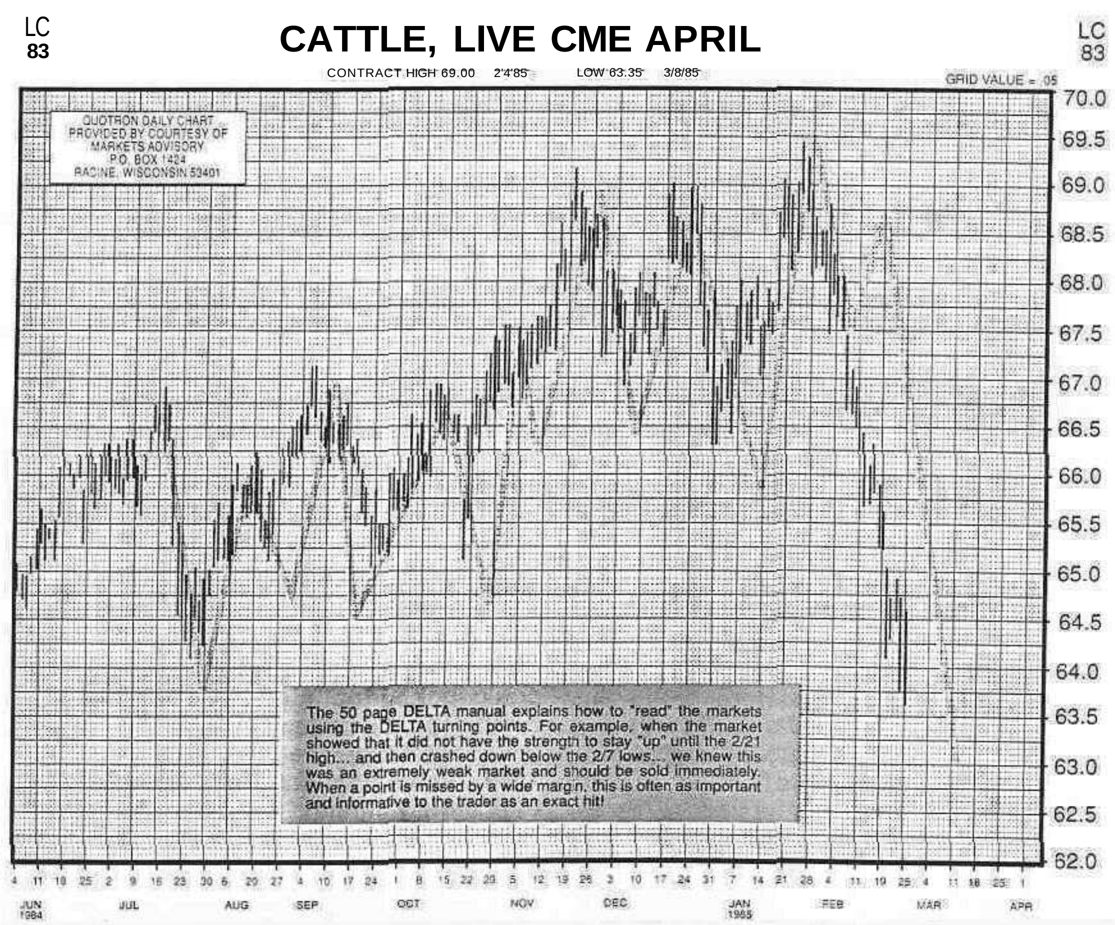
[6] and to do it for any freely traded market.

I asked one mathematician this question and his answer was, "about as much chance as blowing up a print shop and having the type fall in such a way that it printed out a beautiful poem."

I could show you a dozen charts, all after July 1984 which are equally as good as or better than the one of the S&P, but I don't want to make this brochure a book. I'll just say one thing about the chart below. It's an average DELTA chart, perfectly representative of any other chart I could show you. This chart was selected because of the notorious instability of the Cattle and Bellies markets. Yet, as you can see, DELTA handles it, and them—very easily.

Sure, it's easy to make predictions, and lot of people do. But have you ever seen *anyone* or *anything* make predictions this detailed, this precise, this consistent, this far ahead? And this right?

How many people do you know who have made money year in and year out trading Cattle or Pork Bellies? Could you... if you had known all of these turning points a year or more in advance?



FOLLOWING ARE ANSWERS TO THE MOST FREQUENTLY ASKED QUESTIONS DURING THE PAST YEAR.

QUESTION: What documentation does a member receive with the DELTA software package?

A: In addition to the two computer diskettes which contain the DELTA turning points is a fifty page manual. The manual contains complete instructions for making backups of your diskettes and running the program to obtain the intermediate term and long term DELTA printout. The manual also gives a computer-generated analysis of the percentages and accuracy ratings for each commodity.

In addition, the manual explains how to "read" the markets relative to the DELTA turning points, when to expect a point to come early, etc. It covers everything I have learned from the beginning.

The manual also stresses the importance of waiting for the market to confirm a turn before entering. Included are the three simplist—but most indicative—confirmations of a turn that I've developed over the years. They can be seen on your chart and are applicable to both intermediate and long term DELTA. There are never any calculations to make in any aspect of DELTA.

QUESTION: Are guidelines for money management provided to members?

A: Yes, indeed. Included in the manual are Jim Sloman's TEN TRADING RULES, as well as a letter which Jim sent to all Members and Directors about them. The Ten Rules (as they are referred to by members) do not involve when to enter or exit the market, but rather how to keep losses small, do the right thing, and avoid the kind of fatal mistakes that can take you out. Most members consider the Ten Rules absolutely invaluable.

This brings up another important point. Jim and I think that it is important not only to provide DELTA members with the best trading information but also with the best trading psychology and procedures. And to this end, continuing support is provided in a variety of ways.

QUESTION: If one does not have a computer, what are the "alternate arrangements" mentioned on the back page of the first DELTA brochure?

A: We will supply a printout package for the first year. The printout package is exactly what your software package would printout for the coming year... all the DELTA turn dates, intermediate and long term.

FEEDBACK FROM DELTA MEMBERS

In one of my letters to the membership, I asked them to tell me what they thought about DELTA. Ninety percent ofthe members replied. Of those that replied, 98% were positive with comments ranging from "very satisfied" to "unbeliev-j able". Following are some of the comments received. The originals of the following comments are* kept at our office in McLeansville and can be verified to anyone who wants to stop by.

Dear Mr. Wilder, I want to thank you and Jim Sloman for making DELTA available to me. You have not exaggerated DELTA one iota. Knowing in advance what to expect gives me confidence in trading like nothing else could. In due time, you, Jim, and DELTA will become more legendary .than Gann or Elliott or anybody else.

The DELTA phenomenon is real. Being a member of DELTA I have access to an unbelievably profitable asset, i.e., the DELTA turning points.

I will never forget that first night of spreading out the charts and comparing them to the Long Term DELTA. It was as if suddenly I had a big piece of the puzzle that had previously been missing.

Each day garners greater respect for the DELTA phenomenon. Together with a flexible mind, it becomes the primary standard of market trading.

DELTA plus the 10 trading rules 1% as near failsafe as anything I have come across. The only losses J have had came when I tried to pic bottoms and tops and that was my fault. I like the relaxed approach to the market that DELTA gives you.

The complete printout is sent at one time, and covers the next twelve months. When you are ready to purchase your computer, the appropriate software package will be supplied. There is no extra cost for the printout package for the first year. This option allows one who does not presently have a computer to use and benefit from DELTA for the first year without the additional expense of buying a computer.

QUESTION: Will the DELTA software package be available for computers other than the Apple II and the IBM-PC?

A: Yes, within a year we expect to have the DELTA software (with protection) available for 90% of the personal computers on the market.

QUESTION: Can DELTA members call Welles Wilder if they have questions?

A: Certainly, I am a very available person. At first, I was getting about half a dozen calls a day. Now I don't get six calls a week. I think that is indicative of how quickly members are able to use DELTA completely on their own. But I am always a phone call away. Also, I have periodically sent an update letter to members.

QUESTION: Are there plans to increase the price of membership in the DELTA SOCIETY INTERNATIONAL?

A: Yes... substantially... and soon. I want to make it available to those who will appreciate it and benefit from it, but I also want to limit the membership. The fairest way to do this is to raise the price as my comfort-zone is approached. I have already decided to increase the cost of a Director Membership from $35,000 to $100,000 not later than September 1,1985... and possibly before.

QUESTION: Has your opinion of DELTA changed in the last year?

j A: Yes, I'm even more astonished and awed by it than I used to be. It's difficult to describe the sensation of using DELTA. It's got something to do with going into uncharted areas, and something to do with feeling confident, knowing where you're going when you get in. Something to do with a new way of seeing things— ; everything I used to use had just gone by the wayside.

But, I suppose anything I say would be prejudiced, or : considered prejudiced. So I'm going to let the Members and Directors speak for themselves in the last part of this brochure. Remember, these are real people talking, people who are actually using DELTA.

...While nothing is magic, DELTA is now the central tool around which all other tools are used. It offers dimension that is entirely di ferent... I very much appreciate the continued support I get from DSI...

DELTA has completely changed my concept of technical analysis. I will never be able to look at the markets in the same way again.

Surprisingly excellent!

* * * * *

Trading with DELTA is like having a safety belt.

I am very happy with the DELTA program. It is very easy to see the points.

* * * * *

The DELTA discovery is very impressive and I am honored to be a member of the DELTA Society.

As I follow the DELTA high and low points, I become more and more excited. Already I have made quite a bit of money by using this system.

* * * *

Very satisfied... not only is Welles Wilder a man of integrity, but he also stands behind you and offers continuing support...

I follow DELTA religiously and look for the appropriate turns to occur on time. There is no doubt when the "in-between-point" causes a change. Regardless of this idiosyncrasy DELTA is the most reliable systematic market pattern I have ever used. My clients would like to know my secret.

DELTA'S ability to time the markets is simply amazing. More importantly, I have found great value in the way DELTA has allowed me to look at myself and my intentions. I feel its value is far greater than just an aid in making money.

There is absolutely nothing that even comes close to DELTA in predicting future market swings. Whatever is behind this is truly awesome. In using DELTA, I have acquired an insight and feeling for the markets that nothing else could give.

DELTA has changed the way I look at the markets... my first objective is to profit enough from DELTA to become a director in the near future.

My enthusiasm for the discovery prompted me to apply for Director-Membership.

* * * * *

STEPHEN [redacted]
ATLANTA, GEORGIA [redacted]

November 7, 198"

Mr. J. Welles Wilder
Trend Research Inc.
Trend Research Bldg.
Mc Leansville, N.C. 27301

Dear Welles:

I have traded commodities for my own account for the past 10 years. During this period I have investigated, researched, and used a wide variety of "trading systems" both fundamental and technical in nature. Therefore, I feel qualified to make the following remarks.

In all of my years of trading commodities I have never, ever seen or used anything as remarkable as Delta. When used in conjunction with the 10 trading rules, which absolutely must be followed, Delta is simply the most fantastic trading tool I have ever encountered. No superlatives can adequately describe Delta. I am amazed beyond description with every day that passes. And without embarrassing you I feel deeply indebted to you for offering Delta to the public. If there is anything I can ever do to return the favor please let me know.

In the meantime, I send my warmest personal regards to you and your staff and wish you continued success in your endeavors.

Sincerely,
Steve

December 20, 1984

Gary came to Glbsonvllla on December 14, 1984... paid $35,000... became a Director In the DSl... and *learned the* ***secret*** o/ *DELTA.* This unsolicited letter says as much as anything else In this brochure.

Mr. J. Welles Wilder, Jr.
Delta Society International
Trend Research Building
McLeansville, NC 27301

Dear WeUes,

Thank you for the hospitality and the insights you gave me last Friday. Knowing what I now know, I think you undercharged me. That's not a complaint, you understand, but I do consider myself to be on the right end of a bargain. I feel privileged to be included.

Enclosed is a copy of the book that I promised you. May you enjoy it as much as I enjoyed "The Richest Man in Babylon."

Best Wishes,

Gary

Gary [redacted]

GHC/etr

POST SCRIPT

The first DELTA Directors meeting was held in Greensboro in April. Directors flew in from all over the U.S., Canada, and Europe. I gave a current update of all markets. Jim Sloman was the keynote speaker and presented his latest discovery... SHORT TERM DELTA. Yes, believe it or not the amazing order behind the markets that Jim discovered is just as prevalent and accurate on the short term basis as the intermediate and long term.

A number of the Directors presented the DELTA solution for other markets... both intermediate and long term. Other directors showed different approaches to using DELTA. Almost every director made a presentation to the group on his work with DELTA.

Each member of this elite group of technicians had each spent many years in market research... before learning the secret of DELTA. Working from his own perspective, each director was able to contribute to a synergism of ideas and applications that will continue to refine and add to Jim's astonishing discovery.

I'm sometimes asked why I offer DELTA to others. There is money involved yes, because I don't think it's appropriate to give it away. But something much more is involved. It's very, very rare for something like DELTA to come along in one's lifetime, maybe only once. And my feeling is that I don't want to keep it just to myself, even though I've been tempted to do that.

So my compromise is to make it available, on a limited basis, determined by the price and my comfort zone, to those persons who can appreciate it and would like to benefit from this revolutionary discovery. And in fact, seeing the feedback from those who are using it and the new research being done, I must say that I've obtained enormous satisfaction and a feeling of real usefulness from my decision to make it limitedly available.

With sincere regards,

Welles Wilder

Welles Wilder

Technical Analysis of February 1986 The Trader's Magazine

STOCKS & COMMODITIES

J. WELLES WILDER
An interview with the promoter of Delta p.10

OPTIMIZING RSI
Using cycles to time-tune Wilder

A CHRISTMAS STORY
Remember Professor Andrews

MUTUAL FUNDS
Making the best diversity

Wilder's back . . .

It's not often that truly original discoveries are made in technical market analysis. J. Welles Wilder, however, lays claim to an entire collection of systems that have reshaped contemporary commodities trading and analysis.

Wilder's methods first came to light in 1978 with the publication of his book, New Concepts in Technical Trading Systems. The book is required reading among technical traders today, and many of its tools, such as the Relative Strength Index, are considered essential.

In 1983. Wilder's life took a completely different tack when he met Jim Sloman, a person he describes as exceptionally gifted. Sloman had been a stock broker and a commodity trader at one point in his professional life and introduced Wilder to his fundamental discovery about order in the markets. Sloman called his discovery Delta, a Greek letter from a word meaning door. Working with Sloman, Wilder computerized Delta and founded the Delta Society International to share the discovery and ensure its perpetuation.

Wilder recently discussed his career, his discoveries, and Delta with *Stocks & Commodities* from his Trends Research, Ltd. offices in McLeansville, N.C.

J. Welles Wilder

A person who could develop the commodity systems you published in 1978 must have an extensive history in the markets. How long have you been a trader and a technical analyst?

Actually, market analysis is my third profession. I started out as a mechanical engineer and I stayed in engineering for six or seven years. That overlapped into my next profession, which was real estate and land development—*two* partners and I built and owned over a thousand apartments and several large mobile home parks. That lasted several years and in the early 1970s my parters in these projects made me an offer I couldn't refuse, so I retired—or at least I was free to do what I wanted to do from then on. I've spent the last 13 years or so in full-time market research and trading, doing what I'm doing now.

In what state did you do your land developing? Have you always lived in McLeansville?

The real estate projects were spread all over North Carolina and Virginia. I bought an airplane, learned how to fly it, and continually flew from one project to another. At this time I had lived in Greensboro since 1937. In 1970 I bought a tract of land about eight miles east of Greensboro, which is a suburb called McLeansville. Ten years ago we built a home there and three years ago built our office building on McLeansville Square.

"For me, trading isn't something I can do while talking on the telephone for five hours."

What or who first stirred your interest in trading?

In the early 1970s I became interested in buying silver, so I tried to find the method with the most leverage to buy silver. That led me to futures and I immediately became fascinated with the futures markets and tried to learn all I could about them.

Do you concentrate on specific markets today?

No, not really, I'm interested in pretty much all of the markets.

What led you to the technical side of trading?

I'm sort of mathematically inclined and I liked the approch of trying to devise an automatic method of trading, a mathematical model—one that you could turn the crank and it would generate money.

What I've learned since then is that making money in the markets really isn't dependent on a mechanical system. Mechanical systems do work, but the real bottom line—whether one makes money or doesn't make money in the markets—really revolves around something else. You might call it market savvy or money management. Of course, money management sounds pretty dull. Most people don't want to talk about money management, they'd rather talk about a great trading system.

But I've found that the most important thing in trading is always doing the right thing whether or not you win or lose...this is market savvy...money management. Actually, I would go so far as to say that whether one makes money in the markets depends on whether or not one uses the proper money management—how much money you make depends on where you enter and exit the markets.

How many money management rules should a trader internalize?

Gann, I think, had 28 rules that *he* followed. Others have come out with a different number. My partner, Jim Solman, reduced it down to 10 rules— and these are basic things that everyone knows, but you don't REALLY know them until you do them.

They've got to become second nature to you so you do them automatically without even thinking of them. Things like always using a stop—and a relatively close stop, never averaging down: not trying to pick tops and bottoms; never, ever allowing a small loss to turn into a big loss, and never stepping in front of a freight train—or a market that's moving like one.

What are some of the more common mistakes traders make?

The natural thing for most traders to do is the wrong thing and that's why most traders lose money. I've found this out through observation and making all the mistakes myself—many times. Most mistakes fall into two categories. First - never, ever, enter the market until you have some kind of confirmation that the market is going in the direction you are trading; second - never, ever, let a small reasonable loss turn into a large loss. The worst mistake a trader can make is staying with a losing position...and hoping. The minute you find yourself hoping, you have stayed too long.

Commonly, people try to pick tops and bottoms or step in front of a fast-moving market. One of the biggest mistakes is not being flexible. A trader must be willing to admit he's wrong very fast, he must be able to stand back and get away from the markets at times. He also must really ask himself why is he here, why is he trading, is it really because he wants to make money, or are there other reasons? Some people may want the excitement, and then some people just have an unconscious desire to lose and they don't even know it.

Can you recommend any reference on money management, or do you know when you will be working on a money management training tool?

Right off hand, the only reference that comes to mind is in W. D. Gann's book, *How to Make Profits in Commodities.* Hang on a minute and I'll give you a page number—here it is, page 43.

Jim Sloman is the one who has really made me aware of the importance of what we have been talking about. We're convinced that the real basis for making money in the markets is money management. You can give anyone the best tools in the world and if they don't use them with good money management, they will not make money in the markets.

Have you seen those commodities dart boards where you throw a dart and it says buy cocoa or sell bellies or something? We're convinced that a person could make a profit simply by buying and selling the markets according to the dart board if they followed all of the right things as far as money management is concerned.

Basically, that's using a reasonable stop, positioning your stops to break even as soon as possible without running over the market and then just following the trade with a reasonable stop. We're convinced this method would show a profit—I don't know how much profit-but we're convinced it would be consistently profitable if you simply threw darts and used proper money management along with it. We're going to model it and see, but we're convinced it would work.

In 1978 you published a book that revolutionized technical analysis in many ways. How did that come about?

The book presented seven unique, systematic approaches to trading the markets, all very mathematical, very technical. The one that is not entirely mechanical is the Relative Strength Index and that is a tool in reading charts.

I worked on them for five or six years before they were published. Actually, I developed an awful lot of systems during that time and these were just seven of them that I liked best and decided to keep. The rest of them I threw in the waste basket.

Did one discovery lead you naturally into another?

Most of the time I'd wake up at 3 o'clock in the morning with a new idea and couldn't wait to put it down on paper and try it out.

That was back in days before the computer was as available as it is now so I programmed all those on what is called a programmable calculator that would crank out the mathematics. I would punch in the prices manually draw charts at the same time and laboriously follow it through and watch the system develop on paper, which was a long, drawn-out way to do it. But I think you probably hare a better insight into what's happening if you do it that way.

Was it your natural curiosity or your engineering background that helped you to develop these systems?

I think it was both—I know my desire was to come up with the perfect system that would just generate money.

Which of the tools and systems you developed do you feel are most useful today?

I always liked the Directional Movement concept and the Parabolic Time/Price system and I also like the Swing Index approach. Probably putting those three together would give the best results.

Would you advise beginners in technical analysis to study the 'old masters' like Elliott or Wyckoff before they learn your systems, or can they jump right in and use your techniques?

Elliott and Wyckoff both are certainly well worth studying—those are probably the two works that one should study. But they present approaches that are quite comprehensive and take a lot of understanding. It's not something you'd just pick up and start trading with. On the other hand, with the systems in my book, you could pretty much read one of them in an evening, understand how it works and start trading the next day.

"Most of the time I'd wake up at 3 o'clock in the morning with a new idea and couldn't wait to put it down on paper . . ."

Your systems have been modified frequently since your book was published. Do you see any modifications that are particularly useful or others that really aren't worth the time?

I don't think so. Many of the systems can be changed and produce better results with certain markets at certair. times. I know some studies were don_ a few years ago to try to improve th_ parameters in the book in a general wa~ that would apply better to everything. After quite an exhausting computer analysis on historical data, the result was that the parameters in the bock were the best general parameters for all markets.

In 1983 you were introduced to a concept called Delta. How do you describe Delta to someone tor the first time?

Delta is something that's absolutely different. Believe it or not, all markets are based on Deita—not the other way around. That's a pretty strong statement, but when (potential) directors (of the Delta Society International) come in, I start off with that statement and say 'Before you leave today you will agree with that statement—and they always do.

Delta provides future turning points in the markets on several different time frames. There are basically two time frames for Delta, the intermediate and the long-term. Those are the time frames that members have. But there are also other time frames for Delta. There's a very' short-term frame, and there's a time frame in between the intermediate and the long-term which is called the medium-term.

Basically, what Delta provides are points in the future at which the markets will turn up or down. These aren't just any points. A Delta turning point is the highest high between two Delta lows, or the lowest low between two Delta highs. By definition then, we're talking about major turning points, not just any turning points.

We're also talking about turning points that are definable. We know if it's going to be a high point or a low point (except for inversions which occur occasionally), so we know the direction of these moves and how long the moves will last in both directions.

Does Delta also show you the magnitude of a move?

It does not tell you the magnitude of a move per se, although it will sometimes provide clues about it.

You 've said in Delta literature that this discovery is based on principles that are entirely new to science, much less the markets. Is Delta really that fundamental, that broad?

It really *is.* It absolutely, really is. I'm amazed every day and I continue to be amazed every day. When I do my charts and put down the day's trading on the charts, on the high-iow-close bar, I'm amazed. I have little red dots on my charts that are the Delta turning dates—this is the intermediate-term I'm speaking about now, a time frame that's in the range of two weeks up, three weeks down—I just watch the market move up and down toward these dots. Once you know Delta you can absolutely never think of markets in the same terms again.

Do you visualize a market as having a life of its own or do you think of it as strictly mechanical now?

Markets almost take on a personality. In fact, they do take on a personality. You know what the market wants to do, if you will. You can see it just straining to do it. Sometimes it can't do it exactly the way it's supposed to. But the Delta turning points give you a way to read the markets, too, because you now have the points and you know what the markets are supposed to do. It's a whole basis for reading the markets in a completely different way than any way you could manage without these Delta points.

It sounds like accuracy is assured with Delta. Are you right all he time?

Nobody's right all the time. Although I've never seen the basic pattern broken, the Delta points sometimes come early and sometimes come late, but this can be anticipated by the strength of the market and the weakness of the market. You always have to use stops, too, but absolutely nothing equals trading using the Delta information.

Do you use any other tools or systems with Delta?

The only thing I use with it is what I see on my charts—just the bars on the charts. I don't use any kind of mechanical method. That would tend to confuse things for me. Delta's so simple, to add something to it would just confuse the issue.

Are you concentrating on any particular markets today?

There are 25 markets that I follow every day with Delta. At any one point in time I would say at least 75 percent of these markets are doing just what I expect them to do. The other 25 percent could be in inversion areas or going sideways without any potential.

With at least 75 percent doing just what I expect them to do, I still don't want to be trading 18 or 19 markets. My next selection criterion is: Are these markets at potentially advantageous points in time? For example, are these markets near their long-term turning points? The other thing I look at is how many of these markets are really moving. You make money, of course, only when they move.

I use this screening process to trade four or five markets at a time and these are the ones that have most potential and are doing what I expect them to do.

Do you feel more confident or is your profit margin better now that you 're using Delta than when you were using mechanical systems?

Oh, there's no comparison. Actually, before Delta. I never had enough continuing confidence in any system that I was ready to simply quit searching and researching and settle down and just trade for myself. Seems like I could always find some way to improve the system, or I would hit on a great new concept and would stop trading and start testing something new.

From the first minute I saw Delta, I have not been interested in anything else—there is room for more research in Delta—but outside of Delta? Forget it. But speaking of research in Delta, at the Delta Directors meeting in London (which was attended by 28 of the 33 directors). Jim presented a new time frame for Delta. It is called the 'medium-term Delta' and is in between the intermediate-term and the long-term. It shows the eight to 10 major market turning points that occur each year. This new time frame will be available to members in January.

Is there a danger that if Delta was used widely it would distort market behavior?

I get that question quite a bit. and no, I don't think so for a couple of reasons. First of all. the markets are based on Delta, not the other way around; therefore, Delta is so basic, nothing is going to change it.

For example, one of our directors is particularly interested in the S&Ps and Dow Jones Industrial Average. He went back to the 1920s and 30s and manually copied the daily high-low-close prices on the Dow Jones Industrial and then he arranged the data so he could apply this market to Delta and learn its Delta personality.

He paid no attention to what Jim and I had done with the 1970s and *80s* data. He approached it strictly based on what he saw in the 1920s and 30s, and he solved this market for Delta the same way Jim and I did. After he went through the whole process and cranked it out on his computer, the result was that the Delta points were the same then as they are now...all through the Depression and everything else that happened back in those days. So nothing's going to change the basis of markets.

Of course the other thing is that Delta is not a system. It doesn't provide entry and exit points, and therefore everybody who uses it has to provide his own entrance and exit points. Delta is really information and you can trade with this information the way you want to.

What guarantees do directors make not to reveal Delta? What kind of security measures do you or directors take to guard the Delta knowledge? What's to prevent a member from sharing turning points with colleagues?

It would take too long to answer those questions in full, but I am very, very careful who I accept as directors. I only accept a director when I am satisfied that I can completely trust him. Some of the ways I use to determine this are almost as esoteric as Delta!

As for members, they agree to a commitment under contract. Members receive one year of Delta information at *a* time. If, in my opinion, a member is guilty of divulging information entrusted to him, he is cut off without recourse. That is, his membership is terminated and he is simply out his membership fee. With hundreds of Delta members out there and nobody knows who they are, and given the grapevine that exists in this industry, the odds are against anyone who violates his commitment. I'm sorry to say, some members have been terminated.

Are the Delta Society International directors all technical analysts?

Most of them are people who have a passion for the markets, who have paid their dues, so to speak, as far as doing their homework, studying the markets and trying to learn and discover things about the markets—pretty dedicated people. Right now there are 34 directors and about 650 members and as far as I know all the members are using it. As a matter of fact, I can't think of but one or two members I've talked to in the past year who weren't extremely happy with it, and out of 650 people that's saying a lot. Something else that says a lot is that last year, 10 members who had followed Delta for a year or so decided to become directors.

Out of all the people trading markets, what attracted Jim Sloman to you? Why did you two hit it off so well?

I asked Jim that question a couple of times and he finally said he was sitting there at 3 o'clock ir. the morning thinking about things and the thought just came to him to call me. He doesn't quite know why either, but it was very fortunate. This was about a month after Jim had discovered Delta.

Jim Sloman sounds like an out-of-the-ordinary person,

Jim is a very unusual person. He's like a guy from another planet. He could be the smartest person in the world. Jim has a way of thinking that's unusual. He uses a technique that Einstein also used—that is, Jim poses a question and then just looks at it for a while. The question Jim asked this time was 'Is there order in the markets?' He's said several times that the most key part and the most difficult part of this process is to completely erase from his mind anything he knows about the subject and start with a clean slate.

This means he's open to anything, he has no preconceived ideas he has to overcome. After he asks the question and poses some possibilities, he turns it over to his subconscious mind which, as we know, works out problems better than the conscious mind. Then, over a period of time, the answer just comes to him.

The first part of Delta came to him in a couple of weeks and the second part came a couple of weeks later. All of a sudden it was there. It would absolutely be necessary for someone to approach this question with no preconceived ideas to ever discover Delta.

Jim Sloman

Is this a talent he was born with or developed on his own?

Probably both. But I think, in large part, Jim has taught himself to do this.

Why did Jim want to share Delta with you?

As I said, Jim is a very unusual person...in a lot of ways. Jim loves to discover things and share his discoveries. He does not like to follow through a project to its ultimate conclusion, where I do. When Jim came to Greensboro in the fall of 1983 to double check my work on Delta, we decided to become partners in Delta and other discoveries that Jim might make in the future.

What's the future of the Delta Society International?

Our plans are to close out the Delta membership sometime after the first of the year, probably in the first quarter of 1986. What we'll do is just pick a certain date and close out membership on that date. Through attrition there would be some openings occasionally for new members, but it wouldn't be something we'd advertise. There'd be a waiting list. One reason for doing this is that I want time to trade the markets and at some point if I don't close it off I'm not ever going to have time.

Staff Editor Melanie Bowman

A PERSONAL REQUEST FROM THE AUTHOR

Please read this before reading this book.

The first thing most people do when they receive a new book is to read the table of contents and then skim through the book quickly to get an idea of what it's all about.

Please do not do this with THE DELTA PHENOMENON.

I have tried to write this book so that you will be caught up in the adventure of discovering the hidden order in the markets. You will be awed . . . and experience the "spine-tingling sense of wonder" that I felt when I first saw this . . . if you start at the beginning and continue straight through to the end.

Take your time and ponder the implications as each new Delta time frame is presented. If you do this, I think you will enjoy the experience perhaps as much as you appreciate the significance of what you are about to learn.

It will also be fun . . .

TABLE OF CONTENTS

PARTI

THE DELTA PHENOMENON
or
THE HIDDEN ORDER IN ALL MARKETS

What you are about to read is totally amazing. It has remained a secret for thousands of years. I am quite sure, and I believe when you have read this book, you will agree that no one ever discovered it before.

In a sense it would appear highly unlikely that it could have eluded everyone who has searched for it throughout the centuries because it is so simple. On the other hand, one wonders how anyone could have set out to discover it and done so.

(When I wrote the original Delta brochure, I thought that George Marachal had discovered one of the Delta time frames; however, after talking to a number of people who actually worked with Marachal, I am now convinced that he did not know of Delta. Apparently, what he used to make his famous prediction was a very complicated mathematical process. Also, apparently it only worked that one time!)

Many, if not most major discoveries were made by accident. That is, while searching for a certain end result, one runs across something that is unknown which produces an entirely different result. However, one of the most remarkable things about the Delta Phenomenon was the **way** it was discovered. One man, working alone in Chicago in 1983 asked the question, "Is there order in the markets?" Then, using an extraordinary form of mental dexterity, he came upon the solution. The solution, the Delta Phenomenon is the most basic thing about market movement.

The Delta Phenomenon is the most basic aspect of an area of study known as technical analysis. Technical analysis is the study of market movement as it relates to a two-dimensional chart defined by an X and Y axis. The primary input is price. Secondary inputs are volume and in the case of futures, open interest. But principally, technical analysis is th-study of market movement.

Volumes have been written about the different ways and methods that have been discovered (or invented) to use the input of price, relative to time, to predict market movement. Many will argue that market movement is simply not predictable at all. I believe this book will settle that argument once and for all. If there is order in the markets, then markets **must be predictable.**

This order, the Delta Phenomenon is the **basis** of all market movement relative to time. It is the basis of all technical analysis. It is the most basic thing about markets. It is the beginning point. All other methods of technical analyses pale when compared to the fact that there is **perfect order** in all markets. As you will learn, the Delta order is perfect. That is, it always follows the defined discipline that rules it. I have solved the Delta Phenomenon for many different markets over hundreds of years of data and I have never seen a failure of this order.

Perfect order, however, does not mean that the Delta high points and low points are perfectly accurate relative to time. They are not. However, they are close enough to the predicted date that the order is obvious when viewing market action through the Delta perspective. Once one sees this order, he will never be able to perceive markets in the same way again.

I have taught the Delta Phenomenon almost a hundred times to almost one hundred people (that is, one at a time). These people (carefully selected from those who applied) handed me a certified check for $35,000 and in essence said, "now show me what I paid for." If anyone was disappointed, I was not aware of it. On the contrary, most expressed the thought that they got more than their money's worth.

I am now going to teach it to you, in the same way that I have taught it almost one hundred times. I assume you have read the two Delta brochures presented in the Prologue of this book, so I will start at the point in time that I first saw the Delta order and then teach you what I learned as I progressed from that point.

In the following pages are some of the original fifteen charts that Jim Sloman showed me in Chicago in the fall of 1983. You are about to experience what I described in the brochure when I said:

"I looked at the chart. It was overlaid with colored lines and numbers. It took about five seconds for it to hit me... to comprehend what I was seeing. I simply could not believe the answer was that simple. I suddenly felt a deep sense of awe..."

NOW HERE IS THE SECRET. . .

Following is Jim's original chart of Gold. You immediately notice two things. First, there are colored vertical lines of approximate equal spacing on the chart. These lines have four colors that repeat in order. We will call these sets of four lines the "grid." The location of these lines (the "grid") can be calculated **as far in the past or as far in the future** as one may care to go.

The second thing you notice is that market highs and lows are numbered in a **repeating series of numbers** from (1) through (11).

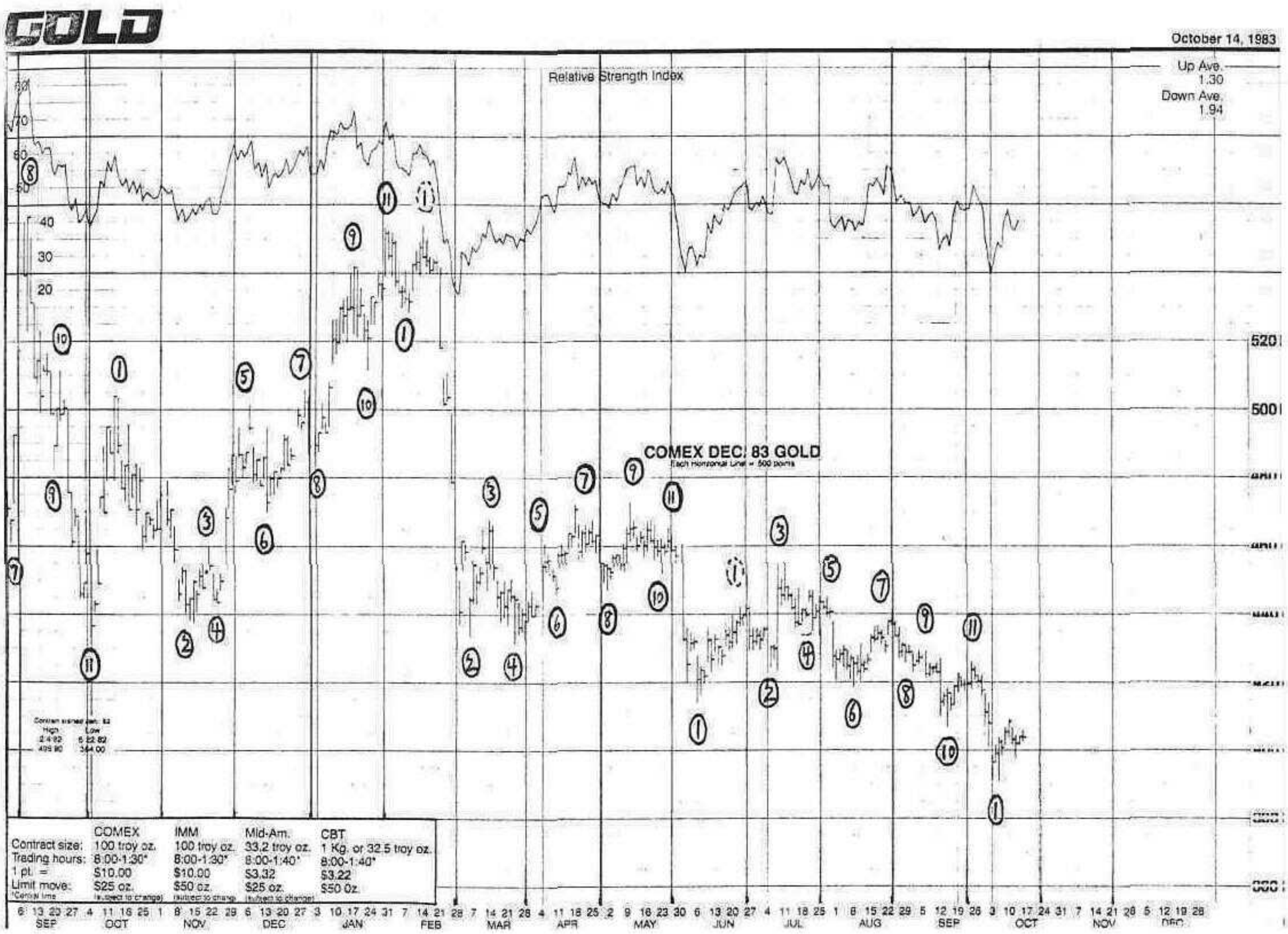
Now, pick a number, for example the number (1). Where does it come relative to the colored lines? **It comes just after the orange line.**

Pick another number, say the number 11. It **comes on the orange line.**

Pick another number, say the number (2). **It comes just after the green line.** The last number on the chart is (1). Where will the next number (2) come ... on approximately what date?

And now, you see what I saw in about five seconds! The (2) will come approximately October 31st! Stop and consider the significance of that. **We have just predicted a future event.**

Where will Point (3) come?.........between the green and red lines.
Where will Point (4) come?.........just before the red line.
Where will Point (5) come?.........just after the red line .
Where will Point (6) come?.........between the red and blue lines.
Where will Point (7) come?.........just before the blue line.
Where will Point (8) come?.........just after the blue line.
Where will Point (9) come?.........between the blue and orange lines.
Where will Point (10) come?.......just before the orange line.
Where will Point (11) come?.......on the orange line.


GOLD
October 14, 1983
Relative Strength Index
Up Ave. 1.30
Down Ave. 1.94
COMEX DEC. 83 GOLD
High
Low
2 4 83
6 22 82
409 80
364 00
COMEX
IMM
Mid-Am.
CBT
Contract size: 100 troy oz. 100 troy oz. 33.2 troy oz. 1 Kg. or 32.5 troy oz.
Trading hours: 8:00-1:30* 8:00-1:30* 8:00-1:40* 8:00-1:40*
1 pt. = $10.00 $10.00 $3.32 $3.22
Limit move: $25 oz. $50 oz. $25 oz. $50 Oz.
*Central time
(subject to change)
SEP
OCT
NOV
DEC
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
520
500

These points will continue to come in the same relative positions to the colored lines as far in the past as one would care to go and as far into the future as one would care to project!

Am I saying that Gold will always have eleven points and that these points are absolutely predictable? Yes, that's exactly what I am saying **. . . because the colored lines are absolutely predictable.** We will learn what the colored lines are in a minute, but first we will learn another aspect of Delta. That is . . .

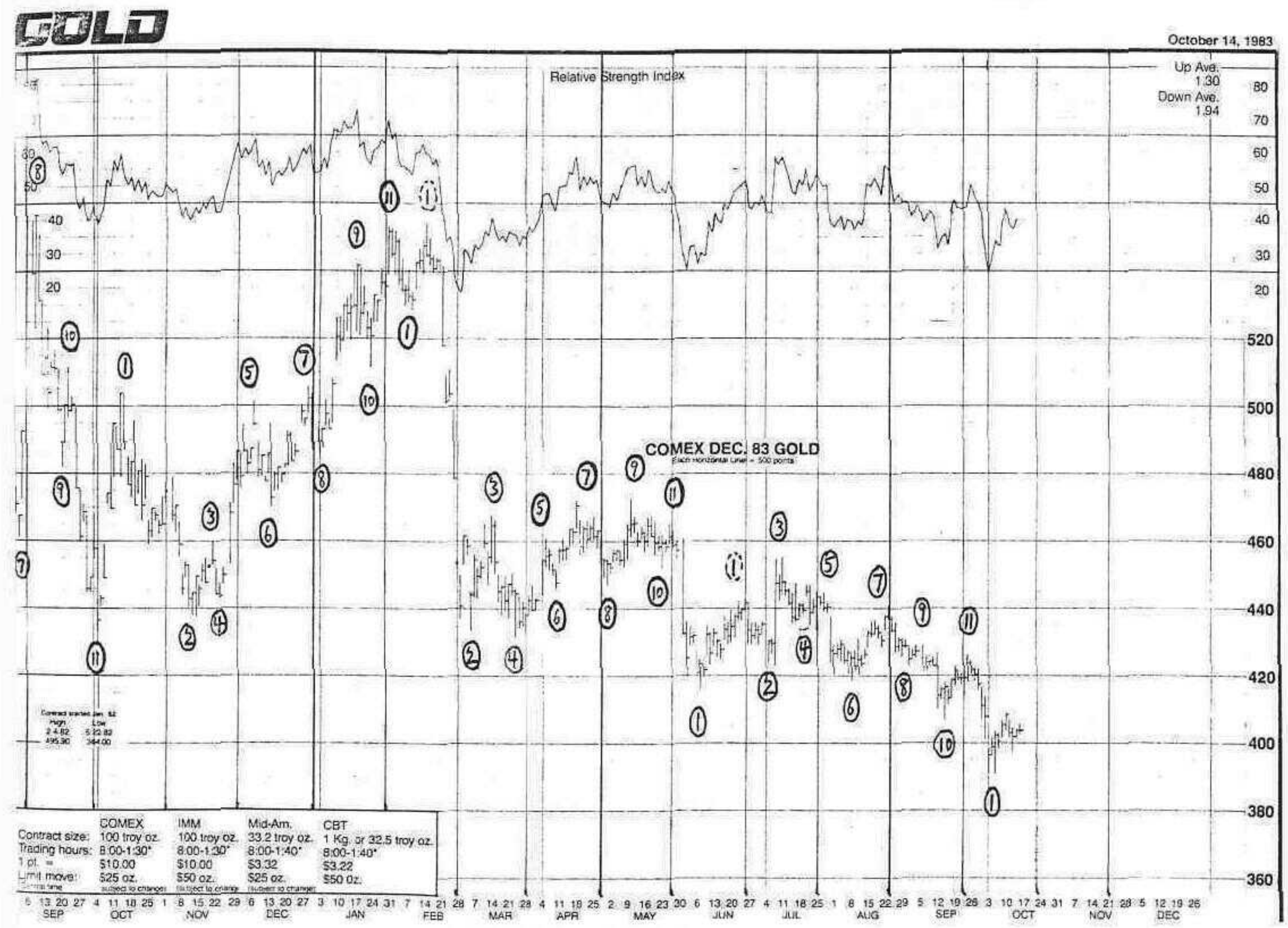
THE INVERSION.

Notice that the rotation of the eleven points is always a high point followed by a low point, followed by a high point, etc., from Point (2) to the end of the series, in this case, to Point (11). This high/low rotation may only change to a low/high rotation at the inversion. In other words, the high/low rotation, once established, **is also predictable until the end of the numbered series.**

The inversion can **only** happen at POINT (1). Never any place else. Notice on the chart that between January and February (between the orange and green lines) that first there is a circled Point (1) and then there is a second Point (1) with a dotted circle around it. If you cover up everything to the right of Point (1), you would think that the market is going to move up and make a high at Point (2) as the market moves to the right of the green line. But, instead, something different happens.

The market starts to move up but then turns down and suddenly drops below Point (1) and makes Point (2) to the right of the green line (just where it is supposed to be), however, it becomes a low point rather than a high point.

What has happened? **The market has inverted.** When this happens, an extra point, which is called an in-between point (IBP) has occurred. After all, that's the only way an inversion can happen, isn't it, by making an IBP (in-between point).

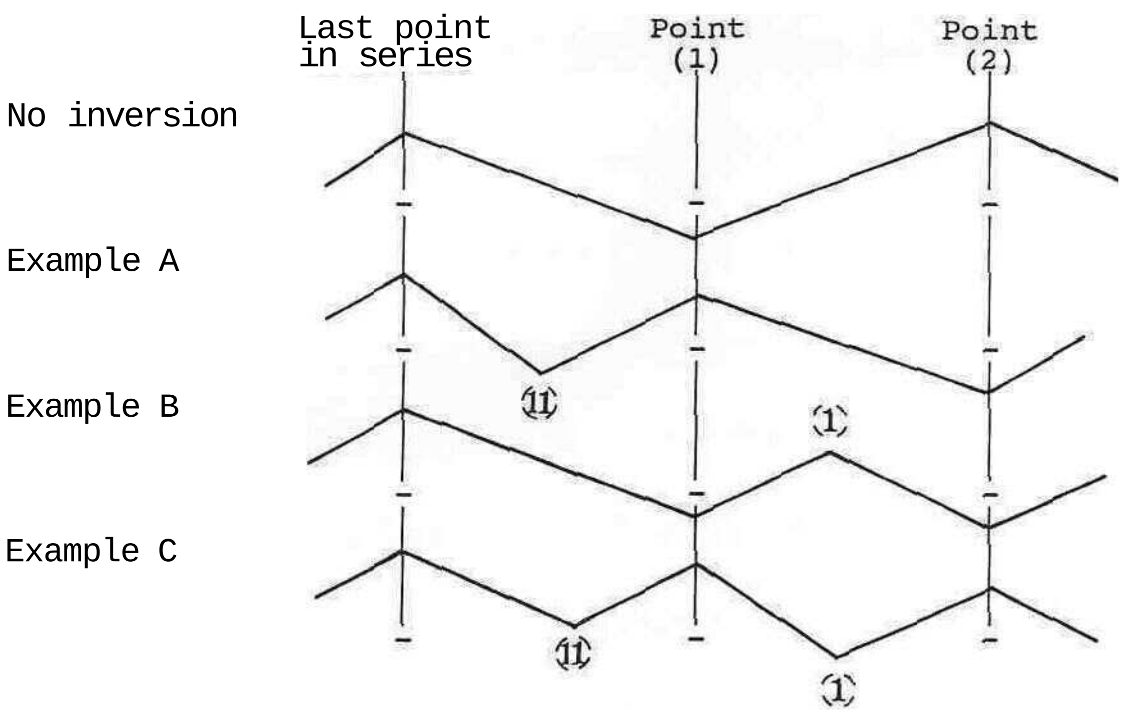

GOLD
October 14, 1983
Relative Strength Index
Up Ave. 1.30
Down Ave. 1.94
COMEX DEC. 83 GOLD
Each Horizontal Line = 500 points
Contract size: COMEX 100 troy oz. IMM 100 troy oz. Mid-Am. 33.2 troy oz. CBT 1 Kg. or 32.5 troy oz.
Trading hours: 8:00-1:30* 8:00-1:30* 8:00-1:40* 8:00-1:40*
1 pt. = $10.00 $10.00 $3.32 $3.22
Limit move: $25 oz. $50 oz. $25 oz. $50 oz.
SEP OCT NOV DEC JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC

Is there any way to know in advance whether or not an inversion will occur? The answer is NO!

Sometimes a double inversion will occur. When this happens, there is an IBP on either side of Point (1). A double inversion results in NO INVERSION. Thus we see that the IBP (in-between point) can occur on **either side of Point** (1). If the IBP occurs between Point (11) (or the last point of the series) and Point (1), then the IBP is annotated by a dotted Point (11) after the circled Point (11). If the IBP occurs between Point (1) and Point (2), then the IBP is annotated as a dotted Point (1) after the circled Point (1).

The time period in which an inversion can occur is called THE INVERSION TIME WINDOW (ITW). **The window begins at the last point in the previous series and ends at the second point in the new series.**

What we have just explained, the inversion, is the hardest thing about Delta to understand. That shows how simple Delta is. However, before we go on, I want to include a diagram showing the only **four ways** that an inversion can occur.



Following is a summation of THE INVERSION.

[1] An inversion can only occur at Point (1).

[2] Whether or not an inversion will occur is not predictable, it is a random occurrence.

[3] An inversion may occur between the last point in the series and Point (1), in which case the IBP occurs between the last point in the series and Point (1) and is annotated by a dotted circle using the same number as the last point in the series. (Example A)

[4] An inversion may occur between Point (1) and Point (2), in which case the IBP occurs between Point (1) and Point (2) and is annotated by a dotted circle using the same number as the first point in the series. (Example B)

[5] A double inversion occurs when there is an IBP on both sides of Point (1). The result of a double inversion is NO inversion. (Example C)

[6] It is estimated that an inversion occurs about 35% of the time. A double inversion, about 15% of the time.

Once Point (2) is ascertained as being either a high or a low, then each remaining point in the series is predictable as to whether it will be a high or a low. In other words, once the high/low rotation has been established it will continue until the series is ended and Point (1) occurs again.

Obviously, the basis of all market order is the colored lines. Notice that the four colors repeat over and over again. We referred to the colored lines as the "grid." As we have said, this grid is absolutely predictable as far in the past or as far in the future as one would care to go.

For the time period shown on the chart, September 1982 until December 1983, the grid is the same for **all markets.** In other words, for **any** period of time, the grid is the same for all markets. The grid then is a CONSTANT for all markets.

What then, are the VARIABLES (the things that change for each market)? Each market has TWO variables.

[1] The number of points in the series.
[2] The position of Point (1).

At present we are considering the INTERMEDIATE TERM DELTA time frame. As we have seen in this time frame, Gold has 11 points. The most points in the series for any commodity for this time frame is 12, which is for the grains. The least number of points is 7, which is for the energy group which includes gas and the oils.

Why is the position of Point (1) important? One reason is that the position of Point (1) is the only place where an inversion can occur. For example, for Gold, Point (1) occurs between the orange line and the green line. However, for cattle, (opposite page) Point (1) comes between the red and the blue lines. **In other words, Point (1) may occur at any place relative to the four colored lines.**

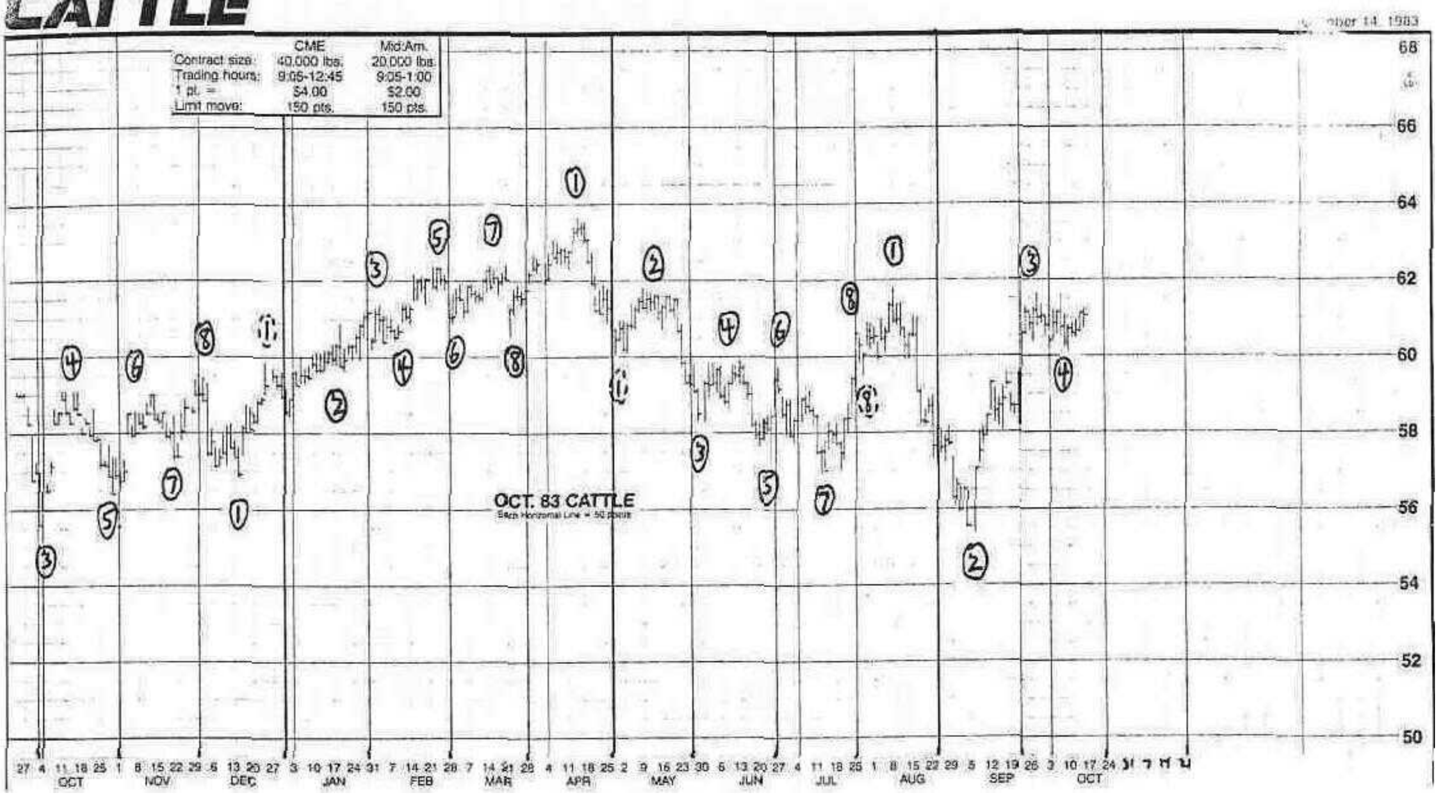
The other reason is that the most likely place for a trend change and therefore a big move is on either side of Point (1). But, isn't that also the only place that an inversion can come? The answer is YES and that is the paradox, the most likely place for a big move is the only place where an inversion can come. In a later chapter, I will explain how to trade this paradox.

Now, before we look at some other markets, let's quickly review what we have covered so far.

Every freely traded market has a constant number of turning points that always fall in the same relative position to four colored lines. As the four colored lines repeat, so does the number series for each market . . . infinitely, into the past or into the future. In other words, the relative position of the numbers to the colors never changes . . . nor do the number of points in the series ever change.

Once Point (2) has been identified as either a high or a low, then the subsequent points maintain the high/low rotation through the last point of the series . . . at which time an inversion may occur. If an inversion does

CATTLE



ober 14, 1983
CME Mid:Am.
Contract size: 40,000 lbs. 20,000 lbs.
Trading hours: 9:05-12:45 9:05-1:00
1 pt. = $4.00 $2.00
Limit move: 150 pts. 150 pts.
OCT. 83 CATTLE
68
66
64
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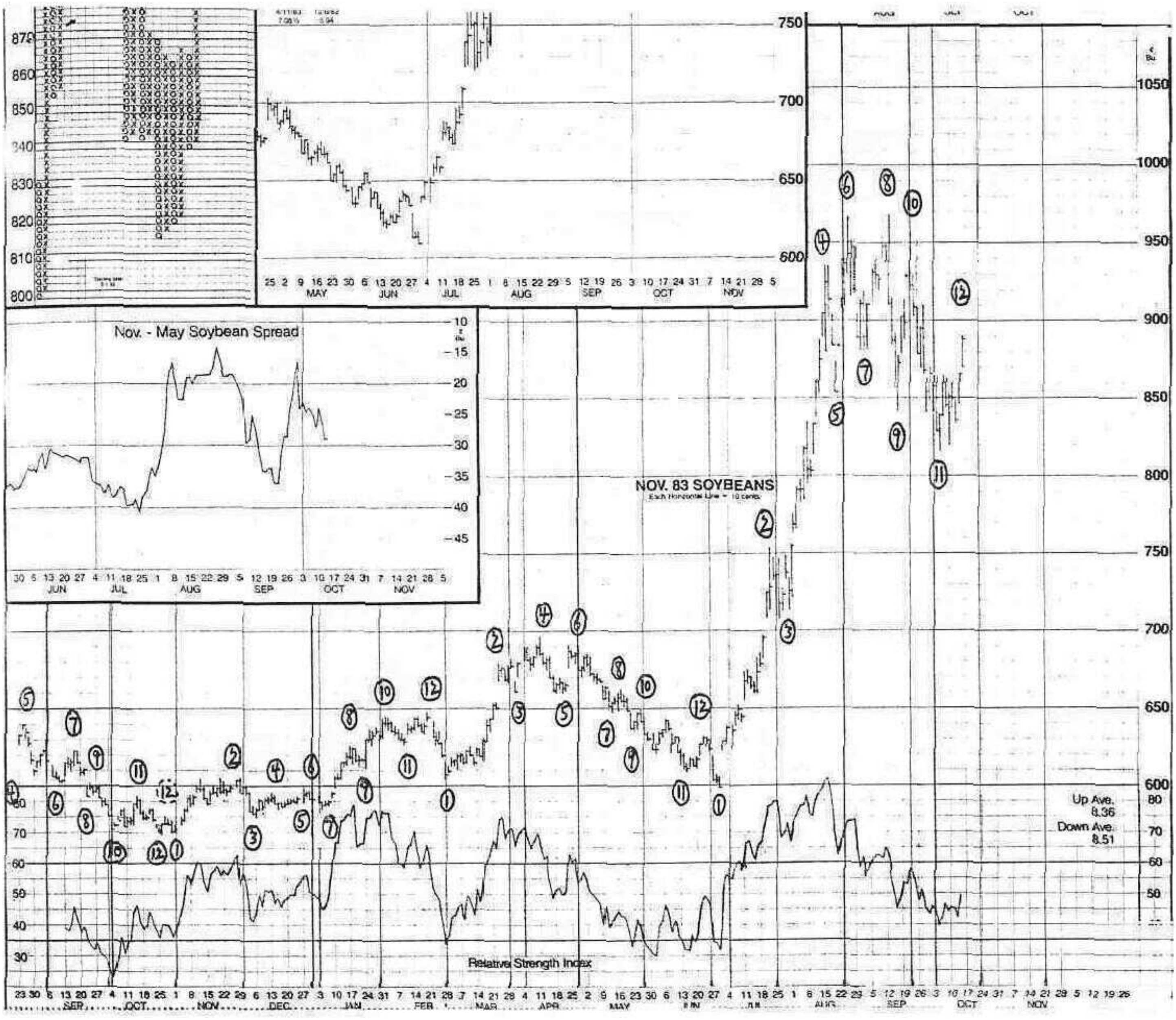
27 4 11 18 25 1 8 15 22 29 6 13 20 27 3 10 17 24 31 7 14 21 28 7 14 21 28 4 11 18 25 2 9 16 23 30 6 13 20 27 4 11 18 25 1 8 15 22 29 5 12 19 26 3 10 17 24
OCT NOV DEC JAN FEB MAR APR MAY JUN JUL AUG SEP OCT

not occur, the high/low rotation of the points does not change from one series to another.

There is a period of time between each series that is called The Inversion Time Window (ITW). The ITW **begins at the last point in the series and ends with the second point in the series.** In the middle of the ITW is Point (1). The inversion may occur between the last point in the series and Point (1) or it may occur between Point (1) and Point (2). (If there is an inversion a big move is just as likely to come between the "dotted point" and the following point in the ITW as between a circled point and the following point. (Note the big move between the "dotted Point" (1) and Point (2) on the Gold chart.) Although the most likely place for a big move to occur is in the ITW, a big move may also occur at any point in the series.

With this in mind, let's look at some of the other fifteen original charts that I saw that day in Chicago. Look at the chart of Live Cattle on the previous page. Cattle has 8 points and Point (1) comes between the red and blue lines. Note the big moves around Point (1).

Next, look at Soybeans. Point (1) comes just after the green line. Soybeans has 12 points, the most points of any market in the Intermediate Term Delta (ITD) time frame. All members of a family, for example the grain family, have the same number of points and the same relative position for Point (1). Members of this family are: Soybeans, Soybean Oil, Soybean Meal, Corn, Wheat, and Oats. Again, notice the big moves around Point (1). Point (1)s tend to be **major bottoms** and less often, major tops.

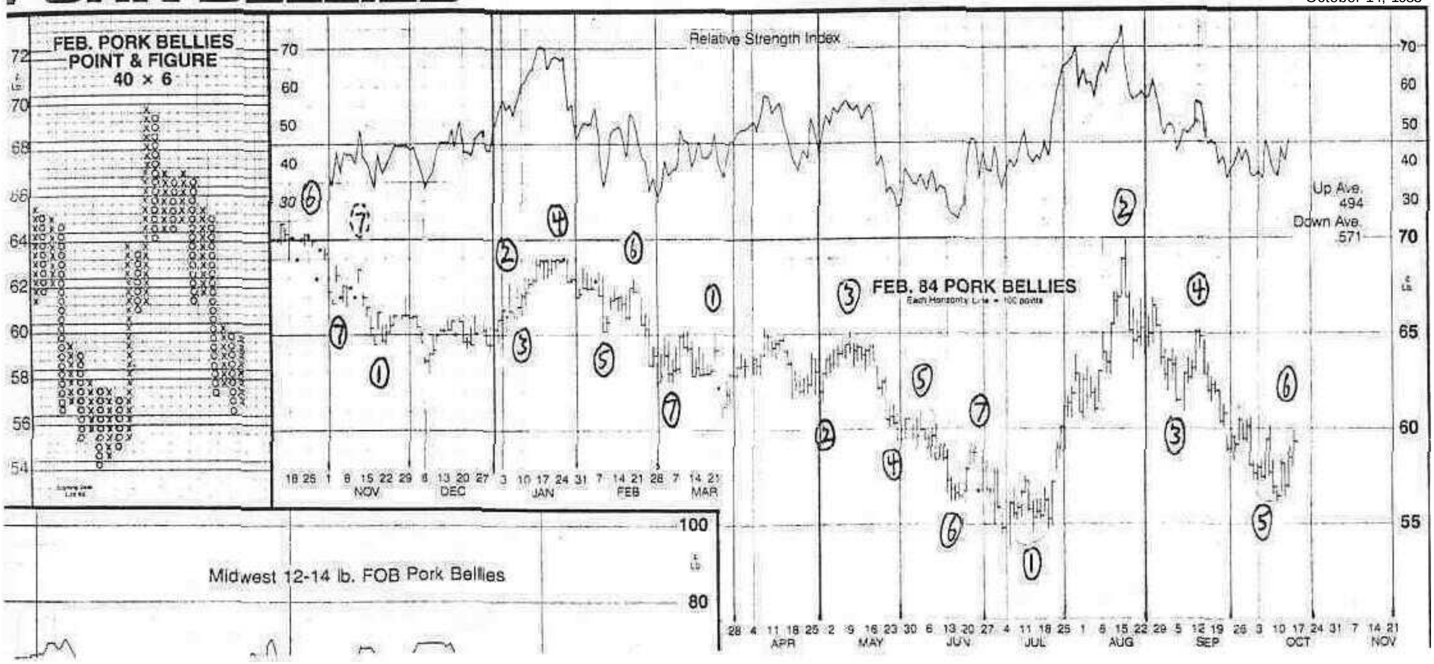


Nov. - May Soybean Spread
NOV. 83 SOYBEANS
Each Horizontal Line = 10 cents
Relative Strength Index
Up Ave. 8.36
Down Ave. 8.51

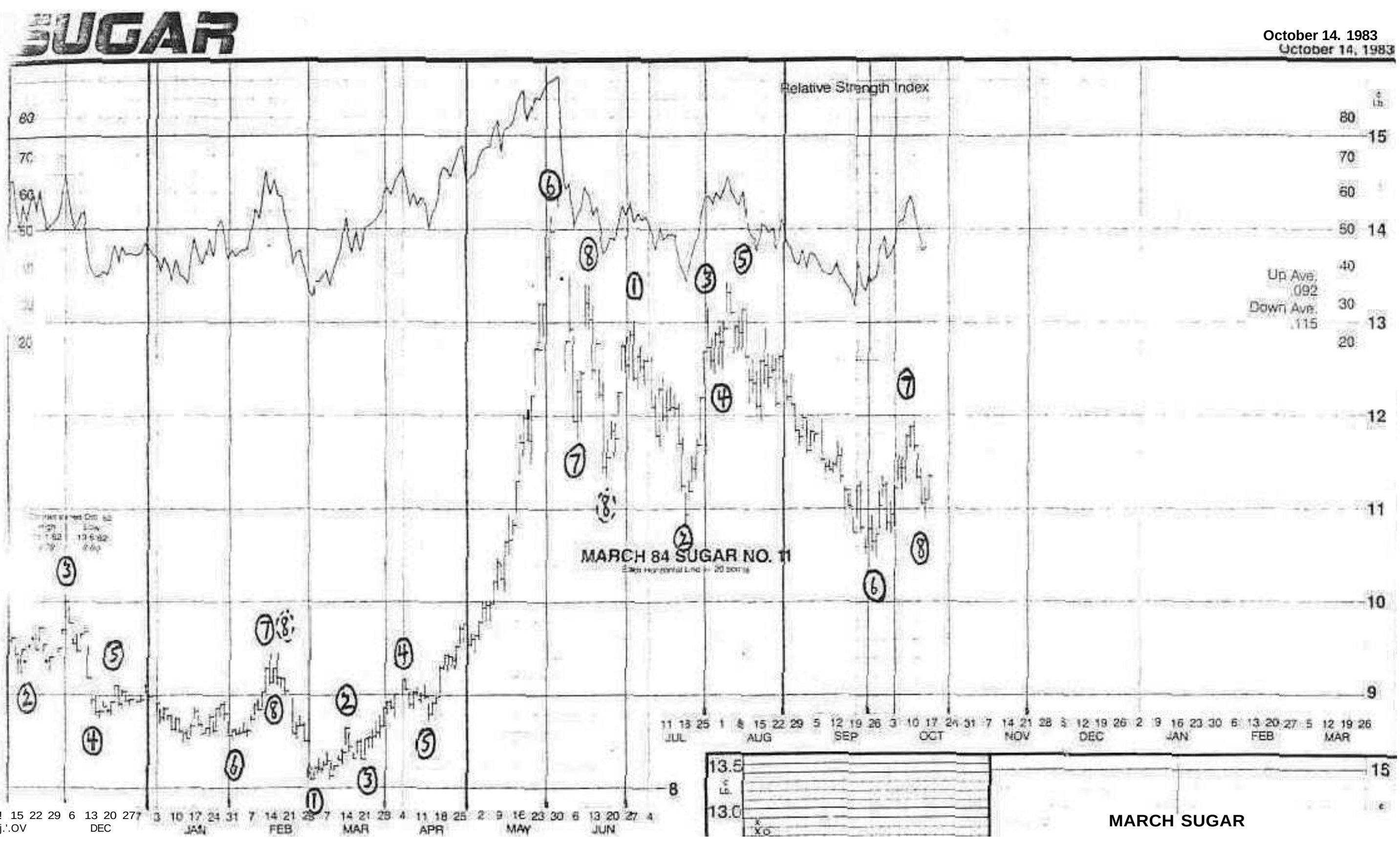
Next, look at Pork Bellies. When Jim solved the Delta Sequence for Pork Bellies (using a very limited amount of data) he defined 7 points. He was not sure that the 2 turning points between Point(1) and Point (2) would always occur. My later analysis over many years of data confirmed that those points always occurred and, the dotted 7 was also an additional point, therefore, Pork Bellies actually had 10 points. Also, Point (1) is between the red and blue lines. Again, note the big moves in the ITW.

PORK BELLIES

October 14, 1983



For Sugar, Jim had 8 points in the series with Point (1) coming just after the green line. However, after analyzing 10 series, it turned out that the dotted 8 was really Point (9) and the inversion (Point 1) actually came where Jim had Point (6). From this limited amount of data, the question that might come to mind here is, "do some commodities usually have big moves between certain points other than Point (1)? For example, does Sugar usually have a big move between Points(5) and (6) as on Jim's chart?" The answer is NO. I have been able to find no correlation of big moves occurring at any points for any markets except at Point (1).


SUGAR
October 14, 1983
Relative Strength Index
80
70
60
50
40
30
20
15
14
13
12
11
10
9
8
Up Ave. .092
Down Ave. .115
MARCH 84 SUGAR NO. 11
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
13.5
13.0

MARCH SUGAR

Jim's chart shows that Point (1) comes just before the red line.

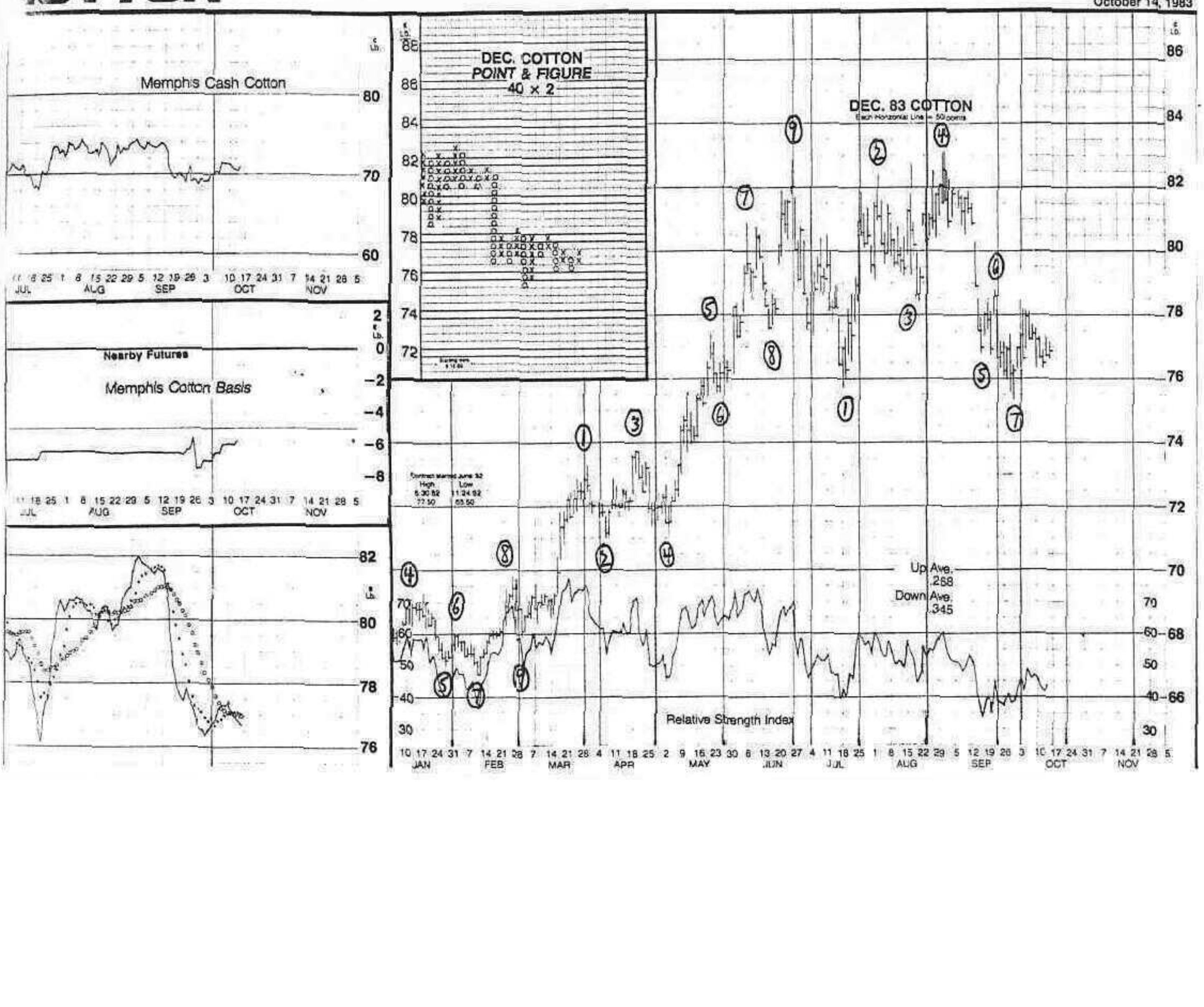
Interestingly enough, this is Jim's only chart that does not have an inversion, therefore he could not be sure where Point (1) would come.

Later work with more data confirmed that Point (1) actually comes where Jim had Point (4).

The Points are still in the same place on the chart, but now the points have different numbers.

COTTON

October 14, 1983



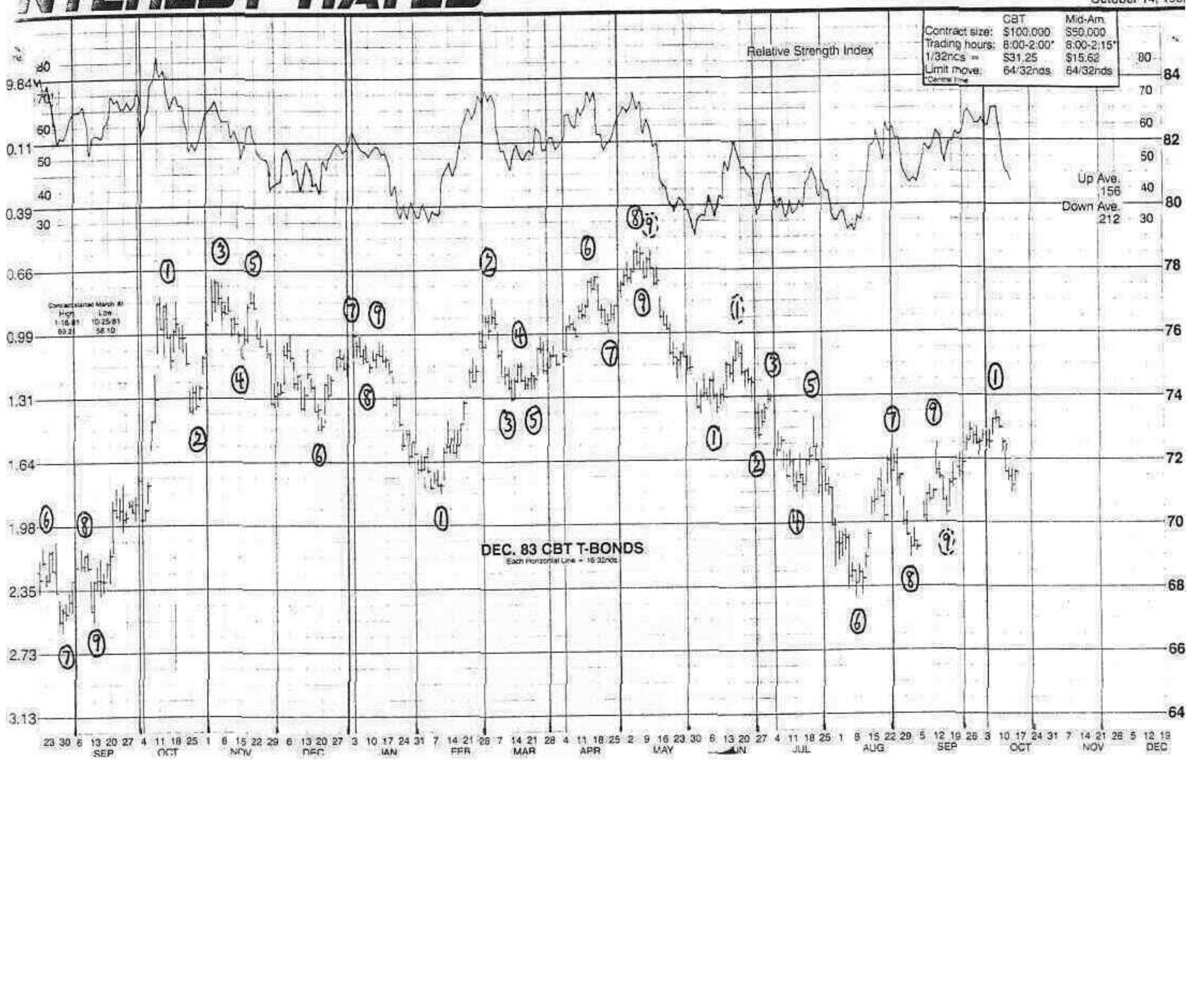
We will look at one more of Jim's original fifteen charts which is T-Bonds. Although Jim saw 9 points in T-Bonds, later analysis on many years of data showed that there were two additional points between Points (5) and (6). This makes a total of 11 points for T-Bonds.

Now that we have had a brief overview of the Intermediate Term Delta (the balance of the 15 charts were in the same families as those illustrated), I will now reveal what the colored lines are . . . what determines the order in markets. But first, I want to convey one important piece of information.

There are **five** Delta time frames. Although we have, so far, looked at just one of the five, everything said about the ITD time frame applies exactly to every other Delta time frame. All Delta time frames have four colored lines, etc. The only difference is **what the colored lines represent.** If you have followed the discussion so far, you now know everything about all five Delta time frames except what the order is for each time frame . . . what the colored lines represent.

INTEREST RATES

October 14, 198



PART

THE MOMENT OF TRUTH

So now we come to the moment of truth . . . **the secret of the hidden order in all markets.** When you find out what it is, you will immediately know that is what it has to be... nothing else could be so powerful. The secret can be defined for all five Delta time frames by just eighteen words.

Markets repeat directly or inversely relative to the total •interaction of the sun, the moon, and the earth.

For the Intermediate Term Delta lime frame, each colored line is on the date of each FULL MOON!

We can define the Intermediate Term Delta in nine words.

Markets repeat directly or inversely every four lunar months.

That is the height of simplicity. It is a truism. It has held up as far back in history as there is obtainable data. And yet, it has eluded everyone who ever tried to find it . . . the real underlying order in markets . . . until it was discovered by Jim Sloman in the summer of 1983.

Before we move on to the other four Delta time frames, I would like to tell you how Jim discovered the Delta phenomenon. Jim was in Chicago at his apartment. He had been trading futures in an off-floor office with several other traders but he had decided that he no longer wanted to trade even if he could make a lot of money at it. The reason was that when trading, he could think only of trading and, being a very creative person, he did not want to spend any more time thinking about trading. He had written a novel which was as yet unpublished and he wanted to make a feature length film. Right then, Jim needed money to accomplish this.

However, before he left the arena of markets, he wanted to pursue a thought about markets. He asked himself the question, "Is there order in markets?"

Jim had developed a method about thinking creatively. He said that he learned it from reading the works of Albert Einstein, whose works, incidentally, Jim had spent much time studying. Jim's method was to forget everything he **thought** he knew about the subject he wanted to investigate. He would simply wipe the slate clean and then he would ask a question about the subject. In this case, the question was, "Is there order in the markets?"

Having asked the question, Jim would then consider possible answers without being influenced by any preconceived ideas about the subject. He would open up his mind to any possible solutions, consider them for a time, and then simply turn the whole question over to his subconscious mind. Jim is convinced that the subconscious mind is more powerful and better able to solve problems than the conscious mind. Having done this, Jim goes on to something else and does not consciously think about that subject.

Although a solution does not always come, when and if it does come it is usually in the wee hours of the morning often around 3 AM. About two weeks after Jim had committed this problem to his subconscious mind, he was meditating when suddenly the answer broke through to him.

On this occasion, Jim got up and went to his kitchen table and applied the "solution" to some charts. It worked quite well about half of the time, but the other half did not seem to fit.

Jim believed he had a part of the answer, but that the full answer had not yet come. He went through the same procedure seeking the rest of the solution and about a week later, he was again meditating in the wee hours of the morning when suddenly the rest of the answer came. Jim tried it on his charts and it worked.

Jim realized that he had discovered something of utmost importance that had eluded everyone else for thousands of years. There **really was order in the markets and this order was based on the most powerful,**

the most fundamental determinate in all life . . . human life, plant life, and animal life. It was the basic determinate in all human interaction.

When you stop to think about it, the total interaction of the sun, rnoon and earth determine everything we do. Whether we are awake or asleep, whether it is hot or cold, the seasons, day and night, months, years, even the tide of the oceans. We have all heard that during the full moon hospitals fill up with women giving birth. Doctors in mental hospitals always expect the worst behavior from patients during a full moon. Every time we look at our watch we are observing a function of the interaction of the sun, moon and earth.

Even though he did not know exactly why, Jim intuitively knew immediately that this had to be the answer. Order means predictability. What is more predictable than the interaction of the sun, moon and earth?

This discovery was absolutely staggering. **That all markets are based on this order and therefore are predictable must rank among the greatest discoveries of all time.**

Although Jim was certain that this order was true for 12 markets for the last nine months, it still had to be proven that this order was solid, that it would not shift back and forth relative to the colored lines, and that the number of points in the series would not change in the past or future. Possibly the order would fade in and out.

To determine this required months, maybe years of work to ascertain for all the different markets and time frames. Jim loved to discover things, but the follow up detail work was not his forte. The question now was what to do.

Jim had already decided that he was no longer interested in trading the markets. His attention was now on his other projects and he needed money to proceed. Jim knew his discovery was worth a lot of money but the problem was how to sell it. If he showed a prospective buyer the secret, then the buyer would not have to buy it . . . it was so simple that it would be memorized immediately. On the other hand, why would a prospective buyer be willing to pay for it before he saw it? It was a classic "catch 22" situation.

Jim proceeded to solve this problem just as he solved any other problem. He turned it over to his subconscious mind to solve and then he turned his attention to other areas.

Again, about a week later, at about 3 AM the answer came. Jim remembers that the thought occurred with such force it seemed to be audible. The answer that came was, "sell this to Welles Wilder." Now, I know that sounds heavy, but that is just how Jim described it.

Jim did not know me personally. He knew of me by reputation. That same day he picked up the phone and our conversation was just as written in the brochure. To make it even "heavier," the price Jim gave to me on the phone was the exact amount I had unexpectedly received just a day or two before the call.

At this point I am going to continue to reveal what the four colors represent for the remaining Delta time frames. When we have unveiled the entire Delta phenomenon and have shown how it all fits together, then we will study charts of each time frame.

What I have revealed so far is just one time frame of this unbelievable phenomenon called DELTA. While I was in Chicago, Jim told me about another time frame for the Delta order. He also showed me four charts that appeared to prove this order. The charts were weekly charts. Jim called this the Long Term Delta (LTD) time frame. It can be stated in just eight words!

Markets repeat directly or inversely every four years.

This is even simpler. Is it really possible that markets actually repeat every four years and nobody has seen it? The answer is YES. The closest anyone has come to deciphering this is the discovery of the "four year business cycle." Price charts of the Dow Jones Industrial Average have been studied by technicians for 200 years and no one has ever seen this order. Even though there has not been an inversion in this market in over 50 years, no one has discovered that there are 6 Delta turning points in each four year series that have repeated **directly** (not inversely) every four years for the last 50 years.

While in Chicago, Jim talked about a third Delta time frame which he called the Short Term Delta (STD). He had not proved it because it required intraday data, for example 30 minute bar charts. Jim asked me if I could zero in on the logic of it based on what I had seen so far. I thought to myself that it must involve an interaction of the earth and the sun or the moon and that the number 4 would also be important. Suddenly, it came to me what it must be... again just eight words.

Markets repeat directly or inversely every four days.

Jim seemed a bit surprised that I had picked it up so quickly, but it just seemed so logical to me. Jim acknowledged that was correct, in theory at least, but there was still a problem. What about the weekends? Would the series continue through the weekend or would it stop on Friday and begin again on Monday. I said I didn't know and Jim said he didn't know either, but when he had thought it through he would let me know. Several months later after Jim had moved to California to begin work on his feature length film, he called me and said he had thought it through and had come to the conclusion that the series did, in fact, continue through the weekend.

Several weeks after that I flew out to California with forty minute bar charts for most markets. Jim had leased a fantastic house just north of San Diego right on the beach overlooking the ocean. The view was awesome. Jim sat down at his kitchen table and proceeded to solve each of these market for Short Term Delta (STD). I was amazed at how fast he could solve each market in spite of the gaps in each series due to the weekends. (In a future chapter we will learn the procedure for solving any market and any time frame for Delta.)

At this point we had three time frames for Delta . . . the Long Term (LTD), the Intermediate Term (ITD), and the Short Term (STD). As far as we knew then, that was it. .

About a year or so later, I had scheduled a Delta Directors meeting to be held in London. (By then we had a significant number of Delta Directors from Europe.) Jim called from California and said that he had made another discovery regarding Delta, and since the Directors meeting was to be held in about two weeks, he would like to present this discovery to everyone (including me) at that meeting. Virtually all the Directors showed up in London for that meeting!

Jim made his presentation using two overhead projectors so that two charts could be exactly overlaid on the screen. I will now try to describe briefly the discovery Jim had made.

Jim began, "Where my house is on the beach, when the tide is out there is a nice sandy beach; but when the tide is in, the water comes all the way to the rocks at the sea wall. My girlfriend runs on the beach every day and therefore uses TIDE CHARTS to know when the tide will be out so she can run. Several weeks ago I was taking a break from working at my computer when I noticed all these tide charts lying around. I picked one up and nonchalantly dropped it back on the table when suddenly I realized what I had just seen. **A tide chart is a picture of an end result of the interaction of the sun, the moon, and the earth!** Here on the screen is a projection of a typical tide chart."

"I knew immediately that this had to be important, but I didn't know how. So I began to study the few charts that I had. The charts are similar to a sine wave. I noticed that each day had two variables, the height of the wave and the time of day that the peaks and depths occurred. On the charts I had, no two days were exactly alike. This observation suggested a question. How long would it be until a day occurred that was identical to the current day? Would this not represent one complete interaction of the sun, the moon, and the earth? If so, then this would be the time length for a **new Delta series.** This would also be the first series that actually used the interaction of all three bodies."

"From the Tidelines Inc. office in San Diego, I was able to obtain monthly tide charts for the last six years. I took the charts to a quick copy center and had each chart copied onto sheets of acetate. Then I spent the next few days holding the charts up to the light overlaying one with the other trying to find an exact daily match. I knew that when I found it, every day would match perfectly with a previous day "X" number of days ago."

"Eventually, I found the exact time period. I am going to put one of the tide charts on the first projector and another tide chart on the second projector. Now I will move one projector so that a particular day on each chart is exactly overlaid. Notice that these two days are exactly the same. In the time period between those two days, there are no two days that match. Therefore, the time between those two days is the exact time for one complete interaction of the sun, the moon, and the earth. **That time period is exactly 12 lunar months."**

"The chart for every day is exactly the same as the chart for the same day 12 lunar months before it and 12 lunar months after it, etc. **This means that markets will repeat every 12 lunar months.** I have done some preliminary work that shows this idea to be true. However, it is up to you Directors to solve it for each market. I suggest that we call the order on this new time frame the **Medium Term Delta (MTD)."**

After that meeting in London, I came home and began to work on the solutions. I used weekly charts and put a colored line on every **third full moon.** That gave me the same four colored lines for each lunar year. I solved the Medium Term Delta for all 25 commodity markets in just two days.

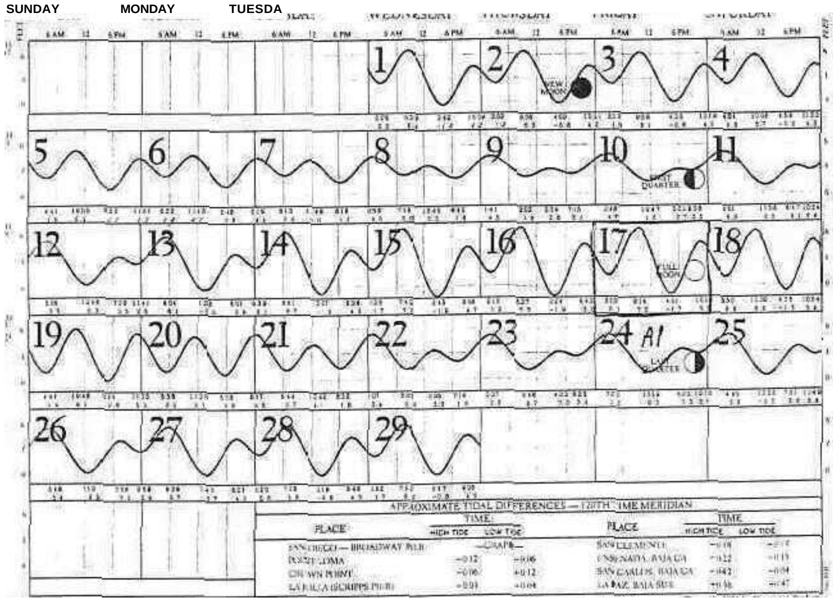
It takes only eight words to describe the Medium Term Delta (MTD) order.

Markets repeat directly or inversely every lunar year.

There is one thing different about the MTD. There is no number 4! It appeared that the reason might be that the number 4 was involved in the time frames which related to two of the bodies. The Intermediate Term came from the interaction of the earth and the moon . . . which is the lunar month. The Long Term came from the interaction of the earth and the sun . . . which is a calendar day. We reasoned that when the interaction of all three bodies resulted in a time frame, then the third body takes the place of the number 4 and the series becomes one happening or unity.

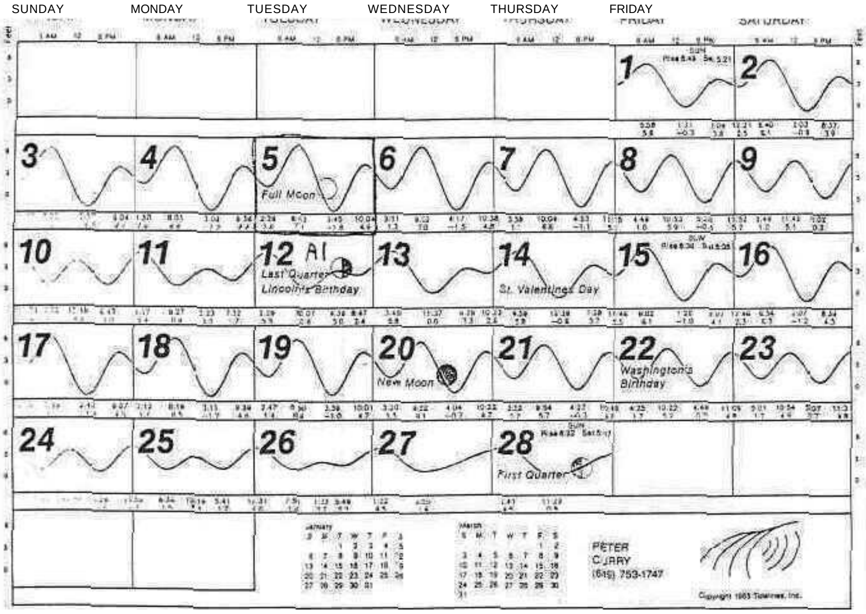
5BRUARY 1984

SUNDAY MONDAY TUESDA



FEBRUARY 1985

SUNDAY MONDAY TUESDAY WEDNESDAY THURSDAY FRIDAY



The fifth and last Delta time frame substantiated this concept. Again, about six months after the London meeting, Jim called and said that he was sure that there was one more Delta time frame. He called it the Super Long Term Delta (SLTD) time frame. However, the problem this time would be to find enough continuous data to prove it. Jim said it would take about one hundred years of data to provide the number of series to support a solution. I did not have a hundred years of continuous data nor did I know where I could obtain it, then Jim told me over the phone what this new and last Delta time frame was.

Jim said, "Welles, suppose you were viewing our solar system from a point in the universe where you could see the total interaction of the sun, the moon, and the earth. There are a lot of things going on at once. For example, the earth is going around the sun, the moon is going around the earth and the earth is revolving on its own axis, etc."

"Suppose you had a camera and snapped a picture of this scene. How long would it be before you could again snap a picture and have exactly the same scene?"

"This time period would represent one total complete interaction of the sun, the moon, and the earth!"

(I knew immediately what Jim had come up with. Since the total order in the markets is based on the total interaction of the sun, the moon, and the earth, then the time period for the completion of this total interaction had to be the final Delta time frame.)

"I don't know how long that would take," I answered, "but I'm sure you are about to tell me!" Jim replied, "that time period is 19 years and 5 hours! Obviously, for our purposes you can forget the five hours and just use nineteen years as the time period for the series."

"Great," I answered, "now all I have to do is find the data."

I have always been amazed how things seem to fall in my lap just when I need them. A few days later, I was talking to a stranger on the phone and in the course of the conversation he mentioned that he had painstakingly put together from several sources a complete and continuous data bank of monthly closes for the basic stock market indexes from 1792 until the present. The most recent part of the index was the Dow Jones Industrial Average (DJIA). To make a long story short, he was pretty proud of that data and therefore it was not inexpensive, but I managed to get a copy of the data.

My staff manually punched the data to disk and my programmer developed the software that would make line charts of this data. I knew that the repeat would be every 19 years, so we started at the beginning of the chart and programmed the plotter to draw a red line every 19 years. (Obviously, it makes no difference where you place the first line.) The other lines were then drawn in at equidistant intervals so that the distance between each color was one-fourth of 19 or 4 years and 9 months.

I ended up with two monthly charts that depicted approximately one hundred years on each chart. It took me less than thirty minutes to find the solution. There were 14 points in the series but the most amazing thing was that there was not one inversion in the entire 200 year period.

The only other market that I have been able to obtain sufficient data for solving the Super Long Term Delta is The Dow Jones 20 Bond average. For this market I have the monthly data from 1915 to present. This gives four completed series which is a minimum, but we will discuss this later.

We now have defined all five time frames of Delta. These five Delta time frames have an average of from two Delta turning points a day for the STD to an average of two points every three years for the SLTD.

If you have followed and understood what has been said to this point, you understand the Delta phenomenon . . . the secret of the underlying order in all markets.

In the following chapters we will study each Delta time frame in detail. We will then learn how to find the Delta solution for any market and for any Delta time frame. I will then teach you what I have learned about using Delta in trading the markets.

This book, like my other books, will be brief and to the point. Only essential information will be included, but I will try to explain everything in a way that is understandable. Personally, I have little patience with writers who take five pages to say what could be conveyed with all essential elements in one page. So much for my engineering background! Now, before we go on, I want to outline what we have learned about the five Delta time frames.

DEFINITIONS

Markets repeat directly or inversely . . .

Short Term Delta (STD)

A. every 4 revolutions of the earth, that is,
B. every 4 days.

Intermediate Term Delta (ITD)

A. every 4 revolutions of the moon around the earth, that is,
B. every 4 lunar months.

Medium Term Delta (MTD)

A. every complete tidal cycle, that is
B. every lunar year.

Long Term Delta (LTD)

A. every 4 revolutions of the earth around the sun, that is,
B. every 4 calendar years.

Super Long Term Delta (SLTD)

A. every complete total interaction of the sun, moon and earth, that is,
B. every 19 years and 5 hours.

Rotation

A. All Delta turning points from Point (2) till the end of the series maintain a high/low or a low/high rotation.
B. This rotation may change in an Inversion Time Window.

Inversion

A. A change of the Delta high/low or low/high rotation.
B. An Inversion can only occur in an Inversion Time Window (ITW).

Inversion Time Window (ITW)

A. A period of time that repeats with an exact frequency.
B. The ITW begins with the last Delta turning point in the previous series and continues until the second turning point in the new series.
C. The ITW is the only place in time that an inversion can occur.

In-Between Point (IBP)

A. The IBP is an extra point in the series which may occur only in the Inversion Time Window.
B. The IBP may occur on either side of Point (1) thus causing an inversion resulting in a change of rotation.
C. The IBP may also occur on both sides of Point (1) thus causing two inversions which result in no change of rotation.

Series

A. The number of Delta Turning Points beginning with Point (1) and ending with the last point in the series.

Now"that we are familiar with these definitions, let's consider the **perfect order** in all markets.

First, **all market movement is in tune with this perfect order which we call Delta.** That is truly an amazing statement; one that anyone would find hard to believe. I am sure that some of the people who read my ads in magazines and newspapers worldwide a few years ago, probably chuckled and wondered what I had been smoking! In fact, I suspect that many of you who are reading this book have not seen enough evidence to convince you as yet. That's understandable. By the time you finish this book, you will be convinced (if you can be objective) because the evidence is overwhelming.

Now obviously, I have not had time to solve "all markets" for Delta. BUT I have never seen or tried to solve a market that was not in tune with the

Delta order. . . and that is a lot of markets as you will see. I am absolutely sure that **every freely traded market on this earth is in tune with this order** not only because I have found the solution for every market that I have tried, but because the basis of this order transcends the name of what is traded. It involves, rather, the science of freely traded markets . . . obviously a science that was, until now, not even remotely understood.

No one really understands exactly what electricity is or what magnetism is when it is investigated to its root cause. However, we accept it because we can observe that it obeys a defined order which can be formulated and therefore is predictable.

Let's consider **the order** in the markets. All markets obey this basic order. There are only two variables. The number of points in the series and upon which point the series begins. That's it! For a particular market, once one discovers the number of points that repeat and where the repeat begins, he is able to predict where in time each of these points will occur as far in the future or the past as he may want to go. Why? Because we can scientifically predict the total interaction of the sun, moon, and earth for as far into the past or future as we may want to go.

What we are saying is that each market is **locked into** this interaction of the sun, moon, and earth. When we find the key to the lock, the market is absolutely predictable. **The key is twofold; how many points are in the high/low rotational series and at which of these points the series begins.**

Why is it necessary to know at which point the series begins? Because that is the only place that the series can invert.

Now, if it is true that:

A. each freely traded market repeats over and over with an exact number of points in
B. a defined high/low rotation and
C. will only change its rotation at the beginning of the defined repeat and
D. will only perform this rotational change in a defined way and

E. does all of the above in exact sequence with the total interaction of the sun, moon, and earth,

then . . . is that **perfect order?**

Any objective observer would have to say yes, if all the above is true, then that is perfect order.

Now, even though we know the Delta order is perfect, unfortunately, for me, the exact date of the high and the exact date of the low (of the high/low rotation) is not perfect. If it were, you would not be reading this book and I would have, by now, accumulated more wealth than anyone else in this world!

So. it is important to understand the difference between perfect order and perfect accuracy. Perfect order involves a phenomenon that repeats exactly within a defined reference. In this case the reference is the perfect interaction of the sun, moon and earth.

Perfect accuracy defines the accuracy within the order. In this case, the accuracy is that of the turning points. That is, how close a particular turning point will come to a predicted date. Obviously, it is not possible for perfect accuracy to exist within the perfect order of markets.

If it did, every one would have discovered the order as long ago as the Romans were trading with the Phoenicians and the Greek philosophers tried to corner the olive oil market. And, if everyone knew the order, there would be no market because every trader would have exactly the same information! If every trader had the same information then there would be no trades because there would be no one to take the other side of a trade.

This is why revealing the market order to all traders may not have a significant impact on the markets . . . because no one knows for certain the exact day that the high or low will come . . . or for some Delta time frames no one knows even the exact week that the high or low will come . . . or for the longer Delta time frames no one knows even the exact month that the high or low will come. Even if traders did know the exact day a high or low would come, they would still bet on what time of day or

PART III

INTERMEDIATE TERM DELTA

At this point we will cover in detail each of the five Delta time frames. We will begin with the Intermediate Term Delta (ITD) time frame by continuing the discussion on Gold.

Remember when I first saw the Delta phenomenon in Chicago, neither Jim nor I knew if the order we saw on those fifteen charts would continue exactly in tune with the interaction of the sun, moon, and earth or whether it would fade away perhaps to return at some time in the future.

On the airplane on the way home, I decided that I would devote my full time to finding out just how solid this Delta order was. For the next few months I worked at home and went into the office only occasionally. It is amazing how much one can accomplish if he is left entirely alone.

To investigate the Intermediate Term Delta (ITD), I needed daily charts that were continuous for the last five or six years. After some investigation, I was able to obtain the **data for the last eight years** from Commodity Perspective which puts out an annual chart book which charts each contract for most commodities.

The format of one year per page was just what I needed. Eight years of data would give me at least 24 repetitions for each commodity on the ITD time frame.

Since I knew the Delta solution (the number of points and where Point (1) occurred, all I had to do was draw the colored lines on the charts and number the points. I was amazed (although I probably shouldn't have been) how everything just fell into place. It was so simple that my then twelve year old son could have done it just as well if he had known the rules. The rules also fell into place quickly as I investigated more £-- more markets. The major rule is as follows:

A Delta high must be the highest high between two Delta lows. A Delta low must be the lowest low between two Delta highs.

About 90% of the time that was the only definition necessary. That definition makes the Delta turning points absolutely definitive.

Those of you who have tried are acutely aware that it is difficult to put all market movement into a predetermined box. There are times when markets are screaming up or down so fast that they "can't do exactly what they should do." At the other end of the spectrum there are times when markets are so "relaxed or congested" that they can't seem to make enough movement to create a turning point that is significant. However, these are the extremes.

For the time when markets are either asleep or screaming, we need several other, not rules exactly, but guidelines to follow.

The following six pages are taken directly from the Delta members manual. I am going to insert them here, so that you will be able to recognize each Delta turning point when we begin studying the charts.

These next six pages are very important. They are a prerequisite to having a complete understanding of the Delta phenomenon. I suggest you read them carefully and then move on to the charts. However, these six pages should be memorized before you begin using Delta.

CLASSIFICATION OF TURNING POINTS

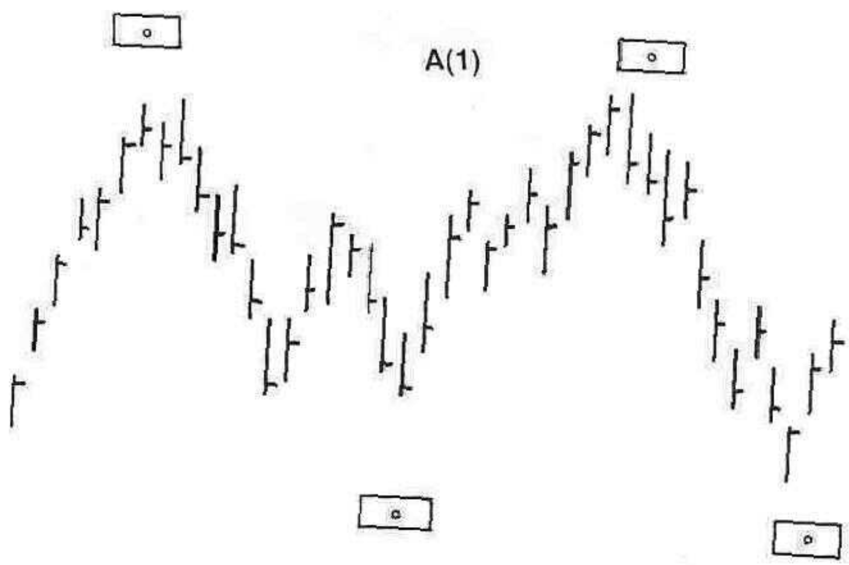
In the following discussion it may seem strange to attribute human characteristics to the markets, unless one realizes the markets are a result of human behavior. Many books have been written about the psychology of the crowd and that the markets reflect the combined behavior of the masses, but until the DELTA phenomenon was discovered and classified by Jim Sloman it was unknown that all markets conform to a discipline that can be defined. The DELTA phenomenon, for the first time, establishes a **reference** as to the real behavior of all markets. This reference is manifested in the DELTA turning points. If one knows in advance what a particular market is "supposed" to do at a predetermined point, then what it actually does at this point in time opens up a whole new realm for market analysis . . . it sheds a completely new light on the behavior of markets.

The basic premise is that either markets will do what they are "supposed" to or they will not do what they are supposed to. If they do not do what they are supposed to at a predetermined point in time, there is a reason. That reason is that there are unusually strong forces at work **temporarily acting contrary** to what the markets "want" to do. The trader can obviously take advantage of this knowledge and go with the temporary strong forces... and make a profit. **If the markets do not do what they are "supposed" to do the contrary move is likely to be magnified.**

When you become a student of DELTA, the markets will almost seem human. You will think in terms of what the markets "want" to do or are "supposed" to do. You will become an expert poker player because you have gained a feel for the personality of your opponent. You have a frame of reference for knowing how he will act in any situation. He will try to bluff you at the turns, but you have the advantage because you are able to read his movement with a new understanding . . . you have learned the real rules of the game.

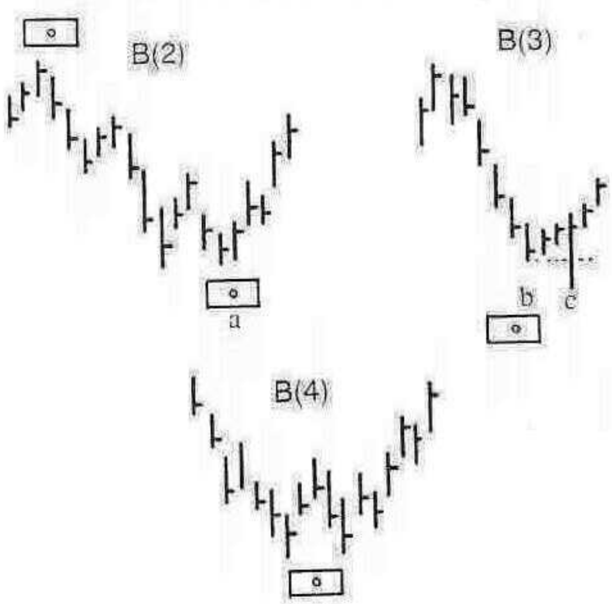
After a year of following DELTA and defining the DELTA turning points on hundreds of years of daily data. I have discovered that the markets act in different ways relative to the DELTA turning points. These actions depend on the inherent strength and weakness of the markets. I have found that all of these different behavior characteristics can be classified into only four different categories. I have qualified these four categories as NORMAL."ACTUAL. WEAK, and STRONG. Following are definitions and examples of these four categories:

[1] **NORMAL -** When the markets behave normally then the swings are well defined and the turning points are very accurate . . . within a day or two of the DELTA predetermined dates for the turn. Unless there are very strong forces underlying the markets, most of the time the markets will fall into either the NORMAL or ACTUAL catagories. In Example A (1) the box with the dot represents the predicted DELTA turns. In NORMAL markets, **study the rhythm of the markets** that is revealed relative to the projected DELTA turns.



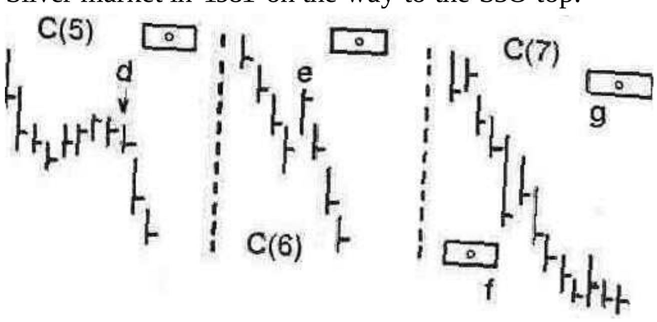
[2] **ACTUAL -** Sometimes there will be two low points or two high points of about equal value. The point that is nearest in time to the predicted point is the ACTUAL DELTA turning point. Example B (2) illustrates this. The DELTA turn was the lowest point at (a). A variation of this is illustrated by Example B (3). One would think the real turning point was the lowest point at (c); however, this is not the case. The ACTUAL turning point is at (b). Close examination shows that the market really turned and started up at (b) and that (c) is an abortion probably caused by manipulation, running stops, etc. by the floor traders. The tipoff. or what makes this definitive is the strong close in the upper part of the range. The part of the range that is "dangling" below the previous low should be ignored when the close is strong in the direction of the trend which really began at (b).

Example B (4) illustrates another variation that will occur from time to time. In this case the DELTA projection is between the double bottom. The high between the two lows is very close or exactly on the DELTA turn date. In this case, the ACTUAL turn is the one nearest to the DELTA projected date.



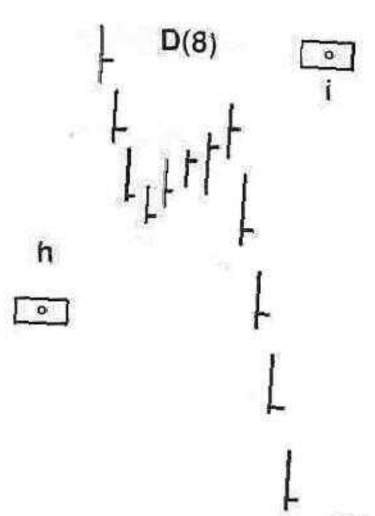
[3] **WEAK -** When strong market forces are at work in either direction, the reaction to this strength can be thought of as the weak side of the market. For the purpose of this discussion, forget about the usual concept of a strong market being a bull market and a weak market being a bear. What we are talking about here is the strength of a trend **in either direction** and weakness being opposite to the strength of the trend. In Example C the market is in a downtrend. In C (5) it is "trying" now to make the next DELTA top. Instead of going up it is struggling just to go sideways. It "wants" to make the top on time but finally gives up and plunges. This action is a tipoff to the trader to expect the DELTA turn to be early and the downtrend to continue. In this case the DELTA top is the last day of the struggle . . . the day before the plunge at (d) even though there may have been a previous day slightly higher.

In Example C (6) the downtrend is very strong. The market "wants" to turn and move up to the DELTA high but market forces are so strong that one "up day" is all it can muster. The trader should watch for this action at a DELTA turning point in a very strong market. If it is expected at that time, then when it happens it gives the trader a unique opportunity to get aboard the train or to add to his position. In this case the DELTA turning point was the high at (e). I can recall only one market that was so strong that it completely ran through a DELTA turn without at least giving a one day "blip" near the DELTA turn. That was the Silver market in 1981 on the way to the S5O top.



A variation of Example C (6) is Example C (7). This seldom happens, but it is possible in a very strong market for the DELTA high at (g) to actually be lower than the DELTA LOW AT (F).

[4] **STRONG** - In the previous examples we concentrated on analyzing the weak side of a strong market. The last category analyzes the strong side of a strong market. Again, strength here refers to market movement in either direction. Example D (8) illustrates a typical strong market. It "wants" to make a turn at DELTA turning point at (h), but temporary inherent forces are so strong that it moves past the turn date. Finally, pressures are relieved temporarily and the market starts to move toward the DELTA high point at (i). Sometimes this point comes right on time because of the overrun on the previous point, but the trader should expect this point to come early because the internal forces are still probably very strong.



These four categories define all DELTA turning points. Approximately 90% of the time it is obvious which market turn is the DELTA turning point. The above definitions pertain to the unusual cases which require a definition. The definitions presented above were applied consistently to our analysis of the hundreds of daily charts that we studied to evaluate the DELTA phenomenon in order to apply definitive mathematical results as to the accuracy of DELTA for each turning point . . . or each commodity . . . both Long term and Intermediate term.

The research and analysis of the DELTA phenomenon has been exciting, stimulating, rewarding, and personally satisfying. This is usually the case when one's research is breaking new ground in an area where many have spent a lifetime of analysis. It has also been the most conscientious, precise, and exhausting study in which I have ever been involved. Even so, each new day of study brings new respect for the real significance of Jim Sloman's discovery.

The first Delta chart that we looked at was Gold, so we will continue that study. In the next eight pages we will see a continuous study of Gold.

One thing became obvious to me as I used Jim's solution for Intermediate Term Delta. That is, major changes of direction and major moves are most likely to occur at or on each side of Point (1). In the case of Gold, the major moves tend to begin at Point (11), dotted Point (11), Point (1) or dotted Point (1).

This characteristic of Delta pertains to all five time frames. There are no other Delta turning points that have this characteristic. This alone is valuable information. This characteristic is more often prevalent at low points than high points. Notice this characteristic when you study the following charts. Note how many major lows are associated with Point (1).

Notice also, when markets are screaming either up or down, how the four guidelines apply. You will see why I suggest that they be memorized.

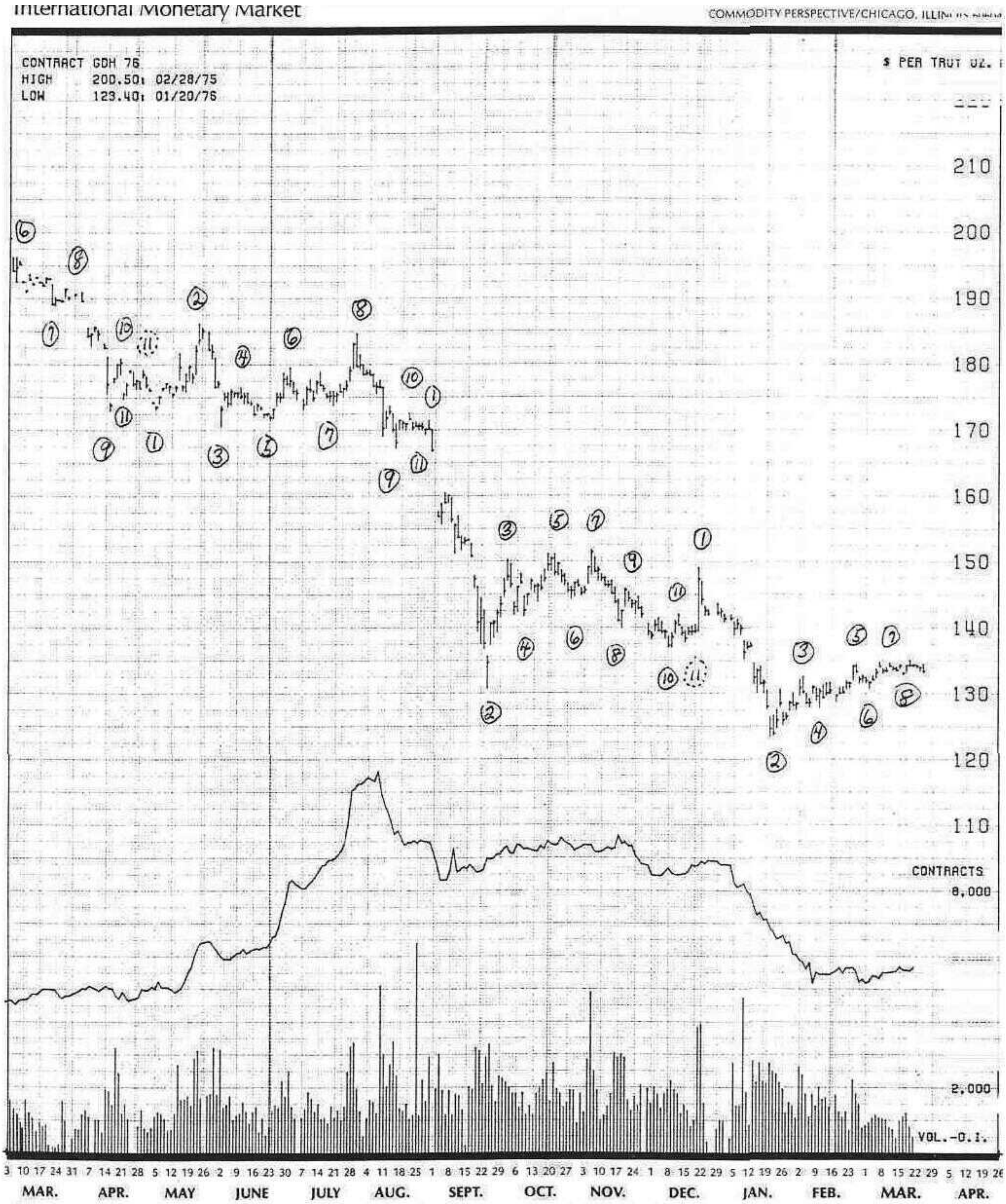
When you study the next eight pages, I think you will feel what I felt when I wrote in the brochure . . .

> "For the next several hours Jim explained the discovery to me. I looked at fifteen different bar charts under the projection of Jim's colored lines and numbers. It was obvious that there was an order that the markets followed. Each turning point did not necessarily come on the exact day that it should have, but it was incredibly close . . . within two or three days in most cases . . . "

I completed this exercise (in the fall of 1983) for the last eight years for each of the fifteen commodities that Jim had solved for Delta. It turned out that the accuracy of the fifteen commodities was relatively equal. Gold fell in the middle. Six commodities were a little more accurate and eight were a little less accurate.

GOLD

MARCH 1976

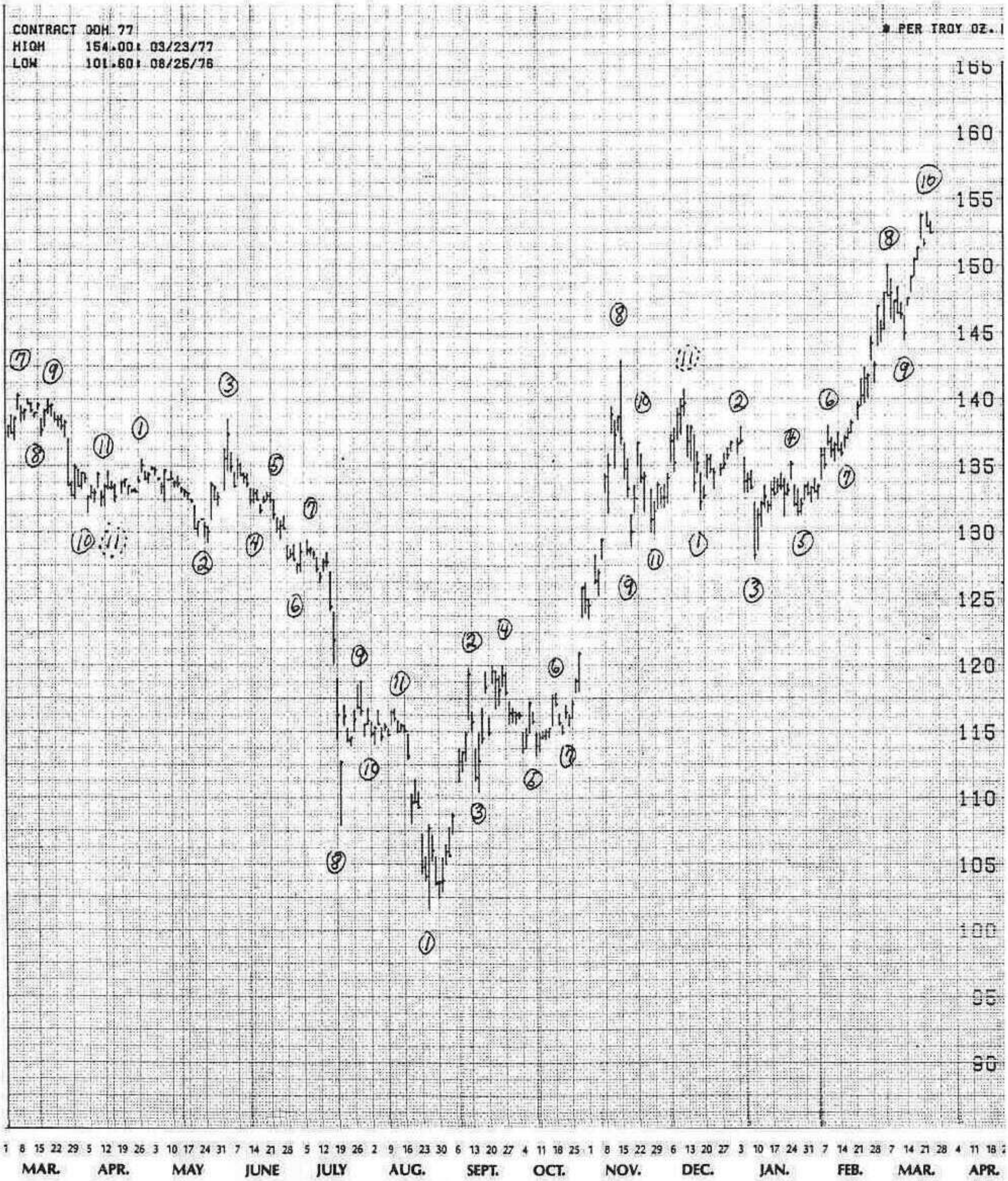


GOLD

MARCH -

COMMODITY PERSPECTIVE/CHICAGO, ILLIMOIS 60604

International Monetary Market

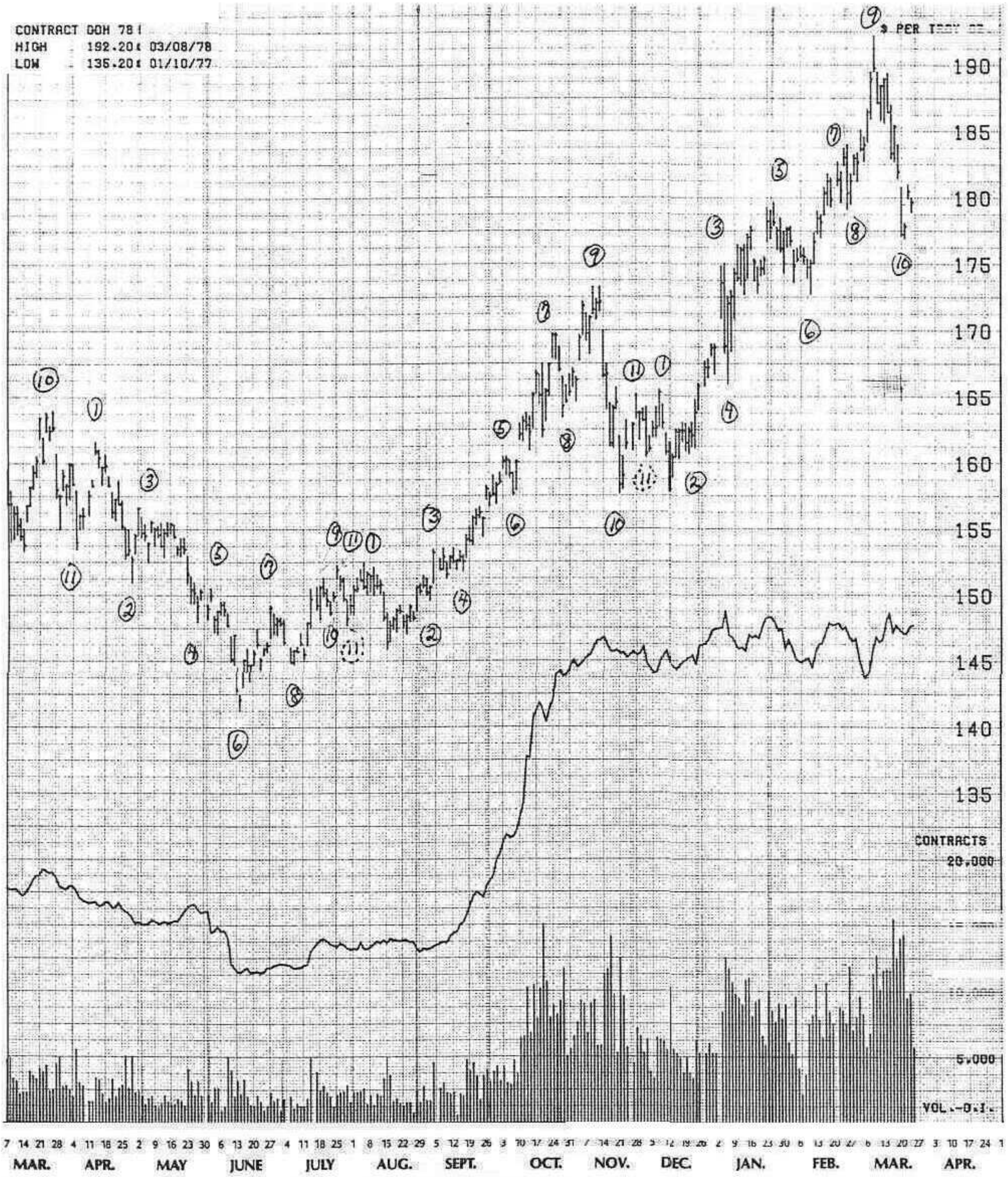


GOLD

MARCH 1978

International Monetary Market

COMMODITY PERSPECTIVE/CHICAGO, ILLINOIS 60604

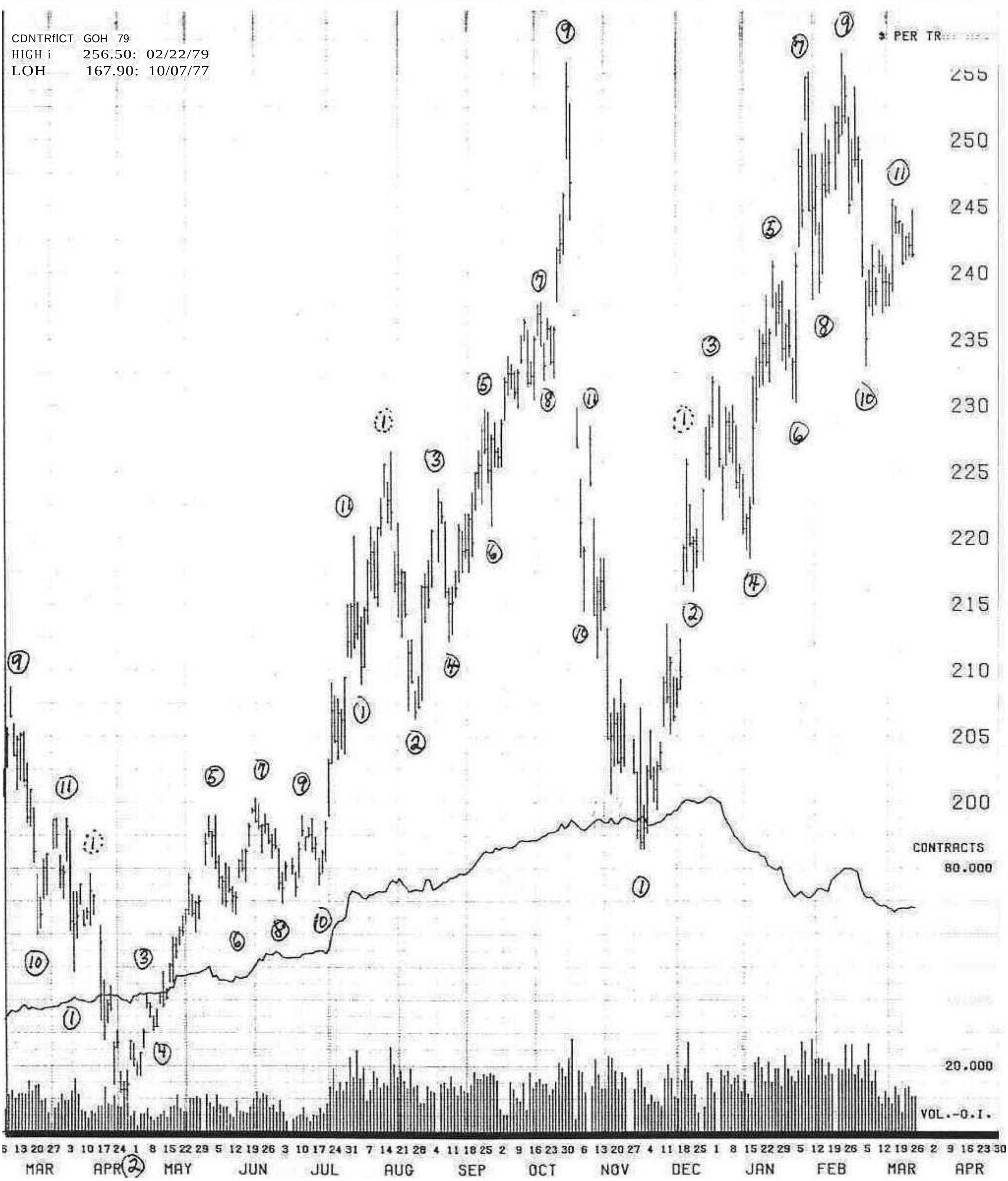


GOLD

MARCH 1979

International Monetary Market

COMMODITY PERSPECTIVE/CHICAGO, ILLINOIS 60«M

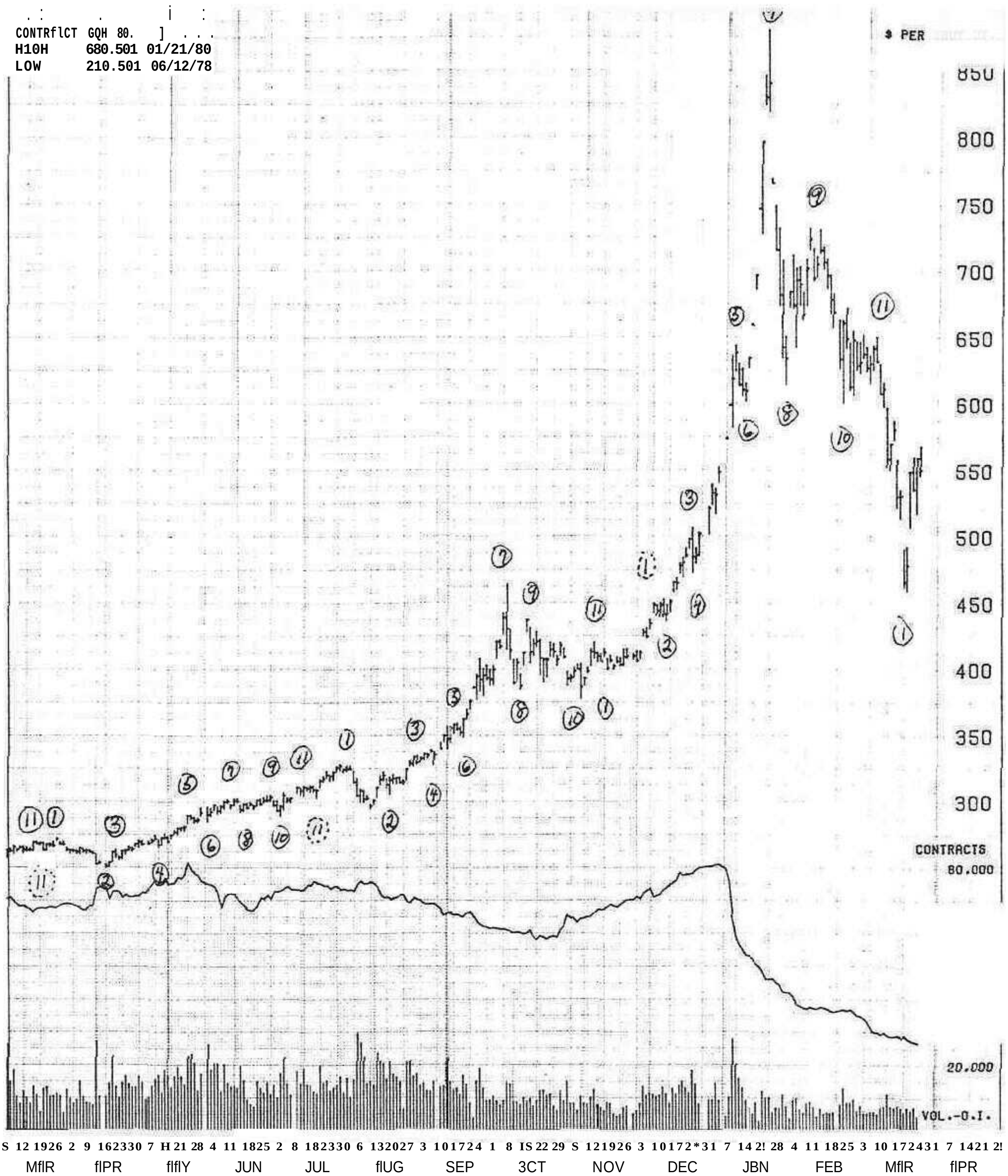


GOLD

MARCH 1980

International Monetary Market

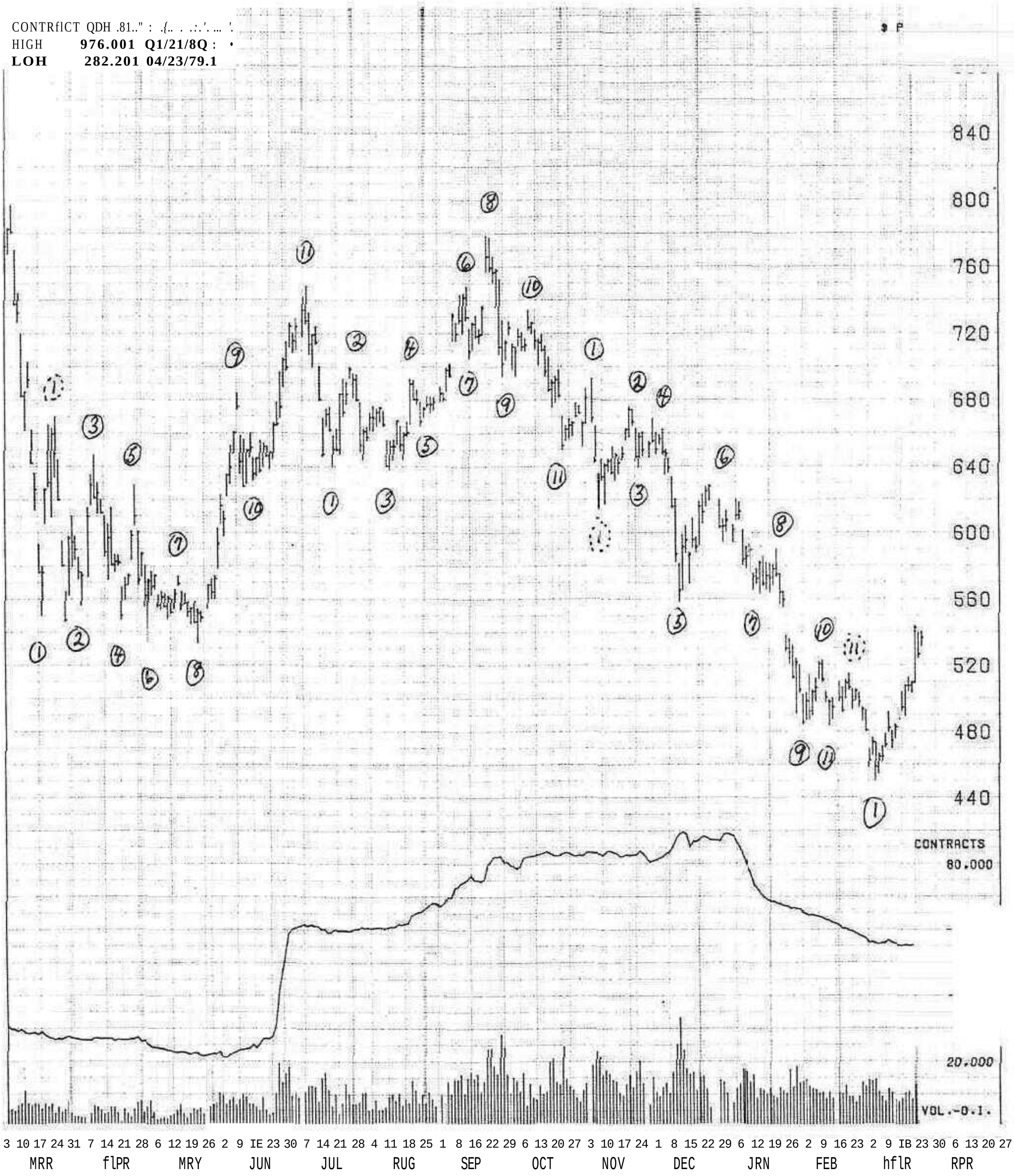
COMMODITY PERSPECTIVE/CHICAGO, ILLINOIS 60‹M



GOLD

MARCH 1981

International Monetary Market

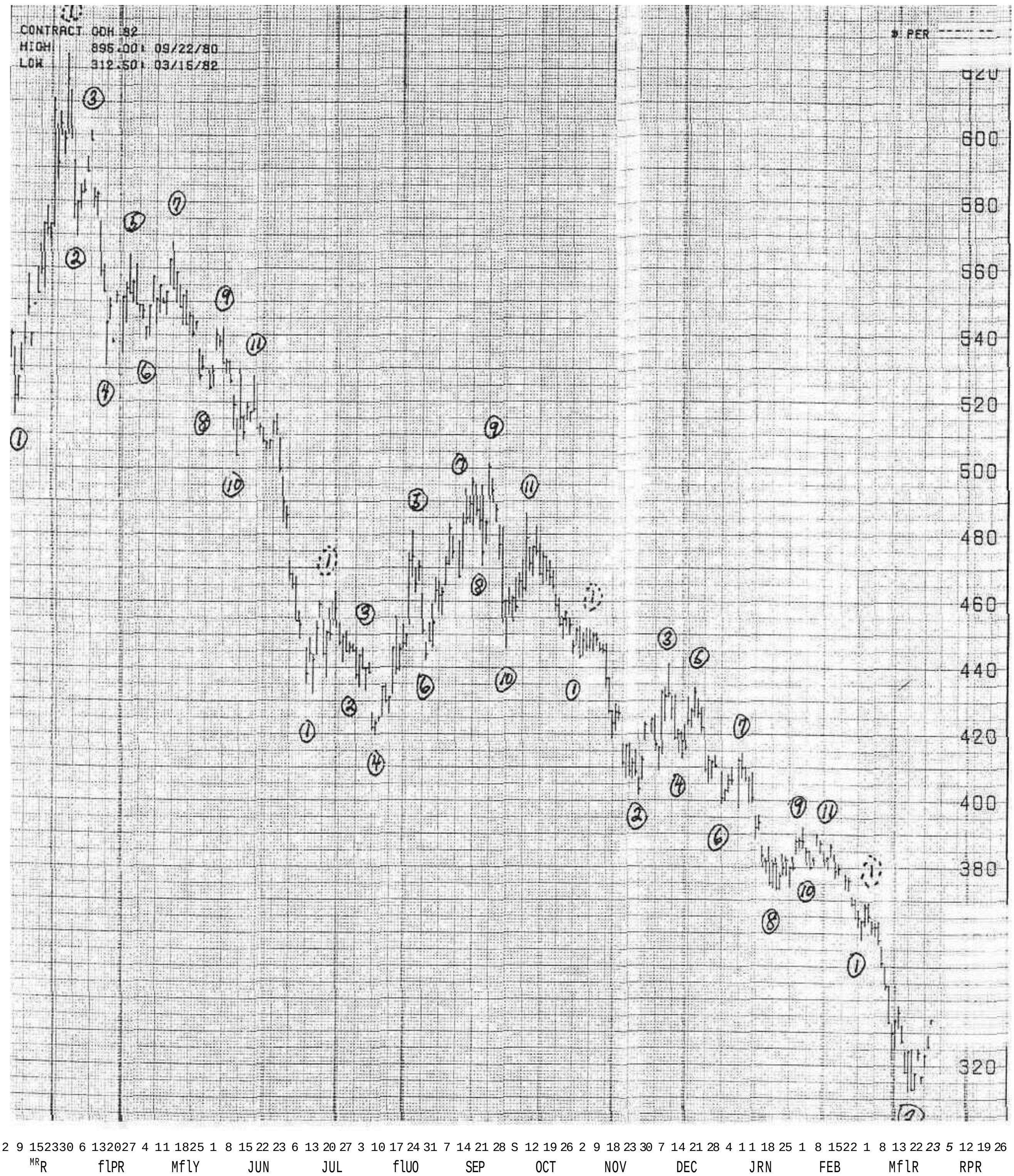


GOLD

MARCH 1982

COMMODITY PERSPECTIVE/CHICAGO, ILLINOIS 60604

International Monetary --------

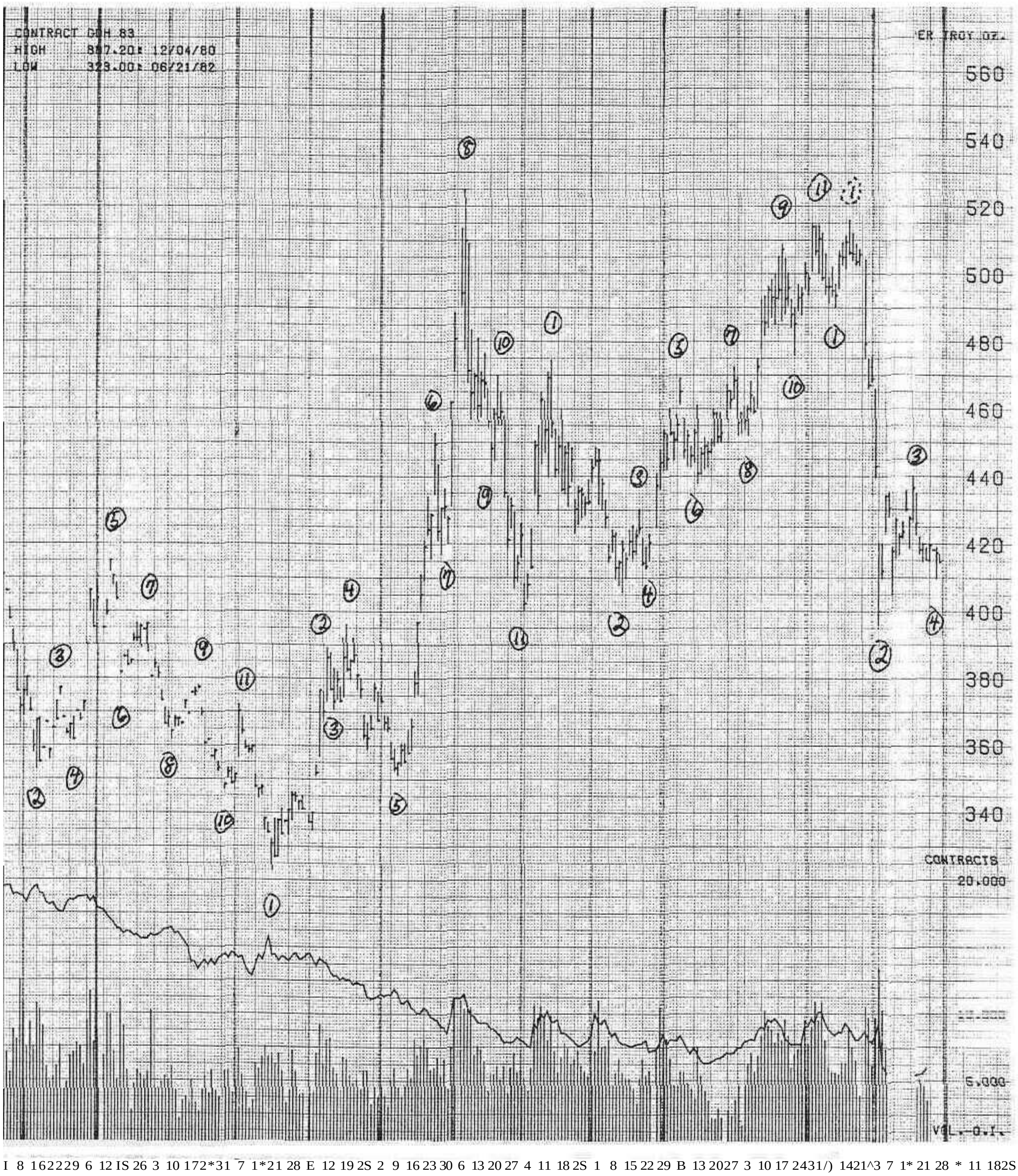


GOLD

MARCH 1983

International *Monetary* Market

COMMODITY PERSPECTIVE/CHICAGO, ILLINOIS



Having finished the above, I decided to solve for Delta the markets that Jim had not solved. This, of course, was much more difficult than simply applying Jim's solution to past markets. Actually, I found this quite a stimulating challenge. However, after you have done it a few times, it becomes easier. Obviously, there is only one correct solution because the inversion can be only in one place relative to the colored lines. Once you find where the inversion is, the rest falls into place. I will teach you the fine points of finding the Delta solution for any market later on.

Once I had the Delta solution for all twenty-five major commodities, the next task was to put this data from the charts into a form I call a NUMERICAL ANALYSIS that could be analyzed by a computer. I devised a format that placed the Delta points across the top of the page (on the X axis) and the date for the beginning of each series on the vertical axis to the left.

Each Delta turning point was defined by its relative position to the nearest colored line. For example, for Gold, Point (1) comes after the orange line. Therefore if Point (1) came 6 days after the orange line then the point was defined as O + 6 which in computer notation is O 6. Point (4) came to the left of the red line so a point 9 days before the red line was designated R - 9. Following is a completed NUMERICAL ANALYSIS for ITD Gold. Next I had my programmer, Tom Berry, devise a program that would give the following results.

[1] THE AVERAGE DISTANCE in days from the designated colored line for each Delta turning point. I decided to use 92% of the points, thus disregarding the 8% that were farthest away from the average. I felt this would give a truer average which was not unduly weighted by the occasional aberration. The points deleted from the analysis are designated by an asterisk (*). The row across designated as AVE shows the **average distance** of each point from its designated colored line. This is the **average point.**

[2] THE PROBABILITY that future occurrences of this point will come within 2 days of the **average point.** The row across designated as MP2 +/- 2 shows this percentage for each point.

[3] THE PROBABILITY that future occurrences of this point will come within 3 days of the **average point.** The row across designated as MP3 +/- 3 shows this percentage for each point.

GOLD

	PT 1	PT 2	PT 3	PT 4	PT 5	PT_6__	PT 7	PT 8	PT 9	PT10	PT11
5/75	O 6	G -1	G 6	R -9	R 0	R 6	B -3	B 4	B 16*	O -1*	O 4
9/75	O 5	G 2	G 8	R -7	R 2	R 7	B -9	B 0	B 1*	O -8	O -5
12/76	O 1*	G 2	G 12	R -3	R 7	R 12	B -5	B 0	B 2	O -7	O -1
4/76	O 9	G 8	G 13	R 3*	R 6	R 14	B -3	B 7	B 13	O -4	O 2
8/76	O 12	G 3	G 6	R-10	R 0	R 5	8-12*	B 6	B 9	O -9	O -5
12/77	O 9	G -1	G 3	R -8	R -5*	R 3	B-13*	B 1	B 6	O-10	O 1
4/77	O 7	G -3*	G -1*	R -3	R 1	R 10	B -4	B 3	B 12	O -6	O -4
8/77	O 4*	G 4	G 5	R -8	R 4	R 7	B -2	B 1	B 10	O -4	O 1
1 2/77	O 8	G -3*	G 7	R-13	R 1	R 12	B -2	B 1	B 9	O -4	O 2
4/78	O 7	G 2	G 9	R-10	R 7	R 15	B 0	B 8*	B 14	O -3	O 8*
8/78	O 10	G 5	G 12	R -5	R 6	R 8	B 2	B 3	B 10	O -6	O -4
12/79	O 11	G 5	G 11	R 2*	R 9	R 15	B -1	B 2	B 9	O -6	O 2
3/79	O 9	G 3	G 6	R -3	R 6	R 12	B -1	B 2	B 11	O -7	O 0
7/79	O 11	G 5	G 12	R -4	R 3	R 4	B -3	B 1	B 3	O -1*	O 3
11/80	O 14	G 4	G 11	R-10	R 3	R 7	B -9	*B* -4	B 3	O -7	O 3
3/80	O 12	G 4	G 8	R -6	R -2	R 2*	B-10	B -4	B 8	O -8	O 7*
7/80	O 15	G 0	G 11	R -4	R -1	R 13	8 -6	B -1	B 4	O -9	O 1
11/80	O 10	G 0	G 3	R-11	R -6*	R 3	B -5	B 2	B 11	O -5	O -3
3/81	O 11	G 8	G 12	R -4	R 3	R 8	B -6	B 5	B 9	O -8	O -3
7/81	O 15	G 7	G 8	R -8	R 3	R 7	B 0	B 3	B 5	O-10	O -4
11/81	O 12	G 8	G 17*	R -1	R 3	R 11	B -3	B 7	B 14	O -3	O -1
3/82	O 12	G 5	G 11	R -7	R 3	R 6	*B* -6	B 1	B 9	O -3	O 1
7/82	O 11	G 5	G 7	R-10	R 5	R 16*	B -4	B 3	B 11	O -7	O 1
11/82	O 9	G 9	G 14	R -5	R 5	R 10	B -1	B 3	B 13	O -4	O 1
2/83	O 8	G 2	G 12	R -3							
6/83											
AVE	0 10	G 4	G 9	R -7	R 3	R 9	B -4	B 2	B 9	0 -6	0 0
MP2	0 10	G 4	G 9	R -7	R 3	R 9	B -4	B 2	B 9	0 -6	0 0
+-2	I 70%	617.	43%	39%	55%	41%	59%	7C%	50%	68%	55%
MP3	0 10	G 4	G 9	R -7	R 3	R 9	B -4	B 2	B 9	0 -6	0 0
+-3	[78%	65%	78%	70%	77%	64%	73%	78%	59%	91%	73%
MP4	0 10	G 4	G 9	R -7	R 3	R 9	B -4	B 2	B 9	0 -6	0 0
+-4	87%	87%	87%	91%	91%	73%	82%	8]%	73%	100%	91%
AR	21	23	28	27	22	32	25	21	28	19	24

TOTALS FOR GOLD

MP2 % = 56
MP3 % = 73
MP4 % = 86
A.R. = 25

[4] THE PROBABILITY that future occurrences of this point will come within 4 days of the **average point.** The row across designated as MP4 +/- 4 shows this percentage for each point.

[5] ACCURACY RATING. The next thing I wanted to know was "what is the **average distance, in days,** of all repetitions of a particular point to its average point?".The row AR (Accuracy Rating) gives this answer for each point. The AR was obtained by taking each previous occurrence of that turning point and calculating the absolute value of the distance of that from the average date for that point - then adding all of these days together and dividing by the number of previous occurrences of that point and multiplying that number by 10. The result is a two digit number. For example, the AR for point (1) for Gold is 21. This means that the average distance of all of the "point (1)s" for Gold is **2.1 days from the average point.**

[6] COMMODITY (OR STOCK) RATING. The last answer pertained to all the points (in this case eleven) in the series. This was the result of all of the above for each commodity. For MP2, the result would be the **average MP2 for all eleven points.** This is shown at the bottom of the analysis as MP2 % - 56.

The most important result for the entire series is the AR = 25. This means that the average distance of all eleven points in the series relative to each average point is 2.5 days. This result makes it possible to rate each **commodity** on a standard scale as to its relative accuracy to every other commodity.

On the opposite page is a listing of all 25 commodities in order of their Accuracy Ratings (AR). At the bottom of each column is the average of all commodities for that column. The average AR for all 25 commodities is 27 or 2.7 days from the **average day.** Notice that our example, Gold, has an AR of 2.5, which is very close to the average of 2.7. I believe that this average of 2.7 days is representative of any and all markets which may be solved for Delta on the Intermediate Term time frame.

At this point I had Tom Berry design a computer program that would produce a listing of ITD points (average date) **infinitely into the past and**

PART IV

FAMILY GROUPS

One of the most interesting things I learned about the Delta Phenomenon is that commodities or stocks **within the same family group have the same Delta solution!** This is not only interesting, but one of the most fortunate happenings that there could be. I want to emphasize this, one point at a time, using stocks as the market of interest. Of course, the same applies to commodities.

[1] All stocks on the New York Stock Exchange fall into **one of 60 different groups.**

[2] The Delta solution of one of these groups of stocks is also the solution for **every stock within that group.**

This means that if we have the solution for each of the 60 groups of stocks then we have the solution for **every stock on the New York Stock Exchange!**

After considerable research, I located the only source for historical data on the **groups** of stocks. I was informed that this data was not for sale! However, after weeks of negotiating and legal contracts, etc., I obtained the historical data base for all 60 groups in a format that could be translated to a final form that could be read by an IBM personal computer. I won't tell you how much it cost, but suffice it to say, the entity I bought it from was extremely proud of it!

Now there are two sets of this data, but still only one source since I had to agree not to sell or distribute the data base. (Don't ask me who the source is!)

As I said, the Delta solution for a family group is the solution for every stock or commodity within the group. However, the accuracy of each stock or commodity within a group can be improved by using the group solution on each stock or commodity and then doing a separate NUMERICAL ANALYSIS for each stock or commodity in that group.

[1] Grains, Soybean Meal, Soybean Oil :

[2] Gold, Silver, & Copper

[3} Stock market indices • -

[4] T-Bonds, T-Bills, Euro-Dollar

[5] Hogs & Bellies

[6] S-Franc & D-Mark

[7] Petroleum Group '•'•:."

Note: Any commodity not listed in the "Family Groups" section has it's own unique solution.

Each [>elta **time frame** for each stock or commodity has its own unique Delta solution. For example, the number of points in the series and the location of point (1) for Intermediate Term Delta (ITD) T-Bonds will not be the same for any other time frame for T-Bonds. Nor, for that matter, for any other commodity or stock. I have not seen a single commodity on any time frame with the exact same solution as another commodity except **within the same family and time frame.**

For example, the Delta solution for (ITD) T-Bonds will not be the same as the Delta solution for (MTD) T-Bonds nor the Delta solution for (LTD) T-Bonds, nor the solution for (SLTD) T-Bonds, nor the solution for (STD) T-Bonds; nor for any other commodity or stock! Now let's look at some Intermediate Term Delta (ITD) solutions for stocks. This time, instead of looking at seven years of one market, we will look at one year of six markets. The following represent four family groups.

AUTOMOTIVE

General Motors Corp. (GM) and Ford Motor Co. (F) are in the Automotive family group. They both have the same Delta solution. The series has 10 Delta Points and'Point (1) comes on either side of, but very close to the green line.

AIRLINES

The airlines family group is represented by United Airlines (UAL) and Delta Airlines Incorporated (DAL). Their Delta Solution is the same. The series has 10 Delta points and Point (1) comes just after the green line .

BROADCASTING

American Broadcasting Company (ABC), and Columbia Broadcasting System, Incorporated (CBS) represent the broadcasting family group. Their Delta solutions are the same. The series has 10 points and Point (1) comes on either side of, but very close to the orange line.

AIRPLANE MANUFACTURING

Boeing Company (BA) represents the Airplane Manufacturers. The series has 8 points and Point (1) comes near the orange line.

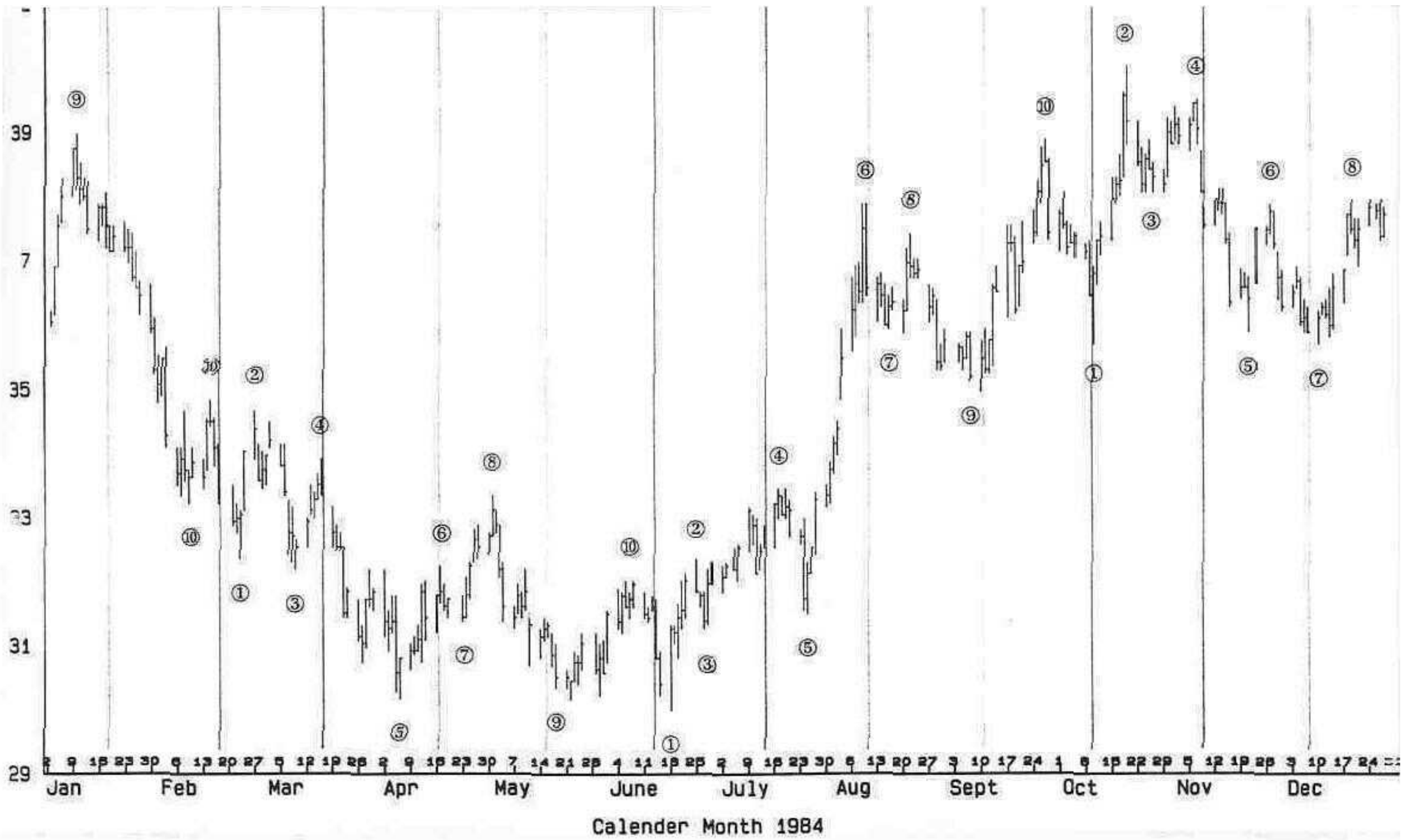
The following charts will conclude our study of the Intermediate Term Delta time frame.

Remember the definition of the ITD?

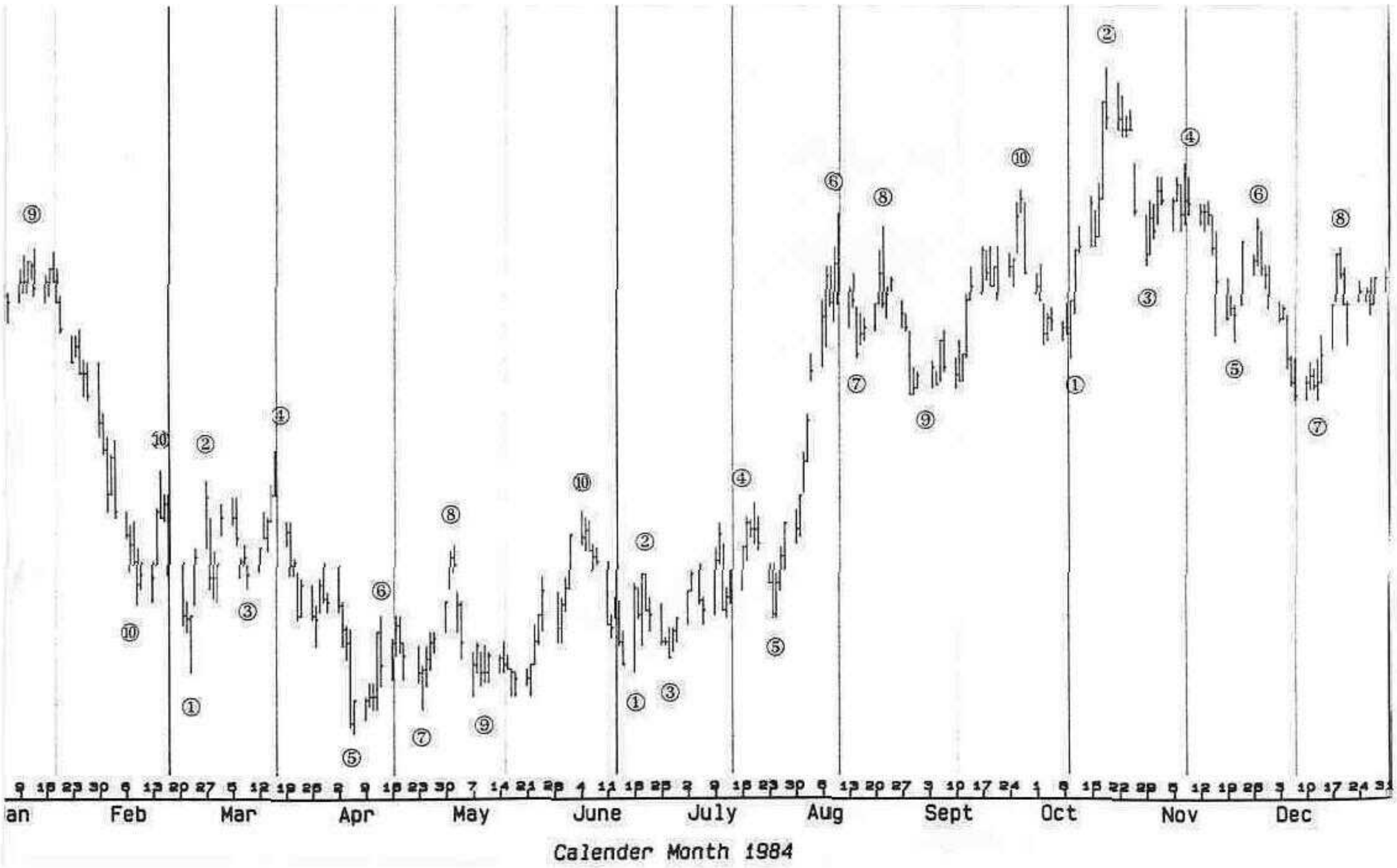
Markets repeat directly or inversely every four revolutions of the moon around the earth.

The next time frame we will review will be the Medium Term Delta.

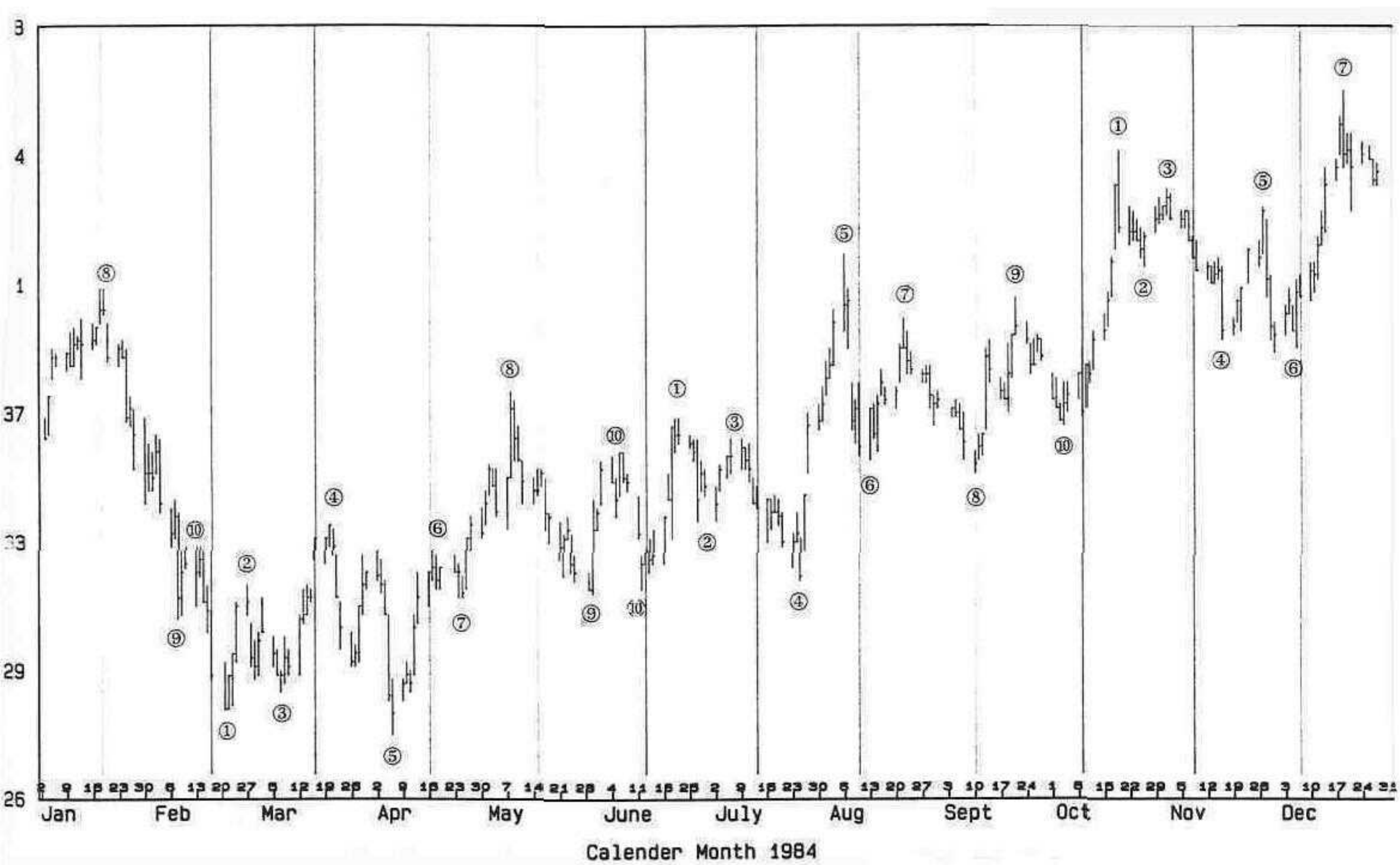
(INTERMEDIATE) 1984 GENERAL MOTORS



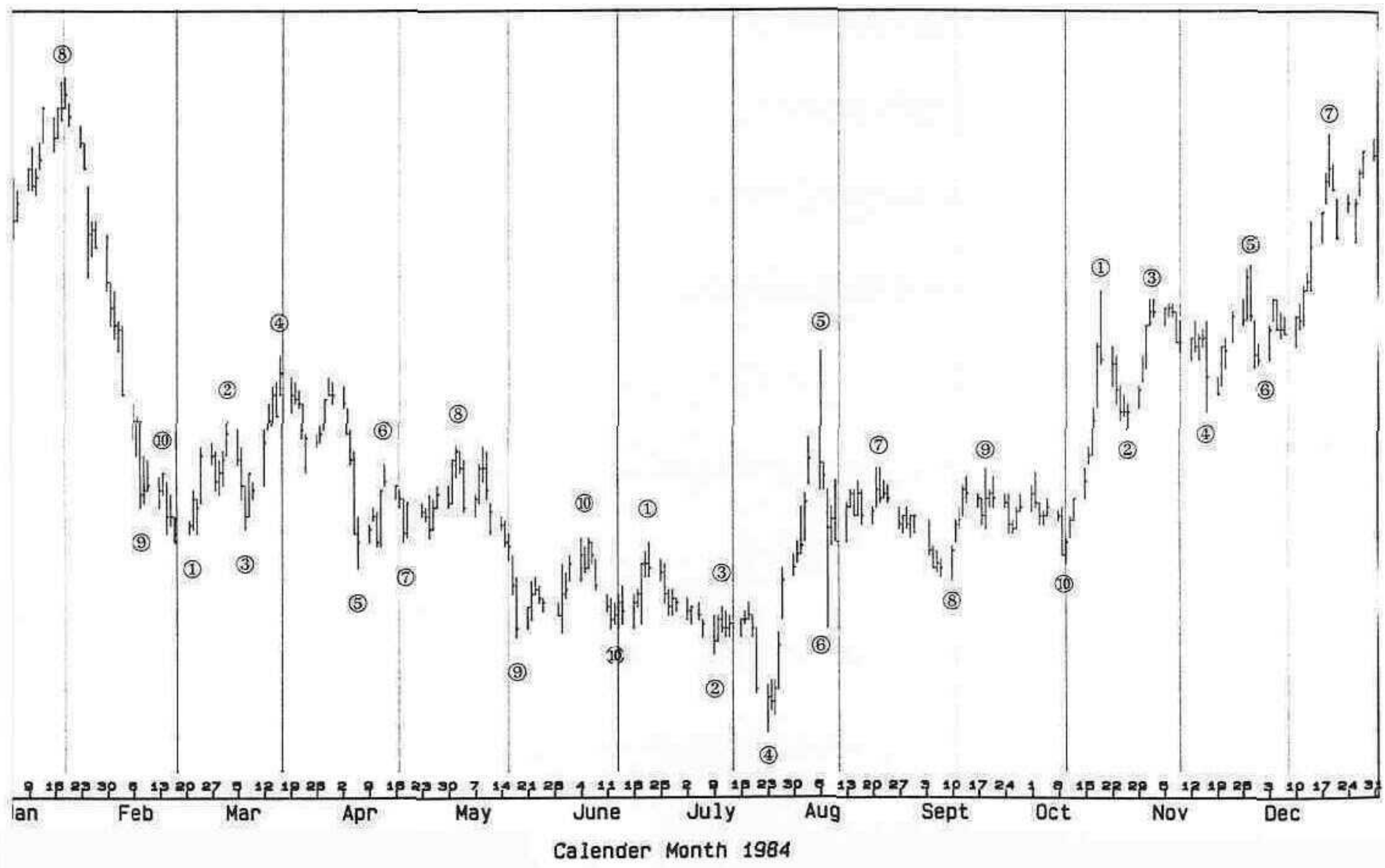
(INTERMEDIATE) 1984 FORD



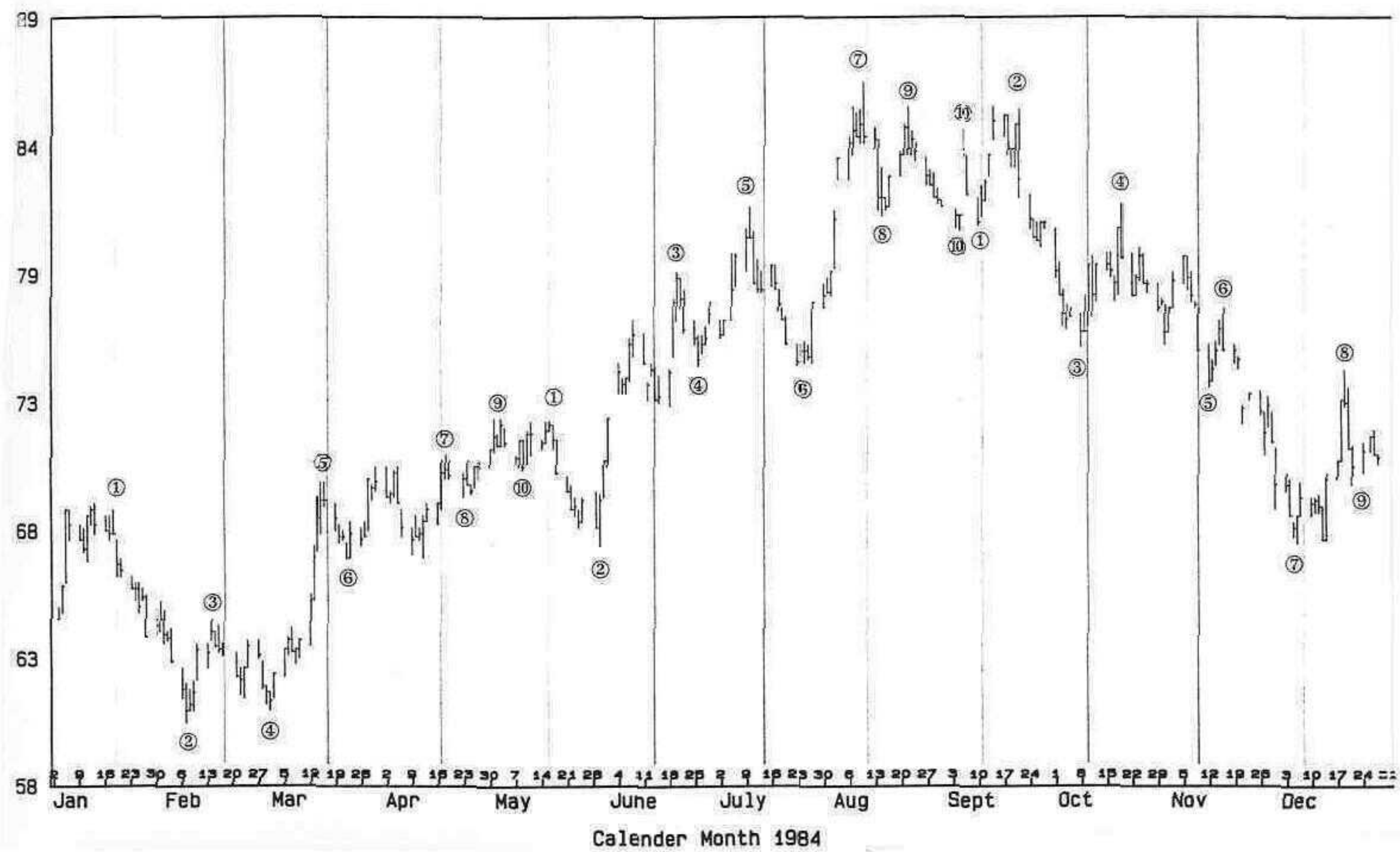
(INTERMEDIATE) 1984 UAL |



(INTERMEDIATE) 1984 DELTA AIRLINES



(INTERMEDIATE) 1984 CBS



PARTV

MEDIUM TERM DELTA

The next time frame is Medium Term Delta. (MTD) From the tide charts, Jim learned that the interactive forces affecting the tide and therefore the earth from the total interaction of the sun, moon, and earth repeat every 12 lunar months. Twelve lunar months can be considered one lunar year.

Although Jim had not actually worked it out on the charts, he was sure that this time frame would be a Delta series that all markets would **be in tune with.**

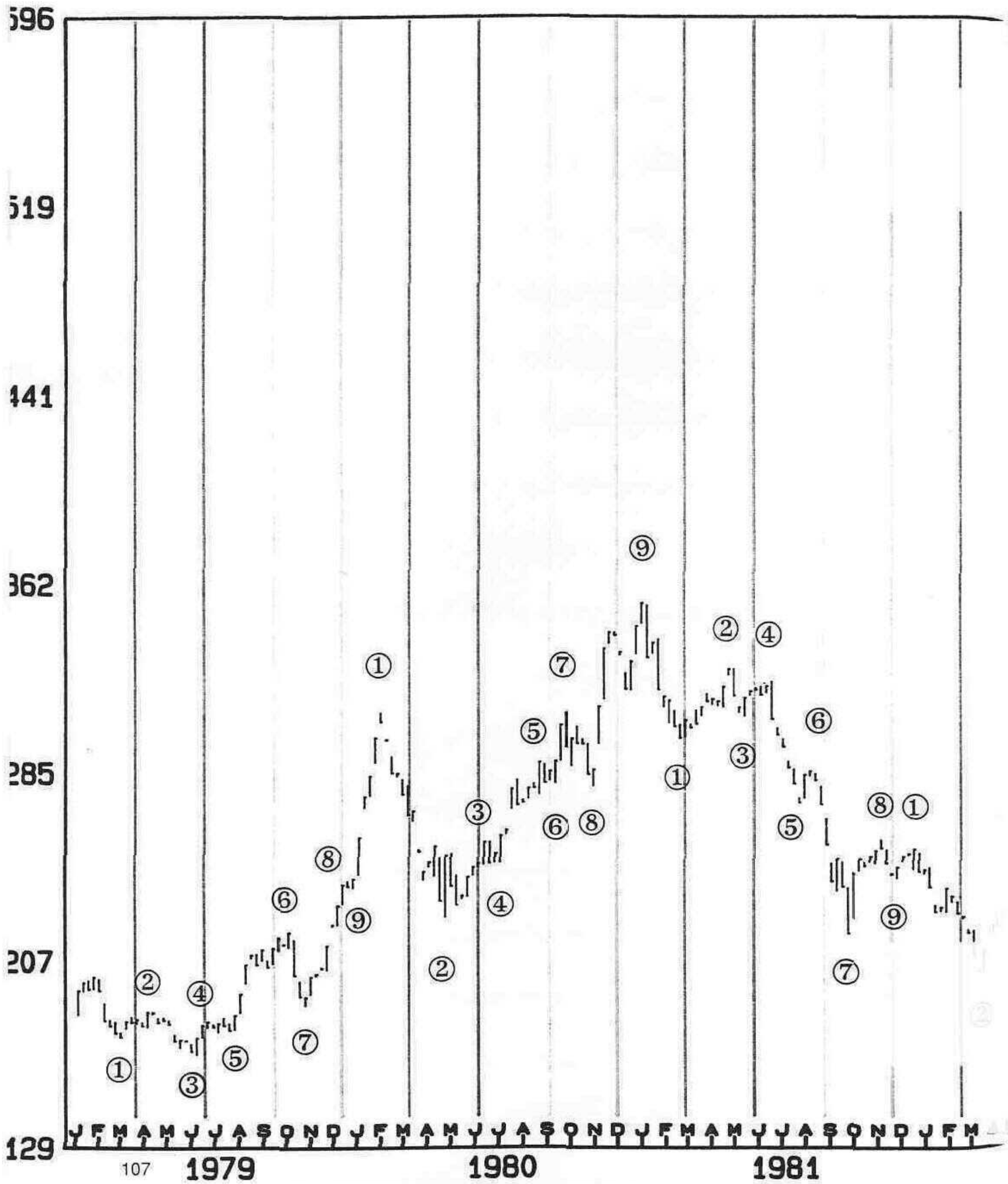
When I returned home from the London Delta Directors meeting, I instructed Tom Berry to use an existing computer program that generated weekly price bars and to overlay the chart with the four colored lines. He could start with any color in the four color series but **each color was to be on the date of every third full moon.**

Now, let me make one thing clear. There is nothing magical about the full moon. In both the Intermediate Term Delta (ITD) and the Medium Term Delta (MTD), it doesn't make any difference if the colored lines are on a full moon, a new moon, a three-quarter moon, or any other phase of the moon. The important thing is the timing. The colors must always be **on exactly the same point** of each moon cycle.

We use the full moon date for the colored lines because it is easily obtainable. It is on most ordinary calendars. Full moons can be obtained as much as a hundred years in the future from an ephemeris.

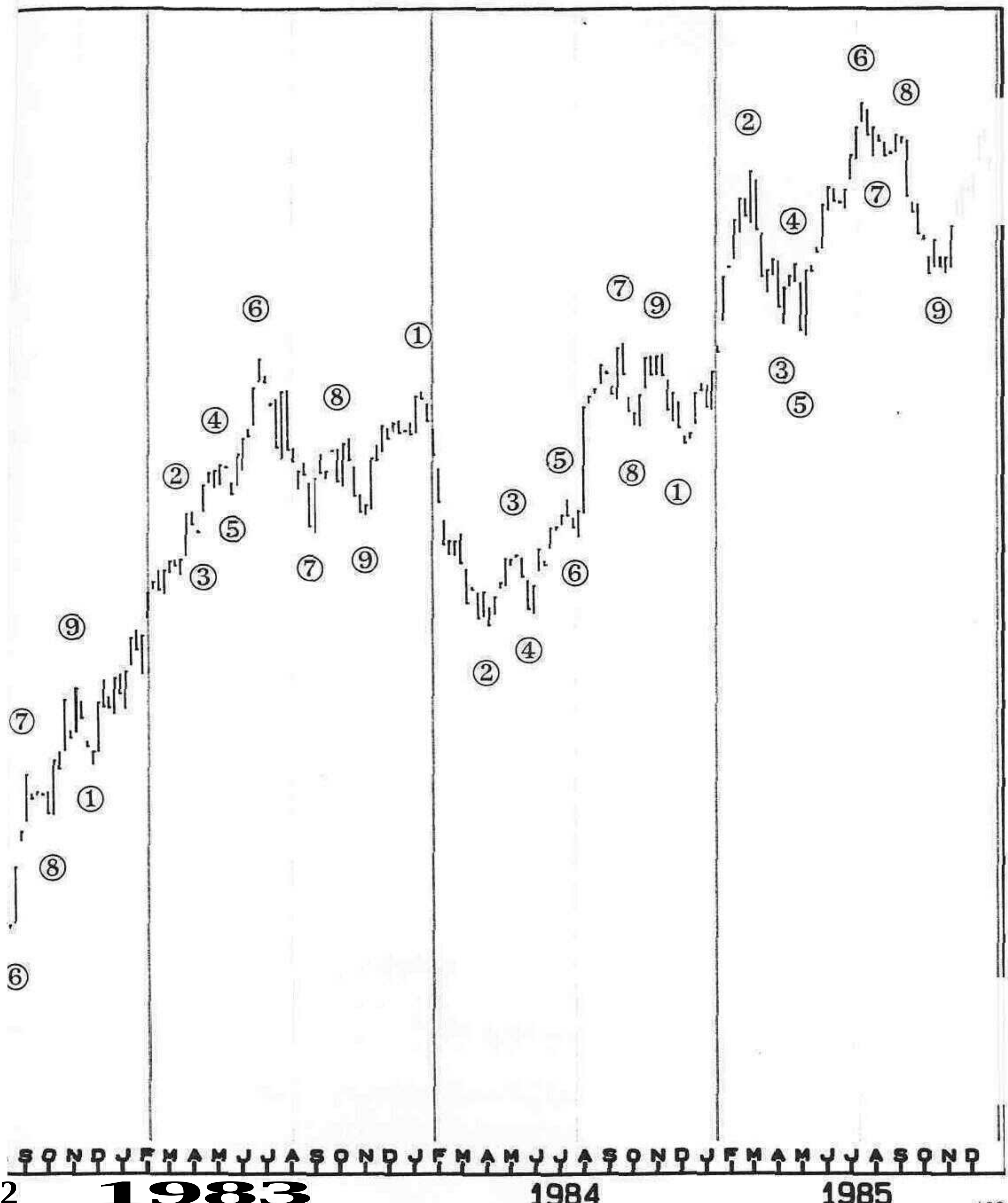
The first chart is of AEROSPACE, one of the 60 NYSE groups.

(MEDIUM TERM) 19



7 Years

-,1985 AEROSPACE



9 TO 1985

The Delta solution shown on the previous page is for the New York Stock Exchange (NYSE) family group entitled AEROSPACE. All stocks within that family group will have the same MTD solution.

It is important to note that in this solution, there were **no inversions.** I know what you are thinking . . . "if there were no inversions, how can you be sure that you have put Point (1) in the correct place?"

That's an excellent question. This situation rarely happens, but occasionally it does. For example, the solution for LTD Live Cattle utilizes data from the 1960's but so far there has not been an inversion. The Super Long Term Delta (SLTD) stock market index utilizes data from the year 1790. There has not been an inversion in that market for that time frame in 200 years.

However, to answer the question, you can't be sure of the solution until you have an inversion. However, I believe this solution is correct because of one thing . . . **the large moves around point (1)!** However, I would not bet on it because none of the major lows are on Point (1).

If there are no inversions, I place Point (1) where the big moves are first. Otherwise, I place Point (1) at major lows. If both these requirements are fulfilled, you can almost be sure you have the right solution.

I think there is a fair chance that an inversion may have occurred in the years after 1984; however, ! am going to leave the chart at this point as an example of how to handle a "no inversion" solution.

Notice also that **weekly price bars** are used for the Medium Term Delta (MTD) time frame. The Intermediate Term Delta (ITD) time frame, of course, uses daily bars.

The next MTD chart we will look at is Wheat followed by Cotton and Cocoa.

There are some inversions so we are sure of the solutions. Notice the three major lows at Point (1). Also notice the big moves on either side of the Point (1)s.

The NUMERICAL ANALYSIS is shown on each chart.

Note that the Accuracy Rating for Wheat (which includes all points in the series) is "AR = 17." This means **1.7 weeks** because we are dealing with weekly bars.

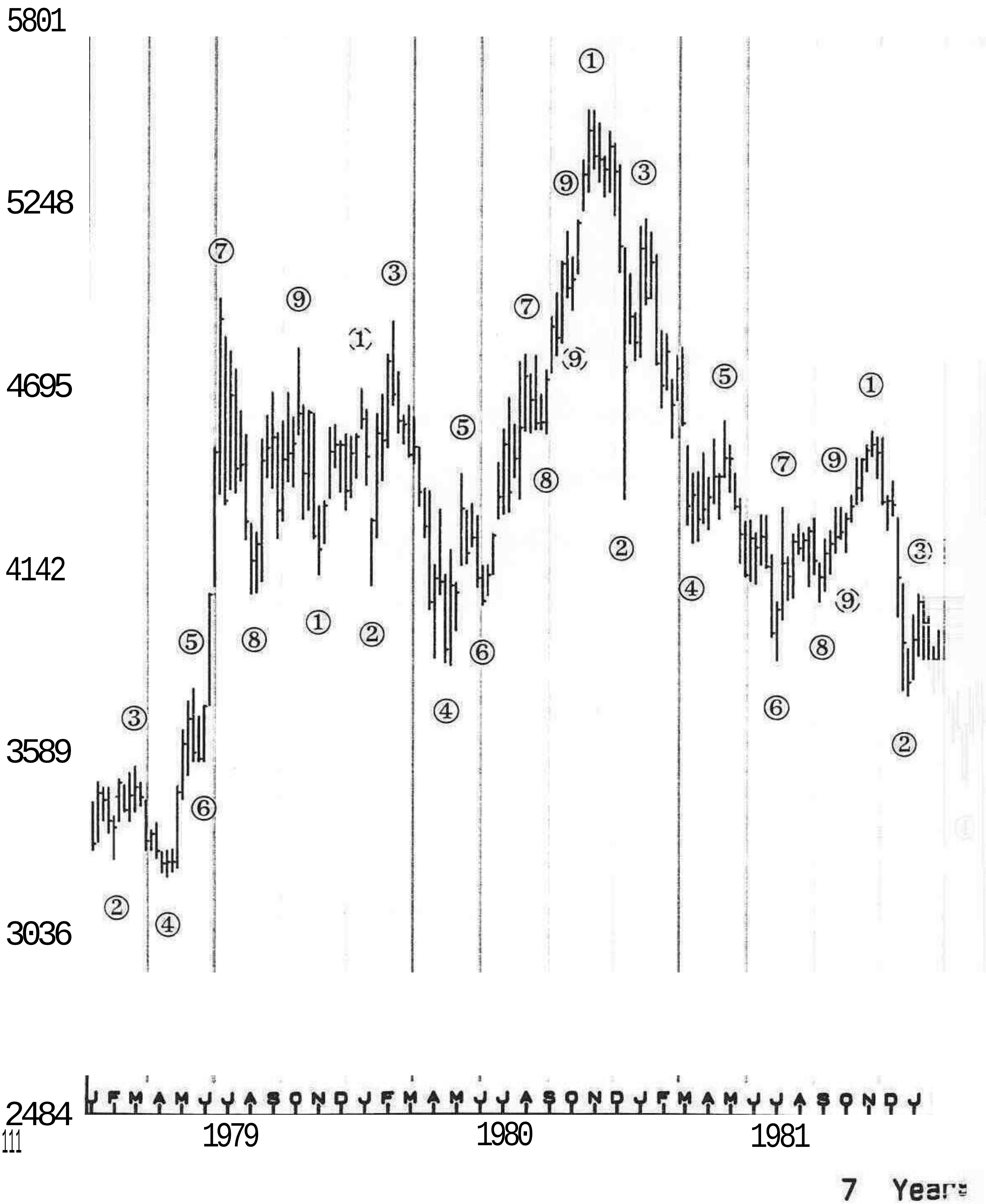
Another way of saying it is that for Wheat the average distance of every MTD point to its average point is 1.7 weeks.

As we have said before, on big moves the points tend to come late. On the reaction points to the big moves, the points tend to come early. As we shall see in the section on trading, knowing this can give us an edge on the accuracy rating.

We will conclude the section on Medium Term Delta with its definition.

Markets repeat directly or inversely every 12 lunar months.

(MEDIUM TERM) 1979 - -



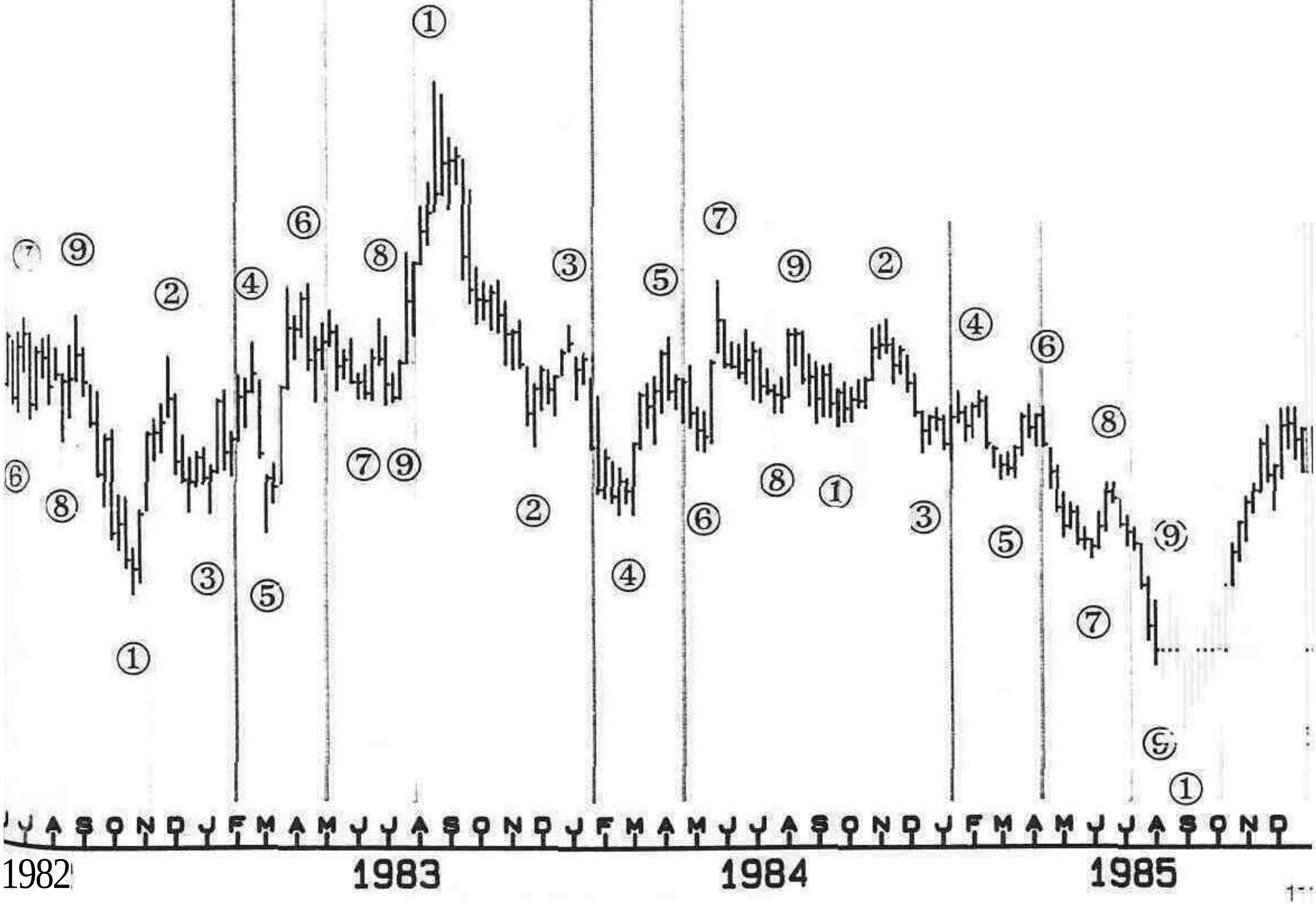
135- CBT WHEAT

(MEDIUM TERM) WHEAT.WK

	PT 1	PT 2	PT 3	PT 4	PT 5	PT 6	PT 7	PT 8	PT 9
1978	O -2	O 7	G -2	G 4	R -4	R -2	B-11	B -4	B 4
1979	O -5	O 5	G -4	G 8	R -3	R 1	B -7	B 0	B 4
1980	O -4	O 3	G -6	G 3	R -4	R 6	B -6	B 2	B 5
1981	O -1	O 6	G -5	G 6	R -3	R 7	B -5	B 1	B 4
1982	O -2	O 3	G -4	G 3	R -8	R -2	B -7	B -5	B -2
1983	O-10	O 5	G -3	G 6	R -2	R 4	B -8	B 1	B 4
1984	O -3	O 5	G -4	G 4	R -5	R 1	B -6	B -3	B 5
1985	O -5								
AVE	O -4	O 5	G -4	G 5	R -4	R 2	B -7	B -1	B 3
MP2	O -4	O 5	G -4	G 5	R -4	R 2	B -7	B -1	B 3
+-2	75%	100%	100%	86%	86%	43%	86%	57%	86%
MP3	O -4	O 5	G -4	G 5	R -4	R 2	B -7	B -1	B 3
+-3	88%	100%	100%	100%	86%	43%	86%	86%	86%
MP4	O -4	O 5	G -4	G 5	R -4	R 2	B -7	B -1	B 3
+-4	88%	100%	100%	100%	100%	86%	100%	100%	86%
AR	20	10	9	16	13	30	13	24	19

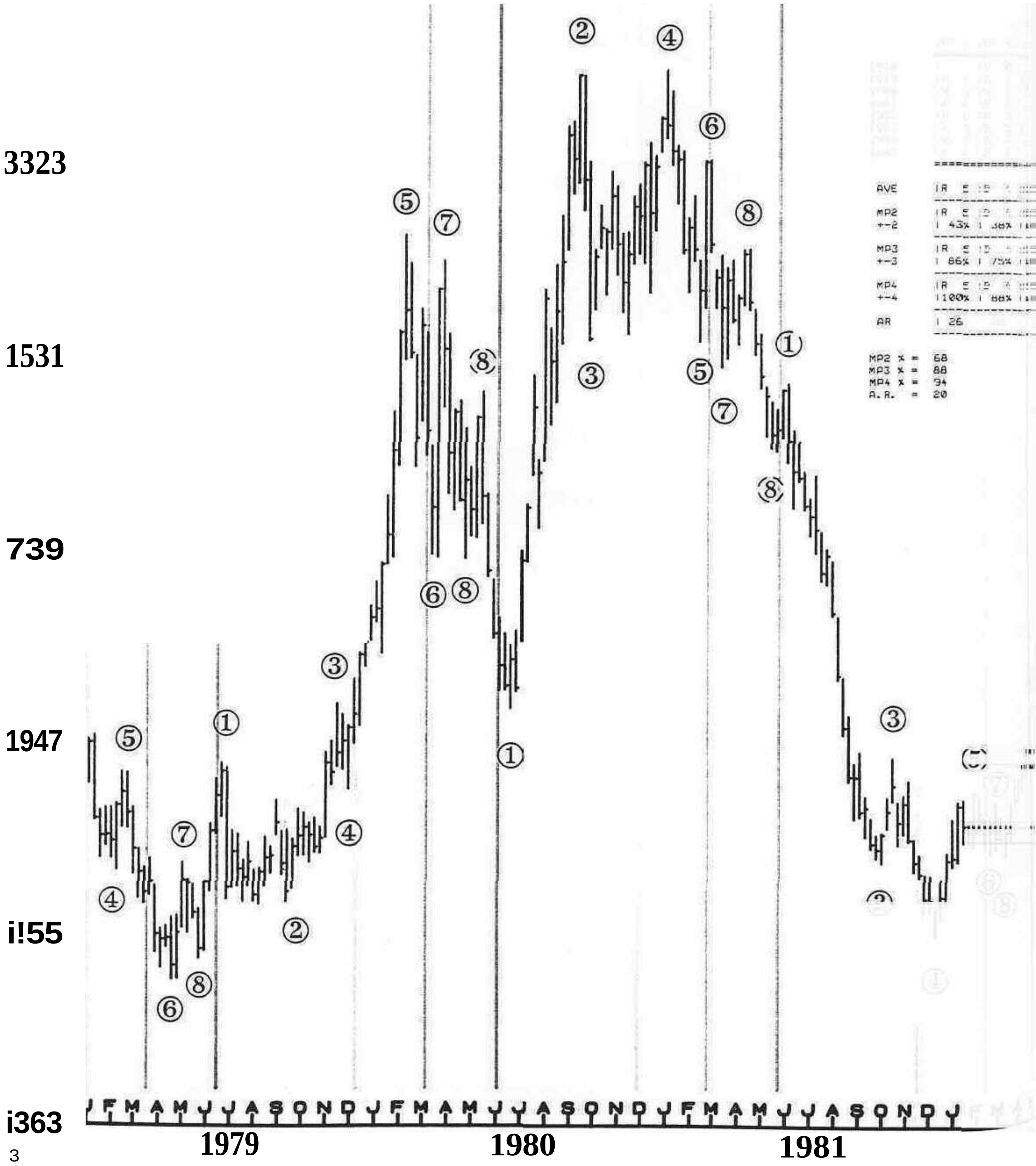
TOTALS FOR WHEAT.WK

MP2 % = 80
MP3 % = 86
MP4 % = 96
A.R. = 17



979 TO 1985

(MEDIUM TERM) 1979 -



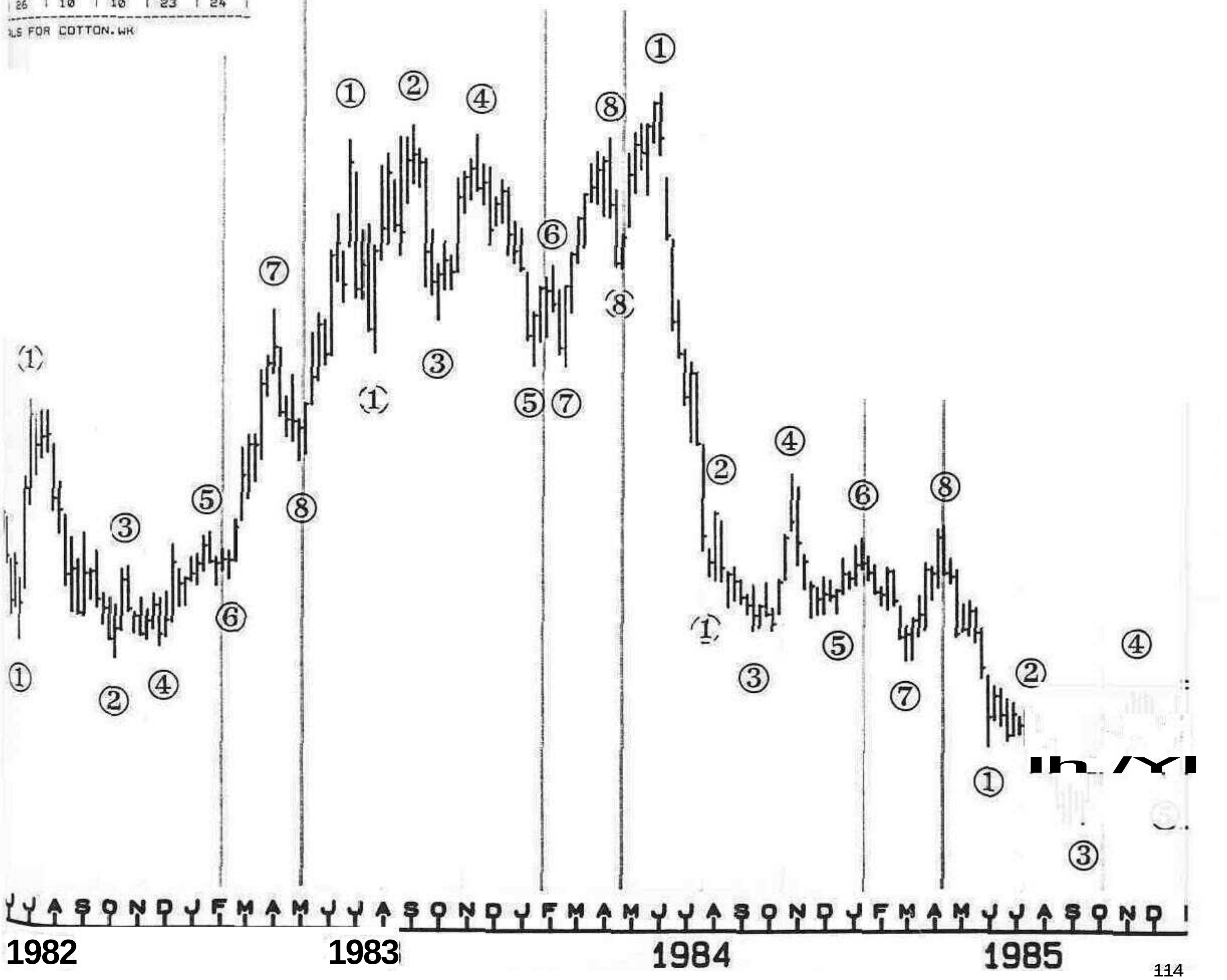
7 Ye irs

85 COTTON

M TERM) COTTON.WK

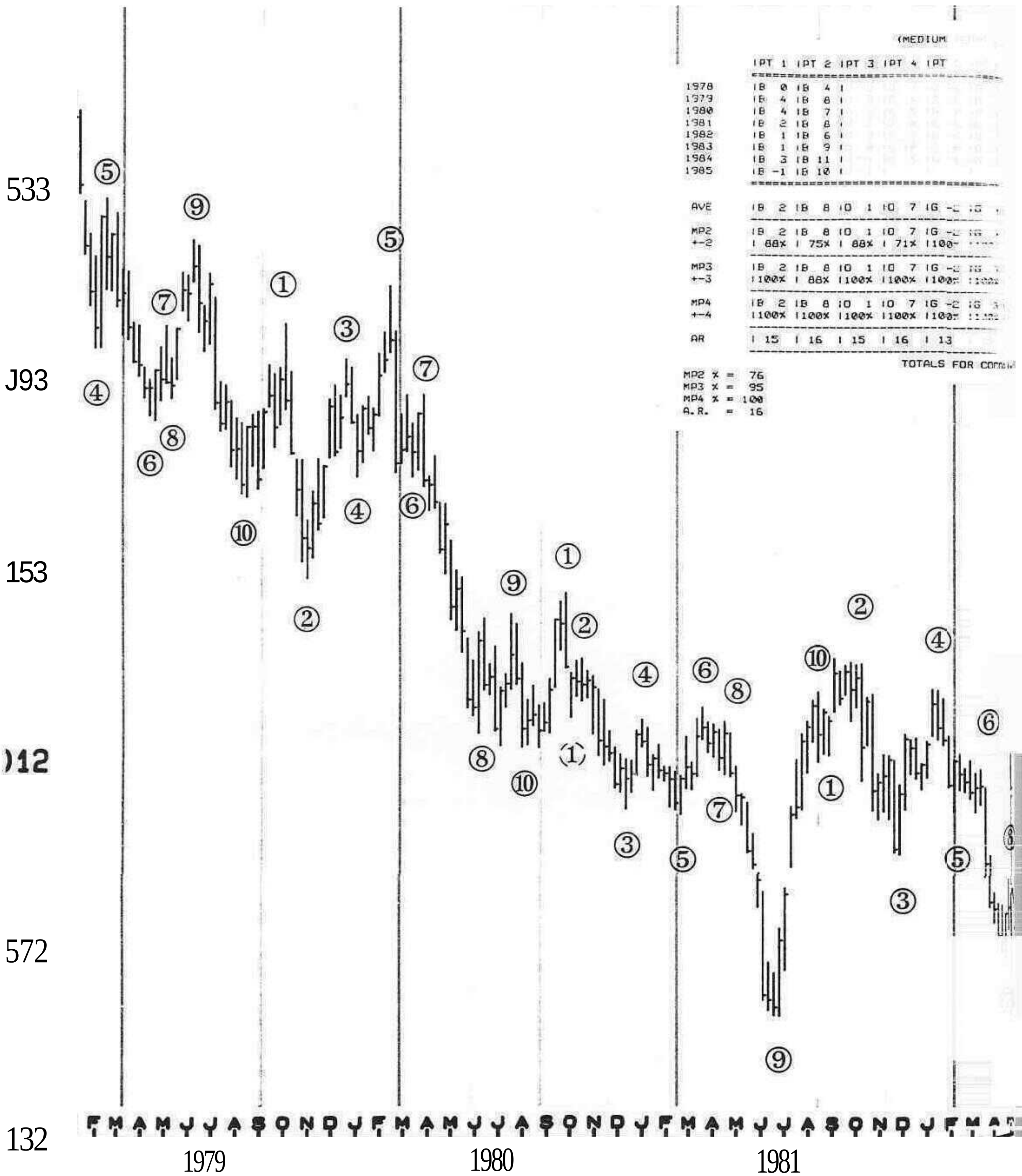
PT	PT 5	PT 6	PT 7	PT 8
0 3	O 10	G 5	G 7	R -3
0 12	O 9	G 2	G 3	R -5
0 5	O 11	G 1	G 3	R -5
0 4	O 11	G 1	G 2	R -8
0 3	O 11	G 2	G 9	R 0
0 3	O 12	G 2	G 4	R -1
0 2	O 9	G 0	G 7	R 0
0 5	O 10	G 2	G 5	R -3
0 5 57%	O 10 100%	G 2 86%	G 5 71%	R -3 57%
0 [illegible] 86	O 10 100%	G 2 100%	G 5 86%	R -3 86%
0 5 86%	O 10 100%	G 2 100%	G 5 100%	R -3 86%
26	10	10	23	24

LS FOR COTTON.WK



979 TO 1985

(MEDIUM TERM) 1979 -



7 Years i

PART VI

LONG TERM DELTA

I am going to spend more time and show more charts on the Long Term Delta (LTD) than any other time frame. There are several reasons. First, most stock traders will use only the LTD. I suppose there are ten stock traders for every commodity trader. However, I think the LTD is also the most important time frame even for the average commodity trader.

The LTD time frame gives the trader the longer term outlook on whatever market he is trading. Therefore, the LTD time frame is the place to start. It tells you the **direction** in which you should be trading. I believe the LTD perspective will generate the most profits in either futures trading or stock trading when one utilizes the LTD weekly charts.

A trader who has the LTD turning points displayed on his weekly charts could update the charts on the weekend from the data in BARRON'S, make his trading decisions, write out the orders to his broker, and forget about the market until the next weekend.

The trader who looks at his weekly charts once a week is not deterred by daily fluctuations, rumors, and continuous forces of fear and greed that inhibit most traders from sticking to their game plan.

In a sense I think it is amazing that no one had ever discovered the LTD time frame. It is so simple.

Markets repeat directly or inversely every four years.

(Every four rotations of the earth around the sun)

One thing that I have noticed is that most LTD solutions have an **odd number of points** in the series. This helps to disguise the underlying order because each turning point flips from a high point to a low point with each new series. For example, if Point (5) was a high point in the current series, it will be a low point in the following series . . . if there is no inversion. If there are an even number of points in the series and Point (5) is a high point in the current series then it will be a high point in every following series . . . until there is an inversion.

Now here is what is most amazing. The most watched market in the world is the New York Stock Market. This market has only 6 Delta points and it has not had an inversion in more than 50 years. Think about that... an even number of only 6 points and no inversions in over 50 years. And yet, no one has seen the order except Jim Sloman. The nearest that the market watchers have come to seeing Delta is that they have recognized **the four year business cycle!**

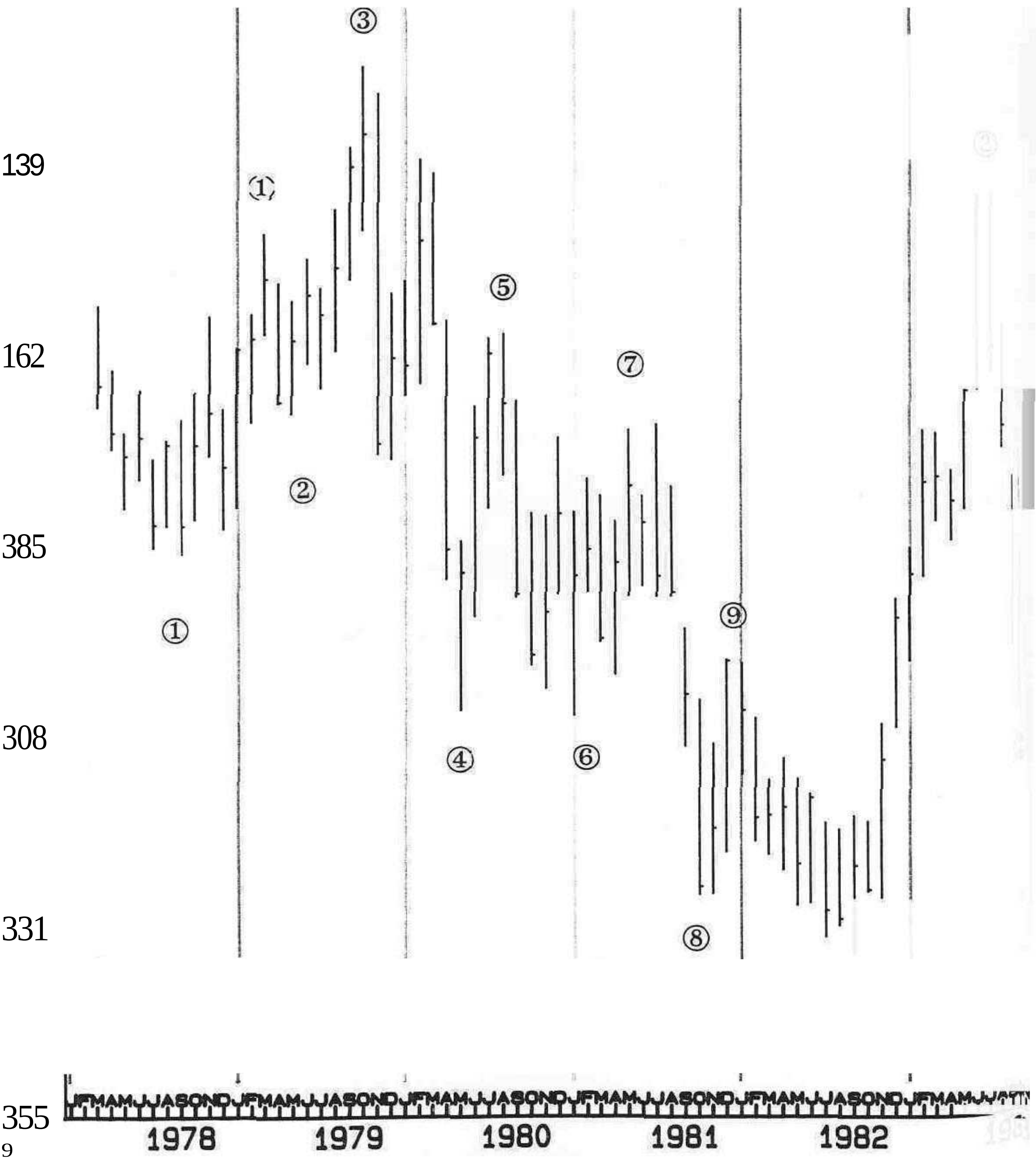
We shall also see that for the New York Stock Market (as well as the Gold market) that there is a LTD solution within the LTD solution; however, we will get to that later.

Now, let's look at some charts. In solving LTD, I used both monthly charts and weekly charts. For the markets that have fewer Delta turning points in the series, the monthlies may give a clearer picture. For the markets with a high number of Delta turning points, I prefer the weekly charts.

First, let's look at a monthly chart of Lumber which is often a bellweather chart for interest rates.

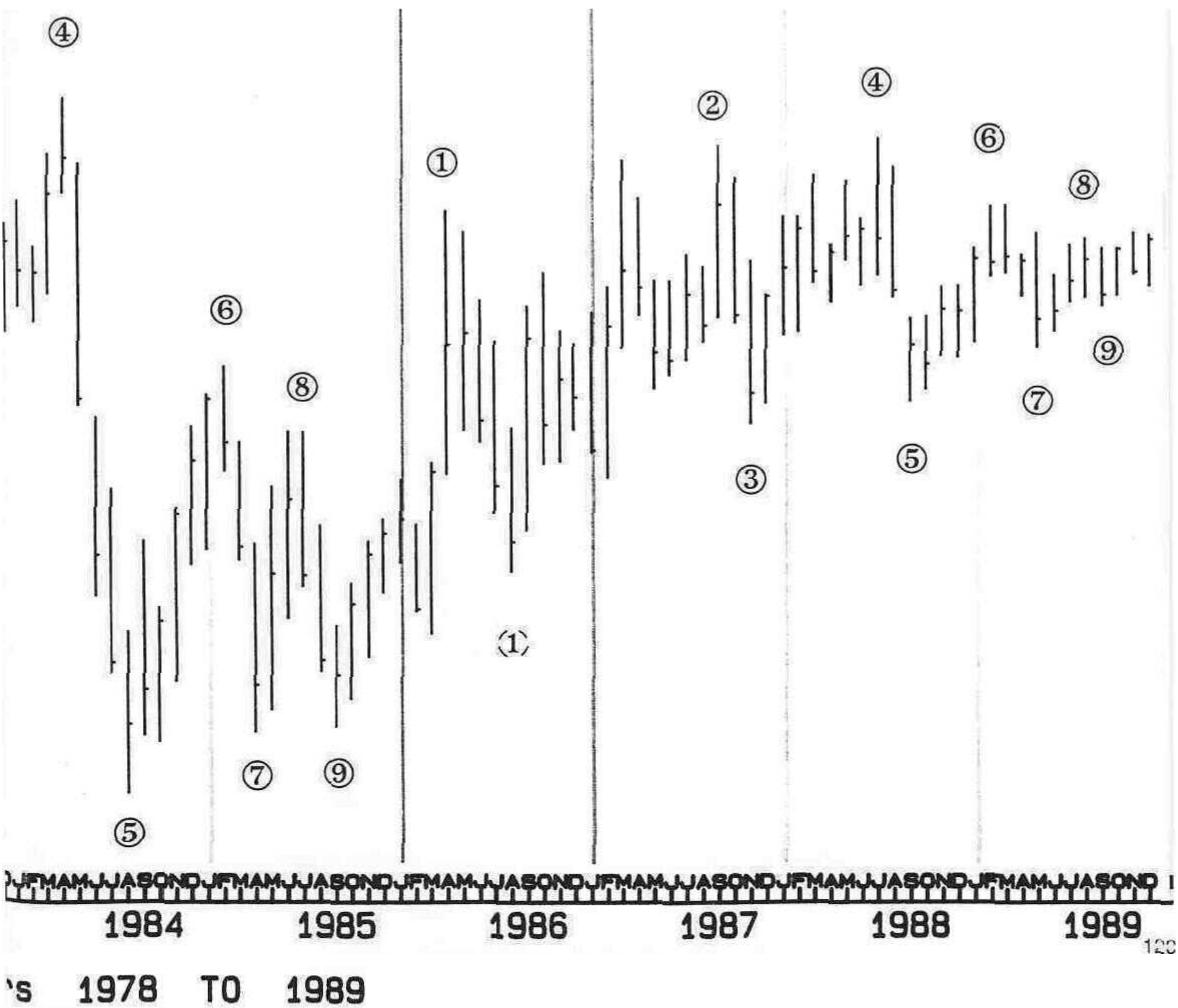
(LONG TERM) 1978 - 1

'16



12 Calender

9-'-LUMBER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JFMAMJJASONDJFMAMJJASONDJFMAMJJASONDJFMAMJJASONDJFMAMJJASONDJFMAMJJASOND
1984
1985
1986
1987
1988
1989
'S 1978 TO 1989

Lumber has only 9 points in the series. Since the series lasts for 4 years, that means that the average length of time between points is fi months. One thing you have no doubt recognized about all Delta turning points is that they are irregular. That is, the distance between points ma" vary greatly. For example, Lumber had some points that were only :: months apart and some that were 12 months apart.

This is why I don't consider the Delta turning points to be cyclical in the truest sense of the word . . . because the points within the series are not regular cycles. I understand that The Foundation for the Study of Cycles accepts only regular cycles within their definition of cycles. However, the basic Delta time frames, of course, are defined as regular cycles.

However, back to our discussion of Lumber. One might say that the accuracy of **monthly** commodities (or stocks) is less than that of **weekly** commodities which may have two or three times the number of Delta turning points as the monthly.

Accuracy is a relative thing. Actually the **relative accuracy** of the monthly commodities (or stocks) is about the same as the weeklies. For example, for Lumber the average ACCURACY RATING is one month or 4.3 weeks. The average distance between the Delta turning points is 6 months or 25.8 weeks. The ratio of the average time period for the point to occur (4.3 weeks) relative to the distance between points (25.8 weeks) is 4.3 divided by 25.8 is 1.66.

Now, suppose the ACCURACY RATING for another commodity (or stock) is 2 weeks and the average distance between the Delta turning points is 3 months (12.9 weeks). Again, dividing the AR by the distance (2.0/12.9) gives a result of 1.55. So, even though the AR for the monthly is about twice the AR for the weekly, the relative accuracy is about equal.

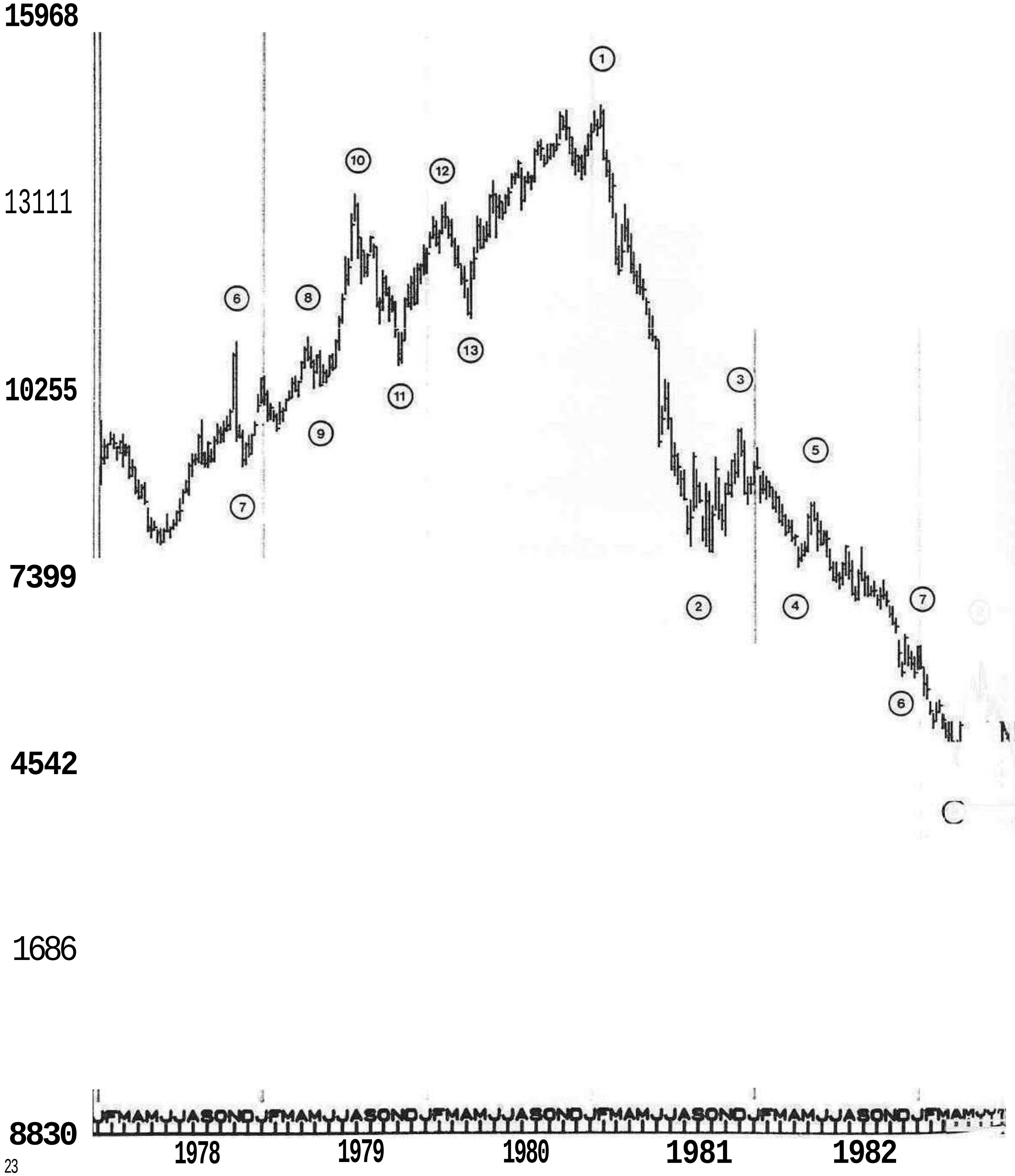
Now let's look at two weekly LTD charts. First a currency, the British Pound. Then from the Petroleum family (Crude oil, Natural Gas, Gasoline, etc.) let's look at the one which has been traded the longest on the U. S. futures market, Heating Oil.

When you look at the charts, keep one thing in mind. As we states before, the location of the colored lines is arbitrary. It doesn't matter if the lines come on the first day of the year, on the second quarter, on the equinox or any other date. The important thing is that the spacing is exactly one year apart. We arbitrarily chose to put the colored lines on the first day of the year.

Since that is the case, don't be bothered if a point comes on one side of a colored line in one series and on the other side of the line for the next series. The important thing is not the placement of the colored line, but the AR . . . the average distance of the point from the location of the average point.

As usual, notice one of the very important things about Delta, that is, where the big moves are likely to occur... on either side of Point (1).

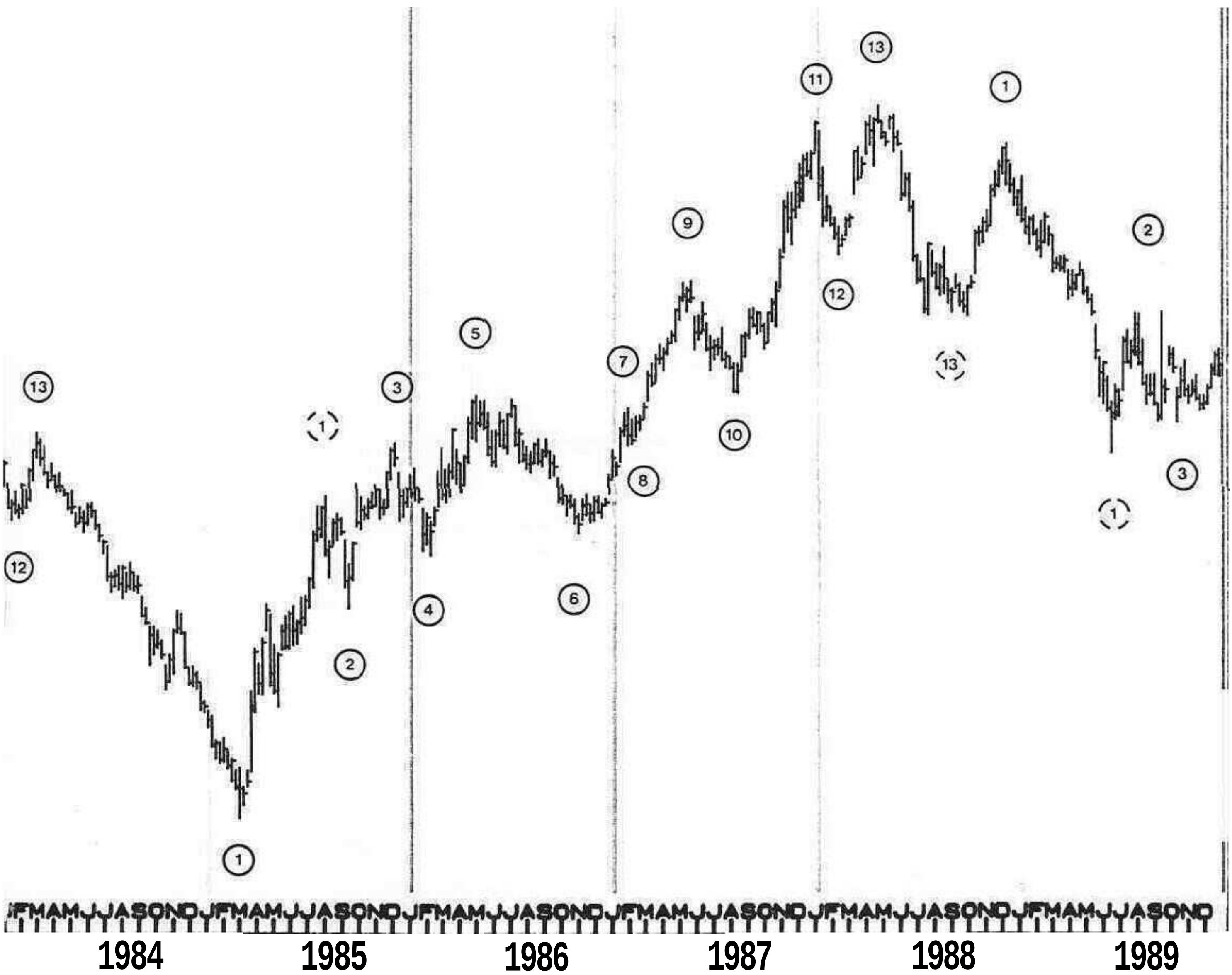
(LONG TERM) 1978 -



23

12 Calencr- •:

3, .BRITISH POUND



1978 T0 1989

(LONG TERM) 1978 - 1

1614

)073

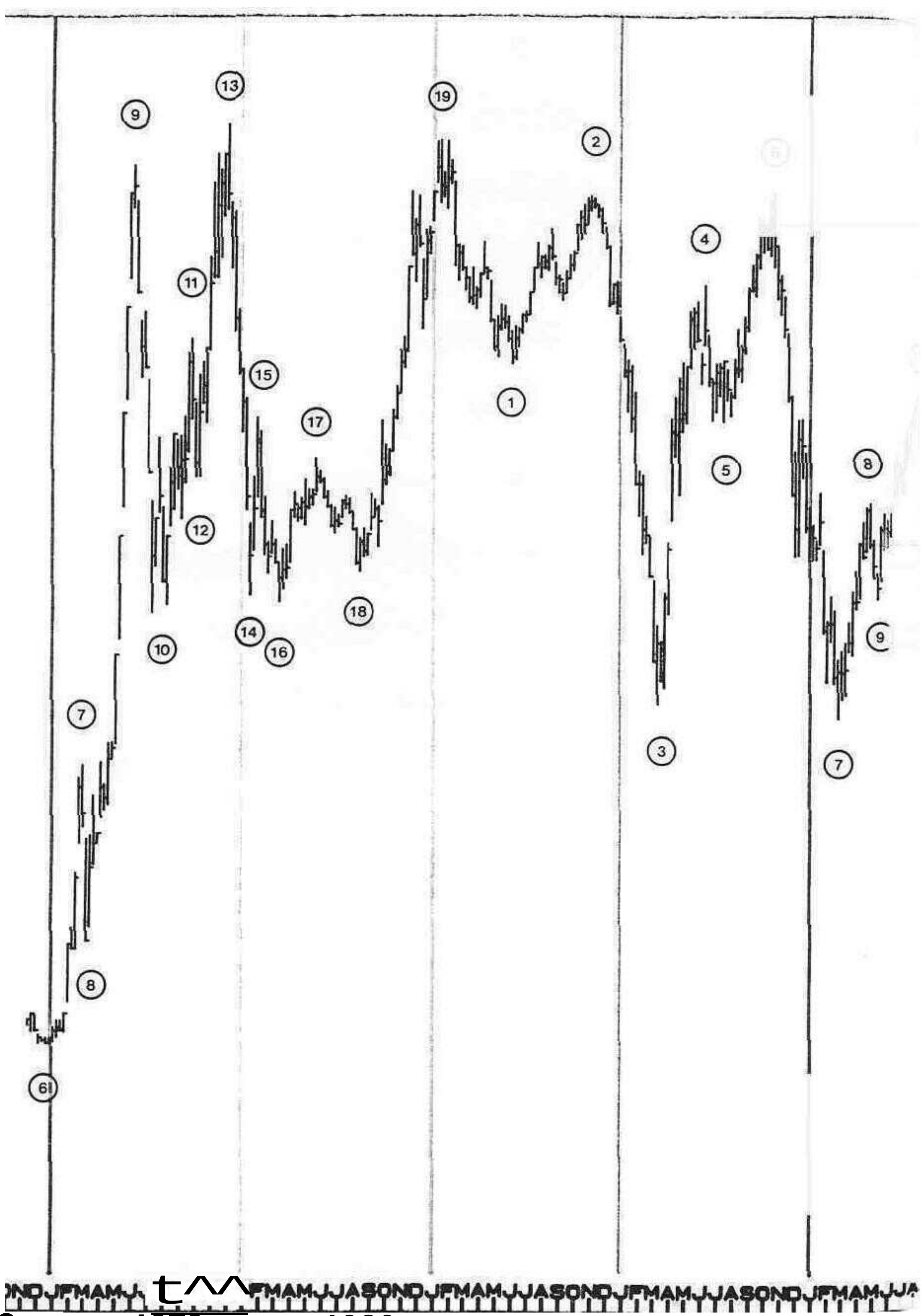
1532!

1992

451

910

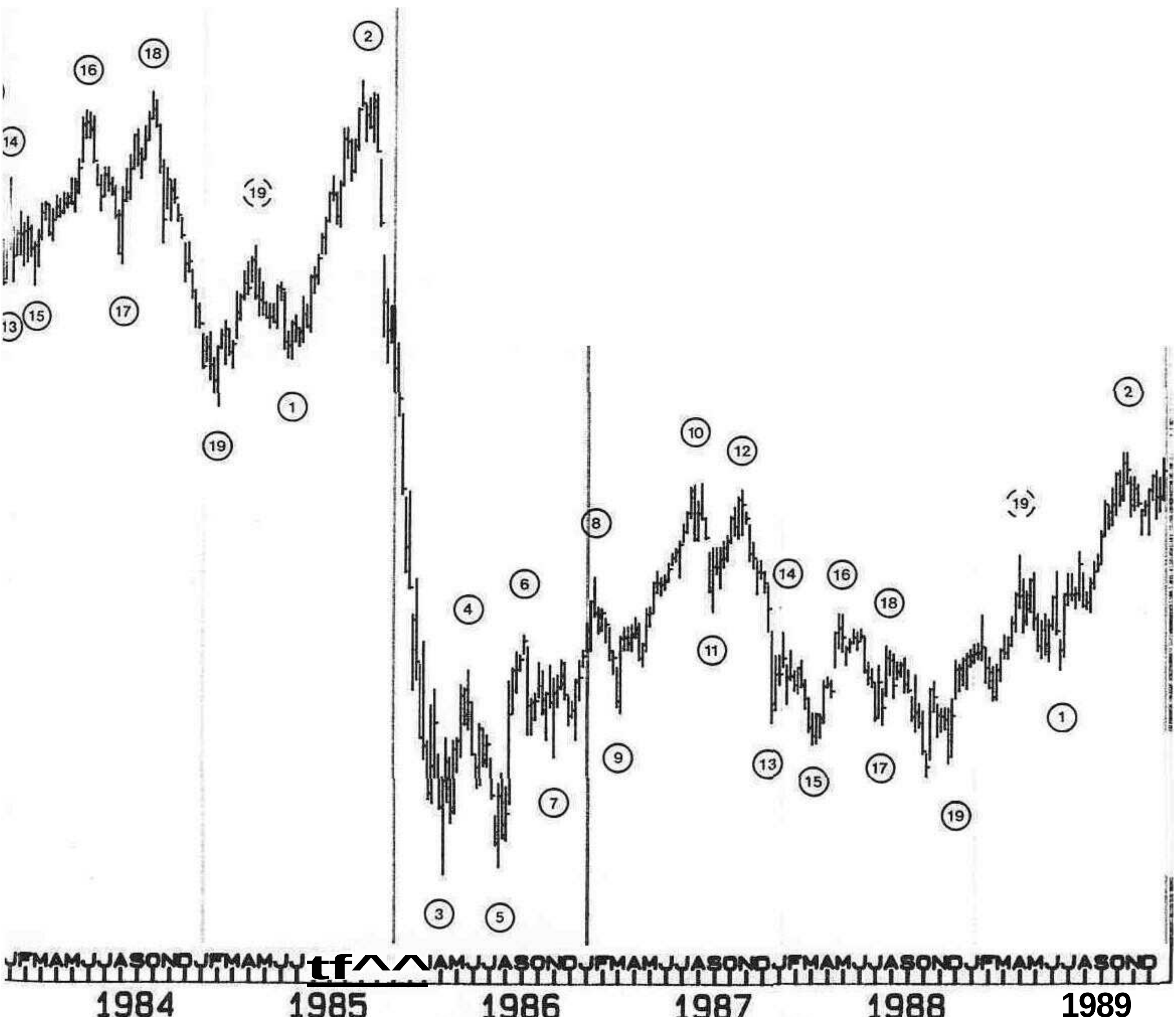
370



1978 1979 1980 1981 1982

12 Calender

19 N.Y. HEATING OIL #2



1978 TO 1989

Next, we will look at some of the stock families. My data base for all the stock groups begins on January 1, 1977 and extends to the end of 1990. That's a total of 14 years. That is as far back in time as the data base goes.

An appropriate question at this time would be, "How many years of data is necessary to be sure of a Delta solution?"

Jim's original ITD solutions contained only two series. All of the solutions stood up when continued over eight years to over 24 series. In one case, it was borne out that there were additional turning points in the series. Also, there was an inversion in each case. This shows that with only **two series and an inversion** that the correct solution can be found.

However, there is another question that relates to the number of series considered. That question is "How many series does it take to pinpoint the **average point?"** In other words, how many repetitions of a particular Delta turning point does it take to be sure that the **average point** will not be .changed if more repetitions are added later?

Based on my analysis of hundreds of Delta charts of all time frames, I would say that if you have ten repetitions of a point (10 series) then the **average point** will be almost locked in concrete. I would say that any number of additional repetitions (or series) would not move the point more than one increment. One increment for the ITD would be a day. One increment for the MTD or LTD (weekly) would be a week, etc.

For example, for the ITD the **average point** was based on the information from the beginning of 1976 through 1983. That is 8 years or 24 series. The turning point dates we use today in 1991 are based totally on the data that ended in 1983. They are as accurate in 1991 as they were in 1983!

Another example: one of the Delta Directors obtained daily data on the stock market for a period of years in the 1930's. He solved the market for the ITD. It was the exact same solution as the one we are using today. If I recall correctly, there were only one or two **average days** that were different and they were only one day off from the 1983 solution.

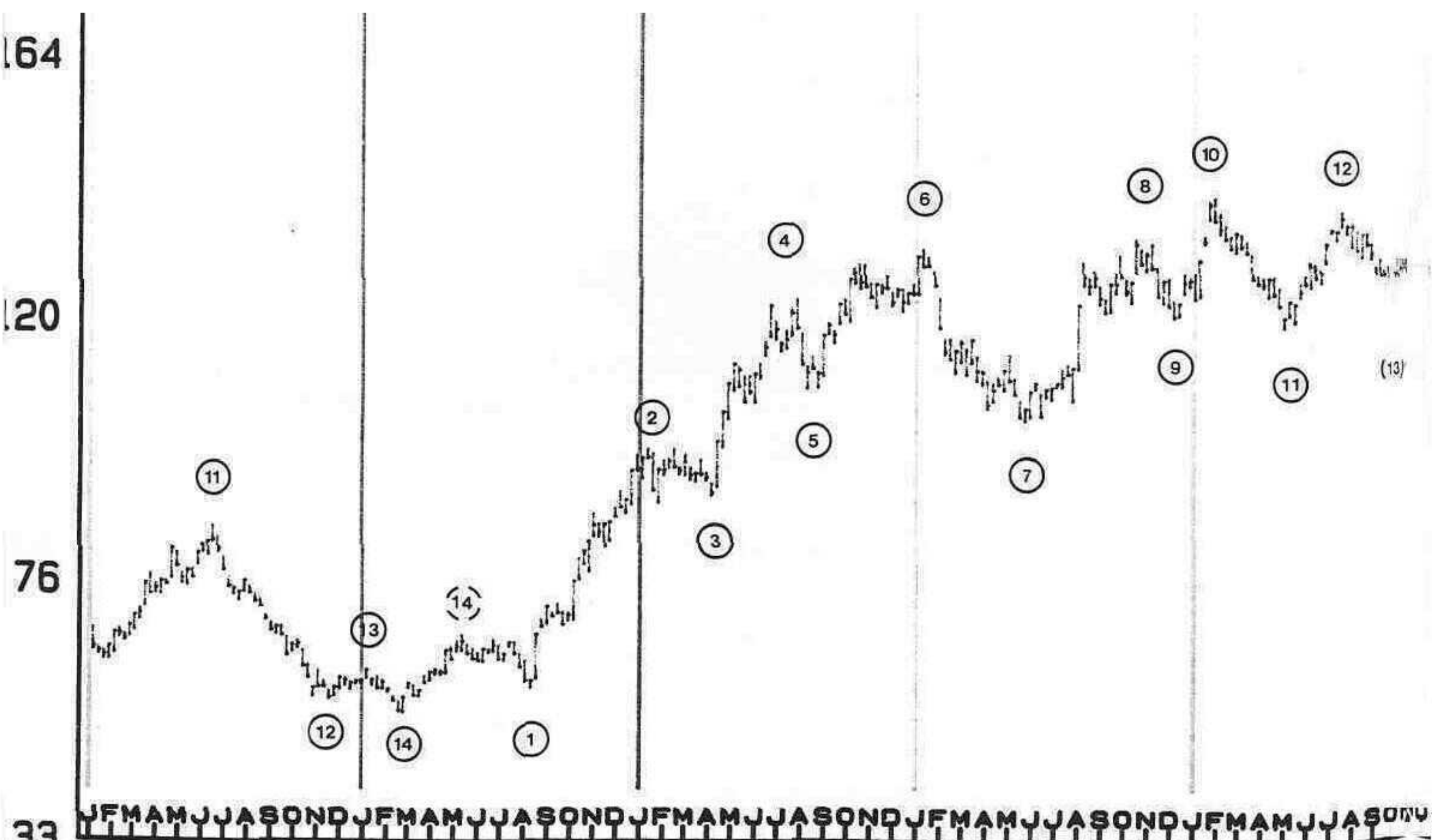
Using my figure of 10 series as an adequate base to determine the date of the **average point,** it is obvious that the required data for the LTD time frame would be 40 years. Since we don't have data that far back for most markets, we must continue to add new data to our solution and then recalculate the date of the **average point** until we have a total of 10 series.

As I mentioned earlier, for the stock families, the total number of years of available data is 14 years. This gives us 3 1/2 series. With this number of series, the Delta turning points are not yet locked in concrete. However, I believe it would be a rare occurrence for a point to fall outside of the current 100% range for each point.

Now let's look at the stock families entitled, AUTOMOTIVE, AIRLINES, BANKING, and OIL REFINING AND MARKETING.

Due to space limitations, I will show one chart of each for a period of 10 years which includes at least one inversion.

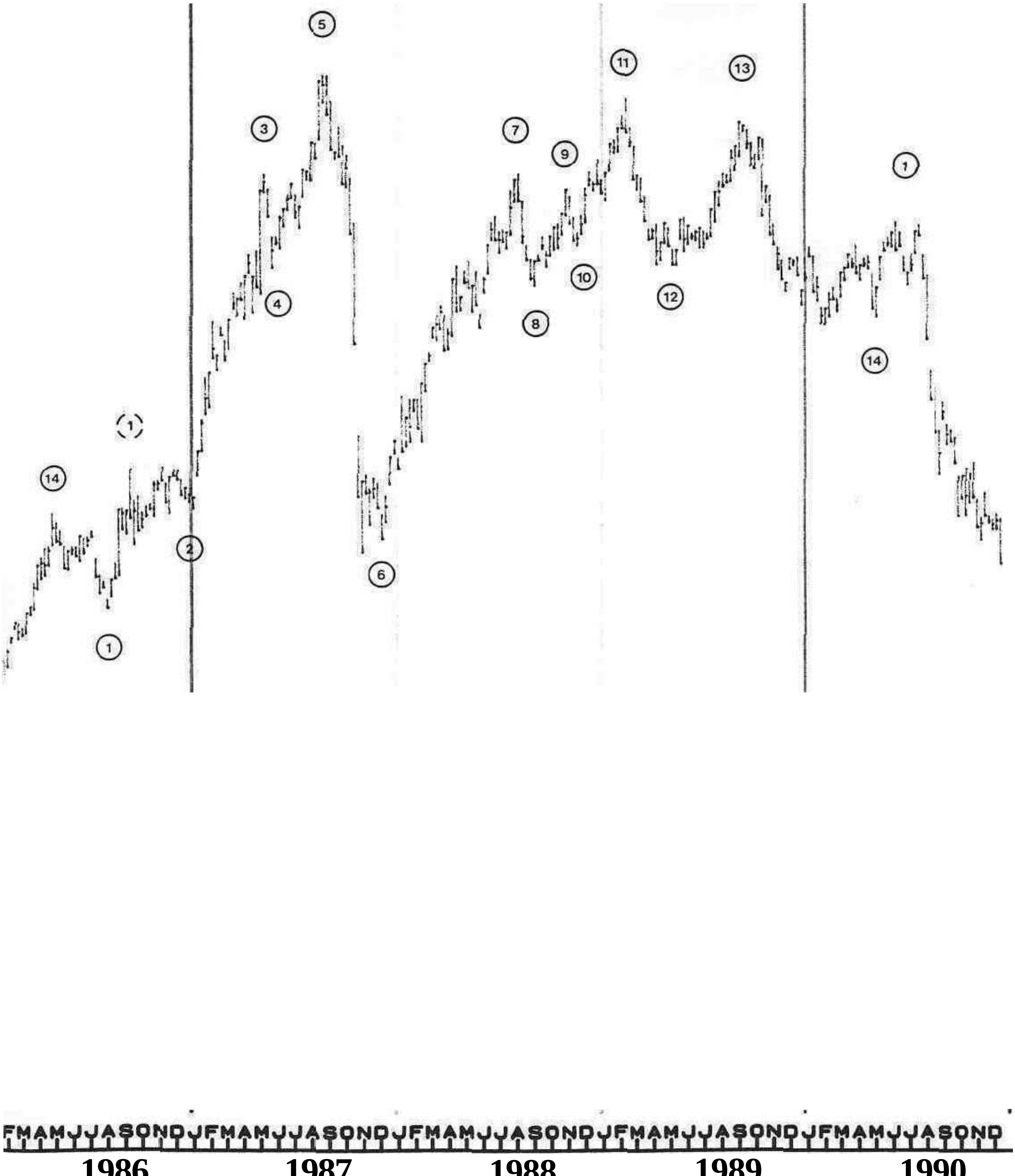
(LONG TERM) 198



129 1981 1982 1983 1984 198£ =

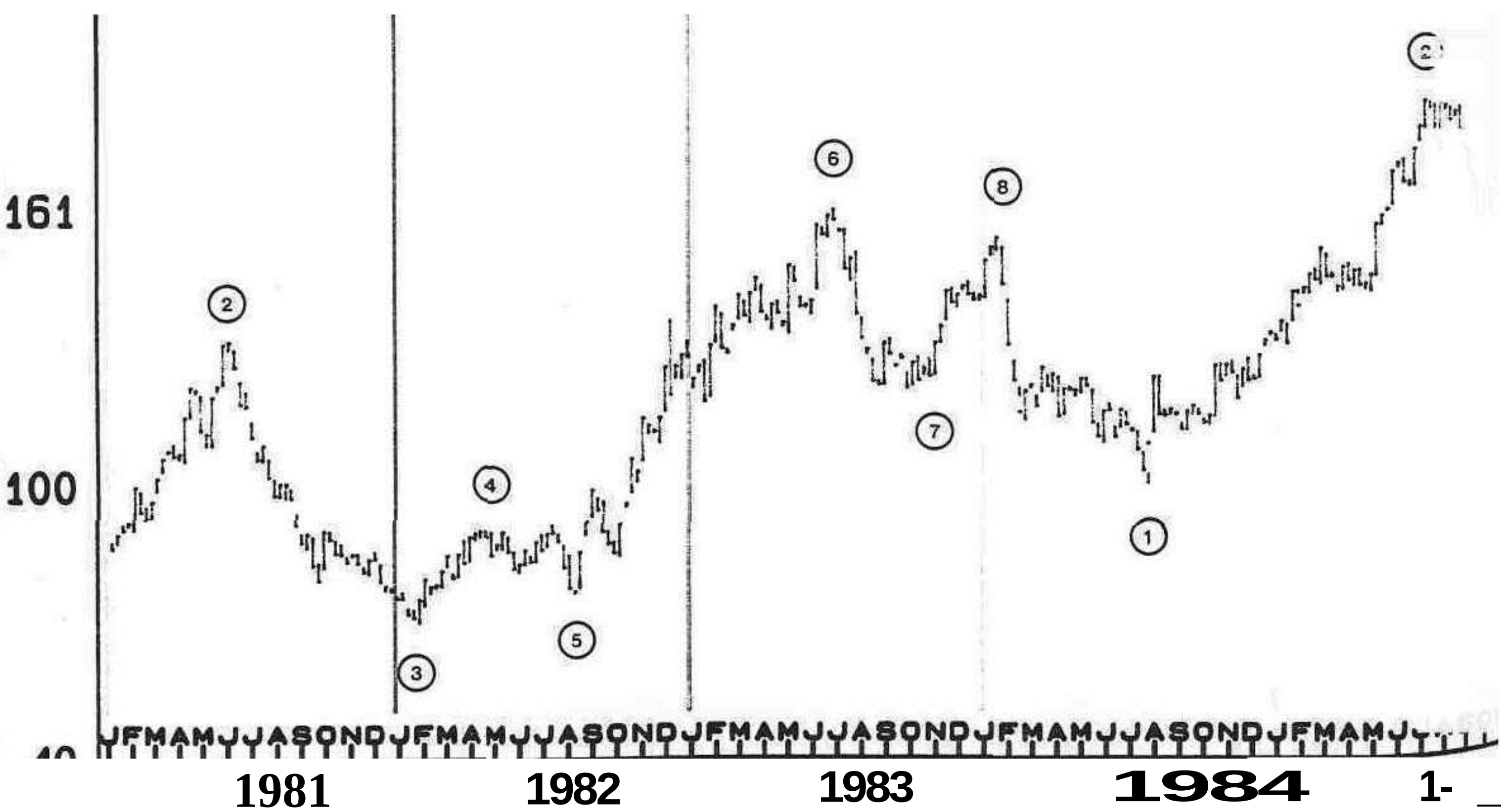
10 Calender Ye«rs

- 1990 AUTOMOTIVE



1981 TO 1990

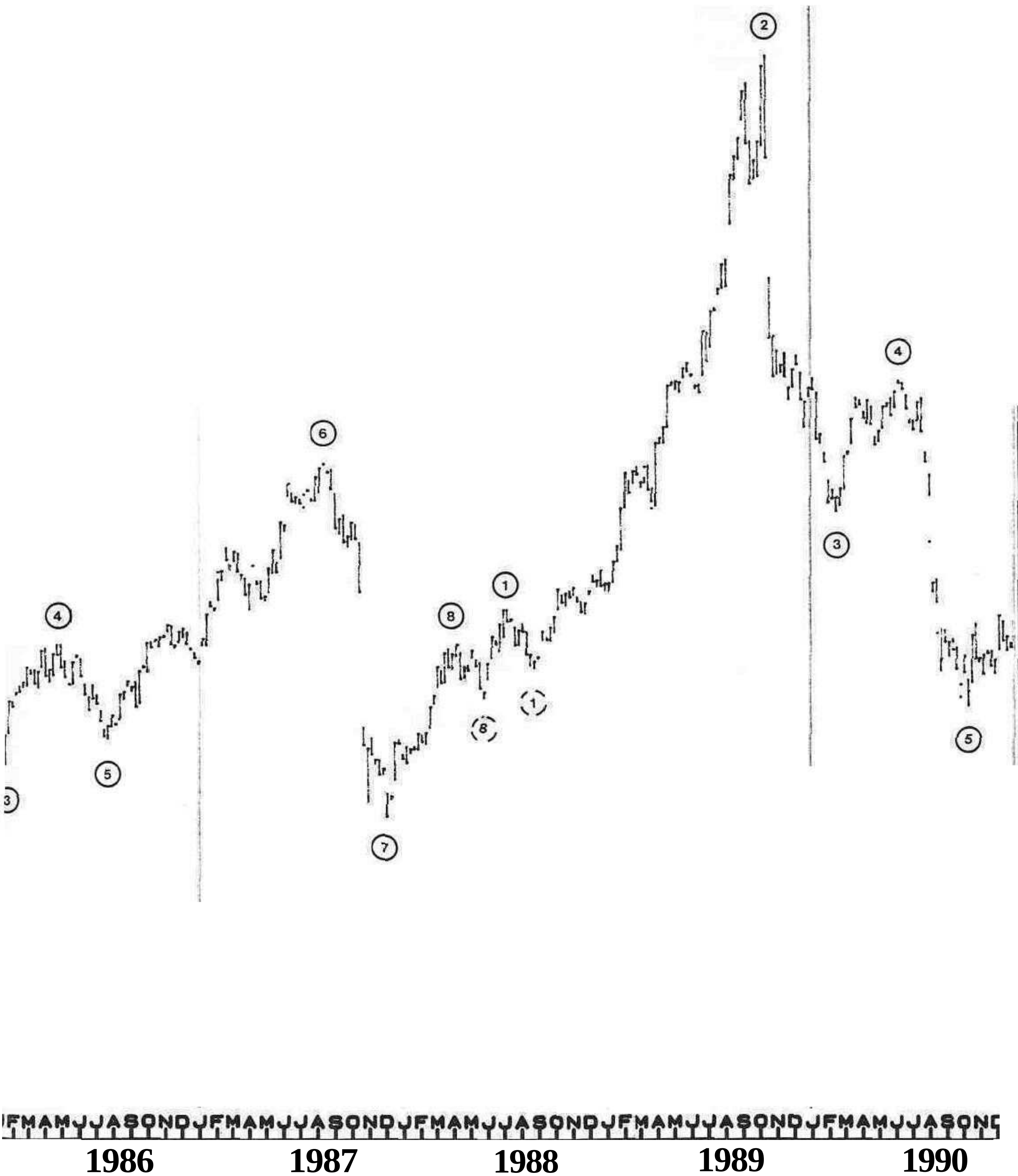
(LONG TERM) l£r,:=



131

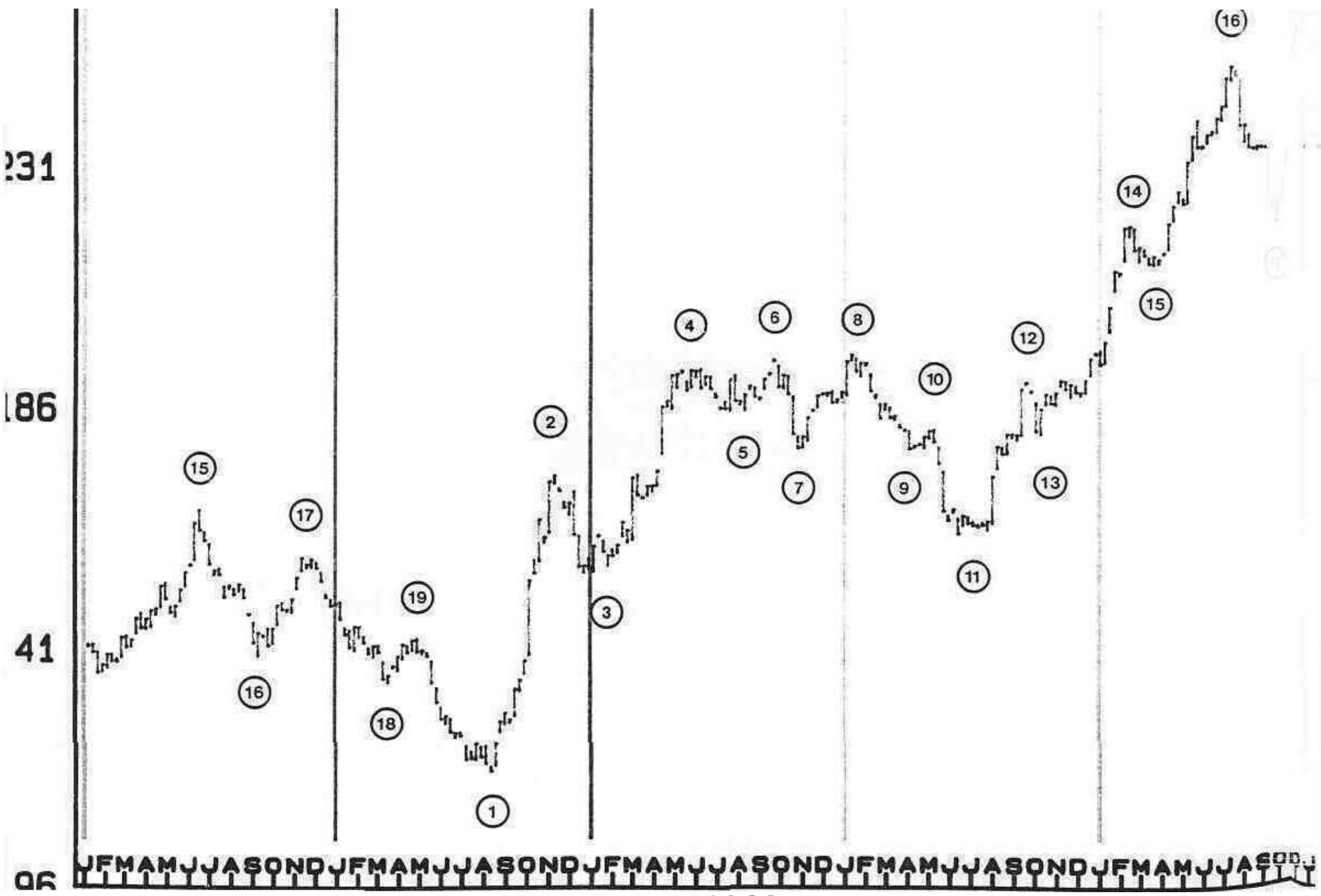
10 Calender —

1990 AIRLINES



5 1981 TO 1990

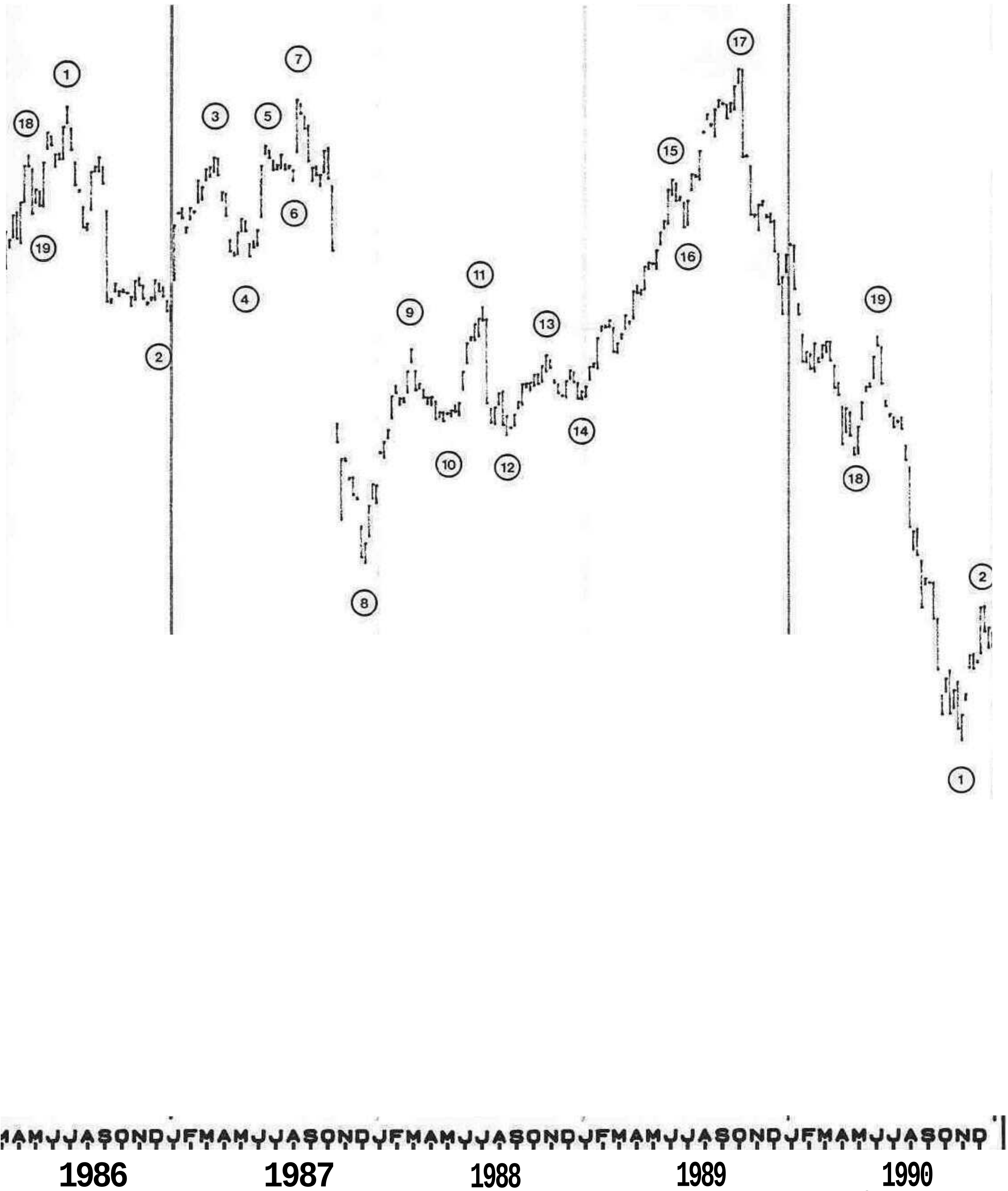
(LONG TERM) 19:;



133

10 Calender

- 1990 BANKING



1981 TO 1990

(LONG TERM) 1981 - 1990 r

663

573

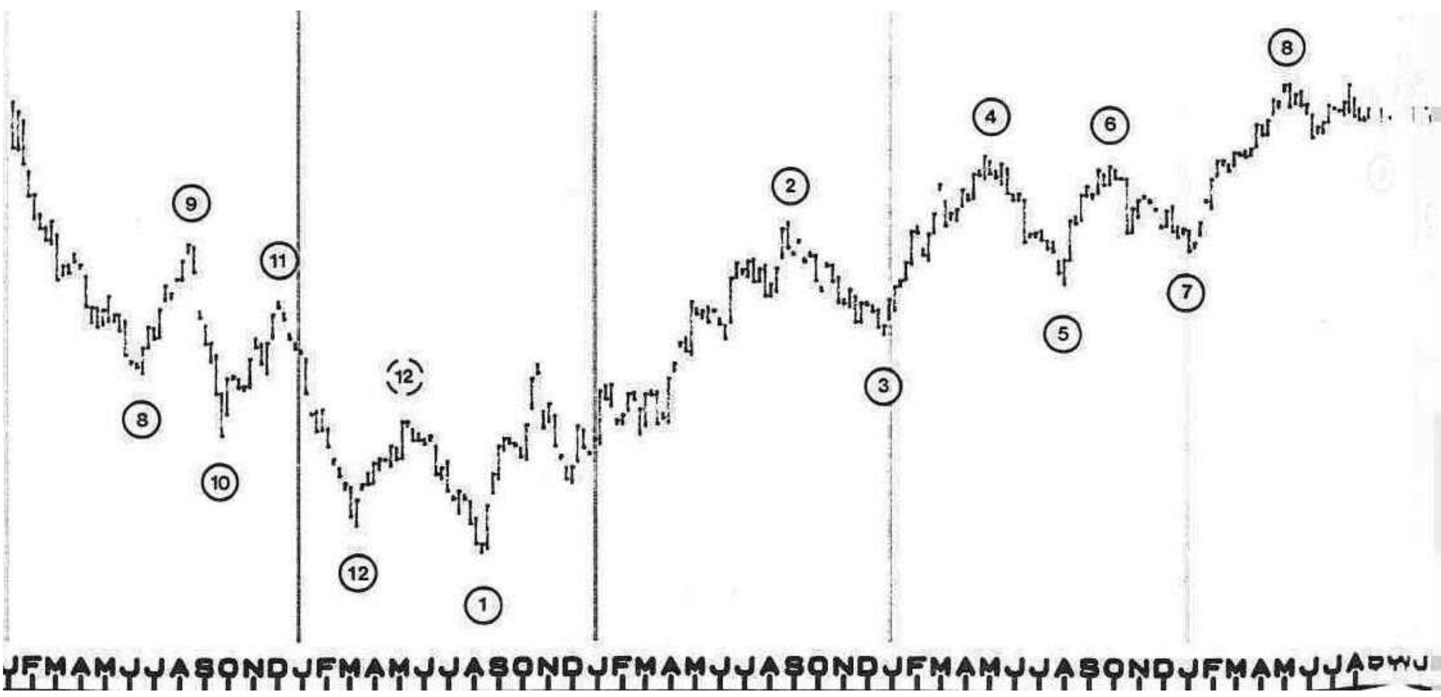
483

393

303

213

123

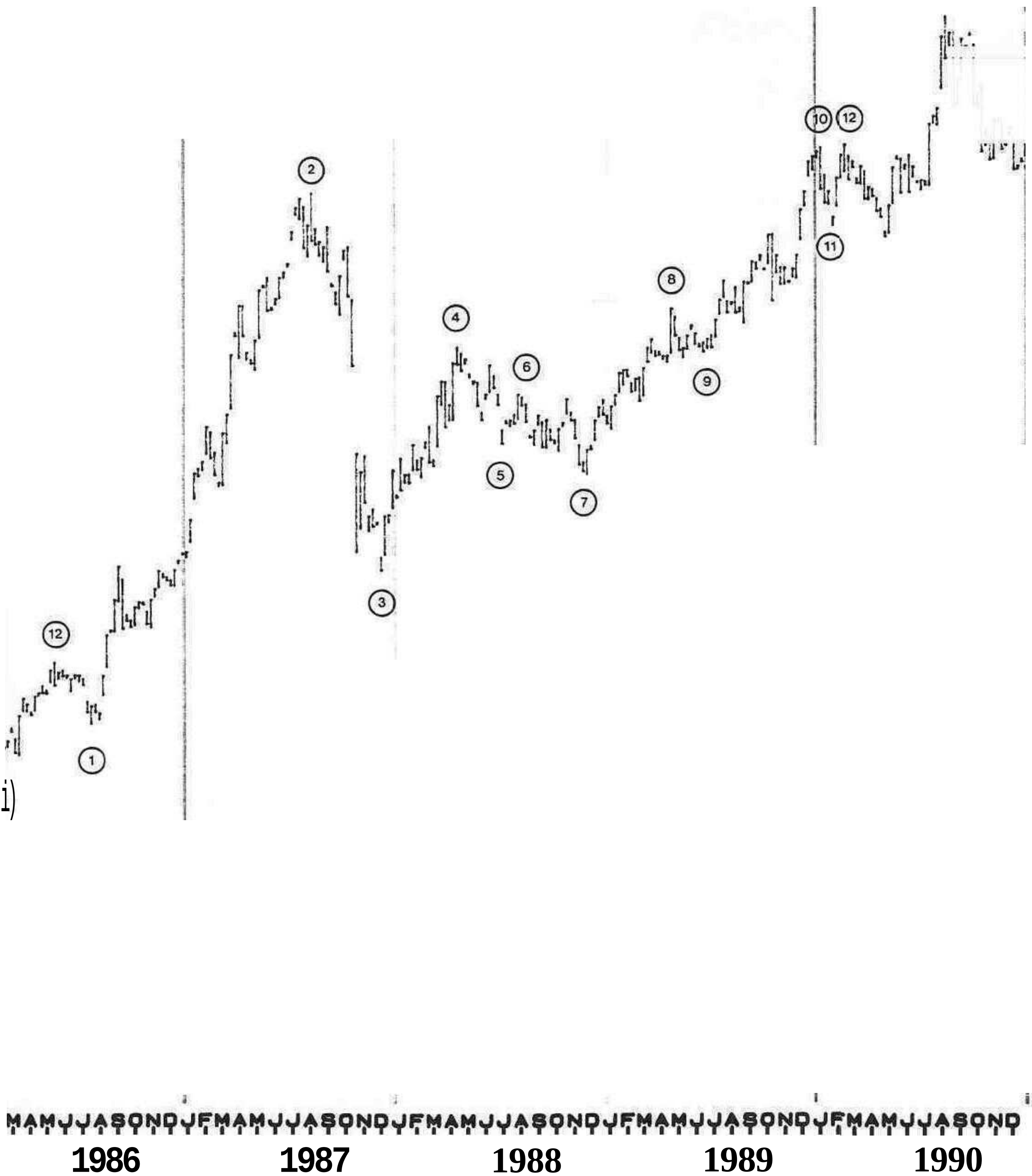


1981 1982 1983 1984 19

135

10 Calender

)IL REFINING AND MARKETING



1981 TO 1990

When I first began solving markets for LTD, I used the same NUMERICAL ANALYSIS on the LTD as for the ITD. Below is a NUMERICAL ANALYSIS for the British Pound.

B-POUND WK

	PT 1	JPT 2	PT 3	JPT 4	JPT 5	PT 6	PT 7	PT 8	PT 9	PT10	JPT11	[PT12	JPT13
1972					G 21	R 0	R 11	R 21	R24	B-10	JB -6	B 2	B 12
1976	0 -7	G -7	G -3	G 6	G 21	R -8	R -5	R 16	R 20	B-22	B -8	B 7	B 14
1980	0 -8	JG-13	G -4	G]5	G 19	R -4	R 2	R 14	E 29	B-19	JB-10	B 5	B 10
AVE	0 -8	JG-10	G -4	jG 11	G 20	R -4	R 3	R 17	R 22	B-i?	]B -8	|B 5	|B 12
HP2	0 -8	JG-10	G -4	G 1LI	G 20	R -4	R 3	R 17	R 22	B-17	B -8	B 5	JB 12
•H2	100!	j 01	100!	()!	100!	33!	33!	33!	100!	33!	100!	67	!1100!
HP3	0 -8	JG-10	G -4	G]I	G 20	R-4	R 3	R 17	R22	B-17	IB -8	B 5	B 12
+-3	100!	Jl00!	100!	()!	100!	33!	33!	67!	100!	33!	J100!	100 !	Jl00!
HP4	0 -8	JG-10	G -4	G]I	G 20	R -4	R 3	R 17	R 22	B-17	JB -8	JB 5	B 12
•H4	100!	J100I	100!	5()!	100!	100!	33!	100!	100!	33!	Jl00!	JI00	!100!
AK	5	1 30	5	45	10	27	57	27	13	47	! 13	j 17	I 13

TOTALS FOR B-POUND. MK

HP2 ! = 61
MP3 ! = 74
HP4 I = 56
A. R. =24

RANGE:	-8	-13	-4	(5	19	-8	-5	14	20	-22	-10	2	10
	-7	-7	-3	15	21	0	11	21	24	-10	-6	1	14
STDEV:	-8	-12	-4	7	20	-7	-3	15	21	-22	-9	4	11
	-8	-8	-4	15	20	-1	9	19	23	-12	-7	6	13

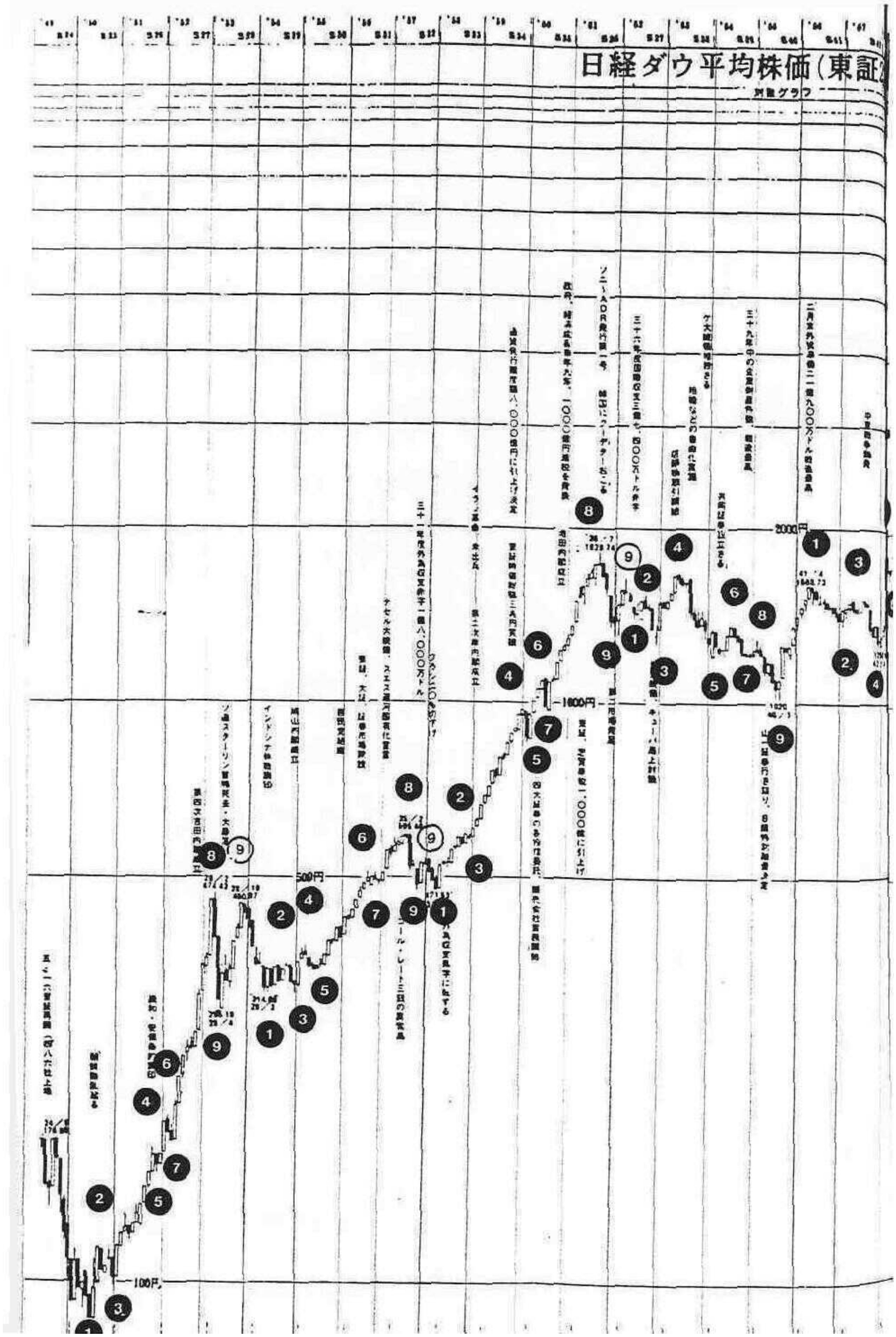
This type of analysis was not very helpful because most of the percentages for MP2, MP3, and MP4 were 100%. After considering this for a time, it came to me that what I really wanted to know was when to expect the point to occur. In other words, define the time range in which the point would most likely occur. It was obvious that the first thing I wanted to know was the 100% range. This would be the earliest and latest date of each occurrence of the particular point. Obviously, the 100% range became more meaningful as the number of series increased.

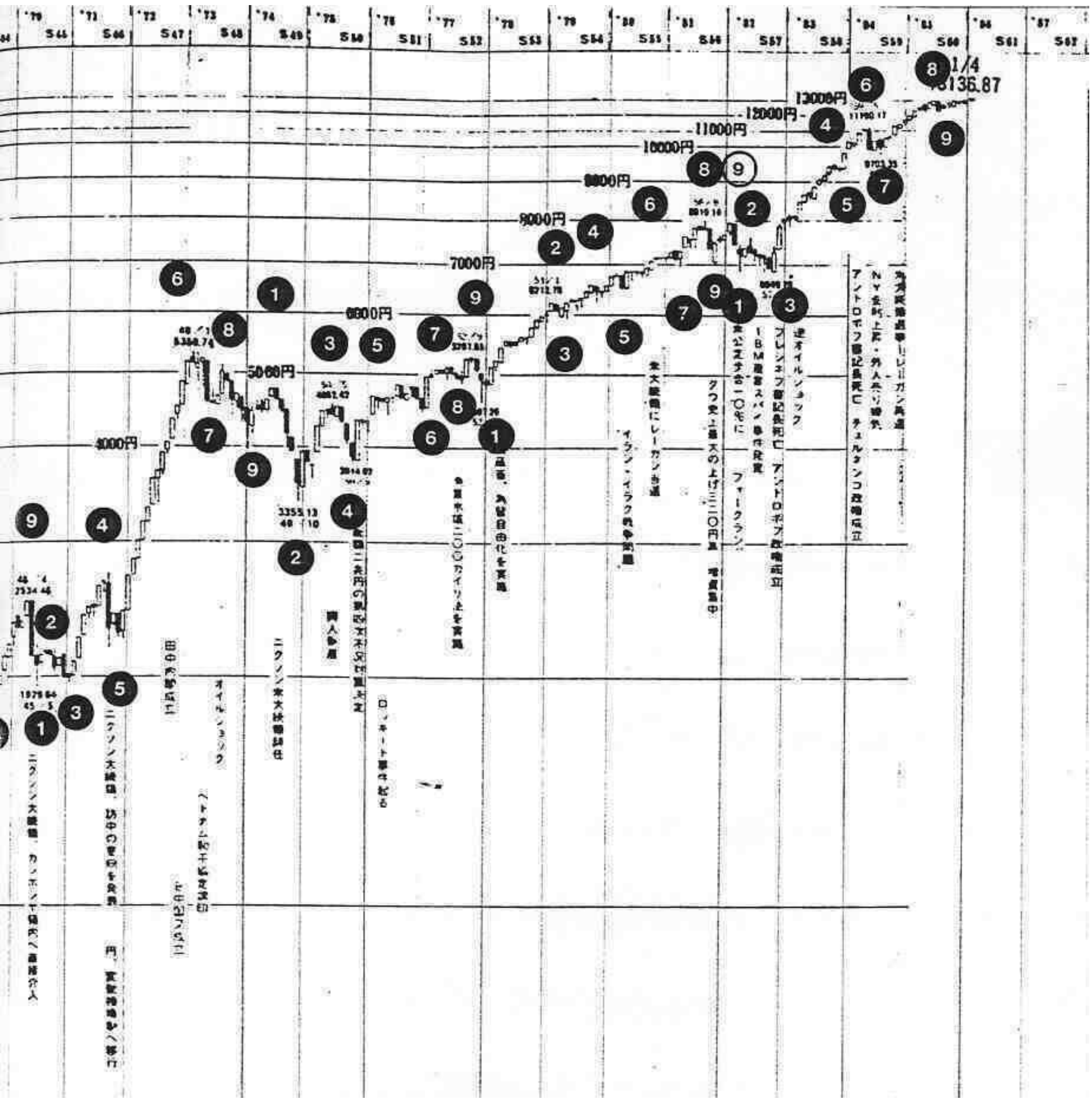
My next idea was to define the range in which most of the Delta turning points would occur. Fortunately, there is a statistical function which will do this. It is called "one standard deviation." I'll skip the mathematics and simply say that a standard deviation is the range in which approximately 2/3 of the future points are expected to occur. This range also becomes more accurate as more points are added to the base of reference.

Following is an example of the information given for each LTD weekly turning point. The date given is the WEDNESDAY of the week.

Turning Point Date	Standard Deviation	100% Range
1/16/91	1/09/91 - 1/23/91	1/02/91 - 1/30/91

The next LTD chart is one that I find most interesting and I think you will too. In late 1987 after the market crash, there was a lot of interest in the Japanese stock market index called the Nikkei Dow. I had not been able to track down a long term chart of that market so I put out a call to all Delta members to try to locate one. One of our more enterprising members sent the following chart to me. It's the only chart I've seen that goes back to the beginning of that market in 1949. He also sent a recent chart which showed 1982 through 1987. Only the numbers gave a clue as to which way to turn it!


日経ダウ平均株価(東証
対数グラフ
2000円
1600円
500円
100円
インドシナ休戦協定
鳩山内閣成立
池田内閣成立
三十一年度外為収支赤字一億八、〇〇〇万ドル



'70 S45
'71 S46
'72 S47
'73 S48
'74 S49
'75 S50
'76 S51
'77 S52
'78 S53
'79 S54
'80 S55
'81 S56
'82 S57
'83 S58
'84 S59
'85 S60
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ニクソン大統領、カンボジア領内へ直接介入
ニクソン大統領、訪中の意図を発表
円、変動相場制へ移行
田中内閣成立
オイルショック
ニクソン米大統領辞任
ロッキード事件起る
イラン・イラク戦争勃発
米大統領にレーガン当選
公定歩合一〇％に
IBM産業スパイ事件発覚
フォークランド
ブレジネフ書記長死亡　アンドロポフ政権成立
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If I had the data for the family groups in the Nikkei Dow, I am sure that they would be just as easy to solve for Delta as the NYSE family groups. Not surprisingly, the solution for a whole group of markets is not as accurate as the individual families in the market. In fact, when you really think about it, it is amazing that a general market, made up of many different families each having **its** own unique Delta order could also have its own Delta order. Although the combination of groups is less accurate than any of the individual groups, as you will see, the order is perfect!

Now I want to show you a simple manual way to find the **average point** (average date) for any market, using the 9 Delta monthly turning points for the Nikkei Dow as an example. Make a table as follows:

	◄----------------				POINTS				----------------►
SERIES*	1	2	3	4	5	6	7	8	9
COLOR	G	G	R	R	B	B	B	O	O
1950	6	9	1	9	10	2	4	3	5
1954	5	9	-1	3	-5	8	12	7	10
1958	3	9	-2	12	1	6	7	9	13
1962	6	8	-1	5	1	6	9	2	8
1966	4	13	4	12	11	12	16	7	15
1970	6	6	1	9	1	13	16	7	12
1974	6	11	6	10	6	12	16	7	10
1978	-1	13	3	9	3	12	14	8	10
1982	3	5	-2	13	-2	4	8	6	8
1986	2	8	1	9	3	7	7	6	8
	4	9	1	9	3	9	11	6	10

The order of colors (always) is Green, Red, Blue, Orange. 1986 is Green. So, what is the **average date** for Point (1) in 1990? Answer: Green plus 4 = April 1990!

Try this one. What are the two **average dates** for the Delta turning points in 2007? Answer: **January & September!** Why? Because if 1986 is Green then 2006 will be Green. Therefore 2007 will be Red. What are the average dates for Red? 1 & 9. Of course, whether those points will be highs or lows depends on the rotation set by Point (2) whose Average date is October, 2006!

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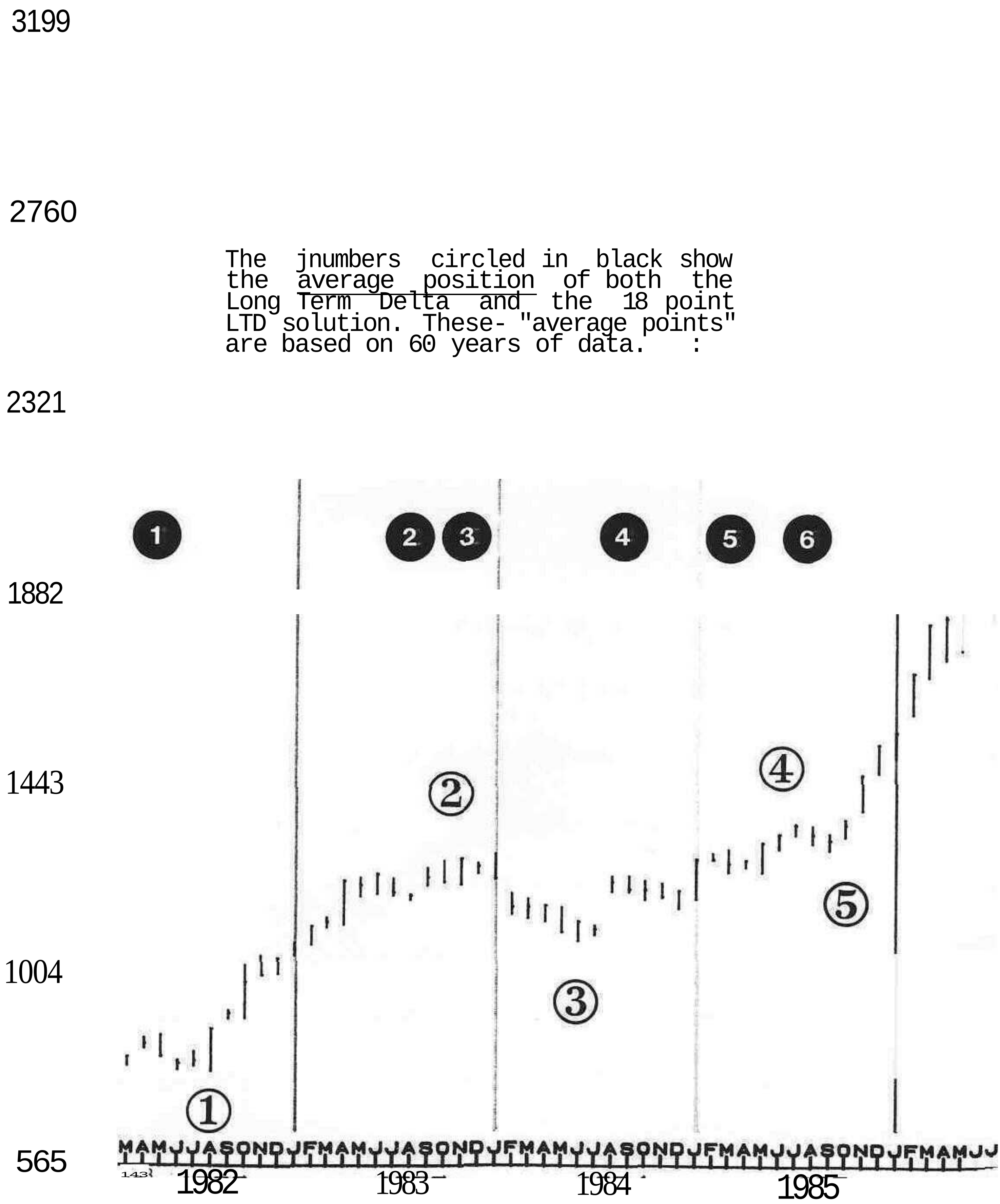
The last LTD market we will consider is the New York Stock Market. Like the Nikkei Dow, it is not as accurate as its individual family groups. As we mentioned earlier for this market and for one other, Gold, there is a solution within a solution.

At our first Delta Directors meeting in Greensboro, a number of Directors made presentations regarding their work with Delta. One Director from Switzerland presented his discovery that there was a second solution to the DJIA which is the index we use for the stock market. He showed on a ten year chart (2 1/2 series) that there were 18 repeats every four years within the 6 repeats of the original solution.

When he finished, a Director from Chicago stood up and said, "The gentleman from Switzerland just made my presentation." The Chicago Director then showed that he had discovered the same thing and, having obtained DJIA data for the last sixty years, presented charts showing the 18 Point DJIA from the 1920's to 1985.

On the following chart I will show only ten years of the solution for the stock market so there is room to overlay the 18 point LTD solution. Notice that at the bottom of the page I have given you the average point for the 18 point solution based on sixty years of data.

(LONG TERM)



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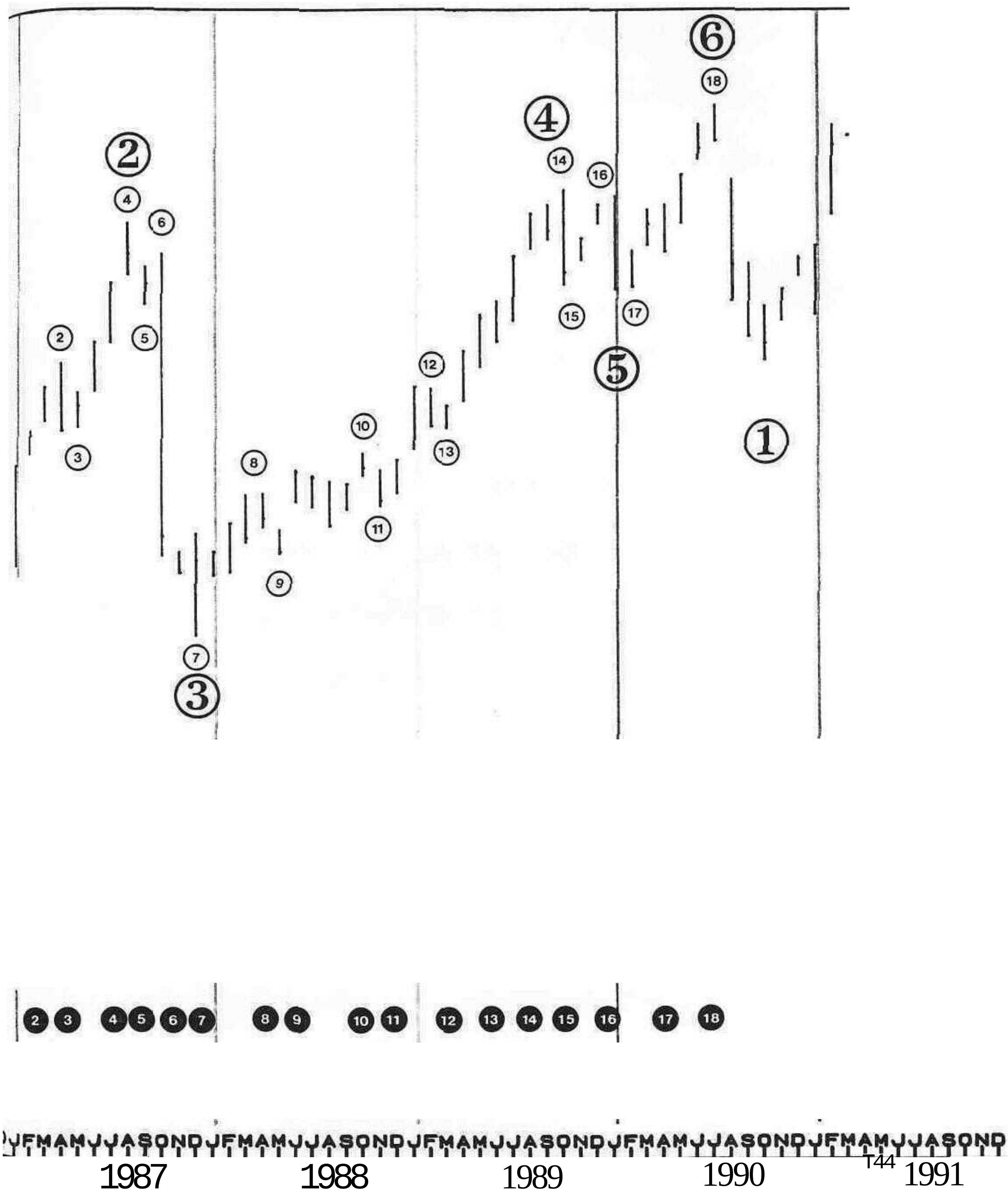
932 - 1991 DJI



1982 TO 1991

Now, having seen both solutions together, which solution would you say gives the most information about trading the markets? I expect your immediate answer would be "the solution with the most points."

However, when you think it through you will probably come up with the other answer. Why?

Would you rather know that the market will continue to move in one direction for four weeks or for four months?

We will consider this in more detail later when we discuss the fine points of finding the Delta order (solution) in any market. However, I would like to mention one thing while we are on the subject which is an aspect only of LTD.

Often, there will be a repeat **between two** LTD turning points. Let's say that you have noticed on one of the LTD solutions for a particular market that **between every Point (5) and Point (6) there is a high/low repeat.** In some cases there may be two or even three high/low repeats. This is not unusual. But can it be beneficial? Yes. I annotate these points by using letters . . . A, B, C, etc.

There are two things to remember. These repeats may not always happen in every series. If they do happen, use them. If they don't, remember that the original solution always takes precedence.

The other thing to remember is that if you do not have a history of 8 or 10 series, it is possible that some of these small repeats between LTD points could become Delta points. I have only seen this happen three or four times in all the LTD charts I have seen. And that has only been when there were only three or four series In the history.

How do you know when one of these small repeats between defined LTD points becomes a true LTD point?

The answer is when one of these small repeats becomes large enough to exceed the high/low channel made by the two original LTD points. When this happens, the market is no longer directional between

Point (5) and Point (6), but it is only directional from Point (5) to what used to be the small repeat, which has now become a true LTD point.

- As I said, this rarely happens. When it does happen, it will be only in the LTD time frame or SLTD time frame. It only happens when there LS insufficient data (for that particular market) to effect a 100% solution. The bottom line is that when this happens, two additional points are added to the series.

As you can see, I am including in this book every tiny detail that I have learned about this phenomenon we call Delta!

We will conclude the LTD section with its definition.

Markets repeat directly or inversely every four revolutions of the earth around the sun.

Next, we will take up the Super Long Term Delta (SLTD).

PART VII

SUPER LONG TERM DELTA

Jim Sloman asked the question, "Suppose one could view the sun, moon, and the earth through a telescope from some distant place in space? All of these bodies are interacting relative to each other in some kind of continuous revolving sequence. Suppose one snapped a picture through the telescope of the three bodies. How long would it be until all the bodies came back to the identical position as in the picture?"

Jim found the answer. It was 19 years and 5 hours. He also found out that this question had been asked . . . and answered several thousand years ago. For example the Egyptians had used the Great Pyramid to determine certain parts of the answer.

From his work with Delta, Jim knew that the answer would be the final Delta time frame. As soon as Jim mentioned it to me, I, too, knew that it had to be the basis of a very long term order in the markets. It was just so logical since, as we know, **Delta is the result of the total interaction of the sun, moon, and earth.**

As I mentioned earlier, I was able to obtain a data base of the New York Stock Market index going back to 1790. We manually punched that data into a computer file and the plotter produced two charts of 100 years each. The colored lines were 19 years apart. We also used a logarithmic scale so that the small moves at lower prices would appear relative to the larger moves at higher prices.

I sat down at a table and placed one chart above the other and lined up the colored lines so that the same color extended from the top chart through the bottom chart. I looked at the two charts overlaid with the colored lines for about five minutes and began to put in the numbers. In about 15 minutes it was finished. I wondered if I was getting good at deciphering Delta solutions or if this solution was just that easy. Probably a little of both. At any rate, the solution just fell out and the amazing thing was that there were no inversions in the entire 200 years . . . in 10 completed series.

I know that you can never be sure that Point (1) is in the right place until an inversion takes place; however, the chances that an inversion will somehow happen on the next point are slim when you consider that they can only happen every 19 years and one has not happened in 200 years!

What is interesting to note is the way the market behaves around certain Delta points. In viewing the charts that follow (both charts of 100 years each are included) it is immediately obvious that virtually all the major down moves for 200 years have come at Point (14). It was in May of 1987 when I solved this market and saw the Point (14) situation. Notice the similarity between the developing Point (14) in 1987 and the Point (14) of 1929 which precipitated the largest drop of all time.

I got quite excited when I realized that we were then right on top of a Point (14) SLID high which was due in April 1987. I knew that the next LTD high was due in September 1987. I also knew that the SLID high would have to come in conjunction with a LTD high. The most likely LTD high was the one due in September 1987.

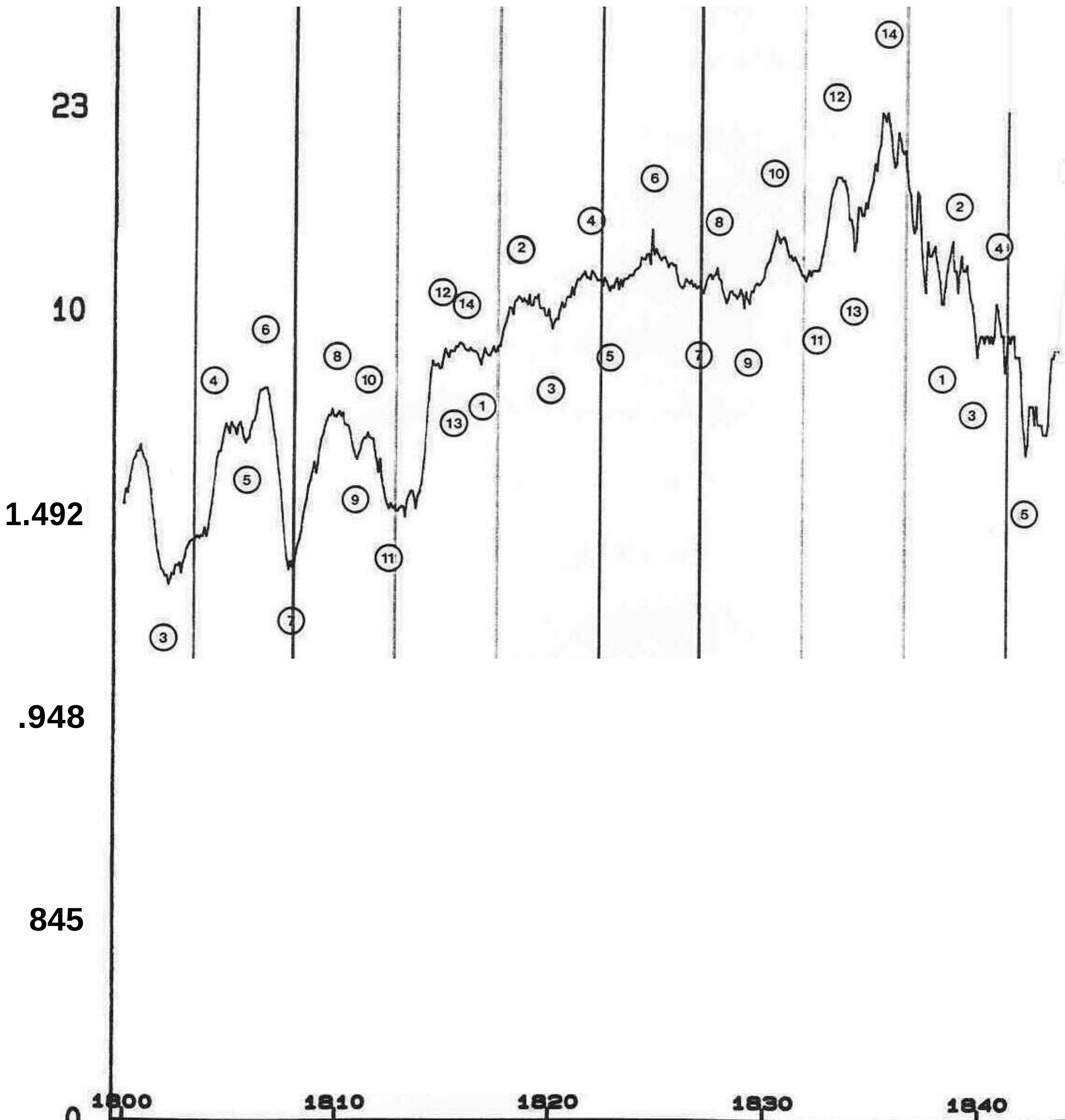
The other thing that was obvious was that almost every Point (14) was followed by a major down move. This gave a price aspect to the situation. In fact, it appeared that a price projection could be possible due to the similarity of the emerging down move and the previous down move of 1929.

On the other hand, if the major down move did not continue over the long term, and a new high was made at Point (2) then it was not likely that another major 1929-like down move would occur in the near future.

I have been asked many times since then if Delta had been able to predict the 1987 crash. Obviously, the answer to that question is Yes. If you had looked at the SLTD chart in 1987, you would have predicted it too!

Virtually every analyst that claims to have predicted that crash had been predicting a crash for so long that eventually they were right. However, I (or rather Delta) made only one prediction. Delta missed the top by only one month and compared the ensuing down move to be similar to the crash of 1929!

SUPER LONG



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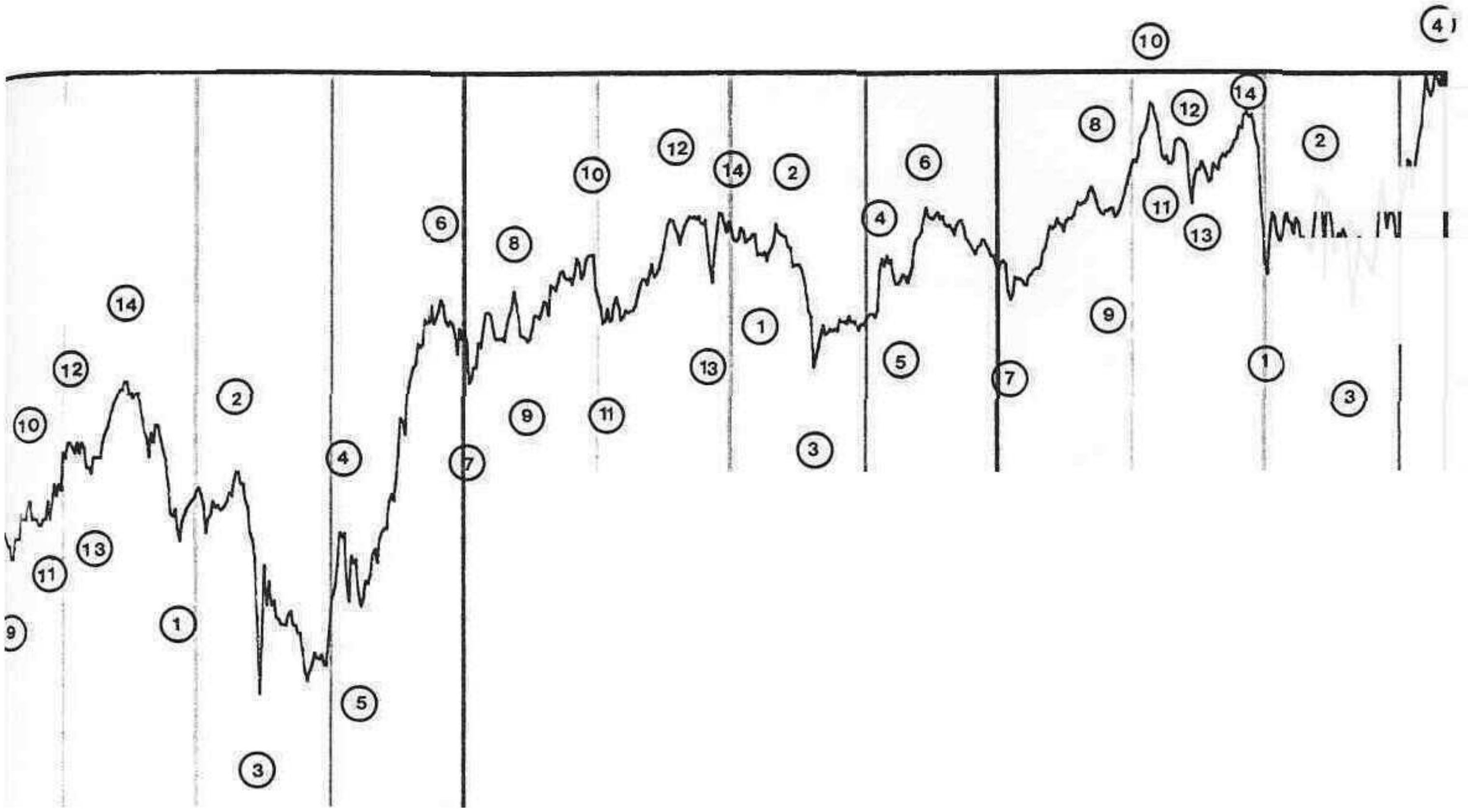
ERM DELTA



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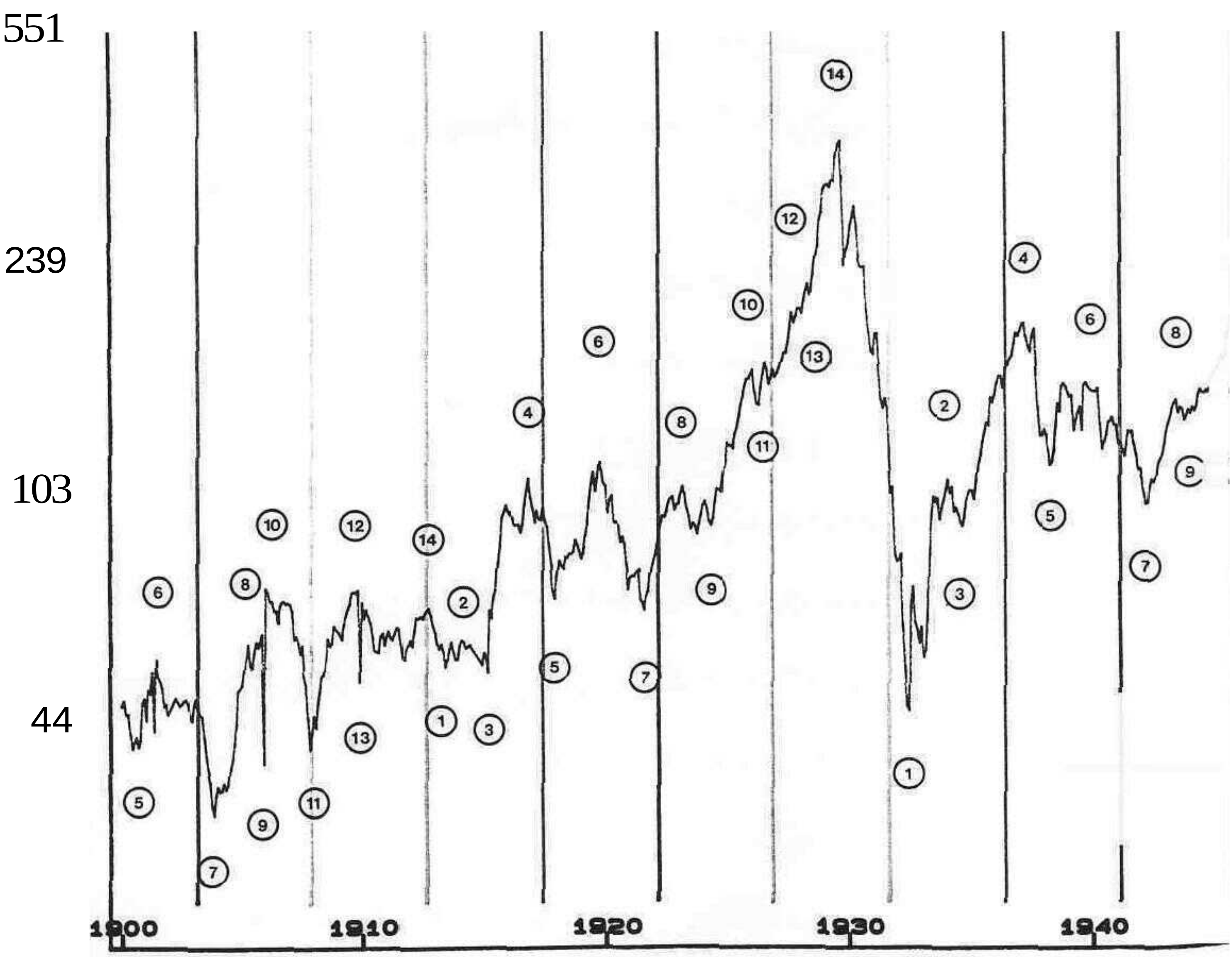
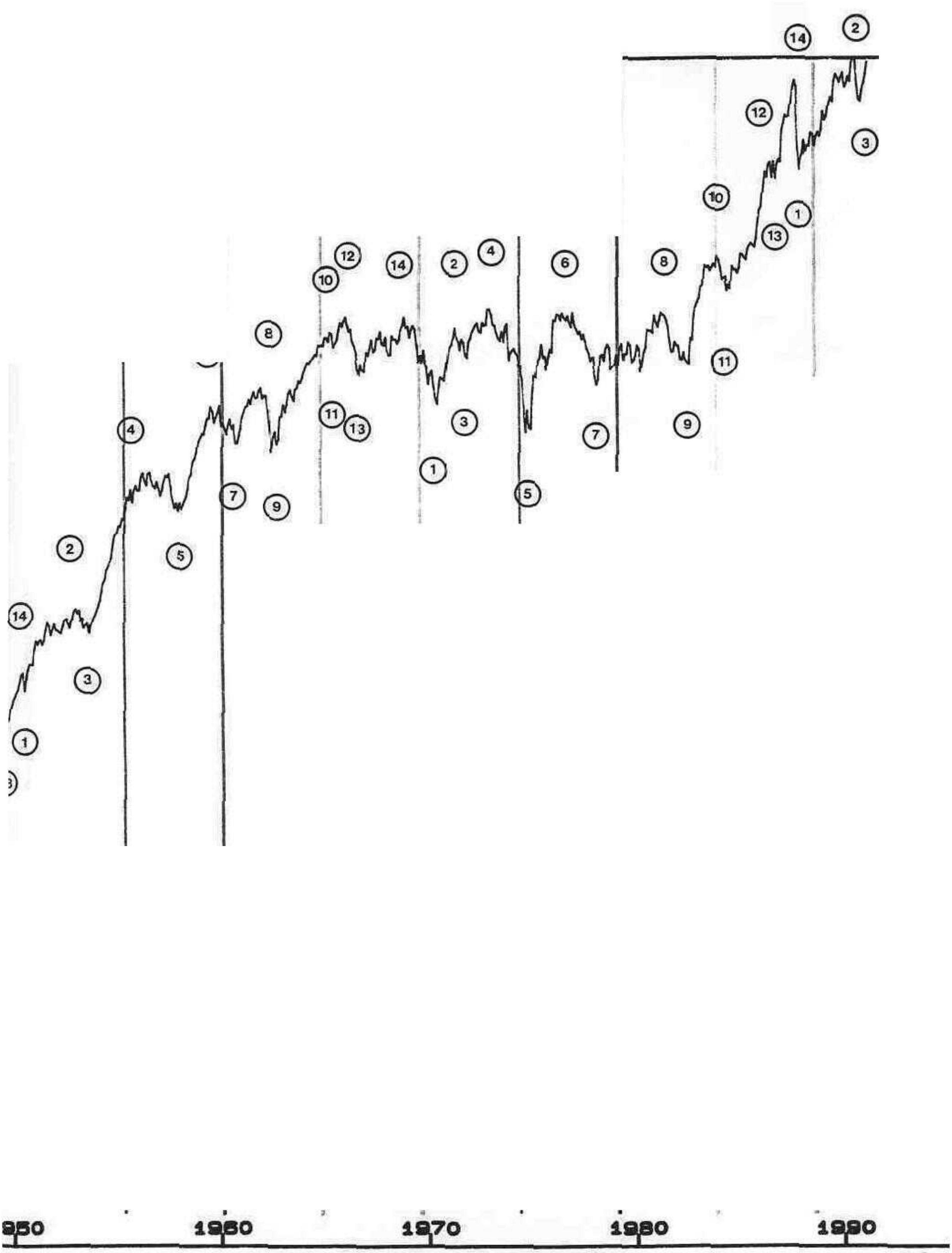
SUPER LONG



JAN 1900 TO

RM DELTA



B 1991

I have not mentioned it, but I send out about ten letters per year to Delta Members. The purpose of the letters is to provide dates for the Inversion Time Windows (ITW), check the rotations on all 25 markets on each of three Delta time frames and point out any particularly interesting trading situations that are shaping up.

Following is a portion of my June 1987 letter to members verbatim:

DELTA MEMBERS LETTER
TRADING TIPS
June 30,1987

Before the planet Uranus could be seen, scientists knew it existed because other observable phenomena indicated that it should exist. By the same rationale Jim Sloman predicted that there was a Super Long Term DELTA and gave the exact parameters in which it must exist. The only problem was that until recently we did not have enough data on any market to ascertain the Super Long Term DELTA. Now we do ... for one market.

Not long ago I traced down a lead and was able to buy (not cheaply, either) monthly close data on the New York Stock Market going back to the year 1789! We manually input the information into our data bank, did some special programming and put the data into a form solvable for DELTA. The result is not only amazing but humbling. How insignificant is our knowledge in the overall scheme of how things work ... of the marvelous order in the universe. I still wonder that anyone is privileged to see this order . . .

O.K. So what light does the Super Long Term DELTA shed on the New York Stock Market now and in the next few years? What I am going to say about this is based strictly on what I see in putting together all of the information that DELTA has to offer in three areas . . . Long Term DELTA, Super Long Term DELTA and the Super Long Term price DELTA. (Delta Directors are already aware of this discovery.) None of the following is based on my opinion ... I don't have an opinion!

First of all, on the long term, our interpretation of DELTA has been correct so far. We said that when the old highs made in the summer of 1986 were taken out then there was no inversion (there hasn't been one in fifty years) and the next move would be an up move to the next DELTA high point due around September, 1987. As you know, this has been our position for the last two years.

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Average month .... APRIL 1987
Standard Deviation .... SEPTEMBER 1986 to JANUARY 1988
1OO% Range .... MARCH 1985 to JANUARY 1989

The question is, will the Long Term DELTA (LTD) high due 9/87 correspond with this Super Long Term DELTA (SLTD) high or will it be the next Long Term DELTA high which is due 10/88? The odds are that it will be 9/87 Long Term DELTA High for several reasons. First, the 9/87 high is very near to the average date for SLTD. Second, the 9/87 LTD high is within the Standard Deviation range. As far as trading goes, we should certainly take the position that the SLTD high will correspond with the 9/87 high.

The bottom line is:

* That a Super Long Term DELTA time frame was exactly predicted before it was even known to exist...

* Was discovered exactly as predicted when sufficient data was available

* Has never had an inversion in 198 years ...

* Contains order as to the relative magnitude of the move . . .

* Is now telling us we are on the verge of a major market high . . .

* To be followed by the biggest down move of any DELTA point, the same down move that corresponds to the other major down moves in history.

In studying the history of this DELTA information, each of these tops was dramatic. They ended up in a final burst and then a collapse down. I think this top will likely do the same thing. This means that the market should soon burst out on the upside to new highs and then fall. I see it as a unique opportunity to buy index calls (probably December) then at the right time buy Puts for the down move. I would apply Adam Theory to entering and exiting both trades ...

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The crash of 1987 was the biggest down move in history . . . bigger than the down move of October 1929. However, the market did not continue down as did the 1929 move. Instead, the current market came back and made a new high on point (2). **The Date of the Delta high at point (2) was July 1990.** That date, as well as the date for the Point (14) Delta high is not something that could be altered or changed by me or anyone else.

It is the <u>average date</u> that is projected by 200 years of data. In other words, those dates and the Point (14) situation were locked in concrete more than 100 years ago!

Anyone who has this book can now predict the major moves and the high/low rotation (given the slim chance of an inversion) **of the major moves in the New York Stock Market... from now to eternity!**

The second SLID market you will see is that of Bonds. One could even say that the Bond chart is *a* chart of interest rates since bond prices and interest rates are exactly inverted. I was anxious to solve the bond market for SLID, but was unable to track down a chart or a data base with a long enough history to solve for SLID. In late 1987 I put out a call to Delta members to try to find data or a chart on bonds that went back at least 60 years. Shortly after, I received a chart in the mail beginning in 1915.

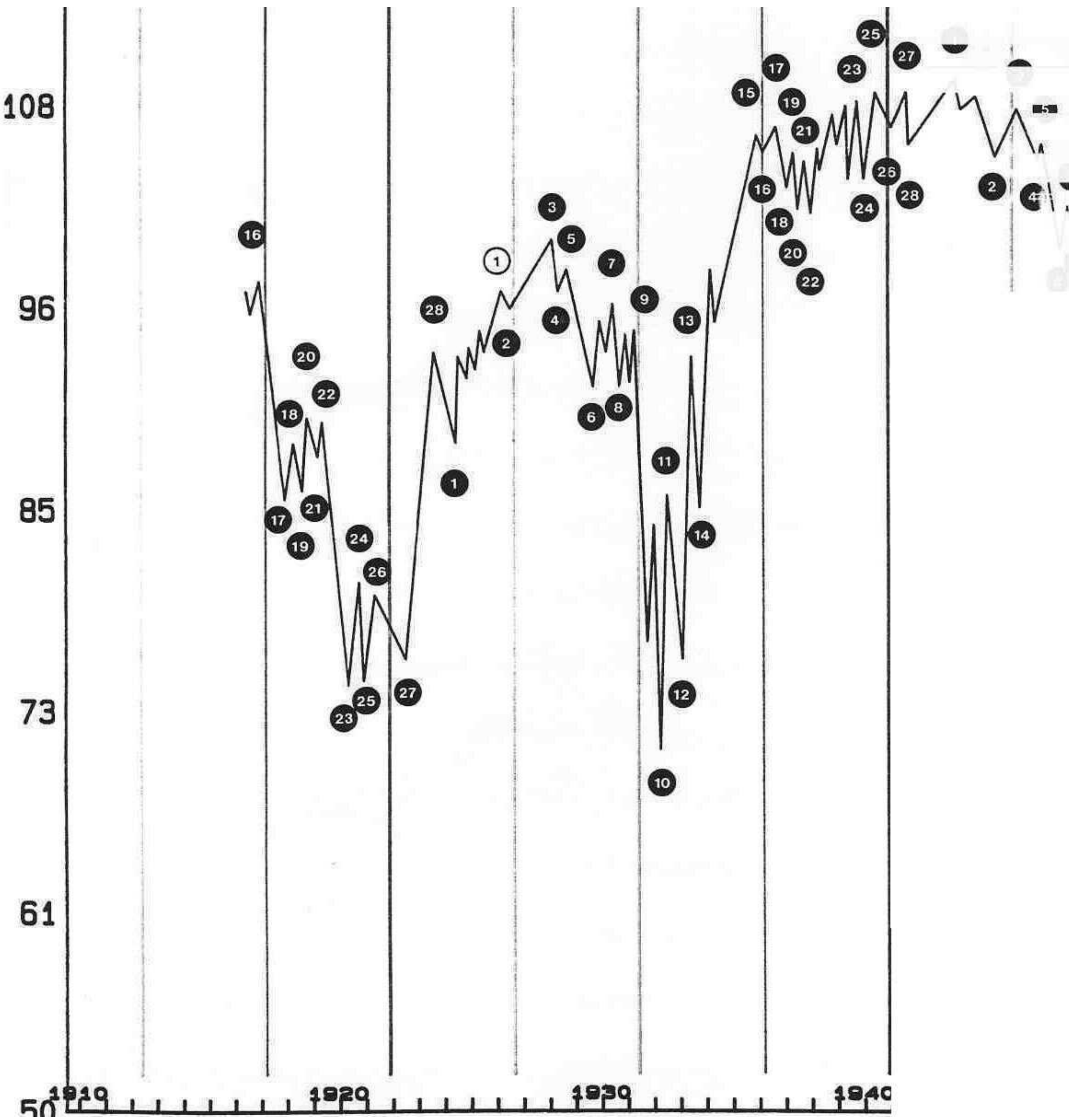
The chart was in bad shape and was difficult to read. I extracted the date and price for every swing point and Tom Berry programmed the plotter to make the following swing chart.

Again, I overlaid the colored lines every 19 years and again, the SLTD solution fell into place very easily. I think it only took me about 15 minutes to complete it. This time there **were** some inversions. I have manually added data to the chart since it originally concluded in 1986.

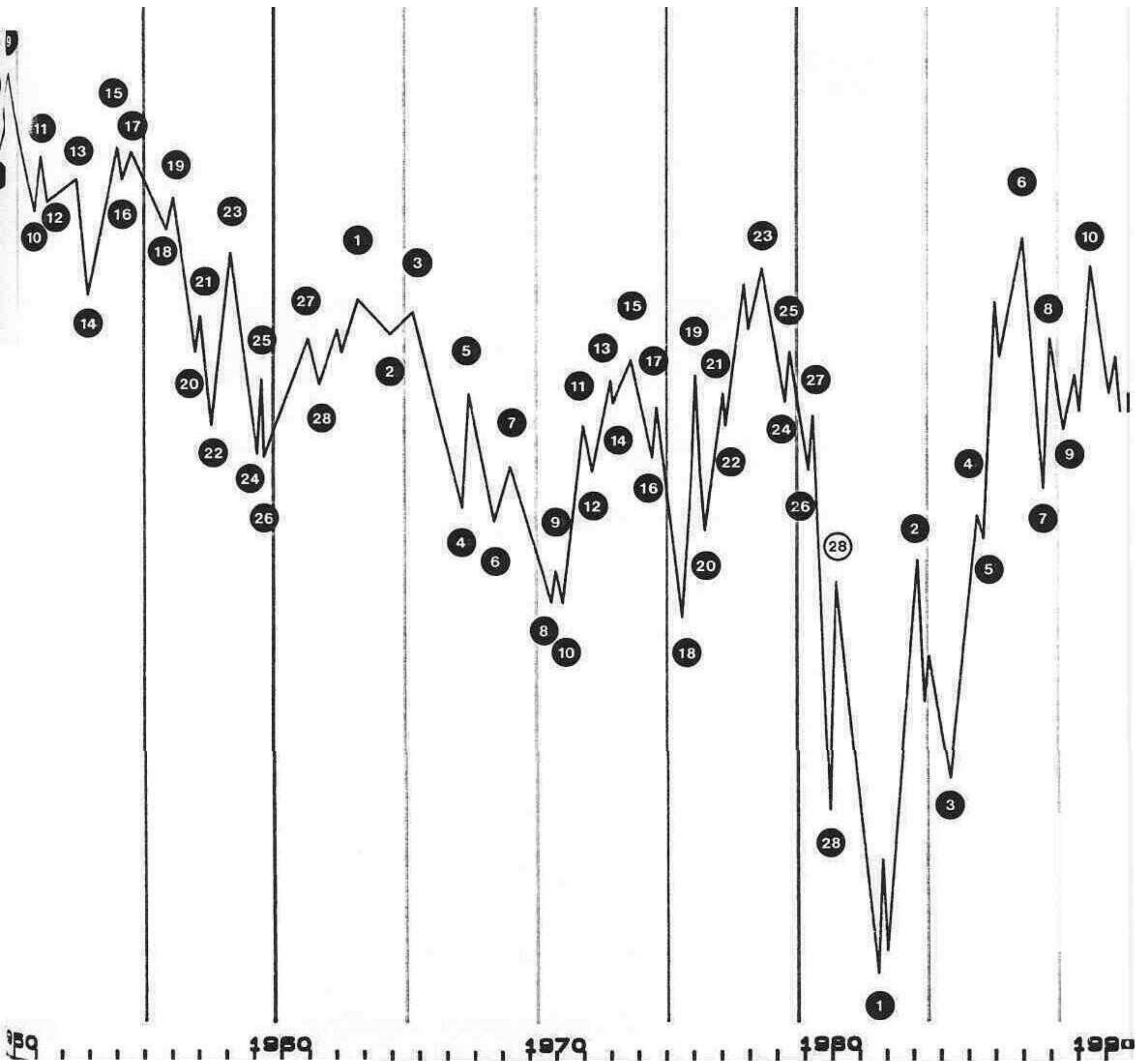
I calculated the distance from each point to the appropriate colored line and ran it through my computer program that gives the past and future **average dates** for each Delta turning point based on the date of the colored lines. Notice that the last inversion was in 1981. This means that the next inversion will not come until 2000.

In late 1989, I overlaid the **average points** (average month) on a monthly chart of T-Bonds beginning in 1981. I noted that if one had bought T-Bonds anytime during the month of every **low SLTD average point** and sold the bonds anytime during the month of every **high SLTD average point** that he would have had a profit 100% of the time . . . on every trade.

SUPEF •-



ONG TERM DELTA



URS 1910 TO 1990

I then projected the **average month** for every high and low SLTD turning point for a ten year period from 1990 until 2000 in a simulated T-Bond chart. I gave these dates to Delta members along with a plan to buy Zero Coupon bonds on each projected low date and sell them on each projected high date for the next ten years. So far this has continued to work 100% according to the projected chart.

In early 1990, I sent the chart along with an article I had written (outlining a Zero Coupon Bond strategy) to Technical Analysis, Inc. in Seattle, Washington which publishes the national magazine TECHNICAL ANALYSIS OF STOCKS AND COMMODITIES.

The article was published in the April 1990 issue. Since the article is copyrighted, I will not republish it here. However, I will present the SLTD turning point dates that were published. I will also include the AR which was not published.

BUY		AR	SELL		AR
November	1990	24	March	1991	22
April	1992	33	August	1992	29
February	1993	42	January	1994	33
June	1994	15	November	1994	15
March	1995	08	June	1995	14
July	1996	30	March	1997	28
June	1997	34	November	1997	63
July	1998	65	January	1999	28

The accuracy of the BUY and SELL dates can be improved by using the LTD turning points for T-Bonds because the SLTD point will always come in conjunction with a LTD date which will come in conjunction with a MTD date which will occur in conjunction with a ITD date. Of course, there is a limit to what I can put in this book, but this information is available to Delta members. It is also available to you who have this book because you have all the information that I had to solve any market for any Delta time frame and obtain the dates for yourself.

Just remember that since the Delta Phenomenon is patented, you must keep the information for your own use only.

PART VIII

SHORT TERM DELTA

We come now to the last Delta time frame. Until this book was published, this time frame was only available to Delta Directors. When Delta Directors paid $35,000 to learn all about the Delta phenomenon, they really paid for two things. First, to learn the secret so that they could solve the order in any and all markets and second, to learn the Short Term Delta.

Short term Delta works exactly like the other time frames. Each market has its own series and inversions occur in exactly the same way. However, Short Term Delta has 2 or 3 turning points **per day.**

The Short Term Delta will definitely make the **biggest impact on the markets.** In time, traders will solve the Short Term Delta for every stock, every commodity, every freely traded market in the world. In time everyone will know what time of day the highs and lows will occur for every market.

I must admit that even with my knowledge and experience with Delta, I am unable to predict what this knowledge (The Short Term Delta Solutions) will do to freely traded markets. At first, those who have the STD solutions will have a definite edge on those who don't have it. Eventually, all intra-day traders who survive (unfortunately, the majority do not survive anyway) will learn the STD solutions for the markets they trade.

There is a paradox here and that is that the STD solutions are the most difficult to obtain. However, we will cover that later. First, I want to pick up the story of Short Term Delta at the beginning.

When 1 was in Chicago, Jim stated that he was sure that there was also a Short Term Delta order. He asked me if I could figure it out based on what I knew about the ITD and LTD.

I thought it must be based on something revolving around something and the number 4. It suddenly came to me that it must be 4 revolutions of the earth around its axis. The other body involved was the sun which made night and day as the earth revolved.

Jim replied that although that was correct, there was a problem. The problem was the weekends. Did the Delta order continue day after day regardless of whether there was trading or did the order stop on Friday and resume on Monday? We both admitted that we didn't know the answer. Jim said he would continue to think about it and let me know.

Some months later, Jim called from his new home in California and said he knew the answer. The answer was that the order continued through the weekend regardless of whether or not trading occurred. This also seemed to me to be the most logical answer.

Several weeks later I arrived in California with a handful of intra-day charts. Jim sat down at the kitchen table and began to look at the charts. After a while, he picked up his pen and began to work at the solutions. In a matter of several hours, Jim had them all worked out.

I must say that I was quite amazed, and still am for that matter, at how quickly he could grasp the solutions. Of course, the problem is that the data is not continuous. One has to arrive at the solution by glimpsing bits and pieces of the problem.

In time, I became able to solve the markets for STD, but it took a lot of time and was often quite frustrating. At any rate, let's begin with the definition.

Markets repeat directly or inversely every four days.

(Every four rotations of
the earth on its axis.)

As in every other time frame of Delta, each market has its own number of Delta turning points in the series and its own location of Point (1).

As far as the colors go, it makes no difference what color one starts with. For example, on the first charts Jim picked a date at the beginning of the data and arbitrarily picked a color for that date. From then on, every day has a color. Jim's original short term solutions were relative to the colors in their defined order, which are Red, Blue, Orange, Green.

However, I had to go back to the dates of Jim's original colors and assign every day a color in sequence up to the date that I wanted to begin trading the Short Term Delta (STD) time frame. If I had made a mistake in assigning every day the correct color, the solution simply would not work.

Around the end of the year, I obtain the next year's calendar and continue the color sequence for the coming year. Every day, weekend, holiday, etc., must be assigned a color. In order to trade STD, one must know the correct color for the day and the Delta solution for the market he wants to trade. Remember the color sequence is always: Red - Blue - Orange - Green.

Following are the correct colors for the first day of each month for the year 1991:

Jan	Red	May	Red	Sep	Green
Feb	Green	Jun	Green	Oct	Blue
Mar	Green	Jul	Blue	Nov	Red
Apr	Orange	Aug	Red	Dec	Orange

If you are reading this book on July 15, 1995 then you would need to go back to December 1, 1991 and trace the color sequence for every day from December 1, 1991 to July 15, 1995. (Or you could call my office and give your book registration number and ask for the color for the day.)

The color for the day is placed on the opening bar for the day.

The time period for the intra-day bar chart can be from 5 minutes to 40 minutes. I believe the optimum is 15 or 20 minutes per bar.

As you will see in the following charts, the first thing I do is to write the number series for the market across the top of the chart. Following is the number series for cotton:

1 2 3	4 5	6 7	8 9 10

Note that you are looking for placement of the numbers **between** two colored lines. Therefore, you should always put tomorrow's colored line the correct distance from today's opening colored line for the day you are trading.

On the right are two 15 minute intra-day bar charts of Cotton. The number series is pencilled in at the top of the chart. A colored line is drawn at the opening bar of the day. Again, the color sequence is always Red - Blue - Orange - Green. (RBOG)

Each page shows approximately 8 days. I have tried to select STD charts that showed a full series (4 days) on a single page.

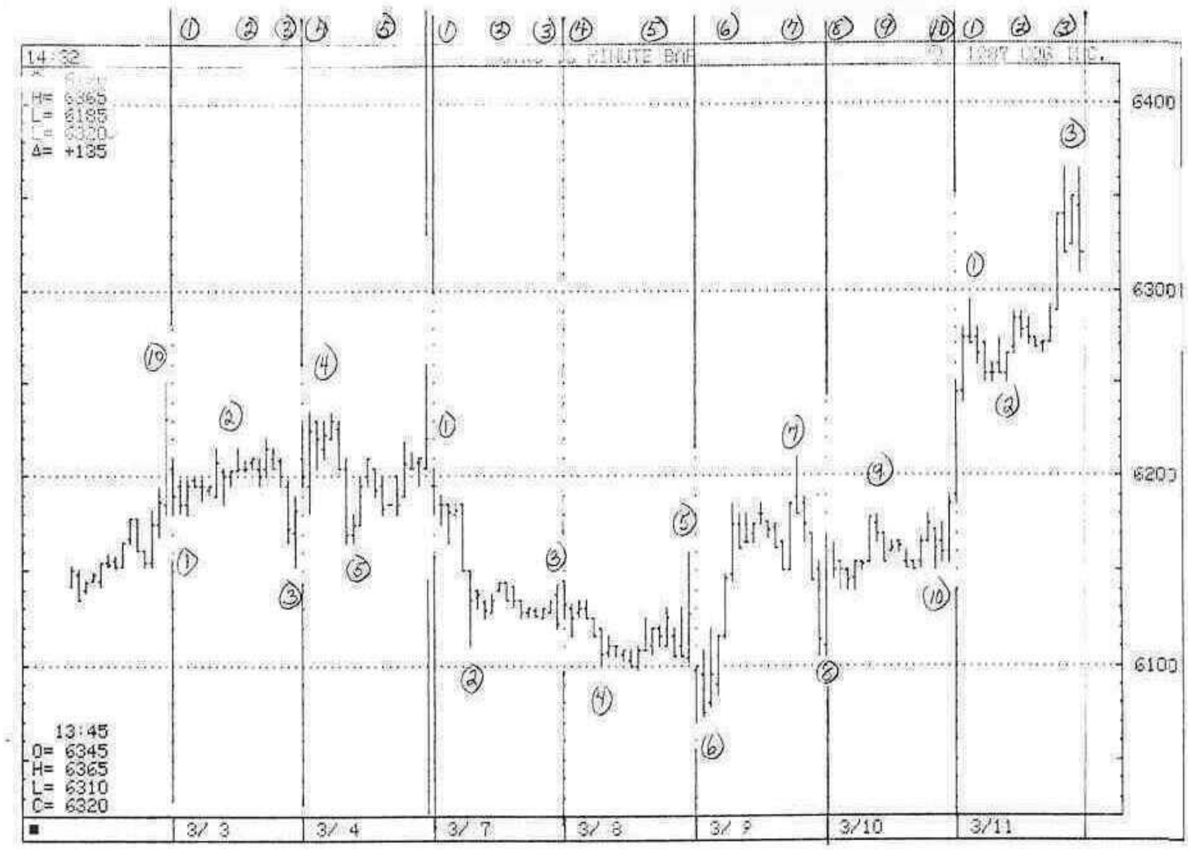
Any discontinuance is designated by two colored lines which look like a double line of different colors. Whenever you see double colored lines it means that some days are missing from the series. These days are non-traded days, such as weekends or holidays. Here are the rules for showing non-traded days:

[1] The first colored line (of the double line) is the color for **the first non-traded day.** For a normal weekend it would be Saturday's color.

[2] The second colored line (of the double line) is the color for the **first trading day** after the non-traded day. For a normal weekend it would be Monday's color.

For a weekend, the missing color is Sunday's color. For a holiday, no color is missing and the colors of the holiday and the day after make the double line.

The charts shown are taken from a library of STD charts which were given to Delta Directors. Actually, I have forgotten what year it was. I think it was 1988, but if you wanted to check it, you could trace your colors back in time and see what year the color sequence matched the charts.



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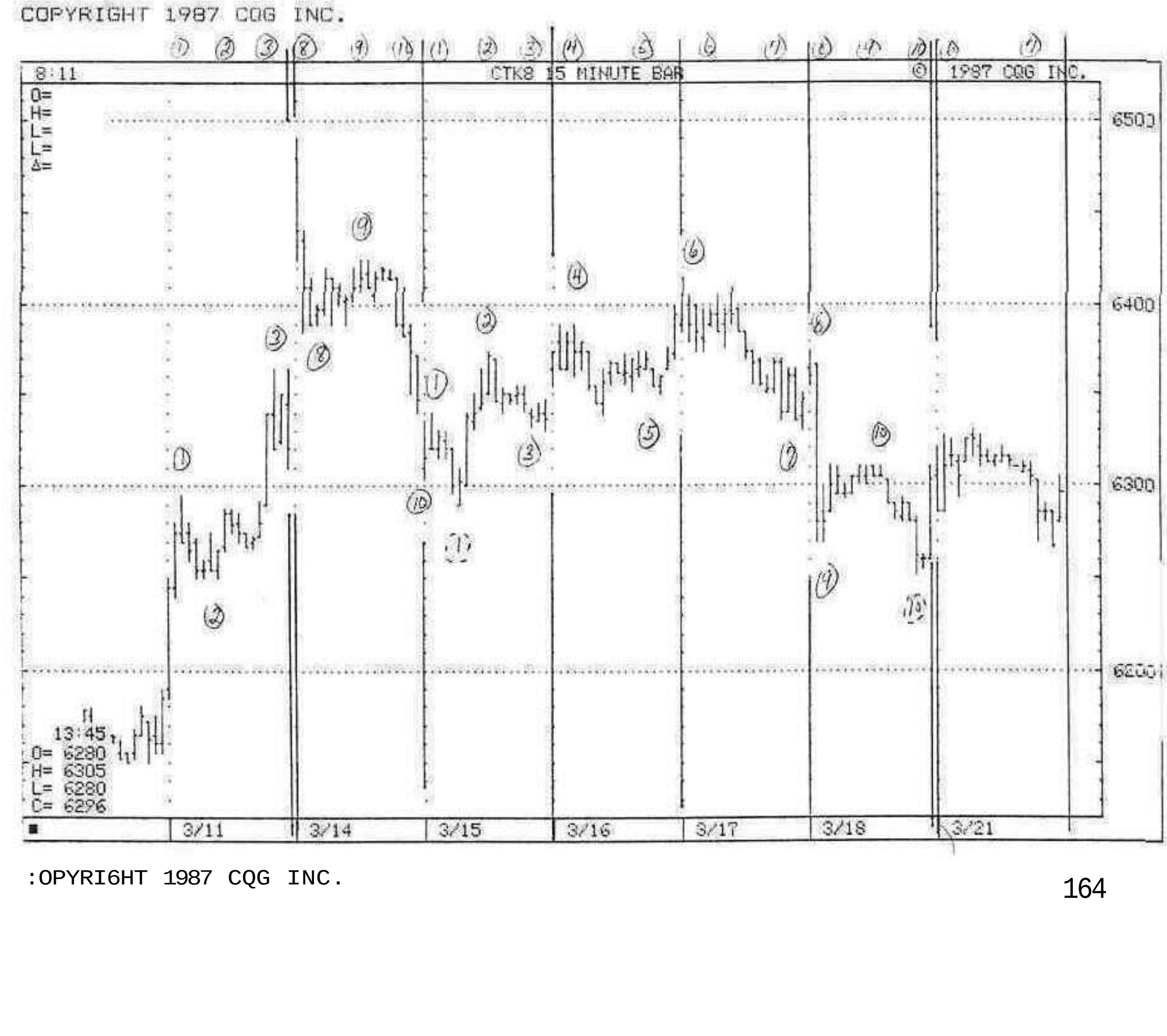


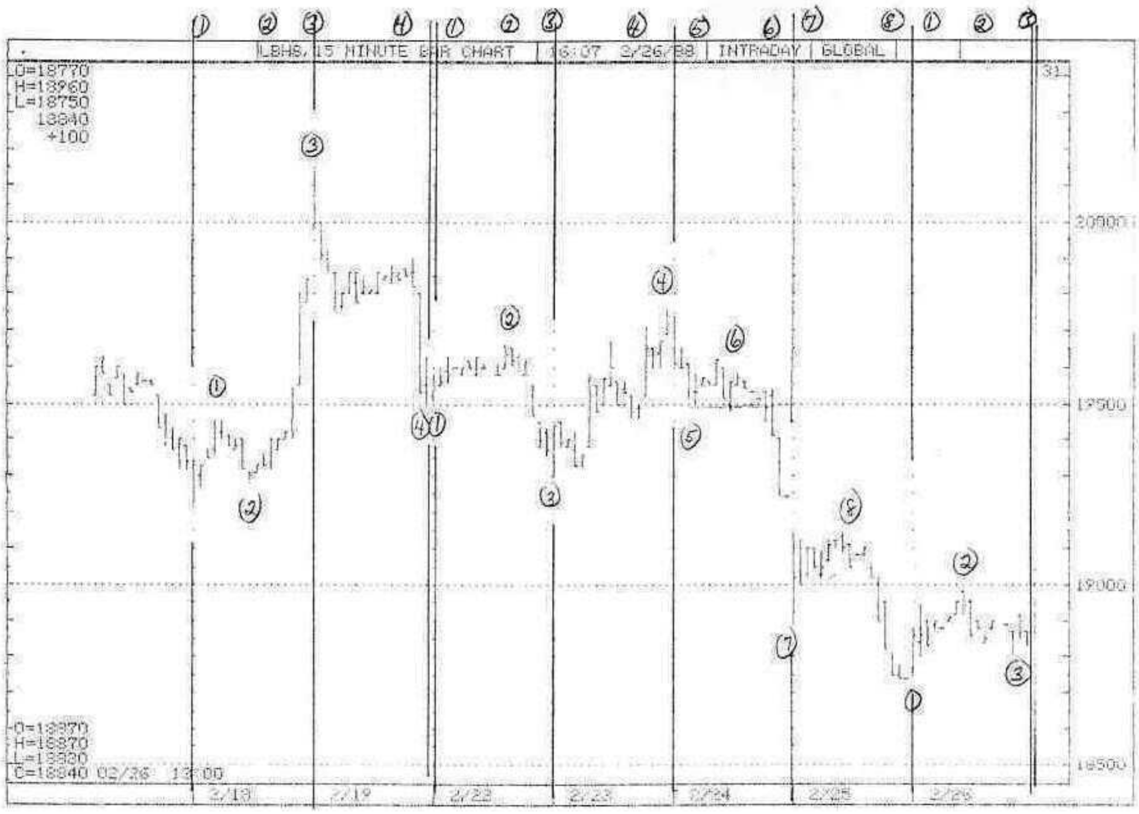
The next two charts are of Lumber. Lumber has 8 points in its series. Point (1) for Lumber comes after the Red line. The first chart shows one complete series. Note that the location of Point (3) is right on the Blue line. This means that the point is just as likely to come near the close of that day as at the open of the following day.

As we look at the STD charts, I will also comment on some of the things I have learned to recognize when utilizing STD charts for day trading. However, all of these things also apply to all Delta time frames.

When a market has made the low turning point at or near the Delta location but moves sideways instead of up to its next Delta high location, then the market is telling you that there is trading pressure against the intended direction. It's "trying" to move up to the high point, but there is just too much selling pressure holding it down. We will call this the **Pressure Point Situation.** When this happens you should expect the coming high point to be early and you should expect the down move to the next Delta low point to be a significant move . . . one you should trade!

An example of this is Points (5) and (6) on 2/24. The market is moving sideways instead of up. You should draw a line under the support at point (5) and take the short trade at the support line.

There is even a better **Pressure Point Situation** when the down move is already in progress as at Point (8) on 2/24. The market is moving sideways from Point (7) to Point (8). The resistance is now an up-line. However, that does not change the situation. Instead it offers two entry points for the short trade. You should go Short the first position on the first close below the resistance line and take your second Short position when the market moves below Point (7).



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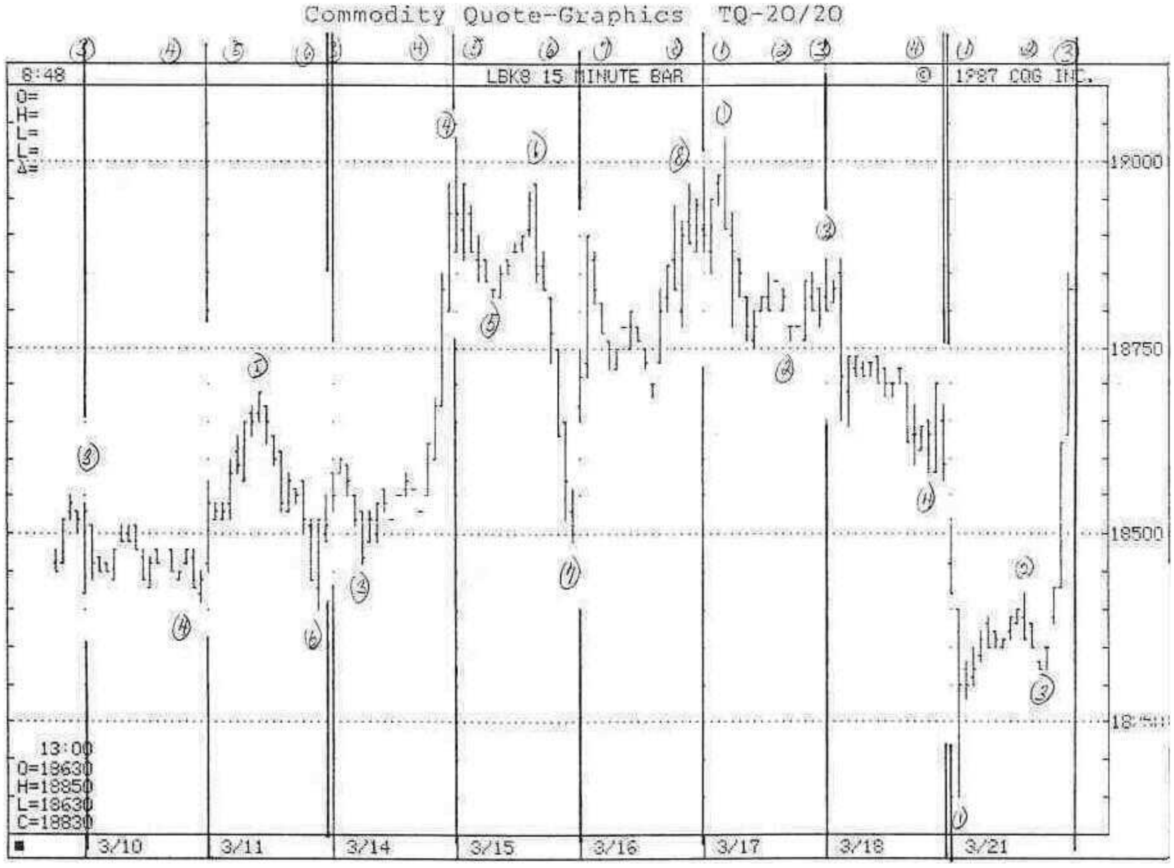
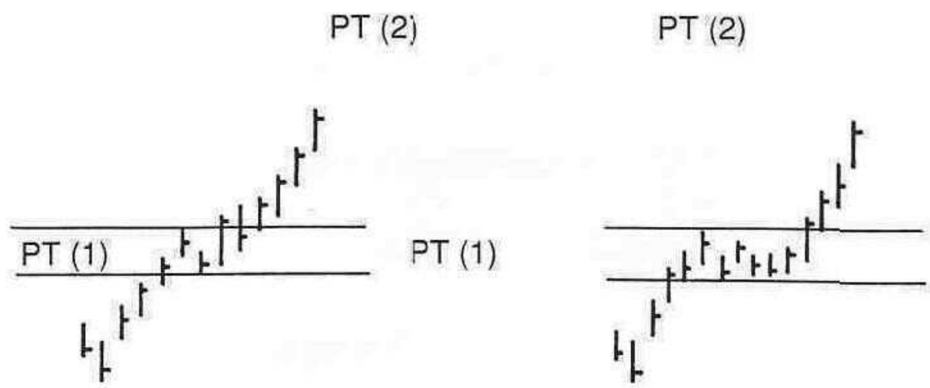


The two charts on the right are **20 minute** charts of Pork Bellies.

As with all Delta time frames, the big moves are most likely to come on either side of Point (1). Note the Point (1) - (2) move on 2/8 and the dotted Point (1) - (2) move on 2/16.

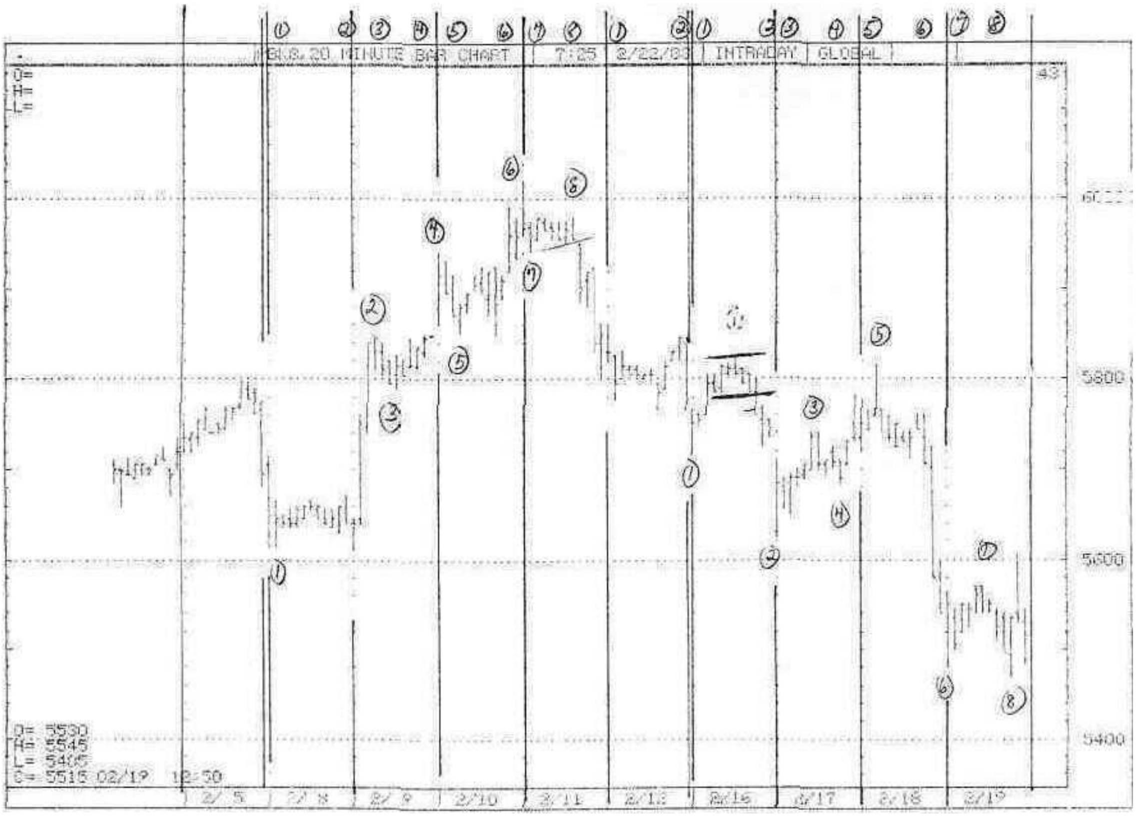
Another example of a market that is running out of steam is on 2/11. Note the sideways move from Point (7) to Point (8) and the definitive support line. The short entries are a close below the support line and a move below Point (7). This time the former came first.

Note the action on day 2/16. This represents the best trading situation in Delta. Remember, the paradox is that the big moves are most likely to come around Point (1) but that is also the only time an inversion may occur. Here is how you handle that situation. As the market moves from Point (1) to Point (2) look for a reaction to the move and then an up-move from the reaction. The general configuration is as follows.



Look for the first opportunity to draw the channel lines. In this case the top line is drawn at the beginning of the reaction. The bottom line is drawn either at the move back into the channel as in the example on the left or at a defined support line shown in the example on the right.

Take the trade when the market moves **outside of the channel.** Place a **Stop and Reverse** at the opposite channel.



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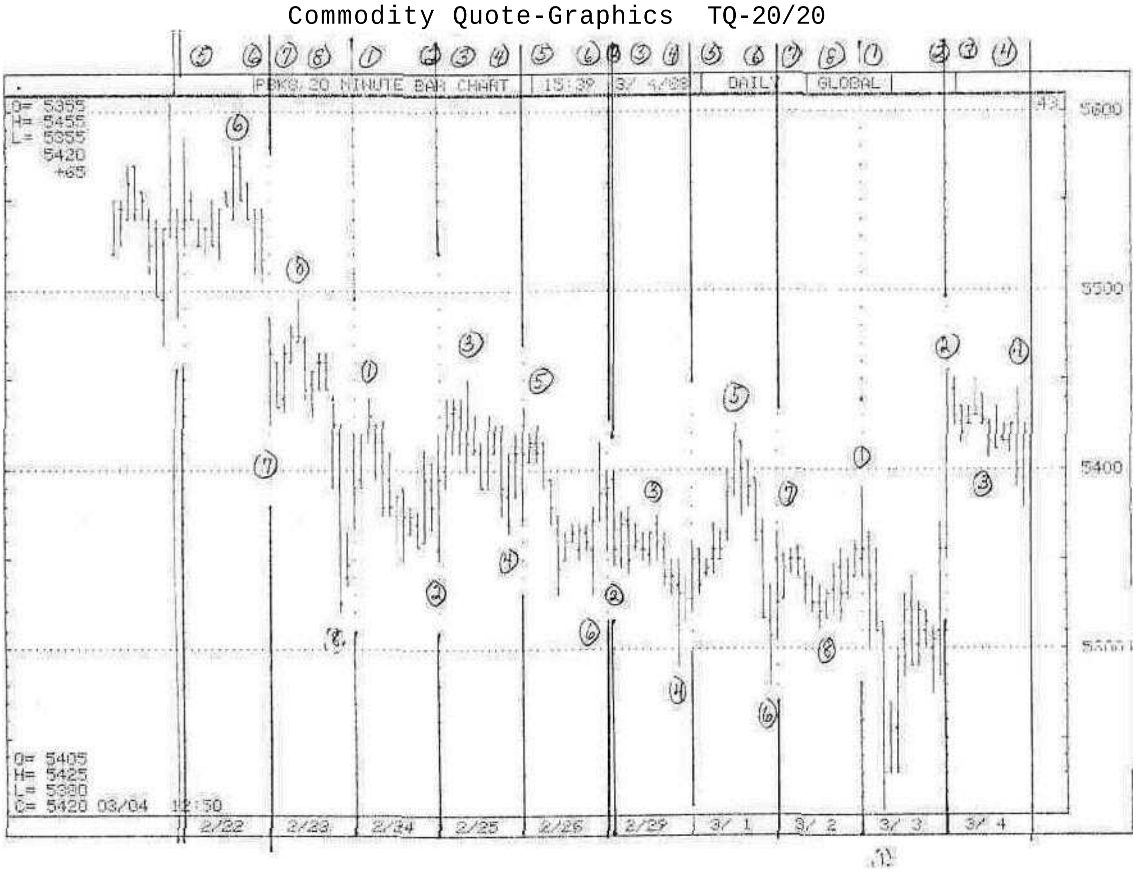

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What we are trying to do is define a hesitation between Points (1) and (2) and take the trade when the market finally decides which way it will make the move. If the market makes a false move and then turns around and goes the other way, then we want to go with it. This is the only trading situation in Delta that I recommend a reverse.

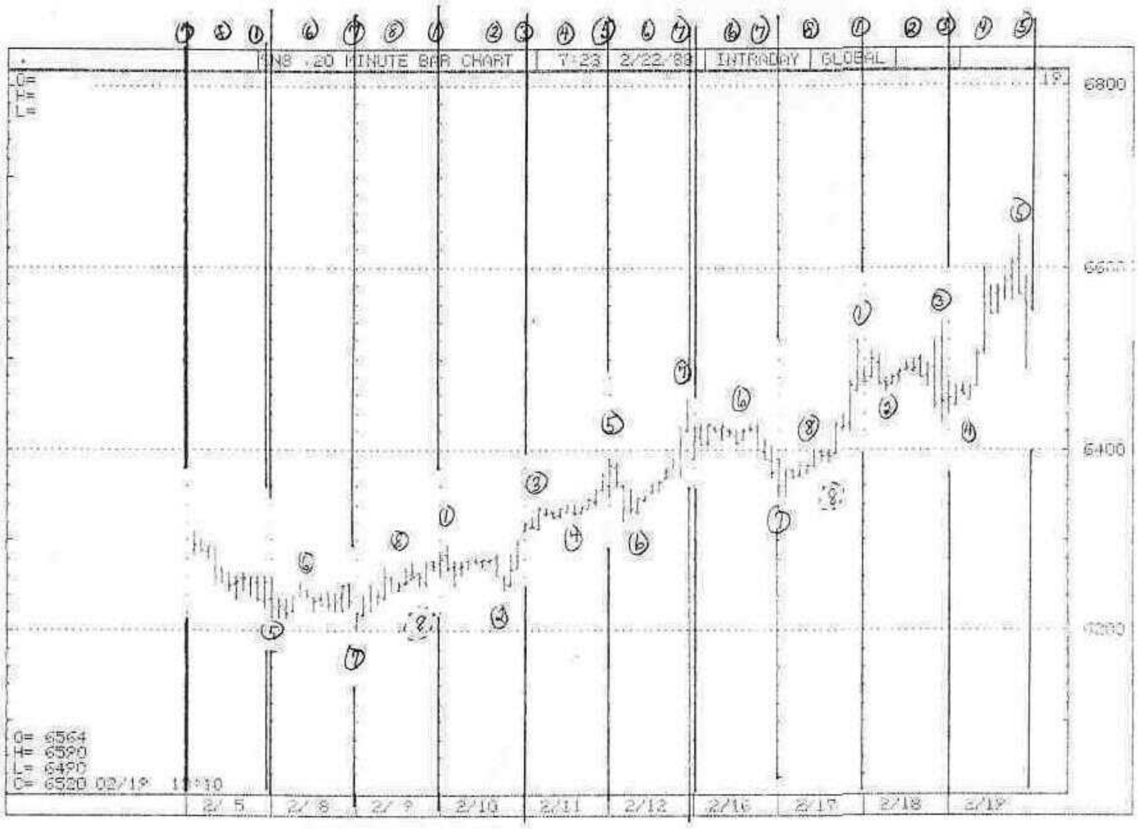
On rare occasions, the second break out will also be false and the market will turn around again and make its final big move in the opposite direction. If this happens, **reverse again** at your stop on the other side of the new channel.

An example of this channel situation defined by support is on the upper (see previous page) Pork Bellies chart on 2/16. Obviously, the same situation occurs on a Point (1) - (2) down move.

On the facing page are 20 minute charts of Soybeans. Soybeans have 8 points in the series and Point (1) comes before or after the Red line. Another example of the **Pressure Point Situation** is the Point (2) - (3) situation on 2/26. Point (2) was a little late and Point (3) was early and the down move to Point (3) was barely discernible. The buying pressure was obvious. **Buy** this market when the price moves above Point (2) and place your stop just under Point (3).

In trading futures, it is important to always use stops. (I will not attempt to tell floor traders how to trade, but if you are off the floor, and you want to survive, you must use stops.) If you don't use stops, the question is not if you will be wiped out, the question is simply when you will be wiped out!

Before I enter a trade, I know where my stop is (not will be); therefore, I know how much I am willing to risk on every trade. It is difficult to know when to enter a trade, it is more difficult to know when to exit the trade. If you can't use stops, do yourself a favor. When you think about trading, sit down, grit your teeth and wait until the thought passes!



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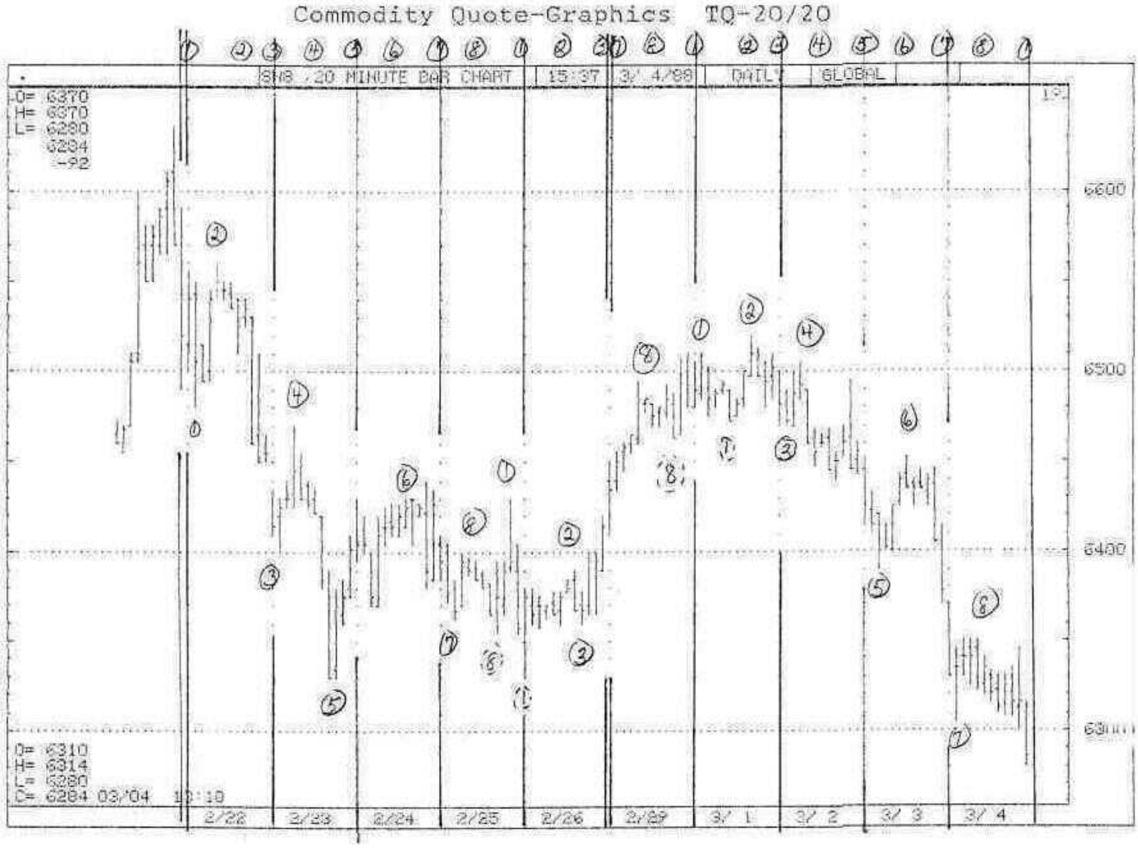

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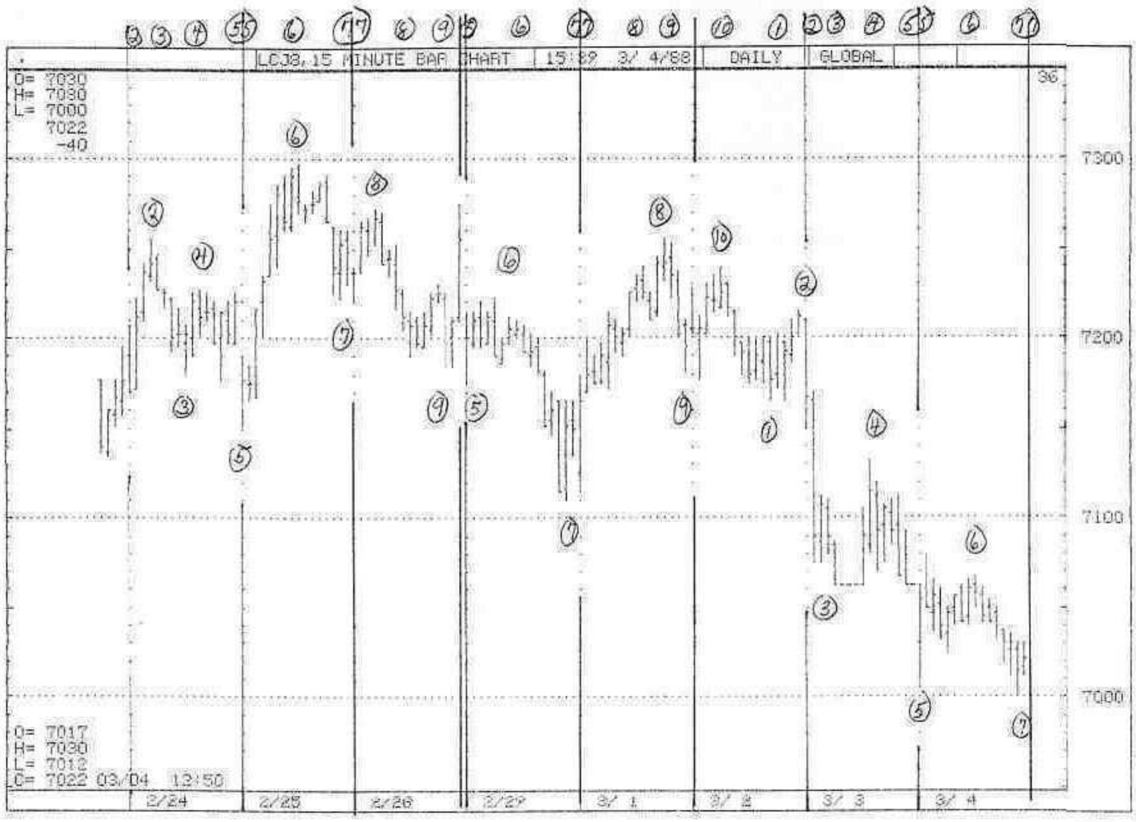
On the facing page are two charts of Live Cattle using 15 minute bars. Live Cattle has 10 points and Point (1) comes before the Orange line. Note that I have used a double (5) on the Green line and a double (7) on the Red line. This emphasizes the fact that this point is just as likely to come on one side of the line as the other. Note that Point (2) is touching the Orange line. This means that the point sometimes comes on the Orange line, but more often comes just after the line.

Live Cattle was a very difficult market for me to solve for STD because until I solved this one I had not seen a market that had the possibility of 4 Delta turning points in one day. Actually, I worked on this solution for four hours one evening and finally gave up. The next morning, I woke up early, and again began to work on the problem. In five minutes, I found the solution. Perhaps my subconscious mind solved the problem for me!

In STD, the fewer Delta turning points there are in a series, the easier it is to trade and the more the potential. Why? Because the moves tend to last longer.



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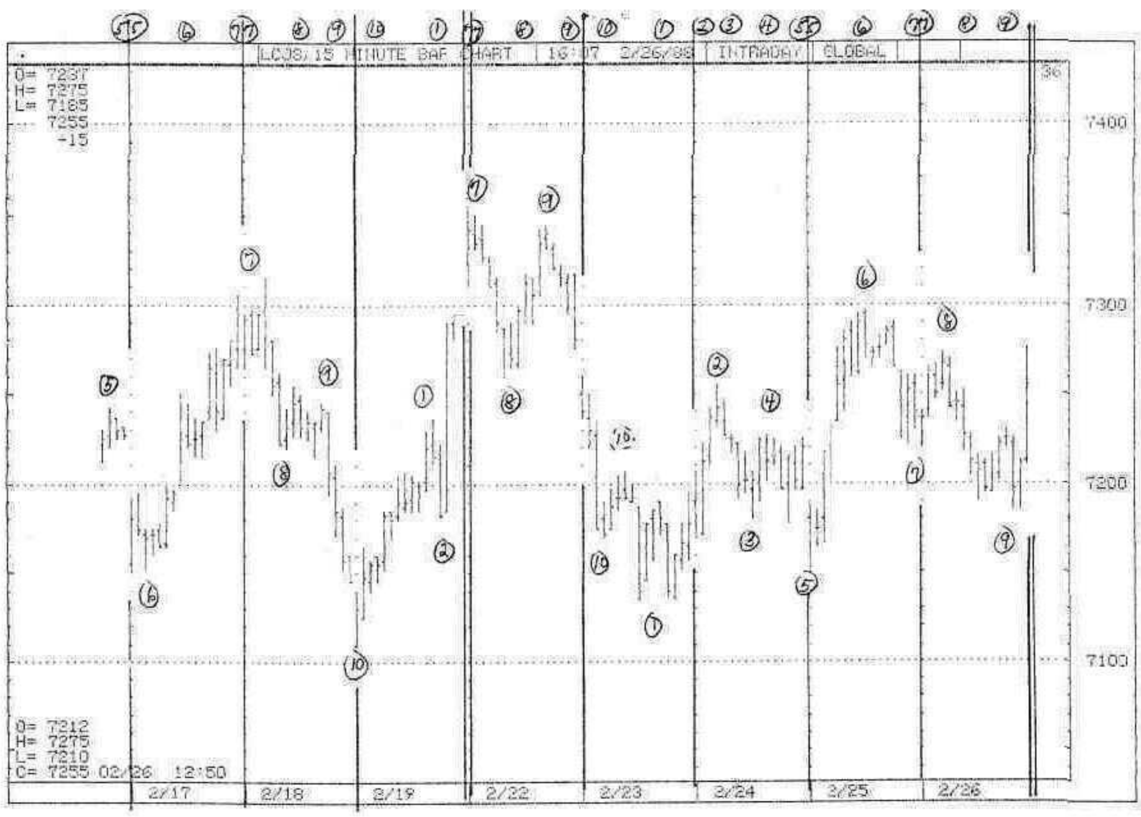

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On the facing page are charts of Sugar. What we want to see is a long time period between Point (1) and Point (2) because the longer period gives more time for a big move to continue. Notice that for Sugar, Points (1) and (2) are close and span over night. This is not a great trading situation. However, look at Points (3) - (4) and Points (4) - (5). The (3) - (4) - (5) situation covers two full days. In STD Sugar, this is the area where the big moves are likely to occur. Also, (6) - (1) is a long time period and should be traded like the Point (1) - (2) inversion situation we just discussed. Note the dotted (6) - (1) situation.

Now I will show you the third trading situation I look for. I call it the Flag Pole and the Inverted Flag Pole. Although flags are well known configurations, I don't recall ever having seen either of these exact types defined before, but I have found them to be the **best** trading configurations. (With the possible exception of the Reverse Point Wave.)

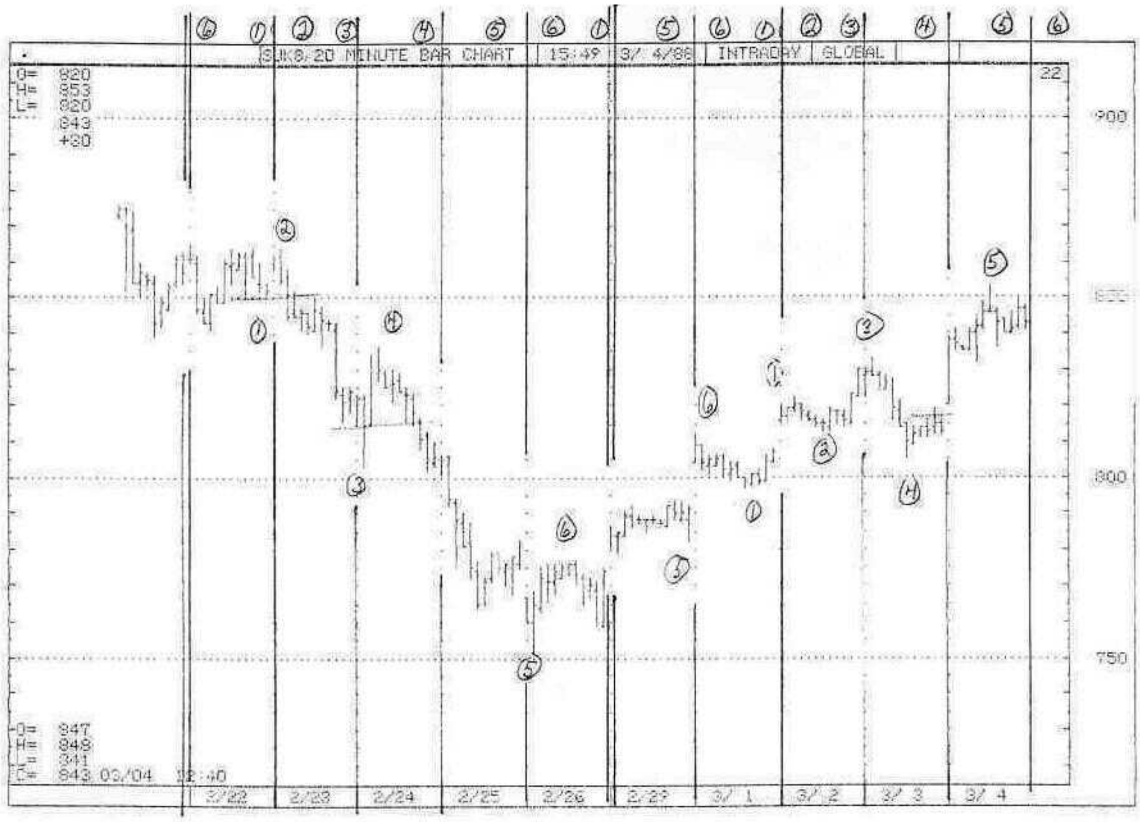
An example of the Flag Pole can be seen on 3/1 and 3/2. It is composed of a very fast up-move (which can also be a gap) followed by a sideways to down move which forms the flag. This configuration should be traded just as the Pressure Point situation. A flag waving down offers two entry points, the close above the resistance line and the taking out of the tip of the flag which in this case is the dotted (1).

An example of an Inverted Flag is shown on 3/7 and 3/8. In this case the flag is upside down. The early (6) is the tip off of the selling pressure in the market.

We have covered the three best trading situations in Delta. First, trading the inversion by defining a channel between the last point in the series and Point (1) and between Points (1) and (2). The channel can be defined in two ways, by action and reaction and by support and resistance.

Second, the Pressure Point situation which is defined as a weak move to the next point and an early occurrence of that point.

Last is the Flag Pole and the Inverted Flag Pole. The Flag Pole is a fast vertical move to a point and then a sideways to down move making the next low point early and then a continuation of the up move. I will now show the three versions of that situation using the Inverted Flag Pole.



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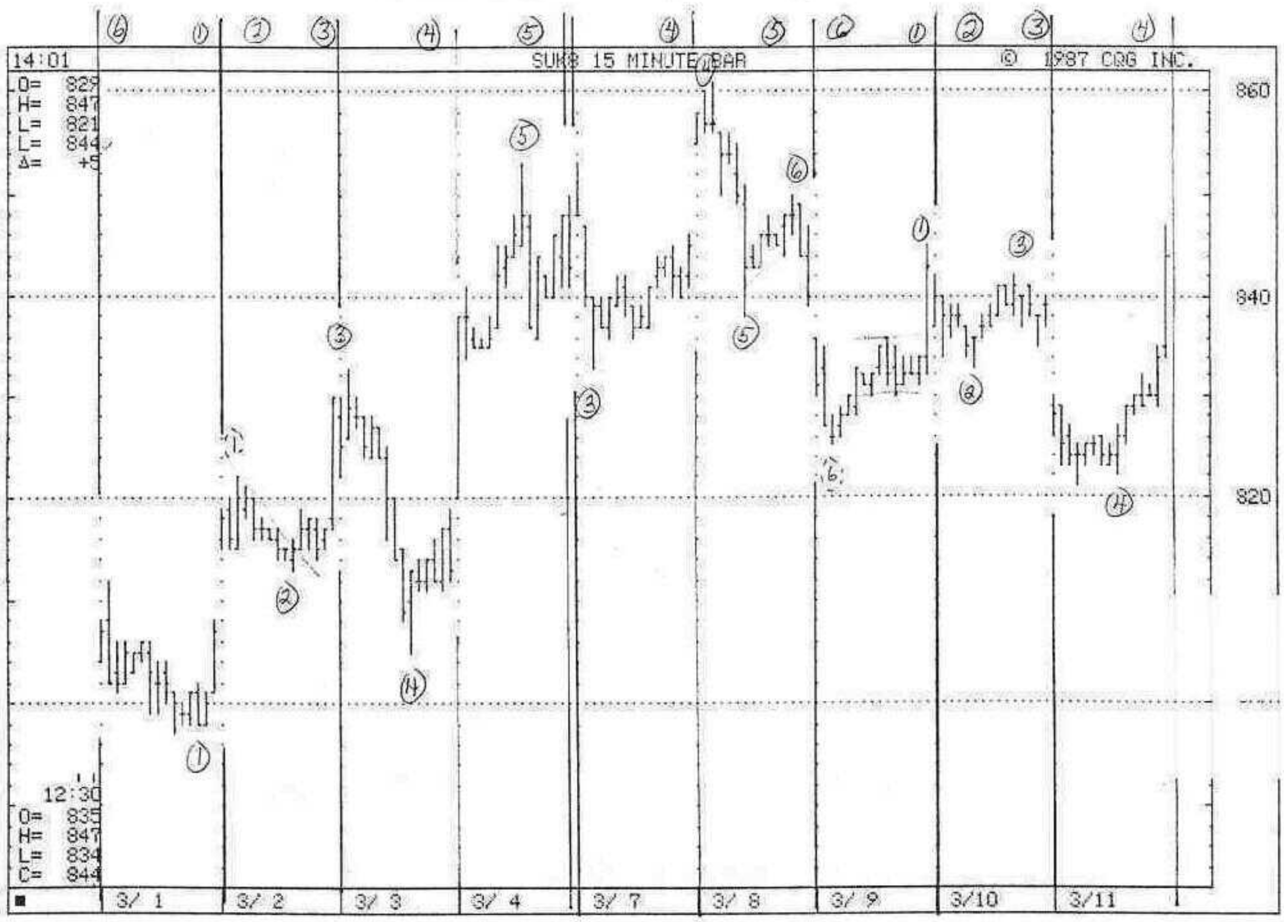
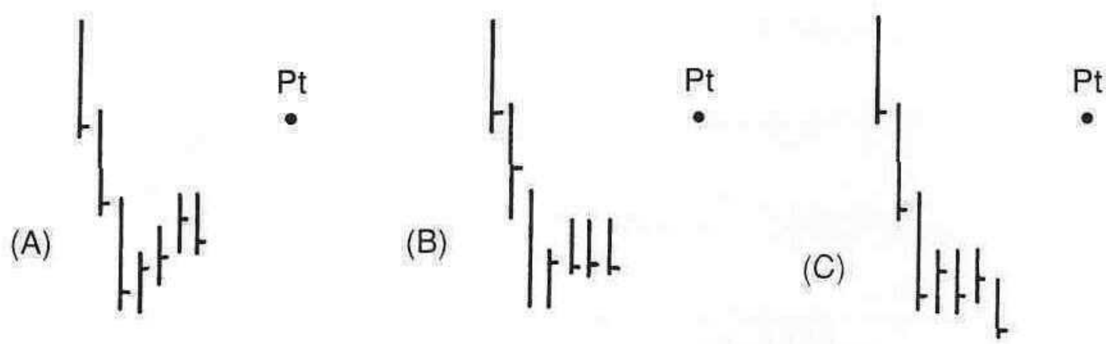


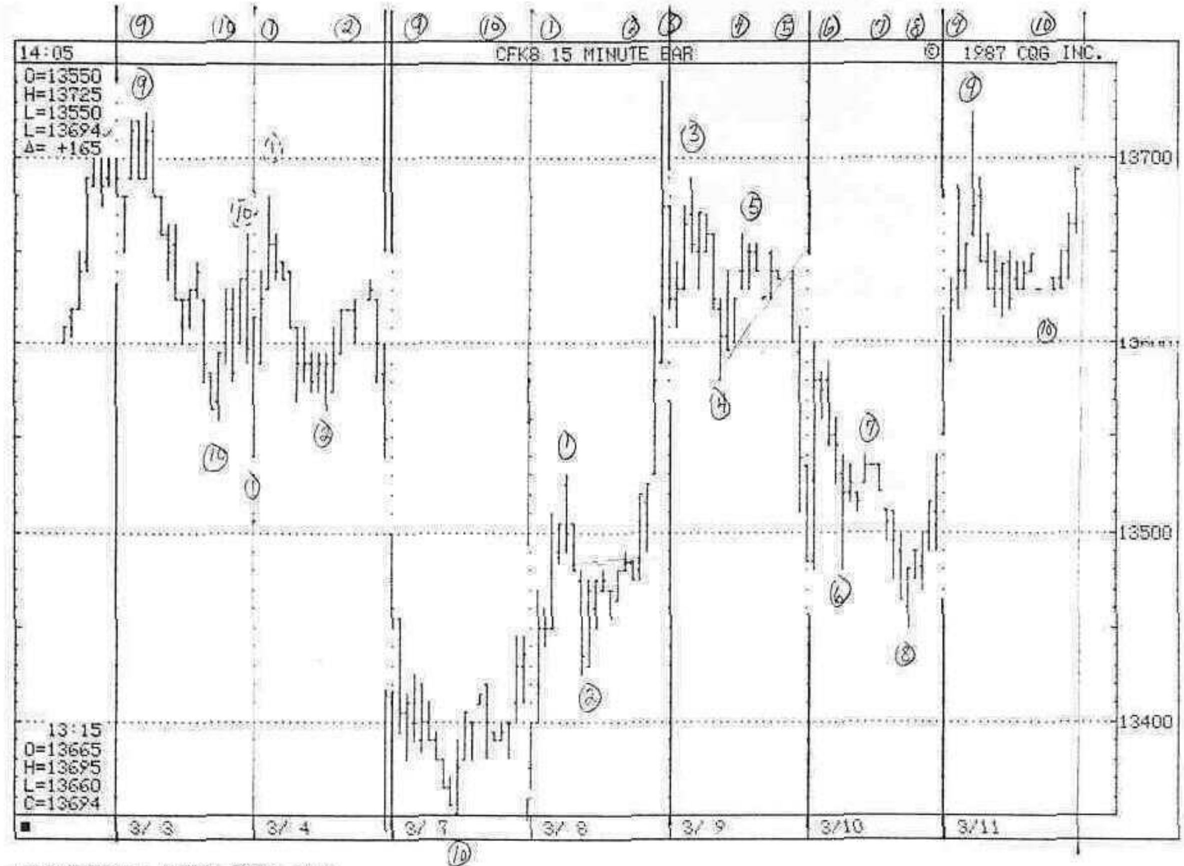


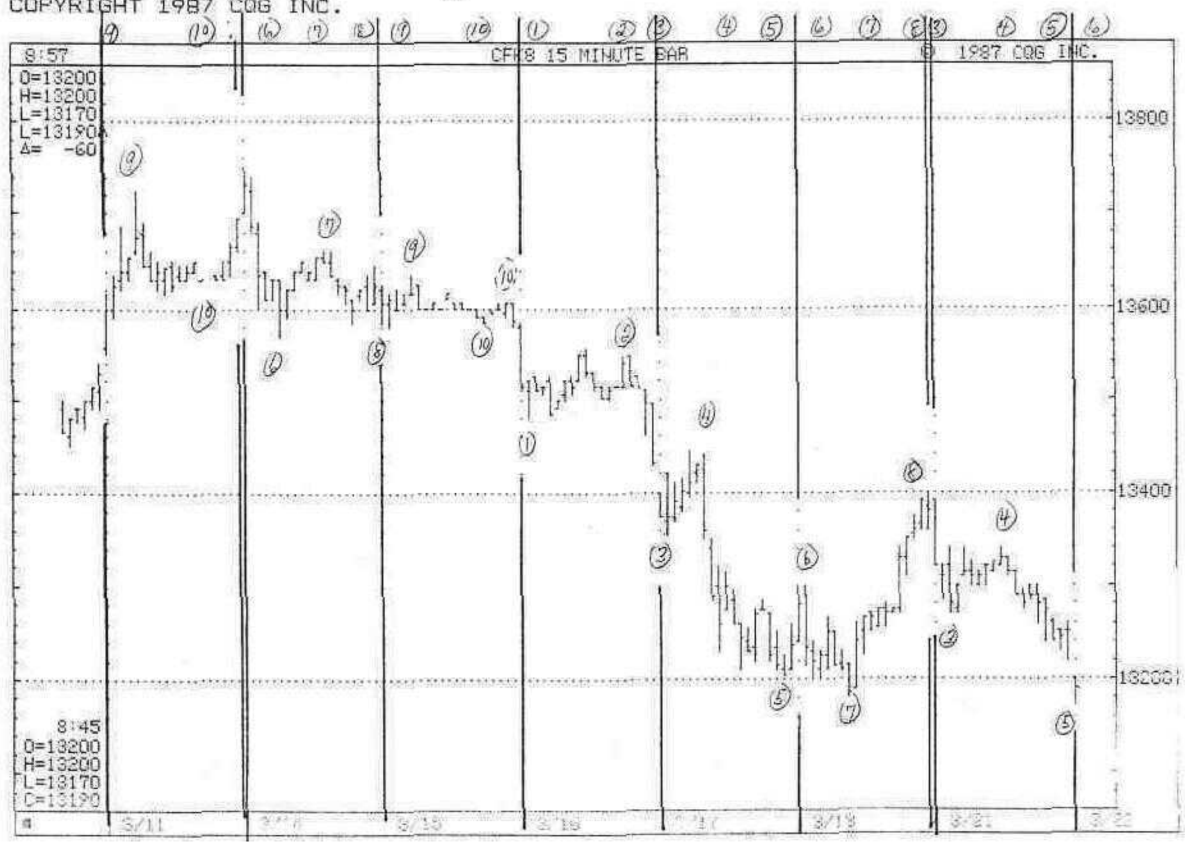
Example (A) is the classic version. Example (B) shows that there is even more selling pressure trying to keep the market from making the next Delta high point on time. Example (C) shows even more selling pressure and will usually portend the biggest down move.

On the Coffee charts, there are several examples which fall into one of the three special trading situations which we have defined. Again, let me emphasize that these special trading situations apply to all Delta Time frames.

I have heard traders say that sometimes they seem to have a "feel" for the market. I suppose this is true sometimes on the trading floor because of the advantage of instant trading volume and the noise volume that is available to floor traders. However, I would not trust "feelings" about the market. I have seen many traders get into trouble by following their feelings. Personally, I think the last really objective feeling a trader has is just before he picks up the phone to place his order.

However, from trading STD for a few years, I have learned that one can learn to "read" the market. The Delta order affords a way to read the market that is available only to those who know this order. Reading the market is being able to learn where the **pressure** is <u>before</u> the market begins to move with the pressure. The pressure is buying and selling pressure.


14:05
O=13550
H=13725
L=13550
L=13694
Δ= +165
CFK8 15 MINUTE BAR
© 1987 CQG INC.
13700
13500
13400
13:15
O=13665
H=13695
L=13660
C=13694
3/ 3
3/ 4
3/ 7
3/ 8
3/ 9
3/10
3/11


8:57
O=13200
H=13200
L=13170
L=13190
Δ= -60
CFK8 15 MINUTE BAR
© 1987 CQG INC.
13800
13600
13400
13200
8:45
O=13200
H=13200
L=13170
C=13190
3/11
3/15
3/16
3/18
3/21

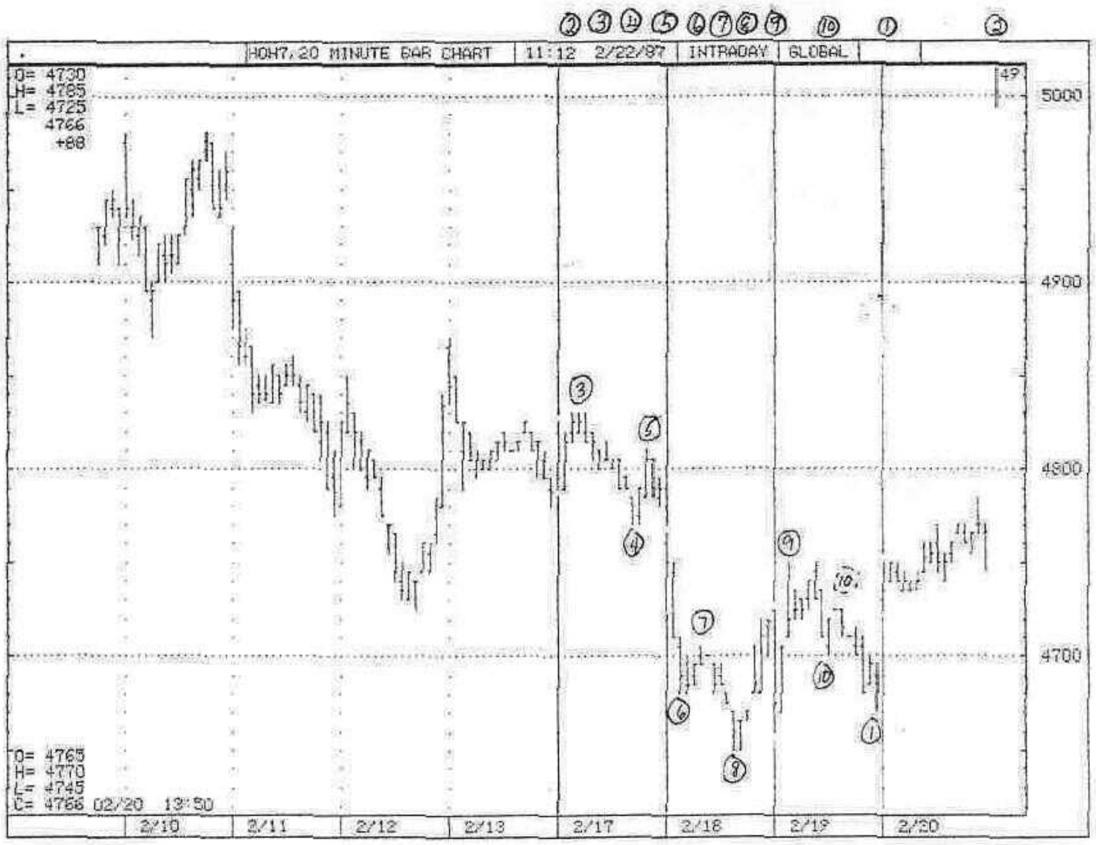
The three special trading situations take advantage of defining the market pressure in advance. The Delta order tells you what a market "wants" to do, i.e., what it is "supposed" to do. When it doesn't do it, that information affords the potential for a more profitable trade than when the market does just what it is supposed to do. Sound strange? Not when you think about it. In an average market, the highs and lows will come right on time, but an average market has average moves.

The big moves come in a strong market. (When I use the word "strong" it means a strong directional move . . . either up or down.) A strong market will make the Delta turning points late in the direction of the move. It will make the reaction points (contrary to the move) early. Putting all of this together with the Delta order gives one a trading input that no one else has ... it truly gives him an edge in the market.

Nothing else on this planet gives that information. To the uninformed, the idea is totally ridiculous . . . that anyone can know what a market is "supposed" to do! And, because he knows what a market is supposed to do. he can read the market.

I had never planned that this information would ever be available to more than a few selected people. However, through a set of circumstances beyond my control, this information is now available to anyone who wants it... without paying $35,000 for it!

The last STD chart is Heating Oil. The same solution applies to Crude Oil. Heating Oil has 10 points and Point (1) comes on the blue line which means that it can come just before or just after the blue line. Again, we see the big moves on either side of Point (1). Notice the double inversion on 2/4/87.



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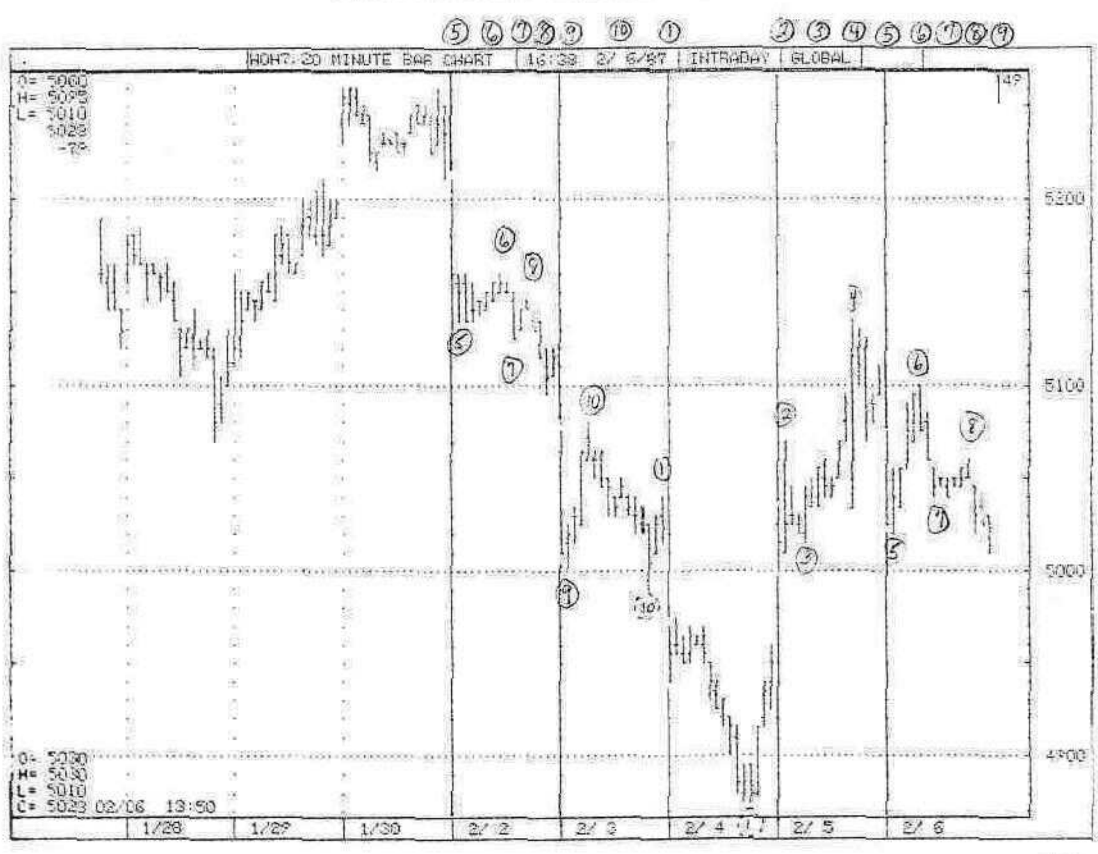

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I have not shown every STD solution but I have shown enough that you can appreciate the perfect order, even on a daily basis. Unless you are a day trader, you will probably never use the STD . . . but you know that this beautiful order is working every day in every market.

Remember the definition of the STD?

Markets repeat directly or inversely every four revolutions of the earth.

That concludes the section on STD and, indeed, concludes the five time frames of Delta.

Since we have broken the ground regarding the trading of Delta, the next section will continue with everything I have learned in seven years of trading Delta . . . and yes, it has been profitable!

PART IX

TRADING THE DELTA TURNING POINTS

In the previous section we discussed the three best trading situations in Delta. These situations come about only because you know where the Delta turning points are and which points you are trading. These situations are:

[1] Points

[2] The Flag Poles.

[3] Trading the Delta inversion

Since these are the best situations, a very good case can be made for trading these three situations only. The biggest problem most traders have is "overtrading," that is, trading too often. Trading only the three above situations would help to keep most traders from overtrading.

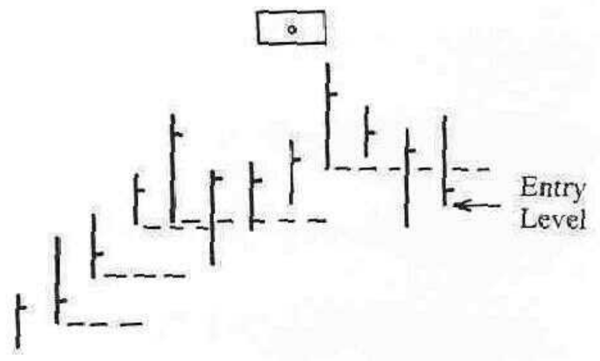
Having said that, I want to present the most basic concept about trading Delta. Never take a trade just because you know the average date for a Delta turning point. Instead, wait until the market tells you that it is **responding** to the Delta date. This significantly increases the Accuracy Rating (AR) in your favor if you wait until the market actually begins its turn before you get aboard.

How can one know that the market has made its turn at a Delta turning point? No one ever knows for sure until the market takes out the previous Delta turning point. For example, one can be sure that a particular Delta high turning point is in when the market turns down from the high point and goes below the previous Delta low turning point. Of course, by that time there may not be much potential left in the down move. The idea then is to wait until the odds favor that the turn has occurred but there is still potential left for the ensuing move.

Over the years, I have developed three confirmations of a turn. I have used these for over ten years and have not found anything that is as simple and reliable as these three confirmations. I have revealed them to members in the Delta member's manual. Following are the diagrams directly from the manual.

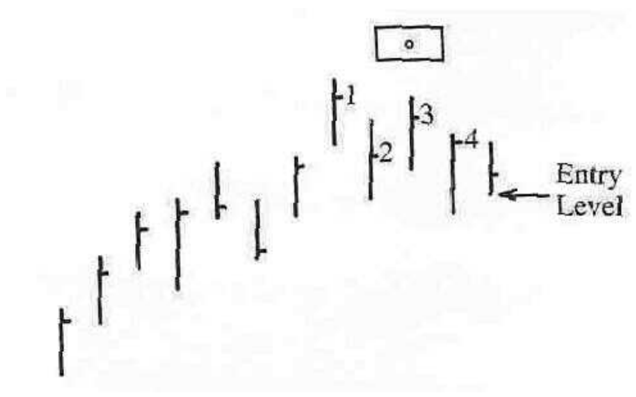
(A) ENTRY SIGNAL #1 - PLACE A SELL STOP AT THE LOW OF THE FIRST DAY THAT HAS A CLOSE BELOW THE LOW OF THE HIGH DAY.

Any day that makes a new high for the move becomes the signal day. Draw a dotted horizontal line from the low of the signal day several days into the future. This is the current high day. When you have a daily close below the low of the signal (high) day then place a sell stop at or slightly below the low of that day.



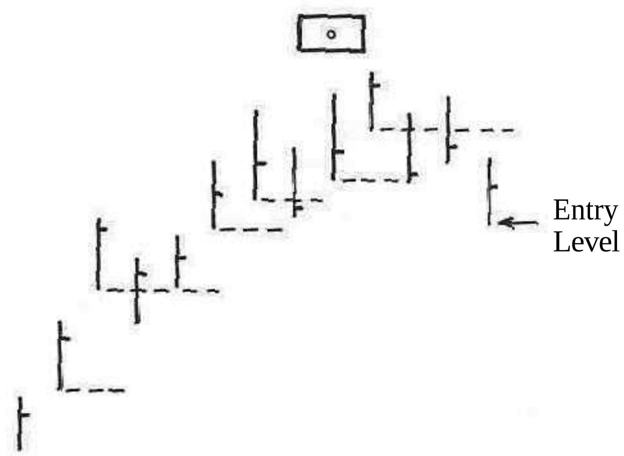
(B) ENTRY SIGNAL *#2* - PLACE A SELL STOP AT THE LOW OF THE FIRST DAY THAT CLOSES BELOW THE FOUR PREVIOUS CONSECUTIVE DAILY CLOSES.

The key words here are four previous consecutive closes. This signal is unlikely to come before SIGNAL #1 but does often come before SIGNAL #3.



(C) ENTRY SIGNAL #3 - PLACE A SELL STOP AT THE LOW OF THE FIRST DAY THAT HAS A HIGH BELOW THE LOW OF THE HIGH DAY.

Again, any day that makes a new high becomes the **signal** day. Draw the horizontal line as for SIGNAL #1 previously. When a day's range is entirely below the low of the high day, place a sell stop at or slightly below the low of that day.



It is possible and even likely that two or more of these entry signals can be confirmed on the same day. SIGNAL #2 and SIGNAL #3 both are more of a confirmation of a turn than SIGNAL #1. SIGNAL #3 is a little more indicative than SIGNAL #2. This gives the trader a number of strategies to use. For example, he could put on one-third of his position with each signal... or wait for confirmation of two or more signals to initiate his full position ... or use any combination of the signals.

What risk will be put on the the trade? Again, stops shoulc always be used. Remember, traders are wiped out not by taking relatively small calulated losses, but by taking an occasional very large loss. Your stop loss point should be a part o; your plan and decided upon before the trade is entered. Ones you decide upon the stop, never change it.

There are two kinds of meaningful stops . . . a technical stop and a money stop. The money stop is the easiest. Decide how-much money you are willing to risk on the trade. Some traders use a pocket book stop . . . how much you can afford to risk on one trade.

The technical stop should be placed somewhere above the high Df the High (signal) day . . . exactly how far above is up to the trader. Often traders place their stops a tick or two above the high of the High day. Many times a market will retest a previous top (it seems sometimes, just to pick off close stops) making a double top. Experienced traders try to place their stops far enough above the previous high so as to be out of range of the "tick or two" stops but not far enough above the high to substantially increase their risk.

Before we consider the Long Term Delta trading strategy I want to discuss what I call a "lining up" of Delta turning points. As you already know, each time frame of Delta is solved independently of any other time frame. So, what would you expect to happen if a Point (1) high for the ITD came on the same date as Point (1) high for the MTD and on the same date as Point (1) high for the LTD and on the same date as Point (12) for the SLTD! We might think the end of the world was coming!

Certainly we would expect a significant down move. Well, I have never seen a Point (1) line up for more than two Delta time frames at the same time. When they did, the ensuing moves were very big! The idea is, that when any Delta turning points line up on or near the same date, it portends a big move.

If we know the Delta date for a SLTD high point and the dates for the three closest LTD high points and the Delta dates for the three closest MTD high points to the three LTD high points, then we can zero in on the date to expect the SLTD high. Let's say the standard deviation range for the SLTD high includes two LTD highs. We know that the actual SLTD high will have to come in conjunction with one of the LTD highs. Therefore we have narrowed the time for the expected SLTD high to two dates. Suppose the SLTD high does not occur in conjunction with the first LTD high. Then we have just one date left and it has a much narrower standard deviation.

Now the LTD date will occur in conjunction with one of two MTD dates. And each MTD high date will occur in conjunction with one of two ITD high dates. So, you see how, by knowing the dates for each time frame for a particular market, the timing can be dramatically improved over just knowing the longer term time frame. The easy way to keep up with this is to put the date for each time frame that is in view (relative to how far into the future your chart is dated) on your chart in different colors. Put the high points at the top of your chart and the low points at the bottom of your chart and it will be obvious when a line-up of Delta turning points occurs.

Now let's look at the LTD strategy from the Delta members manual.

LONG TERM STRATEGY

The long term strategy is being discussed first because it is the place to begin in using any kind of predictive analysis. It is the basis of any kind of market analysis. It is also the area where most traders make the most profits. Stanley Kroll himself, (a long term trader who has made millions) often refers to the immortal Joe Klein who has traded the markets profitably for over fifty years. Mr. Klein's basis of analysis is **weekly and monthly** charts. The trader who can correctly predict the long term swings of the market and has the discipline to "sit and wait" has learned the real secret to amassing a fortune in futures.

I believe the most important aspect of DELTA for making money in the markets is in the long term . . . particularly in the commodities whose turning points are given in terms of **weeks.** (However, the very long term trader may prefer the grand sweeps of the monthly commodities.) This is also the easiest way to trade. The trader who looks at his weekly charts once a week is not deterred by daily fluctuations, rumors, and the continuous forces of fear and greed that inhibit most traders from sticking to their game plans.

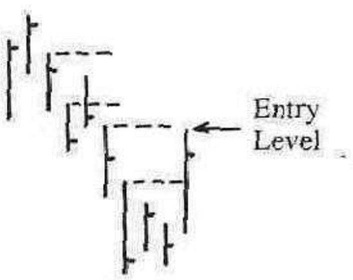
Until I happened upon DELTA, there was absolutely nothing available that could give me confidence that I would know with any degree of certainty what the long term trend was and more important, **how long it would last.** My concentrated study of this phenomenon for the last year has convinced me that which way each market will trend and for how long **can be determined** with a very high degree of certainty. With this information, it is now possible to look at the markets once a week and trade with confidence. This is just one way you, too, can use the DELTA program.

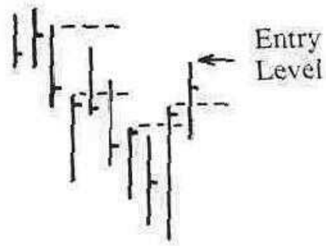
Each trader will have his own technical entry and exit signals for long term trading; however, at this point I would like to share with you some of the entry and exit signals that I have found to be very good over the years.

LONG TERM ENTRY SIGNALS

To illustrate these entry signals we will assume that we are looking for a bottom and are within the time frame projected by DELTA. If looking for a top within the DELTA time frame simply reverse the procedure.

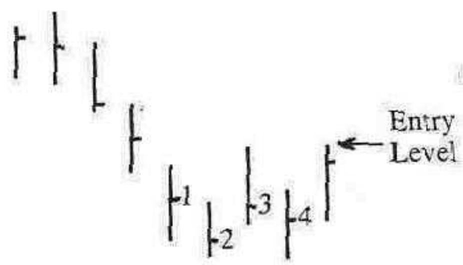
[1] ENTRY SIGNAL #1 - PLACE A BUY STOP AT THE HIGH OF THE FIRST WEEK THAT HAS A CLOSE ABOVE THE HIGH OF THE LOW WEEK.
Any week that makes a new low for the move becomes the **signal** week. Draw a dotted horizontal line from the high of the signal week several weeks into the future. This is the current low week. When you have a weekly close above the high of the signal (low) week then place a buy stop at or slightly above the high of that week.





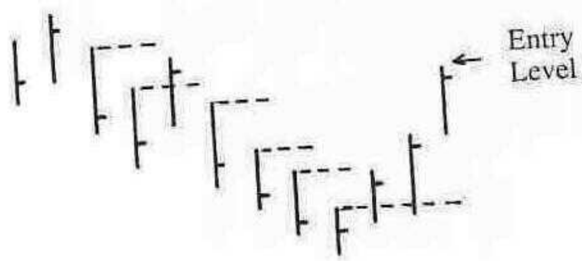
[2] ENTRY SIGNAL *#2* - PLACE A BUY STOP AT THE HIGH OF THE FIRST WEEK THAT CLOSES ABOVE THE FOUR PREVIOUS CONSECUTIVE WEEKLY CLOSES.

The key words here are **four previous consecutive** weeks. This signal is unlikely to come before SIGNAL #1 but does often come before SIGNAL #3.



[3] ENTRY SIGNAL #3 - PLACE A BUY STOP AT THE HIGH OF THE FIRST WEEK THAT HAS A LOW ABOVE THE HIGH OF THE LOW WEEK.

Again, any week that makes a new low becomes the **signal** week. Draw the horizontal line as for SIGNAL #1 previously. When a week's range is entirely above the high of the low week, place a buy stop at or slightly above the high of that week.



It is possible and even likely that two or more of these entry signals can be confirmed on the same week. SIGNAL #2 and SIGNAL #3 both are more of a confirmation of a turn than SIGNAL #1. SIGNAL #3 is a little more indicative than SIGNAL #2. This gives the trader a number of strategies to use. For example, he could put on one-third of his position with each signal . . . or wait for confirmation of two or more signals to initiate his full position . . . or use any combination of the signals.

STOPS

Stops should always be used. Traders are wiped out not by taking relatively small calulated losses, but by taking an occasional big, big loss. Your stop loss point should be a part of your plan and decided upon before the trade is entered. Once you decide upon the stop, never change it except in the direction of your trade.

There are two kinds of meaningful stops . . . a technical stop and a money stop. The money stop is the easiest. Simply decide how much money you are willing to risk on the trade. Some traders use a pocket book stop ... how much you can afford to lose. Other traders use as a guide a percent of the margin requirement for the trade. For example, if you risk 75% of margin for that trade, then you have a guideline that is relative to the value and volatility of that commodity.

The technical stop, for example, could be placed somewhere below the low of the Low (signal) week . . . exactly how far below is up to the trader. Often traders place their stops a tick or two below the low of the Low week. Markets often have a way of retesting a previous low and making a double bottom, invariably picking off those timid stops a few ticks below the previous low. Experienced traders try to place their stops "hidden in the weeds" so as to be out of range of the "tick or two" stops but not far enough to substantially increase their risk.

ALWAYS . . . ALWAYS ... USE STOPS! It's the **big** loss that will do you in!

Sfc 'Jf. ^ :); ^ H:

One observation before we go to the next strategy. One who knew nothing about futures trading could implement the above strategy in less than one hour a week using the DELTA Long Term information only on the weekly commodities.

The Long Term DELTA printout would not have to be generated more often than once a month.

I still maintain there is no "lazy man's way to riches," but this may be as close as anything comes to it!

So far we have talked about trading turning points but, in my opinion, the emphasis should be on TIME and DIRECTION. Trading turning points is, in effect, an attempt to pick tops and bottoms. This is often fun and exciting, but it is not where most of the money is made. Where is most of the money made? It is taking the middle third or so out of a move.

The question is, at what point is a top or bottom confirmed? The answer depends on the time frame one is using as a reference. This is why I stress the LTD time frame as the best ball park to trade. This takes us to the dimensions of TIME and DIRECTION. This is the best trading information that Delta gives. The questions it answers are:

[1] What is the direction of the move?

[2] How much time is left for the direction to continue?

Several years ago, I wrote a book titled THE ADAM THEORY OF MARKETS or WHAT MATTERS IS PROFIT. This book disclosed for the first time the "Inner Symmetry" of the markets. ADAM THEORY is about the markets' Inner Symmetry and DELTA is about the markets' Outer Symmetry. Jim Sloman discovered them both!

In accordance with ADAM THEORY one would wait for the move to get started and then jump aboard the train. Is that in conflict with Delta? If one is intent on trying to pick tops and bottoms, Yes.

However, if one takes a longer term point of view and concentrates on TIME and DIRECTION, then Delta and Adam Theory compliment each other with an interlocking synergism. That's where the money is!

So far, this discussion has been oriented toward futures trading which is generally much more short term than trading stocks or bonds. Delta makes trading stocks easy compared to trading commodities because stocks are really applicable to the LTD and SLTD time frames and can be held indefinitely whereas commodity futures have an expiration date.

Trading stocks then, is a different ball game. Let's consider this in light of Delta.

In trading futures, the timing must be precise. Once one enters the market, he must immediately place a stop on his position. He may adc contracts to his position but should do so only when the market is moving favorably in his direction. He should add less than the original number or contracts bought or sold.

Stocks and bonds can be held indefinitely and the timing is much less precise. One can even average down in his buying. He may even average down in increasing quantities. He does not need to use a stop and he can hold the position as long as he desires.

One of the most interesting trading strategies is buying Zero Coupon Bonds at LTD lows and selling them at LTD highs. Deferred Zero Coupon Bonds offer great potential for profit. A move of 2% or 3% of the economic interest rate can double or triple your money. On top of that, no matter where one buys these bonds, even at the highest point in the history of the bond, the worst he can do is obtain about 10% per year on his investment if he holds the bond to maturity.

The only way one can lose using the Zero Coupon Bond Strategy is to sell his bonds at a lower price than he buys them. The only reason he should have to do this is to use the money for other purposes. A glance at the buy/sell SLTD points given in the SL.TD section for bonds will confirm that the longest period from a Delta Buy point to a Delta Sell point is 25 months. This means that three years would be the longest holding period even allowing for the buy point to come early and the sell point to come late.

I have found that the easiest way to buy and sell Zero's is to buy and sell shares of a Zero Coupon Bond fund that allows you to pick the issue that you want to buy. Some of these funds also have other funds that are totally invested in government 90 day T-Bills. One can open a T-Bill account and collect T-Bill interest (probably the ultimate in safety) and also open a Zero Coupon Bond Account. Then it is just a matter of a telephone call to buy and sell Zero's by transferring funds from one account to the other.

For the person who seeks the ultimate in safety with big profit potential using Delta, this is the best game in town!

PARTX

SOLVING FOR DELTA

This last section is on how to solve any market for Delta. I have never seen any freely traded market that did not have a Delta solution. If Delta is the basis of all market movement, then it follows that every market has its own interlock regarding the total interaction of the sun, moon, and earth... on every one of the five Delta time frames.

The first time you try to solve a new market for Delta, you may find it difficult. However, it becomes easier as your mind zeros in on what to look for. I have seen one or two Directors who just could not seem to get the hang of it. Most, however, learn it without too much difficulty. Some have become very good at it.

Here is the best way I have found to go about it. Once you have overlaid the colored lines, place up to three charts, one above the other, on a large table. Now line up the charts vertically so that the colored lines are in the same vertical line.

Next, look for major low points with large moves on either side. This is the best clue for finding Point (1). Remember that each series may be opposite from the adjacent series. This means that if you see a significant point between two colors, that sometimes is a low and sometimes is a high, that it is the same point in the series and gives a clue as to the rotation of the series.

You know that the series must be completed every four colored lines, regardless of the time frame.

I begin by just looking at the charts for a few minutes without trying to put things together, just letting my mind absorb the whole picture. Then I start with any significant point in the same location on two different charts and put an index finger on each point. I am now tracing the same numbered point on both charts.

Then I move my finger to the next significant point on each chart. My fingers will either be moving up and down together or up and down opposite. Suppose I am tracing the points per their location to the same color, and one finger is on a high while the other finger is on a low. Now, suppose both fingers move to a high point to maintain the correct distance from the appropriate color. This is the first clue to where the inversion is.

Next, I begin at my best guess at where Point (1) is and write a (1) above or below as appropriate, the same point on all three charts. Now I will look for the next point on all three **charts simultaneously and** place the next number, etc., until I have gone through the series to the last of the four colored lines.

Often, it begins on a trial and error basis, but as I begin to move through the colors, the solution begins to emerge. As soon as you zero in on the correct placement for Point (1), the rest of the solution falls into place.

Finding the solution for the Short Term Delta is the most difficult and requires many charts. I like to have at least 16 weeks of charts to study for the STD solution. There is not much more I can say about finding the Delta solution. Some will find it easy; some will find it difficult. Most will be able to doit.

One other thing I might mention is that some of the Directors and I have tried very diligently to find other Delta time frames. One that I thought was a possibility was a repeating series every full moon. I used hourly intra-day charts and spent a lot of time on it, but it just was not there. Some order could be observed at times, but overall it was very inaccurate. I have also tried things like six rotations rather then four rotations utilizing the various bodies, but finally gave up on all of these attempts.

For some reason, Jim seemed to know that the SLTD was the last Delta time frame. He suggested I was wasting my time looking for any others. Somehow he is always right about these things!

On the remote chance that there is another time frame, it also is covered by my patent which includes the defined Delta order as it relates to the interaction of the sun, moon and earth.

EPILOGUE

This i- the book that I never thought I would write. However, I must admit that I have found it quite stimulating and enjoyable. In writing this book, I have had the samo leelings that I had every time I taught this to a Director. I am amazed and awod all over again when I teach it and I share the astonishment and wonder that appears on the faces of those who see it for the first time.

Whiio writing this book, I can see in my mind's eye the look of surprise and wonder a:; the reader begins to comprehend something that is so unbelievable as to bo incomprehensible. I have also been challenged to present this in such a way that it is like following a road into the unknown fostering a bit of excitement and anticipation in the process. I hope you have enjoyed the experience as muchaslhave.

I feel sure that anybody who has read this book to this point would agree that the Delta Phenomenon is the most important discovery ever made about markets In tact, when one considers the role that markets play on the world scene, the govomments and peoples affected, the gain and loss of the capital, the common denominator of the free enterprise system ... the discovery that these markets aro ordinal and predictable must be one of the great discoveries of all time.

Notwithstanding the importance of this knowledge, it is not a panacea that will mako all traders wealthy. Markets do not give up their profits easily. Whatever their knowledge, most traders are ruled by fear and greed. They have a plan, but very few have the detached objectivity and willpower to stick to it. Most traders will get caught up in the excitement of trying to pick tops and bottoms and will be successlul |ust often enough to set themselves up for the big wipe out.

Hownvor, there will be a few who can take the Delta information and become wealthy bocause they will use the knowledge prudently. I don't keep up with all of the Delia Directors' trading results, but the one currently in the lead has made over 20 million dollars by simply utilizing this knowledge correctly. Each of you now har, II iu knowledge ... and the clues. Good luck!