

05/04/2015 Compound fulcrums

The compound fulcrum is an extremely rare pattern. In fact, if a chartist diagnoses this pattern more than once every few years, then it is being over-diagnosed.

One can make the case that the daily chart of Silver is forming a legitimate compound fulcrum. The pattern itself -- the compound fulcrum -- actually originates in point and figure charting, not in classical charting principles.

The compound fulcrum is always a bottom pattern --- never a top. It occurs when a market forms a complex H&S top pattern after a prolonged and extended decline.

The daily Silver chart is shown below.

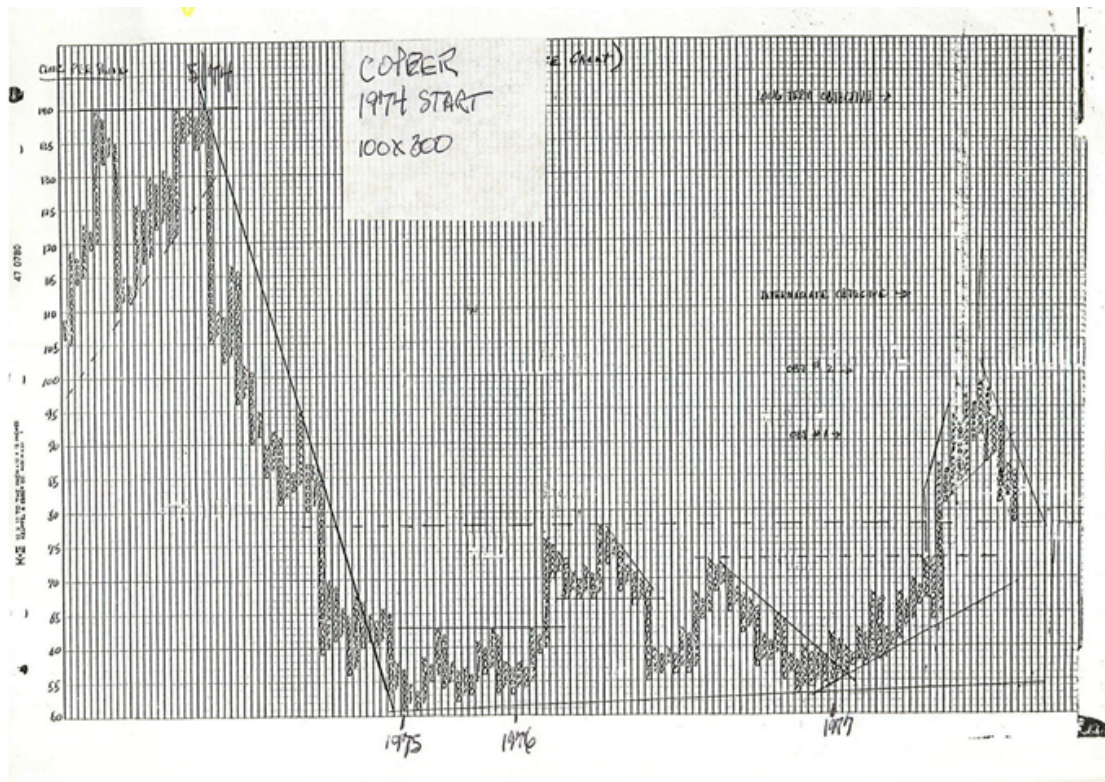


The key levels for confirming a compound fulcrum bottom would be a decisive close above the exiting right shoulder high at 1740, then a decisive close above

the high of the head at 1850. Should these events occur, I would then become at least 50/50 certain that the bear market from the 2011 high is complete.

The weekly chart below shows what I believe to be the most classic of compound fulcrums during my time as a trader. This was a 4+ year compound fulcrum in Copper that was completed in early 1979. Copper advanced to \$1.48 during the ensuing bull trend. I caught this market in real time. The second chart is the actual P&F chart I was updating at the time -- yes, there was a time when traders maintained paper charts.





This email message does not represent a prediction or an opinion. Silver is a market I am watching. At this point the chart has not tipped its hand.

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