INSIDER'S GUIDE TO DISCOVERING
MAJOR MARKET MOVES BY USING

SMART MONEY

John Seville
Acorn Wealth Corporation

awc | acornwealth
Stock Market Education

www.acornwealthcorp.com
1.877.27.ACORN (22676)

Market education you can bank on!

awc | acornwealth
Stock Market Education

#610-1281 West Georgia street
Vancouver, BC V6E 3J7
1.604.638.1487
1.877.27.ACORN (22676)

www.acornwealthcorp.com

Predicting Major Market Moves by Detecting the Smart Money:

In today's economic climate investors are faced with a multitude of different sources of information, from Facebook, stock twits, business news, stock newsletters and everyone else's opinion who is willing to give it to you – which is everyone.

Unfortunately, recent statistics show that over 85% of investors generally lose money.

Since the Global Pandemic situation this noise has now turned into a roar!

In fact, in a recent documentary I watched discussing the value of 'experts' it was reported "economists have studied the wrongness rate in economic journals and have concluded it's very close to 100%". In conclusion, "virtually all the studies published in economic journals are wrong".

Therefore, where does an investor turn to find the TRUTH of what is going on? More importantly how to find good investment idea's knowing that the likelihood is that 85% of them will be wrong?

The most valuable method I have found to predict major market moves and capture significant profits is by tracking the smart money, how it moves and the key indicators signaling which way the money is flowing.

Amazingly these indicators have predicted every major crash in the market in the last 25 years, including the recent meltdown in February 2020.

Incredible right!!!

In this E-Book we will discuss the ways in which we do this, key elements and checkpoints.

A complimentary video workshop discussing the concepts and patterns discussed in this E-book will be provided at the end.

Market Structure and Dynamics

Firstly, to set the premise of the ideas set out in this article we must first look at the nature of how money moves through the stock market in today's modern age.

JP Morgan recently estimated that as much as
90 % of volume in the stock market is accounted for by buy and sell decisions made my computerised trading.

These powerful algorithmic systems make investment and trade decisions almost entirely based on certain patterns. These patterns occur in the charts of a stock and follow extremely precise pre-determined buy and sell targets based on the relative rules for the algorithm being used. Often fundamentals won't be factored into the decision making at all.

Love it or hate it, we therefore feel that regardless of what opinions we may have of the fundamentals of the market, or what we feel 'SHOULD' happen next, it is far more important to track what the patterns are saying.

Once we know the pattern, we can then utilize quantifiable indicators to look at what the' smart money' is doing and piggy back of their invaluable expertise and insight which would be almost impossible to get through conventional research.

Based on this approach, we can observe how some of these techniques predicted the market crash of 2008 long before so called 'experts' even started talking about it. These methods gave the same identical signals in the crash of 2008.

We will break down the methods into several categories.

1. **The Powerful Patterns**

Upward Channel Break

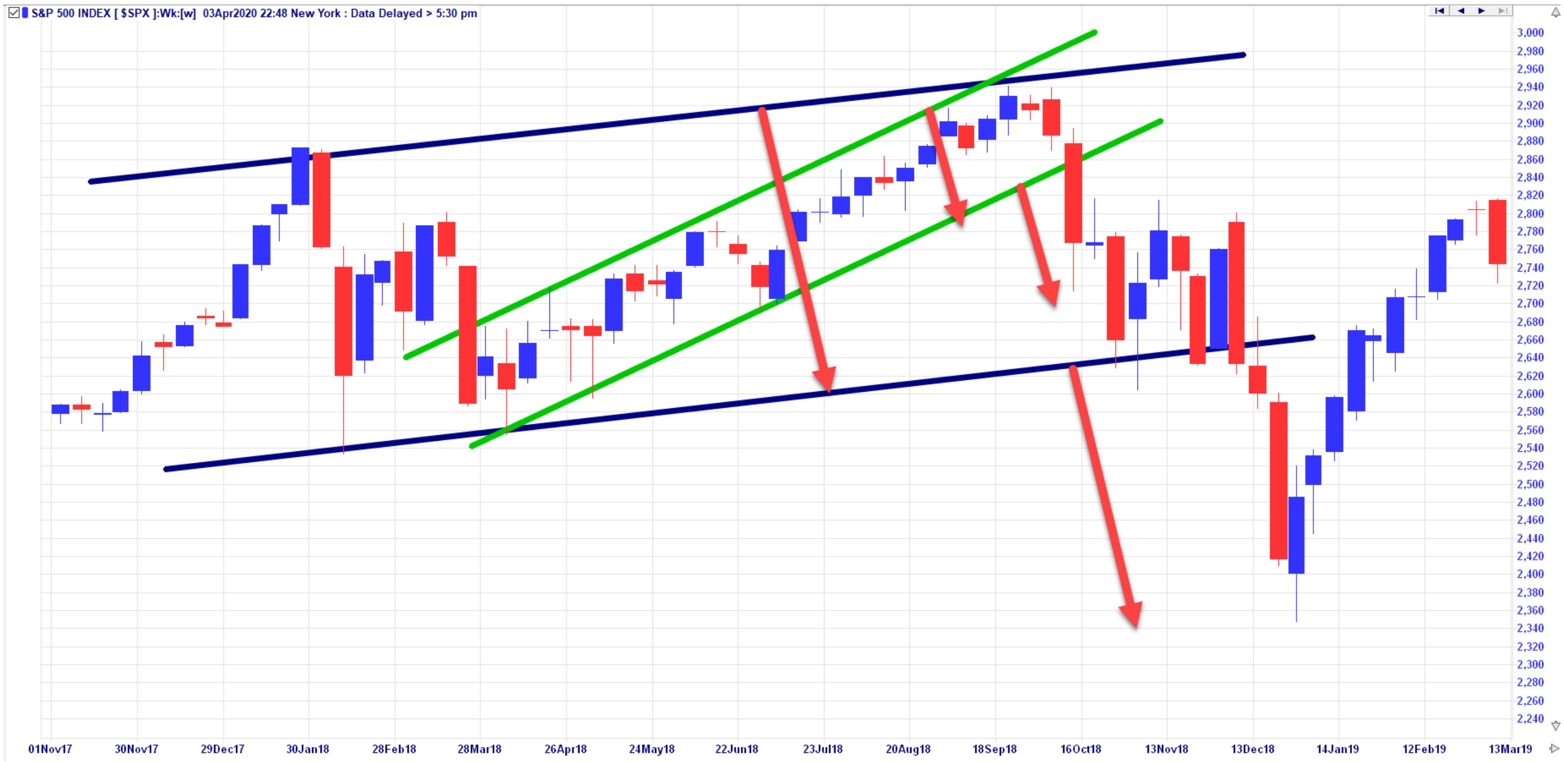
One of the most easily identifiable patterns is the upward channel. You can see this illustrated on the S&P 500 weekly chart over 2018.

While this is an upward trending pattern the rules almost always dictate that after three touches of the support line there is a very high probability of a breakdown correction to occur. So despite popular belief the upward channel is in fact a BEARISH pattern as it predicts the next move to be a breakdown instead of further upward moving.

As indicated in the chart below it can be seen that we have indeed touched three times on both the short term upward channel shown in green as well as the larger upward channel showing in black. After the third touch ,in both examples , we broke through support and broke down to the rule driven channel target.

This 'Rule of Three' not only applies to upward channels but also to patterns such as ascending and descending triangles, head and shoulders, rising and falling wedges and almost all other oscillating patterns.

Often investors are sucked into buying support they have seen touch multiple times feeling the more times support has been respected the better, however, it is quite the opposite. By understanding this rule, we can anticipate when big money is about to step in and short the stock and avoid getting sucked into buying into perceived support at the worst time.



Head and Shoulders

While this pattern is harder to recognize for many beginner traders, this pattern is one of the most highly probable and profitable bearish patterns to occur in a bull market. This pattern is one of the most powerful and highest probability patterns to predict the top of a market or a stock's run.

This is a pattern designed to fool investors and traders into thinking the chart is making new highs resulting in investors being lured into buying in right before it begins its downward decent and as smart money sells into the rally.

A head and shoulders pattern is characterized by a stock creating a symmetrical triangle up and down forming the left shoulder. This is followed by a larger symmetrical triangle representing the head and then a final right shoulder triangle usually of equal size and shape as the first. When this forms, it is assumed the stock/index will then breakdown to the amount of at least what the measurement of how large the head was. Also note that the breakdown occurs after three touches of the support line.

In the market meltdown of 2007-2008 the top of the market was characterized by a series of this exact head and shoulders setup. (see fig 3 below)

In other words, experts and news aside, the 'chaotic' breakdown of 2008 was in fact a drop that was highly predictable and in fact where it dropped to and where it reversed from were levels that were almost exactly what the pattern of the head and shoulders had predicted. This illustrates how vital it is to understand the role such a powerful pattern plays in predicting big money moves.

Understanding the Patterns of the chart is one of the most vital aspects of trading in being able to determine where the money is moving and also tells us the key levels at which the pattern dictates us to buy and sell with highest probabilities.

2. The Smart Money

a. Money Flow

There are two critical factors that we as technical analysts observe to track where the smart money is going. The first is an indicator called Twiggs Money Flow and is similar to Chaikin Money flow with a few adaptations to account for gapping and some other factors.

Developed by Collin Twiggs, it is a method of tracking if a stock has the key factors that define a true uptrend.

These qualities include:

- ☐ price making higher highs and higher lows
- ☐ higher amounts of money or volume trading in the stock each day
- ☐ closing higher and higher in its daily trading range
- ☐ whether the range is expanding or contracting

If all of these qualities are in play traders agree this confirms an uptrend is truly in place and therefore the smart money is likely accumulating a position in the stock/index the indicator is applied to. If this is taking place the indicator will rise in value and continue to make new highs along with the stocks movement.

However, if we see that the levels of the market or a stock is increasing and this indicator is in fact going the opposite way, it could quite likely indicate that a bubble is building. This is called the distribution zone and means the rally that the stock or index is enjoying is likely the smart money off loading their positions to the public before a big drop takes place.

Inversely if we see that the price levels of a stock or the market are dropping but the Twiggs Money flow is moving opposite this, in the upwards direction, than this indicates accumulation is going on an a possible strong reversal could be coming in the stock.

So let’s apply this indicator to the previous scenario discussed regarding the Head and Shoulder pattern during the market crash of 2007-2008 . See below a chart of the S&P 500 with the Twiggs Money Flow indicator charted underneath the stock. Note, that as the market climbed

higher and higher, eventually going into a sideways movement and then the head and shoulders pattern, the Twiggs Money Flow indicator was actually making substantially lower highs and lower lows and diverging (moving the opposite way).

Now if we compare that to a weekly chart of the S&P 500 in the 2018 scenario we discussed earlier will notice a strikingly similar image.

Of course we do not only apply this to the market but also for also for finding highly potentially powerful moves in stocks.

We will discuss some recent trade setups we alerted our students to recently where the Twiggs Money Flow played a key role in being able to predict the major move in the market.

In the below example you can see a chart of CROX where you will notice two strong upward channel's were present leading into January of 2020. Not only do we have the pattern in place but you will also notice the Twiggs Money Flow going down as the stock went up!

This divergence tells us that as the stock trended upward in a bearish upward channel smart money was selling into it and the Twiggs Money Flow trended lower as a result.

The stock the broke down to the target of the first upward channel and then further sold off to the target of the larger upward channel.

This of course produced a very profitable setup one can then take advantage of by shorting the stock or buying put options and was indeed something we highlighted to our followers at the time this occured.

The same approach can be applied for Longs.

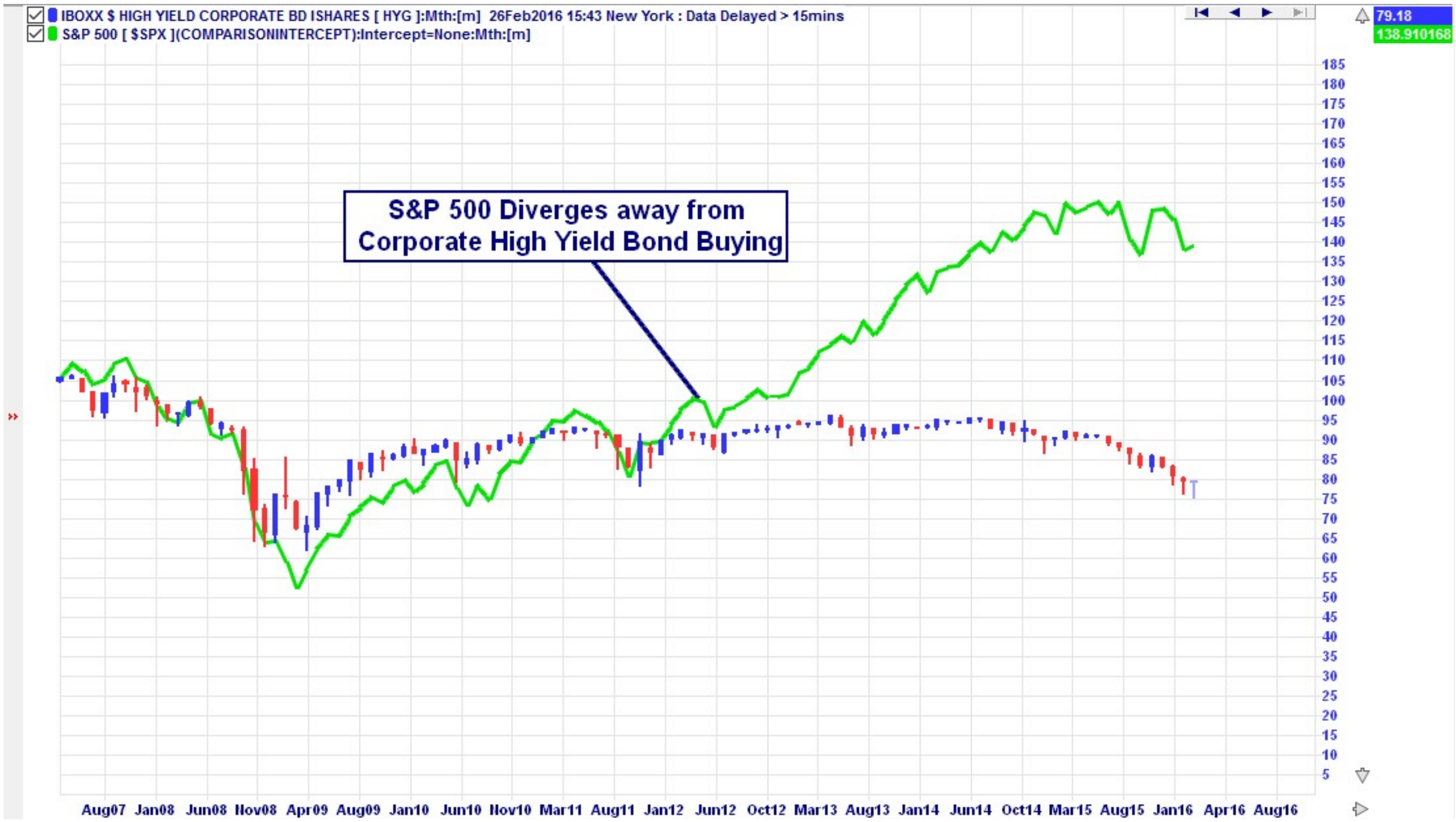
In the below example you can see a chart of BBOX where you will notice a strong downtrend in place from the 21st of October 2015 onwards and you will notice that the money flow was dropping along with it. However as of the 17th of December all of sudden the Money Flow takes a sharp change to the upside and continues to make higher highs and higher lows as the stock continues to decline.

This divergence tells us that accumulation is going on and that the smart money is starting to shift in the bullish direction. Now of course the trick is to pick the right timing for entering this trade. This perfect entry point occurred on the 2nd of February. Not only did the Money flow continue to diverge, but it also crossed above 0 making it an even stronger signal. At the same time we also had perfect pattern confirmation with the stock breaking its downtrend line as well as the 9 day exponential moving average and the 20 day simple moving averages that were previously holding this stock down. The resulting move produced almost a 50% profit for anyone entering the trade.

For shorter term traders it is worth nothing that this divergence can also occur over a shorter period of time. For example below is a trade we took on BCRX. After a massive drop the stock was going sideways yet the money flow was going up sharply. We therefore took advantage of getting into the trade on the 2nd of March. If you were a stock trader and entered in at the open this would of a resulted in a 20% intraday profit. Instead we opted to go for the June $2.00 calls which had a 60% intra-day move.

B) Bond Traders

The second key factor we look at when determining big moves of 'smart' money is following the High Yield Corporate Bonds using one of the relevant ETFs 'HYG'. Typically speaking in a strong bullish market money will flow into corporate high yield bonds showing confidence in Corporate America. If you observe the chart below you will notice that HYG indeed correlated with the S&P in 2008 perfectly.



It followed the market down in 2008 during the crash and reversed with it from the lows of 2009. However, in the middle of 2013 while Quantitative easing pumped more and more money into stimulating the market the big money started to move the opposite way. This divergence was a key factor in how we predicted the crash of 2008 on June 6 along with the recent crash of the S&P back in July of 2015. Watching for when HYG is moving in the opposite direction of the S&P 500 is a fantastic way of predicting when big money moves are about to come and reversals in either direction of the indexes.

C) Insider Trading (the legal kind)

It should be no surprise that insiders of a company are going to have a much more intimate and specialist understanding of their company's long-term value that the average investor or even expert analysts and firms.

Looking for opportunities within stocks where there is the presence of strong buying or selling to piggyback of their expertise and add probability to the direction and conviction of our trade is an essential part of our analysis. It can often be an incredible powerful indicator, if used correctly, to predict explosive moves in stocks before they happen!

Let's take CNST for example. On the 3rd of October 2019 it was reported that one 10% owner and a separate director loaded up on their own stock adding $11,999,994 and $23,999,997 to their holdings respectively. In fact the gentleman who added the almost $24 million dollars in fact increased their holdings of the company by a massive 112% in that one transaction!

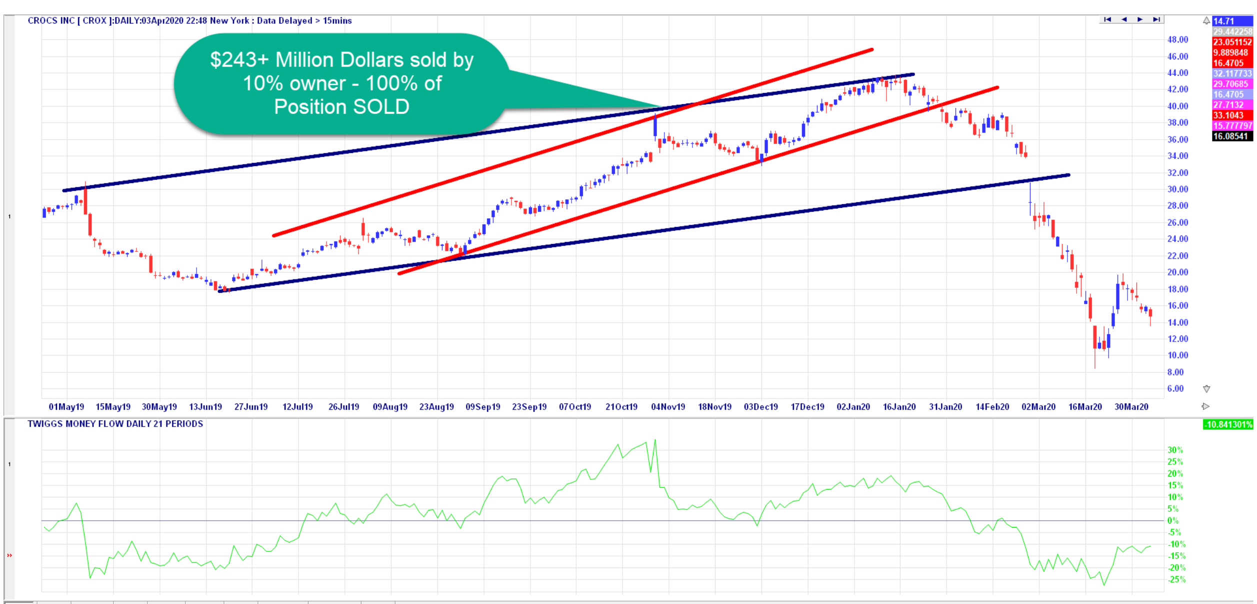
Shortly after the company announced positive news and the stock shot up to a high of $59.49!!!

This also applies in looking for shorts!

For example. Let us revisit the trade setup on CROX from January 2020 we discussed earlier.

Not only did were we presented with a perfect technical pattern suggesting we should short the stock or buy put's on the stock but the insiders were also selling. In fact it was reported that Blackstone Holdings III L.P. which was a 10% owner of the stock at a the time sold 100% of their holdings on the 4th of November for a whopping $243 million dollars!

This insight clearly paid off as the stock shortly afterwards sold off to a low of $8.40 in the weeks and months to come!



Scanning for the perfect storm

Of course in this book we started off by discussing the critical importance of understanding the pattern . Ultimately trading should never be about guess work or going to bed stressed over positions that feel more like unhinged gambles than educated, well managed trades.

This is the whole purpose of understanding how to correctly identify what pattern a stock is in, what the smart money are doing and then, of course, being able to decide whether that pattern is one of the highly probable and profitable patterns worth trading or not.

This is where scanning becomes an extremely powerful asset in our trading arsenal. Once we are aware of what the highest probability patterns are we can scan specifically for only those. We can even combine scanning for the highest probability patterns with stocks that also have massive insider buying or selling!

When we find these perfect storms where all the other factors discussed are coming together in a such as fashion we are able to often predict explosive moves before they happen!

By utilizing scans it allows us to therefore specialize in only the highest probability setups and strip away all the noise that distracts us into bad trades. We can also then become highly effective in knowing the exact rules of how to trade a small handful of patterns rather than trying to be an expert at everything, which is almost impossible.

Special Offer

For taking the time to subscribe to this E-Book we would like to grant you **complimentary** access to a very powerful recent workshop we put together which breaks down all of the key components we look for in identifying a high probability trade setup and a live application of the issues discussed above.

In this workshop we will teach you:

- ☐ A step by step method to determine the direction of the market for the coming weeks
- ☐ The two most important days each month that you must know
- ☐ Developing scans to find the highest probability trade setups
- ☐ The stock patterns that work and live examples for your watch list
- ☐ The major market threats that the talking heads have not told you yet.
- ☐ Our smart money indicators and what they are saying.
- ☐ One of the most powerful methods of predicting market direction for the week ahead.
- ☐ How to find the highest probability crash setups on stocks.

Summary

As market technicians we are basing the ideas of the book on rules and measurements drawn from practices that have proven to work over 1000’s of other setups just like this, however the key to any long term success in this market also relies on the ability of an investor or trader to know when the idea has been proven wrong and never lock oneself into any one mindset that can’t be changed if the data goes the other way. We are therefore always watching closely to how the markets perform and key dates such as Open Range to anticipate whether we are on the edge of another large drop or a huge rally.

Once again for those of you wanting to learn more about the charting techniques and smart money calculations we use along with other key techniques to track smart money activity you can simply follow the link below to receive instant access to our workshop on this topic along with ways to profit from a major market correction.

Get Instant Access to this on Demand Workshop Simply Click Here