

Our “Son-of-Stealth” Indicator

Discovered by

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This document provides a quick overview of our new “*Son-of-Stealth*” Market Indicator. The Cotton Futures and S&P 500 Cash Index markets are used as examples. The following page provides a one-year look at the Cotton futures market in a typical pricing chart format.

*Cotton Futures
A One-Year Look*



Our “Son-of-Stealth” Indicator

Next we see various places where market weakness occurred, usually resulting in a market reversal downward. Having knowledge of these market reversal prices, in advance, would be a powerful market financial feat indeed. Though the prices at which the market reversed down (as highlighted by the white boxes) seem totally random in nature, they all have one very important trait in common. They all adhere to identification by our new “*Son-of-Stealth*” Indicator. We will soon see how these reversal points are identified with our indicator. Be sure to use the zoom tool in Acrobat Reader to discern minute chart detail.

Cotton Futures *Highlighting Market Weakness*



Our “*Son-of-Stealth*” Indicator

Below we have added our proprietary “*Son-of-Stealth*” Indicator to the pricing chart. The units of this indicator are not price, so don’t make the mistake of assuming price is going to rise since the indicator is sloping upward. In fact, the actual “*Son-of-Stealth*” Indicator has been intentionally flipped and rotated to mask its true shape. The indicator’s predictability is not hampered in any way by this transformation process. Simply imagine the indicator as a transparency overlay placed on top of the pricing chart to assist in market reversal identification.

*Cotton Futures
w/ Son-of-Stealth Indicator*



Our “*Son-of-Stealth*” Indicator

Below we add a simple trendline to our “*Son-of-Stealth*” Indicator. Using the zoom tool feature, note the number of times our “*Son-of-Stealth*” Indicator reversed in a downward fashion at, or very near, this trendline. It’s highly unusual to experience this number of successful “tests” of a trendline applied to a standard pricing chart. However, it is very common to see a large number of successful “*Son-of-Stealth*” Indicator “tests” against its identified trendline.

The Reversal Identification Rule - The identified trend of the “*Son-of-Stealth*” Indicator remains in effect until such time the market forces it out of its highly uniform trend – simple in concept, yet powerful in application. As long as this market continues to adhere to the currently, well-defined trend, identification of future areas of market weakness are forecast with high levels of accuracy anytime the “*Son-of-Stealth*” Indicator approaches this trendline.

*Cotton Futures
w/ Son-of-Stealth Indicator*

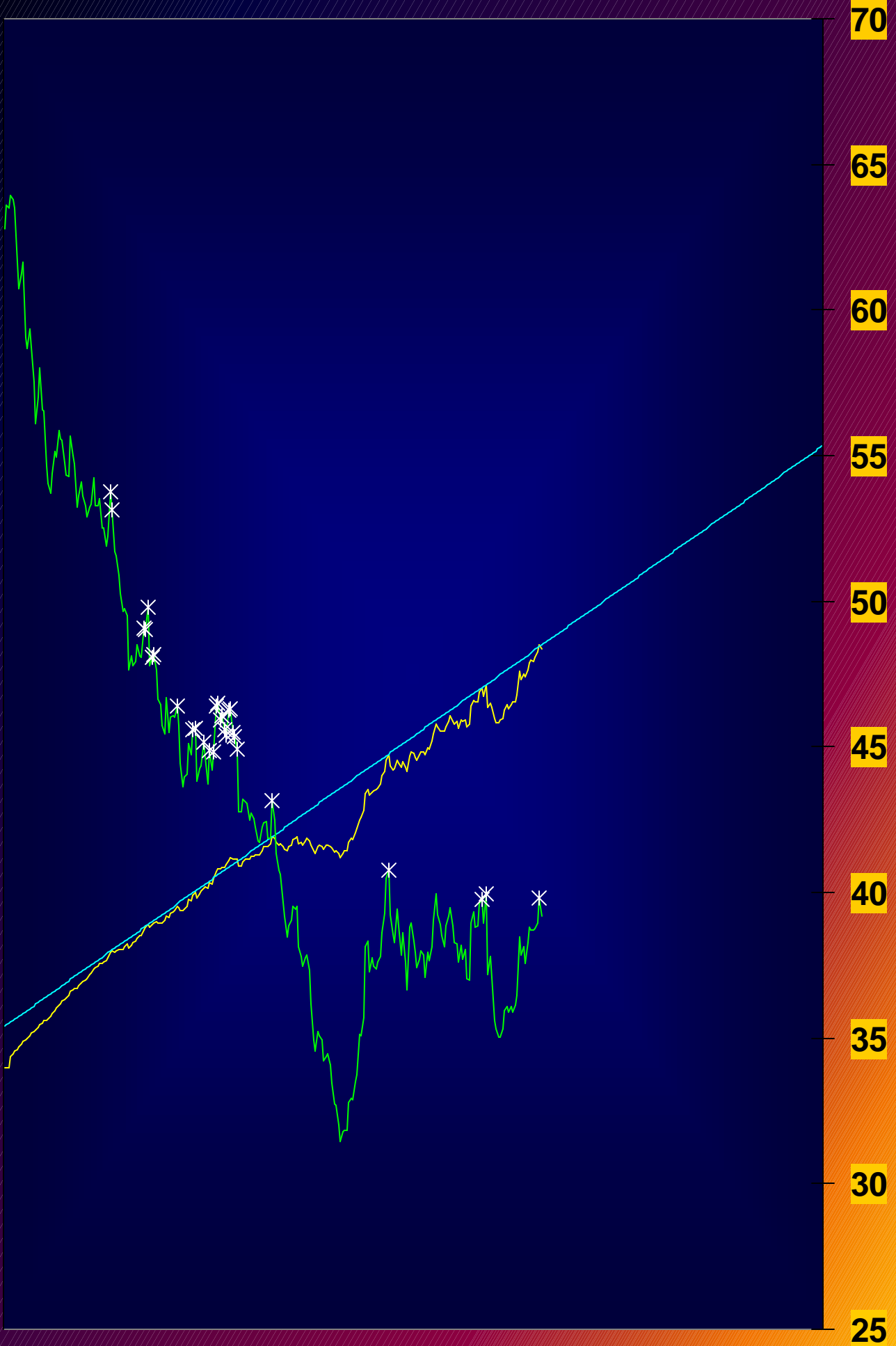


Our “Son-of-Stealth” Indicator

All that remains is to view the pricing chart at the dates when our “*Son-of-Stealth*” Indicator hovered near its trendline. White stars have been placed on the pricing chart to indicate these periods. In virtually every instance, the market had reached a peak, and subsequently reversed downward. Of further importance is that we can calculate the market price associated with the “*Son-of-Stealth*” Indicator’s trendline one day into the future. This allows us to know where market weakness is likely to commence one day in advance of the market opening. This renders our “*Son-of-Stealth*” Indicator a true leading market indicator.

Our “Son-of-Stealth” Indicator

*Cotton Futures
w/ Son-of-Stealth Indicator*



Our “Son-of-Stealth” Indicator

After removing our “*Son-of-Stealth*” Indicator and associated trendline (see below), it should now be easy to see how we identified the zones of market weakness in the earlier pricing chart.

Cotton Futures
Highlighting Market Weakness



Our “*Son-of-Stealth*” Indicator

The following S&P 500 chart is an example of our ability to calculate the “*Son-of-Stealth*” Indicator’s corresponding market value(s) one day in advance. Here, we place white squares at Monday’s (3-25-2002) maximum and minimum “closing” prices based on the two identified “*Son-of-Stealth*” trendlines. These squares’ prices are not static and move with each passing day. Note the market is much closer to the maximum value than minimum value. As long as the two trendlines hold, this would be interpreted as minimal upside market potential with greater downside risk for Monday. Also note the “*Son-of-Stealth*” resistance trendline has been tested successfully more frequently than the “*Son-of-Stealth*” support trendline. This places far greater confidence in the maximum target than the minimum target. This is not to say the predicted direction of this market is down for Monday. It merely indicates the market is currently bounded by the two white squares for Monday’s market based on the current “*Son-of-Stealth*” trendlines. Over time, the market will likely move into one of the two dynamic squares and reverse direction.

*S&P 500 Cash Index
w/ Son-of-Stealth Indicator*

