

BARROS SWING CONSTRUCTION

The smallest swing in any timeframe is the 1 period. In the BS these are drawn differently to the other swings in the same timeframe.

1-Period Swings

To draw a 1-period swing start at an extreme low or high. For the purposes of this illustration, let's assume we start from a low.

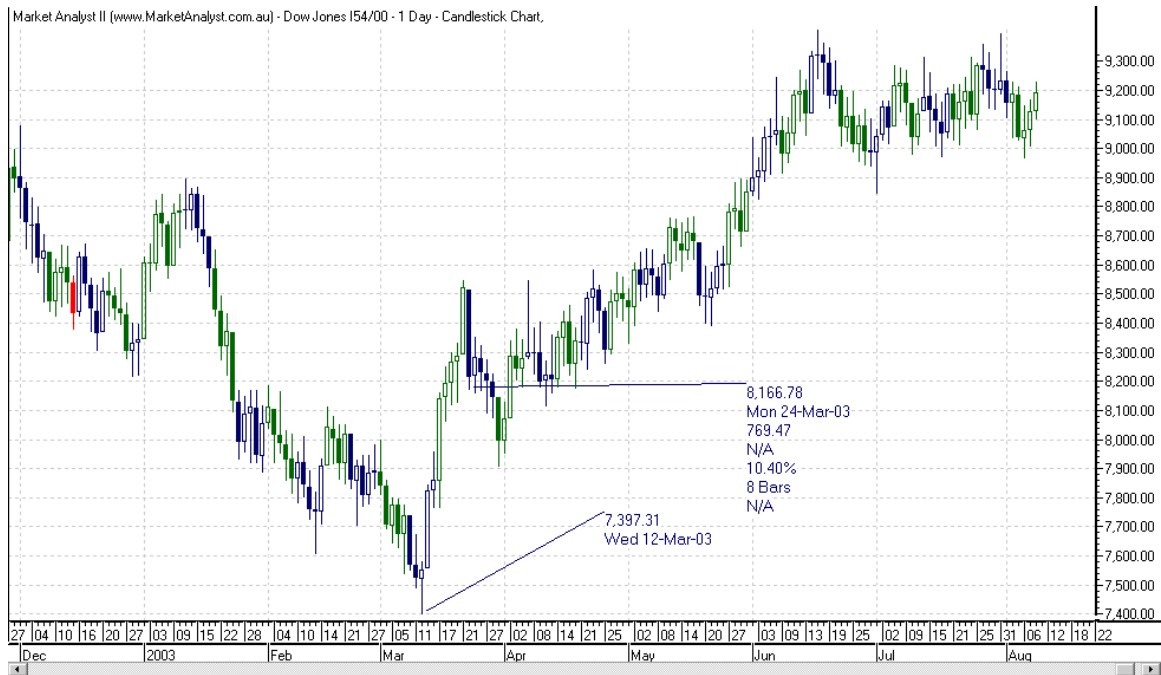


FIGURE 1 Dow Jones Industrial, Cash, Daily

In the chart above, let's say we start the swing on Mar 12th, from the low we draw the line its high and continue to do so until Fri Mar 21st. On Monday we have a low below the previous day's low. Accordingly we draw the line down from the high of Fri to the low of Monday and continue to do so until we get a day where the high exceeds the previous day's high. At that point we draw the line up and so on.

Inside days are ignored.

For outside day's the drawing of the line is delayed until the day following the outside day – if the high of the outside is exceeded, we draw the line up; if the low is exceeded we draw the line down.

CHAPTER 5
FORMULAS FOR CONSTRUCTING

Periods Greater Than 1

3-period: Using the same data. We start from the low and turn the line up when:

we exceed the highest high of the past 3 days (including today) + 10% of the adjacent 1-period swing

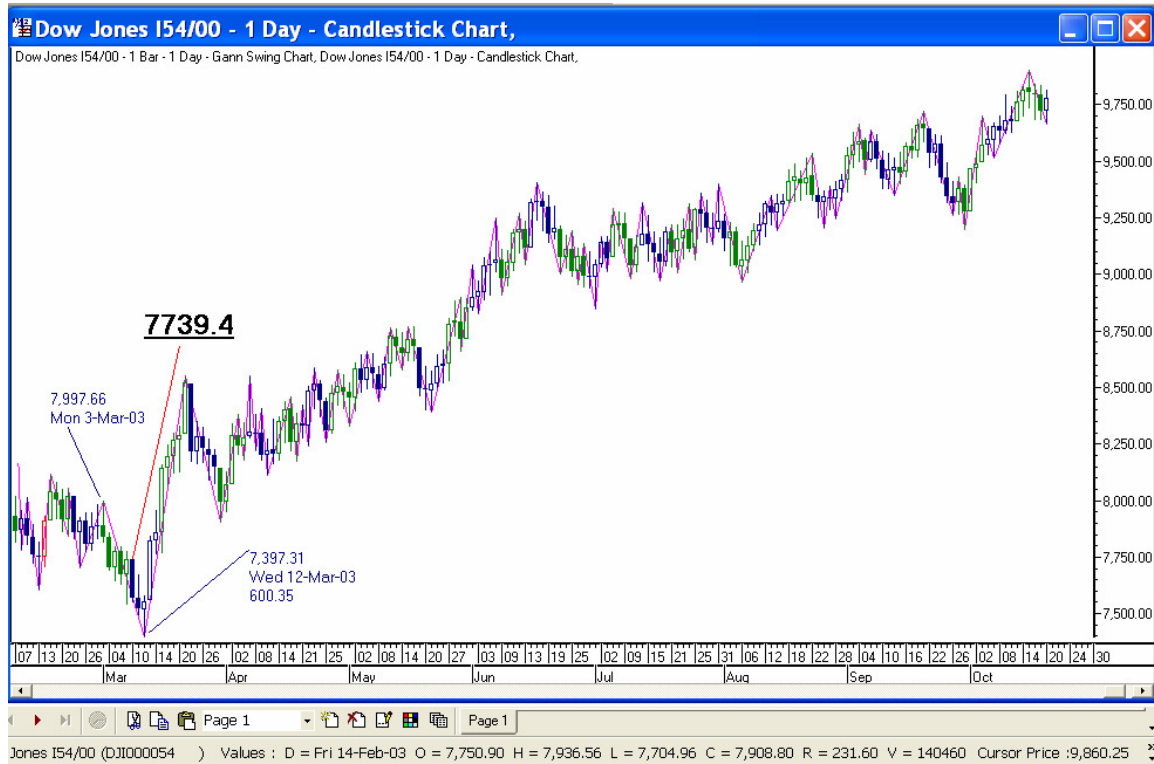


FIGURE 2 Dow Jones Industrials, Cash, Daily

In Figure 2, the magenta lines represent 1-period swings. At the completion of trading on Wed Mar 12th, the 3-d line will turn up on breach of highest high of the past 3 days (incl. Today) viz, 7739.4 + 60 (10% of the 1 period swing which was 600.35 points).

The line will continue up until the market takes out a low that is the lowest low of the past 3 days + 10% of the adjacent 1-period swing.

Reverse to turn the line down.

5-period: The same principles apply except that the filter used is 10% of the adjacent 3-period swing and the line turns when the 5-period extreme is exceeded + 10% of the adjacent 3-period swing.

Note that this means that for every timeframe, we first need to calculate the 1-period swing irrespective of the swing size we are considering.

CHAPTER 5 FORMULAS FOR CONSTRUCTING

ADDITIONAL RULES

To circumvent the situation where the market fails to move sufficiently to turn the line because it fails to reach the filter, there are two additional rules.

- 1) The swings (except for the 3-d) represent 1-p swings of high timeframes e.g. the 5-daily swing represented the 1-period weekly. Hence any time we turn the 1-period weekly line, the 5-d line must also turn.

At the end of this chapter, I have outlined the various relationships.

- 2) For a down swing, the price at which the line turns up can move down but not up; in an up swing, the price at which the line turns down can move up but not down.

e.g. Let's say the line has been going up and we are looking to turn the line down. The lowest low of the past 5 days is 100 and the 10% filter is 10. The price at which the line would turn would be $(100 - 10) = 90$

The next day the market moves down and gets to 97. In other words it exceeds the low at 100 but fails to reach the low minus the filter price at 90. The question is:

at what price would the line now turn?

Because of this rule the price remains frozen at 90; otherwise it would be $97 - 10 = 87$.

PERIOD RELATIONSHIPS

DAILY DATA

05-d = 1-p weekly
18d = 1-p monthly

WEEKLY DATA

13-W = 1-P QUARTERLY

MONTHLY

12-M = 1 PERIOD YEARLY
30-M = 1 PERIOD 2.5 YEARS
60m = 1 PERIOD 5-YEARLY