INSIIDE Track

Tech Tips: Wheat & the 21 MAC Trio

Magnetic Extremes

12-30-20 - **Soybeans**, **Corn** & **Wheat** remain strong but have entered the time when Wheat has been expected to begin to take the lead in the next advance and to experience a proportionately-greater move to the upside throughout the first half of 2021.

One of the primary reasons for this is the setup of the *21 MAC*s - on a monthly, weekly and now daily basis (reinforced by the corresponding monthly, weekly & daily trend signals and patterns).

As conveyed in mid-Oct., Wheat was triggering key signals that would likely spur a quick rally to ~**640.0/W** - during that period of time - but which were also signaling a much broader breakout signal for the 1 - 2 year trend:

10-17-20 - *"Wheat entered a new rally after spiking lower and reversing higher in late-Sept. while fulfilling a 7-week cycle that projected a rally up to ~**625.0/WZ**. It has just reached that target but could spur a spike as high as **640.0/WZ** in the near term.*

*Wheat is beginning to show signs of the anticipated upside breakout - reinforcing the 1 - 2 year outlook for a surge back toward ~**950/W**."*

The Nov. '20 *INSIIDE Track* (and corresponding ***Weekly Re-Lay*** updates) reiterated this outlook and included a key timing target (July 2021) for the potential culmination of this uptrend. That is also when the ~**950.0/W** target *could* be attained.

However, a great deal of corroboration would need to occur before that convergence would be expected with greater conviction:

10-30-20 - *"On a larger basis, Wheat is beginning to show signs of the anticipated upside breakout - reinforcing the 1 - 2 year outlook for a surge back toward ~**950/W** that could be reached by/in **July 2021**."*

One of the primary indicators projecting a major uptrend was the monthly *21 MAC*, illustrated on this page. Its action the past few years, and particularly since the beginning of 2020, has powerfully reinforced the overall outlook for a new bull market…

Since its major bottom in 2016 and its secondary bottom in 2019, Wheat has been tracing out a textbook bottoming pattern - moving in close sync with the monthly *21 MAC*.

Monthly 21 MAC in Wheat

2013 - Dec 28 '20

It entered 2020 trading above that channel and then dipped into June 2020 - when cycles were projecting the onset of a major move up.

Simultaneously, it tested and held it's rising monthly *21 Low MAC* and quickly reversed higher. In Sept. & Oct. '20, Wheat confirmed a breakout higher - closing above the monthly *21 High MAC* and also above early-2020 highs.

That ushered in a classic 1 - 3 month reactive pullback that had Wheat drop precisely to its rising

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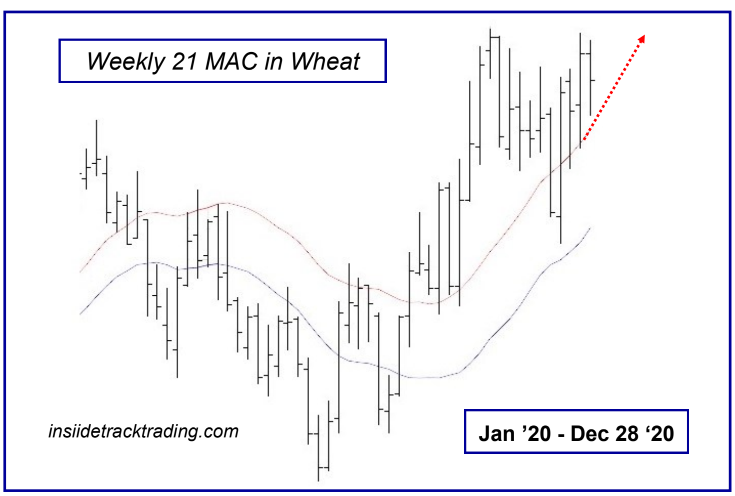
monthly *21 High MAC* and reverse higher - earlier this month.

That then handed the 'baton' - like a relay racer to the runner taking over for the next leg of a race - to the weekly charts and the weekly *21 MAC* for further reinforcement and clarification…

Wheat corrected during the second half of October, all of November and the beginning of December - retracing a precise 50% of its 2020 advance while dropping toward its rising weekly *21 High MAC* and bottoming during the week after it dropped to and held its weekly *HLS* (an extreme downside target that is usually met 1 - 2 weeks before a multi-month bottom takes hold).

It also bottomed in perfect adherence to the weekly trend pattern, dropping far enough to twice neutralize its weekly uptrend but not far enough to turn the weekly trend down. On a weekly basis, it was the ideal setup for a decisive, intermediate bottom.

As illustrated on the accompanying *Weekly 21 MAC* chart (below), Wheat quickly surged and closed the week - on Dec. 11 - above its ascending weekly *21 High MAC*.



During each of the subsequent weeks, it pulled back to retest this critical level of rising support… and then again surged.

The Dec. 24 close provided a confirming signal and that handed the *baton* to the daily chart and daily *21 MAC* for final honing of this developing breakout…

That *'baton transfer'* had already been unfolding since Dec. 11, when Wheat surged and closed above its daily *21 High MAC* as that average - and channel - were flattening and preparing to turn up.

It then pulled back to its daily trend support, daily *21 Low MAC* and month-opening range (**589.5 - 592.5/WH**) and held - reversing higher and closing back above the daily *21 High MAC* on Dec. 17 as the *21 MAC* was turning up - a textbook pattern.

Since that time, Wheat has repeatedly pulled back to test the rising daily *21 High MAC* - each time closing above it and reinforcing that support.

On Monday (Dec. 28), Wheat provided the perfect setup for a shorter-term pullback and low - dropping right to its daily *HLS* and holding as it retested the rising daily *21 High MAC*.

A final, ascending low was set.

It also tested and held weekly support and its weekly *2 Close Reversal* support (the weekly close of Dec. 18) - all tightly gathered at **608.25 - 609.75/WH** - and held, producing the final confirming signal of developing strength and an impending surge higher.

On a daily cycle basis, Monday's low perpetuated a 7 trading-day low-low-low-(low) *Cycle Progression* that projected a subsequent 7 trading-day surge (ideally into **Jan. 7**) as that *Cycle Progression* portended an inversion of that short-term, daily cycle.

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That inversion point - after four successive lows - is often when price action accelerates to the upside.

Tuesday's open and early action corroborated that - trading higher throughout the day (and not dipping near Monday's low) - with the hourly charts generating a corroborating signal part-way through the day.

That generated the buy signal described in yesterday's (Dec. 29, '20) ***Weekly Re-Lay Alert***…

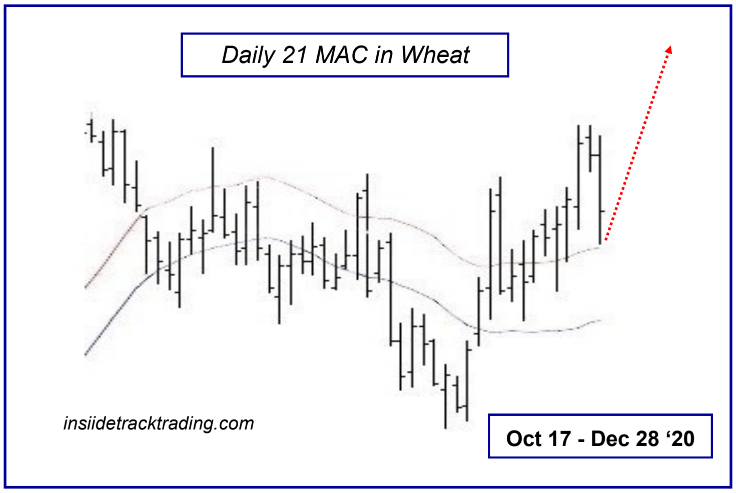
All of this requires multiple levels of consistent confirmation, beginning with a daily (and then weekly) close above **640.0/WH**.

As stated in the Dec. 26, 2020 ***Weekly Re-Lay***:

> **12-26-20** - ***SOYBEANS, CORN & WHEAT*** *are surging with Wheat signaling new strength on its daily close above* ***620.0/WH****. A daily close above* ***640.0/WH*** *would confirm that strength and signal a breakout higher.*
>
> *Wheat continues to show signs, on a 1 - 2 year basis, of a broader move to the upside - similar to what Soybeans signaled in late-July/early-Aug.*
>
> *Ultimately (possibly by July '21), Wheat is expected to head back toward* ***920 - 950.0/W****. In the interim, it has a 1 - 2 month upside target near* ***710.0/W*** *and a 2 - 4 month target near* ***780.0/WH****.*

Intermediate cycles show that this latest advance could extend into **Feb. 2021** before a multi-week top is next seen. In the interim, there is sure to be plenty of volatile action in both directions - as Wheat prepares for a much stronger move to the upside.

1 - 4 week traders could have entered new long positions in March Wheat futures at 614.0 - 618.0 and be holding these w/avg. open gains of about $1,000/ contract. Move sell stops to 603.75/WH."



The preceding is a copy of the just-published Dec. 30, 2020 ***Weekly Re-Lay Alert - Wheat Trade & 21 MACs: Confirming Breakout Higher*** and is another example and elaboration of the *Tech Tips* and technical analysis tutorials provided in our publications.

This addresses the synergistic setup of the *21 MAC* on a daily, weekly & monthly basis - all reinforcing the outlook for Wheat to see a major advance from June '20, and more recently from early-Dec. '20, into **2021**. It is very similar to what unfolded in Soybeans in July & Aug. '20 and in Bitcoin in Sept. & Oct. '20 - both described in previous publications and both portending accelerated/parabolic advances to follow.

The action of Dec. 24 - 28 signaled that this (expected) surge is now ready to enter an accelerated phase to the upside in Wheat - just as Soybeans could be entering a blow-off phase to the upside.

More information on this indicator can be found in *Eric Hadik's Tech Tip Reference Library*. The ***Weekly Re-Lay*** will continue to monitor this evolving uptrend and the corresponding trading strategy(s).

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March 2008 ***Tech Tip Reference Library***

Moving Averages

A moving average is an averaging of past data. A 10-day (close) moving average is calculated by taking the most recent 10 days' closes, adding them together, and dividing this sum by 10.

There are many variations to this theme, but this is the most basic.

I have one problem with this formula. I prefer to trade off intra-day levels and attempt to build a profitable position BEFORE the close of the day. There are many reasons for this but the primary one has to do with risk control and money management: I would prefer to have some gains, however small, leading into the close of the first day.

When you are following a daily-close moving average, the only time to tell whether it is generating a signal is on the close.

A market could spend all day trading below a key moving average calculation - only to rally above it at the close of the day, confounding traders who were selling the market throughout the trading day.

The other, corresponding problem is that the close-only moving average gives support or resistance which is actually only valid for a 2-3 minute period during the day... *the closing range*.

Advocates may argue it is important all day long, but then they will tell you it is only violated if it is closed beyond.

So, which is it? Is it support during the day or is it support at the close?

This struggle led to frustration in my early-trading.

The *MAC*, *AMAC* & *MARC*

As a result, I resorted to three variations of the moving average -- which address this dilemma. The first is *MAC*, the second is *AMAC* and the third is *MARC*.

As in many cases, I do not claim to have reinvented the wheel. The value (and proprietary nature) is in HOW an indicator is used as well as WHEN and WHERE. Anyone can develop an indicator. Few can use one successfully.

These variations work hand in hand as *MARC* helps to identify when best to use *MAC*... while *AMAC* filters *MAC* and will often provide a 1-day leading indicator that provides critical data for a potential trade-entry or trade-exit day.

So, now that I have you wondering -- I will discuss these indicators.

The *MAC*

MAC is a *Moving Average Channel*.

Since traders are more interested in ascertaining where the high and low are most likely, it makes sense to calculate an average of recent *highs* and *lows*... instead of recent *closes*.

I use two amplitudes -- the *8 MAC* and the *21 MAC*. The average of the last 8 days' highs and 8 days' lows gives me the *8 MAC*. The average of the last 21 days' highs and 21 days' lows gives me the *21 MAC*. [The *21 MAC*, *AMAC* & *MARC* is all that will usually be cited in our publications.]

The *8 MAC* is the most effective for the minor trend and the *21 MAC* is utilized for the intermediate trend.

To further distinguish this indicator, I break it down to the *8 High MAC* and *8 Low MAC*, as well as the *21 High MAC* and *21 Low MAC* (to distinguish whether it is the *8 High* or *8 Low Channel* which is being used). These can be applied to any time frame as long as proportional trends and moves are expected.

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This indicator should only be used at specific times and for specific purposes. It is not an all-purpose indicator that should be forced into every day's (or week's) analysis.

The *AMAC*

The second application is the *AMAC* ... the *Adjusted Moving Average Channel*. This is not much different from *MAC*, but is a way to fine tune the channel levels for the upcoming period. The *Adjusted Moving Average Channel* is calculated by using the same calculations as for *MAC*, but with one less period.

For example, if you are attempting to calculate the daily *21 High Moving Average Channel*, you would take the last 21 days highs, add them together, and divide by 21. For the *21 High Adjusted Moving Average Channel*, you would take the last 20 days' highs, add them together, and divide by 20.

Why this minute difference?

Because the *AMAC* is really the number you should be calculating for use in the upcoming period's trading (in other words, forget the *MAC* and substitute the *AMAC*), because...

If you are interested in where the market should turn (believing that the channel is going to repel the market), you need to set up the channel so that it will incorporate the current days' high or low as well… even before that high or low is established.

When the day is complete, and you update your charts with the daily *21 Moving Average Channel*, it will incorporate that day's high and low, so you need to anticipate this in advance (IF you want to be able to use it when it is most practical).

By dropping the 21st day prior, and averaging only the last 20 days highs and lows, a trader is determining the number that will be the exact daily *21 Moving Average Channel* IF the market also turns at that same level.

(If you have a 20-day average and you add the exact same number and divide by 21, you will come up with the same quotient.)

So... after the day is done, you should be interested in the daily *21 High Moving Average Channel* and the daily *21 Low Moving Average Channel*. However, at the start of the next day it is more important to know the 20-day average high and 20-day average low.

The *MARC*

Before delving into an example of this, I want to also reveal the *MARC*, since it is the filter which determines when and how to use the other two calculations. This is the answer to the question of what to do with that 21st day prior high and low.

MARC is the *Moving Average Replacement Calculator*.

MARC tells you what to expect from the channel, and therefore what to expect from the market.

In the case of the daily *21 High Moving Average Channel* and the daily *21 Low Moving Average Channel*, the *21 day MARC* is the 21st day prior high and low.

Why is this important?

If you want to know whether the channel is going to be heading higher or lower in the upcoming period, you NEED to know what data today's high and low will be replacing.

This is the only data that changes so today's high and low need to be higher than that of 21 days ago if the channel is to head/turn higher OR today's high and low need to be lower than that of 21 days ago if the channel is to head/turn lower.

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If you are wanting to confirm that the daily *21 Moving Average Channel* heads higher, and the current day's high has exceeded that of 21 days prior, you are guaranteed that at least the daily *21 High Moving Average Channel* can not turn down on this day (since there is no way for a market to make a lower high for the trading day, other than the correction of a bad tick).

By knowing what the high and low were 21 days prior, you already know what levels could provide resistance or support during the upcoming day.

More importantly, if your trading strategy is partially built on the idea that this channel will remain in the same direction, the *21 MARC* gives a good place for stop placement or at least identifies when your strategy has begun to go awry (since a drop below that level, during a prevailing uptrend, would turn the level of the corresponding *21 MAC* down).

I should reiterate the important factors here…

The important point is NOT what average you use, but HOW you use it.

Too many traders attempt to utilize moving averages without really understanding how they are compiled and what aspects of them are most important. As I stated previously, this is an indicator that should only be used at specific times, and for specific purposes.

This technique is most important when a market:

-- Is near a significant top or bottom;

-- Has consolidated for a period of time;

-- Is awaiting a clear signal of direction.

More details and applications of this effective tool can be found in *Eric Hadik's Tech Tip Reference Library*. IT

Eric S. Hadik -- Editor

Order online at *www.insiidetracktrading.com/order.*

PO Box 2252 • Naperville IL 60567 • 630-637-0967 • 630-637-0971 (fx) • *INSIIDE*@aol.com • ***insiidetracktrading.com***