



Guide to GRI P3d 3-Day Micro Pattern Report

The P3d 3-Day Micro Pattern Report is GRI's near term trading indicator that offers an in-depth very-near-term analysis based upon GRI's proprietary P3d 3-day micro pattern search engine. The P3d engine searches a population of over 6 million distinct patterns of varying resolution daily for each market. Matching patterns are then weighted, sorted, "pruned" for statistical reliability, and finally blended to produce a unique set of detailed performance parameters and expectations for that specific market for the following day, plus a generalized bias for the following 2 days.

The P3d Report is presented as a customer designed report, selecting only the markets you want to review each day. The initial subscription provides a block of 3 markets per page with add-on potential for a nominal extra charge. The P3d Report is also published in pre-structured reports featuring a specific market area such as Energies, Grains, or Metals.

Key Details:

- The P3d Report attempts to discover a near term statistical edge that may be available in specific market conditions. The P3d Report is able to isolate patterns with high probability performance potential, giving a trader a statistically viable edge. Price target parameters based upon average price level achievement for each pattern are also identified.
- P3d signals work best in higher volume markets to enable appropriate risk points. Although P3d Reports are tracked for every market in our database, we recommend keeping one's trade activity to actively traded contracts in markets not dominated by extremely high volatility or subject to impending fundamental news.
- We take no responsibility for how any individual trader acts upon information taken from the P3D Report, nor will we be liable to assist with any trading advice outside the written materials presented on the P3D Trader sheet.
- A specialized report can be provided for a limited group of markets. The P3d Report is also available grouped by US, European and Asian markets.
- Traders wishing to follow a simplified and condensed version of P3d signals for select markets should subscribe to Global Trader reports for those markets.
- The P3d Report is published each evening around 5:30-6:30 PM CST.



GRI P3d 3-Day Micro Pattern Definition Of Terms

The Pattern Resolution:

The GRI P3d pattern definition and search engine operates at multiple levels of resolution, from low to high. It then weights, blends, and averages the various output to arrive at a reasonable single predictive opinion.

Low resolution patterns are heavily populated, often containing several tens of thousands of matches. These low res patterns have very high statistical reliability but - although they sometimes do show a bias - usually approach even odds (50/50) for predicting action in the following 1-3 days.

Medium resolution patterns begin to capture more of the specific identity of recent market action, with a reduced population of matches and likelihood of more definitive bias. These are the patterns weighted most heavily by the proprietary GRI Select averaging system as seen in both the GRI P3d 3-Day Micro Pattern Report and in the GRI Global Trader.

The high resolution patterns contain very few events and, although they may most exactly represent the specific test pattern upon which we would like to make a prediction, the usual low number of events reduces statistical reliability, and thus predictive value, greatly, although they are usually informative and can often enhance one's understanding of the overall pattern.

Matches:

When the P3d engine defines and identifies a pattern based upon the last 3 days of trade, it searches a catalog of over 6 million distinct patterns going back 40 years to find a match at each level of resolution if possible. The number of matches displayed for each level of pattern resolution is used to calculate the statistical reliability of the predictions made at that level. The higher the number of matches - the higher the predictive reliability. Often the defined pattern is unique at a high resolution level (i.e., it has never occurred before at that level) and so no results for that resolution are displayed.

Range Odds (Rally and Break):

These percentages represent the probability, taken from the population of exact matches of a specific pattern, of the market taking out the previous day's (Day0) high or low. To be treated as significant, probabilities should be both high (at least above 55%) and proportionally greater than the opposite indicator. Some examples: a Rally/Break probability of 70%/67% is not very useful for predicting a directional bias, as both up and down moves are highly probable. Also, a Rally / Break probability of 40%/20% is probably meaningless even though a rally is twice as likely as a break for this pattern. However, a probability of 60%/30% should be meaningful for any trader.

Because of inside and outside days, these probabilities will frequently combine to be greater or less than 100%. Note that these probabilities will increase as they project out to +2 and +3 days, as they measure only IF the high and low for the last day of the pattern (Day0) has been violated - not when. However, their rate of increase will often be an indicator of future direction potential.

Targets (Highs and Lows):

Target Highs for Day+1 represent the accumulated proportional average of the next day's high for every match of that specific pattern. For example, if, in May Sugar, a pattern at resolution level 5 occurred 100 times in the past 40 years, then the Target High would represent the average of all the next day's (Day+1) highs for each of those 100 events, expressed in correct proportion to the current price of May Sugar.

The Target High and Low values for Day+2 and Day+3 use the highest high and lowest low achieved by that day to calculate the averages. Thus, these calculations represent targets spaced progressively higher and lower from the Day0 close, and can give a good idea of movement potential in either direction over the next 3 days.

Closing Odds (Higher or Lower):

This section displays, for each pattern, the probability of the next day's (Day+1) close being higher or lower than the previous (Day0) close. These odds will frequently combine to give a value less than 100% because of neutral closes. These probabilities are calculated only for Day+1 as they rapidly approach 50/50 odds into the future and so are not very useful as predictors.

Some things to keep in mind...

- Note that the odds given for a higher or lower close will often reflect a reverse bias from the Range (Rally/Break) odds. That is, the Closing Odds may be 55%/43% while the Range Odds might be 41%/66%. While this may seem incongruent, it is perfectly legitimate, and will frequently predict actual events. In the example above one might see the market break early to take out yesterday's low, but then recover and close higher for the day.

- Don't confuse high probabilities with large price movement expectations. A 75% chance of a break does not necessarily mean a limit down move is expected, it only means that the market has a 4/1 chance of making lower lows than yesterday.

- If a market shows no strong bias (50/50), then don't just assume that market will simply be steady the next day. It may mean that this specific pattern is not a reliable predictor of direction the next day, and the market might end up making a strong directional move. Only Range odds well below 50% for EACH SIDE (i.e., 30%/26%) might reasonably be interpreted as predicting a neutral day.

- The odds for any given pattern scenario are just that - simple probabilities. Markets are influenced by more than just the last 3 days of activity. They are affected by multiple levels of underlying trend, by recent volatility, by scheduled and unscheduled fundamental events, and by many other factors. These patterns represent the amalgamation of over 40 years of activity under a variety of conditions. So please remember... If there is a 60% chance of a rally, then there is also a 40% chance of NO RALLY that day.

- Use this sheet wisely. It is designed as a trading tool which, when used with other valid analytical tools, might give a trader just a bit more of an edge than he would have without it. Don't expect this tool to dominate all signals derived from other types of analysis. And don't forget to use sound risk management on any trade.