MIDAS TECHNICAL ANALYSIS

A VWAP Approach to Trading and Investing in Today’s Markets

Andrew Coles and David G. Hawkins

BLOOMBERG PRESS
An Imprint of WILEY
Contents

Introduction  xiii
    Andrew Coles

Biographical Sketch, Paul H. Levine  xix
    David G. Hawkins

Acknowledgments  xxi

PART I: STANDARD MIDAS SUPPORT AND RESISTANCE CURVES

CHAPTER 1  
MIDAS and Its Core Constituents: The Volume Weighted Average Price (VWAP) and Fractal Market Analysis  3
    Andrew Coles

MIDAS and Its Two Key Backdrops: VWAP and Fractal Market Analysis  4
The MIDAS Approach as a Genuine Standalone Trading System  20
Summary  26

CHAPTER 2  
Applying Standard MIDAS Curves to the Investor Timeframes  29
    David G. Hawkins

Definitions of Timeframes—The Triple Screen Trading Methodology  29
MIDAS Curves within the Triple Screen System  31
The Basic Behavior of the MIDAS Support/Resistance Curves  31
Equivolume Charting  32
What Price Should Be Used?  35
Support/Resistance Becomes Resistance/Support  35
Distinguishing an Uptrend from a Trading Range  39
The Foothill Pattern  40
A Trading Range Turning into a Downtrend  41
Tracking a Trend with a Hierarchy of MIDAS Curves  43
MIDAS S/R Curves for Entry Setups and Triggers  46
Same Launch Point, Different Timeframes  48
Special Start Points—The Left Side  50
Special Start Points—The Initial Public Offering (IPO)  53
Special Starting Points—The Down Gap and Its Dead Cat Bounce  55
Special Starting Points—The Highest R and the Lowest S  57
Summary  59
Using Exchange-Traded Funds Instead of Market Indices | 202
MIDAS Applied to Long- and Very Long-Term Timeframes | 205
Back to 1871 | 209
Inflation Adjustment | 209
A Closer Look at the Very Long-Term | 211
The Very Long-Term Horizontal S/R Levels | 213
The Bavarian Deer Herd | 214
What Can Be Said about the Very Long-Term Future? | 215
Summary | 218

CHAPTER 7
EquiVolume, MIDAS and Float Analysis | 219
David G. Hawkins
The Basic Principle—"Volume Leads to Volume" | 219
Why Does Price Projection Work? | 221
The Connection between Price Projection and the Topfinder/Bottomfinder | 223
Using Price Projection | 224
Steve Woods' Float Analysis | 227
Volume Periodicity | 230
Summary | 237

CHAPTER 8
Putting It All Together | 239
David G. Hawkins
Trend Following | 239
Calling Bottoms | 249
Base Breakouts | 251
Summary | 254

PART IV: NEW DEPARTURES

CHAPTER 9
Standard and Calibrated Curves | 257
David G. Hawkins
Discovering the Calibrated Curves | 257
Examples | 258
Summary | 267

CHAPTER 10
Applying the MIDAS Method to Price Charts without Volume: A Study in the Cash Foreign Exchange Markets | 269
Andrew Coles
MIDAS and Cash Foreign Exchange Markets | 269
A Comparison of the MIDAS S/R Curves Using Cash FX Intraday Tick Data and Intraday Futures Volume Data | 270
A Comparison of the MIDAS Topfinder/Bottomfinder Curves Using Cash FX Intraday Tick Data and Intraday Futures Volume Data | 273
Options in the Cash Foreign Exchange Markets for Higher Timeframe Charts | 275
Options 1 and 3—Replacing Cash Forex Markets with Futures Markets or Currency ETFs/ETNs 276
Using MIDAS S/R Curves in Markets without Volume: The Daily and Weekly Cash FX Charts 277
Using MIDAS Topfinder/Bottomfinder Curves in Markets without Volume: The Daily and Weekly Cash FX Charts 280
Summary 283

CHAPTER 11
Four Relationships between Price and Volume and Their Impact on the Plotting of MIDAS Curves 285
Andrew Coles
Relationships between Price and Volume Trends and the Four Rules Affecting the Plotting of MIDAS Curves 286
Applying the Rules to Applications of Standard and Nominal MIDAS S/R Curves 290
Using Relative Strength or Ratio/Analysis 294
Summary 296

CHAPTER 12
MIDAS and the CFTC Commitments of Traders Report: Using MIDAS with Open Interest Data 297
Andrew Coles
An Overview of Open Interest and Open Interest Data Options 298
The Orthodox Interpretation of Changes in Open Interest 299
A First Look at Standard MIDAS Support/Resistance Curves with Open Interest 300
Pursuing MIDAS and Open Interest More Deeply 302
Concise Overview of the Commitment of Traders (COT) Report 302
Understanding the Main Players in the Legacy Report 303
Identifying the Key Players in the COT Report 304
Choosing the Appropriate Category of Open Interest 307
MIDAS and Total Open Interest 308
Choosing between Commercial and Noncommercial Positioning Data 312
Measuring the Market with Commercial Net Positioning Data 315
MIDAS and COT Report Timing 318
Comparing the Commercial Net Positioning Indicators with MIDAS using Noncommercial Net Positioning Data 319
Additional Reading 327
Summary 328

CHAPTER 13
Price Porosity and Price Suspension: The Causes of these Phenomena and Several Partial Solutions 331
Andrew Coles
Porosity and Suspension Illustrated 332
Identifying the Cause of the Two Phenomena 333
Solving the Problem of the Two Phenomena 334
Summary 342
APPENDIX A
   Programming the TB-F 403
   David G. Hawkins

APPENDIX B
   MetaStock Code for the Standard MIDAS S/R Curves 411
   Andrew Coles

APPENDIX C
   TradeStation Code for the MIDAS Topfinder/Bottomfinder Curves 413
   Bob English

Notes 417
About the Authors 433
Index 435