# CYMO PRO CHEAT SHEET

## *Introduction*

**Date: July 29, 2024**

CYMO Pro setups represent potential trading opportunities that occur when specific CYMO indicator patterns are present. There are 2 rudimentary types of CYMO setups; cycle setups that forecast price reversals and momentum setups that forecast price continuation.

Cycle setups occur when prices are moving in one direction, either up or down, and are now expected to reverse direction. Momentum setups occur when an overall momentum is identified (bullish or bearish) and cycle has room-to-run in the same direction as momentum.

Cycle setups have well-defined entry and exit conditions whereas momentum setups are more nuanced. CYMO's cycle setups are akin to swing day-trading and momentum setups are akin to momentum day-trading. CYMO was designed to trade the e-mini/e-micro index futures but may work in other markets as well.

Oscillators are a class of technical indicator that can be used to trade reversals. Classic oscillators such as the RSI and Stochastic react to changes in market prices rather than anticipating them. CYMO's cycle indicator is unique in that it was developed to anticipate market turning points.

CYMO's momentum indicator combines both anticipatory and reactive components to assess changes in market momentum quickly and with less whipsaws than its classic momentum counterparts such as the MACD. Taken together CYMO's cycle and momentum indicators provide futures traders with cutting-edge tools for short-term swing and momentum trading.

## Cycle Setup - Details

A long cycle setup occurs when the cycle (cyan line) indicator crosses over 0 while momentum (yellow line) is falling and below 0. Similarly, a short cycle setup occurs when the cycle indicator crosses under 0 while momentum is rising and above 0.

When the market is cycling between support and resistance levels, the CYMO cycle indicator leads while the momentum indicator follows, each in a sine wave pattern. Cycle is faster and thus earlier but typically weaker whereas momentum is slower and thus later but typically stronger. The highest probability cycle setup condition occurs when both cycle and momentum have large amplitude swings and clean sine wave patterns just prior to the setup.

As mentioned, momentum must be falling when cycle crosses over 0 for a long cycle setup. We are expecting momentum to reverse to the upside, usually within a few bars after the setup. Once momentum reverses, we then expect it to continue upward and cross over 0 or higher. If momentum does in fact reverse but then goes flat or turns downward before the trade becomes profitable, a trader may choose to exit or reverse their position to minimize losses.

The chart below shows a 15 minute chart of NQ on 7/23/2024. The green arrow points to a long CYMO cycle setup occurring at 1:15 PM (Eastern) and the red arrow points to a short CYMO cycle setup occurring at 2:45 PM. Both cycle and momentum exhibit a well-defined sine wave pattern throughout the day indicating the market is in cycle mode.

A trader could have entered a long position at 1:30 and exited when momentum crossed over a threshold. The threshold is at the trader's discretion where 0.4 to 0.8 are typical for long trades. A more conservative trader may have chosen a threshold of 0.0. Over time, this more conservative approach would result in a higher win percentage but lower profit per trade.

Next a short cycle setup occurred at 2:45 PM with cycle crossing under 0 and momentum rising and above 0. A trader could have taken a short position on the 2:45 bar and closed the position at the session end between 4 :00 PM and 4:15PM. Note that cycle setups take a few bars for a reversal to form. For this reason, a trader may choose not to trade cycle setups with less than an hour remaining in the session.

## Momentum Setup - Details

A momentum setup occurs (a) when the momentum indicator provides direction; being either mostly above (below) zero over the past several bars or moving up (down) with conviction over the past several bars and (b) cycle is at or near its maximum room-to-run in the same direction as momentum. Momentum setups tend to be more nuanced than cycle setups and thus require a bit more explanation.

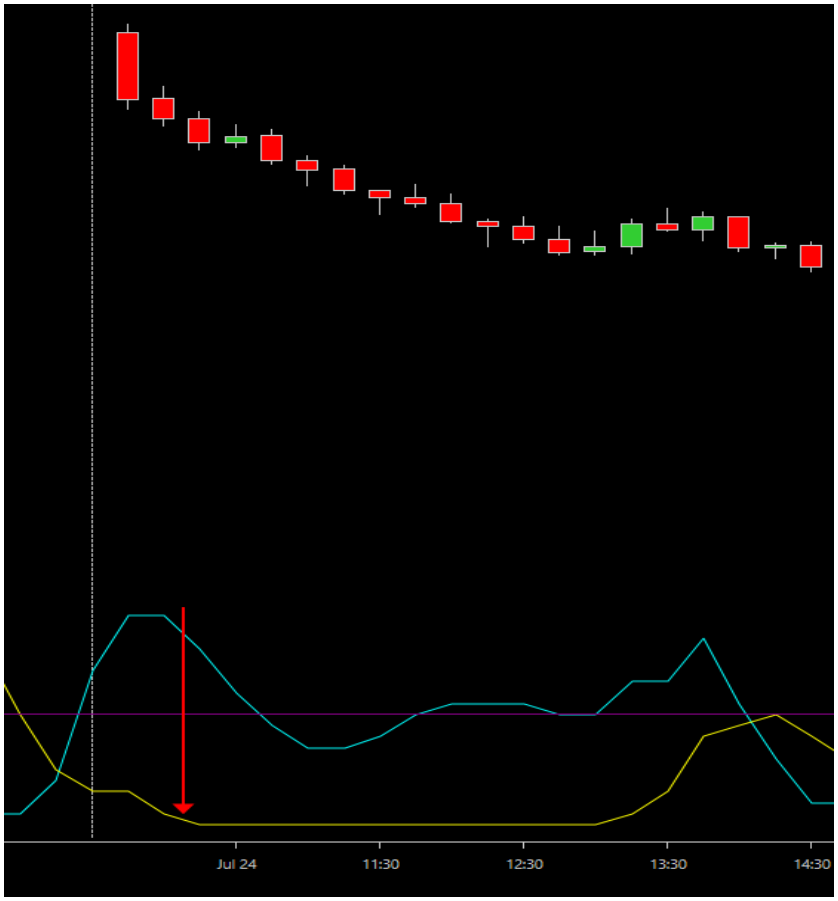
As a quick review, each CYMO indicator ranges from -1 to +1, showing the indicator strength but also anticipating direction in the case of the cycle indicator. We can define the beginning of a half-cycle period as the cycle peak or valley. When at a cycle peak (or valley), the cyclic component of prices has its maximum room-to-run in the opposite direction.

Momentum values mostly or entirely above zero are bullish and vise-versa. Consider a case with momentum fluctuating up and down but mostly above zero over the past few bars. In this case, momentum would be said to be overall bullish. We can combine our overall bullish (bearish) definition with the unique characteristic of the cycle indicator at a peak (valley) to identify a momentum setup.

A momentum setup takes advantage of the cycle's phase at a point where the cycle has its maximum room-to-run. Unlike a cycle setup with its' expectation of a reversal, a momentum setup expects recent price action to continue (up or down) for a duration that's long enough to be profitable once the setup has been identified.

When momentum is weak it tends to fluctuate above and below zero making momentum difficult to assess. But when momentum fluctuates (or not) while remaining entirely or mostly above zero, it can be construed to be bullish (and vise-versa for the bearish case). The trick is to enter at or near the point where the cycle has the most room-to-run in the same direction as momentum. In this way, we are using the cycle indicator to anticipate continued momentum.

**Consider the figure below showing a 15min chart of NQ on 7/24/2024.**




Note the red arrow in the chart pointing to the second 15 minute bar. On the previous day, we see what appears to be a bullish cycle setup and it was except for the fact that it occurred near the end of the previous session (as stated earlier, a cycle trade takes time to develop so the cycle setup long trade would not have been taken on July 23rd end of day).

For illustrative purposes, assume that the bullish cycle setup instead occurred in the AM on July 24th. If this were the case, the long cycle setup would be cause for a long trade in anticipation of a momentum reversal. The trade would have looked good for the first 2 bars but then after flattening, momentum turned down again alerting the trader to the trade's failure (why?).

We construed this hypothetical example to show how a failed swing trade can often become a successful momentum trade. When the expected reversal does not occur, momentum is strongly bearish when cycle is at a peak with maximum room-to-run in the bearish direction.

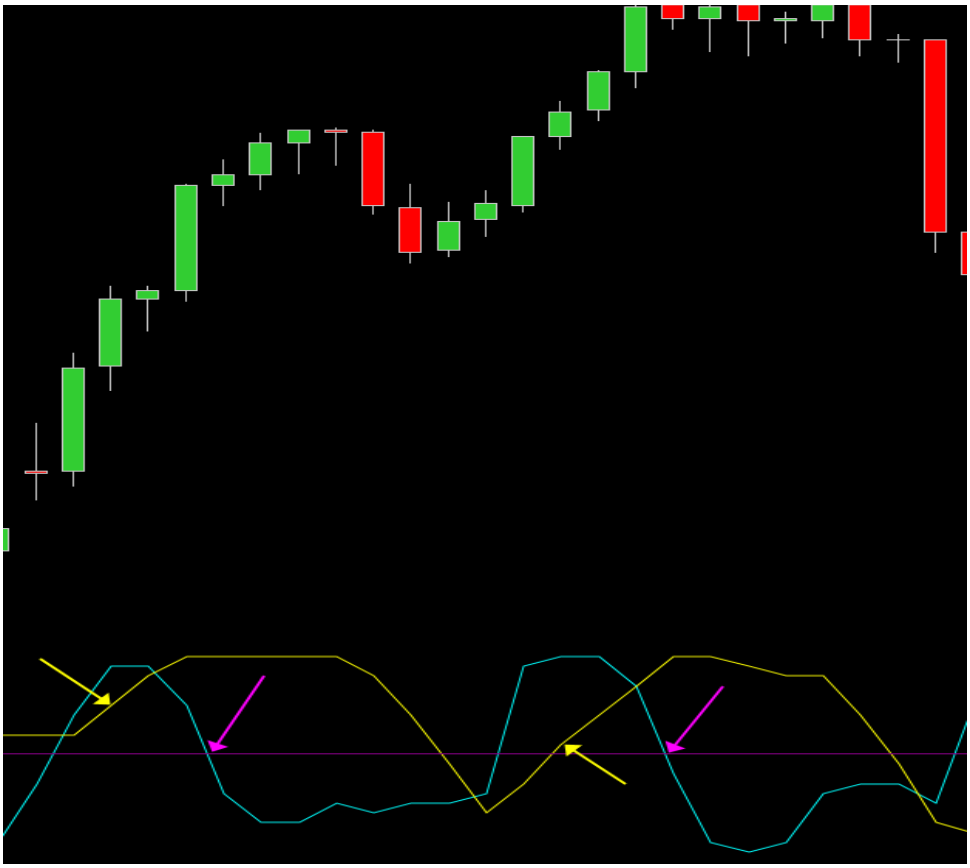
So, if we look at the red arrow in the chart from the perspective of a momentum trade, we see that momentum was weak (about -0.8) and became even weaker (-1) at a time where cycle was at a peak with cycle's maximum room-to-run in the direction of momentum (bearish).

Next, we illustrate a more nuanced momentum setup example. In the real-world, price action is a combination of some cyclic and some trending components (plus noise). We seldom have the luxury of taking a momentum trade at an exact cycle peak or valley. However, just like in horseshoes, "good enough" can provide the edge you need to win.

The chart below shows ES prices on July 12, 2024 using 15 minute bars. The two yellow arrows point to long momentum setups where a cycle setup is not in effect and the two indicators begin moving up together. The magenta arrows point to bars where exits are to be considered.

The day began bullish with momentum remaining well-above zero. Cycle was rising but with weak amplitude. Bullish momentum is dominating price action this morning.

The left-most yellow arrow points to the first of two long momentum setups. Momentum had been strong but flat and then turned up again and cycle was in the upward part of its phase. A bullish momentum trade could have been entered at the open or on the subsequent bar.



A conservative trader could then have exited when cycle crossed under zero whereby a more aggressive trader might have held through the slight downturn based on momentum strength.

At 10:00 AM cycle crosses over 0 but momentum was flat and not below zero so this doesn't meet the criteria for a cycle long setup. By 10:15 AM, momentum had resumed upward and cycle was continuing upward so this represents another long momentum setup, again with cycle moving in the bullish direction but with less than half its room to run. In this case cycle didn't matter because once again momentum had been at or above zero throughout the day.

## Conclusion

Market prices can be modeled as consisting of continuously varying proportions of cyclic, momentum, and noise components. When the market is dominated by noise, trading is not advised. When noise dominates price action, CYMO setups are infrequent and not well defined. Under these conditions, the cycle and momentum indicators typically meander and show little consistency toward ranging or trending.

A long (short) cycle setup occurs when cycle crosses over (under) zero with momentum falling (rising) and below (above) zero. The cycle setup occurs at a price valley (peak). After that, momentum is expected reverse to the upside (downside) within several bars. The trade is closed when momentum crosses over (under) a threshold. When the market mode is cyclic, both indicators look like well-defined sine waves with momentum lagging behind cycle.

CYMO Momentum setups occur when a cycle setup is not in effect and cycle and momentum begin to move in the same direction, either up together or down together. A momentum trade becomes a trend trade when momentum reaches a peak (+1) in the case of a long trade, or a valley (-1) in the case of a short trade. In the case of a trend trade, a momentum exit is signaled when momentum falls from a peak (long trade) or rises from a valley (short trade).

When not in a trend, a momentum trade exit is at the discretion of the trader (as are all entries and exits) and can be either (a) when cycle or momentum diverge, (b) cycle crosses over/under zero, or (c) when momentum falls from a peak or rises from a valley.

It's certainly not necessary to master both swing and momentum trading to use CYMO Pro effectively. A trader may choose to trade just one setup type based on their own propensity and temperament. As an example, a trader who tends toward being a contrarian may choose to only trade reversals using CYMO cycle setups whereas a market momentum trader may choose to primarily trade the CYMO momentum setups while using the cycle setups as confirmation.