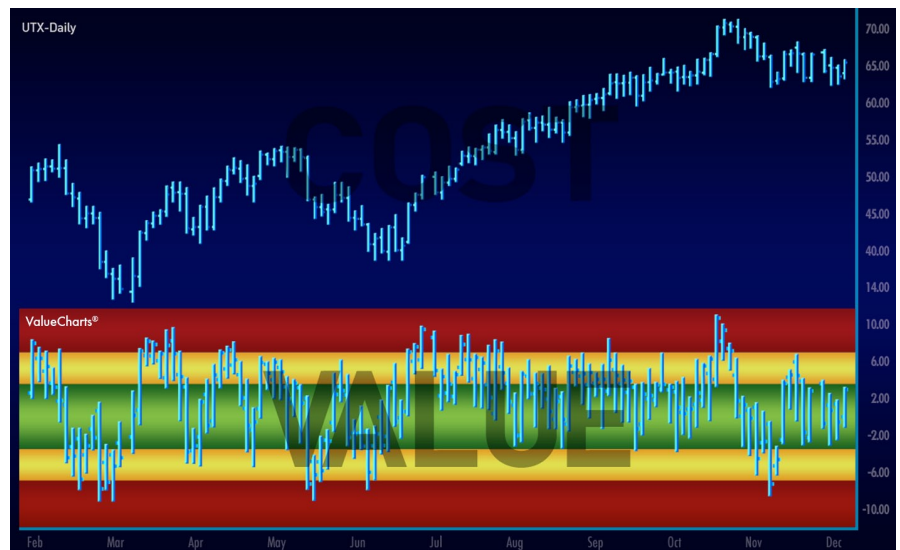


# INTRODUCTION TO VALUECHARTS® AND PRICE ACTION PROFILE®



## What are ValueCharts®?

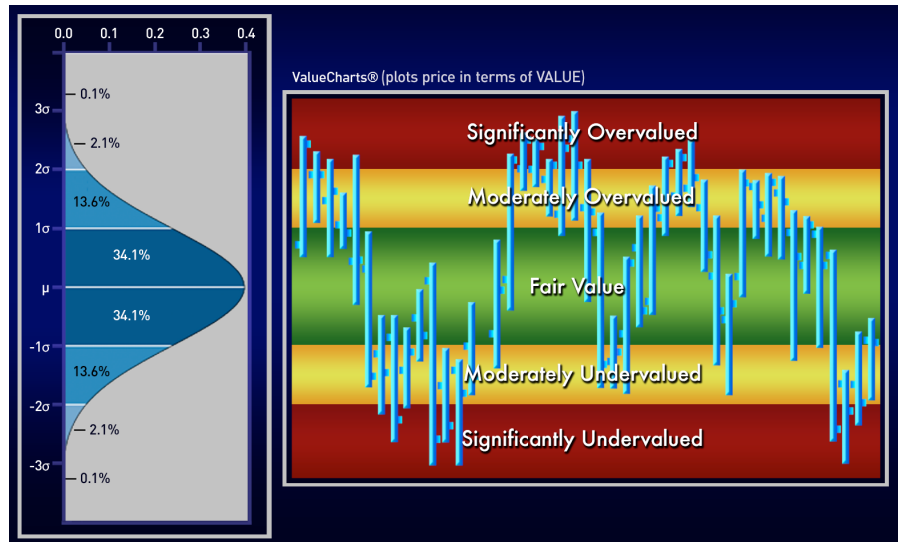
Simply put, ValueCharts® are an innovative new price modeling system that display price charts in terms of value. Most traders and investors have always assumed that there is only one way to view price – displaying price in terms of cost. Charting price in terms of cost involves plotting price in absolute terms with respect to zero. Cost is an absolute measure. Traditional bar charts represent the most widely referenced technical tool in the investment industry today. Although traditional bar charts will always be important, we now know that there is another key component to price – which is value. ValueCharts® are like the Blue Book for the markets.





## Determine the Valuation of any Market

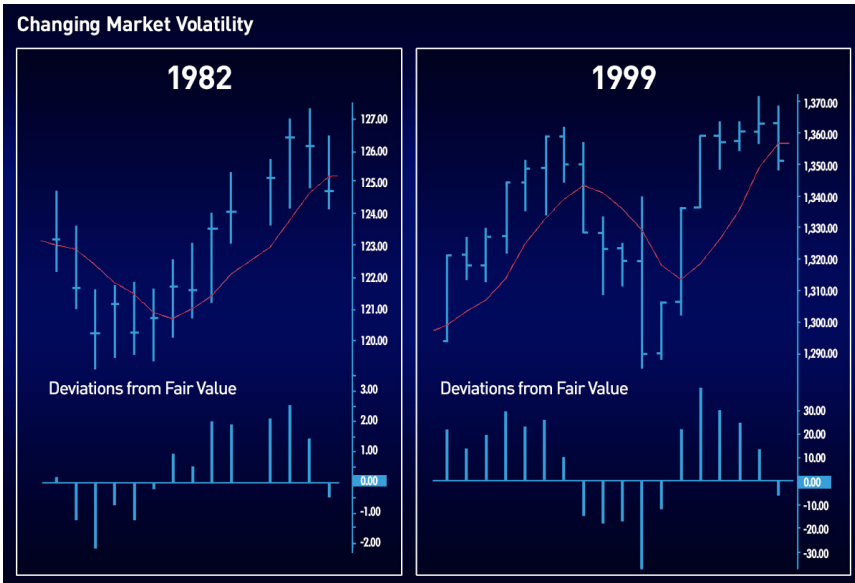
How can we define market valuation? On a very basic level, market valuation has been considered to be a single average of recent transactional price history. When we shop for a used car, we reference the Blue Book User Car Buyers Guide to determine "fair value." MicroQuant<sup>SM</sup> leads the investment industry in the new science of market valuation. As we will soon discover, valuation is more accurately defined by a price continuum that a single price average, and "fair value" is more accurately defined as a price range rather than a single price level. ValueCharts<sup>®</sup> make determining market valuation easy by classifying five unique valuation zones as follows:



## ValueCharts<sup>®</sup> Use Adaptive Price Units

Although that idea of using a simple average to represent a basic understanding of market valuation is nothing new, defining the degree that a market is overvalued or undervalued represents a breakthrough. The major obstacle in defining the degree a market is overvalued or undervalued has been changing market volatility. The chart below shows that deviations from a mean price average in 1982 were  $\pm 3$  points. However, in 1999, deviations from the mean price average were  $\pm 30$  points – ten times as volatile! Because of changing market volatility, we cannot use fixed price units to define the degree of overvaluation or undervaluation of a market.

ValueCharts<sup>®</sup> overcome this problem by utilizing specialized, adaptable price units called Dynamic Volatility Units<sup>SM</sup>. By using these specialized adaptable price units, ValueCharts<sup>®</sup> overcome the problem of changing market volatility. Dynamic Volatility Units<sup>SM</sup> make it possible to define the degree that a market is overvalued or undervalued through changing market volatility.



**Determine the Degree that Price is Overvalued or Undervalued**

While ValueCharts® are used to define market valuation, Price Action Profile® are used to define the degree that a market is overvalued or undervalued. A Price Action Profile® displays the frequency that ValueCharts® price bars trade above, below, and within each ValueCharts® price interval (Dynamic Volatility Units<sup>SM</sup>).

**Precision Trading Signals**

In recent years, most of the game changing technology in every industry is related to information technology. ValueCharts® and Price Action Profile® represent powerful, 21st century trading tools that help traders identify precision market entry and exit points. We now have a way to understand what the market considers Fair Value, Overvalued, and Undervalued. And more importantly, for the first time in history, we can define the degree that a market is overvalued or undervalued for a given timeframe. Valuation is time-dependent. Traders can apply ValueCharts® and Price Action Profile® to a 14 day period (14 daily price bars), 21 hour period (21 60-minute price bars), or a 5 week period (5 weekly price bars). ValueCharts® enable traders to understand market valuation as defined by market participants. Now that is power!

