CHAPTER 1

The Foundation of The Quarters Theory

Price is the most basic and most important unit of information available to a trader. Price represents the monetary value assigned to goods, services, and assets. In the financial markets, price is the numerical monetary value of equities, commodities, currencies, and other financial assets, determined as a result of an exchange or trade transaction between market participants. Price is measured by numbers grouped as mathematical objects in a numeral system.

Most countries in the world, with the exception of two, Mauritania and Madagascar, use the decimal numeral system. The decimal system is a *positional* numeral system; it has positions for units, tens, hundreds, and so forth. The reason for the choice of *ten* as the unit is assumed to be because humans have ten fingers (digits). In many languages the word *digit* or its translation is also the anatomical term referring to fingers and toes. In English, *decimal* (Lat. *decimus*) means "tenth," *decimate* means "reduce by a tenth," and *denary* (Lat. *denarius*) means the "unit of ten."

The writing of numbers in the base-ten numeral system is known as *decimal notation* and uses various symbols, called *digits*, for ten distinct values 0, 1, 2, 3, 4, 5, 6, 7, 8 and 9 to represent numbers. The most universally used numbers are the whole numbers as part of the real numbers. The real numbers include:

Whole numbers (0, 1, 2, 3, . . .)
Natural (counting) numbers (1, 2, 3, . . .)
Integers (. . . , –2, –1, 0, 1, 2, . . .)
Rational numbers (any integer divided by any non-zero integer)
Irrational numbers (any real number that is not rational)

TABLE 1.1 Table of Whole Numbers

• 0	1	2	3	4	5	6	7	8	9
• 10	11	12	13	14	15	16	17	18	19
• 20	21	22	23	24	25	26	27	28	29
• 30	31	32	33	34	35	36	37	38	39
• 40	41	42	43	44	45	46	47	48	49
• 50	51	52	53	54	55	56	57	58	59
• 60	61	62	63	64	65	66	67	68	69
• 70	71	72	73	74	75	76	77	78	79
• 80	81	82	83	84	85	86	87	88	89
• 90...									
100...									

Every counting number is also a whole number; every whole number is also an integer; and every integer is also a rational number. The whole numbers include the number 0 and all of the counting numbers. Because the decimal system is a base-ten numeral system, a value of 10 in one position is equal to a value of 1 in the position to the left. For example, ten ones equal one ten, ten tens equal 100, ten 100s equal 1000, and so forth. Let us glance through the table of whole numbers in Table 1.1.

Have you noticed the first number in each row? The number 10 is the base and we know that the first number in each row of this table (except for the number 0) can be represented as a set of ten. The first number in each row of the table of whole numbers represents a critical junction that marks the end of a previous set and, at the same time, the beginning of a new set of ten numbers. For example, the number 10 marks the end of the set of ten single digits and the beginning of a new set of ten double-digit numbers known as the *teens*; the number 20 marks the end of the teens set and the beginning of the *twenties*; and so forth. Because of their significance, The Quarters Theory gives the name *Major Whole Numbers* to the first numbers in each row of the table of whole numbers.

Currency exchange rates are determined by comparing the numerical monetary value of one currency against another measured in whole numbers. Currencies are grouped in pairs: EUR/USD, USD/JPY, GBP/USD, and so forth. The first listed currency of a currency pair is the *base currency*, or the unit that is compared to the second *quote currency* used to assess the value of the base currency. The precision needed to represent currency exchange rates requires the use of decimal whole numbers. These digits have a decimal point that indicates the start of a fractional part (1.1, 1.2, 1.3, etc.). Digits are placed to the left and right of a decimal point in order to indicate a number less than or greater than 1. For example, an exchange rate of $1.35 for the EUR against the USD (EUR/USD) indicates that the

value of one Euro unit is greater than one U.S. dollar. On the other hand, an exchange rate of $0.70 for the Australian dollar against the U.S. dollar (AUD/USD) shows that the value of one Australian dollar unit is less than one U.S. dollar.

The Major Whole Numbers can be easily distinguished in currency exchange rates even with the decimal point numeral representation. The Quarters Theory considers the parity level of *one-for-one* exchange rate as the *benchmark* Major Whole Number in currency exchange rates. The Major Whole Number 1.0000 represents the par value between two currencies. For example, an exchange rate of exactly $1.0000 for the EUR/USD pair indicates a parity value of $1 for one Euro. If the EUR increases in value by ten cents against the USD, the EUR/USD exchange rate will exceed the par level and will reach another Major Whole Number at $1.1000. Additional 10-cent increase above $1.1000 will see the EUR/USD exchange rate reaching another Major Whole Number at $1.2000. Every one of the Major Whole Numbers in currency exchange rates represents a critical junction that marks the end of a previous set and, at the same time, the beginning of a new set of ten numbers. For example, if the EUR/USD pair's exchange rate reaches $1.2000, the Major Whole Number 1.2000 would mark the end of the set of ten numbers: 1.10, 1.11, 1.12 . . . 1.19 (or the *dollar teens*) and the beginning of a new set of ten numbers: 1.20, 1.21, 1.22 . . . 1.29 (or the *dollar twenties*).

Currency decimalization has caused traditional denominations of currencies to be converted to the decimal system. Through the process of currency decimalization, one unit of the main currency is usually divided into 100 subunits. For example, 1 dollar and 1 Euro are divided into 100 cents, 1 pound into 100 pence, 1 franc into 100 centimes, and so forth. For even more precision, currency exchange rates are decimalized even further by dividing the subunits (1 cent, 1 penny, 1 centime) or the main unit of some currencies (e.g., 1 yen) into 100 additional subunits, called *Price Interest Points (PIPs)*. A PIP is the smallest unit of price for any foreign currency (e.g., for EUR/USD one PIP—Price Interest Point—equals .0001 U.S. dollar). Whether the subunit is 1 cent, 1 penny, 1 centime, or 1 yen, each has 100 PIPs; 10 cents, 10 pence, 10 centime, or 10 yen have 1000 PIPs; 1 dollar, 1 Euro, 1 pound, 1 franc, or 100 yen have 10,000 PIPs, and so forth.

The Quarters Theory recognizes that when represented in terms of PIPs, the distance of 10 cents, 10 pence, 10 centimes, 10 yen, and so on between each two Major Whole Numbers establishes well-defined ranges of exactly 1000 PIPs. Each one of these 1000 *PIP Ranges* between two Major Whole Numbers has 9 other whole numbers. Increments of 1 unit (1 cent, 1 penny, 1 centime, 1 yen, etc.) equal to 100 PIPs separate each two whole numbers. The distance between two whole numbers defines a smaller range of exactly 100 PIPs.

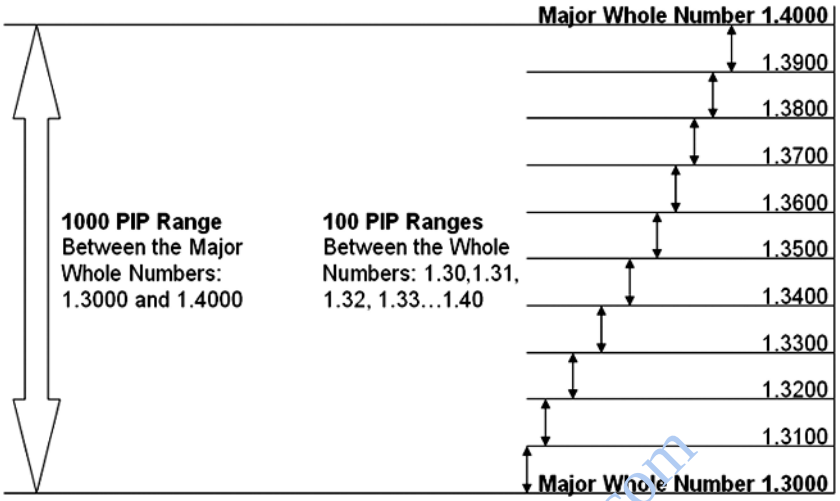

FIGURE 1.1 1000 PIP Range between the Major Whole Numbers 1.3000 and 1.4000

Consider the illustration in Figure 1.1 showing the 1000 PIP Range between the Major Whole Numbers 1.3000 and 1.4000. The Major Whole Number 1.3000 represents a critical junction that marks the end of a previous 1000 PIP Range between the major Whole Numbers 1.2000 and 1.3000 and, at the same time, the beginning of the 1000 PIP Range between 1.3000 and 1.4000. The Major Whole Number 1.4000 marks the end of the 1000 PIP Range between 1.3000 and 1.4000 and, at the same time, the beginning of another 1000 PIP Range between 1.4000 and 1.5000. Within the Major Whole Numbers 1.3000 and 1.4000, there are 9 other whole numbers: 1.31, 1.32, 1.33, 1.34, 1.35, 1.36, 1.37, 1.38 and 1.39. The distance between each one of the whole numbers 1.3000 and 1.3100, 1.3100 and 1.3200 . . . , 1.3900 and 1.4000 marks ten smaller ranges of 100 PIPs each within the large 1000 PIP Range between the Major Whole Numbers 1.3000 and 1.4000.

THE QUARTERS

A *quarter* is one of four equal parts of something. It can be one-fourth of an hour, one-fourth of a kilo or a pound, or with money, it is the U.S. or the Canadian coin equal to one-fourth of a dollar.

The Quarters Theory focuses on the 1000 PIP Ranges between the Major Whole Numbers in currency exchange rates and divides these ranges into four equal parts, called *Large Quarters*. Each 1000 PIP Range contains

four Large Quarters and each Large Quarter has exactly 250 PIPs (1000 PIP Range/4 = 250 PIPs). The numbers that mark the beginning and the end of each Large Quarter are given the name *Large Quarter Points*. The Large Quarter Points that coincide with Major Whole Numbers are also called *Major Large Quarter Points*, because they represent critical junctions that signal the end of a previous and, at the same time, the beginning of a new 1000 PIP Range. The exact half point of each 1000 PIP Range coincides with a Large Quarter Point and is also called the *Major Half Point* of the 1000 PIP Range.

The illustration in Figure 1.2 shows the 1000 PIP Range between the Major Whole Numbers 1.3000 and 1.4000 divided into four equal parts or four Large Quarters of 250 PIPs. The four Large Quarters are marked by the Large Quarter Points: 1.3000 and 1.3250, 1.3250 and 1.3500, 1.3500 and 1.3750, 1.3750 and 1.4000. Note that the Major Large Quarter Points are also the Major Whole Numbers 1.3000 and 1.4000 that define the 1000 PIP Range. The exact half point of the 1000 PIP Range between 1.3000 and 1.4000 is the Large Quarter Point 1.3500 (LQP 1.3500), which is also the Major Half Point of the 1000 PIP Range between 1.3000 and 1.4000.

The 100 PIP Ranges between two whole numbers in currency exchange rates are also divided by The Quarters Theory into four equal parts called *Small Quarters*. Each 100 PIP Range contains four Small Quarters and each Small Quarter has exactly 25 PIPs (100 PIP Range/4 = 25 PIPs). The numbers that mark the beginning and the end of each Small Quarter are

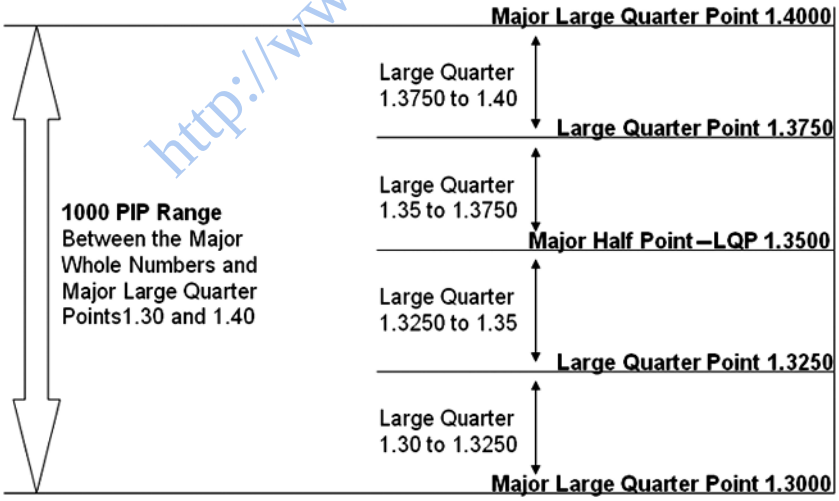

FIGURE 1.2 1000 PIP Range between the Major Whole Numbers 1.3000 and 1.4000 Divided into Four Equal Parts or Four Large Quarters of 250 PIPs

given the name *Small Quarter Points*. The Small Quarter Points that coincide with Whole Numbers are also called *Major Small Quarter Points*, because they represent critical junctions that signal the end of a previous and, at the same time, the beginning of a new 100 PIP Range. The exact middle point of each 100 PIP Range coincides with a Small Quarter Point and is also called the *Half Point* of the 100 PIP Range.

Figure 1.3 shows the 100 PIP Range between the Whole Numbers 1.3000 and 1.3100. The 100 PIP Range is divided into four equal parts or four Small Quarters of 25 PIPs. The four Small Quarters are marked by the Small Quarter Points: 1.3000 and 1.3025, 1.3025 and 1.3050, 1.3050 and 1.3075, 1.3075 and 1.3100. Note that the Major Small Quarter Points are also the Whole Numbers 1.3000 and 1.3100 that define the 100 PIP Range. The exact middle point of the 100 PIP Range between 1.3000 and 1.3100 is the Small Quarter Point 1.3050, which is also the Half Point of the 100 PIP Range between 1.3000 and 1.3100.

Two of the Large Quarter Points in each 1000 PIP Range always coincide with the Half Point of a 100 PIP Range. The two Large Quarter Points in each 1000 PIP Range that are also Half Points of a 100 PIP Range are the Large Quarter Point positioned 250 PIPs above a Major Large Quarter Point and the Large Quarter Point 250 PIPs below a Major Large Quarter Point. For example, within the 1000 PIP Range between the Major Large Quarter Points 1.3000 and 1.4000, the Large Quarter Point 1.3250, which is 250 PIPs above the Major Large Quarter Point 1.3000, is also the Half Point of the 100 PIP Range between the whole numbers 1.3200 and 1.3300. Within the

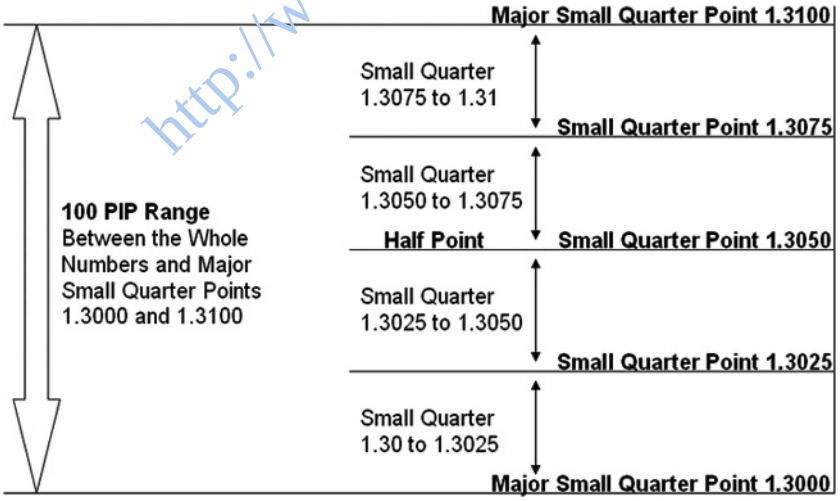

FIGURE 1.3 100 PIP Range between the Whole Numbers 1.3000 and 1.3100

same 1000 PIP Range, the Large Quarter Point 1.3750, which is 250 PIPs below the Major Large Quarter Point 1.4000, is also the Half Point of the 100 PIP Range between the whole numbers 1.3700 and 1.3800.

The Large Quarters within the 1000 PIP Ranges and the Small Quarters within the 100 PIP Ranges may be represented by different digits measuring the exchange rates in a variety of currency pairs, but the price ranges remain constant. The range between two Large Quarter Points is always exactly 250 PIPs, and the range between two Major Large Quarter Points (Major Whole Numbers) is always exactly 1000 PIPs. The same is true for the 100 PIP Ranges and the Small Quarters: The range between two Small Quarter Points is always exactly 25 PIPs and the range between two Major Small Quarter Points (Whole Numbers) is always exactly 100 PIPs, no matter which currency pair and no matter what digits represent the currency exchange rate.

For example, an exchange rate between the EUR/USD may show a 1000 PIP Range between the Major Large Quarter Points 1.3000 and 1.4000 with four Large Quarters of 250 PIPs each between the Large Quarter Points: 1.3000 and 1.3250, 1.3250 and 1.3500, 1.3500 and 1.3750, 1.3750 and 1.4000. On the other hand, the USD/JPY pair may have its exchange rate within the 1000 PIP Range between the Major Large Quarter Points 100.00 and 110.00 yen, with four Large Quarters of 250 PIPs each between the Large Quarter Points 100.00 and 102.50, 102.50 and 105.00, 105.00 and 107.50, and 107.50 and 110.00. Obviously, the Major Whole Numbers and the Large Quarter Points in the exchange rates of these two currency pairs have different digits and numeral representation. However, whether a 1000 PIP Range is between the Major Large Quarter Points 100.00 and 110.00, or the Major Large Quarter Points 1.3000 and 1.4000, the range between two Major Large Quarter Points (Major Whole Numbers) always remains a range of exactly 1000 PIPs. Whether a Large Quarter is between the Large Quarter Points 1.3500 and 1.3750, or between the Large Quarter Points 105.00 to 107.50, the range of each Large Quarter remains the same and is always exactly a range of 250 PIPs.

The Quarters Theory offers universal, constant, and familiar price ranges that allow quick and precise price analysis of any currency pair. The Quarters Theory provides traders with the ability to locate in a matter of seconds the exact 1000 PIP Range, the exact Large Quarter of 250 PIPs, and, with even further precision, the exact 100 PIP Range and the exact Small Quarter of 25 PIPs where the current exchange rate is positioned.

The following is an example of a price analysis of the exchange rates of three currency pairs using the methodology of The Quarters Theory. Table 1.2 shows the currency pairs EUR/USD, USD/JPY, and AUD/USD at specific price levels. The exact positioning of the exchange rate of each one of the currency pairs can be located within the universal, constant price

TABLE 1.2 Price Analysis of Three Currency Pairs Using the Methodology of The Quarters Theory

Currency Pair Exchange Rate	1000 PIP Range	Large Quarter	100 PIP Range	Small Quarter
EUR/USD At 1.2345	1.2000 and 1.3000	1.2250 and 1.2500	1.2300 and 1.2400	1.2325 and 1.2350
USD/JPY At 96.78	90.00 and 100.00	95.00 and 97.50	96.00 and 97.00	96.75 and 97.00
AUD/USD At 0.7134	0.7000 and 0.8000	0.7000 and 0.7250	0.7100 and 0.7200	0.7125 and 0.7150

ranges provided by The Quarters Theory, starting with the exact 1000 PIP Range, the exact Large Quarter of 250 PIPs, and zooming in with even more precision to the exact 100 PIP Range and to the exact Small Quarter of 25 PIPs.

THE PREMISE OF THE QUARTERS THEORY

The Quarters Theory is based on the premise that the daily fluctuations of currency exchange rates are not random and that currency exchange rates fluctuate in an orderly manner between the Large Quarter Points within each 1000 PIP Range defined by two Major Whole Numbers (Major Large Quarter Points). The Quarters Theory proposes that every significant price move in currency exchange rates takes place from one Large Quarter Point to another, in gradual increments of 250 PIPs, the range between two Large Quarter Points.

The Quarters Theory challenges the notion that the financial markets are chaotic and that market prices are random. With its clearly defined, constant price ranges of 250 PIPs and orderly price moves from one Large Quarter Point to the next, The Quarters Theory organizes the daily fluctuations of currency exchange rates in a systematic arrangement. The Quarters Theory provides the roadmap—the 1000 PIP Ranges divided in four equal parts or four Large Quarters of 250 PIPs each—and establishes the route with a distinct starting point and a clear destination—every significant price move begins at a Large Quarter Point and ends at a Large Quarter Point.

The Large Quarter Points serve as constant support/resistance levels, as well as familiar, invariable price targets. A bullish price breakout above a Large Quarter Point is expected to target the Large Quarter Point

above, and a bearish breakout below a Large Quarter Point is likely to challenge the Large Quarter Point below. When a targeted Large Quarter Point is reached, the Large Quarter is considered to be completed. If prices fail to complete a Large Quarter, the unsuccessful completion of a Large Quarter usually causes a reversal that takes prices back toward the preceding Large Quarter Point. The outcome of both events always leads to a price move that targets a familiar level—a Large Quarter Point. The repetitions of the series of Large Quarter completions from one Large Quarter point to the next, or reversals back toward a preceding Large Quarter Point as a result of unsuccessful completions, regularly manifest themselves as recognizable price patterns in the daily fluctuations of currency exchange rates.

Let us try to recognize these price patterns by following the daily fluctuations of the USD/JPY currency pair's exchange rate in the months of February, March, and April 2009 (see Figure 1.4). The Quarters Theory provides the roadmap, which in this real-life example is the 1000 PIP Range between the Major Whole Numbers (Major Large Quarter Points) 90.00 and 100.00 yen, divided into four Large Quarters of 250 PIPs between the Large Quarter Points: 90.00 and 92.50, 92.50 and 95.00, 95.00 and 97.50, 97.50 and 100.00. Note that on the left-hand side of the chart, in the beginning of

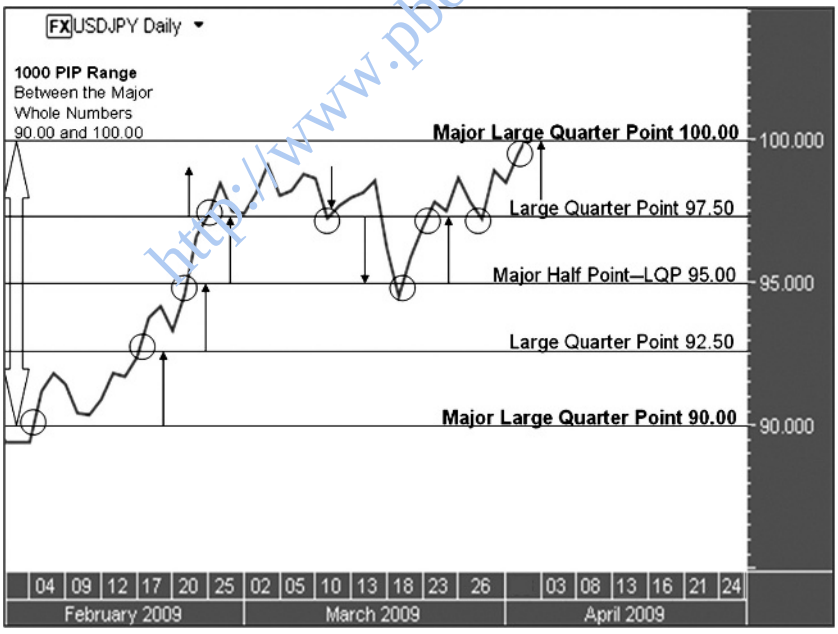

FIGURE 1.4 Large Quarter Price Pattern Repetitions

February 2009, the USD/JPY pair's exchange rate produces a bullish breakout above the Major Large Quarter Point at 90.00 yen, enters the 1000 PIP Range between 90.00 and 100.00, and begins to work on the Large Quarter between the Major Large Quarter Point 90.00 and the Large Quarter Point 92.50. The first attempt does not successfully complete the Large Quarter and prices reverse back toward the preceding Major Large Quarter Point 90.00, but after finding support above the Major Large Quarter Point 90.00, by mid-February, the USD/JPY pair manages to complete the Large Quarter 90.00 to 92.50 by reaching the Large Quarter Point 92.50.

In the following days, the pair produces a bullish breakout above the Large Quarter Point 92.50 and begins to work on the Large Quarter above 92.50, potentially targeting the Large Quarter Point 95.00, which is also the Major Half Point of the 1000 PIP Range between 90.00 and 100.00 yen. By the end of February, the USD/JPY pair successfully completes the Large Quarter 92.50 to 95.00, produces a bullish breakout above the Large Quarter Point 95.00 and begins to work on another Large Quarter above 95.00, potentially targeting the Large Quarter Point 97.50. The pair manages to complete the Large Quarter 95.00 to 97.50 without any hesitation or price pullbacks toward the preceding Large Quarter Point, and even makes an attempt to work on the Large Quarter 97.50 to 100.00 by producing a bullish breakout above the Large Quarter Point 97.50.

After several unsuccessful attempts to complete the Large Quarter 97.50 to 100.00, followed by reversals back toward the preceding Large Quarter Point 97.50, the USD/JPY pair breaks below the Large Quarter Point 97.50 and completes the Large Quarter 97.50 to 95.00 toward the Major Half Point of the 1000 PIP Range between the Major Large Quarter Points 90.00 and 100.00. The pair then fails to produce a decisive bearish breakout below the Large Quarter Point (Major Half Point) 95.00, finds support at the Large Quarter Point 95.00, and successfully completes the Large Quarter 95.00 to 97.50. A bullish breakout above the Large Quarter Point 97.50 sees the USD/JPY pair once again working on the Large Quarter above 97.50, potentially targeting the Major Large Quarter Point 100.00. After a couple of unsuccessful attempts followed by reversals back toward the preceding Large Quarter Point 97.50, the pair finds support at the Large Quarter Point 97.50 and finally manages to successfully complete the Large Quarter 97.50 to 100.00 by reaching the Major Large Quarter Point 100.00 in the beginning of April 2009. In this example, the series of price moves (Large Quarter completions and reversals back toward a preceding Large Quarter Point as a result of unsuccessful completions) between the Large Quarter Points within the 1000 PIP Range defined by the Major Whole Numbers (Major Large Quarter Points) 90.00 and 100.00 regularly manifest themselves as recognizable price patterns in the daily fluctuations of the USD/JPY pair's exchange rate.

The Quarters Theory divides each Large Quarter of 250 PIPs into ten equal parts or ten Small Quarters of 25 PIPs. The Quarters Theory proposes that currency exchange rates fluctuate in an organized manner not only between the Large Quarter Points of each 1000 PIP range, but also between the Small Quarter Points of each 100 PIP Range marked by two Whole Numbers positioned within each Large Quarter. Currency exchange rates fluctuate in orderly series of price moves from one Small Quarter Point to the next, measured in increments of 25 PIPs, in a systematic effort to complete an entire Large Quarter of 250 PIPs.

Since some Small Quarter Points are also Large Quarter Points and every significant price move takes place from one Large Quarter Point to the next, every sequence of Small Quarter price moves always begins from a Small Quarter Point which coincides with a Large Quarter Point and always ends at a Small Quarter Point which is also a Large Quarter Point. A successful completion of ten consecutive Small Quarters of 25 PIPs each would lead to the successful completion of an entire Large Quarter of 250 PIPs, but in most instances all ten Small Quarters are not likely to be completed at once without going through periods of price corrections and consolidations. Because of the importance of the Whole Numbers as critical junctions that mark the beginning and the end of each 100 PIP Range within the Large Quarters, small price corrections and consolidations may be expected in the vicinity of each Whole Number, which is also a Major Small Quarter Point, especially after a series of four Small Quarter price moves completes a 100 PIP Range between two Whole Numbers/Major Small Quarter Points. The ultimate goal of each series of Small Quarter price moves is to complete an entire Large Quarter of 250 PIPs. Any failure to do so usually causes reversals that take prices back toward the preceding Large Quarter Point.

The real-life example in Figure 1.5 shows the series of Small Quarter price moves completing the Large Quarter from the Large Quarter Point 1.1750 to the Large Quarter Point 1.1500 in the exchange rate of the USD/CAD currency pair. The Large Quarter range of 250 PIPs is divided into ten equal parts or ten Small Quarters of 25 PIPs. The sequence of downward Small Quarter price moves begins from the area of the Small Quarter Point 1.1750, which coincides with the Large Quarter Point 1.1750. Note that all ten Small Quarters are not completed at once and that there are periods of price pullbacks and consolidations, especially in the vicinity of the Whole Numbers/Major Small Quarter Points 1.1700 and 1.1600, which are important junctions marking the beginning and the end of the 100 PIP Ranges between the Whole Numbers/Major Small Quarter Points 1.1700 and 1.1600. The series of downward Small Quarter price moves resumes after each pullback and consolidation, leading to the successful completion of the Large Quarter 1.1750 to 1.1500.

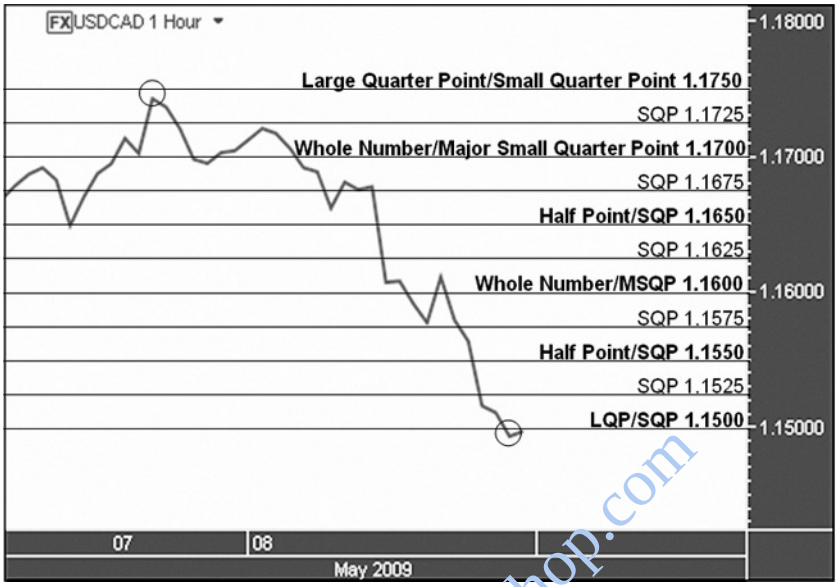

FIGURE 1.5 Small Quarter Price Moves Completing a Large Quarter Example

COMPLETION OF THE LARGE QUARTERS

How often have you seen the exact number of a Large Quarter Point being registered as a high, low, open, or close price? You probably have not often seen this because price volatility has the tendency to *conceal* the Large Quarter Points, making them difficult to recognize. Although in some cases price moves can stop when a Large Quarter Point is reached exactly up to the PIP, in most instances, prices either surpass the exact number of a Large Quarter Point by a few PIPs or stay a few PIPs short of reaching it. In periods of high volume and volatility, prices may move beyond the exact number of a Large Quarter Point, producing an *overshoot* above the Large Quarter Point, while in periods of low volatility and volume, prices may *undershoot* a Large Quarter Point, coming a few PIPs short of the exact number of a Large Quarter Point. These overshoots and undershoots disguise the Large Quarter Points under a veil of random numbers, creating the perception of chaos and lack of purpose and organization in price fluctuations.

The Quarters Theory designates the range of one Small Quarter of 25 PIPs above a Large Quarter Point as the *Overshoot Area* and the range of one Small Quarter of 25 PIPs below a Large Quarter Point as the *Undershoot Area*. Any bullish price move that surpasses a Large Quarter Point by up to 25 PIPs and stays within the range of the Overshoot Area is considered to be a *Bullish Overshoot* above the Large Quarter Point. A

bearish price move that surpasses up to 25 PIPs below a Large Quarter Point and stays within the range of the Overshoot Area is considered a *Bearish Overshoot* below the Large Quarter Point. Price moves that reach the Undershoot Area of one Small Quarter of 25 PIPs from a Large Quarter Point but come short of hitting the exact number of a Large Quarter Point are considered undershoots.

Figure 1.6 is an example of an Undershoot and a Bearish Overshoot. Note that in the beginning of the chart there is a bullish price move toward the Large Quarter Point 1.1750. Prices enter the Undershoot Area within 25 PIPs or one Small Quarter 1.1725 to 1.1750 from the Large Quarter Point 1.1750; however, they fail to reach the exact number of the Large Quarter Point and stay a few PIPs short of it, producing an Undershoot. The Undershoot is followed by a strong bearish move that sees prices falling toward the Large Quarter Point 1.1500 in an attempt to complete the Large Quarter 1.1750 to 1.1500. The strong bearish price move overshoots a few PIPs below the Large Quarter Point 1.1500 and enters the Overshoot Area of one Small Quarter of 25 PIPs (1.1500 to 1.1475) producing a Bearish Overshoot below the Large Quarter Point 1.1500.

Overshoots and undershoots occur not only around the Large Quarter Points but also when price moves target whole numbers or important support/resistance levels in an attempt to produce breakouts. The Quarters Theory requires a price move larger than one Small Quarter of 25 PIPs above (or below for bearish moves) an important price level in order to

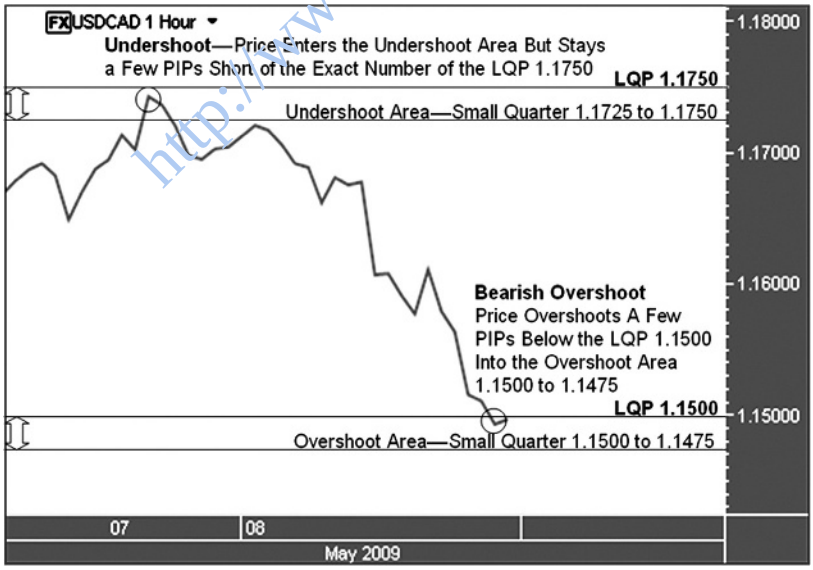

FIGURE 1.6 An Undershoot and a Bearish Overshoot

qualify a move as a decisive breakout. Price moves of 25 PIPs or less above (or below for bearish moves) a Large Quarter Point, a Whole Number, or a support/resistance level should be identified as overshoots. Proper recognition of overshoots is crucial when trying to spot and avoid fake breakouts, which will be discussed in the chapter on technical analysis.

By defining the characteristics of overshoots and undershoots, The Quarters Theory eliminates the noise and confusion caused by random numbers around each Large Quarter Point. Because of the frequent developments of overshoots and undershoots, The Quarters Theory does not require prices to hit each Large Quarter Point exactly up to the PIP when considering the completion of a Large Quarter. As long as there is a number registered as a high, low, open, or close price within one Small Quarter of 25 PIPs above or below a Large Quarter Point, The Quarters Theory would consider a Large Quarter to be successfully completed. The same rule applies for reversals that take prices back toward a preceding Large Quarter Point—as long as a high, low, open, or close price number is registered within one Small Quarter of 25 PIPs above or below a Large Quarter Point, a reversal toward a preceding Large Quarter Point is considered to be completed.

The example in Figure 1.7 shows the EUR/USD pair's exchange rate moving higher in an attempt to complete the Large Quarter 1.3250 to 1.3500. Despite the strong move, prices stay below the Large Quarter Point 1.3500

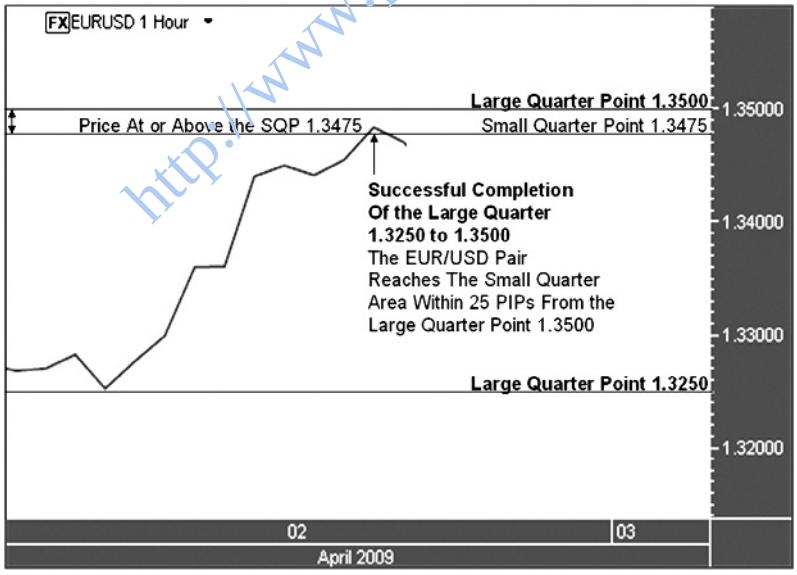

FIGURE 1.7 Successful Large Quarter Completion Example

but manage to enter the Undershoot Area of the Small Quarter 1.3475 to 1.3500. As soon as a number within 25 PIPs from the Large Quarter Point 1.3500 is registered, the bullish price move from the Large Quarter Point 1.3250 to the targeted Large Quarter Point 1.3500 successfully completes the Large Quarter 1.3250 to 1.3500.

Any price moves that reach the Undershoot Area within 25 PIPs from a Large Quarter Point would be close enough to produce a successful completion of a Large Quarter. However, if prices come short of a Large Quarter Point by more than 25 PIPs, the Large Quarter will not be considered complete. Shortcomings larger than 25 PIPs from a Large Quarter Point should be recognized as a warning sign of an unsuccessful completion of a Large Quarter that may cause prices to reverse back toward the preceding Large Quarter Point.

Consider the example in Figure 1.8, which shows the EUR/USD currency pair working on the Large Quarter above the Large Quarter Point 1.3250, potentially targeting the Large Quarter Point 1.3500. Note that the pair reaches a high in the 1.3450 region that is below the Large Quarter Point 1.3500 and outside of the Undershoot Area of the Small Quarter 1.3475 to 1.3500. The failure of the EUR/USD pair's exchange rate to reach a number within 25 PIPs from the Large Quarter Point 1.3500 leads to the unsuccessful completion of the Large Quarter 1.3250 to 1.3500, which causes prices to reverse back toward the preceding Large Quarter Point 1.3250.

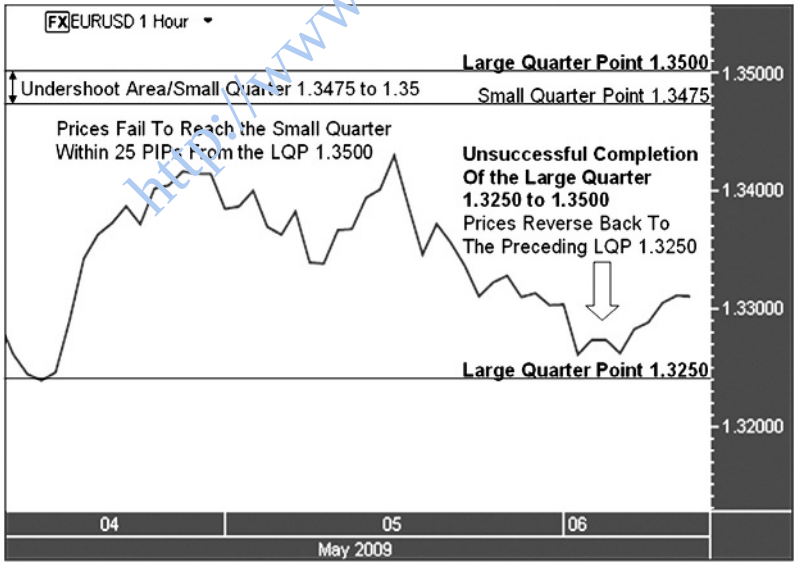

FIGURE 1.8 Unsuccessful Large Quarter Completion Example

1000 PIP RANGE TRANSITIONS

The 1000 PIP Ranges are the ranges between two Major Whole Numbers. The Major Large Quarter Points that represent the Major Whole Numbers mark the beginning and the end of each 1000 PIP Range. Currency exchange rates fluctuate between the Large Quarter Points within the 1000 PIP Ranges. Although exchange rates can remain within the same 1000 PIP Range for long periods of time, they do not stay indefinitely confined within the same 1000 PIP Range and may sooner or later leave the current and transition into brand-new 1000 PIP Ranges.

The new 1000 PIP Range Transitions usually occur as a result of major shifts in underlying fundamentals for currencies. Existing trends can either accelerate or reverse when the market realizes that the current 1000 PIP Range of a currency pair's exchange rate no longer sufficiently reflects the fundamental backdrop for the currencies in the pair. The significant price moves that occur as a result of rapid "pricing in" of market-moving fundamental developments can push currency exchange rates outside of a current and into a new 1000 PIP Range. The Quarters Theory recognizes such market moves as attempts to transition the currency exchange rates into new 1000 PIP Ranges.

The chart in Exhibit 1.9 shows an example of a 1000 PIP Range Transition. Note that the exchange rate of the EUR/USD pair fluctuates within

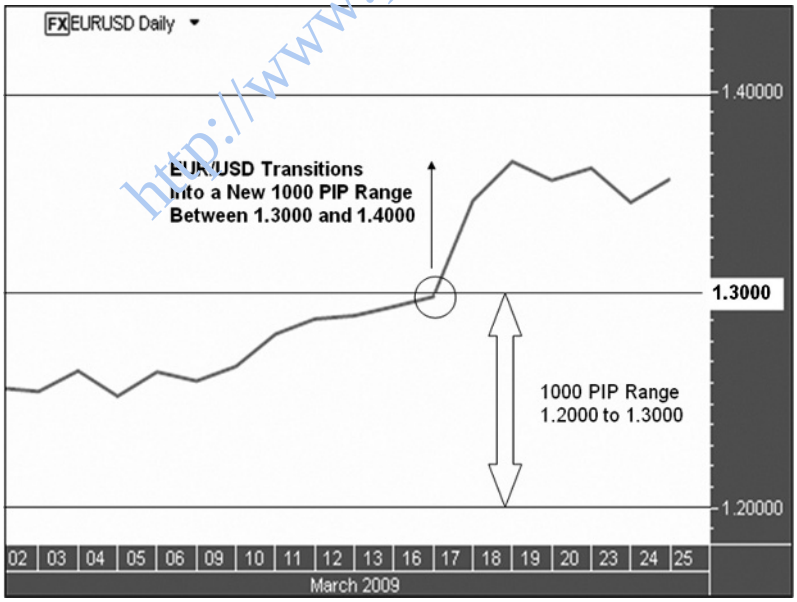

FIGURE 1.9 1000 PIP Range Transition Example

the 1000 PIP Range between the Major Whole Numbers 1.2000 and 1.3000. On March 17, 2009, the EUR/USD pair breaks above the Major Whole Number and Major Large Quarter Point at 1.3000 and transitions into the new 1000 PIP Range between the Major Whole Numbers and the Major Large Quarter Points 1.3000 and 1.4000.

Multiple 1000 PIP Range Transitions are possible in times when strong trends accelerate. The chart in Figure 1.10 shows the GBP/USD pair in a strong downtrend, rapidly moving lower. In a period of just a couple of months, October and November 2008, the pair produces multiple successful 1000 PIP Range transitions: falling below the Major Whole Number and the Major Large Quarter Point at 1.8000 into a new 1000 PIP Range between 1.8000 and 1.7000, later dropping below the Major Large Quarter Point 1.7000 into a new 1000 PIP Range between 1.7000 and 1.6000, and then falling below the Major Large Quarter Point 1.6000 into a new 1000 PIP Range between 1.6000 and 1.5000.

New 1000 PIP Range Transitions begin as an attempt to challenge and break above or below a Major Whole Number and a Major Large Quarter Point. Breakouts may not be as decisive and may fail on the first attempt. If a currency pair simply overshoots above or below a Major Large Quarter Point by an insignificant amount of PIPs (usually 25 PIPs or less), The

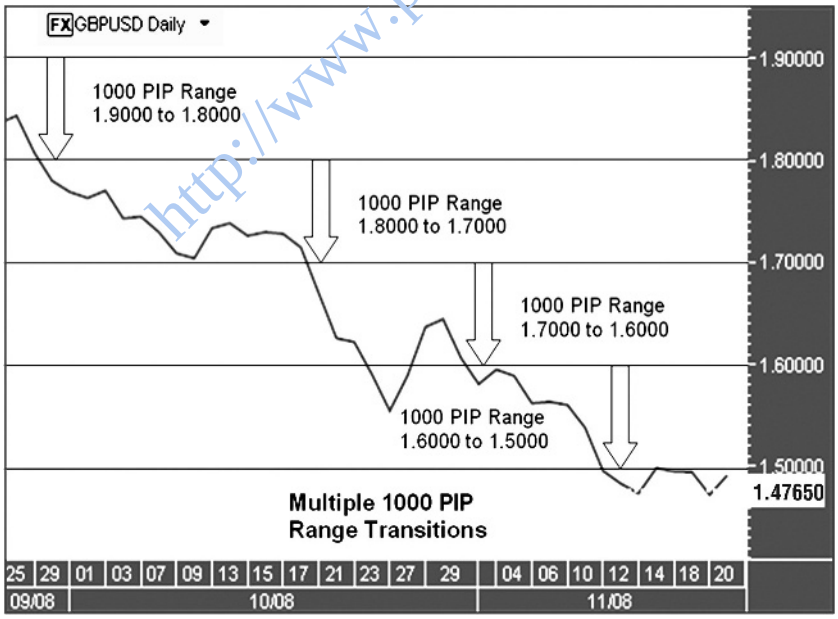

FIGURE 1.10 Multiple 1000 PIP Range Transitions Example

Quarters Theory would recognize such small overshoots as a warning sign of an unsuccessful breakout. Unsuccessful breakouts above or below Major Large Quarter Points could cause unsuccessful transitions into the new 1000 PIP Ranges and as a result, exchange rates may remain within their current 1000 PIP Range. Moreover, unsuccessful breakouts and unsuccessful 1000 PIP Range Transitions may often lead to complete reversals of previously established trends that have failed to produce a successful 1000 PIP Range Transition.

The chart in Figure 1.11 shows an example of an unsuccessful 1000 PIP Range Transition. Note that the USD/CAD is in an uptrend, making an attempt to break above the Major Large Quarter Point 1.3000 and transition from the current 1000 PIP Range between 1.2000 and 1.3000 into a new 1000 PIP Range above 1.3000. The pair overshoots the Major Large Quarter Point 1.3000 by an insignificant amount of PIPs and fails to produce a decisive breakout. The failed breakout above 1.3000 leads to an unsuccessful transition into the new 1000 PIP Range above 1.3000 and the USD/CAD pair's exchange rate remains within the current 1000 PIP Range. Please note that the unsuccessful 1000 PIP Range Transition above 1.3000 causes exhaustion of the bullish trend and leads to a complete reversal of the previously established uptrend.

Every attempt for a breakout above or below a Major Large Quarter Point coincides with an attempt from a currency pair to begin to work on

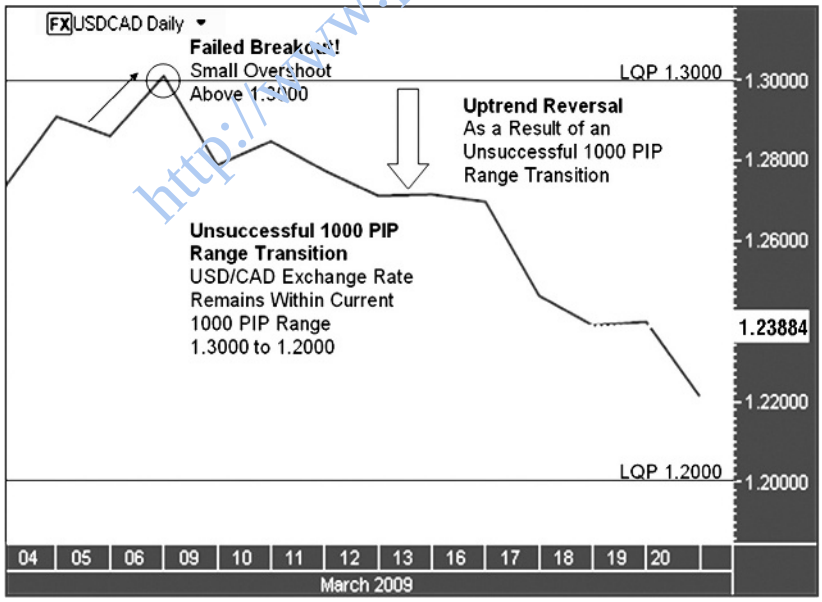

FIGURE 1.11 Unsuccessful 1000 PIP Range Transition

the first Large Quarter of 250 PIPs of a new 1000 PIP Range. A decisive breakout could produce a decisive entrance into a Large Quarter, but if the first Large Quarter of a new 1000 PIP Range is not successfully completed, exhaustion may occur, leading to a reversal back toward the Major Large Quarter Point and into the preceding 1000 PIP Range.

Consider the example in Figure 1.12 showing the USD/JPY in a strong uptrend. The pair makes an attempt to break above the Major Large Quarter Point at 100.00 and to transition from the current 1000 PIP Range between 90.00 and 100.00 into a new 1000 PIP Range above 100.00. The USD/JPY produces a successful breakout above the Major Large Quarter Point at 100.00 and makes a decisive entrance into the first Large Quarter of the new 1000 PIP Range—the Large Quarter 100.00 to 102.50. However, the pair fails to complete the first Large Quarter 100.00 to 102.50 of the new 1000 PIP Range, leading to an exhaustion of the bullish trend and a reversal back toward the preceding Major Large Quarter Point 100.00. The unsuccessful completion of the first Large Quarter of the new 1000 PIP Range also sees the USD/JPY exchange rate falling back into the previous 1000 PIP Range below the Major Large Quarter Point 100.00.

Only a completion of the first Large Quarter of a new 1000 PIP Range can serve as an indication of a successful 1000 PIP Range Transition. As usual, a successful completion of a Large Quarter would require prices to

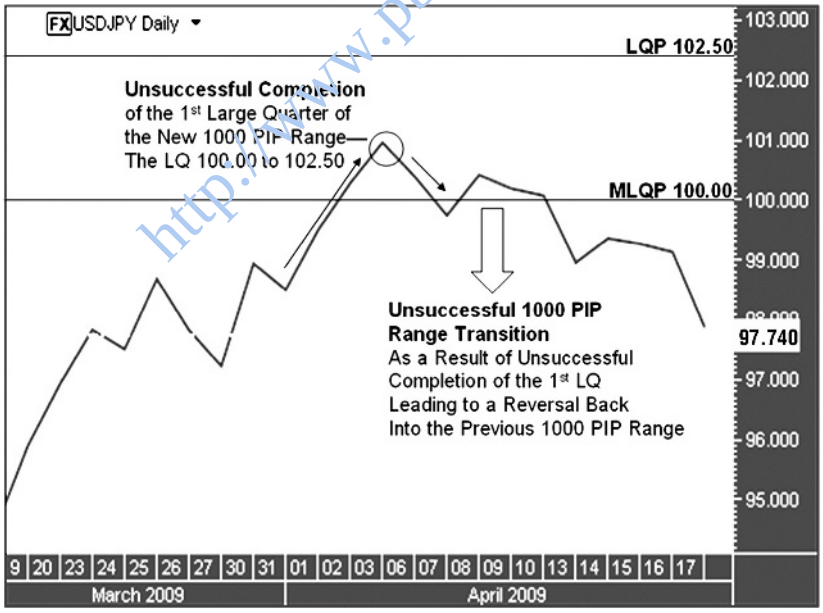

FIGURE 1.12 Unsuccessful Completion of the First Large Quarter Leading to Unsuccessful 1000 PIP Range Transition Example

reach a number at least within one Small Quarter of 25 PIPs from the Large Quarter Point being targeted.

The chart in Figure 1.13 shows an example of a successful 1000 PIP Range Transition as a result of a completion of the first Large Quarter of a new 1000 PIP Range. Please note that the EUR/USD pair is in a strong uptrend, making an attempt to break above the Major Large Quarter Point 1.3000 and transition from its current 1000 PIP Range between 1.2000 and 1.3000 into a new 1000 PIP Range above 1.3000. At the same time, the pair also makes an attempt to work on the first Large Quarter of 250 PIPs of the new 1000 PIP Range—the Large Quarter from the Major Large Quarter Point 1.3000 to the Large Quarter Point at 1.3250. The EUR/USD pair produces a decisive breakout above the Major Large Quarter Point 1.3000 and manages to complete the Large Quarter 1.3000 to 1.3250. The completion of the first Large Quarter 1.3000 to 1.3250 confirms the successful transition into the new 1000 PIP Range between the Major Large Quarter Points 1.3000 and 1.4000.

Successful 1000 PIP Range Transitions are a sign of strength and an indication of a potential continuation of an existing trend, especially if the exchange rate remains within the new 1000 PIP range and does not fall back into its preceding 1000 PIP Range by breaking above or below the

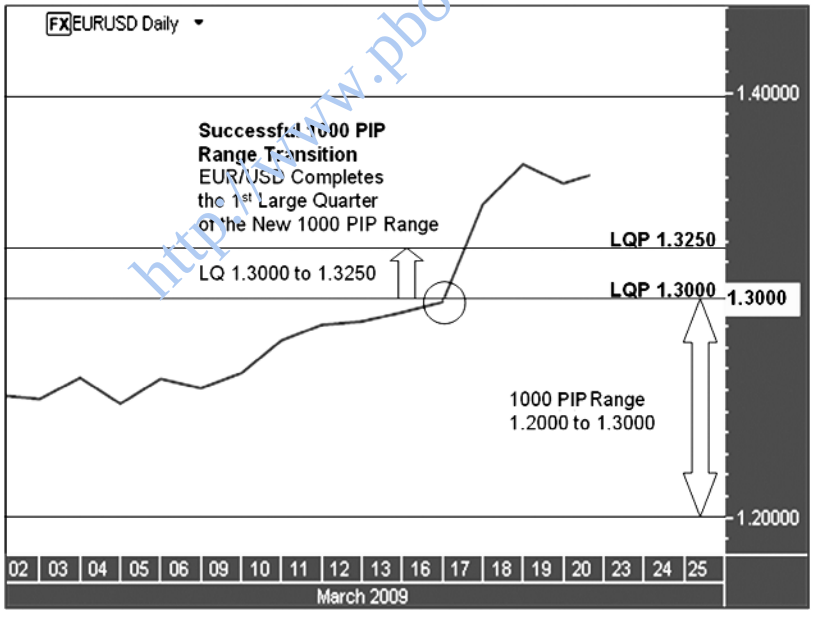

FIGURE 1.13 First Large Quarter Completion Leading to a Successful 1000 PIP Range Transition

Major Large Quarter Point. A successful, decisive transition into a new 1000 PIP Range could accelerate the trend and may often lead to further price moves beyond the first Large Quarter and into the second Large Quarter of 250 PIPs of a new 1000 PIP range. Such moves into the second Large Quarter of a new 1000 PIP Range are an indication that the existing trend is strong and that prices may continue to advance toward the exact half point of the new 1000 PIP Range—the Major Half Point.

The chart in Figure 1.14 shows an example of a successful 1000 PIP Range Transition that accelerates the existing trend, pushing prices toward the Major Half Point of the new 1000 PIP Range and leading to a successful completion of the second Large Quarter of the new 1000 PIP Range. Note that the EUR/USD pair is in an uptrend, moving above the Major Large Quarter Point 1.3000 and making an attempt to transition its exchange rate from the 1000 PIP Range between 1.2000 and 1.3000 into a new 1000 PIP Range above 1.3000. The pair completes the first Large Quarter 1.3000 to 1.3250 of the new 1000 PIP Range and confirms that the exchange rate has transitioned successfully into the new 1000 PIP Range. The successful 1000 PIP Range Transition accelerates the existing trend (note how the momentum spikes up above the Major Large Quarter Point 1.3000 on the chart) and pushes prices further toward the Major Half Point

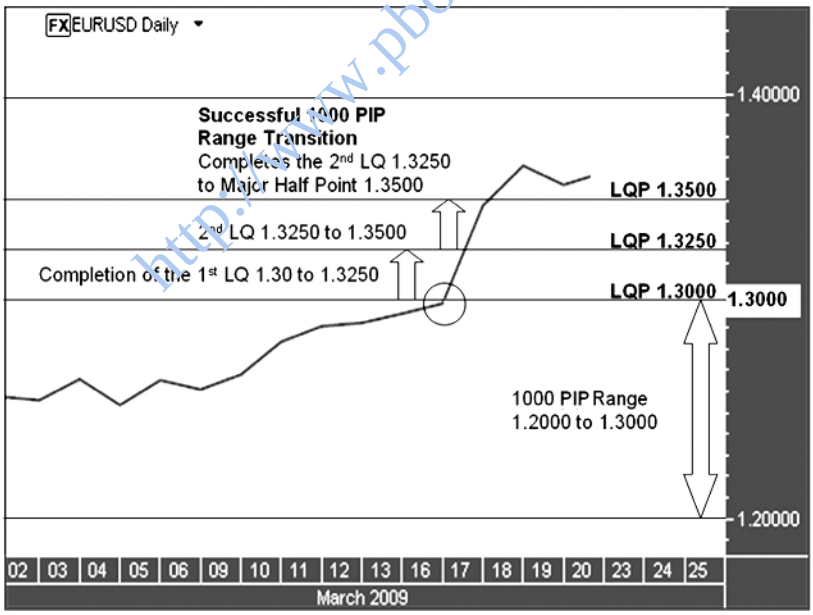

FIGURE 1.14 Successful 1000 PIP Range Transition Accelerating the Trend and Targeting the Major Half Point

1.3500 of the new 1000 PIP Range between 1.3000 and 1.4000, leading to a successful completion of the second Large Quarter 1.3250 to 1.3500 of the new 1000 PIP Range.

A completion of the second Large Quarter of a new 1000 PIP Range serves as a confirmation that the exchange rate of a currency pair has made a decisive transition into the new 1000 PIP Range. Successful 1000 PIP Range Transitions confirmed by the fact that the Major Half Point of a 1000 PIP Range has been reached are also an indication of potential further advances into the 1000 PIP Range beyond the Major Half Point in an effort for currency exchange rates to complete the entire 1000 PIP Range. Although moves toward the Major Half Point of each 1000 PIP Range are an indication of a strong trend, in most instances all four Large Quarters of an entire 1000 PIP Range would most likely not be completed without any major price corrections and pullbacks that could take prices back toward the preceding Major Large Quarter Point. If prices during such corrections stay above (or below) the Major Large Quarter Point and do not move back into the previous 1000 PIP Range, further advances within the new 1000 PIP Range can be expected as an attempt to complete the entire 1000 PIP Range.

Consider the example shown in Figure 1.15 where on the left-hand side of the chart the USD/JPY exchange rate makes a decisive transition into the

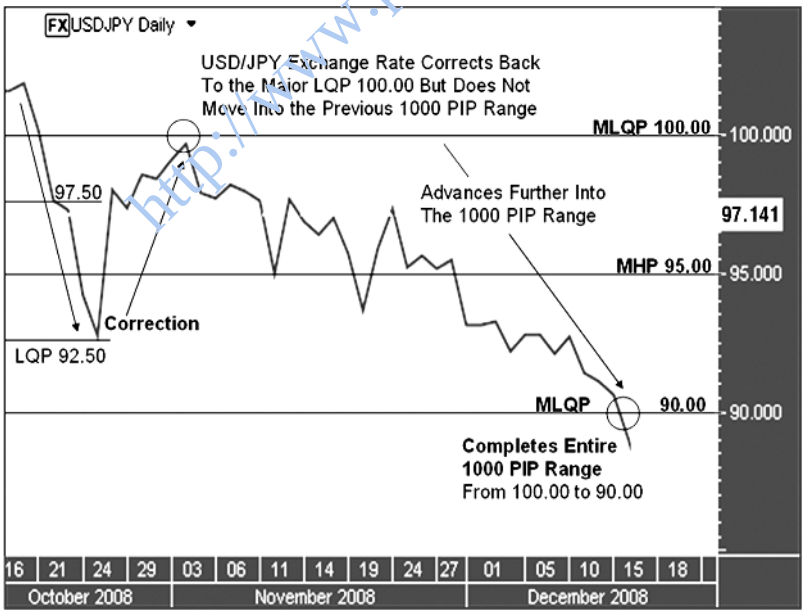

FIGURE 1.15 1000 PIP Range Completion Example

new 1000 PIP Range between 100.00 and 90.00 yen by completing the first Large Quarter 100.00 to 97.50 and the second Large Quarter 97.50 to the Major Half Point 95.00. The pair even reaches as far as the Large Quarter Point 92.50 and completes three out of four Large Quarters of the new 1000 PIP Range—the Large Quarters 100.00 to 97.50, 97.50 to 95.00, and 95.00 to 92.50. After the large move, the pair goes through a significant price correction that takes prices back toward the preceding Major Large Quarter Point 100.00. Despite the pullback, the USD/JPY exchange rate stays below the Major Large Quarter Point 100.00 and does not move into the previous 1000 PIP Range above 100.00, indicating that the exchange rate will remain within the new 1000 PIP Range. The pair then advances further into the 1000 PIP Range below 100.00, this time managing to complete all four Large Quarters (100.00 to 97.50, 97.50 to 95.00, 95.00 to 92.50, and 92.50 to 90.00) and successfully completing the entire 1000 PIP Range from 100.00 to 90.00.

The Quarters Theory recognizes the 1000 PIP Range Transitions as important events that indicate major shifts in currency exchange rates. These events are not chaotic; the 1000 PIP Range Transitions develop through orderly moves from one Large Quarter Point to the next within constant, predictable ranges of 250 and 1000 PIPs. Although a 1000 PIP Range may be new to a currency pair's exchange rate, the number of PIPs in the range is not foreign; it is always exactly 1000 PIPs, and each 1000 PIP Range always has the familiar four Large Quarters of exactly 250 PIPs each. Successful 1000 PIP Range Transitions do not occur randomly, without a purpose. They represent necessary adjustments in exchange rates made by the market in order to reflect more accurately any considerable changes in the underlying fundamentals of a currency pair.

LARGE QUARTER TRANSITIONS

The fluctuations of currency exchange rates do not stop after completing a Large Quarter; they continue into perpetuity. As prices fluctuate from one Large Quarter Point to the next, multiple Large Quarters may be completed as long as currency exchange rates regularly transition from one Large Quarter to another Large Quarter. The Large Quarter Transition is the process of transfer in prices from the 250 PIP Range of one Large Quarter into a new 250 PIP Range of another Large Quarter.

The chart in Figure 1.16 shows the EUR/USD currency pair's exchange rate producing multiple Large Quarter Transitions, followed by successful completions of five consecutive Large Quarters. As the EUR/USD pair moves higher, prices transition into the Large Quarter 1.3000 to 1.3250 and complete it successfully. After completing the Large Quarter 1.3000 to 1.3250, the pair continues its upward move, the EUR/USD exchange

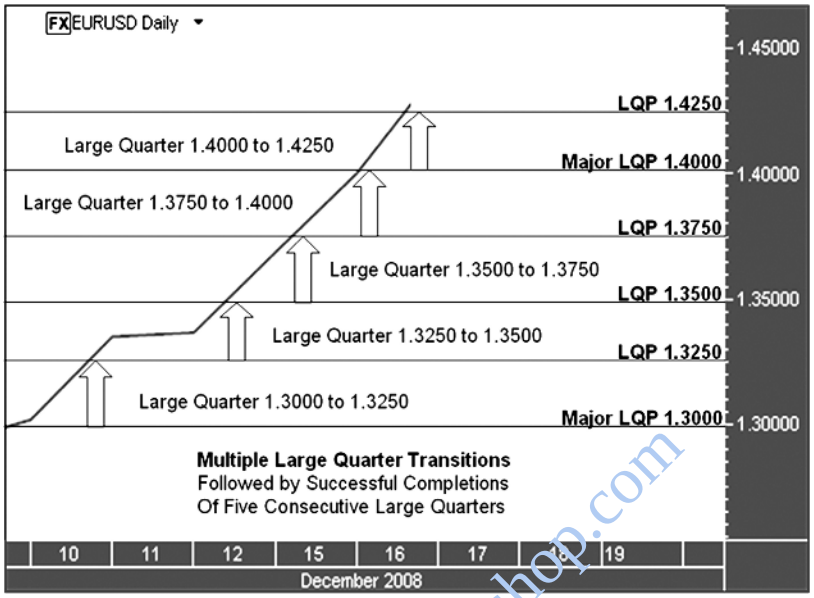

FIGURE 1.16 Multiple Large Quarter Transitions Example

rate transitions into the new 250 PIP Range of the Large Quarter 1.3250 to 1.3500, and, despite the temporary flattening and hesitation, prices move higher, completing the Large Quarter 1.3250 to 1.3500. The remarkable sequence of Large Quarter Transitions and Large Quarter completions continues, further resulting in the successful completion of five consecutive Large Quarters—1.3000 to 1.3250, 1.3250 to 1.3500, 1.3500 to 1.3750, 1.3750 to 1.4000, and 1.4000 to 1.4250—in a period of only five trading sessions.

The outcome of a Large Quarter Transition is vital to the completion of each Large Quarter. Unless there were a successful Large Quarter Transition, there would not even be an attempt to complete a new Large Quarter. So what constitutes successful Large Quarter Transitions, and how can traders distinguish them from the unsuccessful ones?

As prices surpass a Large Quarter Point, the first area that they enter is the Overshoot Area 25 PIPs above or below a Large Quarter Point. By reaching a number within the Overshoot Area, prices have already entered the new Large Quarter; but if prices remain within the Overshoot Area of one Small Quarter of 25 PIPs above or below a Large Quarter Point and never continue further into the range of a new Large Quarter, The Quarters Theory will recognize such development as an Overshoot. Overshoots are *price inertia* left over from the significant price move that has targeted a Large Quarter Point. They are not indicative of a decisive entrance of prices into the new Large Quarter. This is why overshoots of up to 25 PIPs above

or below a Large Quarter Point are not considered to be successful Large Quarter Transitions. Overshoots should be recognized as warning signs of unsuccessful Large Quarter Transitions, which usually cause prices to remain within a previous Large Quarter.

The example in Figure 1.17 shows the GBP/USD currency pair's exchange rate completing the Large Quarter 1.5250 to 1.5500 and surpassing the Large Quarter Point 1.5500 in an attempt for a Large Quarter Transition into the new Large Quarter 1.5500 to 1.5750. However, prices only produce an Overshoot of 25 PIPs or less above the Large Quarter Point 1.5500 and never exit the Overshoot Area of the Small Quarter 1.5500 to 1.5525. The Overshoot signals unsuccessful Large Quarter Transition followed by a reversal as prices fall below the Large Quarter Point 1.5500 and remain within the range of the previous Large Quarter.

Unsuccessful Large Quarter Transitions are easier to recognize in cases when prices do not overshoot a Large Quarter Point and stay within the Undershoot Area of a Large Quarter Point. The Quarters Theory considers undershoots as an indication of shortcomings of price moves targeting Large Quarter Points that may serve as warning signs of unsuccessful Large Quarter Transitions. Unsuccessful Large Quarter Transitions as a result of undershoots usually cause prices to remain within the current Large Quarter.

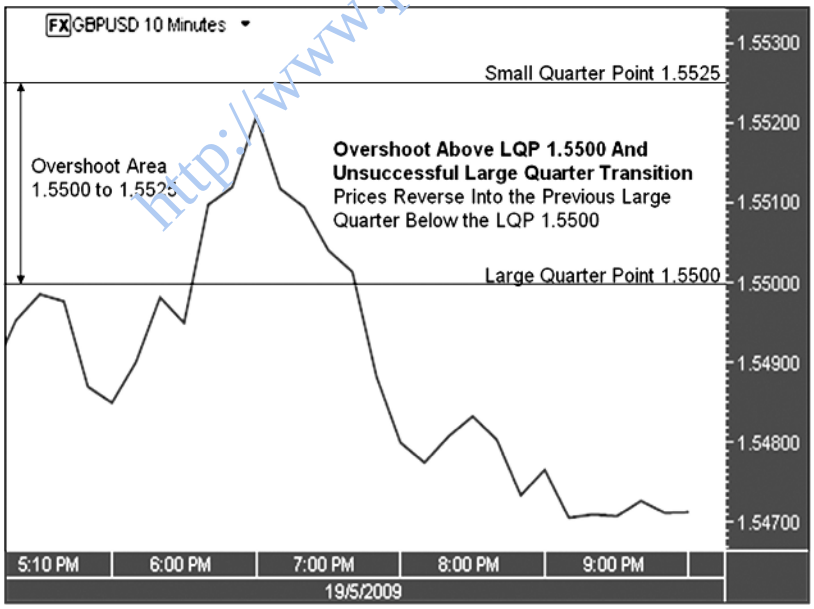

FIGURE 1.17 Overshoot Signaling Unsuccessful Large Quarter Transition

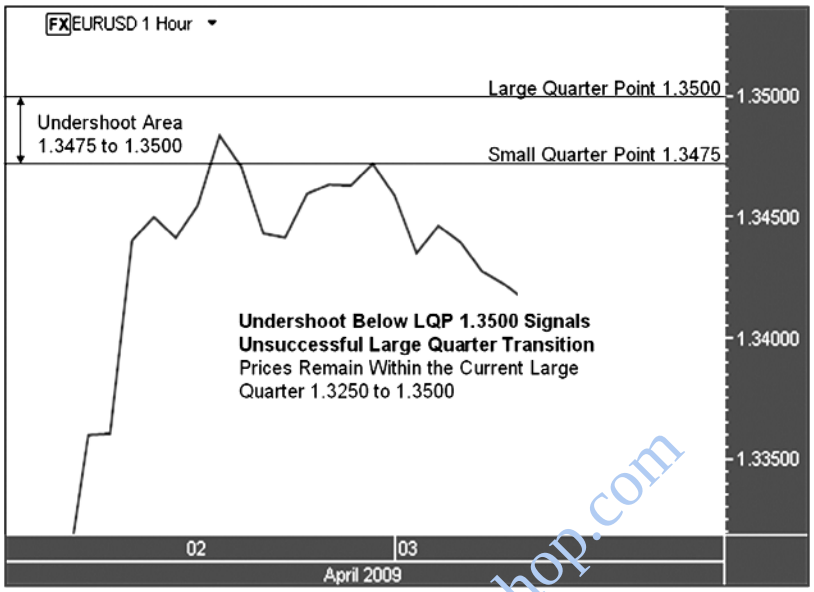

FIGURE 1.18 Undershoot Signaling Unsuccessful Large Quarter Transition

The example in Figure 1.18 shows the EUR/USD currency pair's exchange rate completing the Large Quarter 1.3250 to 1.3500. Prices reach the Undershoot Area of the Small Quarter 1.3475 to 1.3500 but do not surpass the Large Quarter Point 1.3500. The Undershoot of 25 PIPs or less below the Large Quarter Point 1.3500 signals unsuccessful Large Quarter Transition, which causes prices to remain within the range of the current Large Quarter 1.3250 to 1.3500.

Price moves that attempt a Large Quarter Transition above or below a Large Quarter Point see currency exchange rates enter an important area called the *Hesitation Zone*. The Hesitation Zone is the range of 75 PIPs above or below a Large Quarter Point. The Hesitation Zone is formed by the first three Small Quarters of 25 PIPs of each Large Quarter. The positioning of the Hesitation Zone depends on the direction of the price move: If prices move above a Large Quarter Point, the Hesitation Zone will be 75 PIPs or three Small Quarters above a Large Quarter Point; if prices move below a Large Quarter Point, the Hesitation Zone will be 75 PIPs or three Small Quarters below a Large Quarter Point.

The end of each Hesitation Zone always falls 25 PIPs or one Small Quarter above or below the closest Whole Number to a Large Quarter Point. The end of the Hesitation Zone never coincides with an actual Whole Number, but rather indicates either shortcomings or overshoots of the price moves that target the Whole Number closest to a Large Quarter Point.

The Quarters Theory uses the Hesitation Zone to identify successful or failed Large Quarter Transitions by distinguishing between decisive and indecisive entrance of prices into a new Large Quarter. The Overshoot Area above or below a Large Quarter Point is part of the Hesitation Zone but moves of 25 PIPs or less above or below a Large Quarter Point that remain within the Overshoot Area are considered simple overshoots and do not constitute a successful Large Quarter Transition. Only decisive price moves that target the end of the Hesitation Zone and do not break above (or below) the preceding Large Quarter Point on pullbacks are considered to be an indication of a successful Large Quarter Transition. Prices are likely to remain within a new Large Quarter as a result of a successful Large Quarter Transition, increasing the probability for further advances into the range of the new Large Quarter in an attempt to complete it.

The example in Figure 1.19 shows the anatomy of the GBP/USD currency pair exchange rate's Large Quarter Transition into a new Large Quarter 1.5250 to 1.5500. Note that as prices move above the Large Quarters Point 1.5250, they make a decisive entrance into the new Large Quarter by targeting the Whole Number 1.5300, which is the closest Whole Number 50 PIPs above the Large Quarter Point 1.5250. As prices reach the Whole Number 1.5300, they pull back toward the preceding Large Quarter Point 1.5250 but remain above it. After the pullback, prices make another decisive move toward the end of the Hesitation Zone 1.5325—three Small

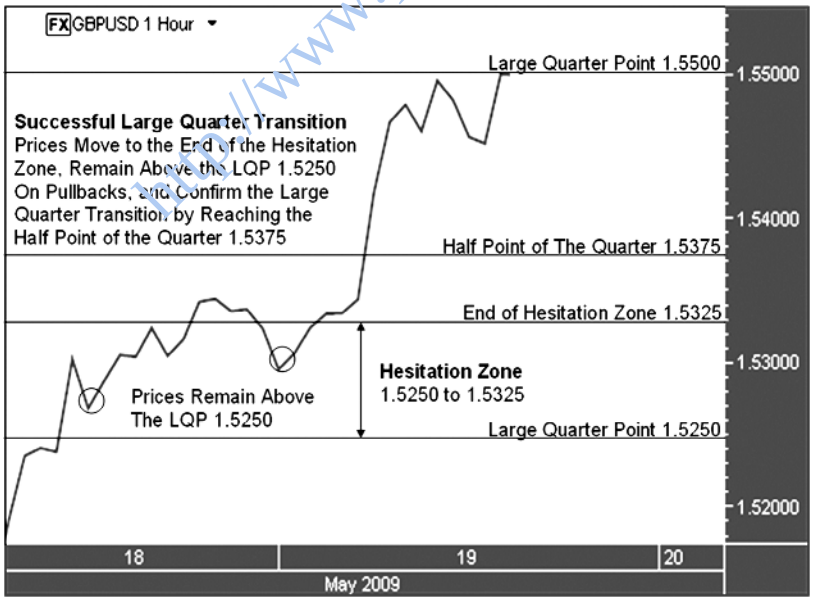

FIGURE 1.19 Successful Large Quarter Transition

Quarters of 25 PIPs above the Large Quarter Point. The GBP/USD pair's exchange rate overshoots above the end of the Hesitation Zone and pulls back but, once again, it remains above the preceding Large Quarter Point 1.5250. The decisive price move toward the end of the Hesitation Zone and the fact that the exchange rate remains above the Large Quarter Point 1.5250 on pullbacks indicates that the Large Quarter Transition into the Large Quarter 1.5250 to 1.5500 is successful. The successful Large Quarter Transition leads to price moves advancing further into the range of the new Large Quarter, targeting the Large Quarter Point 1.5500 and ultimately completing the Large Quarter 1.5250 to 1.5500.

The Quarters Theory considers decisive price moves that stretch outside of the Hesitation Zone and reach the Half Point of a Large Quarter as a confirmation of a successful Large Quarter Transition. The Half Point is the exact middle price point of a Large Quarter. The Half Point is positioned 125 PIPs from each one of the Large Quarter Points that define a Large Quarter. Price moves that reach the Half Point of a Large Quarter and do not break above (or below) the preceding Large Quarter Point on pullbacks provide confirmation that a Large Quarter Transition is successful.

The example in Figure 1.20 shows the Large Quarter Transition of the USD/CAD currency pair's exchange rate into a new Large Quarter

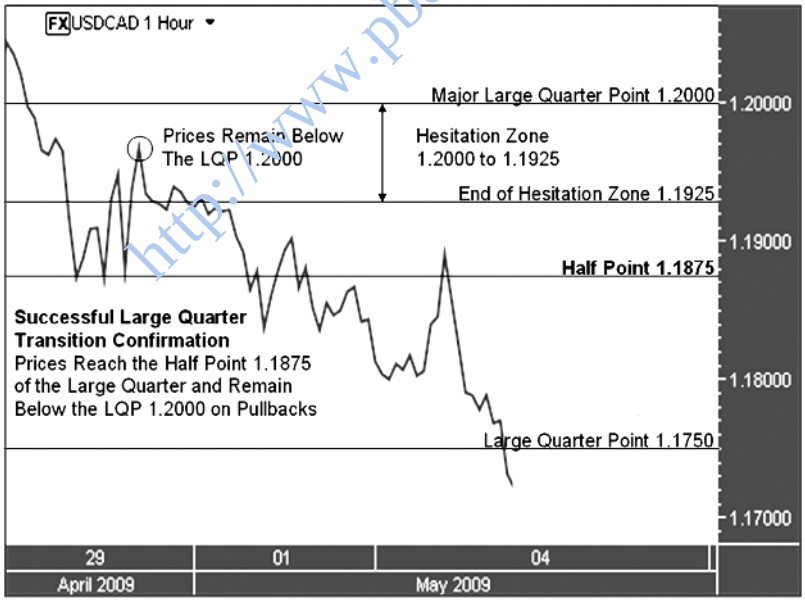

FIGURE 1.20 Price Move Targeting the Half Point, Leading to a Successful Large Quarter Transition

1.2000 to 1.1750. As prices attempt to transition below the Major Large Quarter Point 1.2000, they make a decisive bearish move, stretching beyond the end of the Hesitation Zone 1.1925 and reaching the Half Point 1.1875 of the Large Quarter 1.2000 to 1.1750. Prices touch the Half Point 1.1875 three consecutive times and pull back toward the preceding Large Quarter Point 1.2000, but remain above it on all three of the pullbacks. The decisive price move toward the Half Point 1.1875 and the fact that the exchange rate remains below the Large Quarter Point 1.2000 on the pullbacks confirms that the Large Quarter Transition into the Large Quarter 1.2000 to 1.1750 is successful. The successful Large Quarter Transition ultimately leads to the completion of the Large Quarter 1.2000 to 1.1750.

LARGE QUARTER CORRECTIONS

Although possible in some cases, in most instances multiple consecutive Large Quarter Transitions and Large Quarter completions may not be likely to occur at once without any price consolidations and pullbacks. Successful completions of two or more consecutive Large Quarters equal moves of 500+ PIPs, and such significant price moves are susceptible to Large Quarter Price Corrections. In periods of Large Quarter Corrections, prices remain within the current Large Quarter, pull back toward a preceding Large Quarter Point, or may even transition into a previous Large Quarter.

Consider the example in Figure 1.21 showing the GBP/USD currency pair's exchange rate moving higher, completing three consecutive Large Quarters: 1.3750 to 1.4000, 1.4000 to 1.4250, and 1.4250 to 1.4500, transitioning into a fourth Large Quarter 1.4500 to 1.4750, and producing a large price move of almost 1000 PIPs. The inability to complete the Large Quarter 1.4500 to 1.4750 signals exhaustion and triggers a price correction. During the correction, the GBP/USD pair's exchange rate remains within the same Large Quarter 1.4500 to 1.4750 and pulls back toward the preceding Large Quarter Point 1.4500. The price correction becomes even more significant, producing a Large Quarter Transition below the Large Quarter Point 1.4500 into the previous Large Quarter 1.4250 to 1.4500, and leading to the successful completion of the Large Quarter 1.4500 to 1.4250.

The price correction described in Figure 1.21 is triggered by the unsuccessful completion of the Large Quarter 1.4500 to 1.4750. Note in the illustration shown in Figure 1.22, that the correction sees the GBP/USD pair completing the Large Quarter 1.4500 to 1.4250, but prices remain above the Large Quarter Point 1.4250 and do not transition into another Large Quarter. The unsuccessful Large Quarter Transition into the new Large Quarter 1.4250 to 1.4000 signals the end of the correction and the bullish Large

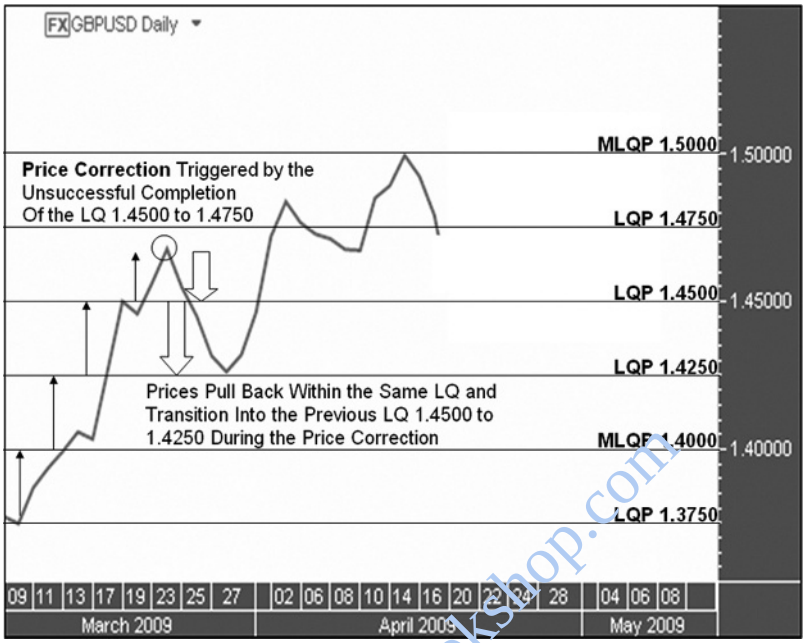

FIGURE 1.21 Large Quarter Correction Example

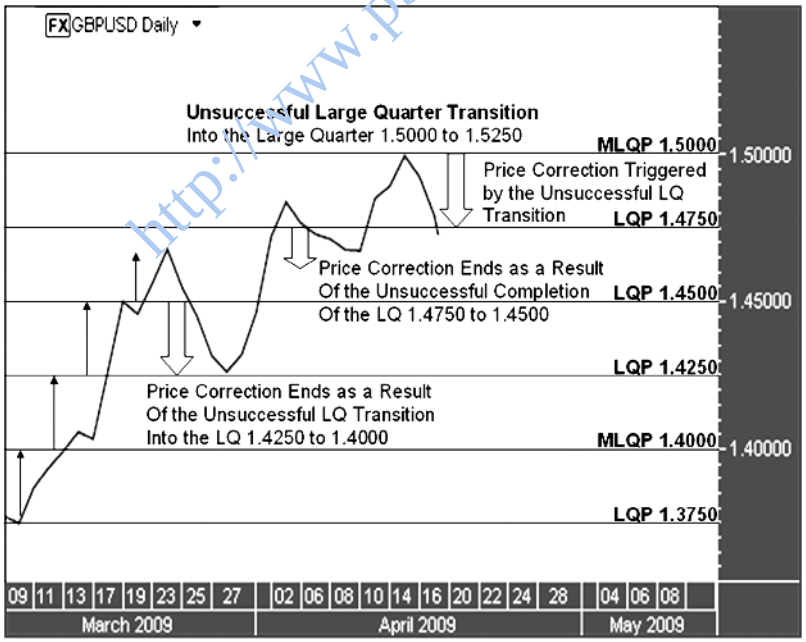

FIGURE 1.22 Large Quarter Correction Example

Quarter sequence resumes, leading to the successful completion of two Large Quarters: 1.4250 to 1.4500 and 1.4500 to 1.4750. As prices continue to move higher, there is also a Large Quarter Transition into a third Large Quarter 1.4750 to 1.5000; however, that Large Quarter is not completed. The unsuccessful completion of the Large Quarter 1.4750 to 1.5000 signals exhaustion and once again triggers a price correction. During the correction, the GBP/USD pair's exchange rate remains within the same Large Quarter 1.4750 to 1.5000, pulls back toward the preceding Large Quarter Point 1.4750, and even transitions into the previous Large Quarter 1.4500 to 1.4750. However, the Large Quarter 1.4750 to 1.4500 is not completed and the correction ends as a result of the unsuccessful completion of the Large Quarter 1.4750 to 1.4500. The end of the correction is then followed by a Large Quarter Transition into the Large Quarter 1.4750 and 1.5000. The Large Quarter 1.4750 to 1.5000 is completed, but prices remain below the Major Large Quarter Point 1.5000 and do not transition into the new Large Quarter 1.5000 to 1.5250. The unsuccessful Large Quarter Transition triggers a price correction, during which prices remain within the same Large Quarter 1.4750 to 1.5000 and pull back toward the preceding Large Quarter Point 1.4750.

The examples above demonstrate the two causes that trigger the beginning and the end of each Large Quarter Price Correction: unsuccessful completion of a Large Quarter or unsuccessful Large Quarter Transition. Either one of these two factors can end a sequence of significant Large Quarter price moves and result in a price correction, or can cause a Large Quarter Correction to come to an end.