

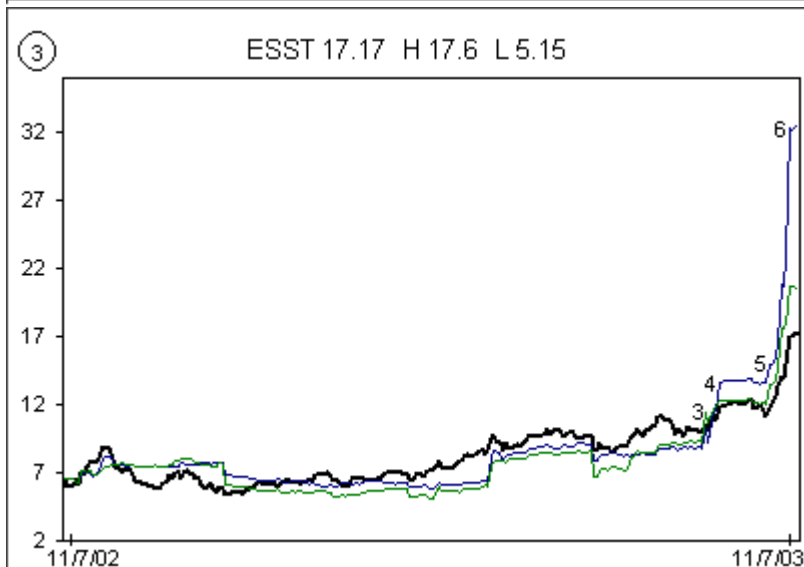
IV. BUYING STOCKS USING LSI CHARTS



The activity on LSI Chart #1 of ESST represents a very important characteristic in spotting the beginning stages of institutional accumulation. Although the LSI Lines remain rather close in proximity to the share price giving the appearance of a somewhat neutral trend, on close inspection several positive spikes can be seen. Four positive spikes are apparent despite the “choppy” (notchy up and down activity) appearance of the LSI Lines. Positive spikes 3 and 4 thus provide the basis for a buy confirmation and we await the positive divergence as seen in LSI Chart #2.



A strong positive divergence in the ESST example appears at pattern X. Though the LSI Lines still show a small degree of choppiness, the spikes are clearly biased toward positive activity. Investors should begin long positions at X.



The strong positive spike activity at 6 following a small spike at 5 completes the initial phase of positive activity on LSI Chart #3. We would anticipate a further strong follow-through to this positive chart example.