

Advanced GET Studies

User's Guide



First Edition ~ Advanced GET Studies User's Guide

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The Advanced GET studies do not compose a mechanical trading system, but are a compilation of tools, theories, and methods that use indicators to help determine the direction of the market.

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The charts illustrated in this user's guide were taken from the *Advanced GET User's Guide* and may not look exactly like the charts within the eSignal application. Though the charts in this user's guide may look different than those in the eSignal application, the concepts described in this user's guide may be applied in the eSignal application and charting tools.

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Part One

User's Guide

In This Section, You Will Learn About

- Setting Up
- Replays and Spreads
- Drawing Tools
- Technical Analysis
- Toolbars
- Using the Help Function

C H A P T E R **1**
Introduction

Welcome to Advanced GET Add-On Studies (AGAS)

Congratulations! You have just purchased one of the most advanced technical analysis packages available. You will find, with a little time and practice, that Advanced GET Add-On Studies (AGAS) will become the most valuable tool in your trading toolbox. Whether you are interested in Elliott Waves, Gann techniques, Fibonacci studies, or the wide variety of proprietary indicators and studies that Tom Joseph developed, you should find something that agrees with your trading style.

This manual is separated into two different sections. *Part One: The User's Guide* gives you reference material that will help instruct you in the operation of the program. If you want to know how to turn an indicator on or off, how to adjust some feature, or a simple explanation of what an indicator is, then the *User's Guide* is the section that you will want to refer to. If you want to know the rules for entry or exit techniques for a particular study, the theory behind it or how to use it properly in a trade, you will want to look at *Part Two: Applying Technical Analysis*.

This second part assumes that you have a basic knowledge of certain well known and widely used indicators such as Stochastics, MACD, etc. These studies or indicators will not be discussed in length, so if you need information on any general indicator or study, you should look on the Web or in your local bookstore or library for a book on general technical analysis. All of the proprietary indicators and studies, as well as our recommended methods of using Elliott Wave analysis for trading, will be covered in great detail in *Applying Technical Analysis*

If you need help while operating the program but do not want to make reference to the *User's Guide*, you can hit your F1 key, which will invoke the Help function. The Help function is not as extensive as the *User's Guide*, but it is an excellent reference source.



Program Installation

The Advanced GET Studies are integrated into the eSignal software application. To use the Advanced GET Studies you must have a valid eSignal subscription and have the eSignal application, version 7.1 or later, installed on your system.

Before you can install the eSignal software, you'll need the installation files. When you subscribed to eSignal, you should have received a CD-ROM containing the program and installation file. As an alternative, you may have downloaded this file from the eSignal web site.

<http://www.esignal.com/download>

The eSignal installation program (Installer) guides you through a short, simple installation process. You can run the installer from the eSignal CD-ROM, from the downloaded installation file, or directly from the eSignal web site.

The installer presents you with a sequence of screens displaying information and offering choices. Each screen contains instructions about what to do. After you complete a screen, you move to the next screen by clicking the Next button. If you want to return to an earlier screen to correct a mistake or to check on something you entered, you can click the Back button.

The installer dialogs provide on-screen instructions, but you may refer to the *eSignal User's Guide* for step-by-step installation details.

General Program Operation

While operating the program, you will notice that eSignal uses various standard Windows interface features in most of the menus. In case you are not familiar with some of those standard interface features, this section will briefly cover these items.



The **OK** button is used to accept whatever values are on the current menu. When you press OK, the menu disappears and any changes that you made in the menu should then take effect.



The **Cancel** button closes the active menu without accepting any changes you have made.



The **Close** button closes the active menu. It functions similarly to the Cancel button.



The **Help** button opens the Help file for GET and tries to match up the current menu with any general information the help file contains in that menu.



The **Apply** button allows you to make changes to the current menu and see those changes affect the study/indicator/chart without closing the current menu.



The **Remove** button is used when you wish to have an item removed from the chart. For example, if you have TJ's Web on the screen and wish to remove it, then you would open the TJ's Web menu and press **Remove**.



When you click the **Defaults** button, you will open the Defaults dialog box.



- If you press the **Original Settings** button, all of the settings of the current menu will be set back to the default values that were shipped with the program.
- When you press the **Save Current Settings as Default** button, the current settings on the menu will be saved so that they can be recalled at any time by pressing the Default Settings button.
- If you press the **Default Settings** button, all of the settings of the current menu will be set to the values that have been saved previously by pressing the Save Current Settings as Default button.

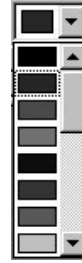


Check Boxes are used to enable/disable or turn things on/off. When a check is in the box, whatever is associated with the check box has been enabled or turned on. When the check has been removed, the item has been disabled or turned off. To check and un-check the box, simply left-click it.



Selection Lists give you an opportunity to choose between limited choices. Left-click the button with the arrow pointing down, located at the far right of the Selection List, and then select from the available choices.

Through the use of a Selection List, you are able to change the color of almost anything in the program. To change the color of a particular item, simply left-click on the selection list button (the button with the arrow pointing downward). This action will give you a drop-down menu of all of the colors available to choose from for that indicator or study. Move your cursor over the color you would like to use and left-click. When you press the **OK** or **Apply** button, the item will change to the color you have chosen. Please keep in mind that you will have a limited number of colors to choose from even if you are running your video card in High Color or True Color.



There are two types of **Number Boxes**. The first kind of Number Box allows you to increment the value up and down using the arrows on the right-hand side of the box. If you press the up arrow, the value of the number will increase. If you press the down arrow, the value will decrease. You can also highlight the number inside of the box and type in the number you want. The second kind of number box only allows you to type in the value you wish to use.

The **On** and **Off** buttons are straightforward in nature: just left-click them. Many features for indicators and studies are turned on and off in this manner.

Radio Buttons are used to indicate what setting is currently in use. Radio buttons are similar to Check boxes, but with Radio buttons, only one setting can be used at any given time. When you turn on a new setting, the old setting is automatically turned off. To turn on a different Radio button, simply left-click the setting you wish to have in use.

Scroll Lists are used when there is a large selection of items to choose from. To move up and down the list, use the up and down arrows located at the right of the list and left-click on your selection. Once you have selected an item, you may also move up and down through the list by either using the **Page Up** and **Page Down** keys on the keyboard, or by using the up and down arrows located on the keyboard.

At the upper right hand corner of each window, you will notice three buttons that change as the window changes. These buttons are used to minimize, maximize, restore, or close the Window.

The **Maximize** button looks similar to a box. When you press the Maximize button, the window will take up as much space as available within the application window.



The **Minimize** button looks like a dash. When you press the Minimize button, the window will be reduced to a small bar with a title at the base of the application window.



The **Restore** button looks like two boxes stacked alongside each other. When you press the restore button, the window will be restored to its last size.



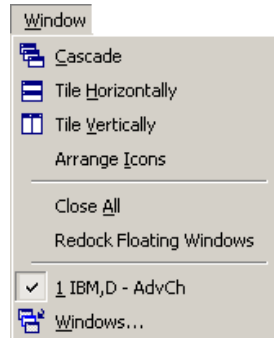
The **Close** button looks like an X. Click this button and the window will close. If you click this on the eSignal application window (not just a chart window), eSignal will close.



Working with More than One Window/Chart

eSignal uses different windows for each Chart, Quote Page, Search, etc. To be able to take full advantage of the ability to look at more than one issue at a time, or to look at the same issue on different time frames simultaneously, you must understand how to manipulate the windows in which the charts are contained. eSignal uses all of the standard Windows features for window operation, with a few improvements.

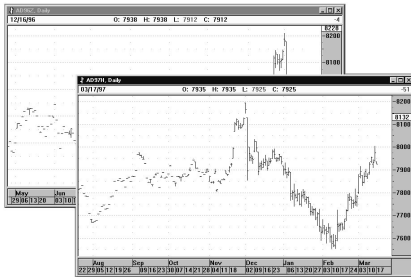
At the top of the eSignal window, you will notice that one of the menu choices is **Window**. From this menu, you can make changes to how your windows are arranged in the application window.



Cascade

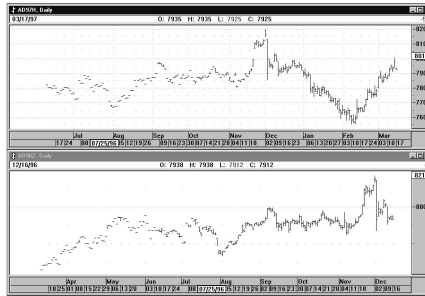
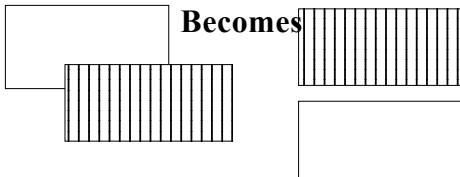
Before selecting **Cascade** from the Window menu, two charts are right next to each other, one above the other (see below). After choosing Cascade, they will be layered on top of each other, with the back chart being slightly higher on the screen than the front chart.





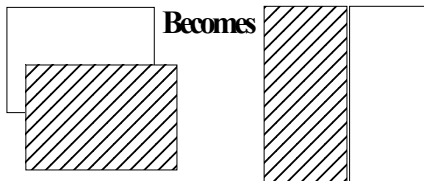
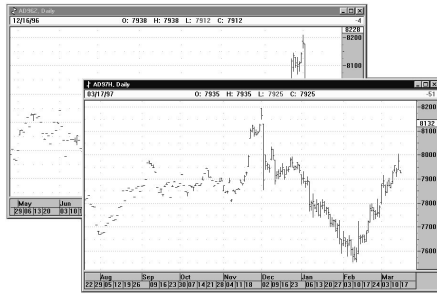
Tile Horizontally

Before selecting **Tile Horizontally** from the Window menu, the two charts shown on the left are overlapping each other. After choosing Tile Horizontally, the charts share equal space in the top and bottom halves of the window.

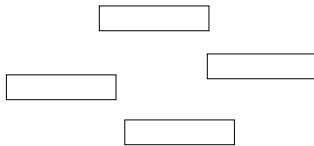
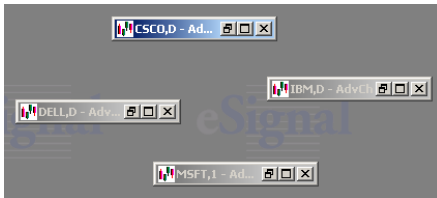


Tile Vertically

Before selecting **Tile Vertically** from the Window menu, the two charts shown on the left are overlapping each other. After choosing Tile Vertically, the charts are side by side and share space equally across the window.



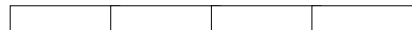
Arrange Icons



If your charts are minimized (shrunk down to small title bars), when you select **Arrange Icons**, they will be arranged in an orderly fashion along the application window.



Becomes

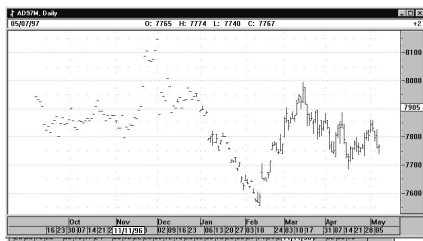


Close All

If you select **Close All** from the Window menu, all of the currently open charts or studies will be closed, but eSignal will still be running.

Below the Close All selection in the Window menu is a list of all windows that are currently open. From this list, you can select what chart is restored and brought to the surface as the active chart. Simply move your cursor down to a chart that is in this list and left-click. This will force this chart to come to the top and become active.

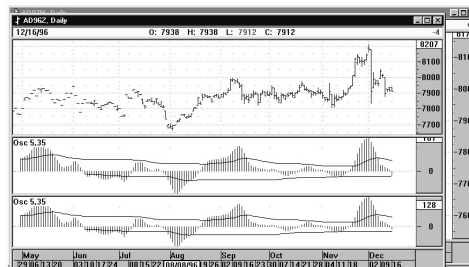
Bring Forward/Send Back



Becomes



To bring a chart to the front, **left-click** on the Title Bar for that chart. To send a chart to the back, **right-click** on the Title Bar for that chart.



Notes

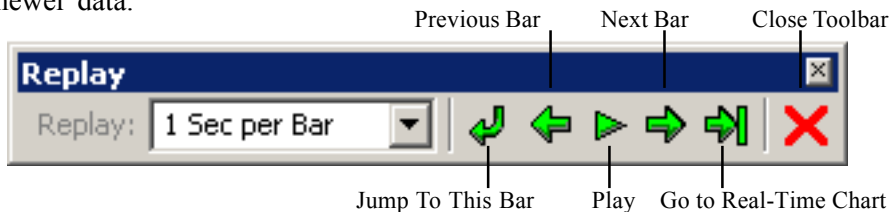
C H A P T E R 2

Replays and Spreads

Replay Mode

Replay mode is used to help you move back in time on the chart to see what values any study or indicator would have shown you if you had been looking at the chart at that specific time in the past. This feature is intended for new users of eSignal who want to practice with the program until they are comfortable with how the program reacts to the markets as it progresses.

Please note: All studies and indicators that are on the chart will be shown with the actual values they would have displayed at the time, without the benefit of newer data.



The **Previous 5 Bars** button moves the data on the screen back 5 bars. On a Daily Chart, that would usually move you back one week. On a Monthly chart, that will move you back 5 months. The **Previous Bar** button moves the data on the screen back by 1 bar.

The **Jump To...** button allows you to move your cursor to a specific bar (date) and move the data back (jump) to that date without having to use the Previous 5 Bars or Previous Bar button. This is especially helpful when you want to quickly move to a specific date in the past.

The **Next Bar** button advances the data forward one bar. Please note that this will only advance the bars to the last date originally loaded into the bar chart.

The **Next 5 Bars** button advances the data forward by 5 bars.

The **Close Bar Replay Mode** button closes the replay mode and restores the data back to the original date loaded into the bar chart from the Issues dialog box.

If you want to quickly move the chart to the beginning of the data set, you can press the HOME key on your keyboard, and the chart will move to the beginning of the data you have loaded. If you want to quickly move to the end of the data set, you can press the END keys on your keyboard, and the chart will move to the end of the data you have loaded.

Spreads

Spreads are available through Advanced Charts. To enter a spread in an Advanced Chart, enter the first symbol and follow it with a space, then enter an operator followed by a space and the second symbol for the spread. For example:

ES #F - SP #F
IDC * IBM

Valid operators for spreads include: (-) for subtraction, (+) for addition, (*) for multiplication, and (/) for division.

You can also enter multiple or fractional symbols as part of a spread. The multiple or fractional number must be in front of the symbol without any spaces. For example:

DELL + .3MSFT (DELL plus 1/3 of MSFT)
50CSCO - 25YHOO (50 times CSCO minus 25 times YHOO)
11INTC / 5AOL (11 times INTC divided by 5 times AOL)
1.27IDC * .001\$INDU (1.27 times IDC multiplied by 1 thousandth of \$INDU)

For futures contracts beginning with a number such as 6A #F, please include the symbol in apostrophies. For example:

\$SPX * '6A #F'
.5'6S #F' + .5'6A #F'

When you start typing in an advanced chart and begin with a number, the advanced chart reacts as if you're entering an interval. If the beginning of the symbol you want to use is a number, type a letter first (any letter) to open the entry box, then use the backspace key to delete the letter before entering the symbol.

Note: Spreads work only in Advanced Charts. In order to type in a spread you need to first click on the chart you wish to load the spread on, then type in the symbol. Typing a spread into eSignal in any other way will result in an "Invalid Symbol" dialog box.

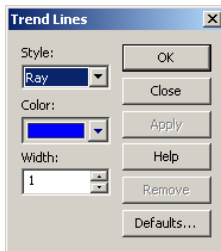
C H A P T E R 3

Drawing Tools

The **Line Toolbar**, **Advanced Chart Toolbar** and **Advanced Line Toolbar** are sets of buttons conveniently grouped together for easy access to the tools used to draw lines, boxes, squares, text, and a variety of proprietary studies on the bar chart.



The **Trend Lines** tool is used to draw lines on the bar chart. To configure the Trend Lines tool, put your cursor on top of the Trend Lines button and right-click. This will open the Trend Lines properties window.




The **Style** selection list enables you to choose between Segmented, Ray, and Extended lines. **Segmented** lines are lines that have clear starting and ending points. A **Ray** has a starting point, but the line extends either into the future or into the past to infinity. The **Extended** line is similar to a Ray but has no visible beginning or ending points. It extends into both the future and the past to infinity. The **Arrow** is a Segmented line with an arrow on the end of the line.

To draw a line on a chart, left-click the Trend Lines button. When you move your cursor into the chart, you will notice that the cursor looks like a pencil.

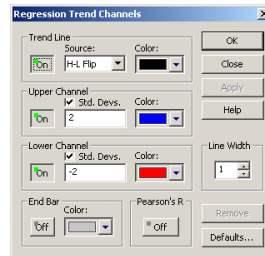
Move the cursor to the starting point where you want your trend line to begin and left-click once. Move your cursor to the point where you want your trend line to end and left-click again. This will anchor your trend line to the bar chart.

To adjust the Style, Color, or Width of an existing trend line, right-click the trend line to open the Trend Lines properties window. When you are finished, press either the OK or Apply button and the line will change to reflect the new settings.

To remove the line, right-click the trend line to open the Trend Lines properties window and press the Remove button. You can also use the Eraser tool.

 **Regression Trend Channels** are different from hand drawn trend lines in that they are calculated using the actual prices of the bars in the trend. A linear regression line is calculated, and then an upper and a lower channel is drawn using a standard deviation of the regression line or by using the highest high or the lowest low of the trend. The break of a Regression Trend Channel is usually used as an entry or exit signal.

To configure the Regression Trend Channels, put your cursor on top of the Regression Trend Channels button and right-click. This will open the Regression Trend Channels properties window.



The **Trend Line** On/Off button indicates whether the Trend Line (regression line) will be displayed. The Trend Line does not have to be displayed for the Regression Trend Channels to work correctly. Press this button to turn the display of the Trend Line on or off.

The Trend Line **Source** selection list allows you to choose the prices used in the calculation of the Regression line:

Open= The regression line will be calculated using the open prices of the bars.

High = The regression line will be calculated using the highs of the bars.

Low = The regression line will be calculated using the lows of the bars.

Close = The regression line will be calculated using the closing prices of the bars.

$(H+L)/2$ = The regression line will be calculated by using the value derived from adding the highs with the lows and dividing by 2.

$(H+L+C)/3$ = The regression line will be calculated by using the value derived from adding the highs with the lows with the close and dividing by 3.

$(O+H+L+C)/4$ = The regression line will be calculated by using the value derived from adding the opens with the highs with the lows and dividing by 4.

H-L Flip = The H-L flip indicates that the Regression Trend Channels should be calculated using the Low of the bars when the trend is up, and the High of the bars when the trend is down.

The **Upper Channel On/Off** button indicates if the Upper Channel of the regression line will be displayed. Left-click this button to turn the display of the Upper Channel on or off.

The **Lower Channel On/Off** button indicates whether the Lower Channel of the regression line will be displayed. Left-click this button to turn the display of the Lower Channel on or off.

The **Std. Devs.** check box indicates if the standard deviation of the regression line should or should not be used for the Lower Channel. When this box is checked, the Lower Channel will use the standard deviation indicated in the number box directly below it. If the Std. Devs. check box is not checked, the Lower Channel will be drawn using the highest or lowest bars in the trend encompassed by the channels.

The **End Bar On/Off** button indicates a that bar will be drawn below the last bar used in the Regression calculation. This is helpful if you are saving the Regression Trend Channels on a page and cannot remember which bar you used for the calculation.

The **Pearson's R On/Off** button indicates if the Pearson's R value will be shown at the beginning of the Regression Trend Channels. As the Pearson's R value gets closer to the value of 1, the calculated regression line is matching the actual value of the data. This means that the regression line is "fitting" the trend very well. As the Pearson's R value gets closer to the value of 0, the regression line does not match the value of the data. This means that the regression line does not "fit" the trend very well. Think of this value as a percentage—a 90-percent match is very good, while a 6-percent match is very bad.

The **Line Width** setting adjusts the thickness of the regression trend lines. The higher the number the thicker the regression lines.

To draw the **Regression Trend Channels** on a chart, turn on the Regression Trend Channels tool by left-clicking the Regression Trend Channels button. When you move your cursor into the chart, you will now notice that the cursor looks like three trend lines.

Move the cursor to the starting point where you want the Regression Trend Channels to begin and left-click once. Move your cursor to the last bar you want included in the calculation of the Regression Trend Channels and left-click again. This will anchor the Regression Trend Channels to the bar chart.

If you would like to adjust the Standard Deviation, Color, End Bar, etc. of a Regression Trend Channel that has already been drawn on the chart, right-click the Regression Trend Channel. This will open the Regression Trend Channels properties window. When you are finished, press either OK or Apply, and the Regression Trend Channels will reflect any new settings.

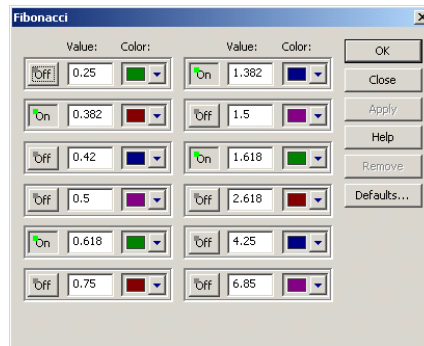
To remove the Regression Trend Channels, right-click the Regression Trend Channels that you want to erase. When the Regression Trend Channels properties window appears, click **Remove** (or use the eraser tool, which is covered later in this section).



The **Fibonacci Retracements** tool is used to measure the amount that the market has retraced compared to the overall market movement. This tool uses ratios which are mathematical in nature, derived from the Fibonacci sequence, developed by Leonardo Fibonacci around 1180 ACE. Fibonacci Retracements give you support and resistance areas along with general target price areas.

Fibonacci Retracements are commonly drawn from the end of Wave 2 to the end of Wave 3 to find a target for the Wave 4 retracement.

To configure the Fibonacci Retracements, right-click the Fibonacci Retracements button. This will open the Fibonacci Retracements properties sheet.



The **On/Off** buttons indicate whether or not the corresponding Fibonacci Retracement value will be included when you draw the Fibonacci Retracements.

The **Value** number boxes indicate what Fibonacci ratios are used. If the corresponding On/Off button is toggled On, then that retracement level will be included when you draw the Fibonacci Retracements.

The **Color** selection list allow you to change the color for each Fibonacci ratio.

To remove the Fibonacci Retracements, right-click the Fibonacci Retracements that you want to erase. When the Fibonacci Retracements properties sheet appears, press the **Remove** button.



The **Fibonacci Extensions** tool is used to measure the amount the market has extended compared to the overall movement. Fibonacci Extensions give you general target price areas.

Fibonacci Extensions are most commonly used to find the general area where a Wave 5 will extend. To find the general price target area of a Wave 5, you would click on the start of Wave 1 (the Zero point), then click on the top of Wave 3, and click again at the end of Wave 4.


To configure the Fibonacci Extensions, right-click the Fibonacci Extensions button. This will open the Fibonacci Extensions properties sheet.

The **On/Off** toggle buttons indicate whether or not the corresponding Fibonacci Extensions value will be included when you draw the Fibonacci Extensions.

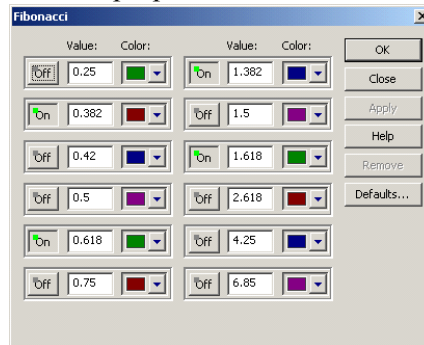
The **Value** number boxes indicate what Fibonacci ratios are to be used. If the corresponding On/Off button is toggled On, then that extension level will be included when you draw the Fibonacci Extensions.

To remove the Fibonacci Extensions, right-click the Fibonacci Extensions that you want to erase. When the Fibonacci Extensions properties window appears, press the **Remove** button.

The **Color** selection list allow you to change the color for each Fibonacci ratio.

 The **Fibonacci Time** tool is used to project Fibonacci ratios out into time, based upon Pivot Points affecting future Pivot Points. Fibonacci Time is commonly drawn from Pivot Point to Pivot Point from the same side of the market. For example, you would choose a Primary Pivot Point as your start for Fibonacci Time, and then pick a second Primary Pivot Point as your ending point for Fibonacci Time, with both Pivot Points being on the top of the market.

To configure the Fibonacci Time, right-click the Fibonacci Time button and. This will open the Fibonacci Time properties sheet.




The **On/Off** toggle buttons indicate whether or not the corresponding Fibonacci Time value will be included when you draw Fibonacci Time.

The **Value** number boxes indicate what Fibonacci ratios are used. If the corresponding On/Off button is toggled On, that retracement level will be included when you draw the Fibonacci Time.

To remove the Fibonacci Time, right-click the Fibonacci Time you want to erase. When the Fibonacci Time properties sheet appears, click **Remove**.

The **Color** selection list allow you to change the color for each Fibonacci ratio.

The **Extend Lines** check box, when checked, causes the Fibonacci lines to extend into the future like rays.

 The **Fibonacci Circles** tool is used to project Fibonacci ratios in a circular pattern from an origin point that reaches out into time and price providing support and resistance areas.

To configure the Fibonacci Circles, put your cursor on top of the Fibonacci Circles button and right-click. This will open the Fibonacci Circles properties sheet.



The **Fixed Scale** check box and corresponding number box indicates if the Fibonacci Circles should be drawn based upon a fixed scale, and if so, what scale should be used.

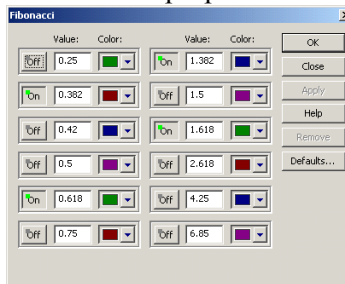
The **On/Off** toggle buttons indicate whether or not the corresponding Fibonacci Circles value will be included when you draw Fibonacci Circles.

The **Value** number boxes indicate what Fibonacci ratios are used. If the corresponding On/Off button is toggled On, that retracement level will be included when you draw the Fibonacci Circles.

The **Color** selection list allow you to change the color for each Fibonacci ratio.

The **Extend Lines** check box, when checked, causes the Fibonacci lines to extend into the future like rays.

To remove the Fibonacci Circles, right-click the Fibonacci Circles that you want to erase. When the Fibonacci Circles properties sheet appears, click **Remove**.

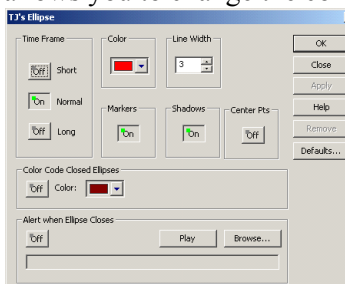


The **Ellipse** is based upon both time and price. Although the Ellipse is a drawing tool, it updates as the market changes. The Ellipse needs a starting and an ending point to draw. Click on a pivot (starting point), then another pivot (ending point), and you will see the Ellipse coming down (or up) to “intercept” the market. Once the Ellipse has intercepted the market it will stop updating and the market should change direction at that point.

Please note: There are three different lengths or Ellipse, based upon the length of the trend.

Under **Time Frame** you have toggle buttons that let you control the display of the **Short** term, **Normal** term, and **Long** term Ellipse.


The **Color** selection list allows you to change the color of the outer shell of the Ellipse.



The **Line Width** number box indicates the width of the lines used to draw the shell of the Ellipse.

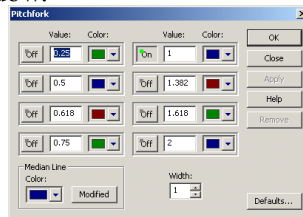
The **Markers** toggle button, when on, leaves a mark at the starting and ending points used to draw the Ellipse.

The **Shadows** toggle button, when on, displays the projected path of the Ellipse, where it might intercept the market.

Andrews Pitchforks, originally developed by Dr. Alan Andrews, is often  used to find the top of Wave 3. The Pitchfork "prongs" are support and resistance lines.

Andrews Pitchforks need three points to be drawn. Wave 3 will usually end on either the Middle Line or the Upper/Lower Parallel Line. To find the points needed to attempt to predict where the Wave 3 will end, place the Pitchfork cursor on the beginning of Wave 1 (Zero) and left-click. Move the cursor to where Wave 1 is labeled and left-click again; then move the cursor to where Wave 2 is labeled and left-click once more.

To configure the Pitchforks, right-click the **Pitchforks** button. This will open the Pitchforks properties window.



The **On/Off** buttons indicate whether any of the Parallel Lines will be drawn.

The **Value** number boxes indicate the percentage of the Median Line to be used when drawing the associated Parallel Line. Please note that the standard percentage to be used with Andrews Pitchforks is 1 (1 = 100% times the Median Line) for both the upper and lower Parallel Lines. For extended Parallel Lines, 2 (2 = 200% times the Median Line) is recommended.

The **Colors** selection lists indicate what colors the associated Parallel lines will be drawn; the **Median Line Color** selection lists indicate what color the Median Line will be drawn; and the **Width** number box indicates the thickness of the lines that draw the Pitchfork.

There will be times when Wave 2 retraces at a very steep rate. The **Median Line Modified** toggle button should be turned on under these circumstances. With Modify turned on, the Andrews Pitchfork will automatically adjust the direction and spacing of the Pitchfork to compensate for the steep Wave 2 retracement. Under normal market conditions, Modified should be turned off.

To remove the Pitchfork, right-click the Pitchfork you want to erase. When the Pitchfork properties sheet appears, click **Remove**.


PTI The **PTI** tool is used to manually draw a PTI (Profit Taking Index) and Wave 4 Channels in an area that is not identified as a Wave 4 by the Elliott Wave Count in GET or check the PTI at an historical Wave 4 in the past..



To get a PTI that is similar to a PTI that would be automatically generated by the Elliott Wave Count in GET, you must move the PTI cursor to the point you believe is the end of Wave 2 and left-click. Next, move your cursor to the point where you believe Wave 3 has ended and left-click a second time. Lastly, move the PTI cursor to the bar you believe is the end of Wave 4 and left-click for the third time to place the PTI and Wave 4 channels on the chart.

Please note: The PTI value will not automatically adjust as new bars are placed on the chart. You must redraw the PTI as the Wave 4 progresses.

To remove the PTI, right-click the PTI that you want to erase. When the PTI Properties sheet appears, click **Remove**.

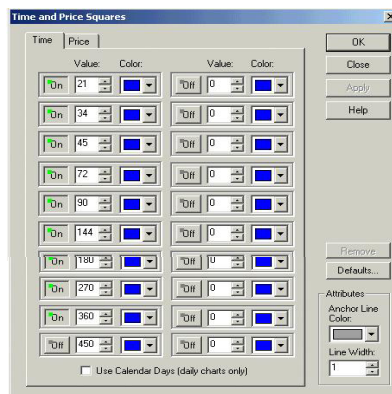
 **Time & Price Squares** are used to show the relationship of time periods (X axis) versus prices (Y axis).

Select the Time & Price Squares button to draw a graph of the intersection of prices you have set against the times you have set (periods) on your bar charts.

When the cursor is inside a bar chart, it will now look like a small arrow with the Time & Price Squares grid attached to it. Position the cursor at the bar that you wish to start on (usually a high or a low) and left-click. This will show a Time & Price Squares grid. As you move the cursor up and down, and left and right, you will note that the periods or prices will show up only in the areas where the cursor has not been. To make the Time & Price Squares grid stay on the bar chart, left-click again.

To abort the drawing of the Time & Price Squares grid, right-click.

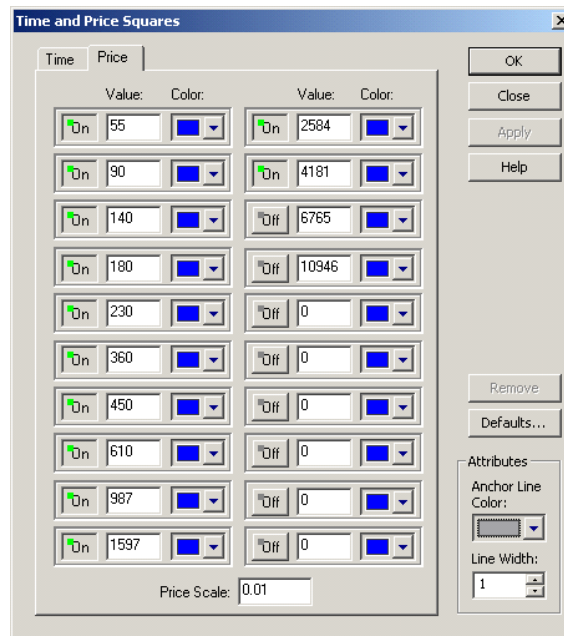
To adjust the time periods or the prices used in the Time & Price Squares grid, right-click on the Time & Price Squares button.



To change the Time, right-click on the Time & Price Squares toolbar button and select the **Time** tab. Enter the number of periods you wish and select the **OK** button.

With the **Calendar** toggle box checked, the Time & Price Square will use calendar days instead of trading days for the times you have indicated under the **Times** column.

To change the **Price**, open the adjust Time & Price dialog box and select the Price tab. Enter the number of increments you wish and select the OK button.



Please note that the price increments are based on the base of the market you are looking at. For example, stocks trade in cents (.01), If you want the price increments based on Dollars, you would set the price scale to 1.

The **Color** button is used to set in what color your Time & Price Square will be drawn. To change this color, select the color button and you will be presented with a pallet of colors. Select the color you want, and this change will be reflected on the color button.

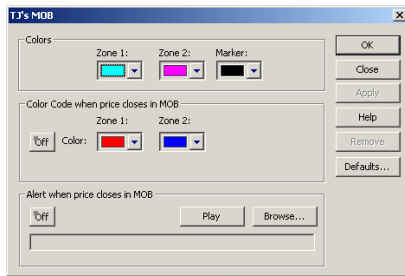
Under the **Attributes** section, the **Anchor Line Color** set the color of the horizontal and vertical identification line. These lines tell you at which bar and at what price you selected to display the Time and Price Squares.

The **Line Width** selection adjusts the thickness of the Time and Price Squares.



The **MOB (Make Or Break)** is an excellent tool that can help you find the target price area for the end of a Wave 5, or for any pattern that has an 'impulse-correction-impulse' pattern.

The MOB should be drawn from the top (market moving up) or bottom (market moving down) of the starting impulse pattern that is closest to the current market movement. For example, if the market is moving in a 5 Wave sequence up, and if you want to see the MOB level for the Wave 5, move the MOB cursor to the top of the Wave 3 and left-click (this will only work if Wave 4 has finished and Wave 5 is in progress).



The Wave 3 high is the top of the starting impulse pattern. The Wave 4 is the bottom of the corrective pattern. The Wave 5 is the area in which the MOB will show a support area that will either "Make" the end of Wave 5 or "Break" the Wave 5 into an extension. The MOB is not limited to a 3-4-5 pattern; it works with any down-up-down or up-down-up pattern.

The different colors of the MOB give you a visual indication of the range of the MOB area, and if you see a **Marker** on the MOB (which looks like a block on the left side of the MOB in a different color), then you know that the MOB doesn't have enough data to confirm the MOB level. If you get a Marker on the MOB, it is a good idea to keep deleting and redrawing the MOB as each new data bar is put on the chart until the Marker goes away.

Inside of the MOB is a Time Marker indicating the probable time (place on the MOB) when the market will intersect with the MOB. The Time Marker will be similar in color to the regular Marker but you can easily tell the difference by the interior placement of the Time Marker.

To configure the MOB, put your cursor on top of the MOB button and right-click. This will open the MOB properties sheet.

The **Zone Colors** selection list allows you to change the color of each of the MOB zones, as well as the Marker color.

To remove the MOB, right-click the MOB you want to erase. When the MOB Properties sheet appears, click **Remove**.

CHAPTER 4

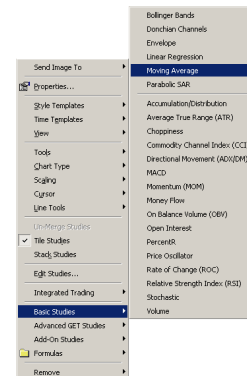
Technical Analysis

eSignal provides you with a large collection of standard and proprietary technical analysis tools that allow you to study an issue's performance. This chapter will discuss how to put technical analysis studies on the chart and how to change the configuration of each one. This chapter does not discuss how to actually trade these indicators. Please refer to *Part Two: Applying Technical Analysis* for more information on how to trade with these indicators.

Placing Technical Analysis on the Chart

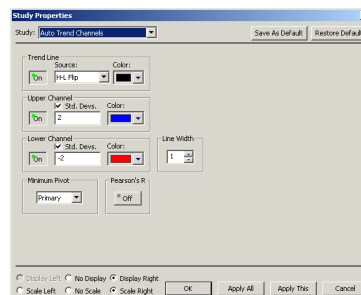
To put an indicator on an advanced chart, right-click the bar chart. The menu that appears will have a selection called **Advanced GET Studies**. Move your cursor down to Studies and a list of Studies will open. Move your cursor to the study that you want applied to the chart and left-click.

An alternate method of putting an indicator on an open Advanced chart is to move your cursor to the menu bar, select Chart Options and then Advanced GET Studies. Move your cursor to the study that you want applied to the chart and left-click.



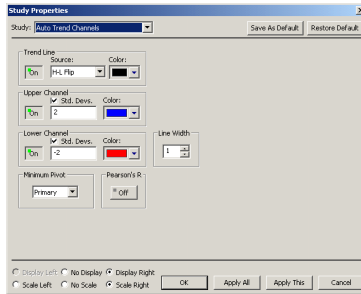
Auto Trend Channels

Auto Trend Channels are Regression Trend Channels that are automatically drawn by eSignal based upon the degree of Pivots and the trend direction. The break of an Auto Trend Channel is usually used as an entry or exit signal.



The **Trend Line On/Off** button indicates if the Trend Line will be displayed. The Trend Line does not have to be displayed for the Automatic Trend Channels to work correctly. Left-click this button to turn the display of the Trend Line on or off.

The **Trend Line Source** selection list allows you to choose which prices are used in the calculation of the Regression line:



Open = The regression line will be calculated using the open prices of the bars.

High = The regression line will be calculated using the highs of the bars.

Low = The regression line will be calculated using the lows of the bars.

Close = The regression line will be calculated using the closing prices of the bars.

(H+L)/2 = The regression line will be calculated using the value derived from adding the highs with the lows and dividing by 2.

(H+L+C)/3 = The regression line will be calculated by using the value derived from adding the highs with the lows with the close and dividing by 3.

(O+H+L+C)/4 = The regression line will be calculated by using the value derived from adding the opens with the highs with the lows and dividing by 4.

H-L Flip = The H-L flip indicates that the Automatic Trend Channels should be calculated using the Low of the bars when the trend is up and the High of the bars when the trend is down.

The **Trend Line Color** selection list allows you to choose the color in which the Trend Line will be drawn.

The **Upper Channel On/Off** button indicates if the Upper Channel of the regression line will be displayed. Left-click this button to turn the display of the Upper Channel on or off.

The Upper Channel **Std. Devs.** check box indicates if the standard deviation of the regression line should or should not be used for the Upper Channel. When this box is checked, the Upper Channel will use the standard deviation indicated in the number box directly below it. If the Std. Devs. check box is not checked, the Upper Channel will be drawn using the highest bars in the trend encompassed by the channels.

The **Upper Channel Color** selection list allows you to choose the color in which the Upper Channel line will be drawn.

The **Lower Channel On/Off** button indicates if the Lower Channel of the regression line will be displayed. Left-click this button to turn the display of the Lower Channel on or off.

The Lower Channel **Std. Devs.** check box indicates if the standard deviation of the regression line should or should not be used for the Lower Channel. When this box is checked, the Lower Channel will use the standard deviation indicated in the number box directly below it. If the Std. Devs. check box is not checked, the Lower Channel will be drawn using the lowest bars in the trend encompassed by the channels.

The **Lower Channel Color** selection list allows you to choose the color in which the Lower Channel line will be drawn.

The **Minimum Pivot** selection list allows you to choose the degree of Pivots you wish the Automatic Trend Channels to use as the starting point of the Trend Channel. If Primary is highlighted, the Automatic Trend Channels will only use the Primary Pivot points as starting points for the channels and will not change until a new Primary Pivot point is in place.

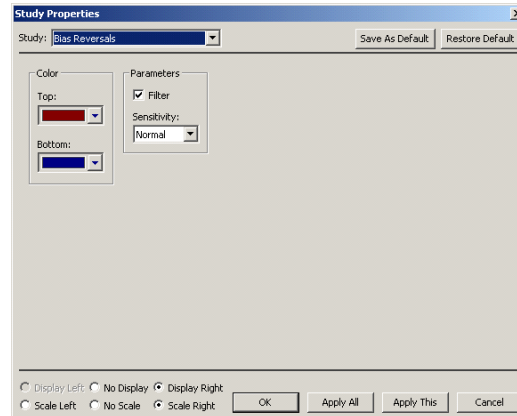


The **Pearson's R On/Off** button indicates if the Pearson's R value will be shown at the bottom of the Automatic Trend Channels. As the Pearson's R value gets closer to the value of 1, the calculated trend line is matching the actual value of the data. This means that the Automatic Trend Channels are "fitting" the trend very well. As the Pearson's R value gets closer to the value of 0, the trend line does not match the value of the data. This means that the Automatic Trend Channels do not "fit" the trend very well. Think of this value as a percentage—a 90-percent match is very good, while a 6-percent match is very bad.

Bias Reversal

The **Bias Reversal** indicates a potential change in trend (a reversal of a bias) point.

When the Bias Reversal is drawn at the top of the screen, it indicates some degree of a change in trend and the market should move down. The opposite is true when the Bias Reversal is drawn at the bottom of the chart. If the Bias Reversal gives you a false signal, a line will eventually be drawn at the base of the signal or will be removed from the chart if the filter is enabled.



Filter When checked, the **Filter** removes any Bias Reversal signals that have been marked as false signals. When this is not checked, false Bias Reversal signals will be indicated with a line being drawn at their base. Bias Reversal signals are designated as "True" or "False" when the next price bar after the signal has been verified.

The **Top** and **Bottom** Color lists allow you to alter what colors the Bias Reversal will be drawn.

The **Sensitivity** selection list allows you to choose between a **Normal** or **Tight** sensitivity level for the Bias Reversal calculation.

The Normal setting is what should be used in most circumstances. The Normal setting will give you more signals, some of which will be "false" or smaller changes. The Tight setting is less sensitive to the market, and will give you less Bias Reversal points. When using the Tight setting you will have less false signals, but you will have less good signals as well.

Elliott Waves

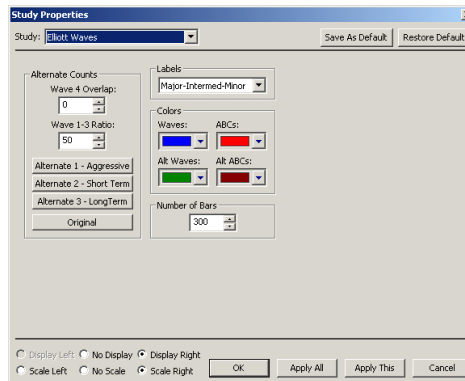
Elliott Waves is one of the core studies of GET. The simplified Elliott Wave theory states that you will have a 5-Wave sequence in a direction, some kind of corrective pattern (most of the time), and then a new 5-Wave sequence in the opposite direction.

GET gives you a large amount of control in how the Elliott Wave counts are calculated. By pressing the **Elliott** button, you get the Default Elliott Wave Count that is used in most of the examples in Part 2 of this manual. The Default Elliott Wave count can be used under most circumstances, but there may be times where you need to alter the way Elliott Waves are calculated based upon the market conditions. This is when you would want to use an Alternate Elliott Wave count.

To access the Elliott Waves Properties menu, right-click the Elliott button on the toolbar.

Under Alternate Counts:

The **Wave 1-3** number box indicates the maximum percent-level of the length of Wave 3 that the Wave 1 can be labeled. This percentage is important in the way the Wave 4 time channels and PTI are calculated. The default Wave 1-3 ratio is 50%. This means if you take the length of Wave 3, the Wave 1 could be labeled anywhere up to 1/2 the length of Wave 3. This does not mean that it will be labeled right at the 50% mark, but it could be labeled anywhere from the 1% up to the 50% level according to this percentage. If you decrease this number to 20%, this means that the Wave 1 has to be labeled somewhere between 1% and 20% of the length of Wave 3.



The **Wave 4** number box indicates the percentage that Wave 4 can overlap Wave 1 before the Wave count is considered invalid and has to be recalculated. The default for any Futures contract is 17% (to account for slippage) and 0% for all other issues.

The **Alternate 1–Aggressive** count button, when on, indicates that you will have an aggressive change in the Elliott Waves. You will want to use this setting when you are watching a Wave 4 in progress, and the Elliott Wave Oscillator has not only pulled back to the zero line, but has crossed the zero line and has retraced over the zero line more than 40%.

The **Alternate 2–Short Term** count button, when on, indicates that a shorter Elliott Wave count should be used. The Short Term count could be used to see a 5-Wave sequence inside of a strong Wave 3.

Normally, once a 5-Wave sequence is detected, the default Elliott Wave count looks for a new Wave 3 in the opposite direction with the first price target being the previous Wave 4.

The **Alternate 3–Long Term** count button, when on, indicates that a much longer Elliott Wave count than normal should be used. This count should be used when the market fails to move strongly away from the end of a 5 Wave sequence. The Long Term count can look at the market on a bigger picture when this happens to determine if the end of the previous Wave 5 might have really been the end of a Wave 3, with a Wave 5 still to be placed. This wave count should be used with the Alternate 3 (10, 70) Oscillator and not with the 5,35 Oscillator.

The **Original** button returns the Wave 4 settings and Wave 1-3 setting, along with the Elliott Waves, back to their original (default) settings.

The **Labels** selection list allows you to select what degrees of Elliott Wave counts are displayed on the chart. **Major** labels are identified as large numbers inside of disks. **Intermediate** labels are smaller numbers. **Minor** labels are small roman numerals.

The **Normal Colors** lists let you select colors for the **Original Elliott Waves** and the **Original ABC** colors. The colors selected for Waves and ABC are the colors in which the Original (default) Elliott Waves are drawn.



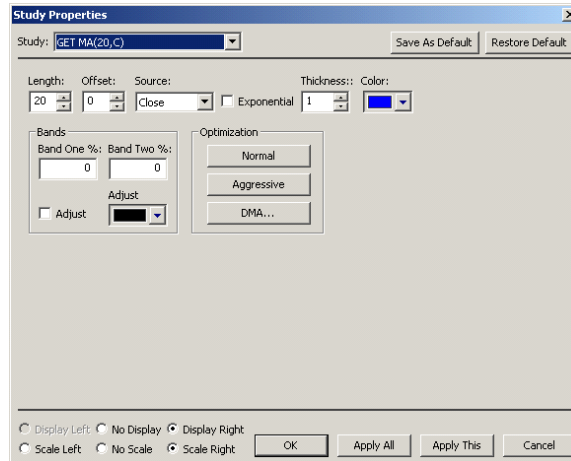
The **Alternate Colors** lists let you select colors for any of the **Alternate Elliott Waves** and any of the **Alternate ABC** colors. The colors selected for Waves and ABC are the colors in which the Alternate Elliott Waves are drawn.

GET Moving Averages

A **Moving Average** is the average price of an issue over a specified period of time. For a five-period average, you would take the sum value (often the closing price of the bar) over five days, compute the sum, and divide by five. It helps you see when an old trend has reversed and a new trend has begun.

A crossover of a Moving Average and the closing prices of the bars on the chart is usually taken as an entry or exit signal. The longer the length of the Moving Average, the slower it reacts to the market and, conversely, the shorter the Moving Average, the more sensitive the moving average will be to price changes.

The Moving Averages dialog box lists the Moving Averages that have been added to the bar chart.



The check box to the left of each Moving Average indicates if that Moving Average will be displayed on the chart.

To change any of the settings of a Moving Average, highlight the Moving Average and click **Edit**. This will open the Edit Moving Average dialog box where you can change any of the parameters of the Moving Average. You can also edit the settings of a Moving Average by highlighting the band and then double left-clicking it.

To remove a Moving Average from the Moving Averages menu, highlight the Moving Average you want to remove and click **Delete**. Click **New...** to put a new Moving Average on the chart.

The **Length** number box is used to set the number of bars used to calculate the Moving Average.

The **Offset** number box indicates the number of periods the Moving Average should be shifted forward (+ number) or backwards (- number).



The **Source** selection list allows you to choose what prices are used in the calculation of the Moving Average.

Open = The Moving Average will be calculated using the open prices of the bars.

High = The Moving Average will be calculated using the highs of the bars.

Low = The Moving Average will be calculated using the lows of the bars.

Close = The Moving Average will be calculated using the closing prices of the bars.

(H+L)/2 = The Moving Average will be calculated by using the value derived from adding the highs with the lows and dividing by 2.

(H+L+C)/3 = The Moving Average will be calculated by using the value derived from adding the highs with the lows with the close and dividing by 3.

(O+H+L+C)/4 = The Moving Average will be calculated by using the value derived from adding the opens with the highs with the lows and dividing by 4.

Put a check in the **Exponential** check box if you want the Moving Average to be calculated Exponentially.

The **Color** selection list allows you to change the color of the Moving Average.

The **Band One** number box is used to adjust where, in relation to the price scale, the Moving Average gets displayed. When both Band One and Band Two are set to 0 (the default setting), only one Moving Average is drawn at the price it was calculated. Increasing this number will move the Moving Average up on the price scale, and decreasing this number will move the Moving Average down the price scale.

The **Band Two** number box is used to adjust where, in relation to the price scale, the second Moving Average (Band) gets displayed. When Band Two is set to 0 (the default setting), only one moving average will be displayed. Increasing this number will draw a second Moving Average (Band) and move the Moving Average up on the price scale, and decreasing this number will move the second Moving Average (Band) down the price scale.

The **Adjust Bands** check box indicates if you want the Adjust Bands indicator to be displayed on the chart. The Adjust Bands indicator will cause secondary lines to be displayed above or below the bands whenever the odds favor the price penetrating the bands.

The **Adjust Bands Color** selection list allows you to choose the color of the Adjust Bands lines when drawn on the chart.

The **Optimize Normal** button will adjust the Band One and Band Two settings to make them intersect as many high and low points on the chart as possible.

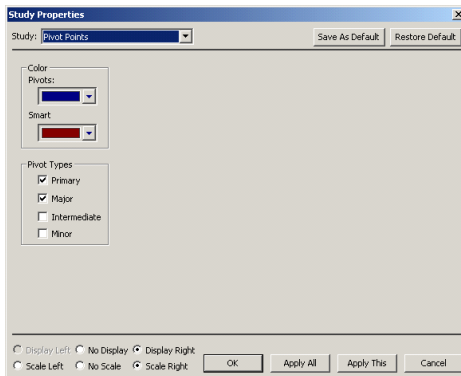
The **Optimize Aggressive** button will adjust the Band One and Band Two settings in a similar way to Optimize Normal, but more attention will be paid to the steeper trends.

The **Optimize DMA** button will open the Optimize DMA dialog box. From this dialog box you can adjust the number of Primary and Major Pivots used to calculate the best Length and Offset for the DMA.

When you are finished editing the Moving Averages parameters, press the OK button to take you back to the Moving Averages dialog box.

Pivots

Pivots are a proprietary indicator that show the trend turning points of the issue's price performance. These Pivot points are labeled as Primary (P), Major (J), Intermediate (I), or Minor (M), depending on how long the issue maintains a particular price movement. Pivots are useful as starting or ending points when drawing Gann Boxes, Regression Trend Channels, Fibonacci Time, and other studies and tools.



When looking at a bar chart with Pivots displayed, you will notice that some of the Pivots are labeled in a different color than the majority of the Pivots. These are **Smart Pivots**.

eSignal attempts to label these projected Pivot points as accurately as possible, but does not guarantee that they will not change. Any Pivot that is labeled in red (the default Smart Pivot color) will most likely be a Pivot of that degree, but has met the conditions of a

Pivot of at least the next lesser degree. For example, if you see a Primary (P) pivot labeled as a Smart Pivot, it will most likely be a Primary (P) Pivot, but has met the conditions of a Major (J) Pivot.

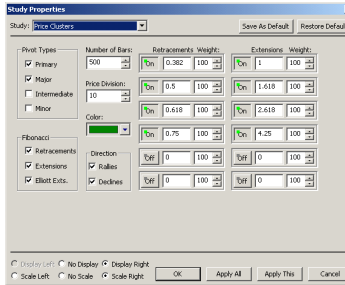
The **Pivots Color** selection list allows you to choose the color in which the Pivots will be drawn.

The **Smart Pivots Color** selection list allows you to choose the color in which the Smart Pivots will be drawn.

The **Pivots Types** check boxes indicate what degrees of pivots will be displayed on the chart.

Price Clusters

Price Clusters show the areas where Fibonacci Extensions & Retracements tend to cluster in a given time period. The bars that are longer in length are the areas where the most activity was in terms of price. These bars are areas of support and resistance. The color difference does not indicate anything; it is only offered to make the visual differentiation easier.

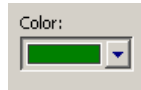


The **Pivots Types** check boxes indicate what degrees of Pivots will be used to calculate the Price Clusters.

The **Number of Bars** number box indicates the amount of bars the Price Clusters will use when calculating.

The **Price** number box indicates in what increments the prices will be divided to group the Retracement and Extension values.

The **Color** selection list allows you to change the color of the Price Clusters.



The **Fibonacci** section allows you select any combination of **Retracements**, **Extensions**, and **Elliott Extensions**. When the corresponding check box has been checked, each type of Fibonacci measurement will be used to calculate the Price Clusters.

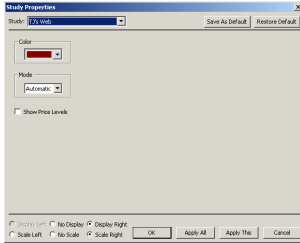
The **Direction** check boxes indicate whether you want the Price Clusters to be calculated on **Rallies**, **Declines**, or both.

The **On/Off** buttons indicate if the corresponding ratio will be used in the calculation of the Price Clusters. To include/exclude a ratio from being used in the calculation, left-click the adjacent On/Off button.

The **Retracements/Extensions** number boxes indicate the Fibonacci ratios used in the calculation of the Price Clusters. The value in the **Weight** number box indicates the amount of importance the corresponding Fibonacci ratio will have. If the numbers in all of the Weight number boxes are equal, then each one of the Fibonacci ratios will have equal importance. For example, if one of the Fibonacci ratios has a weight of 100, and the remaining weights are all set at 50, then its importance will be twice as much during the calculation than those having the lesser weight of 50.

TJ's Web

TJ's Web is a display of resistance and support zones calculated using a proprietary Fibonacci formula. There are three areas displayed: Neutral Zone (NU, ND), Resistance Area (RA, RB, RC, RD), and Support Area (SA, SB, SC, SD). TJ's Web is an excellent way to get the support and resistance areas for the trading range of the next day. As a general rule, the market pauses at each level, and if the market goes to Support Area A (SA), it will move to Resistance Area A (RA). The same is true for all of the Support and Resistance Area combinations.



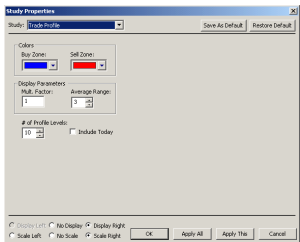
The **Color** selection list allows you to change the color of the TJ's Web.

The **Mode** selection list allows you to choose from 4 types of TJ's Web.

The **Automatic** setting allows eSignal to determine what separation factor to use to calculate the TJ's Web level.

The Reduced setting is used when the market is expected to be trading in a smaller, tight range. The Normal setting is used when the market is expected to behave in an average trading range. The Extended setting is used when a large amount of volatility is expected for the next trading day. The Automatic setting is usually the best setting.

Trade Profile



The **Trade Profile** is a proprietary study developed by Tom Joseph that can indicate areas of previous buying and selling.

The **Colors** selection list allows you to select the color in which the Buy Zone and the Sell Zone will be drawn on the chart.

The **Mult. Factor** number box under Range Parameters indicates how many times the calculated Trade Profile range should be multiplied before it is displayed.

The **Average Range** number box under Range Parameters indicates the range used in the calculation of the Trade Profile.

The **# of Profile Bars** number box indicates the maximum number of Profile Bars to be displayed on the bar chart.

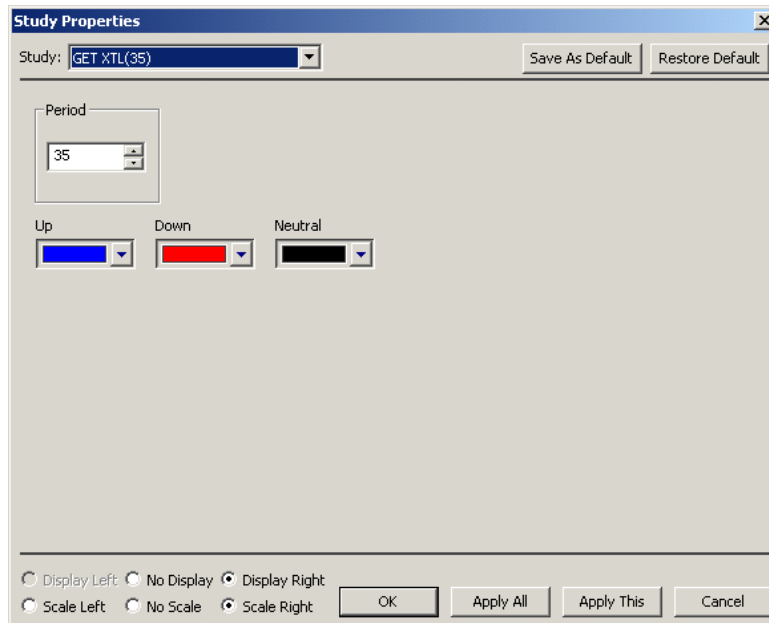
The **Include Today** check box, when checked, will include the latest data including any current market data prior to the close of the market on the current day.

XTL (eXpert Trend Locator)

The XTL (eXpert Trend Locator) is a study Tom Joseph developed that uses a statistical evaluation of the market to tell the difference between random market swings (noise) and directed market swings (trends).

The XTL is a simple but powerful tool that is not complicated to use. If the bars are blue in color, then the trend is up. If the bars are red in color, then the trend is down. When you have a bar turn from its normal color to blue or red, this first signal is called a Break Out Bar. An entry is taken when the bar following the Break Out Bar is the same trend color as the Break Out Bar, and the range exceeds 150% of the Break Out Bar in the direction of the trend. You would place a stop below the low of the Break Out Bar if the trend is up, and you would place a stop above the high of the Break Out Bar if the trend is down. As the market moves in the direction of the trend, you would use a trailing stop to follow the trend. To find an exit, you can use a variety of exit methods, but we recommend using the Regression Trend Channels or an optimized DMA. Please note that the XTL is not a mechanical trading system. The XTL is one of the many trading models available in eSignal.

The **Period** number box is used to indicate the number of bars used to calculate the XTL.



Elliott Trigger

The **Elliott Trigger** is a confirming signal that Wave 4 has actually ended when the Oscillator retraces below the zero line.

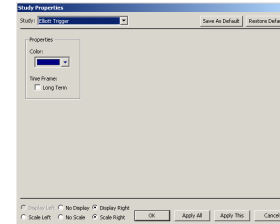
During Elliott Wave 4, the Elliott Oscillator needs to pull back to the zero line to signal the end of Wave 4. Many times the Oscillator pulls back to the zero level and continues to stay below the zero line for some time. The Elliott Trigger should only be used after the Oscillator has pulled back to the zero line. Once the Oscillator has pulled back to zero, wait for the Elliott Trigger to cross above the zero line. This provides confirmation that the Wave 4 is over.

To change any of the parameters of the Elliott Trigger, right-click the Elliott Trigger window and then left-click **Properties**.

The **Color** selection list allows you to choose the color of the Elliott Trigger.

The **Time Frame: Long Term** check box should only be checked when you are using the Alternate 3 Oscillator (10,70) in combination with the Alternate 3 - Long Term Elliott Wave count.

To remove the Elliott Trigger from the bar chart, right-click the Elliott Trigger window, then left-click **Remove** and select **Elliott Trigger**.



Joseph Trend Index (JTI)

The **Joseph Trend Index (JTI)** is based upon a trend-tracking and strength algorithm developed by Tom Joseph. This indicator can be used in conjunction with the Expert Trend Locator (XTL) as a confirmation of a trend due to the fact that they are independent calculations and are not related.

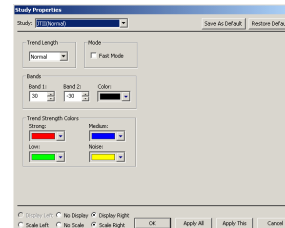
The primary objective while designing the JTI was to create a study that kept you from taking positions against a major trend. The JTI can also act as an early warning signal prior to a breakout of a trend and at the end of the trend. The JTI can also be used as a confirmation/confidence indicator when used in conjunction with the XTL to add positions during a trend. To change any of the parameters of the JTI, right-click the JTI window and then left-click **Properties**.

The **Trend Length** drop down box indicates what length of trend the JTI should display.

The **Fast Mode** check box is used when you want the JTI to be extremely sensitive to any change in the trend strength. This setting should be used with caution due to the fact that it can give many false signals.

The **Band 1** and **Band 2** number boxes indicate at what level the upper and lower bands will be drawn. The **Bands Color** selection list allows you to change the color of the bands drawn on the JTI.

The **Trend Strength Color** boxes indicate and allow you to change the color used for the different trend strengths when the JTI is drawn.



Elliott Oscillator

An **Oscillator** is simply the difference between two moving averages displayed as a histogram. The moving averages used in this Oscillator are simple moving averages.

When looking at an Elliott Wave count, you should be looking at the Elliott Oscillator to qualify the accuracy of the count. In a 5 Wave sequence, the Elliott Oscillator should pull back to the zero line to signify Wave 4 is in place. Under normal conditions you will want to use the 5,35 Oscillator (Tom's Osc). When the market is going into an extended 5th Wave, you should use the 5,17 Oscillator (Extended). When using the Alternate Count 3 - Long Term Elliott Wave setting, you should use the 10,70 Oscillator (Alternate 3).

The Break Out Bands qualify the Wave 3. If the program is labeling a movement in the market as a Wave 3, the Elliott Oscillator should be above the Break Out Bands. If the Elliott Oscillator is not above the Break Out Bands, then there is a good chance that the market is not really in a Wave 3 and the program will relabel the Elliott Wave count.

To change any of the parameters of the Oscillator, right-click the Oscillator window, then left-click **Edit Studies**.

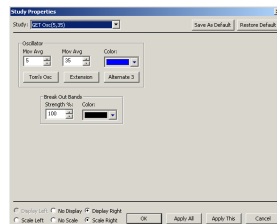
The **Mov Avg** number boxes indicate the two moving averages used in the calculation of the Elliott Oscillator. The numbers represent the number of periods to use in the calculation of the moving average.

The **Oscillator Color** selection list allows you to change the color of the Elliott Oscillator. Press the **Tom's Osc** button to change the moving averages to a 5-period moving average against a 35-period moving average.

Press the **Extended** button to change the moving averages to a 5-period moving average against a 17-period moving average.

Press the **Alternate 3** button to change the moving averages to a 10-period moving average against a 70-period moving average.

The **Break Out Bands Strength %** number box allows you to adjust where the Break Out Bands will be drawn. If the % is set to 100, then the Break Out Bands will be drawn exactly at the level where they were calculated. If the % is set to 110, then the Break Out



Bands will be drawn at a level that is 10% higher than they were actually calculated (moving them away from the zero line). If the % is set to 60, then the Break Out Bands will be drawn at a level that is 40% lower than they were actually calculated (moving them closer to the zero line). The Break Out Bands are not just moving averages—they are a proprietary indicator developed by Tom Joseph.

The **Break Out Bands Color** selection list allows you to change the color of the Break Out Bands.

To remove the Oscillator from the bar chart, right-click the Oscillator window, then left-click **Remove** and select **Get Osc**.

Stochastics

The **Stochastic** is designed to indicate when the market is overbought or oversold. It is based on the premise that when a market's price increases, the closing prices tend to move toward the daily highs; and, conversely, when a market's price decreases, the closing prices move toward the daily lows. A Stochastic displays two lines: %K and %D. %K is calculated by finding the highest and lowest point in a trading period and then finding where the current close is in relation to that trading range. %K is then smoothed with a moving average. %D is a moving average of %K.

A sell signal is generated when you have a crossover of the %K and the %D, when both are above the band set at 75. A buy signal is generated when you have a crossover of the %K and the %D when both are below the band set at 25. These signals are not valid if a **False Bar** appears above or below the crossover signal. The **False Bar** is a proprietary Stochastics cycle study that can help weed out many of the false Stochastics signals. If a **False Bar** appears over the Stochastics signal, you should just ignore the Stochastics signal as if it never existed. (More information on the **False Bar** can be found later in *Part 2, Applying Technical Analysis*.)

An alternate, more aggressive method of using the Stochastics is by using a pyramid system of adding on positions during a strong trend. As a major trend continues, you could use all of the crossing of the %K and %D, regardless of where the Stochastics lines cross. For example, if you follow this approach in an uptrending market, you would take all the upturns by the Stochastics as additional buy signals (to pyramid your positions), regardless of whether %K or %D reached the oversold zone. The Stochastics sell signals would be ignored, except to take short-term profits. False Bar signals would be ignored. The reverse would be true in a downtrending market.

To change any of the parameters of the Stochastics, right-click the Stochastics window, then left-click **Edit Studies**.

The **Length** number box indicates the number of bars used to find a moving average when calculating %K.

The **%K** number box indicates the period of the moving average that is used to smooth %K.

The **%D** number box contains the period of the moving average that is applied to %K to find %D.

The **Bar Color** selection list allows you to change the color of the False Bar.

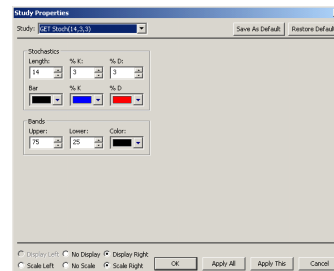
The **%K** Color selection list allows you to change the color of the %K.

The **%D** Color selection list allows you to change the color of the %D.

The **Upper** and **Lower Bands** number boxes indicate at what level the bands will be drawn.

The **Bands Color** selection list allows you to change the color of the bands drawn on the Stochastics.

To remove the Stochastics from the bar chart, right-click the Stochastics window, then left-click **Remove** and select **GET: Stoch**.



Time Clusters

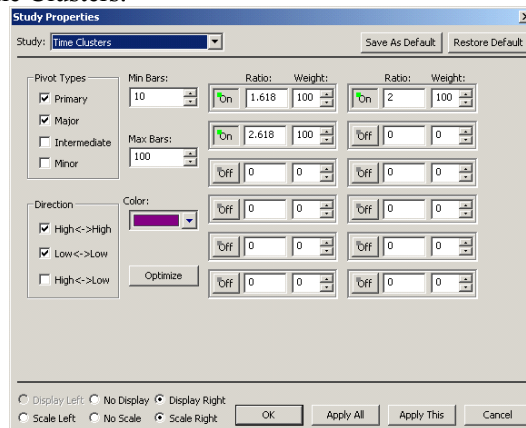
Time Clusters use the relationship of Pivot Points to the Fibonacci Time extensions. If you were to manually draw Fibonacci Time extensions from every Pivot Point combination on the chart, you would begin to see areas where there is clustering of various Fibonacci numbers. Time Clusters are a graphical representation of these areas.

Time Clusters give you an indication of where a potential change in trend may occur. The bigger the cluster, the greater the likelihood that a change in trend will happen that day. The highest point in a Time Cluster has the greatest probability that the corresponding time period will contain the bar that is the change in trend point. Time Clusters were not designed to be used alone; they should be used as a confirming indicator or as a gauge of when a change in trend will potentially happen.

Since Time Clusters are specific to each market, it is suggested that you optimize the Time Clusters using all of the bars contained in your data file.

To change any of the parameters of the Time Clusters, right-click the Time Clusters window, then left-click **Edit Studies**.

The **Pivots Types** check boxes indicate what degrees of pivots will be used to calculate the Time Clusters.



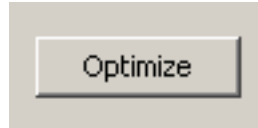
The **Direction** check boxes indicate what Pivot combinations you want to use for the Time Clusters calculation. For example, if you check **High <-> High**, all of the Pivot Points on the top part of the bar chart (changes from an uptrend to a downtrend) will be used as the points used for the Fibonacci Time extensions. If you check **High <-> Low**, then pivot points on both the top and the bottom part (changes in trend going both directions) of the bar chart will be used.

The **Min Bars** number box indicates the minimum number of bars allowed between Pivot Points that will be considered valid for the Time Clusters calculation.

The **Max Bars** number box indicates the maximum number of bars allowed between Pivot Points that will be considered valid for the Time Clusters calculation.

The **Color** selection list allows you to select the color of the Time Clusters.

The **Optimize** button is used to display the Time Clusters Optimize dialog box. From this dialog box you can choose from a selected list of prebuilt ratios, you can optimize the Time Clusters using a specific number of bars, or you can optimize the Time Clusters using all of the data located in your file.



The **Calculate Use All Bars** check boxes indicate if all of the bars in the data file will be used to optimize the Time Clusters.

The **Number Of** number boxes indicate the specific number bars of in the data file you want used to optimize the Time Clusters.

The **Calculate** button, when pressed, either examines your data using the number of bars indicated in the Number Of number box or examines the data using all of the bars and finds the best ratios and weights that would have been best for this market so far.

The **Prebuilt** selection list allows you to browse through and select the prebuilt market ratios you want used in the optimization of the Time Clusters. **Please note:** Only selected markets are included. If your market is not included, you should optimize using the Calculate method as described above.

Press the **Use Prebuilt** button if you want the Time Clusters to be optimized using the market indicated in the Prebuilt selection list.

The **On/Off** buttons indicate if the corresponding ratio will be used in the calculation of the Time Clusters. To include/exclude a ratio from being used in the calculation, left-click on the adjacent On/Off button.

The **Ratio** number boxes indicate the Fibonacci Time Ratios used in the calculation of the Time Clusters.

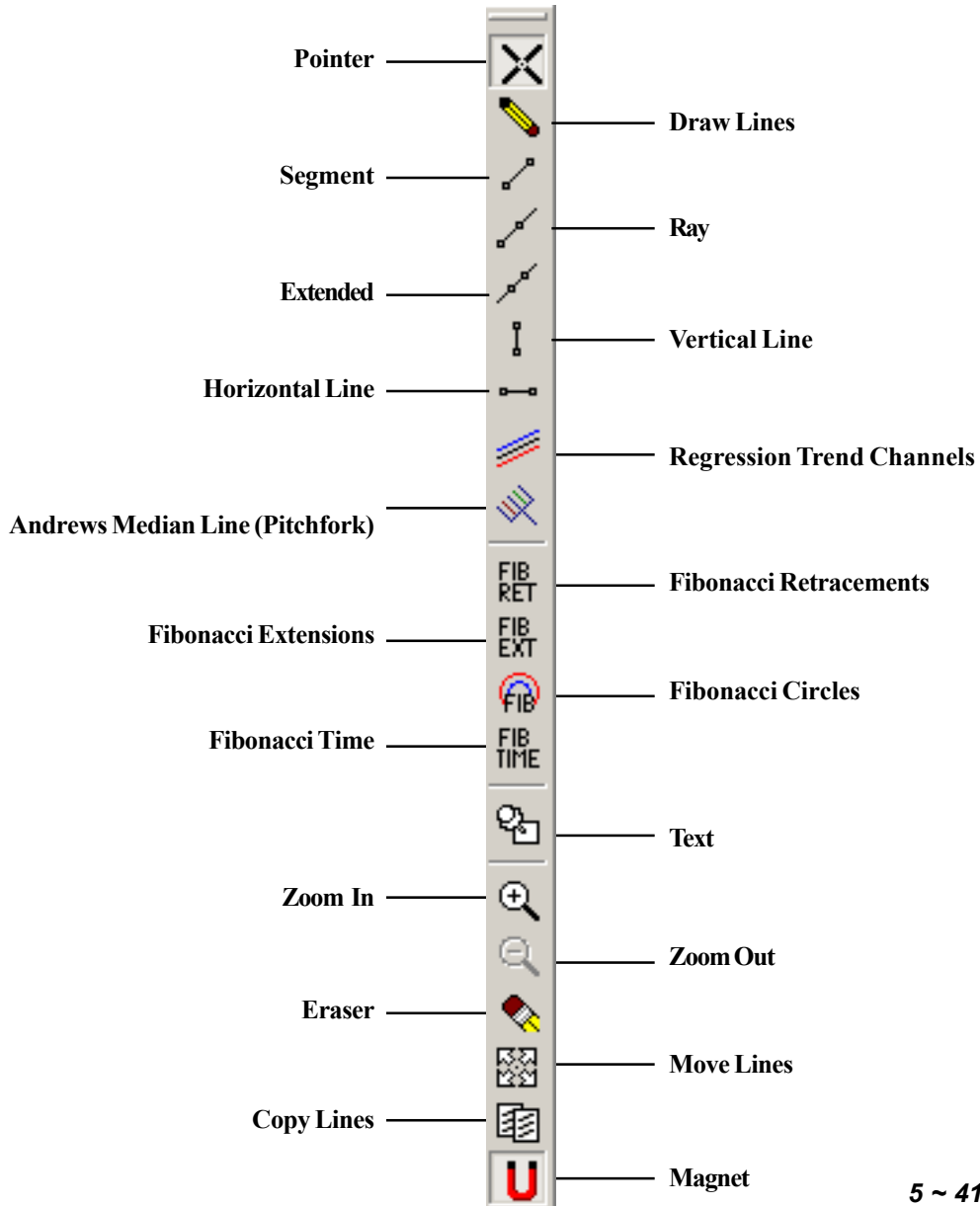
The value in the **Weight** number box indicates the amount of importance the corresponding Fibonacci Time Ratio will have. If the numbers in all of the Weight number boxes are equal, each one of the Fibonacci Time Ratios will have equal importance. For example, if one of the Fibonacci Time Ratios has a weight of 100, and the remaining weights are all set at 50, then its importance will be twice as much during the calculation than those having the lesser weight of 50.

To remove the Time Clusters from the bar chart, right-click the Time Clusters window, then left-click **Remove** and select **Time Clusters**.

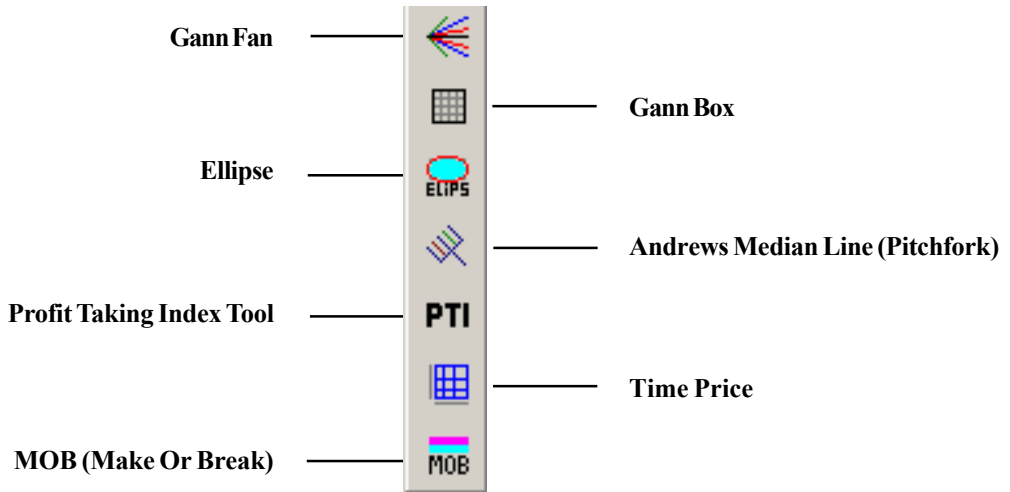
Notes

C H A P T E R **5**
Toolbars

Line Toolbar



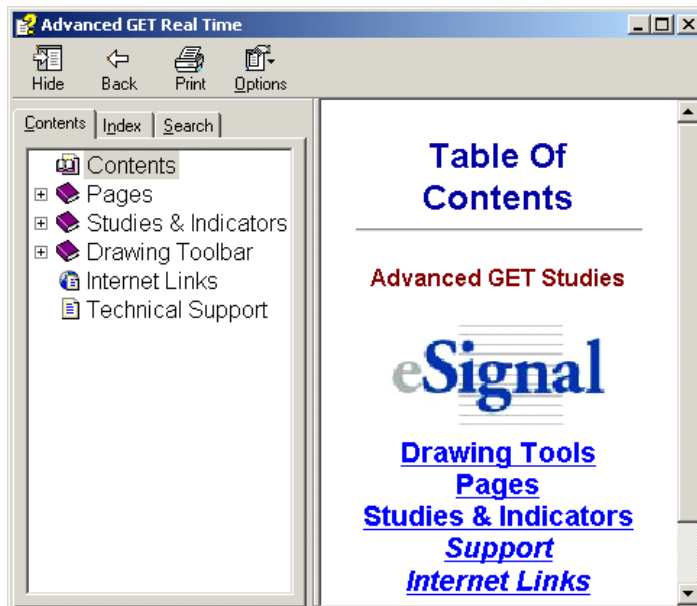
Advanced Line Toolbar



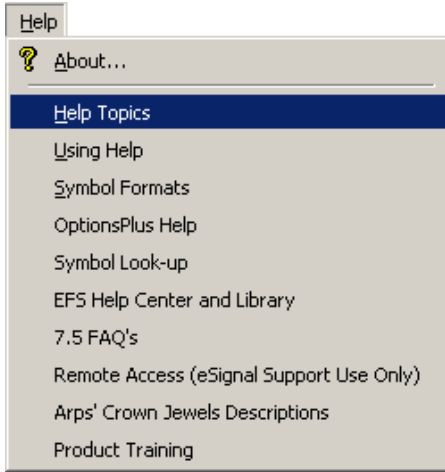
Online help is available for most of the Advanced GET Studies listed on the Advanced Line Toolbar. To access the Advanced GET Studies online help, right-click the Advanced Line Toolbar icon for which you need help and a properties dialog will display. To view the available help, click the help button on the properties dialog. The help system will identify the line tool or dialog box that is active and provide help for the specific line tool.

The Contents section of the Advanced GET Help system contains general topics of interest. Double-click a topic to view it. This action will either open the general topic to reveal additional sub-topics, or it will display information for the specific topic. To return to the Contents section, click the Contents button at the top of the Help window.

The Index tab provides an alphabetical list of key words related to the various help topics. If you are looking for a particular key word, the Index is a quick way to determine the related help topics.



If you need help for an eSignal topic not related to Advanced GET, select Help Topics from the main Help menu located at the top of the application window. You can also access the main eSignal help system by pressing the F1 key. This help system also contains Contents and Index tabs.



Part Two

Applying Technical Analysis

In This Section, You Will Learn

- Elliott Waves and Oscillator
- Building an Indicator
- Elliott Waves
- Gann Techniques
- TJ's Web and TJ's Ellipse
- Fibonacci
- Andrews Median Lines
- Expert Trend Locator
- Make or Break
- Bias Reversal
- Joseph Trend Index
- Trade Profiles

C H A P T E R **7*****Elliott Wave Techniques******What is Technical Analysis?***

Technical Analysis can be defined as the examination of past price movements to forecast future price movements. Technical analysts are also known as a chartist, due to the reliance on the study of charts for their analyses.

We'll begin our discussion of how the eSignal system can be used for Technical Analysis by applying it to Elliott Wave Technique.

The Practical Approach ~ In Conjunction with GET

Elliott Wave is a collection of complex techniques. About 60% of these techniques are clear and easy to use. The other 40% are difficult to identify, especially for the beginner. The practical and conservative approach is to use the 60% that are clear.

When the analysis is not clear, why not find another market that is conforming to an Elliott Wave pattern and is easier to identify?

After years of fighting this battle, I have come up with the following practical approach to using Elliott Wave principles in trading.

The whole theory of Elliott Wave can be classified into two parts:

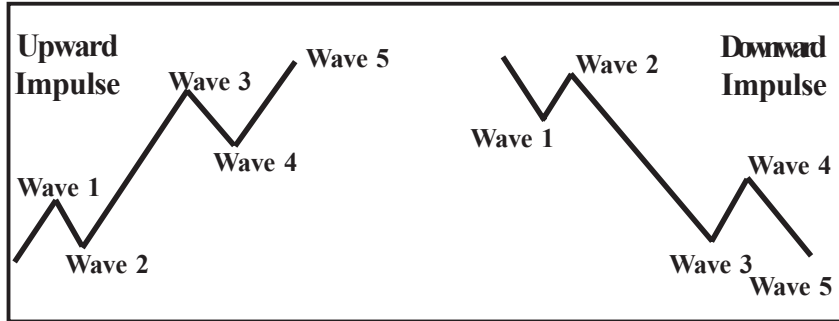
- 1) Impulsive Pattern
- 2) Corrective Pattern

We will discuss the impulse pattern and how to use the Elliott Oscillator to identify these impulse patterns. We will then discuss some general rules and guidelines followed by numerous examples.

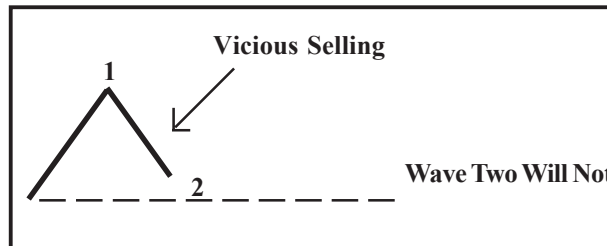


Impulse Patterns

The impulse pattern consists of five waves. The five waves can be in either direction, up or down.



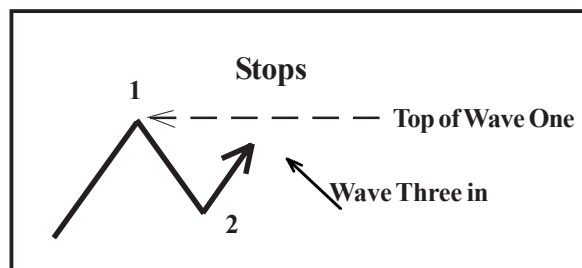
The first wave is usually a weak rally with only a small percentage of the traders participating. Once Wave 1 is over, they sell the market on Wave 2. The sell-off in Wave 2 is very vicious. Wave 2 will finally end without making new lows and the market will start to turn around for another rally.



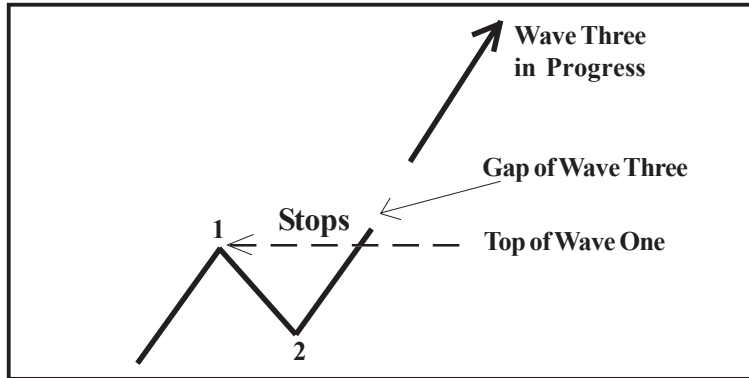
The initial stages of the Wave 3 rally is slow as it finally makes it to the top of the previous rally (the top of Wave 1). At this time, there are a lot of stops above the top of Wave 1.

Traders are not convinced of the upward trend and are using this rally to add more shorts. For their analysis to be correct, the market should not take the top of the previous rally.

Therefore, a large amount of stops are placed above the top of Wave 1.



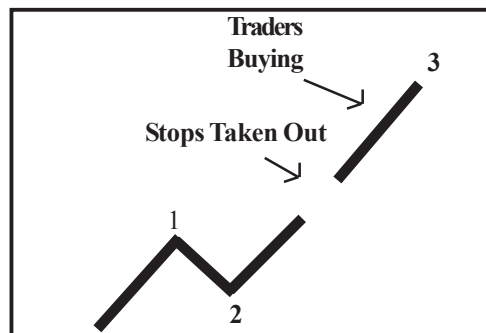
The Wave 3 rally picks up steam and takes the top of Wave 1. As soon as the Wave 1 high is exceeded, the stops are taken out. Depending on the amount of stops, gaps are left open. Gaps are a good indication of a Wave 3 in progress. After taking the stops out, the Wave 3 rally has caught the attention of traders.



The next sequence of events are as follows: Traders who were initially long from the bottom finally have something to cheer about. They might even decide to add positions.

The traders who were stopped out (after being upset for a while) decide the trend is up and they decide to buy into the rally. All this sudden interest fuels the Wave 3 rally. This is the time when the majority of the traders have decided that the trend is up.

Finally, after all the buying frenzy dies down, Wave 3 comes to a halt.

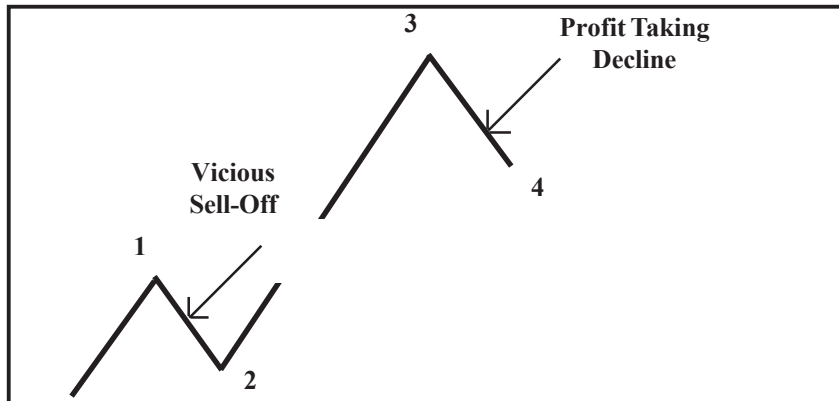


In general, a majority of traders decide and agree that the trend is up. Profit taking now begins to set in. Traders who were long from the lows decide to take profits. They have a good trade and start to protect profits.

This causes a pullback in the prices and is called Wave 4. Where Wave 2 was a vicious sell-off; Wave 4 is an orderly profit-taking decline.

While profit taking is in progress, the majority of traders are still convinced the trend is up. They were either late in getting in on this rally, or they have been on the sideline. They consider this profit taking decline as an excellent place to buy-in and get even.

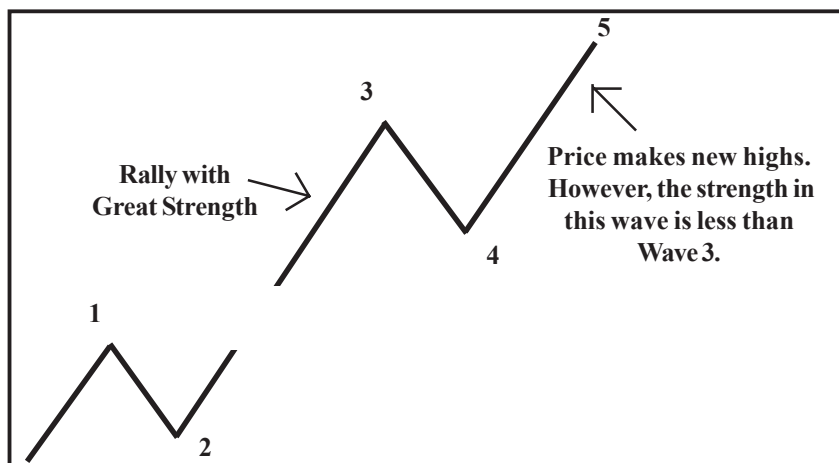
On the end of Wave 4, more buying sets in and the prices start to rally again.



The Wave 5 rally lacks the huge enthusiasm and strength found in the Wave 3 rally. The Wave 5 advance is caused by a small group of traders.

While the prices make a new high above the top of Wave 3, the rate of power, or strength, inside the Wave 5 advance is very small when compared to the Wave 3 advance.

Finally, when this lackluster buying interest dies out, the market tops out and enters a new phase.



Indicator to Provide Elliott Wave Counts

The examples of 5-Wave impulse patterns that we've shown are very clear and definitive. However, the markets are not that easy all the time. It becomes almost impossible and very subjective to identify Waves 3 and 5 from looking at price charts alone. The price chart fails to show the various strengths of the waves.

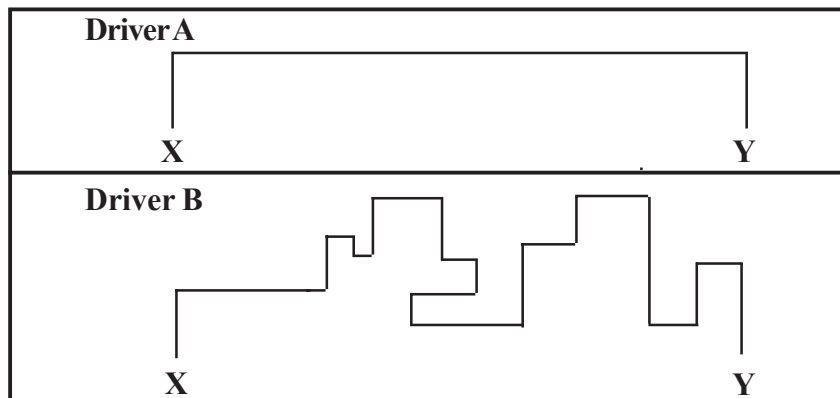
Think of it this way:

Two drivers left the same town at the same time in different vehicles. Driver A drove within speed limits all the way, while Driver B exceeded the speed limit. Both drivers took the same amount of time and eventually arrived at the same destination.

However, the two drivers used different strategies to arrive at their destination. While Driver A proceeded at a normal speed, Driver B drove like a bat-out-of-Hades, so to speak.

An observer at the other end would be unable to tell the difference between the two drivers' driving patterns. To a casual observer, both left the same time and arrived at the same time. So why did the two arrive at the same time?

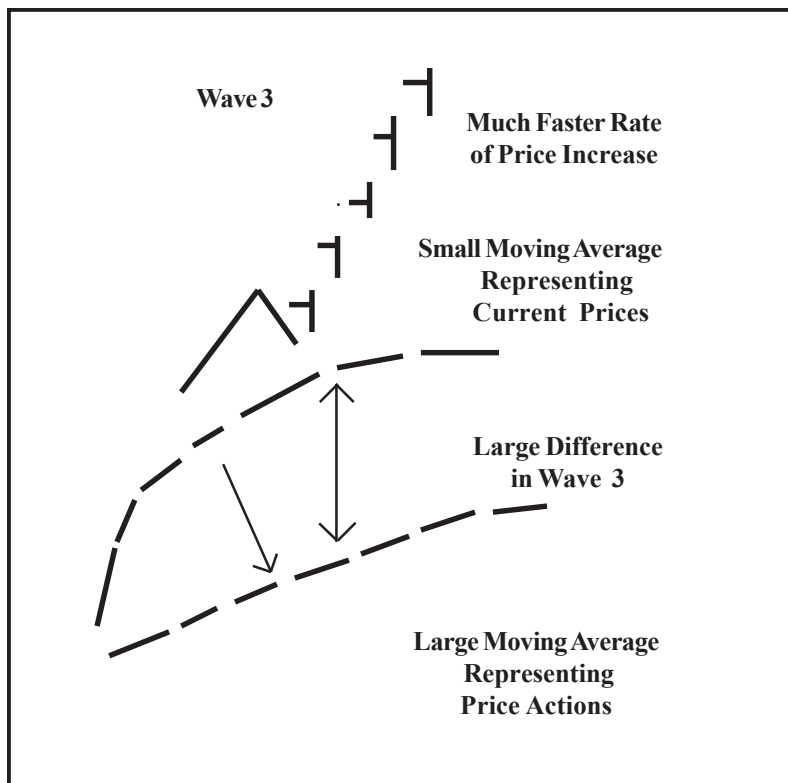
The two drivers took different routes. Driver A may have been driving more slowly, but it was a case of road less travelled. Driver B could have been shot from a rocket, but if the mileage was increased, speed wouldn't matter.



This is the same problem we face when we try to distinguish between Waves 3 and 5. Wave 5 makes new highs; a trader looking at price charts may not be able to tell the difference between a Wave 3 or Wave 5. However, the internal price pattern of Wave 3 is much stronger in comparison to that of Wave 5. Therefore, we need to use an internal strength-measuring indicator to tell the difference.

To keep tab of the Elliott Wave logic, we require an indicator that measures the rate of price change in one wave against the rate of price change in another wave. Standard indicators fail to perform this comparison. They merely compare price against price and fail to compare the rate of price action. After years of research, the Elliott Oscillator was developed. The idea of the oscillator is described below.

An Elliott Oscillator is basically calculated from finding the difference between two moving averages. If we were to use a small moving average and a large moving average, the difference between the two will show the rate of increase in prices.

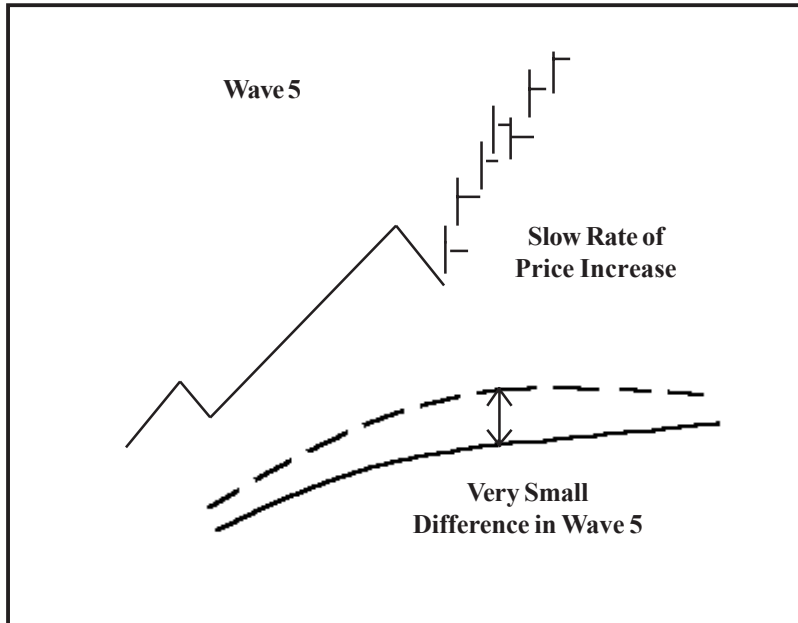


The small moving average represents the current price action, while the larger moving average represents the overall price action.

When the prices are gapping up inside a Wave 3, the current prices are surging; the difference between the small and large moving averages is great and produces a large oscillator value.

However, in a Wave 5 the current prices are not moving up at a fast rate and, therefore, the difference between the small and large moving averages is minimal. This produces a smaller oscillator value.

The analogy is similar to the two drivers.



Wave 3 is like Driver B, who accelerates beyond speed limits and has a higher rate of speed, while Wave 5 has a slow, dragging price action.

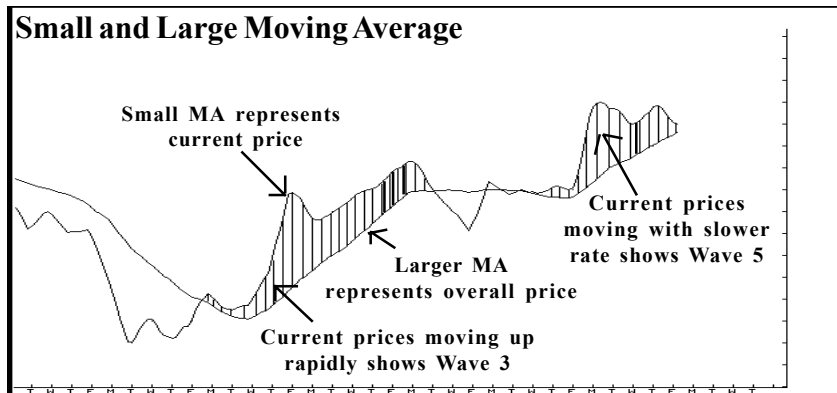
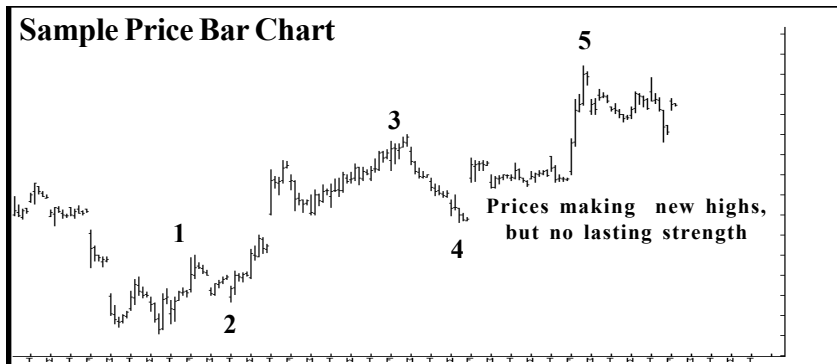
Notes

Elliott Oscillator

Step-By-Step Illustration

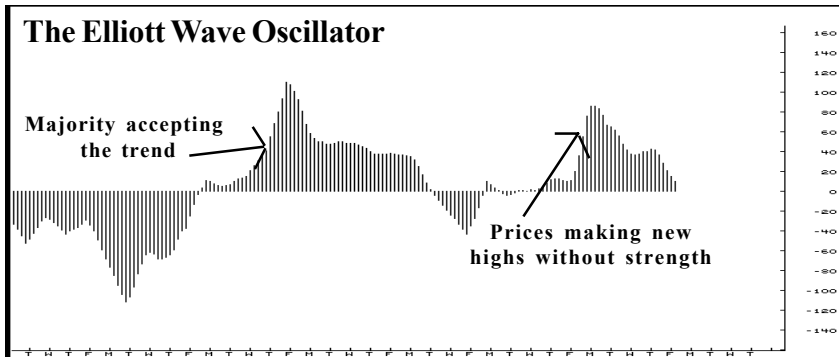
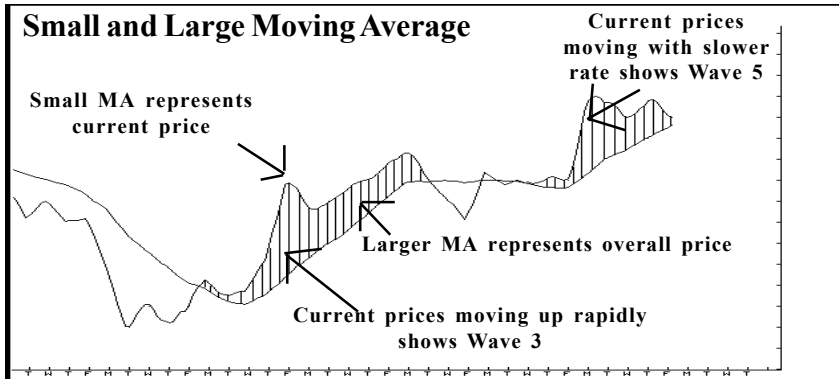
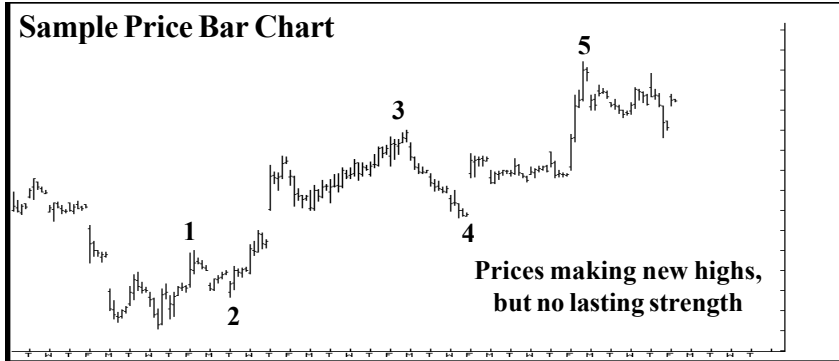
When the prices rally above the top of Wave 1, the Elliott Oscillator is making new highs. Notice also the gapping action. The current rally is labeled Wave 3.

Finally, the buying subsides in Wave 3. Traders begin to take profits. However, the general public is eagerly waiting for a neutral area to buy into this market. When the Elliott Oscillator pulls back to or slightly below the zero level (when the small Moving Average comes back to or crosses the larger Moving Average), the market is entering a neutral area.



Once Wave 4 is over, buying comes in from traders who missed the entire Wave 3 rally. The prices move to new highs. However, the rally does not have the fast rate of price increase that was seen in Wave 3. This difference in the rate of price is picked up by the oscillator and can be easily identified.

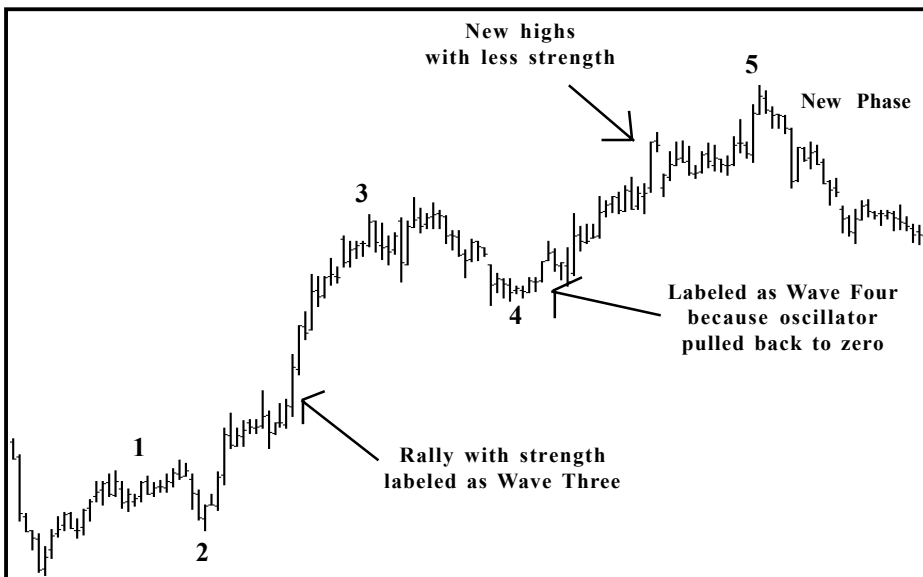
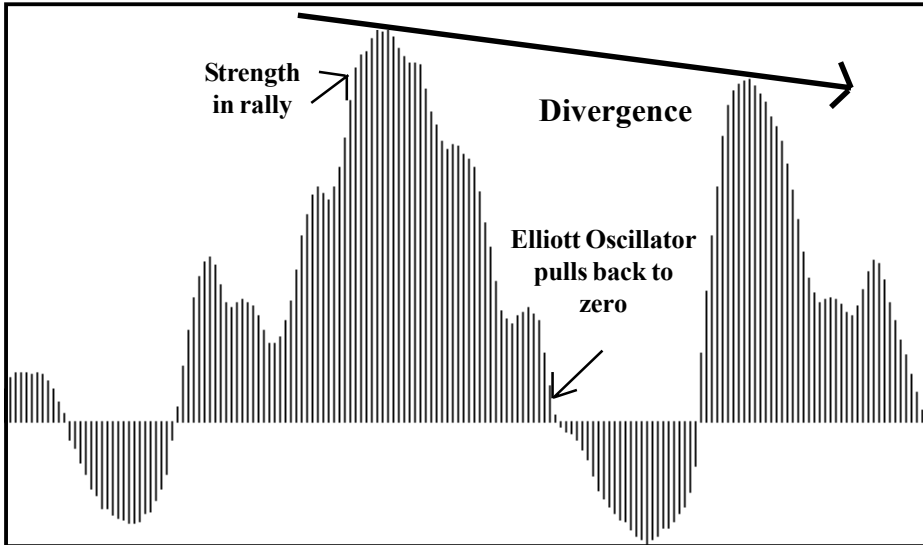
Moral of the story: Always let the Elliott Oscillator track Elliott Wave counts.



Five-Wave Impulses

Up

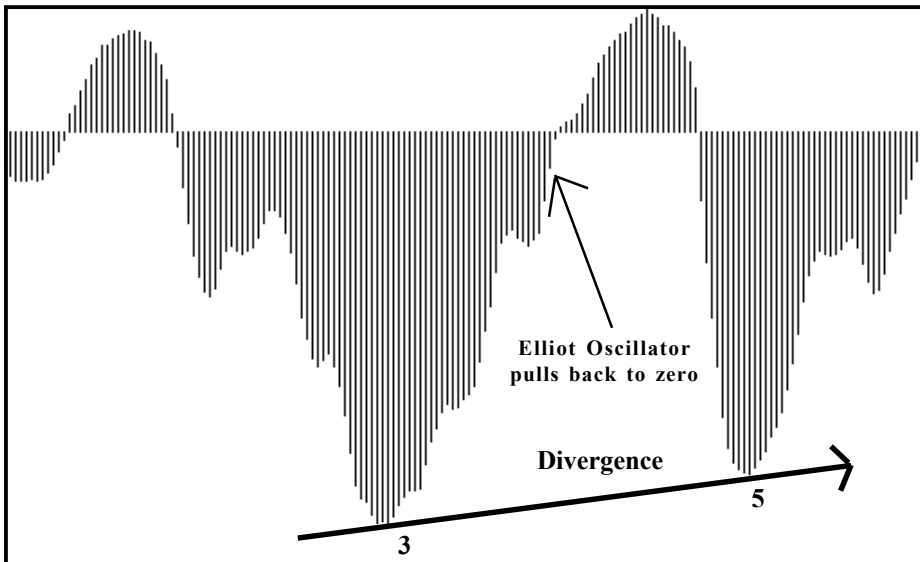
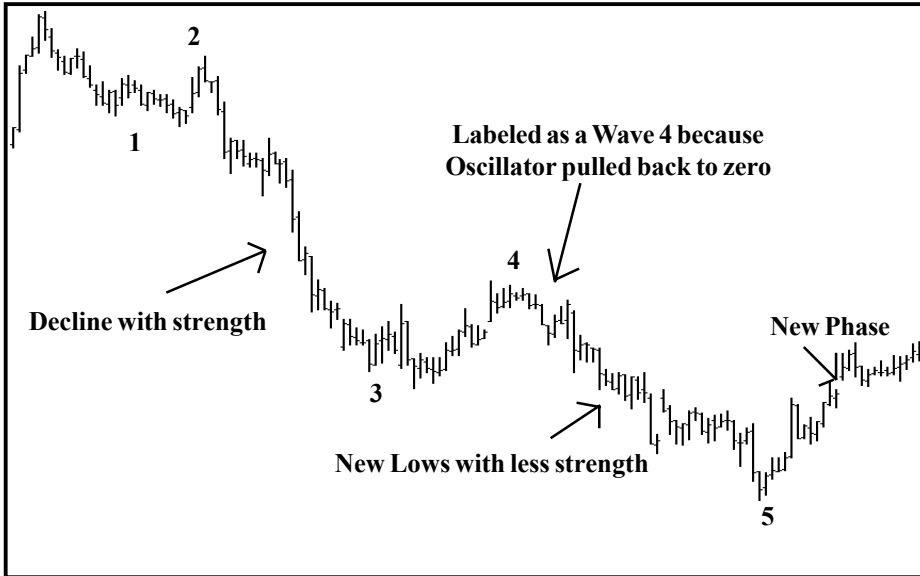
Identifying a 5-Wave impulse (up) using the Elliott Oscillator, which is part of the software.



Five-Wave Impulses

Down

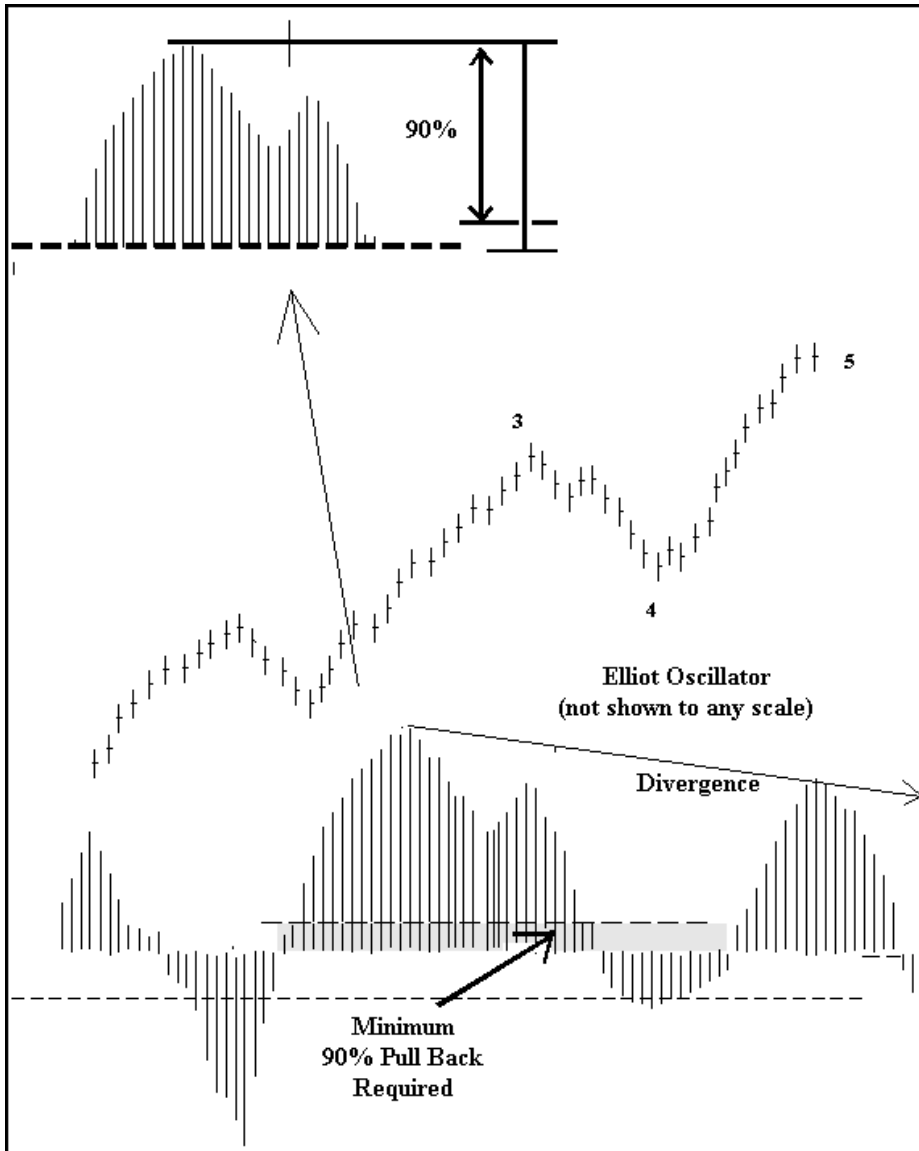
Identifying a 5-Wave impulse (down) using the Elliot Oscillator, which is part of the software.



The Elliott Oscillator

Minimum Pullback Required

Historically, 94% of all Wave 4 sequences that have ended with a Wave 5 making a new high or a new low had the Elliott Oscillator pull back at least 90% from the Wave 3 peak.



The Elliott Oscillator

Maximum Oscillator Pullback

Just as it is important for the Oscillator to pull back to the zero line (or at least 90% of the Wave 3 Oscillator, as discussed on the previous page) it is just as important that the Oscillator does NOT pull back more than 40% of the Wave 3 Oscillator on the other side of the zero line.

Using the Elliott Oscillator

Wave 3

- When a market rallies with a strong Elliott Oscillator as in Figure 8-1, the rally is classified as a Wave 3.
- Once Wave 3 is over, the market will pull back on a profit taking decline. During the profit taking decline, the Elliott Oscillator should pull back to zero, as shown in Figure 8-2).



Figure 8-1: Elliot Oscillator,

Figure 8-2: Pulls back to

- Once the Elliott Oscillator pulls back to zero, it signals the end of a potential Wave 4 profit-taking decline, as shown in Figure 8-3.
- New buying comes in and the market makes new highs (Figure 8-4).

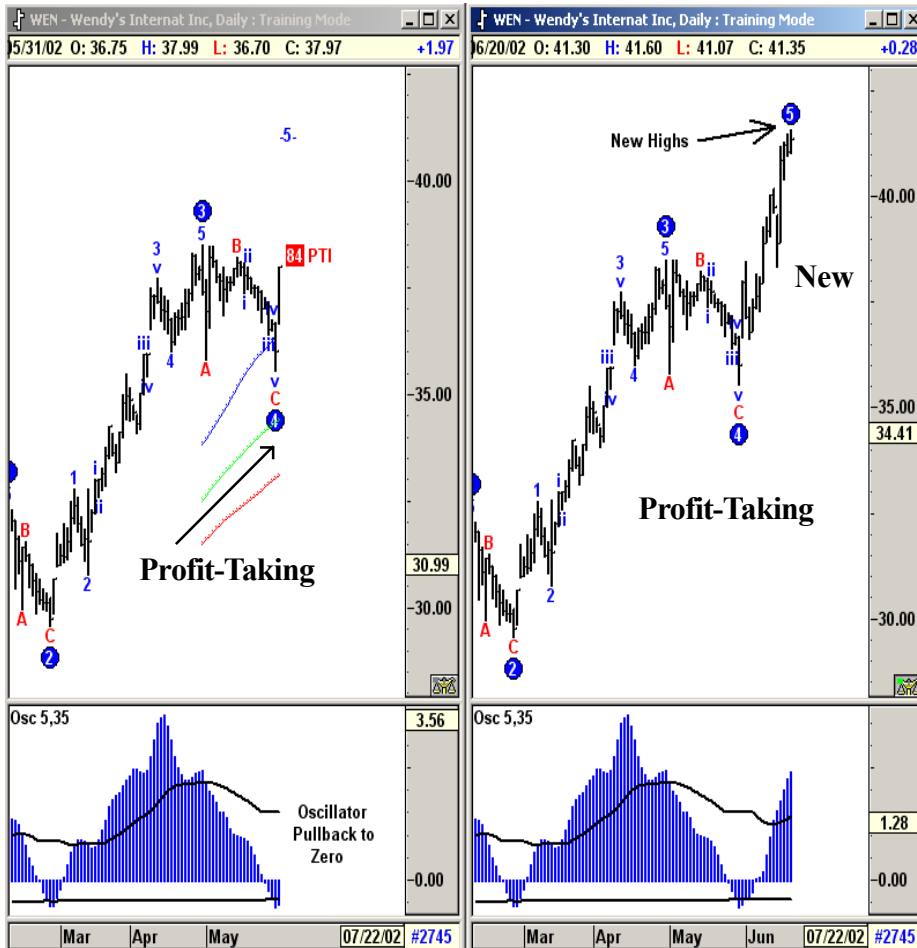


Figure 8-3: End of Potential Wave 4

Figure 8-4: New Highs

- In Figure 8-5, the market is making a new high in price with less strength in the Elliott Oscillator. This indicates that the current rally is a Wave 5.
- Once the Fifth Wave is over, the market should change direction
- When the market changes direction after completing a Five-Wave sequence, the previous Wave 4 will become the first target. Figure 8-6 shows that the market changed direction and is trying to test the previous Wave 4 low near \$35.50.

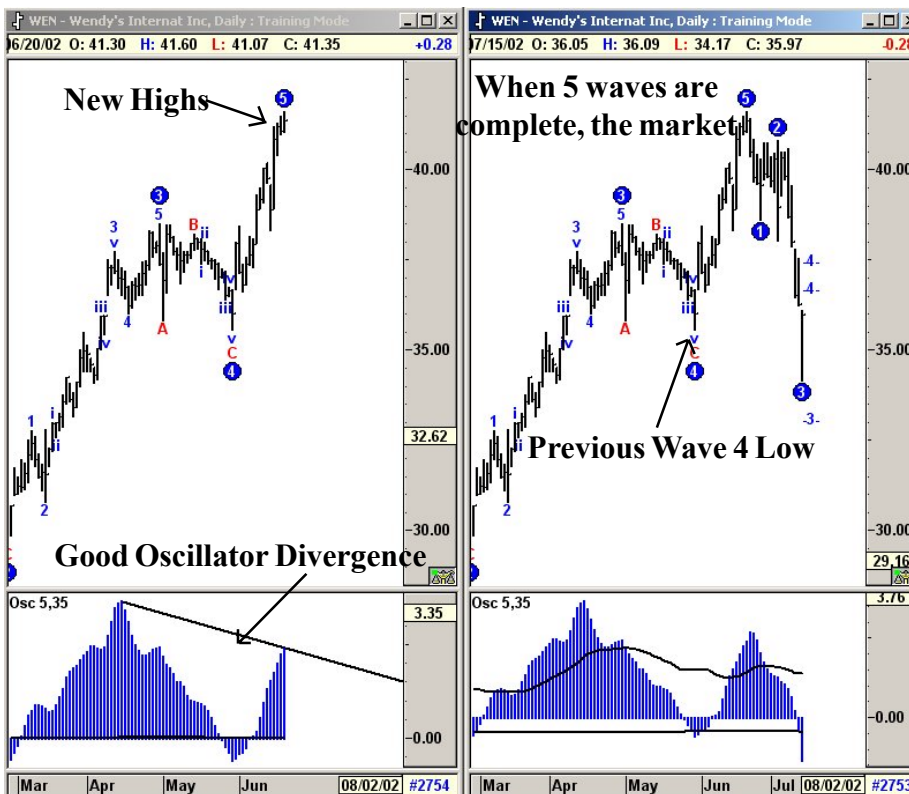


Figure 8-5: Wave 5

Figure 8-6: Wave 4

Oscillator Breakout Bands

A major task in using Elliott Wave Analysis is to identify Wave Threes accompanied with a strong Oscillator. In the past we have done this by visually comparing the size of the current Oscillator with that of the past. The Oscillator Breakout Bands provide an UP Band and a LOW Band. *Anytime the software labels a Wave Three, the Oscillator needs to be comfortably above the Breakout Band.* We recommend a setting of 100% for these bands.

Figure 8-7 is a 60-minute chart of HP (Helmerich & Payne Inc). Here, the software labels a Wave 3 Rally, which is accompanied by a strong Oscillator that is breaking above the Breakout Bands. Therefore, this Wave Count can be used for this market at this time.

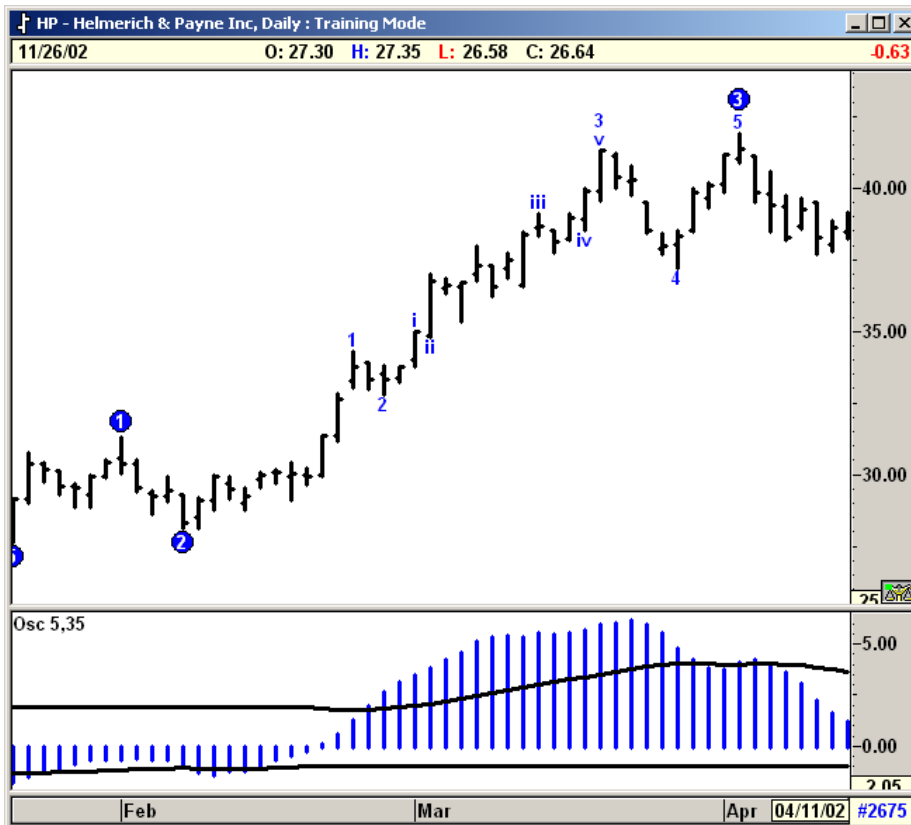


Figure 8-7: 60-Minute Chart, Helmerich & Payne

Adding PTI (Profit Taking Index) ~ Theory

Using Elliott Wave analysis, any major rally or decline can be classified as a Wave 3 (see Figure 9-1). Once a Wave 3 is in place, Elliott Wave theory continues to look for a Wave 4 Retracement followed by second attempt in the same direction. This last phase is called Wave 5.

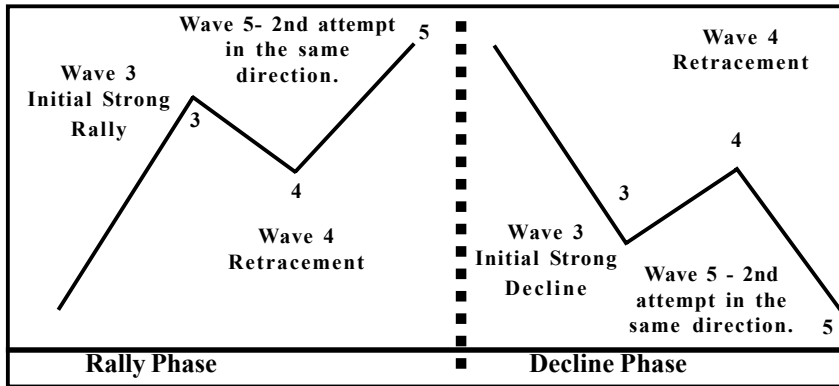


Figure 9-1: Completed Five Wave Sequences

The patterns in Figure 9-1 are completed 5-Wave sequences and are great after the fact. However, while the pattern is in progress, the trader is left with a major dilemma at the end of the Wave 4 Retracement. *This dilemma occurs because many times the second attempt fails to materialize.*

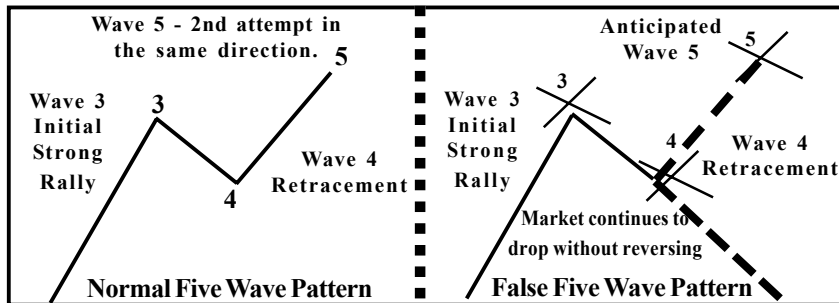
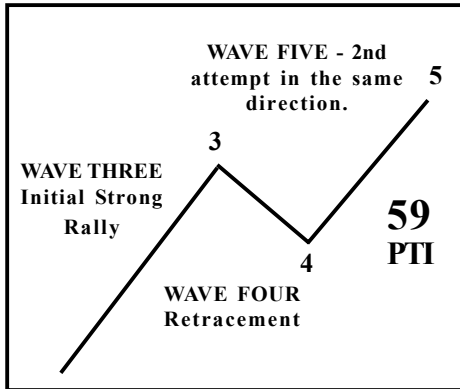


Figure 9-2: False/Normal Five Wave Patterns

Profit Taking Index

From our years of research and development, we designed the **Profit Taking Index (PTI)**. The Profit Taking Index compares the Buying/Selling momentum in Wave Three with the Buying/Selling momentum in Wave 4. This comparison is then passed to an algorithm that calculates the Profit Taking Index Value.

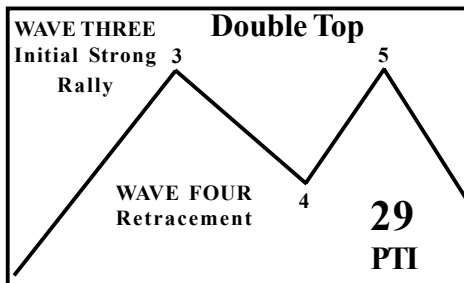
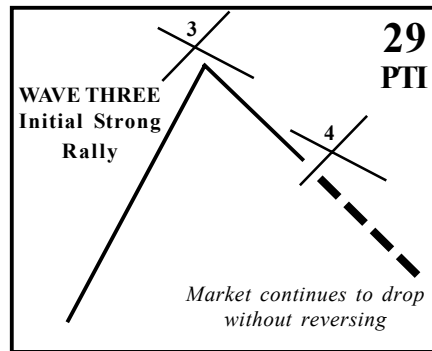


Normal Five Wave Pattern

Statistically, if the Profit Taking Index is **greater than 35**, the market exhibits a greater tendency to initiate a Fifth Wave or a Second Attempt Phase.

False Five Wave Pattern

Statistically, if the Profit Taking Index is **less than 35**, the market generally **fails** to initiate a Fifth Wave or 2nd Attempt Phase.



Failed Five Wave Pattern

Double Top

If the Profit Taking Index is less than 35, and the market still initiates a Fifth Wave Phase, the potential for a Double Top becomes very high.

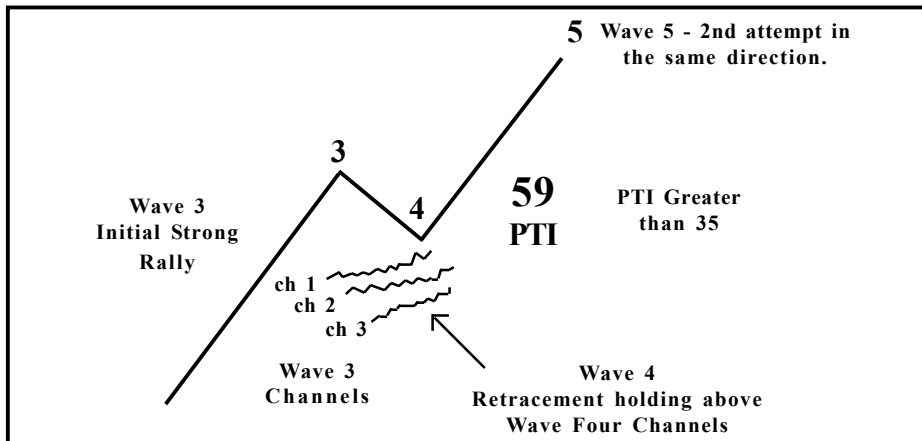
Adding Wave 4 Channels

Wave 4 Channels are another proprietary study developed along with the Profit Taking Index. The Profit Taking Index mainly deals with Buying/Selling momentum at different stages. The Wave 4 Channels deal with time. After a strong rally, the retracement phase is allowed a certain amount of time prior to initiating the second attempt (Wave 5) Phase.

Statistical studies show that if the retracement phase consumes too much time, the 2nd attempt phase diminishes its full effect. The Wave 4 Channels are three time/price lines.

If the Wave 4 Retracement holds above the Wave 4 channels, the odds for a strong second attempt are greater.

If the Wave 4 Retracement breaks below the Wave 4 channels, the odds for a strong 2nd attempt are very low.



The Significance of Wave Four Channels

- 1) If the Wave 4 retracement holds above the first channel (displayed in blue), the statistical odds are better than 80% for a strong Wave 5 rally.
- 2) If the Wave 4 retracement holds above the second channel (displayed in green), the odds for a strong Wave 5 rally is only 60%.
- 3) The third channel (displayed in red) is a final stop, because once this channel is broken the odds for a new high in Wave 5 are very low. The very few times a Fifth Wave is generated after breaking the red channel, the rally becomes a tedious, slow and drawn-out process, which literally eats away your patience and option premiums.

- When the Elliott Oscillator pulls back to zero, the Profit Taking Index (PTI) should be greater than 35. In Figure 9-3, the PTI is at 69, which indicates normal profit taking in the Wave 4 Decline.
- In addition, the prices should hold above the Wave 4 Channels, which indicate the ideal length of time for normal profit taking.
- In this chart, the prices are holding above the second Wave 4 Channel. Everything here looks good for a buy.

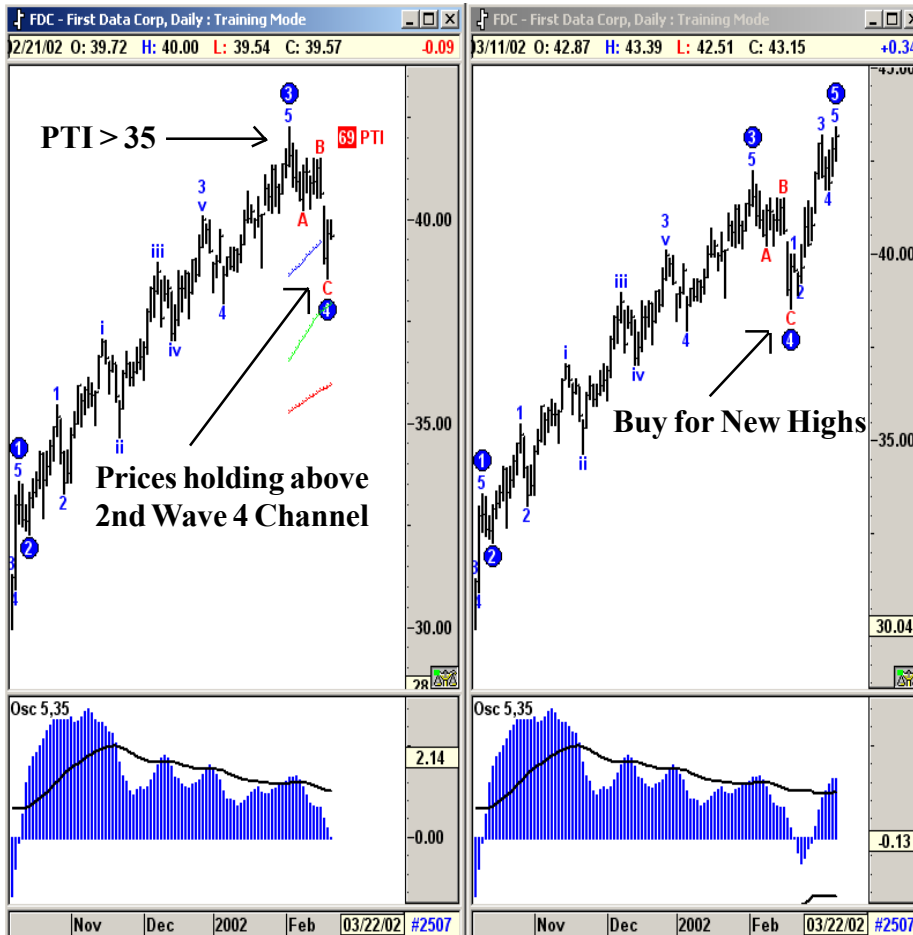


Figure 9-3: Profit Taking Index and Wave 4 Channels

Figure 9-4: New Highs

Regression Trend Channels

We developed a tool called the Regression Trend Channels. The idea is to find the best-fit linear regression of data between any two points. The standard deviation of the data from the regression line is used to display the upper and lower channels.

While the trend continues, the market trades in the channels. Once the price breaks the Regression Trend Channels, a change of trend (bias) is indicated.

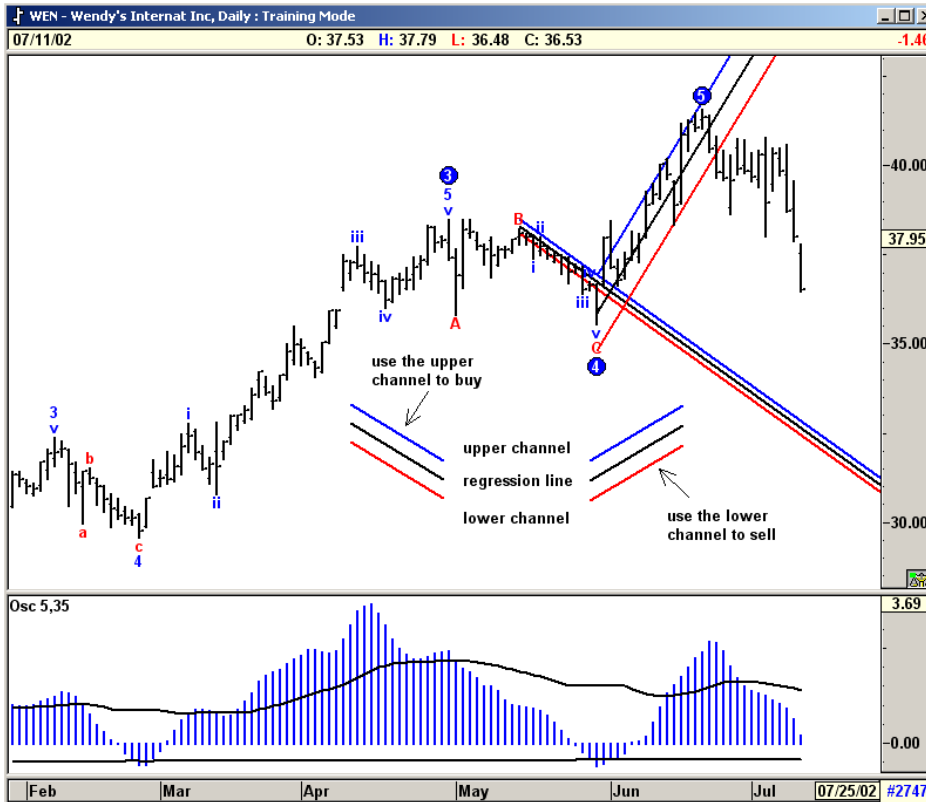


Figure 9-5: Regression Trend Channels

Both at the end of Wave 4 and Wave 5, the Regression Trend Channels can be used to provide entries in the direction of the trade.

Notes

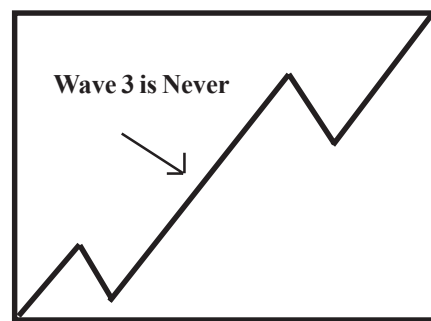
C H A P T E R **10**
Elliott Waves

Rules and Guidelines

Rule 1: Wave 3 Is Never the Shortest

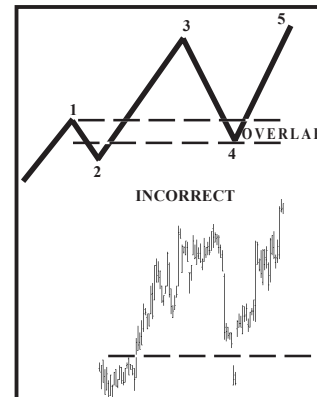
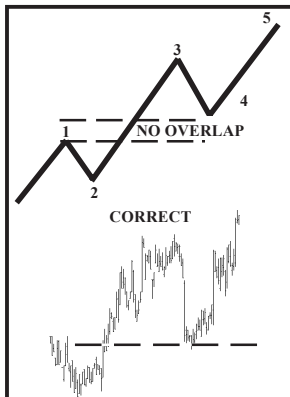
This rule means that Wave 3 is always longer than at least one of the other two waves (Waves 1 or 2). Usually, Wave 3 is longer than both these waves.

You should never look for Wave 3 to be shorter than both the other two waves. At times, Wave 3 may end up to be equal in length, but never the shortest. There is no exception to this rule.



Rule 2: Wave 4 Should Not Overlap Wave 1

This means the end of Wave 4 should not trade below the peak of Wave 1. This rule cannot be violated in Cash markets. In the Futures markets, a 10% to 15% overlap can be allowed.



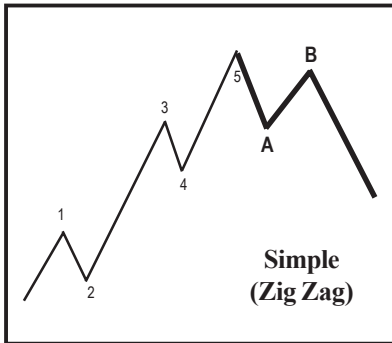
Elliott Wave Corrections

Corrections are very hard to master. Most Elliott Traders make money during an impulse pattern and then lose it back during the corrective phase.

An impulse pattern consists of five waves. The corrective pattern consists of 3 waves, with the exception of a triangle. An Impulse pattern is always followed by a Corrective pattern. Corrective patterns can be grouped into two different categories:

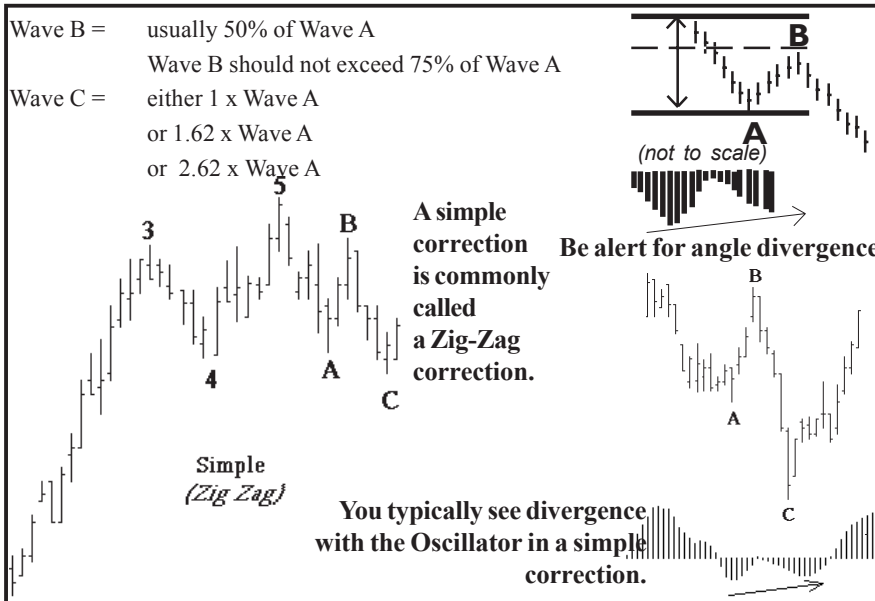
- 1) Simple correction
- 2) Complex correction

Simple Corrections



A simple correction has one pattern only. This pattern is called a Zig-Zag correction. A Zig-Zag correction is a 3-wave pattern where the Wave B does not retrace more than 75% of Wave A. Wave C will make new lows below the end of Wave A. The Wave A of a Zig-Zag correction always has a 5-wave pattern. In the other two types of corrections (Flat and Irregular), the Wave A has a 3-wave pattern. Thus, if you can identify a 5-wave pattern inside Wave A of any correction, you can then expect the correction to turn out as a Zig-Zag formation.

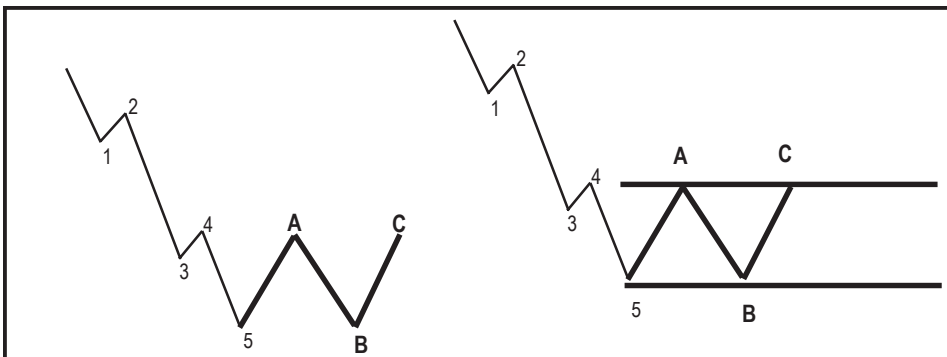
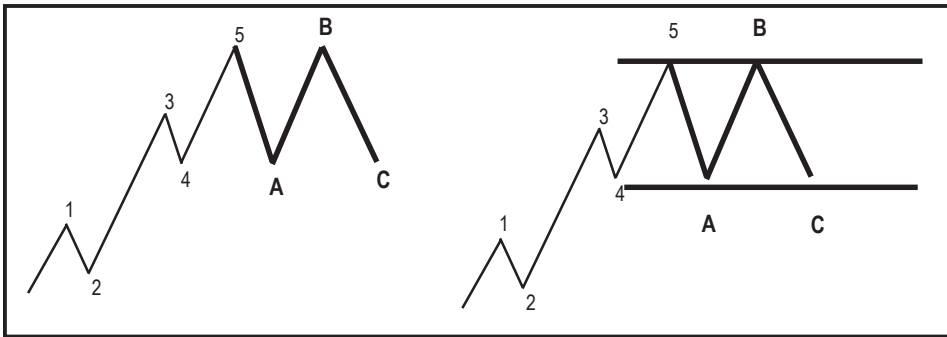
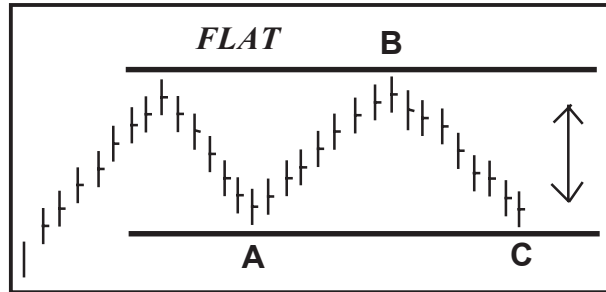
Fibonacci Ratios Inside a ZigZag Correction



Complex Corrections ~ Flat, Triangle and Irregular

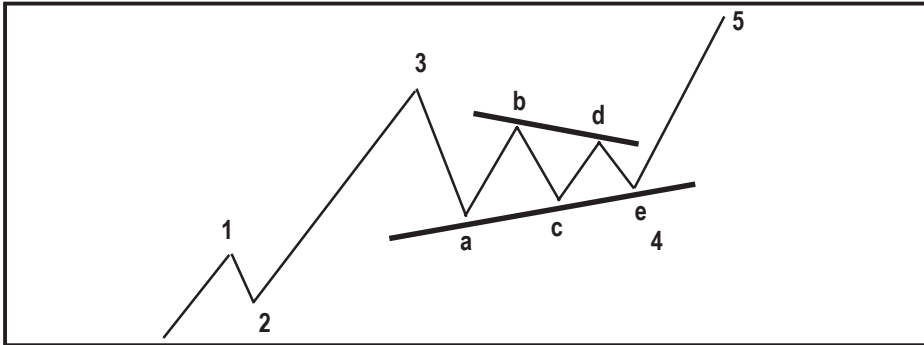
Flat Correction

In a Flat correction, the length of each wave is identical. After a 5-wave impulse pattern, the market drops in Wave A. It then rallies in a Wave B to the previous high. Finally, the market drops one last time in Wave C to the previous Wave A low.

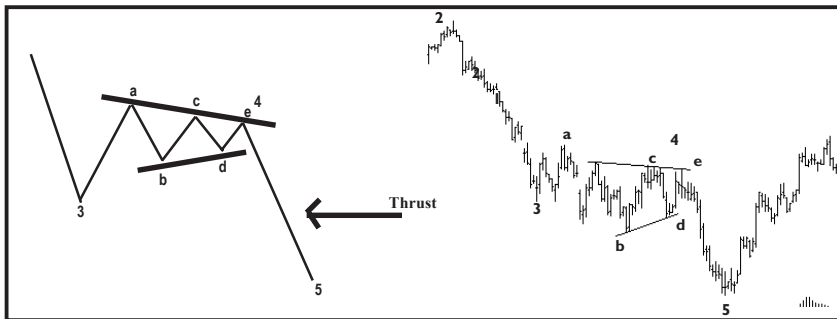


Triangle Correction

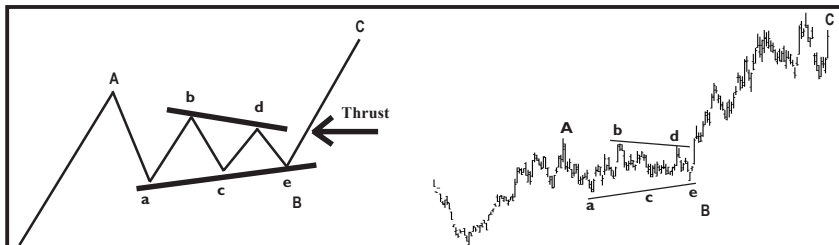
In addition to the 3-wave correction patterns, there is another pattern that appears time and time again. It is called the Triangle pattern. The Elliott Wave Triangle approach is quite different from other triangle studies. The Elliott Triangle is a 5-wave pattern where all the waves cross each other. The five sub-waves of a triangle are designated A, B, C, D, and E in sequence.



Triangles are by far most common as fourth waves. One can sometimes see a triangle as the Wave B of a 3-wave correction. Triangles are very tricky and confusing. One must study the pattern very carefully prior to taking action. Prices tend to shoot out of the triangle formation in a swift “thrust.”

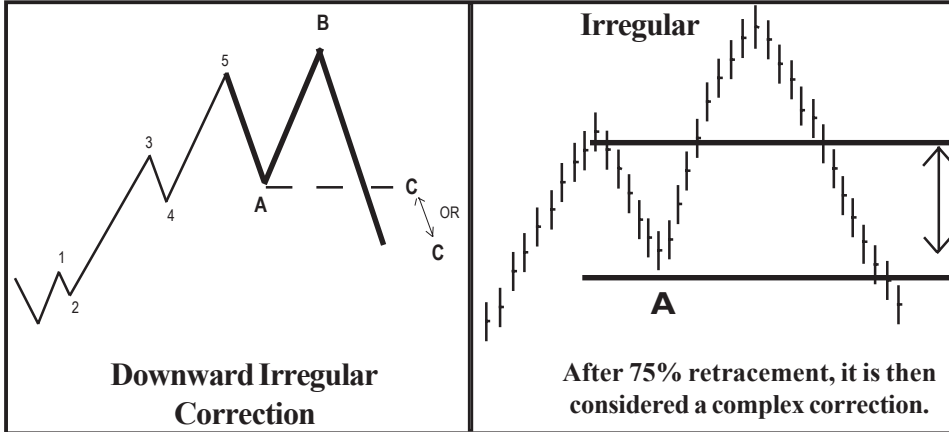


When triangles occur in Wave 4, the market thrusts out of the triangle in the same direction as Wave 3. When triangles occur in Wave Bs, the market thrusts out of the triangle in the same directions as the Wave A.



Irregular Correction

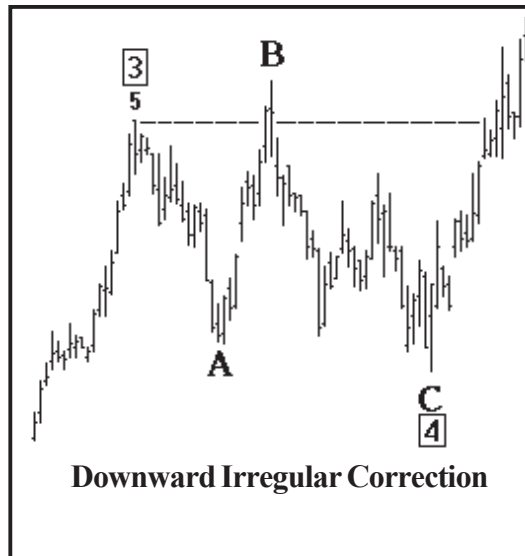
In this type of correction, Wave B makes a new high. The final Wave C may drop to the beginning of Wave A, or below it.



Fibonacci Ratios in an Irregular Wave

Wave B = either 1.15 x Wave A
or 1.25 x Wave A

Wave C = either 1.62 x Wave A
or 2.62 x Wave A



Alteration Rule

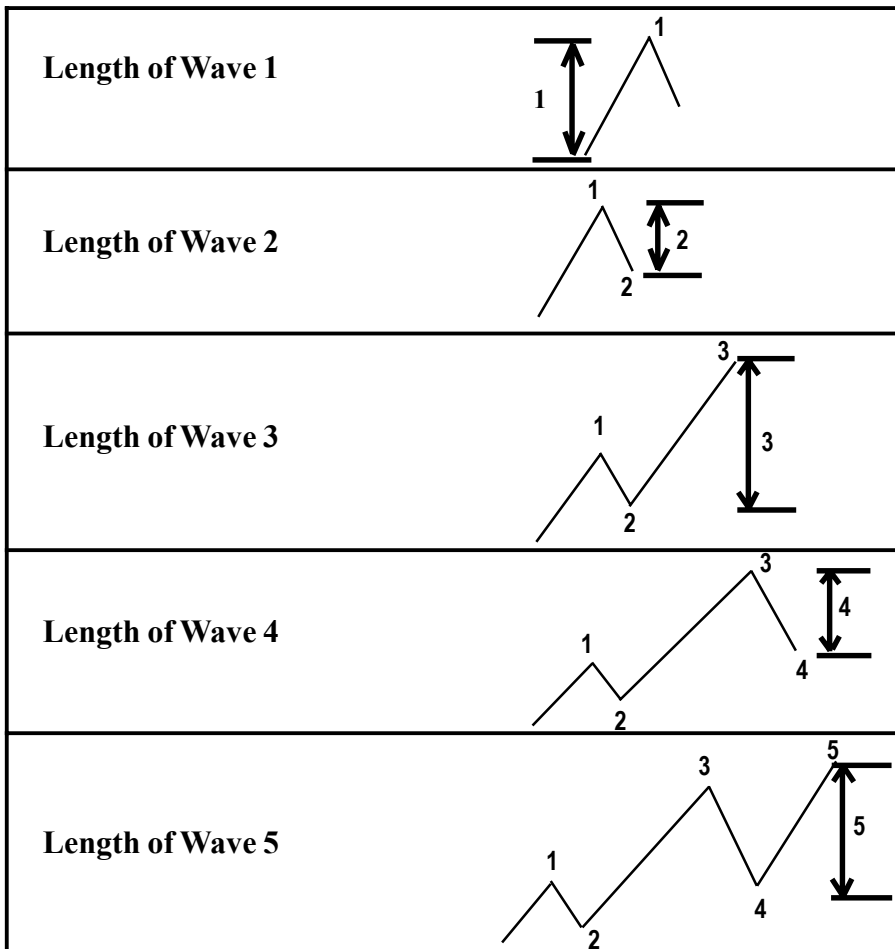
- ◆ If Wave 2 is a simple correction, expect Wave 4 to be a complex correction.
- ◆ If Wave 2 is a complex correction, expect Wave 4 to be a simple correction.

Notes

CHAPTER **11****Wave Ratios and Measurements****Lengths**

The price distance of each wave is measured as a vertical distance from the beginning of the wave to the end of the wave. The length is measured in price points or units.

In the examples below, the length of each wave is indicated by the length of its



Fibonacci Ratios of Waves

Fibonacci Ratio Background

Fibonacci ratios are mathematical ratios derived from the Fibonacci sequence. The Fibonacci sequence is the work of Leonardo Fibonacci, circa 1180 ACE. The Fibonacci sequence is used in many applications, including engineering, space studies, stock market actions, and many other fields. This is all the information one needs as to the origin of the Fibonacci ratios, at least for trading purposes.

The most common Fibonacci ratios used in the stock markets are:

1 - 1.618 - 2.618 - 4.23 - 6.85 (multiples)
 0.14 - 0.25 - 0.38 - 0.5 & 0.618 (ratios)

The ratios used in this manual slightly deviate from the standard Fibonacci ratios listed below. These deviated ratios best fit the short-term wave pattern.

The first wave in an Elliott sequence is **Wave 1**. The measurement of Wave 1 is used to find ratios of other waves. These ratios are not rules, but guidelines in estimating the lengths of different waves.

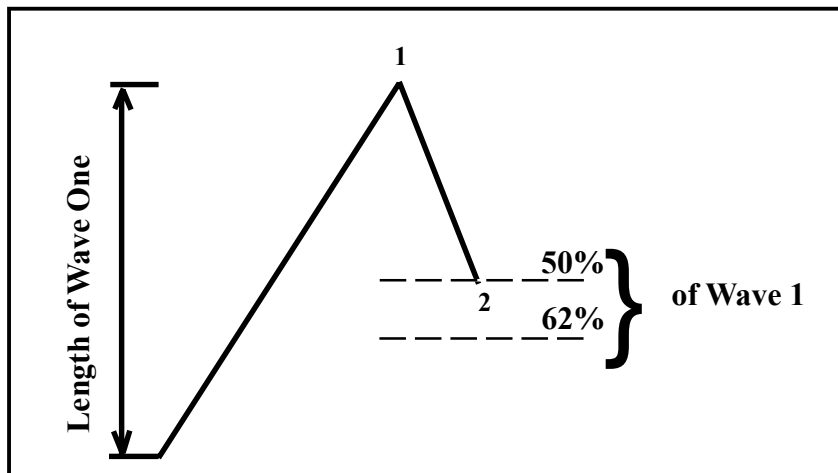
Ratios for Wave 2

Fibonacci Rule for Wave 2:

Wave 2 is always related to Wave 1.

Common Ratios for Wave 2:

Wave 2 = either 50% of Wave 1
 or 62% of Wave 1

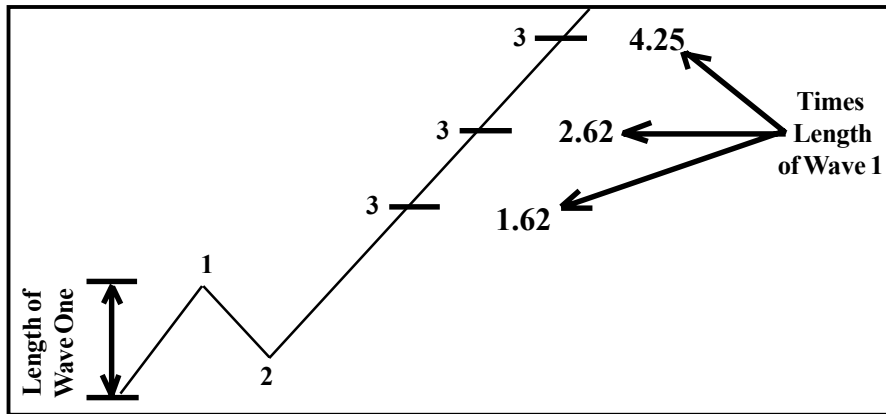


Ratios for Wave 3

Wave 3 is related to Wave 1 by one of the following:

- Wave 3 = either 1.62 x length of Wave 1
- or 2.62 x length of Wave 1
- or 4.25 x length of Wave 1

The most common multiples are 1.62 and 2.62. However, if the 3rd Wave is an extended wave, then 2.62 and 4.25 ratios are more common.

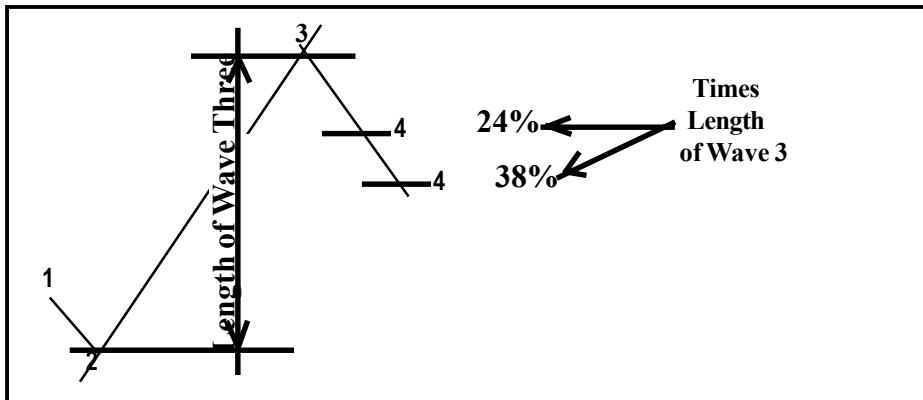


Ratios for Wave 4

Wave 4 is related to Wave 3 by one of the following:

- Wave 4 = either 24% of Wave 3
- or 38% of Wave 3
- or 50% of Wave 3

The 24% and 38% are the most common ratios for Wave 4.

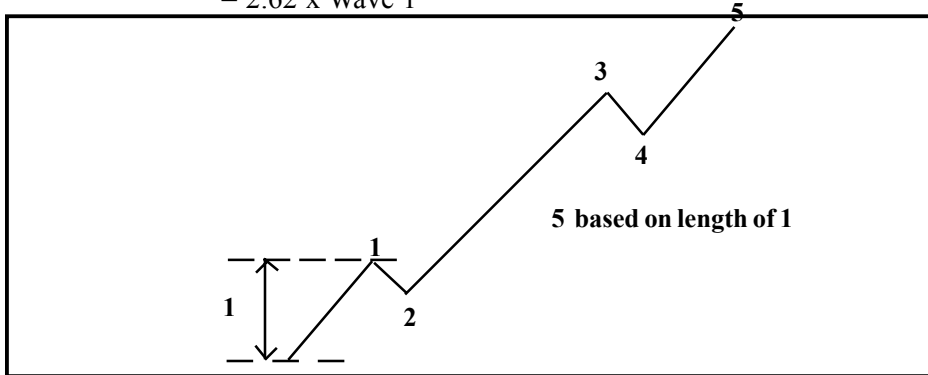


Ratios for Wave 5

Wave 5 has two different relationships. Both are shown below.

If Wave 3 is greater than 1.62 or extended, then Wave 5 ratios are as follows:

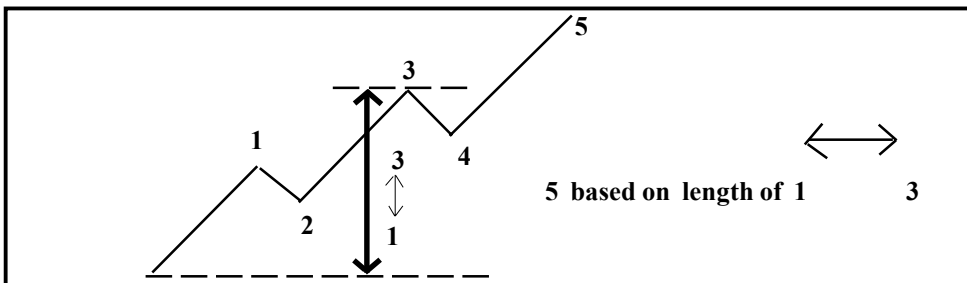
- Wave 5 either = Wave 1 or
- = 1.62 x Wave 1 or
- = 2.62 x Wave 1



If Wave 3 is less than 1.62, Wave 5 ratios are as follows:

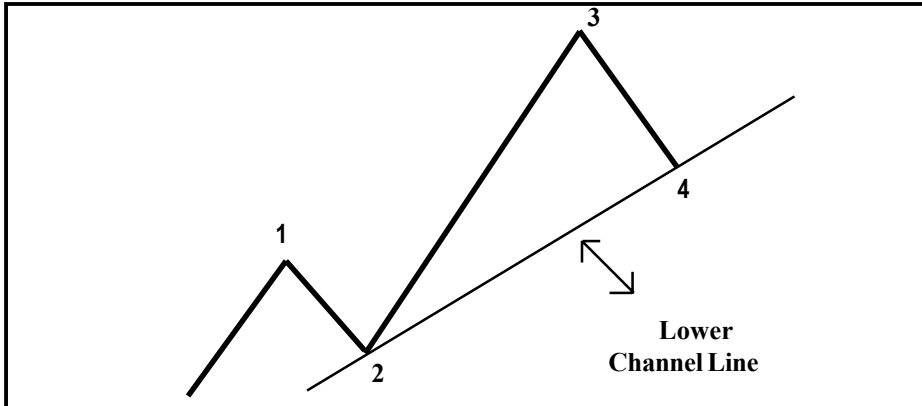
When Wave 3 is less than 1.62, **the 5th Wave over-extends itself**. From research, the ratio of Wave 5 will be based on the entire length from the beginning of Wave 1 to the top of Wave 3.

- Extended Wave 5 = either 0.62 x length
- (beginning of Wave 1 to top of Wave 3) or
- = length of
- (beginning of Wave 1 to top of Wave 3) or
- = 1.62 x length of
- (beginning of Wave 1 to top of Wave 3)

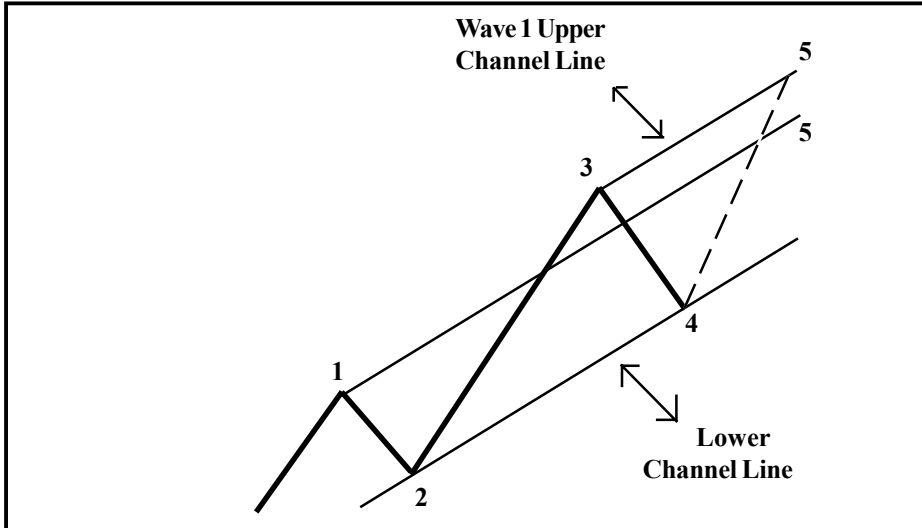


Elliott Channels for Top of a Wave 5

Once the 5th Wave starts, the Elliott Channel Technique can be used to project the end of the 5th Wave. Once Wave 4 has been completed, draw a straight line between Waves 2 and 4.

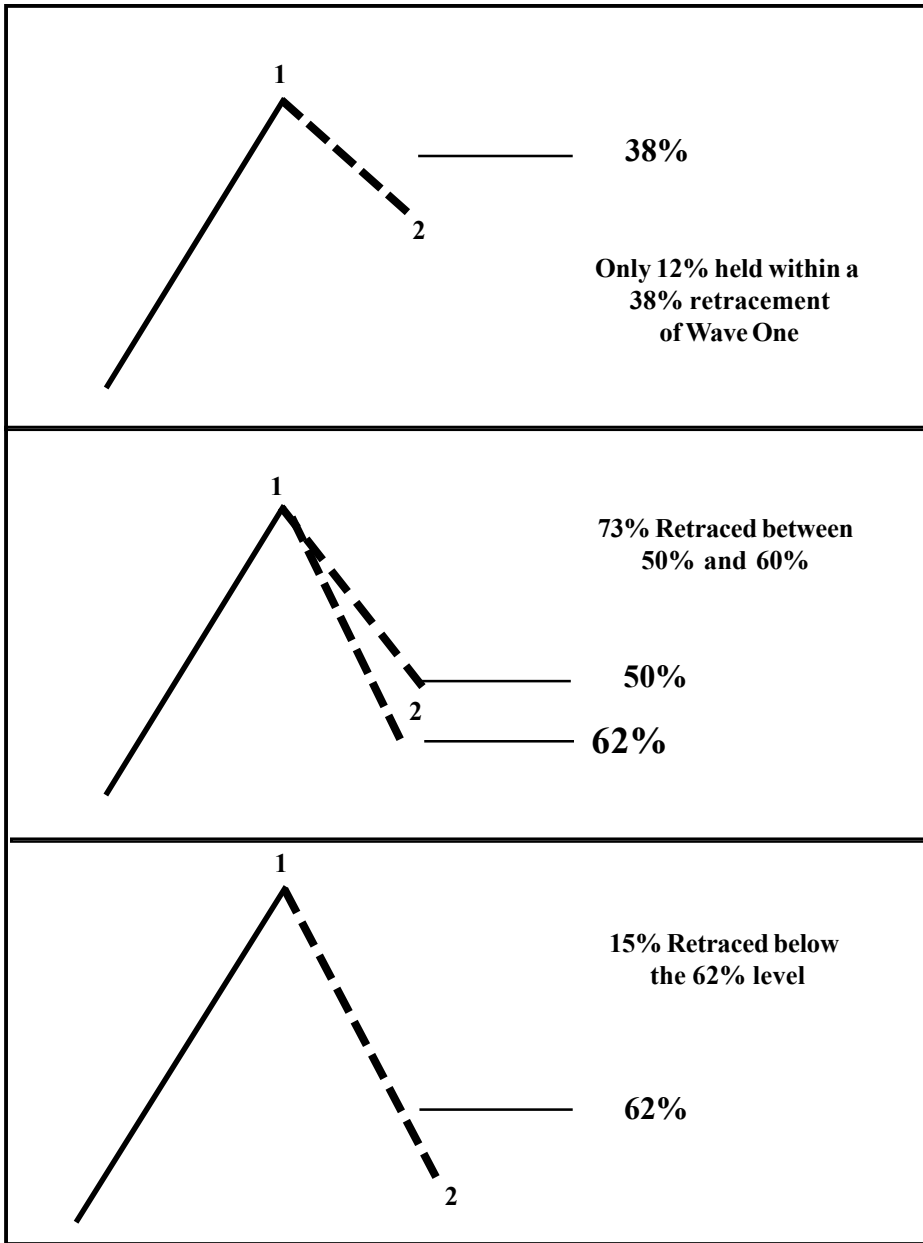


Now draw two lines parallel to the lower channel line connecting the tops of Waves 1 and 3.



Expect Wave 5 to end on one of the two upper channel lines. Usually, if Wave 3 was a normal wave, Wave 5 tends to end on the channel drawn from the Wave 3 top. If Wave 3 was extended and a runaway type of wave, Wave 5 tends to end on the channel drawn from the top of Wave 1.

Statistical Analysis of Wave 2 Ratios



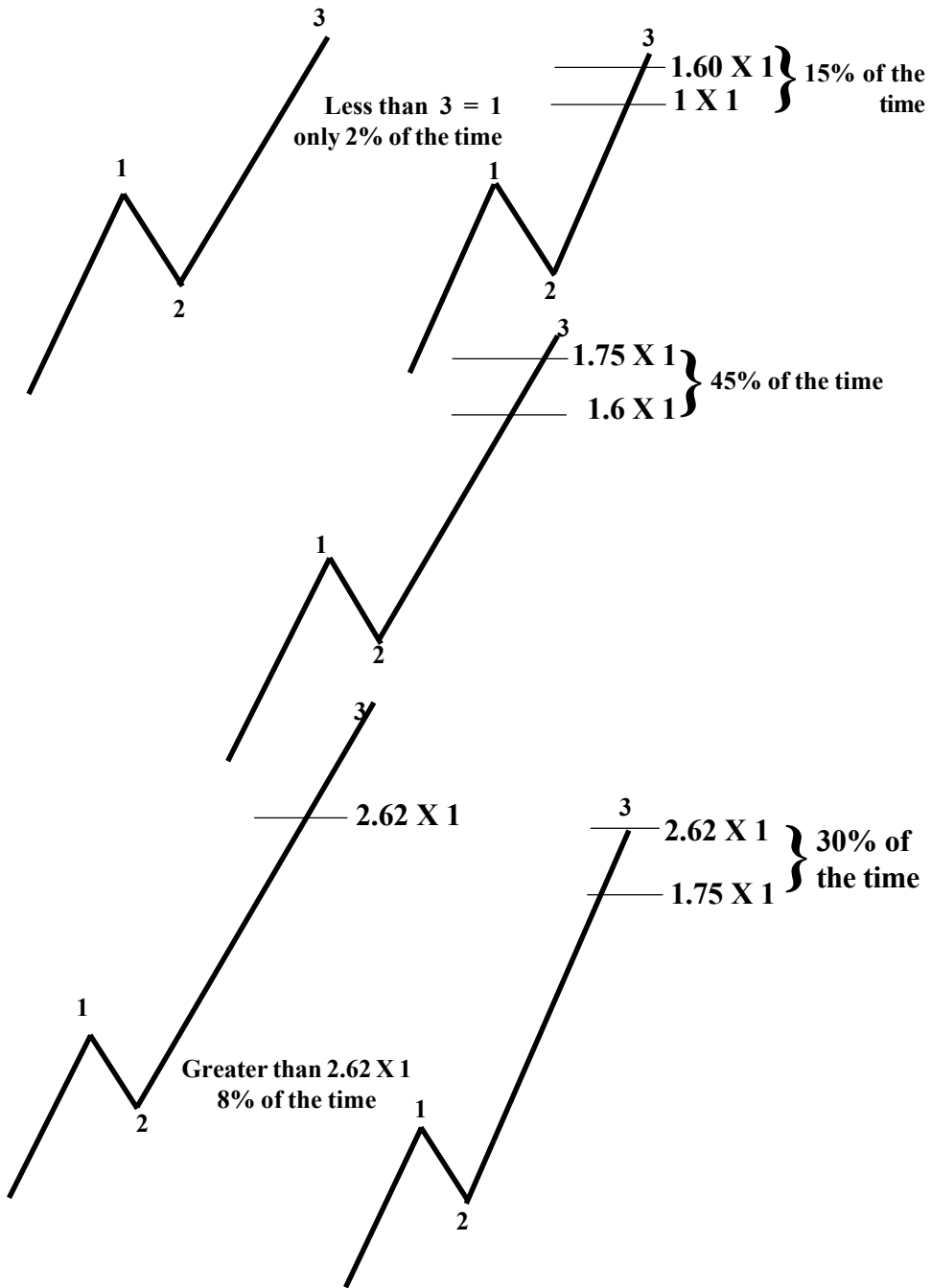
Wave 2 Ratio



Figure 11-1: Daily Chart, Alcoa

In the Alcoa Inc. (AA) chart above, Wave 2 retraced between 50% and 62% of

Statistical Analysis of Wave 3 Ratios



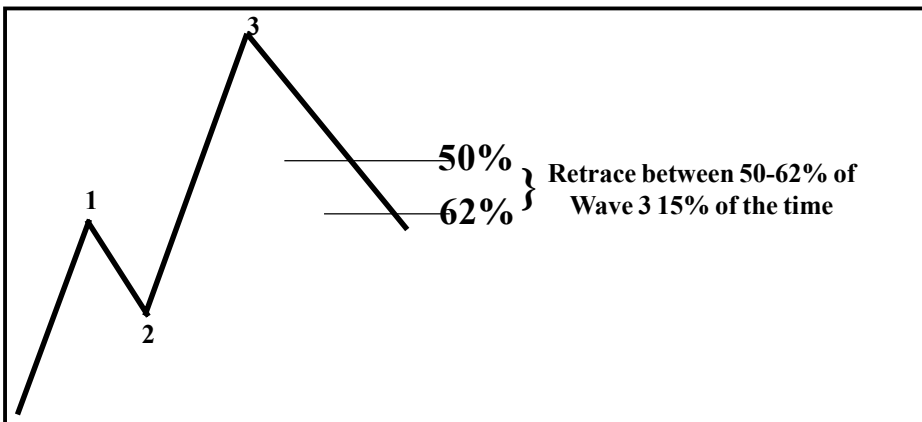
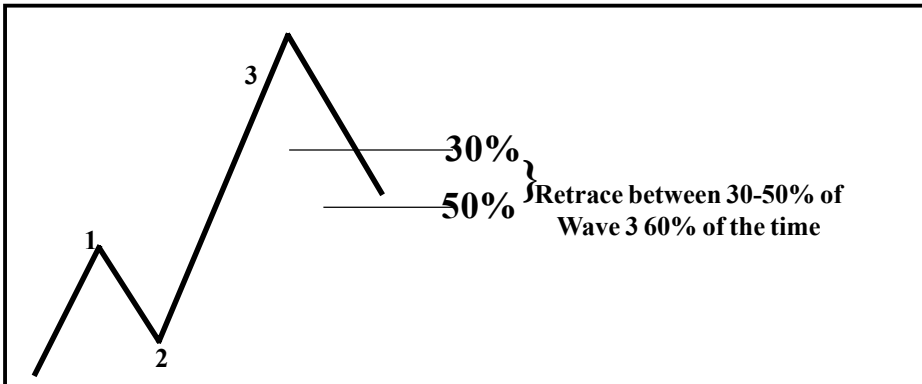
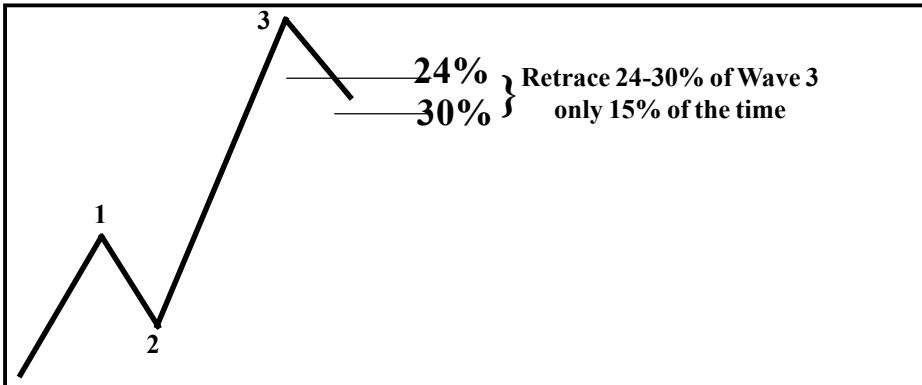
Wave 3 Ratios



Figure 11-2: Daily Chart, Alcoa

In the Alcoa Inc. (AA) chart above, Wave 3 wound up between 1.618 and 2.618 of Wave 1.

Statistical Analysis of Wave 4 Ratios



More than 62% Retracement of Wave 3 = 10% of the time

Wave 4 Ratios



Figure 11-3: Daily Chart, Alcoa

In the Alcoa Inc. (AA) chart above, Wave 4 retraced between 24% and 38% of Wave 3.

Elliott / Fibonacci Ratios

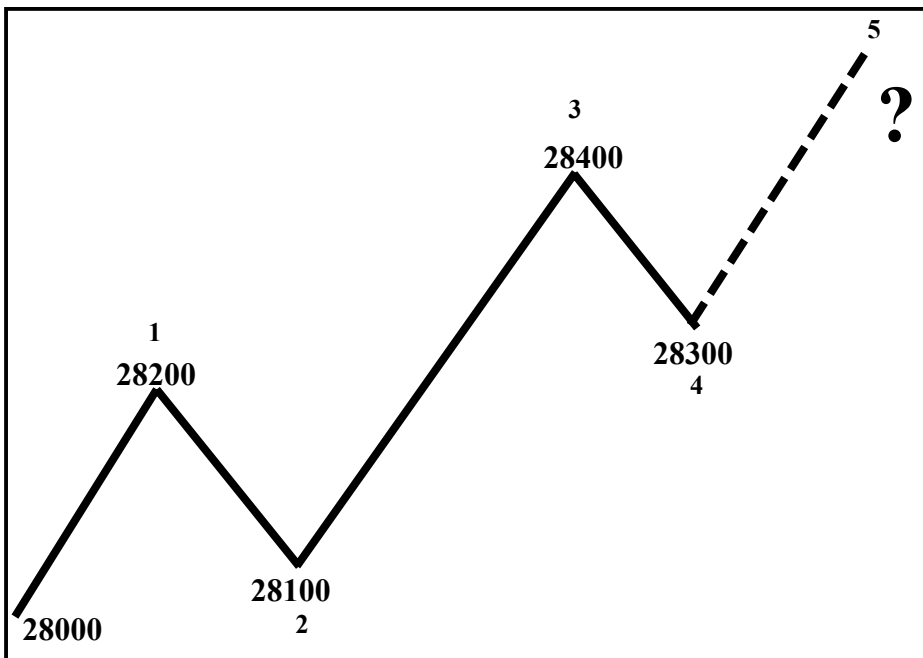
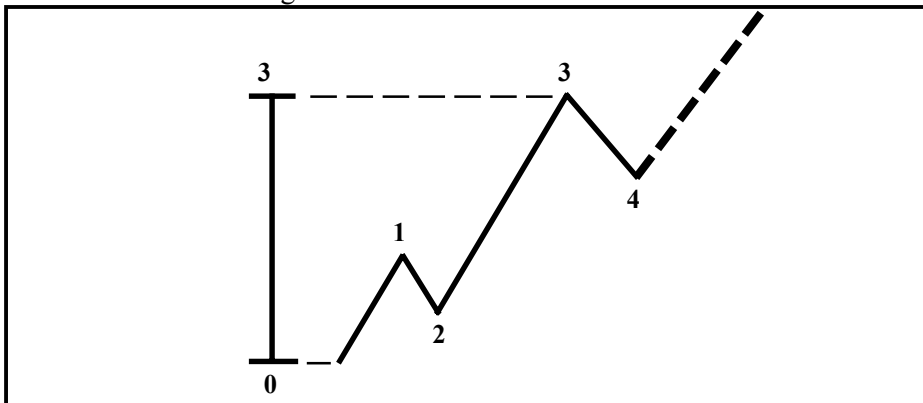
Wave 5

Extended if Wave 3 is less than 1.62 X Wave One

$$5 = .62 \times \text{Length of 0 to 3}$$

$$5 = 1 \times \text{Length of 0 to 3}$$

$$5 = 1.62 \times \text{Length of 0 to 3}$$



Elliott / Fibonacci Ratios for Wave 5

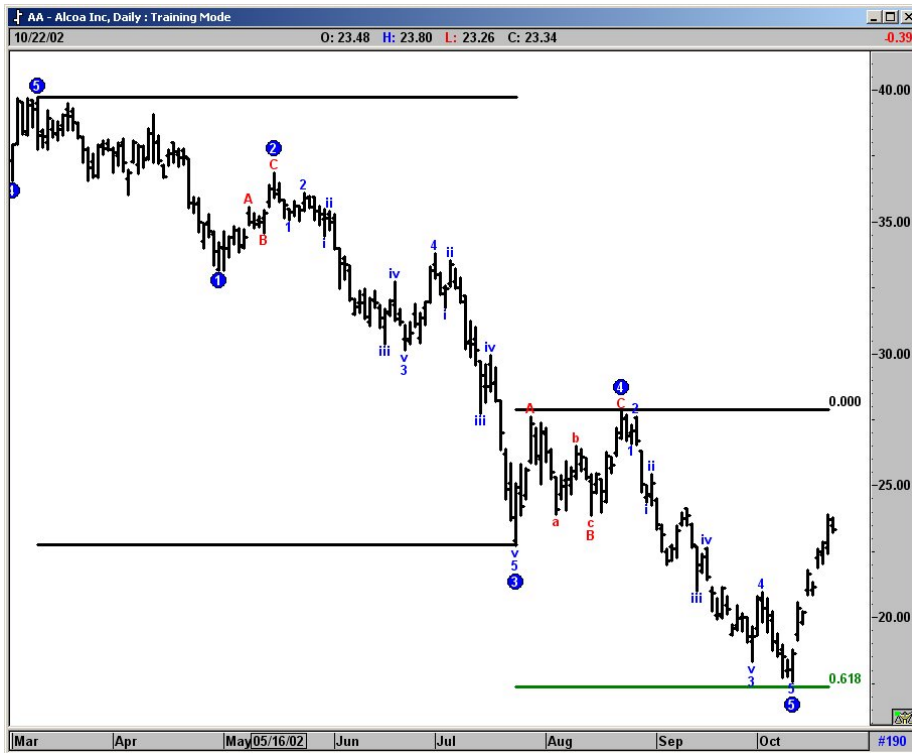


Figure 11-4: Daily Chart, Alcoa

Even when Wave 3 is extended, our research has found that the Wave 5 sequence will often end inside the ratios calculated from 0–3 where 0 (Zero) is the start of Wave 1. This is the start of the new Five-Wave sequence. The length of 0–3 is extended from the end of Wave 4.

Wave 5 usually ends inside the windows of 62% of 0–3 and equal to 0–3 added to the end of Wave 4.

Notes

CHAPTER 12

Type One and Type Two Trades

The foundation of the eSignal program is focused on the Elliott Type One and Type Two trades. The Type One trade is a Trend Following Trade. It is based on entering the market at the end of Wave 4, and taking profits at the end of Wave 5. In the Type Two trade, the market is entered at the end of Wave 5, with the initial target for profits being at the same price level as the previous Wave 4. In the pages that follow, the rules for the Type One and Type Two trades are introduced, followed by examples of each trade.

In a Type One trade, the attempt is made to enter the market at the end of Wave 4. Depending on the direction of the current 5-Wave sequence, the market can be entered in either a Long or Short position. The Type One trade is defined as a **Trend Following** trade, or **Continuation** trade.

The Type Two trade is a **Counter** or **Contra Trend** trade. It goes against the current market direction. Type Two trades are entered at the end of a Wave 5. We then assume a change in trend after the market has reached a price objective.

Rules for Type One Trades

The Type 1 Trade is used for entering at the end of a Wave 4 Retracement. The Type 1 Trade is a Trend-Following Trade, or Continuation Trade.



Figure 12-1: Type One Trade

1. Wait for the Oscillator to pull back to zero.
2. Make sure the PTI is above 35.
3. Make sure the Wave 4 Channels are holding.
4. When the market breaks the Regression Trend Channels or the DMA, buy the market for a Wave 5 rally.

Rules for Type Two Trades

The Type 2 Trade is used for going against the trend at the end of a Wave 5 rally or decline. The Type 2 Trade is an Contra Trend, or Counter Trend Trade.

1. When the Wave 5 makes new highs, make sure the Elliott Oscillator shows divergence between the Wave 3 peak and the Wave 5 peak.
2. When five waves are complete, the market changes trend. Wait for the price to cross the Regression Trend Channel.
3. When prices cross the Regression Trend Channel, enter the market.

The initial target is the previous Wave 4.



Figure 12-2: Type Two Trade

Type One Buy—Daily



1. The market is in an Elliott Wave 4 pullback.
2. The Elliott Oscillator has retraced to zero.
3. PTI is > 35.
4. The market is holding above the red Wave 4 Channel.

Buy at the cross of the Regression Trend Channels.

Figure 12-3: Bisys Group Inc., Daily

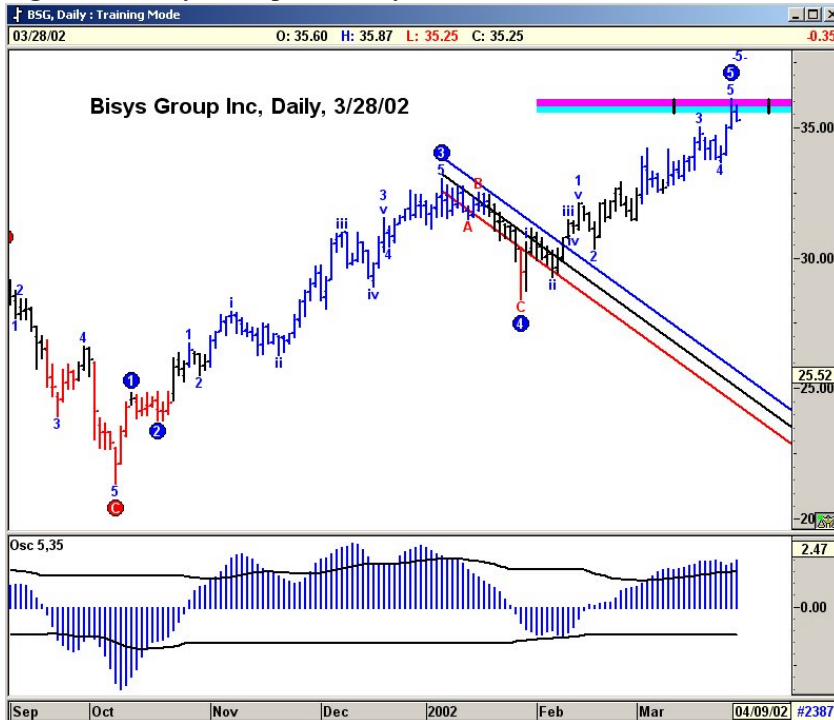
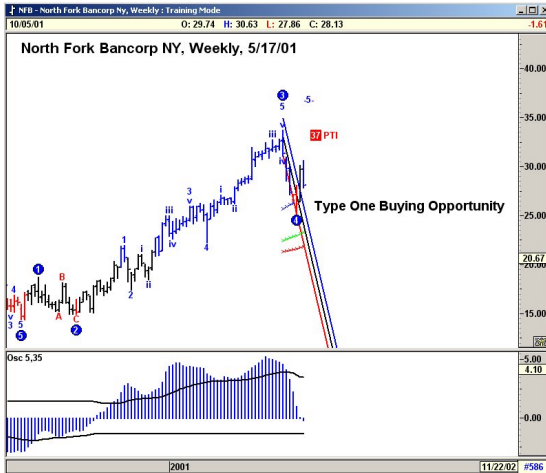


Figure 12-4: Bisys Group Inc., Daily

Type One Buy—Weekly



1. The market is in an Elliott Wave 4 pullback.
2. The Elliott Oscillator has retraced to zero.
3. PTI is > 35.
4. The market is holding above the red Wave 4 Channel.

Buy at the cross of the Regression Trend Channels.

Figure 12-5a: North Fork Bancorp NY, Weekly

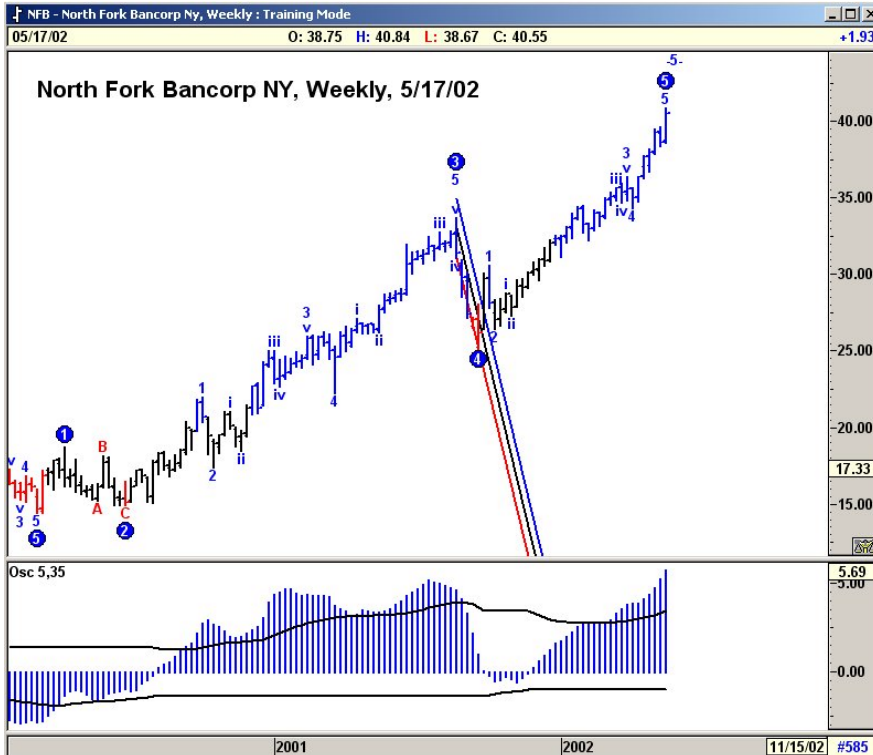


Figure 12-5b: North Fork Bancorp NY, Weekly

Type One Sell—Weekly



1. The market is in an Elliott Wave 4 pullback.
2. The Elliott Oscillator has pulled back to zero.
3. The PTI is > 35.
4. The market is holding below the green Wave 4 Channel.

Apply a trigger and short this market.

Figure 12-6: AT&T, Weekly

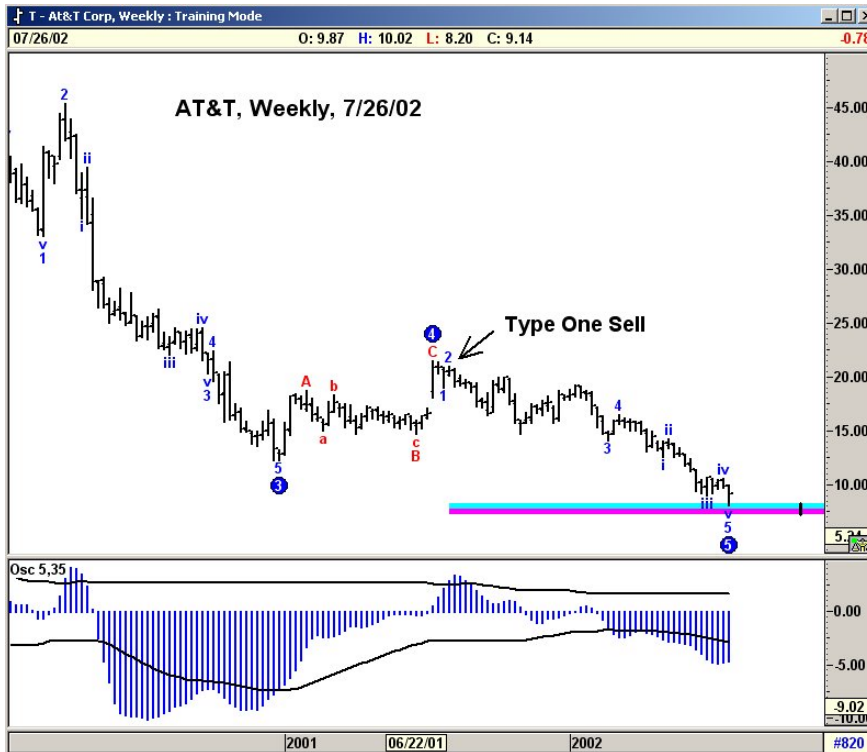
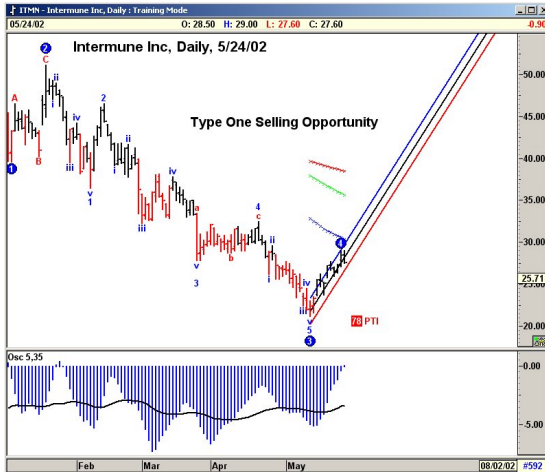


Figure 12-7: AT&T, Weekly

Type One Sell—Daily



1. The market has moved into a Wave 4 retracement.
2. The Elliott Oscillator has pulled back to zero.
3. PTI is >35 .
4. The market is holding below the Wave 4 Channels.

Everything looks good to short this market when it crosses below the Regression Trend Channels.

Figure 12-8: Intermune Inc., Daily



Figure 12-9: Intermune Inc., Daily

Type Two Buy—Daily



1. This market is in a Wave 5 Down, and has made new lows.
2. The Elliott Oscillator is showing good divergence.
3. The market just crossed above the Regression Trend Channels.

Everything looks good to buy this market.

Figure 12-10: Intermune Inc., Daily



Figure 12-11: Intermune Inc., Daily

Type Two Buy—Daily



1. The market has made new lows with a Wave 5 Down.
2. The Elliott Oscillator is showing good divergence.

Buy this market at the cross of the Regression Trend Channels.

Figure 12-12: Soybeans, Daily

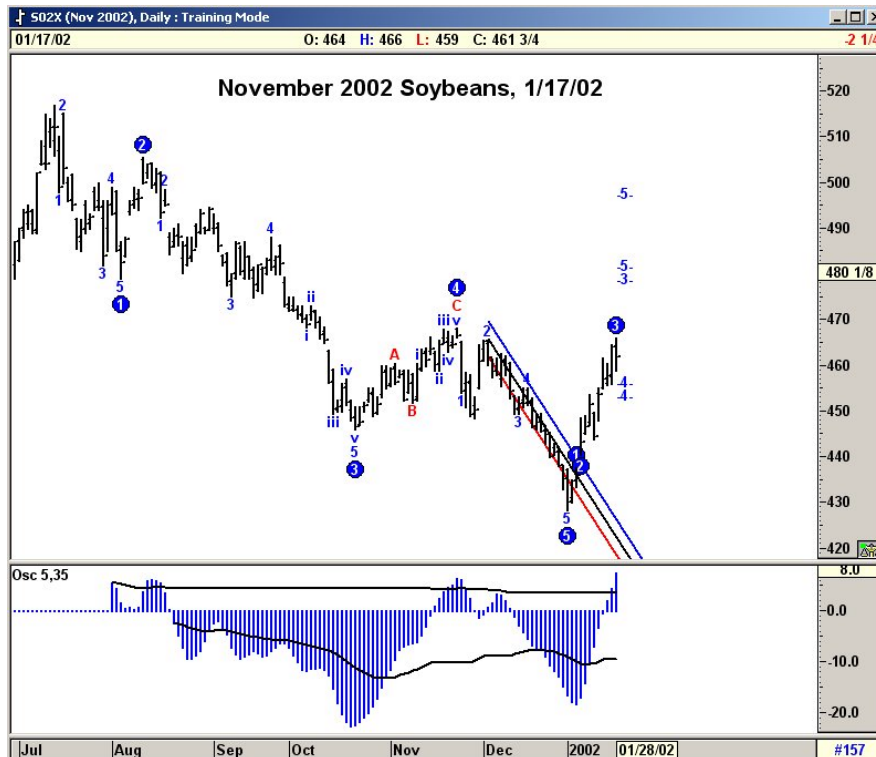
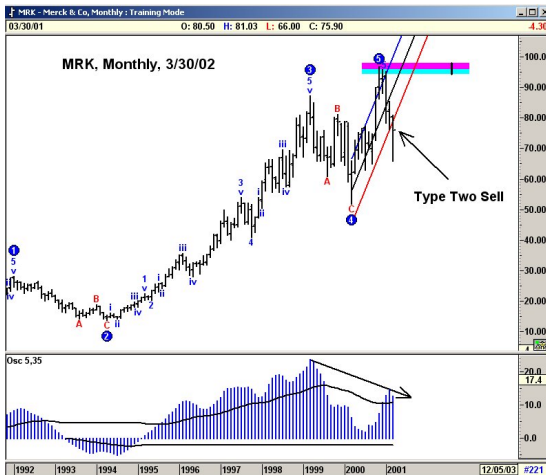


Figure 12-13: Soybeans, Daily

Type Two Sell—Monthly



1. The market has made a Wave 5 with new highs.
2. The Elliott Oscillator shows good divergence.

Short this market at the cross of the Regression Trend Channels.

Figure 12-14: MRK, Monthly

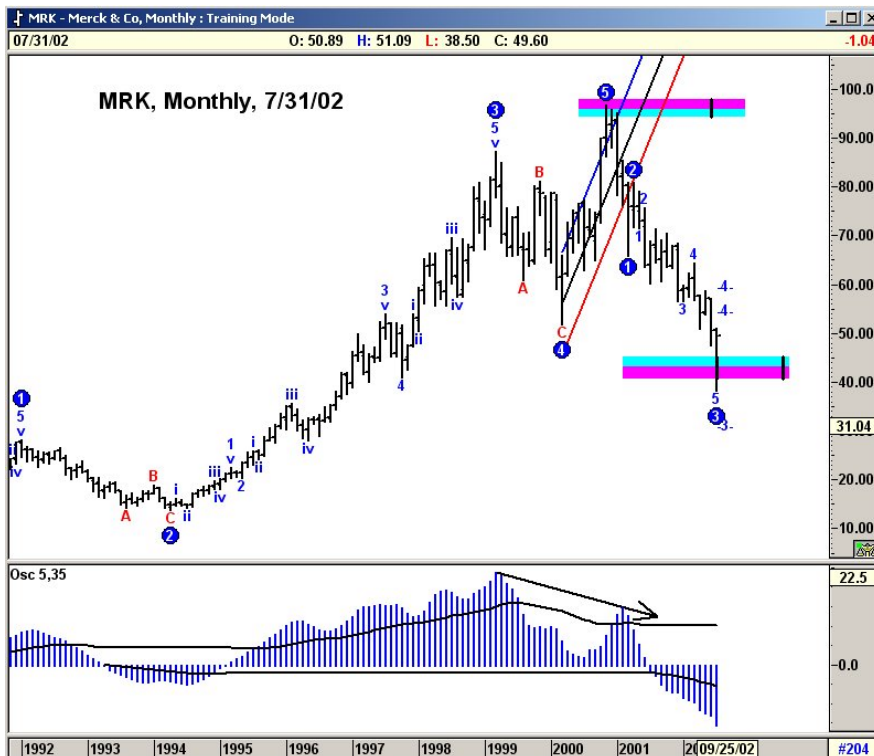
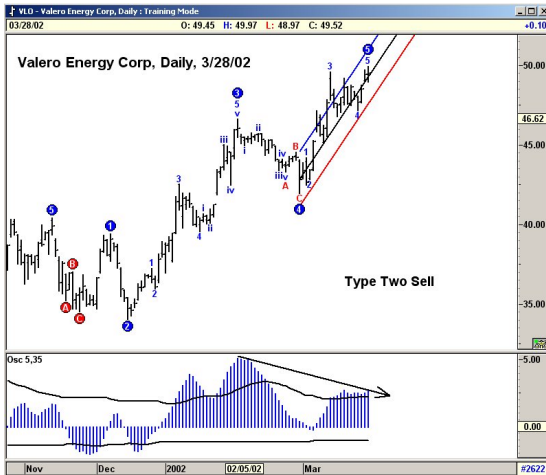


Figure 12-15: MRK, Monthly

Type Two Sell - Daily



1. The market has made a Wave 5 with new highs.
2. The Elliott Oscillator shows good divergence.

Short this market at the cross of the Regression Trend Channels.

Figure 12-16: Valero, Daily

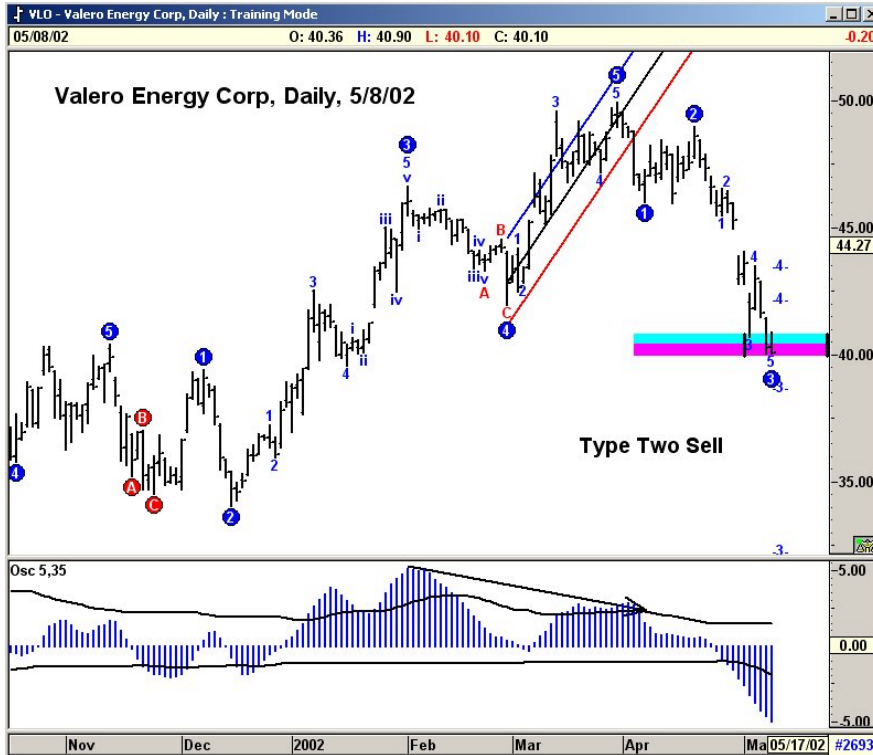
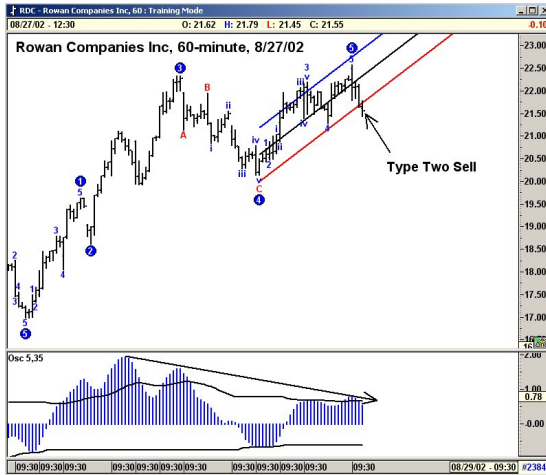


Figure 12-17: Valero, Daily

Type Two Sell—60-Minute



1. Market is in an Elliott Wave 5 up with new highs.
2. Elliott Oscillator shows good divergence.
3. The prices just fell below the Regression Trend Channels.

This market looks good here for a Type Two Sell.

Figure 12-18: Rowan, 60-Minutes

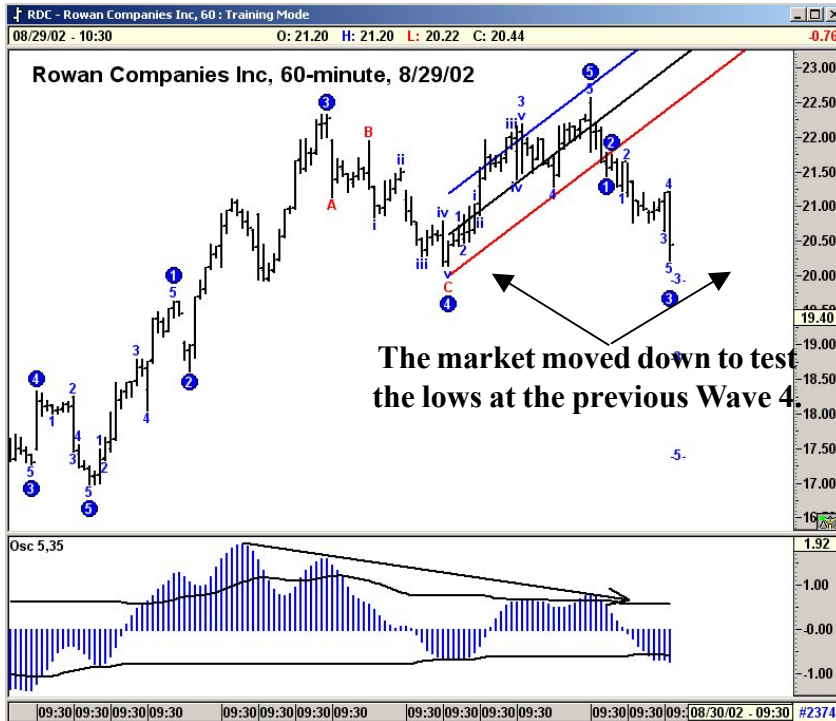


Figure 12-19: Rowan, 60 Minutes

Catching Wave 3 in a Type One Trade

One of the most frequently asked questions about Elliott trades is, “How can I get into Wave 3? That’s where all the money is, right?” While that may be true, Wave 3s are very difficult to predict, not having the statistical indications we can draw for Wave 4 and Wave 5. However, we have seen cases in which a Type One trade turns out to be Wave 3! The following is an example of such.

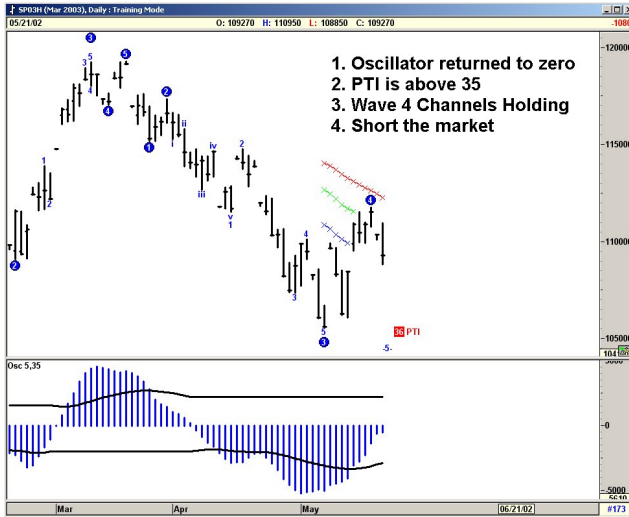


Figure 12-20: March 2003 S&P, Daily

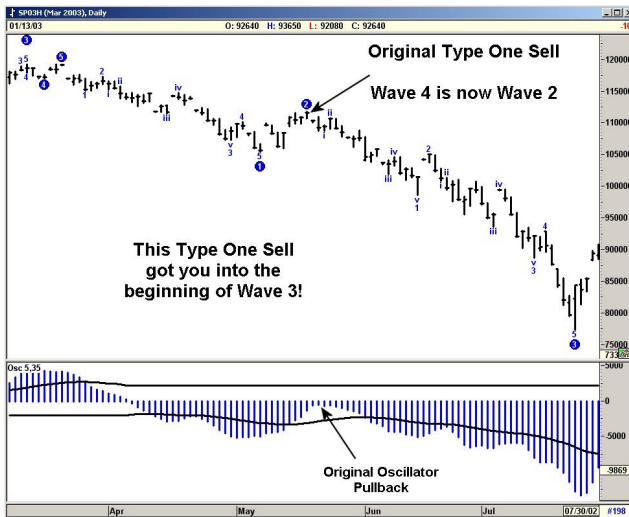


Figure 12-21: March 2003 S&P, Daily

Results:

What was thought to be Wave 5 carried so much momentum that it became an extension of Wave 3, resulting in even greater profits.

Forecasting a Double Top or Failed Fifth Wave

Type One Buy—Laborious Wave 4

The key here is that the Profit Taking Index (PTI) dropped below 35. Statistically, this indicates a potential Wave 5 failure, or at best, a Double Top. In the example below, DELL is setting up as a Type One Buy. The Oscillator has pulled back to zero, and the Wave 4 Channels are holding. However, the PTI is only 21, indicating that chances for a Wave 5 making new highs are very low. Additionally, looking back, DELL has a very simple Wave 2, indicating a good chance that Wave 4 will be long and complex.



Figure 12-22: Type One Buy, Failed Fifth Wave

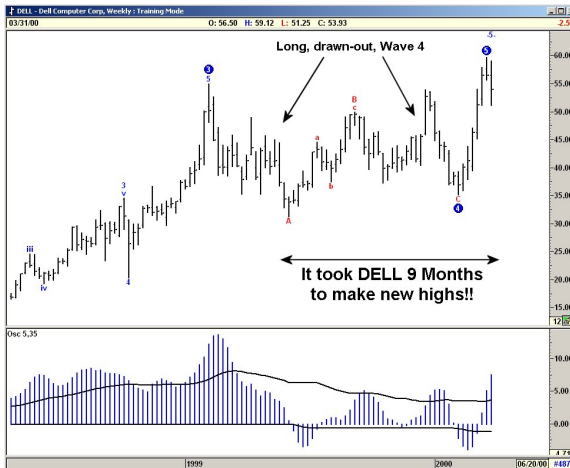


Figure 12-23: Type One Buy, Failed Fifth Wave

Results:

DELL eventually makes new highs, but the process is long and drawn-out, eating away at emotional capital and option premiums. If a long position is taken in a situation such as this, very tight stops should be used.

Type One Buy—Failed Wave 5

The PTI is again below 35. In this AAPL chart, the Wave 5 never materializes. The profit taking is too great in this market to take the prices to new highs, and the vicious sell off generates a new trend in the opposite direction.

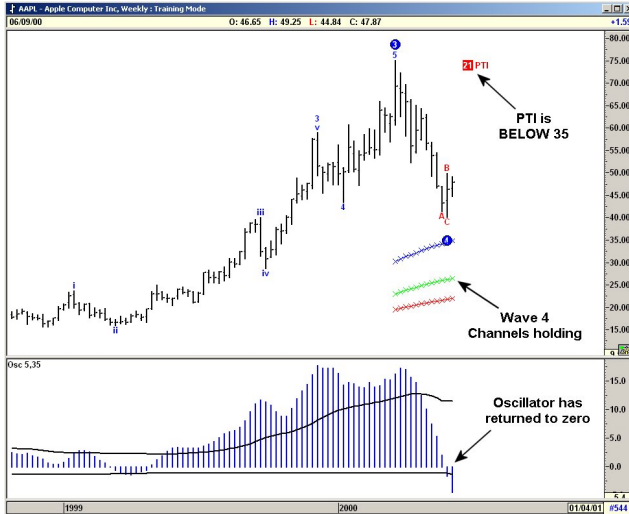


Figure 12-24: Type One Buy, Failed Fifth Wave

Results:

It is apparent that the PTI is a good early warning indicator **not** to take a Type One Trade. Any PTI below 35 indicates that profit taking is too great, and the Wave 5 will most likely not make new highs. Any attempt to enter the market for a potential Wave 5 should be done with very tight stops. We would recommend not entering the market at all in these situations.

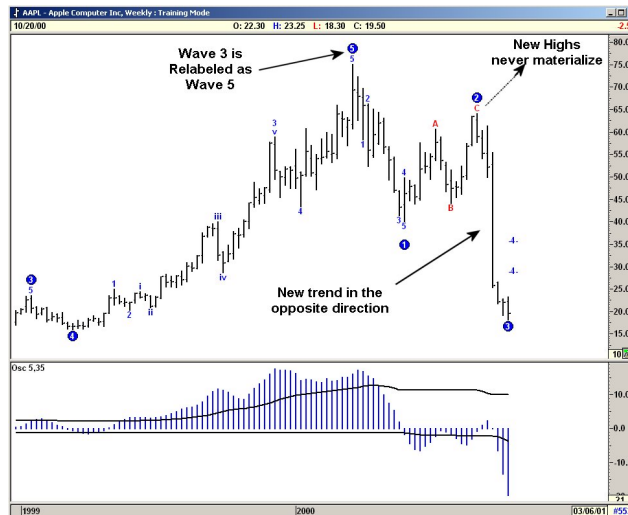


Figure 12-25: Type One Buy, Failed Fifth Wave

CHAPTER 13

Elliot Wave Counts**Localized Elliott Wave Counts**

This option allows the user to force the program to start an Elliott Wave count from any point on the chart. In certain cases, the market tends to make a low and rally off this low with great momentum. However, since the software uses the entire data set in determining the Wave count, it may be a while before the software logic fits the current market action into the Wave Count.

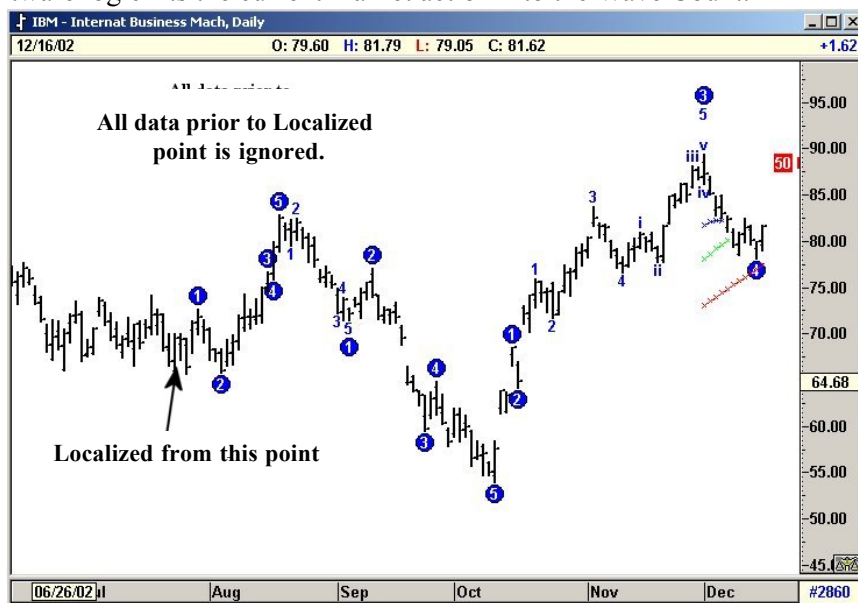


Figure 13-1: Localized Wave Count

By Localizing the Elliott Wave Count, the study can be set to ignore any past data and only use data from the current pivot selected by the user to derive the Elliott Wave counts.

Alternate Counts

The Alternate Elliott Wave Count sequence allows the user to have the program display various alternate wave counts. Three different Alternate Wave Counts are offered. We will discuss these various alternate Wave counts in detail.

The major purpose of the Alternate Wave counts are to provide the user with a second opinion at crucial junctures.

Alternate 3: Long Term

Once the Original (default) Wave analysis detects a Five-Wave sequence, it continues to look for a rally in the opposite direction with the previous Wave 4 as a minimum price target. Even if the market fails to rally to this target, the routine still continues to look for this pattern until the high of the original Wave 5 is taken out. Figure 13-2, below, shows Quicksilver Inc. on a daily chart with the Original (default) Wave count.

From the high of Wave 5, the program continues to look for a decline in the opposite direction with a price target near \$21 (previous Wave 4). If the market declines strongly to the target, the software will pick up a new Wave 3 Down.



Figure 13-2: Original (Default) Wave Count

The only way the program will abandon this routine is if the prices actually make a new high. Then the new high becomes the new Wave 5.

The Alternate 3 routines provide a longer term wave count, as seen in Figure 13-3 on the following page. This shows the market making a new low as forecasted by the Alternate 3 Long Term Wave Count.

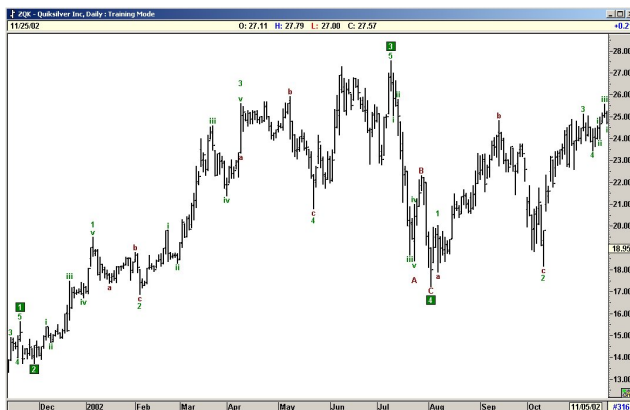


Figure 13-3: ALT 3 Long Term Wave Count

Listed below are our recommendations of when to use the ALT 3 Long Term Wave Count.

- A) If the rally from the end of a 5-Wave (low/high) Sequence fails to generate a Wave 3 in the opposite direction, we recommend you display the Alternate 3 (Long Term) Wave count
- B) If the market momentum meets the parameters of the ALT 3 routines, then the software provides an Alternate Wave count which represents a longer-term view. When such an Alternate Count is displayed, the user should be very cautious and anticipate the potential for another new low.
- C) **There are many cases when the parameters are not met and the ALT 3 (Long Term) Wave count is the same as the Default Wave Count.** Under this scenario, the user should stay with the original default count.

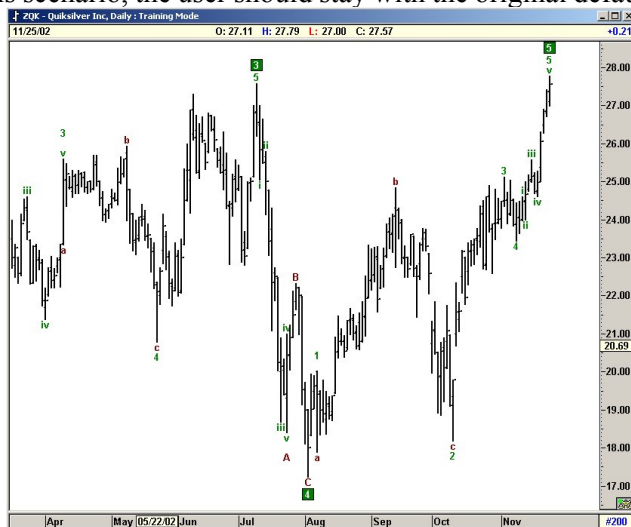


Figure 13-4: ALT 3 Long Term Wave Count

Alternate 2: Short Term

This provides the user a short-term break down of the Original Default count. For example, when the default count tracks a major Wave 3 rally, the ALT 2 (Short Term) wave count provides the 5 waves inside the major 3. This is used in taking profits at the end of a major Wave 3.



Figure 13-5: Alternate 2—Short Term

Alternate 1: Aggressive

The Original (default) Wave analysis continues to stay in a Wave 4 until the Wave 4 overlaps Wave 1 by 17% in commodities (0% overlap in stocks and indexes). Many times, even when the Profit Taking Index drops to a very low number and the Oscillator has retraced more than 40% in the opposite direction of the Wave 3 Oscillator peak, the software still delays switching the Wave Count.

The Alternate 1 (Aggressive) Wave count was designed to end this long drawn-out Wave 4 count and aggressively switch to a Wave 3 count in the opposite direction. The ALT 1 (Aggressive) Wave Count is recommended when the following occurs:

- A) Any rally that is labeled as a Wave 4 by the Original (default) Wave count becomes a suspect wave count when it breaks the Wave 4 channels and the Oscillator exceeds 40% in the opposite direction of the Wave 3 Oscillator Peak.
- B) About 65% of the time, such conditions are also accompanied by a Profit Taking Index below 35.

Under such conditions, we recommend you use the ALT 1 (Aggressive) Wave count to view an alternate wave count or a second opinion.

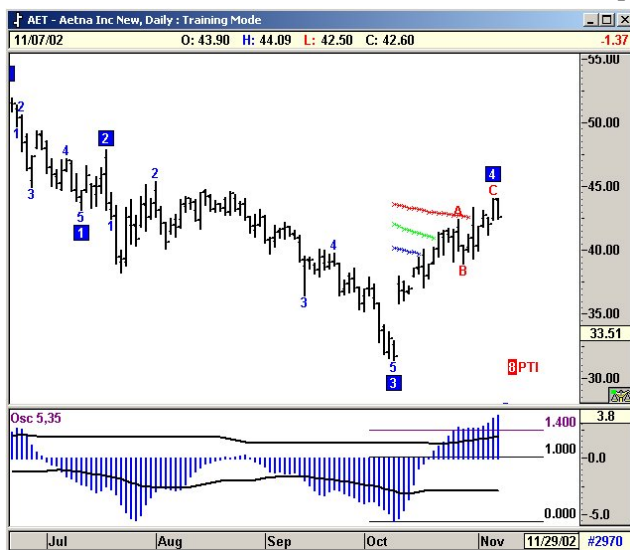


Figure 13-6: Original (Default) Wave Count

Alternate 1: Aggressive

Figure 13-8, below, shows the same Aetna Inc. with the ALT 1 (Aggressive) Wave count. Here, the software re-labels the decline as an ABC. The software logic drops the idea for a 5-Wave decline and instead concentrates on the new rally phase.

Please keep in mind that the ALT 1 (Aggressive) count should only be used when the Oscillator retraces more than 40% in the opposite direction from the Major Wave 3 peak. In this example, the Wave 3 Oscillator peak was -5.0. The 40% in the opposite direction is +3.8. the Oscillator exceeds the 40% retracement.

The 40% level where the oscillator exceeds can be drawn by using the Retracement tool in the Drawing Tools.

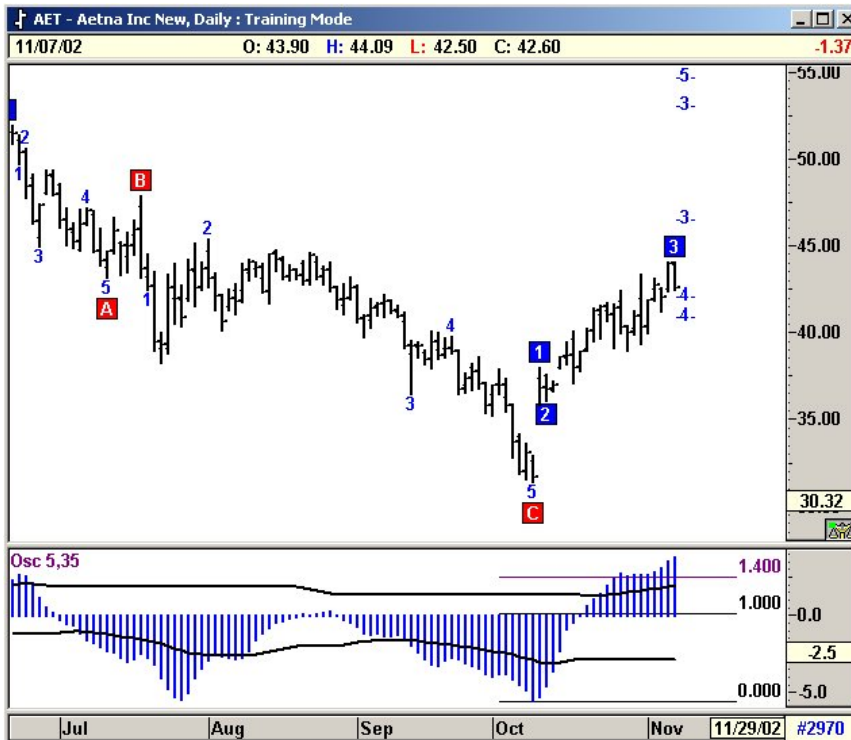


Figure 13-7: Alt 1 Aggressive Wave Count

Overlap Percentage (Option)

By default, the program automatically allows a 17% price overlap between Wave 4 and Wave 1 for commodities. For stocks and indexes, the software switches to a 0% overlap.

The traditional Elliott rules do not allow any overlaps at all. However, from our extensive research, we have found that many commodity contracts tend to overlap and still configure to clean 5-Wave sequences. However, you can change this overlap percentage based on your research. Once you have changed the overlap percentage, the program treats the Elliott Wave counts as Alternate counts.

Alternate Wave Counts are displayed in green by default to distinguish it from the default count, displayed in blue.

1-3 % Option

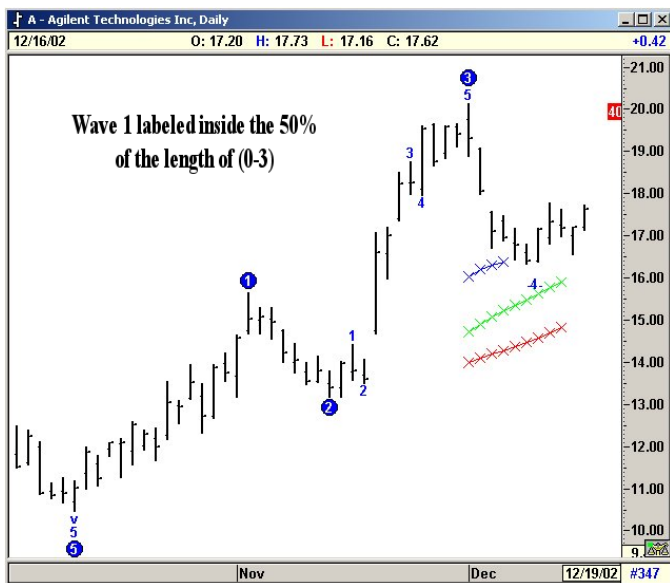


Figure 13-8: Default

While labeling Elliott Wave counts, the default count allows the program to label Wave 1 anywhere between the start of the 5-Wave Sequence and 50% of the length measured from the beginning of Wave 1 to the end of Wave 3.

In some cases, the program picks a pivot that is at the higher range and Wave 1 is labeled well into Wave 3. The user can override this and limit where Wave 1 is labeled, as shown in Figure 13-9.



Figure 13-9: Option Set to 20%

C H A P T E R **14**
Gann Techniques

W. D. Gann

For some reason, everything relating to Gann seems to have a mysterious flair. Many publications carry this tradition and compose their material in a difficult-to-understand manner. To fully understand and believe in this technique, one has to ignore this mystical taboo and dig into its inner works. We will try to keep our presentation as simple as possible.

W.D. Gann used a collection of techniques. Through our work we have come to the following conclusion: the reason Gann was so accurate in his predictions was not due to any one single technique—it is due to his ability to use the right tool at the right time. A master at this, he was an excellent mathematician with a quick-working mind. For example, he could tell when a market was overbought without ever using an indicator. Stochastics is a well known mathematical-based formula used to represent an overbought/oversold condition. Perhaps Gann could calculate such an indicator in his mind by looking at the prices.

The GET approach is to take only the easily applicable Gann techniques, improve them, add concepts to enhance them and, finally, reduce them to computer equations. Since computer equations are structured and straightforward, you will also benefit by applying them manually.

Gann Angles and Lines

We are all familiar with trend lines. The main disadvantage of a trend line is the requirement of at least two price points to connect the line. The Gann angle/line approach requires only one pivot price point and various lines can be drawn from this point. The concept behind Gann angles are described in this chapter.

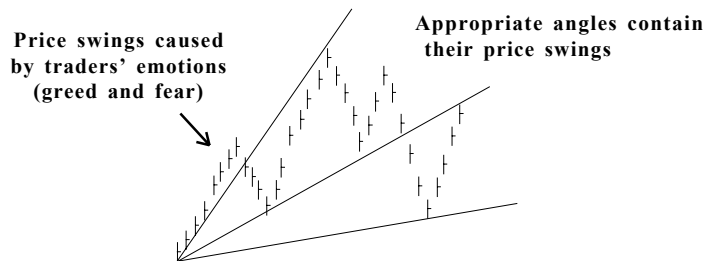


Figure 14-1: Gann Angles

When prices rally off a low, the rate at which the market rallies and fluctuates is controlled by the fear and greed combination of the mass public that is trading that particular market. The fear and greed causes swings in the markets. This human behavior goes from one extreme to another in cycles of various degrees. These varying cycles can be defined within the parameters of certain angles originating from the price lows.

The task is to find the appropriate set of angles which can define the various cycles that represent the fear/greed swing of traders involved with an individual market.

The appropriate angles were not found overnight. It took Gann several years. With the help of computers and the right concept, we have been able to calculate the angles for most commodity futures traded in the U.S. and some overseas markets. Our angles are based on the past five to ten years of data. The core angle for each market is constant and does not change over time. The sensitivity and vibration may alter slightly, but the core angle has stayed the same.

A Real-Time Example

The eSignal approach is to use constant angles for each market that define that particular market's price fluctuations, which is caused by the fear/greed emotions



Figure 14-2: True Gann Angle Ratio



Figure 14-3: Altering price scale will not change true Gann Angles

The Fear and Greed Cycle

It is extremely difficult to predict the fear and greed behavior of traders in advance. However, we can overcome this difficulty in a roundabout fashion.

When a market makes a major low or bottom that results in a very large price swing, it is reasonable to assume that the general public has expressed their emotions to an extreme. In other words, at a major top, the greed of the traders has peaked and the subsequent market decline is due to the fear of the same traders. Having defined this, we can go one step farther and state the following: when a major top is in place, the majority of trader emotions (greed, in this case) are synchronized for that moment in time. Thus, Gann angles from such a major top originate at the infancy of the next trader emotion cycle phase; Gann angles from a major top can better define the larger emotion cycle than Gann angles from a minor top.

In simple words: Gann angles originating from a major price swing are more useful in defining future price swings than Gann angles originating from a minor price swing.

The eSignal program provides more importance to the major Gann angles.

Defining Price Swings

This leads us to the question of how to define major price swings. It is easy for an individual to look at a price chart and say “this is a high” or “this is a low.” The goal is to have the program make the same assessments.



Figure 14-4: Price Pivot Points

By measuring the percentage price swing from each high and low, the Study defines price pivot points as:

- P = Primary**
- J = Major**
- I = Intermediate**
- M = Minor**

Gann angles originating from **Primary** lows/highs have higher priority in defining the future path for the trader's emotional cycle. The next in line will be angles from **Major** highs/lows, followed by the **Intermediate** and **Minor** pivots.

In general, all Gann angles could provide support and resistance for price swings. However, the higher hierarchy angles, such as angles from primary or major pivots, the more sustained and stronger support/resistance.

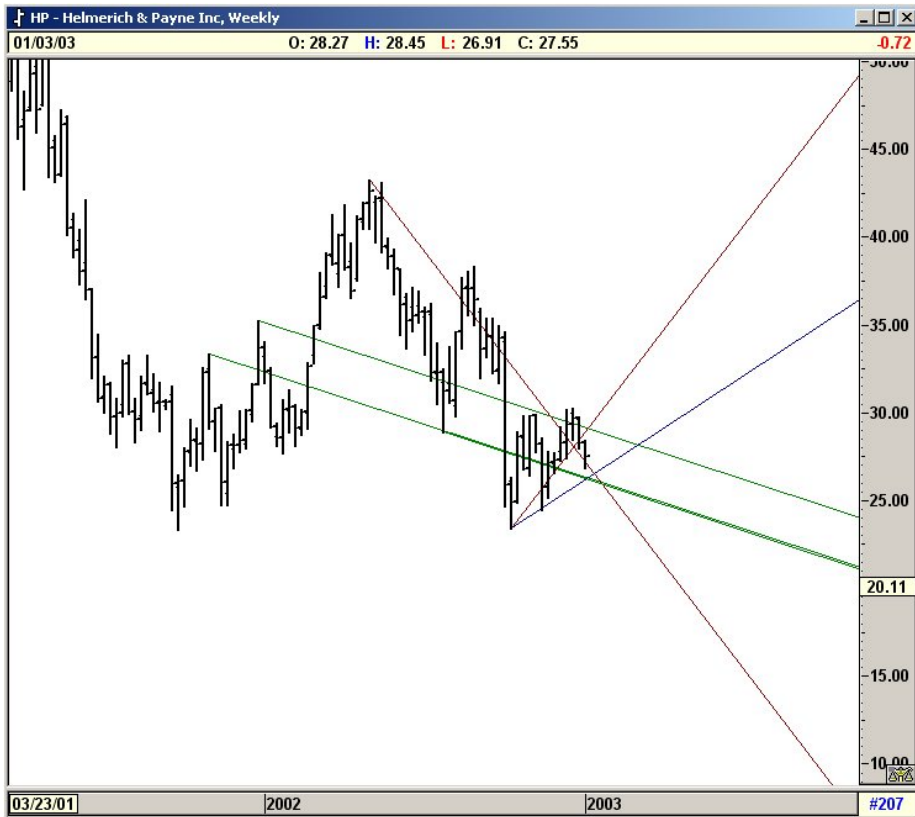


Figure 14-5: Gann Angles

Using Gann Angles with Elliot Waves

For Waves 3 and 5

When the market is moving up in a 5-Wave impulse pattern, draw Gann angles going up from the previous Primary Pivot High. The angles should provide resistance for the tops of Wave 3 and Wave 5.

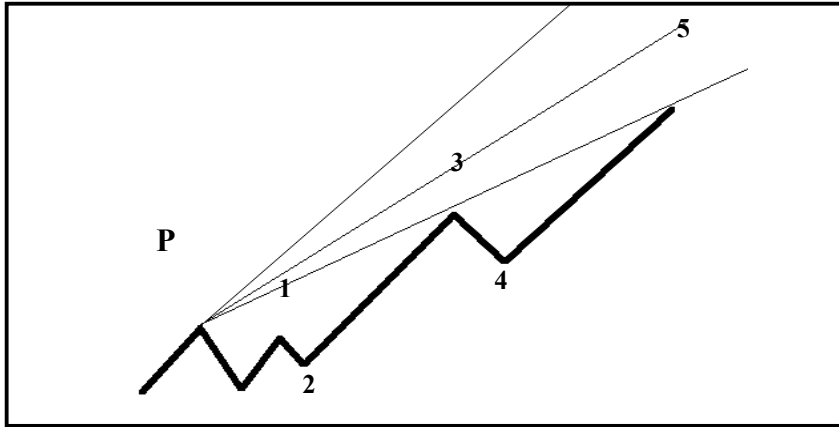


Figure 14-6: Primary Pivot High, Waves 3 and 5

When the market is moving down in a 5-Wave impulse, draw Gann angles going down from the previous Primary Pivot Low. The angles should provide resistance for the bottoms of Wave 3 and Wave 5.

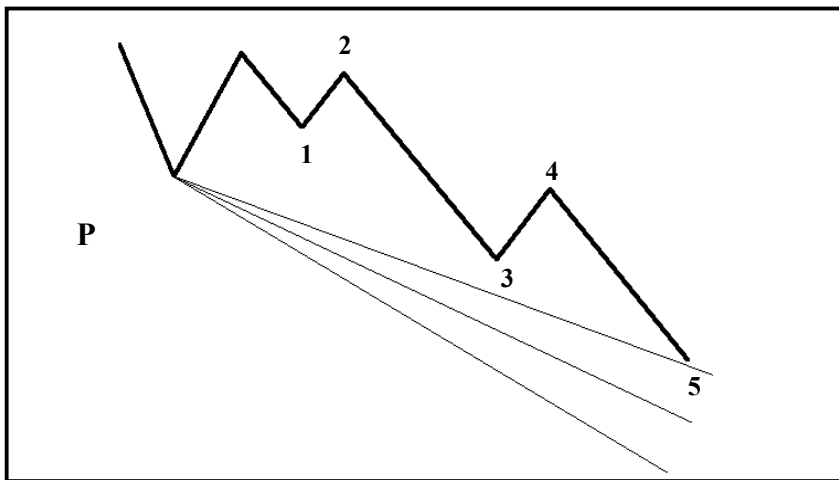


Figure 14-7: Primary Pivot Low, Waves 3 and 5

Using Gann Angles with Elliot Waves

For Wave 4

When the market is moving up in a Five-Wave impulse pattern, draw Gann angles going up from the previous Primary Pivot Low. The angles should provide **support** for the **bottom** of Wave Four.

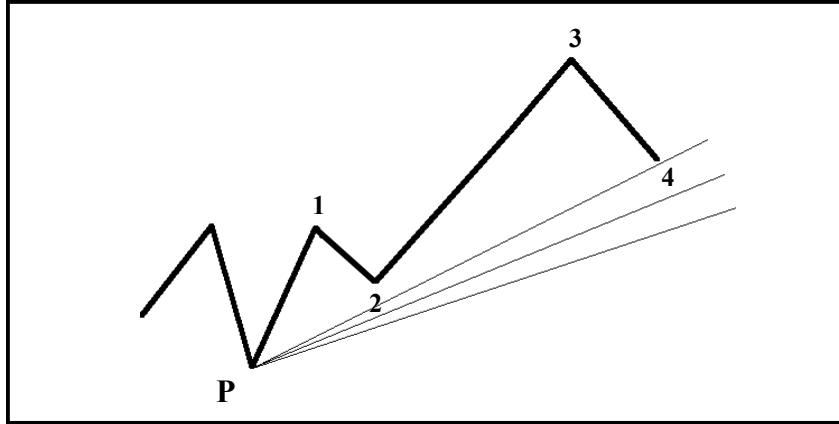


Figure 14-8: Primary Pivot Low, Wave 4

When the market is moving down in a Five Wave impulse pattern, draw Gann angles going down from the previous Primary Pivot High. The angles should provide **resistance** for the **top** of Wave 4.

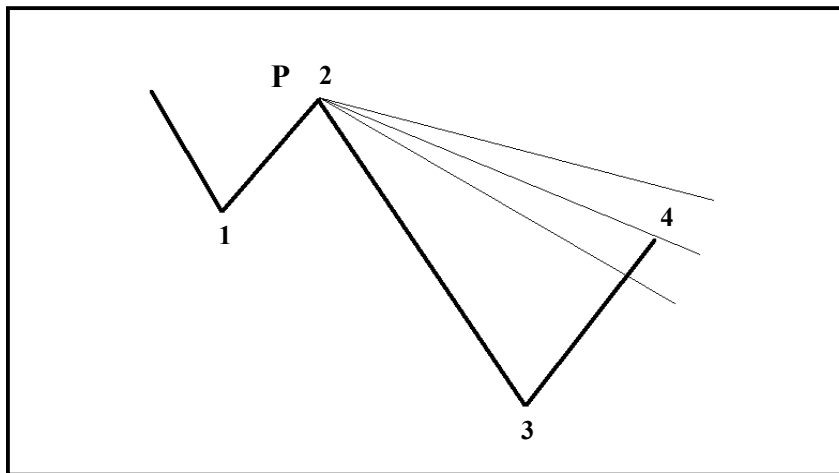


Figure 14-9: Primary Pivot High, Wave 4

Optimized Gann Angles

In the past versions, we provided a pre-built scale for Gann Angles for selected U.S. stocks and commodities. This created two major drawbacks:

- 1) The built in scales could not be altered to allow for day-to-day volatility of the markets.
- 2) Gann angle scales were only available for selected markets.

We have now added Optimized routines, which allow the user to find the optimal angle for any market loaded on the screen including stocks, spreads, cross rates and foreign issues. The routines also include volatility adjustments.

The optimized scale is printed on Figure 14-10, below.

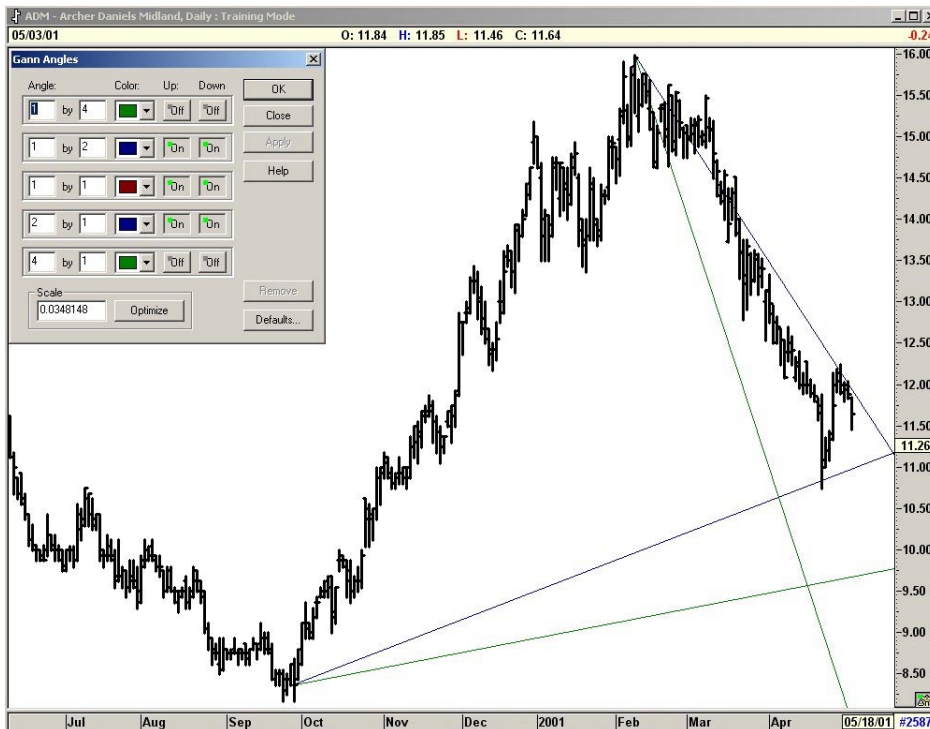


Figure 14-10: The correct angles for any given market are obtained by clicking the Optimize button when applying the angles to the chart.

C H A P T E R **15****Gann Box****Overview**

The Gann Box is an excellent tool that uses the Gann Wheel as a basis for its pattern of price and time. The Gann Box can be used in a variety of individual ways. One recommended method of drawing the Gann Box is to take the previous Major Pivot point (usually the end of the last 5 Wave sequence) and draw it so that the 1x1 line follows the current market support areas to a good degree. This is a very subjective method of drawing the Gann Box, but experience will teach you the best origin for the Gann Box.

Functions

The **Colors** selection list allows you to change the color of the 1x4, 1x2, 1x1, 2x1, and 4x1 lines that comprise the Gann Box.

The **Scaling:** selection list allows you to choose between a Gann Box made using **Fixed Increments** for scaling and a Gann Box drawn using a Free Form scaling. The Fixed Increments scaling is used when you want the Gann Box to be drawn with the computer generated fixed interval patterns that are built into GET. This is the setting that is most often used by the individuals at Trading Techniques, Inc. The **Free Form** scaling should be used when you want the Gann Box to be drawn at any scale and in any increment that you want. With the Free Form scaling, you have total control on the size of the box.

The **Width:** number box indicates the thickness of the lines that draw the Gann Box. A setting of 1 will draw the Gann Box using very thin lines, and a setting of 100 will draw a Gann Box that is very thick and difficult to use.

The **Box Color** selection list allows you to change the color of the box drawn around the Gann Angles that make up the Gann Box.

The **Box On/Off** switch toggles the display of the outer lines that make the Gann Box. To turn the drawing of the outer lines on or off, put your mouse cursor on top of this button and press your left mouse button.

Notes

Regression Trend Channels

Standard Deviation

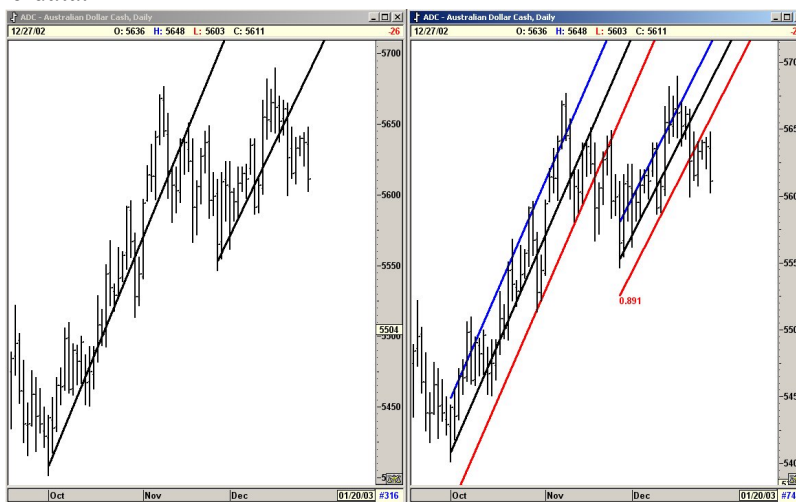
This is a simple but very effective study. The idea is to draw an upper and lower channel by using a standard deviation of the prices. It is similar to the Bollinger Bands, which draw bands using standard deviations of a moving average. However, instead of using a moving average, we are simply using the Linear Regression line of a swing identified by you.

Figure 16-1a, below, shows two market swings from low to high. The line drawn through the middle is a standard Linear Regression line *using the midpoints of the swing*.

Figure 16-1b shows the upper and lower channel drawn using 2 standard deviation of the Regression Line and the Midpoints.

The Regression Channel menu allows the user to calculate the Trend or Regression line by using the midpoint, high, low, etc. It also allows the user to set the amount of Standard Deviation for the Upper and Lower channels.

In addition, a Pearson's R is included, showing how well the Linear Regression fits the data.



Figures 16-1a and b: Regression Trend Channels

Using the Regression Trend Channels

When the Market is trending or just trading with a bias in one direction, the Regression Trend Channels can be used to define the upper and lower boundaries of the market. As long as the momentum stays in the same direction, the market tends to stay within the channels. As soon as the market changes bias, the prices break the channel, signaling the end of the move.

The primary functions of the Regression Trend Channels are:

- A) Protecting profits inside a Wave 3.
- B) Entering at the end of a Wave 4 for the Fifth Wave.
- C) Protecting profits in a Fifth Wave and entering a trade in the opposite direction at the end of a Fifth Wave.

The following examples will make this very clear.

Take Profits at the End of Wave 3

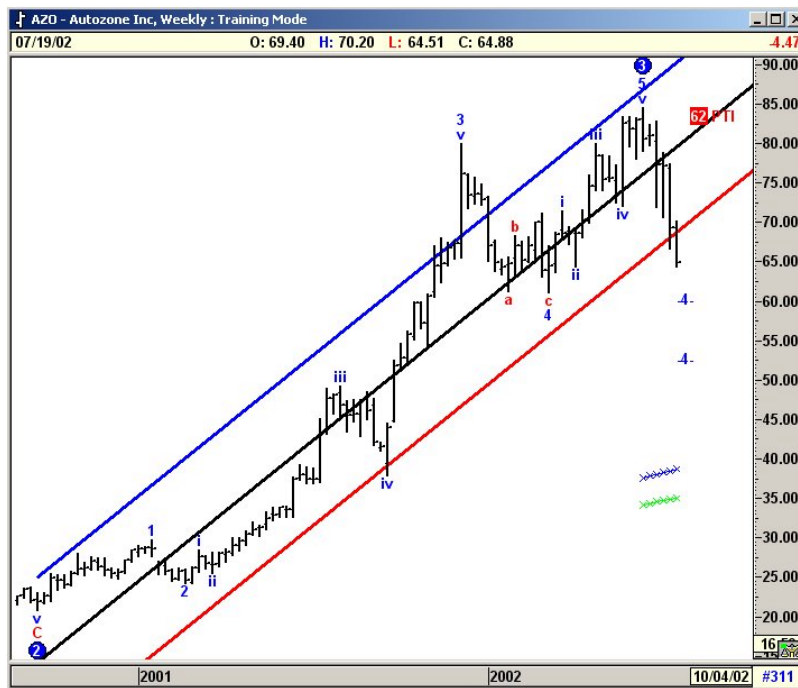


Figure 16-2a: Using Regression Trend Channels

Buy at the End of Wave 4



Figure 16-2b: Using Regression Trend Channels

Sell at the End of Wave 5

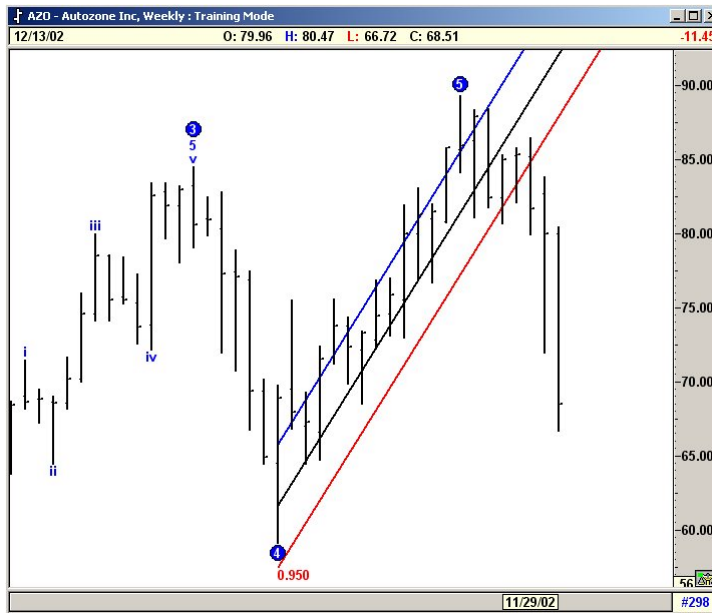


Figure 16-2c: Using Regression Trend Channels

Notes

CHAPTER 17

TJ's Web Levels

Zone Areas

TJ's Web Levels are special price arrangements based on Fibonacci relationships from the previous week's market action of that stock. Three areas are calculated for the following day: neutral zone, resistance area, and support area.

Neutral Zone: This zone is usually narrow and is a few points above and below the previous week's close. When the prices trade above the neutral zone, the stock is considered to be strong, and vice-versa.

Resistance Area: Above the neutral zone, there are four resistance levels called RA, RB, RC, and RD. These are Fibonacci resistance levels based on the previous week's stock actions.

Support Area: Below the neutral zone, there are four support levels called SA, SB, SC, and SD. These are Fibonacci support levels based on the previous week's stock actions.



Figure 17-1: Zone Areas

Figure 17-2a is an illustration of how to use TJ's Web Levels, which are shown for Helmirich & Payne's stock based on Friday's close.

The Web Levels suggest support and resistance levels for the next trading day. If the stock price rallies on Monday, the last resistance level (RD) suggests this stock should not trade past the \$34.75 level. Equally, the last support level (SD) suggests that this stock should not trade past the \$33 level.

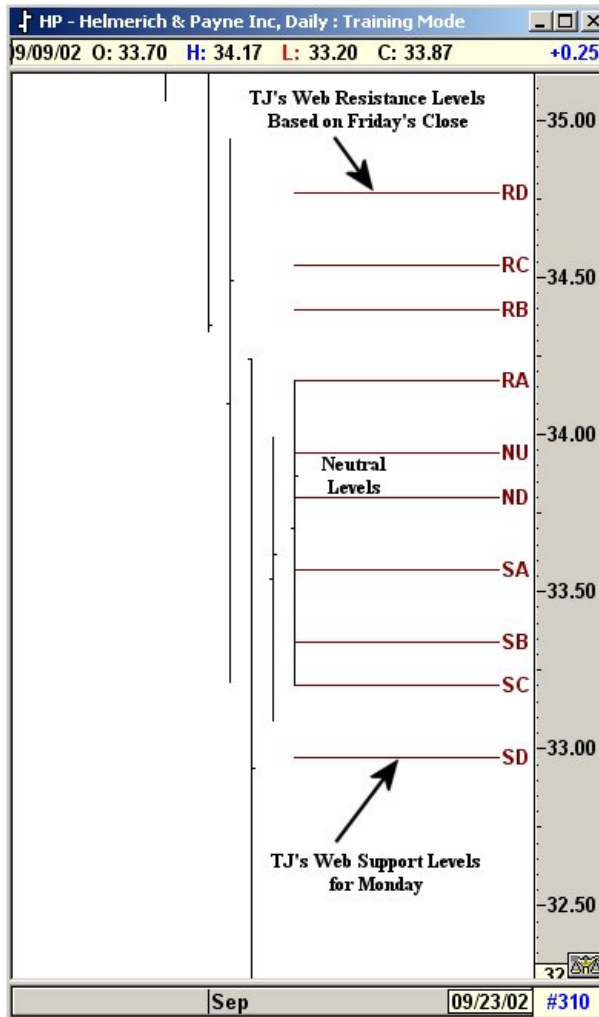


Figure 17-2a: Friday's Close

On Monday, HP traded to a high of 34.75, containing stock price movement to within this day's NU and RD Web Levels.

This example has been given to illustrate the principle behind TJ's Webs. You cannot expect these Web Levels to hold true all the time, but if used on a continual basis they will consistently provide good support and resistance.

TJ's Web Levels based on Monday's close are shown in Figures 17-2b, below and 17-2c, on the following page.

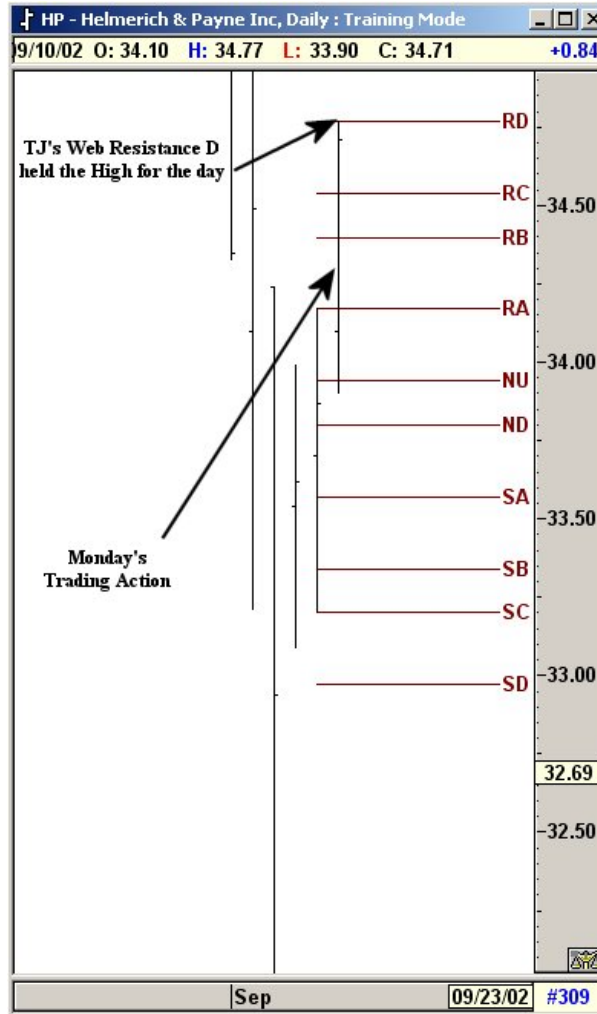


Figure 17-2b: Trading Action for Monday

TJ's Web Levels are reapplied to include Monday's trading action. These new levels are shown in the chart below.

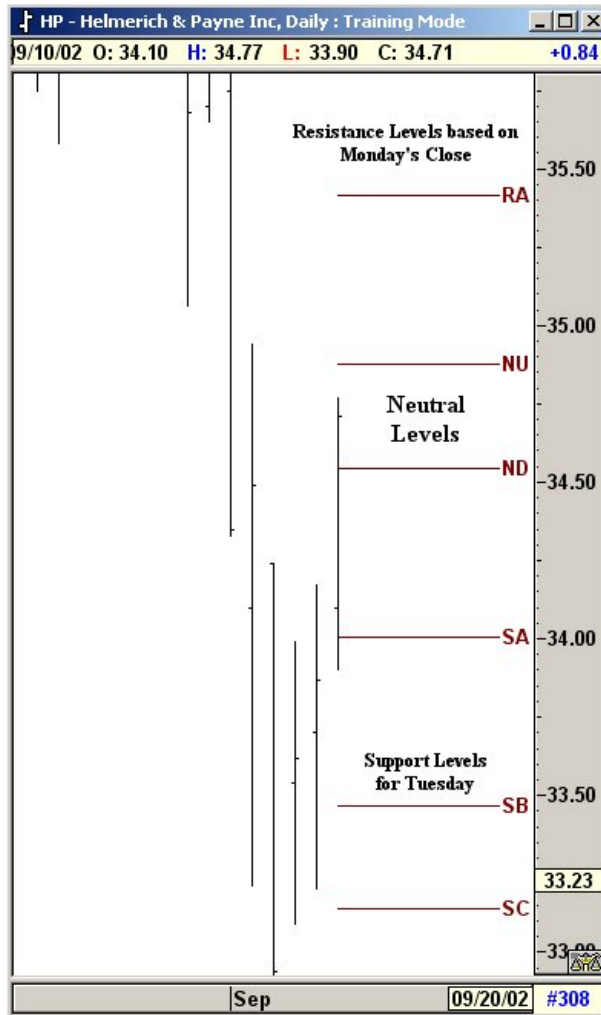


Figure 17-2c: Daily chart, Helmerich & Payne, Inc.

Tuesday's trading action shows that the market opened up to the RA Web Level, which provided resistance for the day. HP then traded down to the NU level again for Tuesday.

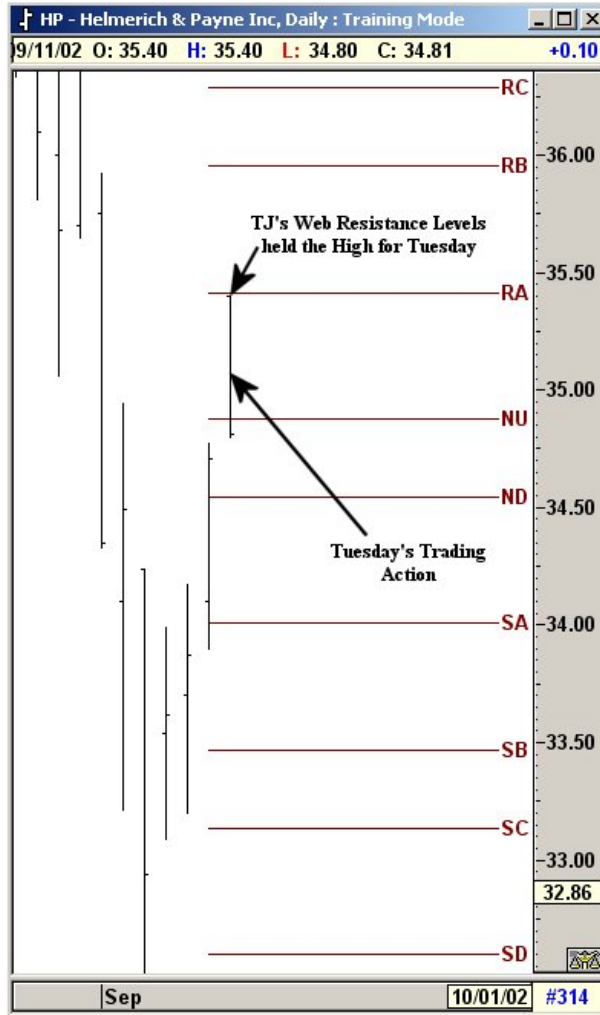


Figure 17-2d: Trading Action for Tuesday

Notes

C H A P T E R 18

Fibonacci

Extended Fibonacci Time Ratios

In Chapter 11, we discussed applying Fibonacci to the price action of the chart for extensions. This concept can also be applied to TIME to attempt a prediction of a time in the future when a trend should change direction.

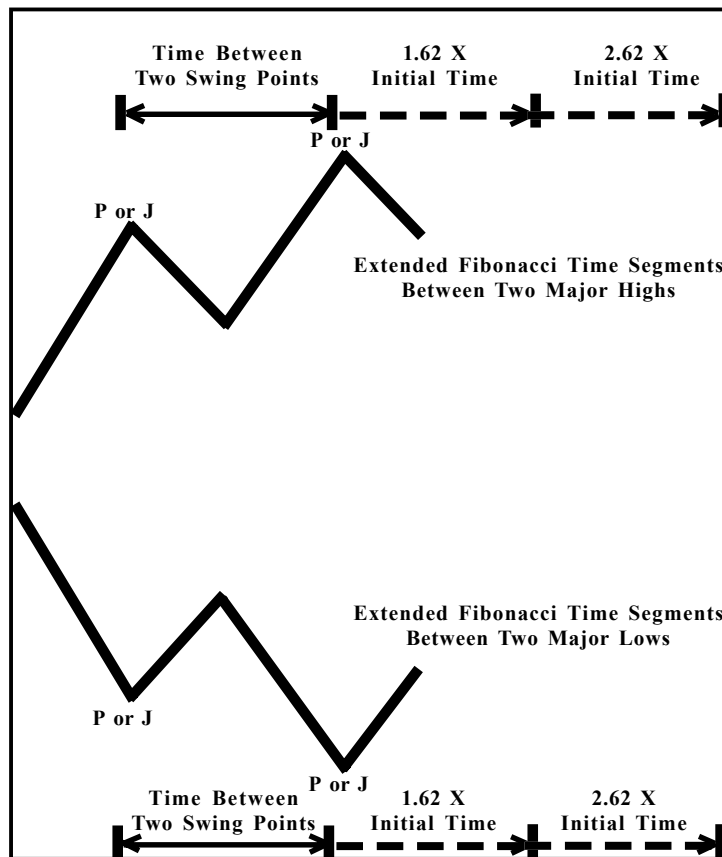


Figure 18-1: Extended Fibonacci Time Ratios

The general idea is to take the initial time between two Primary or Major Pivots. These pivots can be identified by the user or from the labels generated by the software from the Pivots Menu.

This initial time is extended to the future using various Fibonacci ratios. We suggest 1.62 and 2.62. However, you can use any combination. If you do not like the preset ratios we have added, you can enter your own values, such as 3.79, 2.94, etc.

The theory is to look for a potential change in trend at these future extended time periods.

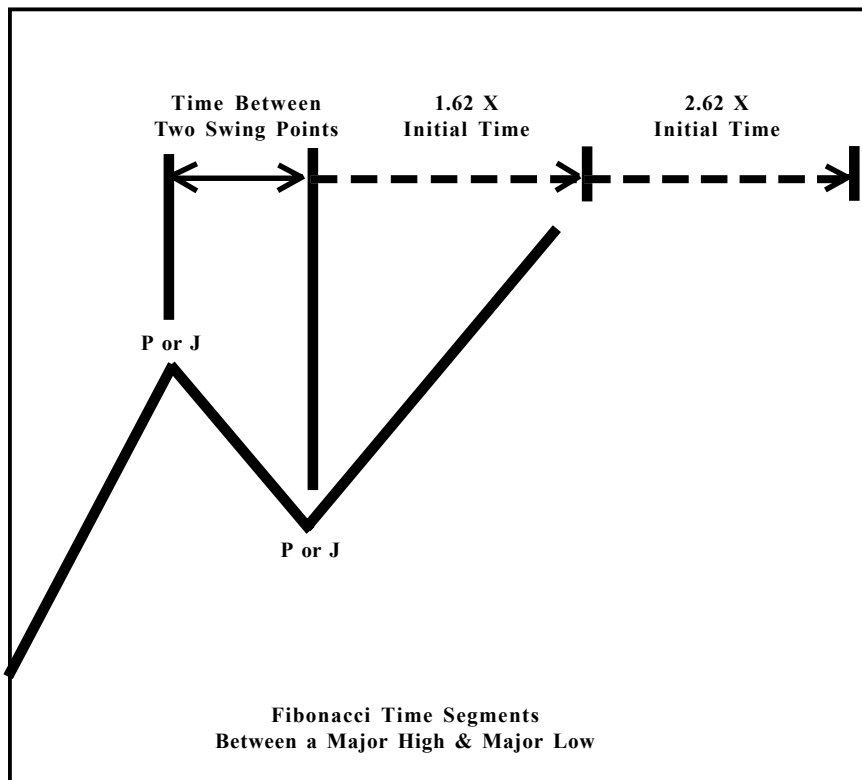


Figure 18-2: Fibonacci Time Segments

Fibonacci Time Clusters

Take the time distance (number of bars) between two pivots and extend (project) ratios of this time distance to the future. You will notice that many of the future pivots (change in trend points) occur at these extended time periods.

Question:

What ratios should I use? Do I use all the pivots or just the Primary and Major ones? Do I use High to High swings or Low to Low swings?

Answer:

A very large number of traders use this method. However, each trader uses different ratios, different sets of pivots, and different types of swings. You can basically use any combination and still obtain accurate projections some of the time. From our research, we have not found any one combination that works best all the time.

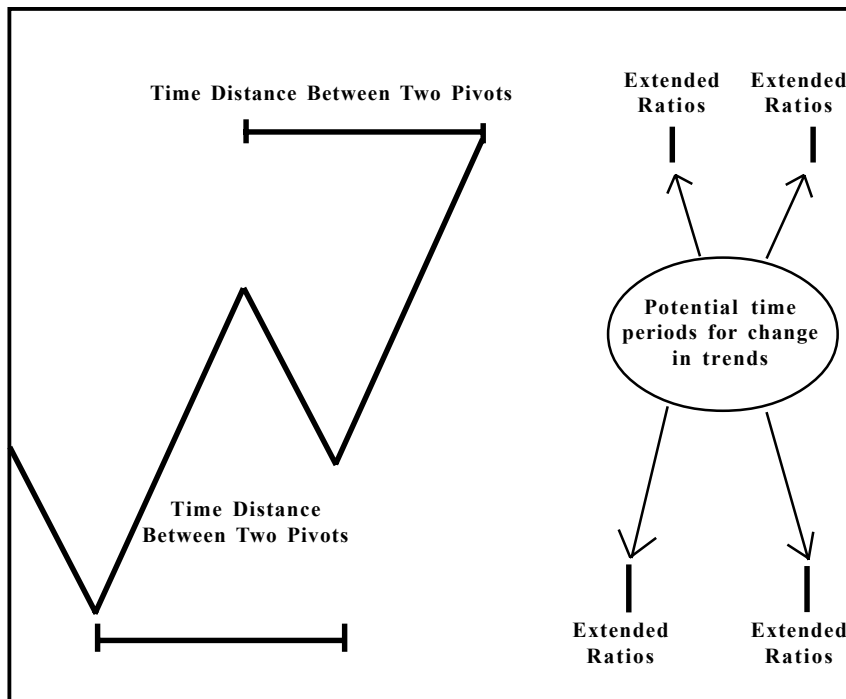


Figure 18-3: Fibonacci Time Clusters

Question:

Then how does one use this technique?

Answer:

Use all reasonable combinations, and look for a group of Clusters. Let's assume numerous traders are using this study, each using different ratios, pivots, etc. Regardless of which combination is used, the collective projections of all traders will result in certain areas where a majority of the traders will get a **change in trend projection**.

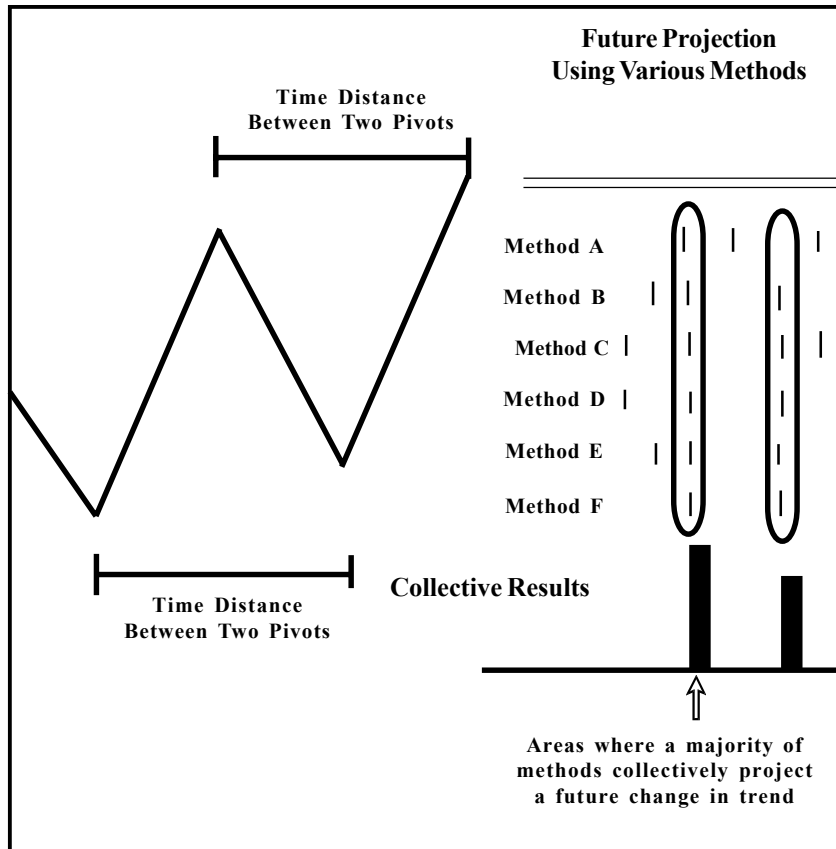


Figure 18-4: Fibonacci Time Clusters

Fibonacci Time Clusters

Example

Figure 18-5, below, is the Daily S&P Cash. The Time Clusters were generated by using the following:

- # All Primary and Major Pivots
- # Fibonacci Time extensions of 1.62 and 2.62 with 100 % weighting
- # High to High Swings plus Low to Low swings
- # Minimum 10 bars in between pivots
- # Maximum 100 bars in between pivots

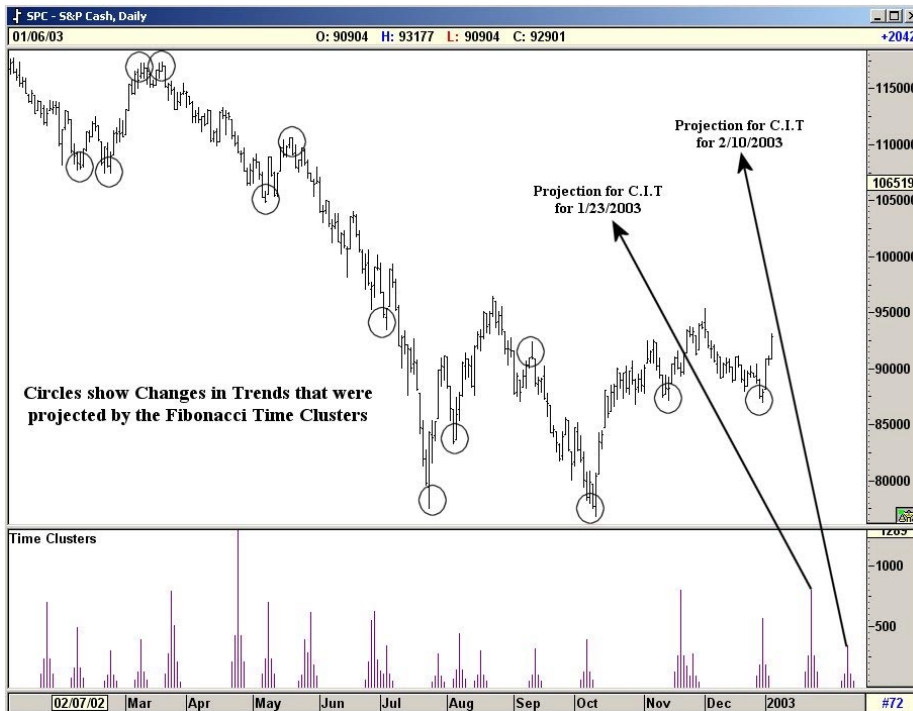


Figure 18-5: S&P Cash

Fibonacci Extension Price Clusters

Fibonacci extensions and retracement levels are used by just about every trader. Sure they may all have their own unique methods of applying them, or their own secret Fibonacci ratios.

Regardless of the numerous methods used, the collective projections of all traders will result in certain price levels where a majority of the traders will get the same support or resistance projections. The software can identify such collective levels by way of Clustering.

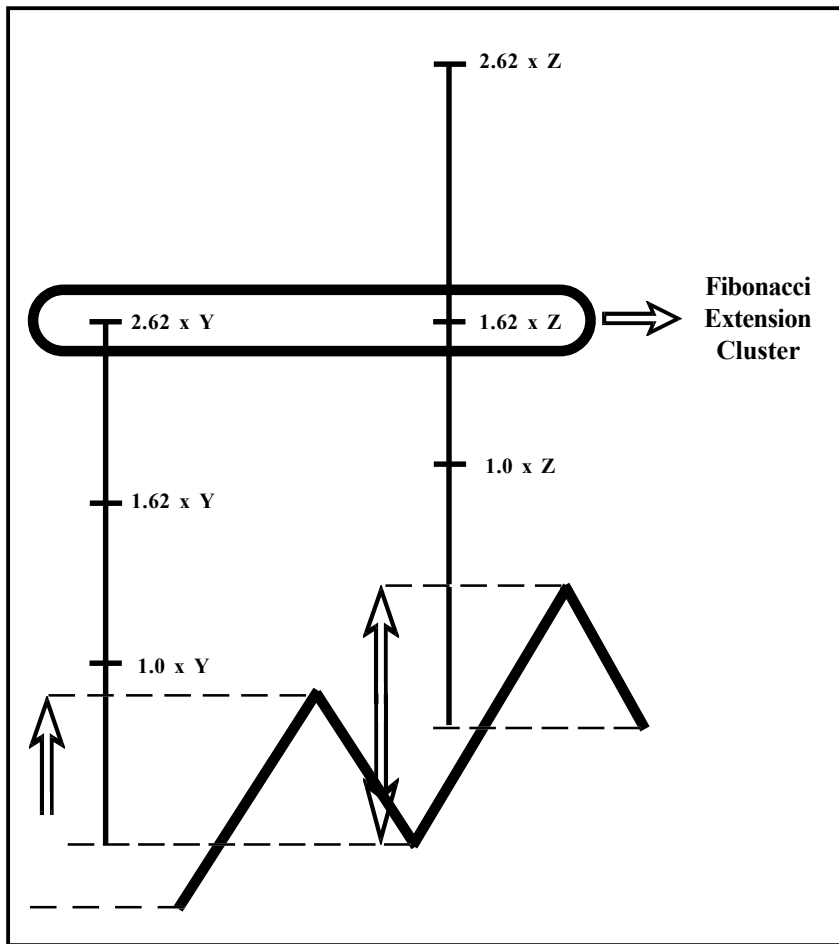


Figure 18-6: Extension Price Clusters

Example

Figure 18-7, below, is an AOL Daily Chart. The Fibonacci Price Extensions were generated by using the following:

- All Primary and Major Pivots
- Fibonacci Price extensions of 1.62 , 2.62 and 4.25 with 100% weighting using Rallies.



Figure 18-7: Daily Chart, AOL

Projection:

The initial cluster of \$16.25 was projected by the software.

Result:

The actual high of AOL was at \$17.



Figure 18-8: Daily Chart, AOL

Fibonacci Retracement Price Clusters

Just like the extensions, traders all around the world use Fibonacci Price Retracement levels to determine support and resistance levels. Different traders use different retracement levels and also calculate from different swing levels.

Regardless of the numerous methods used, the collective projections of all traders will result in certain price levels where a majority of the traders will get the same support or resistance projections. The software can identify such collective levels

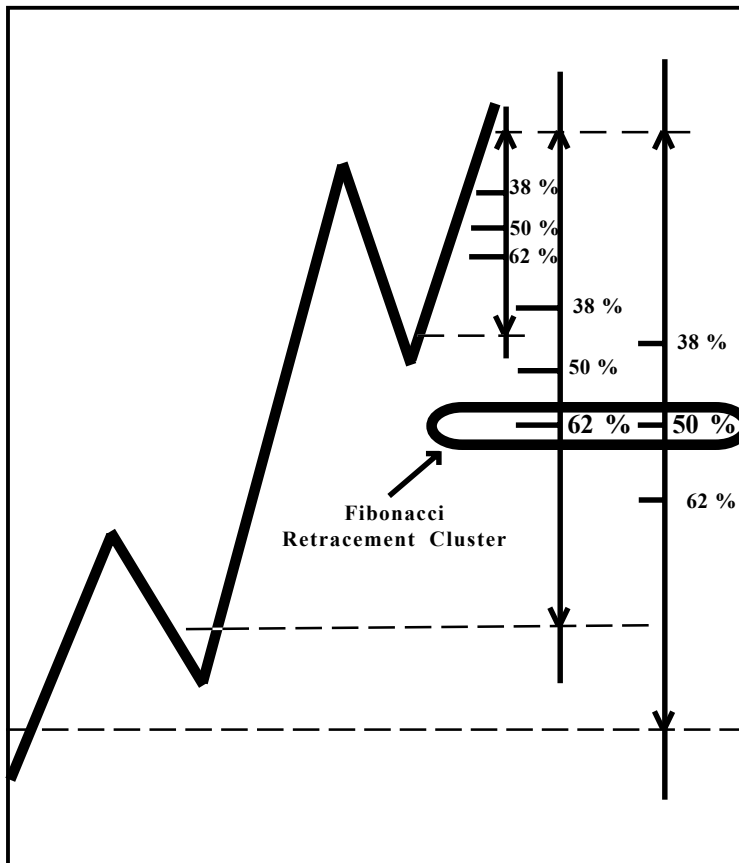


Figure 18-9: Retracement Price Clusters

Fibonacci Retracement Price Clusters

Figure 18-10, below, is the Jan 2003 Crude Oil. The Fibonacci Price Retracements were generated by using:

- All Primary and Major Pivots
- Fibonacci Price retracements of 38%, 50%, 62% and 75% with 100% weighting using Declines

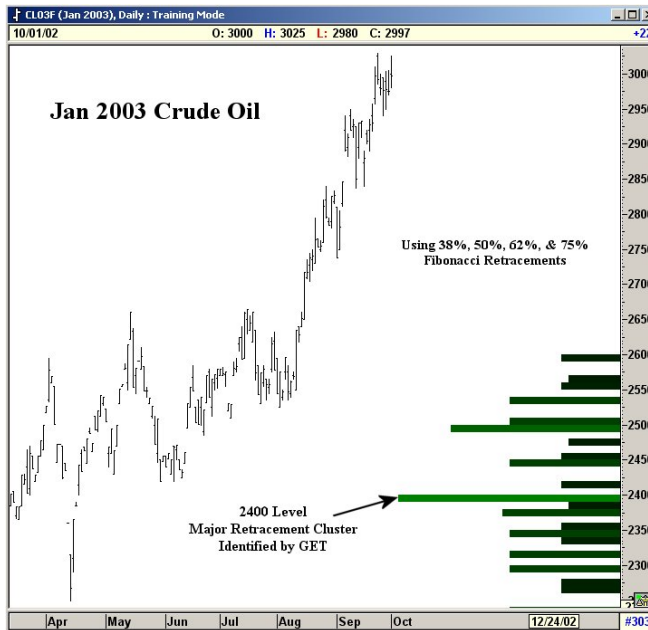


Figure 18-10: Daily Chart, Jan 2003, Crude Oil

Projection:

The initial cluster of 2400 was projected in early October.

Result:

The market retraced back to 2400 in November.



Figure 18-11: Daily Chart, Jan 2003, Crude Oil

Retracements, Extensions and Elliot Extension Buttons

Three different types of Price Clusters can be calculated. They are graphically displayed below:

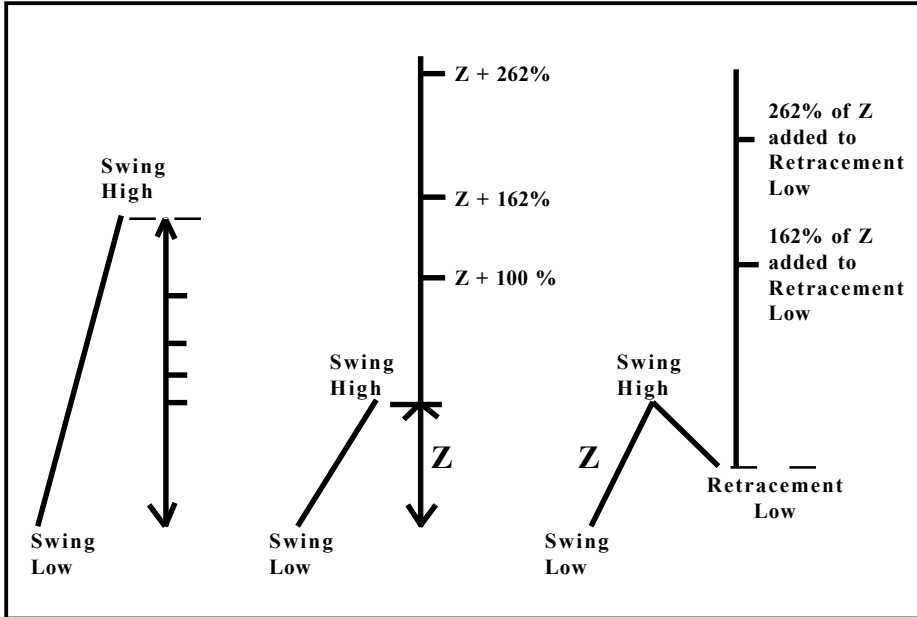


Figure 18-12: Types of Price Clusters

Retracement of Swing Range

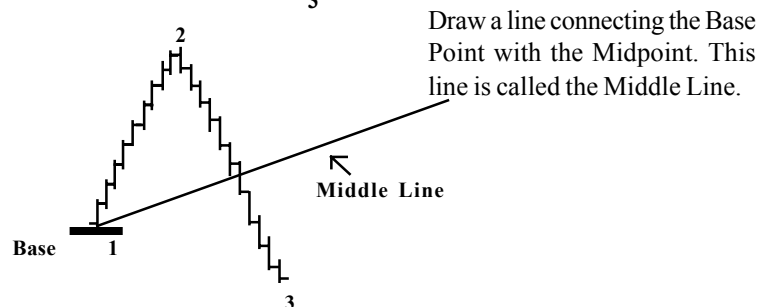
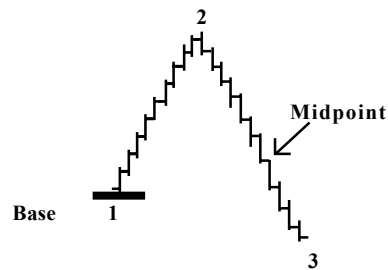
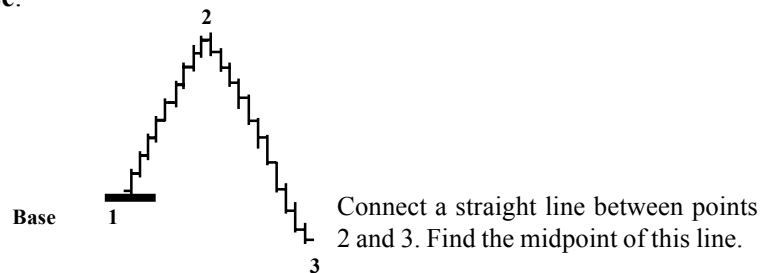
Fibonacci Extension added on to the end of the Swing

Fibonacci Extensions added to the end of a Retracement. These are normal Elliot Wave-type extensions, as used in Waves 1, 2, 3, etc.

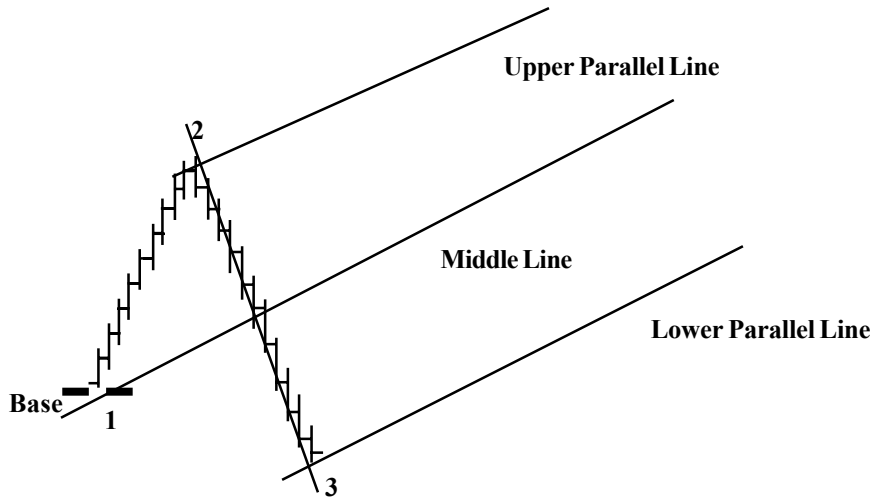
CHAPTER **19****Andrews Pitch Fork**

Dr. Alan Andrews developed a technique called Pitch Fork. His method by itself is used as a complete trading tool by many traders. In the next few pages, we will discuss the application of Andrews Pitch Fork in conjunction with Elliott Wave Analysis.

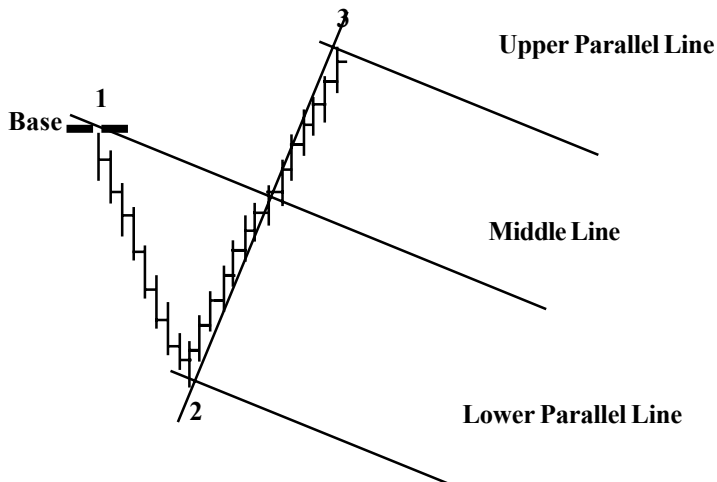
To draw an Andrews Pitch Fork you need three points. Once three market points are identified, you are ready to proceed with the Pitch Fork. The first point is called the **Base**.



Draw lines from point 2 and point 3 that are parallel to the middle line. These lines are called the Upper and Lower Parallel Lines.



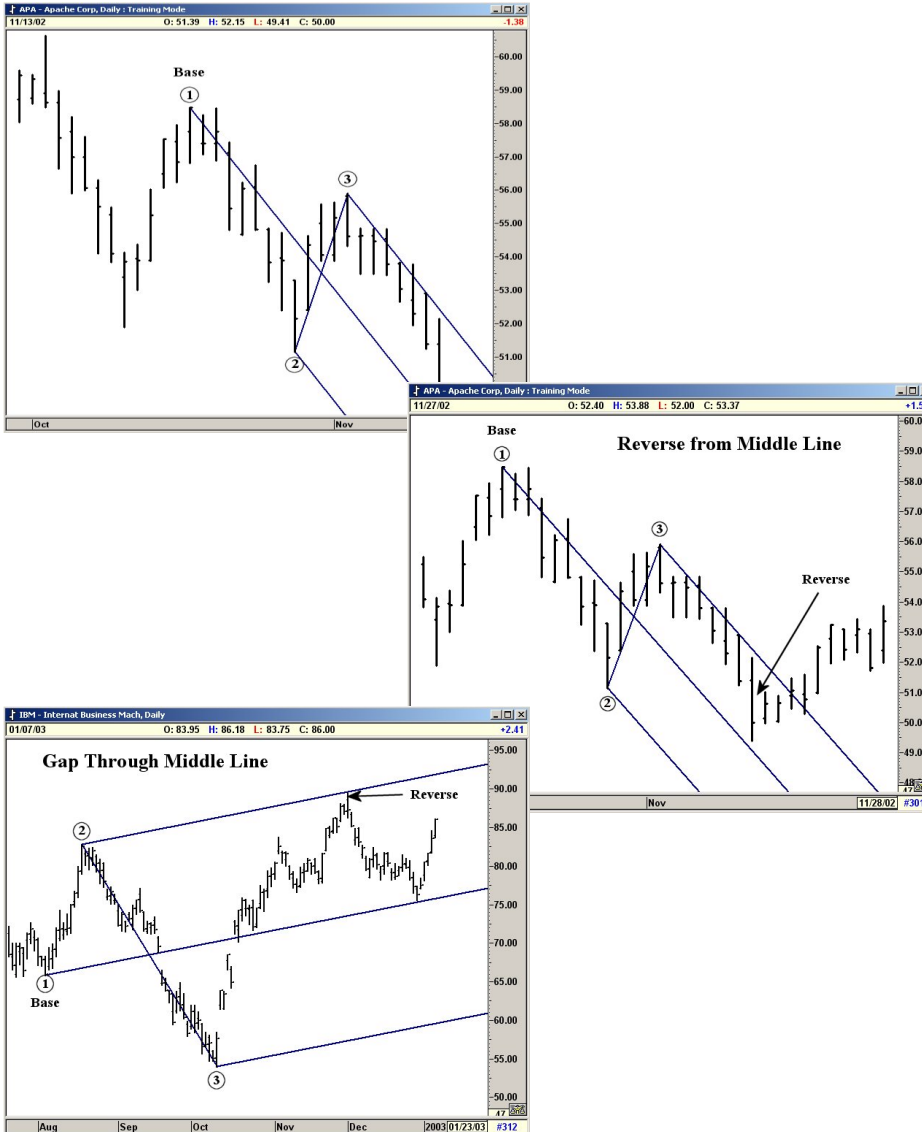
The downside of the Pitch Fork is exactly the opposite of its upside. Once again, three points are found. The first point is the Base Point. Find the Midpoint on a line between points 2 and 3. Connect the base (point one) through the Midpoint. This line is the Middle Line. Then draw lines from points 2 and 3, parallel to the Middle Line. Again, these are referred to as the Upper and Lower Parallel lines.



Per Dr. Andrew's rules, the prices will do one of two things as they approach the Middle Line:

- 1) The price will reverse at the Middle Line, or
- 2) The price will trade through the Middle Line and head for the Upper Parallel Line and then reverse.

Some examples of both situations follow:

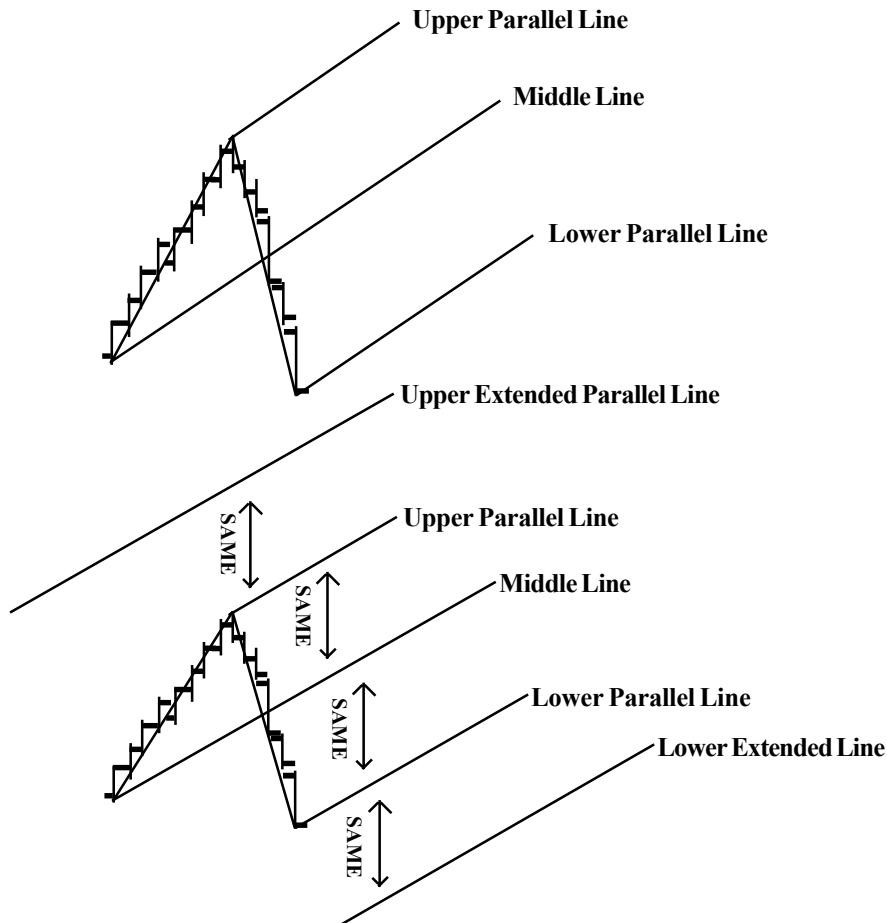


Extended Parallel Lines

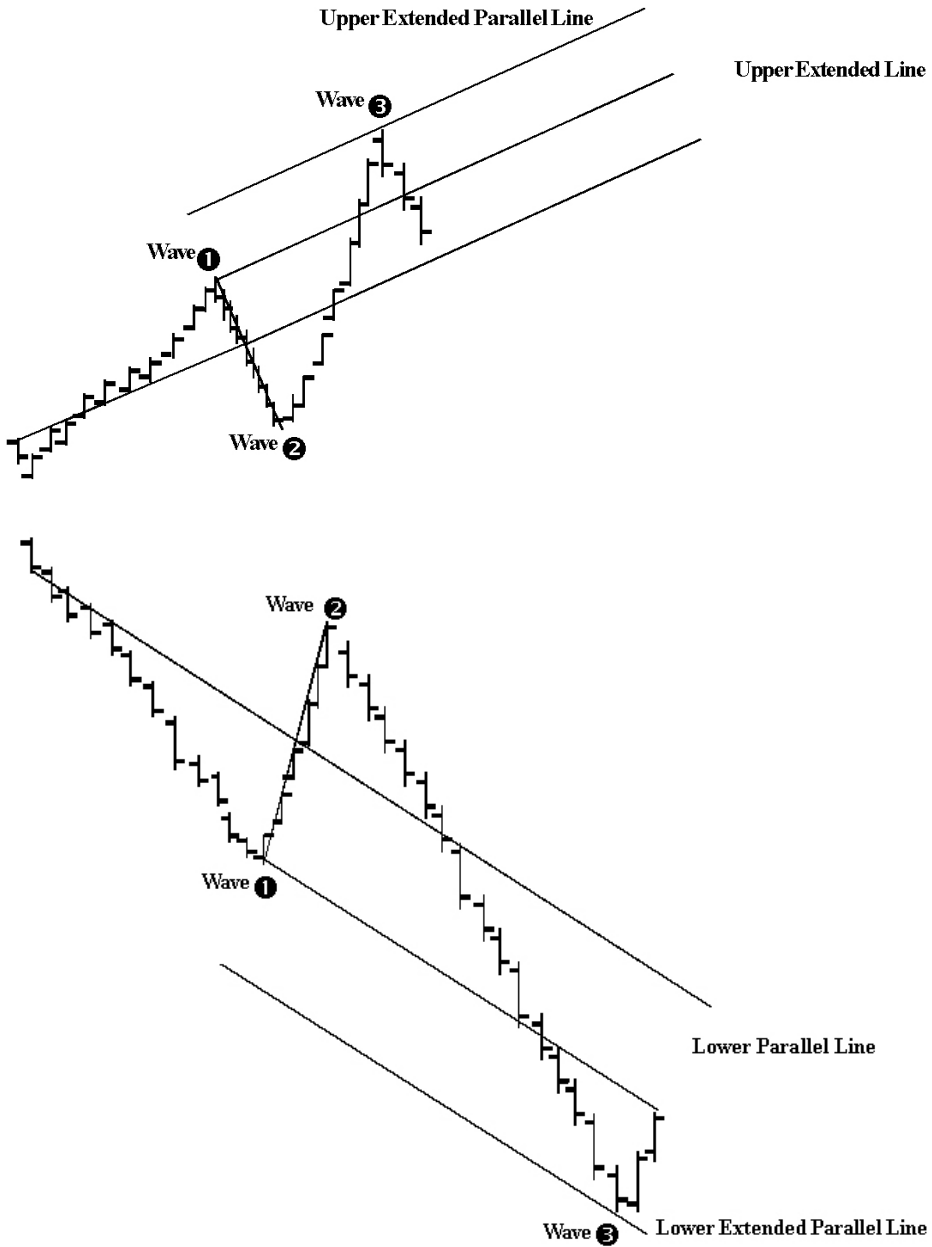
In some instances, the standard parallel lines have to be extended. This is necessary to accommodate fast-moving markets.

Again, the standard median line is drawn. The Upper and Lower parallel channels are drawn. You are then ready to extend the normal parallel lines. Find the distance from the Middle Line to the Upper Parallel Line. Using this same distance, draw a new Parallel Line above the Upper Parallel Line.

The same procedure is used for the Bottom Parallel Line. If you are using the Pitchfork tool, this can be done by simply turning on the ratios over 100. This will automatically measure the distance from the Upper and Lower Parallel lines (which is the 100% ratio) and draw the Extended Parallel Lines off of both the Upper and Lower Parallel lines.



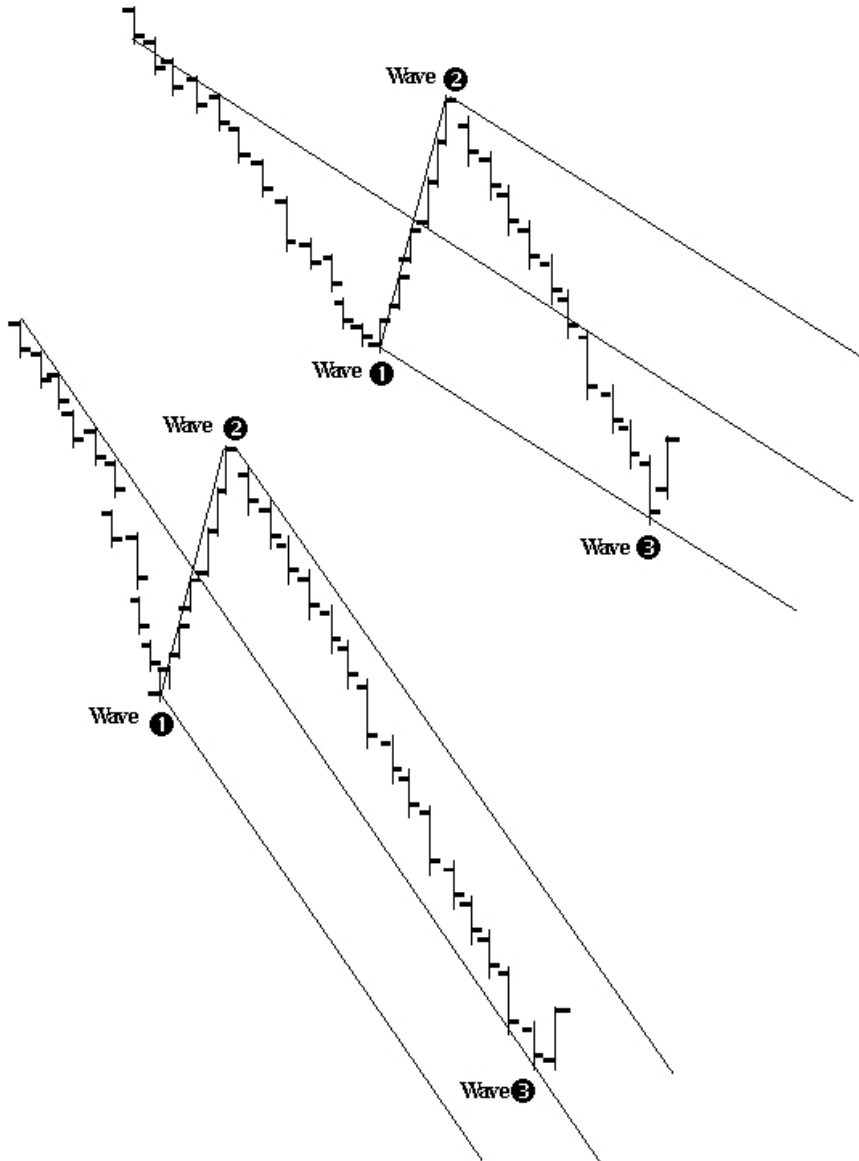
It may be necessary to draw extended Parallel Lines to catch the top of Wave 3. This is usually the case when the market really gaps through on a very powerful Wave 3.



Combining Median Lines with Wave 3

Once the Median Line is drawn on Waves 1 and 2, you can now use the Median Line technique to predict the top of Wave 3.

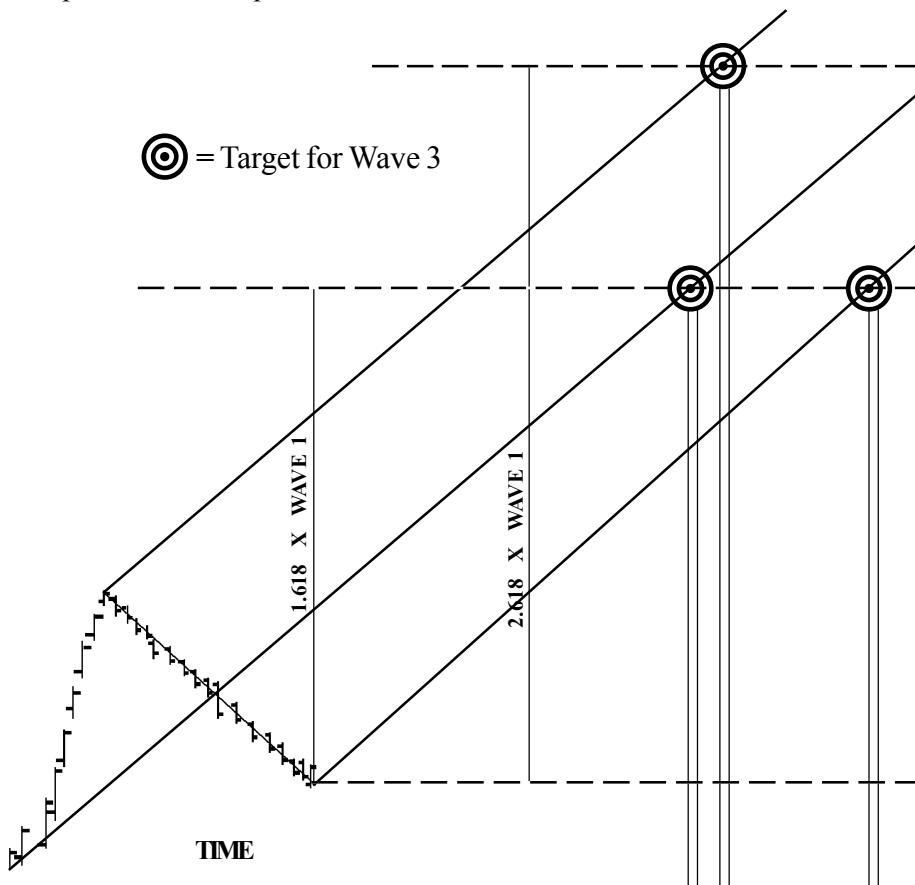
Wave 3 will usually end on either the Middle Line or the Upper/Lower Parallel Line.



Wave 3 tends to have a Fibonacci relationship with Wave 1. We can calculate this projection in advance.

The Median Line method tends to catch the top of Wave 3. By combining the two techniques, it is possible to predict a time period during which Wave 3 will top out.

Once Wave 1 and Wave 2 is in place, draw a Median Line from the base of Wave 1 through the Midpoint of Wave 2. Draw the Upper and Lower Parallel Lines as before. Now add the Fibonacci Projections to the chart. The Fibonacci Projections will cross the Median Lines. Each of these crossings are a potential time period for the top of Wave 3.



Notes

CHAPTER 20

Automatic Regression Trend Channels

How to Use and Trade with Auto Trend Channels

The Regression Trend Channels are very useful in defining and containing the trend of the market. When the prices break a well established Trend Channel, the market usually changes Trend. Rather than draw the channels, we decided that the process would be made more clear if we automated it. First, let's discuss a problem that some traders encounter when using the Regression Channel.

In the Regression Trend Channel Menu, the checkmarks in the Standard Deviation boxes need to be checked **on**. When they are turned on, the software calculates the standard deviation for the upper and lower channels. If the Standard Deviation is turned **off**, then the software simply finds the highest and lowest bars and draws the upper and lower channels using these high/low peaks. To use the Regression Trend Channel as discussed in this material and in the seminar tapes, you need to turn the Standard Deviation **on**.



Figure 20-1a: Channels with Standard Deviation Turned On

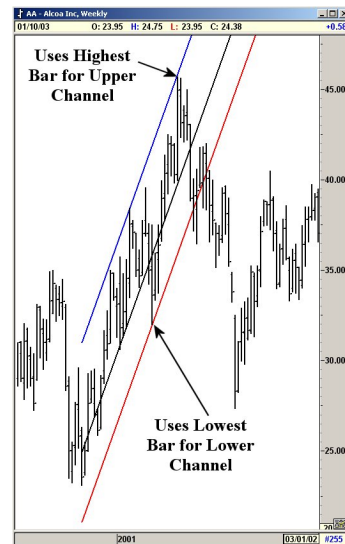


Figure 20-1b: Channels with Standard Deviation Turned Off

Pivot Selection for Auto Channels

We tried several different methods and settled on the following: The user defines the last Pivot from which the software draws the Auto Channels. For longer-term Trends, use the Primary or Major setting. For real short-term Trends, use the Intermediate or Minor settings. We recommend this study be used by selecting the Primary or the Major Pivot. Otherwise, the Auto Channels will be constantly re-drawn every time a minor pivot is made. This constant switching will make the Auto Channels useless. The following examples will make the Pivot selection clear.

Primary Pivot

By selecting Primary Pivot as the minimum pivot, the software looks for the previous Primary pivot and draws the Trend Regression Channels from this Primary Pivot. When a new Primary Pivot is labeled, the Channels are automatically re-drawn from the new pivot.

Major Pivot

By selecting Major Pivot as the minimum pivot, the program looks for the previous Major pivot and draws the Trend Regression Channels from this Major Pivot. When a new Major Pivot is labeled, the Channels are automatically re-drawn from the new pivot.



Figure 20-2a: Major Pivot

Using the Auto Regression Trend Channels

The Setup

The following trade is Accredo Health Inc. on a Daily chart using the Elliott Type One Trade setup with the Auto Regression Trend Channels and Elliott Oscillator.

Key Points to Observe:

- The Oscillator pulled back to zero, but not more than 40% beyond zero.
- The Profit Taking Index (PTI) is greater than 35 at 58.
- The Wave 4 Channels are holding.

These points mean that the odds are good for a rally to Wave 5. Buy ACDO at the cross of the Auto Trend Channels.

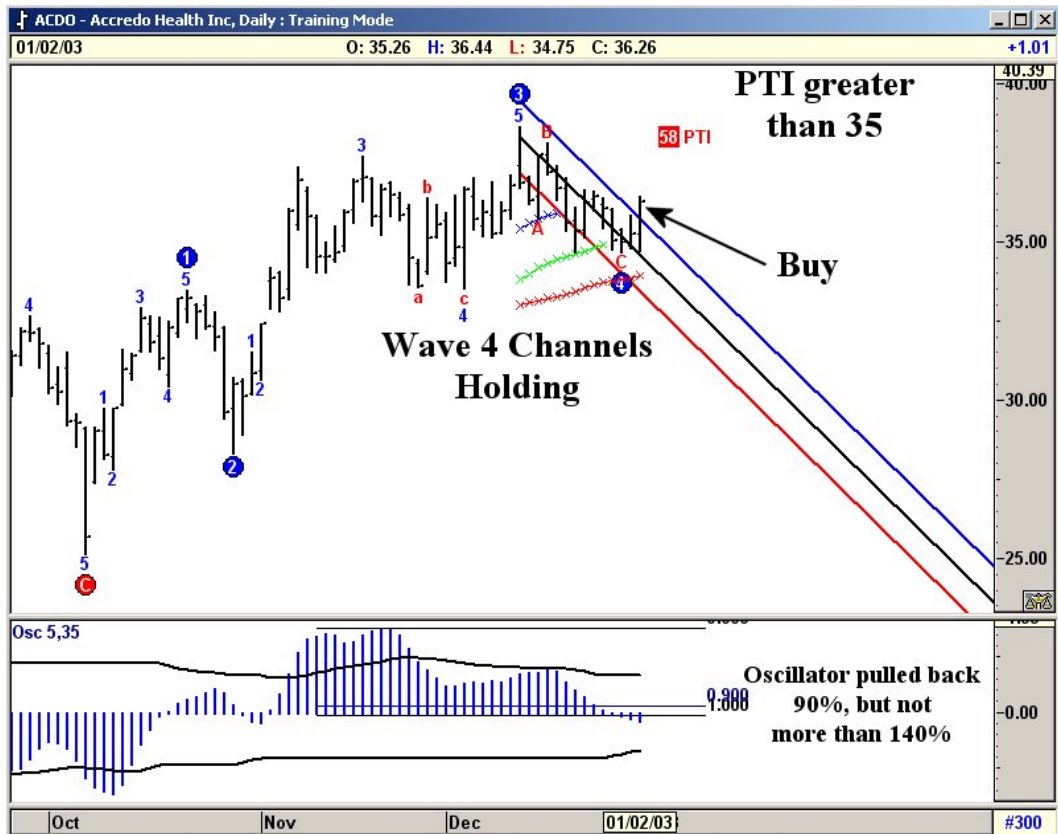


Figure 20-3: ACDO using the Auto Regression Trend Channels

Notes

C H A P T E R **21**
Expert Trend Locator

The Need for XTL

Advanced GET does an excellent job in identifying Elliott Wave counts. When combined with studies such as the Profit Taking Index, Wave Four Channels, Trend Channels etc., a very effective mechanical trading strategy is available to GET users. This mechanical strategy focuses mainly on:

- Trading the Wave Four to Wave Five segment in Type One trades
- Trading the end of Wave Five in Type Two trades

While this has been very productive, we still lacked a mechanical-type entry into some of the massive Wave Three swings generated in the market. So far, this was accomplished by staying in Type Two Trades entered at the end of a Wave Five and waiting for the Wave Three to develop. On numerous occasions, many of our users requested that we come up with a technique that allows early entries in Wave Three swings.

After some extensive research, we released the Joseph Trend Index in 1995. The JTI was designed to confirm Wave Three swings once the swing matured. It performed this task by producing an exponential curve in Major Wave Three swings. However, in some cases, the confirmation was accomplished a little too late for the user to take full advantage of the entire Wave Three swing, specifically in terms of an early entry.

The Task

Since the last release of Advanced GET 6.0 in March 1995, we have dedicated our research exclusively to finding a reasonable solution to identify Wave Three swings at its early stages. The result is XTL—Expert Trend Locator.

The Theory Behind XTL

If you carefully look at any chart, you will find periods where the market tends to trade back and forth without any clear direction with swings that reverse at random. Looking back, many of these swings can be classified as noise. When the market is trading sideways in this manner, the XTL will indicate this **noise** by printing the bars as **black**. When the XTL senses an impending **uptrend**, it will mark the bars in **blue**. When a **downtrend** is expected, the bars will be marked as **red**.

The objective is to identify when the market is trading in a random fashion and when it is trading in a Major Trend. There are two additional requirements:

- 1) The Major Trend Mode has to be detected at any early stage so one can trade it
- 2) Minimize the false signals

We developed a statistical model that checks for randomness in a given set of data. The model is somewhat similar to the Runs Test for Randomness (found in Advanced Statistical books). Our statistical model calculates a value between 0 and 1 for any given run of data. (0 being completely random and 1 being completely biased). In addition to this, we also developed a way to measure a threshold level. If our test for randomness for a given set of data exceeds this threshold level, we conclude that the market is potentially running or trading with a bias in the early stages of a Major Trend.

When an Upward bias or Uptrend is detected, the bars are displayed in **blue**. When a Downward bias or Downtrend is detected, the bars are displayed in **red**. If the Trend is neither up nor down, the bars are displayed as usual in **black**.

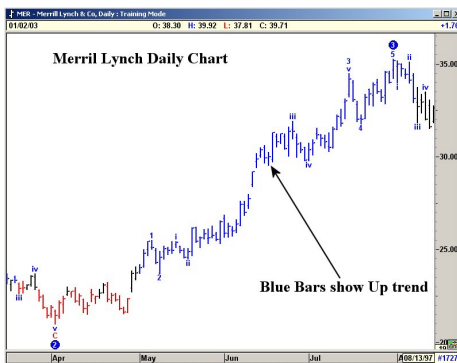


Figure 21-1: Merrill Lynch, Daily



Figure 21-2: PHLX, Daily

Portability

Any study is valid only if it is portable to other markets. The Statistical model we developed for the XTL meets this criterion. It works on all markets (Stocks and Futures) and for any time frame without any modification.

Compatibility with Elliott Wave Analysis

Almost all Wave Three swings generate strong and extended momentum to be classified as a Major Trend. In a majority of the cases, the XTL can identify the Major Trend at the early stages of a Wave Three. Since the XTL is a Statistical model and does not use Elliott Wave logic, it provides an independent confirmation and early entry tool for Wave Three type swings.

Designated Use for XTL

Perhaps the single most valuable use for the XTL is to identify the early stages of a Wave Three type rally or decline. Elliott Wave analysis alerts the user of a potential change in Trend and the XTL detects or identifies this change in Trend. Thus the combination of Elliott Wave analysis and the XTL provides the added luxury of both anticipating and confirming the Trend.

On the next several pages, we will discuss how to use the XTL and explain some of the recommended trading rules. We suggest you use the training mode and test our recommended ideas on various markets. Then form a plan that fits your trading style.

Settings for XTL

There is only one user setting (input) required for calculating the Expert Trend Locator (XTL) study. This is the number of bars of data used to test for Randomness. The default setting is 35 periods and we highly recommend this. Using a 35-period setting reduces the number of false break out signals. However, using a 21-period setting allows the XTL to identify the Major Trend at a much earlier stage.

Thus, while the 35-period XTL offers less false signals, the 21-period XTL identifies the Major Trend one or two bars earlier.

Which setting (35-period or 21-period) you use is your personal preference. To decide the best setting, use the training mode to backtest on past data and find the setting that suits your style of trading.

How to Use XTL

Since XTL is a tool that identifies Major Trends, you can use it in a number of ways to enhance your trading. From our testing we have found the following method to be very reliable. When there is no Major Trend, the bars are plotted as regular bars in **black**. As soon as a Trend is detected, the color of the bar is changed to **blue** (Uptrend) or **red** (Downtrend).

The first bar that changes the color is called the First Breakout Bar.

Add half the length of this Breakout Bar to obtain a Buy Level.

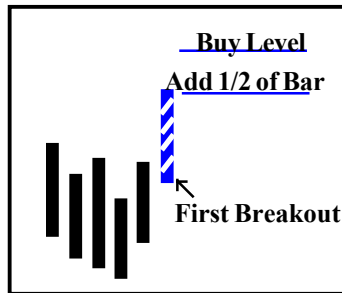


Figure 21-3a: Breakout Bar

Buy (go long) when the market penetrates the Buy Level, provided the following holds true:

- XTL does not detect and display a bar with the opposite trend color. In Figure 21-3a, the buy was generated with an Uptrend signal. Therefore, you should not see any red color bars prior to the prices penetrating the Buy Level. Neutral (black) bars are okay and do not alter the strategy.
- The Stop is not taken out.

We suggest adding 1/2 the length of the Breakout Bar. Please feel free to backtest, using the Training Mode and find a length you are most comfortable with. For aggressive entries, you could even set the Buy Level just above the high of the Breakout Bar. You could enter the market with a Buy Stop at the selected level.

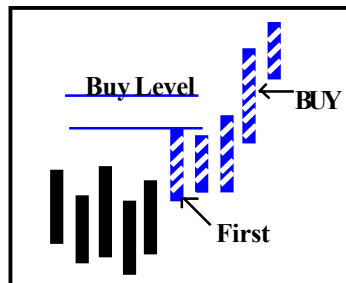


Figure 21-3b: Breakout Bar

In the following examples, we are adding $\frac{1}{2}$ the length of the Breakout Bar for the entry.

In this Ball Corp. Daily chart as of Jan 28th of 2002, the XTL has detected a potential run in the market. The bar is displayed in **blue** showing an uptrend. This bar is also called the First Breakout Bar. Now add $\frac{1}{2}$ the length of the Breakout Bar to obtain the Buy Level.

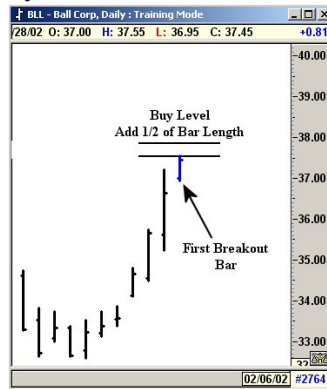


Figure 21-4: Daily Chart, Ball Corp.

Since the First Breakout Bar, the market did not take out the stop, and the market traded above the Buy Level; enter the market in a **long** position. There are a number of ways to enter. The most ideal would be to enter on a Buy Stop at the Buy Level.

Note: Prior to trading through the Buy Level, Neutral (**black**) bars may be displayed. Black bars do not alter the trading strategy.



Figure 21-5: Daily Chart, Ball Corp.

Taking Profits

Where one takes profits is different from trader to trader. However, once you have some decent profits in the trade, we suggest you use Advanced GET's Regression Trend Channel. You can use them on the Auto mode or simply originate it from the previous pivot. These channels are excellent for bracketing a trending market.

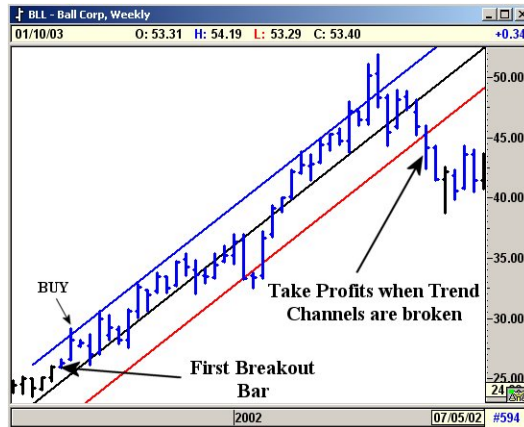


Figure 21-6: Weekly Chart, Ball Corp.

One of the major strengths of the Regression Trend Channel is to bracket a trending market. When a trending market breaks the channel, this usually indicates the end of the Trend. With this in mind, we suggest that profits should be taken when the prices break the channels.

The XTL can also be used to identify Major Downtrends.

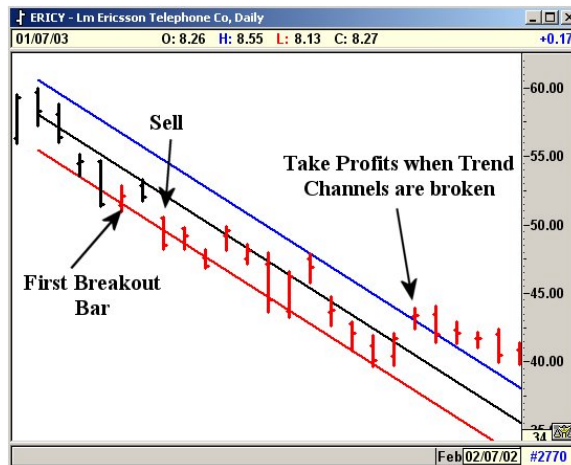


Figure 21-7: Daily Chart, Ericsson Telephone Co.

Trade Continuation

When using the Regression Trend Channels to protect profits, you may from time to time be stopped out of a market that continues to Trend in the direction of your original trade. When prices break the Trend Channels, it usually indicates the end of the current Trend or at least a temporary change in direction (bias).

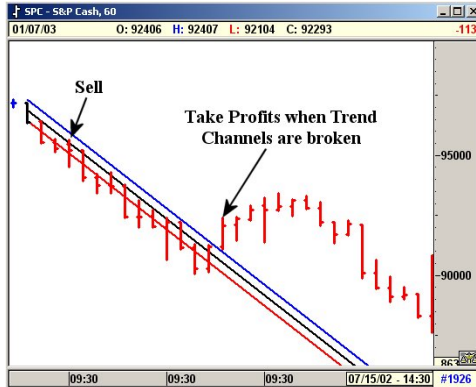


Figure 21-8: 60-Minute Chart, S&P Cash

It is extremely hard to forecast whether a breaking of a Trend Channel is an actual Trend change or just a temporary change. Therefore, we recommend taking profits. If the original Trend continues, you can still get back in as shown below.

As long as the Major Trend displayed by the software does not change, you can re-enter the market in the original direction when prices break the newly drawn Trend Channels. In this case, the bars should not change from Downtrend (**red**) to Uptrend (**blue**). Neutral (**black**) bars are okay and do not alter the strategy. The new Trend Channels are drawn from the previous pivot.



Figure 21-9: 60-Minutes, S&P Cash

Guidelines for Trade Continuation

The Major Trend displayed by GET should not change. For example, in a downward trending market, the bar colors should be red (Down) or black (Neutral) and should **not** change to blue (Up), indicating a possible change in bias (Uptrend). The opposite applies to a market in a rally phase.

Once a Pivot is established, draw Trend Channels from this pivot. You could also use the Auto Channels feature in eSignal (please note that the Auto Channels key-off the most recent pivot selected by the user—Major, Primary, etc.; you may have to adjust this setting to get the proper results).

Once the prices break the newly drawn Trend Channel in the direction of the original trend, a new trade can be established with a stop above/below the previous pivot (see Figure 21-10, below).

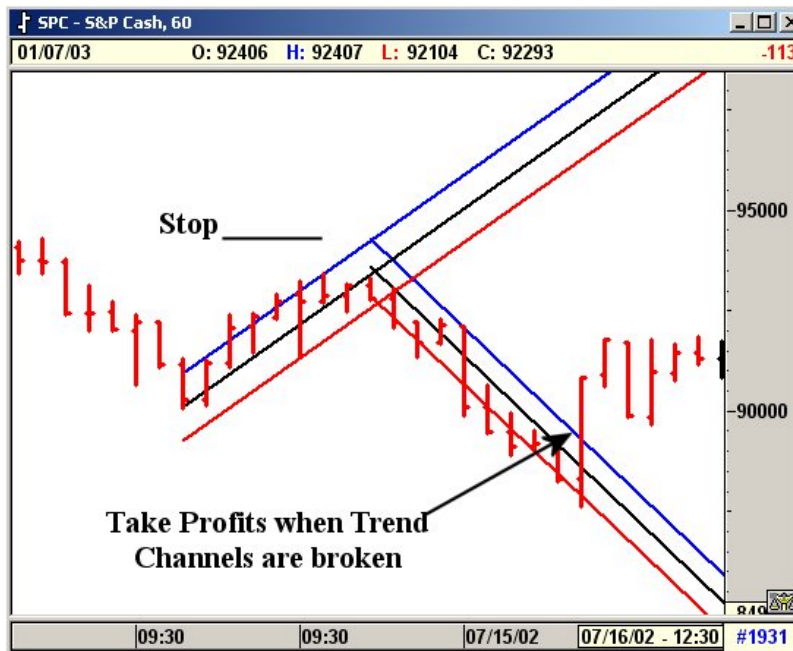


Figure 21-10: 60-Minute Chart, S&P Cash

New Trade

Once you re-enter the market, treat this as a new position. When the trade becomes profitable, use the Regression Trend Channel to protect profits.

CHAPTER 22

Make or Break

MOB Study

The Make or Break (MOB) and the other new studies are very efficient when used correctly. Every effort has been made to explain them in this technical section.

The MOB (Make or Break) Study takes the momentum, acceleration and other ratio models to define a price projection zone. The IBM Weekly chart is shown in Figure 22-1, below. The various swings are assigned separate momentum values, such as Momentum 1,2,3.

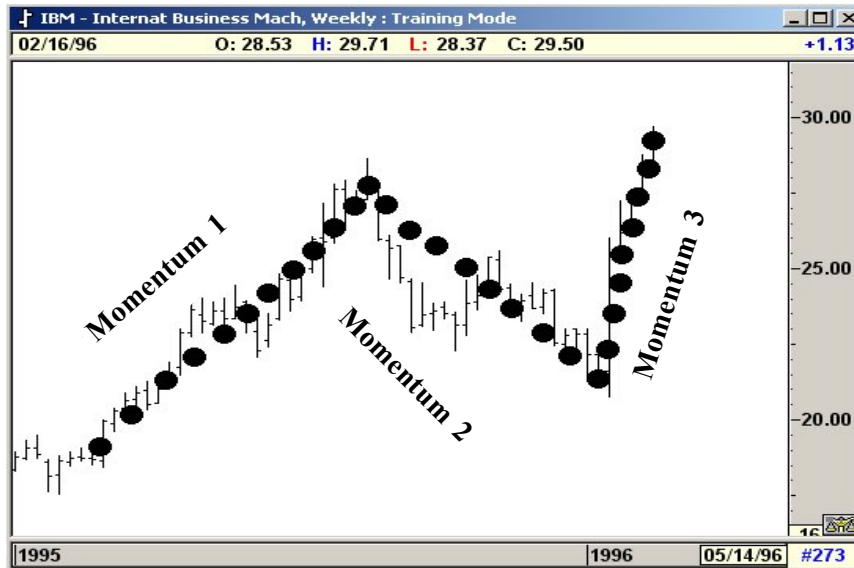


Figure 22-1: Weekly Chart, IBM

Using the ratio of these various momentums, Advanced GET calculates a price projection zone.

- This price projection should provide major resistance for the current rally.
- The prices should rally to the MOB projection.
- Approximately 70% of the time, prices will trade to the MOB projection level and reverse.
- The rest of the time the prices will reach the MOB price projection and continue to trade through with stronger momentum. Hence the name Make or Break. Prices will either reverse or go through with increasing momentum.

The price projection zone is determined based on the momentum of the current swing and the previous two swings.

Where to Draw (Originate) the MOB Calculations

The simplest way to originate the MOB calculations is to draw them from a previous pivot (Primary or Major). In Figure 22-2, above, the MOB levels were initiated from a Major (J) pivot. The Pivots can be calculated and displayed by selecting the Pivot Study on the software.

The MOB can be initiated from several levels. For example, when a Fifth Wave is being completed, one can initiate the MOB study from the previous Wave Three Pivot. Basically, any time you have a Major or Primary Pivot, MOB price levels can be initiated. At times, even smaller Pivots such as Intermediate or Minor can be used for the projection.

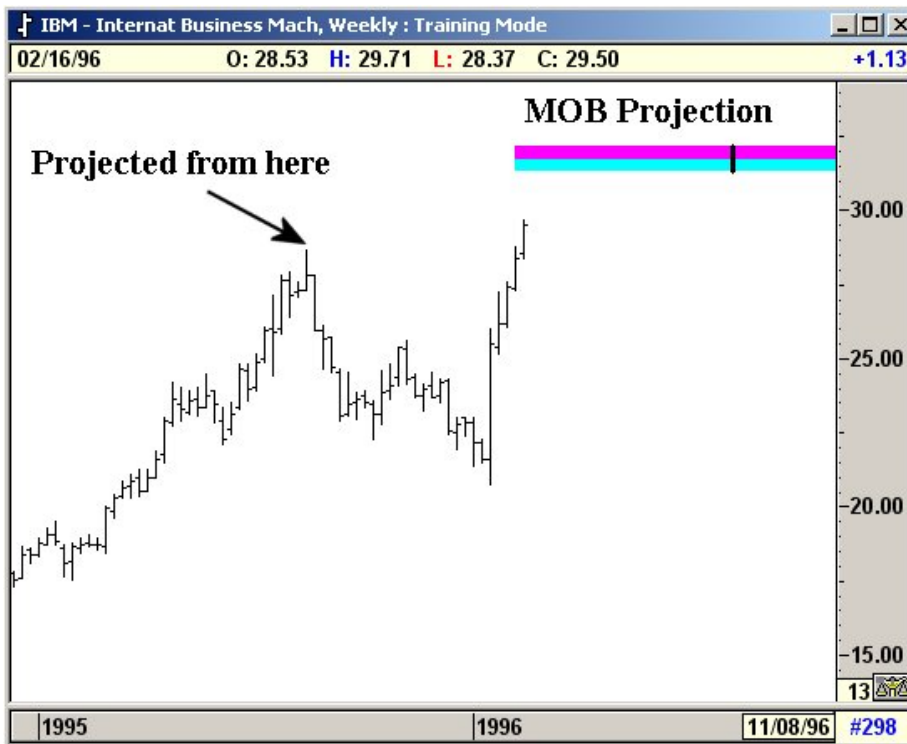


Figure 22-3: MOB Origination

Make or Break Examples

With Elliot Waves

The MOB is initiated from the Previous Pivot Low. Using the ratio of these various momentums, eSignal calculates a price projection zone. This price projection should provide major support for the current decline.

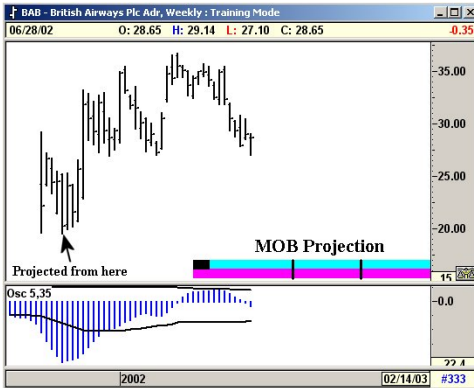


Figure 22-4: In this case, the MOB Projection was given at a very early stage before the low was taken out.

MOB Projection zones usually provide the termination point for a Five Wave Elliott sequence: In this case the previous pivot low was the Wave Three low. The MOB projection from this Pivot Low provided the support (MOB projection zone) for the final Wave Five.

Also note how early the projections were given.

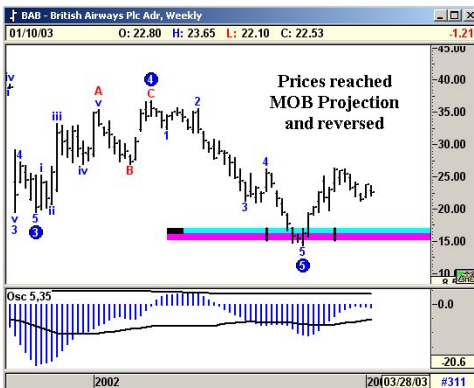


Figure 22-5: In this case, prices reached the MOB projection and reversed sharply.

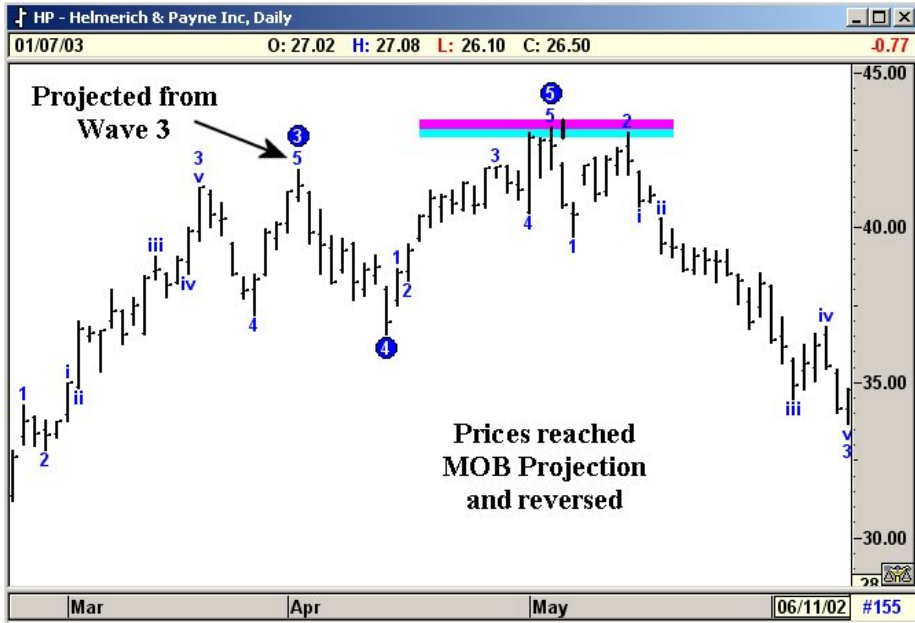


Figure 22-6: Daily Chart, Helmerich & Payne

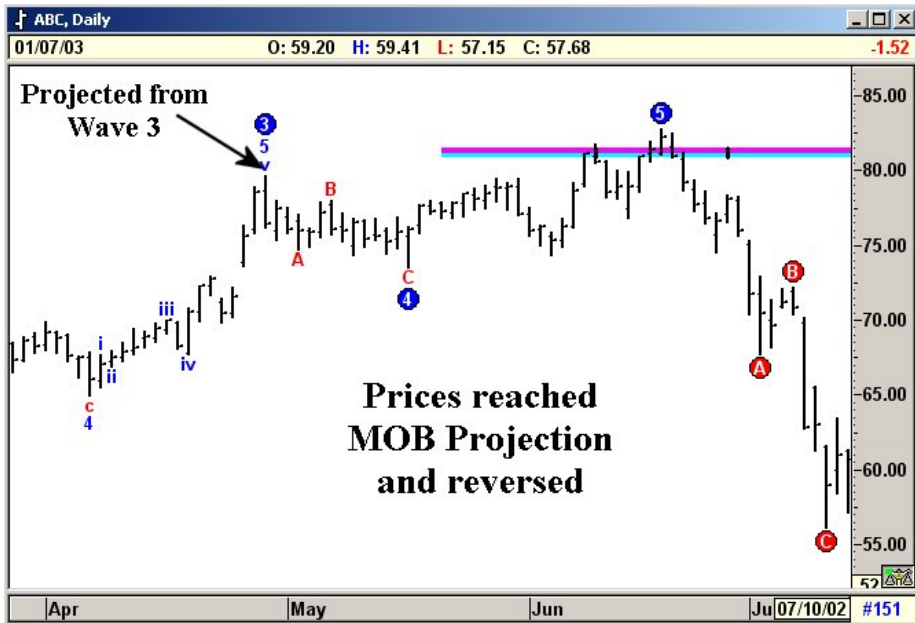


Figure 22-7: Daily Chart, ABC

MOB—When Prices Break Through

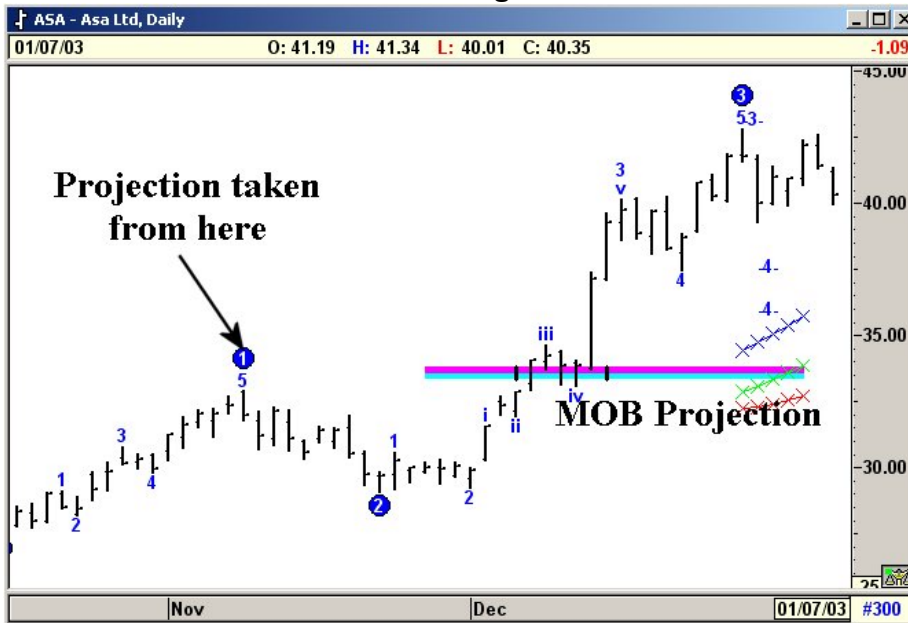


Figure 22-7: Daily Chart, ASA Ltd.

In Figure 22-7, the MOB projection was generated from the Previous Pivot High. In this case, the previous Pivot High was a Wave One. When prices reached the MOB projection zone, it hung around for a while and then broke through with increasing momentum.

Once again, this is why I call it the Make or Break Study. It either runs into the MOB zone and changes trend or it will break through the MOB zone with increasing momentum.

In most cases where the market makes or goes through the MOB zone, tools such as the Elliott Oscillator will help to identify such breakouts prior to it happening. When the market is trading in a Wave Three, the MOB price zone simply becomes a level where the market breaks through with increasing momentum. One could also use the XTL to identify such situations.

If you ever get a black square in the left-hand corner of your MOB, this means there isn't enough data for the MOB to be 100% certain that this is the level. Keep erasing and redrawing the MOB as each bar comes in until the **black square** is gone.

New Time Marks Added to the MOB Study

We released this new addition to the MOB study at the Cleveland Seminar (Nov 10, 1997). In the past, the MOB provided price levels at which the market had tendencies to reverse. However, it did not provide any sense of time as to when the prices can arrive at the MOB level. From our ongoing research, we have developed a method to forecast the time as shown in Figure 22-8, below (Z-Woolworth Daily Stock):

Here the MOB is drawn from the previous Primary Pivot (P). As you can see, the prices traded to the projected MOB level and reversed quickly. If you examine it carefully, the MOB also has two Time Marks drawn vertically. These are two projected time periods where the software has calculated a high tendency for the prices to approach the MOB level.

In Figure 22-8, below, the prices traded to MOB level on the day marked as Time Mark #1 and quickly reversed from the projected MOB level.

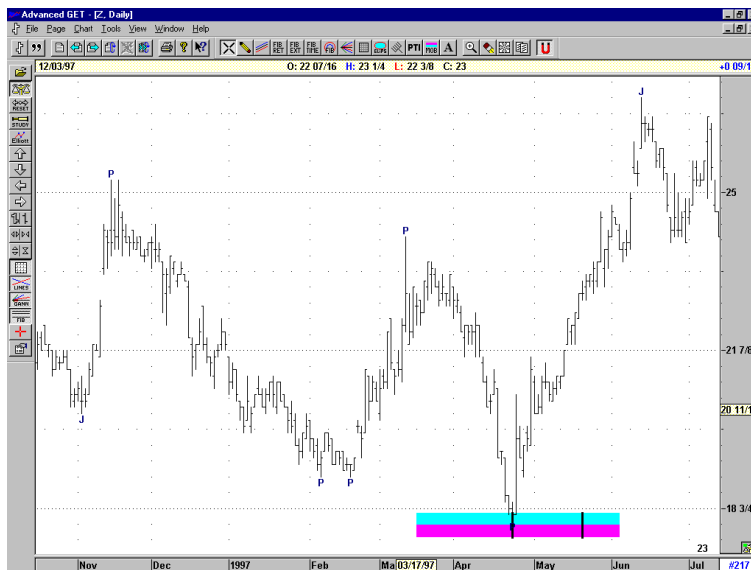
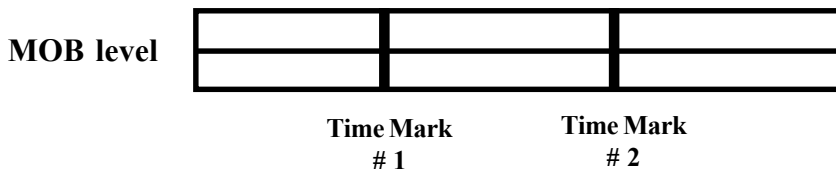


Figure 22-8: Daily Chart, Z - Woolworth
Prices approach the MOB level near the Time Mark #1 (Group A)

Time Marks

The software calculated two Time Marks. These are two days or bars (on a 5-Minute chart, etc.) which has the highest tendency for the prices to approach the MOB projections. In testing, we have observed the following:

The prices approach the MOB levels in two groups.

Group A has a tendency to approach the MOB level near the Time Mark #1. In this case, the prices tend to hit the MOB level and reverse at or near the Time Mark #1.

The example on the previous page on Woolworth shows the prices approaching the MOB level at Time Mark #1.

Group B had a tendency to approach the MOB level between Time Mark #1 and Time Mark #2 with a slight bias towards Time Mark #2. See Figure 22-9, below.

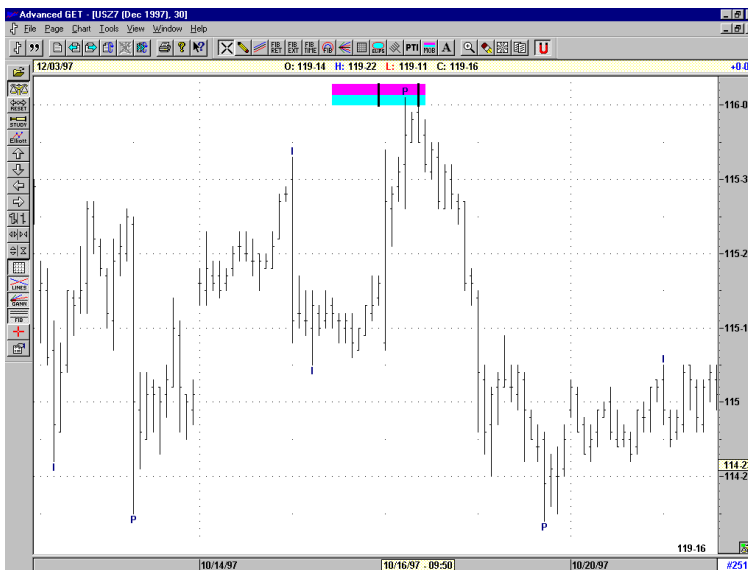
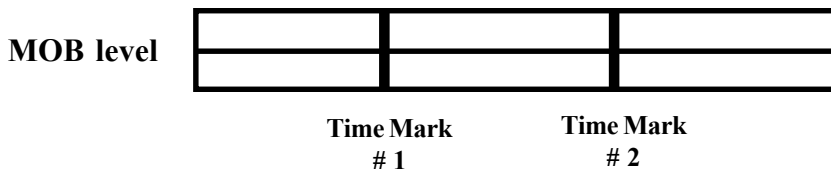


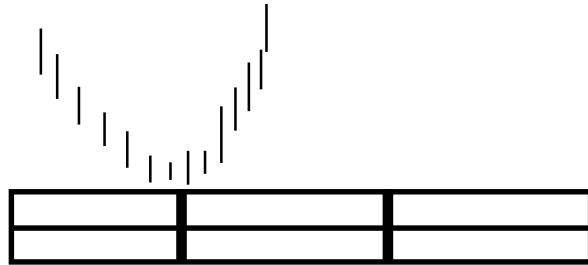
Figure 22-9: 30-Minute Chart, US Bonds, Dec 97
Prices approach the MOB level near the Time Mark #2 (Group B)

Distribution of Groups

The distribution is split almost 65 to 35. Prices approach the MOB levels near Time Mark #1 (Group A) roughly 65% of the time. Prices approach the MOB levels between Time Mark #1 and #2 (Group B) roughly 35% of the time.

Group A
65% of the time

MOB level



Time Mark
1

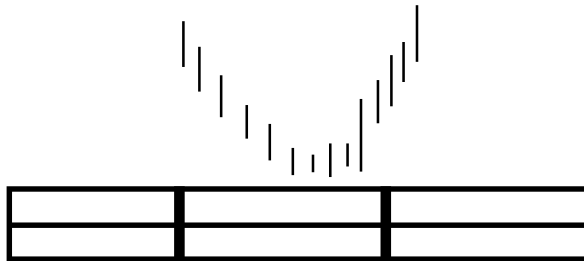
Time Mark
2

Observation:

In Group A, the prices approach at or near the Time Mark #1—almost on top of it.

Group B
35% of the time

MOB level



Time Mark
1

Time Mark
2

Observation:

In Group B, the prices approach between Time Mark #1 and Time Mark #2—with a slight bias towards Time Mark #2.

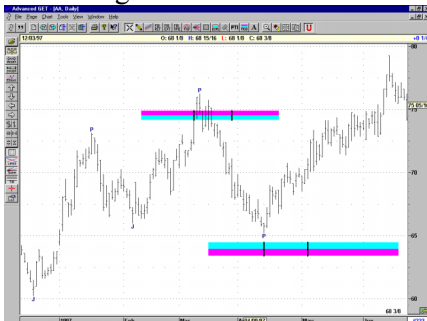


Figure 22-10: Daily Chart, AA

The Time Mark study is not the Holy Grail for identifying the exact day or time when the market should reverse. Instead, it provides a framework of when to expect such reversals. If the prices have not approached the MOB level by Time Mark #1, then you are simply not in Group A. You would then continue to look for a Group B type behavior.

In Figure 22-11, below, the MOB level is shown with an Elliott Wave study. When Five Waves are complete, the market changes direction. The MOB levels help to identify price levels where this change can occur. The Time Marks provide a framework of when to expect the change.

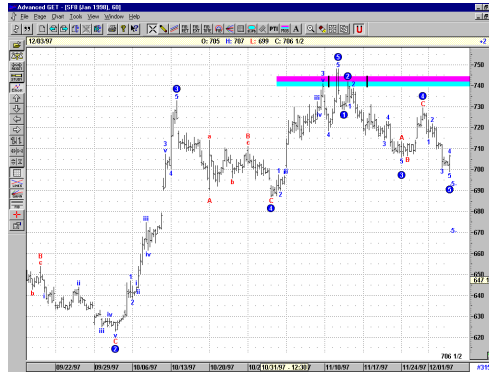


Figure 22-11: 60-Minute Chart, Soybeans

In this example, the action is classified as Group B. Even though the price penetrated the MOB earlier, the rally labeled Wave 2 (which was the final high before reversal) happened right in the middle of Time Mark #1 and Time Mark #2.

Recalculation of Time Marks

When the MOB is first drawn, the program calculates Time Mark #1 and Time Mark #2. As time passes by, if the prices have not taken out the pivot high (where the MOB was drawn from), the software will cancel the current Time Marks and recalculate new ones.

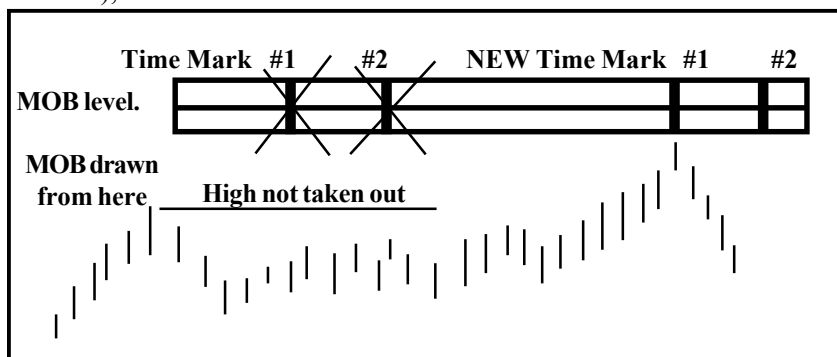


Figure 22-12: Time Marks

Once the high is taken out, the Time Marks will not be recalculated.

Notes

CHAPTER 23

Bias Reversal

Price Momentum and Volatility

By using the price momentum and volatility, our research has been able to identify certain areas where the market is setting up for a price reversal. The initial identification is actually for a change in bias, thus the name Bias Reversal.

Markets can have small changes in bias and still continue to trade in the original direction. Therefore, once a Bias Reversal is detected, we need to see further changes in prices to confirm the signal. This is discussed on the following pages. When a change in Bias is detected, the software draws a triangle. If the triangle is pointed up, then a change in Bias to the upside is detected. If the triangle is pointed down, then a change in Bias to the downside is detected.

In the chart below, the Triangles are the changes in Bias detected by eSignal. The arrows are drawn by hand just to show at which bar the change in Bias was detected.

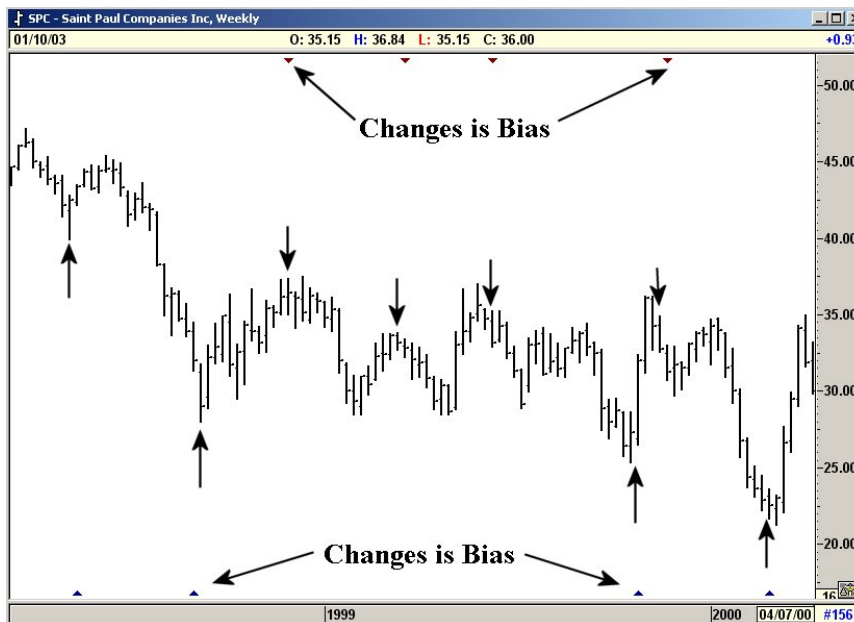


Figure 23-1a: Weekly Chart, St. Paul Companies, Inc.

Once a Change in Bias is detected, we suggest you use the Trend Channels from the previous pivot. Wait for the prices to cross the Trend Channels. This will confirm that a Change in Trend is in progress.

As stated before, a change in Bias does not guarantee a change in Trend. This is why we suggest you use the Trend Channels to confirm the change in Trend.

False Signals

Once the change in Bias is detected, the software needs one or two bars to confirm the signal. If the confirmation is not seen, the signal is considered False and a line is drawn above/below the triangle.

To prevent the false signals from being displayed, select the Filter button to On in the Bias Reversal menu. If you see a False signal bar drawn on the Bias Reversal, we suggest you leave that signal alone and wait for the next one.

The Bias Reversal also has a Normal and Tight mode. The Tight mode is basically a filtering technique where the software has to obtain stronger signal to generate the change in Bias.

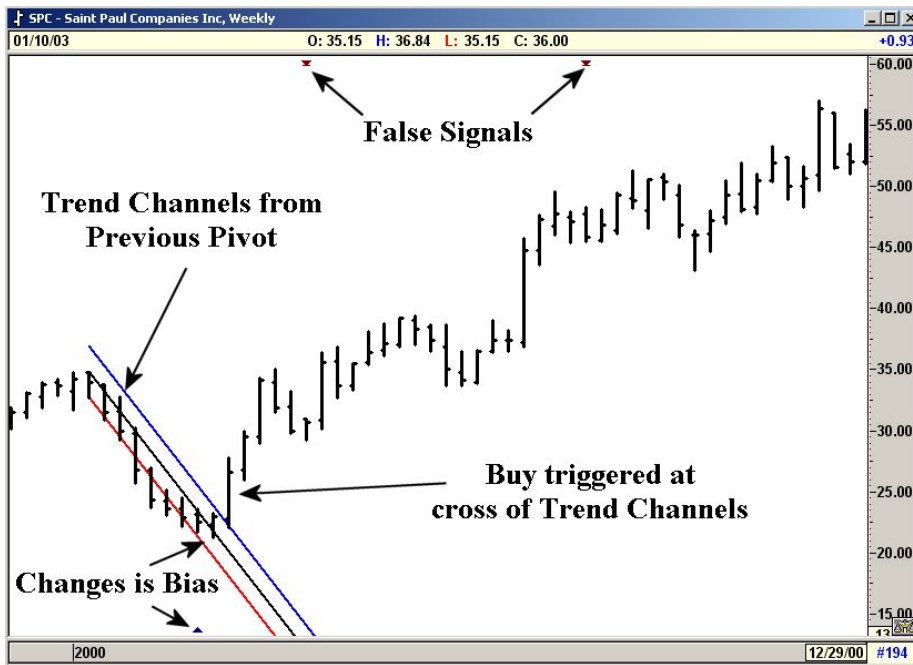


Figure 23-1b: Weekly Chart, St. Paul Companies, Inc.

CHAPTER 24

Elliott Wave Trigger

The Elliott Wave Trigger study was added to further enhance the use of the Elliott Oscillator at the end of Wave Four retracements. In many cases, the Oscillator pulls back to the zero level and continues to stay below zero for some time. In such cases, the Elliott Trigger provides the confirmation that Wave Four has completed.

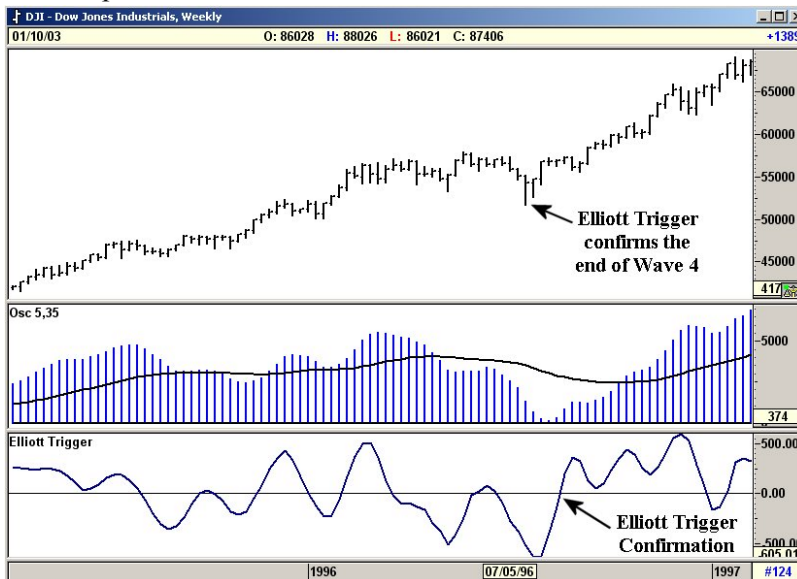


Figure 24-1: Weekly Chart.Dow Jones Elliott Wave Trigger

In Figure 24-1, the 5/35 Elliott Oscillator has pulled back to zero. Notice how the Elliott Trigger is also below the zero line.

Once the Oscillator has pulled back to zero, wait for the Elliott Trigger to cross above the zero line. This provides confirmation that the Wave Four is over.

Where this study becomes very helpful is when the Oscillator pulls below zero and stays there for a while. In such cases, you simply wait till the Elliott Trigger provides the confirmation by going above the zero line.

Figure 24-2, following, gives another example.

Figure 27-2 shows Northern Trust Group on a Weekly chart. The Elliott Oscillator 5/35 has pulled back to zero and is staying in that area. You now wait for the Elliott Trigger to go below the zero line to confirm the end of the Wave Four. In cases where the Oscillator hangs around the zero line, the Elliott Trigger is very useful and helps to avoid false entries.

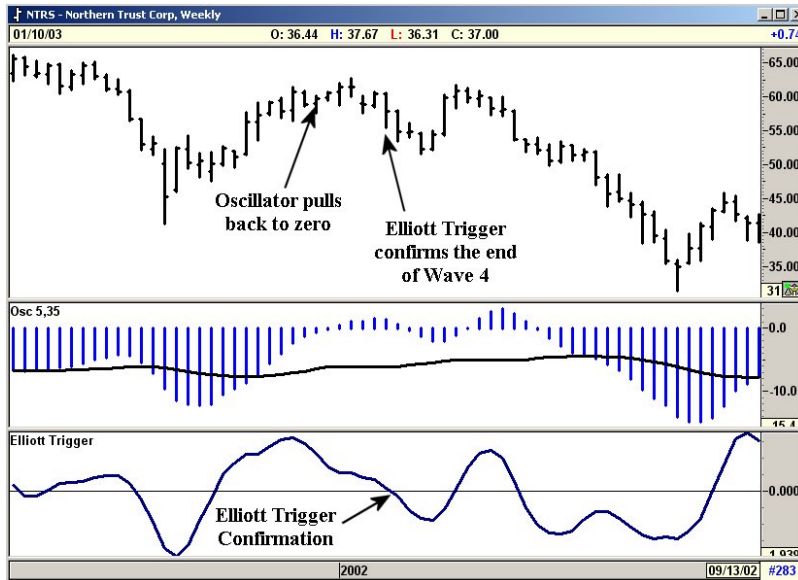


Figure 24-2: Elliot Wave Trigger

When the market is rallying in a Five-Wave sequence, you will look for the Elliott Trigger to go above the zero line to confirm the end of Wave Four. When the market is declining in a Five Wave sequence, you will look for the Elliott Trigger to go below the zero line to confirm the end of Wave Four.

In both cases, wait for the 5/35 Oscillator to pull back to zero before you monitor the Elliott Trigger. Prior to the 5/35 Oscillator pulling back to zero, the Elliott Trigger can cross its zero line all it wants. It does not matter.

The sequence is as follows:

In a Wave Four, allow the 5/35 Oscillator to pull back to zero. This happens approximately 94% of the time. Once the 5/35 Oscillator has done this, then monitor the Elliott Trigger to confirm the end of a Wave Four.

C H A P T E R 25

TJ's Ellipse

Price Swings

How far will a price swing retrace before the original trend can continue? This has been a question that all traders have asked at one time or the other. Fibonacci Retracement studies offer some help in this matter. However, they just provide levels such as 25% retracement or 50% retracement. If one level does not hold, the trader looks for the next Fibonacci level and so forth.

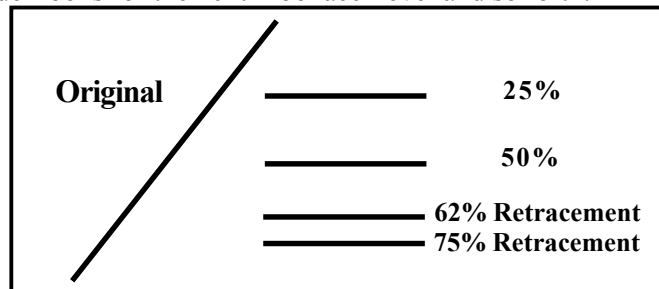


Figure 25-1: Retracement Levels

Which level will hold and allow the original swing to continue its trend?

The TJ's Ellipse Study provides a technical solution. The details are discussed on the next several pages. *Be sure to watch the Seminar Videos/DVD where Tom Joseph, the creator of Advanced GET, goes into numerous details which cannot be explained on paper.* Please take time to watch the videos and learn this technique. It will increase the quality of your trading.



Figure 25-2: Jan 98 Soybeans

How far will this swing retrace before the original swing continues its trend?

The new study takes the original swing in question and provides a Time and Price Level which should hold any retracement of the original swing.



Figure 25-3: Jan 98 Soybeans

If the Time and Price Level holds, the original swing should continue its original Trend. The Time and Price Level is displayed on the chart in the shape of an Ellipse. Hence the name: TJ's Ellipse. As long the Ellipse (Price and Time) holds, the original swing should take the prices lower.

How TJ's Ellipse is Calculated

The user identifies the swing (high and low). This is used to determine a room size and the current strength of the market. Using these values, Advanced GET calculates a projected path for the Ellipse to intercept the prices. In actual use, the TJ's Ellipse will continue to move towards the prices. When the prices meet (or hit) the Ellipse, the Ellipse stops moving and provides a solid Price and Time level.

At this time, it is critical for the Ellipse to hold the prices. If it holds, then the original swing can continue.

Please watch the seminar DVD/VHS tapes. We go through several situations and examples and it is very clearly explained. You really need to take a few hours and watch the DVD/VHS tapes. If the Ellipse study is used correctly, it does provide an incredible edge for traders.

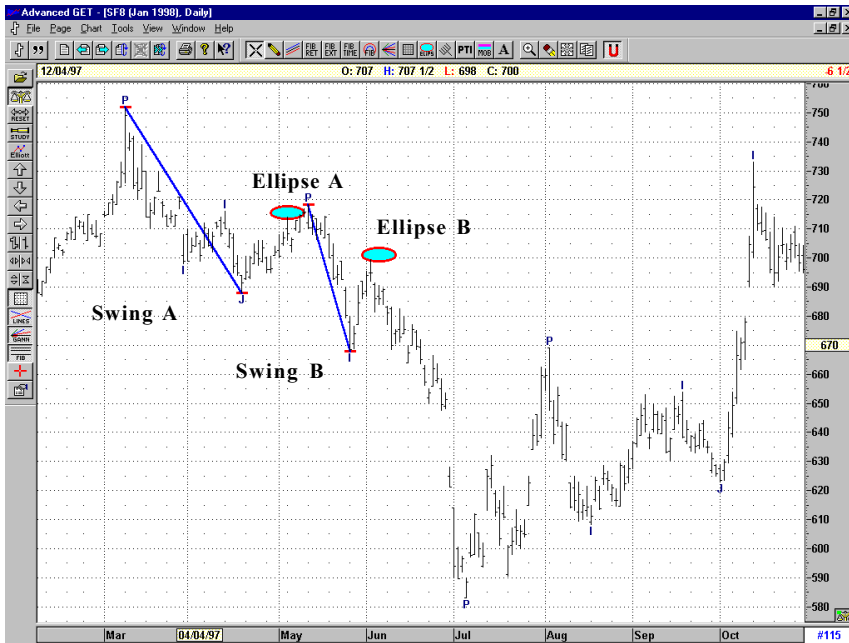


Figure 25-4: Jan 98 Soybeans

Ellipse B is the Ellipse generated from Swing B. As long as this Ellipse B holds the prices, Swing B should continue its trend lower.

See Figures 25-5 and 25-6 on the following pages.

Price Swings (Cont.)

Ellipse C is the Ellipse generated from Swing C.

As long as this Ellipse C holds the prices, Swing C should continue its trend lower.

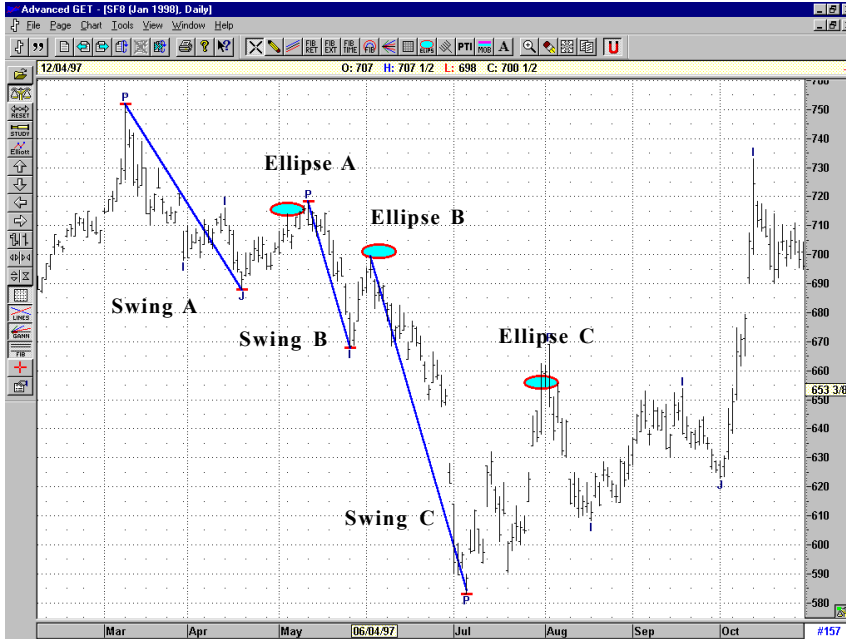


Figure 25-5: Jan 98 Soybeans

As the market continues to trade, new swings are generated. For each new swing, the software can generate a new Ellipse. As long as the corresponding Ellipse holds, the original swing should continue its trend.

Ellipse D is the Ellipse generated from Swing D. As long as this Ellipse D holds the prices, Swing D should continue its trend higher.

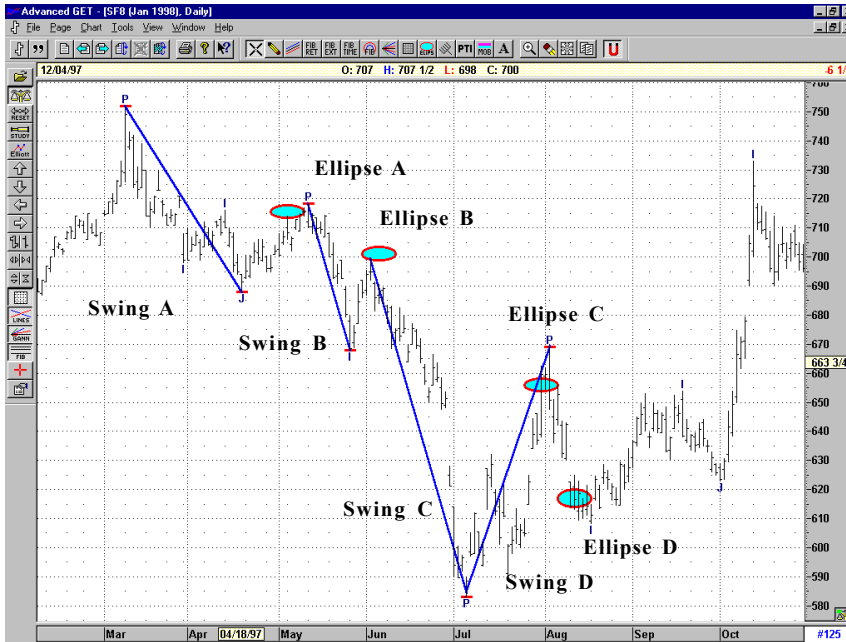


Figure 25-6: Jan 98 Soybeans

Ellipse Projection (Shadow)

Once the Ellipse study is applied, the software starts to project its path to intercept the prices.

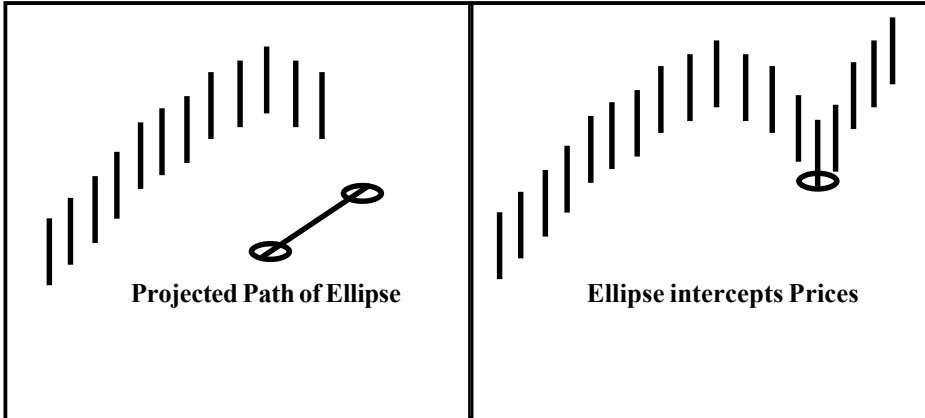


Figure 25-7: Ellipse Projection

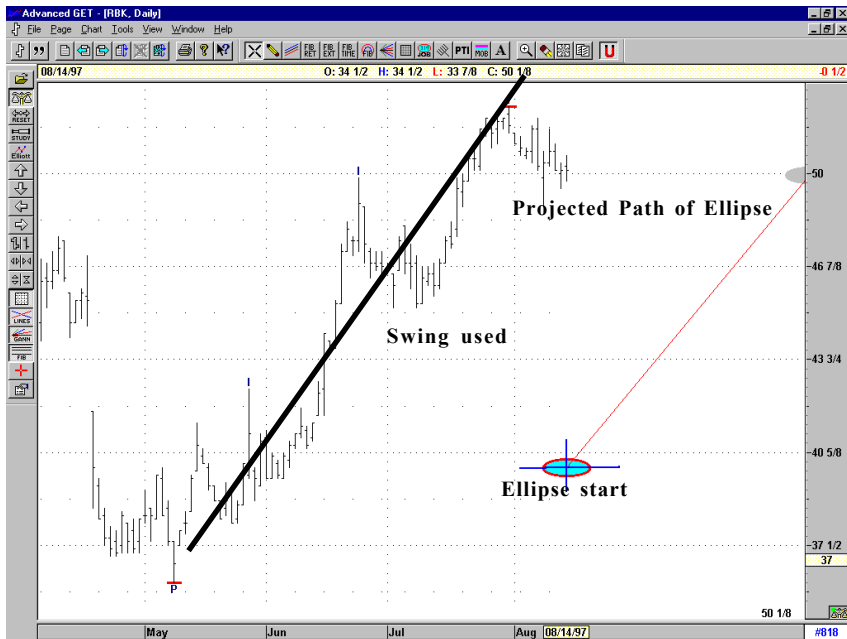


Figure 25-8a: Daily Chart, Reebok, TJ's Ellipse

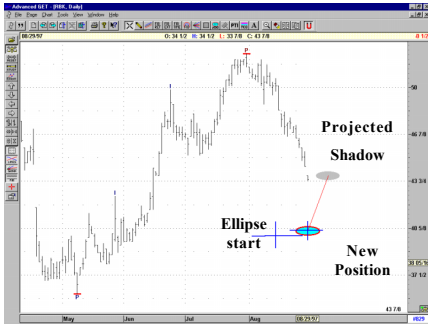


Figure 25-8b: Daily Chart, Reebok, TJ's Ellipse

As the prices continue to retrace, the Ellipse moves closer and closer to the prices.

The distance between the current Ellipse and its shadow (projection) continues to narrow as it gets closer to the prices.



Figure 25-8c: Daily Chart, Reebok, TJ's Ellipse

Once the Projected shadow meets the prices, immediately use the Regression Trend Channel for confirmation of the actual turn in the prices. These techniques are discussed in great detail in the Seminar DVD/VHS tapes. I have tried my best to explain this on paper, but it does not come close to the seminar presentation.



Figure 25-8d: Daily Chart, Reebok, TJ's Ellipse

Projected Shadow meets prices.

Use Trend Channel for confirmation.



Figure 25-8e: Daily Chart, Reebok, TJ's Ellipse

The actual Ellipse continues to move up till it intercepts the prices. When prices cross the Trend Channels, a low is confirmed.

Using Normal and Short Term Ellipse

The Ellipse study provides three options: Normal, Short and Long Term. Currently, the Long Term does not provide any significant information.

In most cases, the normal setting should be used. All of our discussions so far use the Normal setting.

There is one situation that requires using the short-term Ellipse. When the 10/70 Oscillator is above its strength band and the market is in a massive Wave Three, we recommend using the short-term Ellipse. See Figure 25-9, below.

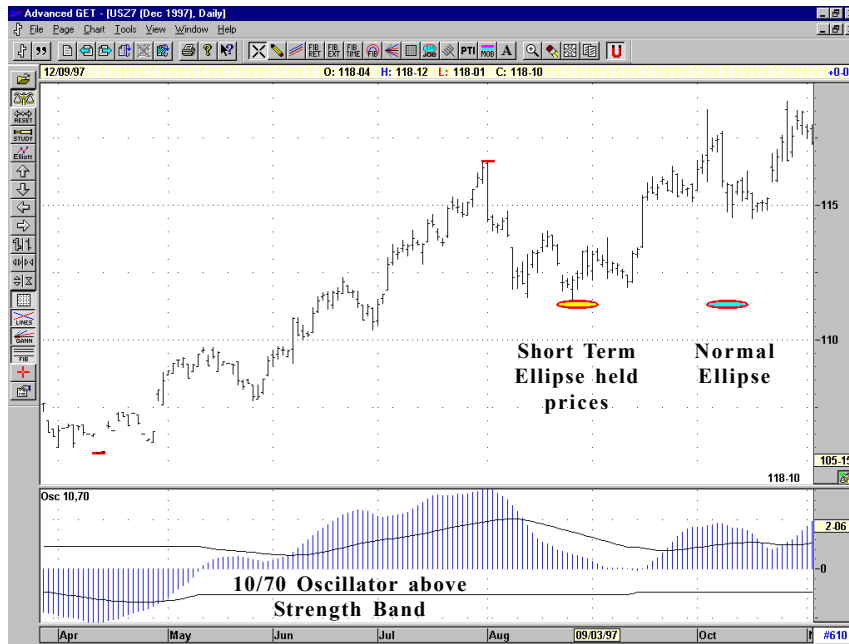


Figure 25-9: U.S. Bonds 1997

C H A P T E R 26

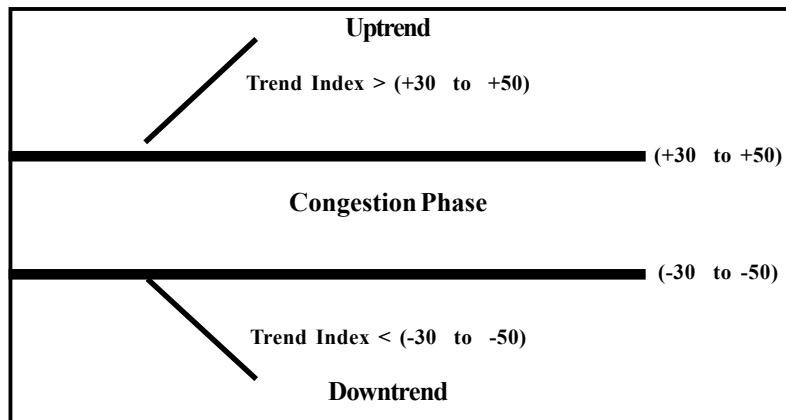
Joseph Trend Index

The Joseph Trend Index (JTI) is a dynamic mathematical model that can be used to identify the Trend of the market, the direction of the Trend and the strength of the Trend. Of all the studies in Advanced GET, the JTI has the most complex routines and takes the most time to calculate. The JTI also uses the same algorithm for all markets and all time frames (such as daily, weekly and monthly).

The JTI calculates a Trend Index value which can be set to track the short-, medium-, normal- or long-term Trend of the market. If the Trend Index Value is greater than (30 to 50), the model classifies the market as trading in an Uptrend. If the Trend Index Value is less than (-30 to -50) the model classifies the market as trading in a Downtrend. There are times when a market fails to generate a Trend Index Value; these are usually seen during extreme congestion periods.

The JTI is very different from studies such as the DMI. It uses a proprietary correlation routine that calculates the Trend Index. The primary objective while designing the JTI was to create a study that kept one from taking positions against a major trend. Historical testing indicates that JTI handles this very well. The added bonus is its ability to act as an early warning study both prior to a break out of the Trend and at the end of a Trend.

The JTI is an older Advanced GET study. The newer XTL study has the same basic goals and principles as the JTI, and does it without having to add another study to your chart, taking up additional space. We recommend using the XTL over the JTI, but for those who would like to use the JTI, here is a brief explanation.



Once the Trend Index Value is calculated, the software internally calculates and projects various price action values, which are dynamically adjusted to the current market conditions. This is used to classify the strength of the Trend and is displayed in four colors.

Red – The Trend is very strong

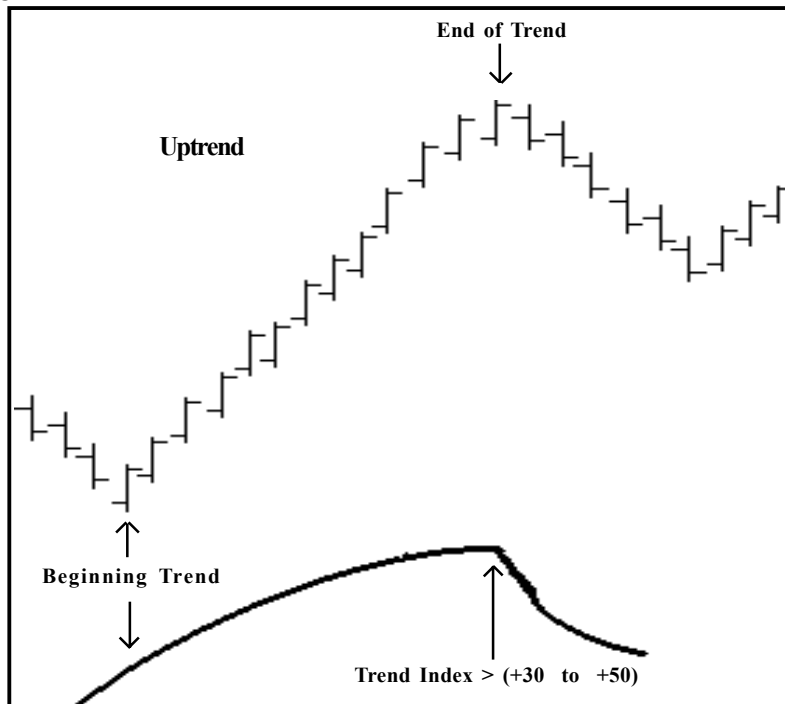
Blue – The Trend is of medium strength

Green – The Trend is of low strength

Yellow – For most part is caused by noise in the market

Almost all Wave Three phases and extended Wave Five Phases generate a Strong (red) Trend Index Value. Generally, most of these phases start out with low or medium strength Trends and progress to a strong trend. However, many times the Strong (red) Trend appears during the early stages of a move and the JTI is designed to detect this.

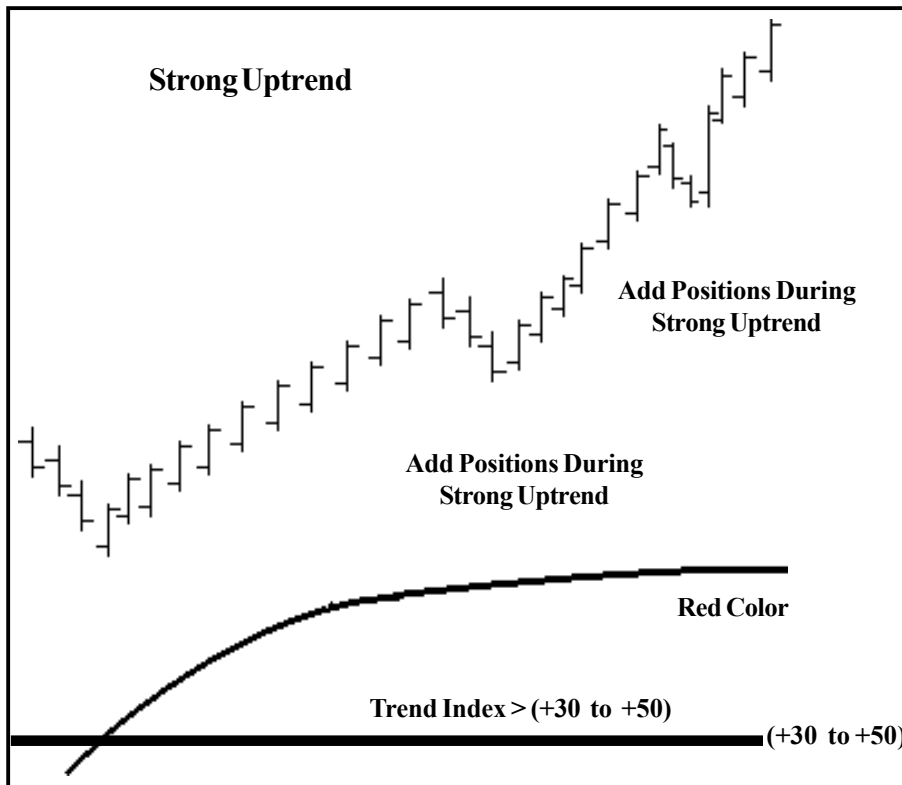
Wave Three phases and extended Wave Five phases also show a strong tendency to lower their trend strength prior to completion. The JTI is quick to detect this and alerts the user by downgrading its trend strength and changes to a lower strength color.



JTI indicates the trend is over either by showing lower trend values or by downgrading the trend strength and then changes to a lower strength color.

How JTI Can Be Used

- 1) The JTI can be used as an early warning signal to identify the beginning stages of a Major Trend.
- 2) The JTI can be used as an early warning signal to identify the end of a Major Trend.
- 3) The JTI can also be used as a non-biased and objective tool for adding positions on interim pullbacks during a confirmed strong Trend.
- 4) The JTI provides a mathematical model that classifies Trend Strength, and keeps one from initiating trades against a Strong Trend while the Strong Trend is still in progress.



Please Note: Since the JTI is a study and slightly non-conventional due to its two dimensional display (direction and strength), some users may find it hard to grasp the concept. The only way to overcome this is to work with historical data repeatedly until you become familiar with the JTI study.

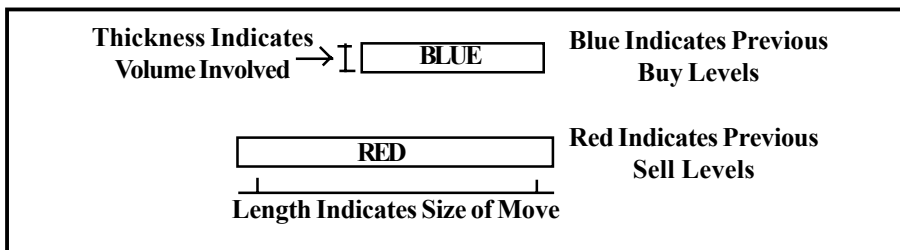
Notes

CHAPTER 27

Trade Profile

Trade Profile is another new study we have added. The software scans the data and finds levels where the market started significant Buy or Sell swings in the past. These levels are categorized based on the amount of volume involved and the actual price movement. For stocks, actual volume is used; for futures, the tick volume is used.

Once these levels are identified, the trader can monitor the price reaction when these levels are tested again.



As a trader, you should focus on the levels that are thick (high volume) and/or long (large price move). When prices trade to a previous Sell level, you would look for selling to continue. Likewise, when prices are near a previous Buy level, you would look for buying to continue. This is one of the patterns provided by the Trade Profile.

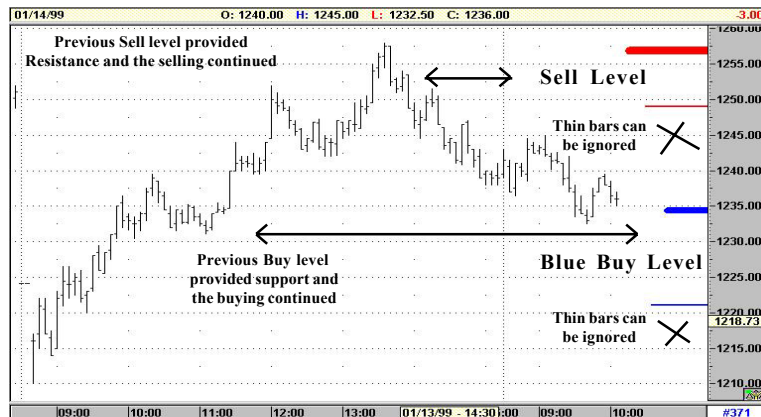


Figure 27-1: Trade Profile

The Trade Profile study can be used on Daily charts or any time frame. The study works well on Stocks also (see Figure 27-3, below).

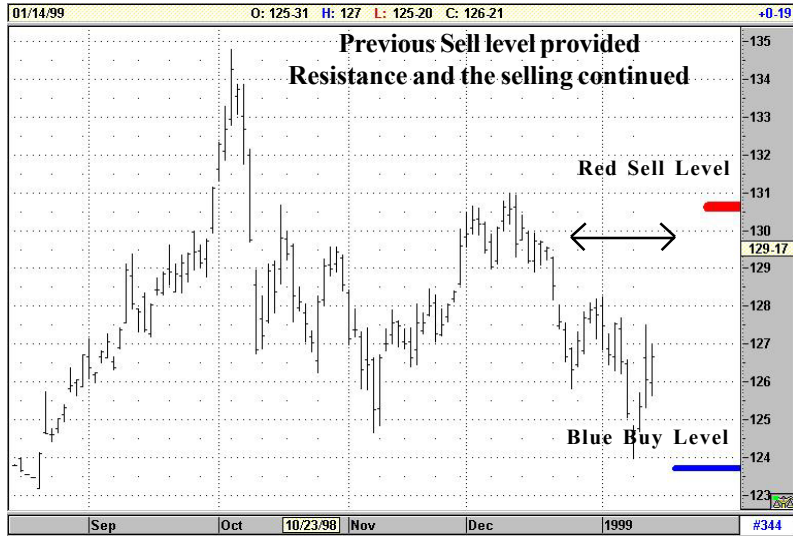


Figure 27-2: Daily Chart, U.S. Bonds

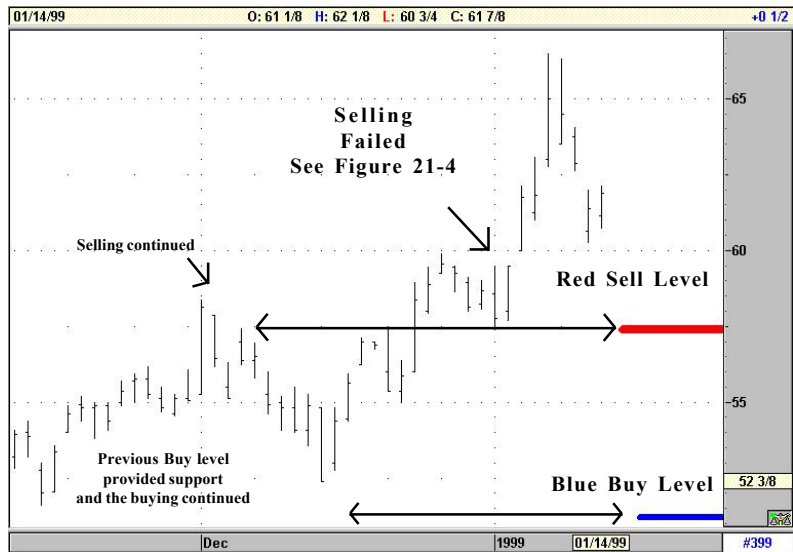


Figure 27-3: Daily Chart, Ford

When prices trade to a previous Sell level, the normal pattern continues selling, as in Case A (see Figure 27-4, below).

Roughly 40% of the time, a Case B pattern can be seen.

Here, the previous Sell level failed to hold the rally. Either the previous shorts are no longer selling, or more buying is coming in. Either way, the Sell level fails to hold the rally.

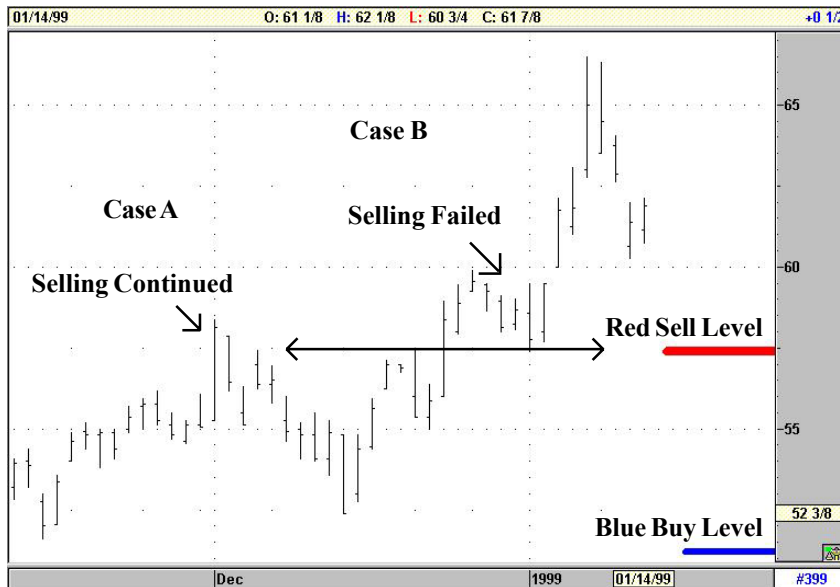


Figure 27-4: Daily Chart, Ford

Another theory is that traders who were short at this Sell level may be stopped out of their short position. This could further fuel the rally. Bottom Line: If the prices fail to hold at previous Sell levels, then the previous Sell level could become support and create a base for further rallies.

Likewise, if prices fail to hold at previous Buy levels, then the previous Buy level could become resistance and create a base for further declines.

Notes