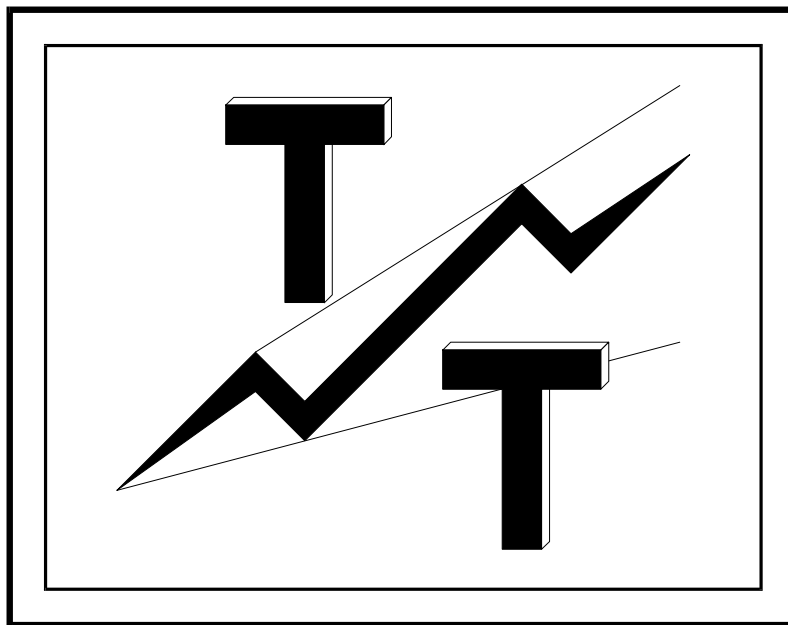


Applying Technical Analysis



Updated Feb 99

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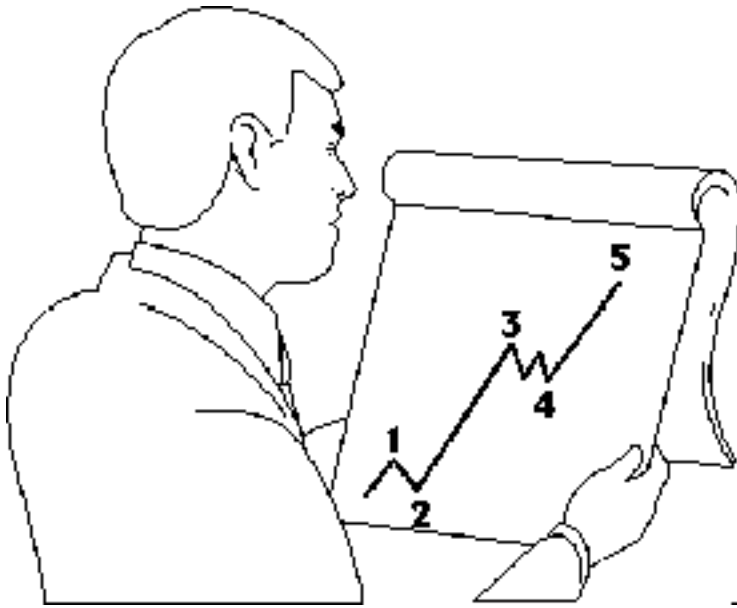
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Elliott Wave Technique

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

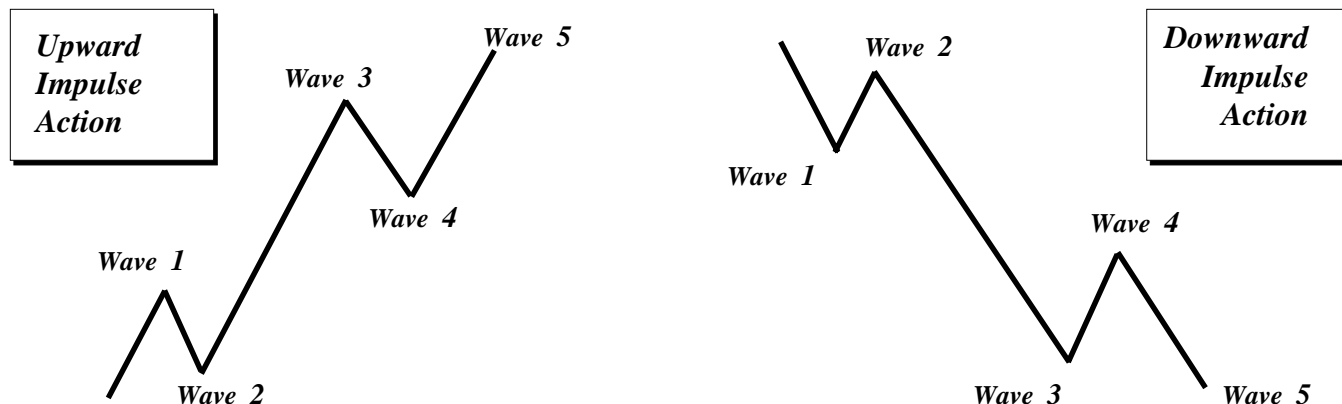
market which is conforming to an Elliott Wave pattern that is easier to identify?

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

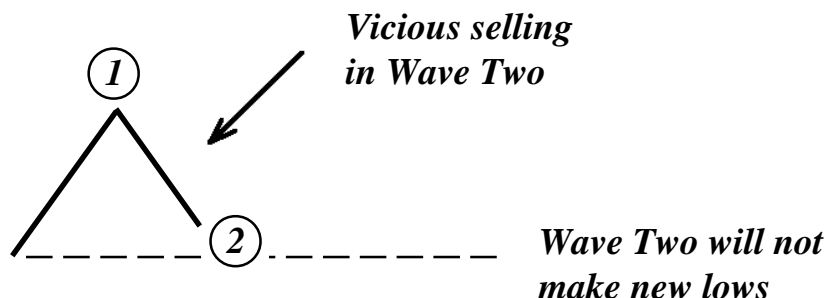
The whole theory of Elliott Wave can be classified into two parts: (a) ***impulse pattern*** and (b) ***corrective pattern***. We will discuss the impulse pattern and how to use the Elliott Oscillator to identify these impulse patterns. We will then discuss some general rules and guidelines followed by numerous examples.

Impulse Patterns

The impulse pattern consists of five waves. The five waves can be in either direction, up or down. Some examples are shown below.

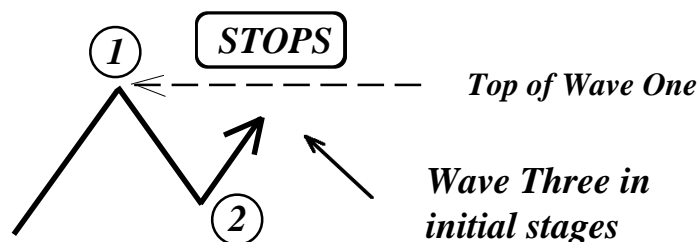


The first wave is usually a weak rally with only a small percentage of the traders participating. Once Wave 1 is over, they sell the market on Wave 2. The sell off in Wave 2 is very vicious. Wave 2 will finally end without making new lows and the market will start to turn around for another rally.



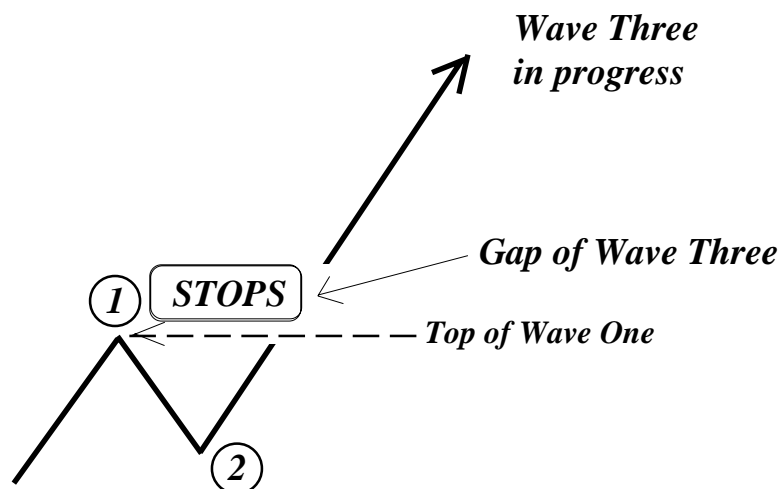
The initial stages of the Wave 3 rally is slow and it finally makes it to the top of the previous rally (*the top of Wave 1*). At this time, there are a lot of stops above the top of Wave 1.

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.

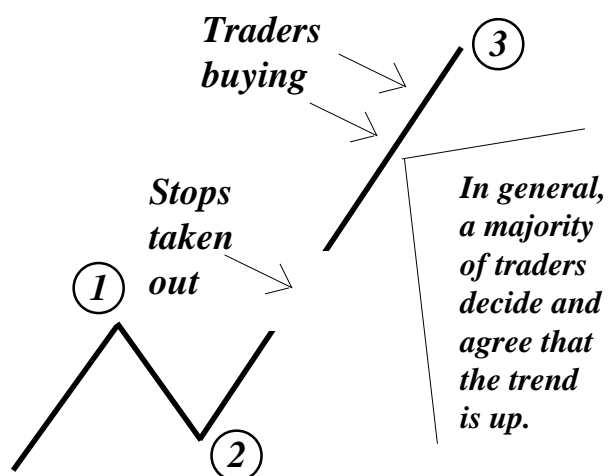
The traders who were stopped out (*after being upset for a while*) decide the trend is up and they decide to buy into the rally. All this sudden interest fuels the Wave 3 rally.

This is the time when the majority of the traders have decided that the trend is up.

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

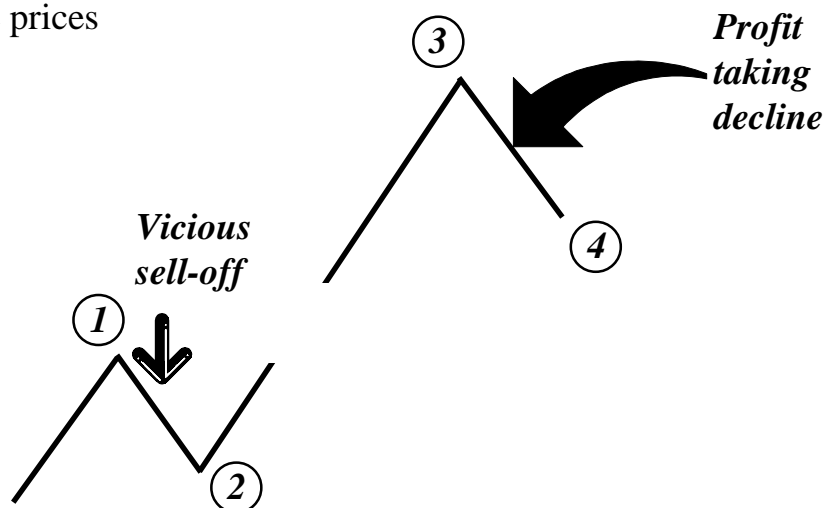
Profit taking now begins to set in. Traders who were long from the lows decide to take profits. They have a good trade and start to protect profits.

This causes a pullback in the prices and is called Wave 4. **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.**

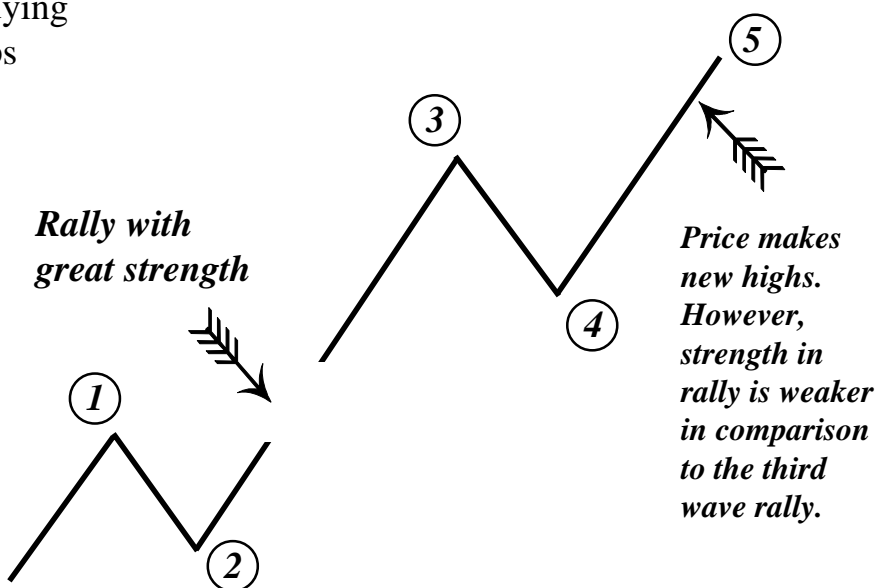
On the end of Wave 4, more buying sets in and the prices start to rally again.



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.

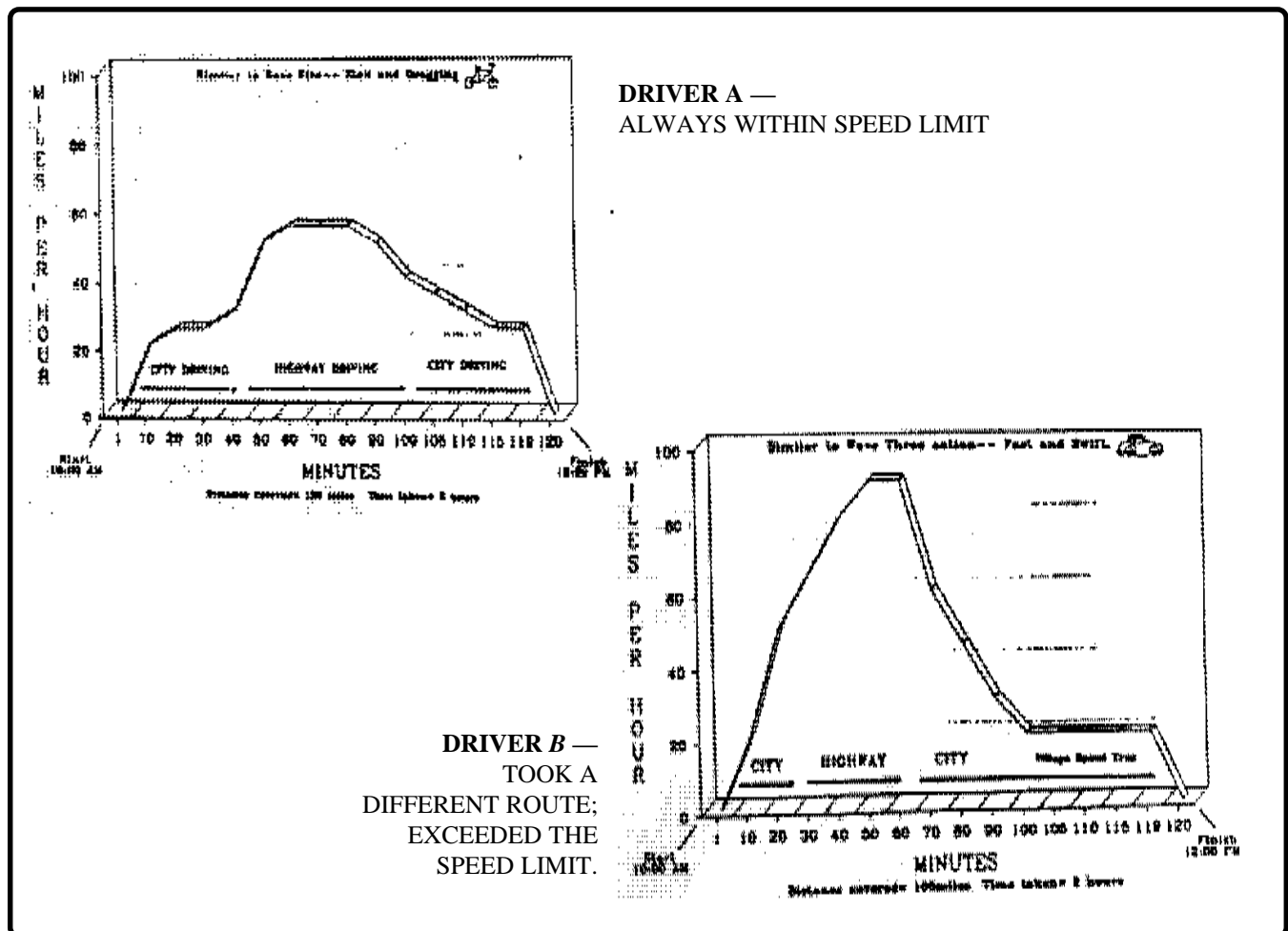
While the prices make a new high above the top of Wave 3, the rate of power, or strength, inside the Wave 5 advance is very small when compared to the Wave 3 advance.

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 five wave impulse patterns shown on the previous page 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. The following illustration is used to discuss this concept. 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 traveled the same distance. 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.** 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.

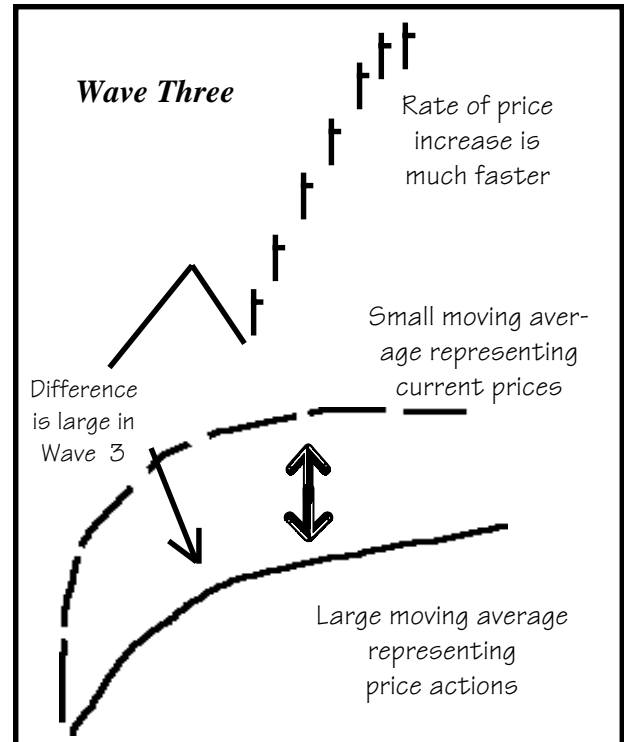
Indicator To Provide Elliott Wave Counts

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.

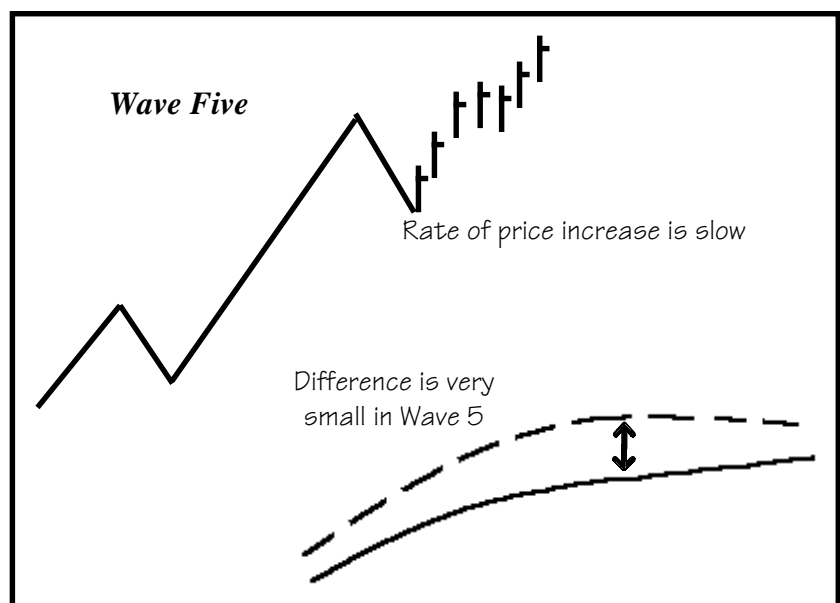
When the prices are gapping up inside a Wave 3 the current prices are surging; the difference between the small and large moving averages is great and produces a large oscillator value.



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.

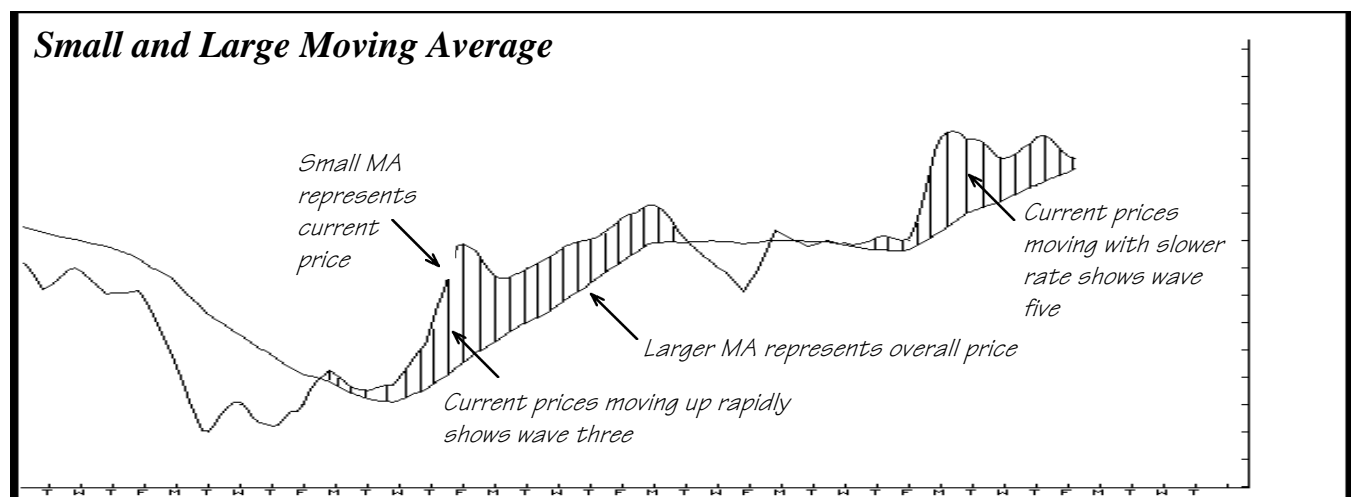
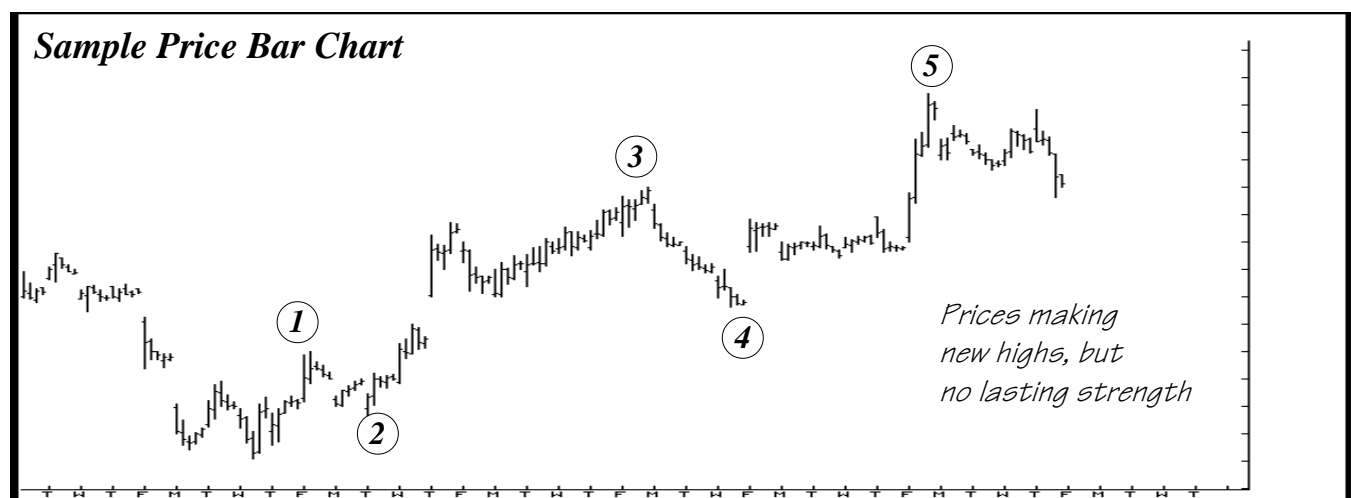
Wave 3 is like Driver B who accelerates beyond speed limits and has a higher rate of speed, while Wave 5 has a slow, dragging price action.



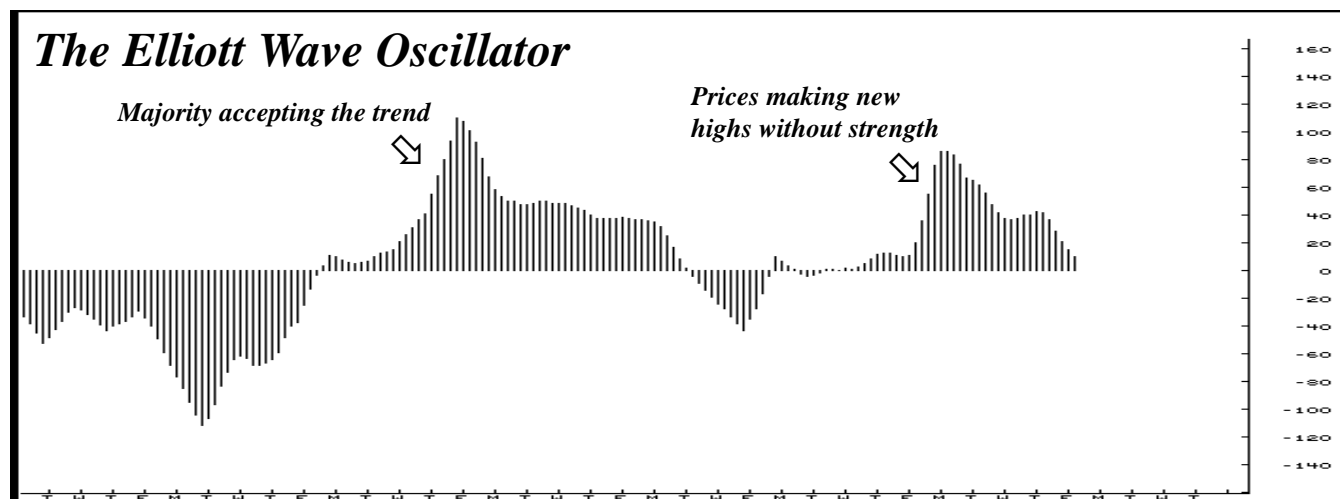
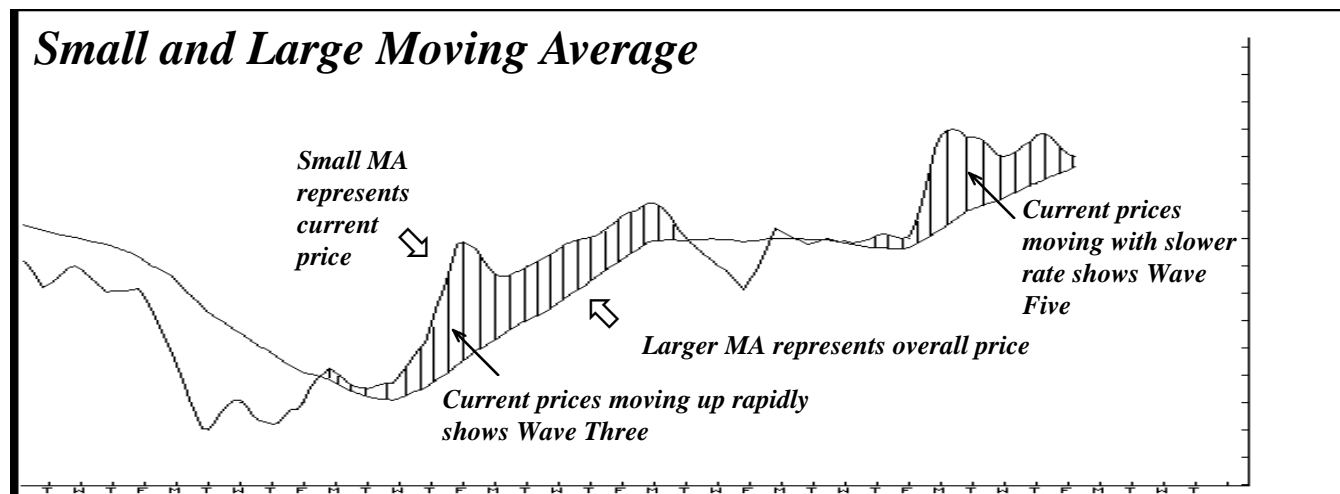
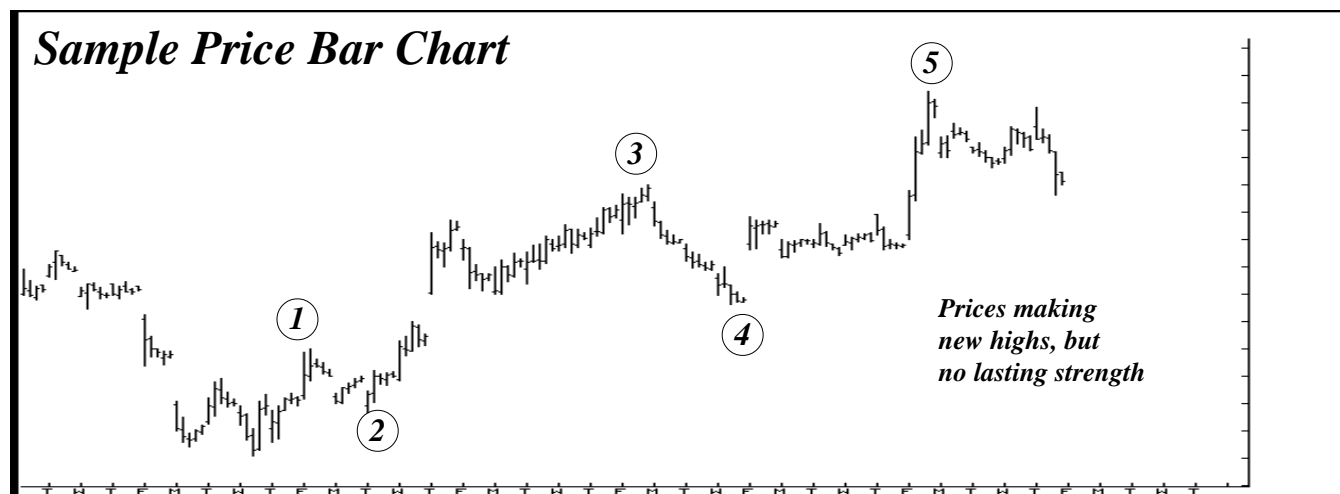
Elliott Oscillator: Step-By-Step Illustration —

We will use the same chart for 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 the zero level, or slightly below, the market is entering a neutral area.

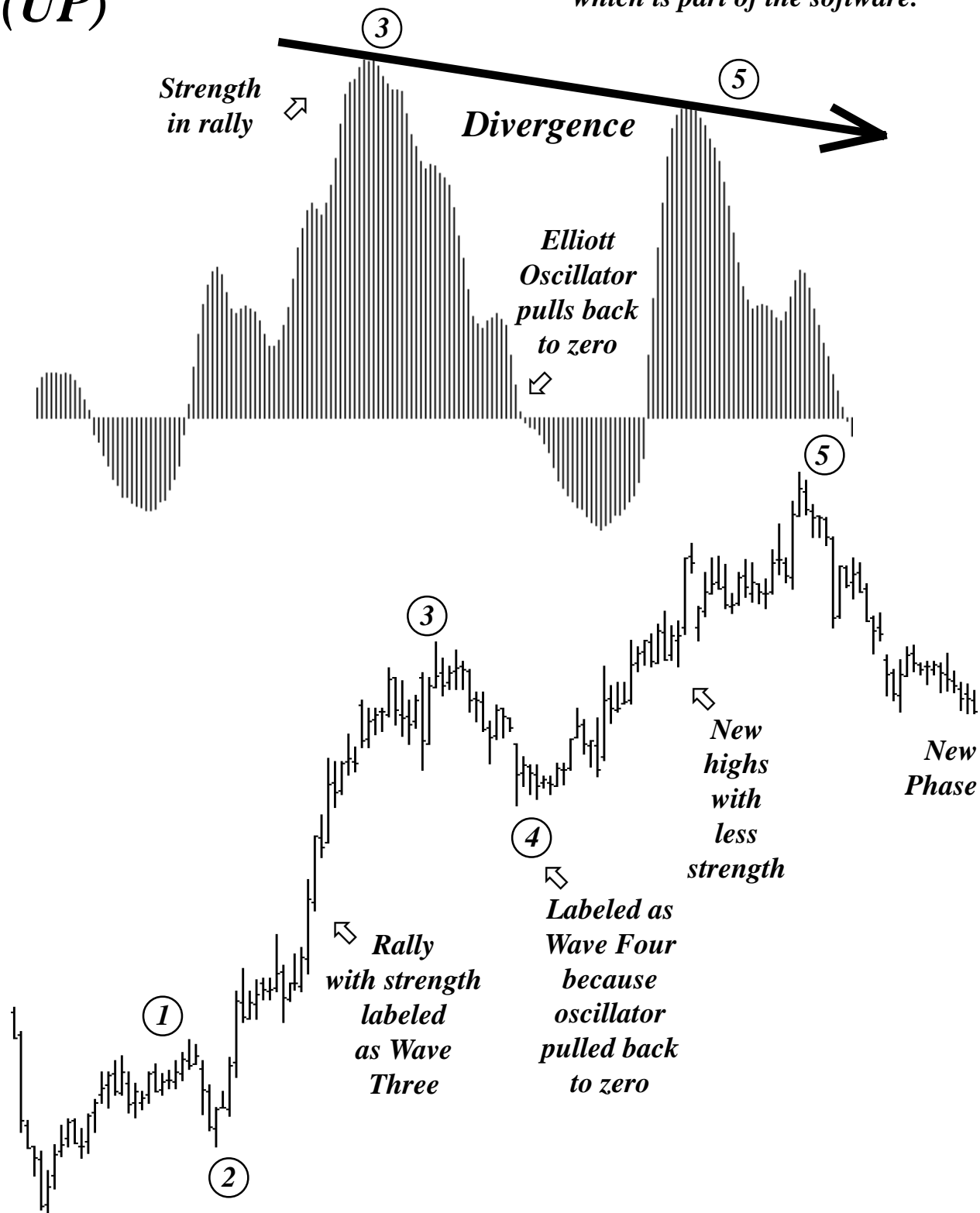


Once Wave 4 is over, buying comes in from traders who missed the entire Wave 3 rally. The prices move to new highs. However, the rally does not have the fast rate of price increase that was seen in Wave 3. This difference in the rate of price is picked up by the oscillator and can be easily identified. **MORAL OF THE STORY:** Always let the Elliott Oscillator track Elliott Wave counts.



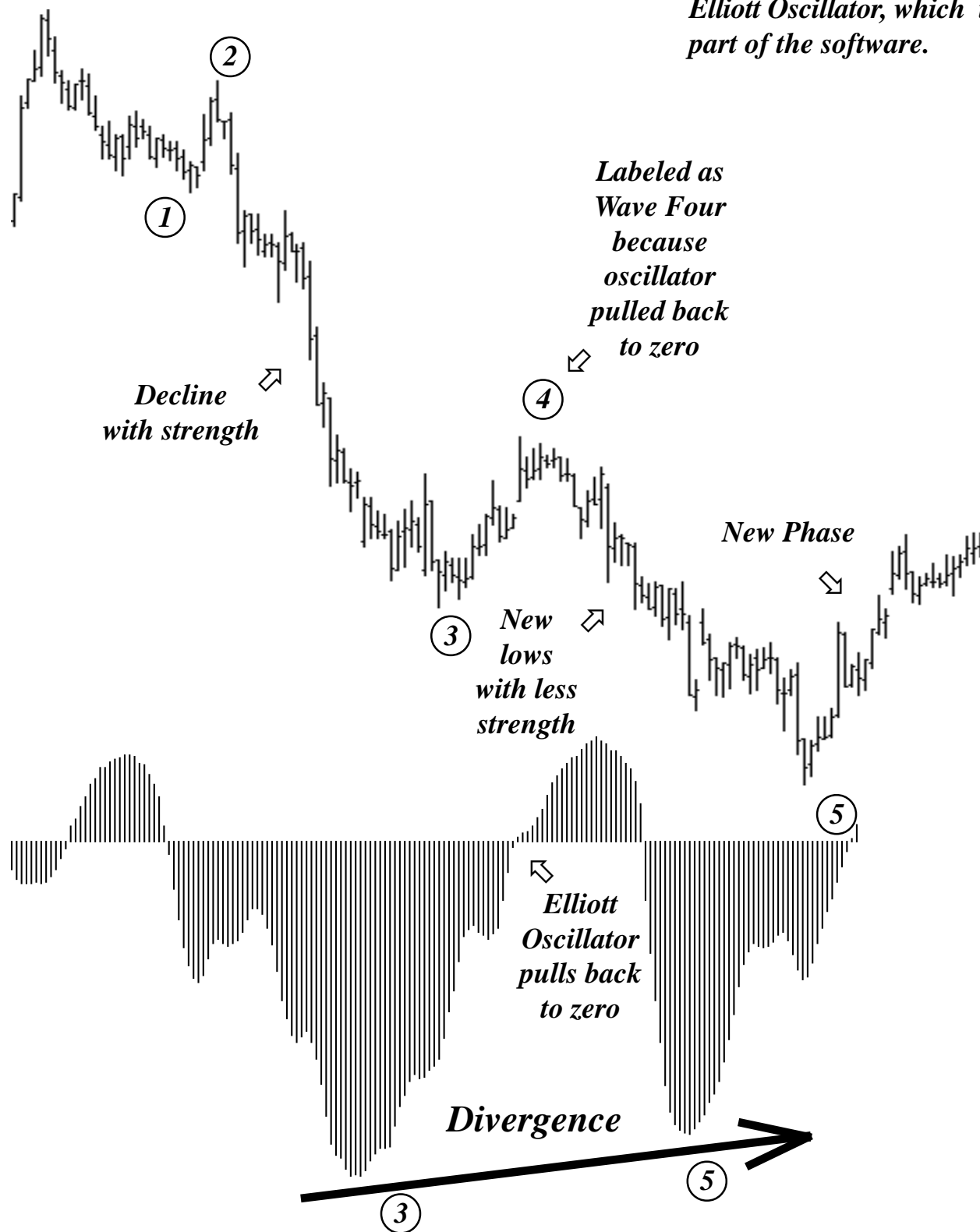
Five Wave Impulse (UP)

Identifying a five wave impulse
(up) using the Elliott Oscillator,
which is part of the software.



Five Wave Impulse (DOWN)

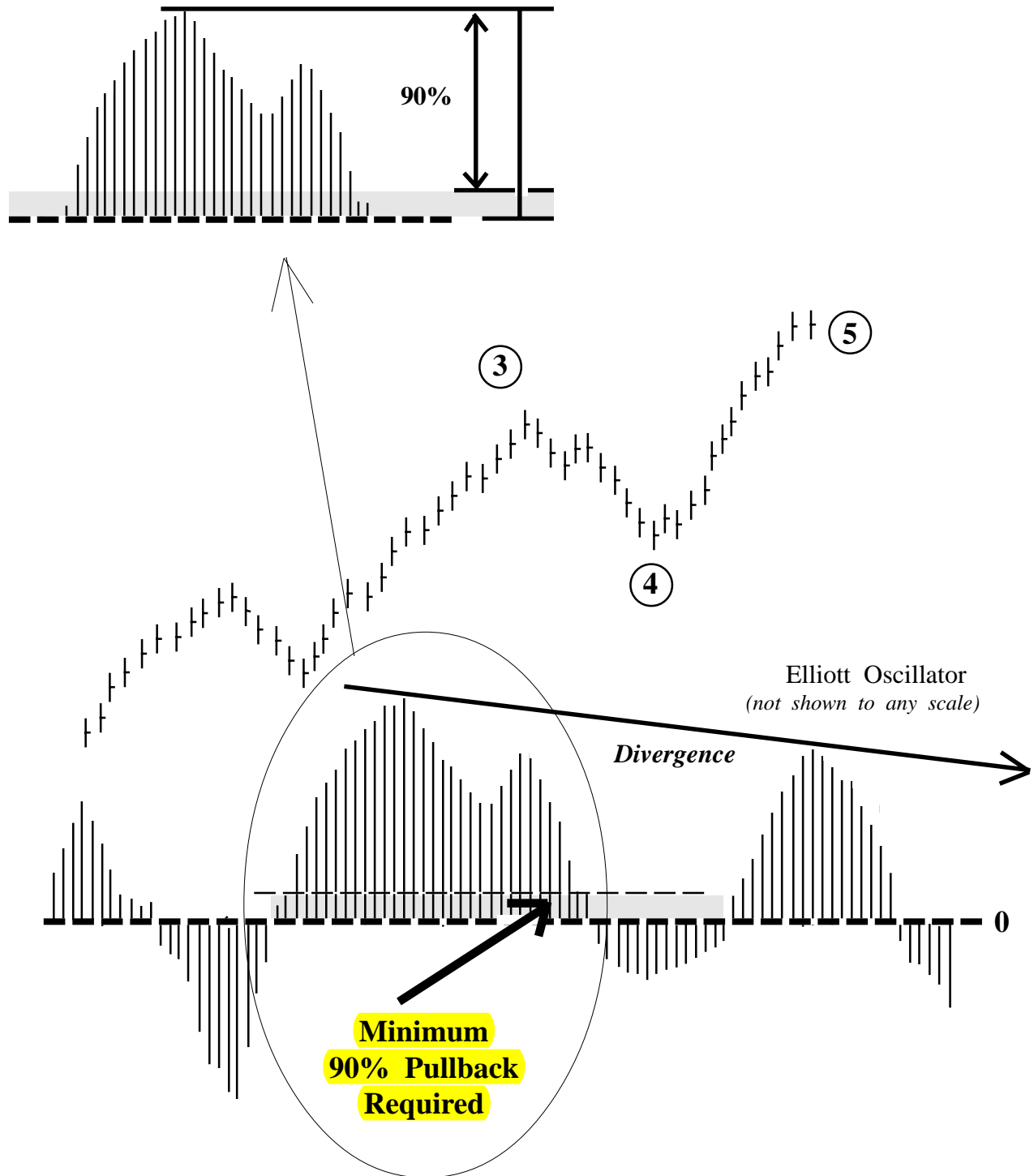
Identifying a five wave impulse (down) using the Elliott Oscillator, which is part of the software.



The Elliott Oscillator

Minimum Pull Back Required

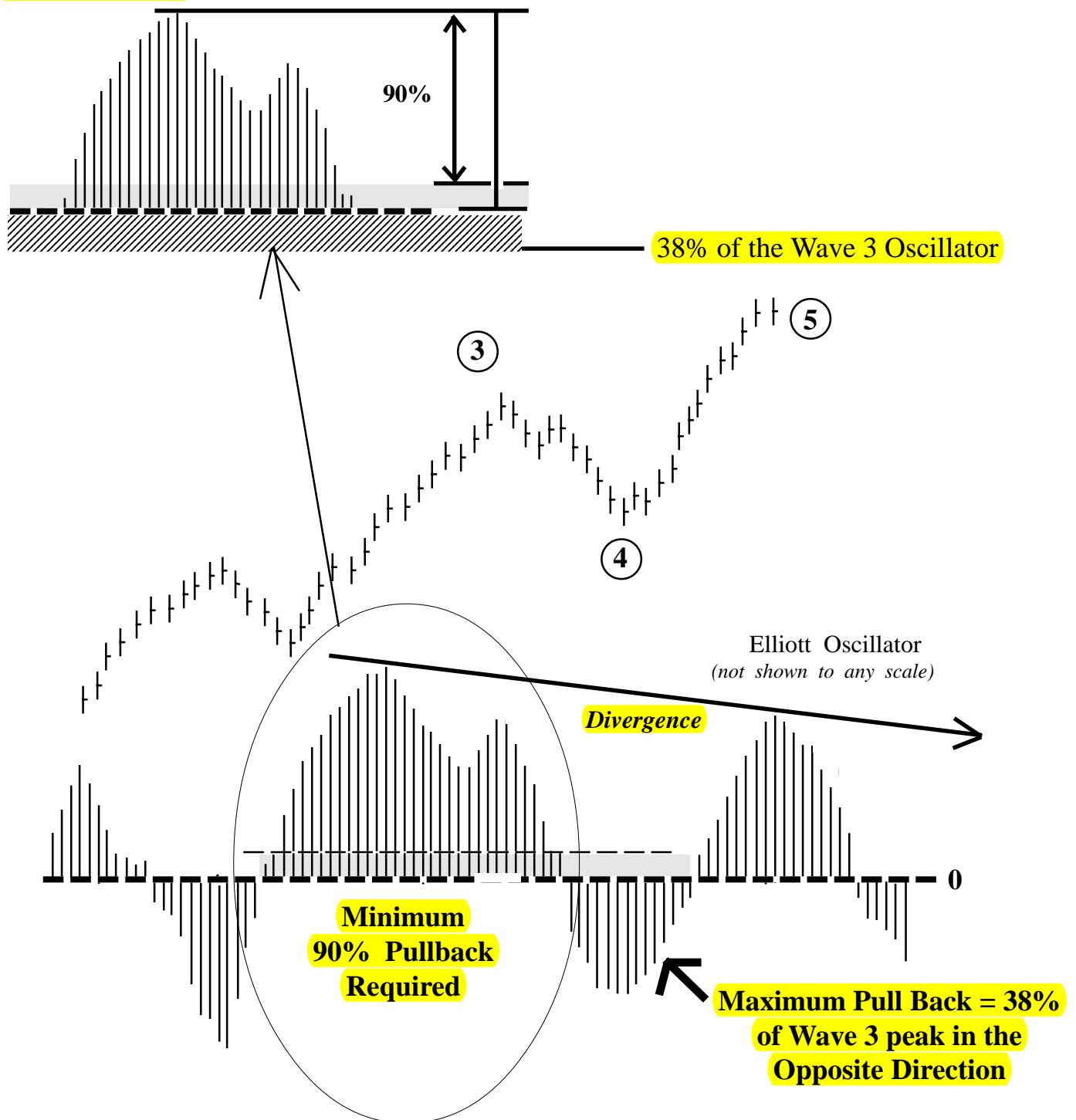
Historically, 94% of all Wave 4 sequences that have ended in a Wave Five making a new high or a new low, had the Elliott Oscillator pull back at least 90% from the Wave 3 peak.



The Elliott Oscillator

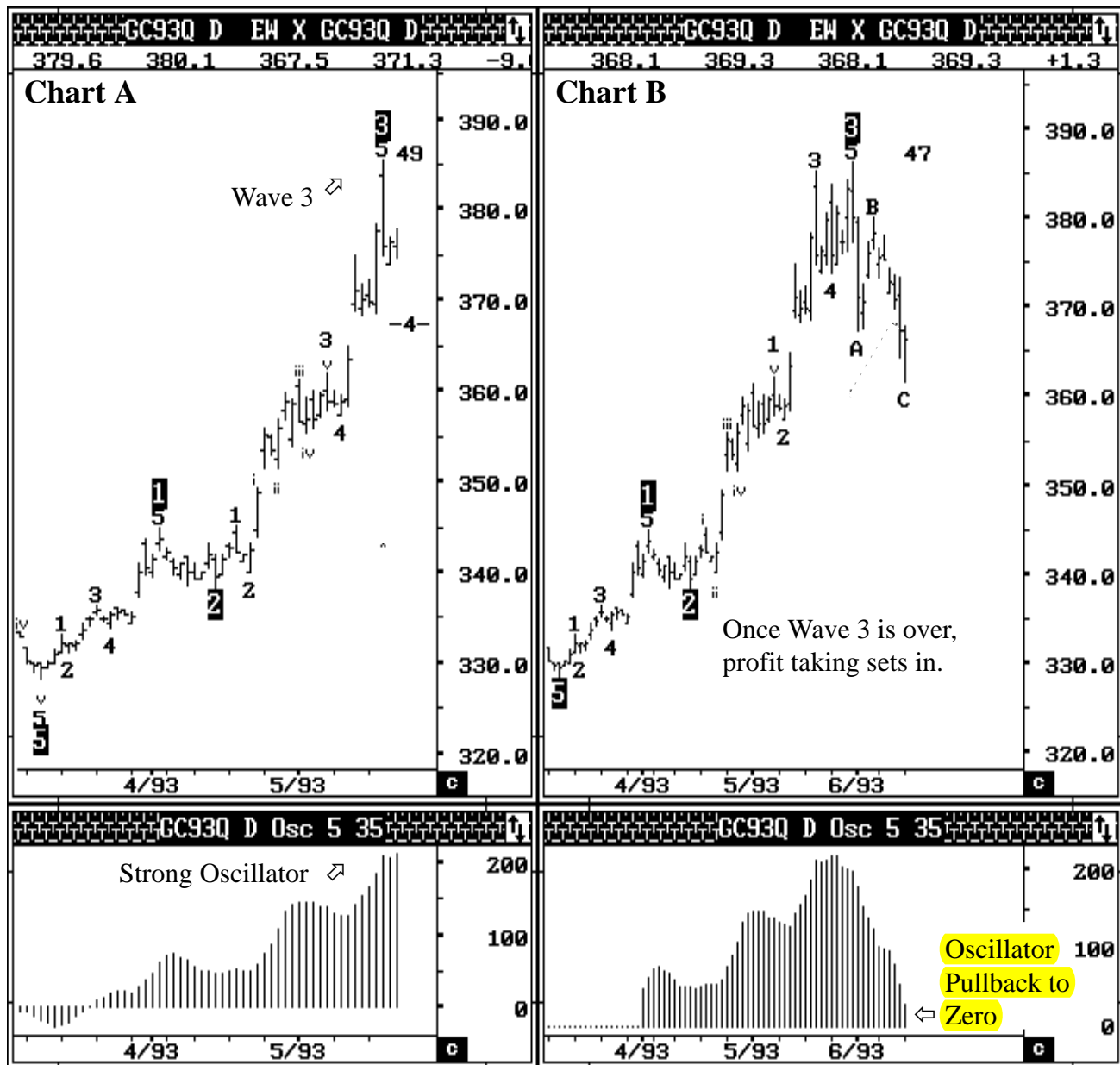
Maximum Oscillator Pull Back

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 38% of the Wave 3 Oscillator on the other side of the zero line.



Using The Elliott Oscillator in Wave Three

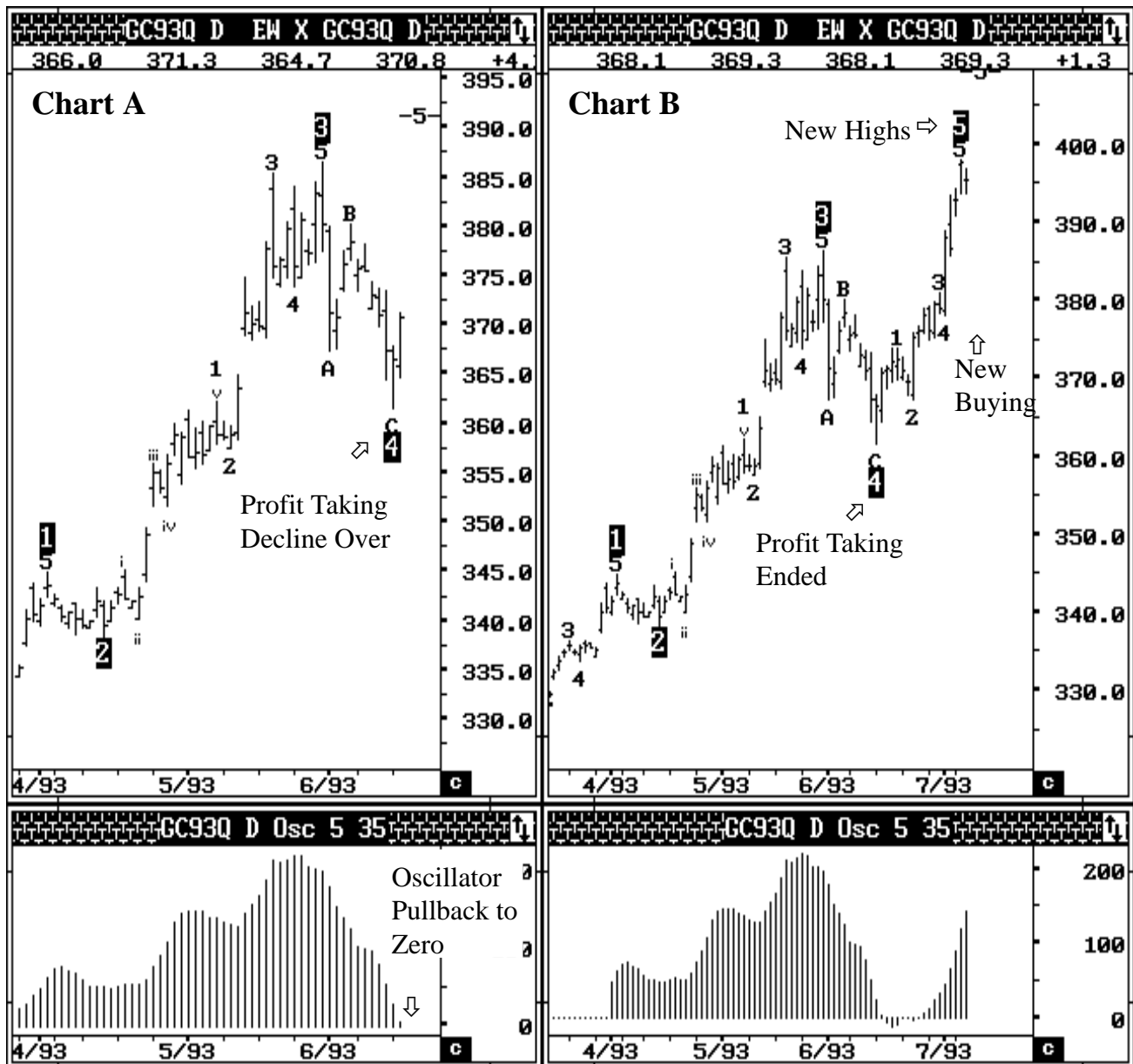
- When a market rallies with a strong Elliott Oscillator as in Chart A, the rally is classified as a Wave Three.



- Once Wave Three 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 Chart B).

Using The Elliott Oscillator in *Wave Four*

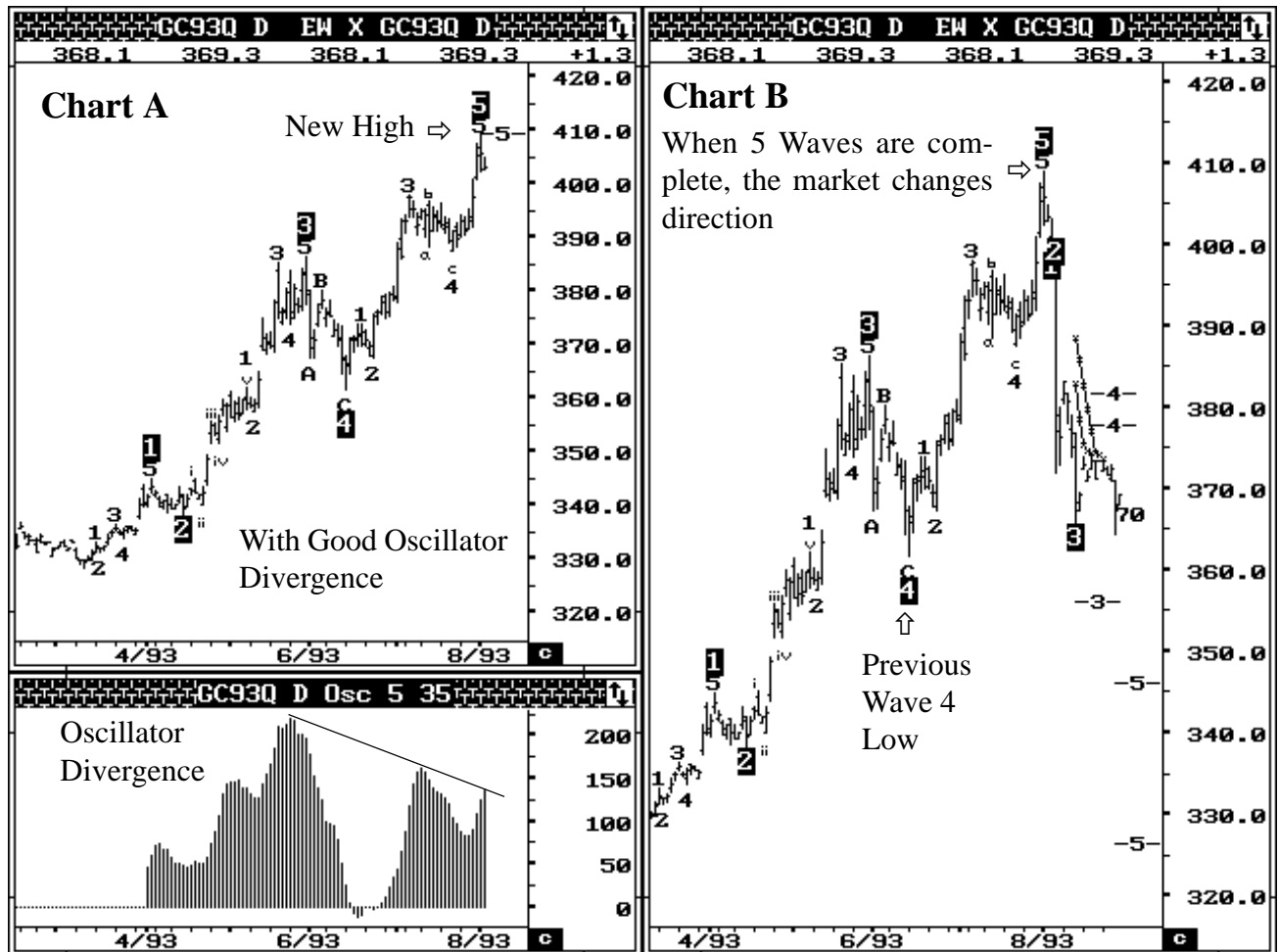
- Once the Elliott Oscillator pulls back to zero, it signals the end of a potential Wave Four profit taking decline as shown in Chart A.



- New buying comes in and the market makes new highs (as shown in Chart B).

Using The Elliott Oscillator in Wave Five

- ⊙ The market is making a new high with less strength in the Elliott Oscillator as shown in Chart A.



- ⊙ This indicates that the current rally is a Wave Five and 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 Four will become the first target. In Chart B, the market changed direction and is trying to test the previous Wave Four low near 3630.

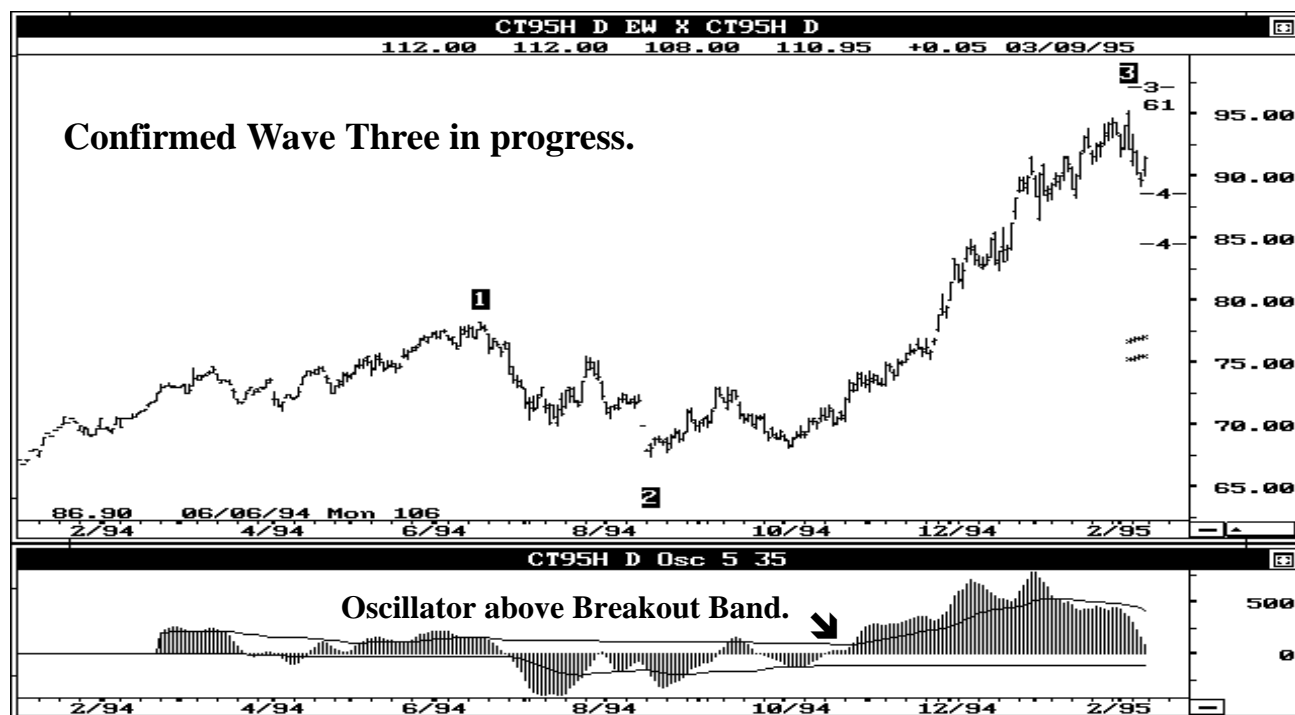
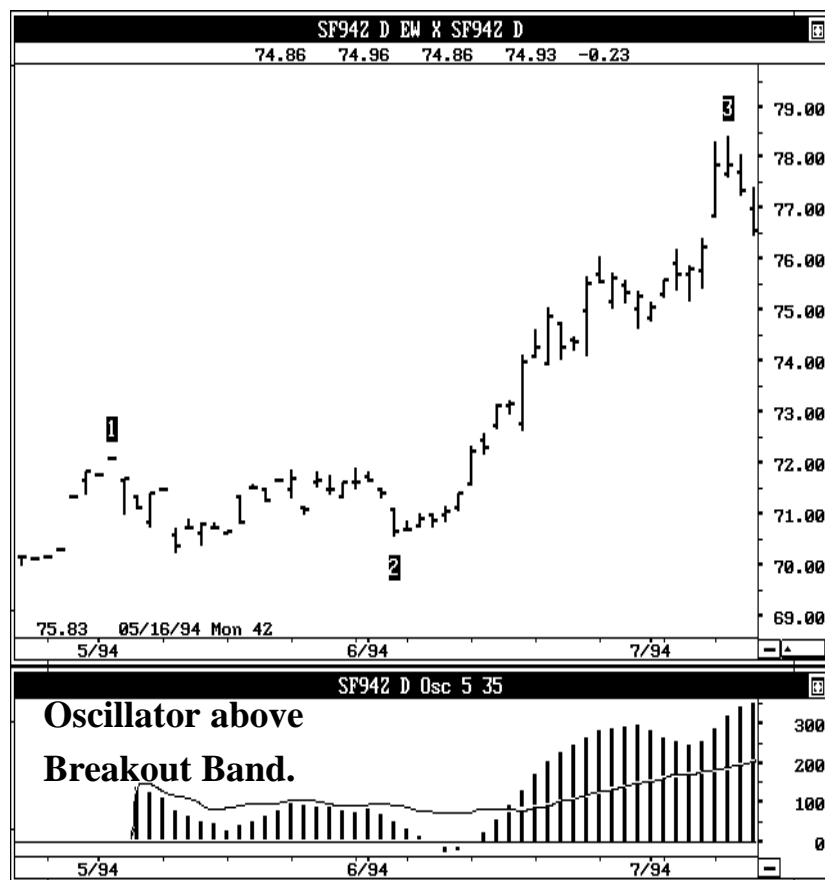
OSCILLATOR BREAKOUT BANDS

A major task in using Elliott Wave Analysis is to identify Wave Three's 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 Break Out Bands provide an UP Band and a LOW Band. **Anytime the software labels a Wave Three, the Oscillator needs to be comfortably above the Break Out Band.** We recommend a setting of 80% for these bands.

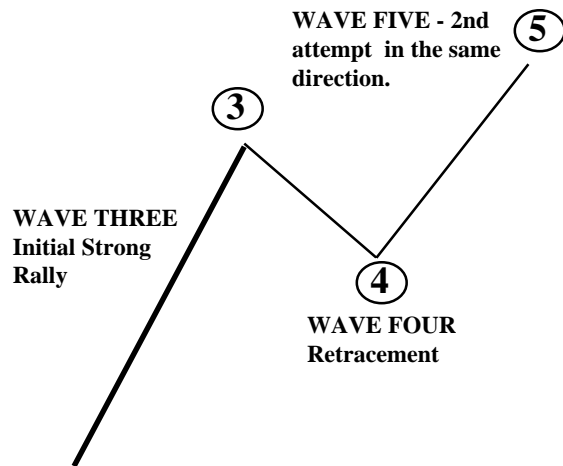
The chart on the left is the Daily Swiss Franc Dec 94 contract. Here the software labels a Wave Three Rally and this rally is accompanied by a strong Oscillator that is breaking above the Breakout Bands.

Therefore, this Wave Count can be used for this market at this time. Another example is shown below where the Oscillator is above the Breakout Band and confirms with the Elliott Wave analysis.

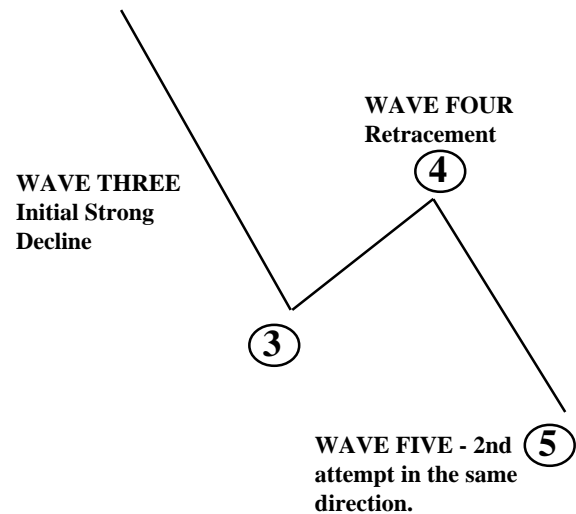


Adding PTI (*Profit Taking Index*) - Theory

Using Elliott Wave analysis, any major rally or decline can be classified as a **Wave Three**. Once a **Wave Three** is in place, Elliott Wave theory continues to look for a **Wave Four Retracement** followed by second attempt in the same direction. This last phase is called **Wave Five**.

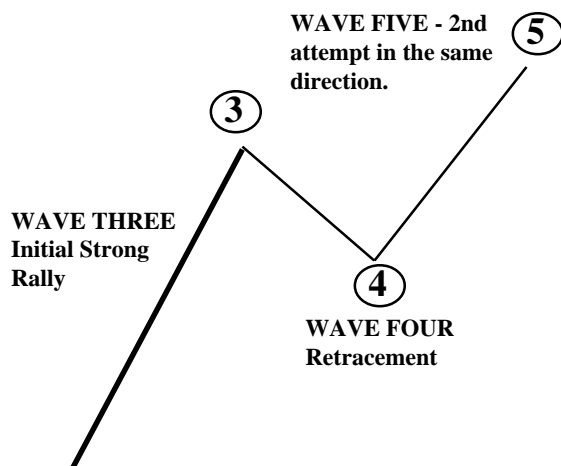


RALLY PHASE

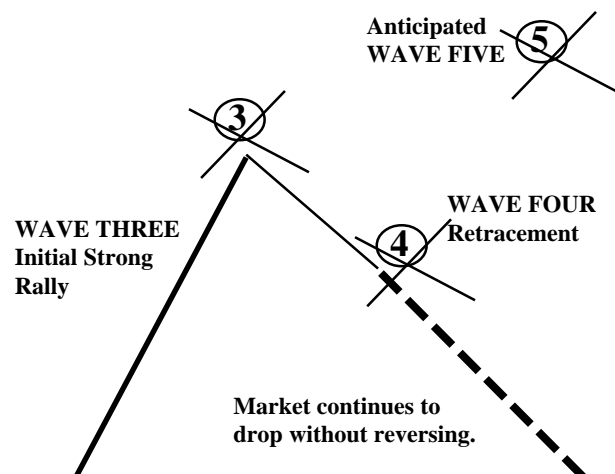


DECLINE PHASE

The above patterns are completed Five 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 FOUR Retracement. **This dilemma is because many times the 2nd attempt fails to materialize.**



Normal Five Wave Pattern

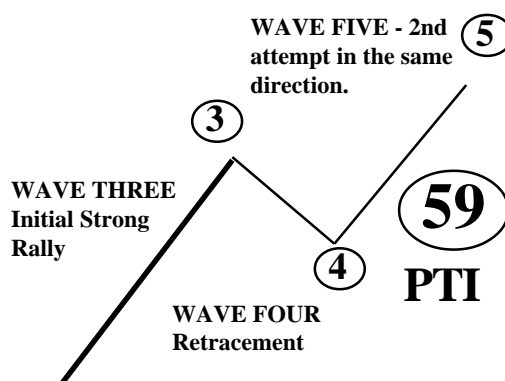


False Five Wave Pattern

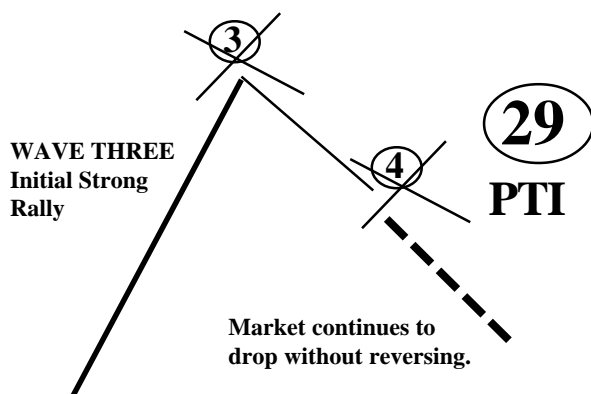
From our years of research and development, we designed the **Profit Taking Index (PTI)**. The Profit Taking Index compares the Buying/Selling momentum in Wave Three with the Buying/Selling momentum in Wave Four. This comparison is then passed to an algorithm that calculates the PROFIT TAKING INDEX VALUE.

CASE 1 - 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 2nd Attempt Phase**.



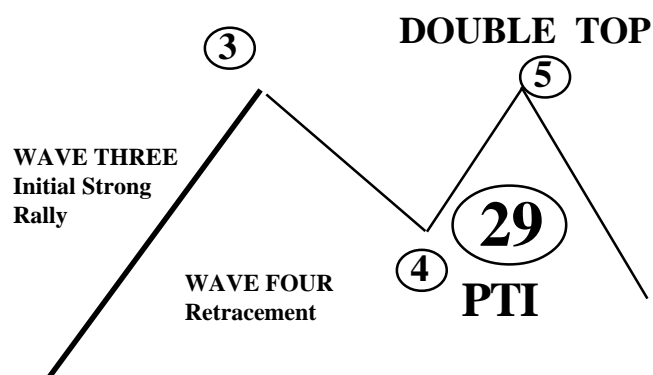
CASE 2- False Five Wave Pattern



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

CASE 3 -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.



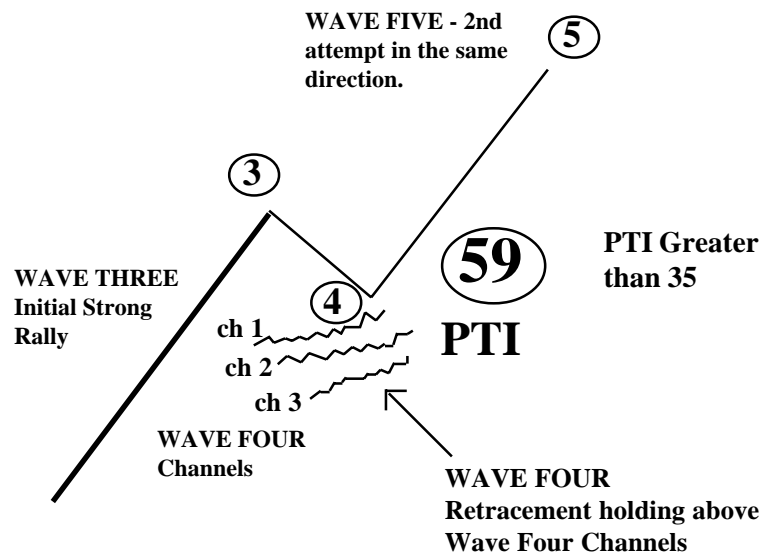
Adding Wave Four Channels

Wave Four 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 Four Channels deal with time. After a strong rally, the retracement phase is allowed a certain amount of time prior to initiating the 2nd attempt (*Wave Five*) Phase.

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

If the Wave Four Retracement holds above the Wave Four channels, the odds for a strong 2nd attempt are greater.

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

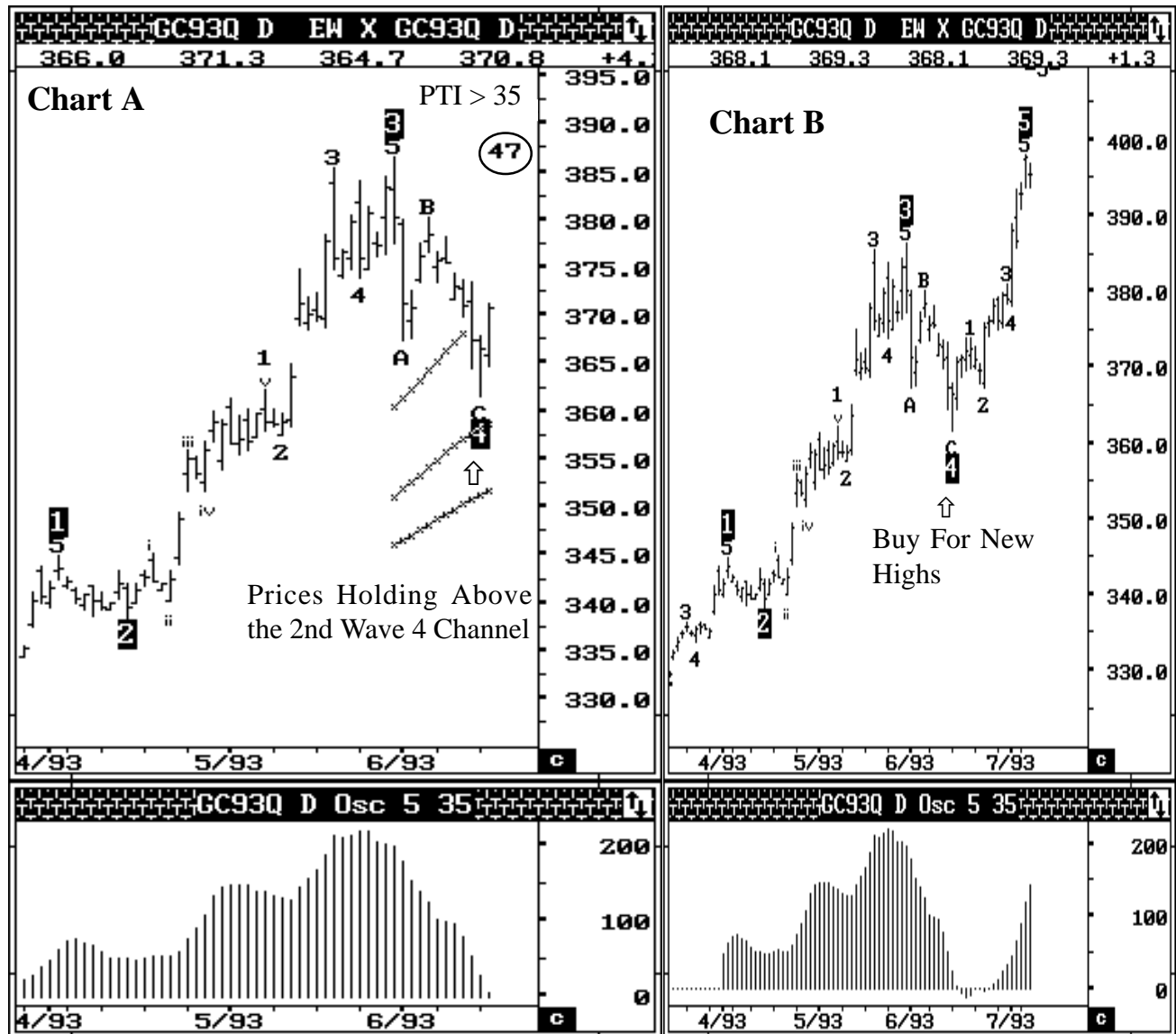


The Significance of Wave Four Channels

- 1) If the wave four retracement holds above the first channel (*displayed in BLUE*), the statistical odds are better than 80% for a strong wave five rally.
- 2) If the wave four retracement holds above the second channel (*displayed in GREEN*), the statistical odds for a strong wave five 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 five is 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 out your patience and option premiums.

Profit Taking Index & Wave 4 Channels

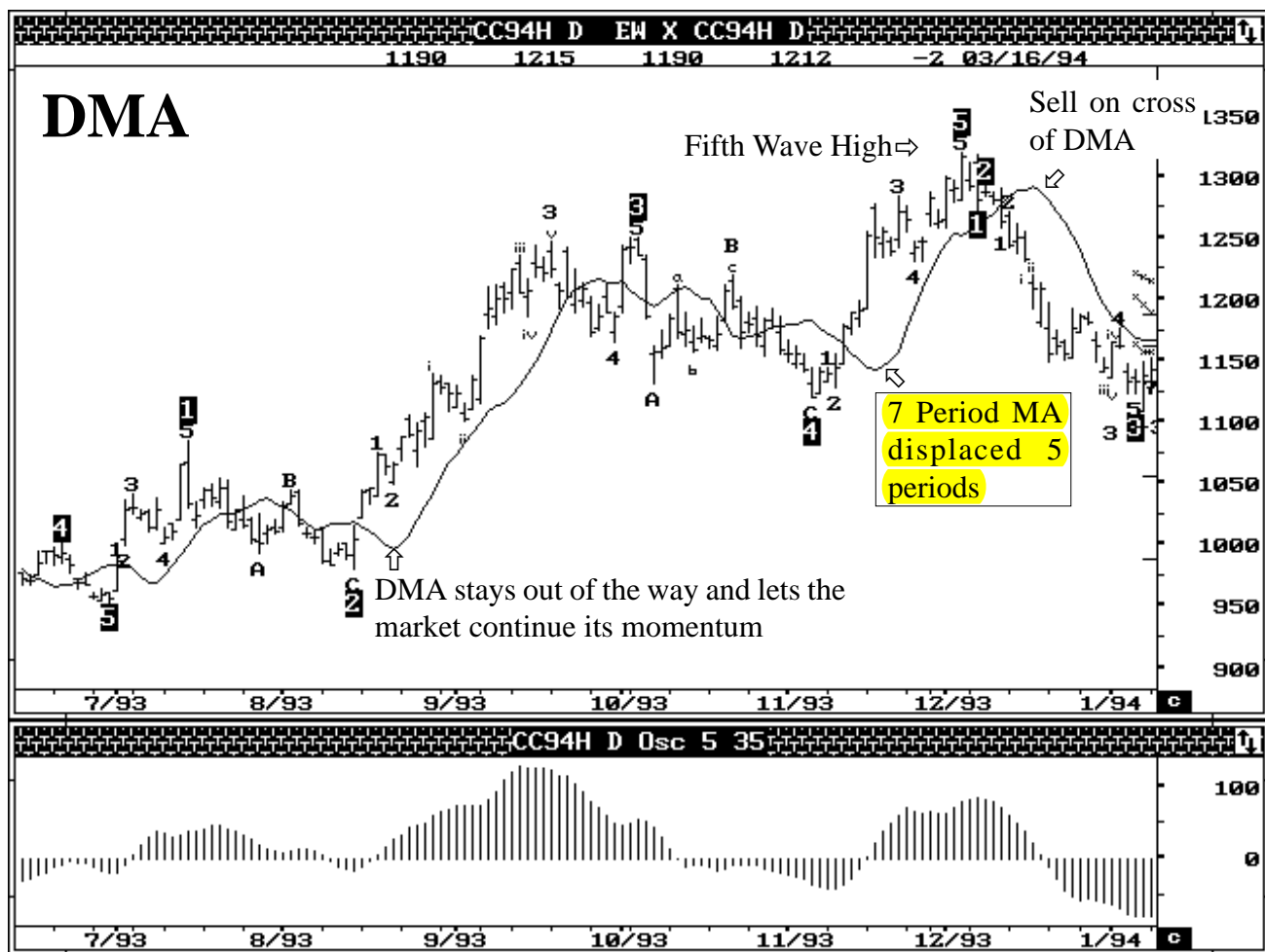
- ⊙ In Chart A, when the Elliott Oscillator pulls back to zero, the Profit Taking Index (PTI) should be greater than 35. In this case the PTI is at 47 which indicates normal profit taking in the Wave Four Decline.



- ⊙ In addition, the prices should hold above the Wave Four Channels which indicate the ideal length of time for normal profit taking. In Chart A, the prices are holding above the Wave Four Channels.
- ⊙ Everything here looks good for a buy.

Adding Displaced Moving Average (DMA)

- ⊙ We introduced the DMA concept in 1988. The DMA is a normal moving average shifted to the right. The purpose behind the DMA is to allow the market to continue its momentum.
- ⊙ When the market finally completes a Five Wave sequence, prices will cross the DMA.



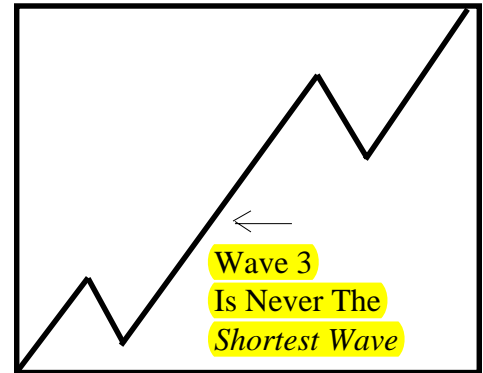
- ⊙ At the end of Wave Five, use the DMA to enter the trade. We suggest a 7 period moving average shifted (*displaced*) to the right by five periods.
- ⊙ **WARNING:** The DMA is designed to enter positions at the end of a Fifth Wave and on certain patterns at the end of Wave Four. **DO NOT USE** the DMA as a tool to buy or sell at other places. The accuracy for the DMA as a tool by itself is less than 21%.

Elliott Wave Rules & Guidelines —

1.) WAVE 3 IS NEVER THE SHORTEST (RULE).

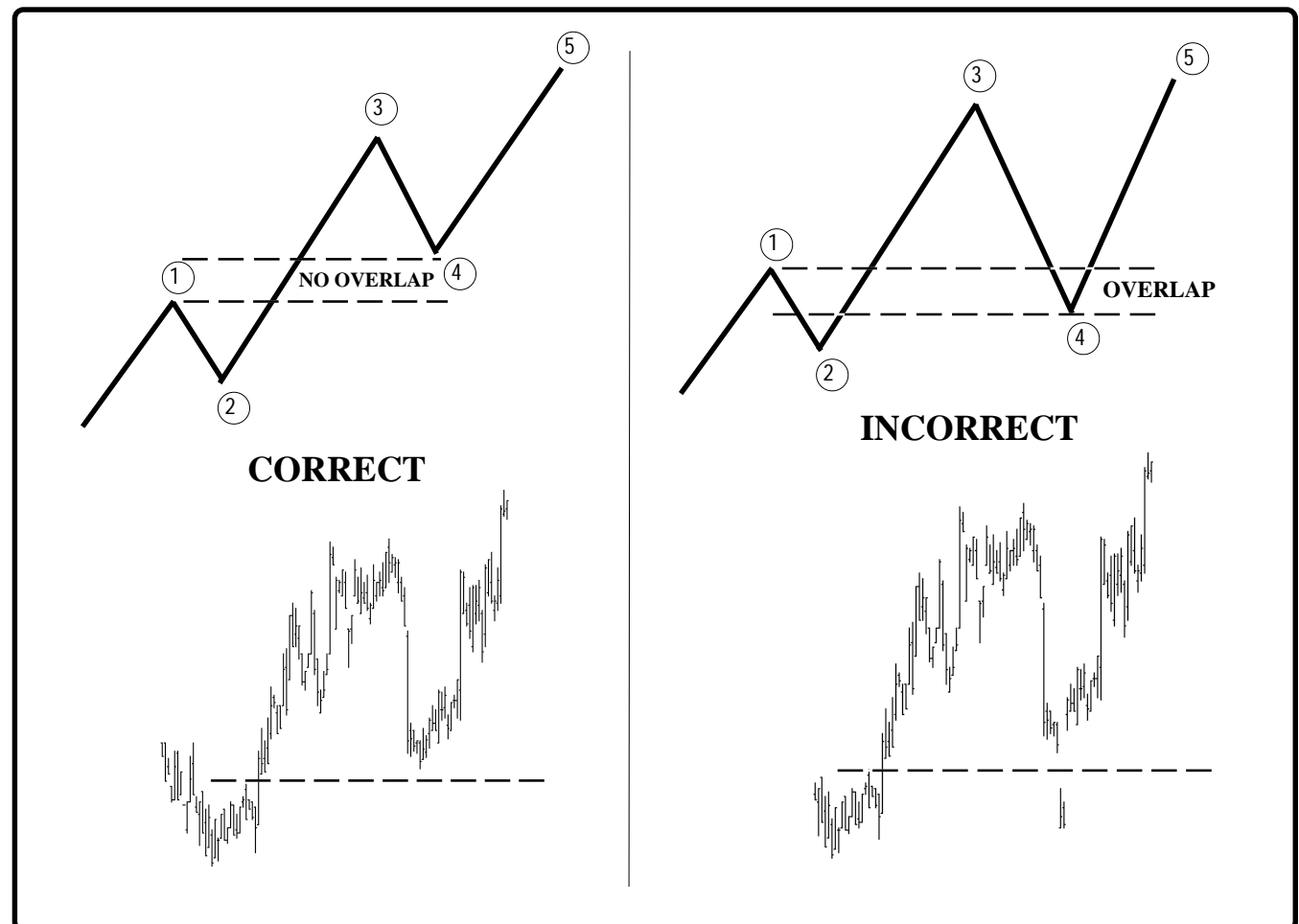
This means that Wave 3 is always longer than at least one of the other two waves (*Waves 1 or 2*). Usually, Wave 3 is longer than both these waves.

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.



2.) WAVE 4 SHOULD NOT OVERLAP WAVE 1 (RULE/GUIDELINE).

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. However, use an overlap count as a last resort.



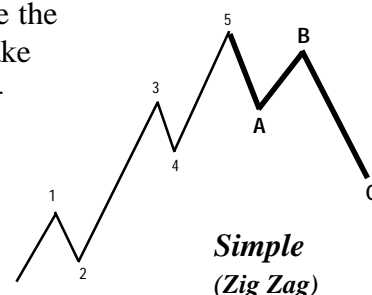
Elliott Wave Corrections

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

There is only one pattern in a simple correction. This pattern is called a **Zig-Zag correction**. A Zig-Zag correction is a three 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 five wave pattern. In the other two types of corrections (*Flat and Irregular*), the Wave A has a three wave pattern. Thus, if you can identify a five wave pattern inside Wave A of any correction, you can then expect the correction to turn out as a Zig-Zag formation.

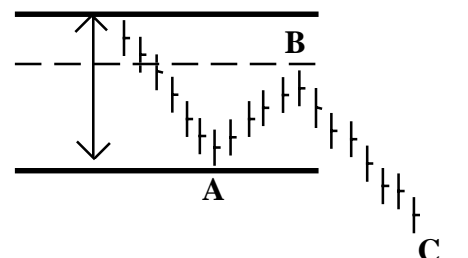


Fibonacci Ratios Inside A ZigZag Correction

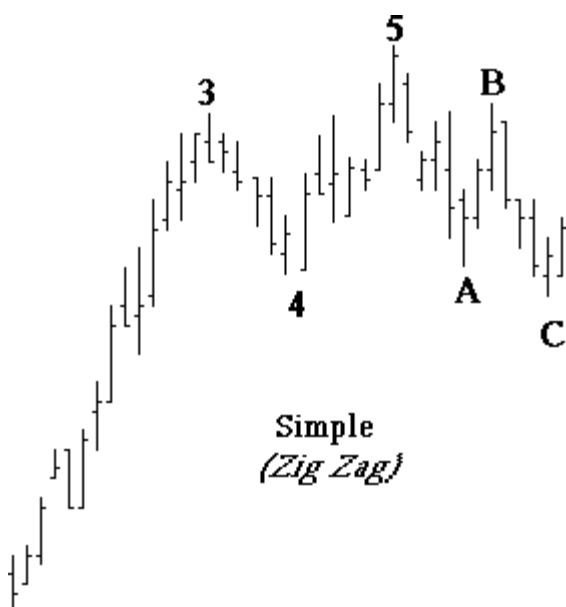
Wave B = usually 50% of Wave A.

Wave B should not exceed 75% of Wave A.

Wave C = either 1 x Wave A
or 1.62 x Wave A
or 2.62 x Wave A

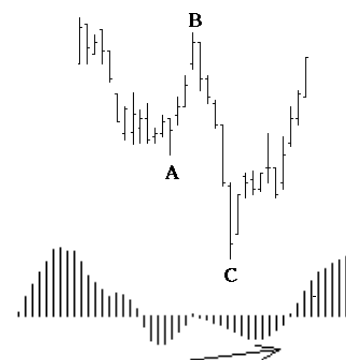


Be alert for angle divergence



**A simple correction
is commonly called
a Zig-Zag correction.**

**You typically see
divergence with the
Oscillator in a
simple correction.**

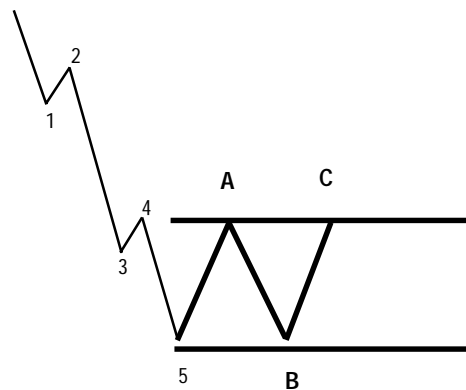
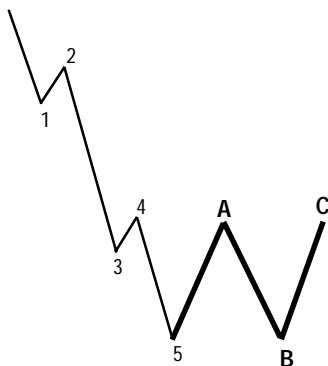
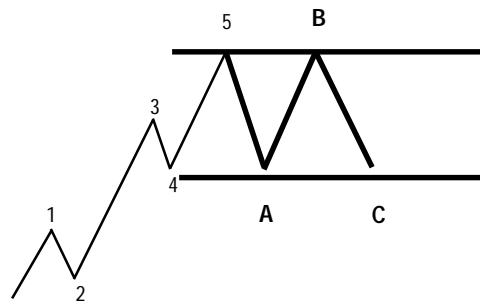
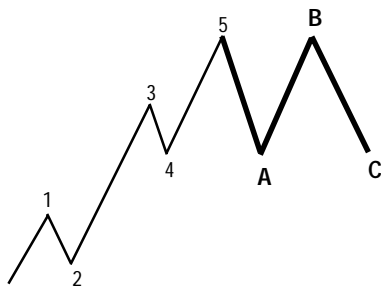
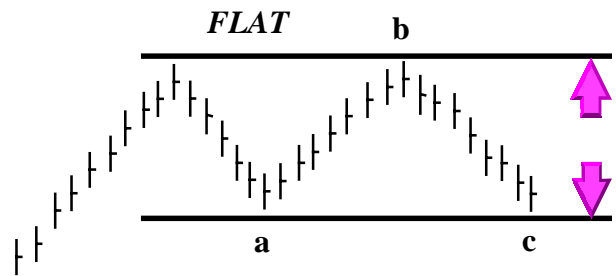


Complex Corrections— Flat, Irregular, Triangle

The complex correction group consists of three different patterns: 1) Flat, 2) Irregular, and 3) Triangle.

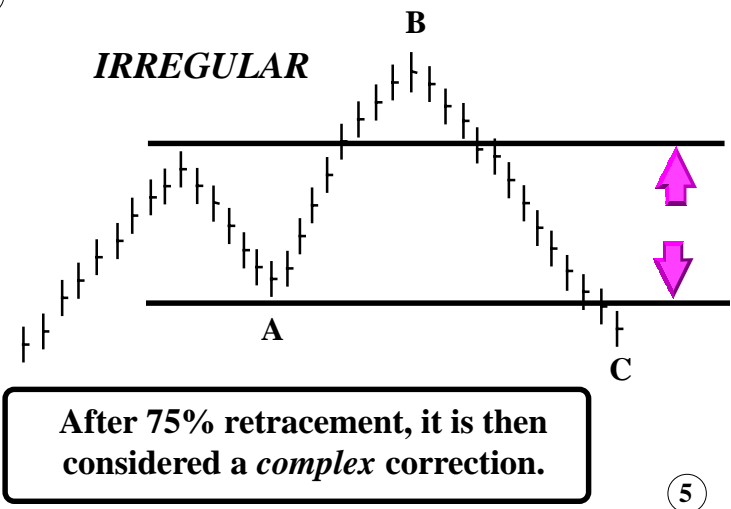
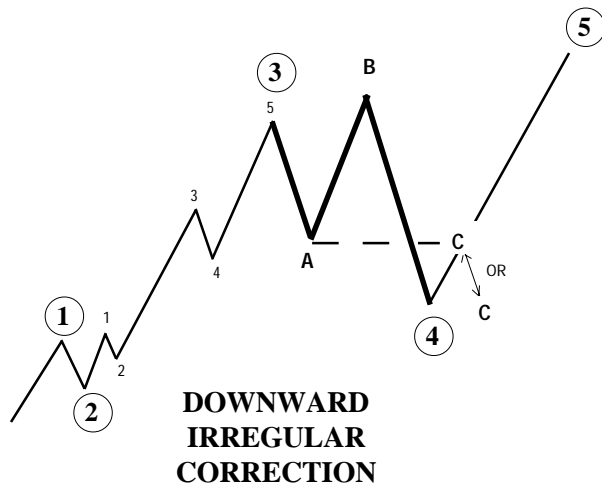
Flat Correction

In a Flat correction, the length of each wave is identical. After a five 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.



Irregular Corrections

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.

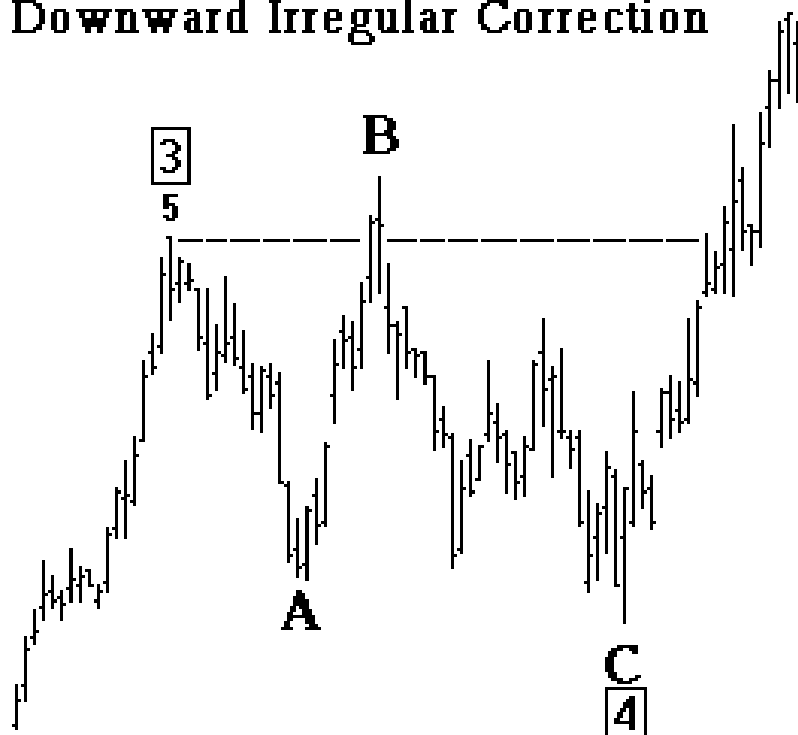


Fibonacci Ratios In An Irregular Wave

Wave B = either $1.15 \times \text{Wave A}$
or $1.25 \times \text{Wave A}$

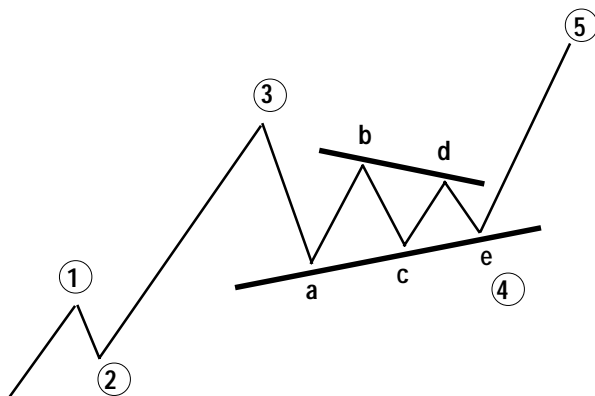
Wave C = either $1.62 \times \text{Wave A}$
or $2.62 \times \text{Wave A}$

Downward Irregular Correction

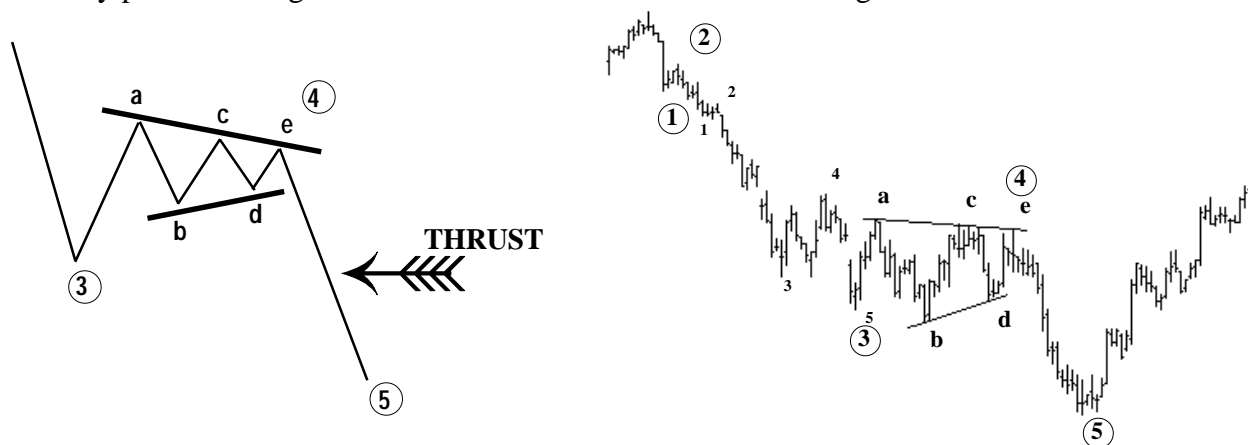


Triangle Corrections

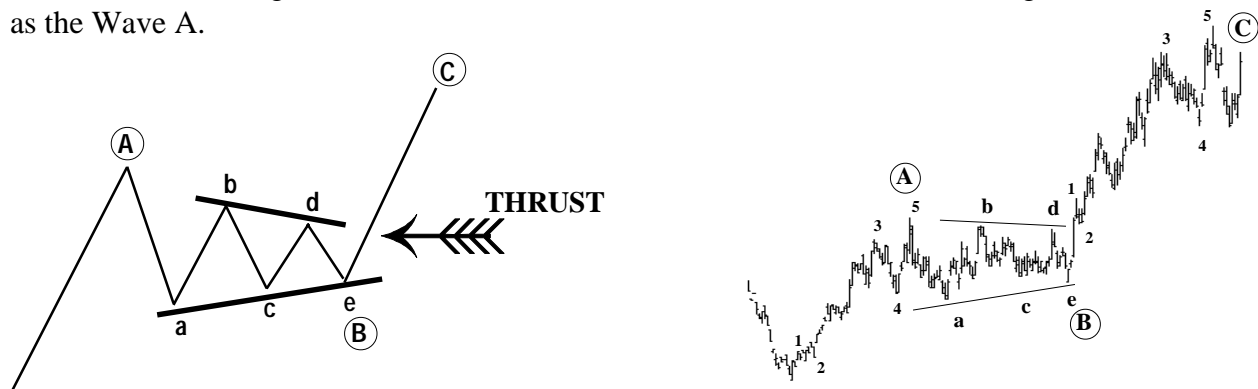
In addition to the three wave correction patterns, there is another pattern which appears time and time again. It is called the Triangle pattern. The Elliott Wave Triangle approach is quite different from other triangle studies. The Elliott Triangle is a five wave pattern where all the waves cross each 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 three 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 the fourth wave, the market thrusts out of the triangle in the same direction as Wave 3. When triangles occur in Wave B's, the market thrusts out of the triangle in the same directions as the Wave A.



Alternation Rule

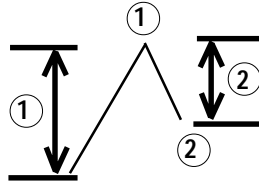
- If Wave Two Is A Simple Correction, Expect Wave Four To Be A Complex Correction.
- If Wave Two Is A Complex Correction, Expect Wave Four To Be A Simple Correction.

Wave Measurements & Ratios

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.

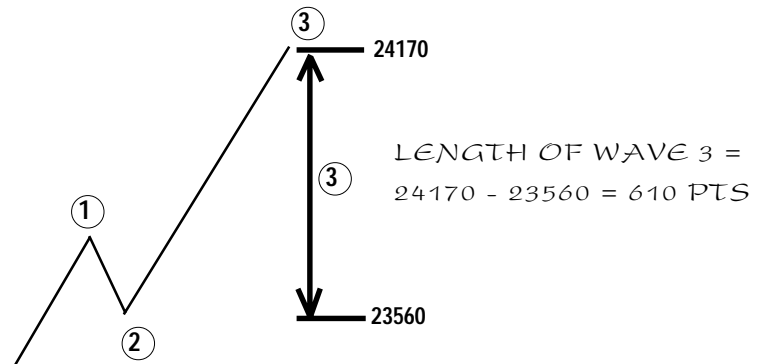
**LENGTH OF EACH
WAVE
INDICATED BY
LENGTH OF EACH
ARROW**

Length of
Wave One

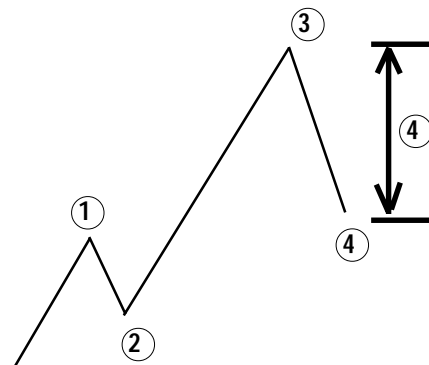


Length of
Wave Two

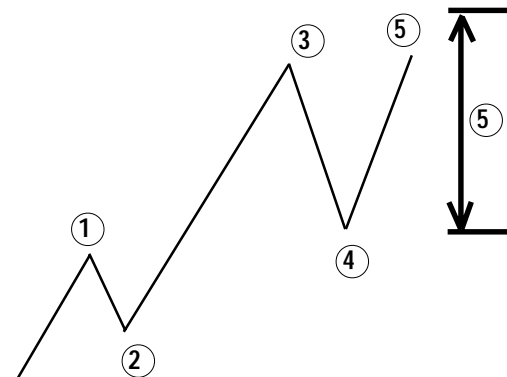
Length of
Wave Three



Length of
Wave Four



Length of
Wave Five



Fibonacci Ratios Of Waves

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. Prior to wave ratios, we need to discuss **Fibonacci**.

Fibonacci Ratio Background

Fibonacci ratios are mathematical ratios derived from the Fibonacci sequence. The Fibonacci sequence is the work of Leonardo Fibonacci around 1180ACE. 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.

Ratios For Wave Two

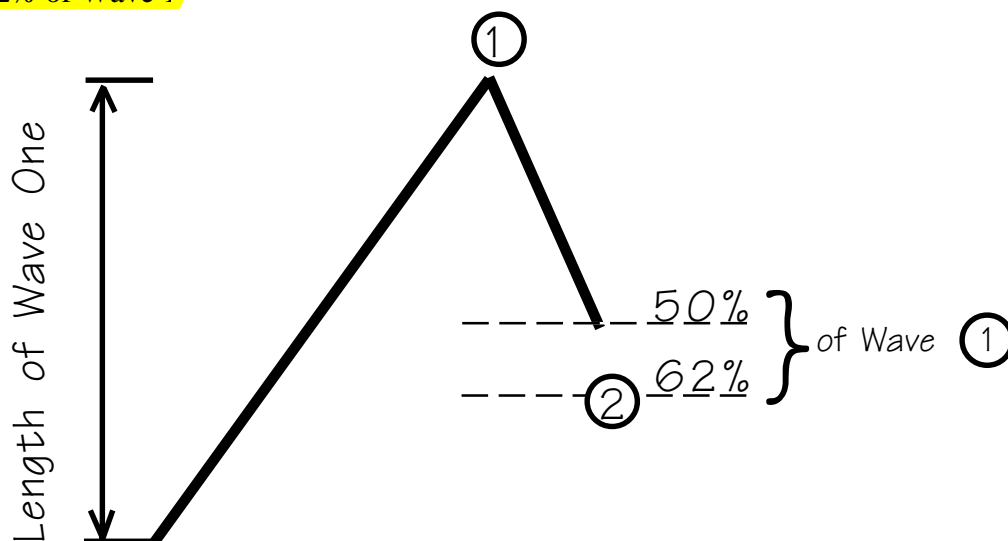
Fibonacci Rules for Wave Two are as follows:

Wave 2 is always related to Wave 1

Common Ratios for Wave Two are:

Wave 2 = either, 50% of Wave 1

or, 62% of Wave 1

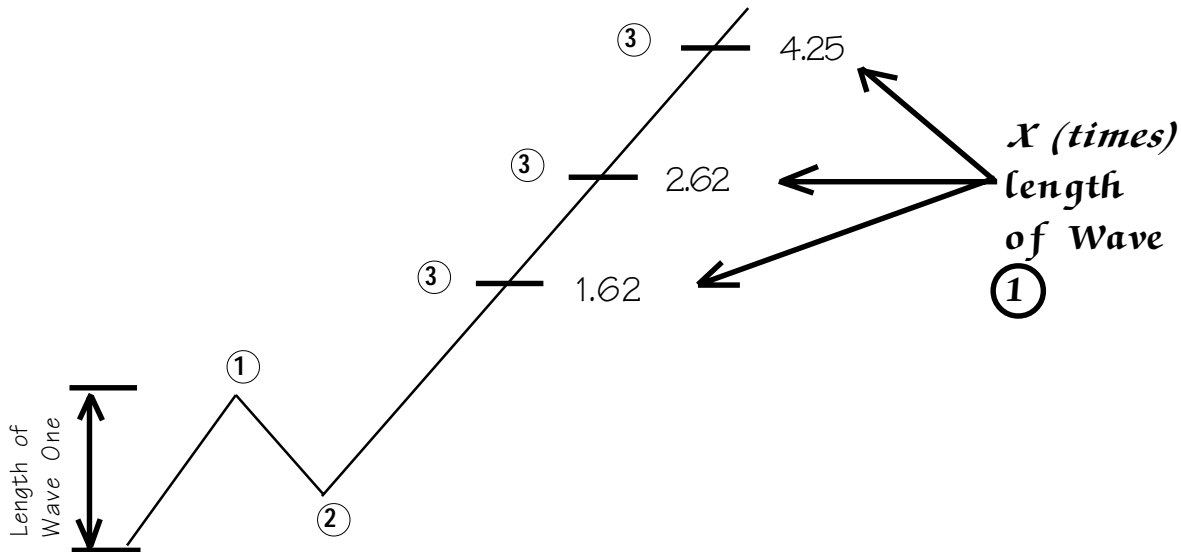


Ratios For Wave Three

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.

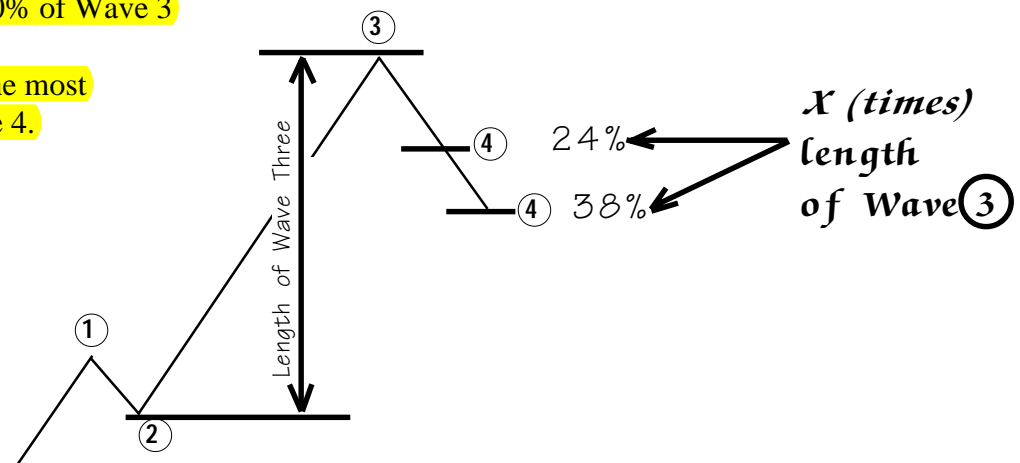


Ratios For Wave Four

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 Five

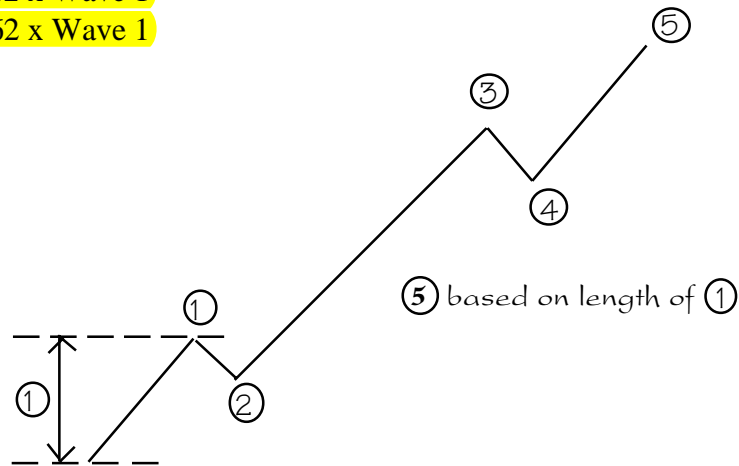
Wave 5 has two different relationships. Both are shown below.

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

Wave 5 either = Wave 1

or = $1.62 \times \text{Wave 1}$

or = $2.62 \times \text{Wave 1}$



- 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 $0.62 \times \text{length of}$

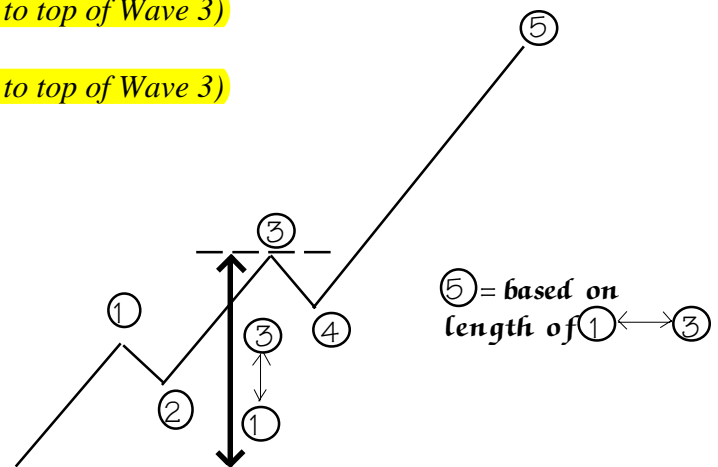
(beginning of Wave 1 to top of Wave 3)

or = length of

(beginning of Wave 1 to top of Wave 3)

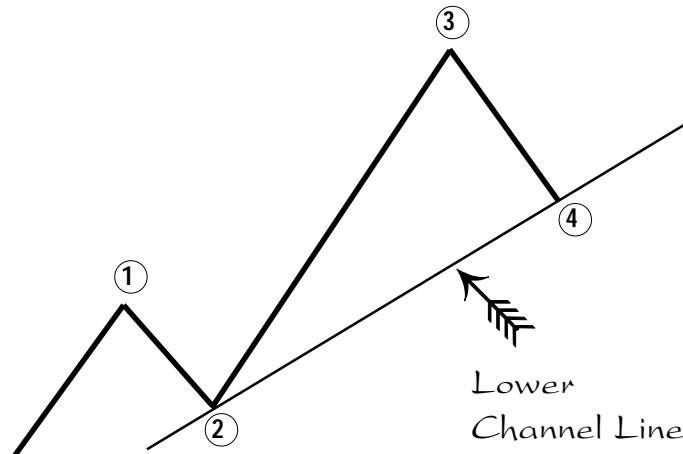
or = $1.62 \times \text{length of}$

(beginning of Wave 1 to top of Wave 3)

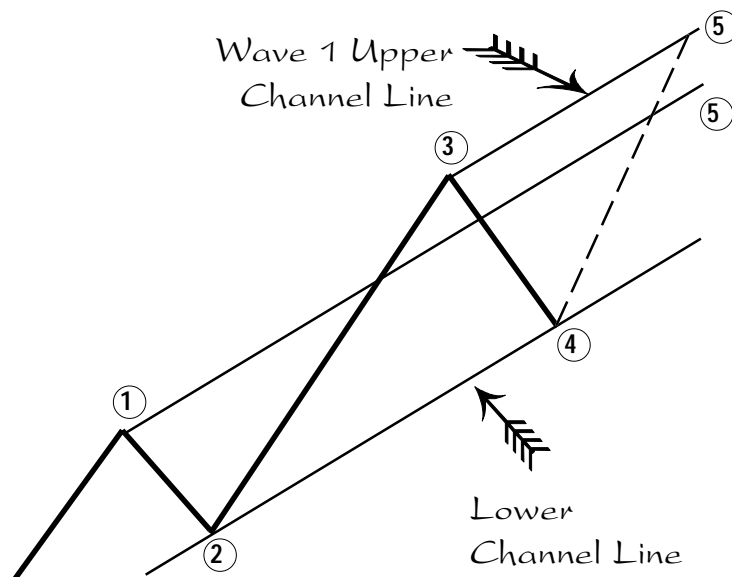


Elliott Channels For Top Of A Wave Five

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.

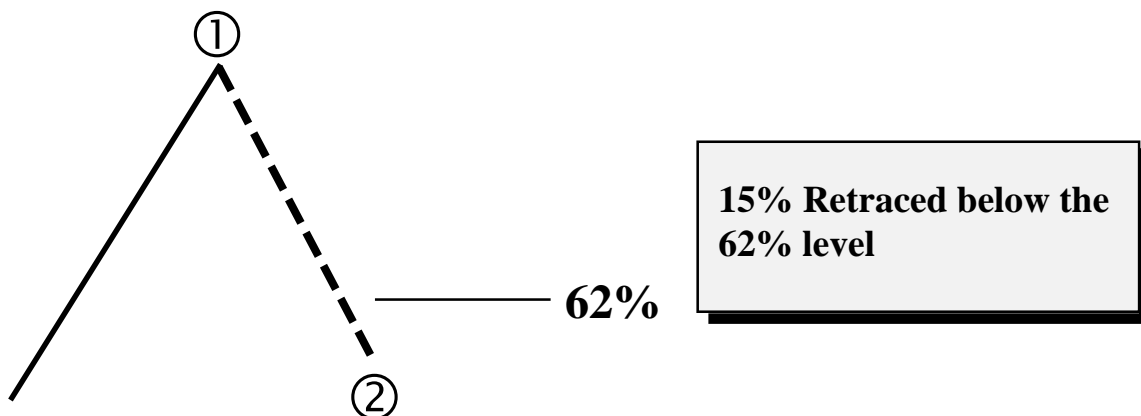
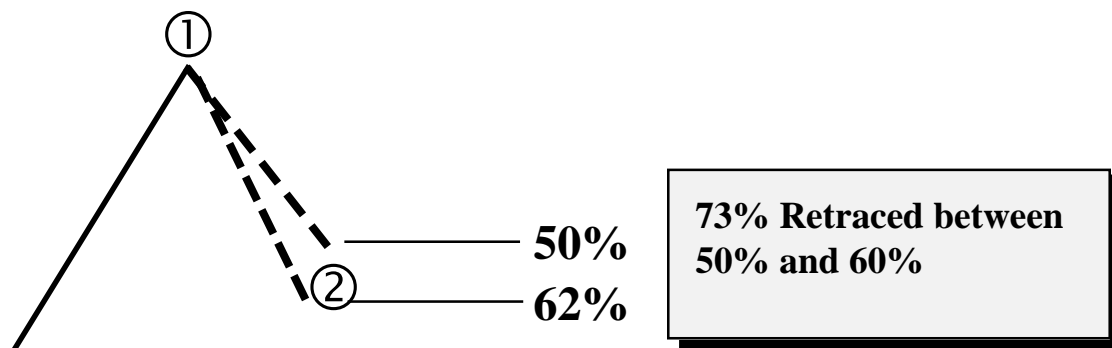
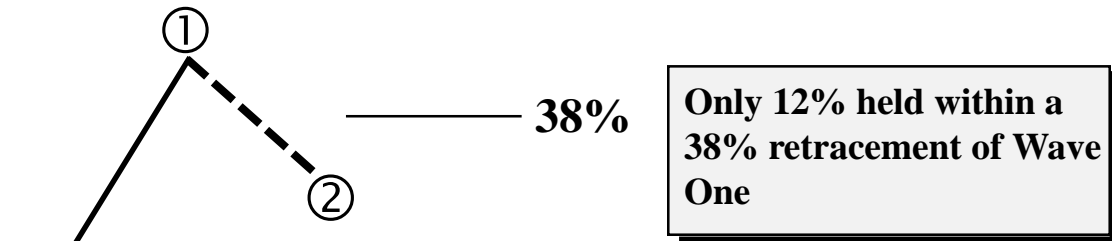


Now, draw two lines parallel to the lower channel line connecting the tops of Waves 1 and 3.

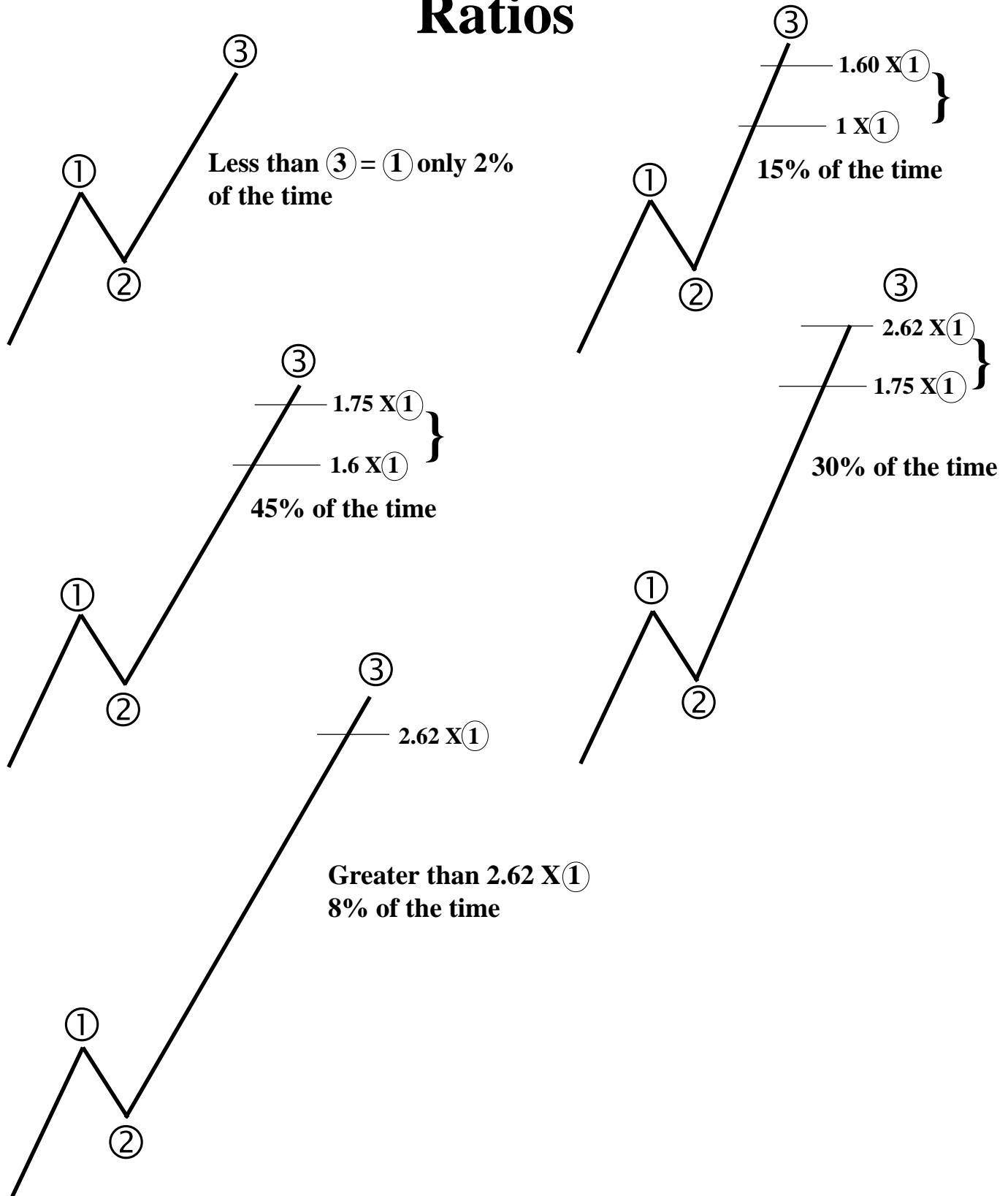


Expect Wave 5 to end on one of the two upper channel lines. Usually, if Wave 3 was a normal wave, Wave 5 tends to end on the channel drawn from the Wave 3 top. If Wave 3 was extended and a runaway type of wave, Wave 5 tends to end on the channel drawn from the top of Wave 1.

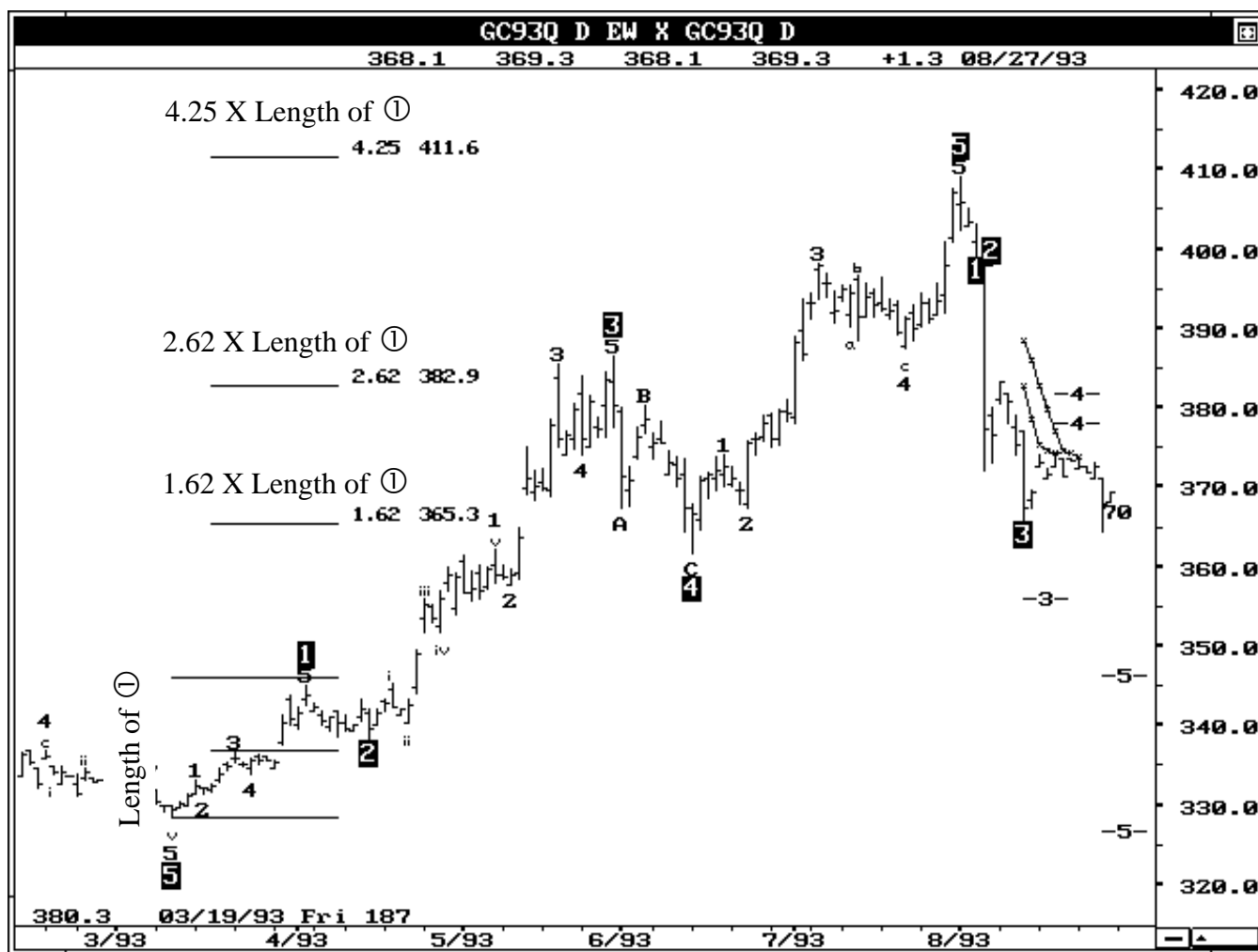
Statistical Analysis of Wave Two Ratios



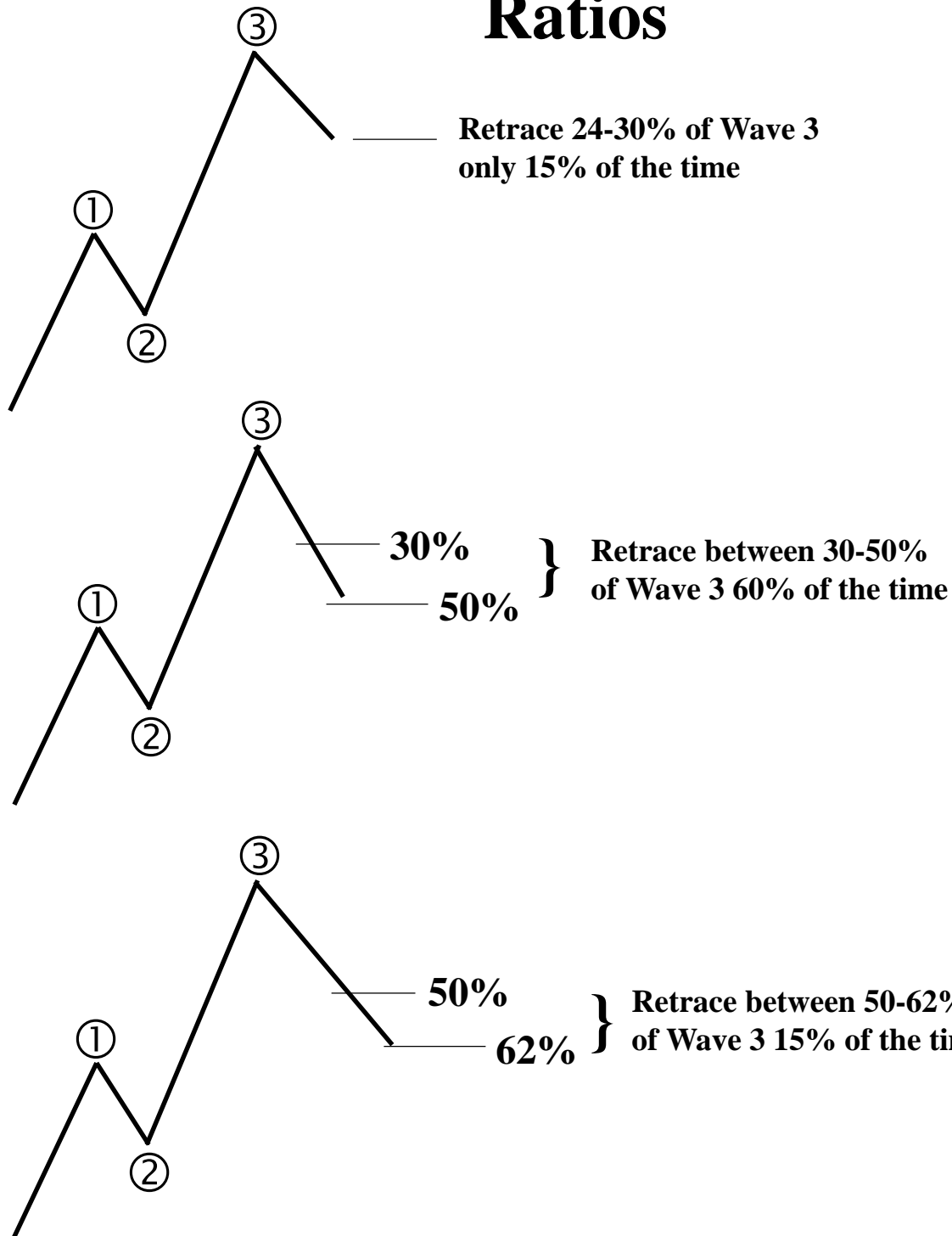
Statistical Analysis of Wave Three Ratios



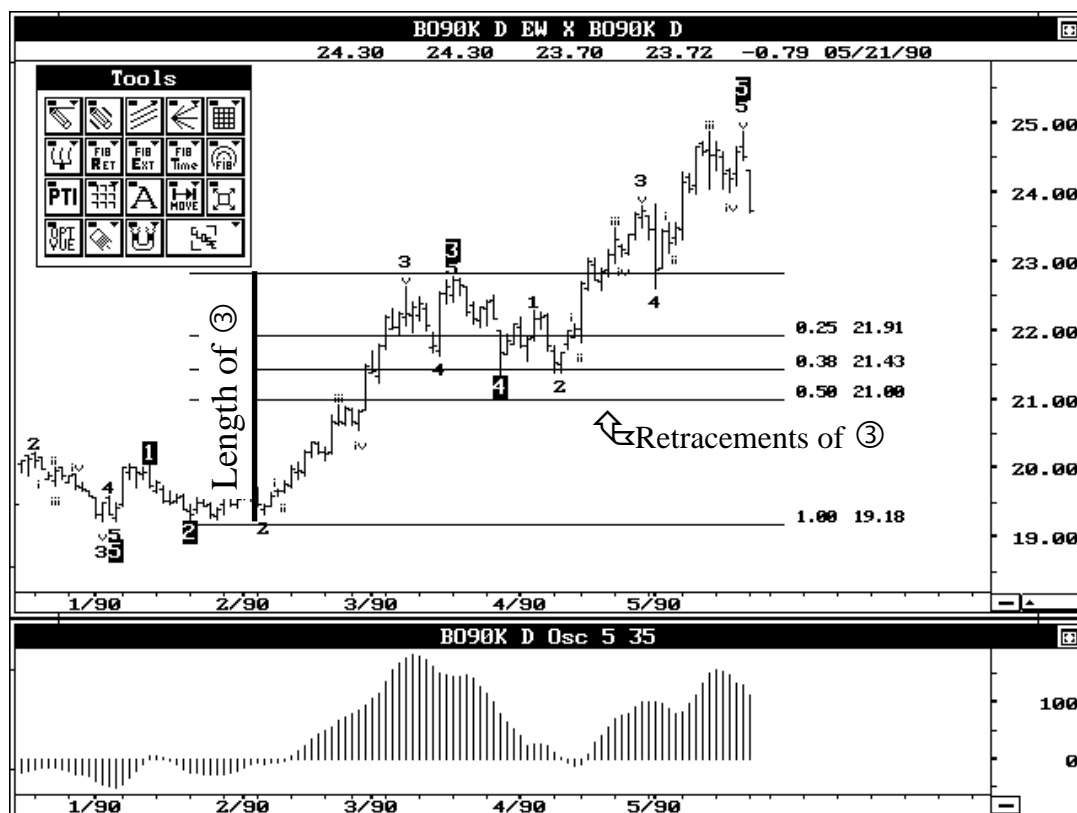
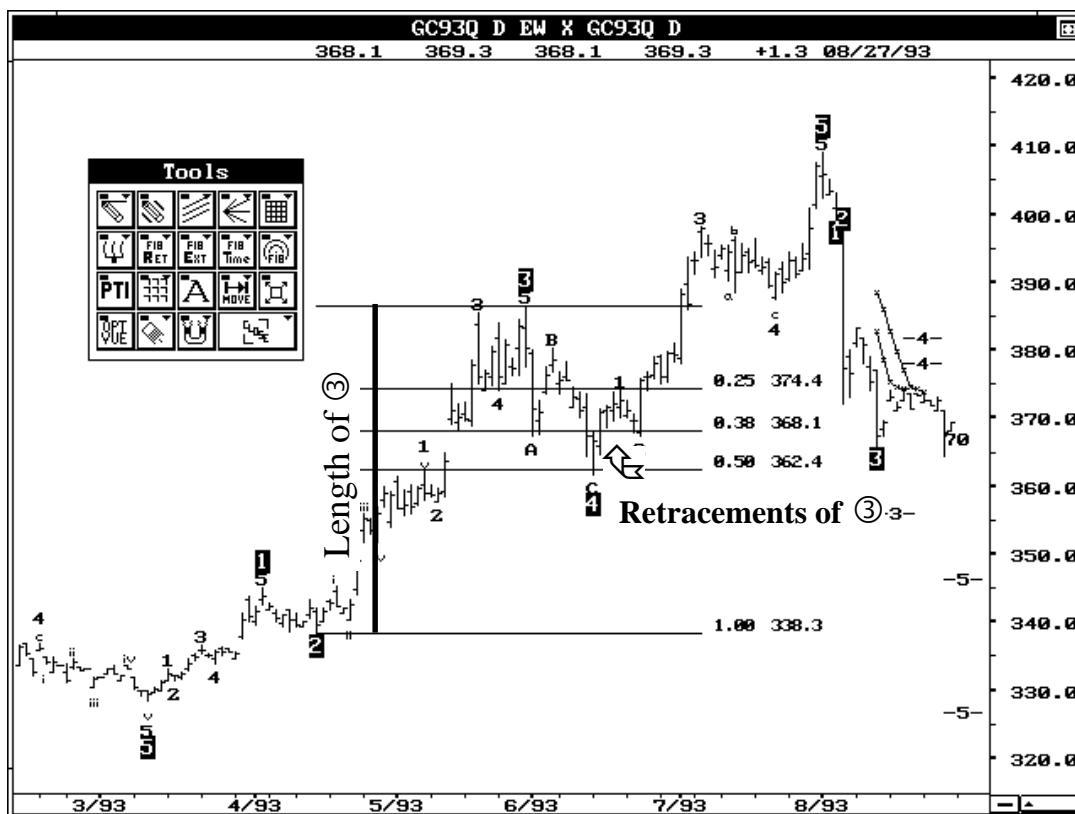
Wave Three Ratios



Statistical Analysis of Wave Four Ratios



Wave Four Ratios



Elliott / Fibonacci Ratios

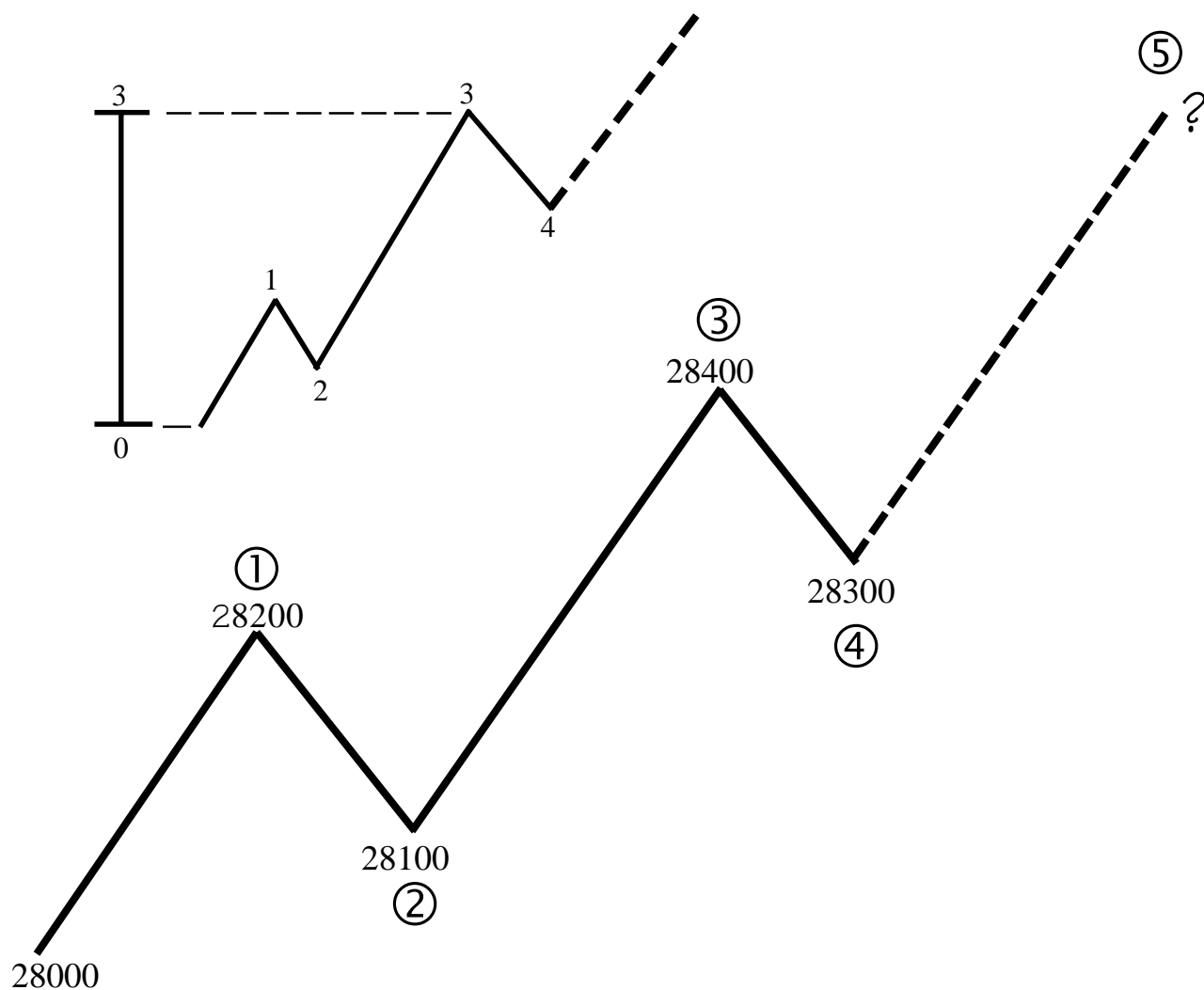
Wave Five

(Extended if Wave Three is less than 1.62 X Wave One)

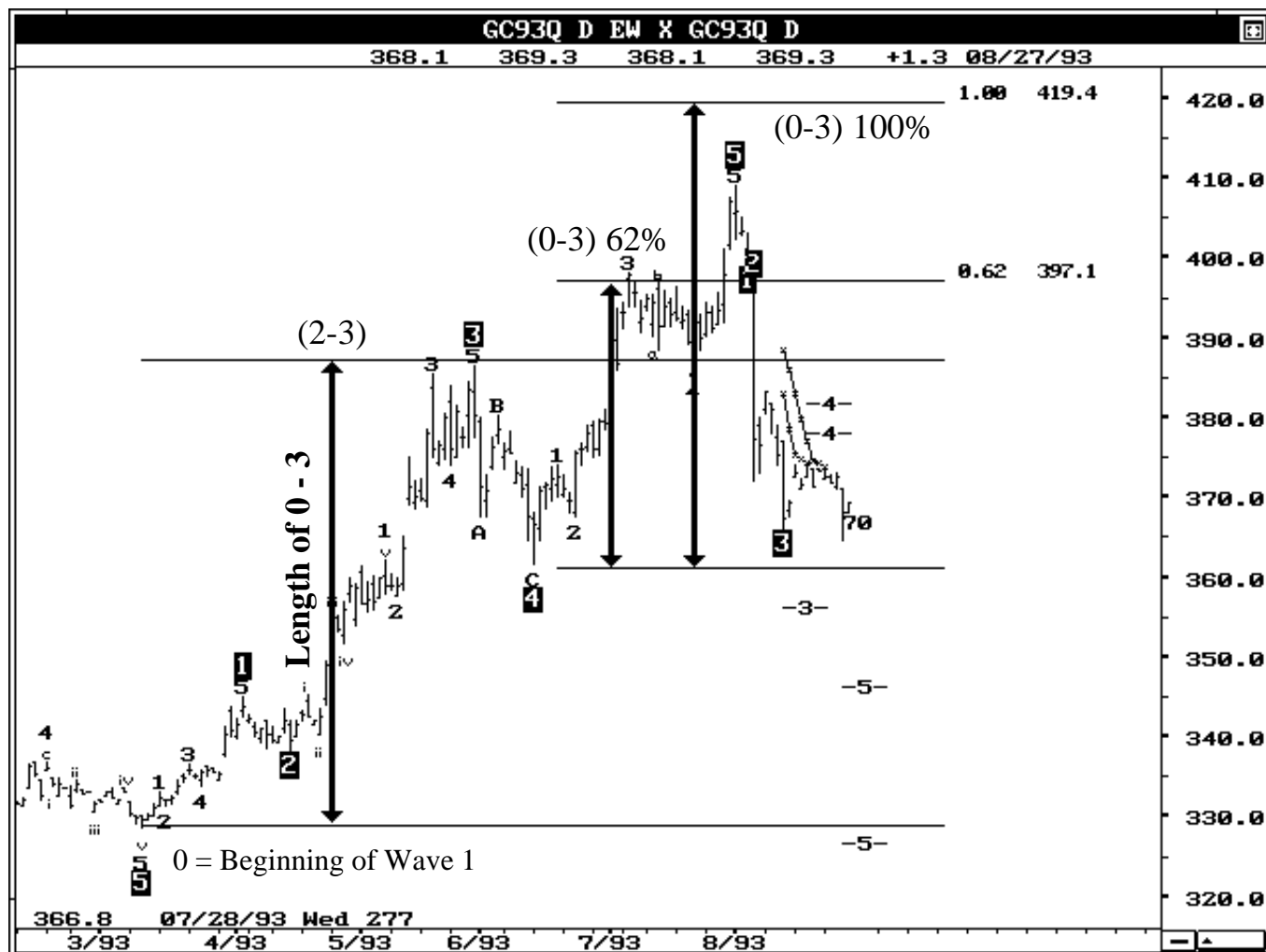
⑤ = .62 X Length of 0 to 3

⑤ = 1 X Length of 0 to 3

⑤ = 1.62 X Length of 0 to 3



Elliott / Fibonacci Ratios For Wave 5



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 One. This is the start of the new Five Wave sequence. The length of 0 - 3 is extended from the end of Wave 4.

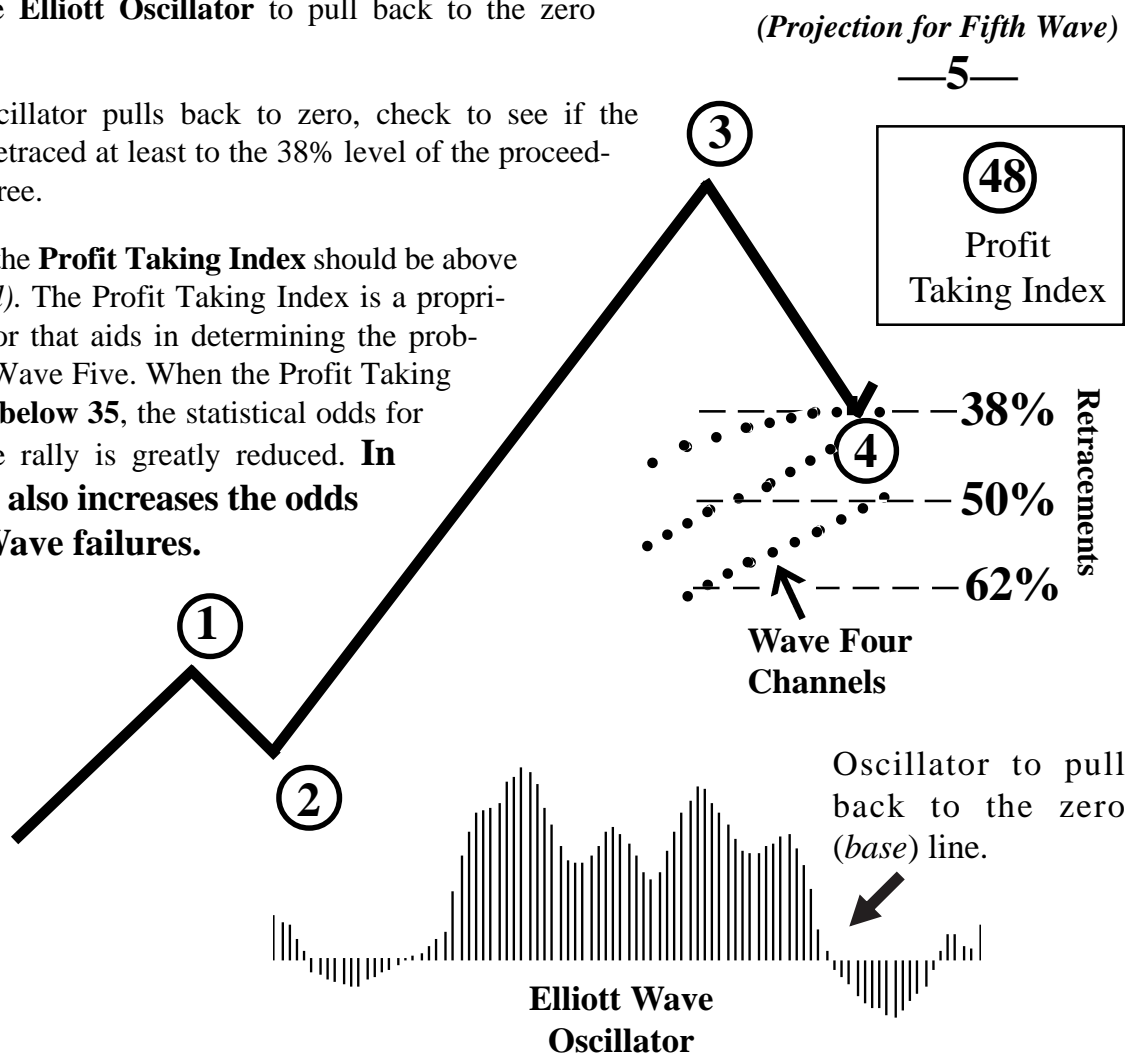
Wave 5 usually ends inside the windows of 62% of 0 - 3 and equal to 0 - 3 added to the end of Wave 4.

Rules: Type 1 Trade

(Buying at the end of a Fourth Wave retracement)

Once the software confirms a Wave Three rally, look for the following conditions:

- A. Look for the **Elliott Oscillator** to pull back to the zero (base) line.
- B. Once the oscillator pulls back to zero, check to see if the prices have retraced at least to the 38% level of the proceeding Wave Three.
- C. At this time, the **Profit Taking Index** should be above 35 (*preferred*). The Profit Taking Index is a proprietary indicator that aids in determining the probability for a Wave Five. When the Profit Taking Index **drops below 35**, the statistical odds for a Wave Five rally is greatly reduced. **In addition, it also increases the odds for Fifth Wave failures.**



- D. Retracements should hold above the Wave Four channels. Wave Four channels are proprietary channels that provides the much needed timing element for Elliott Wave analysis. An ideal Wave Four should complete above these channels. Containment of the retracement levels above the top two channels provide a higher probability for a stronger rally in Wave Five. **This step is not as critical as the Profit Taking Index in Step C.**
- E. Calculate the stop two Fibonacci levels under the entry level. For example: if your entry is at the 38% level, the stop should be placed two levels under (*which is below the 62% retracement area*).
- F. Look for the fifth wave projection target given by the software. Calculate the potential profit/stop ratio. **If this ratio is greater than 1.5, the trade is worth considering.**

The Reverse Logic Applies For A Declining Five Wave Sequence.

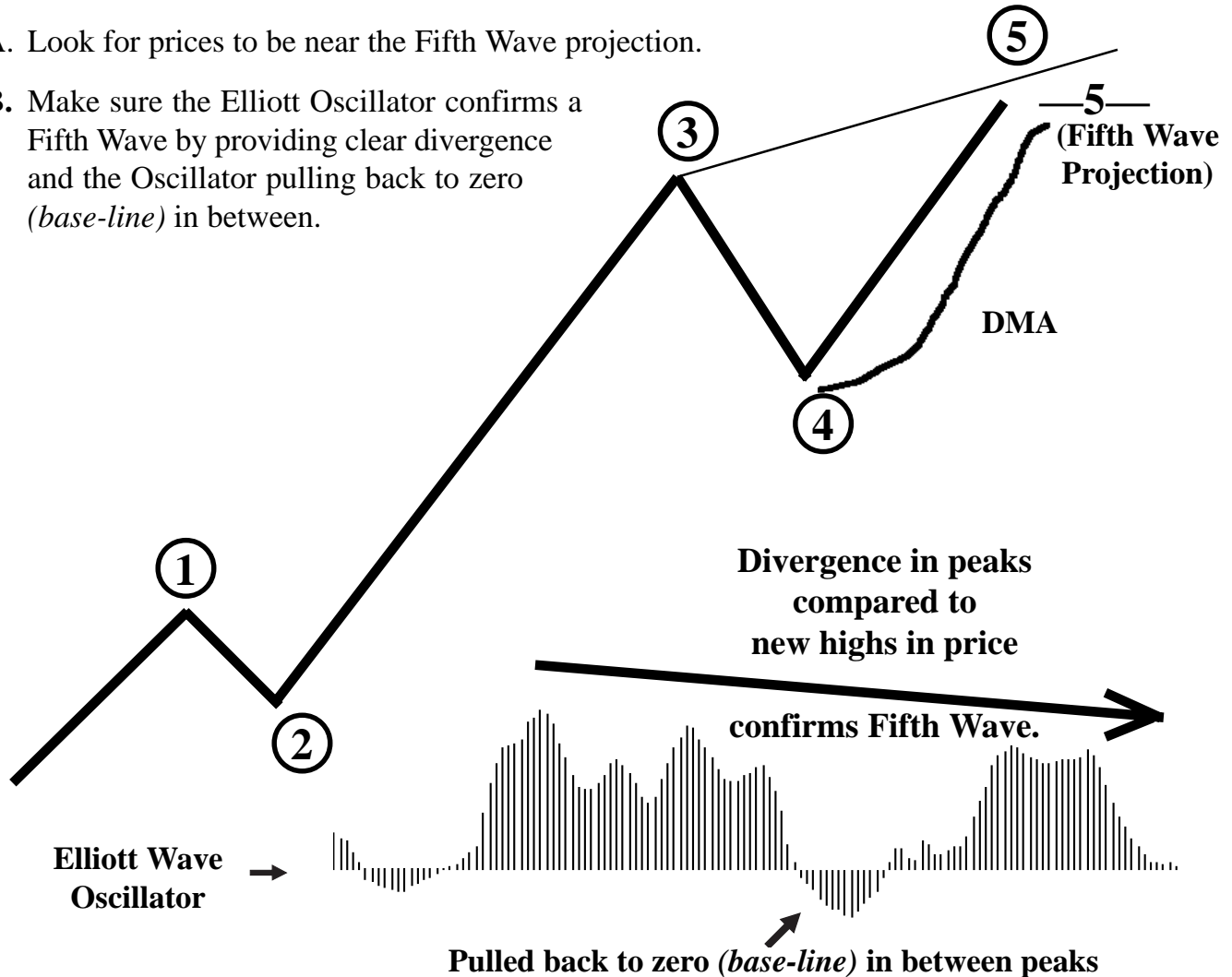
Rules: Type 2 Trade

(Selling at the end of a Fifth Wave rally)

Once the software confirms a Wave Five rally, look for the following conditions:

A. Look for prices to be near the Fifth Wave projection.

B. Make sure the Elliott Oscillator confirms a Fifth Wave by providing clear divergence and the Oscillator pulling back to zero (base-line) in between.



C. Use a DMA (*Displaced Moving Average*) to sell on a crossover. The DMA is a simple moving average displaced or shifted to the right. As long as the momentum in the market continues, the DMA stays out of the way. When the price tops out in Wave Five, it eventually breaks (*crosses*) the DMA. This provides a confirmation to enter a position. This also provides a defined stop above the highs.

D. Place stop above previous high.

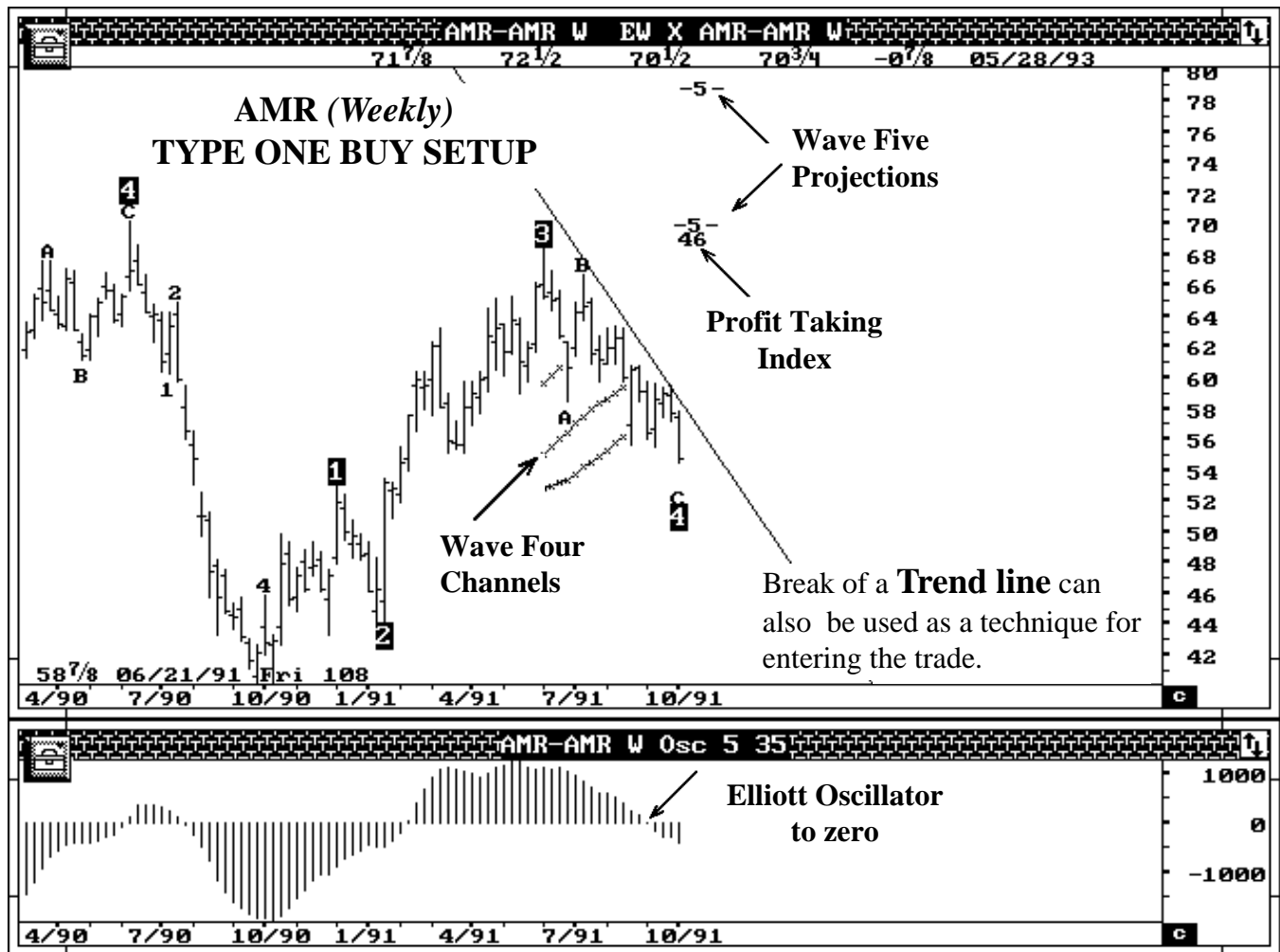
(DMA) stands for *Displaced Moving Average*. Our software automatically calculates this for you.

The Reverse Logic Applies For A Declining Five Wave Sequence.

EXAMPLES OF TYPE ONE AND TYPE TWO TRADES

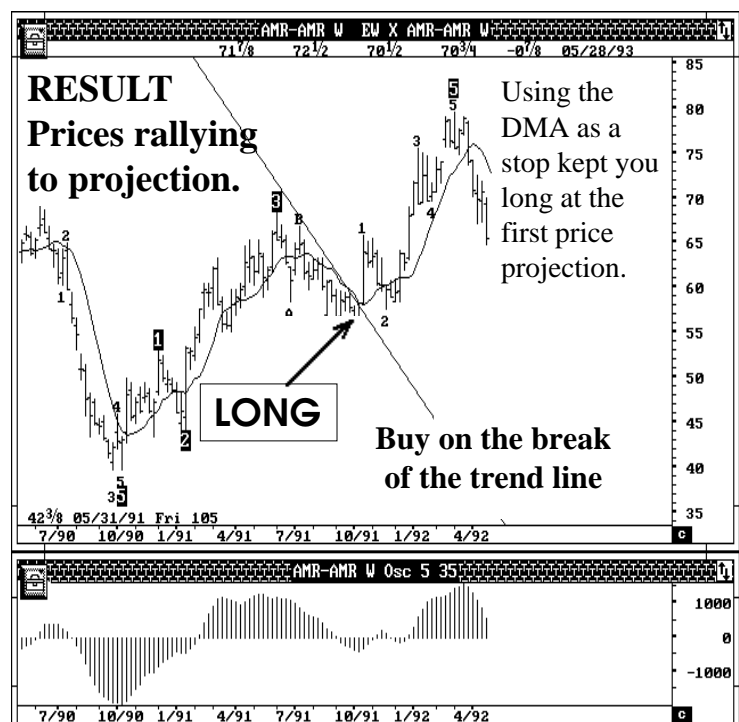
The hypothetical computer simulated performance results provided are believed to be accurately presented. However, it is not guaranteed as to accuracy or completeness and is subject to change without any notice. Hypothetical or simulated performance results have certain inherent limitations. Unlike an actual performance record, simulated results do not represent actual trading. Since, also, the trades have not actually been executed, the results may have been under or over compensated for the impact, if any, of certain market factors such as liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will, or is likely to achieve profits or losses similar to those shown. All investments and trades carry risks.

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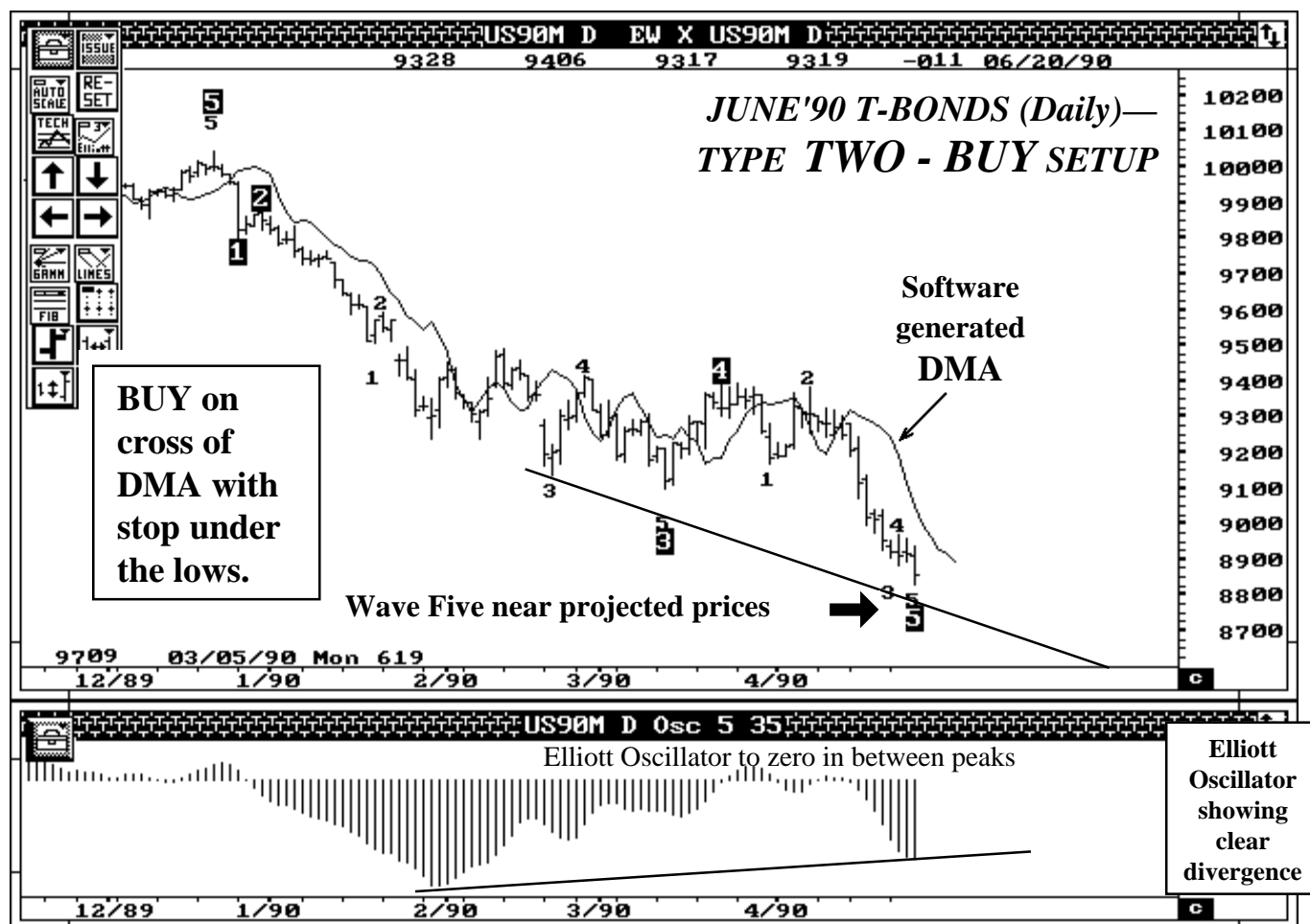


TYPE ONE BUY SETUP

- STEP A** - The Elliott Oscillator has pulled back to zero.
- STEP B** - Trend line entry technique. The idea is to use the break of the trend line for entering the trade. This technique reduces the risk of premature entries.
- STEP C** - Profit Taking Index is at 46 which is above the minimum required level.
- STEP D** - The retracement has broken the Wave Four Channels. The Wave Four channels however, are not as critical as the Profit Taking Index.
- STEP E** - There are two projections: one at \$70, and the other at \$79.



TYPE TWO BUY



TYPE TWO BUY SETUP

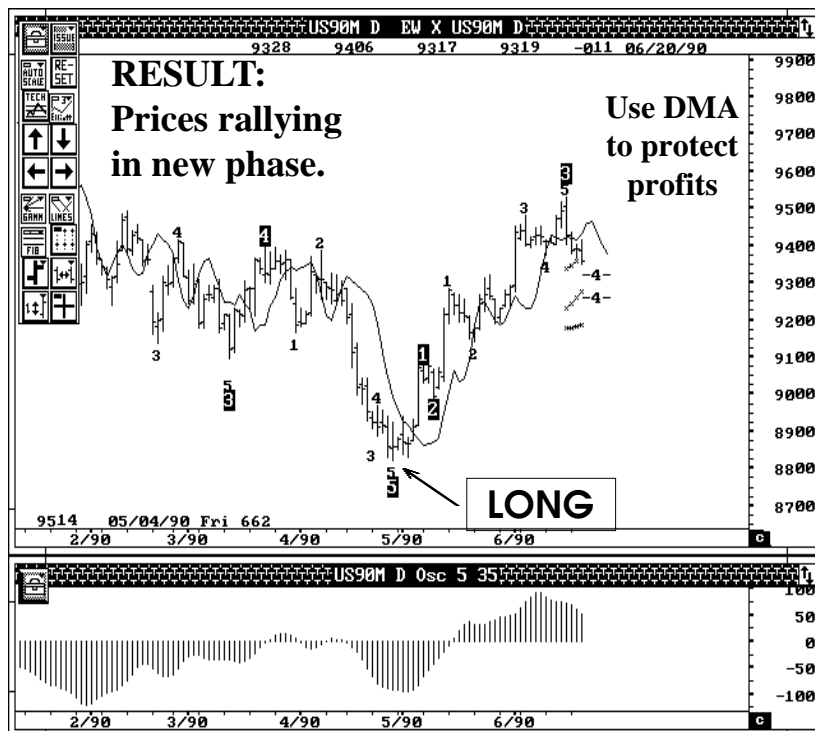
STEP A - Prices are near the Fifth Wave projections.

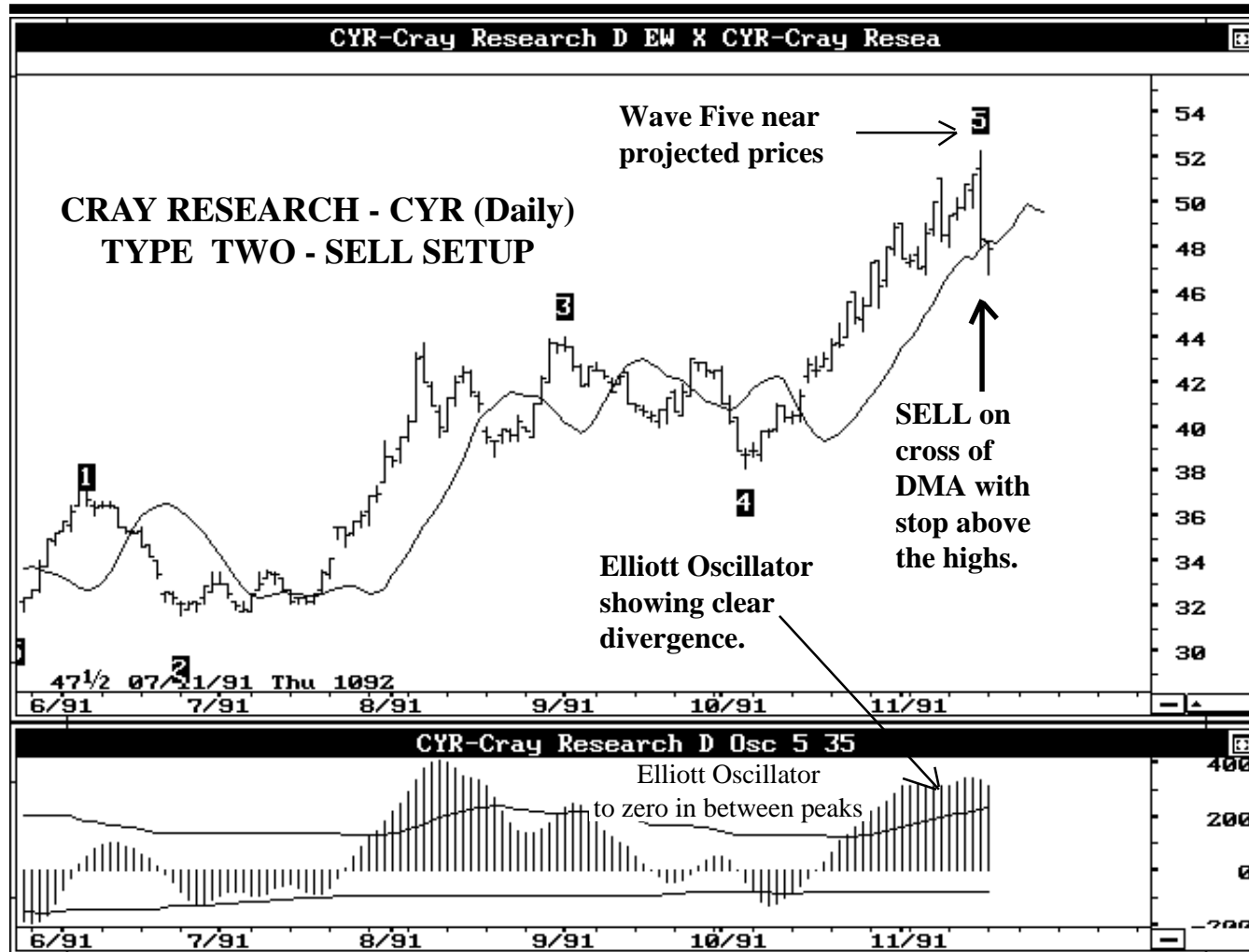
STEP B - Elliott Oscillator confirms a Fifth Wave with clear divergence. The Elliott Oscillator also pulled back to zero in between the peaks.

STEP C - Use the cross of the displaced moving average (DMA) to enter LONG.

STEP D - Place the protective stop under the lows.

STEP E - Once the next phase is in progress, protect profits using the DMA. Now keep watching for a **TYPE ONE SETUP**.





TYPE TWO SELL SETUP

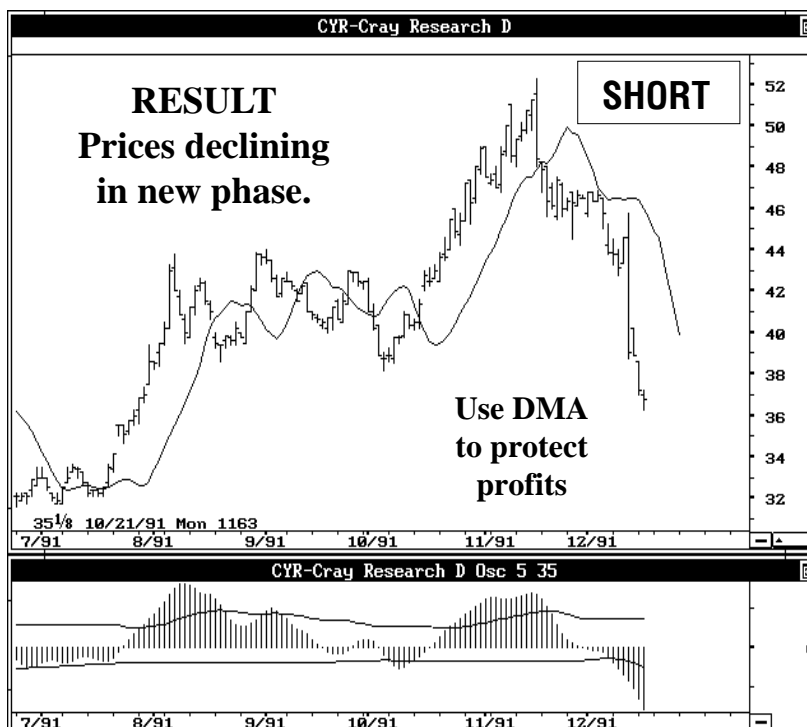
STEP A - Prices are near the Fifth Wave projections.

STEP B - Elliott Oscillator confirms a Fifth Wave with clear divergence. The Elliott Oscillator also pulled back to zero in between the peaks.

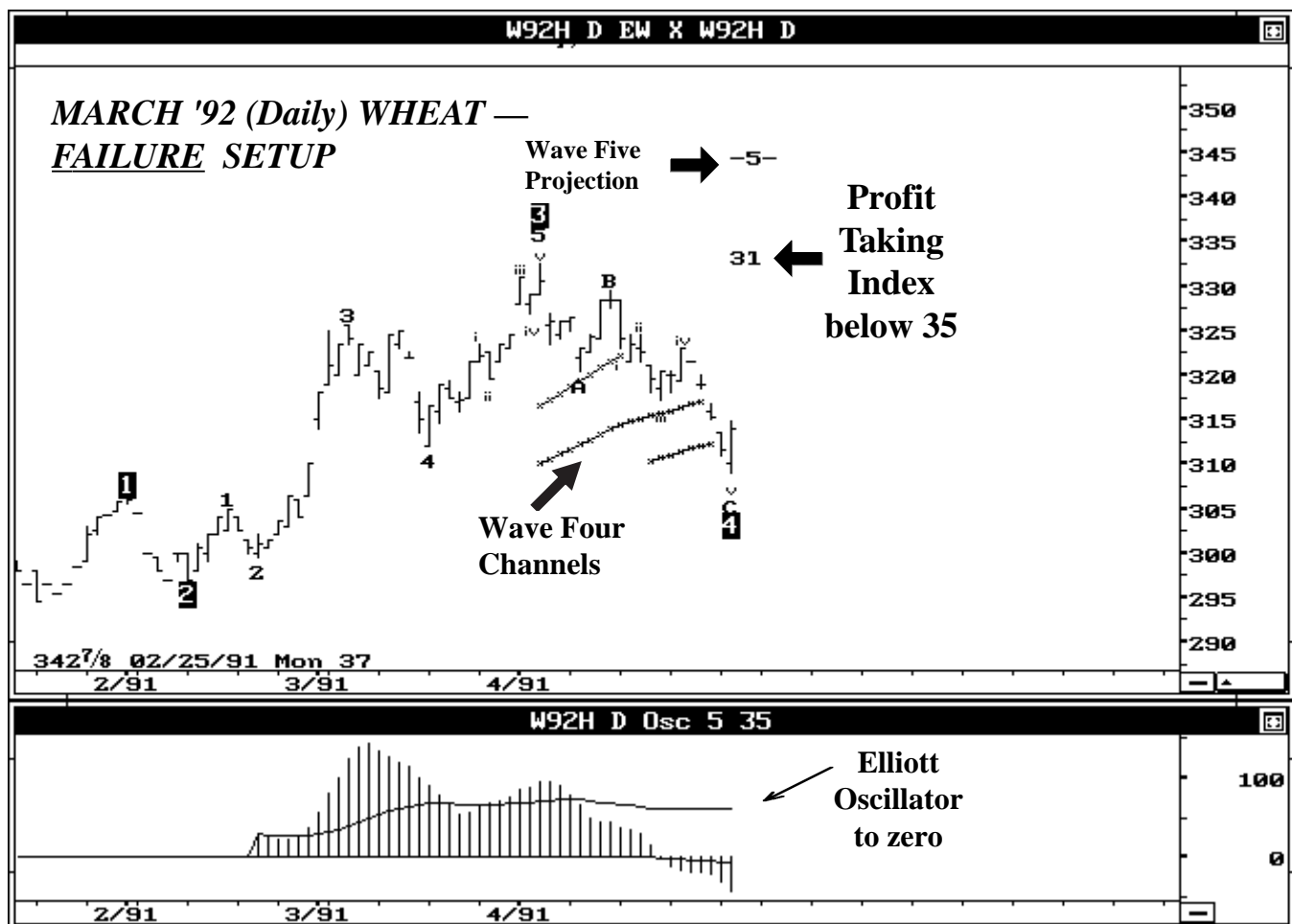
STEP C - Use the cross of the displaced moving average (DMA) to enter **SHORT**.

STEP D - Place the protective stop above the highs.

STEP E - Once the next phase is in progress, protect profits using the **DMA**. Now keep watching for a **TYPE ONE SETUP**.



FORECASTING 5TH WAVE FAILURES OR DOUBLE TOP

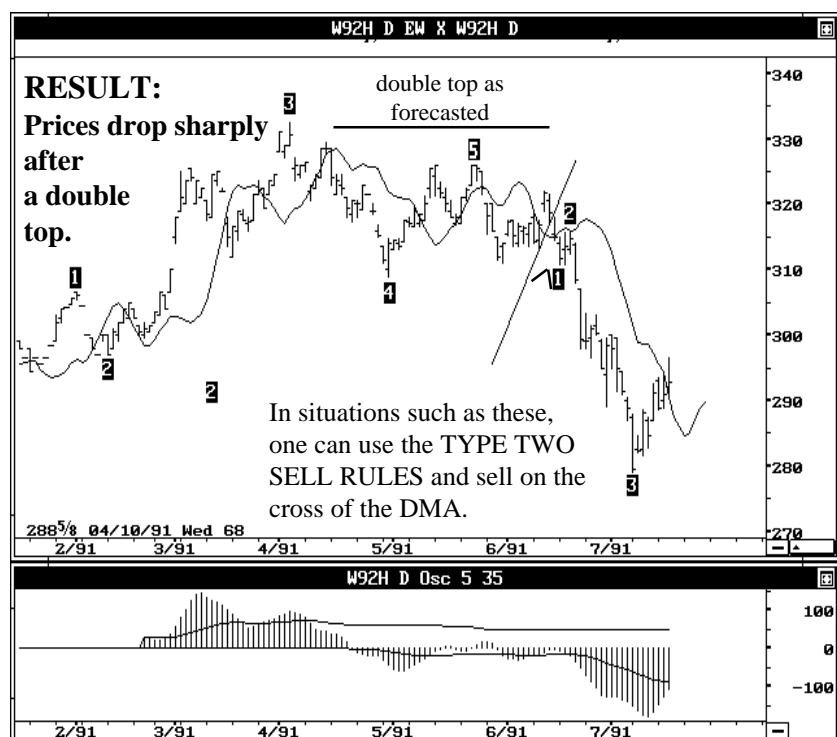


FIFTH WAVE FAILURE SETUP

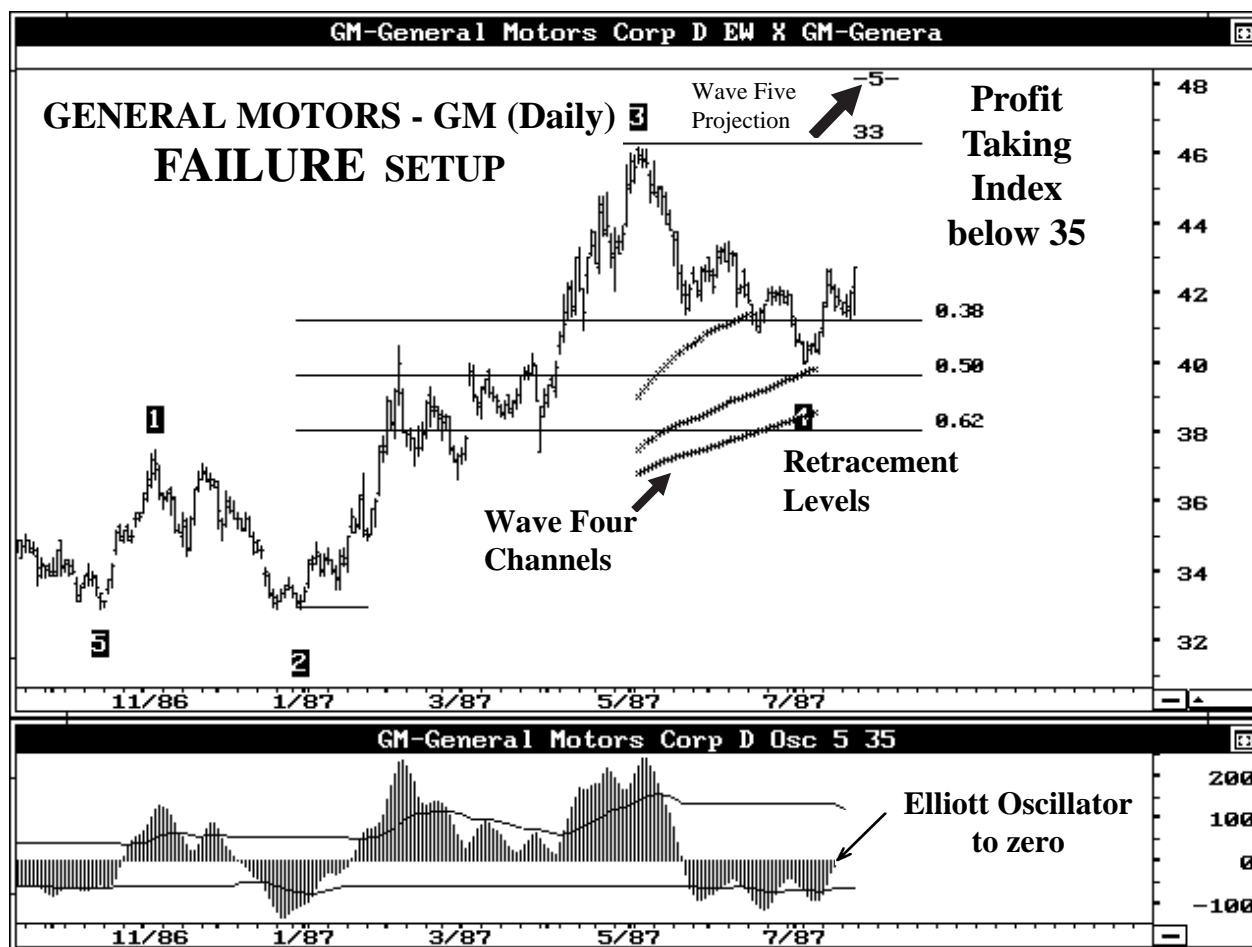
The key here is that the **PROFIT TAKING INDEX** dropped below 35. Statistically, this indicates a potential Fifth Wave failure, or at best a double top.

THE CONSERVATIVE APPROACH IS TO IGNORE THIS LONG TRADE.

If the trade is taken long (*using an aggressive mode*), one should have very close stops.



FORECASTING FIFTH WAVE FAILURES OR DOUBLE TOP

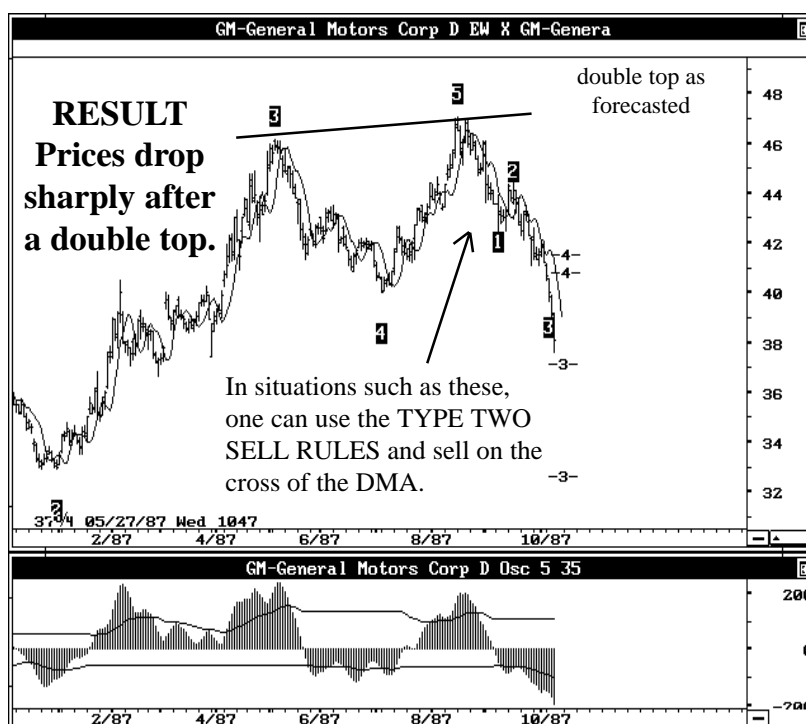


FIFTH WAVE FAILURE SETUP

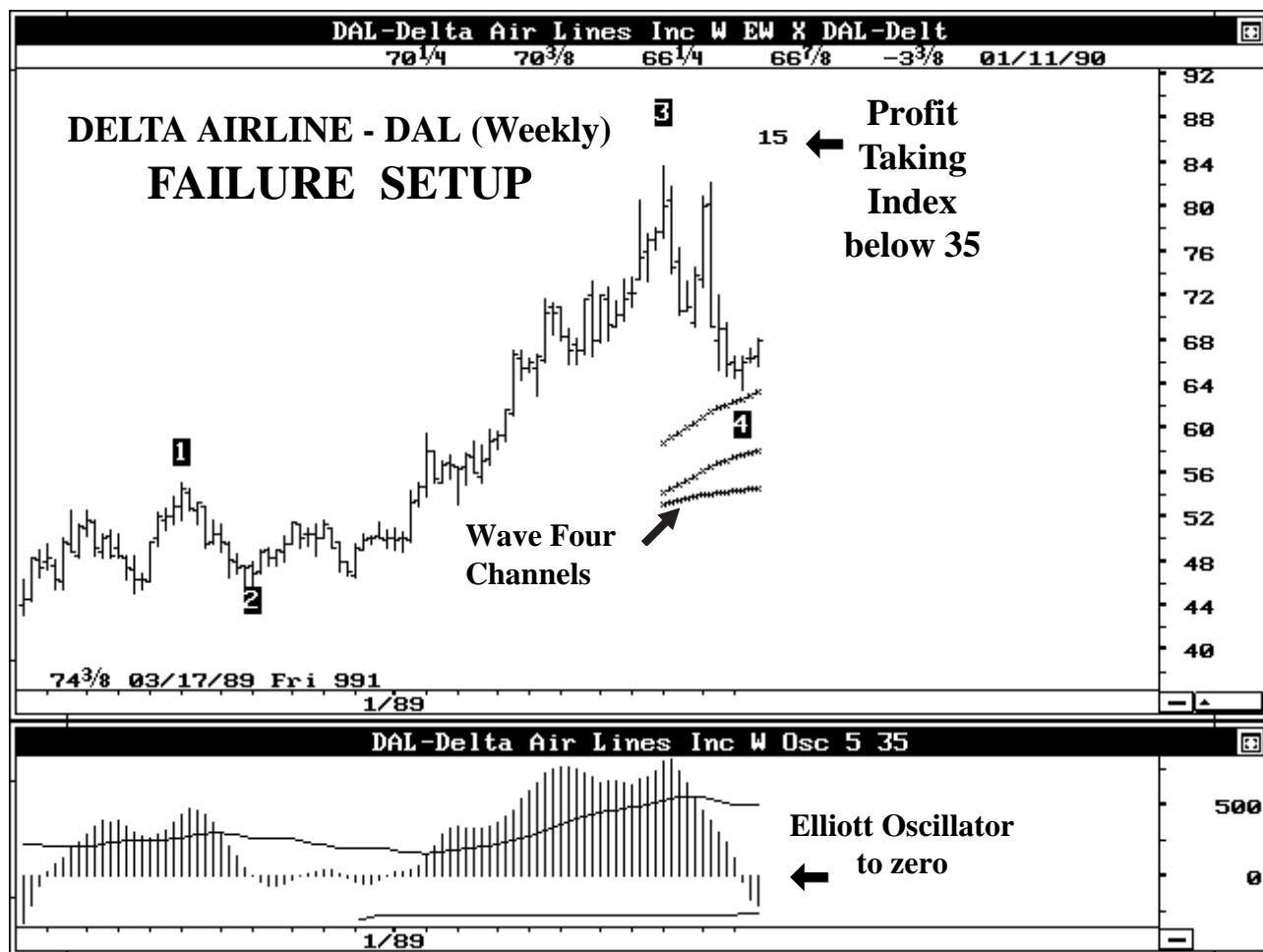
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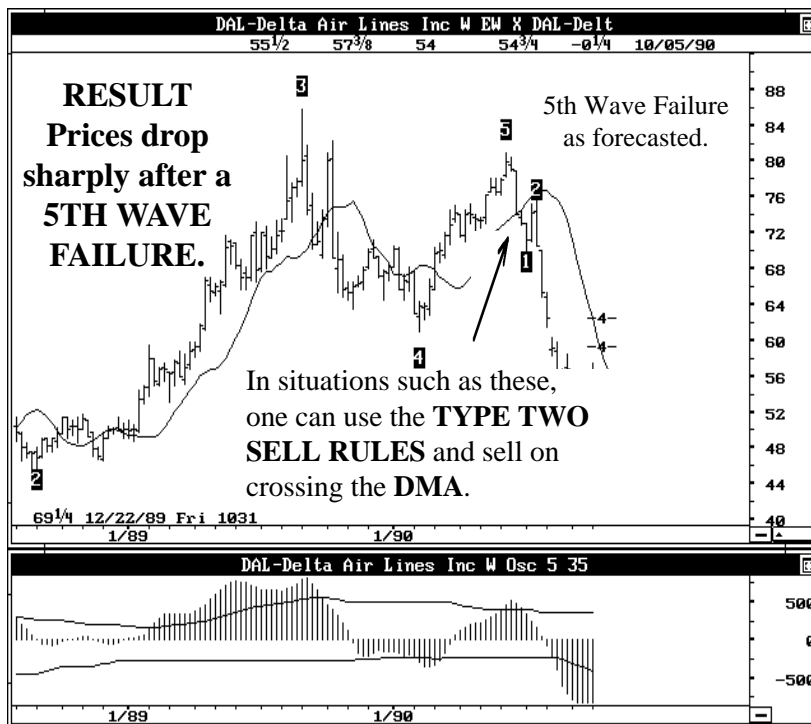
FORECASTING FIFTH WAVE FAILURES OR DOUBLE TOP



FIFTH WAVE FAILURE

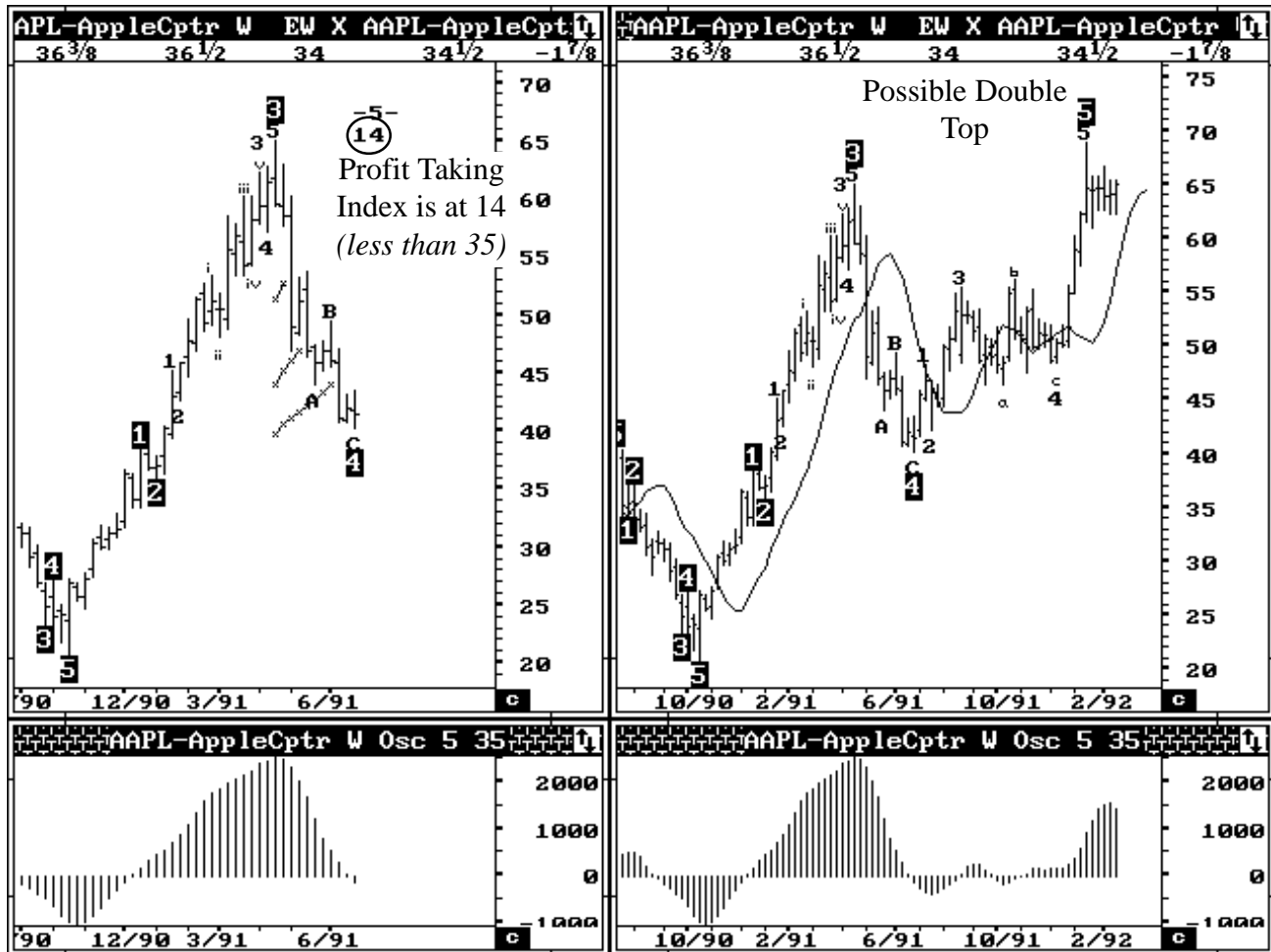
The key here is that the **PROFIT TAKING INDEX** dropped below 35. Statistically, this indicates a potential Fifth Wave failure or at best a double top. THE CONSERVATIVE APPROACH IS TO IGNORE THIS LONG TRADE.

Also note the Profit Taking Index is at 15 (A VERY LOW) number. THE LOWER THE PROFIT TAKING INDEX, THE GREATER THE ODDS FOR A 5TH WAVE FAILURE.



Identify Failed Fifth Waves (*Double Top*)

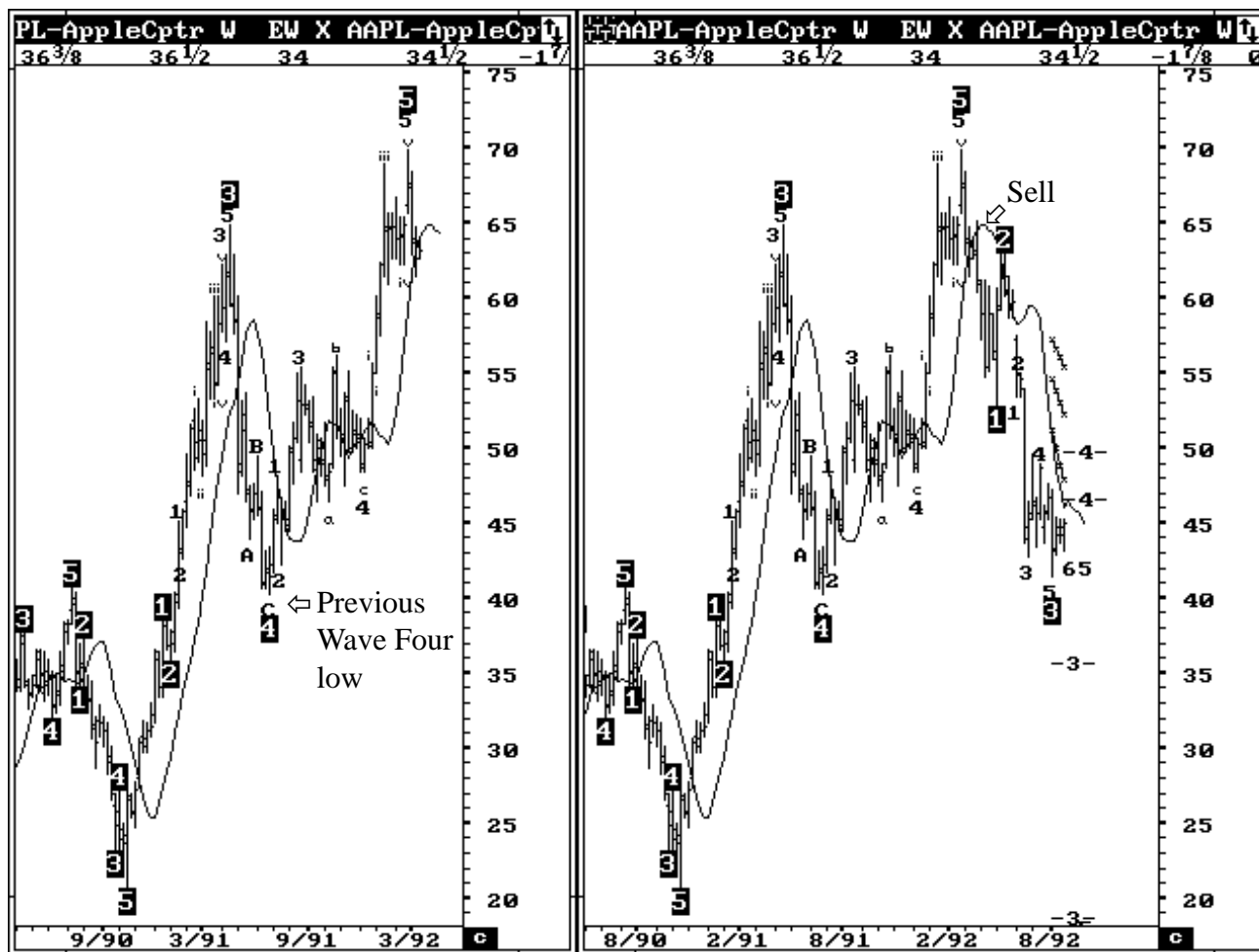
The weekly chart of Apple Computer is shown below with software generated Elliott Wave Counts. Notice the Profit Taking Index (*PTI*) is at 14 (*below 35*). This indicates a potential for a Failed Fifth Wave, also known as a Double Top.



- ⊙ When the Profit Taking Index (*PTI*) is less than 35, greater than normal profit taking is seen in the Wave Four. This leads to failed Fifth Waves and Double Tops (*see next page*).

Double Tops (*Failed Fifth Waves*) Apple Computer (Weekly)

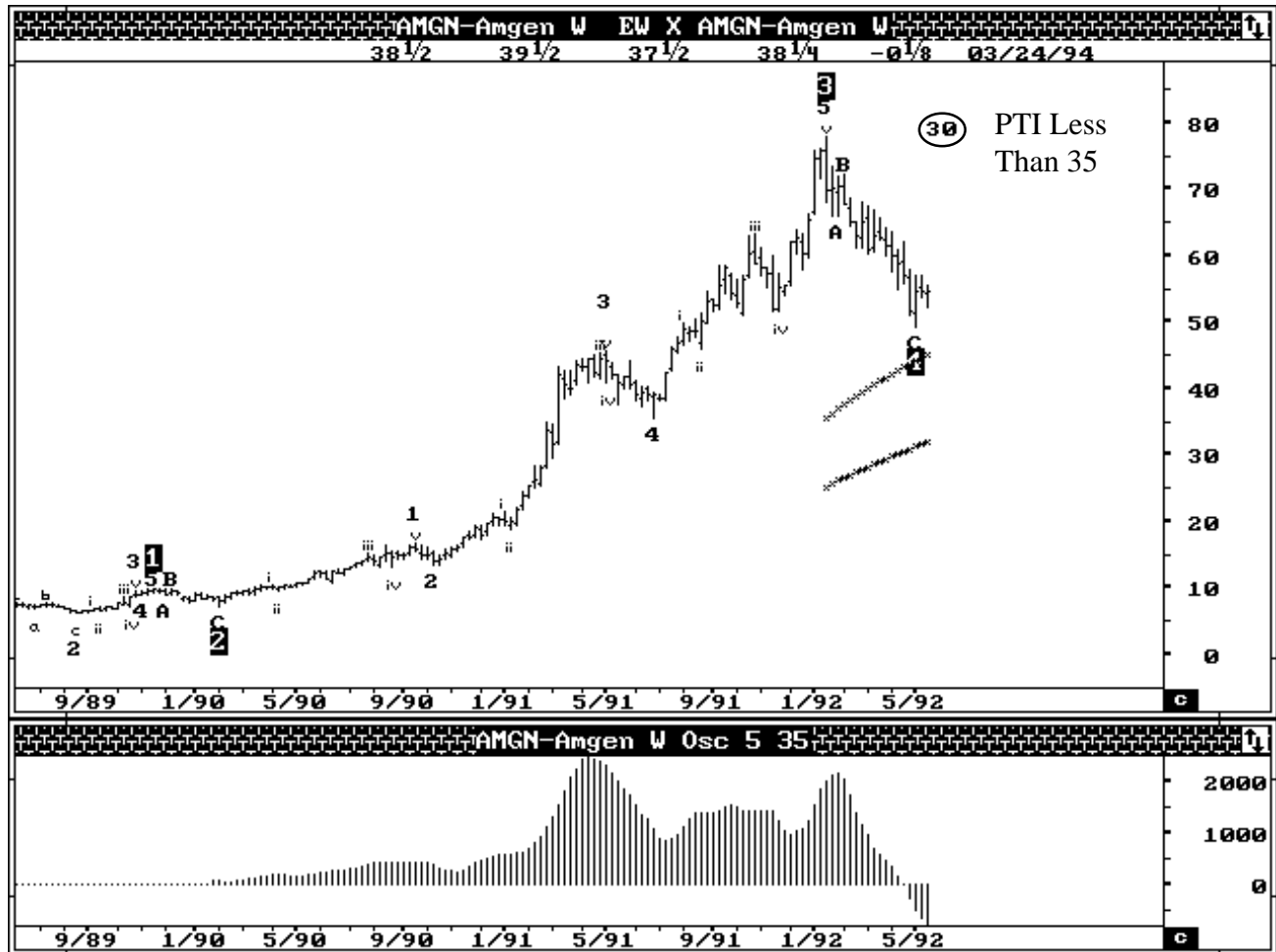
- Once the market trades to the previous high (with the Profit Taking Index less than 35, as seen on the previous page), the odds increase for a Double Top or Failed Fifth Wave.



- Use the Displaced Moving Average (*DMA*) to enter a short position with a stop above the high.
- Again, the first target is the previous Wave Four low near 43.

Another Double Top (*Failed Fifth*)

The weekly chart of AMGEN is shown below with software generated Elliott Wave Counts. The current Wave Four decline has a Profit Taking Index (*PTI*) of 30 (*which is below the minimum requirement of 35*). This again indicates greater than normal profit taking in the current decline.

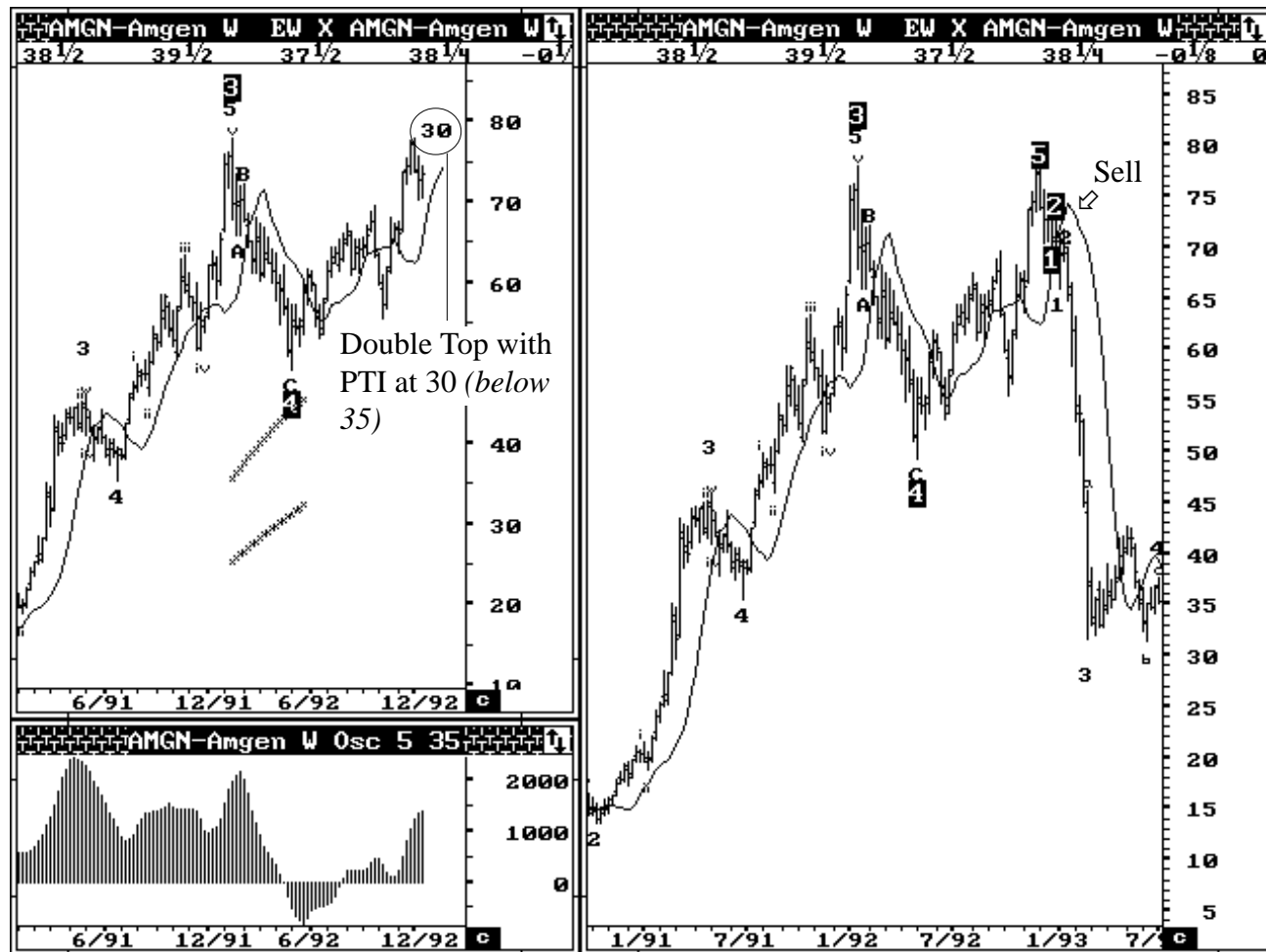


⊙ This usually leads to a Double Top or failed Fifth Wave high (*see next page*).

Double Tops (*Failed Fifth Wave High*)

AMGEN (Weekly)

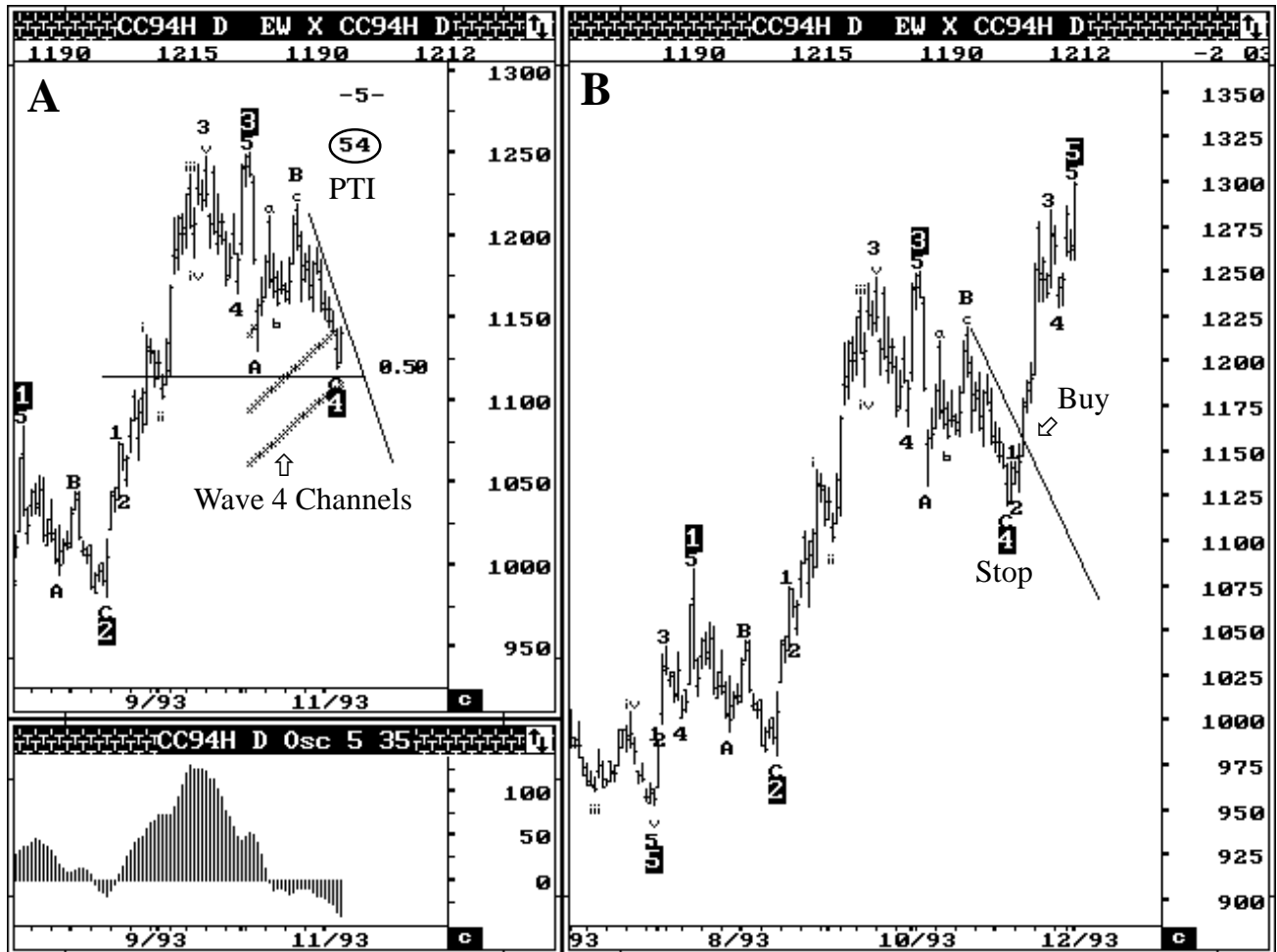
- ⊙ With the Profit Taking Index at 30, when the market approaches the Wave Three high, the odds increase for a Failed Fifth Wave or a Double Top.



- ⊙ Use the Displaced Moving Average (*DMA*) to enter a short position with a stop above the high.
- ⊙ The previous Wave Four low near 50.00 is the first target. At this time, one can tighten stops or monitor the software generated Elliott Wave count for a new Wave 3 in the same direction.

Type One Buy in March 94 Cocoa

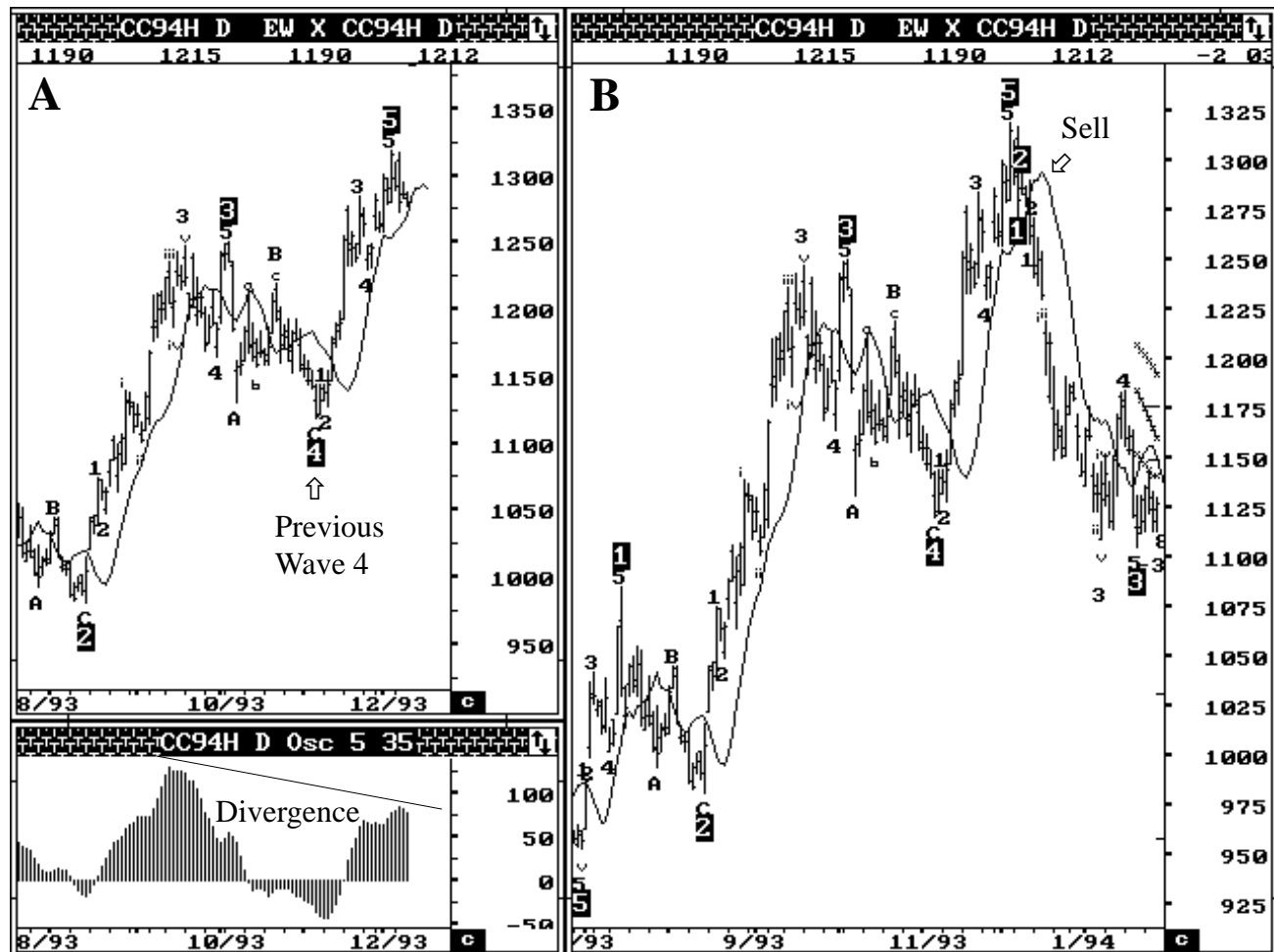
- ⊙ Chart A shows the end of a Wave Four decline. The Elliott Oscillator has pulled back to zero confirming this.
- ⊙ The Profit Taking Index is greater than 35 (at 54) showing good potential for a rally to a new high.



- ⊙ The Wave Four channels are holding, confirming a good potential for a new rally.
- ⊙ Buy on the cross of a trend line or DMA (*Displaced Moving Average*) with a stop below the Wave Four low. The target is to new highs above 1250. Software projections are shown with a -5- (with dashes on either side).
- ⊙ This also sets up a Type Two sell (*seen on next page*).

Type Two Sell in March 94 Cocoa

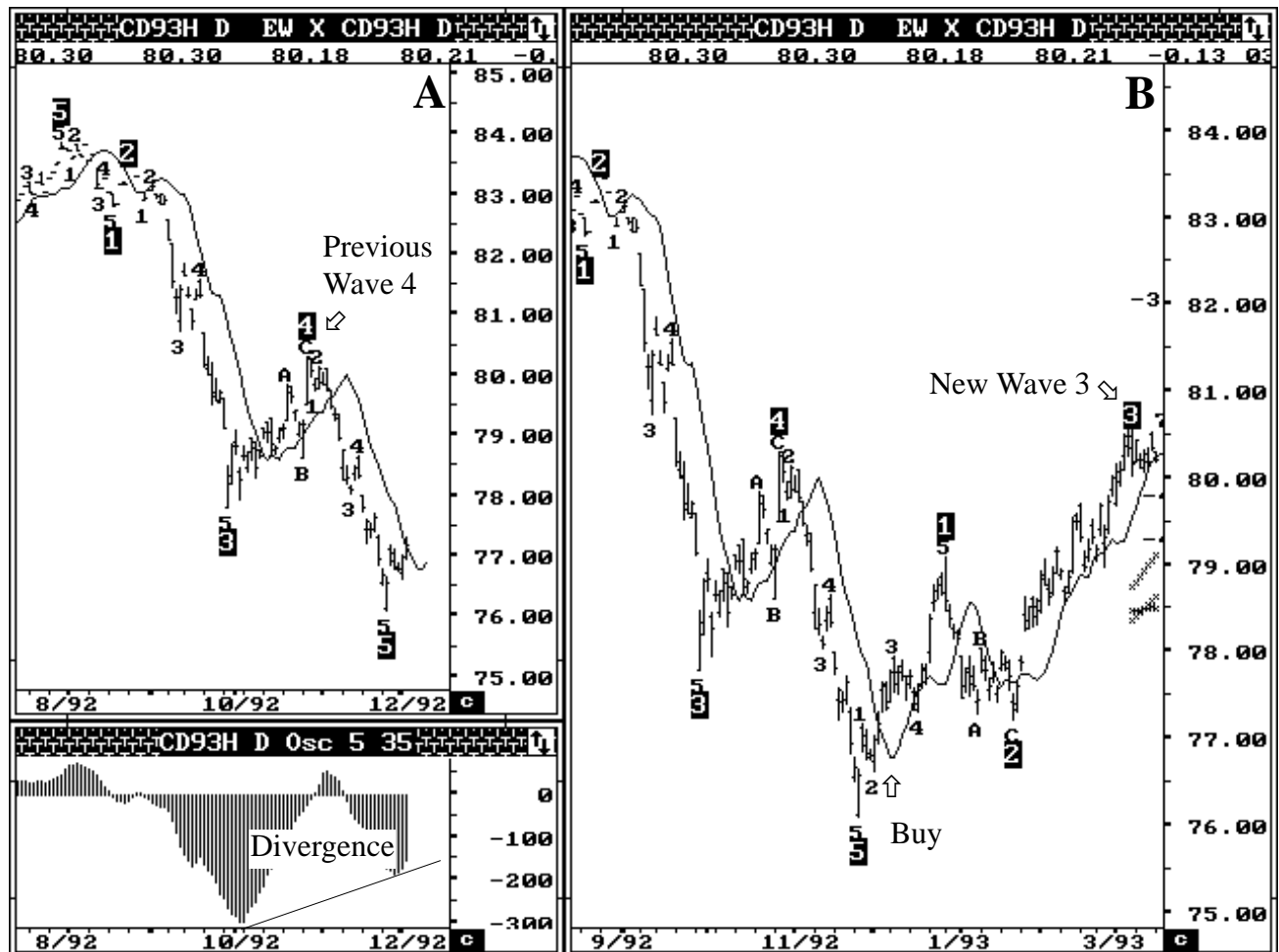
- ⊙ Chart A shows the end of a completed Wave Five Rally.
- ⊙ The Elliott Oscillator shows clear divergence



- ⊙ Sell on the cross of a trend line or DMA (*Displaced Moving Average*) with a stop above the high.
- ⊙ The first target is the previous Wave Four near the 1110 area.
- ⊙ Chart B shows the sell point and subsequent action.

Type Two Buy in March 93 Canadian Dollar

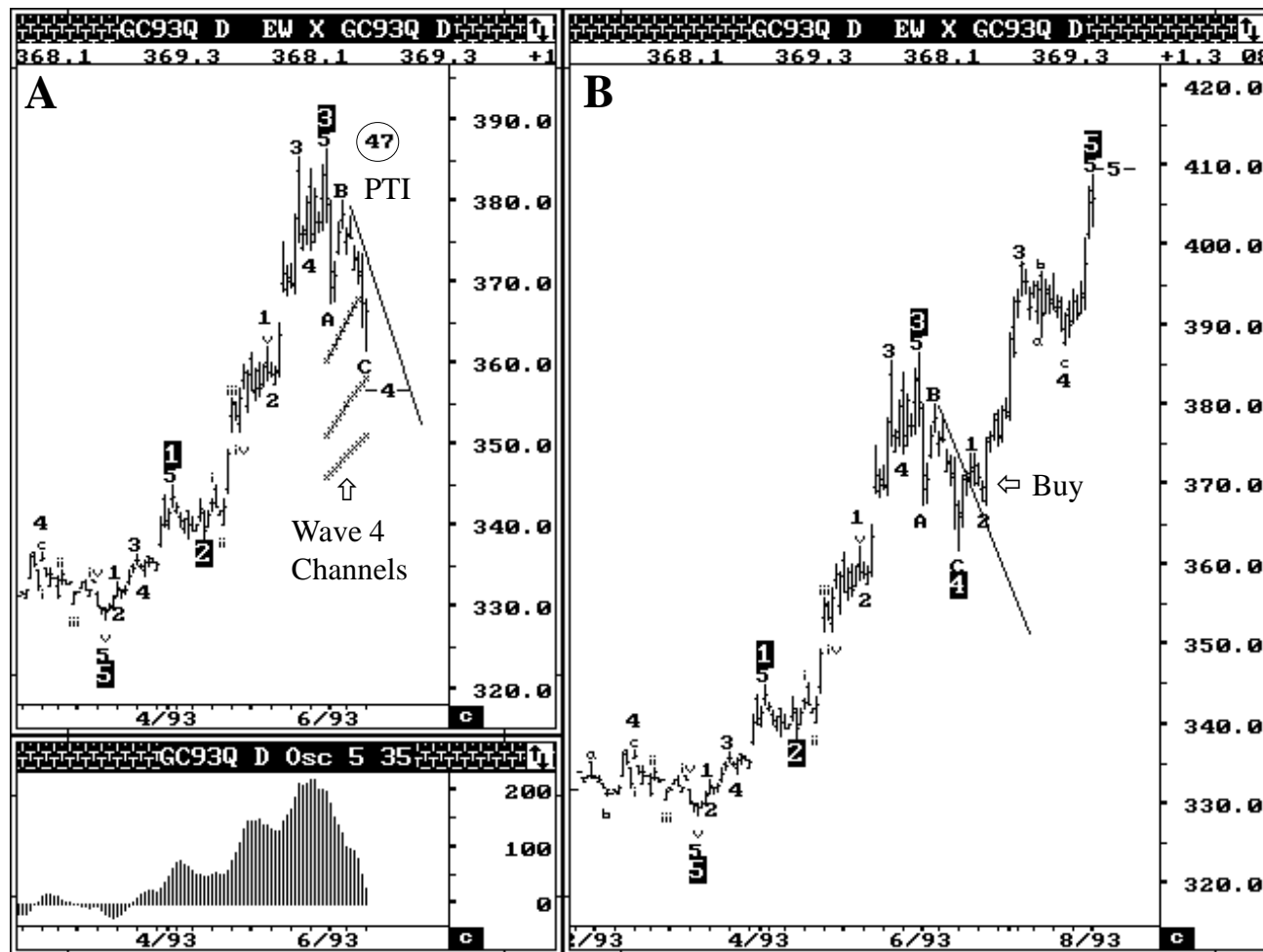
- ⊙ In chart A, the March 93 Canadian Dollar is completing a Five Wave Decline.
- ⊙ The Elliott Oscillator shows clean divergence.



- ⊙ Buy on the cross of a trend line or DMA (*Displaced Moving Average*) with a stop under the lows.
- ⊙ The first target is the previous Wave Four high near the 80.00 level.
- ⊙ When prices trade to this level, one can tighten stops and monitor the software generated Elliott Wave counts for a new Wave Three in the same direction.

Type One Buy in August 93 Gold

- ⊙ Chart A shows a completed Wave Four. The Elliott Oscillator confirms this.
- ⊙ The Profit Taking Index is greater than 35 (*at 47*) which indicates a potential for a rally to new highs.

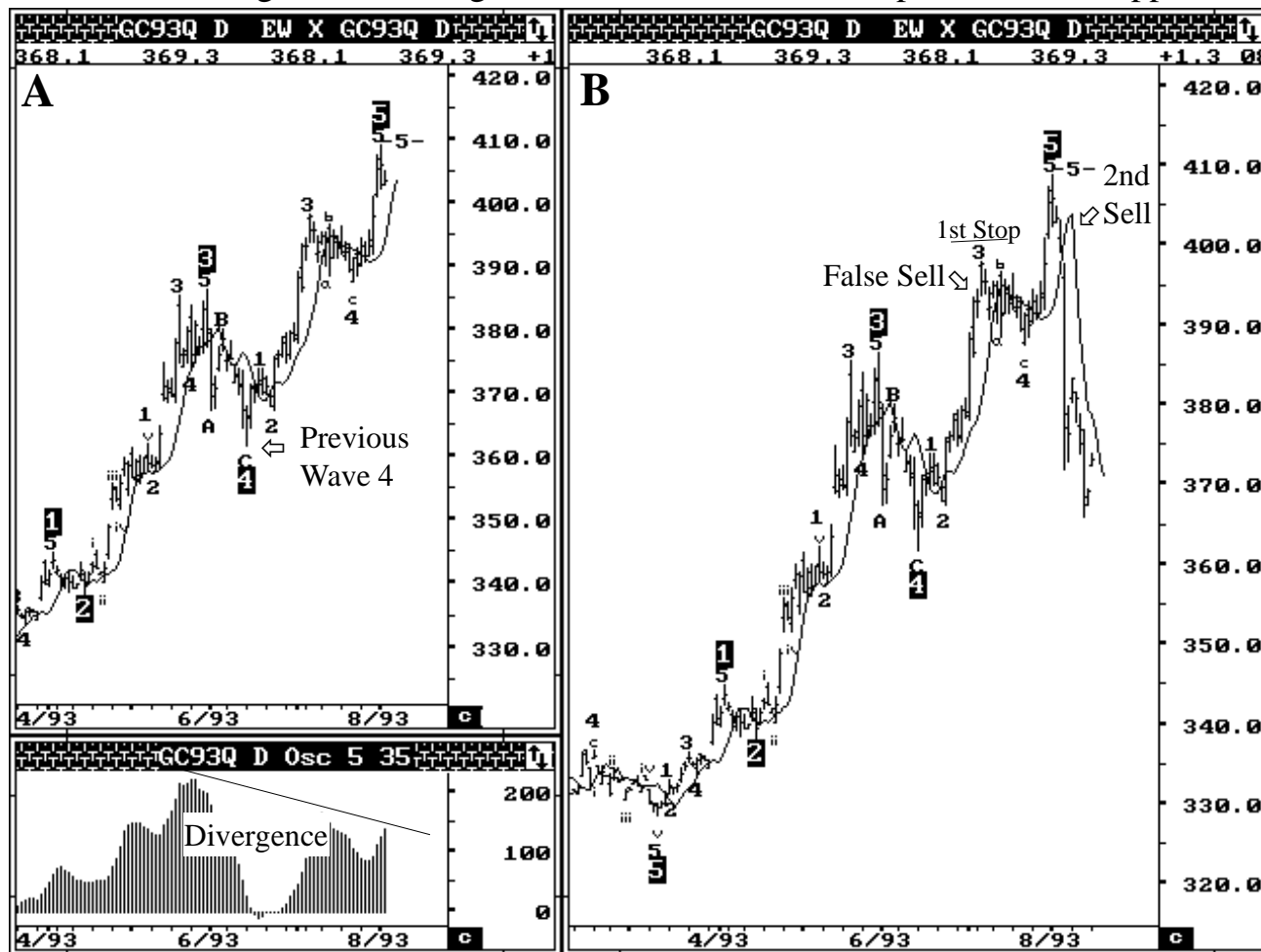


- ⊙ The Wave Four channels are holding prices which further supports the rally potential.
- ⊙ Buy on the cross of a trend line or DMA (*Displaced Moving Average*) with a stop under the Wave Four low. The target is for new highs above the 390.00 level.
- ⊙ This usually sets up a Type Two sell situation (*seen on next page*).

Type Two Sell in August 93 Gold

(with one FALSE signal)

- ⊙ Chart A shows a completed Wave Five sequence with the Elliott Oscillator confirming with clean divergence.
- ⊙ Sell on the cross of the DMA (*Displaced Moving Average*) with a stop above the Wave Five High. The first signal was a false one, and the position was stopped.

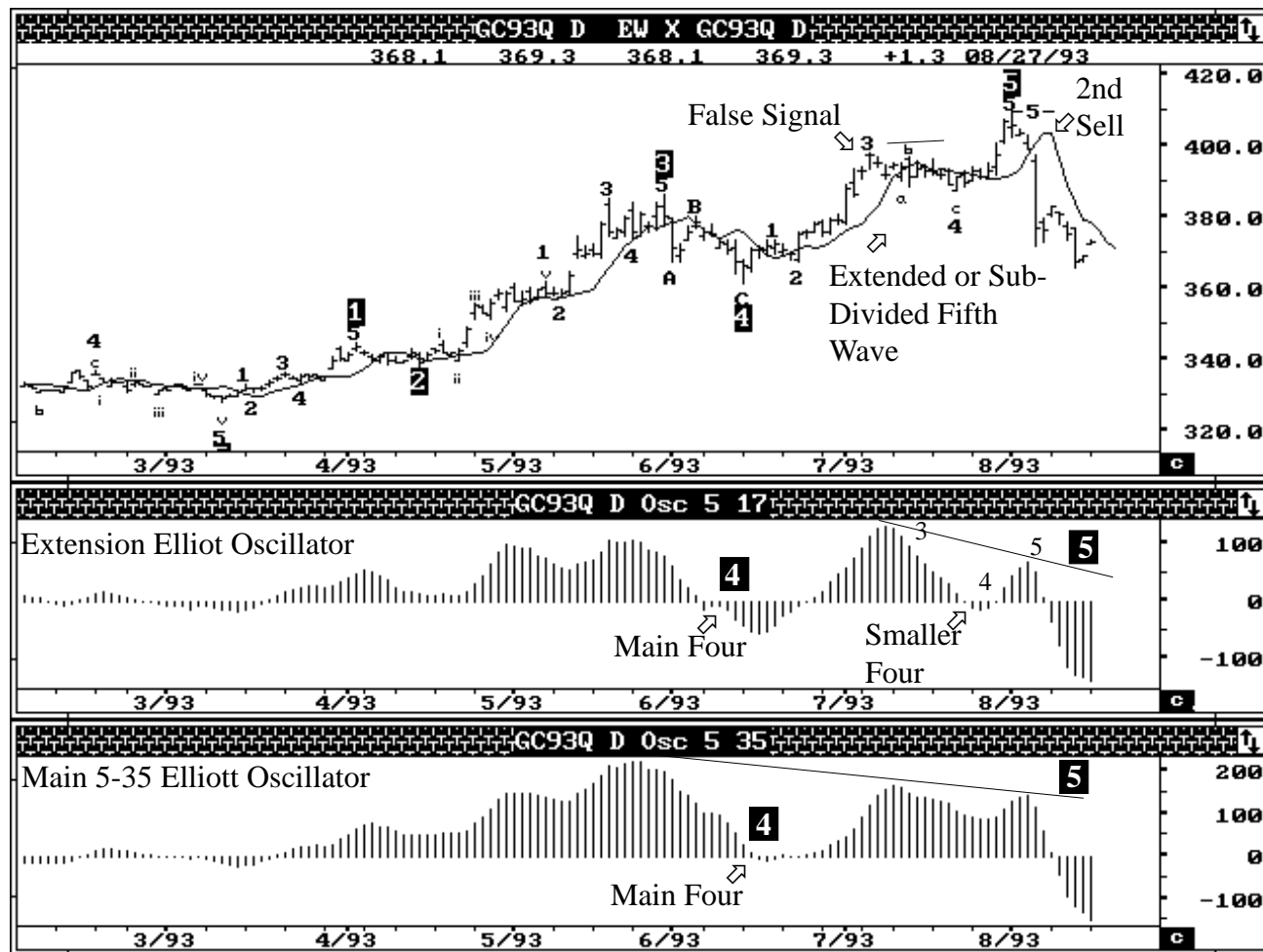


- ⊙ The second sell signal caught the entire decline. Look for the previous Wave Four low near the 360.00 level as the first target.
- ⊙ The first sell signal was a false signal. This was due to a sub-division or extension in the Fifth Wave.
- ⊙ See the next page on how to handle false signals caused by sub-divisions.

Handling False Type Two Signals

(Caused by sub-divisions or extension in the Fifth Wave)

- ⊙ The main or normal Elliott Oscillator (*Tom's 5-35*) provides confirmation on the larger degree Five Waves.
- ⊙ Since the Fifth Wave extended and sub-divided, a false signal was generated on the first sell signal.

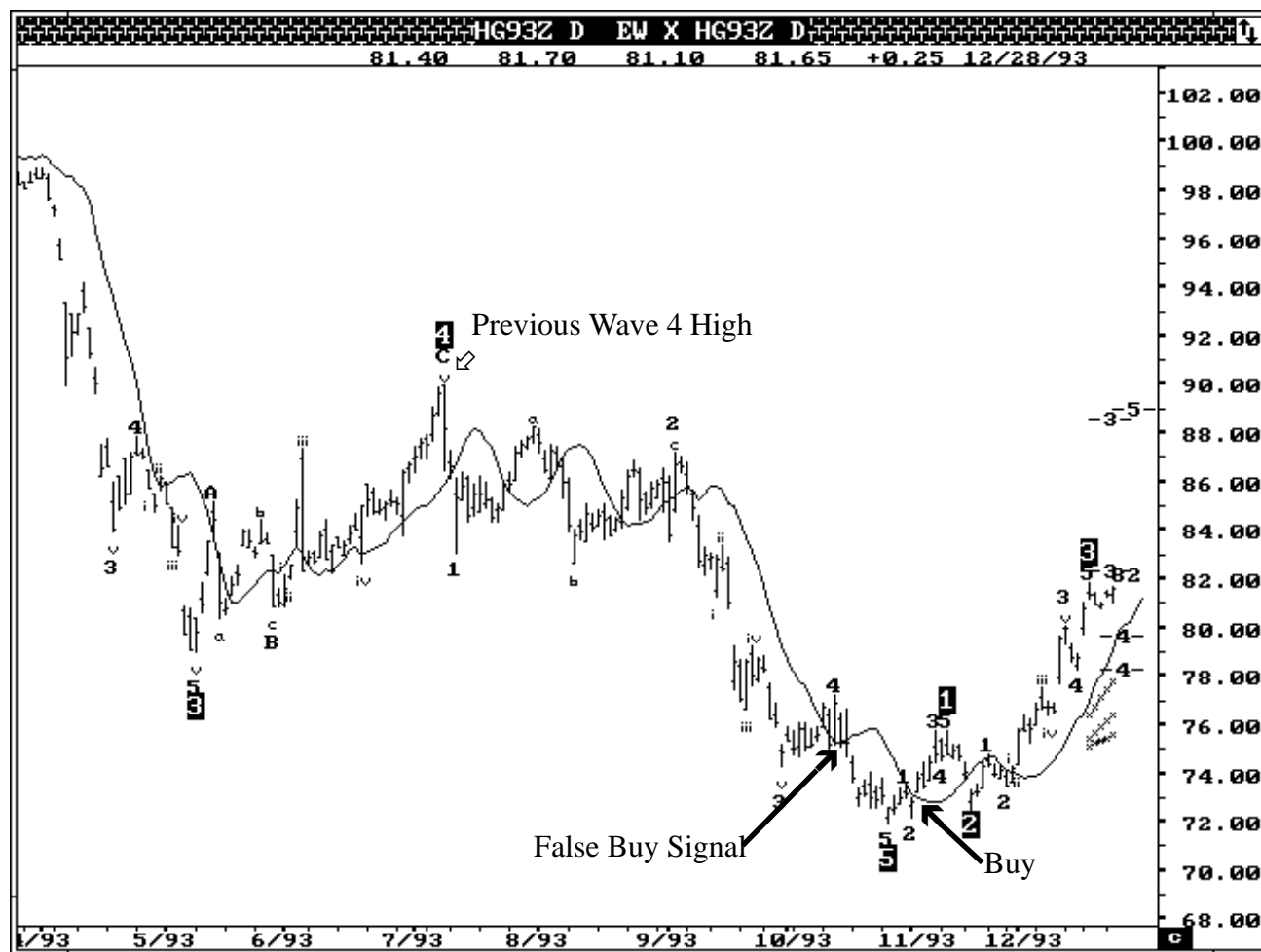


- ⊙ When you see false signals caused by extended or sub-divided Five Waves, use an Extension Elliott Oscillator (*Tom's Extended Oscillator 5-17*) to see the divergence inside the sub-divided waves.
- ⊙ The other way is to wait for the software provided price projection before entering the short. The price projection is shown as **-5-** (a number with a dash on either side).

Type Two Buy In Dec 93 Copper

(With FALSE signal caused by sub-division or extension in the Fifth Wave)

- ⊙ The software shows Dec 93 Copper completing a Five Wave sequence.
- ⊙ Buy on the cross of the DMA (*Displaced Moving Average*) with a stop under the lows.

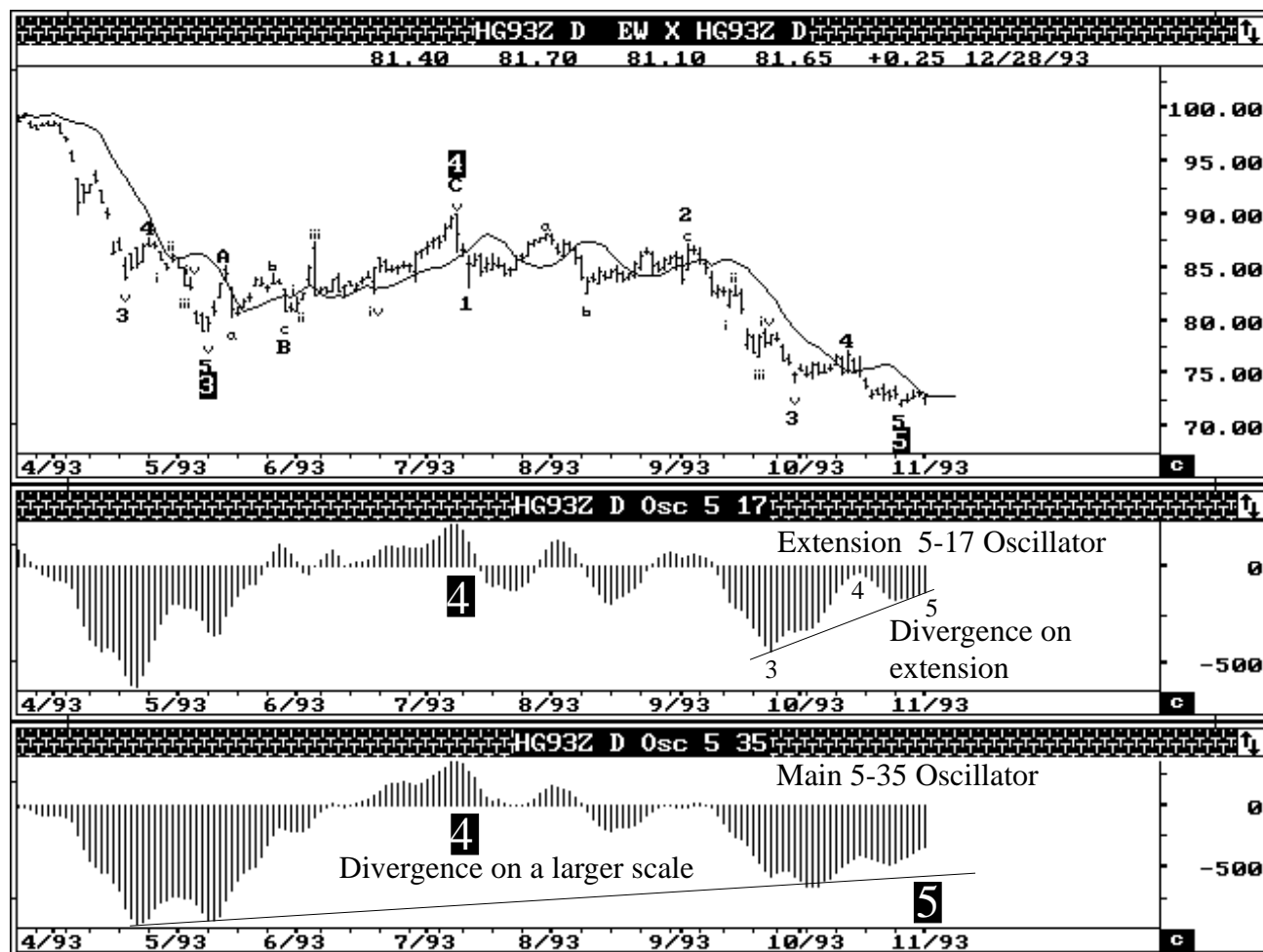


- ⊙ The first buy signal was a false one and the position was stopped.
- ⊙ The second buy signal caught the rally. Now look for the previous Four high as the first target.
- ⊙ The first buy signal was a false signal. This was due to a sub-division or extension in the Fifth Wave.
- ⊙ See next page on how to handle false signals caused by sub-division.

Handling False Type Two Buy Signals

(Caused by sub-division or extension of the Fifth Wave)

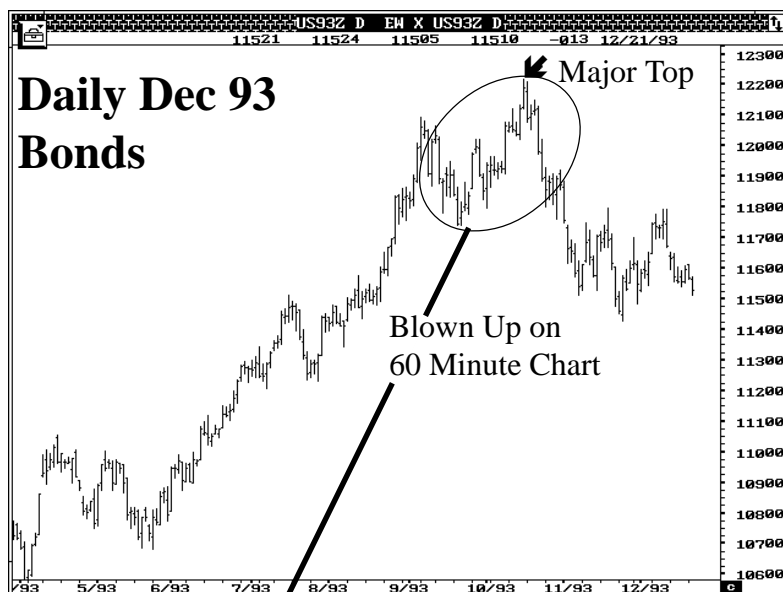
- ⊙ The main or normal Elliott Oscillator (*Tom's 5-35*) provides confirmation on the larger degree Five Waves.
- ⊙ Since the Fifth Wave extended and sub-divided, a false signal was generated.



- ⊙ When you see false signals or extended or sub-divided Five Waves, use an Extension Elliott Oscillator (*Tom's Extended Oscillator 5-17*) to see the divergence inside the sub-divided waves.
- ⊙ The Extension Oscillator (*5-17*) allows the user to handle sub-division or extensions within the Fifth Wave.

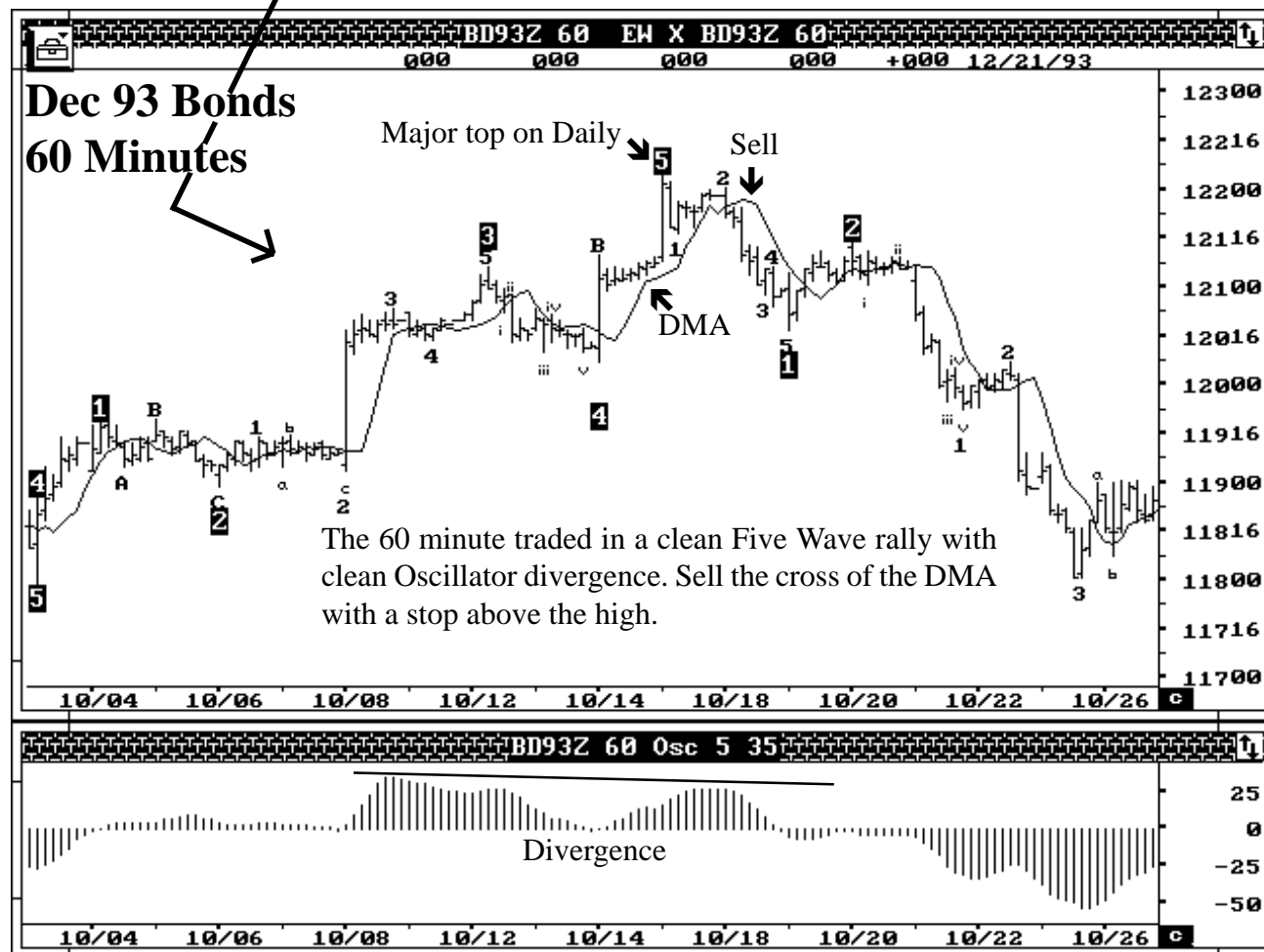
Power of 60 Minute Charts

The Daily Dec 93 Bonds completed a major top around 122.10. The 60 minute chart is shown below for the same day.

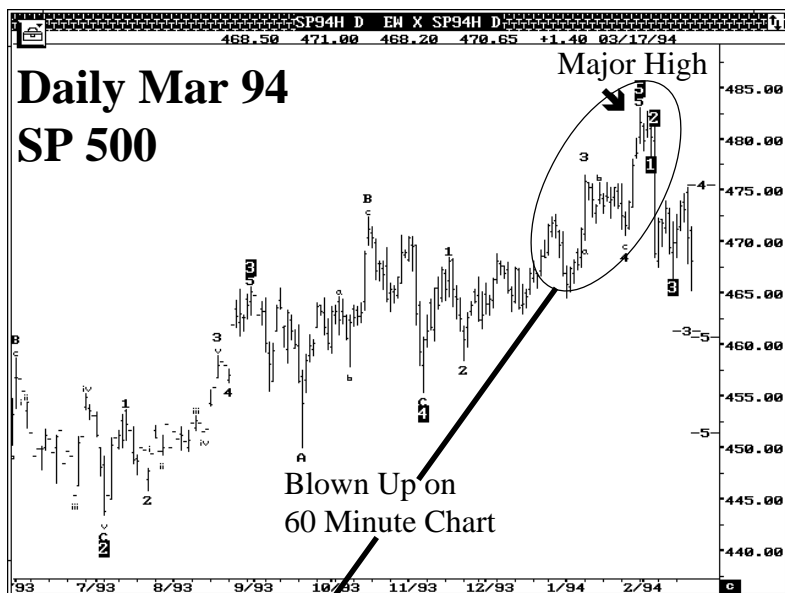


Using the 60 minute chart, one could have entered a short position at 12124 within a few ticks of the all time high.

When the Elliott Wave count is not clear on the daily, the 60 minute offers a better resolution and provides excellent entry and exit points.



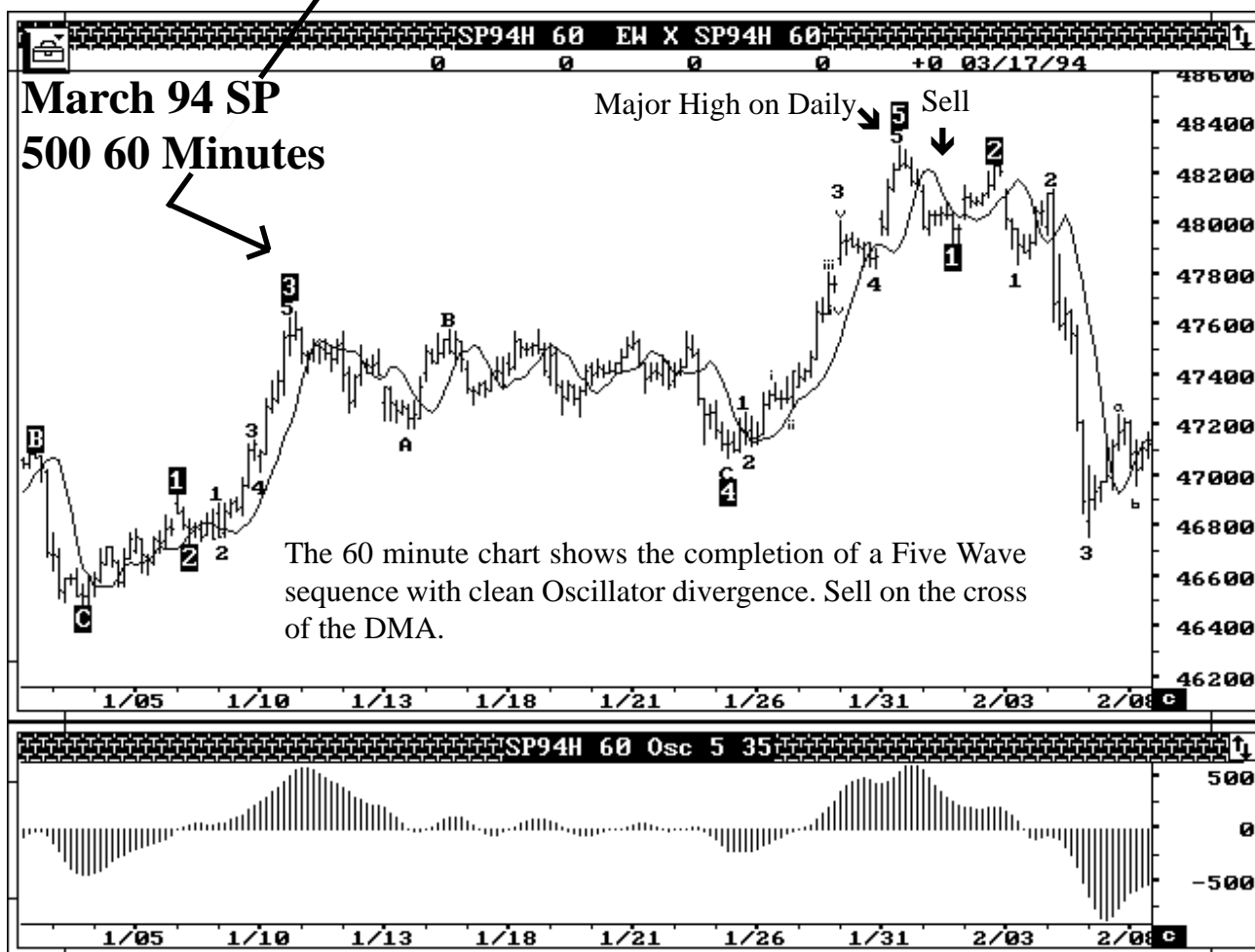
March 94 SP 500



The Daily March 94 SP 500 is shown completing a Wave Five High.

The 60 minute chart shows a Fifth Wave also being completed.

One could have entered a short position at 48080 just a few points off the all time high.

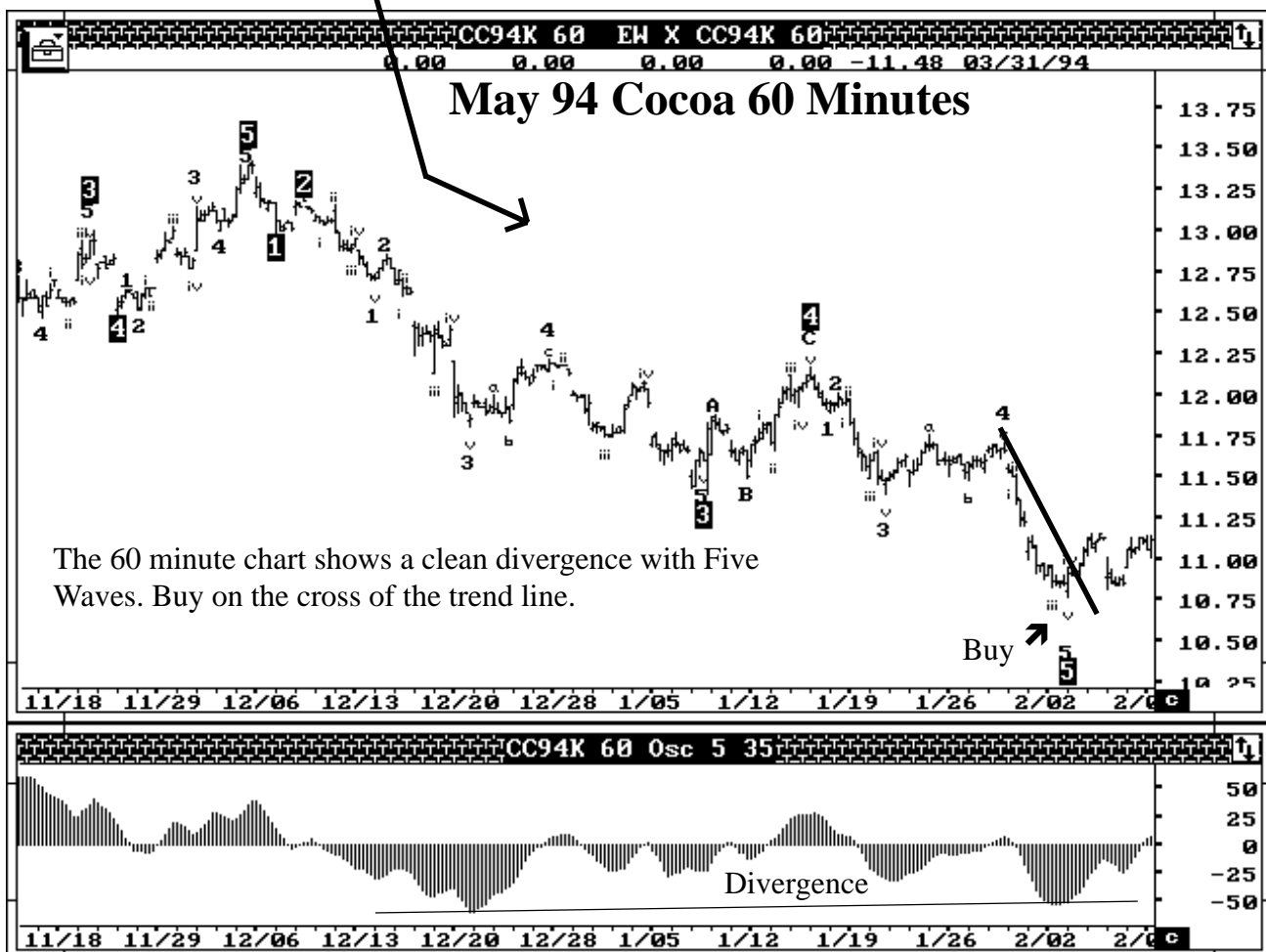


May 94 Cocoa - Power of 60 Minute Charts



The 60 minute chart shows the completion of a Five Wave sequence. The daily resolution was not very clear.

The 60 minute chart would have provided a long entry a few ticks off the low.

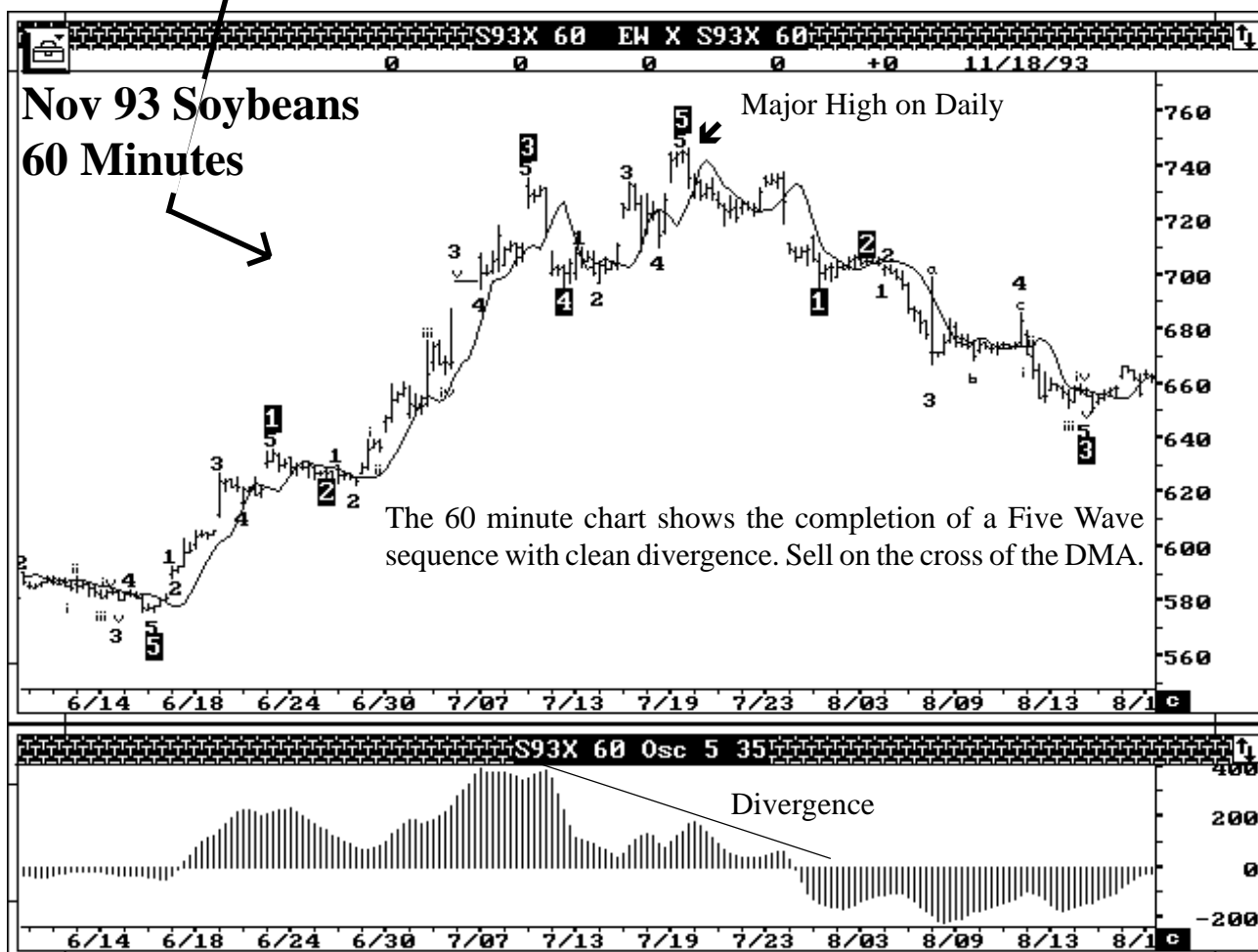


Nov 93 Soybeans

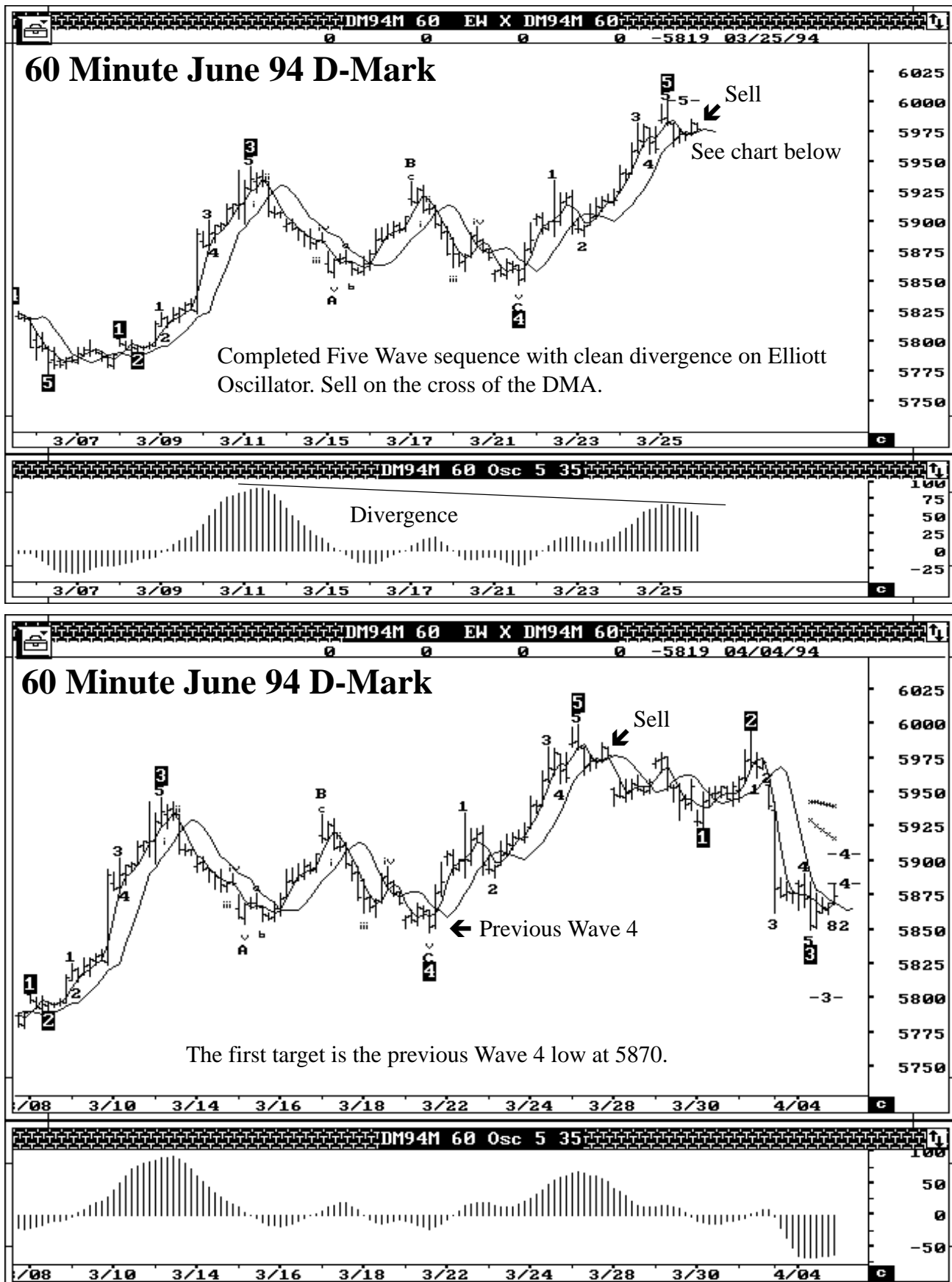


The daily chart made a major high.

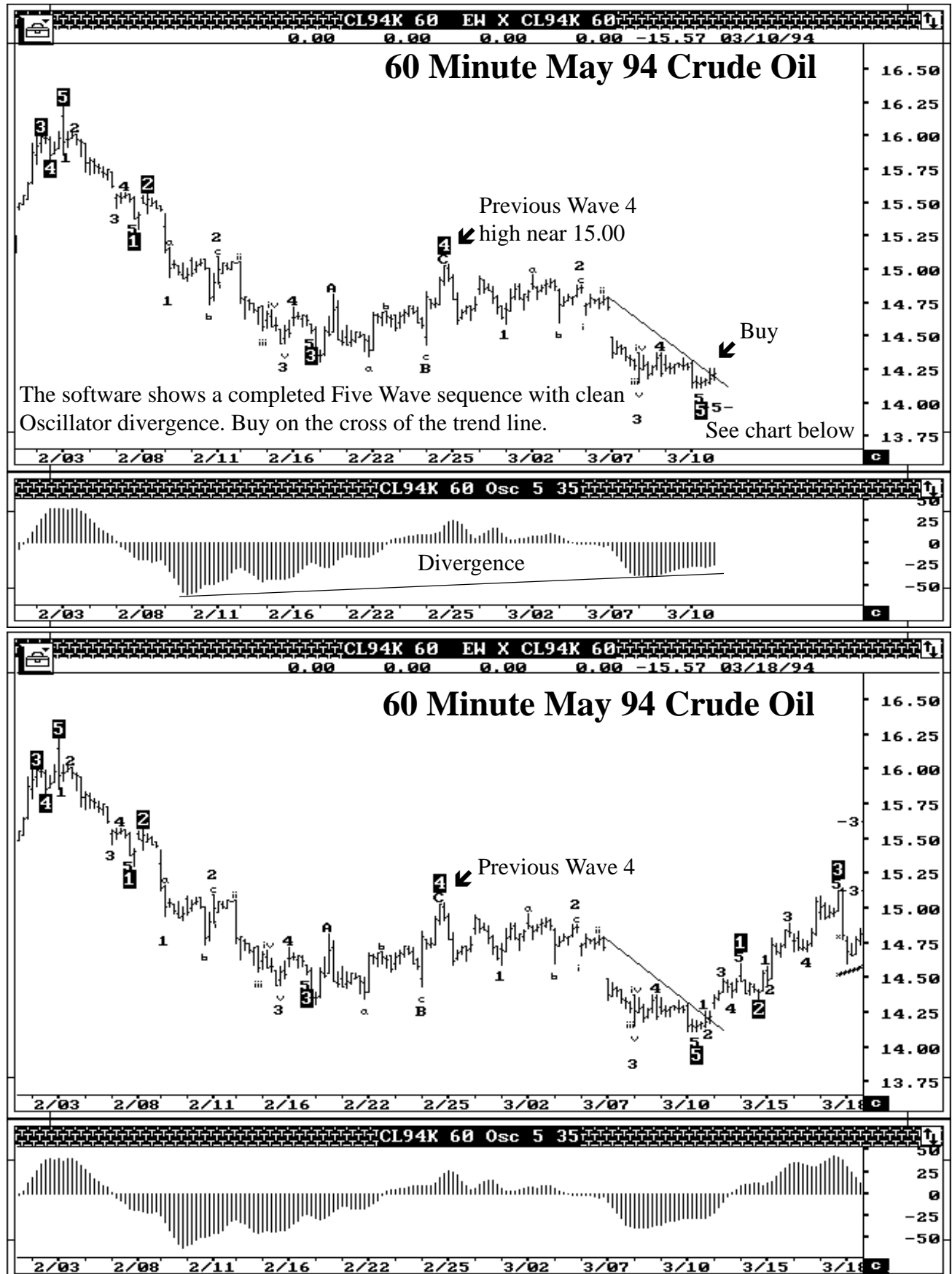
The 60 minute chart showed the completion of a Five Wave sequence. One could have entered a short position at 730 within a few cents of the major high.



Type Two June 94 DM - 60 Minute Chart

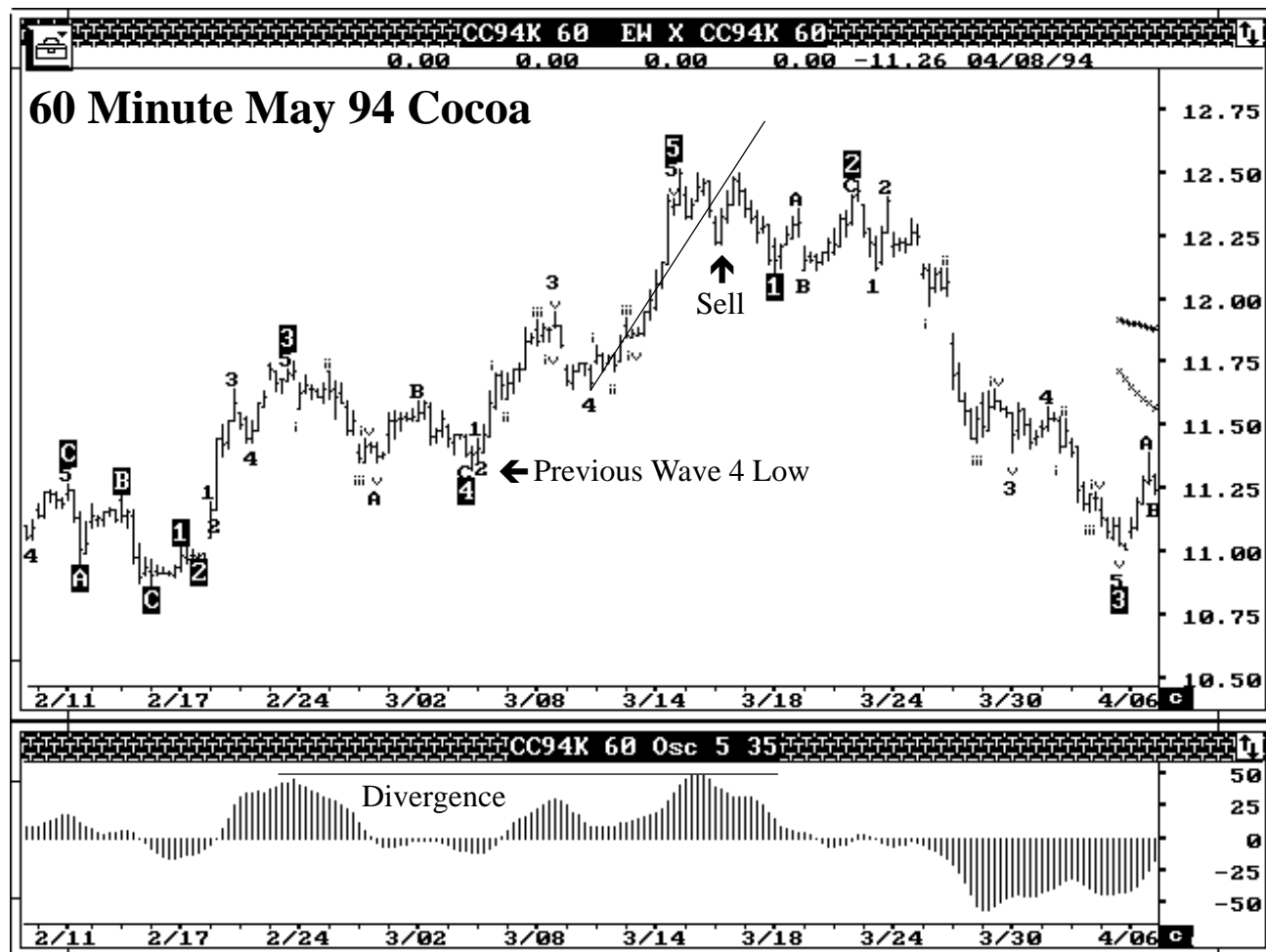


Type Two May 94 Crude Oil - 60 Minute Chart



May 94 60 Minute Chart of Cocoa

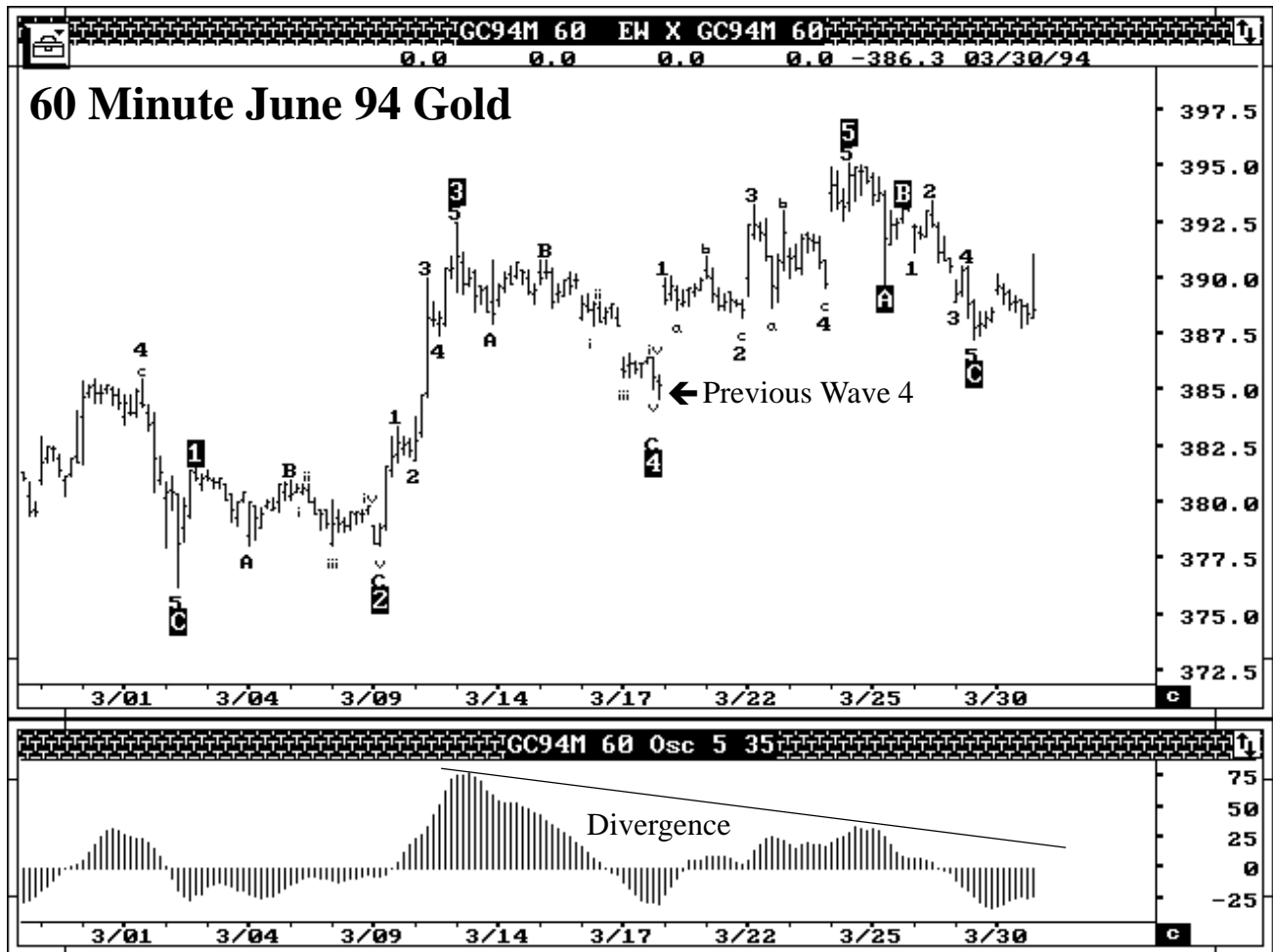
- ⊙ The software shows May 94 Cocoa completing a Five Wave sequence.
- ⊙ The Elliott Oscillator shows divergence between the Wave Three peak and the Wave Five peak.



- ⊙ Sell on the cross of the Trend Line with a stop above the high.
- ⊙ The previous Wave Four low at 11.50 is the first target.
- ⊙ Once the prices trade to this target, tighten stops and monitor the software for a new Wave Three in the same direction.

June 94 Gold - 60 Minutes

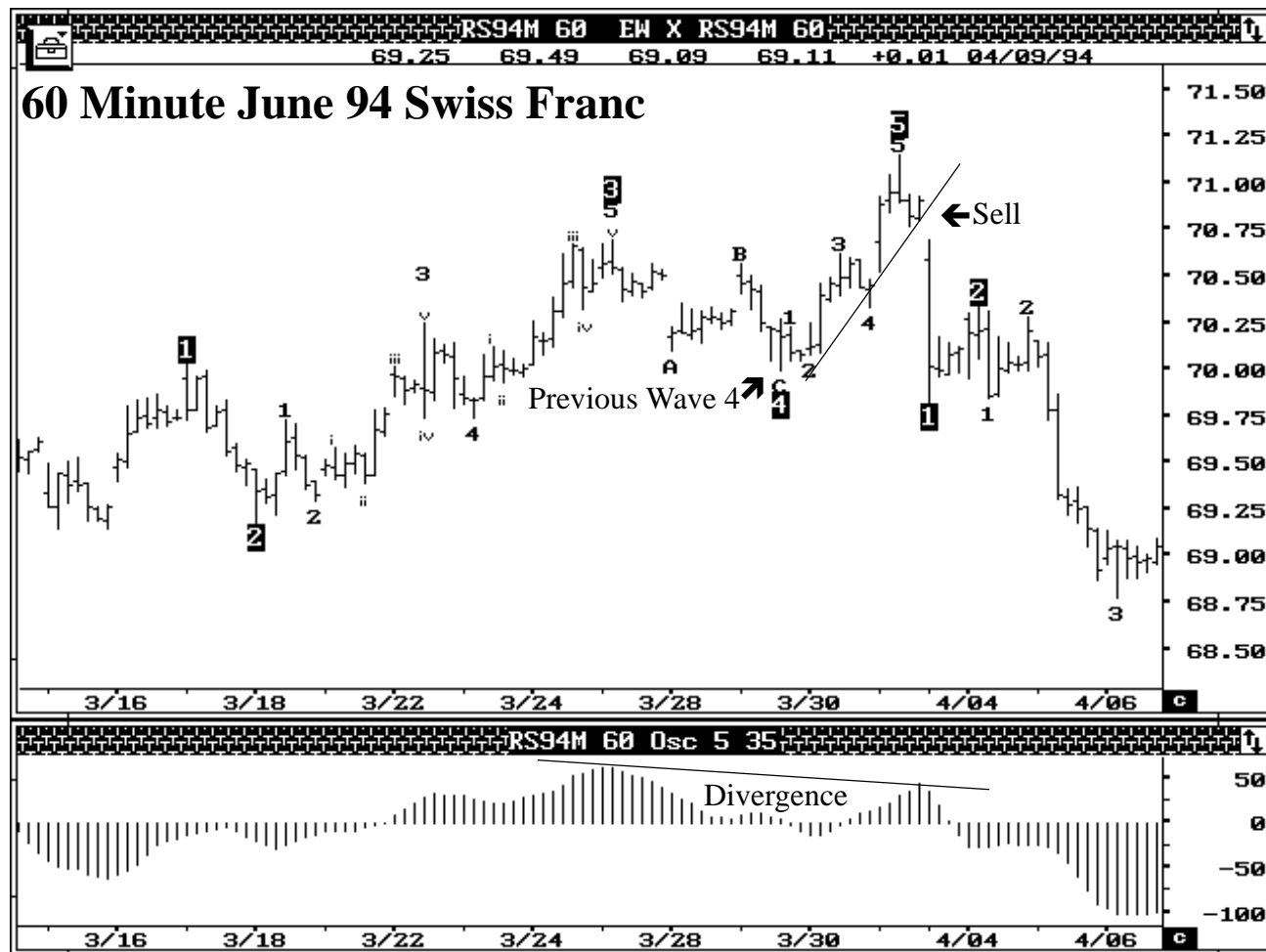
- ⊙ The software labels the new high as a Fifth Wave.
- ⊙ The Elliott Oscillator shows clean divergence between the Wave Three and the Wave Five peaks.



- ⊙ Sell on the cross of a Trend Line with a stop above the highs.
- ⊙ Now look for the previous Wave Four low near the 3860 level as the first target.

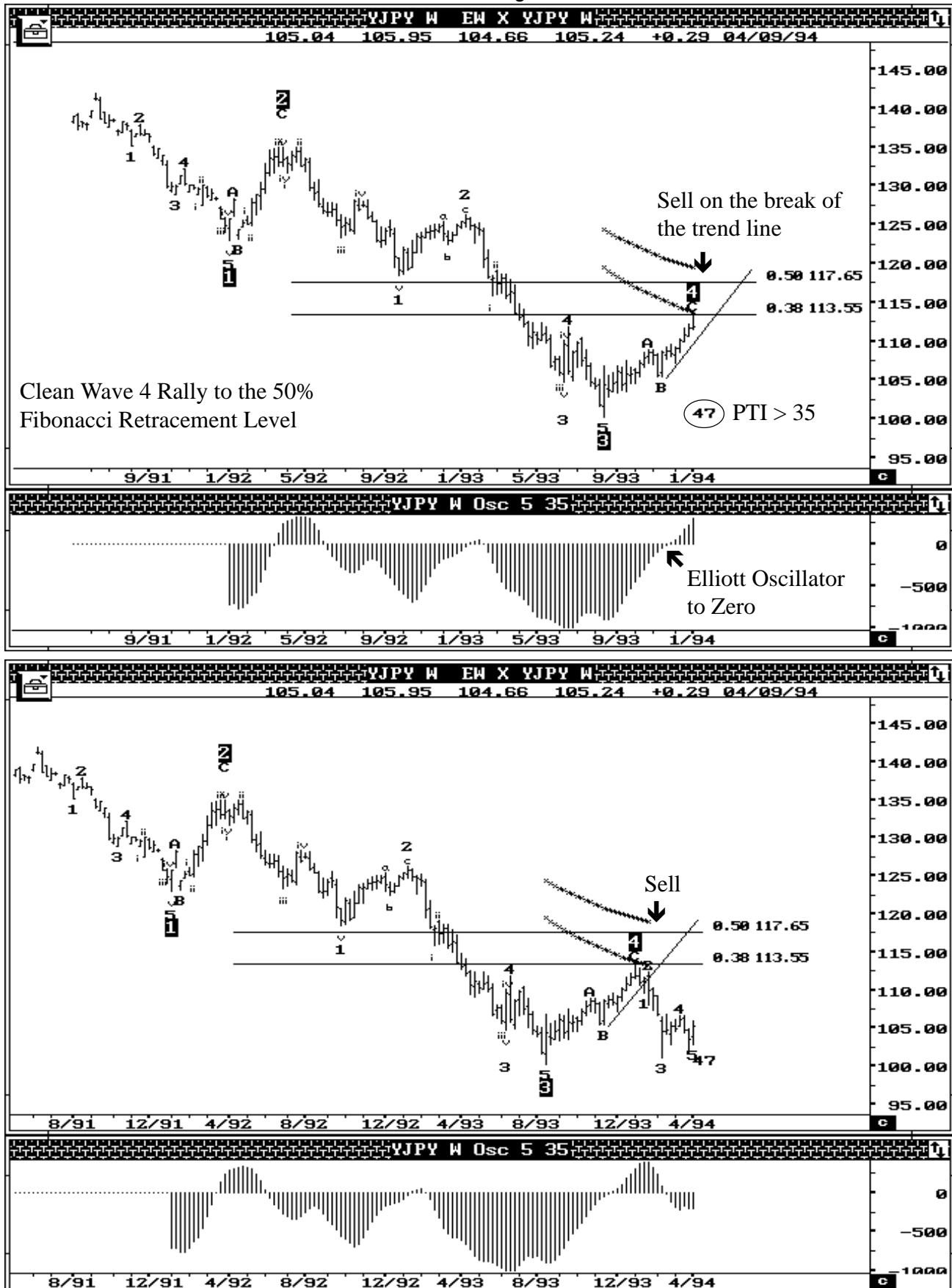
June 94 Swiss Franc - 60 Minutes

- ⊙ The software labels the 60 minute Swiss completing a Five Wave Sequence.
- ⊙ The Elliott Oscillator shows clean divergence between the Wave Three and the Wave Five peaks.



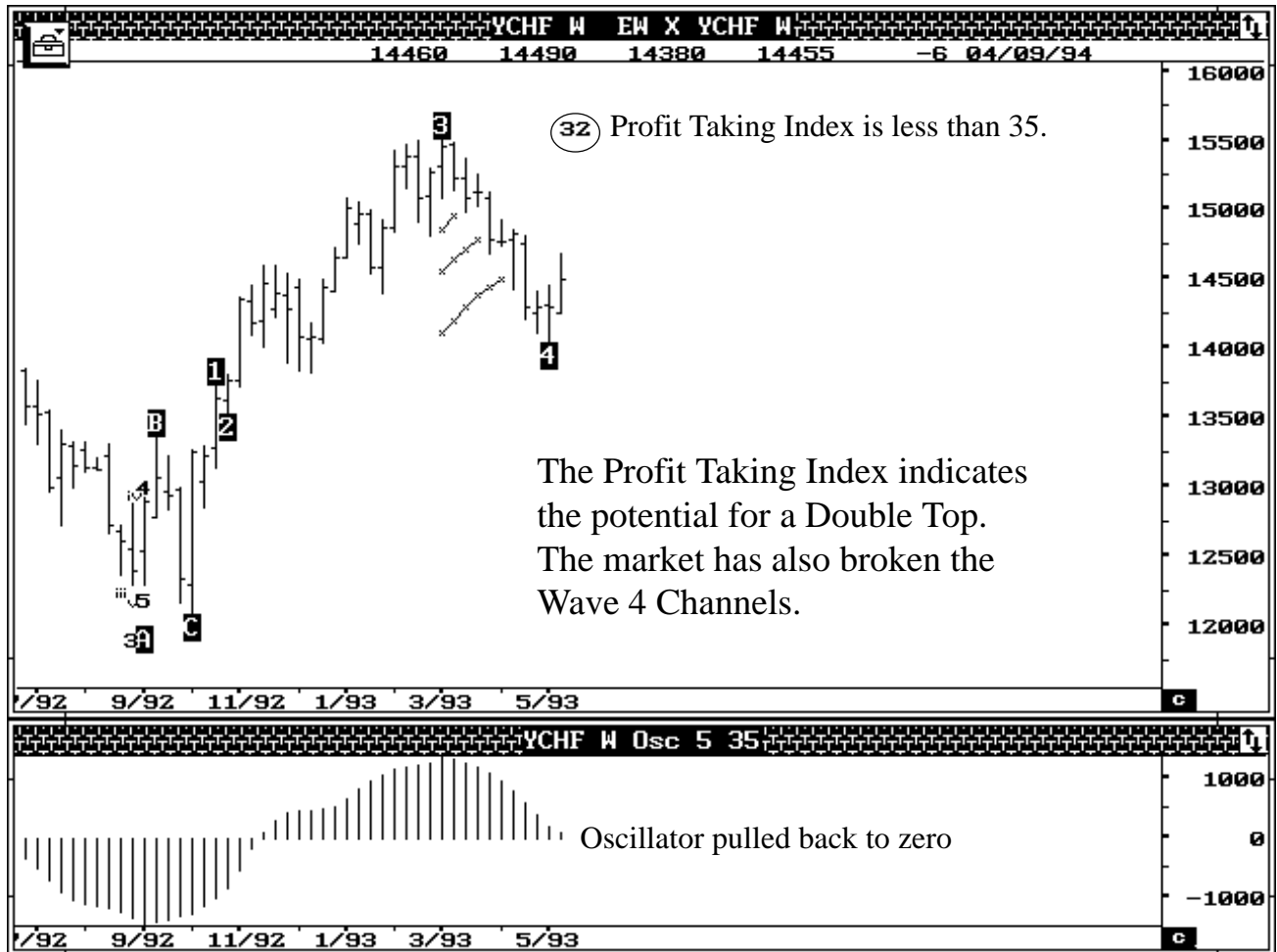
- ⊙ Sell on the cross of a Trend Line with a stop above the highs.
- ⊙ Now look for the previous Wave Four low near the 6990 level as the first target.

Yen Cash - Weekly Wave Count



Weekly Swiss Franc Cash - Double Top

We have a perfect looking Wave Four except for the Profit Taking Index. When the Profit Taking Index falls below 35, it increases the odds for a Double Top.



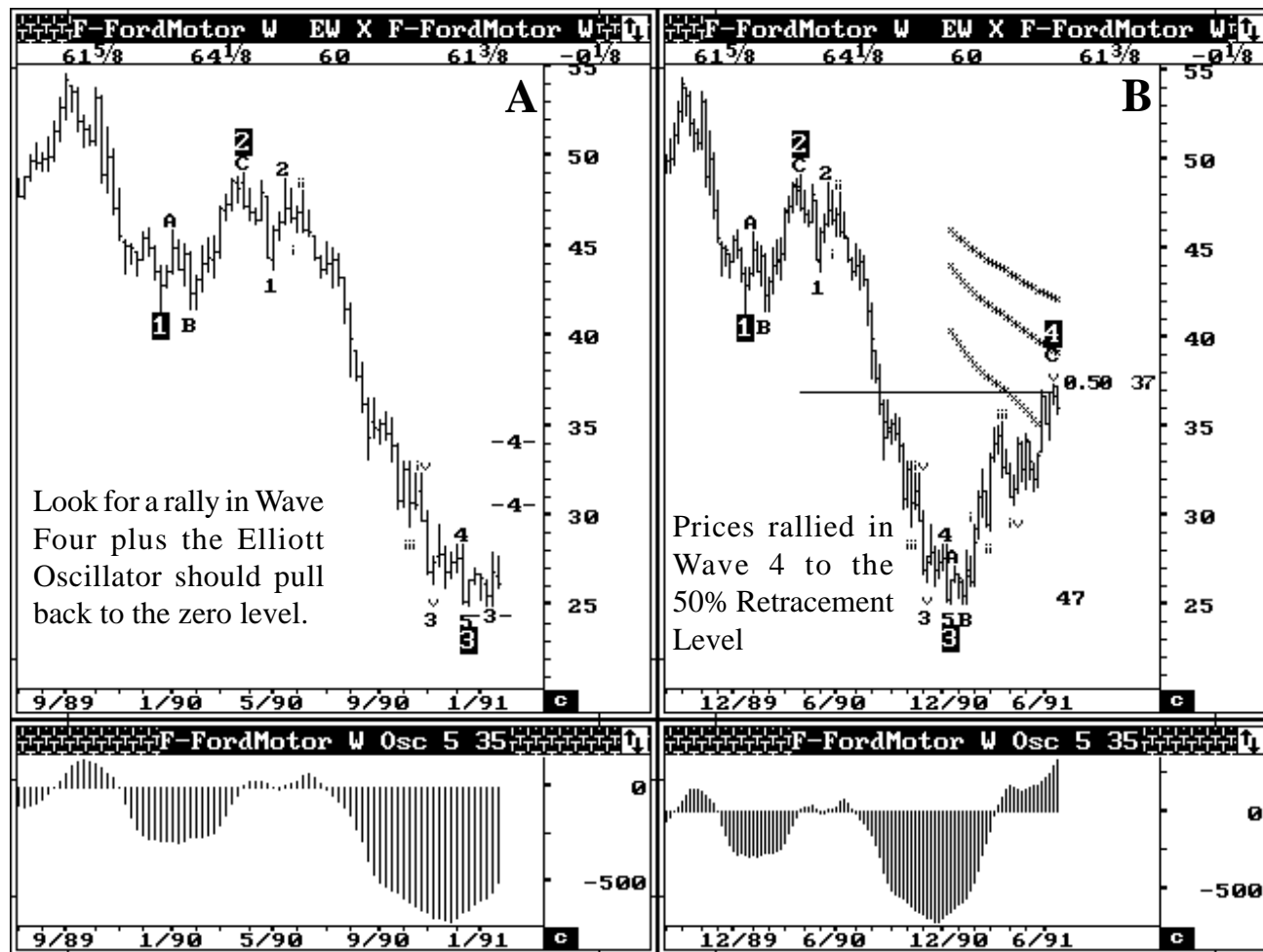
See the next page for subsequent action.

Weekly Swiss Franc Cash - Double Top



Type One Sell Setup on Ford Motor (Weekly)

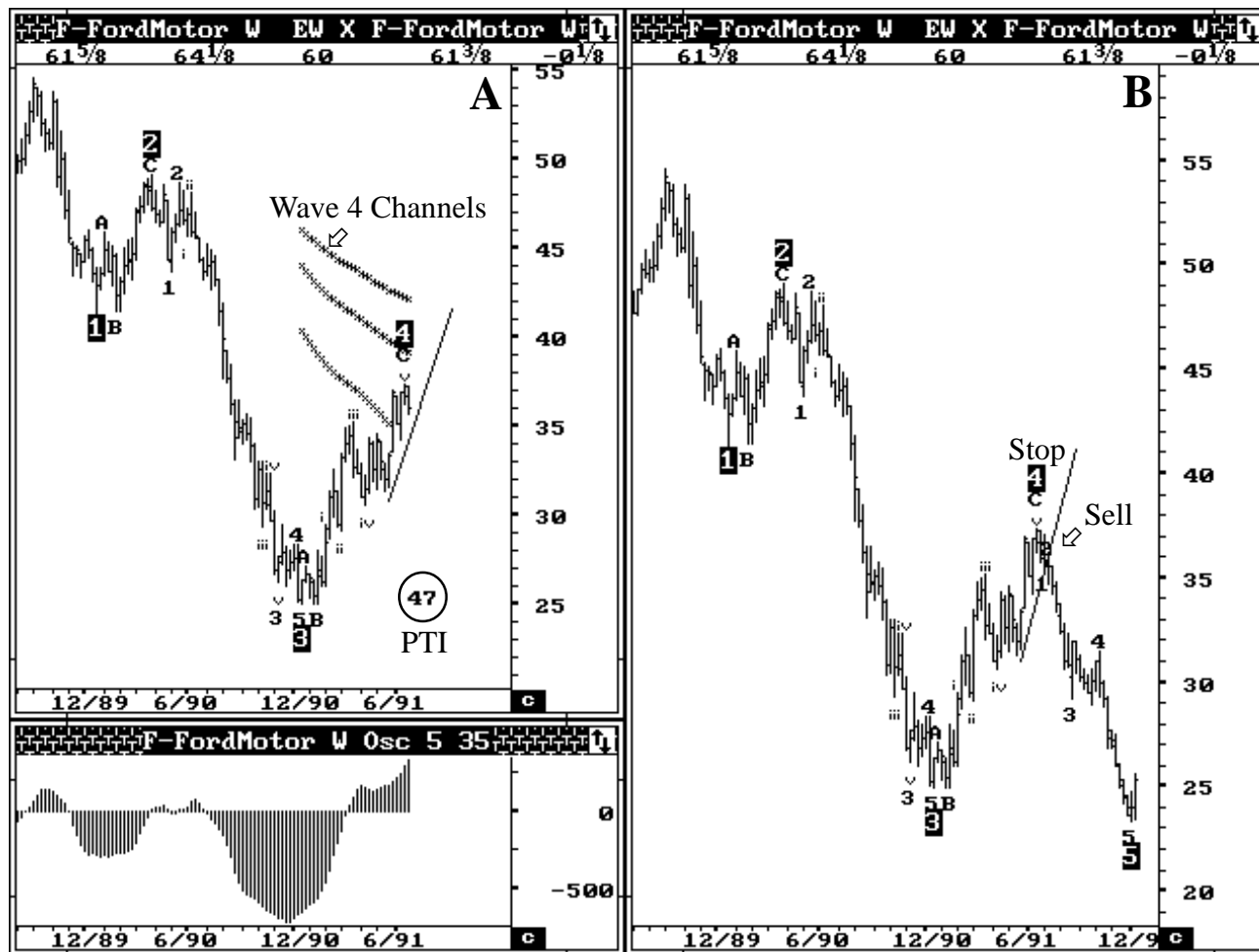
- Chart A shows the weekly chart of Ford Motor Completing a Wave Three decline. The next phase is a Wave Four rally with the Elliott Oscillator pulling back to the zero level.



- In chart B, the prices have rallied to the 50% Fibonacci Retracement level. The Elliott Oscillator has traded to the zero level, indicating the relief of an over sold condition. See the next page for Type One Sell.

Type One Sell in Weekly Ford Motor

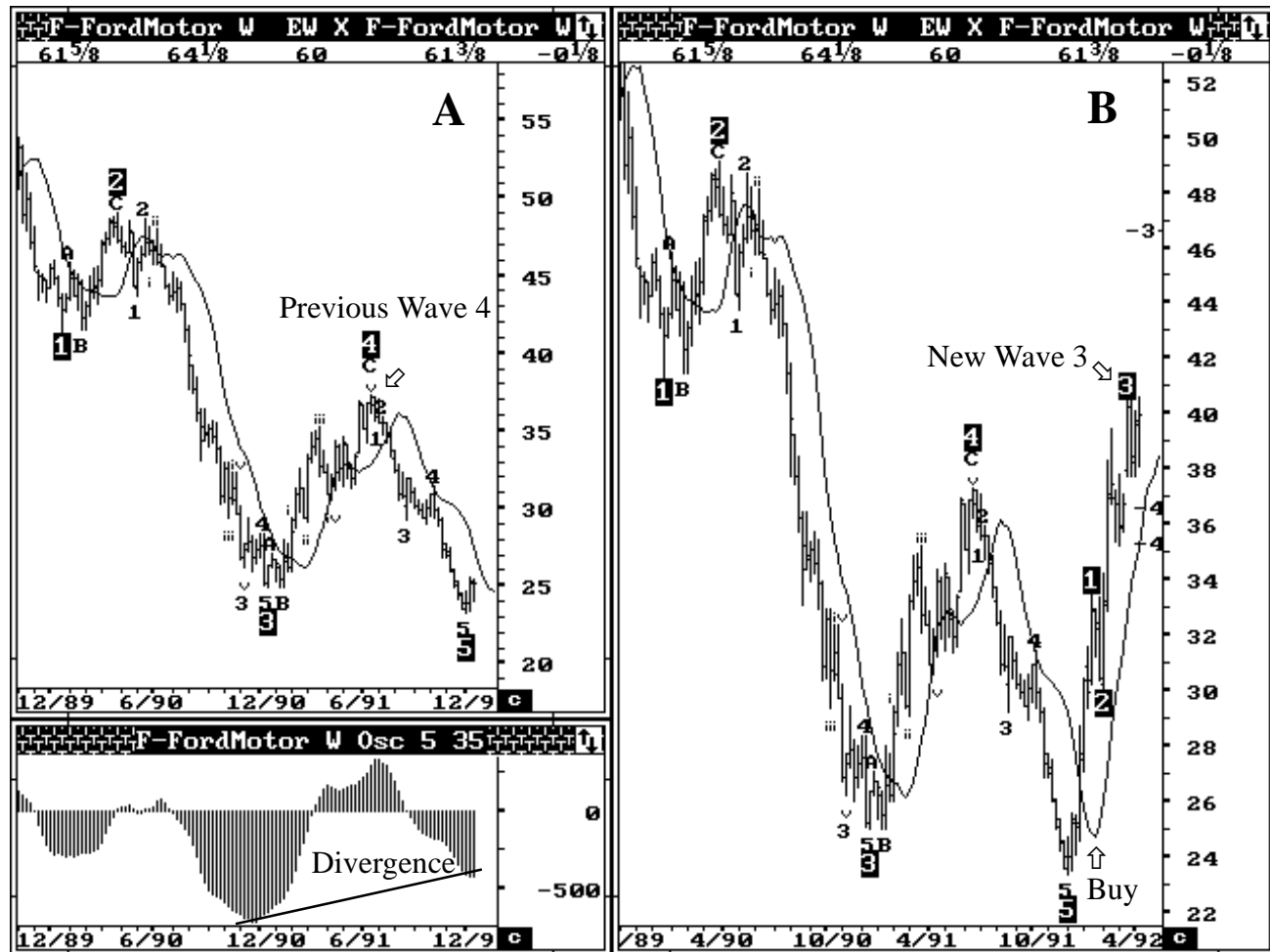
- ⊙ Chart A shows a completed Wave Four. The Profit Taking Index is greater than the minimum requirement of 35 (*it is at 47*). This indicates a new low in Wave 5.
- ⊙ The Wave Four channels are holding prices showing a large potential for a fast decline in Wave Five.



- ⊙ Sell on the cross of the Trend line with stops above the Wave Four high. The target is to new lows below 25.00
- ⊙ Chart B shows the subsequent sell off in Wave Five.
- ⊙ This usually sets up a Type Two Buy. See next page for subsequent price action.

Type Two Buy in Weekly Ford Motor Following a Type One Sell (As seen on the previous page)

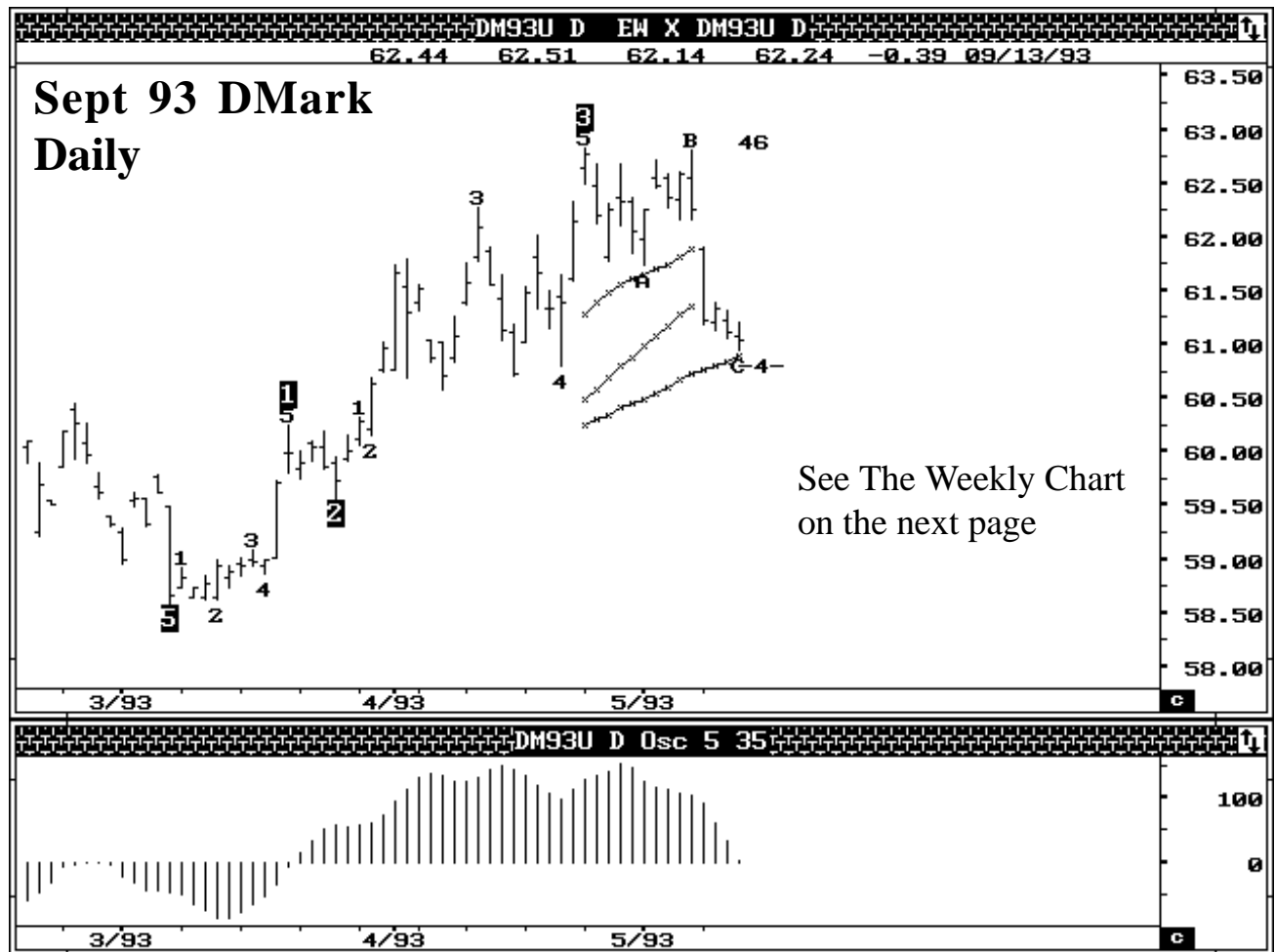
- ⊙ Chart A shows the software generated Wave count. A Five Wave sequence is completing plus the Elliott Oscillator is showing good divergence.
- ⊙ Buy on the cross of the DMA with a stop under the lows.



- ⊙ The first target is the previous Wave Four high near 37.00.
- ⊙ When prices trade to the target, one can tighten stops and monitor the software generated Elliott Wave counts for a new Wave Three in the same direction.

Cross-Referencing to Weekly Data

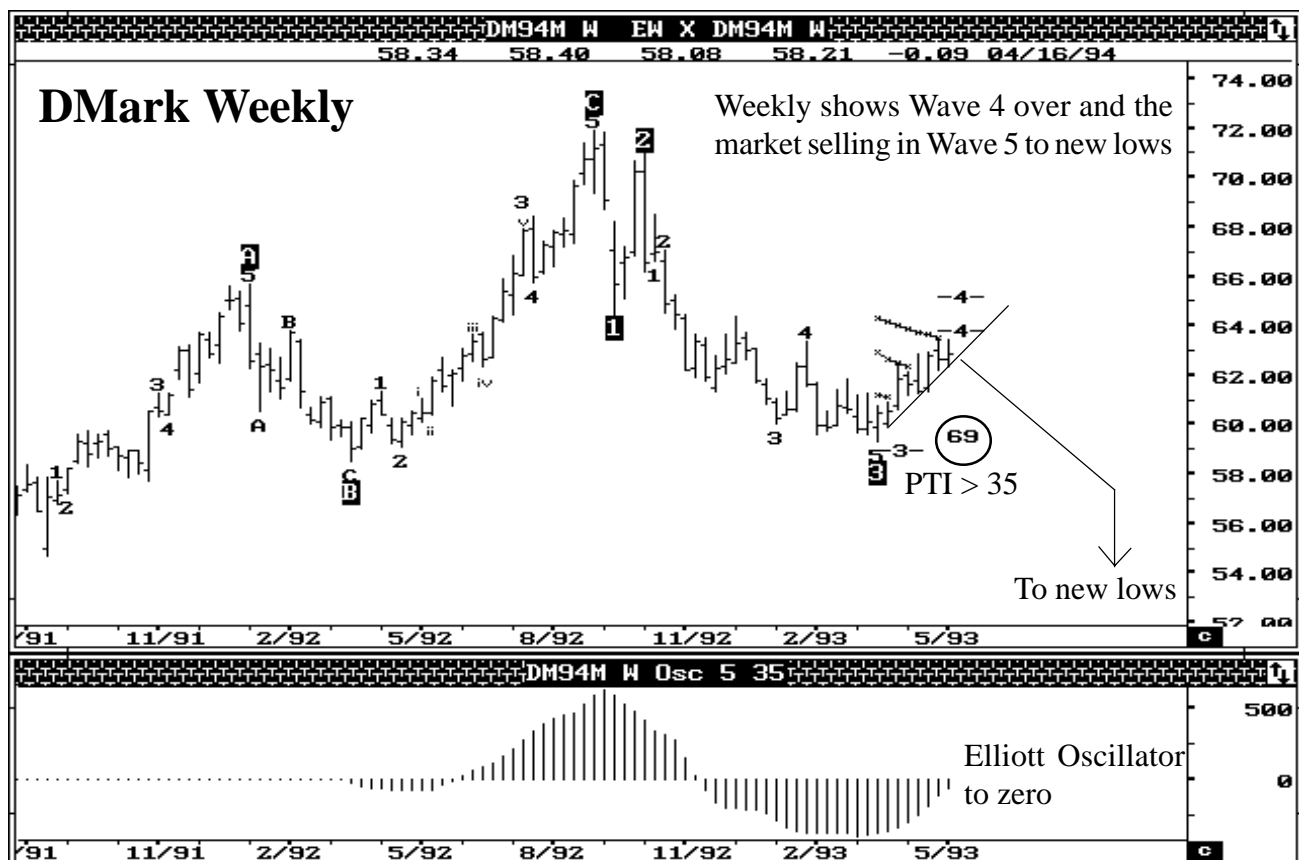
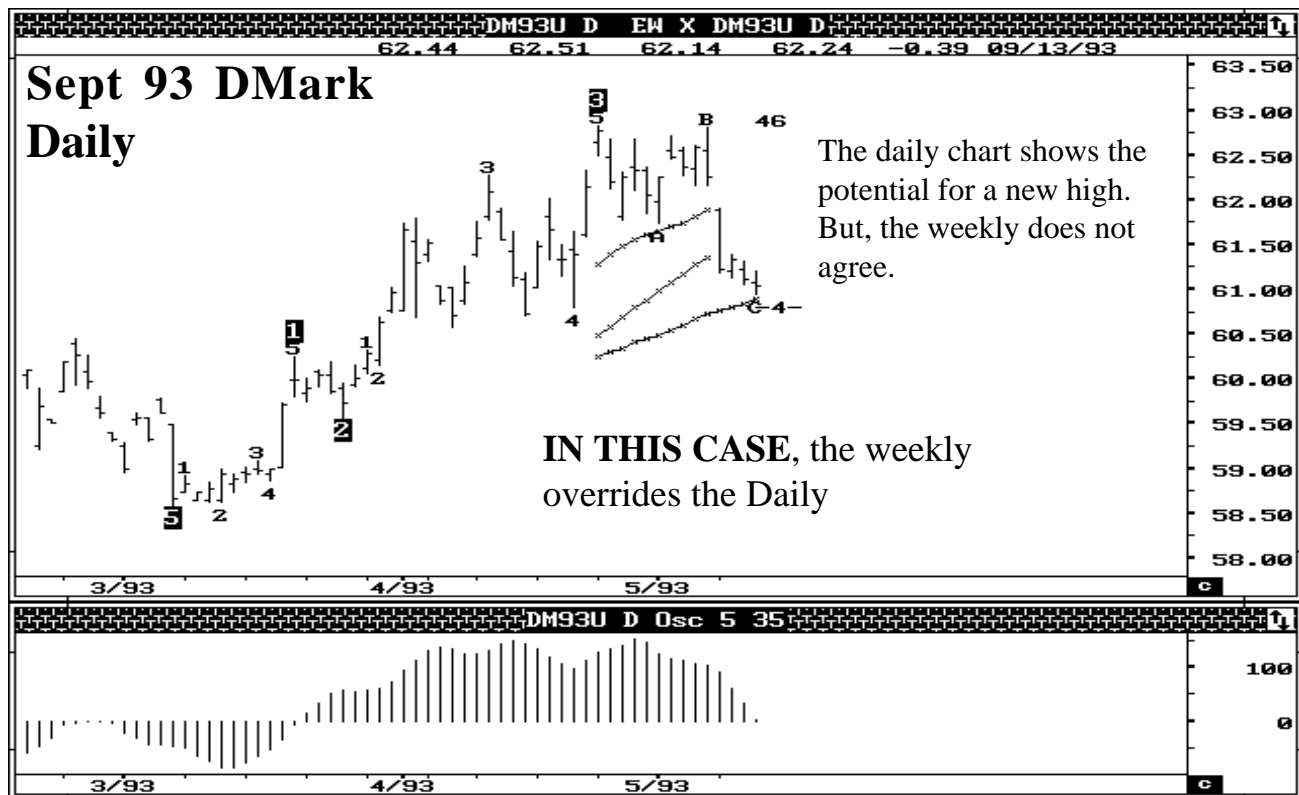
- ⊙ The following chart shows the September 93 DMark completing a clear Wave Four profit taking decline.
- ⊙ The Elliott Oscillator is to zero and the Profit Taking Index is greater than 35 (at 46).



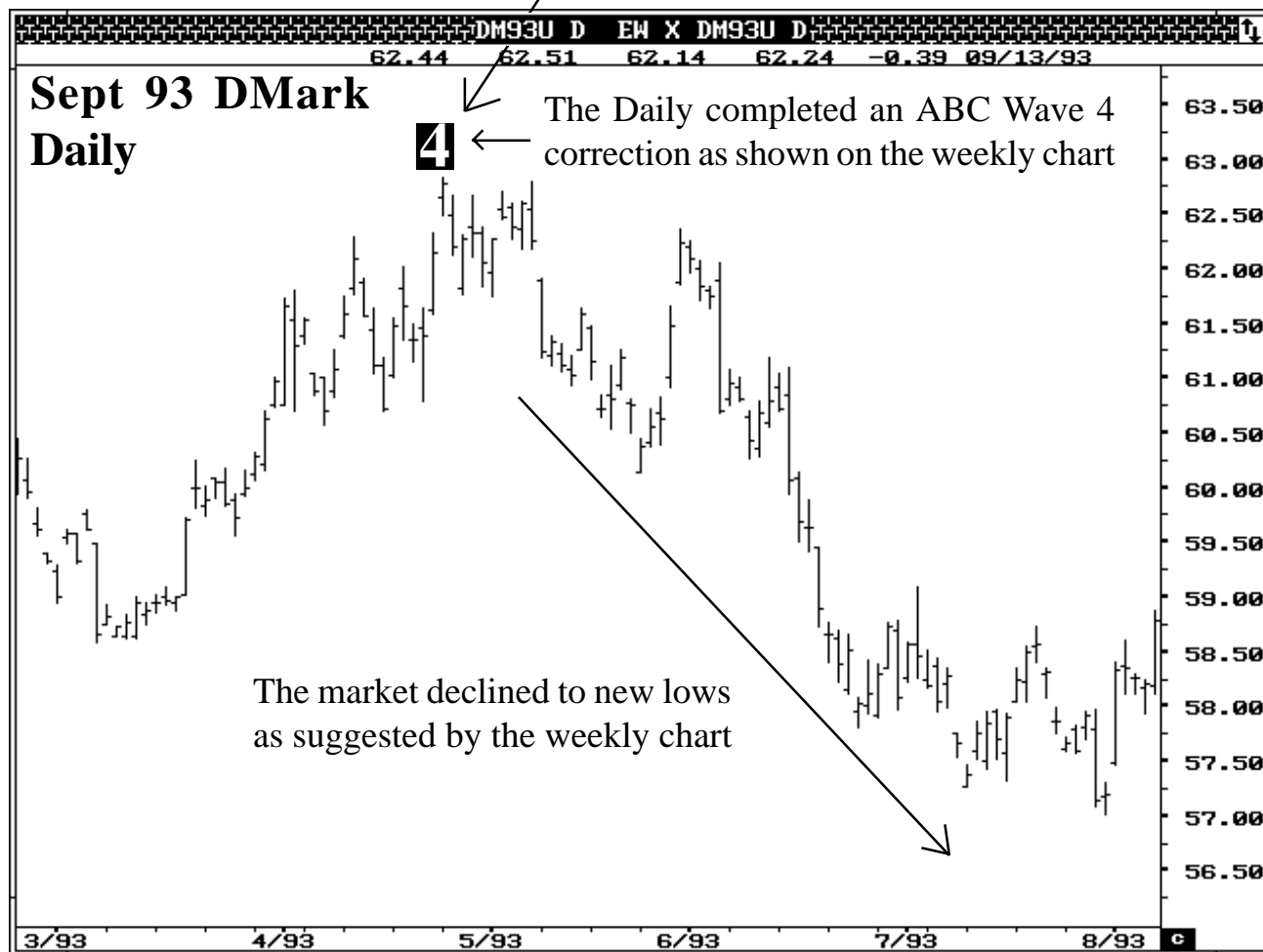
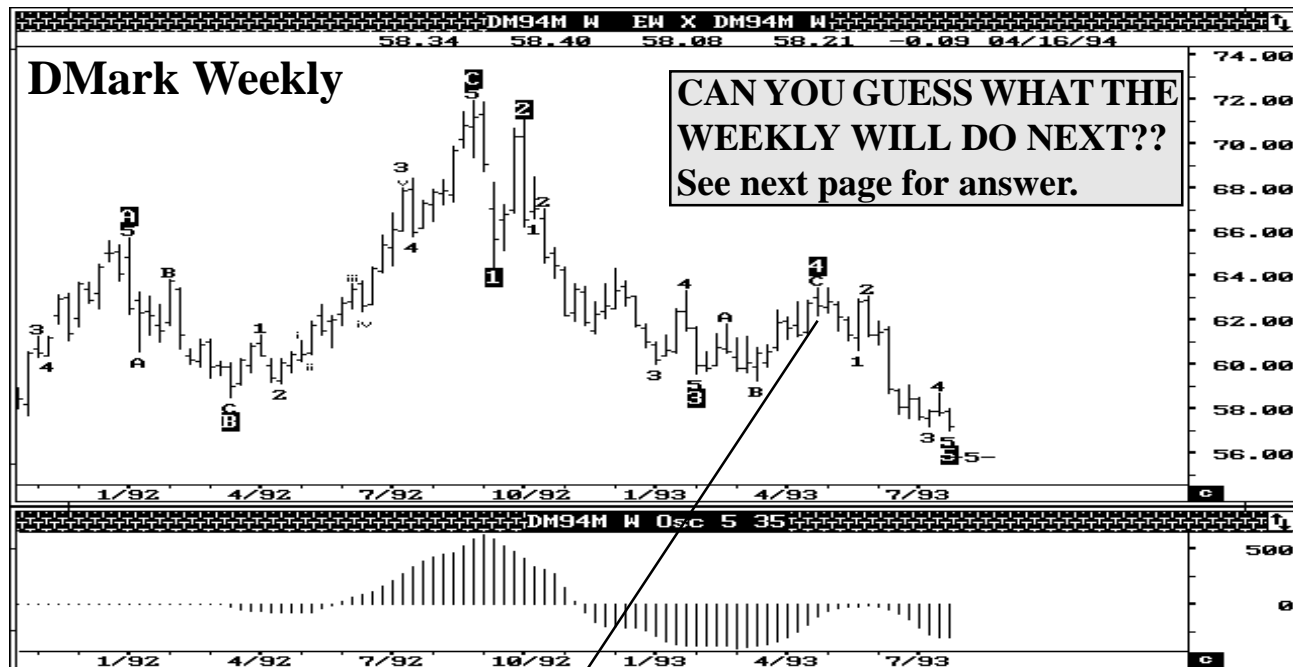
The Wave Four channels are also holding.

- ⊙ All of this should set the stage for a rally to new highs.
- ⊙ Now lets check the weekly on the next page.

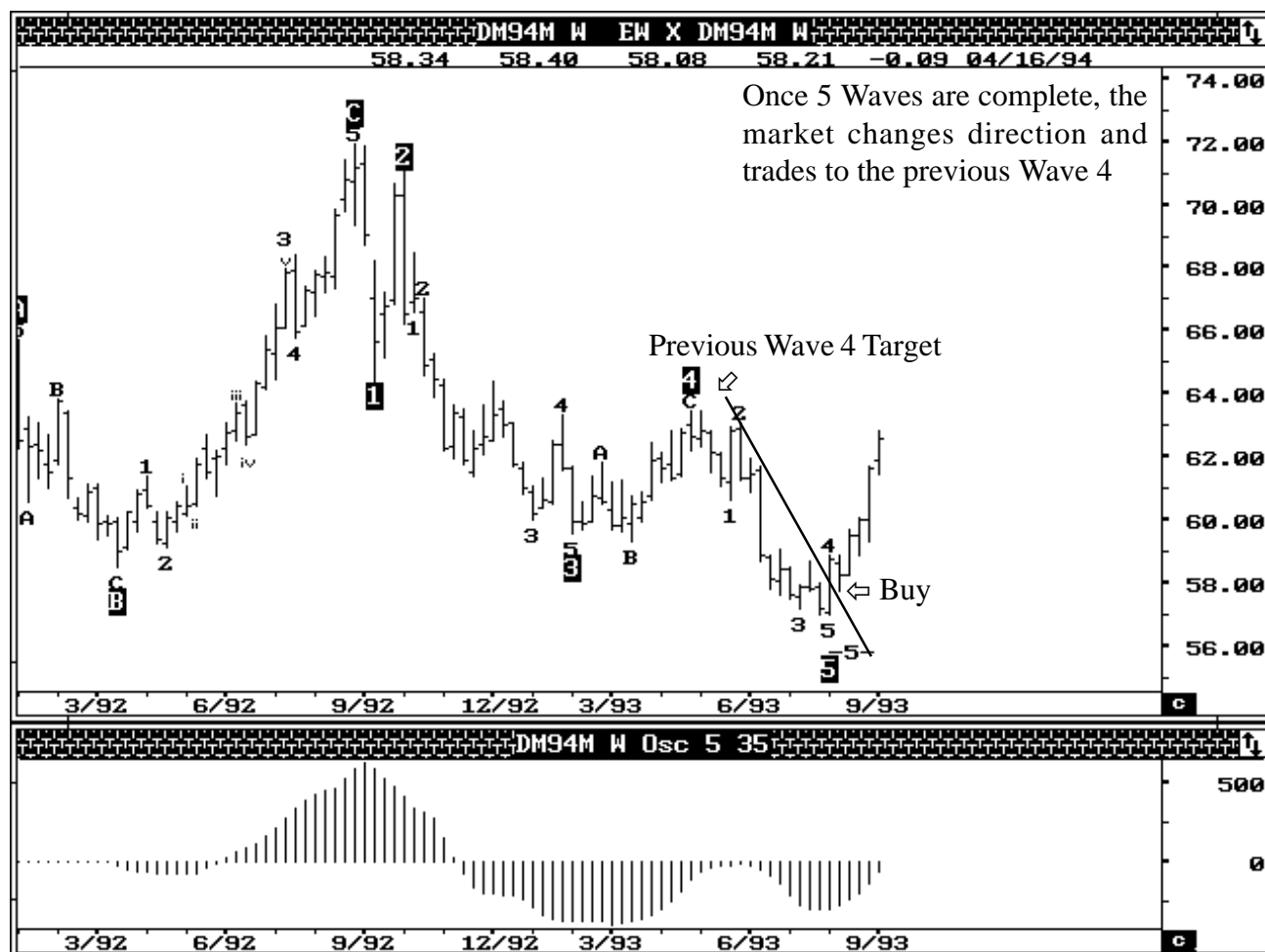
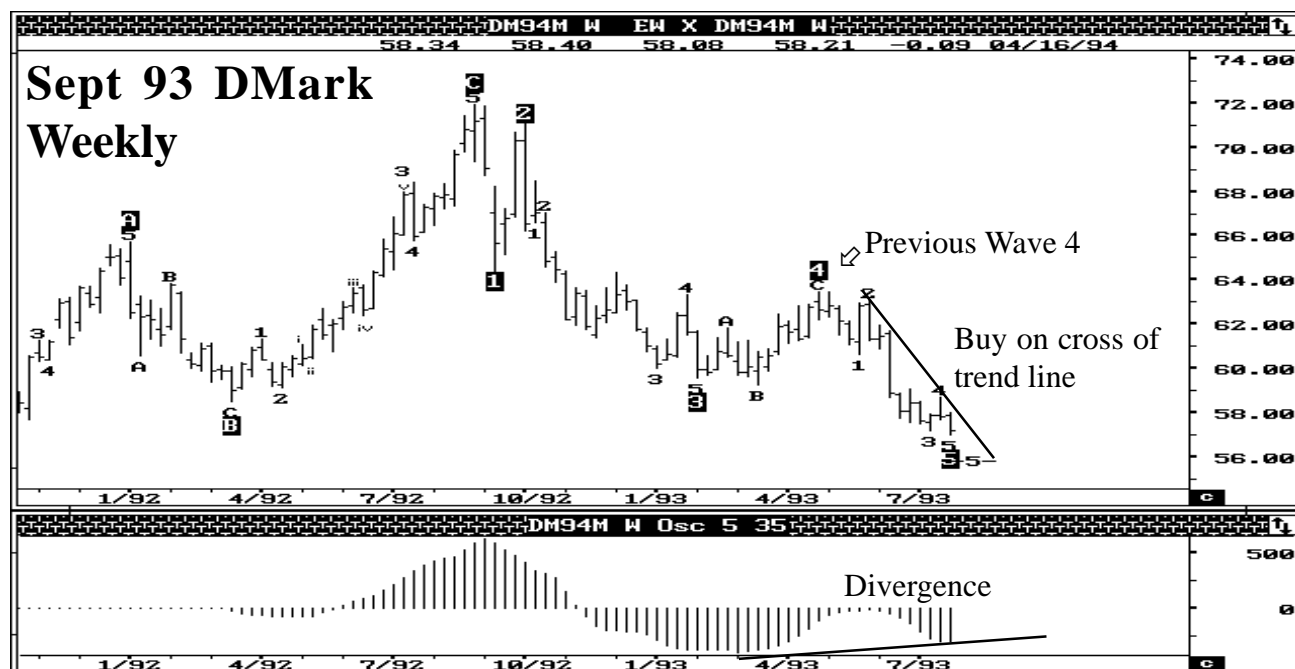
Cross-Referencing to Weekly to Daily



Cross-Referencing Pays Off



Subsequent Action on Weekly DMark

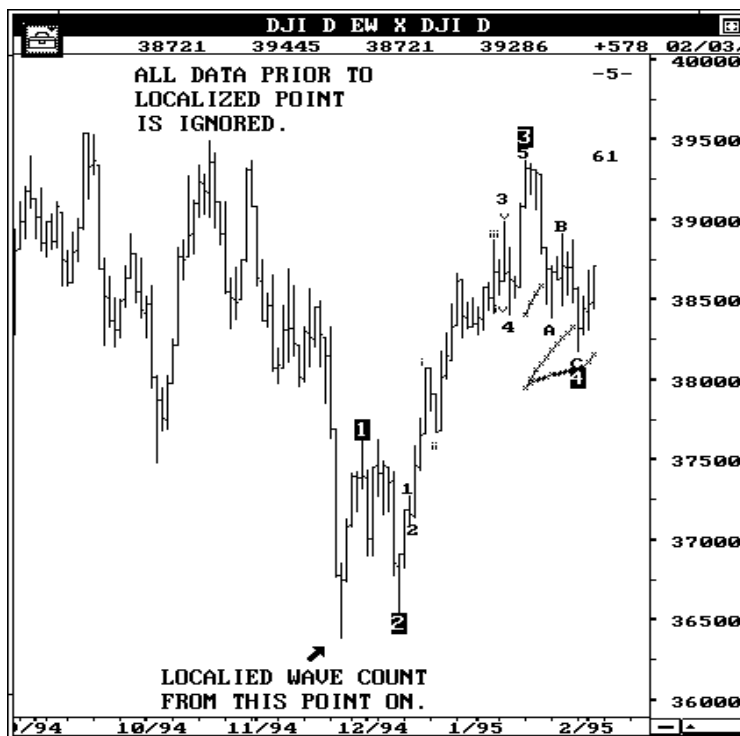


Alternatives In Elliott Wave Analysis

LOCALIZED ELLIOTT WAVE COUNTS:

This option allows the user to force the software 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 in determining the Wave count, it may be a while before the software logic fits the current market action into the Wave Count.

By Localizing the Elliott Wave Count, the software 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.

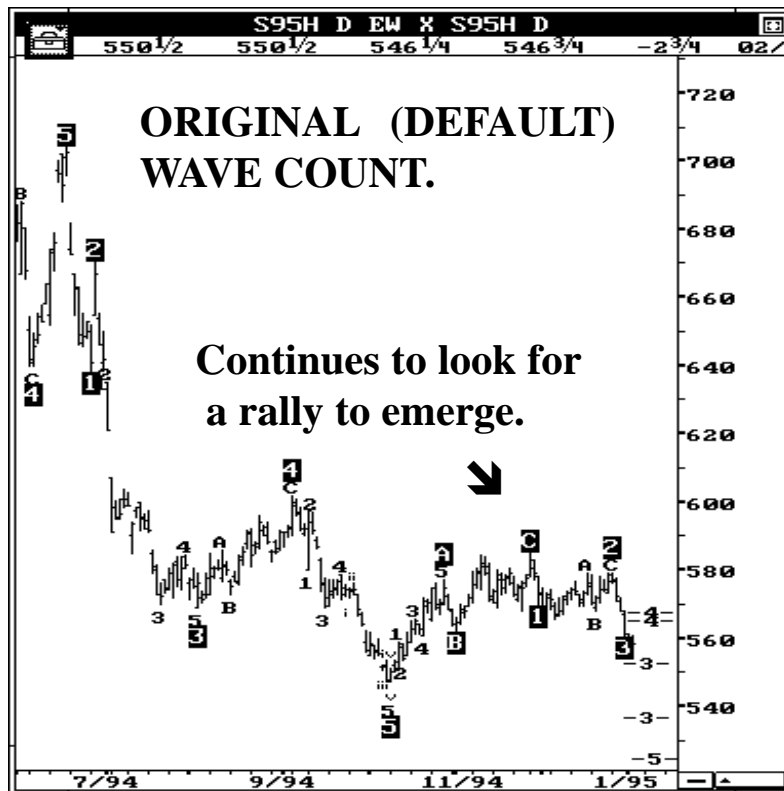


ALTERNATE COUNTS

The Alternate Elliott Wave Count sequence allows the user to have the software 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)



with a price target near 610 (previous Wave Four). If the market rallies strongly to the target, the software will pick up a new Wave Three rally.

The only way the software will abandon this routine is if the prices actually makes a new low. Then the new low becomes the new Wave Five.

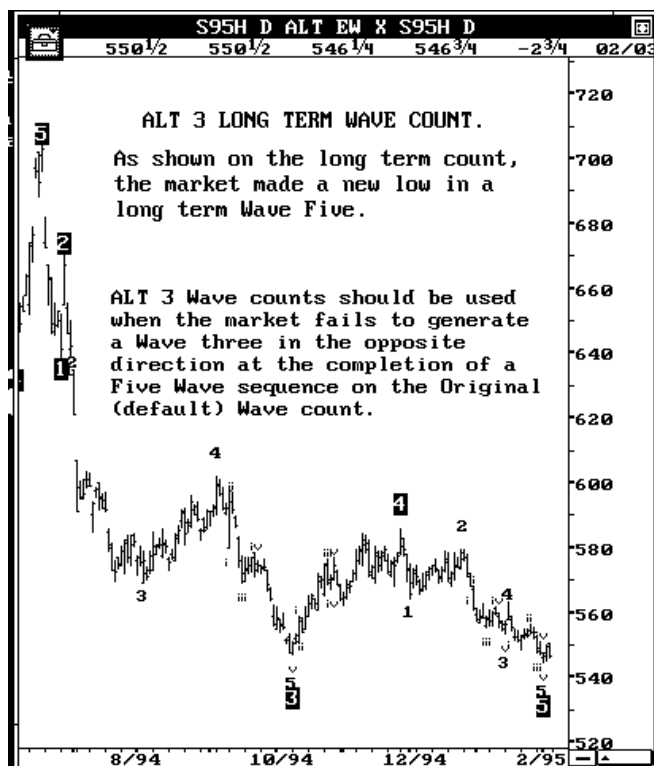
Once the Original (default) Wave analysis detects a Five Wave sequence, it continues to look for a rally in the opposite direction with the previous Wave Four as a minimum price target. Even if the market fails to rally to this target, the routine still continues to look for this pattern until the low of the original Wave Five is taken out. The following example shows the March 95 Soybeans with the Original (default) Wave count.

From the low of Wave 5, the software continues to look for a rally in the opposite direction



The ALTERNATE 3 routines provide a longer term count as shown to the right.

The following chart shows the market making a new low as forecasted by the Alternate 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 Five Wave (*low/high*) Sequence fails to generate a Wave Three in the opposite direction, we recommend you display the Alternate 3 (Long Term) Wave count.

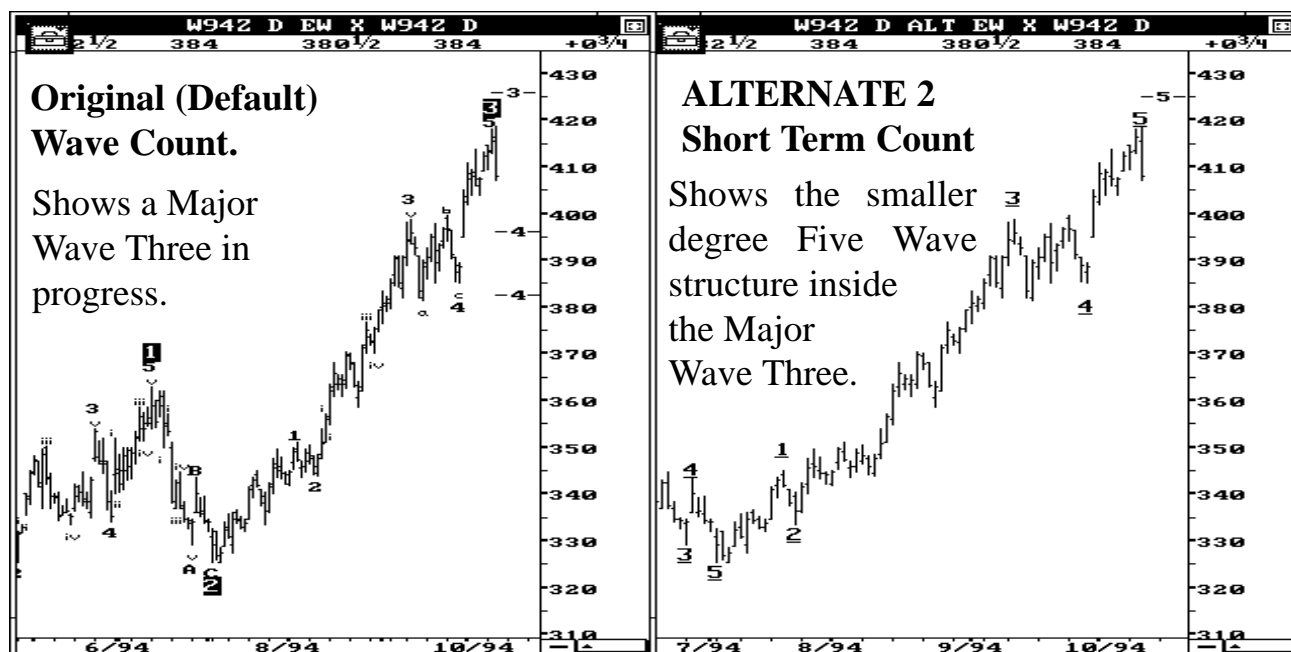


B) If the market momentum meets the parameters of the ALT 3 routines, then the software provides an Alternate Wave count which represents a longer term view. When such an Alternate Count is displayed, the user should be very cautious and anticipate the potential for another new low.

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.

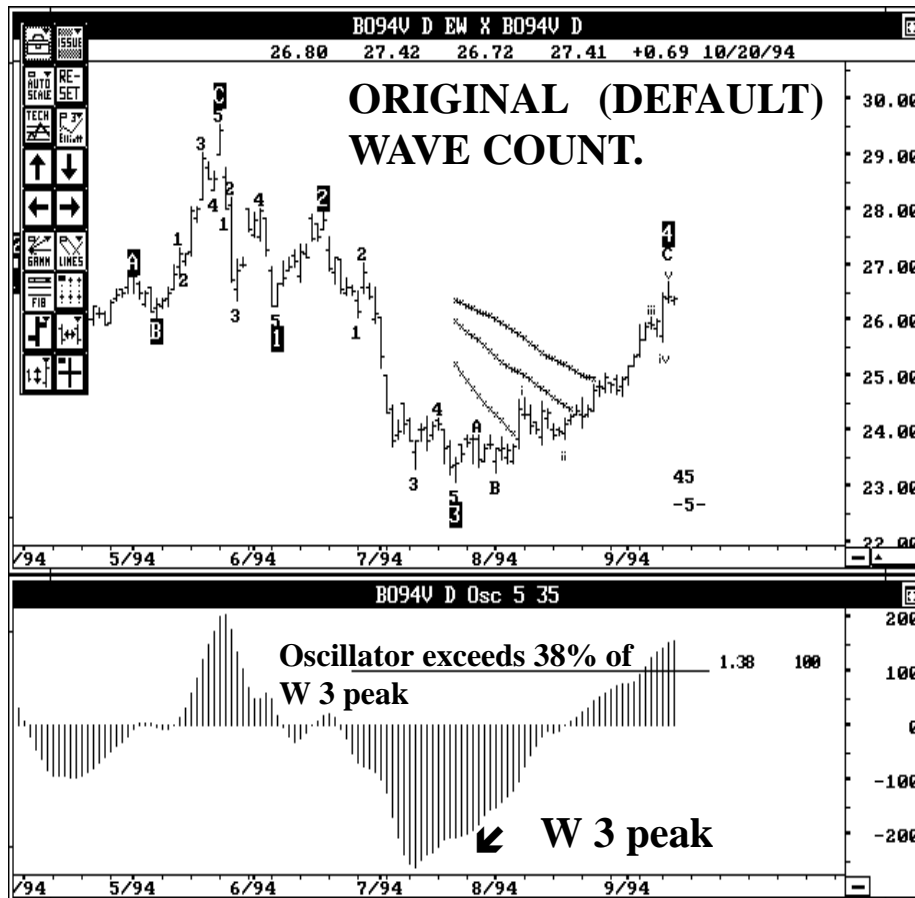
ALTERNATE 2 (Short Term)

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



ALTERNATE 1 (Aggressive)

The Original (default) Wave analysis continues to stay in a Wave Four until the Wave Four overlaps Wave One 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 38% over the Wave Three Oscillator peak, the software still delays switching the Wave Count.



The chart on the left is the October Bean Oil with the original Wave Count. As you can see, the Wave Four channels are crossed, the rally is overlapping Wave One and most importantly the Oscillator has retraced more than 138% (38% in the opposite direction) of the Wave Three peak.

Yet the software has to continue to label the rally as a Wave Four. Eventually this count becomes invalid.

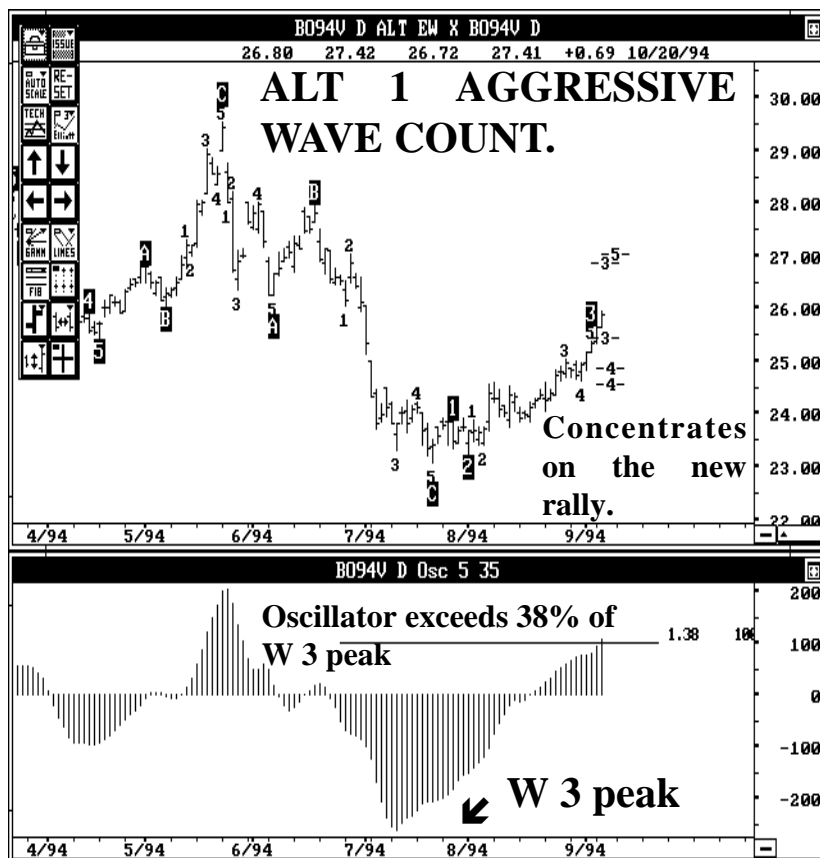
The Alternate 1 (Aggressive) Wave count was designed to end this long drawn out Wave Four count and aggressively switch to a Wave Three count in the opposite direction **The ALT 1 (Aggressive) Wave Count is recommended when the following occurs:**

A) Any rally that is labelled as a Wave Four by the Original (default) Wave count becomes a suspect wave count when it breaks the Wave Four channels and the Oscillator exceeds 38% in the opposite direction of the Wave Three Oscillator Peak.

B) About 65% of the times, 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. The next page shows an example.

ALTERNATE 1 (Aggressive)



The following chart shows the same October Bean Oil 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 Five 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 re-traces more than 38 % in the opposite direction from the Major Wave Three peak. In this example, the Wave Three Oscillator peak was minus 262. The 38% in the opposite direction is +99.

The 38 % level where the oscillator exceeds can be drawn by using the Retracement tool in the Drawing Tools.

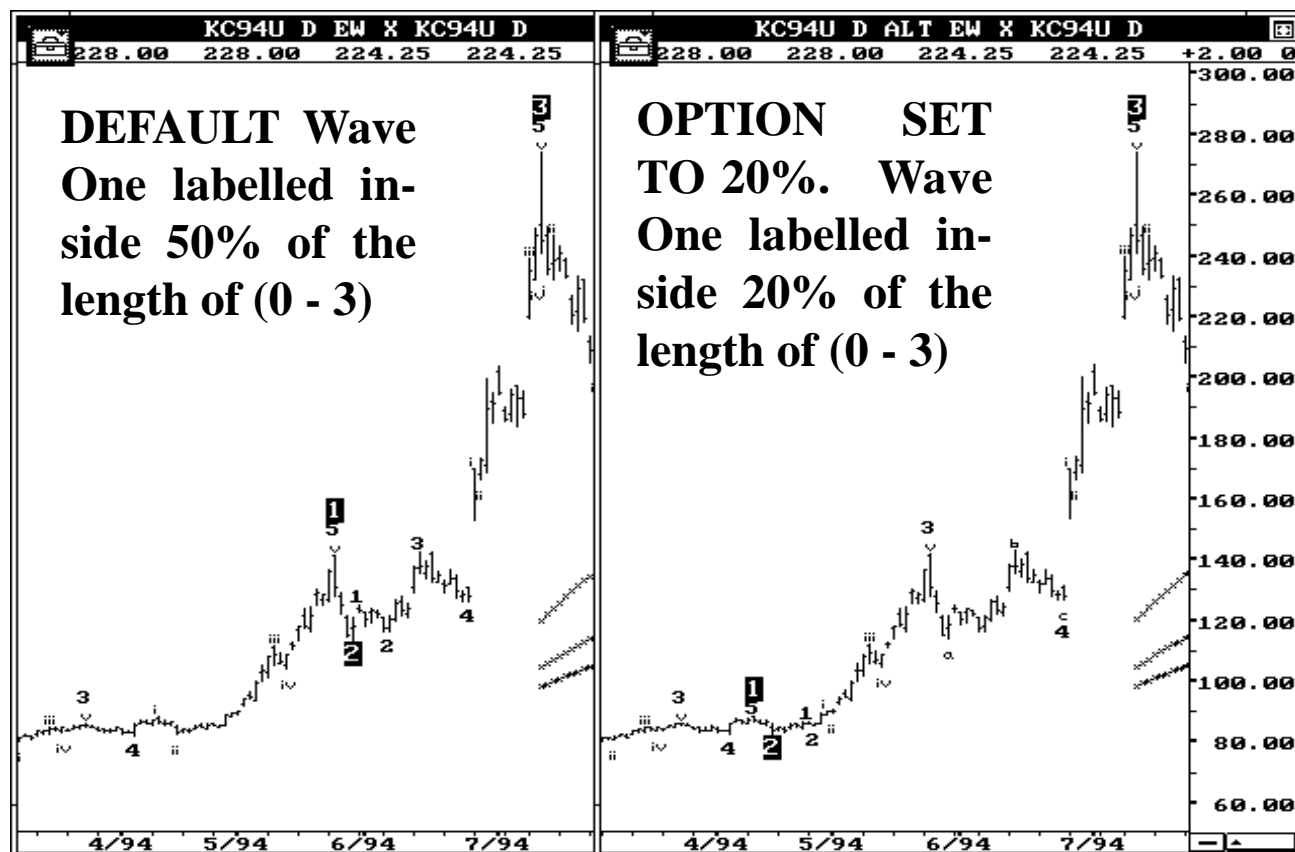
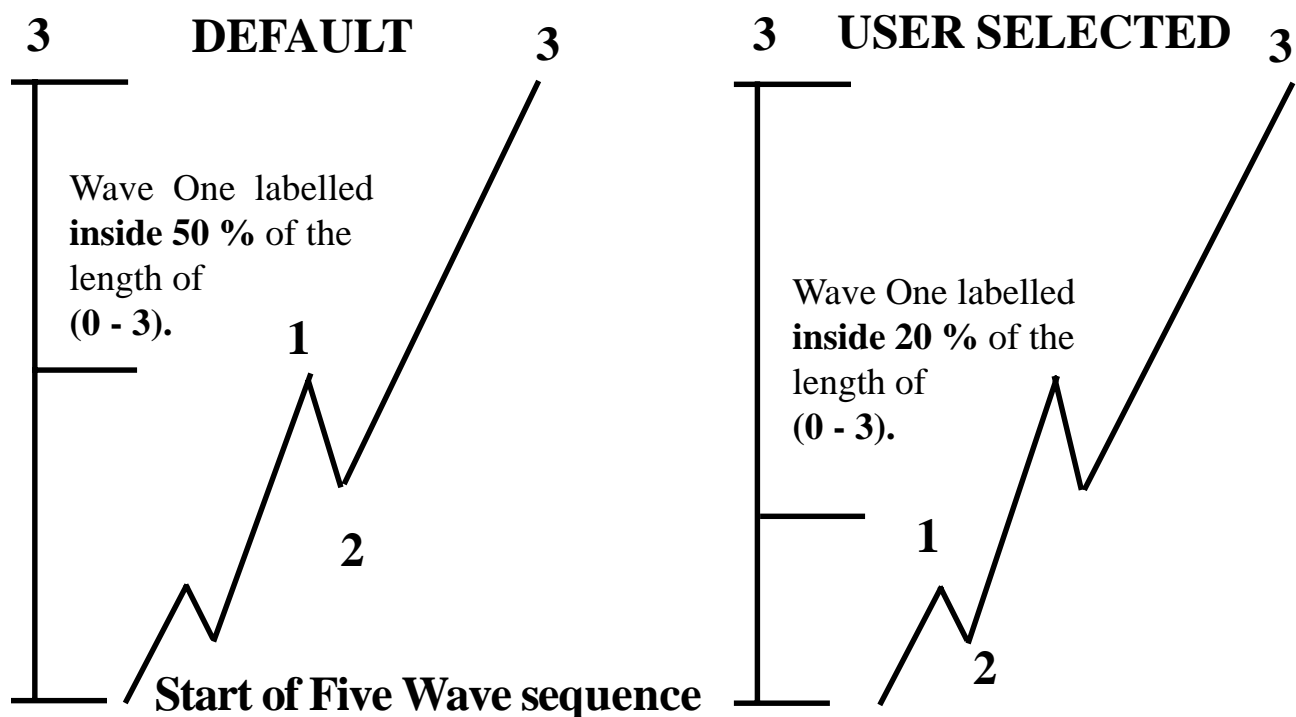
OVERLAP PERCENTAGE (OPTION):

By default, the software automatically allows a 17% price overlap between Wave Four and Wave One 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 Five Wave sequences.** However, you can change this overlap percentage based on your beliefs. Once you have changed the overlap, GET 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 - While labelling Elliott Wave counts, the default count allows the software to label Wave One anywhere between the start of the Five Wave Sequence and the 50 % of the length of (0 - 3). In some cases the software picks a pivot that is at the higher range and Wave One is labelled well into Wave Three. The user can override this and limit where Wave ONE is labelled as shown on the figure on the right.



Gann Techniques

W. D. Gann —

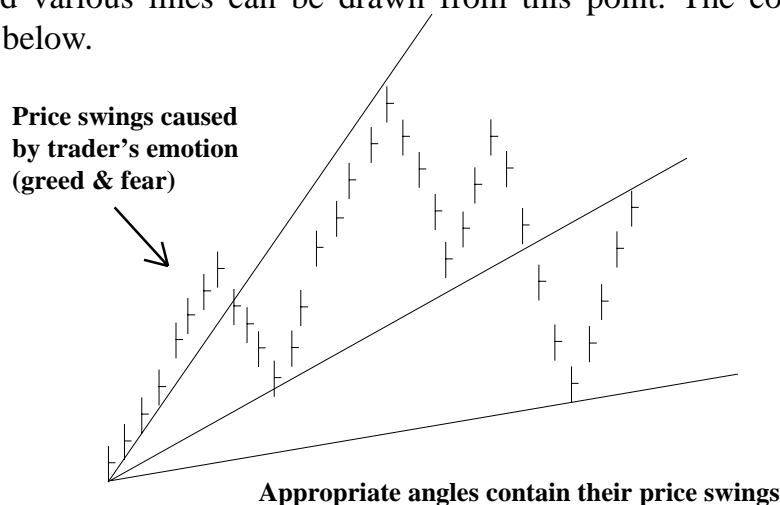
For some reason or the other, everything relating to Gann seems to have a mysterious flair. Many publications carry this tradition and compose their material in a hard to understand manner. To fully understand this technique and to believe in it, one has to ignore this mystical taboo and dig into the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

W.D. Gann used a collection of techniques. From 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. He was a master at this. He was an excellent mathematician and had a quick working mind. As an example, he could tell when a market was overbought without ever using an indicator. The Stochastics is a well known mathematical based formula 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 and improve them. Then add concepts to enhance them and, finally, reduce them to computer equations. Since computer equations are structured and straight-forward, you will also benefit in 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 below.



Gann Angles And Lines

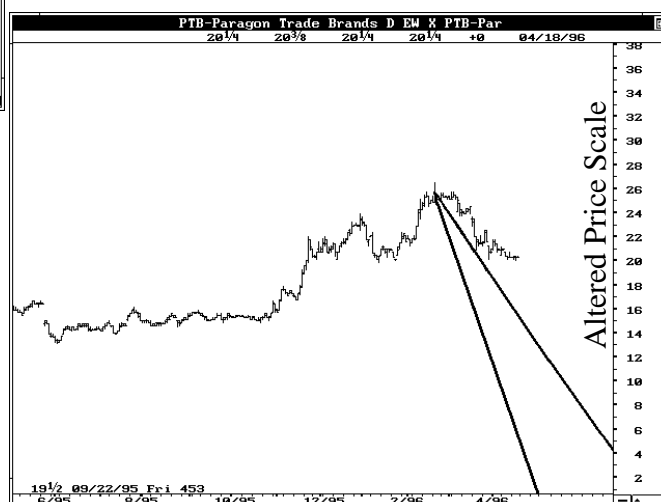
When prices rally off a low, the rate at which the market rallies and fluctuates is controlled by the fear and greed combination of the mass public trading that particular market. The fear and greed causes swings in the markets. This human behavior goes from one extreme to another in cycles of various 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.



Incorrect Approach

Same geometric angle failed to contain prices when the scale is altered.



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.

The GET approach is to use constant angles for each market that define that particular market's price fluctuations caused by the fear/greed emotions of traders. This is illustrated on the next page.

A Real-Time Example



The Fear And Greed Cycle —

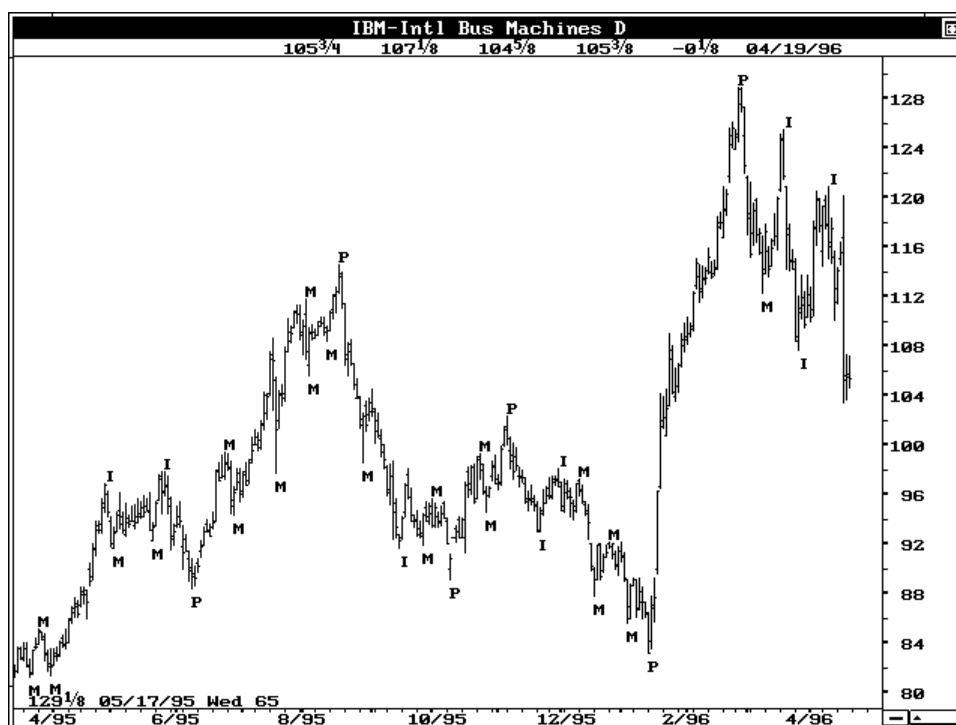
It is extremely difficult to predict the fear and greed behavior of traders in advance. However, we can overcome this difficulty in a roundabout fashion.

When a market makes a major low or bottom which 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 further 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 GET software provides more importance to the major Gann angles.**

Defining Price Swings —

This leads us to the question of defining major price swings. It is easy to look at a price chart and say “this is a high,” or, “this is a low.” Our task was to teach the computer the same.



By measuring the percentage price swing from each high and low, GET software defines price pivot points as: **P= primary, J = major, I = intermediate, and M = minor.** (Illustration is shown above)

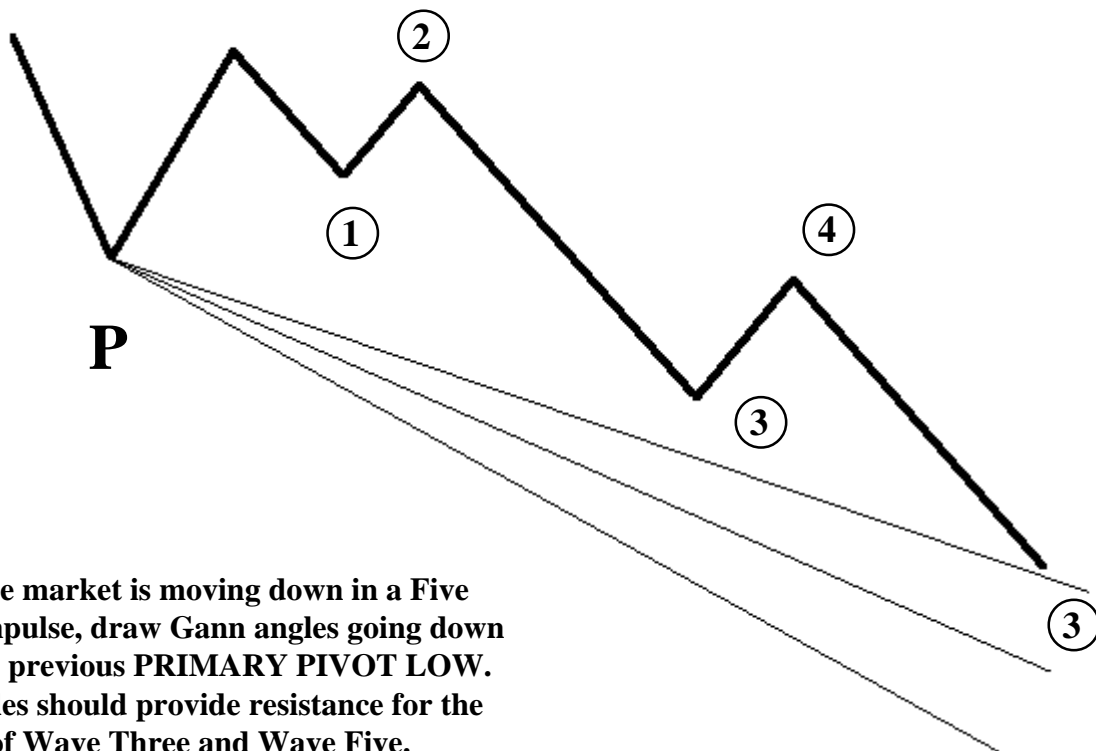
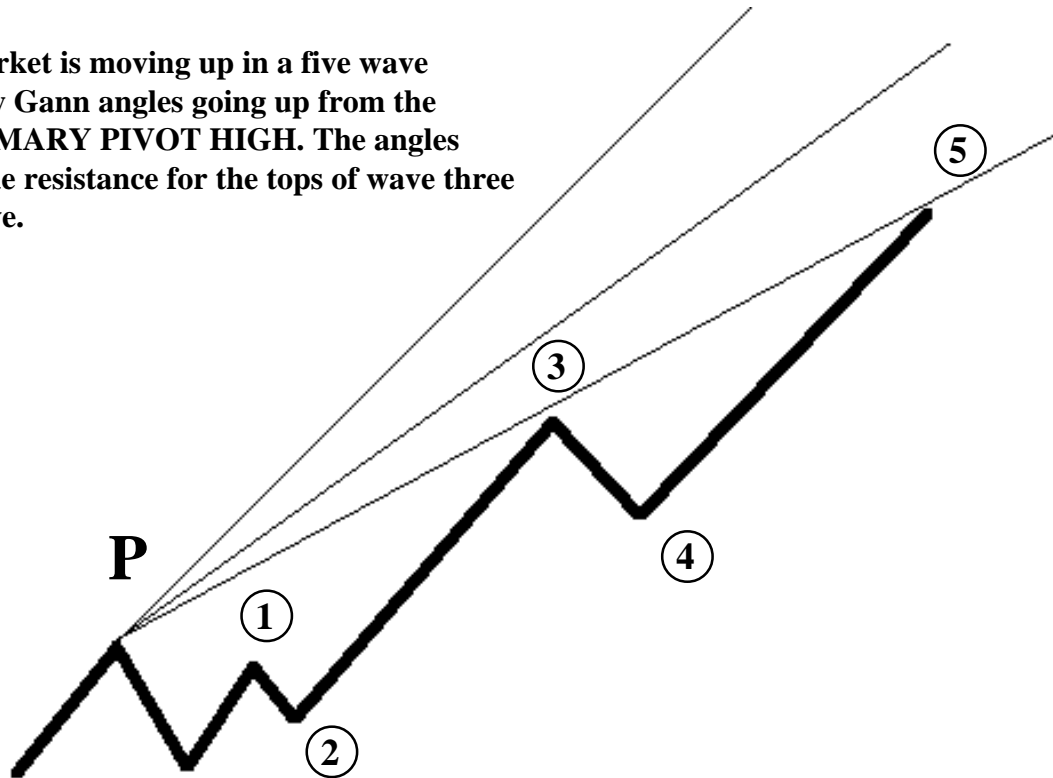
Gann angles originating from primary lows/highs have higher priority in defining the future path for the trader's emotional cycle. The next in line will be angles from major highs/lows, followed by the intermediate and minor pivots.

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, typically provide a more sustained and stronger support/resistance.



USING GANN ANGLES WITH ELLIOTT WAVES (for Waves 3 and 5)

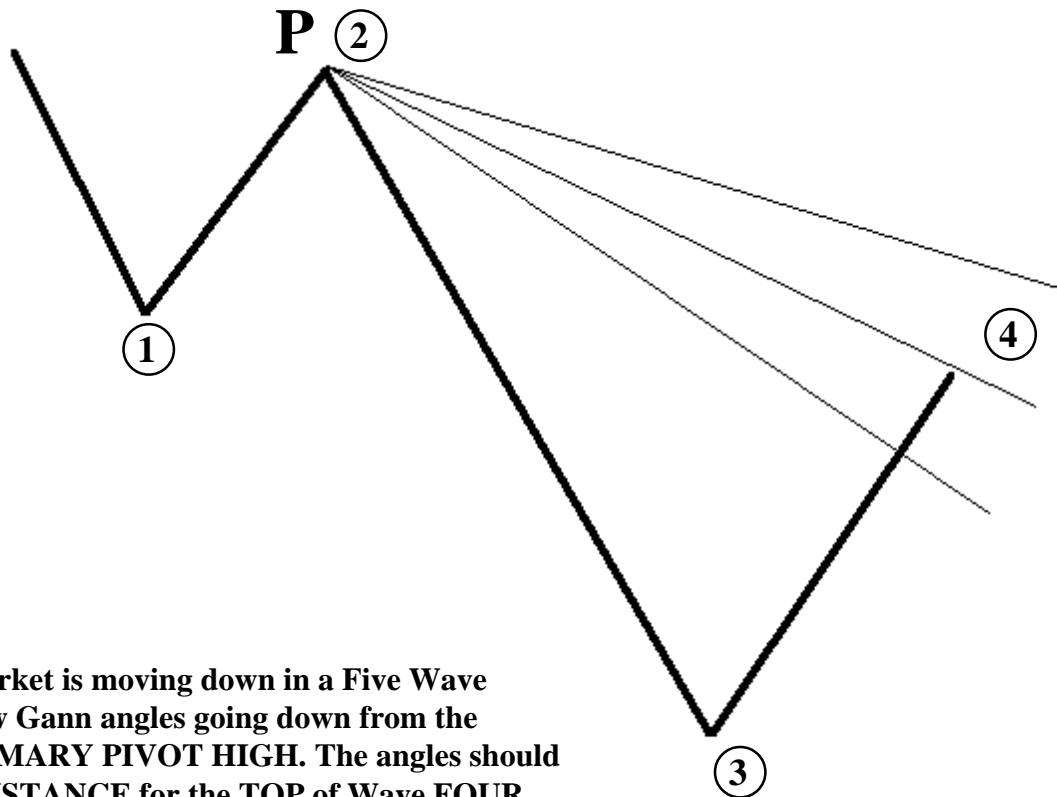
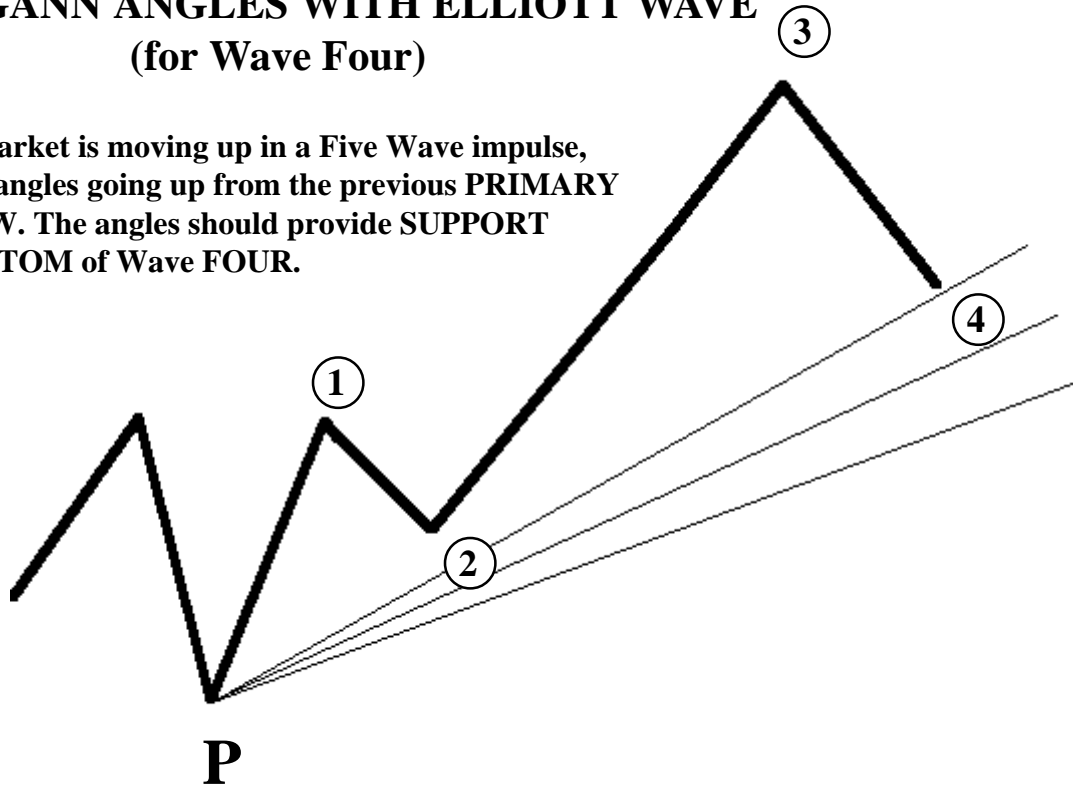
When the market is moving up in a five wave impulse, draw Gann angles going up from the previous **PRIMARY PIVOT HIGH**. The angles should provide resistance for the tops of wave three and Wave Five.



When the market is moving down in a Five Wave impulse, draw Gann angles going down from the previous **PRIMARY PIVOT LOW**. The angles should provide resistance for the bottom of Wave Three and Wave Five.

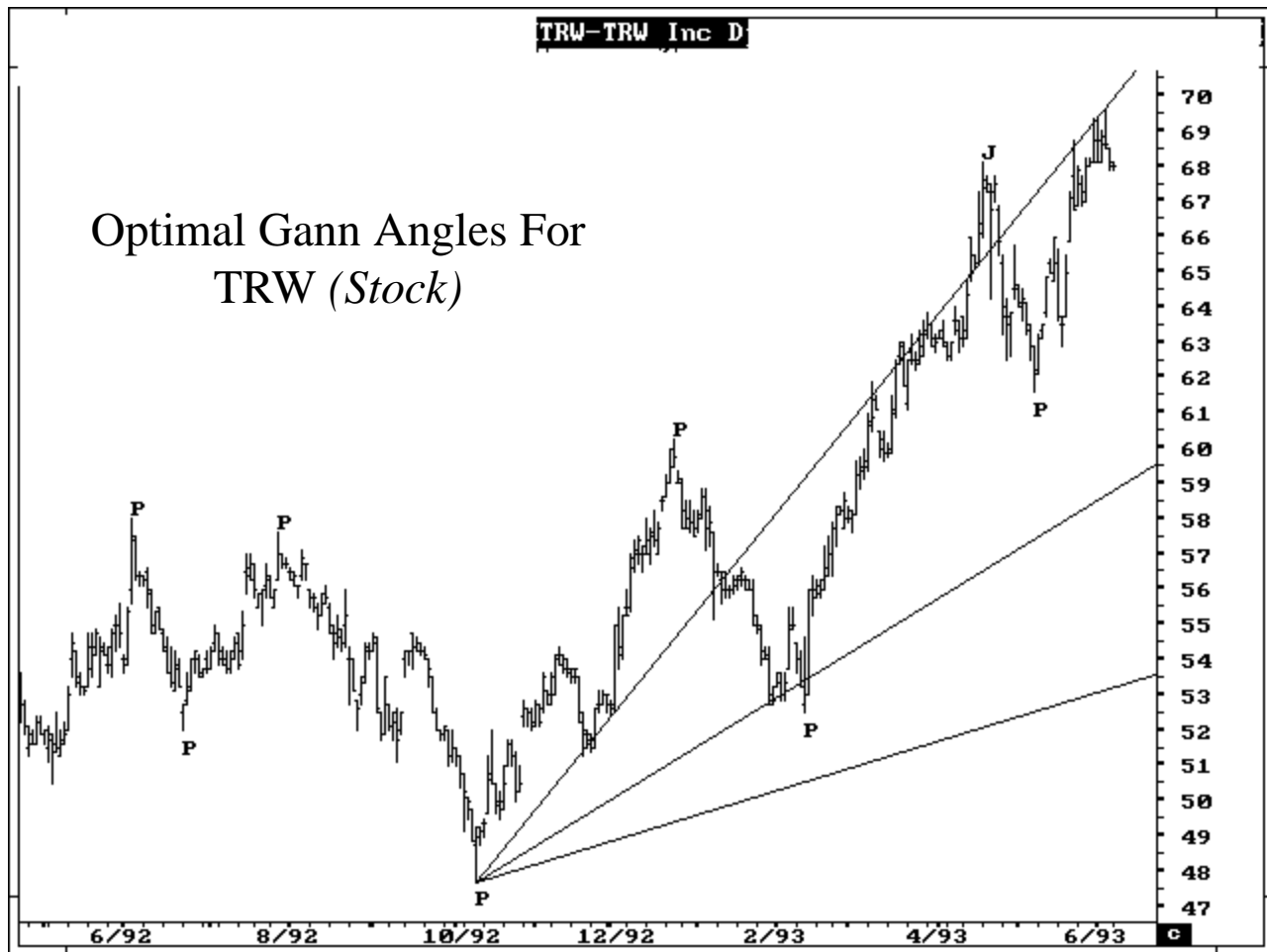
USING GANN ANGLES WITH ELLIOTT WAVE (for Wave Four)

When the market is moving up in a Five Wave impulse, draw Gann angles going up from the previous **PRIMARY PIVOT LOW**. The angles should provide **SUPPORT** for the **BOTTOM** of Wave FOUR.



When the market is moving down in a Five Wave impulse, draw Gann angles going down from the previous **PRIMARY PIVOT HIGH**. The angles should provide **RESISTANCE** for the **TOP** of Wave FOUR.

OPTIMIZED GANN ANGLES



In the past versions, we provided a pre-built scale for Gann Angles for selected U.S. 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.

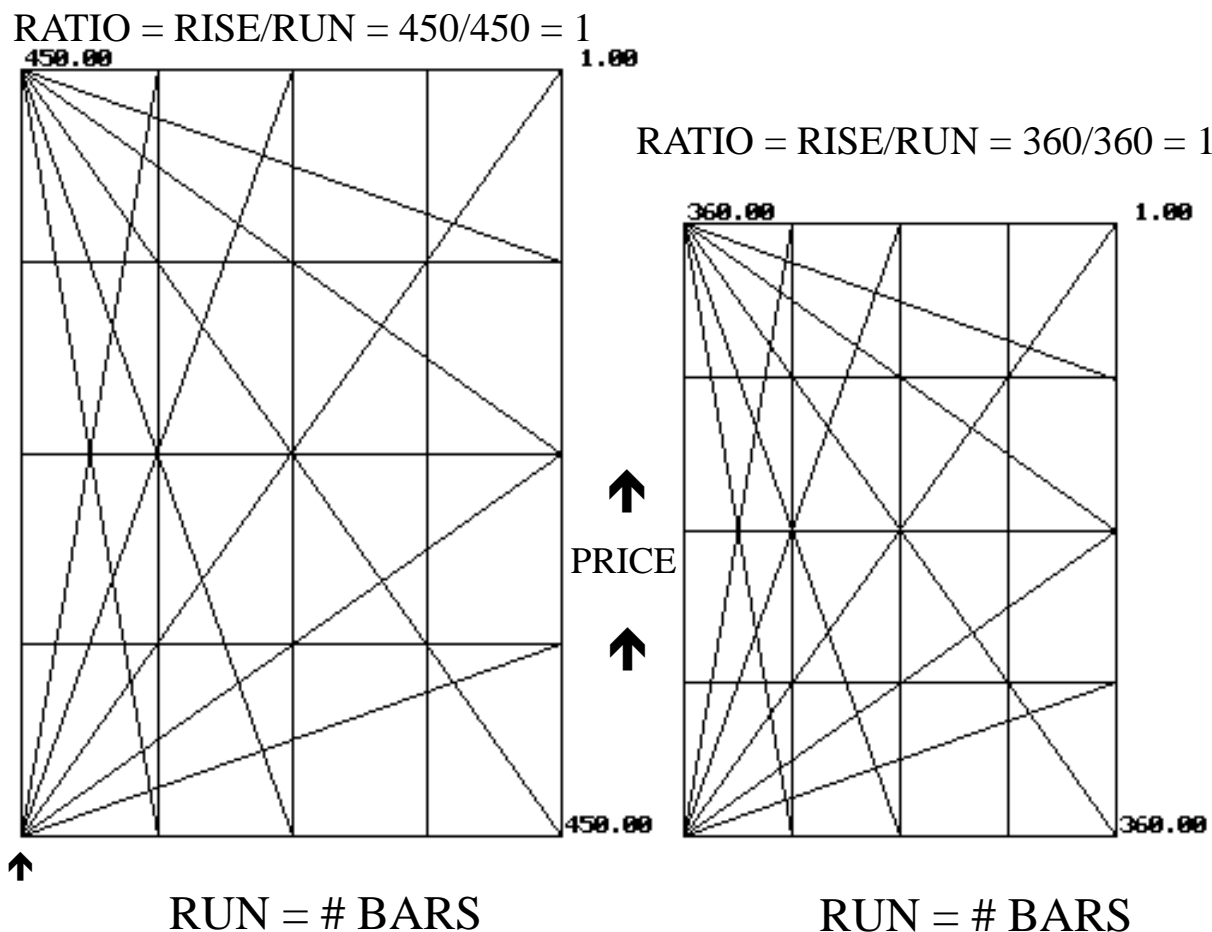
We have now added our routines which allows the user to find the optimal angle for any market loaded on the screen including Stocks, Spreads, Cross Rates and Foreign Issues. The routines also include volatility adjustments.

The optimized scale is printed on the chart and can be saved for future reference.

GANN BOX ANALYSIS

One of the drawbacks in most programs is the lack of adequate timing studies. We have attempted to meet this need with studies such as the Time Clusters and the **GANN BOX ANALYSIS**. The word Gann scares a lot of traders simply due to its complexity and no clear direction on how to use it. In the past two years, we have researched this field quite extensively and have found precise ways to use the Gann Box. The software allows you to draw Gann Boxes in various configurations. So users that follow the traditional Gann methods can still use it as presented in most of the published materials. **However, we have used the results of our research and added the PRE-FIXED GANN BOX.**

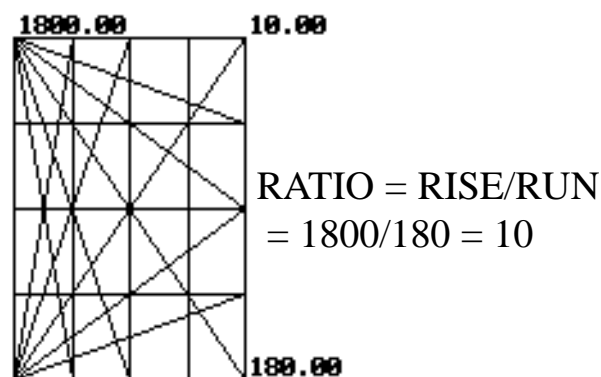
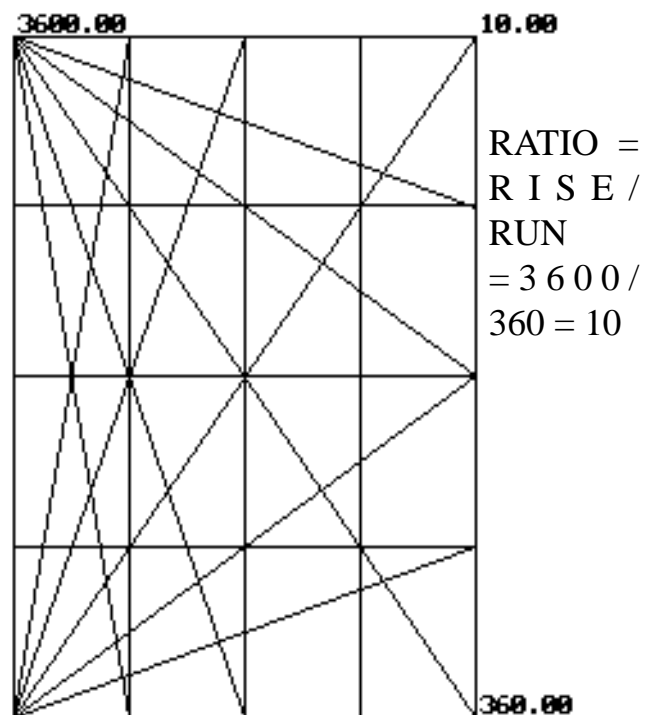
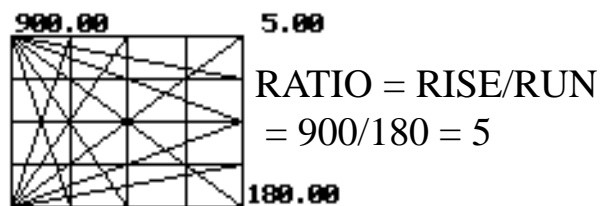
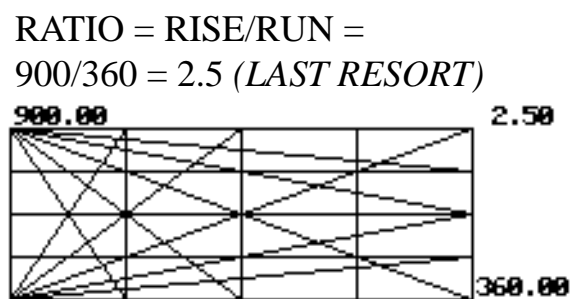
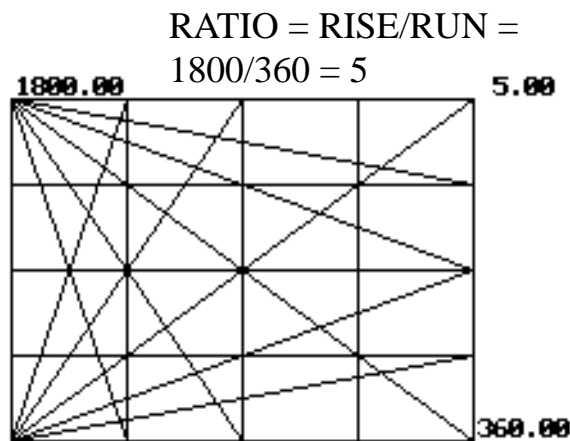
The major criteria we found in our research was the Ratio of the box Rise/Run should be 1 or multiples of 1 such as 10, 20 etc.; Gann Boxes are drawn from Major Pivot Lows or Highs. The amount of price from the pivot is the RISE and the number of bars from the pivot is the RUN. The box shown below uses 450 bars (*RUN*) and 450 price from the pivot low which is the (*RISE*). The ratio of RISE / RUN = 450/450 = 1.



The preferred ratios (*in order of importance*) are as follows : 1, 2, 5, 10, 20, 40 and (2.5 as a last resort).

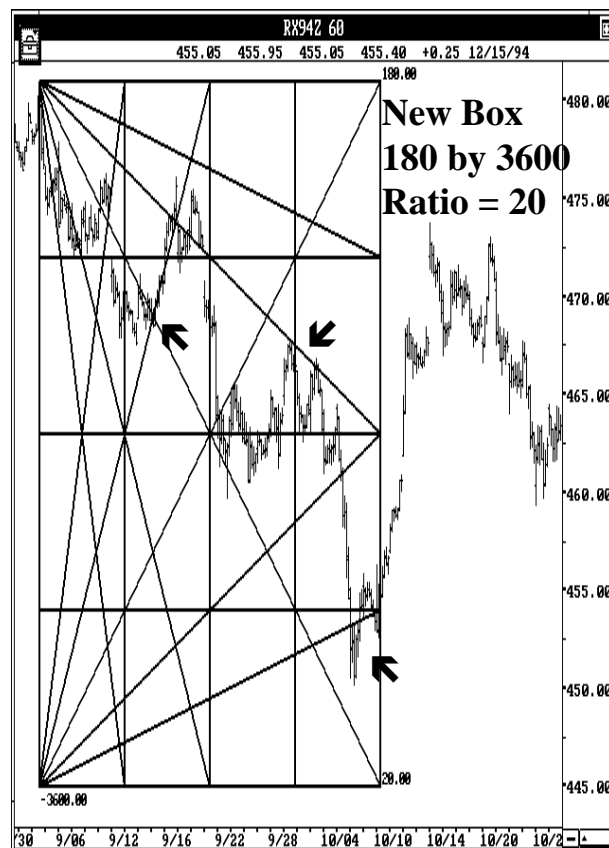
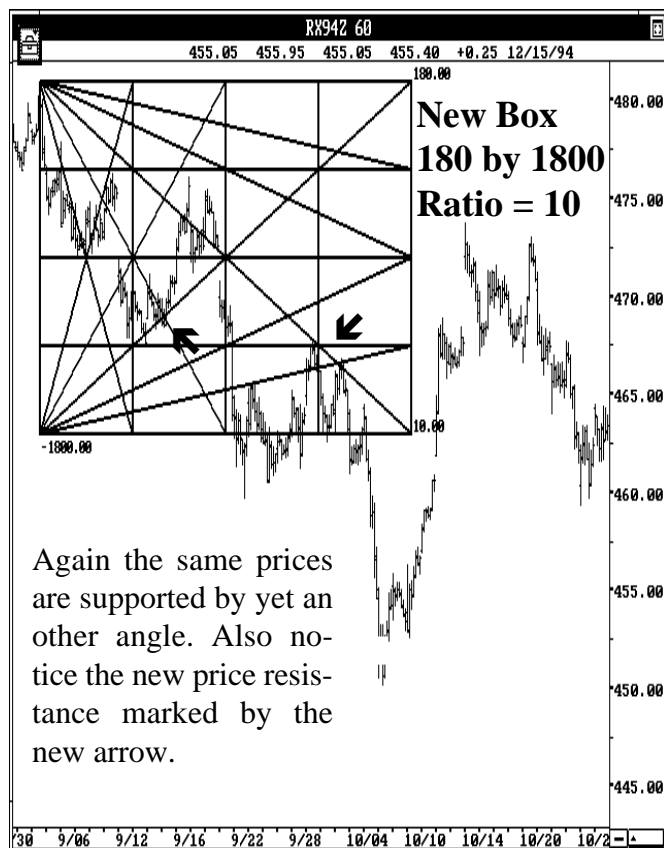
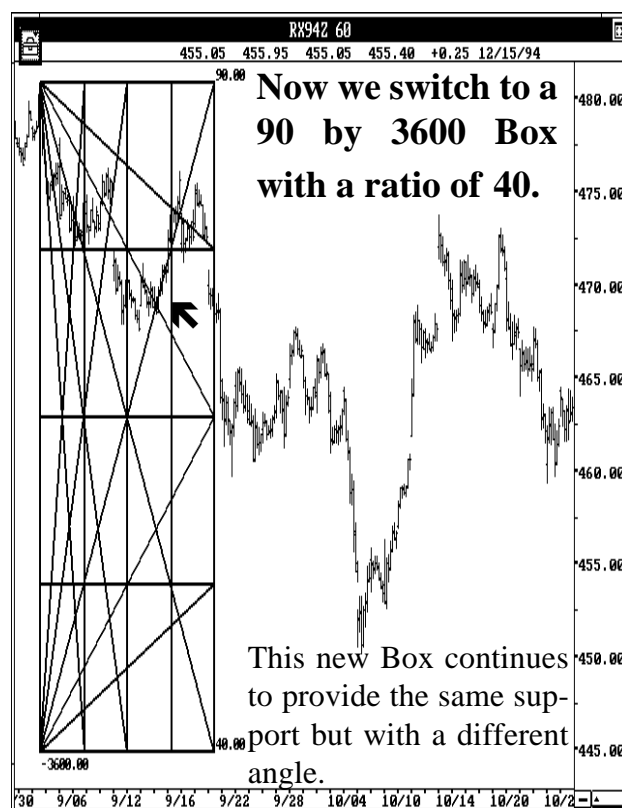
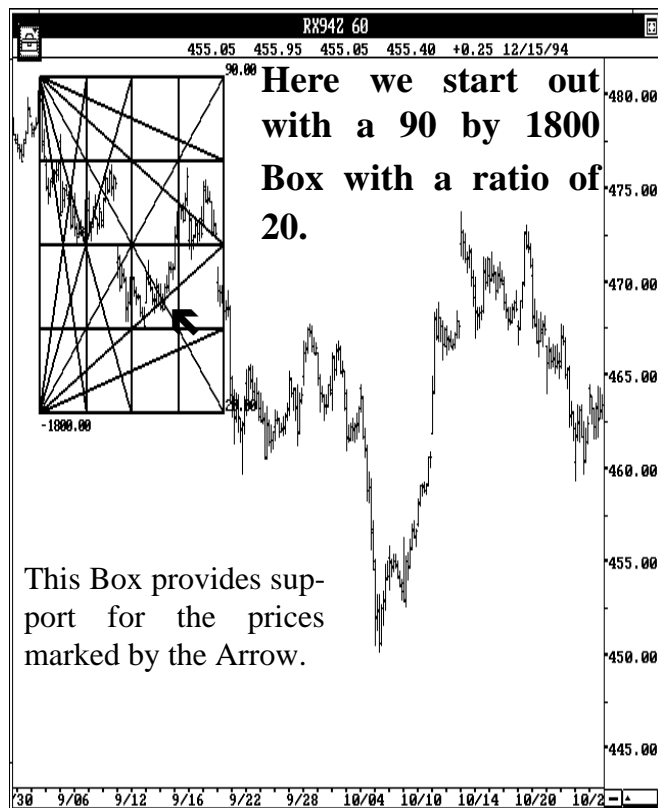
Our research on all markets and on all time frames show that if you used the following ratios (*in order of importance*) 1, 2, 5, 10, 20, 40 and 2.5 (*as a last resort*) and draw Gann Boxes from Major Pivot Lows or Highs, the angles generated provide Support and Resistance levels as the market progresses into the future. In addition to the ratio, this technique also requires you use a Fixed Time interval of 45, 90, 180, 360 etc.; **The following boxes show some of the other ratios that can be used.**

GANN BOXES drawn with various ratios.

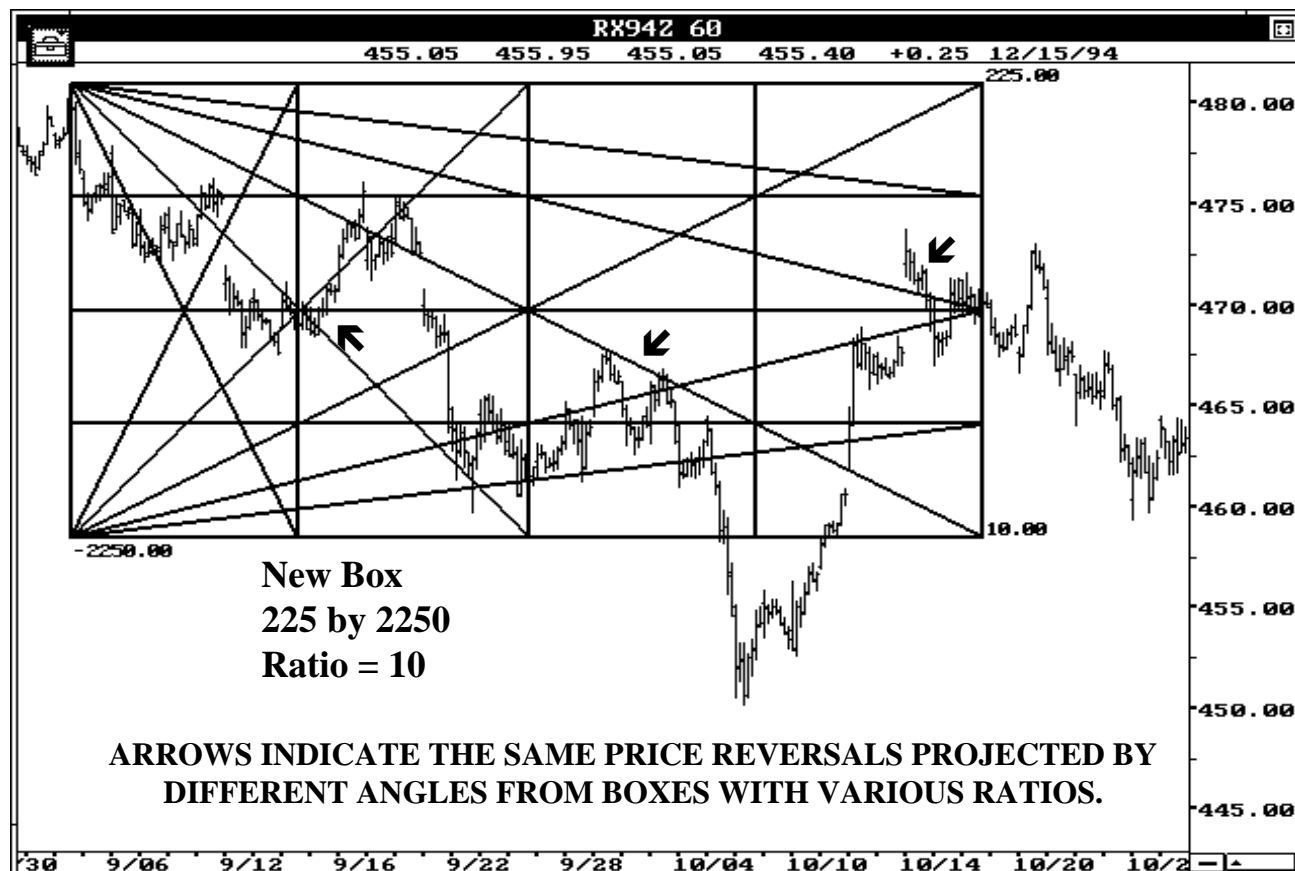


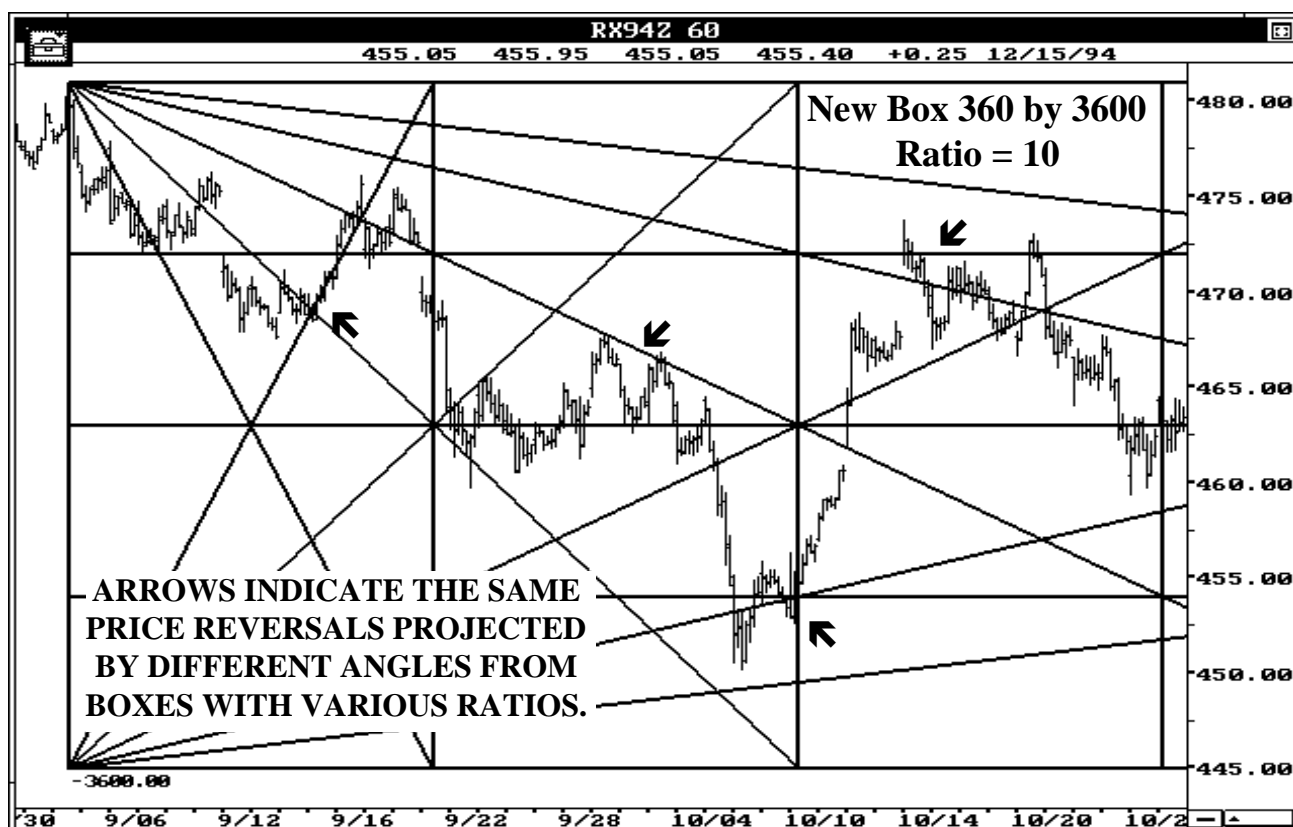
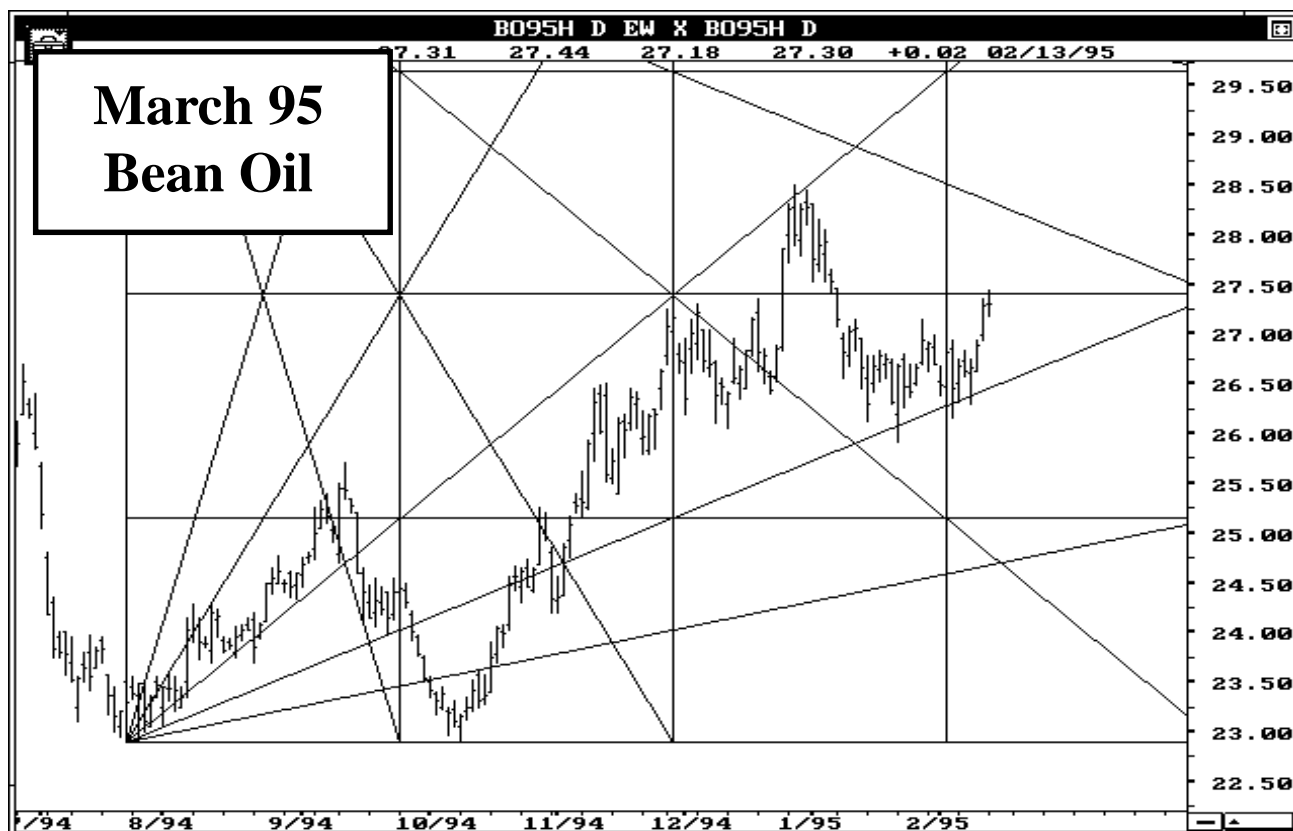
Since the Box is drawn in advance, it provides a pathway or a road map for the market. The combination of the Fixed Time Intervals and the Pre-Fixed ratios provide amazing end results.

As explained on the previous page, we use pre-fixed time (*bars*) length of 90, 180, 225, 360, 450 etc. along with pre-fixed prices to provide the BOX RATIO of 1, 2, 5, 10, 20, 40 and 2.5. By using the PRE-FIXED Ratios, the underlying Math stays the same regardless of the Box Size. In the examples below we use various boxes as the market progresses.

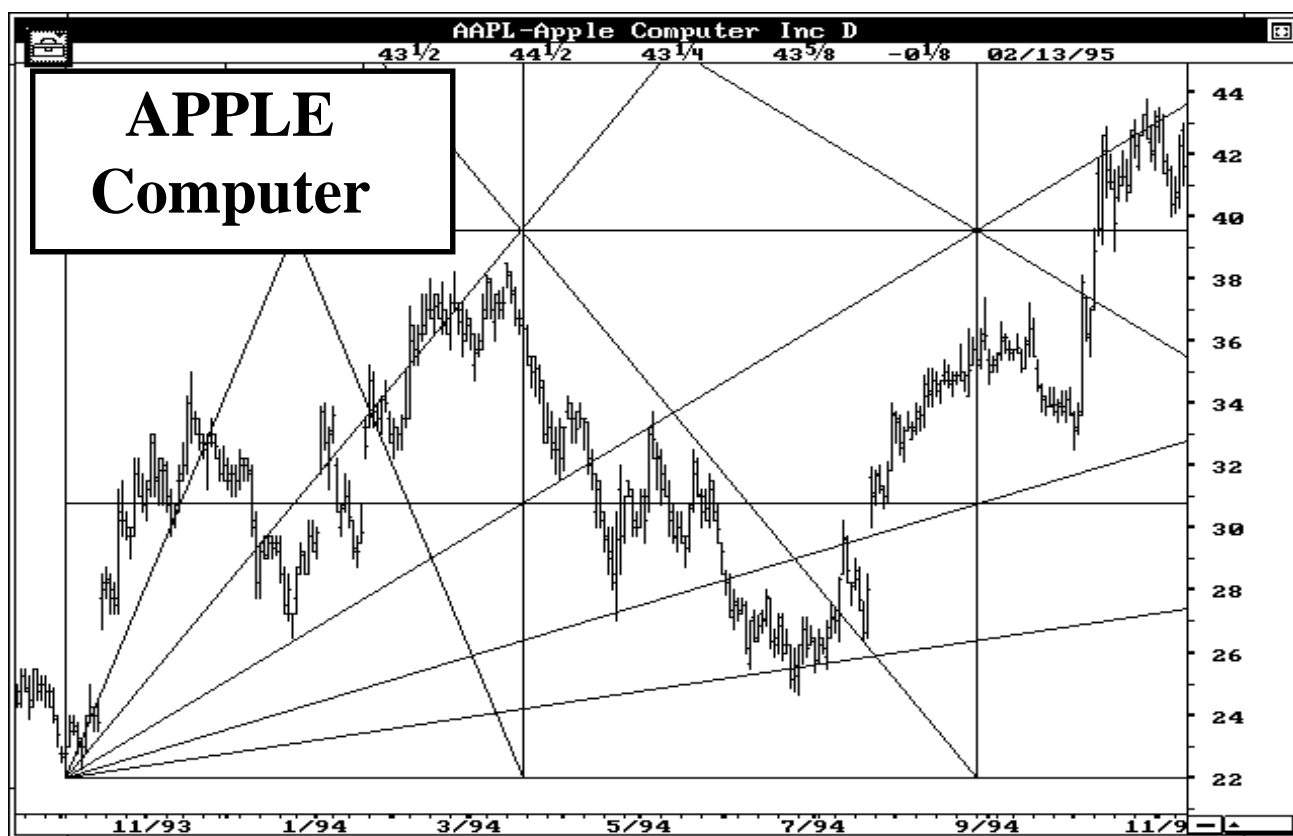


As the price range expands, the user simply draws a larger Box that confirms to the Pre-Fixed Ratios. The underlying math automatically adjusts itself by shifting angles around but still providing the same Support and Resistance as the market progresses.





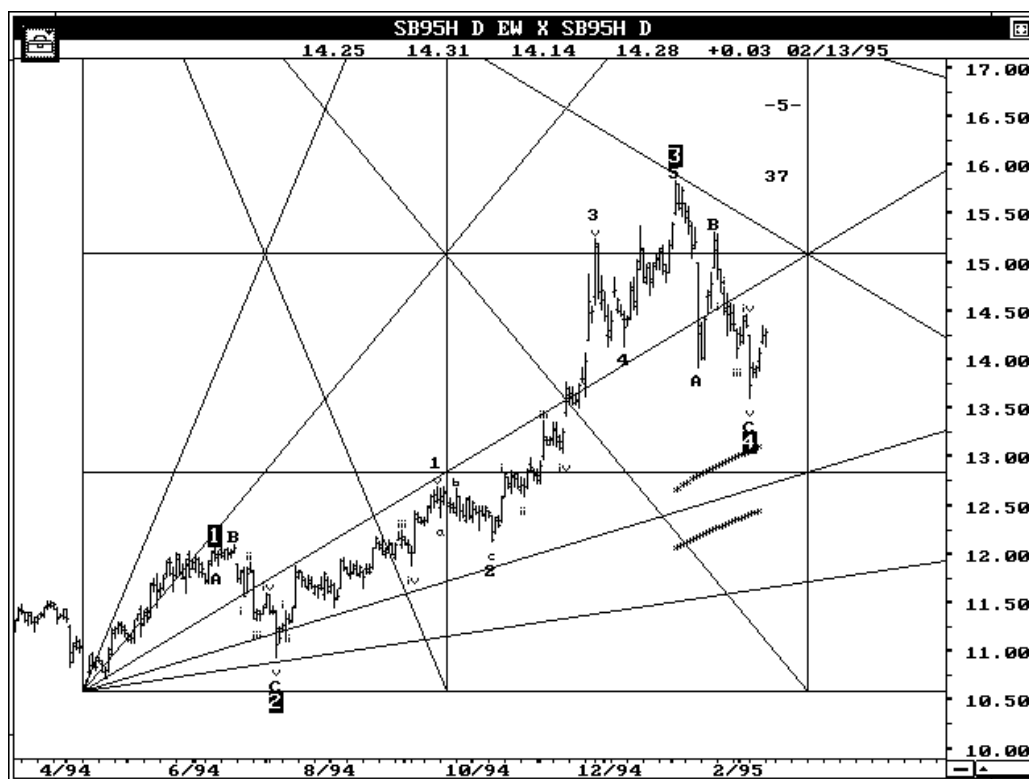
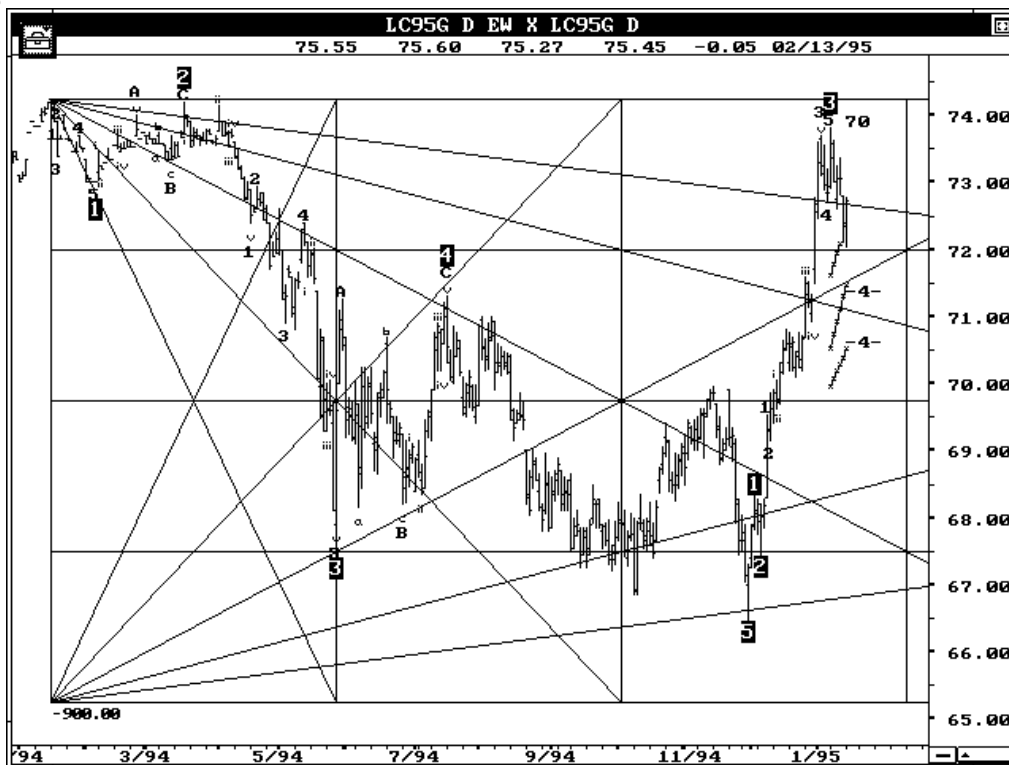
Gann Boxes drawn with these ratios work on all Commodities, Stocks and Spreads using Weekly, Daily and 60 minute charts. The Gann Box also works well with Elliott Wave Analysis.



USING PRE-FIXED GANN BOX WITH ELLIOTT WAVES.

The PRE-FIXED Gann Box can be used along with Elliott Wave analysis. There is not much to explain on how to use this combination. Remember the public service announcement that says "Here is your Brain, here is your Brain on drugs, Any questions?". **Like-wise, here are two charts with Elliott Wave analysis and the Pre-Fixed Gann Box. ANY QUESTIONS?**

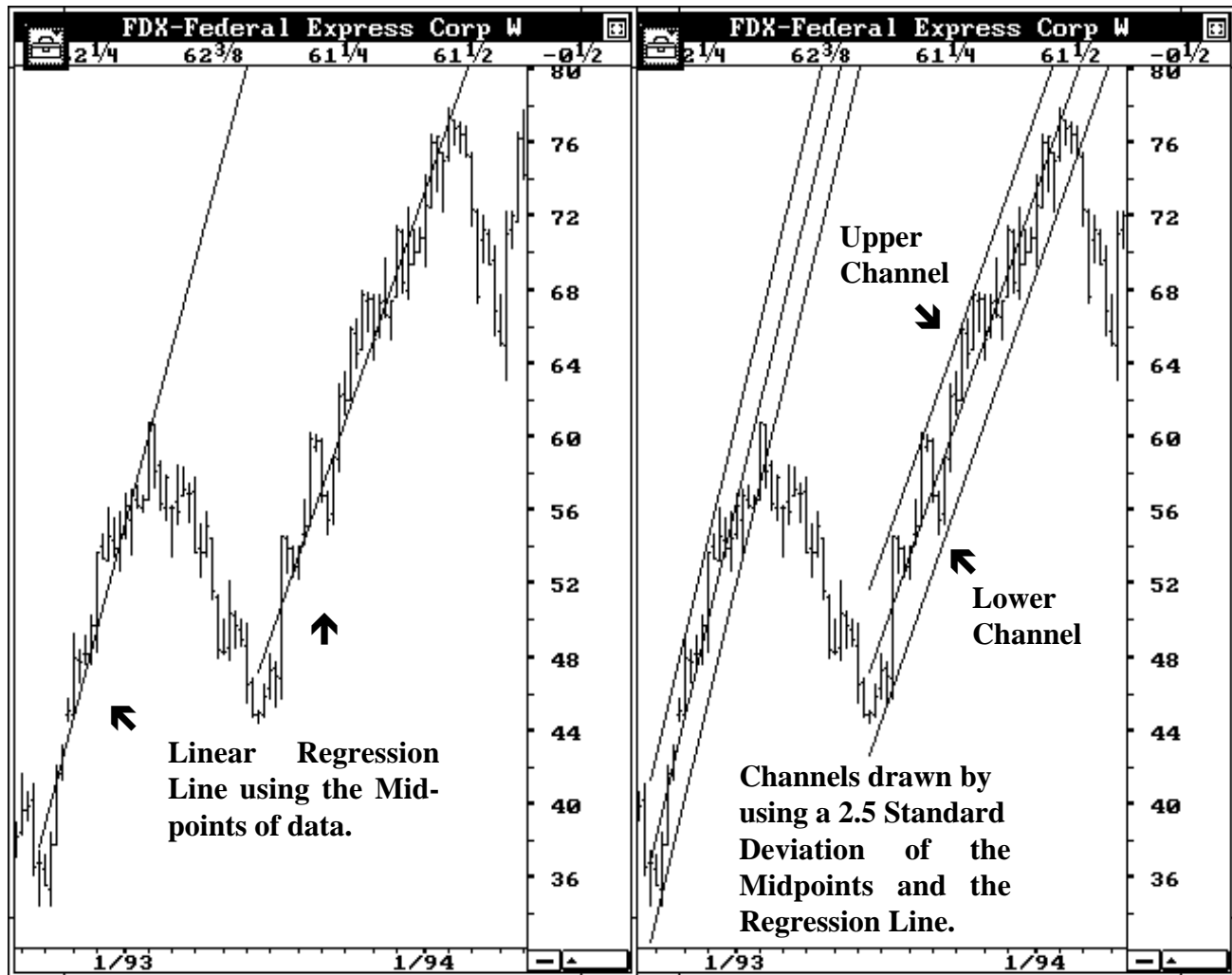
**FEB 95
Live Cattle**



**MAR 95
SUGAR**

REGRESSION TREND CHANNELS

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.



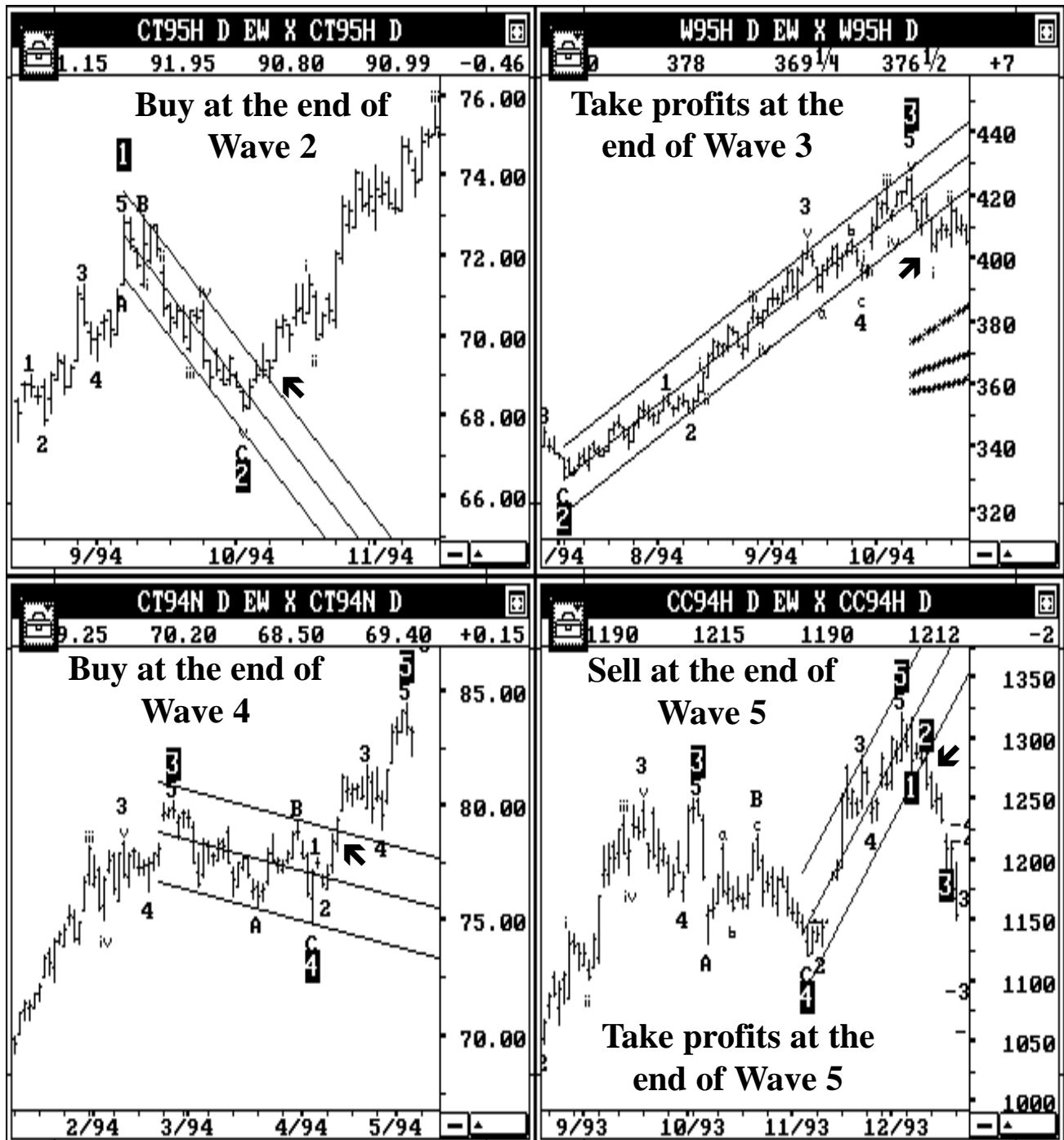
The chart on the left shows two market swings from low to high. The line drawn through the middle is a standard Linear Regression line **using the midpoints of the swing**. The chart on the right shows the upper and lower channel drawn using 2.5 standard deviation of the Regression Line and the Midpoints. 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 that shows how well the Linear Regression fits the data.

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 signalling the end of the move.

The primary functions of the Regression Trend Channels are **A)** catching the end of a Wave Two to trade the Wave Three phase **B)** Protecting profits inside a Wave Three **C)** Entering at the end of a Wave Four for the Fifth Wave sequence **D)** 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.



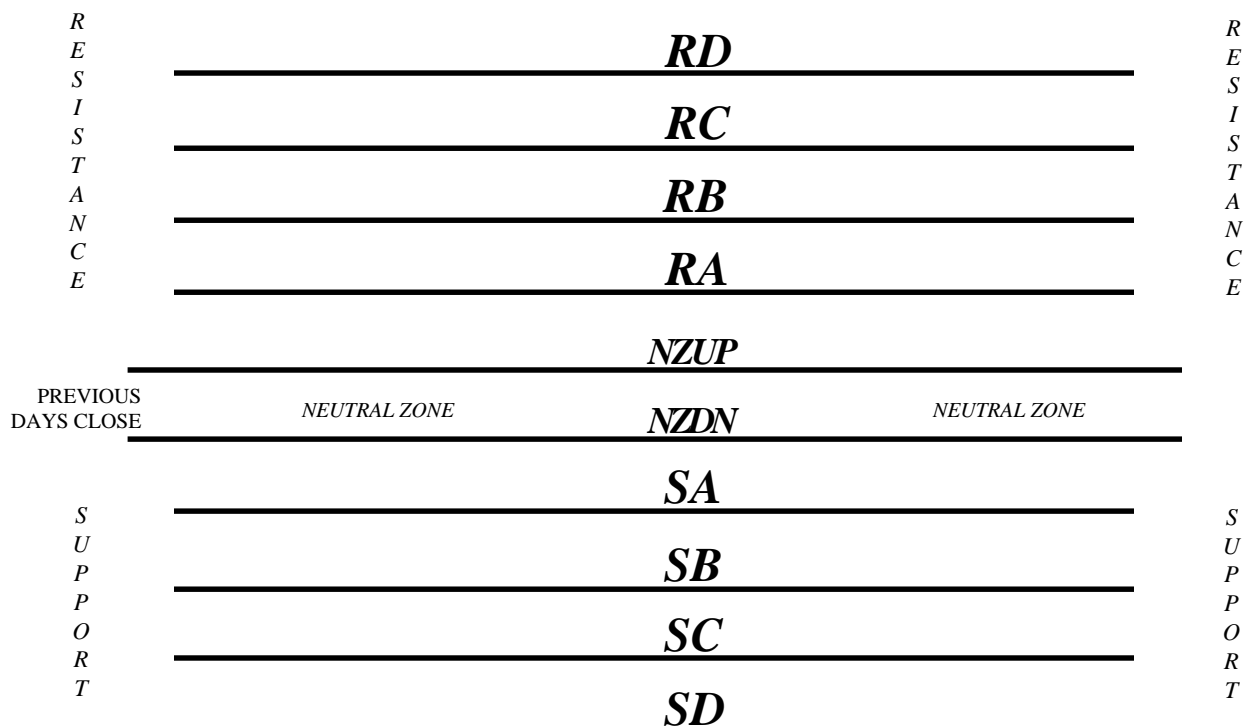
T.J.'s Web Levels

The T.J.'s Web Levels are special price arrangements based on Fibonacci relationships from the previous weeks 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 weeks 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 weeks 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 weeks stock actions.

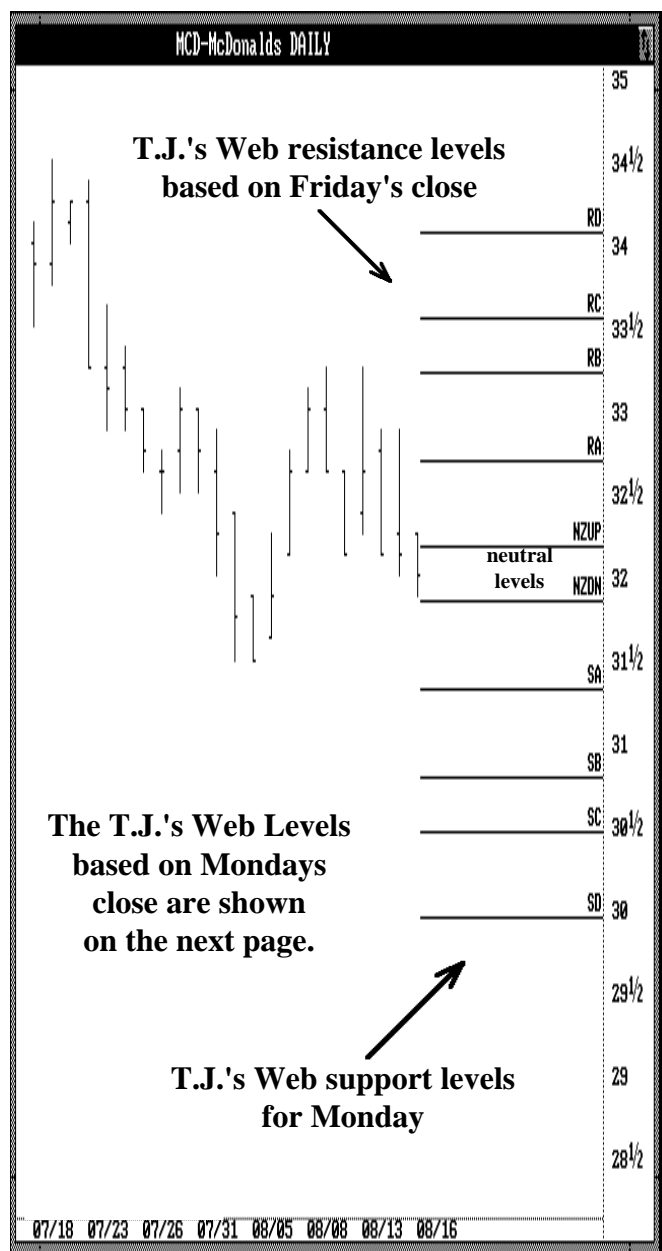


On the next page is an illustration of how to use T.J. Web Levels. T.J.'s Web Levels are shown for McDonald's stock based on Friday's close.

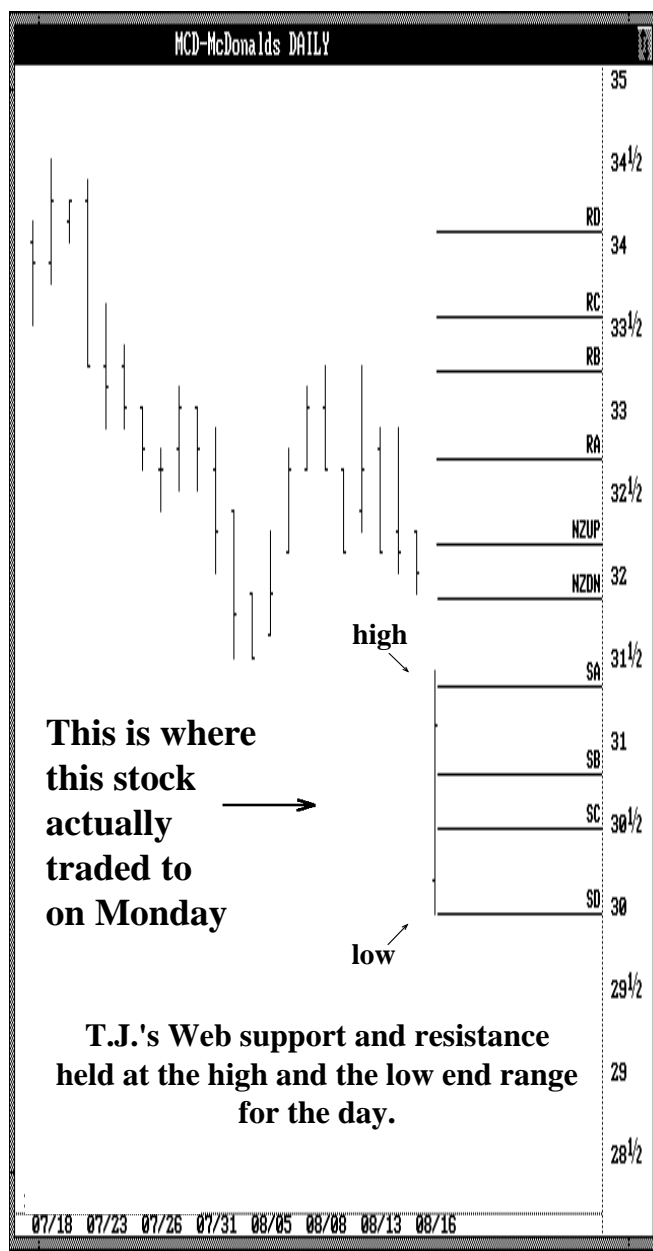
The Web Levels suggest support and resistance levels for the next trading day. If the stock price rallies on Monday, the last resistance level (RD) suggests this stock should not trade past the \$34 level. Equally, the last support level (SD) suggests that this stock should not trade past the \$30 level. On Monday, McDonald's stock traded to a high of 31 3/8 and to a low of 30, containing stock price movement to within this day's SA and SD Web Levels.

This example has been given to illustrate the principle behind T.J.'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.

(1) FRIDAY'S CLOSE

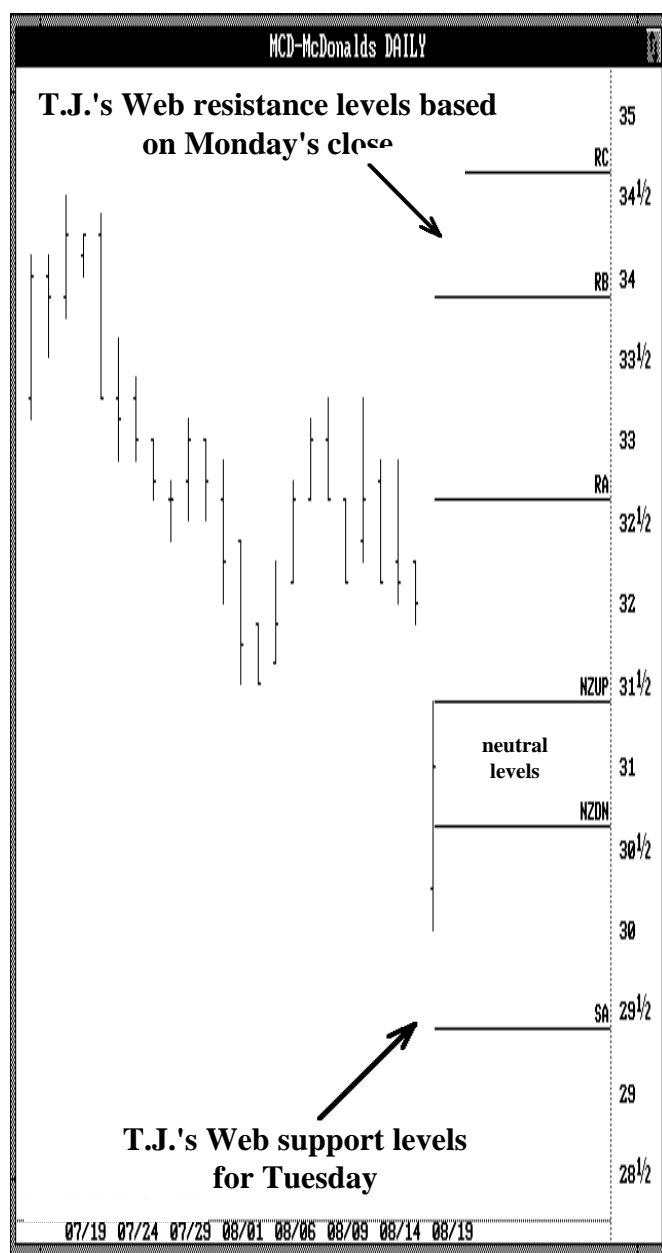


(2) TRADING ACTION FOR MONDAY

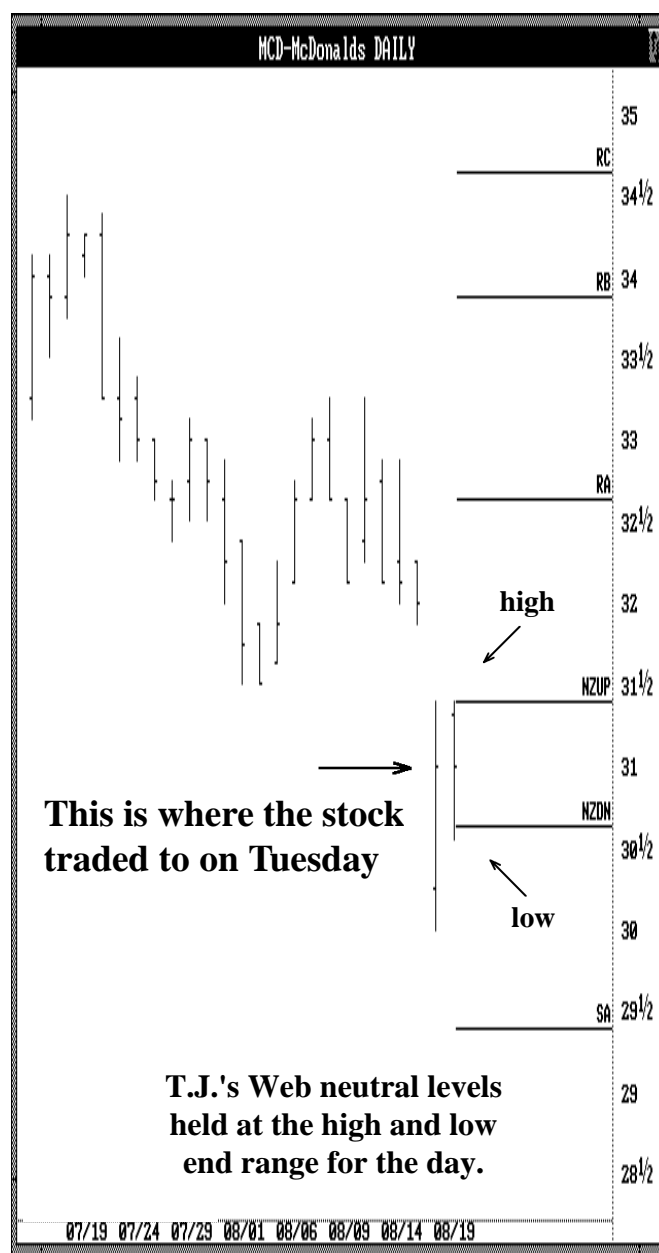


The T.J.'s Web Levels can be used with intraday indicators such as the slow 21 bar stochastics and the Elliott Oscillator on a five minute bar chart. When the Elliott oscillator gives a true Elliott divergence, as described in the earlier in this section, and the stochastics is above the 80 level, a short signal can be initiated at a T.J.'s Web Level using the next Web Level as the stop. A buy signal works exactly the opposite.

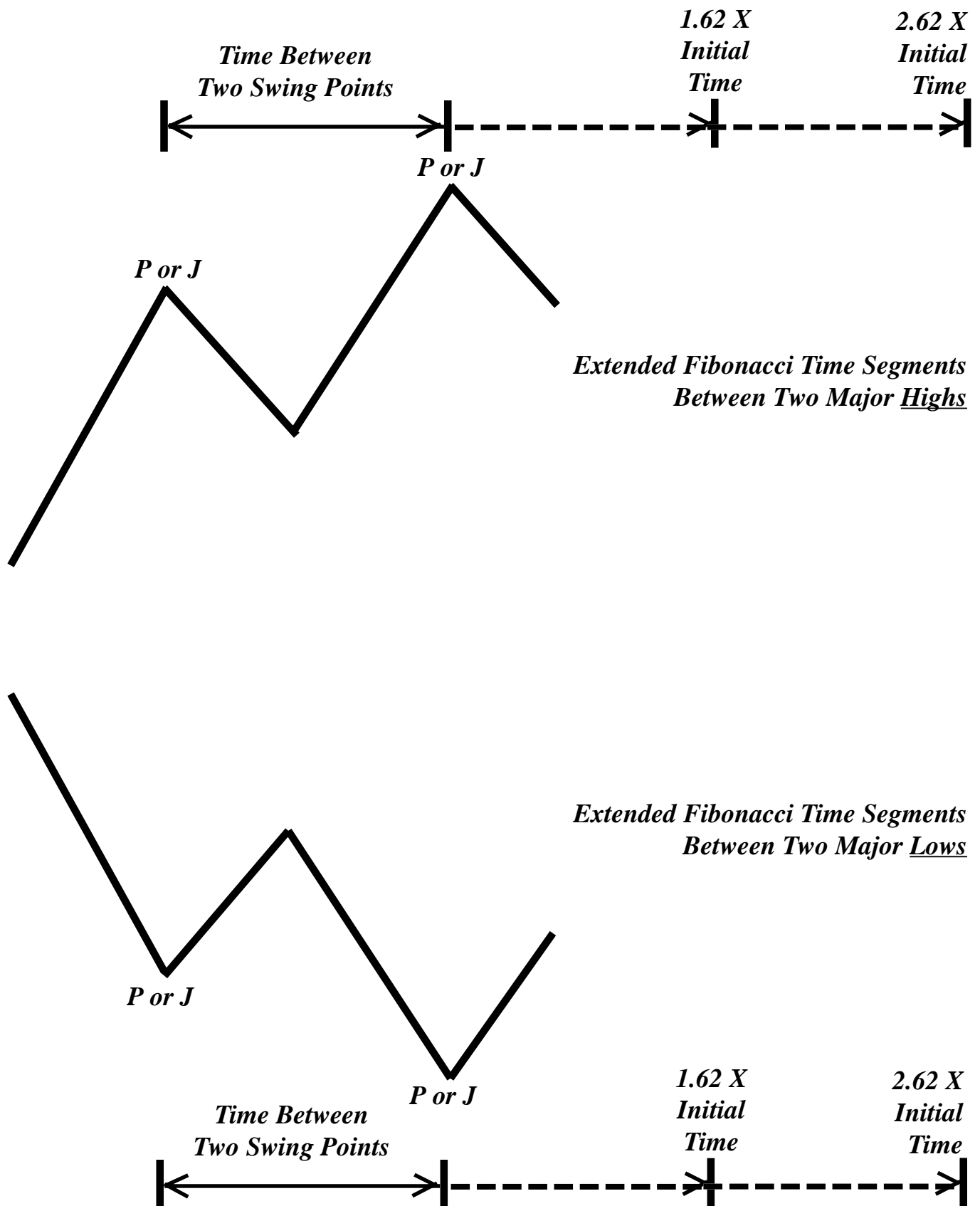
(3) MONDAY'S CLOSE



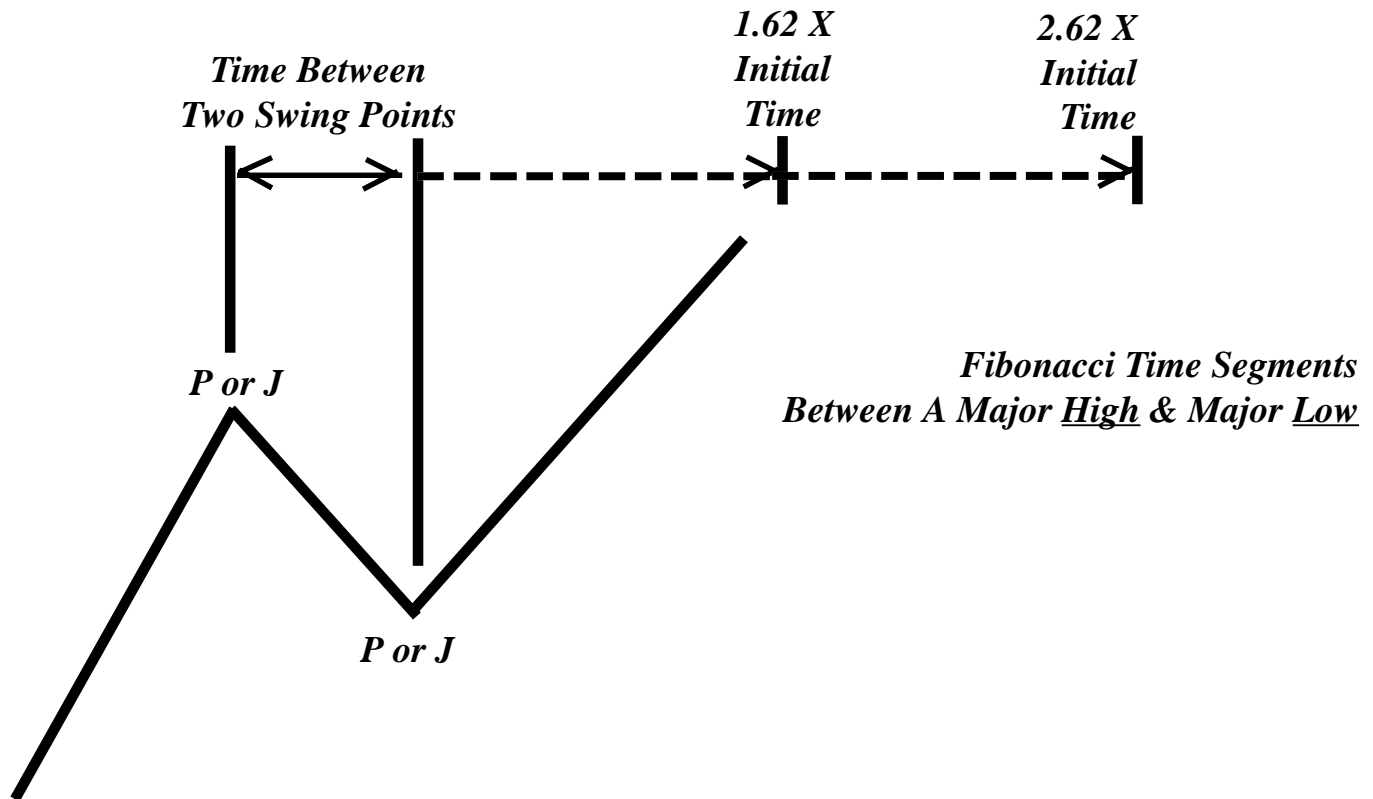
(4) TRADING ACTION FOR TUESDAY



Extended Fibonacci Time Ratios



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.

FIBONACCI TIME CLUSTERS

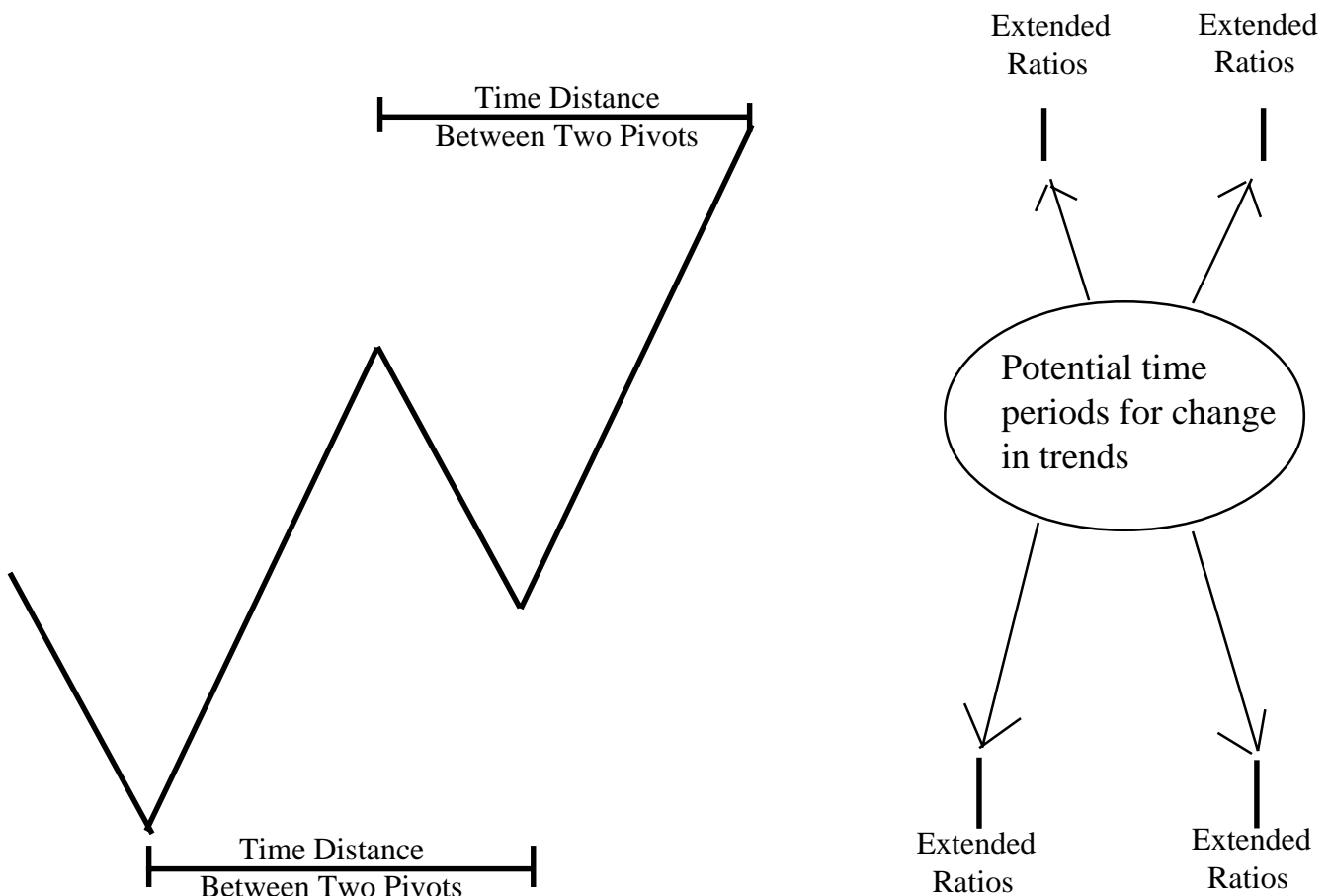
Take the time distance (*number of bars*) between two pivots and extend (*project*) ratios of this time distance to the future. You will notice that many of the future pivots (*change in trend points*) occur at these extended time periods.

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.



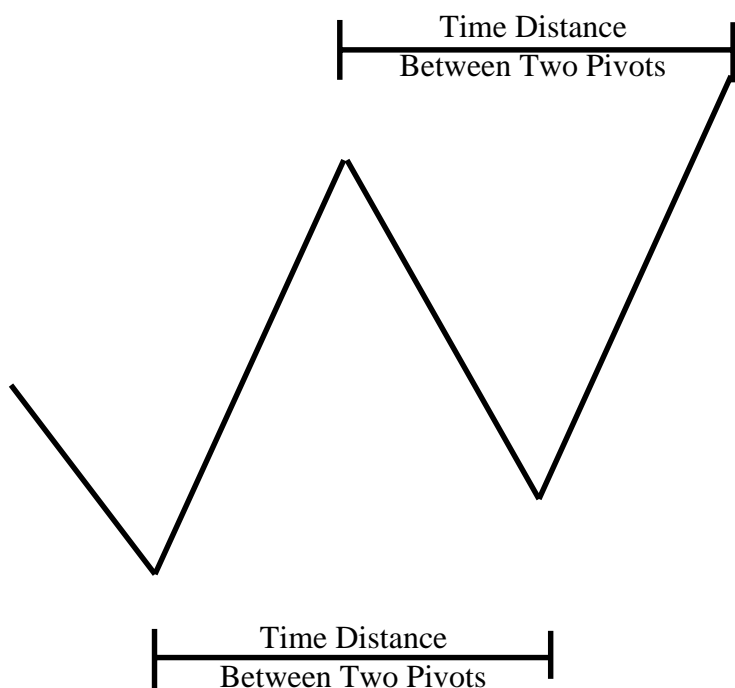
QUESTION:

Then how does one use this technique?

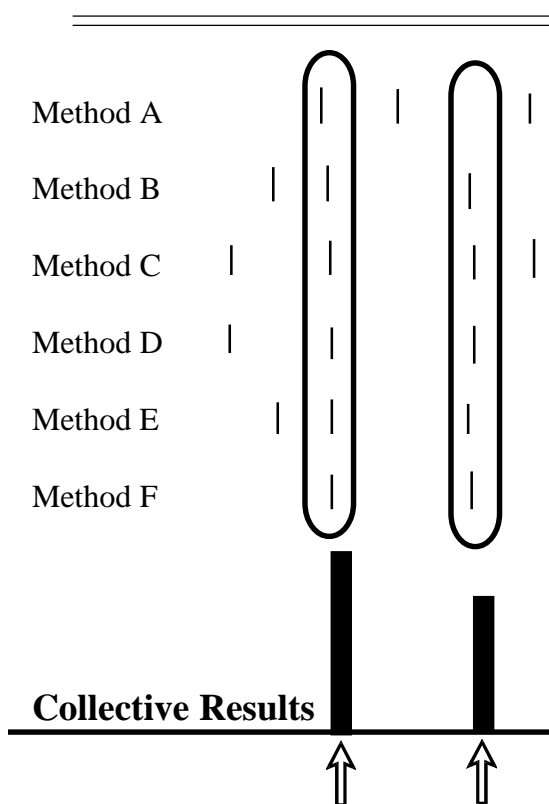
ANSWER:

Use all reasonable combinations, and look for a group of Clusters. Lets 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**.

Thus the areas identified by a group of Clusters define such collective projection levels.



Future Projection Using Various Methods



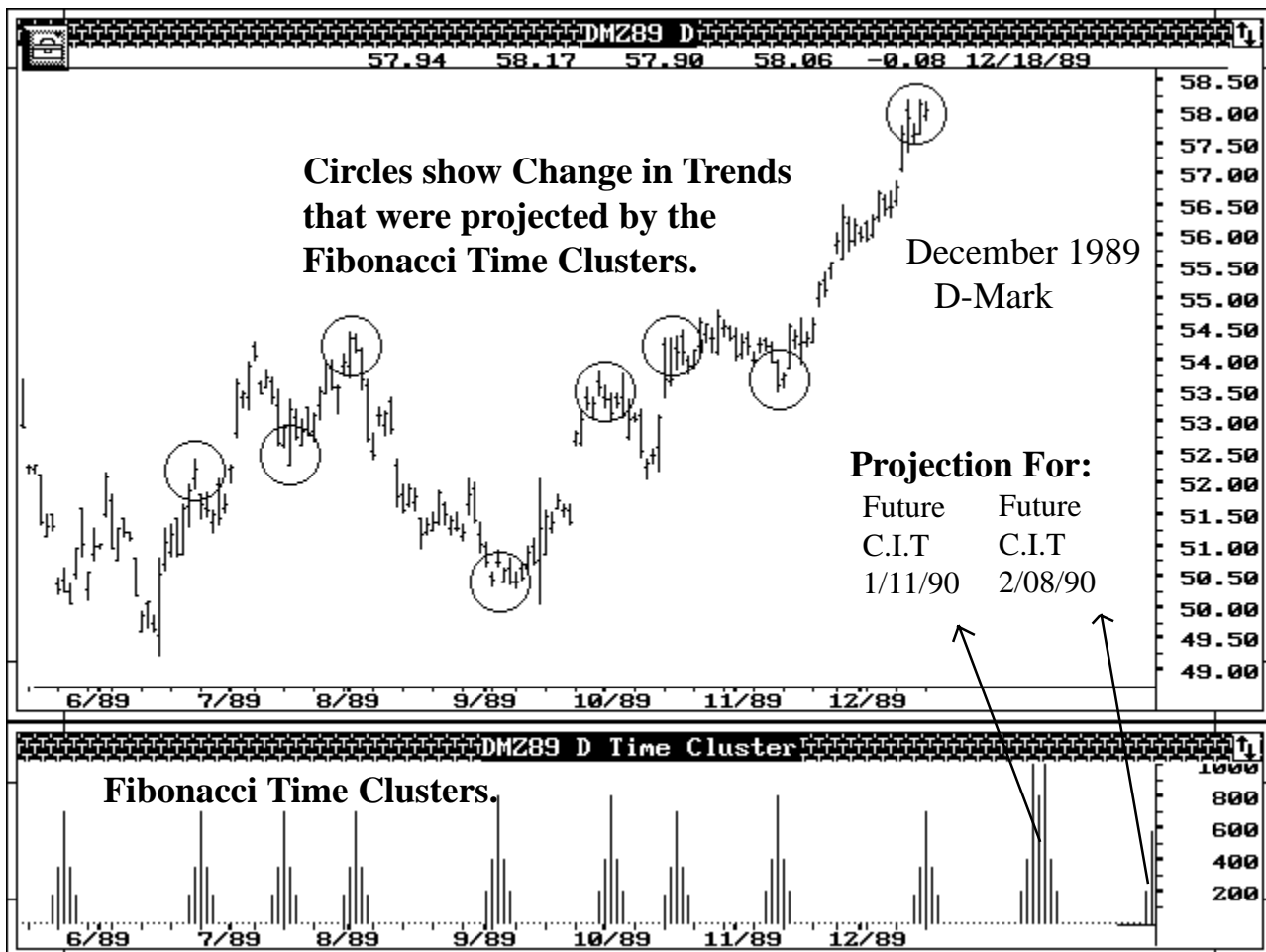
Areas where a majority of methods collectively project a future change in trend.

Example - Fibonacci Time Clusters

The chart shown below is the Daily December 1989 D-Mark. 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.

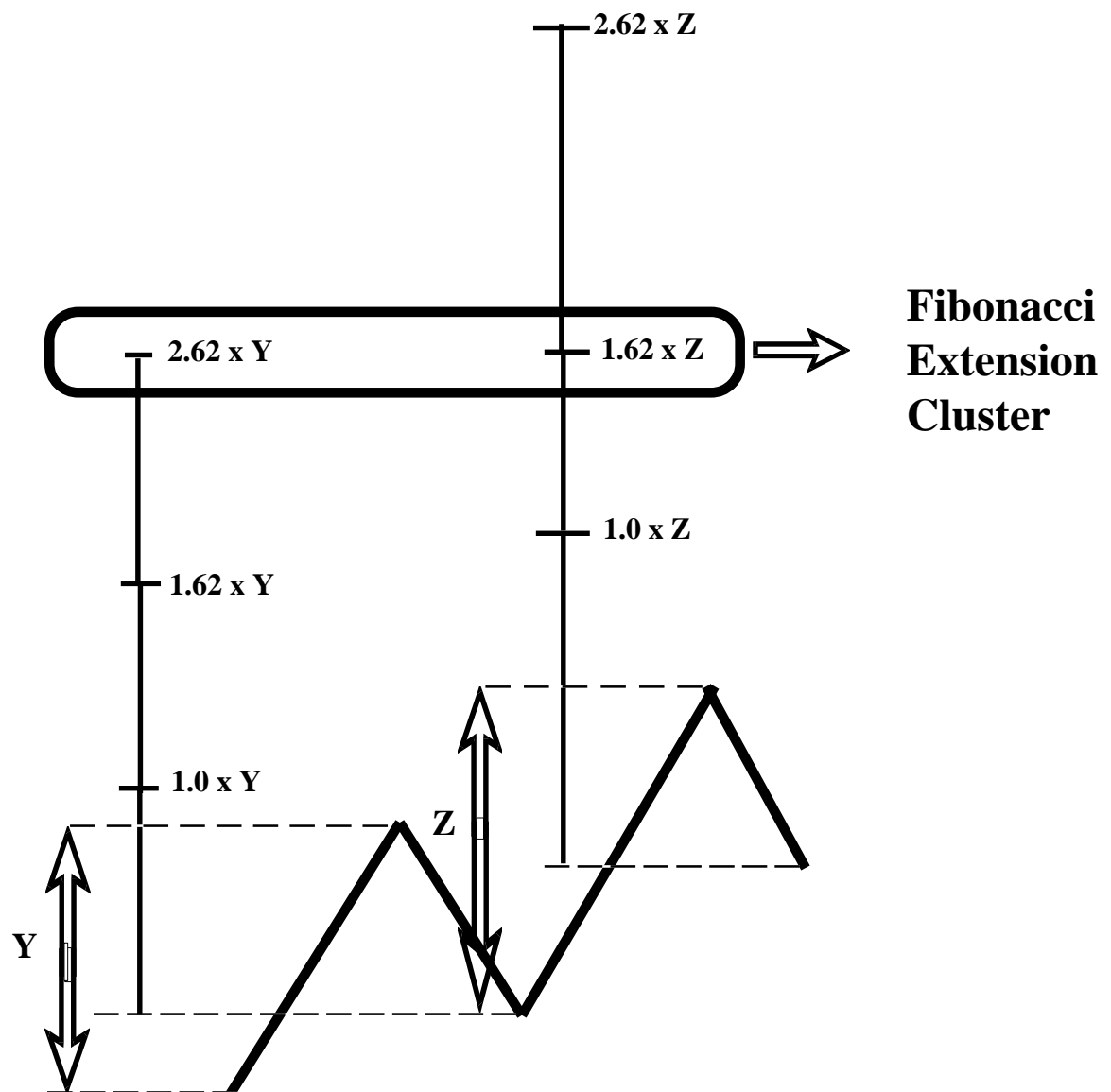
For more details on the above, please see next page.



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.

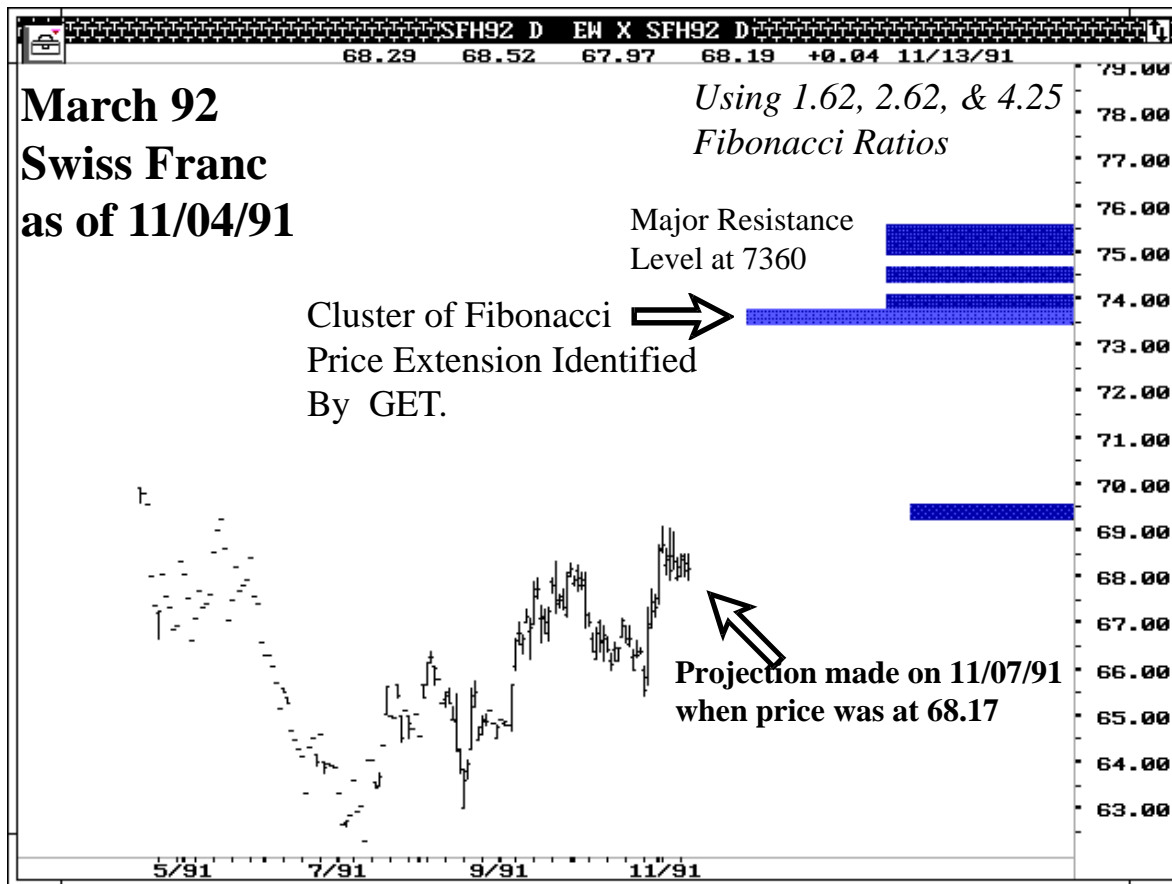
Regardless of the numerous methods used, the collective projections of all traders will result in certain price levels where a majority of the traders will get the same support or resistance projections. The software can identify such collective levels by way of Clustering.



Example - Fibonacci Extension Price Clusters

The chart shown below is the Daily March 1992 Swiss Franc. 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.

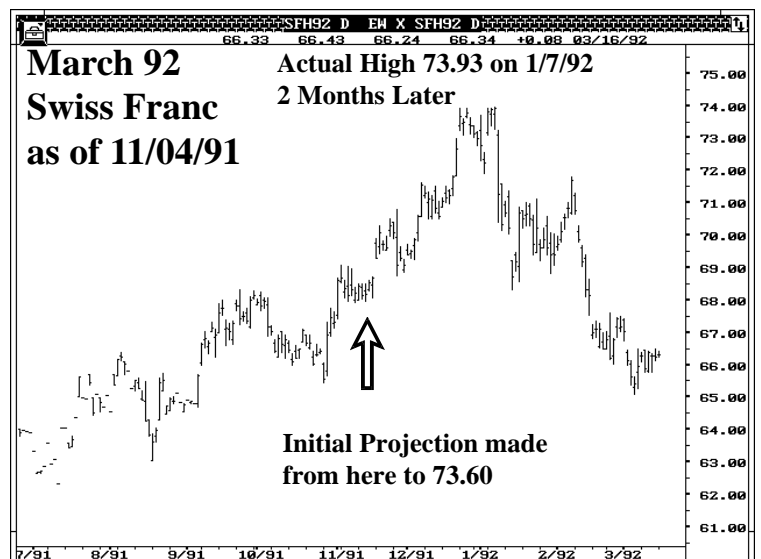


Projection:

The initial cluster of 7360 was projected by the software as early as November 7th, 1991.

Result:

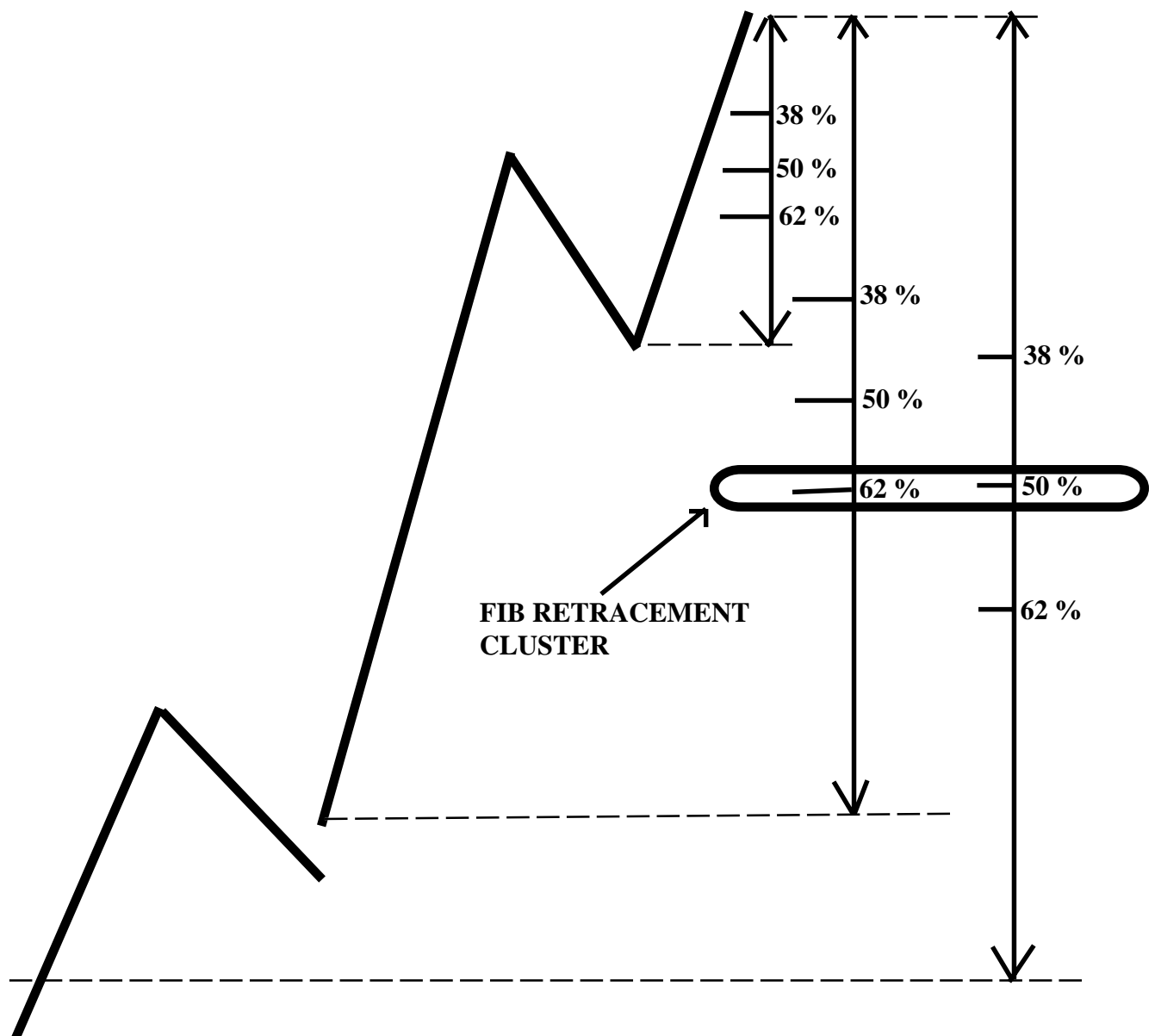
Two months later, the March Swiss topped out at 73.93.



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.

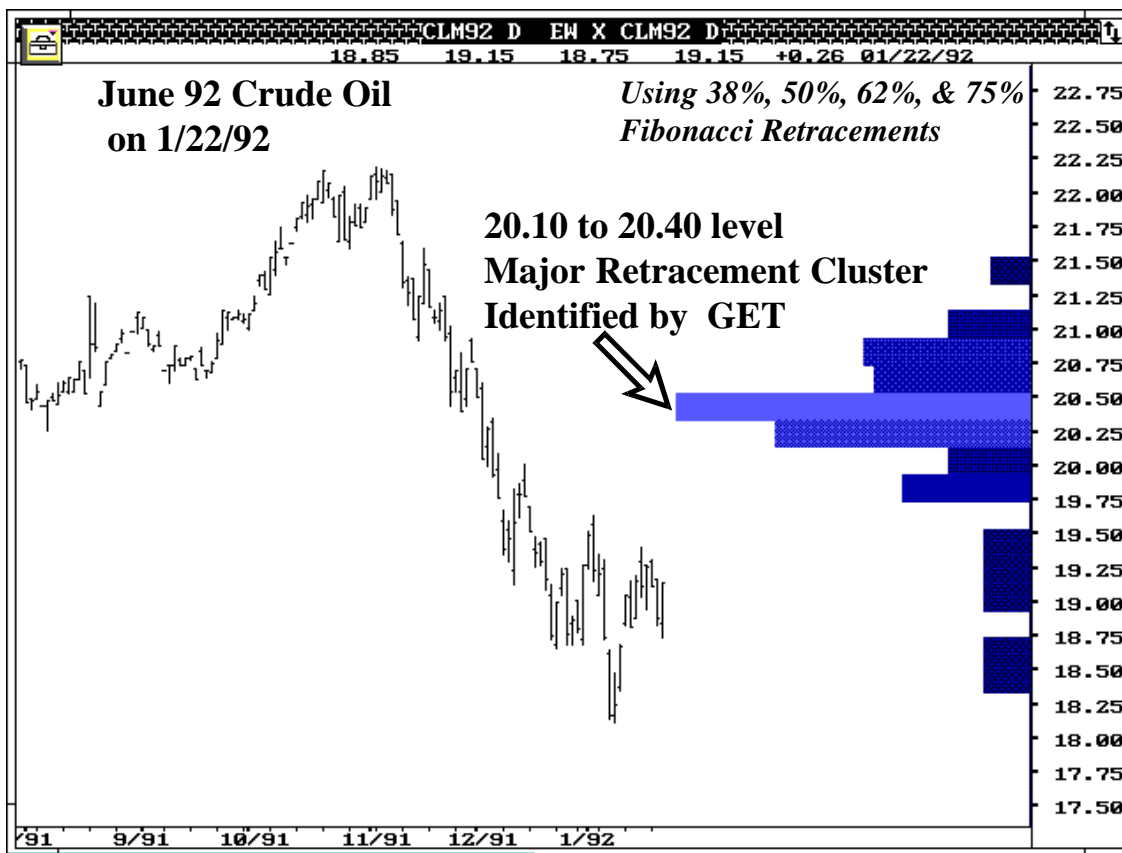
Regardless of the numerous methods used, the collective projections of all traders will result in certain price levels where a majority of the traders will get the same support or resistance projections. The software can identify such collective levels by way of Clustering.



Example - Fibonacci Retracement Price Clusters

The chart shown below is the Daily June 1992 Crude Oil. The Fibonacci Price Retracements were generated by using the following:

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

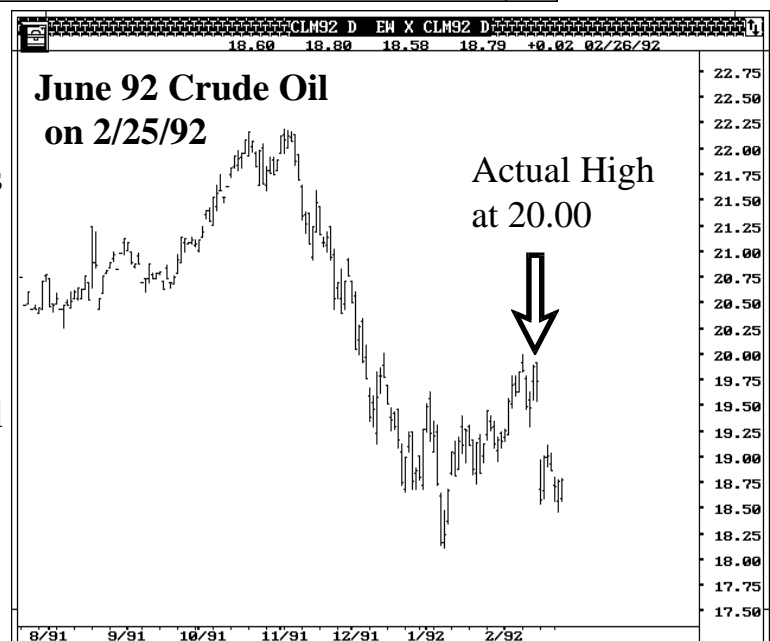


Projection:

The initial cluster of 2010 to 2040 was projected by the software.

Result:

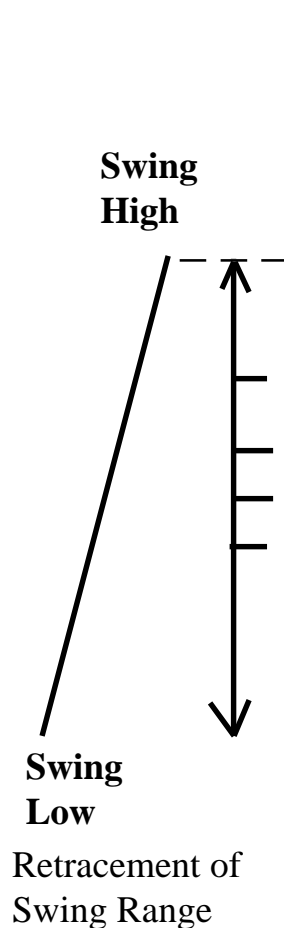
The actual high in the June 92 Crude Oil was at 2000.



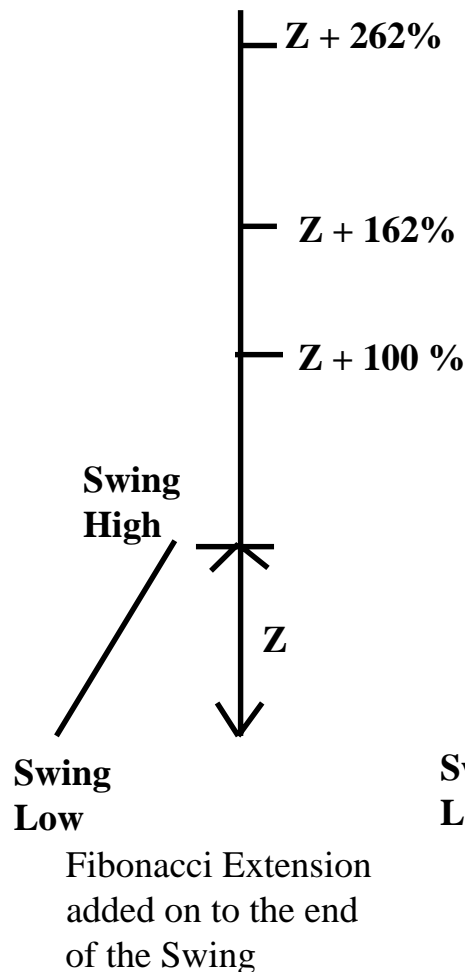
Retracements, Extensions, and Elliott Extension Buttons:

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

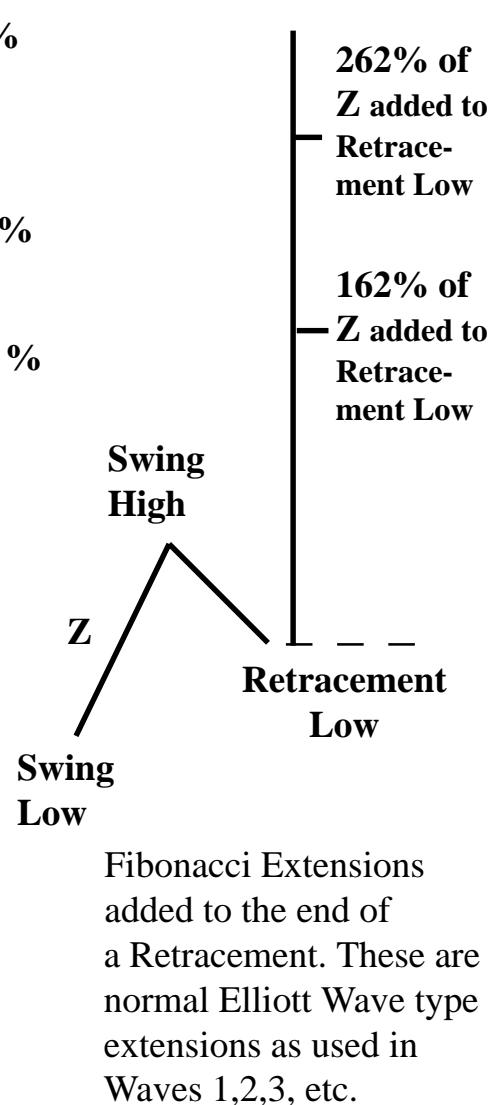
Retracements



Extensions



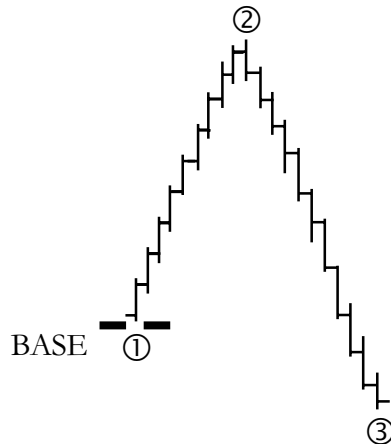
Elliott Extensions



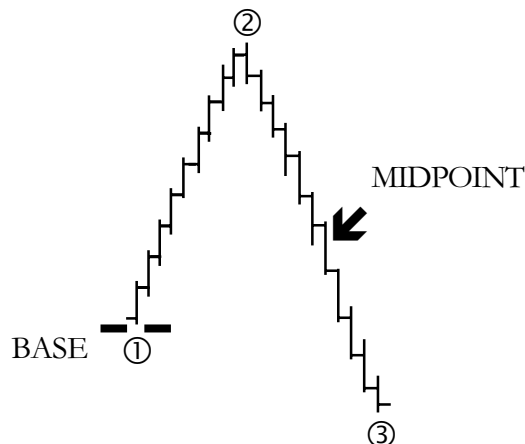
ANDREWS MEDIAN LINES

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

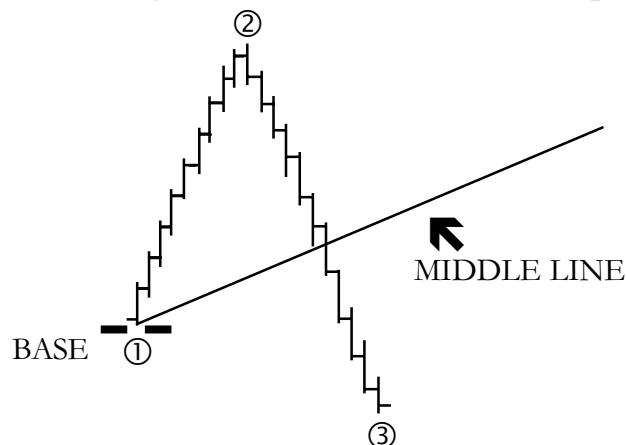
To draw a Median Line, you need three points. Once three market points are identified, you are ready to proceed with Median Lines. The first point is called the Base.



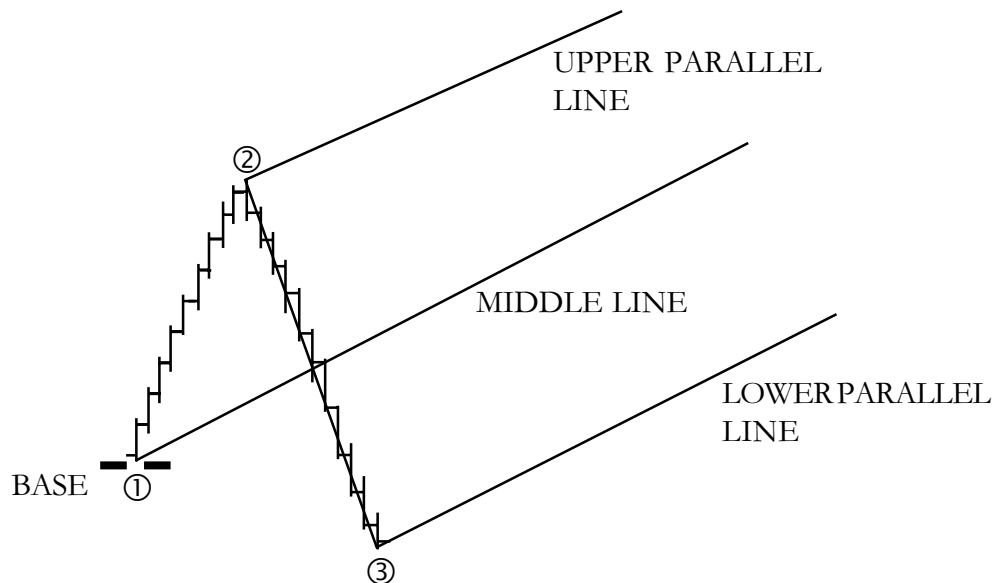
Connect a straight line between points 2 and 3. Find the midpoint of this line.



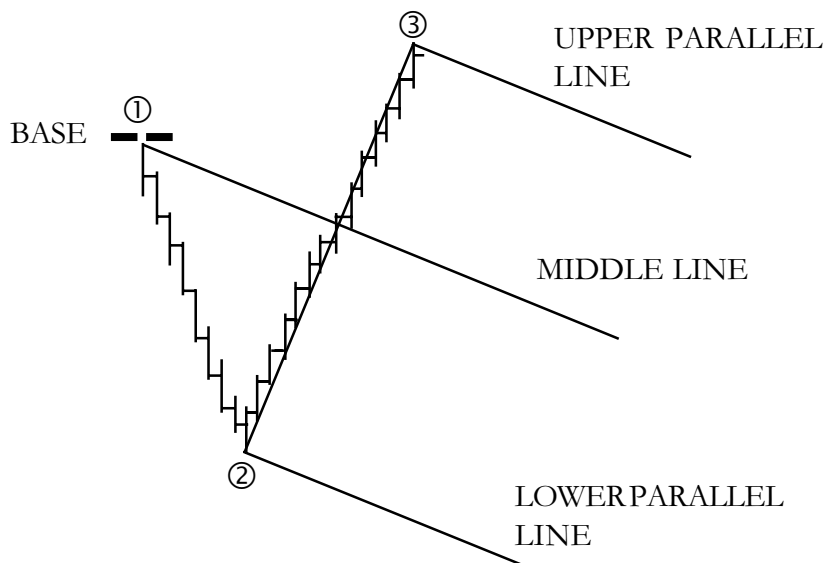
Draw a line connecting the Base Point with the Midpoint. This line is called the Middle Line.



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 Median Line is exactly the opposite of the upside Median Line. 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.

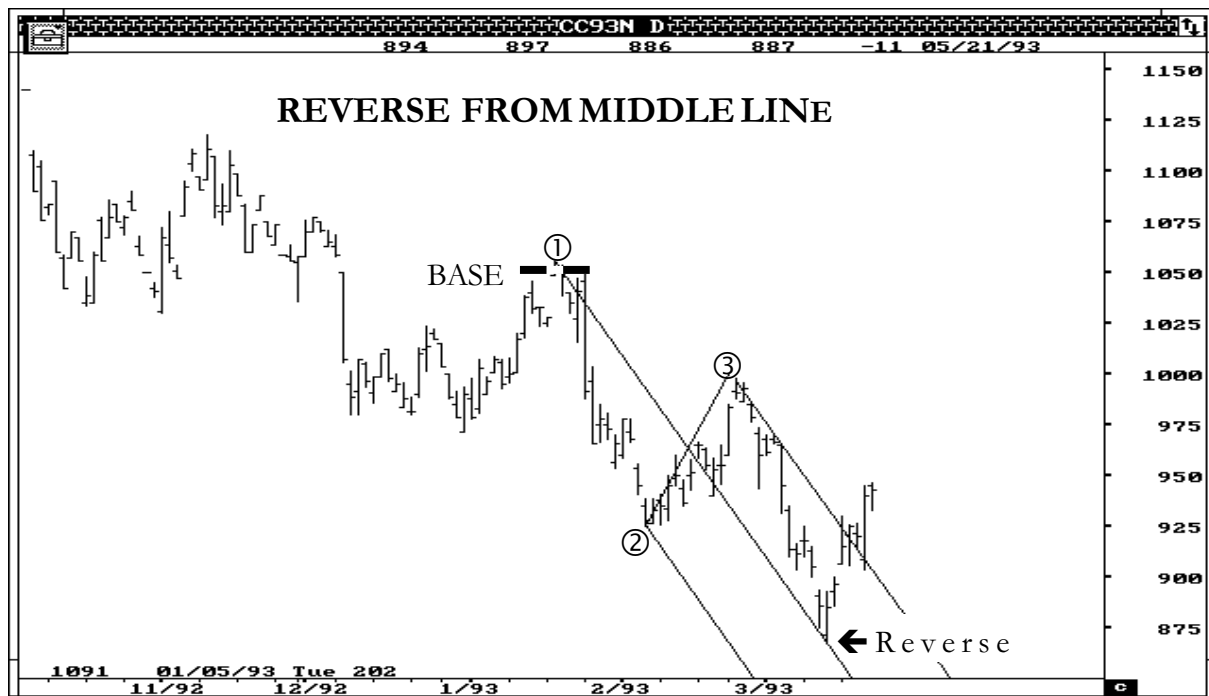


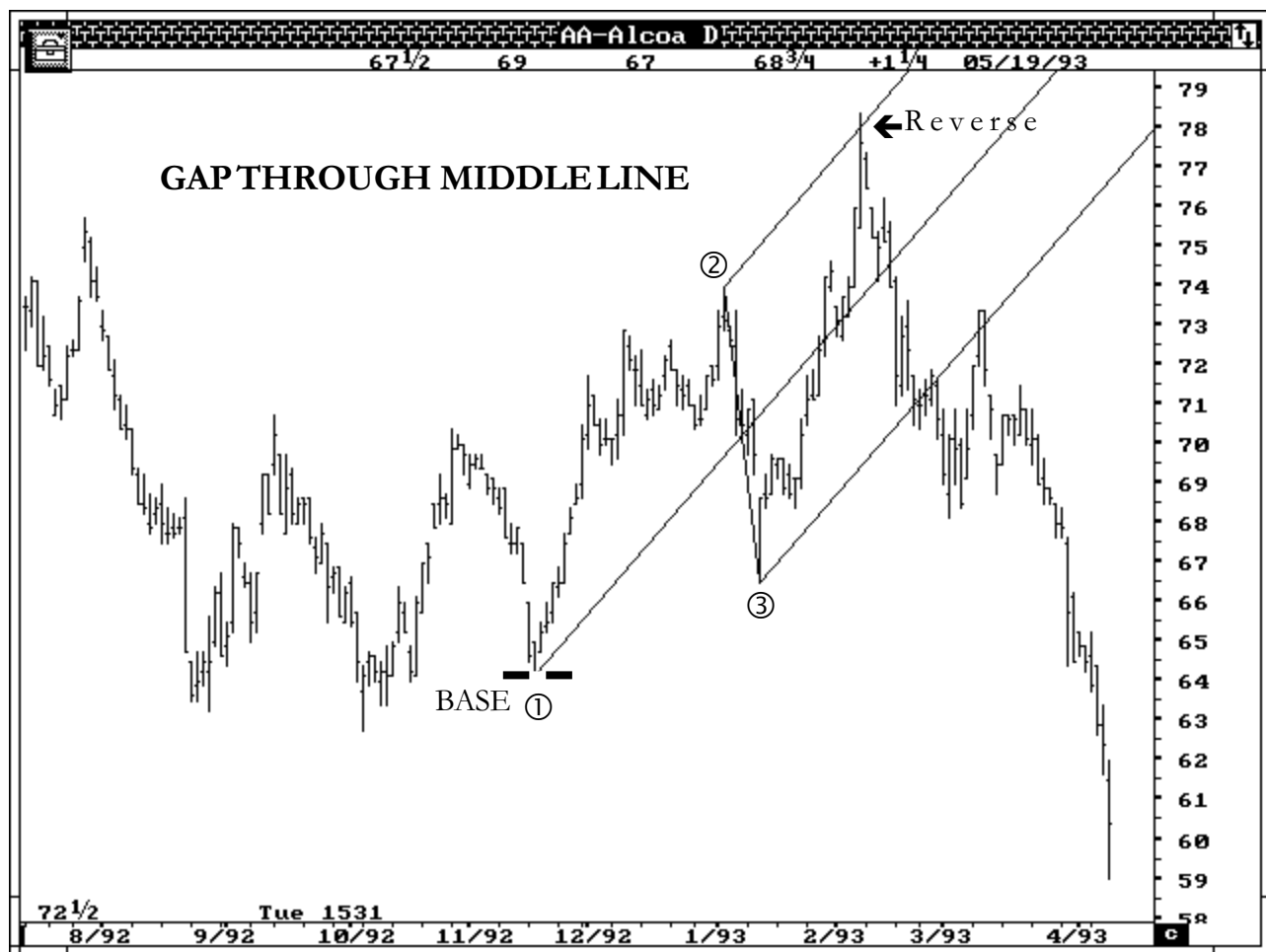
Per Dr. Andrews rules, the prices will do one of two things as it approaches the Middle Line:

- 1) The price will reverse at the Middle Line

OR

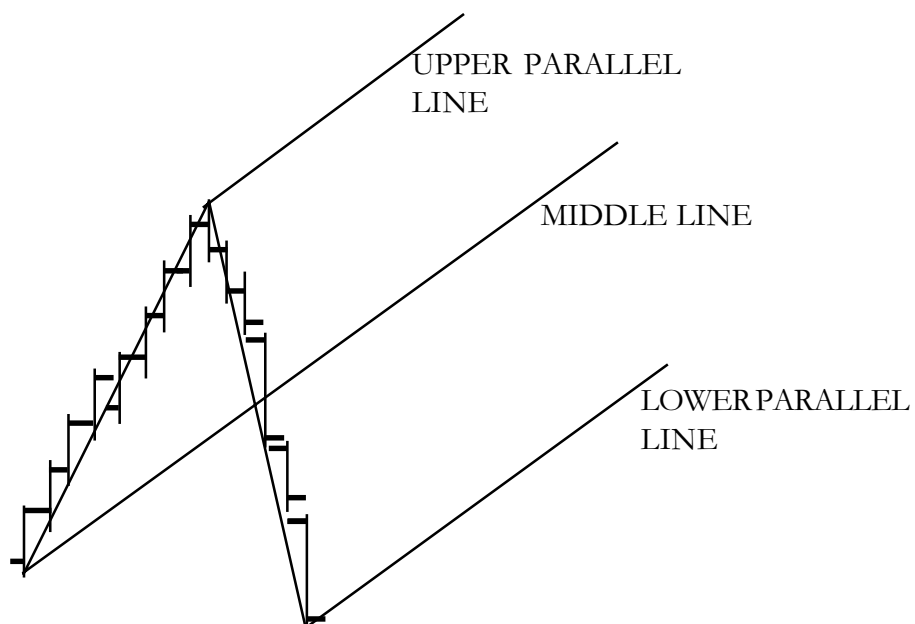
- 2) The price will trade through the Middle Line and head for the Upper Parallel Line and then reverse. Some examples of both situations follow:



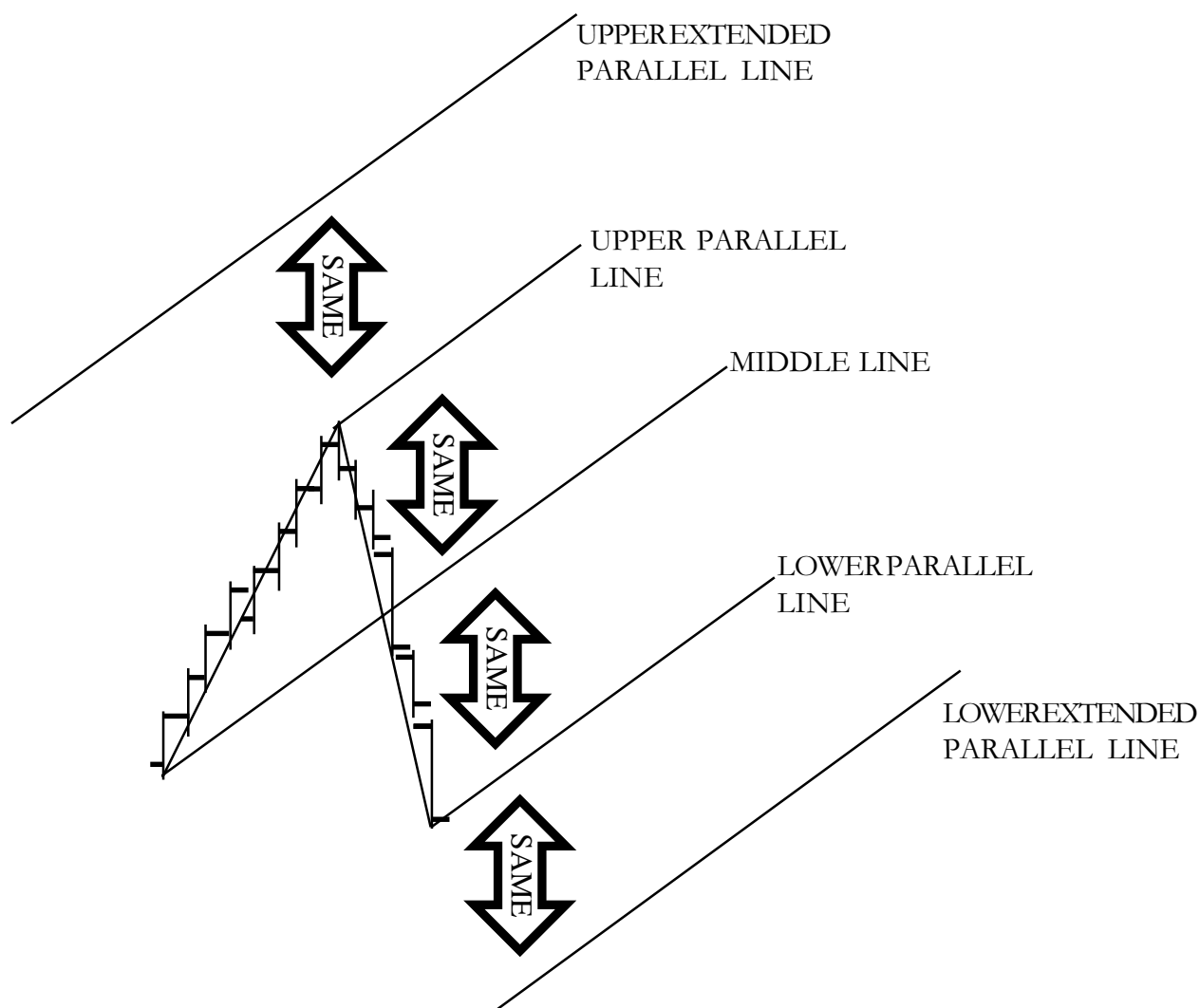


Extended Parallel Lines

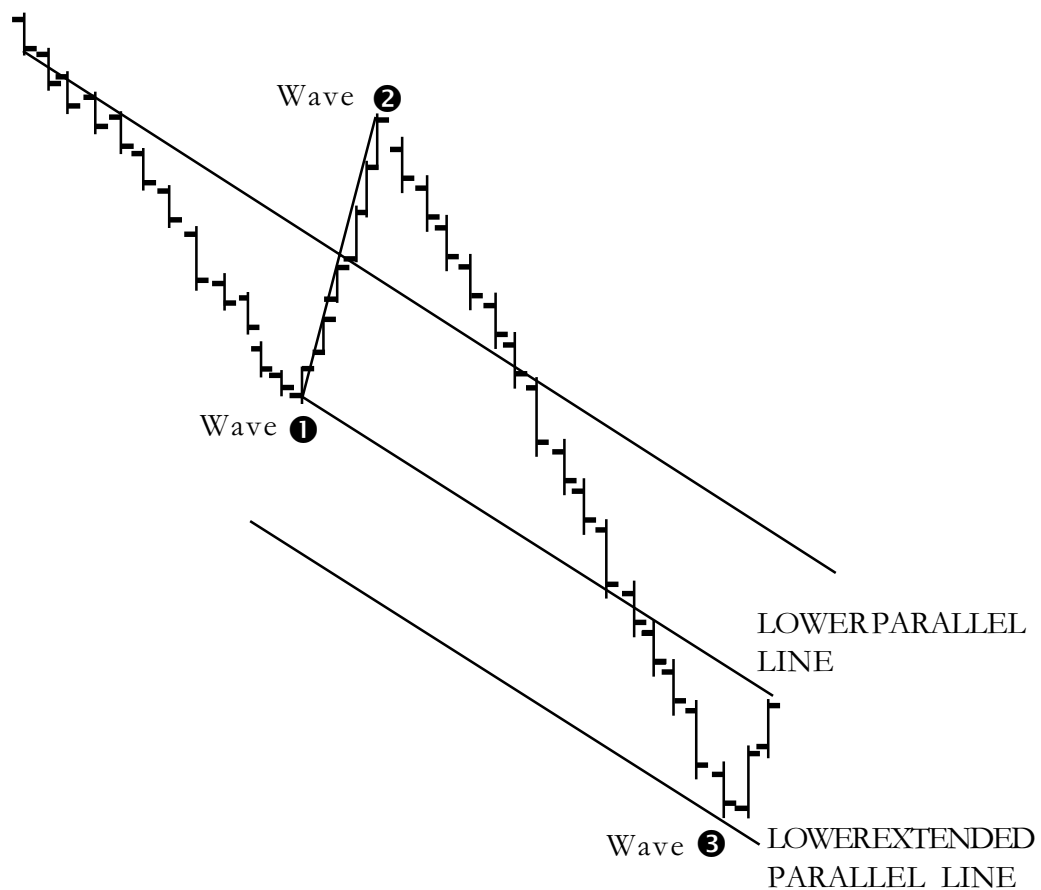
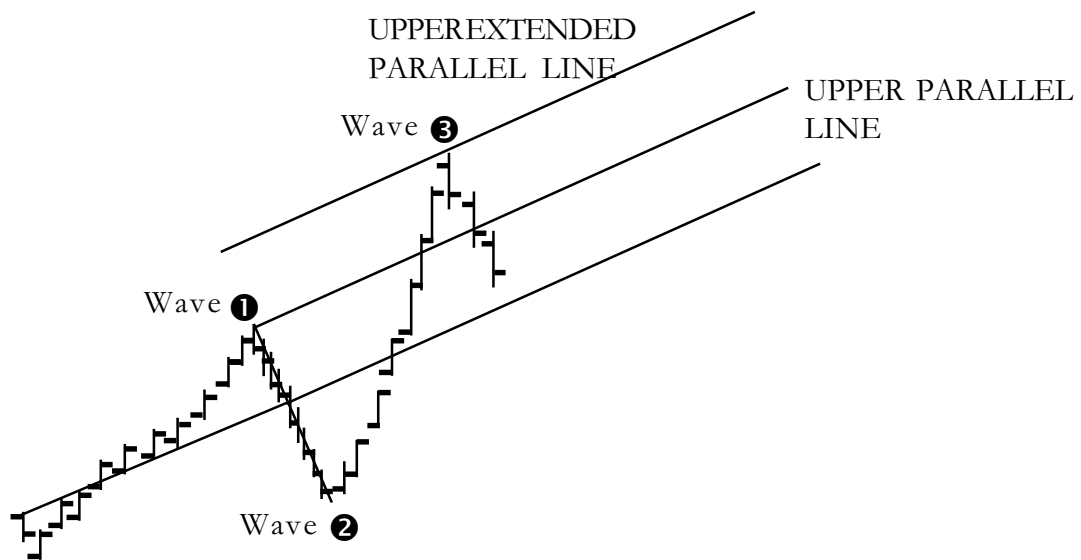
In some instances, the standard parallel lines have to be extended. This is necessary to accommodate fast moving markets. Again, the standard median line is drawn. The Upper and Lower parallel channels are drawn. You are then ready to extend the normal parallel lines. Find the distance from the Middle 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 from the Global Toolbox, 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.



Extended Parallel Lines

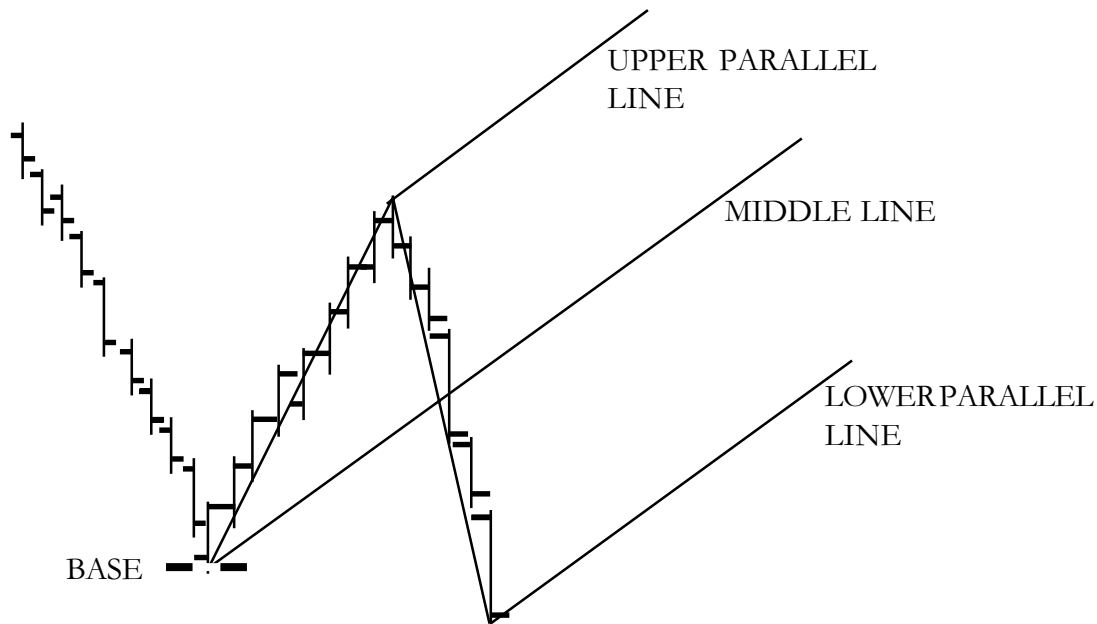


It may be necessary to draw extended Parallel Lines to catch the top of Wave 3. This is usually the case when the market really gaps through on a very powerful Wave 3.

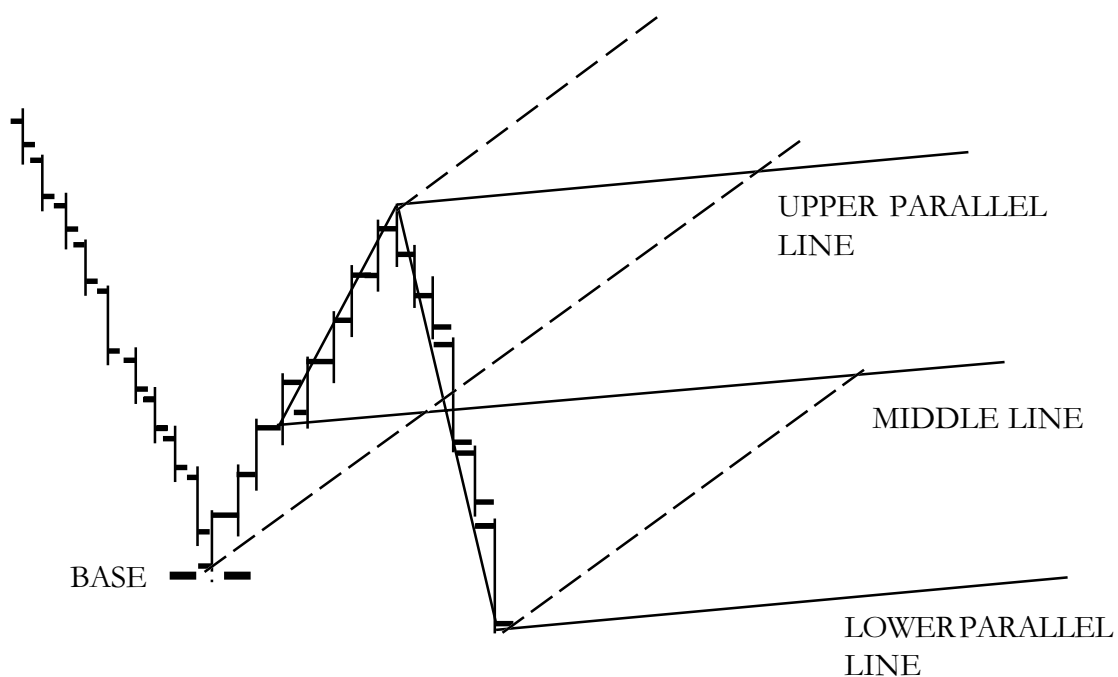


There will be times when the Wave 2 retraces at a steep rate. This is the time when you should use **MODIFY** in the pitchfork tool. With this button toggled to the ON position, the pitchforks automatically adjust the direction and spacing of the pitchforks to compensate for the steep Wave 2 retracement. You should pick the normal Base and drawing points, and GET will "Modify" them for you.

Before Modify



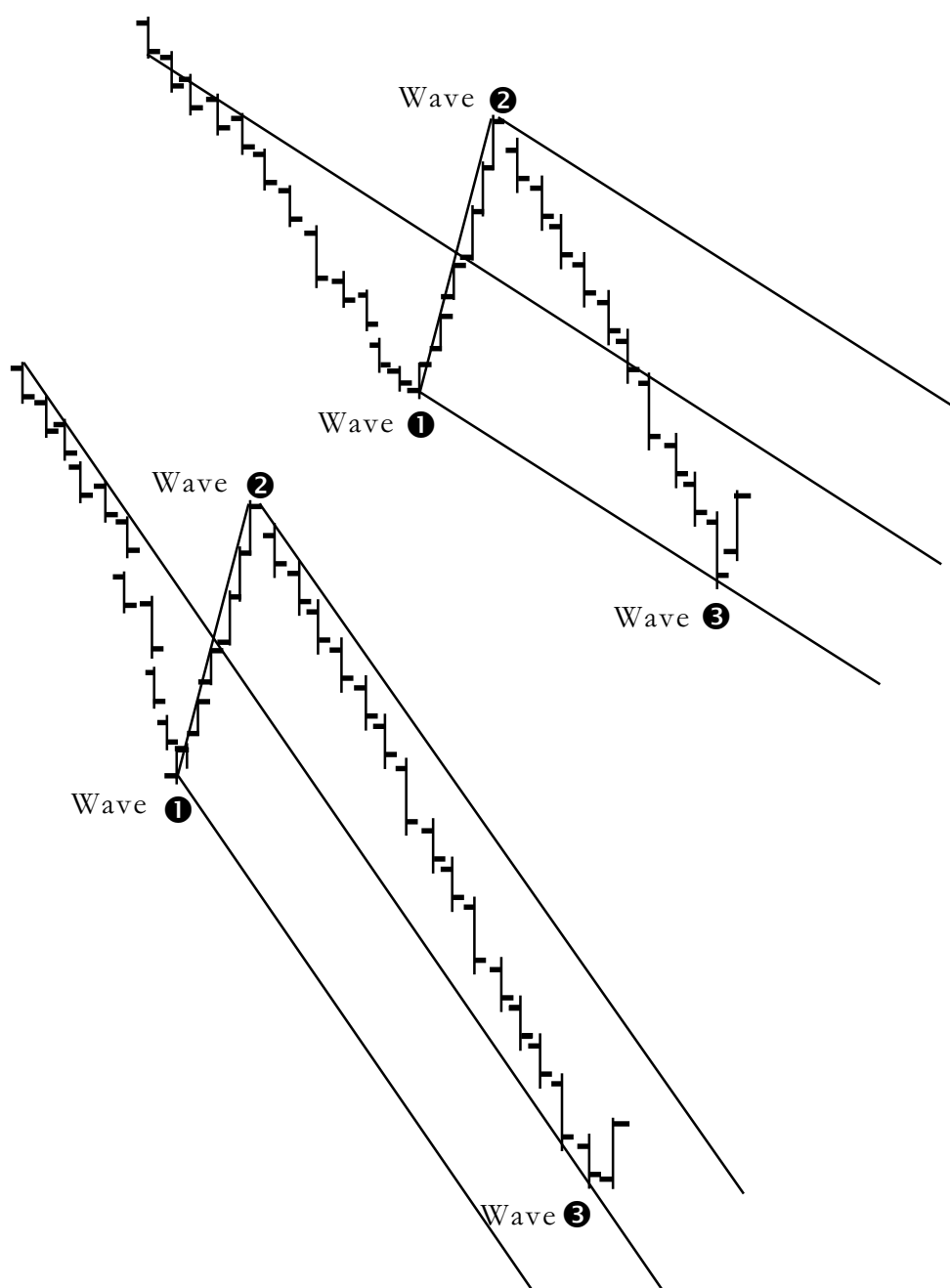
After Modify



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.

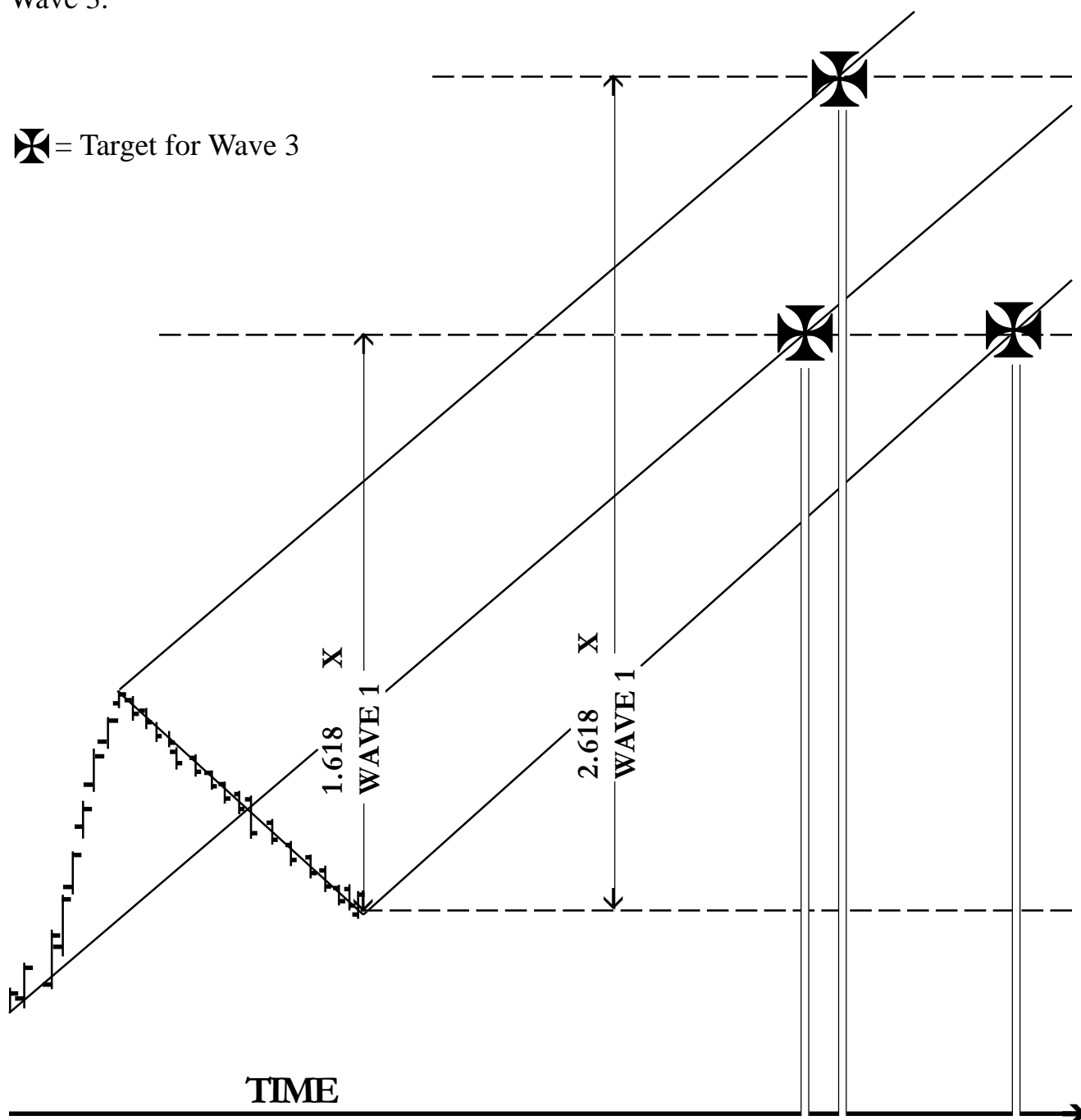
Wave 3 will usually end on either the Middle Line or the Upper/Lower Parallel Line.



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.



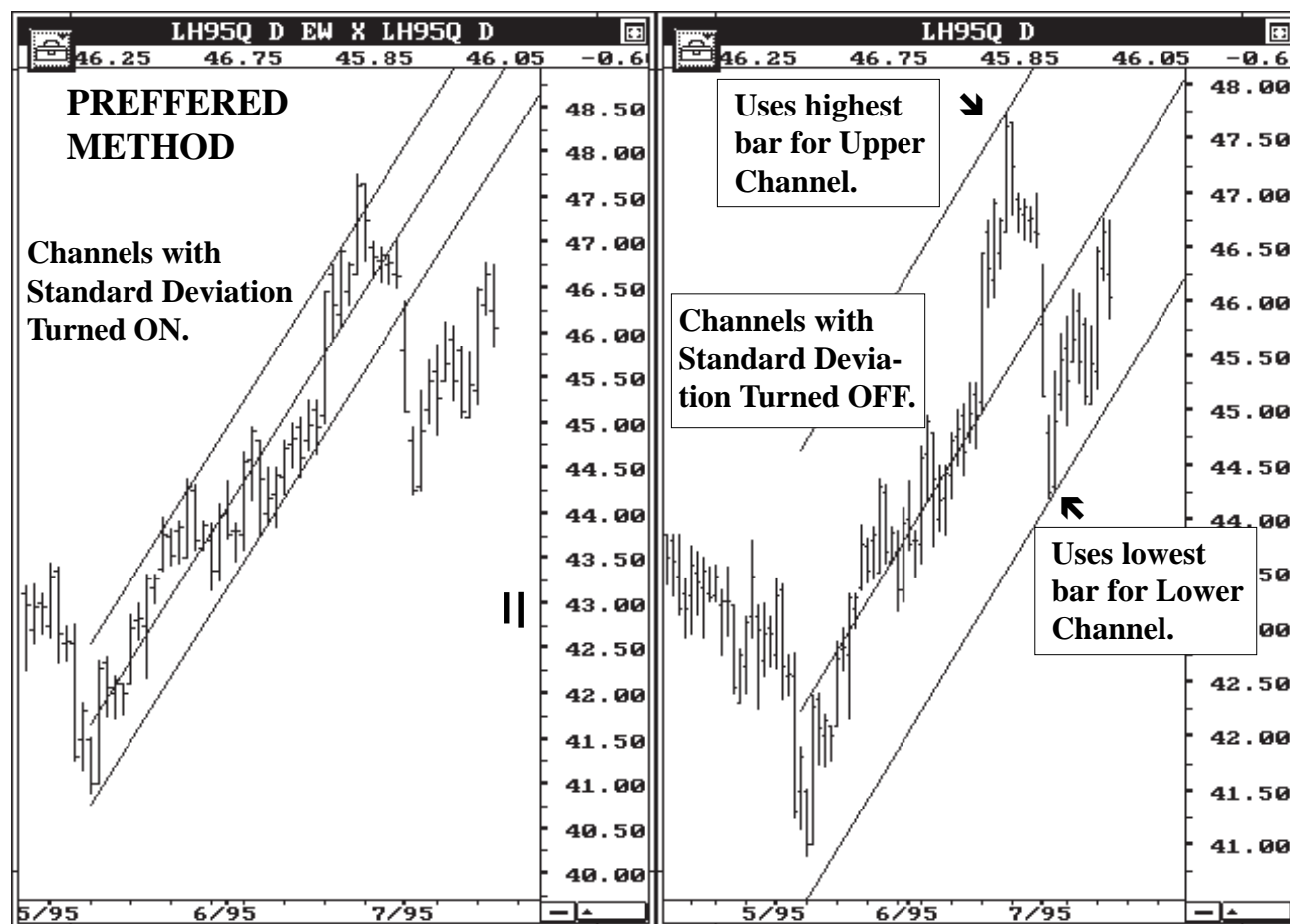
AUTOMATIC REGRESSION TREND CHANNELS

How to use it, and trade with it

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. However, it was a tedious task to draw the Channels, so we decided to automate this process. First, let me discuss a problem that some traders encounter when using the Regression Channel.

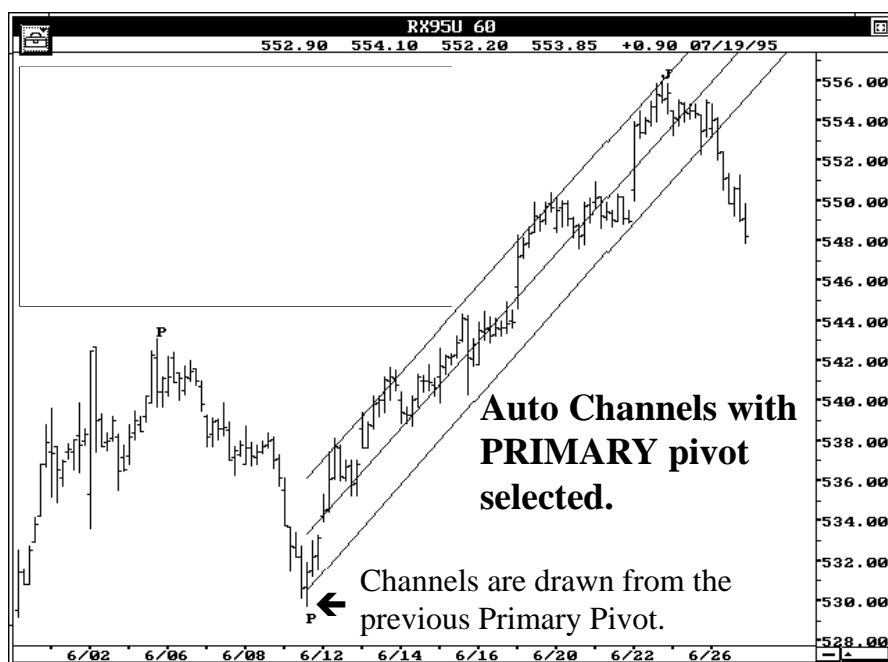
PROBLEM ENCOUNTERED:

In the Trend Regression Menu, the GREEN light on the Standard Deviation Box has **to be turned ON**. When it is turned ON, the software calculates the standard deviation for the upper and lower channels. If the Standard Deviation is turned OFF (*no Green light*), 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 Trend Regression Channel as discussed in this material and in the seminar tapes, you need to TURN THE STANDARD DEVIATION to ON (GREEN LIGHT ON).**



MIN 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 Trend, 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.

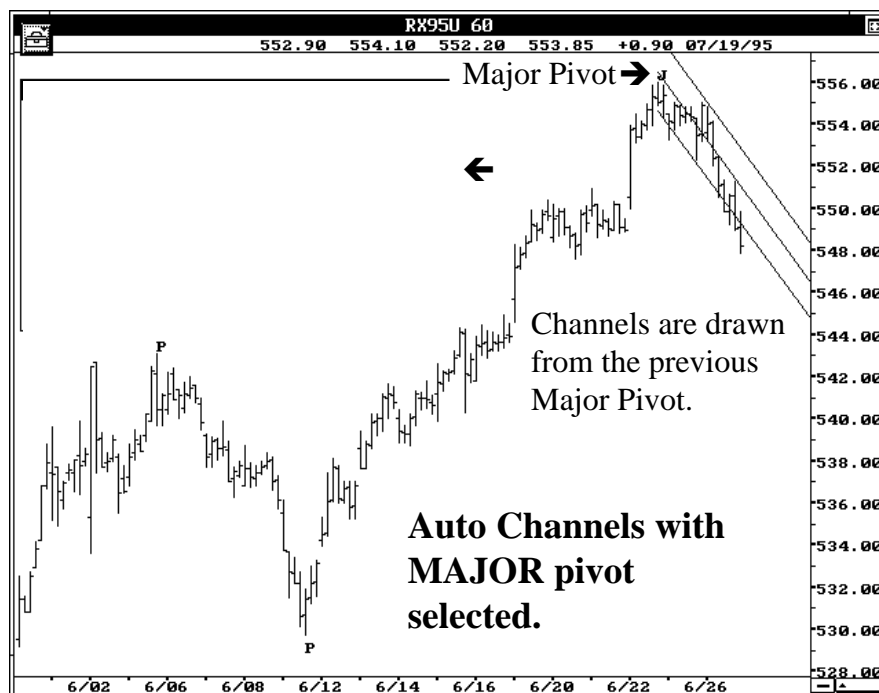


PRIMARY PIVOT

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 labelled, the Channels are automatically re-drawn from the new pivot.

MAJOR PIVOT

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

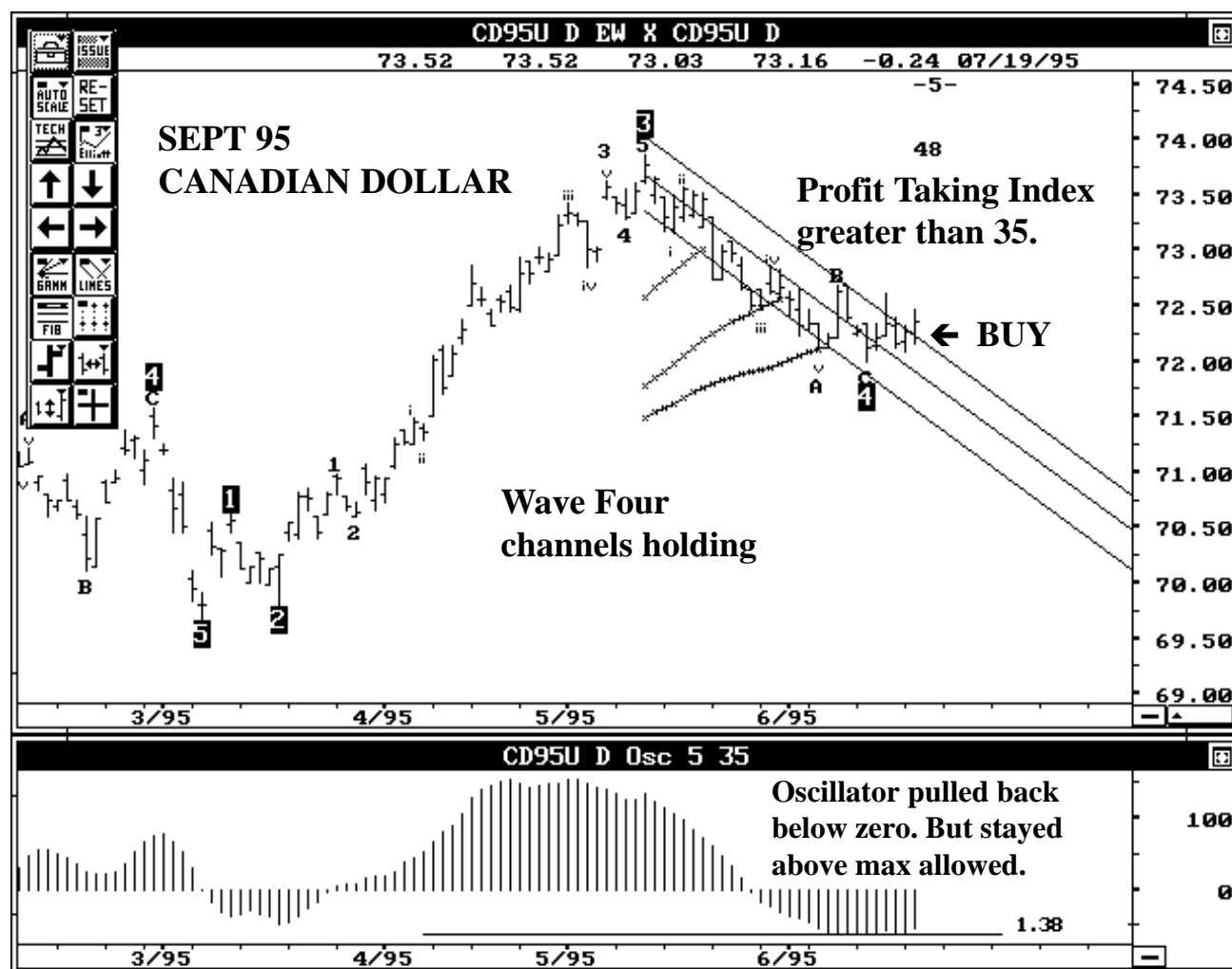


A REAL TIME EXAMPLE USING AUTO CHANNELS (THE SETUP)

The following trade is in the September Canadian Dollar using Elliott Wave analysis, Auto Regression Trend Channels and the Elliott Oscillator.

Key Points to observe:

- #1 The Oscillator pulled back to zero and stayed above the max drop allowed.
- #2 Profit Taking Index is at 48 (*greater than 35*). This means that there are good odds for a rally to Wave Five. Buy Sept Canadian Dollar at the break of the Auto Trend Channels.



Expert Trend Locator - XTL

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:

- a) Trading the Wave Four to Wave Five segment in Type One Trades.
- b) 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:

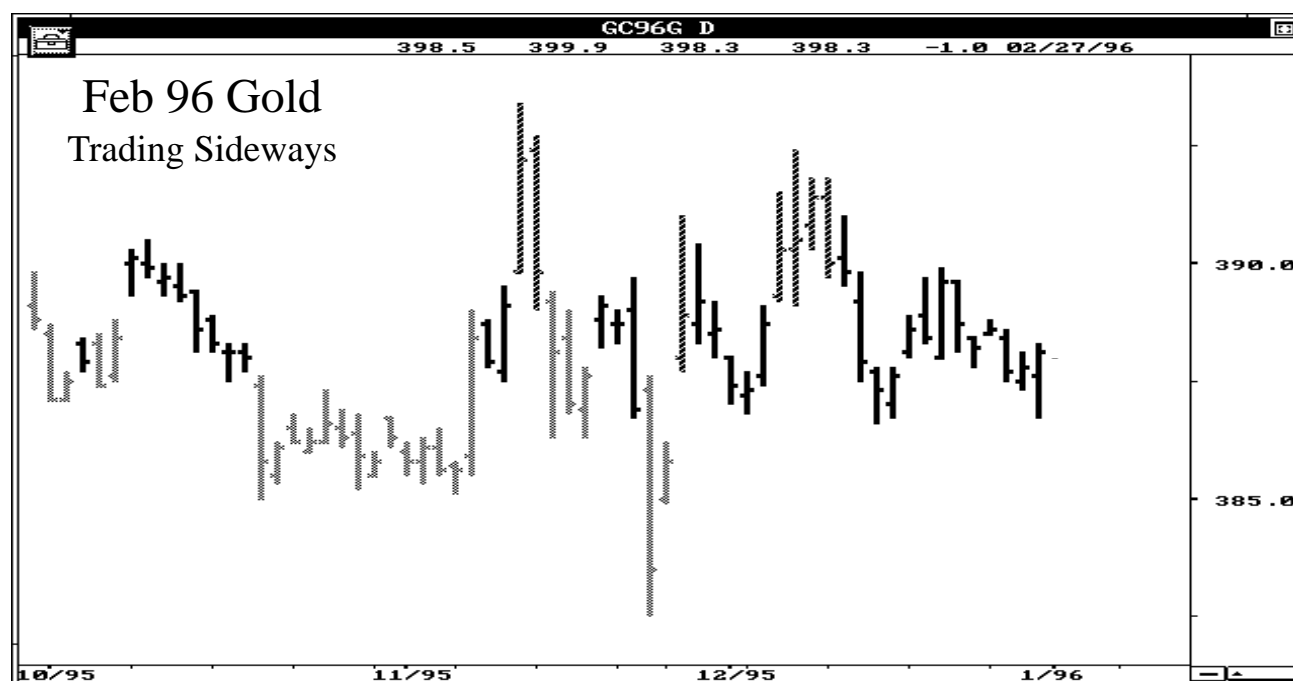
Since the last release of Advanced GET 6.0 in March 1995, I have dedicated my research exclusively to find a reasonable solution to identify Wave Three swings at its early stages. The result is XTL - Expert Trend Locator.

The Theory behind XTL:

If we 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. The following example on the next page shows Feb 96 Gold trading sideways without any real Trend in the market.

For discussion purposes, this is a market that is trading in a random fashion. If you simply trade this market using a Trend following system, you would get whipsawed by buying at

the highs and selling at the lows. Trend following methods generally do not work well in a sideways market. However, a trading approach using over bought/over sold indicators may work well in these periods.



However, as soon as you switch to an over bought/over sold trading strategy, the market will also switch to a Trending mode (*or so it seems*). This cycle never seems to change and can literally make a grown man cry. Once the market breaks into a Trend Mode, the prices trade in one direction with strong momentum and as the momentum continues, the swing is classified as a Major Trend. In Elliott Wave terms, this swing is labeled a Wave Three.

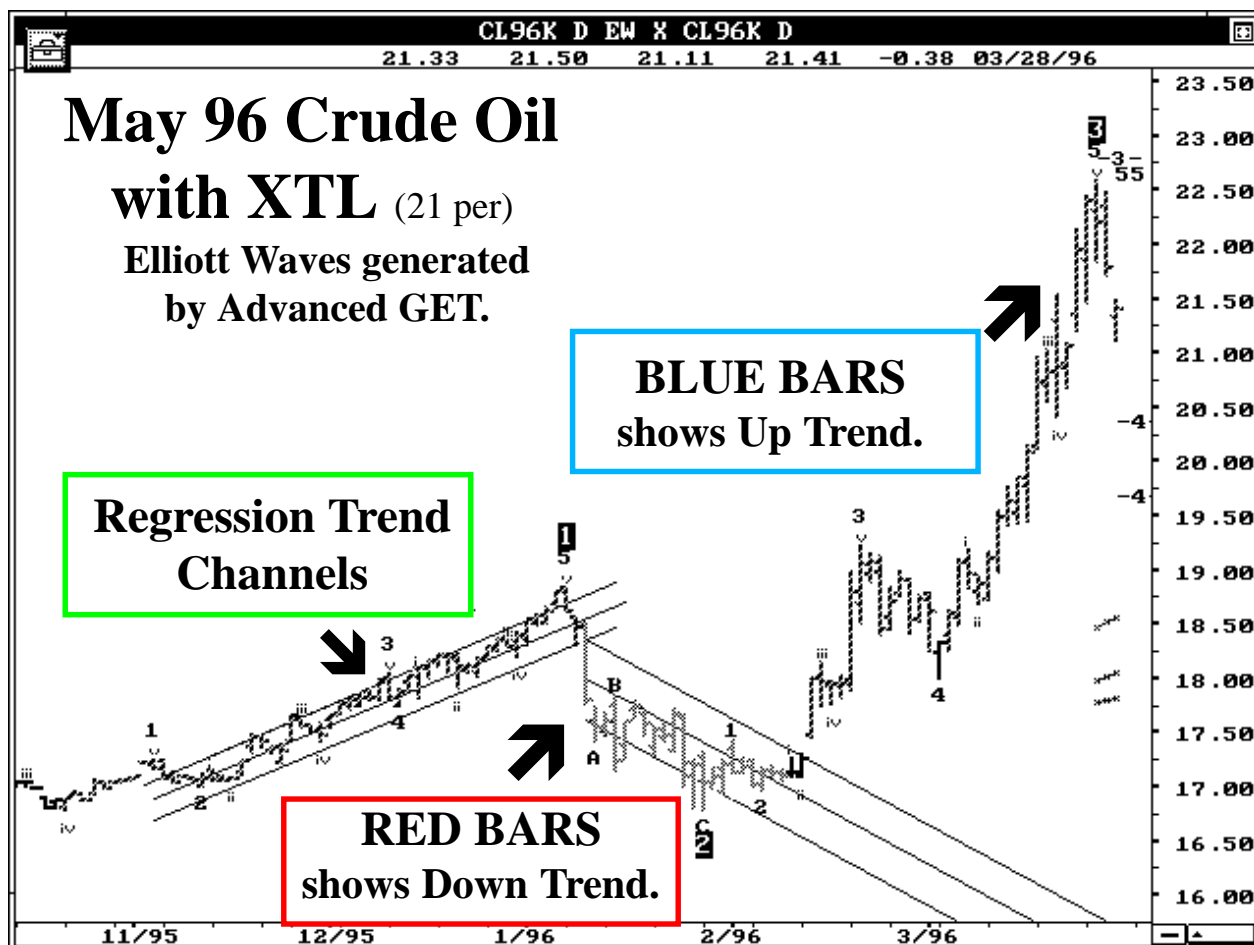


The objective is to identify when the market is trading in a random fashion and when it is trading in a Major Trend. There are two additional requirements.

- 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 a downward bias or Down Trend is detected, the bars are displayed in Red. When an upward bias or Up Trend is detected, the bars are displayed in Blue. If the Trend is neither Up or Down, the bars are displayed as usual in Black.



Portability:

Any study is valid only if it is portable to other markets. The Statistical model we developed for the XTL meets this criteria. 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. The best way to decide the best setting, use the training mode to back test on past data and find the setting that suits your style of trading.

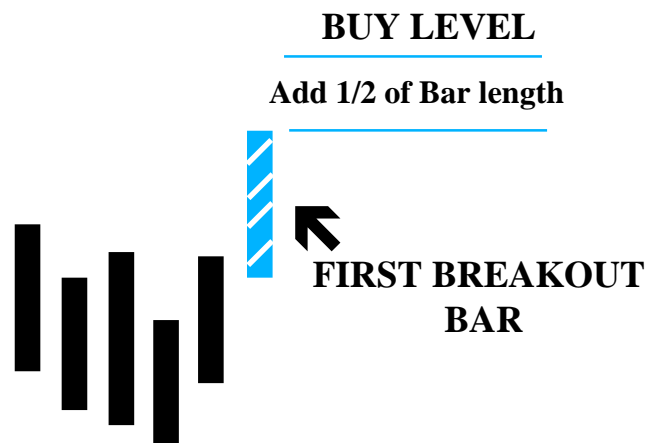
We have also enclosed examples using both settings to further illustrate the advantages and drawbacks of both.

How to use XTL

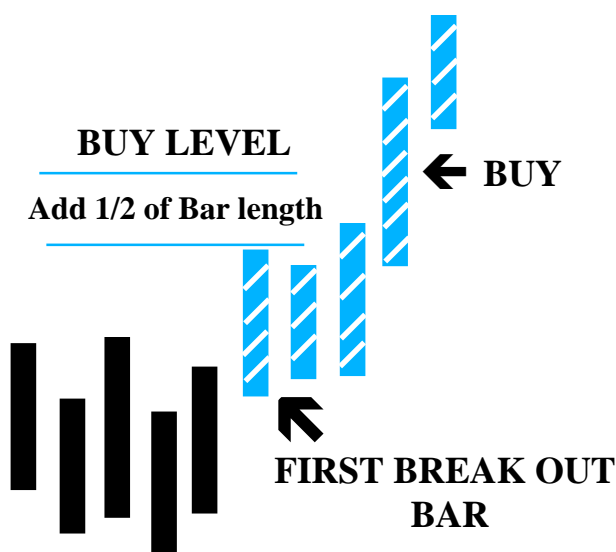
Since XTL is a tool that identifies Major Trends, you can use it in a number of ways to enhance your trading. From our testing we have found the following method to be very reliable. When there is no Major Trend, the bars are plotted as regular bars in black. As soon as a Trend is detected, the color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

The first bar that changes the color is called the **FIRST BREAK OUT BAR**.

Add half the length of this Break Out Bar to obtain a **BUY LEVEL**.



Buy (go long) when the market penetrates the BUY LEVEL provided the following holds true: a) XTL does not detect and display a bar with the opposite Trend color. In the above illustration, the buy was generated with an Up Trend signal. Therefore, you should not see any Red color bars prior to the prices penetrating the BUY LEVEL. **Neutral (Black) bars are okay and does not alter the strategy.** b) The STOP is not taken out. (*See next page for discussion of STOPS*).



We suggest Adding 1/2 the length of the Break Out Bar. Please feel free to back test 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 Break Out Bar.

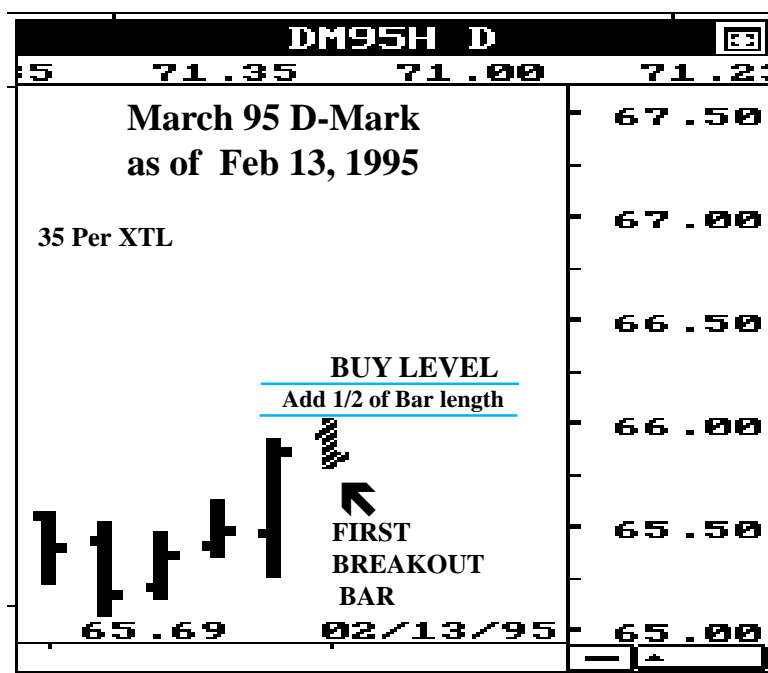
You could enter the market with a Buy Stop at the selected level.

In the following examples (*unless stated otherwise*) we will use a 35 period setting for calculating the XTL. We are also adding 1/2 the length of the Break Out Bar. (*See Below*)

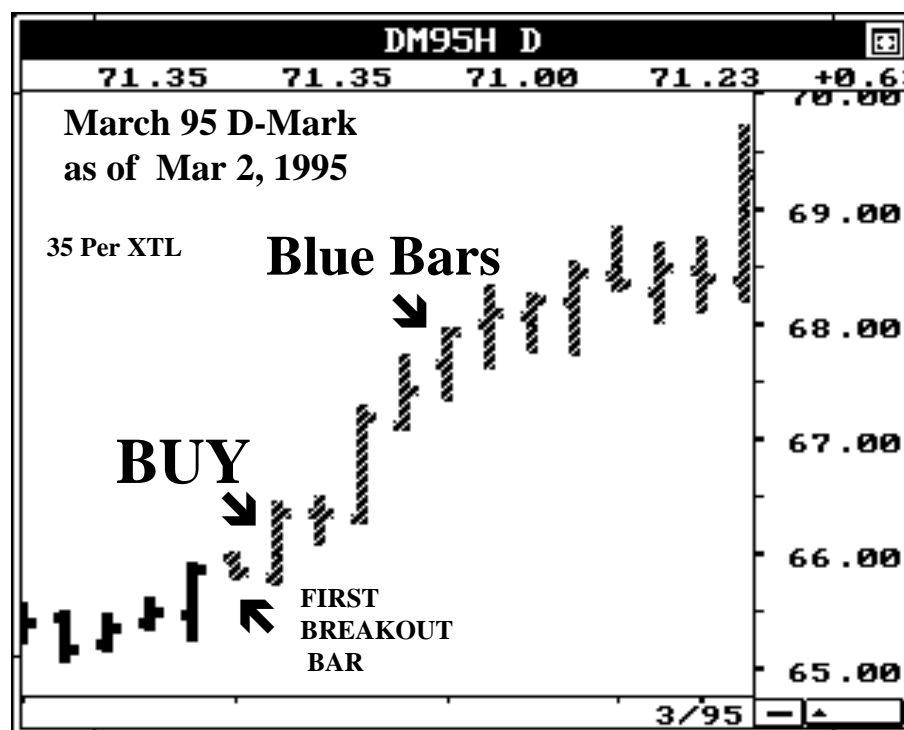
This is the March 95, D-Mark as of Feb 13, 1995. The XTL has detected a potential run in the market.

This bar is displayed in Blue showing an Up Trend. This bar is also called the First Break Out Bar.

Now add 1/2 the length of the Break Out Bar to obtain the BUY LEVEL.



Since the First Break Out Bar, the XTL did not a) detect an opposite Trend and b) the Stop was not taken out. Therefore, a long (BUY) position is established when the market trades through the BUY LEVEL.



There are a number of ways to enter. The most ideal would be to enter on a Buy Stop at the BUY LEVEL.

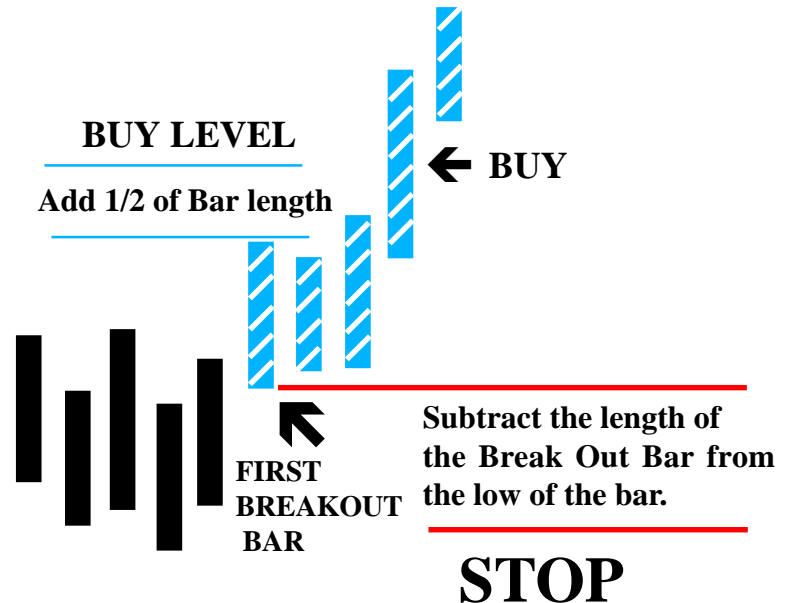
Note: Prior to trading through the BUY LEVEL, Neutral (Black) bars may be displayed. Black bars do not alter the trading strategy.

USING STOPS:

Although there are a number of ways to handle Stops, here is a method we have found useful. Set a stop the length of the Break Out Bar below the low of the Break Out Bar.

We suggest you use the training mode and find a STOP method that fits your trading style.

If you feel the Stop is too small, then use twice the length of the Break Out Bar. Likewise, if you feel the Stop is too large, then use half the length of the Break Out Bar.



For example: The First Break Out bar has a range of High=7650 and Low=7630. The length of the Break Out bar is $(7650 - 7630) = 20$ points.

Up Trend BUY signals:

To obtain the BUY LEVEL you add 1/2 the length to the Break Out bar. In this case $1/2$ the length of the Break Out bar = $(20 \text{ points} * .5) = 10$ points. Add this to the high of the Break Out bar to obtain the BUY LEVEL = $(7650 + 10) = 7660$.

To obtain the suggested STOP, you subtract the length of the Break Out bar from the low of the Break Out bar = $(7630 - 20) = 7610$. This is the suggested SELL STOP.

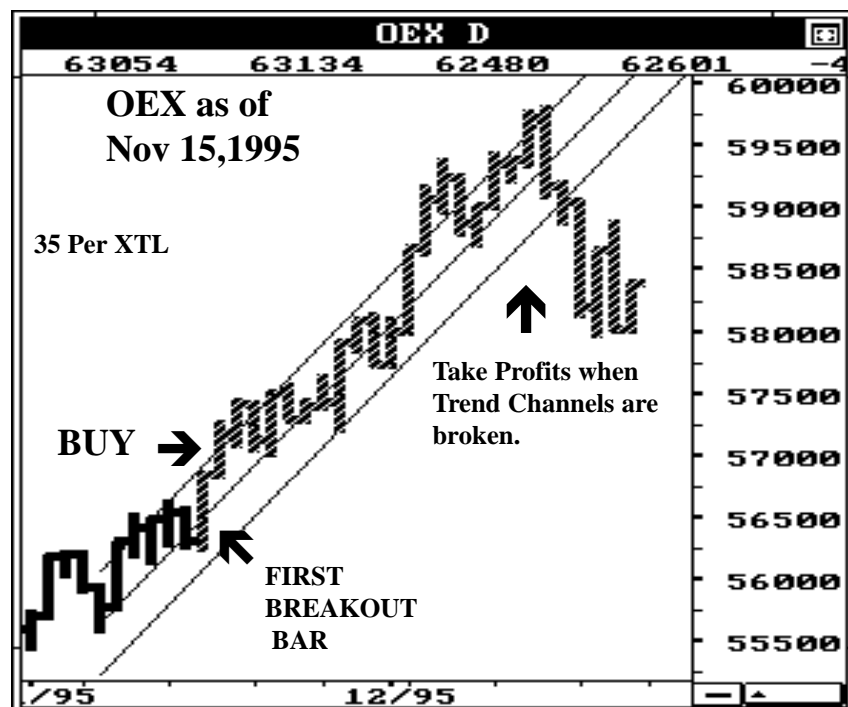
Down Trend SELL signals:

For Down Trend signals, you do the opposite. Using the above example, $1/2$ the length of the Break Out bar is 10 points. Subtract this from the Low of the Break Out bar to obtain the SELL LEVEL = $(7630 - 10) = 7620$.

To obtain a suggested STOP, you add the length of the Break Out bar to the high of the Break Out bar = $(7650 + 20) = 7670$. This is the suggested BUY STOP.

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 built in 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.



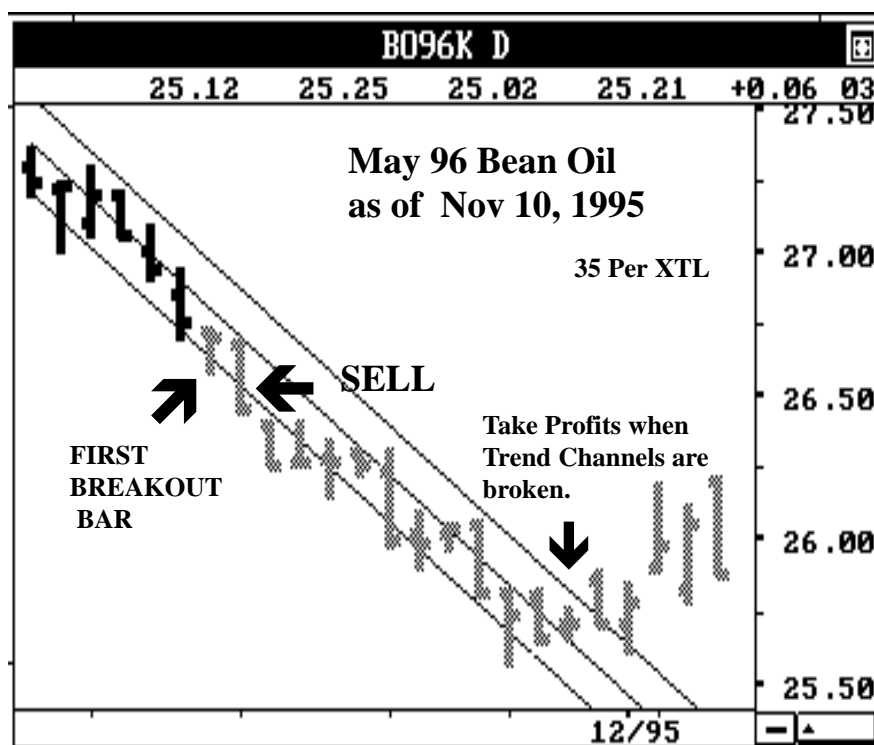
One of the major strengths of the Regression Trend Channel is to bracket a trending market. When a trending market breaks the channel, this usually indicates the end of the Trend.

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 Down Trends.

The example shown is the May 96 Bean Oil.

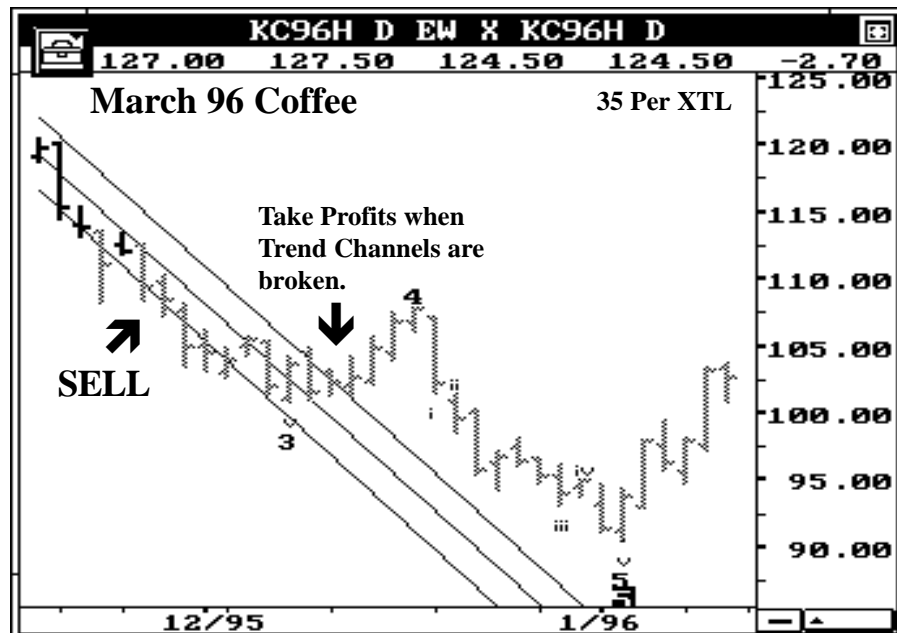
Once again, we suggest that profits should be taken when the prices break the Regression Trend Channels.



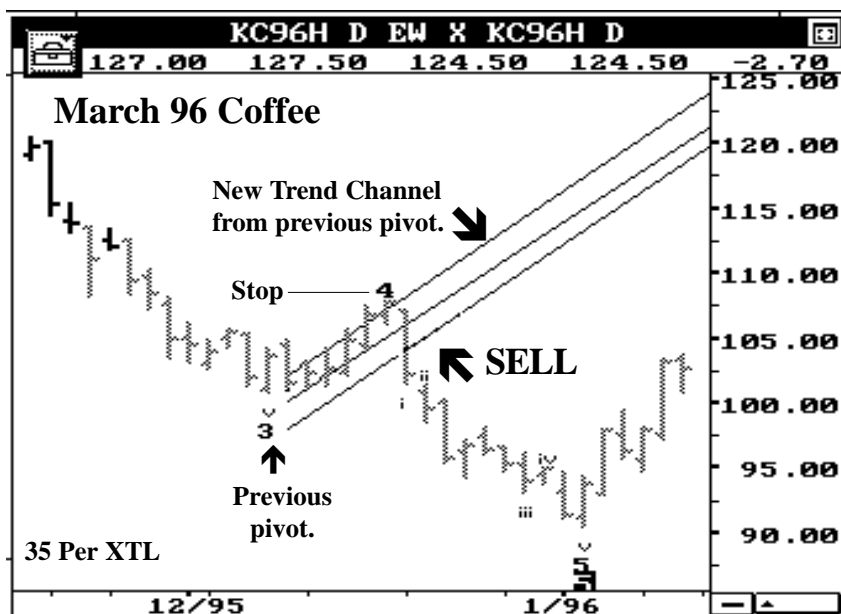
Trade Continuation:

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*).

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.



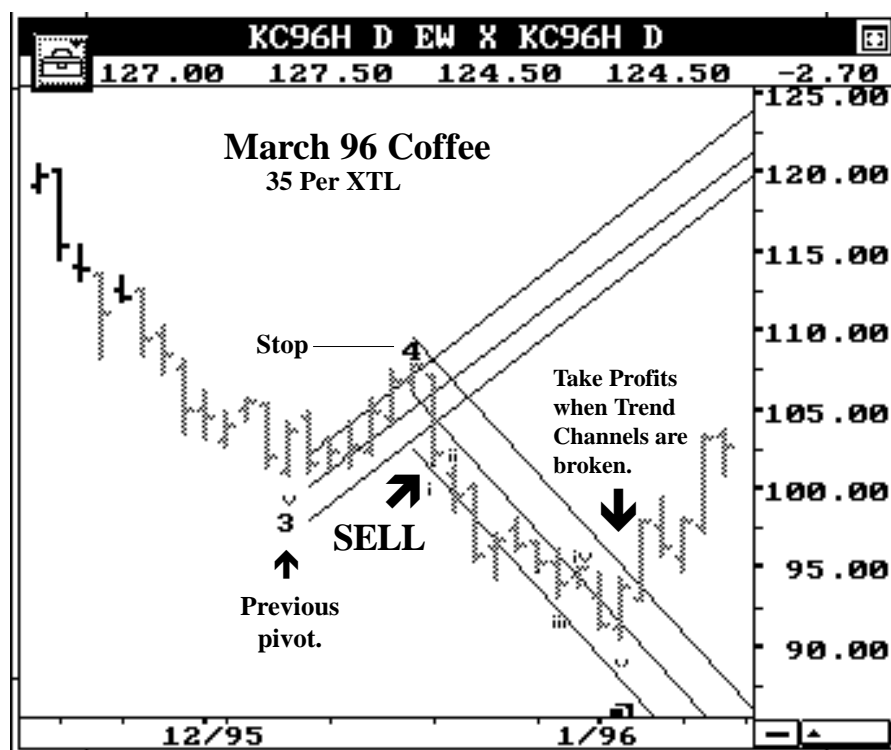
As long as the Major Trend displayed by the software does not change (*in this case the bars should not change from (Down Trend) Red to (Up Trend) Blue*), you can re-enter the market in the original direction when prices break the newly drawn Trend Channels. **Neutral (Black) bars are okay and does not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



The new entry is taken on the break of the Trend Channel.

Guidelines for Trade Continuation

1. The Major Trend displayed by GET should not change. 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 (*up trend*). The opposite applies to a market in a rally phase.
2. Once a Pivot is established, draw Trend Channels from this pivot as shown on the previous page. You could also use the Auto Channels feature in GET (*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*).
3. 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 (as illustrated below).



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.

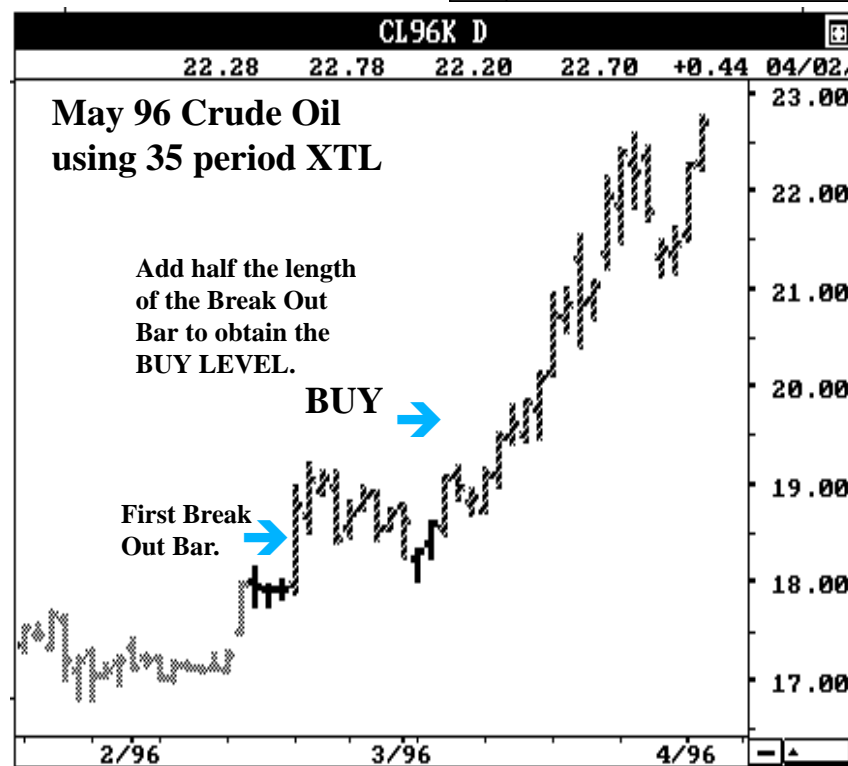
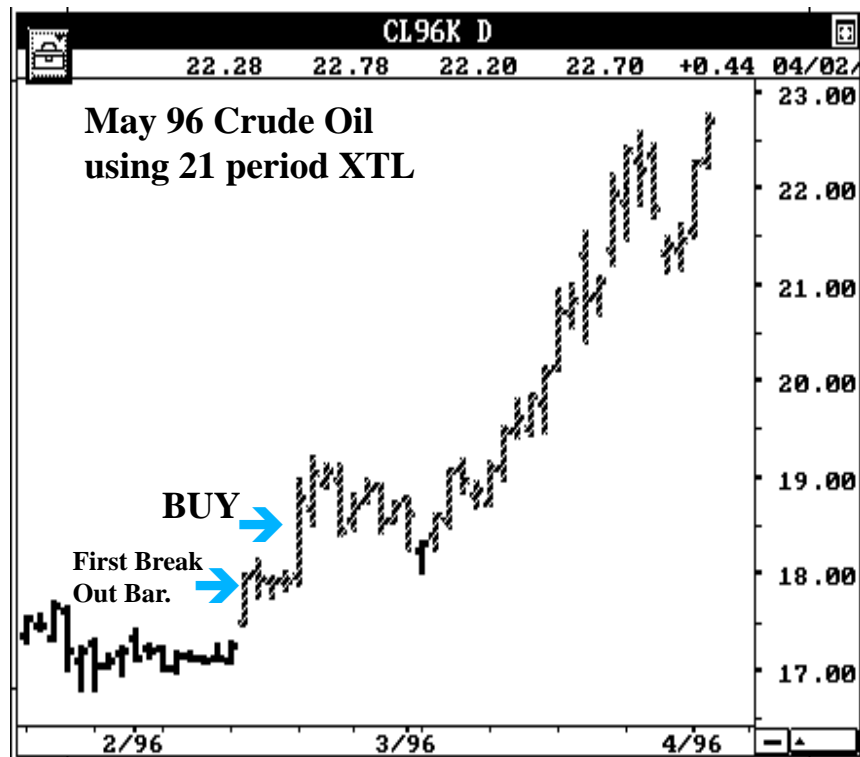
Using Different Settings for XTL

On this page we will show the difference in entries using a 21 period XTL and a 35 period XTL. The 21 period XTL setting offers early entry in the markets. However, the main disadvantage of using a 21 period setting is the numerous false signals that are generated as shown on the next page.

USING 21 period XTL:

Usually the First Break Out Bar is generated a few bars earlier by using the 21 period XTL.

This in turn can also provide numerous false signals as shown on the next page.



USING 35 period XTL:

When using the 35 period XTL, the false signals are kept to a minimum.

The First Break Out Bars are usually generated later (*by a bar or two*) when compared to the 21 period XTL setting.

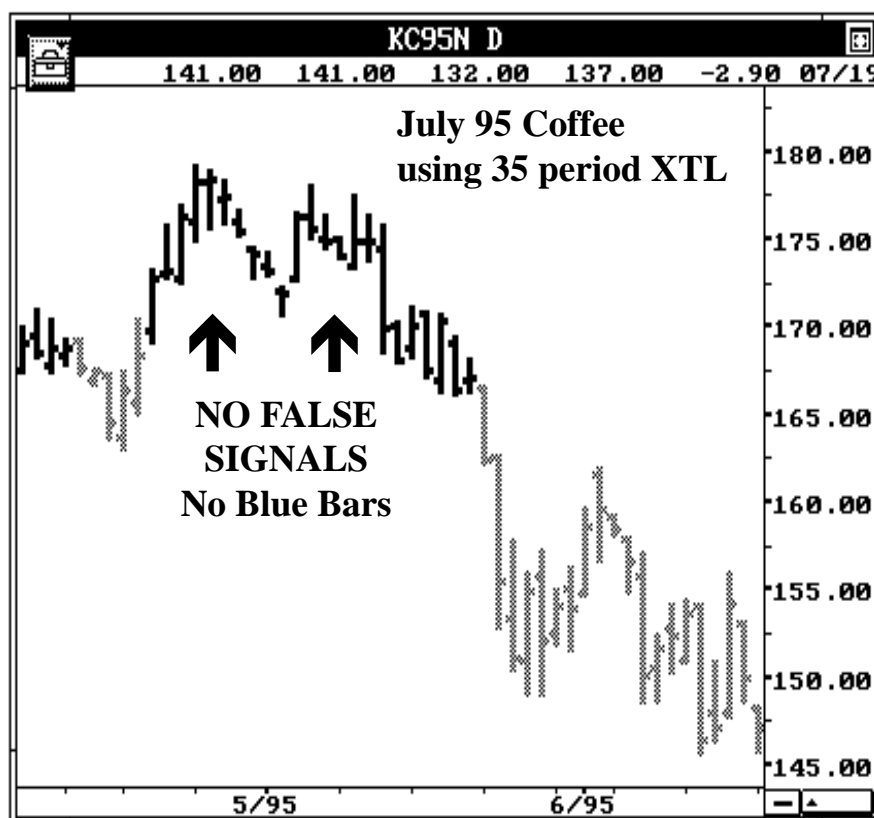
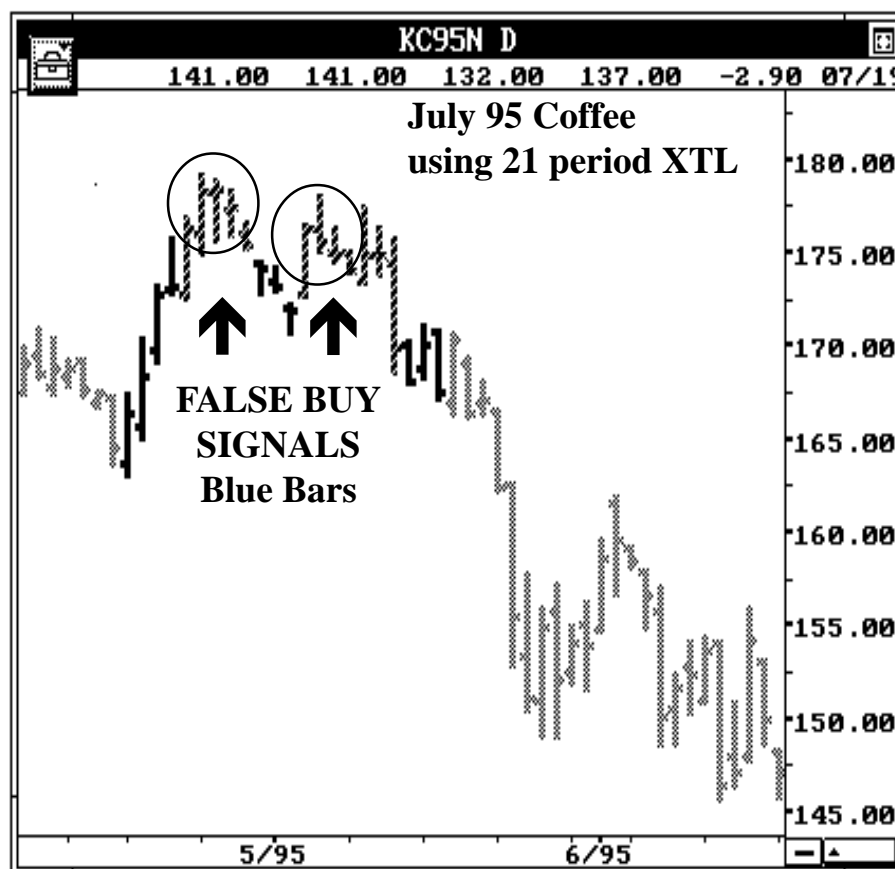
Using Different Settings for XTL

USING 21 period XTL:

In this example, the July 95 Coffee is in a Major Down Trend.

The 21 period XTL provided two different Buy Levels which turned out to be False signals.

The major drawback of using the 21 period XTL is the potential of False signals.

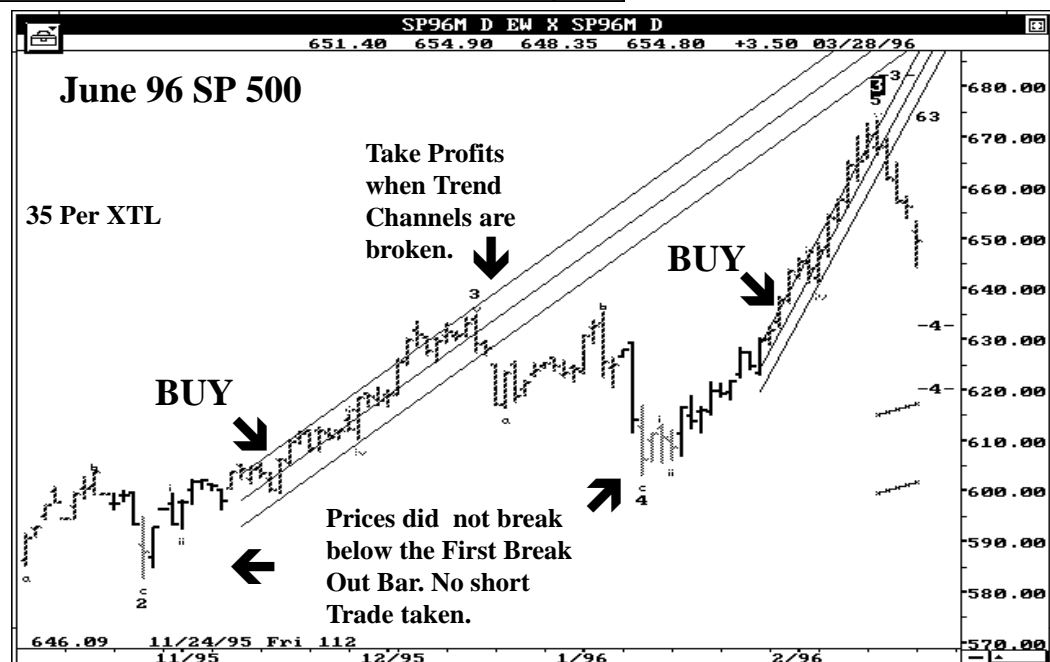
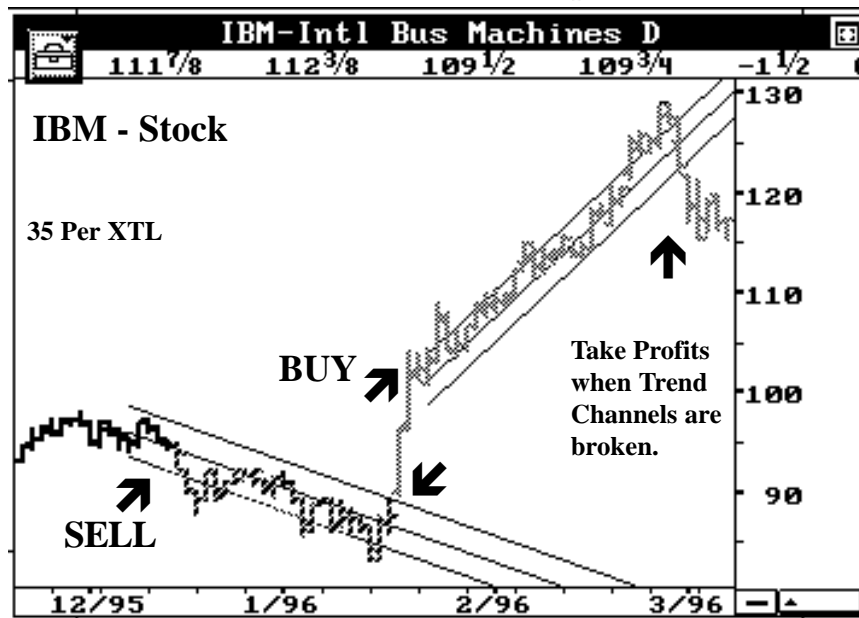
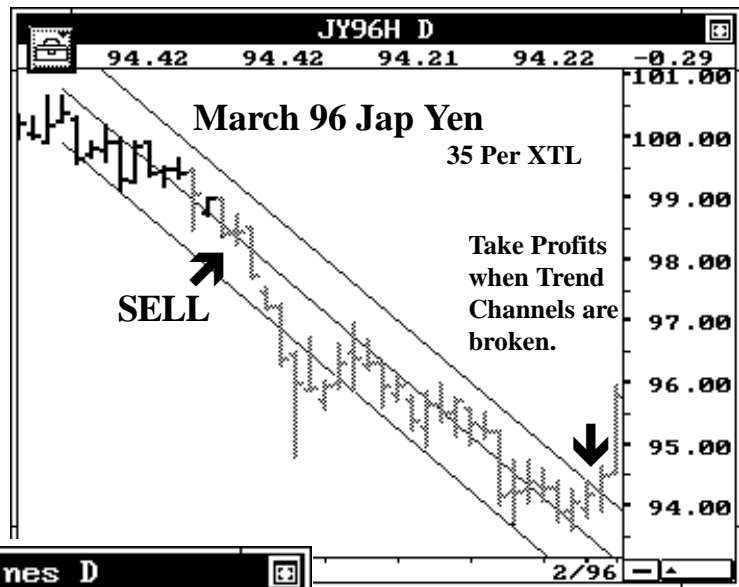


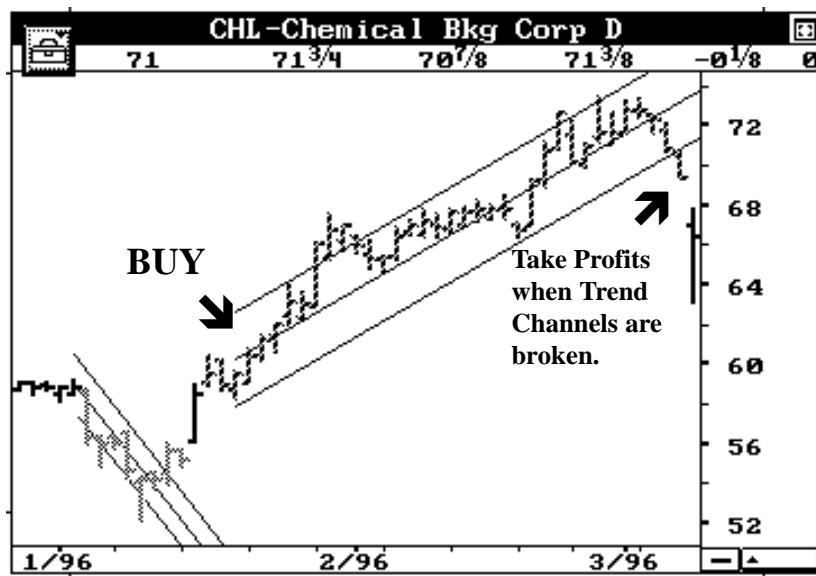
USING 35 per XTL:

Using the 35 period XTL, the False Signals were avoided. This is the major advantage of using the 35 period XTL.

With these examples, we have shown both the advantages and disadvantages of using the 21 period and 35 period XTL. You, the user will have to make a decision on which one to use based your style of trading.

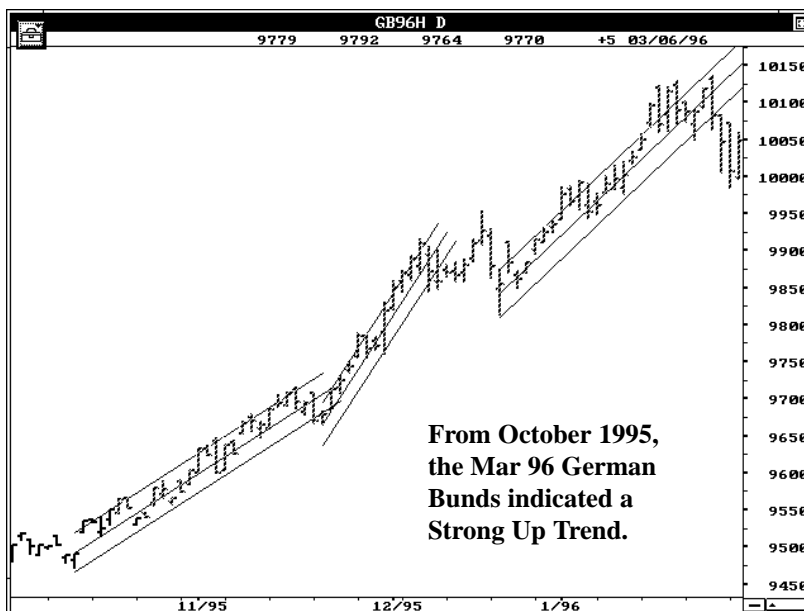
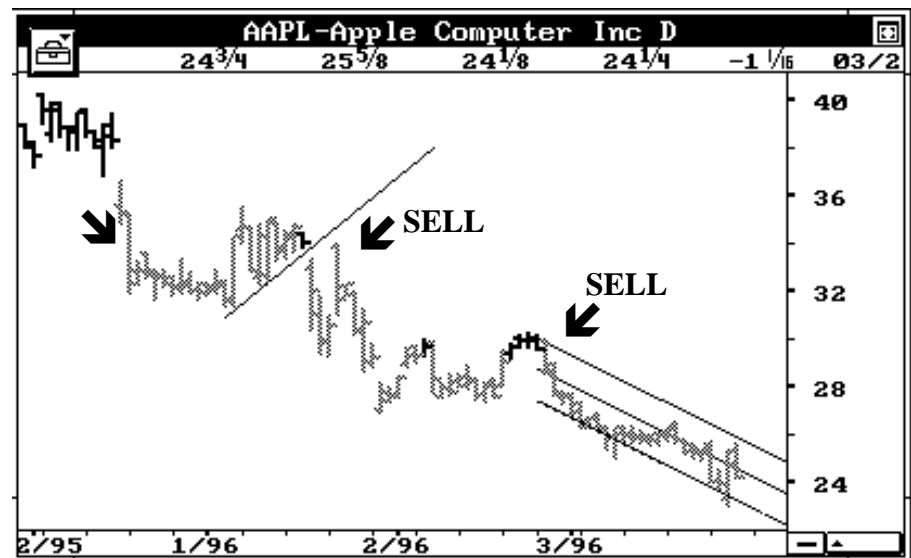
Examples on using XTL



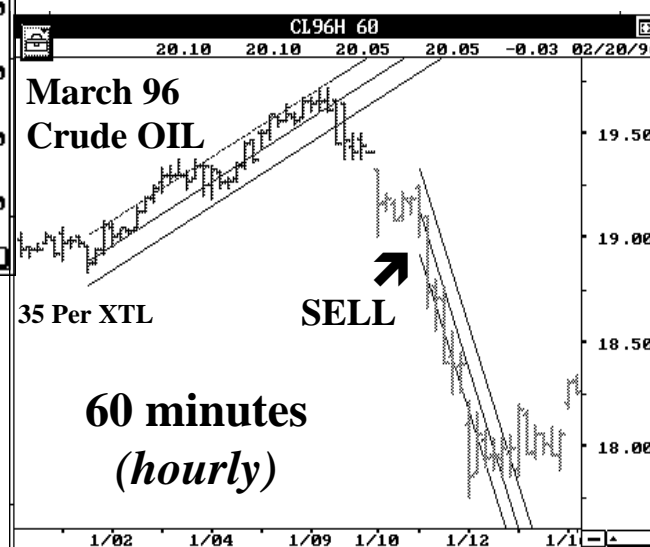
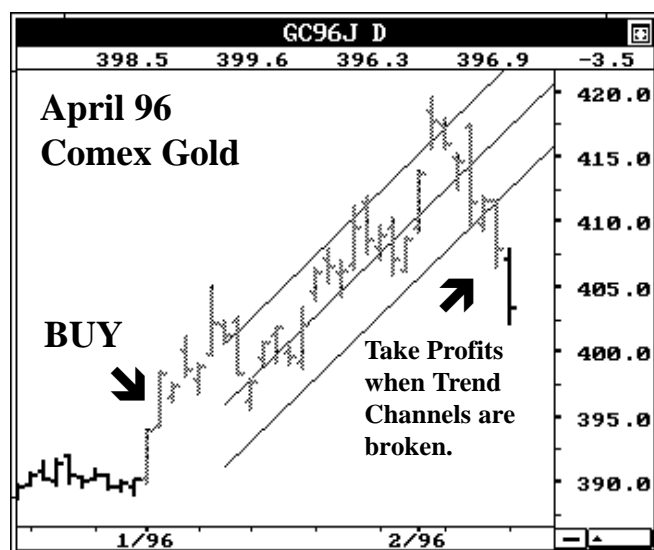
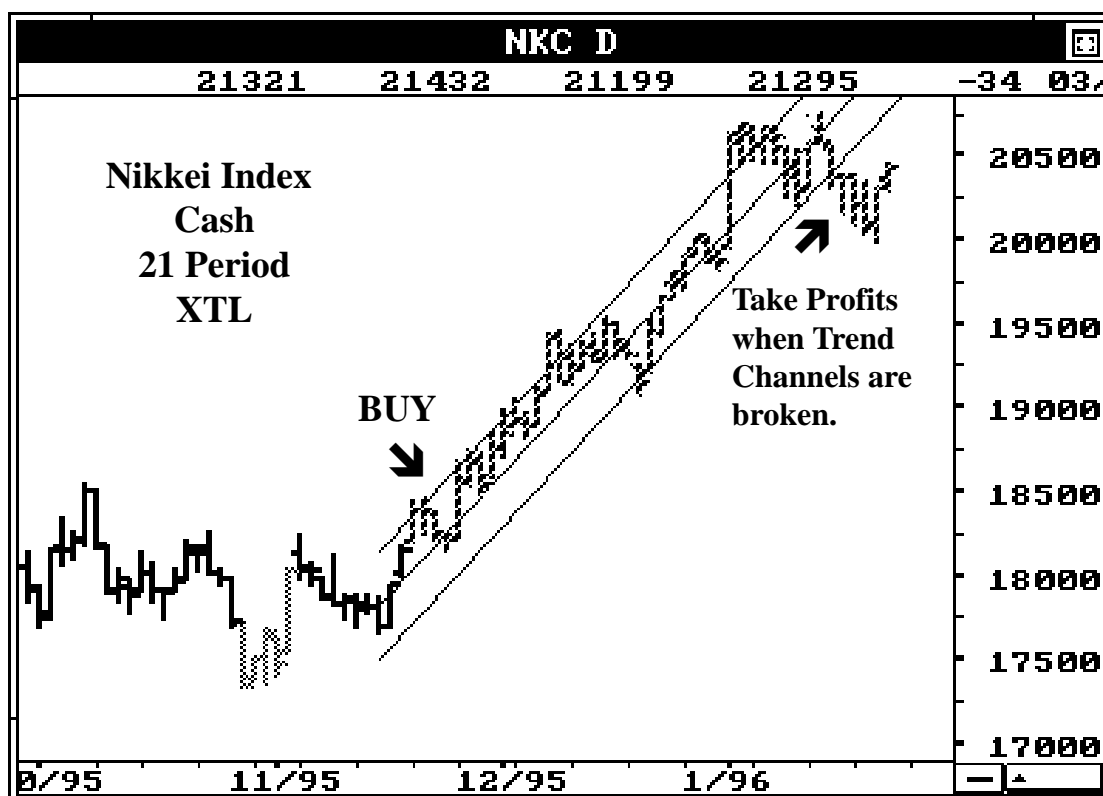


**Chemical Bank-Stock
35 Period XTL**

**Apple Computer
35 Period XTL**



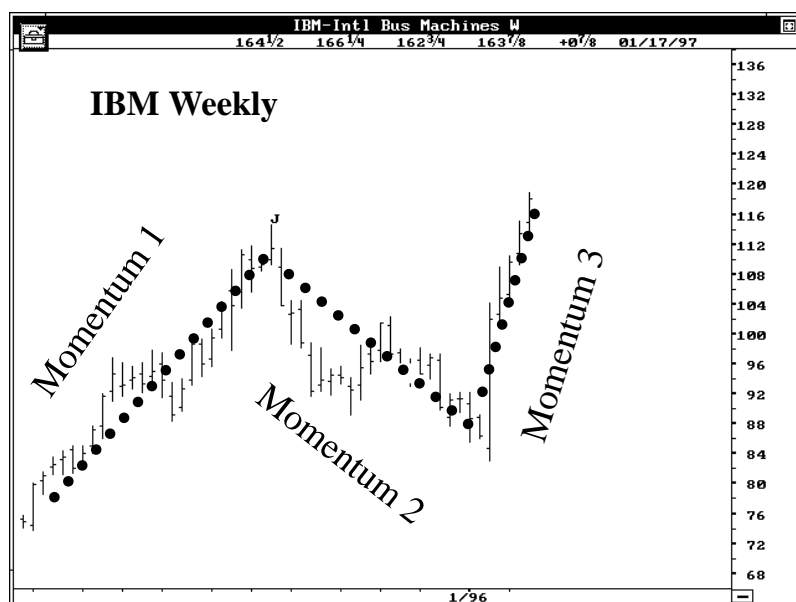
**March 96
German Bunds
35 Period XTL**



MOB (Make or Break) Study With Time Marks

The MOB and the other new studies are very efficient when used correctly. Every effort has been made to explain them in this technical section. However, we highly recommend that you watch the 1996 Seminar Videos. **At the seminar, these studies were discussed in detail and numerous examples were provided that showed how to use them either as stand alone studies or in combination.** It is impossible to substitute the Seminar Videos in this technical section. It is also not possible to explain to each customer on the telephone. **Bottom line: If you do not take the time to watch the 1996 Seminar Videos, you may not have a thorough grasp on how to use these new studies. And that would be your loss.**

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 on the left. The various swings are assigned separate momentum values such as Momentum 1,2,3.

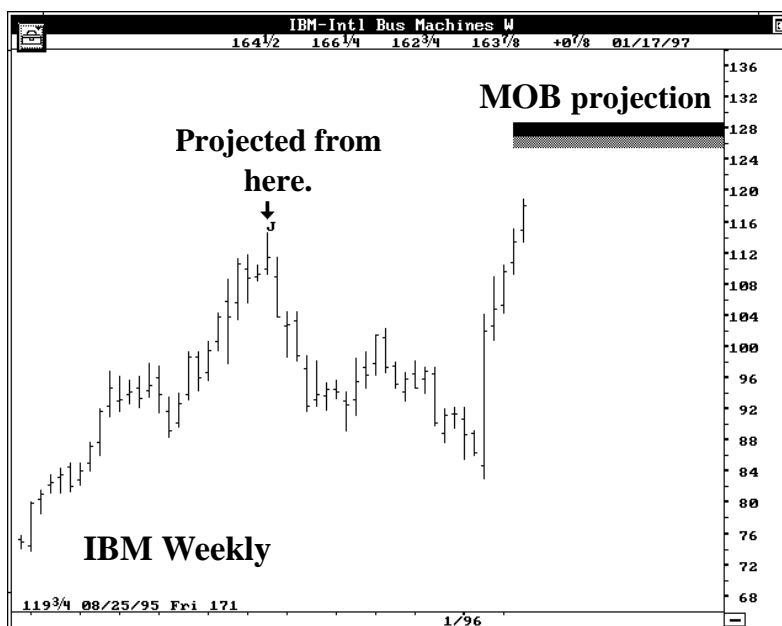
Using the ratio of these various momentums, Advanced GET calculates a price projection zone.

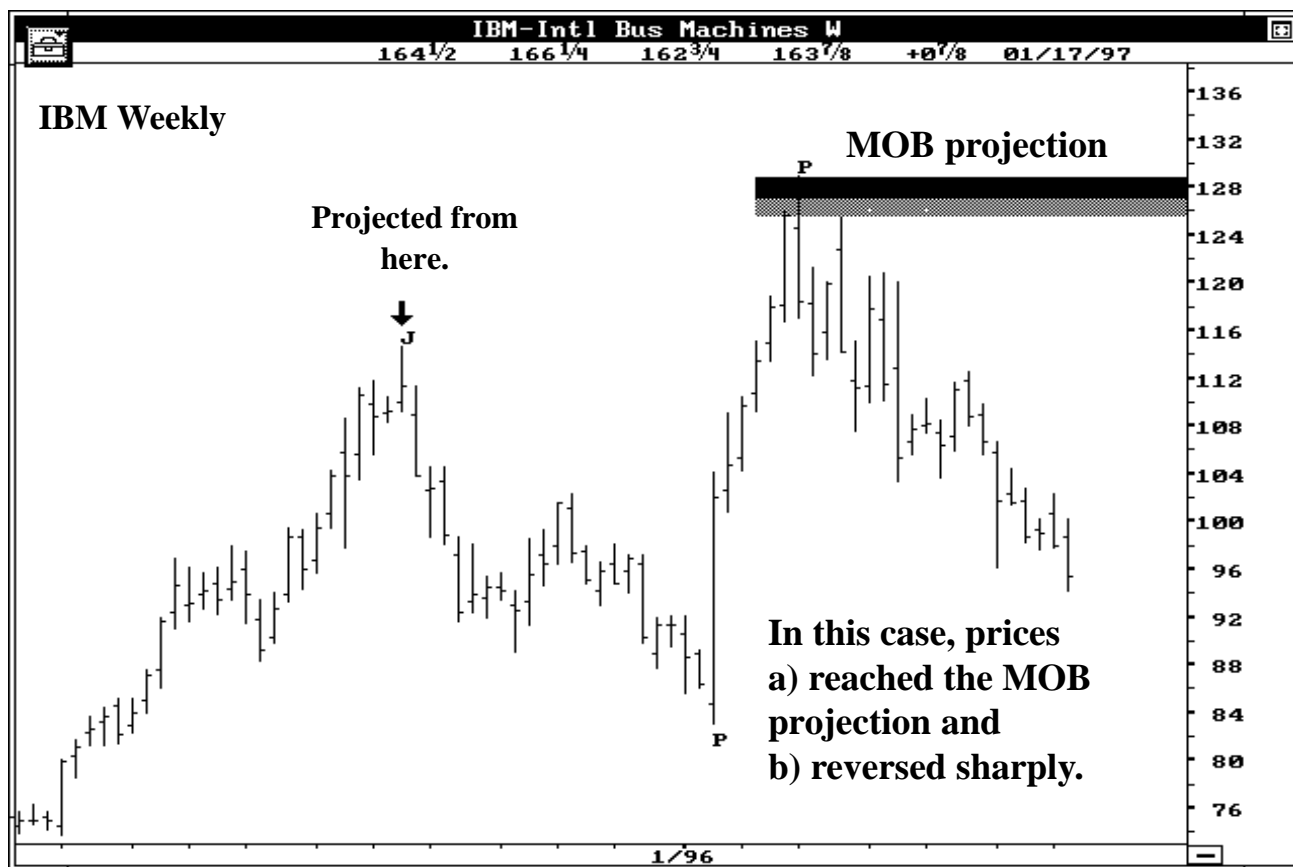
This price projection should provide major resistance for the current rally.

a) The prices should rally to the MOB projection.

b) Approximately 70% of the time, prices will trade to the MOB projection level and reverse.

c) 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.

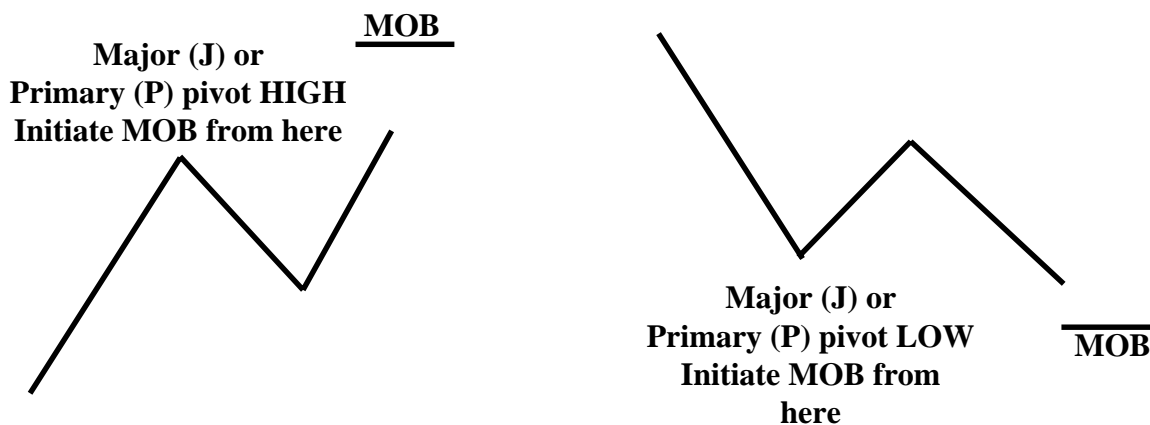




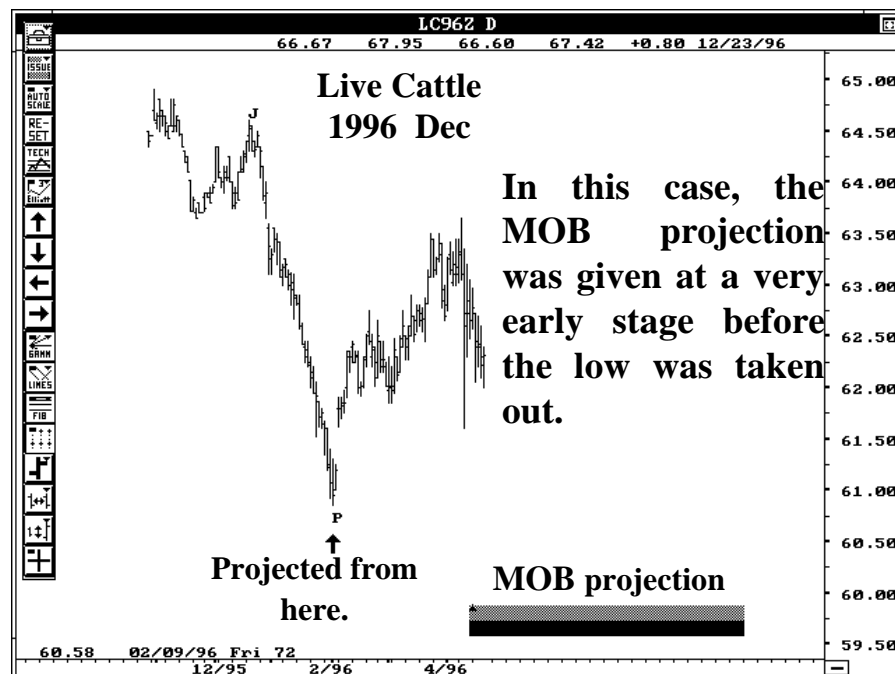
The price projection zone is determined based on the momentum of the current swing and the previous two swings.

Where to draw (originate) the MOB calculations: The simplest way is to initiate the MOB calculations from a previous pivot (Primary or Major). In the above example of the IBM Weekly, the MOB levels were initiated from a Major (J) pivot. The Pivots can be calculated and displayed by the software by selecting the Pivot Study.

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.



MOB (Make or Break) Example with Elliott Waves

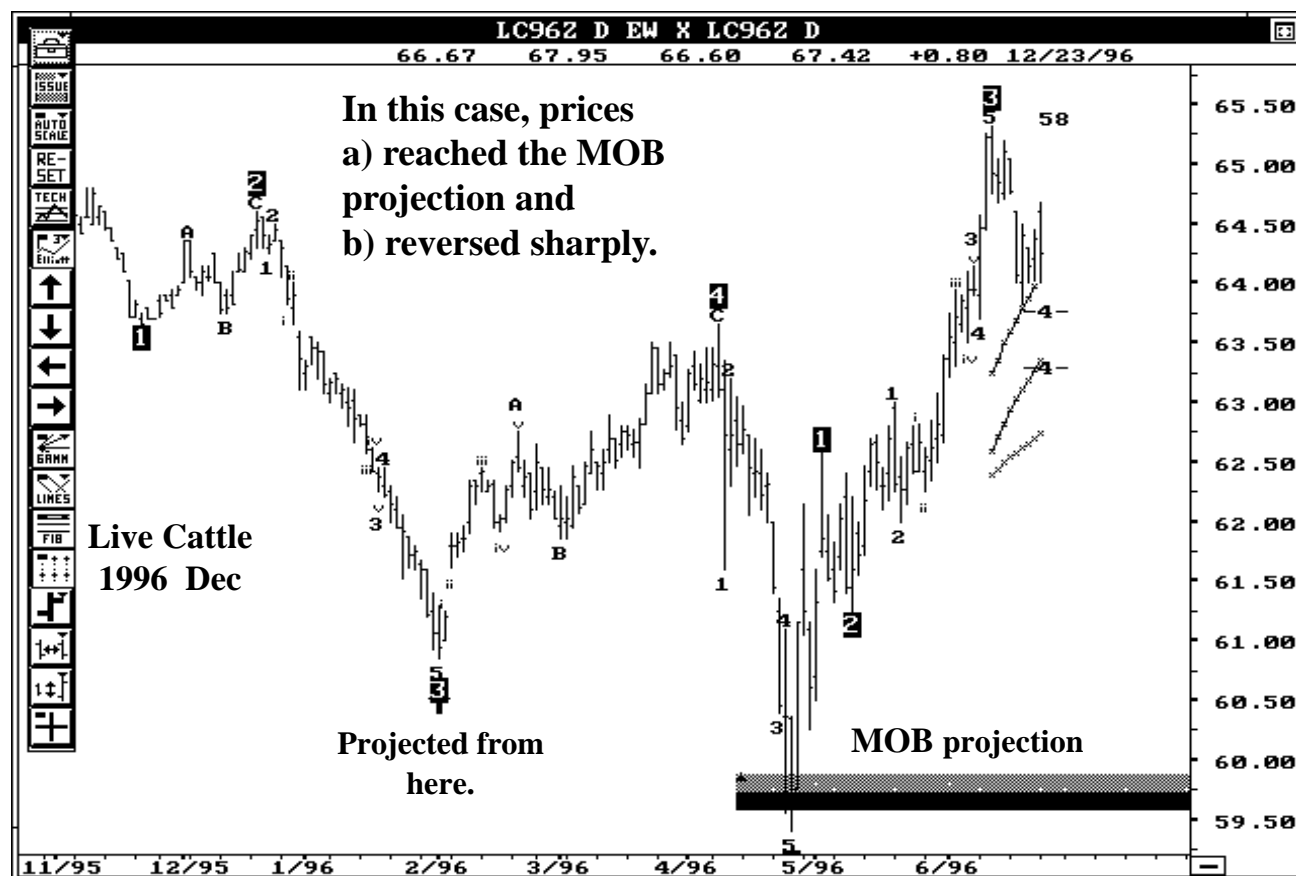


The Daily Live Cattle chart for the Dec 96 contract is shown on the left.

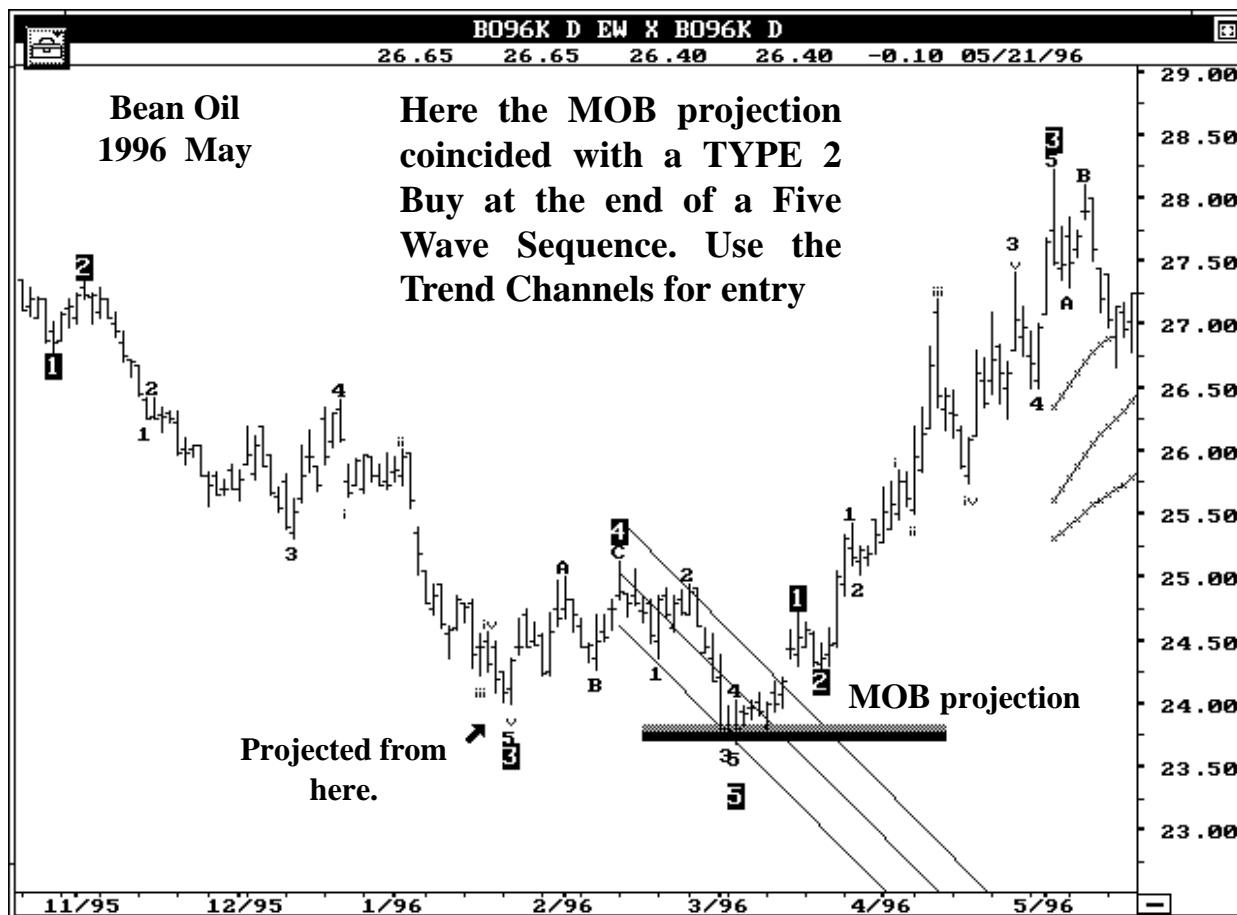
The MOB is initiated from the Previous Pivot Low. Using the ratio of these various momentums, Advanced GET calculates a price projection zone.

This price projection should provide major support for the current decline.

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.



MOB (Make or Break) Example with Elliott Waves/Trend Channels



The chart shown above does not require much explanation. The May Bean Oil was trading in a Five Wave Sequence. The MOB projections from the previous pivot low (*in this case it was a Wave Three pivot*) provided the major support for the prices at the end of Wave Five.

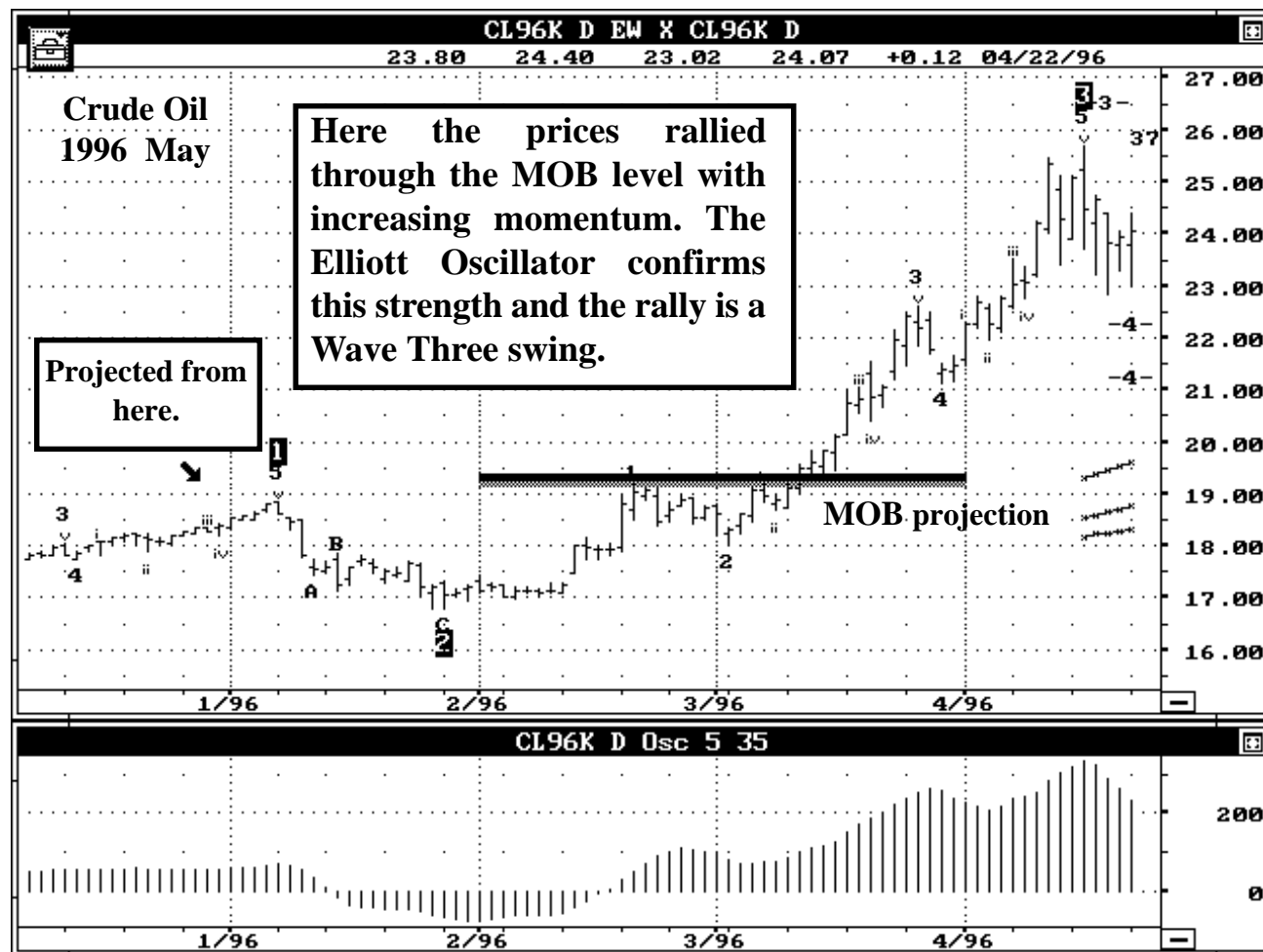
Here the market set up a Type 2 Buy after the completion of a Five Wave sequence. The MOB projection provided further confirmation by providing a Major Support level.

Additional tools such as the Regression Trend Channels can be used to provide a clear cut entry in the direction of the trade.

In addition, one could have used the XTL (*Expert Trend Locator*) to add on positions once the Wave Three was in progress.

The MOB (Make or Break) study is a very valuable tool that can enhance one's trading provided it is used correctly. There are times the projections fail to hold. In such cases the market breaks through the MOB levels with increasing strength. These are usually Wave Three type swings. One can avoid some of these situations by knowing the Elliott Wave count at that time. Let us look at an example.

MOB (Make or Break) - An example of when prices Break through



In this example, 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. In other cases it will make 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.

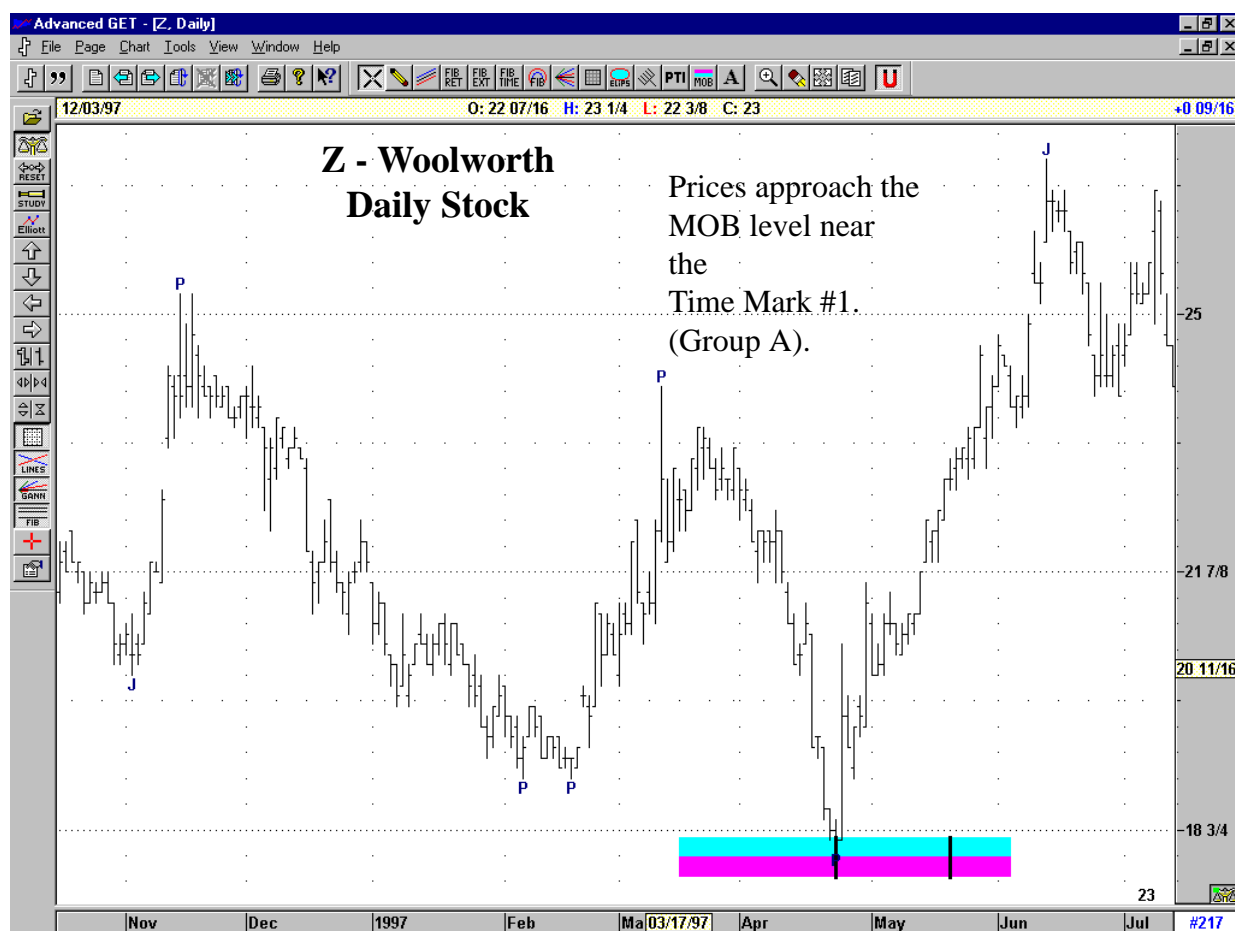
If you ever get an "*" showing up at the beginning of the MOB, this means that there isn't enough data for the MOB to be 100% certain that this is the level. Keep erasing and redrawing the MOB as each bar comes in until the "*" is gone.

I suggest you take the time to master this study. Also watch the 96 seminar videos. I have discussed several methods of how to use this study.

New Time Marks Added to the MOB study.

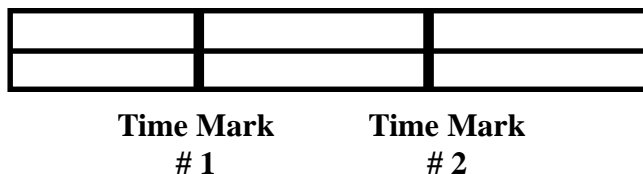
We released this new addition to the MOB study at the Cleveland Seminar (Nov 10, 1997). In the past the MOB provided price levels at which the market had tendencies to reverse. However, it did not provide any sense of time as to when the prices can arrive at the MOB level.

From our ongoing research, we have developed a method to forecast the time as shown in the example below (*Z- Woolworth Daily Stock*):



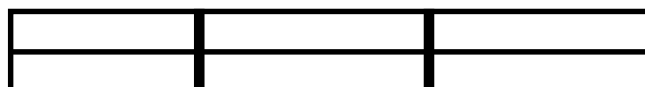
Here the MOB is drawn from the previous Primary Pivot (*P*). As you can see, the prices traded to the projected MOB level and reversed quickly. If you examine carefully, the MOB also has two Time Marks drawn vertically. These are two projected time periods where the software has calculated a high tendency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

MOB level.



In the above example, the prices traded to MOB level on the day marked as Time Mark #1 and quickly reversed from the projected MOB level.

MOB level.



Time Mark
1

Time Mark
2

Time Marks:

The software calculated two Time Marks. These are two days or bars (*on a 5 min 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.

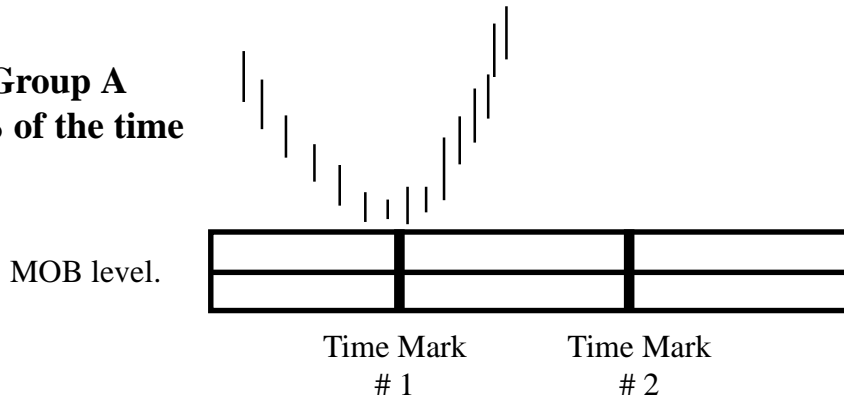
Group B had a tendency to approach the MOB level between Time Mark #1 and Time Mark #2 with a slight bias towards Time Mark #2. See the example below (*US Bonds 30 min*):



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.

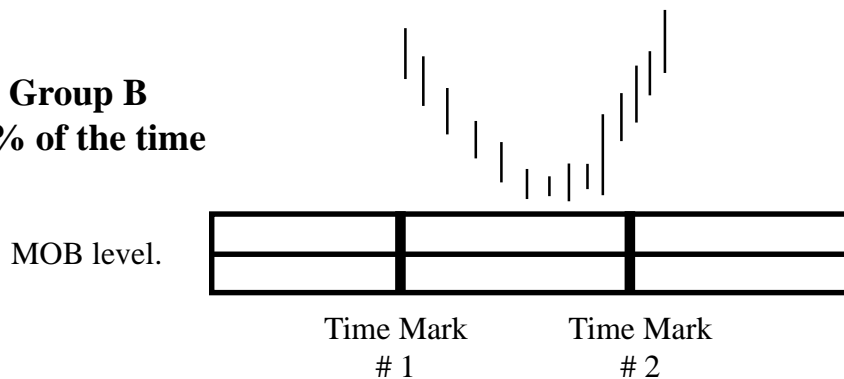
Group A 65% of the time



OBSERVATION:

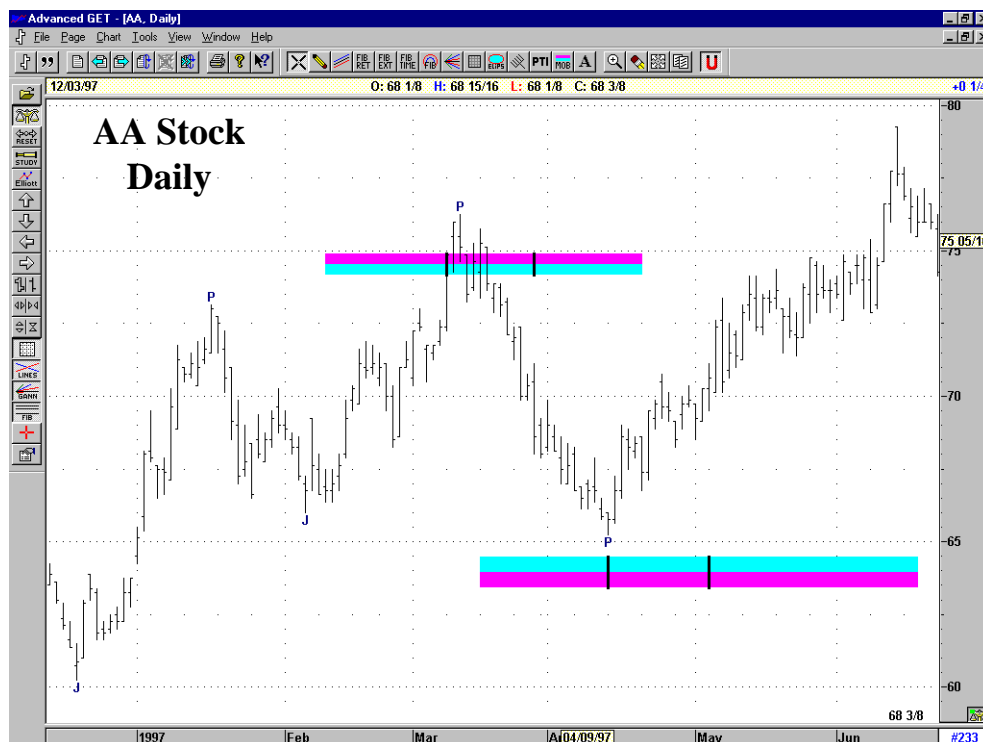
In Group A, the prices approach at or near the Time Mark #1. (*Almost on top of it*).

Group B 35% of the time



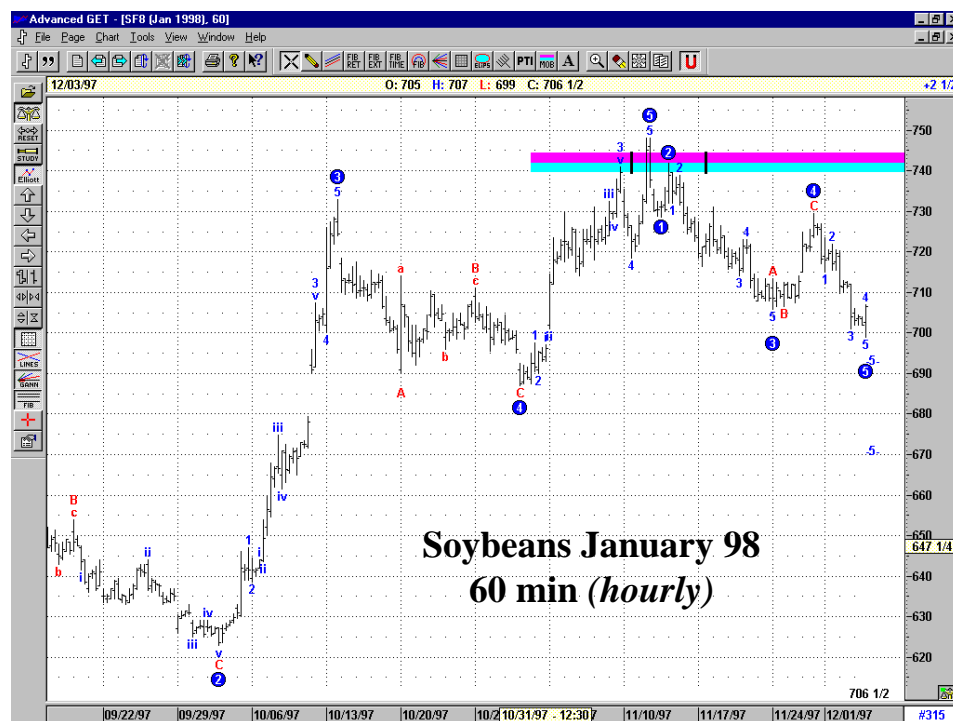
OBSERVATION:

In Group B, the prices approach between Time Mark #1 and Time Mark #2. (*With a slight bias towards Time Mark #2*).



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.

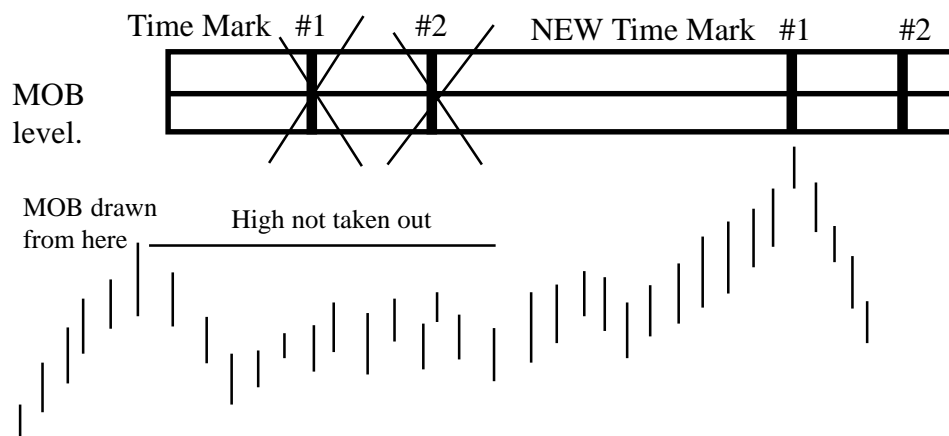
In the following example, the MOB level is shown with an Elliott Wave study. When Five Waves are complete, the market changes direction. The MOB levels help to identify price levels where this change can occur. The Time Marks provide a framework of when to expect the change.



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 software 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.



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

BIAS REVERSAL

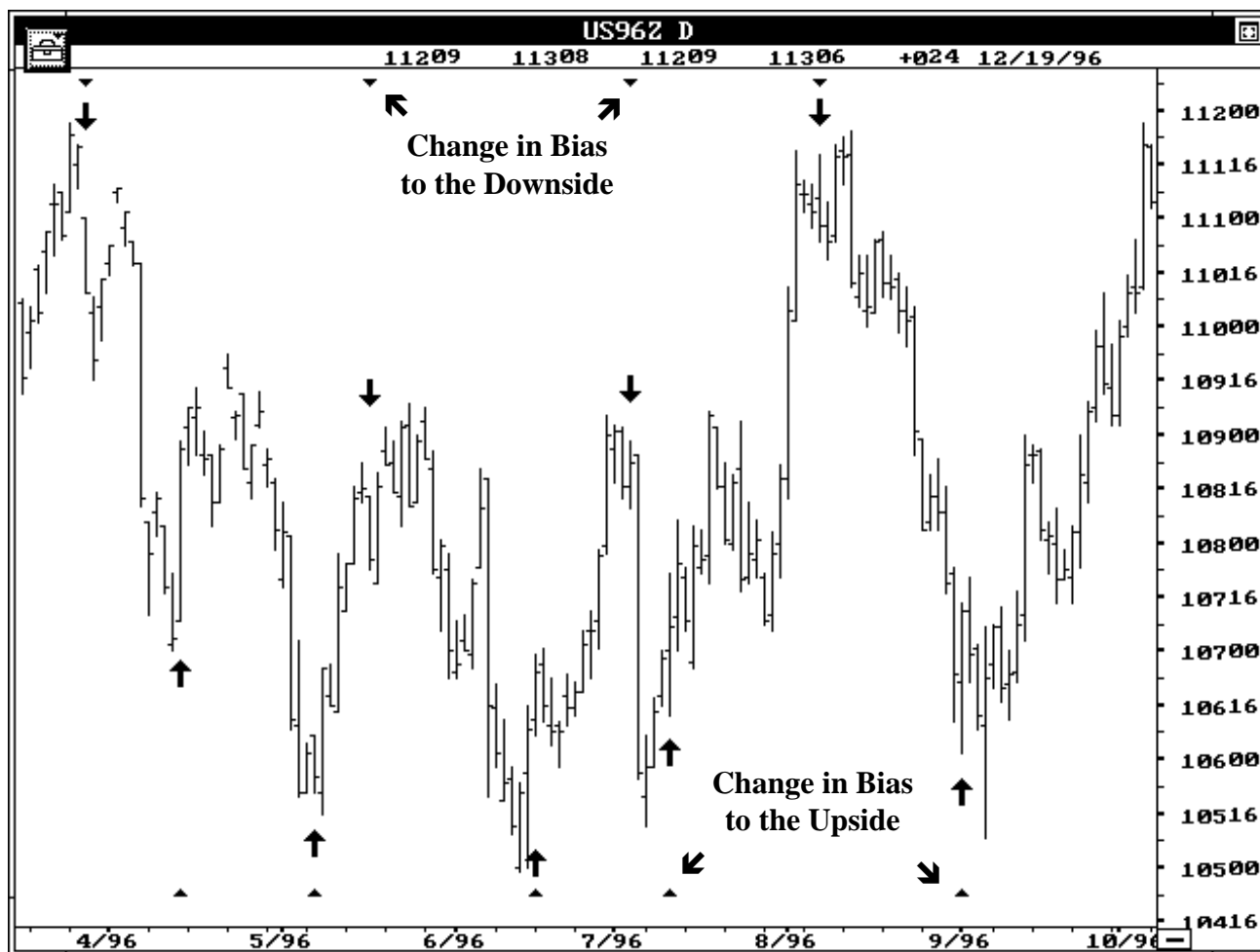
By using the price momentum and volatility, our research has been able to identify certain areas where the market is setting up for a price reversal.

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.

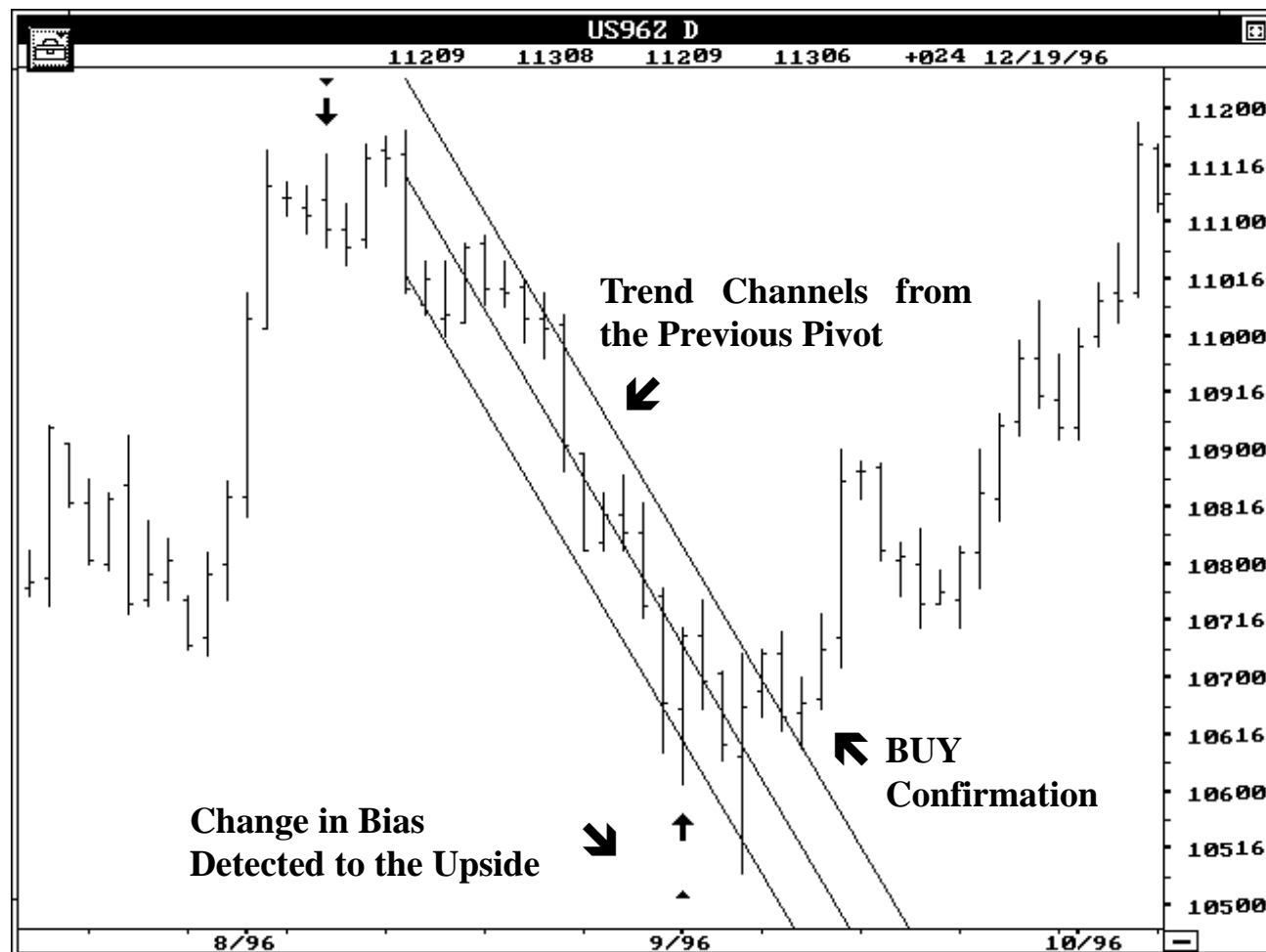
If the triangle is pointed up (\blacktriangle), then a change in Bias to the upside is detected. If the triangle is pointed down (\blacktriangledown), then a change in Bias to the downside is detected.

The chart shown below is the US Dec 96 Bonds. The Triangles are the changes in Bias detected by Advanced GET. The arrows are drawn by hand to show which bar the change in Bias was detected.





BIAS REVERSAL

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

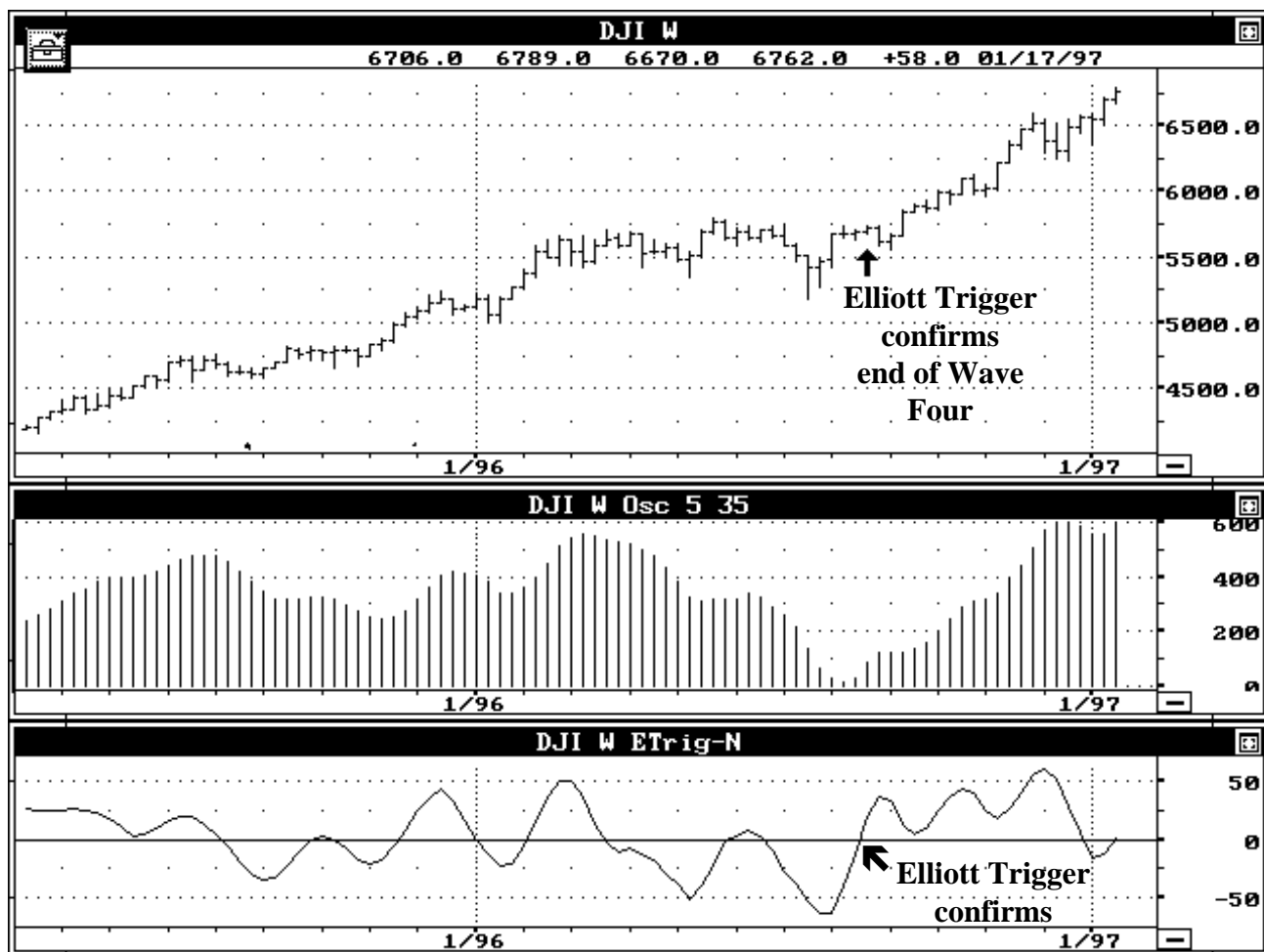
FALSE SIGNALS: Once the change in Bias is detected, the software needs one or two bars to confirm the signal. If the confirmation is not seen, the signal is considered False and a line is drawn above/below the triangle.  

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.

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.



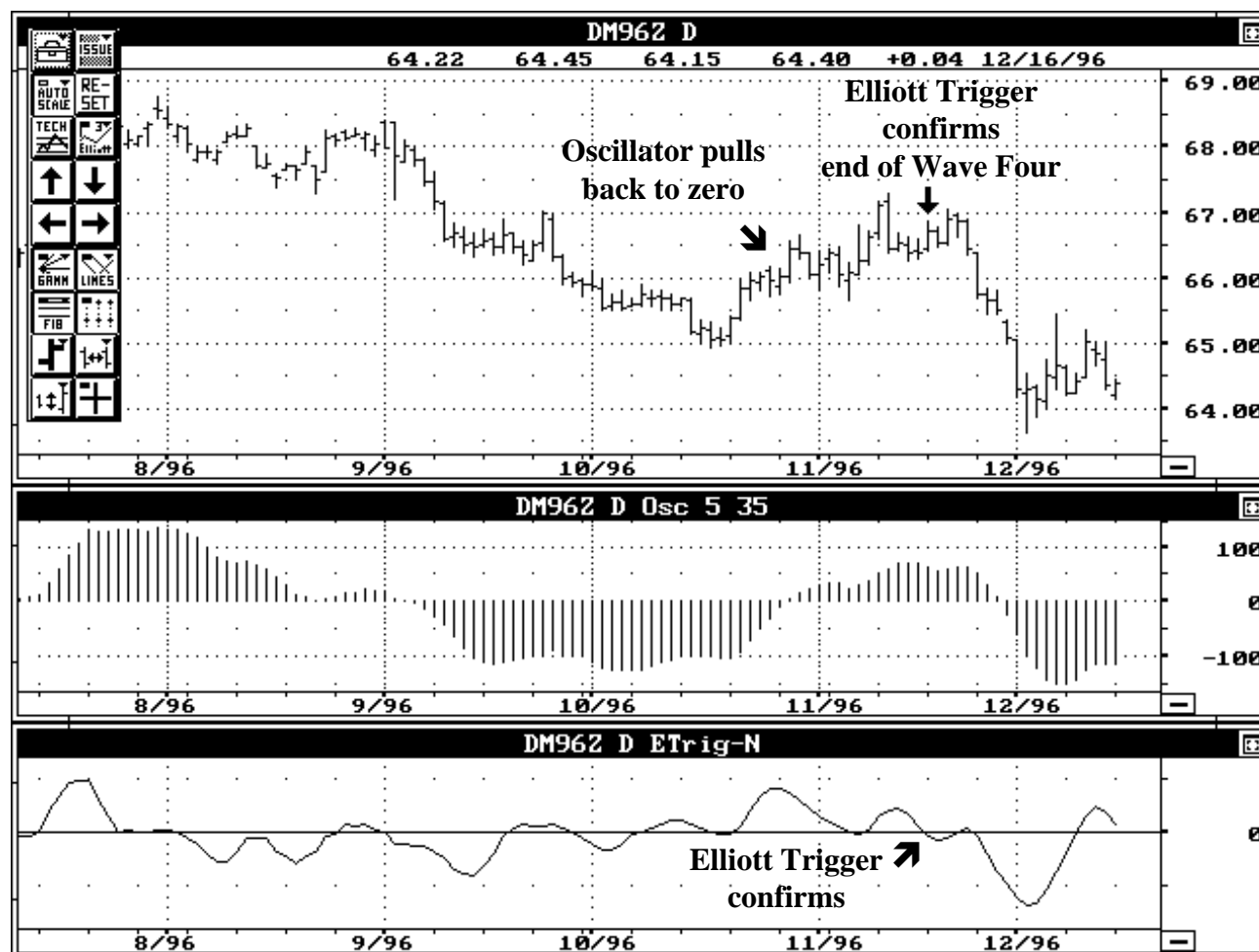
The Weekly chart of the Dow Jones is shown above. The 5/35 Elliott Oscillator has pulled back to zero. Notice how the Elliott Trigger is also below the zero line.

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.

The next page shows another example.

The following example shows the Dec 96 DMark in a Wave Four. 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.



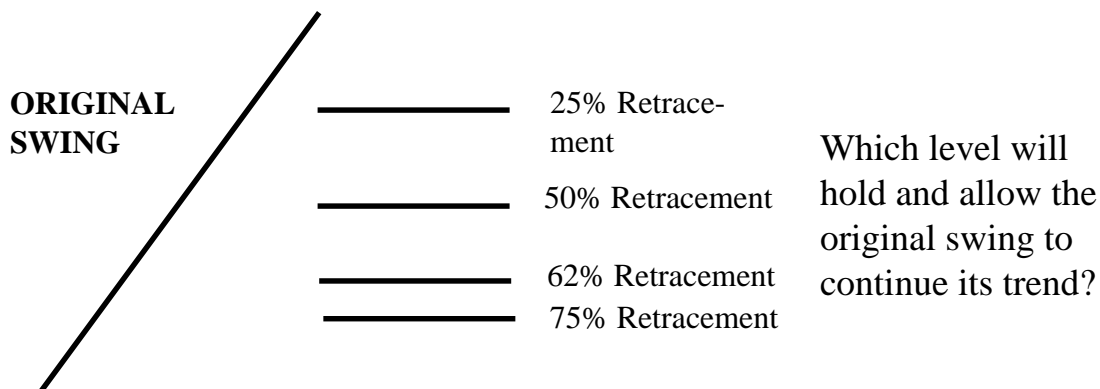
When the market is rallying in a Five Wave sequence, you will look for the Elliott Trigger to go above the zero line to confirm the end of Wave Four. When the market is declining in a Five Wave sequence, you will look for the Elliott Trigger to go below the zero line to confirm the end of Wave Four.

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.

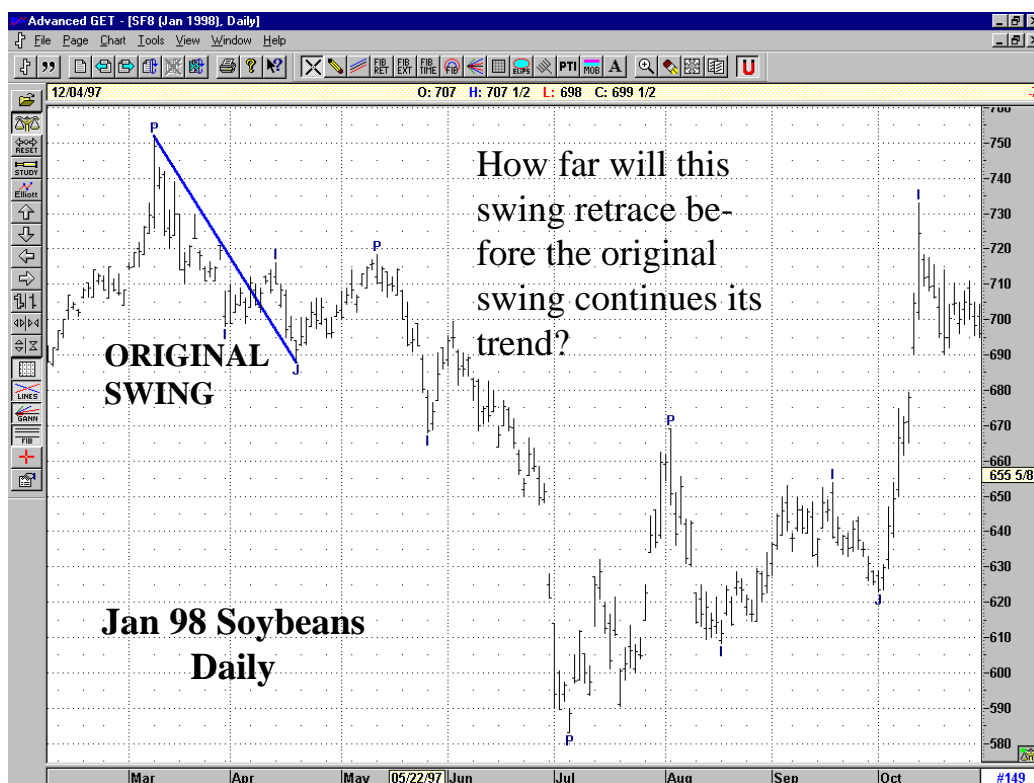
The sequence is as follows: In a Wave Four, allow the 5/35 Oscillator to pull back to zero. This happens approximately 94% of the time. Once the 5/35 Oscillator has done this, then monitor the Elliott Trigger to confirm the end of a Wave Four as shown in the example above.

T.J's ELLIPSE

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.



The new study T.J's Ellipse provides a technical solution. The details are discussed on the next several pages. Be sure to watch the 1997 seminar videos where I go into numerous details which cannot be explained on paper. Please take time to watch the videos and learn this new technique. It will increase the quality of your trading.



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.

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 T.J's ELLIPSE.**



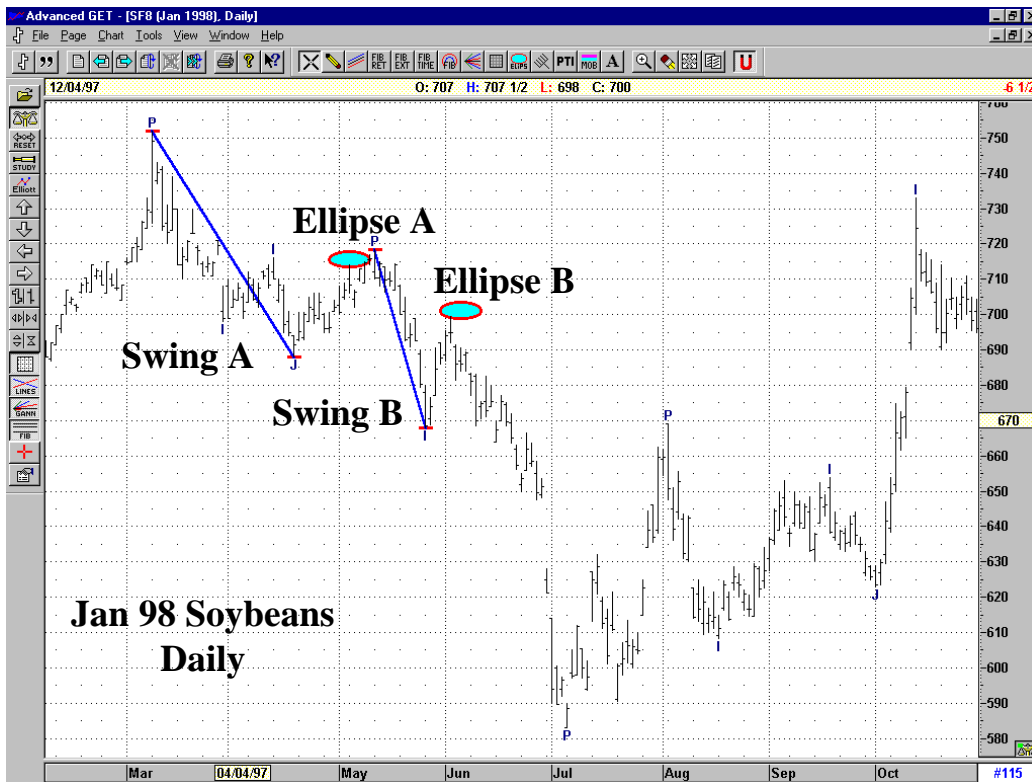
How the T.J's Ellipse is calculated:

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 T.J'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 tapes. We go through several situation and examples and it is very clearly explained. You really need to take a few hours and watch the 1997 seminar videos. If the Ellipse study is used correctly, it does provide an incredible edge for traders.

Lets continue with the previous example:

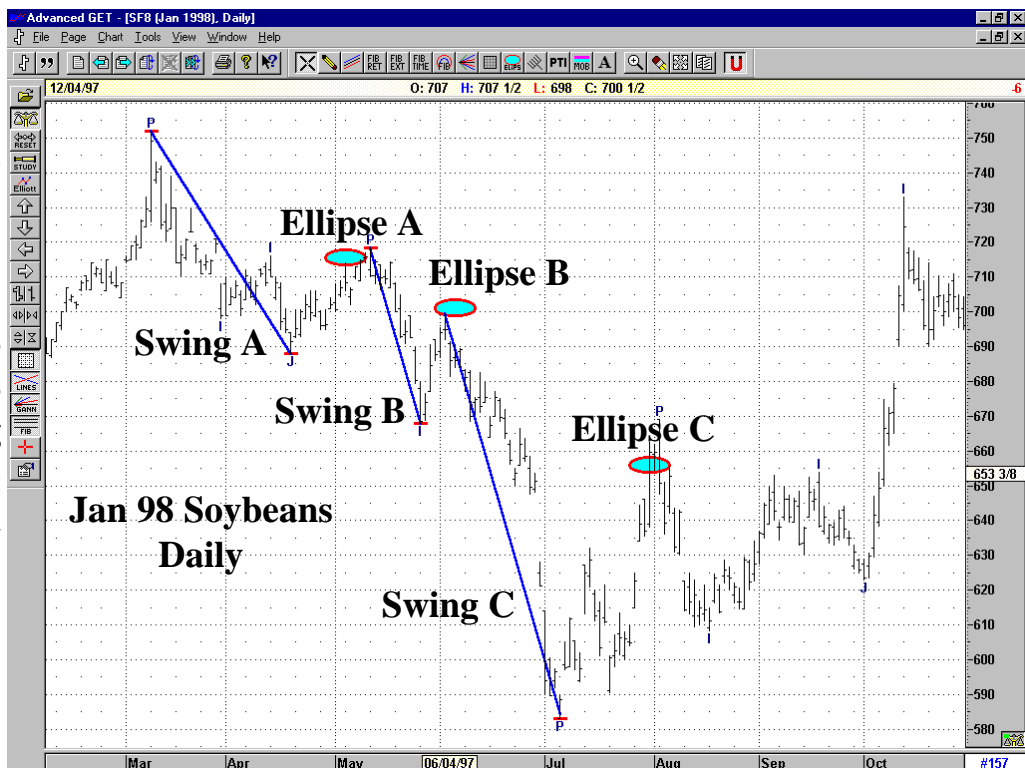


Ellipse B is the Ellipse generated from Swing B.

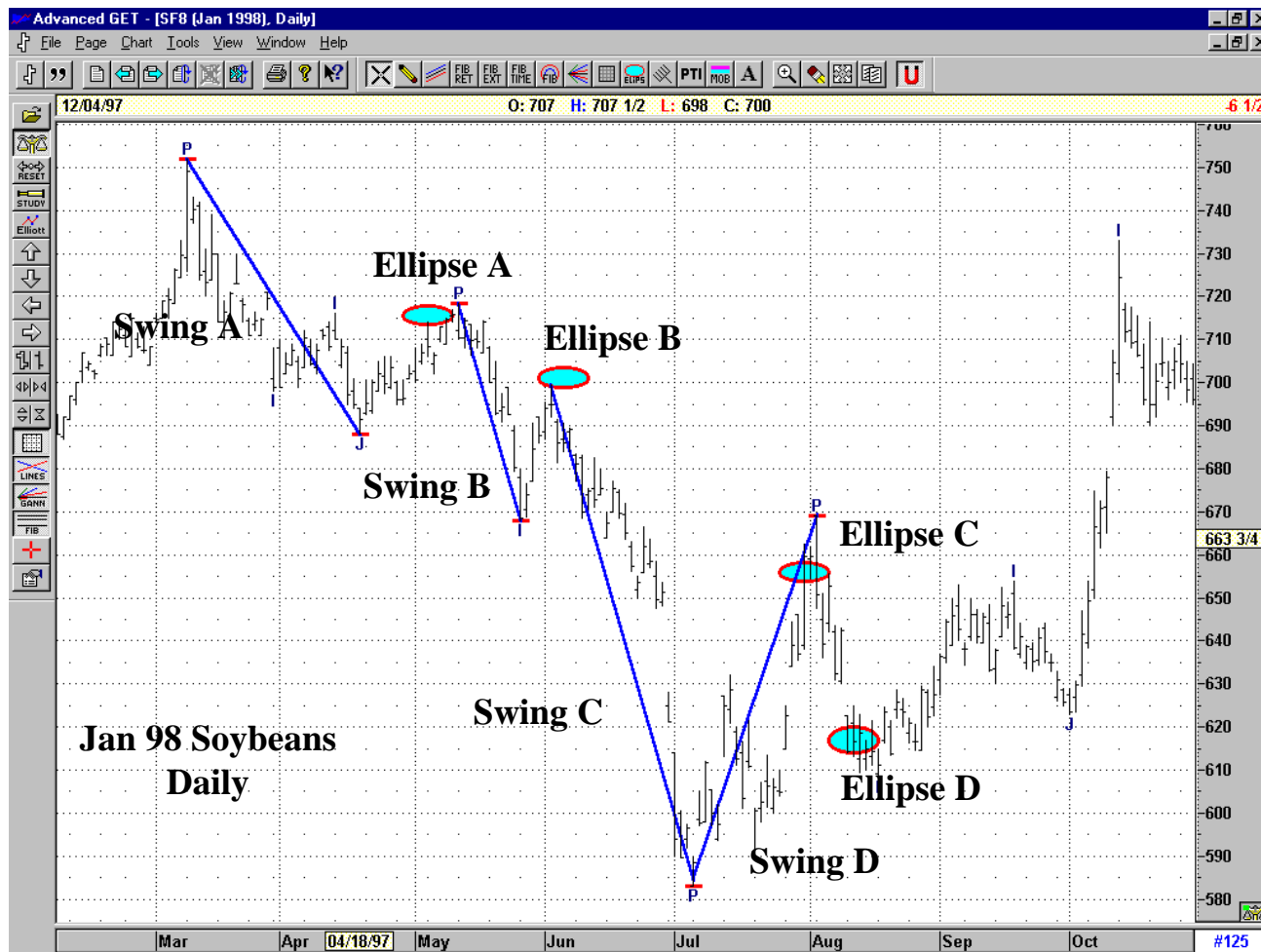
As long as this Ellipse B holds the prices, Swing B should continue its trend lower.

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.



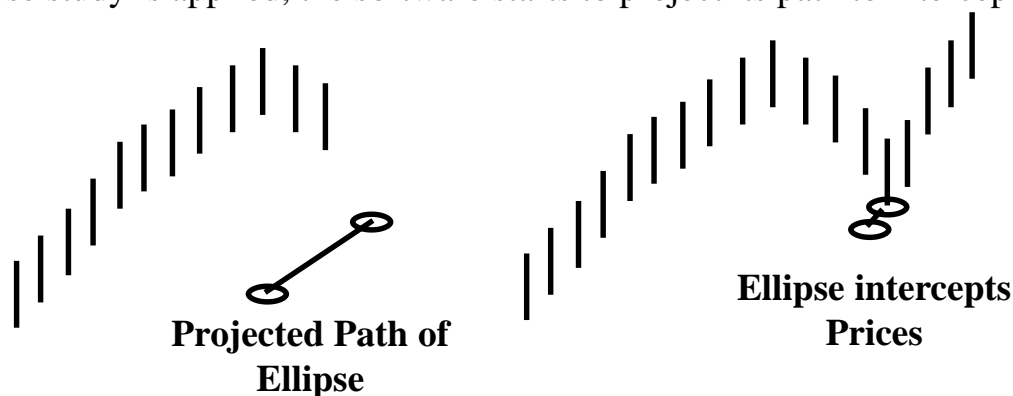
As the market continues to trade, new swings are generated. For each new swing, the software can generate a new Ellipse. As long as the corresponding Ellipse holds, the original swing should continue its trend.



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.

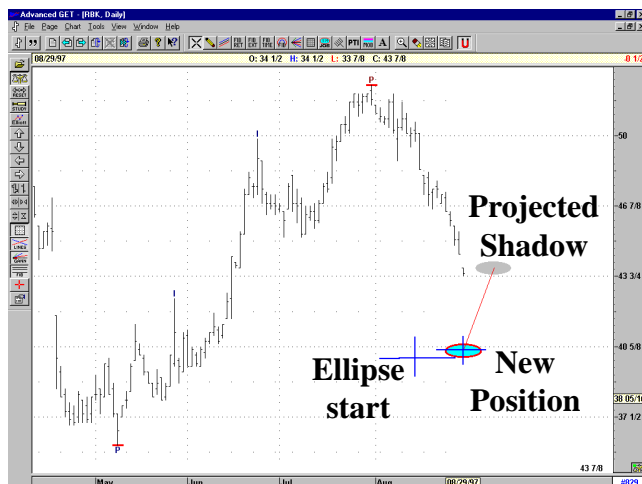
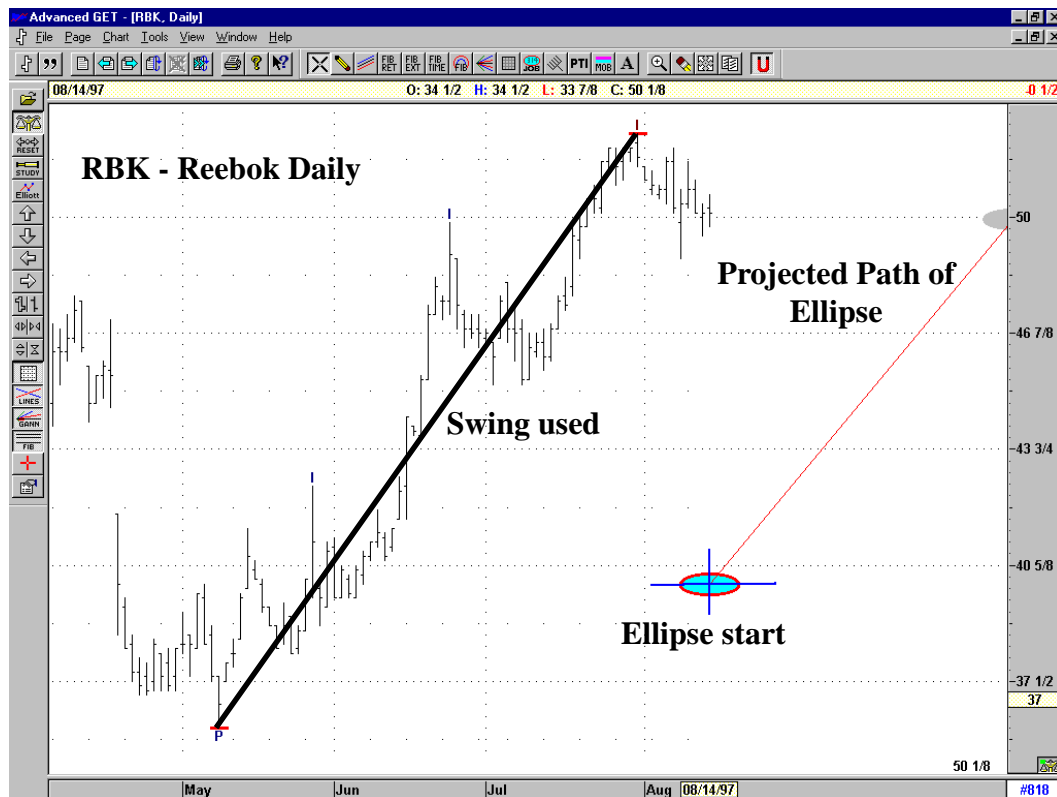
ELLIPSE PROJECTION (Shadow):

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



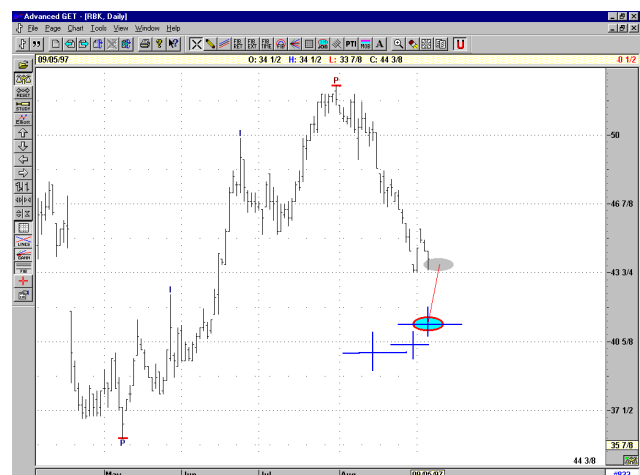
Example - Projected Path of Ellipse:

The following example shows how the Ellipse study shows its projected path as it attempts to intercept the prices.

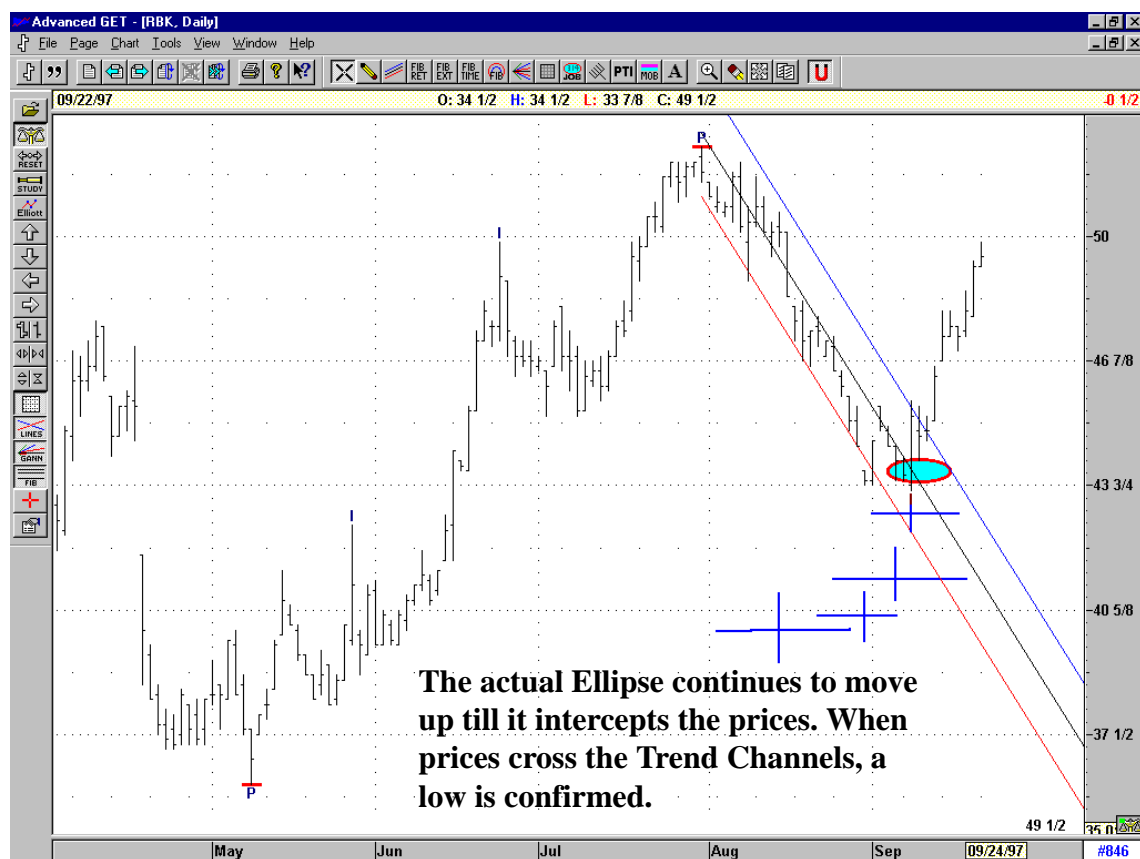
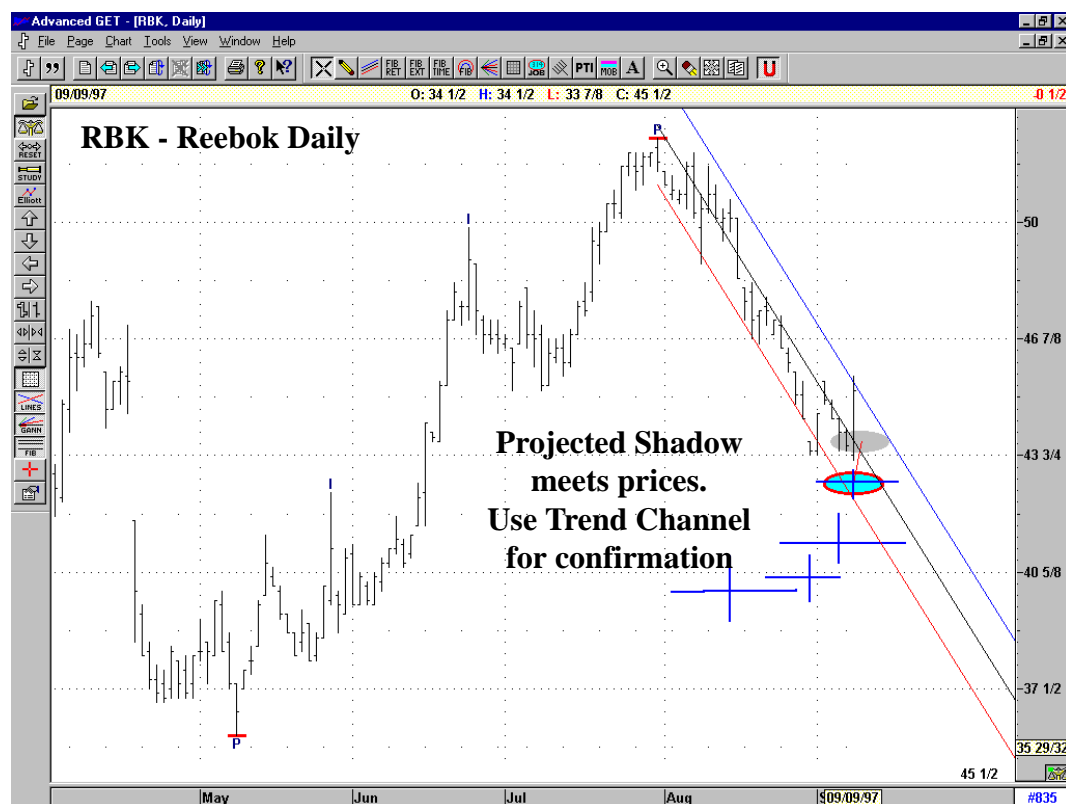


As the prices continue to retrace, the Ellipse moves closer and closer to the prices.

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



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 1997 seminar videos. I have tried my best to explain this on paper, but it does not come close to the seminar presentation.

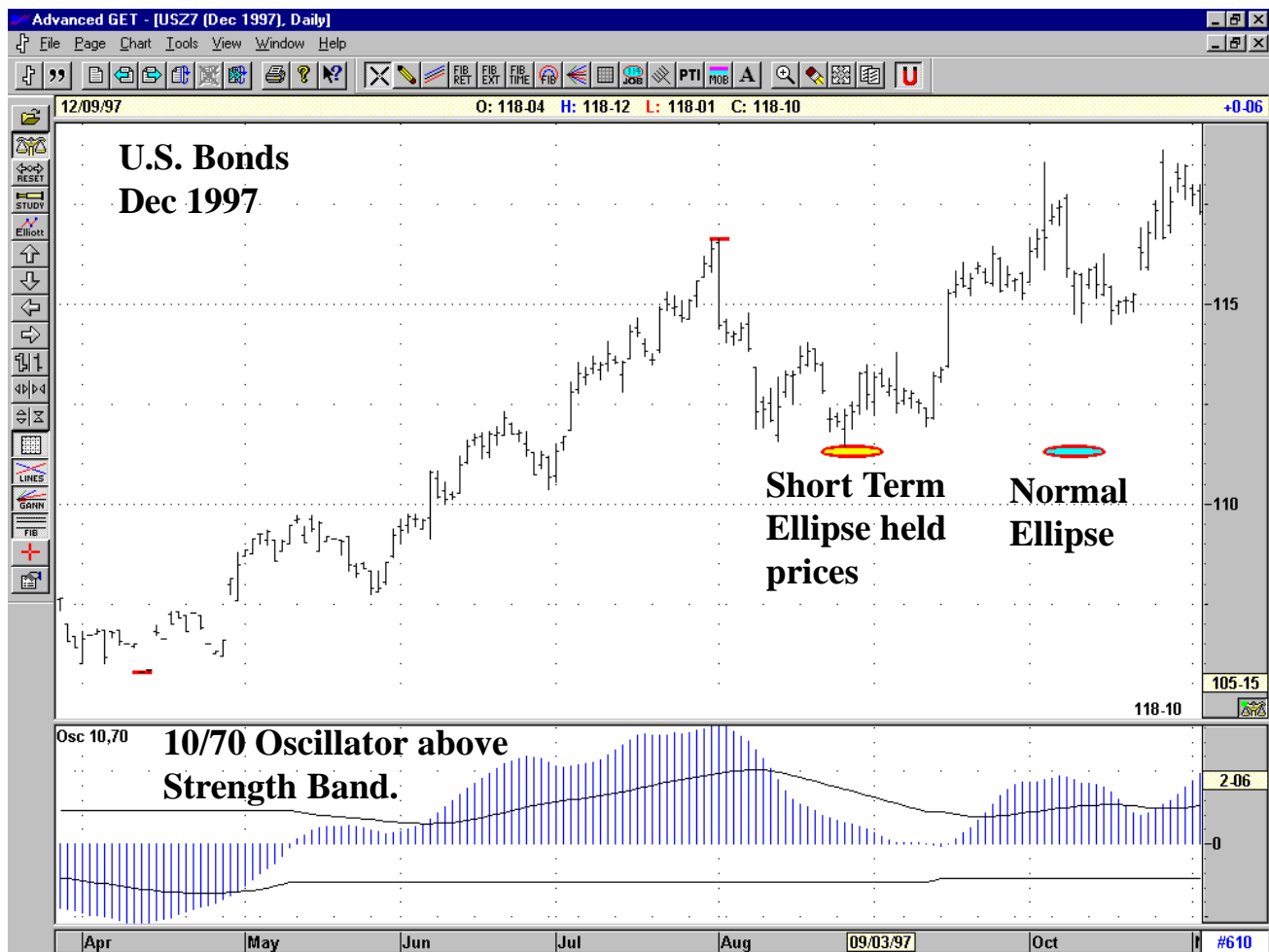


USING NORMAL and SHORT Term ELLIPSE

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

In nine out of ten cases the normal setting should be used. All our discussion so far uses 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 example below:

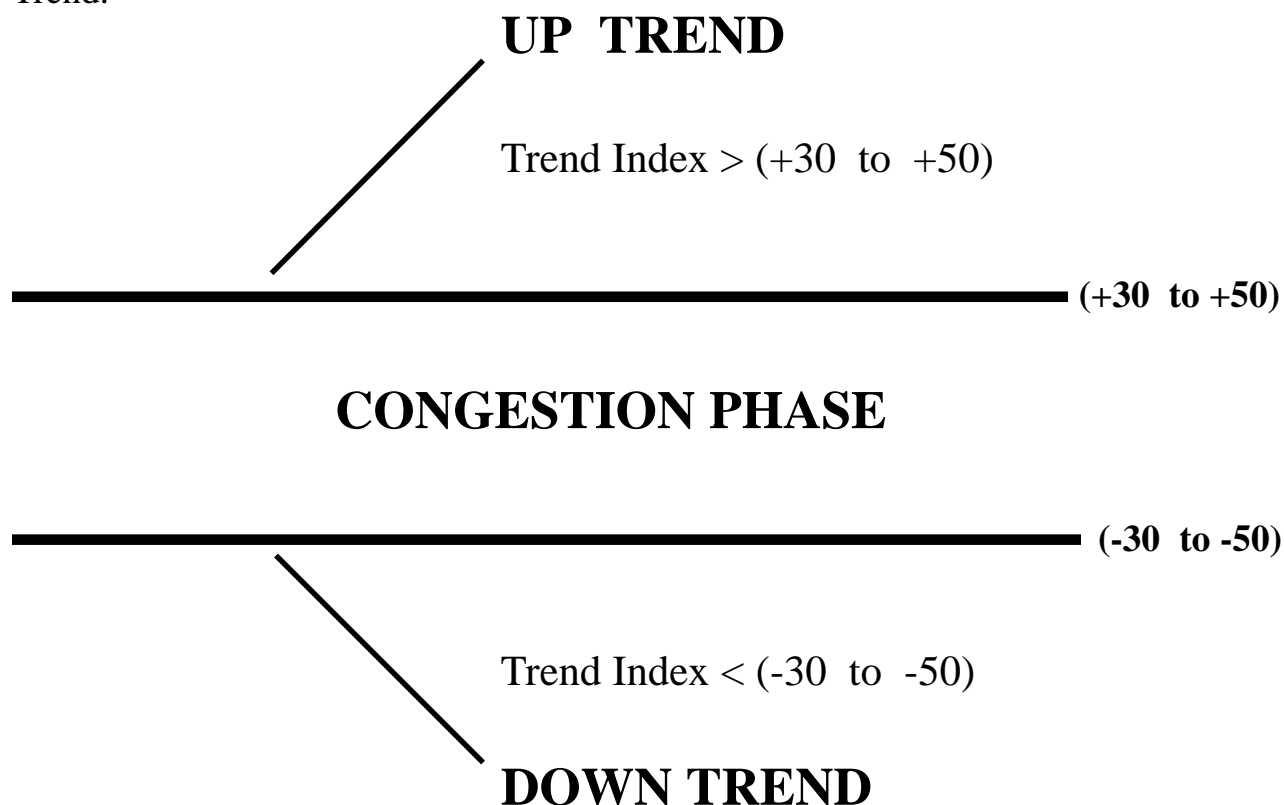


THE JOSEPH TREND INDEX (*JTI*)

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 Up Trend. If the Trend Index Value is below (*-30 to -50*), the model classifies the market as trading in a Down Trend. There are times when a market fails to generate a Trend Index Value and 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 breakout of the Trend and at the end of a Trend.

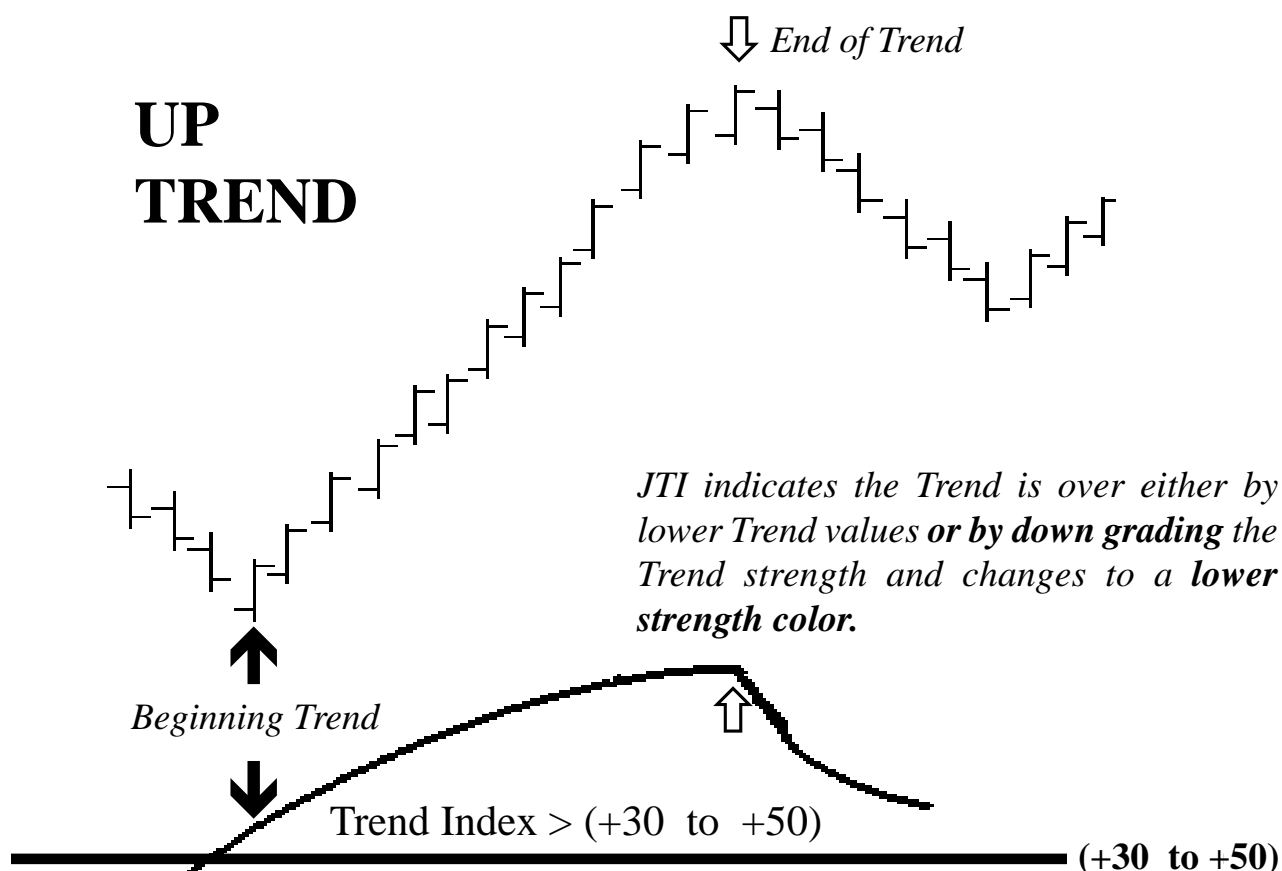


Once the Trend Index Value is calculated, the software internally calculates and projects various price action values which are dynamically adjusted to the current market conditions. This is used to classify the strength of the Trend and is displayed in four colors.

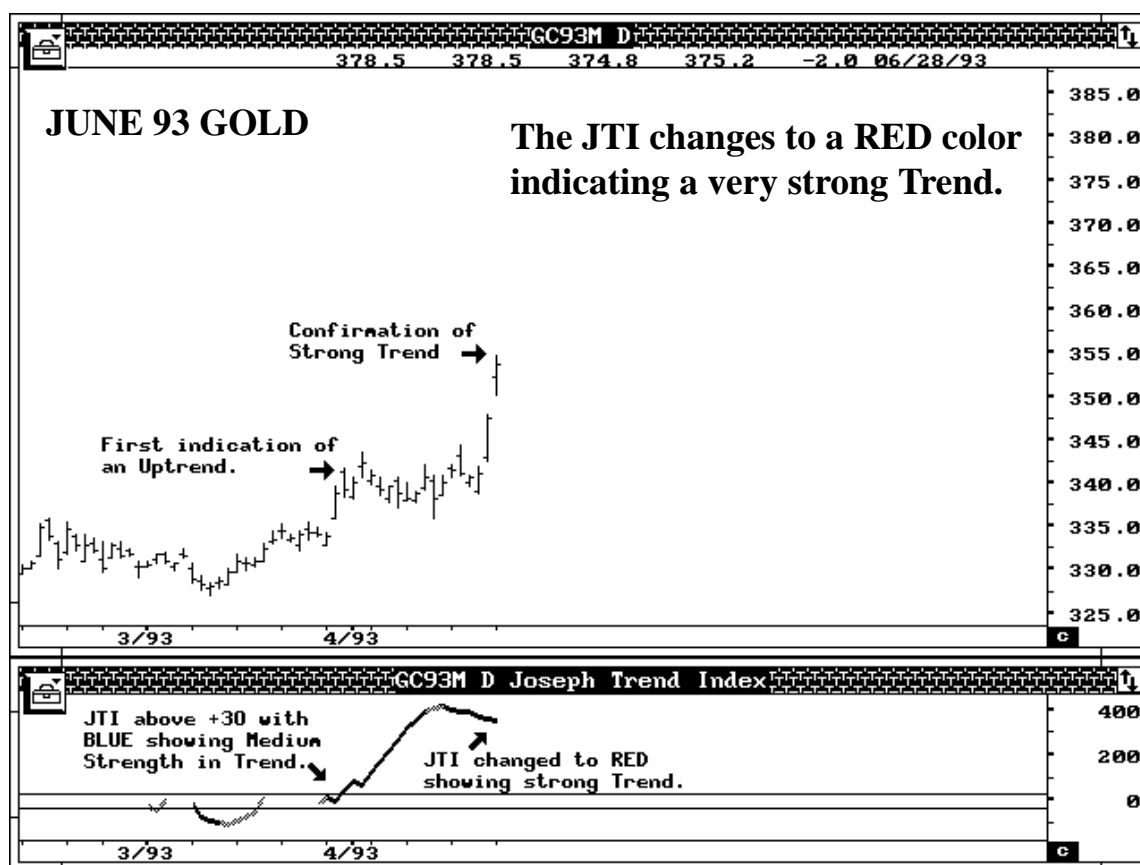
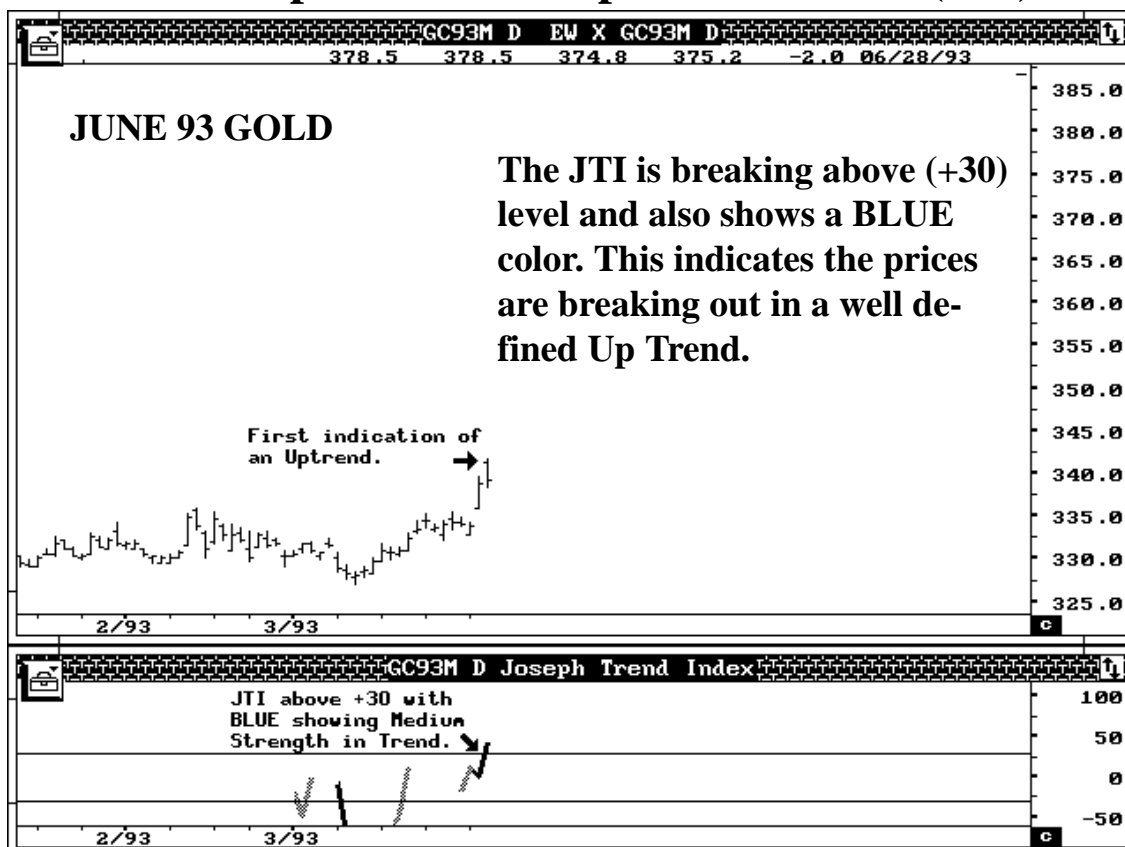
- RED** - The Trend is very strong
- BLUE** - The Trend is of medium strength
- GREEN** - The Trend is of low strength
- YELLOW** - for most part is caused by noise in the market

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.

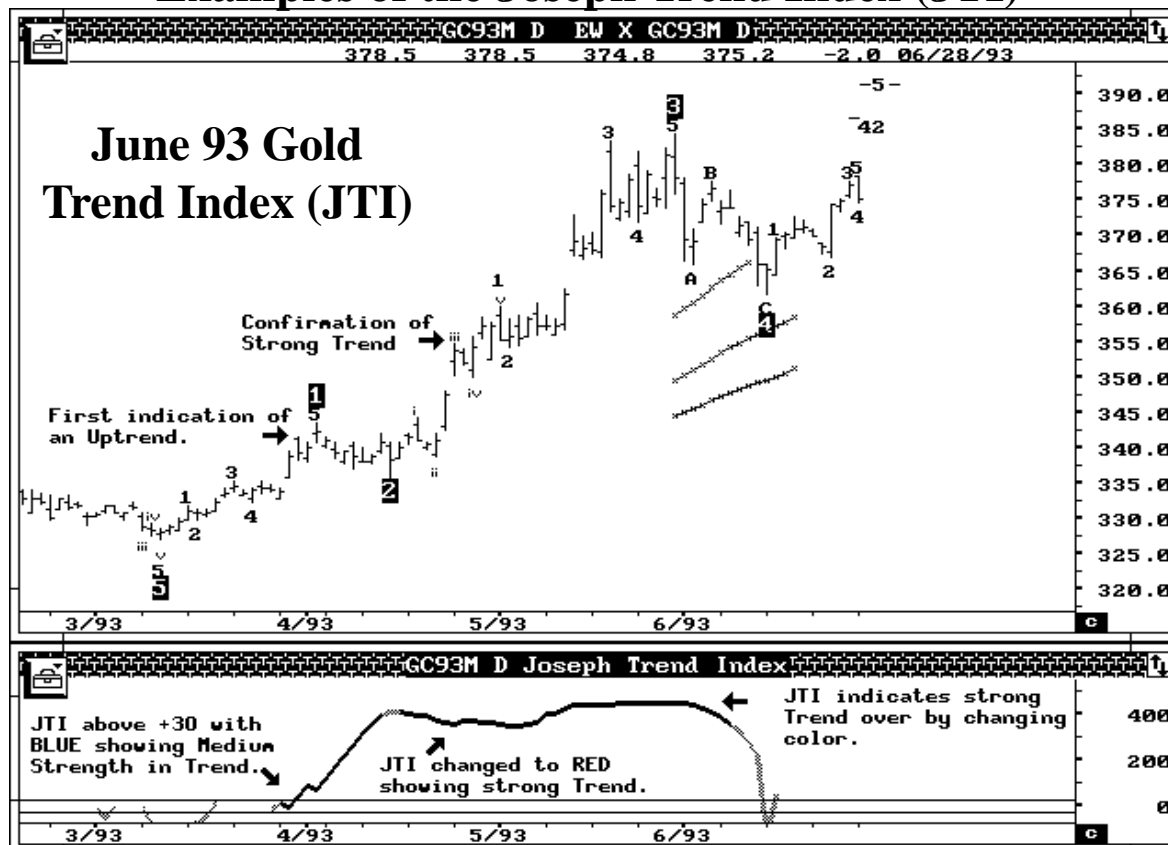
Wave Three phases and extended Wave Five phases also show a strong tendency to lower their Trend strength prior to completion. The JTI is quick to detect this and alerts the user by down grading its Trend strength and changes to a lower strength color.



Examples of the Joseph Trend Index (JTI)



Examples of the Joseph Trend Index (JTI)



Notice how the JTI stayed strong all through the rally in the RED color mode. Then, near the top, the JTI changed color indicating the Trend is over.

This is where one has to apply Elliott Wave studies. Yes, the current Trend has topped. However, in Elliott terms, this is a Wave Three. As long as the Wave Four retracement provides an acceptable PTI index, we would look for another rally attempt in Wave Five. The JTI will treat this second rally phase as a totally different Trend.

USING DIFFERENT LEVELS OF TREND LENGTH:

When using the NORMAL TREND LENGTH, historical testing indicates the JTI will treat both Wave Three and Wave Five as two different Trend phases. The LONG TREND LENGTH tends to treat the entire Five Wave sequence as one Trend phase.

The Short or Medium Trend Length allows the user to break down Wave Three phases into smaller Trend segments and can be used for shorter term positions.

WE SUGGEST YOU START WITH THE NORMAL TREND LENGTH AND ONLY CHANGE ONCE YOU GET FAMILAR WITH THE JTI STUDY.

SUGGESTED SETTINGS FOR THE JOSEPH TREND INDEX (JTI)

TREND LENGTH = NORMAL

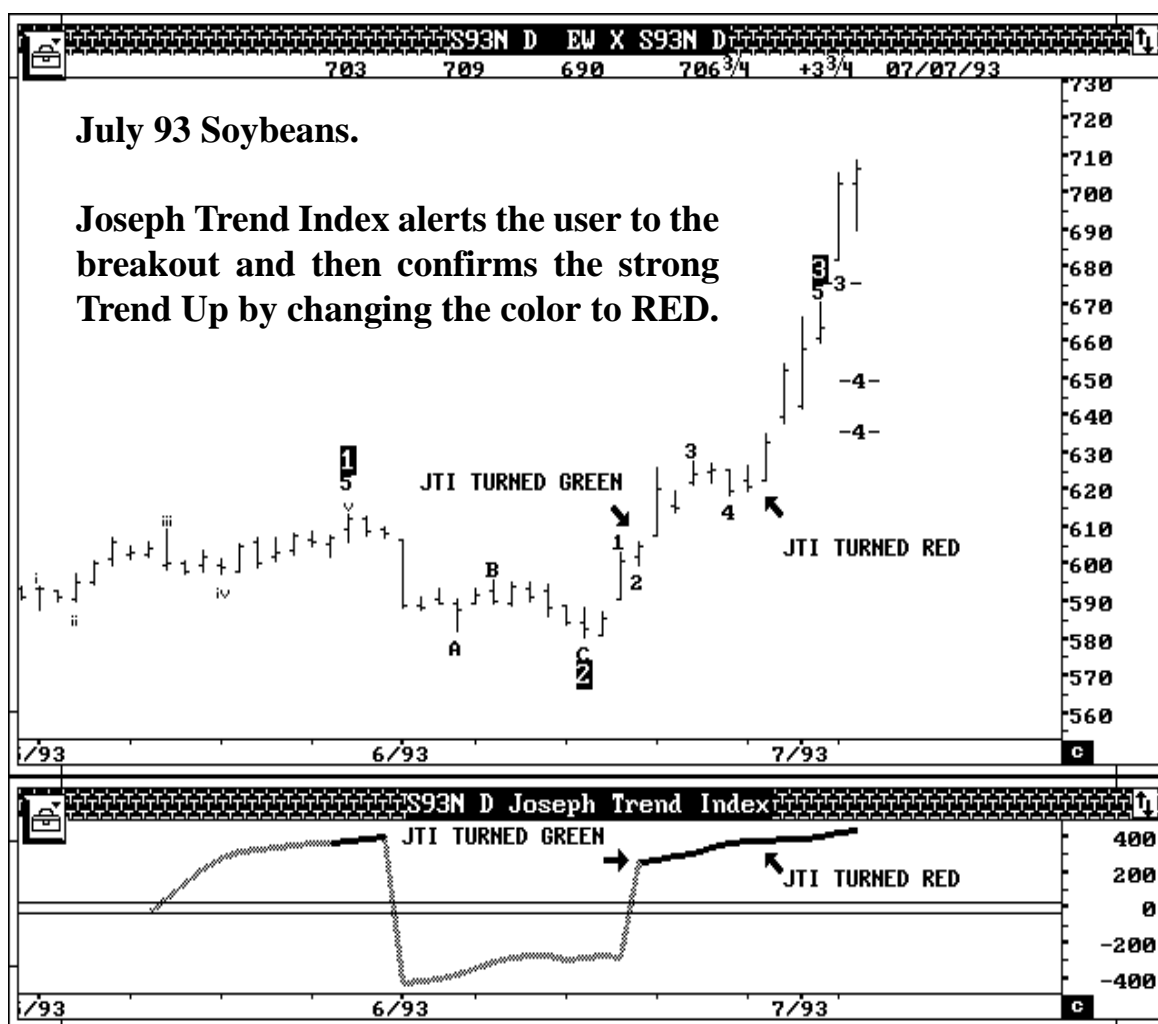
FAST = OFF

BAND 1 = +30 BAND 2 = -30

The following is the July 1993 Soybeans. Around the 605 level, the JTI indicated a well defined Up Trend in progress. At 620, the color turned RED indicating a strong Trend in the July Soybeans.

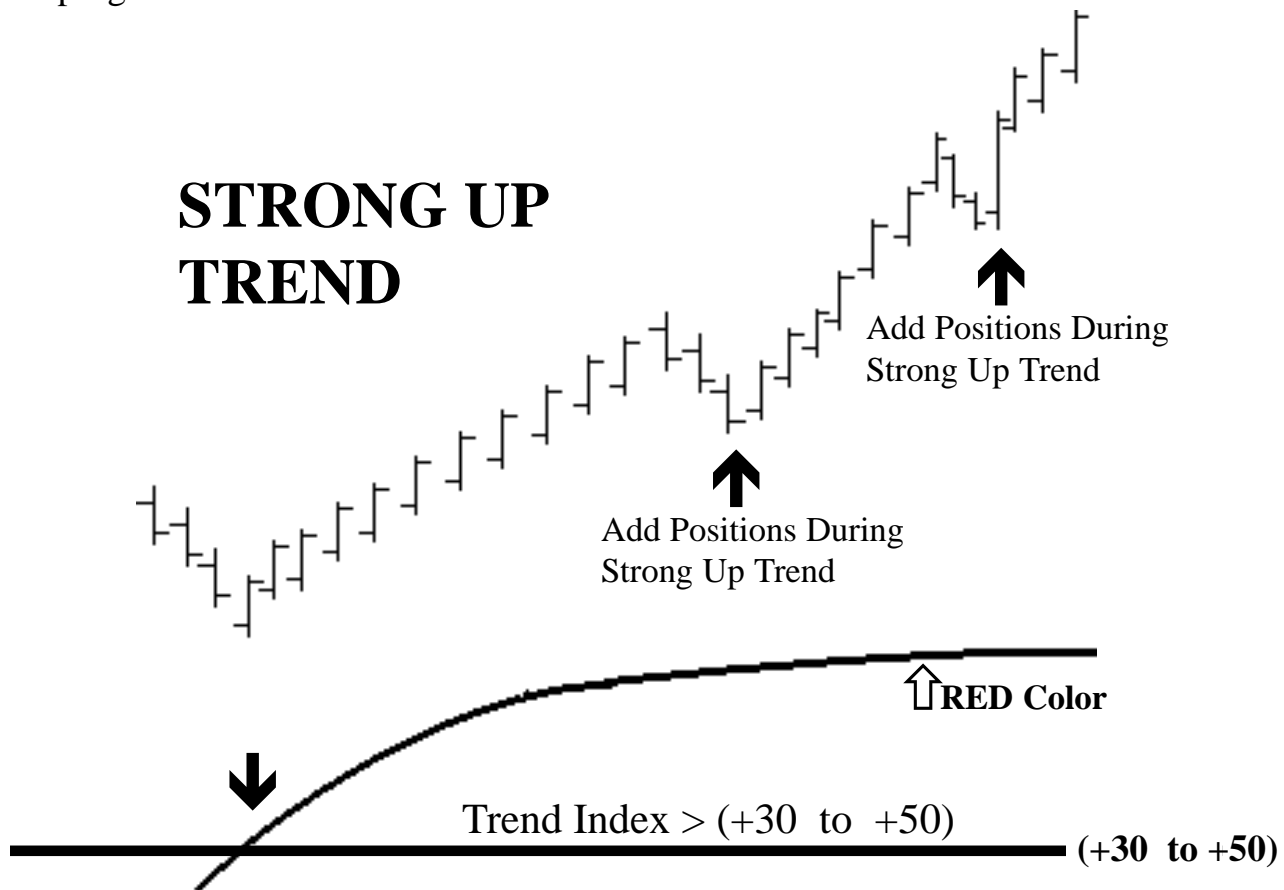
CASE A : The trader can use the above JTI analysis along with other techniques to enter long positions.

CASE B: The JTI provides a mathematical model that classifies Trend Strength. In this case, the Trend is being classified as a Strong Trend Up and should prevent the trader from initiating short positions.



HOW CAN JTI 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.



Since the JTI is a new 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 over and over until you become familiar with the JTI study.

CYCLES

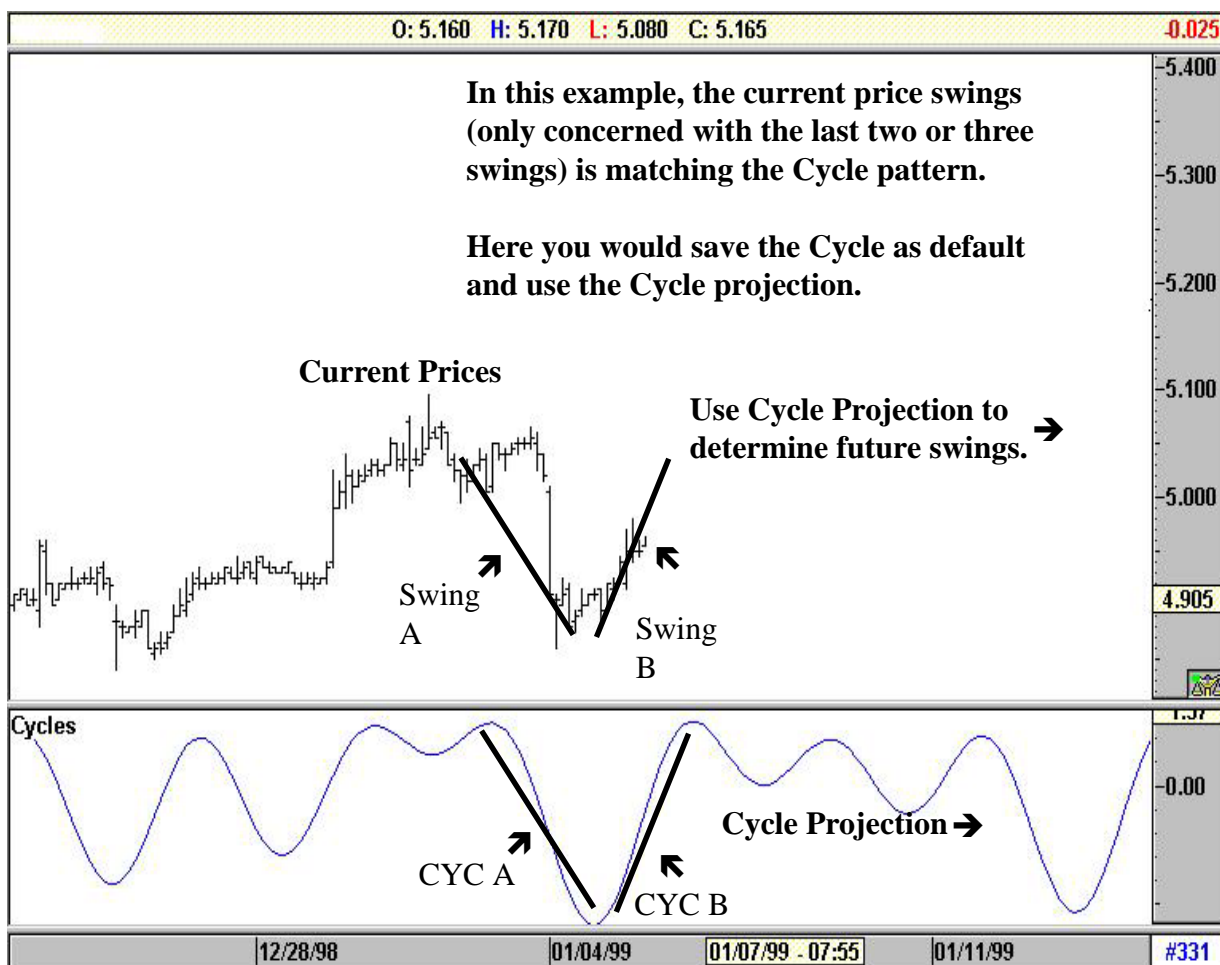
This is a new study we have added to the Advanced GET software. The default is set to use 200 bars for calculating the cycle and we recommend leaving it at 200.

When you first add the Cycle study, the software calculates the underlying cycle on every new tick. Once you determine there is a match between the cycle and the price swings, you can save the current cycle as a default.

Currently, you are required to determine if the cycle is matching with the price swing. We plan to add this as an automated feature at a later time. Please read below on how to determine a match.

MATCHING:

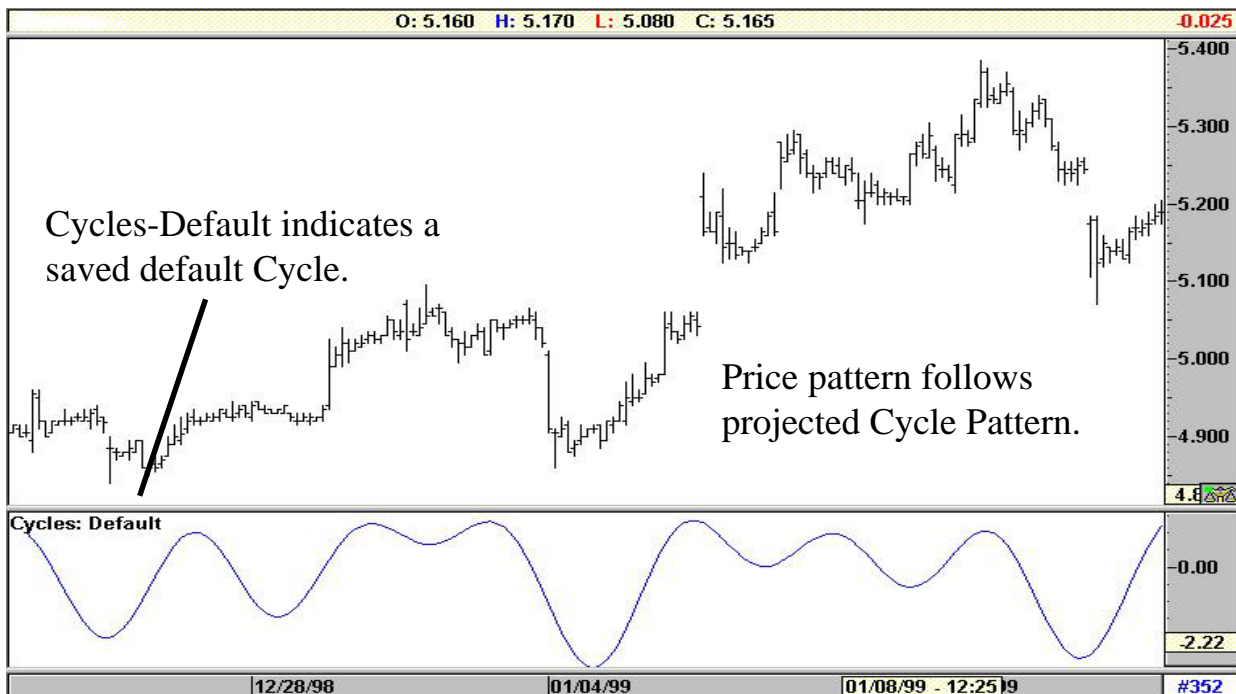
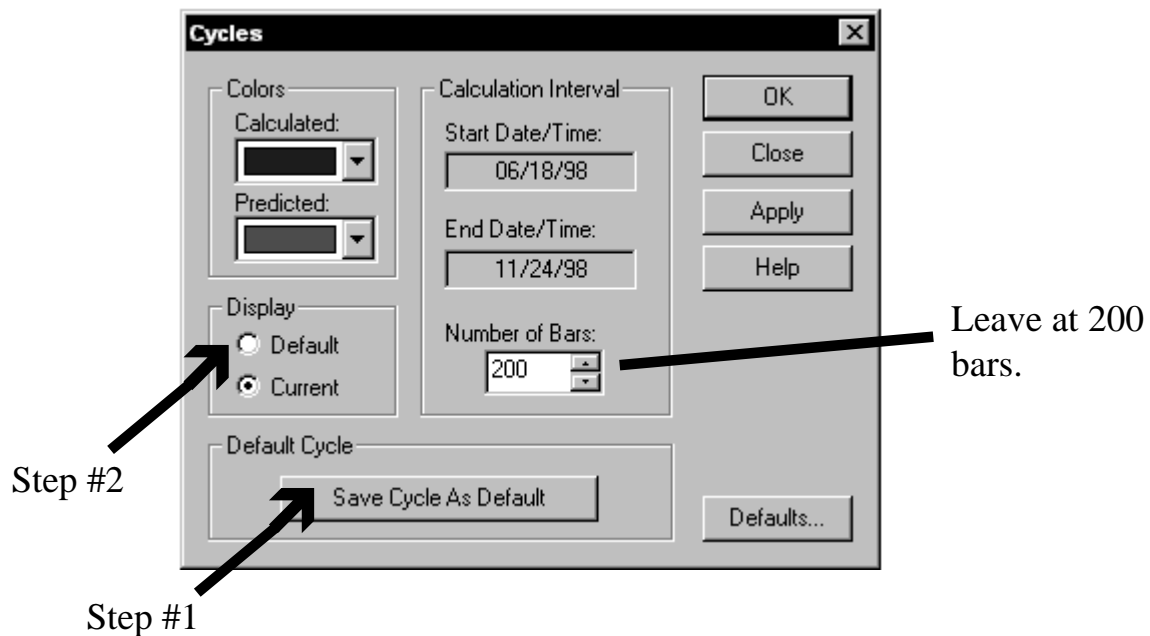
Look at the last few pivots on the price chart. The price swings should match the Cycle study. Look at the example below. If there is no match, then let the calculation continue till you see a match.



Once Match is Found:

Step #1 Once you find a match as shown on the previous page, right click the Cycle Study to open the Cycles menu. Now save the Cycle as default. It is very important that you save the Cycle as default. Otherwise, the software will continue to re-calculate the Cycle on every new bar.

Step #2 Once you have saved the Cycle, then turn the display to default. This will display the default Cycle. Click Okay.

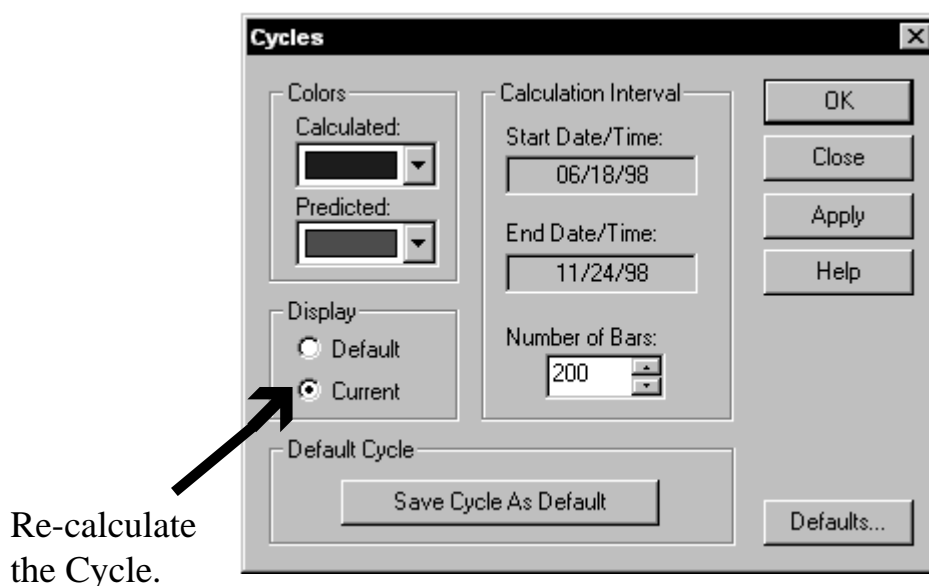


When do you re-calculate the Cycle?

Once you have a match, use the default Cycle till the price swings and the projected Cycle pattern goes in different directions. When the Cycle projections fail to be IN SYNC it is time to re-calculate. We are looking into ways to automate this. Currently you have to make the determination.

How to re-calculate?

Right Click the Cycle study to open the Cycles menu. Click the Current button in the display section and select OKAY. This will prompt the software to re-calculate the cycle on every new bar.




Again, continue to monitor the Cycle Pattern and price swings for a match. Once a match is found, immediately save the Cycle as Default and follow instructions on the previous page under **“Once a match is found”**.


More information can be found in 1998 Seminar Videos due to be released in early February 1999.

TRADE PROFILE

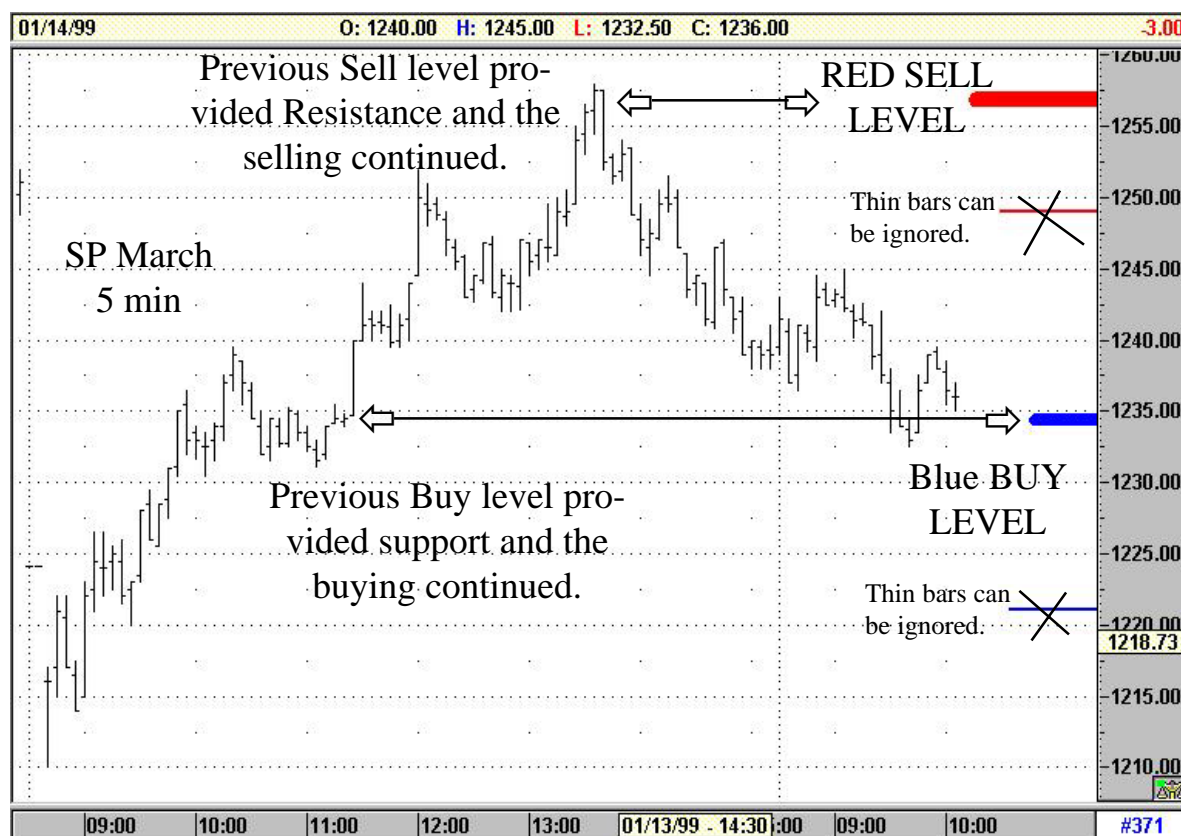
This is a new study we have added. The software scans the data and finds levels where the market started significant buy or sell swings in the past. These levels are categorized based on the amount of volume involved and the actual price movement. For Stocks, actual volume is used and for Futures the tick volume is used.

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

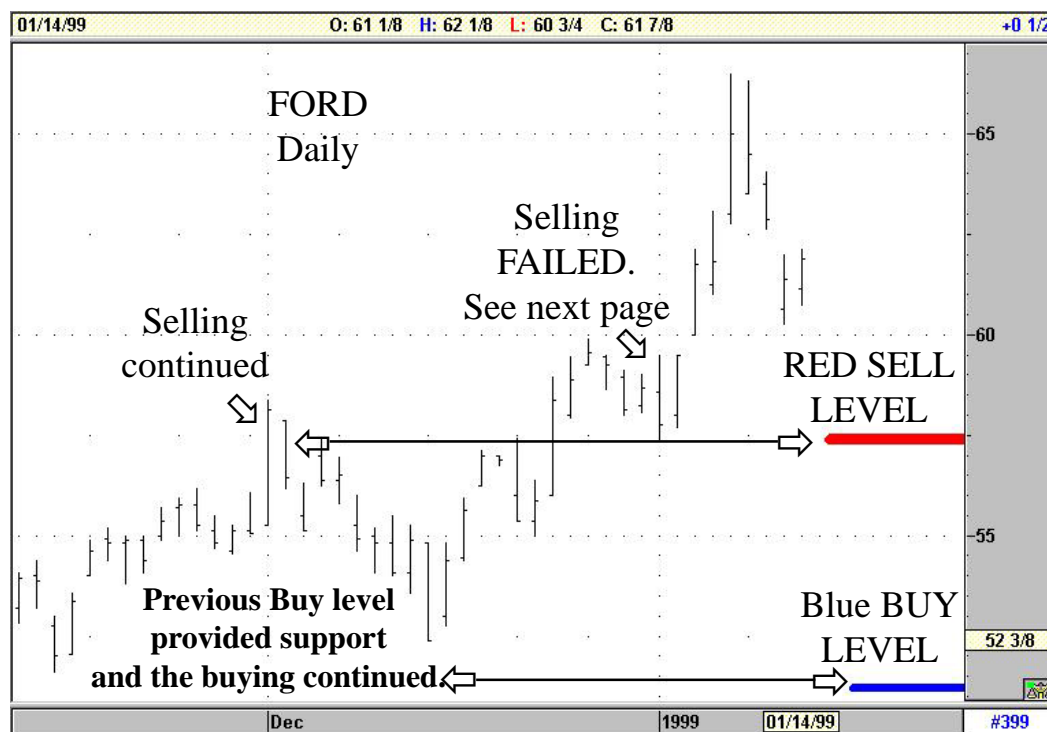
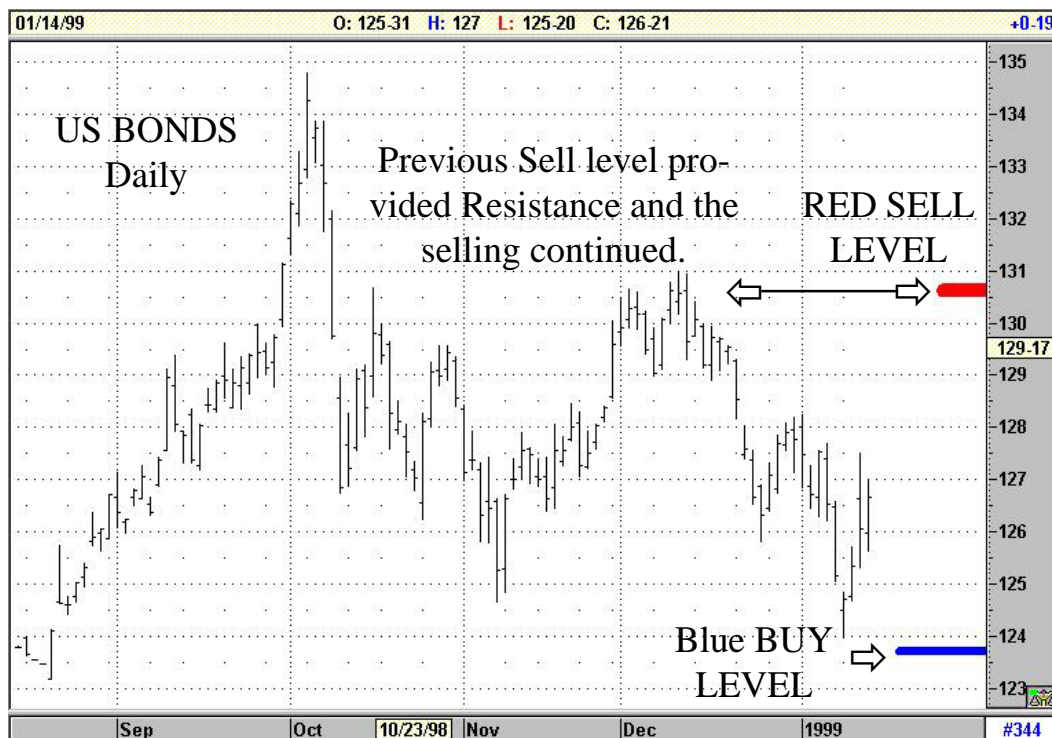
Thickness indicates volume involved  Blue Indicates previous Buy Levels

 Red Indicates previous Sell Levels
Length indicates size of move

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.



The Trade Profile study can be used on daily charts or any time frame. The study works well on Stocks also. See chart of Ford Motors below.

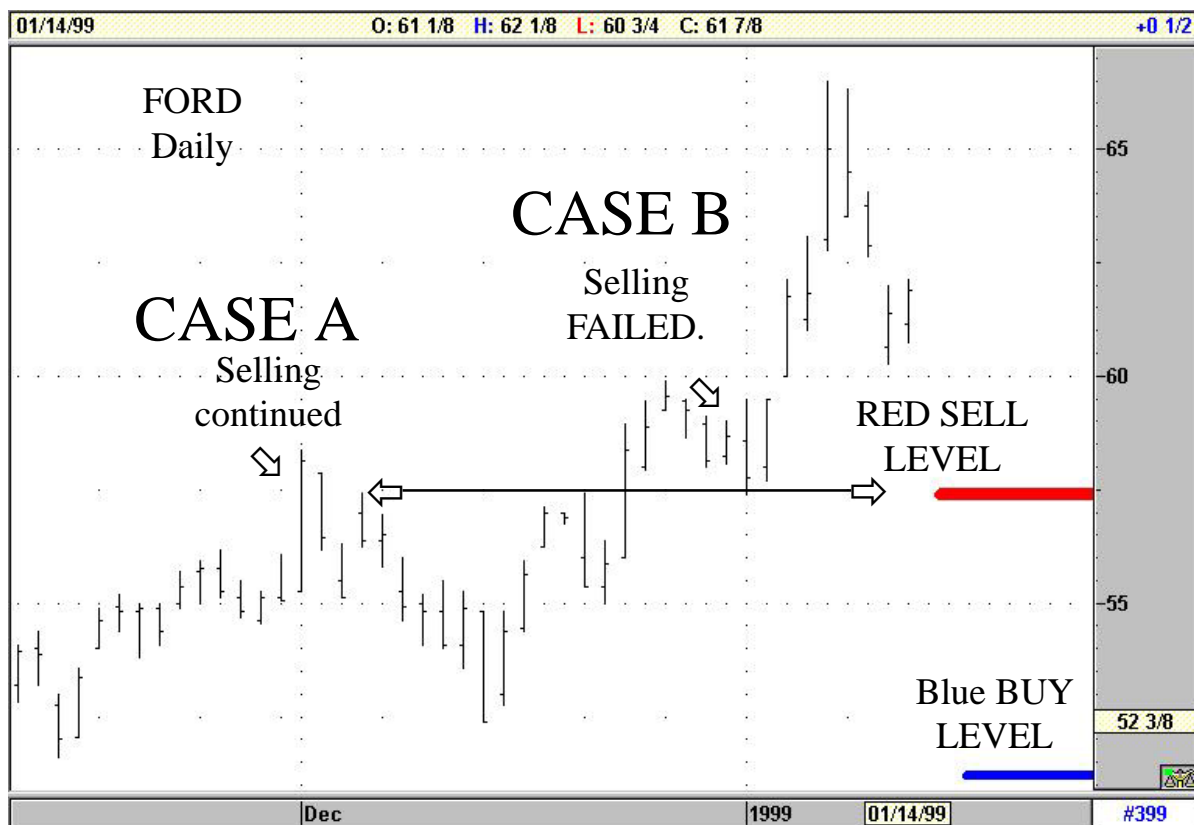


When prices trade to a previous Sell Level, the normal pattern is continued selling like in CASE A.

Roughly 40% of the time, 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.

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.



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