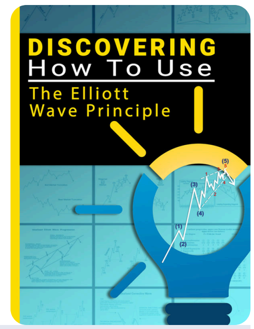
Discovering How to Use the Elliott Wave Principle

By: Elliott Wave International



The Concept

When investors first discover the Wave Principle, they're often most impressed by its ability to predict where a market will head next.

And it *is* impressive. But its real power doesn't end there.

The Wave Principle also gives you a method for identifying at what points a market is *most likely to turn*. And that, in turn, gives you guidance as to where you might enter and exit positions for the highest probability of success.

Step 1: Pattern Analysis

At its most basic level, wave analysis is simply the identification of patterns in market prices.

The idea that market prices are patterned was intensely controversial just a few years ago. But no longer. Recent discoveries have confirmed that patterns exist in many natural systems — even systems that previously appeared to be random.

Examples include the weather, botany, geography and even human physiology.

Generally, these systems unfold in patterns of "punctuated growth" — that is, periods of alternating growth and non-growth, or even decline. The patterns then build on themselves to form similar designs at a larger size, and then the next size up, and so on.

This emerging science is called "fractal geometry." It is one of the most exciting branches of Chaos Theory. And it is precisely the model identified by R.N. Elliott some 60 years ago in the financial markets.