

TITLE: VISUAL GUIDE TO ELLIOTT WAVE TRADING
AUTHOR: WAYNE GORMAN AND JEFFREY KENNEDY
PUBLISHER AND DATE: WILEY-BLOOMBERG FINANCIAL SERIES – DEC 2013

BOOK REVIEW: WAVES, THOUGHTS AND TRADES

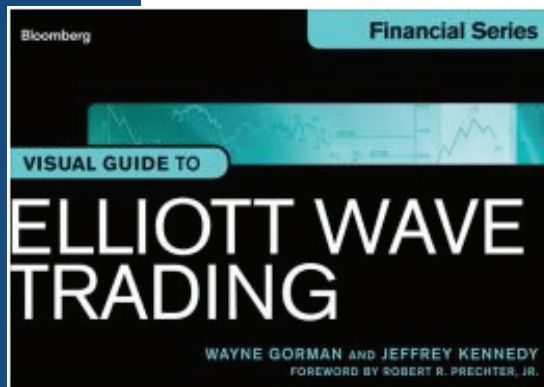
Mario Valentino Guffanti, CFTe

“Jeff Kennedy and our education specialist Wayne Gorman have just finished a book for the Wiley Bloomberg Financial Series called the “Visual Guide to Elliott Wave Trading.” They discuss in detail how they go about entering, exiting and managing risk in trades prompted by Elliott wave analysis. Most of them are trades they actually made. They also discuss their errors and how to avoid them. Those interested in this topic should go there.”

This was the reply that Robert Prechter, President of Elliott Wave International, gave to my colleague Ron William when during his last interview he asked Robert which

was the best method of using risk management in the application of (the) Elliott wave model.

So it was a new book and an interesting topic that drove me to write a review of a complex subject that makes things simple. This book is written for readers that have a basic knowledge about the topic and the authors have included a good appendix with some essential elements to refresh the learning of the persons that still know Elliott wave theory. For beginners, they suggest the Frost and Prechter book available on the Elliott Wave International [website](#)



along with other free resources.

Moreover the book has plenty of key points call outs, links to video web tutorials, and tests at the end of every chapter.

The authors are two veterans that teach Elliott wave theory and have also an expertise in trading for a living. I tried to interview the two authors, but unfortunately they didn't have time in their schedules right now to accommodate it, so this time we have to be satisfied with only the review of the book.

The first part of the book includes an interesting and detailed description of the skills and resources to make good trades applying Elliott wave theory. The focus in the whole book is not only on Elliott Wave Principles, but on the skills needed to become a successful trader.

The first chapter, written by J. Kennedy, starts to explain why a successful trader and a talented analyst must have two different skill sets, pointing out the subjectivity of the way of trading and the need for guidelines and others basic elements to have good trades.

Following is a description of how wave theory improves trading, comparing it with technical studies and introducing the basic principles that are to be used. Other main topics are included, such as which wave is best to trade and which guidelines to use for trading specific Elliott wave patterns. The end of this first chapter deals about psychology

of trading and risk management: this last part contains some basic principles that can fit trading also made with others techniques. Not too many concepts, but good tips and rules that come not only from the theory, but also from the distilled skills of two experienced traders.

The second part of the book contains four chapters of examples of real trading with different Elliott wave patterns: zigzags, flats, triangles and ending diagonals.

Every trade is described in three essential steps:

- first step is dedicated to the analysis of the price chart and Elliott wave pattern recognition.
- second step is the formulation of the trading plan.
- third step is a very good description of how the trade is managed. I think that this final step distinguishes this book from other trading books.

We don't have a simple chart with entry, stop loss and exit points, but a sequence of charts, also in multi-frame period analysis, with the price curves deploying their story time by time. In this sequence, generally lacking in the reports, the reader can follow the authors in their thought process during every single move of the price during the time of the trade. We can understand why the author has arrived to recognize some patterns and why he has managed some exit points or stop losses in a dynamic way.

In this third step, among the various trading examples, the authors add a lot of practical concepts as the three phases of risk management (using stop loss to lessen risk, to eliminate risk and to protect open profits), some Elliott guidelines and tips to set the stops, how to react to news that can influence the trader's psychology during a trade, how to handle more

complicated patterns as a combination, how to manage the time during the trade and how to manage dual trade plans.

Moreover, a lot of theory is converted into practice: we can see the practical use of Fibonacci techniques, how having alternate wave counts did not affect formulating a profitable strategy, how to use aggressive or conservative techniques, and the management and the influence of the psychology during the trades.

The third part of the book contains four chapters. The first is full of trading examples where the Elliott wave theory is integrated with the use of tools of technical analysis as RSI, MACD and Japanese Candlestick patterns. Then we have two chapters with trading examples of Elliott wave analysis combined with option strategies: in one chapter we have an example of a basic options strategy compared to a straight futures trade, explaining the reasons and the use of one strategy instead of the other. In the following chapter there are more advanced option trades that allow success, even in scenarios that points in opposite direction.

The authors dedicate the last chapter to "parting thoughts", where they speak about what it takes to become a consistently successful trader, the style of trading, some suggested readings, etc.

In conclusion, if you use Elliott wave for trading, or if you like the Elliott wave theory, this book is a must that represents the missing link between the theoretical part and the trading part, through a step-by-step visual and mental process that can enhance your knowledge.

To purchase a copy of the book, go to www.elliottwave.com/wave/SAMT1410



Mario Valentino Guffanti, CFTe (Certified Financial Technician) is a financial advisor and researcher. Vice President of the Swiss Italian Chapter of the Swiss Association of Market Technicians (SAMT) and Committee Member of its technical journal. Among his interests, financial coaching through NLP techniques (neuro-linguistic programming); teacher in technical analysis, of which he is author of several articles, and conference speaker. He can be reached at: mario.guffanti@samt-org.ch