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SPRING / SUMMER 2021

CRUDE OIL weekly Extending impulse waves can be challenging. Find wave iii to anchor your wave interpretation. then balance the impulse waves below and above to stay insync. Two Fibonacci ranges start from just under $60 at a previous fourth wave. Crude Oil shows respect to the $68.60 Fibonacci confluence zone where two ratios overlap.

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MARATHON OIL

CORRECTIVE EXPANDED FLAT PATTERN

When you cannot honestly subdivide a trending swing into a five-wave structure; think 'B' wave.

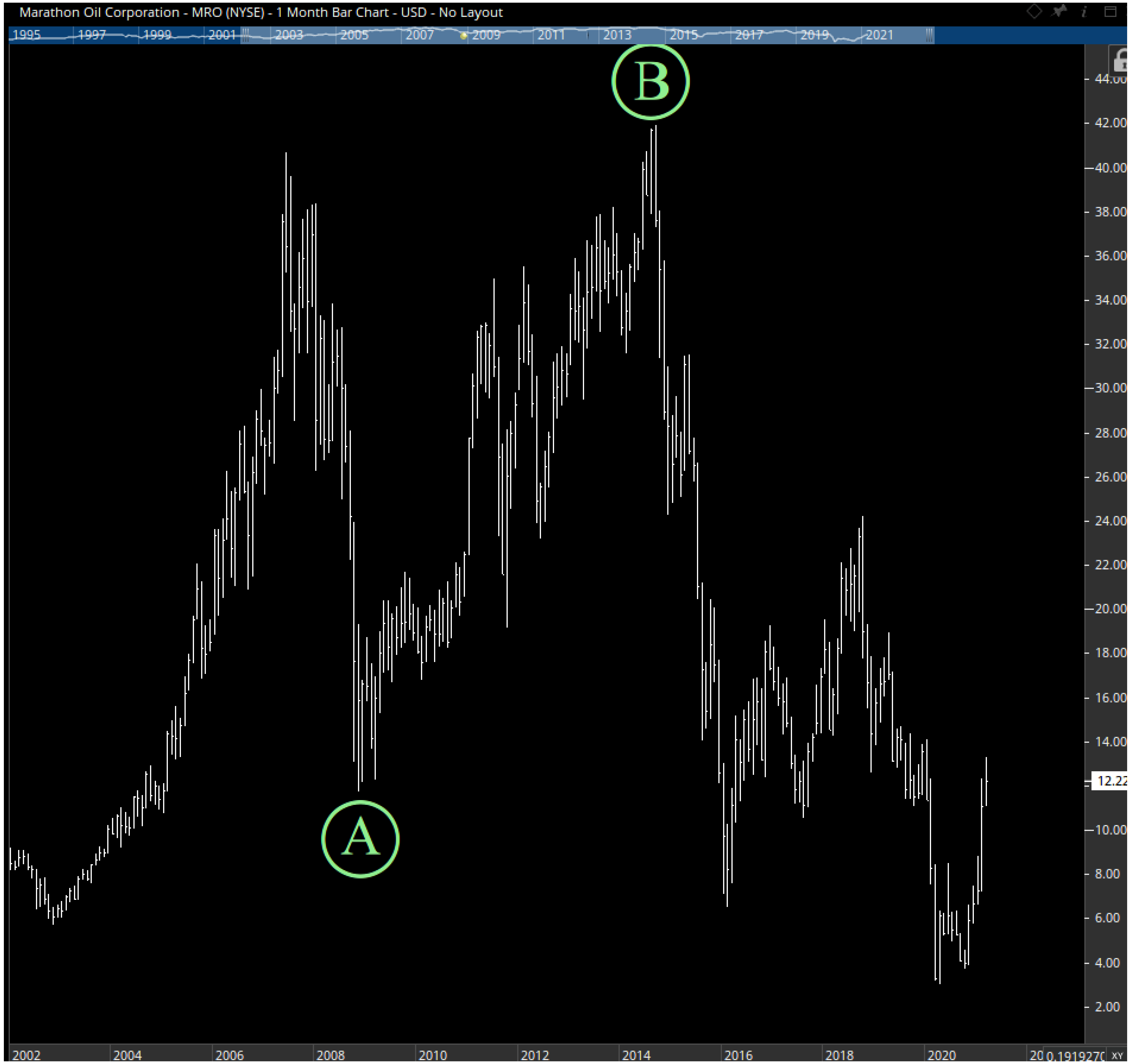
October 2011 is a sharp decline in the middle of the uptrend from 'A'. The overlap developed again in June 2012. There was no chance of the rally developing an impulse wave up if the price action after these two declines was not explosive to the upside. You would know the price action was a developing "B" wave rally. Savvy traders know B-wave patterns mean anything can happen in terms of surprise turns within a 'B' wave. But the resolution of this uptrend was conventional as the top is higher than the price high made in May of 2007.

The price high in May of 2007 ends a well defined five-wave impulse wave. As the price high is lower than the 'B' wave, we called the May high the orthodox high. It was the true high to end the impulse wave of the larger trend.

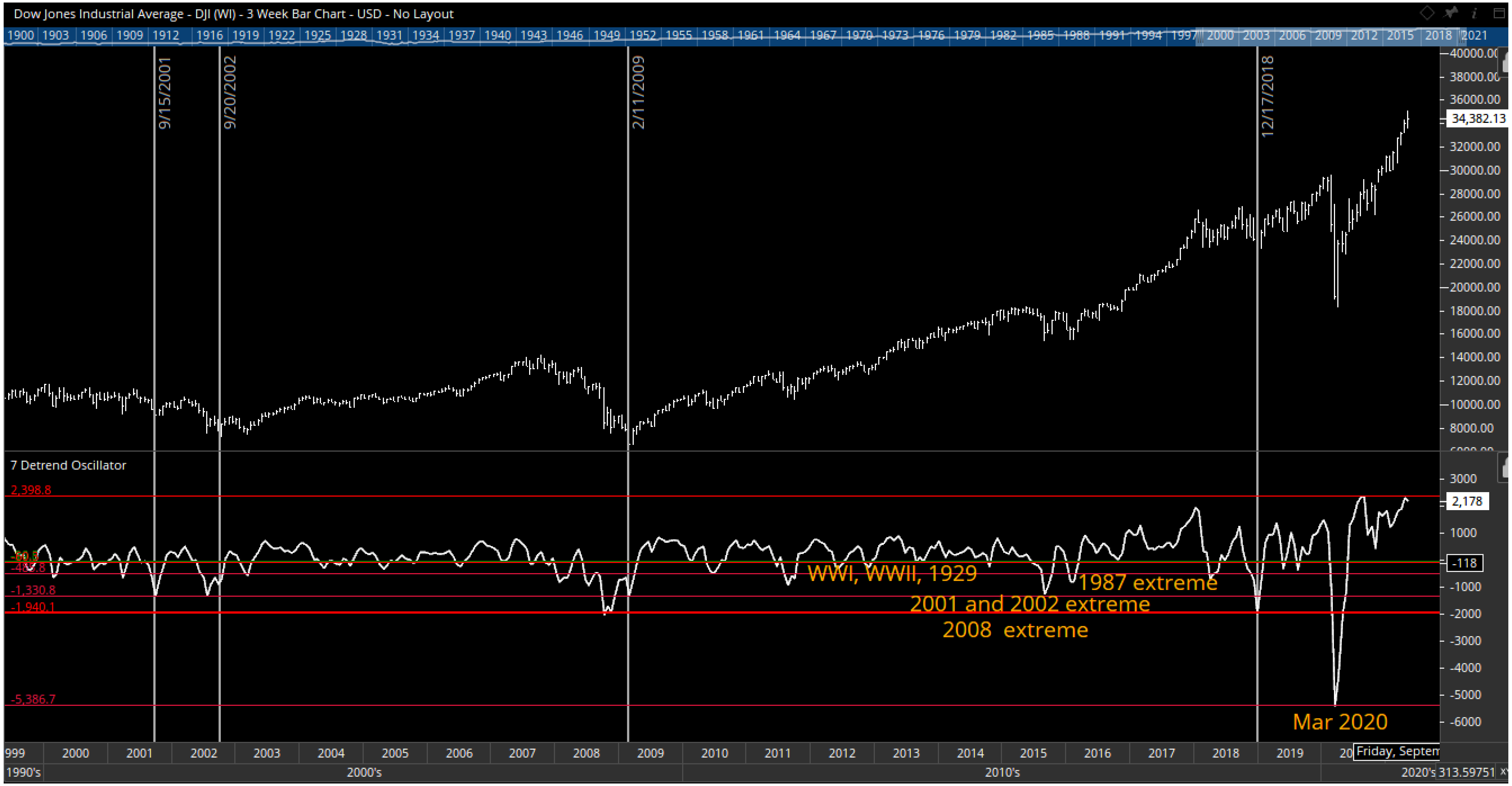
The top then defines a directional signal called a key reversal. Another warning the rally low from November 2008 into the September 2014 price high was complete.

Expanded Flat patterns are exceedingly exciting. Why? When 'B' ends it is always followed by a five-wave trending structure.

The monthly chart may have fooled some lesser experienced Elliotticians due to the monthly time horizon. Do not get caught so focused on the weekly and daily trends that the bigger picture is ignored. Marathon Oil is a perfect example why we need to stay on top of long, intermediate, and short-horizon trends.



Expanded Flat Pattern



DOW JONES INDUSTRIAL AVG

Map historic momentum extremes in your markets. The Elliott Wave Principle has taught us that markets create patterns in prices because mass psychology of crowds is predictable. Use this knowledge to our advantage. The chart above shows a 3-week bar chart of the DJIA. Under the price data is a simple 7-period detrend oscillator. Detrending is simply the spread of two moving-averages oscillating as a positive or negative differential.

The shortest average has a period of one to connect closing prices. The second is slower using a higher period. The oscillator above is the spread between a one and 7-period simple moving-average. When the spread of the averages cross their differential spread will cross through the zero line in the display under the price data.

Starting from 1900 the red horizontal lines record where the momentum extremes occurred in crash events. What was interesting to find is the extremes mark future support levels. It means the new extreme of March 2020 will be revisited again someday. The wave structure into these momentum extremes is easier to interpret. New extremes often retest panics one line above in recovery patterns. Study 2009 versus the 2002 vertical lines.

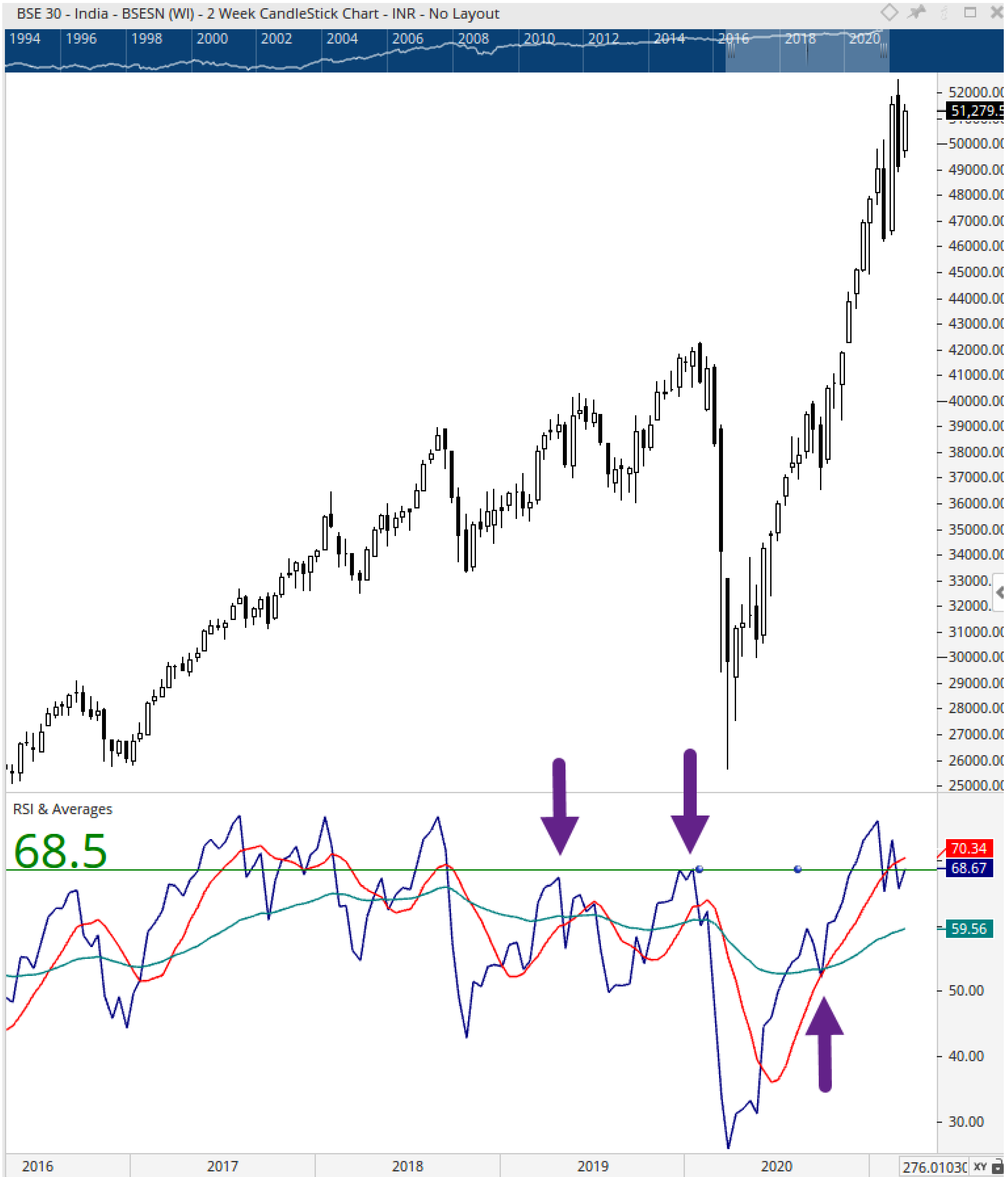
INDIA BSE

Use oscillators to help develop Elliott Wave interpretations. In the 2-week chart for India's BSE 30 the rally from mid-October 2018 into the January 2020 high is a very distinct B wave structure.

RSI range guidelines cautions us about the Relative Strength Oscillator (RSI) defining pull-backs from near the 68 level. This market tops at the 68.5 level. The 68-70 range is a transition level in the RSI where trending bull markets may reverse and swing into a bear market.

Earlier in the uptrend, at the first down arrow on RSI, we see the start of the first break within the developing B wave advance.

The up arrow on RSI is to bring your attention to the importance of two moving averages applied to the RSI. In this chart a fast 9-period (red) and slower 45-period (green) moving average are shown on a 14-period RSI. When the RSI tested the crossover of the fast moving average through the slower, it marked a strong continuation of the uptrend would follow. We see the pull-back in price was a second wave leading to the strong third wave advance that follows. What is the oscillator telling us now? To be cautious that a fourth wave will develop. Why not a top? The spread in the averages on RSI are still positive. Study price history to know how your market defines extending waves in longer uptrends or declines.



SINGAPORE STRAITS

THE ORTHODOX TOP

A 2-week candlestick chart of the Singapore Straits Index is shown at right. We have several points to discuss within the chart.

The term 'Orthodox Top', or bottom, is confusing for students of the Wave Principle. Take a close look at the three green rectangles marking five-wave substructure within the rally from January 22, 2016 to January 19, 2018. The inner rectangle defines wave iii of 3. The middle rectangle highlights all of wave 3 containing waves i, ii, iii, iv, and v of 3. The outer rectangle contains the completed five-wave pattern that began from the lows in January 2016. The rectangles keep us honest about mapping complete five-wave substructures.

The novice will just count price swings and assume the price action after the low marked "A" is part of an incomplete fourth wave and then a last small five-wave pop up ends the swing. But the end of the impulse wave ends at the price high at the top of the outer rectangle. This is what is called the "orthodox top". The impulse wave ends and then the market defines an expanded flat pattern. The last move is not part of the impulse wave, but wave c of B into the price high.

Markets rarely top on a maximum momentum oscillator extreme. This is true in all time horizons. But there is a secret weapon advanced Elliotticians know. Put moving averages on your oscillator. Depending on the oscillator you favour, some will have moving averages as part of their signal line with a smoothed component. Here we see Welles Wilder's RSI in black with two moving averages added. The two purple arrows show what some analysts call a 'golden cross'. But the signal of importance is seeing when RSI is testing the cross-over point. Light plum lines from these points stretch up to guide your eye to the price action that matches these time periods. Knowing how a market respects the juxtaposition of oscillator to price action increases our probability of developing a correct Elliott Wave interpretation.

One last point should be added. An 'A-B' top should not be assumed to lead to price action that will define only wave 'C' in the pull-back. In the Singapore Straits the market defines A-B-C-X-A-B-C into the chart's price low. Admittedly that was a very tough wave count to maintain after such a strong move in March of 2020. The common view at the time was the bounce off the chart's low was wave 4 up within an incomplete C wave pattern unfolding. Global markets in London and New York had major cycle beats at the low warning that the pattern was complex and not a simple expanded flat with more to come. That is why learning multiple disciplines is invaluable.

2-week Singapore Straits Candlestick Chart - Orthodox Top and Using Oscillators

GERMAN DAX
POINT & FIGURE

The Point & Figure chart for the German Dax Composite shows a highlighted clear five-wave impulsive structure in a wave 3 position.

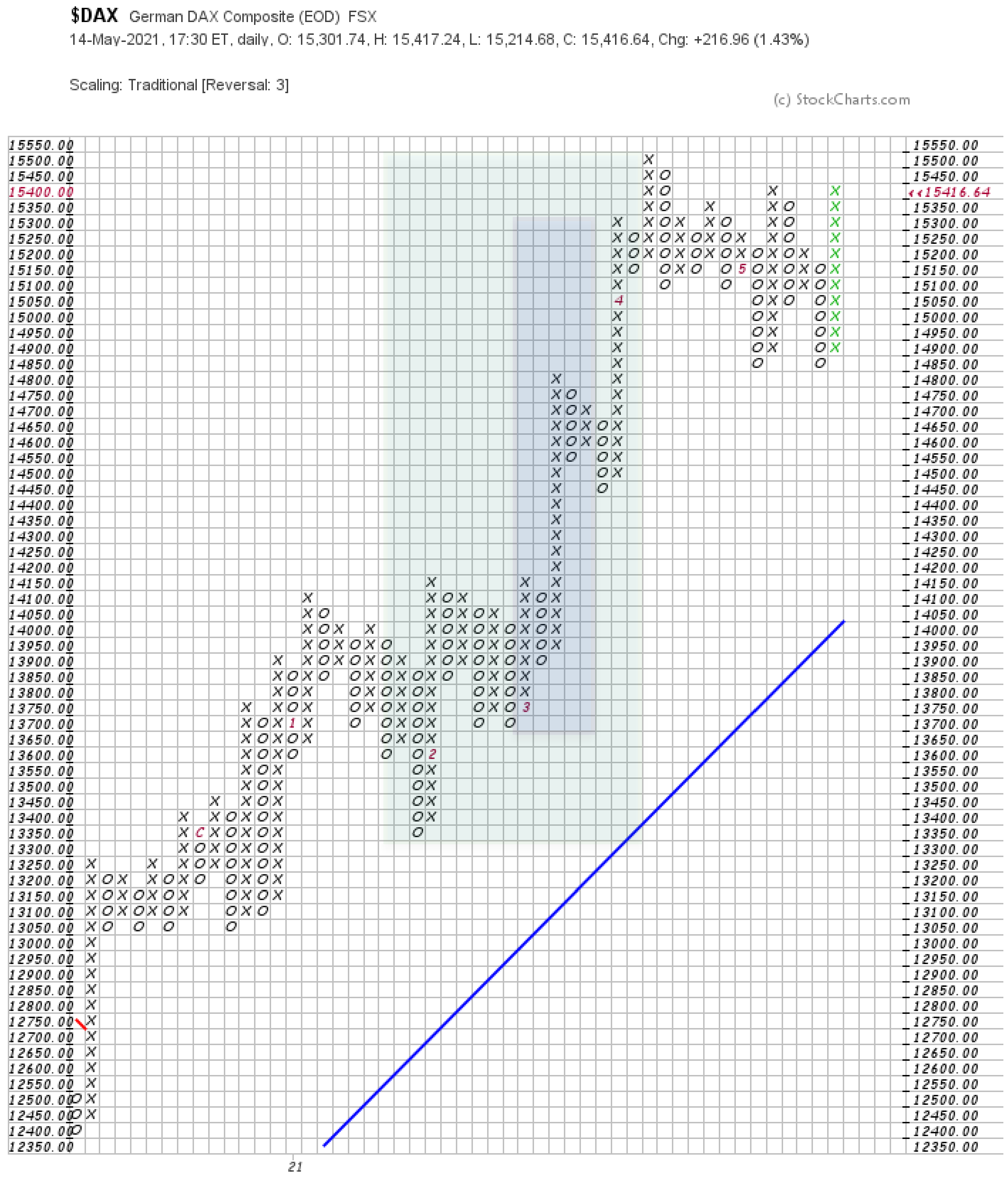
In a later magazine issue we will focus on point and figure setup and price projection. At this time we should focus on the structure a point and figure chart develops.

When the market action is difficult to see clearly what wave pattern is unfolding, point and figure charts can offer a fresh view. The pull-back in the DAX is not surprising to the Elliottician because the highlighted rectangles clearly show a complete extending impulse wave. The blue rectangle would be wave 'iii'. The green rectangle adds another first wave leading wave iii and the price highy defines the fifth wave. We do not look for further subdivisions. The rules have all been respected. The blue rectangle shows the fourth wave has not pulled-back to the top of the first. The third wave is not the shortest. We even see a sense that the guideline of alternation is respected. Once the structure was in place that is contained in the green rectangle, we know a pull-back is expected back to the vicinity of the previous fourth wave.

Be careful as point-n-figure charts have no time references. Therefore, we do not measure the width of consolidations in second and fourth wave positions to ensure they are within the same degree. Balance and proportion should have greater weight in your bar and candlestick charts.

The correct methods to apply and setup point and figure charts will be one of the focus magazines to follow.

POINT & FIGURE CHARTS WILL CREATE VALID ELLIOTT WAVE PATTERNS

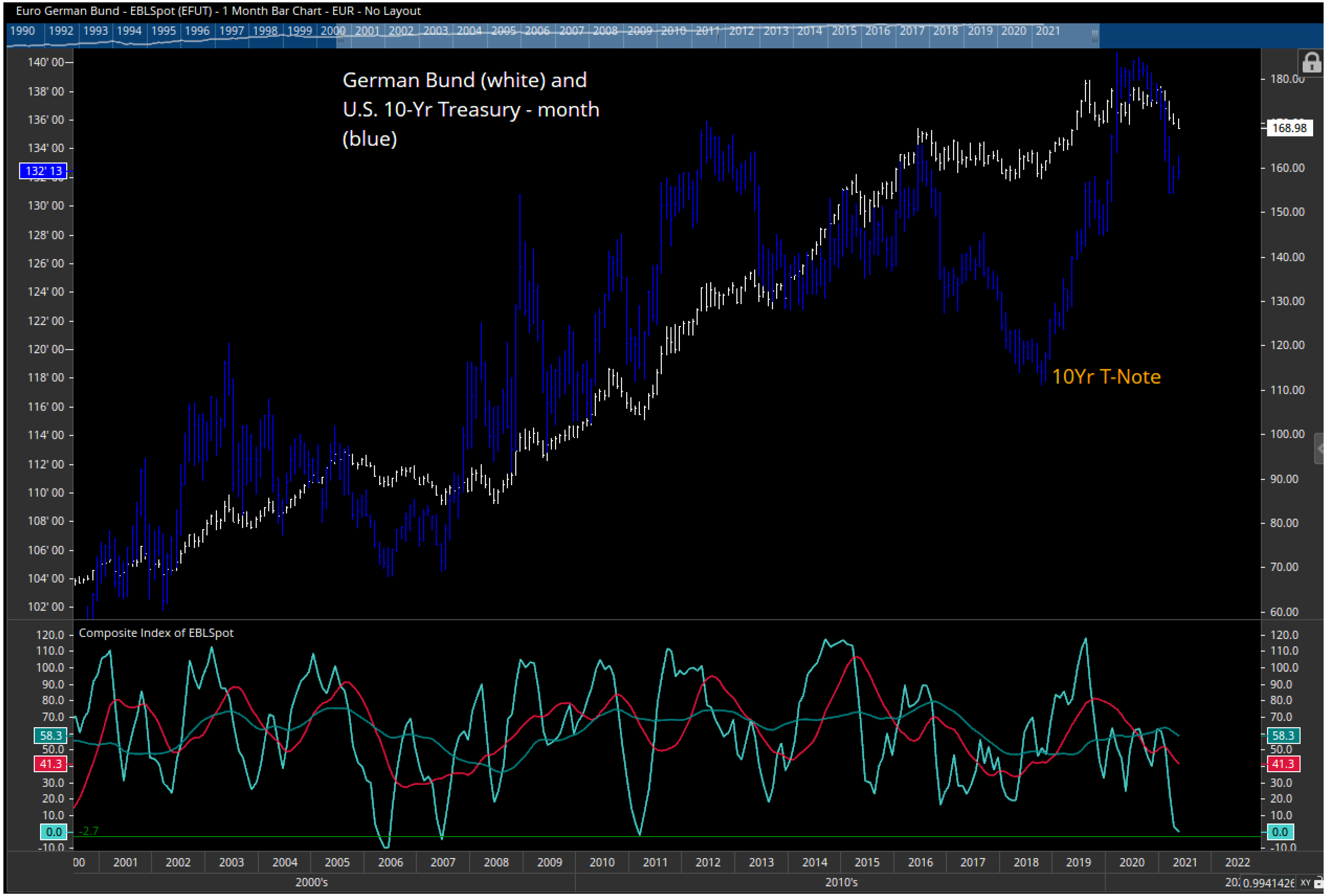


SINGAPORE DOLLAR/ JAPANESE YEN 6-MONTHS

When long-term trends are important, think outside a monthly chart. Here the SGDJPY market shows a strong five-wave decline from the high. The Singapore Dollar then strengthens into the high marked (A). Why is it (A)? The first swing down has to be the first wave down in a zigzag pattern. The rebound is then a clear three-wave structure because it cannot ever form five waves with the bars that overlap. We do not need to count all the internals to know (A) is corrective. A possible wave (B) decline into the low marked (B). This helps us evaluate if the SIngapore Dollar is defining wave (C) up. But there is always the possibility this middle price action could become a triangle and make it extremely difficult. What we do know is the same message is given in either interpretation ... the uptrend for the SGD is incomplete.

A simple 7-period Detrend Oscillator shows a trend that has been most useful in supporting the longer-term bottom reversals.

GERMAN BUND & 10YR T-NOTE
COMPARING MARKET WAVE STRUCTURE AND TIMING



A MONTHLY CHART SHOWING AN OVERLAY COMPARISON BETWEEN THE GERMAN BUND AND U.S. 10YR TREASURY NOTE. THE DECLINE IN THE 10YR T-NOTE INTO THE OCTOBER 2018 LOW MARKED A BOTTOM FOR BOTH MARKETS. THE BUND WAS THE MORE DIFFICULT WAVE STRUCTURE TO INTERPRET BUT, THE 10YR T-NOTE HAD THE WELL DEFINED PATTERN AND WAVE STRUCTURE TO LEAN ON. BUT THEN IN AUGUST OF 2019 THE GERMAN BUND STARTED WAVE 'A' DOWN FOLLOWED BY THE SWING UP INTO A 'B' WAVE TOP. THE PATTERN GAVE EARLY WARNING FOR THE 10YR T-NOTE. COMPARING WAVE STRUCTURE BETWEEN MARKETS IN AN OVERLAY CAN BUILD CONFIDENCE. THIS IS ESPECIALLY TRUE WHEN THE TWO MARKETS DEVELOP DIFFERENT PATTERNS AND THEIR PIVOT POINTS MARK BEATS BOTH RELATED MARKET RESPECT.

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