



Presentation

I. Elliott Wave Principle Basics

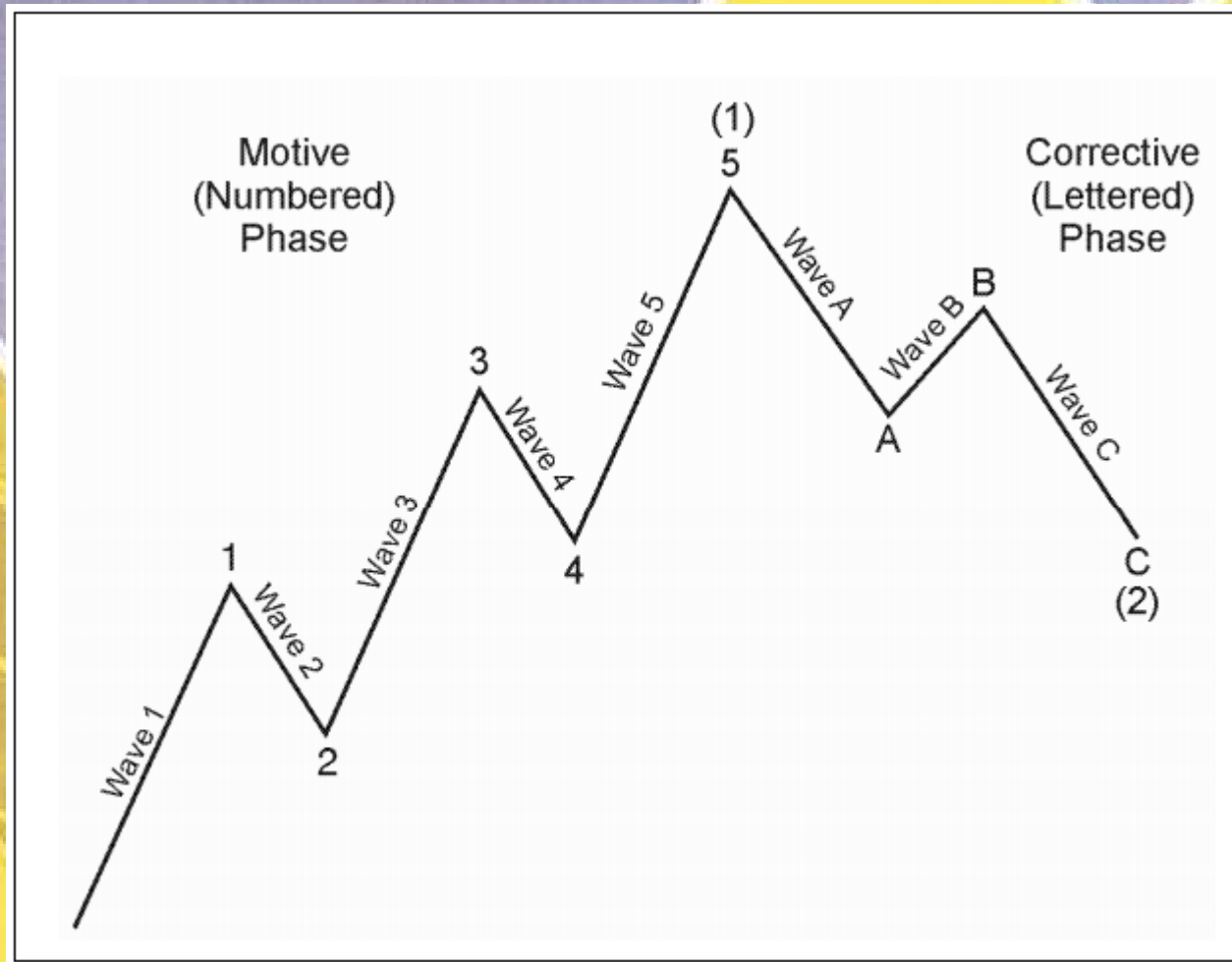
II. EW Analysis

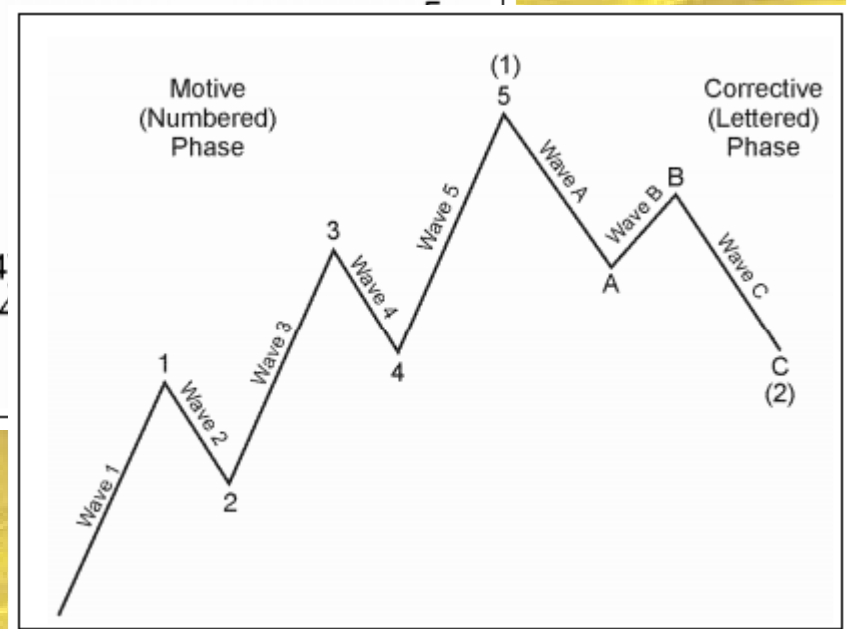
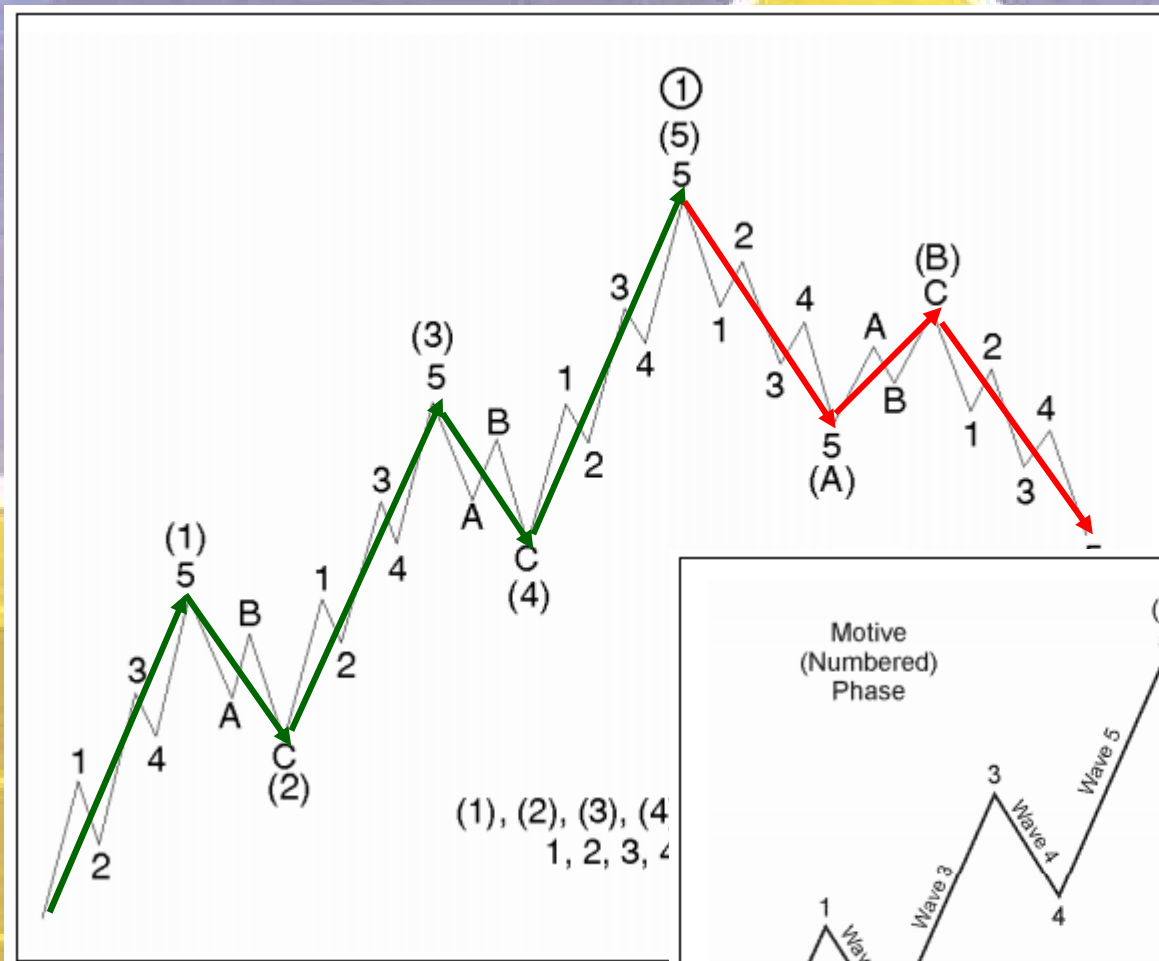


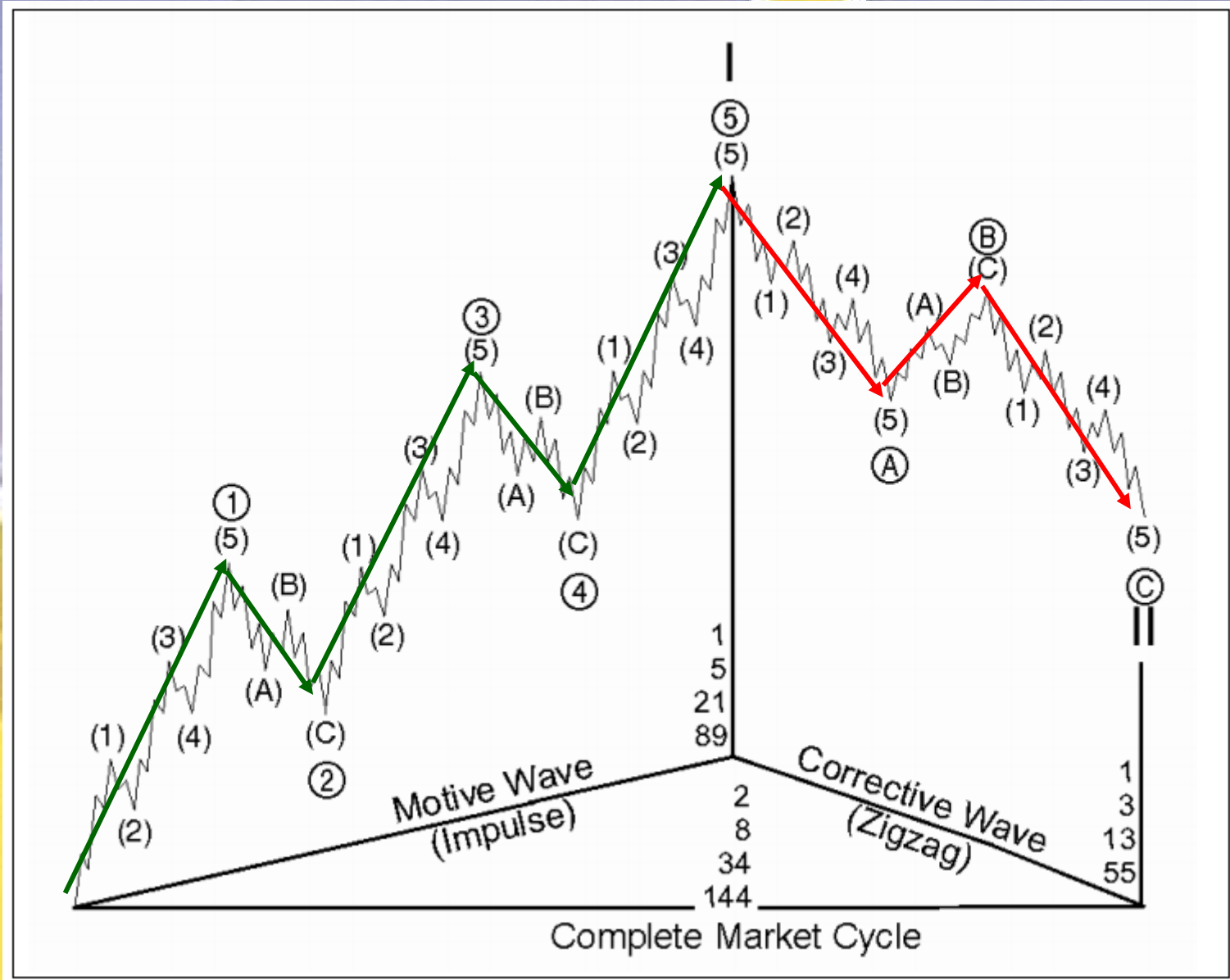
Ralph Nelson Elliott
(1871 – 1948)

- Crowd behavior trends and reverses in recognizable patterns, that he called waves.
- These structures link together to form larger versions of the same patterns and how those, in turn, become the building blocks for patterns of the next larger size and so on.
- In 1938, he coined this phenomenon ***The Wave Principle***.
- ***Nature's Law – The Secret of the Universe***

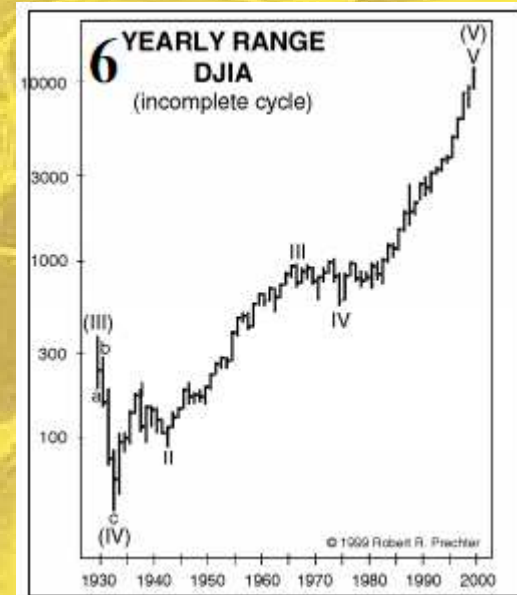
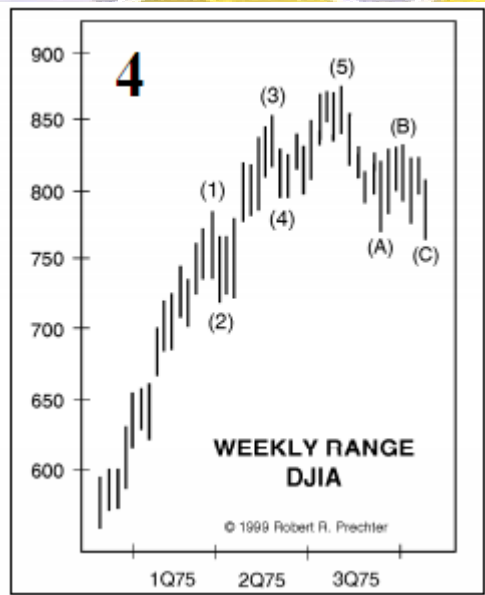
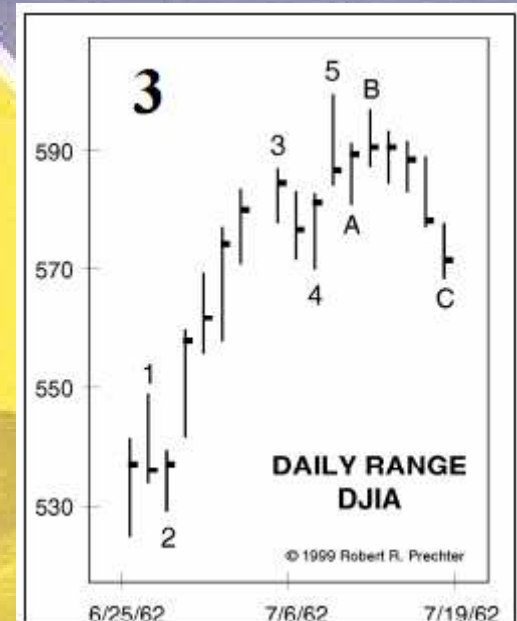
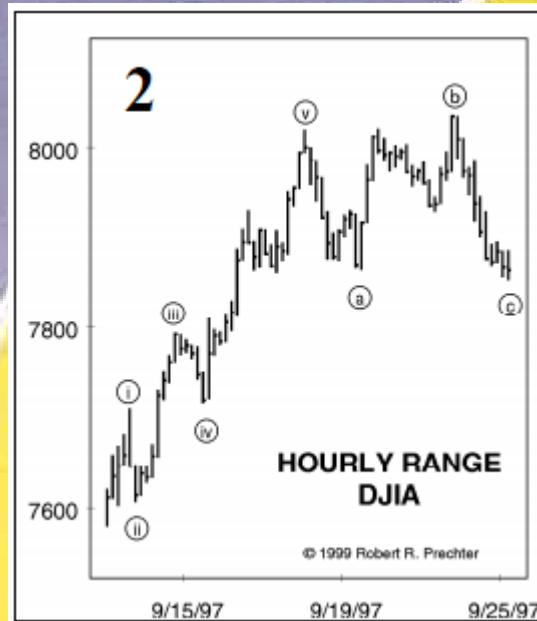
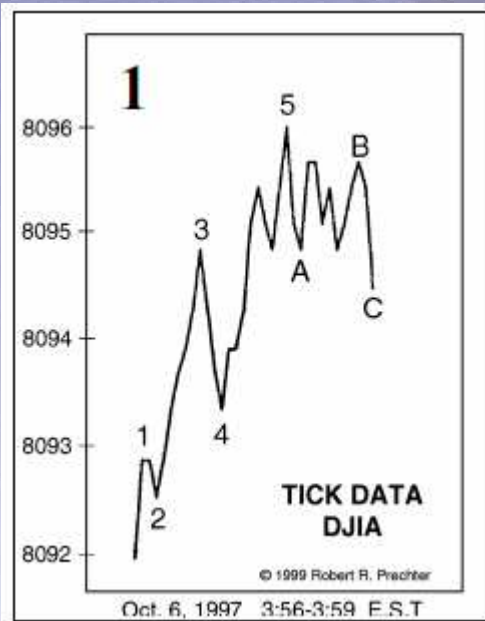
The Basic Pattern







A More Realistic Wave Depiction

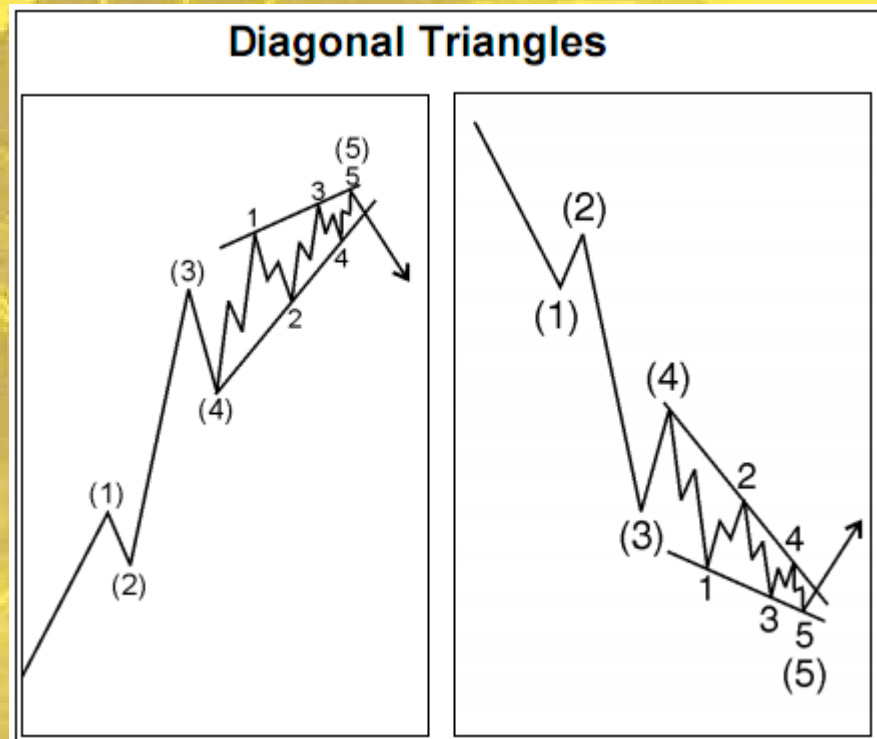
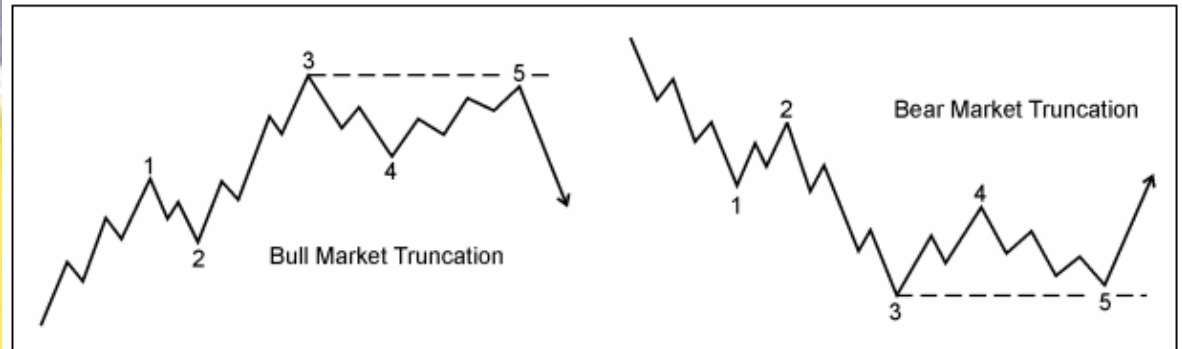
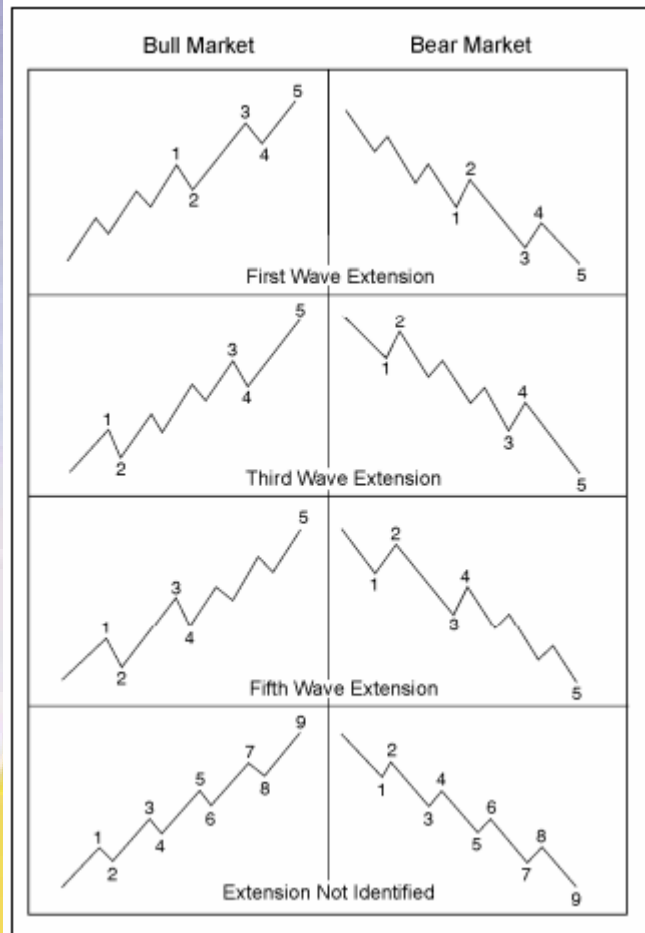


Key Rules

- Wave 2 never retrace more than 100% of wave 1.
- The end of wave 4 never overlap the orthodox end of wave 1.
- Of waves 1, 3 and 5, wave 3 never be the shortest wave. *Usually it's the longest one.*

Impulsive Waves

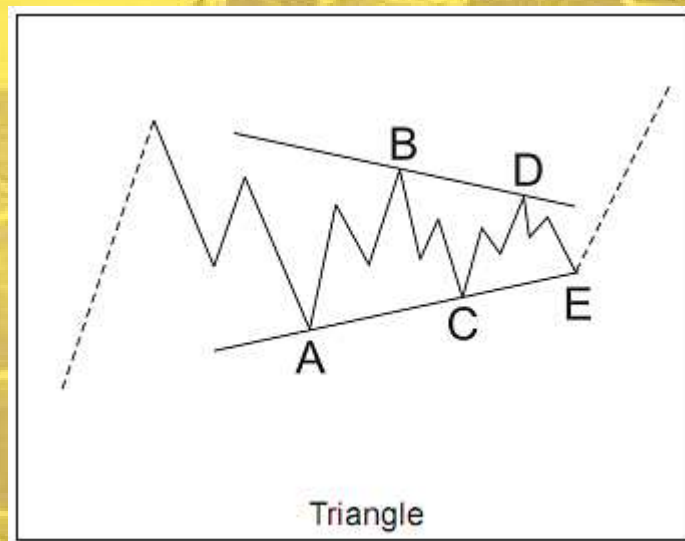
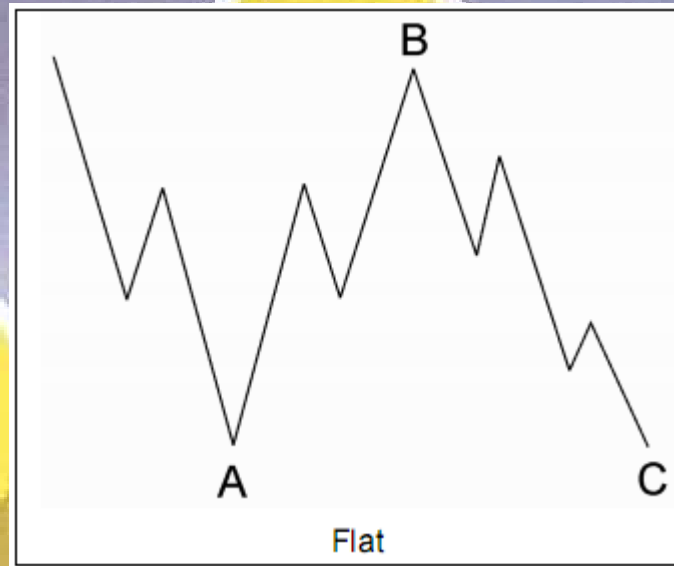
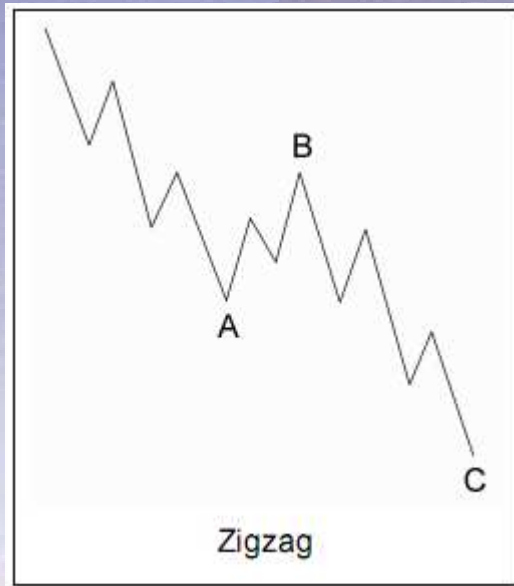
Five-Wave Structures



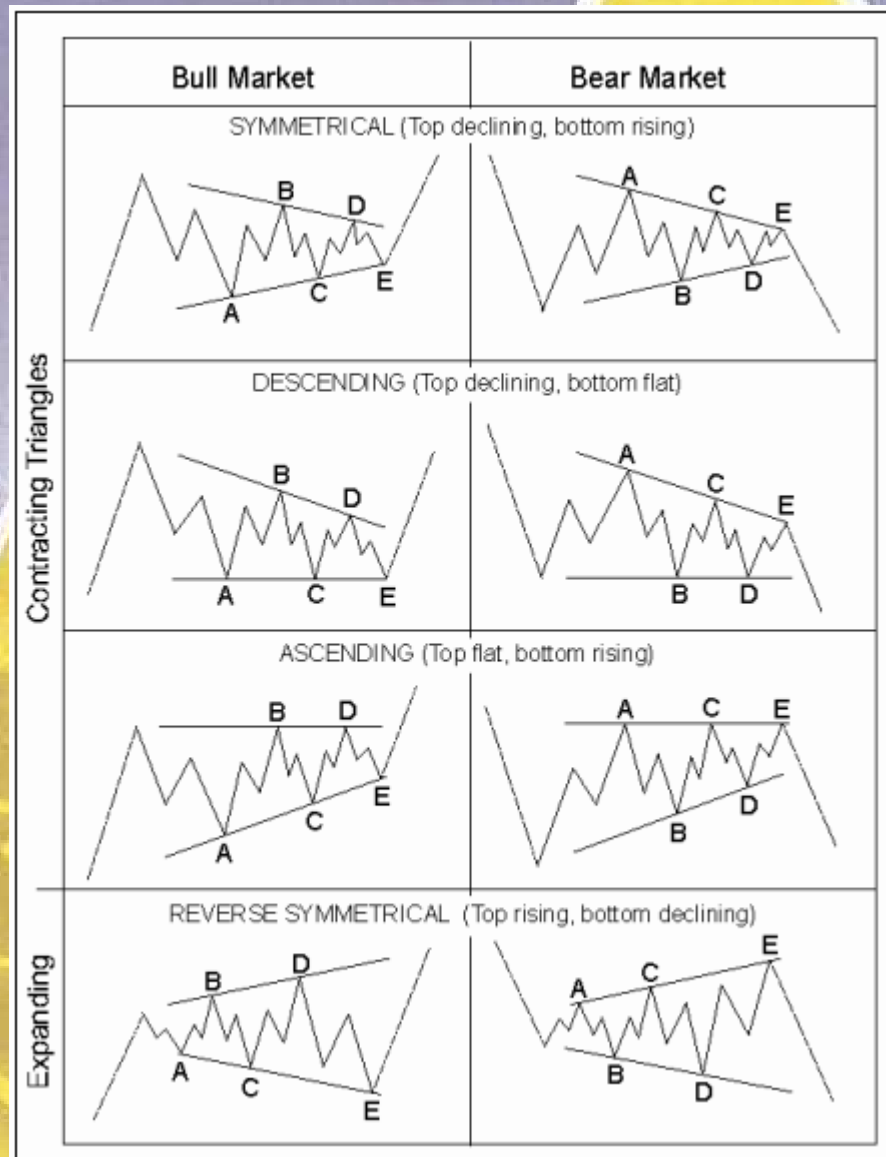
Sample



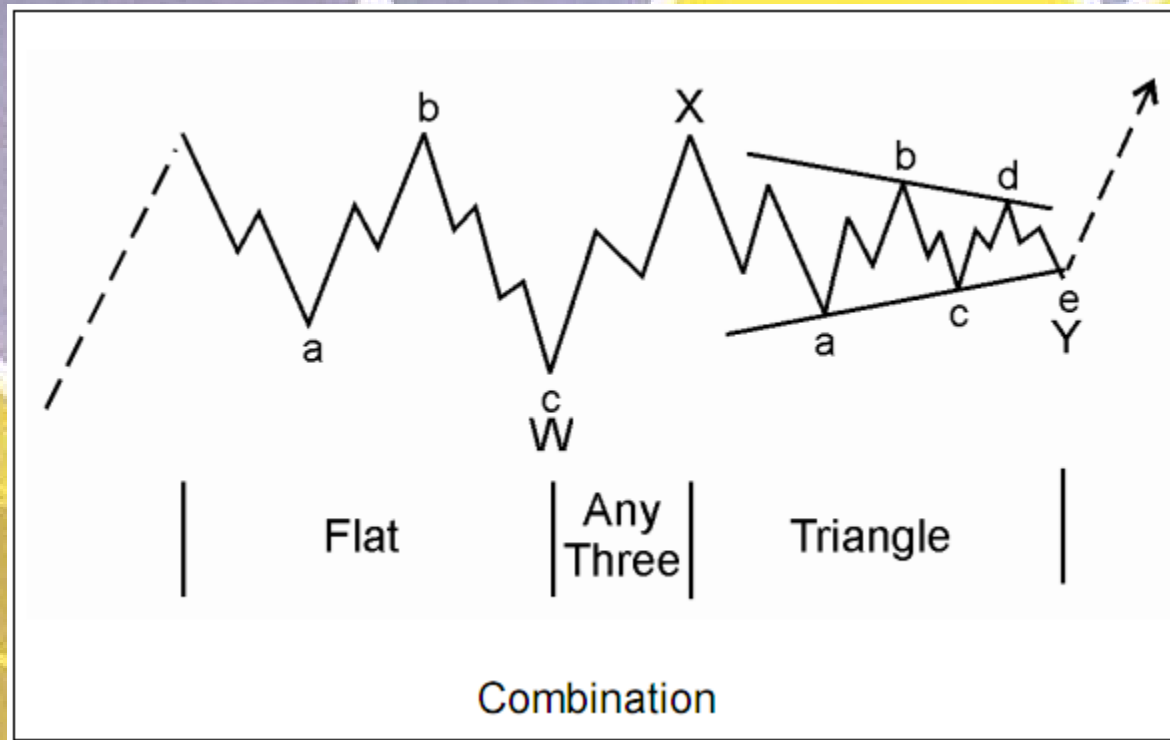
Corrective Waves



Corrective Waves

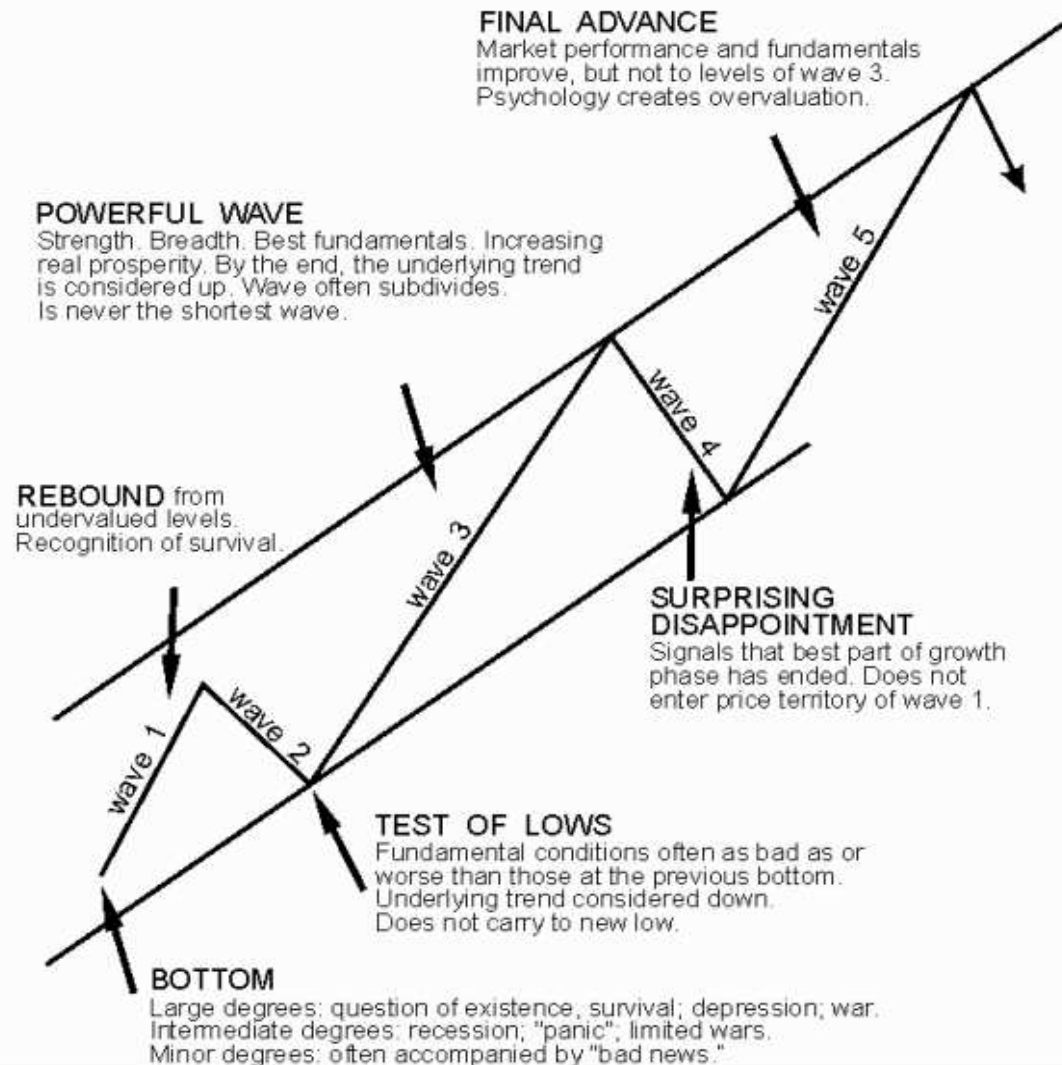


Corrective Waves



Wave Personality

Idealized Elliott Wave Progression



Wave Personality

Idealized Corrective Wave

TOP

Large degrees: prosperity and peace appear guaranteed forever. Arrogant complacency reigns.
Intermediate degrees: economic improvement, good feeling.
Minor degrees: often accompanied by "good news."

NARROW, EMOTIONAL ADVANCE

Technically weak, selective.
Results in non-confirmations.
Fundamentals weaken subtly.
Aggressive euphoria and denial.

TECHNICAL BREAKDOWN

Trendlines broken.
Viewed as buying opportunity.

WORST OF BEAR MARKET

Strength. Breadth.
Prices decline relentlessly.
Fundamentals ultimately collapse in response.



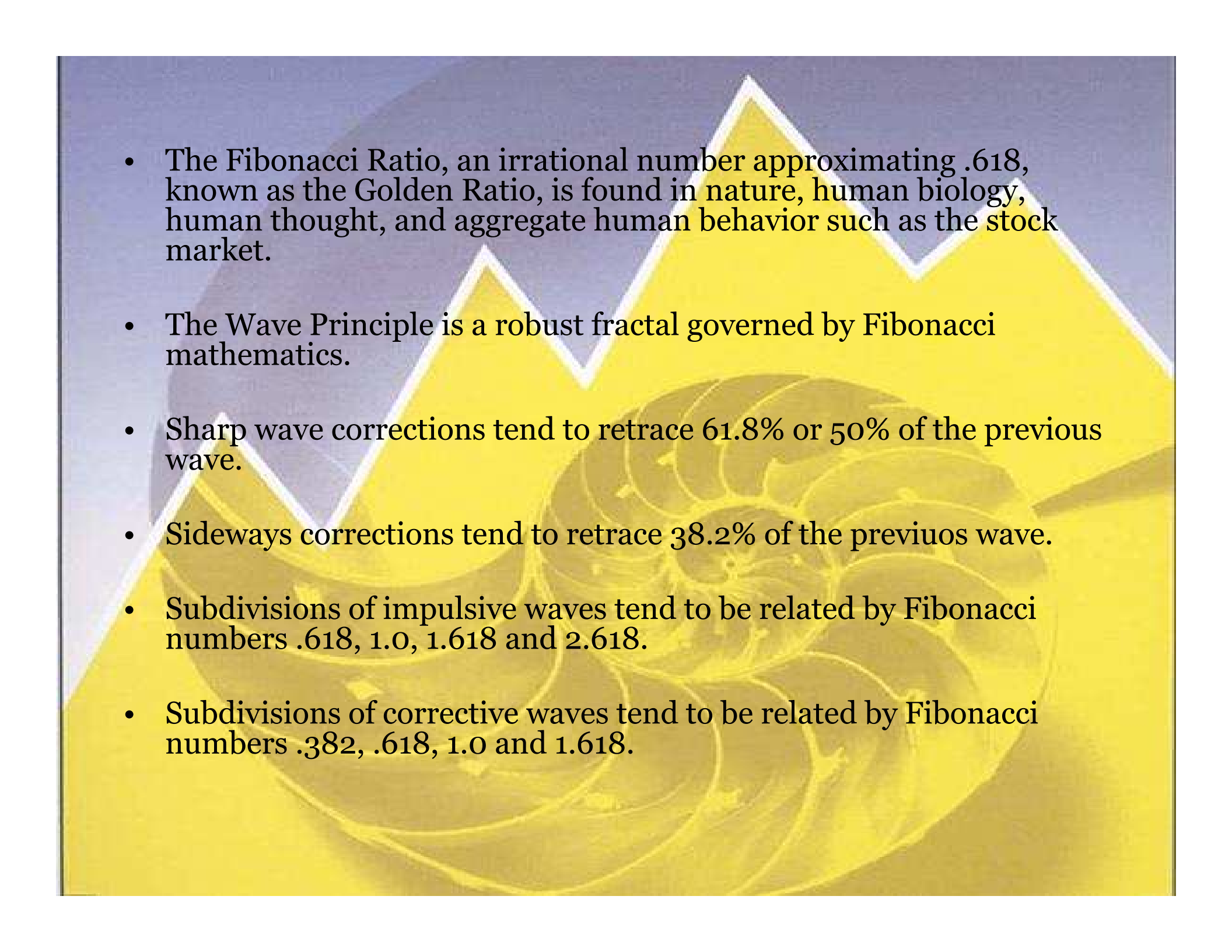
Fibonacci Relationships In Financial Markets

The Golden Ratio

PHI Φ

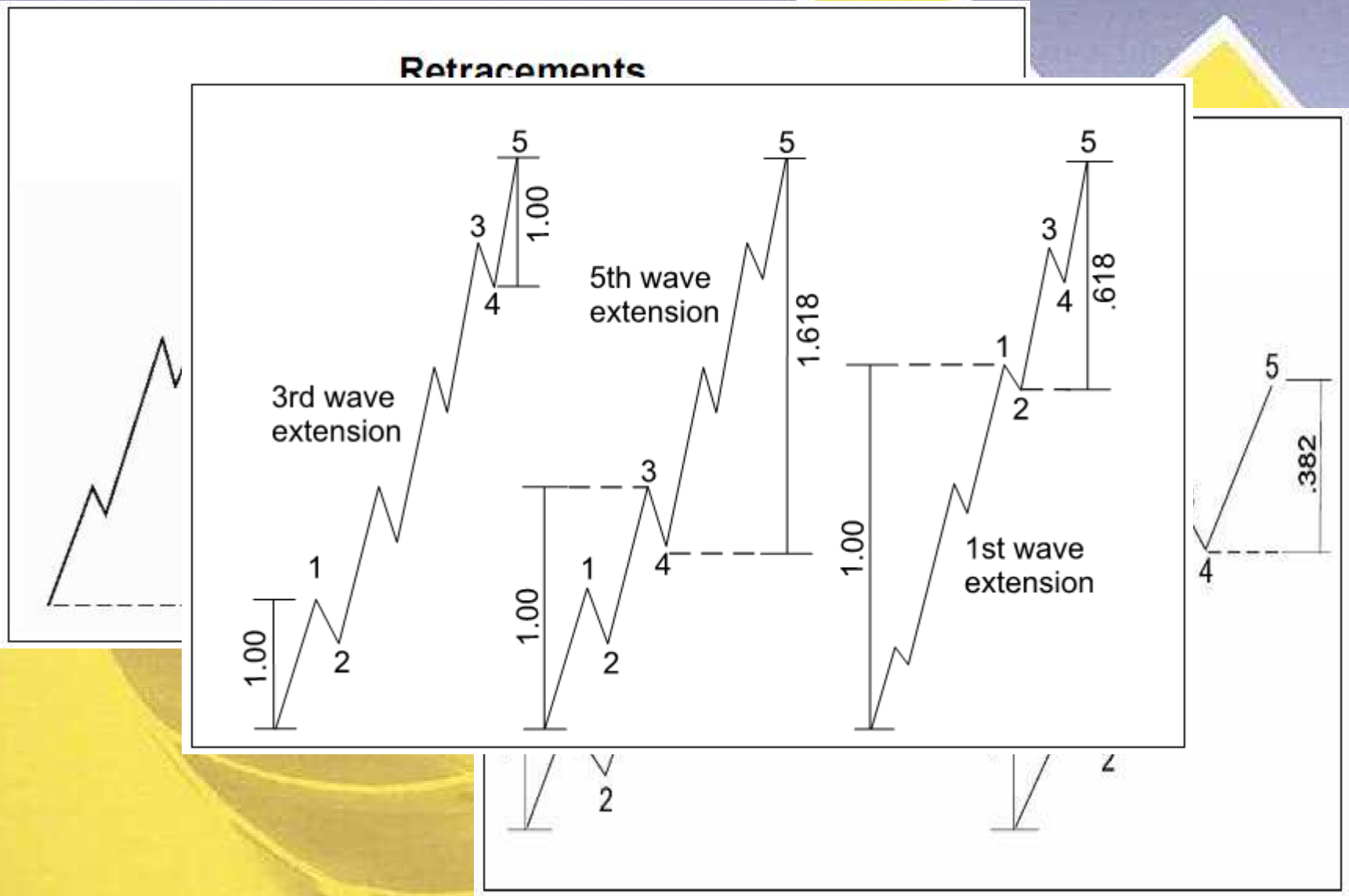
.618 or 1.618



- 
- The Fibonacci Ratio, an irrational number approximating .618, known as the Golden Ratio, is found in nature, human biology, human thought, and aggregate human behavior such as the stock market.
 - The Wave Principle is a robust fractal governed by Fibonacci mathematics.
 - Sharp wave corrections tend to retrace 61.8% or 50% of the previous wave.
 - Sideways corrections tend to retrace 38.2% of the previous wave.
 - Subdivisions of impulsive waves tend to be related by Fibonacci numbers .618, 1.0, 1.618 and 2.618.
 - Subdivisions of corrective waves tend to be related by Fibonacci numbers .382, .618, 1.0 and 1.618.

Retracements and Multiples

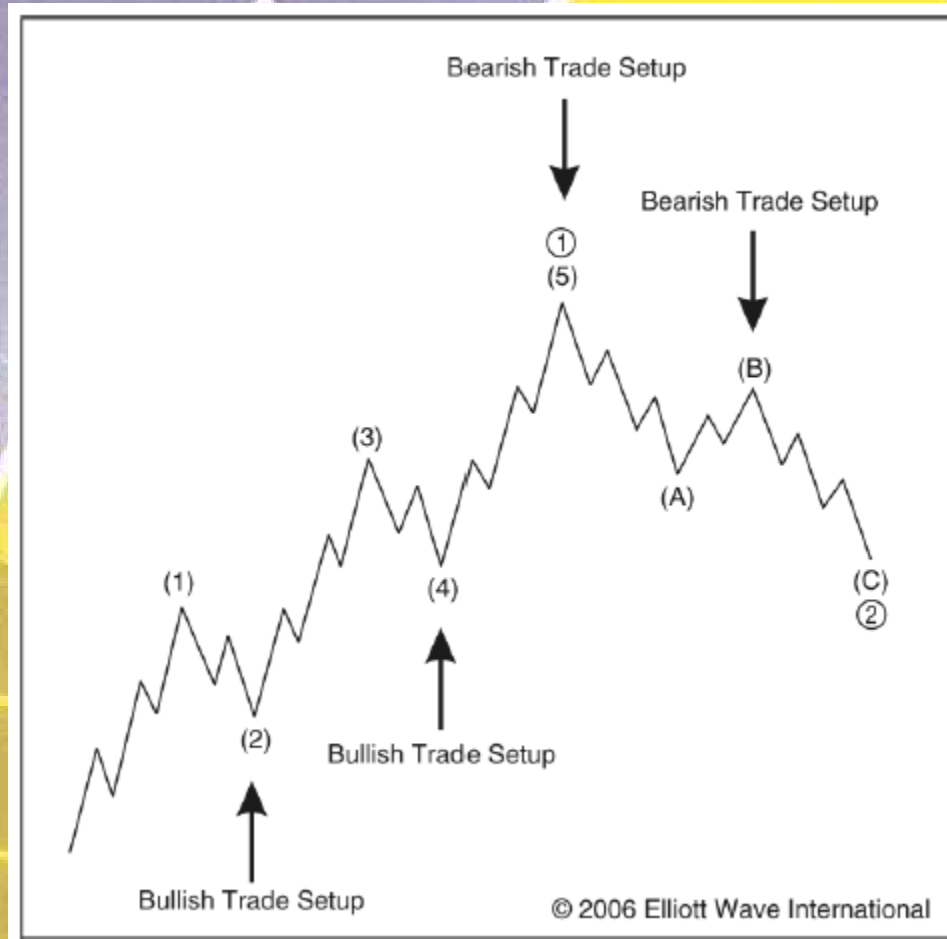
Retracements



How Does The Wave Principle Improve Trading?

- 1. Identifies Trend.** EWP identifies the direction of the dominant trend. Usually five wave move up (or down) determines that the larger trend is up (or down).
- 2. Identifies Countertrend.** A three wave pattern is corrective response to the preceding impulse wave. Knowing that the recent move in price is merely a correction within a larger trending market is especially important for traders because corrections are opportunities for traders to position themselves in the direction of the larger trend of a market.
- 3. Determines Maturity of a Trend.** Example: If prices are advancing in wave 5 of a five wave-advance, and wave five has already completed 3 or 4 smaller waves, the trader knows this is not the time to add long position. Instead, it may be time to take profits or at least to raise protective stops.
- 4. Provides High Probability Price Targets.** The Fibonacci sequence is the mathematical basis for the Wave Principle. Elliott Waves, both impulsive and corrective, adhere to specific Fibonacci proportions. These high probability price targets allow traders to set profit-taking objectives or identify regions where the next turn in price will occur.
- 5. Provides Specific Points of Ruin.** Or simply at that point a trade fails. Often by using 3 main rules.

Best Trade Setups

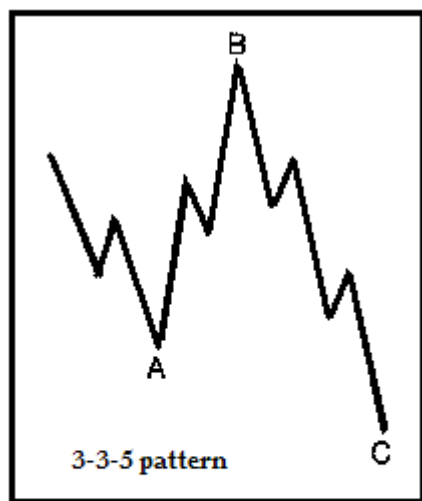


The background features a large, semi-transparent blue circle on the left side. Overlapping this and the right side are several bright yellow, jagged, mountain-like shapes with white outlines. In the lower right quadrant, there is a detailed, golden-colored nautilus shell, showing its characteristic spiral pattern and internal structure. The overall composition is abstract and geometric.

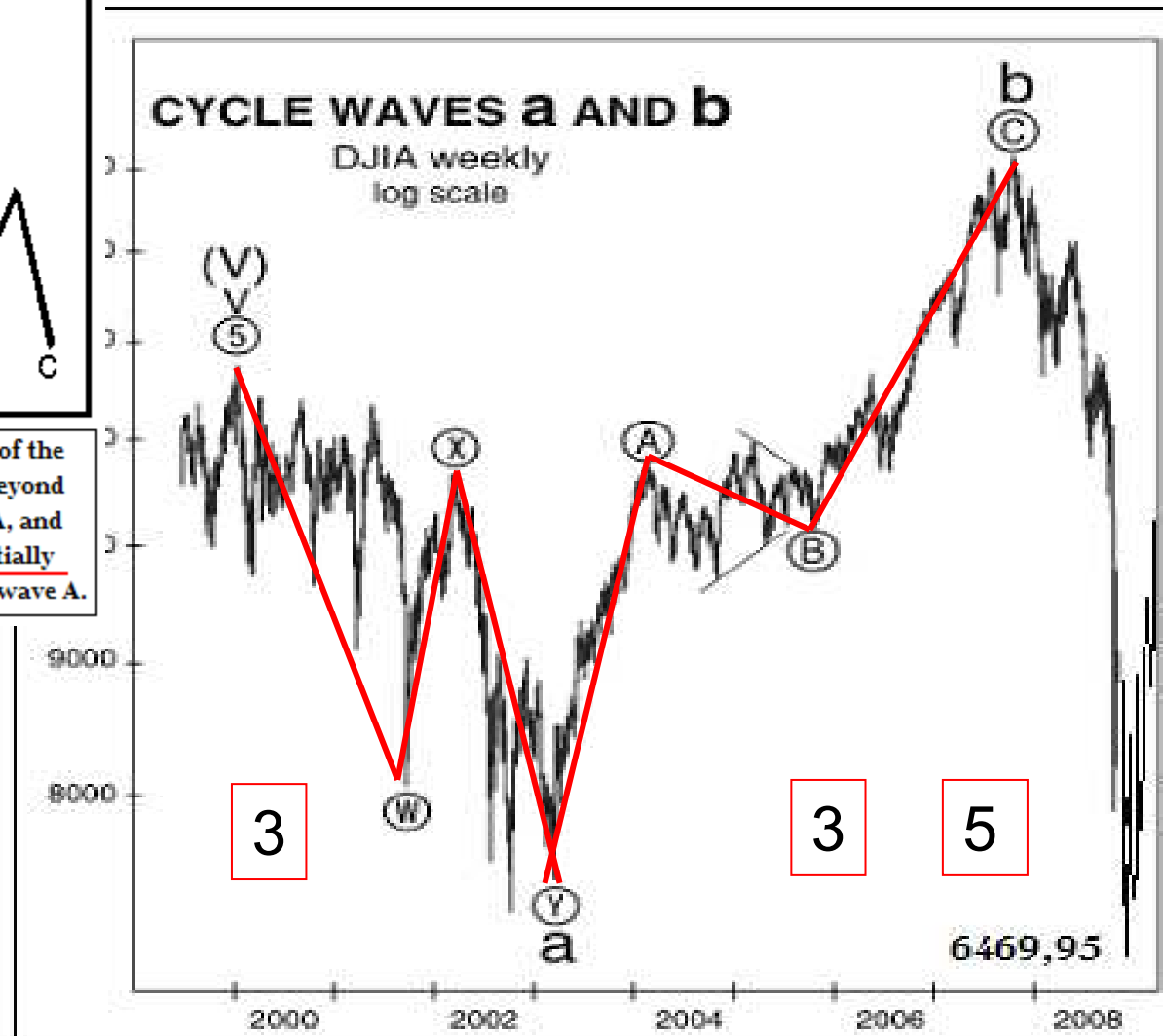
Part II

EW Analysis

Larger Diagree Counts



In expanded flats, wave B of the 3-3-5 pattern terminates beyond the starting level of wave A, and wave C ends more substantially beyond the ending level of wave A.



\$DJI Dow Jones Industrial Average 10,270.47 73.00 0.72%

D: 12/13/1999 O:11,224.70 H:11,383.74 L:11,124.39 C:11,262.63 R:259.35 Y:4,151.505



Missing Volume...

- “One of the platitudes most constantly quoted in Wall Street is to the effect that one should never sell a dull market short. That advice is probably right oftener than it is wrong, but it is always wrong **in an extended bear market swing**. In such a swing **the tendency is to become dull on rallies and active on declines.**” - *William Peter Hamilton, The Stock Market Barometer (1909)*
- “Volume tends to expand in the main direction of the trend. In a bull market, advances accompanied by increasing volume or declines on diminishing volume are taken to be bullish. Conversely, **in a bear market, declines are accompanied by increasing volume and advances show diminishing volume**. Volume should always be studied as a trend.” - *Richard Russell, The Dow Theory Today*
- “The bottom is preceded by a period in which the market declines on low volumes and rises on high volumes. **The end of a bear market is characterised by a final slump of prices on low trading volumes. Confirmation that the bear trend is over will be rising volumes at the new higher levels after the first rebound in prices.**” - *Russell Napier, Anatomy of the Bear (his study of the four great stock market bottoms of 1921, 1932, 1949 and 1982)*

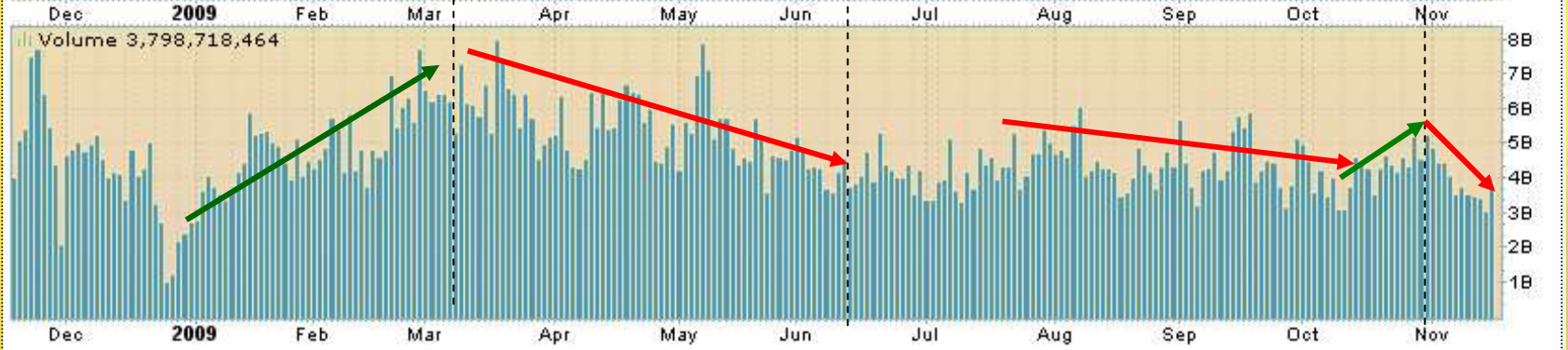
\$SPX (S&P 500 Large Cap Index) INDX

16-Nov-2009

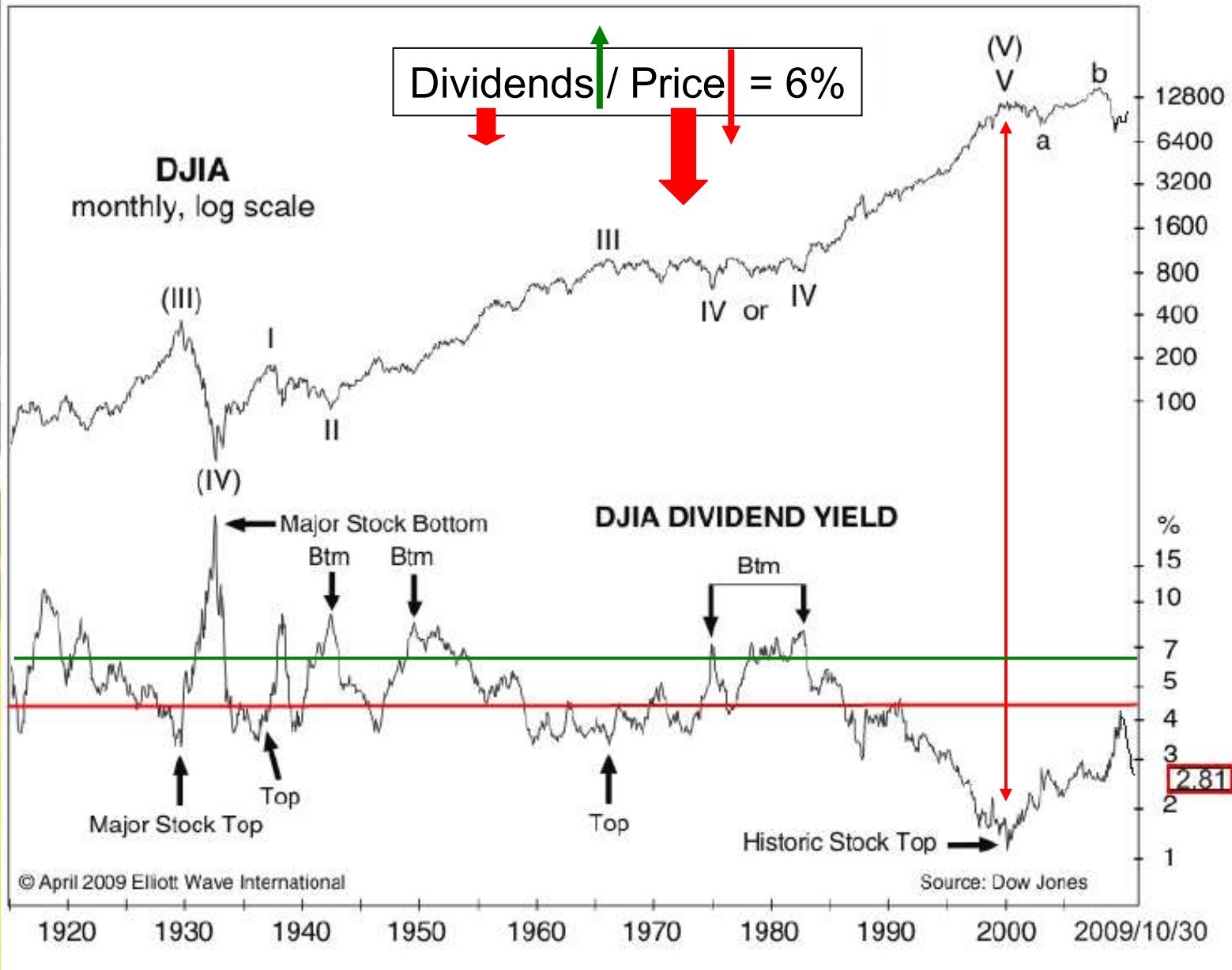
Open 1094.13 High 1113.69 Low 1094.13 Close 1109.30 Volume 3.8B Chg +15.82 (+1.45%) ▲

© StockCharts.com

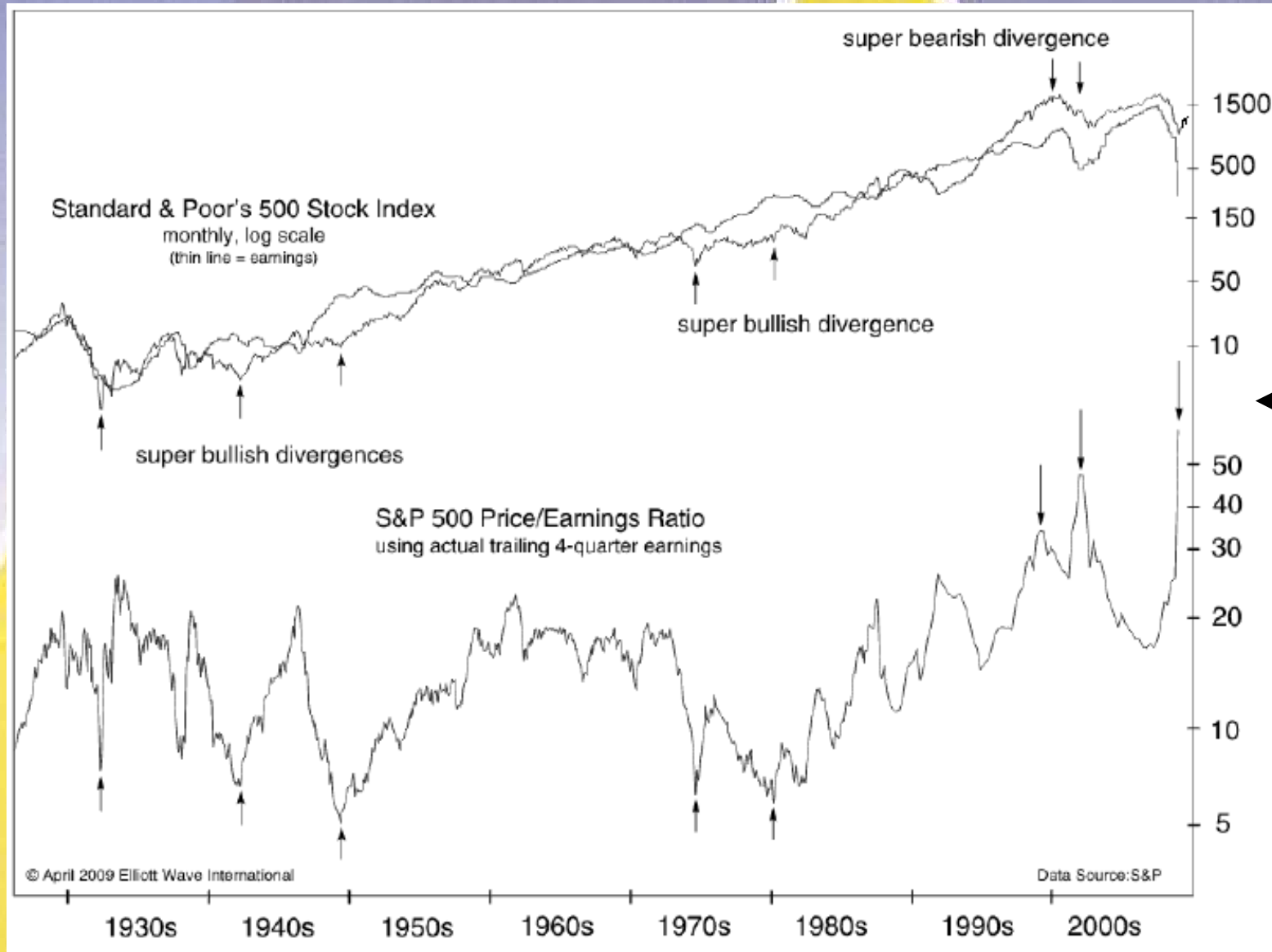
— \$SPX (Daily) 1109.30



Stock Market vs. Dividend Yield



Major-Trend Confirmation Signals From The P/E Ratio



*456 reported issues representing 90.95% of the S&P 500 market values

S&P 500 Statistics

As of October 30, 2009

Total Market Value (\$ Billion)	9,124
Mean Market Value (\$ Million)	18,248
Median Market Value (\$ Million)	7,635
Weighted Ave. Market Value (\$ Million)	75,767
Largest Cos. Market Value (\$ Million)	344,431
Smallest Cos. Market Value (\$ Million)	642
Median Share Price (\$)	31.800
P/E Ratio*	137.98
Indicated Dividend Yield (%)	2.09
NM - Not Meaningful	

*Based on As Reported Earnings.

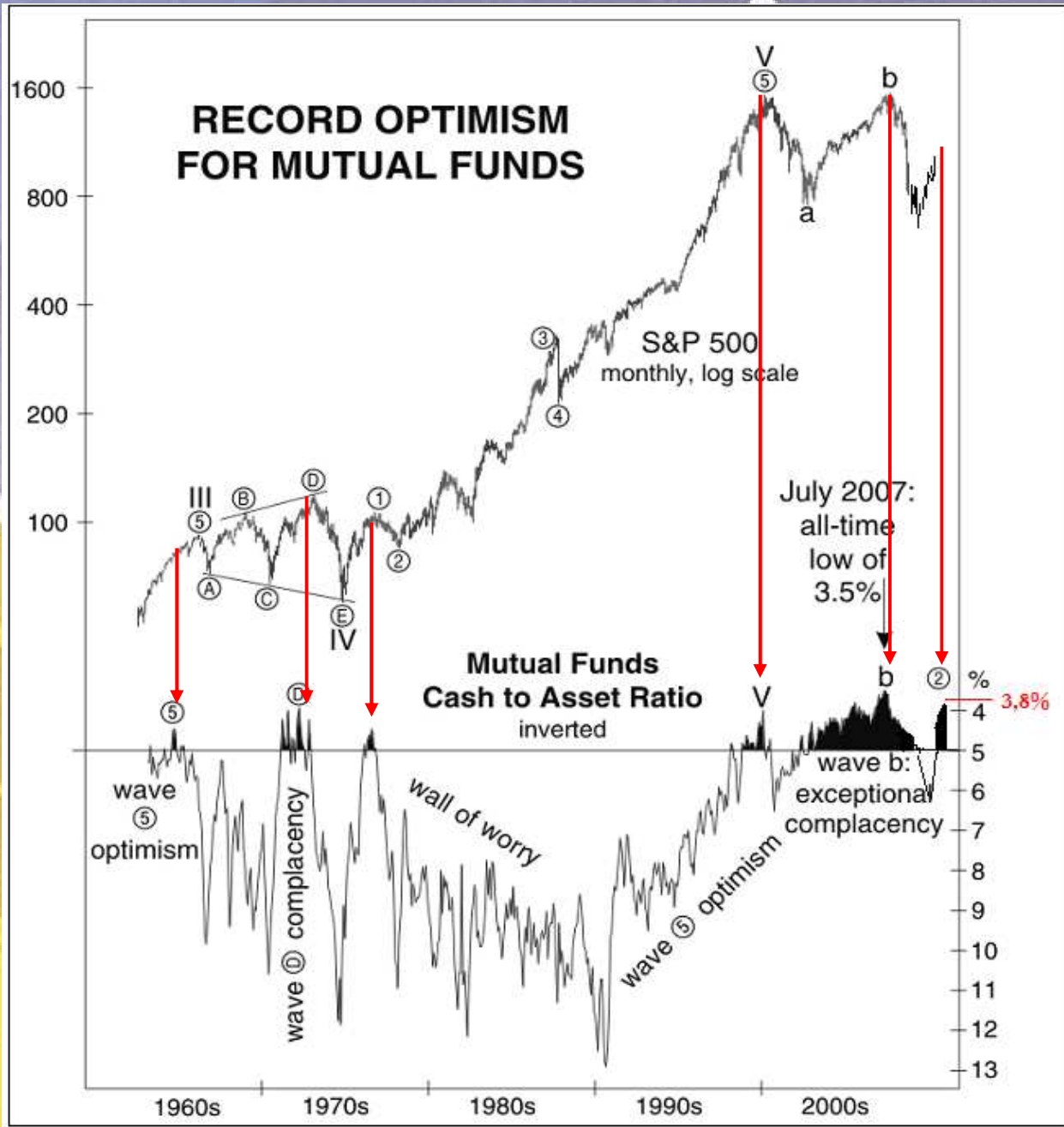
**STANDARD
& POOR'S**

THE CASH RATIO FOR PORTFOLIO MANAGERS MANAGING EQUITY FUNDS Have Sunk To 3.8%

United States: ICI: All Equity Funds: Liquidity Ratio (percent)



RECORD OPTIMISM FOR MUTUAL FUNDS



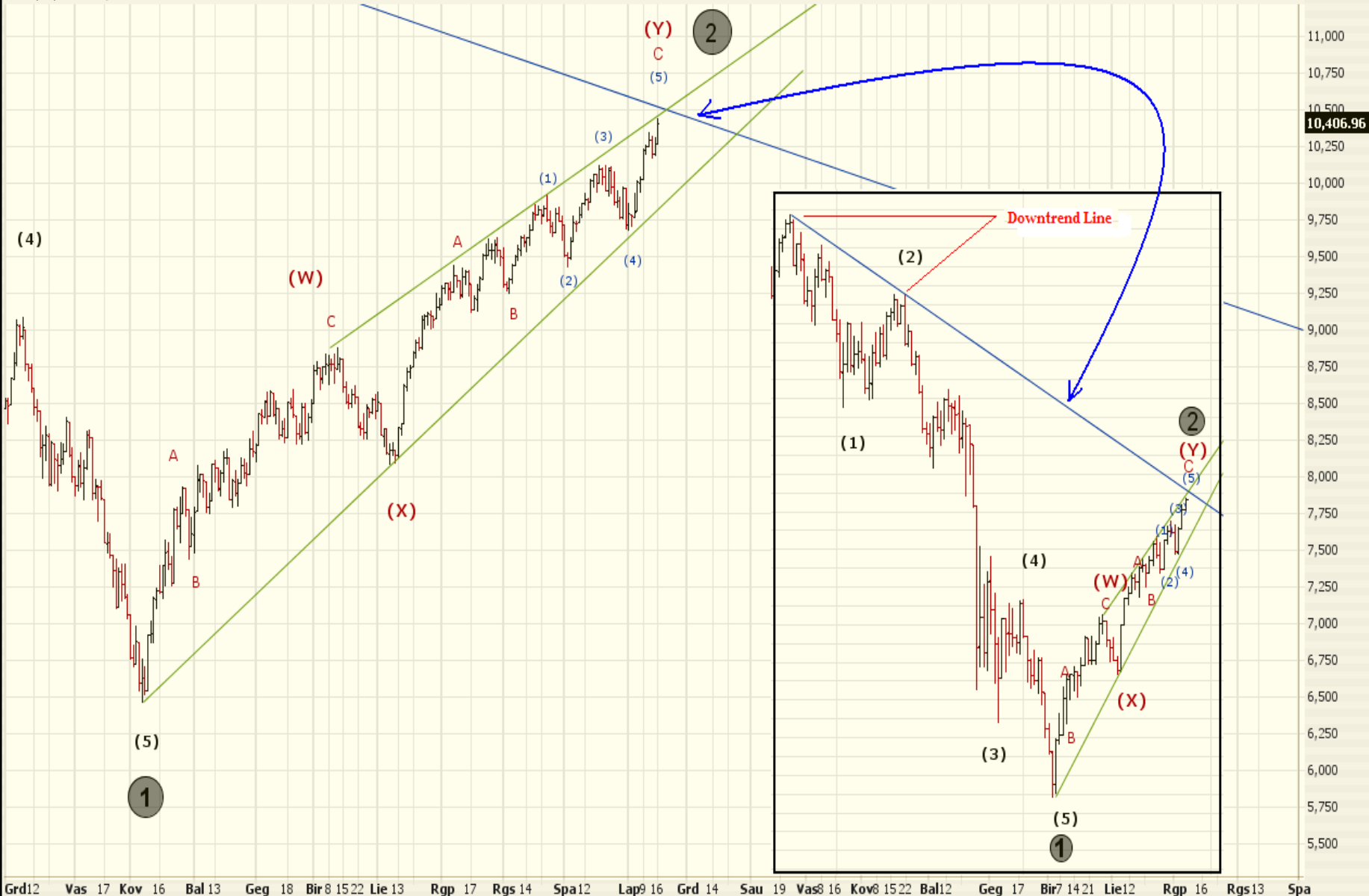
So, what to expect based on EW TA and current fundamentals?

- I guess we are currently in a late stage of topping process, so based on that, we got two alternatives:
- Worst Case For Bulls
- Best Case For Bulls

Worst Case For Bulls

\$DJI Dow Jones Industrial Average 10,406.96 136.49 1.33%

D: 10/01/2010 Y:5,280.663



Grd12 Vas 17 Kov 16 Bal 13 Geg 18 Bir 8 15 22 Lie 13 Rgp 17 Rgs 14 Spa12 Lap9 16 Grd 14 Sau 19 Vas8 16 Kov8 15 22 Bal12 Geg 17 Bir7 14 21 Lie12 Rgp 16 Rgs13 Spa

Worst Case For Bulls

IF:

- **Downtrend line will not be broken,**
- **Index will break down from the wedge,**
- **Volume will spike on the down-move,**
- **Waves from the top can be easily counted as motive – five waves.**
- **A drop to 9678,95 area will be initial sign of much deeper plunge.**

Best Case For Bulls



Best Case For Bulls

- **IF:**
- **Next down-move will be just three waves,**
- **Volume will continue to wane,**
- **Index still be wedging,**
- **Market sentiment will reach optimism extreme.**

TARGET ZONE

\$DJI Dow Jones Industrial Average 10,406.96 136.49 1.33%

D: 01/02/1900 O:68.10 H:68.10 L:63.30 C:66.10 R:4.80 Y:



Conclusion

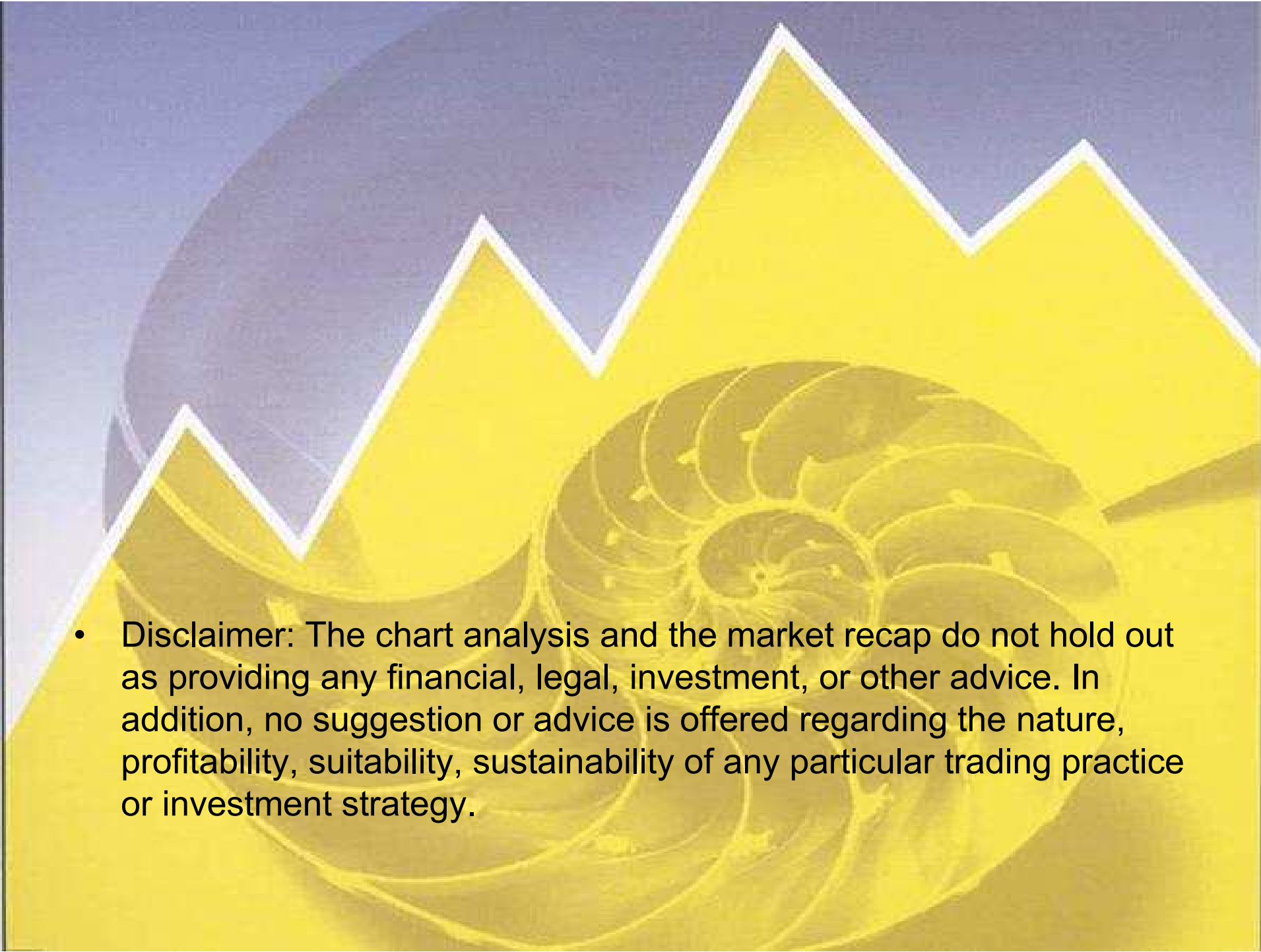
- ***EW Principle isn't crystalball, but it's very useful tool in Technical Analysis.***
- ***EWP is always used together with others TA indicators (to confirm wave labeling).***

Current Situation:





Ačiū už dėmesį

- 
- **Disclaimer:** The chart analysis and the market recap do not hold out as providing any financial, legal, investment, or other advice. In addition, no suggestion or advice is offered regarding the nature, profitability, suitability, sustainability of any particular trading practice or investment strategy.

Recommended Books



Elliott Wave Principle
Robert Prechter and A.J. Frost's groundbreaking investment classic hailed by reviewers as "the definitive textbook on the Wave Principle." It's the most useful and comprehensive guide to understanding and applying the Elliott Wave Principle.

\$29 value



Prechter's Perspective
The best way to get experience without risking your neck? Find a personal mentor who has the time and interest to teach you everything they know. Robert Prechter has spent three decades building his market wisdom, and he shares it with you here in an intimate Q&A.

\$27 value



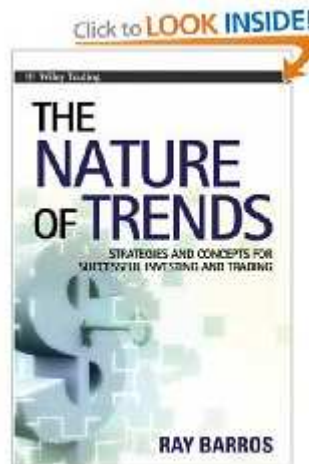
At the Crest of the Tidal Wave
At the Crest presents overwhelming evidence for a historic turn – a turn that will cause catastrophic loss to the unprepared and great rewards to the prepared. The Year 2000 edition includes over 50 pages of charts updating this volume through December 2000.

\$49 value



\$19.77

Fibonacci Analysis
~ [Constance Brown](#) (Author)



\$45.32