Trader Education Tutorial

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By Stephen Griffiths

How To Make Wave-4 Price Projections

The best **Price** and **Time** support areas arise where *different* relationships from *different* swings and *different degrees of swing* all *cluster together* in a relatively tight range. There are three prior swing relationships we can make price projections for a Wave 4 which include - Wave 3 (most recent completed swing), Wave 2 (1st Alternate) and Waves 1-3 (entire trend so far).

The Wave 4 projections using Wave 3 are:

- The *minimum* **Price** retracement anticipated is 38.2%
- The *typical* **Price** retracements anticipated are 38.2% or 50%
- The *maximum* **Price** retracement anticipated is 61.8%

The Wave 4 projections using Waves 1-3 (the entire move so far) are:

- The *minimum* **Price** retracement anticipated is 23.6%
- The *typical* **Price** retracements anticipated are 38.2% or 50%
- The *maximum* **Price** retracement anticipated is 61.8%

The Wave 4 projections using Wave 2 (1st Alternate):

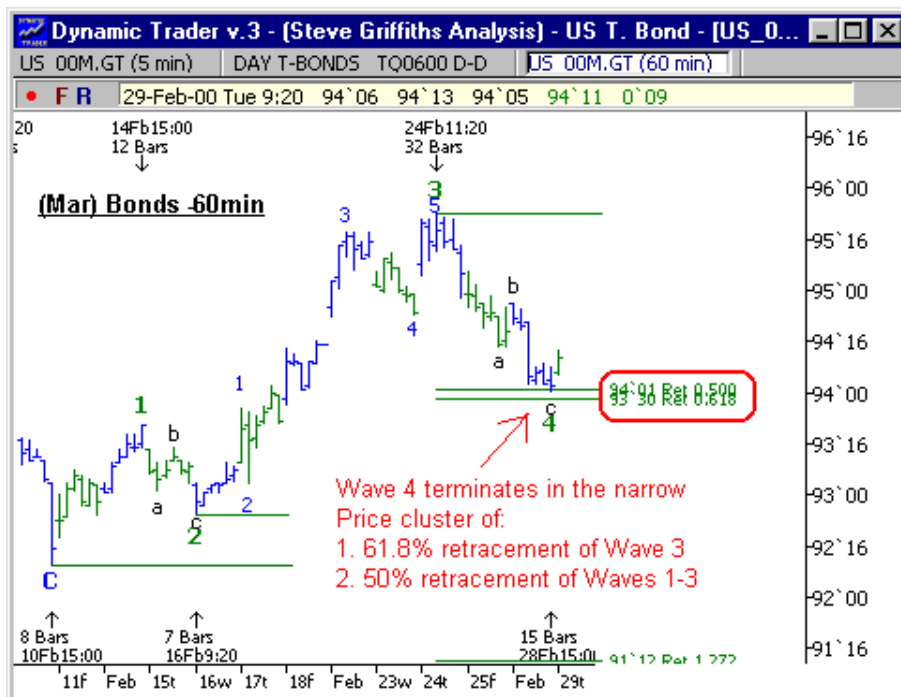We do not have any reliable *minimum* or *maximum* relationships of Wave 4 with Wave 2 but:

- Wave 4 is very often either 61.8%, 100% or 161.8% the length of Wave 2

And lastly, as a *maximum* **Price** retracement for Wave 4:

- Wave 4 should not close into the closing extreme of Wave 1 which is one of the Elliott wave guidelines.

Let's have a look at a recent example taken from the Dynamic Trader Report on a 60 min T. Bond Chart. I have chosen this example to demonstrate that all these techniques can be applied to all markets and on all time frames.

We make the individual **Price** calculations and see if the projections from different swings and different degrees of swing are *cluster together in a relatively tight range.*

Here we can see that this Wave 4 low terminated right in the *narrow cluster* of

- 61.8% Price retracement of the Wave 3 swing, and
- 50% Price retracement of the entire advance to date, Waves 1-3

Key Point

Although this example is now "after the fact", this set-up was reported "at the time" in the Dynamic Trader Report. This demonstrates again that all the techniques we apply to the markets are *leading indicators,* in other words you are always prepared *in advance* for the Price and Time areas to anticipate support and resistance and End-of-Wave price targets.
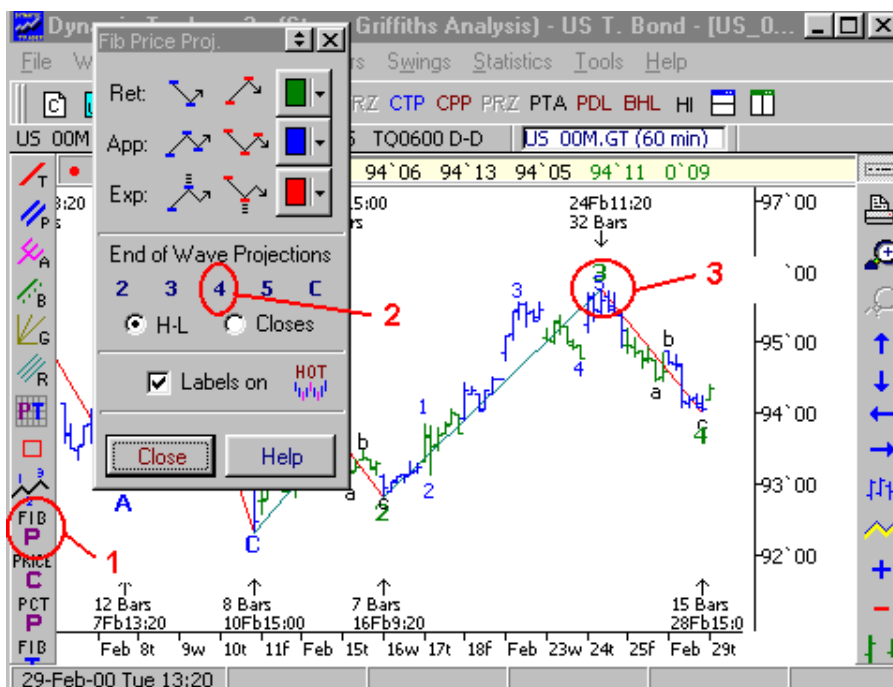
Summary

1. The *minimum*, *typical* and *maximum* **Price** targets for a Wave 4 can be clearly defined **in advance**.
2. The best and most reliable Price support and resistance areas are where individual calculations from different swings and different degrees of swing *cluster together in a relatively tight range*.
3. As a *maximum* **Price** target for the completed Wave 4, Wave 4 should not close into the closing extreme of Wave 1.
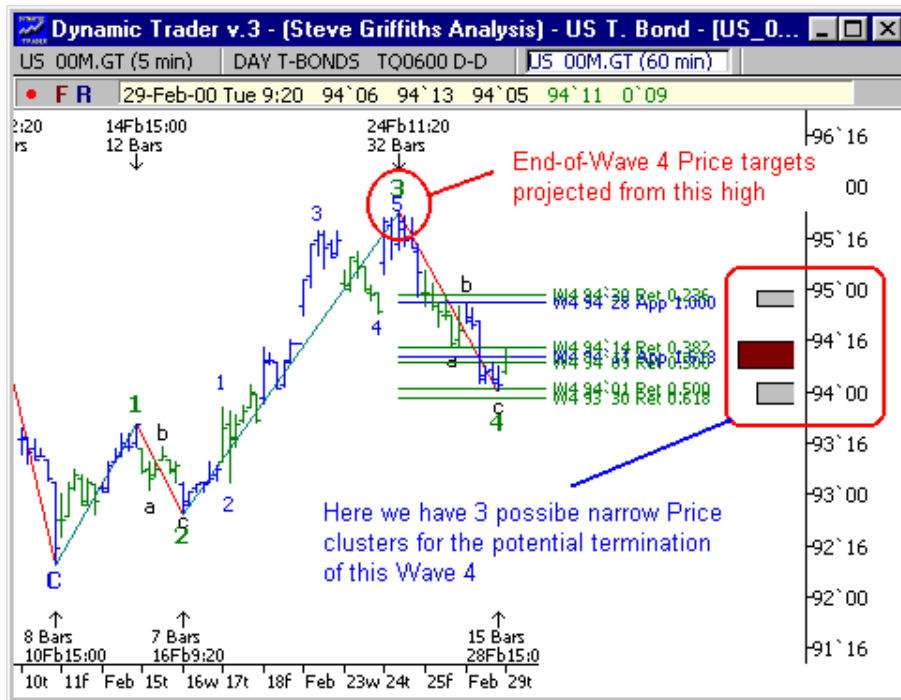
Dynamic Trader Software

In the second section of today's training tutorial, I will demonstrate how quickly and easily all the Wave 4 Price targets can be placed on a chart at one time with just a couple clicks of the mouse.

We use the same procedure for placing the Wave 4 Price targets on a chart as we did in the last series on Wave 3's with one of the unique tools found in the Dynamic Trader software program, the **End-of-Wave Price Projection** routine. The Wave-3 tutorials can be downloaded for free from the Traders Education archive.

We start with a chart and a swing file. A swing file simply connects the highs and lows on the chart.

We then click on the **Fib-P** button. This brings up the **Fib Price Projection** box, shown on the chart above. Next, we select the Wave we wish to project the Price targets for, Wave 4 in this example, and then double click on the Wave 3 high. This places all the Wave 4 Price targets on the chart.

Here we can see the End-of-Wave-4 price projections produces three narrow Price clusters for the potential termination of Wave 4 from the Feb 24 Wave 3 high.

How do we decide which of these three Price targets should terminate Wave 4? This question will be answered in next week's tutorial when I describe the **Pattern** characteristics of Wave 4's and how we use the subdivisions of Wave 4 to project in advance which of the three Price targets is the most relevant.