Elliott Wave
*From textbook to trading floor*

Robin Wilkin
Doubts, misunderstandings and a few tips...

- Elliott Wave is too subjective
- Analysts show too many alternative scenarios, or flip views aggressively
- Only good in hindsight – NOT if used properly
- **DON’T** try to be clever, manufacturing wave counts
- **DON’T** break the rules
- Be very careful and wary of micro intra-day wave counting
- Be very careful if you are just looking at one market in isolation
- Not sure if a 5 wave move is complete, try counting it backwards
- Remember technical analysis is a tool for making money in the markets
“If you don’t know where you are going, you’ll probably end up somewhere else”

Lawrence J Peter
EW provides me with a roadmap of the global market jigsaw...
Allowing me to assess probable outcomes by determining the current position within the larger structure.
I believe the key to successful application of Elliott wave is...

FILTERING
Why you need to filter...
Near identical structures for 2 bond markets

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**Graph 1:**
GDBR10 Index (Germany Generic Govt 10Y Yield) IFTA Daily

**Graph 2:**
USGG10YR Index (US Generic Govt 10 Year Yield) IFTA Daily
We now know the outcome...
What will you use to filter around Elliott Wave?

Day Trader

Long Term Investor

Hedger

Swing Trader

Other Technical’s
TOP DOWN
The big picture themes

Which markets best express that view
BOTTOM UP
Does the wave count make sense !!!!!!
The Structure of the Wave Pattern
The 3 Main Rules of Elliott Wave

- Wave 2 CANNOT retrace past the wave 1 low or high.
- Wave 3 is NEVER be the shortest (except in a diagonal)
- Wave 4 NEVER overlaps the top of wave 1
The basic correction patterns...

ABC Zig Zag

Regular Flat
or
Irregular Flat is when wave B makes a marginal and failed new low/high

Triangle
Trading with Elliott Wave

Initial 5 wave rally ideally breaks the sequence of lower highs

First buy opportunity occurs with a pullback developing a higher low

Exit longs and maybe look to initiate shorts

Reduce positions as wave 3 completes

4th wave typically retraces around 38% of wave 3 - provides 3rd buying opportunity

Depending on how wave A develops determines where wave B fails

Wave C targets at least the previous 4th wave lows, which is often between 38% and 50% of the 5 wave move

Aggressively add/go long
“You can observe a lot just by watching”

Yogi Berra
A few quick examples…
Irregular Flat Correction
Triangles...

POSITIONING was the key to suggesting the triangle wasn’t over.

Risk/Reversals
IMM/Flow of Funds

NOTE: The RSI NEVER got back below the magic over sold level at 20!!
Mutations... extending corrections
Outside of critical Elliott Wave levels I am very wary of using absolute specific support and resistance levels.

I watch Fibonacci cluster zones, channels, previous congestion zones and then provide slippage room around those levels...
A couple of walk-throughs...
An example of what happens when you’re lazy…
USDINR 1month fwd...

ELECTION RESULT AS EXPECTED, ALL GOOD NEWS PRICED IN
Sugar... reversal + triangle targeting 21-24. Food inflation

* POSSIBLE EL NINO

* BELOW AVG RAINS = SHORT FALL IN SUGAR
Sugar cont’d…

IGNORED POSITIONING !!
What about USDINR?
A Case study – The AUDUSD
1.1025 = 61.8% Fib of the entire decline from the 1974 highs around 1.4850
Copper – topped weeks before, as had Iron Ore
Copper Vs AUDUSD - Correlation
Baltic Dry Freight remained soft...
AUDNZD – Major reversal from key highs
What was the USD doing in general?
How to trade it off the top...
3month Vol was back to range lows...
Managing the short term swings...
A 5\textsuperscript{th} wave projection method I am mindful of...
The next phase...
Markets are always changing…..
Markets are always the same

“The world has changed and has always been changing. One of the things I write about in my books is, no matter what you think is true today, it’s not going to be the case in 15 years. You pick any time in history, 1900, 1915 and look at what everybody thought was the way the world is. Fifteen years later enormous changes had taken place all over the world in society, in politics, in wars, economics, everything.”

Jim Rogers
An analogy of Elliott Wave:

You can learn the right notes to play a piece of music on the piano, but only a few can play it well enough for people to pay to hear.

There is a rhythm and a harmony a proportion and balance in the movement of the markets and some people are just “wave deaf”, or can at least be “wave handicapped”.