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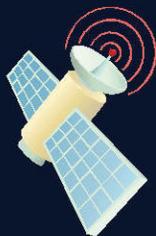
THE MAGAZINE FOR TRADERS & INVESTORS IN CFDs, STOCKS, OPTIONS, FUTURES, FOREX & COMMODITIES

Mar/Apr 2017

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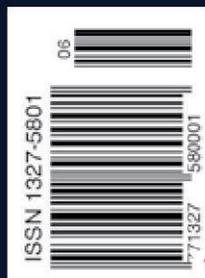
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3 SHORT-TERM TRADING STRATEGIES YOU CAN USE FOR QUICK GAINS

THE MOST IMPORTANT INVESTING LESSONS FROM WARREN BUFFETT- THE WORLD'S GREATEST INVESTOR



Elliott Wave Intra-Day Trading Approach by Dr Mircea Dologa

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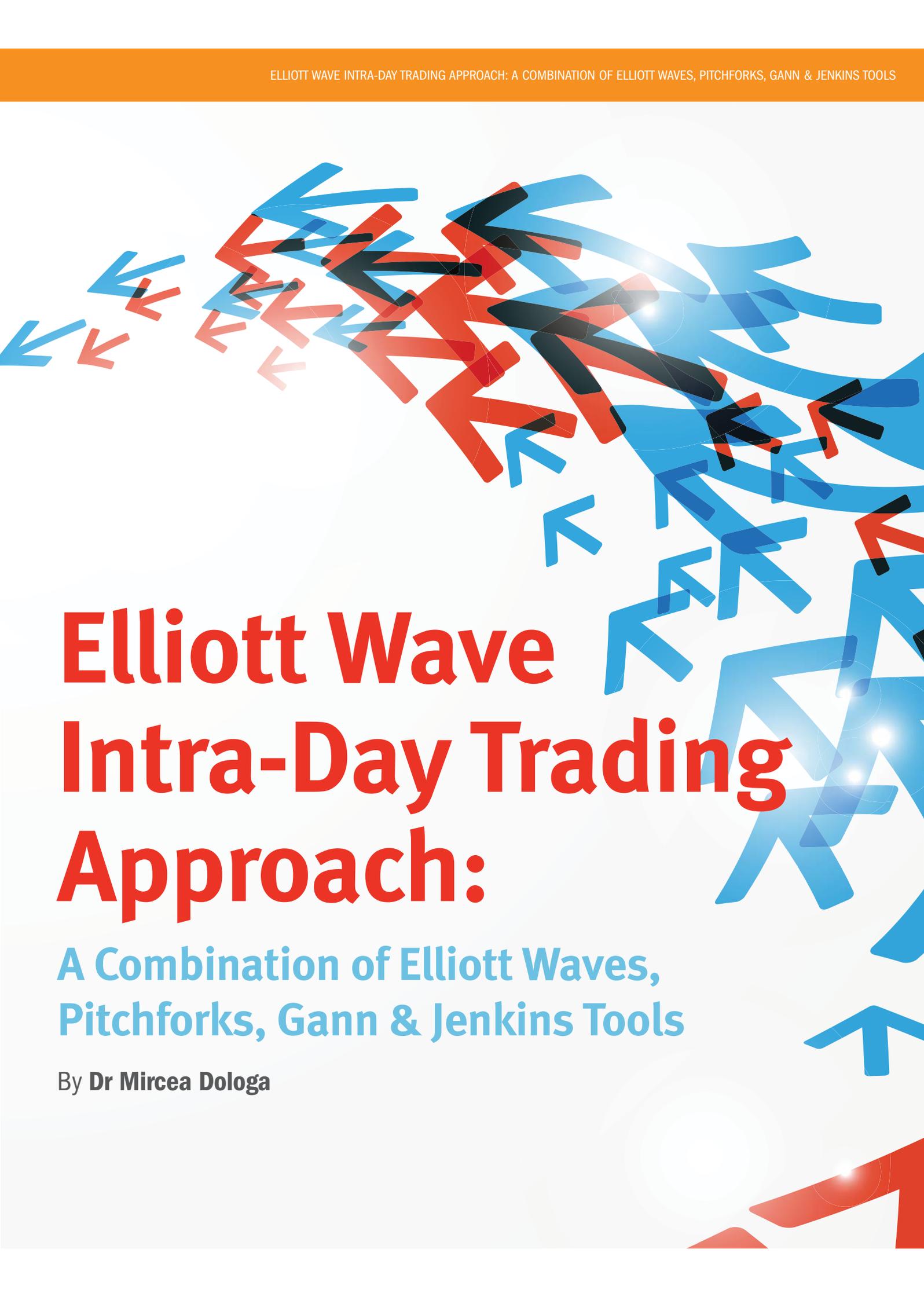
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Elliott Wave Intra-Day Trading Approach:

A Combination of Elliott Waves,
Pitchforks, Gann & Jenkins Tools

By **Dr Mircea Dologa**

My intra-day trading approach is mainly based on a method that I had created more than 20 years ago: *the Elliott waves* associated with a few *state-of-the-art tools*. I discovered this technique while I was searching for a profitable trading approach that would primarily work in the trending markets and also efficiently perform in the sideways markets.

Over the years, I had been using Elliott waves with the mentioned associative techniques. It appears that they are compatible and synchronic with an enhanced profit potential, which is better than using them independently. Some established professionals consider the outcome of these techniques as *“the ultimate associative tool to identify the actual vibration of the market trends”*.

In order to facilitate the quest for the low-risk high-probability trades, I had to further push the limits of these 20th century trading techniques. The result was there, under the shape of this *integrated trading tool* concept.

The above Dax Futures 15-min chart illustrates the decision taking process where both types of analysis were used:

- The Classic TA contributes here with its filled down gap, swing trend lines and the double broadening formations (expanding triangles), at the terminal portion of the chart.
- The Modern TA, expressed by our Integrated Pitchfork Analysis, pushes the analysis limit even further towards a higher probability of trading decisions:
- The Contextual Pitchfork of this trading scene was constructed from its pivotal anchor (P0), and the pivots P1 and P2. As we can observe, the median line drawn from the anchor through the midpoint of the P1-P2 swing was tested several times. The current market stopped right under the ML and closed below. Now, the trader is ready for a reversal – a short trade here – at the termination of the sub-wave w5 of the wave W (5) of the

FIGURE 1 – INTEGRATED PITCHFORK ANALYSIS IS A PROMINENT VECTOR OF MODERN TECHNICAL ANALYSIS.



terminal expanding triangle.

- The Elliott waves impulsive pattern – with its waves and sub-waves – informs us that the trend is in its last phase – wave W(5) – and is now prone for an imminent reversal,
- The Time meets Price Intersection, which expresses Gann’s deepest thoughts that in those moments, the trend will reverse, most of the time. This is illustrated at the termination of Elliott wave W(2), and beginning of wave W(3), where the market flow made an abrupt reversal due to the strong confluence (5587 key level) formed by:
 - The 50% retracement of the wave W(2) over W(1), $W(2)=0.50*W(1)$,
 - The 61.8% retracement level of the down-gap,
 - The 38.2% time relation of $W(2)=0.382*W(1)$

Liquidity & Volatility: Our Best Trading Allies

The choice of trading instruments is our

“bread-and-butter”! As I always tell my students: *“Any traded instrument has two Gods: The Liquidity and the Volatility”*. If you are not trained to reveal these two parameters for any kind of market, you could have the most performing approach and still not make money. In fact, you could lose money!

When I decide to select a new trading market, I always start with a search for the Gauss bell of the moving average on the volume of the 60-min chart. Most of the time, there are two of them: in the morning and in the afternoon. Due to the multiple trading sites all over the world, other markets have more than two Gauss bells, like the EUR/USD pair. The advantage of this approach gives us a jewel parameter: *the time-of-the-day*. It tells you when the market has its greatest volume, day-after-day, if you religiously follow it.

With this tip, trading is simpler. Once you know how to use it, I am certain it will become a daily routine! You will certainly find out more about when the market has

the greatest liquidity, and of course when it will betray some of its behaviour traits, especially if you'll go lower on the analysed time frames.

My favourite trading instruments are mostly located in the Futures markets: Dax, S&P 500, Russell 2000, main currencies, especially the EUR/USD pair, SPI 200 and others.

How many trading set-ups do we really need to practice?

Every market has its own behaviour; every time period also has its own personality. Both don't remain constant through the week. Moreover, a EUR/USD pair on a Monday morning trading period can be quite different from that of the Dax Futures. For instance, Dax Futures has two probable high momentum periods – in the morning and afternoon, after 15:30hrs CET at the S&P 500 opening. In order to catch the most of it, the trader must adapt one of their numerous techniques to the idiosyncrasy, not only of the traded market, but also of each *time-of-the-day* interval. All this is valid with two conditions: to use a common decisional tree and to have an exacerbated fluency of the optimal set-up to be instantly applied to a specific trading situation, whenever that occurs: opening, post opening or pre-close!

In order to give you a precise answer to your question, I can mention that I describe multiple trading set-ups along the 2200 pages of my Elliott wave four manuals (*refer to Excerpts at the end of this article*). To be more exact, they all have in common the decisional tree and the evaluated momentum degree based on three principles: directional or non-directional approach, support or/and resistance approach and the volatility approach. For instance, the latter books use original Elliott wave techniques, well described along several pages (see *Excerpts*).

Three Profitable Trading Approaches

The *directional trading approach* is closely related to the early detection of the trend. Like I already said, most of the traders can

FIGURE 2 – THE DIRECTIONAL TRADING APPROACH – A TREND CONTINUATION TRADE



enter a trend, not earlier than its first third. Any trader using modern Technical Analysis – Elliott waves, Jenkins & Gann methods, integrated pitchforks, etc. will realize that they can enter the trade, much earlier, possibly in the trend's first tenth lapse of time!

The above Dax Futures 240-min chart illustrates the decision taking process where both types of analysis techniques were used:

- The Classic TA contributes here with its 500-ema, ready to stop the market's fall. The Stochastics indicator signals the continuation of the down move, as long as its upward fluctuations don't exceed the 60% level; the fall is smooth, organized, well encapsulated by the Stochastics channeling!
- The Modern TA, expressed by our Integrated Pitchfork Analysis, pushes even further the analysis limits, towards a higher probability of trading decisions:
- The Local Pitchfork - describing the most current market flow of this trading

scene was constructed from its pivotal anchor (P0), and the pivots P1 and P2. As we can observe, the median line drawn from the anchor through the midpoint of the P1-P2 swing was tested several times. This is a warranty that the pitchfork is well drawn, and that it will optimally describe the down-sloping market flow. The current market stopped here, probably temporarily, at the confluence zone – around 5400 round number key level formed by the 500-ema, lower warning line WL-2 and the first upper parallel to the trigger line of the pitchfork. Here we have two scenarios: first – the most probable – the market will strongly break down the 5400-confluence zone, and second, the market flow will bounce on it. The former scenario is ideal for a short trade with a tight stop loss, just a few ticks above the WL-2. The latter up-sloping scenario, should also be ready to be considered – just in case – being represented by a long trade, with an entry just above the

FIGURE 3 - CLASSIC & MODERN TECHNICAL ANALYSIS (TA) SYNERGY



last low – around 5455 – and a stop loss just below it!

The *non-directional trading approach* is related to trading sideways markets, which are much more frequent than trending markets. This is always impossible to be done with the classic Technical Analysis, but its modern version does it easily, using Wyckoff's analysis based on his three fundamental laws: the law of demand and supply, the law of cause and effect and the law of effort versus result. It all comes to a more profound analysis of rectangles, but not only their formation, and composition, but also their extensions – an ideal manner to find multiple trading targets!

The support and *resistance trading approach* is a classic method. Despite this, the modern Technical Analysis can provide far more numerous and much more important key levels – resistances or support – besides those signalled by the classic Technical Analysis. We'll mention just a few of them: hidden Gann levels, floor pivots,

Gann levels issued out of Gann's square of nine and main levels (G1 to G4) and so on!

The *volatility trading approach* uses Average True Range (ATR) tool or dual Bollinger Bands technique. I have described it in detail in my latest book.

The above Dow Jones Industrial Cash Index monthly chart illustrates the decision taking process where both types of analysis techniques were used:

- The Classic TA contributes here with its seven exponential moving averages (100-, 133-, 150-, 162-, 180-, 200- and 300-ema) and the Regression Trend Channel having a Pearson coefficient of 0.94 (a 94% of the market flow is encapsulated by the channel).
- The Modern TA, expressed by our Integrated Pitchfork Analysis pushes the analysis limits even further towards a higher probability of trading decisions:
- The Regional, also named the Intermediate Pitchfork of this trading scene was constructed from its pivotal

anchor (P0) – the termination of Elliott wave W (5), and the pivots P1 and P2 of the opposite swing. As we can observe, the median line drawn from the anchor through the midpoint of the P1-P2 swing was tested several times. The swing of the Elliott wave (A) reversed right on the lower median line of the pitchfork on its way to perform the correction is represented by the wave (B). The upper trigger line of the pitchfork, drawn from the pivotal anchor (P0) and the P2 pivot, created a confluence at 10300-10500 key level zone formed by: the trend lines of the Regression Trend Channel, the 50% Fibonacci wave (B) correction level, the 27.2 Fibonacci correction level of the entire pattern level and the 100-ema level. It is highly probable that if the market reaches this zone, it will quickly reverse, thus giving the trader the opportunity to perform a very profitable short trade.

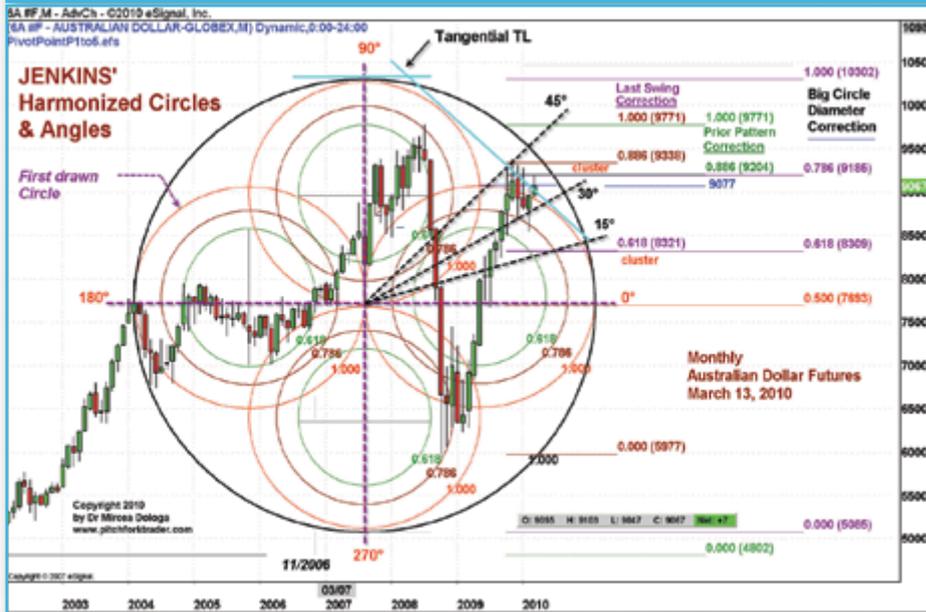
Tip: Think of the possibility that the market won't be able to reach this confluence zone; then be ready for an earlier reversal – called failure. In that case, the market drop will be very strong and the trader should trade consistent multiple contracts. The advantage is not only a good profit, but also a tiny bit stop loss. Its entire value won't exceed that of a normal trade; just be ready for a reversal pattern, as the market approaches the cluster zone!

- The Elliott wave impulsive pattern with its waves & sub-waves informs us that the trend is in its ABC corrective pattern, in the process of terminating wave (B) – is prone to an approaching reversal – the earliest would be January 2010.
- The main Gann levels – G1 to G4 - are well known to stumble... or more, the down wave (C).

Figure 5 illustrates the above Jenkins' Harmonized Circles & Angles several years later – March 2017. It shows that this technique is faithful across the years (2006 to 2017) to its behavior, giving constant and profitable trading information.

The above Australia Dollar Futures monthly chart (refer first to Fig. 4 and then to

FIGURE 4 – MODERN TECHNICAL ANALYSIS – JENKINS’ HARMONIZED CIRCLES & ANGLES – MARCH 2010



- The Modern TA, expressed by Jenkins’ harmonized circles & angles technique, pushes even further the analysis limits, towards a higher probability of trading decisions:

- The construction of this circular and angular structure started with the first circle on November 2006 and is based on the symmetry and on the harmonic vibration of the market flow. Despite this apparent visual complexity, once you get familiarized with the drawing principles, you’ll see that it’s not that complicated!

We can easily see that the impact on the classic TA cluster zone - see above – has been greatly emphasized by the occurrence of a confluence formed by this cluster plus the 45° angle, the oblique tangential TL of the upper & right quadrant circles and the horizontal tangent at the 9077 key level of right quadrant circle!

- The revelation of this confluence dramatically increased the probability of a short trade with a tight stop loss, just a few ticks above the zone, but only after the reversal pattern has occurred!

If the confluence zone – watch the volume – doesn’t halt the current high-steamed momentum, we are inclined to perform a long trade with an entry just above the zone and a stop loss below it!

- Tips: for better understanding of the above chart (Figure n° 4):

- The Prior Pattern starts on 4802 key level – not visible on the chart, but signaled on its left-lower corner. One can’t see the last candle of this pattern.
- The Circle’s Diameter’s Correction is done by correcting the diameter’s height (2 times the radius), from 5086 to 10302 key levels.

This big circle circumscribes the four smaller diameter circles. Everything starts with the drawing of the first small circle drawn on November 2006 – indicated with the blue arrow on the left side of the chart. Then we build the remaining three smaller circles in a way that all 4 diameters form a Cartesian coordinates system –called a

FIGURE 5

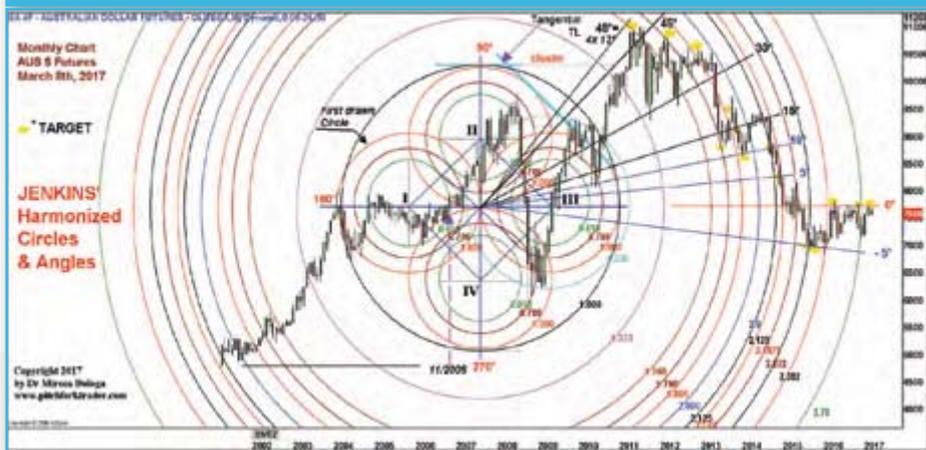


Fig. 5) illustrates the decision taking process where both types of analysis techniques were used:

- The Classic TA contributes here, just with the price Fibonacci ratio lines! They diligently show the 92-cluster zone!

FIGURE 6 – MODERN TECHNICAL ANALYSIS – JENKINS TRUE TREND LINES (JTTL)



A Word About Mr Jenkins' Modern Techniques

Michael S. Jenkins should be considered a living titan of Modern Technical Analysis. He has greatly contributed to the development of the Modern Technical Analysis. Not only has he enhanced the teachings of W. D. Gann, but he has also created new approaches for everyday trading and investing.

To summarise, Michael S. Jenkins' work, in concordance with our area of predilection, we will list: angles, arcs, circles, Gann Boxes and Jenkins True Trend Lines (JTTLs).

The most important thing to remember about Mr. Jenkins' principles is this:

"...trading is a game of strategy and just buying or selling everyday is only a 50/50 bet. If you wait for a time cycle or a "square out" then the odds can be 80% in your favor..."

Well... trying to coin a time cycle or a "square out" pattern – meaning drawing a square or squaring the time to get its corresponding price – is the job of the modern trader!

Most of Mr Jenkins trading tools are based on the "measured moves". They are oblique, horizontal or vertical segments, revealed from the occurrence of the swings. For circles, these segments will constitute their radii, which will turn-out circles that can be arranged to form a Cartesian system with two perpendicular axes (0° to 180° and 90° to 270°). The arrangement of 4 circles (refer to Fig. 4 and Fig. 5), right on these axes will be circumscribed by a bigger circle, which will optimally describe and closely follow the market – an ideal trading tool!

... Another Living Titan of Modern Technical Analysis

I wouldn't like to end this article without mentioning the name of Ms. Dawn Bolton-Smith, one of the founders and life-members of ATAA – Australian Technical Analysts Association, in Sydney – who greatly contributed to the development of Modern Technical Analysis through her multiple trading concepts: harmonized triple moving averages giving the "even stacking"

big CROSS, formed by the 0° - 180° and 90° - 270° axes – drawn on the chart! The purpose of this geometrical pattern is to better describe and follow the market. You'll be amazed of its precision in the arduous task of taking a trading decision!

The above Crude Oil Futures weekly chart illustrates the decision taking process where both types of analysis techniques were used:

- The elements of the Classic TA aren't present here.
- The Modern TA, expressed by the Jenkins True Trend Lines (JTTL), pushes the analysis limits even further towards a higher probability of trading decisions:

The construction of the JTTLs is based on the symmetry and on the harmonic vibration of the market flow through the price and time cycles. Despite this apparent visual complexity, once you get familiarized with the drawing principles, you'll see that it's not so complicated! The lines are constructed using the intersections of time and price cycle's multiples or sub-multiple trend lines, so affectionate by Gann. As calculating

elements, we employ the Gann's price Square of Nine – refer to my volume 3 book for ample details. The revelation of these progressively drawn trend lines dramatically increased the probability of a short trade from JTTL-1 till JTTL-2, and long trades aftermath, up to the current JTTL-11.

Currently, the market flow has reversed due to a time and also price cluster at the 82 key level. Much caution is required when taking an eventual short trade at this level – because of the "end-run phenomenon": the vicinity of Gann's G1 main level at 74 level, which coincides with the last two highs – a very strong support to be breached!

On the other hand, the trespassing of the 83.5 key Gann level, with huge bars and increased volume, could bring the market flow up to 102.7 level – another strong Gann level – thus inciting the trader to perform a long trade, with an entry at 84.0 key level and a stop loss at 82.5 key level. The corresponding JTTL should be immediately drawn when calculating the targets.

principle, Gann's Square of Nine further development, the importance of the hourly and half-hour time frames in the process of intra-day trading, the role of the *Point & Figure* and line *hand-made* charts with Gann and Jenkins angles.

The contributions made by Ms. Dawn Bolton-Smith are to be worshipped by colleagues and students. Her assiduous work training over three generations of traders on several continents is commendable. Her trading activity spanned over 45 years and she is a *living icon* in our *Hall-of-Fame*, doing even today the same work – *day-after-day* – like she used to in the 1960s... Her nickname "*The Iron Dame*" is fully merited...! She has my deep gratitude and admiration, because I am familiar not only with her profound work, but I was also blessed to have her in our trading room in Paris for two weeks.

Conclusion

The results of using these Elliott wave associated techniques are just amazing exceeding our highest expectations. It gives the trader a *real-trading edge*: market direction, high probability of revealing the optimal targets, the stop losses and the reversal levels.

Any trader using modern Technical Analysis – Elliott waves, Wolfe waves, Jenkins & Gann methodologies and integrated pitchforks will realize that they can enter the trade much earlier than the

public, in the trend's first tenth lapse of time, with a constant and worthwhile consistent profit! 

Dr Mircea Dologa began his investment and trading career in 1987. As a *Commodity Trading Advisor* and a *Registered General Securities Representative*, he subsequently founded a new teaching concept based on the practical aspects of trading. Member of several technical analysis associations, he may be contacted at mircdologa@yahoo.com or via his website at www.pitchforktrader.com.

The following video describes his work over a period of more than 25 years: <https://www.youtube.com/watch?v=6NE3Jlk8mzE>

