

## INSTRUCTIONS:

**The author will answer and post on this section any questions sent by the readers or Elliotticians!**

*1. Can we apply Elliott waves on any type of market?*

The answer is yes, but it deserves saying that they are best working in good liquidity markets.

*2. Is there a difference between the wave W3 of an impulsive non-overlapping pattern and that of a diagonal triangle?*

The wave W3 of an impulsive non-overlapping pattern has a 5-3-5-3-5 subwave structure and the wave W3 of an impulsive overlapping pattern has a 3-3-3 subwave structure. The wave W3 of an impulsive non-overlapping pattern can't have a three-subwave structure.

*3. Is there a structural difference between a wave W3 and a wave C?*

The answer is yes... The wave W3 of an impulsive non-overlapping pattern has a 5-3-5-3-5 subwave and the wave C has more frequently the same type of structure. However both can also have a 3-3-3-3-3 subwave structure when they are both forming a diagonal triangle.

*4. The wave W3 has the same behaviour in uptrend as in down trend?*

The answer is no... They may certainly have the same structure but not the same combustion behaviour responsible for market momentum. The up trending wave W3 has more difficulty to develop compared to wave W3 in downtrend. As they say "*it's easier to fall than to climb*". The main difference is the volume. The up trending wave W3 needs a certain amount of combustible and the down trending wave W3 may drop like a stone, without or with little volume. The only exception is the panic phenomenon when the down trending volume is exacerbated, which can match in value, the strong volume of a steep up trending wave W3.

*5. Is it correct to affirm that the last wave of a down trending impulsive pattern must always reach the lowest low of the pattern?*

Well... It depends!

In case of a classic non-overlapping pattern the last subwave [subwave v: (v): W5] will form the lowest low. On contrary, if the pattern is overlapping, the last subwave of the descending diagonal triangle [subwave c: (v): W5] may be failed and not reach the lowest low.

*6. Would you consider that a diagonal triangle has more chances to be profitable than a common non-overlapping impulsive pattern?*

The answer is yes... Trading the diagonal triangle, especially *an ending version* is a technique, which works very well, especially if the Elliott and Wolfe waves are monitored together.

**7. *Would you consider that the termination of a horizontal triangle has more chances to start a profitable trade than a common non-overlapping impulsive pattern?***

The answer is yes... Trading the *failed wave (e)*: W4 represents *an under-throw trade*. The technique is revealed by an attentive monitoring of the terminal portion of a horizontal triangle. The longer the duration, the more powerful the following wave W5 will be.

**8. *If you would have to name only one trading technique, which one would that be?***

Trading the *wave failure* is a technique that emphasizes trader's profitability; as price failure examples we mention: *morning top* lower than *yesterday's afternoon top* and *current afternoon top* lower than *morning top*. These examples are nothing else, but high profitability trades of an impulsive wave pertaining either to an impulsive or to a corrective pattern.

**9. *How would you define the fractal concept? Is it useful in understanding the Elliott wave principle?***

The fractal aspect of trading is simple, if one understands the "*entity-within-entity*" concept. They are interconnected; each of them is related to the next one by shape, size, complexity and interlinked mechanisms. In trading, all this is resumed to using multiple time frames, knowing the composition of a pattern with their internal waves, which in turn have their subwaves. Understanding the degree of dependence for each degree of entity becomes here essential. The fractal concept is also implied into the impulsivity/correction duality for every current movement.

These elements are bound among them with various functionality means, well represented in Elliott wave concept: proportionality, equality, alternation, action and reaction mechanisms and others.

**10. *Would you say that the art of predicting and trading a corrective pattern is based on a strict analysis of the previous pattern?***

The answer is yes... The art of predicting and trading an ABC- or an ABCDE-pattern goes through the full comprehension of the previous impulsive pattern and also of the first corrective wave (wave A). An internal 3 subwave structure of the wave A will signal a future flat or a triangle pattern, rather than a zigzag, whose wave A is characterized by a 5 subwave structure.

**11. *How would you approach the complex corrections from the point of view of composition and trading?***

The complex corrections are well known by most traders, as a very tricky trading situation. Finally, it all comes to a time- or a price-consuming structure, whose formation was already partially planned by the nature of the prior impulsive pattern associated with the current market intervention caused by eventual news or events.

The four elements of the complex corrections that have their importance will be: the type and behaviour of the past impulsive pattern, the finished structure (s) of the first or second simple corrective pattern, the nature of the first and the second linking wave X, the current forecasted termination level and the degree of pattern complexity (*double or triple three patterns*).

The first correction will give us a kind of a flavour of the entire future complex correction. In order to build any type of correction patterns (simple or complex), the market uses the time- or price-consuming factors.

As a price-consumption correction example, we will only mention the correction, which will follow after a failed impulsive wave structure or a wedge-type impulsive pattern (*ending diagonal triangle wave W5*). There will be frequently followed by a high-steamed opposite corrective momentum, responsible for a probable double zigzag or at least a simple zigzag, but with an extended (*or elongated*) devastating wave C.

**11. *Would you say that the power of cluster in trading is best used by the Elliott waves?***

***What will be the best methodology of using them?***

The answer is yes... We must be ready, every time the projections or extensions of impulsive or corrective waves are calculated, to make use of the cluster concept (grouped price levels) which can stop and reverse the market flow; the power of the cluster is proportional to the number of price levels. The experienced trader realises over time that the Fibonacci ratios cannot be properly applied without a strict but progressive monitoring methodology which is crucial in detecting the optimum levels of each cluster. The ratios don't have to be necessarily fixed but rather variable. When the price level corresponding to a certain ratio is broken (the market flux goes beyond the 0.50 level heading for the 0.618 level) one must assess if the next level has a higher probability of being more effective in reversing the market flow. The cluster strength is not the most important factor. If the internal structure of the ongoing wave is not complete at this level, the solid cluster won't reverse the market but it will rather cause a correction. The market flow might be stopped by the next cluster.

We can frequently notice multiple clusters whose levels can be computed ahead of time. The inexperienced trader will find it difficult to select the optimal cluster which will turn out later to be the terminal cluster responsible for stopping the market flow. They mistakenly select the closest cluster to the current level of the market. This selection is a logical process which takes into account a number of parameters. For example, it is advisable to plot a probable scenario for the development of the ongoing wave, using trend lines and applying the proportionality principle to its internal structure, a scenario which will later be confirmed or not, by the market flow.

**12. *Would you say that the moving average concept is a useful tool in Elliott wave trading process?***

The answer is yes... The moving average is an undeniable trading tool as it comes to the trend identification, its inception, development and its termination. It best identifies the steepness of a trend and its inflexions across the time frames.

Consider that the optimal choice of a moving average (*single or in group*) depends on the financial instrument (*more or less volatile*), operational time frame used and the studies of its fluctuations using progressive setting values.

The optimal setting value is detected by considering multiple choices. The most appropriate value is when the moving averages serves as support, resistance or reversing point. It's a heresy to use the same value day-after-day without checking it out before. For expediency purposes we use the pivotal moving averages calculated after the floor pivot formula  $(H+L+C)/3$ .

**13. *Some traders talk about trading secrets? Do they really exist?***

Be aware that the *secret of profitability* is not trying to guess, nor forecast the market behaviour, but rather to consider and implement a procedural routine, expecting the market to evolve under the patronages and guidance of *classic, failed or extended time/price coordinates*, within a pre-established Cartesian system.

***14. Is a horizontal triangle always a corrective pattern?***

The answer is yes... The drawn horizontal triangles following the classic technical analysis criteria, will greatly help the Elliott wave approach in establishing the main landmarks of the trend development and decision taking timing. However, keep in mind that it might also contain same-degree impulsive and corrective subwaves. The drawn horizontal triangles complying with the Elliott wave principle criteria, containing only corrective entities, represent genuine triangular corrective subwave, wave or pattern. We can talk here about a “*pattern within a pattern*”. The doubling of the triangle upper / lower limit (not drawn here) with their parallel lines, prolongations and apexes, constitute a reliable source of information on the trading arena.

***15. Is the wedge (a sloping triangle) always a diagonal triangle?***

The answer is yes... The drawn wedges following the classic technical analysis criteria will greatly help the Elliott wave approach in establishing the main landmarks in the market development stage and decision taking timing. However, keep in mind that it might also contain impulsive and corrective same-degree subwaves. The drawn diagonal triangles complying with the Elliott wave principle criteria, containing only impulsive entities, represent genuine triangular impulsive subwave, wave or pattern. The doubling of the diagonal triangle upper / lower limit with their parallel lines, prolongations and apexes, constitute a reliable source of information on the trading arena. Also, the terminal subwave c: (v): W5 of the diagonal triangle could make a very profitable day, if the trader anticipates through Fibonacci ratios, an under-throw, an limit-throw or an over-throw (listed here in their profit potential order).

***16. Can a circle (a time tangled with price entity) forecast boundaries and structures of next patterns?***

The answer is a big yes... To our knowledge and experience, the drawn Jenkins circles constitute one of the most efficient tools in using Elliott wave approach, hand-in-hand, with parabolic curves.

***17. If we have to summarize what would be the best procedures in Elliott wave trading approach?***

In order to take a highly profitable trading decision we have to use the most efficient tool. Avoiding the commonality principle would greatly enhance the clarity of our analysis:

- For *trending*: orthodox and unorthodox trend lines, contextual, regional and local pitchfork, channelling with its up/down extensions and 34-ema  $[(H+L+C)/3]$ ,
- For *reversals*: Parabolic SAR, Count Back Line (CBL) described in Annexes of the books and the quest for old high and low levels,
- For *R/S detection and targeting*: Fibonacci ratio levels associated with the R/S key levels producing multiple clusters concerning the immediate past and also the multiple time frame levels. We strongly advise the use of the Elliott wave trend lines and their extensions (W0-2, W1-3 and W2-4).

***18. Are the Elliott wave rules valid for overlapping and non-overlapping patterns?***

The answer is no... The three Elliott wave rules, concerning W2, W3 and W4 are valid for a non-overlapping impulsive pattern guided by the 5-3-5-3-5 structure. If the W4/W1 border line is breached, then the latter pattern will be converted into an overlapping impulsive pattern guided by the 3-3-3-3-3 structure. In this case, other rules will apply!

***19. Is it useful to analyze the market across the time frames?***

**The answer is a big yes... Be on the watch to closely study the last swing across the multiple time frames, in such a way that you will be able to reveal the main elements indispensable for a profitable trade: *the dominant market direction, the contextual and local momentum, the multi-level clusters with their resistances, supports and targeting.***

***20. What really means the words “expect the unexpected”?***

**Be aware that at any stage of a trade development, it may occur another market scenario, which will invalidate the current one! Don't fall in love with any scenario and be flexible, as much as you can!**