

God Bless ☺

Elliot wave and Sentiment

Notes inspired by
reading James Sautelle's
Sentiments in the Forex Market
and the wave principle
of Human Social
Behavior by Prechter
and Frost

Divine ratio "Golden section"

discovered by many civilizations . . . 61.8% and the remainder 38.2%
which exists within all nature . . . and in the mass
"behavioral continuum"

This "golden section" is expressed in the wave principle which
governs freely traded markets like FOREX . . . wow! ☺

(aside from short term volatility created by
news or events)

The ^{Forex} market is cyclical and moves between extreme swings of
optimism and pessimism . . . nothing is new under the sun . . . ☺

In trading, we must learn to conquer emotion, and use cyclical (Elliot)
and technical (price based) analysis to discover how the larger structure
(1 hour after studying weekly / daily / 4 hour price turns for location)
often setups in the smaller time frames. ☺ (15, 5, and 1 minute
for final entry point) [we trade in 1 minute]

Know that the first stage of learning is really learning about ourselves.
For example: when a fast moving candle in the prevailing trend appears,
are we impulsively opening a position? or do we have reasonable
confirmations of a motive/impulse wave growth movement, and
EMA (true) based on opportunity in structure signaled by a
momentum breakout in the 1 minute candles? ☺

So we need to learn to be honest with ourselves about trading strategy.
Our success in trading happens before we open a position.
If we make a mistake, it's not us . . . it's the strategy . . . so don't feel bad.

②

A couple of great quotes from Jamie Saettele's,
Sentiment in the Forex Market (John Wiley and Sons Inc. 2008).

that describes the expression of ~~the~~ "crowd behavior" that unfolds
into price chart waves ... fun ... "hmm..." crowd psychology"

"The herding instinct is a fact of human nature and manifests
itself in all of our speculative activities" (pg 2 Saettele).

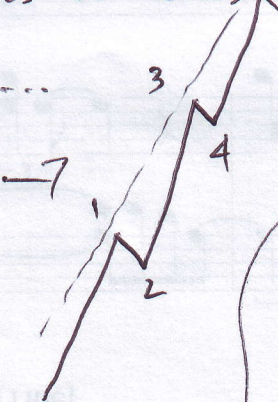
"This is the rule in all financial markets, where man's impulse to herd
creates extreme and unsustainable levels that ultimately lead
to a reversal" (pg 2 Saettele).

So these experts such as Elliot, Dow, Prechter and Saettele
are sharing with us that the idea that economic indicators
drive a financial market is not consistent with our empirical/
cyclical / price based / chart studies of emotional herding human
price behavior. The conclusion being proven over and over again is
that identifiable price wave patterns in freely traded financial markets
re-occur as examples of form and golden section relationships ...

61.8% and 38.2% ... This is why learning about Fibonacci analysis
relationships helps us ...

Interesting how the 3 trend wave impulses have a fibonacci relationship
as well as the 2nd and 4th waves of the 5 "progress" ...

progress occurs as "trend" like this ----



This is "directional" movement

Draw Trend line

wave 5 ends when it breaks the trendline wave!

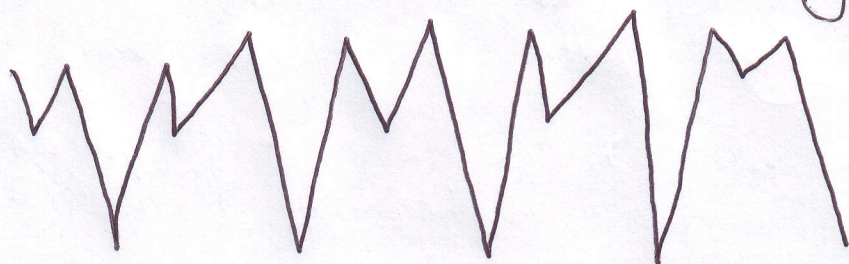
2 and 4 are there to "correct" or "adjust" price due to a need for balance of "value" speculation

studying
How each wave behaves gives up clues to our structure and helps us target

(3)

Here is kind of what the past 100 years of data ...

Actually 1902-1987 ... using Dow Jones Industrial Average



hmm ... !!

That's cyclical alright!

↑ wow this is pretty cyclical ... so when we read the news ... let's relax and remember that money moves through the system at various speeds based on what cycle we are in ...

"Swings of optimism and pessimism based on aggregate crowd behavior"

Apparently consumers contribute to just above 70% of the GDP. So when money makers/movers take the money out of the system ... the cycle continues...

O.K. - so on to our discovery of the wave principle which is based on the magic of the golden section (Fibonacci analysis)

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We use deductive reasoning ...

"process of elimination" when identifying recognizable wave forms ... what is the 1 hour structure ...? (Elliot recommended this)

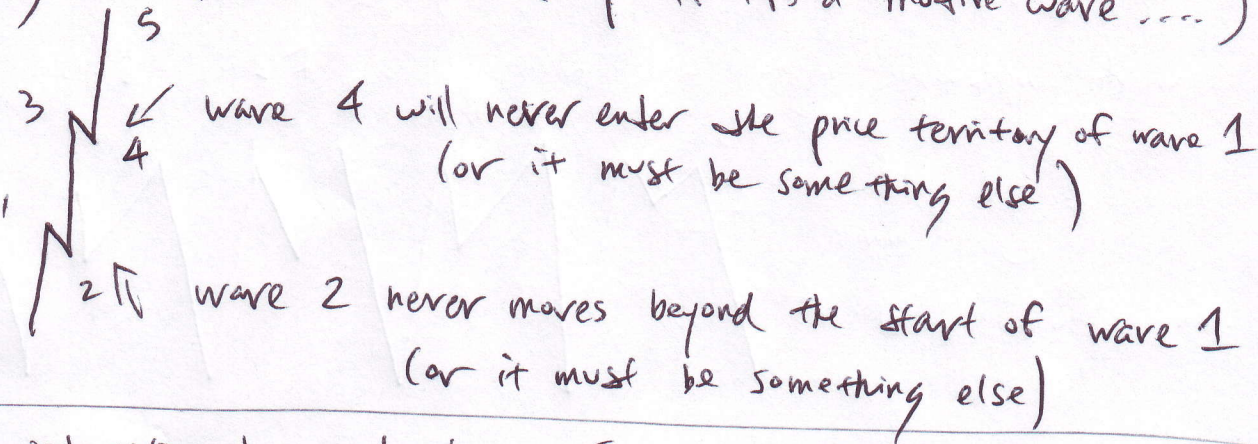
then where are we in 15 min, 5 min and 1 min?

we will seek to open positions with the prevailing trend, and with " motive " waves 1 - 3 and 5 .

... So by recognizing the structure, we can easier find and anticipate opportunity !!
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So 1st thing to know . . . ("if it's a motive wave . . .")

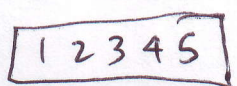
waves 2, 4 &
"correct" 1 and 3



By the way . . . interesting historical note . . . India and Arabia was blossoming in philosophy and mathematics during the "western" Dark Ages 476 to 1000 AD . . . In the time of Fibonacci 1100's, gold was the important currency (hmm . . . even had value back then) and the Mediterranean developed into a new world of commerce that was heavily influenced by India and Arabia. Fibonacci helped lay the foundation for western studies in (physics, astronomy, engineering). He discovered the "golden section" which had been known to many cultures before. The golden ratio exists within all nature in the Universe . . .

So the two kinds of wave development

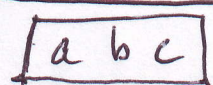
Motive : 5 waves



"impulsion"

and

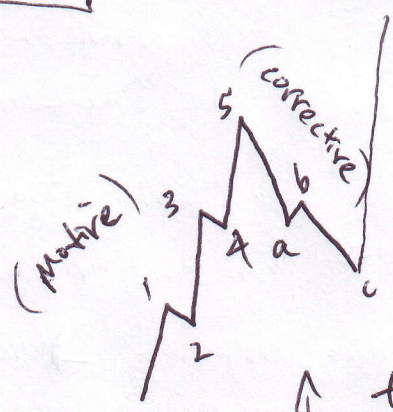
Corrective : 3 waves



"retracement"

"response" (corrects the 12345)

Cycle →

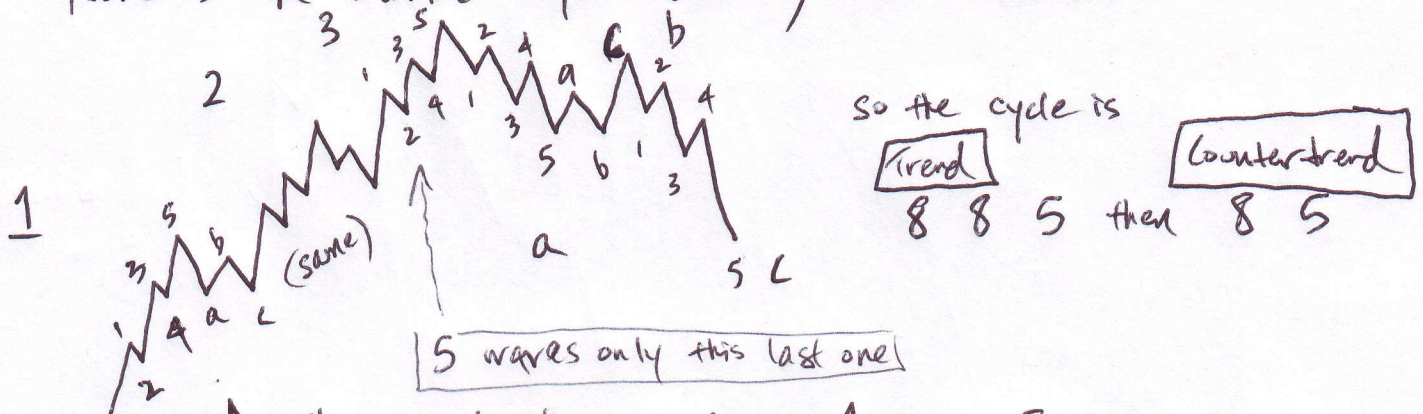


↑ This is our "8 wave cycle"

This cycle links together to form a larger structure - "degree"

⑤

Here is the market cycle showing the subwaves.



↑ this can also be viewed as 1 wave of the next degree

- ① Mark major weekly / Daily / 4 hour price turns and cluster areas. ☺
- ② Study 1 hour chart for overall structure timing
- ③ Study 15 min, 5 min, 1 min. for structure and potential momentum breakout setups ...

"what's the structure within the structure"

"plan the trade, trade the plan" "optimizing our risk management"

what's the plan? ... well we're working on it.

Grasshoppers for life ... ☺ Grasshoppers know things too ☺

Take care - - -