

Traders Education Tutorial

Wave 5 Price Projections

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Today I would like to start a section of tutorials on the Price, Time and Pattern characteristics of Wave 5's

As a five-wave impulse structure progresses, we have more and more waves to work with to make price projections for the termination of the next wave. With a Wave 2, we have the retracement of Wave 1. For Wave 3 and C, we have the Alternate Price Projections of Wave 1 or A and the External Retracements of Wave 2 or B. With Wave-4, we have retracements of Wave 3 and Waves 1-3 and Alternate Price Projections of Wave-2.

With Wave 5, we will make **Price** relationships of Wave 1, Wave 2, Waves 1-3 and Wave 4.

As with the **Price** and **Time** calculations for all the other Elliott waves in this series, the best support and resistance areas are where projections from different relationships from different swings *cluster* together in a *relativity tight range*.

Wave-5 Price Projections

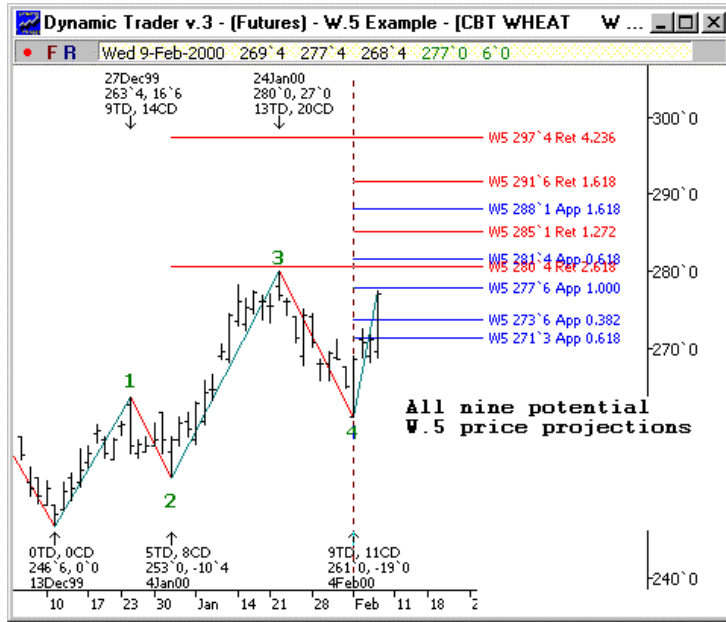
61.8%, 100% and 162% Alternate Price Projections of **Wave-1**

262% and 423% External Retracements of **Wave-2**

38.2% and 61.8% Alternate Price Projections of **Waves 1-3**

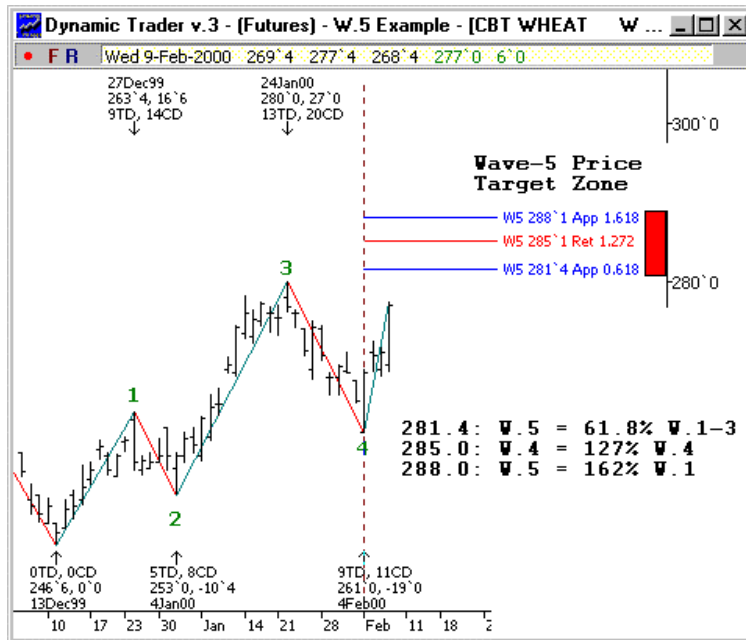
127% and 162% External Retracements of **Wave-4**

Let's have a look at a recent example of the Wave-5 price projections on a Daily chart of (May) Wheat. The chart below shows all of the projections described above.

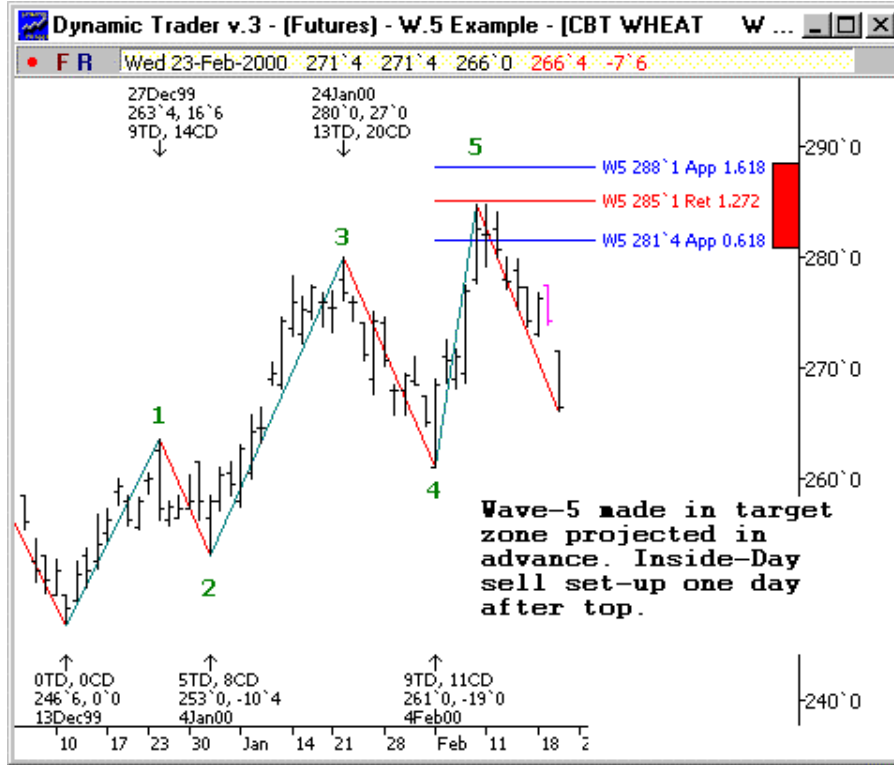


These nine projections are spread fairly evenly over a wide area. We can eliminate all of the projections that fall below the Wave-3 top as the assumption is always that Wave-5 will exceed the extreme of Wave-3.

The next objective is to determine the high-probability zone from the remaining projections. It is really quite easy. Pick the zone that includes one projection from 3 or 4 of the sets of projections described above. That zone would be 281-288. The chart below shows that zone and a description of each of the three projections.



Note how the zone included a projection from the Wave 13, W.4 and W.1 sets. How did it turn out?



The top was made right in the W.5 target zone projected well *in advance*. The day after the top which was made right in the mid-range of the target zone, wheat made an inside-day sell-set-up for a potential short position. Wheat then began a sharp decline from the target zone.

Key Point

While it may seem that that this is an idealized “after the fact” example, this example was taken from the Dynamic Trader Report where Profits were taken from the long position initially entered at the Wave 4 low. Wherever possible all these training examples are taken from real life recommendations and analysis performed “at the time” and published in the Dynamic Trader report.

By having high-probability price targets for any trend or counter-trend, we can both bring stops on a current position close to the market if a target zone is reached and/or consider a trend-reversal trade at the target zone.

Next week I will continue with a look at the Time characteristics of Wave 5’s, hence enabling us to project in advance the high probability Price and Times of both where and when Wave 5’s are likely to terminate.

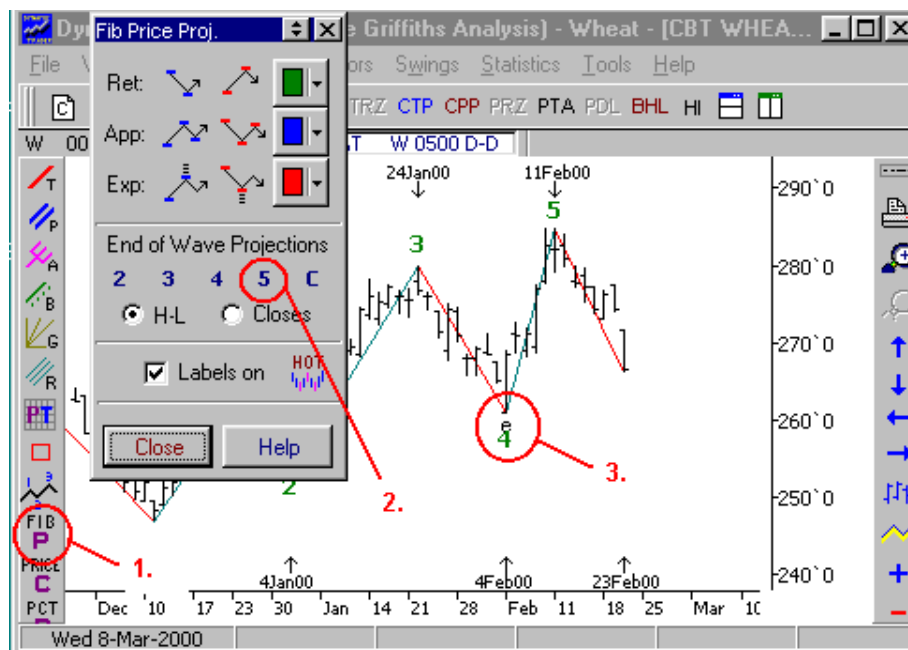
Summary

1. The **Price** targets for a Wave 5 can be clearly defined **in advance**.
2. The high-probability Price target zones are where individual projections from different swings and different degrees of swing **cluster together in a relatively tight range**.

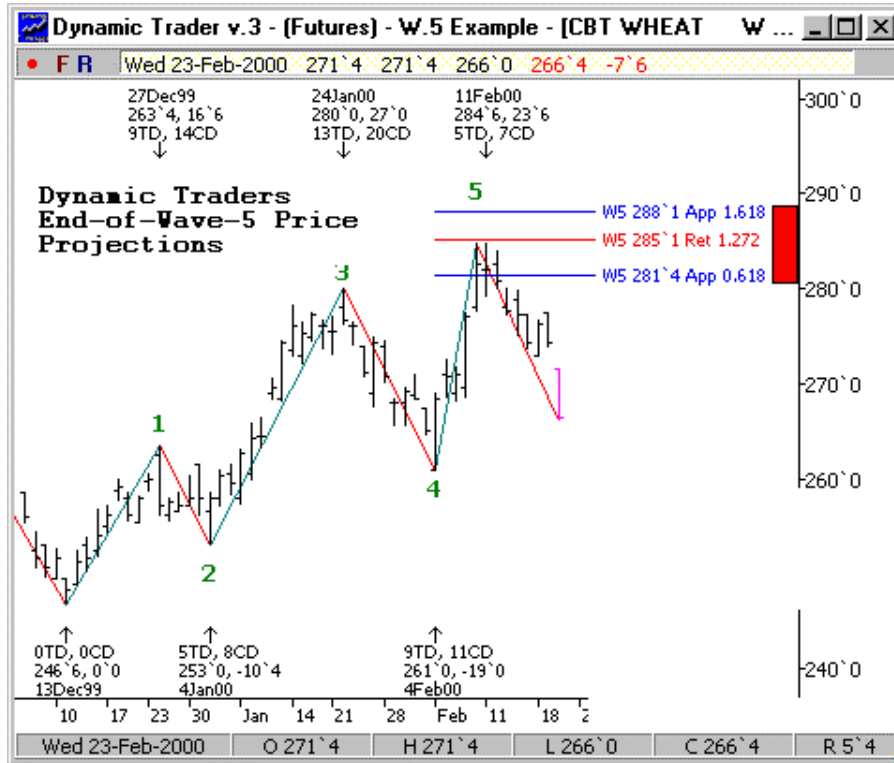
Dynamic Trader Software

The Wave 5 Price tutorial above taught you how to make the high probability Price targets for the end of a Wave 5. The Wave-5 targets can be made with the Dynamic Trader software very quickly.

Dynamic Trader's End-of-Wave price projection routine is used to make the high probability target zones for any pattern structure. We start with a chart and a swing file. A swing file simply connects the relevant highs and lows on the chart.



First, click on the **Fib-P** button which brings up the **Fib Price Projection** box shown above. Next, select the End-of-Wave you wish to project the Price targets for and then double click on the Wave 4 low. All of the individual Wave 5 Price projections are placed on the chart. The erase button may be used to eliminate any of the projections you do not want to include on the chart.



Next week's tutorial will be how to make Wave-5 **Time** projections of when a Wave 5 is likely to terminate. Be sure and book mark this page and check out next week's Trader Education Tutorial.

Robert Miner's *Dynamic Trading* book was named the 1999 Trading Book of the Year and includes comprehensive instruction how to make all of the high-probability time and price projections.