



Indicator WATi

Wave_AutoTrendLines

NEW TECHNOLOGY OF MARKET PRICE
ANALYSIS FOR SUCCESSFUL TRADE

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Indicator Wave_AutoTrendLines (WATi) & its elements

Today indicator Wave_AutoTrendLines (WATi) is a complex technical tool which gives new technology of the price analysis.

Certainly, indicator WATi does not cancel existing positions of the classical graphic analysis, Elliott's theory and other developments in the field of the technical analysis.

Therefore, on one hand, indicator WATi is the good assistant for identification and visual definition of classical price models. On the other hand, it forms the new point of view on principles of market price behavior analysis .

During long testing, it was revealed, that indicator VATI creates own models on the price chart using semaphores and trend lines. . Many of them are components of classical price models, but some of them have unique shape, peculiar only for this indicator. Such feature only expands practical opportunities of the indicator WATi use.

Finally, any tool of similar type is intended to help organize successful trading activity in the markets. Therefore indicator WATi can be useful to you in following cases:

1. For visual definition of classical price models: Head -shoulders, 123 pattern, Banners, Pennants and others
2. For visual identification of «Likhovidov folding rule» price model
3. For definition of formation places and construction of WOLFE WAVES
4. For use together with B.William's system "Alligator"
5. For the simplified wave analysis and Elliot wave model identification.
6. For use of own indicator WATI short-term systems

Indicator WATi main elements

Indicator WATi consists of 3 basic elements:

1. Semaphores of the High, Low and Lowest periods
The semaphores color marks by default:
 - The High period - red circle with 3;
 - The Low period - yellow circle with 2;
 - The Lowest period - violet points;
2. Trend lines of the High and an Low periods
Trend lines marks by default:
 - The High period - a red faltering line;
 - The Low period - a yellow continuous line;
3. The forecast trend line of the High period.
Marks of a line by default:
 - Pink line.

Indicator WATi semaphores

WATi semaphores appear, when the indicator determines the wave (pulse) shape and receives confirmation, that this model is completely generated and will not be changes. In the further such wave (pulse) forms we shall name waves, and a combination of waves - wave structure.

Each time period possesses the wave structure which consists of waves. Each wave is consequence of wave structure behavior, at the same time, this wave to become the reason of possible subsequent price movements and the organizations of new structures.

On the price chart all wave structures of the different time periods are bound among themselves. They possess property of an enclosure. That is one wave of the high time period consists of wave structure of the low period. And each wave of the low period, in turn, consists of lowest wave structure.

All the known true says: «That the nobility where to go, it is necessary to know where you stand». And in the market, for the forecast of the further price movement, it is necessary to identify as much as possible wave structures of the different periods to understand, where you are at present time.

Indicator WATi is carried out this task first of all and lights semaphores for marks of the revealed waves.

The indicator calculates wave structures of three time periods:

The high time period - for definition of global wave structures.

The Low time period - for definition of local wave structures. Usually low wave structure is a component of any global wave.

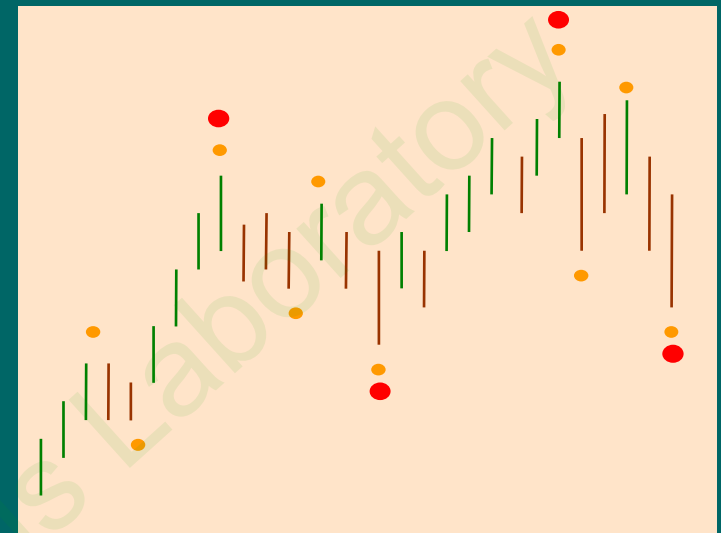
The lowest time period - for definition of the most minimal wave structures. They, in turn, are a component of any local wave of the low time period.

In picture the simplified model of price movement is shown.

By color labels it is shown, how indicator WATi semaphores marks wave structures of the high and low periods (red and yellow)

Indicator WATi also calculates semaphores of the lowest period (semaphores, in figure they are absent).

The violet semaphores are the lowest wave structures of which yellow waves consist.



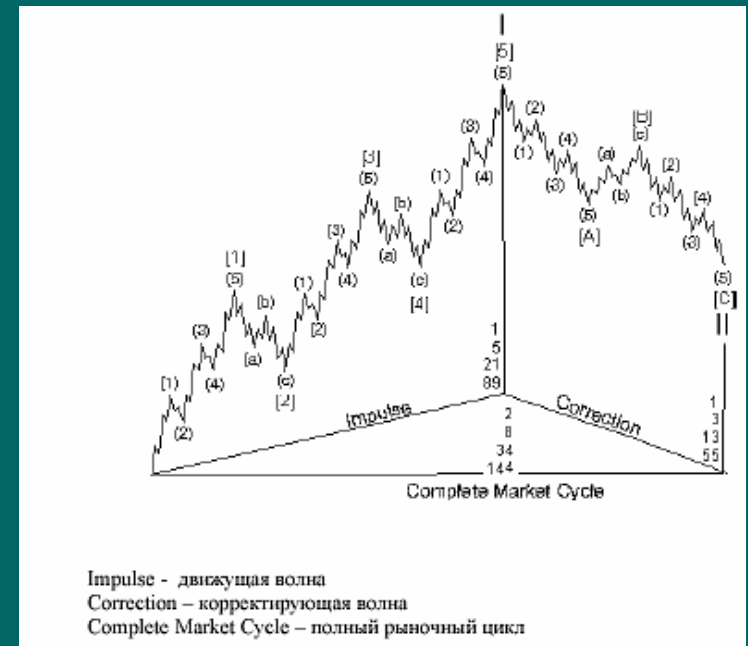
Indicator WATi semaphores are basic elements which are set up for the certain time period. The further calculations and constructions depend on this adjustment.

For high period adjustment the basically values are used: 144, 89, 55, sometimes 34

For low period adjustment smaller values are used: 21,13, 8

At semaphores adjustment it is necessary to consider the price volatility. If volatility is more, the great values are used.

Standard indicator options : the High period - 70 (Advanced Get), the Low period - 21.



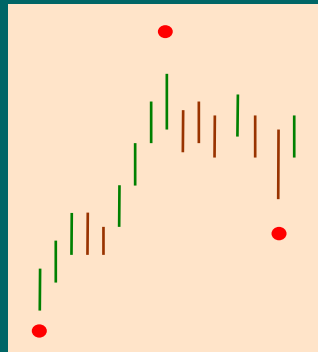
Indicator WATi Trend lines

Indicator WATi trend lines assist to visually identifying «Likhovidov folding rule» price model». Process of definition of «Likhovidov folding rule» price model consists of several stages, namely:

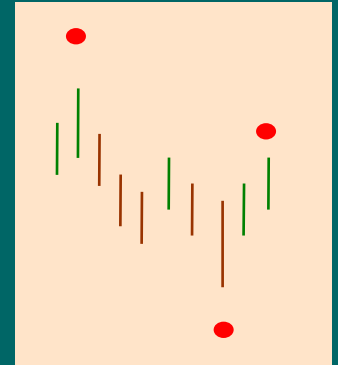
1. Definition of wave forms.
2. Construction of trend lines.

Trend lines should allocate and emphasize wave forms which develop the tendency movement. Horizontal movements, in this case, do not interest us.

In this figure the wave of the ascending tendency is shown. The second reference point is above the first.



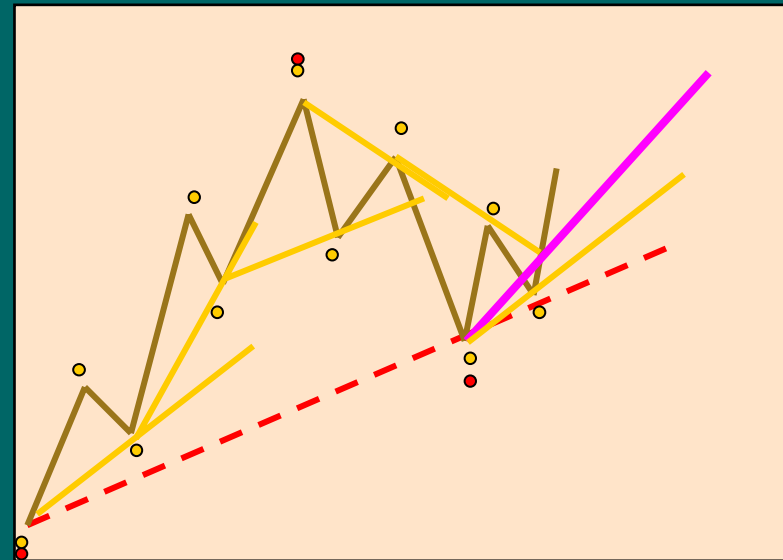
And in this figure the wave of the descending tendency is shown. The second reference point is below the first.



In the presented picture it is shown, how indicator WATi trend lines emphasize each generated wave.

Such feature of construction creates difference between classical trend lines and WATi lines.

At the same time, the similar principle of trend lines construction has been stated by Thomas Demark in the book « the New science of the technical analysis »





Indicator Wave_AutoTrendLines (WATi) semaphores using

Indicator WATi semaphores for the simplified wave analyses

As it is already known, WATi semaphores are lit when any wave (pulse) shape is generated. Thus a semaphore constant and not repaint.

Such feature allows to do the simplified market prices wave analysis, without deep studying a full rate of Elliott wave analysis. In most cases, waves which were identified with indicator WATi, correctly display 5-wave model of price movement as it is accepted according to Elliott theory. Therefore the wave analysis of the price chart by means of semaphores does not represent the big work. It is necessary to place a digital marking of these waves only.

For an example we shall examine only red semaphores and we shall try to define a wave marking. On following page photo is presented a real price chart.

As we see, indicator WATi trace all price movements and fluctuations, but marks red semaphores only for those points which are real wave maxima and minima. The further digital marking is a several seconds work.

Similar result we shall receive, if we shall examine only yellow semaphores. In this case, yellow semaphores will allocate wave minima and maxima of the low period.



Sharing of red and yellow semaphores allows to see and analyze more complex wave structure which covers some time periods.

On following page the same example of the real price chart is presented. The wave analysis is made by means of red and yellow semaphores. As we see, the received marking practically completely corresponds to the Elliott theory rules . For those who is able to use principles of the wave analysis forecasting of the further price behavior this information enough for decision-making.

Certainly, wave analysis experts can fairly criticize Elliott waves marking resulted. But it is necessary to remind, that indicator WATi is not software product for Elliott waves calculation and marking. It only reveals wave (pulse) forms which are in turn built in structure. And as market prices one for everything, both for indicator WATi, and for Elliott waves, likeness reasonable and fairly.

Wave_AutoTrendLines - asystem2000@gmail.com



WATi semaphores & 3-d Elliott wave

Usually, the zone of price consolidation is observed before 3-rd Elliott wave. Such zones can appear during the tendency development. More long consolidation zones are formed after any trend ending.

The price consolidation is easy for determining using WATi semaphores . In such zone there is a plenty of semaphores of different colors, i.e. the different time periods. The usual phenomenon when red semaphores overlap with yellow semaphores some times successively.

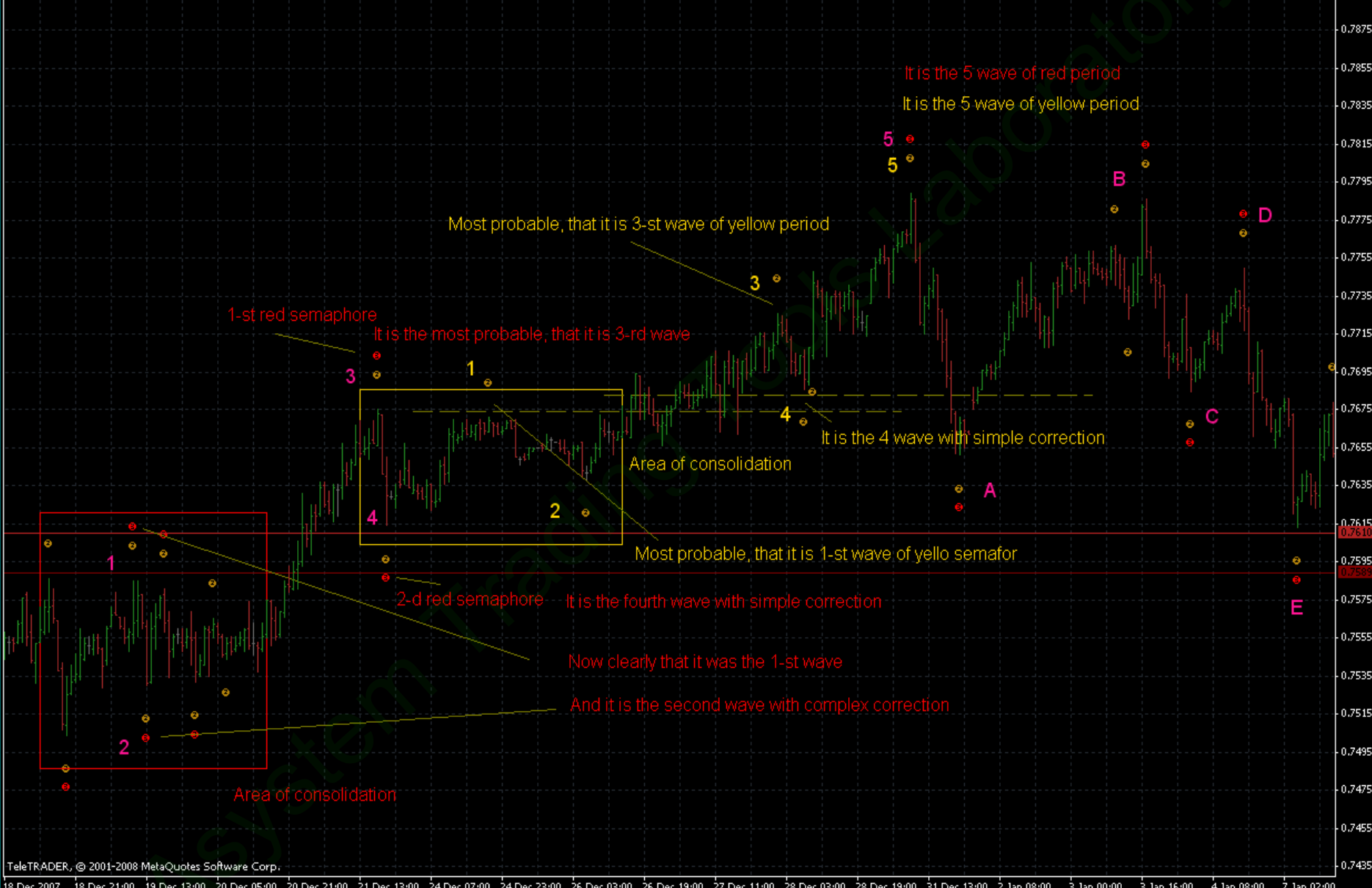
In a consolidation zone 1-st Elliott wave is created. However to determine it it is necessary to have wide experience. And even in this case there is no guarantee, that identification of the first wave will be correct.

When the price is pulled out from a consolidation zone, it moves on a new level. Semaphore happening at a new level, is an attribute of 3-rd Elliott wave formation.

After that it is necessary to expect correction - 4-th Elliott wave.

On following page the real example of the price wave analysis is shown.

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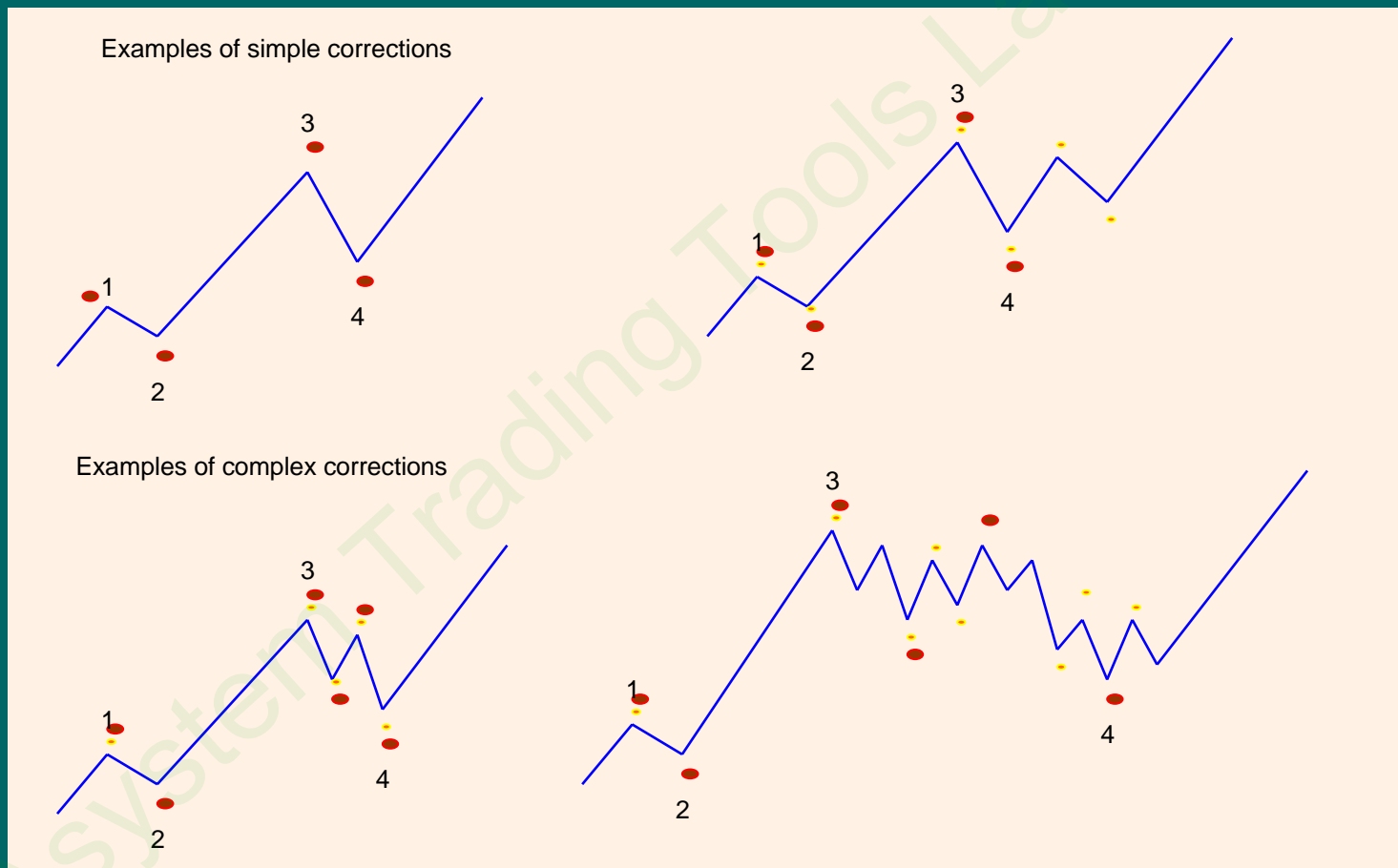
WATi semaphores & 4-th Elliott wave

Indicator WATi semaphores allow to identify various forms and models of 4-th Elliott wave.

4-th Elliott wave can be simple or complex correction.

The following picture illustrates possible forms and models of 4-th Elliott wave and how indicator WATi semaphores marks their structure.

First two examples are variants of simple corrections. Other two examples are complex corrections



Actually, in the real market, it is possible to observe more complex and puzzled models of 4-th Elliott wave.

But WATi semaphores give an opportunity to untangle these interlacing.

For the most correct identification of 4-th wave, it is necessary to adhere to several rules.

Rule 1 - Occurrence of a new red semaphore after 3-rd wave.

It is possible to assume, that it potentially 4-th Elliott wave. We check its position relating to 1-st wave. If its level is higher than the 1-st wave, we do the preliminary forecast:

1. If the price crosses a point 3 - the tendency proceeds.
2. If the price crosses a point 4 - the tendency is unwrapped.

Rule 2 - there is a new semaphore between points 3 and 4.

It is possible to assume, that Zigzag correction starts to extend. It is necessary to expect movement appreciate below a point 4.

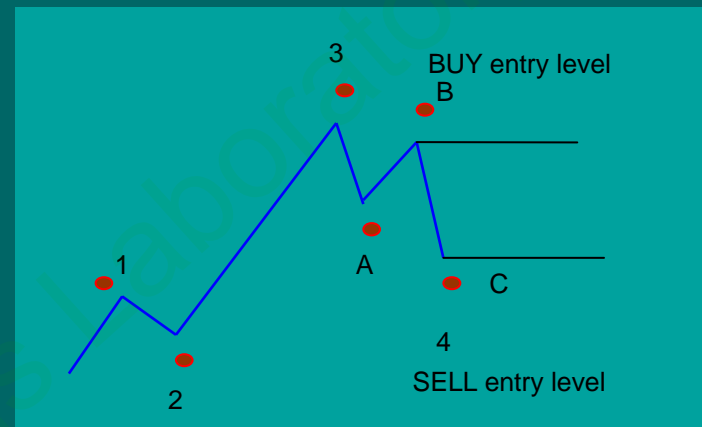


Rule 3.1 - the semaphore below a point 4 is formed

In this case we change a marking. There was ABC a correction of Zigzag type.

1. If the price crosses a point B - the tendency proceeds.
2. If the price crosses a point C - the tendency is unwrapped.

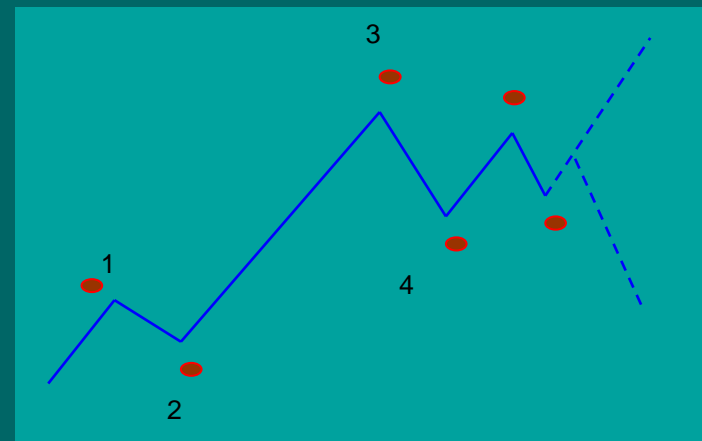
If a point C above point 1 then the point C is considered a wave 4 ending. In this case speak, that the wave 4 consisted of waves A, B, C



Rule 3.2 - there is a new semaphore before point 4.

Very uncertain situation. The price can move to the different sides, as dashed lines shown.

More correctly will wait a new semaphore to make a decision.



Indicator WATi semaphores together with B.William's system «Aligator»

Under the book «New Trading dimention»

Those who is known with B.William's system "Alligator" and tried to use it know that the basic system problem are entry points.

B.William's system is a version of short-term trade on the break, constructed on three moving averages with displacement.

B.William's system specific the following:

- « 1. To enter into the market when an alligator sleeps.
2. Search for fractal, which below a red line for SELL, above a red line for BUY
3. Install the order hardly above a bar maximum (for BUY) or minimum (for SELL) on which the fractal is generated.
4. Initial stop-loss install on an opposite fractal »

Many execute the same. But as a result a plenty of short-term unprofitable trades turns out, which quickly reduce the deposit.

On a picture the example of a real situation when the Alligator sleeps is presented and it is possible to plan trade on B.Williams's system.

The basic fractals are noted by red points. Them seven pieces. From 7 fractals only 4 safe, and the others 3 (cross red points) will create unprofitable trade.



using indicator WATi semaphores it is possible to correct a problem of B.Williams's system entrance in the market .



In picture the same real example, but with use of WATi semaphores, as addition to B.Williams's standard fractals is shown.

Semaphores reflect on the time factor, therefore their signals are more correct. Semaphores filter fractals which have been created by market noise.

On this site indicator WATi has revealed 3 main fractals which are potential entry points. Using only these fractals, one trade which has made good profit has been opened.

Additional improvements of B.Williams's system using WATi semaphores

In the Forex and CFD market standard Alligator adjustments create many false signals. It is because standard Alligator parameters are limited by the small time periods.

At the same time, B.Williams has mentioned the Alligator in the book «Trading Chaos - 1» for the first time. At that time a combination of moving averages B.Williams has named TWR rhythm. That meant - the Stream, the Wave and the Ripples.

TWR a rhythm are three moving averages (MA) with following parameters:

Ripples - 5 periods, without displacement;

Wave - 13 periods, without displacement;

Stream - 34 periods, without displacement;

"Alligator" are same three moving averages with following parameters:

Lips - 5 periods, displacement 3;

The Teeth - 8 periods, displacement 5;

The Jaw - 13 periods, displacement 8;

And to understand whence such numbers take on, it is necessary call to mind numerical Fibonacci sequence :

0,1,1,2,3,5,8,13,21,34,55, etc.

As we see, all parameters digital values which were used by B.Williams overlap with values of Fibonacci numbers. This fact will be useful to us in the further, to the Alligator's improved adjustment.

To change Alligator behavior, it is necessary to increase the moving averages periods. Slower moving averages is better filter noise and trace price dynamics and volatility.

Practice has shown following possible variants of Alligator adjustments:

For 5, 15 minute timeframe:

Lips - 8 periods, displacement 5;

The Teeth - 13 periods, displacement 5;

The Jaw - 34 periods, displacement 8;

For 30 minute, 1 hour timeframe:

Lips - 10 periods, displacement 5;

The Teeth - 21 periods, displacement 5;

The Jaw - 55 periods, displacement 8;

For 1 and 4 hour timeframe:

Lips - 13 periods, displacement 5;

The Teeth - 34 periods, displacement 5;

The Jaw - 89 periods, displacement 8;

Practical test of various parameters, will prompt you, what values most suit for selected timeframe and currency pair.

In any case, there is a principle: The high volatility, the larger period is necessary for choosing.

Further we shall examine examples of the B. William's system better trade.

Example of Down trend

On following page the example of a real price situation when the Alligator "falls asleep" at a down trend is presented. Happening of a red semaphore of a new minimum (the point 1) at a down trend, already speaks that correction or a price turn is probable.

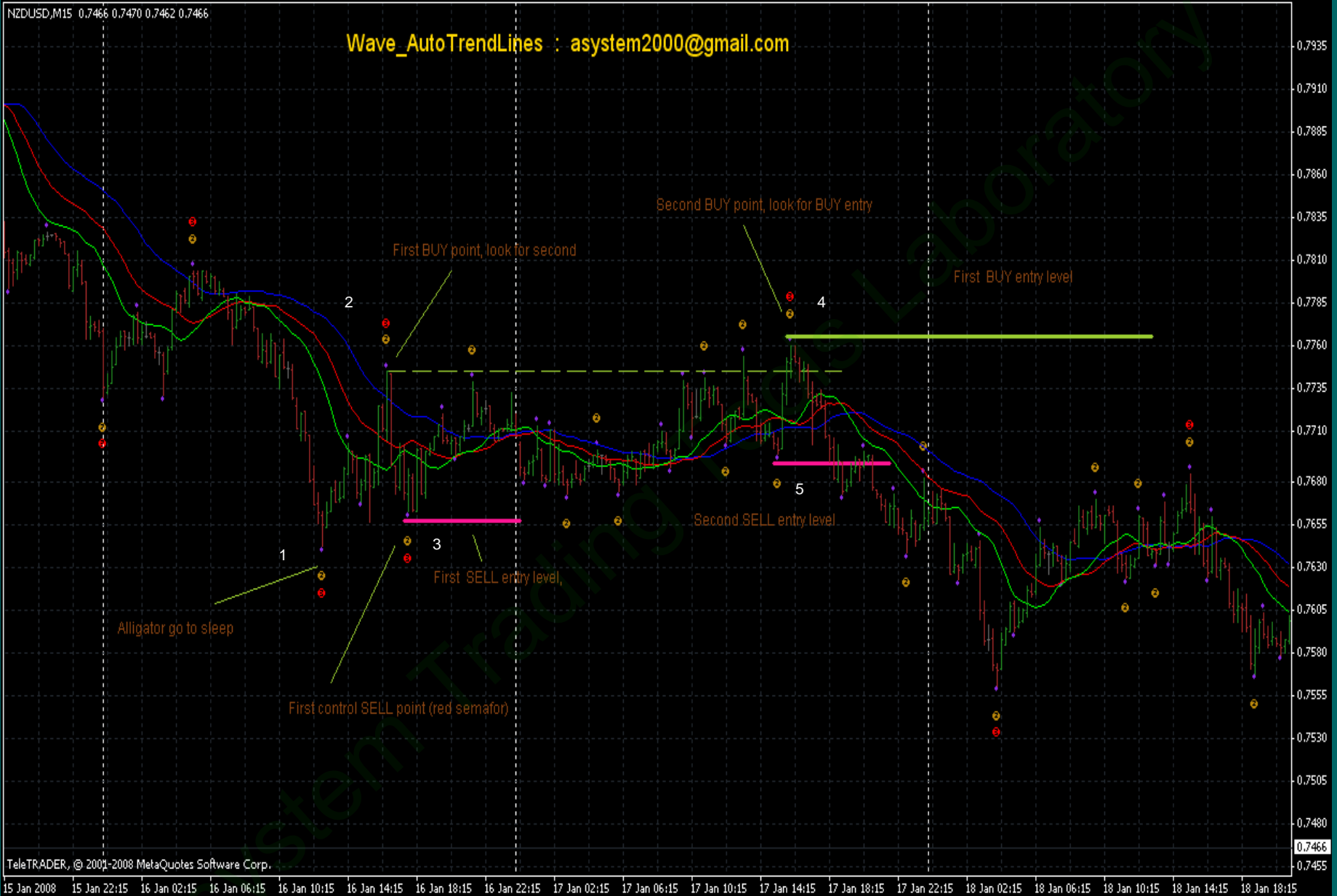
After that we expect occurrence of the first red semaphore of a new maximum (a point 2 in picture).

In the given situation it is possible to suppose the following:

1. If it is simple correction, the price can return and cross a red semaphore of a minimum (a point 1) and the down trend to proceed. Therefore, the red semaphore of a minimum (a point 1) can be considered as a potential SELL entry point for a down trend. (before this point 1, it was possible to observe a similar situation)
2. If it is complex correction of 4-th Elliott wave type then the Alligator "falls asleep" . So it is time to search for a new entry point already on B.William's system. It has proved to be true when there was a red semaphore of a new minimum (a point 3).

The point 3 should settle down between points 1 and 2. Often happens, that the point 3 settles down at a level of a point 1. B.Williams for an entrance suggests to use fractals. But the experience shows, that B.William's fractals create many false signals. The given system recommends to use only WATi indicator semaphores.

When the Alligator "sleeps", it will be difficult to define in what direction the price will move. Therefore it is necessary be ready to open a position in a both direction.



Conditions for opening a position in opposite trend, BUY entry:

After occurrence of a red semaphore in a point 2, it is necessary to wait a red semaphore of a following maximum. The new point should be as minimum on 5-8 bars above than a point 2. The new maximum will determine an entry level in opposite trend. In our example it is a red semaphore in a point 4.

In picture the green dashed line marks a level above which there should be a new semaphore.

As soon as the new maximum will be generated (a point 4), it is possible to install BUY STOP order and to wait for the further development of event.

Now it is possible to start the control of SELL entry opportunity.

Conditions for opening in trend, SELL entry:

In our example, first potential SELL entry point is the red semaphore in a point 3. At this level it is possible to install SELL STOP order and to observe of the further situation development.

When the red semaphore in a point 4 was generated, we can change entry SELL level and "tighten" it to a point 4. If the price will continue the trend movement, we can enter earlier into the market and receive greater profit.

For carry of new SELL entry level it is used yellow semaphores.

In our example we used a yellow semaphore in a point 5. When have determined new entry SELL level and have installed SELL STOP order.

At this stage all possible entry points are certain. It is necessary to wait for the further price movement.

In following picture it is shown, how in the further events developed and what good profit has brought SELL entry trade.

As you will see, that during this trade it was possible to open some more trades, using this technique.

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Example of UP trend

On following page the example of a real price situation is presented.

At occurrence of a red semaphore in a point 1 we assume, that correction begins.

For the present there is no opportunity to define what is correction type: simple or complex. If there will be a simple correction it is necessary to be ready to BUY in this point.

Further the red semaphore in a point 2 is formed. If in the further complex correction to be true, it will be necessary to wait a red semaphore of a new minimum which should be below. For the visual control we shall lead a dashed line.

The Following red semaphore has appeared a in a point 3. A point 3 below a point 1. It can mean, that complex correction is formed. The point 3 to become a potential BUY entry level. We can install the BUY STOP order at this level.

Further the red semaphore in a point 4 was lit. The point 4 has crossed a point 2 more than on 5-8 pips.

The Point 4 to become a potential SELL entry level. We can install the SELL STOP order at this level.

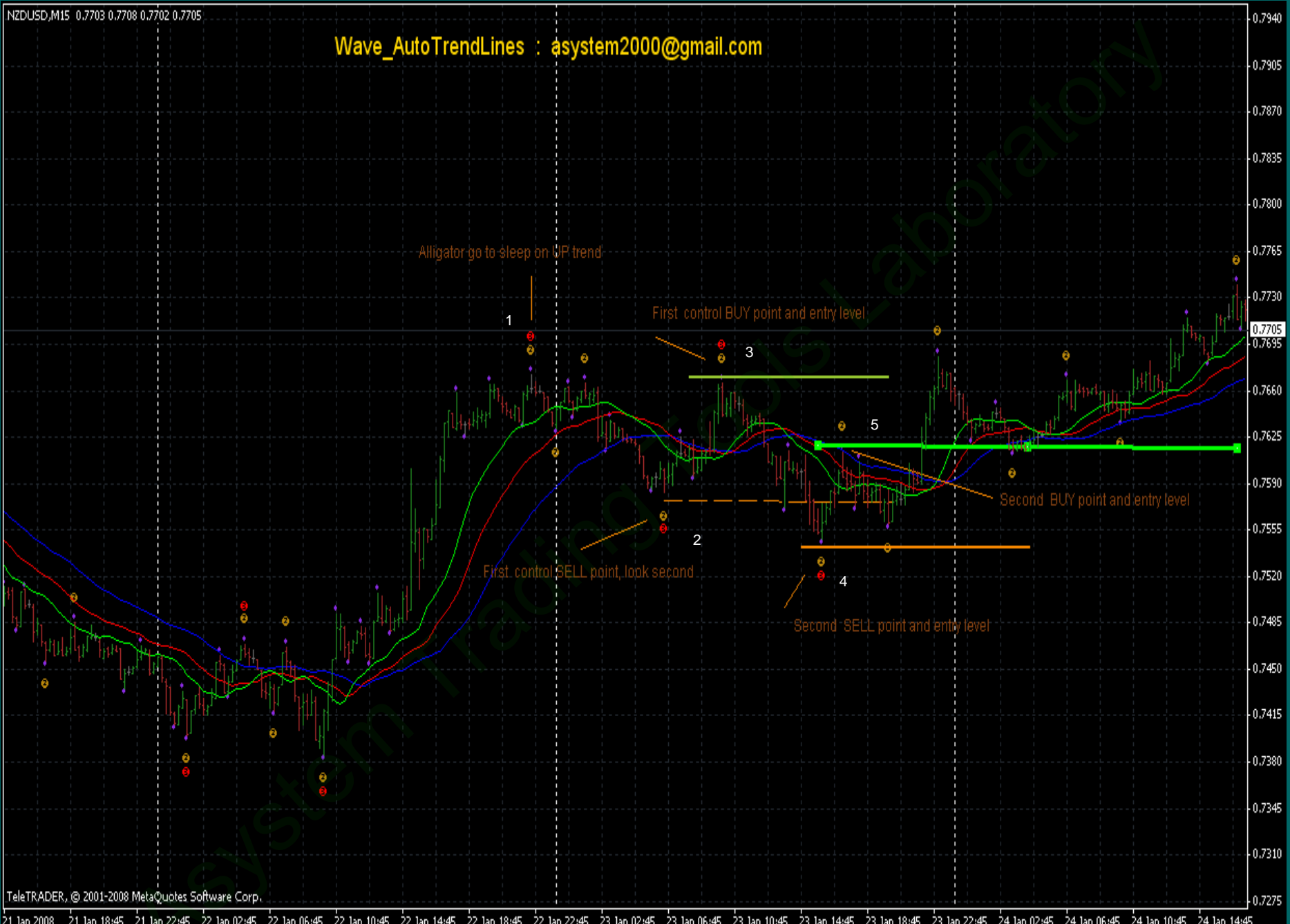
Between points 3 and 4 was not yellow semaphores, therefore do not change BUY level.

After point 4 the yellow semaphore in a point 5 was lit. We can transfer BUY entry level to this point. We reinstall BUY STOP order.

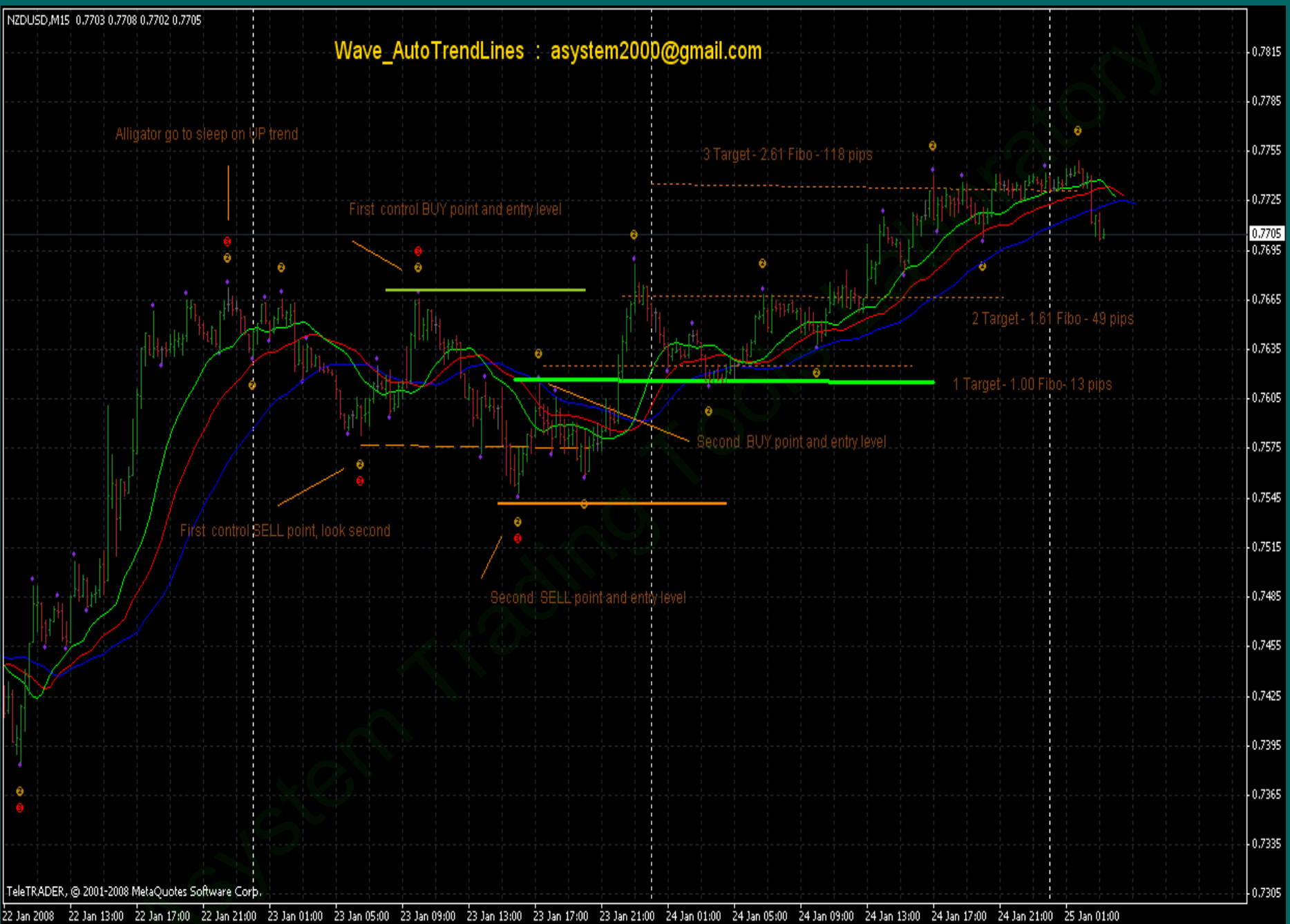
What further has occurred is shown in following picture. BUY entry trade has made good profit.

The main conclusion: use of WATi indicator semaphores to increases B.Williams's system "Alligator" effectiveness. At the same time, this technique, in itself is good system for detection of potential and effective entry points.

Wave_AutoTrendLines : asystem2000@gmail.com



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Indicator WATi Trend Lines

The second basic indicator WATi element is trend lines.

Indicator WATi trend lines differ from classical lines. They have interesting and useful properties which can be used for the successful trade organization. During testing, WATi lines have shown much more opportunities and have actually generated new technology of the analysis and an estimation.

Under the concept WATi trend lines are close to Thomas Demarks lines, but essentially differ methodology of construction. Therefore, in some cases, it is possible to use Demarks methods together with lines WATi.

The price analysis with use WATi lines is based on studying of price movement around again created trend lines. Novelty of the graphic WATi lines analysis consists in it.

Besides WATi trend lines assist to identify and in trading systems use classical and modern popular price models : «123» pattern, « Likhovidov folding rule», Bill Wolfe Waves , «Head - shoulders», «Double top» models, simplified Elliott wave model and others.

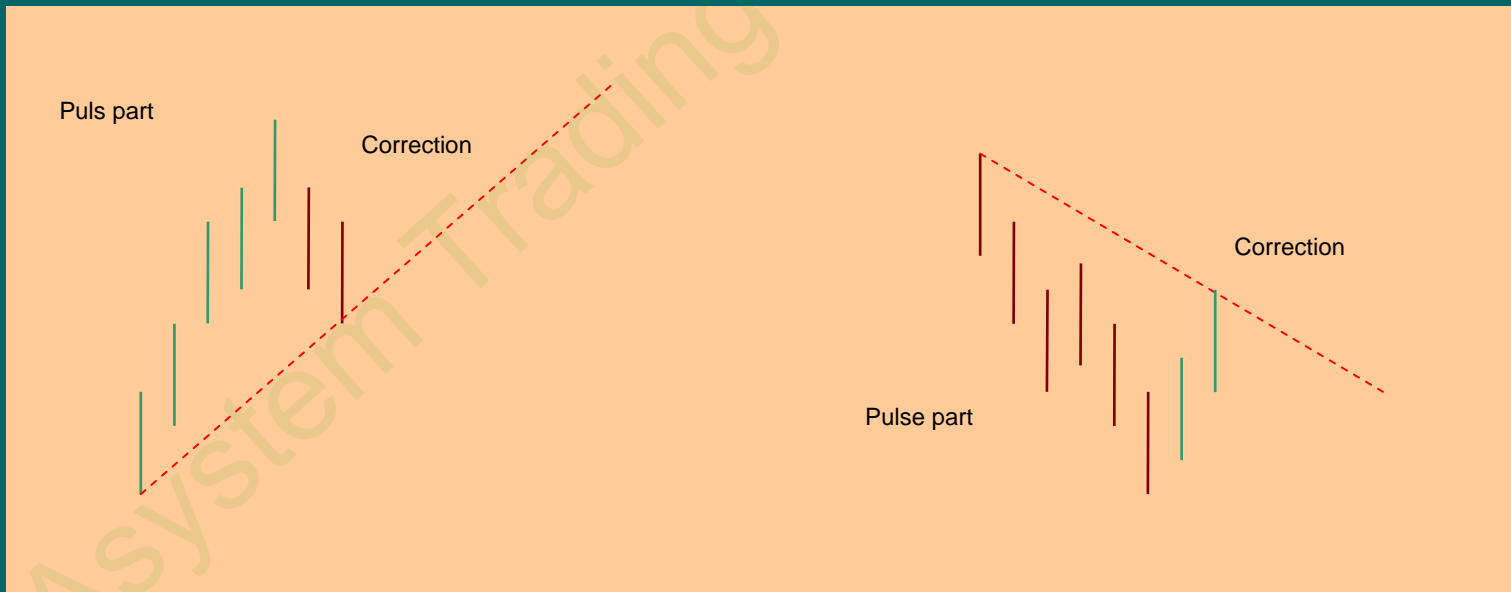
What is WATi trend lines

WATi trend lines algorithm consists in allocating and emphasizing completely generated wave form. Once again we shall recollect structure of a wave. The wave consists of pulse and correctional parts.

Correction can be simple or complex. Distinctive feature of WATi trend lines is that the line traces and emphasizes a wave with simple correction. If in the further complex correction is formed indicator WATi will trace additional correction waves and will create corresponding lines.

For an ascending wave WATi line carries out a support role, for a descending wave - resistance.

Also it is possible to tell, that when there is WATi trend line, the price is in an initial stage of correction. As is known, correction is a temporary condition of price consolidation. In this place market participants try to make a decision on the further tendency. Therefore the subsequent movement of the price rather trend lines is a movement in search of support of the former tendency or formation of the new tendency.



Kinds of movements around trend lines

So it is already known, that WATi trend line signals that the price is in an initial stage of consolidation. The analysis of the price movement around trend lines allows to receive the important information which can be used for decision-making or the forecast.

Testing has shown, that there are 4 basic kind of a price movement around trend lines.

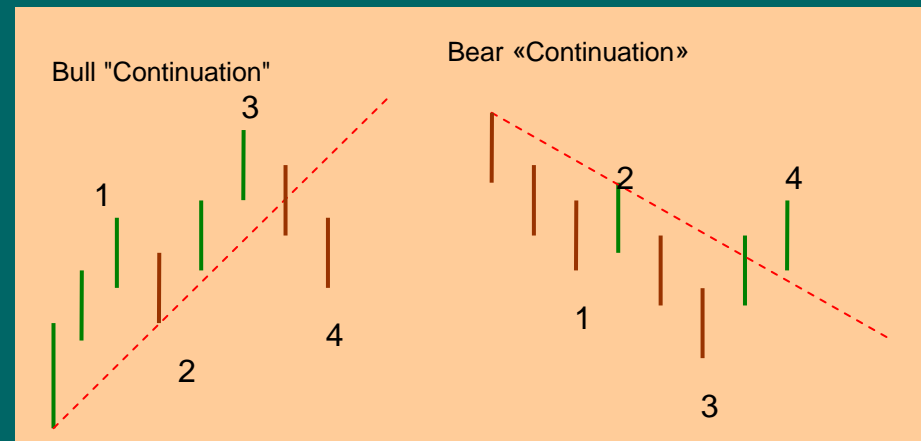
We Shall examine each of them in more detail.

Movement №1 – «Continuation»

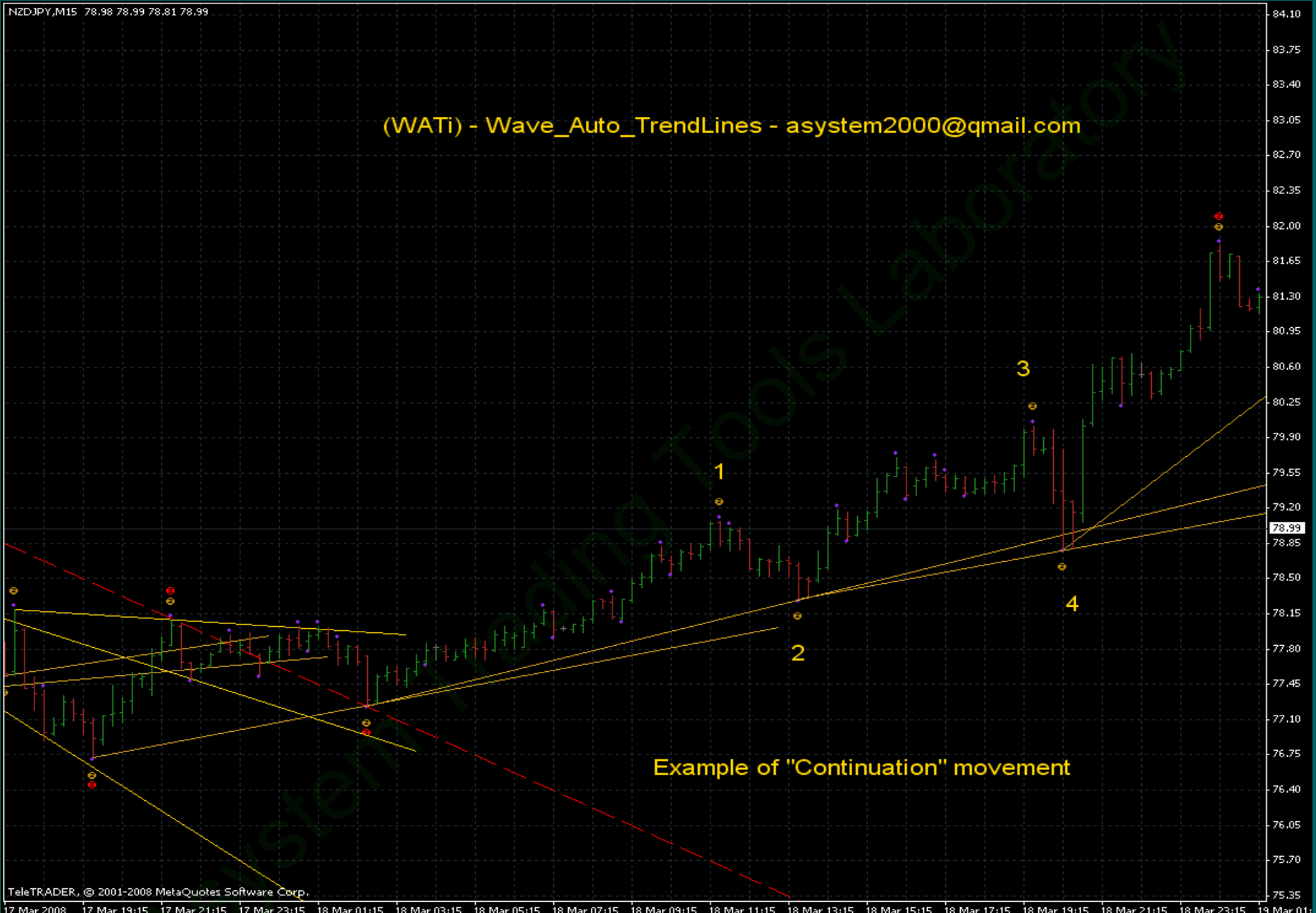
Movement "Continuation" reflects market participants mood to continue movement aside trend. This movement unequivocally determines that wave correction has the simple form.

After trend lines occurrence, the price continues movement in trend direction. Then crossing a point 1 level, the price forms a new level in a point 3. During this moment if the price will not receive support in the form of new trend line in the same direction the price will return and will cross a line in the opposite direction. Thus the price will aspire to a point 2 level.

After movement "Continuation" was generated the points 3 and 4 create the important levels of resistance and support. Crossing by a point 3 level gives a signal on trend continuation. Crossing point 4 level gives a signal that the price continues correction or even there was a trend turn.



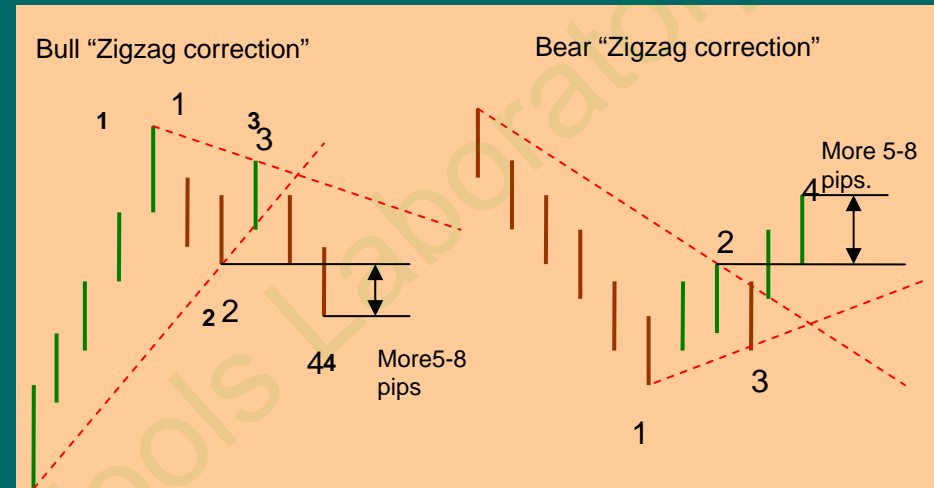
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Example of "Continuation" movement

Movement №2 – «Zigzag correction»

«Zigzag Correction» movement arises when market participants mood uncertain. The price starts to be consolidated at a level of trend lines occurrence. «Zigzag Correction» movement is usual is formed after "Continuation" movement 1 or long-term price movement in one direction.



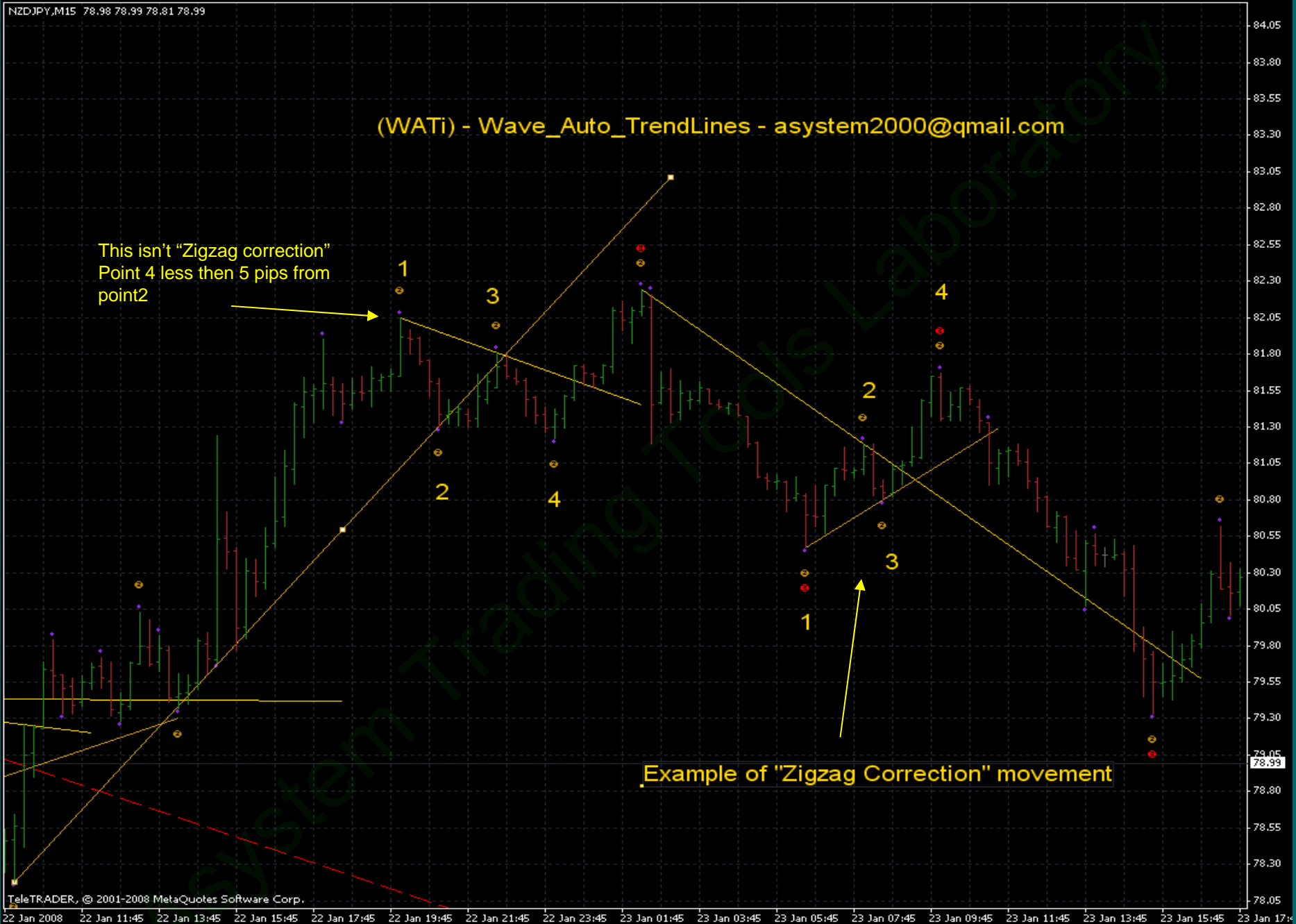
During «Zigzag Correction» movement the price stops between points 2 and 1, unwrapped and moves in an opposite direction. After creation of a point 3, there is new trend line 1-3. Two lines create a shape "Cross". Further the price crosses a point 2 on significant distance where the point 4 is created.

To create correct «Zigzag correction» movement the point 4 should cross a point 2 on distance more than 5-8 pips. If the distance between points 4 and 2 will be less than 5 pips such movement refers to « Complex } correction »

As soon as correct «Zigzag correction» movement was generated, points 3 and 4 create the important levels of support and resistance. Crossing by these levels with a high probability determines the further tendency.

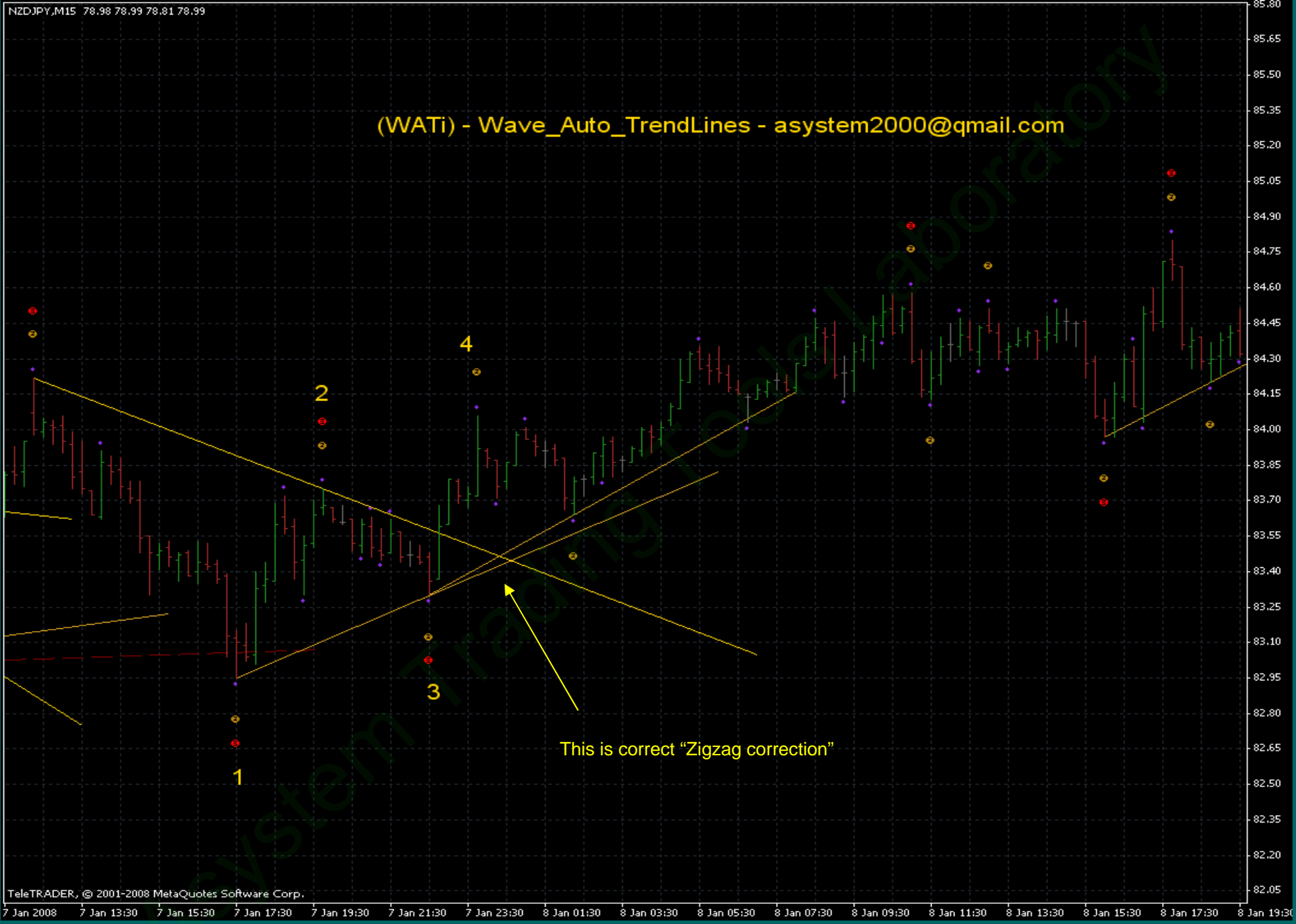
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This isn't "Zigzag correction"
Point 4 less than 5 pips from
point2



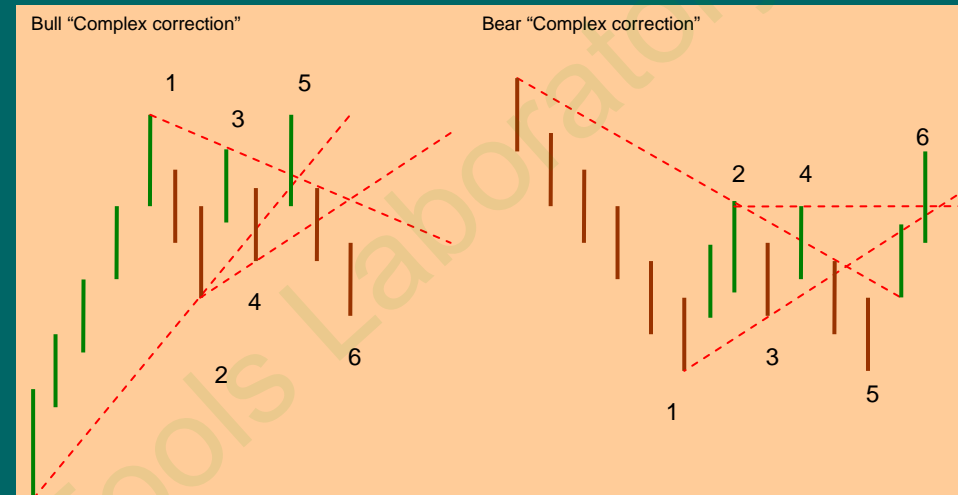
Example of "Zigzag Correction" movement

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Movement № 3 – «Complex correction»

It is possible to tell, that this “Complex correction” movement is shaped as a result of unsuccessful attempts of "Continuation" and «Zigzag Correction» movements. This very deceptive movement. In most cases is the reason of «false breaks », «wrong corrections», etc.



«Complex correction» movement is the most frequent arises in the end of a trend and before the beginning of the new tendency. Practically always, when on the price chart models « Two tops » are observed, before it there was a «Complex correction» movement.

«Complex correction» is a unsuccessful shape "Zigzag". The point 4 does not overcome a point 2 on significant distance and is unwrapped. There is new trend line which passes through points 2 and 4. The model «Cross with a crossbeam » is created.

Sometimes the point 4 is created at a level of a point 2 or even overcomes it on distance up to 5 pips. Such situation also concerns to the given model.

«Complex correction» movement externally reminds a shape of the classical graphic analysis "Pennant" or an equipotent triangle. The nature and an essence of their formation are similar.

There are some variants of point 5 creation.

Variant 1. A point 5 between points 1 and 3.

Very good situation for the forecast of a point 6. In most cases, there is a price movement to a point 6 the in the form of 2-3 waves. Movement can consist from 2-3 waves

If suddenly movement will be stopped up to a point 4 then overcoming of a point 5 is a good signal of trend continuation.

After such movement, a point 5 and 6 are formed the important levels of support and resistance.

Variant 2. Point 5 at a level of a point 1 within the limits of +- 5 pips

Very uncertain situation. Overcoming of a point 5 is a signal to trend continuation. Often, before it the price will try to generate a point 6.

Points 5 and 6 form the important levels of support and resistance

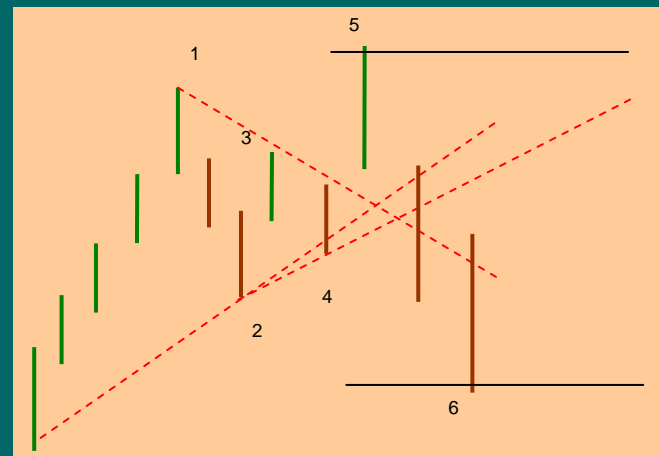
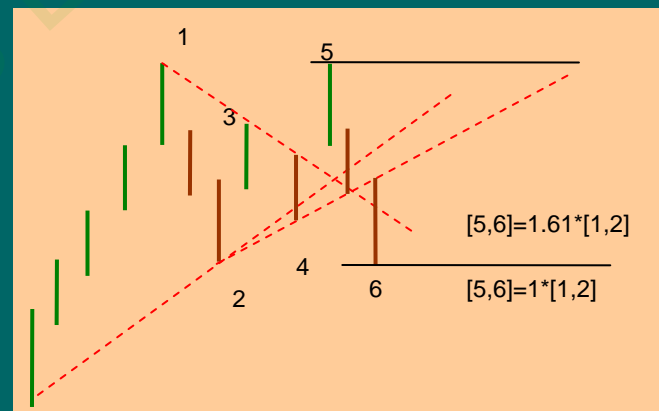
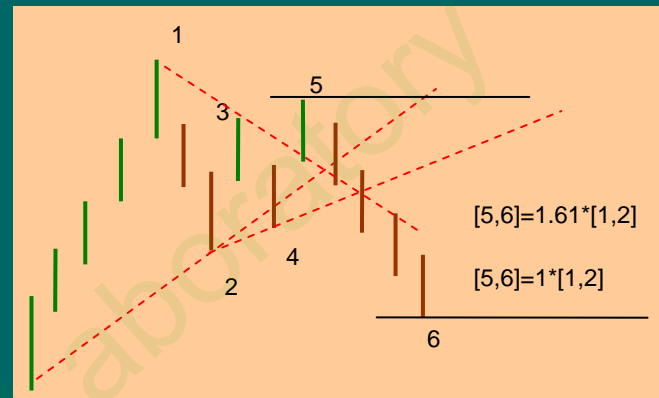
Variant 3. A point 5 above a point 1.

In most cases it is Elliott «wrong correction» which often confuse to 5-th wave. To distinguish it it is possible on movement of zigzag type on points 2,3,4 and 5.

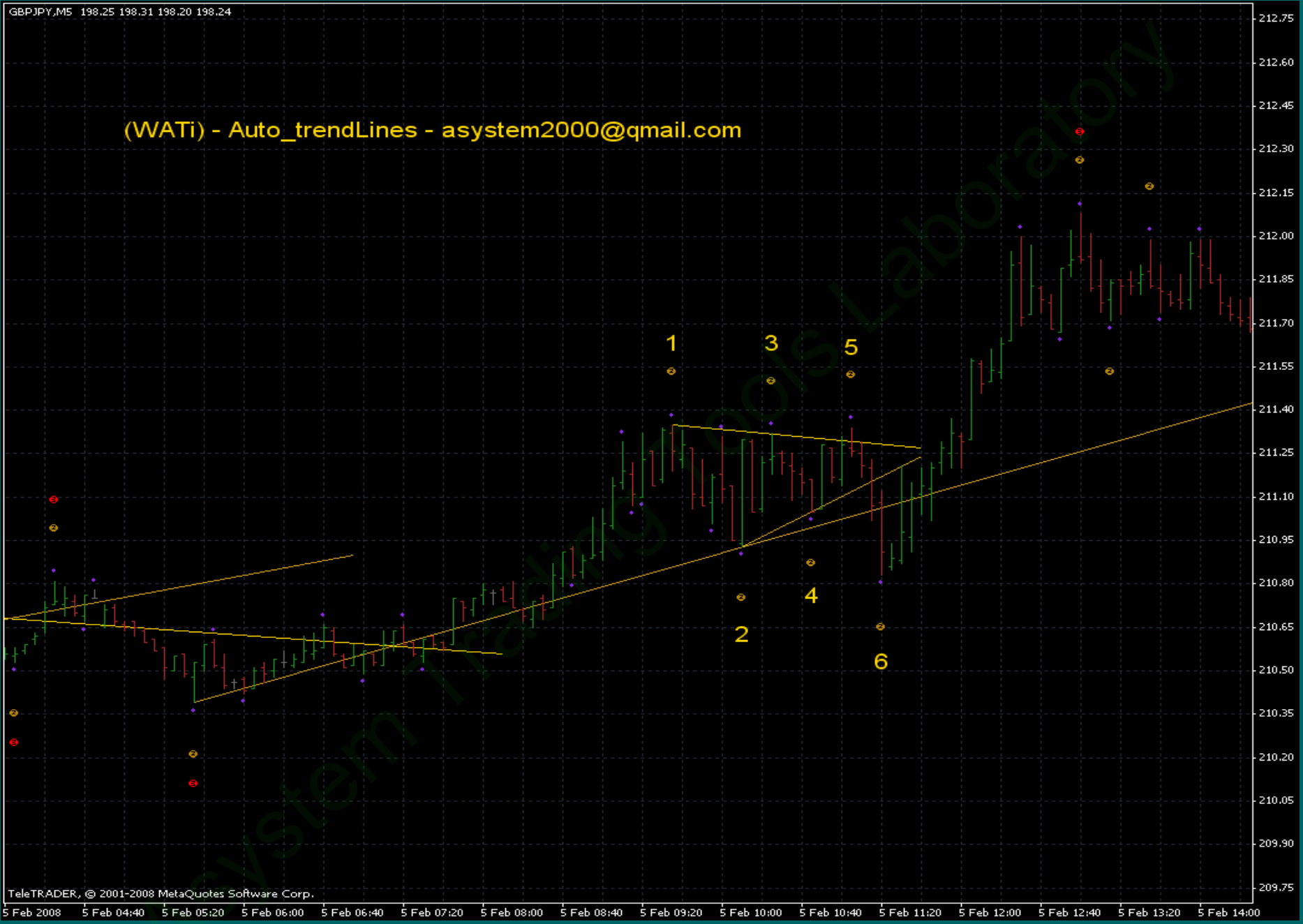
If the price stops up to a point 4, it is necessary to expect complex movement of type «Ascending wedge».

Usually at «wrong correction» quick price movement to a point 6 is observed.

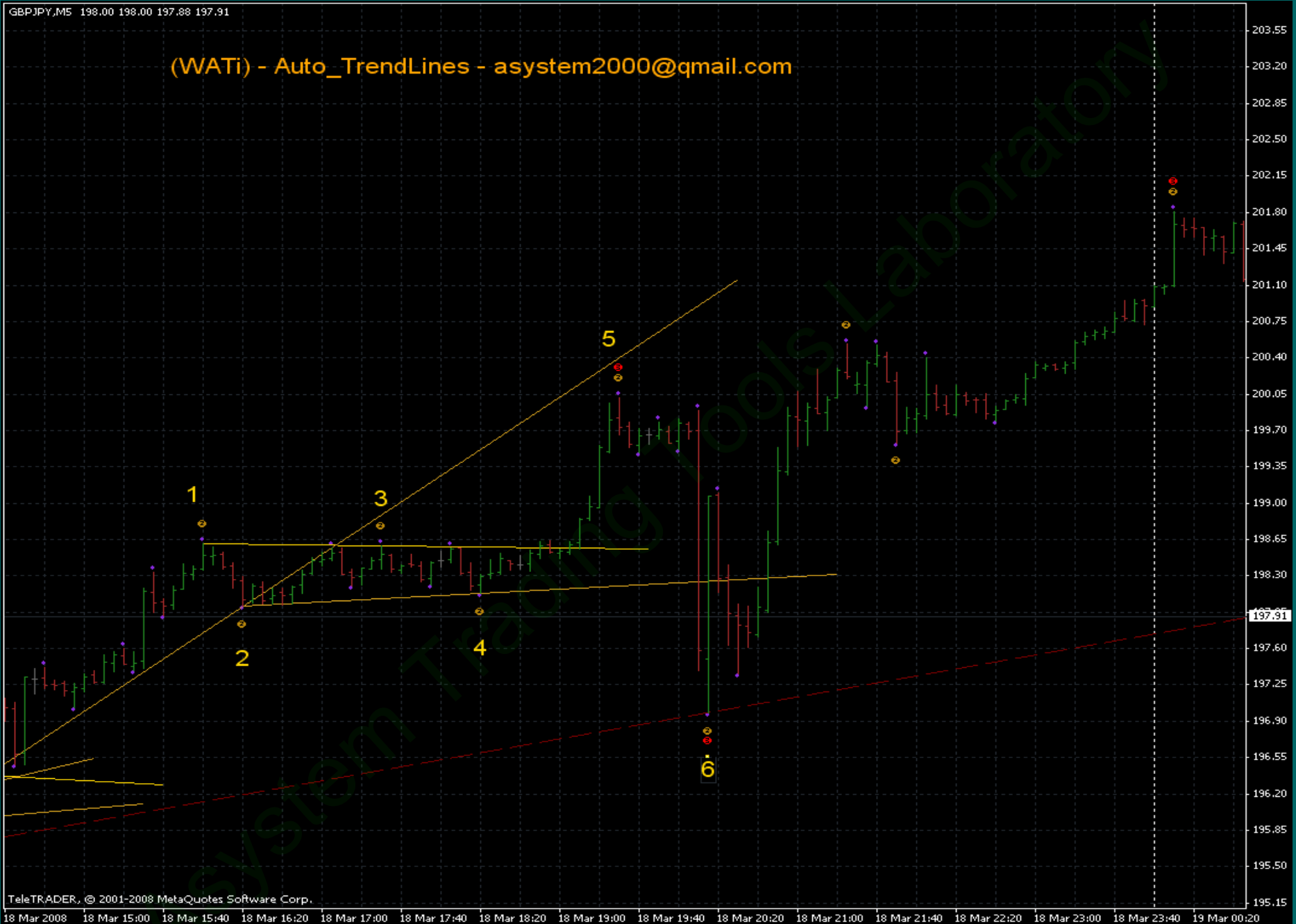
Points 5 and 6 create the important levels of support and resistance.



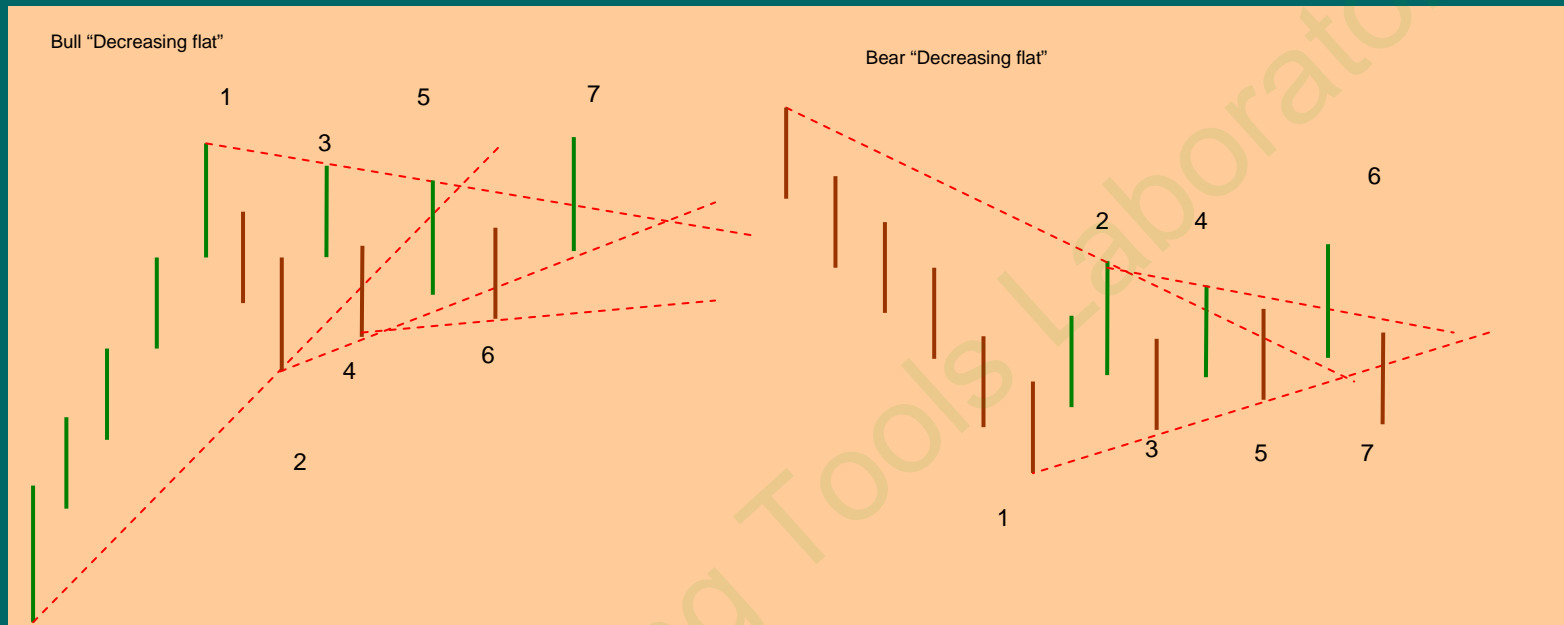
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Movement № 4 – «Decreasing flat»



One of variants of complex consolidation development is movement «Decreasing flat».

This movement, in most cases, generates a long consolidation condition in the market and can repeat successively 2-3 times.

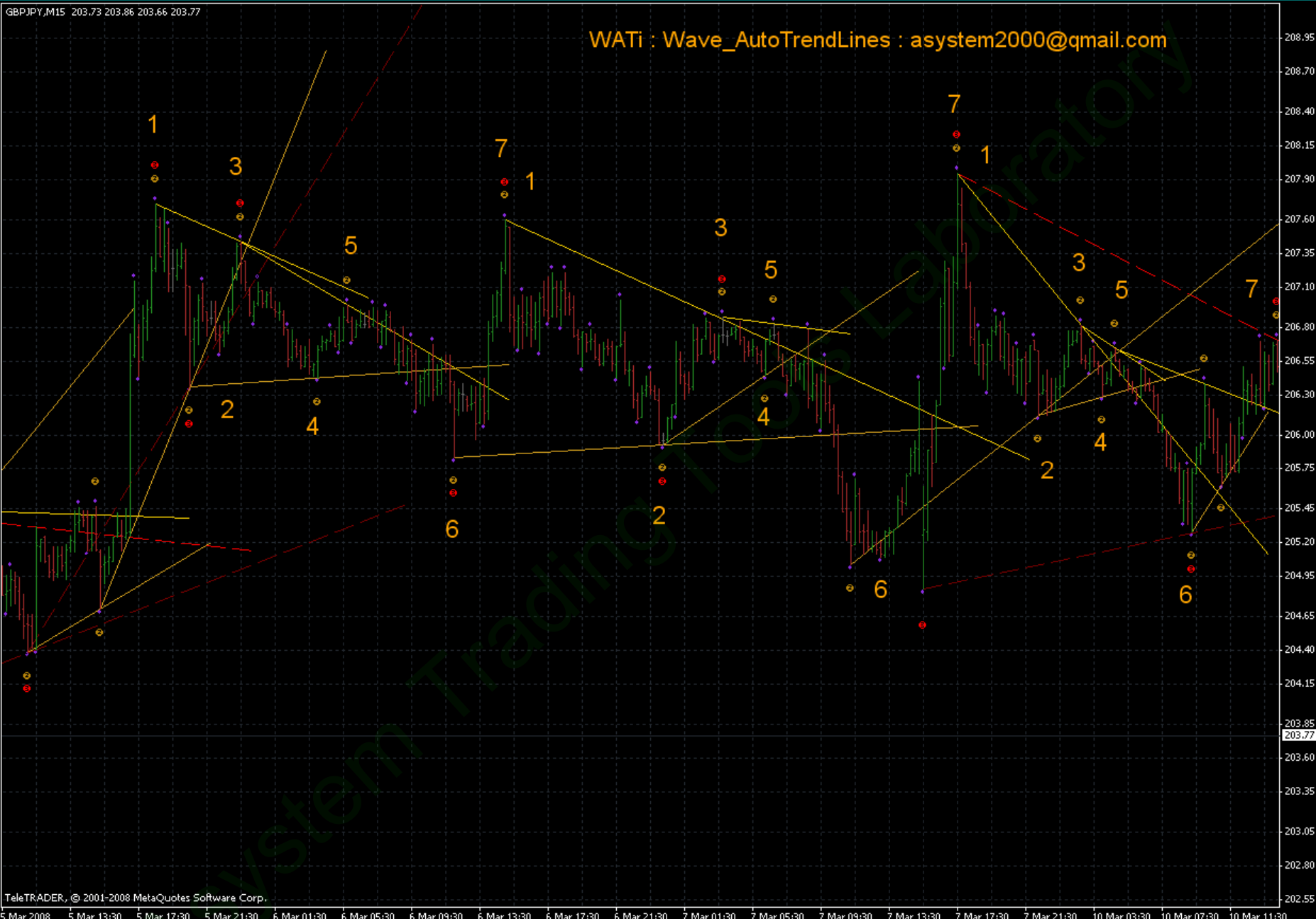
The basic difference from «Complex correction» movement is that the point 5 is formed between points 3 and 4 or at a level of a point 3.

Reduction comes to an end at points 4, 5 and then the development phase begins at point 7 and 6. But If the market actually is in a long consolidation then points 7 or 6 turn to points 1,2 of a new «Decreasing flat» movements. As it was already marked, there can be 2-3 recurrences of such movement.

At everyone «Decreasing flat» movement points 7 and 6 create the important levels of resistance and support.

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Useful WATi Trend Lines combinations

When standard price movements around WATi trend lines were examined, in a basis of movement analysis laid main trend line. Already at this stage, when complex movements were discussed, the first trend lines combinations were produced. Many combinations shaped model which have the names: "Cross", «Cross with a crossbeam ». But such WATi lines combination happened during the certain movement and did not leave its frameworks.

Considerable interest is represented with combinations of various kinds of movement. Such movements connection leads to creation of global WATi trend lines combinations.

Let's examine the most useful WATi lines combinations трендовых lines of indicator WATi.

WATi trend lines & Elliott wave model.

Indicator WATi trend lines possess unique ability to trace Elliott wave model

As it was said earlier, Elliott wave model is a sequence of three wave forms in a pulse part of a trend and sequence of two wave forms in a correctional part of a trend (movement against a trend). Therefore classical Elliott wave model is traced with the help of three price movements which indicator WATi will note by trend lines:

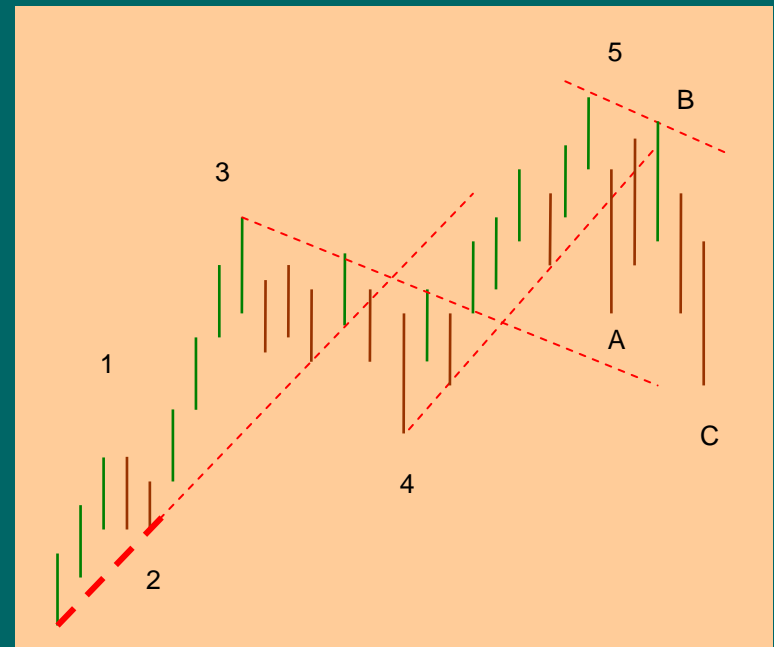
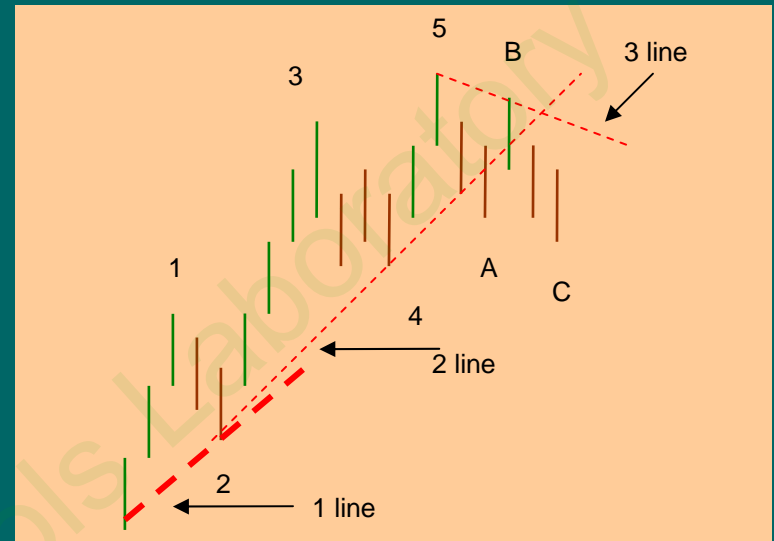
1. Two consecutive movements "Continuation"
2. One movement «Zigzag Correction»

In figure the example of identification simple Elliott wave model is presented by means of three WATi trend lines. This example has been named "simple" because, correction of a wave 4 has the simple structure.

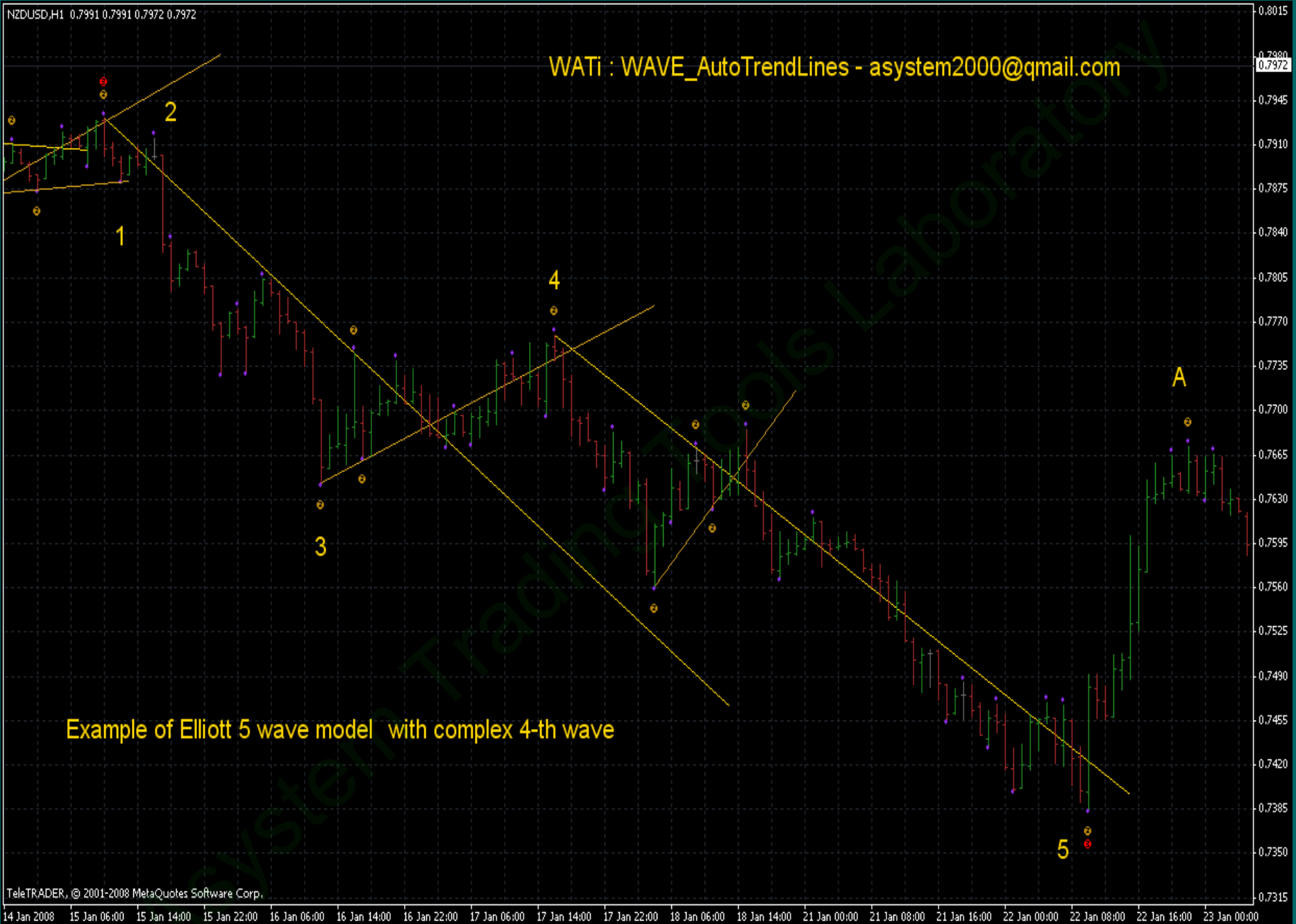
But the wave 4 can have the complex structure and be extended along a time base of the price chart. As is known, such temporary delay is influenced with many factors, including expectation of the important news, the period of trading session with low activity, etc.

In similar situations indicator WATi traces complex Elliott wave model, by means of, at least 5 trend lines. Thus trend line which identify 5 wave, will be displaced on a time axis from a wave 3 line.

In a reality market prices not often create such correct models. But principles on which determine price movement in the region of WATi trend lines and a rule of Elliott wave model remain constant. Practice of use of this knowledge considerably facilitate a task of current price situation definition and give the useful tool for the analysis and forecast.

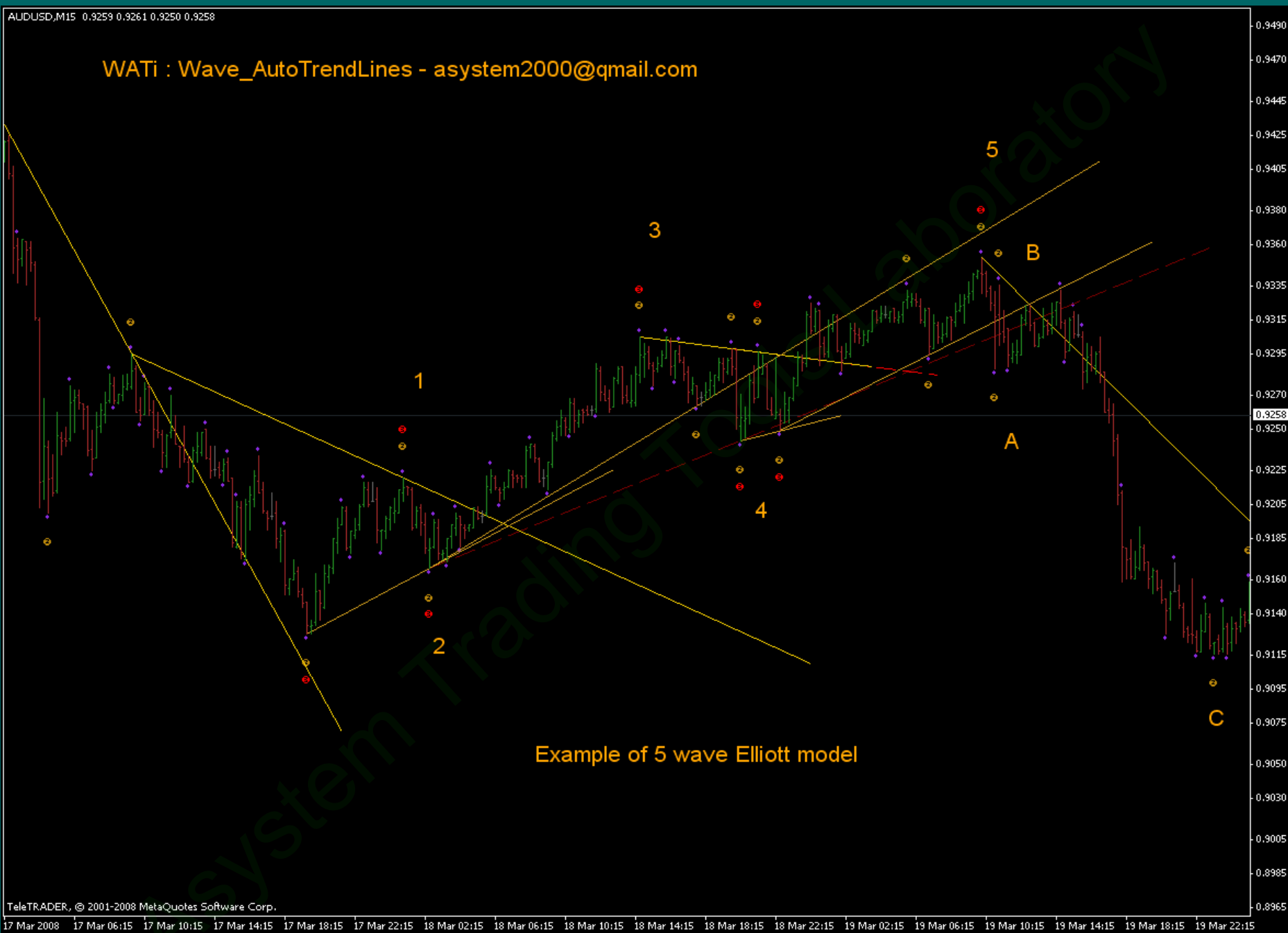


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Example of Elliott 5 wave model with complex 4-th wave

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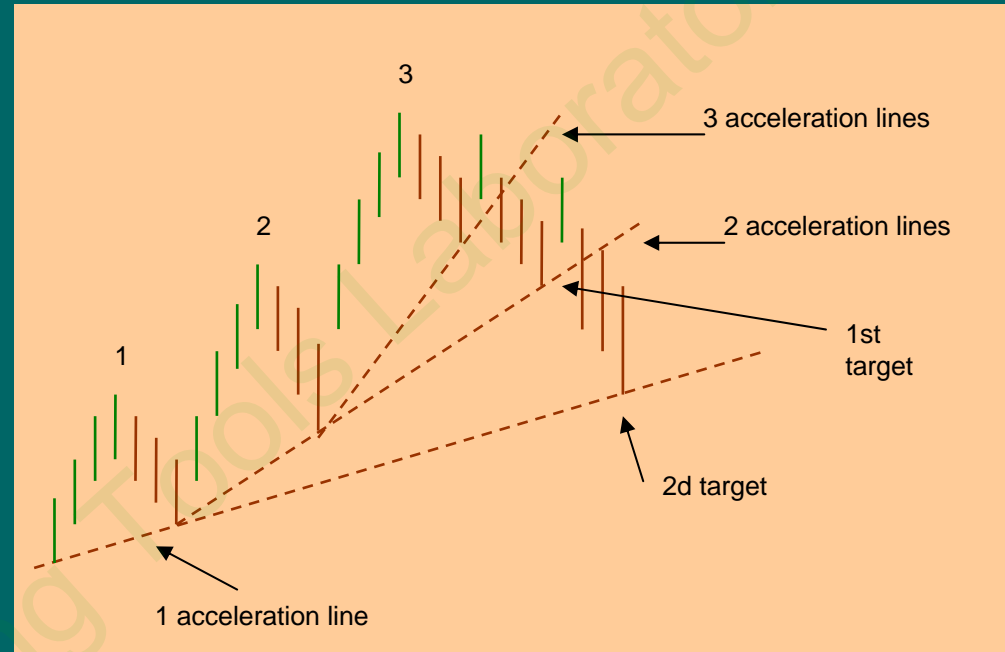


Example of 5 wave Elliott model

WATi trend lines & «Likhovidov folding rule»

In picture the simplified example of «Likhovidov folding rule» model formation is presented

The Model is identified by means of three WATi trend lines which Likhovidov V.N. has named acceleration lines. Lines differ from each other by angle of a deviation from a horizontal level and an angle between lines. The deviation angle from horizontal level of each subsequent line increases. And deviation angle from the previous line also increases.



Other required condition of model formation is presence of three consecutive wave forms. Thus wave forms tops should be consistently ascending for UP trend, or consistently descending for a DOWN trend.

After the price will cross 3-rd acceleration line against a trend, it is possible to plan trade in opposite direction. The first profit target is a point of price crossing with 2-nd acceleration line. But more often the price seek to 3-rd acceleration line. Therefore the second profit target becomes a point of price crossing with 3-rd acceleration line.

Indicator WATi trend lines easily allow to identify «Likhovidov folding rule» model. However it is necessary to notice, that Likhovidov's model is not often produced in the Forex and CFD market.

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Likhovidov V. "The Folding Rule,"

" Likhovidov Folding Rule "



WATi trend lines & «Head - shoulder», «123 pattern»

Indicator WATi trend lines easily identify useful and profitable price models of the classical graphic analysis.

In the literature not often connect «Head shoulders» and «123 pattern» price models. Though, actually, these models are connected very closely among themselves.

«123 pattern» is often created on the price chart. But not always this model shows effective result. With full confidence it is possible to tell, that the effective «123 patterns» model is produced only together with a «Head - shoulders» graphic shape

In picture it is shown two variants of «123 pattern» formations.

The first variant was generated during Zigzag correction.

The second variant was formed at end of a trend.

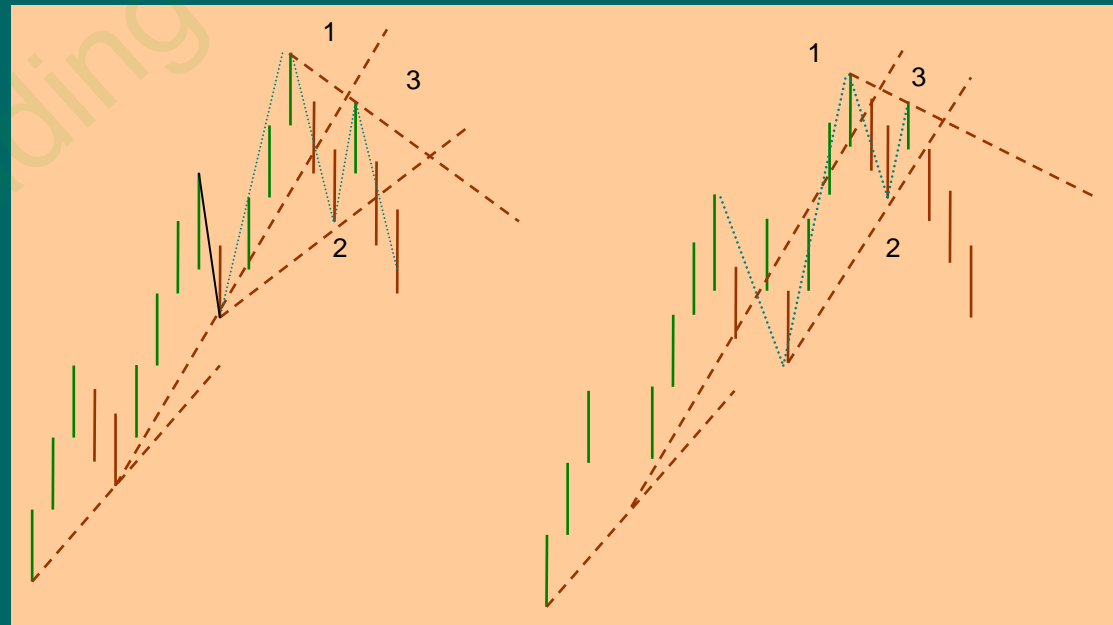


Often enough Zigzag correction is a condition of temporary price consolidation. And therefore price volatility low. Trade using « 123 patterns » contains the big risk in these cases. will wait formation of a point 4 at Zigzag corrections more correctly and only after that better to make the further decisions.

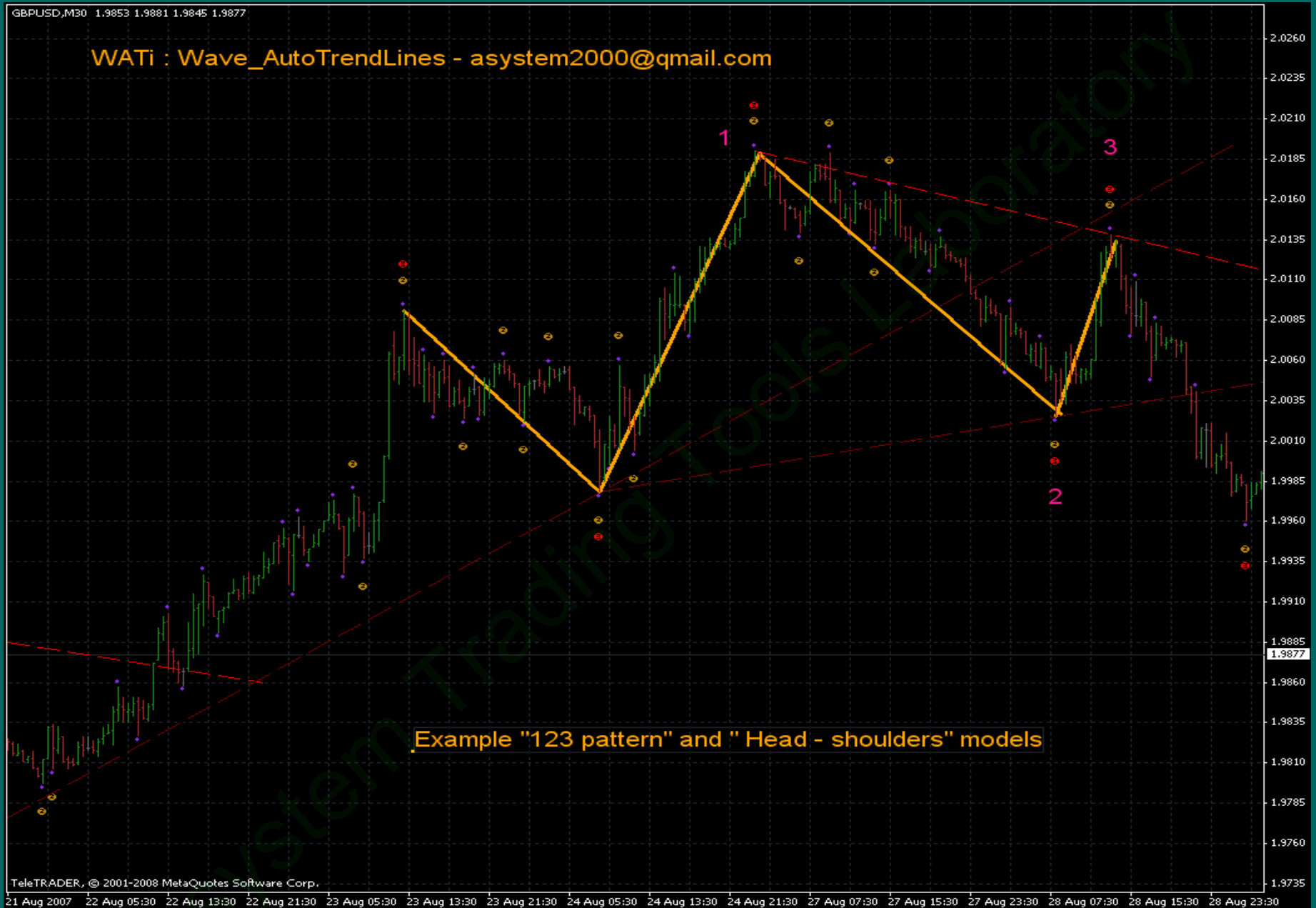
In the second variant, which is presented in picture, «123 pattern» is a part of Zigzag correction too. But the nature and an essence of this correction absolutely another. In the end of the tendency market participants take out the profit. Trade volumes and price volatility movements during this moment large. In this case « 123 pattern » is the most effective price model for the organization of the profitable trade.

Also in picture it is shown, that simultaneously with the second variant «123 patterns», «Head - shoulders » model is formed on the price chart which, according to the classical graphic analysis theory, is a signal of price turn of. Thus «Head – shoulders» model increases «123 patterns» efficiency

Indicator WATi trend lines easily identify «Head - shoulders» and «123 pattern » model . In a reality such models it is formed due to a combination of two basic kinds of movement: «Continuation» and «Zigzag Correction»

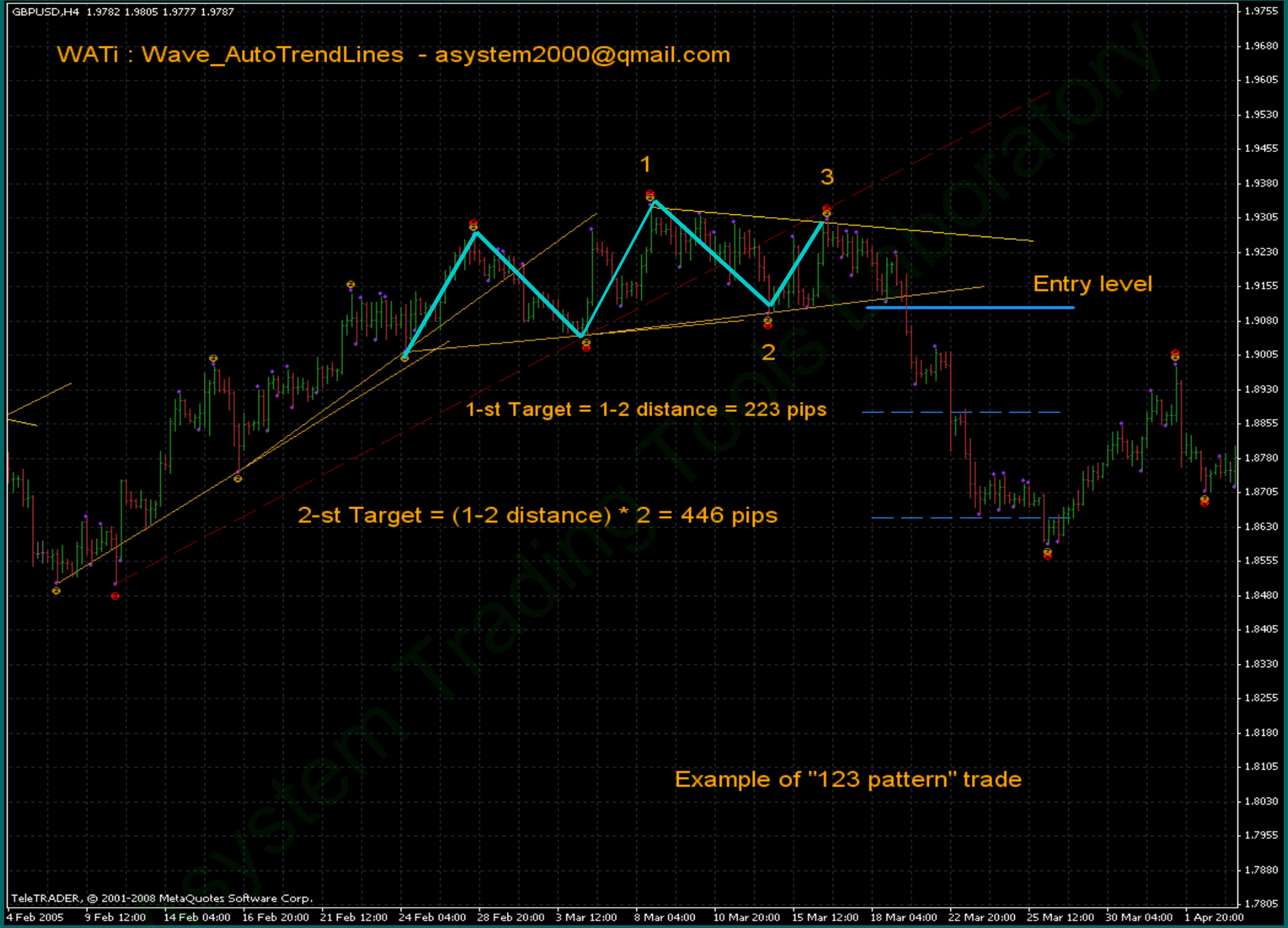


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Example "123 pattern" and "Head - shoulders" models

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2-st Target = (1-2 distance) * 2 = 446 pips

1-st Target = 1-2 distance = 223 pips

Entry level

Example of "123 pattern" trade

WATi trend lines & Wolfe Waves model

Wolfe Waves is an interesting methodology of the graphic analysis which was offered by Bill Wolfe.

Principle of identification of "Waves Вулфе" is enough simple. Skill, experts and understanding of an essence and the nature of this model is required at the same time.

Rules of construction for BUY.

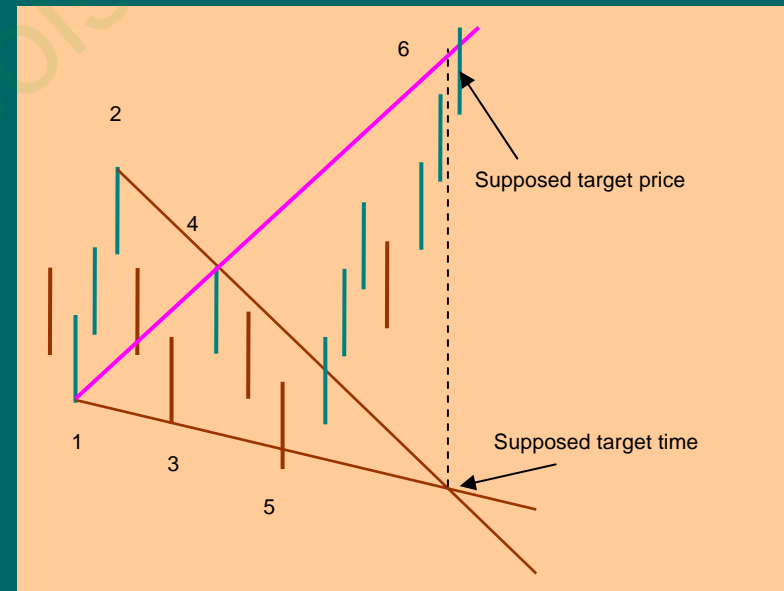
Basis of model construction are points 1,2,3,4.

Conditions of an arrangement of points for BUY entrance:

1. The Point 3 should be below a point 1;
2. The Point 4 should be between points 1 and 2;

After creation of these points, spend following lines:

1. The Line 1,3 - is supposed that on this line there will be a price turn;
2. The Line 2,4 - for the target time forecast. Crossing of lines 1,3 and 2,4 create a forecast point.
3. The Line 1,4 - a target line. It is supposed, that the price to seek to this line, after a turn in a point 5.



Rules of construction for SELL.

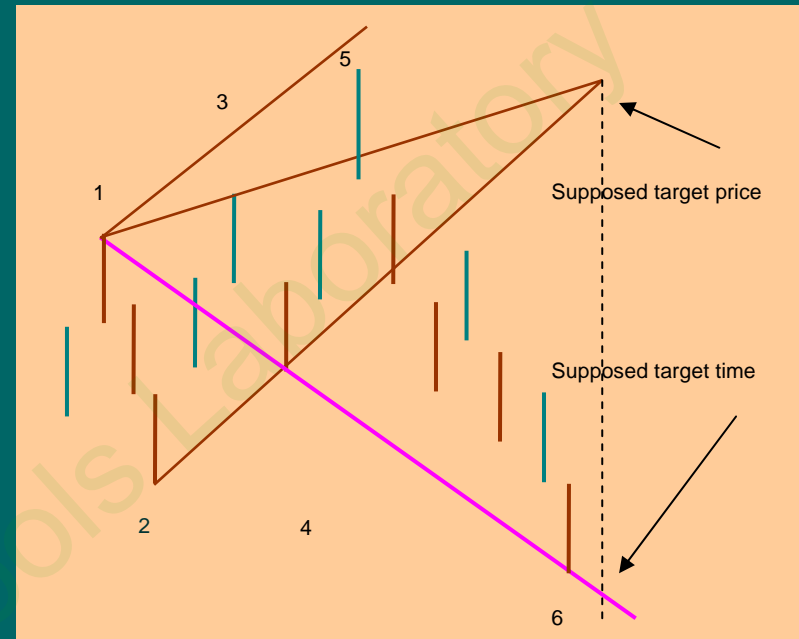
Basis of model construction are points 1,2,3,4.

Conditions of an arrangement of points for SELL entrance:

1. The Point 3 should be above a point 1;
2. The Point 4 should be between points 1 and 2;

After creation of these points, spend following lines:

1. The Line 1,3 - is supposed that on this line there will be a price turn;
2. The Line 2,4 - for the target time forecast. Crossing of lines 1,3 and 2,4 create a forecast point.
3. The Line 1,4 – a target line. It is supposed, that the price to seek to this line, after a turn in a point 5.



It is necessary to notice, that the point 5 is not always created on a line 1,3 only. Often the price crosses this line and the point 5 is formed outside a line 1,3. Such situation is considered even favorable. If from a point 1 to lead a line parallel to a line 2,4 the price channel is shaped. The case when the point 5 will be generated in area of this line, Bill Wolfe has named « the Sweet zone ».

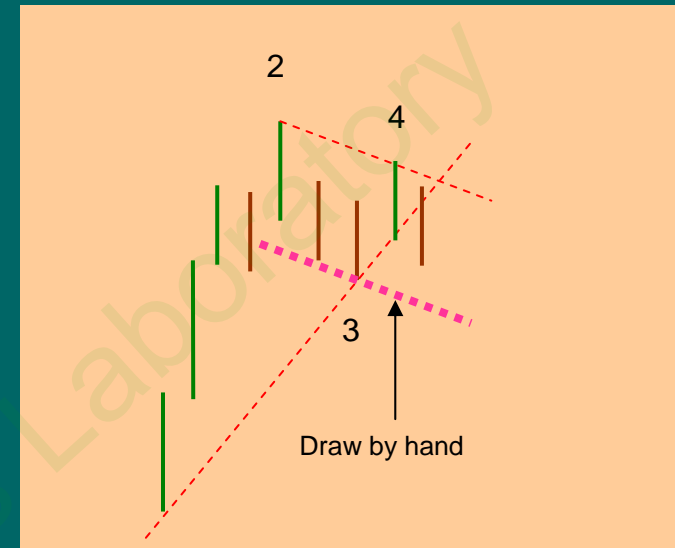
Indicator WATi trend lines easily assist to construct «Wolfe Waves» model on the price chart. As indicator WATi does not specialize on «Wolfe Waves» using trend lines it is possible to identify only the beginning of model formation. Further, using additional lines constructions to be under building the full «Wolfe Waves» model.

First of all «Wolfe Waves» it is necessary to search at formation of «Zigzag correction» movement.

STEP 1 - Identification of points 2,3,4.

When «Zigzag correction» movement begins, there is a "Cross" shape which originally determines points 2,3,4.

To accelerate search of a point 1, we draw manually a line parallel to a line 2,4.



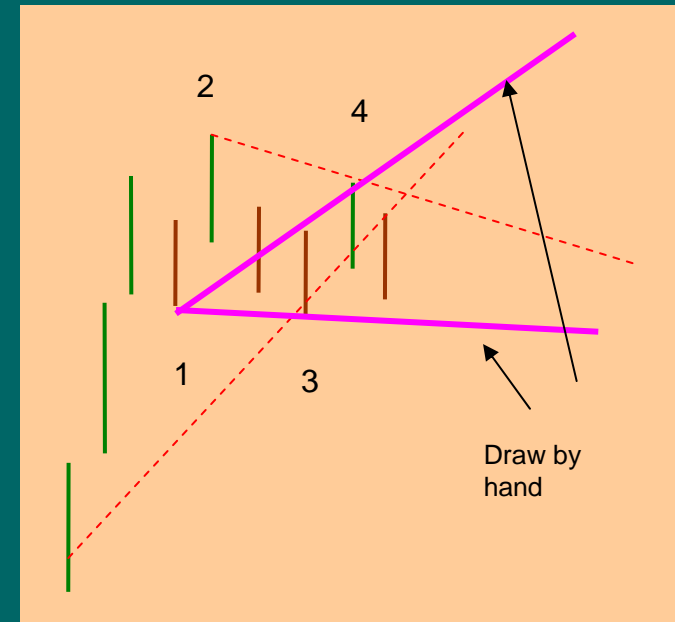
STEP 2 Definition of a point 1 and target lines

The point 1 should be between points 2 and 3. For our example, it is necessary to search for the nearest minimum before a point 2. When the point 1 is definite, we draw a line 1,3.

If lines 1,3 and 2,4 create a "Pennant" model or a triangle, it is considered, that the point 1 is definite correctly.

Through points 1 and 4 we draw a target line.

If there is an opportunity to see a crossing point of lines 2,4 and 1,3, it is considered, that this point determines time when the price will reach a target line

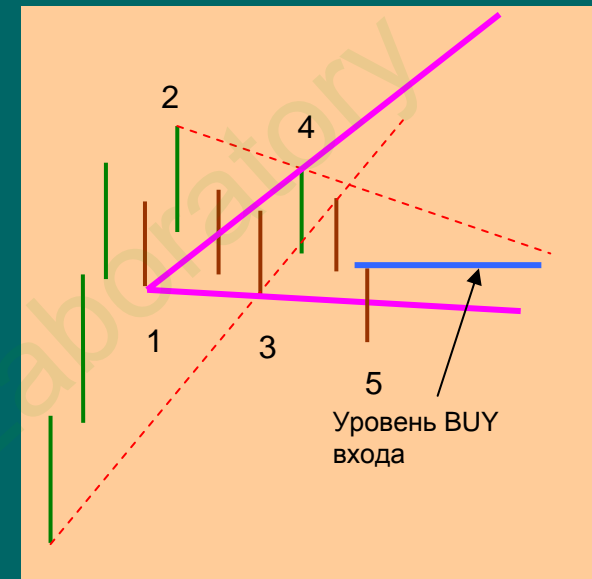


STEP 3 Control of a point 5 creation and trade opening

At this stage, formation of a point 5 is supervised. When the price crosses a line 1,3 is to become a signal for trade opening.

Above example has shown a typical situation of Wolfe Waves model occurrence at formation of «Zigzag correction». movement

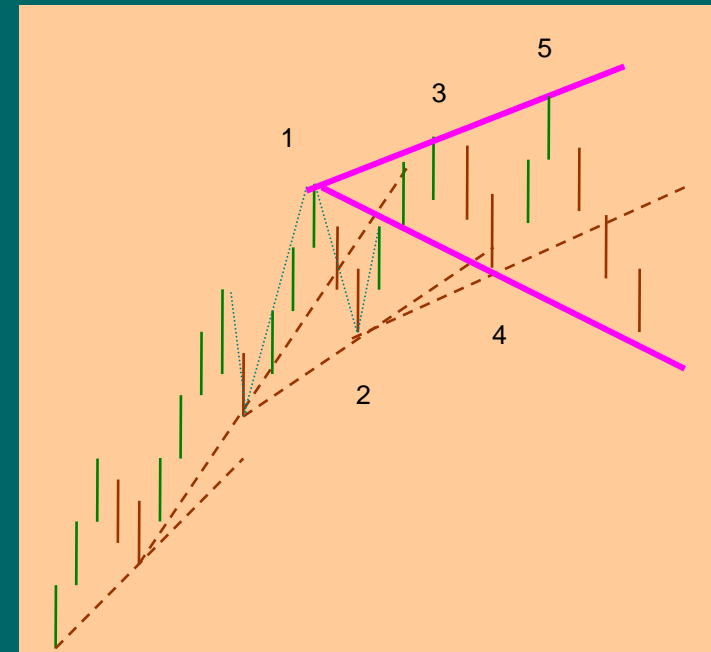
But it is necessary to remember the following if «zigzag correction» movement appears during creations of «Head - shoulders» pattern a Wolfe Waves model , in most cases does not work and can become the reason of the unprofitable trade.



Following picture shows other typical price script at which the Wolfe Wave model is quite often shaped.

Such price behavior is observed after «the Head – shoulders» model formation but the price thus is not unwrapped and continues to move in a trend. Usually such movement occurs wave forms of equal amplitude and remind « the camel humps ». Such movement repeats 2-3 times. After that the price is unwrapped.

On these «camel humps» the Wolfe Wave model is often shaped. At such price scripts this model most precisely forecasts a target point.



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Points 2,3,4 have generated not confirmed model "Cross"

Through a point 3 spend a parallel line to a crossbeam of "Cross". Have received a point 1

Through points 1,4 spend target line

Construction of Wolfe Wave means of model "Cross"

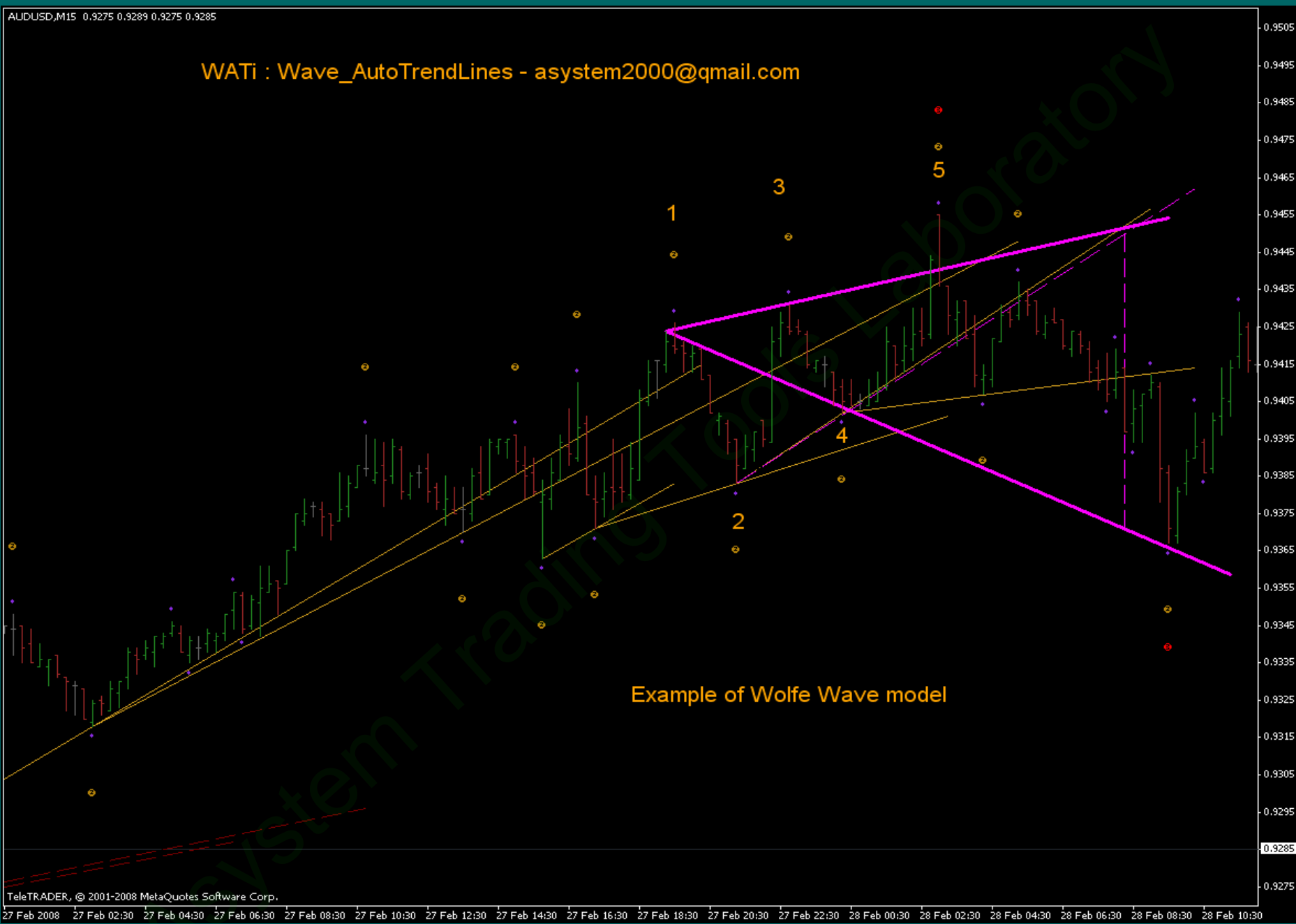
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Points 2,3,4 have generated not confirmed "Cross" model
 Through a point 3 spent a parallel line to "Cross" crossbeam.
 At crossing this line with price by up to point 2, find point 1
 Through p. 1,4 spent target line



Definition of Wolfe Waves by means of "Cross" model

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Example of Wolfe Wave model



ЗАКЛЮЧЕНИЕ

In this manual the material which opens opportunities of indicator WATi use together with both classical popular theories and techniques is stated.

In a stage of end there is a second part of a manual which will be devoted to strategy and tactics of short-term trade by means of indicator WATi.

In plans Asystem Trading Tools Laboratory release of specialized indicators

1. Asystem – Auto_123pattern
2. Asystem – Auto_WolfeWave
3. Asystem – FoldingRule&Fans
4. Asystem – Magic Channel
5. Asystem – Auto_ElliottWaves

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