

THE
NEW
ELLIOTT WAVE
RULE

**ACHIEVE DEFINITIVE
WAVE COUNTS**

An Amazingly Simple Discovery
R.N. Elliott Sought In Vain
That Forever Removes
the “Theory” Label from
His Wave Principle

T.S. Hennessy

THE
NEW
ELLIOTT WAVE
RULE

ACHIEVE DEFINITIVE
WAVE COUNTS

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DEDICATION

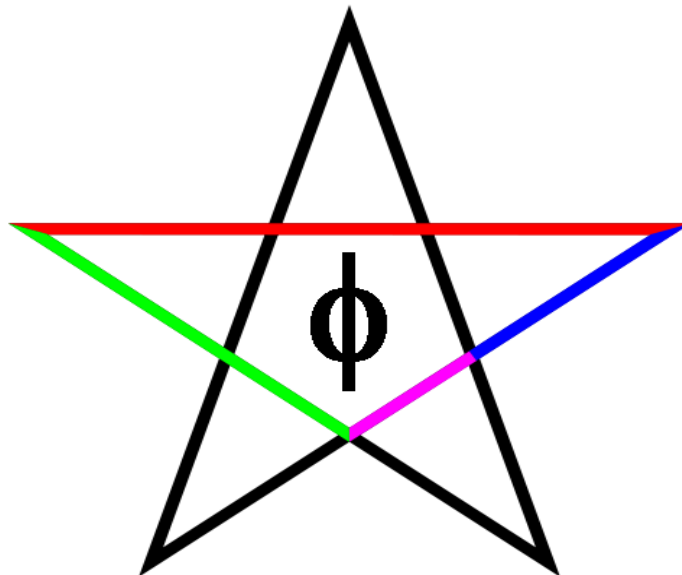
First I would like to dedicate this book to my wife Sandy, who is a never-ending inspiration to me.

Next it is important to recognize the immense value in the original work of R.N. Elliott, as well as the dedicated and prolific Robert Prechter, Jr., and others who have worked diligently to promote Elliott's Wave Principle.

Finally it seems appropriate to give a little more recognition to that cohesive form which is at work in markets. We are constantly observing it, whether we are aware or not. That is the foundation on which all this rests...

Phi – the Golden Ratio – 1.618 : 1 : .618 – Fibonacci series numbers – the internal numerical relationships that run beneath the surface of the Waves.

This book will be a practical look at wave structure. We won't be going into these numerical relationships at all here. However, this book would not be here if we were not observing the results of these factors.



Well, ok, just this one. The colored line segments in this 5 point Star are each depicting the relationship of the Golden Ratio as you move from one length to the next closest length.

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Introduction

The Elliott Wave has had its detractors. That is understandable. It has certainly also had an enthusiastic following. This is also understandable!

What Is In This Book

This book contains an update to the rules of Elliott Wave.

In presenting this to the Investing and Trading World, it is my intention to forever remove the label of “Theory” from the common term, “Elliott Wave”.

[Note: In performing a search engine query with specifics added to only return webpages that contain the phrase “Elliott Wave Theory” in the TITLE, the results topped 75,000 pages. This shows the general level of opinion of an unproven (though certainly popular) form of analysis.]

It is unfortunate that Mr. Elliott himself could not give this update. He had made revisions but for this one in particular he was born a little too soon. The information he needed was not available to him. Had this been included in the original treatise then the entirely distinguished reputation he sought to achieve for his discovery would have become a reality.

Nonetheless, his intention of bringing this social pattern analysis to light for the benefit of others was clear from his writings. He knew it was significant. Ultimately that intention is coming to fruition.

What Is Not In This Book

It will be considered that the reader is already familiar with the existing rules of Elliott Wave. It is really not needed for another book to do the complete rundown once more.

No A to Z ruleset with all the suggestions and ideas of Elliott's original work is here. For the sake of some who may by chance find this as their first encounter, included in the Appendix will be a brief outline of key Elliott Wave structures with distinctions for the new parts vs. the currently accepted standards.

This is a technical book so there are No Wave Forecasts.

Chapter One

Achieve Definitive Wave Counts

The End Game

The objective of Elliott Wave analysis, as in all market analysis, is to identify the Swing Pivot. Identifying this as nearly as possible and in advance produces the best opportunities. That is the end game and of course one's proficiency with the tools and techniques will determine how accurate and consistent one will be.

The definition of a Swing Pivot will be different for various investors and traders but only as it relates to the timeframe objective (eg. long-term) or the scale. In Elliott Wave, this means Degree of Scale or just Degree.

Everything which you will need to do to obtain the location of a swing pivot will be UNDER the degree on which it will occur. By that I mean the final details to reveal the swing pivot will be found on a faster or shorter term than the market movement defined or marked out by the swing pivot.

You also need additional information from ABOVE the degree to insure correct handling of what is underneath.

All this information has structure in Elliott Wave. Structure is detail.

We need sufficient detail to achieve our objective.

R.N. Elliott's Unsolved Mystery

A haunting call comes to us across nearly three quarters of a century from a man dedicated to detail. It is contained in a section of R.N. Elliott's book, *The Wave Principle*. In that book, published in 1938, he introduced the world to his discovery of repeating patterns of price behavior in stock market data. But a search he had conducted to solve a nagging problem yielded no answer. He would never find it.

The market calls coming from Elliott's Wave analysis were remarkable. He was beginning to get recognition. So what was the thing which he sought in vain and other proponents agreed had been elusive or non-existent?

There was a problem with the Wave Principle. To be sure, it was not completely insurmountable or you and I would not be discussing its structure and rules.

It was really an issue though and it remains one up until now. It came down to usability.

If different people arrive at different conclusions then what good is the analysis technique? It is already very well known that the technique works quite well. Yet there were still all these different interpretations.

This must have dogged Elliott, even early on, to the point where he stated, "No interpretation of the Wave Principle should be accepted as valid unless made by me or by a student directly licensed by me."¹

One would think that this means there was a gap. Something was not quite right.

Mr. Elliott knew this and said in 1935 that, "waves do not make errors, but my version may be defective. [However], the nearer one approaches the primary law, the less errors will occur."²

Elliott Wave as a system is not very complex. All Degrees and Formations will consist of one of either,

Style one: Motive, 1 to 5; OR Style two: Corrective, A to C

The existence of variability can be the only reason for this trouble of differing results.

The Fly In The Ointment

As it turns out variability does exist in the system as Elliott described it, in an occurrence which would have the ability to change the internal count. These game-changers were what he labeled, "Extensions".

They had the ability to change the basic layout into something other than how he had described it. That is fine if it is just a part of how it works, right? Not so fast.

Remember the end game? It is the swing pivot we are after and in Elliott terms this is a "Terminal", the final point at which a reversal MUST occur.

"As Elliott said... "I consider that it is far more important to KNOW when the terminals are actually reached than to forecast a 'guess'."²

So it seems if the market can go around changing the “Standard” layout then there must be some “Modifier(s)” to handle this change. Otherwise you might get lost.

There were, but they still did. (Modifiers were added – technicians still got lost).

This is not surprising because not only was this extension thing able to just “show up”, but it had another level of variability within the variability.

Elliott Wave rules basically show Extensions as an extra wave (including the internal structure of a motive).

Just on its own, the extra wave would be enough variability. It is also stated, however, that this can happen in ANY one of the three impulse waves, adding that extra variability.

Now this goes further, actually, because the corrective waves contain internal motive waves which have this blessed talent. Also Elliott had a bonus section called “Extensions of Extensions”.

Confusion or Interpretation? – Results Are The Same

Apart from time elapsed, there are only UP and DOWN. If new waves effectively add-on and extend your current wave, how do you differentiate that from the normal up and down of the wave that was to come next, had there been no extension?

As evidence of the problem, Elliott had a comment about what a trader may be advised to do if holding a position against the (apparently unexpected) appearance of an extension contrary to that position. Sounds like a missed terminal does it not?

This is definitely **the** stumbling block for Elliott Wave technicians. This is the reason that the experts and proponents do not shy away from commenting honestly about the technical difficulty inherent in Wave analysis.

Here is another thing that Elliott stated, in the section on Extensions:

"A thorough understanding of extensions is very important. **Warnings of this phenomenon have been sought without success** and for certain reasons it is probable none exist." (emphasis added)²

If you cannot tell whether the terminal you just expertly counted was the actual terminal then you may not **achieve definitive wave counts**. Without a warning you would be subject to indeterminate location, lost at sea in the waves. Worse, if your interpretation has convinced you of the location in error and ill-advised positions are opened.

Being confused or interpreting incorrectly will not give you good consistent results.

Alternate Counts and Blown Calls and 'Crazy Waves'

Elliott Wave is supposed to be a very accurate analysis technique. Achieving definitive wave counts should be routine. Yet there exists another outcome which is entirely too common.

Whether you are an investor or trader who performs Elliott Wave analysis personally or one using expert services to obtain definitive counts, attainment of desired results may often be elusive.

One is first presented with an expectation which is far short of identifying the swing pivot. This comes in the form of changing the end game to that of perhaps knowing what the waves could not possibly do instead of specifically counting to a swing pivot.

The common format is the arrival at a point where indeterminate location leaves multiple possible outcomes. This then introduces what is called the "Alternate Count". This is an information holding pattern which debilitates the technician. In this state there is no longer an existing analysis. Since the resuscitation will require more market movement to reveal any kind of truly definite location, it is like waiting for the rescue helicopter to arrive.

There is another aspect of that frustrating situation. Whenever an interpretation is made which was in error as later proven by market movement the result is a "Blown Call". Let's face it, we are all human and these things will happen. The trouble is that combining alternate count paralysis with blown call hard outcomes further damages the reputation of Elliott Wave and the courage of some to continue in its pursuit.

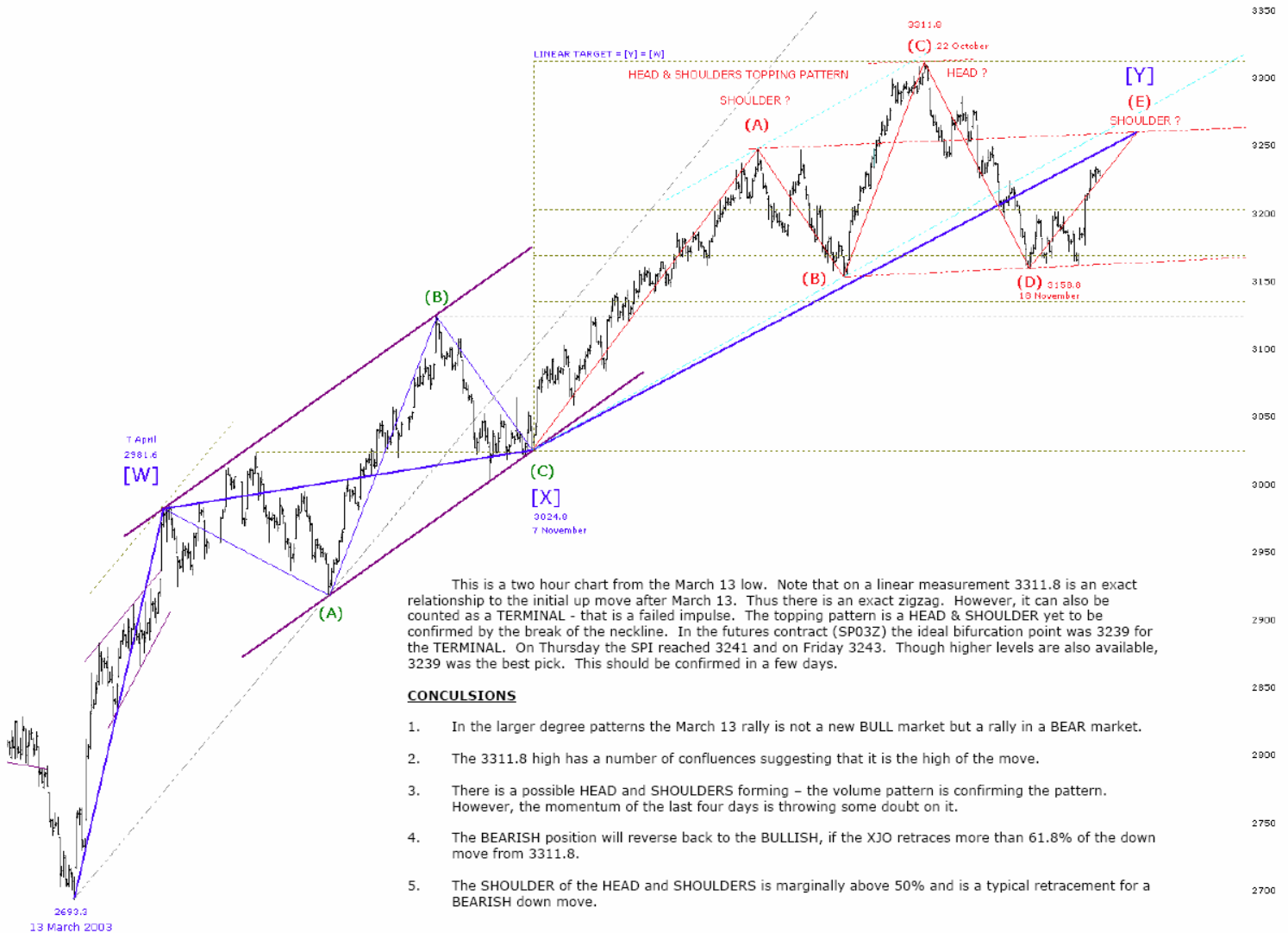
Now comes another issue which is not so much a direct result of Elliott Wave as it is in the general practice of the analysis by increasing numbers of technicians. The same situation that Mr. Elliott evidently saw was that there were some that simply performed the analysis incorrectly.

However, in his day there was no commonly available way for most of those results to be published instantly and practically for free to the entire industry. The internet has changed all that and it is great. The dilution of valid information can be a casualty however in that free flowing environment.

That is perhaps just a sidenote in the discussion but as you may realize, Mr. Elliott is not the only one concerned for the reputation of this science.

On the next page is an example of some analysis found online. The person is well versed in many aspects and certainly works hard to obtain the results. That is certainly admirable and is not to be criticized. I'm not sure if the results achieve communication to the audience of a definitive wave count or something akin to a Weather Forecast, full of Alternate possibilities, and in this case a blown call which goes down as just another rained out event on a "sunny" day. Will it improve; will we continue to trust?

Example of 'Crazy Waves' – Even if the conclusions ultimately turned out to be correct, is this Helpful? Definitive?



Are We There Yet?

No. It actually seems that the practice is changing and moving in a direction which would not be favored by the author of “Elliott Wave Principle” were he still alive. Viewing such examples in his day might have prompted another warning by him of authenticity. Do you see any 1 – 2 – 3 – 4 – 5 progress labels in that diagram?

Notwithstanding this it is neither Elliott Wave practitioners, nor advocates, past or present, nor Mr. Elliott himself who are at fault for the general state and reputation of Elliott Wave analysis.

R.N. Elliott set for the Wave Principle an extremely Lofty Goal of Definitive Wave Counts but was not able to bring this about in common application by investors.

Why not? Is it just a matter of too much work; is it too complicated?

That really could not be the reason because as seen in our example above, there are certainly those who are willing to put forth whatever level of effort is needed. Yet they are not achieving definitive wave counts or you would hear about it. That internet is very efficient for news of methods which earn money.

Then what is keeping Elliott Wave from being what it ought to be, an investor's most trustworthy analysis technique? When I learned about Elliott Wave analysis, I wanted to use it to identify swing pivots in a definitive way. Do you? Read on.

Once You Have Read Through And Are Ready

To Apply The New Rule

Be Sure To Stop By The Forum

For Discussions and Comparisons

Newelliottwaverule.org Forum

Chapter Two

Clues to Good News

Information Age

Fortunately for you and I, Mr. Elliott left some clues in that book as to what the reasons were behind his inability to find the answer to his stated search for crucial information.

One of the clues is related to something that was mentioned in the beginning of this chapter. In analyzing data – yes that's what technical analysis is, data analysis, it is never going to help in reaching correct conclusions if you are missing some of the data.

Elliott Wave structures are formed from bits of data known as ticks which are individual trade transactions which list price, volume and time callouts. We collect these and bundle them into containers called bars or candles. We typically choose a timeframe and by doing that we vary their start and end time which will separate the trades outside those times into other bars or candles. We will call this data “Detail”.

It was stated earlier that we need sufficient detail to arrive at our objective. Let's hear what Mr. Elliott had to say.

He mentioned a list of crucial elements for Elliott Wave relating to information flow in liquid markets with public participation. I wish to direct your attention to the last item. His list begins when he states, "When the machinery described below is present, the patterns and waves are perfected and become visible to the experienced eye."

... (Required elements A thru D) ...

"E. Daily high and low range charted in such a manner as will disclose the waves of all degrees as they occur.

The daily range of stock transactions was inaugurated in 1928 and the hourly record in 1932. These are necessary in order to observe the minor and minute waves especially in fast markets." ²

Basically this tells us that detail is critical to allowing the perfectly formed waves to become visible in all degrees. Will working down to within the hourly high and low range disclose the waves of all degrees?

Certainly there will come a time when there is hidden detail or, "Hidden Waves". This would be caused by price action where more than can be seen of wave development takes place completely inside the bar containers. That will make the counting difficult but could it completely fool us about how the waves of the internal structure are building the external or current degree wave?

Well no sooner did we get the ability to have more detail beneath the hourly record than our question of disclosure of all degrees coming from just the hourly was answered. There is self-similar fractal wave building going on at much smaller degree than hourly detail will disclose. In fact the Elliott Wave phenomenon extends to the tick level.

This detail does play a part but what if you were working on much higher degrees? Would detail from the lowest degree be required to accurately mark off wave progress? This might depend on whether you are able to see all the detail necessary which is present while the wave is building. Sometimes a closed bar does not show its whole story and if you can no longer access this detail then assumptions must be made.

To be sure, enough detail is required to do this correctly but there is another aspect to what has been obscured from view for so long. Another clue must be looked into.

Psychology And The Psychologist

The whole system of wave patterns is considered to be based upon social group behavior or a kind of psychology of the herd so to speak. It is a different side of psychology I want to consider.

Elliott Wave has been criticized for allowing one to see what they want to see in the wave development and not necessarily what is correct. If that has occurred in a particular setting the time comes when the viewpoint causes a decision to take entry of a position in the market. That viewpoint is entrenched but the outcome will not ultimately comply favorably and the error is seen too late.

To unravel this clue you will need to see just how that legitimate complaint about wave analysis also has a broader application that compromised the development of the rules themselves.

To do this a small demonstration of the power of the mind will be helpful. On the next page is shown a popular test which supposedly measures a person's intelligence (IQ). Most likely it is more a measure of how casually it is presented and viewed versus how determined the participant is to avoid being fooled since there is a definite hint of this being a quiz to check one's alertness.

This quiz is given by showing the following statement and instructing the person to read it over just once, quickly. They are instructed not to re-read the phrase. The final instruction is to count the occurrences of the letter “F” within it.

**FINISHED FILES ARE THE RE-
SULT OF YEARS OF SCIENTIF-
IC STUDY COMBINED WITH THE
EXPERIENCE OF MANY YEARS.**

Well if you have never seen this one go ahead and count how many times you see the letter “F”.

How many did you see?

It is an obvious trick question when presented in this manner and this is why it seems a poor representation of a person's IQ but pop culture can still teach us. The results from the quiz are that a vast majority will count three and then fewer will see four five and six (six being the actual number).

Why do most people get the answer wrong? It is the sheer power of the mind that can ignore visual fact and that reports back only those “F's” that sound like “F's” and ignores those that sound like “V” as in the word “OF”.

It is clear from many real-life situations that our mind has such a power. This powerhouse also has a known propensity to take shortcuts – yes, we are also lazy. Additionally we do what we are told to do.

There are actually all three of these elements in this clue to the variability problem for which Mr. Elliott sought a solution.

Not only do we see what we want to see but we were told that Mr. Elliott alone had the expertise to decipher his system. He was the expert. Any shortcuts of the practice which he had institutionalized would persist. He was the Psychologist.

Here is where we will get into the breakdown of what went wrong. The common practice which he had adopted partially or perhaps primarily due to lack of detail would become our practice. It ultimately was a shortcut – and we still do it to this day.

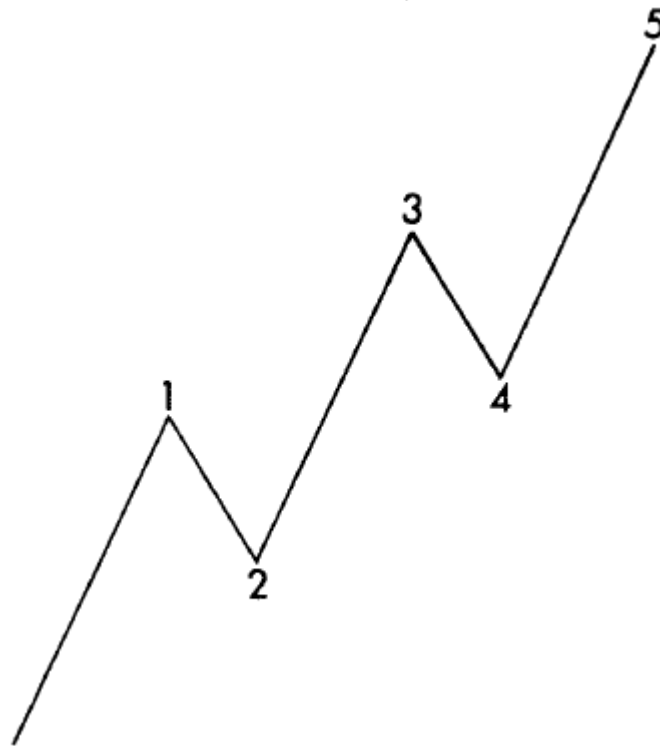
Chapter Three

The Devil In The Details

Casual Observation Or Actual Count

The market has been shown to be a self-similar fractal at all degrees of scale by R.N. Elliott in a masterful unveiling of the repeating patterns. In the same work he made an entire systematic analysis technique which will allow one to track the location of repetition at greater scale in order to profit from the information.

In the following two diagrams the basic method of counting waves is illustrated.



From Elliott's book ¹

Now one from a section of our earlier example.



Notice the straight line method that is used to mark the wave progress. They are the same technique. Detail is effectively reduced to a straight line and a progress label gets assigned. Often the line would not be used and just a label is shown.

This is the universal method. There is nothing wrong with that. In fact it is practical necessity that for the most part internal wave formation gets flattened to the currently 'significant' degree.

Being a practical method makes it become solidified in our mental processes. Breaking that down further we would see that there is commonly a parsing of smaller waves through what is basically a Casual Observation rather than an Actual Count.

An actual count of these smaller waves would require the same level of detail as in our current degree and the same scrutiny that we are giving our current degree regarding the compliance with the rules. That further breakdown may even require yet another level of due diligence to be sure the build is error free.

If ever there was an opportunity for nurturing the tendency toward shortcuts and seeing what we want to see this is it. Seeing a wave that appears to break in the middle? It's a THREE. Case closed. "B" label applied – on to the pivot, loaded weapon in hand.

We ALL do this. So did Mr. Elliott. The worse part is there are plenty of situations where it is needed. Using historical data for which no more detail is available than on the degree which you are using to analyze the counts is one such situation.

Remember that to handle current degree counts the relationship to the next higher degree must be counted correctly. This will frequently call for less detailed data. It sometimes cannot be helped.

There are also certain time and effort and motivation factors. In any case this jumping to conclusions is a reality for at least part of some of the analysis situations which will be encountered.

There is certainly no question that Mr. Elliott was motivated to expend whatever effort that it would take to come to the right conclusions. As previously stated his work produced remarkable results.

This effort and drive included some amazing guidelines that amount to workarounds for the lack of a solution to the extensions warning. They included extraneous detail to the wave prints themselves such as wave characteristics like volume. Also relied upon was future wave development read back to validate the counts already concluded.

The fact that the market is a self-similar design at all degrees or, a fractal, makes it an extremely complex structure. Elliott wave is a remarkably simple technique for its analysis.

While Mr. Elliott was developing this system he found answers which eventually led him to solutions to problems. He was, however, still in development mode under less than ideal circumstances. He had what amounted to a huge deficit in available detail.

The only direction he could go to find answers, deeper down into detail, was not even available to him. If deeper analysis would reveal that a THREE was not in fact what it appeared then this factual information was lost.

It was under these conditions that rules and methods were engraved in stone.

Now we just do what we were told to do by the Chief Psychologist (and we take shortcuts and see what we want to see).

Chapter Four

The New Elliott Wave Rule

Letting The Waves Tell Their Own Story

If the Waves do not make errors then let us listen to them. It seems that this would be getting closer to the primary law, what Mr. Elliott wanted to do and of course all practitioners hope to do.

The previous chapters have been put forth in a way that would let us remember the extreme value of Elliott Wave and its original goal. They have shown that we may continue to regard this science very highly and yet understand that there were obstacles at the time of development and continuing still.

The scientific obstacles of limitations on available detail have been removed and are no longer holding us back. This was an important part in allowing the waves to tell their own story completely but not more important than the psychological aspect.

This must certainly be true if anything in the way of a New Rule can come to Elliott Wave after over 70 years. So the rest of the story will come as a change in viewpoint which is what psychology entails. We humans have a marvelous ability – we can each view the same thing differently.

This is an exciting part for me and I will come back to how it came about that the viewpoint changed and the waves were allowed to speak for themselves. Before I do that however, it is necessary to break the old viewpoint. So here goes.

Saltwater Does Not Burn

Well actually it does burn. It was recently demonstrated that you can ignite saltwater which is inside a radiowave field. That is not talking about evaporation, but an actual burning flame as a fuel burner produces. And yet another “Fact” goes down in flames.

The fact that we will first deal with in our new view is that one which we have discussed already. The problem with unpredictable occurrence of extensions is about to disappear.

The reason that these will no longer exist is that they never existed in the first place. There is no such thing in Elliott Wave as an Extension!

Well that was easy now wasn't it? You will never again be wondering if an extension will show up and ruin your expectation of the arrival of the next wave. It will not ever show up because it never did. Yes I am repeating myself. That is just a little reinforcement psychology!

Extensions were observed as something "Extra" and given a name. They did not fit into the castings of regular wave structures so they had to be examined and identified and classified.

This was done within the framework of the basic layout of the waves as they form in the laboratory. In other words, the extension did not fit a theoretical Elliott Wave as Mr. Elliott "thought" that they "should" form.

The waves actually form somewhat differently than he thought they do. This occurs in certain waves and so it was not seen as a rule but more of an exception. He then classified this exception and accepted its irregularity.

One more issue regarding things which were observed and catalogued should be stated. Mr. Elliott has already observed the phenomenon which will become the new rule for us. He basically split it up and categorized it as separate things with different names and different descriptions in different degrees and saw some of it as something which did not exist at all as part of waves. However the waves have always had it and Mr. Elliott has seen it.

A Rule is Only A Rule If It's A Rule

Let me be clear that when I refer to a new rule that I am talking about a rule in every sense of what that means in Elliott Wave. A rule must apply to every wave and must always hold true.

So when it is said that certain waves develop differently it may still be a rule just as it is a rule that corrective waves are Threes and motives are Fives.

When referring to "Every Wave" as a requirement for rules this should actually be taken as meaning every Cycle. A Cycle includes the set of 5 motives and 3 correctives.

Therefore our new rule, just as any rule, should be applicable to each and every cycle. It IS a rule in that very strict application and will always be observed. This also means that this is NOT in the category of a guideline or wave characteristic. It's a rule.

Rule Statement

The Statement of the New Elliott Wave Rule is as follows:

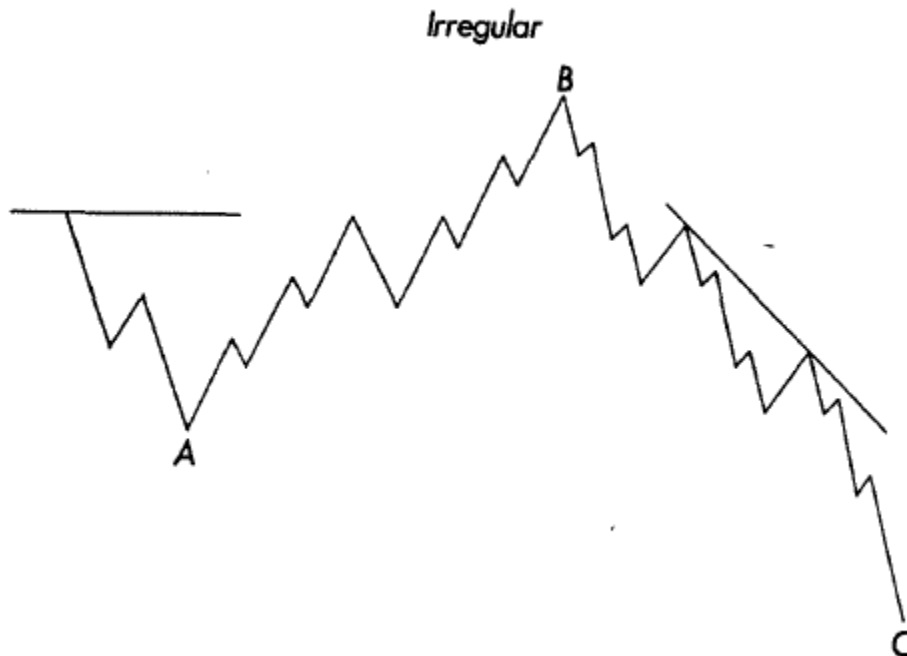
In Every 5th Wave and in Every C Wave, the 4th Wave WILL have a B Wave which will set New Trend Price Territory.

Although this needs no different labeling, this should be given a term and so I have called it a “Retrending B” or more simply an “RTB” Wave. The rule therefore states that in those specific waves there will ALWAYS be a 4th Wave with an RTB.

Previously of course, this was observed by Mr. Elliott as already stated. However it was never seen as something which always occurs because of the invention of the extension which is just the effect of lower degree RTB's in the internals and so they were not seen as such.

What he did already duly observe and label as an “Irregular Correction” is not in the least irregular in the normal connotation and even in Elliott Wave connotation.

From his book in the section on Corrections (correction of a bull motive is shown):



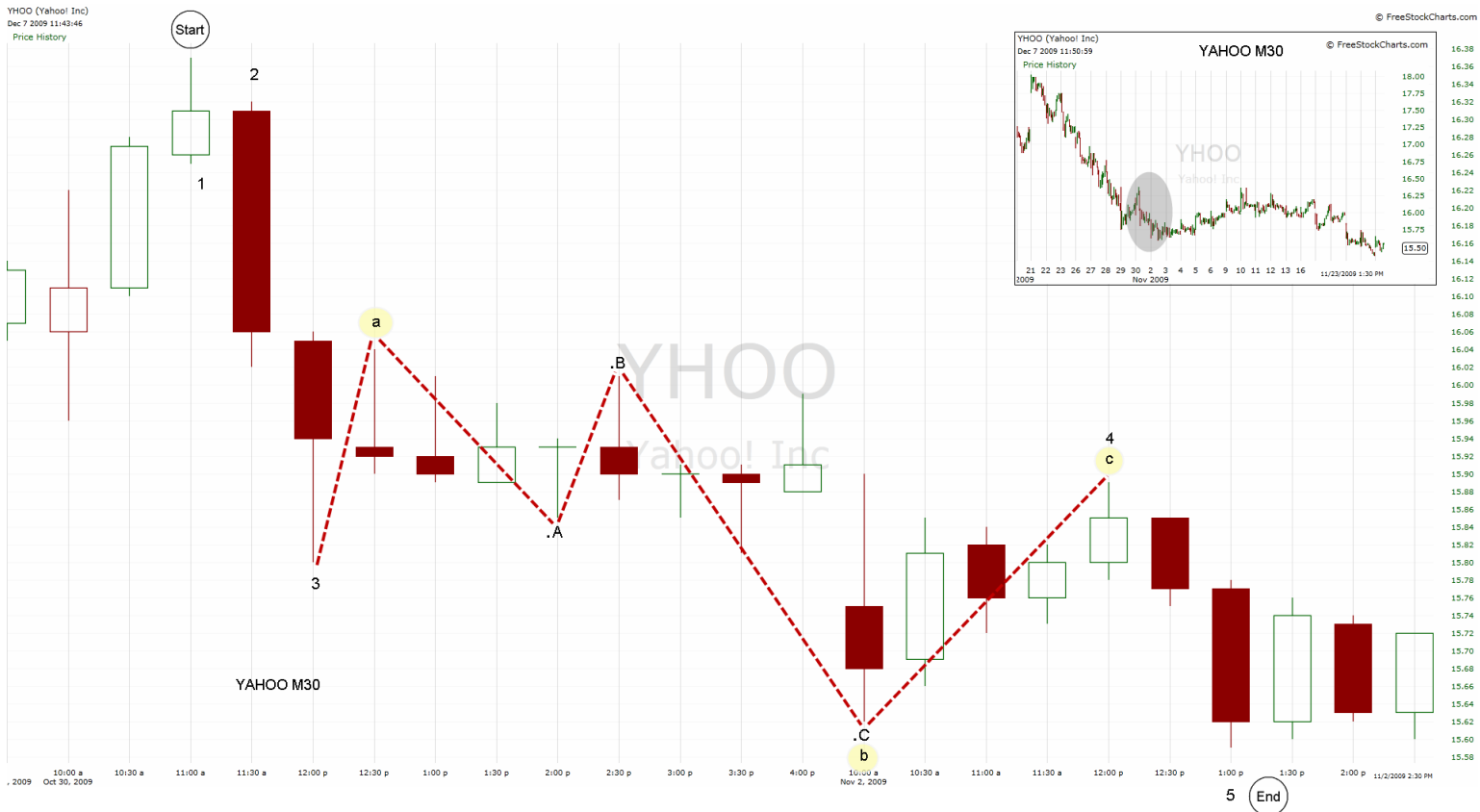
1

What he does not show here is the actual correct depiction where the C wave will also have an RTB 4th which would likely have caused him to draw the internals differently had he known this as a rule (the still lower degrees would not show on this depiction).

That picture is how Mr. Elliott viewed some corrections. The count has been correctly maintained in such a way that it was clear to him the B wave sets new price territory. It is also indeed correct that this is only applicable to “some” corrections. He had other formations listed and diagrammed which apply to “other” corrections.

The area of confusion which would give rise to the invention of an extension comes where the lower degree internals in the previous wave would have many instances of these RTB 4ths which would confuse the count and look just like an extension because that is what had been decided that this effect was.

Examples with more internal detail follow but first a basic layout of what this looks like:



See all diagrams full size here: <http://newelliottwaverule.org/info/ebookdiagrams.htm>

This is a clear wave ending – either a 5th or C wave. The area in the grey ellipse on the picture's inset is what is depicted. The a-b-c of the 4th wave is highlighted and shows where the price exceeds the end of wave 3 or “ReTrending in the B of wave 4”.

Note: A convention will be used throughout to illustrate new rule wave counts. The area being labeled has an overview inset. Also only very clear ending wave areas will be used. It is very fortunate that the new rule treatment of wave counts occurs only in Waves 5 and C. This makes the interpretations clear since the ending wave formation gets marked out by swing pivots. The result is a self-validating scenario which would not be the case should we first need to prove where we were in the count. These locations will be obvious.

Give Me More Detail Please

The practical application of this new rule will include from 4 to 6 internal and current and external degrees of scale.

This is because as a wave 5 ends it will have a 4th like this which will include a C like this and the C will have a 5th with a 4th like this and so on. The 5th will have a 5 of 5 too. Then it will branch into a correction where the C will have a 4th like this. Underneath that the 5th and C of each and every formation will contain this.

It is LESS complex now because there will be a way of counting 4th waves which is unique and identifiable for the waves to which it applies. This will greatly simplify the counting but we will cover more on that later.

Perhaps not all 6 degrees will be needed but you will begin to see how this interaction comes into play very quickly. Even though you will sometimes take the shortcuts (yes you will, I thought we covered that), to thoroughly describe a wave you will want all the degrees of scale which are needed.

Room To Grow

In the original description of the fractal nature of Wave Analysis Degrees a scale series was developed from the bottom up. That bottom detail level was applied to the hourly data set. We now have need to expand our series.

The original set contained 9 which went up from the hourly and on to cover century scale and above. Glenn Neely, an Elliott Wave expert, has added 2 more below the original 9 for smaller degrees of scale giving us 11.

There was also a deviation on the original graphic symbols which Mr. Elliott used which became popularized but that set does not use the extra 2 degrees.

The consensus in these camps for assigning a Time Span Application to particular degrees seems to be to avoid using one. The methods which are employed for assigning time spans for application of a degree vary depending on where one looks. Perhaps one of the methods for avoiding disagreements would be to standardize on this with broad ranges.

As mentioned there is a need to expand the series once more. Therefore the unifying approach must be to finally adopt one of the two most popular styles and add to it in the most complete format yet and hope that we can all just get along. It is not a necessity but we also have many languages in the world and that certainly keeps things interesting, doesn't it?

New Degrees Of Scale

It is a difficult thing to choose but there are a couple reasons to side with the Neely set as the additional degrees are added. We certainly do not want a completely new layout as we should wish to further this science. There must be a point where differences get melded in an efficient way if that is to happen although alienating some is unavoidable.

The first reason for choosing the Neely set is there are 2 lower degrees in use already.

Equally important is the fact that more degrees calls for the easier method to remember and apply. The set we will add to has only 2 numeral groupings, Arabic and Roman. The alternation between the two becomes simpler like alternating colors on a columnar pad.

To complete the scale series we will need 4 additional degrees for a total of 15. This will take us down to the seconds to minutes in time span application.

There is a set of Transparent .PNG graphic files which may be used for labeling that includes everything in the set. These may be entered into graphic editors like Snagit as STAMPS for quickly applying labels to your pictures.

You may download the free Graphics Set here:

<http://newelliottwaverule.org/info/labels.htm>

The table on the following page (included in the above graphics download) will show the way that these scale additions will be used in the remaining diagrams in this book. That first picture only used existing degrees so does not fit a proposed time span usage.

In applying the time span application guidelines it was once again not possible to agree with multiple camps. In the interest of arriving at spans which will be the most accurate and gain wider acceptance in the future some modifications were needed. It is hoped that these modifications will indeed have a unifying effect.

As the new rule begins to reshape counting methods a new opportunity comes to standardize labeling and therefore enhance agreement and collaboration among Elliott Wave Technicians.

If you wish to download just the degrees table without the graphic symbols you may get that here:

<http://newelliottwaverule.org/info/degrees.htm>

See the new degrees table on the next page.

Degrees Table

#	Abbr	Wave Degrees	General Span Application	SYMBOLS	
				Impulsive	Corrective
01	GSC	Grand Supercycle	Centuries to Millenia	[i] - [v]	[a] - [c]
02	SC	Supercycle	Decades to Centuries	[1] - [5]	[A] - [C]
03	C	Cycle	Years to Decades	[i] - [v]	[a] - [c]
04	P	Primary	Quarters to Years	(1) - (5)	(A) - (C)
05	In	Intermediate	Months to Years	(i) - (v)	(a) - (c)
06	Mnr	Minor	Months to Quarters	(1) - (5)	(A) - (C)
07	Mnt	Minute	Weeks to Quarters	(i) - (v)	(a) - (c)
08	Mnut	Minuette	Weeks to Months	1 - 5	A - C
09	SM	Subminuette	Days to Months	i - v	a - c
10	Mc	Micro	Days to Weeks	.1 - .5	.A - .C
11	SMc	Sub-Micro	Half Days to Days	.i - .v	.a - .c
12	Mil	Mil	Hours to Half Days	"1 - "5	"A - "C
13	SMil	Sub-Mil	Minutes to Quarter Days	"i - "v	"a - "c
14	Nano	Nano	Minutes to Hours	*1 - *5	*A - *C
15	SNano	Sub-Nano	Seconds to Minutes	*i - *v	*a - *c

Now We Can Get The Full Viewpoint

Using that extra detail in labeling we can now move in and out at any degree without limitations to see the way this fits into the entire Elliott Wave analysis.

Remember that this new rule is what the waves have been doing all along and governs the entire spectrum of formation and movement in all ending areas. Therefore we will be able to work with specifics since this handles the movements formerly called extensions and are no longer going to need guesswork.

The fact that you are able to simply track the standard Elliott Wave conceptual wave formation and structures of 1 through 5 and A through C will vastly simplify counts. It may seem strange at first but it shows itself frequently in these ending areas which helps to become familiar with it quickly.

Once seeing the end of 3 when inside a larger 5th or C wave the thing to count next will be A rather than just 4. The next screenshot will show this.

In other words when inside a larger 5th or C wave it is going to be common to tick these off in the following fashion:

1 – 2 – 3 – A – B – C4 – 1 – 2 – 3 – A – B – C4 – 1 – 2 ... and so on a few times depending on how much detail you will be seeing. This just proceeds until you finally have found the reversal at the smallest degree 5th of 5 where you'll then capture the set of lower degree fifth waves which have been building for the swing pivot.

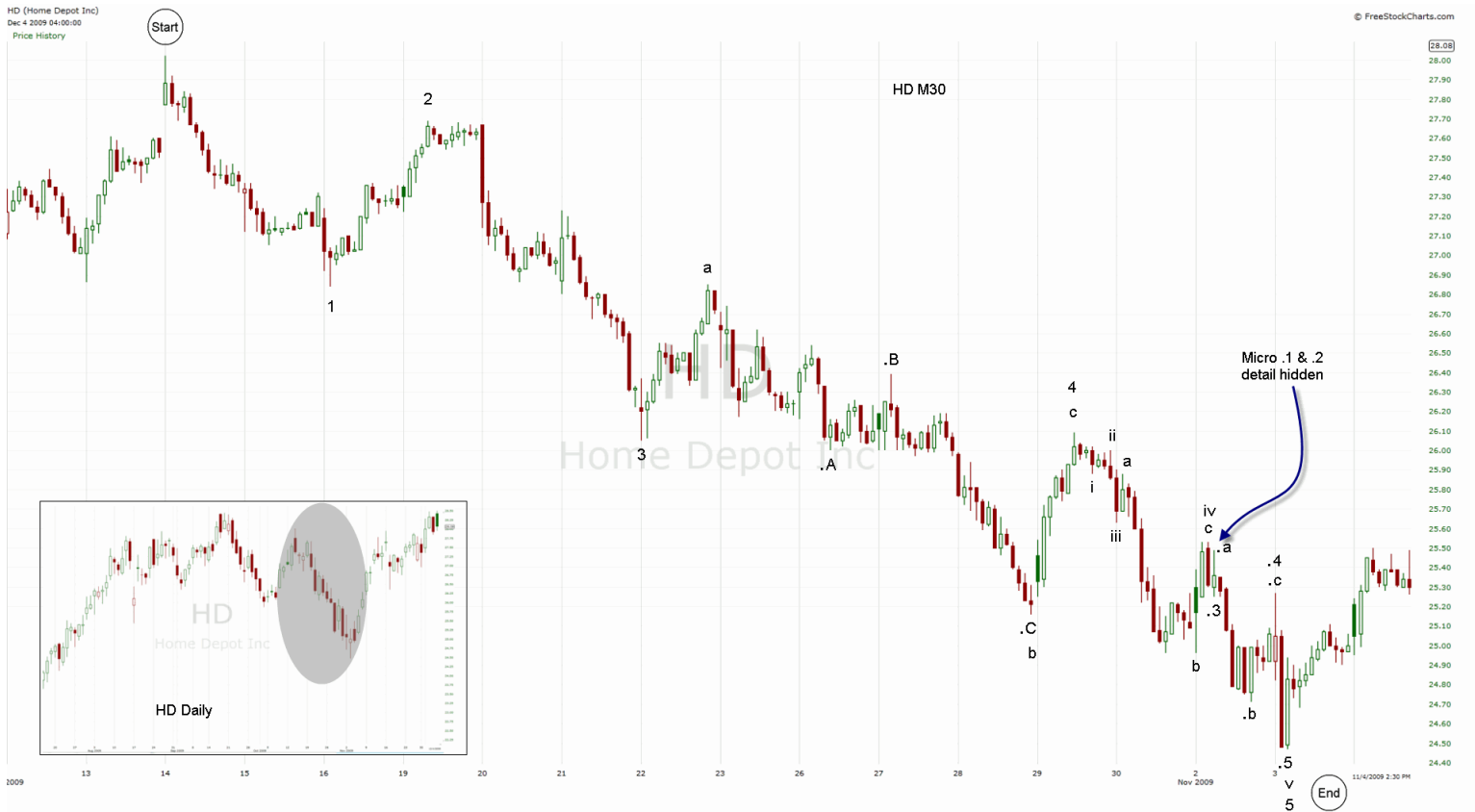
We will look at a screenshot for this observation of the nesting of degrees which was just described. The extra detail needed will make the picture fairly compact so remember you may view all of these screenshots at their full size here:

<http://newelliottwaverule.org/info/ebookdiagrams.htm>

This screenshot on the next page shows three degrees and by the third one there is a lack of detail since the 30 minute timeframe is hiding the finer detail. By the time the 4th degree is showing there is no real detail to observe.

More degrees will be included in some finer detail screenshots which follow but again we want to just look at basic layouts first and become familiar with the new way to count through a 5th or C wave and thereby avoid alternate or blown counts.

See next page.



Better Wave Identification

The following discussion will show why having 2 Different Types of 4th wave formations will aid in Wave Identification. We will use the inset from the above screenshot.



Part of the proof of what wave is depicted in the marked up wave count as shown in the grey ellipse of the inset overview comes from the clear distinction in the move down from the top left of the ellipse. The remaining required proof comes from the fact that there is both lower and higher price areas than the move of which that ellipse covered. Price action in that area is a part (yellow highlighted area).

That makes the entire viewable price action within the inset a bullish move with a correction which is highlighted in yellow in the blow-up of the inset.

Therefore the final area of the correction which is shaded with the grey ellipse must be either a C of a Zigzag or the 5th of what would have been formerly known as an "Irregular Correction". Now we know it as the 5th of an RTB 4th wave's C.

That proves what the wave must be for the purpose of knowing that the new rule wave counting applies to that area. This knowledge will aid in taking a bullish position at the correct location.

For knowing which particular wave is in the yellow shading, however, the information must come from larger degrees. This is where the new rule is of benefit. Since we now have 4th waves which come in two major varieties it will help distinguish between them.

The 4th wave of any wave OTHER than 5 or C will NEVER set new price territory in its B wave. So this becomes an inverse rule which gives better wave identification anytime there may be questions arising from lack of detail in your data set.

The reason for the distinction that there are two major varieties is that the non-RTB 4th has two minor varieties. These are those in which the B wave will either match the price of the furthest extent of wave 3 exactly or will not reach that extent before the C. Either of these two minor varieties being distinct from that of an RTB 4th wave will still aid in identification of the larger degrees.

The new rule gives additional benefits which we will discuss later.

If You Can "See" It, It's a "C"

There are two things that 4th waves seem to be duty-bound to accomplish. The first is to fool everyone at least once. The other is to be a correction and break the trendline.

Bringing this trait to your attention is important because an RTB 4th wave can really move around. The one trait that helps to notice, especially where there is lack of detail, is the way that you can "SEE" the "C". I do not want to encourage shortcuts but it is very helpful to be aware of that standout characteristic. Try to SEE it in the next example.

This one also has three degrees but at 5 Minute none of the detail is hidden and better internal detail can be observed. Again, notice how the C of the 4th is so visible in each degree.



More degrees could certainly be labeled but only in exploded view. However you can still see this new rule in action in the lesser degree areas of that picture. One may carry this down to the finest degree available or desirable, whichever comes first in meeting your new goal of achieving definitive wave counts.

It is important to note that the B wave of the RTB 4th wave will contain a C wave which needs to be counted the same way and so will also have a C that “sticks out” some too.

In this next shot we will observe 5 labeled degrees with additional degrees visible but not labeled. Color highlights on the motives, a different color for each degree, have been added to the labels to help visualize how the RTB 4th waves nest until finally the cascade completes at the smallest 5th of 5 and the swing pivot is reached.

Again the known position within the count on the larger degree will have your method switch to an A immediately after 3, expecting a retrending B wave complete with the internal A – B – rtbC requirement of 2 motives and 1 corrective. Then look for the C to be “SEEN” as it completes the 4th. That same process will now repeat 1 degree lower as you have entered a smaller 5th – and so on.

This is much easier to count than it is to describe – especially now that you know what must happen rather than suppose what may happen.



Now you have a few new things to remember to do your counts. However in the next chapter you will see that you have **much more to forget!**

Remember You Have A Forum Available

For Discussions Of The New Rule

Newelliottwaverule.org Forum

Chapter Five

A Simple Elegance Revealed

The Great Benefit Of Less Is More

It is always wonderful when you can keep things simple. In observing markets you must take one of two approaches. They are either a completely random mess or they are extremely complex entities with patterns and numerical relationships within which have a form of governance over their paths.

The latter is the reality and so the street value goes up tremendously on anything which can simplify the task of analysis. That is what Elliott Wave does.

While simplicity is always going to be a relative term which varies with the complexity of the application there is normally a benefit to having fewer moving parts if that also meets the main objectives. What if Elliott Wave could be given that makeover?

Actually it never needed one but some of the complexity which we now know as parts of wave analysis was added on unnecessarily. Similar complexity came to automotive engines with emission control systems and they were never quite the same.

We are about to go under the hood and strip down this engine to get to the real power plant. Extra parts removal is a quick process though if you are nostalgic you may want to turn your head for a minute.

The List Of Spare Parts

Ok. The job is done. Soon we will fire it up and listen to her purr. First let's look over at the bench and see what we removed.

You have already seen the Extensions. That was what really weighted this thing down. The extra weight caused some modifications to be added but those ended up causing a substantial drag.

If you look over there you will see quite a few spare parts laid out.

There are some extra waves we won't be needing anymore. Anything in your motive category aside from waves 1 through 5 will be out. Yes, that's just 1 to 5 (anything else was an extension). This also means no letters in motive waves.

Not even going to be needing letters such as d, e, f, g, h, i.

This next group was also part of the whole indeterminate location thing and we never really liked that anyway. I don't think anyone will be sorry to see these go.

There will no longer be any W, X, Y or even Z. No longer a need for these Double and Triple Three things either. These also never actually existed but were a way in which the previously unknown rule actions were identified – they had a what, but without definition as to how and why or when. They were often casual counts (shortcuts).

Yes it will just be counting 1, 2, 3, 4, 5, A, B, C. That is all for letters and numbers.

There were some other spare parts as well. In that small pile over there is a Failed 5th wave. There is no such thing but there are Truncated 5th waves which hit the same exact price extension as the 3rd wave. These just do not travel as far as one expects but they still contain perfect counts in their internals.

Failure is not an option. Closed sessions or failure to report transactions in unregulated markets may account for some minor discrepancies but the waves do not fail. Remember it was Mr. Elliott who first stated that and I concur. The effect of mishandling new rule wave formation would account for the idea of a failure in a 5th wave.

Speaking of this mishandling due to former methods, there are some other items in the pile which do not serve the wave counting and only slow us down. Those are the ideas about geometric shapes.

Shapes are not waves and waves are not shapes, they are waves. If after a correction at one degree there is a smaller degree wave 1 and 2 and before wave 3 really gets going there is an even smaller degree 1 and 2 and you see a triangle, well I do not mind if you call it a triangle. I will call it by wave progress alone. Flats are the same.

Price runs into resistance or support but that will not make a wave count unless all the internals are satisfied. Shapes are extraneous distractions but if one prefers to take time with them, ok. It will not change the counts so it will not help find your swing pivot.

Well the last item we needed to remove is over in the corner. This particular one is responsible for not letting the valves operate smoothly so optimum efficiency and performance were not possible. It was firmly attached to the extension but we got it off.

There will no longer be a governor on the travel of 4th waves. They will not always overlap into wave 1 territory but they can and certainly do sometimes exceed even wave 2 especially in leveraged instruments. Just count the waves and let them roll.

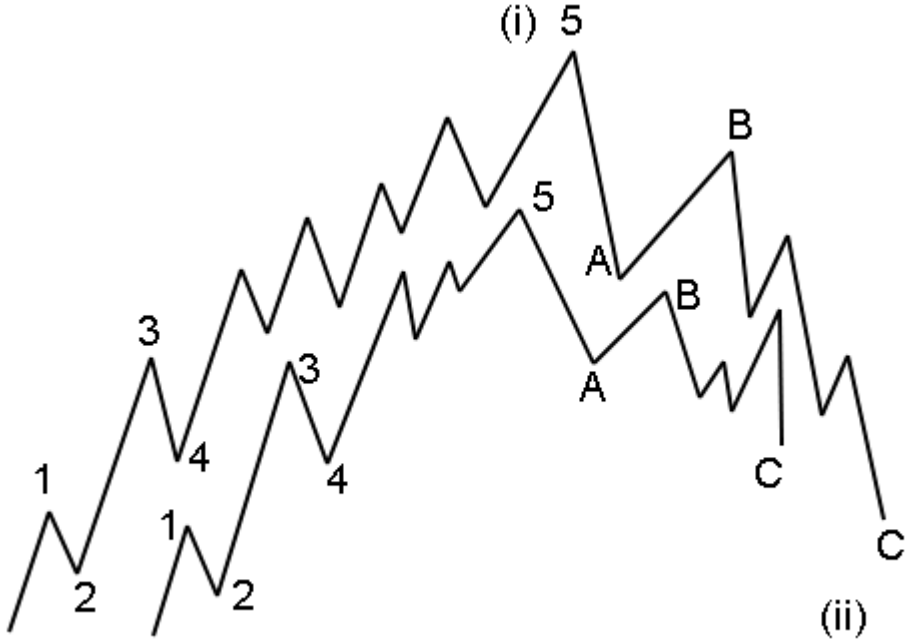
Limitations on wave 4 travel was not consistent but was changed over time in Elliott Wave. This reflects the dealing with unexpected results and the developing nature of the system's rules without sufficient detail.

Sleek And Streamlined

Allowing the waves to develop as they will is not anything new. You couldn't stop them if you wanted to. The purring of that engine is a wonderful sound. No matter where it takes you the opportunities will not be diminished, only clearly defined by real counts.

Just as there were only two ways to look at markets there are only two ways to treat the new information about what is actually happening in wave formation. Certainly one option is to continue with the old methods.

Whether you are doing your own counts or using an advisory service the new method is the one which will have definitive wave counts. The services will be increasing their added value and be more valuable than they have ever been before.



Despite the infinite variety every wave can always be counted in the same way. They may go where they will but you will now be able to track their progress.

The above picture of theoretical waves shows that variety but the method remains constant. Details of internals will be tracked in the same way to prevent surprises. Those internals will also show that those two variations would differ visibly and in price movement only, and never in actual internal wave count. That is simple elegance.

Chapter Six

The Key To It All

A Different Road

Do you now have a different perspective and a different viewpoint on Elliott Wave and how to count waves? I am sure you do. It is impossible to look at them in the same way as before once you see them in light of the new rule.

Now you will begin to travel down a different road with me. How is it that this journey started? How did the recognition of the new rule come about? It is quite remarkable actually but it is not anything like you may suppose.

The counts were originally done in the same manner as the former method dictates. The results were the same as well, good but could be better. All practitioners had blown calls or waited in the alternate count lobby.

I did not penetrate the psychology of seeing what you expect to see all on my own. The way was not suddenly illuminated.

It came in a rather strange way. So strange that I do not even have to count waves at all anymore. The numerical relationships which power Elliott Wave have other ways in which they show their properties.

I do not mean to imply that I understand all of it, far from it. I basically chased down a numerical oddity as I was first learning technical analysis and through that adventure discovered that there is a Key to each Wave which the waves themselves generate.

Within about two years of discovering that Key to the Waves the New Rule was confirmed. I have known about the new rule for over four years as of this writing.

That extreme accuracy of the Key and knowing the true way in which waves formed is what allowed me to discover something entirely new. The Key itself is not something which I can go into detail about because it is employed in a proprietary manner in a commercial trading system I developed in late 2007. You see it advertised here in this book, that is of course the Supertradesystem. Along with speed changes in trends and trend change analysis the Key powers that system in a unique way which does not require counting waves.

Unchanging Wave Structure

In the same way that a wave forms the same structures at all degrees of scale based on Fibonacci relationships it has evidence of those relationships which can be observed at all degrees using proprietary tools of the Supertradesystem. They are both going to be self-similar in all applications and be unchanging because they are both built upon the same thing.

Where the wave analysis requires no technical analysis tool, the Supertradesystem requires no keeping track of the count. Without any prior observations a reading can be taken to indicate readiness for a signal in under two minutes. They are both manual technical analysis methods of unmatched accuracy.

They both actually have the Key at their heart in a way. Although the Key is extraneous to wave prints and a technical analysis technique of its own it does display these inherent relationships in yet another way which shows off the extreme accuracy of markets. (On this point you will simply have to take my word). That accuracy displayed is built into markets and it is yet another way Simple Elegance is Revealed.

So the key to it all is not the "Key". The key to it all is this marvel of numerical precision built into markets. Its unchanging nature makes it a true Wonder Of The World of which there is an infinite number and variety.

Get Accurate

Get Supertradesystem

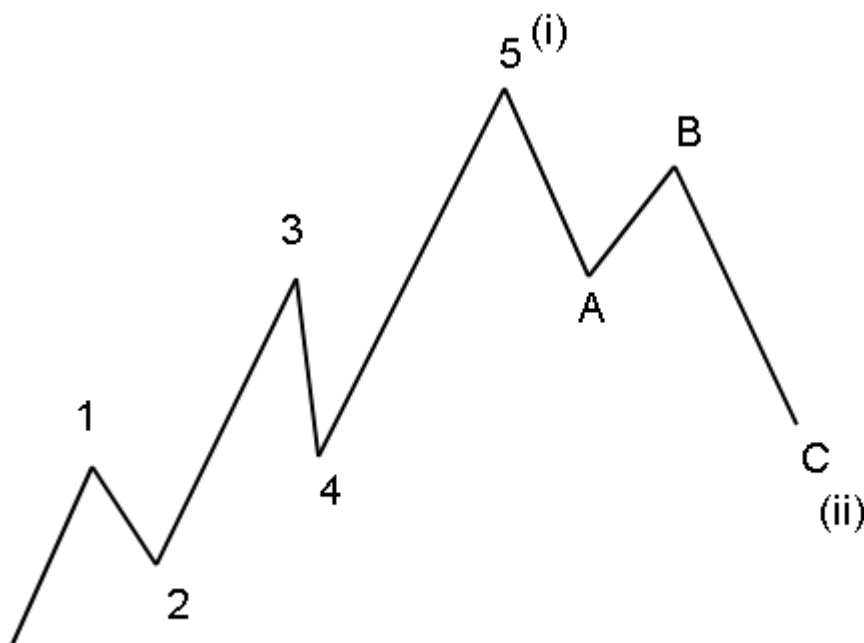
Appendix

References

❶ : The Wave Principle, R.N. Elliott 1938 as published in The Major Works Of R.N. Elliott, Robert Rougelot Prechter, Jr.

❷ : The Major Works Of R.N. Elliott, Robert Rougelot Prechter, Jr.

Brief Outline Of Elliott Wave Structures



Price patterns in markets create distinct sub-movements called waves. The structure of the wave has waves as well. Here is shown a market cycle consisting of wave (i) and wave (ii). Inside of both waves (i) and (ii) is another set of waves. These waves make up the larger wave. Waves (i) and (ii) are a larger version of 1 and 2 and will become part of an even larger wave. This continues in both directions as larger and smaller wave structures and are known as degrees of scale.

Wave (i) is what is referred to as a motive wave and (ii) is a corrective wave. Motive waves contain five internal waves. Corrective waves contain three internal waves.

Waves are identified as motive which move with the major trend. Waves are identified as corrective which move against the major trend.

Motive waves:

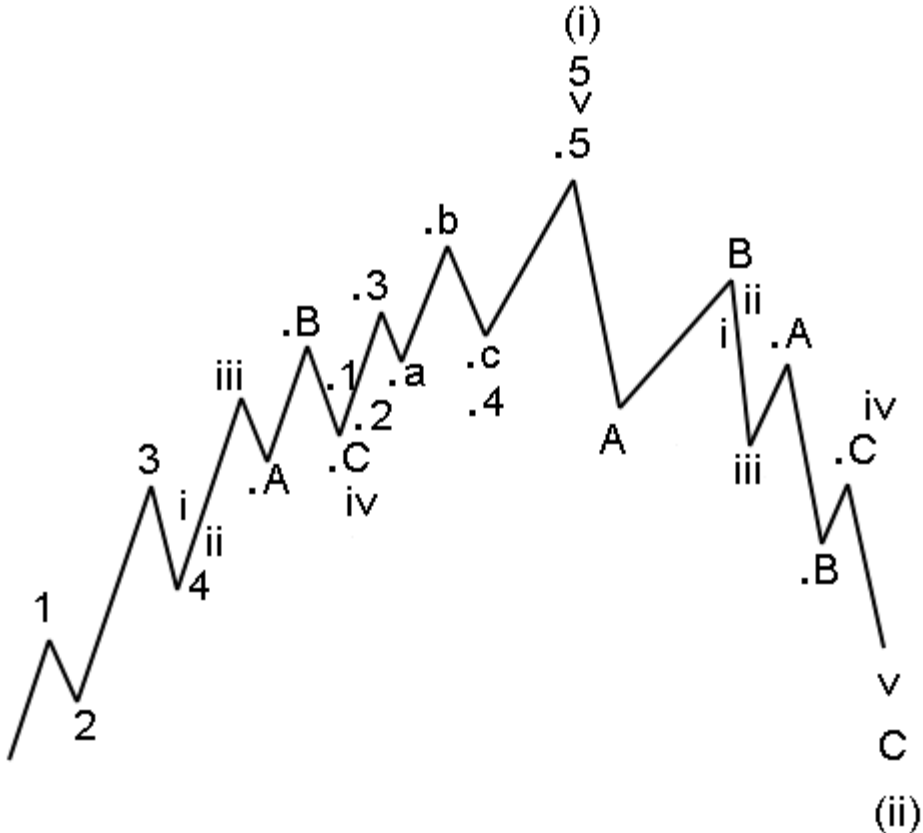
1, 3, 5, A and C.

Corrective waves:

2, 4 and B

Hence wave B (movement A to B) will have 3 waves which will be labeled A – B – C and wave 3 (movement 2 to 3) will have 5 waves which will be labeled 1 – 2 – 3 – 4 – 5.

In the following picture there is a depiction of the new rule.



The 5th and the C wave show the Retrending of the B wave inside their respective 4th waves. Wave detail is hidden in the Waves (i) and (ii) and .1 and .2 as is often the case until further exploration of lower degree internals. Wave 5 of (i) shows two degrees of RTB 4th waves and wave C of (ii) shows one degree of an RTB 4th wave.

The Back Flap

About The Author

Watching Waves Crash Onto The Shore

Tom Hennessy is not the first person to have things put into perspective by watching ocean waves crash onto the shore.

It has been a tremendous delight to take that same kind of perspective and apply it way down at the other end of the spectrum.

Watching waves hit the Wave Key on a tick chart and complete a wave in 3 ticks during an FOMC interest rate announcement while in the middle of a 300 point move in 4 or 5 minutes is amazing and just plain fun.

That was just one event at the very beginning of a journey which has had continuous surprises. Beginning with the discovery of the Key to Elliott Waves and moving on to the New Elliott Wave Rule and then on to development of the STAR (Super Trades At Retrace) Supertradesystem built upon the same things which power Elliott Wave itself has been a most humbling set of circumstances.

There is nothing different about my trading career. My trading started out like everyone else's did – lots of hard lessons to learn. Later I found out that we really only learn by revelation.

It is my hope that the information in this book will aid in your wave analysis. I also hope that by this you will gain an increased sense of awe at the marvelous precision which is built into markets, and while staring at the waves, obtain a very good perspective for your life.

