

Track 'n Trade® Pro

Version 3.0

Accumulating Wealth One Tic at a Time!™

Advanced Charting Tools

Elliot Wave Theory

Indicator Type: Non-Indicator

Introduction:

This theory was developed by Ralph Nelson Elliot and bears his name. It is a collection of theories on how a market acts and reacts. Elliott wave theory is an idea that market behavior is based on waves rather than random timing.

Elliott believed that market prices rose and fell in a series of waves based on the same Golden ratio or Golden mean that Fibonacci proved. This ratio is present in many aspects of nature and science, and Elliott felt that it had great significance on the financial markets as well.

Interpretation:

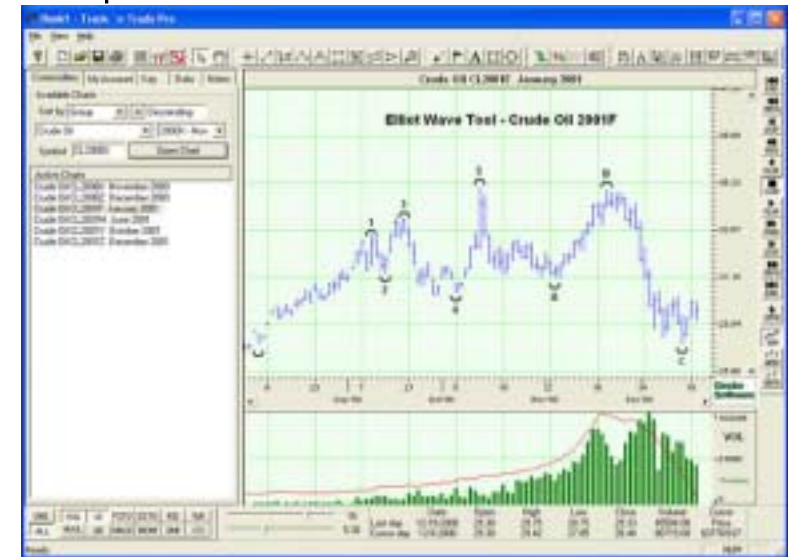
The basic idea of this theory is that a market rises in a series of 5 “waves” as he called them. Also, the theory states that the market declines in a series of 3 declines. Elliott’s theory is that on the first wave a market rises, on wave two it declines, begins again to rise on wave three, has a period of decline again on wave four, and finally completes the rise on wave five. The period of correction is referred to as a three-wave correction, where the market declines for wave A, begins to rise for wave B, and falls again for wave C.

It is by this theory that Elliott believed that all market behavior corresponded with either a 5 wave advance or a three wave decline. Elliot went on further to explain that major chart advances and declines could be shown as a series of 5 and 3 wave cycles. He believed that a complete market cycle consisted of a 144 wave cycle, broken down into an 89 wave bull cycle, and a 55 wave bear cycle. This is based on his observation of Fibonacci’s golden ratio.

The series of numbers Fibonacci describes, (1, 2, 3, 5, 8, 13, 21, 34, 55, 89, and 144) shows a relationship of 1:618. Elliot further showed that a market usually rises or falls based on this wave cycle. Each wave in the cycle has its own characteristics. The first wave is normally very short and easy to miss. Wave number two, a retracement wave, usually gives back all or most of what the first one gained. Wave 3 is usually very prominent, as it follows a period of what appears as consolidation, most people trade this wave. The fourth wave is noted to be very intricate yet still a consolidation. One of Elliott’s main rules is that in a 5-wave

advance cycle, wave 4 can never overlap wave 1. Wave five in commodities is often very active, yet at some point declines and leads to the 3 wave corrective cycle. The first wave of the 3-wave cycle is normally seen as a minor pullback, of wave 5 of the advance cycle. It is followed by the second wave of the downtrend, and is often hard to spot but should result in a third wave continuing down. The third and final wave of a 3 wave down trend is usually quite significant and many traders see this as a selling opportunity.

Example:



Advanced Charting Tools - Gann Fan



To draw a Gann Fan:

1. Select the Gann Fan Tool.
2. Left click where you want the Fan to start, continue holding down the mouse button until reaching the final position of the fan, release button to place.

Resizing the Gann Fan:

1. Select the Fan by clicking on it. Note: The formation is selected when boxes appear on the corners of the drawing.
2. Click on one of the boxes to drag the selected point and release the mouse button to place.

Moving the Gann Fan:

Select the Fan by clicking on it. Then, drag to the new location and release the mouse button.

Deleting the Gann Fan:

Select the drawing by clicking on it then, press the delete key on your keyboard to remove the Gann Fan.

Changing Properties of a Gann Fan:

Right-Click on the drawing to view the properties menu. Properties that can be changed are:

1. Foreground: Changes the line color for the fan.
2. Background: Changes the color of the background for the fan.
3. Line Thickness: Changes the thickness fan line. Choose values from 1-6.
4. Font: Changes the Font, Size, Style, and Color of the fan values
5. Show Text: Select to view or hide the fan values.

6. Send to back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on Send to back when you need to access a tool under the Gann Fan.

Gann Fan

Gann Fans rise at 45-degree angles. If the trend line is too steep, the rate of ascent is not sustainable. A trend line that is too flat suggests that the up trend is weak.



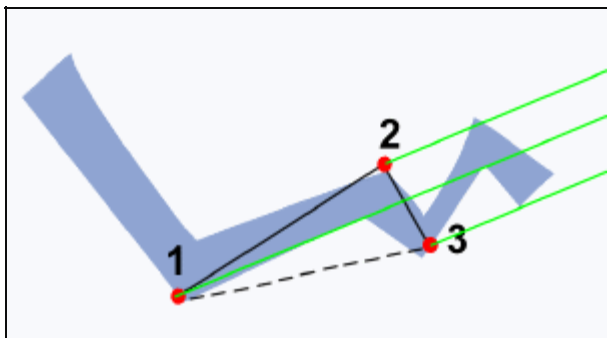
Chart 35: Gann Fan Example

Advanced Charting Tools - Andrews Pitchfork



Charting Andrews Pitchfork:

1. Select the Andrews Pitchfork Tool from the Toolbox.
2. The first three clicks setup the pitchfork. The first point is the handle of the pitchfork and is placed at the end of the previous trend.(1)
3. Next you are forming the base of the fork. The first point is the top of the next trend. (2)
4. The second point completes the base and is placed at the bottom of the trend. (3)
5. Once you have completed the first three steps you can elongate the pitchfork to length desired. Left click to place final point.



Resizing the Andrews Pitchfork Drawing:

1. Select the drawing by clicking on it. Note: The drawing is selected when boxes appear on the corners.
2. Click on one of the boxes to drag the select point and release the mouse button.

Moving the Andrews Pitchfork Drawing:

Select the drawing by clicking on it continue holding down the mouse button, drag to the new location and release the mouse button.

Deleting the Andrews Pitchfork Drawing:

Select the drawing by clicking on it and press the delete key on your keyboard to remove.

Changing the Properties of a Andrews Pitchfork Drawing:

Right-Click on the drawing to view the properties menu. Properties that can be changed are:

1. Foreground: Changes the line color of the Andrews Pitchfork.
2. Line Thickness: Changes the thickness of the Andrews Pitchfork. Choose values from 1-6.
3. Line Style: Changes The line style of the Andrews Pitchfork Line. Choose from solid, dashed, dotted and more.
4. Send to back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on Send to Back when you need to access a tool under the Andrews Pitchfork Drawing.

Andrews Pitchfork

Introduction:

Dr. Alan Andrews developed a channel technique to show areas of support and resistance from a baseline. This use of a median line is the key to using the Andrews Pitchfork. Buying near lows and selling near highs that are identified by the "tines" of the pitchfork. The basic premise is to trade the channel from one level of support or resistance to the next.

Interpretation:

The first element to draw the Andrews Pitchfork is the centerline. The middle line or median line begins at the most recent contract low or high. To plot the direction of this point we must attain the other two points. The top line is determined by looking at the highest move made from the origin of the contract low or high. The next point is found by looking at the retracement of that move. For example, a contract begins at point A rallies to point B, and sells off from B to point C. A line is drawn from point B and C, and then the line originating at point A splits those two lines equally.

This pitchfork shows continuing points of support and resistance. The general use of this tool is to sell when the market rises to line B, and take profits once prices reach line A the middle tine. Also to buy when prices dip to line C and take profits when they reach line A. This series of movements within the pitchfork affords traders the opportunity to trade a channel system within a trending market.



Chart 36: Andrew's Pitchfork Example

Advanced Charting Tools - Fibonacci Ruler:



Drawing a Fibonacci Ruler:

Select the Fibonacci Retracement Tool from the Toolbox. Left click on the chart where you would like the ruler to begin.

Move the mouse pointer to the lower right position of the ruler and left click to place.

Resizing the Fibonacci Ruler:

Select the ruler by clicking on it. You can tell the ruler is selected when boxes appear on the corners of the drawing. Click on one of the boxes to drag the select point and release the mouse button.

Moving the Fibonacci Ruler:

Select the ruler by clicking on it, then drag to the new location and release the mouse button.

Deleting the Fibonacci Ruler:

Select the ruler by clicking on it and press the delete key on your keyboard.

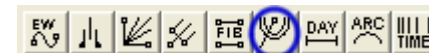
Changing Properties for the Fibonacci Ruler:

Right-Click on the ruler to view the properties menu. Properties that can be changed are:

1. Foreground: Changes the line color of the ruler.
2. Line Thickness: Changes the thickness of the ruler lines.
3. Choose values from 1-6.

4. Line Style: Changes The line style of the ruler, which shows when the line is selected. Choose from solid, dashed, dotted and more.
5. Font: Changes the Font, Size, Style, and Color of the values.
6. Show Text: Deselect\Select to view or hide the values.
7. Show 24% and 76%: Select\Deselect to view 2 additional values.
8. Send to back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on Send to back when you need to access a tool under the Fibonacci Ruler.

Fibonacci Arc:



Drawing a Fibonacci Arc:

1. Select the Fibonacci Arc Tool from the Toolbox.
2. Move the mouse pointer to the point on the chart that you would like to start the stem of the arc tool, left click start.
3. Move the mouse pointer to the ending point for the arc tool and left click to place. (While moving to the end point, the arc will extend for you to get an idea of placement on the ticks.)

Resizing the Fibonacci Arc:

1. Select the arc by clicking on it. You can tell the arc is selected when boxes appear on the corners of the drawing.
2. Click on one of the boxes to drag the select point and release the mouse button to place.

Moving the Fibonacci Arc:

Select the arc by clicking on it, then drag to the new location and release the mouse button.

Deleting the Fibonacci Arc:

Select the arc by clicking on it and press the delete key on your keyboard.

Changing Properties for the Fibonacci Arc:

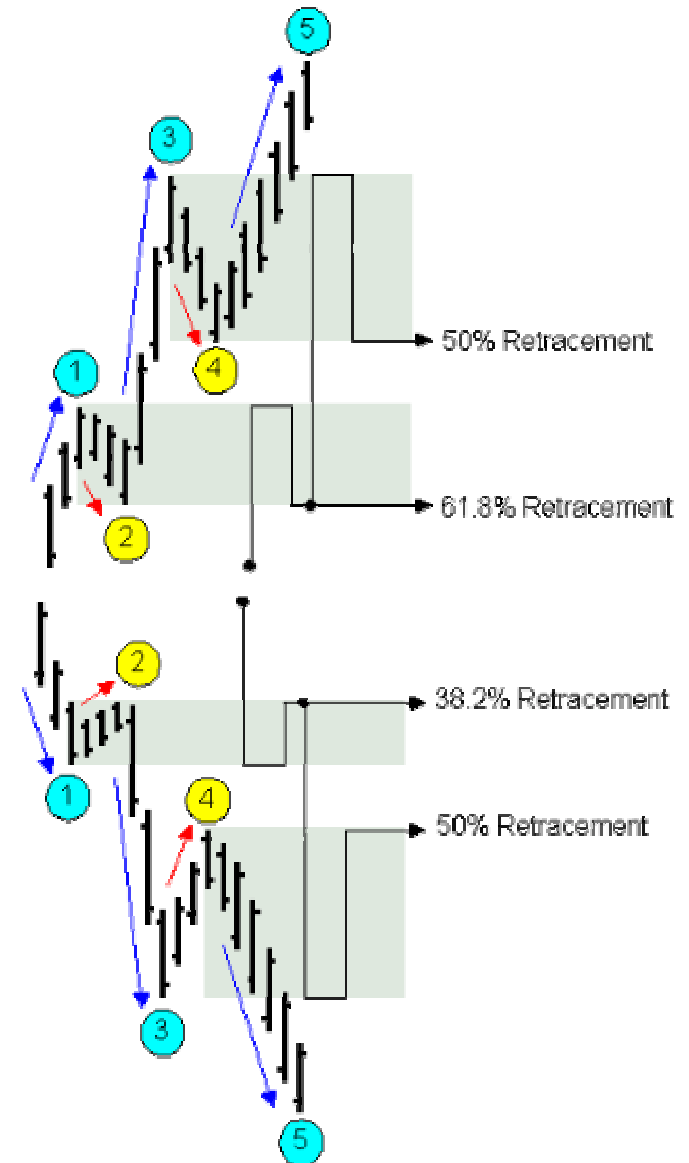
Right-Click on the drawing to view the properties menu. Properties that can be changed are:

1. Foreground: Changes the line color of the arc.

2. Line Thickness: Changes the thickness of the arc lines. Choose values from 1-6.
3. Line Style: Changes The line style of the arc, which shows when the line is selected. Choose from solid, dashed, dotted and more.
4. Font: Changes the Font, Size, Style, and Color of the values.
5. Show Text: Deselect\Select to view or hide the values.
6. Show 24% and 76%: Select\Deselect to view 2 additional values.
7. Send to back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on Send to back when you need to access a tool under the Fibonacci Arc.

Fibonacci Retracement

Commodity prices will frequently consist of an initial wave, a second wave (often retracing 61.8% of the initial move), the third wave (usually the largest), then another retracement, and finally the 5th wave (the last gap), which would exhaust the movement. Using Track 'n Trade Pro, you can draw a Fibonacci Ruler or Arc to demonstrate this theory.



Advanced Charting Tools - Day Calculator



Charting a Day Calculator:

1. Select the Day Calculator Tool from the Toolbox.
2. This tool is drawn like a line. Left click for the left point.
3. Move the mouse to the right position and left click to finish.

Resizing the Day Calculator:

1. Select the drawing by clicking on it. Note: The drawing is selected when boxes appear on the corners.
2. Click on one of the boxes to drag the select point and release the mouse button.

Moving the Day Calculator:

Select the drawing by clicking on it continue holding down the mouse button, drag to the new location and release the mouse button.

Deleting the Day Calculator:

Select the drawing by clicking on it and press the delete key on your keyboard to remove.

Changing the Properties of a Day Calculator:

Right-Click on the drawing to view the properties menu. Properties that can be changed are:

1. Foreground: Changes the line color of the Day Calculator.

2. Line Thickness: Changes the thickness of the Day Calculator Line. Choose values from 1-6.
3. Line Style: Changes The line style of the Day Calculator Line. Choose from solid, dashed, dotted and more.
4. Font: Changes the Font, Size, Style, and Color of the Day Calculator numbers.
5. Show Text: Select to view or hide the Day Calculator numbers.
6. Send to back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on Send to Back when you need to access a tool under the Day Calculator drawing.

The Day Calculator is used to calculate actual and trading days on a chart. See example:

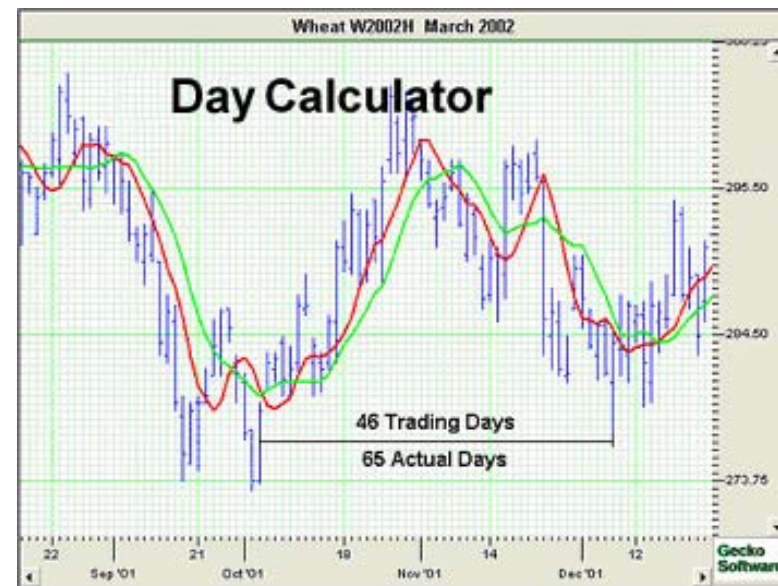


Chart 37: Day Calculator Example

Advanced Charting Tools - Arc Tool



Drawing an Arc (Rounded Top/Bottom Formation):

1. Select the Arc Tool from the Toolbox.
2. Left click your mouse on the left side of the arc and drag the mouse to the right side, release mouse to place tool.

Resizing the Arc Tool:

1. Select the arc by clicking on it. Note: The tool is selected when boxes appear on the corners of the drawing.
2. Click on one of the boxes to drag the select point and release the mouse button.

Moving the Arc Tool:

Select the arc by clicking on it and drag to the new location and release the mouse button.

Deleting the Arc Tool:

Select the arc by clicking on it and press the delete key on your keyboard.

Changing the Properties of a Arc Tool:

Right-Click on the tool to view the properties menu.
Properties that can be changed are:

1. Foreground: Changes the line color of the arc.
2. Line Thickness: Changes the thickness of the arc line. Choose values from 1-6.
3. Line Style: Changes the line style of the arc line. Choose from solid, dashed, dotted and more.

4. Send to back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on Send to back when you need to access a tool under the Arc Tool Drawing.

Rounded Top Formations

The Rounded Top Formation anticipates a change in trend from up to down. See example.



Chart 38: Rounded Top Formation Example

Rounded Bottom Formations

The Rounded Bottom Formation anticipates a change in trend from down to up. See example.



Advanced Charting Tools - Fibonacci Time Zone



Charting a Fibonacci Time Zone:

1. Select the Fibonacci Time Zone Tool from the Toolbox.
2. This tool is drawn like a rectangle. Left click for the upper left point.
3. Move the mouse to the bottom right position and left click to finish the drawing.

Resizing the Fibonacci Time Zone:

1. Select the drawing by clicking on it. Note: The drawing is selected when boxes appear on the corners.
2. Click on one of the boxes to drag the select point and release the mouse button.

Moving the Fibonacci Time Zone:

Select the drawing by clicking on it continue holding down the mouse button, drag to the new location and release the mouse button.

Deleting the Fibonacci Time Zone:

Select the drawing by clicking on it and press the delete key on your keyboard to remove.

Changing the Properties of a Fibonacci Time Zone:

Right-Click on the drawing to view the properties menu. Properties that can be changed are:

1. Foreground: Changes the line color of the Fibonacci Time Zone.

2. Line Thickness: Changes the thickness of the Fibonacci Time Zone Line. Choose values from 1-6.
3. Line Style: Changes The line style of the Fibonacci Time Zone Line. Choose from solid, dashed, dotted and more.
4. Font: Changes the Font, Size, Style, and Color of the Fibonacci Time Zone numbers.
5. Show Text: Select to view or hide the numbers.
6. Send to back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on Send to Back when you need to access a tool under the Fibonacci Time Zone drawing.

For more information see Fibonacci Retracements.

Example:



Chart 39: Fibonacci Time Zone Example