

One of the users of our [www.elliottwaves.us](http://www.elliottwaves.us) website sent the following questions:

- > I have a question regarding your elliott wave charts. They have
- > recommendations and colored boxes i.e. red, gold, pink, etc on their
- > chart page Please, what do those colored boxes and lines mean. Just
- > a guess, the boxes mean end of wave projections? Once inside the box
- > is that an alert to a wave change?. Red is a box stronger than a pink
- > or gold box? What are the color ratings? Thank you, and I look
- > forward to any information you can provide.

If you look at the right hand side of the chart, you can see four vertical lines of different colors ... at the bottom of the chart there is a table with the colors shown at the left – these colors match the colors used throughout the chart to indicate the different lengths of the waves (they are called ‘degrees’) ...

So the vertical lines at the right of the chart show the ‘maximum’ and ‘probable’ range of price for that particular degree wave, based on analysis of the already played-out wave patterns shown on the chart.

(at the bottom left of the chart, you can see that the analyzer processed over 30.5 million wave patterns, out of which it recognized 5733 waves that met Elliott Wave rules – from

that analysis it then pieces together the wave sequences and then tries to figure what the next most logical patterns will be in order to meet the ‘rules’ ... )

In the chart shown above, I used the table format to present the various degree wave data – in the summary charts posted on the site, the same info is explained in text format.

Current Trading Positions for Standard & Poors 500 (SP-500) Daily on 29-Aug-2003

\* A Minute degree trader (hold positions from weeks to months), would currently be trading long in this market. The probability of this Target Area being correct is 88.6%. However, the random probability of this Target Area being correct is 65.0%. So the true probability of this Target Area being correct is 36.3% better than random.

Extensive Elliott Commentary for Standard & Poors 500 (SP-500) Daily on 29-Aug-2003 with four incomplete patterns:

Wave x of the Minute degree Double Zigzag with a rating of 102.8 is expected to complete in the price range 989.058 to 1011.01, but more probably between 995.918 and 1006.619. This wave is due to complete anytime from now until 05-Sep-2003, but is most likely to complete before 01-Sep-2003.

After wave x is complete, expect the market to continue down into wave y, which should be a three wave Zigzag pattern. Expect wave y to retrace wave x by 164% - 354%. Wave y can also be expected to be 106% - 354% of the price length of wave w. The expected time for wave y to complete is 61% - 202% of the time taken for wave x to complete and 140% - 338% of the time taken for wave w to complete.

Wave B of the Minor degree inverted Flat with a rating of 87.8 is expected to complete in the price range 977.251 to 977.396, but more probably between 934.751 and 969.87. This wave could complete anytime between now and 16-Dec-2003, but is most likely to complete sometime between 02-Sep-2003 and 29-Sep-2003.

After wave B is complete, expect the market to continue up into wave C, which should be a five wave Impulsive pattern. Expect wave C to retrace wave B by 91% - 179%. Wave C can also be expected to be 104% - 179% of the price length of wave A. The expected time for wave C to complete is 64% - 299% of the time taken for wave B to complete and 111% - 369% of the time taken for wave A to complete.

Wave (B) of the Intermediate degree Flat with a rating of 96.3 is expected to complete in the price range 997.893 to 1104.148, but more probably between 1004.976 and 1043.664. This wave could complete anytime between now and 14-Jun-2004, but is most likely to complete sometime between 02-Sep-2003 and 14-Oct-2003.

After wave (B) is complete, expect the market to continue down into wave (C), which should be a five wave Impulsive pattern. Expect wave (C) to retrace wave (B) by 92% - 169%. Wave (C) can also be expected to be 100% - 169% of the price length of wave (A). The expected time for wave (C) to complete is 46% - 202% of the time taken for wave (B) to complete and 46% - 163% of the time taken for wave (A) to complete.

Wave B of the Primary degree inverted Flat with a rating of 81.4 is expected to complete in the price range 591.97 to 889.262, but more probably between 753.787 and 868.565. This wave could complete anytime between now and 20-Sep-2004, but is most likely to complete sometime between 02-Sep-2003 and 10-Oct-2003.

After wave B is complete, expect the market to continue up into wave C, which should be a five wave Impulsive pattern. Expect wave C to retrace wave B by 86% - 179%. Wave C can also be expected to be 89% - 179% of the price length of wave A. The expected time for wave C to complete is 55% - 260% of the time taken for wave B to complete and 44% - 175% of the time taken for wave A to complete.

Current Analysis Settings:  
Analysis Date Range: 28-Feb-2003 to 29-Aug-2003, Label Range: 15 - 50, Preferred Count Labels: 50, Min Rating: 75, Include Hidden Waves: Stocks toggle ON, Bias Towards Beginning of Data: 8, Bias Towards Major High/Low: 0, Largest Degree Wave Filler: Any Pattern

The text format actually gives you a lot more descriptive info. (at the bottom of it, you can see the exact analyzer settings that were used to do the analysis – useful for other users of the same analyzer software, if they want to replicate the analysis).

Unfortunately, the software is fixed-coded as to the format and appearance of the scanner output and it does not print the degree info in the colors that appear on the screen (see above, the blue-green is for the ‘minute degree’ wave pattern).



Most of us traders are probably interested only in the degrees from ‘micro’ up to ‘minor’ but the longer degrees can give you an idea of the underlying trend direction.

As for the target area boxes, I’ll quote from part of the ‘instruction manual’ –

#### TARGET AREAS CALCULATED

Taking into account all the above data applying specifically to charts of a similar type and with a similar pattern structure, the Elliott Wave Analyzer 3 calculates a 2-D target area for the forecasted end of the retracement – the forecasted region where the price is expected to move.

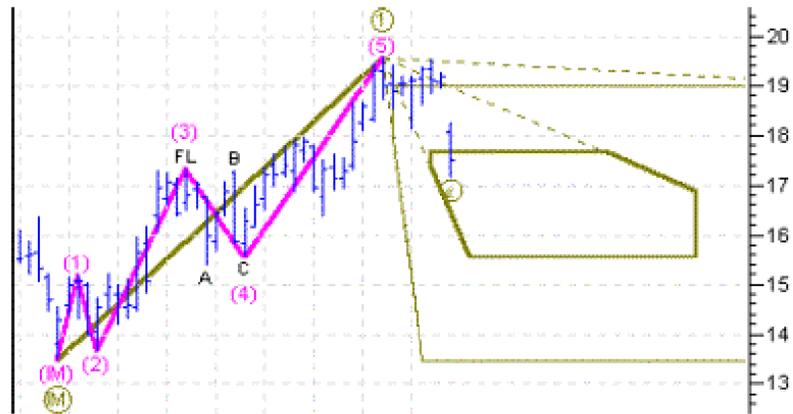


Fig. 6

Note the two odd shaped brown areas, one drawn with a thin line, and the other inside it, drawn with a thick line.

The thin line encompasses the area where the retracement could possibly end; both in price and time before the market turns and starts to ascend. In this particular case, this area runs off the far right of the chart into the future. The thick brown line encompasses the area that represents the most likely play out of the corrective wave. You can expect that about 60% of the time the market will move into this higher-probability area before changing direction.

Note that without the relative slope information, both the possible and high probability areas would be normal four sided rectangles. Utilizing our vast database and field-tested patterns, the Elliott Wave Analyzer 3 can trim the possible price movement into a narrower band of probability. In fact, it is the calculation of relative slope limitations that slices irrelevant sections off both rectangles. Also note that in Fig. 6, the Elliott forecast was on target and that the market gapped down and moved right into the high probability area.

The Analyzer 3's effective target area information is obviously highly valuable to any trader. The area shows plainly where the current move is most likely to end in both price and time.

In addition to these calculations, the Elliott Wave Analyzer 3 also takes into account gross price movement, internal wave structure, peak volume information and dozens of other key factors to label and forecast markets as accurately as possible. All this information is drawn directly from our growing and exclusive Elliott Wave database.

No other trading system gives you this sophistication, ability, reliability or accuracy. With Elliott Wave Analyzer 3, you can have increased confidence that you are executing the right trade.

Hope that gives you a better feel for interpreting the charts.

Another question received and my answer –

- > What is the period used to get the Wave Scanner results ??
- > I mean 30 , 60 day or ???
- > Thanks
- >

in the 'automatic scanner' mode that i use to create the chart sets that are posted on the web, the analyzer selects the date range by seeking backwards to find a major peak or valley in the chart, which represents a trend reversal and thus an end to wave sequence -- and it analyzes from there.

at the bottom of most of the charts, you will see a section that shows the date range that was used (along with other settings); for example, on the COMPQX chart, it shows --

Current Analysis Settings:

Analysis Date Range: 28-Feb-2003 to 29-Aug-2003, Label Range: 15 - 50, Preferred Count Labels: 43, Min Rating: 75, Include Hidden Waves, Stocks toggle ON, Bias Towards Beginning of Data: 8, Bias Towards Major High/Low: 8, Largest Degree Wave Filter: Any Pattern

jim