## **HARMONIC ELLIOTT WAVE part 3**

By Ian Copsey

A number of readers have asked about the harmonic Elliott Wave concept developed by Ian Copsey. We reprint Ian's original articles. Editor.

Elliott Wave, love it or hate it, has been around for a long time. Can it forecast market movements? Can it forecast precise stalling points? It's a debate that has been around for as long as the Principle has been used and seems to have drawn both as many critics as it has followers.

My own bug-bear from over 20 years of experience practicing Elliott Wave is the apparent concentration on just labelling what is seen irrespective of whether (say) whether Wave 5 is 23.6% of the entire move from the start of Wave 1 to the end of Wave 3 or 138.2%... Just where is the ability to be able to anticipate and forecast?

The normal Fibonacci projections which are widely quoted don't work all that often and impulsive waves all too often stall early and missed out a wave. Looking at leading Elliotticians' analyses their counts rarely any adhered to any relationships...

## **IMPLICATIONS IN WAVE RELATIONSHIPS**

As has been mentioned on several occasions the basis quoted by leading Elliott Wave followers is that market movements follow natural ratios and therefore the sequence of waves in a structure should reflect this principle of relationships. The following provides the structural measurements I make, and similar to those made in Elliott's structure:

## The Harmonic Impulse Wave

Wave c in Wave (i) should be related to Wave a

Wave (ii) should be related to Wave (i)

Wave (iii) should be related to Wave (i)

Within Wave (iii) Wave c should be related to Wave a and match the target in Wave (iii)

Wave (iv) should be related to Wave (iii)

Wave (v) should be related to a ratio of the beginning of Wave (i) to the end of

Wave (iii)

Within Wave (v) Wave c should be related to Wave a and match the target in Wave (v)

## The difference between a Harmonic Impulse Wave and a Triple Three

On the few occasions I have mentioned my findings to others the frequent question is how to spot the difference between a harmonic impulse wave and triple three. While there will always be occasions when it is harder to follow a structure, in the majority of instances they are quite simple to identify. There are several key

issues to note. While there is no single 100% solution for this there are guidelines that identify the difference on the majority of cases:

- Triple threes must develop as a corrective wave: Wave (b), Wave (ii), Wave (iv) or Wave (x). Therefore reference to the structure of the next higher wave degree is of utmost importance.
- While Waves (ii), (iii), (iv) and (v) have relationships with each other, the three groups of ABC waves in a triple three rarely have relationships between them
- While even impulse waves can get quite complex it is far more common for triple threes to display a higher level of complex structures

Let me finish this brief explanation with an example of how Elliott's structure can mislead:



A decline in the 10-minute GBPUSD market

The charts above both display a decline in the hourly GBPUSD market. The upper chart has been labelled with what is a logical wave count under Elliott's description of the wave structure. This appears to decline in a complex five-wave move in which Wave (3) has a double extension.

The lower chart labels this completely differently as a three-wave decline. There will be many Elliott Wave practitioners that will question this but the evidence for the count come through the wave relationships which in this case provide exceptionally accurate ratios that provided me with a much easier call for a reversal higher.

Elliott complex wave		Ratio
Wave 1	1.5692	
Wave 2	1.5726	Wave 1 * 94.4%
Wave 3	1.5616	Wave 1 * 305.6%
Wave 4	1.5675	Wave 3 * 53.6%
Wave 5	1.5611	Wave 1 > 3 * 57.14%
Wave (1)	1.5611	
Wave (2)	1.5685	Wave (1) * 63.25%
Wave -1-	1.5658	
Wave -2-	1.5683	Wave -1- * 92.6%
Wave 1	1.5629	
Wave 2	1.5657	Wave 1 * 51.2%
Wave 3	1.5572	Wave 1 * 157.4%
Wave 4	1.5620	Wave 3 * 56.5%
Wave 5	1.5553	Wave 1 > 3 * 60.4%
Wave -3-	1.5553	Wave -1- * 481.5%
Wave -4-	1.5595	Wave -3- * 32.3%
Wave -5-	1.5536	Wave -1- > -3- * 44.7%
Wave (3)	1.5536	Wave (1) 127.3%
Wave (4)	1.5585	Wave (3) * 32.9%
Wave (5)	1.5503	Wave (1) > (3) * 42.7%

Elliott's original structure

The first table displays the wave relationships implied by Elliott's original wave structure. As can be seen there is a mixture of wave relationships. While there are some that have the normal wave relationships I look for, within a reasonable deviation, I have highlighted those which really would have posed serious issues in forecasting. Indeed, there would be no real way to accurately anticipate the end of the waves. It was this type of imprecision that I found difficult to accept.

Harmonic wave		Ratio	Projection	Actual
Wave (i)	1.5692			
Wave (ii)	1.5692 +	Wave (i) * 95.4% =	1.5726	1.5726
Wave (iii)	1.5726 -	Wave (i) * 198.4% =	1.5655	1.5652
Wave (iv)	1.5652 +	Wave (iii) * 33.3% =	1.5677	1.5677
Wave (v)	1.5677 -	Wave (i) > (iii) * 76.4% =	1.5619	1.5616
Wave (A)	1.5616			
Wave (B)	1.5616 +	Wave (A) * 61.8% =	1.5685	1.5685
Wave (a)	1.5658			
Wave (b)	1.5658 +	Wave (a) * 90.2% =	1.5682	1.5683
Wave (c)	1.5683 -	Wave (a) * 198.4% =	1.5629	1.5629
Wave (i)	1.5629			
Wave (ii)	1.5659 +	Wave (i) * 50.0%	1.5657	1.5657
Wave (a)	1.5572			1.5572
Wave (b)	1.5572 +	Wave (a) * 58.6% =	1.5622	1.5620
Wave (c)	1.5620 -	Wave (a) * 76.4% =	1.5555	1.5553
Wave (iii)	1.5657 -	Wave (i) * 185.4% =	1.5553	1.5553
Wave (iv)	1.5553 +	Wave (iii) * 41.4% =	1.5596	1.5595
Wave (a)	1.5536			1.5536
Wave (b)	1.5536 +	Wave (a) * 85.4% =	1.5586	1.5585
Wave (c)	1.5585 -	Wave (a) * 138.2% =	1.5503	1.5503
Wave (v)	1.5595 -	Wave (i) > (iii) * 66.7% =	1.5507	1.5503
Wave (C)	1.5685 -	Wave (A) * 161.8% =	1.5504	1.5503

Harmonic wave structure

The second table displays the relationships in the harmonic wave structure. The clarity of the wave relationships stand out from the first five-wave decline in Wave (A). Every single relationship is common for its own position, the 198.4% projection in Wave (iii), the 33.3% retracement in Wave (iv) and the 76.4% projection in Wave (v). The maximum variance was just 3 points.

The correction in Wave (B) developed as an expanded flat with the pullback being exactly 61.8%. These common relationships continued throughout the entire decline even to the end where the extension in Wave (v) of Wave (C) was only 4 points while the projection in Wave (C) was 1 point away from the exact 161.8% projection of Wave (A).

From that 1.5503 low price raced higher in apparent defiance of Elliott's structure. However, it was an easy call for me to make...

In the next part of the article I shall highlight the application of the Harmonic structure in the Dow Jones Industrial Index.

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