

HARMONIC ELLIOTT WAVE part 4

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.

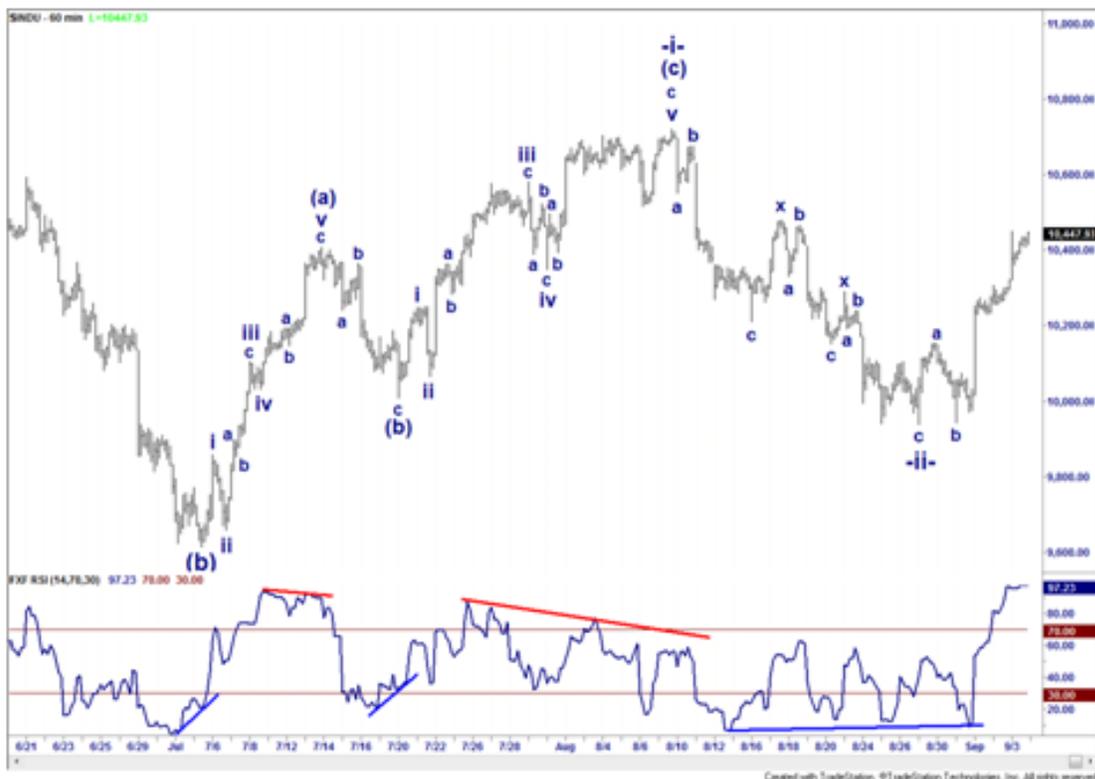
Elliott Wave, love it or hate it, has been around for a long time. Can it forecast market movements? Can it forecast precise stalling points? It's a debate that has been around for as long as the Principle has been used and seems to have drawn both as many critics as it has followers.

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 relationship.

THE HARMONIC WAVE STRUCTURE IN OTHER MARKETS

So far I have given examples in the Forex market in which I have worked for most of my 28 years in markets. I had always found forecasting other markets a lot tougher. However, the harmonic wave structure has changed this and provides further evidence that it reflects the correct impulsive structure through all markets. Here I present the Dow Jones Industrial Average market.



Development in Wave -i- and Wave -ii- of Wave (c) in Wave (iii) higher

I have been bullish on the Dow Jones Industrial Average and have made several successful calls on the business networking group LinkedIn. This has been contrary to Prechter's view and the view of many Elliotticians who have been exceptionally bearish. The larger picture is included in my book, Harmonic Elliott Wave which has just been published by John Wiley.

According to the implied wave count there should be a five-wave rally to new highs to reach a projection drawn from the daily Wave (i) that should match a projection in Wave (c). Therefore the initial move should begin with a three-wave Wave -i-. The hourly chart above provides the development of the Wave -i- and Wave -ii- of Wave (c) of Wave (iii) higher from the 9,614.32 Wave (b) low.

The first rally would most probably stall just below the last Wave -b- in the decline from 11,258.01. Indeed, the Wave (a) of Wave ii- did just that and provoked a correction in Wave (b) that slipped just below the previous Wave iv of Wave (a) and to a 50% retracement. From there a further five-wave rally developed that extended 4.0 of Wave (a) to complete Wave -i- and generate a pullback in Wave -ii- that corrected between 66.7% and 76.4%.

The following tables provide the wave relationships for each section of the entire rally and correction:

Wave (a) & (b) of Wave -i-		Ratio	Projection	Actual
Wave i	9857.60			9857.60
Wave ii	9857.60 -	Wave i * 85.4% =	9649.90	9659.16
Wave a	9898.24			9898.24
Wave b	9898.24 -	Wave a * 23.6% =	9841.82	9854.20
Wave c	9854.20 +	Wave a * 109.2% =	10115.28	10115.08
Wave iii	9659.16 +	Wave i * 185.4% =	10110.07	10115.08
Wave iv	10115.08 -	Wave iii * 14.6% =	10048.52	10032.73
Wave a	10216.64			10216.64
Wave b	10216.64 -	Wave a * 38.2% =	10146.39	10146.56
Wave c	10146.56 +	Wave a * 141.4% =	10406.51	10407.52
Wave v	10032.73 +	Wave i > iii * 76.4% =	10415.26	10407.52
Wave (a)	10407.52			10407.52
Wave a	10240.56			10240.56
Wave b	10240.56 +	Wave a * 85.4% =	10383.14	10378.98
Wave c	10378.98 -	Wave a * 223.6% =	10005.66	10008.21
Wave (b)	10407.52 -	Wave (a) * 50.0% =	10010.96	10008.21

All the projections were reflective of the normal ratios for each respective move with the exception of Wave c of Wave v which extended by an unusual 141.4% representing a harmonic extension. However, this was within 10.00 of the 76.4% projection in Wave v. The correction in Wave (b) was just about exactly 50.0% with a 223.6% projection in Wave c, a ratio that doesn't occur frequently but one I have noted in the Forex market also.

Wave (c) of Wave -i-		Ratio	Projection	Actual
Wave (a)	10008.21			10008.21
Wave i	10264.85			10264.85
Wave ii	10264.85 -	Wave i * 76.4% =	10068.78	10065.66
Wave a	10363.09			10363.09
Wave b	10363.09 -	Wave a * 23.6% =	10292.90	10282.45
Wave c	10282.45 +	Wave a * 100.0% =	10579.88	10584.69
Wave iii	10065.66 +	Wave i * 198.4% =	10574.83	10584.69
Wave a	10388.22			10388.22
Wave b	10388.22 +	Wave a * 66.7% =	10519.19	10522.25
Wave c	10522.25 -	Wave a * 90.2% =	10345.03	10347.50
Wave iv	10584.69 -	Wave iii * 41.4% =	10369.81	10347.50
Wave a	10495.99			10495.99
Wave b	10495.99 -	Wave a * 66.7% =	10397.01	10393.59
Wave c	10393.59 +	Wave a * 223.6% =	10725.61	10719.94
Wave v	10347.50 +	Wave i > iii * 66.7% =	10732.01	10719.94
Wave (c)	10008.21 +	Wave (a) * 90.2% =	10723.61	10719.94
Wave -i-	10719.94			10719.94

The five-wave rally in Wave (c) developed with greater correlation of projected targets throughout culminating in a 66.7% projection in Wave v implying a target 12.6 above the final stalling point which matched with the 90.2% projection in Wave (c) after a solid bearish divergence.

Wave -ii- retraced between 66.7% and 76.4% of Wave -i- and from there we have seen a rally that is currently challenging the 11,258 high which will form Wave -a- of Wave -iii-.

CONCLUSION

I have been able only to include a limited number of examples in this article but I hope sufficient to provide solid evidence that R.N. Elliott did unfortunately make a misjudgment in the impulsive wave structure, but an understandable one given the limited resources in being able to thoroughly research all wave relationships without extensive manual calculations.

However, I should add that the harmonic wave structure is not a holy grail and there is always a strong element of subjectivity which can occur, specifically when Waves (i) and (ii) are difficult to identify with any certainty.

I have been working with this structure for several years, slowly learning the various rules and guidelines that have required a degree of adaptation including alternation, deep Wave (b)'s and common ratios.

There is no doubt in my mind whatsoever that the harmonic wave structure provides a stronger framework on wave recognition and improves the ability to forecast by a very significant degree.

More is explained in my new book "Harmonic Elliott Wave" (John Wiley & Sons) now published and due to be delivered within Asia over April. This provides more detailed explanations on the various implications of the harmonic wave structure in my book and a greater number of examples. Further examples of the accuracy are detailed on <http://www.harmonic-ewave.com/HEWCalls.html>.

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