

In this video, we are going to teach what is Elliott wave theory and how you can use it to trade the Forex Market as we proceed through this tutorial.

We're going to cover several topics.

Starting with the rules of Elliott.

Wave theory will then proceed to the key.

Key benefits of trading with Elliott waves, followed by a current example of Elliott.

Wave theory using the Australian dollar versus the US dollar and into the rules of Elliott wave theory.

Many of us as traders are aware of trend-following markets in expressions.

Like the trend is your friend and on a week-to-week and day-to-day basis and R trading, we try to take advantage of the trend as much as we can but I think you know, starting from a.

very simple basis, this provides us with the foundation of what Elliott wave.

Theory helps us achieve this because essentially Elliott wave theory goes a little deeper when analyzing Trends, it basically breaks Trends down into waves.

Now typically these waves can be analyzed on any time frame on the chart.

However, most reliably we feel they can be used in today on the floor chart Are there also effective on different other time frames? Today, we're going to go when we looked at our example of the.

Australian dollar is dollar.

We're going to look at the four or chart which for intraday speculative day Traders.

We feel is the most reliable when it comes to analyzing Elliott waves.

Let's just cover some of the key rules here that we need to understand when breaking down these waves that you can revisit whenever you'd like to, you know, do you work on memorizing.

So the first is that within a trend There is five impulse waves that you're going to see on the charts and they are followed by what we call three corrective waves.

Okay, so these are, this is terminology that is used when analyzing Elliott wave theory.

When you identify a trend on the charts.

And when you're trying to isolate these particular waves, these are the numbers that you're moving forward.

If you're looking for 5 impulse waves which are waves that are moving in the direction of the for a trend and then that subsequently followed by three corrective, waves that are moving against the trend.

OK? Google, which will see you later on the charts.

Is that wave the SEC? Rule is wave to never betrays his more than one hundred percent of wave.

1 meeting of the magnet magnitude of Wave 2 can never be more than the magnitude of wave 1.

Next Wave 3 cannot be the shortest of the impulse way, it's okay.

Now when we get to the charts on the Australian dollar at Dollar example, I'm going to revisit these rules so that you can see them in practice next wave.

4 does not overlap the price territory of wave 1.

Lastly we five must close higher than Wave 3.

Okay so these are the key rules when it comes to analyzing waves because when you're analyzing a chart and trying to identify Elliott wave is this actually an Elliott wave pattern, right? That is something that.

is somewhat subjective, right? Because as we analyze charts as as you know, if we want to call ourselves Charters, you know what, one Traders he's on the chart, might not necessarily be viewed identically by another.

traitor and so it's important to have some set of rules in place that can help you verify what you know, whether what you're looking at actually is holding true to Elliott wave theory.

And so that's why these rules Are there so that you can independently verify whether certain price action on a chart on a certain instrument, on a certain time frame is abiding by Elliot wave theory.

If it is, well, then you very well can be looking at something very powerful because it will then help you determine what your next entry is on a particular trade, with a higher level of confidence.

And a lot of trading as we all know, is about making high probability decisions.

I'm right.

Trading is an exercise in high probability decision-making and timing, right? As they say timing is everything and they couldn't be more true than when it comes to trading.

And we're going to talk in a little bit about why Elliot wave theory and trading.

With Elliott waves, will improve the timing of your entries and improve the timing of your exits.

Which one it comes down to your overall results as a traitor.

You should see a massive impact where time, let's continue there, because we're now getting into the key benefits of trading with Elliot weights.

Now we have we've listed here, six key benefits, which all go through one by one.

The first is where what you're doing when you're trading with Elliot waves, is your harnessing, the power of the Market's fractal nature.

Okay? Now what is a fractal? A fractal is a geometric structure that appears in proportional sizes from small to large.

But basically, leave the geometric structure or shape is repeatable a, right? And how often is it when we look at, you know, this is not just referring to, you don't just see fractals in the financial.

markets or in chart patterns.

You see it in nature throughout different walks of life.

And so, you know, many times they talk about the universe being fractal in nature.

And so you know what you're doing here is your basically harnessing or tapping into something quite powerful. More powerful than you would probably realize until you really learning the nuts-and-bolts of Elliott wave theory, which is.

what we're covering today.

And so when, you know, sometimes when you in hindsight, many times Traders, when they look at a particular set of price action on a weekly or monthly chart for a particular currency pair, let's say how.

often does it happen.

Where, you know, we'll look at a chart at the end of a particular year.

Let's say the end of the 2019 calendar year and will say okay I see dollar-yen did this price action.

You know, I really thought that was going to happen back in month 6 or 6 months ago, this is what I envisioned happening with dollar yet so why didn't why wasn't I able to take advantage.

of it? And many times? It's because you weren't able to identify at that moment earlier on that you were actually looking.

Well, that's something you're understanding.

Something Beyond just, you know, blankly looking at a chart which is the market was moving into larger fractal, which you can dissect now into smaller and smaller and smaller fractals on the shorter-term charts.

Which for many Traders is what they want.

A lot of traders in the market, these days want to be day Traders short-term Traders which which touches directly on point number 1 to buy learning, Elliott, wave theory and understanding it.

Well, for many Traders, this will help them realize their day trading aspirations, okay? There are millions of traders in the market today around the world, many of whom want to be intraday Traders, they want to.

be into multiple trades per day.

They want to be taking advantage of multiple, you know, opportunities that present themselves each day, which in and of itself is not a simple exercise, and many times many day Traders struggle, because they wind up.

And where is this going to get into Point number 3? They wind up chasing the market, right? Because their eagerness to be into and out of trades, right? Of course, if I place, let's say for.

trades per day, of course, my goal is to be profitable on all four of those trades or else.

I would not get into them.

The issue can come in as when you're getting into the trade because you see the market moving and you're chasing where the market is going this way, this is often a common Behavior pattern and especially.

new were traitors.

And so what Elliott helps you do is it helps you to maintain it, maintain your aspiration or maintain your goal of being able to place and profit from you.

No more than one trade per day.

But doing it in a very systematic and precise manner, right? So not trading just for the sake of trying to get into a trade and trying to catch a profit when the markets moving.

Let's say after a news event which is, you know, so, look to for as a source of profits rather than chasing the market being able to place more than one trade per day and a very.

precise manner base because you know, how to identify these particular Elliott waves within a trend, right? The Trap.

So Point number for mentions, increasing the precision timing of trade, entries and trade exits.

Now when we look at the Australian dollar has dollar example here in a couple of minutes, I think this will become very evident to you, but basically a lot of times and trading, especially if you're.

trading with leverage with, so many traders in the market are these days and some of them are trading with high leverage, right? The timing of your of your entries and exits is really key because you.

might be right in a certain direction.

But if your timing is off, so for example, if you are, if the market pulls back against you, a certain number of pips before it moves in your direction, depending upon how lyrics you are, that.

might not that might be enough to shake you out of your trade before it actually is able to develop the way that you envisioned it and so Ellie waves will help you improve the timing of.

your entries.

And another another way of saying it is they will enable you to become more patients.

They will enable you to become more patient and allow the trade to develop the way that you are envisioning it develop with the use of a Get waves without Elliott waves day.

Trading on a on a short-term nature of many cases.

You're almost Flying Blind in many cases.

If you are, if you are, if you're not incorporating, Elliott waves in some way, some way, shape, or form.

Okay? Next point is an extension of that point, which is Elliot waves.

I think also, you know, allow you to become both a traitor in a student of the market at the same time.

Okay, if you look at many Superior athletes in different sports, many of them describe them, many Pros

describe themselves as students of the game, right? And in trading, you want to become a student of the game.

Of course you're a traitor, you will always be a straighter, being a student of the game will change that, but what it will do is it will allow you to look at the market, not just.

from a perspective of a money-making creating device or a way to extract, you know, monetary reward from analyze the markets.

Once you start to use a system like Elliot waves, I think it will help your curiosity in your, your, your Owl City in the market increase because you're going to think more along the lines of.

well, is this going to really develop the way that the Elliott wave sets up a right? And I'm now at 02,.

I'm now at the end of wave, is this actually going to move down to Wave 3? And if it does, will I be really, will? I be given that optimal entry price to buy if that.

occurs.

So if you see what I'm driving at here, basically, you're, you're you're, you're, you're you're really looking at the market from two Dimensions rather than one where you're you're you're no longer strictly a traitor.

Looking to grass for profits at any chance that you possibly can and you're more analyzing the market like a real Pro chartist, okay? And it will increase your longevity.

What that will do is that will take you from a Trader who might be in the market only for a matter of weeks or months to a Trader who really has the potential to trade for.

much longer than that for years and start moving towards some of the goals that so many traitors have a being money managers at some point or, you know, you know, Get getting different licenses as a.

traitor, this will help, you know, learning a system like Elliot waves will help put you down that track and that leads to point number 6, which is this is helping you take the trained as your.

friend expression to the pro level.

Because there is there is a lot of credibility behind the expression.

The trend is your friend, it has lasted for decades you know in the market is because there is there is truth in power to that expression.

Now what you're doing by incorporating Elliott waves into your trading, is your using your making? The trend is your friend but you're taking it to a pro-level.

You're taking this to a level where you can enter and exit trades with such a higher level of confidence because you're, you're dissecting the trend so precisely watch more so then you could do without the.

use of Elliot weights.

Yeah so let's move on to our example.

Our Australian dollar has dollar for a chart example that we mentioned that the earlier set of the web of the

tutorial.

Let's pull up the 4-Hour chart.

Hereabouts trillion-dollar US dollar and what do we see here? So this is a 4-Hour chart.

Okay, this is a recent example.

We're now entering the trading week of May 18th 2020, okay? And so, this is price action that we've seen on the floor chart leading up to now, leading up to the present moment and you can.

see on this for our chart with in this trend.

So what you can see here and what should also be the case, although it is not a rule, although it is not a rule, what you can see.

And what often should be the case, is that Within These different waves.

So here we've identified way 12345, okay? Followed by the potential three corrective waves, which were now looking for in the future what what do you notice first about? And we're going to like I mentioned earlier,.

we're going to revisit all the rules of the of the Elliott wave patterns, but what you'll notice first, I'll probably strikes your eye first.

Is that there is a trend line that is holding very precisely throughout these what we've highlighted here and read these five waves.

Notice? They hold the entire time and on this trend line.

And this is a for our chart, so there's a lot of times, you know, long term Traders feel.

Sometimes that trans really only holds for long-term trip.

Long-term price action charts.

So for example, a weekly chart or monthly charts but you can see here this is really holding true on a for chart.

So this is what I was driving it earlier.

When I mention for those of us which are many, that want to be active day, traders in the market, but increase, our precision and thereby increasing our profitability, you can see, just visually, hear, how Elliott.

wave theory.

Can help take your trip, take your training to the another level.

Now, I mentioned, we were going to revisit the rules out of the way of analysis.

So you can see here, we have waited one, okay? Which concludes at this point and then we have waved to hear from 01.

to 02.

Now, the first rule we said was waived can never Trace more than one hundred percent of wait one.

So we can see here that that, in this case, this held true, okay? So as we started to identify this price action, so as we were looking at a 4 or And started to identify this.

price action, we could see that this Australian dollar has dollar pair in the price action is starting to set could very well be the beginning of Elliott wave pattern.

And the sooner that we identify the better off, we are right? The better, the faster we can look to lock in some profits, and interest in some nice trading opportunities.

Now, if we look at Wave 3, which we can see from 02.

to 03,.

this is Wave 3.

It must be the case that we've three cannot be the shortest of the impulse waves, okay? And so across all five of these waves we see that it is definitely not the case that we've three.

is the shortest of the impulse waves.

In fact it looks that way.

Three is the longest of the impulse waves in this case, Okay, the next rule is that way for okay, which is this way wave 3324.

we four can not overlap with the price territory of wave 1.

Okay? So essentially I'll wait for has to be closed higher at a hot mess, too close to the point that is higher than we were.

We won ended.

And we can see here visually that.

That is the case.

Okay? And then lastly, wait, 5 must must close higher than we've three.

Okay, and we also see here riding up for waiting for to wave 5.

We can see that wave 5 closed significantly higher than Wave 3.

So in this example of the Australian dollar has dollar, we can see very clearly that it held very precisely to our rules of Elliott, wave theory and it's irrelevant and very recent example of how this.

this Theory can really work in your favor and be a powerful tool to add to your trading Arsenal.

And so if you don't already have Elliott wave theory in your back pocket or is it too late that you're using? I think you'll find it can really work well for you or wanders in your.

trading.

Now we can see here in this Australian dollar Entering the correct to say is okay.

If you will of this of this pair where we're looking now to see these three corrective waves take place over remember there's five impulse waves with Elliot wave theory.

Followed by three corrective weights and we can see the price action here we're just actually moving in through the finishing through the first corrective wave and so this could be a you know a trading opportunity.

that Traders can look at heading into next week just pulling up here the metatrader 4 platform just to take a look you know we can see that heading into the week of May 18th 2020.

The Australian dollar has dollar, will be offering favorable prices for the corrective, you know, continuing through these corrective waves that were mentioning.

So as we as you know, when you get to the point of wanting to make an actual trade, Which simply just pull up your meditator for platform and go ahead and action or trade as you.

see fit.

So with that, we're going to conclude today's tutorial on Elliott wave theory.

It's been a pleasure speaking with you and we'll look forward to seeing you here from 4X boat in the next tutorial.

Take care.