

Becoming a “Fibonacci Pinball” Wizard



Elliott
WaveTrader

Presented by
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and
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Leonardo Fibonacci



- Famous Italian mathematician from the 12th century.
- Introduced a profoundly significant sequence of numbers to Western culture in his book *Liber Abaci*, now referred to as the Fibonacci Sequence.
- Starting with 0 and 1, each subsequent number is the sum of the previous two.
- 0, 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144, ...

Golden Ratio (Phi)



- The ratio of adjacent numbers in the Fibonacci Sequence converges to a value of 1.618, called “phi”.
- The Fibonacci Sequence and Golden Ratio are governing properties of countless forms found in nature.
- It permeates all scales from the atomic to cosmic.
- This is because it often allows for the most efficient and effective use of space or form of growth.

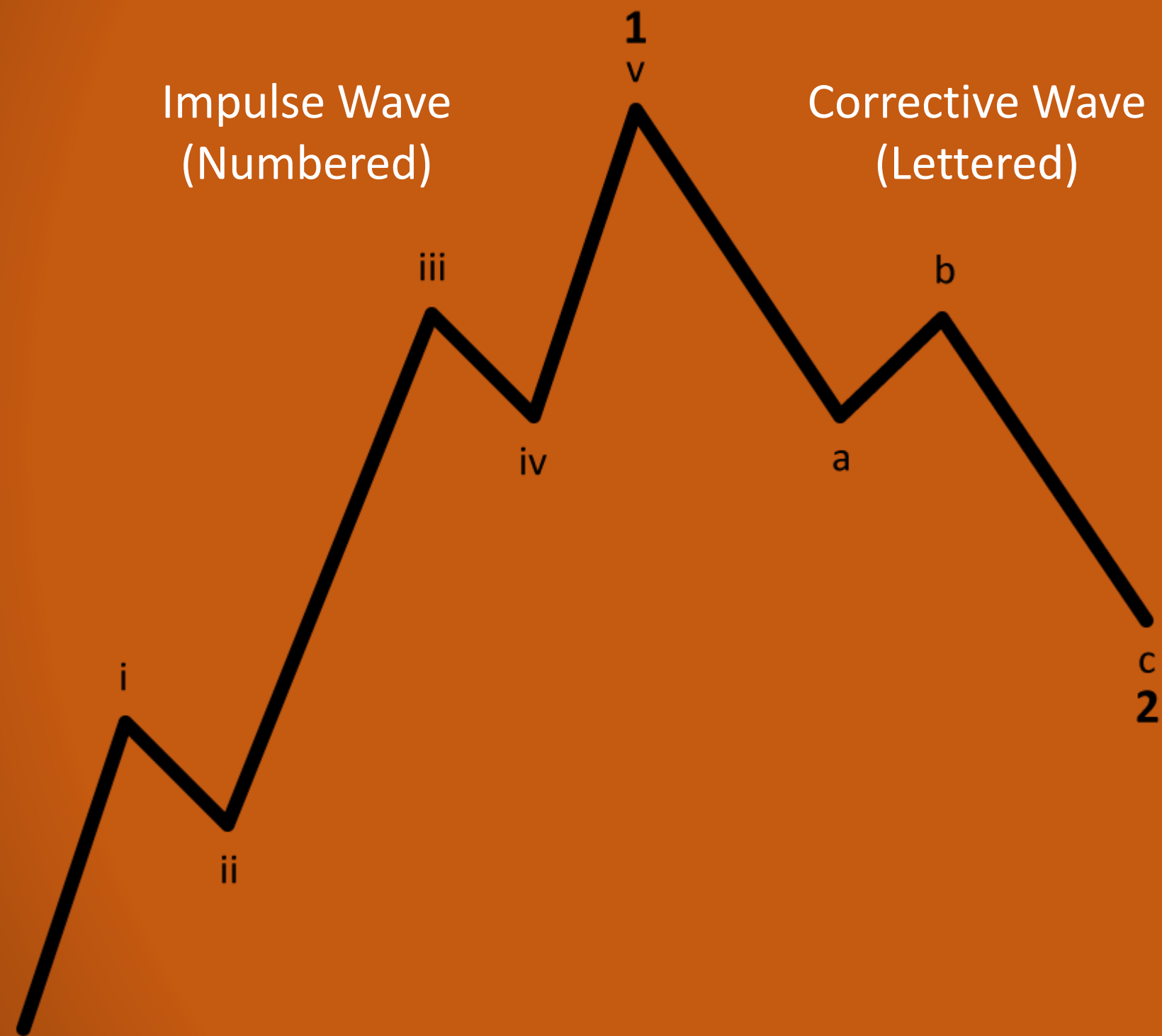
Elliott Wave Principle

- At its most basic, the Wave Principle is a method of market analysis based on crowd psychology and pattern recognition.
- R.N. Elliott believed that the upward and downward swings of mass psychology always showed up in the same repetitive patterns. These swings can be measured and tracked by arguably the best barometer of sentiment available, the stock market.
- He found that these patterns repeat across time and scale in a fractal nature and exhibit Fibonacci relationships both between each other and internally.
- If *phi* governs many relationships in natural phenomena involving growth and decay, expansion and contraction, and advancement and retreat, could it permeate progression and regression in the stock market as well?

Trading EW

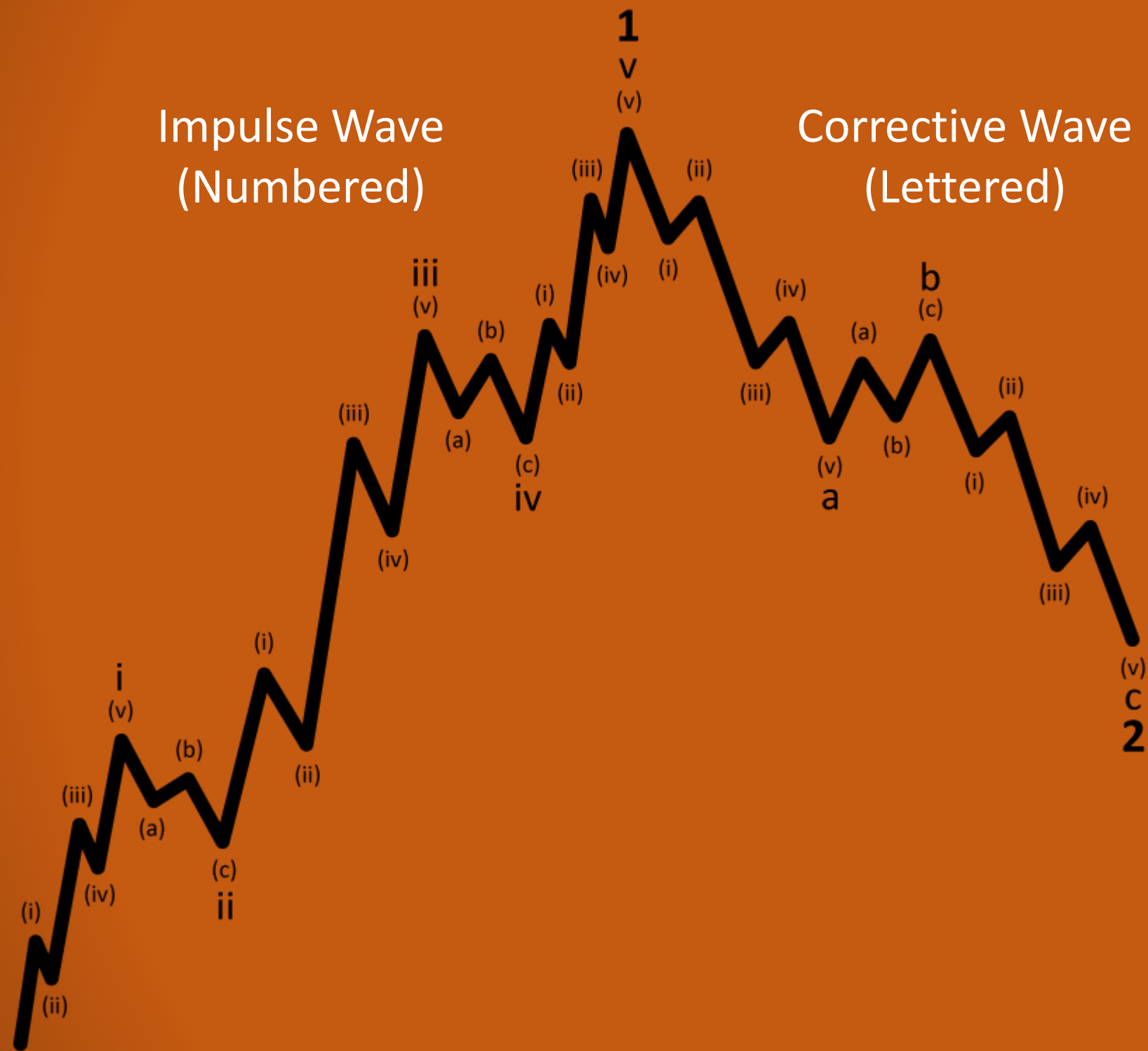
- The Wave Principle helps identify the larger trend.
- It helps identify counter-trend moves within that larger trend.
- It can help identify the resumption of the larger trend after the completion of a correction.
- It can be used to help identify the termination of a trend.
- It can provide high-probability targets.
- It provides specific rules of invalidation

Basic Pattern of EW



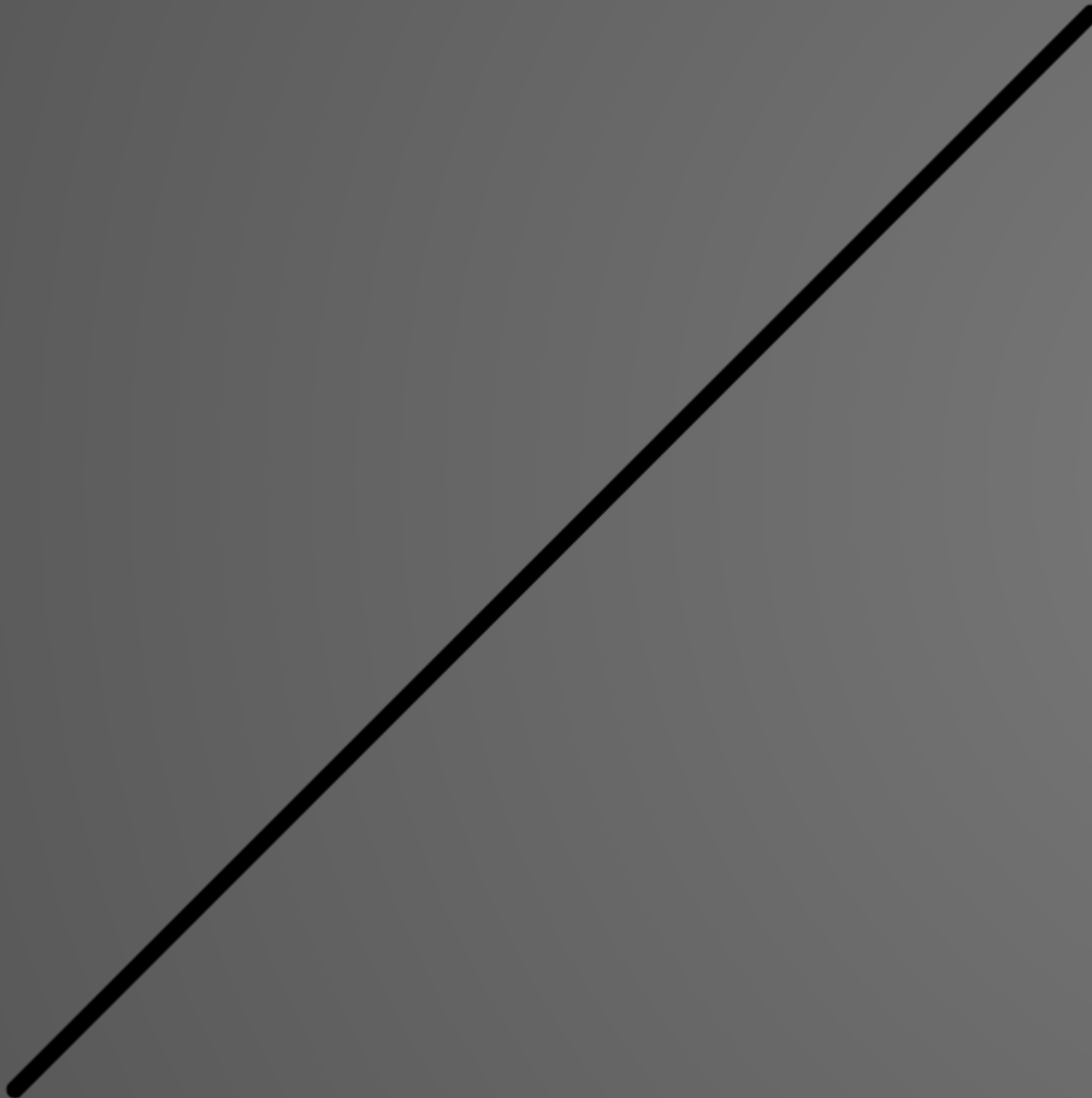
- Market progression unfolds in *waves*. Waves are patterns of directional movement.
- Trending moves unfold in 5 waves, regarded as *impulsive*. Countertrend interruptions unfold in 3 waves, regarded as *corrective*.
- Impulsive structures are labeled with numbers while corrective structures are labeled with letters.

Basic Pattern of EW



- The 5-3 pattern is the overriding form of market progress, all other patterns are subsumed by it.
- Its “fractal” nature repeats across all scales of time and price.
- The compound construction builds on itself to form different degrees of the overall 5-3 structure.

Why 5-3?



It is the minimum requirement for achieving both *fluctuation* and *progress*. One wave does not allow fluctuation. The fewest subdivisions to create fluctuation is three waves. Three waves in both directions would not allow progress. At least 5 waves is needed to progress in one direction despite periods of regress, simply to cover more ground than the intervening three waves. While there could be more waves than that, the most efficient form is 5-3, and nature typically follows the most efficient path.

Why 5-3?



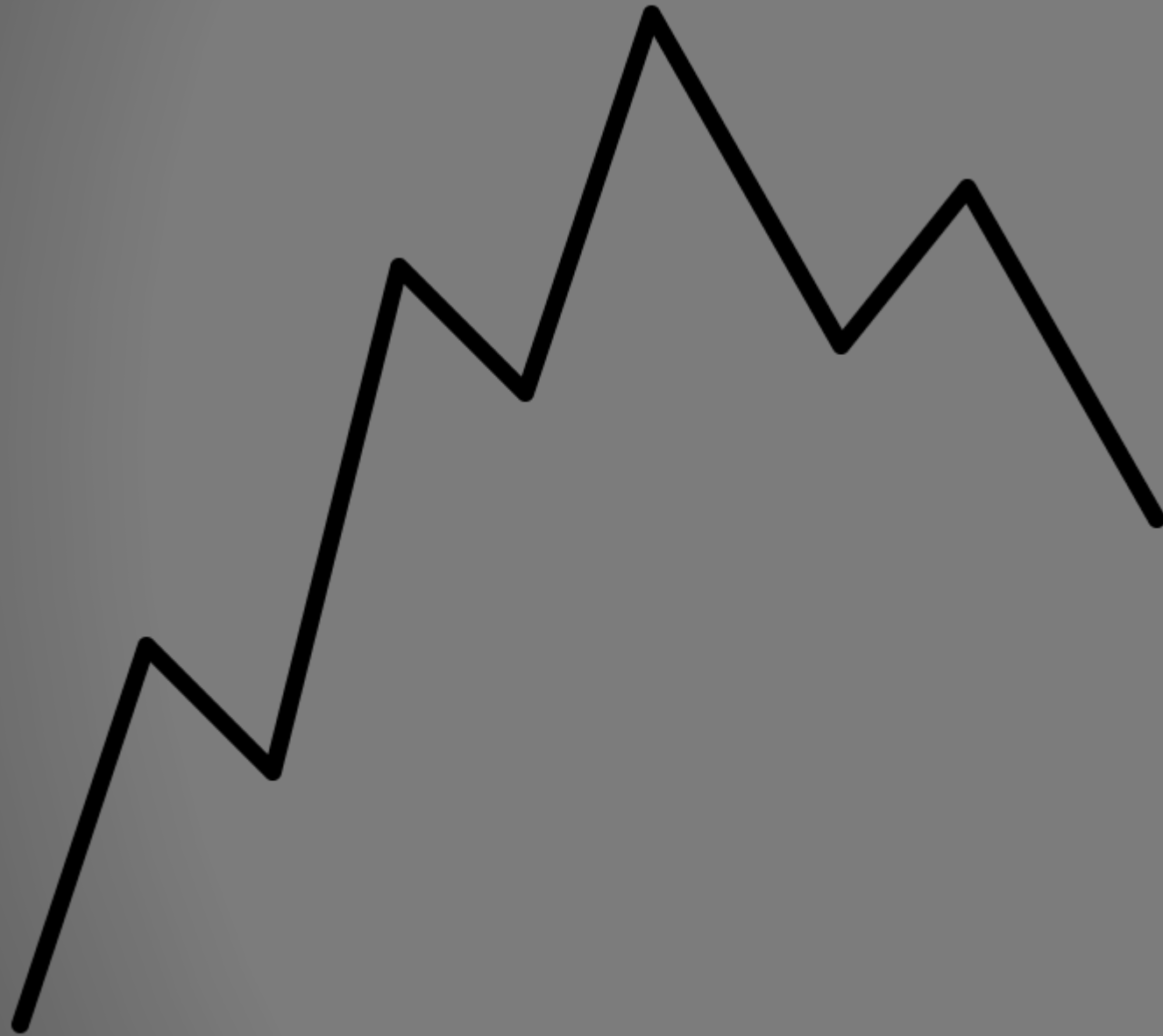
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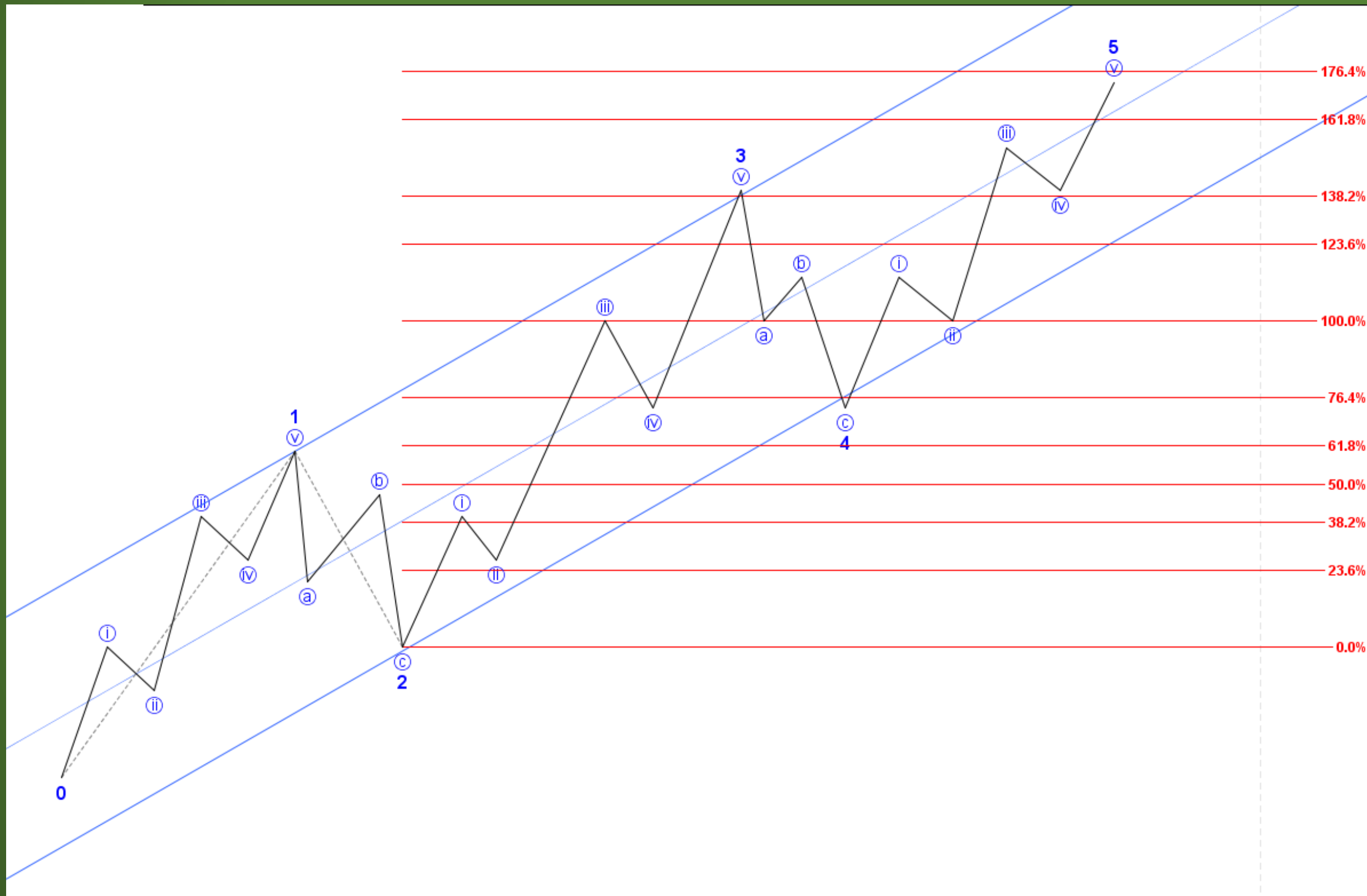
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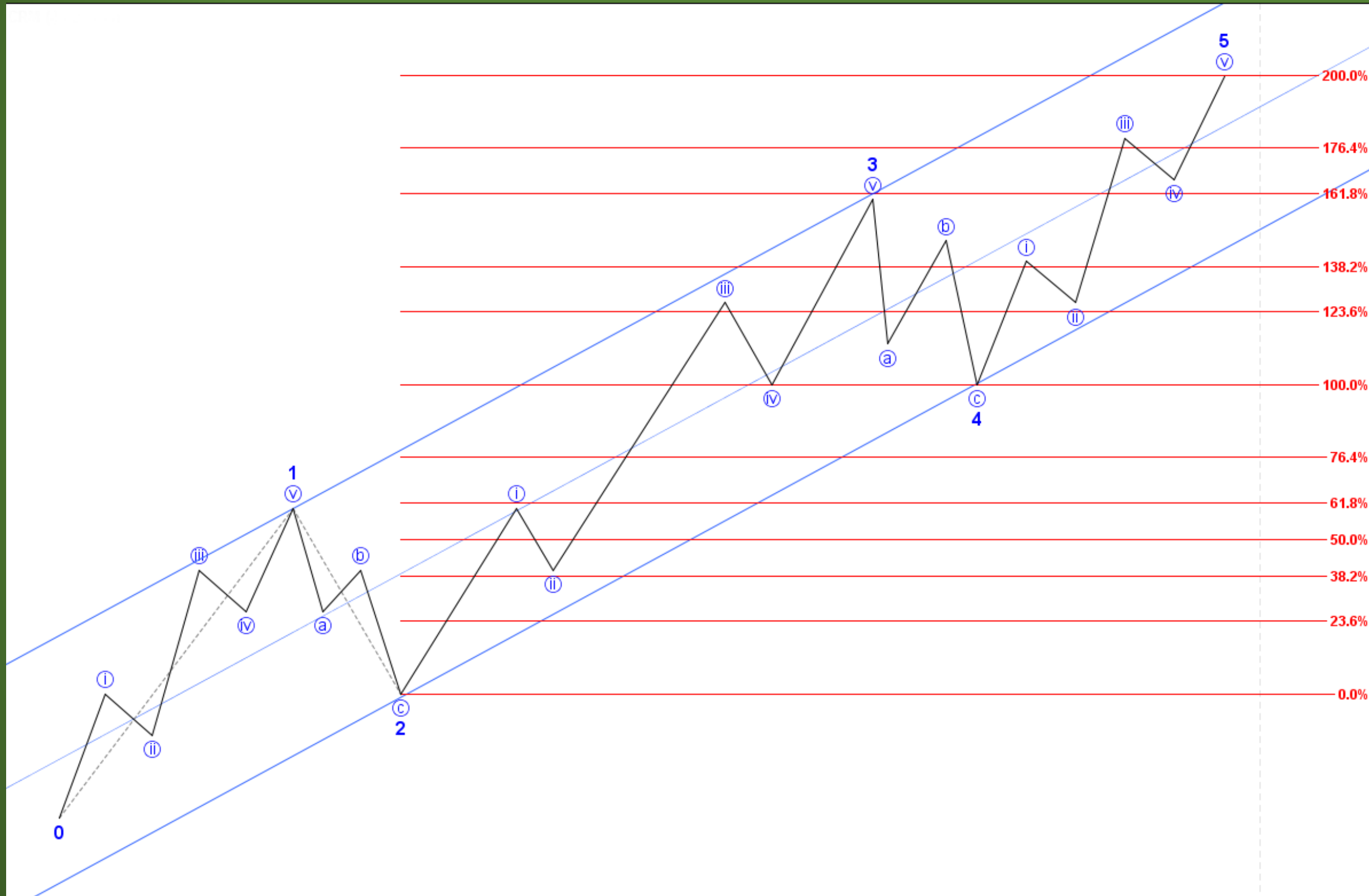
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Fibonacci Pinball



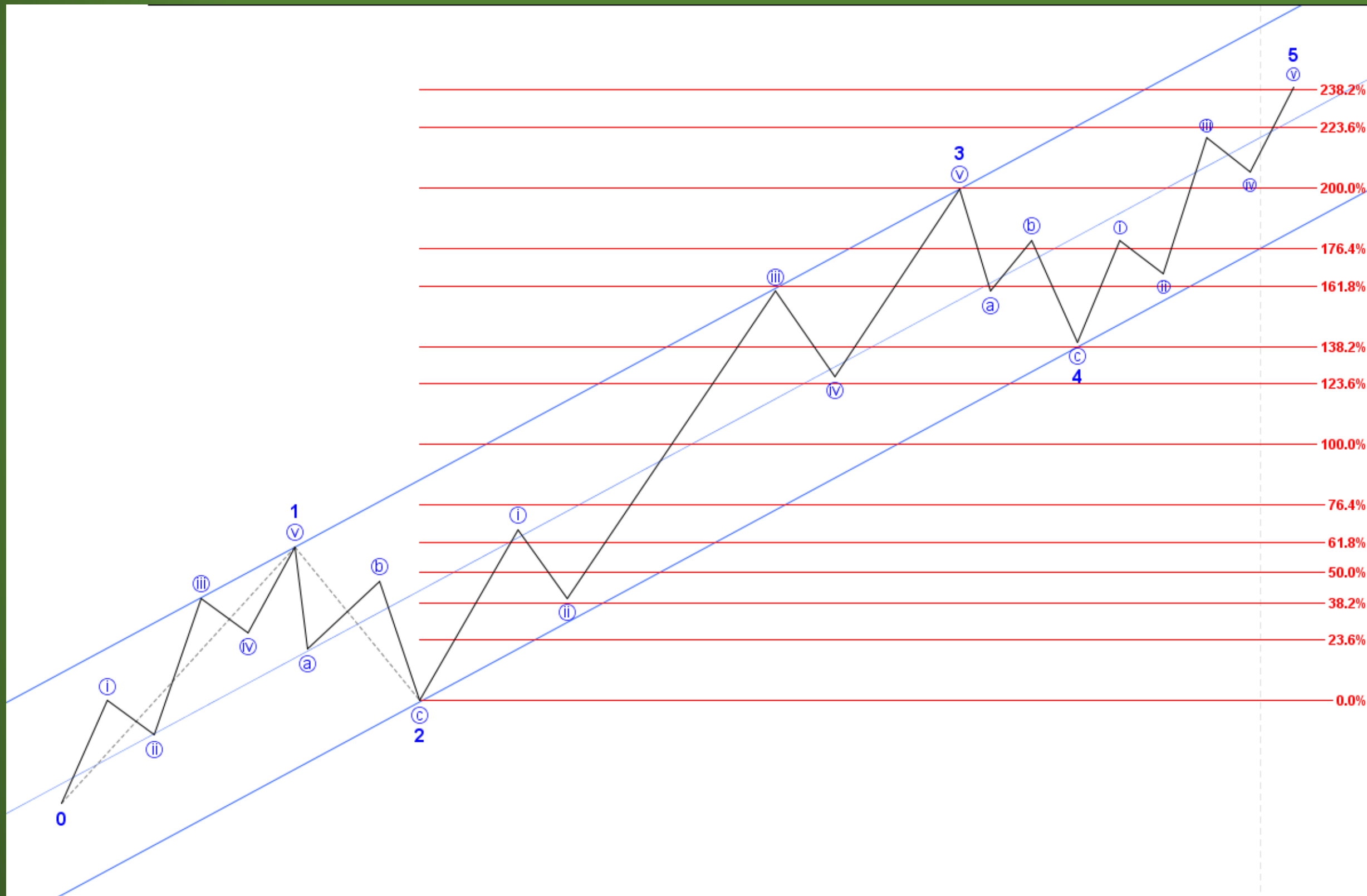
- Wave i of 3 targets the 38.2% extension.
- Wave ii of 3 retraces to the 23.6% extension.
- Wave iii of 3 targets the 100% extension.
- Wave iv of 3 retraces to the 76.4% - 61.8% extension.
- Wave v of 3 targets the 138.2% extension.
- Wave 4 retraces to the 76.4% extension.
- Wave 5 targets the 176.4% extension.

Fibonacci Pinball



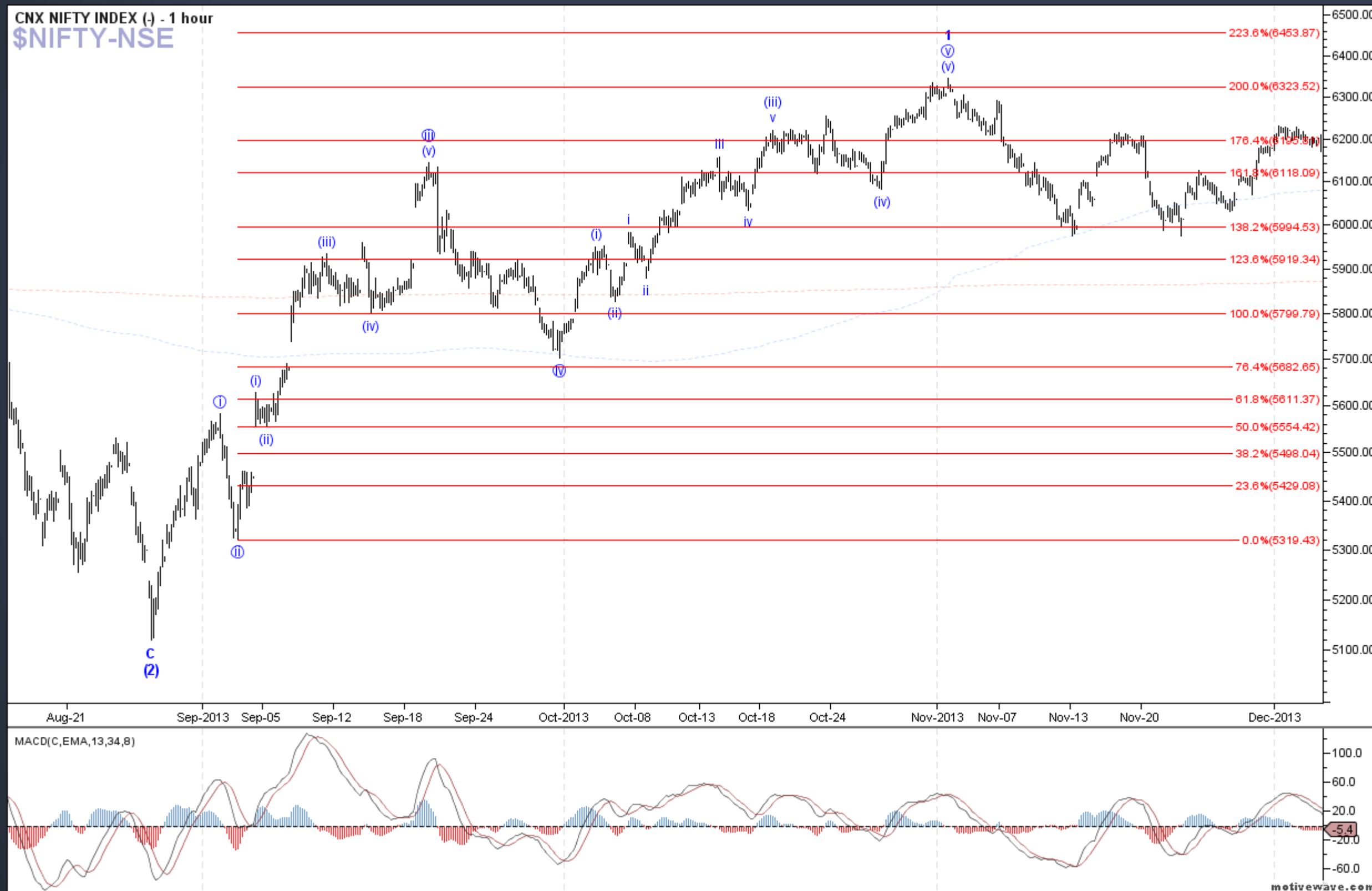
- Wave i of 3 targets the 61.8% extension.
- Wave ii of 3 retraces to the 38.2% - 23.6% extension.
- Wave iii of 3 targets the 123.6% extension.
- Wave iv of 3 retraces to the 100% - 76.4% extension.
- Wave v of 3 targets the 161.8% extension.
- Wave 4 retraces to the 100% extension.
- Wave 5 targets the 200% extension.

Fibonacci Pinball



- If any subwave extends beyond a standard fib, the subsequent waves will likely extend the same relative amount.
- (e.g. if wave iii of 3 extends two fibs past the 123.6% fib, the rest of the wave targets will be moved two fibs higher as well).

Examples



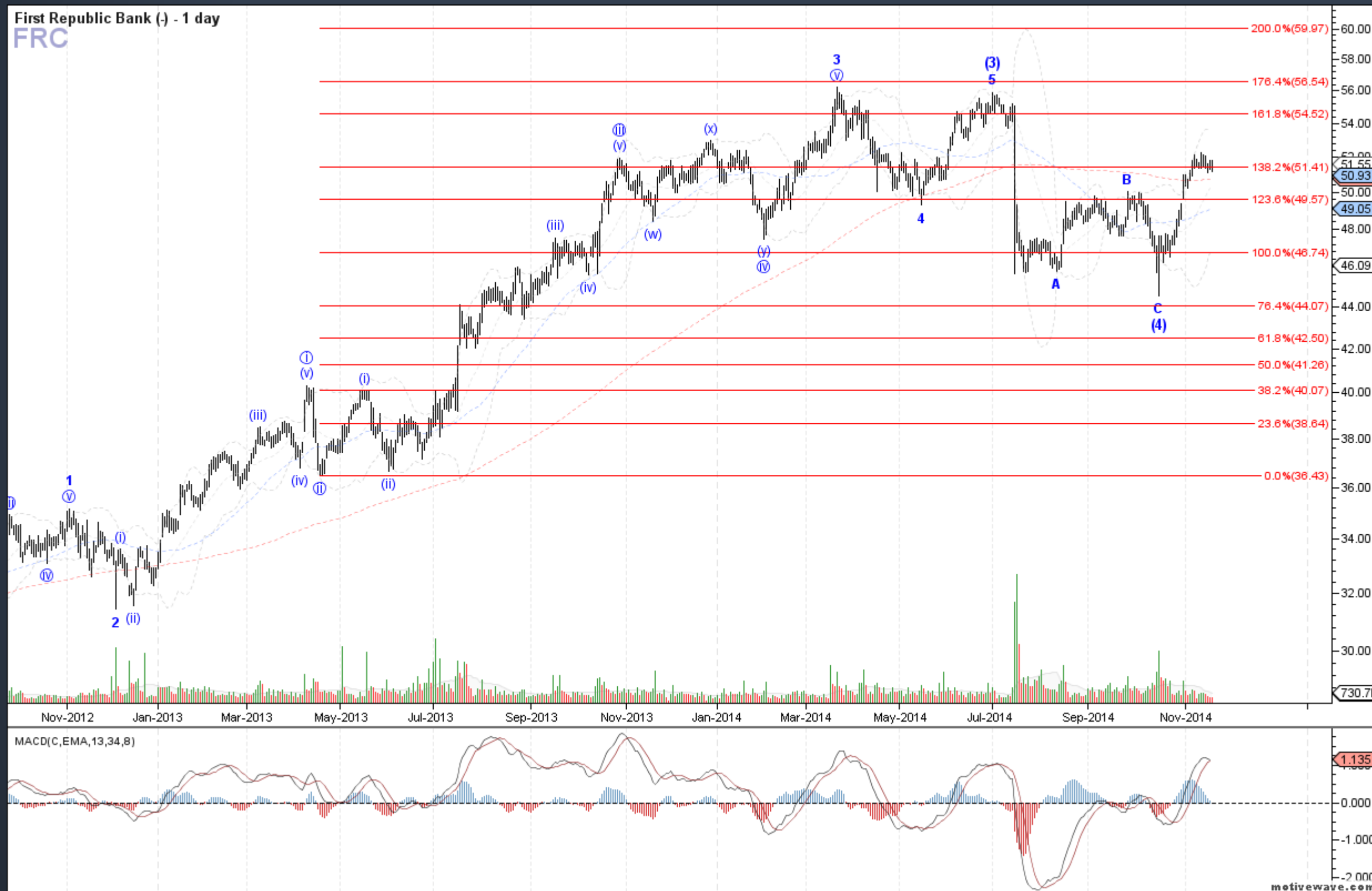
- Wave (i) of iii targets the 61.8% extension.
- Wave (iii) of iii targets the 123.6% extension.
- Wave (iv) of iii retraces to the 100% extension.
- Wave (v) of iii targets the 161.8% extension.
- Wave iv retraces to the 76.4% extension.
- Wave v targets the 200% extension.

Examples



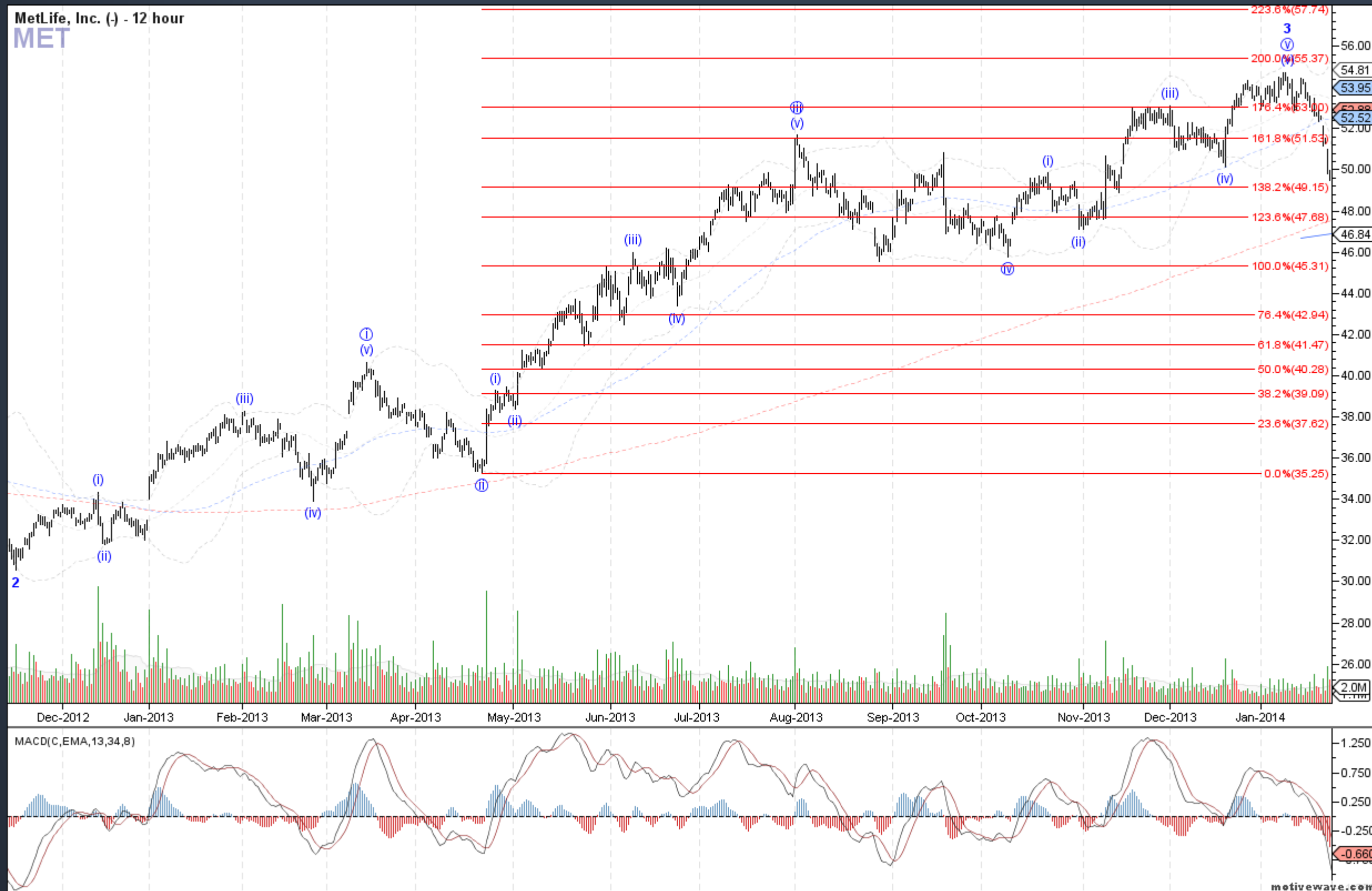
- Wave i of (iii) targets the 61.8% extension.
- Wave iii of (iii) targets the 123.6% extension.
- Wave iv of (iii) retraces to the 76.4% extension.
- Wave v of (iii) falls short of the 161.8% extension, but wave b of (iv) tags it instead.
- Wave (iv) retraces to the 100% extension.
- Wave (v) targets the 200% extension.

Examples



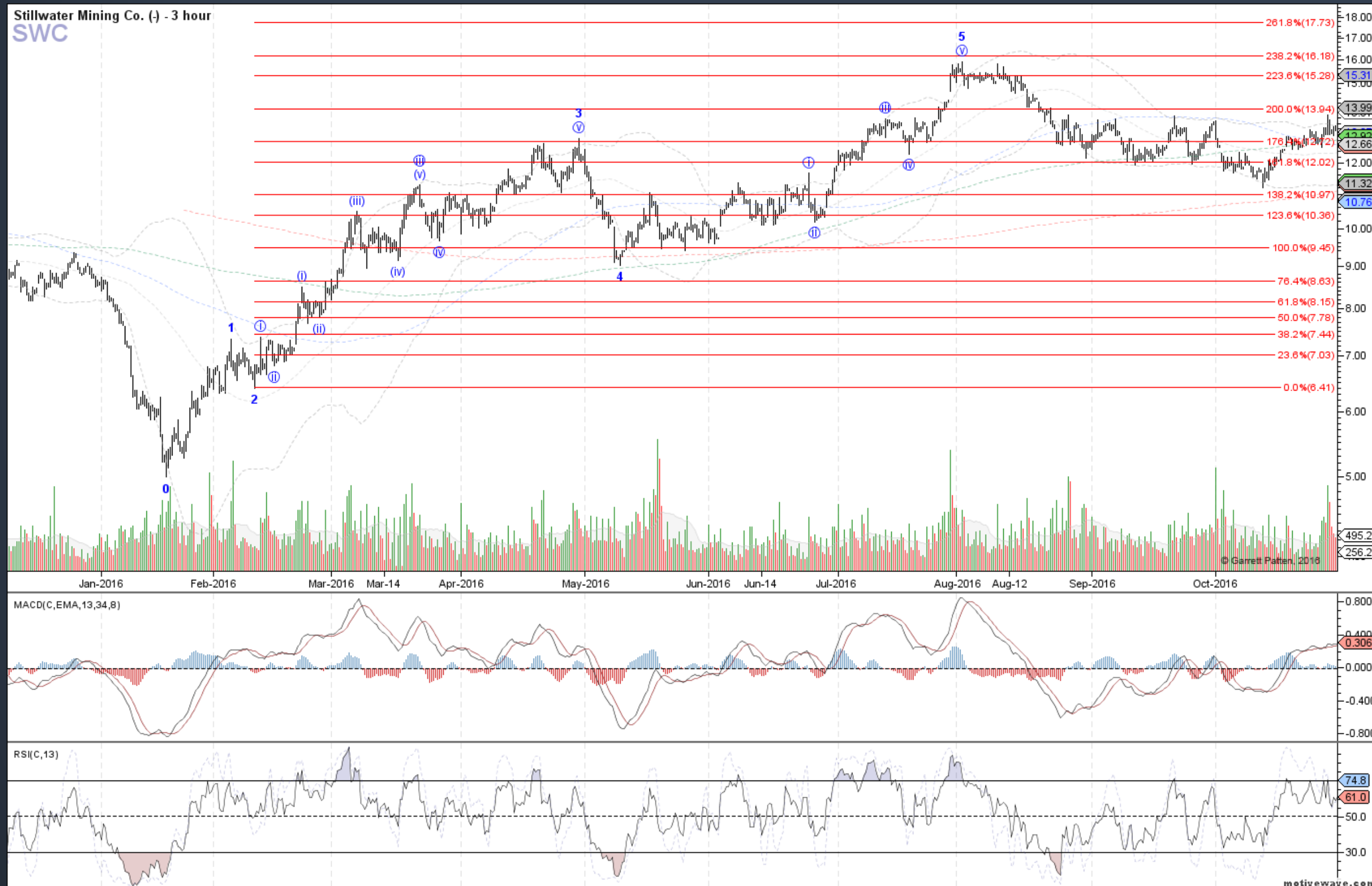
- Wave (i) of iii targets the 38.2% extension.
- Wave (iii) of iii targets the 100% extension.
- Wave iii targets the 138.2% extension.
- Wave iv retraces to the 100% extension.
- Wave v targets the 176.4% extension.

Examples



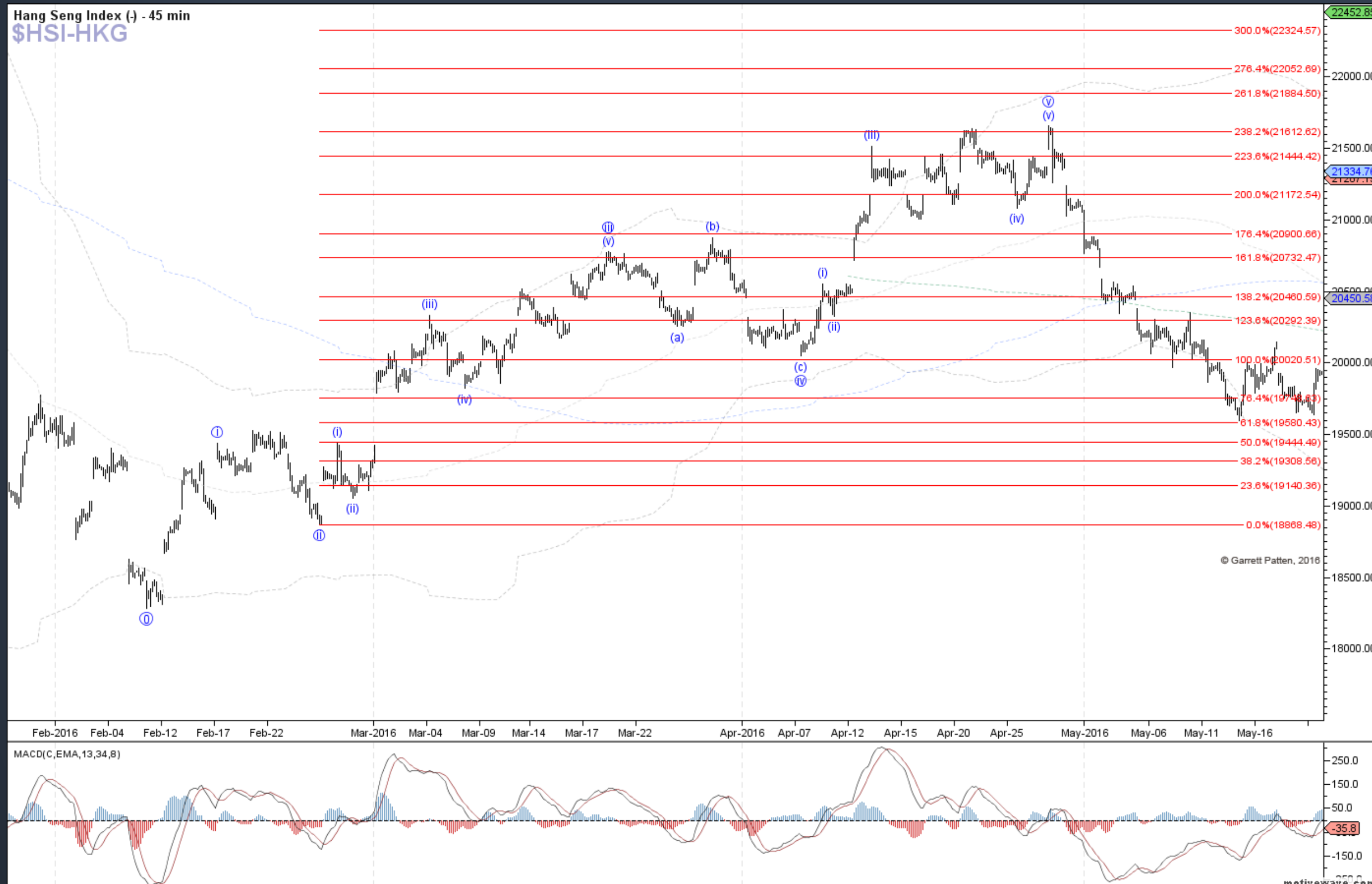
- Wave (i) of iii targets the 38.2% extension.
- Wave (iii) of iii targets the 100% extension.
- Wave (v) of iii pauses at the 138.2% extension, but extends to the 161.8% extension.
- Wave iv retraces to the 100% extension.
- Wave v targets the 200% extension.

Examples



- Wave i of 3 targets the 38.2% extension.
- Wave iii of 3 extends to the 128.2% extension.
- Wave v of 3 extends to the 176.4% extension.
- Wave 4 retraces to the 100.0% extension
- Wave 5 targets the 238.2% extension.

Examples



- Wave (i) of iii targets the 50.0% extension
- Wave (iii) of iii targets the 123.6% extension
- Wave (iv) of iii retraces to the 76.4% extension.
- Wave (v) of iii targets the 161.8% extension.
- Wave iv retraces to the 100.0% extension.
- Wave v extends to the 238.2% extension.