C H A P T E R **19**

# Automatic Regression Trend Channels

## How to Use and Trade with Auto Trend Channels

The Regression Trend Channels are very useful in defining and containing the trend of the market. When the prices break a well established Trend Channel, the market usually changes Trend. Rather than draw the channels, we decided that the process would be made more clear if we automated it. First, let's discuss a problem that some traders encounter when using the Regression Channel.

In the Regression Trend Channel Menu, the checkmarks in the Standard Deviation boxes need to be checked **on.** When they are turned on, the software calculates the standard deviation for the upper and lower channels. If the Standard Deviation is turned **off**, then the software simply finds the highest and lowest bars and draws the upper and lower channels using these high/low peaks. To use the Regression Trend Channel as discussed in this material and in the seminar tapes, you need to turn the Standard Deviation **on.**



**Figure 19-1a: Channels with
Standard Deviation Turned On**



**Figure 19-1b: Channels with
Standard Deviation Turned Off**

## Pivot Selection for Auto Channels

We tried several different methods and settled on the following: The user defines the last Pivot from which the software draws the Auto Channels. For longer-term Trends, use the Primary or Major setting. For real short-term Trends, use the Intermediate or Minor settings. We recommend this study be used by selecting the Primary or the Major Pivot. Otherwise, the Auto Channels will be constantly redrawn every time a minor pivot is made. This constant switching will make the Auto Channels useless. The following examples will make the Pivot selection clear.

## Primary Pivot

By selecting Primary Pivot as the minimum pivot, the software looks for the previous Primary pivot and draws the Trend Regression Channels from this Primary Pivot. When a new Primary Pivot is labeled, the Channels are automatically redrawn from the new pivot.

## Major Pivot

By selecting Major Pivot as the minimum pivot, the software looks for the previous Major pivot and draws the Trend Regression Channels from this Major Pivot. When a new Major Pivot is labeled, the Channels are automatically redrawn from the new pivot.



Figure 19-2: Major Pivot

# Using the Auto Regression Trend Channels

## The Setup

The following trade is Accredo Health Inc. on a Daily chart using the Elliott Type One Trade setup with the Auto Regression Trend Channels and Elliott Oscillator.

**Key Points to Observe:**

- The Oscillator pulled back to zero, but not more than 40% beyond zero.
- The Profit Taking Index (PTI) is greater than 35 at 58.
- The Wave 4 Channels are holding.

These points mean that the odds are good for a rally to Wave 5. Buy ACDO at the cross of the Auto Trend Channels.



**Figure 19-3: ACDO using the Auto Regression Trend Channels**

# *Notes*