C H A P T E R **24**
TJ's Ellipse

Price Swings

How far will a price swing retrace before the original trend can continue? This has been a question that all traders have asked at one time or the other. Fibonacci Retracement studies offer some help in this matter. However, they just provide levels such as 25% retracement or 50% retracement. If one level does not hold, the trader looks for the next Fibonacci level and so forth.
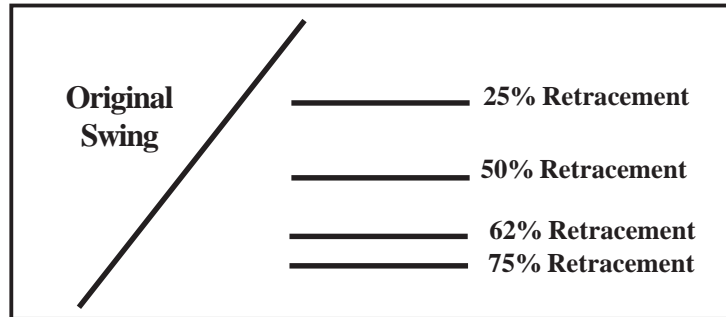

Original Swing

— 25% Retracement

— 50% Retracement

— 62% Retracement
— 75% Retracement

Figure 24-1: Retracement Levels

Which level will hold and allow the original swing to continue its trend?

The TJ's Ellipse Study provides a technical solution. The details are discussed on the next several pages.

Figure 24-2: Jan 98 Soybeans

How far will this swing retrace before the original swing continues its trend?

The new study takes the original swing in question and provides a Time and Price Level which should hold any retracement of the original swing.

Figure 24-3: Jan 98 Soybeans

If the Time and Price Level holds, the original swing should continue its original Trend. The Time and Price Level is displayed on the chart in the shape of an Ellipse. Hence the name: TJ's Ellipse. As long the Ellipse (Price and Time) holds, the original swing should take the prices lower.

How TJ's Ellipse is Calculated

The user identifies the swing (high and low). This is used to determine a room size and the current strength of the market. Using these values, eSignal calculates a projected path for the Ellipse to intercept the prices. In actual use, the TJ's Ellipse will continue to move towards the prices. When the prices meet (or hit) the Ellipse, the Ellipse stops moving and provides a solid Price and Time level.

At this time, it is critical for the Ellipse to hold the prices. If it holds, then the original swing can continue.
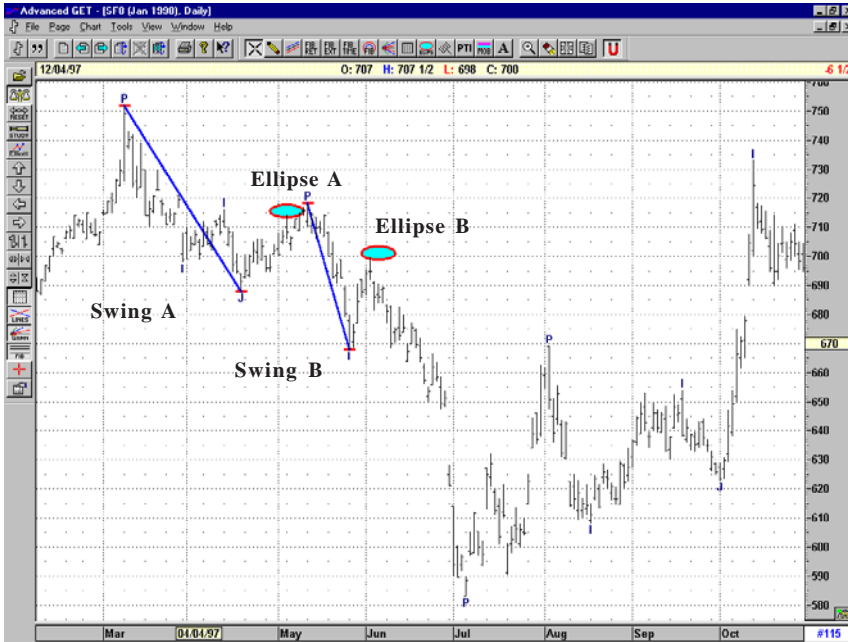
Figure 24-4: Jan 98 Soybeans

Ellipse B is the Ellipse generated from Swing B. As long as this Ellipse B holds the prices, Swing B should continue its trend lower.

See Figures 27-5 and 27-6 on the following pages.

Price Swings (Cont.)

Ellipse C is the Ellipse generated from Swing C.

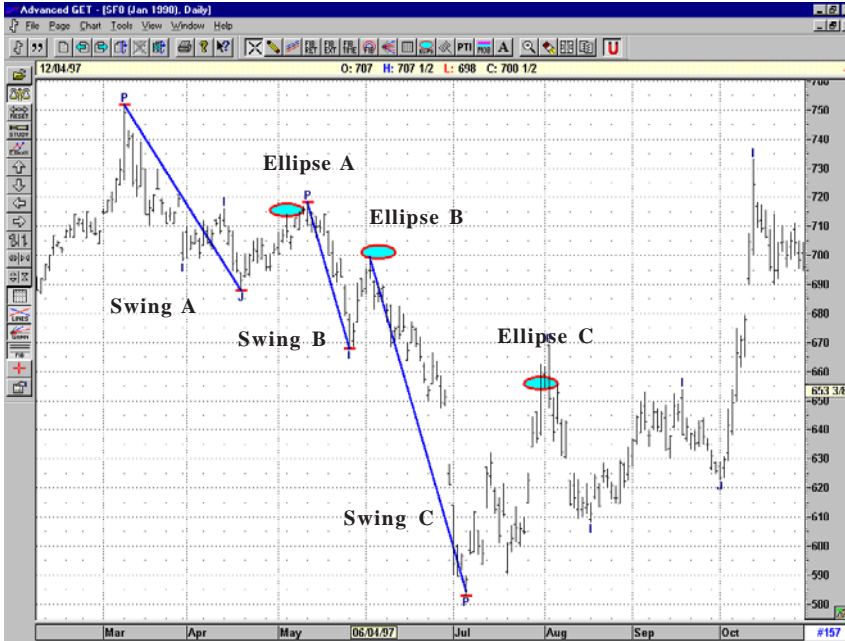As long as this Ellipse C holds the prices, Swing C should continue its trend lower.

Figure 24-5: Jan 98 Soybeans

As the market continues to trade, new swings are generated. For each new swing, the software can generate a new Ellipse. As longs as the corresponding Ellipse holds, the original swing should continue its trend.

Ellipse D is the Ellipse generated from Swing D. As long as this Ellipse D holds the prices, Swing D should continue its trend higher.
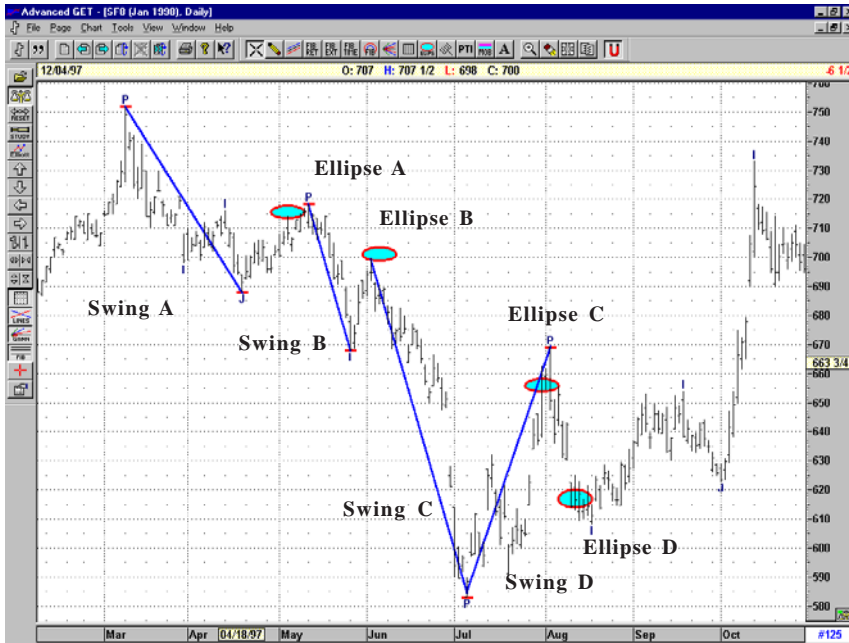

Figure 24-6: Jan 98 Soybeans

Ellipse Projection (Shadow)

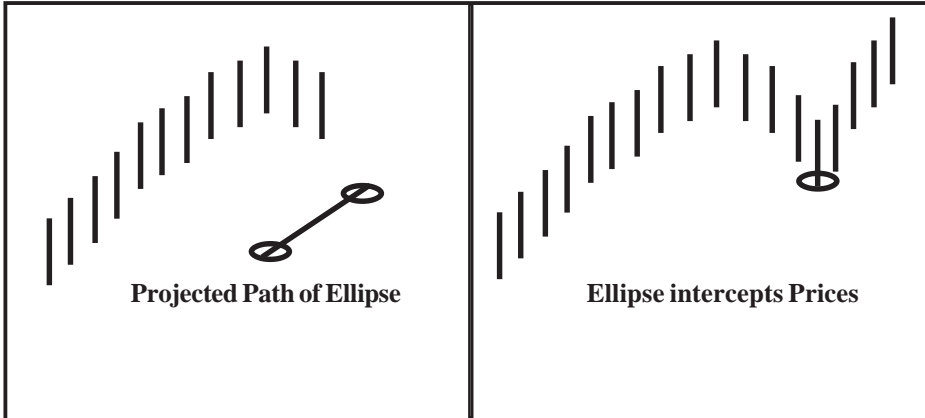Once the Ellipse study is applied, the software starts to project its path to intercept the prices.
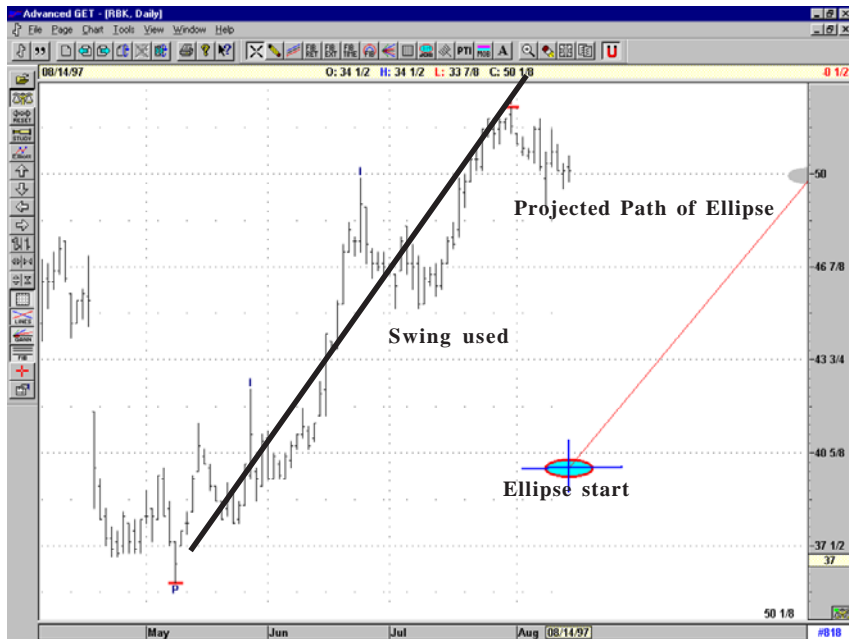

Figure 24-7: Ellipse Projection

Figure 24-8a: Daily Chart, Reebok, TJ's Ellipse

As the prices continue to retrace, the Ellipse moves closer and closer to the prices.

The distance between the current Ellipse and its shadow (projection) continues to narrow as it gets closer to the prices.

Figure 24-8b: Daily Chart, Reebok, TJ's Ellipse

Once the Projected shadow meets the prices, immediately use the Regression Trend Channel for confirmation of the actual turn in the prices. These techniques are discussed in great detail in the Seminar Videos. I have tried my best to explain this on paper, but it does not come close to the seminar presentation.

Figure 24-8c: Daily Chart, Reebok, TJ's Ellipse

Projected Shadow meets prices.

Use Trend Channel for confirmation.

Figure 24-8d: Daily Chart, Reebok, TJ's Ellipse

The actual Ellipse continues to move up till it intercepts the prices. When prices cross the Trend Channels, a low is confirmed.

Figure 24-8e: Daily Chart, Reebok, TJ's Ellipse

Using Normal and Short Term Ellipse

The Ellipse study provides three options: Normal, Short and Long Term. Currently, the Long Term does not provide any significant information.

In most cases, the normal setting should be used. All of our discussions so far use the Normal setting.

There is one situation that requires using the short-term Ellipse. When the 10/70 Oscillator is above its strength band and the market is in a massive Wave Three, we recommend using the short-term Ellipse. See Figure 24-9, below.
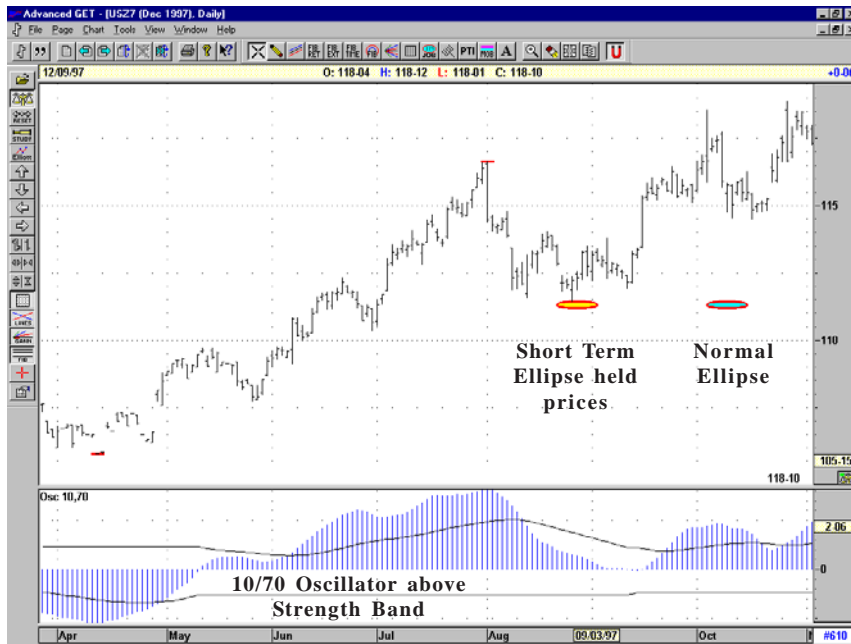

Figure 24-9: U.S. Bonds 1997