

NEO-WAVES

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For a long time, many of you have asked me to release material on NEoWave pattern discoveries, such as NEoWave Diametrics, Neutral Triangles, Neutral Terminals and the like. With the markets slowing down lately, and work on our major website upgrade nearing completion, I've had a little time to hunt through our archives for information from past seminars.

Attached is material used in my 1995 NEoWave Workshop held at the Ritz-Carlton in Aspen, Colorado that covers many NEoWave pattern discoveries up to that time. I think you will find this material very informative and instructive.

Sincerely,
Glenn Neely
NEoWave, Inc.

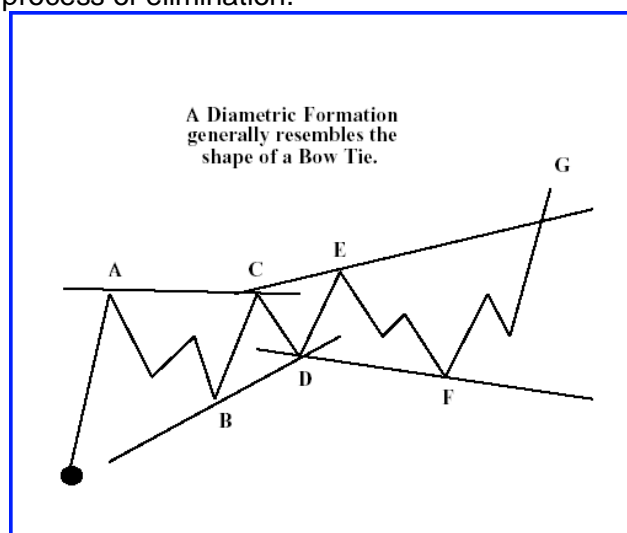
NEoWave™ Pattern Discoveries

- Diametric Formations
- Neutral Triangles (wave-c longest)
- Extracting Triangles
- 3rd Extension Terminals
- 5th Failure Terminals

Diametric Formations

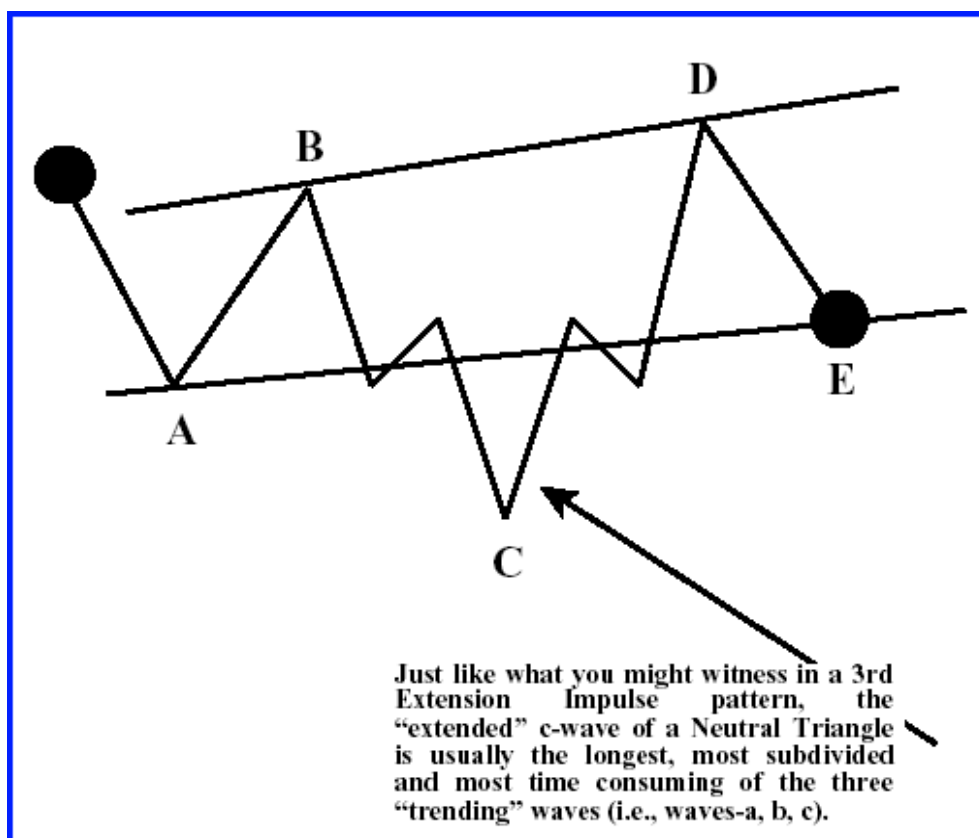
I experienced my first Diametric formation in 1991. What started out looking like a Contracting Triangle, stopped behaving like one when wave-e became larger than wave-d. If wave-e had moved quickly enough and far enough, I could have concluded the pattern as a Zigzag from the low in 1991. But, the problem is that wave-e did not move quickly enough out of the congestion to indicate anything critical had concluded.

That is when I started to realize that a new wave phenomenon was unfolding. It was simply a process of elimination.



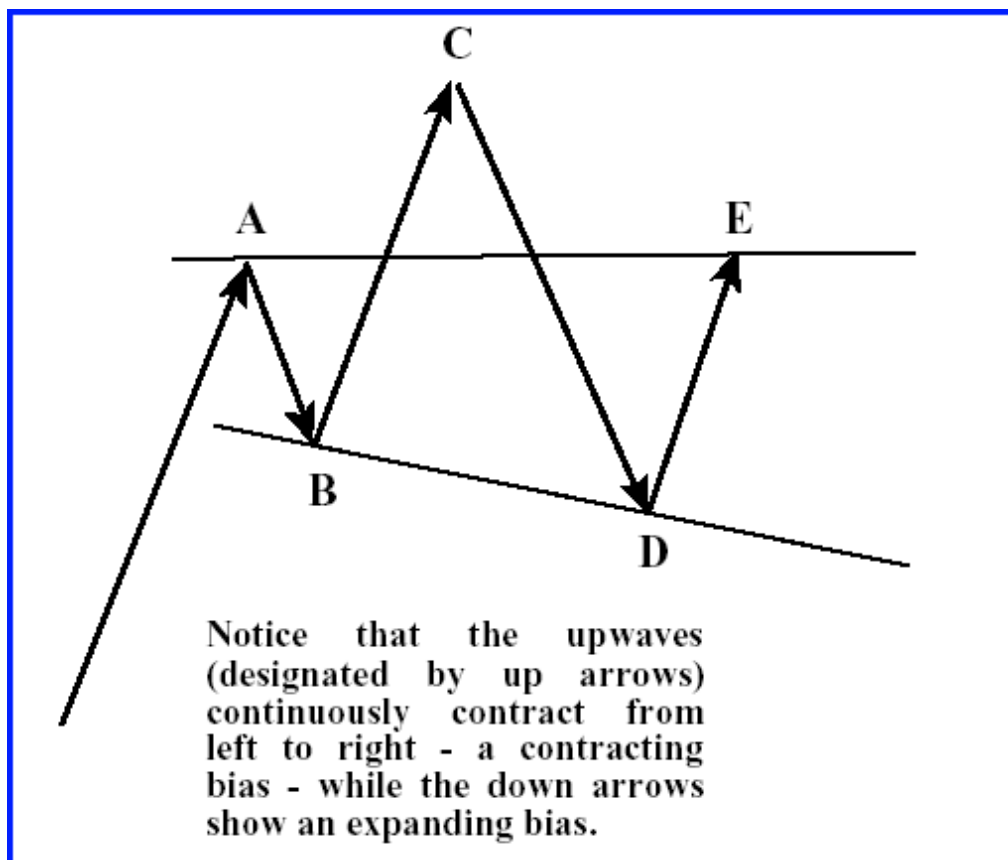
Neutral Triangles (wave-c longest)

There is a new variation in this well known group. It is the missing "link" that explains many heretofore indecipherable periods of pattern development. A Neutral Triangle is the logical missing formation that delicately connects the Impulsive world to the Triangular world. If you compare 1st, 3rd and 5th wave Extensions to Triangular patterns, there is a clear area of behavior not covered by R.N. Elliott's original group. That missing pattern is the Neutral Triangle. Just like a 3rd wave Extension Impulse pattern, the middle wave (wave-c) is the longest in a Neutral Triangle. Their characteristics are also extremely similar to 3rd Extension Impulse patterns.



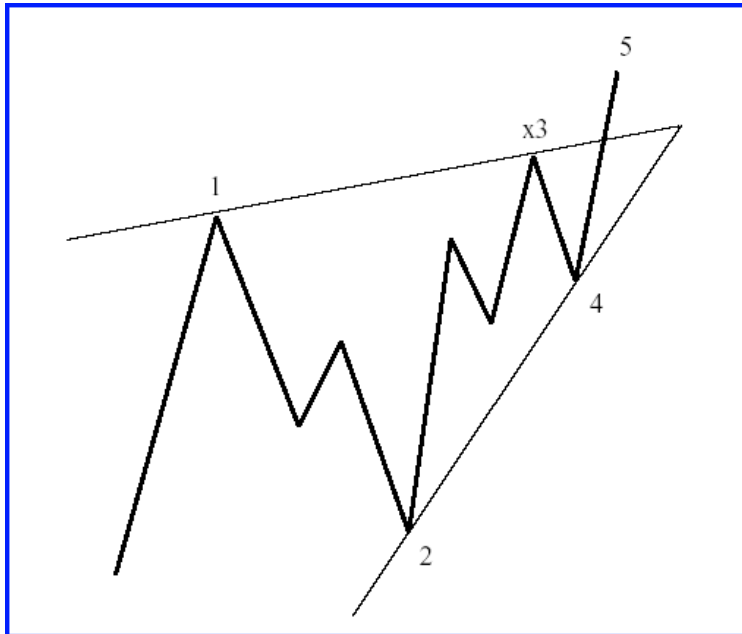
Extracting Triangles

This type of Triangle follows all the rules and variations of those previously listed. The unique aspect of this Triangular sub-category is that the alternation that is normally present in a Triangle (based on which wave is the longest) is reversed. This creates a VERY strange looking formation that can be very difficult to anticipate (at least if your experience is primarily in the 80's bull market, which had a completely different character). The only early warning behavior characteristic I have been able to find relates to wave-b. When the b-wave of what looks like a Zigzag takes less time than waves-a or c, an Extracting Triangle is likely.



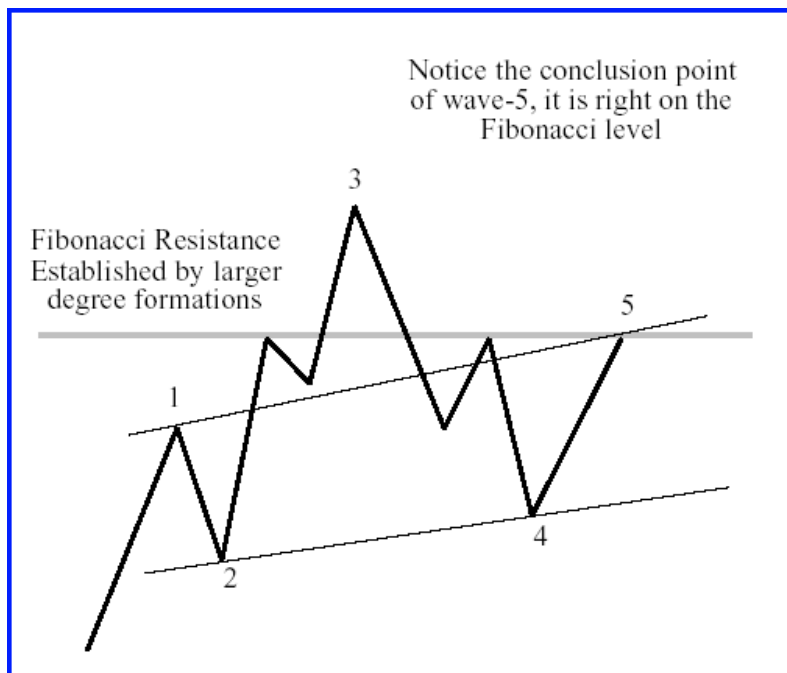
3rd Extension Terminals

This pattern takes on a strange and difficult to interpret structure that is usually discovered only after its conclusion (or shortly before conclusion if the pattern is large enough). This is what an Extracting Triangle looks like.



5th Failure Terminals

These patterns basically mimic 3rd Extension Impulse patterns, except waves-2 and 4 overlap and the internal structure of each move is corrective, not Impulsive.

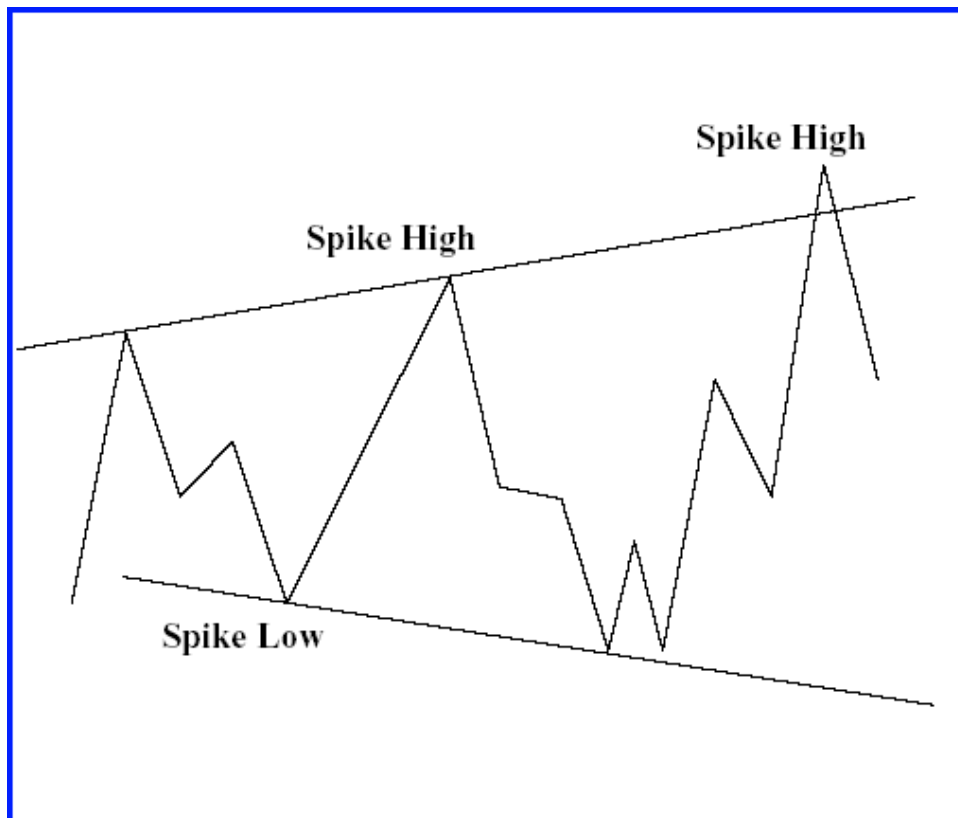


NEoWave™ Behavior Discoveries

- Expanding Triangles (spike at extremes)
- Neutral Triangles (even distribution of behavior)
- Extracting Triangles
- 5th Failure Terminals (Supplemental price)
- 5th Failure Terminals (severe alternation)
- Common BEHAVIOR mistakes associated with Impulsions

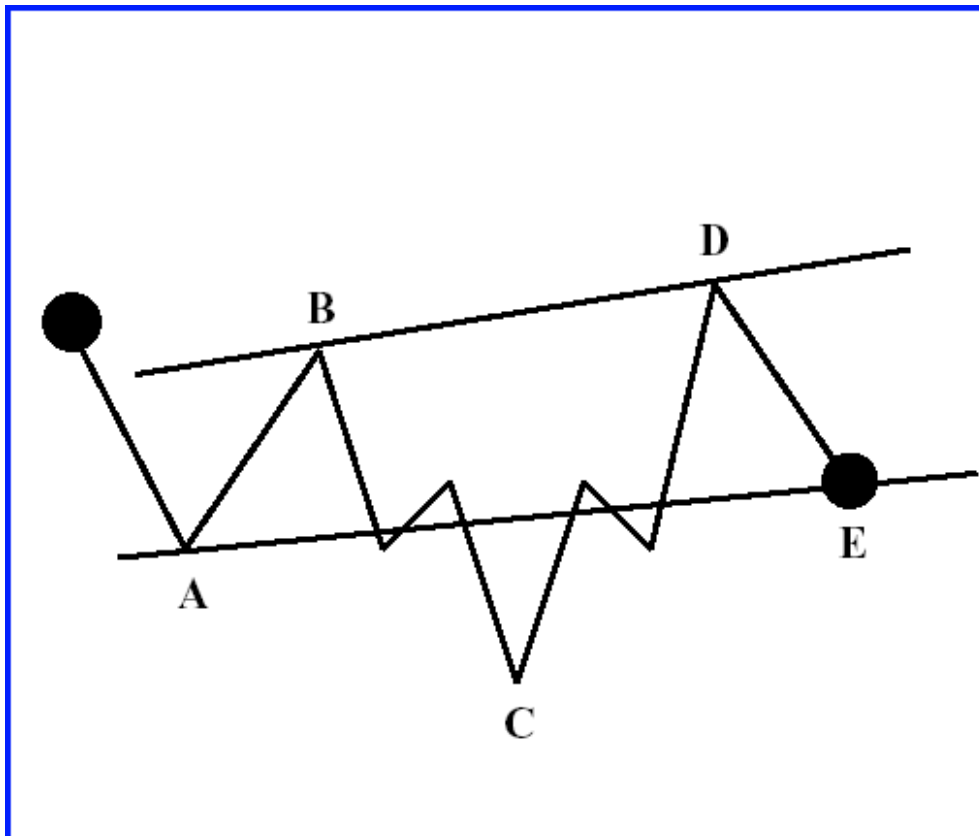
Expanding Triangles (spike at extremes)

Expanding Triangles have a strong tendency to "spike" when reaching the highest or lowest point of the termination of each wave. This creates an identifiable characteristic that can be used to identify their existence in almost any market situation. observation. Detection of this behavior (price action "spiking" near the extremes) can help you decide what kind of environment the market is in even when an exact wave count is not obvious.



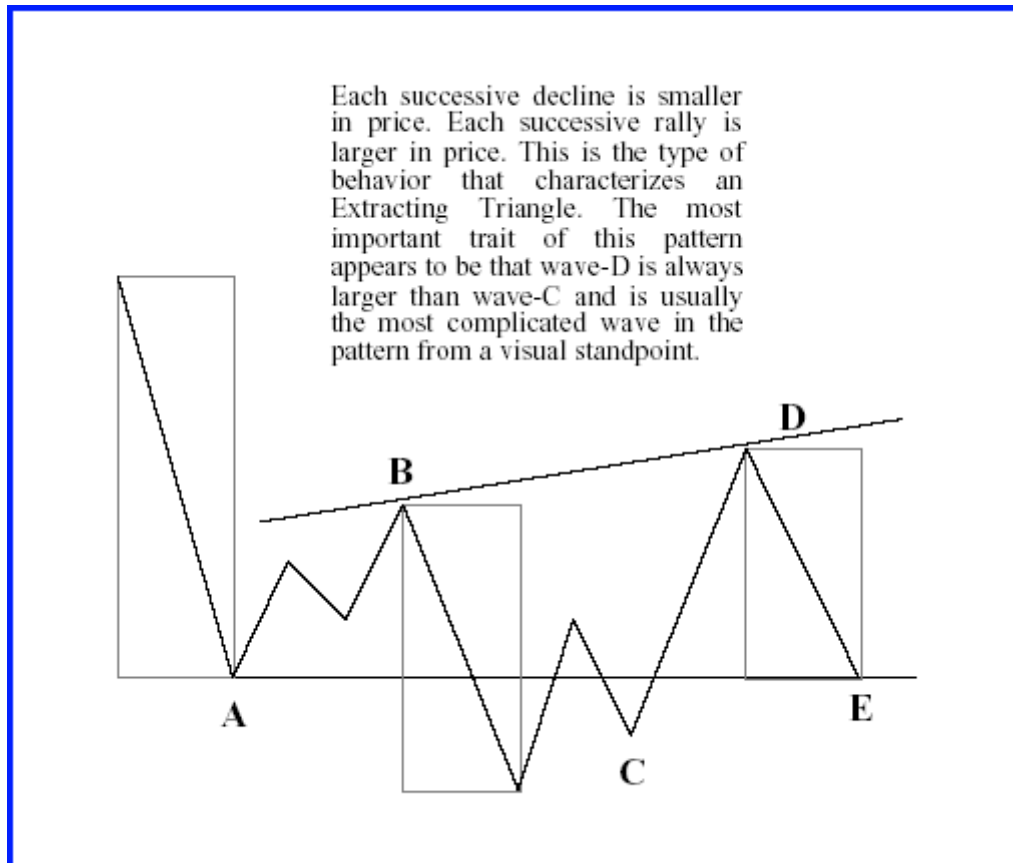
Neutral Triangles (even distribution of behavior)

Neutral Triangles are some of the calmest, most consistently behaving patterns under NEdWave™ Theory. If the market's behavior and style is not changing much, even if the market is covering a lot of price and time territory, that is the environment of a Neutral Triangle.



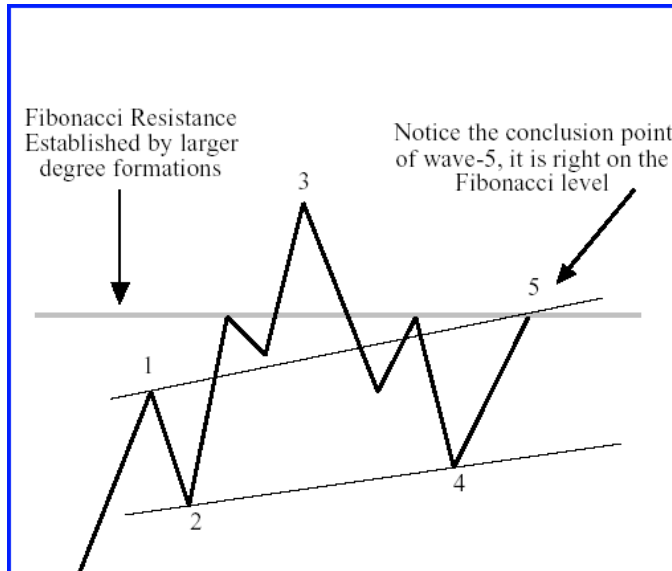
Extracting Triangles

The thrust out of an Extracting triangle is not as violent as that experienced by a Contracting Triangle, but not as slow as that of an Expanding Triangle. Based on our previous discussions, it should be obvious that the market environment this pattern creates is that of a neutral bias.



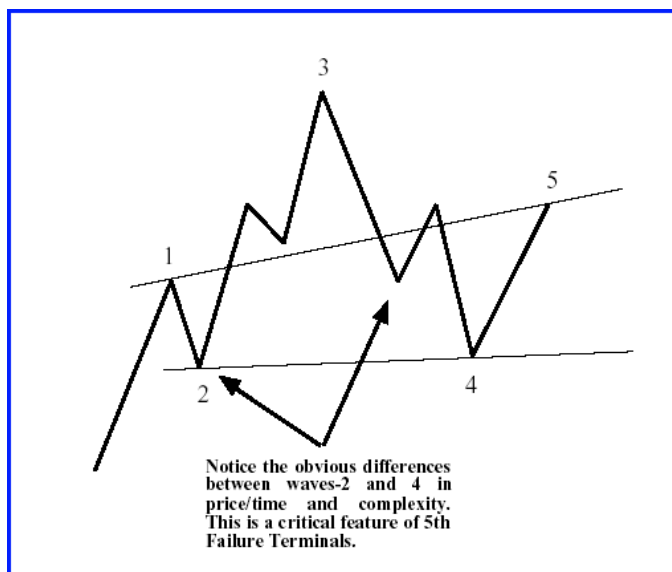
5th Failure Terminals (Supplemental price)

All Terminals (and Triangles) experience what I call Supplemental Price and Time action. That is when the market goes slightly beyond the best calculated price and time zones, only to reverse and do what was originally expected. Unfortunately, it is right at the end of this pattern that the average trader gives up, reverses his position, only to be stopped out. Shortly thereafter, the large trend he was predicting ends up happening WITHOUT him.

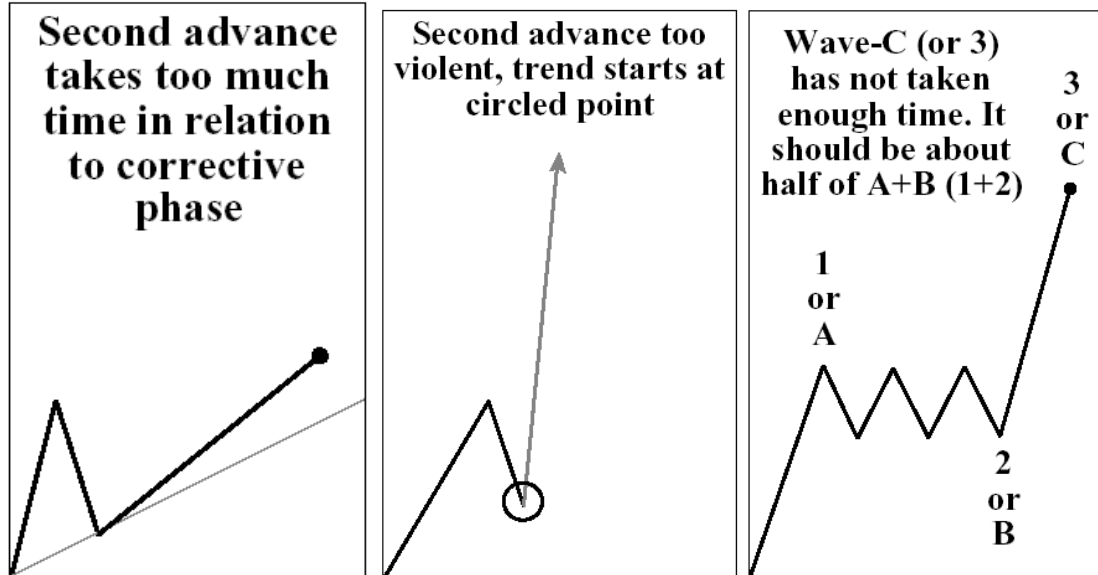


5th Failure Terminals (severe alternation)

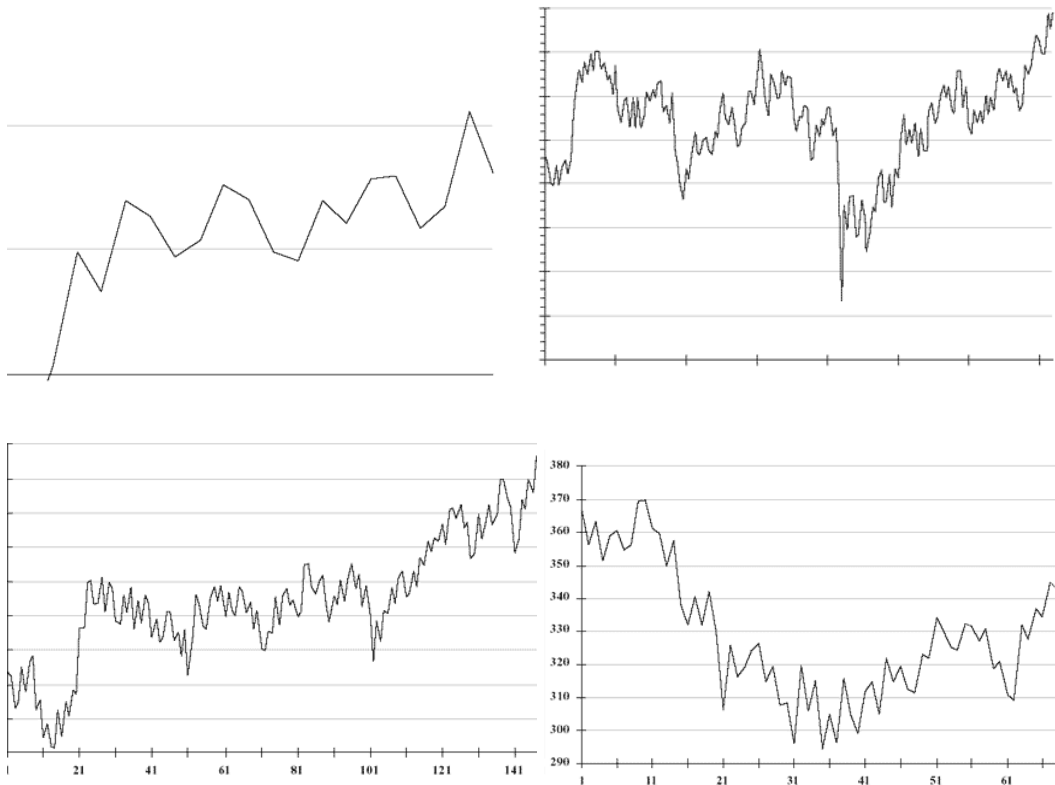
This is among the strangest and most difficult to decipher patterns under NEdWave™ Theory. They are difficult to be sure of even AFTER they have completed. The pattern is so warped by the extreme differences in size between waves 2 & 4 that it is frequently only possible to identify them well after their conclusion.



Common BEHAVIOR mistakes associated with Impulsions



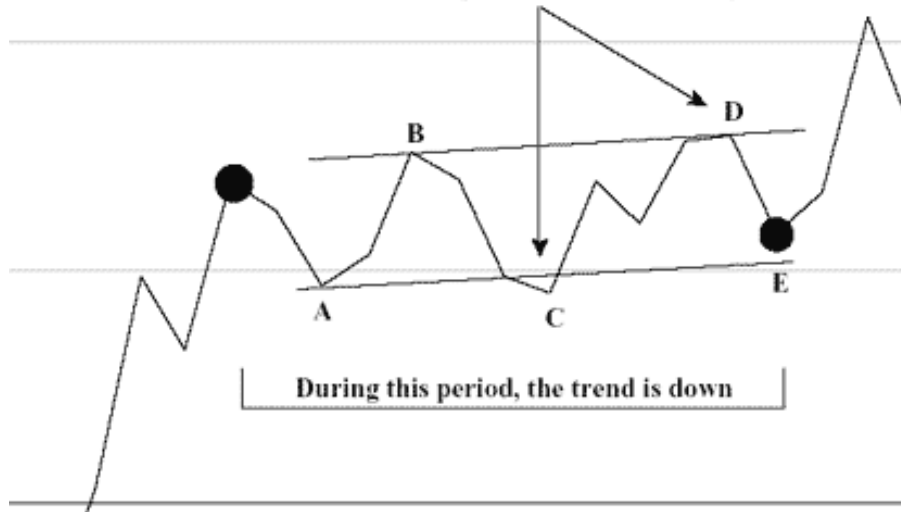
NEoWave™ Patterns



NEoWave™ Patterns – Revealed

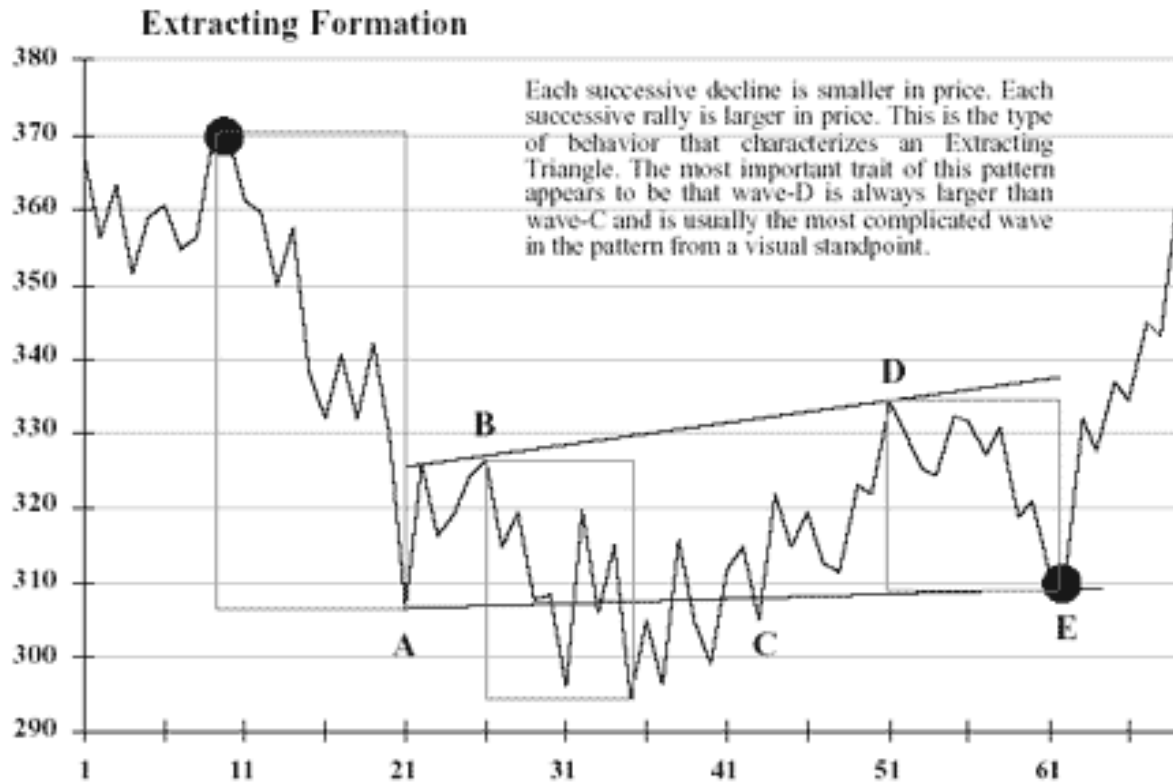
Neutral Triangle

Wave-C is the longest wave in the direction of the trend. Wave-d is the longest wave against the trend is usually the longest wave of the entire pattern.



Diametric Formation





Text: Each successive decline is smaller in price
Each successive rally is larger in price.

- higher LOWS
- higher HIGHS

This is the type of behaviour that characterizes an **EXTRACTING TRIANGLE**

The most important trait of this pattern appears to be that

wave-D is always larger than **wave-C**

and it is usually the most complicated wave in the pattern (from a visual standpoint).