C H A P T E R **18**
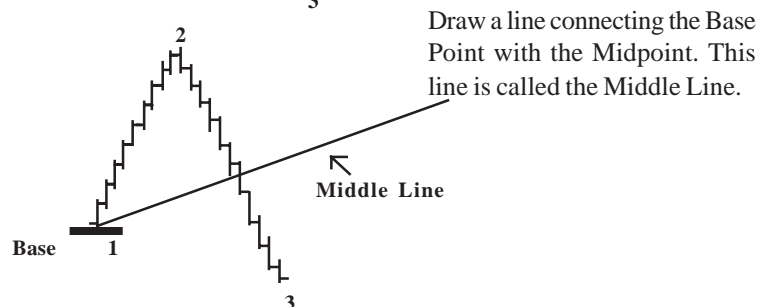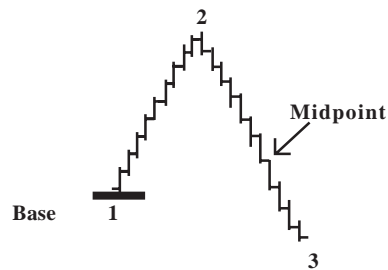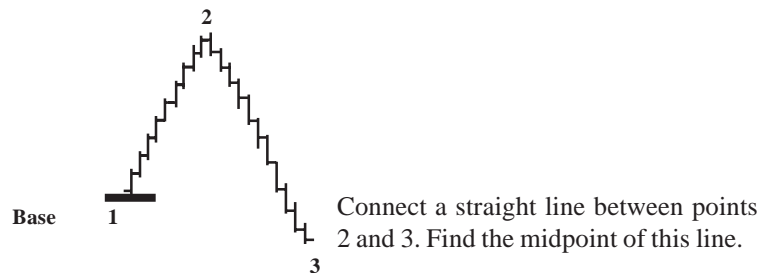
Andrews Median Lines

Dr. Alan Andrews developed a technique called Median Lines. His method by itself is used as a complete trading tool by many traders. In the next few pages, we will discuss the application of Median Lines in conjunction with Elliott Wave Analysis.

To draw a Median Line, you need three points. Once three market points are identified, you are ready to proceed with Median Lines. The first point is called the **Base**.

Connect a straight line between points 2 and 3. Find the midpoint of this line.

Draw a line connecting the Base Point with the Midpoint. This line is called the Middle Line.

Draw lines from point 2 and point 3 that are parallel to the middle line. These lines are called the Upper and Lower Parallel Lines.
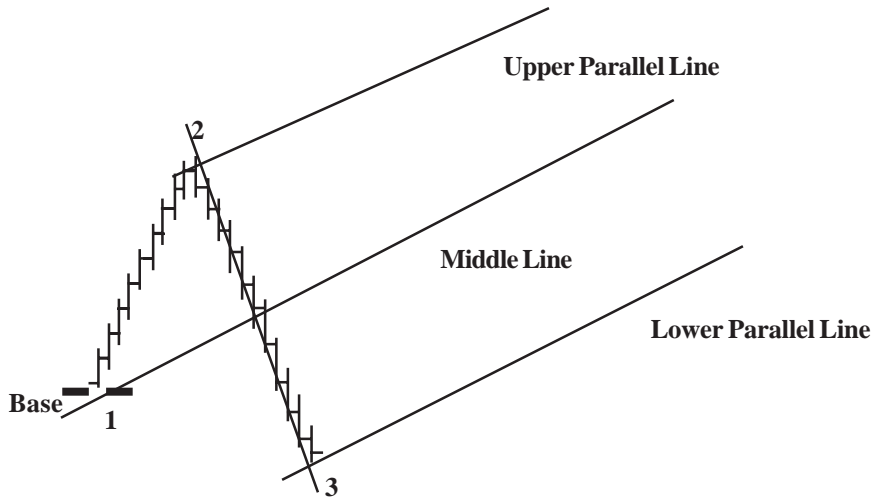

The downside Median Line is exactly the opposite of the upside Median Line. Once again, three points are found. The first point is the Base Point. Find the Midpoint on a line between points 2 and 3. Connect the base (point one) through the Midpoint. This line is the Middle Line. Then draw lines from points 2 and 3, parallel to the Middle Line. Again, these are referred to as the Upper and Lower Parallel lines.
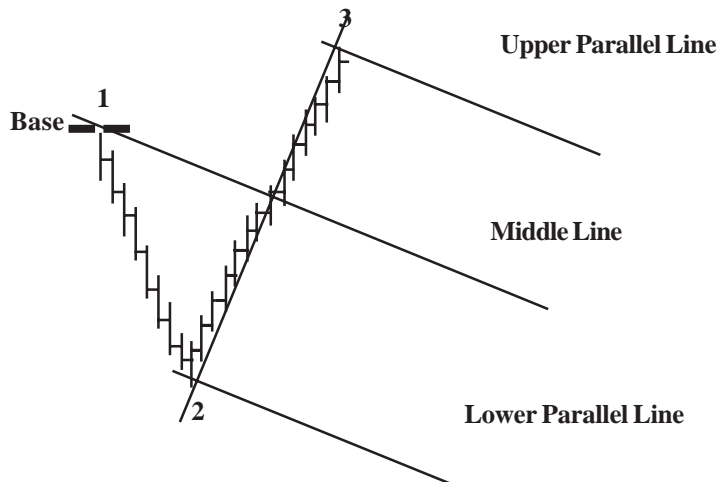
Per Dr. Andrew's rules, the prices will do one of two things as they approach the Middle Line:

1) The price will reverse at the Middle Line, or
2) The price will trade through the Middle Line and head for the Upper Parallel Line and then reverse.

Some examples of both situations follow:
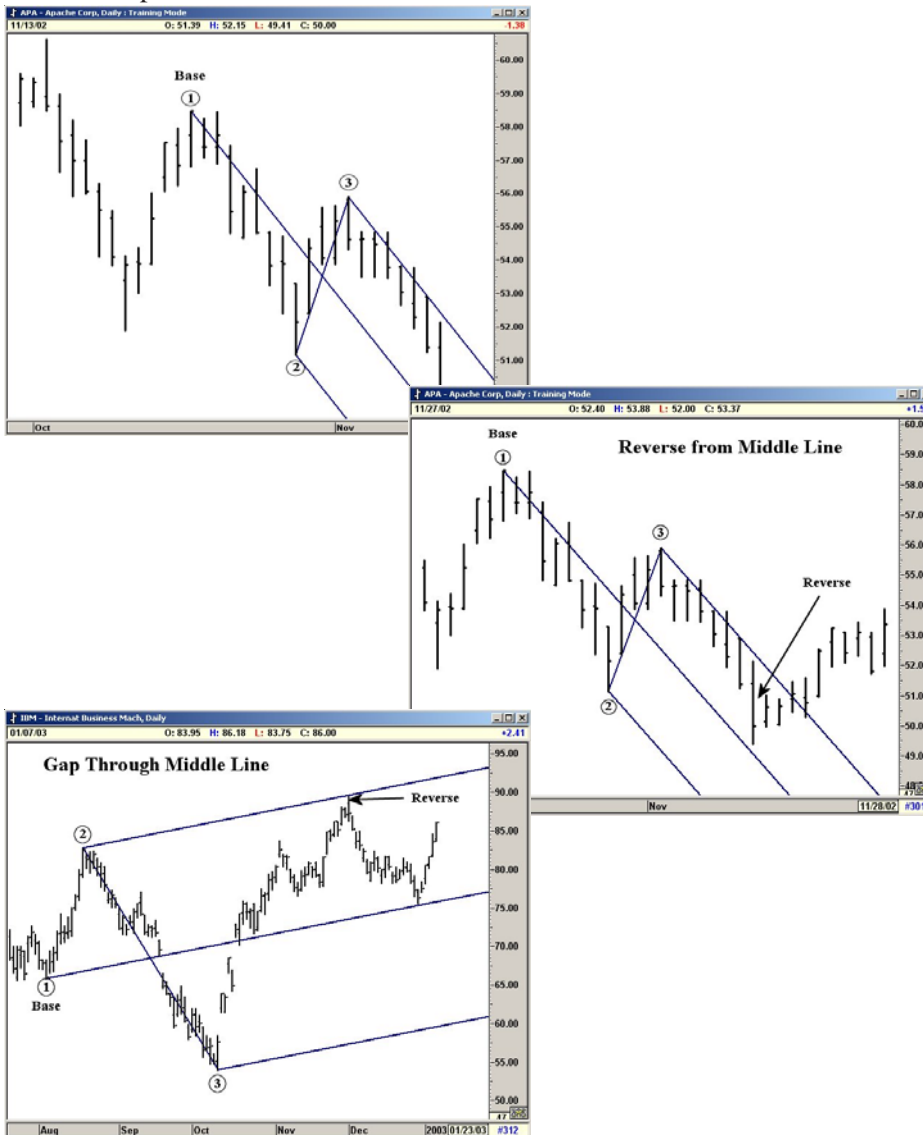
Extended Parallel Lines

In some instances, the standard parallel lines have to be extended. This is necessary to accommodate fast-moving markets.

Again, the standard median line is drawn. The Upper and Lower parallel channels are drawn. You are then ready to extend the normal parallel lines. Find the distance from the Middle Line to the Upper Parallel Line. Using this same distance, draw a new Parallel Line above the Upper Parallel Line.

The same procedure is used for the Bottom Parallel Line. If you are using the Pitchfork tool from the Global Toolbox, this can be done by simply turning on the ratios over 100. This will automatically measure the distance from the Upper and Lower Parallel lines (which is the 100% ratio) and draw the Extended Parallel Lines off of both the Upper and Lower Parallel lines.
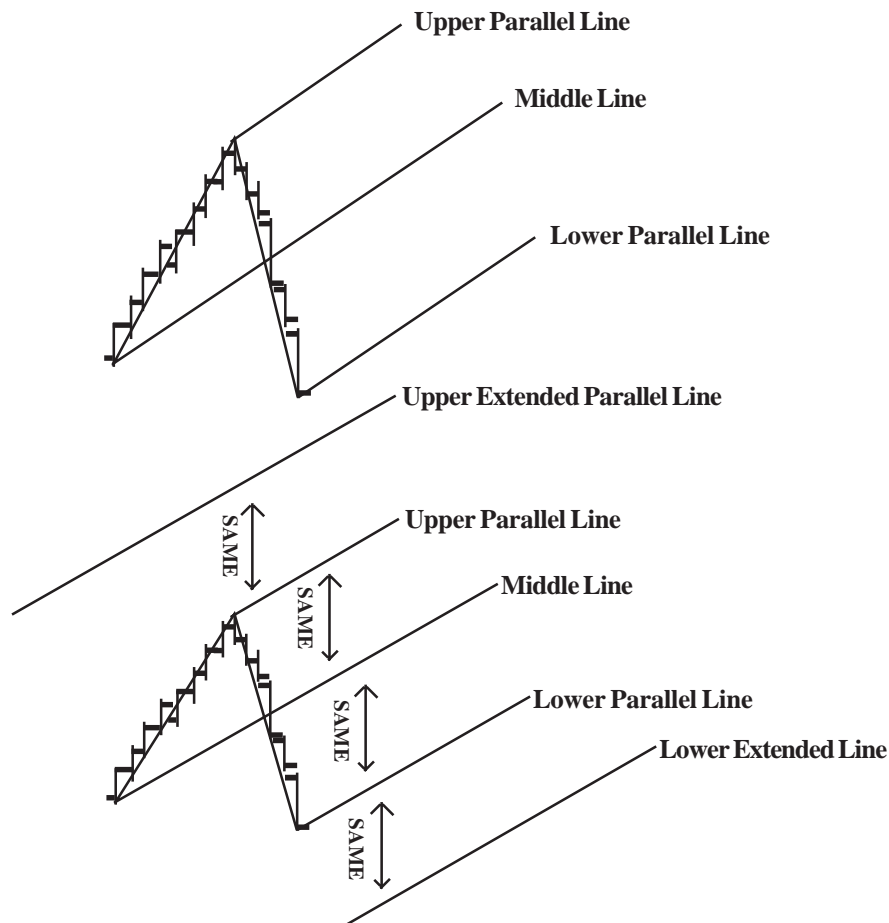
It may be necessary to draw extended Parallel Lines to catch the top of Wave 3. This is usually the case when the market really gaps through on a very powerful Wave 3.
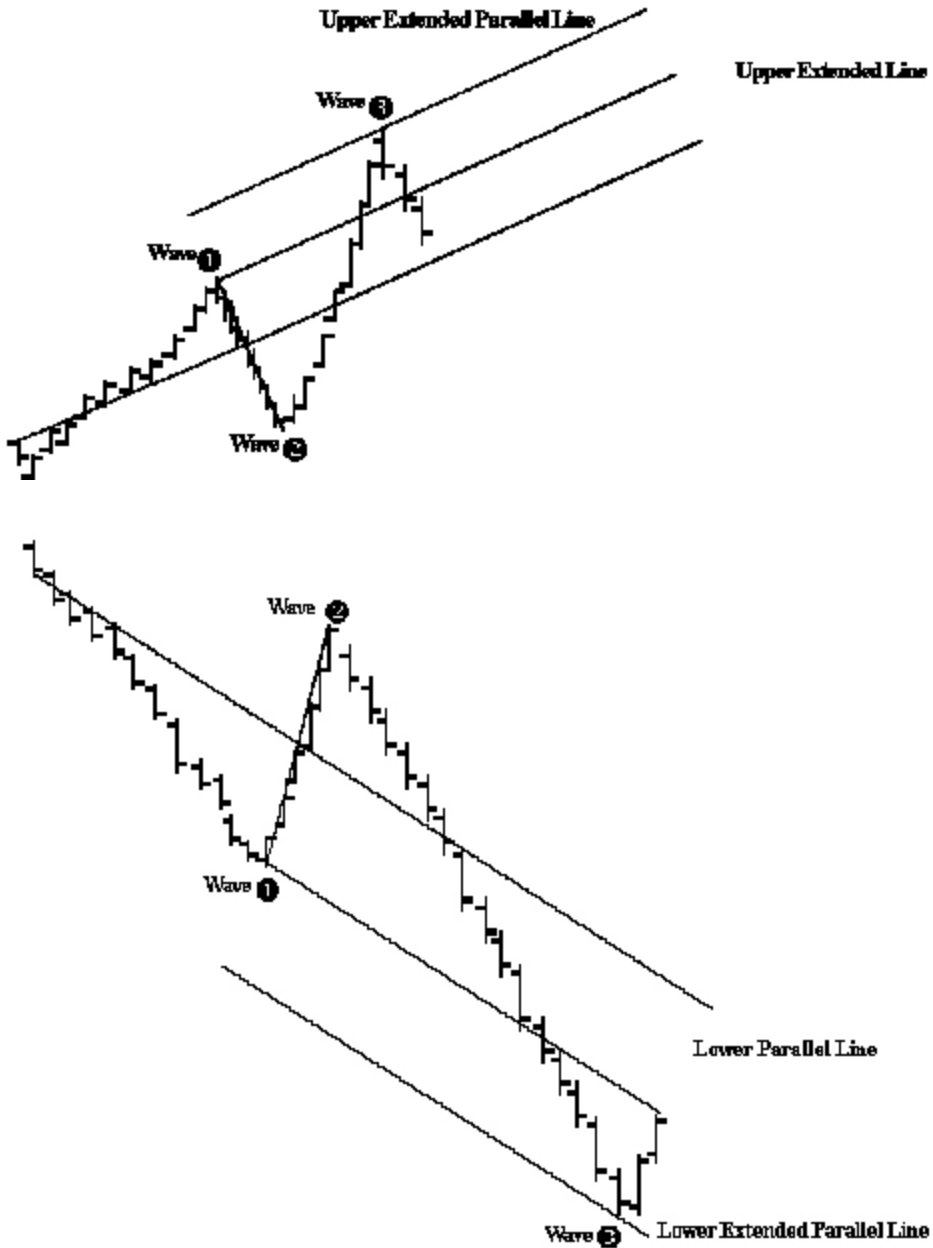
MODIFY There will be times when the Wave 2 retraces at a steep rate. This
is the time when you should use the modify function key in the
pitchfork tool. With this button toggled to the On position, the
pitchforks automatically adjust the direction and spacing of the
pitchforks to compensate for the steep Wave 2 retracement. You
should pick the normal Base and drawing points, and eSignal will
modify them for you.

Before Modify
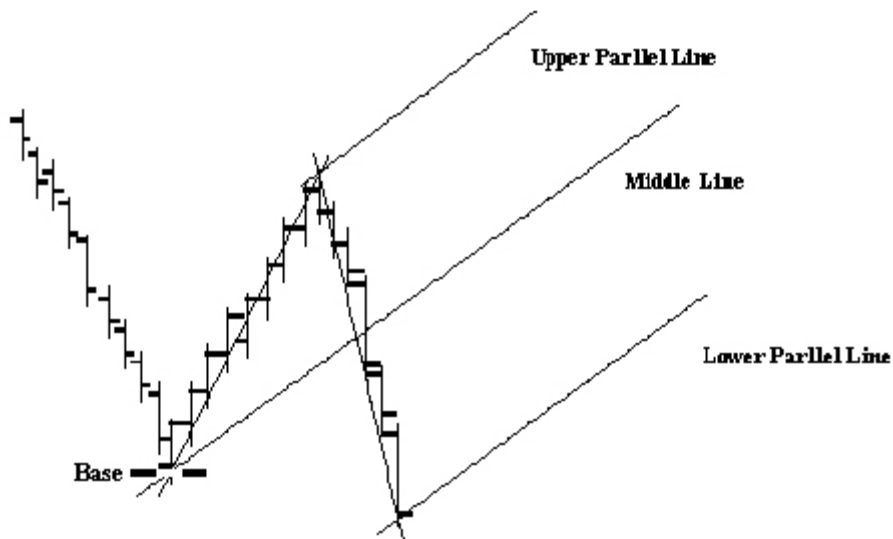
After Modify
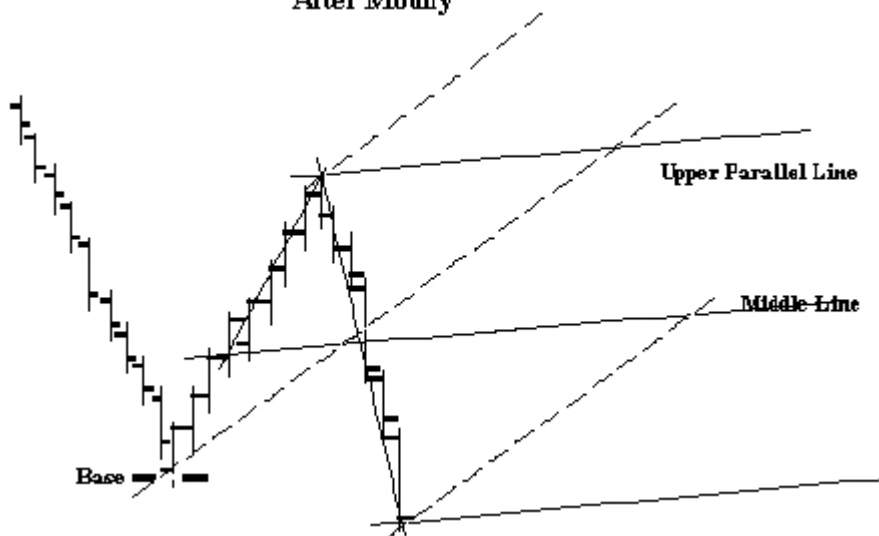
Combining Median Lines with Wave 3

Once the Median Line is drawn on Waves 1 and 2, you can now use the Median Line technique to predict the top of Wave 3.

Wave 3 will usually end on either the Middle Line or the Upper/Lower Parallel Line.
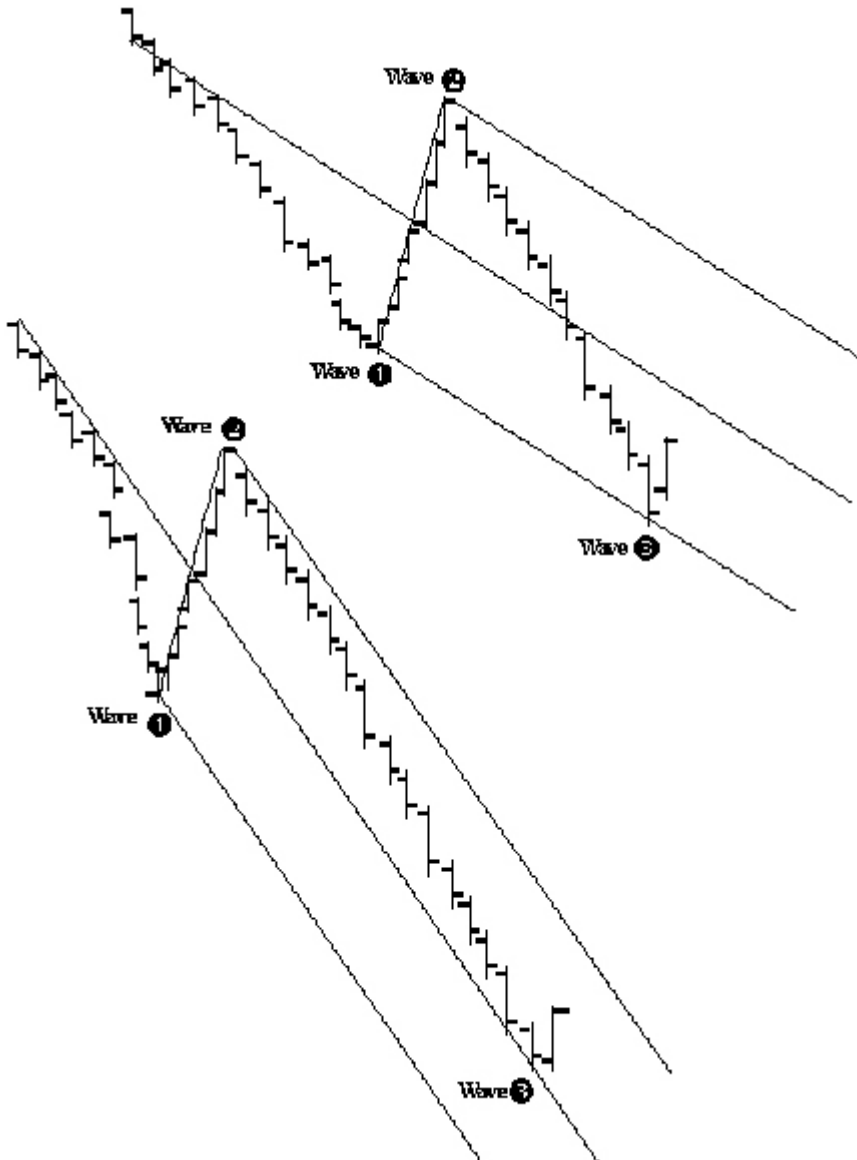
Wave 3 tends to have a Fibonacci relationship with Wave 1. We can calculate this projection in advance.

The Median Line method tends to catch the top of Wave 3. By combining the two techniques, it is possible to predict a time period during which Wave 3 will top out.

Once Wave 1 and Wave 2 is in place, draw a Median Line from the base of Wave 1 through the Midpoint of Wave 2. Draw the Upper and Lower Parallel Lines as before. Now add the Fibonacci Projections to the chart. The Fibonacci Projections will cross the Median Lines. Each of these crossings are a potential time period for the top of Wave 3.