C H A P T E R **3**

# *Line Tools*

Line Tools are buttons conveniently grouped together for easy access to the tools used to draw lines, boxes, squares, text, and a variety of proprietary studies on the bar chart.

When you pull up a new bar chart, you will notice that the Line Toolbox appears on the top of the chart (default location). You can also add lines to a chart by right-clicking inside a chart and selecting Line Tools or by using the Line Tools menu.

Lines
U Magnet
View ▶
Delete (for all symbols) ▶
Delete (for current symbol) ▶
Minimize all Text
Restore all Text
Line List…
✕ Pointer
╱ Segment
⟋ Ray
⟋ Extended
⌶ Vertical Line
⊶ Horizontal Line
✎ Trend Lines
▨ Regression Trend Channels
FIB. RET. Fibonacci Retracement
FIB. EXT. Fibonacci Extension
FIB. TIME Fibonacci Time
Ⓕⓘⓑ Fibonacci Circle
≪ Gann Angles
▦ Gann Box
⬭ ELIPS TJ's Ellipse
⤬ Andrew's Pitchfork
PTI Profit Taking Index
⊞ Time and Price Squares
MOB Make or Break
℗ Text
⊕ Zoom In
⊖ Zoom Out
✎ Eraser
╲ᵥ Localize Elliott
Remove Localize

The **Pointer** tool is the default drawing tool. To turn on any other tool from the Drawing Toolbox, just click it. You can right-click anywhere inside of the bar chart to return to the pointer tool.

The **Trend Lines** tool is used to draw lines on the bar chart. To configure the Trend Lines tool, put your cursor on top of the Trend Lines button and right-click. This will open the Trend Lines properties window.
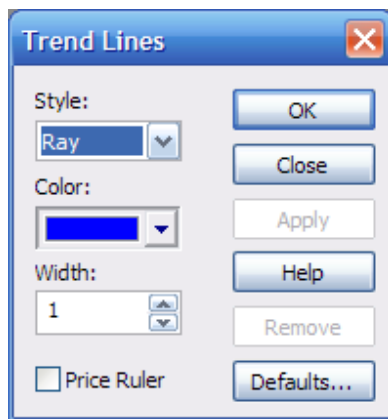
To draw a line on a chart, click the **Trend Lines** button. When you move your cursor into the chart, you will notice that the cursor looks like a pencil.

Move the cursor to the starting point where you want your trend line to begin and click once. Move your cursor to the point where you want your trend line to end and click again. This will anchor your trend line to the bar chart.

To remove the line, right-click the trend line to open the Trend Lines properties window and press the **Remove** button. You can also use the **Eraser** tool.

The **Style** selection list enables you to choose between Segmented, Ray, Extended, Horizontal, and Vertical lines, as well as Arrows. **Segmented** lines are lines that have clear starting and ending points. A **Ray** has a starting point, but the line extends either into the future or into the past to infinity. The **Extended** line is similar to a Ray but has no visible beginning or ending points. It extends into both the future and the past to infinity. **Vertical** and **Horizontal** lines run horizontally or vertically across the page. The **Arrow** is a Segmented line with an arrow on the end of the line.

You can also access these lines by clicking the **Segment**, **Ray**, **Extended**, **Vertical Line** or **Horizontal Line** buttons.

You can set the **Color** and **Width** of the trend lines.

When the **Price Ruler** box is checked, the chart displays the vertical price difference between the end points. If you start the line around a price of 10 and go upward to an end point at a price of 11, the value displayed will be 1.00. It doesn't matter what the angle of the line is or how long it ends up being as the value will always only indicate the price difference. It will also show a negative value if the end point is lower than the start point.

Regression Trend Channels are different from hand drawn trend lines in that they are calculated using the actual prices of the bars in the trend. A linear regression line is calculated, and then an upper and a lower channel is drawn using a standard deviation of the regression line or by using the highest high or the lowest low of the trend. The break of a Regression Trend Channel is usually used as an entry or exit signal.

To configure the Regression Trend Channels, put your cursor on top of the Regression Trend Channels button and right-click. This will open the Regression Trend Channels properties window.

The **Trend Line** On/Off button indicates whether the Trend Line (regression line) will be displayed. The Trend Line does not have to be displayed for the Regression Trend Channels to work correctly. Press this button to turn the display of the Trend Line on or off.
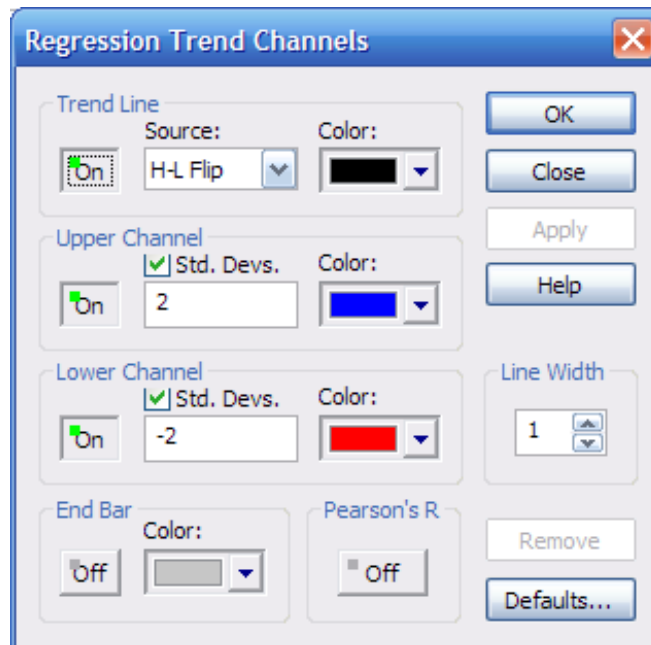
The Trend Line **Source** selection list allows you to choose the prices used in the calculation of the Regression line:

Open=	The regression line will be calculated using the open prices of the bars.
High =	The regression line will be calculated using the highs of the bars.
Low =	The regression line will be calculated using the lows of the bars.
Close =	The regression line will be calculated using the closing prices of the bars.
(H+L)/2 =	The regression line will be calculated by using the value derived from adding the highs with the lows and dividing by 2.
(H+L+C)/3 =	The regression line will be calculated by using the value derived from adding the highs with the lows with the close and dividing by 3.
(O+H+L+C)/4 =	The regression line will be calculated by using the value derived from adding the opens with the highs with the lows and dividing by 4.
H-L Flip =	The H-L flip indicates that the Regression Trend Channels should be calculated using the low of the bars when the trend is up, and the high of the bars when the trend is down. The **Upper Channel On/Off** button indicates if the Upper Channel of the regression line will be displayed. Click this button to turn the display of the Upper Channel on or off.

The **Lower Channel On/Off** button indicates whether the Lower Channel of the regression line will be displayed. Click this button to turn the display of the Lower Channel on or off.

The **Std. Devs.** check box indicates if the standard deviation of the regression line should or should not be used for the Lower Channel. When this box is checked, the Lower Channel will use the standard deviation indicated in the number box directly below it. If the Std. Devs. check box is not checked, the Lower Channel will be drawn using the highest or lowest bars in the trend encompassed by the channels.

The **End Bar On/Off** button indicates that a bar will be drawn below the last bar used in the Regression calculation. This is helpful if you are saving the Regression Trend Channels on a page and cannot remember which bar you used for the calculation.

The **Pearson's R On/Off** button indicates if the Pearson's R value will be shown at the beginning of the Regression Trend Channels. As the Pearson's R value gets closer to the value of 1, the calculated regression line is matching the actual value of the data. This means that the regression line is fitting the trend very well. As the Pearson's R value gets closer to the value of 0, the regression line does not match the value of the data. This means that the regression line does not fit the trend very well. Think of this value as a percentage—a 90-percent match is very good, while a 6-percent match is poor.

To draw the **Regression Trend Channels** on a chart, turn on the Regression Trend Channels tool by clicking the Regression Trend Channels button. When you move your cursor into the chart, you will now notice that the cursor looks like three trend lines.

Move the cursor to the starting point where you want the Regression Trend Channels to begin and click once. Move your cursor to the last bar you want included in the calculation of the Regression Trend Channels and click again. This will anchor the Regression Trend Channels to the bar chart.

If you would like to adjust the Standard Deviation, Color, End Bar, etc. of a Regression Trend Channel that has already been drawn on the chart, right-click the Regression Trend Channel. This will open the Regression Trend Channels properties window. When you are finished, click either **OK** or **Apply**, and the Regression Trend Channels will reflect any new settings.

To remove the Regression Trend Channels, right-click the Regression Trend Channels that you want to erase. When the Regression Trend Channels properties window appears, click **Remove** (or use the **Eraser** tool, which is covered later in this Chapter).

Andrew's Pitchfork is often used to find the top of Wave 3. The Pitchfork prongs are support and resistance lines.

Pitchforks need three points to be drawn. Wave 3 will usually end on either the Middle Line or the Upper/Lower Parallel Line. To find the points needed to attempt to predict where the Wave 3 will end, place the Pitchfork cursor on the beginning of Wave 1 (Zero) and click. Move the cursor to where Wave 1 is labeled and click again; then move the cursor to where Wave 2 is labeled and click once more.

To configure the Pitchforks, right-click the **Pitchforks** button. This will open the Pitchforks properties window.
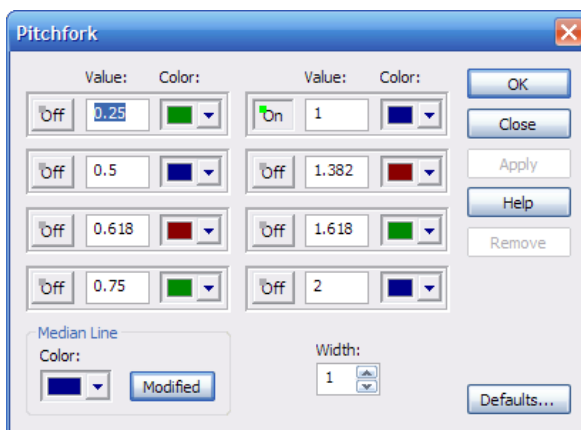
The **On/Off** buttons indicate whether any of the Parallel Lines will be drawn.

The **Value** number boxes indicate the percentage of the Median Line to be used when drawing the associated Parallel Line. Please note that the standard percentage to be used with Pitchforks is 1 (1 = 100% times the Median Line) for both the upper and lower Parallel Lines. For extended Parallel Lines, 2 (2 = 200% times the Median Line) is recommended.

The **Colors** selection lists indicate what colors the associated Parallel lines will be drawn; the **Median Line Color** selection lists indicate what color the Median Line will be drawn; and the **Width** number box indicates the thickness of the lines that draw the Pitchfork.

There will be times when Wave 2 retraces at a very steep rate. The **Median Line Modified** toggle button should be turned on under these circumstances. With Modified turned on, the Pitchfork will automatically adjust the direction and spacing of the Pitchfork to compensate for the steep Wave 2 retracement. Under normal market conditions, Modified should be turned off.

To remove the Pitchfork, right-click the Pitchfork you want to erase. When the Pitchfork properties window appears, click **Remove**.

FIB
RET   The **Fibonacci Retracement** tool is used to measure the amount that
the market has retraced compared to the overall market movement. This
tool uses ratios which are mathematical in nature, derived from the
Fibonacci sequence, developed by Leonardo Fibonacci around 1180 ACE.
Fibonacci Retracements give you support and resistance areas along with general
target price areas.

Fibonacci Retracements are commonly drawn from the end of Wave 2 to the end
of Wave 3 to find a target for the Wave 4 retracement.

To configure the Fibonacci Retracement, right-click the Fibonacci Retracement
button. This will open the Fibonacci Retracements properties sheet.
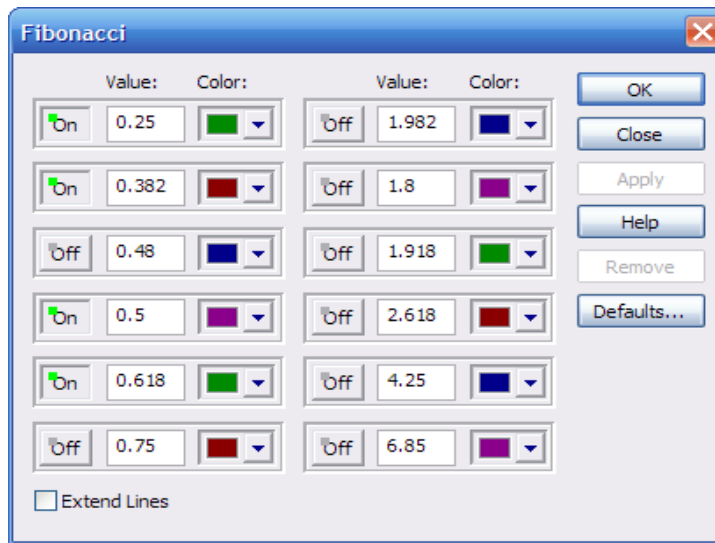
The **On/Off** buttons indicate whether or not the corresponding Fibonacci
Retracement value will be included when you draw the Fibonacci Retracements.

The **Value** number boxes indicate what Fibonacci ratios are used. If the
corresponding On/Off button is toggled On, then that retracement level will be
included when you draw the Fibonacci Retracements.

The **Color** selection list allow you to change the color for each Fibonacci ratio.
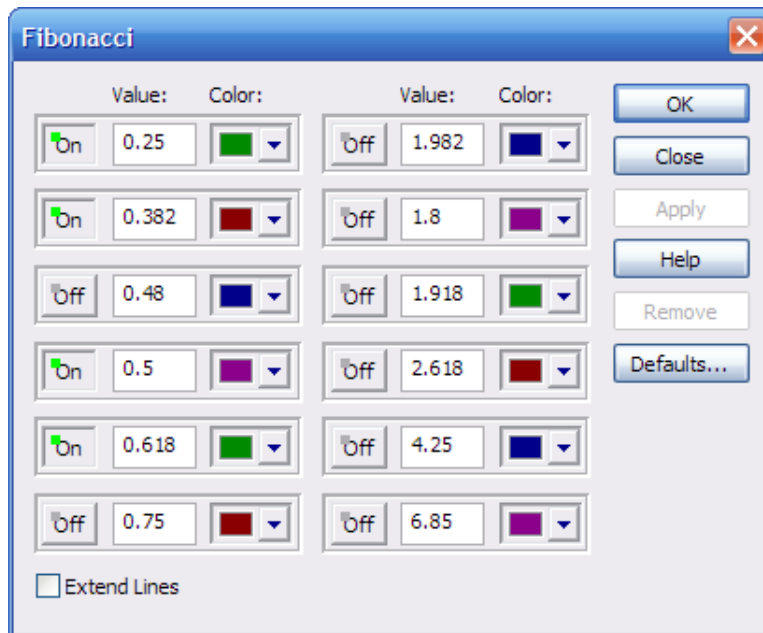
When the **Extend Lines** box is checked, the lines are drawn at each level to
continue indefinitely into the future. As new bars come in or as you move the
chart data to increase the margin on the right of the chart, the lines will continue
to be drawn into the future. This helps keep track of the levels as you manipulate
the chart.

The **Fibonacci Extensions** tool is used to measure the amount the market has extended compared to the overall movement. Fibonacci Extensions give you general target price areas.

Fibonacci Extensions are most commonly used to find the general area where a Wave 5 will extend. To find the general price target area of a Wave 5, you would click on the start of Wave 1 (the Zero point), then click on the top of Wave 3, and click again at the end of Wave 4.

To configure the Fibonacci Extensions tool, right-click the Fibonacci Extensions button. This will open the Fibonacci Extensions properties window.
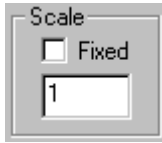

The **On/Off** toggle buttons indicate whether or not the corresponding Fibonacci Extensions value will be included when you draw the Fibonacci Extensions. The **Value** number boxes indicate what Fibonacci ratios are to be used. If the corresponding On/Off button is toggled On, then that extension level will be included when you draw the Fibonacci Extensions.

The **Color** selection list allow you to change the color for each Fibonacci ratio.

When the **Extend Lines** box is checked, the lines are drawn at each level to continue indefinitely into the future. As new bars come in or as you move the chart data to increase the margin on the right of the chart, the lines will continue to be drawn into the future. This helps keep track of the levels as you manipulate the chart.

The **Fibonacci Circles** tool is used to project Fibonacci ratios in a circular pattern from an origin point that reaches out into time and price providing support and resistance areas.

To configure the Fibonacci Circles, put your cursor on top of the Fibonacci Circles button and right-click. This will open the Fibonacci Circles properties window. The **Fixed Scale** check box and corresponding number box indicate if the Fibonacci Circles should be drawn based upon a fixed scale, and if so, what scale should be used.

The **On/Off** toggle buttons indicate whether or not the corresponding Fibonacci Circles value will be included when you draw Fibonacci Circles.

The **Value** number boxes indicate what Fibonacci ratios are used. If the corresponding On/Off button is toggled On, that retracement level will be included when you draw the Fibonacci Circles.

The **Color** selection list allow you to change the color for each Fibonacci ratio.

To remove the Fibonacci Circles tool, right-click the Fibonacci Circles that you want to erase. When the Fibonacci Circles properties window appears, click **Remove**.

The **Fibonacci Time** tool is used to project Fibonacci ratios over time, based upon Pivot Points affecting future Pivot Points. Fibonacci Time is commonly drawn from Pivot Point to Pivot Point from the same side of the market. For example, you would choose a Primary Pivot Point as your start for Fibonacci Time, and then pick a second Primary Pivot Point as your ending point for Fibonacci Time, with both Pivot Points being on the top of the market.

To configure the Fibonacci Time tool, right-click the Fibonacci Time button. This will open the Fibonacci Time properties window.

The **On/Off** toggle buttons indicate whether or not the corresponding Fibonacci Time value will be included when you draw Fibonacci Time.

The **Value** number boxes indicate what Fibonacci ratios are used. If the corresponding On/Off button is toggled On, that retracement level will be included when you draw the Fibonacci Time.

To remove the Fibonacci Time, right-click the Fibonacci Time you want to erase. When the Fibonacci Time properties window appears, click **Remove**.

The **Color** selection list allow you to change the color for each Fibonacci ratio.

The **Text** tool is used to make notes on the bar chart. T With the Text cursor, left-click on the area of the chart where you want the text to appear. The Text properties window will display.
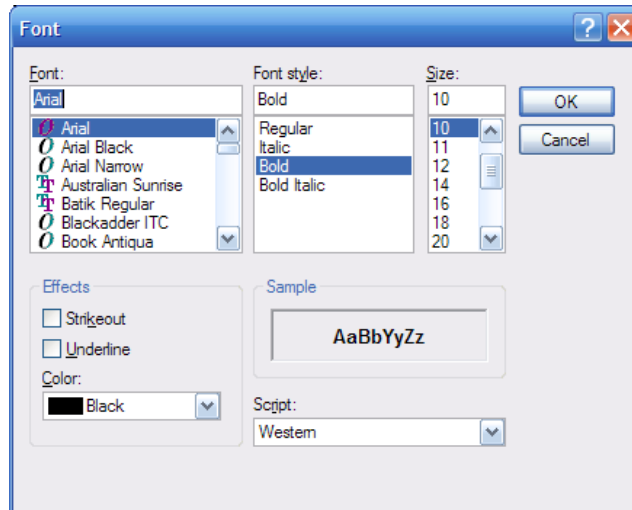
When you have typed your message and pressed the OK button, the text will be attached to your cursor. Move the text to the area where you want it to be anchored and click. As long as the chart stays open, the text will appear on the chart. If you do not save the chart as a Page, then the text will be lost when you close the chart.

To remove the Text , right-click the Text that you want to erase. When the Text Properties window appears, click **Remove**.

The **Zoom In** and **Zoom Out** tools are used to focus on a specific part of a Bar Chart. Move the Zoom cursor to the start of the area you want to focus on click. Move the cursor up and down and to the right and you will notice a light box being drawn on the chart. This is the area that will be focused upon. Move your cursor to the end of the area you want to focus on and click a second time. The chart will reflect the area that you marked.

To zoom out, click the **Zoom Out** button on the Chart Tool Bar, or click Chart then click Reset on the menu bar.

The **Eraser** is used to erase any item that has been drawn on the chart by any of the Drawing Tools. To erase a line, move the Eraser cursor to the top of the line you want to erase and left-click. To erase all lines on a chart, or to erase certain categories of lines without having to delete one line at a time, put your cursor inside the bar chart in an area where there are no lines drawn and right-click. Move your cursor down to Delete. From the Delete menu, you can choose to delete All Lines on the bar chart, All Fibonacci Lines on the bar chart, All Trend Lines on the bar char, and All Text.

Please note: Once something has been deleted off of the bar chart, there is no way to undo the delete.

The **Move** tool is used to move almost any item that has been drawn on the chart by any of the Drawing Tools. To move a line, place the Move cursor on top of the line you want to move and left-click. The line will be attached to the cursor, and can be placed on the chart by left-clicking.

Please note: You cannot move the Regression Trend Channels, Fibonacci Retracement, Fibonacci Extensions, Fibonacci Time, PTI, Ellipse, or the MOB.

The **Copy** tool is used to copy one or several lines on the chart. This is particularly useful for drawing parallel lines or channels.

To copy a line, place the Copy cursor on top of the line(s) that you want to copy and click. The copy of the line you selected will be attached to the cursor and can be placed on the chart by clicking.

To configure the Copy tool, right-click the **Copy** button. This will open the Copy properties window.
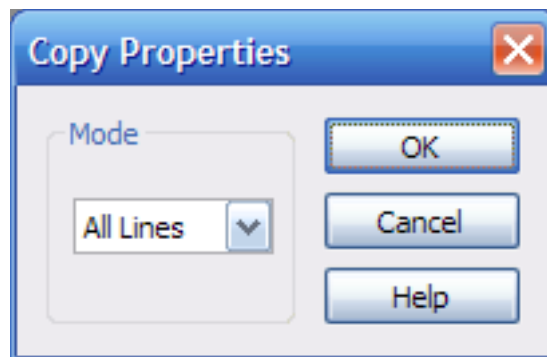
The **Mode** selection list allows you to choose between copying just **One Line** or **All Lines** on the chart.

U   The **Magnet** controls how much force is used (if any) to pull your cursor to the high or low of a bar when drawing any kind of line from the Drawing Tools. The Magnet is great for individuals who have a difficult time accurately drawing lines that touch the highs or lows of bars. Experimenting with different Snap Length values (see below) will give you a good feel as to what setting you should use under normal conditions.

To configure the Magnet, right-click the Magnet tool. This will open the Magnet properties window.

Magnet Properties

Snap Length

4

OK

Cancel

Help
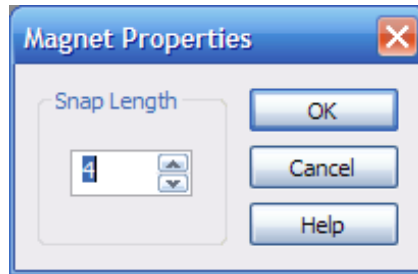
The **Snap Length** number box indicates the number of pixels used to determine if the Magnet should pull the cursor to the high or the low of the chart. If you set this number to 1, then you have to be right next to (1 pixel away from) the high or low of the bar before the cursor will be pulled to the high or the low. If you set this number to 24, then you only have to be in the general area of the bar for the cursor to be pulled to the high or the low of the bar.

The **Gann Angles** tool is used to draw a fan of angles from a point (usually a Pivot Point) using techniques originally developed by W.D. Gann.

First place the Gann Angles on the chart, then Optimize the scale by pressing the **Optimize** button. Next draw the Gann Angles by putting your cursor on a Pivot Point and double left-click. These Gann Angles then become support and resistance lines for the market to test.

To configure the Gann Angles tool, right-click the **Gann Angles** button. This will open the Gann Angles properties window.
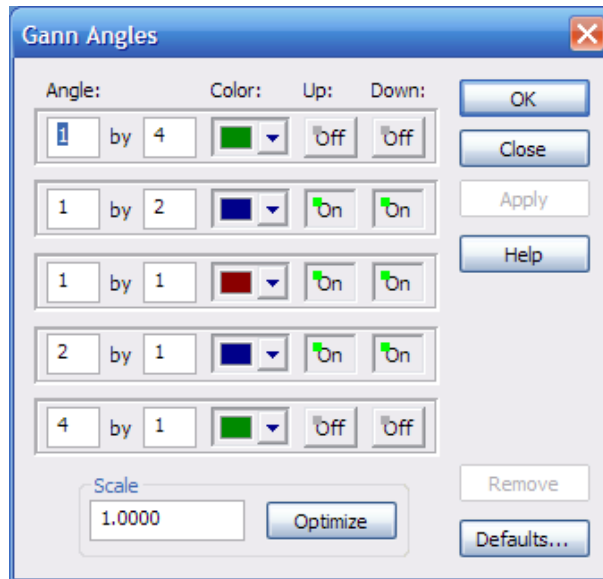
The **Angle** number boxes are used to indicate the price and time slope. The number box on the left indicates the number of price units to move; the number box on the right indicates the number of time units to move.

The **Color** selection list allows you to change the color of each line.

The **Up On/Off** buttons indicate if the corresponding line starting at the origin and moving up will be displayed.

The **Down On/Off** buttons indicate if the corresponding line starting at the origin and moving down will be displayed.

The **Scale** number box indicates the price unit that is used in determining the slope of the angles.

The **Optimize** button is used to examine the prices in the current chart and find the best possible Scale for the Gann Angles. First place the Gann Angles on the chart, then press the **Optimize** button. After the Optimize process is done, you must press either the **Apply** or **OK** button to see the change on the chart. The Gann Angles will be redrawn from the same origin using the optimized Scale.
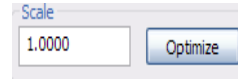
To remove the Gann Angles, right-click the Gann Angles that you want to erase and click your right mouse button. When the Gann Angles properties sheet appears, press **Remove**.

The **Gann Box** is used to draw a Box of Gann Angles based on a Gann Wheel. The box is similar to Gann Angles except the angles inside of the Gann Box are directly related to each other. The angles inside of the Gann Box are used for support and resistance.

To configure the Gann Box, right-click the Gann Box button. This will open the Gann Box properties sheet.
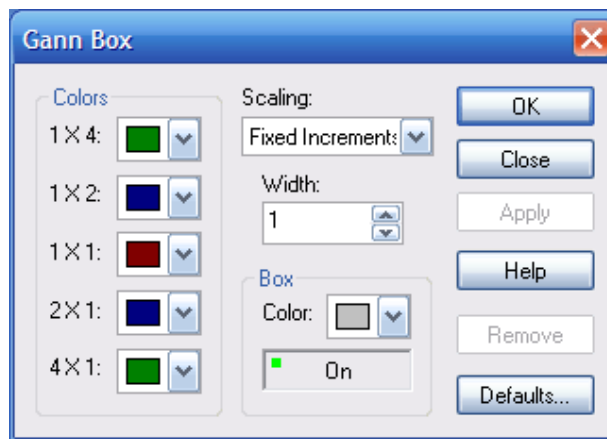
The **Colors** selection list allows you to change the color of the 1 X 4, 1 X 2, 1 X 1, 2 X 1, and 4 X 1 lines that comprise the Gann Box.

The **Scaling** selection list allows you to choose between a Gann Box made using Fixed Increments for scaling and a Gann Box drawn using a Free Form scaling. Use **Fixed Increments** scaling when you want the Gann Box to be drawn with the computer-generated fixed interval patterns that are built into eSignal.

The **Free Form** scaling should be used when you want the Gann Box to be drawn at any scale and in any increment that you want. With the Free Form scaling, you have total control of the size of the box.

The **Width** number box indicates the thickness of the lines in the Gann Box. A setting of 1 will draw the Gann Box using very thin lines; a setting of 100 will draw a Gann Box that is very thick and difficult to use.

The **Box Color** selection list allows you to change the color of the box drawn around the Gann Angles that make up the Gann Box.

The **Box On/Off** switch toggles the display of the outer lines that make the Gann Box. To turn the drawing of the outer lines on or off, put your cursor on top of this button and left-click.

To remove the Gann Box, right-click the Gann Box that you want to erase. When the Gann Box properties window appears, click **Remove**.

The **Ellipse** is based upon both time and price. Although the Ellipse is a drawing tool, it updates as the market changes. The Ellipse needs a starting and an ending point. Click on a pivot (starting point), and then another pivot (ending point) and you will see the Ellipse coming down (or up) to intercept the market. Once the Ellipse has intercepted the market it will stop updating and the market should change direction at that point.

Please note: There are three different lengths of Ellipse, based upon the length of the trend.

Under **Time Frame** you have toggle buttons that let you control the display of the **Short** term, **Normal** term, and **Long** term Ellipse.

The **Color** selection list allows you to change the color of the outer shell of the Ellipse.

The **Line Width** number box indicates the width of the lines used to draw the shell of the Ellipse.

The **Markers** toggle button, when on, leaves a mark at the starting and ending points used to draw the Ellipse.

The **Shadows** toggle button, when on, displays the projected path of the Ellipse, where it might intercept the market.

You can choose a **Color Code** for closed ellipses.

The **Alert when Ellipse Closes** toggle button, when on, alerts you when the Ellipse closes. Click **Browse** to search through the available sounds. Click **Play** to listen to the current selection.

The **Center Pts** toggle button is used in conjunction with the **Shadows**. If the shadows are not displayed, the center point is not displayed either. When the shadow is displayed and the center point is also applied, there is a mark and a price displayed at the center point of the line between the ellipse and the shadow. This value will change as new bars come in and the ellipse modifies itself.

PTI The **PTI** tool is used to manually draw a PTI (Profit Taking Index) and Wave 4 Channels in an area that is not identified as a Wave 4 by the Elliott Wave Count in eSignal or the PTI at an historical Wave 4 in the past.

To get a PTI that is similar to an automatically generated PTI, move the PTI cursor to the point you believe is the end of Wave 2 and left-click. Next, move your cursor to the point where you believe Wave 3 has ended and left-click a second time. Lastly, move the PTI cursor to the bar you believe is the end of Wave 4 and left-click for the third time to place the PTI and Wave 4 channels on the chart.

Please note: The PTI value will not automatically adjust as new bars are placed on the chart. You must redraw the PTI as the Wave 4 progresses.

To remove the PTI, right-click the PTI that you want to erase. When the PTI Properties sheet appears, click **Remove**.

Time & Price Squares are used to show the relationship of time periods (X-axis) versus prices (Y-axis).

Select the Time & Price Squares button to draw a graph of the intersection of prices you have set against the times you have set (periods) on your bar charts.
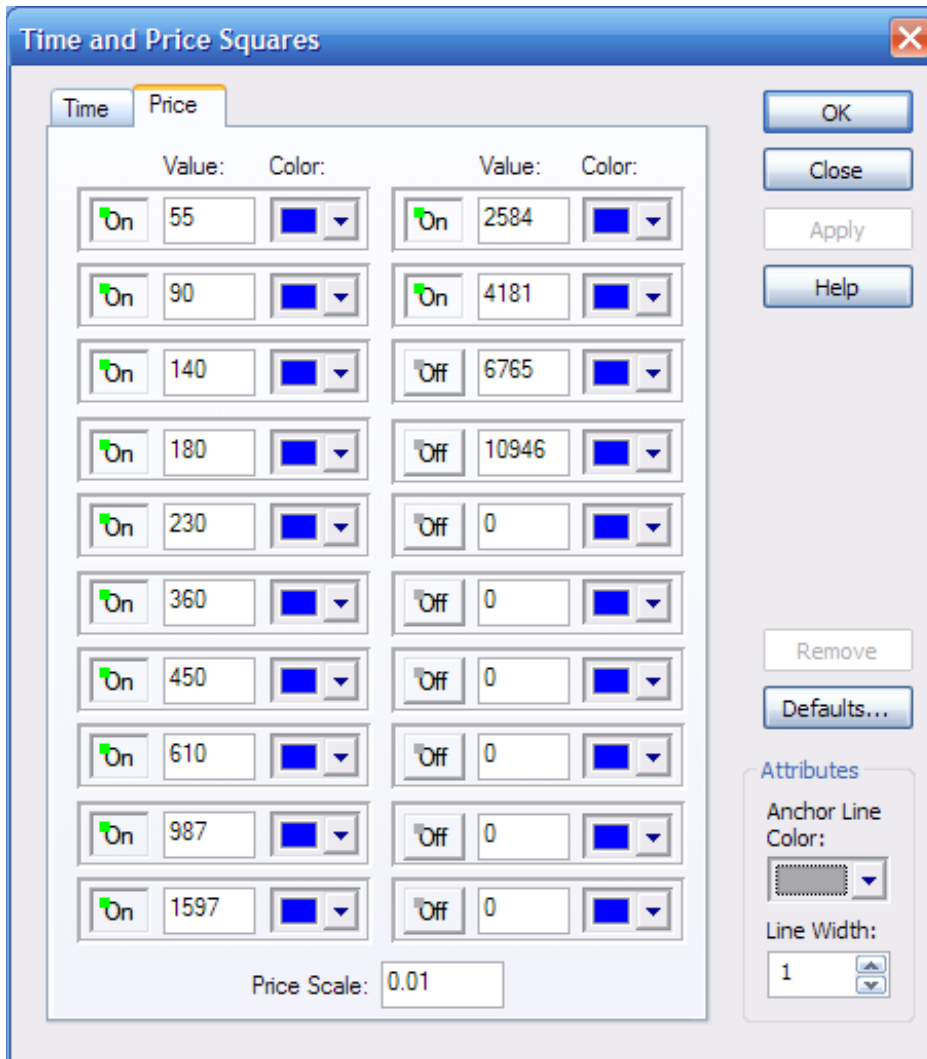
When the cursor is inside a bar chart, it will now look like a small arrow with the Time & Price Squares grid attached to it. Position the cursor at the bar that you wish to start on (usually a high or a low) and left-click. This will show a Time & Price Squares grid. As you move the cursor up and down, and left and right, you will note that the periods or prices will show up only in the areas where the cursor has not been. To make the Time & Price Squares grid stay on the bar chart, left-click again.

To abort the drawing of the Time & Price Squares grid, right-click.

To adjust the time periods or the prices used in the Time & Price Squares grid, right-click on the Time & Price Squares button.

To change the Time, right-click on the Time & Price Squares toolbar button and select the **Time** tab. Enter the number of periods you wish and select the **OK** button.

With the **Calendar** toggle box checked, the Time & Price Square will use calendar days instead of trading days for the times you have indicated under the **Times** column.To change the **Price**, open the Time & Price Squares dialog box and select the Price tab. Enter the number of increments you wish and select the OK button.

Please note that the price increments are based on the base of the market you are looking at. For example, if you want the price increments based on Dollars, you would set the price scale to 1.

The **Color** button is used to set in what color your Time & Price Square will be drawn. To change this color, select the color button and you will be presented with a pallet of colors. Select the color you want, and this change will be reflected on the color button.

Under the **Attributes** section, the **Anchor Line Color** set the color of the horizontal and vertical identification line. These lines tell you at which bar and at what price you selected to display the Time and Price Squares.

The **Line Width** selection adjusts the thickness of the Time and Price Squares.

 The **MOB** (**M**ake **O**r **B**reak) is an excellent tool that can help you find the target price area for the end of a Wave 5, or for any pattern that has an 'impulse-correction-impulse' pattern.

The MOB should be drawn from the top (market moving up) or bottom (market moving down) of the starting impulse pattern that is closest to the current market movement. For example, if the market is moving in a 5 Wave sequence up, and if you want to see the MOB level for the Wave 5, move the MOB cursor to the top of the Wave 3 and left-click (this will only work if Wave 4 has finished and Wave 5 is in progress).

The Wave 3 high is the top of the starting impulse pattern. The Wave 4 is the bottom of the corrective pattern. The Wave 5 is the area in which the MOB will show a support area that will either Make the end of Wave 5 or Break the Wave 5 into an extension. The MOB is not limited to a 3-4-5 pattern; it works with any down-up-down or up-down-up pattern.

The different colors of the MOB give you a visual indication of the range of the MOB area, and if you see a **Marker** on the MOB (which looks like a block on the left side of the MOB in a different color), then you know that the MOB doesn't have enough data to confirm the MOB level. If you get a Marker on the MOB, it is a good idea to keep deleting and redrawing the MOB as each new data bar is put on the chart until the Marker goes away.

Inside of the MOB is a Time Marker indicating the probable time (place on the MOB) when the market will intersect with the MOB. The Time Marker will be similar in color to the regular Marker but you can easily tell the difference by the interior placement of the Time Marker.

To configure the MOB, put your cursor on top of the MOB button and right-click. This will open the MOB properties sheet.

The **Colors** selection list allows you to change the color of both of the MOB zones, as well as the Marker color.

You can also set the **Color Code when price closes in MOB**.

The **Alert when price closes in MOB** toggle button, when on, alerts you when the Ellipse closes. Click **Browse** to search through the available sounds. Click **Play** to listen to the current selection.

To remove the MOB, right-click the MOB you want to erase. When the MOB Properties sheet appears, click **Remove**.

Notes