

Elliott Wave Made Easy

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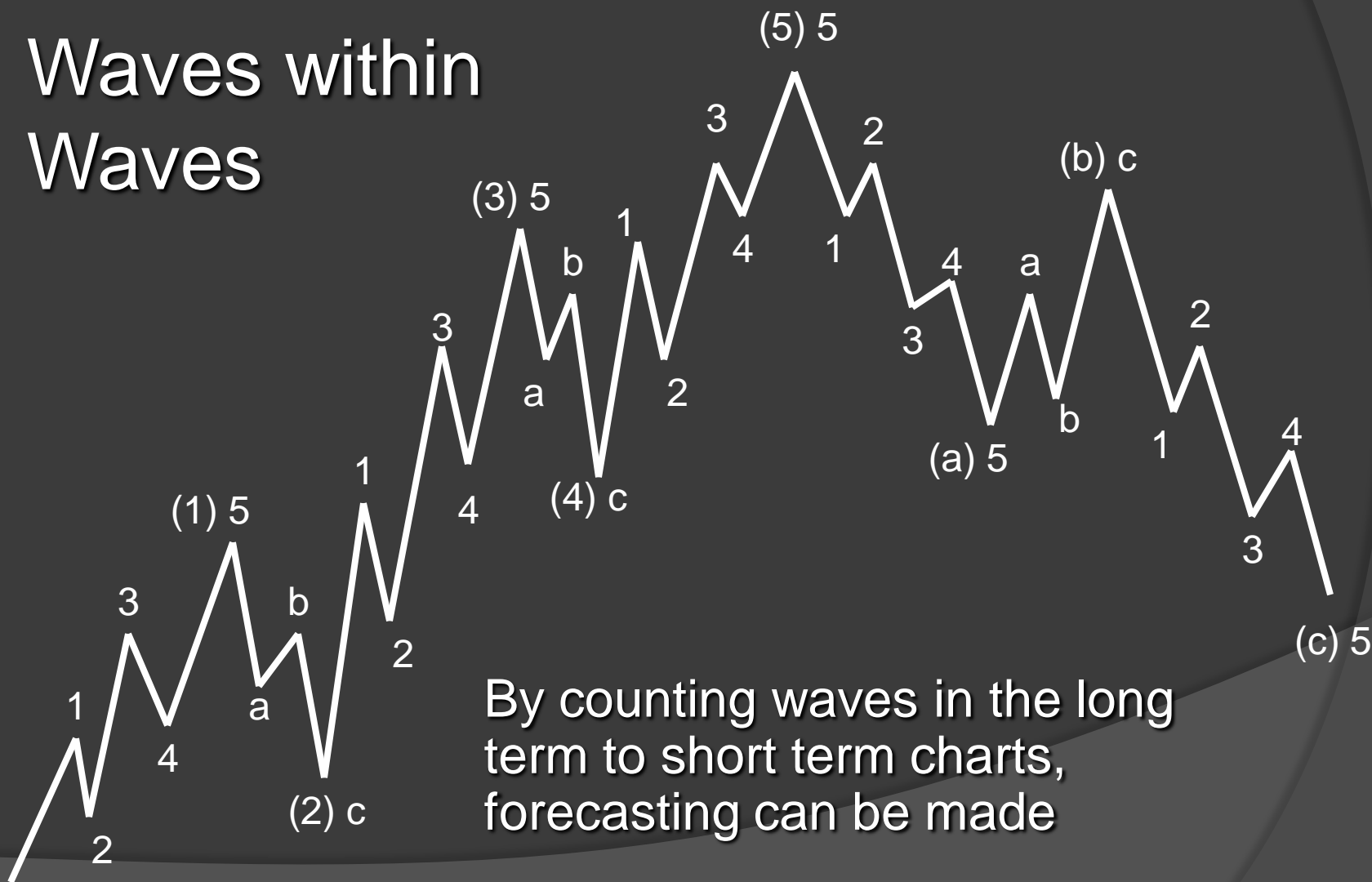
Background

- Ralph Nelson Elliott) (1871 - 1948) studied the wave phenomena of the US stock market in 1934
- Published the “Wave Principle “ in 1938
- Published the “Nature Law” in 1942
- In 1970s, Robert Prechter, Jr. made Elliott Wave Theory popular in the investing communities

Theory Outline

- ⦿ Market fluctuations due to:
 - Impulse Wave
 - Corrective Wave
- ⦿ Impulse wave
 - follows the trend
 - composes of 5 sub-waves
- ⦿ Corrective wave
 - moves against the trend
 - Composes of 3 sub-waves
- ⦿ Waves within waves

Waves within Waves



Time / Price Structure of Financial Markets

- ⦿ Fluctuations according to:
 - the Fibonacci Number Series
 - Fractal Structure
 - Non-linearity
 - Asymmetry

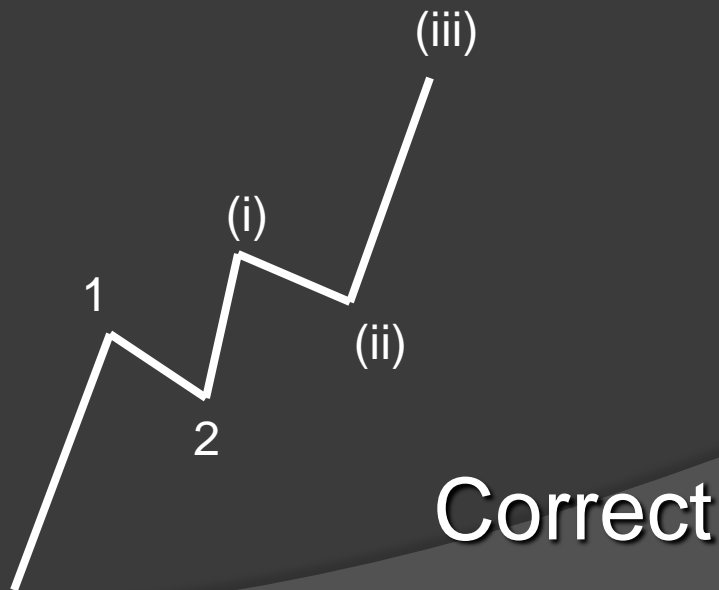
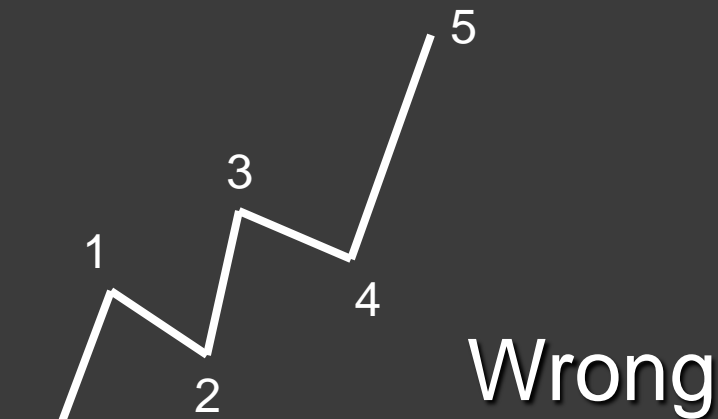
Wave Counting Principle

- 2nd wave should not exceed the beginning of 1st wave
- 3rd wave should not be the shortest among 1st, 3rd and 5th wave
- No overlapping between 4th and 2nd wave (with exception in diagonal triangle)
- Rule of alteration – 2nd and 4th waves take different wave forms

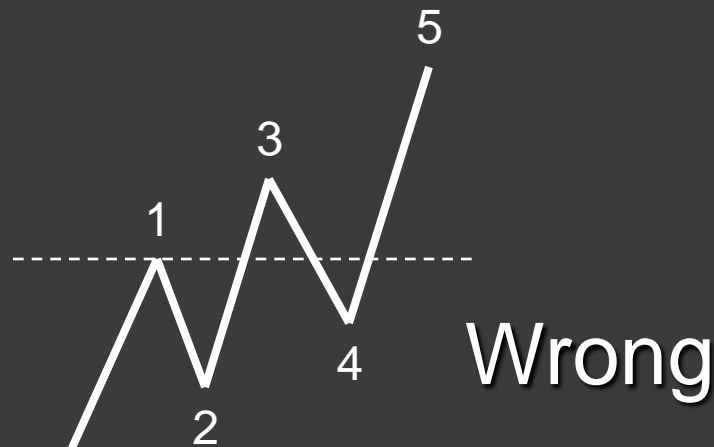
End of 2nd wave should not exceed
the beginning of 1st wave



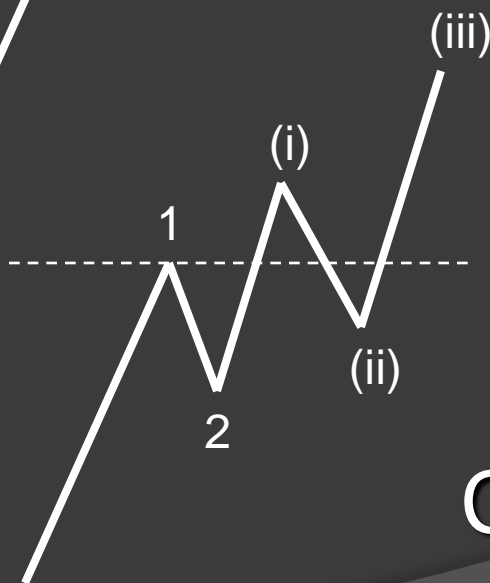
3rd wave
should not be
the shortest
among 1st, 3rd
and 5th wave



4th wave should not overlap with the 2nd wave (except for diagonal triangle)

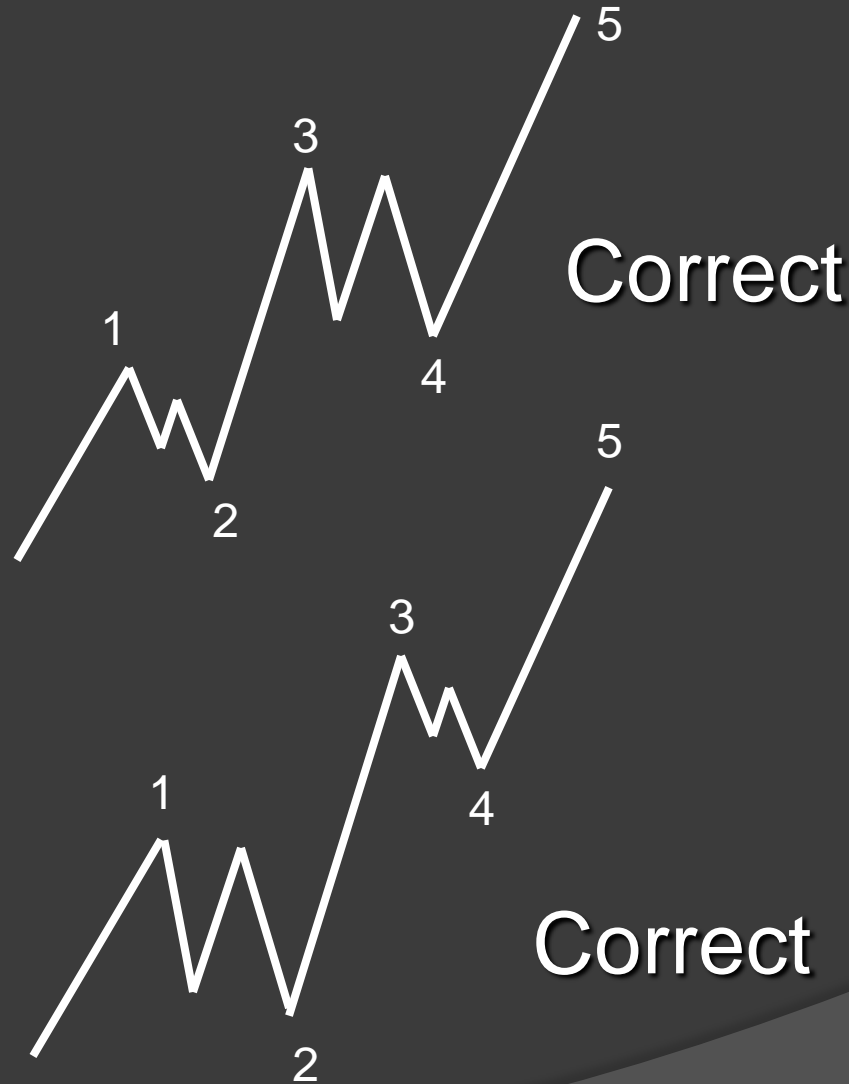


Wrong



Correct

Rule of
Alteration –
2nd and 4th
wave take
different
forms

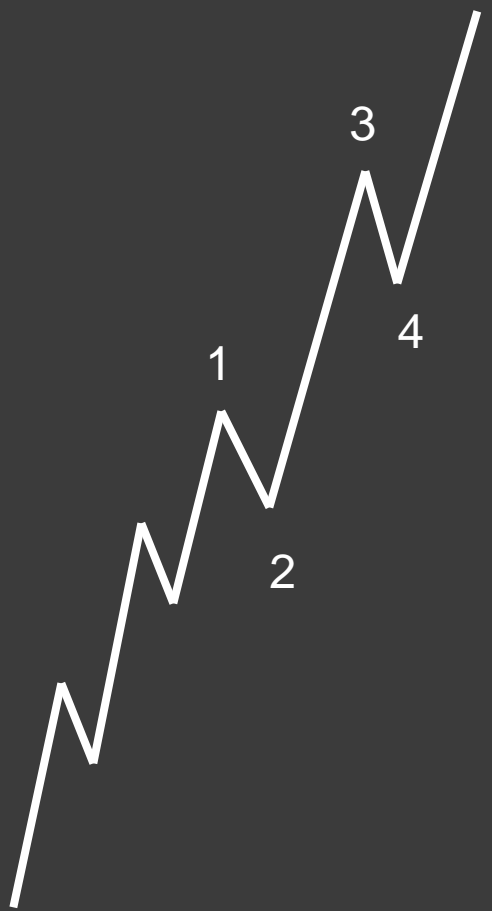


3 Wave Forms in Impulse Wave (1)

⦿ Extension –

- One of the 1st, 3rd and 5th wave will extend conspicuously
- 3rd wave would not be the shortest among 1st, 3rd and 5th wave

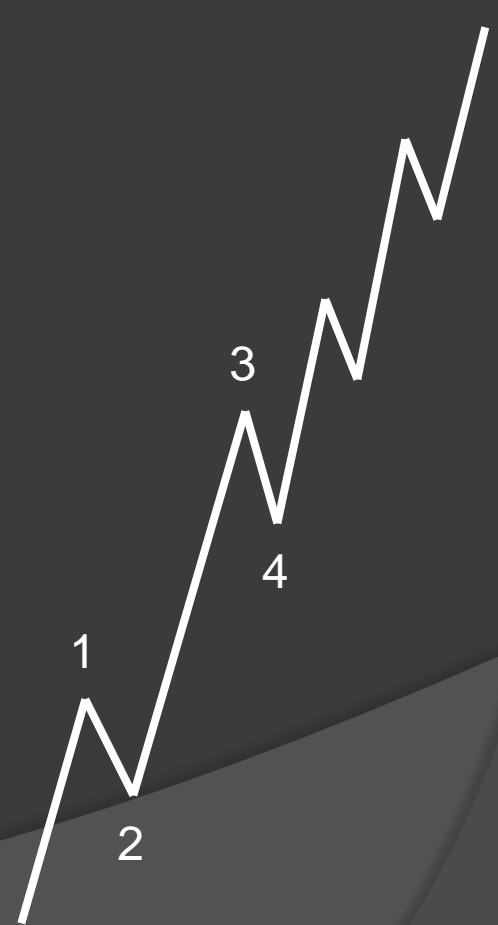
1st wave extension



3rd wave extension



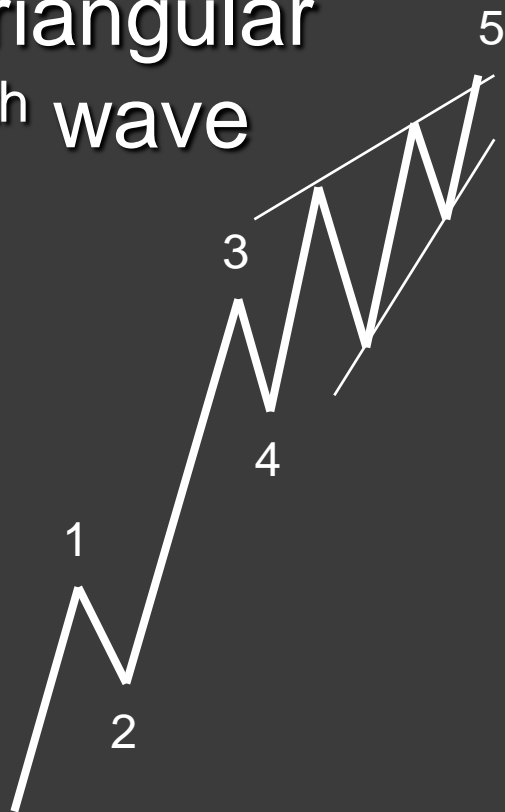
5th wave extension



3 Wave Forms in Impulse Wave (2)

- ⦿ Diagonal triangle –
 - Wave structure in upward or downward diagonal triangle
 - In a form of contracting or expanding triangle
 - The sub-waves in the diagonal triangle take the structure of 3-3-3-3-3
 - If diagonal triangle appears at the 1st wave, it will take the structure of 5-3-5-3-5
 - The 2nd and the 4th sub-wave will overlap

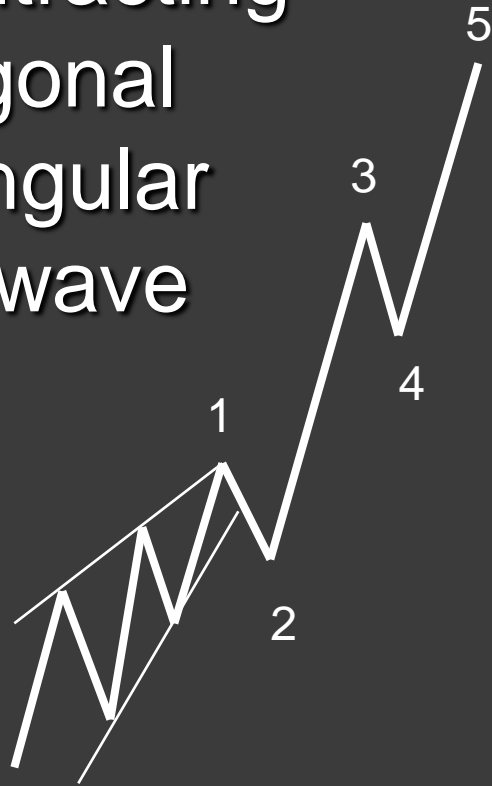
Contracting
diagonal
Triangular
5th wave



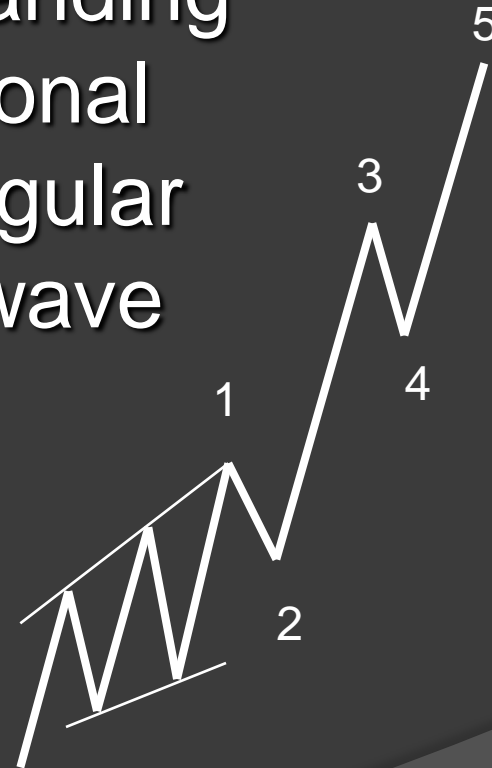
Expanding
diagonal
triangular
5th wave



Contracting
diagonal
triangular
1st wave



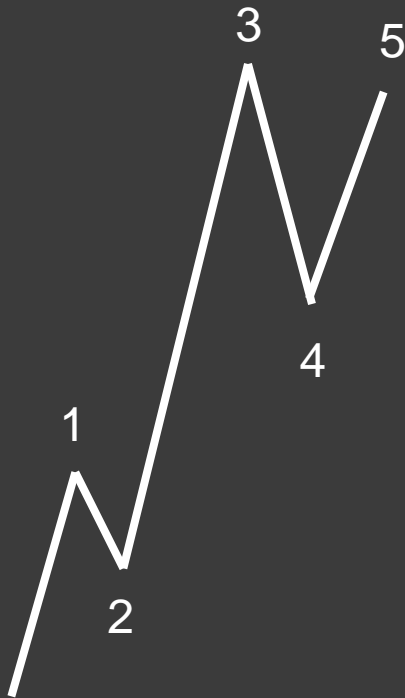
Expanding
diagonal
triangular
1st wave



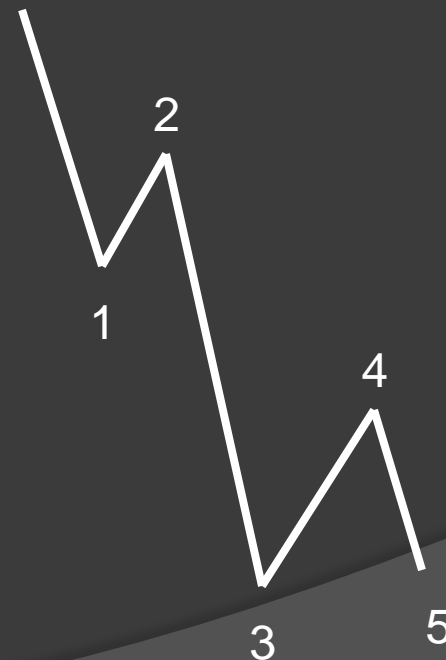
3 Wave Forms in Impulse Wave (3)

- 5th wave extension –
 - 5th wave failed to exceed the 3rd wave end
 - 5th wave takes a structure of 5-3-5-3-5
 - failure to have the momentum to breath into new high / low before reversal

Upward 5th wave failure



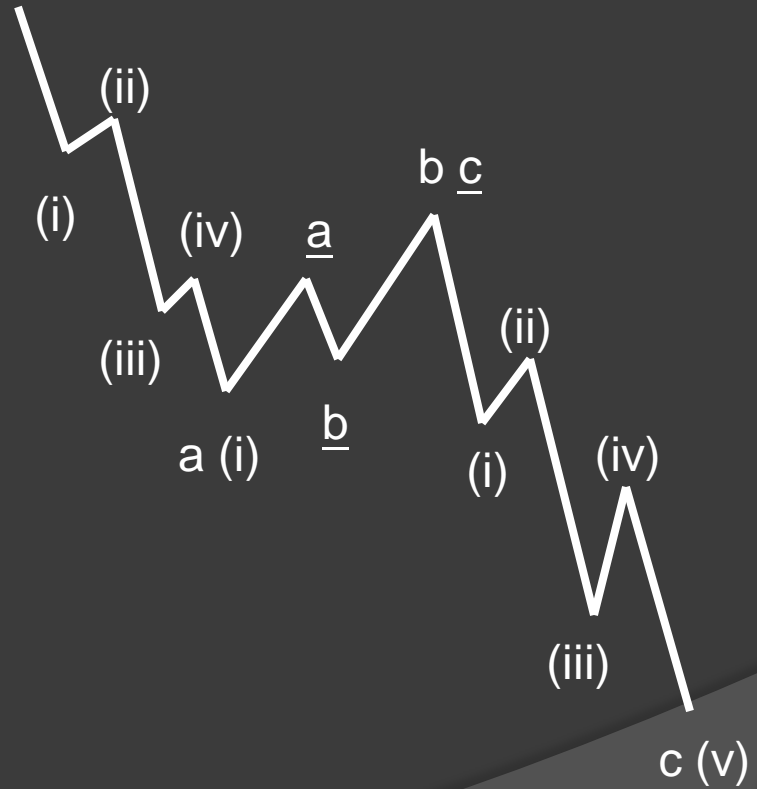
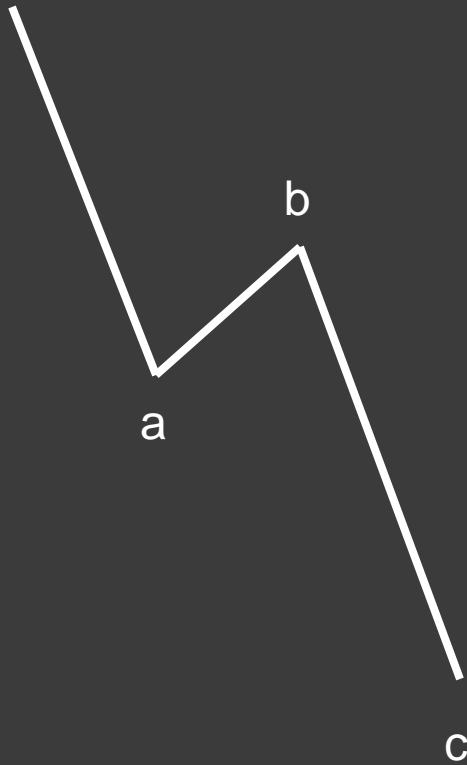
Downward 5th wave failure



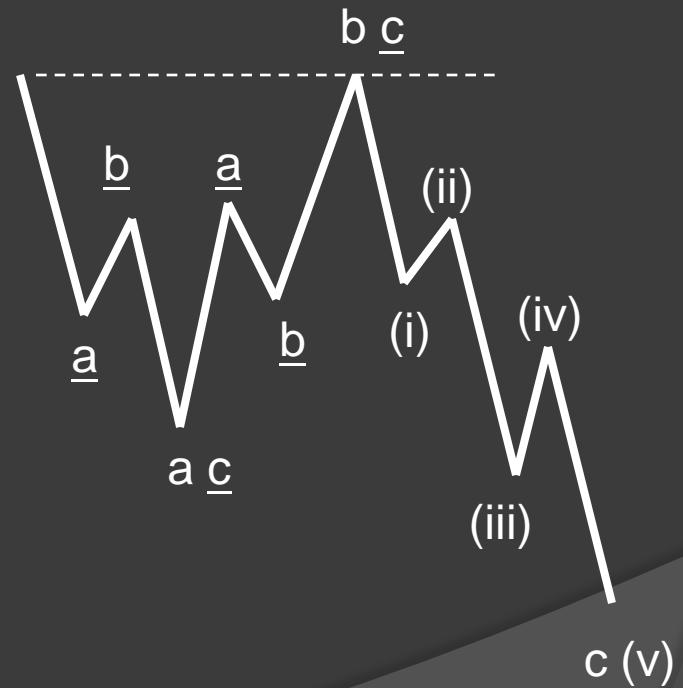
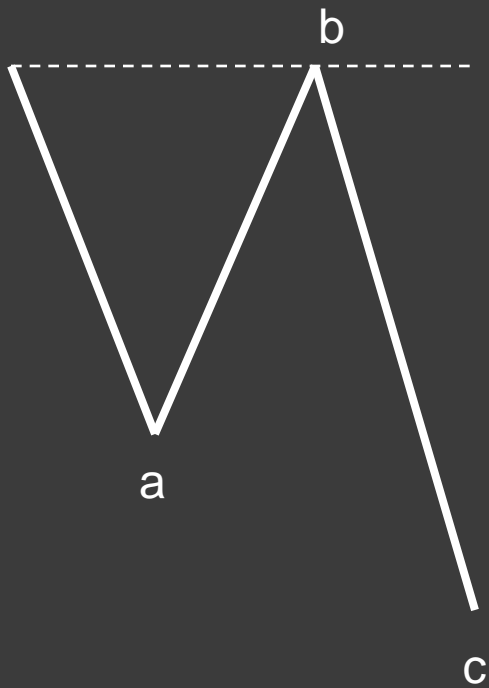
Corrective Wave Structure

- ④ 4 simple structures in corrective wave
 - Zig-Zag
 - Flat
 - Irregular
 - Horizontal Triangle
- ④ 2 complex structures in corrective wave
 - Double Three
 - Triple Three

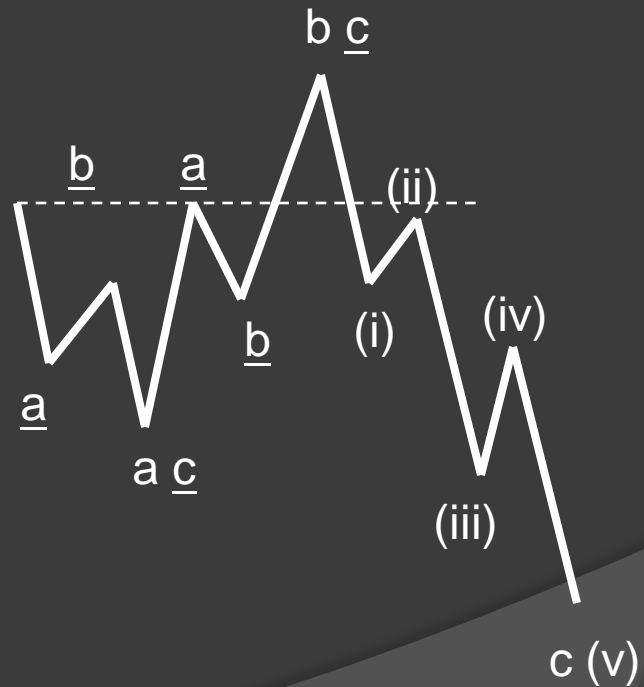
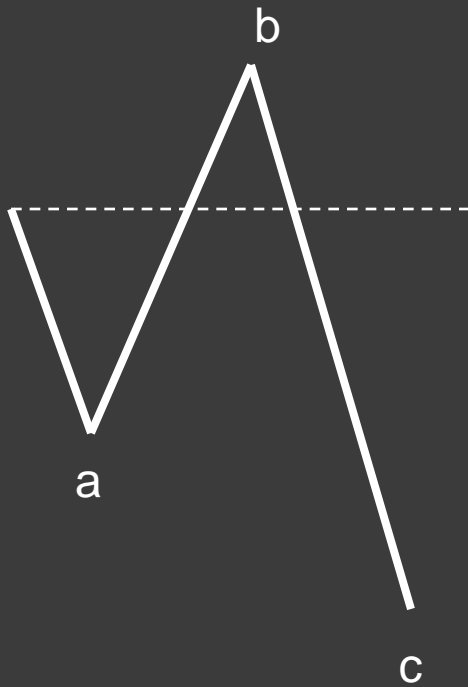
Zig Zag (5-3-5)



Flat (3-3-5)

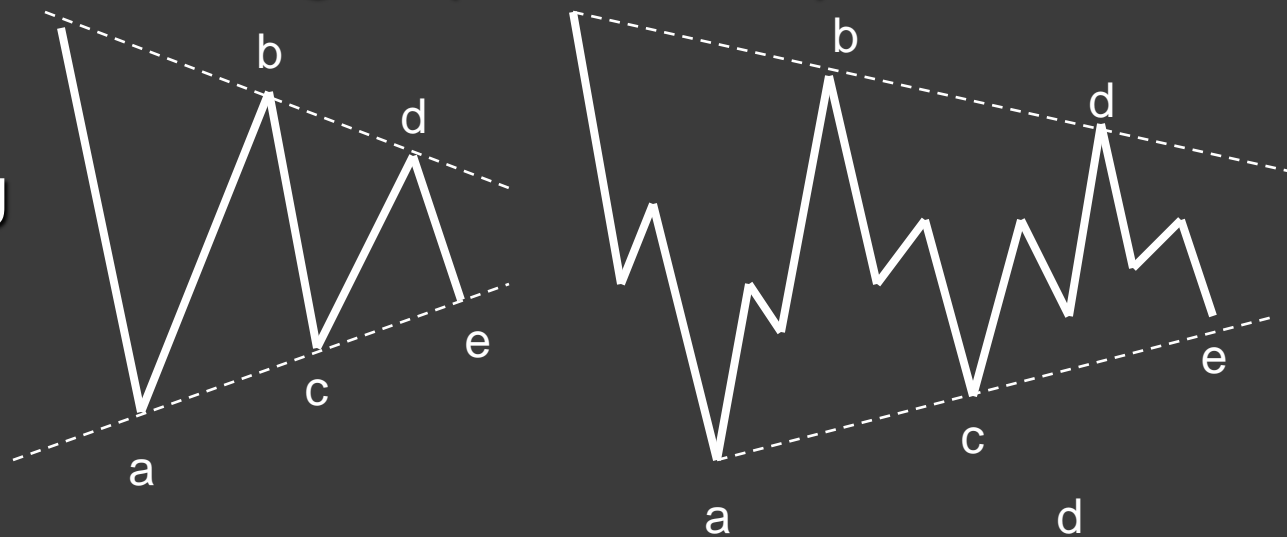


Irregular (3-3-5)

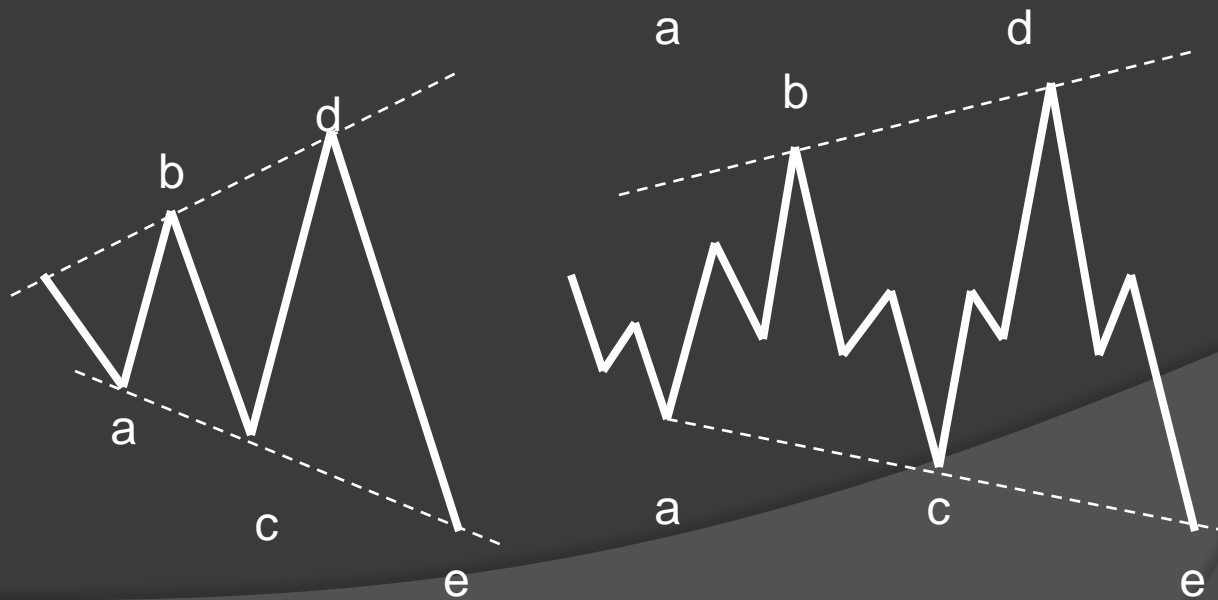


Horizontal Triangle (3-3-3-3-3)

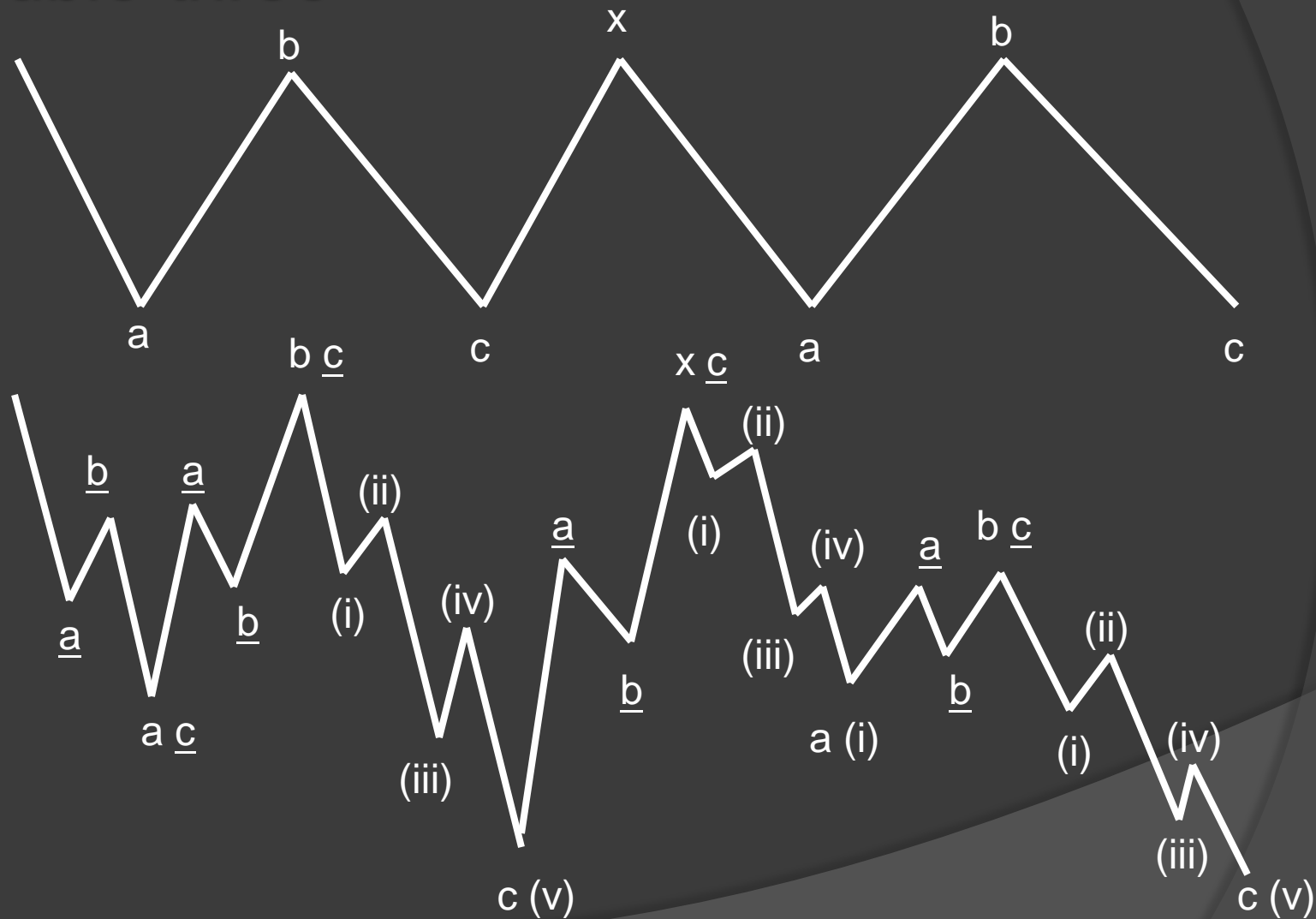
Contracting horizontal triangle



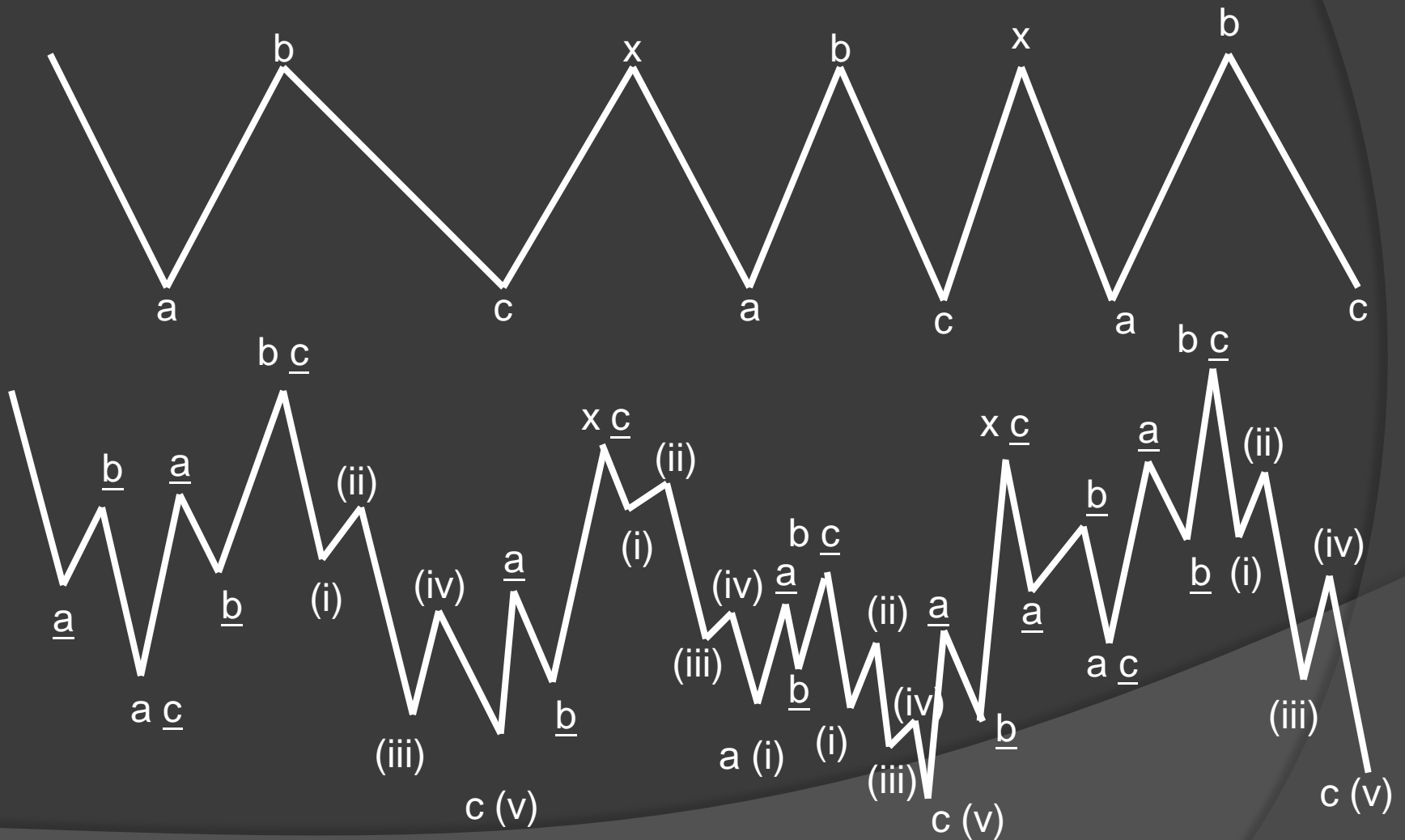
Expanding horizontal triangle



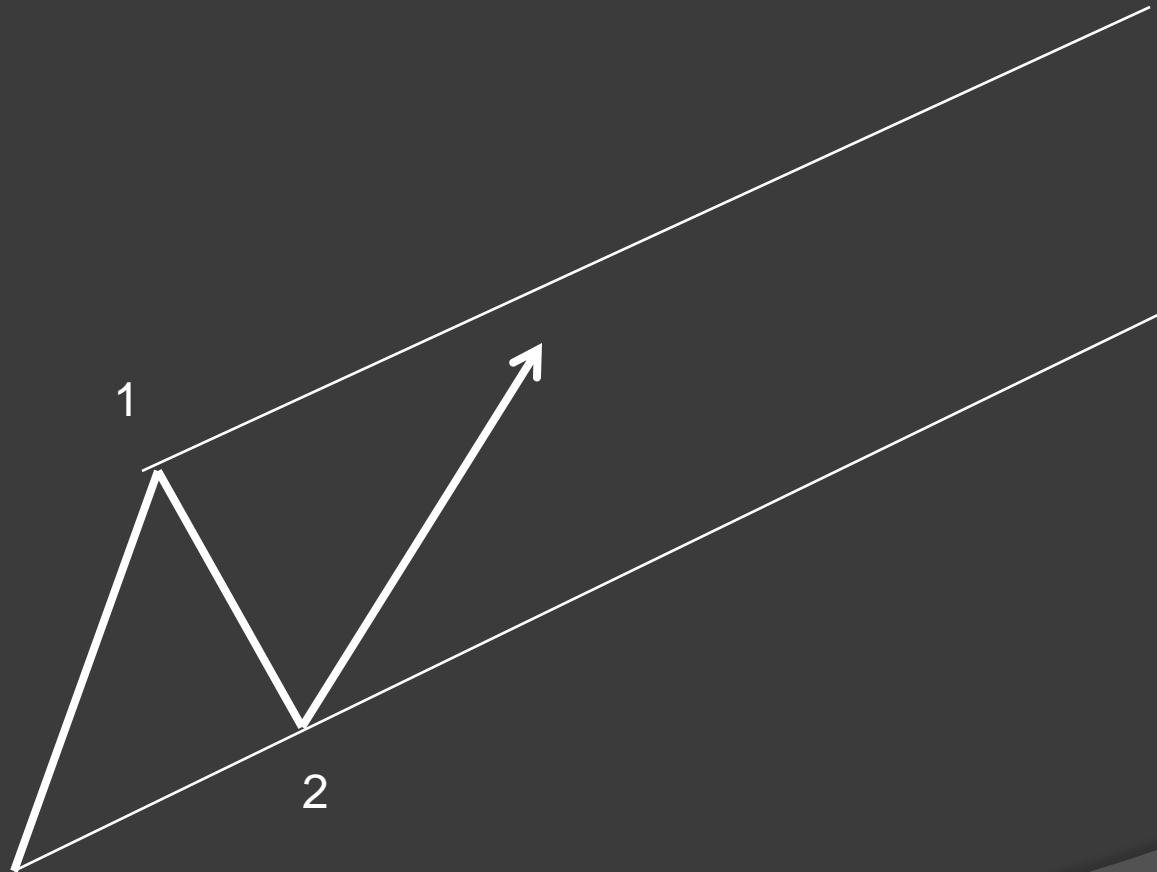
Double-three



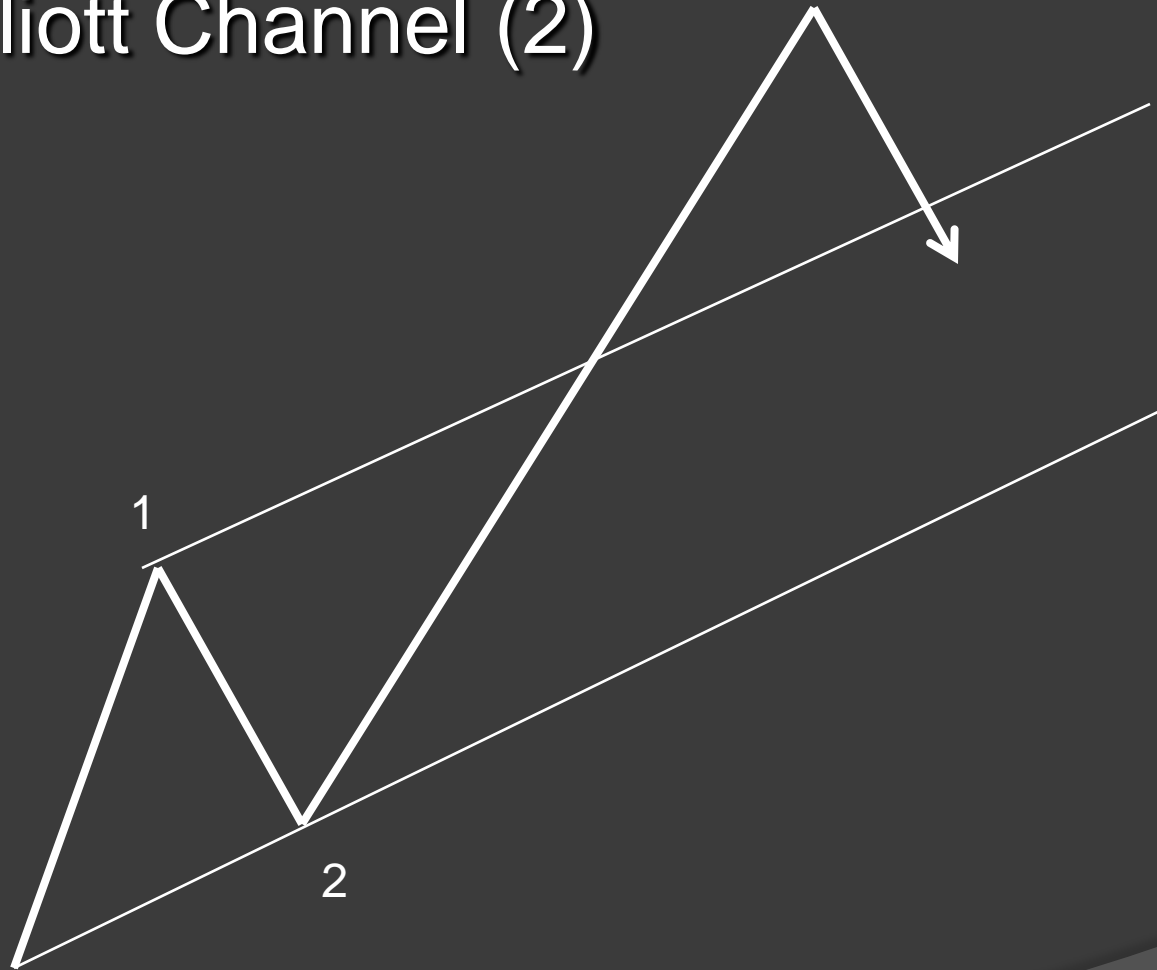
Triple-three



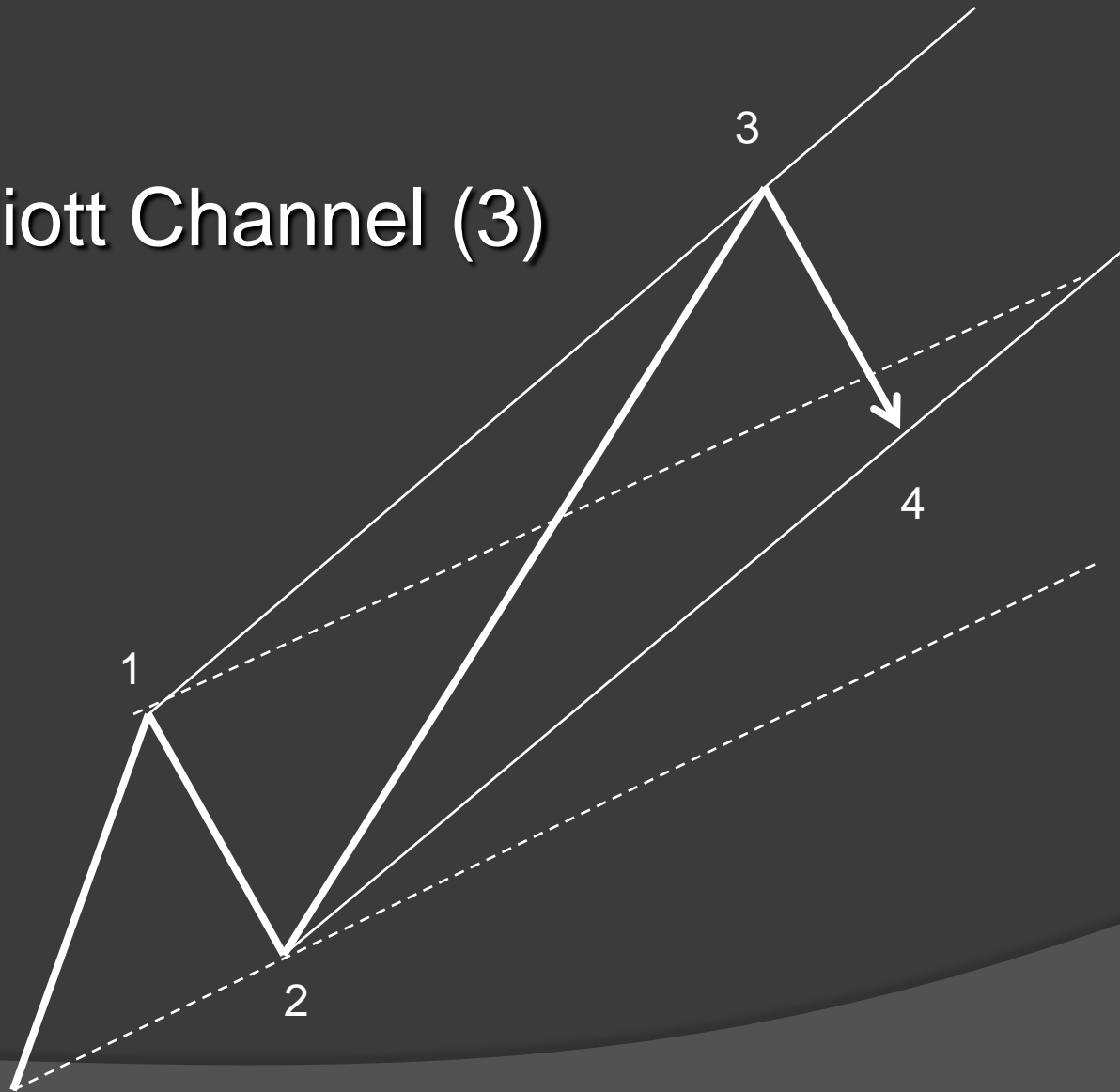
Elliott Channel (1)



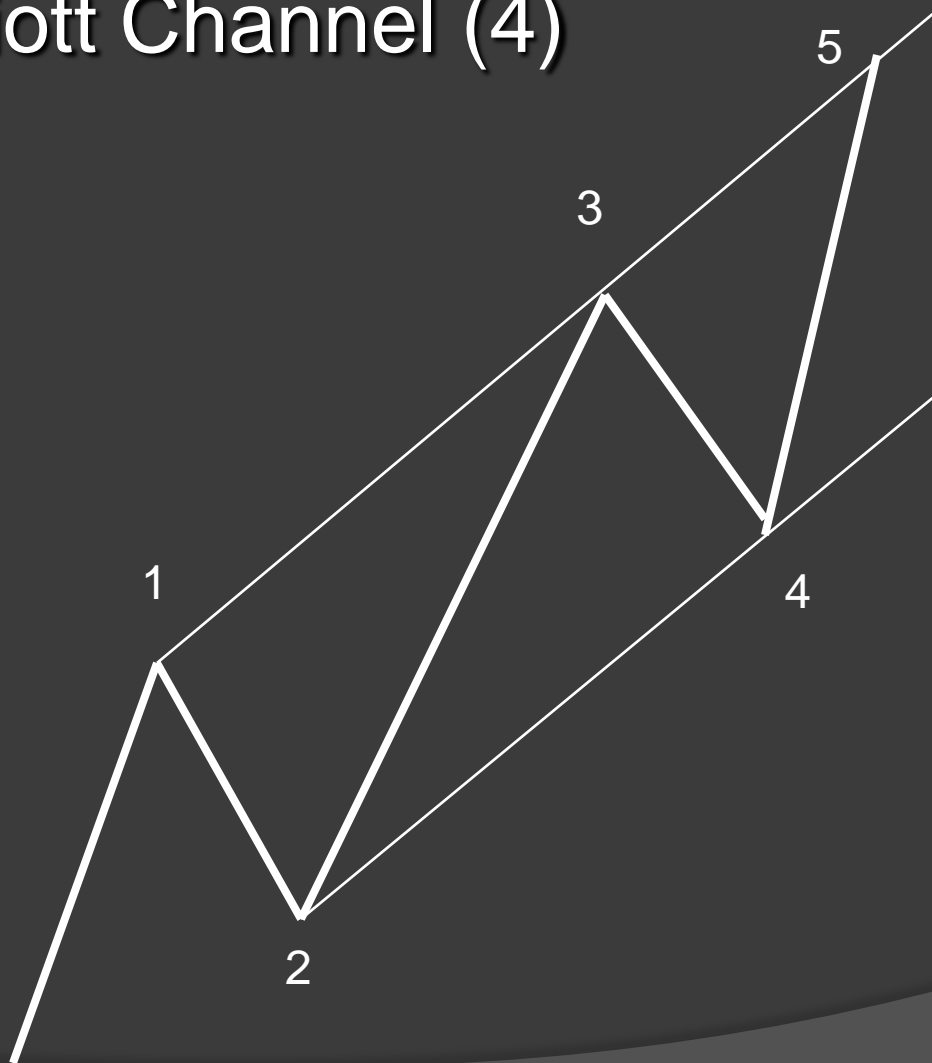
Elliott Channel (2)



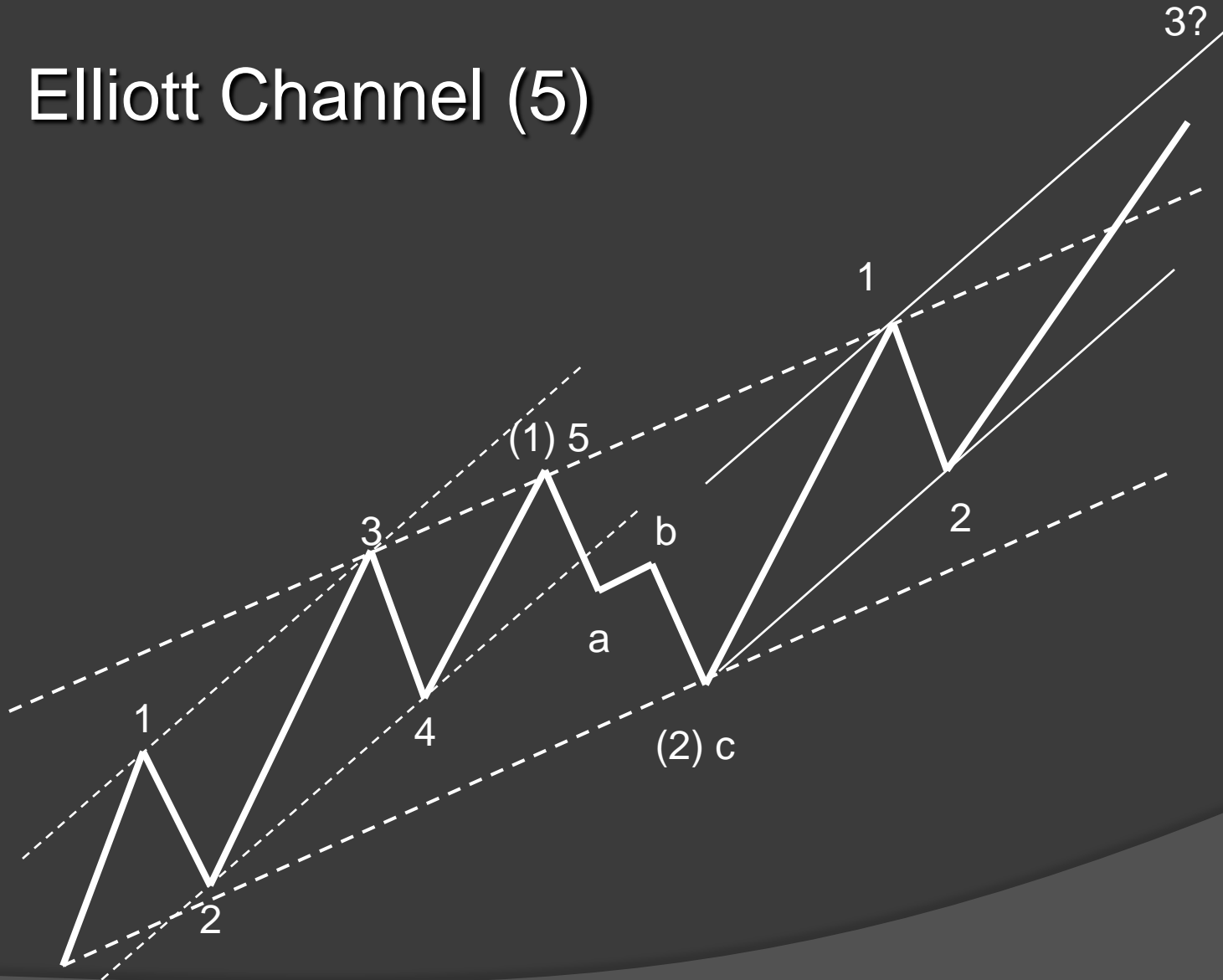
Elliott Channel (3)



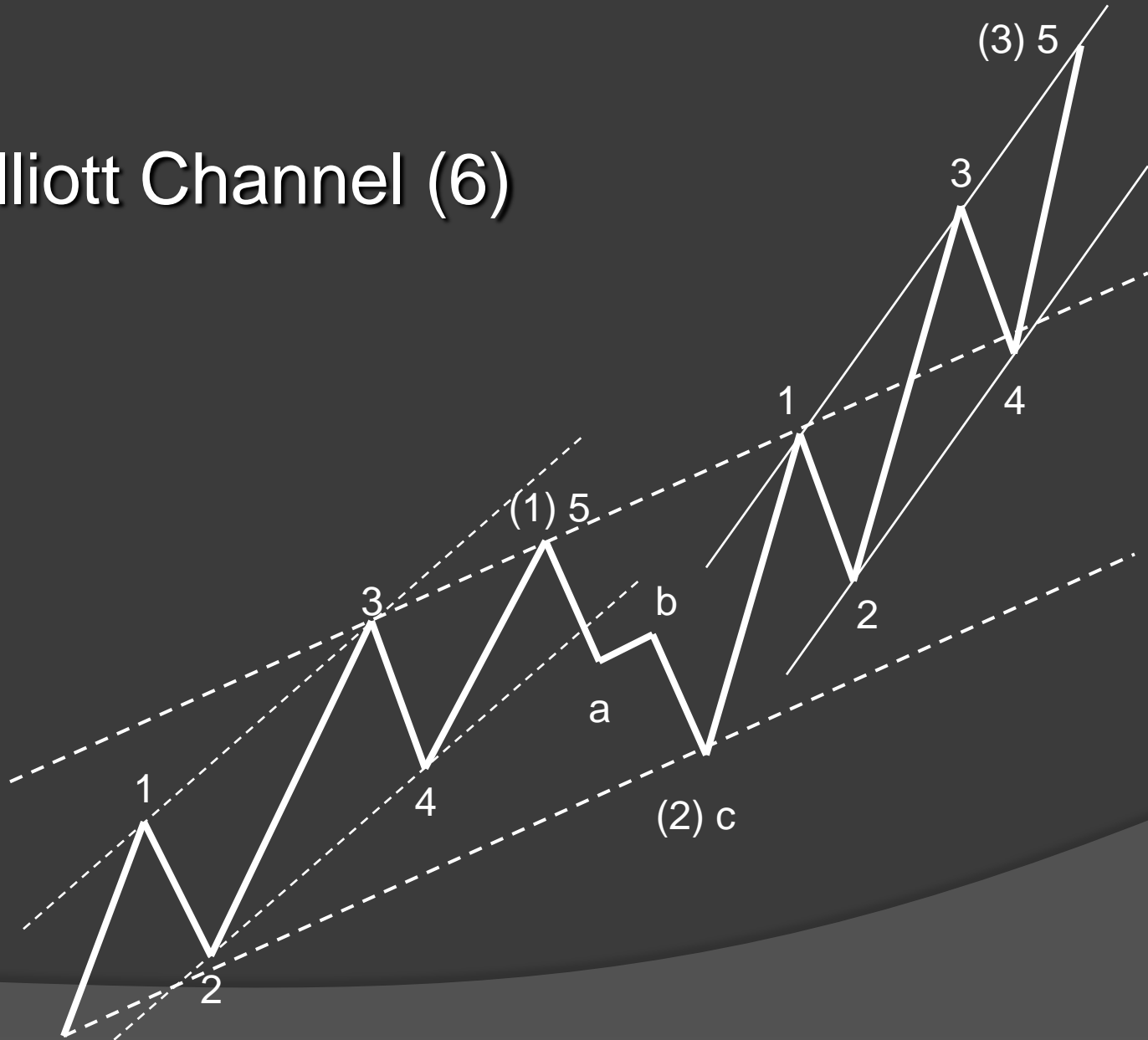
Elliott Channel (4)



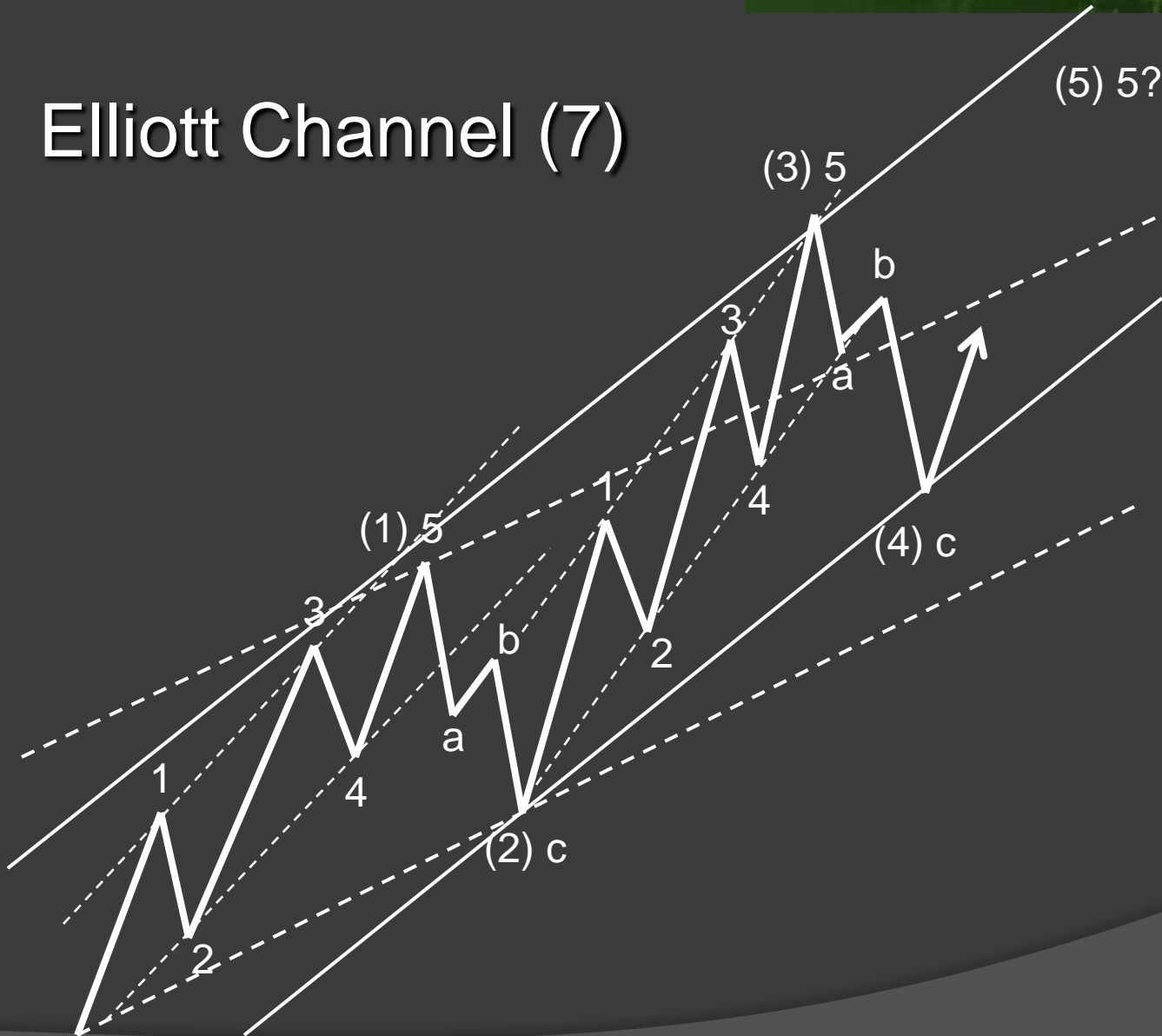
Elliott Channel (5)



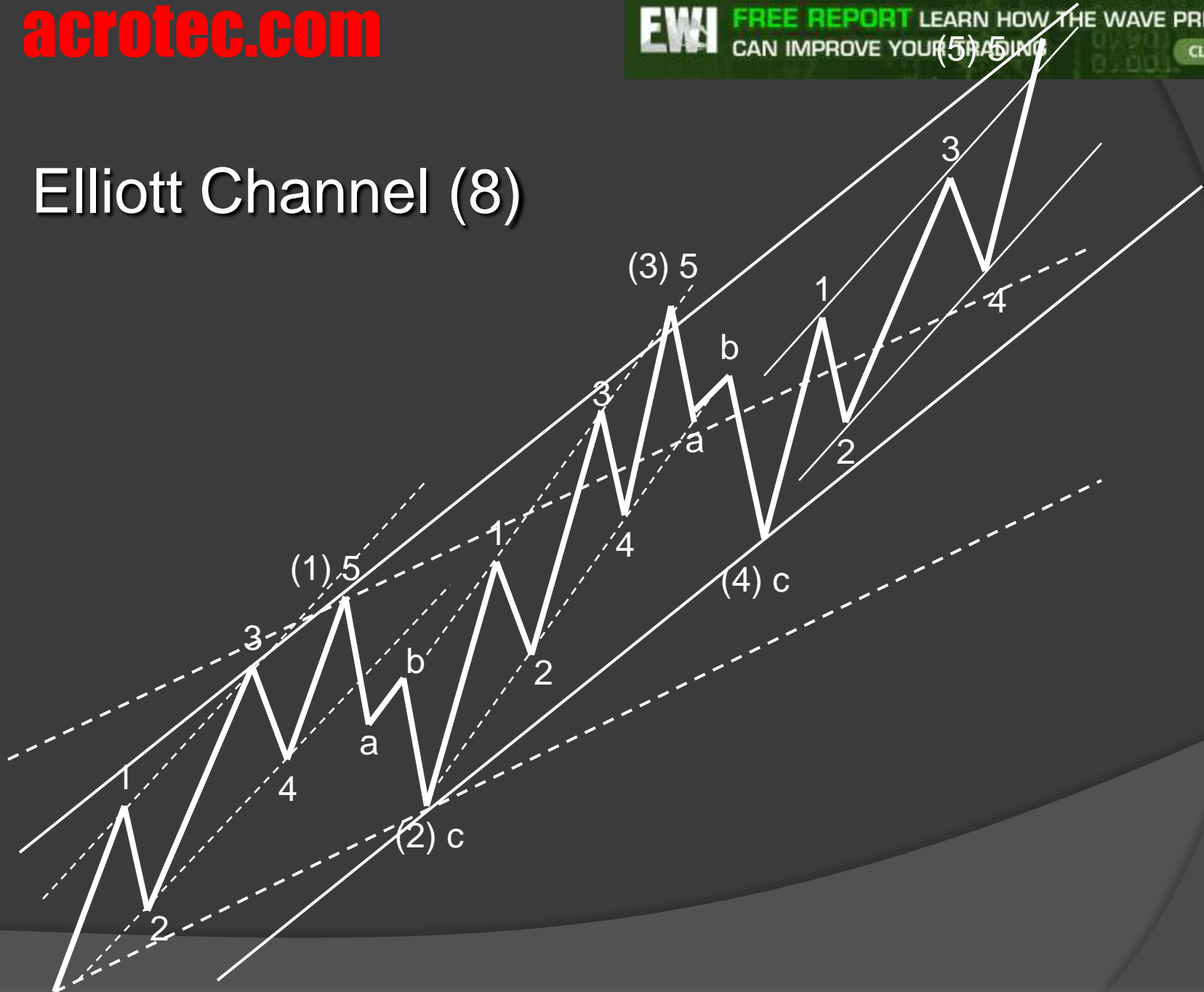
Elliott Channel (6)



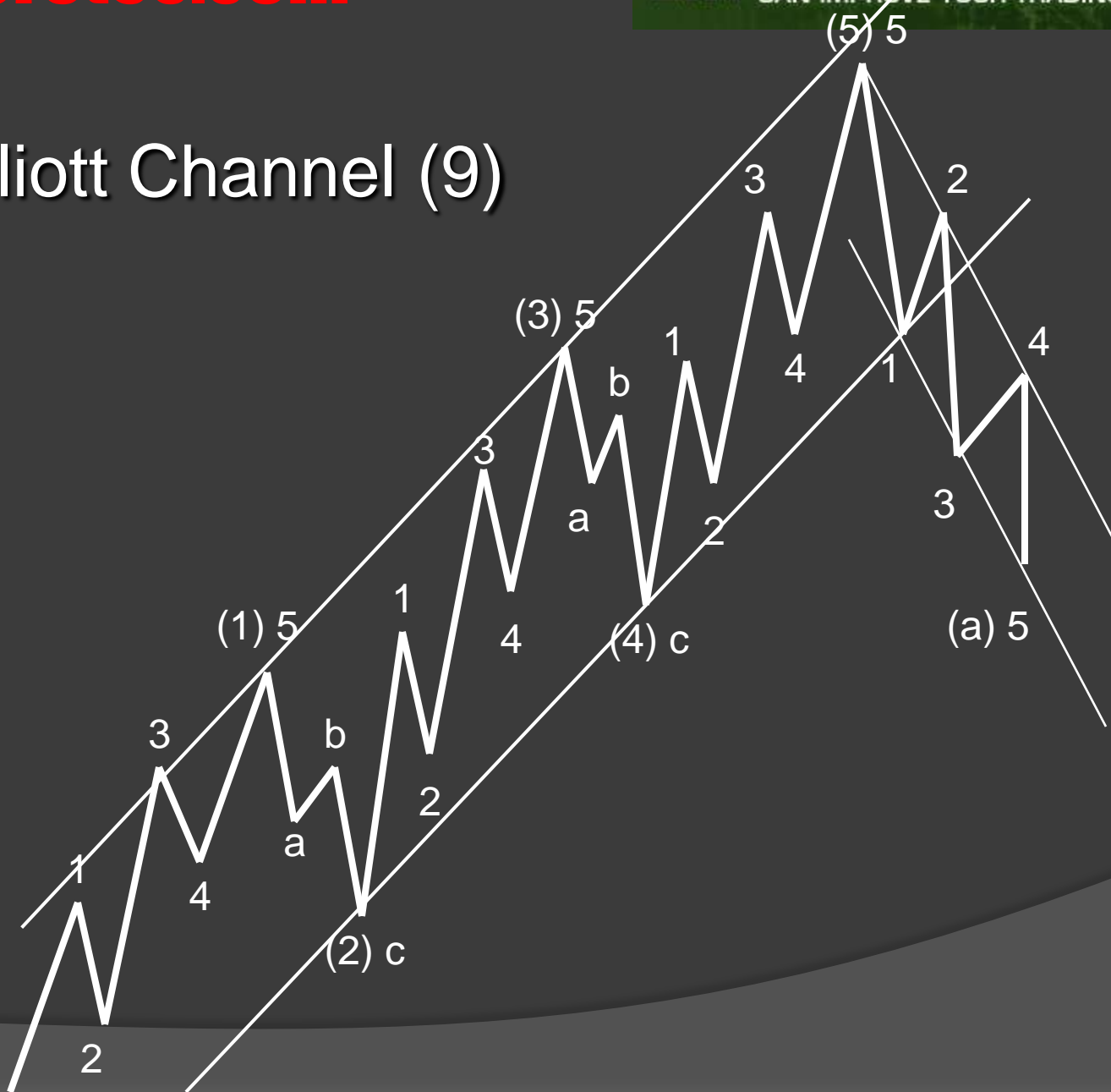
Elliott Channel (7)



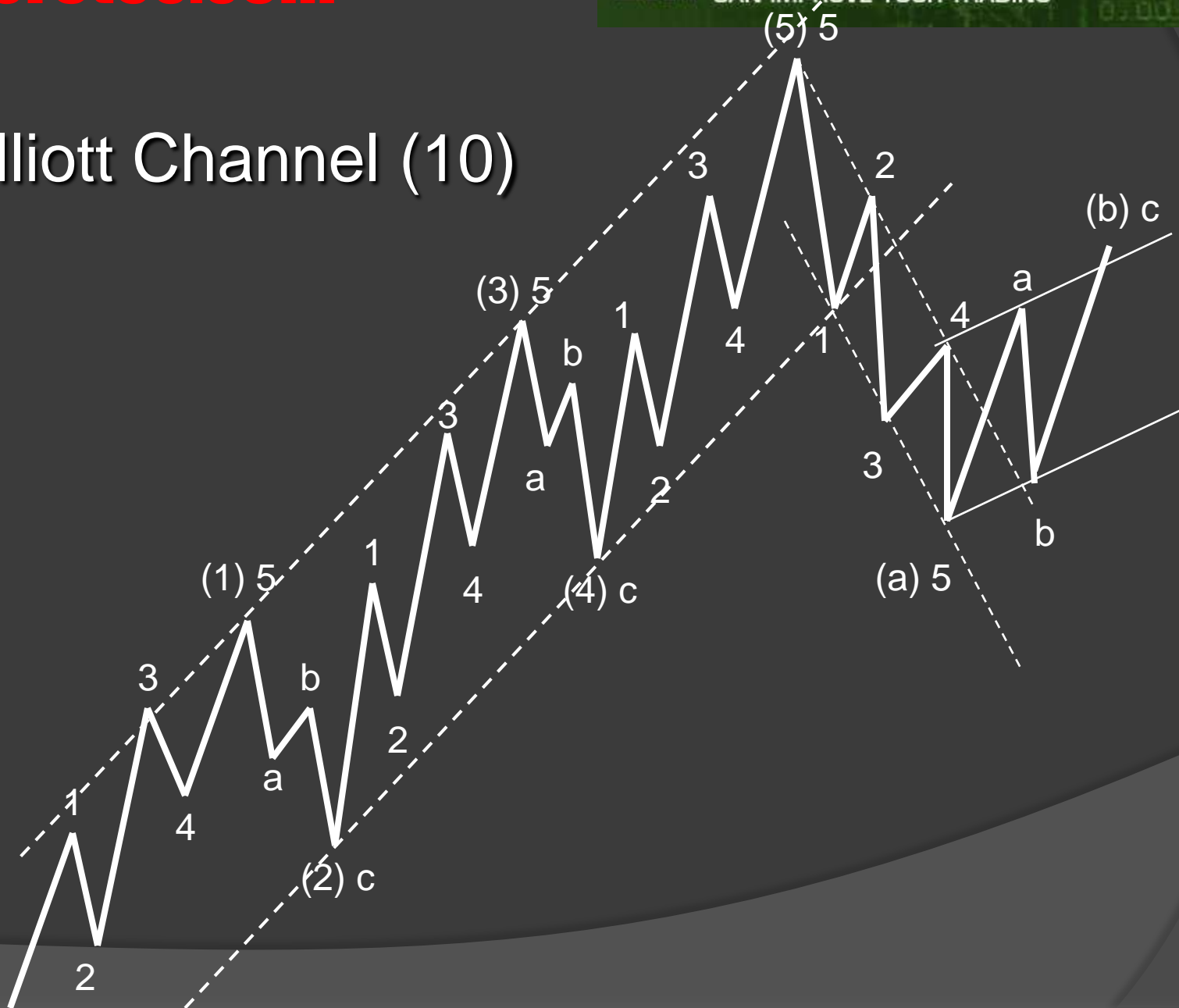
Elliott Channel (8)



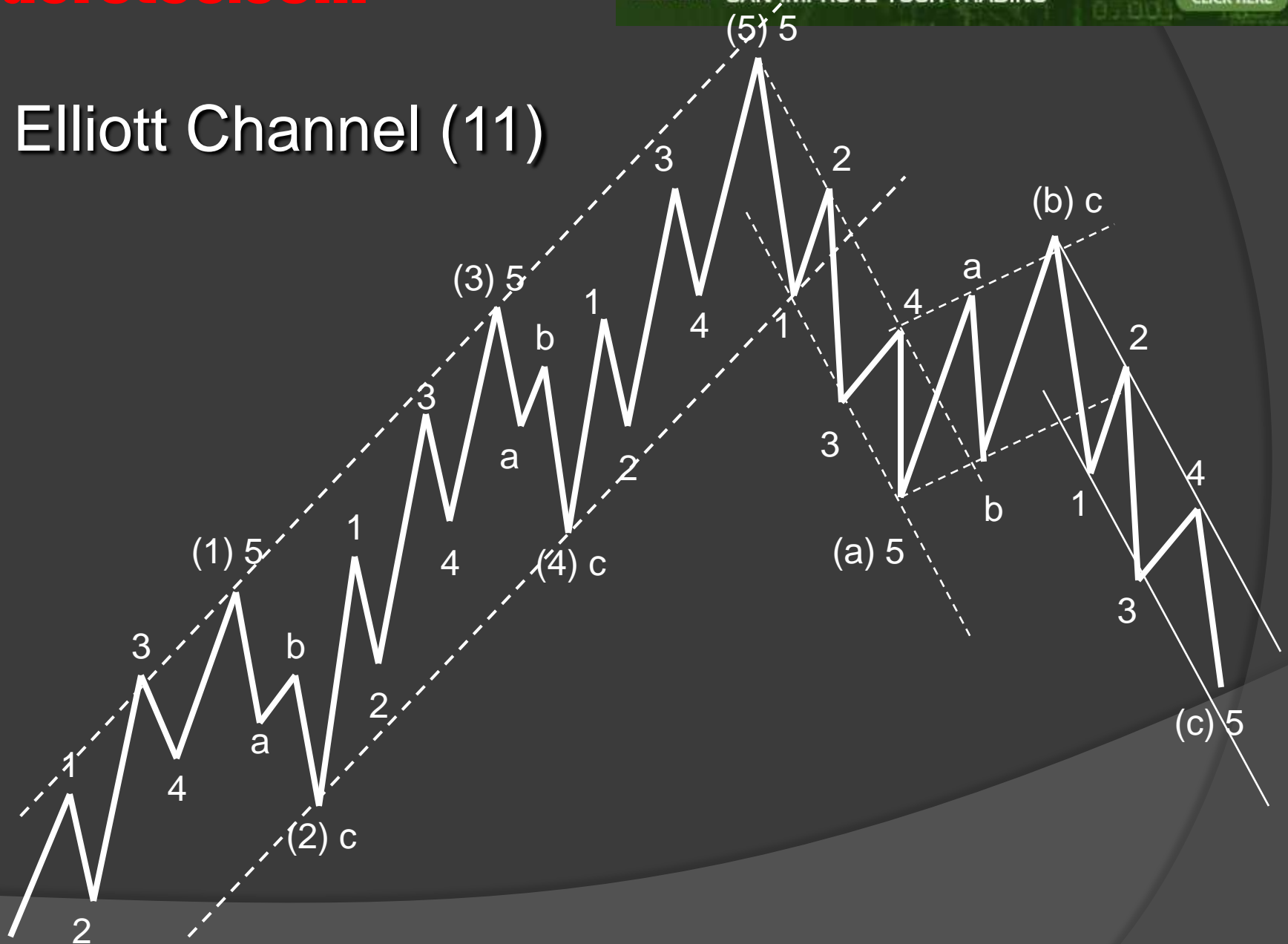
Elliott Channel (9)



Elliott Channel (10)

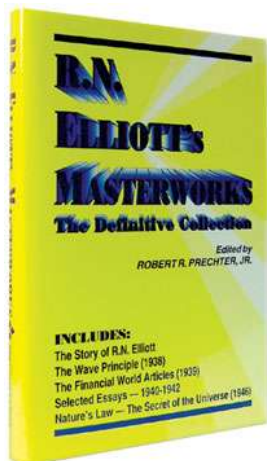


Elliott Channel (11)





Item	Details
Book Name	Elliott Wave Principle: Key to Market Behavior
Author	Robert Prechter and A.J. Frost
Contents	The basic tenets of wave theory The rules and guidelines of wave analysis The scientific background of the Wave Principle and Long term waves



Item	Details
Book Name	R. N. Elliott's Masterworks: The Definitive Collection
Editor	Robert Prechter, Jr.
Contents	"The Wave Principle" (1938) The Financial World articles (1939) Nature's Law -- The Secret of the Universe (1946)

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