

Elliott Wave Patterns

Studying the patterns is very important in order to apply the Elliott Wave Principle correctly. The pattern of the market action, if correctly determined, not only tells you to what price levels the market will rise or decline, but also in which way (or pattern) this will happen.

When you are able to recognize the patterns, and apply these patterns correctly, you can trade the Elliott Wave Principle. This is not easy to accomplish, but after some study and with the help of our "detailed and personalized daily chart service" tool you will find it easier. Humans, with sufficient experience, can analyse markets in an instance, which is a requirement for trading.

Our daily chart service restricts itself mainly to the patterns mentioned in the Classic Elliott Wave patterns. We analysis these patterns using the Classic Rules.

We also use the Modern Rules, as mentioned under Modern Elliott Wave patterns, we have defined more patterns, which we have found after more than 10 years of research and experience, which definitions are more profitable in our view. This way we make available our knowledge and experience without any extra costs.

After looking at the big picture we then determine which rules are preferable.

Explaining the following descriptions, on the left you will find a picture of a bull market, at the right one of a bear market.

The pattern section depicts the structure, while the description gives additional information. The pattern should follow the rules and guidelines, which can also be derived from the picture. Furthermore the section, in which wave explains in which wave, as a part of a larger wave degree, the patterns normally occur. Last but not least the pattern must have an internal structure as described. This is very important to determine which pattern you are dealing with.

Classic Elliott Wave patterns

Below we have depicted all Elliott Wave patterns that are allowed under a very strict interpretation of the Elliott Wave Principle. Elliott detected most of these patterns, except for the Diagonal 2 pattern. The WXY and WXYXZ pattern have not been defined as such by Elliott, but he already had discovered these sort of combinations.

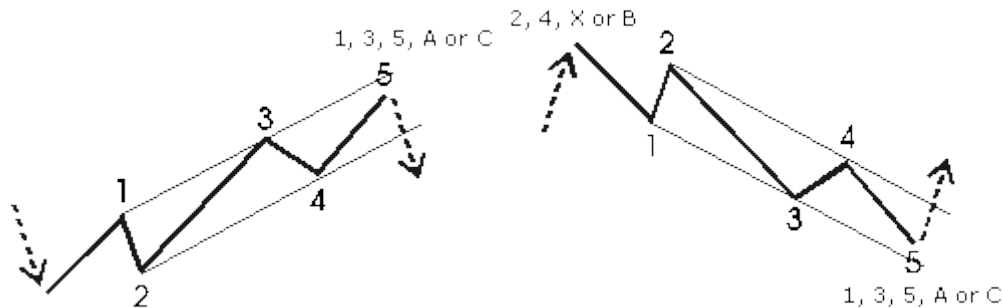
In our daily analysis we use the WXY and WXYXZ also for Double and Triple Zigzags. This is a much more consistent way of labeling these patterns, since now the ABC waves in waves W and Y are sub waves and an unfitting Wave X has been eliminated.

Because of this, in our daily analysis we no longer have to search for more than five waves. Using the old definition of for example a Triple Zigzag, the search was for eleven waves, apart from inconsistencies this would have slowed down our analysis considerably.

I. Trends

a. Impulse

Pattern



Description

Impulses are always composed of five waves, labeled 1,2,3,4,5. Waves 1, 3 and 5 are themselves each impulsive patterns and are approximately equal in length. Waves 2 and 4 on the contrary are always corrective patterns.

Rules and guidelines

The most important rules and guidelines are:

- Wave 2 cannot be longer in price than wave 1, and it must not go beyond the origin of wave 1.
- Wave 3 is never the shortest when compared to waves 1 and 5.
- Wave 4 cannot overlap wave 1, except in diagonal triangles and sometimes in wave 1 or A waves, but never in a third wave. In most cases there should not be an overlap between wave 1 and A.
- As a guideline the third wave shows the greatest momentum, except when the fifth is the extended wave.
- Wave 5 must exceed the end of wave 3.
- As a guideline the internal wave structure should show alternation, which means different kind of corrective structures in wave 2 and 4.

In which wave

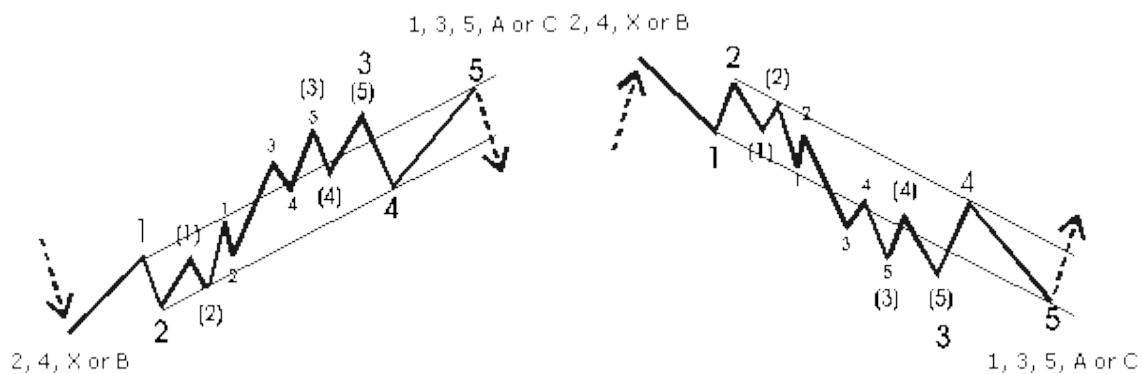
Impulse patterns occur in waves 1, 3, 5 and in waves A and C of a correction(this correction could be a wave 2, 4 or a wave B, D, E or wave X).

Internal structure

It is composed of five waves. The internal structure of these waves is 5-3-5-3-5. Note that the mentioned 3s are corrective waves, which should be composed of 5 waves in a corrective triangle.

b. Extension

Pattern



Description

By definition an extension occurs in an impulsive wave, where waves 1, 3 or 5 can be extended, being much longer than the other waves. It is quite common that one of these waves will extend, which is normally the third wave. The two other waves then tend to equal each other.

In our pattern definitions we call it an Extension1 if the first wave extends, an Extension3 if the 3rd wave extends and an Extension5 if the 5th wave extends.

Rules and guidelines

The most important rules and guidelines concerning an extended wave are:

- It is composed of 5, 9, 13 or 17 waves.
- Wave 2 cannot be longer in price length than wave 1, so it should not go beyond the origin of wave 1.
- Wave 3 is never the shortest when compared to waves 1 and 5.
- Wave 4 cannot overlap wave 1.
- Wave 5 exceeds the end of wave 3.
- The extended wave normally shows the highest acceleration.

In which wave

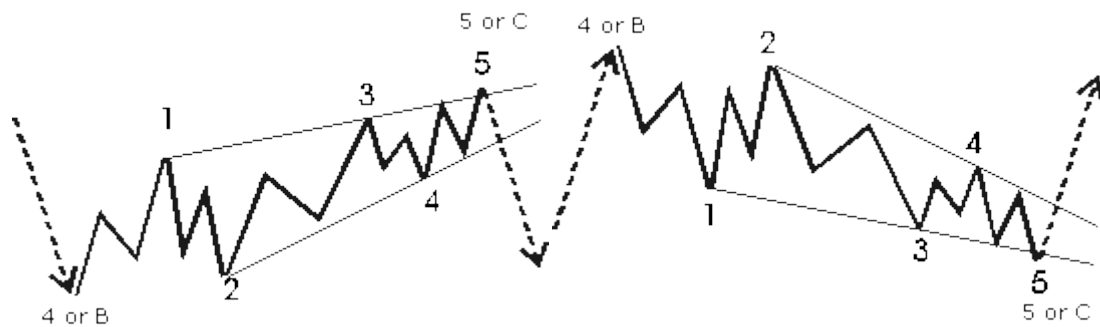
Extensions occur in waves 1, 3, 5, and in A and C waves, when compared to each other.

Internal structure

As a minimum it is composed of 9 waves, though 13 or 17 waves could occur. So the minimal internal structure of the 9 waves is 5-3-5-3-5-3-5-3-5. Note that the 3s mentioned are corrective waves, which could be composed of 5 waves in the case of a corrective triangle.

c. Diagonal triangle type 1

Pattern



Description

Diagonals are sort of impulsive patterns, which normally occur in terminal waves like a fifth or a C wave. Don't confuse them with corrective triangles.

Diagonals are relatively rare phenomena for large wave degrees, but they do occur often in lower wave degrees on intra-day charts. Usually Diagonal triangles are followed by a violent change in market direction.

Rules and guidelines

The most important rules and guidelines are:

- It is composed of 5 waves.
- Waves 4 and 1 do overlap.
- Wave 4 can't go beyond the origin of wave 3.
- Wave 3) cannot be the shortest wave.
- Internally all waves of the diagonal have a corrective wave structure.
- Wave 1 is the longest wave and wave 5 the shortest.
- The channel lines of Diagonals must converge.
- As a guideline the internal wave structure should show alternation, which means different kind of corrective structures.

In which wave

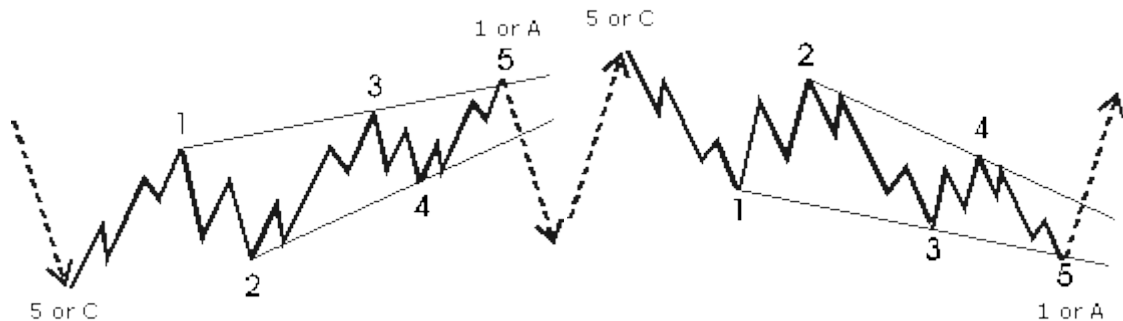
Diagonal triangles type 1 occur in waves 5, C and sometimes in wave 1.

Internal structure

The internal structure of the five waves is 3-3-3-3-3.

c. Diagonal triangle type 2

Pattern



Description

Diagonal type 2 is a sort of impulsive pattern, which normally occurs in the first or A wave. The main difference with the Diagonal Triangle type 1 is the fact that waves 1, 3 and 5 have an internal structure of five waves instead of three. Experience shows it can also occur in a wave 5 or C, though the Elliott Wave Principle does not allow this. Don't confuse this with corrective triangles.

Diagonals are relatively rare phenomena for large wave degrees, but they do occur often in lower wave degrees in intra day charts. These Diagonal triangles are not followed by a violent change in market direction, because it is not the end of a trend, except when it occurs in a fifth or a C wave.

Rules and guidelines

The most important rules and guidelines are:

- It is composed of 5 waves.
- Wave 4 and 1 do overlap.
- Wave 4 can't go beyond the origin of wave 3.
- Wave 3) cannot be the shortest wave.
- Internally waves 1, 3 and 5 have an impulsive wave structure.
- Wave 1 is the longest wave and wave 5 the shortest.
- As a guideline the internal wave structure should show alternation, which means that wave 2 and 4 show a different kind of corrective structure.

In which wave

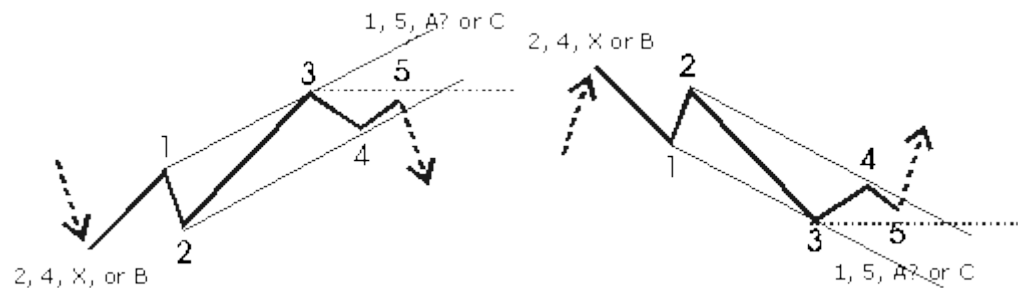
Diagonal triangles type 2 occur in waves 1 and A.

Internal structure

The five waves of the diagonal type 2 show an internal structure of 5-3-5-3-5.

d. Failure or Truncated 5th

Pattern



Description

A failure is an impulsive pattern in which the fifth wave does not exceed the third wave. Fifth waves, which travel only slightly beyond the top of wave 3, can also be classified as a kind of failure. It indicates that the trend is weak and that the market will show acceleration in the opposite direction.

Rules and guidelines

The most important rules and guidelines are:

- Wave 2 cannot be longer in price distance than wave 1, so it should not go beyond the origin of wave 1.
- Wave 3 is never the shortest when compared to waves 1 and 5.
- Wave 4 cannot overlap wave 1, except for diagonal triangles and sometimes in waves 1 or A, but never in a third wave. There should not be overlap between wave 1 and A.
- Wave 5 fails to go beyond the end of wave 3.
- As a guideline the third wave shows the greatest momentum.
- As a guideline the internal wave structure should show alternation, which means different kinds of corrective structures.

In which wave

A failure can only occur in a fifth wave or a C wave, but normally not in the fifth wave of wave 3.

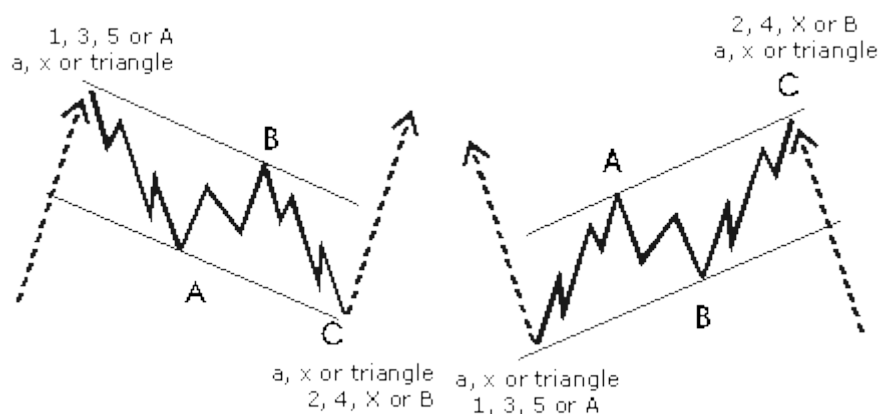
Internal structure

It must be composed of five waves.

II. Corrections

a. Zigzag

Pattern



Description

A Zigzag is the most common corrective structure, which starts a sharp reversal. Often it looks like an impulsive wave, because of the acceleration it shows. A zigzag can extend itself into a double or triple zigzag, although this is not very common, because it lacks alternation (the same two patterns follow each other). Notice that the zigzag can only be the first part of a corrective structure.

Rules and guidelines

- It is composed of 3 waves.
- Waves A and C are impulses, wave B is corrective.
- The B wave retraces no more than 61.8% of A.
- The C wave must go beyond the end of A.
- The C wave normally is at least equal to A.

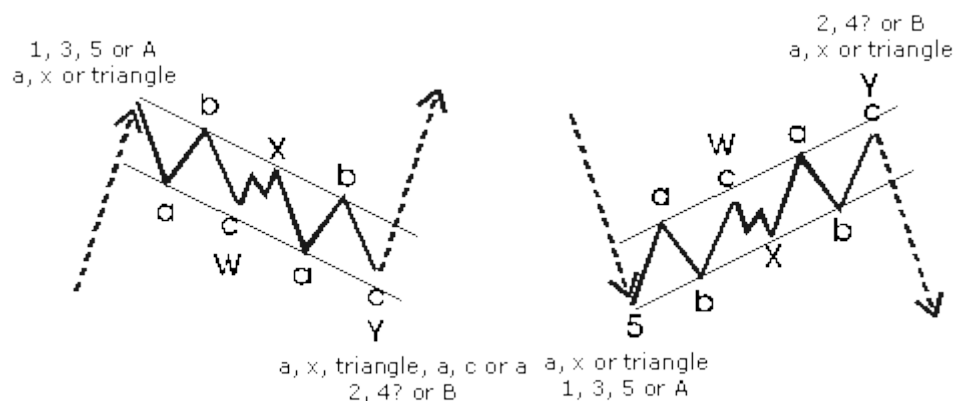
In which wave

Most of the time it happens in A, X or 2. Also quite common in B waves as a part of a Flat, (part of) Triangles and sometimes in 4.

Internal structure

A single Zigzag is composed of 3 waves, a double of 7 waves separated by an X wave in the middle, a triple of 11 waves separated by two X waves (see pictures below). The internal structure of the 3 waves is 5-3-5 in a single Zigzag, 5-3-5-3-5-3-5 in a double.

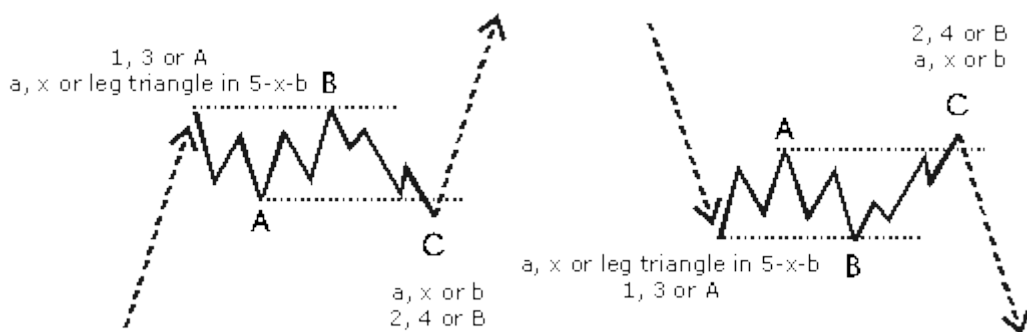
Example of a **Double Zigzag**



As you have noticed we have a more modern representation of the Double Zigzag using the labels WXY instead of ABCXABC. This is more consistent, since this way 2 zigzags of lower degree get connected to each other by waves of higher degree. On top of that, our automatic analysis needed such a consistent method of labeling to reach maximum performance. Instead of labeling 7 waves (ABCXABC), in our daily analysis we need to label only 3 waves (WXY). According to the same method a Triple Zigzag is represented by WXYXZ instead of ABCXABCXABC. This way the number of waves was reduced to five instead of eleven.

b. Flat

Pattern



Description

Flats are very common forms of corrective patterns, which generally show a sideways direction. Waves A and B of the Flat are both corrective patterns. Wave C on the contrary is an impulsive pattern. Normally wave C will not go beyond the end of wave A.

Rules and guidelines

It is composed of 3 waves.

Wave C is an impulse, wave A and B are corrective.

Wave B retraces more than 61.8% of A.

Wave B often shows a complete retracement to the end of the previous impulse wave.

Wave C shouldn't go beyond the end of A.

Normally wave C is at least equal to A.

In which wave

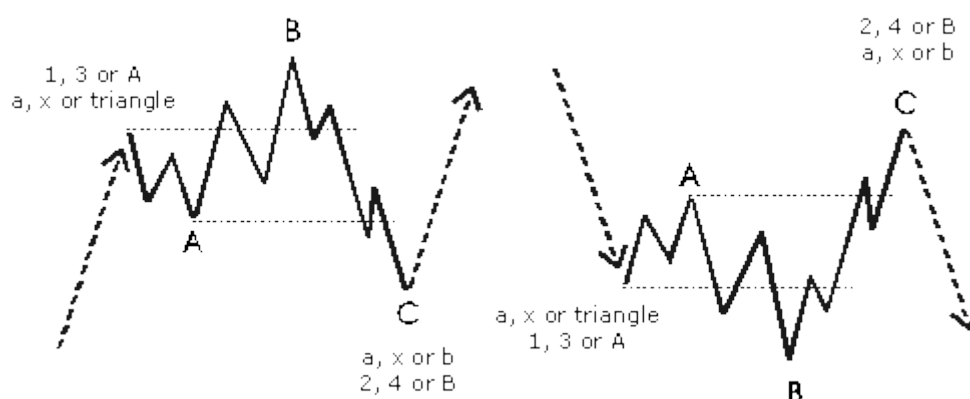
It occurs mostly in B waves, though also quite common in 4 and 2.

Internal structure

As mentioned before a Flat consists of 3 waves. The internal structure of these waves is 3-3-5. Both waves A and B normally are Zigzags.

c. Expanded Flat or Irregular Flat

Pattern



Description

This is a common special type of Flat. Here the B wave is extended and goes beyond the (orthodox) end of the previous impulsive wave. The strength of the B wave shows that the market wants to go in the direction of B. Often a strong acceleration will take place, which starts a third wave or an extended fifth. If the C wave is much longer than A, the strength will be less.

Rules and guidelines

- It is composed of 3 waves.
- Wave C is an impulse, waves A and B are corrective.
- Wave B retraces beyond the end of the previous impulse, which is the start of wave A. The C wave normally is much longer than A.

In which wave

This corrective pattern can happen in 2, 4, B and X. If it happens in 2 and C is relatively short, normally an acceleration in the third will take place.

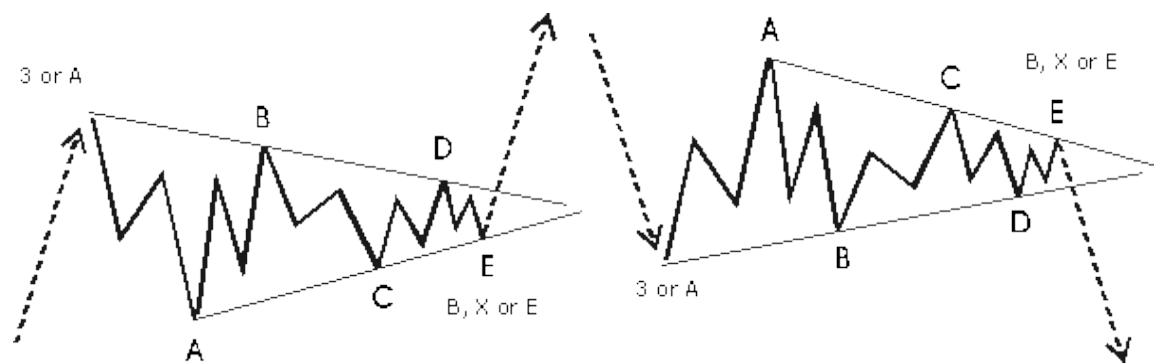
Internal structure

It is composed of five waves, which have an internal structure of 3-3-5.

c. Triangles

Contracting Triangle:

Pattern



Description

A triangle is a corrective pattern, which can contract or expand. Furthermore it can ascend or descend. It is composed of five waves, each of them has a corrective nature.

Rules and guidelines

- It is composed of 5 waves.
- Wave 4 and 1 do overlap.
- Wave 4 can't go beyond the origin of wave 3.
- Wave 3 cannot be the shortest wave.
- Internally all waves of the diagonal have a corrective wave structure.
- In a contracting Triangle, wave 1 is the longest wave and wave 5 the shortest. In an expanding Triangle, wave 1 is the shortest and wave 5 the longest.
- Triangles normally have a wedged shape, which follows from the previous.
- As a guideline the internal wave structure should show alternation.

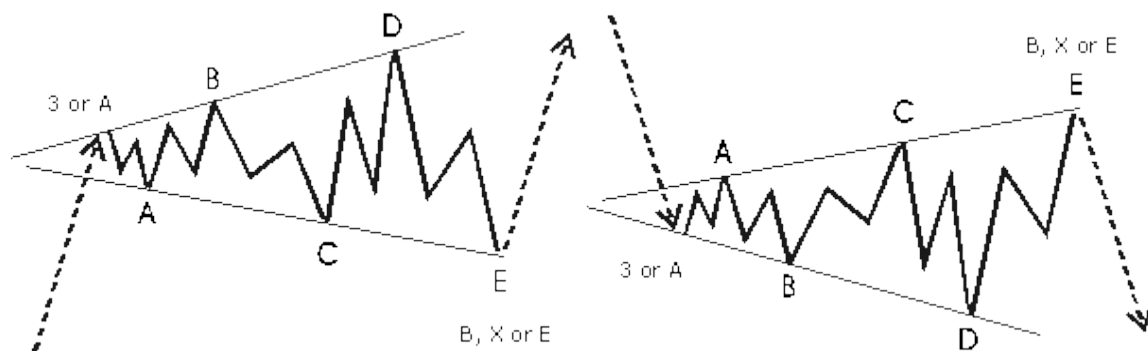
In which wave

Triangles occur only in waves B, X and 4. Never in wave 2 or A.

Internal structure

It is composed of five waves, of which the internal structure is 3-3-3-3-3.

Expanding Triangle:



Ascending Triangle:

This is a triangle, which slopes upwards. This pattern has been implemented in the Modern Rules.

Descending Triangle:

This is a triangle, which slopes downwards. This pattern has been implemented in the Modern Rules.

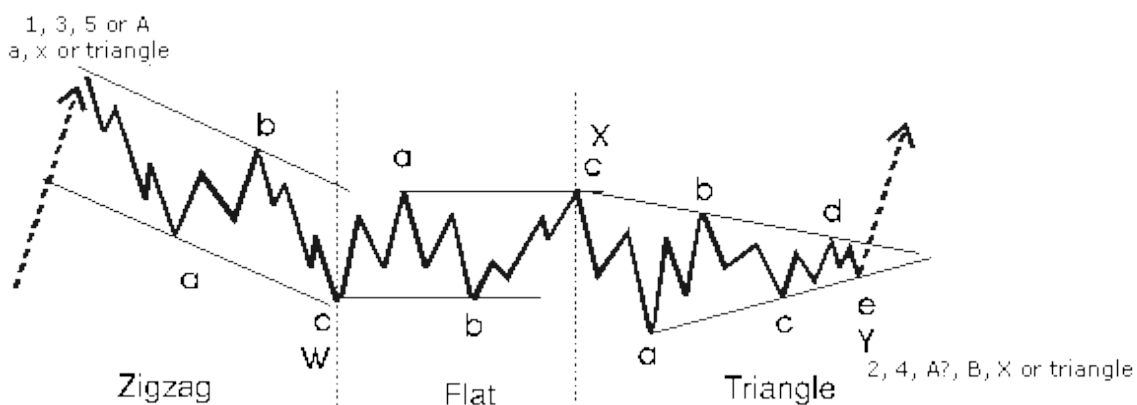
Running Triangle:

This is a triangle where the B wave exceeds the origin of wave A.

d. WXY or Combination

Many kinds of combinations are possible. Below a rather complex example has been depicted.

Pattern



Description

A Combination combines several types of corrections. These corrections are labeled as WXY and WXYXZ if it is even more complex. It starts for example with a Zigzag (wave W), then an intermediate X wave, then a Flat (wave Y) and so on. A so-called double or triple three is also a Combination, but this pattern combines Flats separated by X waves.

Rules and guidelines

- All types of corrective patterns can combine to form a bigger corrective pattern.
- The rules and guidelines, as mentioned for other corrective patterns apply.
- A triangle in a Combination should normally occur at the end.
- Corrective patterns in a Combination normally show alternation.

In which wave

Generally a Combination occurs mostly in B, X and 4, it is less common in A and rare in 2.

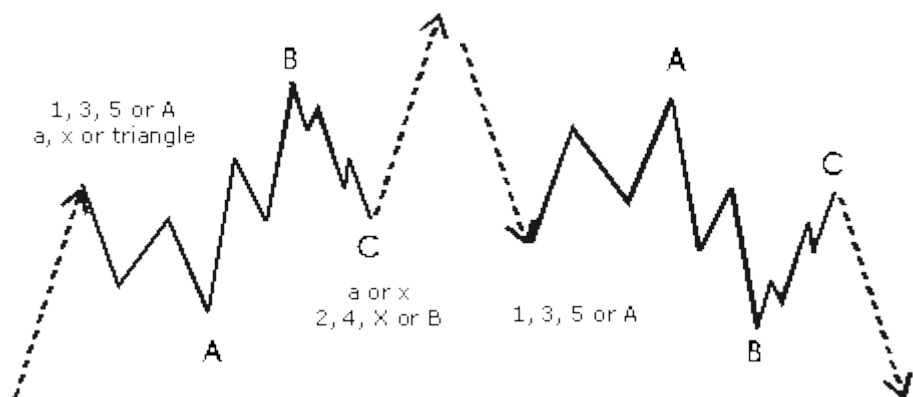
Internal structure

For example a Zigzag, followed by a Flat, followed by a Triangle has the following internal structure:

5-3-5(Zigzag)-5-3-5(X)-3-3-5(Flat)-3-3-3-3(Triangle).

e. Running Flat

Pattern



Description

The Running correction is a rare special form of a failure. This pattern is a kind of Flat, with an elongated B wave and a very small C wave. According to theory wave C should be so short that it doesn't get to the price territory of wave A. In our daily analysis we do not accept a C wave that fails to reach the price territory of wave A.

Instead of a running correction this could in theory be an extension in an impulsive wave, where the wave has subdivided in two (or more) 1,2 combinations. If the B is a clear three wave, then it is a Running correction, otherwise an extension. In practice there will not be any difference in market direction: in both scenarios the market will explode in the direction of the B wave, therefore we prefer to label it as an extension. For the sake of correctness we do included this pattern in our daily analysis.

Rules and guidelines

- The B wave must be composed of three waves.
- The C wave must be composed of five waves.
- Wave C must be very short and normally will not reach the price territory of A.
- Wave C must not retrace more than 100% of wave B but more than 60% of wave A.

In which wave

Most of the time it should occur in wave 2 or B.

Internal structure

It is a three-wave structure. The internal structure is 3-3-5.

X wave

Description

An X wave is an intermediate wave in a more complex correction. This wave is always corrective and can take many forms like a Zigzag, Double Zigzag, Flat, Expanded Flat, combination and a triangle.

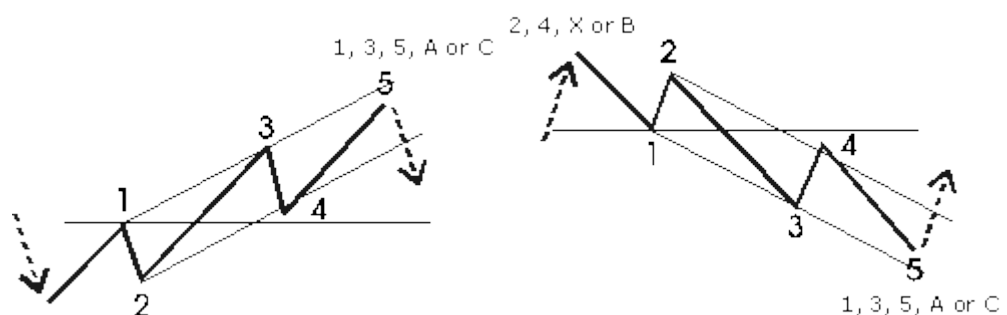
Modern Elliott Wave patterns

In our Modern Rules observations and analysis we have defined extra patterns that are mostly hybrid patterns derived from the known patterns that have existed from the beginning. In addition, we allow for the occurrence of more patterns in some waves. For example, wave 1 may also contain a diagonal1, diagonal2 and impulse 2 pattern, in addition to the other trend patterns, that a classic interpretation accepts.

I. Trends

a. Impulse 2

Pattern



Description

An Impulse 2 is an uncommon pattern that resembles a normal impulse considerably. In our daily analysis we allow for a maximum retracement of 51.5% for wave 4 in an impulse or other trend pattern. Of course sometimes the retracement of wave 4 could be 51.6% and an impulse would then be eliminated, in spite of the fact that the limit was exceeded by 0.1% only. Naturally the Elliott Wave does not apply this strictly and the Impulse 2 pattern corrects for this problem. Apart from this, we have witnessed a retracement up to 62% for a wave 4 frequently in intra day charts.

Rules and guidelines

The same rules and guidelines apply as with a normal impulse except for the following:

- Wave 4 is allowed to retrace between 51.5% and 62%, without penetrating the region of wave 1.
- As a guideline, wave 4 very often is a Zigzag.

In which wave

Impulse 2 patterns mostly occur in waves 1,A or C, never in a wave 3!

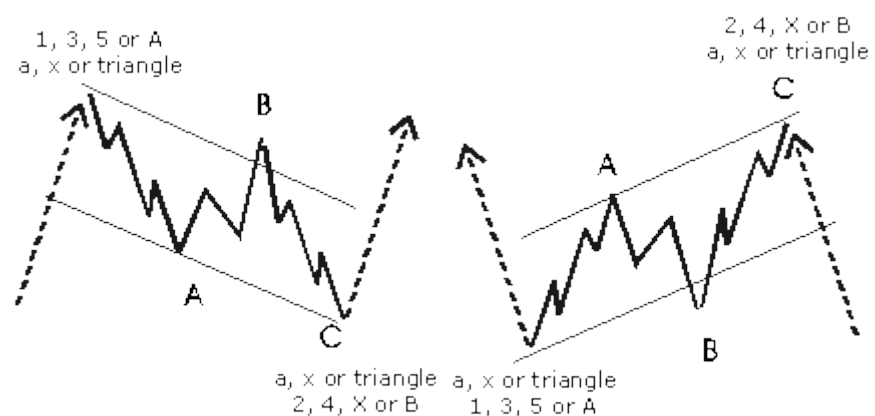
Internal structure

It is composed of five waves. The internal structure of these waves is 5-3-5-3-5. Note that the mentioned 3s are corrective waves, which could be composed of 5 waves in a corrective triangle.

II. Corrections

a. ZigzagFlat

Pattern

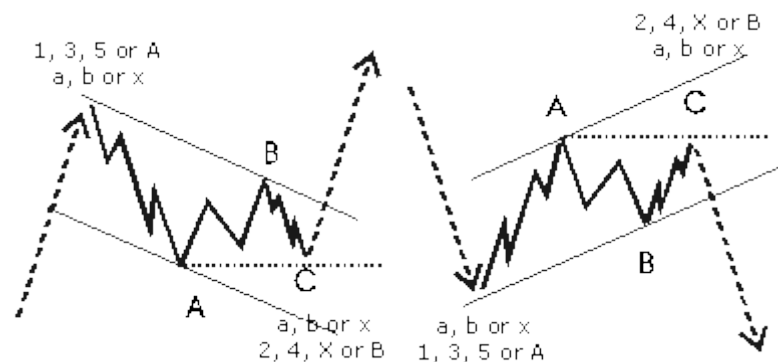


Description

It is a common pattern that is exactly the same as a Zigzag, except for the fact that the B wave is allowed to retrace more than 61.8% of wave A.

b. Running Zigzag

Pattern



Description

Apart from contracting Triangles, a failure in a corrective pattern happens when the C wave is shorter than wave A and fails to go beyond the end of A. This mostly happens in Running Flats and or in Zigzags. It indicates strength in the direction of the main trend.

Rules and guidelines

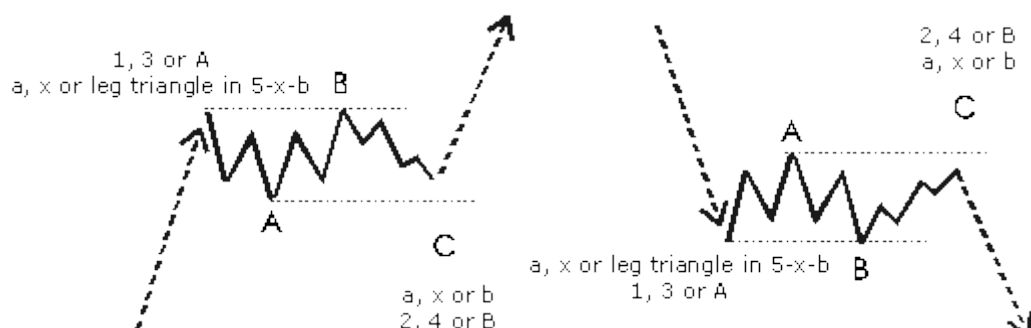
- The rules as mentioned with other corrective patterns apply.
- Wave C fails to go beyond the end of wave A.

In which wave

Failures can occur in a C wave of wave 2, in a C or E wave of wave 4, in a C wave of wave B or X.

c. Failed Flat

Pattern

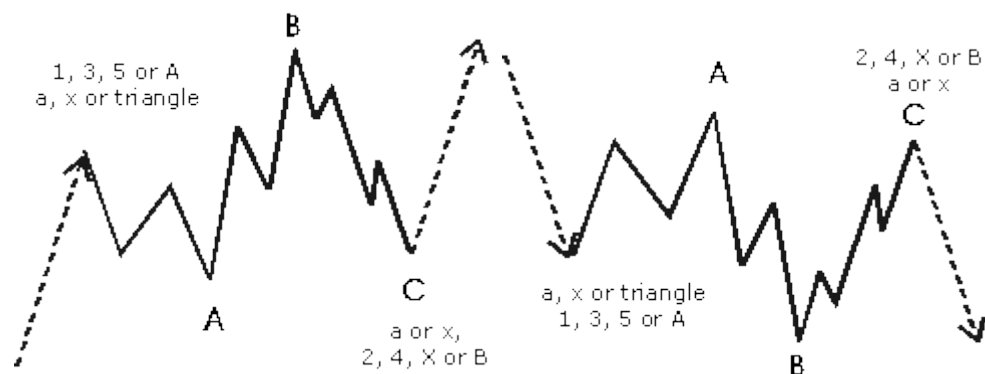


Description

This pattern is exactly the same as a Flat, except for the fact that wave C does not reach the end of wave A and therefore is shorter than wave B.

d. Running Flat (modern)

Pattern



Description

This pattern is exactly the same as a Running Flat, except for the fact that it must retrace more than 60%, if not we consider it to be a normal Running Flat. This distinction is necessary, because normally a Running Flat is rare. But if it retraces more than 60% and still fails to reach the end of wave A, it suddenly becomes much more probable the pattern will occur. In which case it will get a much higher score.

e. Ascending and descending Triangles

Description

These are mentioned under the Triangles description in the Classic patterns section. Basically these patterns are the same as common contracting triangles, except for the fact that ascending and descending triangles slope up or down.

2010 © BJF Trading Group inc.

<http://iticsoftware.com>

<http://elliottindicator.com>