

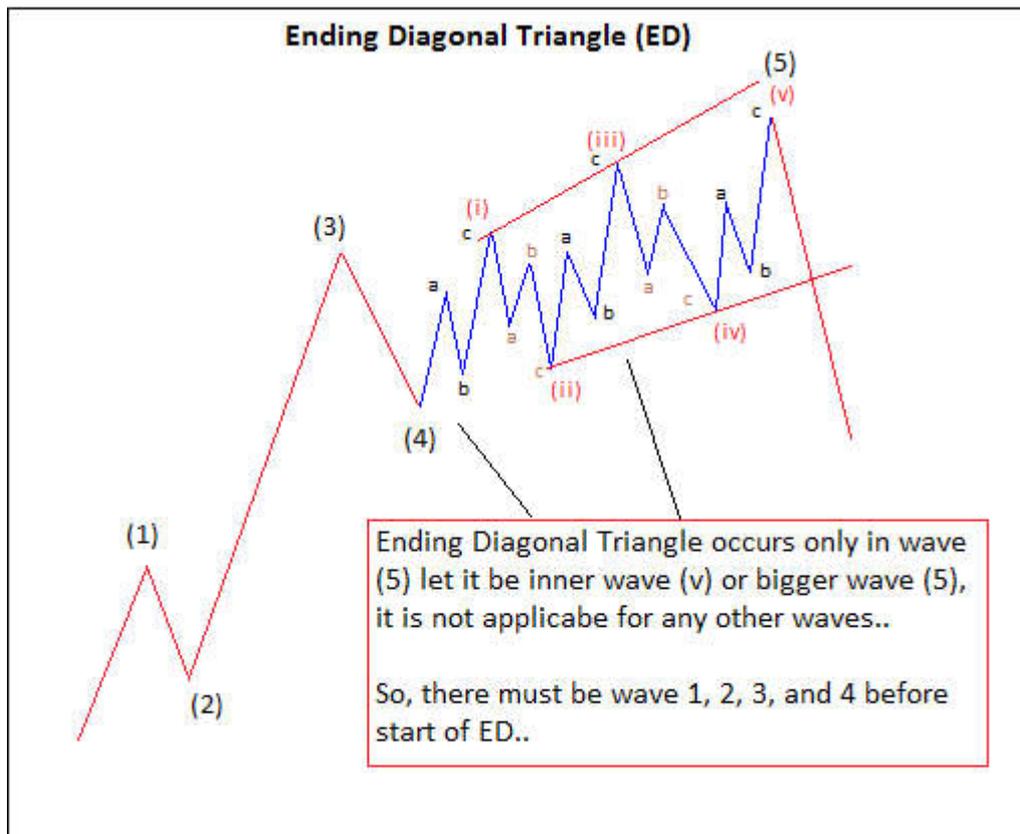
Ending Diagonal Triangle (ED)

Ending Diagonal Triangle also called as ED in short is one of the complex patterns of Elliott Wave Theory which is the part of main proceeding trend. Many analysts and learners find it difficult to identify this pattern accurately because of ignorance or lack of knowledge about the rules and its inner wave calculations.

So in this article, I am going to explain Ending Diagonal Triangle pattern in details with its structure, rules and inner wave calculation which is going to make sure that whenever you observe this pattern, you identify it perfectly and accurately.

Ending Diagonal Triangle:

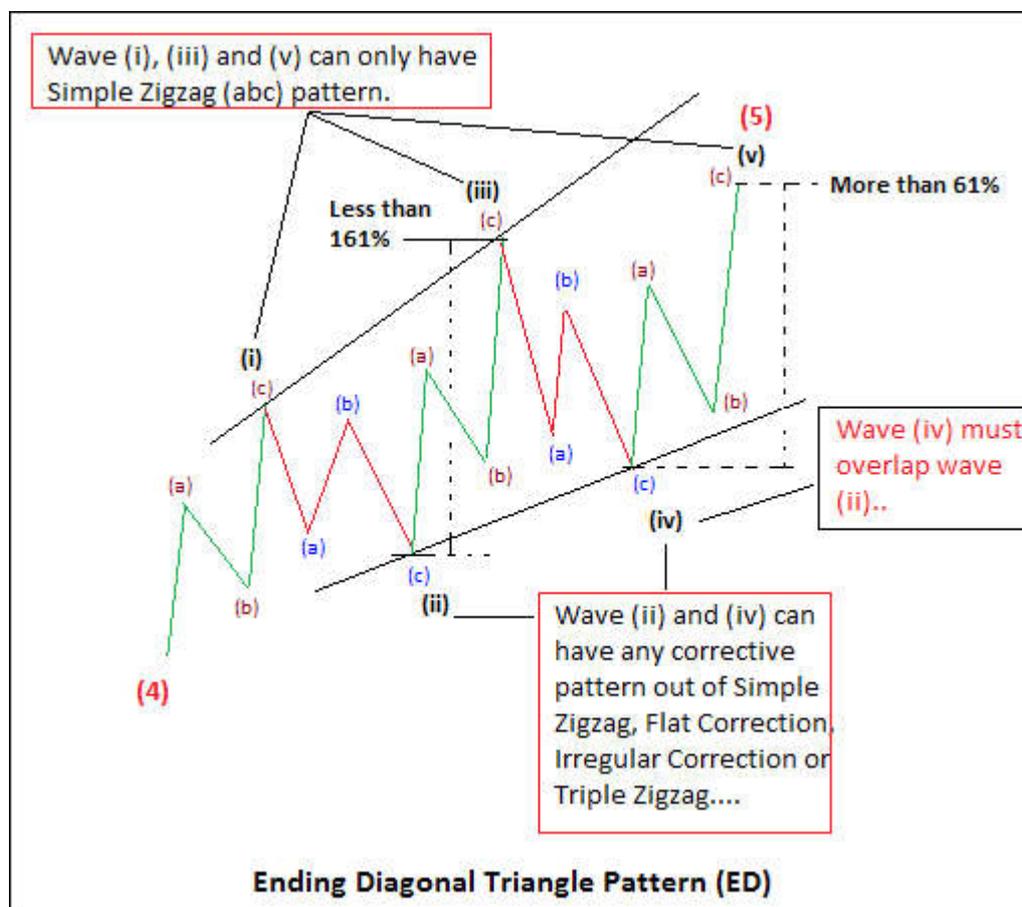
First and most important is to remember that Ending Diagonal Triangle pattern occurs only in wave (5) of any impulse let it be a wave bigger wave (5) or inner wave (v) of any degree. So whenever you are observing something like ED, you need to make sure that there is wave (1), (2), (3) and (4) before start of this pattern because ED cannot happen anywhere, it is always a wave (5). And please remember that Inner wave (5) of Impulse can only be ED, but inner wave (v) of ED cannot be ED. See (Image 1).



Example of Ending Diagonal Pattern

Pattern of Ending Diagonal Triangle:

- Ending Diagonal Triangle (ED) comprises of 5 inner waves with 3-3-3-3-3 pattern. All the 5 waves of ED have 3 wave's (abc) pattern that's why we call it 3-3-3-3-3. And within those 5 waves,
 - Waves (i), (iii) and (v) is always a Simple Zigzag (abc).
 - Wave (ii) and (iv) can have any corrective pattern out of Simple Zigzag, Flat Correction, Irregular Correction and Triple Zigzag (combination of 'abc' patterns).
- Wave (iv) always overlap wave (ii) in Ending Diagonal Pattern. Normally wave (iv) can never overlap (ii) in a five wave's impulsive move but Wave (iv) must overlap wave (ii) in ED. Actually overlapping of wave (iv) with (ii) only makes it Diagonal otherwise it would be impulse. Though wave (iv) always enters the range of wave (ii) but wave (iv) can never break below the start of (ii).
- Inner wave (iii) of Ending Diagonal can never be extended wave, means it can never project more than 161%. And wave (v) is extended most of the time, means it project more than 61% most of the times. Its inner waves follows the same rule of alternation that either one of wave (iii) and (v) needs to be extended. Because wave (iii) cannot be extended in ED, so wave (v) needs to be extended.



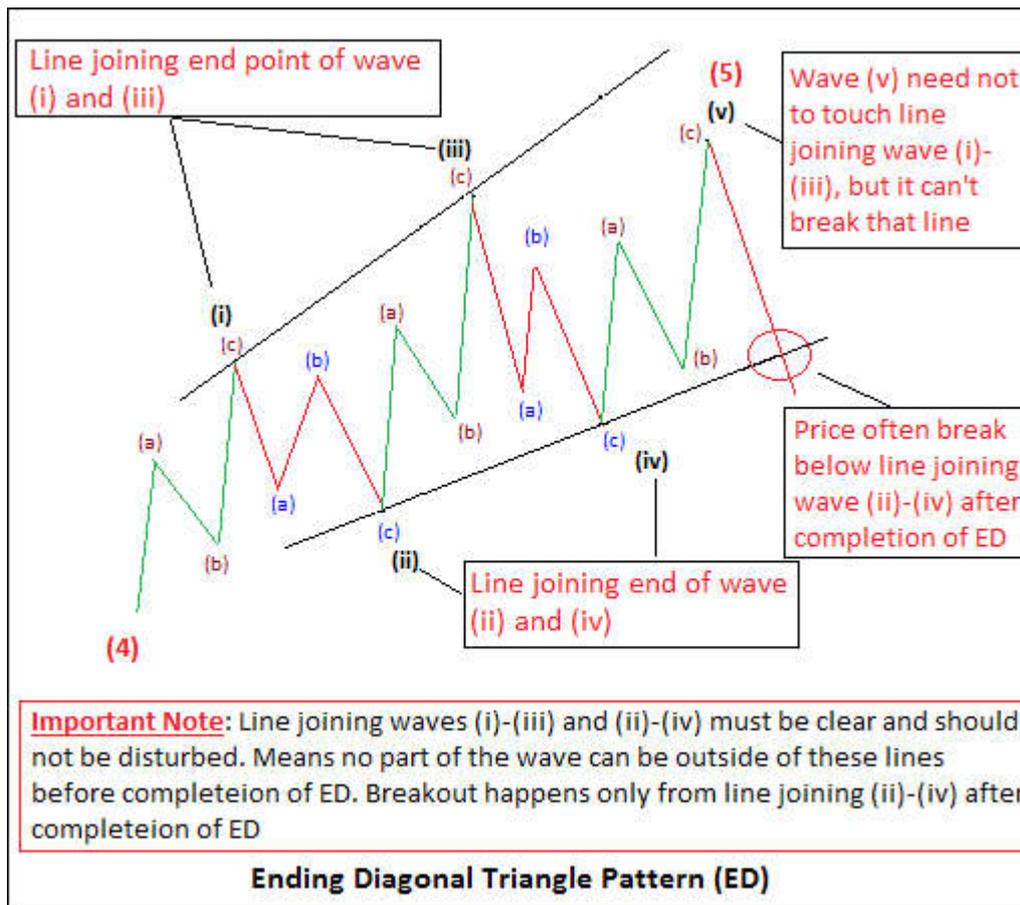
Pattern of Ending Diagonal Triangle

Drawing the pattern of Ending Diagonal Triangle (ED)

ED is always a closed pattern which forms a Wedge or Channel that's why we call it a Ending Diagonal "Triangle" because it always form a closed triangle pattern (Expanding or converging) or parallel wedge. And there is a definite way to draw the lines of pattern. Most of the analysts and learners make mistakes in drawing the lines of ED and mark it in a wrong way. So let me explain the only perfect way to draw the lines and importance of these lines.

First thing to remember is, ED is always a closed pattern and can never be an open pattern. So, always draw the lines whenever you are expecting or observing an Ending Diagonal. Even drawing the line will solve your maximum confusions. And the rules to drawing lines are: –

1. There are 02 lines in ED pattern (upper and lower) and one line must be drawn by joining end point (tip) of wave (i) and (iii) and other line must be drawn by joining end point of wave (ii) and (iv). Many analysts draw line from start of wave (i) which is not the correct way.
2. Both the lines joining wave (i)-(iii) and (ii)-(iv) can never be disturbed. Means no part of any wave should be out of these lines until the ED is completed. If you are expecting an ED but these lines are disturbed or broken then either you are marking it wrong or it is not Ending Diagonal.
3. Last wave (v) of ED need not to touch the line joining (i)-(iii). Wave (v) of ED just needs to break the end of wave (iii) and to achieve its minimum Fibonacci projection. The minimum limit of inner wave (v) of ED is end point of wave (iii) and maximum limit is the line joining wave (i)-(iii). Wave (5) can never break out of the line joining (i)-(iii).
4. Breakout always happens from the line joining wave (ii) and (iv) after completion of ED. Means you can always expect price to break below/above the line joining waves (ii)-(iv) after completion of wave (v) of ED. The price may not break out of the line joining (ii)-(iv) and next correction may complete without breaking this line in rare cases if the ED is a part of inner wave (3), but it is a very rare case.

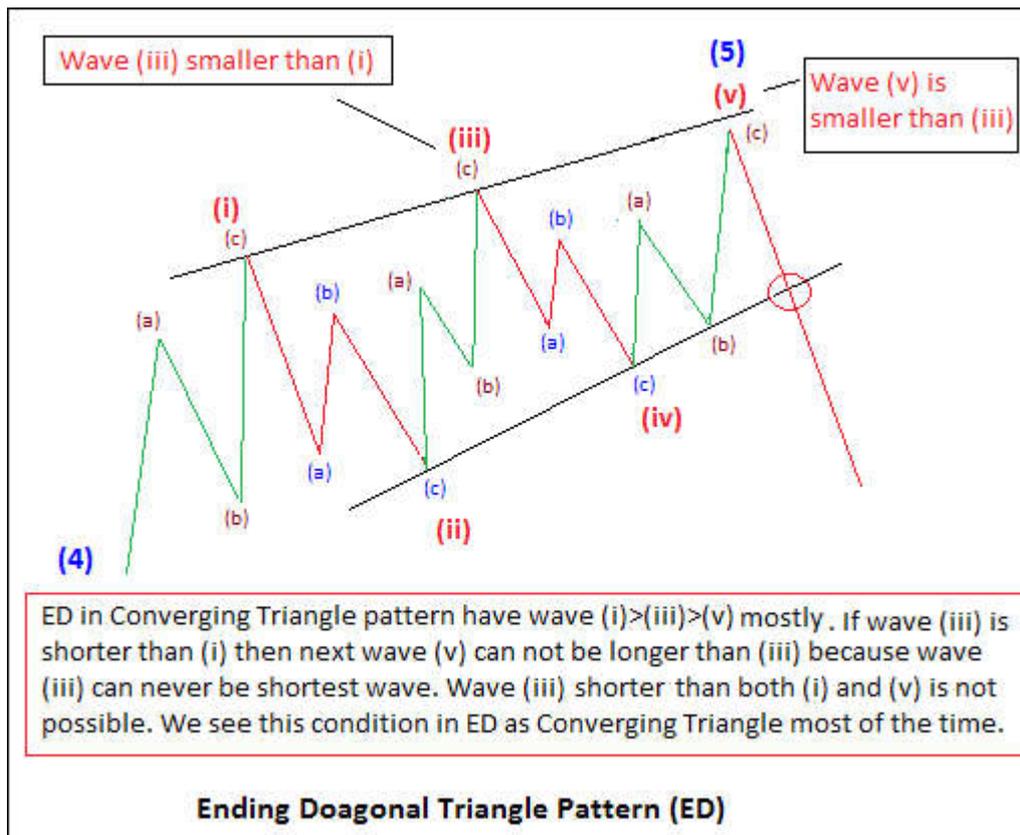


Correct way to draw lines of Ending Diagonal Triangle

Structure of Ending Diagonal Triangle:

Many analysts argue that Ending Diagonal can be Converging Triangle only and some says it can be Expanding Triangle only but I observed this Ending Diagonal Triangle in all forms. ED can either be in Expanding Triangle, Converging Triangle or in Parallel Wedge form. There is no such definite rule about types of triangle, only rules and calculation must match. But, I have observed Ending Diagonal as Expanding Triangle in most of the cases and Converging Triangle or Parallel wedge in very limited cases.

All the example given above I have explained on ED as Expanding Triangle, let me give you an example of ED as Converging Triangle.



Ending Diagonal as Converging Diagonal

Ending Diagonal can be converging triangle also as I explained in (Image 4), please pay attention carefully. And in ED as Converging Triangle, most of the times wave (i)>(iii)>(v). Means wave (iii) is shorter than (i) and then next wave (v) is shorter than (iii).

Whenever you are seeing wave (iii) is shorter than (i), you must expect wave (v) short than (iii). Because it is a definite rule of Elliott wave theory that wave (iii) can never be shortest wave. So, when wave (iii) is already shorter than (i) then it can never be shorter than (v). Rule of extensions or alternations is not applicable in this condition.

This condition of wave (i)>(iii)>(v) can happen in any form of Triangle (Expanding, converging or parallel) depending upon the speed of inner waves but it is mostly seen in ED as Converging Triangle.

Important facts about Ending Diagonal Triangle:

Generally you should not try to imagine Ending Diagonal Triangle in advance unless you are experienced as it is a complex pattern and can take any shape. you must wait for the completion of this pattern as it is very easy to identify when it is completed and you can plan a very good low risk high reward trading plan for reversal.

Good experienced analysts can succeed in Identifying this pattern when it is within wave (iii) after seeing repeated (abc) patterns and can catch wave (iv) and (v) very accurately point to point with the help of lines and calculations as ED has definite pattern. The same I have proved many times earlier and continue to show in future.

We often see a very sharp reversal after completion of Ending Diagonal Pattern especially when ED is a bigger wave (5) of main trend. The effect may not be so strong if ED is an inner wave (v) of bigger (3).

Summary of Ending Diagonal Triangle:

1. ED is always a wave (5) or C
2. **ED always have 3-3-3-3-3 pattern**
3. Wave (4) or (iv) always overlaps wave (2) or (ii) in ED.
4. Inner wave (3) or (iii) can never be extended and inner wave (5) or (v) is extended most of the time.
5. ED always moves in a closed pattern either as Expanding Triangle, Converging Triangle or Parallel Wedge.
6. Lines of ED always drawn by joining waves (i)-(iii) and (ii)-(iv) and these lines should not be disturbed until ED is completed.
7. Breakout always happens from the line joining waves (ii)-(iv) after completion of ED.
8. We often see a sharp reversal after completion of ED.

Note:

I have denoted waves as (1), (2), (3), (4),(5) and (i), (ii), (iii), (iv), (v) in this article. All these waves (1) or (i) are same, it is just marked to differentiate between lower and higher degree waves otherwise there is no difference in rules and nature.

I have explained this article on imaginary images because my main aim is to make the readers to understand the concept thoroughly. Otherwise I have explained this pattern practically on real charts in many of my analysis reports and will continue to explain in my further analysis reports. So keeps paying attention to my analysis reports as it will be great learning experience when you will see this pattern forming live on real chart. It is very easy to show examples on old chart but it doesn't give learning experience. Still I am including some previous charts with Ending Diagonal Pattern to show how it looks like on real charts.

Examples of Ending Diagonal Pattern on real charts:

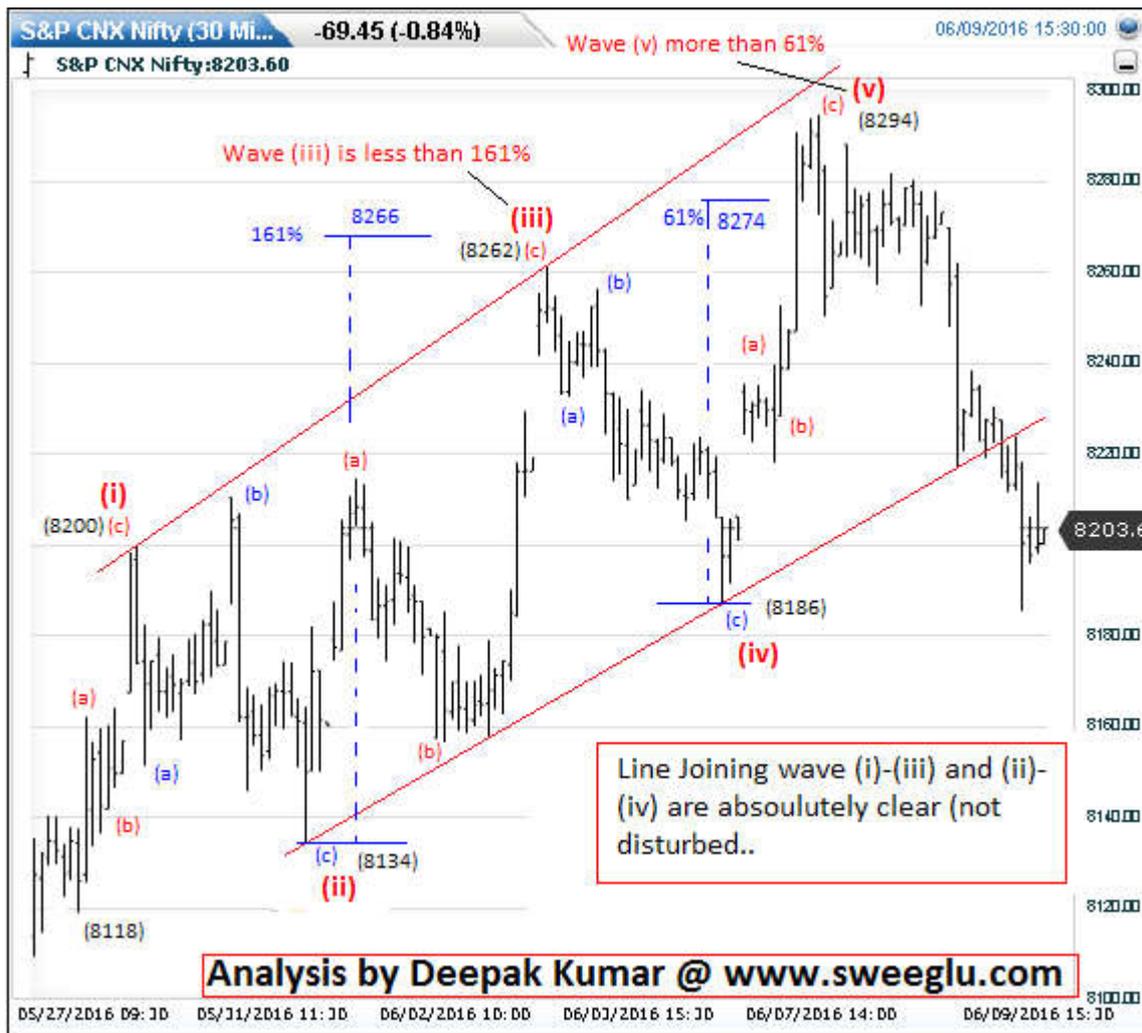


Ending Diagonal as Converging Diagonal



Example of Ending Diagonal Triangle on Nifty Chart

This Ending Diagonal Triangle completed on small time frame on 11 April 2016. This ED have wave (i)>(iii)>(v) followed by great reversal. Though, I have not posted the same analysis report on my blog.



Example of Ending Diagonal Triangle on Nifty Chart

There are many more examples on old chart but the real experience only comes when you see forming it live. That is the reason I don't give much importance to old examples, these pattern forms frequently and just wait to form it in future to see it forming live and I will definitely explain it in my analysis reports whenever I see any indications of Ending Diagonal Triangle.

About the Author

Deepak Kumar is an independent Technical Analyst, regular practitioner and Trainer of Elliott wave theory applying Elliott's Wave Principles on Indian Markets successfully since 2011 and made many accurate predictions. He is also the author of book "Practical Application of Elliott's Wave Principles by Deepak Kumar"

Link:

<http://sweeglu.com/ending-diagonal-triangle-ed-pattern-of-elliott-wave-theory-explained-by-deepak-kumar/>