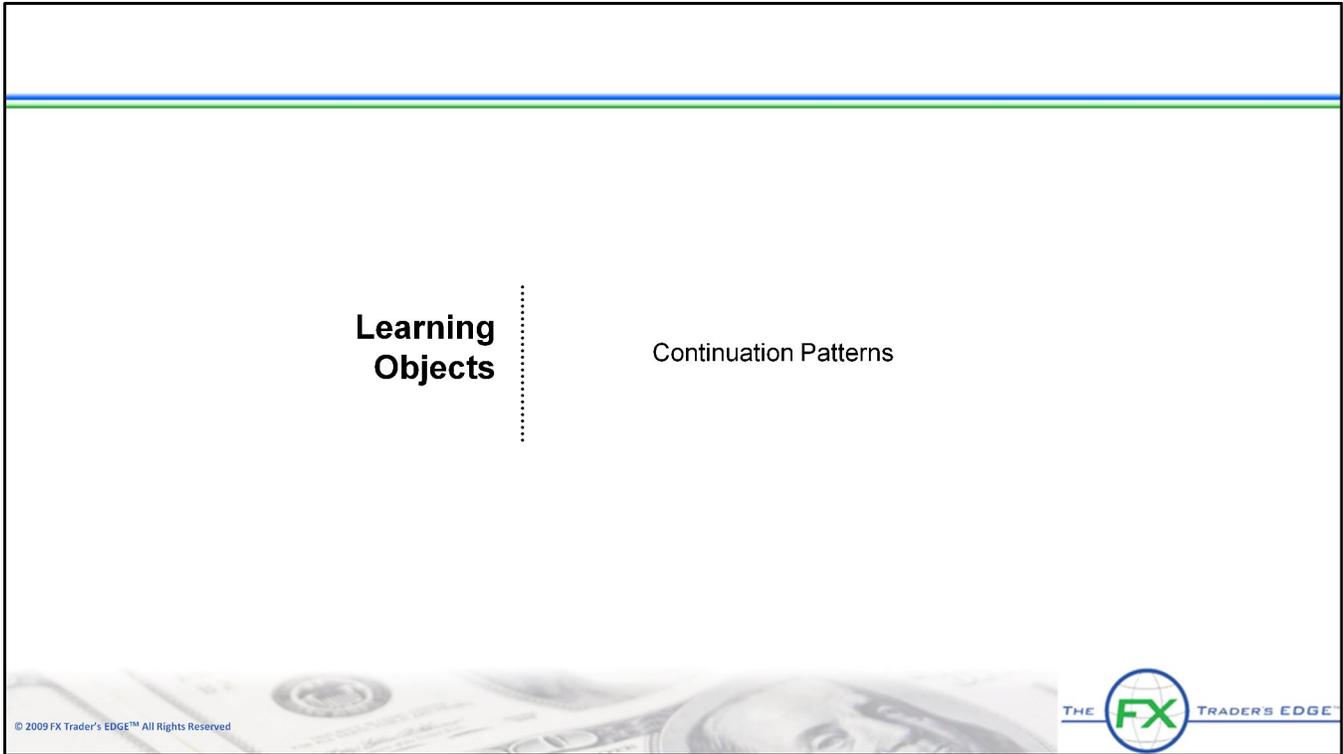




Module 3 Corrective Patterns



By now, we have completed the second Learning Object of Module 3 Corrective Patterns and learned about:

Mathematical Applications, and
Retracements and Targets

In this Learning Object, we will learn about:
Continuation Patterns

What if I told you that at the end of this Learning Object, you will be able to see the connection between common continuation patterns in classical technical analysis and Elliott Wave corrective patterns. Would that take some of the mystery out of the Elliott Wave?

The first rule of focus is this:

**“Wherever you are,
make sure you’re there”**

Dan Sullivan

QUOTE

Dan Sullivan, Strategic Coach Founder, has this to say about the first rule of focus:

"Wherever you are,
make sure you're there."

You have taken the leap into learning the Elliott Wave Principles. Again, we congratulate you! We are almost $\frac{3}{4}$ of the way there. Please continue to learn at your own pace so that at the end of this course, you will be fluent in Elliott Wave Principles. We look forward to applying these principles together after you've completed the course. So, "Wherever you are, make sure you're there."

Elliott Wave Pattern

Classical Chart Patterns

Look for chart patterns in price data
Understand they can be explained by Elliott Wave

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The Elliott Wave Principle attempts to provide order to the markets by providing a framework within which market moves occur. We have now looked at the various patterns which fit into this framework. Elliott's interpretation of chart patterns parallels the classical use of these patterns but with added precision. To apply Elliott Wave analysis correctly, one needs to look for the chart patterns in the price data, and understand that they can be explained by the wave principle. EW Analysis places continuation chart patterns such as triangles and bull and bear flags into perspective, when counting waves. As well, there is a place for such reversal patterns as head and shoulder formations, 1-2-3 patterns, rising and falling wedges, and double and triple tops and bottoms in Elliott Wave Analysis. We already looked at these classic reversal patterns in Module 2.

CONTINUATION CHART PATTERNS

Chart Pattern	Elliott Wave Pattern
Bull or bear flag/pennant	Zigzag A-B-C pattern
Triangles (symmetrical, ascending, descending, expanding)	A-B-C-D-E 4 th wave consolidation (sometimes wave 2)
Rectangle formation	Flat corrective wave

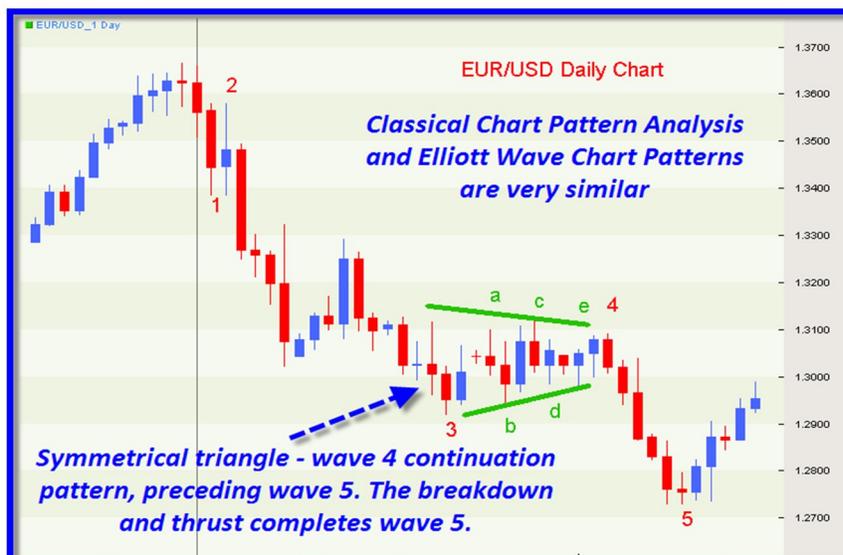
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Let's look at some examples of the continuation patterns. The classic bull or bear flag or pennant looks exactly like a zigzag pattern which is typical in wave 2 or 4 positions. The bull flag is a continuation pattern in a rising market. The bear flag is a continuation pattern in a falling market. Triangles are the same in both languages, and the measuring objectives are similar as well. Finally, the rectangle formation looks exactly like a Flat corrective wave in Elliott Wave Analysis.

By studying and recognizing chart patterns, one can easily apply them to Elliott wave counts and analysis.

EXAMPLE 1



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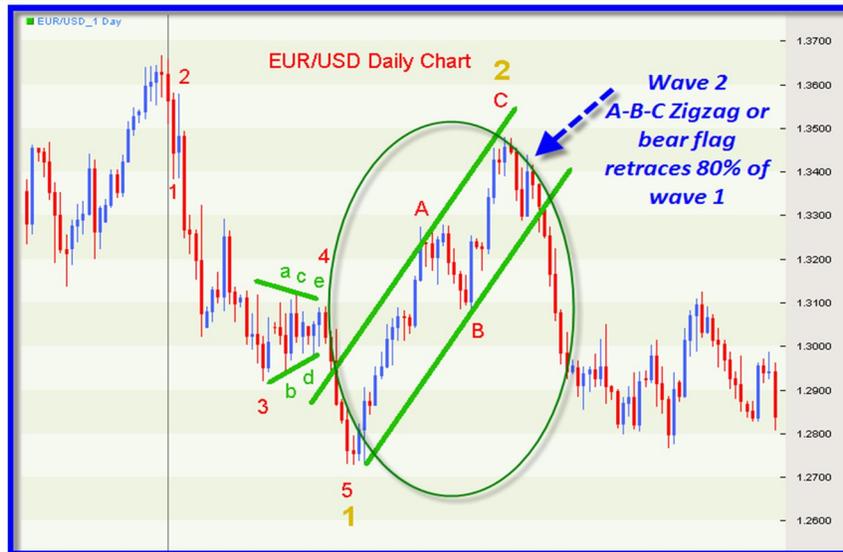
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Example of a EUR/USD continuation pattern –

This daily EUR/USD chart from January to May 2005 illustrates the many similarities between classical chart pattern analysis and Elliott Wave analysis. The first pattern is a symmetrical triangle which shows up as a wave 4 continuation pattern, preceding wave 5. The breakout and downward thrust completes wave 5. The measuring technique is to measure the height of the vertical line at the widest part of the triangle (the base) and measure that distance from the breakout point.

EXAMPLE 2



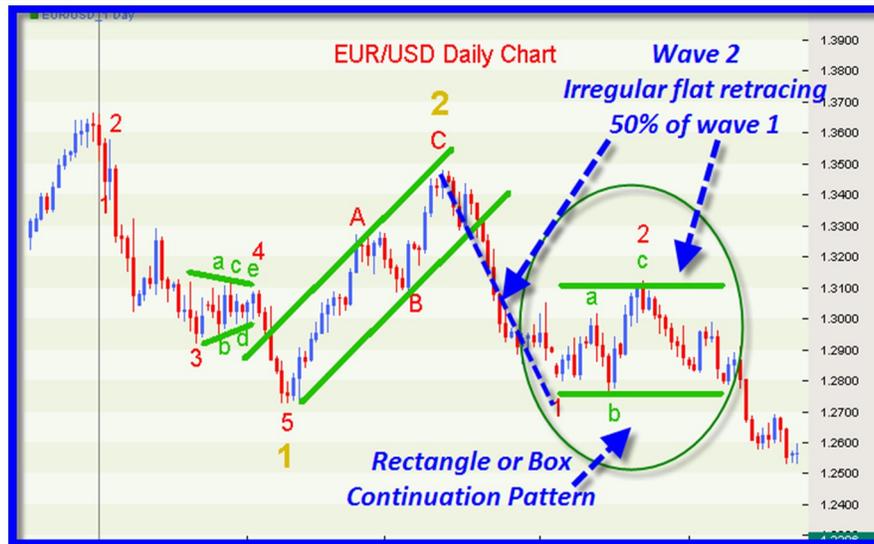
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The second pattern is a bear flag which in Elliott terms is an ABC zigzag pattern. The pattern is corrective and in this case, wave 2 corrects wave 1.

EXAMPLE 4



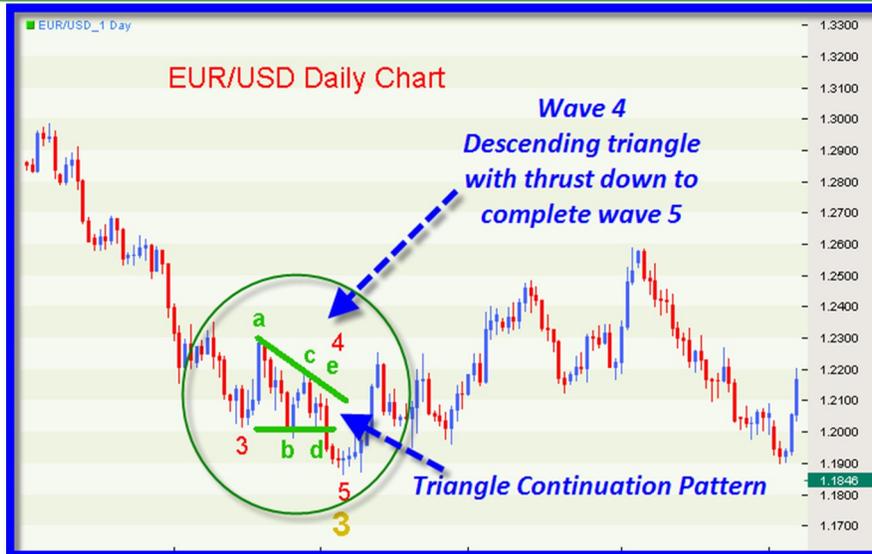
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The 3rd pattern is an irregular flat correction, where b makes a new low below the previous wave 1, and c travels above the start of wave a. If this were a regular flat correction, it would look like a rectangle formation.

EXAMPLE 4



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This chart is the EUR/USD daily from May to November 2005. The first pattern is a descending triangle which shows up in a 4th wave position of wave 3. The breakout of this pattern concludes the sub-wave 5 of the wave 3. Also note the declining tops and flat bottom in the descending triangle.

EXAMPLE 5



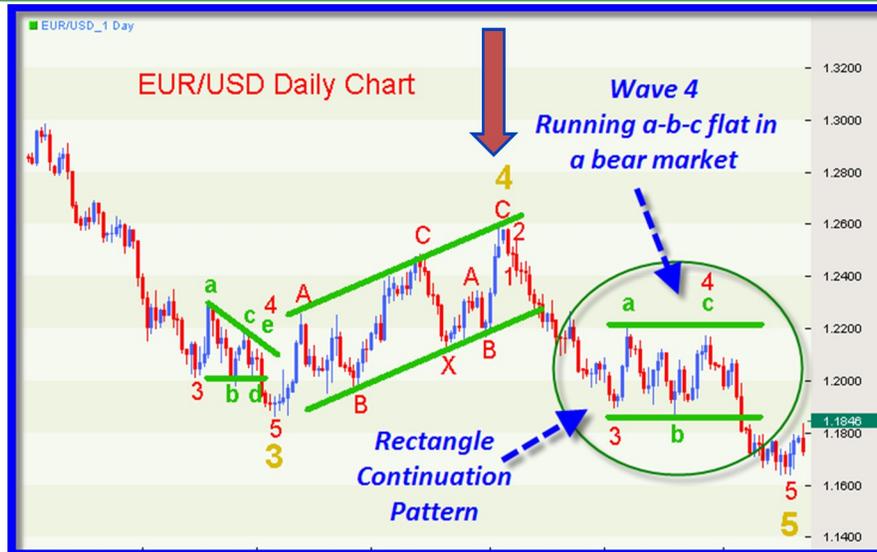
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The second pattern is a running abc flat which also shows up in the 4th wave position, but in wave 5. The running abc flat is akin to a rectangle formation in classic chart pattern analysis.

EXAMPLE 6



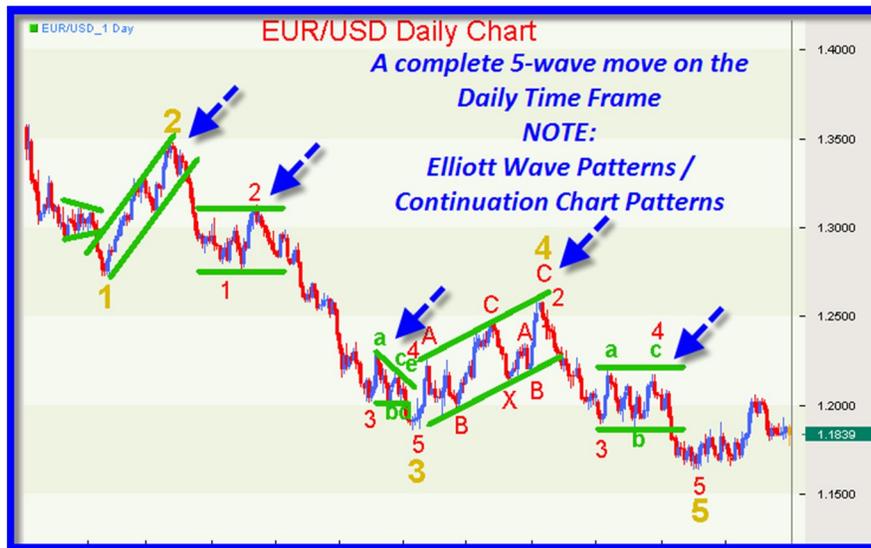
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This daily EUR/USD chart from May to November 2005 breaks down this wave 4 correction, which corrects wave 3 of the larger sequence. This is a double zigzag with its ABC – X – ABC components. This is a double 3 combination that we learned about earlier.

EXAMPLE 6



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Summary Slide

End of Learning Object
Quiz Break



This is the conclusion of the Learning Object. Quiz Break.