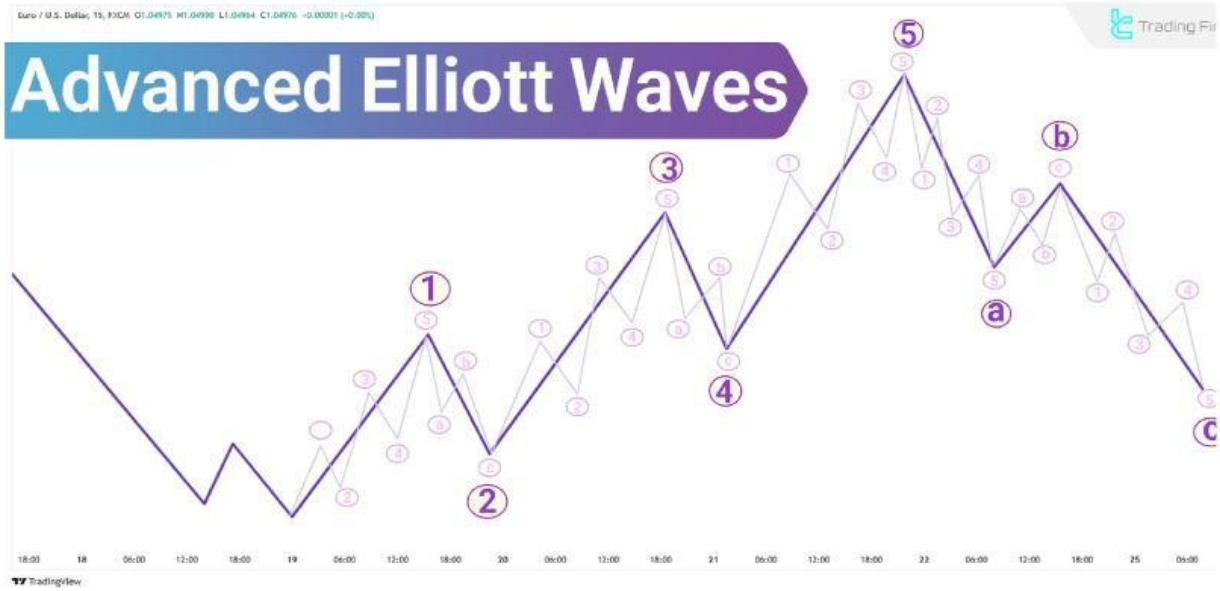
Advanced Elliott Waves Education; Impulse and Corrective Waves

The Elliott Wave Theory in **technical analysis** is used to describe price movements in financial markets.

This concept was developed by **Ralph Nelson Elliott** after identifying repetitive fractal wave patterns and was divided into two parts: **impulse waves** and **corrective waves**.



Elliott Waves in Technical Analysis

Inspired by the Dow Theory**, Elliott's theory** was able to simulate repetitive market patterns and provide accurate predictions.

In this method, **market movements** are defined as sequential and fractal waves that can be identified in prices and **consumer behavior**.

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What Are Elliott Waves?

The **Elliott Wave** Theory (Elliott Wave) generally examines price movements in the direction of the main trend in five waves, called **impulse waves**, and trend corrections in three waves, called **corrective waves**.

In this model, impulse waves are labeled 1 to 5, and corrective waves are labeled a, b, and c. These **patterns** are visible in both long-term and short-term charts.

Smaller patterns usually nest within **larger ones**. By combining these patterns with the principles of **Fibonacci** and Dow theories, future market movements can be predicted, and trading **opportunities** can be identified.

Fibonacci to identify the targets of impulse and corrective waves in **Elliott Waves**.

For example, the key Fibonacci levels for impulse waves are as follows:

- **Wave 2** typically retraces 50%, 61.8%, 76.4%, or 85.4% of Wave 1;
- **Wave 3** usually extends to 161.8% of Wave 1;
- **Wave 4** often retraces 14.6%, 23.6%, or 38.2% of Wave 3;
- **Wave 5** is usually between 1.236 to 1.618 times Wave 4 and is equal to Wave 1 or 61.8% of the combined length of Waves 1 and 3.

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Characteristics of Impulse Waves

Impulse waves consist of 5 waves that are drawn in the direction of the main market trend. Below, we examine each wave.

Wave 1 of Elliott Impulse

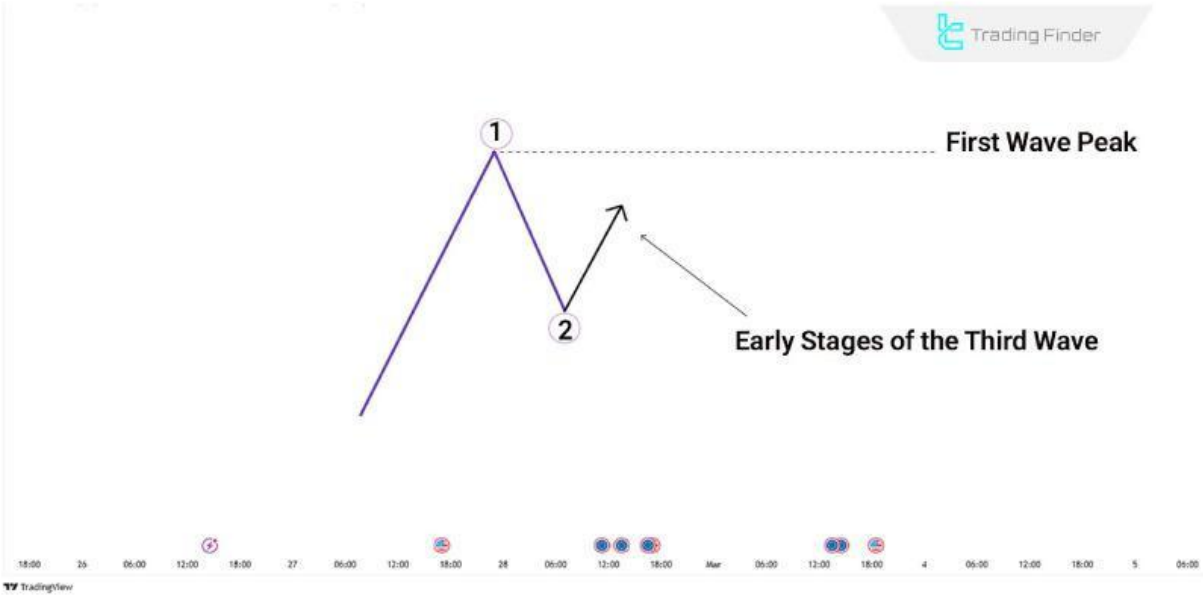
Wave 1 marks the beginning of a new trend in the market and usually indicates a **major market** trend reversal.

At the start of Wave 1, trading volume is low because the **market** has not yet recognized the trend change, and most traders have not confirmed **the reversal**.

Wave 2 of Elliott Impulse

Wave 2 in impulse waves is known as the first corrective wave after Wave 1. This wave is usually **a corrective movement** in the opposite direction of Wave 1, providing an **opportunity** to re-enter **the new trend**. Rules for forming Wave 2 in Elliott Waves:

- Volume in Wave 2 should be lower than in Wave 1;
- The price increase is usually less than 61.8% of the movement in Wave 1;
- The price movement is accompanied by a decline.



How Wave 2 of Elliott Impulse Waves (Elliott Wave) works

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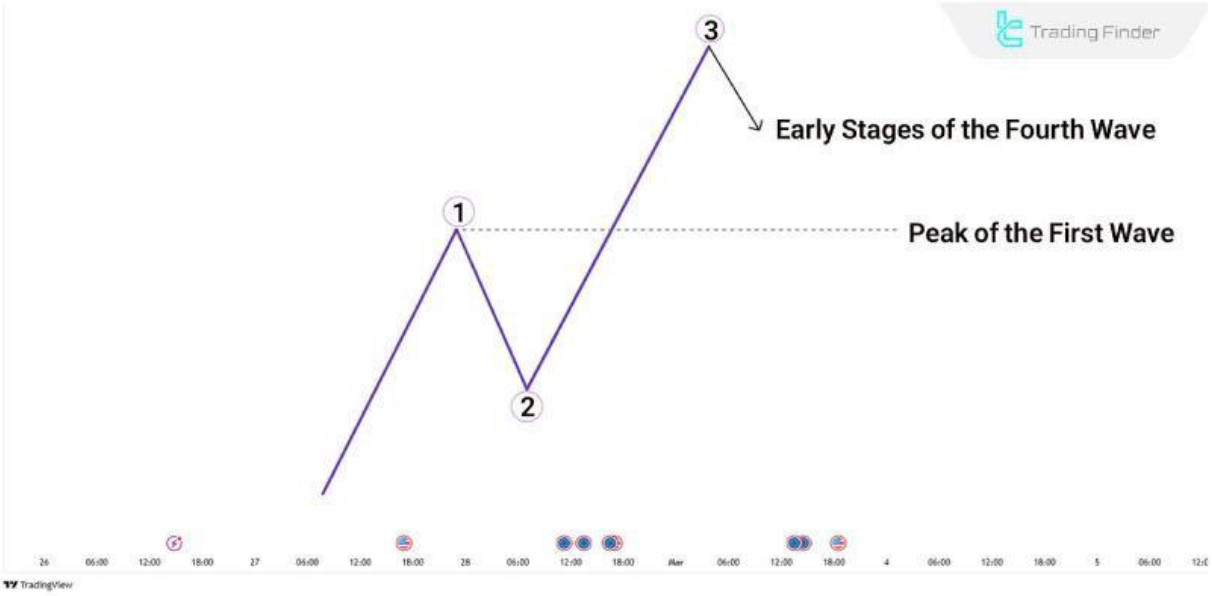
Wave 3 of Elliott Impulse

Wave 3 is usually the **strongest** and **most dynamic** wave in impulse waves, confirming the direction of the new market trend.

This wave is often accompanied by increased **trading volume** as more traders join the trend, and it grows at least **1.618** times Wave 1.



How Wave 3 of Elliott Impulse Waves (Elliott Wave) works

Wave 4 of Elliott Impulse

Wave 4 is a corrective wave that shows a temporary pause in the **main trend** and a reduction in **market excitement** before entering Wave 5.

This wave usually has a **complex structure**, and trading volume decreases in it. One of the most important rules of Wave 4 in advanced Elliott Waves is that it should not enter the territory **of Wave 1**.

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Wave 5 of Elliott Impulse

Wave 5 is usually the final movement in the direction of the main trend, after which a major correction (a-b-c pattern) occurs.

Professional traders **exit** the market at this stage, while novice traders may **enter** due to excessive excitement.

Types of Impulse Waves

Elliott Impulse Waves consist of five waves that move in the direction of the main trend and may form a larger wave in higher timeframes. Types of Elliott Impulse Waves:

- **Impulse Wave**
- **Impulse with Extension**
- **Diagonal Wave**

Impulse Waves

Impulse Waves are one of the **main phenomena** in Elliott Theory, forming a **powerful movement** in the direction of the main market trend.

These waves usually consist of five **sub-waves**, including three **impulse** waves and two **corrective** waves.

Fibonacci Settings for Impulse Waves

Fibonacci settings for impulse waves are as follows:

- **Wave 2** typically retraces 50% to 61.8% of Wave 1;
- **Wave 3** is usually 1.618 times Wave 2 or more;
- **Wave 4** often retraces 23.6% to 38.2% of Wave 3;
- **Wave 5** can be equal to Wave 1 or 0.618 to 1.618 times Wave 3.

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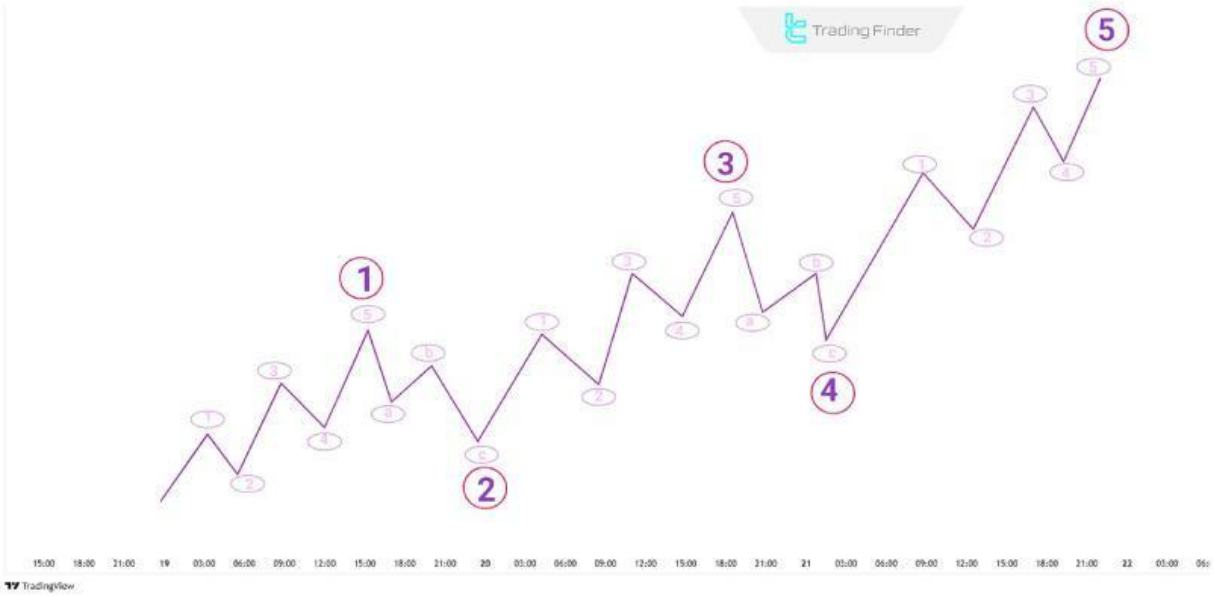
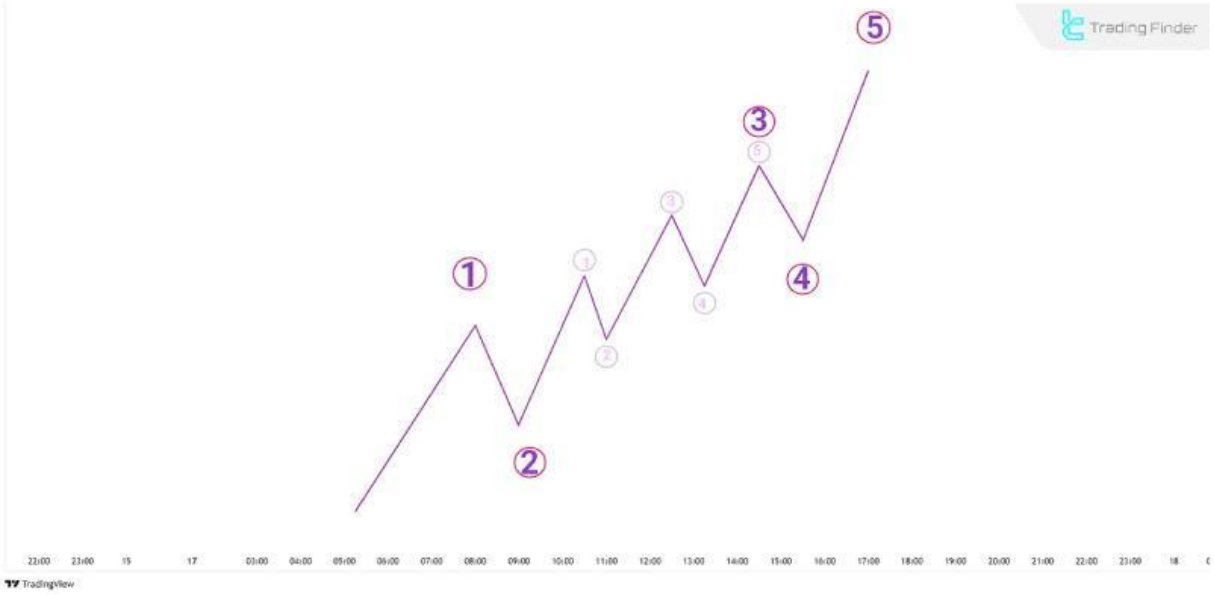


Formation of Impulse Waves in Elliott Impulse and Corrective Waves

Impulse with Extension

Impulse with Extension is a type of impulse wave that **appears longer** and more stretched in certain parts.

These **waves usually** extend in one of the impulse waves (1, 3, or 5). Specifically, in the stock and **forex markets**, extended waves are **most commonly** observed in Wave 3.



Formation of Impulse with Extension in Advanced Elliott Waves

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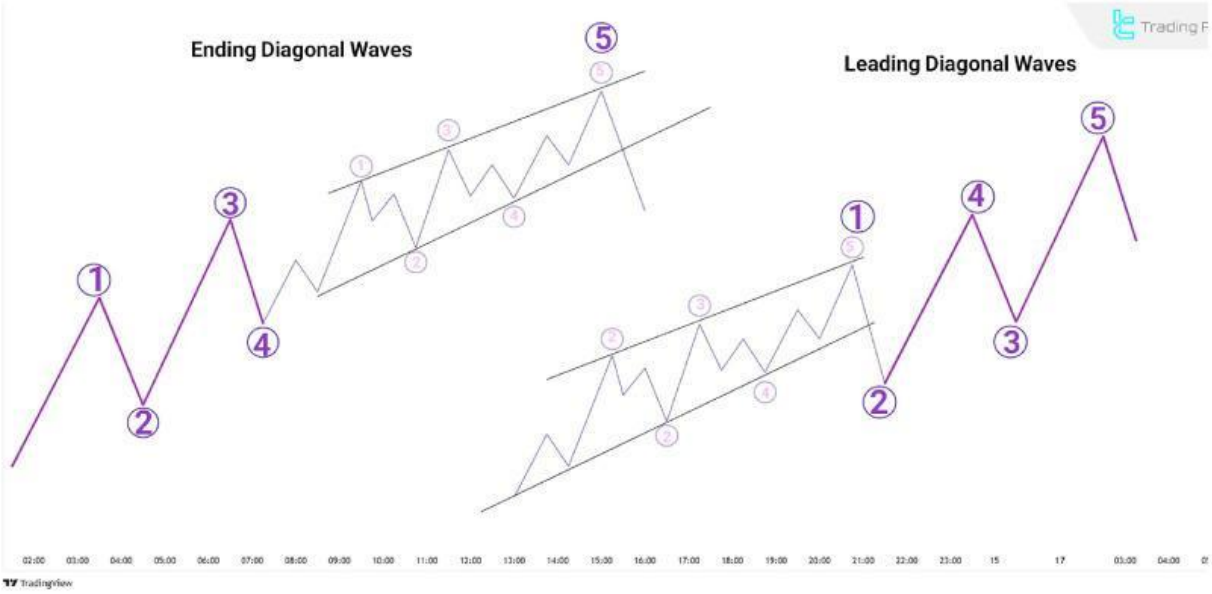
Diagonal Waves

Diagonal Waves, instead of having a clear **5-wave movement** structure, form with more slope and overlap. These waves usually appear at the **beginning** or **end** of a strong trend. Types of **Elliott Diagonal** Waves:

- **Leading Diagonal**
- **Ending Diagonal**



Formation of Leading and Ending Diagonal Waves in Advanced Elliott Waves

Characteristics of Corrective Waves

Corrective waves consist of waves a, b, and c, which are drawn during market corrections. Below, we examine these waves.

Wave a of Elliott Correction

Wave a is the first part of a **three-wave** correction (a-b-c) that occurs after a five-wave impulse movement.

This wave indicates the beginning of the **corrective phase** and usually moves the market against the previous trend.

Wave a is often **accompanied** by **lower trading volume** and a relative price decline.

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Wave b of Elliott Correction

Wave b moves in the opposite **direction of Wave** a and is considered a correction within a correction.

This wave often creates a **false impression** of the continuation of the **previous trend**. Wave b typically retraces **38.2% to 78.6%** of Wave a.

Wave c of Elliott Correction

Wave c indicates the end of the corrective phase in a complete trend of impulse and corrective waves in **Elliott Waves**.

This wave is usually accompanied by a **strong movement** in the direction of Wave a and is the largest corrective wave in the **a-b-c structure.**

Wave c is equal to or larger than Wave a and, in many cases, marks the end of the correction and **the beginning** of a new trend.

Types of Corrective Waves

Corrective waves are **more diverse** than impulse waves and are harder to identify. Corrective waves always move in **three waves** and are never **five-wave structures**. There are four types of corrective patterns:

- Zigzag
- Flat
- Triangles

Zigzag

Zigzag is one of the three-wave corrective patterns (a-b-c) in Elliott Wave Theory, where the market moves sharply against the main trend.

This correction is often sharp and represents a deep correction relative to the previous trend.

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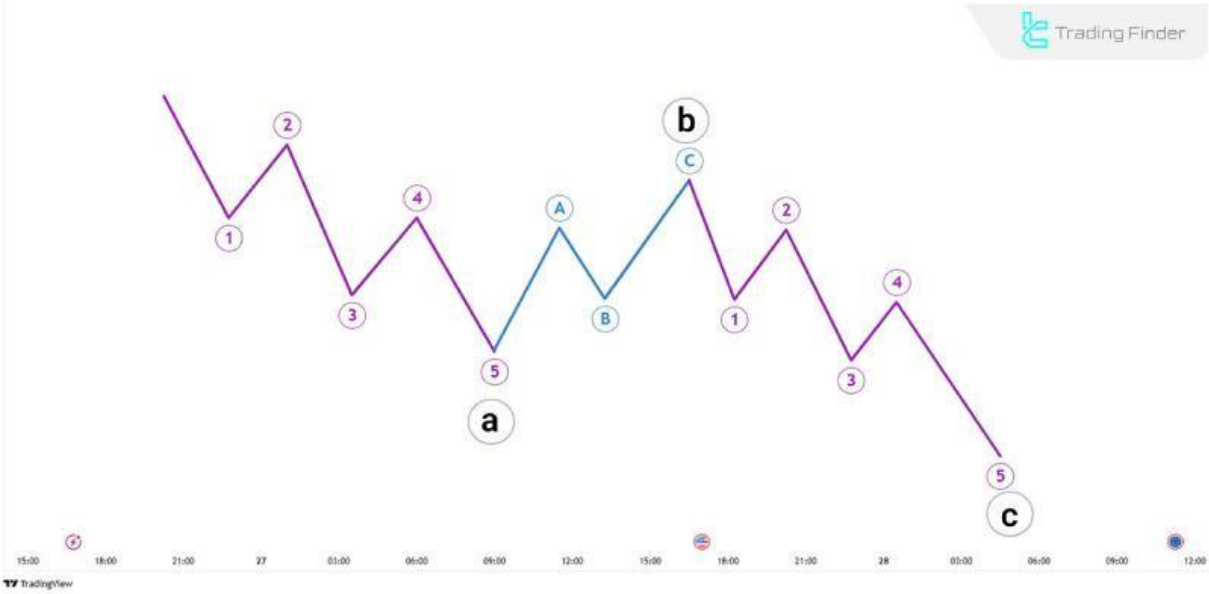
Fibonacci Settings for Zigzag

- **Wave b** is approximately 50%, 61.8%, 76.4%, or 85.4% of Wave a;
- **Wave c** is approximately 61.8%, 100%, or 123.6% of Wave a;
- **Wave c** is usually equal to or larger than Wave a and can extend further if it reaches 161.8% of Wave a.



Formation of Zigzag in Advanced Elliott Waves

Flats

The Flat pattern, unlike the Zigzag, has a shallower and **more sideways** (range-bound) correction.

This correction usually **moves the market** horizontally or with a **slight slope**, resembling a sideways movement or price consolidation rather than a sharp **correction**.

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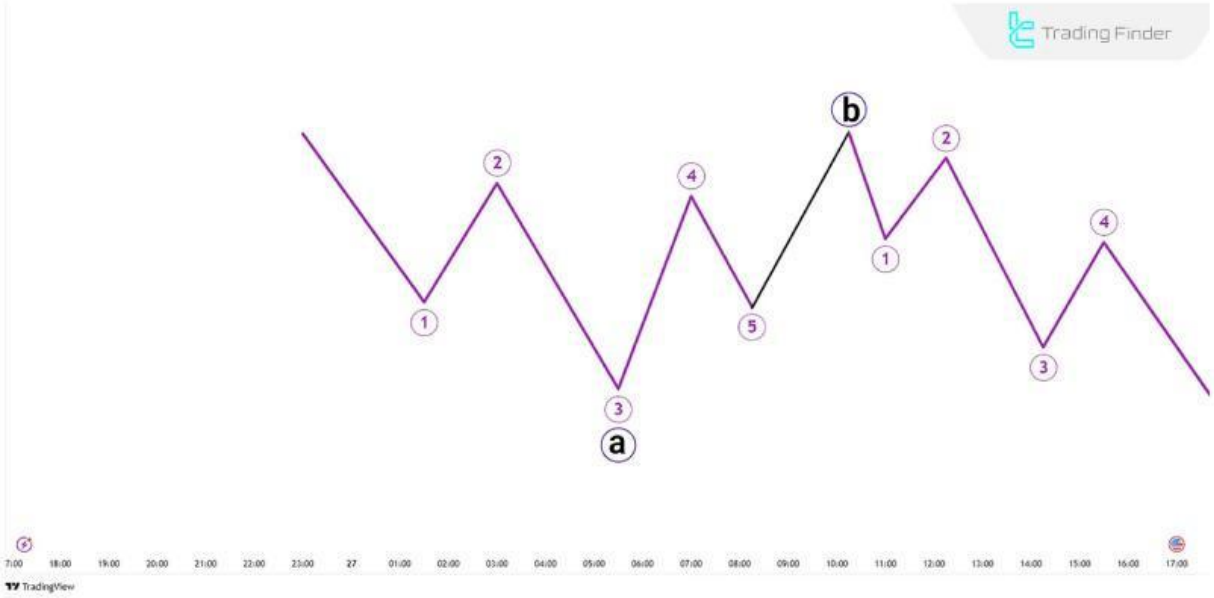
Types of Elliott Flat Patterns:

Pattern Type	Wave b to Wave a Ratio	Wave c to Wave a Ratio	Description
Regular Flat	90% to 100%	Equal to or slightly more	Neutral correction with sideways movement
Expanded Flat	More than 100% (usually 123.6%)	Longer than Wave a (usually 1.618 times)	Strong upward or downward movement in Wave c
Running Flat	More than 100%	Shorter than Wave a	Strength in Wave b and failure of Wave C to surpass Wave a

The Regular Flat pattern consists of a corrective wave movement with three phases (a-b-c). The wave division is shown in the image below:



Movement of the Regular Flat Pattern in Advanced Elliott Waves

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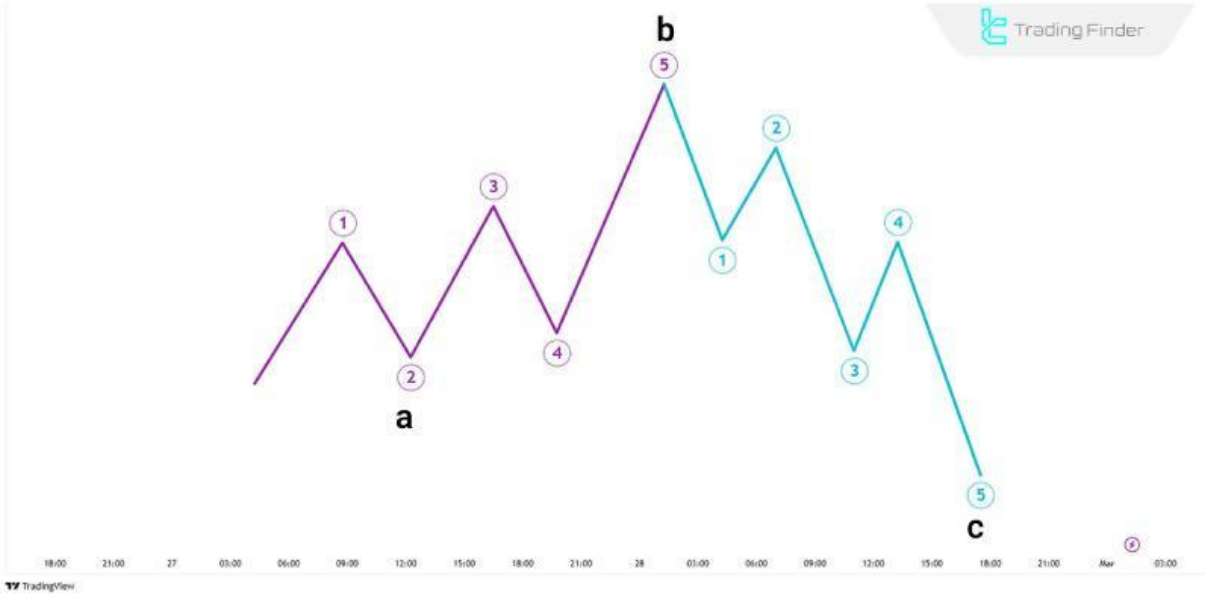
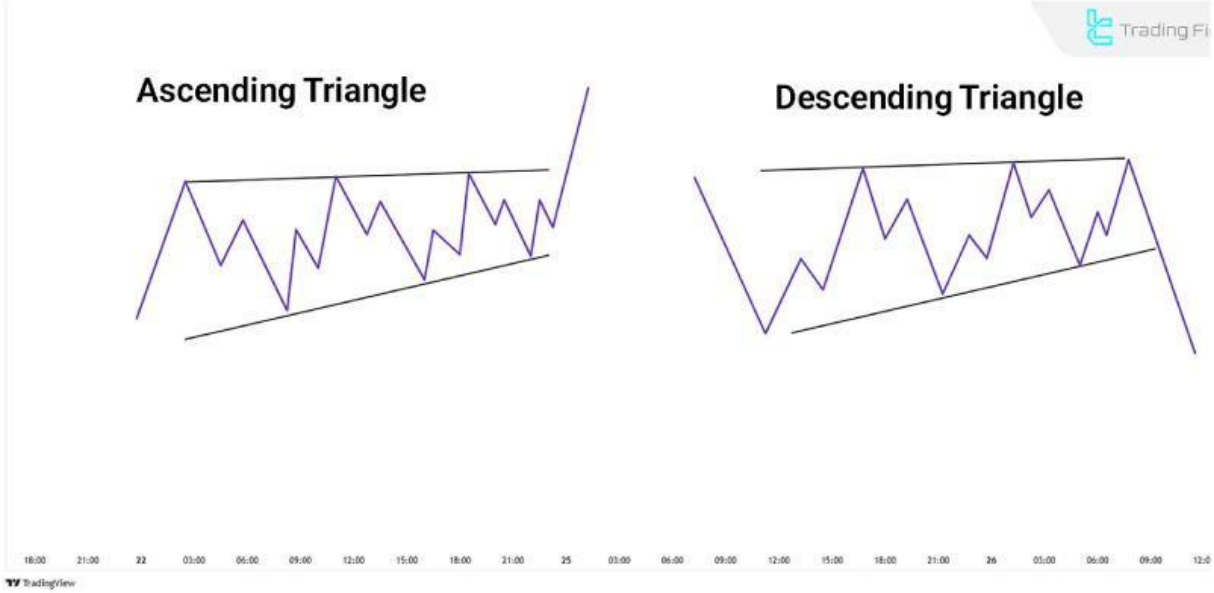
In the Expanded Flat, since Wave c **is significantly** larger than the end level of Wave a, the **pattern** is drawn as follows:



Movement of the Expanded Flat Pattern in Advanced Elliott Waves

Triangles

Triangle patterns form when the market moves within a tight range. These waves **usually occur** in Wave 4 or Wave b before the main movement.



Movement of the Triangle Pattern in Advanced Elliott Waves

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Complex Corrections

Sometimes market corrections are not simple and are formed by a combination of **Zigzag**, **Flat**, and **Triangle patterns**. In such cases, multiple corrective patterns are connected by Wave X.

These **corrections** usually appear in range-bound markets and cause unpredictable movements in the chart.

Conclusion

Using Elliott Waves, repetitive **market patterns** can be identified, and price movements can be predicted. These waves consist of 5 **impulse** waves and 3 **corrective** waves (a-b-c).

Impulse and corrective waves in Elliott Waves are used along with **Fibonacci numbers** to determine **price targets** and potential corrections.

source:

1.our website link :
https://tradingfinder.com/education/forex/what-is-elliott-wave/

2.all Education :
https://tradingfinder.com/education/forex/

3.TradingFinder Support Team (Telgram):
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