Twitter Thread by elearnmarkets

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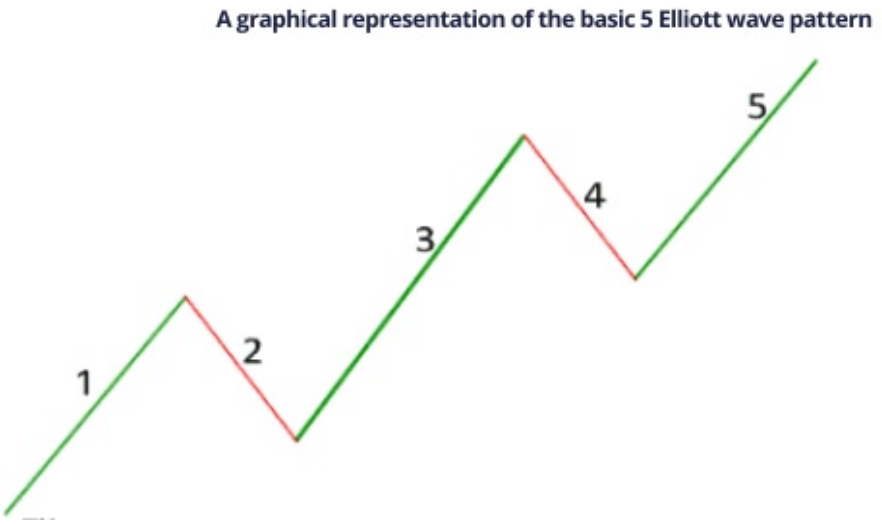
5 Types of Elliott Wave Patterns to understand Market Behaviour (■)

Before we dig in, what exactly is the Elliott Wave Theory?

The Theory suggests that the #stock priced move continously up & down in the same pattern known as waves■



The underlying theory behind these waves is #Trader Psychology. The Theory suggests that these patterns are recurring in nature■

1. Motive Waves: These move in the direction of the main #trend and consists of 5 waves that are labeled as Wave 1..2..3..and so on■

Wave 1,2 and 3 move in the main direction, whereas Wave 2 and 4 move in the opposite direction. There are 2 types of Motive Waves: Impulse and Diagonal Waves

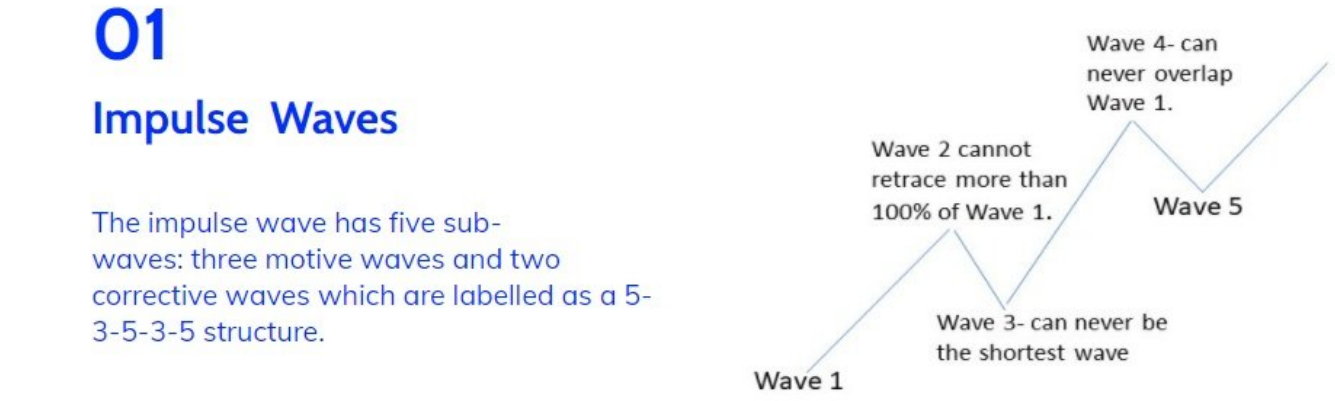
2. Corrective Waves: These are known to counter the main trend. They are more complex and time-consuming than motive Waves■

Correction patterns are made up of 3 three waves, labelled as A, B, C■

These three main types of corrective Waves are Ziz-zag, Diagonal and Triangle Waves

Now, let's discover the five types of Patterns: ■

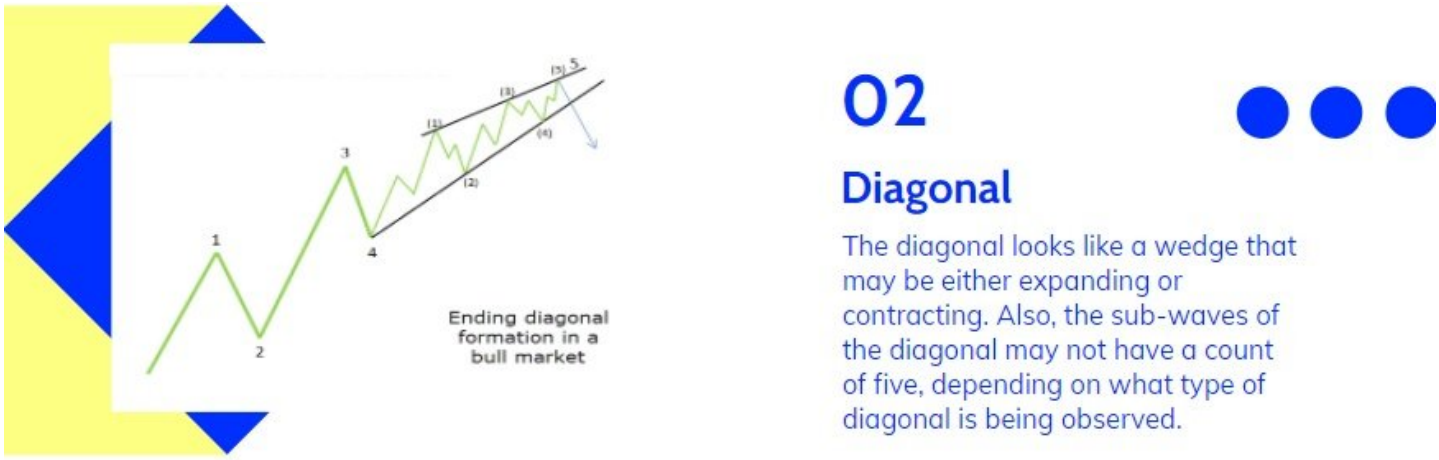
1. Impulse: The most common Wave in the market. It has five sub-waves and two corrective Waves formed in a 5-3-5-3-5 structure. If the structure rules are violated, we have to re-label the wave■



The main rules are: Wave 2 cannot retrace more than 100% of Wave 1, Wave 3 cannot be the shortest among Wave 1,3,5, and Wave 4 can never overlap Wave 1■

2. Diagonal: Another wave consisting of 5 sub-waves, moving in the trend direction.

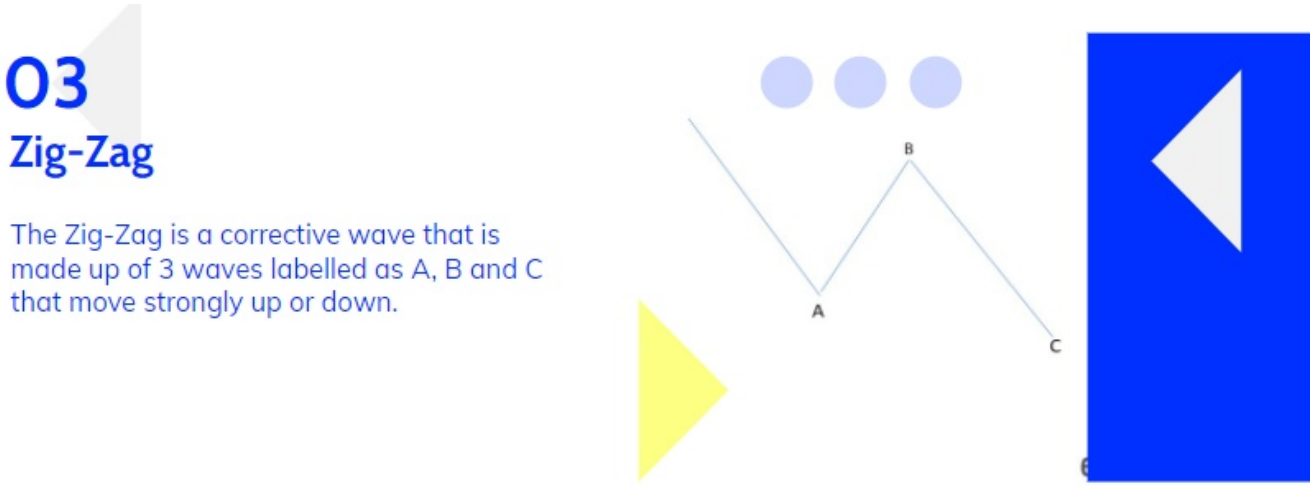
The Diagonal looks like a wedge and maybe expanding/contracting■



Like other motive Waves, each sub-wave of the Diagonal Wave does not fully retrace the previous sub-wave■

3. Zig-zag: A Corrective Wave made up of 3 waves labelled as A, B, C with a strong up/down movement.

The A and C waves are the motive Waves, whereas the B Wave is corrective■



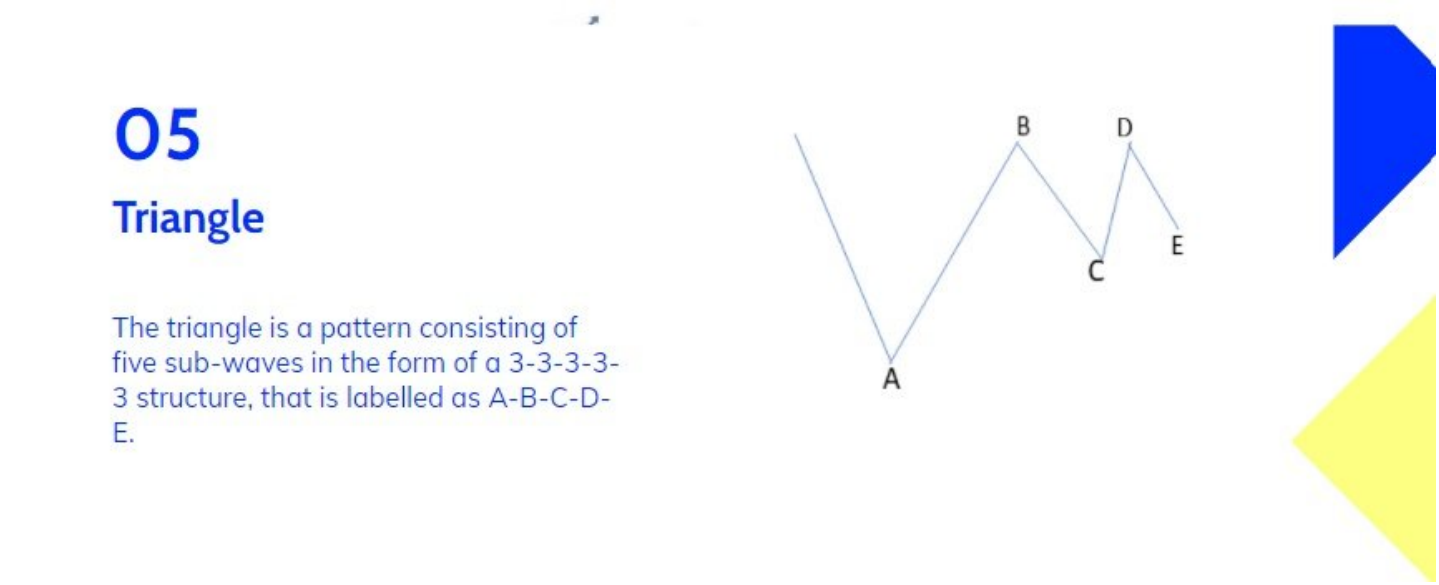
These patterns are sharp declines in a bull rally or advances in a bear rally, substantially correcting the #price level of the previous impulse patterns■

4. Flat: The flat is another 3-wave correction in which the sub-waves are formed in a 3-3-5 structure. The name flat has been given because it generally moves sideways■

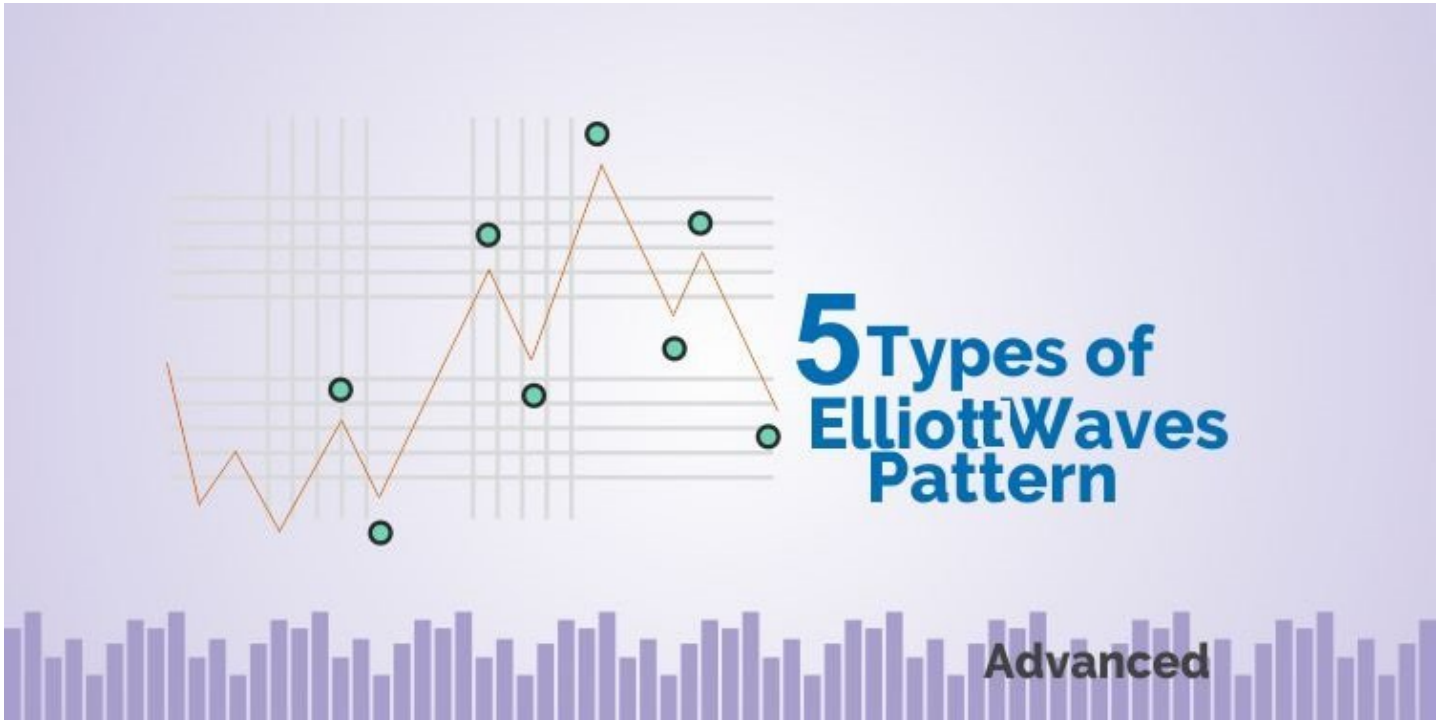


5. Triangle: Consists of 5 sub-waves in a 3-3-3-3-3 structure. The corrective pattern shows a balance of forces and travels Sideways

It may be expanding, where each sub-wave gets bigger or contracting, whether they form a wedge. ■



Read the entire blog here: https://t.co/izP6TzBB1u



To master Elliott Waves in live markets, enroll in this webinar by @kyalashish, where explains #Options Trading using #ElliottWaves and #Ichomoku Cloud:

https://t.co/t9iAT7OzJJ