

ELLIOTT WAVE THEORY



PREPARED BASED ON INFORMATION FROM ELLIOTT WAVE PRINCIPLE BOOKS

BY CHARUKA WEERAKKODY

ZIGMAVERSE (PVT) LTD | WWW.ZIGMAVERSE.COM



Father Of Elliott Wave

Ralph Nelson Elliott (July 28, 1871, in Marysville, Kansas, United States – January 15, 1948) was an American accountant, author, and the creator of the Elliott wave theory, which is based on [Fibonacci numbers](#) and is used to describe market trends in the stock market. Elliott was born in Marysville, Kansas, and later moved to San Antonio, Texas. He entered the accounting field in the mid-1890s and primarily worked in executive positions for railroad companies in Central America and Mexico. After marrying Mary Elizabeth Fitzpatrick (1869-1941) in 1903, Elliott moved back to the U.S. in 1920 and was hired by the U.S. Department of State to perform accounting services (and financial reorganization) for Nicaragua (with was under the control of the U.S. at that time).

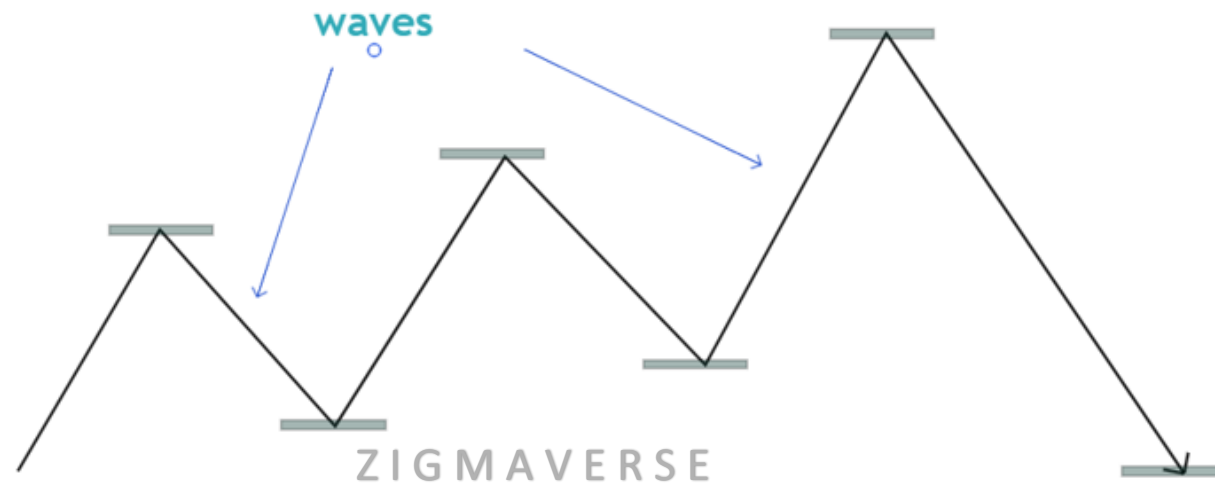
In the 1930s, Ralph Nelson Elliott discovered that stock market prices trend and reverse in recognizable patterns. The patterns he discerned are repetitive in form but not necessarily in time or amplitude. Elliott isolated five such patterns, or "waves," that recur in market price data. He named, defined and illustrated these patterns and their variations. He then described how they link together to form larger versions of themselves, how they in turn link to form the same patterns of the next larger size, and so on, producing a structured progression. He called this phenomenon The Wave Principle. After studying 75 years' worth of data of stock market indexes (including yearly, monthly, weekly, daily, hourly, and even half-hourly charts), Elliott published his third book (in collaboration with Charles J. Collins) called The Wave Principle (in August 1938).

*Note: - *I will teach you everything live in the course and this is provided to you for your convenience”
- Charuka Weerakkody -*

Elliott Wave is a Wave theory

So, what is a Wave

a wave is a section of price movement from one change of direction to another



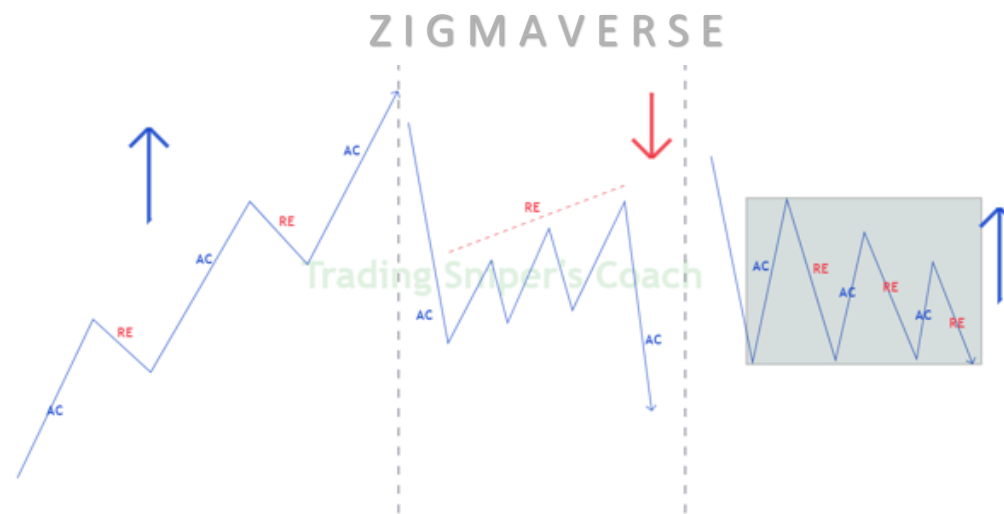
We can see two types of waves,

1. Actionary wave (Trend Wave / Advancing wave)
2. Reactionary Wave (Countertrend wave / Declining wave)

An Actionary Wave is a wave that develops in the same direction as the main wave

A Reactionary Wave is a wave that develops in the opposite direction of the main trend

- Any wave can be Actionary or Reactionary. It depends on frame



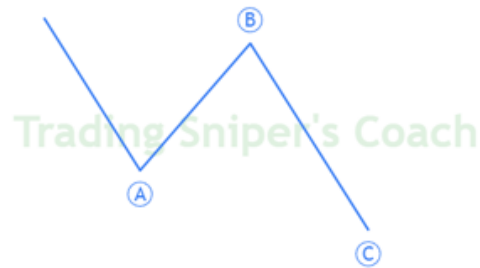
All waves develop in two modes

- Motive Mode
- Corrective Mode

Motive Wave Have a 5 wave Structure. All the motive waves denoted by numbers

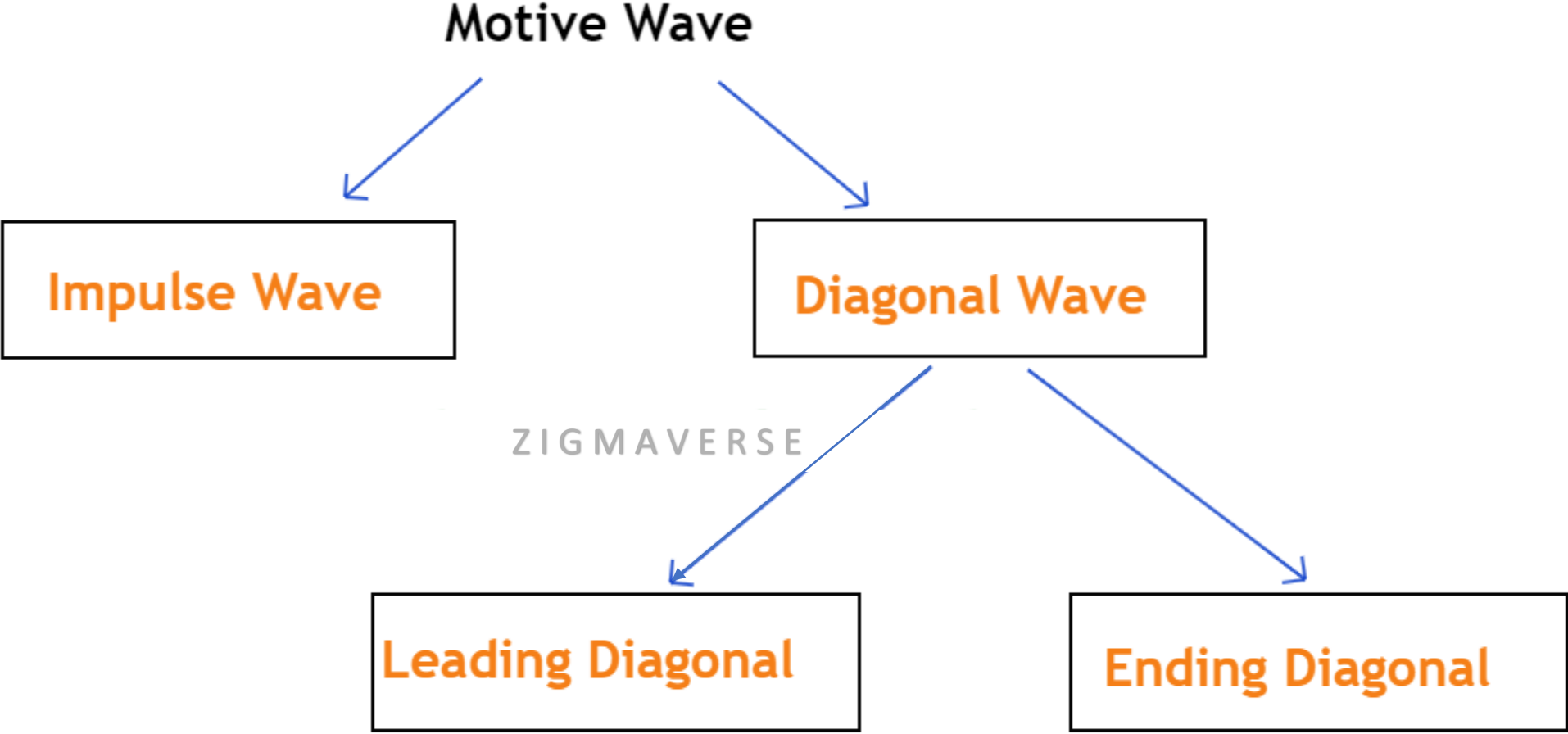


Corrective Wave Have a 3 Wave Structure. All the corrective waves denoted by letters

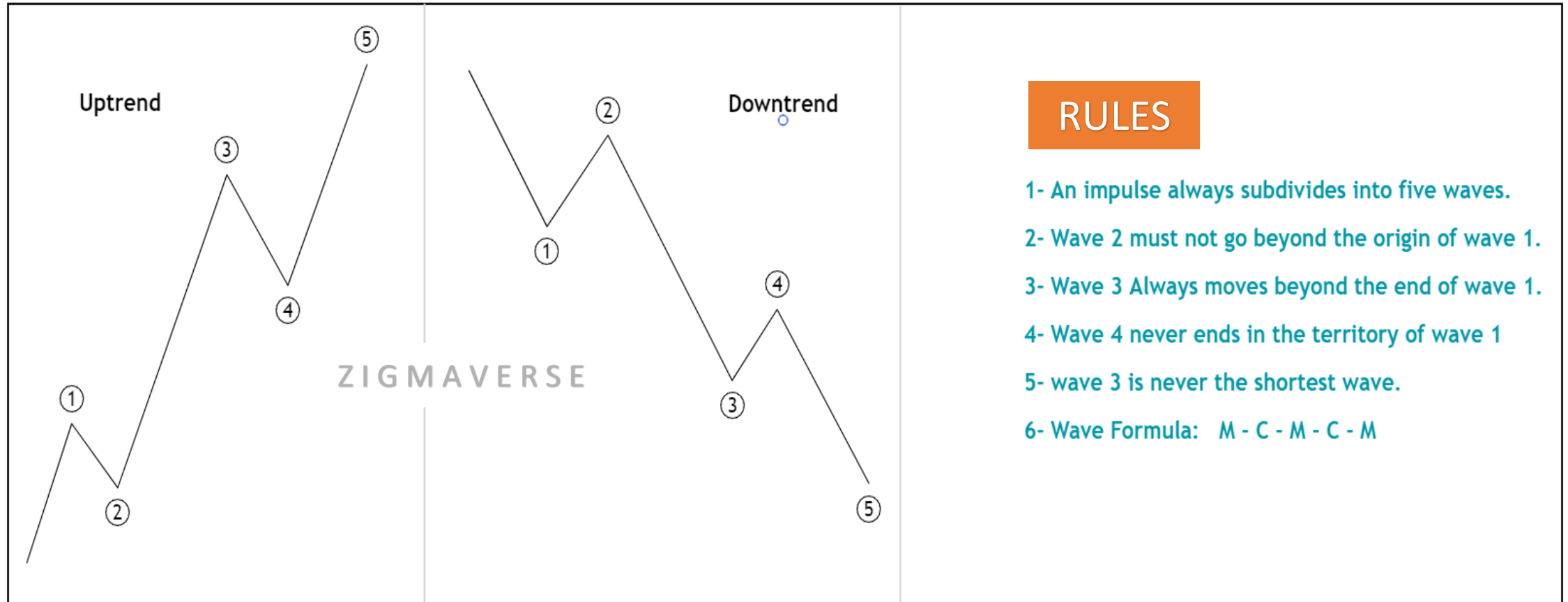


Some times corrective waves connected by corrective intervening waves





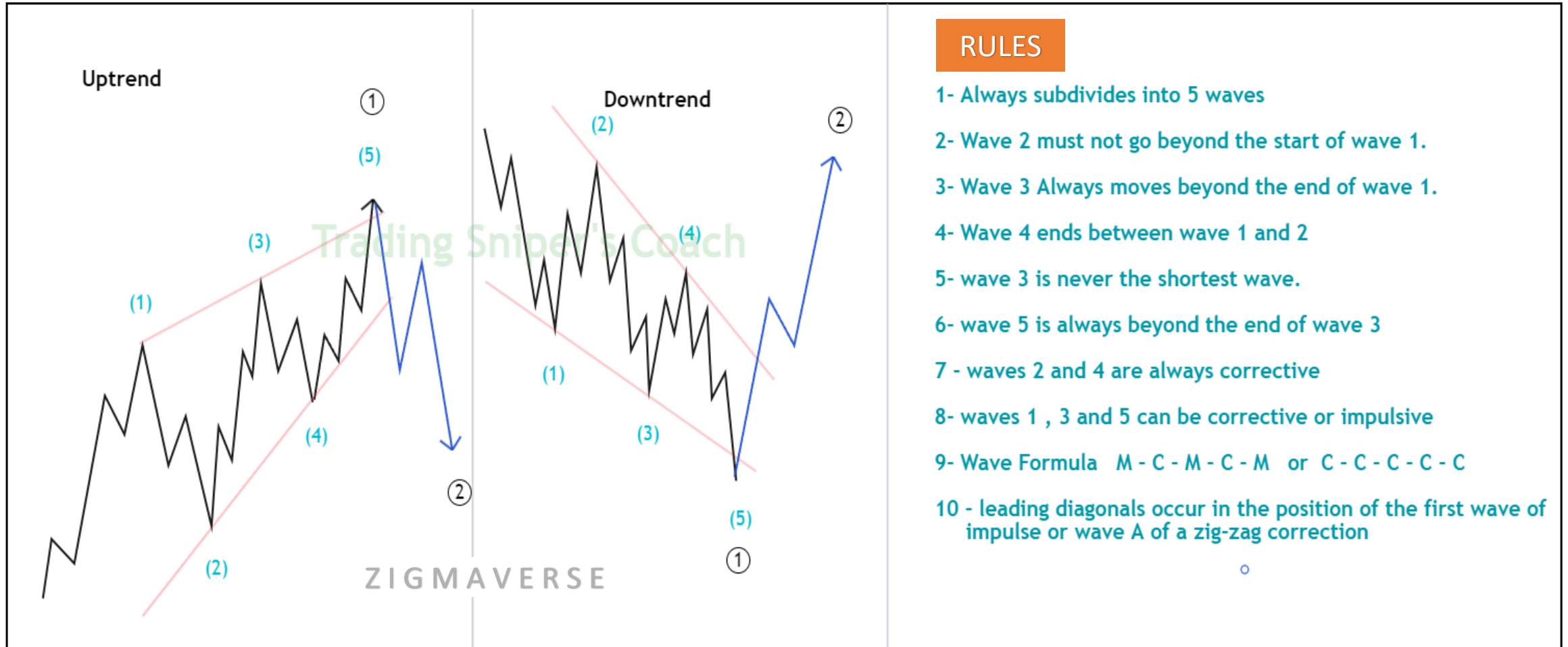
IMPULSE WAVE



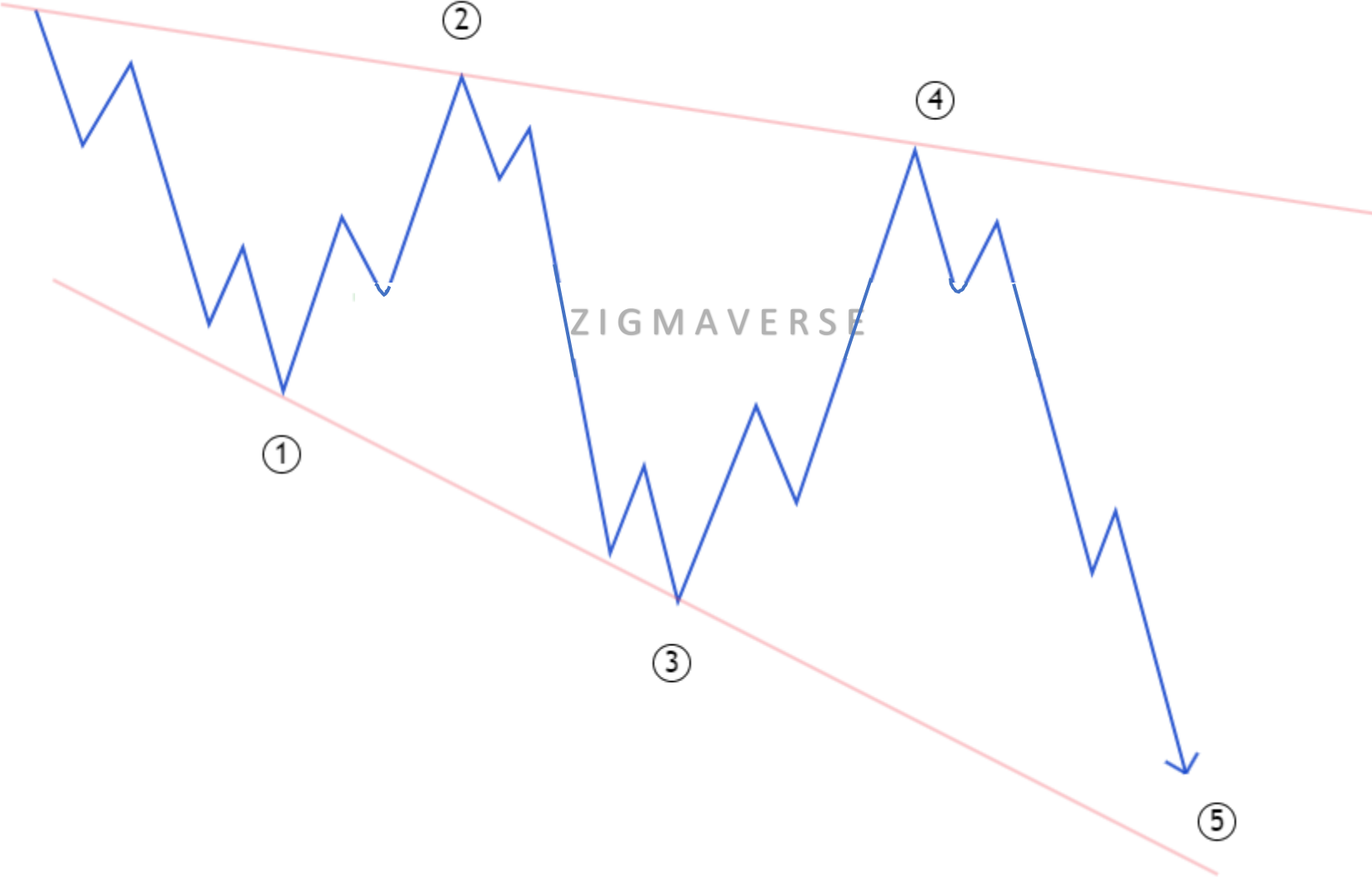
RULES

- 1- An impulse always subdivides into five waves.
- 2- Wave 2 must not go beyond the origin of wave 1.
- 3- Wave 3 Always moves beyond the end of wave 1.
- 4- Wave 4 never ends in the territory of wave 1
- 5- wave 3 is never the shortest wave.
- 6- Wave Formula: M - C - M - C - M

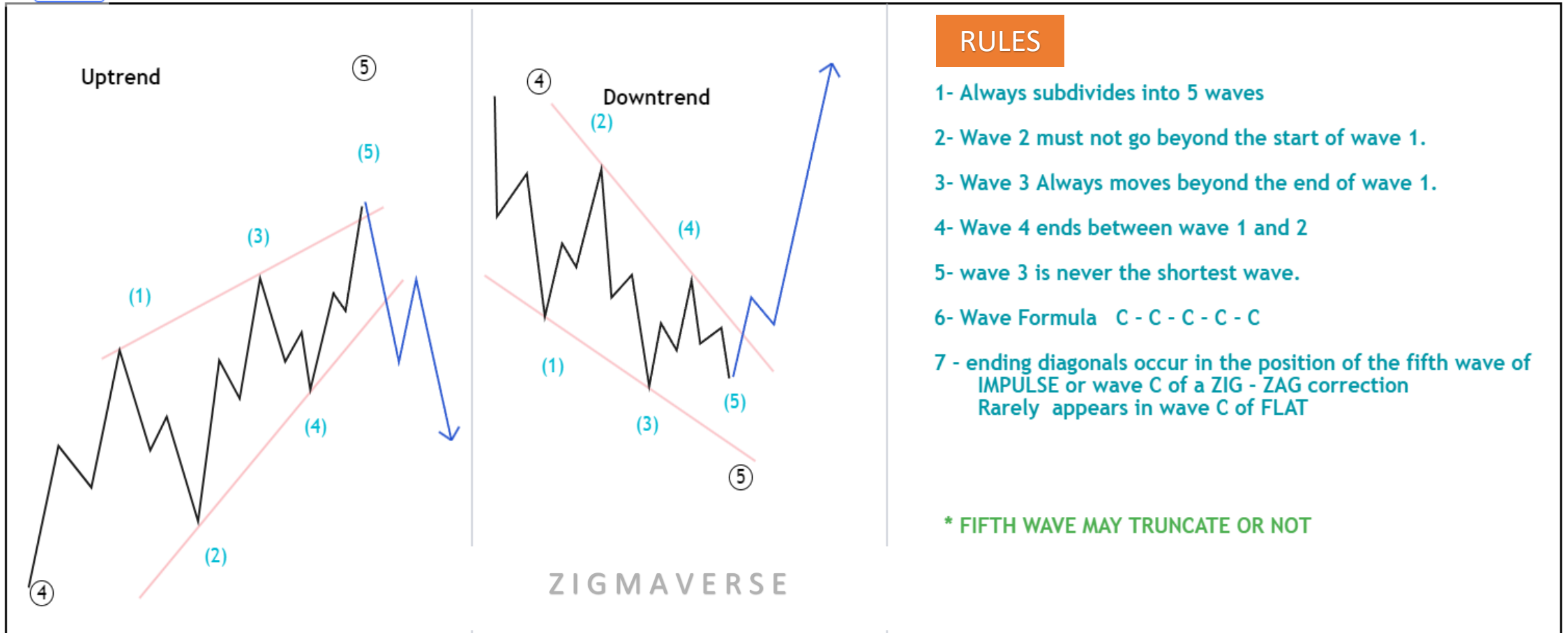
LEADING DIAGONAL



Expanding leading diagonal



ENDING DIAGONAL



RULES

- 1- Always subdivides into 5 waves
- 2- Wave 2 must not go beyond the start of wave 1.
- 3- Wave 3 Always moves beyond the end of wave 1.
- 4- Wave 4 ends between wave 1 and 2
- 5- wave 3 is never the shortest wave.
- 6- Wave Formula C - C - C - C - C
- 7 - ending diagonals occur in the position of the fifth wave of IMPULSE or wave C of a ZIG - ZAG correction
Rarely appears in wave C of FLAT

* FIFTH WAVE MAY TRUNCATE OR NOT