



Rules & Guidelines

© Lara Iriarte. All rights reserved.

Motive Structures: Impulse

Rules

- 1 The third wave may never be the shortest.
- 2 The second wave may not move beyond the start of the first wave.
- 3 The third wave must move beyond the end of the first wave.
- 4 The third wave must subdivide as an impulse.
- 5 No part of the fourth wave may enter any part of the first wave.
- 6 Only one or two of waves 1, 3 and 5 may be extended, not all three.
- 7 Wave 2 must end within wave 1 price territory.
- 8 Wave 4 must end within wave 3 price territory.

Guidelines

- 1 Usually one, sometimes two, of the actionary waves within an impulse (1, 3 and 5) are extended.
- 2 When a wave within an impulse extends, its subdivisions are often clear at a higher time frame.
- 3 If the first wave is not extended, then the third wave will most likely be extended.
- 4 The second and fourth waves usually show alternation in depth and / or structure.
- 5 The structure fits within a channel.
- 6 Following a fifth wave extension, the following correction is often sharp and ends about wave 2 within the extension.

Motive Structures: Ending Diagonal

Rules

- 1 Occurs only in wave C or wave 5 positions within the structure one degree higher.
- 2 The second wave may not move beyond the start of the first wave.
- 3 The third wave must move beyond the end of the first wave.
- 4 The fourth wave should overlap back into first wave price territory. The fourth wave may not move beyond the end of the second wave.
- 5 The fifth wave may not be truncated. It must move beyond the end of the third wave.
- 6 All sub-waves for an ending diagonal must subdivide as zigzags (multiple zigzags are also acceptable but not very common).
- 7 For contracting diagonals the fourth wave must be shorter than the second, the third wave is usually shorter than the first wave and the fifth wave must be shorter than the first. The third wave may not be the shortest of one, three and five, and may sometimes be the longest.

- 8 For expanding diagonals the fourth wave must be longer than the second, the third wave must be longer than the first and the fifth wave must be longer than the first. Sometimes the third wave is the longest of waves one, three and five.
- 9 Contracting diagonals must have trend lines which converge.
- 10 Expanding diagonals must have trend lines which diverge.

Guidelines

- 1 Contracting diagonals most often have a fifth wave which slightly overshoots the 1-3 trend line, and less often undershoots the 1-3 trend line.
- 2 If a third wave is not extended, then the fifth wave is unlikely to be a diagonal.
- 3 When fifth waves subdivide as ending diagonals, they almost always do not end in a truncation; the fifth wave diagonal should move beyond the end of the third wave of the same degree.

Motive Structures: Leading Diagonal

Rules

- 1 Occurs only in wave A or wave 1 positions within the structure one degree higher.
- 2 The second wave may not move beyond the start of the first wave.
- 3 The third wave must move beyond the end of the first wave.
- 4 The fourth wave should overlap back into first wave price territory. The fourth wave may not move beyond the end of the second wave.
- 5 The fifth wave may not be truncated. It must move beyond the end of the third wave.
- 6 Waves two and four may only subdivide into zigzags (multiple zigzags are also acceptable).
- 7 Waves one, three and five are most commonly zigzags but may also subdivide as impulses.
- 8 For contracting diagonals the fourth wave must be shorter than the second, the fifth wave must be shorter than the third, and the third wave is usually shorter than the first. Sometimes the third wave is the longest of waves one, three and five.
- 9 For expanding diagonals the fourth wave must be longer than the second, the fifth wave must be longer than the first, and the third wave must be longer than the first. Sometimes the third wave is the longest of waves one, three and five.
- 10 Contracting diagonals must have trend lines which converge.
- 11 Expanding diagonals must have trend lines which diverge.

Guidelines

- 1 If one of the three sub-waves between one, three and five is an impulse, then it is often the third wave.
- 2 Contracting diagonals most often have a fifth wave that slightly overshoots the 1-3 trend line and less often undershoots the 1-3 trend line.

- 3 If a first wave is a leading diagonal, then it is normally followed by a very deep second wave correction and an extended third wave.
- 4 Contracting diagonals occur 1.5 times more often than expanding diagonals.

Corrective Waves: Zigzag

Rules

- 1 Wave A must subdivide into a motive wave.
- 2 Wave B may not move beyond the start of wave A.
- 3 Wave B must subdivide into a corrective wave.
- 4 Wave C must subdivide into a motive wave.
- 5 Wave B must end within wave A price territory.

Guidelines

- 1 Zigzags tend to be deeper corrections.
- 2 Zigzags often fit within parallel channels.
- 3 Zigzags tend to be quicker corrections.
- 4 If one zigzag in a correction does not move price as deeply as expected, then the analyst should be alert for a multiple zigzag to deepen the correction.

Corrective Waves: Double & Triple Zigzags

Rules

- 1 Each zigzag in a double or triple zigzag is labelled W, Y or Z.
- 2 Each of the two (or three) zigzags in the double (or triple) adhere to the rules for zigzags.
- 3 The two (or three) zigzags are joined by a corrective structure in the opposite direction labelled "X".

Guidelines

- 1 Double zigzags are reasonably common structures, but not as common as single zigzags.
- 2 Triple zigzags are uncommon. Take care to check the subdivisions are correct before labelling a structure as a triple zigzag.
- 3 If the first zigzag does not move the correction deep enough, then a double should be expected (or rarely a triple).
- 4 Multiple zigzags should move strongly in the corrective direction, not sideways.
- 5 X waves may take the form of any corrective structure (including, but rarely a multiple), but they are most often single zigzags.
- 6 Each X wave within a zigzag multiple usually does not move beyond the start of the zigzag immediately prior to it.

Corrective Waves: Flats

Rules

- 1 Flats subdivide into three waves labelled A, B and C.
- 2 Wave A subdivides into a corrective structure (but may not be a triangle).
- 3 Wave B, at its end, must retrace a minimum of 90% of wave A.
- 4 Wave B must subdivide as a corrective structure.
- 5 Wave C must subdivide into a single motive wave.
- 6 Wave C must retrace at least part of wave A.

Guidelines

- 1 If wave B retraces from 90% up to 105% of wave A, then the flat is termed “regular” and wave C is most likely to be just a little longer in length than wave A, ending slightly beyond the end of A.
- 2 If wave B retraces 105% or more of wave A, then the flat is termed “expanded” and wave C usually ends substantially beyond the end of wave A.
- 3 If wave B ends beyond the start of wave A and wave C fails to move beyond the end of wave A, then the flat is termed “running”. This structure is very rare and usually only seen as a brief correction within a very strong trend. C waves within running flats are usually truncated by only a small amount.
- 4 Wave B may be longer than wave A, but is rarely longer than twice the length of wave A.

Corrective Waves: Double & Triple Flats

Rules

- 1 Each flat in a multiple flat correction is labelled W, Y or Z.
- 2 Each of the two (or three) flats in a double (or triple) follow the rules for a single flat.
- 3 The two (or three) structures in the double (or triple) are joined by a corrective structure in the opposite direction labelled “X”.

Guidelines

- 1 Double flats are reasonably rare structures.
- 2 Triple flats are extremely rare structures, take care to check the subdivisions are correct before labelling a structure as a triple flat.
- 3 Multiple flats move sideways, they should not have a strong slope against the main trend.
- 4 Multiple flats have the purpose to take up time; if the first flat in a correction is very brief, then a multiple may provide better proportion.
- 5 X waves may take the form of any corrective structure (including, but very rarely a multiple), but they are usually single zigzags or flats.

- 6 X waves may make new price extremes beyond the flat immediately prior to them.

Corrective Waves: Contracting Triangles

Rules

- 1 Appear in a position of a fourth wave, B wave or within a combination.
- 2 Wave C may not move beyond the end of wave A, wave D may not move beyond the end of wave B, and wave E may not move beyond the end of wave C.
- 3 All the sub-waves must subdivide into corrective structures.
- 4 Four of the five sub-waves must subdivide into zigzags.
- 5 One of the sub-waves should subdivide into a multiple zigzag or a triangle.
- 6 The triangle trend lines converge.

Guidelines

- 1 The most common triangle sub wave to subdivide as a multiple is wave C.
- 2 If one sub-wave subdivides into a triangle, then it is most often wave E, but may also be wave D or C.
- 3 Triangles take up time and move price sideways.
- 4 Triangles precede the final actionary wave of one higher degree.
- 5 When the triangle is completed, price moves in the same direction that it entered the triangle - Elliott Wave triangles are always continuation patterns.
- 6 Trend lines drawn from the ends of sub-waves A to C and B to D cross over at a point in time beyond the end of the triangle. At this point in time a trend change is often seen and it is sometimes the end of the final actionary wave which follows the triangle.
- 7 The final E wave most commonly undershoots the A-C trend line, and less commonly overshoots the A-C trend line.
- 8 The trend lines of a contracting triangle converge and provide strong support and resistance for the triangle.

Corrective Waves: Barrier Triangles

Rules

- 1 All the same as for a contracting triangle except:
- 2 Sub wave D ends about the same point as sub wave B so that the B-D trend line is essentially flat. In practice this means that sub wave D may end slightly beyond the end of sub wave B. This is the only Elliott Wave rule which is not absolute.

Guidelines

- 1 If the barrier triangle is in a fourth wave position, then the following fifth wave is either short and brief, or a very long extension.

- 2 Barrier triangles are most commonly regular triangles.

Corrective Waves: Expanding Triangles

Rules

- 1 All the same as for contracting triangles except:
- 2 Sub wave C moves beyond the end of sub wave A, sub wave D moves beyond the end of sub wave B, and sub wave E moves beyond the end of sub wave C.
- 3 The trend lines of expanding triangles diverge.
- 4 One of the five sub-waves of an expanding triangle subdivides into a multiple zigzag (but may not be a triangle).

Guidelines

- 1 Expanding triangles are one of the rarest Elliott Wave structures. Be very careful in checking the subdivisions are correct before you label a movement as an expanding triangle.
- 2 Sub wave B most commonly moves beyond the end of sub wave A, but does not have to.
- 3 The most common length for each sub wave is up to 1.25 times the prior sub wave.
- 4 The trend lines of expanding triangles diverge and provide strong support and resistance to the triangle.
- 5 The observed maximum length of each sub-wave is up to 1.664 the prior wave in the opposite direction.

Corrective Waves: Combinations

Rules

- 1 Combinations are two (or three) simple corrective structures joined together by one (or two) corrective structures in the opposite direction labelled "X".
- 2 Combinations are labelled W-X-Y (or for triples W-X-Y-X-Z).
- 3 There is never more than one zigzag within W, Y and Z.
- 4 Each of the two (or three) structures within a combination itself subdivides only into a zigzag, flat (labelled A-B-C) or triangle (labelled A-B-C-D-E).
- 5 Triangles appear only as the last structure within a combination, and expanding triangles do not appear in combinations.
- 6 The maximum number of structures within a multiple correction is three (this number excludes X waves joining two or three structures).

Guidelines

- 1 Combinations move price sideways, they do not move strongly against the main trend.
- 2 The purpose of combinations is to take up time and move price sideways.

- 3 Double combinations are uncommon structures, and triple combinations are very rare.
- 4 X waves are almost always zigzags, but they can be any corrective structure (including a multiple).

