

ReadySetCrypto Elliott Wave Masterclass



Module Five: Introduction to Triangle Corrections

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Introduction to Triangle Corrections

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Introduction To Triangles

A beautiful but rare occurrence. You will come to find that price contracts frequently to form triangular patterns, however, by Elliott Wave standards and definition they are not actual triangles. I want you to think about this as you practice finding triangles and gain experience looking at the charts. From a pattern standpoint triangles can break in either direction, but from an Elliott Wave perspective triangles are continuation counts that always break in the direction of the preceding trend. Just being aware of this anomaly you will save yourself tons of mistakes trying to take trades based off of what looks like a triangle. You will have a much higher probability of making successful trades when you see price contracting as well. By the time you are done with this module you should be able to list the rules, guidelines and Fibonacci relationships with triangles, as well as identify them in the charts and tell the difference between a true triangle and an impersonator.

Types of Triangles

A triangle is a five wave structure that subdivides into three's for each wave and is labeled as ABCDE. Price must contract to a point of apex, where trend lines are drawn from points (A and B) and (C and D). Highs and lows of price cannot move in a trending matter. For example, you cannot have higher highs and higher lows, or lower lows and lower highs, these examples would create wedges instead.

We identify triangles as five different types. There is Ascending Triangles, Descending Triangle, Expanding Triangle, Symmetrical Triangle, and Running Triangle. It's important to know that a true triangle will print the same pattern on the RSI as it does price typically. This is something that we can use from new age Elliott to give us a stronger probability of accuracy that Frost and Prechter do not bring up in their book. The rules and guidelines are displayed below for easy memorization and accompanied with visual examples.

Symmetrical Triangles

Symmetrical Triangle Rules

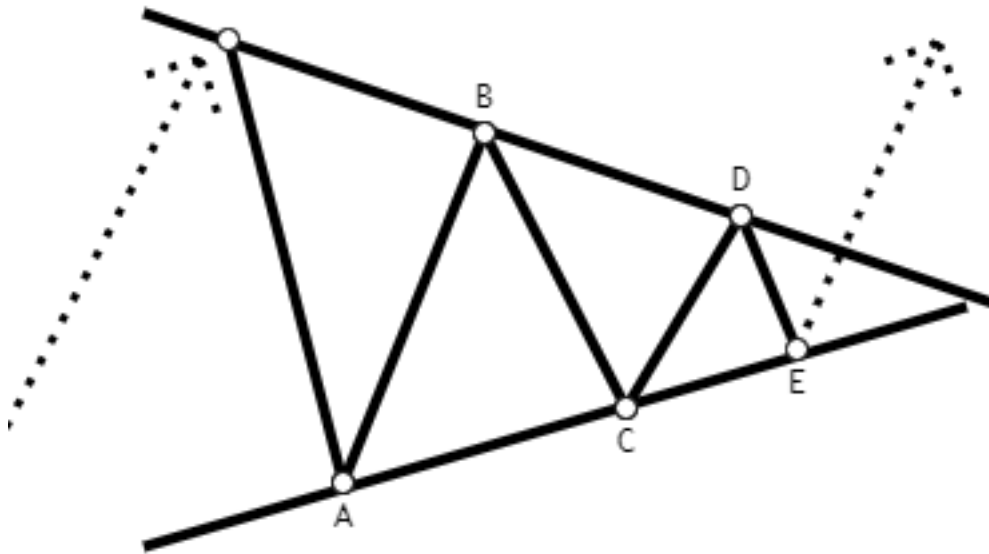
1. A triangle always subdivides into five waves
2. At least four waves among waves ABCD and E each subdivide into a zigzag or zigzag combination
3. Wave C never moves beyond the end of wave A, wave D never moves beyond the end of wave B, and wave E never moves beyond the end of wave C. The result is that going forward in time, a line connecting the ends of waves B and D converges with a line connecting the ends of waves A and C.
4. A triangle never has more than one complex subwave, in which case it is always a zigzag combination or triangle.

Symmetrical Triangle Guidelines

1. Usually, wave C subdivides into a zigzag combination that is longer lasting and contains deeper percentage retracements than each of the other subwaves.
2. Sometimes, wave D subdivides into a zigzag combination that is longer lasting and contains deeper percentage retracements than each of the other subwaves
3. Sometimes one of the waves, usually wave C, D or E, subdivides into a Symmetrical, Ascending, or Descending triangle. Often the effect is as if the entire triangle consisted of nine zigzags
4. About 60 percent of the time, wave B does not end beyond the start of wave A. When it does, the triangle is called a running triangle.

Figure 1
Symmetrical Triangle

Symmetrical Triangle



Ascending and Descending Triangles

Ascending and Descending Triangle Rules/Guidelines

1. An Ascending or Descending Triangle has the same characteristics as a contracting triangle except that waves B and D end at essentially the same level. We have yet to observe a 9-wave Ascending or Descending Triangle, implying that this form may not extend.
2. When wave five follows a triangle, it is typically either a brief, rapid movement or an exceptionally long extension.

Figure 2
Ascending Triangle

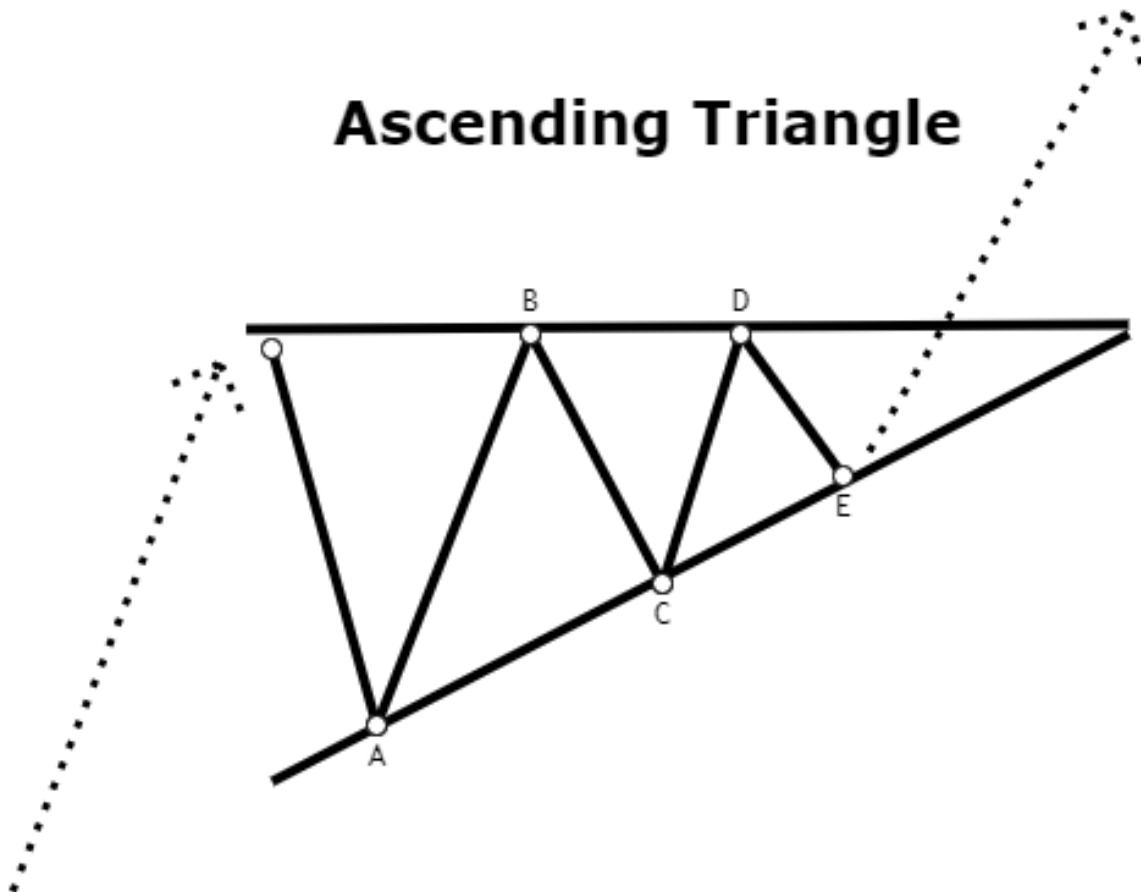
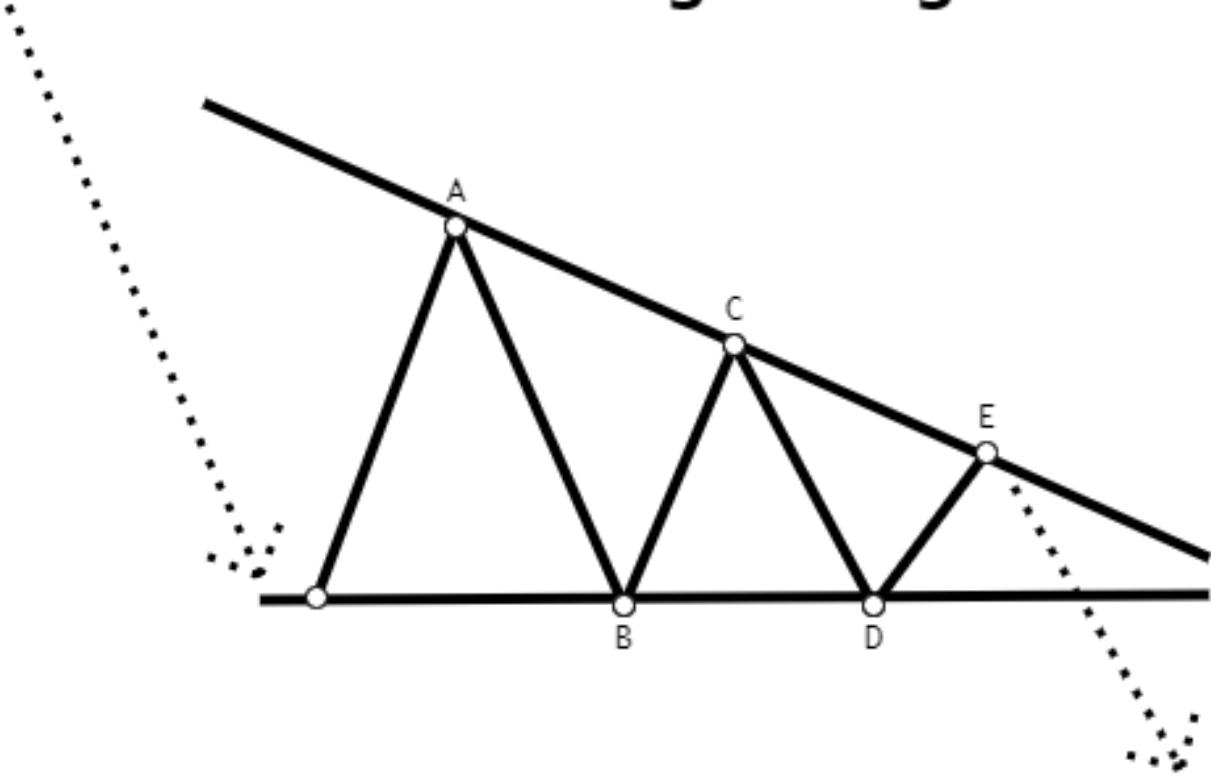


Figure 3
Descending Triangle

Descending Triangle



Expanding Triangles

Expanding Triangle Rules

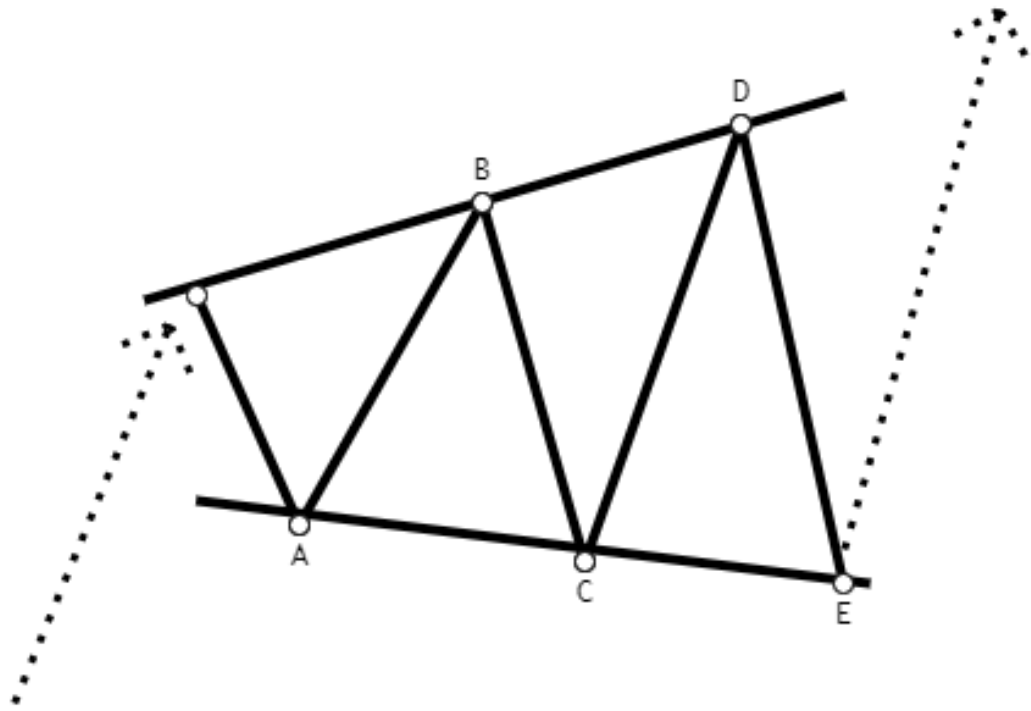
1. Most rules are the same as for symmetrical triangles, with these differences...
2. Wave C, D and E each moves beyond the end of the preceding same-directional subwave. The result is that going forward in time, a line connecting the ends of wave B and D diverges from a line connecting the ends of Waves A and C.
3. Subwaves B, C and D each retrace at least 100 percent but no more than 150 percent of the preceding subwave.

Expanding Triangle Guidelines

1. Most Guidelines are the same, with these differences.
2. Subwave B, C and D usually retrace 105 to 125 percent of the preceding subwave
3. No subwave has yet been observed to subdivide into a triangle

Figure 4

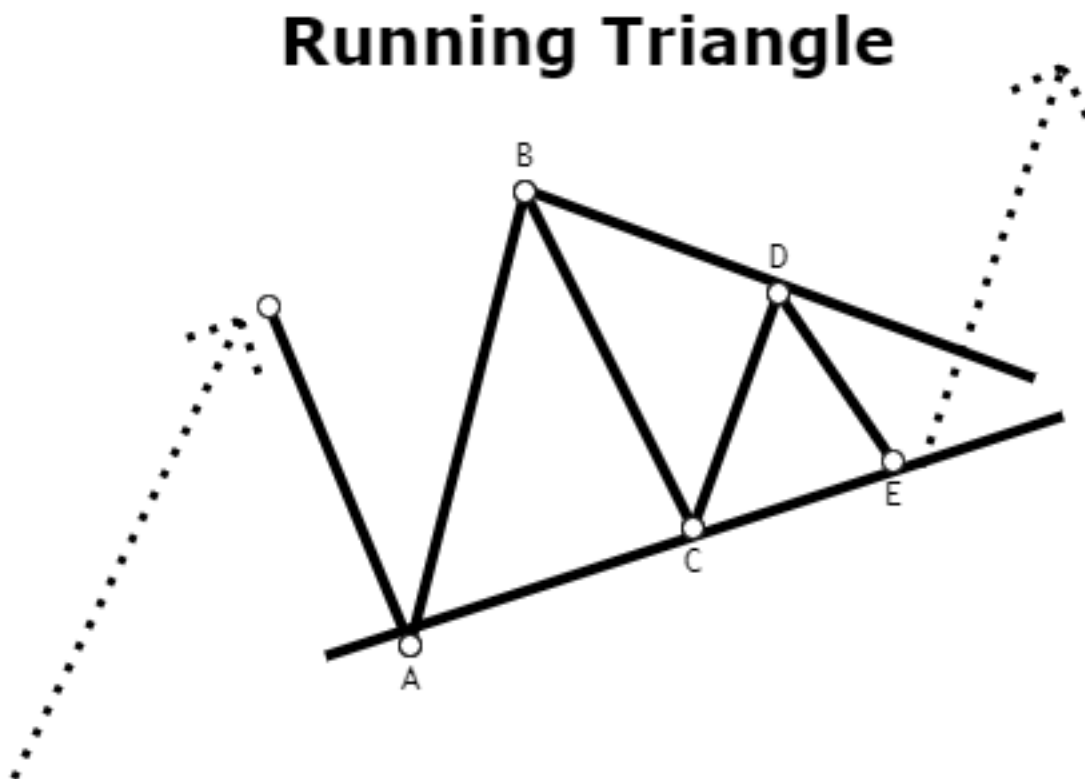
Expanding Triangle



Running Triangles

A Running Triangle has the same Rules and Guidelines governing the Symmetrical Triangle. The only difference is that the B wave extends past the start of the A wave, similar to an expanded/running flat correction.

Figure 5
Running Triangle



Fake Triangles

As referenced in the introduction section of this PDF you will find price contracting in structure and creating what looks to be a triangle, however, the internal wave count does not meet the requirements to be a true triangle. By being able to identify these correct counts you will be able to have a much higher probability of success on knowing which way the structure will actually break and how to profit from it. Below are a few examples of how you could mistake a triangle in the charts. As you learn about complex structures you will find there are more examples than the ones I'm providing here. By knowing this information you can have an edge in the market, and capitalize from it instead.

Figure 6
Fake Triangle #1

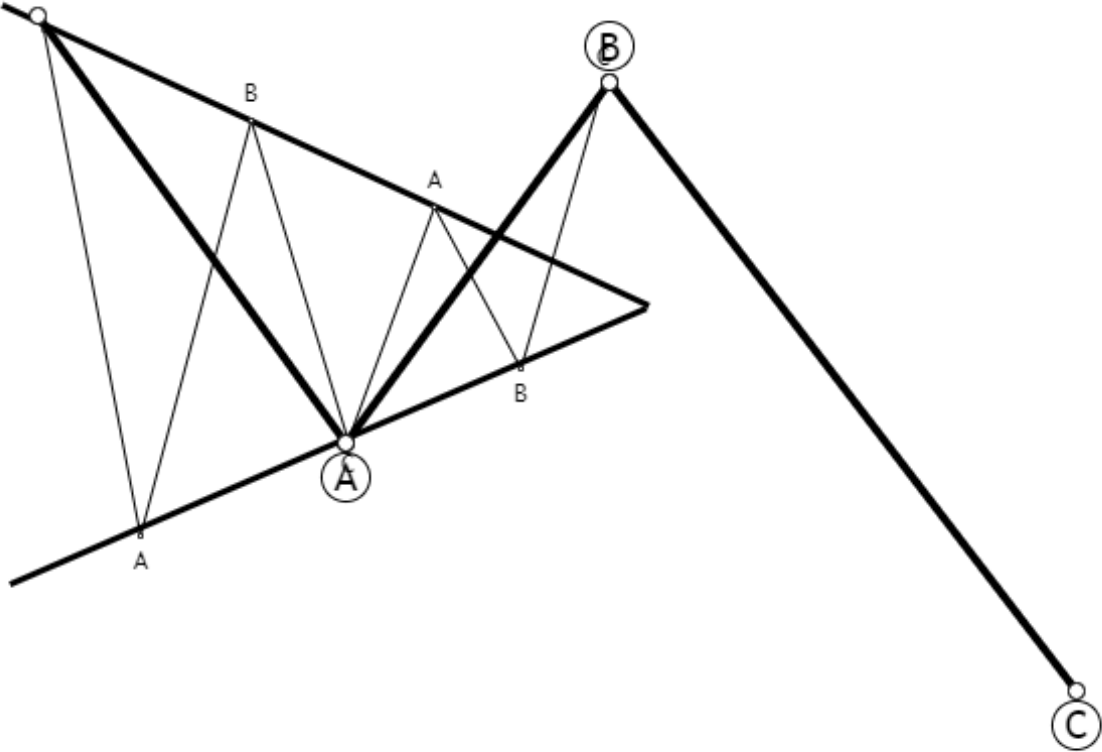
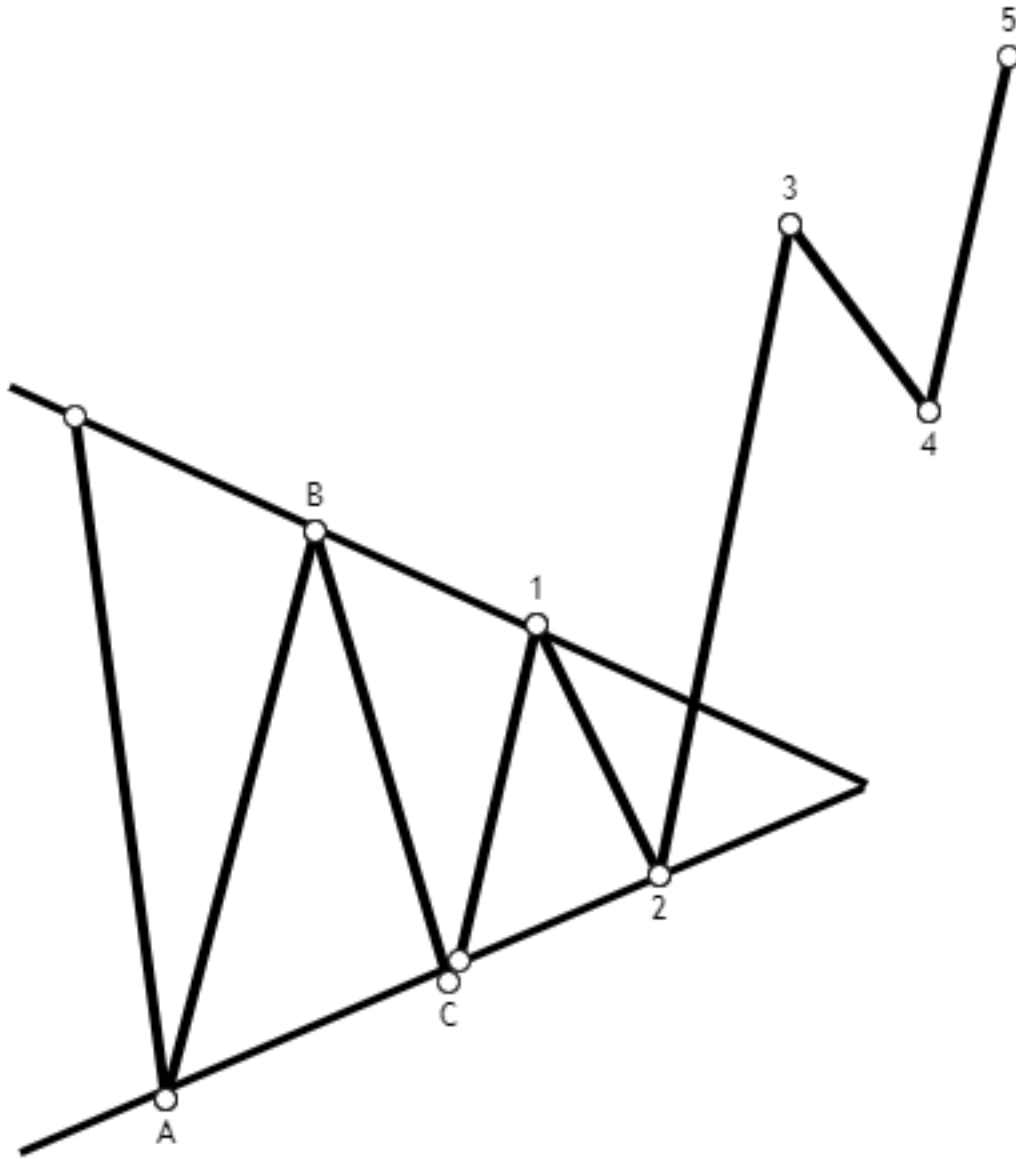


Figure 7
Fake Triangle #2



Triangle Summary

By understanding Elliott Wave you can better understand the wave structures that are created inside patterns, thus having better clarity as to which way the market will actually move. You should be taking away the fundamental rules, guidelines, and Fibonacci relationships for triangles. There are not a lot of Fibonacci relationships for triangles as they are consolidation type structures. Remember that the RSI should print the same triangular pattern if it's a true triangle, otherwise, its common to see some sort of a hidden or regular divergence in fake triangles. Triangles are typically hard to identify until you're in the final wave structure of it because they can easily be mistaken for other counts prior to that. However, being aware of the fake triangle examples I gave above you have a significant edge in the market not to be tricked by these common patterns. Take a moment to look through the price action in the charts for where price contracts and forms a triangle and then see if it's a true one or a fake one. The subwaves inside the triangle are going to be key to identify fake or true ones prior to them breaking in a particular direction. If you can master this, then say hello to saving and making more money in the markets. It's that powerful!

Homework and Next Steps

Please complete the following tasks before moving to the next module:

- Watch the associated video for this module.
- Finish reading this PDF.
- Take the module quiz and understand 100% of the answers.
- Go through the charts on multiple assets and find at least 8 triangular patterns and try to identify which ones are fake. Hint: true triangles will continue the trend.