ReadySetCrypto
Elliott Wave Masterclass

Module Four: Introduction to ABC Corrections

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Introduction to ABC Corrections

Corrections are most traders worst nightmare, but with the information I'm about to arm you with and the insight on how to look at corrections differently they can become a great sidekick. Corrections will always be counter trend and riskier trades to take, but with a well developed skill in Elliott Wave you can truly trade any market conditions. What you learn in this module will be applied in a future module called "correction overlaying" and is a very powerful concept and strategy that allows you to trade counter trend with high probability of success and proper risk management as well, so don't take this module lightly. In fact, the market spends the majority of its time actually correcting, so when you figure out how to leverage these concepts you can capitalize on either trading counter trend or capitalizing on amazing entries to trade back into the trend.

In this module you will learn about Zigzag corrections and Flat corrections. You should also take away the Fibonacci relationships to these corrections as well. These are the only type of ABC corrections that we have in Elliott Wave, the other type of corrections are known as triangles and complex corrections. The ABC corrections, however, are the foundation for your complex structures and a must know in Elliott Wave. Some key points to take away about each.

ZigZag Corrections

This is a 5-3-5 structure, that always starts with five waves and is the ONLY correction that starts with five waves. So I have a little saying I want you to remember. "If it starts with five waves, it ends with five waves". Think about that as we go through the modules. I promise it won't be the last time you hear it either. ZigZags are famous for looking identical to impulse waves without the 5th wave. So it's important to take note on how you can tell the two apart when they form. The key is the retracement level the price reacts to when its' retracing. To determine a wave four retrace you pull from pivots 2 and 3, to determine the retracement of an ABC zigzag you pull from pivots 0 and C. Also only a slight difference, it's enough to realize which count you're dealing with most of the time. Also, when you encroach on wave 1 territory that invalidates the count as well.

Figure 1

ZigZag Fibonacci Relationships:

1. The B wave can retrace up to 99%, however its typical for it to hit the .5 and .618

2. The c wave   extends out to .618, 1, 1.236, 1.382 and 1.618, however if it hits a 1.618 you should double check if its actually impulsive. These are not RULES, just guidelines to increase probability.

3. RSI divergence is seen in the 3rd and 5th wave inside the C wave.

ZigZag Rules:

1. A zigzag always subdivides into three waves

2. Wave A always subdivides into an impulse or leading diagonal

3. Wave C always subdivides into an impulse or diagonal

4. Wave B always subdivides into a zigzag, flat, triangle or combination thereof

5. Wave B never moves beyond the start of wave A

ZigZag Guidelines:

1. Wave A almost always subdivides into an impulse

2. Wave C almost always subdivides into an impulse

3. Wave C is often about the same length as wave A

4. Wave C almost always ends beyond the end of wave A

5. Wave B typically retraces 38 to 79 percent of wave A

6. If wave B is a running triangle, it will typically retrace between 10 and 40 percent of wave A

7. If wave B is a zigzag, it will typically retrace 50 to 79 percent of wave A

8. If wave B is a triangle, it will typically retrace 38 to 50 percent of wave A

9. A line connecting the ends of waves A and C is often parallel to a line connecting the end of wave B and the start of wave A

Flat Corrections

There are 3 types of flats. Regular, Running, and Expanded. They are all a 3-3-5 structure, which means that all C waves in any correction ALWAYS has five waves. The difference between the Regular flats and the expanded ones is mainly where the B wave retraces to. In a running and expanded flat the B wave retraces to the 1.236/1.382 retracement level. Which is below the start of the A wave, thus the term expanded. The only difference between the Running Flat and the Expanded Flat is where the C wave extends out to. So it's really quite simple to memorize. The Expanded flat has a C wave that extends past the end of wave A, and the Running flat has a C wave that DOES NOT extend past the end of wave A. Here are the Rules and Guidelines for Flats that you need to memorize.

Flat Rules:

1. A flat always subdivides into three waves

2. Wave A is never a triangle

3. Wave C is always an impulse or diagonal

4. Wave B always retraces about 90 percent of wave A

Flat Guidelines:

1. Wave B usually retraces between 100 and 138 percent of wave A

2. Wave C is usually between 100 and 165 percent as long as wave A

3. Wave C usually ends beyond the end of wave A

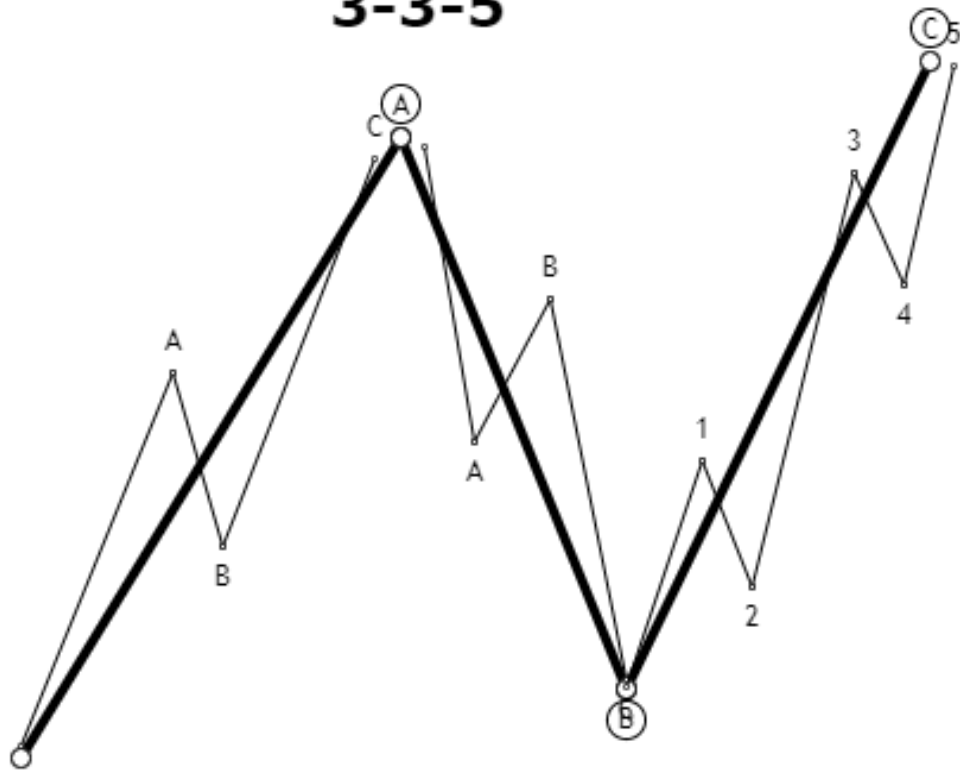**Figure 2**
Regular Flat

Regular Flat
3-3-5

Figure 3
Running Flat

Running Flat
3-3-5

Figure 4
Expanded Flat

Expanded Flat

1.618 Ext.

1.236 to 1.382
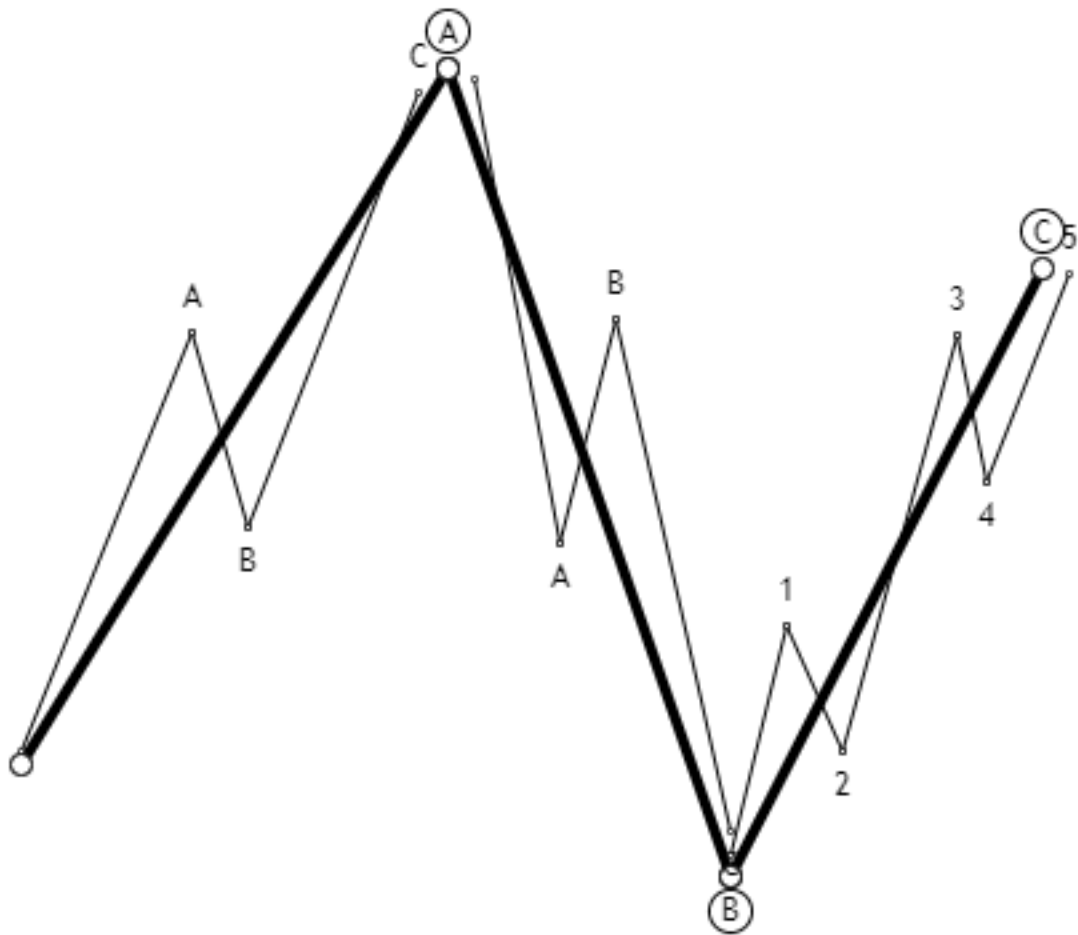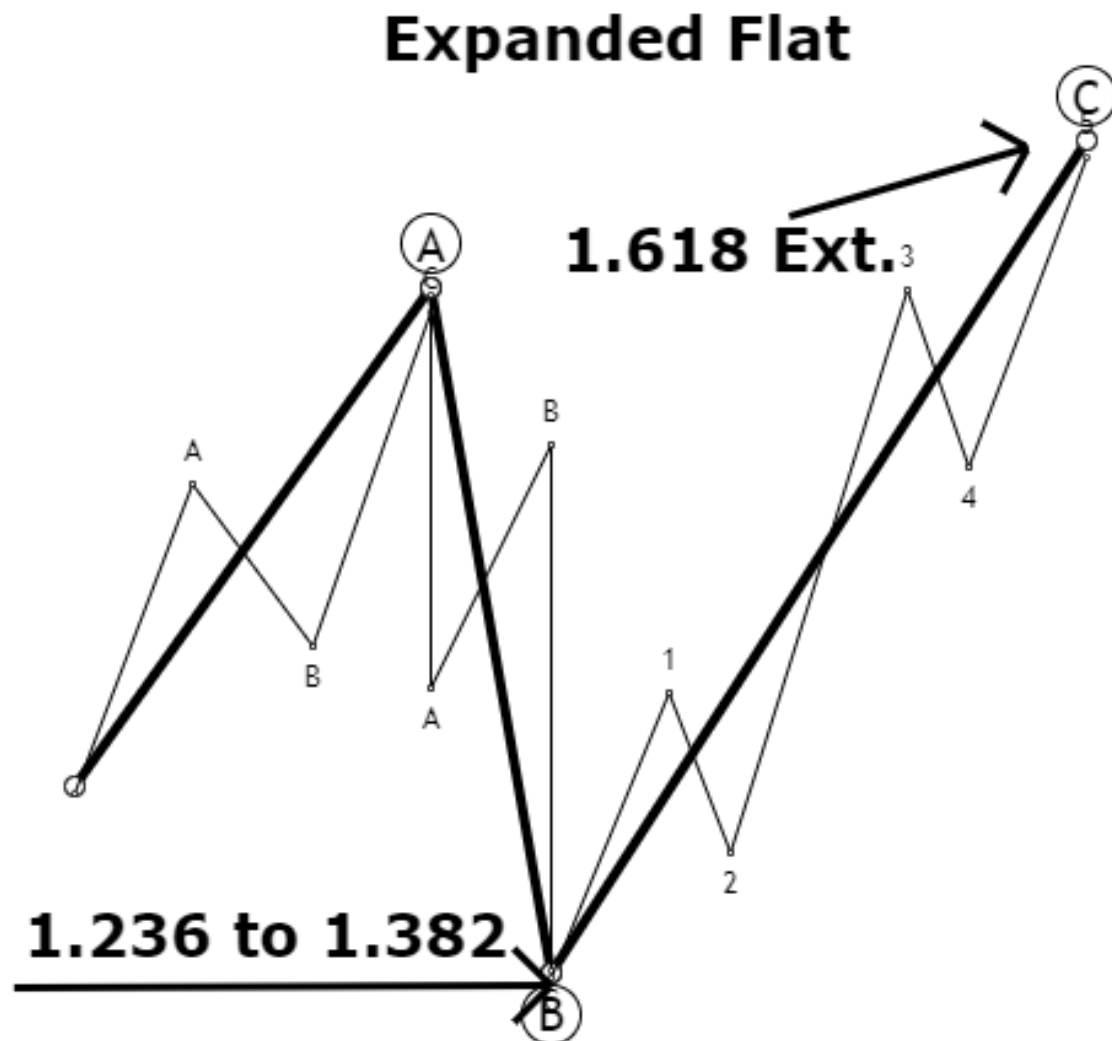
Summary ABC Corrections

The main takeaways we want to make sure to get from this module are the Rules, Guidelines and Fibonacci relationships to ABC corrections. Make sure you know the difference between the Expanded, Regular and Running Flat corrections and that the Zigzag is the only correction with five waves in it and is very similar to an impulse wave. The subdivision of the waves is important too. The rules allow you to actually invalidate or eliminate a particular count, whereas guidelines just help increase the likelihood, so it's extremely important that the rules are mastered first and foremost. There is a really important exercise worth practicing before moving forward. This is to find actual examples in the chart. Check out my application videos as well, but you need to train your eye to see these formations. This can be difficult at first, but keep at it and watch the end of the module lesson on repeat when I dive into the chart examples. Lastly, you need to be aware of the fractal with time frames, this will be a constant reminder throughout the Masterclass, you need to build a relationship with time frames so that you can see how smaller ABC's build into larger ABC's and so forth. For example, a completed ABC on a 15 minute time frame could just be the A wave of a larger ABC on the 4 hour time frame. This is why it's important that we always transition through the same time frames and don't switch up inconsistently between 30 min, 1hr, 6hr, 12hr, 2hr, 5min, etc. My transition among time frames is Monthly, Weekly, Daily, 4hr, 15min.

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
- ☐ Complete the module quiz
- ☐ Memorize the rules, guidelines, and Fibonacci relationships
- ☐ Practice finding at least two examples of each type of correction in the chart