ReadySetCrypto Elliott Wave Masterclass



Module Six: Complex Corrections

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Introduction To Complex Corrections

Complex Corrections tend to be the hardest counts for new Elliott Wave Traders to identify. I've narrowed down why this is while working with students and found that it's because complex corrections can drag on. As such, I've found some tips to help you identify them more easily.

Complex corrections are simple corrections connected together. They are made up of mostly zigzags and flats, however, they can also incorporate one triangle per complex structure. A complex structure is labeled as WXY or WXYXZ. WXY is subdivided into three waves and WXYXZ is a five wave structure subdivided into three waves for each wave. As such, none of the waves have 5 waves, they must all be 3. You can think of it as 3-3-3 for a WXY or 3-3-3-3 for a WXYXZ.

In this module I'll give you the tools and knowledge you need in order to identify, trade and capitalize on complex corrections. We will be going over the rules, guidelines and characteristics of them. We will finish by having you take a quiz to help retain what you have learned and then we will focus on application thereafter on the charts to identify these complex corrections.

How To Identify A Complex Correction

In order to identify a complex correction its important that you know all the other corrections first. I'm not just talking about their name, but literally everything about them, subwaves, fibonacci relationships, characteristics, rules, guidelines, as this is how you're going to be able to go through a process of elimination to identify complex structures. A regular flat will be the closest related to a WXY structure. This is because an X wave cannot surpass the start of its W wave, therefore expanded flats are impossible to mistake this for and zig zags start with 5 waves, whereas your WXY will not. As such, the regular flat is the one you'll confuse it with the most. There are key characteristics, rules and Fibonacci levels that will help differentiate this count from a regular flat, so that's key characteristic number one. The next is the difference between a Y wave and a C wave. Recall, a C wave always has five waves in it and is impulsive or a diagonal. A Y wave on the other hand subdivides into 3 waves and is corrective, not impulsive. These are your two big differences to watch out for.

Complex Correction Rules

- 1. Combinations comprise two (or three) corrective patterns separated by one (or two) corrective patterns in the opposite direction, labeled X. The first corrective pattern is labeled W, the second Y and the third, if there is one, Z.
- 2. A zigzag combination comprises two or three zigzags (in which case it is called a double or triple zigzag.
- 3. A "double three" flat combination comprises (in order) a zigzag and a flat, a flat and a zigzag, a flat and a flat, a zigzag and a triangle or a flat and a triangle.
- 4. A rare "triple three" flat combination comprises three flats.
- 5. Double and triple zigzags take the place of zigzags, and double and triple threes take the place of flats and triangles.
- 6. An expanding triangle has never been observed as a component of a combination by Frost and Prechter.
- 7. Triangles are only allowed to form in the final wave of a combination structure, i.e Y or Z (Only one per complex structure)

Complex Correction Guidelines

- 1. When a zigzag or flat appears too small to be the entire wave with respect to the preceding wave (or, if it is to be wave 4, the preceding wave 2), a combination is likely
- 2. Whether the X wave can surpass the start of W is not identified by Frost and Prechter in their book, however new age Elliott Wave does identify this characteristic and allow it. The second X wave cannot surpass the previous X wave however.

Fibonacci Relationships To Complex Structures

WXY:

- 1. The B wave typically retraces back to a .5 or .618 fib retracement level of the preceding wave.
- 2. Wave Y typically extends out to a .618, 1, 1.236, 1.382 and no further than 1.618

WXYXZ:

- 1. Frost and Prechter don't highlight Fibonacci relationships to complex structures, however they are extremely prevalent and a must know. As such, when pulling pivots for WXYZ you are pulling from pivots 0,W,X to measure your Z wave extension. This should be no further than 1.618, and is most commonly found to hit the 1.236 to 1.382 pocket.
- 2. The Y wave is very similar. Again, you will use pivots 0,W,X and target for a .618, 1, 1.236, 1.382 and 1.618 extensions.
- 3. The X wave of a WXYXZ will typically retrace .5 to .618 of the previous swing high and low. This would be pivots 0,W to project X target, and it would be 0,Y for the second X wave in the WXYXZ.

Figure 1 WXY Complex Correction



Figure 2 WXYXZ Complex Correction



Complex Correction Summary

In summary, complex corrections are the combinations of simple corrections. They typically form channels, create symmetry, end with 3 waves, and are subdivided in subwaves of 3's. Typically consist of zigzag and flats. They can have no more than one triangle per complex correction. They are most commonly mistaken for a regular flat correction. The X wave typically does not retrace beyond the start of W. The X wave typically retraces .5 to .786 fib retracement of previous swing low and high. The X wave cannot surpass the previous X wave in a WXYXZ. There are mixed views from Elliott analysts in today's current markets that suggest you can have a complex structure of one lesser degree within a W,X,Y,Z wave, however, from my own personal experience these can be broken down into simple corrections as Frost and Prechter describe in their book the majority of the time. As such, as a new Elliott Wave trader its best to stick with building them as simple structures first before over counting and analyzing, which I believe is a common mistake. In conclusion, from this module you should have a clear understanding and memorization of the rules, guidelines, and Fibonacci relationships associated with complex corrections and have a visual understanding of what they look like and how to identify them in actual price charts.

Homework and Next Steps

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

U Watch the associated video for this module.

Read the Module 6 PDF

- Take the Module 6 quiz
- Complete a practice exercise by identifying at least 3 examples of

complex corrections in the price charts.