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- The -
Elliott
Wave
Theory

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Introduction

As Head of Education at FXTM, I have trained thousands of traders, both beginners and advanced, on different concepts and theories on trading the financial markets. People are very enthusiastic to learn new strategies, tools and concepts, but what I came to realize is that every trader's dream is to master the Elliott Wave Principle and Fibonacci ratios. They are fascinated by the recurring structure and cyclic model that the wave principle suggests. In this book, I will present both the Elliott Wave Theory and Fibonacci ratios from a trader's point of view.

About the Author

FXTM's Head of Education, Andreas Thalassinos, is a respected FX educator and Certified Technical Analyst. He is a recognised authority in the forex industry, and renowned for his expertise in algorithmic trading. After years of consulting with FXTM on a number of key projects, Andreas officially joined the company in June 2016 and is the principal driver and architect of FXTM's extensive educational programme. His department's international seminars and workshops provide clients across the world with on-location support, while his webinars, e-books, educational articles and videos form the cornerstone of FXTM's multilingual, open access training resources. The training is tailored to traders' needs by region and experience level.

Thalassinos has played a key role in the development of forex education within the industry, training tens of thousands of traders and forex professionals around the world. Traders of all levels value his seminars and workshops for both content and his passionate and lively presentations. As Head of Education, Thalassinos also plays a pivotal role in FXTM's research and development team. In this capacity, he led the development of the FXTM Trading Signals and FXTM Pivot Points Strategy tools, which are designed to help traders spot potential trading opportunities across various trading instruments.

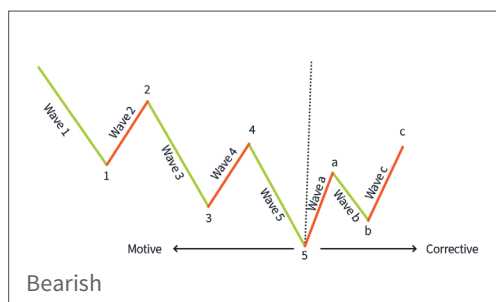
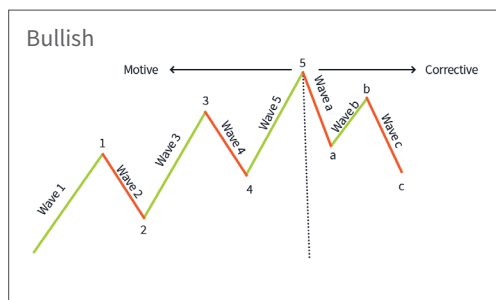
Thalassinos has been awarded a number of international professional certificates including: MSTA by the Society of Technical Analysts (UK) and CFTe and MFTA by the International Federation of Technical Analysts (USA) – the highest qualifications in the technical analysis community. He also holds a BSc and MSc in Computer Science from University of Louisiana at Lafayette and Bowie State University, respectively.



10. Phases

A complete Elliott Wave cycle consists of the motive and corrective phase. This includes the waves of the prevailing trend, these being 1, 2, 3, 4 and 5. On the other hand, the corrective phase includes waves a, b and c.

Waves 1, 3 and 5 are called impulse waves, whereas waves 2 and 4 are called corrective waves.



11. Rules and Guidelines

The Elliott Waves follow certain rules and guidelines as observed by Ralph Nelson Elliott. If any of the rules are violated, then the counting of waves is invalidated. So, the following rules must be present at all times:

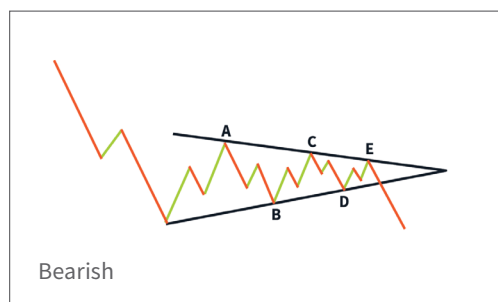
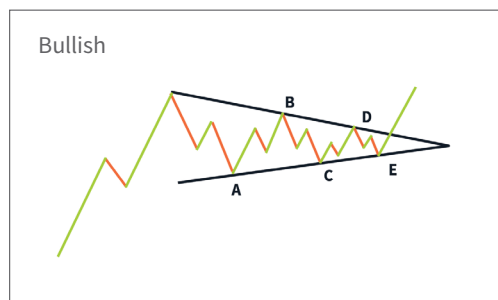
- Wave 2 never retraces 100% of wave 1
- Wave 3 is never the shortest wave among the impulse waves 1, 3 and 5
- Wave 3 always travels beyond the end of wave 1
- Wave 4 never enters the territory of wave 1

Also, the following guidelines may be observed as tendencies rather than rules:

- Alternation. If wave 2 is sharp, then expect wave 4 to be sideways and vice versa
- If one of the impulse waves 1, 3 and 5 are extended, then the other two will tend to be equal or a Fibonacci ratio.

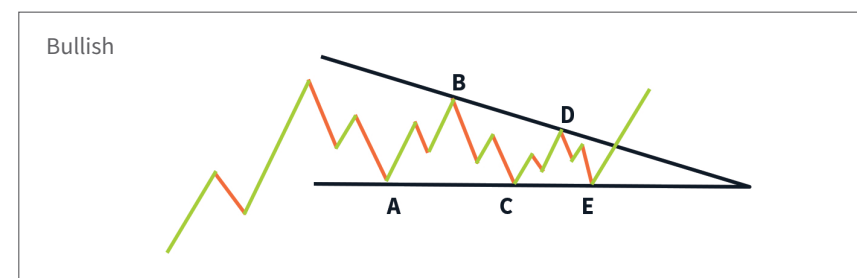
24. Symmetrical Triangle – Corrective Wave

Geometry teaches us that a symmetrical triangle is made up of two equal sides. A symmetrical triangle follows a structure of 3-3-3-3-3. Symmetrical triangles are also known in the bibliography as Contracting or Coil. When the price eventually breaks out of the triangle, it will most probably follow the direction of the established trend. How far will it travel? That can be estimated with the same measuring techniques that are applied to all triangles.



25. Descending Triangle – Corrective Wave

Another type of sideways correction is the triangle. There are four types of corrective triangles: Ascending, Descending, Symmetrical, and Broadening (or “Megaphone”). They follow a 3-3-3-3-3 structure and, of course, are considered a continuation pattern. At least four points are needed to draw a triangle: 2 points for each side. Remember that we need at least two points to draw a straight line. The opening between the two sides is called the base, and the point where the two sides meet is called the apex. Triangles boast a unique feature of calculating minimum price targets.



The only difference with a descending triangle is that one of the sides is flat and is on the bottom. It still follows a 3-3-3-3-3 structure and the measuring techniques are the same. During an uptrend, the price will usually break out of the inclined side, not the “flat” side, in the direction of the prevailing trend. On the other hand, the price will usually break out of the flat side during a decline. An estimation of the minimum price target after the breakout will follow the same principles of the triangle measuring techniques.



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