

# GUE CONCEPTS Part 1

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**BECOME A PRO**  
MONEY WILL FLOW

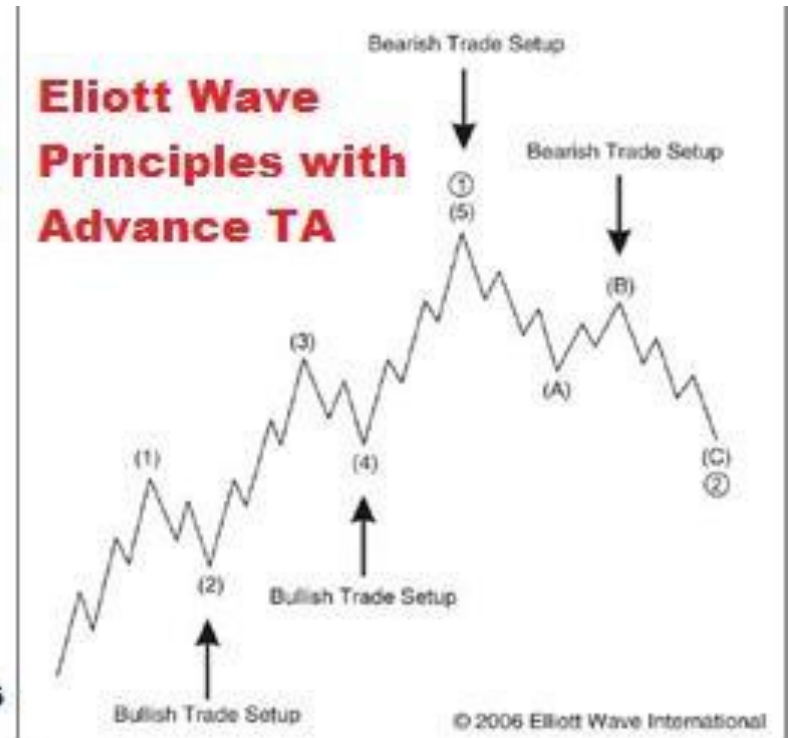
**FOCUS =  
SUCCESS!**

# GUE : Get the Ultimate Edge

Workshop on Advance Technical Analysis  
using Elliot Wave Principle



**Get the ULTIMATE EDGE over Others**



# PLAY THE GAME AS SUCCESSFUL PLAYER DOES

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# Common Problems of Traders

- I made perfect entry but couldn't capitalise on the rally... Stock fell back to my entry point?
- Technical Charts are telling me to buy, but I am concerned. What if it's nearing the end of the run?!
- I like to be a contrarian i.e. do opposite to what the herd is doing, however it doesn't work ALL the time ?
- The trade is in my favor but when do I exit? How do I find target?
- Market is correcting, is this the end of correction? Should I enter or wait further?
- How could I make successful trades consistently???!!!

Answer lies in: Elliot Wave Principles & Guidelines  
coupled with Technical Analysis & Discipline to follow  
High Probability Setups!!!

# The Wave Principle

- Mankind progress (popularly measured by stock market valuation) is not a straight line, random or cyclical.
- Growth and thereby social systems are moving in a pattern consisting of 5 waves up and 3 waves down.
- This pattern reflects the alternation of growth and non- growth or decline. It also reflects the sentiment of masses.

## Why Use Wave Principle?

- Predict Market Direction
- Identify Turning Points
- Provide Guidance for Entering and Exiting Positions (Trading or Investment positions)

**The key is to keep it simple and use it for high probability setups only!!!**

# Wave Principle – the Basis

## ➤ Financial Markets Characteristics

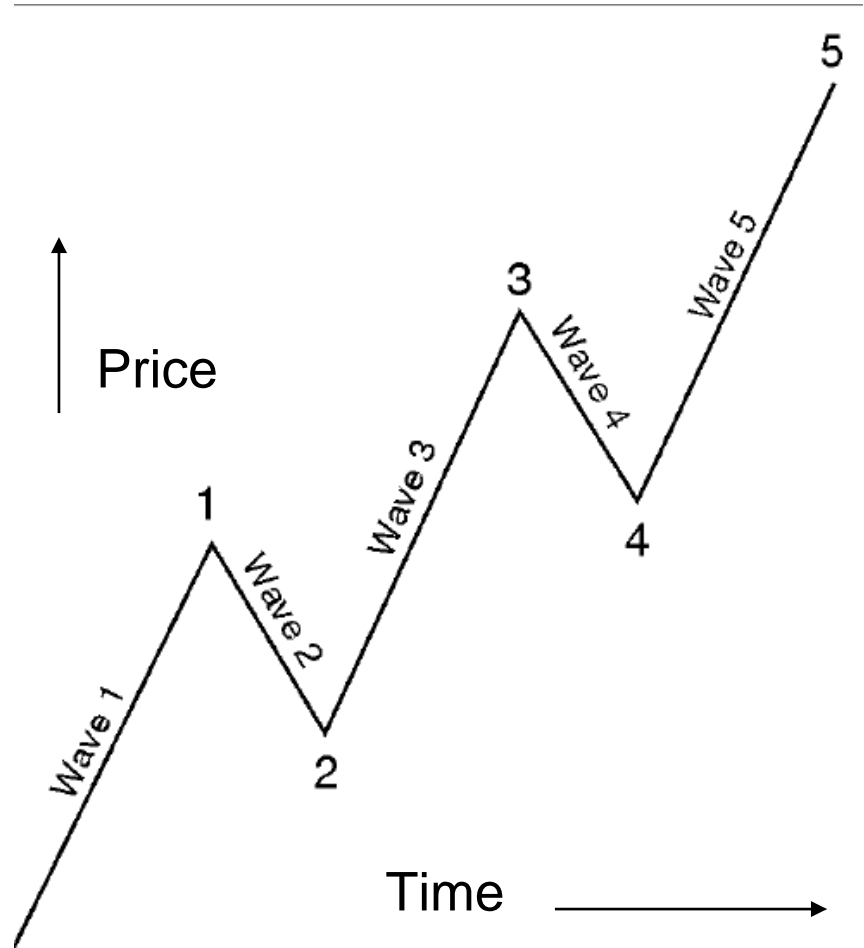
- Decisions are
  - ✓ Emotional / Unconscious
  - ✓ Subjective
  - ✓ Impulsive
  - ✓ Based on Ignorance & conditions of Uncertainty
- Herding : following actions of others
- Values cannot revert to any equilibrium

## ➤ Ralph Nelson Elliot's Wave Principle

- Financial Markets are Patterned.
- Crowd behavior moves up and down in recognizable patterns called Waves.
- These structures link together to form larger versions of same patterns and in turn become the building blocks for patterns of next larger size and so on.

# The Basic Pattern

- 5 Waves Advance.
- Price Plotted Against the Time.
- Time could be a day, week, year or minute.
- Pattern is similar on any Timeframe.



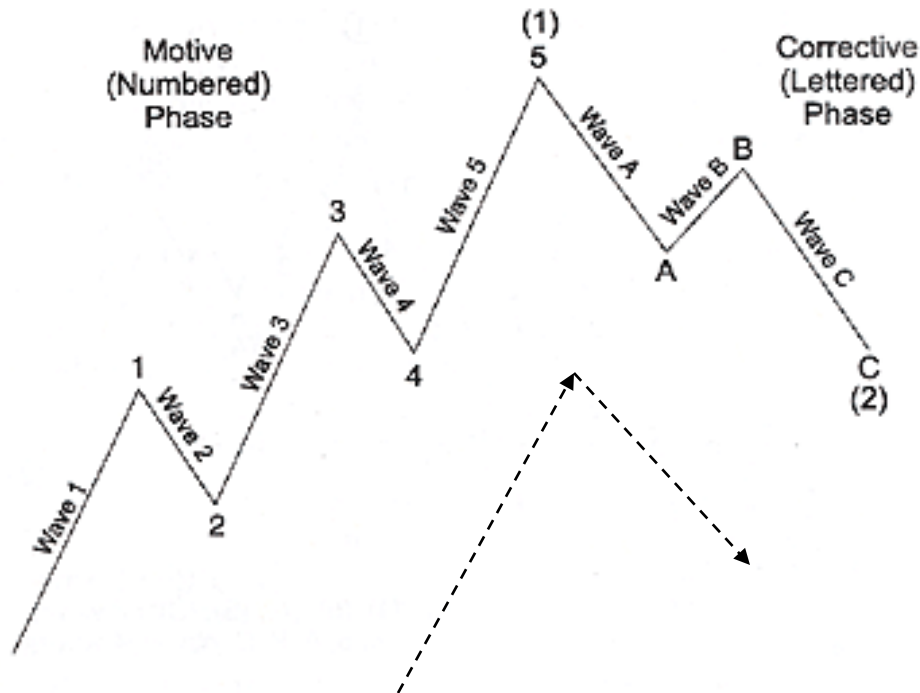


# WAVE PRINCIPLES:

- Wave 2 never retraces 100% of wave 1.
- Wave 4 never enters the price territory of Wave 1 and.....
- Wave 3 can never be the shortest in comparison with impulsive Wave 1 and Wave 5.

# Motive & Corrective Phase

*Chapter 1: The Broad Concept*



- Actionary waves
  - Wave 1, 3 and 5 moving in the direction of main trend of 1 larger degree

- Corrective waves
  - Waves 2 & 4
  - Interrupting the main trend of 1 larger degree

- Each of these waves further sub-divide into other waves

# Example: Motive Wave (1-2-3-4-5)



# Example: Corrective Wave (A-B-C)



# Example: Motive and Corrective Wave combined



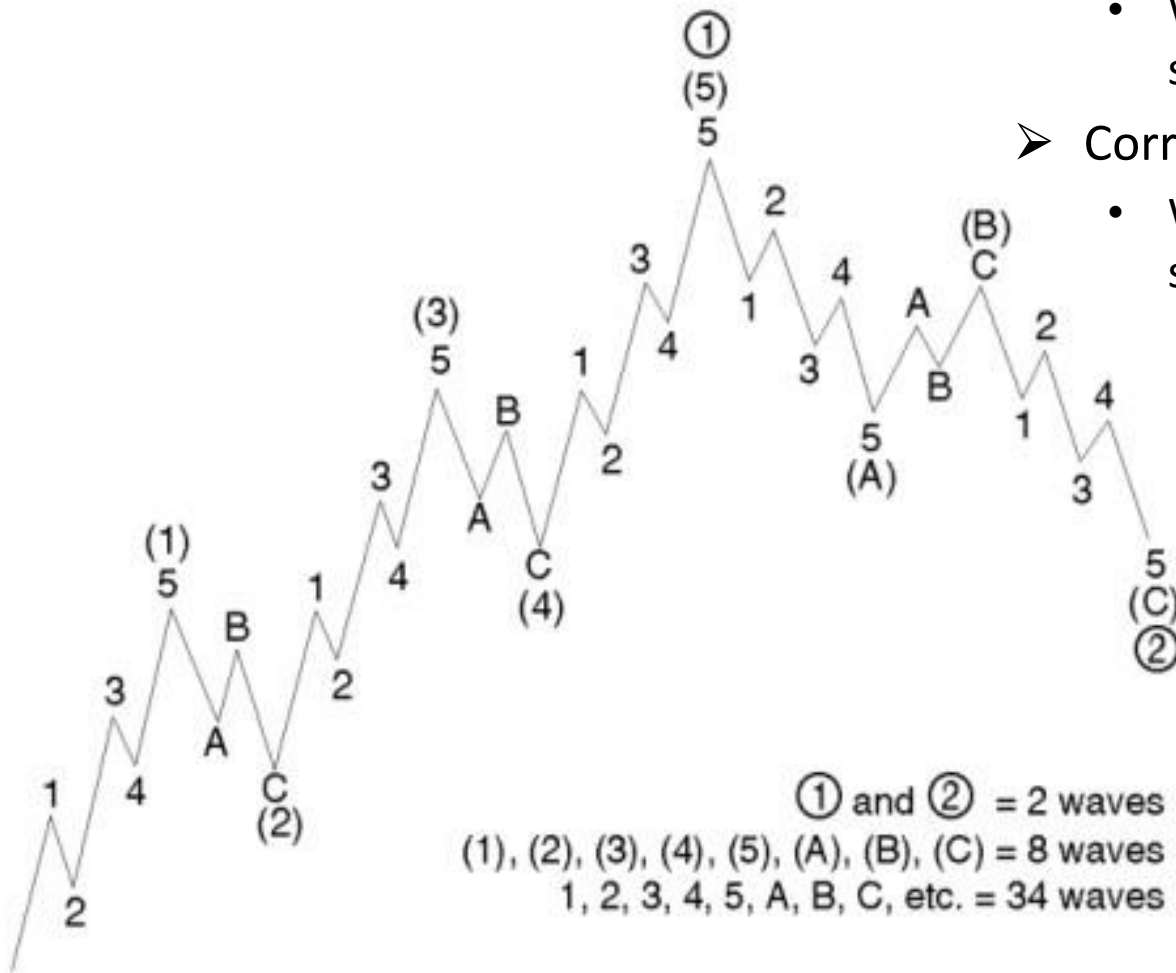
# Further Sub-division

## ➤ Actionary waves

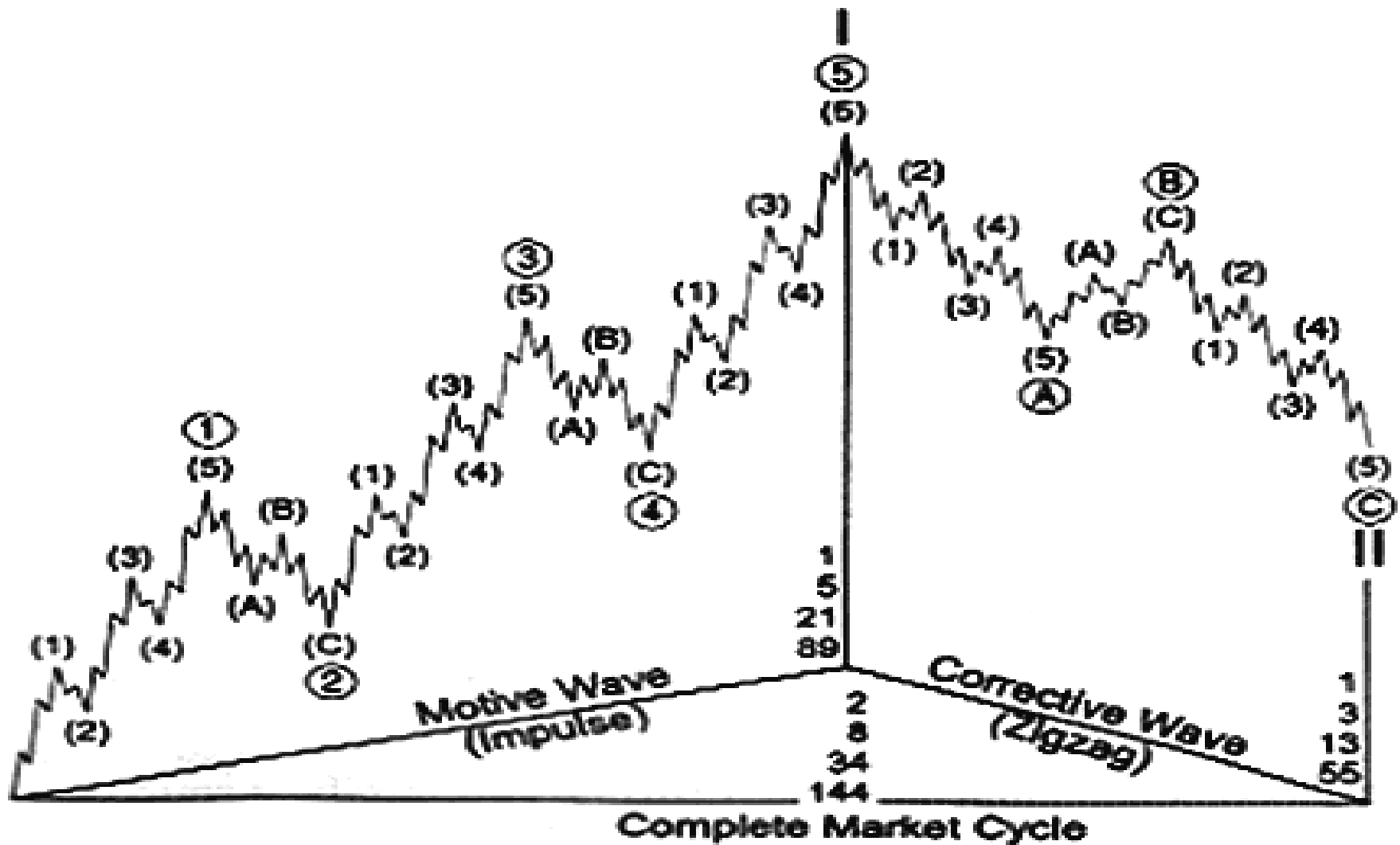
- Wave (1), (3) & (5) are further subdivided into 1-2-3-4-5

## ➤ Corrective waves

- Wave (2) & (4) are further subdivided into waves A-B-C



# Complete Market Cycle with Subdivisions



# Wave Degrees

Monthly

Weekly

Daily

Wave Degree	5's With the Trend					3's Against the Trend		
1 Supermillennium	①	②	③	④	⑤	Ⓐ	Ⓑ	Ⓒ
2 Millennium	(1)	(2)	(3)	(4)	(5)	(A)	(B)	(C)
3 Submillennium	1	2	3	4	5	A	B	C
4 Grand Supercycle	Ⅰ	Ⅱ	Ⅲ	Ⅳ	Ⅴ	ⓐ	ⓑ	ⓒ
5 Supercycle	(I)	(II)	(III)	(IV)	(V)	(a)	(b)	(c)
6 Cycle	I	II	III	IV	V	a	b	c
7 Primary	①	②	③	④	⑤	Ⓐ	Ⓑ	Ⓒ
8 Intermediate	(1)	(2)	(3)	(4)	(5)	(A)	(B)	(C)
9 Minor	1	2	3	4	5	A	B	C
10 Minute	①	②	③	④	⑤	Ⓐ	Ⓑ	Ⓒ
11 Minuette	(i)	(ii)	(iii)	(iv)	(v)	(a)	(b)	(c)
12 Subminuette	i	ii	iii	iv	v	a	b	c
13 Micro	①	②	③	④	⑤	Ⓐ	Ⓑ	Ⓒ
14 Submicro	(1)	(2)	(3)	(4)	(5)	(A)	(B)	(C)
15 Miniscule	1	2	3	4	5	A	B	C

Chart References



# Robust Fractal

- Any structure similar in different Timeframes (Degrees) but not exact.
- All have 5 waves up, 3 waves down.
- Check Nifty Charts on different timeframes viz. Daily, Weekly, Intra-day.

# Motive Phase – Key characteristics

- They are 5 wave structures (1-2-3-4-5)
- They are in the direction of main trend of one larger degree (time frame)
- Wave 2 cannot retrace more than 100% of wave 1
- Wave 3 can never be the shortest and is often the longest

## Motive Waves

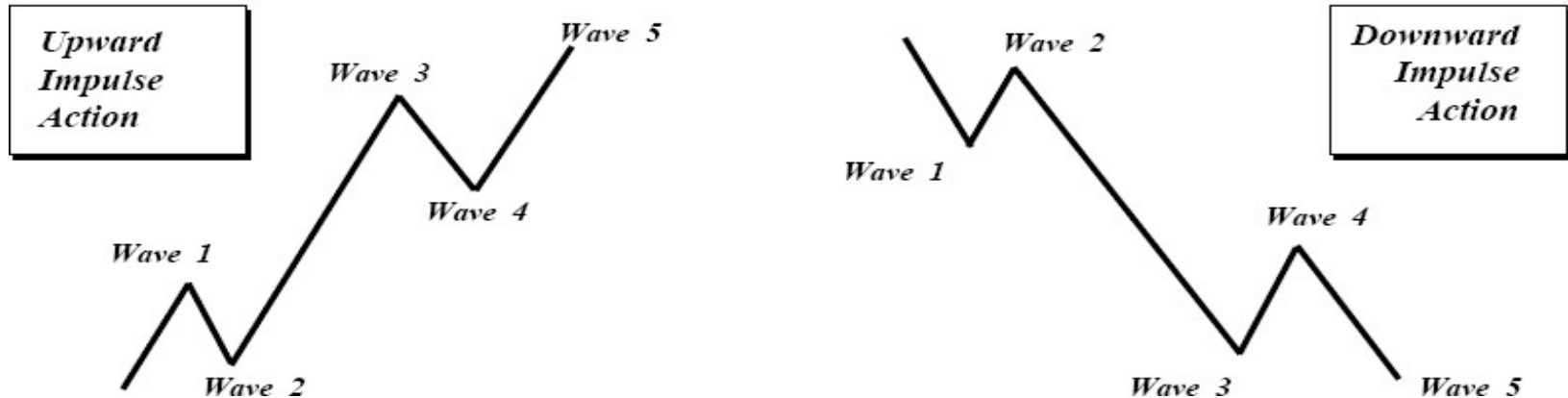
### 1. Impulse Waves

- Extensions
- Truncations

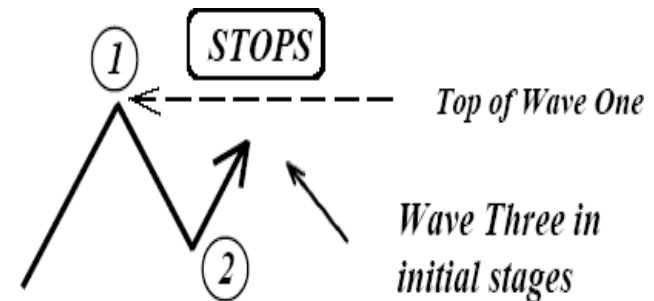
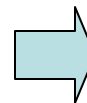
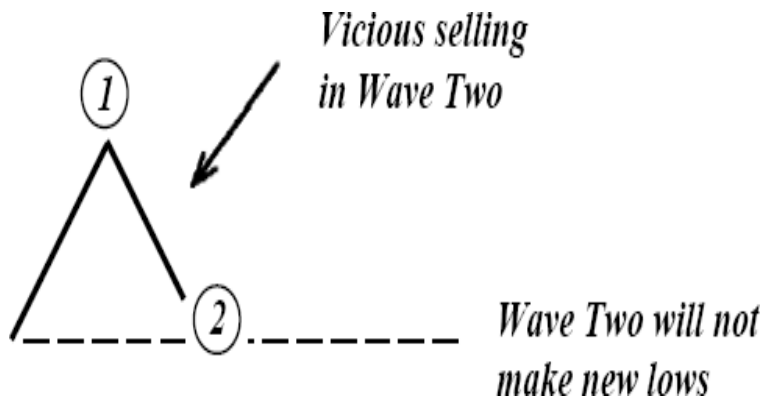
### 2. Diagonal Triangles

- Typically occur in Wave 5 or Wave C
- Found at termination points of larger pattern
- Indicate exhaustion of larger pattern

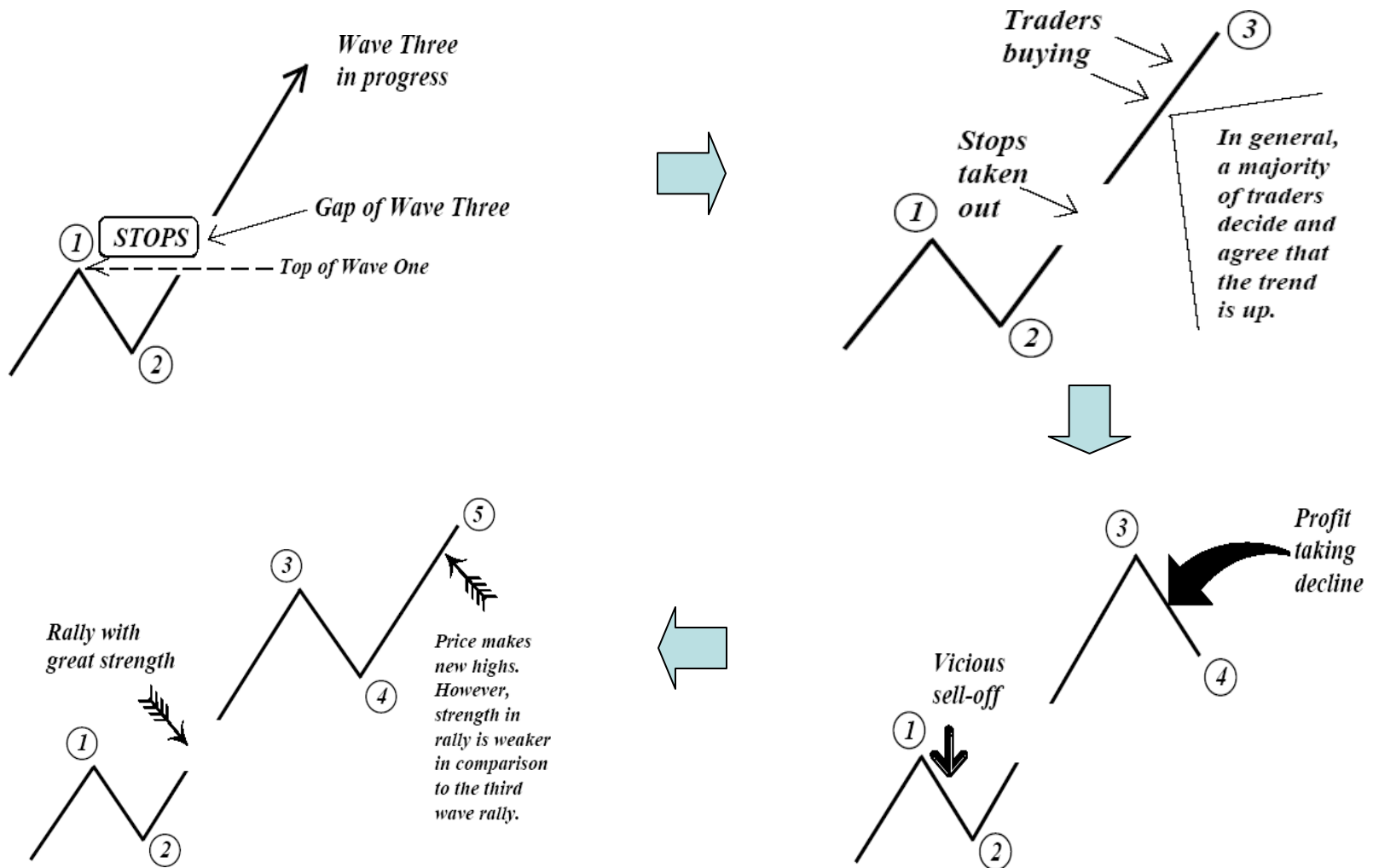
# Impulse Wave Pattern



## Characteristics of Wave 1 & 2



# Impulse Wave - Characteristics



# Example – Impulse Wave

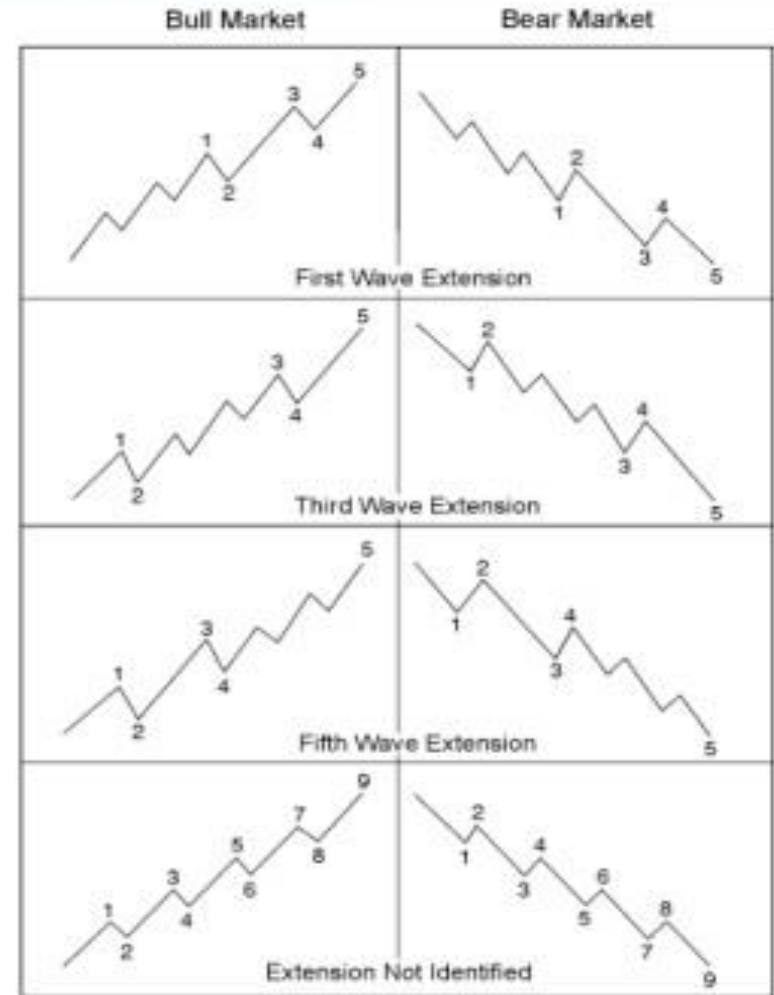


# Why is it significant?

- Once you are able to find the 5 wave uptrend or a downtrend, you could expect a change in direction or corrective phase in opposite direction (counter trend)
- Traders could trade the corrective waves...once 5 wave impulse is over.
  - Short when 5 wave uptrend is over
  - Go long when 5 wave downtrend is over

# Extensions

- Elongated Impulse Wave
- Appears in either Wave 1, 3 or 5
- Often seen in Wave 3 for the stock market
- Often seen in Wave 5 for commodities market



# Extension - example

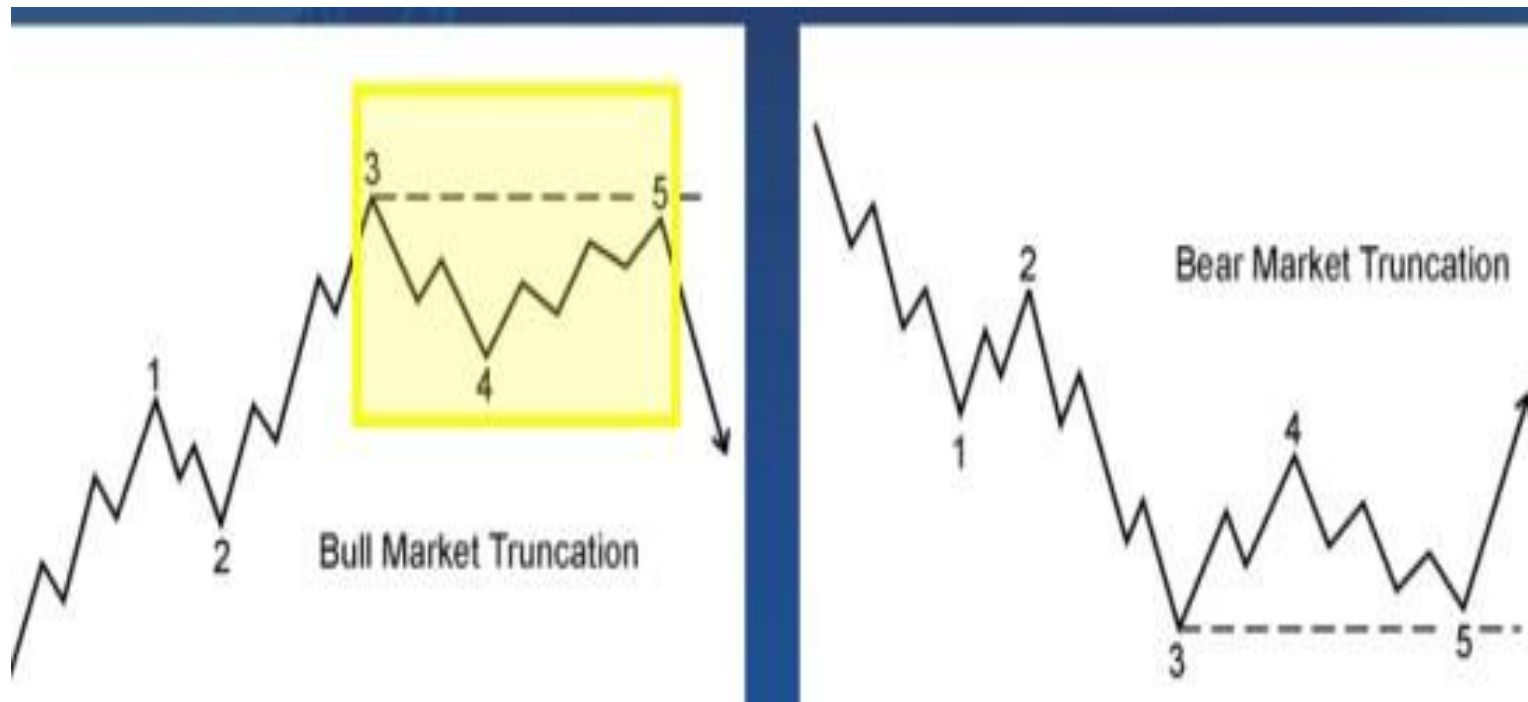
It's important to know extensions to ride the entire wave instead of getting out in the middle of the run.





# Truncations

- Wave 5 does not exceed the end of Wave 3
- Contains necessary 5 sub-waves within Wave 5
- Often occurs after a strong 3<sup>rd</sup> wave



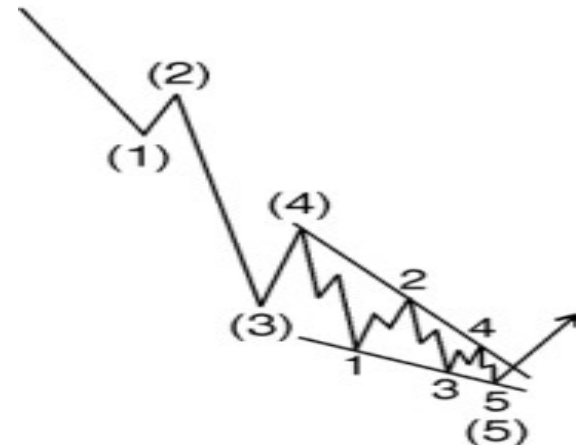
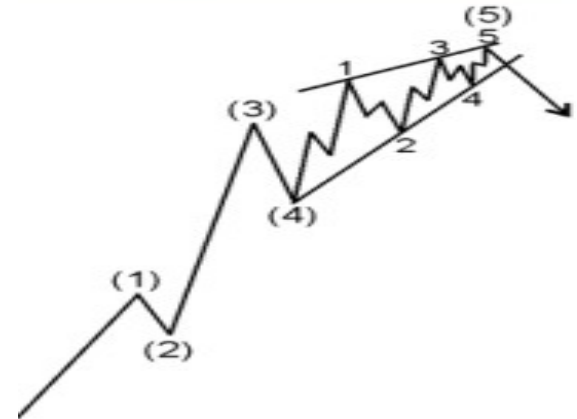
# Example - Truncation

Truncated 5<sup>th</sup> waves are difficult to find at real time, however it is important to know this concept to adjust your counts.



# Motive Waves - Diagonal Triangle

- Wave 4 almost always moves into the price territory of Wave 1.
- Wave 1, 3 and 5 are composed of three sub waves, not five.
- Found at termination points of larger pattern indicating exhaustion e.g. Sensex peak in Jan 2008.
- Normally has wedge shape within 2 converging lines.



# Example – Diagonal Triangle

- Once a diagonal triangle ends, it results in a swift move in the opposite direction ***retracing the entire diagonal triangle***.



- Sometimes sub-wave 5 does a “throw over” (OR throw under in downtrend).
- They are high probability setups!
- ... more later

# Summary

- The Wave Principle : Graphic of Mass Psychology
- Motive Waves : 5 wave structures in the direction of main trend of one larger degree
- Types of Motive waves
  - Impulse
  - Diagonal Triangle
- Impulse Waves
  - Wave 1, 3 and 5 : have 5 impulse sub-waves
  - Wave 4 never enters price territory of wave 1
- Diagonal Triangle
  - Wave 1, 3 and 5 : have 3 subwaves
  - Wave 4 enters price territory of wave 1
  - They signal imminent Trend Reversal

# Our Motto at



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