



GET ULTIMATE EDGE



BECOME A PRO
MONEY WILL FLOW

ASTA-TR-RD-55 REV : 00 Date : 01-07-2024

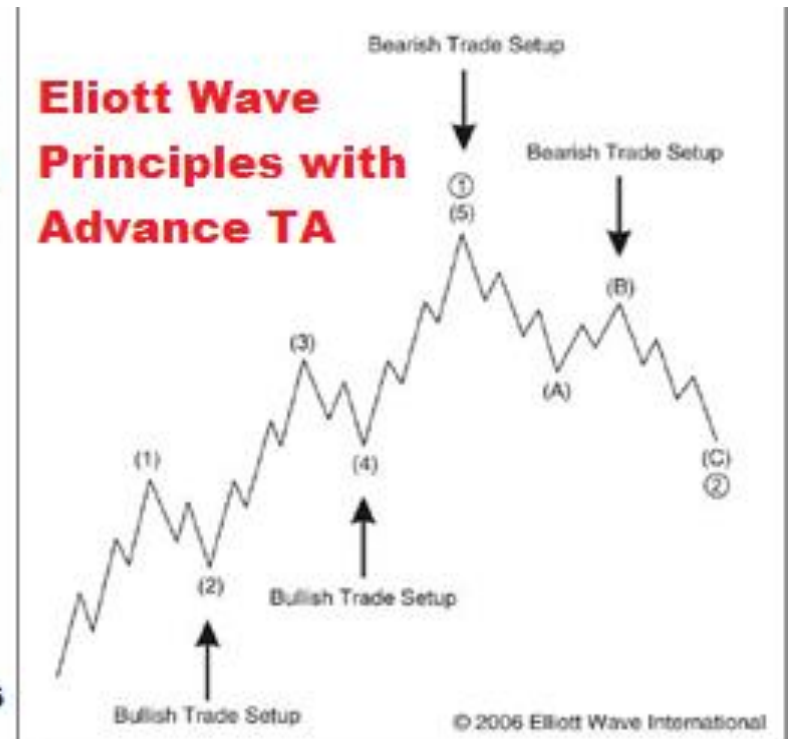
**FOCUS =
SUCCESS!**

GUE : Get the Ultimate Edge

Workshop on Advance Technical Analysis
using Elliot Wave Principle



Get the ULTIMATE EDGE over Others



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Wave Personality ⇔ Mass Human Psychology

1st Wave (Note: Bull markets)

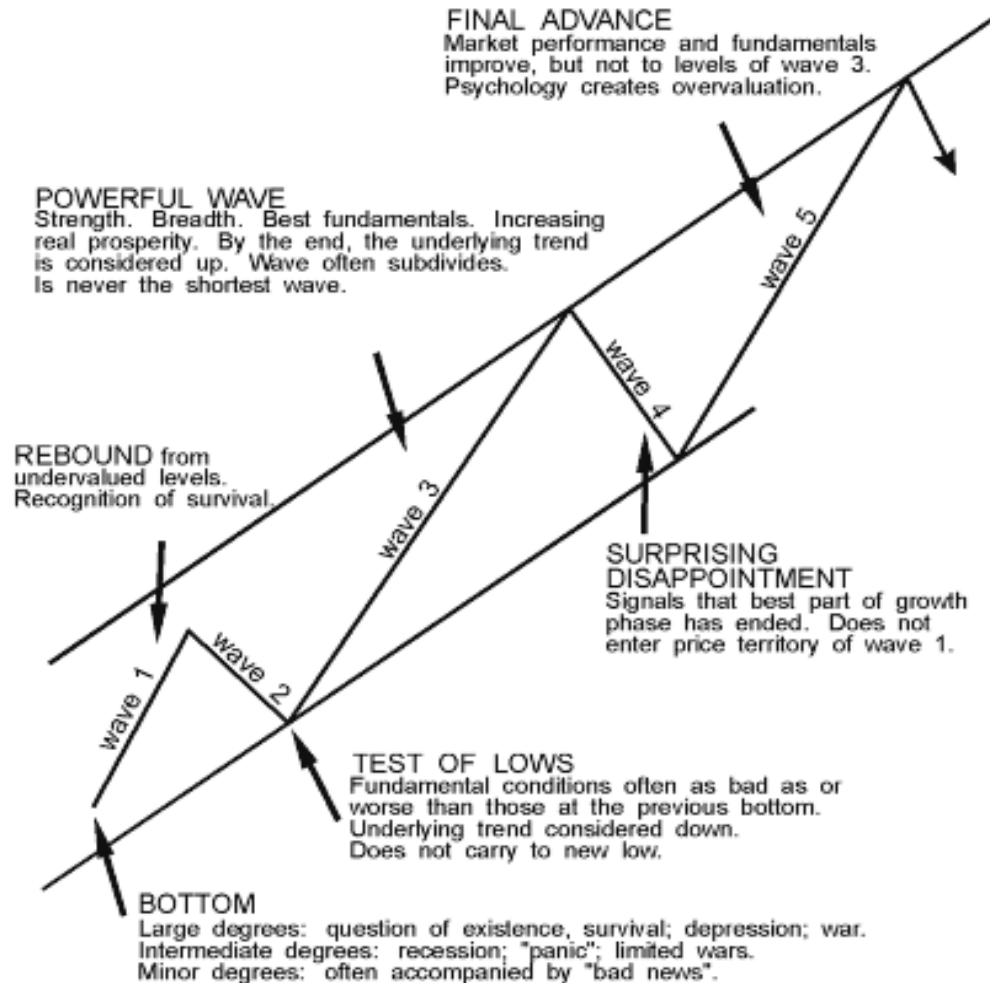
- Heavily corrected by Wave 2.
- In contrast to prior bear market rallies, technically more constructive - subtle increase in volume & breadth.
- Plenty of short selling – majority still feels trend is down.
- If 1st wave rises from large compression or large bases, first waves are dynamic and only moderately retraced.

2nd Wave

- As said earlier, large retracement of Wave 1.
- Investors are thoroughly convinced that the bear market is back to stay.
- Typically show Bullish Divergences & create “buy spots” - low volume and volatility indicate a drying up of selling pressure.

Idealized Elliott Wave Progression

© 1980 Robert R. Prechter, Jr.



Wave Personality ⇔ Mass Human Psychology

3rd Wave

- Wonders to behold- strong & broad, and the trend at this point is unmistakable.
- Increasingly favorable fundamentals enter the picture as confidence returns.
- Generate the greatest volume and price movement.
 - *If extended, the 3rd wave of the 3rd wave will produce the maximum price movement .*
- Virtually all stocks participate in third waves.
- Produce breakouts, "continuation" gaps, volume expansions, exceptional breadth, major Dow Theory trend confirmations and runaway price movement.

4th Wave

- Predictable in both depth & form.
- Most they trend sideways, building the base for the final fifth wave move.
- Lagging stocks build their tops and begin declining during this wave - since only the strength of a third wave was able to generate any motion in them in the first place.

5th Wave

- Optimism runs extremely high, despite a narrowing of breadth.
- Always less dynamic than third waves in terms of breadth.
- Market dabblers sometimes call for "blowoffs" at the end of long trends, but the stock market has no history of reaching maximum acceleration at a peak.
- Usually display a slower maximum speed of price change – look for *lesser* volume as a rule in a fifth wave as opposed to the third.
 - *BUT, if a 5th wave is an extension, speed of price change in the 3rd of the 5th can exceed that of the 3rd wave*
 - *Even if a 5th wave extends, the 5th of the 5th will lack the dynamism of what preceded it*

Pause!

Before the marriage with TA

Improve Trading using Wave Principle

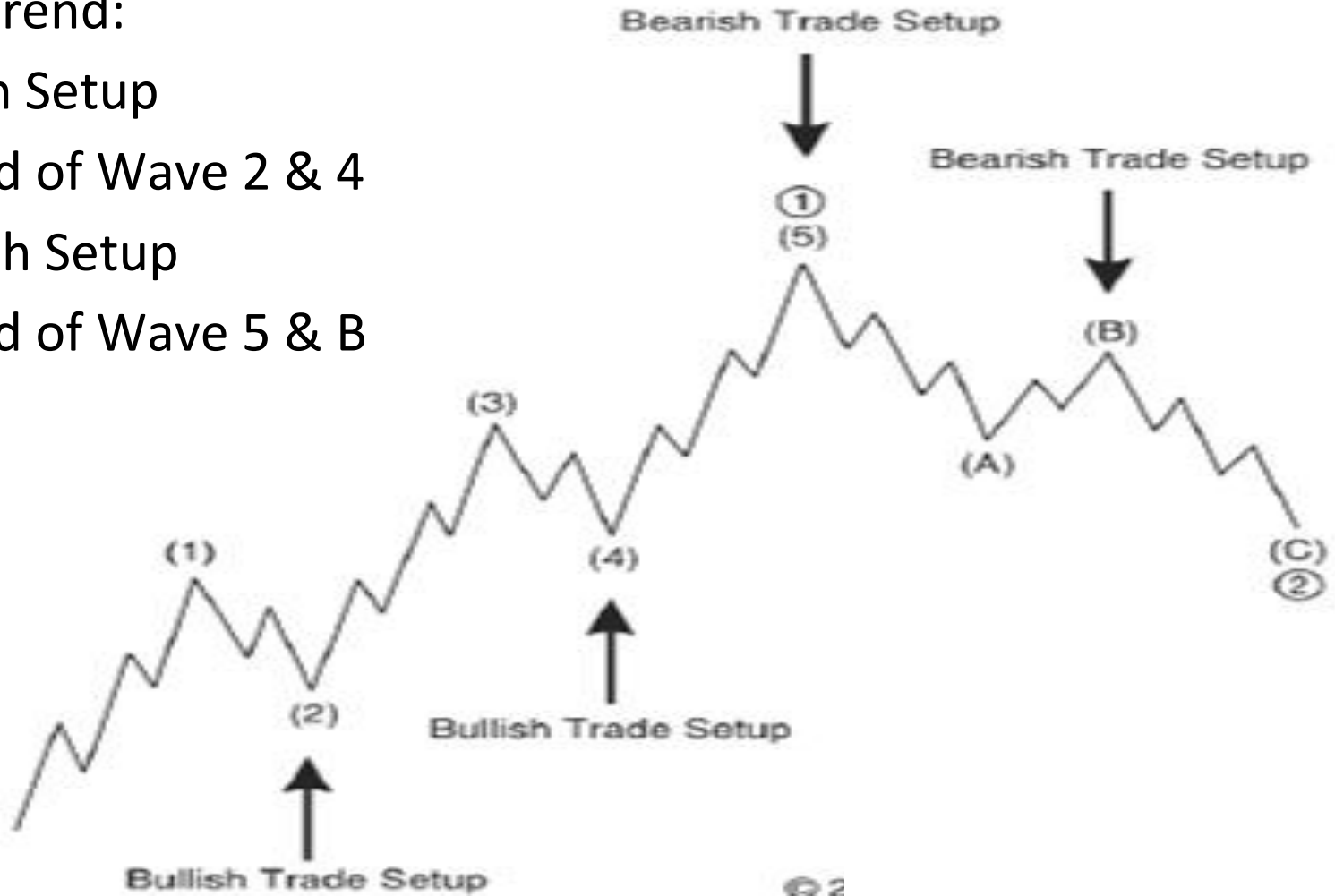
Technical Analysis fall short in identifying “Maturity” of a Trend. Technical Analyst could use Wave Principle to :

- Identify Direction of the Dominant Trend
 - E.g. 5 wave advance is up trend
- Identify Counter Trend Moves
 - 3 wave downward correction are opportunities for traders to position trades in the direction of main trend
- Determine Maturity of the Trend
 - Wave 5 gives warning to book profit / tighten stops
 - Wave C provides opportunities for fresh positions
- Define Price Targets
 - Fibonacci Relationships
- Improve Stop Loss Judgment
 - Use the 3 Rules of Wave Principle
 - E.g. Wave 2 never retraces more than 100% of Wave 1
- Identify High Probability setups to increase hit ratio
 - Decision based on triple screen
 - Use wave principle and indicators to verify Chart Patterns / setups.

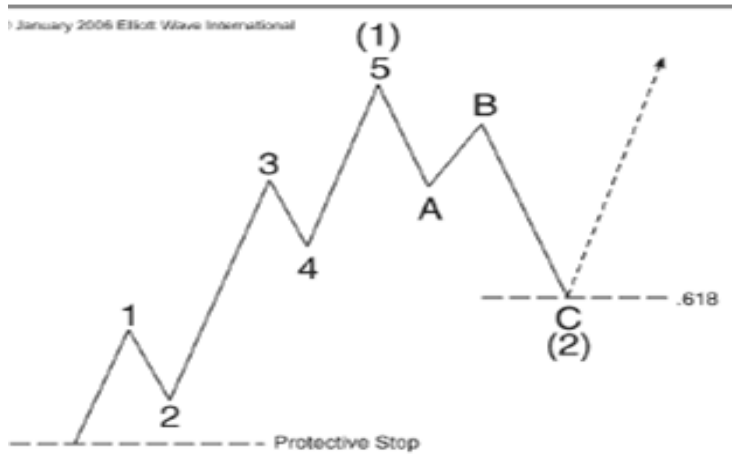
Trading Opportunities

In an uptrend:

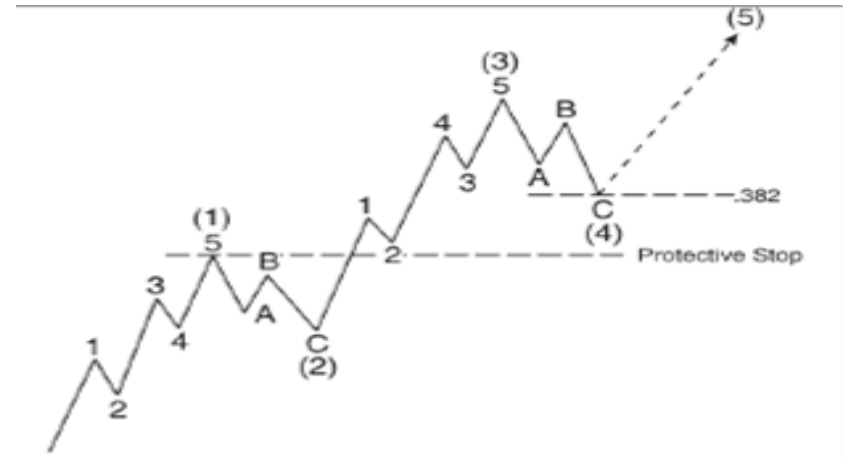
- Bullish Setup
 - End of Wave 2 & 4
- Bearish Setup
 - End of Wave 5 & B



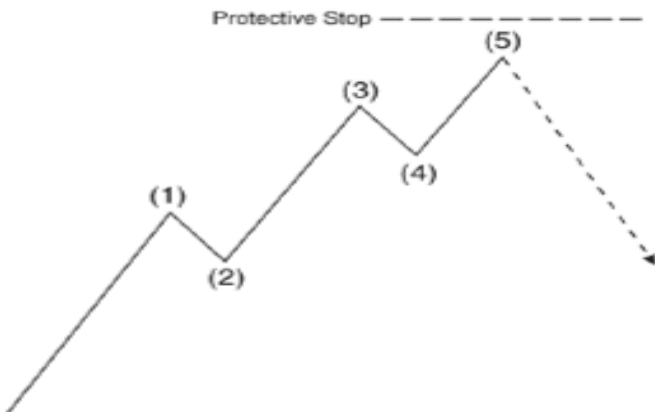
Determining Stop Loss based on Rules



Rule 1 – SL below origin of Wave 1



Rule 2 – SL below termination point of Wave 1



Rule 3 – SL above a price level where Wave count goes for toss.
Can be used when wave 1 is extended & wave 3 < wave 1

Marrying TA with Elliot

TA Indicators

➤ MACD

- Often an extreme reading in MACD will correspond to end of Wave 3
- Often MACD pulls back to zero line in Wave 4 prior to the development of Wave 5
- MACD will show negative divergence in Wave 5 w.r.t. Wave 3 peak.
- In corrective structures MACD does negative divergence with Wave A and Wave C termination points.
 - ✓ Bullish divergence in a correction of an uptrend
 - ✓ Bearish divergence in a correction of a downtrend

➤ MACD Histogram

- Divergences w.r.t price extremes are essential
- Converging lines in Ending Diagonal Triangles (found in Wave 5 & C)
- Useful in identifying H&S & Failed H&S setups

➤ GMMA

- Moving Averages Compression and then Expansion indicates end of Corrective Wave

➤ RSI

- Often 5th waves at lower degrees end with negative divergence with RSI

➤ Bollinger Band

- Direction of band helps determine impulse vs corrective wave patterns

Triangles & MACD

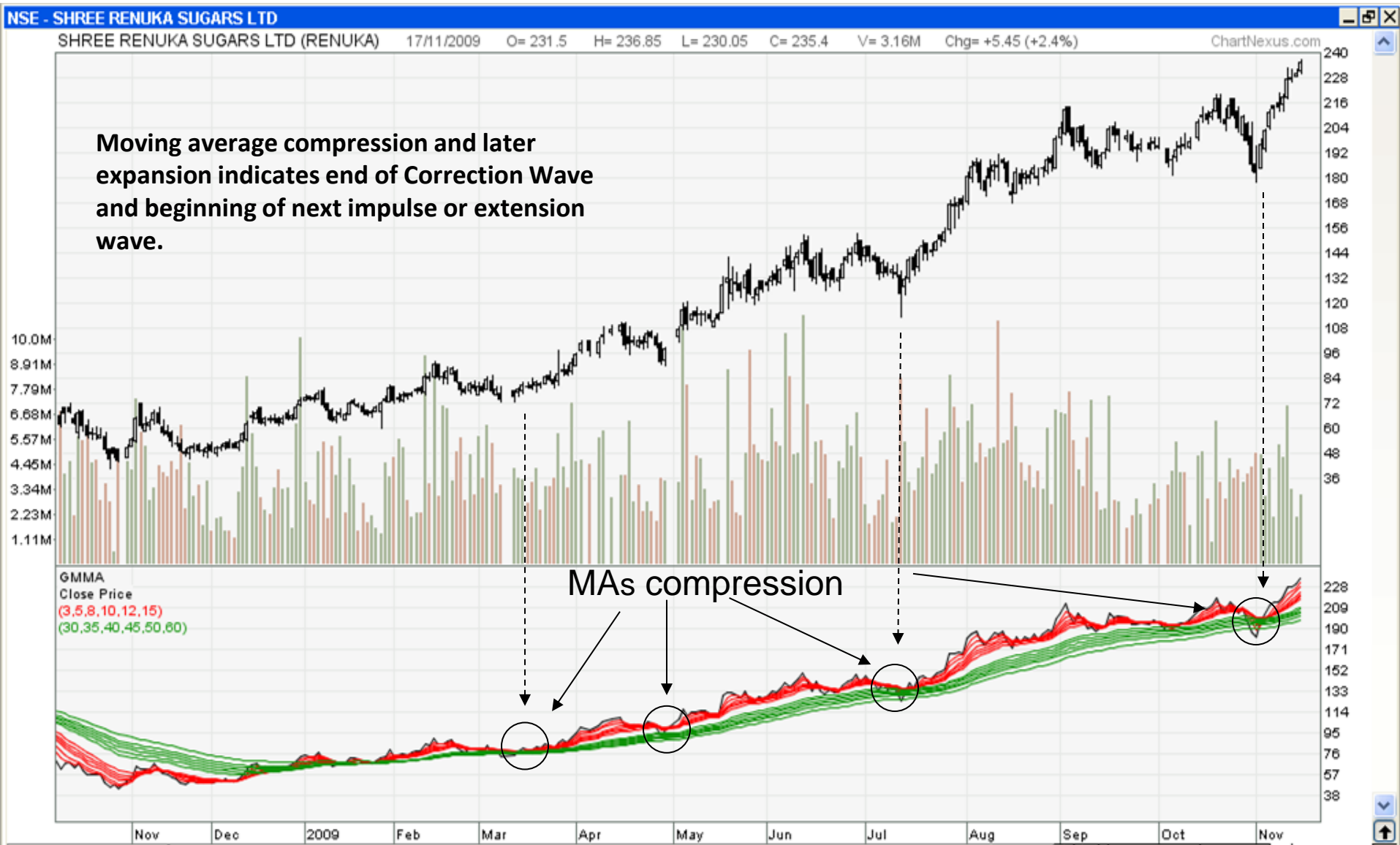


MACD ⇔ Wave 3 & 5

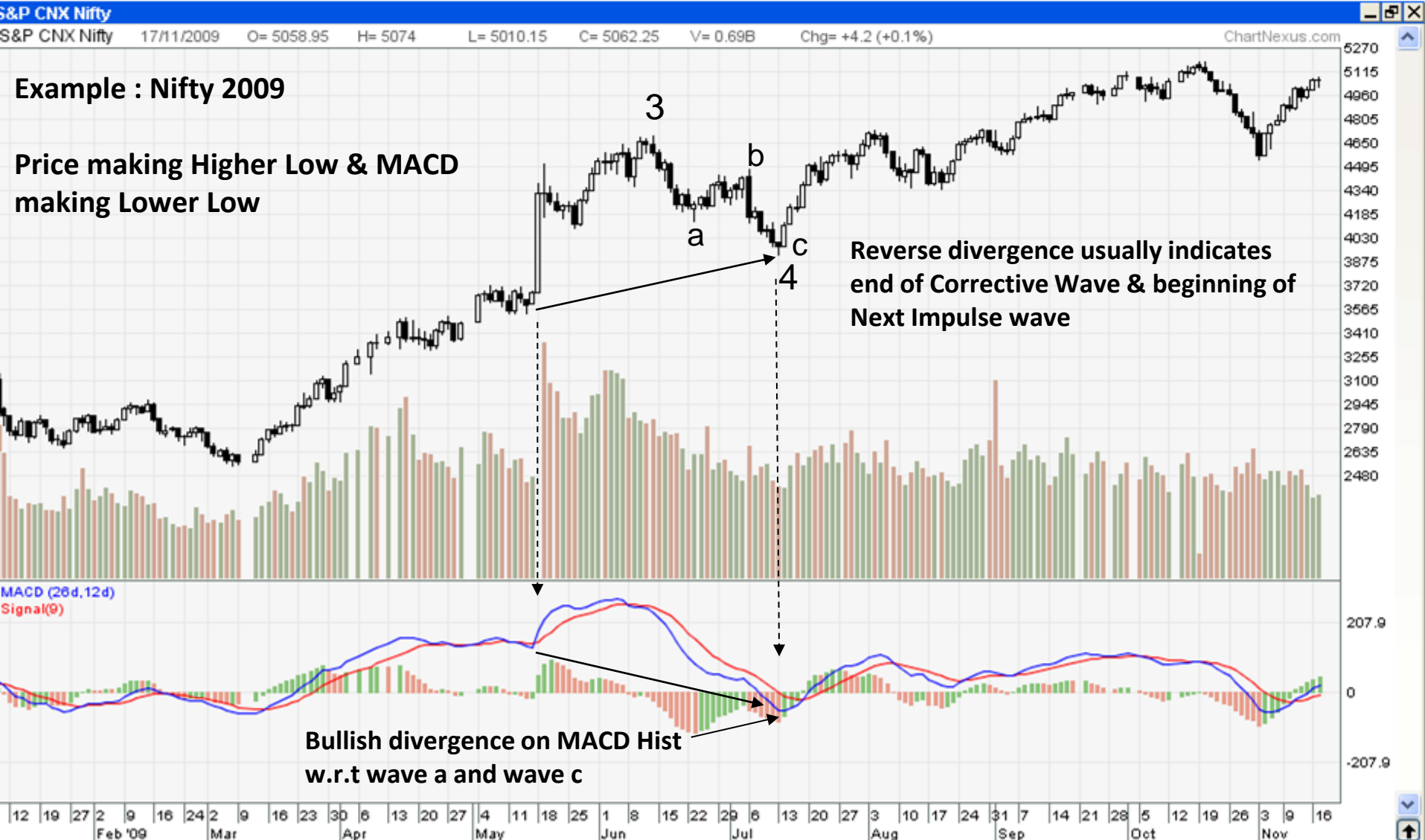
- Wave 3 often corresponds to the peak of MACD
- Wave 5 ends up with negative divergence on MACD w.r.t. Wave 3



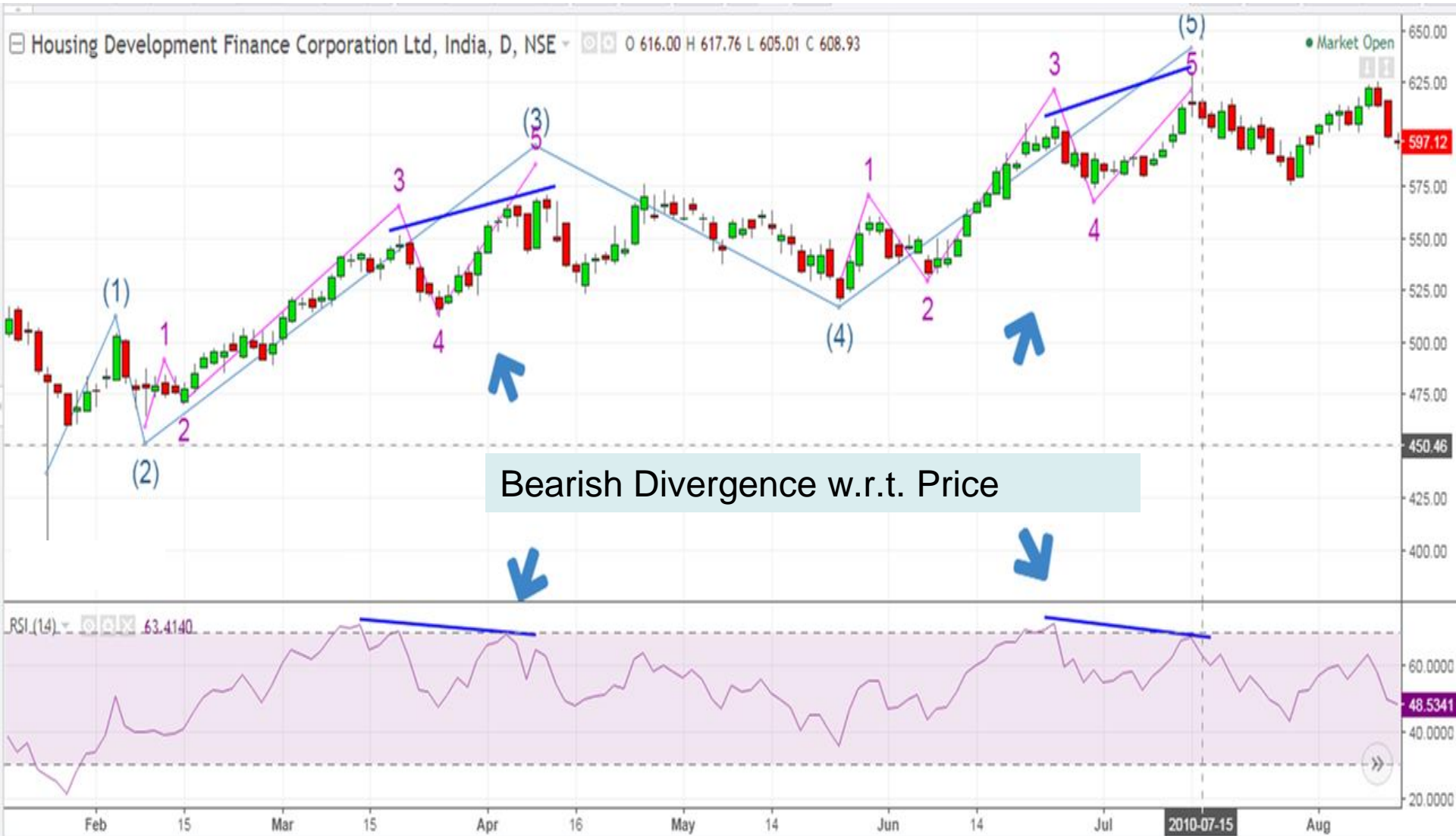
GMMA ⇔ Correction Wave



Reverse Divergence ⇔ Next Impulse Wave



RSI Divergence \Leftrightarrow 5th wave



Bollinger Band ⇔ Impulse vs. Corrective waves

Interval: [2min](#) [5min](#) [30min](#) [daily](#) [weekly](#)

Jul 26, 2010 15:00 Open: 1052.70 High: 1052.70 Low: 1050.15 Close: 1051.85 Vol: 09.18k

BOLL(20,5m)

MID:1055.73

LOWER:1051.77

UPPER:1059.69

When prices touch upper band and if band moves in the direction of price, it confirms the beginning of new Impulse wave.

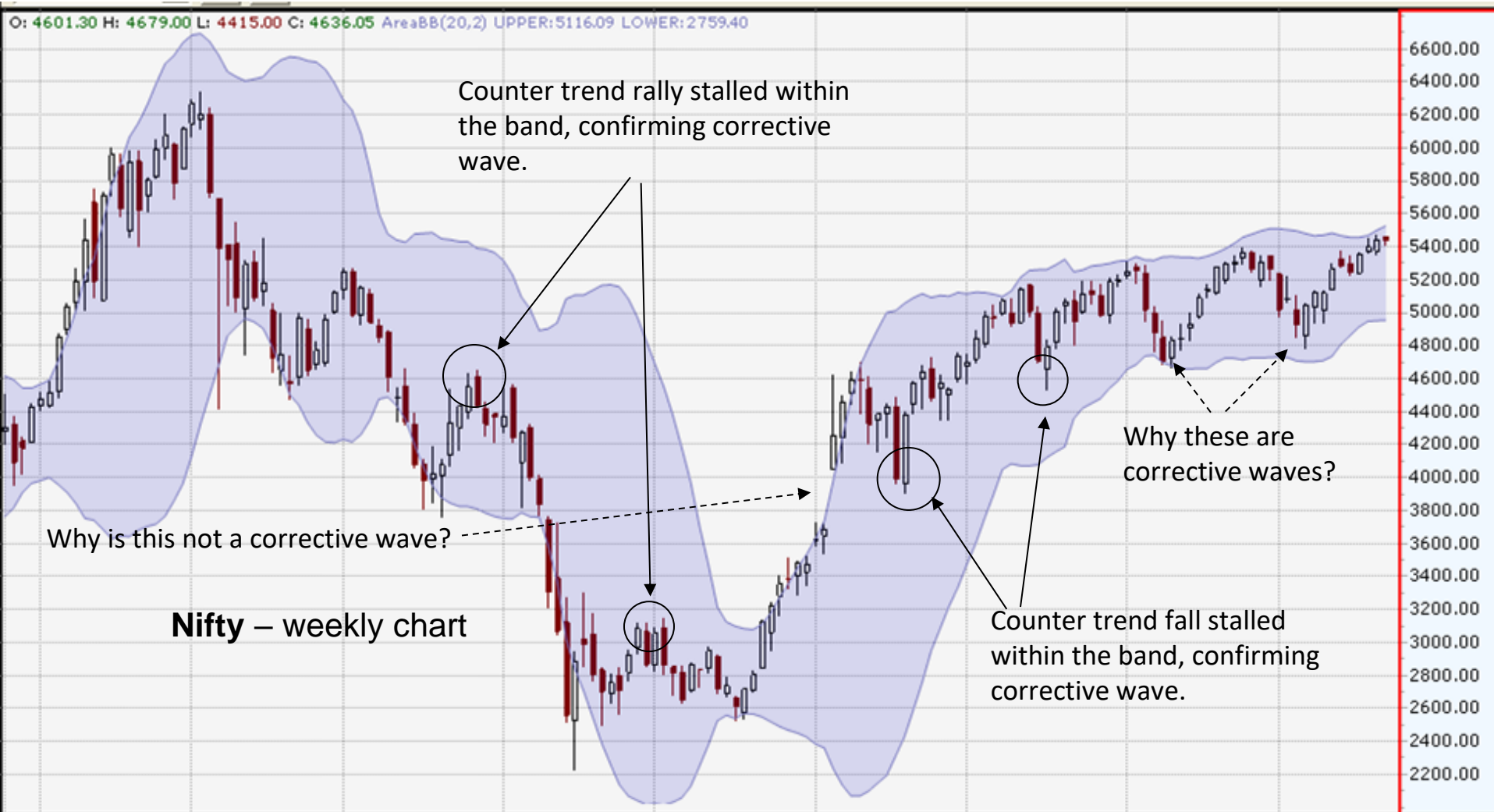
Flat band indicates Corrective wave is in progress. Usually seen in wave 4 or wave B.

Buy with SL below previous low

When price falls to lower band, but if band fails to change direction, it usually indicates end of corrective wave



Bollinger Band \Leftrightarrow Corrective Waves



Bollinger + ADX -> Dynamic Wave



High Probability Setups

1. Ending Diagonal Triangle

- Is a Motive Wave.
- Found in Wave 5 or Wave C.
- Wave (iv) within the diagonal enters the price territory of wave (i).
- MACD Histogram should show negative divergence with price.
- Use MACD Histogram “Converging Lines” to position the Entry on the break of the diagonal.
- Target : price retraces to the beginning of the diagonal.

1. Head & Shoulder

- Waves A-B-C with wave C breaking the neckline.
- If after Wave 5 of the Impulse, it could indicate Reversal of the trend with new Wave count 1-2-3...
- MACD histogram typically shows lesser bear power at neckline breakout point, compared to the previous low.
- This characteristic of MACD Histogram shows that Bears need less power to cause the breakdown.
- Success Factor : Follow up action or continuation of ticks in MACD Histogram.
- Reversal H&S : self study

High Probability Setups

3. Failed Head & Shoulder

- Continuation of the trend of one higher degree.
- Enter after Termination point of Wave B is breached.
- They usually fail when TIDE is not in favor of the trade for e.g. H&S on daily but weekly EMAs strong.
- E.g. H&S on daily fails when weekly Tide is up!
- Look out for break of divergence line on MACD.

3. Trading for Wave 3

- Enter at the end of Wave 2 with Stop Loss below start of Wave 1.
- MACD Histogram of the TIDE (higher timeframe) should favor the trade.
- Bollinger Band should confirm previous correction and the next Impulse nature .
- MACD line should be inching higher, making new highs.
- Look for gap ups/downs and dynamic nature of the price movement.
- Use Oscillator on Wave and trend reversal chart pattern on Ripple to enter.

High Probability Setups

5. Trading for Wave 5 (refer Reverse Divergence example given before)
 - End of Wave 4 with MACD doing Zero Line reversal.
 - Look for Reverse Divergence on MACD.
 - Look for Zigzag with negative divergence w.r.t. Wave a and Wave c.
 - Look for Triangle Patterns in Wave 4 (if Wave 2 was simple zigzag).

5. Trading for the main trend at the end of Wave C
 - Look for divergences at end of Wave C.
 - Look for Ending Diagonal Triangle patterns.

5. Trading for the Corrective wave (counter trend) after end of wave 5
 - Ensure that 5 wave advance pattern is over.
 - Look for Divergences on Oscillators (RSI) & MACD corresponding to wave 3 & 5.
 - Look for Ending Diagonal Triangle pattern in wave 5.

Diagonal Triangle ⇔ MACD histogram



Head & Shoulder - Example



Failed H&S - example



Catching Wave 3 or Wave C



Trading For Main Trend After End of Wave C



Trading for Correction after end of Wave 5



POINTS TO NOTE

- Use Triple Screen for Decision Making and Elliot Principles for filtering & verification of setups and fine tuning stop losses.
- Your 1st step should be to identify if price is in an impulse or correction.
 - For impulse use multitude relation of Fib
 - For Correction use Fib retracements
- Never forget, in order to make profitable trades, you need an impulse... be it in motive or corrective
 - Must use Bollinger Bands
- In TIDE if you are in an Impulse, your Exit Strategy should can be EMA crossovers in the Wave.
- 60% things are simple. Let's use only Simple things.
- Stick to ONLY High Probability Setups for higher success rate .
- When in doubt, Do Not Trade.
- Wait “Patiently” for the Right Setup.

Keep it Simple
Wait for Right Setup
Follow Discipline
You CAN DO it !!!



How To Get The Correct Counting

➤ Impulse vs Corrective:

- Impulse always have 5 wave structures.
- Have energetic personality.
- Covers a lot of ground in short time.
- Angle of impulse wave is steep.

➤ Corrective waves:

- Have sluggish personality.
- Slow-moving affairs that takes days and weeks to end.



GEO 3G06

A black graduation cap with a gold tassel is positioned above the end of the main title.

— 17th October 2021 —



Our Motto

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