

Traders Education Tutorial

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Wave 3 –Pattern Structure

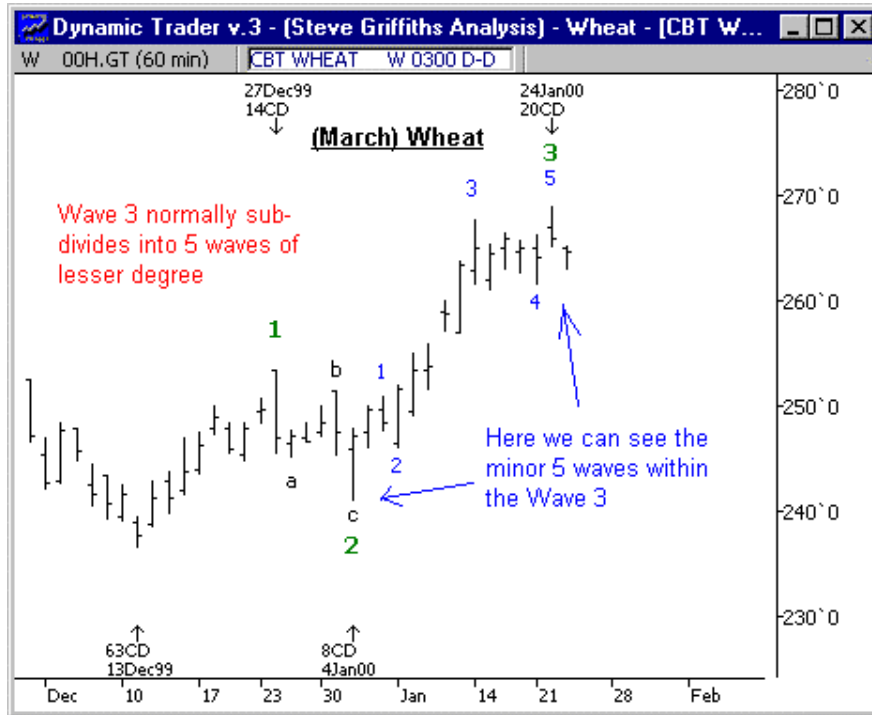
Over the past few weeks I have been looking at the characteristics of the first corrective swing in a new trend, the Wave 2 or B. This week I would like start a sequence of tutorials where we will study the **Price**, **Time** and **Pattern** characteristics of the next wave in the Elliott sequence, the Wave 3.

Be sure to not to miss a single installment, as this will be one of the most compressive tutorial series of every aspect of identifying and trading Wave 3's available on the net or anywhere else for that matter.

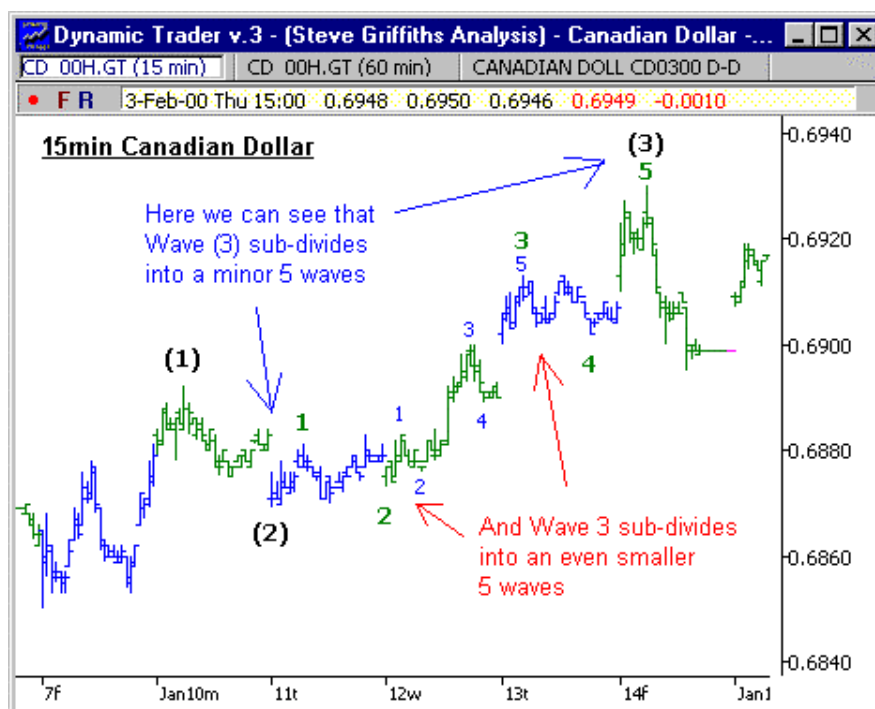
Remember, at Dynamic Traders Group we trade, so our tutorials concern the *practical application* of all aspects of analysis and trading strategies, including Elliott wave pattern analysis.

Wave 3 is one of the 3 *impulsive* waves in a completed Elliott Wave sequence. The three impulse waves are waves one, three and five. Ideally, the Impulsive waves in the Elliott sequence sub-divide into an impulse wave of *smaller degree*. You can think of this as waves within waves. Hence Wave 3 should normally sub-divide into 5 minor waves of lesser degree.

Let's have a look at an example of the *typical* 5-wave sub-divisions of Wave 3 on a daily chart of (March) Wheat:



Sub-divisions of Wave 3 may be found in all markets and all time frames. For example, on this 15min Canadian Dollar chart we can clearly see these sub-divisions on two different degrees of swing:



Two degrees of Wave-3 sub-divisions:

- Wave (3) sub-divides into 5 waves of lesser degree, and
- Wave 3 of (3) also sub-divides into 5 waves of even lesser degree.,

Why is it helpful if we can identify the sub-divisions of a Wave-3? As we will see in future tutorials in this Wave-3 tutorial series, the sub-divisions help us to identify trading opportunities within the larger degree trend and help us to refine the time and price objectives for the larger degree trend.

Lessons Learned

1. Wave (3) is one of the *impulsive* waves in a Elliott wave trend sequence.
2. Wave (3) should usually sub-divide into 5 waves of *lesser degree*.

Next week's Traders Education Tutorial will be **How To Make Wave 3 Price Projections**.

For a comprehensive and practical education of the characteristics of each wave structure and how to make the time and price projections, see Robert Miner's book *Dynamic Trading* which was named the Trading Book of the Year by the 1999 Supertraders Almanac.