



3 WAYS TO PROFIT USING IMPULSIVE AND CORRECTIVE WAVES

Exclusive Cheat Sheet



One of the most overlooked aspects of trading is learning to "read" the ebb and flow. Said another way, the **key to consistent profits is understanding and abiding by the laws of impulsive and corrective waves.**

But here's the deal...

Among the myriad of Elliott Wave principles and rules, there are but a handful of useful concepts for the traditional price action trader.

So I've done the hard work for you and boiled it down to three easy to understand yet useful ways to trade using impulsive and corrective waves.

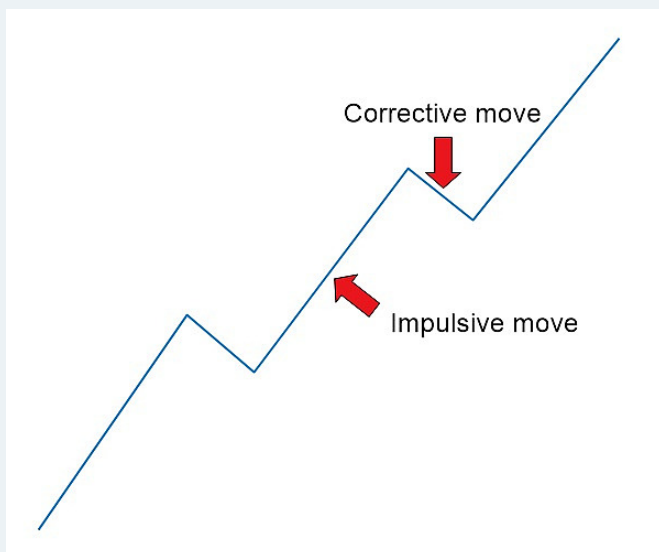
Be sure to visit <http://dailypriceaction.com/free-forex-trading-lessons/impulsive-corrective-waves> to read the full lesson.

IMPULSIVE VS CORRECTIVE

The very first step to using impulsive and corrective moves (or waves) to your advantage is understanding how to differentiate between the two.

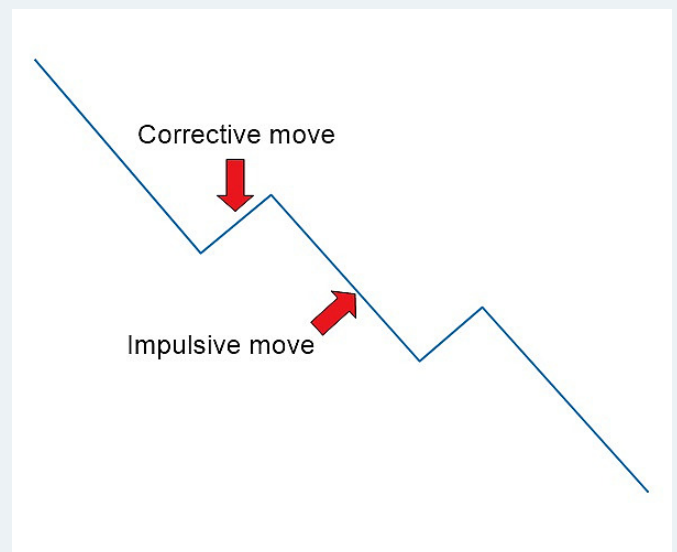
The illustrations below should help.

Bullish Trend



- Impulsive moves are defined by large bullish candles that typically close near session highs
- Corrective moves are identified by smaller candles and generally drift lower without much conviction
- The most profitable buy signals are found at the end of corrective moves and at the very beginning of impulsive moves

Bearish Trend



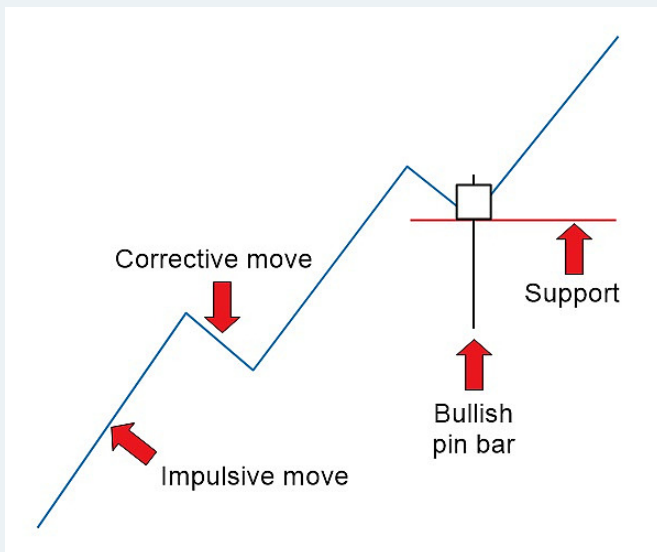
- Impulsive moves are defined by large bearish candles that typically close near session lows
- Corrective moves are identified by smaller candles and generally drift higher without much conviction
- The most profitable sell signals are found at the end of corrective moves and at the very beginning of impulsive moves

INTERMEDIARY PRICE ACTION SIGNALS

Now that you know how to differentiate between impulsive moves and corrective ones, it's time to begin looking for buy and sell signals.

In it's most basic form, the pin bar represents a rejection of an area of value (support or resistance). But the very best signals **appear at the end of corrective moves**.

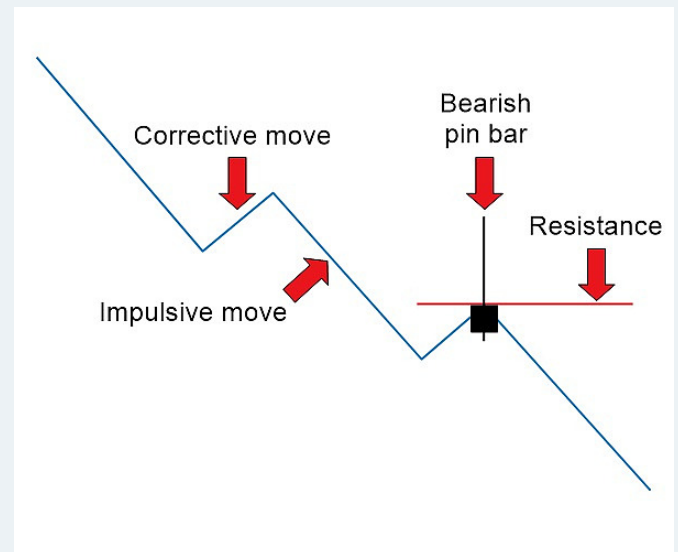
Bullish Signal



4 keys to success...

- Strong bullish trend making higher highs and higher lows
- Corrective move lower (typically involves smaller candles)
- Key support level
- A well-formed bullish pin bar with a tail that is at least two-thirds of the entire candle

Bearish Signal



4 keys to success...

- Strong bearish trend making lower highs and lower lows
- Corrective move higher (typically involves smaller candles)
- Key resistance level
- A well-formed bearish pin bar with a tail that is at least two-thirds of the entire candle

For more on how to trade pin bars, visit the following lessons.

<http://dailypriceaction.com/free-forex-trading-lessons/forex-pin-bar-trading-strategy>

<http://dailypriceaction.com/free-forex-trading-lessons/boost-your-profits-by-250-with-this-forex-entry-strategy>

<http://dailypriceaction.com/free-forex-trading-lessons/a-simple-checklist-for-trading-pin-bars>

<http://dailypriceaction.com/free-forex-trading-lessons/pin-bar-quality>

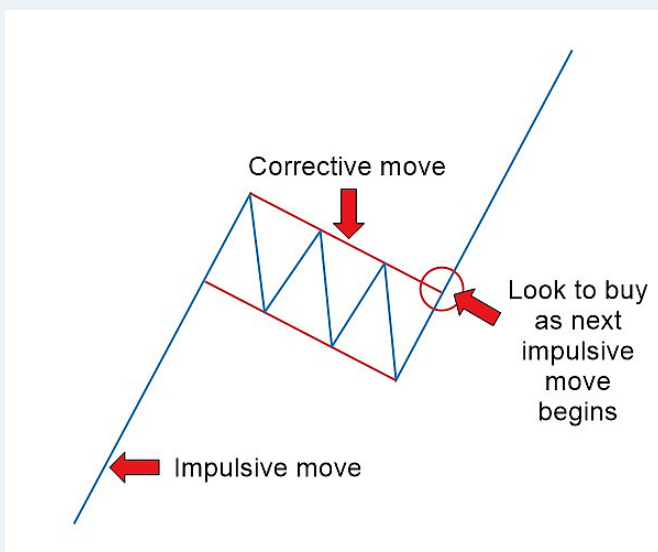
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CORRECTIVE WAVES AS CONTINUATION PATTERNS

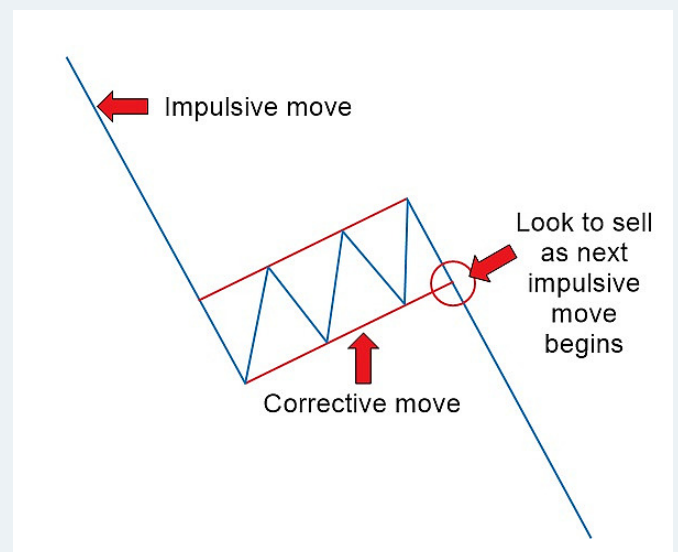
You just discovered the most favorable placement for the pin bar as an intermediary price action signal.

Now for my favorite way to **utilize corrective waves to catch big moves...**

Bullish Continuation Pattern



Bearish Continuation Pattern



4 keys to success...

- Strong bullish trend making higher highs and higher lows
- Corrective move lower (typically involves smaller candles)
- A well formed bullish flag or wedge pattern
- A daily or 4-hour close above resistance

4 keys to success...

- Strong bearish trend making lower highs and lower lows
- Corrective move higher (typically involves smaller candles)
- A well-formed bearish flag or wedge pattern
- A daily or 4-hour close below support

For more on how to trade bullish and bearish flags as well as wedge patterns, visit the following lessons.

<http://dailypriceaction.com/forex-beginners/bullish-bearish-flag-patterns>

<http://dailypriceaction.com/free-forex-trading-lessons/forex-breakout-strategy>

<http://dailypriceaction.com/free-forex-trading-lessons/3-forex-chart-patterns-you-need-to-know>

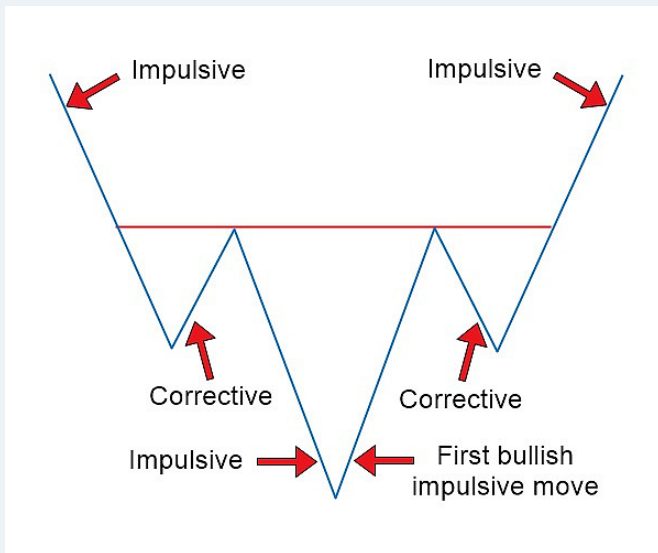
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TRANSITIONAL REVERSAL PATTERNS

Last but not least are transitional reversal patterns. As the name implies, these price structures represent a **transition from an uptrend to a downtrend or vice versa**.

While there are other reversal patterns out there, the head and shoulders is by far my favorite to trade.

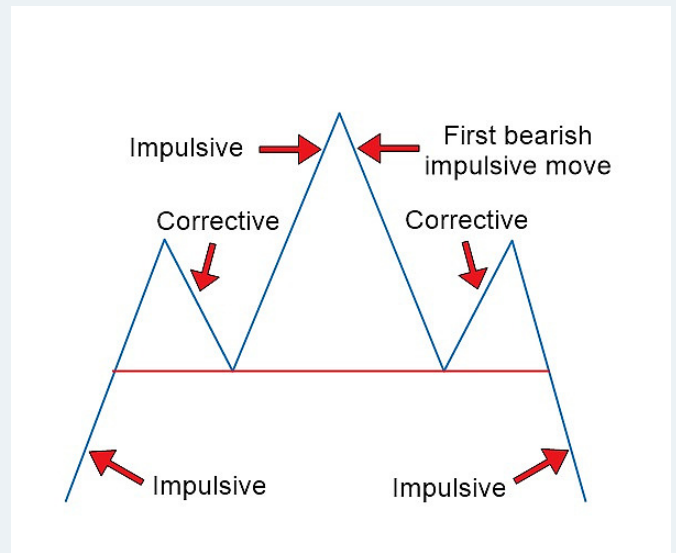
Bullish Reversal Pattern



3 keys to success...

- The "head" must be substantially lower than both shoulders
- Left and right shoulders must be on the same horizontal plane
- A daily or 4-hour close above neckline resistance

Bearish Reversal Pattern



3 keys to success...

- The "head" must be substantially higher than both shoulders
- Left and right shoulders must be on the same horizontal plane
- A daily or 4-hour close below neckline support

For more on how to trade the head and shoulders and inverse head and shoulders, visit the links below.

<http://dailypriceaction.com/forex-beginners/head-shoulders-pattern>

<http://dailypriceaction.com/forex-beginners/inverse-head-shoulders-pattern>

<http://dailypriceaction.com/free-forex-trading-lessons/determine-profit-targets-like-pro-using-measured-objectives>

<http://dailypriceaction.com/free-forex-trading-lessons/3-forex-chart-patterns-you-need-to-know>

And now for a few examples of real-life reversal patterns:

<http://dailypriceaction.com/daily-setup/nzdjpy-retests-head-shoulders-neckline>

<http://dailypriceaction.com/daily-setup/cadjpy-weekly-reversal-pattern>

<http://dailypriceaction.com/daily-setup/eurcad-inverse-head-shoulders-pattern-still-play>

HERE'S WHAT TO DO NEXT

1

Send me a message to my personal email address dailypriceaction@gmail.com to let me know what you think of the cheat sheet you just read.

2

[Follow me on Twitter](#) where I share helpful content on Forex price action trading, including lessons, articles and daily commentary.

3

Review the cheat sheet above as many times as necessary and be sure to reach out with any questions or feedback.

Well done!