Elliott Wave — Extended Waves

One of the impulse waves (1, 3, or 5) is almost always significantly longer than the other two. That's the extended wave. Identifying which wave is extended changes your targets, your expectations, and your entire trade plan.

What Are Extended Waves?

An extended wave is an impulse wave that is significantly longer than the other two impulse waves in the same sequence. It travels a greater distance and takes more time to complete. Extensions typically display strong, rapid price movement with high volume and have clear internal subdivisions (their own 1-2-3-4-5 within the extended wave).

Most impulse waves (~90%) have at least one extended wave. Extensions typically occur in **only one** of the three actionary subwaves. When the extension is so pronounced that its subdivisions are nearly the same size as the other four waves, you get a 9-wave sequence instead of the normal 5. In those cases, it can be difficult to identify which wave extended — but under Elliott Wave rules, a count of 9 and a count of 5 have the same technical significance.

Which Wave Typically Extends?

Market Type	Most Common Extension	Why
Equities & Forex	Wave 3	Public participation — everyone recognises the trend and piles in. Highest volume, most vertical
Commodities	Wave 5	Supply/demand dynamics, speculative demand, blow-off tops. Gold, silver, lithium, uranium all tend to have extended wave 5s
Emerging Tech / Low Market Cap	Wave 1	Rare. Explosive initial move — new technology, very low market cap, massive fundamental shift. Bitcoin's early moves are a good example

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The Three Cardinal Rules Still Apply

Every rule from standard impulse waves applies to extended waves AND their internal subdivisions. You need to verify rules at BOTH levels:

1. Wave 2 cannot retrace beyond wave 1's start — in the big picture AND within the extension
2. Wave 3 cannot be the shortest — in the big picture AND within the extension
3. Wave 4 cannot overlap wave 1 — in the big picture AND within the extension (exception: diagonals)

Wave 1 Extension

Rarity: Least common. Typically seen in emerging technologies (Bitcoin, new IPOs), very low market cap situations, or major fundamental shifts that cause an immediate explosive move.

What it looks like: 9 sub-waves making up wave 1, then relatively short waves 3 and 5 of equal length.

Fibonacci rules:

- If wave 1 is extended, waves 3 through 5 combined are often **61.8-78.6%** of wave 1's length (less than 1:1 — if it were 1:1, that wave would also be extended)
- Waves 2 and 4 are very likely to be **shallow** (23.6-38.2% — bull flag territory)
- Wave 2 often ends at the level of the **internal wave 4 of wave 1** (doesn't retrace below the sub-wave 4 within the extension)
- If wave 2 retraces more than 78.6% of wave 1, the extended wave 1 count becomes doubtful — possibly just an ABC instead

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Wave 3 Extension

Frequency: Most common extension in equities and forex. This is your public participation phase — the heart of the trend.

What it looks like: Wave 3 has clear internal subdivisions (its own 1-2-3-4-5), is the most vertical portion of the chart, has the highest volume, and often shows gaps and bullish technical indicators. The centre of wave 3 looks nearly vertical.

Fibonacci targets for the extended wave 3:

- **1.618 of wave 1** — minimum for it to be considered an extension (~60-70% of the time)
- **2.0 of wave 1** — strong trends
- **2.618 of wave 1** — very strong trends
- **3.618-4.618** — extreme cases (rare but happens)

Other relationships when wave 3 extends:

- **Wave 5 ≈ Wave 1** — the most important rule. If wave 3 is extended, waves 1 and 5 tend to be equal in length. This is your wave 5 target
- Wave 5 can also be approximately 61.8% of wave 3
- Waves 2 and 4 typically retrace **23.6-38.2%** of the preceding wave (shallow — strong trend means dips get bought quickly)
- Wave 4 often ends near the level of the **internal wave 4 within the extended wave 3** (not the big-picture wave 4 of wave 1)

After the impulse completes: The subsequent ABC correction will typically return to the territory of the extended wave 3 (i.e. the correction targets the area within the wave 3 extension).

Wave 5 Extension

Frequency: Second most common overall. Most common in **commodities** (gold, silver, lithium, uranium) due to their cyclical nature and speculative demand.

What it looks like: 9 sub-waves making up wave 5. It just keeps going up day after day — "these are the ones you wish you had in your portfolio." Waves 1 and 3 are normal (not extended). Often accompanied by divergence on momentum indicators early on, but then the divergence gets invalidated because the move is so powerful.

The blow-off top: Wave 5 extensions characteristically end in a blow-off top — rapid, unsustainable price increase followed by a sharp reversal. After the blow-off top, price can drop 20-30%+ in a single day. You do NOT want to be holding bags when a wave 5 blow-off ends.

Fibonacci targets for the extended wave 5:

- **1.618 to 4.618** of the total distance from the start of wave 1 to the end of wave 3
- To draw: Fib extension from wave 1 start → wave 3 end → wave 4 end → project forward

After the impulse completes: The correction after a wave 5 extension is typically severe. At minimum it returns to the territory of the wave 4 (within the extension), but often it retraces much further — sometimes wiping out the entire impulse move.

Commodities and divergence: In commodities with very extended wave 5s, divergence that appeared between waves 3 and 5 gets eventually **invalidated** because the wave 5 extension runs so hard. This is why divergence on its own isn't enough — you always need the change of market structure to confirm.

Extensions Within Extensions

Extensions can nest inside each other. In equities, the third wave of an extended third wave is often also extended — this is called **"the third of the third."** It's the most powerful, vertical section of the entire move.

In commodities, you can get a **fifth wave extension of a fifth wave extension** — the blow-off top within the blow-off top.

Sometimes you won't see the deeper subdivisions on the daily chart, but you'll find them on the hourly or 4-hour chart. The extension within the extension doesn't need to be visible on every timeframe.

Shane's Counting Secret — When Your Count Breaks the Rules

When you're counting and your wave 3 appears to be the shortest or your wave 4 overlaps wave 1, **don't panic — relabel as an extension:**

Incorrect count: Wave 1 up, wave 2 down, wave 3 up (but shorter than 1), wave 4 down (overlapping wave 1), wave 5 up → RULES BROKEN

Correct relabelling: What you labelled as waves 1 through 5 is actually just waves (1) and (2) of a larger extended wave 3. The "wave 3" you identified is actually just the start of the extension's internal count.

"Don't hesitate to get into the habit of labelling the early stages of third wave extensions." When your count doesn't work, the answer is almost always that you're inside an extension and need to adjust your degree.

Key insight: The corrective waves within an extension (sub-waves 2 and 4) tend to be **smaller** than the corrective waves of the original impulse. If sub-wave 2 of the extension is larger than the main wave 2, it's less common but not impossible — no rules are broken, it's just unusual.

Practical Tips

Use line charts when the candles are confusing. Switch from candlestick to line chart to see the wave structure more clearly. The waves become much easier to identify.

Start by finding the obvious waves first. Don't try to count from wave 1 upward. Instead, find wave 2 (the deepest retracement) and wave 4, then look for divergence between waves 3 and 5. Build your picture from the anchor points outward.

Channels for extensions:

- **Base channel:** Wave 1 end → wave 2 end, with a parallel from the wave 1 start. A break above this channel confirms wave 3 is underway
- **Trend channel:** Wave 1 end → wave 3 end, with a parallel from wave 2. Helps identify wave 4 targets and wave 5 projections

Ideal retracement zones:

- Wave 2: **50% to 78.6%** (deep)
- Wave 4: **23.6% to 50%** (shallow)
- These zones help confirm your count and set targets

Motive waves = 20% of the work, corrections = 80%. Impulses and extensions are the relatively easy part of Elliott Wave. Corrections are where it gets complex (zigzags, flats, triangles, combinations). The course spends most of its remaining time on corrections.

One big wave. If you have an extended wave, you usually won't have another etended wave as most of the "power" will have been used up by the extension and the next waves will usually be shorter then normal.

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