

Elliott Wave — Corrections: Flats

The second type of correction. Where zigzags are sharp and fast, flats are sideways and time-consuming. Two different ways the market capitulates people — fear (zigzags) or boredom (flats).

Sharp vs Sideways Corrections

The market spends **80% of its time in corrections**. Corrective patterns are time-consuming and their complexity increases as they unfold. If you can spot the END of a correction, your market timing improves dramatically.

Type	Examples	How It Capitulates
Sharp	Zigzags, double/triple zigzags	Fast, violent drops — people panic sell
Sideways	Flats, triangles	Drawn out over weeks/months/years — people get bored and move their money elsewhere

A sharp correction might take 10 candles to play out. A sideways correction can take 50+ candles. The most famous flat correction in history (S&P 500 tech bubble → GFC) played out over **10 years**.

What Is a Flat Correction?

A flat is a three-wave corrective move labelled A-B-C, structured as **3-3-5**:

- **Wave A:** Three waves (any corrective pattern EXCEPT a triangle — can be zigzag, flat, double three, etc.)
- **Wave B:** Three waves (any corrective pattern — usually a zigzag, but can include triangles)
- **Wave C:** Five waves (impulse or ending diagonal) — always motive

How to Distinguish Flat from Zigzag

Feature	Zigzag	Flat
Structure	5-3-5	3-3-5
Wave A	Five waves (impulse)	Three waves (corrective)
Speed	Sharp and fast	Sideways and slow
Depth	Deep retracements (618+)	Shallow retracements (236-382)

Key identification trick: If wave B moves up in three waves (not five), look back — did wave A also move in three waves? If yes, you're probably getting a flat correction and wave C (five waves) is coming. Threes followed by threes = flat incoming.

Three Types of Flat Corrections

1. Regular Flat

Wave B retraces **at least 90%** of wave A (but doesn't exceed wave A's start). Wave C ends at or slightly past wave A's end. Produces a sideways, range-bound appearance — roughly equal highs and equal lows.

Fibonacci relationships:

- Wave B = minimum 90% of wave A (must reach at least 90% to qualify)
- Wave C = 61.8%, 100%, or 123.6% of wave A

Flat corrections are typically shallow in the context of the larger trend — they tend to retrace to the Fib 236 or 382 of the preceding impulse. Rarely do they reach the 618. The trend is strong enough that it just needs time to consolidate before continuing.

Famous example: S&P 500 from 2000-2009 — wave A (tech bubble crash), wave B (2003-2007 recovery that almost reached the old highs), wave C (GFC crash that took out the lows). Played out over a decade. The wave B tricked everyone into thinking the bull market was back, then wave C fell off a cliff.

2. Expanded Flat (Irregular)

Wave B extends **beyond** the start of wave A (takes out the high in a bull market correction). Wave C then extends **substantially beyond** the end of wave A (takes out the low). This is the **liquidity hunter** — it gets everyone on both sides.

The trap: Wave B breaks to new highs → everyone goes long (change of market structure!) → then wave C reverses and stops them all out below the lows. "Put your entry where their stop loss is."

Fibonacci relationships:

- Wave B = **1.236 to 1.382** of wave A (the "pocket zone" — where wave B typically reverses)
- Wave C = **1.618 to 2.618** of wave A (measured from start of A to end of A, projected from end of B)

Wave C should show momentum divergence. When you see divergence on the C wave, the correction is likely ending.

Bitcoin example: Five waves up → wave A down → wave B up into the 1.272-1.382 pocket zone → wave C down to the Fib 2.0. Perfect expanded flat before continuation.

3. Running Flat

Wave B extends beyond the start of wave A (same as expanded flat — takes out the high). But wave C **fails to reach** the end of wave A (doesn't take out the low). The correction stays shallow — extremely bullish signal.

In a bull market: Takes out the high, doesn't take out the low. **In a bear market:** Takes out the low, doesn't take out the high.

Fibonacci relationships:

- Wave B = **1.236 to 1.382** of wave A (same pocket zone as expanded flat)
- Wave C = **61.8%** of wave A is the key golden ratio target (often falls short of wave A's end)

Wave C should still show momentum divergence. The moment wave C goes beyond wave A's end, it can no longer be a running flat — it becomes an expanded flat instead.

S&P 500 example: Leading diagonal for wave 1 → running flat correction → wave B hit the 1.272 perfectly → wave C came down to approximately 1:1 but didn't take out the low → trend continued higher.

Quick Comparison

Feature	Regular	Expanded	Running
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Wave B vs Wave A start	Doesn't exceed (90%+ retrace)	Exceeds (1.236-1.382)	Exceeds (1.236-1.382)
Wave C vs Wave A end	At or slightly past	Substantially past	Falls short
Takes out highs?	No	Yes	Yes
Takes out lows?	Sometimes slightly	Yes (substantially)	No
Bullish implication	Neutral — sideways	Bearish trap first	Most bullish — shallow correction
Common name	—	Liquidity hunter	—

Identifying Flats — Practical Tips

- **If wave A moves in three waves** (not five) → it's a flat, not a zigzag. Look for wave B to also be three waves, then wave C to be five waves
- **Flat corrections are shallow** in the larger trend context — typically Fib 236 to 382 retracements. If you're seeing 618+ retracement, it's more likely a zigzag
- **Wave C is always impulsive** — sharp, fast, five waves. Even in a boring sideways flat, wave C drops (or rises) rapidly. "C waves fall off a cliff"
- **Wave C should have divergence** — especially in expanded and running flats, look for momentum divergence on wave C to confirm the correction is ending
- **If you're struggling to count waves** — drop to a lower timeframe to see the subdivisions more clearly. Flats play out on every timeframe, from 1-minute to yearly
- **Once you learn to see them, you'll see them everywhere** — the educator demonstrated running flats, expanded flats, and regular flats all on the same chart within different sections

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