

# **Fibonacci ratios & Harmonic patterns**

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# Harmonic patterns

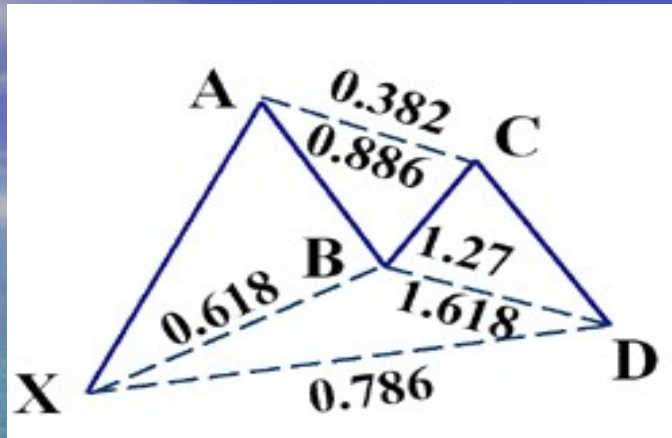
- Harmonic patterns apply specific Fibonacci retracements and extensions to a price structure.
- These patterns can be quite powerful and often give you straightforward entry and exit points.
- The main advantage of these patterns is that they leave little to guesswork and rely on specific Fibonacci numbers.

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# 1.) Gartley pattern

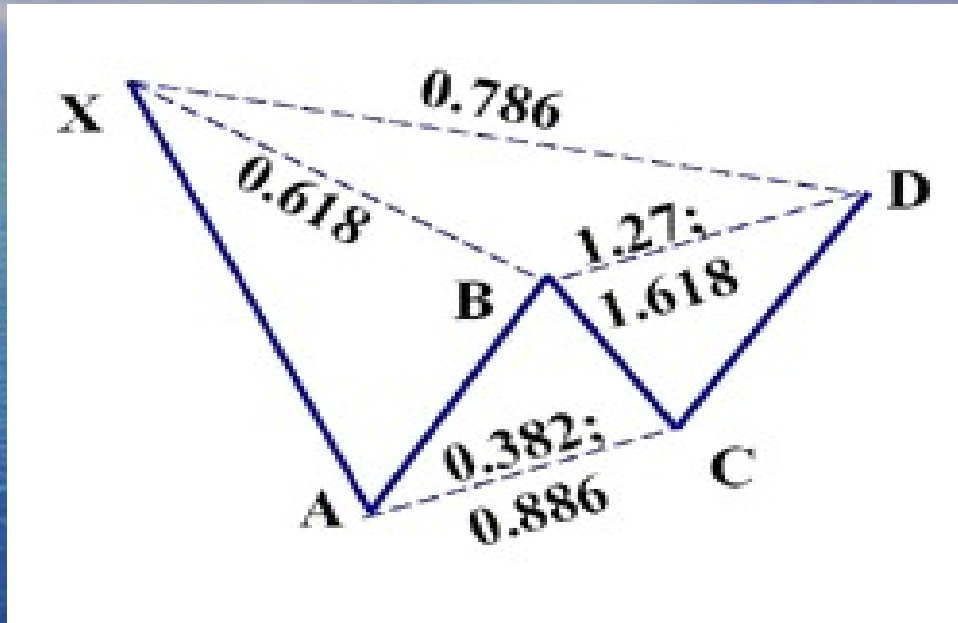
- The Gartley is made up of a series of price reversals and the retracement percentages that establish an ideal pattern.
- The specification of Fibonacci points within each structure is critical in determining valid trading opportunities.
- It relies on a 78% retracement, and represents another way to capitalize on those caught in a 62% whipsaw.
- This classic set-up described almost 70 years ago, works just as well now as it did during that time.

# Bullish Gartley pattern



- The figure shows an up trend XA with a price reversal at A. These swing points XA form the boundary of the pattern, and the pattern should develop within these points.
- Price D is the trigger to buy. As we can see, the most effective Gartley pattern requires an exact specification of Fibonacci ratios to validate the structure.
- We can summarize the exact set of rules stated above as -
- A 61.8% B point retracement of XA leg.
- C point within range of 0.618-0.786 retracement.
- Equivalent AB=CD pattern is quite common.
- The D point forms at the 0.786 retracement of XA AND the 127 (minimum) or the 161 projection of BC.

# Bearish Gartley pattern



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# **Characteristics of the Gartley pattern.**

- **The Gartley pattern can be found on any time frame, and once identified it can even be traded for short positions within the pattern itself.**
- **If the first two legs of the pattern have been established, a trade can be taken in anticipation of the unfolding of the pattern to its last leg. This is because the rules for the pattern are very specific, and the next part of the formation can be predicted with great accuracy.**
- **For traders this becomes an excellent pattern, since it is incredibly accurate and requires a smaller stop loss than most patterns.....thus giving a better risk-to-reward ratio.**

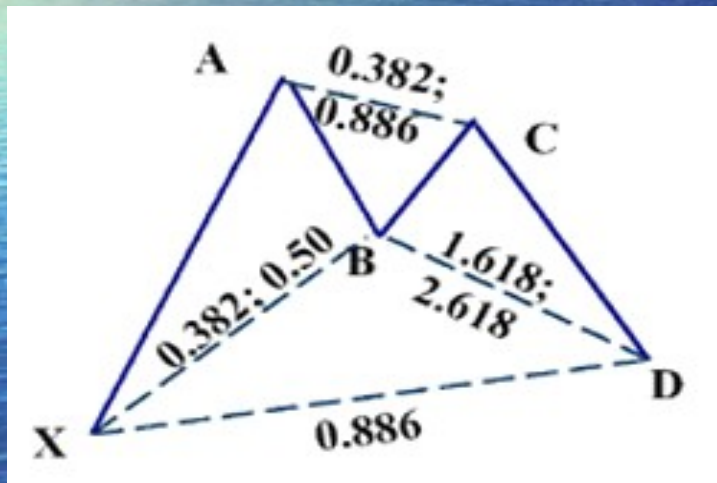
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# Other Harmonic patterns - The Bat pattern

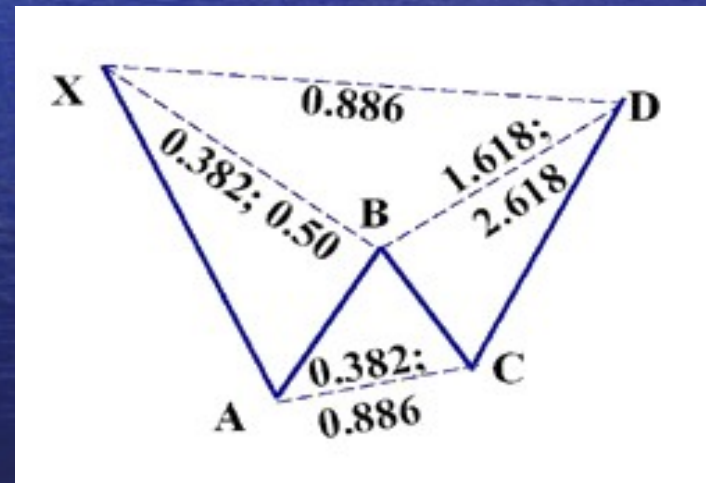
In this pattern, the Fibonacci ratios that give reliable reversals are –

- a.) The B point is less than the 0.618 retracement of XA.
- b.) The D point forms at the 0.886 retracement of XA AND the 161 (minimum) or the 261 projection of BC.

**Bullish**



**Bearish**



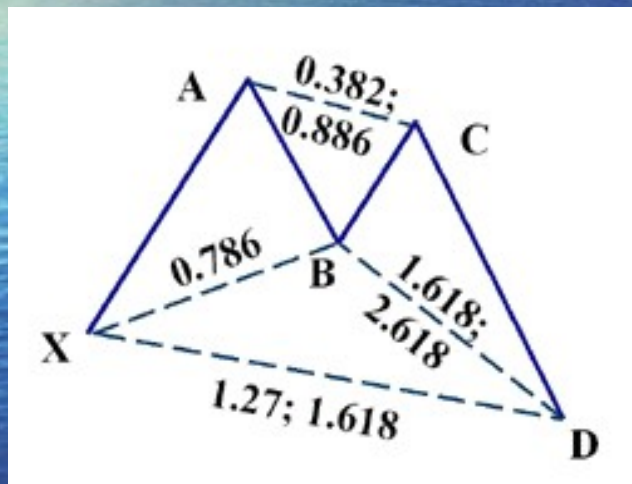
## Other Harmonic patterns -

### Extended patterns - The Butterfly pattern

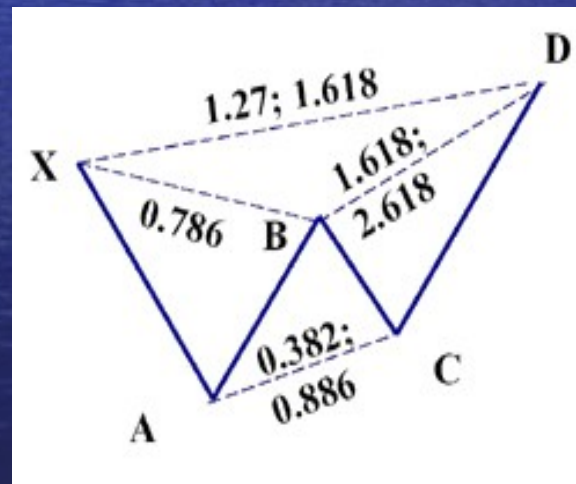
In this pattern, the Fibonacci ratios that give reliable reversals are –

- a.) The B point is at the 0.786 retracement of XA.
- b.) The D point forms at the 127 (minimum) or the 161 projection of XA.

**Bullish**



**Bearish**





## Other Harmonic patterns -

### Extended patterns - The Crab pattern

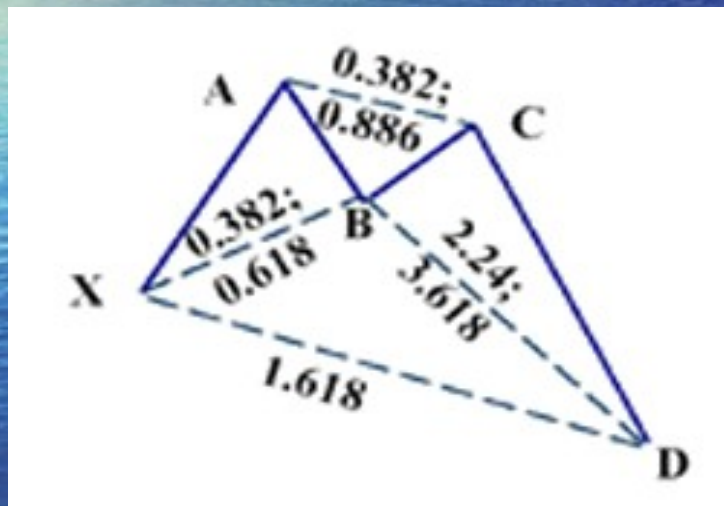
This is the most precise pattern, which has fixed ratios for the set up.

In this pattern, the Fibonacci ratios that give reliable reversals are –

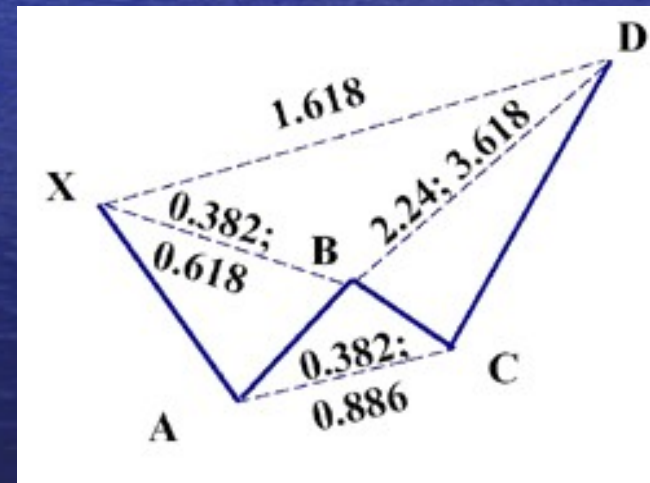
a.) The D point forms at the 161 projection of XA.

b.) The CD forms an extreme wave, which would be anywhere from 2.24 projection of BC onwards. (2.24, 2.618, 3.14, 3.618)

**Bullish**



**Bearish**



# End

- I hope this presentation can help you gain that extra 'Edge' over the market.
- Visit my website for more educational and practical information on the correct use of technical analysis.
- We don't just teach, but also implement the knowledge in the live market.

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