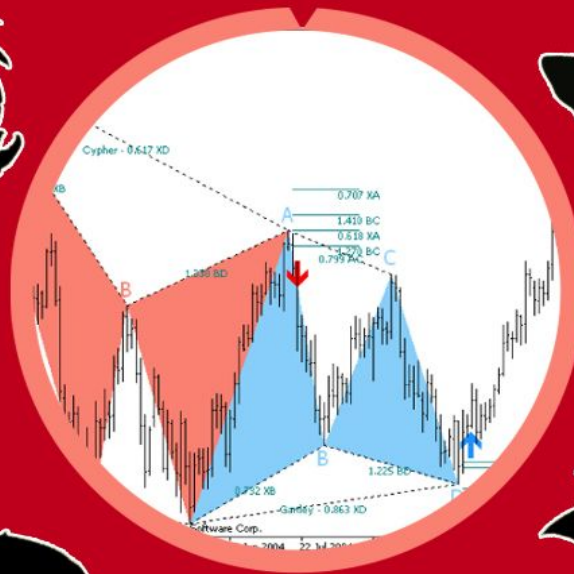# THE ULTIMATE
HARMONIC
PATTERN STRATEGY GUIDES

This guide will highlight the most popular

Harmonic trading pattern strategies

Trading Strategy Guides

Tradingstrategyguides.com

The Ultimate
Harmonic Pattern Strategy Guides

Summary

This book was designed by the team at TradingStrategyGuides.com This guide will highlight the most popular Harmonic trading pattern strategies. Not only will it give you the background and fundamentals of each harmonic pattern that is presented, it is also going to give you a detailed strategy. Our team has spent countless hours writing this booklet because we are determined to help you find a trading strategy for you. If you ever have any questions about anything in this ebook please email the team at info@tradingstrategyguides.com

Disclaimer

All information in this ebook is for educational purposes only. Nothing should be considered as a buy or sell recommendation. The risk of loss in trading stocks, commodity futures, forex, cryptocurrency, and options is substantial. Before trading, you should carefully consider your financial position to determine if trading is appropriate.

Trading carries a high level of risk, and may not be suitable for all investors. Before deciding to invest you should carefully consider your investment objectives, level of experience, and risk appetite. The possibility exists that you could sustain a loss of some or all of your initial investment and therefore you should not invest money that you cannot afford to lose. You should be aware of all the risks associated with foreign exchange trading, and seek advice from an independent financial advisor if you have any doubts.

Table of Contents

Introduction to Harmonic Trading

Harmonic Guide for Beginner Traders

The **Amazing Harmonic Pattern Trading Strategy** will give you a whole new understanding of the price action. Our team at **Trading Strategy Guides** knows that the geometric patterns that can be found in nature, the same anomalies can be found in financial markets as well. This ability to repeat and create these intricate patterns is what makes the Forex harmonic patterns so incredible.

We can distinguish six basic Forex harmonic patterns:

- **Gartley**
- **Butterfly**
- **Crab**
- **Bat**
- **Shark**
- **Cypher**

There are many benefits to harmonic trading. For example, if you become an expert in one of the Forex harmonic patterns you'll know how to trade it on certain pairs; you'll be able to know when is

the best time to trade this; when the market is going to react in a certain way, so you'll become an expert in Forex harmonic patterns.

The favorite time frame for the **Amazing Harmonic Pattern Trading Strategy** is the 1h, 4h or the Daily chart. For simplicity's sake, from now on we're going to refer to the Amazing Harmonic Pattern Trading Strategy as the AHPT trading strategy. We don't want to go to lower time frames because after extensive backtesting we have found out the **Amazing Harmonic Pattern Trading Strategy** works best on higher time frames.

Now…

Before we get started, let's look at what indicators we need to successfully trade the Harmonic Pattern Trading Strategy:

If you aren't that great on geometry most standard Forex trading platform comes with a harmonic pattern indicator that can help you spot and measure the Forex harmonic pattern. The Forex harmonic patterns use the Fibonacci numbers to define accurate trading points.

TradingView Platform: Harmonic Pattern Indicator

Let's now jump into the rules of the AHPT trading strategy.

Note*: Moving forward, we'll be focusing on the Butterfly harmonic pattern which is one of the most common Forex harmonic patterns.

Chapter 1: What is the Butterfly Harmonic Pattern?

In technical analysis, the Butterfly harmonic pattern is a reversal pattern composed of four legs. A leg is a swing wave movement that connects and is composed of a swing high and a swing low.

Butterfly harmonic pattern rules summary:

1. AB= 0.786 or 78.6% retracement of the XA swing leg;

2. BC= minimum 38.2% – maximum 88.6% of AB swing leg;

3. CD= minimum 1.618 – maximum 2.618 of AB swing leg;

4. CD=minimum 1.272% – maximum 1.618% of XA swing leg;

Bullish Butterfly Harmonic Pattern
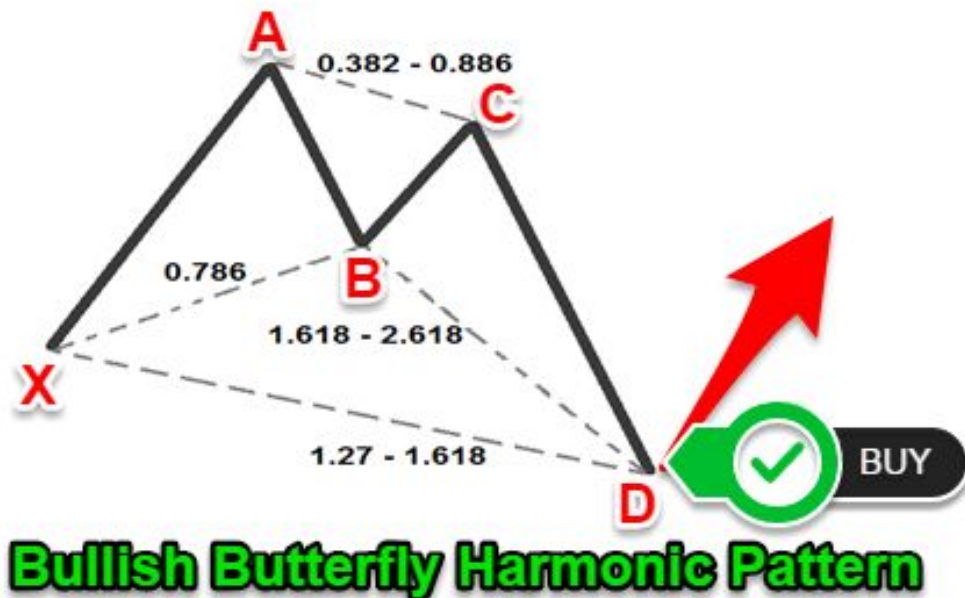
Defining the Butterfly harmonic pattern

The Butterfly harmonic pattern depends upon the B point as it defines the structure and sets up the other measurements within the pattern to define the trade opportunities. To the Butterfly pattern the B point, it must possess precise 78.6% retracement of the XA swing. Other rules that redefine the structure further includes the BC projection that must be at least 1.618 measurements.

Also, the Butterfly pattern must include an equivalent AB=CD pattern, it's a minimum requirement; however, the alternate 1.27AB=CD is more common for this structure.

The 1.27XA projection is the most critical number in the potential reversal zones. And, finally, the C point must be within the range of 0.382-0.886 retracement.

You can start drawing the butterfly pattern as soon as you have the first two legs of the pattern. Once you have the points X, A and B you can begin monitoring the price action and look for confirmation that wave C conforms the Butterfly pattern rules.

Bearish Butterfly Harmonic Pattern
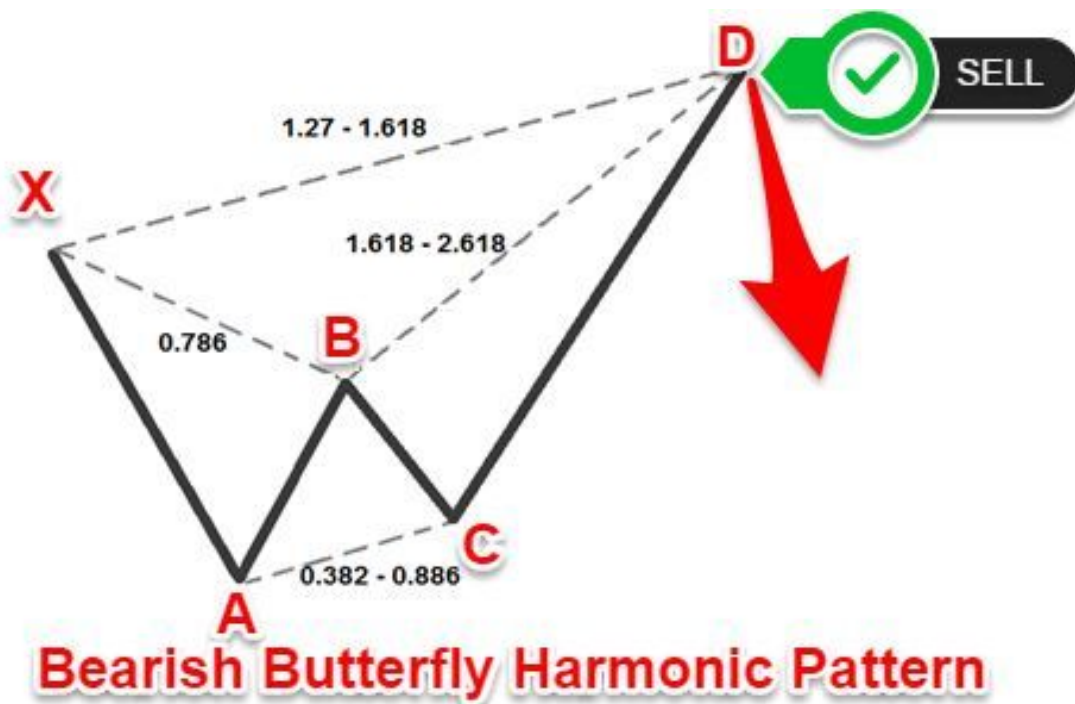
The Amazing Harmonic Pattern Trading Strategy Rules

Now it's the time to reveal the Amazing Harmonic Pattern Trading Strategy rules. We'll start with the most exciting part which is always the entry point and continue down with the rules for the stop loss and take profit orders.

There is one more important thing that we need to learn before to actually define the Harmonic Pattern Trading Strategy rules, which is to give you indications on how to apply the Harmonic pattern indicator.

Step #1 How to apply the Harmonic Pattern Indicator

I would walk you through this process step by step. All you need to do is to follow this simple guide and see figure below for a better understanding of the process:

- First, click on the harmonic pattern indicator which can be located on the right-hand side toolbar of the TradingView platform. In the MT4 terminal you can locate the harmonic pattern indicator in the Indicators library.
- Identify on the chart the starting point X, which can be any swing high or low point on the chart.
- Once you've located your first swing high/low point you simply have to follow the market swing wave movements.
- You need to have 4 points or 4 swing high/low points that bind together and form the Forex harmonic patterns. Every swing leg must be validated and abide by the harmonic pattern strategy rules as presented above.

Now, we're going to give the entry rules for the bullish Butterfly harmonic pattern.

See below...

Step #2 Bullish Butterfly Harmonic Pattern – Buy Entry

Ideally, as a trader, you would like to enter at the completion of point D. As we established earlier, the point D of the Butterfly Forex harmonic pattern can develop anywhere between 1.27 – 1.618 Fibonacci extension of A leg. Since the market is not a perfect place we'll initiate a buy order once the markets hit the 1.27 Fibonacci extension.


In the above example, we entered at 1.272 Fibonacci extension, but we can already see point D extend to 1.573 Fibonacci extension which is still inside the 1.272 – 1.618 range that validates the bullish Butterfly harmonic pattern.

That's still a great entry level.

Where to place your protective stop loss is the next logical question.

Step #3 Bullish Butterfly Harmonic Pattern – Stop Loss

For the Bullish Butterfly Harmonic Pattern, you normally want to place your protective stop loss below the 1.618 Fibonacci extension of the XA leg. That's the logical place to hide your stop loss because any break below will automatically invalidate the Butterfly harmonic pattern.
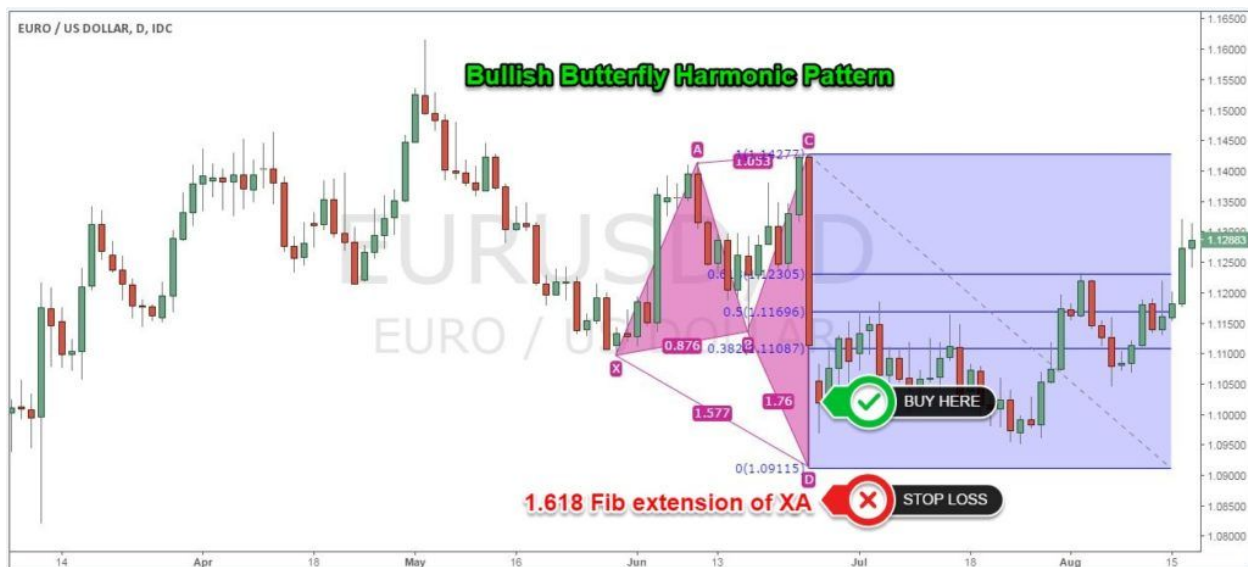
So far, we defined the proper entry point and the stop loss location for the Harmonic Pattern Trading Strategy. Now, it's time to switch our focus and define where to take the profits.

# Step #4 Bullish Butterfly Harmonic Pattern – Take Profit

Adding multiple take profits with the AHPT trading strategy will enhance further your trading experience and will influence the expected profitability because this will almost guarantee you'll

bank in a profit. The Forex harmonic patterns, while they are a very reliable pattern, you want to be very aggressive with your profit target.

As the saying goes: "No one has gone broke by taking a profit"

So, where do you take your first partial profit?

See figure below:
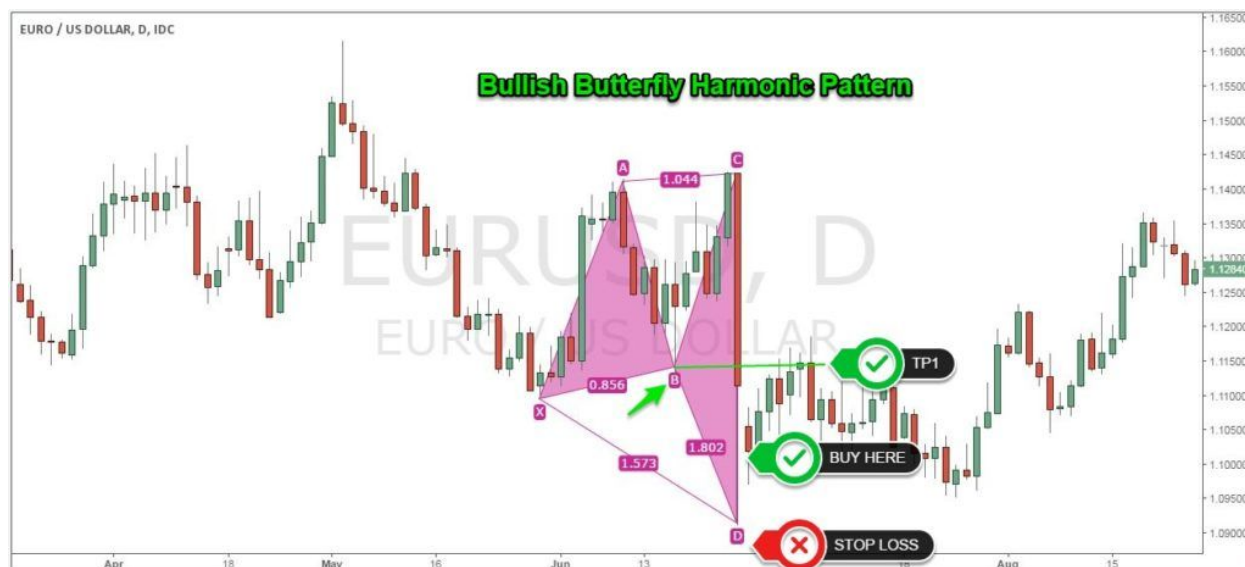
The Amazing Harmonic Pattern Trading Strategy has a more conservative first partial profit target established at Point B. Normally this is the place where you will expect to find some resistance on the way back up because it's an important swing point.

We want to close the second part of our trade once we hit the 0.618 Fibonacci retracement of the CD leg, or you can even aim for a retest of point A, but that can be your next target once you become more experienced with the harmonic pattern indicator.

Have a look at the chart below:

Note** The above was an example of a BUY trade using the Bullish Butterfly Forex Harmonic Pattern. Use the same rules for the Bearish Butterfly Forex Harmonic Pattern for a SELL trade. In the figure below you can see an actual SELL trade example, using the Bearish Butterfly Forex Harmonic Pattern.

Take a look:
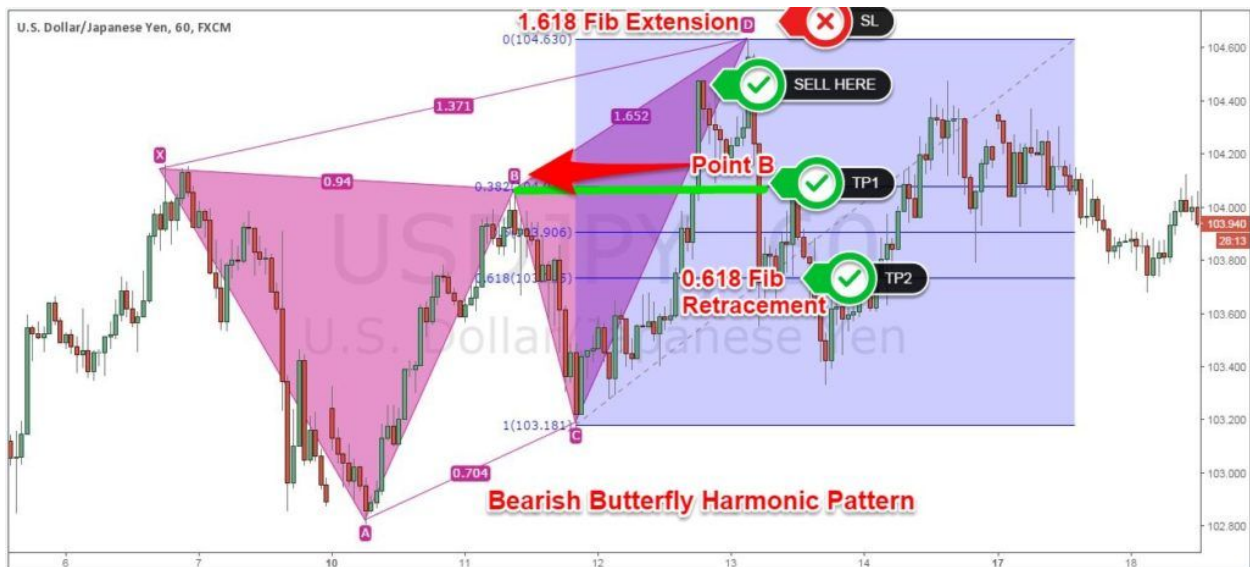
Don't be discouraged if this chart may look confusing at first look, but study the above rules and you'll find that this trade example has followed the strategy rules perfectly.

Chapter 2: Cypher Pattern Trading Strategy

The Cypher Pattern Trading Strategy will teach you how to correctly trade and draw the cypher pattern. More, you can use the cypher harmonic pattern on its own and have a profitable Forex trading strategy. It's no mystery that geometric patterns can be found in the Forex price chart and the cypher pattern is a very good representation of that. The Cypher pattern forex is part of the Harmonic trading patterns and is the most exciting harmonic pattern as it has the highest winning rate.

Now…

We want to let you know that we're going to continue in our efforts to provide you with all the necessary tools and information you need to successfully trade the Harmonic patterns. In this regard, we're going to have a series of strategies soon that trades other Harmonic patterns like:

- ABC Bullish/Bearish
- AB=CD Bullish/Bearish
- 3-Drives Bullish/Bearish
- Gartley Bullish/Bearish
- Butterfly Bullish/Bearish
- Bat Bullish/Bearish
- Crab Bullish/Bearish
- Shark Bullish/Bearish

Before we get started, let's look at what indicators we need to successfully trade the Cypher Pattern Trading Strategy:

In order to better identify the cypher pattern forex and to be able to draw cypher patterns, you'll have to use the Harmonic Pattern Indicator (see Figure below). You can detect the Harmonic Pattern Indicator on most popular Forex trading platforms (TradingView and MT4) in the indicator section.


Don't forget that you actually need to draw the Cypher pattern forex by yourself and check it matches the Fibonacci rules. We're going to discuss this in more details in the next few paragraphs.

Now, let's move forward and define the Cypher pattern forex.

What is the Cypher Pattern Forex?

In the harmonic pattern world, the Cypher pattern forex is a four leg reversal pattern that follows specific Fibonacci ratios. The Cypher pattern forex appears less frequent than other harmonic patterns because it's hard for the market price to satisfy such rigid Fibonacci ratios. The Cypher pattern forex needs to satisfy the following Fibonacci rules:

- AB= 0.382 to 0.618 retracement of the XA swing leg;

- BC= extend to minimum 1.272 and maximum 1.414 of the XA swing leg;

- CD= retrace to 0.786 of the XC swing leg;
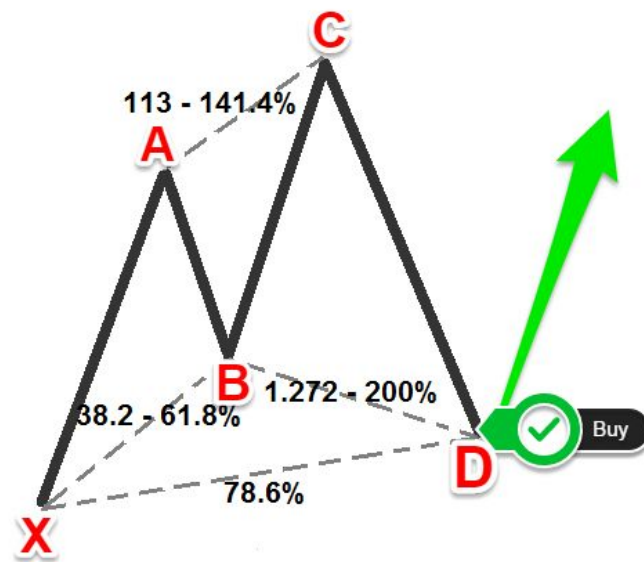
Bullish Cypher Harmonic Pattern

Defining the Strategy

The first rule of the Cyper pattern Forex is the retracement from X up to A has to come down and touch the 0.382 Fibonacci ratios but can't close below the 0.618 Fibonacci ratios. Between the 0.382 and 0.618 Fibonacci retracements of XA swing-leg, we have our third point of the Cypher pattern forex labeled "B".

The next rule of the Cypher pattern forex is a Fibonacci extension of the XA leg that comes in 1.27 but it doesn't exceed the 1.414 Fibonacci ratios, this point of the move is labeled "C" and completes the BC swing-leg of the Cypher pattern forex. The final leg of the Cypher pattern where our orders will

be executed, which is at the finishing point D. The point D is located at the 0.786 Fibonacci retracements of the entire move started from X up to C.

Bearish Cyper Harmonic Pattern
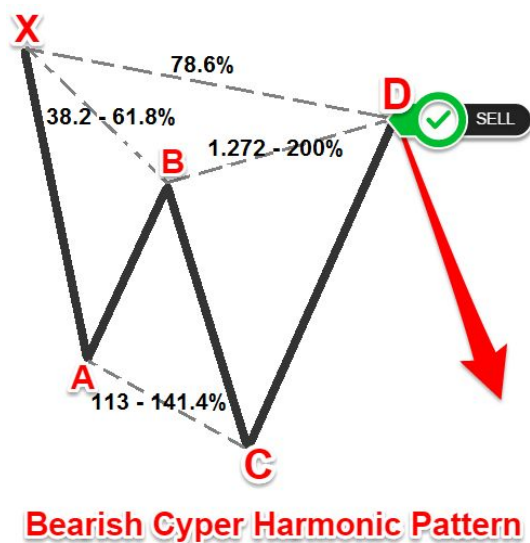
Cypher Pattern Trading Strategy

Going forward, you'll learn how to trade the Cypher Pattern with a very simple set of rules that will try to minimize risk and maximize profits. There is one more important thing that we need to learn before to actually define the Cypher pattern trading strategy rules, which is to give you indications on how to apply the Harmonic pattern indicator.

Step #1 How to draw cypher patterns

I would walk you through this process step by step. All you need to do is to follow this simple guide and see figure below for a better understanding of the process:

- First, click on the harmonic pattern indicator which can be located on the right-hand side toolbar of the TradingView platform. In the MT4 terminal you can locate the harmonic pattern indicator in the Indicators library.
- Identify on the chart the starting point X, which can be any swing high or low point on the chart.
- Once you've located your first swing high/low point you simply have to follow the market swing wave movements.
- You need to have 4 points or 4 swings high/low points that bind together and form the Forex harmonic patterns. Every swing leg must be validated and abide by the cypher pattern forex Fibonacci ratios presented above.

Now, we're going to lay down the Cypher pattern trading strategy rules.

See below…

Step #2 Buy Entry: Buy once CD-swing leg reaches 0.786 retracement of the XC swing leg.

From a risk management point of view, it may be the case that the Cypher pattern is the most exciting harmonic pattern as it has the highest winning rate. Our backtesting results have proven over and over again that the cypher pattern forex is a very reliable harmonic pattern.

Buy with a market order at the opening candle preceding the completion of the D point at 0.786 Fibonacci retracement of the XC leg. Once the market touches the 0.786 level we assume that wave D is in place, because we can't control how far the market it will go. We're only concerned for the Fibonacci ratios to me satisfied.

We can note that the price only had a small deviation below the 0.786 Fibonacci ratio – our entry point.

The next important thing we need to establish is where to place our protective stop loss.

See below…

Step #3 – Stop Loss: Place the Protective Stop Loss below wave X.

For the Bullish Cypher pattern Forex, you normally want to place your protective stop loss below the point X. That's the logical place to hide your stop loss because any break below will automatically invalidate the trade.

The next logical thing we need to establish for the Cypher patterns trading strategy is the logical place for our take profit level.

See below…

Step #4 Bullish Cypher Pattern Forex – Take Profit: Take profit once we reach the point A

The Cypher patterns trading strategy is a reversal strategy and we want to make sure we capture as much as possible from the new trend. If you're not a fan of reversal strategy and you prefer instead a trend following strategy, we encourage you to follow the MACD Trend Following Strategy- Simple to

learn Trading Strategy a strategy that has attracted a lot of interest from the Forex trading community.

The Cypher pattern has a conservative take profit target. We want to take profits once we reach the point A of the pattern.
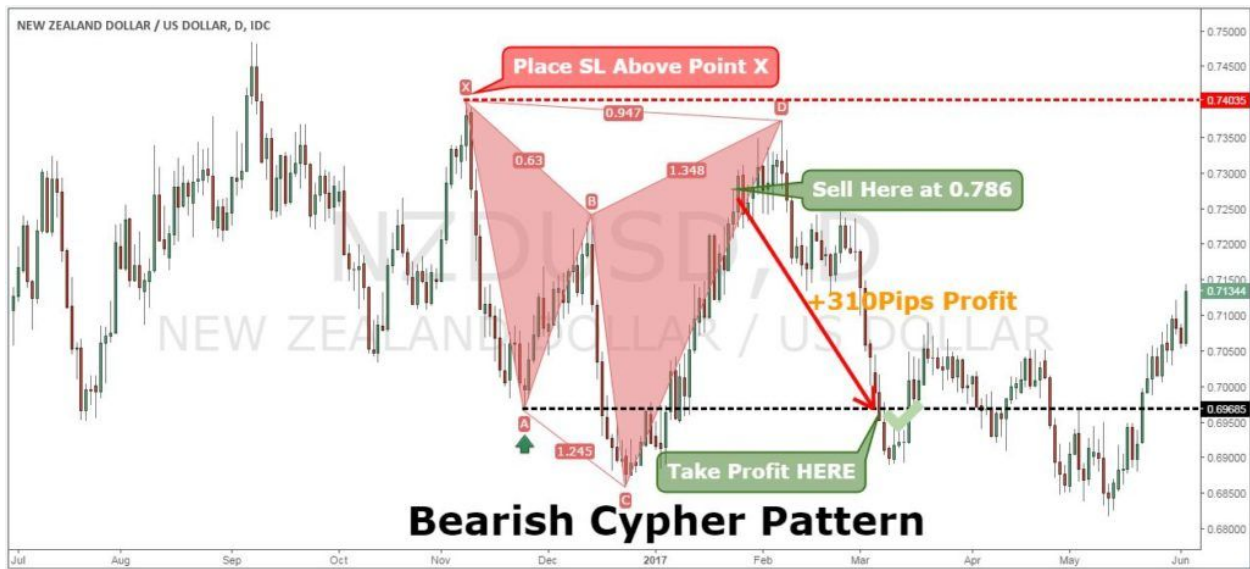
Why, do we take profit so early?

As with the majority of the harmonic patterns, it's best to lock in profits as soon as possible and since the Cypher pattern is one of the most profitable harmonic patterns we can give it more room for the price action to breath and have the chance to at least see a retest of the wave A.

Note** The above was an example of a BUY trade using the Bullish Cypher patterns trading strategy. Use the same rules for a SELL trade. In the figure below you can see an actual SELL trade example.

Take a look:

New Zealand Dollar / US Dollar, D, IDC

Place SL Above Point X

0.74035

X

0.947

0.63

D

1.348

Sell Here at 0.786

B

+310Pips Profit

NZDUSD, D

NEW ZEALAND DOLLAR / US DOLLAR

0.71344

0.69685

A

1.245

Take Profit HERE

C

Bearish Cypher Pattern

Conclusion

The rules of the Cypher pattern trading strategy are pretty much straight forward, however, even though it has a bigger winning ratio than the other harmonic patterns, the Harmonic Cypher structure can be spotted very rarely on the chart so we need to take full advantage of the instances it shows up.

Chapter 3: Make Money with Harmonic Bat Pattern Strategy (New Simple Rules)

The Harmonic Bat pattern strategy will teach you how to trade the bat pattern and start making money with a new exciting approach to technical analysis. The bat pattern market strategy is part of the Harmonic trading patterns system of trading.

The Bat pattern is similar to the **Cypher harmonic pattern** but it follows different Fibonacci ratios. One of the key ways to differentiate a Bat structure from a Cypher pattern is the B point which, if doesn't go beyond the 50% Fibonacci retracement of the XA leg then it's a Bat, otherwise it can turn into a Cypher structure.

The bat pattern market strategy is suitable for all time frames and for all markets, but we have to keep in mind that on lower time frames using the Bat pattern market strategy comes with its own challenges because the Bat pattern has the tendency to show up on less frequent on lower time frames.

Now…

Before we dive deeper into the harmonic bat pattern strategy, let's look at what indicators we need to successfully trade this strategy.

The Fibonacci retracement and ratios are at the core of harmonic trading. Thanks to the rapid advancement in the technical analysis field we can find some very useful indicators to actually help us plot the harmonic patterns and these Fibonacci ratios.

You can find the Harmonic Pattern Indicator on most popular Forex trading platforms (TradingView and MT4) in the indicator section.

Now, let's move forward and see how to trade the bat pattern.

How to Trade the Bat Pattern

The bat pattern market strategy like any other harmonic pattern is a four-leg reversal pattern that follows specific Fibonacci ratios. A proper Bat pattern needs to fulfill the following three Fibonacci rules:

- AB= minimum 38.2% and maximum 50% Fibonacci retracement of XA leg;

- BC= minimum 38.2% and maximum 88.6% Fibonacci retracement of AB leg;

- CD= 88.6% Fibonacci retracement of XA leg or between 1.618% – 2.618 Fibonacci extension of AB leg;

Bearish Pat Harmonic Pattern
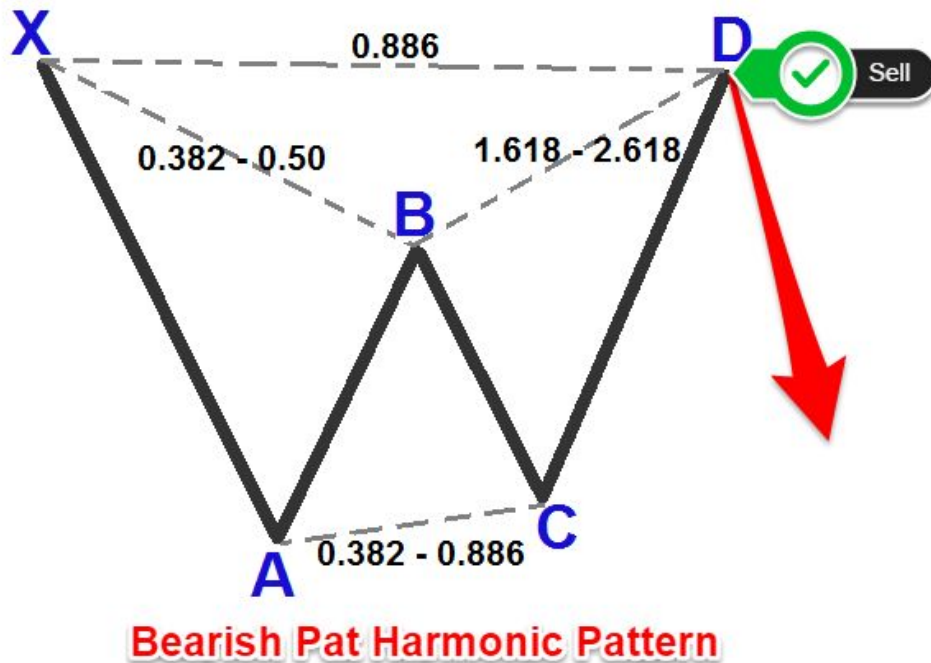
The first thing to look for when identifying the Bat pattern (see **figure below**) is the impulsive leg or the XA leg. We're looking for a strong move up or down depending if we either have a bullish Bat structure or a bearish Bat structure.

The next thing that needs to be satisfied for a valid Bat pattern structure is a minimum 0.382 Fibonacci retracement of the XA leg and it can go as deep as 0.50 Fibonacci retracement of the XA leg, but it can't break below the 0.618. This will create the B leg of our Bat pattern.

Bullish Pat Harmonic Pattern
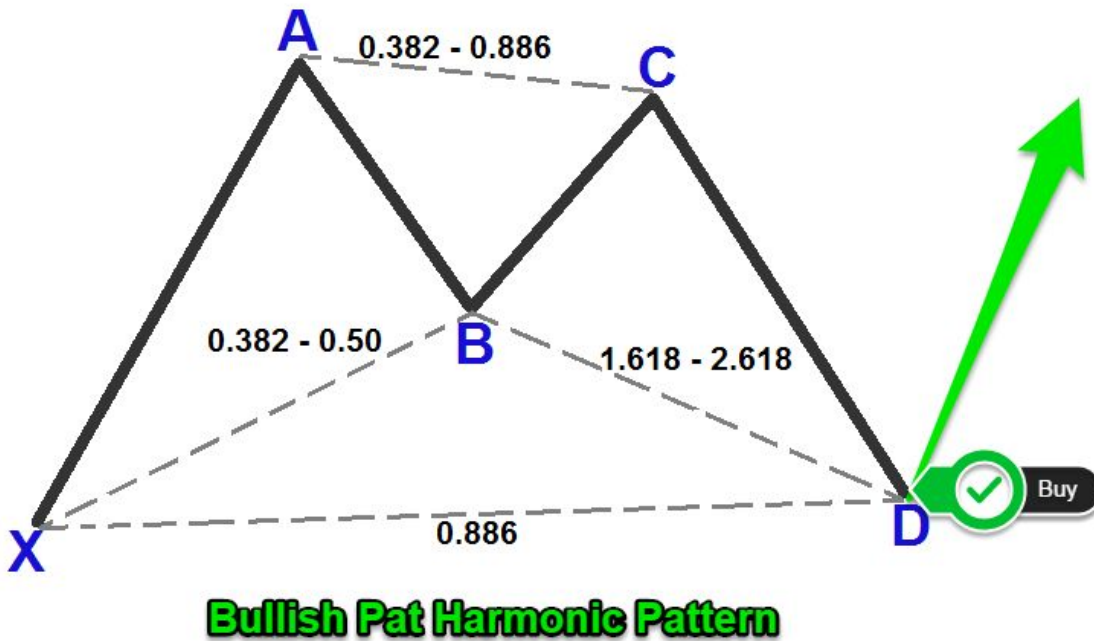
The next thing we're going to look forward is for a retracement of the AB leg up to at least 0.382 Fibonacci ratios, but it can't go above the 0.886, and this will create our third point C of the harmonic Bat pattern strategy.

The last thing we want to establish is the D point and in order to get to the D point all we do is to find the 0.886 Fibonacci ratios of the impulsive XA leg, which will result in a deep CD leg and finally it will complete the whole Bat pattern structure.

Step #1: How to Draw the Bat Pattern

I would walk you through this process step by step. All you need to do is to follow this simple guide and see figure below for a better understanding of the process:

- First, click on the harmonic pattern indicator which can be located on the right-hand side toolbar of the TradingView platform.

- Identify on the chart the starting point X, which can be any swing high or low point on the chart.

- Once you've located your first swing high/low point you simply have to follow the market swing wave movements.
- You need to have 4 points or 4 swings high/low points that bind together and form the harmonic bat pattern strategy. Every swing leg must be validated and abide by the Bat pattern Forex Fibonacci ratios presented above.


Now, we're going to lay down the bat pattern market strategy rules.

See below…

Step #2: How to Trade the Bat Pattern: But at the completion of wave D which should satisfy the CD= 88.6% Fibonacci retracement of XA leg

The 88.6% Fibonacci ratio gives you a better risk: reward ratio which is the reason why the bat pattern market strategy is such a popular trading strategy. The ultimate entry point is the 88.6% Fibonacci retracement which is a very precise market turning point.

We recommend entering as soon as we touch the 88.6% figure because often times and based on our backtesting results we have found out that the harmonic bat pattern strategy doesn't go much beyond this level.

Bullish Bat Pattern

U.S. Dollar/Japanese Yen, 240, FXCM

D = 0.886 of XA

BUY here
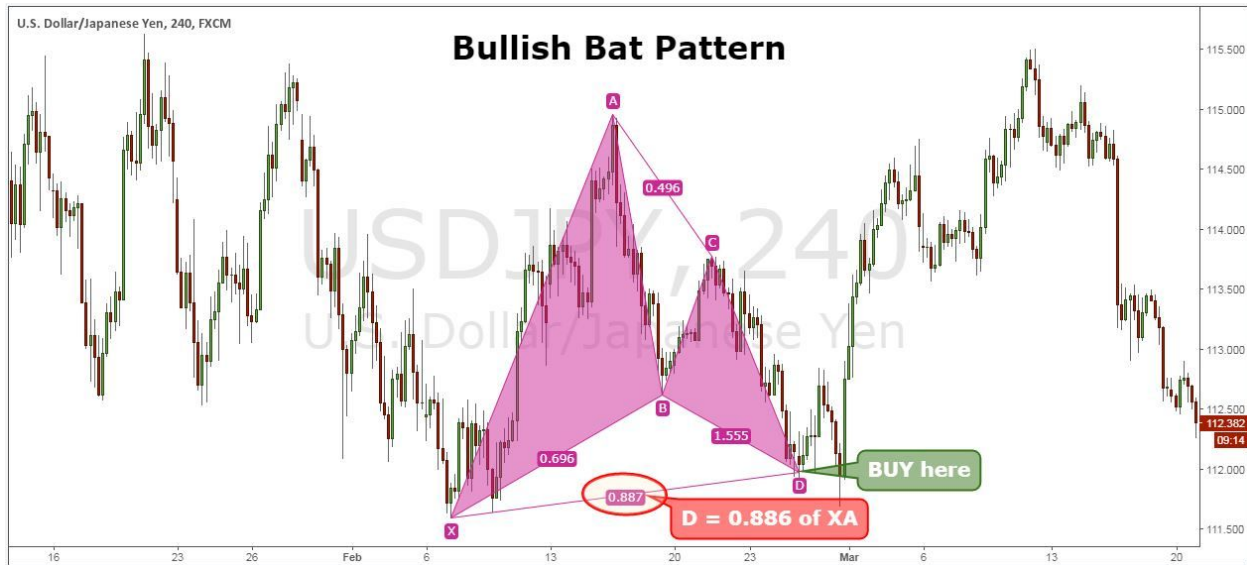
In the above chart, we can spot a bullish bat pattern on the USD/JPY 4h chart, which is a signal to buy.
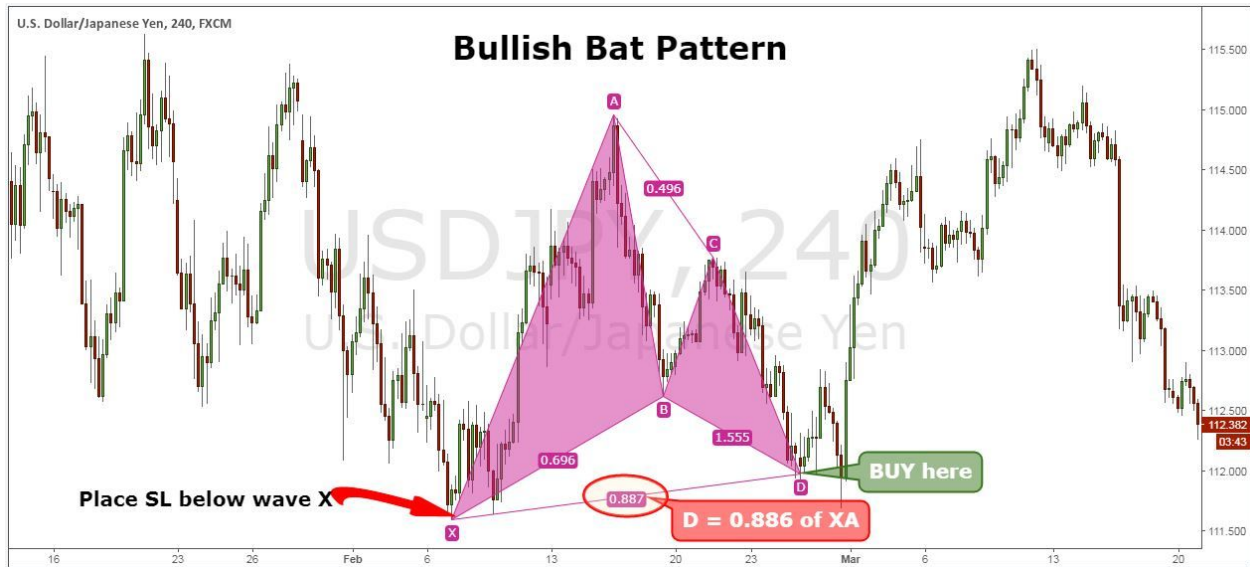
The next important thing we need to establish is where to place our protective stop loss.

See below…

Step #3: Place the Protective Stop Loss below Wave X

Normally you want to place your protective stop loss below the point X of a harmonic bat pattern.

That's the logical place to hide your stop loss because any break below will automatically invalidate the Bat pattern.

Bullish Bat Pattern

U.S. Dollar/Japanese Yen, 240, FXCM

Place SL below wave X

BUY here

D = 0.886 of XA

The next logical thing we need to establish for the Bat pattern market strategy is where to take profits.

See below…

Step #4: How to Trade the Bat Pattern – Take TP1 at Wave C and TP2 at Wave A

There can be many ways to manage your trades, but the optimal target for this pattern should be to implement a multiple take profit strategy. For the Harmonic Bat pattern strategy, we're going to take the first partial profit once we hit wave-C level and the remaining half once we break above wave-A.

Important Note*: Move your SL to BE once you TP1!

Bullish Bat Pattern
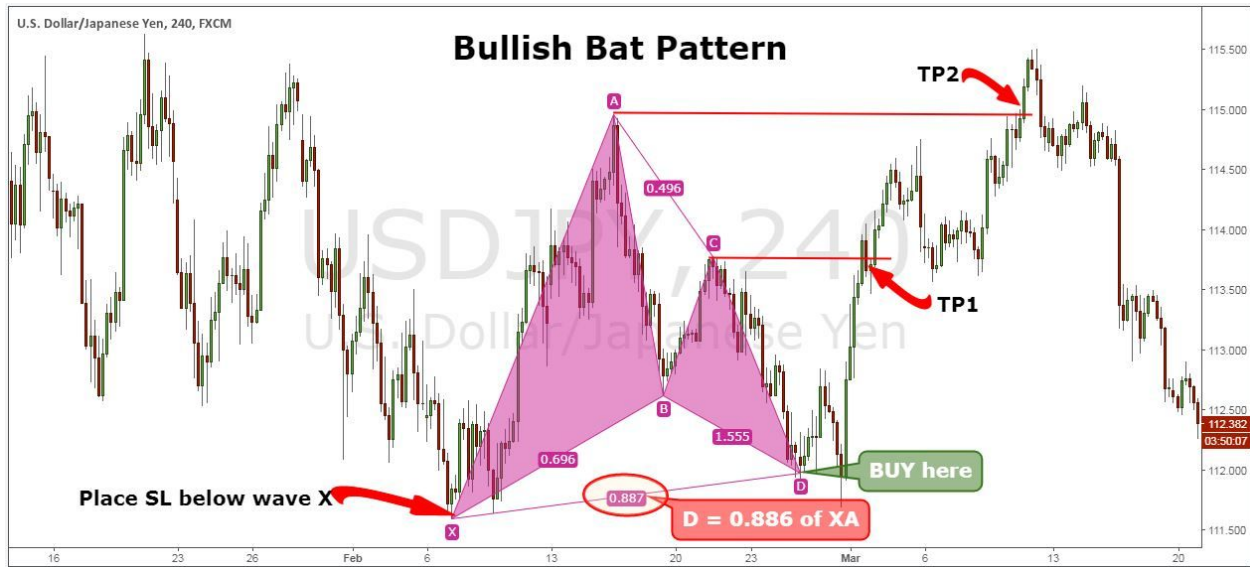
This take profit method is largely profitable because we ensure we liquidate some of our positions at the first trouble area from where the price might reverse and turn against us.

By doing this we accomplish two things: first, we make sure that we accumulate profits and secondly, if the markets reverse we make sure we're stopped at BE and don't lose any money.

Note** The above was an example of a BUY trade using the Bullish Bat pattern market strategy. Use the same rules for a SELL trade. In the figure below you can see an actual SELL trade example.

Take a look:

This is a perfect example that demonstrates how useful the harmonic bat pattern strategy is in implementing the multiple take profit approach.

Summary

The harmonic bat pattern strategy will bring a special dimension into your trading because we're examining the price action geometry. This has a very high rate of success and it needs a relatively small stop loss than most of the other Harmonic patterns.

It is important to note that the effectiveness of the harmonic Bat pattern strategy comes from the deep retest of support and resistance levels which often times are quite sharp. One of the key features of the Bat pattern market strategy is the smooth reversal once the 88.6% Fibonacci retracement is reached.

Chapter 4: Gartley Harmonic Pattern Trading Strategy

The Gartley Harmonic pattern trading strategy will teach you how to trade the **gartley pattern** and start making money with a new concept to technical analysis. The gartley harmonic pattern is part of the Harmonic trading chart patterns.

Over the years many different people have been looking at the market seeing different things but Scott Carney who found the harmonic patterns noticed that a certain pattern always appear to lead to good trading opportunities.

This chart pattern is called the **Gartley chart pattern** also known as the Gartley 222.

In financial markets, there is one primary high-probability reason to enter a trade: a good risk to reward ratio that can ensure you're always going to win more then you lose. And the gartley chart pattern can help you achieve your financial goals.

Now…

Before we delve deeper into the gartley trading strategy, let's look at what indicators we need to successfully trade this strategy.

Harmonic trading patterns – Indicator

The advance in technology and the multitude of trading platform available for traders has made the process of identifying the Harmonic Gartley quite easy.

Many platforms have built-in automated indicators that will draw the Gartley chart pattern and will help you have a better visualization of the pattern while at the same time making sure that it's following the Fibonacci ratios as per the rules.

You can find the Harmonic Patterns Indicator on most popular Forex trading platforms (TradingView and MT4) in the indicator section. There are also some harmonic pattern software that can spot automatically the Gartley.

Now, let's move forward and see how to trade the **gartley chart pattern**.

How to Trade the Gartley Chart Pattern

The Gartley market strategy like any other harmonic pattern is a four-leg reversal pattern that follows specific Fibonacci ratios. A proper Gartley chart pattern needs to fulfill the following three Fibonacci rules:

- AB= retrace to 0.618 Fibonacci Retracement of XA leg;

- BC= minimum 38.2% and maximum 78.6% Fibonacci retracement of AB leg;

- CD= Poses a target between 1.27 – 1.618 Fibonacci extension of AB leg or an ideal target of 0.786 of XA leg. The Gartley harmonic shares some similarities with the **Butterfly Harmonic Pattern**.

Note* The Fibonacci retracement and ratios are at the core of harmonic trading. Make sure the above rules are satisfied before you trade the Gartley harmonic pattern.

X

0.786

0.618   B   1.27
              1.618

D   ⊗ SELL

0.382 C

0.886

A
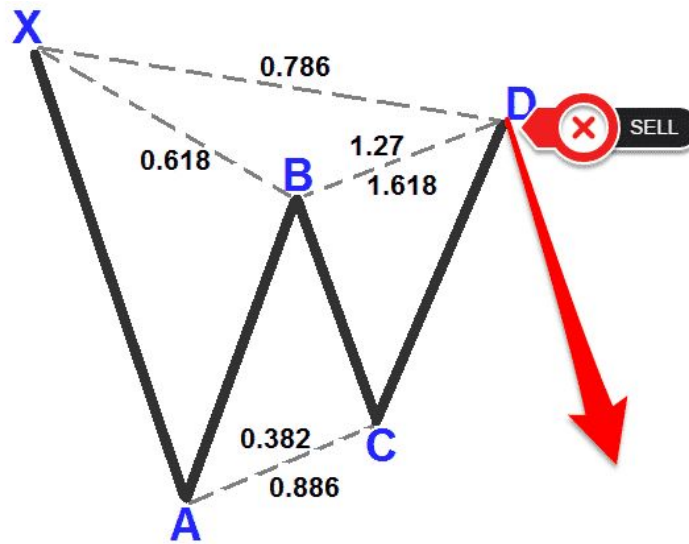
Bearish Gartley Harmonic Pattern

Gartley chart patterns that lead to the double tops and double bottoms can be great areas for reversals in the market. Also, you can use Gartley in directional trades in the direction of the market.

A

0.382

0.886 C

0.618   B   1.27
              1.618

X

0.786

D   ✓ BUY
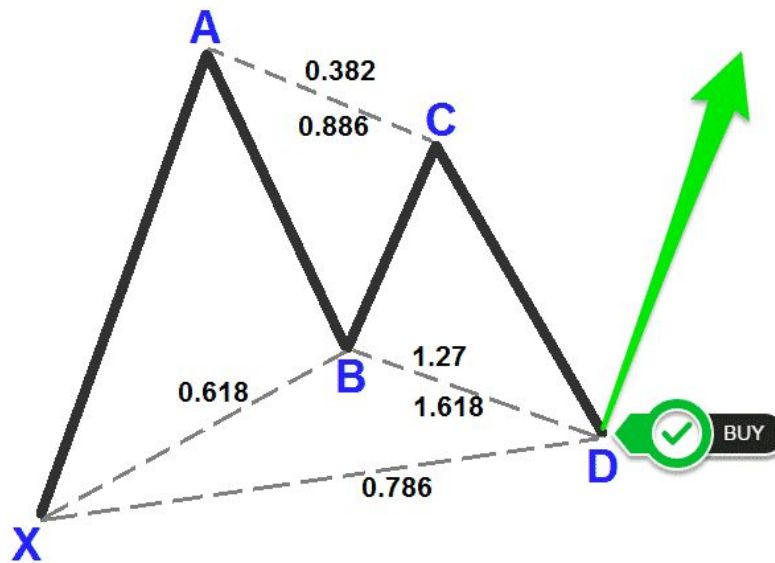
Bullish Gartley Harmonic Pattern

The key Fibonacci ratio that makes the Gartley apart from the other harmonic chart patterns is the shallow retracement of the AB swing leg which is only 61.8% of the XA leg.

Another characteristic of the Gartley 222 pattern is the symmetry that can be found inside the A through D swing wave. The AB swing leg can be equal to the CD swing leg to offer us an ideal low risk high reward entry point.

Let's take one step forward and see how you can make money applying the Gartley trading rules.

Gartley Harmonic Pattern Trading Strategy

The Gartley chart pattern is only giving us a possible entry point without telling much about where to place our protective stop loss and where to take the profits. Now, we can keep things simple and use the Gartley price structure to our advantage.

The Gartley Market Strategy has been tested across different asset classes (currencies, commodities, stocks and cryptocurrencies).

Step #1 How to Draw Gartley Pattern

To learn how to draw gartley pattern simply follow step by step guide – see figure below for a better understanding of the process:

- First, click on the harmonic pattern indicator which can be located on the right-hand side toolbar of the TradingView platform.
- Identify on the chart the starting point X, which can be any swing high or low point on the chart.

- Once you've located your first swing high/low point you simply have to follow the market swing wave movements.
- You need to have 4 points or 4 swings high/low points that bind together and form the harmonic bat pattern strategy. Every swing leg must be validated and abide by the Gartley forex Fibonacci ratios presented above.

Now, we're going to lay down the Gartley trading rules.

See below…

Note* for the purpose of this article we're going to use the case for a bullish Gartley harmonic.

Step #2: How to Trade Gartley Chart Pattern: BUY at Point D which should satisfy the requirement CD = 1.272 – 1.618 of AB leg.

Ideally, any trades taken using the Gartley harmonic are taken near the point D.

Once a bullish Gartley price action has been identified and subsequently the swing D leg in price has been formed thus generating a buy signal we can go one step forward and define good location for our protective stop loss and an ideal target.

In the above chart, we can spot a bullish Gartley price pattern on the NZD/USD weekly chart, which is a signal to buy. You can sell anywhere between the 1.272 and 1.618 Fibonacci retracement, but for better timing your entry you can also use our **price action guide – harmonic trading patterns** or simply enter as soon as we hit 1.272.

It's also worth to note that the Gartleylooks the same like a mirrored Cypher harmonic pattern.

The next important thing we need to establish is where to place our protective stop loss.

See below…

Step #3: Place the Protective Stop Loss below wave X

Usually, you want to place your protective stop loss below wave X. That's the logical place to hide your stop loss because any break below will automatically invalidate the Fibonacci requirements for a Gartley harmonic.

The harmonic pattern success rate is solely dependent on these Fibonacci ratios. As an harmonic trader you want to make sure Gartley satisfy these ratios.

The next logical thing we need to establish for the Gartley harmonic pattern trading strategy is where to take profits.

See below…

Step #4: Take profit equals the same price distance of the XA swing leg as projected from the D point

Since the price is fractal in nature and repeats itself on different scales and different time frames we can make the best out of the Fibonacci ratios by looking for a move that starts from the point D and which is equal in price distance to the swing XA for our take profit target.

New Zealand Dollar/U.S. Dollar, W, FXCM

Now, there are many take profit strategies take can be applied here. We encourage everyone to experiment with different take profit strategies.

We're not implying this is the best approach because we believe each harmonic Gartley can be unique depending of the Fibonacci ratios

Note the above was an example of a BUY trade using the Bullish Gartley harmonic pattern trading strategy. Use the same rules for a SELL trade. In the figure below you can see an actual SELL trade example.**

Euro Fx/British Pound, 240, FXCM

Conclusion – Harmonic Trading Patterns

Harmonic trading patterns solves one big puzzle for every trader because it gives you a reason of when to buy and what currency pair to buy. This is a 77 year old trading pattern that has stood the test of time and can provide really good trading opportunities in terms of risk to reward ratio.

The gartley pattern occurs very frequently and if you want to take advantage of this powerful pattern you can follow the rules of the **Gartley Harmonic pattern trading strategy**.

Chapter 5: Crab Pattern Harmonic Trading Strategy

If you're still struggling to make money consistent money trading the Forex market then the **Crab pattern harmonic trading strategy** will teach you how to grab money out of the market on a daily basis. The Crab harmonic pattern is part of the Harmonic trading patterns.

The harmonic pattern Crab is another unique **harmonic patterns** which has a price structure that looks the same as the **Butterfly chart pattern**. The difference between the Crab pattern and the Butterfly pattern is the CD swing leg which has a bigger extension.

Also, the Crab pattern frequently experiences very sharp and volatile price action and it's very important to anticipate higher volatility when executing your trades at the pattern completion point.

Now…

Before we delve deeper into the Crab pattern harmonic trading strategy, let's look at what indicators we need to successfully trade this strategy.

The advance in technology and the multitude of trading platform available for traders has made the process of identifying the bullish Crab pattern quite easy.

Many platforms have built-in automated indicators that will draw the Crab pattern and will help you have a better visualization of the pattern while at the same time making sure that it's following the Fibonacci ratios as per the rules.

You can find the Harmonic Pattern Indicator on most popular Forex trading platforms (TradingView and MT4) in the indicator section.

Now, let's move forward and see how to trade the **Crab harmonic pattern**.

How to Trade the Crab Chart Pattern

The Crab market strategy like any other harmonic pattern is a four-leg reversal pattern that follows specific Fibonacci ratios. A proper Crab pattern needs to fulfill the following three Fibonacci rules:

- AB= retrace between 0.382 – 0.618 Fibonacci Retracement of XA leg;

- BC= minimum 38.2% and maximum 88.6% Fibonacci retracement of AB leg;

- CD= Poses a target between 2.24 – 3.618 Fibonacci extension of AB leg or an ideal target of

  1.618 of XA leg. The Crab harmonic pattern shares some similarities with the **Butterfly**

  Harmonic Pattern.

Note* the Fibonacci retracement and ratios are at the core of harmonic trading. Make sure the above rules are satisfied before you trade the Crab harmonic pattern.
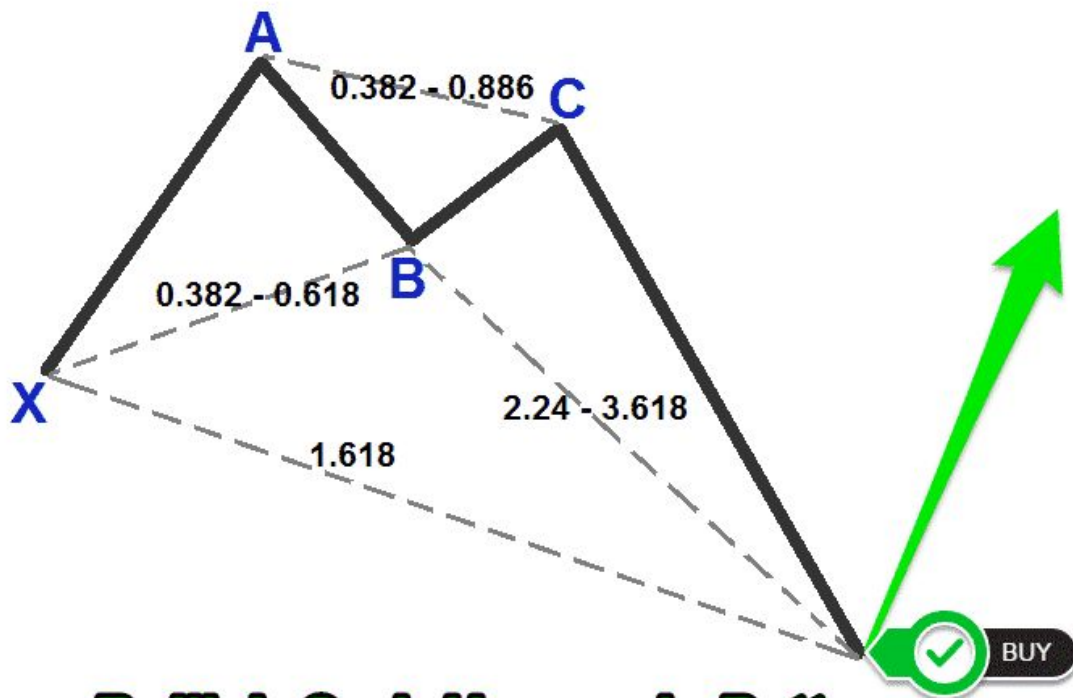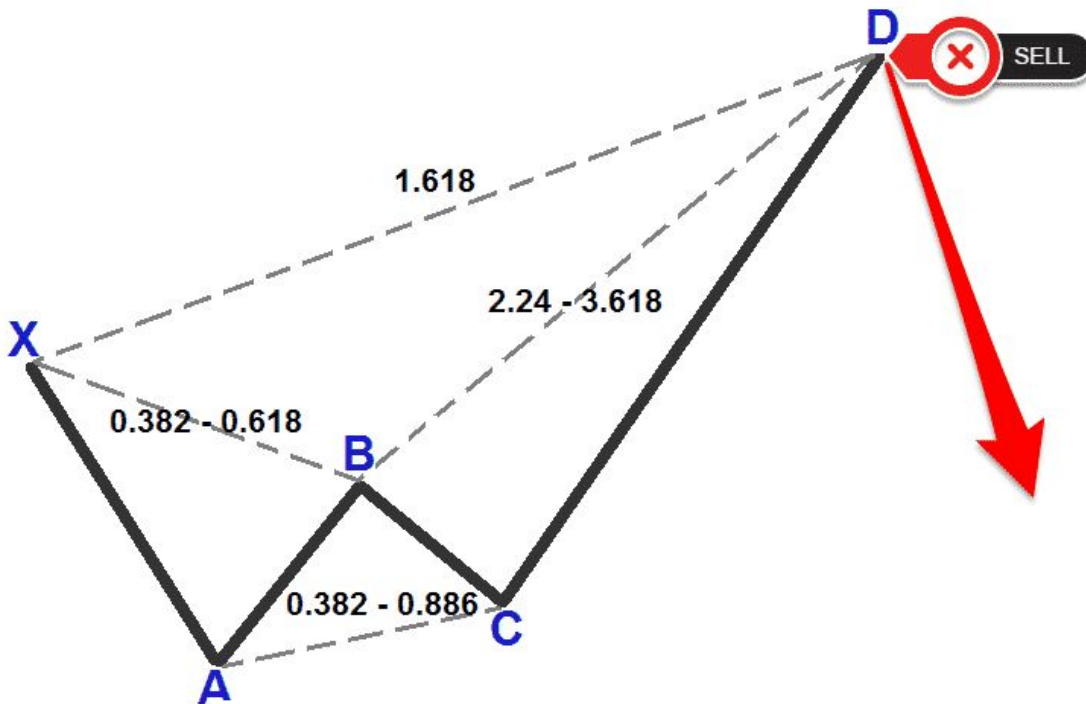
Bullish Crab Harmonic Pattern

The harmonic Crab is an extreme harmonic pattern which means price action will typically be volatile and be extreme as it enters the **P**otential **R**eversal **Z**one (PRZ).

In a bullish Crab typically the highest number in the harmonics support zone is going to be the alternate ABCD component that is either 1.24 or 1.618AB=CD.

However, in most cases, the Crab pattern is going to have a 1.618 alternate AB=CD, but we still allow the 1.24 to define a valid structure, but in most cases, we're looking at 1.618 alternate AB=CD and this is going to be the highest number in the PTZ.

Bearish Crab Harmonic Pattern

Let's take one step forward and see how you can make money applying the Crab trading rules.

Crab Pattern Harmonic Trading Strategy

Trading the Crab harmonic pattern can be perceived as a very hard trade to take because of the price action because the price action is moving quickly towards the pattern completion point or the potential reversal zone.

As we're going to see in the examples coming up we're going to notice how profitable the Crab price formation can be. The price action usually changes direction immediately after testing the PRZ which is why this pattern is so powerful.

Step #1 How to Draw Crab Chart Pattern

To learn how to draw the Crab pattern simply follow step by step guide – see figure below for a better understanding of the process:

- First, click on the harmonic pattern indicator which can be located on the right-hand side toolbar of the TradingView platform.

- Identify on the chart the starting point X, which can be any swing high or low point on the chart.

- Once you've located your first swing high/low point you simply have to follow the market swing wave movements.

You need to have 4 points or 4 swings high/low points that bind together and form the harmonic crab pattern strategy. Every swing leg must be validated and abide by the Crab pattern forex Fibonacci ratios presented above.

Now, we're going to lay down the bearish Crab trading rules.

See below…

Note* for the purpose of this article we're going to use the case for a bearish Crab harmonic.

Step #2: How to Trade Crab Chart Pattern: SELL at Point D which should satisfy the requirement CD = 2.24 − 3.618 of AB leg.

Ideally, any trades taken using the Crab pattern are taken near the point D.

Now, because we can't really control how far the leg D will go, we recommend going short once the minimum level of the Potential Reversal Zone has been reached.

The point D of a harmonic Crab needs to satisfy the requirements CD = 2.24 -3.618 of AB leg.

The crab pattern is an explosive pattern because once the D point has been developed we should see a quick trend reversal that has the potential to generate big profits

Now, you can also sell anywhere between the 2.24 and 3.618 Fibonacci retracement, but for better timing your entry you can also use our **price action guide** or simply enter as soon as we hit 2.24.

The next important thing we need to establish is where to place our protective stop loss.

See below…

Step #3: Place the Protective Stop Loss above the 3.618 Fibonacci extensions.

The initial protective stop loss should be at 3.618 Fibonacci extension and once the market starts moving in our favor it should be moved at the completion of D leg.

That's the logical place to hide your stop loss because any break below will automatically invalidate the Fibonacci requirements for a Crab harmonic.

One of the shortcomings of the Crab pattern is that it requires using a wide stop loss, but it can be overcome by trailing your SL once the trade starts to move in your favor, we move the SL right below the point D.

The next logical thing we need to establish for the Crab harmonic strategy is where to take profits.

See below…

Step #4: Bearish Crab Pattern Target: Multiple Take Profit Strategy: TP1 = 0.618 CD Fibonacci retracement; TP2 = below A

For this specific harmonic pattern, we're purposing a multiple take profit strategies. The Crab remains a very reliable pattern but we want to cash in some quick profits since this is one of the most volatile harmonic pattern.

The first profit target is at the 0.618 Fibonacci retracement of the CD leg. The 0.618 is derived from the golden ratio 1.618 numbers which is one of the most important numbers in mathematics. It makes sense to take profits at the 0.618 Fibonacci retracement level.

The second profit target is at the break of the A leg. Alternatively, you can also try to ride the new trend and trail your protective stop loss above each successive new high.

Note the above was an example of a SELL trade using the Bearish Crab pattern trading strategy. Use the same rules for a BUY trade. In the figure below, you can see an actual BUY trade example.**

Conclusion – Harmonic Patterns

You need skills and a bit of trading experience to identify the deep crab pattern. Once you start mastering this harmonic patterns, new amazing trading opportunities will emerge that can exponentially grow your account if all the Fibonacci requirements are met.

The harmonic pattern crab signal doesn't happen quite so often but when it does, it offers us with a very low risk to reward ratio. To profit from this crab chart pattern follow the rules highlighted in the Crab harmonic trading strategy.

Chapter 6:Shark Harmonic Trading Strategy

Retail traders are always going to be a small fish in the shark infested ocean. There are more powerful traders in the market and if you want to learn swimming with the sharks we present the Shark Harmonic trading strategy.

It's necessary to read the introductory article into the harmonic patterns as this will give you a better understanding of how to trade the **Shark Harmonic Pattern**.

The Shark pattern may be a relatively new harmonic pattern. It was discovered only recently in 2011 by Scott Carney but it has the same features like all other harmonic patterns because it follows certain Fibonacci ratios for its structure to be validated.

The Harmonic Shark Pattern has some similarities with the **Crab harmonic pattern** because both of these harmonic patterns shave an overextended point C.

The bullish Shark pattern can be traded on all time frames but we recommend only to trade harmonic chart pattern from the 1 hour time frame and above.

Now…

Before we delve deeper into the Shark pattern harmonic trading strategy, let's look at what indicators we need to successfully trade this strategy.

The advance in technology and the multitude of trading platform available for traders has made the process of identifying the Shark chart pattern quite easy.

Many platforms have built-in automated indicators that will draw the Shark pattern and will help you have a better visualization of the pattern while at the same time making sure that it's following the Fibonacci ratios as per the rules.

You can find the Harmonic Pattern Indicator on most popular Forex trading platforms (TradingView and MT4) in the indicator section.

Now, let's move forward and see how to trade the **Shark harmonic pattern**.
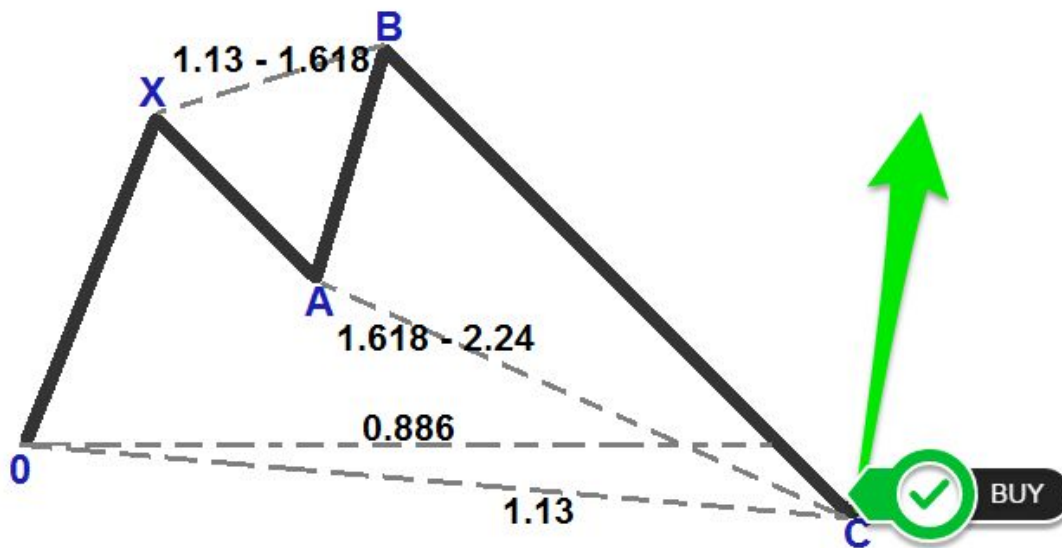
How to Trade the Shark Harmonic Pattern

The **Shark trading strategy** like any other harmonic pattern is a five-leg reversal pattern that follows specific Fibonacci ratios.

The harmonic Shark pattern differentiates itself from the other harmonic patterns by its five points setup being labeled as O, X, A, B, C. Also the termination point of leg B ends above wave X and extend to the minimum of 1.13 and maximum of 1.618 Fibonacci ratios.

A proper Shark pattern needs to fulfill the following three Fibonacci rules:

- AB= retrace between 1.13 – 1.618 Fibonacci Extension of XA leg;

- BC= extends to 113% Fibonacci extension of 0X leg;

- CD= Poses a target of 50% Fibonacci Retracement of BC leg

Note* the Fibonacci retracement and ratios are at the core of harmonic trading. Make sure the above rules are satisfied before you trade the Shark harmonic pattern.

Bullish Shark Harmonic Pattern

The Shark pattern is an emerging 5-O pattern as the Harmonic Shark pattern is within the 5-O pattern structure.

The structure of the Shark pattern means that unlike the other harmonic patterns, all trades are taken based on the point C while the point D is actually used as a pre-defined profit target. Ideally, the completion point of the CD swing-leg terminates at 50% Fibonacci retracement of BC leg and also must satisfy the AB=CD condition.

This is the most common way the Harmonic Shark pattern is traded by trying to capture the last move of a complex pattern entering at C with a protective stop loss above/below the 2.24 of AB retracement and targeting the 50% retracement of the BC swing-leg.

Bearish Shark Harmonic Pattern
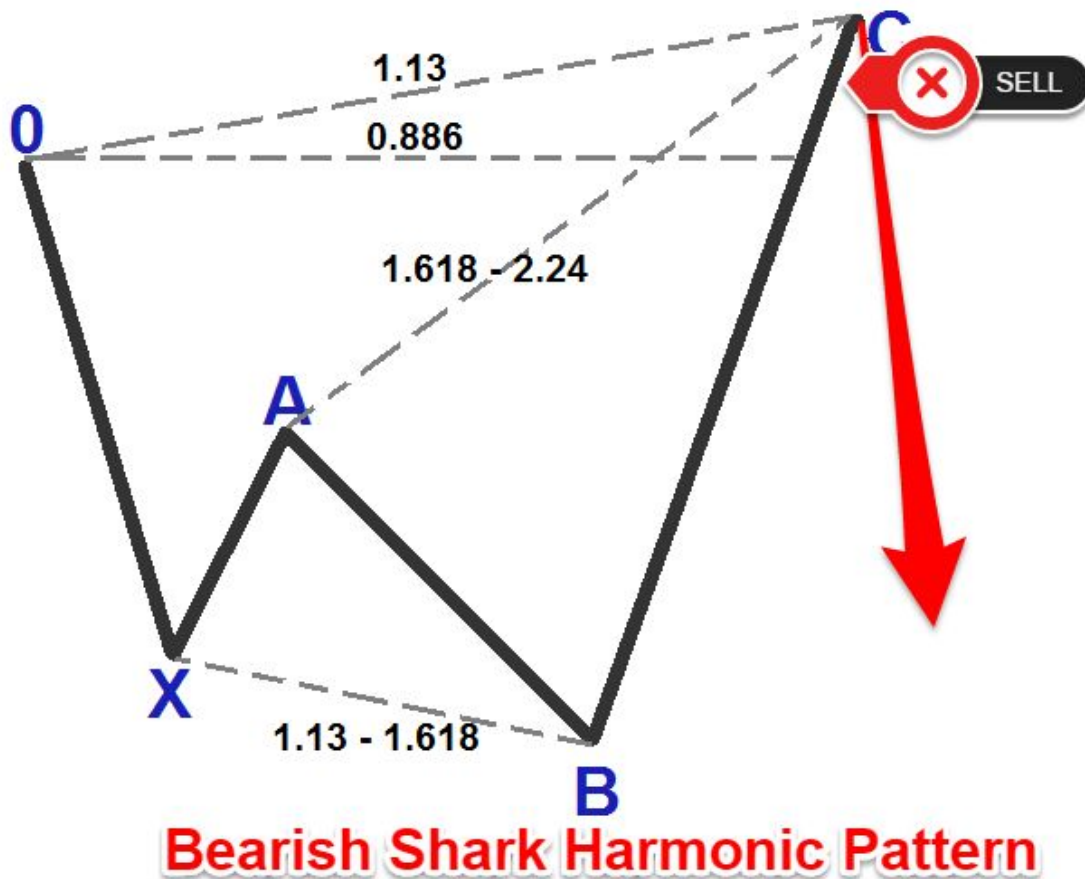
Let's take one step forward and see how you can make money applying the Shark trading rules.

Shark Harmonic Trading Strategy

The way we're proposing to trade this pattern is to enter at the open of the next candle after our Harmonic indicator has spotted the Shark pattern.

So, to clear up the confusion, as soon as the C-leg is established, we enter at the market with a protective stop loss at the 2.618 extension of AB swing-leg.

Step #1 How to Draw Shark Harmonic Pattern

To learn how to draw the Shark pattern simply follow step by step guide – see figure below for a better understanding of the process:

- First, click on the harmonic pattern indicator which can be located on the right-hand side toolbar of the TradingView platform.
- Identify on the chart the starting point 0, which can be any swing high or low point on the chart.
- Once you've located your first swing high/low point you simply have to follow the market swing wave movements.

You need to have 4 points or 4 swings high/low points that bind together and form the harmonic crab pattern strategy. Every swing leg must be validated and abide by the Shark pattern forex Fibonacci ratios presented above.

Now, we're going to lay down the bearish Shark pattern rules.

See below…

Note* for the purpose of this article we're going to use the case for a bullish Shark harmonic.

Step #2: How to Trade Shark Harmonic Pattern: Buy at Point D which should satisfy the requirement CD = 1.13 of OX leg.

The D to X retracement can be anywhere between 0.886 – 1.13. But we prefer taking trades using the ideal 1.13 extension.

The shark pattern has some common characteristics with the **Crab pattern** because the wave D is a sharp price movement in both harmonic patterns.

The next important thing we need to establish is where to place our protective stop loss.

See below…

Step #3: Place the Protective Stop Loss below the 1.150 Fibonacci extension of XA.

The initial protective stop loss should be at 1.150 Fibonacci extension of XA and once the market starts moving toward our first take profit price it should be moved at the completion of D leg.

That's the logical place to hide your stop loss because any break below will automatically invalidate the Fibonacci requirements for a Shark pattern.

The biggest advantage of trading the Shark pattern is that it requires the use of a very tight stop loss. This is good news as we always want to minimize losses and maximize profits.

The next logical thing we need to establish for the Shark trading strategy is where to take profits.

See below…

Step #4: Multiple Take Profit Strategy: TP1 = 50% CD Fibonacci retracement; TP2 = C swing high.

Because of the complexity and the price structure of the Shark pattern we're going to have two taking profit zones.

The first TP zone is at the 50% Fibonacci retracement CD swing-leg and the 100% retracement for the second TP.

1.618 - 2.24

0.50

X 1.13 - 1.618
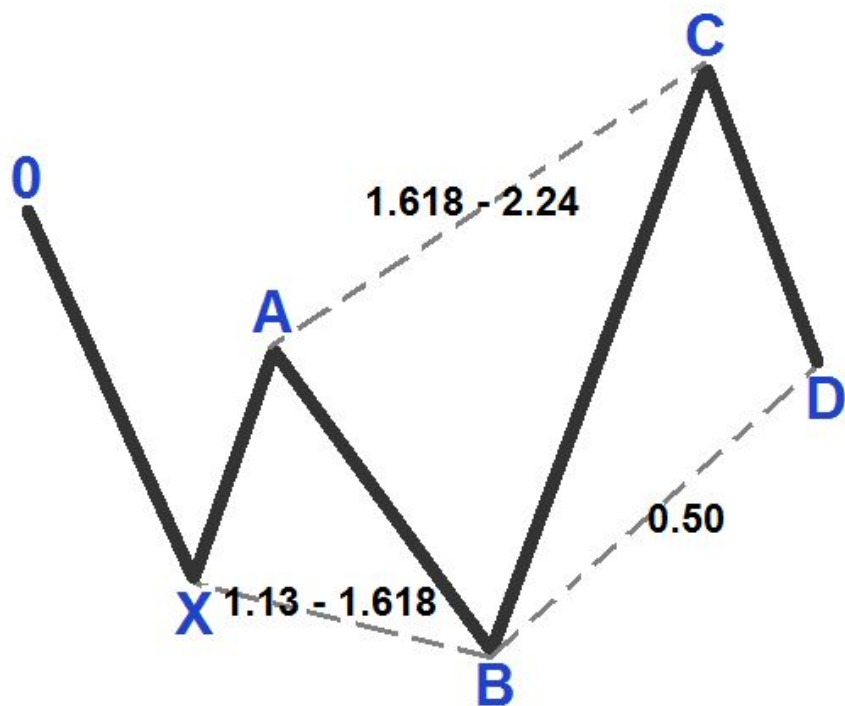
Bullish 5-0 Pattern

The reason why we use two possible TP zones is because in essence the Shark pattern leads to the 5-0 pattern (see Figure above) and once we reach the D point it can reverse, however, the Shark pattern can be a reversal pattern in itself and that's why we're using as a second target the 100% Fibonacci ratio.

Bullish Shark Pattern — Australian Dollar/U.S. Dollar, 1D, FXCM

Note** the above was an example of a BUY trade using the Bullish Shark pattern trading strategy. Use the same rules for a SELL trade. In the figure below, you can see an actual SELL trade example using the bearish shark pattern.

Bearish Shark Pattern — British Pound/Swiss Franc, 60, FXCM

Conclusion

Like with any newly discovered pattern we need to be cautious when trading the Harmonic Shark Pattern and only trade the best price structure that fits into all the Fibonacci ratios with a deadly precision.

The shark harmonic trading strategy works extremely well as a strong counter-trend strategy. You can also learn pretty much fast if the shark harmonic pattern will work or not because it requires immediate price reversal following the chart pattern completion.

Bonus Chart Examples (Print these out for Reference)
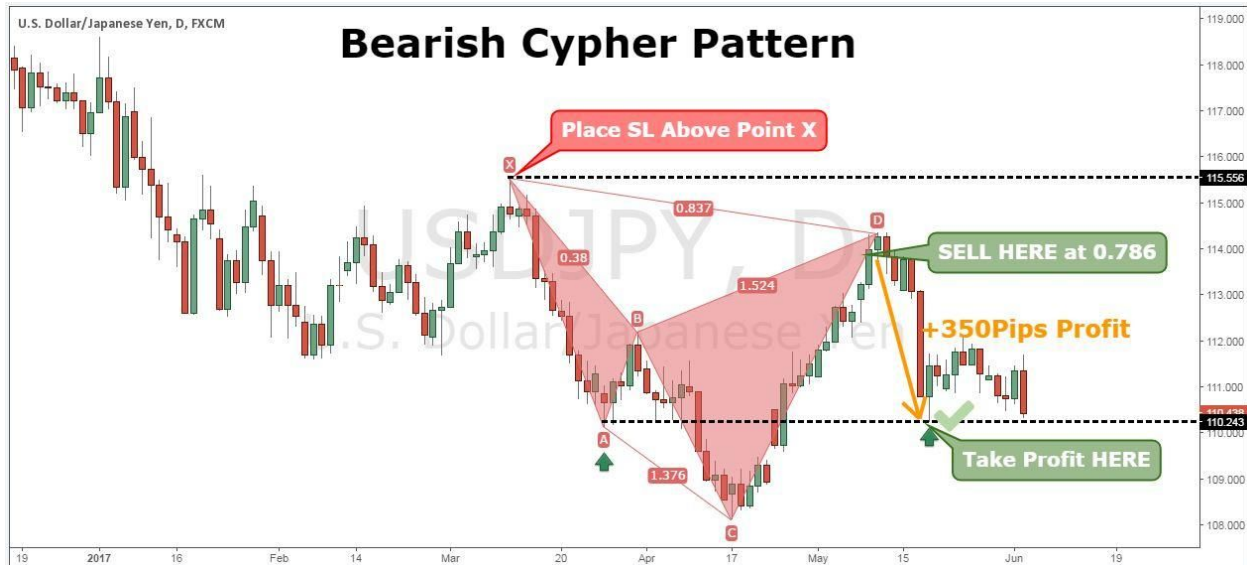
Example 1: USD/CAD Bearish Butterfly Daily Chart

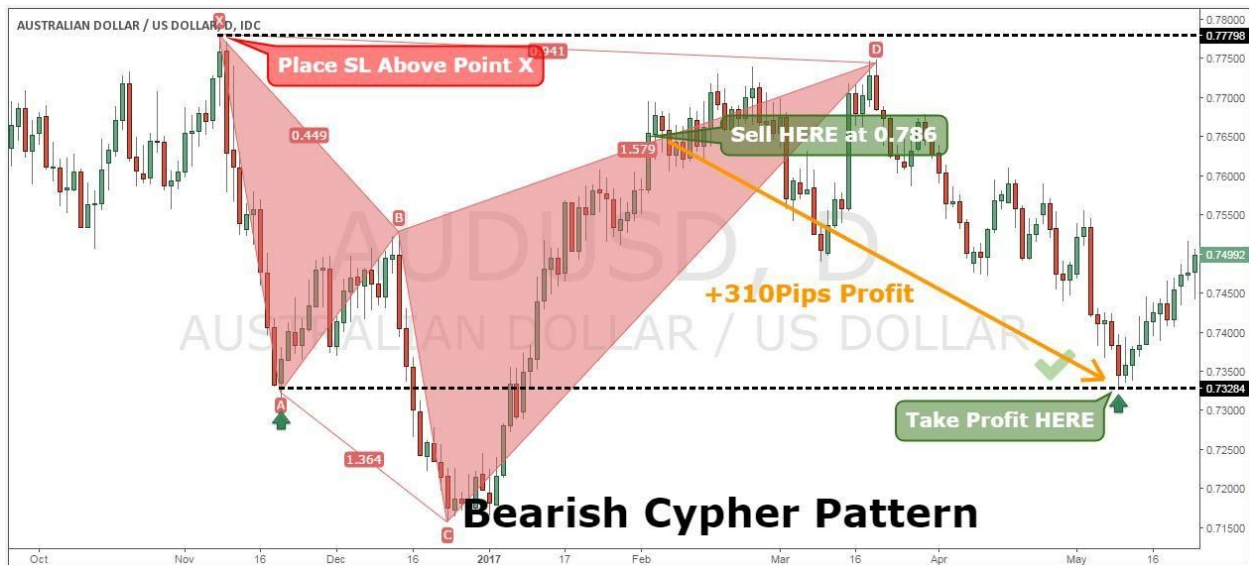## Example 2: Bitcoin Bullish Butterfly Intraday Chart

Bullish Butterfly Harmonic Pattern

Example 3: EUR/USD Bullish Butterfly Weekly Chart

Bullish Butterfly Harmonic Pattern

USD/JPY Daily Bearish Cypher Pattern

Gold Daily Bullish Cypher Pattern
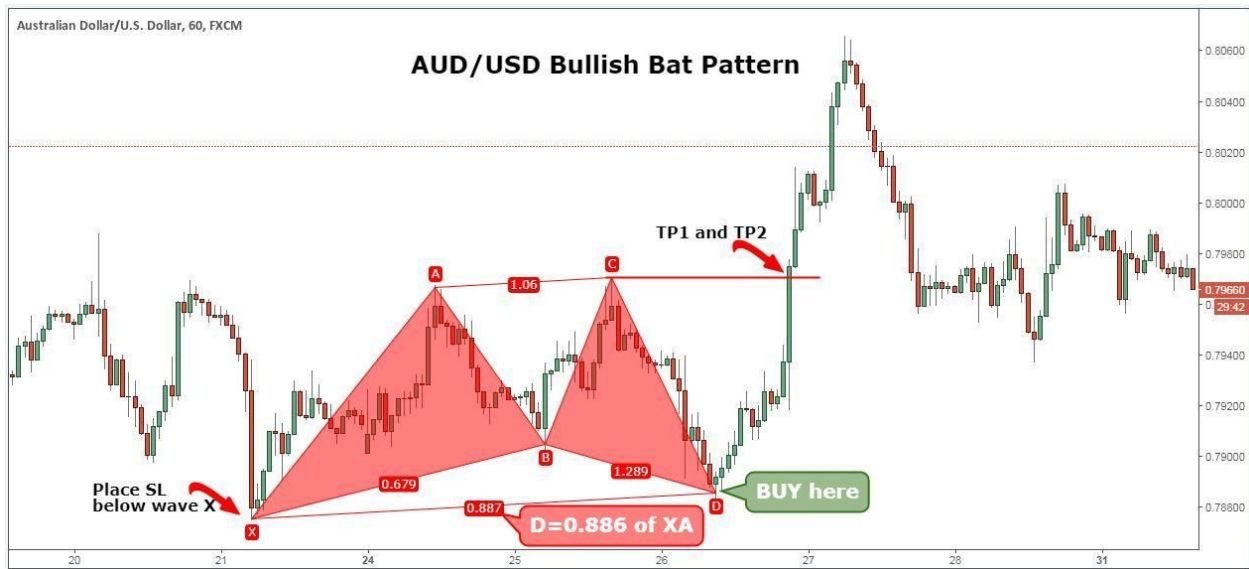
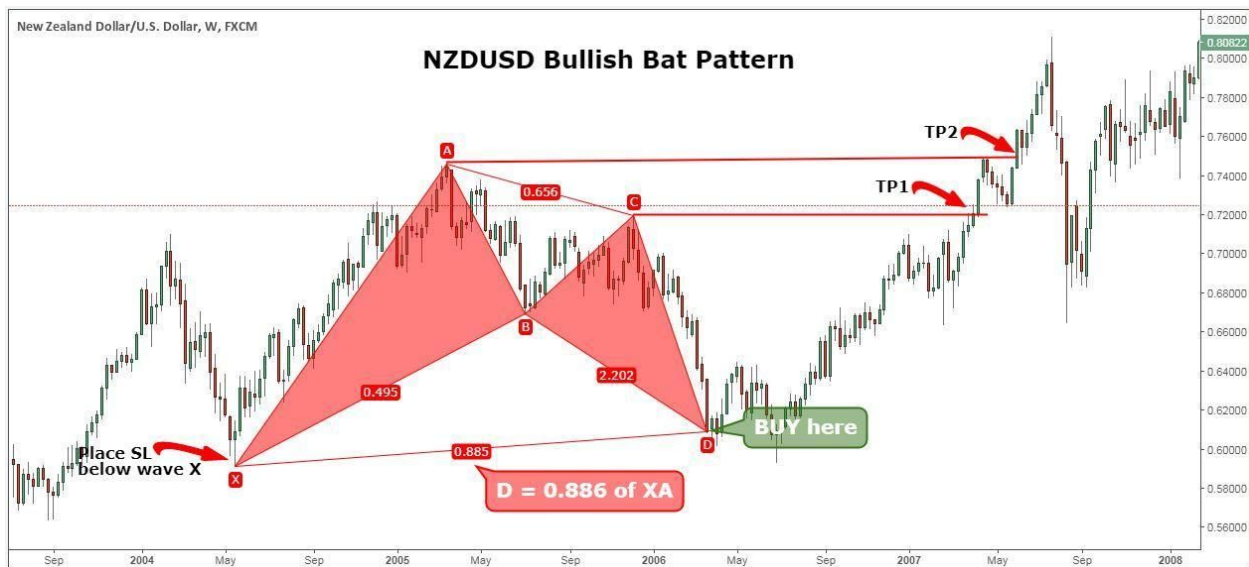## AUD/USD Daily Bearish Cypher Pattern

Bearish Cypher Pattern
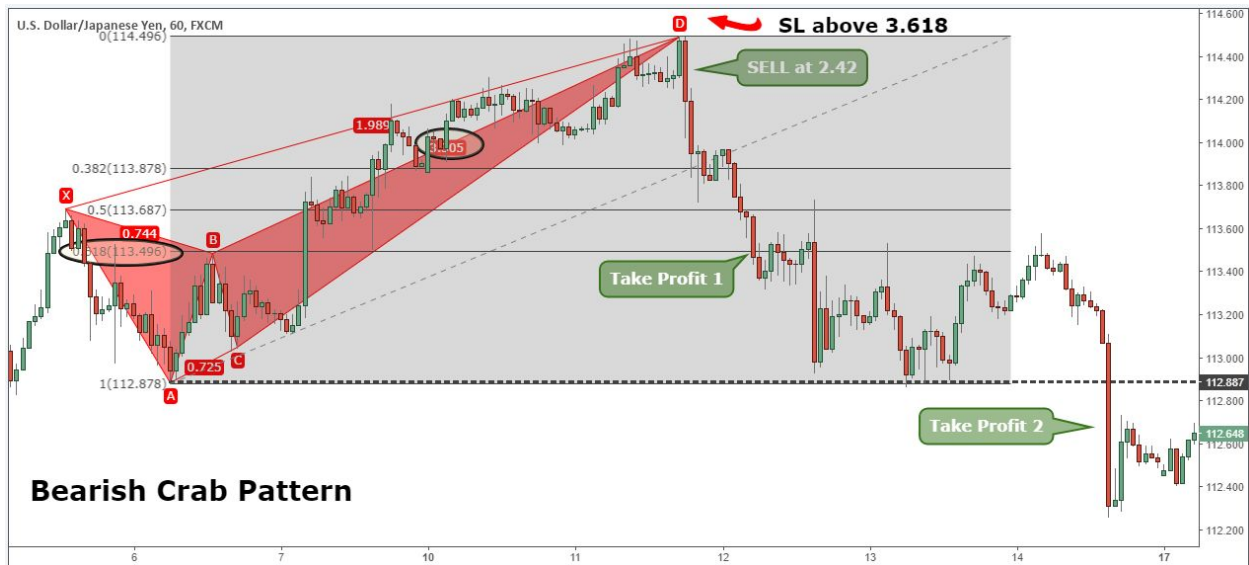
Example 1: EUR/USD Weekly Bearish Bat Pattern

Example 2: AUD/USD 1H Bullish Bat Pattern

Example 3: NZD/USD Weekly Bullish Bat Pattern

Example 1: USD/JPY 1-Hour Bearish Harmonic Crab

Bearish Crab Pattern

Example 2: EUR/USD 4-Hour Bullish Harmonic Crab
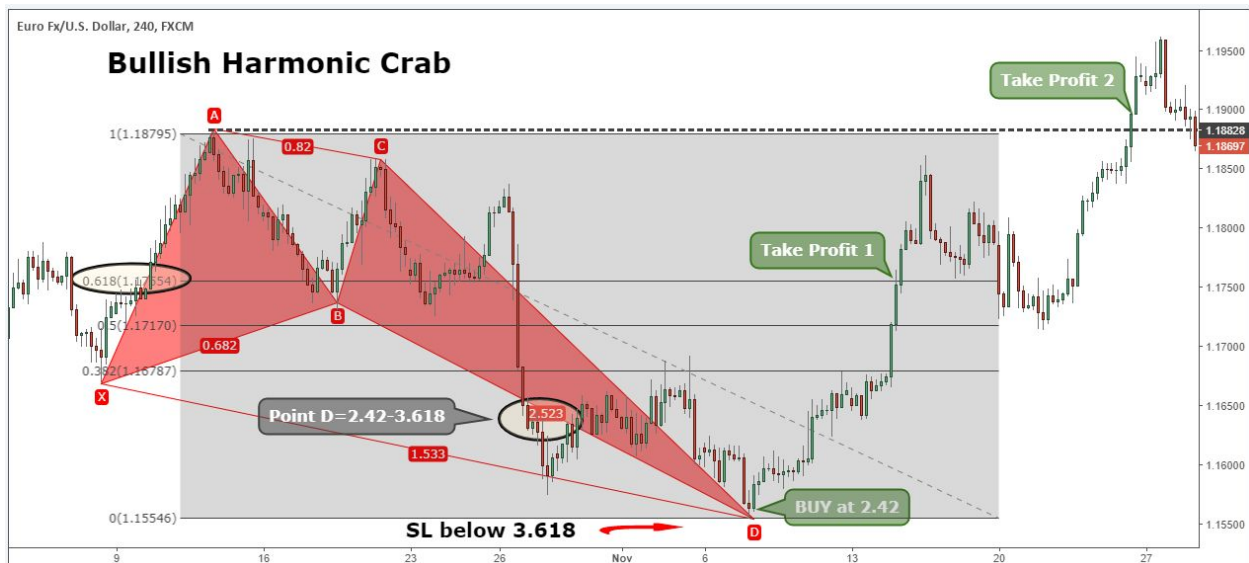
Example 3: Gold 15-Minutes Bullish Harmonic Crab

Example 1: EUR/USD 4-h Bullish Shark Pattern

Example 2: USD/JPY 1-h Bearish Shark Pattern