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Suggested coming soon:
Definition of AB = CD (Anatomy).
Definition of Gartley (Anatomy)
Definition of PRZ. We talk about it and we say that they are important but what are they exactly? Are they just specific areas that are at a x % from some pattern?

Recommended lecture: Harmonic Trading by Scott Carney volume 1

http://ebookbrowse.com/harmonic-trading-volume-1-pdf-d417150144

# 1. Introduction

This system is based on price action, ratios and harmonics. NO indictors will be added or used.

# 2. What is market harmonics?

What is market harmonics? Is it possible that the markets are not random? The answer is yes there is nothing random about this or any other market or instrument you wish to trade.

Harmonics is the process of identifying the market’s rhythm or its pulse if you will and exploiting any and all opportunities. There are visual occurrences that have tendencies to repeat themselves over and over again. It is our job as chart technicians to identify them and trade them. The principles of harmonics and ratios have no boundaries. They can be applied to any instrument or timeframe. We will peel away the myth of the term “noise” and learn to focus on the only thing that matters on a chart, PRICE.

# 3. A Chart example

## 4. Youtube Video explaining fibs:

http://www.youtube.com/watch?feature=player_embedded&v=6SvcmyIkmtM

## #5 Confluence (Zusammenfluß)

Let's talk about areas of confluence. Confluence areas are where trading decisions are made. In these areas positions are covered and others are opened. They are by far the best areas for high probability trade setups.

**It is a coming together of different technical tools that adds tremendous strength in the decisive nature of price movement. The more elements that meet at a specific place and time the stronger the hurtle for price to overcome. Price often takes the path of least resistance.**

The market is what is it is, the collective sum of its participants. It is an impossibility for anyone person to think what any one trader is thinking much less the millions that trade it. It is an emotional machine steered by the 2 most basic human emotions fear and greed. Confluence helps us identify where traders collectively have the highest probability to make these decisions with unprecedented precision. The chart below shows the power of confluence.

### What is involved in areas of confluence?

Support/Resistance, Fib Ratios, Fib Ext., Harmonic Patterns and on occasion trend lines. We are always building a case for entry. There must always be a reason for getting into a trade. If you cannot answer why you want to take this trade then you should not take that trade.

$EURUSD (60 Min) 12/26/2012
Lets identify how many things come together here.
This is a current example of confluence;
1. Small round number
2. 61% correction of high and low
3. Harmonic ABCD pattern completeion
4. 127 Fib Ext.
Very high probability short opp.
Even with this much strength harmonics and confluence was respected and was too much for price to break through The path of lese resistance.
161.80% (1.3281)
78.60% (1.3275)
138.20% (1.3263)
61.80% (1.3250)
100.00% (1.3234)
50.00% (1.3233)
38.20% (1.3215)
0.00% (1.3158)
1.3229
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12/19
12/20
12/21
12/23
12/24
12/26
12/27
12/28

## 6. Another example

I don’t expect you to understand this yet but I like to show chart examples. I just want you to see the confluence. When and if price gets to the PRZ the market will be overbought and there are simply too many obstacles for price to overcome.

I will not confuse you with fancy supply and demand terminology and will keep things simple for the newer folks here. The expectation is for weakness to give way to strength. The bears will be waiting here for an opportunity to take price lower. The path of least resistance will likely prevail.

Don’t focus on this pattern too much just want to show you a current example of confluence at a pattern completion point. We will get into patterns and harmonics later on.

$EURUSD (60 Min) 12/26/2012
Potential Bat Pattern
Confluence of structure, harmonics, fibs.
This is what we like to see.
X
A
B
C
D
PRZ
200.00% (1.3309)
100.00% (1.3307)
88.60% (1.3290)
161.80% (1.3280)
78.60% (1.3275)
138.20% (1.3262)
127.20% (1.3254)
61.80% (1.3250)
100.00% (1.3233)
50.00% (1.3232)
38.20% (1.3214)
38.20% (1.3204)
50.00% (1.3195)
61.80% (1.3186)
78.60% (1.3173)
100.00% (1.3157)
0.00% (1.3157)
0.00% (1.3107)
1.3234
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12/24
12/26
12/27
12/28

## 7. Swings

I think now is a good time to discuss swings. We will not get into counting waves as these patterns do not call for this type of analysis. I believe wave may add value in adding further confirmation but it is not required to identify the patterns we will be looking at.

We look for price to be within a high and a low of a swing this is what I refer to a **dominant swing**. We also look for sore thumb high and a low.

I refer to this as the **main swing** and always have the dominant swing within it. We use our Fib tool to measure these swings and start the process of finding confluence and pattern identification. I will show you some chart examples. There is no need to over think this process or identify a bunch of swings in the process.

$EURUSD (60 Min) 12/27/2012
This is the main swing everyone would have to agree that this is a high and this is a low. No ifs and buts.
This is also the dominant swing as price is trapped within its high and low
X
A
B
C
D
PRZ
0.5M Sell LMT
161.80% (1.3280)
78.60% (1.3275)
138.20% (1.3262)
127.20% (1.3254)
61.80% (1.3250)
100.00% (1.3233)
38.20% (1.3214)
100.00% (1.3157)
0.00% (1.3157)
0.00% (1.3157)
1.3274
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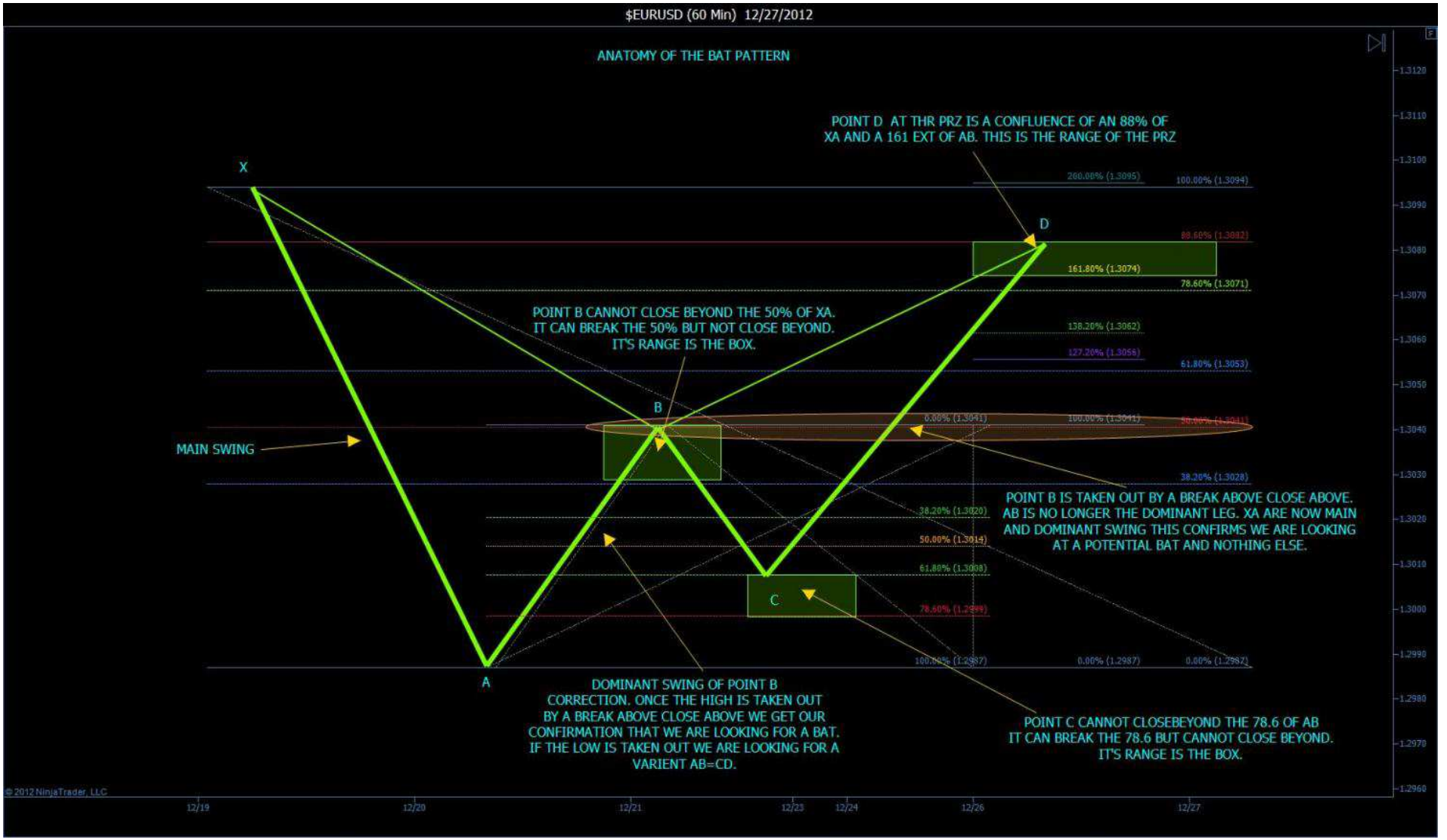
$USDCHF (240 Min) 12/27/2012
Main Swing
Dominant Swing
Price is trapped within the high and low
© 2012 NinjaTrader, LLC

# 8. Anatomy of the Bat Battern



# 9. Bat Pattern Example

# 10. Youtube EURUSD 15 Min

http://www.youtube.com/watch?feature=player_embedded&v=fP8jQw6ZGjI

# 11. AB = CD Pattern

## 12. Gartley

*„So my drawing pattern on this chart is not valid because point B is close beyond the 50% of XA ?“*

That is correct. We are lookingat a Gartley pattern with the completion of the ABCD.