

Below is the 123 reversal when the price fails to make a lower low or higher high

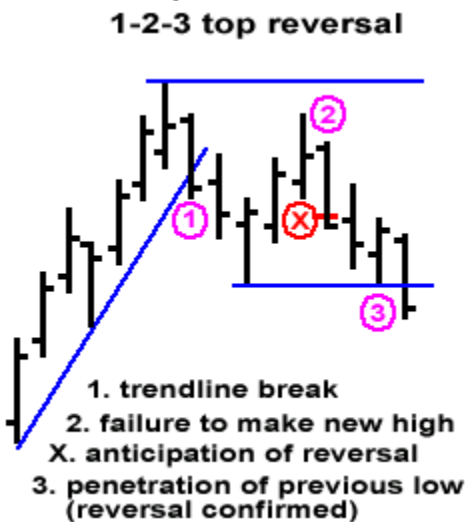
1. trend line broken (I don't use TL's)
2. lower high in an uptrend, or a higher low in a downtrend.
3. break below the previous low in an uptrend, or above the previous high in a downtrend

At point 3 the reversal is confirmed and everybody's brother is getting in. A stop run often follows to re-test the penetration at point 3. Quicker traders may get short at the X.

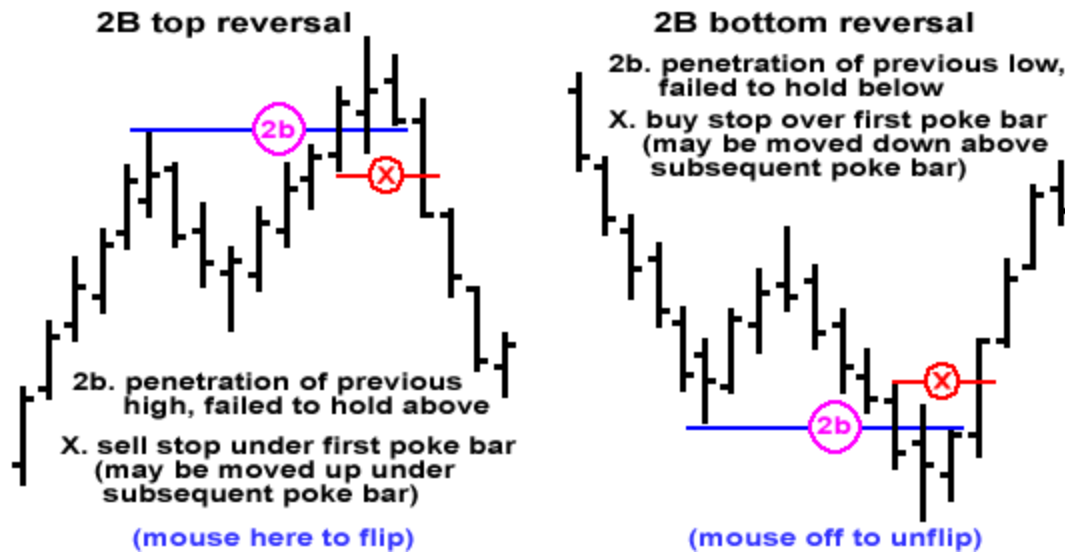


Attached Images

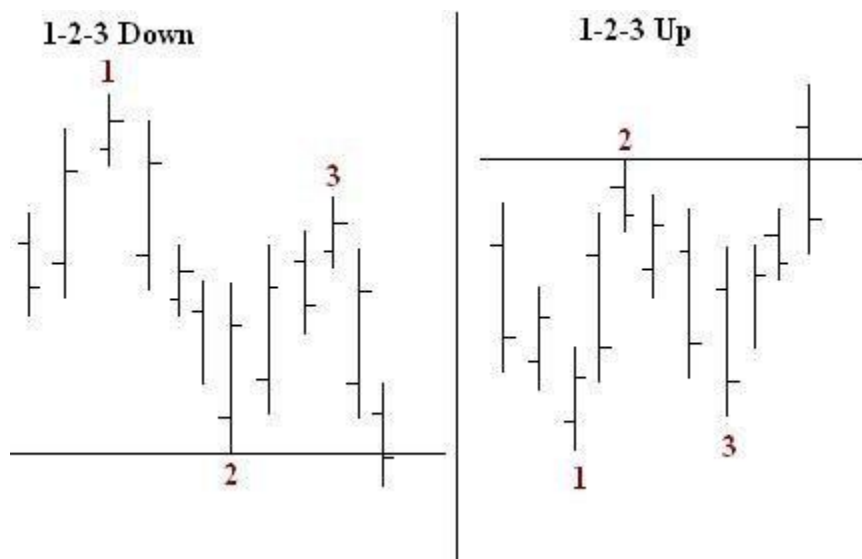
Attached Images



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Examples 1-2-3 pattern, you can see in the picture below (**1-2-3 Down** - pattern, aimed down and **1-2-3 Up** - ascending pattern):



Basic rules for transactions on the 1-2-3 pattern:

- 1) after the formation of points 1, 2 and 3 - set a pending order **Buy Stop** above (for sale) or a **Sell stop** - below (for sale) **points 2**. Preference should be given to patterns, where the point 3, is located at a distance from 23,6% to 50% (maximum 61.8%) on Fibonacci deferred from point 1 to point 2.
- 2) **Stop-loss order** is placed over the point 1. As prices move in the direction of the transaction, stop-loss can be *moved to point 3*. It is possible, and *initially put the stop loss at point 3*, if Point 3 pushed off of 50% or 61,8% of Fibonacci between 1-2.

3) The minimum **take-profit** is equal to the distance 1 - 2, pending in the direction of price movement from **point 3**. Maximum take-profit can be calculated using the Fibonacci extension. I.e. it may be equal to the distance 1.68 from 1-2, a distance of 2 and 2.68, etc.

Alternatively, you can conclude, for example, 2-3 of the transaction equal to the lot and fix the take-profit at a distance of 1 from 1-2, 1.68 1-2, and 2.68 from 1-2. At the same time when profit-taking on the minimum goal, the rest of the transaction can be moved to breakeven and wait for further developments (if you wish, you can use *trailing stops*), if the price moves further - we fix the following take-profit, not moving - will be triggered stop-loss to breakeven.