

### Quoting trademin

HI, EURAUD: I see here a HS under construction. I took the trade short well in advance(...and maybe too much in advance!)(**way too soon! See the result on the last chart!**). It could be here a rejection of the whole HS "IF" a TC is on the making below the zero line. If it does, then I am expecting a noticeable drop in price, making at the same time another HS, with a target price lower with more conviction. Will see...{image}

Morning Yvon - 2.40pm at your home so I hope you have had a great day so far.

I am trying to follow your teachings on these H & S patterns so please correct me if I am wrong

I see the formation slightly different to you as it provides me with a stronger neckline to use. Is this ok to do ?

If it can break way down there and hold the neckline as new Resistance, I calculate approx 250 pips .

Am I on the right track. Cheers for all the charts & support. One day I will see what you do LOL

"I see the formation slightly different to you as it provides me with a stronger neckline to use. Is this ok to do ?"

Hi,

You have a good point: how to identify where is the right Head?

I have drawn vertical lines showing each top and valley, in order to identify head and shoulder properly, the reason behind this is that macd still represent momentum so a good momentum should be represented with a high. When there is a high in price there is a high in the macd. It is a synchronized action. Any macd example will represent the market action since it is "momentum". That is why I have drawn those vertical lines synchronized with the chart.

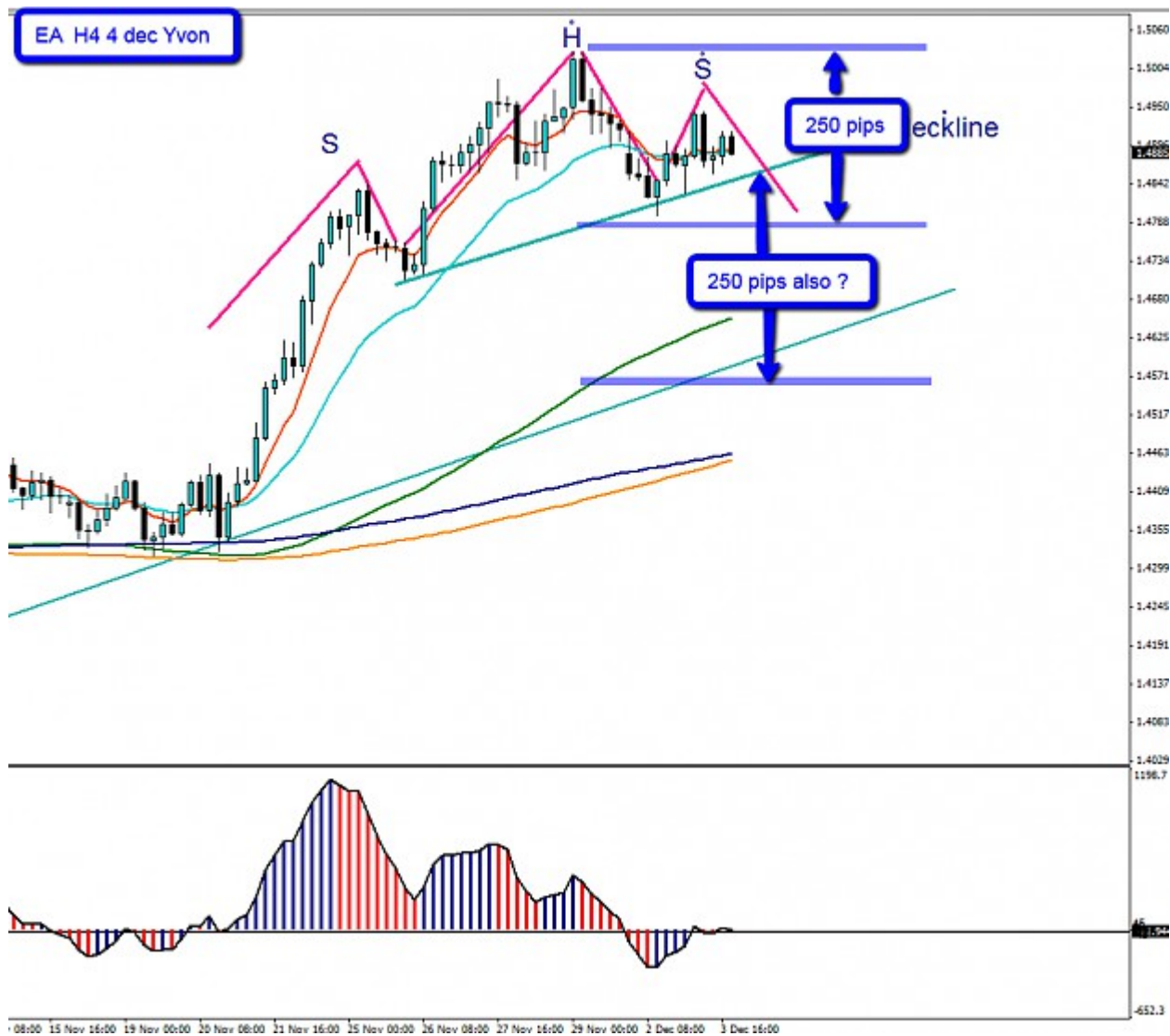
So now we can identify the head, then the neckline, then the projection.- since we I can draw the neck line, I can have the projection range. **It is important to note that when both points are known (forming the neckline), I can know in advance what will be the range that should be covered if the neckline is broken. That is called "Anticipation" too!**

"If it can break way down there and hold the neckline as new Resistance, I calculate approx 250 pips."

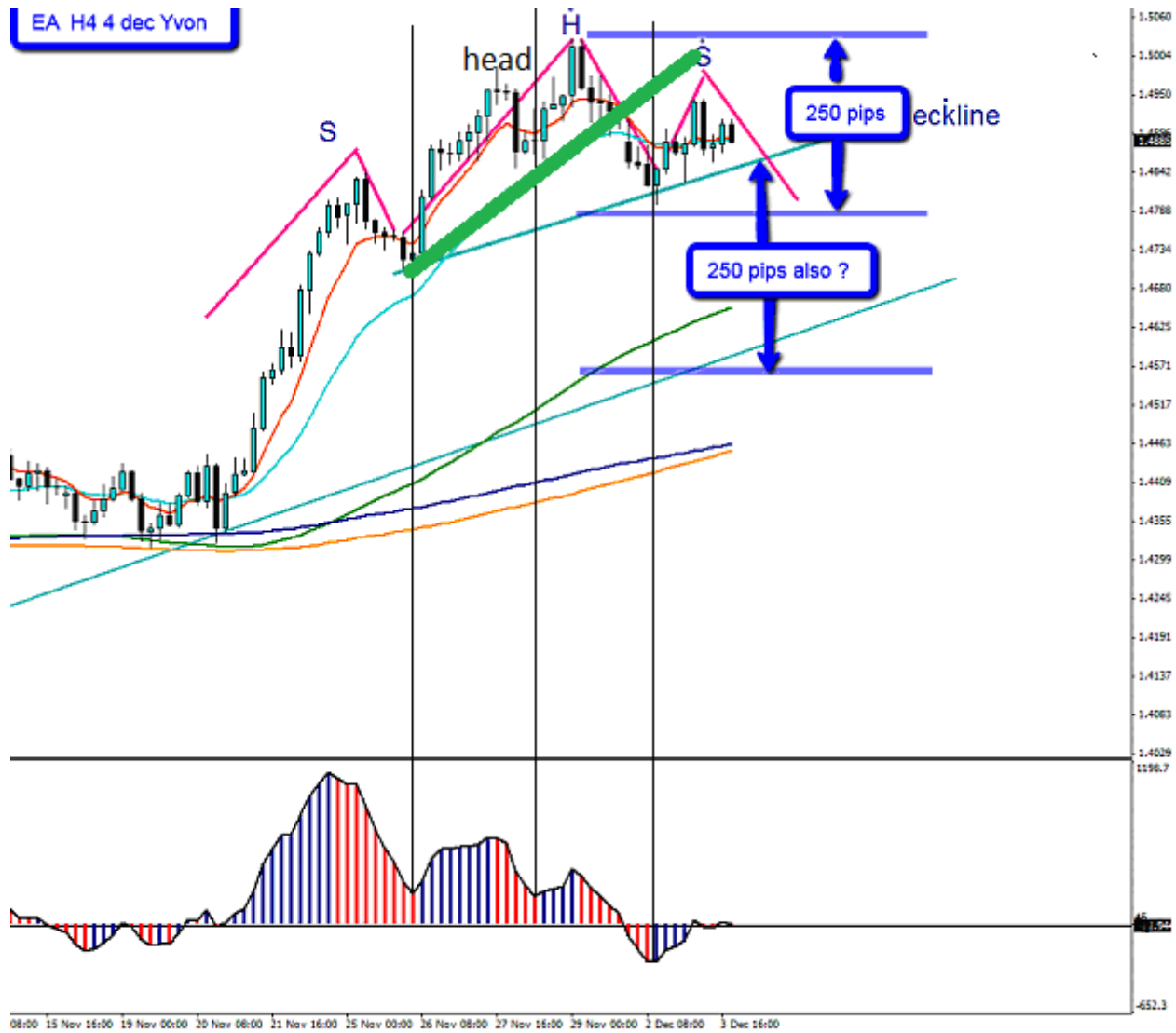
On the example you provide you took the 250 pips from the top (H) to the right side of the neck line, while the measure is taken from drawing a line from both side of the neckline.

(on the candles chart)The projection is taken from the **neckline** to the highest high of the head. Then that range is now projected from the **break** of that neckline and should cover the same range found in the head.

On the example below the Head is not at the right place. It should be on the high seen between **S** and **H**.



ABOVE: your first "S" is well defined while your neckline is not. The neck line should have been drawn from the low of the candle touching the first vertical line from the left to the candle touching the center vertical line. You can easily imagine that the neckline is not horizontal but would have a bias thus having a different range from yours. See the green line drawn below: it is the neck line. And I placed the "head" accordingly.



Below, an example: I am not sure if I mentioned that pair in the past, but the first HS has a good projection, but when price broke that HS then pull back to it, and then moved away: on that specific move away, it is making a new HS while making at the same time a whole rejection, it should have then a lower target. But we have to recognize that move is usually impressive, strong move since market rejected the up move.



Now on the shorter term (4hrs chart):



Another example:(below)

If price still want to go up, indeed you could expect the same noticeable move.



Note: the blue rectangle gets almost flat moving averages while making a consolidation, candles covers both side of them.

That's about it. Hoping it answers your questions,  
any comment welcome.

Yvon