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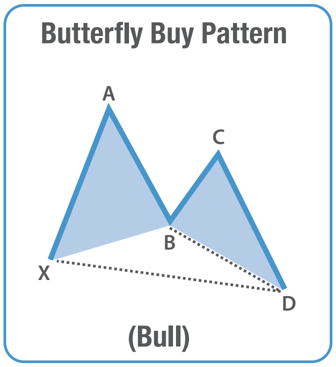
The Bullish Butterfly Pattern



What is it?

- Contains an ABCD pattern preceded by a significant low (X)
- Convergence of Fibonacci extension ratios
  – Point D = extension of BC and XA
- Formed by two connecting triangles at B
- Pattern is found only at significant tops (highs) and bottoms (lows)

Why is it important?

- Convergence of Fibonacci extension ratios may provide higher probability for change in market direction
- May provide lower risk with potential for higher reward
- Pattern failure may suggest a strong continuation move

Sounds good … So how do I find it?

Butterfly patterns are similar to Gartley patterns in that they resemble a "M" shape on a price chart. However, a butterfly pattern completes at the convergence of two separate Fibonacci extension levels, whereas the Gartley completes at the convergence of a Fibonacci retracement and extension.

The symmetry between the two connecting triangles at point B is one of the keys to this pattern. As with all geometric patterns, a buy or sell signal occurs as the pattern completes at point D.

The Bullish Butterfly Pattern (cont'd)

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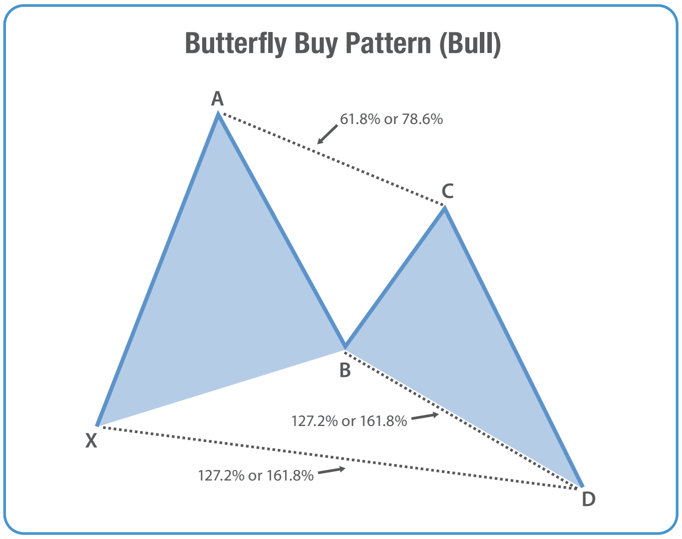

Bullish Butterfly Pattern Rules (buy at point D)

1. The swing from A-to-D should be a 127.2% or 161.8% extension of XA
   - Note: D **must** be below X
2. A valid ABCD must be observed in the extension move (AD)
3. Additional confirmation may be attained when the times of the XAB and BCD triangles are in proportion. Ideally, these two triangles will be nearly equal in time. Otherwise, look for the BCD triangle to complete between 61.8% and 161.8% of XAB
4. A move beyond 161.8% negates the pattern and may suggest a potentially strong bearish continuation is in progress

Example 1: EUR/JPY, 15min

Source: GFT

Example 2: EUR/USD, 15min

Source: GFT