

FORGE ICE

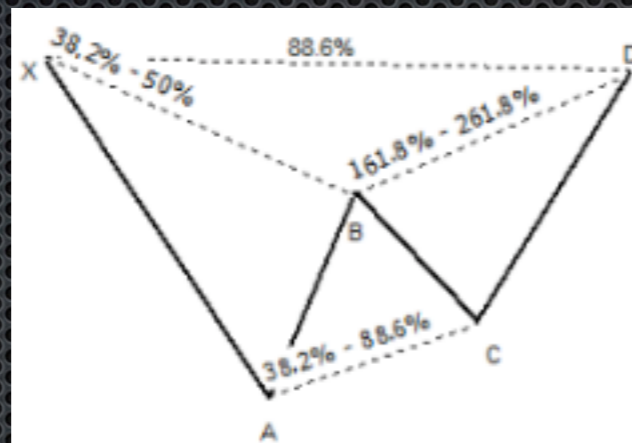
LESSON 3

HARMONIC BAT PATTERN

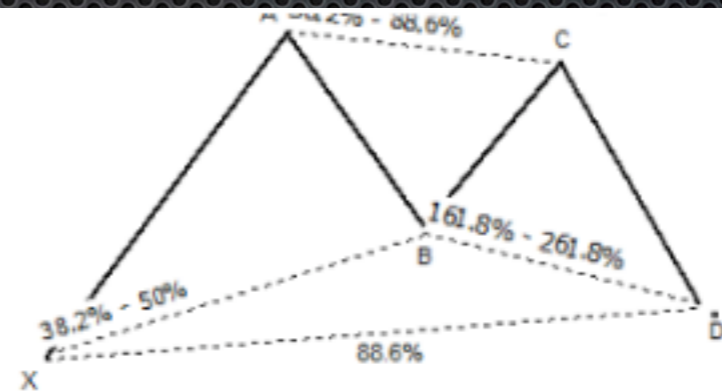
- **THE HARMONIC BAT IS A VARIATION TO THE GARTLEY PATTERN WHICH WAS DEVELOPED BY SCOTT CARNEY. IT IS CONSIDERED TO BE ONE OF THE MORE ACCURATE PATTERNS EXHIBITING A HIGHER SUCCESS RATE THAN ANY OTHER HARMONIC PATTERNS. THE BAT PATTERN MIGHT LOOK SIMILAR TO A GARTLEY 222 BUTTERFLY PATTERN BUT DIFFERS ONLY MINUTELY IN TERMS OF THE FIBONACCI RATIOS BETWEEN THE SWING / PIVOT POINTS.**
- **THE HARMONIC PATTERN BAT IS MADE UP OF 5 SWING POINTS, X, A, B, C AND D AND COME IN BULLISH AND BEARISH BAT VARIATIONS.**

- ✦ **THE HARMONIC BAT PATTERN HAS THE FOLLOWING CHARACTERISTICS WHICH CAN BE USED TO IDENTIFY THE BAT PATTERN.**
- ✦ **AB LEG CAN RETRACE BETWEEN 38.2% – 50% OF XA LEG**
- ✦ **BC LEG CAN RETRACE BETWEEN 38.2% – 88.6% OF AB LEG**
- ✦ **CD LEG CAN RETRACE UP TO 88.6% OF XA LEG**
- ✦ **CD LEG CAN ALSO BE AN EXTENSION OF BETWEEN 1.618% – 2.618% OF AB LEG**

- **THE CHART BELOW SHOWS AN EXAMPLE OF THE HARMONIC BULLISH AND BEARISH BAT PATTERNS.**



Bearish Bat Pattern



Bullish Bat Pattern

- **THE MAIN DIFFERENCE BETWEEN THE HARMONIC BAT AND THE GARTLEY 222 PATTERN IS THE POINTS OR SWING LEG OF AB.**
- **IN TERMS OF THE TARGET LEVELS, THE FIRST TARGET IS SET TO 61.8% OF CD, FOLLOWED BY 1.272% OF CD AND FINALLY THE PROJECTION OF XA FROM D, THE ENTRY POINT.**

Gartley Pattern	Bat Pattern
AB must retrace close to 61.8% of XA	AB can retrace between 38.2 – 50% of XA
CD can retrace up to 78.6% of XA	CD can retrace up to 88.6% of XA
CD can retrace between 1.272 – 1.618% extension of AB	CD can retrace up to 1.618 – 2.618% extension of AB

BEARISH BAT PATTERN EXAMPLE

- THIS CHART BELOW SHOWS AN EXAMPLE OF A BEARISH HARMONIC BAT PATTERN WHICH WAS EXECUTED PERFECTLY.
- AFTER IDENTIFYING THE XA LEG, WE NOTICE AB RETRACING 48.8% OF XA, WELL WITHIN THE 38.2% – 50% RETRACEMENT LEVEL.
- BC LEG THEN DECLINES TO RETRACE 52.2% OF AB (WITHIN THE LIMITS OF 88.6% OF AB LEG)
- CD THEN RALLIES TO RETRACE 89.5%, WHICH OVERSHOT THE IDEAL REVERSAL LEVEL OF 88.6%, WHILE STAYING WITHIN THE RANGE OF 2.618% EXTENSION OF AB LEG.
- AFTER PRICE RALLIED TO POINT D, IT PROMPTLY REVERSED. A SHORT POSITION WOULD THEN BE EXECUTED WITH STOPS NEAR THE HIGH OF X.
- THE FIRST TARGET 1 COMES IN AT 61.8% OF CD, FOLLOWED BY TARGET 2 AT 1.272% OF CD AND FINALLY TARGET 3, WHICH IS THE PROJECTED XA DISTANCE FROM THE PRZ LEVEL AT D.



BULLISH BAT PATTERN EXAMPLE

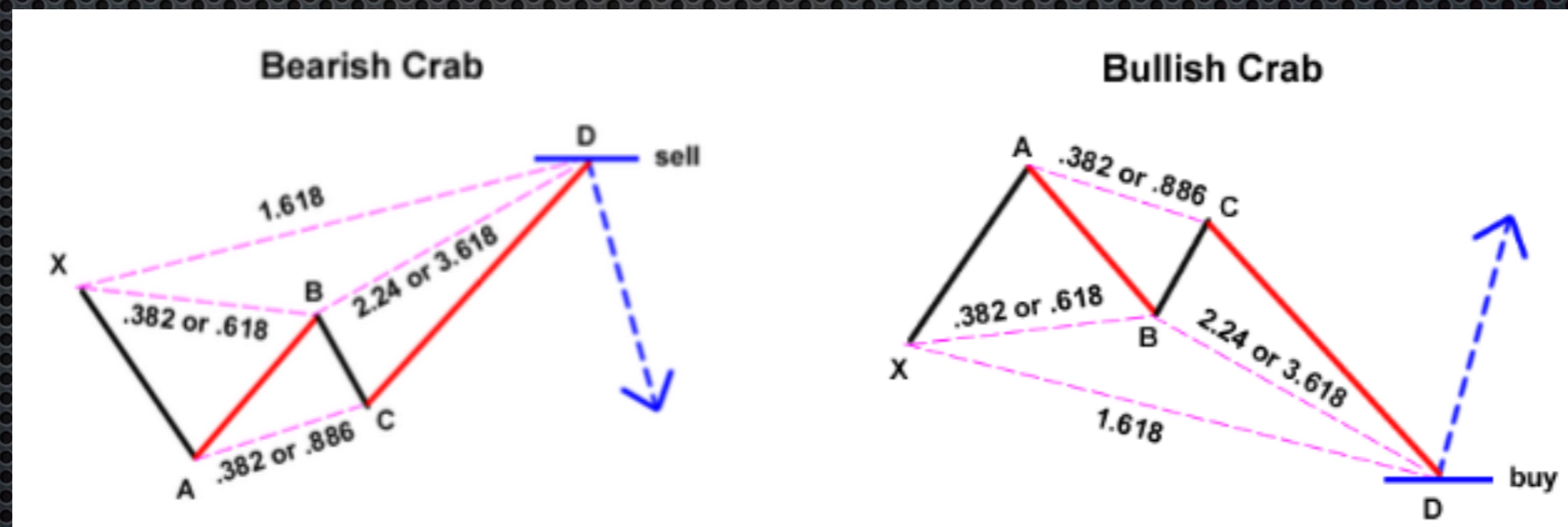
- THE BELOW CHART SHOWS AN EXAMPLE OF A BULLISH BAT PATTERN.
- HERE, WE NOTICE THAT AB RETRACED 53.7% (ALMOST CLOSE TO 50%) OF XA LEG
- BC THEN RALLIES TO RETRACE 65.6% OF THE XA LEG, WITHIN THE LIMITS OF 88.6%
- CD THEN RETRACES 60.5% OF XA AND AN EXTENSION OF 119.2% OF AB LEG (ALTHOUGH NOT COMPLETELY QUALIFYING THE FINAL LEG).



- ✦ **IN ANY CASE, PRICE REVERSED NEAR POINT D TO REACH ALL THE THREE OBJECTIVES OF TARGET 1 WHICH IS 61.8% OF CD, TARGET 2, THE 127.2% EXTENSION OF CD AND FINALLY TARGET 3, THE XA PROJECTED DISTANCE FROM THE PRZ LEVEL AT D.**
- ✦ **FROM THE ABOVE, WE DO NOTICE THAT THE GARTLEY 222 AND THE BAT PATTERNS ARE ALMOST SIMILAR WITH SOME MINUTE DIFFERENCES AS POINTED OUT IN THE TABLE. TRADERS SHOULDN'T REALLY BOTHER THEMSELVES AS TO THE TYPE OF HARMONIC PATTERN THAT IS BEING FORMED AS THE STOP LOSS AND TARGET LEVELS ARE THE SAME AS TRADING THE GARTLEY 222 PATTERN.**

CRAB HARMONIC PATTERN

- THE HARMONIC PATTERN CRAB IS YET ANOTHER DISCOVERY BY SCOTT CARNEY AND IS IDENTIFIED BY ITS LONG STRETCHING SWING POINTS. IN THE CRAB PATTERN THE PRZ LEVEL AT SWING/PIVOT POINT D IS OVERSTRETCHED AND SHOOTS BEYOND THE INITIAL SWING/PIVOT POINT OF X. THIS IS THE MAIN KEY DIFFERENCE BETWEEN OTHER HARMONIC PATTERNS. THE CRAB PATTERN, WHILE EASY TO IDENTIFY REQUIRES A BIT OF SKILL IN TRADING THE PATTERNS, WHICH IS SHOWN IN THE TRADE EXAMPLES.
- THE CRAB PATTERNS STRUCTURE IS DESCRIBED IN THE FOLLOWING CHART.



- **AS WE CAN SEE FROM THE ABOVE STRUCTURE OF THE CRAB PATTERN, THAT WHILE MOST OF THE SWING POINTS REMAIN THE SAME, IT IS THE POINT D WHICH IS THE MAIN DIFFERENTIATING FACTOR THAT SETS APART THE HARMONIC CRAB PATTERN FROM THE REST OF THE PATTERNS.**
- **THE KEY CHARACTERISTICS USED TO IDENTIFY THE HARMONIC CRAB PATTERN ARE AS FOLLOWS:**
- **AB LEG CAN RETRACE ANYWHERE BETWEEN 38.2% UP TO 61.8%**
- **BC CAN RETRACE 38.2% – 88.6% OF AB LEG**
- **CD IS AN EXTENSION OF UP TO 161.8% OF XA LEG AND IS ALSO AN EXTENSION OF 224% – 316% OF THE AB LEG**
- **AFTER THE CRAB PATTERN IS ESTABLISHED, TRADERS CAN TAKE THEIR POSITIONS AT OR FROM POINT D (AT THE HIGH OR AT THE LOW OF THE PRICE BAR AT D) TARGETING 61.8% AND 127.2% OF CD LEG.**
- **UNLIKE OTHER HARMONIC PATTERNS, THE CRAB PATTERN WHEN FORMED CAN BE VERY VOLATILE. THERE ARE NO FIXED STOP LOSS LEVELS AND THEREFORE A BIT OF SUBJECTIVITY IS REQUIRED. TRADERS USUALLY WAIT FOR A HIGH AND A LOW TO BE FORMED BEFORE PLACING THEIR STOPS AT OR ABOVE/BELOW THESE REVERSAL LEVELS.**

BULLISH CRAB EXAMPLE

- THE BELOW CHART SHOWS A REAL TIME TRADING EXAMPLE OF THE BULLISH CRAB PATTERN. IT IS EASILY IDENTIFIED BY THE SWING POINT D, WHICH CLEARLY OVEREXTENDED BELOW THE PREVIOUS SWING POINT X. AFTER THE PATTERN IS IDENTIFIED, A LONG POSITION WOULD BE TAKEN NEAR THE HIGH OF THE POINT D. ANOTHER WAY TO CONFIRM THE TRADE ENTRY IS TO LOOK FOR POSSIBLE BULLISH CANDLESTICK PRICE ACTION.
- IN THE BELOW CASE, WE CAN SEE AN OUTSIDE BAR BEING FORMED FOLLOWED BY A BULLISH CANDLE TO THE UPSIDE. ENTERING THE TRADE AT THE HIGH OF THE CANDLE FORMED AT D WITH STOPS AT THE LOW OF D GIVES A TIGHT STOP LOSS LEVEL.
- THE TARGETS ARE THEN SET TO 61.8% OF THE CD LEG FOLLOWED THE SECOND TARGET AT 127.2% OF THE CD LEG.



BEARISH CRAB EXAMPLE

- THE BEARISH CRAB PATTERN EXAMPLE IN THE BELOW CHART SHOWS HOW PRICE REACTS NEAR THE PRZ LEVEL OF SWING / PIVOT POINT D. IN THE ABOVE EXAMPLE, AB RETRACES TO 53.7% OF THE XA LEG AND THEN DECLINES TOWARDS 70.1% OF AB LEG. PRICE THEN RALLIES FROM C FORM THE CD LEG WHICH IS AN EXTENSION OF 162.6% OF XA LEG AND 389.3% OF AB LEG.
- AN OBSERVATION FROM THE BEARISH CRAB PATTERN DOES NOT MEET THE FIB LEVELS TO THE DOT, HOWEVER THE OVERALL PRICE ACTION AND STRUCTURE MAKES IT A QUALIFIED BEARISH CRAB.
- AFTER IDENTIFYING THE CRAB PATTERN, A SHORT POSITION IS TAKEN AT THE LOW OF THE PRICE AT SWING / PIVOT POINT D WITH STOPS AT THE HIGH, THE TARGETS ARE 61.8% AND 127.2% OF THE CD LEG, WHICH PRICE MANAGES TO REACH.

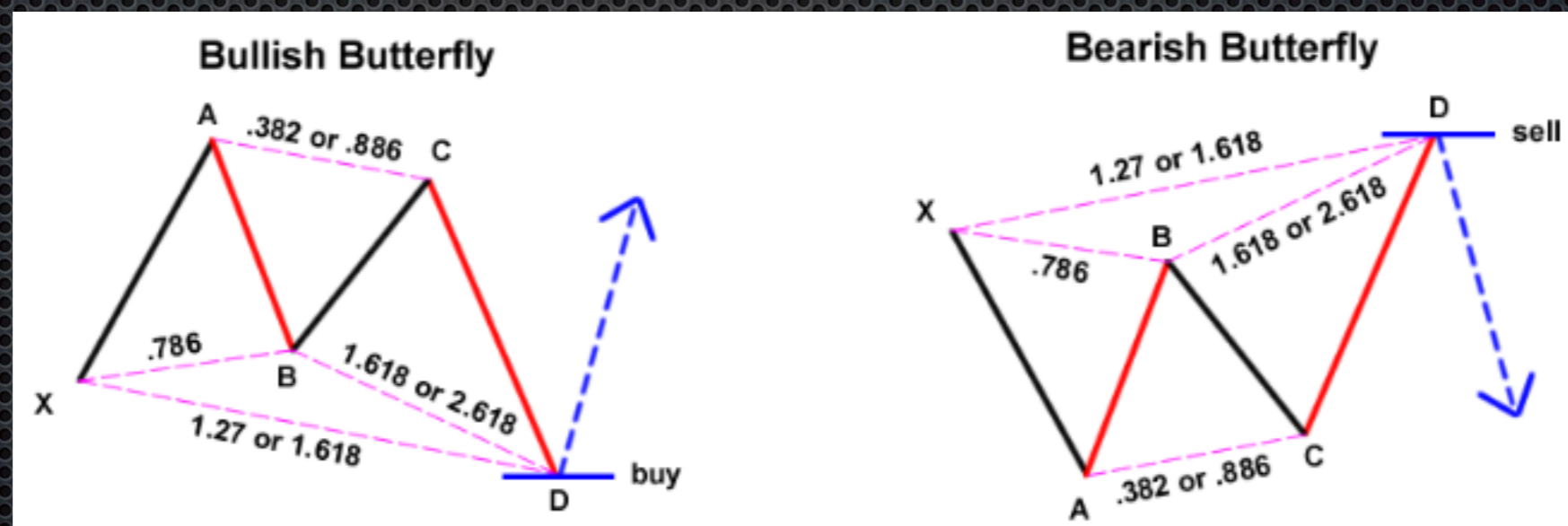


- **ONE OF THE SHORTCOMINGS OF THE CRAB PATTERN IS THAT IT IS A BIT COMPLEX. COMBINE THIS WITH THE FACT THAT THE STOP LOSS LEVELS NEEDS TO BE ADJUSTED CAN MEAN THAT TRADERS WILL VIEW THE STOP LEVELS DIFFERENTLY.**
- **THE HARMONIC CRAB PATTERN IS BEST TO USE ALONG WITH OTHER TRADING METHODS, ESPECIALLY HORIZONTAL SUPPORT / RESISTANCE AS WELL AS TREND LINES. SOME TRADERS ALSO PREFER TO MAKE USE OF OSCILLATORS TO CONFIRM THE BEARISH MOMENTUM ESPECIALLY WHEN PRICE IS TRADING THE PRZ SWING POINT D.**

HARMONIC BUTTERFLY

- THE HARMONIC PATTERN BUTTERFLY IS CLOSELY RELATED TO THE GARTLEY 222 PATTERN WITH THE MAIN DIFFERENCE BEING THAT THE BUTTERFLY PATTERN'S CD EXTENDS BEYOND THE XA LEG. THE GARTLEY BUTTERFLY PATTERN IS ALSO IDENTIFIED BY THE CLASSIC 'M' AND 'W' PATTERNS.
- THE BUTTERFLY PATTERN WAS ONE OF THE MANY HARMONIC PATTERNS DEVELOPED BY H. M. GARTLEY WHICH WERE THEN FINE TUNES WITH THE INTRODUCTION OF THE FIB RATIOS BY SCOTT CARNEY AND LARRY PESAVENTO. VISUALLY, THE BUTTERFLY PATTERN LOOKS SIMILAR TO THE GARTLEY 222 PATTERN, ESPECIALLY THE FIB RATIOS BETWEEN THE PIVOT POINTS.

- **THE BUTTERFLY PATTERN CAN BE FOUND NEAR KEY MARKET REVERSAL POINTS, USUALLY AT INTERMEDIATE HIGHS AND LOWS. THE APPEARANCE OF THE BUTTERFLY PATTERN INDICATES REVERSALS WHEN IT IS VALIDATED. THE CHART BELOW GIVES AN ILLUSTRATION OF THE BULLISH AND BEARISH BUTTERFLY PATTERNS.**



- **THE MAIN RULES OF THE BULLISH AND BEARISH BUTTERFLY PATTERNS ARE AS FOLLOWS:**
- **AB CAN RETRACE UP TO 78.6% OF THE XA LEG**
- **BC CAN RETRACE BETWEEN 38.2% – 88.6% OF AB**
- **CD CAN BE AN EXTENSION OF 1.618% – 2.618% OF AB**
- **CD CAN ALSO BE AN EXTENSION OF UP TO 1.272% – 1.618% OF XA LEG**
- **THE POINT D IS KNOWN AS THE PRZ OR POTENTIAL REVERSAL ZONE**
- **FROM POINT D, A TRADE CAN BE ENTERED WITH STOPS AT OR ABOVE (BELOW) THE PRICE POINT AT D.**
- **BUTTERFLY TARGET LEVELS**
- **ONCE A POSITION IS ENTERED AT D, PROFITS CAN BE BOOKED AT 61.8% OF CD WITH THE SECOND TARGET AT 127.2%. DESPITE THE ABOVE RULES, IN REAL TIME SUCH TEXT BOOK PATTERNS THAT QUALIFY EVERY POINT OF THE SWING LEGS DO NOT FORM AS EXPECTED, SO TRADERS SHOULD BE A BIT FLEXIBLE WHILE IDENTIFYING THE BUTTERFLY PATTERNS.**

BEARISH BUTTERFLY EXAMPLE

- AB LEG RETRACED TO 79.9% OF THE XA LEG
- BC RETRACED CLOSE TO 96.9% OF THE AB LEG, THIS WOULD HAVE MADE THIS BUTTERFLY PATTERN A BIT WEAKER BUT IT IS A BUTTERFLY PATTERN NONETHELESS
- CD EXTENDS CLOSE TO 1.17% OF THE XA LEG AND FORMS THE BASIS FOR THE TRADE ENTRY.
- ONCE THE SWING/PIVOT POINT AT D IS FORMED, PRICE STARTS TO BREAK DOWN AND PROMPTLY REACHES THE TARGET OF 61.8% AND 1.272% OF THE CD LEG.
- WHILE THE ABOVE BEARISH BUTTERFLY MIGHT NOT HAVE MET ALL THE REQUIREMENTS AS OUTLINED, IT DOES DEMONSTRATE THAT TRADERS HAVE TO BE A BIT FLEXIBLE WHEN APPLYING THE RATIOS.



BULLISH BUTTERFLY EXAMPLE

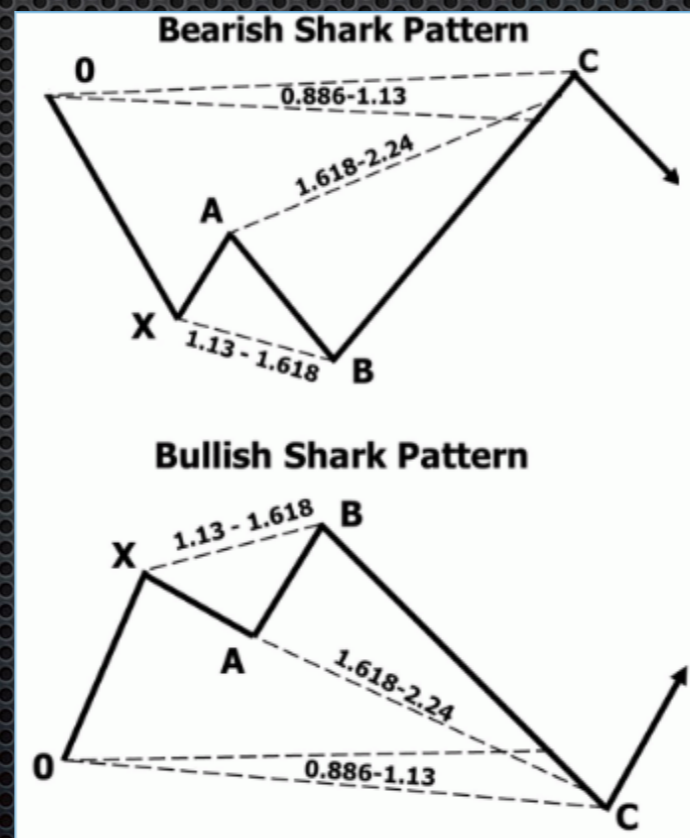
- AB LEG RETRACES 62.1% OF THE XA LEG
- BC RETRACES CLOSE TO 65.6% OF THE AB LEG
- CD EXTENDS XA BY 1.40%
- PLACING A LONG ORDER ABOVE THE HIGH CREATED AT POINT D SAW THE PRICE RALLY TO 61.8% AND THEN 127.2% OF THE CD LEG. HERE AGAIN WE CAN SEE HOW THE BULLISH BUTTERFLY PATTERN, DID NOT MEET ALL THE RULES SPECIFIED IN THE TRADE RULES BUT MANAGED TO RALLY AND MEET THE PRICE OBJECTIVES.



- **THE BUTTERFLY PATTERN THEREFORE IS AN EASY TO TRADE HARMONIC PATTERN WHICH OFFERS A HIGHLY RELIABLE TRADE PROBABILITY. THE RISK/REWARDS MAY OF COURSE VARY DEPENDING ON HOW FAR THE CD LEG EXTENDS AND THEREFORE TRADERS SHOULD BE LOOKING TO TRADE ONLY THOSE BUTTERFLY PATTERNS THAT OFFERS A LOWER RISK AND HIGHER REWARD TRADES.**

HARMONIC SHARK PATTERN

- THE HARMONIC SHARK PATTERN IS A RELATIVELY NEW TRADING PATTERN THAT WAS DISCOVERED IN 2011 BY SCOTT CARNEY. THE SHARK PATTERN IS SOMEWHAT SIMILAR TO THE CRAB PATTERN IDENTIFIED BY THE OVEREXTENDED SWING / PIVOT POINT C. THE HARMONIC SHARK PATTERN IS IDENTIFIED AS SHOWN IN THE PICTURE BELOW AND USES O, X, A, B, C SWING POINTS TO NAME THE PIVOT / SWING LEGS AND IS REFERRED TO AS A 5-0 PATTERN.



- **THE MAIN DIFFERENTIATING FACTOR BETWEEN THE HARMONIC SHARK AND OTHER PATTERNS IS THAT IT RELIES ON THE 88.6% AND THE 113% RECIPROCAL RATIOS. ONCE THE PRICE POINT AT D IS FORMED, PRICES RALLY OR DECLINE VERY SWIFTLY AND THEREFORE IT REQUIRES ACTIVE MANAGEMENT OF THE TRADE. IN OTHER WORDS, YOU SIMPLY CANNOT SET UP THE HARMONIC SHARK PATTERN AND COME BACK A WHILE LATER TO TRADE IT AS BY THAT TIME PRICE WOULD HAVE MOVED A SIGNIFICANT DISTANCE.**
- **THE SHARK PATTERN HAS THE FOLLOWING RATIOS:**
- **AB LEG EXTENDS OX LEG BETWEEN 113% – 161.8%**
- **BC LEG EXTENDS BEYOND O BY 113% OF THE OX LEG**
- **BC LEG IS ALSO AN EXTENSION OF AX BY 161.8% – 224%**
- **UNLIKE OTHER HARMONIC PATTERNS, THE TRADES ARE ENTERED AS FOLLOWS:**
- **ENTRY IS AT 88.6% OF OX LEG WITH STOPS COMING IN AT POINT C**
- **TARGETS CAN BE 61.8% OF BC**

BEARISH SHARK EXAMPLE

- THE BEARISH SHARK PATTERN ABOVE SHOWS, ESPECIALLY THE ENTRY AND EXIT POINTS, THE ENTRY IS TAKEN AT 88.6% OF THE OX LEG WITH THE TARGET COMING IN AT 61.8% OF BC LEG.
- THE RATIOS BETWEEN THE OXABC DOES NOT HAVE TO BE CORRECT TO THE DOT AS WITH MOST REAL TIME TRADE EXAMPLES.
- ANOTHER FEATURE OF THE SHARK PATTERN IS THAT IT IS JUST AS VOLATILE AS THE HARMONIC CRAB PATTERN, THE BELOW CHART SHOWS THE LONG RANGE BODIES OF THE CANDLESTICKS ALONG WITH THE LONG SPIKES THAT ARE FORMED ESPECIALLY NEAR THE PRZ ZONE OF C.



BULLISH SHARK EXAMPLE

- THE BULLISH SHARK PATTERN ABOVE SHOWS THE VOLATILITY THAT IS USUALLY FORMED NEAR THE PRZ LEVEL OF D. IN THE ABOVE EXAMPLE, WE NOTICE THAT THE ENTRY AT 88.6% WAS TRIGGERED VERY QUICKLY WITH THE PRICE TARGET AT 61.8% BEING HIT WITHIN A FEW CANDLES. IN THE BELOW EXAMPLE, WE ALSO NOTICE THAT THE STOP LOSS LEVELS FOR THE TRADE WERE A BIT WIDER.

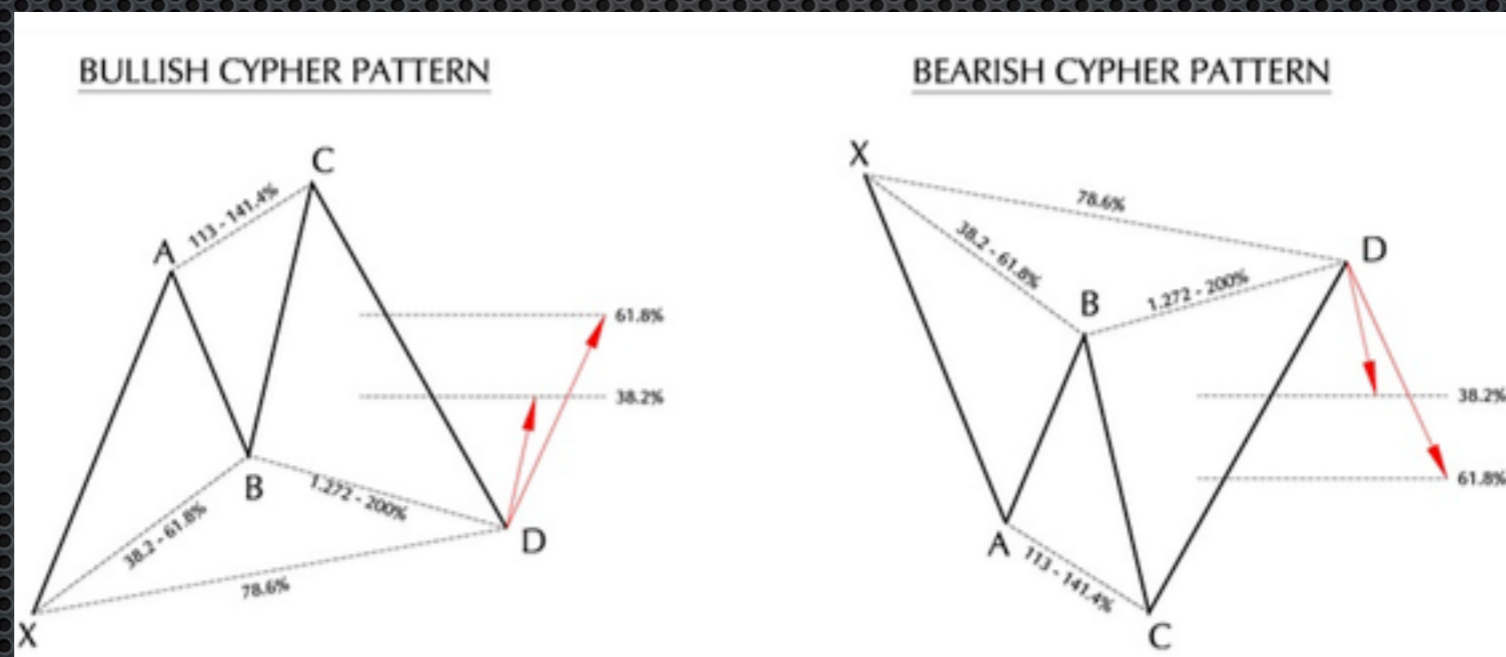


- **THIS SHOWS THE POINT THAT WHILE THERE MAY BE MANY SHARK PATTERNS THAT CAN BE FORMED, TRADERS WOULD HAVE BETTER SUCCESS WHEN THEY ONLY TRADE THE SHARK PATTERNS THAT OFFER A REASONABLE RISK/REWARD RATIO.**
- **THE HARMONIC SHARK PATTERN IS DISTINCTIVE YET DIFFERENT TO THE TYPICAL 'M' AND 'W' SHAPED OTHER HARMONIC PATTERNS. THE EXTENDED AB LEG WHICH IS THE EXTREME HARMONIC IMPULSE WAVE IS THE MOST CRITICAL ASPECT FOR THIS STRUCTURE TO HOLD.**
- **THE HARMONIC SHARK PATTERN IS ALSO A BIT COMPLEX, THEREFORE TRADERS WHO ARE NEW TO HARMONIC TRADING SHOULD TRADE THE SHARK PATTERN ONLY AFTER THEY HAVE GAINED CONSIDERABLE EXPERIENCE IDENTIFYING THIS PATTERN ON THEIR CHARTS.**

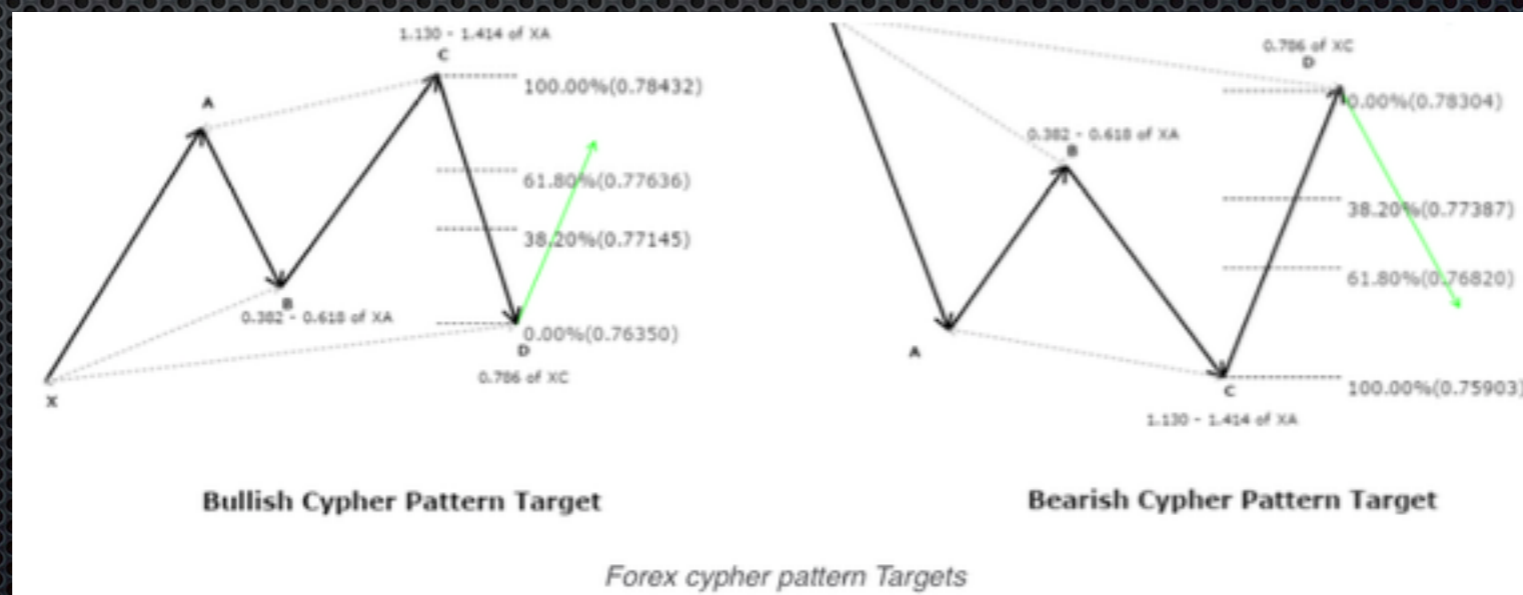
HARMONIC CYPHER PATTERN

- **THE HARMONIC CYPHER PATTERN IS VISUALLY AN INVERSE PATTERN OF THE MORE COMMON BUTTERFLY HARMONIC PATTERN. IT IS NOT AS COMMONLY OCCURRING AS THE BUTTERFLY PATTERN AND IS DISTINCT BY THE STRICT RULES THAT GOVERN THE CYPHER HARMONIC PATTERN. THE CYPHER PATTERN WAS DISCOVERED AND DEFINED BY DARREN OGLESBEE.**

- ★ THE CHART BELOW SHOWS A BULLISH AND A BEARISH FOREX CYPHER PATTERN.



- THE MAIN RULES OF THE BULLISH AND BEARISH CYPHER PATTERNS ARE AS FOLLOWS:
- THE CYPHER PATTERN STARTS WITH A MARKET PRICE THAT ESTABLISHES THE X AND A POINTS, ONCE THIS LEG IS DETERMINED, THE PATTERN EVOLVES.
- POINT B RETRACES TO 0,382 – 0,618 FIBONACCI LEVEL OF THE LEG XA
- POINT C IS FORMED WHEN PRICES EXTEND THE XA LEG BY AT LEAST 1,272 OR WITHIN 1,130 – 1,414 ON THE FIBONACCI EXTENSION LEVEL.
- POINT D IS FORMED WHEN IT RETRACES 0,782 FIBONACCI LEVEL OF XC
- POINT D IS ALSO WHERE PRICES ARE EXPECTED TO REVERSE
- TARGETS ARE DETERMINED AS 0,382 AND 0,618 FIBONACCI LEVELS OF THE CD LEG
- STOPS LOSSES ARE PLACED A FEW PIPS BELOW OR ABOVE THE HIGH OR LOW OF POINT X



BEARISH CYPHER EXAMPLE

- AFTER FORMING THE (XA) LEG, PRICE RETRACED TO 0.566% TO FORM POINT (B)
- FROM (B), THE (C) LEG EXTENDED (XA) BY A 1.418%
- FROM (C), PRICE THEN RALLIED TO POINT (D), MARKING A 0.972% RETRACEMENT OF (XA)
- THE SHORT POSITION AFTER POINT D SAW PRICES FALLING TO 0.382% AND 0.618% OF THE CD LEG WITH STOPS AT THE HIGH ABOVE OR NEAR (X)



BULLISH CYPHER PATTERN

- AFTER THE (XA) RALLY, PRICES RETRACED TO 0.462% TO MARK POINT (B)
- FROM B, PRICE RALLIED BACK BUT DID NOT MAKE A NEW HIGH, BUT JUST CLOSE ENOUGH TO POINT (A) HIGH TO MARK (C)
- FROM (C), PRICES THEN FELL BELOW (B) BUT ABOVE (X), RETRACING (XA) TO 0.763
- FROM (D), PRICE THEN RALLIED TO REACH THE 0.382% AND 0.618% RETRACEMENT LEVEL OF (CD). THE ENTRY WOULD HAVE BEEN A FEW POINTS ABOVE (D) WITH STOPS AT (X)



- **THE CYPHER FOREX PATTERN IS NOT AS COMMON AS OTHER HARMONIC PATTERNS SUCH AS GARTLEY'S OR BUTTERFLY PATTERNS**
- **ALTHOUGH THE OCCURRENCE OF THE CYPHER PATTERN IS RARE, IT IS BY NO MEANS A PATTERN THAT OFFERS A HIGHER PROBABILITY**
- **DUE TO THE RARE OCCURRENCE OF THE CYPHER PATTERN, TRADERS SHOULD MAKE ROOM FOR ADJUSTMENTS TO THE FIB LEVELS**
- **WAITING FOR THE PERFECT CYPHER PATTERN WILL RESULT IN THE TRADER WATCHING THE CHARTS FOR A VERY LONG TIME WITH NO VALID SET UP OCCURRING**
- **THE CYPHER PATTERN CAN OCCUR ON ANY TIME FRAME BUT IS BEST TO USE ON H1 AND HIGHER**