

Forex Trading Strategy Manual



Trading The ABC-123 Pattern

Using

Fibonacci Retracements

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Appreciation

Thank you for downloading our simple trading system. This is one of our freebies meant to reward dedicated visitors to **RealForexPips.com**. We hope you'll find this trading Manual helpful and be able to at least realize part of your dreams of cutting your own share of the global foreign exchange market. It's your due share and you're entitled to it.

We are currently making good money off the forex market with the methods described in this same Manual you are having, and the other systems that are freely downloadable in our website. So there is no reason why you should not too.

Remember that no trading system is 100% accurate, not even the so-called automated trading robots. Your success depends to a large extent on your disciplined approach to trading. That means waiting for the key indicators to show you when to enter and when to exit.

Gains will come and losses will come but with this system gains will surely outrun losses. Using our money management strategies will also reduce your losses considerably if and when they occur.

When losses come, do not take it too hard. It's all part of the forex game. Avoid by all means to literally rush back into trading to "avenge" the market for the losses. If possible shut down the computer and find something else to do. Come back later and continue as if nothing had happened. Maintain this psychology and you will be enormously successful. Don't forget, your catch words should be consistency and discipline. There is simply no other way to succeed in the forex trading business.

Enjoy!

RISK DISCLAIMER

Conventional wisdom says that you cannot predict price movements. That may or may not be true. The good news is that you don't have to predict the price to be successful; you only have to identify a pattern formed by the price action AFTER it's already happened.

When do you enter a trade? How do you determine a reasonable stop-loss and take-profit for a trade? The levels suggested in the preceding pages are the objectively determined trading signals for the two patterns formed by price movements. Which signals you decide to follow, and at what point you decide to enter or exit a trade is up to you? Each trader is an individual with different perception level, decision-making process and risk-tolerance level. The trading signals suggested in this trading manual are not investment advice. We provide the results of impressive tools that can be duplicated with thousands of dollars and hundreds of hours of time. How you choose to use them is up to you.

The interpretation of patterns should be open-minded and not specific as the markets do not allow for such perfect artwork as the resistance tops and support bottoms that you see as examples in this trading manual. When looking for patterns, it is important to keep in mind that Technical Analysis is more art and less science. It is therefore pertinent to mention that the application of the chart patterns is based on probability levels and as such cannot be predicted with certainty.

In the light of this, the author is hereby disclaimed of ALL possible future claims of loss of funds, arising from the application of the contents thereof, of this trading manual, whether in part, or in whole. By continuing to use this trading manual after reading this Risk Disclaimer, the reader/user assumes full responsibility for any action or inaction resulting therefrom.

The reader/user is further reminded that trading the foreign exchange market has large potential rewards, but also has large potential risks. The author categorically makes no representation or warranties with respect to the accuracy, applicability, fitness, or completeness of the contents of this Trading System Manual. All references to past profits or gains made in any of the pages of this trading manual are strictly for purposes of information and illustration only. Past performance is not a guarantee for future success. All investments involve some degree of risk. You should therefore NEVER invest money you cannot afford to lose.

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Strategy VIII – (ABC Pattern + Fibonacci Retracements)

1 Basis of the Strategy

- Tendency of the price to move in an ABC pattern as it moves up an uptrend or down a downtrend.
- Ability of the Fibonacci retracement tool to fairly accurately determine future areas of support and resistance.

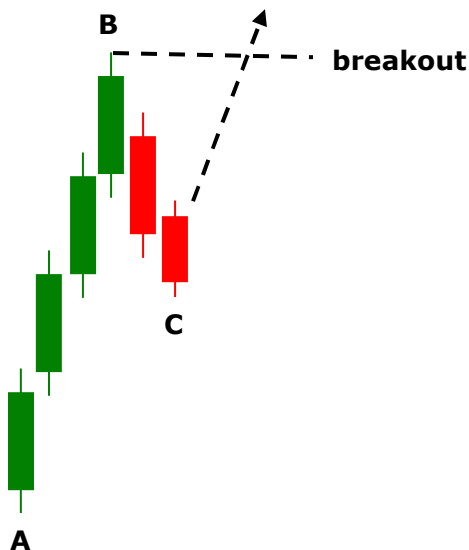
2. Requirements and Limitations

- Currency – Any pair preferably with low spreads.
- Time frame – 30 mins and above. Not suitable for scalping
- Not suitable during periods of increased volatility and periods of consolidation.
- Trade the trend. That is, float with the prevailing trend.

3. Bullish Setup

3.1 Main features of the bullish ABC pattern

The bullish form of the **ABC** pattern occurs mainly in uptrends. However, their yield can be very meaty when found at the bottom of inverted head and shoulders formations, double, triple and multiple bottom formations.



You should take special note of the steady and progressive rise in price and then the drop (retracement). That drop (or seldom a consolidation) is the first clue for a trading opportunity.

3.2 How to recognize a bullish ABC pattern

- An initial steep or gentle rise in price. Label the end point as B.
- A counter decline or correction in price. Label the end point as C. The point C should not be lower than point A.
- Overlay the Fibonacci retracement tool on the chart. Place the 0% Fibo level at A, and the 100% level at B. As you do this, the other Fibo levels (161.8%, 261.8%, 423.6%, etc) will automatically appear above the price. You are set to go!

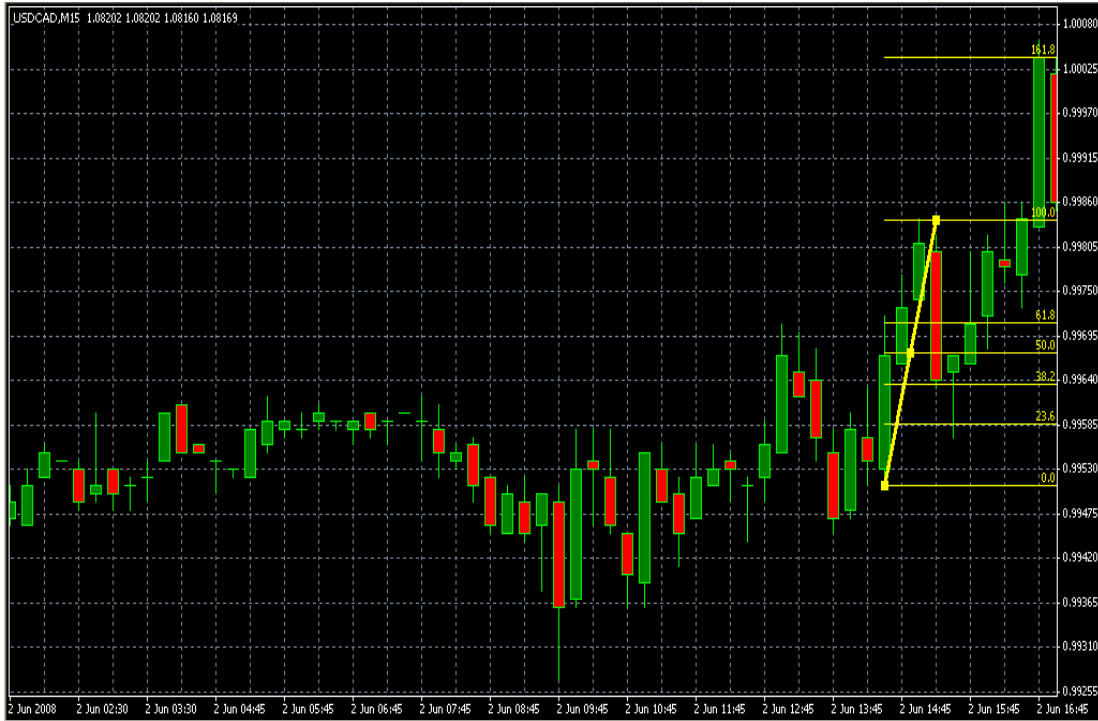
3.3 When to ignore the bullish ABC pattern

You may ignore the signal if any of these conditions apply:

- The price fails to cross or open above the 100% level, whichever you choose to use as your entry strategy.
- If the distance between A and B is too large or too small.
- The price had not retraced down to the 61.8% level.
- The price had retraced down to the 23.8% level or lower.

3.4 How to profit from a bullish ABC pattern

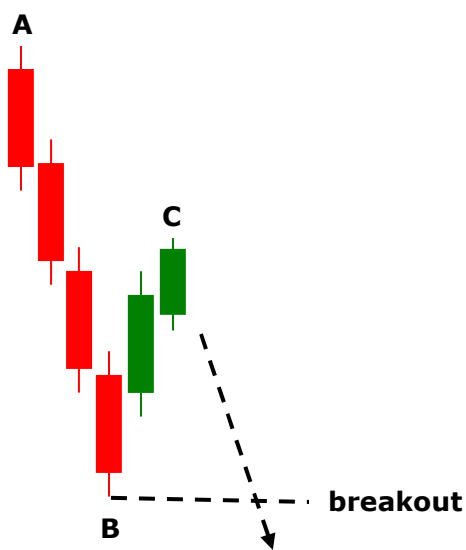
- Ensure that the setup is in tune with the *prevailing trend*. Do not trade against the larger trend.
- Place your trade once the price has broken through the 100% breakout line or when the price opens above the 100% line., whichever you choose as your entry strategy
- Your first profit target is the 161.8% level. Oftentimes, the price heads straight to the second profit target at 261.8%. Please take them one at a time.



4. Bearish Setup

4.1 Main features of the bearish ABC pattern

The bearish form of the **ABC** pattern occurs mainly in downtrends. However, their yield can also be meaty when found at the top of head and shoulders formations, double, triple and multiple top formations.



You should take special note of the steady and progressive decline in price and then the rise (retracement). That rise (or seldom a consolidation) is the first clue for a trading opportunity.

4.2 How to recognize a bearish ABC pattern

- An initial steep or gentle decline in price. Label the end point as B.
- A counter rise or correction in price. Label the end point as C. The point C should not be higher than point A.
- Overlay the Fibonacci retracement tool on the chart. Place the 0% Fibo level at A, and the 100% level at B. As you do this, the other Fibo levels (161.8%, 261.8%, 423.6%, etc) will automatically appear above the price. You are set to go!

4.3 When to ignore the bearish ABC pattern

You may ignore the signal if any of these conditions apply:

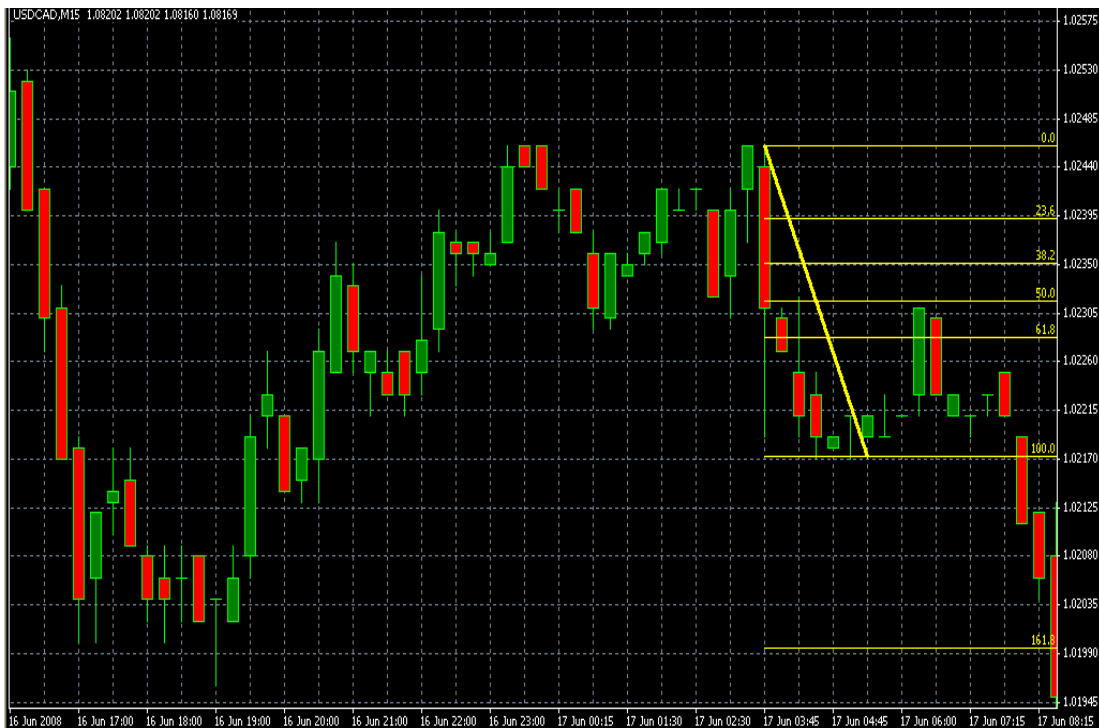
- The price fails to cross (or open above) the 100% level.
- If the distance between A and B is too large or too small.
- The price had not retraced up to the 61.8% level.
- The price had retraced up to the 23.8% level or higher.

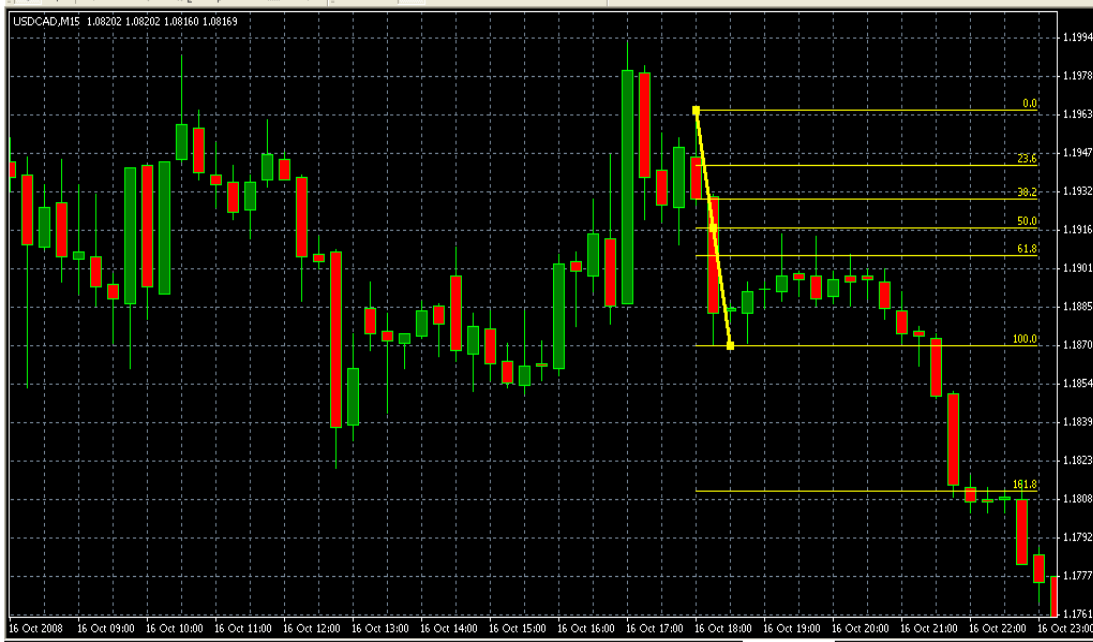
4.4 How to profit from a bearish ABC pattern

- Ensure that the setup is in tune with the *prevailing trend*. Do not trade against the larger trend.
- Place your trade once the price has broken through the 100% breakout line or when the price opens above the 100% line.
- Your first profit target is the 161.8% level. Oftentimes, the price heads straight to the second profit target at 261.8%. Please take them one at a time.

4.5 Bearish ABC patterns in action

SEE SAMPLES ON NEXT PAGE.





Note – It is generally known that the ABC pattern forms, on average, for every sequence of 8–15 price bars/candlesticks. That does not mean that you should trade every ABC pattern that comes up. Be sure to trade only well defined patterns that are moderate in size. Most importantly, the distance between A and B should not be too large or too small. Note especially the steady rise/decline in price, the retracement, then breakout.

To Your Success!!