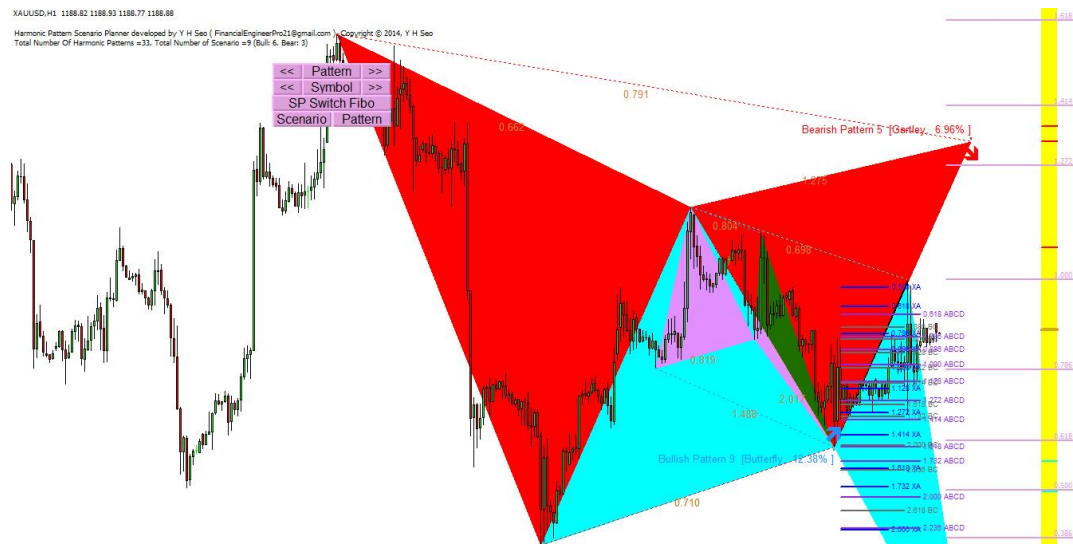


How to backtest Potential Reversal Zone with Harmonic Pattern Plus (or with Harmonic Pattern Scenario Planner)

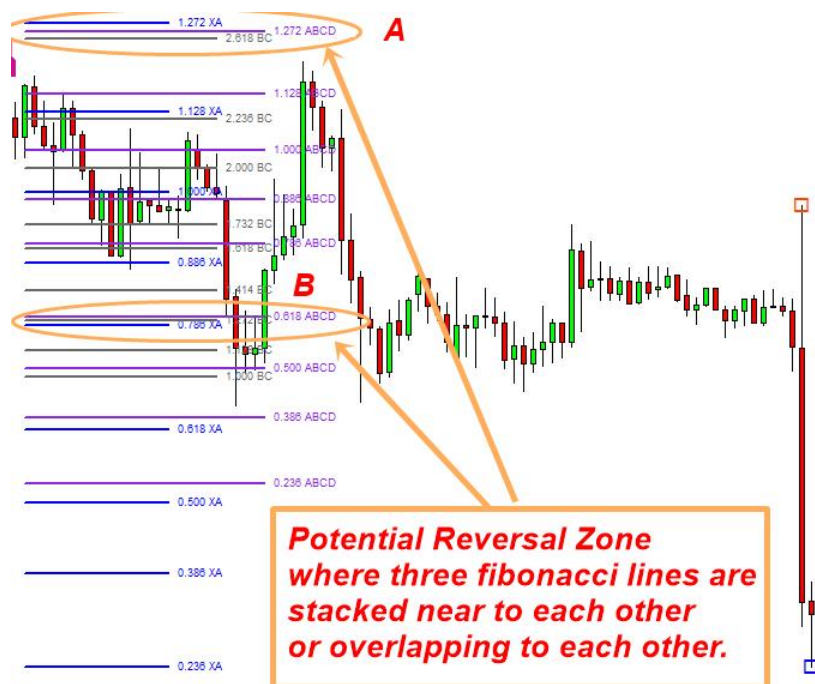


10 May 2015

Note this manual may contains technical terms and this manual is intended for educational purpose only.

Brief Definition of Potential Reversal Zone (PRZ)

Potential Reversal Zone (PRZ) is an area where 3 or more Fibonacci numbers converges. When several layers of Fibonacci level are stacked up near to each other, this area should be treated very carefully. Using classic definition of support and resistance, this condensed area can act as both highly probable reversal area or as highly probable breakout area. In the picture below, area A act as a trend reversal area and area B act as a breakout area (trend continuation). Understanding this basic rules, you can use PRZ for many different purpose in your art of Harmonic Pattern trading. PRZ can be used to confirm the last point D in your harmonic Pattern. Also this PRZ can be used to place your stop loss or trail your stops.

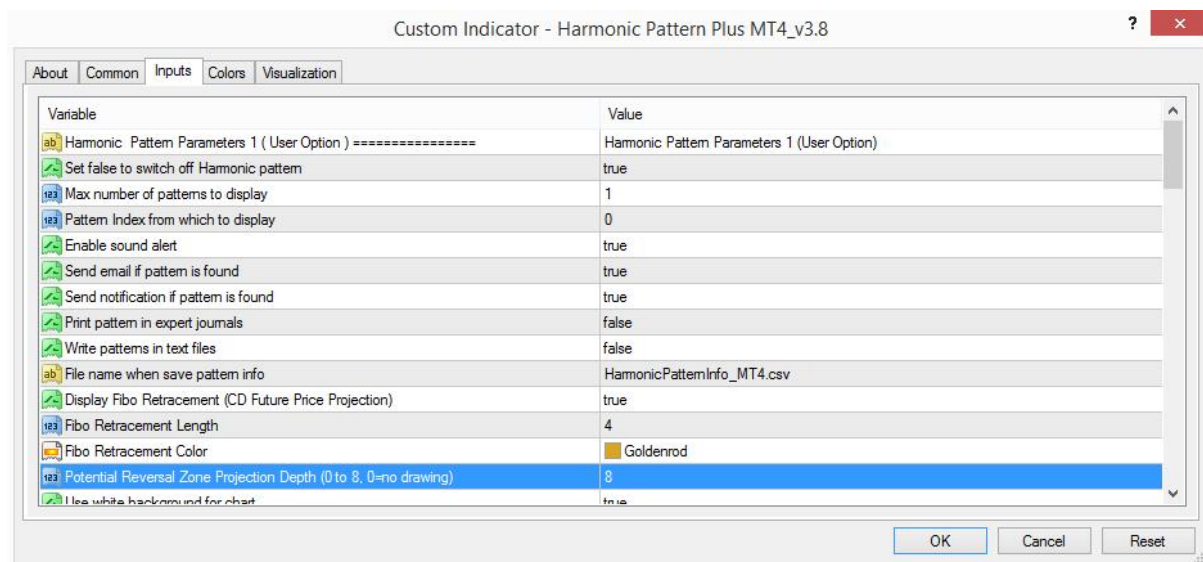


How to use PRZ in Harmonic Pattern Plus and Harmonic Pattern Scenario Planner

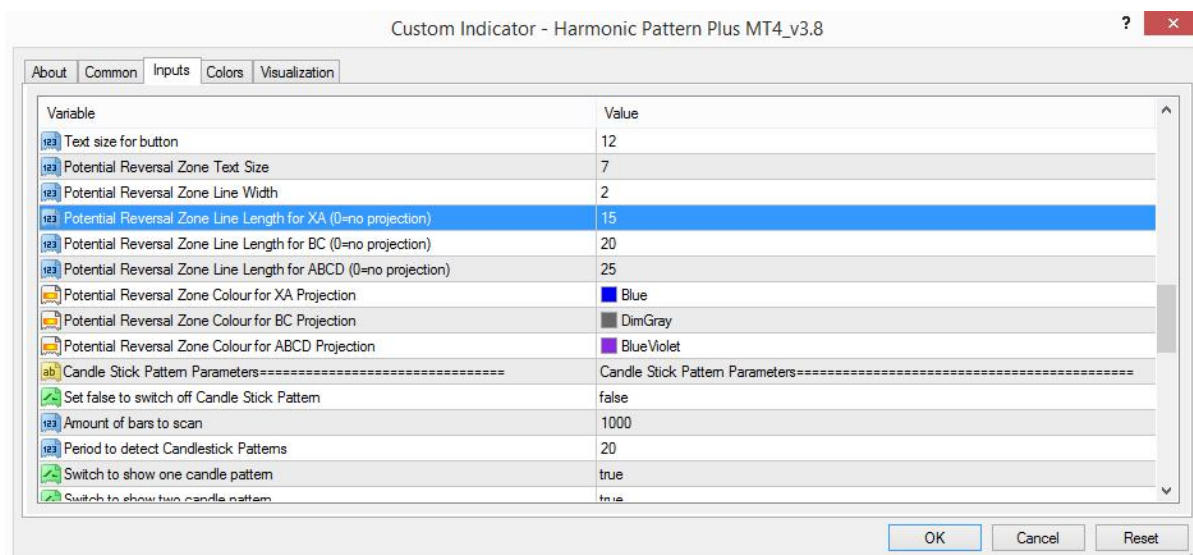
Harmonic Pattern Plus will show all the available Fibonacci Projection lines from the following lags:

1. Internal Price Retracement (XA)
2. External Price Retracement (BC)
3. Correction Price Projection (ABCD)
4. Future Price projection (CD).

Note that when you want to confirm the last point D for your pattern. You will only use internal Price retracement, external Price retracement and correction price Projection. Future Price Project (CD) is there to further help your decision on your exit rather than your entry. Drawing complete Fibonacci retracement levels from all four lags can make your chart extremely complicated to interpret. In Harmonic Pattern Plus, there are many flexible option in controlling PRZ density in your charts. The controlling of density of PRZ lines are controlled by Potential Reversal Zone Project Depth variable in Harmonic Pattern Plus. Trader can choose the Potential Reversal Zone Project Depth between 0 and 8. If you set Potential Reversal Zone Project Depth = 8, then Harmonic Pattern Plus will draw a complete Fibonacci levels from all four lags. If you set Potential Reversal Zone Project Depth = 0, then Harmonic Pattern Plus will not draw any Fibonacci levels.



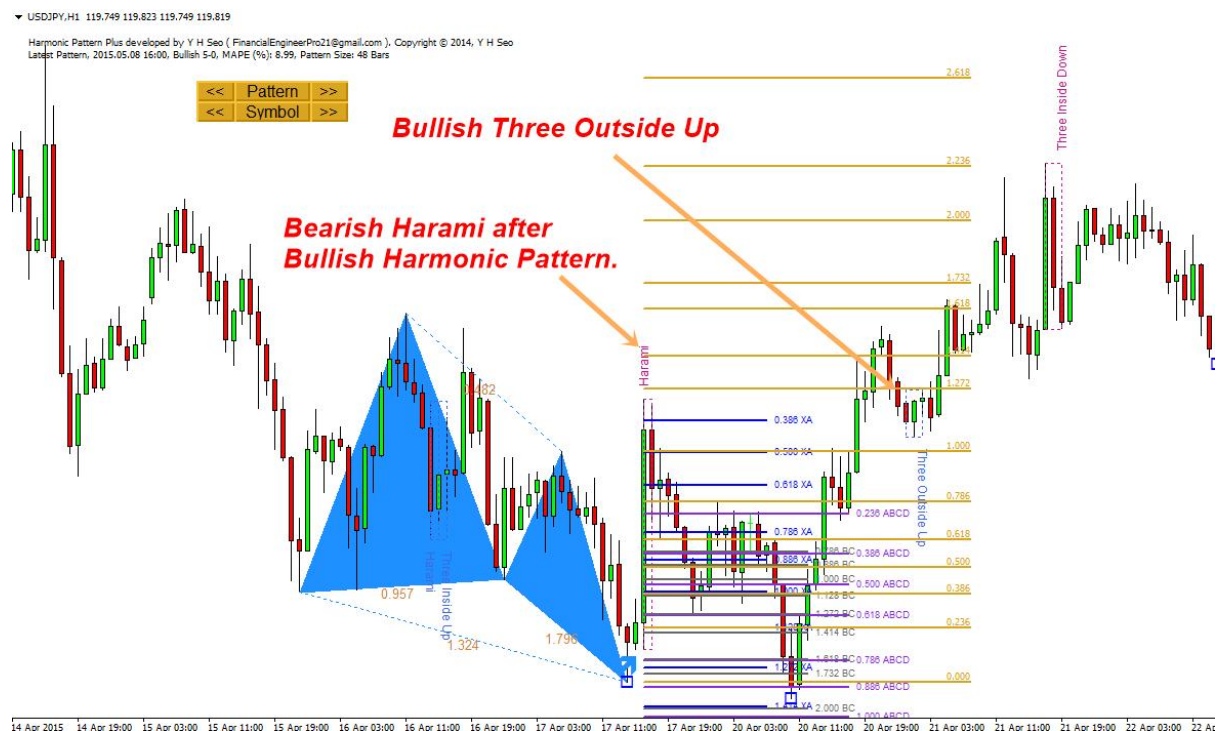
You can switch on and off Fibonacci levels from individual lag. These are controlled by PRZ line length variable for each lags. For example, if you set Potential Reversal Zone Line Length for XA = 0, then Harmonic Pattern Plus will not draw any Fibonacci levels for lag XA. One exception is that Future Price Projection based on CD lag is controlled separately. You can switch on and off this Future Price Projection Fibonacci level by setting Display Fibonacci option = true or false.



You can probably see how this PRZ area act as reversal zone as well as breakout zone with your own eyes using Harmonic Pattern Plus. When you want to see impact of PRZ on the last point D, please switch off Fibonacci levels for Future Price Projection. This will help your chart looking less messy. For back testing purpose, we recommend to use Potential Reversal Zone Project Depth = 8. Below picture shows potential reversal zone (PRZ A) above the last point D of newly create patterns. As you can see this PRZ A can serve as your stop loss level. However it is very important that you add some margin over this level because normally market want to test such a zone several times before change its direction. Therefore it is no good idea to place stop loss right above PRZ area.

To check the impact of PRZ on last point D over many different patterns, click "<<" or ">>" on your chart. Then Harmonic pattern Plus will show next patterns on your charts. Also note that if you put month + day to "Change size of ray for line object" variable in your indicator setting. Harmonic Pattern Plus will use twice more historical price series to detect the patterns. For example, if today is 10 May 2015, then you need to put 15 (10 + 5) to "Change size of ray for line object" variable. You will see twice more historical patterns in your chart. This is very useful for you to study and develop your own trading strategy.

This manual can be used for both Harmonic Pattern Plus and Harmonic Pattern Scenario Planner. Harmonic Pattern scenario Planner is more advanced tool having ability of finding future patterns even before the last point D is completed. Therefore, this is very powerful feature which help traders to plan early on their stop loss and take profit targets. However, this might be little too complicated for junior traders to start with. Therefore, for junior traders, who just starting Harmonic Pattern Trading, we recommend Harmonic Pattern Plus. Inside Harmonic Pattern plus, there are also powerful Japanese candle stick detection function for 52 Japanese candlestick patterns. These feature is very helpful to use together with knowledge of PRZ area.



Harmonic Pattern Plus:

<https://www.mql5.com/en/market/product/4488>

<https://www.mql5.com/en/market/product/4475>

Harmonic Pattern Scenario Planner:

<https://www.mql5.com/en/market/product/6240>

<https://www.mql5.com/en/market/product/6101>

Also visit here for more information:

<http://harmonicpattern.ucoz.co.uk/>