

Birth of New Trend (BNT) Tipple Entry Harmonic Pattern Trading Strategy



Bearish Harmonic Pattern and the followed price action on GBPUSD

May 2014

**This trading strategy was invented and developed by Y H Seo, the Author of Harmonic Pattern Plus
Software for Meta Trader Platform:**

Link for MetaTrader 5: <http://www.mql5.com/en/market/product/4475>

Link for MetaTrader 4: <http://www.mql5.com/en/market/product/4488>

Contract Author on FinancialEngineerPro21@gmail.com

BNT Triple Entry Harmonic Pattern Trading Strategy

Universe goes around and around and it repeated itself millions of years even before humans know they did. As with many living and non living creatures on earth and outside earth, any entities in this world will go through somewhat similar fates of the four stages which are birth, growth, mature and death. As an author and developer of Harmonic Pattern Plus software for MetaTrader platform, I learnt the ways of using these harmonic patterns in Forex Trading. Just like I mentioned before, the trend itself will repeat in the cyclical form and in each cycle it will go through the four stages: birth, growth, mature and death. Harmonic Patterns are potential tool can be used to identify the turning point of current trend. The turning point is the timing where new trend are born from old trend. Normally when this happen, the momentum of the market (i.e. from the old trend) is getting weaker and this process will also accompany chaotic market views from all different individual traders. Finally after several attempts from frontiers, the new trend will be born with some movements with high energy.

According to this principle, I devised a triple entry system with Harmonic Patterns. I use Harmonic Patterns as a tool to detect a potential birth of new trend. Although harmonic patterns are not perfect, the patterns definitely have good predictive power. With the detected harmonic patterns, the traders should be very attentive to the potential directional change. In next section I will describe three entry points when the harmonic patterns are formed in your chart.

Three possible Entries with Harmonic Pattern

First entry, when the harmonic patterns are newly formed literally, all the technical indicators will still give you opposite signal from the old trend. This is where traders with fear with over bought and under sold conditions start to pull their positions. The first entry is where you need to take extra care with your position. In nature, the first entry is close to mean reversion trading. The bottom line here is that you must have stop loss and take profit target here.

Second entry is where crowds will put several attempts to change the trend direction. There might be some noisy. If the turning point from first entry is still intact, this is good sign. At this timing, some fast technical indicators will be helpful to identify entry point. At this point, I recommend to use two moving average cross over as your signal. Here you will also need stop loss for your position.

However your take profit might be conditional upon the formation of third entry. Initially you can have take profit then later you can change it.

Third entry is where crowds are more confident about the new trend direction. The trend will start to develop. This is equivalent to growth stage of the four life cycles and this is the most exciting opportunity for trades. Now all the technical indicators will be lined up with new trend and they will be on the same direction as the new trend. I recommend here to use momentum based strategies. You might use MACD or triple exponential moving averages.

First and second entry is equivalent to birth stage of the four life cycles and third entry is equivalent to growth stage of the four life cycles. First entry is close the mean reversion trading. Second and third entries are close to trending following strategy. The first and second entry can occur at the same time but they can also occur with some time interval. When you trade according to these three entry points, it is important to remember which stage the current market is on. Also question yourself why birth of new trend is highly probably at this stage either using fundamental and technical indicators. Properly using these three entry points with harmonic patterns, there will be high chance you could be right. Identifying harmonic pattern on individual charts is not easy task to do manually. After I consulted with many harmonic pattern traders, I developed the automatic scanning software, Harmonic Pattern Plus. You might use this software to go with this three entry trading strategy.

About Harmonic Pattern Plus Software for MetaTrader Platform

Harmonic Pattern Plus is a Harmonic Pattern scanning software designed to work in MetaTrader. The purpose of the Harmonic Pattern Plus Software is to identify the turning point (or the trend reversal point) of the current trend by detecting the harmonic patterns with high prediction power. These patterns were proven to accurately identify the turning point by many professional traders for more than 50 years. Also many statistical studies show the significant prediction power of harmonic patterns too. Harmonic Pattern Plus software is available on both MetaTrader 4 and MetaTrader 5 version. The latest features for harmonic pattern plus include:

- This software can send an email to you when Harmonic pattern is detected on any charts. So even when you are outside, you can be still notified and trade as long as you have a small laptop with you.
- You can attach this Harmonic Pattern over many different charts as the scanning times are pretty quick. Recommended timeframe is M15, H1, H4 and D1.

- The software will identify the significance of the Harmonic pattern using the size of pattern. You can immediately decide if it is tradable pattern or non-tradable pattern when you are notified.
- The software saves historical patterns over the past price data in the memory and you can bring the historical patterns on chart and build your own strategy using these historical patterns. This can be readily done by changing **Max number of patterns to display** variable in the property window.
- Automatic channel drawing function and the channel can be used together with harmonic patterns for more accurate decision making.
- Without too much tweaking or with default setting, the software is ready to use.



Screenshot taken from Harmonic Pattern Plus, everything is automatic

Link for MetaTrader 5: <http://www.mql5.com/en/market/product/4475>

Link for MetaTrader 4: <http://www.mql5.com/en/market/product/4488>

