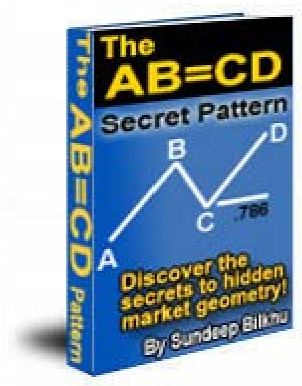
The AB=CD
Secret Pattern



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www.FibonacciProfits.com

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Introduction

Thank you for downloading your copy of the *AB=CD Secret Pattern*. You are about to be introduced to a truly amazing geometry trading pattern which professional traders and brokers do not want you to know about. Put simply, it will enable you to take money out the markets by stacking the probability of each trade in your favour. By stacking the probability in your favour you will take positions before the next market reversal occurs.

The AB=CD Secret Pattern will show you how to:

- Identify a secret geometry trading pattern with a low risk and high profit probability allowing you to trade market reversals before they occur
- Trade against the crowd putting you in the winning 5% as opposed to the losing 95%
- Be subject to LESS manipulation from the market makers, who tend to buy when you sell and sell when you buy
- Use the secret pattern to day trade, swing trade or position trade
- Trade ANY market in the world, whether it be stocks, Forex, indices, commodities, bonds etc
- Not lose out to the traditional "1-2-3 Pattern" formation
- Minimise your loses to a maximum of 21.4% of any trade
- Identify the exact EXIT point by reference to PRICE and TIME
- Use the secret pattern to take both LONG and SHORT trades
- Identify the ENTRY point using the secret pattern and applying NO indicators
- Use 2 confirmation signals to confirm the EXIT point of your trades
- Take positions so that the risk/reward is in your favour and
- Take money out the markets!

The Basics

Have you ever wondered why the market has the miraculous ability to move in the opposite direction of your trade? You know how it goes. You go long and the market drops. You go short and the market goes up. Even worse is the situation where, you go long and the market drops - consequently you close your position because of the loss but guess what, the market goes up again well above your long entry point, which would have put you in the profit had you kept the position open. The same applies to a short position in reverse. Does this sound familiar to you?

This does beg the question why did the market move against you?

One explanation is that highly experienced professional traders know how to trade against the crowd. They have what I call "Market Anticipation". I once read the following in a trading article "*the grandmasters of the markets are those who can anticipate where the market is going before it goes there*". If only we could all do this. Whilst 95% of traders are going long, the select few of 5% traders are going short and selling against the crowd. If enough sell pressure occurs, it can cause the markets to significantly drop. You must also appreciate certain price points in the market have considerable levels of resistance and support and when those points are taken out, the market moves with momentum. When this happens and institutional investors are involved, they need to take cover to protect their positions. This can cause a selling or buying frenzy which can cause the markets to significantly reverse.

The Solution

You therefore need a method to put yourself with the 5% of traders enabling you to spot low risk and highly profitable probability trades which enable you to take money out of the markets. It is as simple as that. This is where the *AB=CD Secret Pattern* comes in. The *AB=CD Secret Pattern* looks like the traditional *1-2-3 Pattern* but the devil is in the detail. Consider the following *1-2-3 Pattern*:

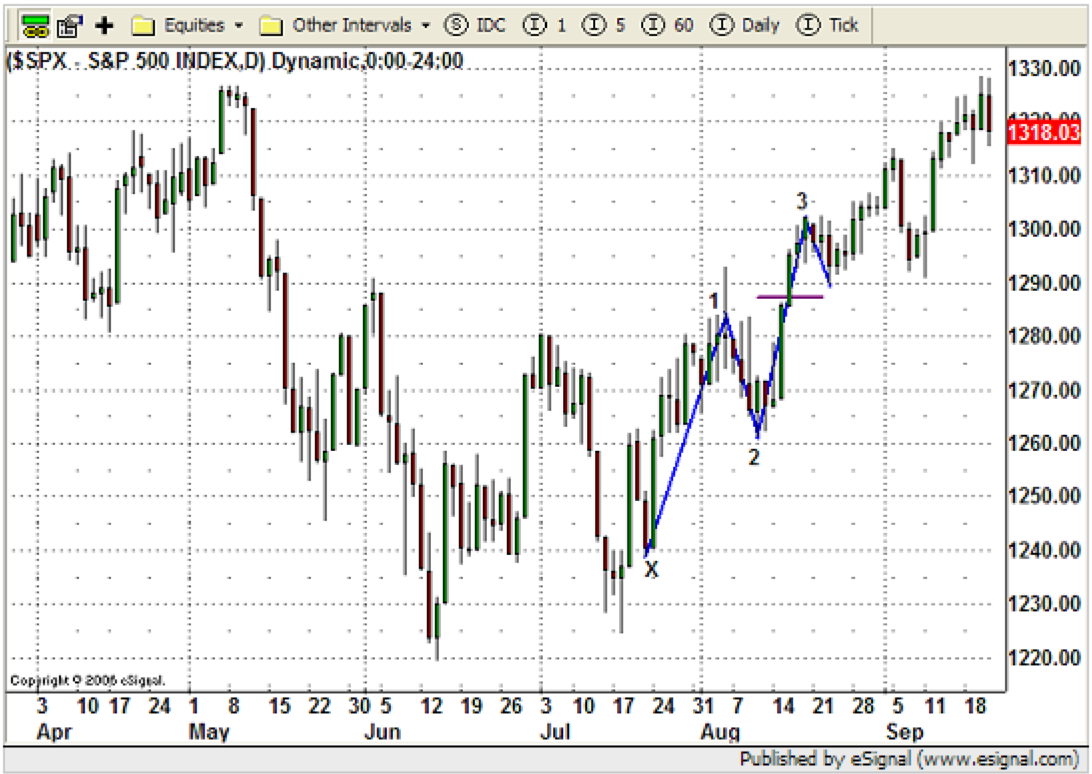


Fig 1

In Fig 1 you enter when the high point 1 is taken out. Whilst you could enter at the purple line point you would probably enter at 1295 when the spike at Point 1 is taken out. However, the market drops down to 1290. Whilst not marked on this chart, at Point 3 there is another *1-2-3 Pattern*. You would probably enter at 1305. However, the market drops back down to 1290.

Why does this reversal take place every time the high is taken out.

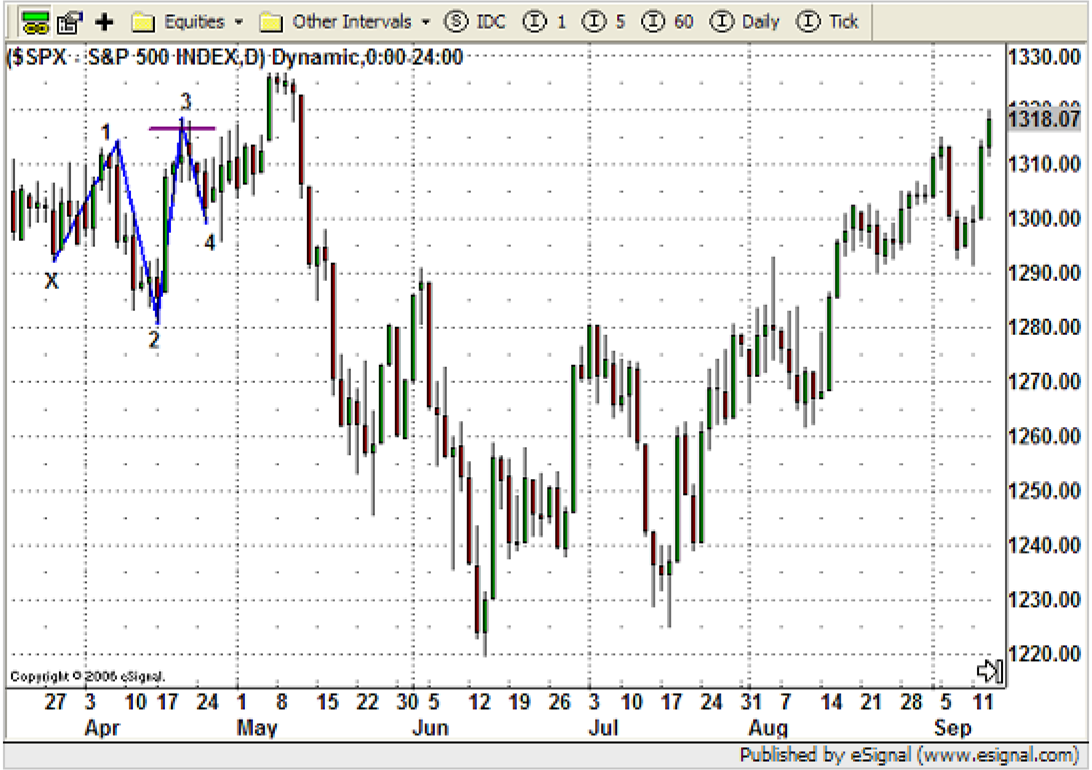


Fig 2

Fig 2 demonstrates another failing *1-2-3 Pattern* even better. You would go long at 1318 because the high point 1 is taken out. However, the market drops to retest 1300. Do you stay in or do you cut your losses. At this point at $10 a point you are $180 down. If your stop loss is at 1280 you may wait to see if it is taken out. If the stop is taken out that would be a $318 loss. However, the market goes back up to 1327. You now feel confident that your strategy is working. You are in the profit by $90. You can't adjust the stop loss to the new low of 1303 because you haven't locked any profit in. However, the market drops to 1250. You get stopped out at 1280 and have a loss of $318. Again you will see 2 highs have been retested with the market going down.

Do not get me wrong. The charts clearly show that the *1-2-3 Pattern* does work, but my case is that there are serious flaws in it. You will:

- Have to wait for the high or low to be taken out
- Have to be prepared to accommodate a "Hook Retest" and
- Have to wait for the position to move into profit.

Take Fig 3 in the Dow Jones Industrial Average:

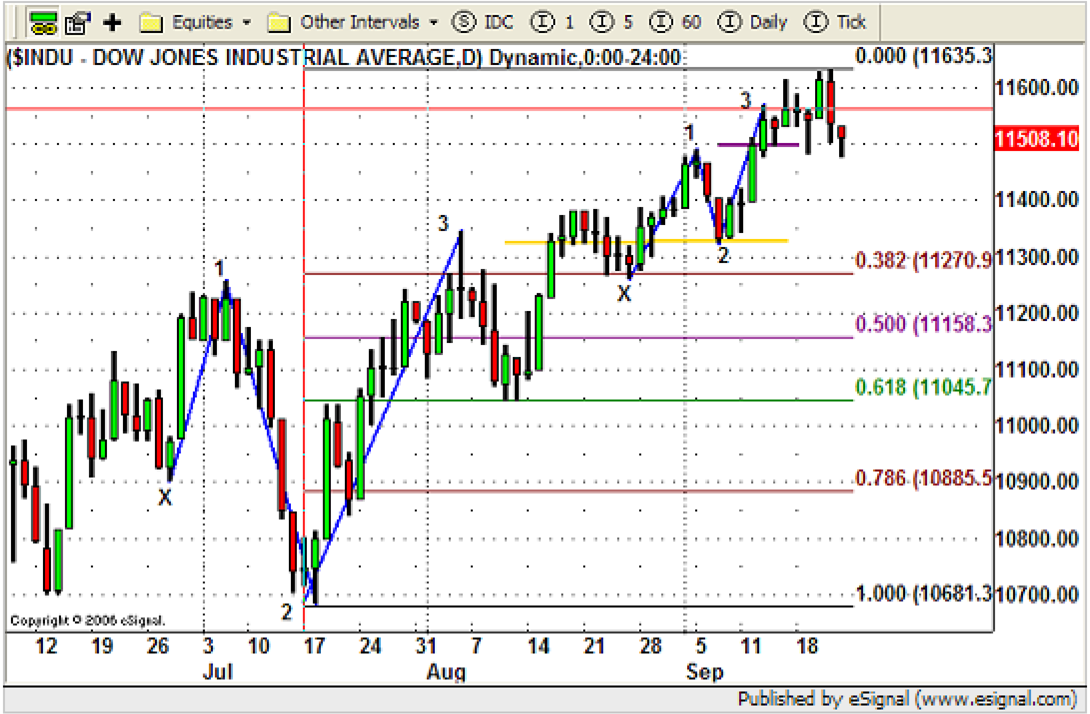


Fig 3

In Fig 3 you will see that in the first *1-2-3 Pattern* to the left you would go long at Point 3. For those who day trade and went long when the candlestick broke 11300, marking a clear breakout, would have set a stop at 11076. However, your stop would have been taken out and at $10 a point you would have made a loss of $2240. For those who went long on the “1-2-3 Pattern” at the yellow line would have entered at 11325 with a stop loss at 11033. They could have taken advantage of 3 *1-2-3 Patterns* occurring after the entry point. However, you still would have had to have waited for the high or low to be taken out, be prepared to accommodate “Hook Retests” and to wait for the position to move into profit.

If you had entered the final *1-2-3 Pattern* to the right of the chart, you would have gone long at 11508 with a stop loss at 11314. Whilst the market breached 11600 you would not have trailed the stop loss because there was no profit locked in. However, the market dropped on 22 September 2006 to 11508. Do you stay in or get out? The Fibonacci Retracement is showing the market may retest 11270. If it does you will make a loss of $2380.

You will therefore see the *1-2-3 Pattern* does provide profitable opportunities but you need to enter at the right time to ride the trend. Get in to late and there may not be enough movement in the trend to allow you to take profits out.

What you need is a method to enter at Point 2, ride the trend up and exit at Point 3, with tight stop losses for maximum profit. This is where the *AB=CD Secret Pattern* comes in.

The AB=CD Secret Pattern

The *AB=CD Secret Pattern* is an extremely powerful chart setup pattern which relies on Fibonacci ratio geometry giving the pattern a very high degree of accuracy. I do not intend to go into the basics of Fibonacci and refer you to www.FibonacciProfits.com for further information. The *AB=CD Secret Pattern* was originally identified by Larry Pasevento. Larry is regarded as one of the best traders in the world and is in fact referred to as the "Million Dollar Day Trader". Larry uses the sacred geometry of triangles to trade the markets. You will already know from www.FibonacciProfits.com that just about any swing pattern can be explained by the Fibonacci ratios of .618, .786, 1.0, 1.27 and 1.618.

So here is the basic *AB=CD Secret Pattern*.

Fig 4

At first appearance it looks just like a *1-2-3 Pattern*. However, the devil is in its detail.

The principal is that AB is an impulsive wave in the market. BC is a retracement of AB and will usually be a 61.8% (.618) retracement of AB but should not exceed a 78.6% (.718) retracement of AB. If it exceeds 78.6% the *AB=BC Secret Pattern* is negated. CD will then be the next wave and be equal to AB (1:1) or be a 1.27 or 1.618 extension of AB. So when trading, you look for chart patterns which have performed the ABC formation and plot exit Point D which will be equal to AB or be a 1.27 or 1.618 extension of AB.

Do you see how you are beginning to predict the next market turn before it occurs.

Just consider the power of this formation. The market dropped from 1295 to 1260 forming the AB wave. The market then retraced to 1287 forming the BC wave. The BC was precisely .786 of the AB wave. The market then dropped from 1287 to 1252. In this case CD=AB and did not extend to 1.27 which would have been a 1.27 extension of AB. If you had entered at 1287 and set a stop loss at 1298 and limit order at the 1:1 point you would have taken 35 points out. That would have been a clear $350 profit. Here's another excellent point to the *AB=CD Secret Pattern*. Had you gone short at 1287 and set a stop loss at 1298. Even if the stop had been taken out and the complete *AB=CD Secret Pattern* negated your maximum loss would have been 12 points. That's a $120 loss at maximum. Do you see how the probability and risk/reward is staked in your favour?

On the other hand had you traded the *1-2-3 Pattern* you would have gone short at point D. However, the market retraced back to 1295 and you would have made a loss of $350. Again the "1-2-3 Pattern" failed and the *AB=CD Secret Pattern* produces a profit.

There are 2 ways to seek confirmation that this pattern is occurring:

1. The first involves applying Price and Time analysis. This in itself is a very large topic and I am only going to touch on the subject. The basis behind it is AB has a time distance of T1. In this particular trade that is 10 bars. If we know point C we can establish from that point where the milestone 1.0, 1.27 or 1.618 may be hit. Usually T1=T2. This would be a 1:1 measured move. However T2 can also be a 1.27 or 1.618 extension of T1. In other words, it can be 13 bars or 16 bars. This therefore gives you extra geometry where the exit milestone could be. (If this sounds complicated it will become clearer in the following examples).

2. Another confirmatory signal is to look at the bigger picture. Does Point D hit another Fibonacci retracement in the bigger time frame? So if you are a day trader what does the daily time frame show? Do the exit points hit the same Fibonacci points? Is there resistance and support at these bigger time frame points? What you are looking for here is confirmation that the probability is in your favour and the *AB=CD Secret Pattern* is holding true.

Here are some long and short examples of the *AB=CD Secret Pattern* manifesting itself:

Daily Trading

Fig 5

Fig 5 is the daily Gold. You can see how the ABC formation took place with a 78.6 retracement of the AB wave. The market then extended to Point C which was a 1.27 extension of the wave AB. Effectively you would have gone short at 649.3 with a stop loss at 662.5. Point C would have hit a price of 570. That would have been a profit of 92.5 points. Had you traded the *1-2-3 Pattern* you would have gone short at 587.2 with a stop loss at 645. However the market reversed retesting your entry point. You will now have to wait for 566.9 to be taken out and extended to go into profit. Again, the *AB=CD Secret Pattern* produces profit whilst the *1-2-3 Pattern* losses out.

Fig 6

Fig 6 is the daily chart for Google. In August 2006 the ABC formation occurred. The market formed wave AB and then retraced to Point C which was 78.6 of the wave AB. You would have entered on the close of the next candlestick at 371.54. Your stop loss would have been set at 362. In this case whilst the market did not close at the 1:1 point it did test it. Above I set out that you can seek confirmation on Point C by looking at the bigger picture. On the right of the chart is .386. This was the .386 point on the larger Fibonacci retracement picture which clearly supported the *AB=CD Secret Pattern*. If you had exited at 388 you would have made a clear profit of 27 points. You will also see the wave AB is 4 bars and wave CD is 5 bars. There is clear 1:1 symmetry in the market.

However, had you followed the traditional *1-2-3 Pattern* you would have gone at 387 with a stop loss at 368. However, the market reversed and retested 371. Subject to your emotion levels you either would have closed that position out at a loss or held the position open until Point D was taken out at 391. In this case the *AB=CD Secret Pattern* produces immediate profits whilst the *1-2-3 Pattern* does eventually produce profit subject to one holding out during the reversal period and allowing the position to turn into profit.

Fig 7

Fig 7 demonstrates a perfect *AB=CD Secret Pattern.* In this is one pattern which I actually traded for profit! Once the ABC formation occurred at a .786 retracement of the AB wave, the CD wave was a perfect 1:1 extension of the AB wave. Furthermore, the AB wave was 10 bars and the CD wave 11 bars. Again a perfect 1:1 formation. Even if you had gone short at 1.2785 and closed out at 1.2588, that would have been 197 pips. Trading at $10 a pip would have been $1970 profit for about 10 days work.

Fig 8

Fig 8 represents the £/$ as at 9/10/2006. You will see the ABC formation occurred at a .786 retracement of the AB wave. The market closed at 1.8672. However, the AB wave occurred over 24 bars. We will need to wait to see if the CD closes at 1.8495 as shown on the chart.

Fig 9

Fig 9 is the £/$ as at 10/10/2006. You will see it is heading down to the convergence point D. We await to see whether this occurs for the same time frame as wave AB.

Fig 10

You will that the market as at 12/10/06 is at 1.8560. It may well be that it is testing Point B. I would probably exit my trade here or at least trail my stop loss as I would be in profit if I entered my short where I indicated above.

Day Trading

In terms of day trading I only trade the *AB=CD Secret Pattern* using a 60 minute chart. This is by no means a definitive guide to hourly trading. Whilst the *AB=CD Secret Pattern* still holds true for smaller time frames, for example, the 5 minute chart, it needless to say is more sensitive to price and time and will give you more swing pattern formations. Consider the following examples which by now will be self-explanatory in terms of their ABCD formations and how the 1-2-3 formation does not always hold true.

£/$

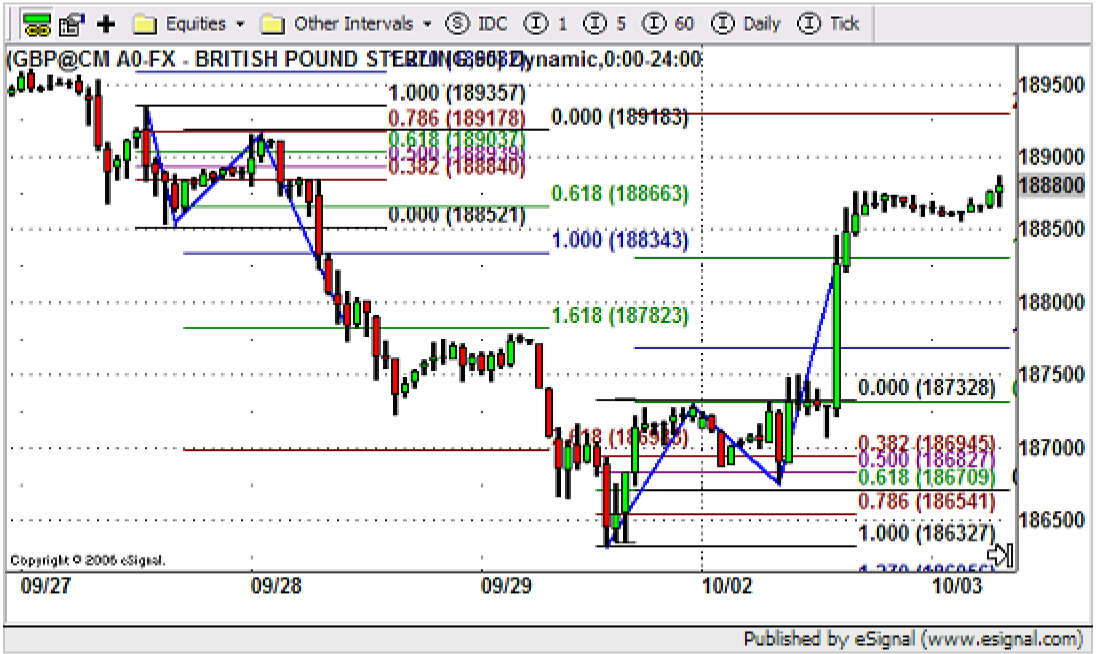
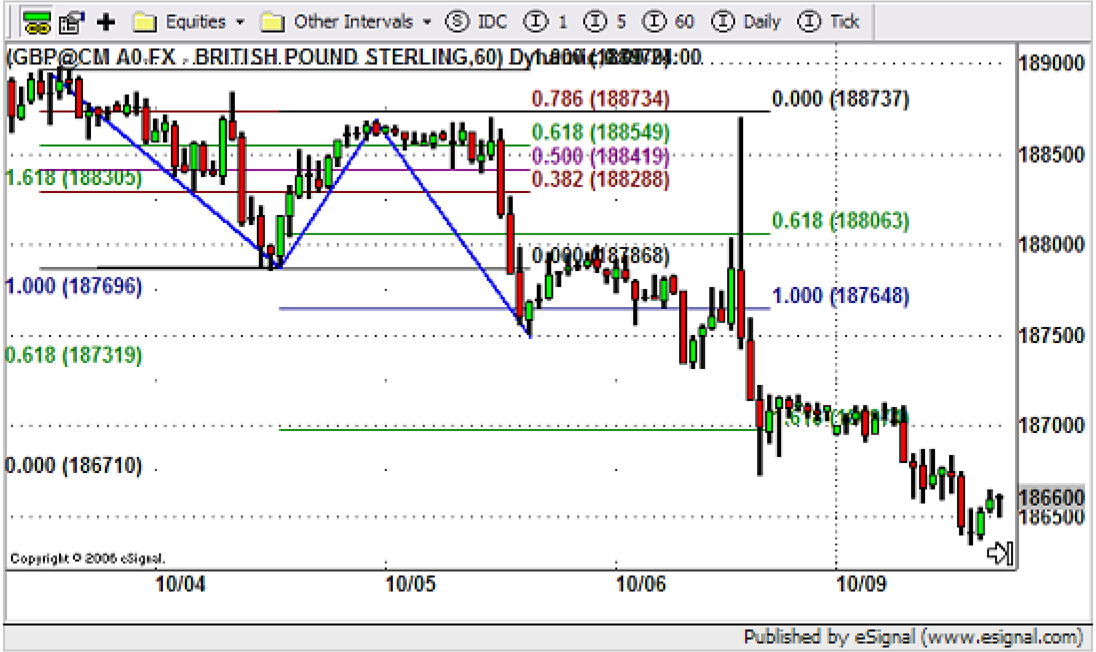


Fig 11


Equities
Other Intervals
IDC
Daily
Tick
(GBP@CM A0-FX - BRITISH POUND STERLING,60) Dynamic,0:00-24:00
0.786 (188734)
0.000 (188737)
0.618 (188549)
0.500 (188419)
1.618 (188305)
0.382 (188288)
0.618 (188063)
0.000 (187868)
1.000 (187696)
1.000 (187648)
0.618 (187319)
0.000 (186710)
189000
188500
188000
187500
187000
186600
186500
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10/06
10/09
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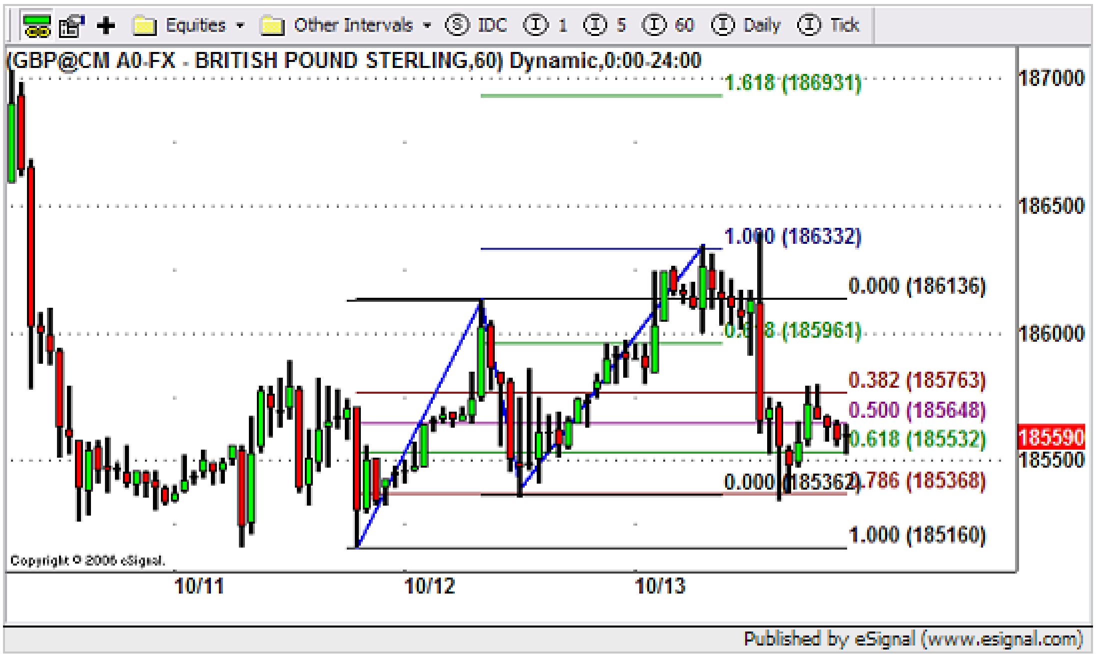
Fig 12


Equities
Other Intervals
IDC
Daily
Tick
(GBP@CM A0-FX - BRITISH POUND STERLING,60) Dynamic,0:00-24:00
1.618 (186931)
1.000 (186332)
0.000 (186136)
0.382 (185763)
0.500 (185648)
0.618 (185532)
0.786 (185368)
1.000 (185160)
187000
186500
186000
185590
185500
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10/12
10/13
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Fig 13

€/$


Equities
Other Intervals
IDC
1
5
60
Daily
Tick
(EUR@ABAA A0-FX - EURO,60) Dynamic,0:00-24:00
1.618 (1.2783406)
1.000 (1.2742)
0.000 (1.2725)
0.618 (1.2716406)
0.382 (1.2691788)
0.500 (1.2684)
0.786 (1.2665124)
1.000 (1.2651)
1.270 (1.263318)
0.382 (1.2689492)
0.786 (1.2651116)
1.000 (1.2631)
1.2800
1.2769
1.2750
1.2700
1.2650
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Fig 14

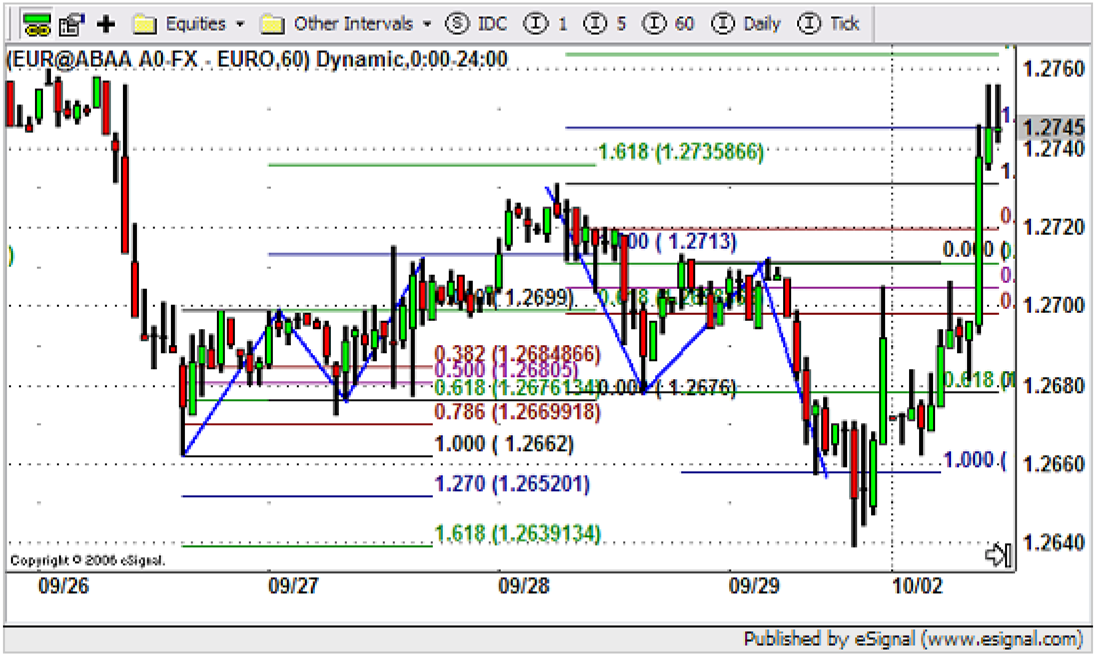
Equities
Other Intervals
IDC
1
5
60
Daily
Tick
(EUR@ABAA A0-FX - EURO,60) Dynamic,0:00-24:00
1.618 (1.2735866)
1.2699)
0.382 (1.2684866)
0.500 (1.26805)
0.618 (1.2676134)
0.786 (1.2669918)
1.000 (1.2662)
1.270 (1.265201)
1.618 (1.2639134)
1.2760
1.2745
1.2740
1.2720
1.2700
1.2680
1.2660
1.2640
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Fig 15

Fig 16

S&P 500

Fig 17


Equities
Other Intervals
IDC
1
5
60
Daily
Tick
($SPX - S&P 500 INDEX,60) Dynamic,0:00-24:00
1.618 (1307.01534)
1.270 (1304.3601)
1.618 (1289.1751)
2.618 (1281.1251)
4.250 (1267.9875)
1.000 (1285.37)
0.382 (1272.44274)
0.500 (1270.445)
0.786 (1265.60302)
1.000 (1261.98)
0.382 (1298.88
0.500 (1297.01
0.618 (1295.14
0.786 (1292.48
1.000 (1289.09
1.270 (1284.81
1.618 (1279.29
1310.38
1300.00
1290.00
1280.00
1270.00
1260.00
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08/14 08/15 08/16 08/17 08/18 08/21 08/22 08/23 08/24 08/25 08/28 08/29 08/30 08/31 09/01
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Fig 18


Equities
Other Intervals
IDC
1
5
60
Daily
Tick
($SPX - S&P 500 INDEX,60) Dynamic,0:00-24:00
1.000 (1311.00)
1.618 (1305.9268)
1.270 (1303.282)
1.000 (1301.23)
0.618 (1298.3268)
0.382 (1296.5332)
0.618 (1295.00084)
0.000 (1293.63)
1.000 (1292.09)
1320.00
1316.28
1315.00
1310.00
1305.00
1300.00
1295.00
1290.00
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Fig 19

Fig 20

Conclusion

I hope you can now see how the *AB=CD Secret Pattern* represents an excellent low risk profit entry setup allowing you to trade reversals in the market before they occur. You are clearly trading against the crowd in that whilst many traders are waiting for the *1-2-3 Pattern* to occur to determine their entry into the market, you will already have entered and will be in the process of closing out. You are therefore subject to less manipulation from market makers. You will have seen that the *AB=CD Secret Pattern* can be traded whether you are day trading, swing trading or position trading. In fact it can be used to trade any market in the world. However consider this, if you enter at Point C on a 78.6% retracement (bearing in mind anything greater may negate the pattern), with a stop loss set at the high or low, your loss can only be 21.4% (1 - .786) on any trade. Hence the low risk profit entry setup. You will also have seen with the correct price and time analysis you can determine your entry and exit with high levels of accuracy ensuring the risk/reward is always in your favour. I hope you are now going to go and apply the *AB=CD Secret Pattern* to actually trading the markets because in the words of one trader "THIS S@#T REALLY WORKS!"

FREE BONUS VIDEO

As a thank you for taking the time to read the *AB=CD Secret Pattern* I have put all the above information into a comprehensive video which runs through the whole process step by step. To access this **FREE** video **click here**.