



How to Trade Different Types of ABCD Pattern

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Outline

1. Introduction

1. Why do we trade patterns?
2. The downside of trading patterns
3. Why did I choose ABCD pattern as my personal edge

2. Market stages

3. Rules

4. Type of ABCD patterns.

5. Tips for Getting Better Entries

Introduction

1. Why do we trade patterns:

A) Patterns have been used for so many years

B) Patterns are self fulfilling prophecy

2. The downside of trading patterns

A) The clustering illusion.

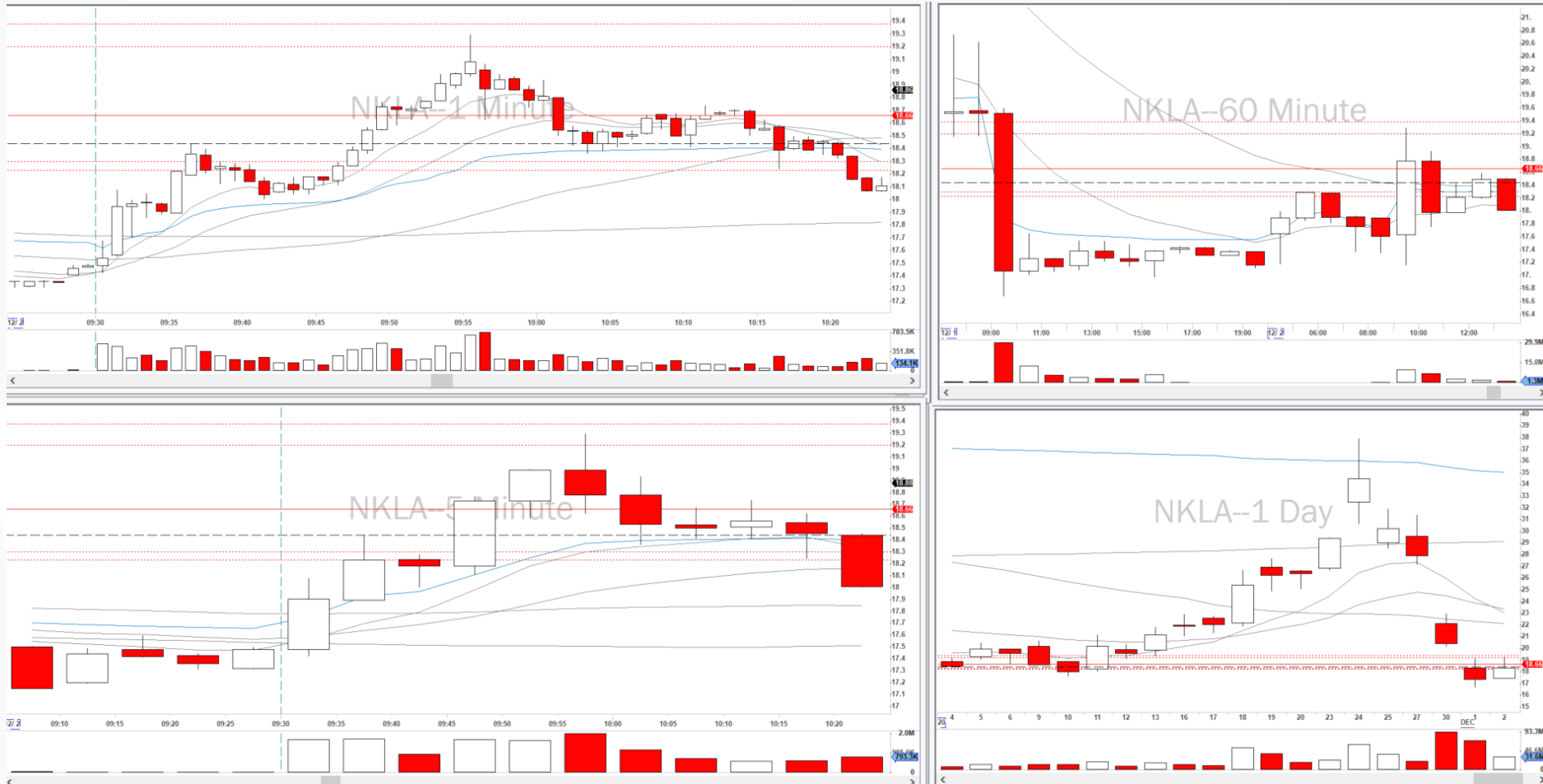
B) Patterns could cause us to force a trade

Introduction



Introduction

- Examples of an ABCD pattern which failed



Introduction

-Why ABCD pattern?

- 1)The trend is your friend.
- 2)Keeps you from chasing a stock(ORBs).
- 3)Easy to spot.

Market Stages

-Any clean stock would usually move through these stages

1)Range.

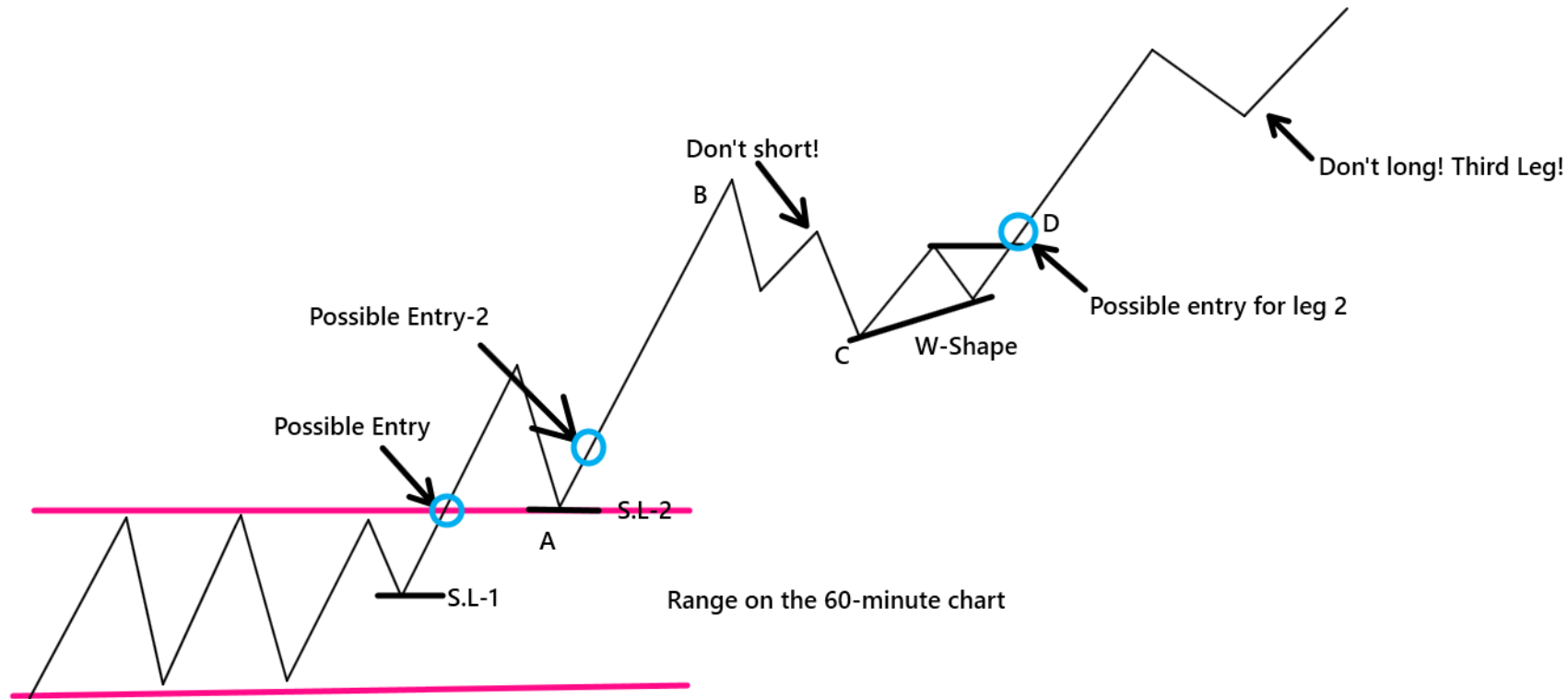
2)Breakout + Retest.

3)Trend.

-When trading ABCD patterns, you want to catch the continuation after the breakout which is the retest, and the first pullback after the trend starts.

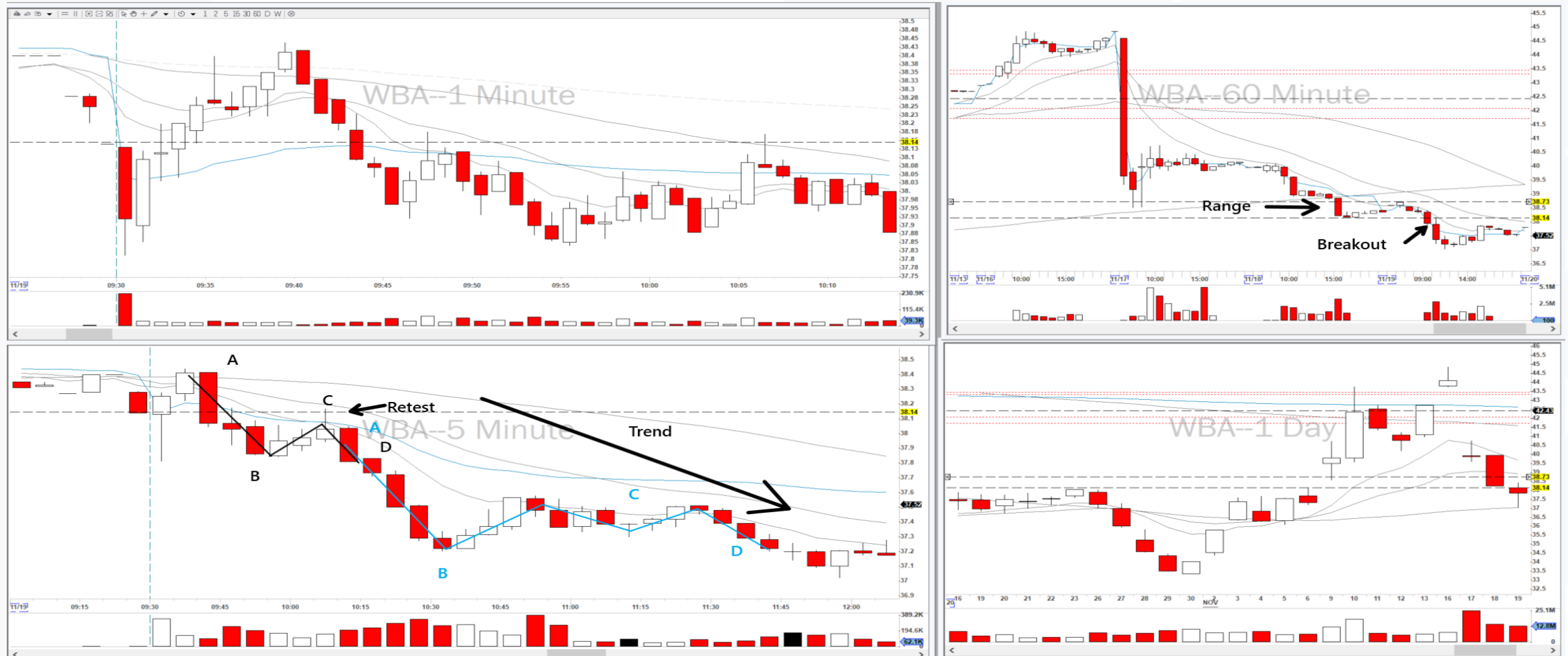
-It's best to identify a range on the 5-, 60-minute charts.

Market Stages



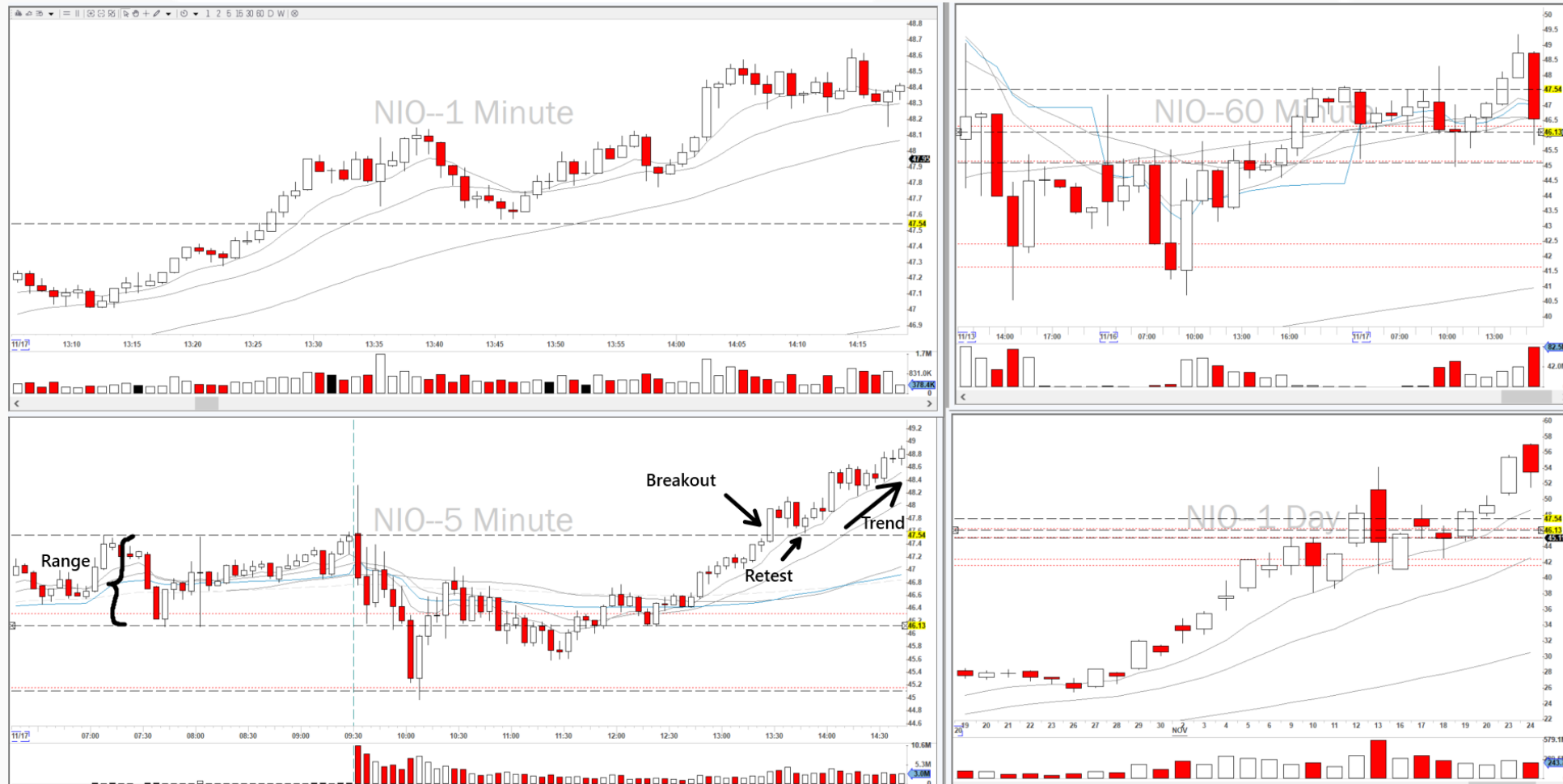
Market Stages

- Example of a stock illustrating market stages



Market Stages

- Example of a stock illustrating market stages



Rules

1)The daily chart should support the intraday direction.

-Examples:

-If the daily chart is up trending, look for an ABCD pattern to the long side

-If there's a shooting on the previous day, look for an ABCD pattern to the short side

-If the stock is bouncing of the 9EMA on the daily chart, or any strong MA, look for an ABCD pattern to the direction of the bounce.

2)The 60-minute chart should support the direction of the trend.

3)Intraday trend should be visible

4)There should be a pullback to a level/moving average, preferably the 9EMA on the 5-minute chart

-Exception: Huge move followed by a doji, hammer(Preferably double doji's)

5)Trade the first two legs up only

6)The pullback should be at least 50-70%, if the trend is so strong, 30-50% could be enough, but not less!

7)Pay attention to the ATR!

Confirmations: Hammer/Reverse hammer, spinning top, tweezer candlesticks, harami candlesticks at the pullbacks, candle patterns on smaller time frames

Notes:

-You can take an ABCD pattern for the breakout(For example a break of a range)

-Earlier on the day one can trade ABCD patterns on the 1-minute chart(Before 10:00AM); However, make sure the stock isn't extended from the 9EMA on the 5-minute chart and make sure that the setup you're taking on the 1-minute chart isn't forming within the third consecutive candle on the 5-minute chart.

Exception:

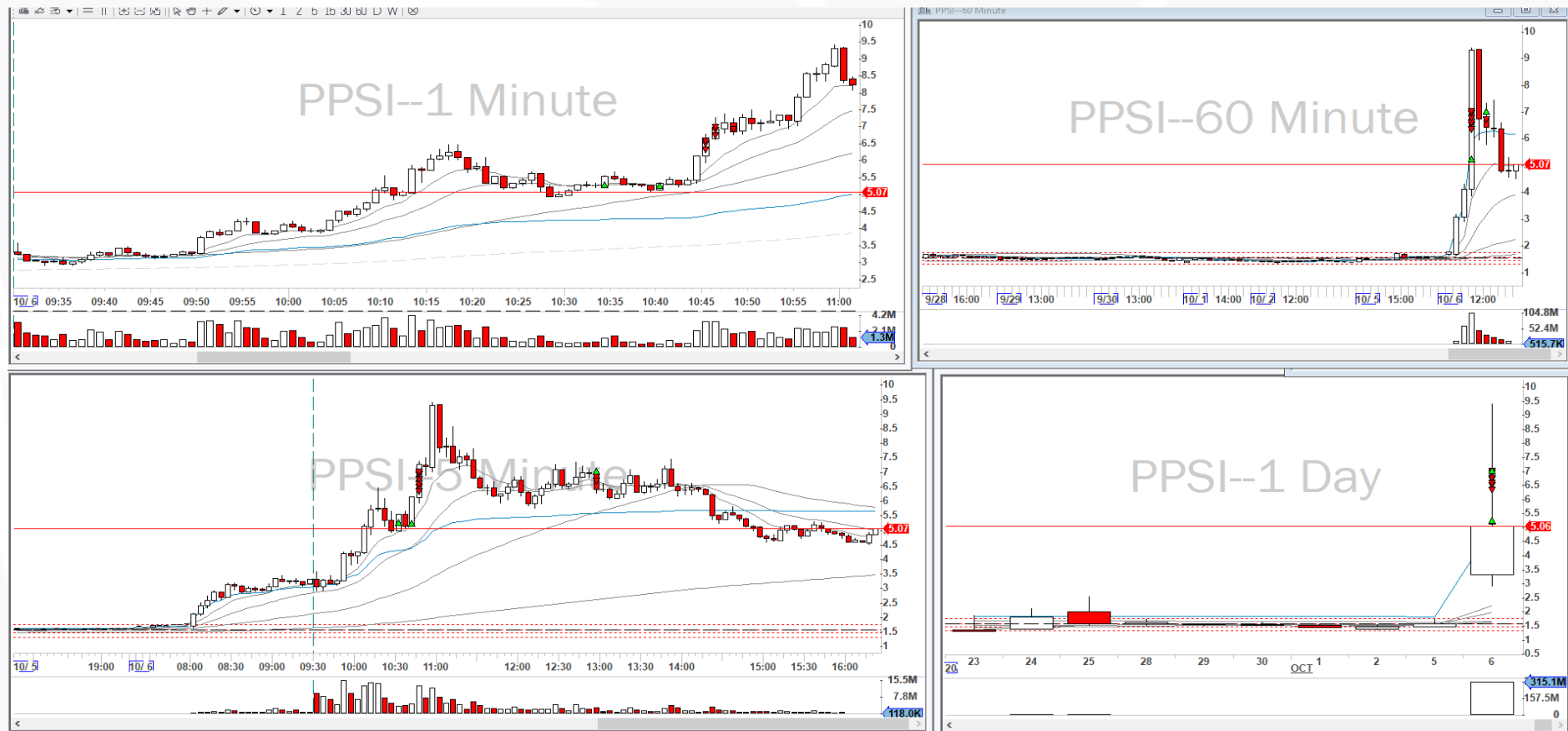
Don't take an ABCD pattern on the 1-minute chart within a big second 5-minute candle

Rules



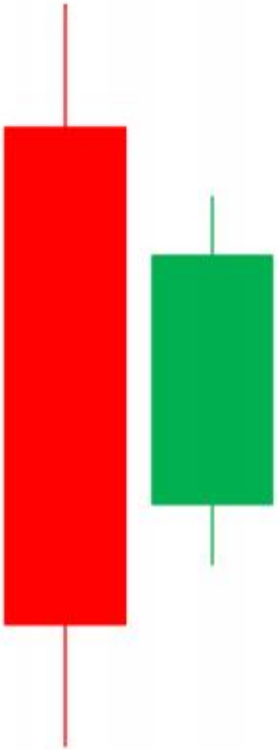
Exception Example

Example of a stock extended from 9EMA on the 5-minute chart but taken after a hammer or preferably double dojis

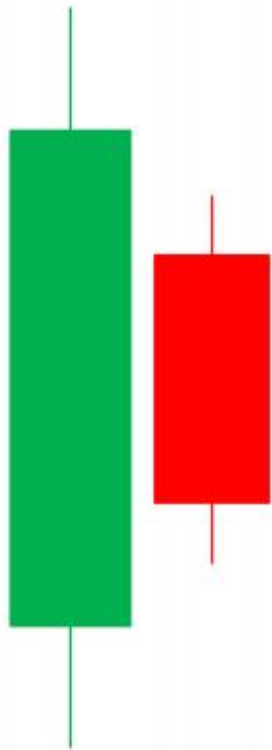


Important candlesticks

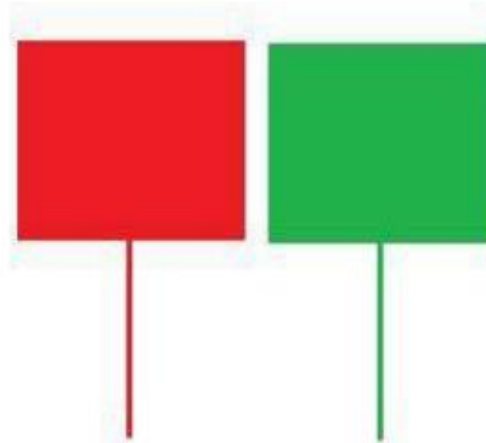
BULLISH HARAMI



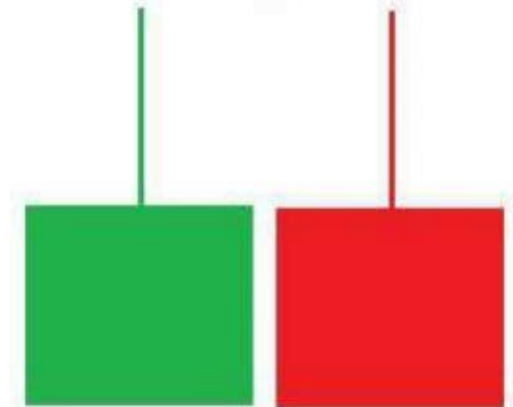
BEARISH HARAMI



Tweezer
Bottoms



Tweezer
Tops



Types of ABCD patterns

1)Type A

- Similar to an ascending triangle
- The breakout happens after a long sideways consolidation
- The consolidation continues till the moving average reaches the price action

Entry:

- A)As close as possible to C
- B)At the break of the consolidation

Stop loss:

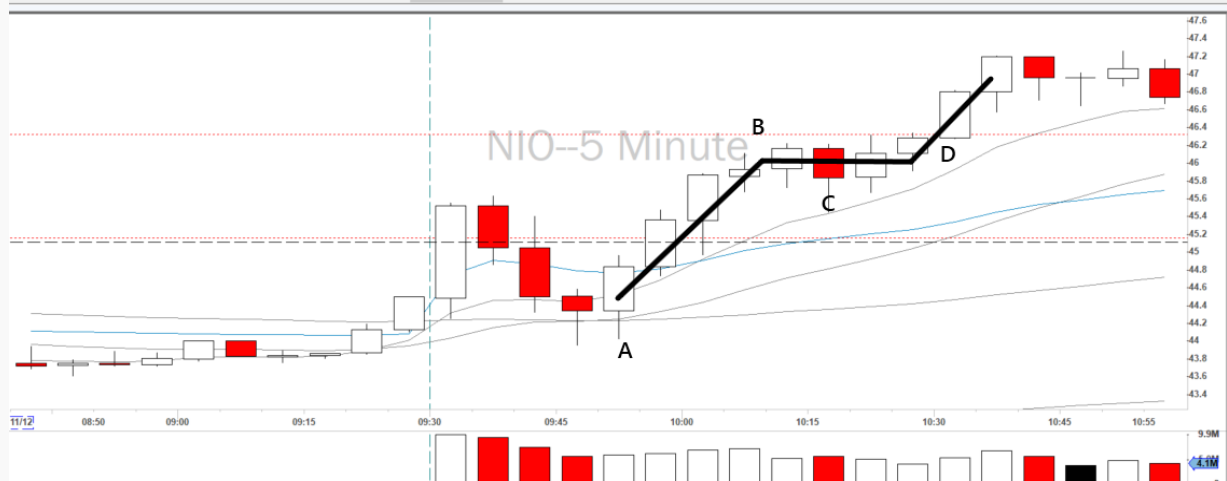
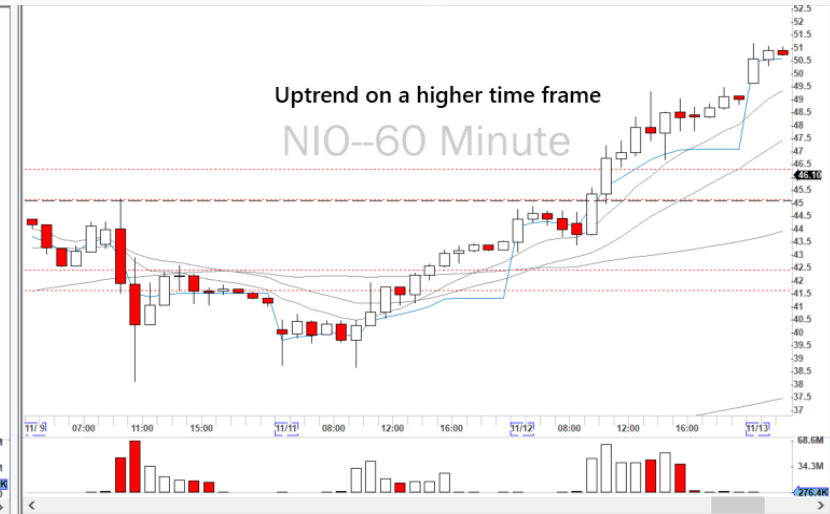
- A)With an early entry, stop loss is the break of C
- B)If the entry is at the breakout area, stop loss would be a previous candle low or half of the range if there's a range formed

Adds:

- It's possible to add at the break of B if you got an entry closer to C

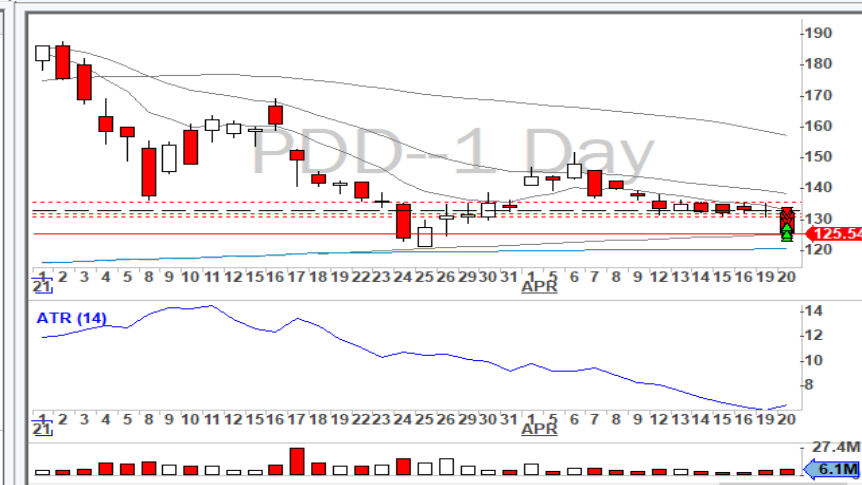
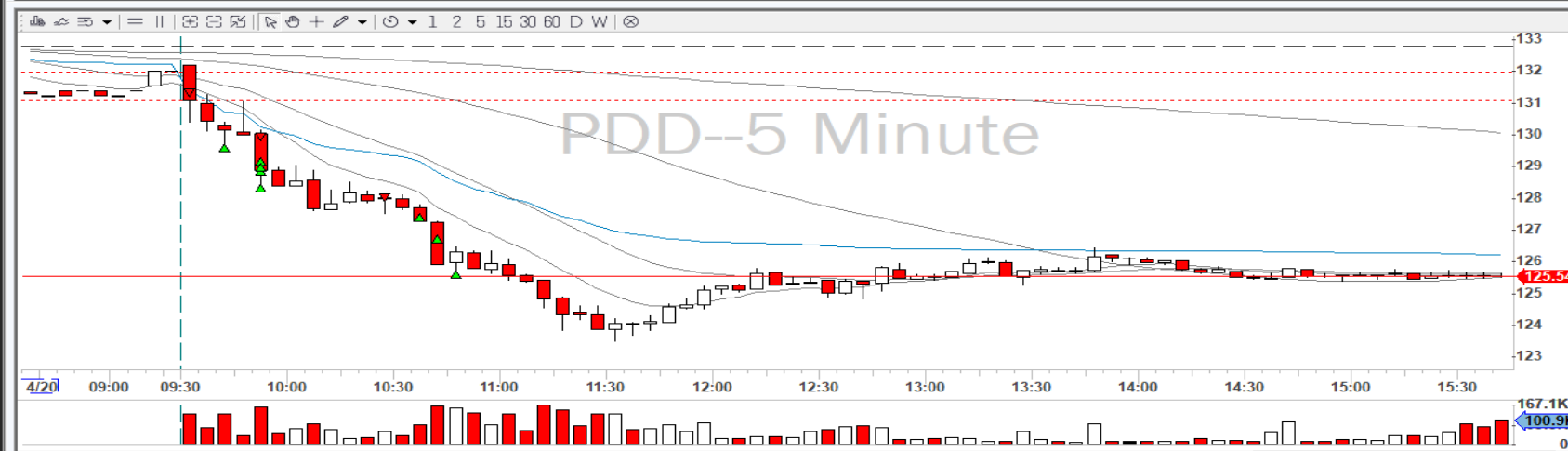
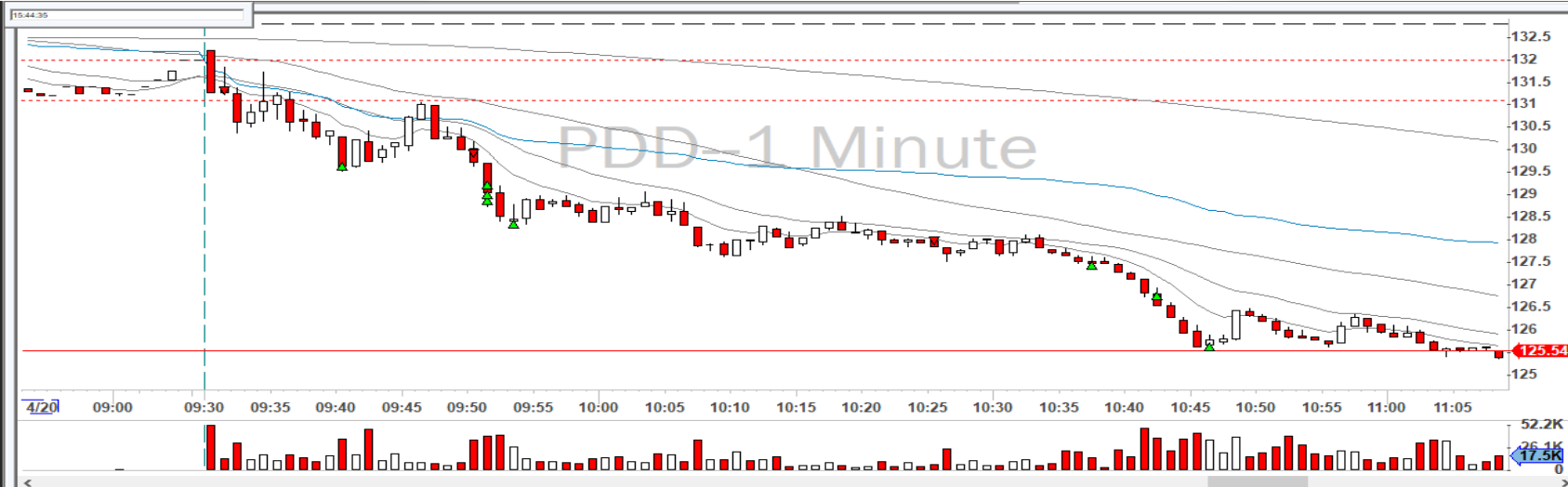
Types of ABCD patterns

-Examples for type A



Types of ABCD patterns

-Examples for type A



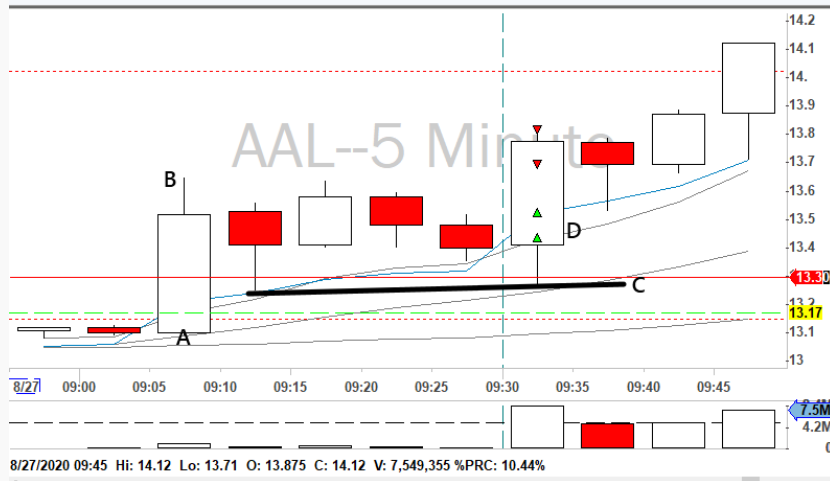
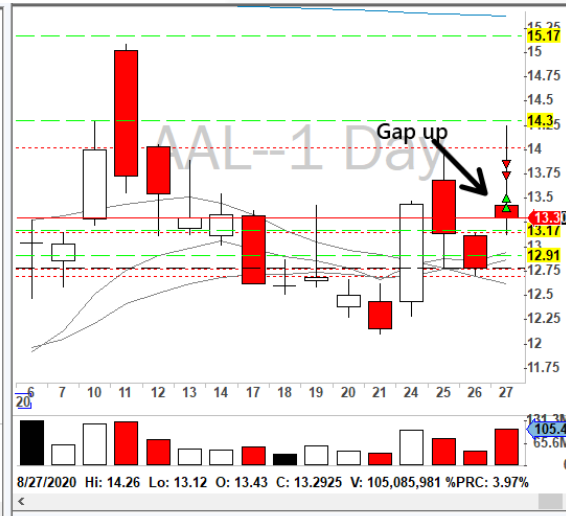
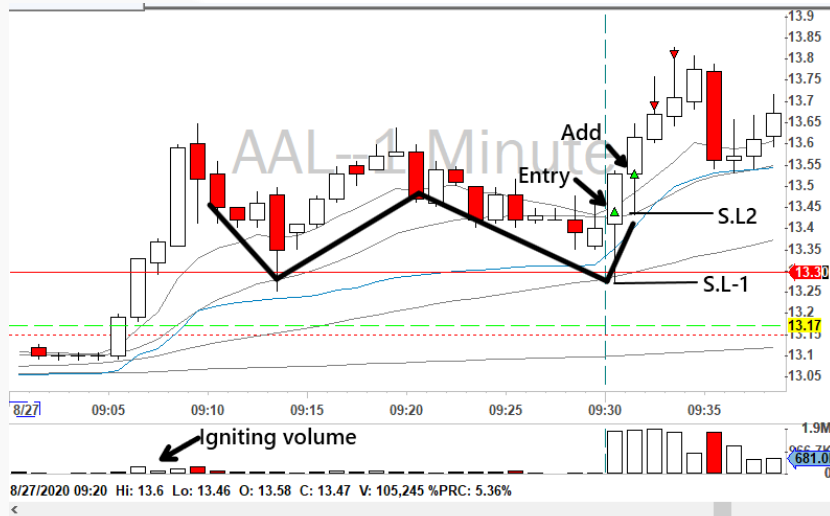
Types of ABCD patterns

-Examples for type A



Types of ABCD patterns

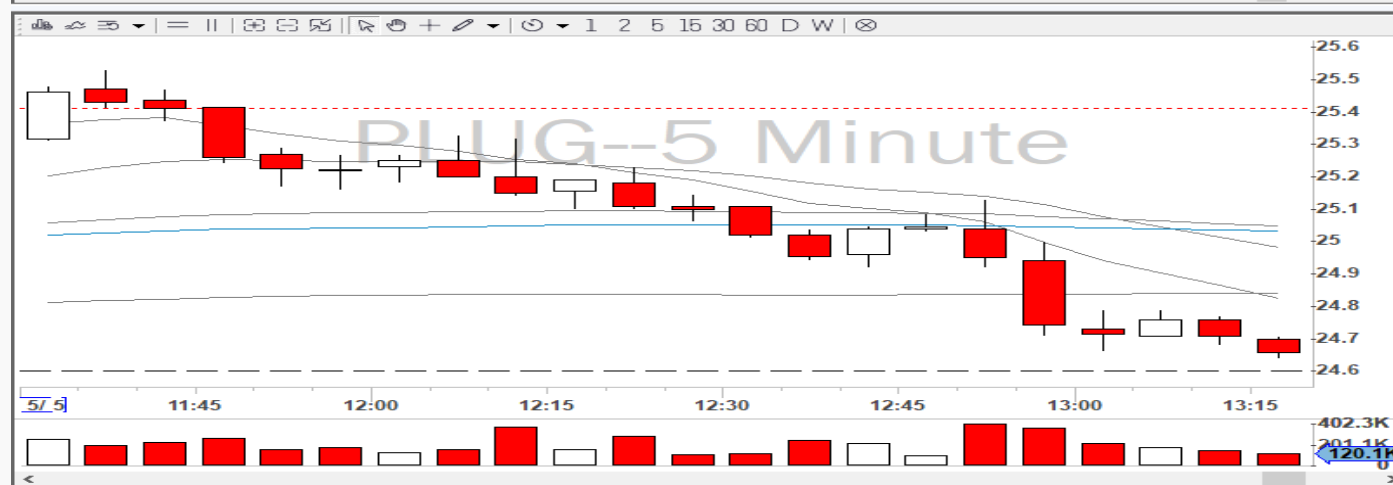
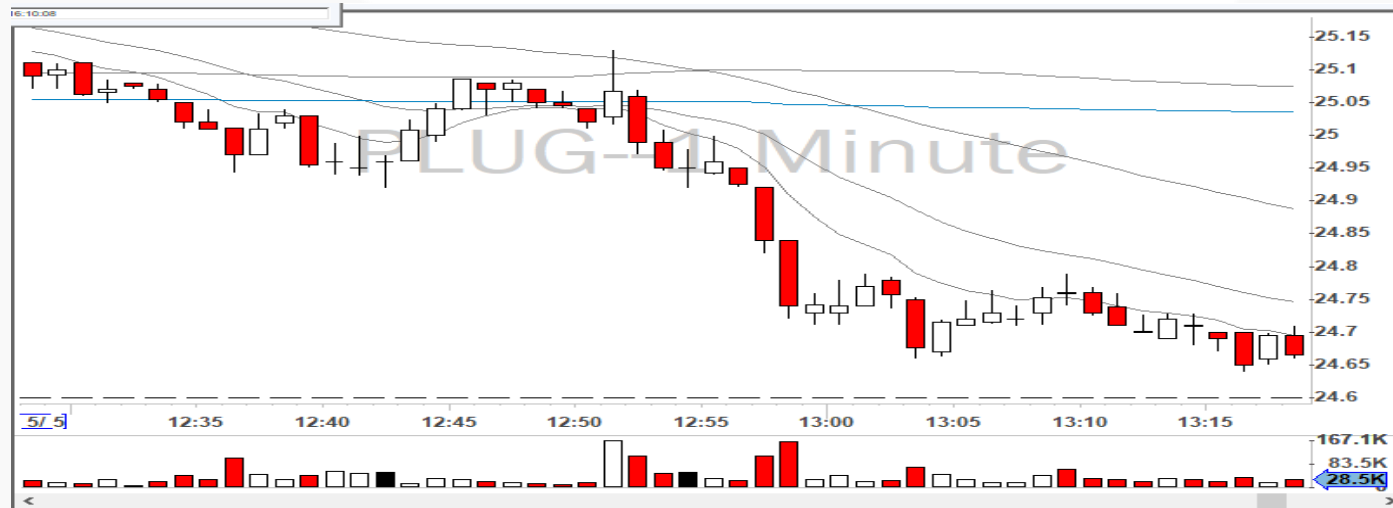
-Examples for type A



Price	Qty	Flag
Setup:		
-1-Minute ORBU		
Indicators:		
1) Igniting volume breaking above the consolidation area at the premarket		
2) ABCD pattern which started forming right at the breakout point		
3) W Shape on the 1, 5-minute charts		
Entry:		
4) AAL Getting back into the range after bouncing of the C level		
Stop loss:		
A) New 1-minute low		
B) New 1-minute low		
Target:		
-Break of the premarket high, then the moment I get 5R(which is the daily goal)		
Intended R:R:		
5:1, which I actually got.		
Notes:		
-By the end of the trade decided to trade my P/L and exit at 5R though I did know that after a breakout with volume it's expected to have a pullback followed by a continuation, which it actually did.		

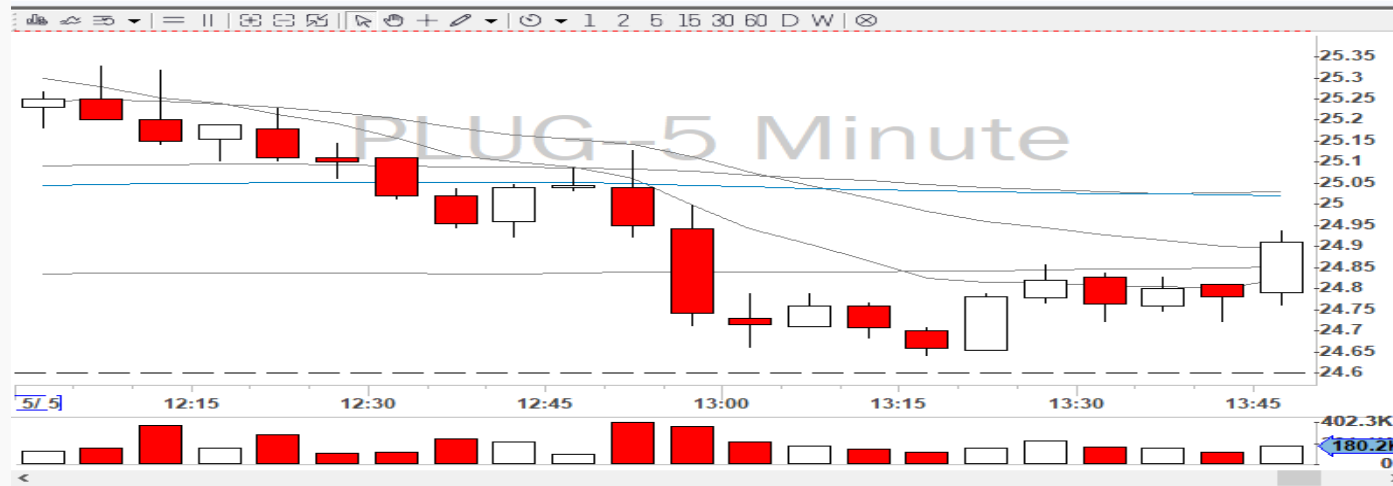
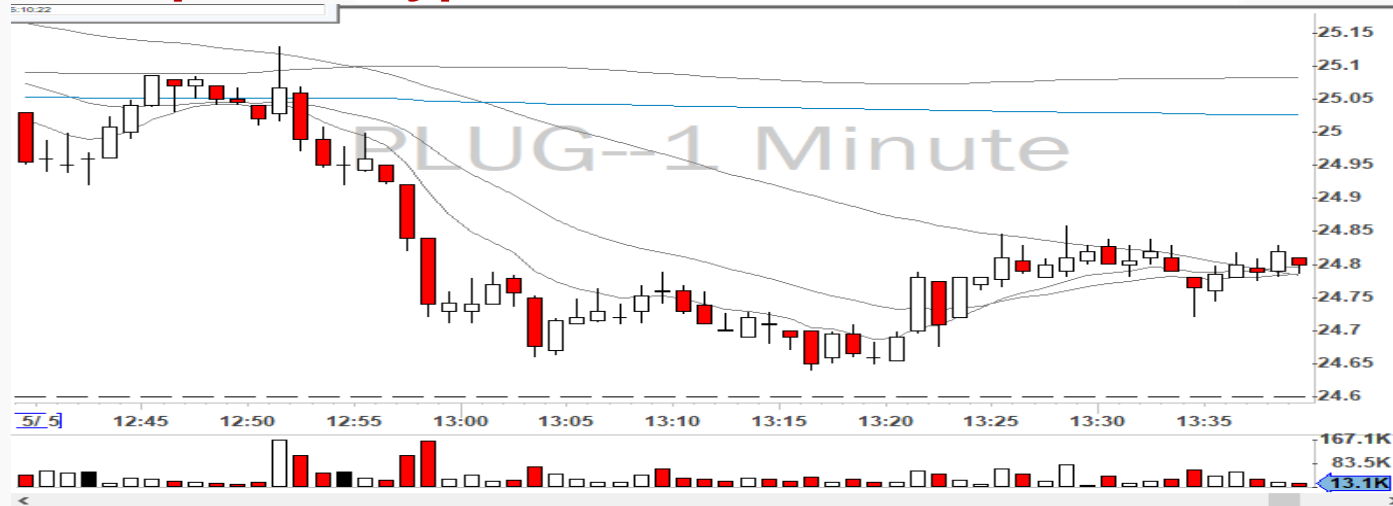
Types of ABCD patterns

-Examples for type A



Types of ABCD patterns

-Examples for type A



Types of ABCD patterns

2)Type B

- After an uptrend, the consolidation slightly slopping downwards
- Most of the volume comes at the break of the previous high
- The pullback happens slowly till it reaches some moving average

Entry:

- A)As close as possible to C
- B)The new high after the bounce of C

Stop loss:

- A)With an early entry, stop loss is the break of C
- B)With a new high after the bounce of C, stop loss is still level C

Adds:

- It's possible to add at the break of B if you got an entry closer to C

Types of ABCD patterns

-Examples for type B



Price Qty

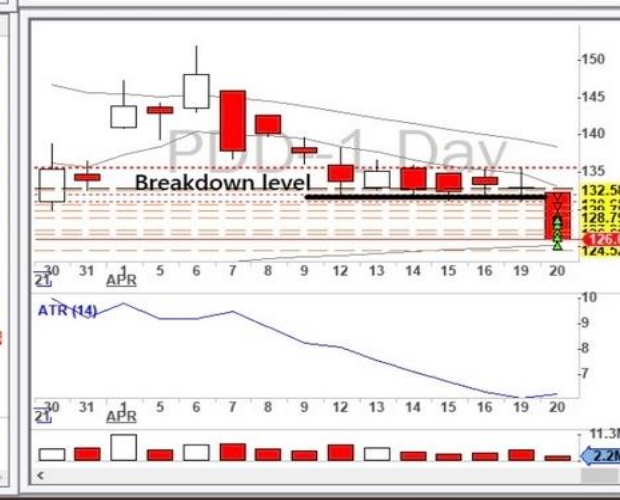
Setup:
-Breakout

Indicators:
1) Descending triangle on the daily chart (break of consolidation)
2) New 60-minute low

Entry:
-One minute ORBD

Adds:
-Added for reverse ABCD pattern twice, missed and add at 10:05 for a three bar play/reverse ABCD

Partials:
-Daily levels, over partialled at 9:55 as the add was a bit heavy, played my PnL instead of price action, every partial was 20%, exited all at 125.5 as the move was already way > ATR, the price is still obviously bleeding down, maybe I should've left a small portion to run more



Types of ABCD patterns

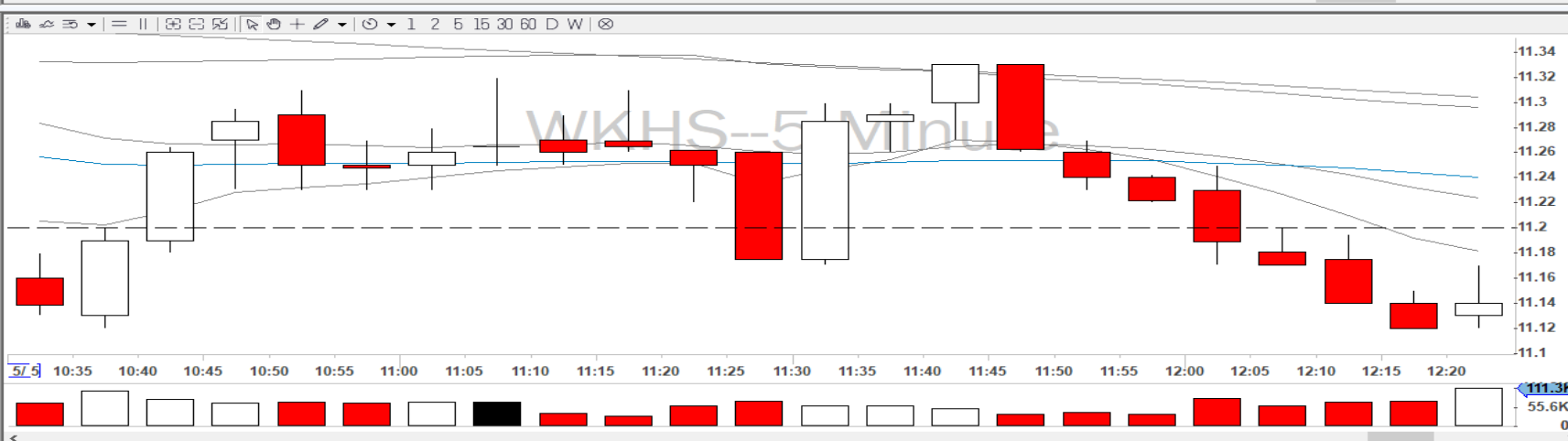
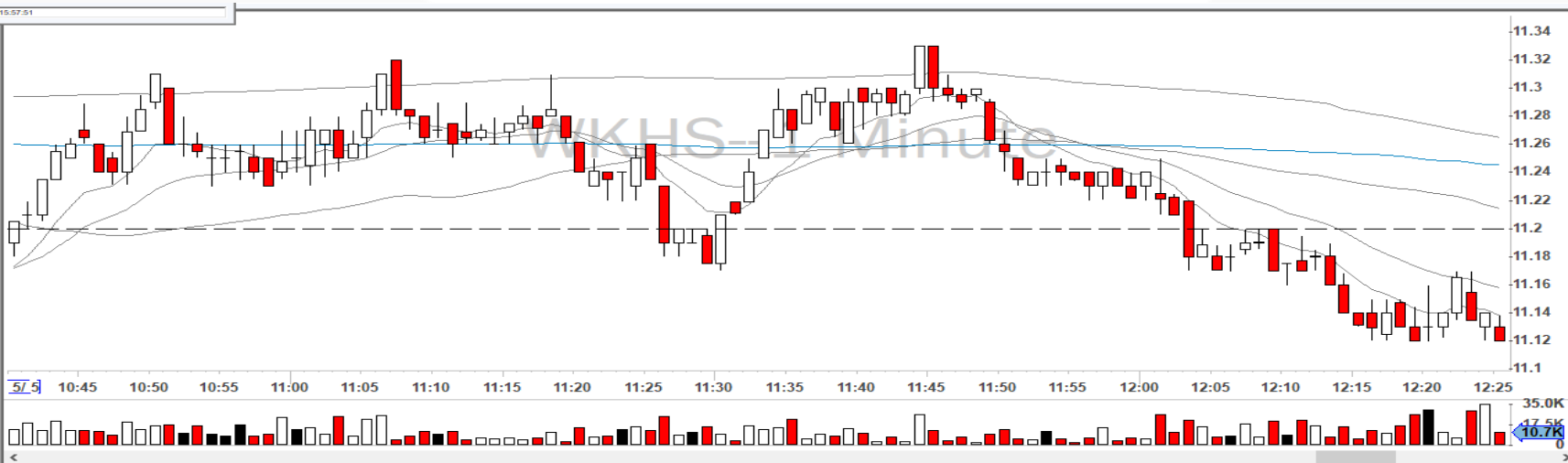
-Examples for type B



Price	Qty
Setup:	
-Breakdown	
Indicators:	
-Descending Triangle on the 60-minute chart	
-Reverse ABCD pattern on the daily	
-Bullish Engulfing Sandwich on the 5-minute chart	
Entry:	
-New 5-minute low	
Adds:	
1) Break of the LOD with a new stop the middle of the bullish engulfing sandwich	
2) Reverse ABCD pattern on the 5-minute chart	
Notes:	
-Could've added more on the reverse abcd patterns at 10:40, 11:15, but hesitated, which is something I need to work on	
Net R:R	
-7Rs	

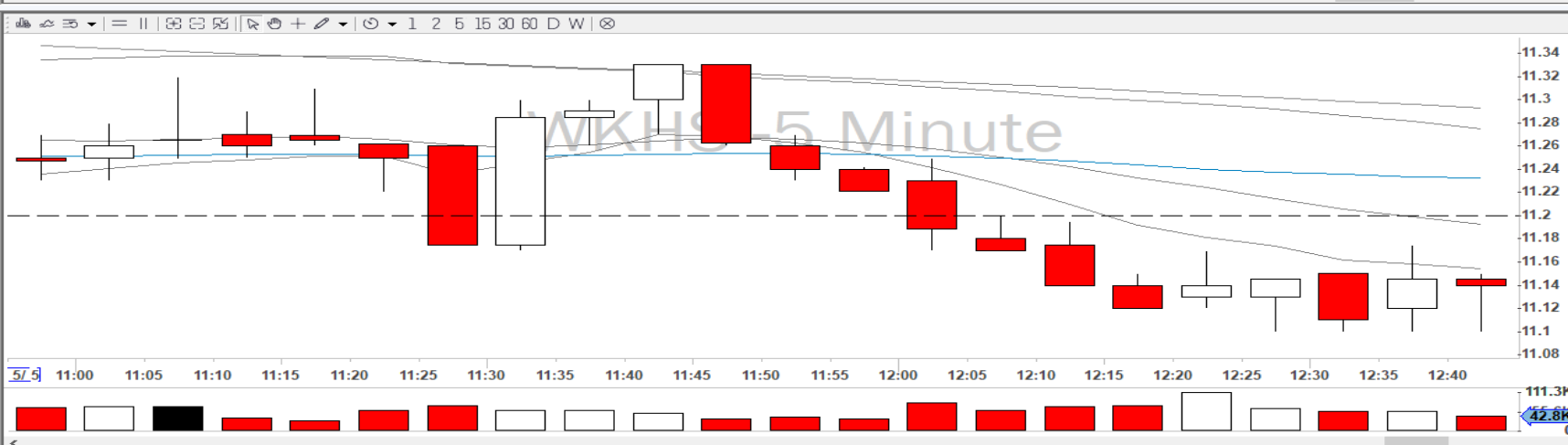
Types of ABCD patterns

-Is this a good setup?



Types of ABCD patterns

-Is this a good setup?



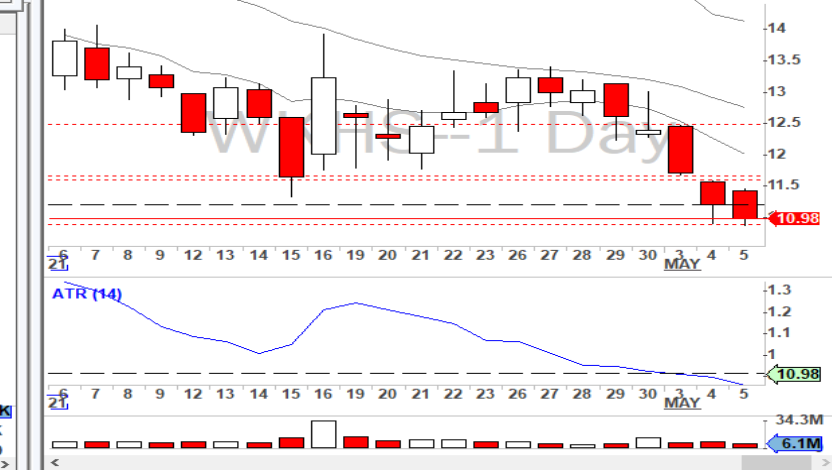
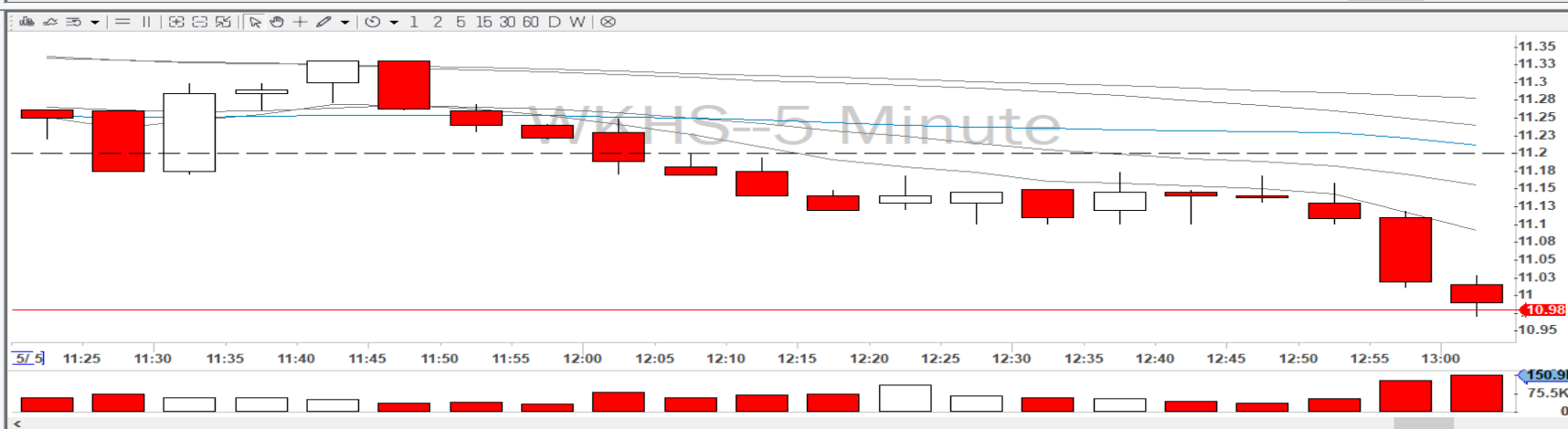
Types of ABCD patterns

-Is this a good setup?



Types of ABCD patterns

-Is this a good setup?



Types of ABCD patterns

3)Type C

- After an uptrend, the pullback is parabolic
- It's possible to enter at D, only if the break at D happens literally after a Retest.
- Wait for the stock to make W/M shape confirmation

Entry:

- A)New 1-minute high after the second bottom
- B)The break of the high of the second consolidation
- C)As close as possible to the second bottom if the second bottom is a support level

Stop loss:

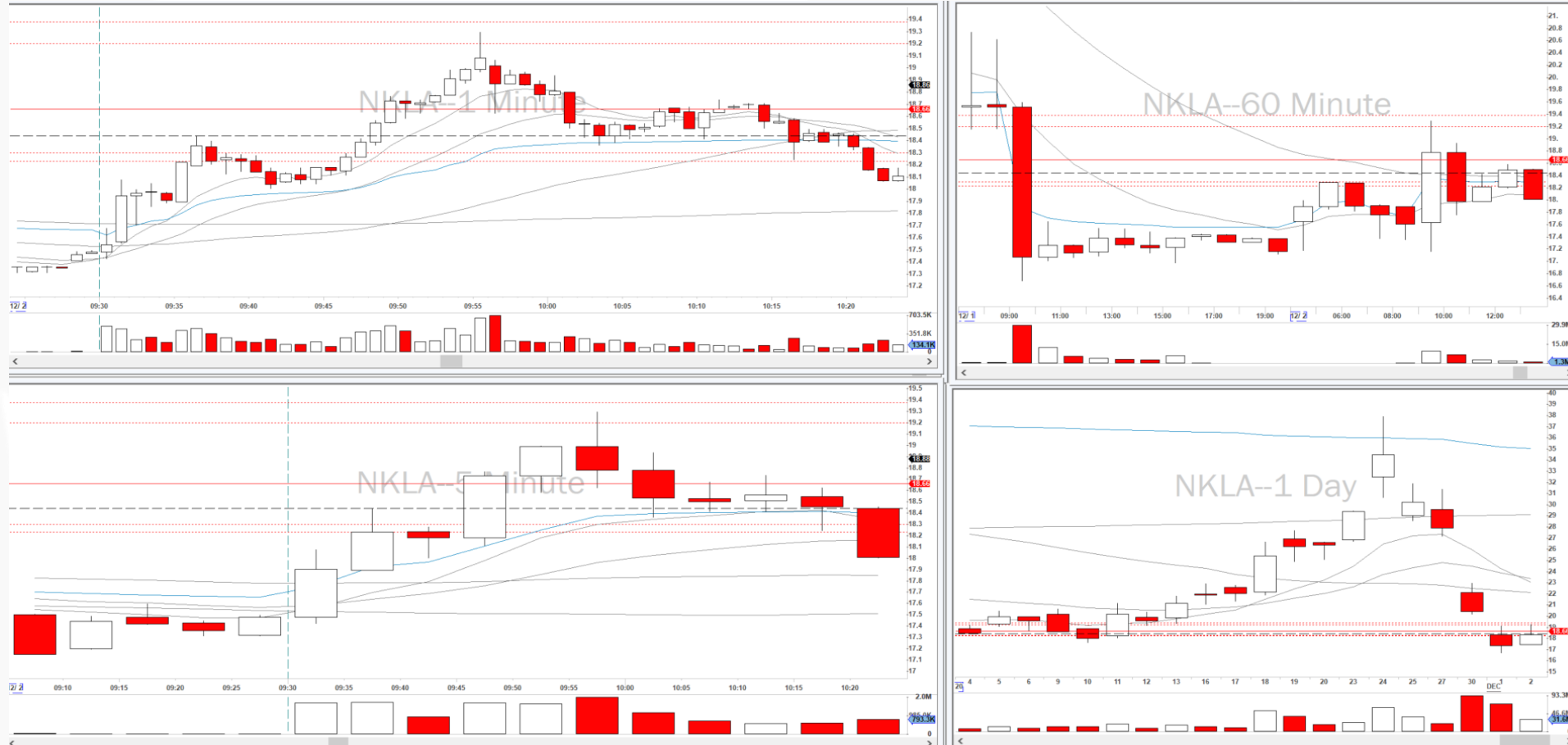
- A)The break of the original C
- B)The break of the second bottom
- C)New 1-minute low if the entry is the break of the high of the second consolidation

Adds:

- It's possible to add at the break of the second bottom if the entry was before the break
- Another possible add is the break of B

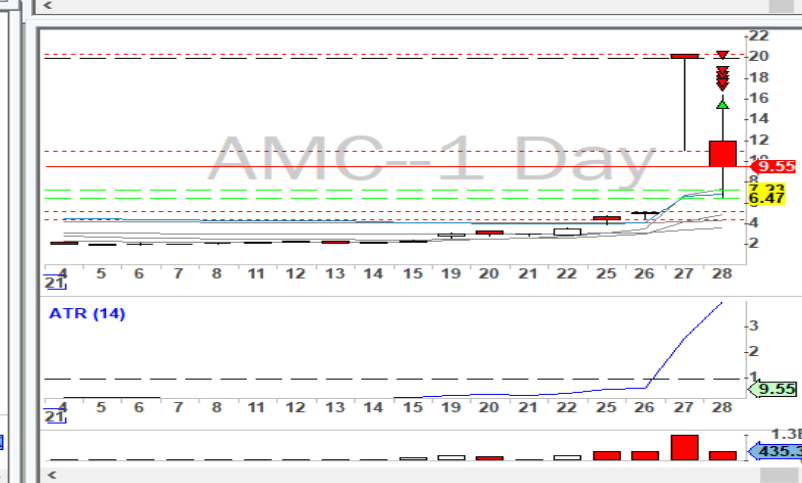
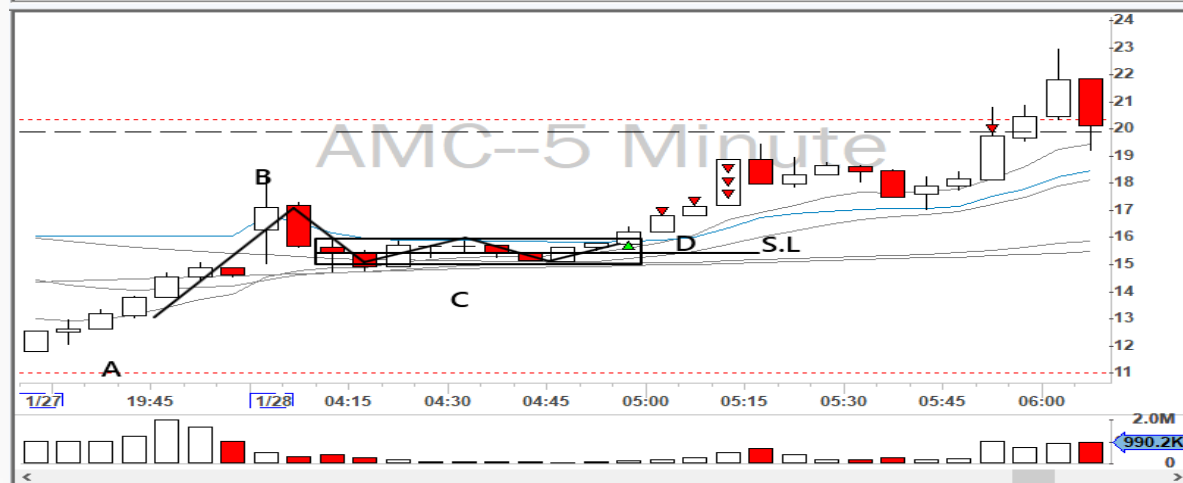
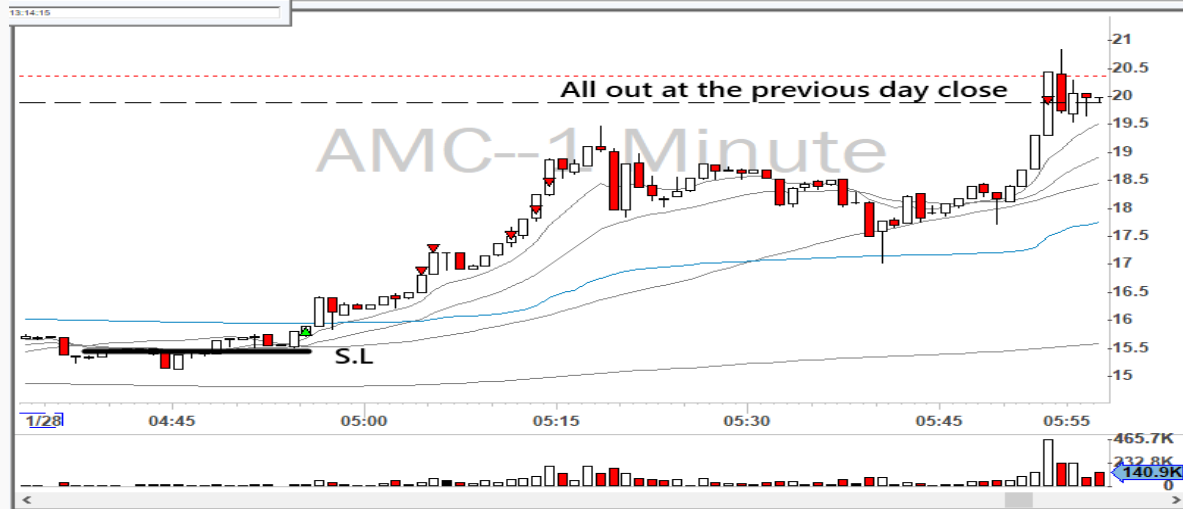
Types of ABCD patterns

-Example of why should we wait for the W, M shape on Type C



Types of ABCD patterns

-Examples for type C



Price	Qty	Flag
26.25		
25		
23.75		
22.5		
21.25		
20		
18.75		
17.5		
16.25		
15		
13.75		
12.5		
11.25		
10		
8.75		
7.5		
6.25		
5		

Setup:
-ABCD pattern type 3

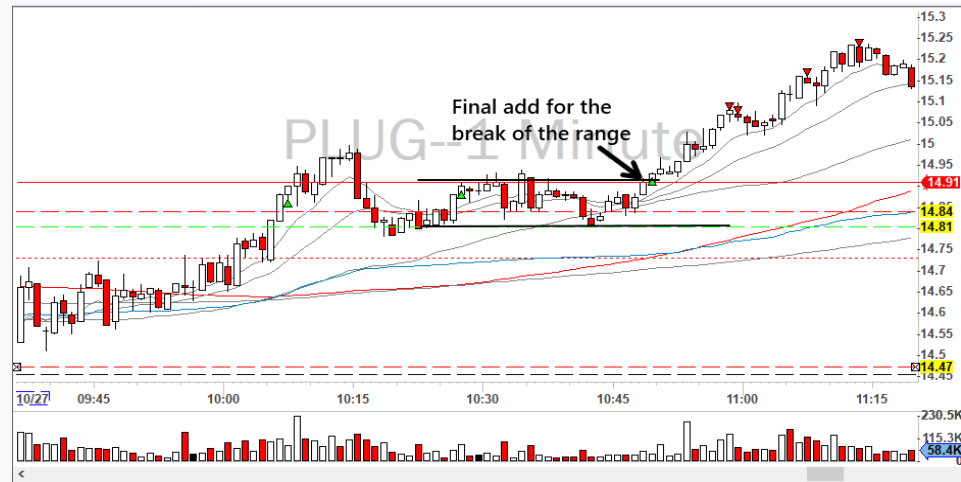
Indicators:
1) Hammer on the daily indicating a bullish previous day
2) New 60-minute high
3) ABCD pattern with W shape on the 5-minute chart.
-Extra push was the hype AMC, BB, GME, etc.. got last few days

Entry:
-New 5-minute high for the break of the 5-minute range

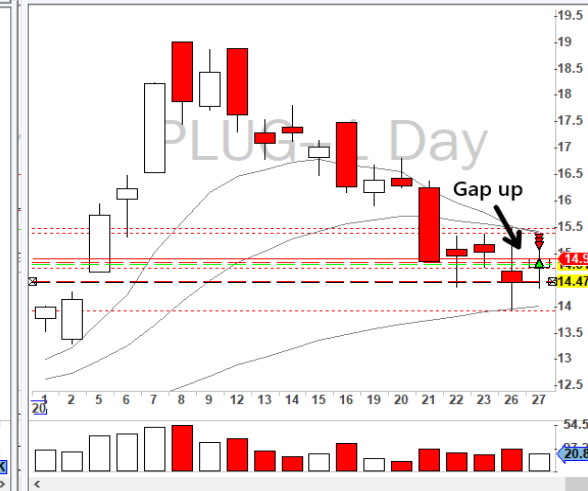
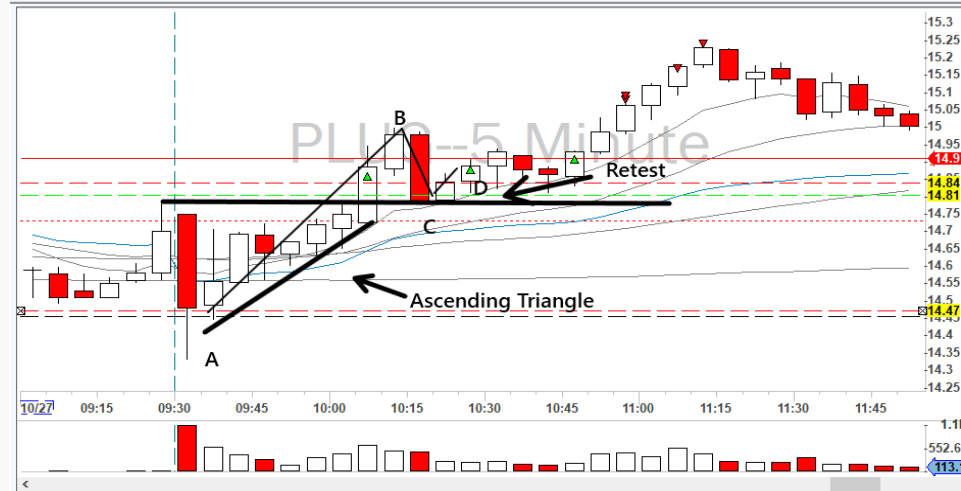
Stop loss:
-Half of the 5-minute range

Types of ABCD patterns

-Examples for type C

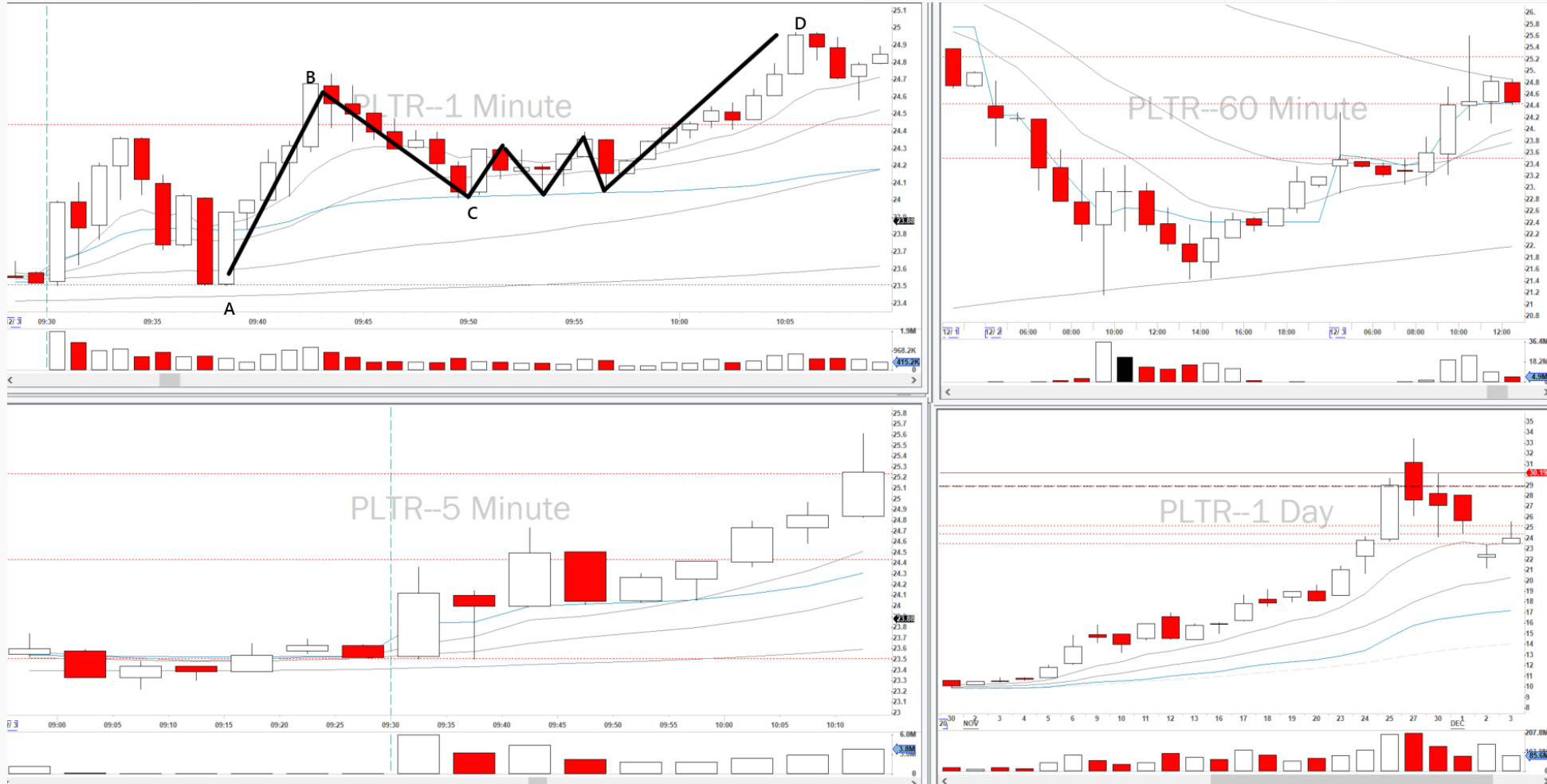


Price	Qty	Time	Flag
Setup:			
-Breakout			
Indicators:			
1)Gap up on the daily chart			
2)Squeeze above VWAP after an initial selloff.			
3)Ascending triangle on the 5-minute chart			
Entry:			
1)At the break of the HOD and the initial range			
Adds:			
1)ABCD pattern on the 5-minute chart			
2)Break of the second range			
Partials:			
1)At the break of the HOD and above			
Reason for full exit at \$15.25 is that it did \$0.5 cents move with no pullbacks. The daily chart was also weak(Forming reverse ABCD pattern) which is why I didn't want to hold on for a trend on this one			



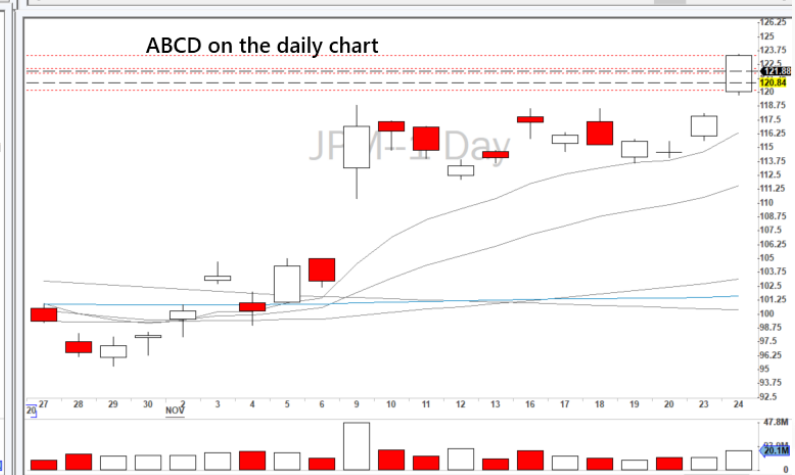
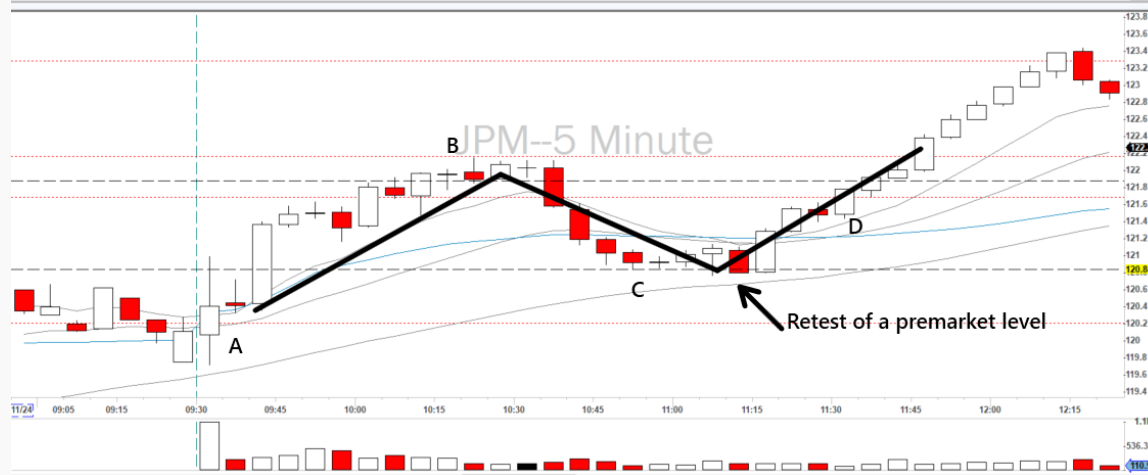
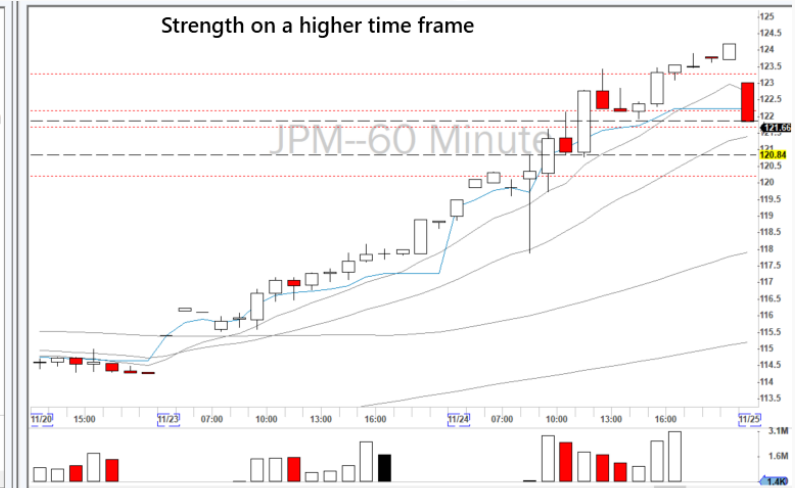
Types of ABCD patterns

-Examples for type C



Types of ABCD patterns

-Examples for Exceptions on type C



Types of ABCD patterns

-Examples for type C Exception



Tips For Getting Better Entries

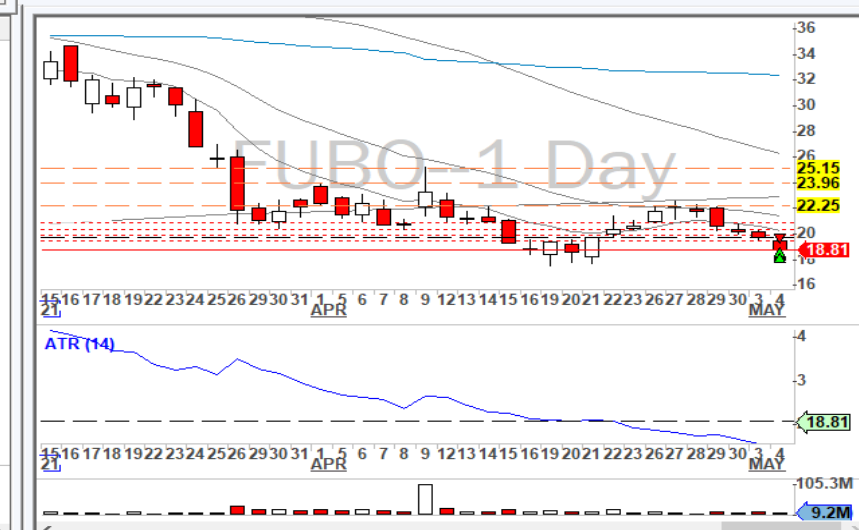
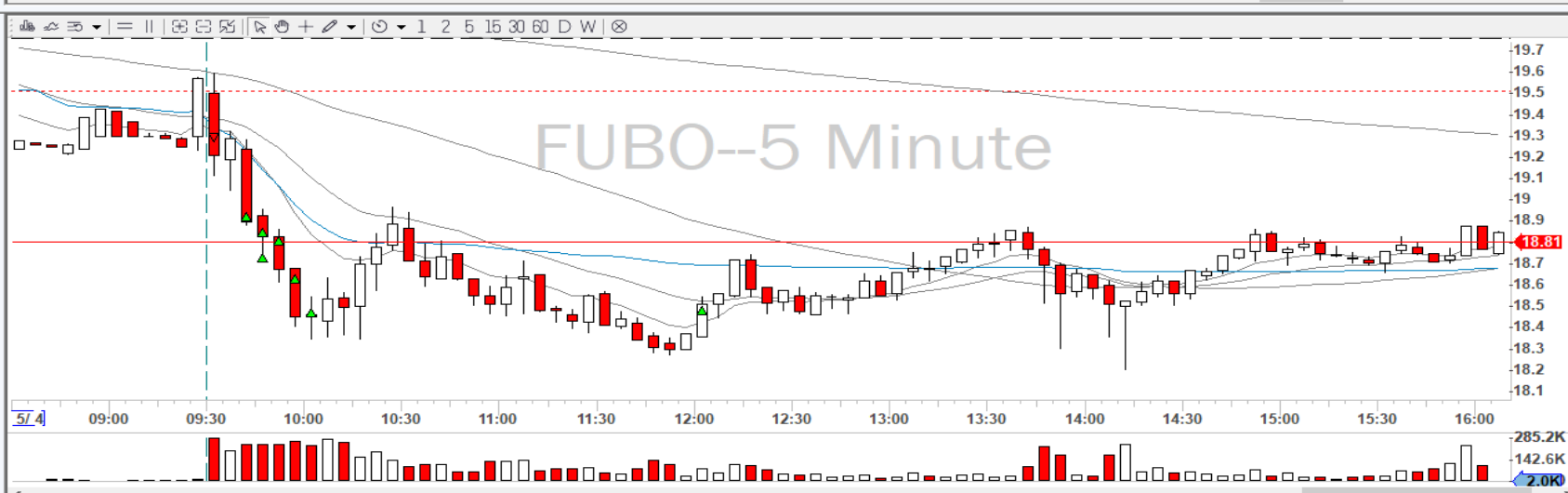
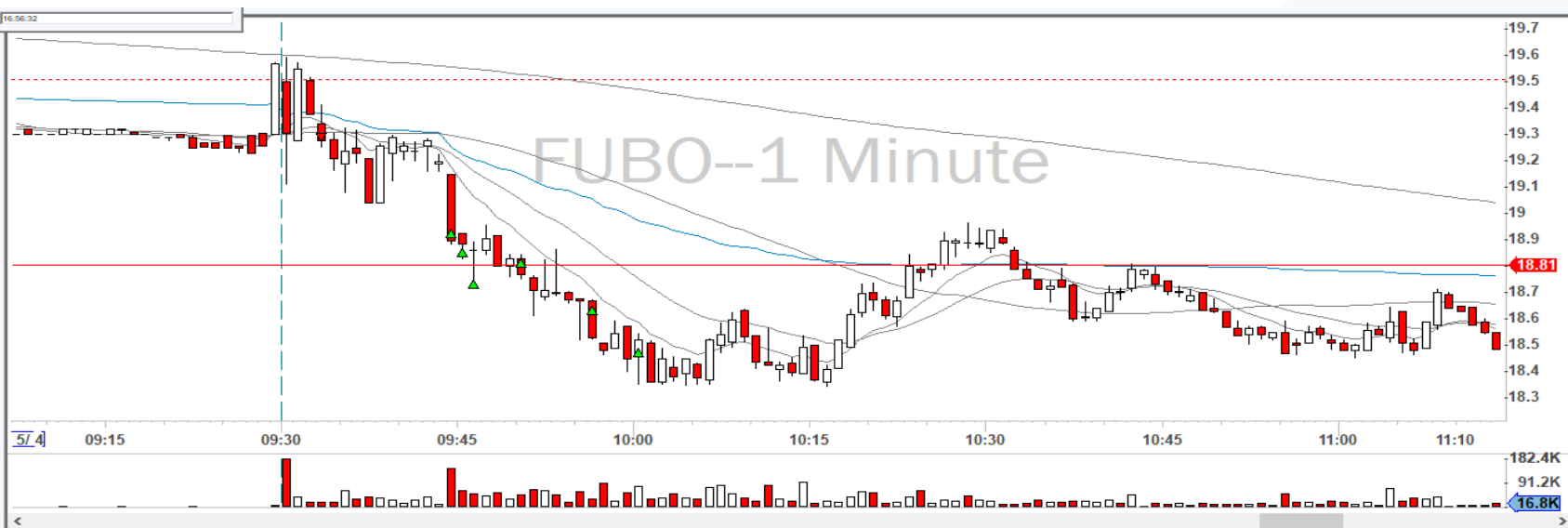
- 1) It's difficult to make many Rs on an ABCD pattern because of the wide stops, to make the most of it, work on adds. An ABCD pattern is a trend continuation pattern, and if we're expecting a continuation, why not adding?
- 2) Don't tighten your stops before the breaks.
- 3) Pay close attention to the trend on bigger time frames.
- 4) Pay close attention to the ATR

Exception:

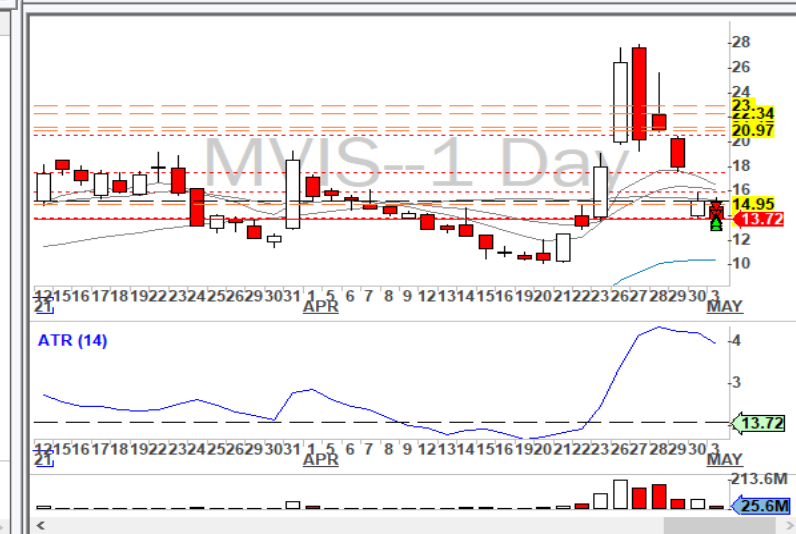
Get an entry on the 1-minute chart if the stock meets both of the following criteria's

- 1) Pierce of the 9EMA on the 5-minute chart
- 2) Bounce of a previous swing high/low

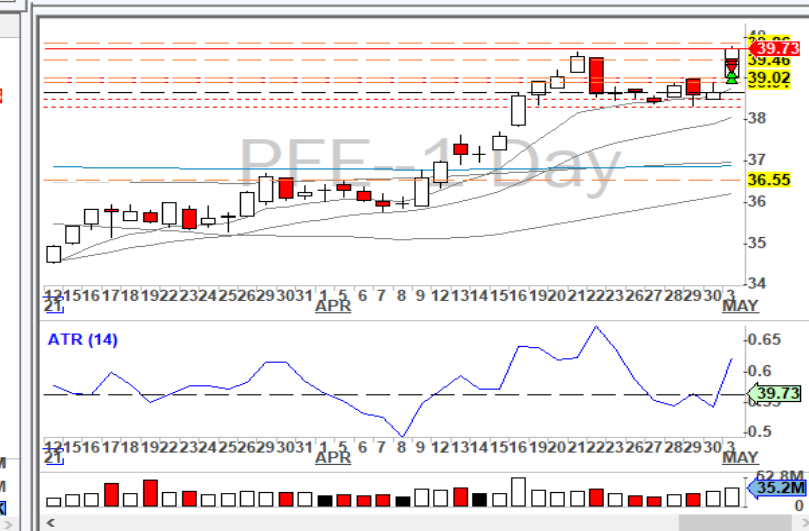
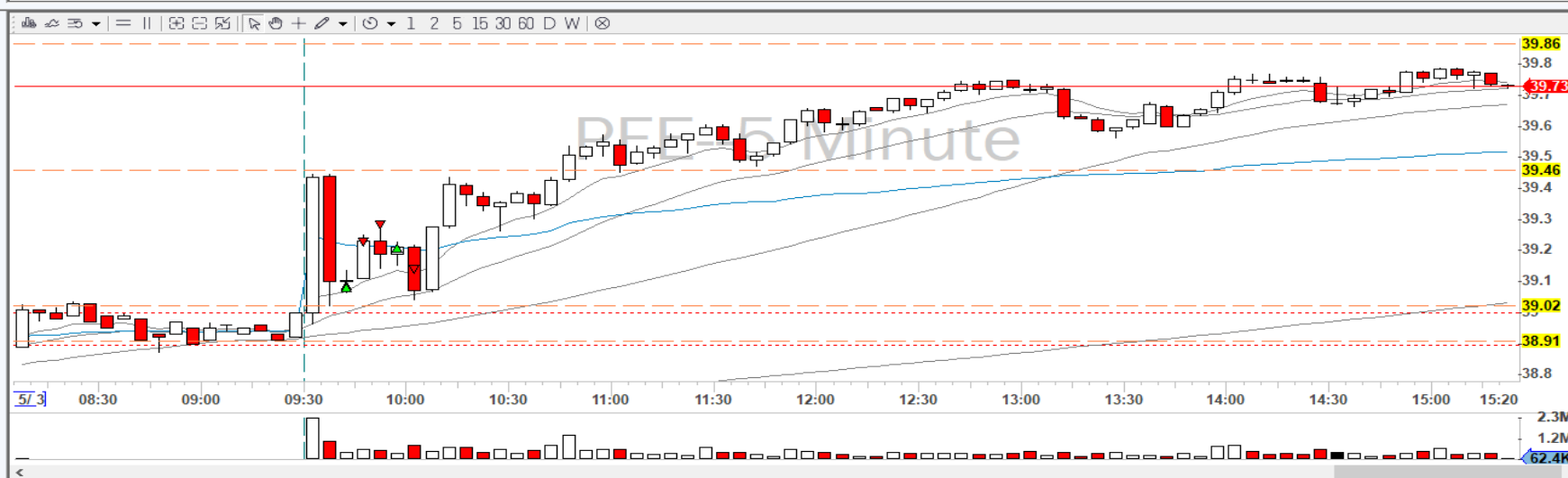
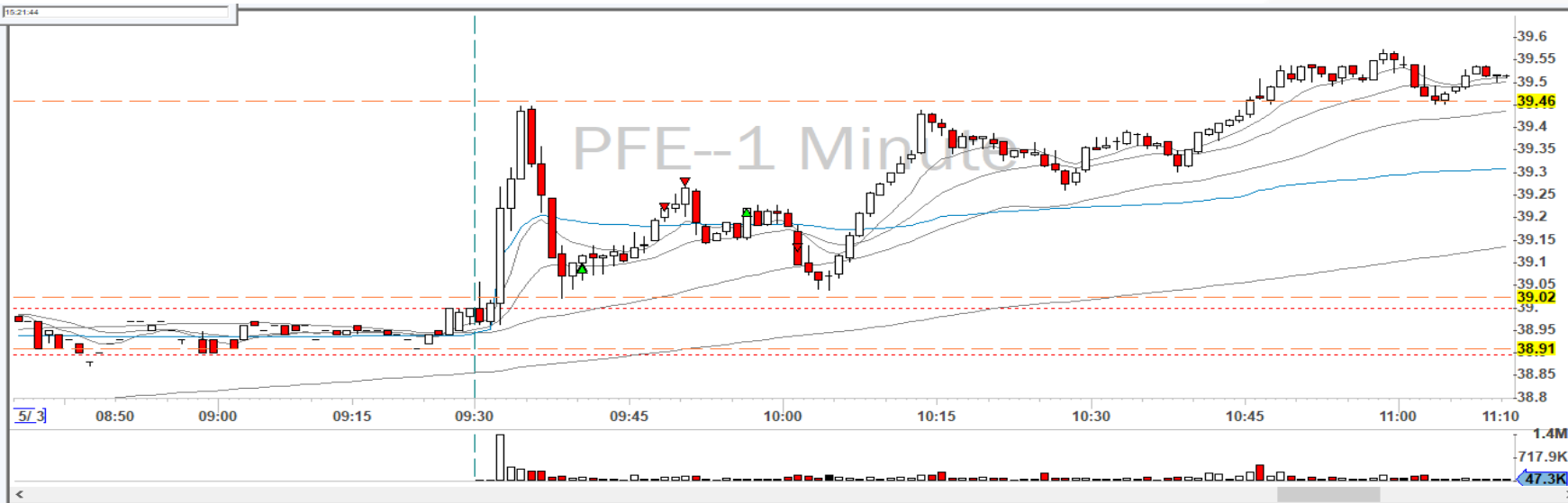
Tips For Getting Better Entries



Tips For Getting Better Entries



Tips For Getting Better Entries



Tips For Getting Better Entries

