



# Trading the ABCD Pattern

PRESENTED BY:

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# Outline

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## 1. Introduction

- Why do we trade patterns?
- The downside of trading patterns
- Why did I choose ABCD pattern as my personal edge

## 2. Market Stages

- Identifying Market Conditions
- How Market Stages Affect Pattern Validity
- Adapting the ABCD Pattern to Different Market Stages

## 1. Rules

## 2. Type of ABCD patterns.

## 3. Tips for Getting Better Entries

# Introduction

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## 1. Why do we trade patterns:

A) Patterns have been used for so many years

B) Patterns are self fulfilling prophecy, Patterns reflect market psychology, helping traders anticipate movements efficiently.

## 2. The downside of trading patterns

A) The clustering illusion.

B) Patterns could cause us to force a trade

## 3) How to not get caught overtrading patterns?

-By Understanding market structure

# Introduction

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# Introduction

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-Why ABCD pattern?

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

# Market Stages

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**-Any clean stock would usually move through these stages**

**1)Range.**

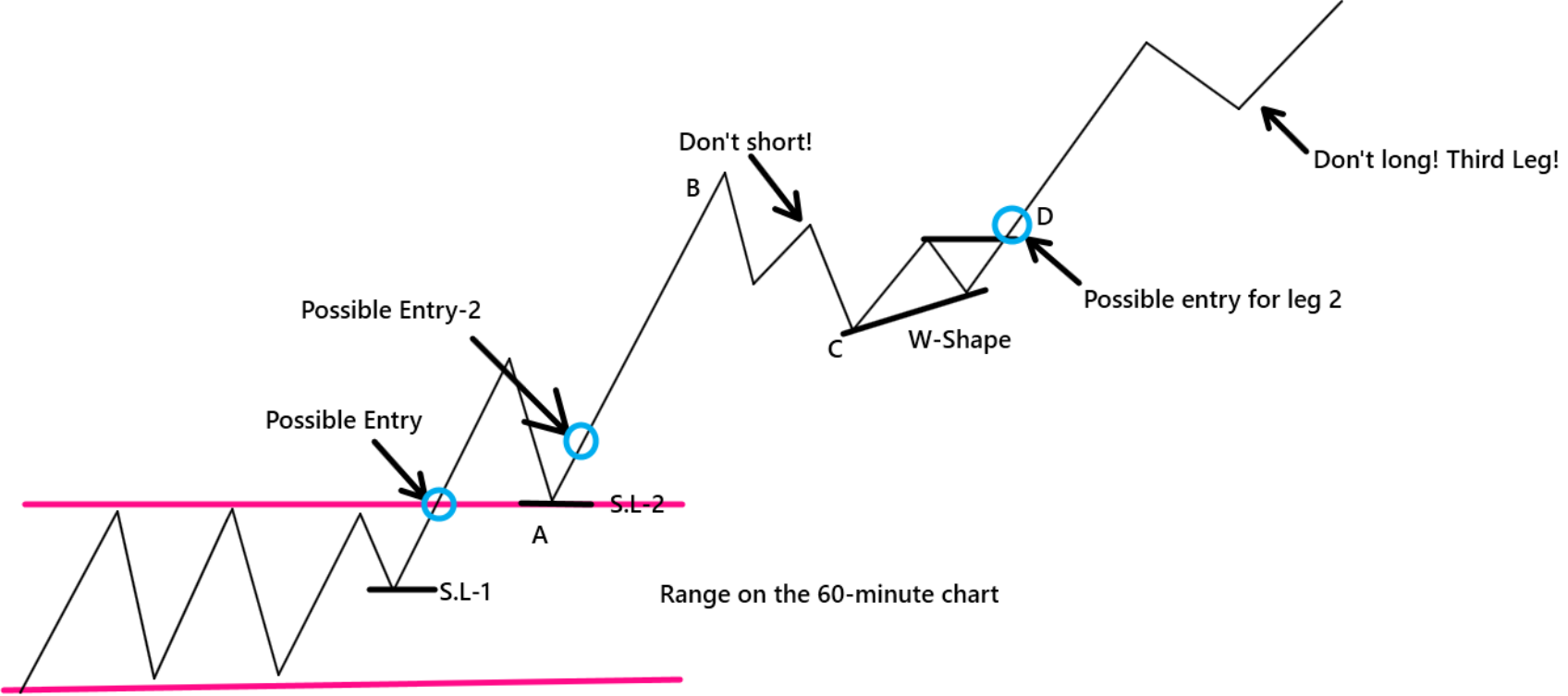
**2)Breakout + Retest.**

**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.**

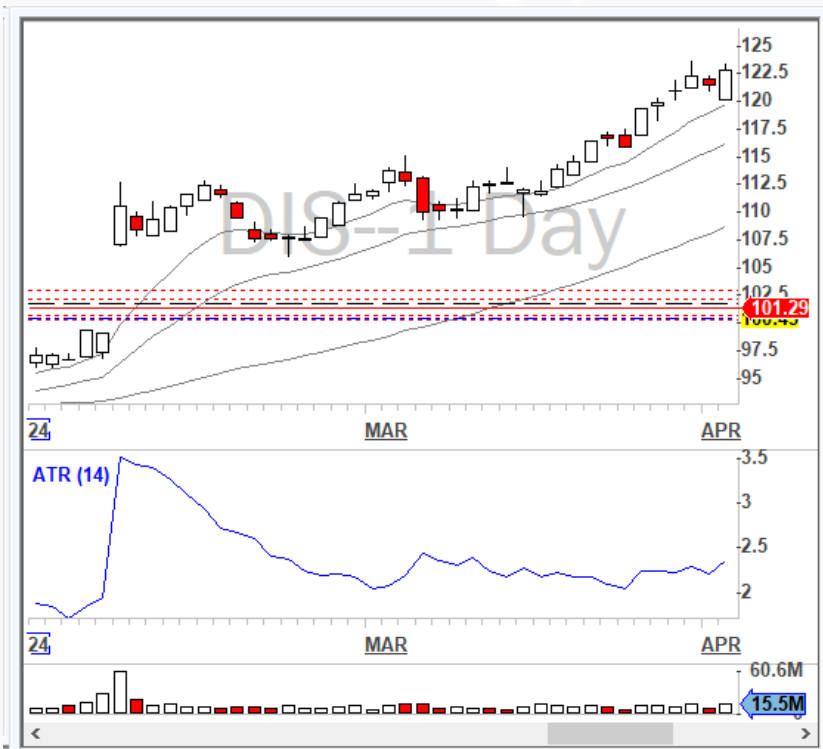
# Market Stages



# Market Stages

ABCD Pattern Strategy works best on a market that is trending on the daily chart, or has a clear direction. Avoid Choppy Daily charts.

-Example of a daily Chart that is good For an ABCD Pattern:

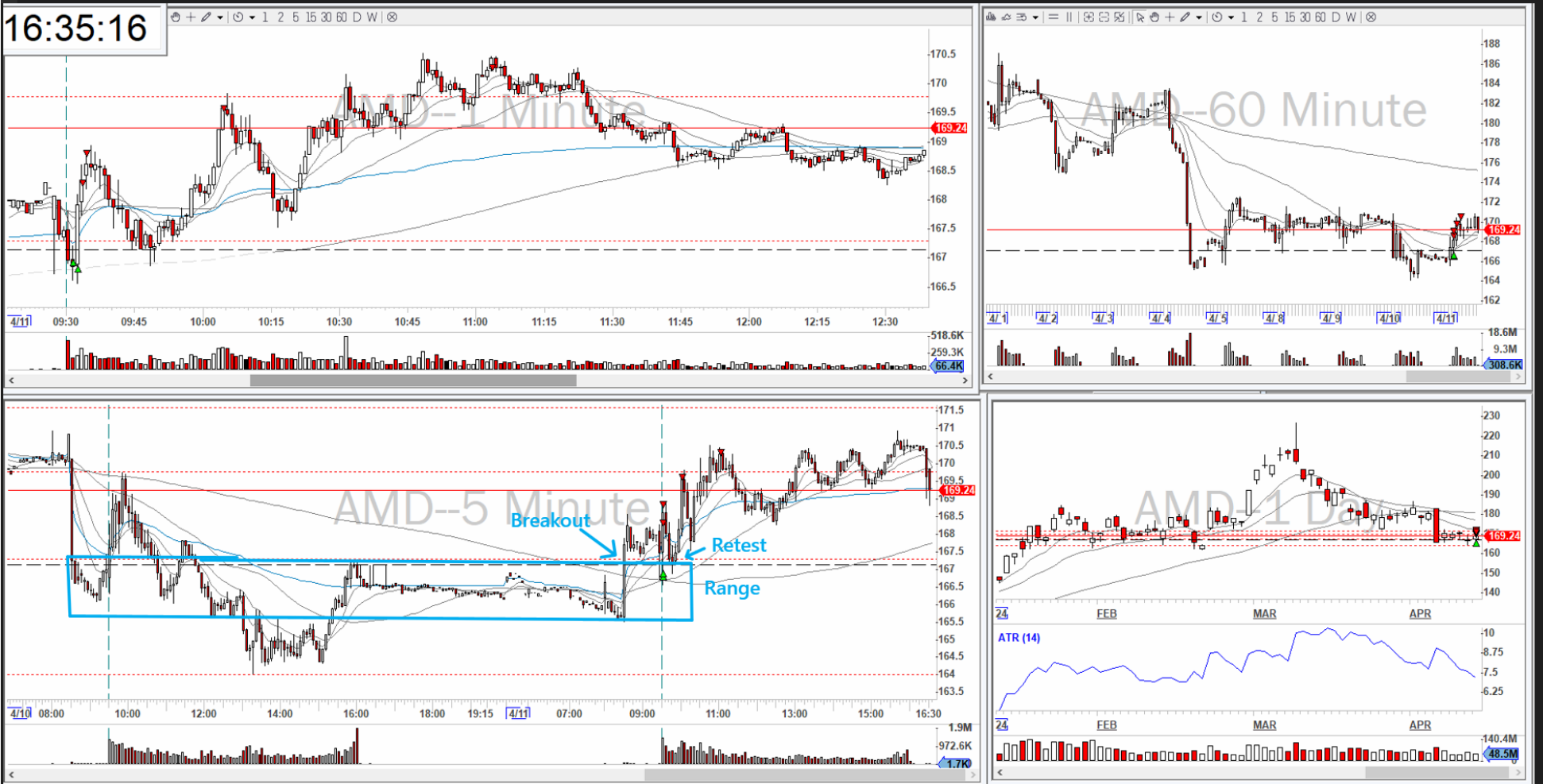


-Example of a daily chart that is bad for an ABCD Pattern:



# Market Stages

- Example of a stock illustrating market stages



# Rules

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**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:**

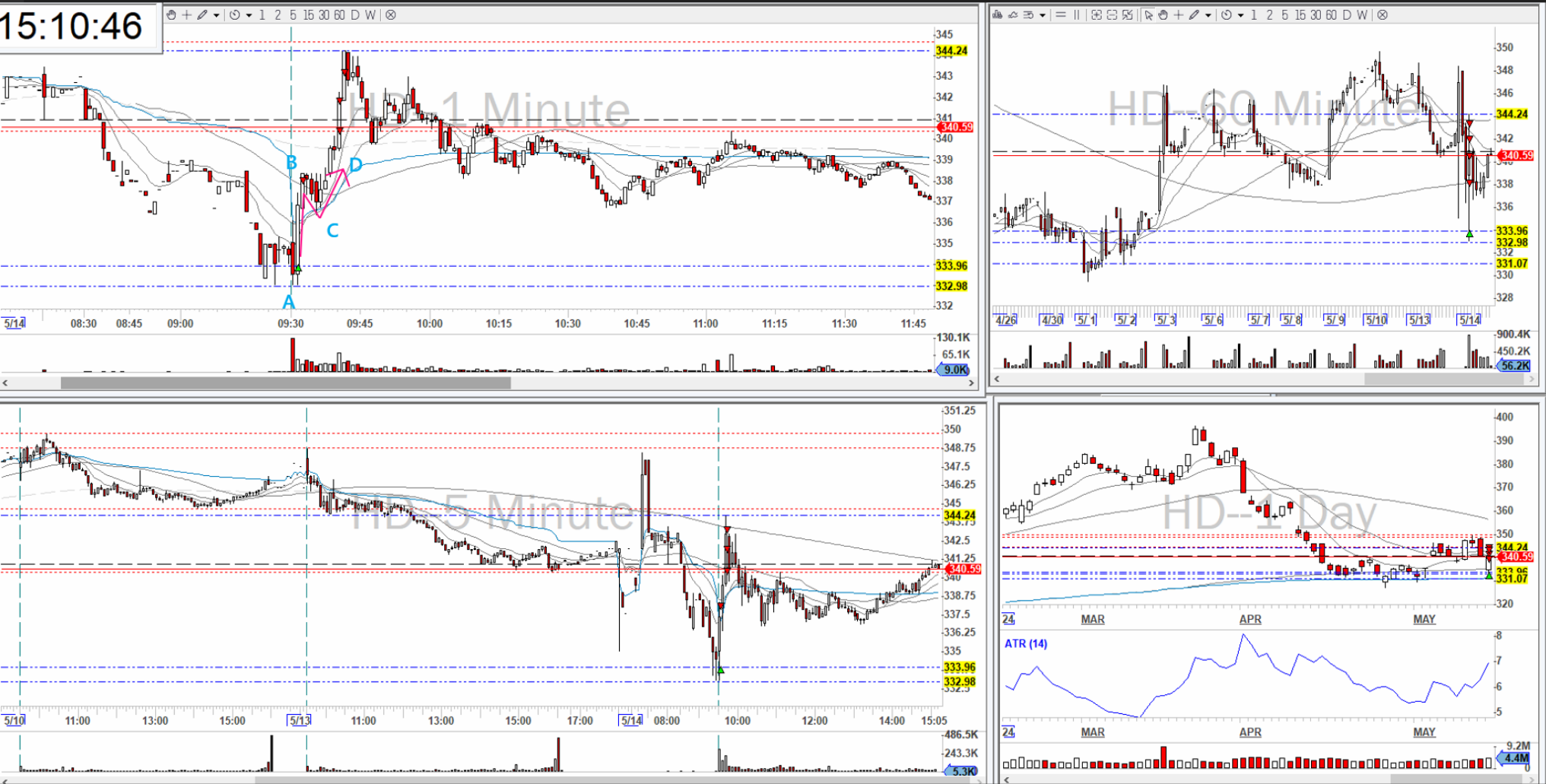
-You can take an ABCD pattern for the breakout(For example a break of a range)

-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**

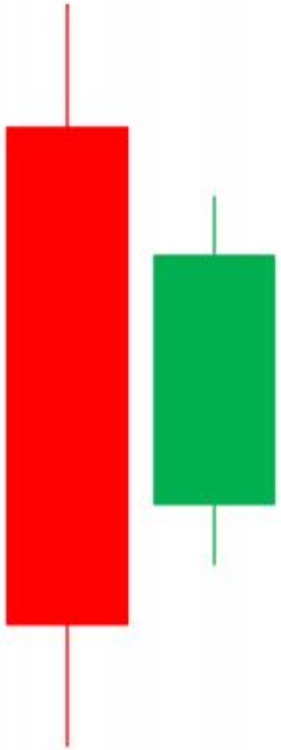
# Rules: Trading the ABCD Pattern on the 1m chart



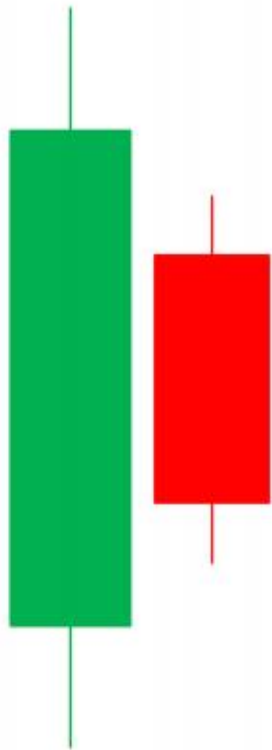
# Important candlesticks

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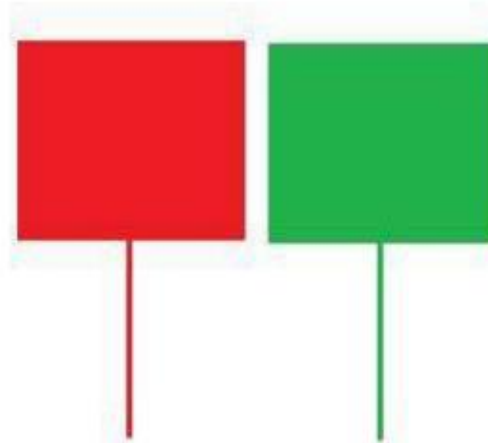
BULLISH HARAMI



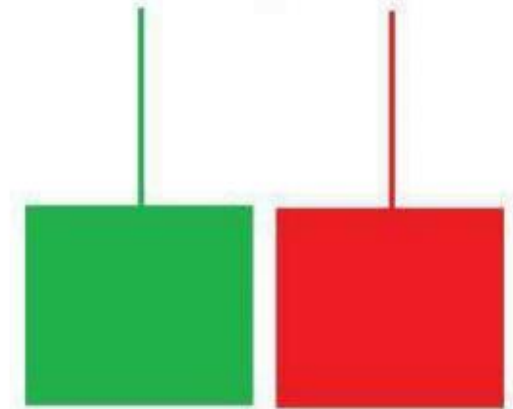
BEARISH HARAMI



Tweezer  
Bottoms



Tweezer  
Tops



# Types of ABCD patterns

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## 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:

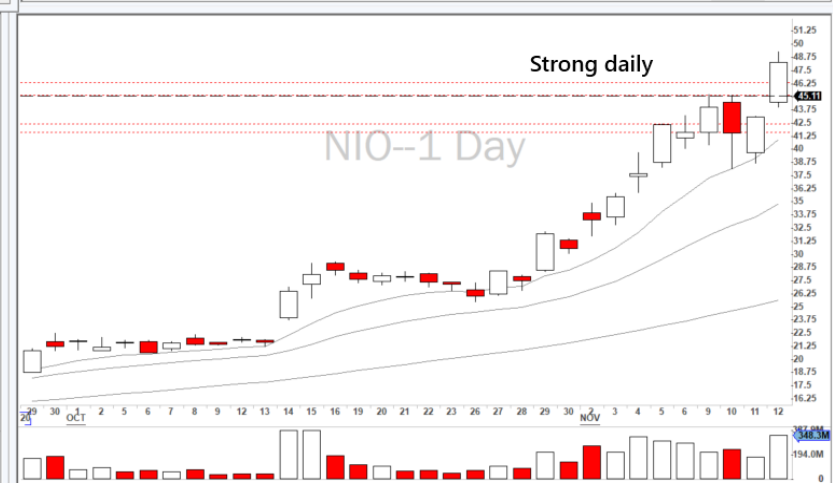
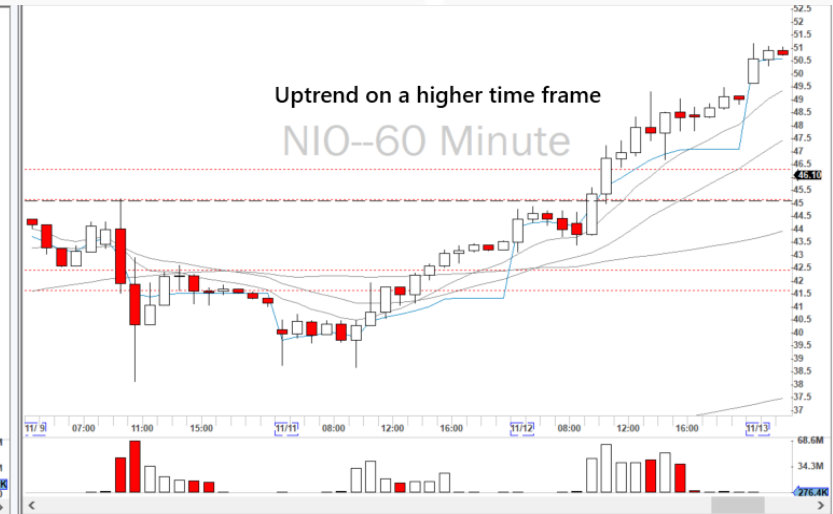
- A)With an early entry, stop loss is the break of C
- B)If the entry is at the breakout area, stop loss would be a previous candle low or half of the range if there's a range formed

### 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

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## 2)Type B

- After an uptrend, the consolidation slightly sloping 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:

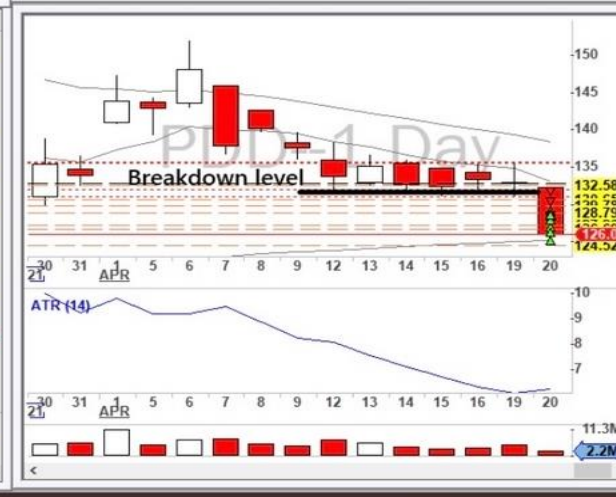
- A)With an early entry, stop loss is the break of C
- B)With a new high after the bounce of C, stop loss is still level C

### 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
<b>Setup:</b>	
-Breakdown	
<b>Indicators:</b>	
-Descending Triangle on the 60-minute chart	
-Reverse ABCD pattern on the daily	
-Bullish Engulfing Sandwich on the 5-minute chart	
<b>Entry:</b>	
-New 5-minute low	
<b>Adds:</b>	
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	
<b>Notes:</b>	
-Could've added more on the reverse abcd patterns at 10:40, 11:15, but hesitated, which is something I need to work on	
<b>Net R:R</b>	
-7Rs	

# Types of ABCD patterns

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## 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:

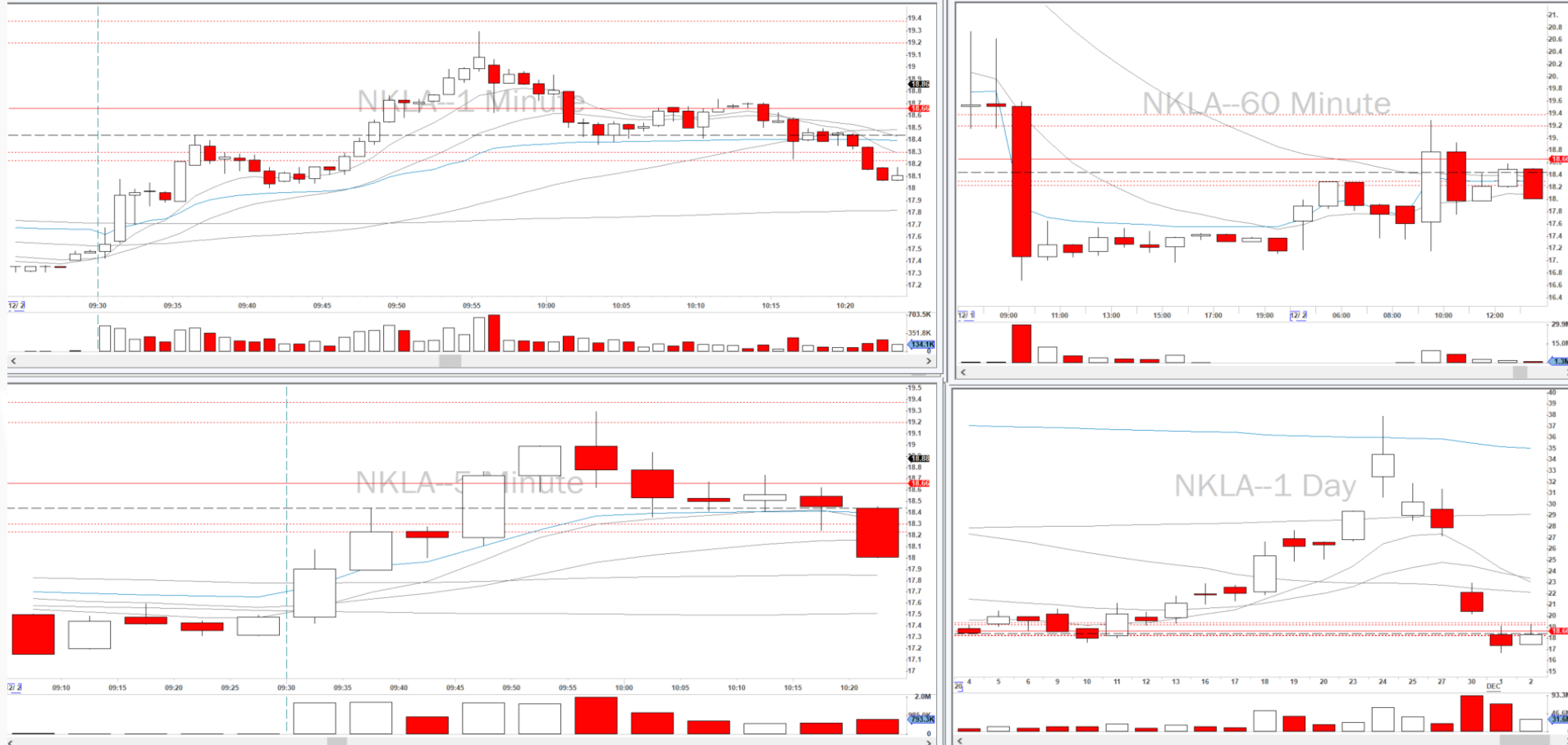
- A)The break of the original C
- B)The break of the second bottom
- C)New 1-minute low if the entry is the break of the high of the second consolidation

### 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

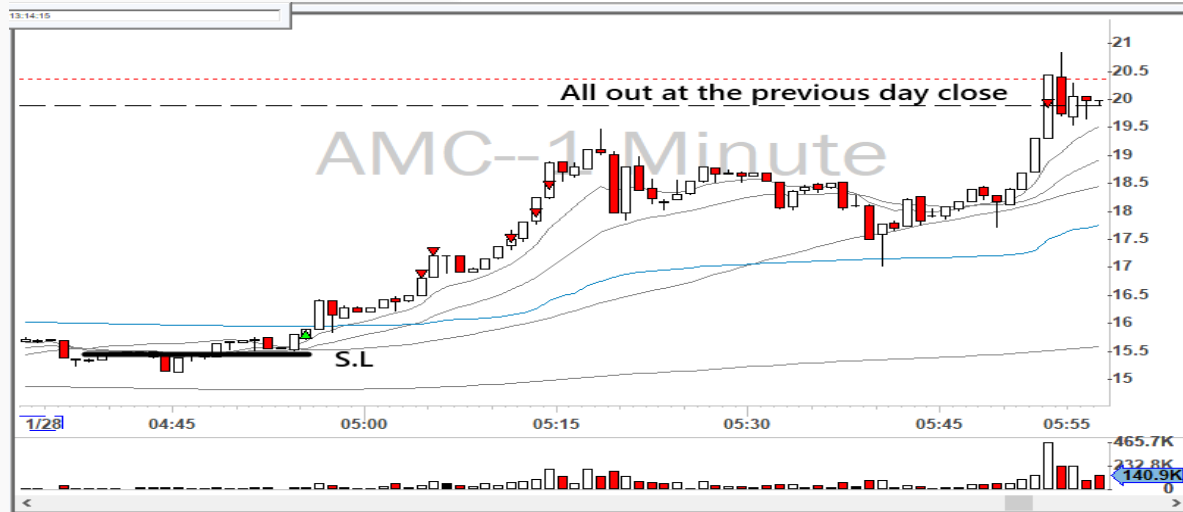
# Types of ABCD patterns

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



# Types of ABCD patterns

## -Examples for type C



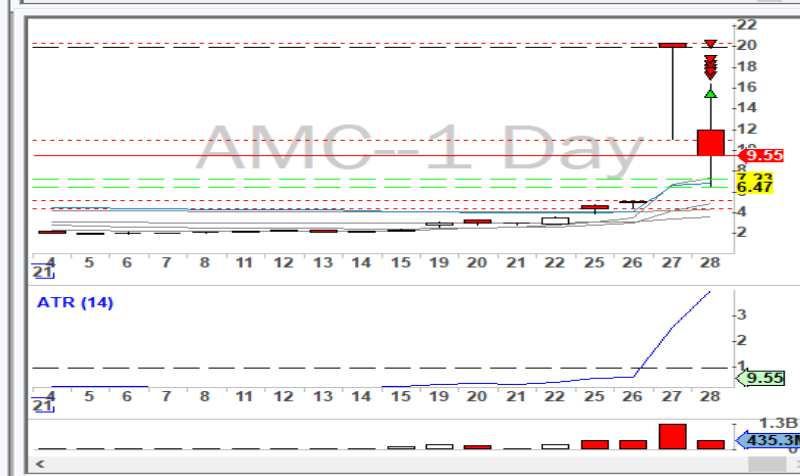
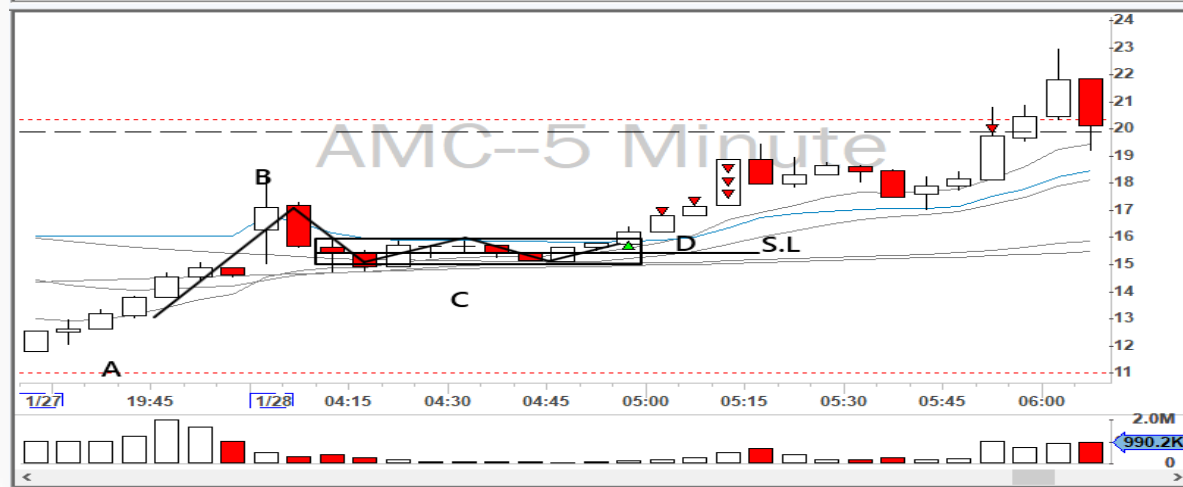
Price	Qty	Flag
27.5		
26.25		
25		
23.75		
22.5		
21.25		
20		
18.75		
17.5		
16.25		
15		
13.75		
12.5		
11.25		
10		
8.75		
7.5		
6.25		
5		

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

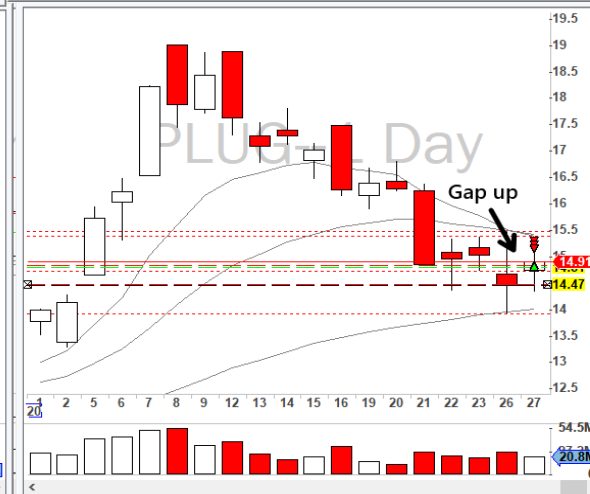
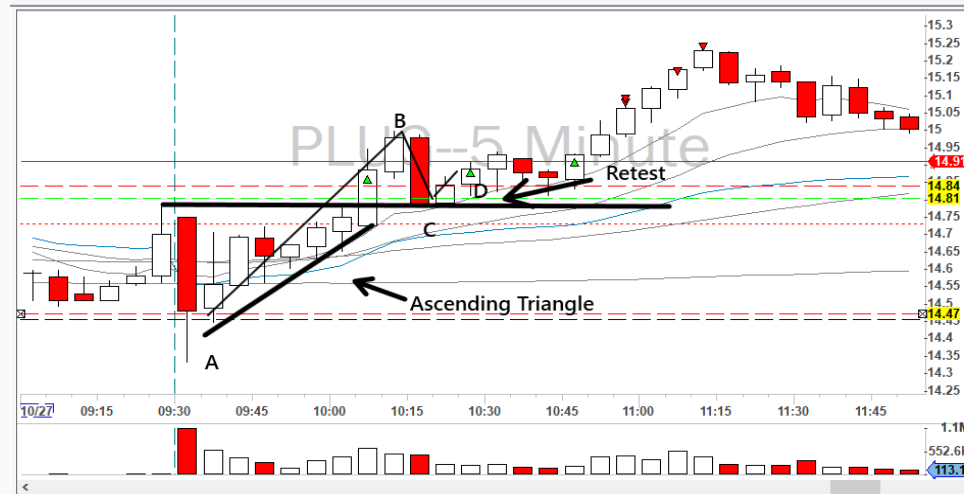
Entry:  
-New 5-minute high for the break of the 5-minute range

Stop loss:  
-Half of the 5-minute range



# Types of ABCD patterns

## -Examples for type C



Price	Qty	Time	Flag
14.91			
14.84			
14.81			
14.47			

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

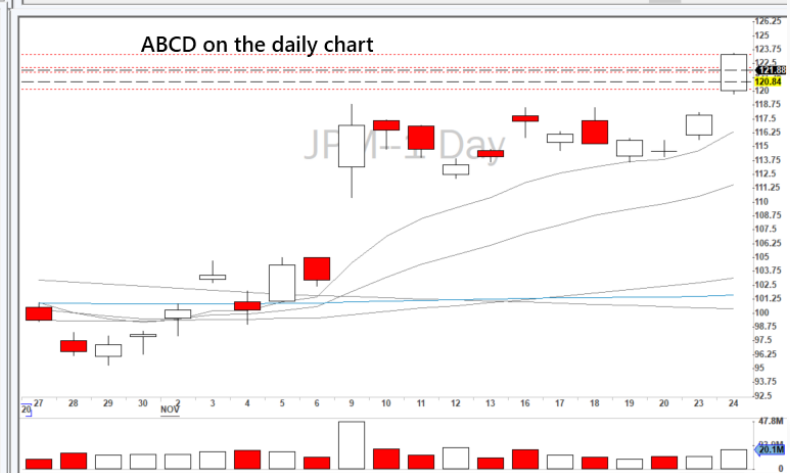
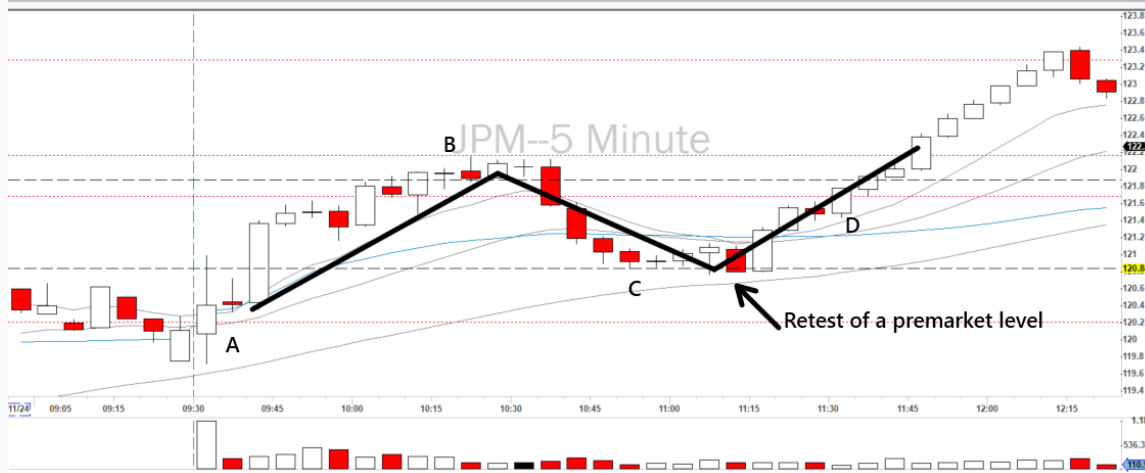
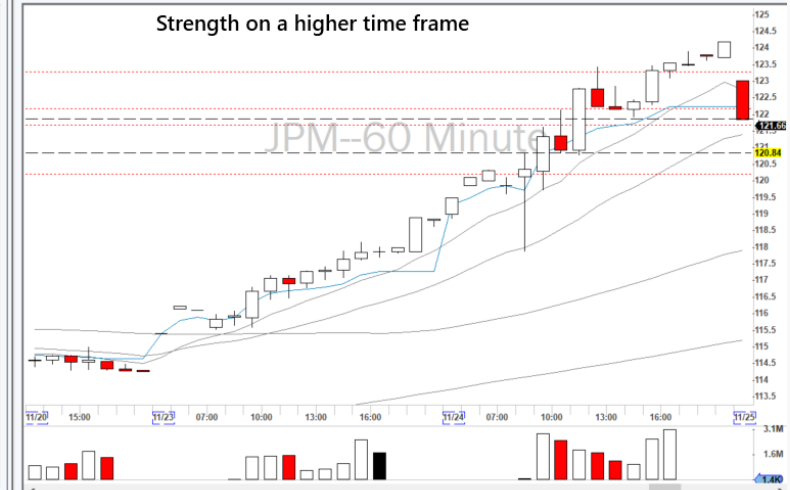
Adds:  
1)ABCD pattern on the 5-minute chart  
2)Break of the second range

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 Exceptions on type C



# Tips For Getting Better Entries

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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

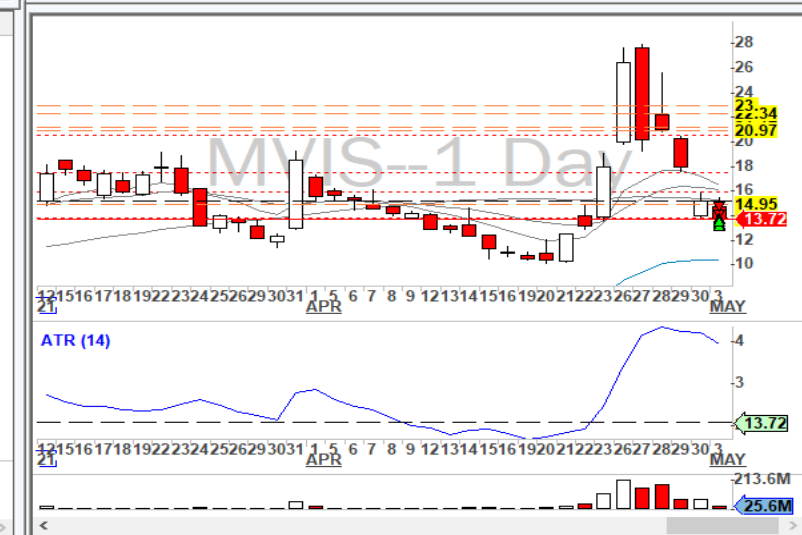
## **Exception:**

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

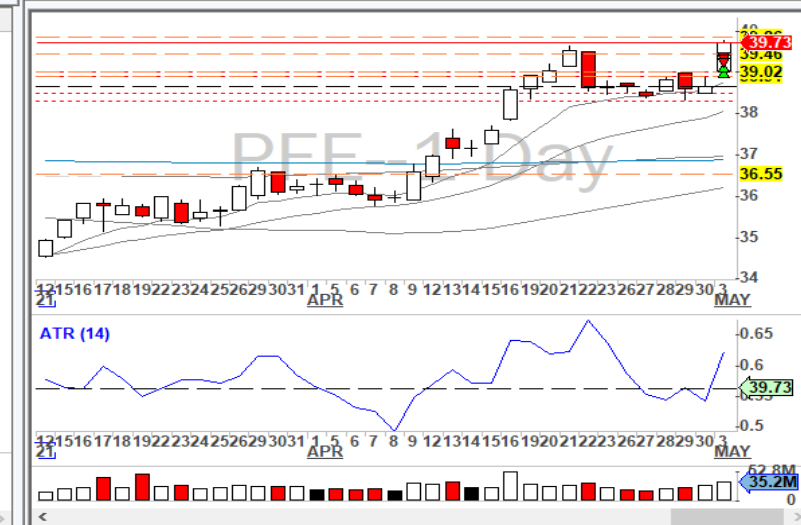
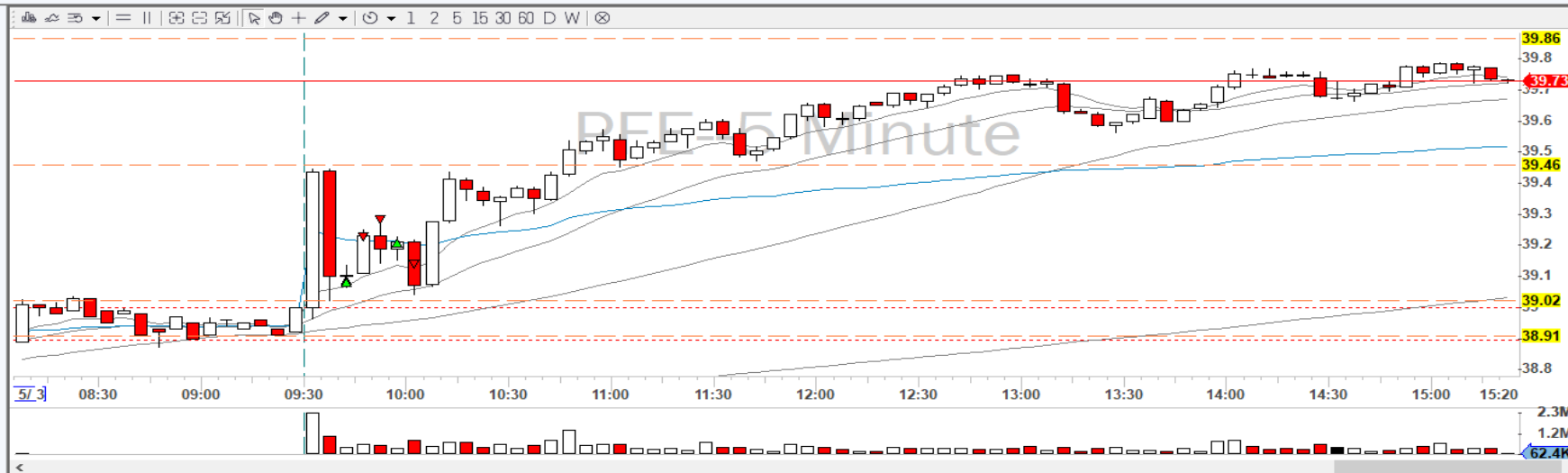
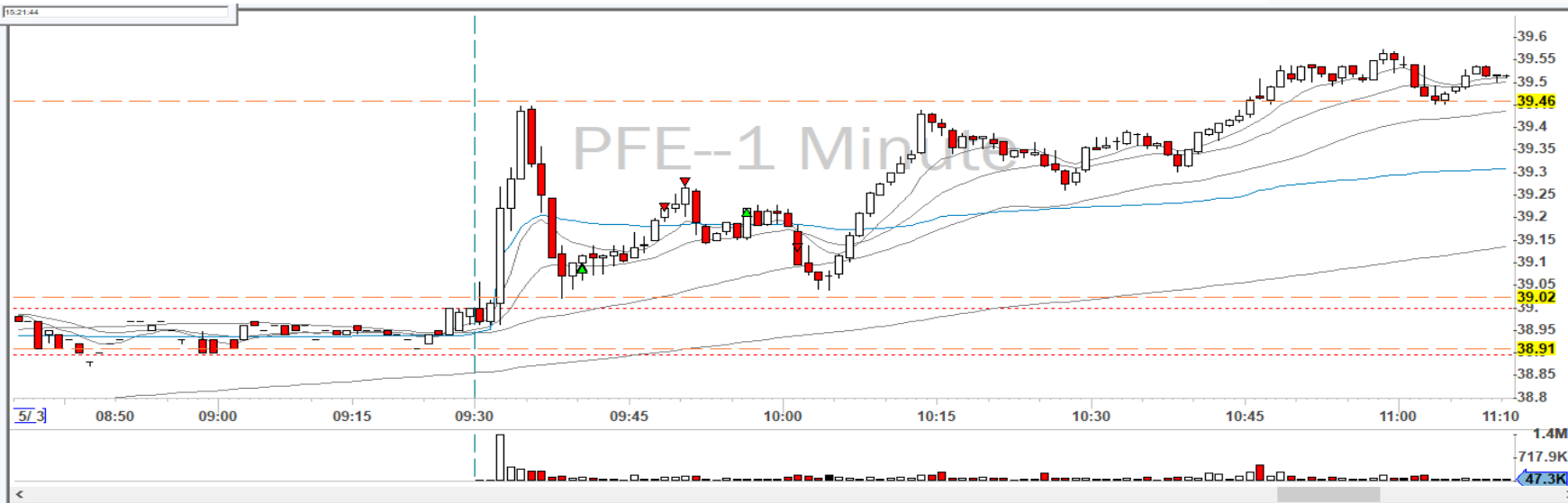
1)Pierce of the 9EMA on the 5-minute chart

2)Bounce of a previous swing high/low

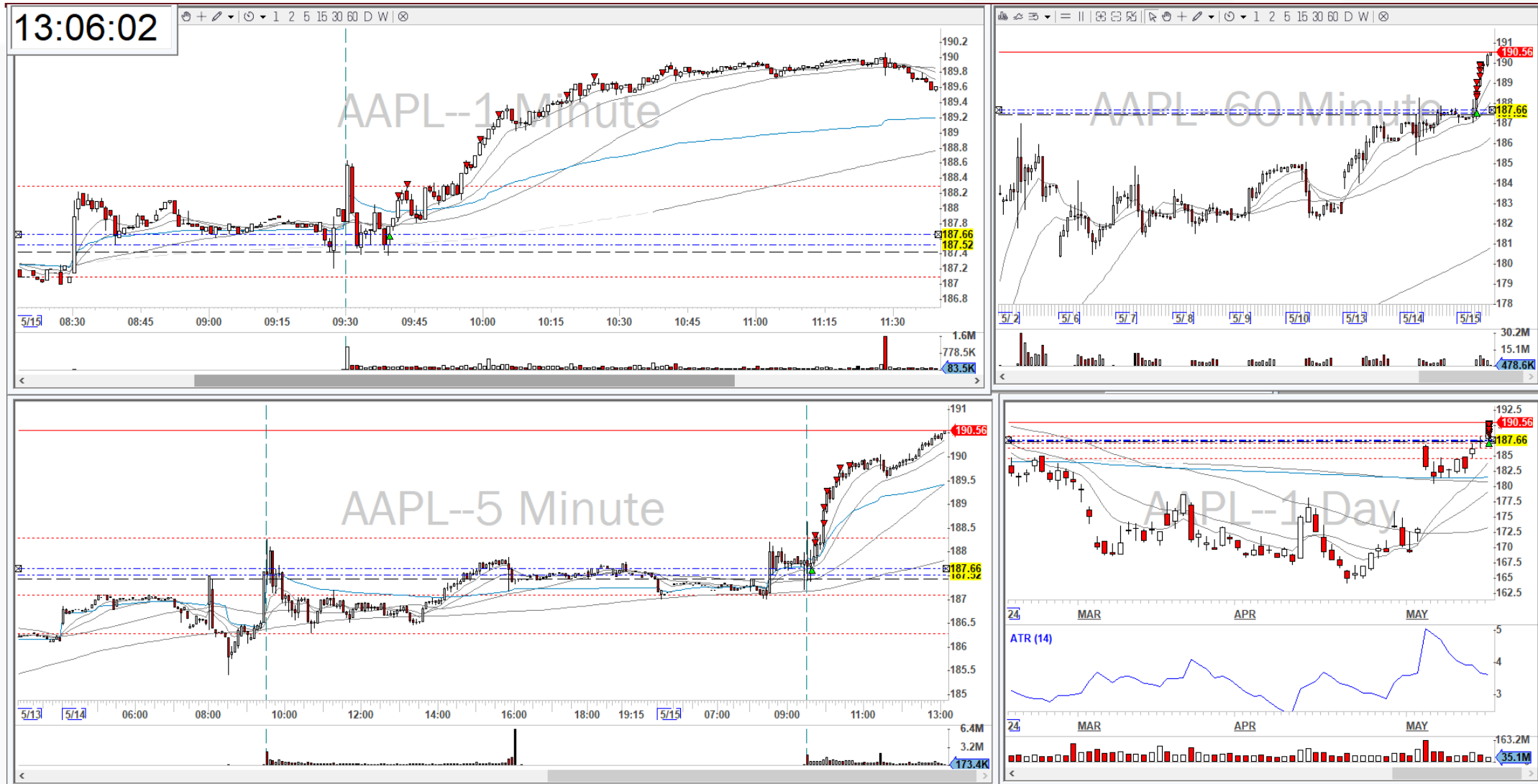
# Tips For Getting Better Entries



# Tips For Getting Better Entries



# Using the ABCD Pattern for a Pinpoint Strategy



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