

Fibonacci Trader Patterns

Pattern-Breakout: The breakout pattern identifies bars which exceed the highest high on the upside or lowest low on the downside over a lookback period of bars which may be specified by the user. The pattern also provides an option allowing the user to specify whether the breakout bar must close above the previous highest high or lowest low, or if simply exceeding the prior high or low during the time period of the bar is acceptable.

Breakouts can be used to signal a change in momentum or the potential initiation of a new trend. The concept is generally applicable to any time frame.

Pattern-Gap Reversal: The gap reversal pattern identifies bars which gap open above the high or below the low of the preceding bar, then close strongly in a countertrend direction. This pattern is most applicable to the daily time frame and is sometimes indicative of a reversal of the preceding trend. The gap reversal concept is best illustrated by an example. The biotechnology sector represented by the BBH security exhibited a strong downtrend from mid Sept. 2000 to mid Oct. 2000. On 10/13/00, the BBH opened on a down gap below the low of the previous bar, then closed strongly in an uptrend direction at the very high of the bar. The BBH generally trended higher over the next two weeks. The pattern for a downtrend reversal requires that the open be in the lower 25 % of the bar's range from high to low, and the close be in the upper 25% of the bar's range. The position of the open indicates that while the market gapped lower, it did not significantly trend lower before reversing to the upside, while the requirement for the position of the close indicates that the market managed to close strongly in the direction of the suspected new trend. The opposite is true for gap reversals in uptrends.

Pattern-Range Expansion: The range expansion pattern identifies bars which show an increased range from high to low relative to the average range over a number of preceding bars. This pattern allows the user to specify two variables: the degree of the expansion of range, and the number of previous bars used for calculating the average range to which the range of the current bar is being compared. For example, a common application might be the identification of bars which display a 50% range expansion (Factor = 1.5) relative to the average range of the last 20 bars. Expansion of range indicates increases rapidity of price movement, suggestive of urgent buying or selling which may persist. The concept is generally applicable to any time frame.

Pattern-Congestion pattern: The congestion pattern identifies bars where both the open and close are congested near the middle of the bar. To be specific, the open and close must both fall below the upper 25 % and above the lower 25% of the bar's range from high to low. This pattern attempts to identify congestion where a market opens, wanders higher, wanders lower, and closes reasonably close to where it opened. This concept is most applicable to the daily time frame. Generally, it has been observed that security prices tend to open and close near the high or the low of the day, slightly more often than one would predict from random chance. The congestion pattern identifies bars where both the open and close are distanced from the high and low. The congestion pattern is often followed by a day which exhibits a strong intra-day trend with the open near the high or low.

Pattern-Narrowest Day: That will happen when the current bar has the smallest range of the last n bars.

Pattern-Widest Day: That will happen when the current bar has the biggest range of the last n bars.

Pattern-Price Persistence: This pattern allows users to paint bars which culminate a series of consecutive higher or lower price fields (opens, highs, lows, closes, medium $(H+L+C/3)$, volume or tick volume). One of the hallmarks of trending markets is the ability of price to persistently move up or down for a series of consecutive bars (applicable in any time frame). Depending on individual preference this may be characterized as a series of higher highs or higher closes for an up trend, or a series of Lower lows, or lower closes for a downtrend. This pattern allows the user to specify the price field of interest (open, high, low, close, medium, volume or tick volume), the direction of interest (higher or lower) and the number of consecutive bars required to generate a signal.

For correct volume and tick volume pattern you will need version 3.15 or later.