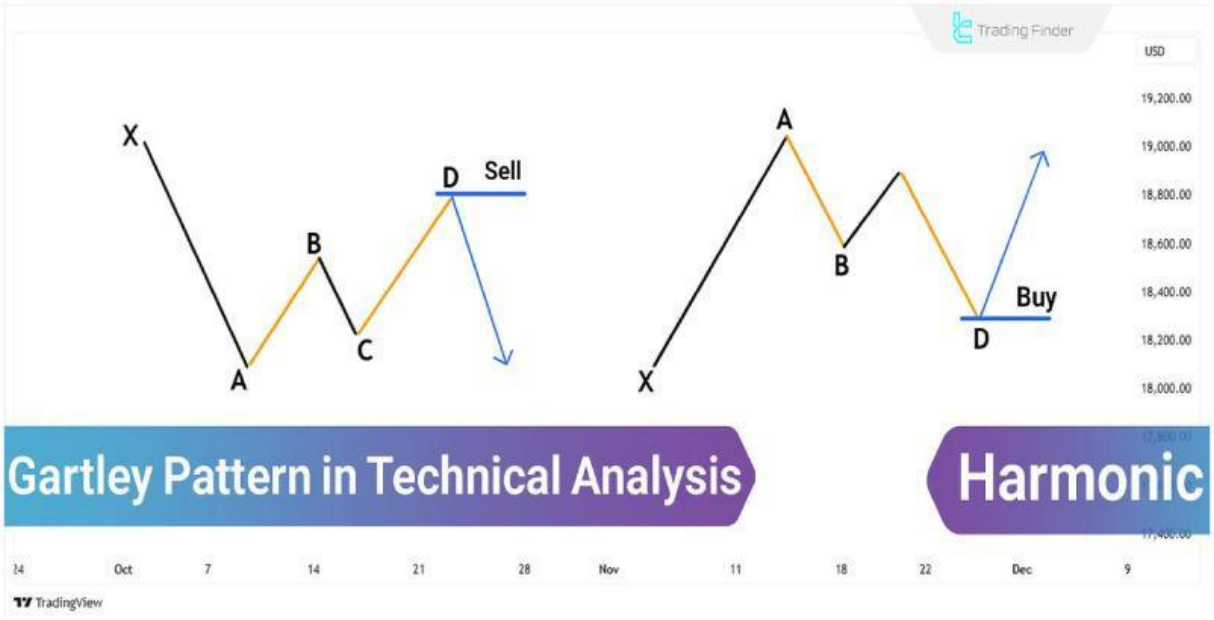
Gartley Harmonic Pattern; Four Price Movements Based on Fibonacci Ratios

The **Gartley harmonic pattern in Forex Markets**, introduced by Harold "**McKinleyGartley**", identifies potential reversal points in price trends using Fibonacci ratios.

It shows traders optimal **entry** and **exit** points in the forex and other financial markets.



How to trade with the Gartley pattern in harmonic patterns

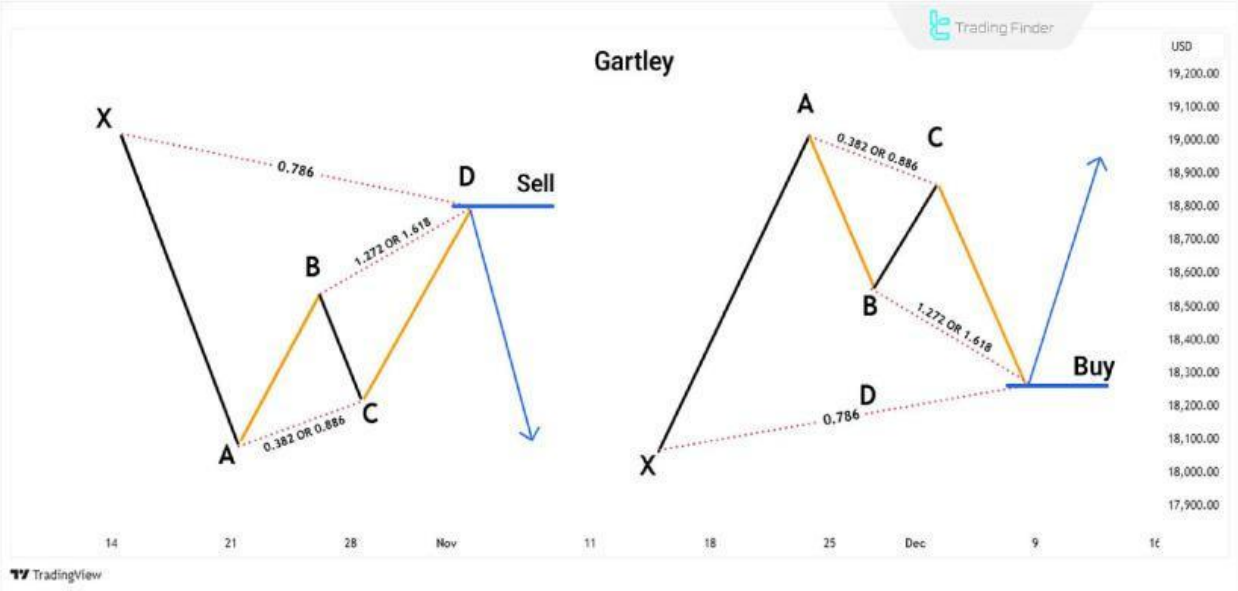
What is the Gartley Pattern?

The **Gartley pattern**, or "222," combines the **ABCD pattern** with an additional point known as **X**.

This pattern typically forms during a trend correction and resembles the letter **M** in an **uptrend** or **W** in a **downtrend**.

The structure of this pattern includes four price movements calculated based on Fibonacci ratios:

- The **AB** move must be 0.618 retracement of the **XA** move;
- The **BC** move is a 0.382 or 0.886 retracement of the **AB** move;
- If **BC** is 0.382 of **AB**, **CD** should be 1.272 times **BC**;
- If **BC** is 0.886 of **AB**, **CD** will be 1.618 of **BC**;
- The **CD** move is a 0.786 retracement of the **XA** move.



Structural example of the Gartley harmonic pattern in bullish and bearish forms and how it functions in trading

How to Trade with the Gartley Pattern?

To trade with the **Gartley pattern**, the pattern needs to be fully complete. Then, Fibonacci ratios and other **technical analysis** tools can be used to determine the entry point, stop loss, and take profit.

Key points for using the Gartley pattern:

- **Entry Point**: You can enter the trade when the price reaches point **D** and shows signs of **trendreversal**;
- **Stop Loss**: Typically set slightly below point **X** for buy trades and above point **X** for **selltrades**;
- **Take Profit**: Based on Fibonacci ratios, the **firstprice** target can be **point B**, and the next target would be **point C**.

The Gartley Pattern and Other Harmonic Patterns

Modifications were made after the popularity of the **Gartley pattern**, and new **harmonic patterns** were developed based on it. Some of them include:

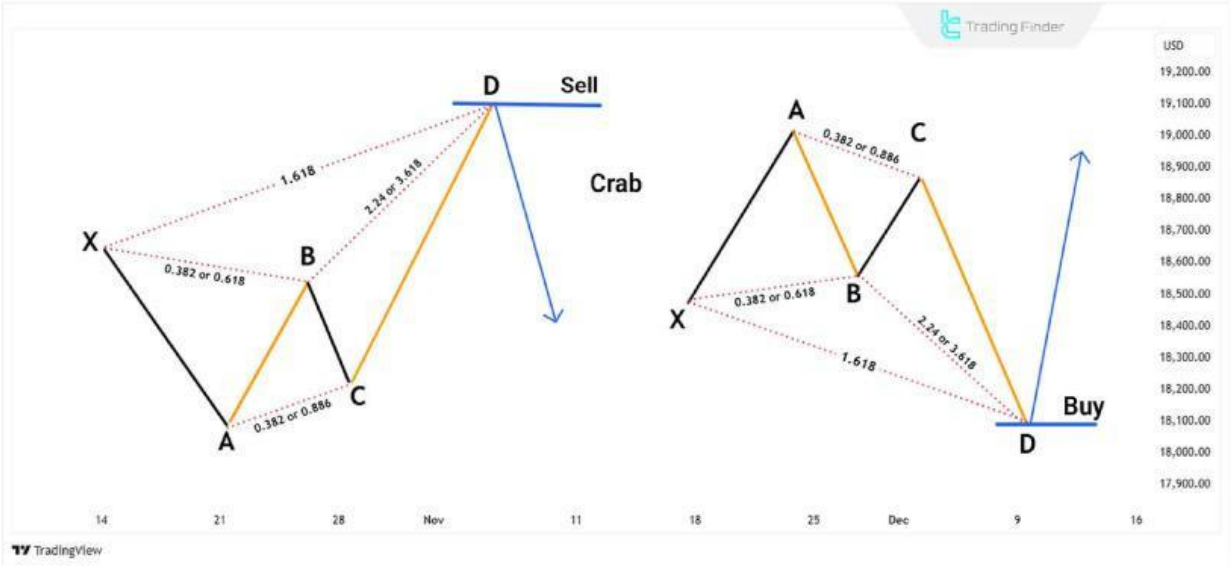
Crab Pattern

Using extended Fibonacci ratios, the **Crab pattern** is one of the most accurate harmonic patterns. This pattern can identify price reversal points with high accuracy.

This pattern was introduced by **"Scott M. Carney"** in 2000. The reversal point in the **Crab pattern** is further from the Gartley pattern, which increases the **risk-to-reward ratio**.

Features of the Crab pattern:

- **AB** move must be 0.382 or 0.618 of the **XA** move;
- **BC** move can be 0.382 or 0.886 of the **AB** move;
- If **BC** equals 0.382 of **AB**, **CD** must be 2.24 times **BC**;
- If **BC** equals 0.886 of **AB**, **CD** must be 3.618 of **BC**;
- **The CD** is 1.618 of the **XA** move.



Structural example of the Crab harmonic pattern in bullish and bearish forms and how it functions for trading

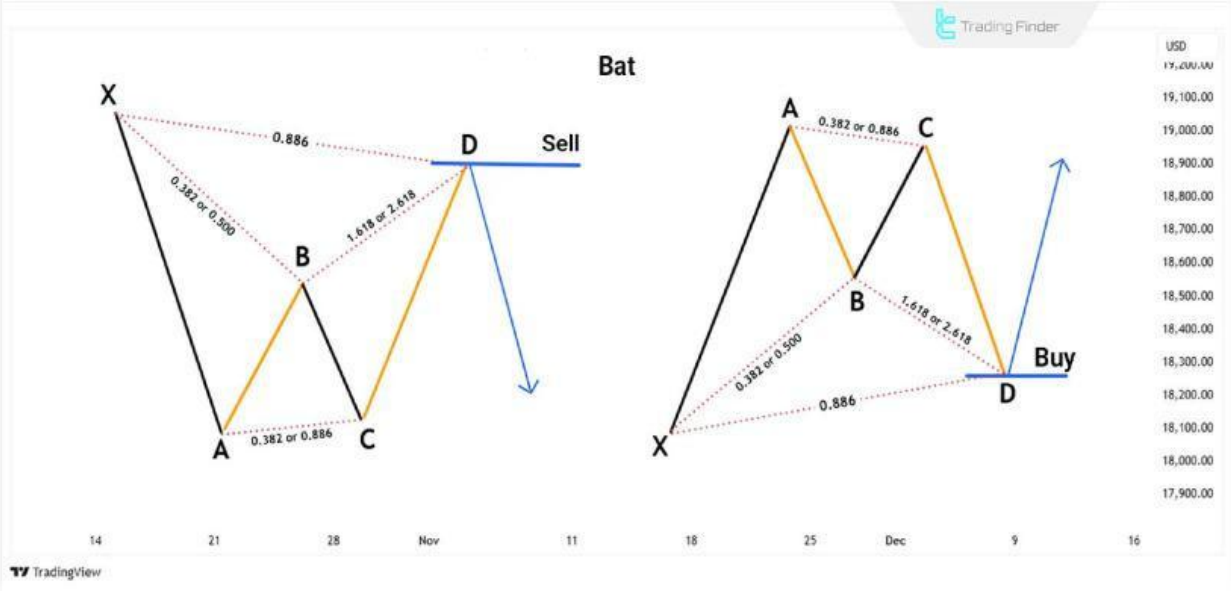
Bat Pattern

The **Bat pattern** is similar to the **Gartley pattern** but has different Fibonacci ratios, showing deeper reversal points. This pattern is especially useful in volatile markets.

In **2001**, **Scott Carney** introduced another pattern called the "**Bat**". The reversal point in this pattern lies at the **0.886** level of the **XA** move.

Features of the Bat pattern:

- **AB** move must be 0.382 or 0.500 of the **XA** move;
- **BC** move can be 0.382 or 0.886 of the **AB** move;
- If **BC** equals 0.382 of **AB**, **CD** should be 1.618 of **BC**;
- If **BC** equals 0.886 of **AB**, **CD** should be 2.618 of **BC**;
- **The CD** is 0.886 of the **XA** move.



Structural example of the Bat harmonic pattern in bullish and bearish forms and how it functions in trading

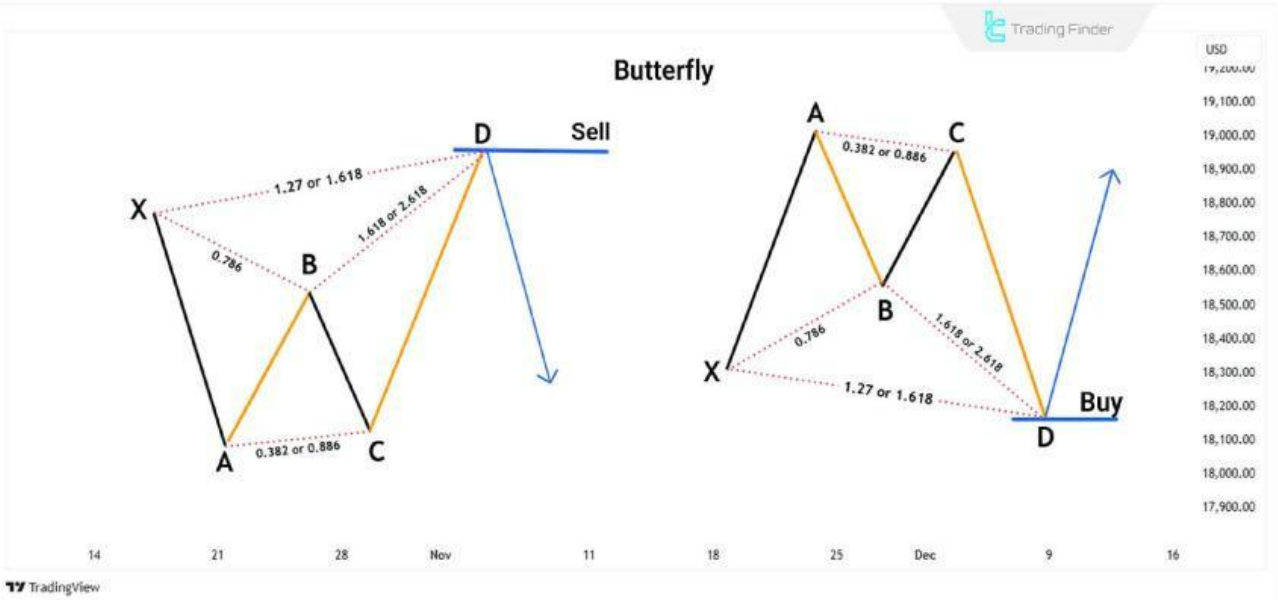
Butterfly Pattern

The **Butterfly pattern** has deeper reversal points compared to the **Gartley pattern** and uses specific Fibonacci ratios to determine entry and exit points.

The **Butterfly pattern** was introduced by **Bryce T. Gilmore** and is used to **identify price reversal** points when the market reaches an extended (higher) level.

Features of the Butterfly pattern:

- **AB** move is 0.786 of the **XA** move;
- **BC** move can be 0.382 or 0.886 of the **AB** move;
- If **BC** equals 0.382 of **AB**, **CD** should be 1.618 of **BC**;
- If **BC** equals 0.886 of **AB**, **CD** should be 2.618 of **BC**;
- **The CD** is 1.272 or 1.618 of the **XA** move.



Structural example of the Butterfly harmonic pattern in bullish and bearish forms and how it functions in trading

Advantages and Disadvantages of Harmonic Patterns Based on the Gartley Pattern

In the table below, the advantages and disadvantages of each pattern are reviewed:

Pattern Name	Disadvantages	Advantages
Gartley Pattern	Requires experience for accurate identification and drawing, less effective in some volatile markets	Reliable and common in the market, accurate reversal point identification, suitable risk-to-reward ratio
Crab Pattern	Wider stop loss, higher risk due to rapid price movements	Very accurate reversal point identification, high potential profit opportunities
Bat Pattern	More complexity in pattern identification, requires additional confirmation for entry	High success rate, smaller stop loss, suitable for volatile markets
Butterfly Pattern	Complexity in identifying and executing correctly, variable risk-to-reward ratio	High profit potential, suitable for identifying strong reversal points

Conclusion

The **Gartley pattern** in technical analysis is one of the most effective tools for identifying trend reversal points in forex and cryptocurrency markets.

To execute the **Gartley pattern** successfully, it requires a good understanding of Fibonacci ratios and precise identification of **entry** and **exitpoints**.

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