What is Quasimodo (QM) Pattern in RTM Style?

The **Quasimodo (QM)** pattern is an advanced concept in technical analysis under the **RTM (Read the Market)** style. It is used to identify trend **reversals** and market turning points.

This pattern combines shallow **breakouts** with changes in **market structure**, often appearing at key areas such as **resistance** and **support** levels.

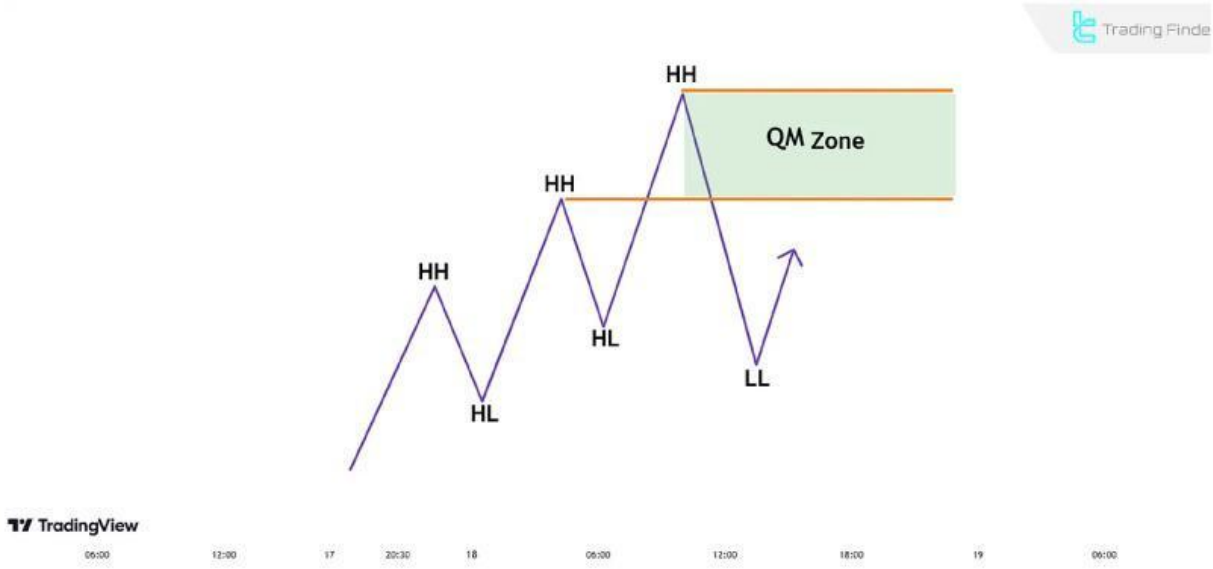
Definition of the Quasimodo (QM) Pattern

The **QM Pattern** (also known as **Over and Under**) consists of five steps:

1. Formation of an initial **high** or **low**
2. Formation of a new **low** or **high** (opposite to the first step)
3. Market creates a **Higher High (HH)** or **Lower Low (LL)**, surpassing the previous level
4. Market then moves downward (or upward) to form a new **low** or **high**, lower (or higher) than the previous one.
5. Price returns to the initial level but does not breach it.

This pattern acts as a **reversal tool**, signaling the end of the current trend and the start of a new one.

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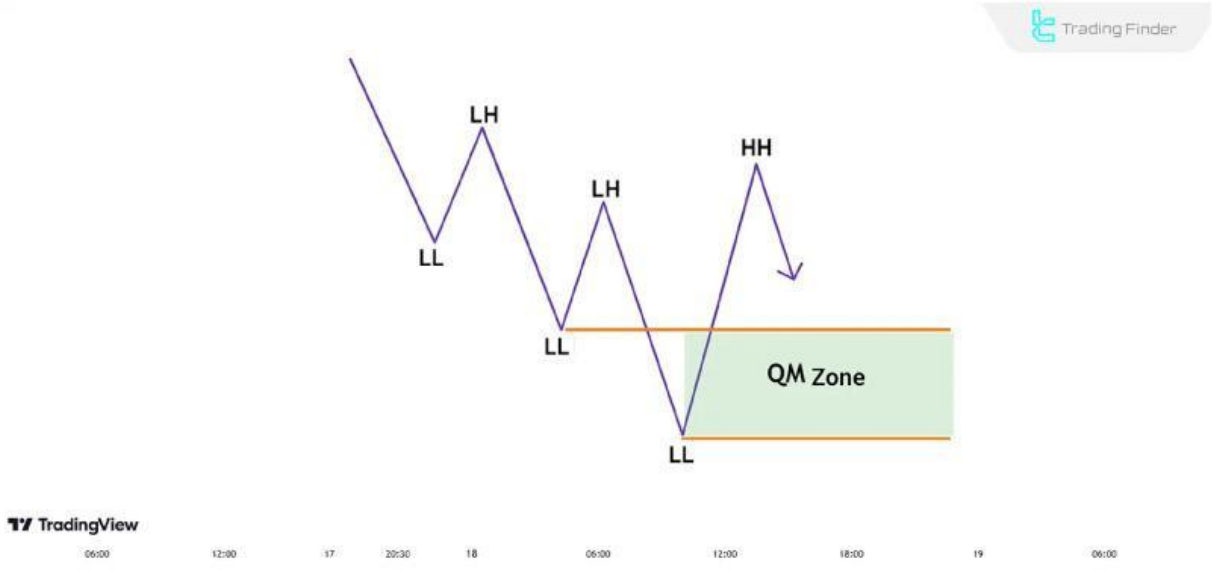


Formation of the Quasimodo pattern in a downtrend; "H" indicates highs, and "L" indicates lows

Steps to Identify the QM Pattern

To spot this pattern on a chart, consider the following:

1. Observe the **previous trend** (uptrend or downtrend)
2. Examine how the price reaches new levels at **key points**
3. Identify the point where price returns but does not surpass the previous breakout, marking a suitable **entry point**



Formation of the Quasimodo pattern in an uptrend; "H" represents highs, and "L" represents lows

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How to Trade Using the QM Pattern

To trade based on the **QM Pattern**, follow these steps:

1. **Determine the Trend:** First, identify the main market trend (uptrend or downtrend).
2. **Identify Key Levels:** Pay attention to previous highs and lows. The **key area** is where the price retraces but fails to break through.
3. **Enter a Trade:**
   - **Sell trades:** Enter near the retracement level of the high
   - **Buy trades:** Enter near the retracement level of the low
4. **Risk Management:**
   - Place your **stop-loss** above the high (for sell trades) or below the low (for buy trades).
   - Set your **take-profit** targets based on risk-to-reward ratios (commonly 1:3).

Practical Example of the QM Pattern

In the example below, a real case of the QM pattern is illustrated. The market is in an uptrend, and the following steps occur:

- The price creates a **High (H)** and then a **Low (L)**
- It rises again to form a **Higher High (HH)**
- It then falls, creating a **Lower Low (LL)**
- Finally, the price retraces to the initial high but does not surpass it

At this point, you can execute a **sell trade**, setting your stop-loss above the **Higher High (HH)**.

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Real example of the QM pattern in a downtrend, with details visible in the chart.

In the chart below, the **reverse** scenario (a transition from a downtrend to an uptrend) is shown:



Real example of the Quasimodo pattern in an uptrend; After forming a Higher High (HH), market returns to the QM zone and resumes its upward trend

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Key Points for Using the QM Pattern

- **Supply and demand zones** are useful for locating this pattern.
- The distance **between highs** and **lows** should not be too large, as this determines the **entry** and **exit zones**; A wide distance can disrupt the risk-to-reward balance.
- This pattern is most effective when combined with other analyses, such as **divergences** or key levels.

Conclusion

The **QM Pattern** is a price action-based tool in the **RTM style** used for identifying **trend reversals**. It provides traders with opportunities to enter trades with favorable risk-to-reward ratios.

The pattern is rooted in market price behavior, making it applicable across **all timeframes** and **markets**.

Sources:

1- Source :

https://tradingfinder.com/education/forex/ict-quasimodo-pattern

3- Learn More About All Forex Education:

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