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ABCD and Three-Drive; Harmonic Patterns in technical analysis & Fibonacci ratios

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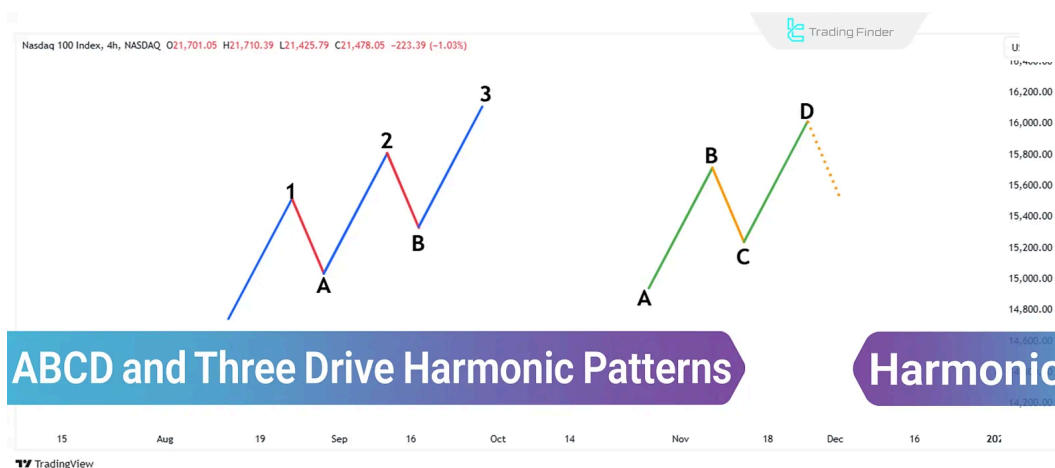
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Harmonic patterns, based on **Fibonacci ratios**, are among the tools used in **technical analysis**. The **ABCD pattern** and the **Three-Drive pattern** are two harmonic patterns that can be used to **identify reversal points** and **trend continuation** signals.



ABCD and Three Drive in Harmonic Patterns

What is the ABCD Pattern?

The **ABCD pattern** is one of the most basic harmonic patterns. It consists of four main points:

- ⚡ Two price movements (AB and CD)



- ⚡ One corrective wave (BC)

Using **Fibonacci tools** is essential to detect this pattern. In this pattern, the BC correction should extend to the **0.618 level** of the AB wave, and the CD wave should continue to the **1.272 Fibonacci** extension of the **BC correction**.

You can use Trading Finder's indicators to make working with the ABCD pattern easier:



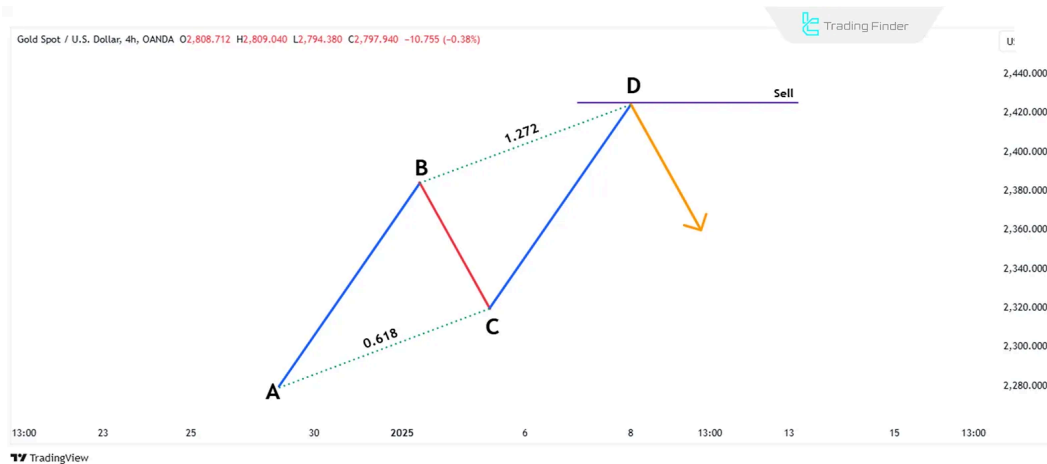
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Schematic of the ABCD Harmonic pattern in a bearish market where the entry point after the pattern completion is visible

When does the ABCD pattern form?

The **ABCD Harmonic pattern** is valid when the following conditions are met:

- ⚡ The length of the **AB wave** should be equal to the length of the **CD wave**;
- ⚡ The time taken for **price movement** from **A to B** should be equal to the time taken for price movement from **C to D**;
- ⚡ The entry point into the trade is determined after the pattern is completed and the **price reaches** point **D**.

To simplify the use of the **Three Drives pattern**, you can use the indicators provided by the **Trading Finder** collection:



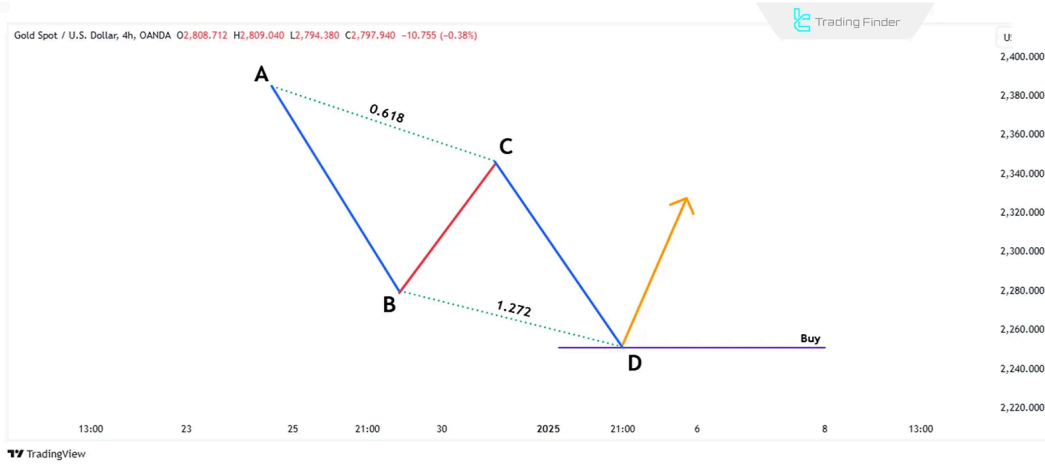
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Schematic of the ABCD Harmonic pattern in a bullish market where the entry point after the pattern completion is visible

What is the Three-Drive Pattern?

Although the **Three-Drive pattern** shares many similarities with the **ABCD pattern**, it has three price movements (Drive 1, Drive 2, and Drive 3) in alignment, with two corrective waves, **A and B**, formed between them.

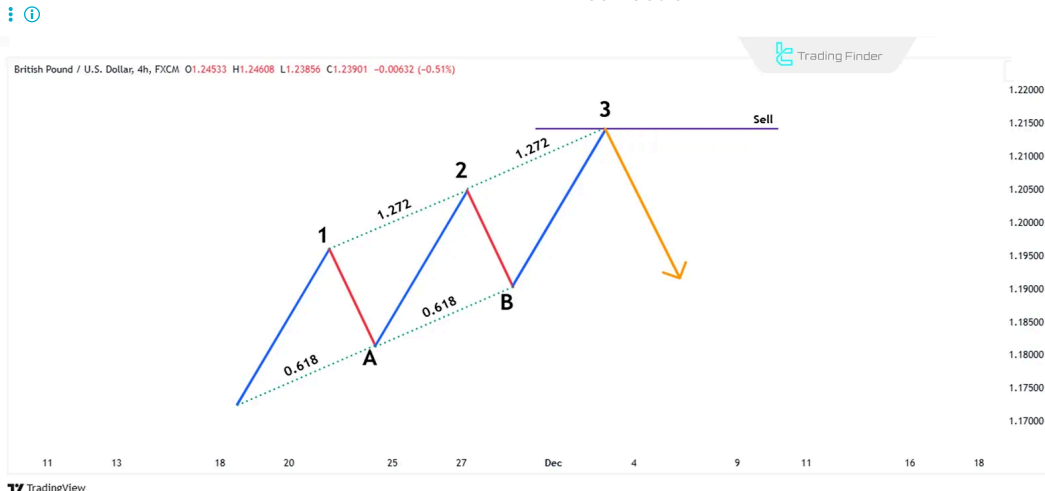
This pattern resembles the **Elliott Wave's** five-wave structure and can predict **future price** movements.

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The second wave must extend to the **127.2% Fibonacci** extension of the A correctio; The thi should extend to the 127.2% Fibonacci extension of the **B correction**.

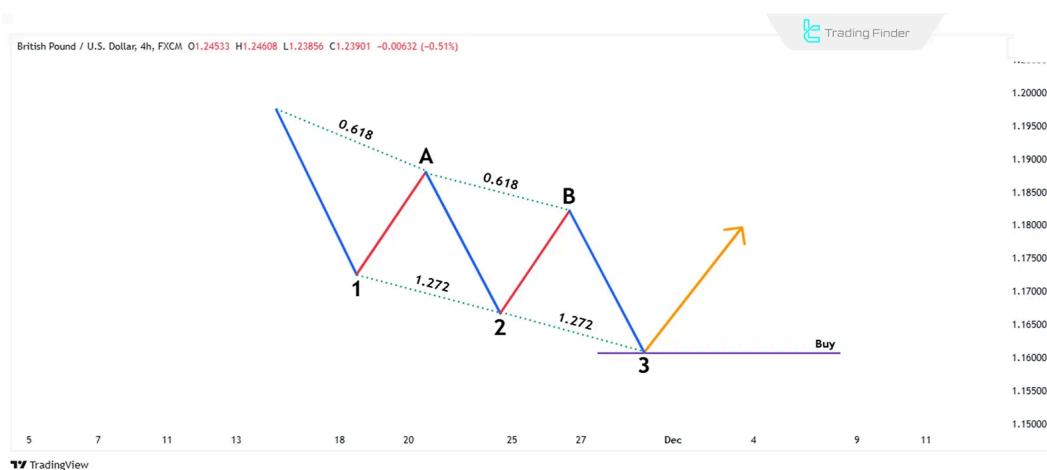


Schematic of the Three-Drive Harmonic pattern in a bearish market, where the entry point after the pattern completion is visible

When does the Three-Drive pattern form?

The **Three-Drive Harmonic pattern** will be valid when the following conditions are met:

- ⚡ The time required to **complete the second wave** must equal the time required to complete the third wave;
- ⚡ The time for **the A correction** should be equal to the time for **the B correction**;
- ⚡ The entry into the trade occurs after the pattern is completed and the price reaches the **final point of Drive 3**.



Schematic of the Three-Drive Harmonic pattern in a bullish market, where the entry point after the pattern completion is visible

Conclusion

The **ABCD** and **Three-Drive** harmonic patterns are some of the most important harmonic patterns in **technical analysis**. They help identify potential price reversal points using **Fibonacci ratios**.

Following the necessary conditions to validate these patterns and using tools like Fibonacci levels correctly enhances their accuracy.

FAQs

How do the ABCD and Three-Drive harmonic patterns apply in technical analysis? ∨

Identifying these patterns on price charts helps recognize potential market reversal points.

Additionally, they help determine suitable entry and exit levels. ∨

While the **ABCD pattern** consists of two price movements and one correction, the **Three-Drive pattern** consists of three price movements and two corrections, structurally resembling the Elliott Wave theory. ∨

How can the validity of the ABCD and Three-Drive patterns be confirmed? ∨

The main criteria for confirming these patterns include matching Fibonacci ratios and ensuring the length and time of the waves meet the pattern's requirements.

What tools can be used to identify the ABCD and Three-Drive harmonic patterns? ∨

Fibonacci retracement and extension tools are used to determine price correction and extension levels, which are key in accurately identifying these patterns.

How is the entry point into trades determined for the ABCD and Three-Drive patterns? ∨

After the pattern is completed and the price reaches the final point D in the ABCD pattern or Drive 3 in the Three-Drive pattern, the entry into the trade can be made based on confirmation signals.

What conditions are considered for the validity of the ABCD pattern? ∨

The primary conditions for this pattern are the equality of the AB and CD wave lengths, matching the time taken for price movements A-B and C-D, and compliance with Fibonacci ratios.

What role do Fibonacci ratios play in confirming the Three-Drive pattern? ∨

The A and B corrective points must align with the 0.618 level of the previous waves, and the price movements of Waves 2 and 3 should extend to the 127.2% Fibonacci extension of the previous correction for the pattern to be valid.

What is the most common mistake when using the ABCD and Three-Drive harmonic patterns? ∨

Entering the trade too early without waiting for the pattern to be fully complete and not respecting the Fibonacci ratios are common mistakes that reduce the accuracy of the analysis.

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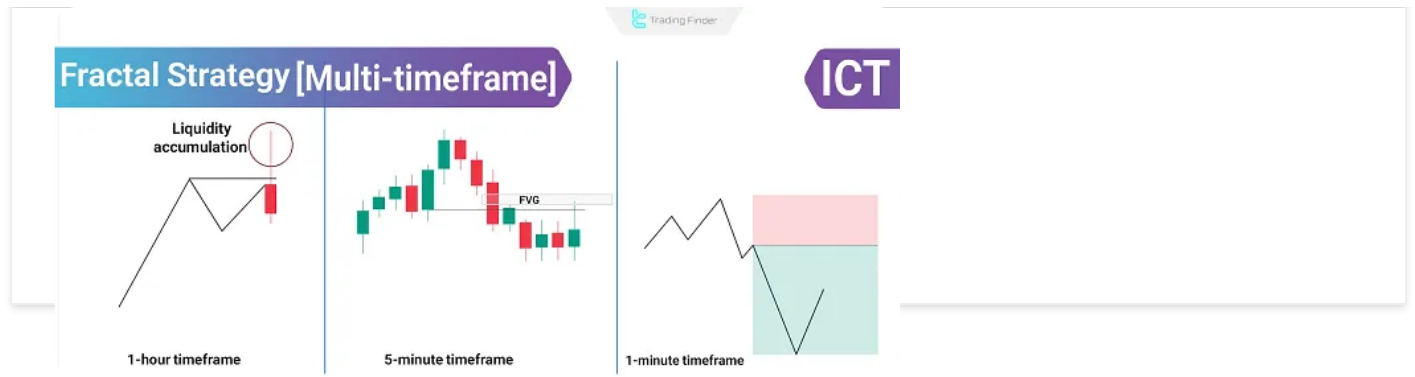
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