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## RTM Diamond Pattern; Reversal Formation at Primary Market Highs and Lows

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RTM Education

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The **RTM diamond pattern** is one of the core setups in **RTM** that misleads buyers and sellers when **market-makers** and large financial institutions are **gathering liquidity**.



Comprehensive guide to recognizing the RTM diamond pattern in price-action trading

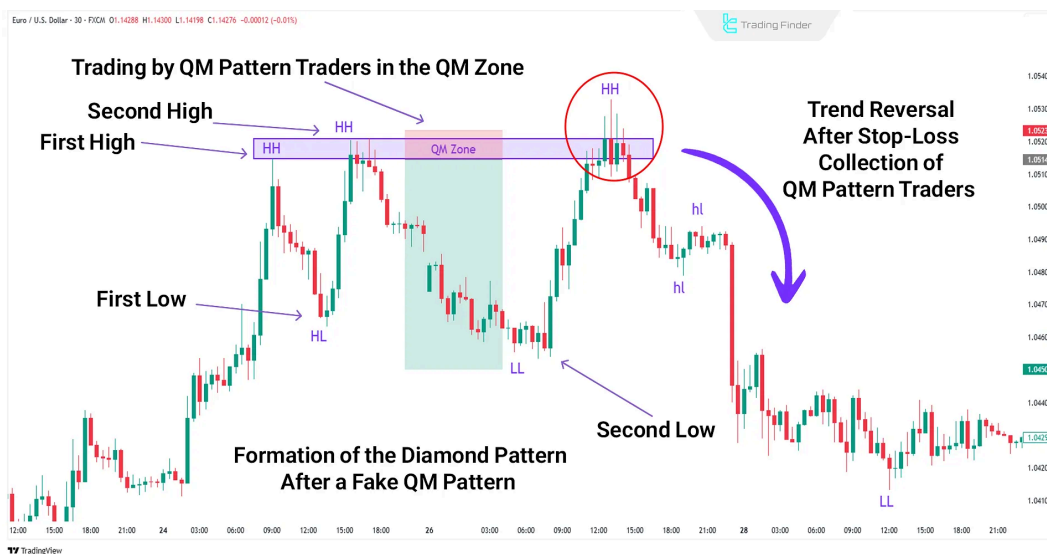
### Definition of the Diamond Pattern

The **RTM diamond pattern** is a **reversal** setup that usually forms at key **market tops** and **bottoms**. It appears once the **Quasimodo (QM)** pattern has been **violated**.

For the **pattern** to form, price must revisit the **QM Zone** without reacting in a **Quasimodo** manner and must instead **sweep traders' stops**. On the next move, after collecting those **QM stops**, price reverses direction and the **diamond pattern RTM** materializes.

In a **Diamond Pattern in RTM Style**, the stop-losses of five groups of traders are triggered:

- ⚡ **Sellers at the first high**
- ⚡ **Buyers at the first low**
- ⚡ **Sellers at the second high**
- ⚡ **Buyers at the second low**
- ⚡ **Sellers within the QM Zone**



Example of the RTM diamond pattern on the EUR/USD chart

## How to Spot a Diamond?

To identify the **RTM diamond pattern**, you need solid knowledge of RTM supply-and-demand zones so that you only act when the setup appears in a valid price area.

Typically, the **RTM diamond pattern** shows up when price has yet to reach the main **supply or demand zone** and the Quasimodo fails to confirm.

Put differently, a **fake QM** forms before price taps the **primary zone**; After **liquidity** is taken, the **diamond** forms and a **trend reversal** follows.

## Trading Steps for the Diamond Pattern

To trade the RTM Diamond Pattern, you should follow these steps:

1. **Identify primary supply and demand zones;**
2. **Spot the QM pattern;**
3. **Watch for QM violation and a compressed price (CP) move inside the QM Zone;**
4. **Look for a fake break or aggressive price reaction;**
5. **Enter in the direction of the new trend.**

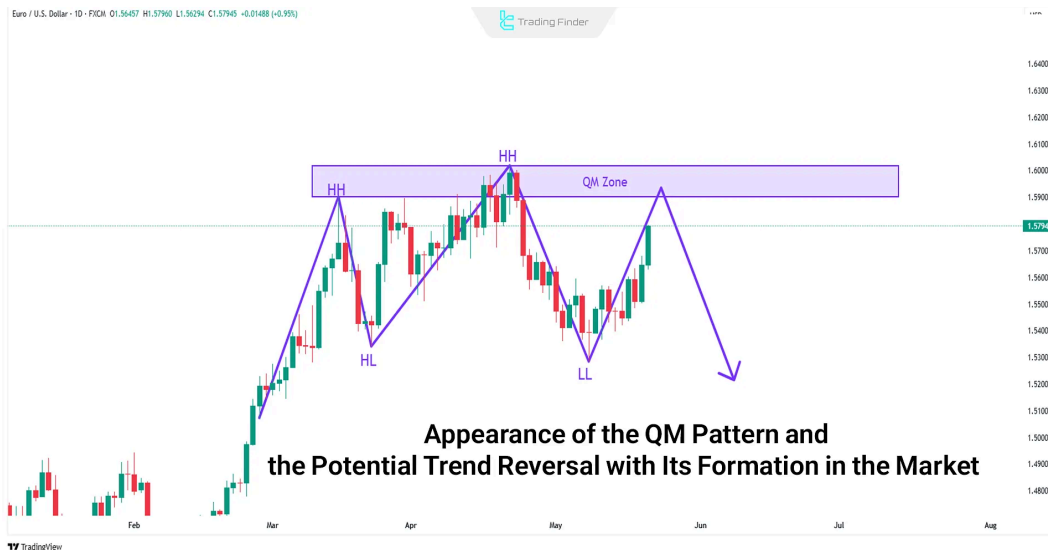
### #1 Identify Primary Supply and Demand Zones

To mark core RTM zones, you must master elements such as **FTR, Flag, DP** and more. After plotting a zone, ensure price actually **taps** it—even a **single-pip penetration** counts.

## #2 Spot the QM Pattern

Next, price should form a QM **before** reaching the zones. **Traders unsure** of their levels often trade the **Quasimodo**; When that **stop is hit**, the odds of an **RTM diamond pattern** rise.

Note that sometimes a QM stop-out is **inevitable** and becomes one of the clues for the **diamond**.



The QM pattern appears and the trend may flip from the QM Zone

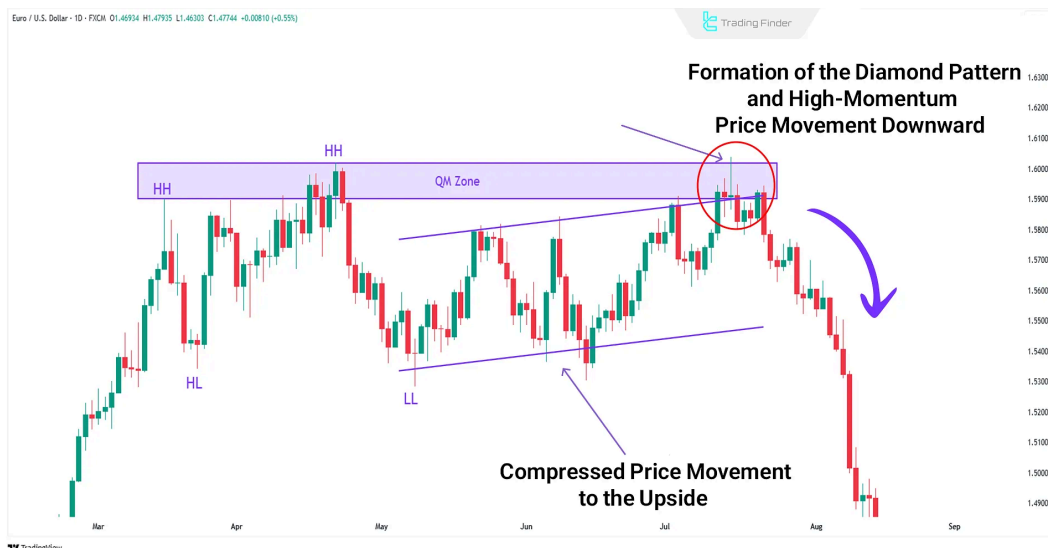
## #3 QM Violation and CP Move Inside the QM Zone

In most cases, during the QM violation, price **compresses (CP)** inside the **QM Zone**, then sweeps stops. A CP move here is a strong hint that a **diamond pattern RTM** may follow.

## #4 Fake Break or Aggressive Reaction

**After violating** the QM, price must **sweep stops** via a **fake break** or aggressive candles with **long wicks**.

That sweep provides the **liquidity banks** and institutions need, and the new **trend kicks off**.



Stop-loss sweep on the QM via fake break and aggressive price reaction

### #5 Enter in the New Trend Direction

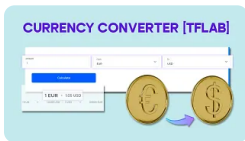
Post **fake-break**, price reverses with strong **momentum**. Using **candle confirmation** or **technical** indicators, you can enter and place the stop **behind the high/low** created by the **fake break**.

Take-profit for the **RTM diamond pattern** sits at subsequent **SR levels**, anticipating a sustained trend reversal.



How to enter with multiple confirmations in the new trend direction

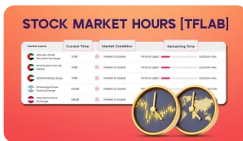
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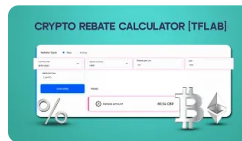
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### Example Trade with the Diamond Pattern

Below is another bullish-reversal example after an **RTM diamond pattern** forms:



Sample trend change after the RTM diamond pattern appears on the chart

## Key Points When Using the Diamond Pattern

When using the RTM Diamond pattern, keep the following points in mind:

- ⚡ When the QM hasn't yet reached the primary supply/demand (FL, DP, FTR, etc.), the **RTM diamond pattern** becomes likely;
- ⚡ When confidence is low that price will hit the **primary zone**, trading the QM is recommended;
- ⚡ **Professional traders**, once stopped out on the QM, look for the **diamond pattern RTM** to appear and trade it;
- ⚡ To confirm, wait for the nearest **minor SR break**; you can also use additional **technical analysis** signals;
- ⚡ **After sweeping QM stops**, price **usually reverses** with higher **momentum**—another clue that the **Diamond Pattern in RTM Style** is forming.

## Conclusion

The **RTM diamond pattern** is a prime **reversal setup** that usually forms at **major highs and lows**. It reflects sophisticated **liquidity grabs** by large institutions.

The formation appears after a **Quasimodo** violation; once **QM stops** are **swept**, price often powers into a **new trend**.

When traded correctly, the pattern offers **attractive risk-to-reward** (R:R) opportunities.

## FAQs

What is the RTM diamond pattern? ▼

A core RTM reversal setup that usually forms at primary highs and lows.

How do you identify the RTM diamond pattern? ▼

It emerges after the QM is violated and inside major supply/demand zones.

Whose stops are triggered by the RTM diamond pattern? ▼

**Sellers at the first high**

- Buyers at the first low
- Sellers at the second high
- Buyers at the second low
- Sellers within the QM Zone

What are the trading steps for the RTM diamond pattern? v

- Identify core supply/demand zones;
- Spot the QM pattern;
- See QM violation with CP move in the QM Zone;
- Detect a fake break or aggressive reaction;
- Enter in the direction of the new trend.

How can you anticipate the RTM diamond pattern before it shows? v

If price forms a QM before hitting the core zones, the **RTM diamond pattern** may develop.

Where is the stop-loss placed in an RTM diamond trade? v

Behind the high/low created by the stop-sweep on the QM.

Where is the take-profit set? v

At major structural SR levels, anticipating the new trend.

How do you pinpoint supply/demand zones with RTM? v

By mastering **FTR, Flag, DP** and other RTM analytical components.

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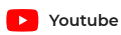
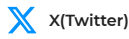


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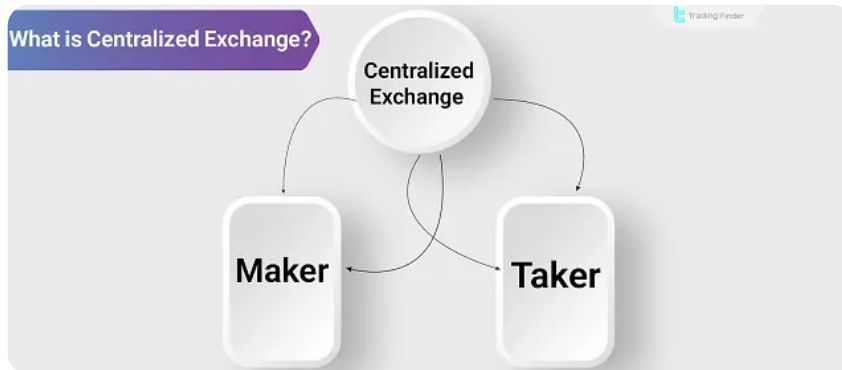
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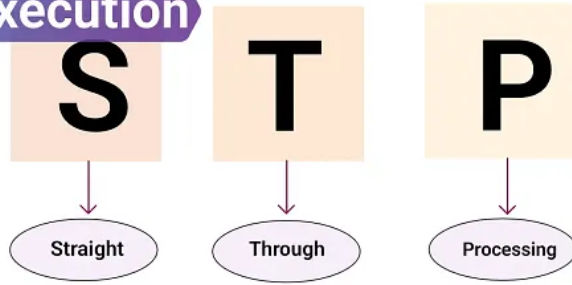


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