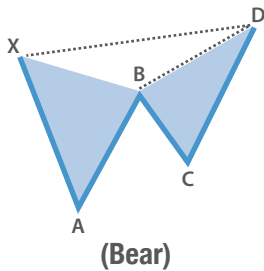


# The Bearish Butterfly Pattern

## Butterfly Sell Pattern



### What is it?

- Contains a bearish ABCD pattern preceded by a significant high (X)
- Convergence of Fibonacci extension ratios at point D
  - Point D = Fibonacci extension of BC and XA
- Formed by two connecting triangles at point B, symmetry is key
- Pattern is found only at significant tops (highs) and bottoms (lows)

### Why is it important?

- Convergence of Fibonacci extension ratios may provide higher probability for change in market direction
- May provide lower risk with the potential for higher reward
- Pattern failure may suggest a potentially strong bearish continuation may be in progress

### Sounds good ... So how do I find it?

Butterfly patterns are similar to Gartley patterns in that they resemble a “W” shape on a price chart. However, a butterfly pattern completes at the convergence of two separate Fibonacci extension levels (D is above X) whereas the Gartley completes at the convergence of a Fibonacci retracement and extension (D is below X). The symmetry between the two connecting triangles at point B is one of the keys to this pattern.

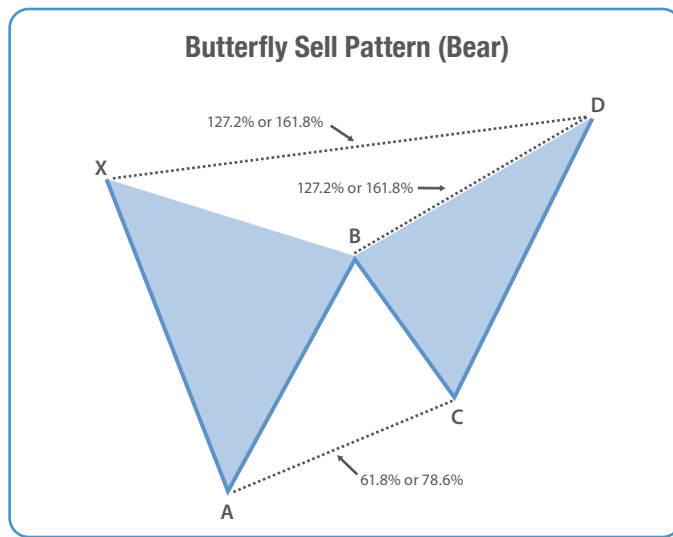


# The Bearish Butterfly Pattern (cont'd)

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## Bearish Butterfly Pattern Rules

1. The swing from A to D is a 127.2% or 161.8% extension of XA
  - Note: D **must** be above X
2. A valid ABCD must be observed in the extension move (AD)
3. Additional confirmation may be attained when the times of the XAB and BCD triangles are in proportion
4. A move beyond 161.8% negates the pattern and may suggest a potentially strong bullish continuation

### Example 1: EUR/GBP, 15min



Source: GFT

### Example 2: USD/JPY, 1hr



Source: GFT

IMPORTANT NOTE: Trading foreign exchange on margin carries a high level of risk, and may not be suitable for all investors. The high degree of leverage can work against you as well as for you. Before deciding to trade foreign exchange you should carefully consider your investment objectives, level of experience, and risk appetite. The possibility exists that you could sustain a loss of some or all of your initial investment and therefore you should not invest money that you cannot afford to lose. You should be aware of all the risks associated with foreign exchange trading, and seek advice from an independent financial advisor if you have any doubts. Past performance is not necessarily indicative of future results. CD04U.052.030509