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in your investment and trading



Instruction (Manual) Document

This part should be filled by author before your submission.

1. Information about Author

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2. Information for the submitted materials

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3. If it is about any trading platform or any of our products (leave empty if you don't use)

Name of Trading Platform	MetaTrader4 and MetaTrader5
Trading Platform version	Build 840
Name of Product	Harmonic Pattern Plus and Harmonic Pattern Scenario Planner
Product version	5.3 or above for both

Guided Trading Instruction explained for Harmonic Pattern Plus and for Harmonic Pattern Scenario Planner

Background

One of the most generic way of trading in financial market is to enter the market with stop loss and take profit targets. In spite of the fact that many variations of Harmonic Pattern trading exist, this generic trading style can be applied to Harmonic Pattern trading too. Let's not think about Potential Reversal Zone or multiple position opening with differential take profit targets or drawing channel together with Harmonic pattern for now. So in generic style, literarily traders can enter buy or sell position with simple take profit or stop loss when the signal is generated by bullish or bearish harmonic patterns. The screenshot below shows when such a trading setup bring you some profits in the case of using risk reward ratio = 2 (reward/risk = 2).



Such a simplified but still practical trading strategy is very useful for junior to intermediate traders. I am sure that such a trading strategy can be still used by many seasoned traders too. Anyway we use the term “custom take profit” and “custom stop loss” as this is one possible style among many harmonic pattern trading as far as we know.

What is the Guided Trading Instruction?

Guided trading instruction is the trading information displayed on your chart when you attach Harmonic Pattern Plus. It starts with Risk reward Ratio and then it gives many other numbers which you need to understand before your trading. Unlike many other trading strategy, in harmonic Pattern trading, choosing right size of take profit target is very important. Take profit targets mostly counted using Fibonacci numbers like 0.386, 0.500, 0.618, 0.786, etc. Risk reward ratio of 2 simply means that your stop loss is twice smaller than your take profit target (take profit/stop loss = 2). As a trader, you must know when you can breakeven with your trading strategy. From the below screenshot, the guided trading instruction shows that you can breakeven if you can make the success rate at 33.33% for your trading. Simply speaking if you are correct 33 times out of 100 trading, you will not lose money but breakeven. This also suggest that any spare efforts you make to push your success rate greater than 33.33% will bring you the profits.

In the screenshot below we have set your target success rate as 55%. When you meet the 55% success rate, the achievable profit is 431.8 US dollar for the account size of 996.36 US dollar. Your profit is nearly 43% growth in your balance (431.8/996.36) and of course this is damn good profits. Because you will make 4300 US dollar (43%) as well when you trade with 10,000 US dollar account or 8600 US dollar (43%) for 20,000 US dollar account. However, the achievable profit depends on two factors including how many times you trade and how much risk you take per each trade. In our example below, we use 100 trades and 2% risk per trade. This means that you will need to trade 100 times and each time you are exposed on the risk of losing 200 US dollar for 10,000 US dollar account. For your information, a trader can trade from 30 to 150 times each month from my experience. So some might achieve 100 trades in one month but some might achieve 100 trades in two or three months. This number suggest that diligent and determined traders can make more money than those who are not.

Also note that few things might be neglected in our calculation of the profit. They are spread and compounding growth. Spread is bad thing but compounding is good things. Our calculation will still give you quite good approximation of what you can make when you really achieve the success rate and the number of trades. Harmonic Pattern plus will display these important information in your chart. You can always switch on and off to remind yourself some important numbers.

In this explanation, two important take away are:

- Firstly your breakeven success rate depends on your risk reward ratio and partly take profit too.
- Secondly your achievable profit depends on number of trades and your risk per trade.
- Guided Trading Instruction is applicable to this generic trading style (i.e. a market order with take profit and stop loss). If you are using other trading setup, then the numbers in guided trading instruction may be not applicable directly. But you may interpret them indirectly.



How to use this Guided Trading Instruction?

Of course, breaking 33.33% success rate is the first challenge in your trading job. Remember that your breakeven ratio will change for different risk reward ratio. Achieving 55% success rate is not that easy task. However, we rather ask each traders to set such a high goal as their target. Any success rate over 33.33% like 40%, 45% or 50% will still give you profit but less than 55% success rate. You can also see the achievable profit for this success rate on your Harmonic Pattern Plus. 55% success rate in this case is more of psychological goal for you. Also note that you might have relatively less success rate from your trading strategy but you can trade more to increase your profits. You can also increase your risk too but this need to be done with care. As you can see, the guided trading instruction gives you the objective guideline on how to increase your profit when you trade with the harmonic pattern plus. The guided trading instruction was added to provide you with objective profit goal and less emotional trading. After you have understood the information on the guided trading instruction, you can always switch off by just pressing small button written "GTI". You can also change many inputs related to the guided trading instruction from your input setting as shown in the screenshot below.

Harmonic Pattern Parameters 4 (Custom Risk Control) =====	Harmonic Pattern Parameters 4 (Custom Risk Control)
Use Custom Stop Loss and Take Profit	true
Custom Take Profit: Enter fibo number 0.386, 0.5, 0.618, 0.786,	0.618
Risk Reward Ratio (Reward/Risk): user more than 1.0	2.0
Custom Take Profit and Stop Loss Line Length	50
Custom Take Profit and Stop Loss Line Width	1
Custom Take Profit and Stop Loss Text Size	10
Custom Take Profit Color	16711680
Custom Stop Loss Color	255
Custom Open Price Color	1993170
Show Guided Trading Instruction	false
Guided Trading Instruction X Coordination	180
Guided Trading Instruction Y Coordination	120
Your Target Success Rate: 55%(0.55) = default	0.55
Your Risk per Trade: 2% (0.02) = default	0.02
Your Target Trade Number: 100 = default	100.0

Summary for traders

- The guided trading instruction is there to provide you with objective profit goal with less emotion.
- Understand the numbers in the guided trading instruction before your trading.
- Understand what factor you can control to increase your profits.
- Always remember your breakeven ratio and remember that anything after the breakeven is your profits which you can take home.
- Set high success rate as your target goal (psychological goal but which you need to accomplish in your real trading) and build and refine the trading strategy to meet your target goal.
- Set realistic monthly target number of trades and accomplish them each month.
- Load many harmonic patterns on your chart and decide the appropriate take profit targets (They are different for different currency pairs).
- Trade mechanically with less emotion.
- Execute your trade with the sized position proportionally to your balance (i.e. position sizing techniques). You can use our free Order Risk Management Tool for this task. Both MT4 and MT5 versions are available here:

<https://www.mql5.com/en/market/product/8586>

<https://www.mql5.com/en/market/product/8585>