

Extreme Bullish Harmonic Impulse Wave @ 0.886 Retracement

The Extreme Bullish Harmonic Impulse Wave at an 0.886 retracement, illustrated in Figure 2.11, is a special situation that combines two critical harmonic measurements to define the trade opportunity. The combination of the 0.886 support with the extreme impulse extension frequently provides a brief reversal in most cases. This initial reaction provides many short-term trades at a minimum.

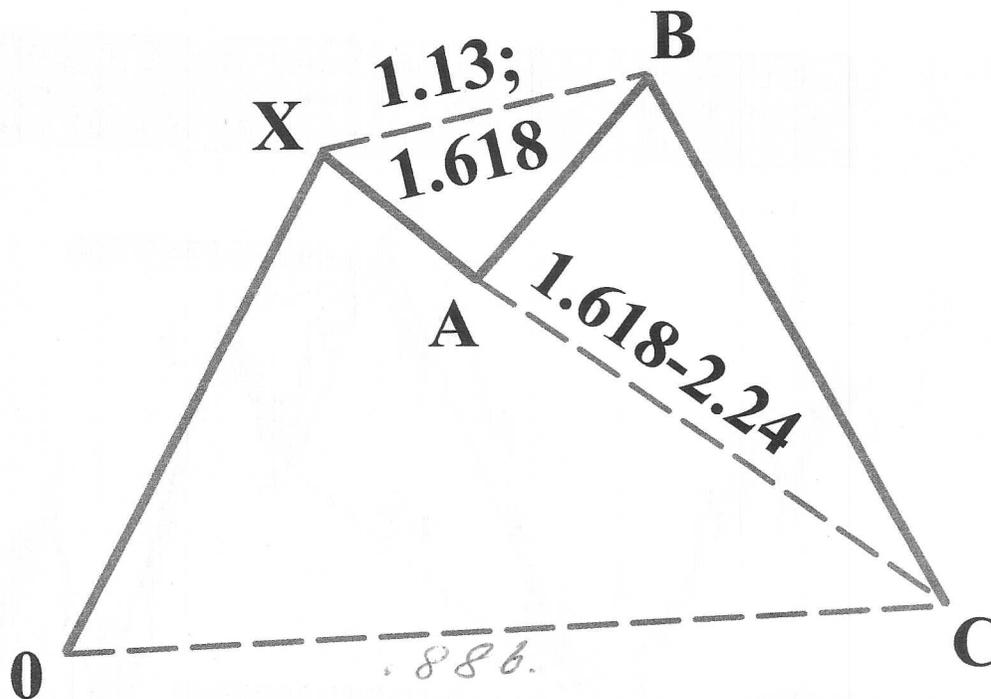


Figure 2.11

The structure represents a unique test of a critical prior support point. Although the bullish 0.886 retracement is a powerful potential support point on its own, an Extreme Bullish Harmonic Impulse Wave that possesses at least a 1.618 extension provides a short-term technical phenomenon that produces many reliable setups. It is important to note that many of these situations result in only brief reversals and require decisive continuation following the completion of the setup to signal a larger move at hand. But this unique structure can offer many profitable opportunities, as long as the trade is executed on the initial test of these harmonic numbers and the management of the position is handled tightly. Furthermore, reversals in these situations require an aggressive profit-taking approach, since many of these reactions are sharp but brief rallies.