

Here is an example of swing pattern failure that is bullish.

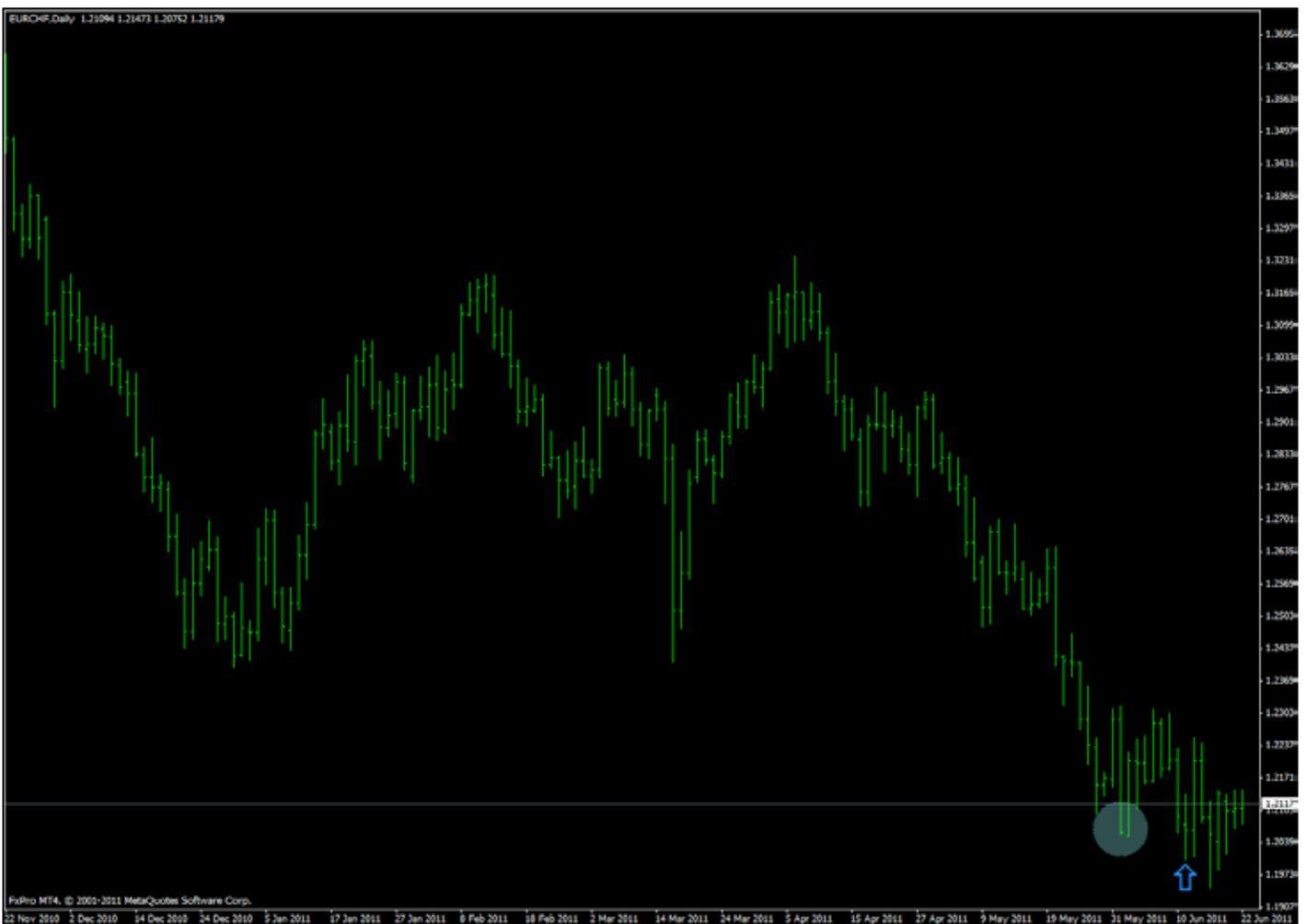
Price makes a swing low at the circled area on the chart.

Price then rallies away from this swing low.

It returns on the day marked by the blue arrow and breaks the swing low intraday but closes above it.

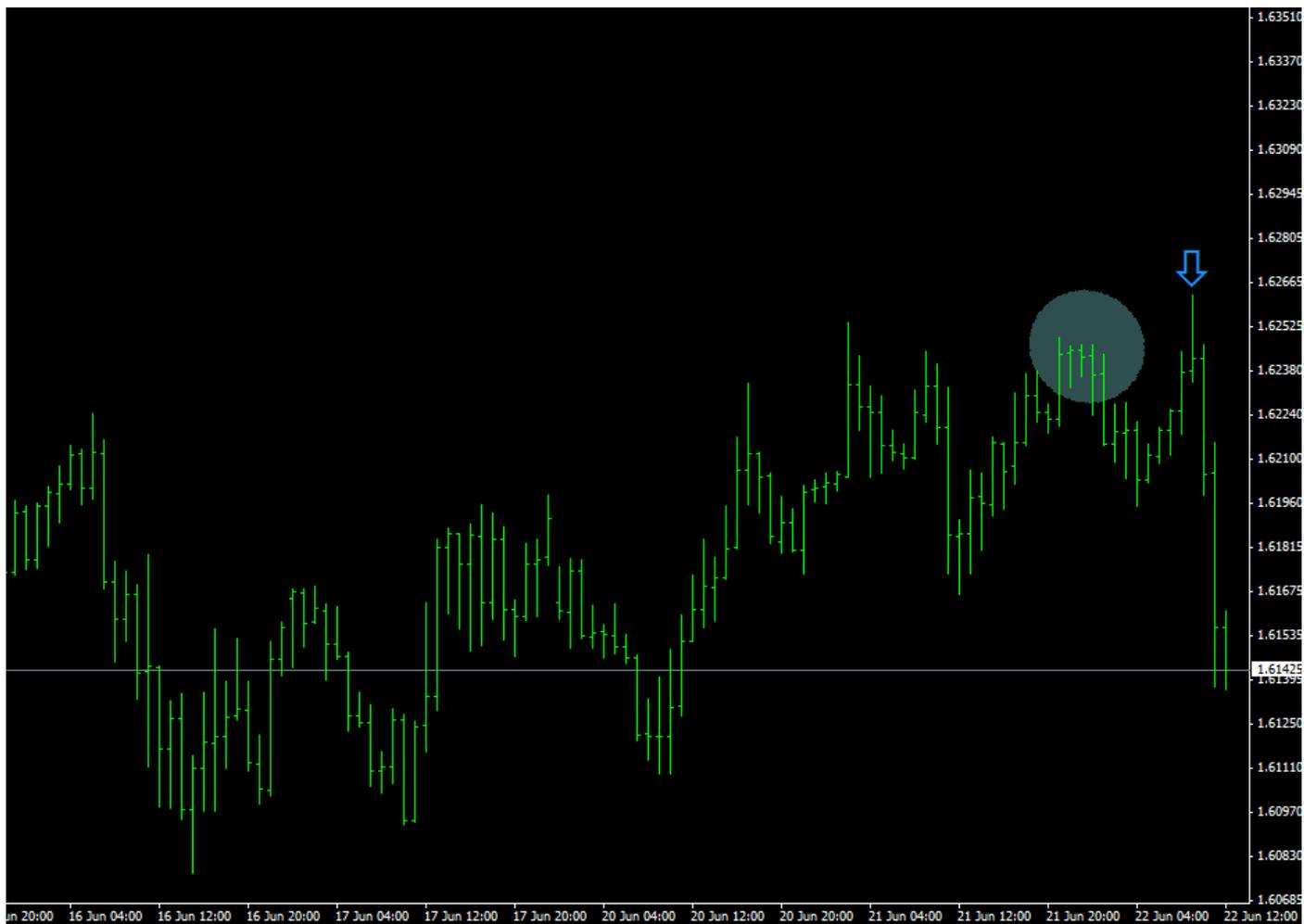
Once you see this, I have found it to be high probability that the next day will be a positive one. From time to time, this can also mark the beginning of a trend reversal.

This pattern would naturally be in reverse for bearish swing pattern failure.



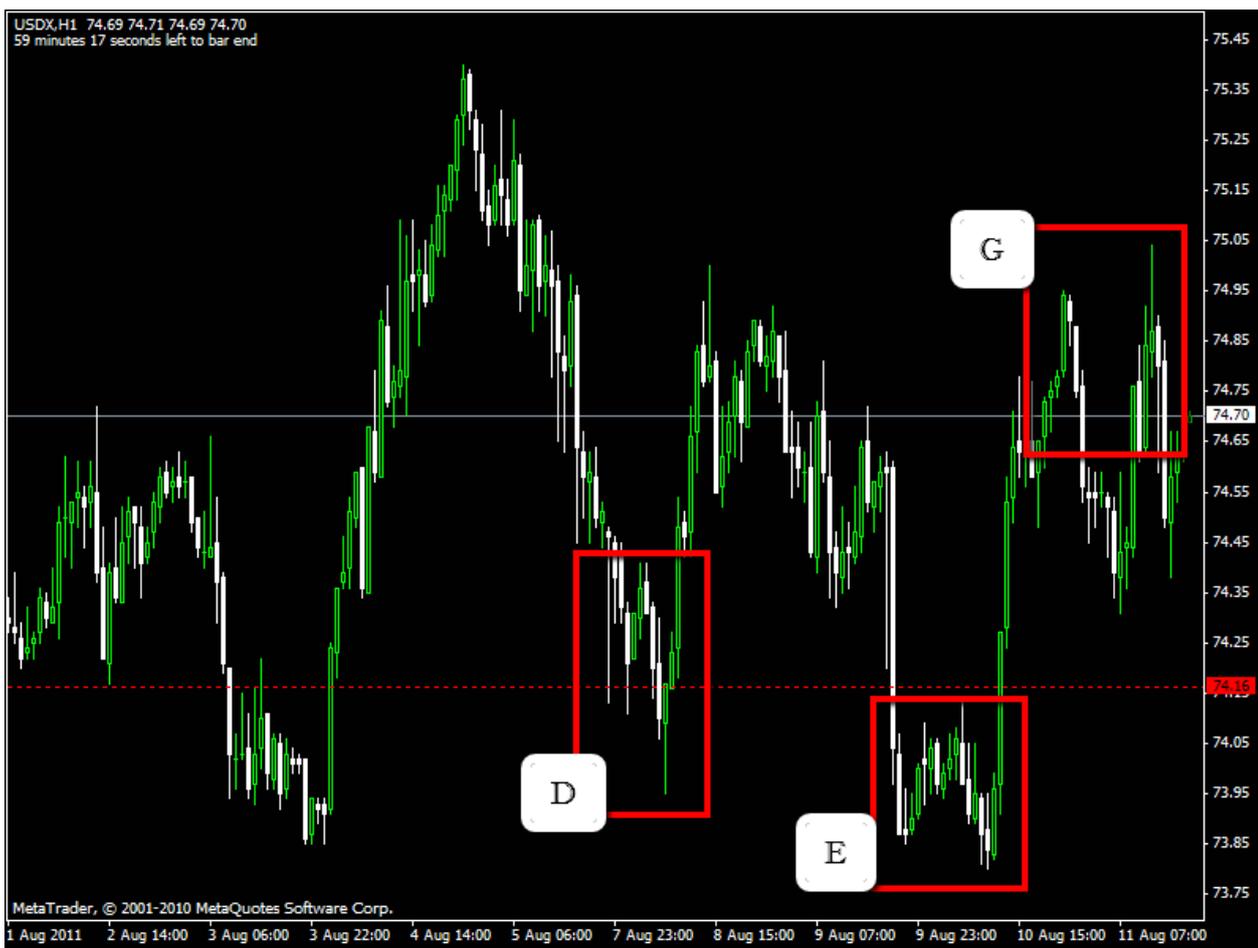
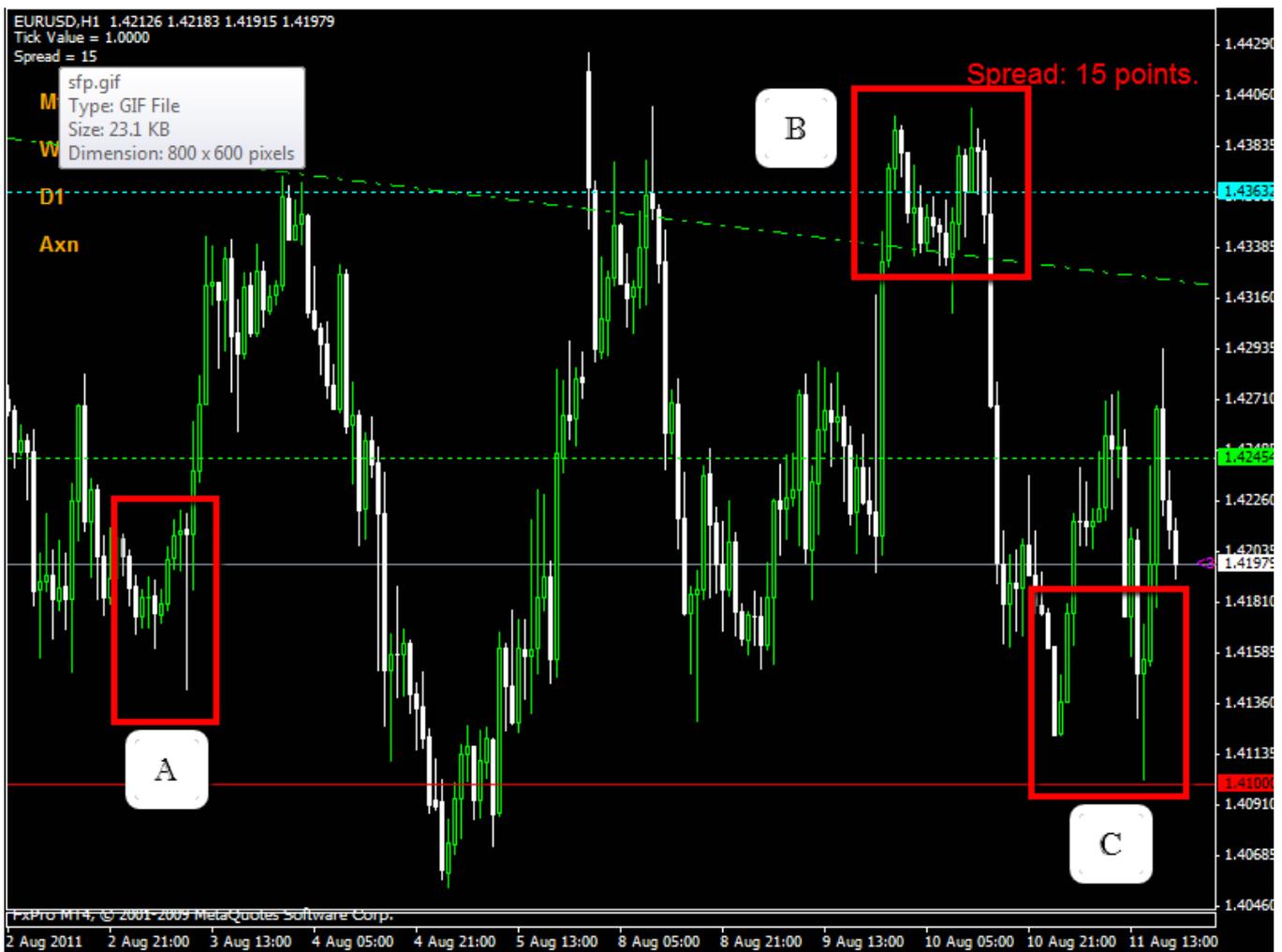
Yes you can see the same pattern on the H1 (and I am sure, other timeframes too). I am most familiar with the way it works on the D1 though.

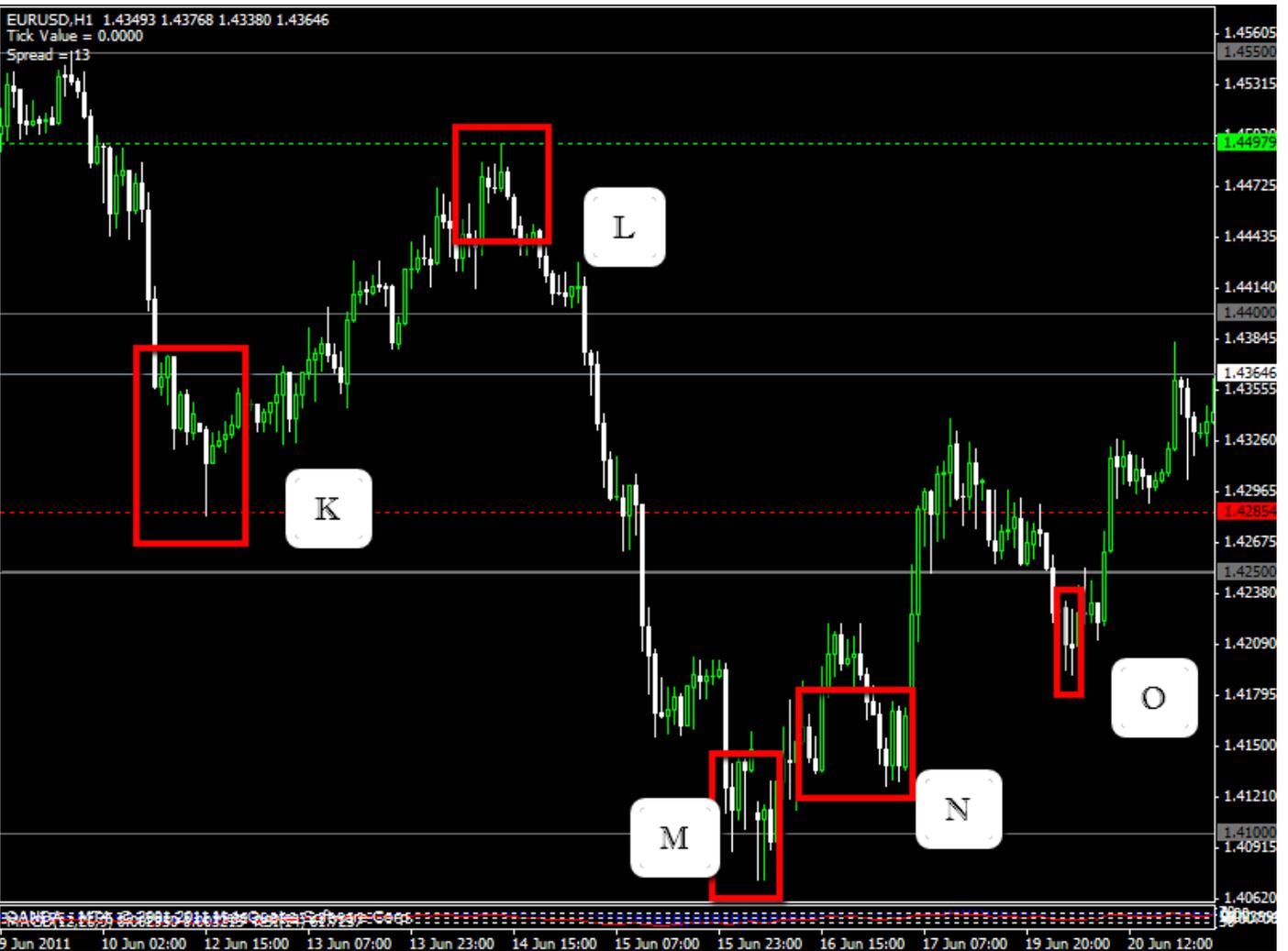
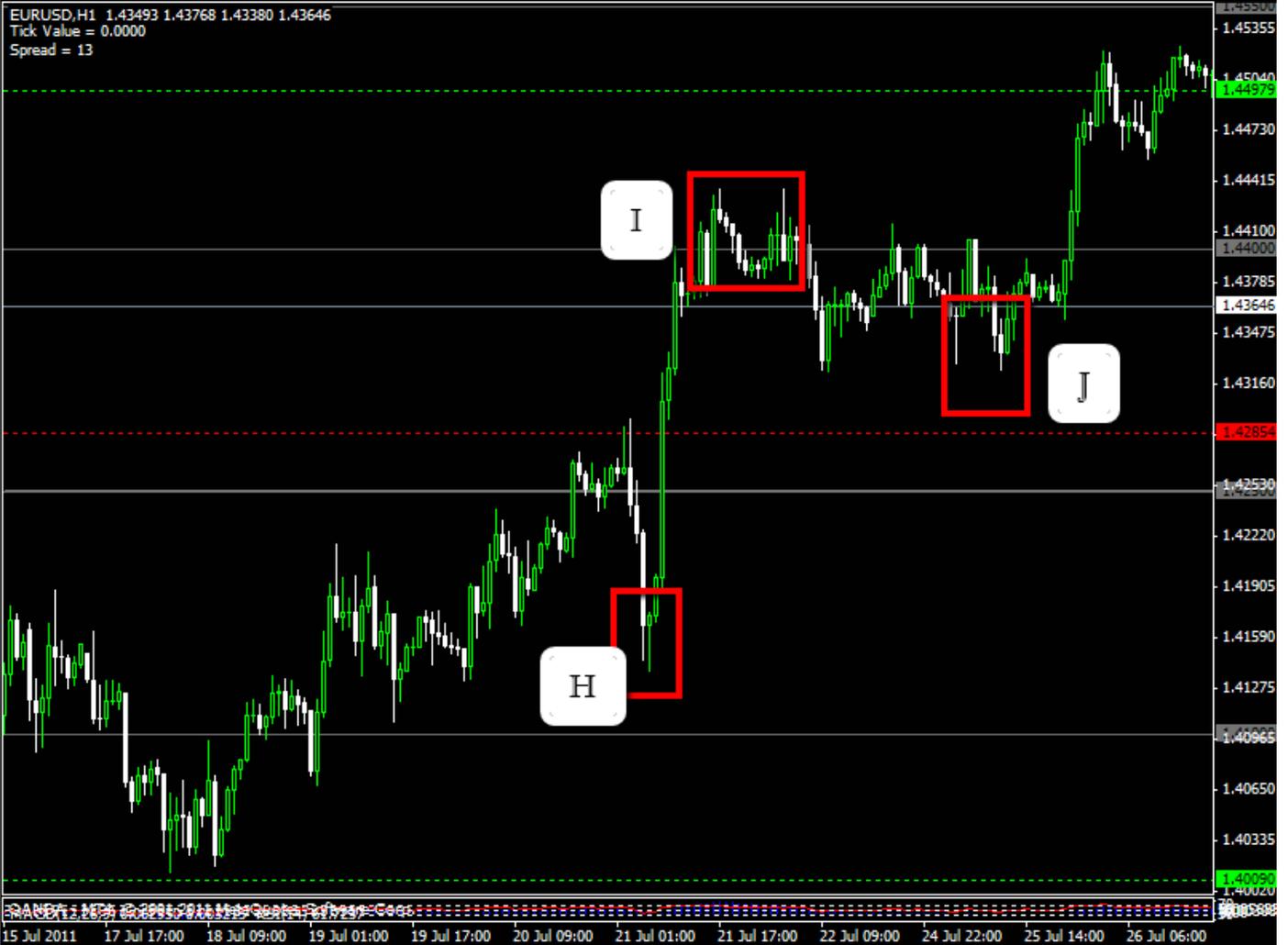
Here is one from the H1 in Cable this morning. This one formed a pin bar.





Tom,  
please help clarify for me so that I can be sure - which of the following "boxed" is/are sfp ?  
Thank you. - Jeff





ANSWER TOM PAG 45 Here are my thoughts :

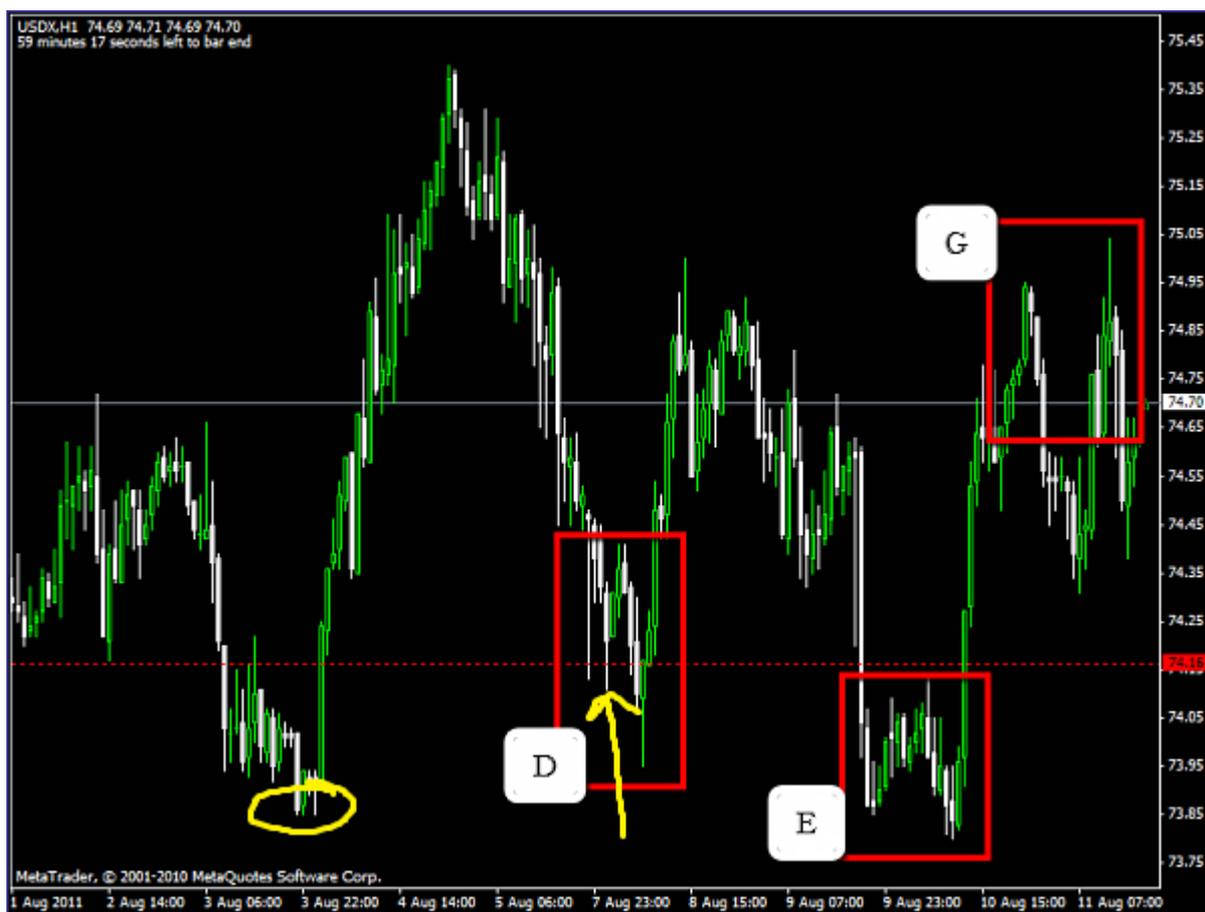
A, B and C from the first image you posted (not shown here) are valid SFP's.  
In the image below, E and G are also valid SFP's.

I do not think D is.

The reason for this is that I don't call the move up that I have marked with the yellow arrow as enough of a "swing up".

I would have been concentrating on the swing low that is circled.

I also want to see the SFP occur on the bar that BREAKS the lows not the next one.

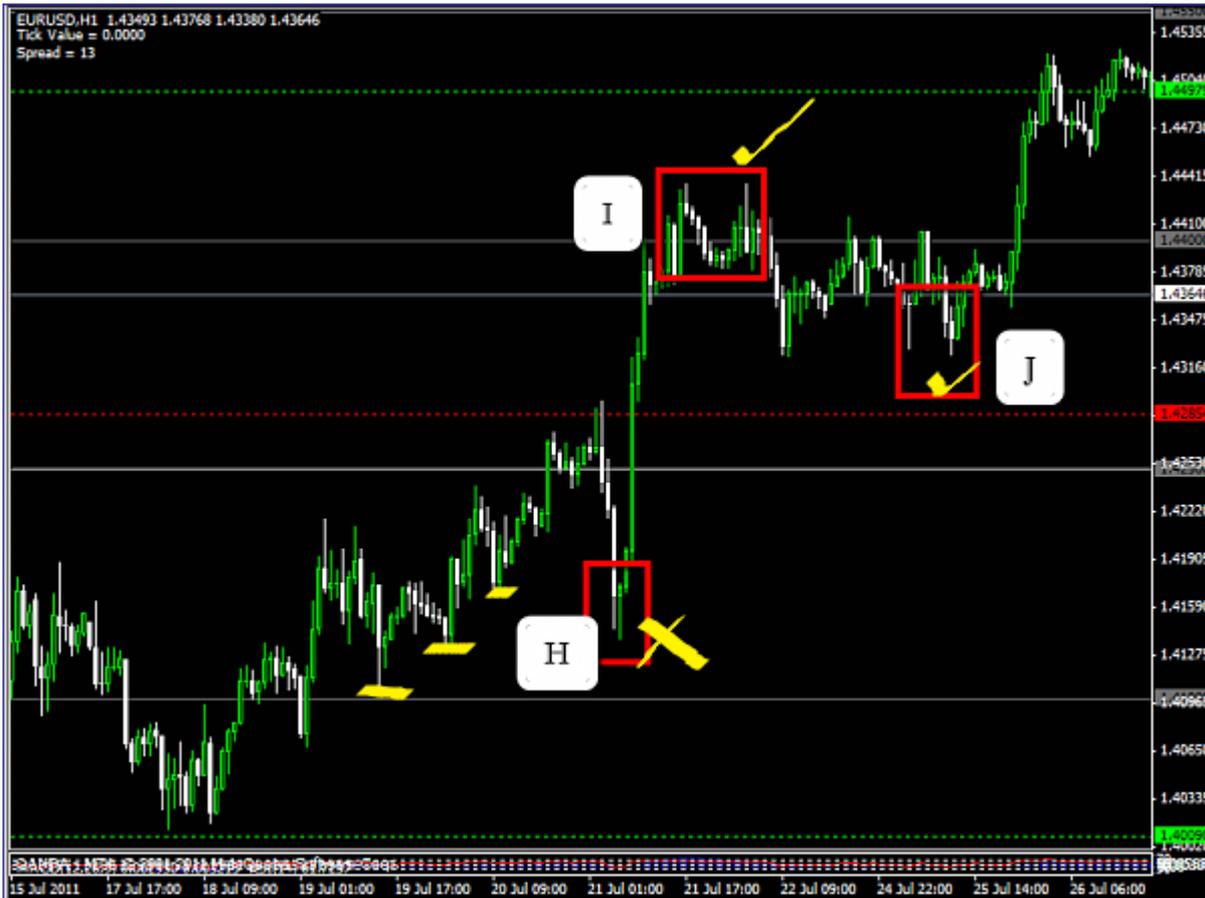


I do not think H is one. I have marked the swing lows I would be looking at with dashes. The candle that breaks the highest one does not close above.

The SFP marked with the letter "I" could be one but it hard to tell. It looks like an equal high but I have given it the benefit of the doubt and ticked it...however, it MUST have traded higher that the previous swing high and closed below.

If it went even 1 pip higher that is valid but an equal or lower high is NOT an SFP.

J is a valid setup.



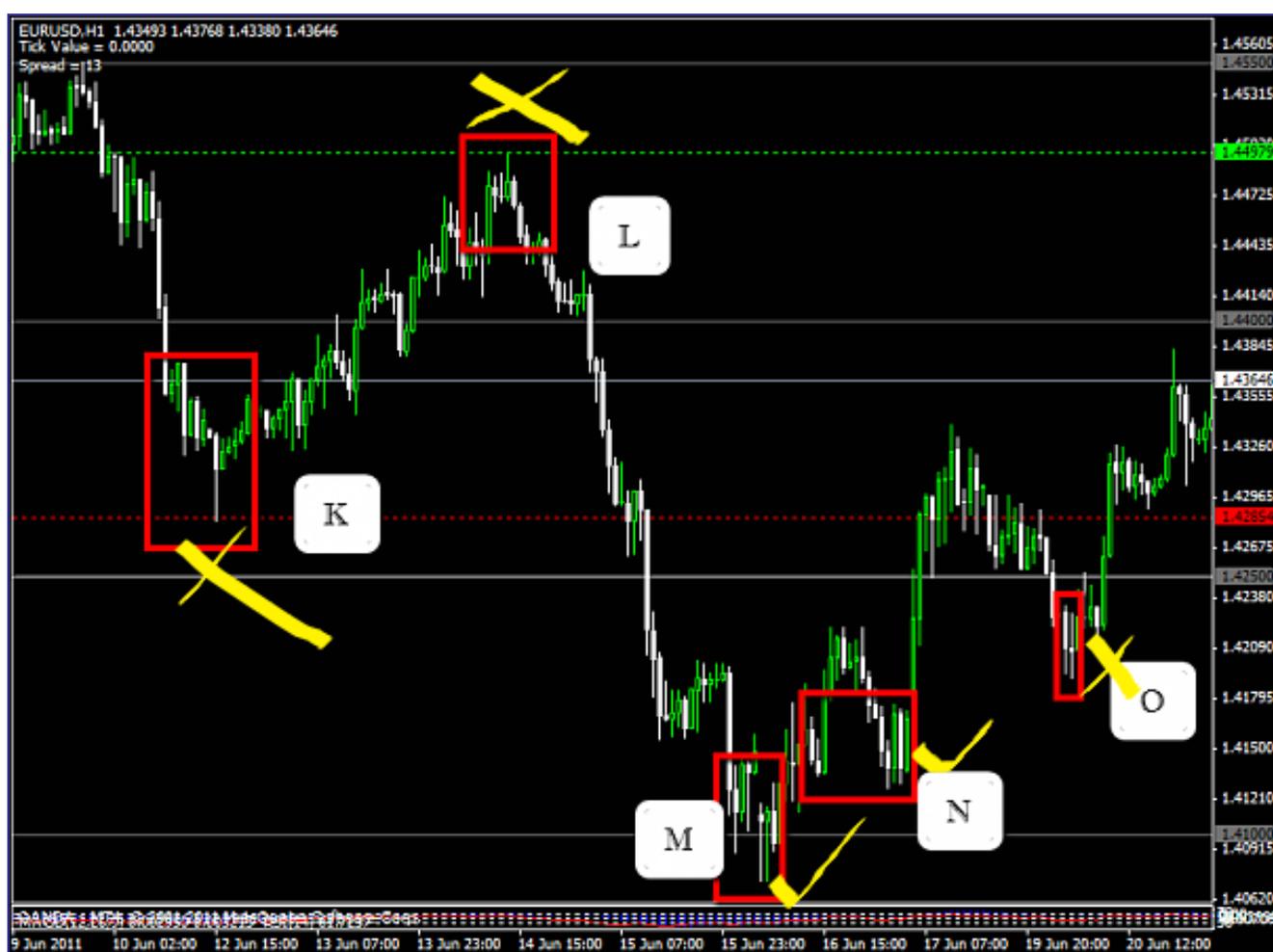
K - Not one. I see no interim swing UP for this to be breaking the lows of.

L - Not one. Again, no prior swing that this is breaching and failing at.

M - Yes but like anything there are SPF's and there are excellent SPF's . The pattern is discretionary but I do like to see the market make a low and then a significant looking swing up before coming back down. This would usually give you some "space". Is this swing up significant? Only you can answer that through your testing. I would say it is just about valid (but more so because of that unfilled gap)

N - Yes, technically an SFP.

O - No, not one. Where is the previous swing low that we are breaking? Remember, to be a swing LOW the market must have rallied up otherwise its not a swing point its just a last low.



I have marked two examples of SPF on your chart.

Point 1) Market makes a swing low in the circle and then rallies away from here. It doesn't have to rally to an FTA, it just has to rally off the low. How much is discretionary but I like to see some significant movement away - I'm sorry I can't be more specific. I don't use fixed rules. I am very discretionary. You can then see it comes back and breaks that prior low and closes above...JUST. There is a decent amount of space and this is a tradable setup.

Point 2) Same here. Market makes a swing high in the circle and then drops away from here. We come back to that previous high, break above and close below. Bingo.

