

# MASTERING CHART PATTERNS FOR PROFITABLE DAY TRADING

A deep dive into the world of chart patterns and how to use them to your benefit during day trading.

Candlestick Patterns



Triangle Patterns



Triangle Patterns

What is a Triangle Pattern?

How to Read a Triangle Chart Pattern

Descending Triangle Patterns

Ascending Triangle Pattern

Symmetrical Triangle Patterns

Double Bottom Pattern



Golden Cross Chart Patterns



Bear Trap Chart Patterns



Summary and Cheat Sheet



## ESSENTIAL CHART PATTERNS FOR CONSISTENT DAY TRADING SUCCESS

Learning chart patterns (<https://optionalpha.com/blog/13-stock-chart-patterns-that-you-cant-afford-to-forget>) might be the fastest way to make consistent money in the stock market. For centuries, the market has displayed the same characteristics, over and over again. After all, it's all about the buying and selling, supply and demand – human emotions plotted on a graph in ticks and candles and lines and bars.

To that end, the more you learn about these repeatable patterns (<https://medium.com/@CarpeNoctom/toshimokus-trading-tips-tricks-f0ff5cc38cc8>), the more insight you'll have. It's a lot like learning a new language. At first glance, it all seems like gibberish. It's the patterns that give it meaning. For example, "love" may sound different in another language, but it means just the same.

So it is in the market. Learn the patterns of accumulation (buying), distribution (selling), and stalemate (sideways action), and you'll be well on your way to exploiting opportunities.

In this guide to chart patterns, we'll outline for you the most important patterns in the market: From candlestick patterns to bear traps, triangle patterns to double bottoms



## CANDLESTICK PATTERNS

### WHAT IS A CANDLESTICK?

Very simply, a candlestick is a plot of price over time. This can be any time frame. For example, a one-minute candle is a plot of every traded price of a stock or asset during that one-minute interval. Likewise, a 5-minute candlestick is a plot of all the prices that stock traded in 5 minutes worth of time.

This is all very basic information until you realize that candlesticks are telling a story  
(<https://www.tradingsim.com/blog/tag/candlesticks>) of buyers and sellers during that timeframe.

### HOW TO READ CANDLESTICK PATTERNS IN TRADING

The value of candlesticks, which have been around for centuries, is in the story they tell. As you can see from the image above, a single candlestick shows the open, high, low, and close of the price action during that time interval.

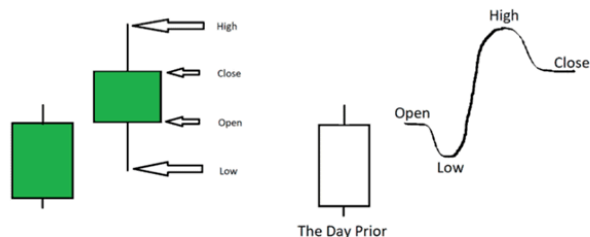
To the naked eye, this might seem inconsequential. However, to the trained candlestick chart reader, all of that information is very, very useful in decision making. Here's why.

Imagine a stock opens at \$1 on a 1-minute candle but gets hit with a lot of selling pressure during the first quarter of the time interval. During the first 15 seconds, it trades below the opening price. This forms the lower wick of the candle.

Then, for the next 30 seconds, demand enters and the price of the stock moves higher to \$1.50. It is safe to assume that bulls were able to overcome sellers during that time.

However, with 15 seconds remaining in the formation of the candle, selling pressure returns. This pushes the price of the stock back to \$1.25, and forms the upper wick of the candle. Perhaps bulls took profits and bears re-entered the scene.

#### Inside a Bullish Indecision Candle



What is left is an indecision candle, which we'll talk about later. It is a chart pattern that occurs over and over again.

Many implications can be had about this type of candle. It tells you that neither bears nor bulls are in full control. Regardless of the type of candle or implication, the point is that every candle has a story to

tell. It's also important that these chart patterns repeat, over and over again. It reveals a struggle between both forces in the market and where the stock could be headed next.  
(<https://www.tradingsim.com>)

After all, it is the "hard right edge" of the chart we are always looking to anticipate. Chart patterns help us with this.

## TYPES OF CANDLESTICK PATTERNS

Generally speaking, there are only three broad categories of candlestick patterns: bullish, bearish, or indecision patterns. Most of these patterns require the formation of more than one candlestick to create a pattern — and there are many such patterns.

In fact, entire books have been written about all the types of candlestick patterns you can see in the market. And while they are very informative and can add value to your trading decisions, the average trader may find the myriad of patterns daunting. For that reason, most educators try to condense the types of candlestick patterns into the most popular ones.

Here are a few examples of the most popular bullish and bearish candlestick pattern combinations that you might see. Perhaps you are already familiar with a few of them?



### Types of candlestick chart patterns

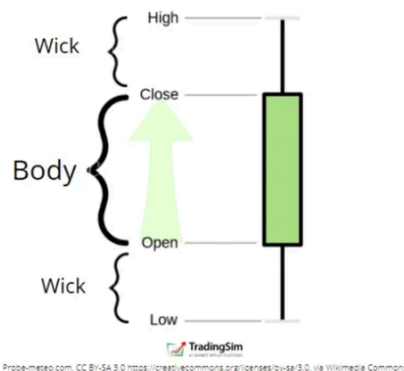
Let's dig a little deeper now into what constitutes a bullish or bearish candlestick pattern.

### Bullish Candlestick Chart Patterns

A bullish candlestick pattern (<https://www.investopedia.com/articles/active-trading/062315/using-bullish-candlestick-patterns-buy-stocks.asp>) is one that implies a bullish character — simple enough, right? This could be a reversal of a downtrend or a continuation in an uptrend.

For a single candlestick, however, we assume it is a bullish candlestick when it "closes green". What you're looking for is a candle that closes higher than it opens, essentially. The example we gave above is similar.

Here's what a bullish candlestick might look like:



Although this could be considered an indecision candle (/blog/bullish-or-bearish-doji-indecision-candles), the overall nature of the candle leans to the bullish side. It closed higher than it opened. There are plenty of other types of bullish candlesticks more bullish than this one.

For example, a marubozu candle occurs when price opens at the lows (no/small wick) and closes at the highs (no/small wick). We usually consider these very bullish candlesticks in that bulls were in control during the entire time interval.

Notice how strong the green, bullish reversal candle is on this chart. It was enough to overcome the entire red candle preceding it — and the wicks are super tiny. This tells us the demand was strong during the formation of the candle.



Bullish reversal candlestick chart pattern

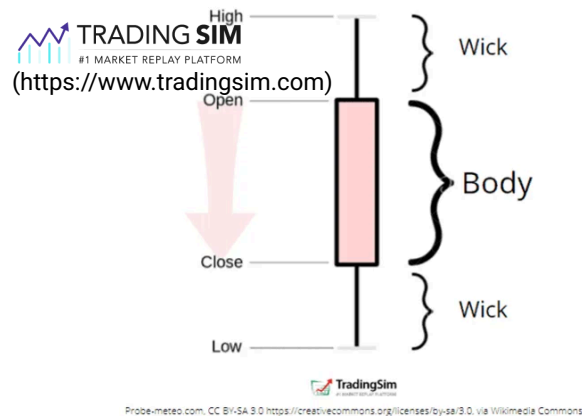
For more examples like this one on bullish candlestick patterns, check out our guide to the 6 best bullish candlestick patterns (/blog/6-best-bullish-candlestick-patterns).

## Bearish Candlestick Chart Patterns

Contrary to bullish candlesticks, bearish candlestick patterns are just what you would assume. They reveal that bears were in control during the time interval that the candle pattern was formed. Likewise, they may represent a reversal pattern after a strong uptrend, or a continuation pattern during a downtrend.

For bearish candlesticks, we assume the price opens higher than it closes. In other words, bears took control at some point after the opening of the candle and pushed the price lower as the candle formed.

Here's an example of what this might look like:



Beyond just candlesticks, there are many bearish candlestick combination patterns. These create a series of candles which produce a bearish “event,” per se. They could be parabolic reversals (/blog/parabolic-reversals), tweezer tops, abandoned babies (/blog/abandoned-baby), evening stars, or other unique patterns.



Continuing with some of the more popular candlestick chart patterns, let's look at the shooting star candlestick pattern.

Just like this example above, we discuss 8 of the most reliable bearish candlestick patterns in this tutorial (/blog/8-bearish-candlestick-patterns). For good reason, most traders assume this is a bearish candlestick pattern. When taken in the context of an uptrend, the presence of a shooting star (<https://commodity.com/technical-analysis/shooting-star/>) often signals a reversal. Many contrarian traders love to see these at the top of a parabolic run.

As price increases, what you want to see is a large volume candle that starts low, goes up, and then comes back down to where it started. It leaves a nice long topping tail. This tells us that gravity, just like with a real shooting star, is pulling the price of the stock back to earth.

Traders look for these so that they can then take a short position and risk off the high of the candle, assuming it won't go any higher.

Here's an example of what that trade might look like:



## Shooting star candlestick pattern trading example

Hammer candlestick patterns are somewhat similar to shooting stars in that they often signal reversals. In fact, they can be bullish or bearish depending on the context.

We discuss how to trade this set (/blog/shooting-star) As you can see, a hammer candlestick pattern

## Hammer



(<https://marketrealist.com/2014/12/inverted-hammer-shooting-star-candlestick-pattern/>) often signals a reversal of a downtrend, much like a shooting star does on the opposite end of a trend. Both hammers and shooting star candles look the same, don't they?

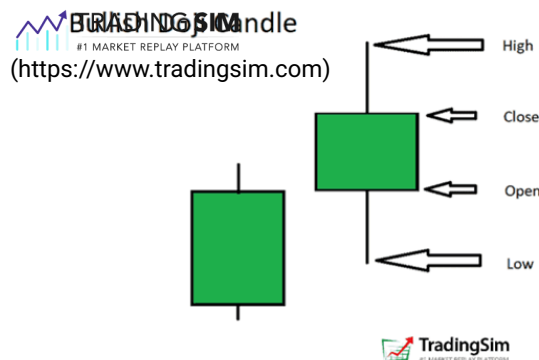
In the Hammer candlestick pattern example, we have sellers capitulating into stronger hands who buy up their shares. This leaves a long bottoming wick, and signals a reversal. To take this trade, you simply buy the breakout above the hammer candle after it is formed, risking to the low of the wick.

Inverted hammer patterns can also signal reversal in a downtrend. It simply means that sellers were not able to continue pushing the stock price lower. Once they realize this, they give up and begin covering their positions, pushing the price higher.

For more on how to trade hammer candlestick patterns, check out this guide (<https://www.tradingsim.com/blog/6-best-bullish-candlestick-patterns>).

## Doji Candlestick Patterns

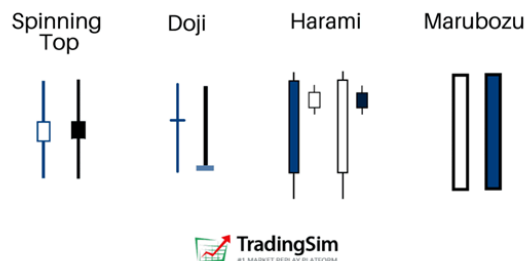
Doji candlesticks (<https://www.dailyfx.com/education/candlestick-patterns/doji-candle.html>) are often referred to as indecision candles. They can show up red or green on a chart, but aren't exactly considered bullish or bearish. They typically indicate a stalemate between both forces.



Like the example above, what you typically find in a doji candlestick is a very narrow body with wicks on either end. Similar to what we discussed above, this informs the chart reader that both bears and bulls created a tug-of-war while this candle was forming, and neither really won, despite the candle closing green or red.

However, if you spot the doji candlestick pattern in certain contexts, it might signal a reversal. We discuss this in our tutorial on dojis. (/blog/stars-dojis-and-babies) Here are a few examples of where you might see doji candlesticks, and how they differ from the large marubozu style of candlestick patterns:

### INDECISION CANDLE PATTERNS



Comparably, doji candles are narrow-bodied with long wicks. Ideally, you'll want to wait until the next candle forms after a doji to make a decision as to who has the upper hand - bull or bears. This will keep you safe in your trading decisions.

Here is an example of a gravestone doji reversal pattern (/blog/gravestone-doji):

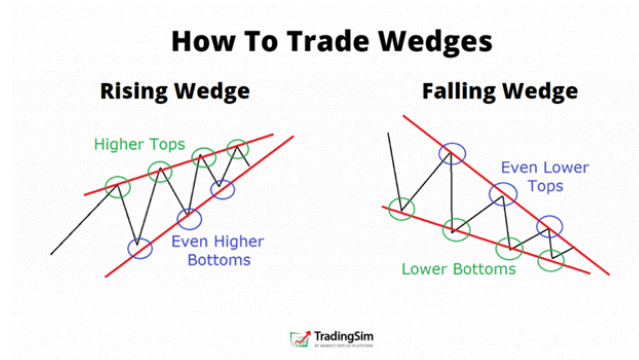






For all intents and purposes, the simple way to spot one of these is to draw a trend line across the top and bottom of the most recent price action of the stock in play. If you find that stock coiling into an apex, it is likely forming a triangle pattern.

These can be called by different names. Some like to call them pennants, others like to call them wedges. Aside from maybe a few nuances here or there, they are all basically the same – chart patterns that resembles a triangle.



## HOW TO READ A TRIANGLE CHART PATTERN

Triangle patterns begin with broader price range and volatility. Over a period of time, they contract into an apex on lower volatility and narrowing price range (/blog/volatility-contraction-pattern). This is accompanied by a series of higher tops and higher bottoms, or lower tops and lower bottoms or a symmetrical sideways pennant of lower highs and higher lows. Some variances to this can occur, like a flat base or flat top.

Regardless of the formation specifics, the goal as a trader is to determine the path of least resistance once the stock leaves the formation. Along those lines, we typically see ascending triangles resolve downwardly; descending triangles usually resolve upwardly.

Volume and price action are also key in how to read a triangle pattern. Every chart pattern should tell you a story, much like candlestick patterns. Are bulls absorbing downward pressure in a descending triangle? Or, are bears selling to the bulls in an ascending triangle?

Each pattern will show you, if you look intently enough, the path of least resistance on the horizon. Once you spot it, the triangle pattern gives you a great risk to reward (/blog/risk-and-reward) setup for your trade plan (/blog/trading-plan).

Let's look at each type of triangle pattern a bit more in-depth.













([https://www.tradingsim.com/cs/c/?cta\\_guid=daed12f9-4355-4947-8e17-02a8f36f7ba9&signature=AAH58kEL1rmxwCeiOMJybBdqAAg51vs5Pw&portal\\_id=20705417&pageId=703384802121ff-4ddf-a755-f703047ac267&click=932c5a79-8ad1-4e10-b076-a16b9b99936f&redirect\\_url=APefjpEf-ppAsb2b4X09geZ0nS7pb3WBTgKYMd3w9\\_TVIVBwjU9ktGIqdBX7gspPEhNWsvV3COj8uBXnZPdx1d1wl2Znw2TIUIpatterns&ts=1767804953380&\\_\\_hstc=79552011.e33d086e1a371c073bcf2f6a7444b89d.1767804955396.1767804955396.1767804955396.1767804955396](https://www.tradingsim.com/cs/c/?cta_guid=daed12f9-4355-4947-8e17-02a8f36f7ba9&signature=AAH58kEL1rmxwCeiOMJybBdqAAg51vs5Pw&portal_id=20705417&pageId=703384802121ff-4ddf-a755-f703047ac267&click=932c5a79-8ad1-4e10-b076-a16b9b99936f&redirect_url=APefjpEf-ppAsb2b4X09geZ0nS7pb3WBTgKYMd3w9_TVIVBwjU9ktGIqdBX7gspPEhNWsvV3COj8uBXnZPdx1d1wl2Znw2TIUIpatterns&ts=1767804953380&__hstc=79552011.e33d086e1a371c073bcf2f6a7444b89d.1767804955396.1767804955396.1767804955396.1767804955396)page)











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Replied to @team3dstocks

if u need a refresher on what the "you gon learn today" bear trap setup is... review this old tweet & SAVE the charts I listed.

Now u see why i always say "after the trendbreak WAIT for the FAILED reclaim attempt before hammering short"

[#BearTipOfTheDay](#)

[x.com/team3dstocks/s...](https://x.com/team3dstocks/s...)

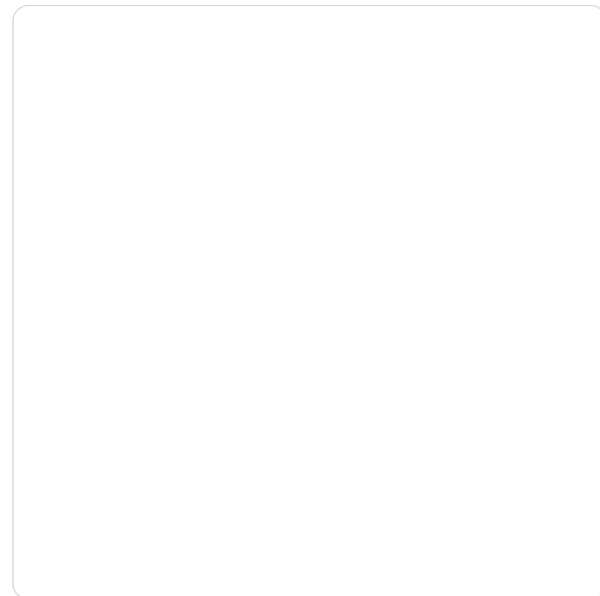
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\$SOLY the "you gon learn today" bear trap pattern they used on \$ATOS \$BPTH \$DRYS etc. Very good to save those charts daily and review on weekends. More info on pattern is on chapter 69 of my floppy disk.

I accept food stamps and crypto thank u  
[#whyYouNoStudy](#)

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[\\$AMC](#) update on the "you gon learn today" setup. Do u think shorts learned or nah?



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