A Complete Guide For Stock Market Prediction By Proper Technical Analysis

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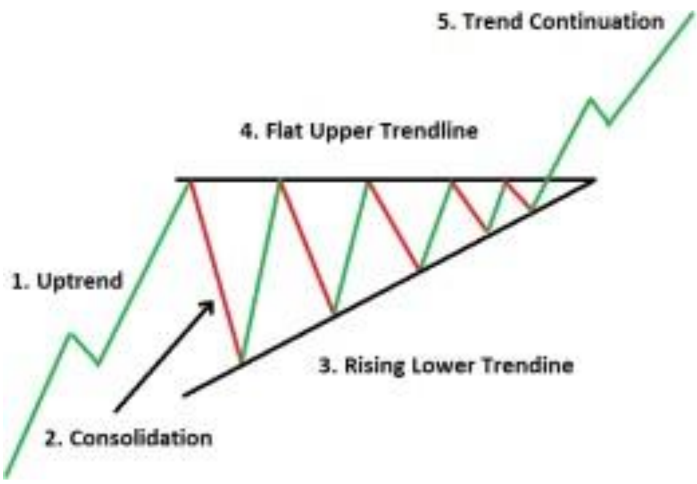
With Proper Diagrams , Chart patterns , Nature of Pattern , Condition Of Breakout And Volume For Stock Market Analysis And Prediction.

Ascending Triangles :-



The ascending triangle is a continuation pattern defined by an entry point, stop loss and profit target. On a price chart, it appears as a horizontal support line connecting the highs to the lows from an upward trend line. Each ascending triangle has at least two highs and two lows. In comparison, a descending triangle has a horizontal lower line and a descending upper trend line.

The above chart represents an ascending triangle. It consists of a horizontal resistance line drawn at smaller highs, with a rising trend line connecting minor lows, forming a triangular pattern.

Ascending triangles are continuation patterns because the price usually breaks out in the direction it was going before the pattern. Like other types of triangles, volume often shrinks during chart patterns. Investors usually enter when a price breakout occurs, keeping an eye on false breakouts. The positions they take depends on the direction of the breakout - buy in the up direction and sell in the down direction. The stop loss is placed just outside the triangle. To calculate the profit target, traders take into account the height of the triangle at the maximum width and adjust that measurement according to the breakout price.

With ascending triangles, the wider the pattern, the higher the risk/reward. For narrower patterns, the stop loss becomes smaller; However, the profit target is still based on the most important part of the pattern. In terms of the challenges faced by traders using this chart, false breakouts are an important consideration. Price movement can fluctuate, moving in and out of the pattern in either direction if it fails to break the upper resistance level.

Hedge funds and other institutional organizations can buy hundreds of thousands of shares in a company. After the stock has risen, and it has concluded that there are better opportunities elsewhere, the organization will exit the position. Here they have to sell their stock, but only up to a certain point, in this example, we use $50. Since a large amount of stock is being dumped in the market, the price of that stock cannot climb above $50, because as soon as it does, it will trigger a sale from the organization.

When word on the stock is out, other sellers jump on the bandwagon and push the stock down even further. Once all sellers are satisfied, buyers arrive, thinking that the stock is a steal at this low price and overtook the shares, raising it even higher than before.

Pattern Type: Continuity

Sign: Bullish

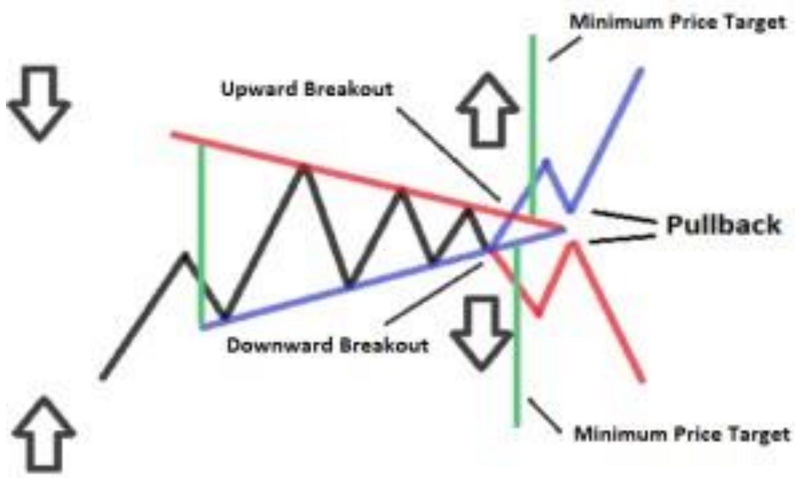
Breakout Confirmation: Confirmation of this pattern is near the high of average trading volume.

Measurement: Subtract the height from the lowest low of the pattern and then add to the breakout level.

Volume: Volume declines during an ascending triangle formation, expands when a breakout occurs.

The ascending triangle pattern represents a high risk/reward scenario, truncating other patterns that tend to narrow over time. The biggest issue with this chart pattern is the potential for false breakouts. As a result, the chart pattern can be redrawn several times as price action crosses the resistance level, but fails to sustain the breakout price. To learn more about stock chart patterns and to fully take advantage of technical analysis, be sure to check out our complete library of predictable chart patterns. These include comprehensive descriptions and images so that you can identify important chart pattern scenarios and become a better trader.

Symmetrical Triangle pattern



The symmetrical triangle pattern is relatively easy to notice because of its distinctive form. It is one of the three important triangle patterns defined by classical technical analysis. The other two are the descending triangle and the ascending triangle.

A symmetrical triangle is a chart that can be identified by its lower highs and higher lows. This pattern is indicated when two trend lines converge with convergent trend lines connecting multiple peaks and troughs.

Once one of those peaks "breaks out" of this barrier, it can indicate a powerful bullish or bearish move that investors can take advantage of if they know how to look for it. If the breakout point appears at a trough point, it may indicate a strong movement in bear territory and is an excellent sign that it is time to exit. If the breakout point is extreme, it may indicate a bull movement and a good time to invest.

Edwards and Maggie, authors of Technical Analysis of Stock Trends, suggest that approximately 75% of symmetrical triangles are continuation patterns and the rest mark reversals.

This indicates that we should not guess the direction of the breakout, but instead be patient and wait for it to happen. Additional analysis can also be applied to breakouts by looking at gaps, volume and quick price movement. When trading the symmetrical triangle, it is important to wait for confirmation of the breakout to be on the right side.

These patterns have two or more swing highs and lows when it comes to price, and investors need to be prepared to adjust to trend lines with more "swings" to level the playing field. it occurs. These types of patents can often mislead investors, and they lose volume because they appear to be "purposeless," but for those who know how to look for breakouts, these patterns can give a great indication of where to go. Know when to buy it and when to go.

A settling triangle can be set up for a breakout which can be calculated by taking the distance from the upper support line and lower resistance at the beginning of the pattern and then adding that to the breakout price point. For example, a settled triangle may start at a price point of $40, then trade to $50 before the trading range narrows. So here, a breakout from the $45 price point could result in a price target of $55 ($50 - $40 = $10 + $45 = $55).

The stop loss order should be placed slightly below the breakout point for the symmetrical triangle pattern. For example, if the stock begins to break out at above-average volume at $45, investors should place their stop loss orders slightly below the $45 price point.

Why are there symmetrical triangles

When supply and demand are out of balance, the stock's price action will move forward. Either the bulls will overtake the bears and push the stock higher, or the bears will overtake the bulls and push the stock down—traders who can accurately identify in which direction the symmetrical triangle will condense the rewards of profit. .

Pattern Type: Continuation or Reversal

Indication: bullish or bearish

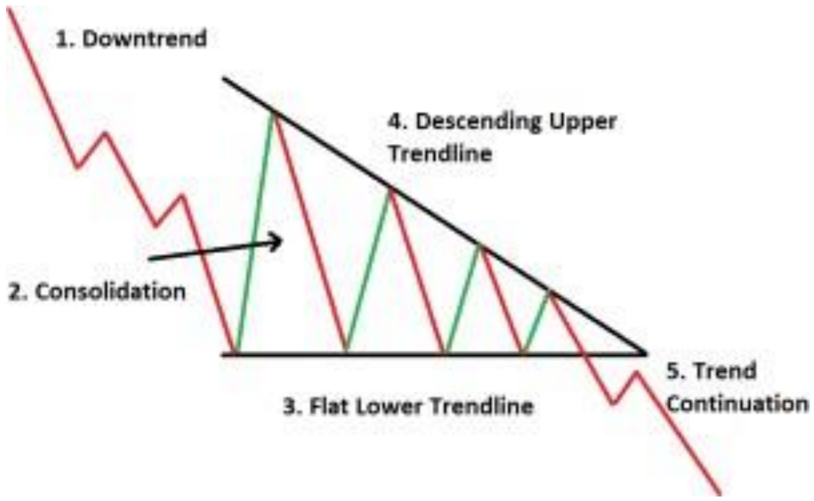
Breakout Confirmation: This pattern is confirmed above or below the converging trend line at above average trading volume.

Measurement: Subtract the high of the pattern's lowest low and highest high and then add or subtract this amount at the breakout level depending on how the breakout progresses.

Volume: Expanding on breakouts, volume declines throughout the symmetrical triangle formation.
Be careful when trading symmetrical triangles, as traders can be faked on

bullish and bearish signals that reverse soon after the trend begins. It is recommended to stop for a day after the breakout to determine whether the pattern is real or not. Look for one-day closing price targets below the trend line for a bullish signal and above the trend line for a bearish signal. To learn more about stock chart patterns and to fully take advantage of technical analysis, be sure to check out our complete library of predictable chart patterns. These include comprehensive descriptions and images so that you can identify important chart pattern scenarios and become a better trader.

Descending Triangle



The descending triangle chart pattern, also known as the descending triangle, allows traders to measure the distance from the beginning of the pattern, represented by the highest point, all the way to the flat support line. This type of technical analysis identifies a downward trend, which will eventually break through resistance levels causing price action to drop.

Traders look for a descending triangle as the pattern indicates that a breakdown is imminent. Usually, when there is a fall in price, buyers push up the price even more. However, a descending triangle indicates that buying pressure is lacking. Here, sellers begin selling at even lower prices, which suggests a series of lower highs. A breakdown usually occurs when volumes are high, and the following move is rapid and severe.

Descending triangles are popular because they provide traders with the opportunity to make substantial profits in the short term. To trade the pattern, technical traders take a bear position after a break of high volume. The price target is usually equal to the entry point minus the vertical distance between the lines drawn when the breakdown occurs. Stop loss positions are taken on the upper trendline. To profit from a descending triangle, traders must identify clear breakdowns and avoid false signals. They also need to consider that in case of no breakdown, the price may test the upper resistance before moving to the lower support line again.
Descending triangles are the opposite of ascending triangles because they have a horizontal upper trend line and a rising lower. Reversals can also occur with

descending triangles, but they are generally considered to be bullish in nature. All triangle patterns provide traders with the opportunity to short the stock and set profit targets.

It is important to note that when trying to anticipate a potential breakout, we also want to look at other technical indicators. Simple moving averages help to confirm the signal to execute the trend trade.

To help predict an upward breakout, when the price falls after a broken triangle, we check to see if the price of the breakout is above or below the 200-day simple moving average. The trend outperforms an average of 5% when the breakout is below the 200-day simple moving average.

To help predict a downward breakout, the opposite is true. When the price breaks out above the 200-day simple moving average, a broken triangle sees a price increase of 13% compared to below the 200-day simple moving average.

Why is the descending triangle important?

The descending triangle is one of the most popular chart patterns because it is easy to understand and clearly shows demand, or lack thereof, in a stock. When the price falls below the support level, it indicates that the stock is likely to continue declining. This bearish pattern enables traders to generate above average returns over a short period of time. Descending triangles can also indicate a reversal pattern or an uptrend, but in most cases, they represent a bearish continuation pattern.

Pattern Type: Continuity

Hint: Bearish

Breakout Confirmation: Confirmation of this pattern is near the low of average trading volume.

Measurement: Subtract the high from the high and low of the pattern and then from the breakout level.

Volume: Volume declines during descending triangle formation, expands on breakout

The descending triangle pattern can act as a great indicator of a future trend, but it is not without its limitations. It is a favorite among traders because the pattern is easy to recognize, but it is known for false breakouts, so traders need to manage their trades accordingly. To learn more about stock chart patterns and to fully take advantage of technical analysis, be sure to check out our complete library of predictable chart patterns. These include comprehensive descriptions and images so that you can identify important chart pattern scenarios and become a better trader.

Bump and Run Reversal

The second phase of the pattern is the bump phase, in which prices move up faster than the first phase. During this phase, the trend line becomes at least 50% faster than the lead-in trendline. Traders should validate the bump pattern by checking the maximum-height of the bump in relation to the lead-in trendline. The distance from the highest point of the bump to the lead-in trendline should be twice (or more) the distance from the highest height to the lead-in line in the lead-in phase.

The chart starts showing the right side of the collision once the prices reach their peak and start declining towards the trend line. The volume expands after the advance forms on the left side of the bump. The run phase begins when prices reach the lead-in trendline.

After crossing the trendline, sometimes the price reverts back to the trendline, which is now also a resistance level. Bump and Run Reversal Patterns can be used for all types of trading from daily, weekly to monthly, with the understanding that the movement is volatile over the long term.

How does bump and run reversal happen?

The setup works like this; The stock is making an upward sloping signal to investors that they should acquire the stock, as the day progresses, investors keep bidding for the stock and the price rises. Then an event occurs, such as earnings, that causes traders to jump on the bandwagon and bid for even more stocks. As momentum picks up, the price moves up to form a new higher sloping trend line. However, that is when things start going wrong.

Here supply catches up with demand, traders find that the stock's bid has gone too high, and sellers come in and push the stock down. During the lead-in phase the volume is often initially high, and then the volume decreases until the onset of the percussion, which then increases suddenly.

Pattern Type: Nondirectional

Hint: Bearish

Breakout Confirmation: Confirmation of this pattern is below the lower trendline drawn at a low level during the lead-in phase, with above-average trading volume.

Measuring: The price target is the lowest point in the lead-in phase

Volume: Volume is usually high at the beginning of the phase and decreases throughout the pattern.

The Bump and Run Reversal Pattern is a high probability trade that is being used by many professional traders. It can be applied to any chart period, daily, weekly or monthly. The pattern is an excellent indicator designed to identify speculative demand that is likely to come to an end allowing traders to profit on the stock. To learn more about stock chart patterns and to fully take advantage of technical analysis, be sure to check out our complete library of predictable chart patterns. These include comprehensive descriptions and images so that you can identify important chart pattern scenarios and become a better trader.

Cup And Handle Pattern

A cup and handle pattern occurs when the underlying asset forms a chart that resembles a cup in the shape of a U, and represents a handle slightly downward after the cup.

Shape is formed when a price wave is down, followed by a stabilization period, followed by a rally of roughly the same size as the prior trend. This price action identity makes up the cup and handle sizes.

The formation is usually initiated by low-trade volume, followed by high volume as the left lip, declining volume at the bottom of the cup, which then exits with increasing volume towards the right lip and a breakout. This process can last anywhere from a few minutes to sixty-five weeks, beginning with a period of stabilization followed by downward price volatility, then a rally that returns to nearly or equal to the previous level before the price drops. brings.

Once this happens, the cup moves forward and forms a U, and the price curves slightly downwards to form the handle.

The handle should be shorter than the cup and should only point slightly down within the trading range - not less than a third of what is in the cup. Investors who see a similar pattern where the handle goes deep may want to try to avoid it.

However, when the handle is in the proper proportion to the edge of the cup, a breakout that crosses the handle is a sign of an increase in price. In addition, it is important to note that this is not always the case, and investors should use certain measures to minimize losses when investing in these types of patterns.

The image above displays the standard cup and handle pattern. To trade this formation correctly, a trader should place a stop buy order slightly above the upper trendline that forms the handle. This way, the buy order will be executed only if the price breaks above the upper resistance level. This will avoid jumping into a cup by entering a false breakout and handling the pattern too early. For traders who want to add a little more certainty to their trades, they should wait for the price handle to close above the upper trend line.

Often traders try to buy a stock at a lower price, when it breaks the upper trendline, hoping that the price will temporarily move back down, but here they run the risk of moving the price upwards, risking the trade. completely disappear.

The Cup and Handle pattern features a lower failure rate than other chart patterns, which means it is a good indicator of what is to come. The patterns were short handles that had a higher success rate than patterns with longer handles. A slightly higher upper left lip versus a right lip with a more bottomless cupped pattern also has a higher success rate.

Pattern Type: Continuity

Sign: Bullish

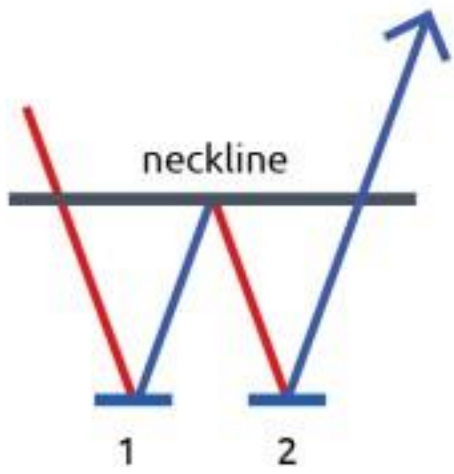
Breakout confirmation: When there is above-average volume, and the stock closes above the upper trendline drawn from the top of the handle.

Measuring: The price target is achieved by measuring the distance from the right lip to the bottom of the cup and then connecting it to the price level of the right lip.

Volume: Increased volume is normal after cup sizing, with volume as high as the left lip, decreasing volume at the bottom of the cup, and increasing the volume towards the right lip which continues on breakouts.

The cup and handle pattern was popularized by William O'Neill, which has now expanded to all kinds of trading scenarios. Traders refer to the cup and handle as a bullish continuation pattern that is a highly accurate predictor of sizable breakouts. To learn more about stock chart patterns and to fully take advantage of technical analysis, be sure to check out our complete library of predictable chart patterns. These include comprehensive descriptions and images so that you can identify important chart pattern scenarios and become a better trader.

Double Bottom Pattern



When using technical analysis, the double bottom pattern indicates a long-term or intermediate reversal in the overall trend. It is defined by a drop in price in a stock or index that is preceded by a rebound, then another decline at roughly the same level as the first drop, followed by a more significant rebound. The double bottom pattern resembles the look of a W, where the low is considered a support level.

The prerequisite for a double bottom pattern is a significant downward trend that continues over an extended period of time - several months. The first bottom or trough of the trend should be the lowest point of the current downward trend. The first trough is followed by a 10 to 20% advance and, occasionally, a drawn peak.

The second trough follows the advance and finds support from the first lower. This formation can take weeks and months to form. Two cisterns can be considered double bottom if the difference between them is within the range of 3%.

Volume is the most important factor for the double bottom pattern. Traders should ensure that buying pressure and volume builds up during the second trough advance. Traders should take note if volume is not down in the second leg of this pattern as the stock or index is at risk of falling below the current resistance level. When volume increases in the second leg of the pattern, buyers finally rush in and push the stock up through the confirmation point.
Double bottom reversal is completed when the trend breaks the resistance from

the highest point between the two bottoms. Now resistance becomes support. This support is sometimes tested with improvements first.

To set a target, a trader should consider the distance from the resistance breakout to the lower points below and add those values to the resistance breakout. With double bottom patterns, it is a good idea to trade patterns that have at least four weeks between lows.

Why is the double bottom pattern important?

When correctly identified, the double bottom pattern indicates that an investor has an opportunity to enter the market with a bullish trade as there is now significant support on the downside, preventing the stock from falling below the resistance level. And now one is setting up upwards. Step. As soon as the double bottom pattern is identified, a trader can initiate a well-timed bullish investment to make some quick profits. However, if they are wrong about the movement and the stock breaks the lower support level, they can quickly exit for a small loss.

Pattern Type: Reversal

Sign: Bullish

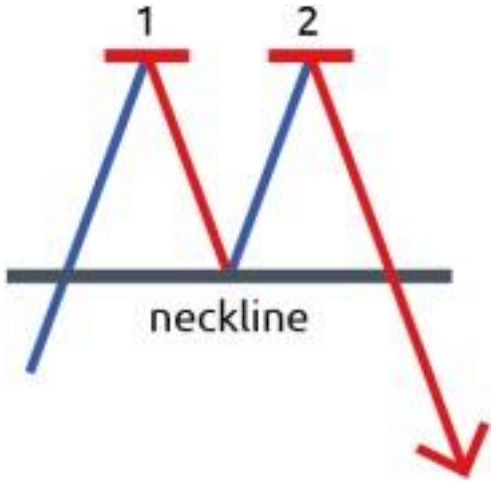
Breakout Confirmation: Confirmation for this pattern is above the horizontally drawn upper trendline between the lows and the middle highs with above average volume.

Measuring: Take the distance between two lows and one high and add it to the breakout level.

Volume: Volume decreases during formation and increases on breakout.

The double bottom pattern is highly effective when identified correctly. However, traders should keep a close eye on the volume to ensure that it is rising throughout the pattern. Therefore, it is important to ensure that all elements of the pattern are correctly identified before jumping in and executing a trade. To learn more about stock chart patterns and to fully take advantage of technical analysis, be sure to check out our complete library of predictable chart patterns. These include comprehensive descriptions and images so that you can identify important chart pattern scenarios and become a better trader.

Double Top Pattern



The Double Top Pattern is a twin-peak chart pattern that represents a bearish reversal in which the price reaches the same level twice with a small drop between the two peaks. A double top pattern usually signals an intermediate or long-term change in trend. When identifying patterns, traders need to understand that peaks and troughs do not need to form an ideal M shape for the pattern to emerge.

Before the pattern emerges, there is a significant upward trend for several months. The first top is the highest price the trend has reached during the current trend. After the first top, there is usually a 10 to 20% price bearish. This drop in asset value is generally negligible; However, sometimes the decline can be prolonged due to a decrease in demand.

The movement towards the second peak is usually a small amount. Once the value reaches the first peak level, it opposes an upward move. It may take 1-3 months for the price to reach this level. A difference of 3% between the two heads is generally acceptable. After the second peak, there should be an increase in volume with a quick decline.

At this stage, the double top still needs to be confirmed. For this purpose, the trend should break through the lowest point between the two peaks with an increase in acceleration and volume. To set a price target, traders must subtract the distance from the breakpoint to the top of the break. If the gap between the peaks is too small, the pattern may not indicate a long-term change in asset price.

Understanding the Double Top Pattern

Some argue that the hardest part of trading chart patterns is recognizing them when they occur. Double tops make it easy, but there are rules to help with the process. Otherwise, this indicator may misinterpret fake outs or reversal trends. Although there are variations, the classic double top pattern marks a bullish bearish trend change. Multiple double top patterns are likely to form throughout the chart, but unless an important level of support is broken, the reversal pattern cannot be confirmed and should not be acted upon.

The most important aspect of the double top pattern is to avoid pulling the trigger too early on a trade. Any investor should wait for the support level to break before jumping in. It is not uncommon to apply a price or time filter to differentiate between confirmed and false support breaks.

Pattern Type: Reversal

Hint: Bearish

Breakout Confirmation: This pattern is confirmed when there is a close below the horizontally drawn lower trendline in the middle of the middle of the high with above-average volume.

Measurement: Take the distance between two of the following highs, and then subtract that from the breakout level.

Volume: Volume declines during formation, expands on breakout.

A double top reversal pattern is usually followed by a failed move to the upside. This indicates that the market is unable to break the upper resistance level. When the pattern occurs, traders should avoid taking long positions; Instead the focus should be on finding a bearish entry point. To learn more about stock chart patterns and to fully take advantage of technical analysis, be sure to check out our complete library of predictable chart patterns. These include comprehensive descriptions and images so that you can identify important chart pattern scenarios and become a better trader.

Falling Wedge Pattern

A falling wedge pattern is a bullish pattern that starts widening from the top and continues to shrink as the price declines. Like rising wedges, trading falling wedges is one of the more challenging chart patterns to trade. A falling wedge pattern indicates continuation or reversal depending on the prevailing trend. However, in most cases, the pattern indicates a reversal. In terms of its appearance, the pattern is widest at the top and narrows as it moves downwards with tighter price action.

In an ideal scenario, an extended downward trend with a fixed bottom should be preceded by a wedge. This decline should be maintained for at least 3 months. It usually takes a quarter to half a year for the wedge pattern to form. The upper trend line must have at least two high points and the second point must be lower than the previous and so on. Similarly, there must be at least two lows, each lower than the previous one.

Resistance and support should converge as the pattern continues to develop. A change in lows indicates a decline in selling pressure, and it forms a support line with a smaller slope than the resistance line. The pattern is confirmed when resistance is strongly broken. In some cases, traders should wait for the previous high to break through.

Another important factor in pattern confirmation is volume. If there is no expansion in volume, the breakout will not be convincing. A falling wedge is not an easy pattern to trade as it is difficult to identify.
When a stock or index price move falls over time, it can form a wedge pattern as the chart begins to converge on a downward path. Investors can look at the

beginning of a descending wedge pattern and measure the peak-to-trough distance between support and resistance to see the pattern. As the price continues to decline and loses momentum, buyers begin to step in and slow down the rate of decline. Once the trend lines converge, this is where the price breaks through the trendline and moves upward.

A falling wedge indicates a bullish reversal pattern in the price. It has three general characteristics that traders should look for: First, it has convergent trendlines. Thereafter, a pattern has declining volume as the trendline progresses. Finally, it will be preceded by a breakout through the upper trendline. Should all these things come together, you have a falling wedge pattern, and a breakout to the upside should be anticipated.

The descending wedge pattern, as well as the rising wedge pattern, converges into smaller price channels. This means that the distance between where a trader will enter a trade and the price where they will open a stop loss order is relatively tight. Here it can be relatively easy to exit the trade for minimal loss, but if the stock moves to the trader's advantage, it can result in excellent returns.

Pattern Type: Reversal and Continuation Patterns

Sign: Bullish

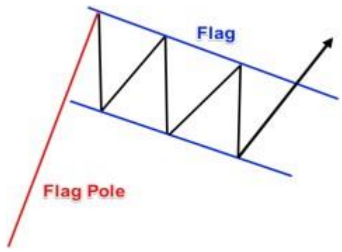
Breakout Confirmation: The confirmation for this pattern is above the upper trend line drawn at a higher level with volume above the average.

Measurement: The project target for the falling wedge pattern is the highest high at the beginning of the price formation.

Volume: Volume decreases during formation and increases on breakout.

A falling wedge pattern can be an excellent tool for identifying market reversals. Here traders can use technical analysis to combine lower lows and lower highs to form a lower wedge pattern. In addition, the trader must meet certain conditions before they can act. These include understanding the volume indicator to see if the volume has increased when it goes up. Once the requirements are met, and resistance is a close above the trendline, it signals traders looking for a bullish entry point into the market. To learn more about stock chart patterns and to fully take advantage of technical analysis, be sure to check out our complete library of predictable chart patterns. These include comprehensive descriptions and images so that you can identify important chart pattern scenarios and become a better trader.

Flag Pattern



Flag patterns are similar to pennant patterns but are often smaller. This technical analysis tool provides traders with the advantage of low risk investments associated with quick profits. Flags appear throughout the price highway, you find them in fast moving environments where the stock or index moves several points over a few days, then the price stops at the flag and then continues to move in the same direction. . Of course, eventually, the price reverses directions, so it's important to hold the flag at the right point.

Like the pennant, the flag pattern is based on the market price consolidation of a particular stock. The consolidation will have a narrow range and will only be followed by a quick upward move. Like the pennant, this pattern has a flag "pole", which may represent a vertical price movement. These fluctuations can be bearish or bullish, and can give an investor a huge advantage if you know how to spot these patterns.

For bullish patterns, the start will start with a sudden spike that can take many investors by surprise and cause a volume frenzy as many are trying to buy before and during an investment wave. After a while, the price will peak and reverse slightly, giving the appearance of an inclined rectangle. A breakout occurs when the resistance trend line is broken when prices begin to rise again and then another breakout occurs as an explosive price shift as the accelerated trend continues upward.
The bearish pattern is simply the reverse of the flag pattern, indicating a panic price decline with an almost vertical initial decline. This time, when the trend line breaks, it will induce panic selling to bring another downward-pointing leg into the pattern. In terms of how sharp the decline is on the flag, it is also an indicator of how bearish the pattern will be, and a wise investor will act accordingly.

Understanding the Flag Pattern

Flags are short-term technical analysis that typically last less than 21 days. In many cases, the formation may take only 3 to 4 days, appearing as a horizontal rectangle, then out of nowhere to quickly move up. Reliable flags appear during fast, quick price action. Patterns can be up or down, but prices tend to rise or fall very quickly, moving at many points over a short period of time. Volume also usually decreases during formation but is not always the case.

If you think you have seen a flag to trade, the most important factor is the increasingly bullish price trend. If the price action is slowly moving up and down in the form of a flag, then it is better for you to look elsewhere.

Pattern Type: Continuity

Sign: Bullish

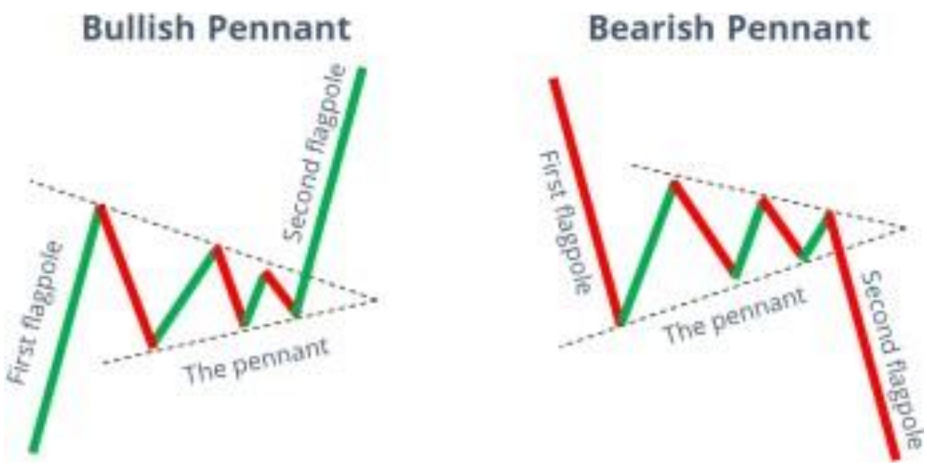
Confirmation of Breakout: This pattern is confirmed when the stock or index closes above a higher trendline with above-average volume.

Measurement: Take the distance between the last steep move in the flag, and then add that amount to the breakout.

Volume: Volume declines during formation, expands on breakout.

Flag patterns and technical analysis are used to identify a possible continuation of a previous trend when the price moves against the same trend. When the trend resumes, the price move should accelerate, making the trade more profitable, taking into account the flag pattern, and this is a breakout. To learn more about stock chart patterns and to fully take advantage of technical analysis, be sure to check out our complete library of predictable chart patterns. These include comprehensive descriptions and images so that you can identify important chart pattern scenarios and become a better trader.

Pennant Pattern



Traders pay close attention to pennants and flags while trading. The two are very similar in terms of structure, and it may take some practice before an investor can easily tell the difference between the two. These short-term patterns that last only two to three weeks in length may be indicated by an initial significant volume move followed by a tapered off period. Then there is a break out and finally another strong volume move.

Investors can use this pattern to help gauge how high a stock will be by taking the price below the "flag pole" in the initial pattern, then waiting until the price consolidates. Once consolidated, the stock or index will break out at a slightly higher level, and if you take the bottom price and add it to the break out price, it will give an excellent indication of future price action for the pattern.

For example, if you have a stock that was priced at $10 based on a "flag pole" and went aggressive to $20, then consolidated to $18.50, where it stood briefly before breaking out at $19.00. sits for. Investors can find an estimated top for this pattern by taking an initial $10 and adding it to $19.00, which gives a target of $29.00 to hit for the price on this stock for this particular pattern. Typically, investors will use this pattern in conjunction with other indicators to increase their chances at an accurate forecast.

Most traders do not use pennants on their own, but combine them with other technical analysis indicators so that they are not faked or duped into making bad trades.

Pennants are short-term technical analysis that typically last less than 21 days.

In many cases, formation may take only 3 to 4 days. Anything that takes longer than 21 days is classified as a symmetrical triangle or a falling wedge.

To identify the Ensign pattern, look for a fast, fast acting price action leading up to the pattern. This feature is important because it helps to make the pendant easier. Fixed price direction can be up or down but in the short term many points need to be moved.

Pattern Type: Continuity

Indication: bearish or bearish

Breakout Confirmation: This pattern is confirmed when there is a close above the upper trendline drawn on a high for a bullish pennant below the lower trendline for a bearish pennant with above-average volume.

Measurement: Take the distance between the last steep move in the pennant, and then add it to the breakout level.

Volume: Volume declines during formation, expands on breakout.

The top performing pennants are those with breakouts near annual lows. Many traders use pennants in conjunction with other chart patterns or technical indicators that act as additional confirmations. For example, the relative strength index (RSI) and balance volume pair well with pennants to establish oversold levels during the consolidation phase, which can be used to predict run-ups or breakouts in a stock or index. can be done for. To learn more about stock chart patterns and to fully take advantage of technical analysis, be sure to check out our complete library of predictable chart patterns. These include comprehensive descriptions and images so that you can identify important chart pattern scenarios and become a better trader.

Head and Shoulders Top Pattern

A head and shoulders top pattern is one that has three peaks and looks like a head and shoulders because the two outer peaks are similar in height, yet smaller than the middle peak. This pattern is typically associated with a bullish bearish trend and thus is considered very reliable in its ability to predict stock action. This pattern is one of several top-notch patterns used to predict the end of a bull market and the beginning of a bearish one.

This head and shoulders top pattern occurs when a stock climbs to its peak and then falls back to the point before the uptrend. Then the stock will move upward once again, but this time it will cross the previous spike and is called the "nose", and then it will once again move upwards downwards. Once again, there will be an upward tick that reaches the same level on the first spike and then drops downward. This last downward tick is usually significant as it is at this point where the bulls turn to the bears.

If you become very good at reading this pattern, you can immediately see the gains an investor can make. Selling your stock at the point where the "nose" has reached its peak would be an excellent idea, especially if you bought your stock at one of those points based on the pattern. Buying below, then waiting for the "heads" to appear, will give you the opportunity to profit from this market trend before it turns bear. This will give you a significant advantage over other investors who may not be able to predict the downturn in the times to come.
The head and shoulders top pattern is formed when the price of a stock or index peaks and then suddenly reverts based on the previous move. It will then rise

above the former summit to form the head, and then return to base level once again. Then, in a final move, the stock or index will rise again, but only to the level of the first peak of the formation, which is where it will last travel back up to the baseline.

Is there a support break here which indicates a renewed desire to sell the stock or index at lower prices? This decrease in price indicates an increase in supply with an increase in quantity. This fierce combination can trigger a powerful downward move that eliminates any chances of the stock returning to the previous support level.

Pattern Type: Reversal

Hint: Bearish

Breakout Confirmation: This pattern is confirmed when there is a close below a horizontally drawn lower trendline at an intermediate low with above-average volume.

Measuring: Take the distance from the top of the head to the bottom half, then subtract that amount from the neckline at the breakout.

Volume: Volume increases during the initial shoulder upward formation, then decreases as price exits the left shoulder. Volume will then balance out during the formation of the head, only to rise again as price breaks below the bottom support level.

The head and shoulders top pattern is one of the most recognizable technical charts. The left and right shoulders should be roughly the same height and width, but they may be slightly staggered. It is important to understand that the pattern is followed by an uptrend and usually a significant reversal in a stock or index. To confirm that pattern it is necessary to identify the neckline and volume at the break. To learn more about stock chart patterns and to fully take advantage of technical analysis, be sure to check out our complete library of predictable chart patterns. These include comprehensive descriptions and images so that you can identify important chart pattern scenarios and become a better trader.

Inverted Head And Shoulders Pattern-

The inverted head and shoulders pattern indicates a movement towards a bullish trend and is an excellent indicator for traders who know how to spot the pattern, allowing them to capitalize on a bullish trade. . Similar to "triple bottom", the only exception is that the "head" is lower than the other two points, making this inverted head a shoulder.

The pattern can be recognized when the price of a stock falls into a trough and then rises, then falls below the most recent trough, and then rises again. Eventually, the price falls back but not as deep as last time. Once the last trough is formed, the price action moves upwards towards the resistance level and breaks out.

This pattern is just the opposite, with the traditional reversal head and shoulders pattern indicating a move to the bearish zone. However, this pattern may also tell you some things you want to know that it doesn't have an equivalent. For example, this pattern can indicate how strong a bullish run will be if you read it correctly.

If you look at the chart stretch coming before the formation of the head and shoulders pattern, a long stretch could be a sign of a strong bull movement, while a short one could mean that you have to move before the bulls return. Must get in and out quickly. , Furthermore, if the lead in the head and shoulders pattern is abrupt, it could also indicate a more definite bullish trend.

A head and shoulders pattern with a downward-facing neckline can also indicate a better performance than one without this movement. In addition, if the "left shoulder" of the pattern is high, it may also mean that the pattern will perform better than those with a high "right shoulder".

When executing the inverse head and shoulders pattern, stop loss orders should be placed slightly below the neckline in anticipation of a breakout. Those looking to trade more aggressively can place their stop loss orders below the right shoulders of the inverse head and shoulders pattern.

Traders should be wary of this pattern as, after the initial decline, when the first shoulder is formed, bears will enter the market and try to push the stock price down even further. If they succeed, they may continue to hold their control, forcing an extended downtrend.

The first and third kundas are considered as inverted shoulders, while the second is considered as inverted heads. Traders who identify the pattern enter a bull position when the price moves above the upper resistance level, which is followed by the right inverted shoulder. Once the Stocker Index moves above this level, it indicates a bullish move. An increase in volume also confirms the breakout.

How long the bull run will last can be determined by measuring the distance between the bottom of the head and the neckline, the same distance as when the stock or index moves up on a breakout.

Pattern Type: Reversal

Sign: Bullish

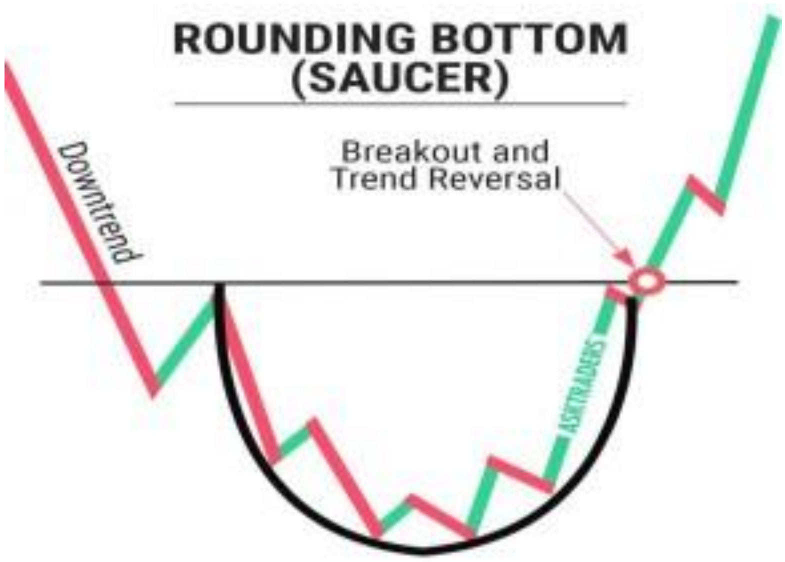
Breakout Confirmation: This pattern is confirmed above the upper trendline with above average volume.

Measurement: Take the distance between the first high and low of the head and then add it to the upper resistance level on the breakout.

Volume: Volume has a tendency to increase, causing a shoulder downward movement first, then falling as prices rise. Volume is balanced out during the formation of the head and rises when price breaks above the resistance level on the other shoulder.

The inverted head and shoulders is one of the most familiar charts in technical analysis. It is a favorite among many traders because of its strong and firm signals. However, one should be cautious and wait for a confirmation, a breakout above the neckline, before executing a bullish trade. It is also always recommended to get additional confirmation from other technical techniques. To learn more about stock chart patterns and to fully take advantage of technical analysis, be sure to check out our complete library of predictable chart patterns. These include comprehensive descriptions and images so that you can identify important chart pattern scenarios and become a better trader.

Rounding Bottom Pattern



Rounding bottom patterns sometimes referred to as "saucer bottom" patterns are known to be able to predict a longer term uptrend. Similar to the cup and handle pattern, only without the hassle of a temporary downward trend that creates a "handle". The pattern is a long-term reversal pattern that is best applied to a weekly chart representing a consolidation. It changes from bearish to bullish.

This circular bottom pattern can be seen at the end of a disappointingly long downward trend. The time frame for this pattern can be weeks, months, or even years in length and is considered one of the more rare patterns to form in the market. Most of the time, this pattern indicates that a prolonged downward trend, often caused by oversupply of stocks, is coming to an end as investors begin buying at lower price points, reversing the downward movement. . Once this is triggered, it generally increases demand and drives up the price of the stock.

This allows the stock to "break out" and initiate a long-lasting and positive reversal that investors can take advantage of if they choose to be one of those people who buy short and hold onto the stock for some time. Willing to sit till it pops up again. This is because the length of time for recovery can vary, and it can take a long time to find its peak. Investors should be prepared for this long period and should be patient till the price rises.
The rounded bottom pattern looks similar to the cup and handle pattern, but without the brief downward trends represented by the handle. An initial drop of a round bottom indicates that there is too much supply coming into the market,

which pushes the stock or index down. Here traders begin to realize that the stock is trading at a discount, and buyers start entering the market at the discounted price. This increase in demand then pushes the stock higher as demand continues to increase.

As the rounding bottom completes its formation, the stock breaks out of a full bullish pattern. The whole process is indicative of a shift from bearish to bullish in the sediment by investors, which increases the momentum upward. Although the pattern has a high success rate, it is quite rare compared to other technical analysis charts.

Pattern Type: Continuity

Sign: Bullish

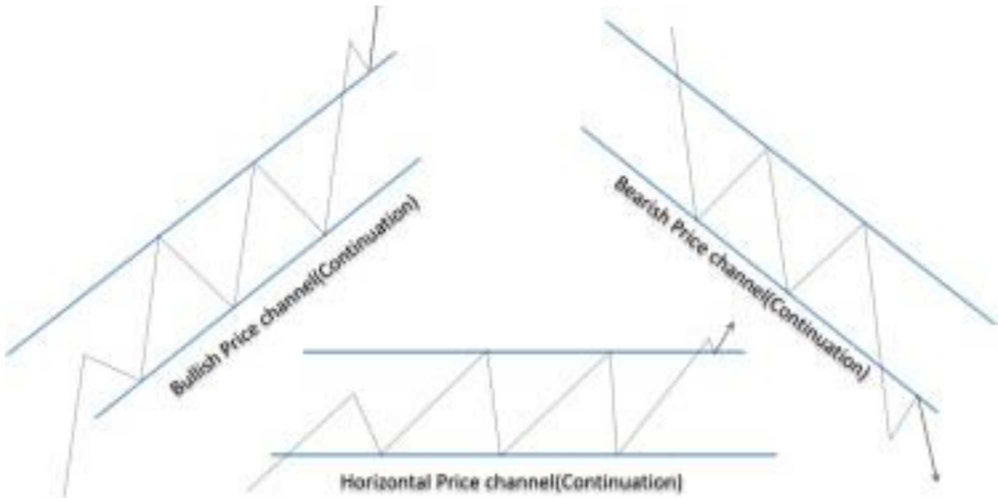
Breakout confirmation: When there is above-average volume, and the stock closes above the lip of the rounding bottom.

Measuring: The price target is achieved by measuring the distance between the highest high and the lowest low and then adding it to the breakout level.

Volume: The rounded bottom shape has an increase in volume, balanced during the middle, with volume increasing to the right, which continues on the breakout.

The rounded bottom pattern, which is given by the visual resemblance to what looks like a bowl. It represents a gradual price shift by investors from bearish to bullish. The pattern is best confirmed by volume, which confirms a rounding bottom by high volume during a decline, then flat volume during the mid range, and again high volume when the price rises. Traders were able to successfully identify the rounding bottom should they expect an upward price action equal to the size of the pattern. To learn more about stock chart patterns and to fully take advantage of technical analysis, be sure to check out our complete library of predictable chart patterns. These include comprehensive descriptions and images so that you can identify important chart pattern scenarios and become a better trader.

Price Channel Pattern (ाइस चैनल चाट)



Used by traders for technical analysis-based trading, a price channel is a continuation pattern in which price bounces between parallel resistance and support lines. Resistance and support lines can move horizontally, downward (bearish) or upward (bullish). One of the best things about the price channel pattern is that it doesn't matter whether you are looking at the daily chart or if you are a long term trader, this chart pattern works with any trading time frame.

The first line drawn in a price channel chart is called the main trend line. To illustrate this line, an analyst should identify that there should be two lows in the case of a bullish price channel, and two highs in the case of a bearish price channel. The second line drawn in the chart pattern is called the channel line. The channel line requires a higher or lower, the amount of which depends on the analyst - some use two points while others use only one as price movement moves through the trading channel.

In the case of a bearish price channel, the trend remains bearish if the price moves down while staying within the descending channel lines. Signs of a change in direction include price not meeting support levels. If the price follows the first signal with a move above the resistance, it is another sign of a change. If the price breaks the support, traders can expect a sharp drop in the price.

The bullish channel is the opposite of the bearish channel. Here the trendline moves through the ascending channels while the price action remains within the channel resistance levels. If the price does not reach the resistance and breaks below the support then the trend may change. Similarly, a break above resistance is considered bullish. Price channel analysis is a flexible approach to trading because the placement of the two trend lines is up to the trader - they may prefer the exact price and line connection or tolerate margin.

Horizontal channels also exist but are more challenging for traders who are not actively looking for them. A horizontal channel tends to move sideways in a rectangular formation. Buying and seller pressure strikes an equilibrium that forces price movement sideways through parallel lines. A new high in the price above the upper resistance level represents a buying opportunity. A new low in the price below the lower support level represents a technical sell signal.

A stock or security travels through a price channel when the underlying price is buffered by the forces of supply and demand, which can be downward, upward or sideways. The culmination of all these factors pushes the price movement into a tunnel-like trending movement. When there is excess supply, the price channel moves downward, when there is excess demand, the price channel moves upward, and if there is an equal balance of supply and demand, the price channel moves sideways. Is.

Traders typically look for stocks that trade within a price channel. When the stock is trading at the upper end of the price channel, it indicates that the stock will likely trade back to the center, and when the stock is trading at the lower end of the price channel, it suggests that the stock will be trending. The probability is higher.

Price channels are also useful when identifying stocks that are about to break out, which is when a stock breaks an upper or lower trendline. If the price action breaks above the upper trend line, it is likely that the stock will have an upside breakout. If the stock breaks the lower trendline, traders expect a downside move.

A trader can see a price channel pattern if they can see at least two higher highs and higher lows. The trader then draws a line connecting the high and low to form a price channel pattern.

No matter which price channel you are dealing with, once you notice two highs that fail to reach the top of the price channel pattern, the price will soon break down. Similarly, once you see two lows that fail to reach the bottom of the price channel pattern, the price is likely to break out of the upside. The larger the gap between the price breaks in the resistance line, the more likely the trade is to be established.

Once the price breaks through one of the horizontal channels, the breakout is confirmed. One of the worst mistakes a trader can make is to enter a trade before price has entered one of the channel lines. Entering a trade too early can cause the price to return within the channel, so it is always necessary to wait for the breakout to be confirmed and for a break above an upper resistance level or a break below a lower support level.

Pattern Type: Continuation or Reversal

Indication: bullish or bearish

Breakout Confirmation: This pattern is confirmed when the stock or index closes higher above the upper trendline or breaks below the lower trendline with above-average volume.

Measurement: middle of the last steep move Take the distance to the last push before the breakout, and then add that amount to the breakout.

Volume: Volume declines and rises during formation, but will expand upon breakout.

The price channel tells traders where a stock or index is likely to bounce around within a specific trading range. Once it breaks the upper or lower trendline, a breakout of the underlying is expected. On the upside, intense buying pressure will prompt the stock to gain higher highs, while a breach on the downside will show weakness, pushing the stock lower. Understanding the price channel allows analysts to determine which major forces are likely to win, increase selling pressure, or buy pressure. To learn more about stock chart patterns and to fully take advantage of technical analysis, be sure to check out our complete library of predictable chart patterns. These include comprehensive descriptions and images so that you can identify important chart pattern scenarios and become a better trader.