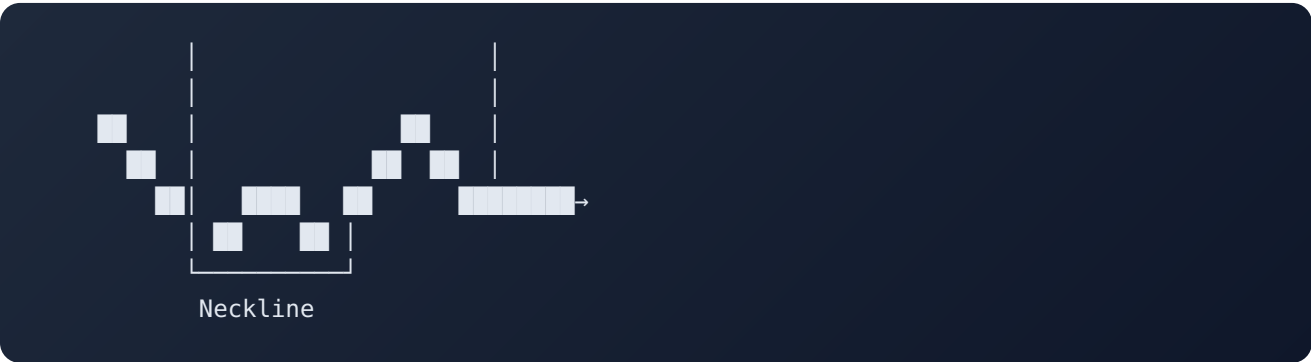# Reversal Patterns Cheatsheet

Quick Reference for Top & Bottom Formations
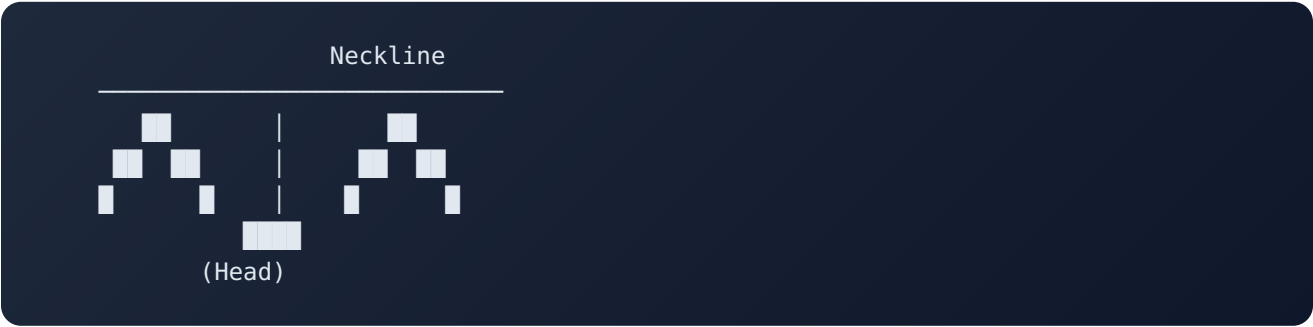
Bullish Reversal Patterns (Bottom Formations)

Double Bottom (W Pattern)

Neckline

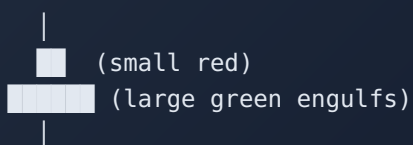| ELEMENT	DESCRIPTION
Structure	Two lows at similar price, rally between
Confirmation	Break above neckline (rally high)
Target	Distance from lows to neckline, projected up
Volume	Second low on lower volume = stronger

Head & Shoulders Bottom (Inverse H&S)

```
                   Neckline
  _____
                      |
        ▢             |          ▢
    ▢     ▢           |      ▢     ▢
  ▢         ▢         |    ▢         ▢
              ▢▢▢▢
             (Head)
```

ELEMENT	DESCRIPTION
Structure	Three lows: middle lowest (head)
Confirmation	Break above neckline
Target	Head to neckline distance, projected up
Volume	Declining on right shoulder = ideal

Falling Wedge

```
  ▢
    ▢
      ▢▢
        ▢▢
          ▢▢
            ▢▢ → Breakout
```
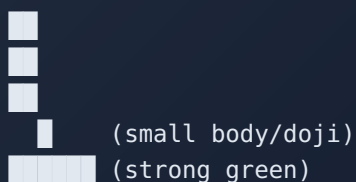
ELEMENT	DESCRIPTION
Structure	Converging lower highs and lower lows
Confirmation	Break above upper trendline
Target	Height of wedge at entry
Volume	Contracting during wedge, expanding on break

Bullish Engulfing

```
    |
   ▉    (small red)
 ▉▉▉▉▉  (large green engulfs)
   |
```

ELEMENT	DESCRIPTION
Structure	Green candle body fully engulfs prior red body
Location	Must occur at support or after downtrend
Volume	Higher on engulfing candle = stronger

Morning Star

```
 ▉
 ▉
 ▉
   ▉    (small body/doji)
 ▉▉▉▉▉  (strong green)
```

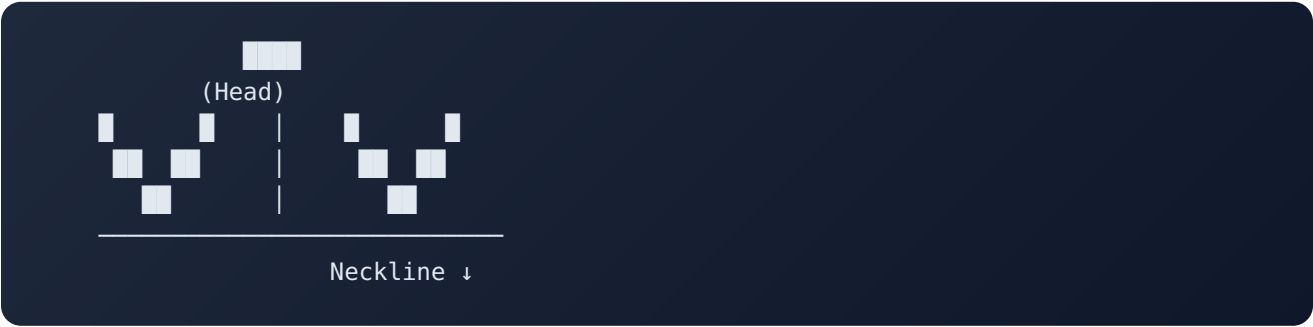| ELEMENT	DESCRIPTION
Structure	3 candles: red, small, green
Location	After established downtrend
Key	Gap down to star, gap up from star = ideal

Bearish Reversal Patterns (Top Formations)

Double Top (M Pattern)

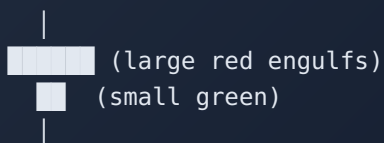| ELEMENT	DESCRIPTION
Structure	Two highs at similar price, pullback between
Confirmation	Break below neckline (pullback low)
Target	Distance from highs to neckline, projected down
Volume	Second high on lower volume = stronger

Head & Shoulders Top

```
                    �— ▢▢
              (Head)
        ▢             |       ▢
          ▢ ▢ ▢     |     ▢   ▢
            ▢       |       ▢
                    |
        _____
                  Neckline ↓
```

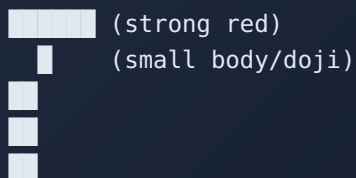| ELEMENT	DESCRIPTION
Structure	Three highs: middle highest (head)
Confirmation	Break below neckline
Target	Head to neckline distance, projected down
Volume	Lower on right shoulder, spike on break

Rising Wedge

```
              ▢▢ → Breakdown
            ▢
          ▢▢
        ▢▢
      ▢
    ▢
```

ELEMENT	DESCRIPTION
Structure	Converging higher highs and higher lows
Confirmation	Break below lower trendline
Target	Height of wedge at entry
Volume	Contracting during wedge, expanding on break

Bearish Engulfing

```
  |
 ▓▓▓▓▓   (large red engulfs)
   ▓   (small green)
  |
```

ELEMENT	DESCRIPTION
Structure	Red candle body fully engulfs prior green body
Location	Must occur at resistance or after uptrend
Volume	Higher on engulfing candle = stronger

Evening Star

```
 ▓▓▓▓▓   (strong red)
   ▓   (small body/doji)
  ▓
  ▓
  ▓
```

ELEMENT	DESCRIPTION
Structure	3 candles: green, small, red
Location	After established uptrend
Key	Gap up to star, gap down from star = ideal

Pattern Quality Checklist

Before Trading Any Reversal Pattern

- [ ] **Prior Trend Exists** — Can't reverse without something to reverse
- [ ] **Pattern Complete** — Don't anticipate, wait for confirmation
- [ ] **Volume Confirms** — Proper volume signature for the pattern
- [ ] **Location Makes Sense** — At support/resistance or key level
- [ ] **Timeframe Appropriate** — Higher TF = more reliable
- [ ] **Risk Defined** — Stop placed beyond pattern extreme

Pattern Reliability Ranking

PATTERN	RELIABILITY	NOTES
Head & Shoulders	High	Best when volume confirms
Double Top/Bottom	High	Second test often undershoots
Engulfing	Medium	Needs location context
Wedges	Medium	Can fail in strong trends
Stars	Medium	Single candle, needs follow-through

Common False Signal Filters

RED FLAG	WHY IT'S DANGEROUS
No prior trend	Nothing to reverse
Low volume breakout	Weak conviction
Against higher TF trend	Fighting the current
At minor level	Not significant enough
News-driven spike	May not hold

SignalPilot Integration

PATTERN	SUPPORTING SIGNAL
Double Bottom	TD at second low
H&S Bottom	TD at head, IGN on neckline break
Bullish Engulfing	TD on engulfing bar
Double Top	WRN at second high
H&S Top	CAP at head, BDN on neckline break
Bearish Engulfing	WRN/CAP on engulfing bar

Measured Move Targets

Formula for All Patterns

```
Target = Breakout Point ± Pattern Height

Double Bottom: Entry + (Neckline - Low)
Double Top: Entry - (High - Neckline)
H&S: Entry ± (Head - Neckline)
Wedge: Entry ± (Wedge Height at Base)
```

Entry Strategies

STRATEGY	APPROACH	RISK
Aggressive	Enter on pattern completion	Higher
Standard	Enter on confirmation break	Medium
Conservative	Enter on retest of breakout	Lower

Stop Placement Rules

PATTERN TYPE	STOP LOCATION
Double formations	Beyond the double extreme
Head & Shoulders	Beyond the head
Wedges	Beyond the wedge extreme
Candle patterns	Beyond the signal candle

Buffer: Add 0.5-1 ATR beyond the level

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