

# Reversal Patterns Cheatsheet

Quick Reference for Top & Bottom Formations

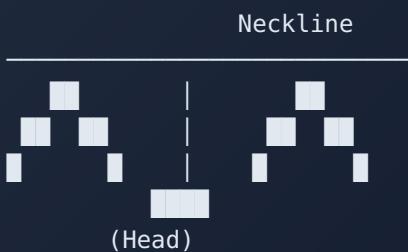
## Bullish Reversal Patterns (Bottom Formations)

### Double Bottom (W Pattern)



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

## Head & Shoulders Bottom (Inverse H&S)



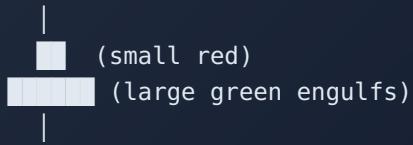
ELEMENT	DESCRIPTION
<b>Structure</b>	Three lows: middle lowest (head)
<b>Confirmation</b>	Break above neckline
<b>Target</b>	Head to neckline distance, projected up
<b>Volume</b>	Declining on right shoulder = ideal

## Falling Wedge



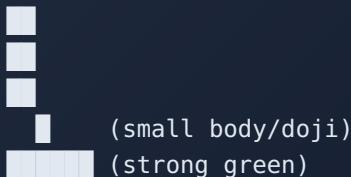
ELEMENT	DESCRIPTION
<b>Structure</b>	Converging lower highs and lower lows
<b>Confirmation</b>	Break above upper trendline
<b>Target</b>	Height of wedge at entry
<b>Volume</b>	Contracting during wedge, expanding on break

## Bullish Engulfing



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

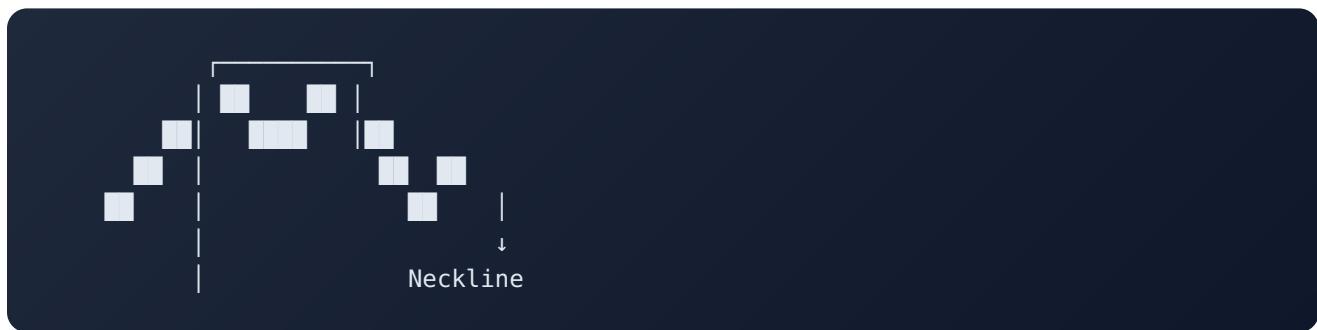
## Morning Star



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

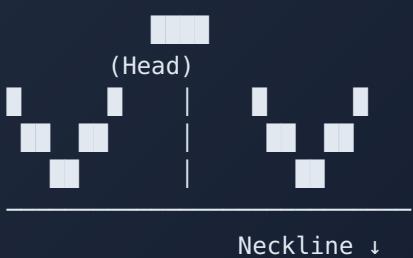
## Bearish Reversal Patterns (Top Formations)

### Double Top (M Pattern)



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

## Head & Shoulders Top



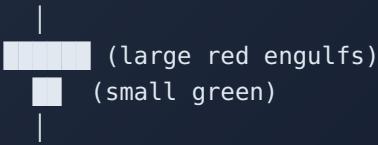
ELEMENT	DESCRIPTION
<b>Structure</b>	Three highs: middle highest (head)
<b>Confirmation</b>	Break below neckline
<b>Target</b>	Head to neckline distance, projected down
<b>Volume</b>	Lower on right shoulder, spike on break

## Rising Wedge



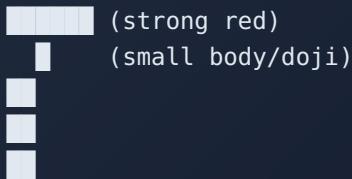
ELEMENT	DESCRIPTION
<b>Structure</b>	Converging higher highs and higher lows
<b>Confirmation</b>	Break below lower trendline
<b>Target</b>	Height of wedge at entry
<b>Volume</b>	Contracting during wedge, expanding on break

## Bearish Engulfing



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

## Evening Star



ELEMENT	DESCRIPTION
<b>Structure</b>	3 candles: green, small, red
<b>Location</b>	After established uptrend
<b>Key</b>	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  $\pm$  Pattern Height

Double Bottom: Entry + (Neckline - Low)

Double Top: Entry - (High - Neckline)

H&S: Entry  $\pm$  (Head - Neckline)

Wedge: Entry  $\pm$  (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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