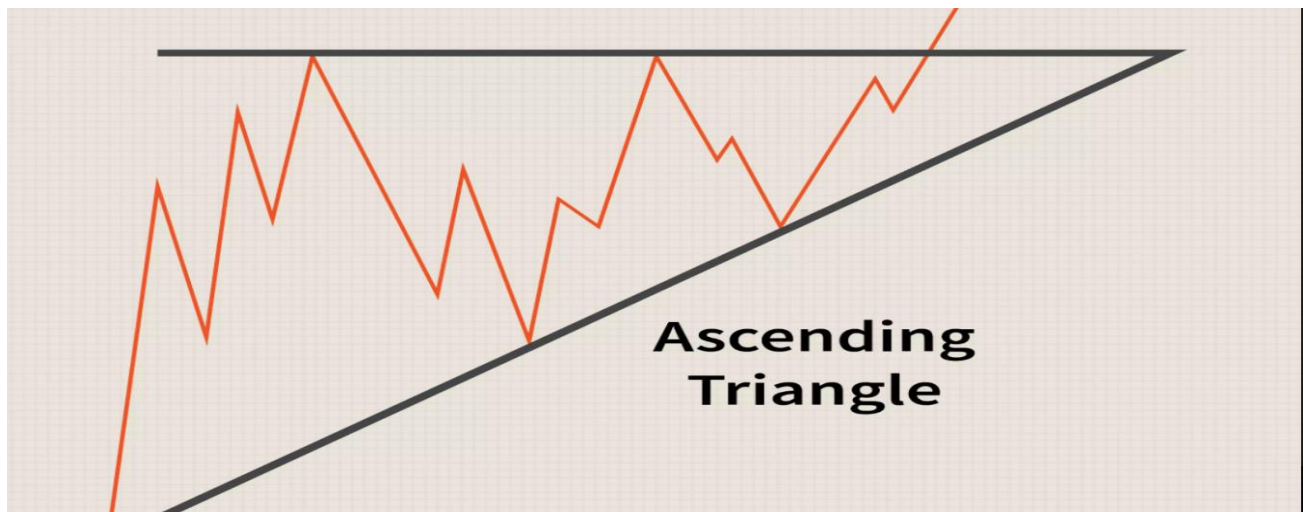


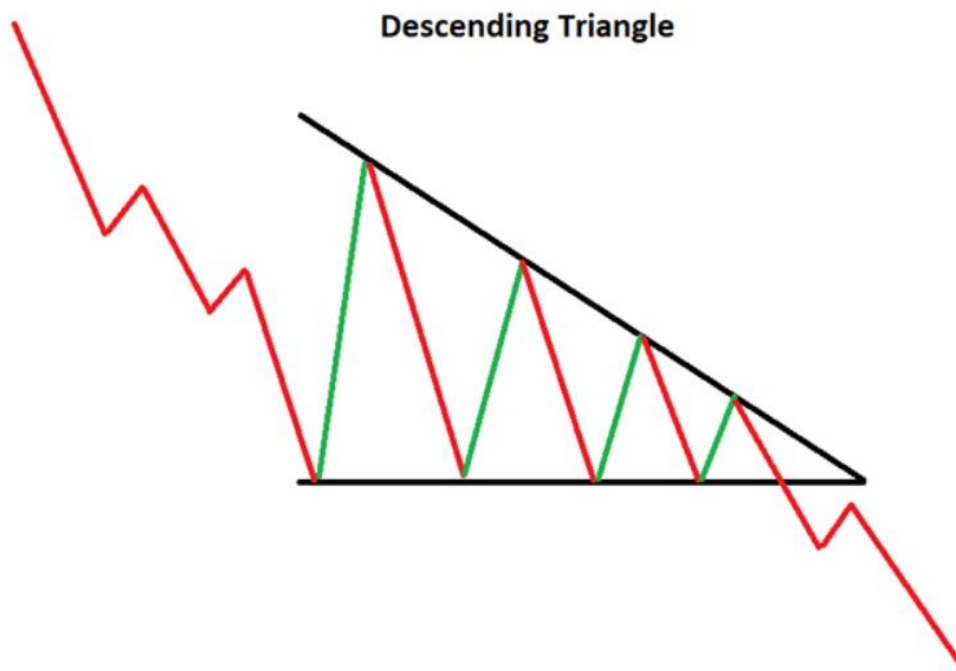
Pattern 1: Ascending Triangle

The Image below is an ascending triangle pattern. It almost always signifies a change in the stock's investor sentiment. The stock in this image has an upward pattern followed by consolidation. Essentially investors are buying followed by others selling for profits. That may continue for a day or sometimes a week or longer in the case of something like Virgin Galactic. Since news is scarce for Virgin Galactic due to long product launches, they may be up to weeks. However, at a certain point when a stock breaks past a double peak or even a single peak to reach a new high that is a great time to jump in for a short-term "swing". I do not swing trade currently and this requires looking at charts for a great amount of time, however this is a time you may want to use buying calls at your disposal. I also use this pattern to sell puts. My mindset when I sell puts is, "Well, darn the stock is going higher... I kind of like it. Might as well sell some puts because I'd like to get in." **You should review this again after module 6 when I cover selling puts!**



Pattern 2: Descending Triangle

A descending triangle as you can see below is the complete opposite. It signifies a complete breakdown in a stock. There is either some bad news that crushes investor optimism or there is huge selling from larger funds on Wall Street. Let me tell you a little secret that you might like. Big funds cannot sell a stock all in one go! It would impact the price far too much. They are forced to sell quantities over multiple days. That's a good thing for a smaller investor (\$5 million or less) because you can be nimble and follow the trend. So when you see a complete break down you may purchase puts (module 6) or simply stay away from a stock. However, once the stock has run down a bit you may want to sell puts for entry. **Again, review this document after module 6 and you will know exactly what I mean.**



Pattern 3: Zigzag

Finally, checkout the image below. I do not go hardcore into patterns, instead more indicators as you will see in the next video. However, let's take a look at American Airlines, which I will cover again in module 5 and 7. This stock since July 6th to November 2nd, 2020 has done absolutely nothing, but the volatility has been pretty massive on the options. Shortly, you will find out how I have been taking advantage of AAL options. This stock is not great for a regular investor as it has been dead money (doing nothing). But for an options investor it has been returning 10%+ per month for 3 months for me. Granted I keep positions small. Either way you can generate enough from a stock like this to pay multiple bills if you use options. I expect AAL to continue moving sideways because they are supported by government, since they are essential but are not making money because at the time of this course we are in a pandemic. You should assume when you see a stock going sideways like this or Bank of America that they will most likely continue to do so.

11.15 -0.13 (-1.20%)

As of 3:38PM EST. Market open.

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