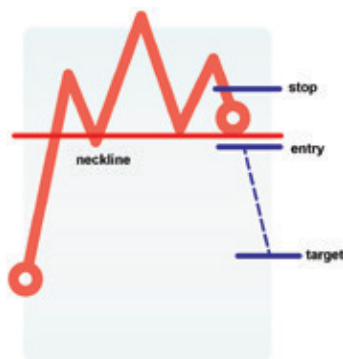


10

CHART PATTERNS EVERY PRO TRADER SHOULD KNOW

deriv

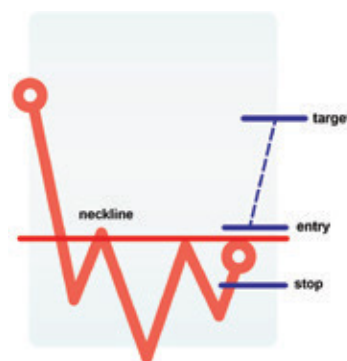
1



HEAD AND SHOULDERS

Bearish. The **head and shoulders** pattern is characterised by a large peak with two smaller peaks on either side. All three levels fall back to the same support level as the neckline. The trend is then likely to break out in a downward motion.

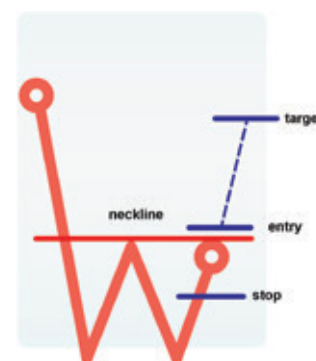
2



INVERSE HEAD AND SHOULDERS

Bullish. The **inverse head and shoulders** pattern is characterised by a large peak with two smaller peaks on either side. All three levels fall back to the same support level as the neckline.

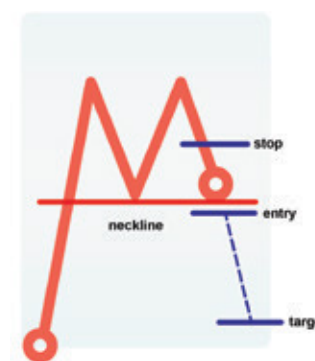
3



DOUBLE BOTTOM

Bullish. The **double bottom** pattern looks similar to the letter W and indicates when the price has made two unsuccessful attempts at breaking through the support level. It is a reversal chart pattern as it highlights a trend reversal.

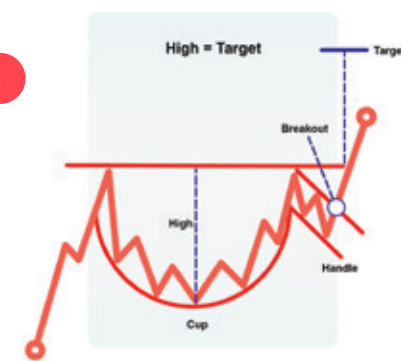
4



DOUBLE TOP

Bearish. The **double top** pattern is the opposite of a double bottom. A double top looks like the letter M. The trend enters a reversal phase after failing to break through the resistance level twice, and the path of less resistance is lower.

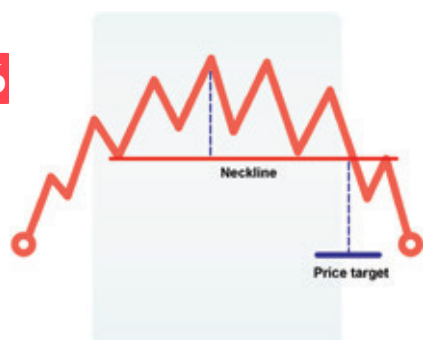
5



CUP & HANDLE

Bullish. The **cup and handle** pattern is a continuation stock chart pattern that signals a bullish market trend. It is the same as the rounding bottom or saucer but features a handle after the rounding bottom. The handle resembles a flag or pennant, and once completed, you can see the market break out in a bullish upwards trend.

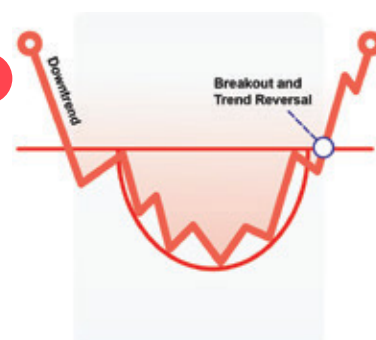
6



ROUNDING TOP

Bearish. The **rounding top** pattern usually indicates a bearish (downward) trend. It tends to show that the market is losing strength, with each high being lower than the previous one.

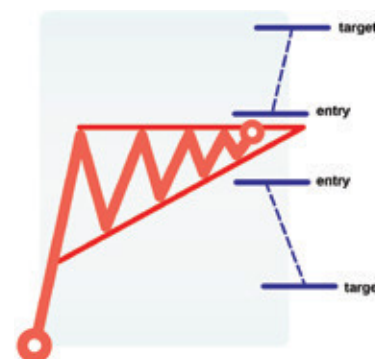
7



ROUNDING BOTTOM

Bullish. In the **rounding bottom** pattern, the market is in a downtrend but then starts to make a series of lows, higher than the previous ones, which form the rounded bottom or saucer. We then break out of the cup and move higher.

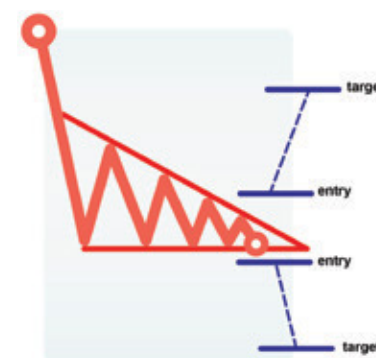
8



ASCENDING TRIANGLE

Bilateral. The **ascending triangle** pattern is a bilateral pattern, meaning that the price could break out from either side. A breakout is likely where the triangle lines converge. The buy entry would be just above the resistance. You need to do the exact opposite for the sell entry: sell below the support line.

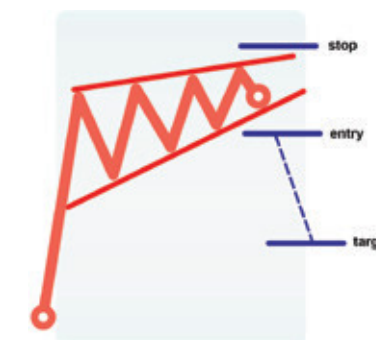
9



DESCENDING TRIANGLE

Bilateral. The **descending triangle** pattern shows the price moving into smaller and smaller ranges before the big breakout. Your sell entry would be just below the support line. For the buy entry, buy above the resistance line.

10



RISING WEDGE

Bearish & bullish. **Wedge patterns** are usually reversal patterns. A rising wedge occurs when the price makes multiple swings to new highs, yet the price waves are getting smaller. This is bearish. The opposite is a falling wedge. The price typically breaks higher, so it is a bullish pattern (for more details, please see the ebook *10 Chart Patterns Every Pro Trader Should Know*).

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