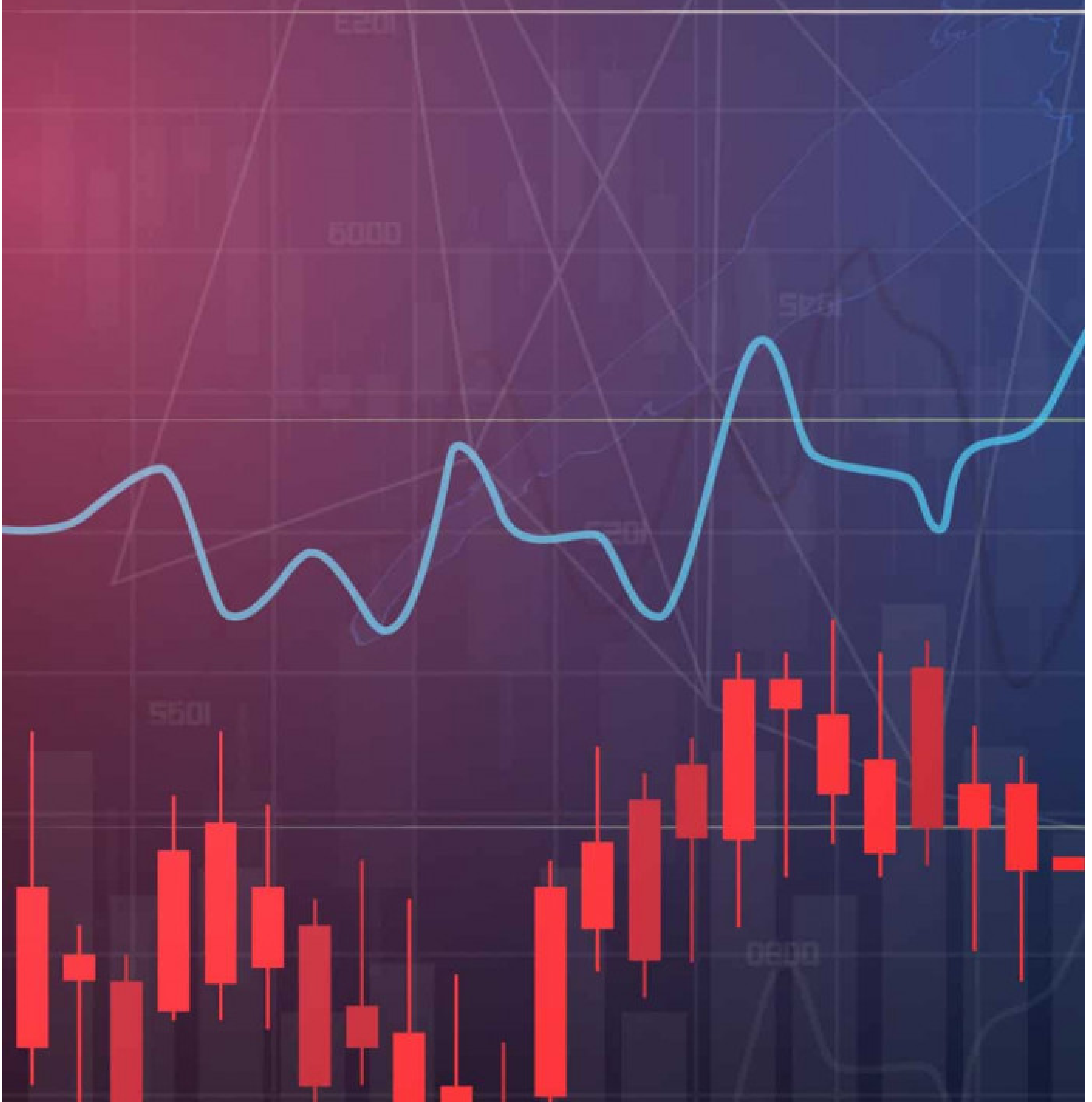
The 10 Best Momentum Stock Chart Patterns

By Mark Crisp



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Introduction

What is a stock chart pattern? It is a method by which you can predict market trends and turns. A trend is an indicator which shows the balance of supply and demand. When prices in the market change, they form chart patterns which act as signals so that you can determine the trend of the stock in the future.

The top 10 best momentum stock chart patterns which we will be looking at are: Cup and Handle; Flat Base; Ascending and Descending Triangles; Parabolic Curves; Symmetrical Triangles; Wedges; Channels; Flags and Pennants; and Head and Shoulders Patterns, as well as Inverted Head and Shoulders Patterns.

In order to assist you in determining the momentum of the stock charts, each of the aforementioned stock chart patterns will be outlined. In addition, patterns in technical analysis will be outlined, along with an overview and the resources obtained for this e-book.

~~Cup and Handle Pattern~~

Introduced by William O’Neil, the Cup and Handle Pattern is a bullish continuation pattern. The cup part is a pattern and looks like a round bottom formation, which can be shaped as U, rather than as V. The handle part is a trading range or price movement which forms after the cup. When the resistance of this range is broken, a signal emerges indicating that the stock is continuing its move.

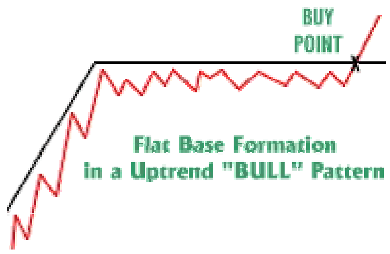
The cup and handle is a corrective action after a stock advance. Generally a stock will have a noticeable move of some two to four months; then go through a market correction. The stock will sell off into a correction in a downward fashion for maybe 20 to 35 percent off the old high point. The time factor could be anywhere from eight to twelve weeks depending on the overall market condition. As the stock comes up to test the old highs, the stock will incur selling pressure by the people who bought at or near the old high.

This selling pressure will make the stock price drift in a sideways fashion with a bias to the downside for about four days to three weeks.

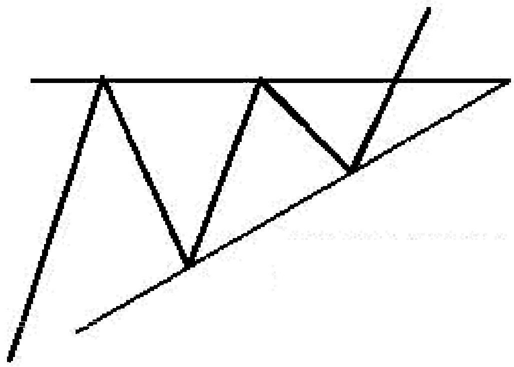
The handle is generally about 5% below the old high point. A handle that is any lower is generally a defective stock and contains higher risk for failure. The time to buy the stock is when it emerges into new highs at the top of the handle, and not the old high point set eight to twelve weeks ago. Some of the biggest stock winners have this very powerful formation. It is one of the best and most reliable formations to look for. However, it is important to note that the best stocks with this formation are found at the beginning of a market move after a good market correction, and not during or at the end of a major market advance.

~~Flat Base Pattern~~

The flat base is a stock pattern that appears horizontal for any length of time. The emerging advances can be seen from this type of formation. Determine if the volume is drying up as the stock stays at or about the same level while moving horizontally. Draw a trend line across the top of this formation. As the stock proceeds through the trend line, the stock is bought as it breaks the trend line and volume increases.



Ascending Triangles

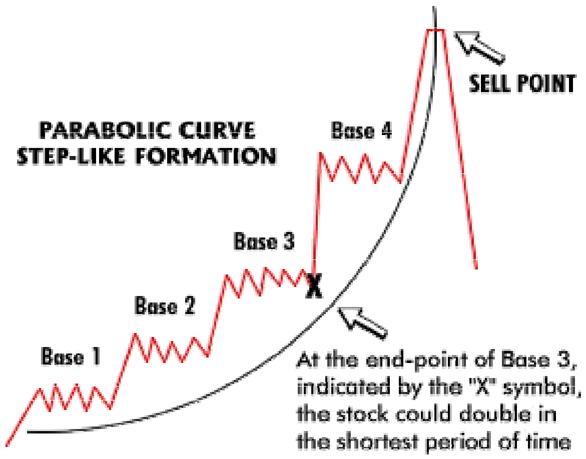


This pattern is a variation of the symmetrical triangle. It can be defined in terms of increasing pressure up and constant pressure down. The pattern will most probably be resolved up. As the pattern is forming, the volume is diminishing, and when the breakthrough occurs, the pattern is usually expanding. It is a useful confirmation. The price projection equals the maximum height of the triangle. In ascending triangles, the stock becomes overbought and prices are turned back. Buying then re-enters the market and prices soon reach their old highs, where they are once again turned back. Buying then resurfaces, although at a higher level than before. Prices eventually break through the old highs and are propelled even higher as new buying

Descending Triangles

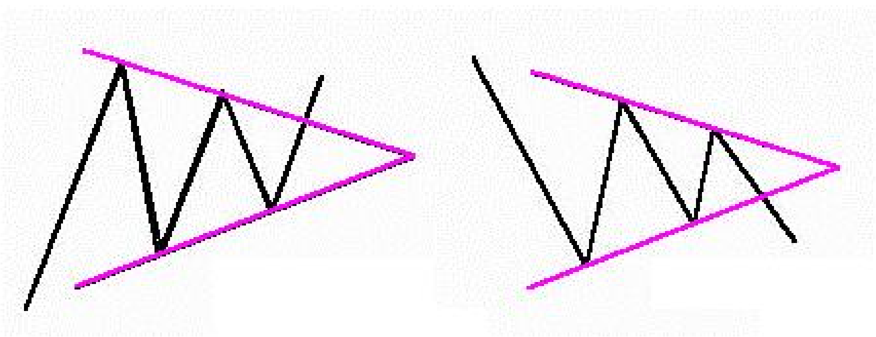
The descending triangle, also a variation of the symmetrical triangle, is generally considered to be bearish and is usually found in downtrends. Unlike the ascending triangle, this time the bottom part of the triangle appears flat. The top part of the triangle has a downward slant. Prices drop to a point where they are oversold. Tentative buying comes in at the lows, and prices perk up. The higher price however attracts more sellers and prices re-test the old lows. Buyers then once again tentatively re-enter the market. The better prices though, once again attract even more selling. Sellers are now in control and push through the old lows of this pattern, while the previous buyer's rush to dump their position.

Parabolic Curve Pattern



The parabolic curve is one of the most highly prized and sought after patterns. This pattern can yield the largest and quickest return in the shortest period of time. You will find a few of these patterns at or near the end of a major market advance. The pattern is the end result of multiple base formation breaks.

Symmetrical Triangles



This pattern can be considered as a sign that the market is uncertain in which direction it is going to move. Buyers and sellers are pushing the price towards a middle value. The volume usually decreases as everyone is waiting for the price to break out of the triangle. The moment it happens, the volume usually increases. It seems that the triangle does not change the trend. If the price was going up, then it is most probable that it will break up from the triangle or break down. A market pauses and future direction is questioned. Typically, the forces of supply and demand at that moment are considered nearly equal. Attempts to push higher are quickly met by selling, while dips are seen as bargains. Each new lower top and higher bottom becomes more shallow than the last, taking on the shape of a sideways triangle. Eventually, this indecision is met with resolve.

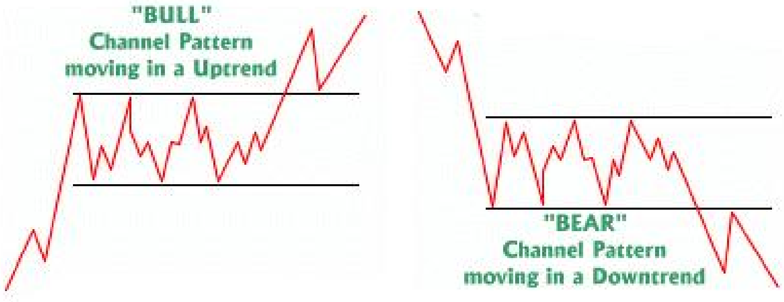
Wedge Pattern

A falling wedge is generally considered bullish and is usually found in up-trends. But it can also be found in downtrends as well. The implication however is still generally bullish. This pattern is marked by a series of lower tops and lower bottoms. A rising wedge is generally considered bearish and is usually found in downtrends. They can be found in up trends too, but would still generally be regarded as bearish. Rising wedges put in a series of higher tops and higher bottoms.

The volume should expand to confirm the break of a resistance. The wedge pattern is also similar to a symmetrical triangle in appearance, in that they have converging trend lines that come together at an apex. However, wedges are distinguished by a noticeable slant, either to the upside or to the downside. As with triangles, volume should diminish during its formation and increase on its resolve.

Channel Pattern

A channel pattern is generally considered to act as a continuation pattern. These are indecisive areas that are usually resolved in the direction of the trend. Research has shown that the trend lines run parallel in a rectangle. Supply and demand appears to be evenly balanced. Buyers and sellers also seem equally matched. The same highs and lows are constantly tested. The stock changes between two set parameters. While the volume isn't affected as in other patterns, there usually is a decrease of activity within the pattern. However, like others, the volume should increase on the breakout.

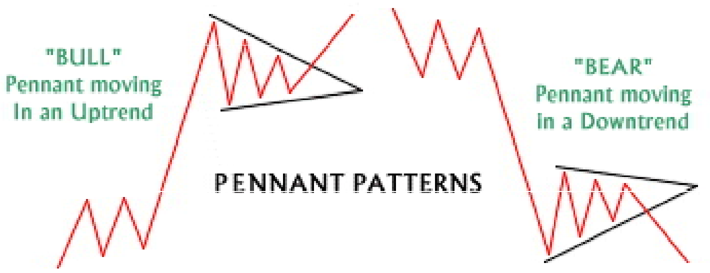


Flag Pattern

Flags are variations of triangles. They can be explained using the same logic and they predict the same thing. The pattern is considered part of the trend, which means that on the uptrend it is a sign that price will continue to increase and on the downtrend it is a sign that the price will fall. They are usually preceded by a sharp advance or decline with heavy volume.

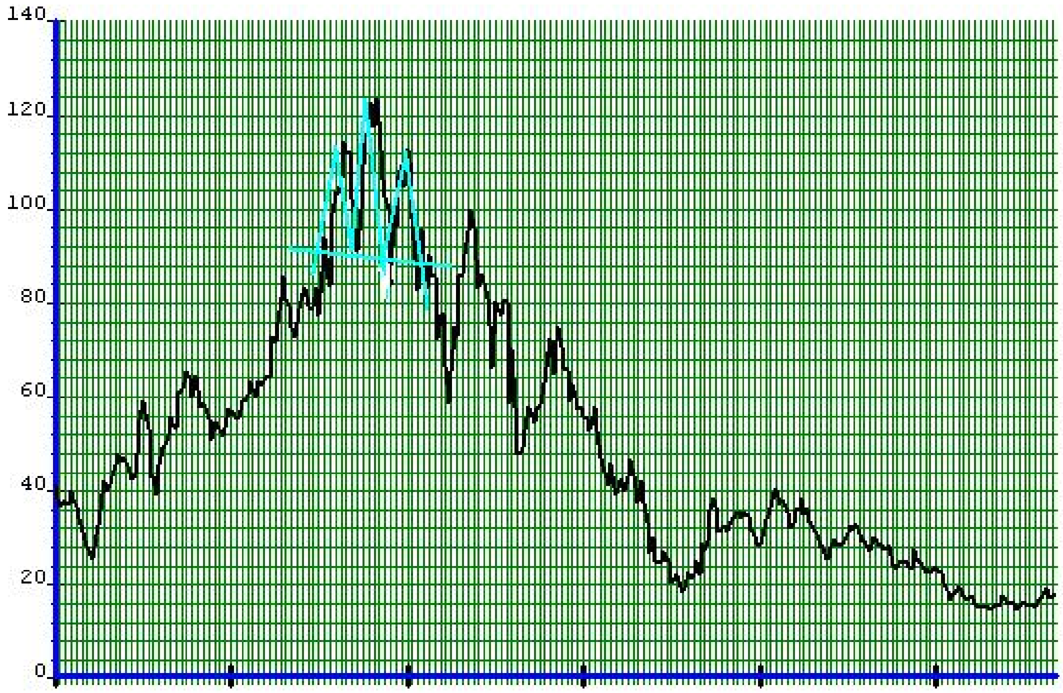
Pennant Pattern

A pennant pattern can be categorized as a continuation pattern. It usually represents only brief pauses in a stock. It is typically seen right after a big, quick move. The stock then usually takes off again in the same direction. Research has shown that these patterns are some of the most reliable continuation patterns.



Pennants look very much like symmetrical triangles, but pennants are typically smaller in size and duration. Volume generally contracts during the pause with an increase on the breakout.

Head and Shoulders Pattern



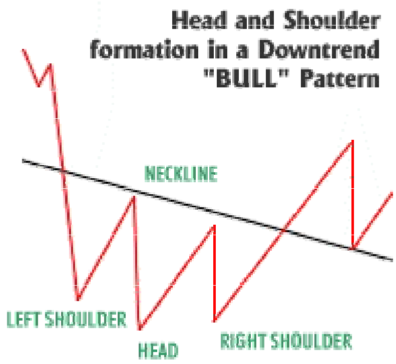
Sellers come in at the highs (left shoulder) and the downside is probed (beginning neckline). Buyers soon return to the market and ultimately push through to new highs (head). However, the new highs are quickly turned back and the downside is tested again (continuing neckline). Tentative buying re-emerges and the market rallies once more, but fails to take out the previous high. (This last top is considered the right shoulder). Buying dries up and the market tests the downside yet again. Your trend line for this pattern should be drawn from the beginning neckline to the continuing neckline.

Volume has a great importance in the head and shoulders pattern. Volume generally follows the price higher on the left shoulder. However, the head is formed on diminished volume indicating the buyers aren't as aggressive as they once were.

And on the last rallying attempt-the left shoulder-volume is even lighter than on the head, signaling that the buyers may have exhausted themselves. New selling comes in and previous buyers get out. The pattern is complete when the market breaks the neckline.

Inverted Head & Shoulders Pattern

The head and shoulders pattern can sometimes be inverted. The inverted head and shoulders are typically seen in downtrends. What's noteworthy about the inverted head and shoulders is the volume aspect. Here is a typical trend of an inverted head and shoulders pattern:



The inverted left shoulder should be accompanied by an increase in volume. The inverted head should be made on lighter volume. The rally from the head however, should show greater volume than the rally from the left shoulder. Ultimately, the inverted right shoulder should register the lightest volume of all. When the stock then rallies through the neckline, a big increase in volume should be seen.

Patterns in Technical Analysis

First of all, there are many patterns that can be used in technical analysis, and many ways to present them. For example, the candlesticks charting technique uses patterns, point-and-figure technique uses patterns and so on. This text is only dealing with the traditional price Vs time charts and only with the patterns that can be located visually on such charts. Here is a Technical Chart Patterns' Characteristics:

TECHNICAL CHART PATTERNS CHARACTERISTICS Obtained from the book by Thomas N. Bulkowski, Encyclopedia of Chart Patterns			
TOP 10 BULLISH TECHNICAL CHART FORMATIONS WITH HIGHEST MOST LIKELY RISE!	*AVG. FAILURES %*	*AVG. RISE %*	*LIKELY RISE %*
1. Rounding Tops	6%	41%	30%
2. Broadening	19%	27%	25%

Formations, Right Angled & Descending			
3. Scallops, Ascending	25%	33%	25%
4. Head-and-Shoulders Bottoms, Complex	6%	37%	25%
5. Horn Bottoms	11%	37%	25%
6. Head-and-Shoulders Bottoms	5%	38%	25%
7. Double Bottoms	3%	40%	25%
8. Wedges, Falling	2%	43%	25%
9. Rectangle Top, Up Breakout	2%	52%	25%
10. Flags, High and Tight	17%	63%	25%

TOP 10 BEARISH TECHNICAL CHART FORMATIONS WITH HIGHEST MOST LIKELY DECLINE!	AVG. FAILURES %	AVG. DECLINE %	LIKELY DECLINE%
1. Pennant, trend down	34%	17%	25%
2. Scallops, Descending	3%	24%	20%
3. Head-and-Shoulders, Tops, Complex	8%	27%	20%
4. Diamond Tops	25%	21%	20%
5. Broadening Wedges, Descending, Down Breakout	41%	24%	20%
6. Rectangle Tops, Down Breakout	0%	20%	20%
7. Broadening Bottoms, Down Breakout	6%	27%	17.5%

8. Bump-and-Run Reversal Tops	19%	24%	17.5%
9. Broadening Tops, Down breakout	4%	23%	15%
10.Triangles, Descending	4%	19%	15%

How to Read Stock Charts

There are several items on a chart that make it worthy of trading. The questions that you want to ask yourself about the chart are: What stage is this stock in? Is this stock in and uptrend or a downtrend? Is the stock at the beginning, middle, or end of the trend? How strong is the trend? Where are the trend lines? What wave is this stock in? What do the moving averages tell me? Was there a breakout recently? Is the chart smooth or erratic? Are there any chart patterns? Are there wide range candles in the direction of the trend? Are there any gaps in the direction of the trend? Are professionals selling strength or buying weakness? Where are the support and resistance areas? Is this stock at a Fibonacci level? What does volume tell me?

Stages, Trends, and Waves

This stock is in stage two. Stage one is a consolidation, stage two is an uptrend, stage

- three is another consolidation, and stage four is a downtrend. This stock was in a stage one in July, but at the end of July it broke out into a stage two. It is currently still in a stage two.

This stock is in an uptrend. If a stock is heading toward the upper right corner of a chart then it is in an uptrend.

This stock is near the middle or end of the trend. The breakout signals the start of the trend. There has already been one significant pullback. Had we bought stock on the first pullback, then we would have concluded that we are at the beginning of the trend. But since this is the second pullback, then we know that this trend may not last much longer.

This stock is in a strong trend. The ADX indicator (not shown) is near 30 which we consider to be a fairly strong trend. The higher the ADX, the stronger the trend is. This stock is at the lower trend line. You can see by the thick green line that this stock has hit the lower trend line. You can draw the trend lines in manually, but after you have been trading for awhile, you will not need to draw them. You will be able to see them automatically.

This stock is in the fourth wave. In Elliott Wave theory, a stock goes through 5 waves in an uptrend. In the chart above, the first wave after the breakout is wave one. The first pullback is wave two, the next wave up to $69.00 is wave three, and the pullback that we are in now is wave four. There is one more wave to go!

Conclusion

Now we have identified that the possible future direction of this stock is up. Nothing is ever certain in the stock market! However, by looking at this chart we can be certain that the probabilities are on our side for a continued move to the upside.

After you finish reading this book, go through some charts and try to identify the various factors -mentioned above. Just understanding the nature of stocks and the different stages, trends and waves that all stocks go through will greatly improve you trading. Soon, all of this direction analysis will become second nature. You won't even have to think about it.

Chart Analysis

Price, as interpreted by candles, is the most important factor to consider on a chart. Put away the technical indicators. You do not need them. Technical indicators serve one purpose – to confuse novice traders! There isn't anything on a chart that can be learned from them. Everything you need to know is right in front of you in the candles.

The moving averages are lined up. We want the 10 SMA above the 30 EMA and we also want there to be plenty of space in between the two moving averages. This creates the Traders Action Zone (TAZ) that we can trade in. If the moving averages move too close together, then a trading range or basing pattern will likely develop.

There was a breakout recently. This is good! We want to buy a pullback as close as possible to a breakout as we can. Why? We want to know that there is interest in a stock. Remember that institutional traders have to accumulate shares over time. They can't buy tons of shares all at once. They have to buy a little at a time. By looking for breakouts, we can expect them to have to buy more in the future. This will propel the stock higher.

This is a smooth chart. We don't want to trade stocks that are whipping around everywhere. That is a good way to get stopped out on trades. This stock is in a smooth uptrend that can be traded with confidence, and without fear of getting shaken out of the trade.

No significant chart patterns. In this example, there aren't any significant chart patterns. This is fine. You don't need any kind of a chart pattern like a cup and handle pattern, or a triangle to trade a stock. You do, however, want to be able to identify them when they are there. This could add some weight to the setup and may make us favor one trade over another.

There are wide range candles in the direction of the trend. See how at the end of August there are three wide range candles that close near the top of their range? There was also a wide range candle on the breakout in July. This is very significant! In fact it may be one of the most significant things on the chart. Stocks tend to move in the direction of wide range candles.

There is one significant gap. There is only one significant gap to the upside on the breakout in July. Ideally, we would like to see more. A better case scenario would be if there was a more recent gap. Why? Because stocks tend to move in the direction of gaps! Be careful though. After three or more gaps, a stock can become overbought and may not continue to move forward.

Professionals are buying weakness. How do we know this? We know by looking for "tails" or "shadows" at the bottom of the candles. On the sixth of September there is a tail, and on this day (green arrow) there is a tail. This is very significant! You want to see that the big players are coming in to support the stock. You want them to protect you from any downside risk.

This stock is at support. This stock has pulled back to a prior high made in the middle of August. This is identified by the red/green support line drawn on the chart. When a stock pulls back to a prior high it is known as minor support. It is still a significant support area, just not as significant as if it pulled back to a prior low. For example, if the stock pulled back to the prior low at $63.00 (see chart), then it would be major support. Also, notice how the lower trend line and the support line converge into one right at today's candle (green arrow). This is very significant! This increases the strength of the support.

This stock is at a Fibonacci retracement level. There are three Fibonacci retracement levels that you look at: 38.2%, 50%, and 61.8%. This stock has pulled back to the 38.2% level (not shown on the chart above). You want to trade pullbacks to this level or the 50% level. If it goes down to the 61.8% level, it may be signaling weakness. Avoid those stocks. Note that this level also corresponds with the support line.

Volume is showing that there is interest in the stock. See the big volume on up days and the lower volume on down days? This is the ideal scenario but it isn't absolutely necessary. I tend to favor low volume pullbacks over high volume pullbacks but I will trade both. If a stock is pulling back on low volume, it means that traders have lost interest in the stock and things get really quiet. This is usually when institutional traders come in – when everyone forgets about the stock!

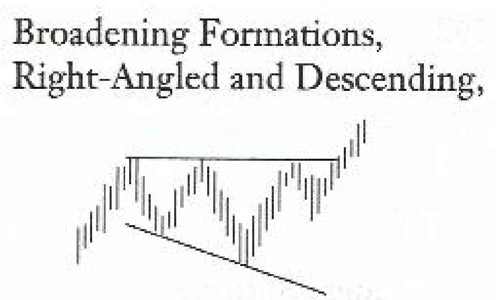
Conclusion

This concludes our analysis of the stock. We have determined that we are going to trade this stock! All of our analysis has paid off. This stock has successfully moved in our favor and now we can just trail our stops under the lows of the candles until stopped out.

Overview

PATTERN CHARACTERISTICS	
#1 Bullish! One of the most bullish and dependable chart pattern with only a 6% failure rate and an average positive rise of 41%. The average rise was 30%. These pattern chart formations are often long enough to appear on the	**Pattern Shape** - Rounded half-moon shape. The stock price trend curves beginning from the lower left price point upward to the top of the dome then the price trend rounds over and moves down again to a lower

weekly charts and daily charts.	price support area.
Trading Tactics - The average trade for entry should occur on the right side of the dome when the price closes above the dome or at crest for the more aggressive investors.	**WINs®** -This pattern has an upward bias and is ideal for writing covered calls and/or leaps spreads. It is possible to time your writes and get higher premiums for your writes. Legging into a spread would be more aggressive.

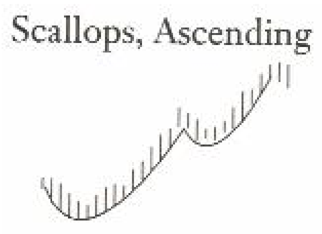


PATTERN CHARACTERISTICS

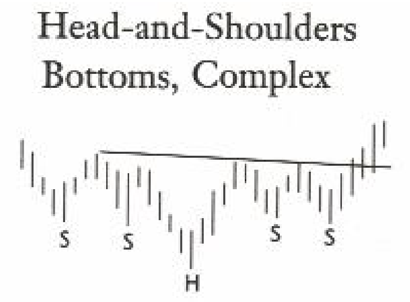
#2 Bullish! Contrary to popular belief, more chart pattersn with right-angled descending	**Pattern Shape** - Looks like a megaphone, tilted downward, with the top the formation
Trading Tactics - The upper price tags must form a horizontal line. There is	**WINs®** - This pattern works great with determining the strike prices for CCs and LEAPs spreads.
no consistent	The back and

in either direction, usually with a rise in volume that soon tapers off.	and fourth upmove to gapping prices!

PATTERN CHARACTERISTICS



#3 Bullish!Ascending scallops appear when the stock prices are moving higher over 3, 6, or more months.	**Pattern Shape** - Ascending formations have a J shape and have two price peaks with a rounded price recession in between.
Trading Tactics - Ascending scallops often show a U-shaped volume trend that gets heavier over time. You can average down or leg into a CC or LEAPs spreads.	**WINs®** - Watch out for gaps pass your CCs strike prices. LEAPs spreaders should go short one month out to avoid being called out or having a run-a-way position.



PATTERN CHARACTERISTICS

#4 Bullish! This formation had only a 6% failure rate which is outstanding. When the neckline slopes downward at indicated, the stock performes better.	**Pattern Shape** - A H&S bottom with multiple shoulders, mutiple heads, or (rarely) both. The head is lower than the shoulders but not very much.
Trading Tactics - Usually higher volume on the left side of shoulders than than the corresponding shoulders on the right side. Great stock to play up and down with calls and puts or shorting.	**WINs®** - Great stock to generate considerable premiums with up the down cycles before allowing the stock to appreciate in value and cash out.

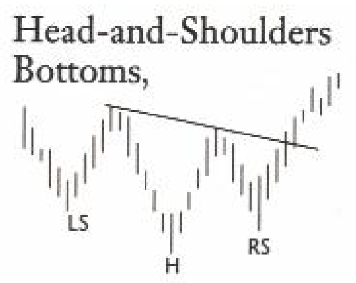
PATTERN CHARACTERISTICS

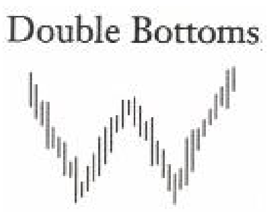
#5 Bullish! Great CCing pattern for stock price rise when the horn lengths are at least twice as long than most spikes over the prior year.	**Pattern Shape** - Use the weekly profile to locate two downward spikes in the horns separated by a week worth of time.
Trading Tactics - The left spike	**WINs®** - Horns will usually not

shows higher than average volume and thus more volatility. Some horns appear near the end of uptrends, so watch for the trend to change!	mark the end of the downtrends, but they will be close. Prices might continue to drift down for $1 or so then head upward. Let the trend be your friend!

PATTERN CHARACTERISTICS

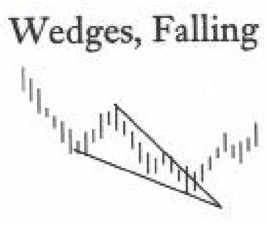
#6 Bullish! H&S Bottoms are quite easy to spot and they can be very profitable. H&S bottoms meets its price targets 83% of the time.	**Pattern Shape** - A three-hump formation with the center hump below the other two. The three humps and two minor rises should be well defined.
Trading Tactics - The line slanted to the right is the neckline. The price usually advances above the neckline and stages an upside breakout.	**WINs®** - Volume is usually highest on the left shoulder or head and dimishes on the right shoulder. Upwared breakouts occur usually with high volume. A low volume breakout is not an indictor of an impending failure.





PATTERN CHARACTERISTICS

#7 Bullish! A double bottom occurs after a downward price trend. High volume commonly occurs on the first bottom.	**Pattern Shape** - Shaped like a big upper case W that usually takes approxiately 4 months worth of time to complete the formation pattern.
Trading Tactics - 2/3s of the double bottom throw back to the breakout price. Therefore, consider waiting for the throwback and reversal for prices to head upward again.	**WINs®** - Bottoms humps that are closer together usually show larger price gains and breakouts. It is suggested that you average down or leg into positions with sideshows.



PATTERN CHARACTERISTICS

#8 Bullish! The failure rate for falling wedges is very low at 10% while the average rise of 43% for this indicator suggest a profitable formation to trade. The highest price after the breakout is approx. the	**Pattern Shape** - Two drawn downward-sloping to the right side trendlines that eventually must intersect. Use the trendline feature to draw the lines. Most formations have at least five touches. 3

beginning of the trendlines.	on one side and 2 on the other side.
Trading Tactics - Most falling wedges has a mininum duration of 3-wks or more. Anything less is most likely a pennant. Formations rarely exceed 4 months long.	**WINs®** - Be ready to cover when the falling wedges come to an intersect. It may be possible to buy PUTs as side shows for the more aggressive investors.

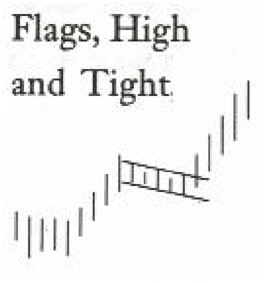
PATTERN CHARACTERISTICS

#9 Bullish! - This tricky patern fails only 2% of the	**Pattern Shape** - Stock prices oscillates
Trading Tactics - The price will bounce up and down within a	**WINs®** - Follow the standard approach of writting CCs

Rectangle Tops

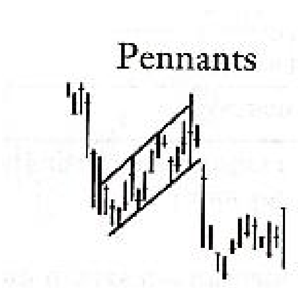
your investing style.	up when the price begins to move upward again.

PATTERN CHARACTERISTICS



#10 Bullish! The price gaps upward after a consolidation region of several days to several weeks long. This occurs after the stock doubles in price.	**Pattern Shape** - During a flag phase, prices can slowly drift downward as much as -20%. Prices move sideways for 3 to 5 weeks.
Trading Tactics - Buy after the breakout is the safest course of action. Wait for prices to rise above the highest high in the flag.	**WINs®** - You can buy and hold or average down your position. Let the trend be your friend.

PATTERN CHARACTERISTICS

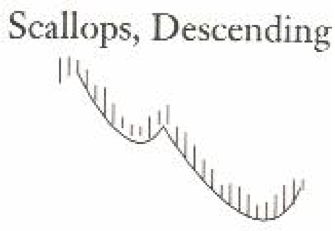


#1 Bearish! This patters fools many investors. Prices usually go against the prevailing trend. In other words, the price will eventually fall as the smart money exists.	**Pattern Shape** - There are two patterns which are related. **Flags:**price action bounded by two parallel trendlines. **Pennants:**the two trendlines converge to a point.
Trading Tactics - These formations usually form near the	**WINs®** - This kind of pattern last a total of 3-weeks max. Volume usually trends

Tactics - These formations usually form near the midpoint of a steep, quick price trend. If you do not have a strong advance or decline leading to the chart pattern, ignore the formation.	kind of pattern last a total of 3-weeks max. Volume usually trends downward throughout the formation. "Volume precedes price!"

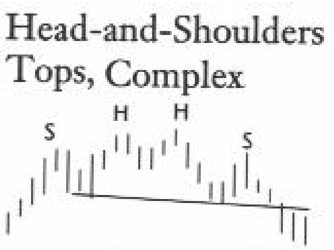
PATTERN CHARACTERISTICS

#2 Bearish! Prices peak, curve downward and around, then	**Pattern Shape** - The price pattern looks like a letter-J
Trading Tactics - This is considered a short-term pattern up to 3 months time	**WINs®** - This is a good LEAPs puts pattern to leg into or writing deep ITM



	remain long. PUTs sideshows are also profitable.

PATTERN CHARACTERISTICS



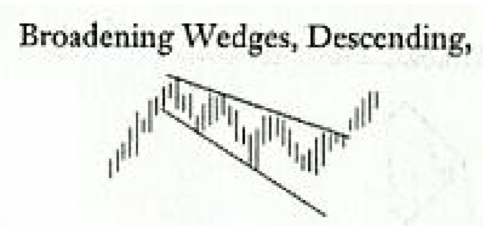
#3 Bearish! One of the most easy patterns to spot and one of the most profitable! Takes as long as three months to form.	**Pattern Shape** - H&S tops have multiple heads, shoulders, or both.
Trading Tactics - Pull-backs average 64% and formations with downword sloping necklines or higher left shoulders perform better.	**WINs®** - When prices closes below the neckline, a breakout occurs. For those cases with a steep, down-sloping neckline, use the lowest trough price as the breakout point.

PATTERN CHARACTERISTICS

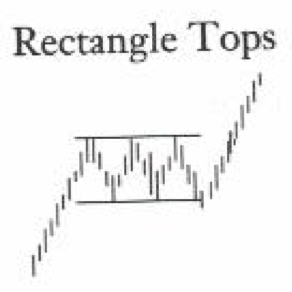
#4 Bearish! Prices usually trend up to the formation. Diamond tops need not form at the top of a price chart!	**Pattern Shape** - Diamond pattern forms after a downward price trend. Trendlines surrounding the minor hights & lows resembles a diamond.

Tactics - Should you locate a diamond pattern and later discover that it may be a head & shoulders top, don't worry! Both formations are very bearish!	Diamonds will sometimes form after a quick run up in prices. The reversal will usually erase these gains and return prices to where they were before the run-up.

PATTERN CHARACTERISTICS



#5 Bearish! Descending broadening wedges act as a consolidation of the prevailing trend. The volume tends to increase over time.	**Pattern Shape** - Price pattern looks like a megaphone titled downward. Both trendlines slope downward with the lower trendline having a steeper slope.
Trading Tactics - This formation acts as a consolidation of the trend. If prices are moving down, prices usually continue down after a downside breakout.	**WINs®** - If the formation is especially broad, buy as the lower trendline and sell at the top. Alternatively, sell short at the top trendline once prices are heading down and close the position after it rebounds off the lower trendline.



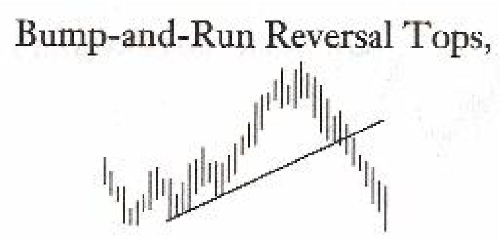
PATTERN CHARACTERISTICS

#6 Bearish! Prices trend for as long as 3 months up to the formation then oscillate with pull-backs that aver 55% between two horizontal trendlines before breaking out downward.	**Pattern Shape** - Two parallel trendlines for the highs and the lows.Looks like bridge iron support structures.
Trading Tactics - The actualThe price will bounce up and down within a price range. This pattern does take time to form and you can milk deep ITM CCs or LEAPs spreads depending on your investing style.	**WINs®** - Follow the standard approach of writting CCs at the peaks and allowing the price to drop before you cover cheap. This will protect your downside and free you up when the price begins to move upward again.

PATTERN CHARACTERISTICS

#7 Bearish! The price trend begins as a negative downtrend that leads to a bounce forming a megaphone appearance with higher	**Pattern Shape -** Looks like a bull-horn and usually takes less than three months to form. Volume usually follows price; rises as price

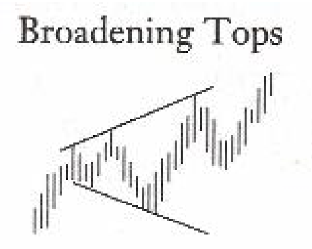
highs and lower lows that widens over time. Then, the breakout is upward usually off the moving average line.	rises, falls when prices fall.
Trading Tactics - Partial rise at the end of the formation predicts a downside breakout 67% of the time and partial declines predicts an upside breakout 80% of the time.	**WINs® -** Once recognizing a broadening formation, go long at the low and buy after the stock makes its turn at the low. Likewise, go short at the high prices start heading down at the top.



PATTERN CHARACTERISTICS

#8 Bearish! Prices rise steadily along a trendline, bump up, round over, then declines through the trendline and continues downward.	**Pattern Shape -** If the trendline is flat or nearly so, it is not a good bump-and-rund reversal candidate. The typical
Trading Tactics - Waiting for the breakout improves investment performance. The close should be above the down-sloping	**WINs® -** When prices rises to the old high, consider selling it if the the stock shows weakness.

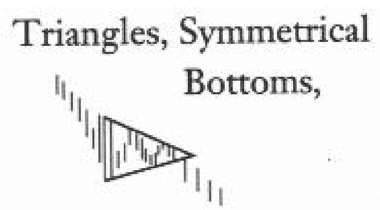
breakout improves investment performance. The close should be above the down-sloping trendline before you buy the stock.	old high, consider selling it if the the stock shows weakness.



PATTERN CHARACTERISTICS

#9 Bearish! The price trend begins as a positive uptrend that leads to a pull-back forming a megaphone appearance with higher highs and lower lows that widens over time.	**Pattern Shape -** Looks like a bull-horn and usually takes less than three months to form. Volume usually follows price; rises as price rises, falls when prices fall.
Trading Tactics - Partial rise at the end of the formation predicts a downside breakout 65% of the time and partial declines predicts an upside breakout 86% of the time.	**WINs® -** The breakout can occur in either direction and, in several cases, prices move horizontally for several months before staging a definitive breakout.

Trading Tactics - Partial rise at the end of the formation predicts a downside breakout 65% of the time and partial declines predicts an upside breakout 86% of the time.	**WINs® -** The breakout can occur in either direction and, in several cases, prices move horizontally for several months before staging a definitive breakout.



PATTERN CHARACTERISTICS

#10 Bearish! Prices trend downward then form lower highs and higher lows following two sloping trendlines that eventually intersect. The breakout is downward with a 57% average pullback.	**Pattern Shape -** Prices trend downward then form lower highs and higher lows following two sloping tredlines that eventually intersect. Looks like a triangle on its side.
Trading Tactics - Triangles with high volume breakouts show larger losses. Pullbacks are more likely to occur after a high volume breakout.	**WINs® -** Unknows ahead of time. You must wait for the breakout before investing.

TECHNICAL TERMS DEFINED:

FAILURE RATE:	Percentage of formations that do not work as expected. The numbers apply to formations once they stage a breakout (confirming the formation).
REVERSAL OR CONSOLIDATION:	The letter R appears if the majority of formations act as reversals of the price trend and the letter C appears for consolidations. If both R and C appear in an entry, then the chart pattern has no overriding majority of either type.
THROWBACK, PULLBACK:	A throwback is an upside breakout that returns price to the top of the formation or trendline boundary. A pullback is a downside breakside breakout that returns prices to the bottom of the formation or trendline boundary
LIKELY RISE OR DECLINE	Computed by measuring the individual percentage rise or decline for each formation and tabulating a frequency distribution of the results. The most likely rise or decline is the range with the highest frequency and usually excludes the rightmost column.

Resources

Swing-Trade-Stocks.com

Technical Chat Patterns Characteristics: Obtained from the book by Thomas N. Bulkowski, Encyclopedia of Chart Patterns

Investopedia

Chart Patterns

InvestorWords

InvestorFlix

Trade Tracker