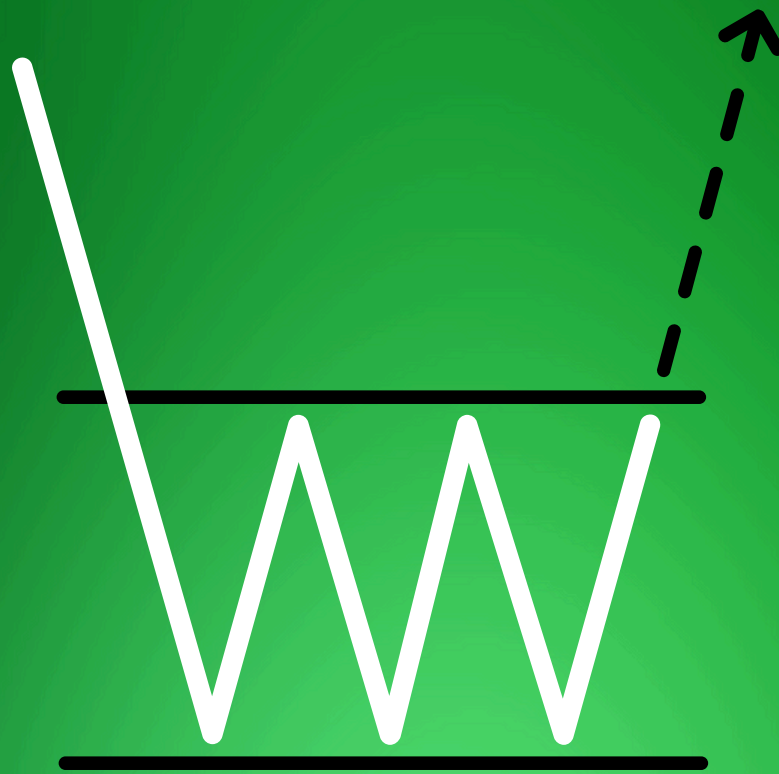


# CHART PATTERNS

Mastering Chart Pattern Analysis



By Gabriel Valor

# INTRODUCTION

Trading can be profitable for the informed trader, like how you will be after reading this book. This book is written for anyone new to trading Stocks, Crypto, or Forex. Any prior knowledge in these financial markets is a plus.

## Why is Technical Analysis so important?

The charts don't lie; the beauty of technical analysis is that it is "scam proof" It relies on your ability to read the charts and price data. In technical analysis, price patterns often sign transitions between rising and falling trends. It is helpful to understand patterns and spot them out in the trading world, whether it is Stocks, Crypto or Forex. TA helps investors anticipate the future but doesn't make accurate predictions.

# ALL CHAPTERS



## 1. CANDLE STICK PATTERNS



## 2. GRAPH INDICATORS



## 3. CHART PATTERNS



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## **Chart Patterns.**

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**Bullish patterns**

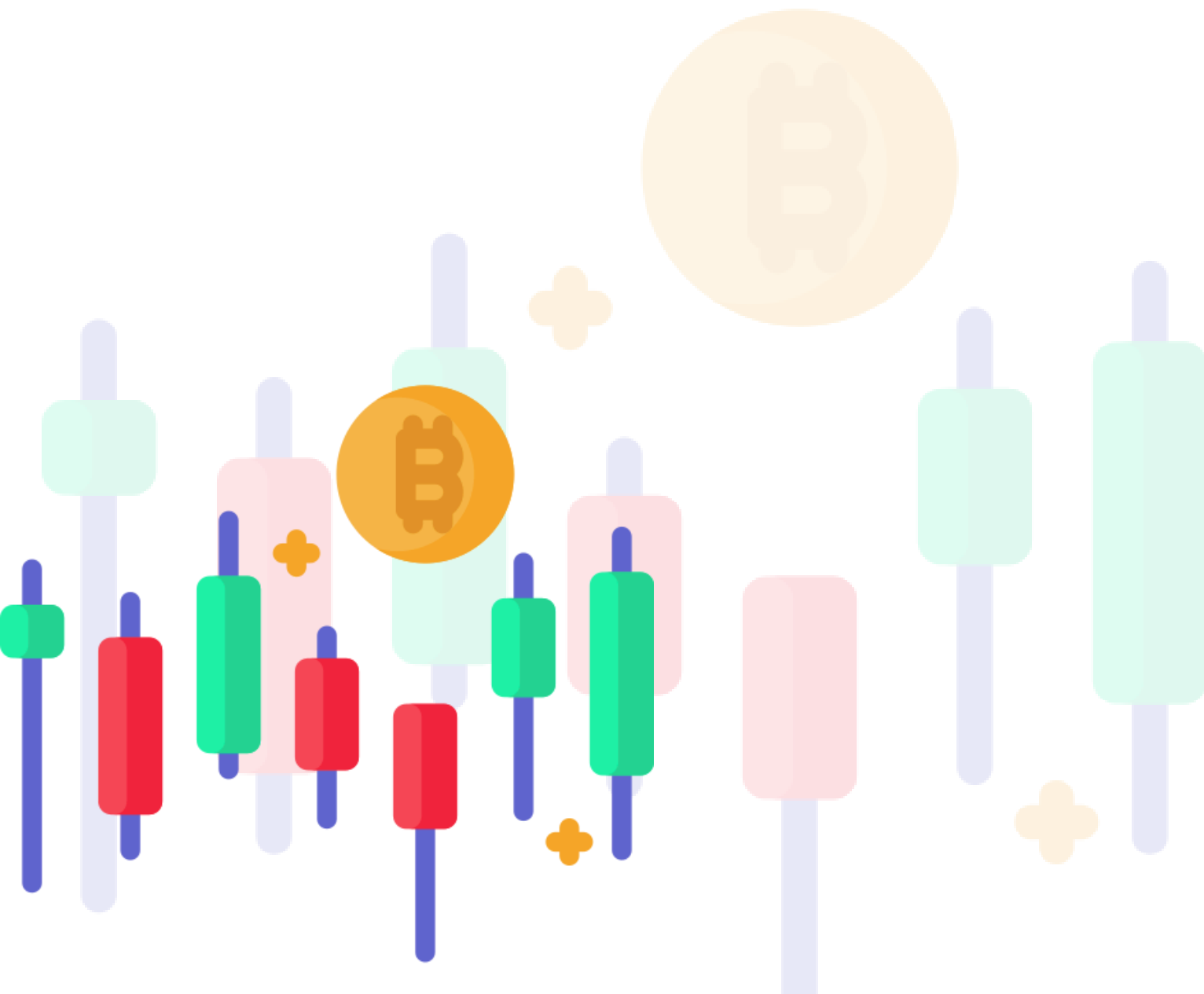
**Bearish patterns**

**Bilateral patterns**



# CANDLE STICK PATTERNS

CHAPTER. 1



# What is a Candle Stick?

A candlestick is a single bar on a candlestick price chart, showing traders market movements at a glance.

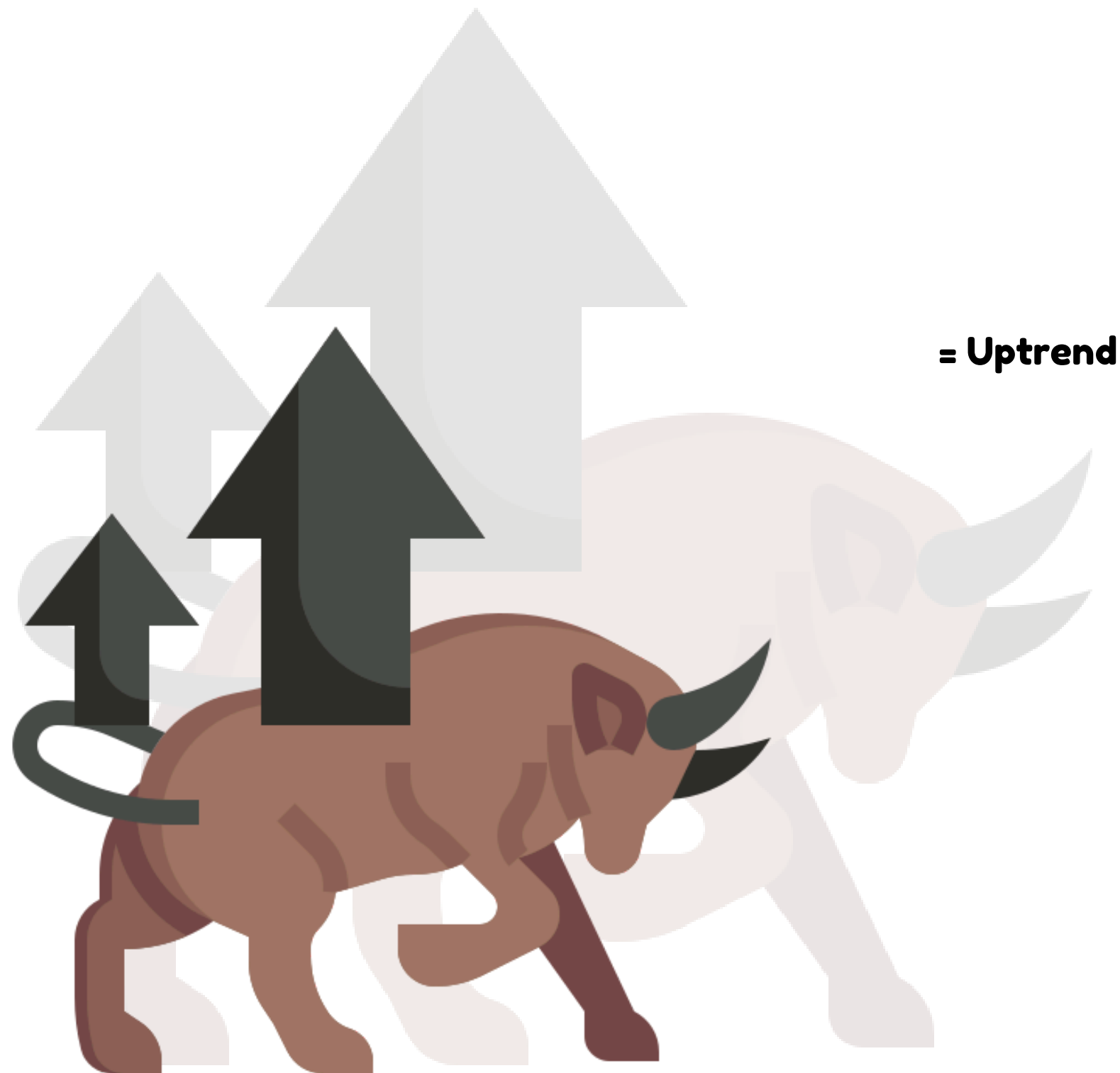
Each candlestick shows the open price, low price, high price, and close price of a market for a particular period of time.

- The body, Which represents the open-to-close range.
- The wick, or shadow, that indicates the intra-day high and low.
- The color, which reveals the direction of market movement – a green body indicates a price increase, while a red body shows a price decrease.



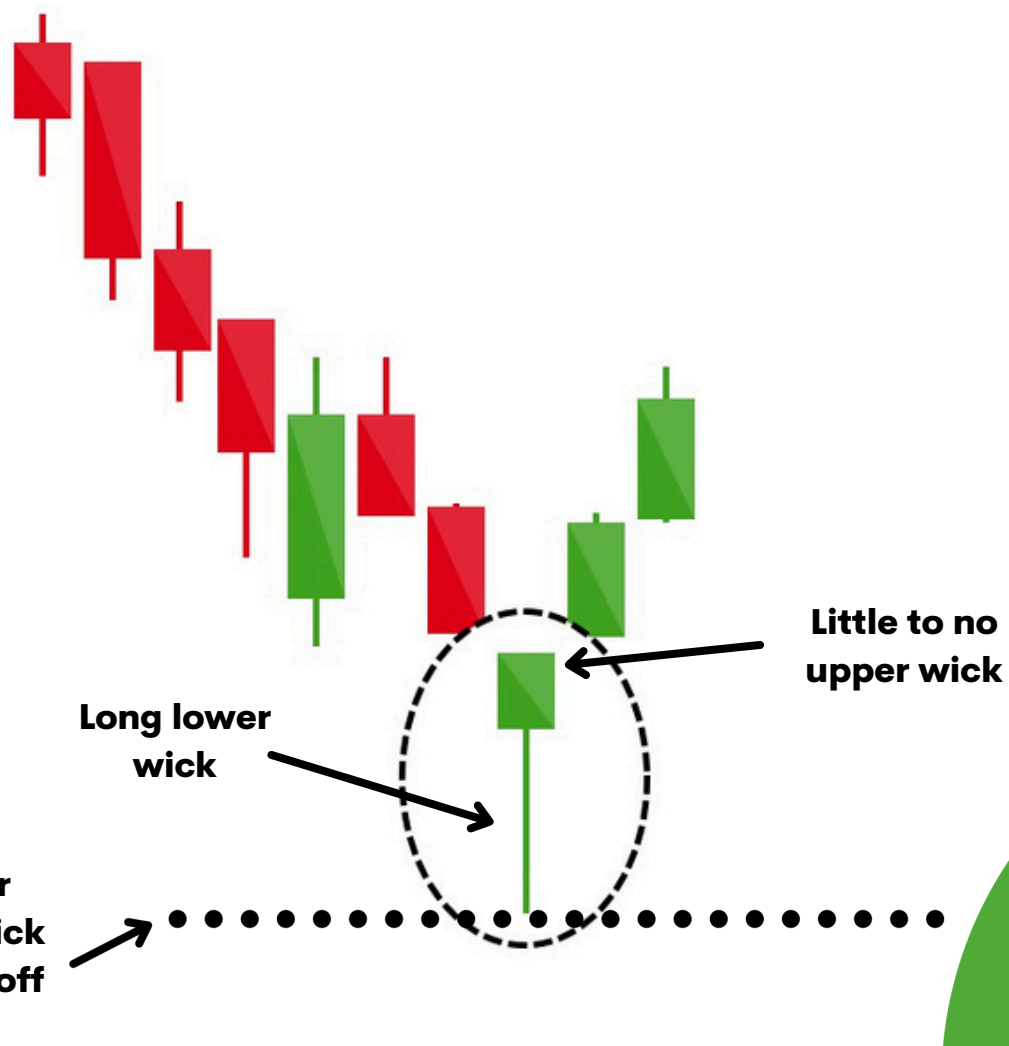
# BULLISH

CANDLE-STICK PATTERNS



# Hammer

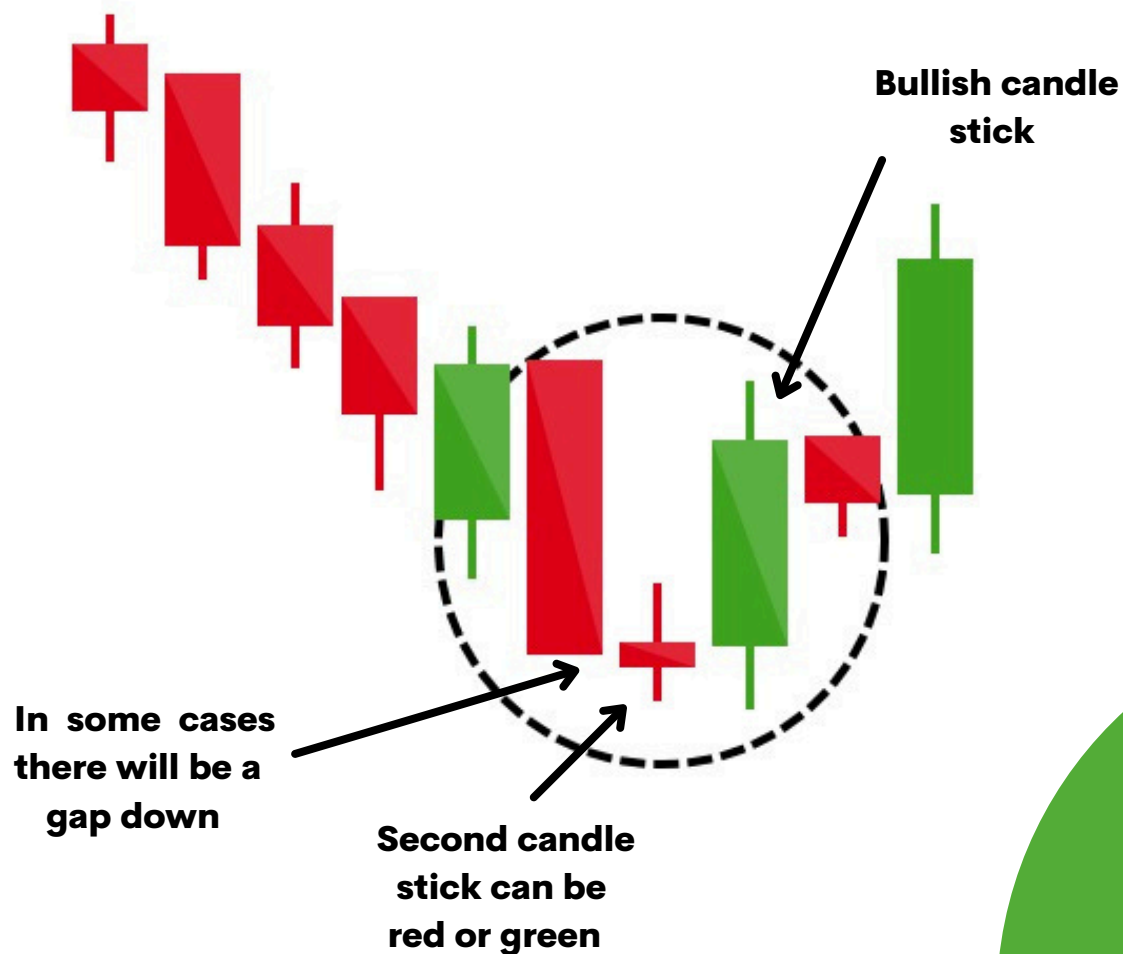
- Hammer candlestick pattern consists of a small body and a long wick extending from the bottom.
- This pattern can be seen at the support line of a downward trend (see example below). Hammer candlesticks typically occur after a price decline.
- Hammer candlesticks indicate a potential price reversal to the upside. The price must start moving up following the hammer; this is called confirmation.



# Morning Star

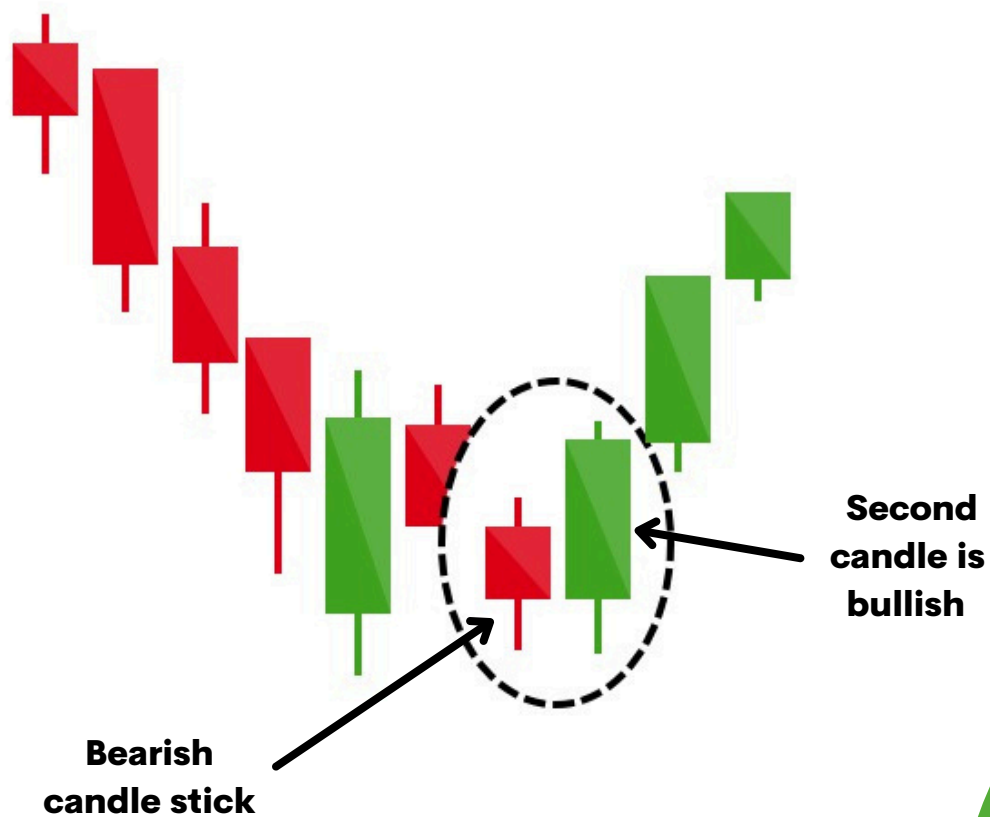
- This is a three-stick pattern: one short-bodied candle between a long red and a long green candle. The middle candle of the morning star captures a moment of market indecision where the bears begin to give way to bulls. The third candle confirms the reversal and can mark a uptrend.

- 



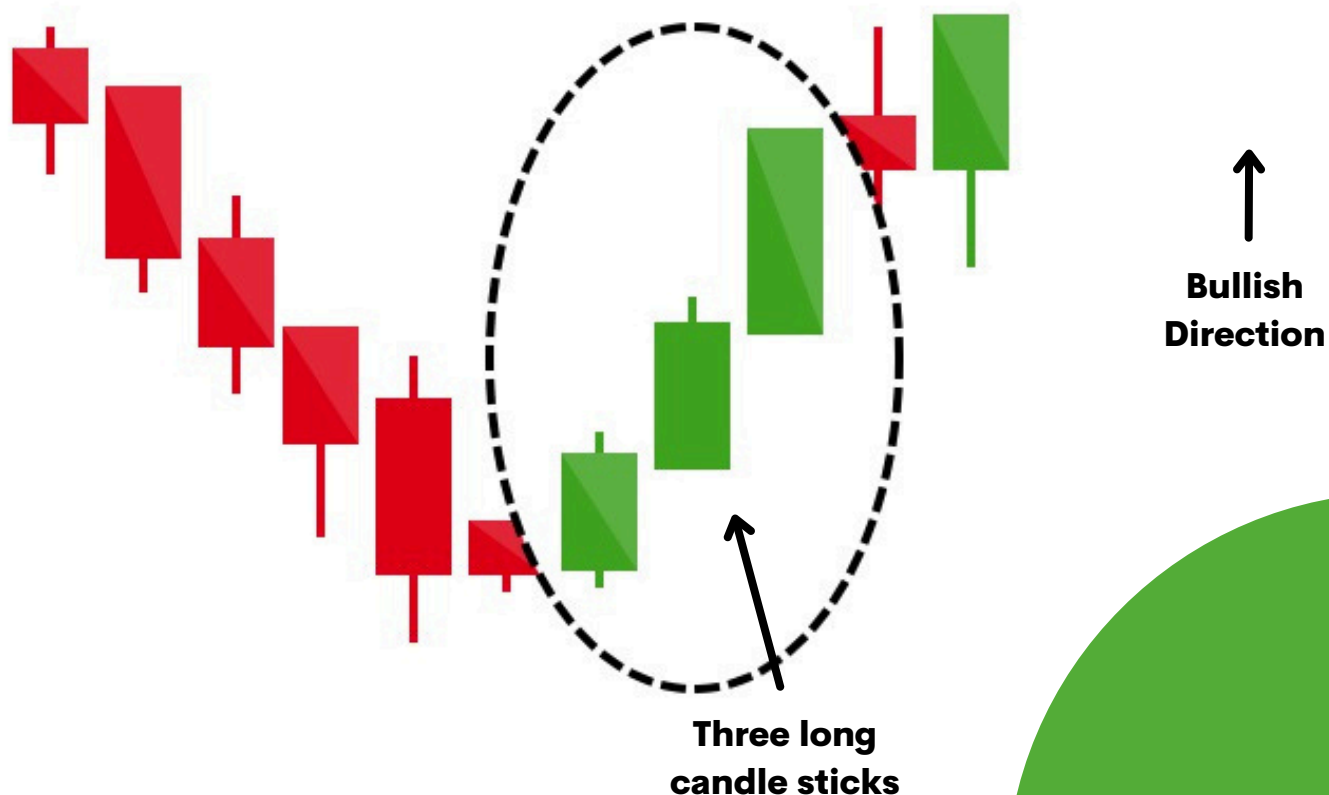
# Bullish Engulfing

- The bullish engulfing pattern is formed of two candlesticks. The first candle is a short red body that is completely engulfed by a larger green candle. The buying pressure increases, leading to a reversal of the downtrend.
- The second Bullish candlestick is engulfing the body of the first bearish candle stick.
- 



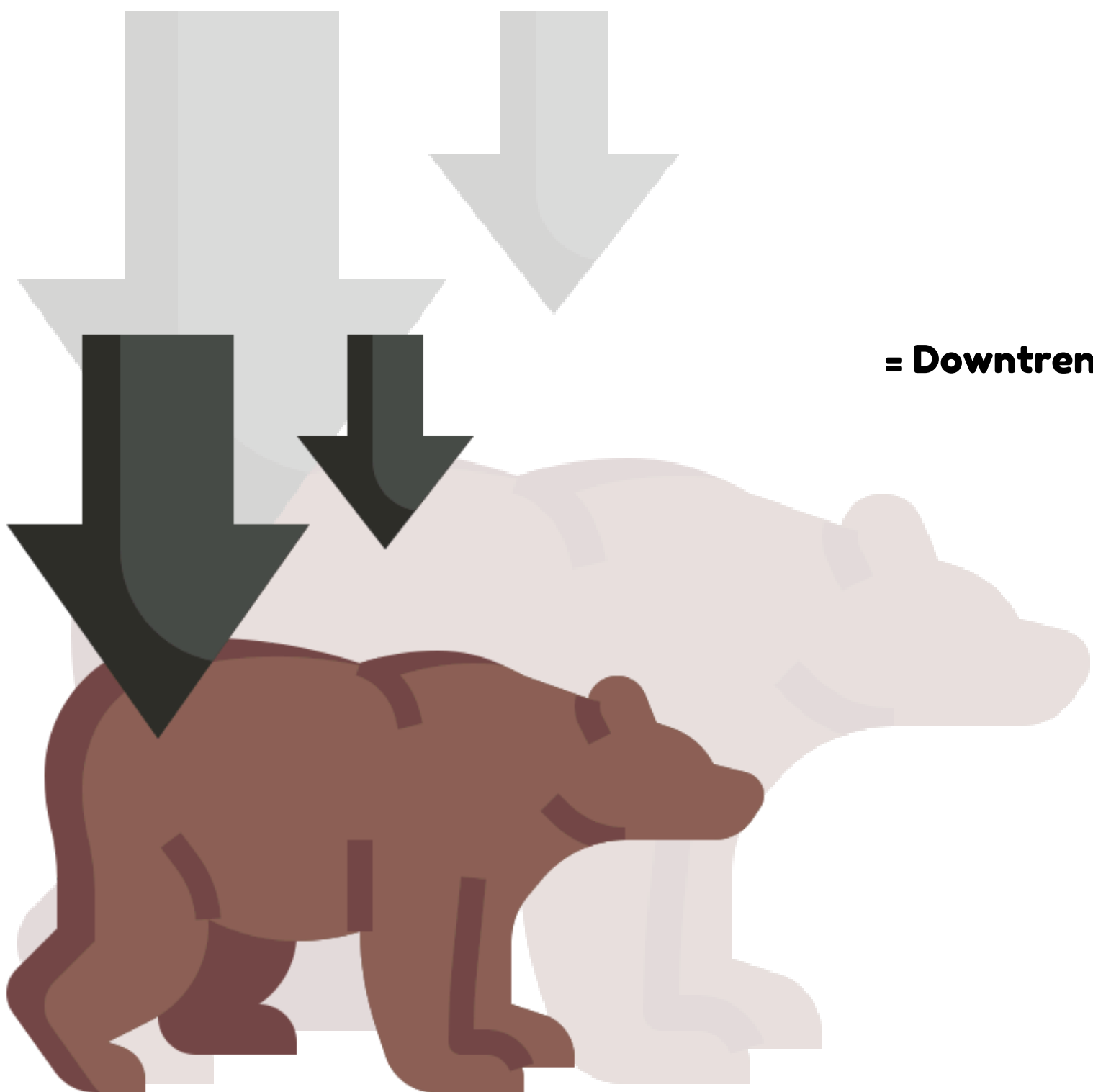
# Three White Soldiers

- This pattern is made up of three long green candles in a row, this pattern also has to open and close higher than the previous period.  
Three White Soldiers is a strong bullish signal that shows up after a downtrend.
- This pattern is considered a reliable reversal pattern when confirmed by other technical indicators like the relative strength index (RSI).



# BEARISH

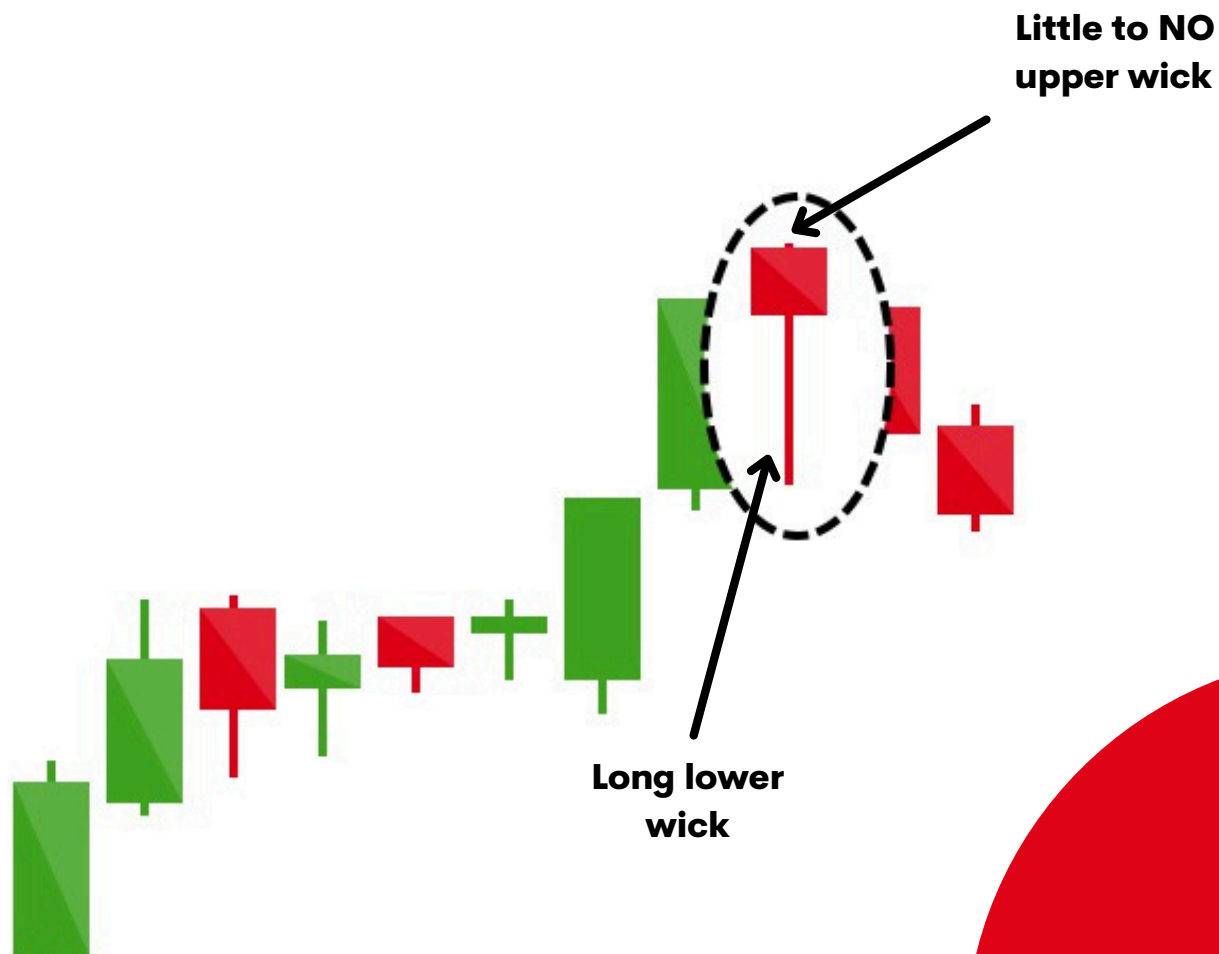
## CANDLE-STICK PATTERNS



**= Downtrend**

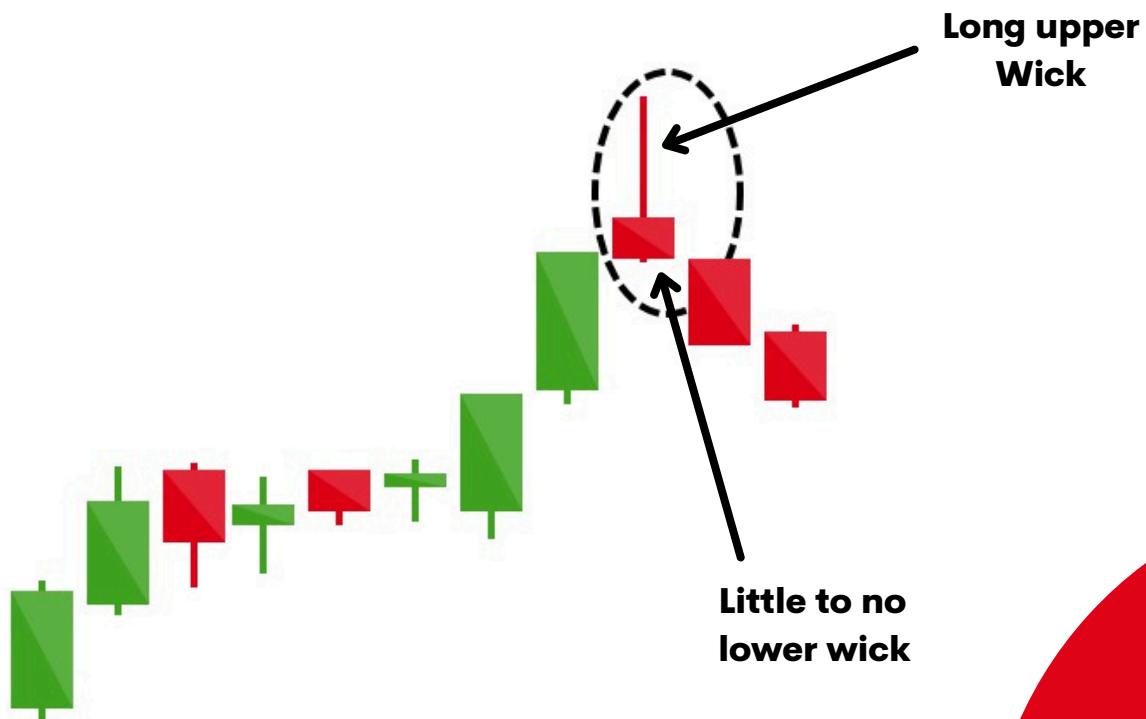
# Hanging Man

- Hanging man candle has a small real body (distance between open and close) and a long lower shadow. There is little to no upper shadow. It shows up at the end of an uptrend, indicating that bears are stepping in. An extensive selling pressure was present during a part of the candle stick which created a wick
- 



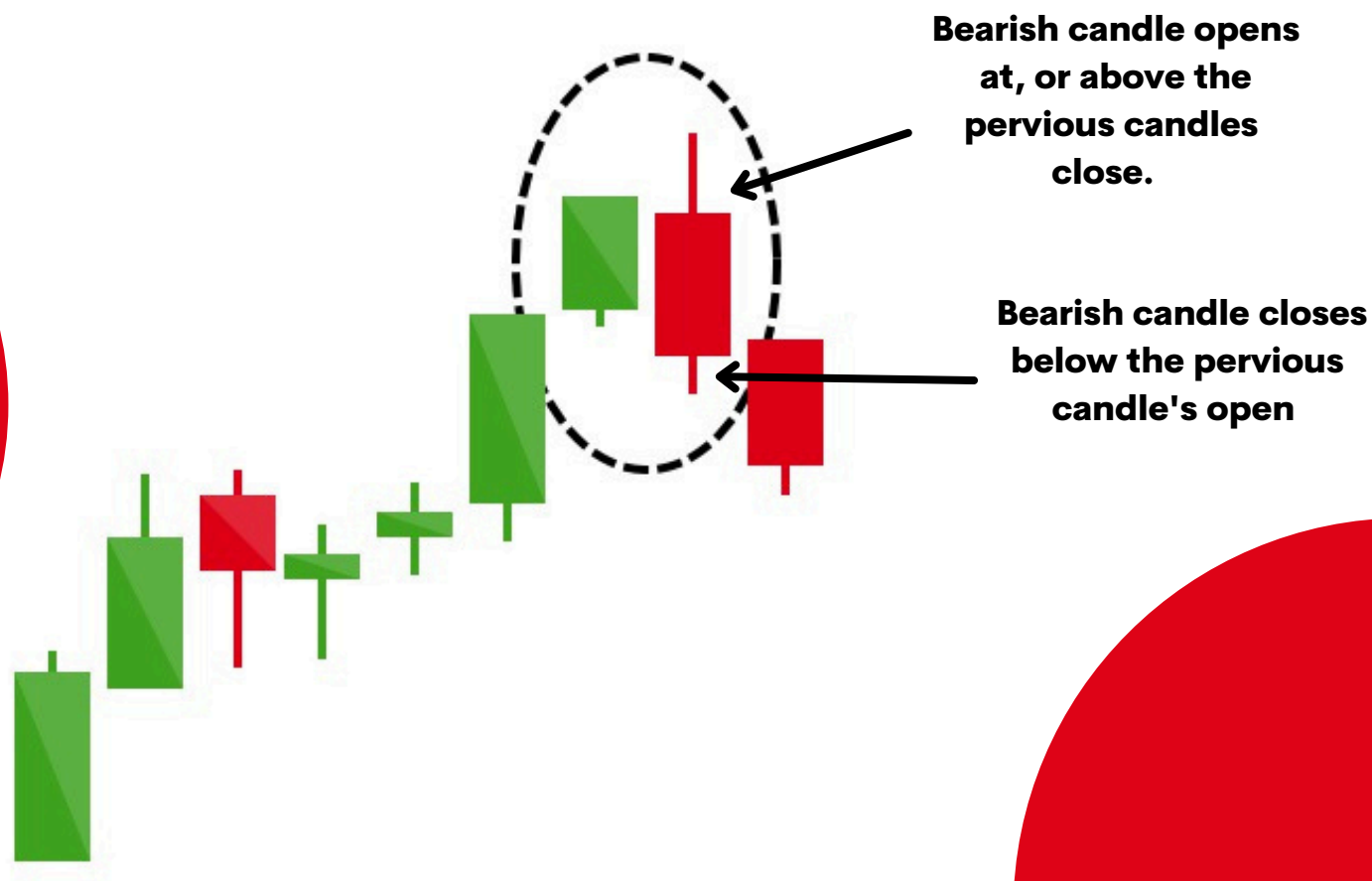
# Shooting Star

- The shooting star is the opposite of an inverted hammer. It consists of a red candle with a short body and a long upper shadow. Generally, the market will gap a bit higher
- on the candlestick opening and close just below the open.
- If the price rises after a shooting star, the formation may have been a false signal.



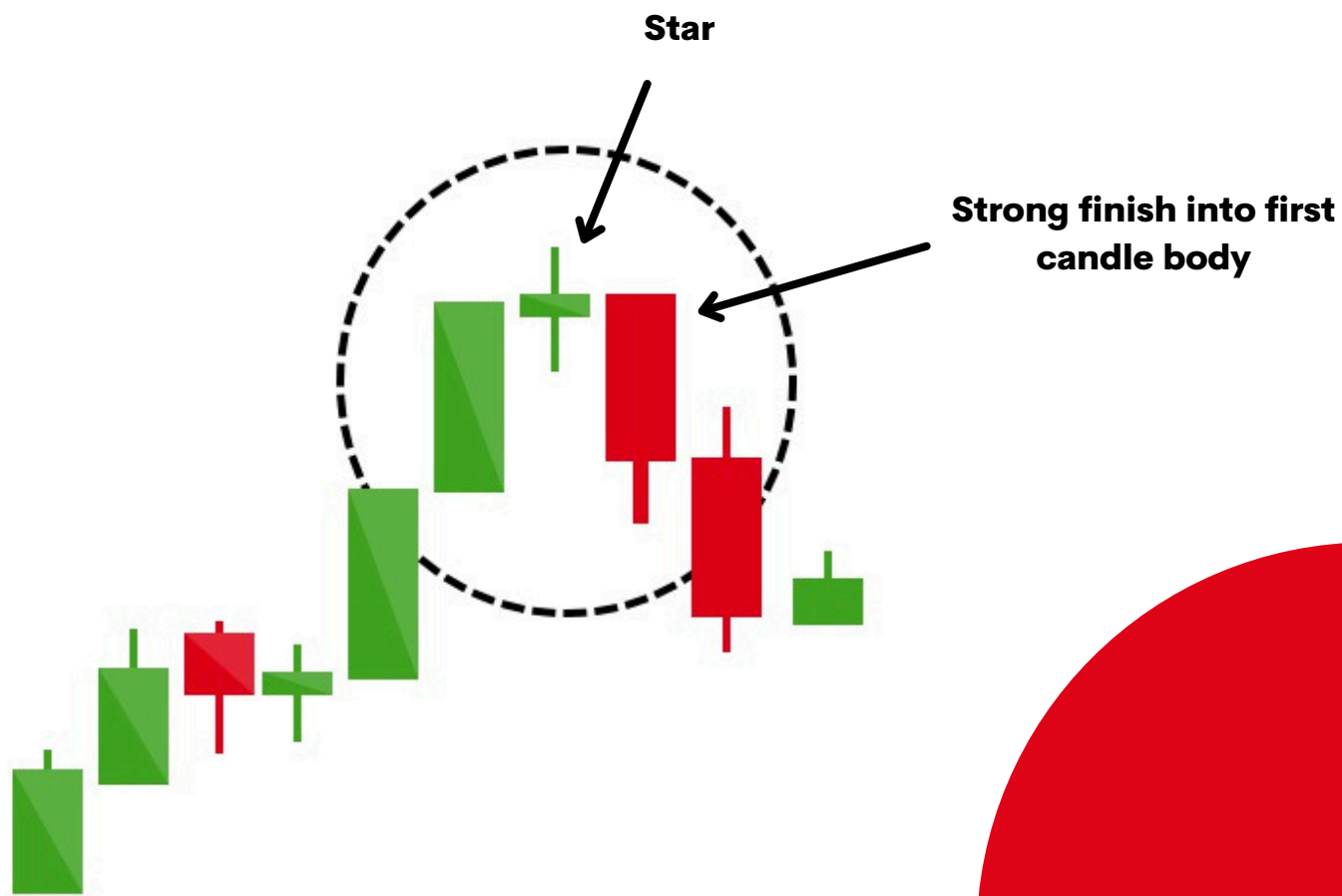
# Bearish Engulfing

- A bearish engulfing pattern occurs at the end of an uptrend. The real body—the difference between the open and close price—of the candlesticks is what matters. The real body of the down candle must engulf the up candle. A bearish engulfing pattern can occur anywhere, like an uptrend or a pullback to the upside with a larger downtrend.
- larger downtrend.



# Evening Star

- **The evening star is a three-candlestick pattern equivalent to the bullish morning star.**  
It is formed of a short candle sandwiched
- **between a long green candle and a large red candlestick.**  
Although this candle stick pattern is rare, the evening star pattern is considered by
- **traders to be a reliable technical indicator.**



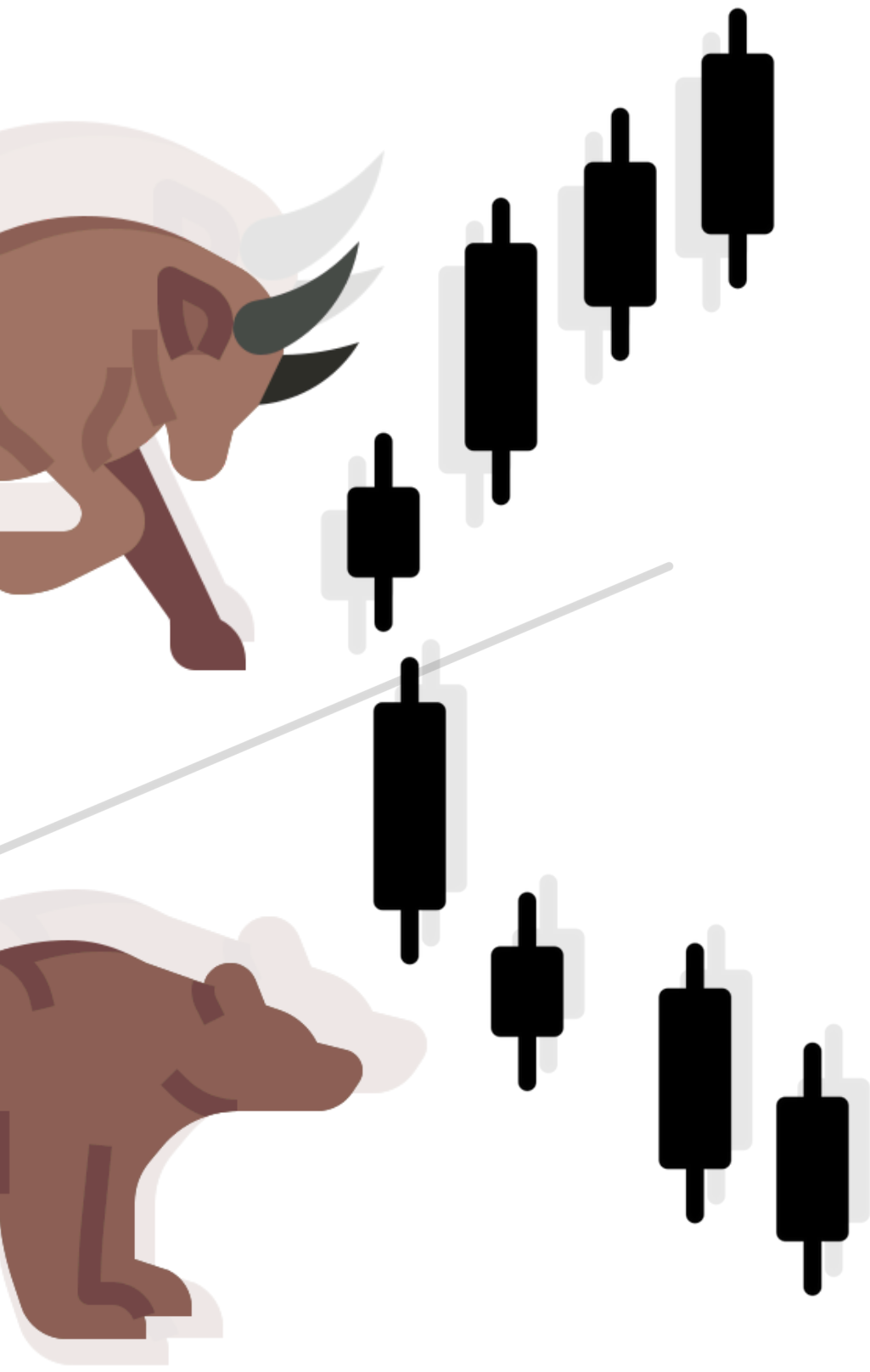
# Three Black Crows

- The pattern shows on the pricing charts as three bearish long-bodied candlesticks with short or no wicks.
- Each session opens at a similar price to the previous, but selling pressures push the price lower and lower with each close.
- Traders use it alongside other technical indicators such as the relative strength index (RSI).
- The opposite pattern of three black crows is three white soldiers, which indicates a Bullish trend.



# BILATERAL

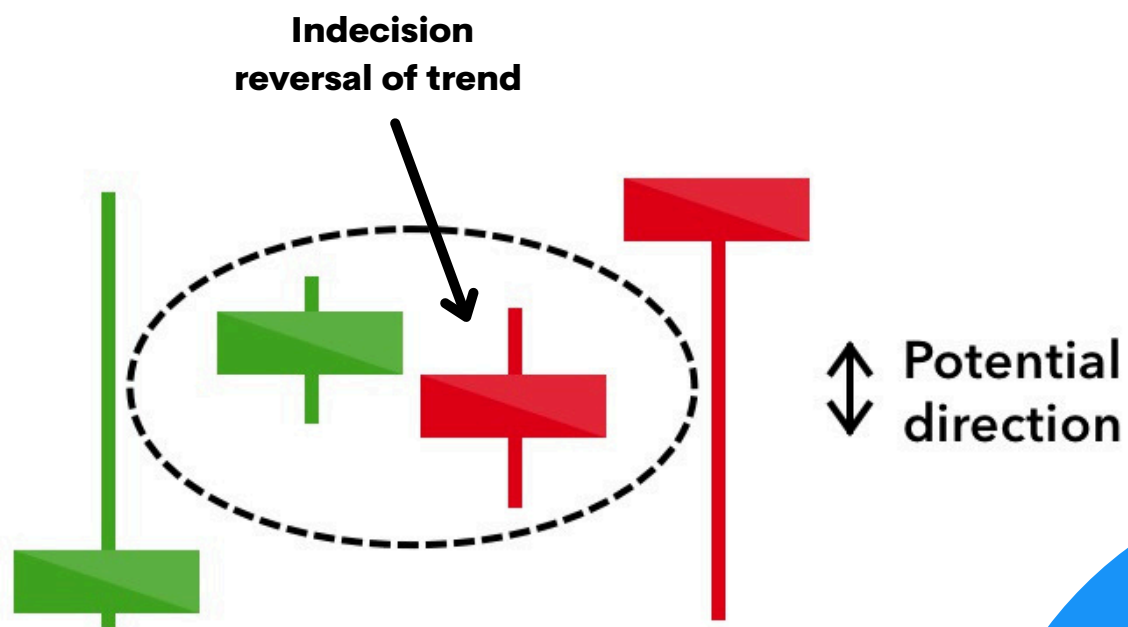
## CANDLE-STICK PATTERNS



**These  
candle-stick  
patterns  
can move in  
either  
direction**

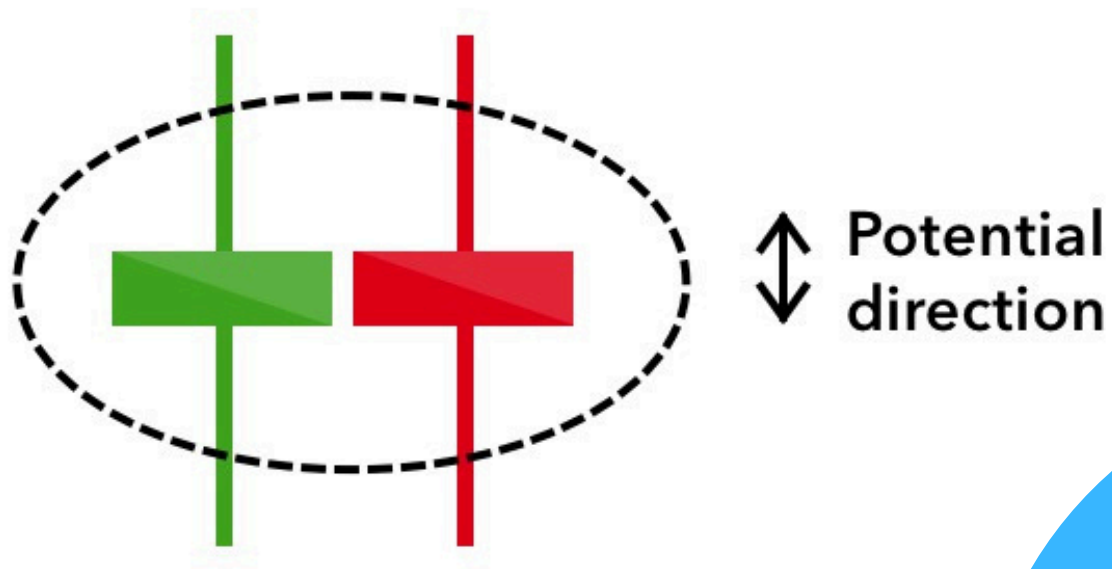
# Doji

- Doji candlestick has an open and close that are virtually equal.
- It is important to emphasize that the Doji pattern does not mean reversal, it means indecision.
- The market explores its options both upward and downward, but cannot commit either way.



# Spinning Top

- A spinning top is a candlestick pattern that has a short real body that's vertically centered between long upper and lower wick.
- Since buyers and sellers both pushed the price, but couldn't maintain it, the pattern shows indecision and that more sideways movement could follow.
- This candle stick pattern is much stronger in a trending market, be it uptrend or downtrend.



# GRAPHIC INDICATORS

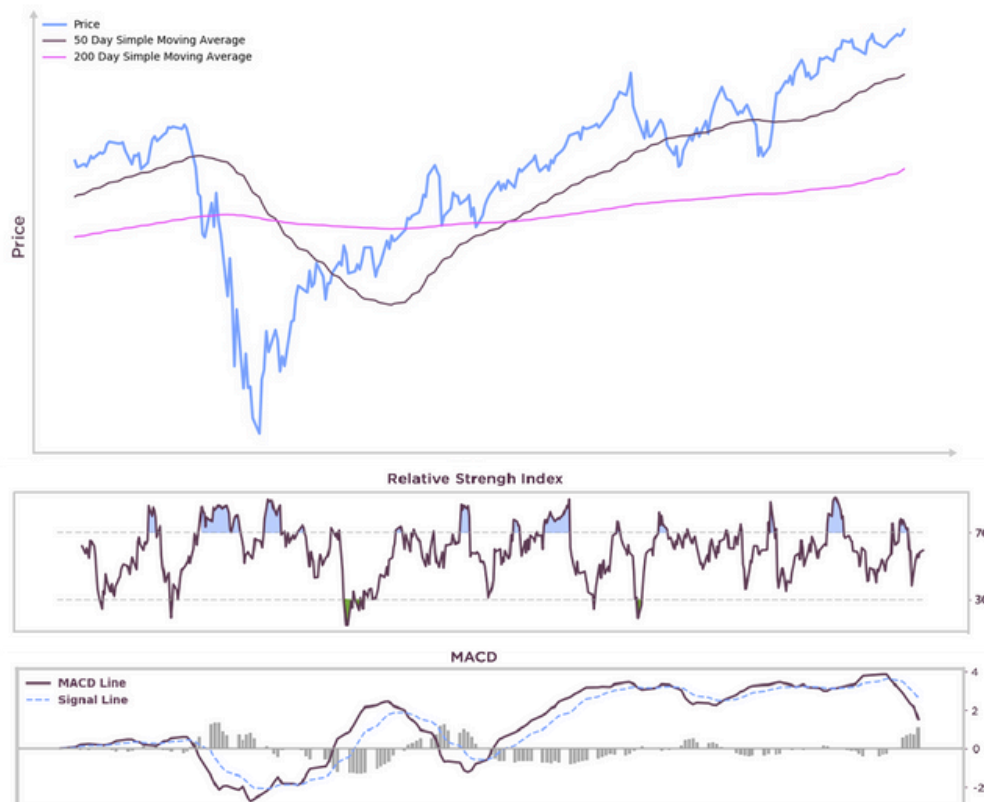
## CHAPTER. 2



# What are Technical Indicators?

Trading indicators are mathematical calculations, which are plotted as lines on a price chart and can help traders identify certain signals and trends within the market.

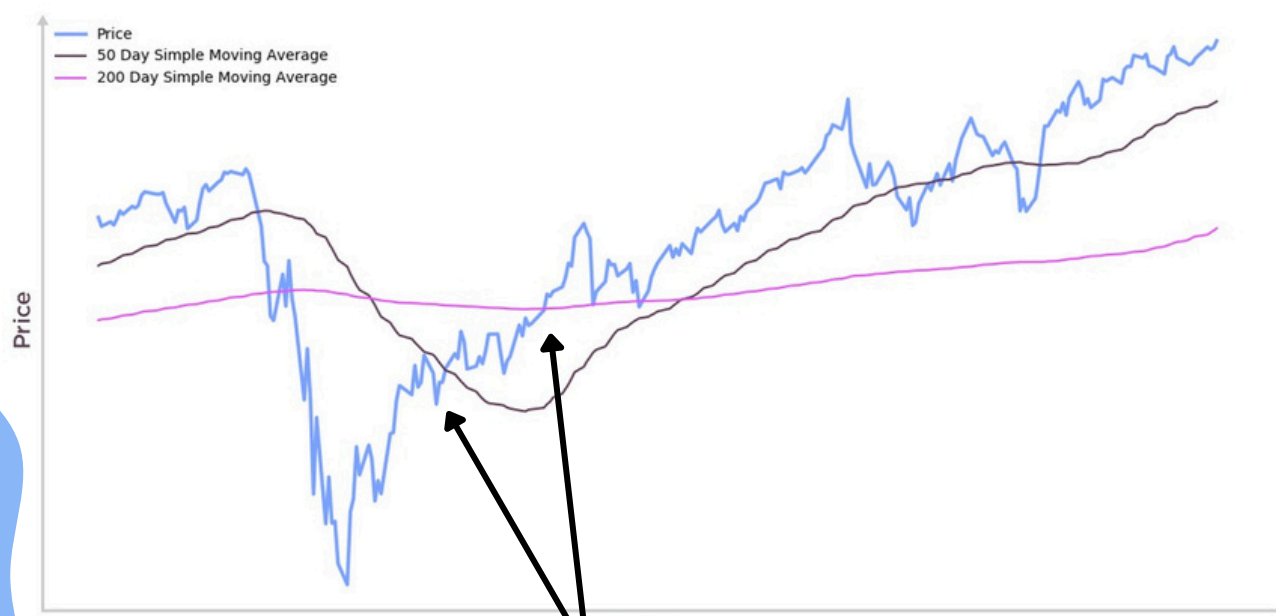
- There are different types of trading indicator, including leading indicators and lagging indicators.
- Leading Indicator is a forecast signal that predicts future price movements.
- Lagging Indicator look at the past trends and indicates momentum.



# SMA

## Simple Moving Average

- It is simply the average price over the specified period. And should be used on the **DAILY** timeframe.
- To get a 50-Period SMA for example, you add up all the price closings over the last 50 days and then divided by 50.
- 10, 50 and 200-day simple moving averages are often used as default indicators.
- SMAs are often used to determine trend direction, either bullish or bearish.

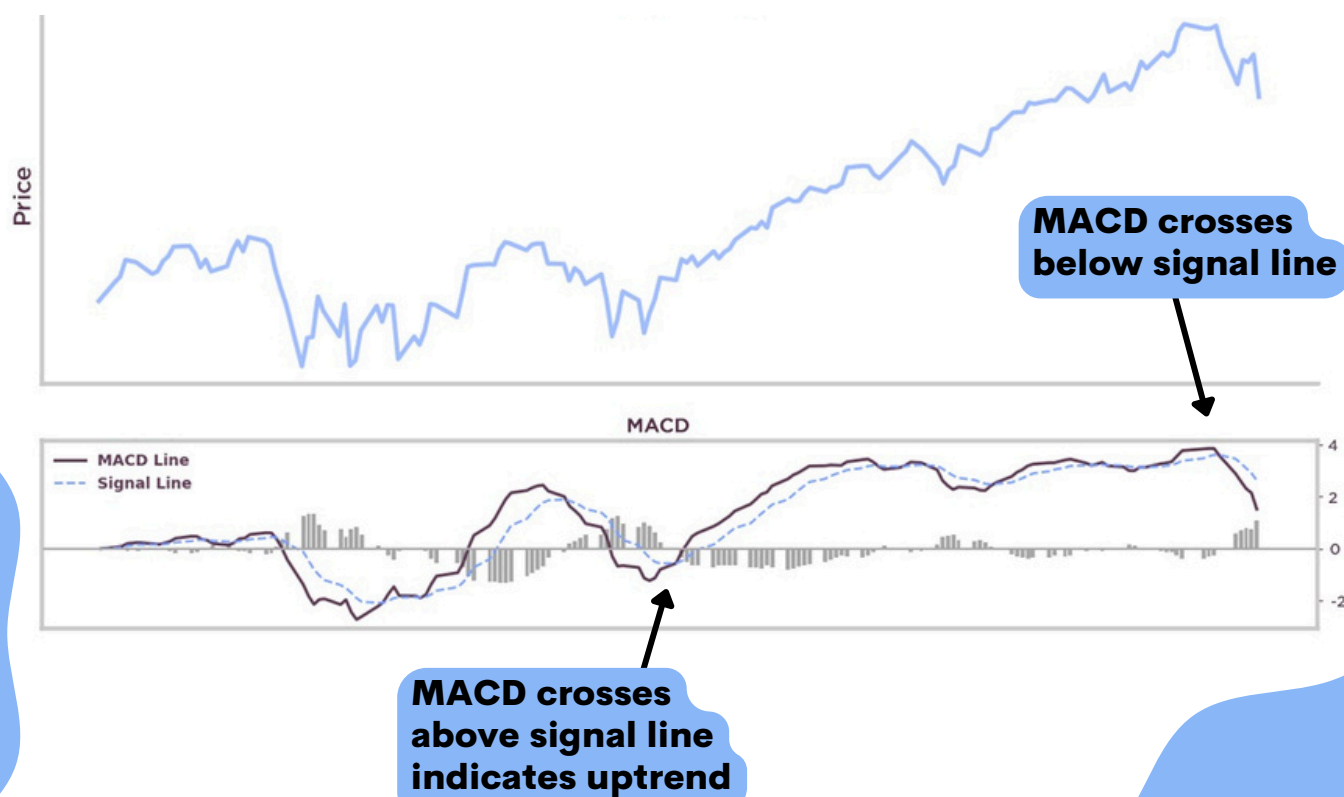


Price crossing over SMA lines indicates uptrend.

# MACD

## Moving Average Convergence Divergence

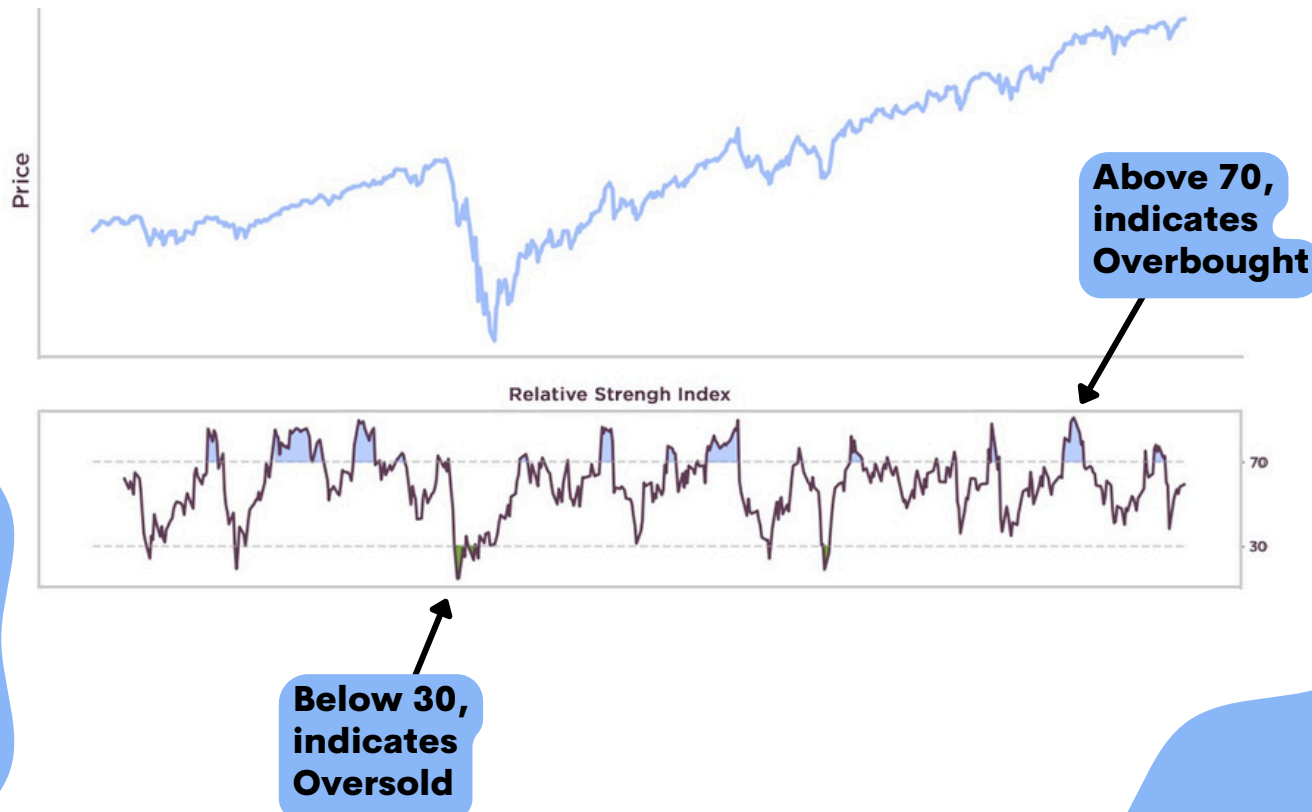
- This is a technical indicator of momentum that uses moving averages to determine a trend's strength. MACD crossing above zero is considered
- bullish, while crossing below zero is bearish. Also when the MACD line crosses from below to above the signal line, the indicator
- is considered bullish.



# RSI

## Relative Strength Index

- This is a momentum oscillator that measures the speed and change of price movements, the RSI oscillates between zero and 100. Traditionally the RSI is considered
- overbought when above 70 and oversold when below 30. Similar to the MACD, RSI is also used to confirm price action.
- 



# VWAP

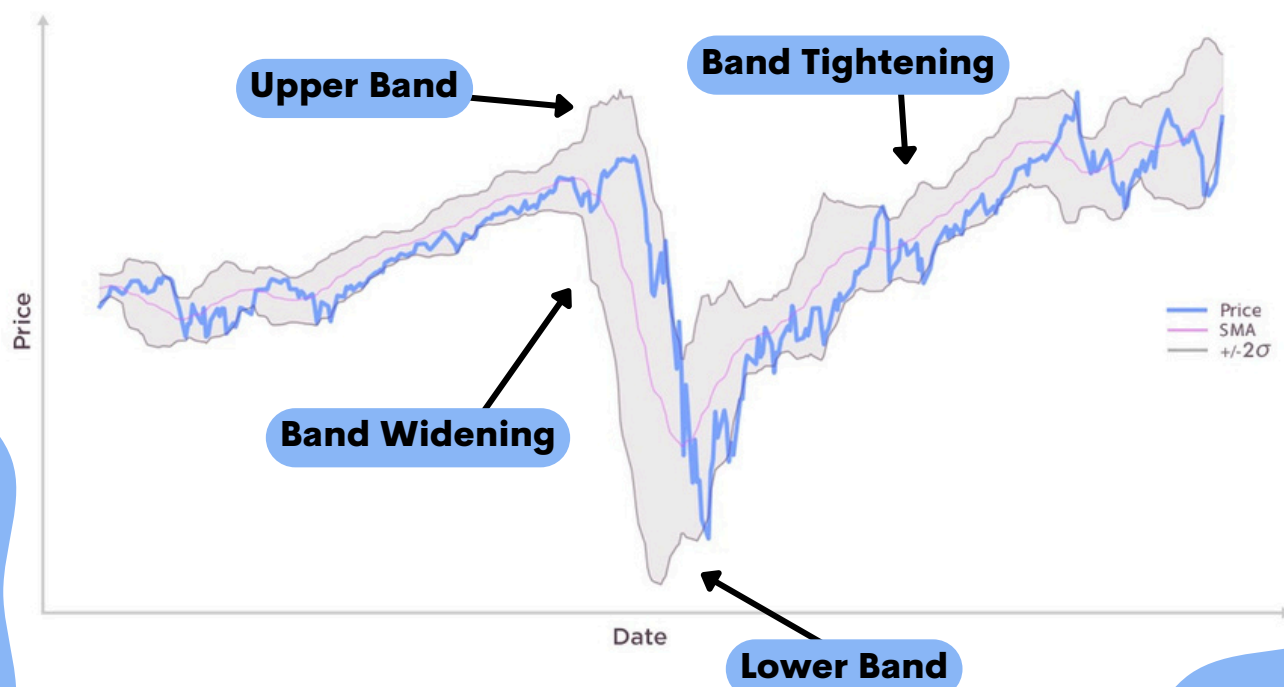
## Volume-Weighted Average Price

- **VWAP, is a trading benchmark that gives the average price has traded throughout the day, based on both volume and price. It is also used for support, resistance, entry and exit levels.**
- **Volume-Weighted Average Price is only used on the intraday time frame.**
- **VWAP might be as simple as buying the first closing price above VWAP as an entry, and selling at a predetermined point above it.**
- 



# Bollinger Bands

- There are three lines that compose **Bollinger Bands**: A simple moving average (middle band) and an upper and lower band. The bands are dynamic/sensitive to changes
- in volatility. When the bands widen, price volatility is increasing. When the bands contract, volatility is decreasing.
- Breakouts above the upper band or below the lower band are often used as trading signals.



# Ichimoku Cloud

- **Ichimoku Cloud is a collection of technical indicators that show support and resistance levels, as well as momentum & trend direction.**

**When the price is below the cloud, consider**

- **bearish. When the price is above the cloud, consider bullish.**

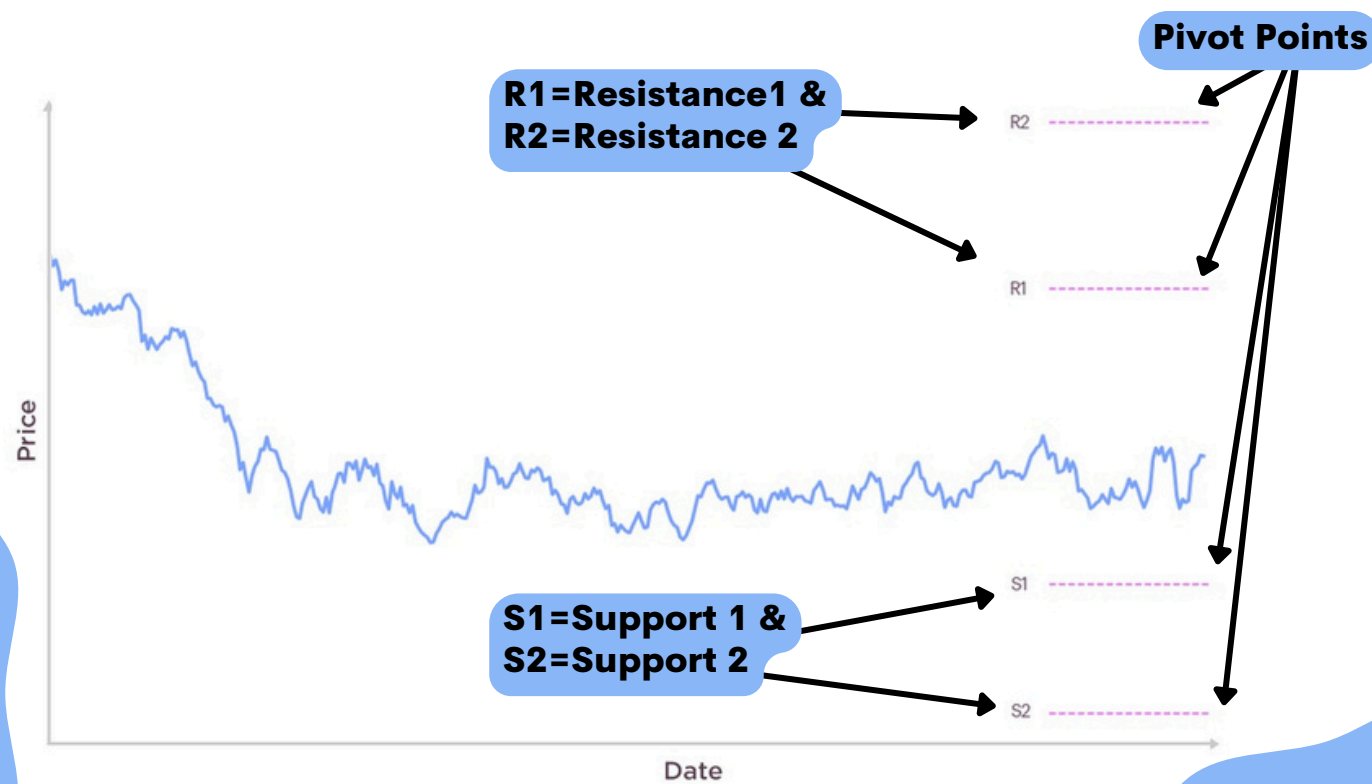
**The lines include a 9-period average, a 26-period average, an average of those two**

- **averages, a 52-period average, and a lagging closing price line.**



# Pivot Points

- They're calculated based on the high, low, and closing prices of previous trading sessions. Pivot Points are used to predict support and resistance levels in the current or upcoming session. This indicator will automatically graphs 7 Pivot Point levels, R1, R2, R3, S1, S2, S3 and P.



# CHART PATTERNS

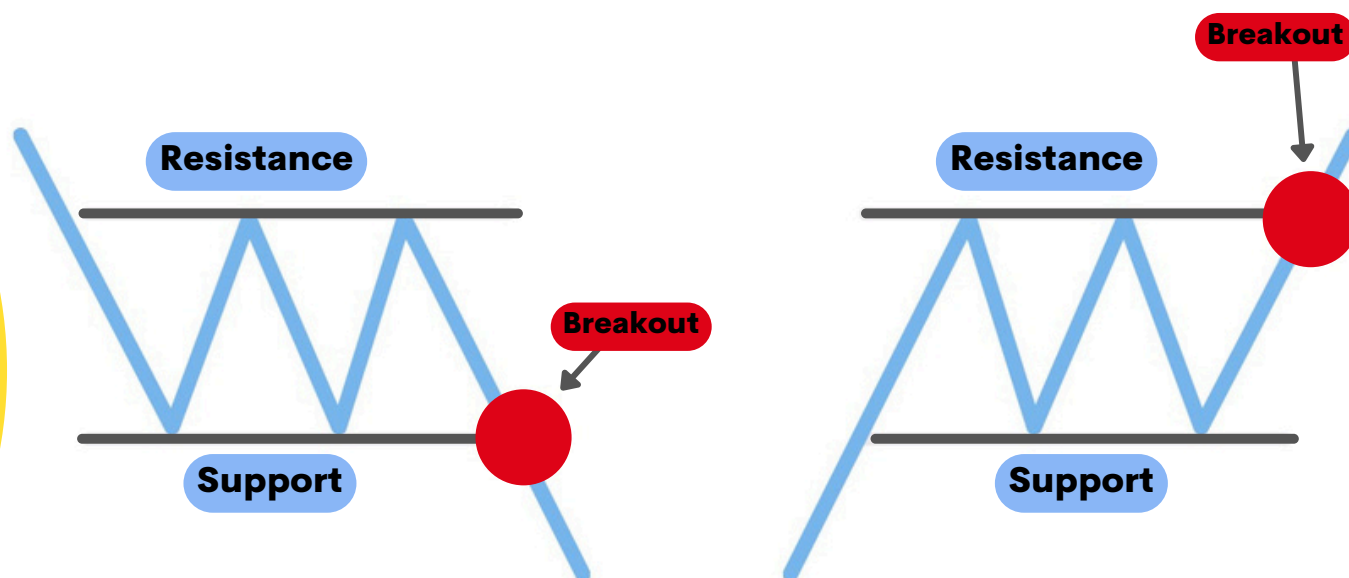
## CHAPTER. 3



# What is Support and Resistance?

Support & Resistance levels are key price levels, where supply and demand interaction create significance levels.

- When the price passes through resistance, that resistance could potentially become support.
- The more often price tests a level of resistance or support without breaking it, the stronger the area of resistance or support gets.
- Traders can take either a long position, meaning go bullish or a short position, meaning bearish.



# What is Support and Resistance?

## How to draw them?

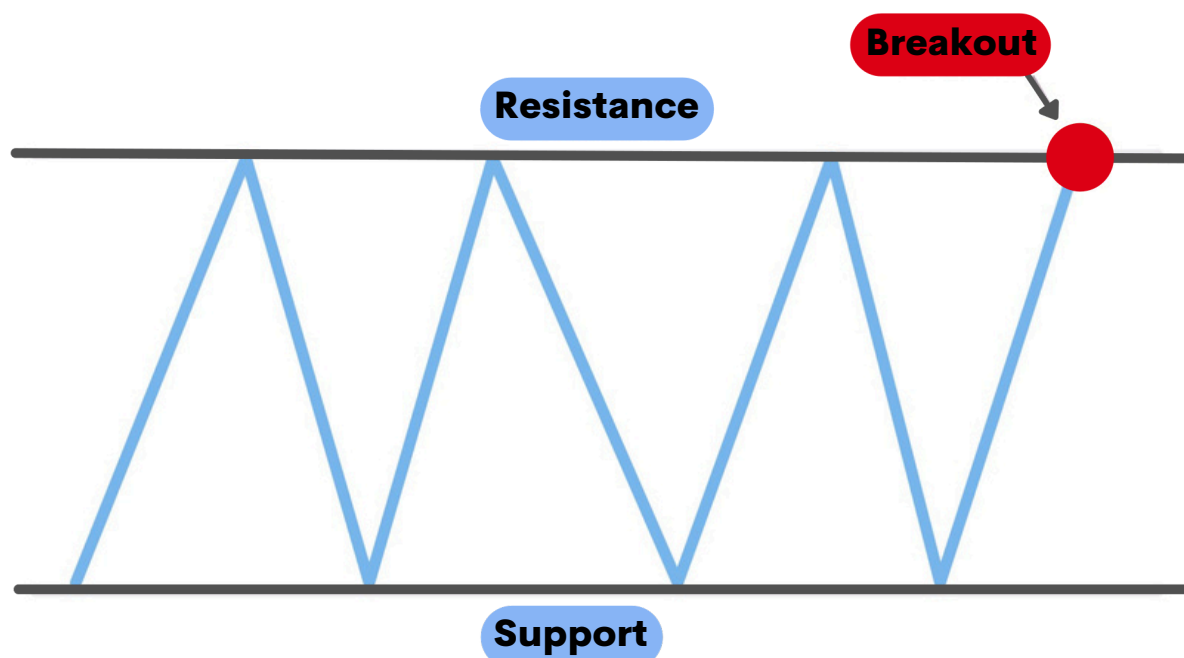
Support and resistance lines need to have at least two price-points to be drawn. Simply connect two swing highs or two swing lows in a price chart with a trendline, and project the trendline into the future.

## Trade the "Break"

- Buy when the price falls towards support.
- Sell when the price rises towards resistance.

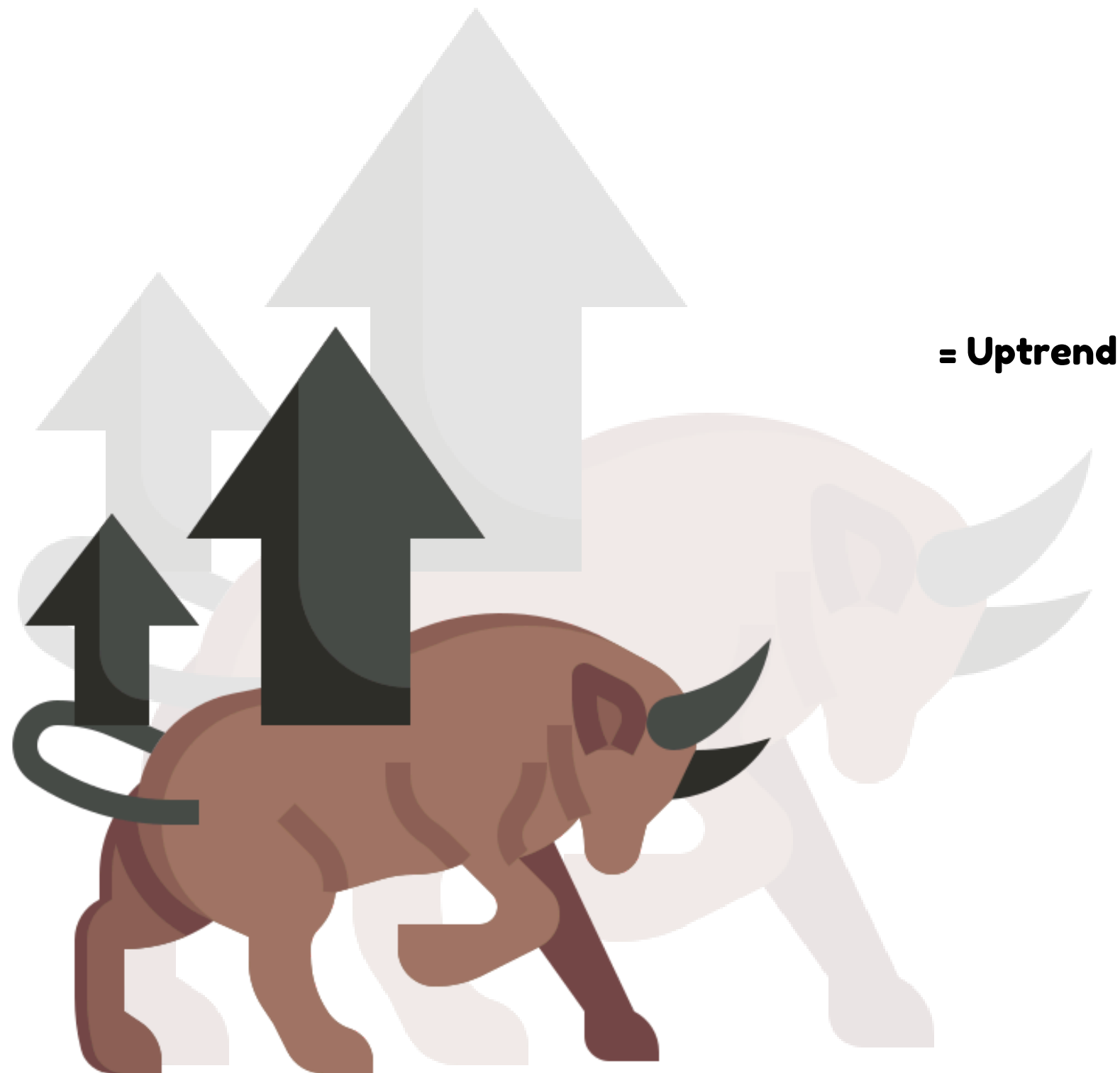
## Trade the "Bounce"

- Buy when the price breaks up through resistance.
- Sell when the price breaks down through support.



# BULLISH

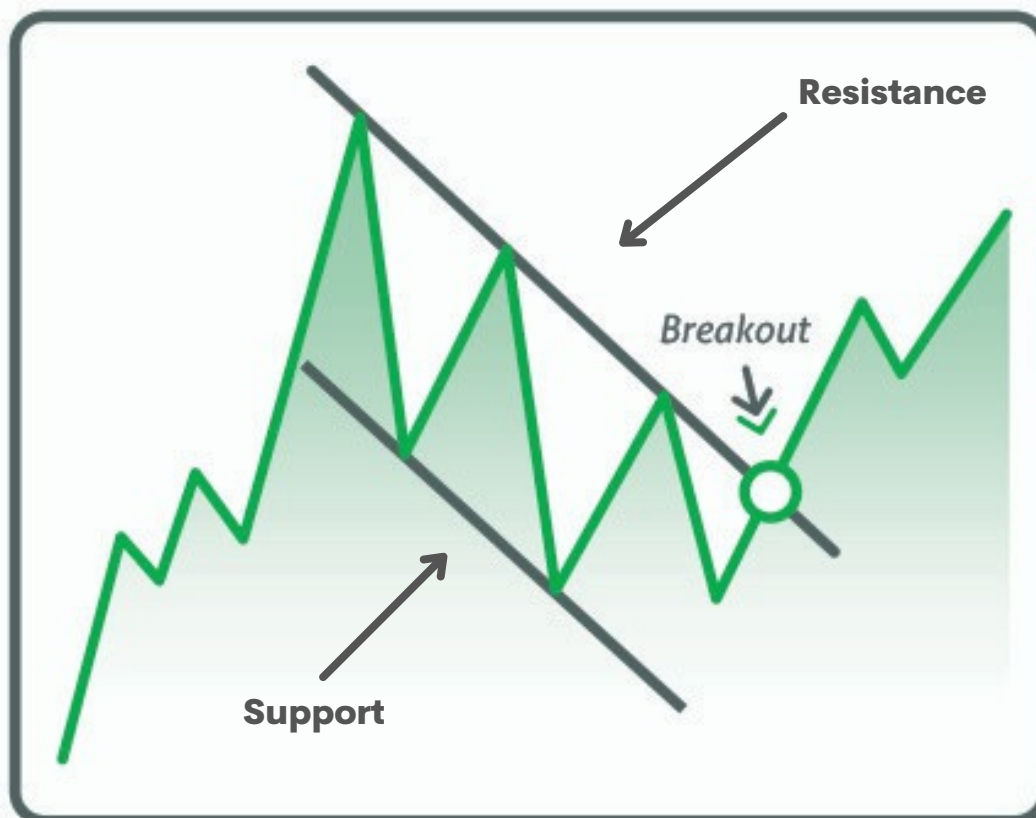
CHART PATTERNS



# Flag

Pattern Type:  
Continuation

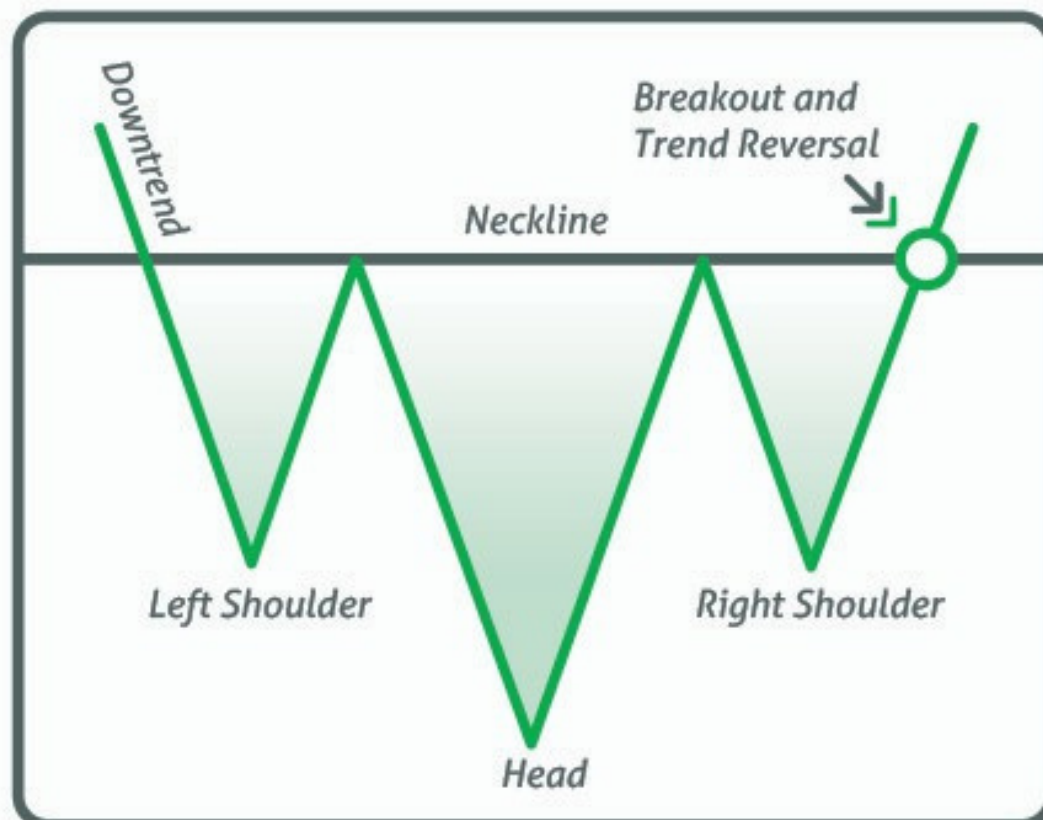
- **The Flag Pattern forms in a time of consolidation.**  
**Flag's rectangular shape develops from parallel trendlines, which form the support and resistance until the price breaks out.**  
**A breakout occurs out of the flag in the same direction as the initial move. This**
- **pattern can be viewed on larger time frames, like daily and weekly.**  
**Traders will typically enter into a long position after the breakout and an increase in volume.**



# Inverse Head & Shoulder

Pattern Type:  
Continuation

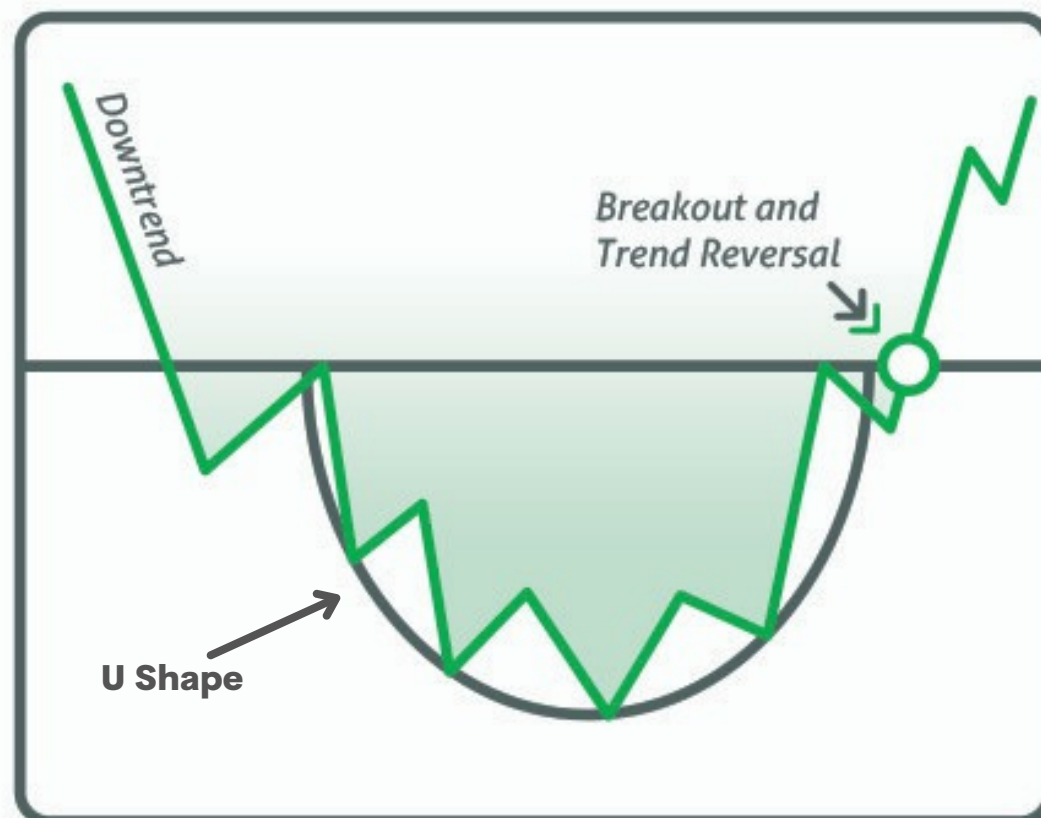
- As price hit lows below the neckline, a trough is formed. Until it creates three troughs, or low points: the left shoulder, head which is the lowest, and right shoulder. A Inverse Head & Shoulder pattern can be viewed on larger time frames, like weekly and monthly.
- Traders typically enter into a long position when the price rises above the resistance of the neckline.
- the neckline.



# Rounding Bottom

Pattern Type:  
Continuation

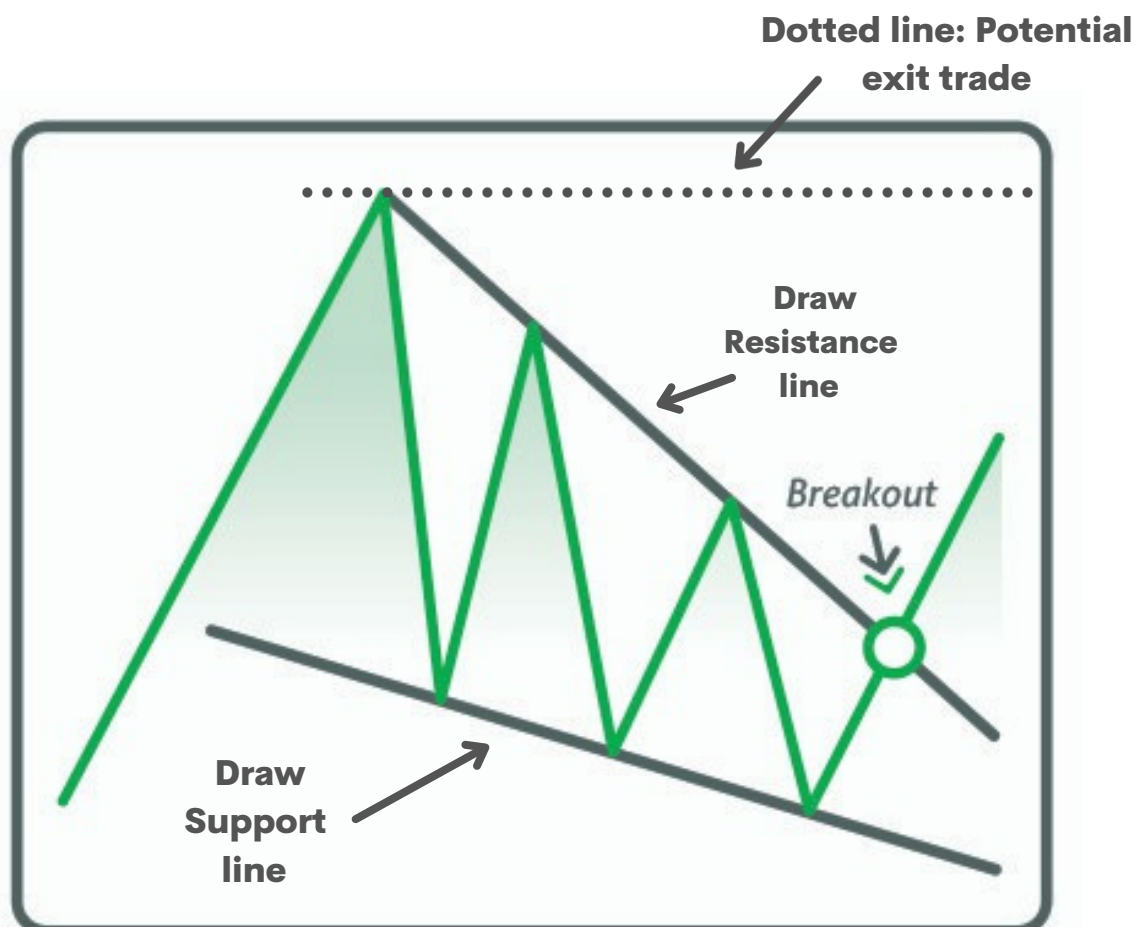
- A rounding bottom is a chart pattern that graphically forms the shape of a "U." This trend is similar to the chart of the cup and handle but without the downtrend handle.
- A Rounding Bottom pattern can be viewed on larger time frames, like hourly and daily.
- Traders will feel safe buying at the breakout, which is also the starting of a bullish trend.
- 



# Falling Wedge

Pattern Type:  
Continuation &  
Reversal

- This Pattern starts wider at the top and gets narrower as it moves down. The wedge pattern results in breakout- causing the price to move up.
- A Falling Wedge pattern can be viewed on larger time frames, like hourly and daily. Many buyers will show up, and volume should increase as the price breakouts. Traders will look for buying opportunities at the breakout and potentially exit at the start of the Pattern.

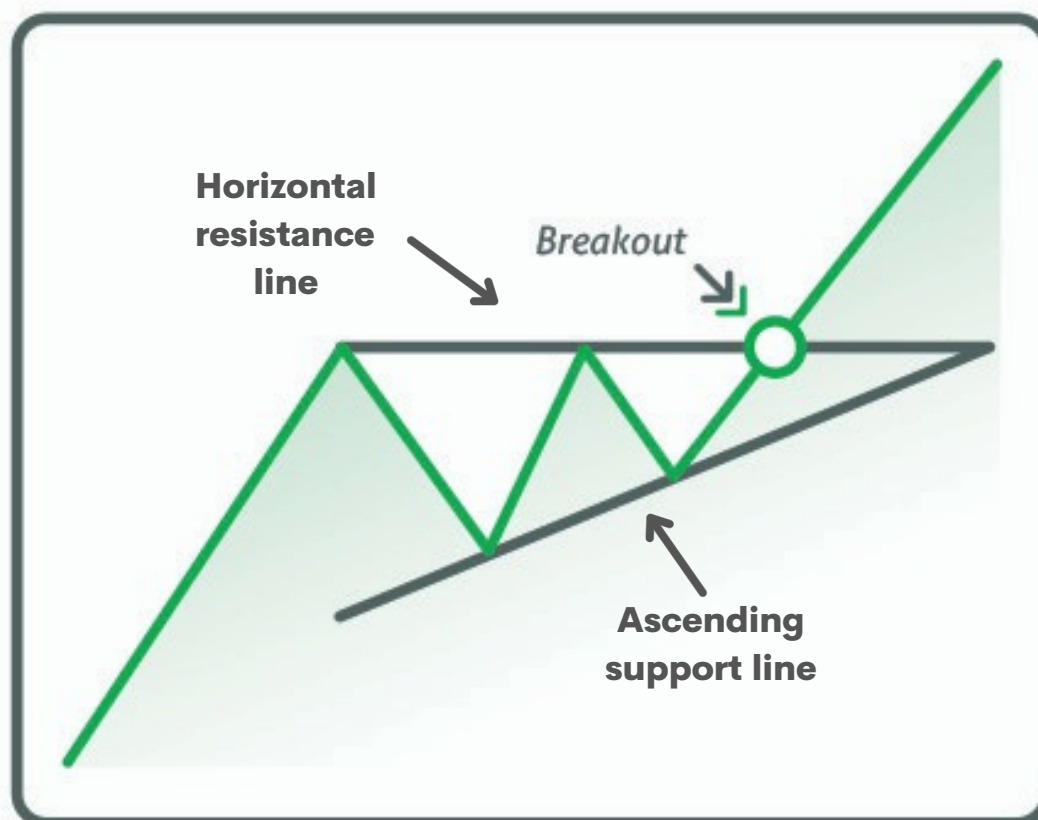


# Ascending Triangle

Pattern Type:  
Continuation

**This Ascending Triangle pattern is a bullish continuation pattern, which means that a breakout is likely.**

- To draw this pattern, you need to place a horizontal line over the resistance points. And then draw an ascending line along with the support points. This pattern can be used on any time frame, even minutes. Traders will look for a breakout with volume, and in some cases, price will come, retest the
- breakout level and then continue the uptrend.

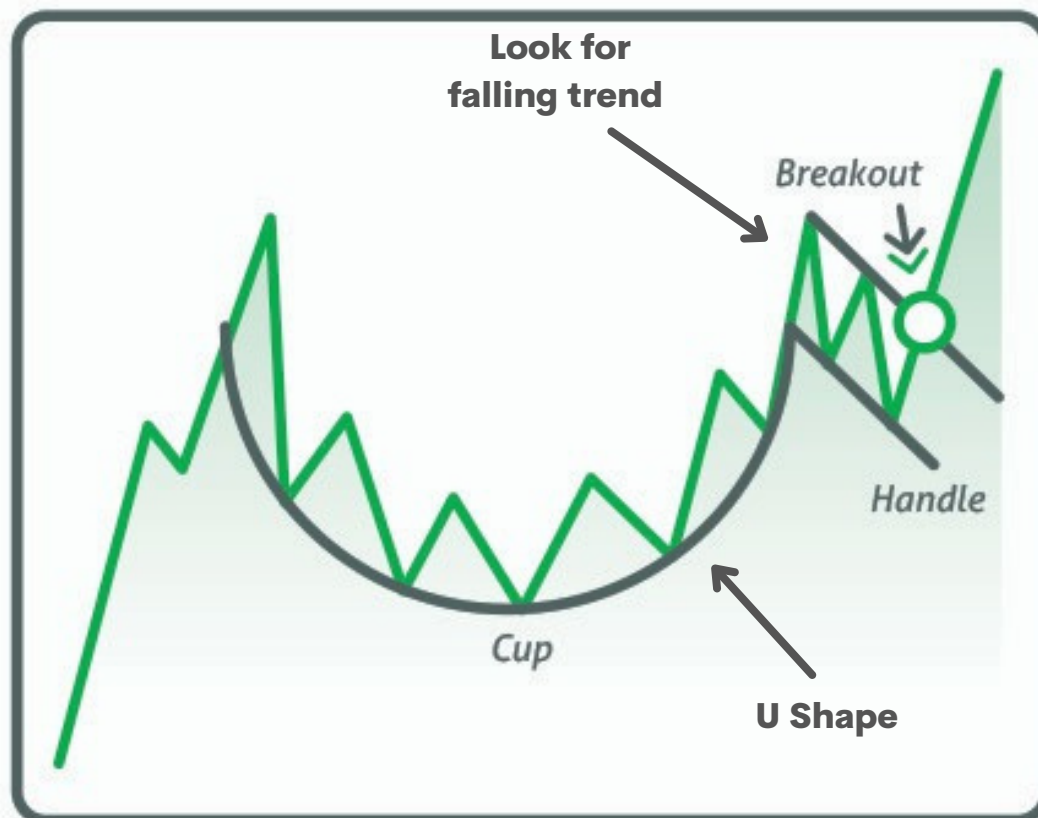


# Cup and Handle

Pattern Type:  
Continuation

The Cup with Handle Pattern resembles the shape of a cup and a handle. It is an arched pattern that can be identified by its u-shape, followed by the handle having a slight downward drift.

- Ultimately the pattern becomes bullish, completing the 'handle.'
- Rounding bottom pattern almost looks the same as this, but without the handle formation
- Traders will wait for the falling handle to form and enter at the breakout.

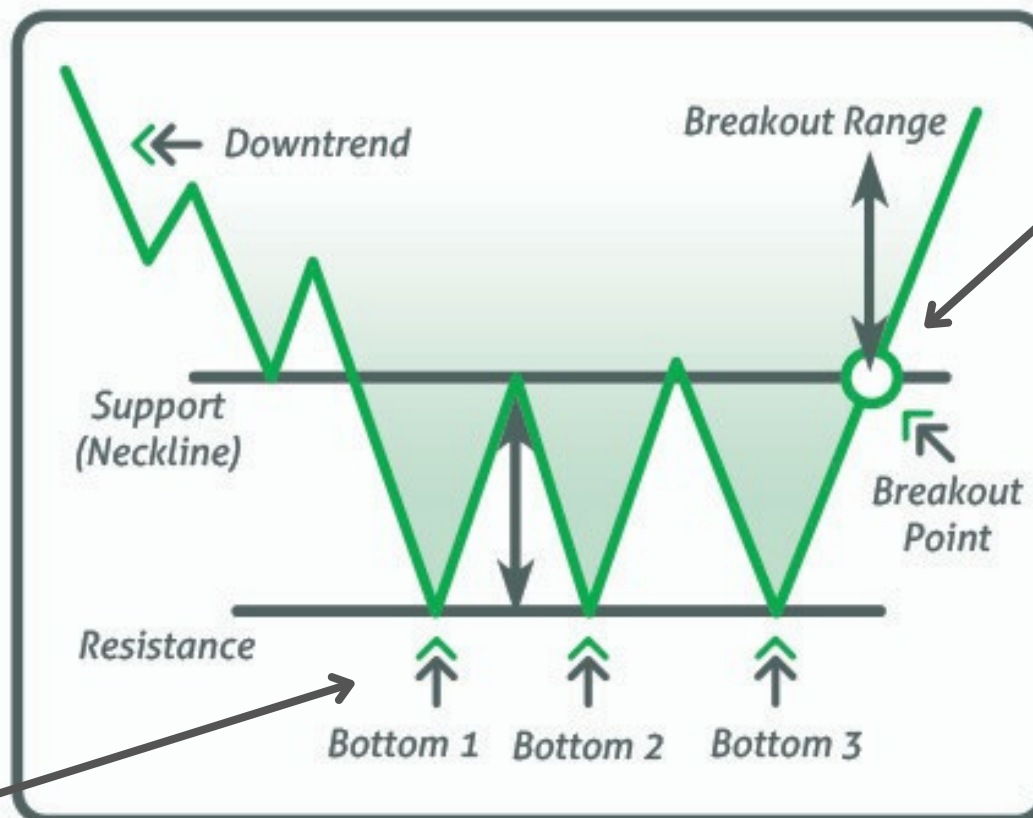


# Triple Bottom

Pattern Type:  
Reversal

- A triple bottom is generally seen as three roughly equal lows bouncing off the support line. Later, it is followed by a breakout point, which is the best opportunity to enter a
- bullish position. After the breakout point, the price usually does not retest the neckline. Traders will enter into a long position after the breakout point. A triple Bottom pattern
- can be viewed on larger time frames, like hourly and daily.

- 



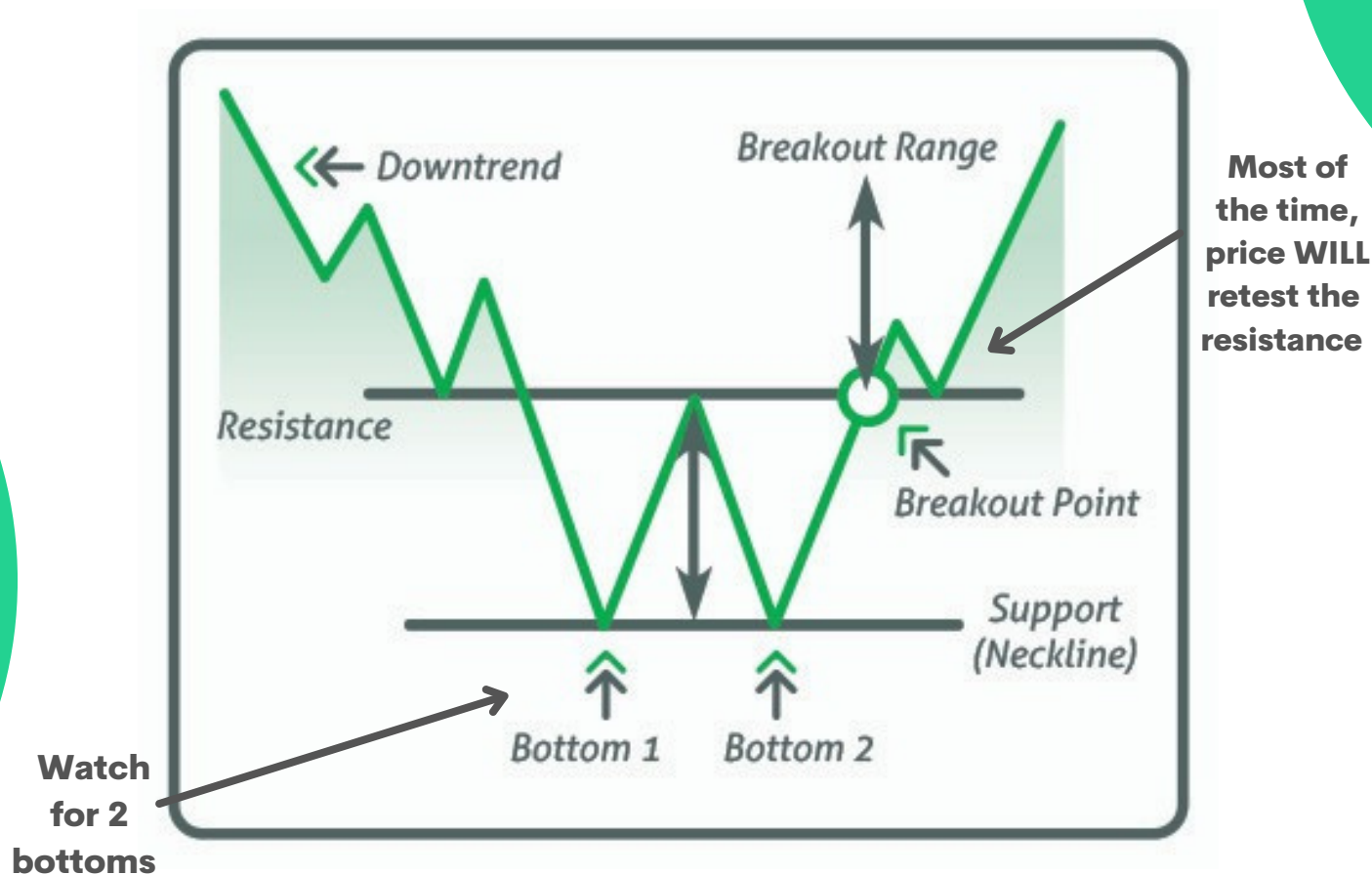
Watch for 3 bottoms

# Double Bottom

Pattern Type:  
Reversal

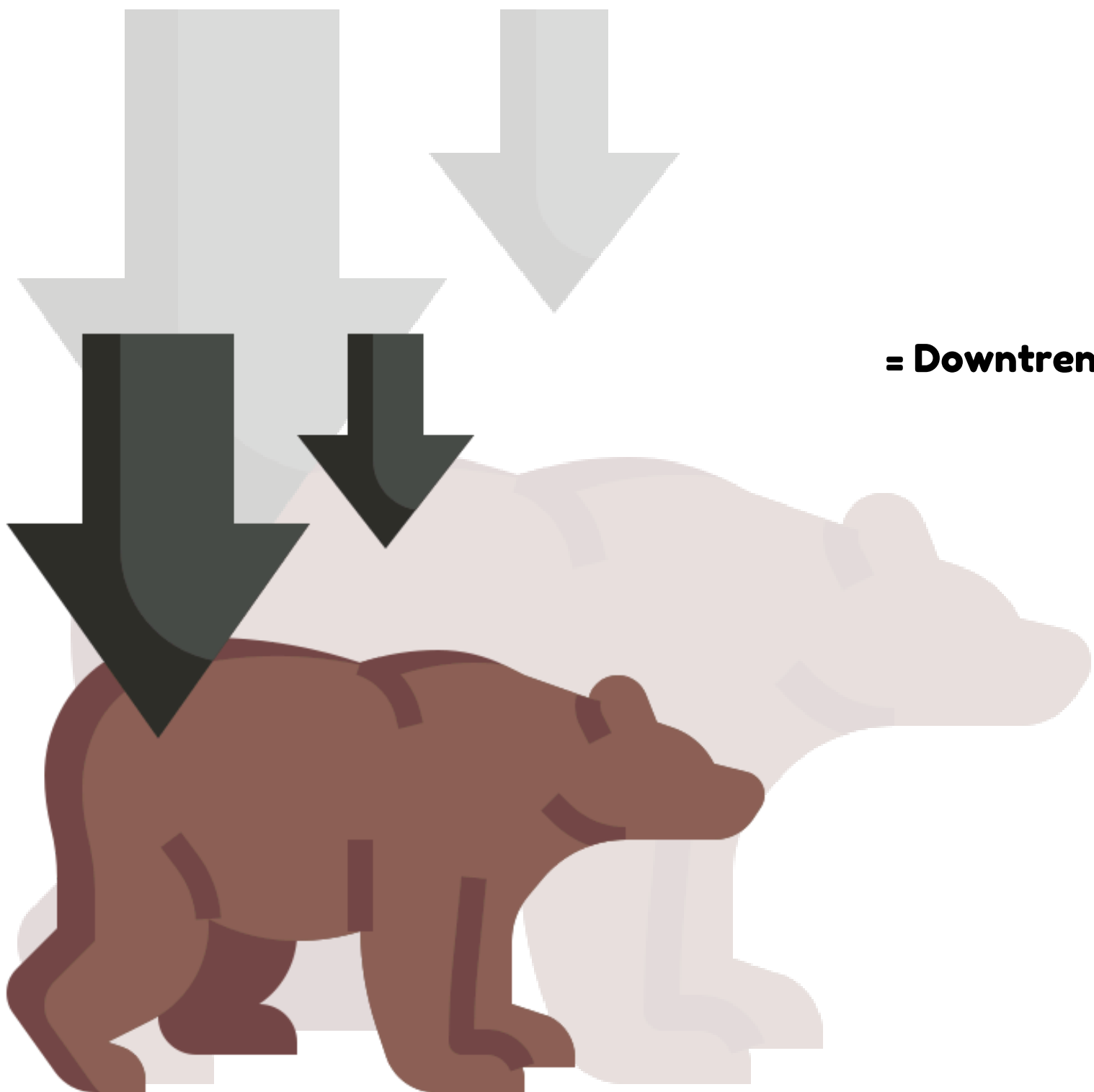
The pattern indicates a reversal in the overall trend. Double Bottom resembles the look of a "W." The price will drop two times and bounce off the support line, eventually breaking out.

- In this case, the price will retest the breakout point, unlike the Triple Bottom pattern. Double Bottom pattern can be viewed on larger time frames, like hourly and daily. Traders will look for a breakout BUT will wait for a retest and bounce of the resistance line.
- resistance line.



# BEARISH

CHART PATTERNS

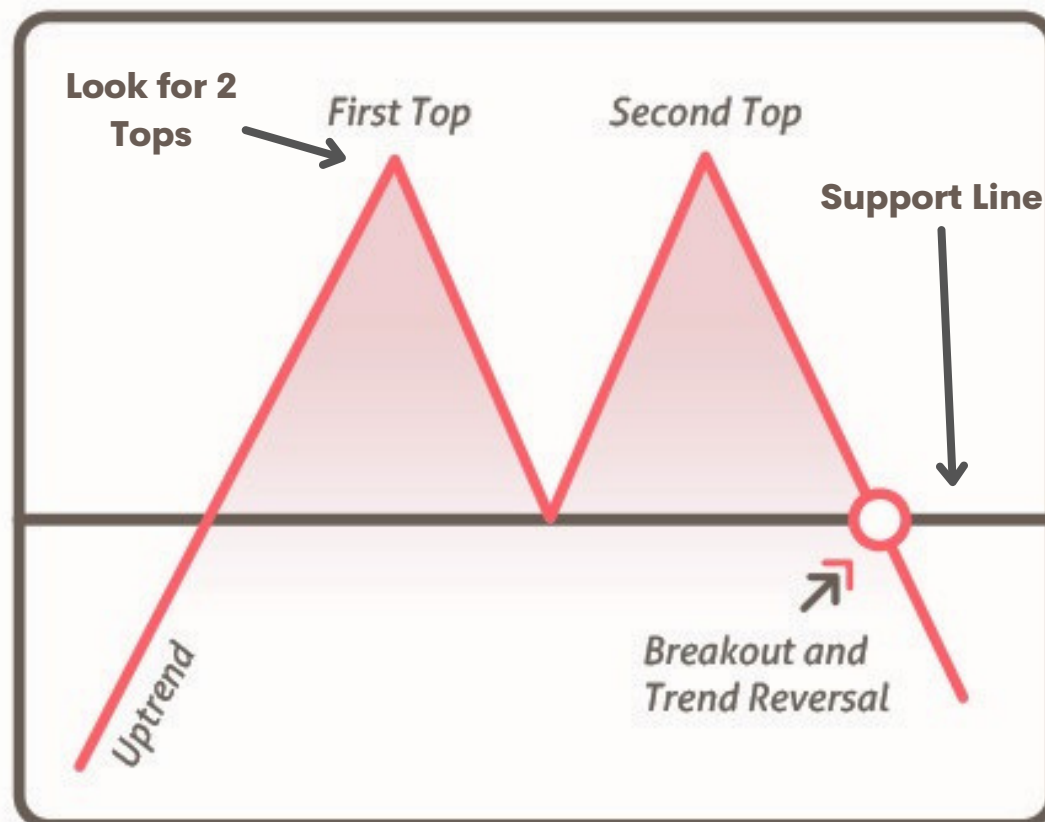


= Downtrend

# Double Top

Pattern Type:  
Reversal

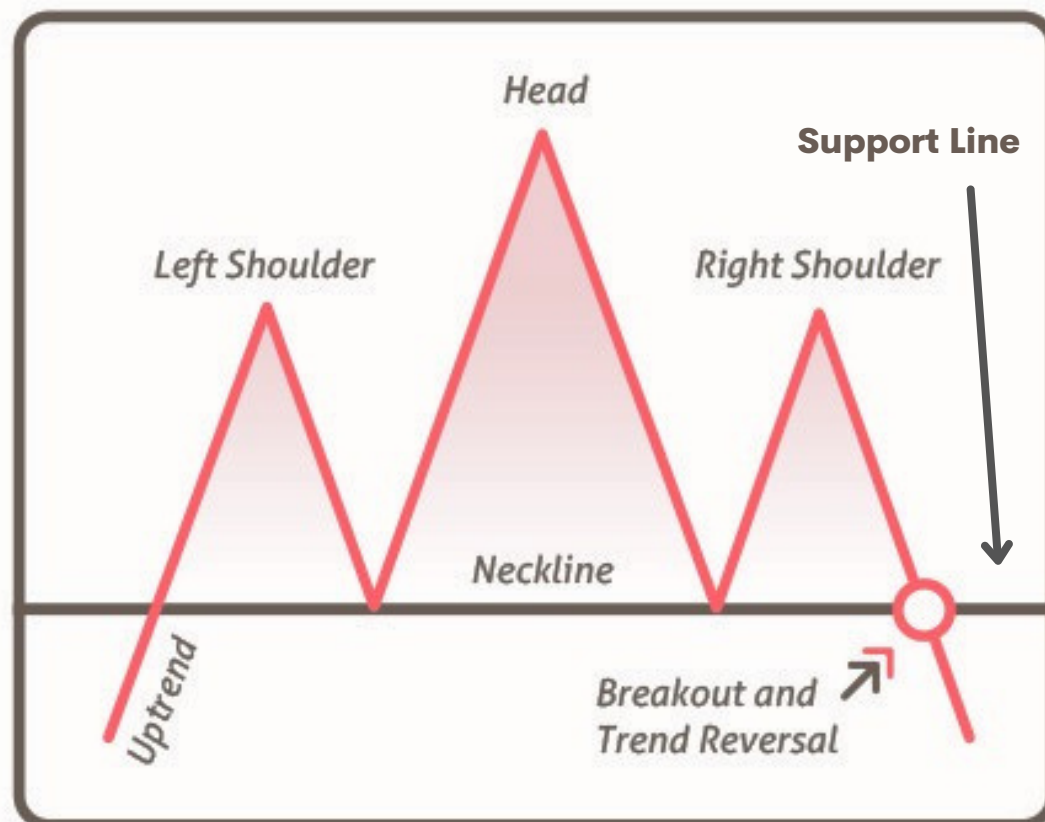
- Double Top is a bearish pattern that occurs after the price has peaked two times. And the trend has reversed when the price breaks support, completing an "M" shape. This results in an increase in selling volume. Double Top pattern can be viewed on larger time frames, like hourly and daily. Traders will sell when the price breaks below the support line or, in some cases, take short positions to make profits.
- 



# Head & Shoulder

Pattern Type:  
Reversal

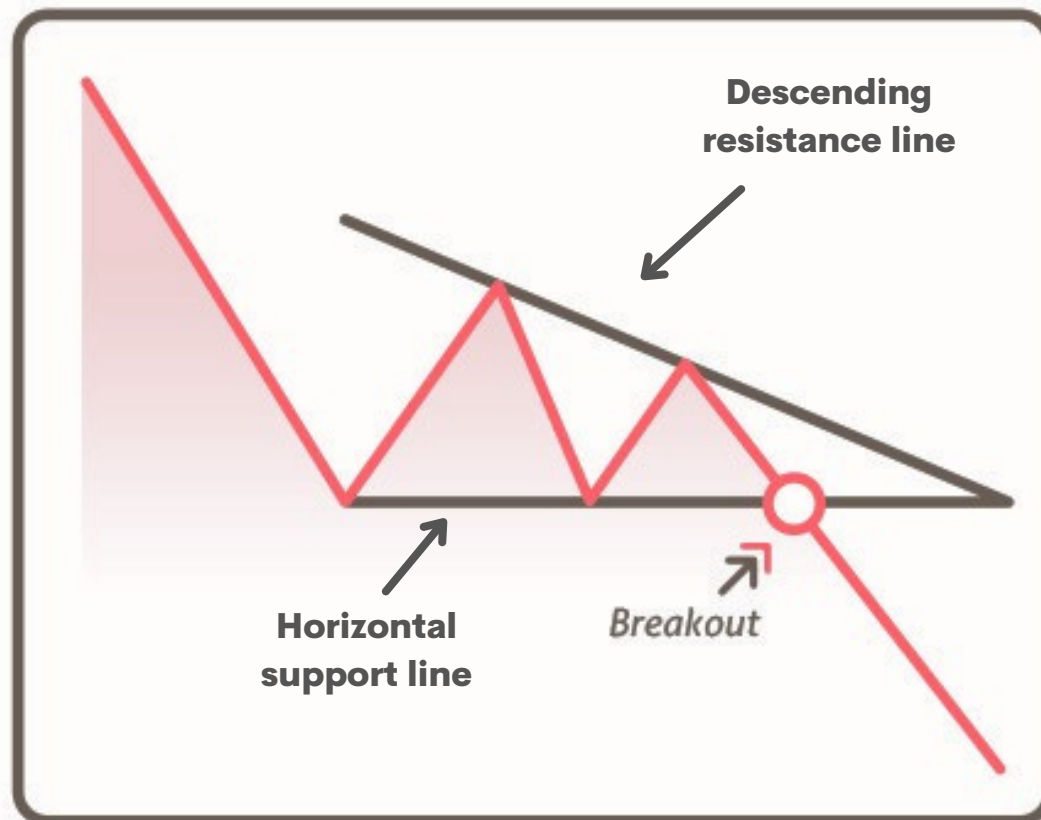
- A head and shoulder appear as a baseline with three peaks, where the outside two are close in height, and the middle is highest. This pattern is looked at on a daily or, in some cases, on an hourly time frame. Keep in mind that the Head & Shoulder pattern is never in perfect formation.
- Traders will look for a break below the neckline to go short on a position.
- 



# Descending Triangle

Pattern Type:  
Continuation

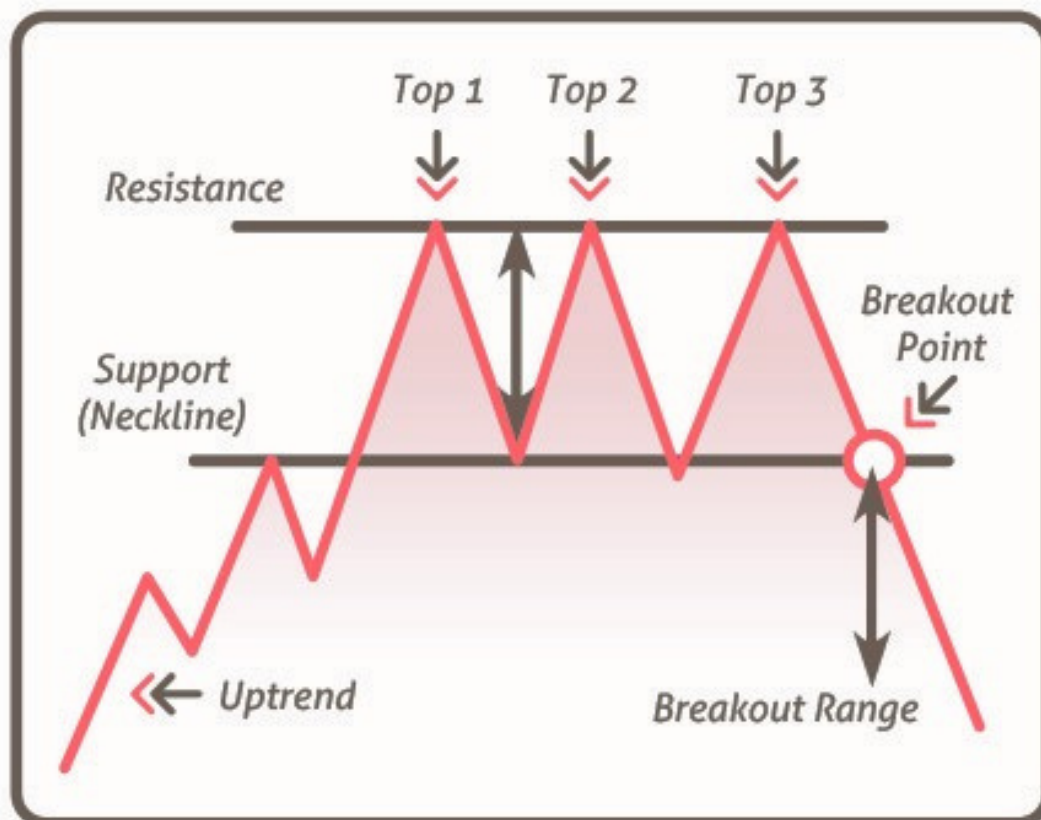
- **Descending Triangle is a well-known bearish pattern, the support line is horizontal, and the resistance line is descending alongside. Breaking through the resistance level will cause the price action to fall.**
- **This pattern can be used on any time frame, even minutes.**
- **Traders will look for a break below the horizontal support line to take a short position.**
- 



# Triple Top

Pattern Type:  
Reversal

- Triple Top pattern occurs when the price creates three peaks at the same price levels. This pattern is a reversal pattern representing buying weakness and results in a sell-off.
- Triple Top pattern can be viewed on larger time frames, like hourly and daily.
- Traders will look to enter a short position or exit a long position, once the price breaks below support (neckline).



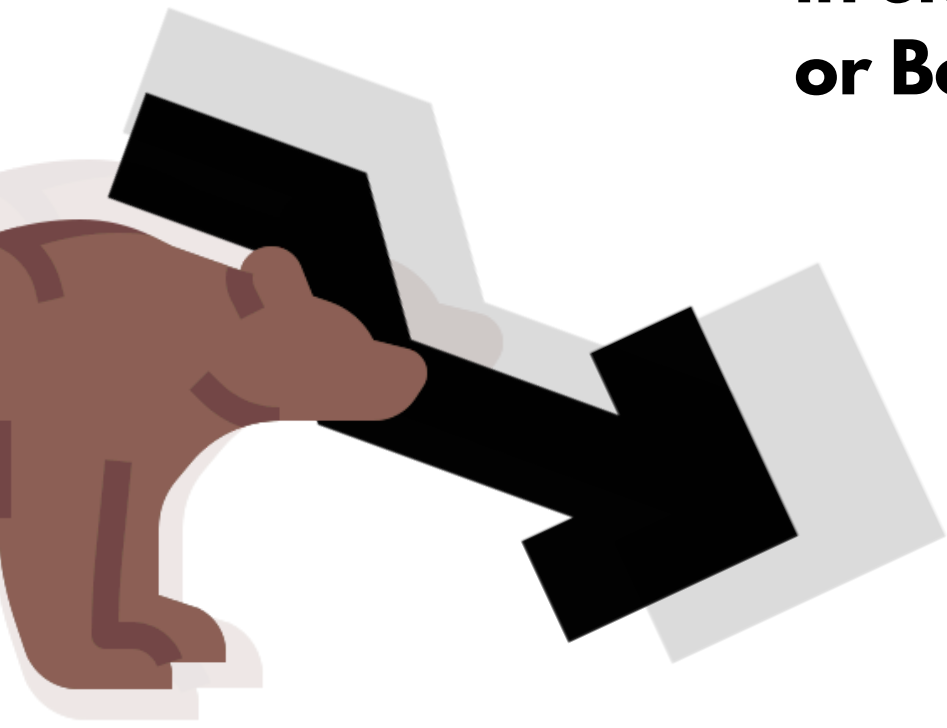
# BILATERAL

## CHART PATTERNS



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**These chart patterns can move in either the Bullish or Bearish direction.**

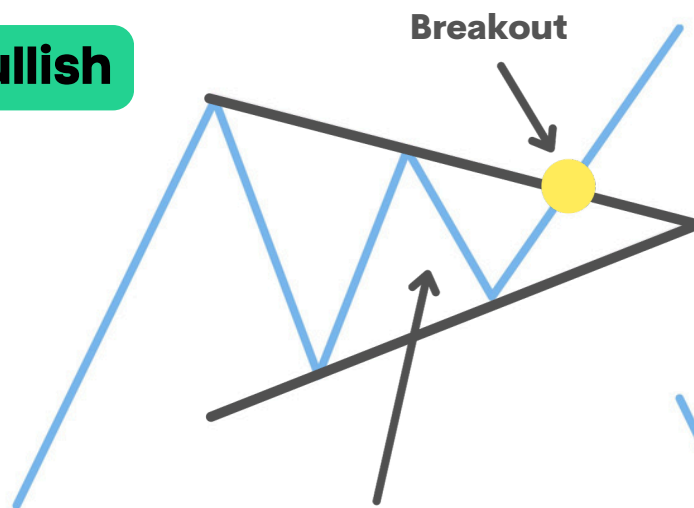


# Symmetric Trinagles

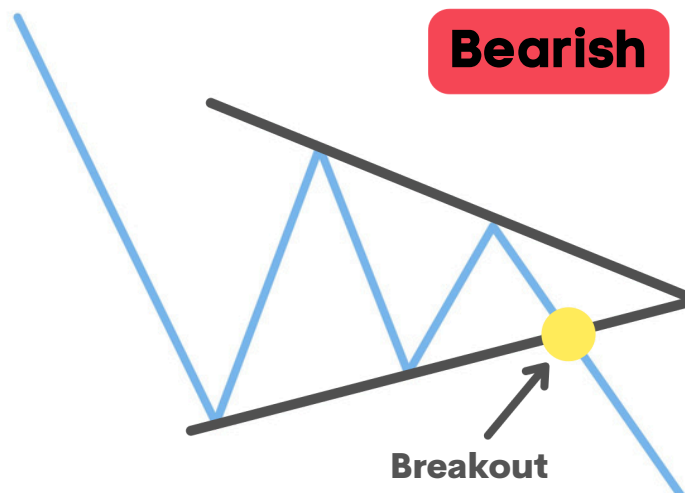
Pattern Type:  
Reversal or  
Continuation

- This Pattern includes a triangle, similar to an angle bracket ( > ) which is used in mathematics.  
The trend lines start to meet and get
- squeezed at the end, which means a bullish or bearish trend is possible.  
The Symmetrical Triangle can extend for a few weeks or many months.
- Traders will look for a breakout or a break below and take either a long or short position.
- 

**Bullish**



**Bearish**

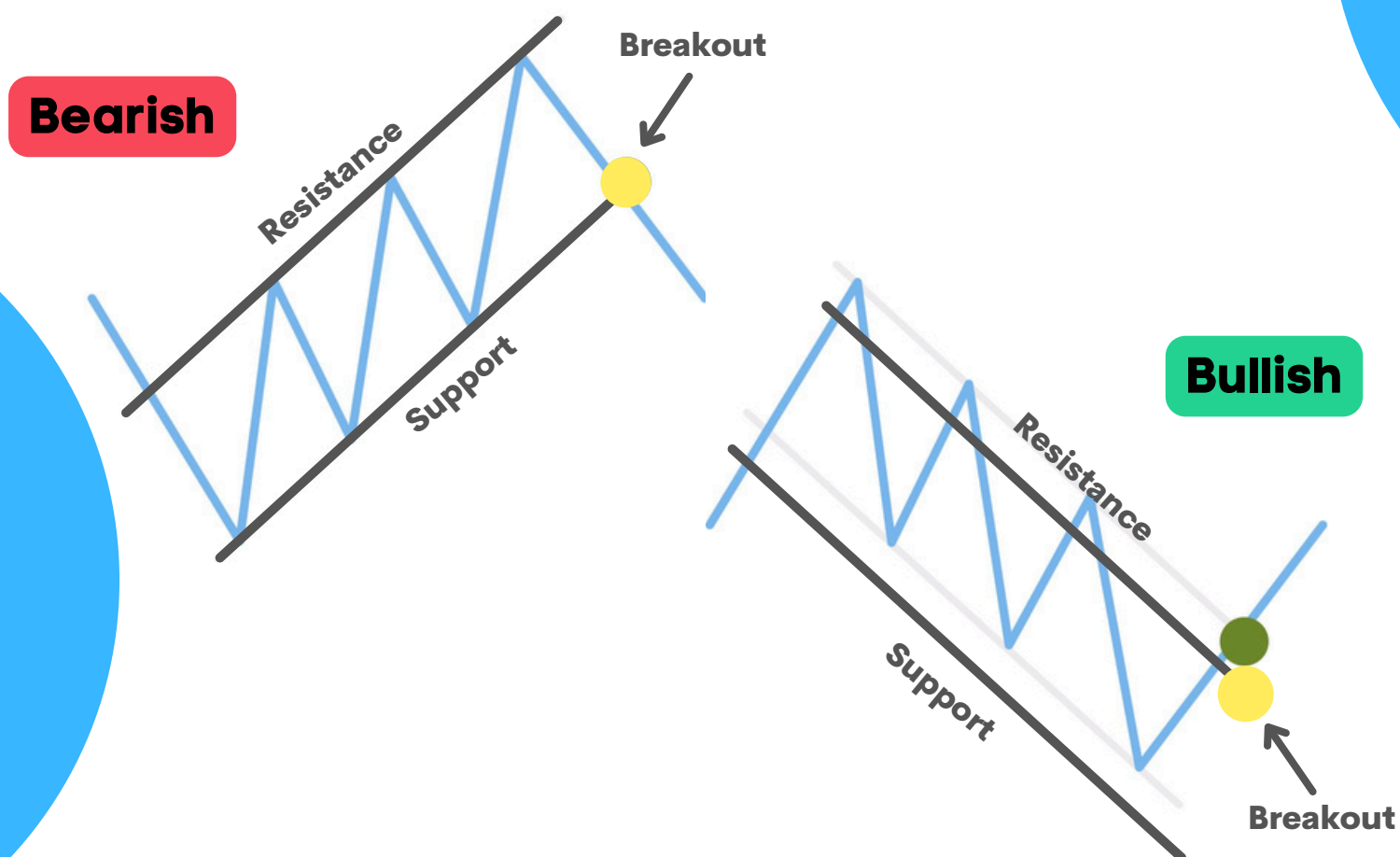


# Price Channels

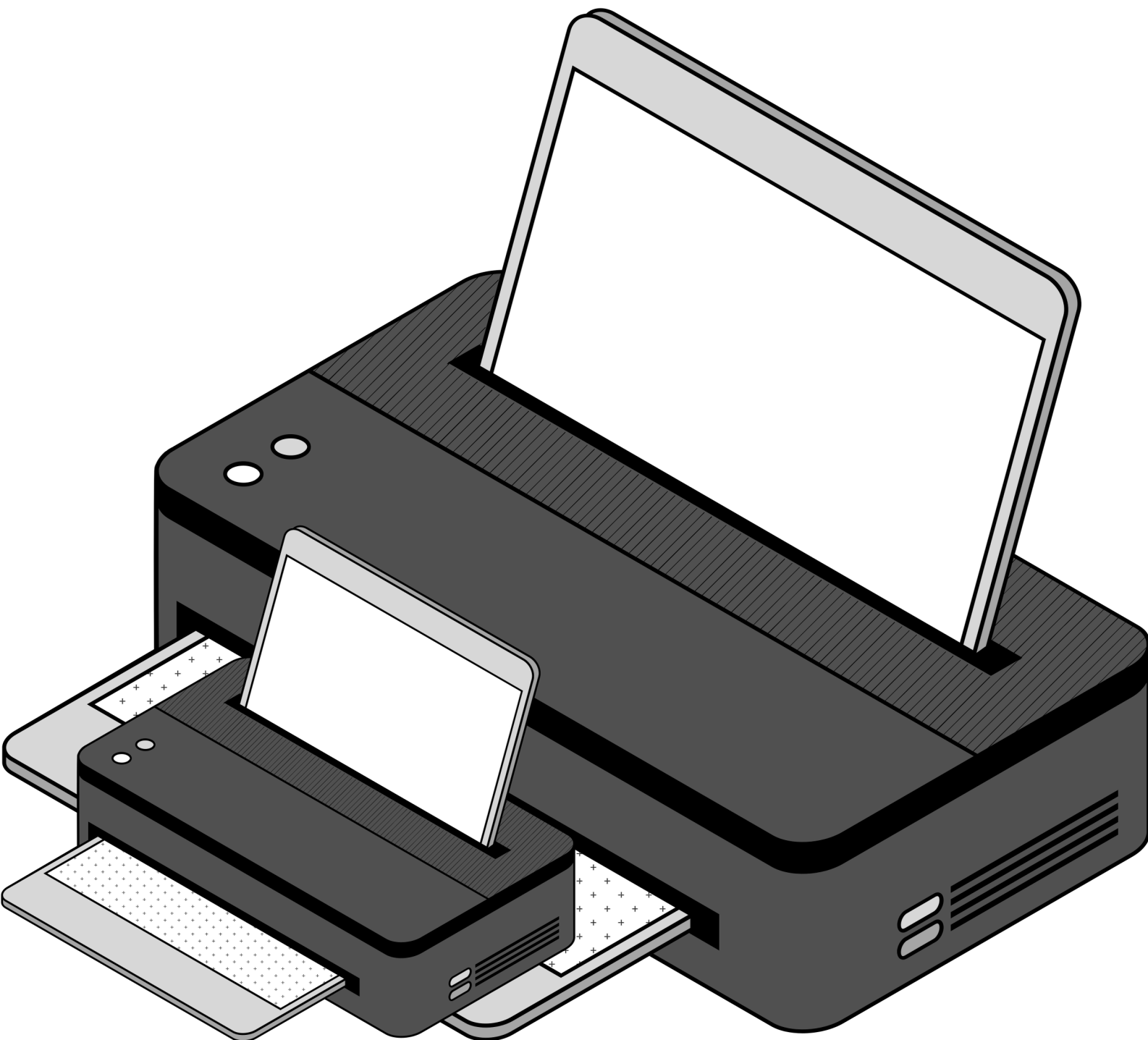
Pattern Type:  
Reversal or  
Continuation

Price Channel slopes up or down and is bound by an upper and lower trend line. The upper trend line marks resistance and the lower marks support.

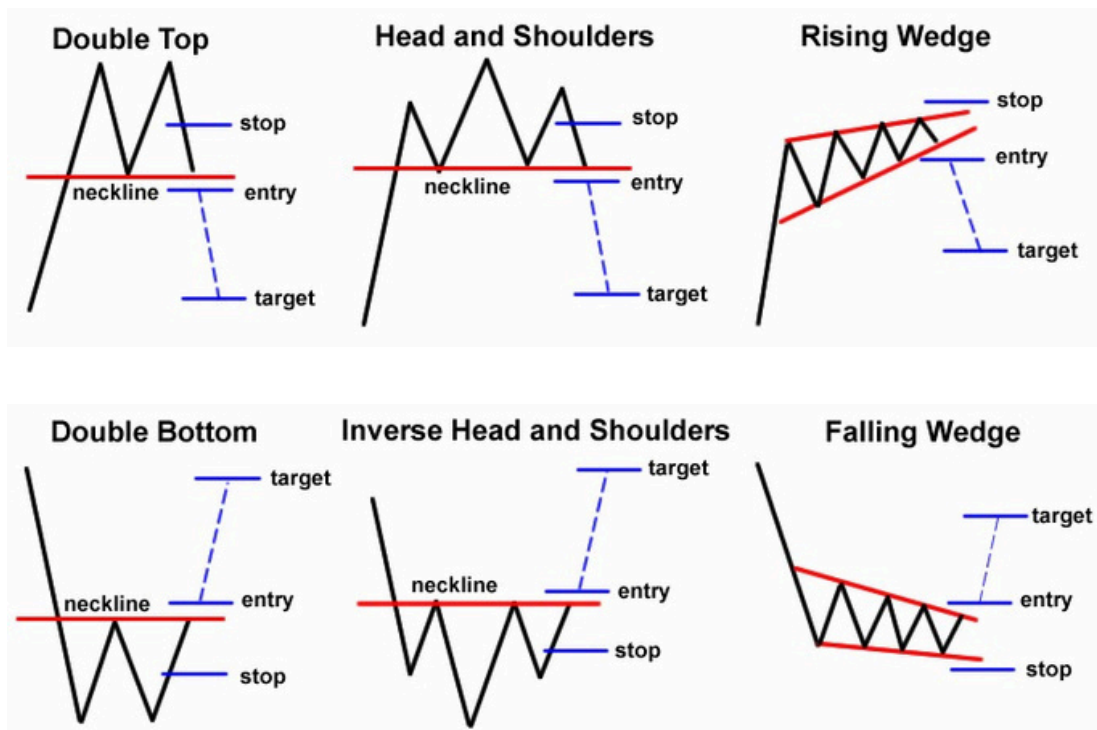
- Price stays in between this support and resistance levels until it is broken out. In some cases the price will retest the breakout point.
- Traders can sell when price approaches the price channel's upper trendline and buy when it tests the lower trendline.



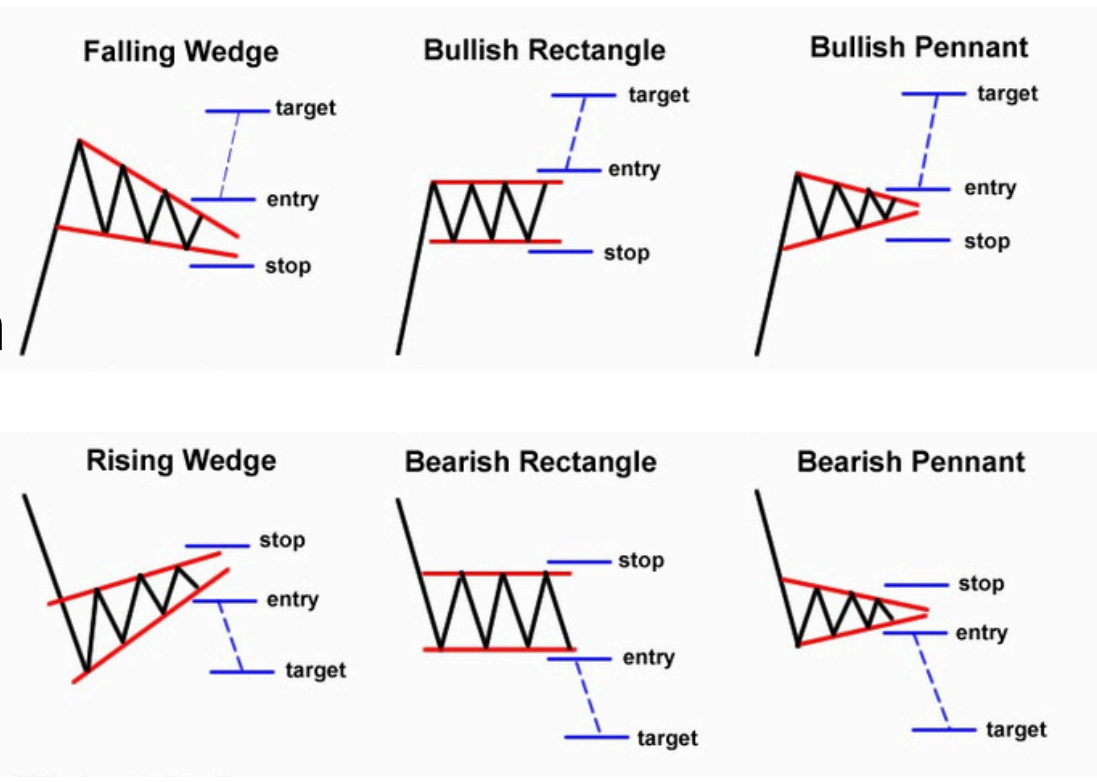
# PRINTABLE PATTERN SHEETS



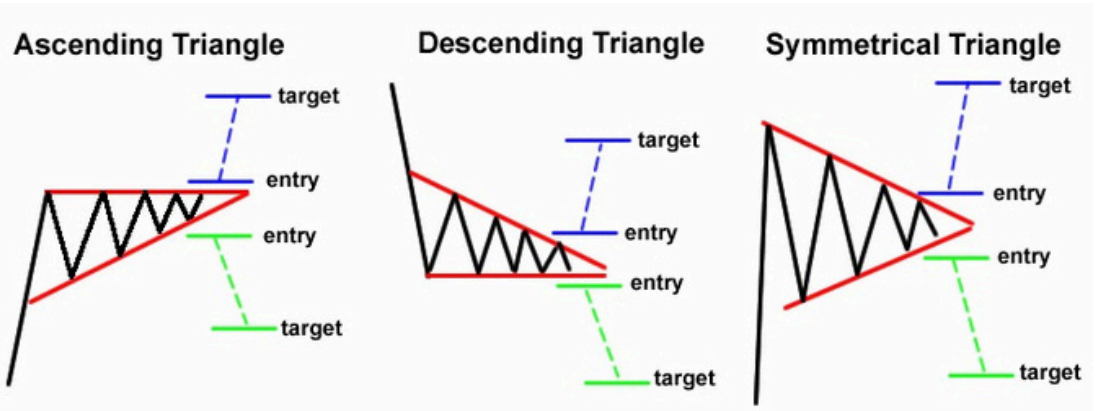
# Reversal Patterns



# Continuation Patterns



# Bilateral Patterns



# NEUTRAL CANDLESTICK PATTERNS

DOJI



SPINNING TOP



# BULLISH CANDLESTICK PATTERNS

HAMMER



INVERTED HAMMER



DRAGONFLY DOJI



BULLISH ENGULFING



PIERCING LINE



MORNING STAR



MORNING DOJI STAR

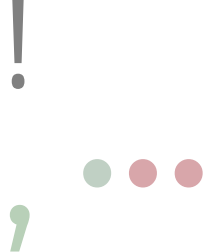


THREE WHITE SOLDIERS



# BEARISH CANDLESTICK PATTERNS

SHOOTING STAR



HANGING MAN



GRAVESTONE DOJI



BEARISH ENGULFING



DARK CLOUD COVER



EVENING STAR



EVENING DOJI STAR



THREE BLACKCROWS

