

Chart Patterns



TheCryptoDen

What are Chart Patterns?

A chart pattern is a pattern within a chart formed by the Price action of candles. While candles themselves have patterns which we covered in a previous lesson, chart patterns are made up of candles over longer periods of time. In financial markets trading, chart pattern studies play a large role during technical analysis. When data is plotted there is usually a pattern which naturally occurs and repeats over a period.

There are two main categories of chart patterns: continuation patterns and reversal patterns. Continuation patterns indicate a continuation of the current trend while reversal patterns indicate a future trend reversal. They make it possible to determine entry points and also to set price objectives.

In this presentation I'll share the % success rates of each pattern. These percentages are sourced by a study conducted by Thomas Bulkowski.

TheCryptoDen

Chart Patterns



TheCryptoDen

Head & Shoulders

The head and shoulders patterns are statistically the most accurate of the common price action patterns, reaching their projected target almost 85% of the time.

-Head & Shoulders pattern success rate - 83.04%

- Inverse Head & Shoulders pattern success rate - 83.44%

Inverse Head and Shoulders

Head and Shoulders

TheCryptoDen

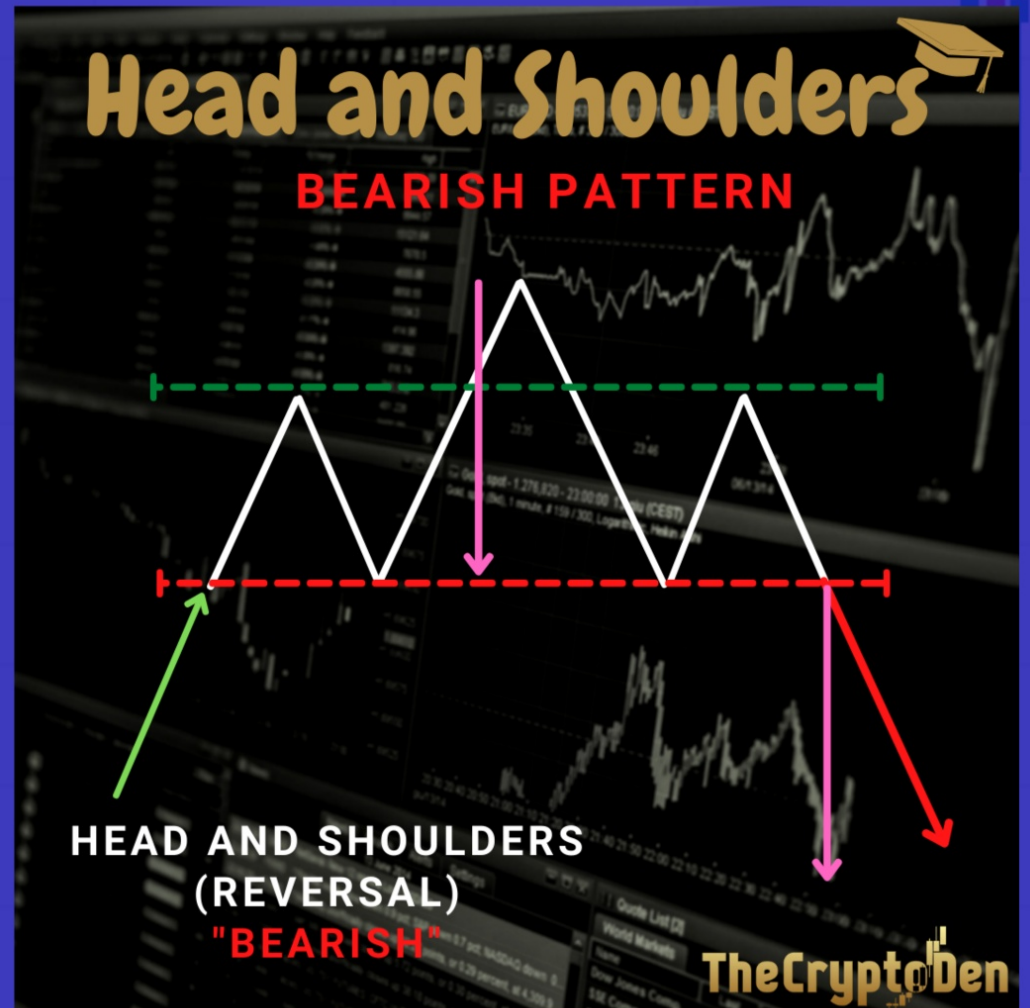
Head & Shoulders

The regular head and shoulders pattern is defined by two swing highs (the shoulders) with a higher high (the head) between them.

The two outer swing highs don't have to be at the same price, but the closer they are to the same area the stronger the pattern generally becomes.

The pattern is complete when price breaks through the "neckline" created by the two swing low points in the head and shoulders and moves a distance equal to the distance from the neckline to the head of the pattern.

Success rate - 83%



Head & Shoulders

The head and shoulders patterns are statistically the most accurate of the common price action patterns, reaching their projected target almost 85% of the time.

-Head & Shoulders pattern success rate - 83.04%

- Inverse Head & Shoulders pattern success rate - 83.44%

Inverse Head and Shoulders

Head and Shoulders

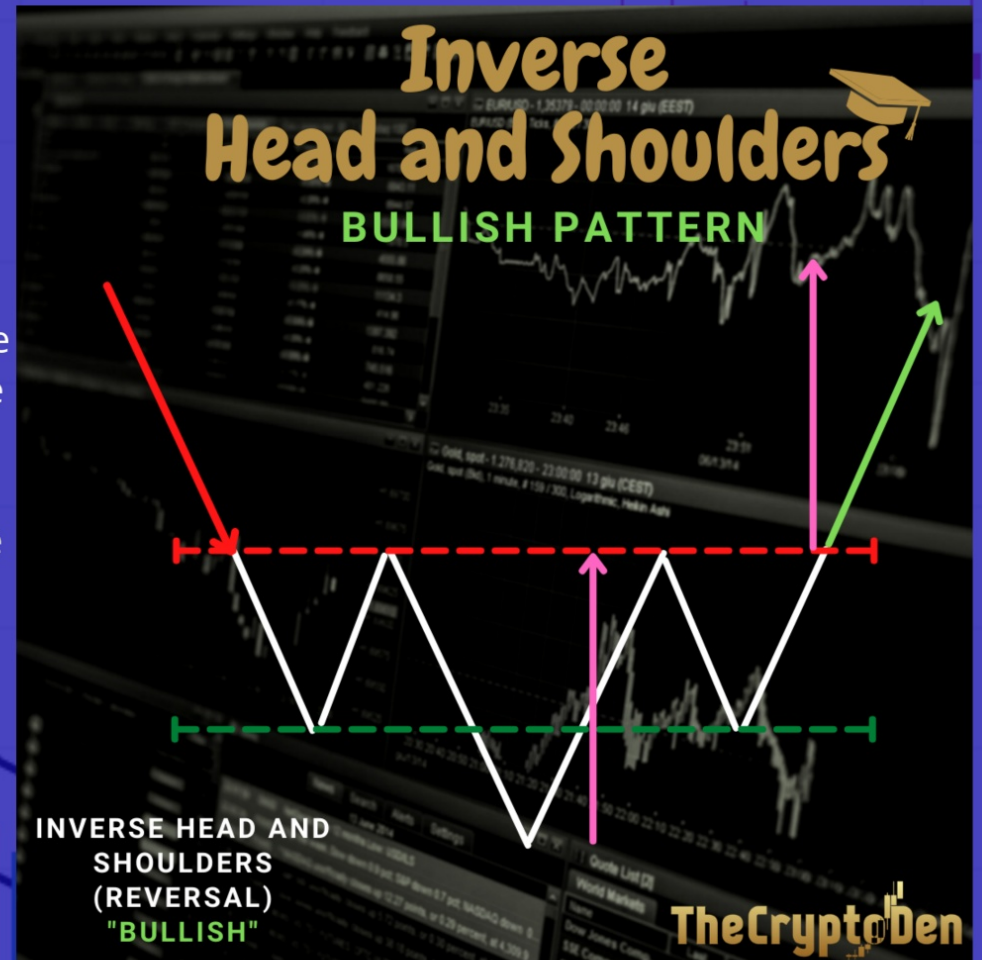
TheCryptoDen

Inverse Head & Shoulders

The inverse head and shoulders pattern has two swing lows with a lower low between them. The two outer swing lows don't have to be at the same price, but the closer they are to the same area the stronger the pattern generally becomes.

Just like the standard H&S the pattern is complete when price breaks through the "neckline" created by the two swing high points in the iH&S and moves a distance equal to the distance from the neckline to the head of the pattern.

Success rate - 83%



Head & Shoulders

The head and shoulders patterns are statistically the most accurate of the common price action patterns, reaching their projected target almost 85% of the time.

-Head & Shoulders pattern success rate - 83.04%

- Inverse Head & Shoulders pattern success rate - 83.44%

Inverse Head and Shoulders

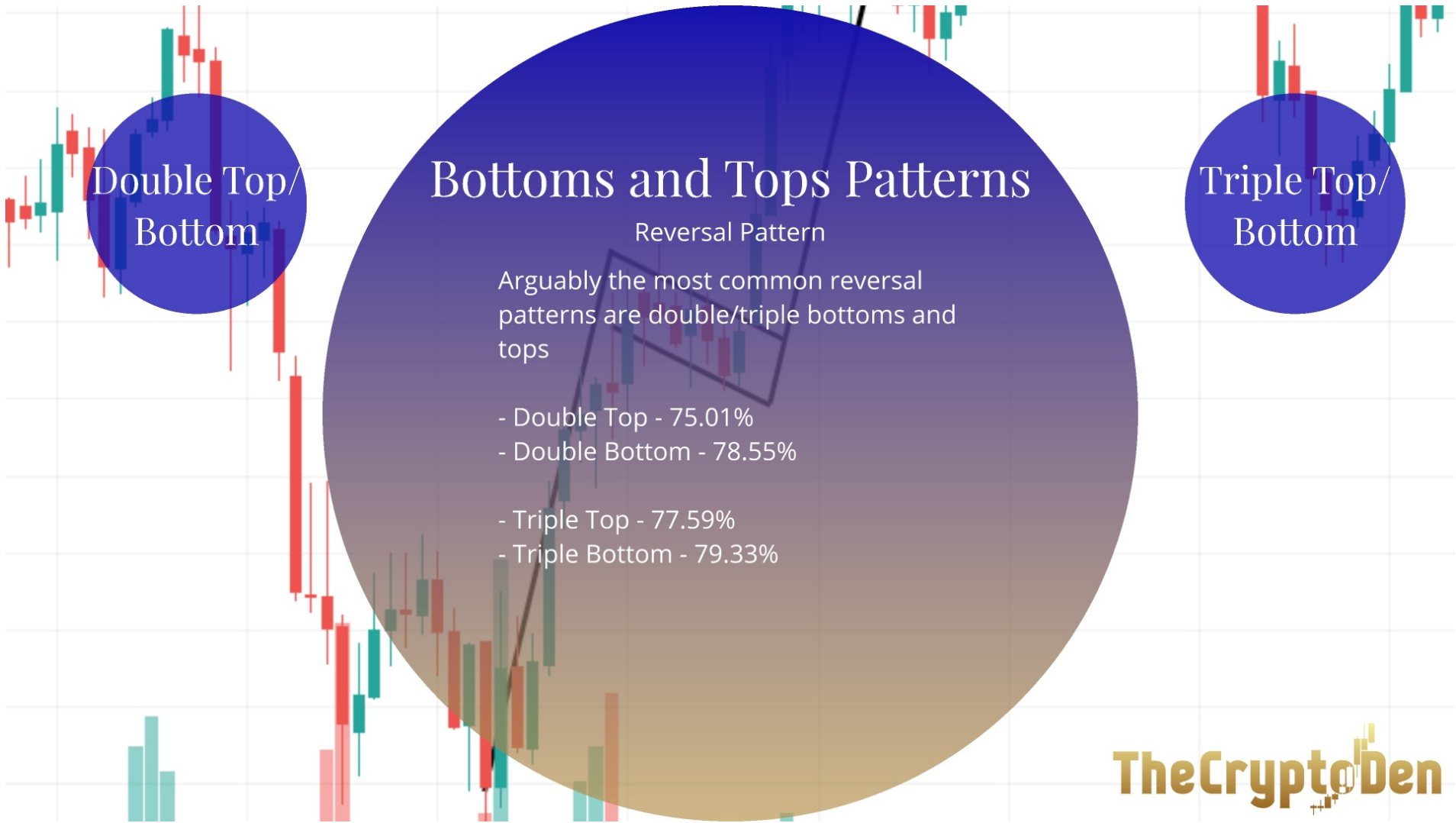
Head and Shoulders

TheCryptoDen

Chart Patterns



TheCryptoDen



Double Top/Bottom



The double top/bottom is one of the most common reversal price patterns. The double top is defined by two nearly equal highs with some space between the touches, while a double bottom is created from two nearly equal lows. Generally, the wider the gap between touches the more powerful the pattern becomes.

The pattern is complete when price breaks below the swing low point created after the first high in a double top, or when price breaks above the swing high point created by the first low in a double bottom.

The pattern is considered a success when price covers the same distance following the breakout as the distance from the double high to the recent swing low point in a double top, or the distance from the double low to the recent swing high in a double bottom

Double Top success rate - 75.01%

Double Bottom success rate - 78.55%

Double Top/Bottom

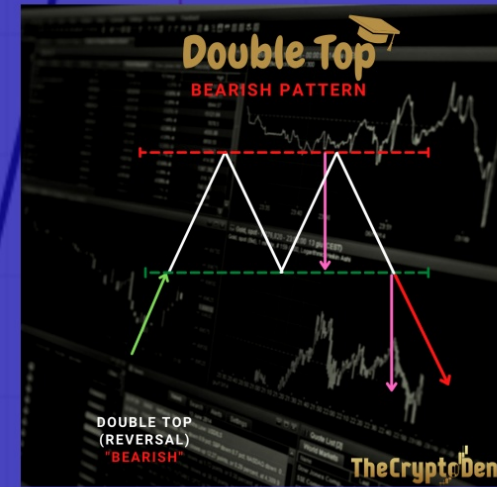
The double top/bottom is one of the most common reversal price patterns. The double top is defined by two nearly equal highs with some space between the touches, while a double bottom is created from two nearly equal lows. Generally, the wider the gap between touches the more powerful the pattern becomes.

The pattern is complete when price breaks below the swing low point created after the first high in a double top, or when price breaks above the swing high point created by the first low in a double bottom.

The pattern is considered a success when price covers the same distance following the breakout as the distance from the double high to the recent swing low point in a double top, or the distance from the double low to the recent swing high in a double bottom.

Double Top success rate - 75.01%.

Double Bottom success rate - 78.55%



Double Top/Bottom

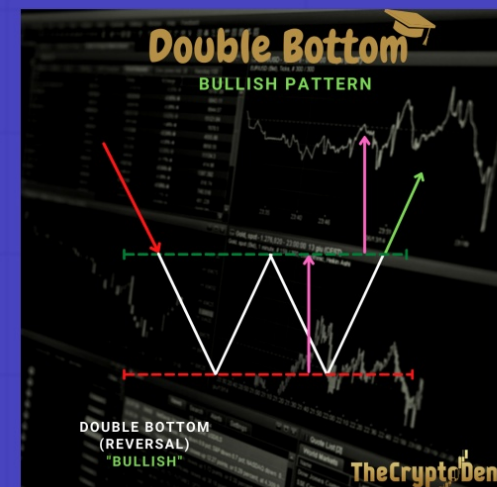
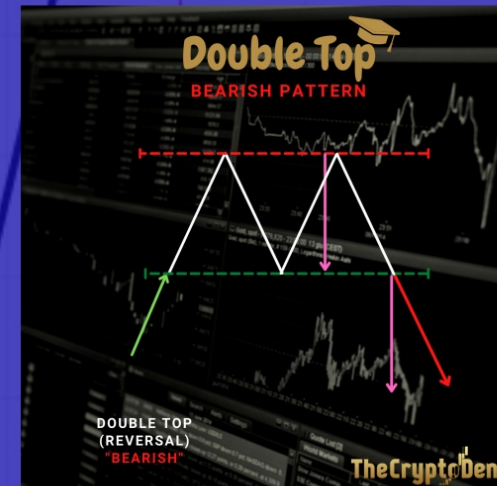
The double top/bottom is one of the most common reversal price patterns. The double top is defined by two nearly equal highs with some space between the touches, while a double bottom is created from two nearly equal lows. Generally, the wider the gap between touches the more powerful the pattern becomes.

The pattern is complete when price breaks below the swing low point created after the first high in a double top, or when price breaks above the swing high point created by the first low in a double bottom.

The pattern is considered a success when price covers the same distance following the breakout as the distance from the double high to the recent swing low point in a double top, or the distance from the double low to the recent swing high in a double bottom.

Double Top success rate - 75.01%.

Double Bottom success rate - 78.55%

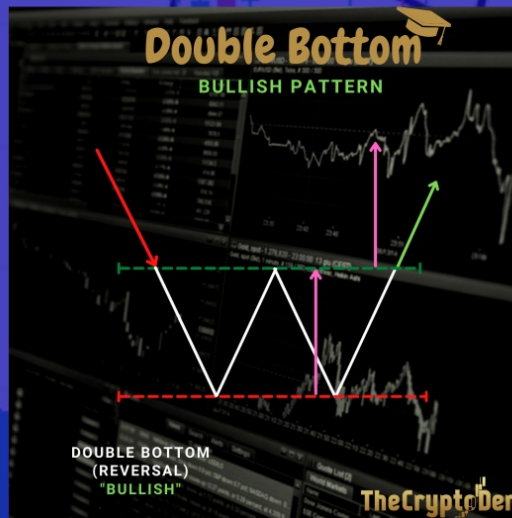
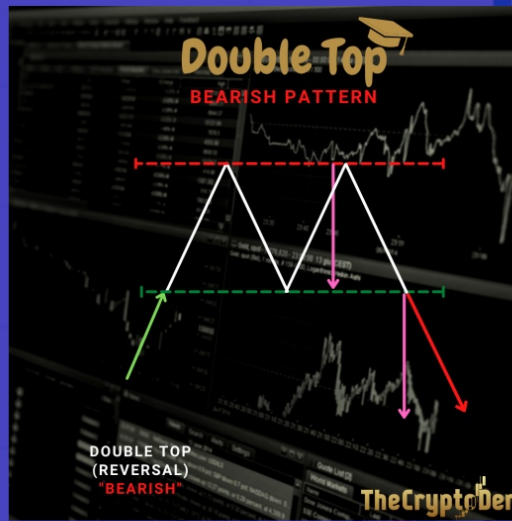


Bottom

Common reversal price
early equal highs with
double bottom is created
wider the gap between
times.

Below the swing low point
when price breaks
past low in a double

price covers the same
price from the double high
, or the distance from the
double bottom



Double Top/Bottom

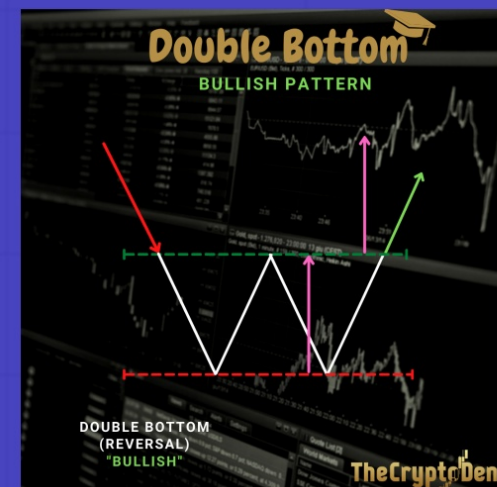
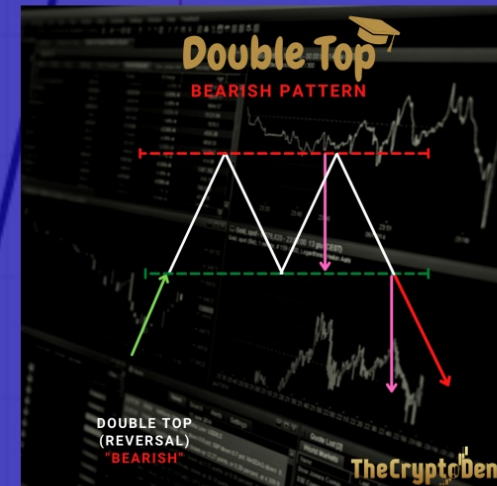
The double top/bottom is one of the most common reversal price patterns. The double top is defined by two nearly equal highs with some space between the touches, while a double bottom is created from two nearly equal lows. Generally, the wider the gap between touches the more powerful the pattern becomes.

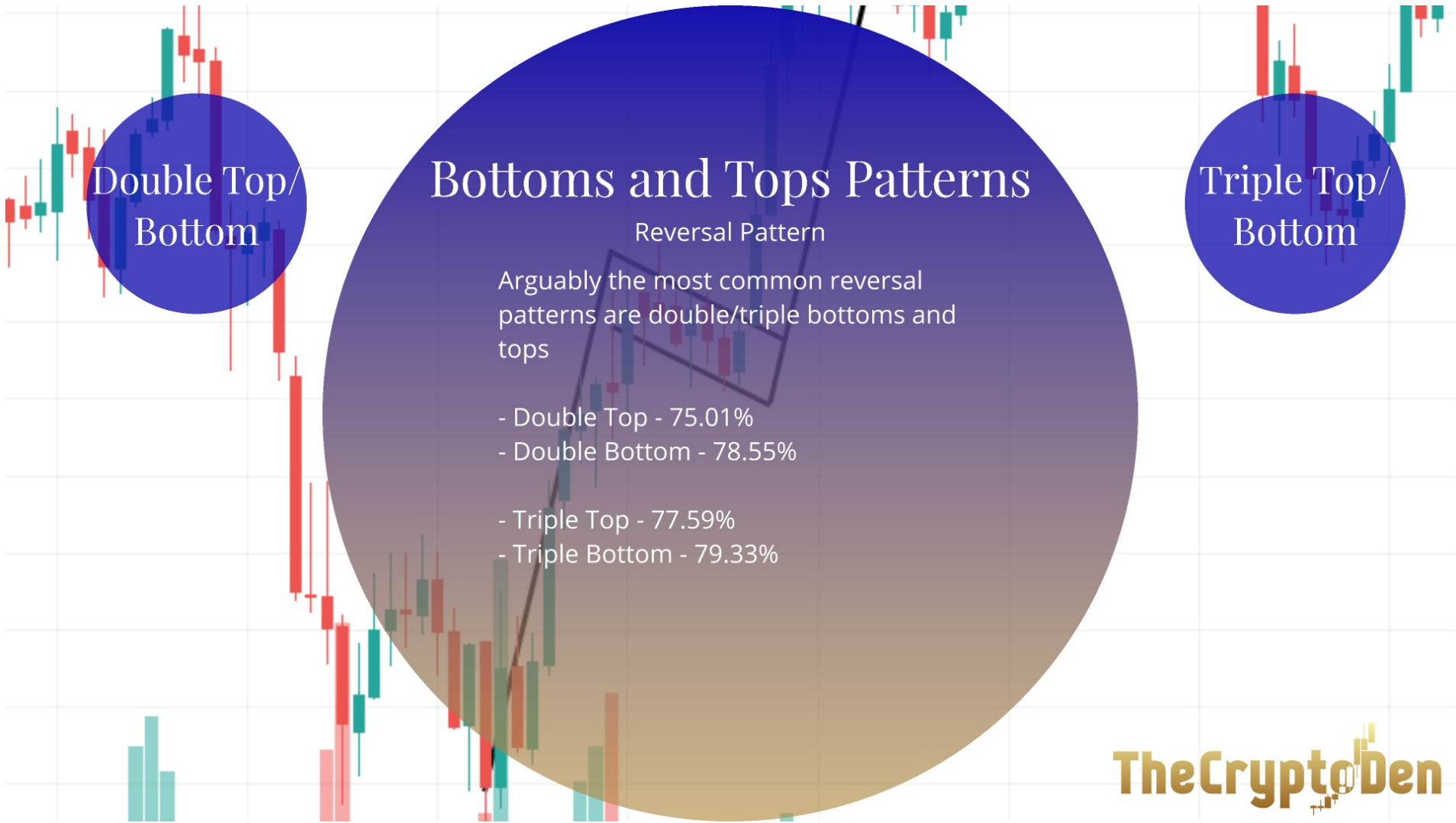
The pattern is complete when price breaks below the swing low point created after the first high in a double top, or when price breaks above the swing high point created by the first low in a double bottom.

The pattern is considered a success when price covers the same distance following the breakout as the distance from the double high to the recent swing low point in a double top, or the distance from the double low to the recent swing high in a double bottom.

Double Top success rate - 75.01%.

Double Bottom success rate - 78.55%





Double Top/
Bottom

Bottoms and Tops Patterns

Reversal Pattern

Arguably the most common reversal patterns are double/triple bottoms and tops

- Double Top - 75.01%
- Double Bottom - 78.55%
- Triple Top - 77.59%
- Triple Bottom - 79.33%

Triple Top/
Bottom

TheCryptoDen

Triple Top/Bottom

The triple top/bottom is another variation of reversal price patterns. The triple top is defined by three nearly equal highs with some space between the touches, while a triple bottom is created from three nearly equal lows. Generally, the wider the gap between touches the more powerful the pattern becomes.

The pattern is complete when price breaks below the swing low points created between the highs in a triple top, or when price breaks above the swing high points created between the lows in a triple bottom.

The pattern is considered a success when price covers the same distance after the breakout as the distance from the triple high to the furthest swing low point in a triple top, or the distance from the triple low to furthest swing high in a triple bottom (see pink arrows).

Triple Top success rate - 77%

Triple Bottom success rate - 79%

Triple Top/Bottom

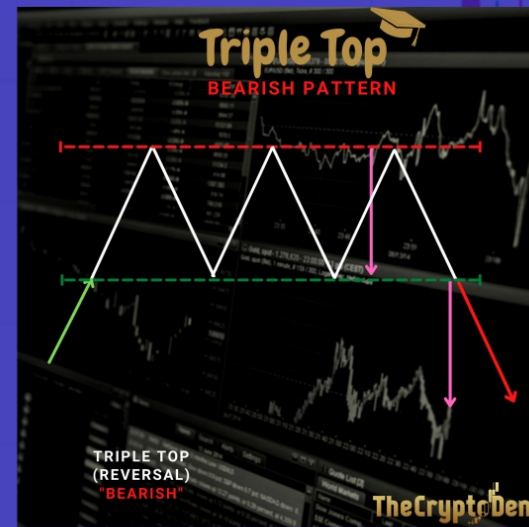
The triple top/bottom is another variation of reversal price patterns. The triple top is defined by three nearly equal highs with some space between the touches, while a triple bottom is created from three nearly equal lows. Generally, the wider the gap between touches the more powerful the pattern becomes.

The pattern is complete when price breaks below the swing low points created between the highs in a triple top, or when price breaks above the swing high points created between the lows in a triple bottom.

The pattern is considered a success when price covers the same distance after the breakout as the distance from the triple high to the furthest swing low point in a triple top, or the distance from the triple low to furthest swing high in a triple bottom (see pink arrows).

Triple Top success rate - 77%

Triple Bottom success rate - 79%



Triple Top/Bottom

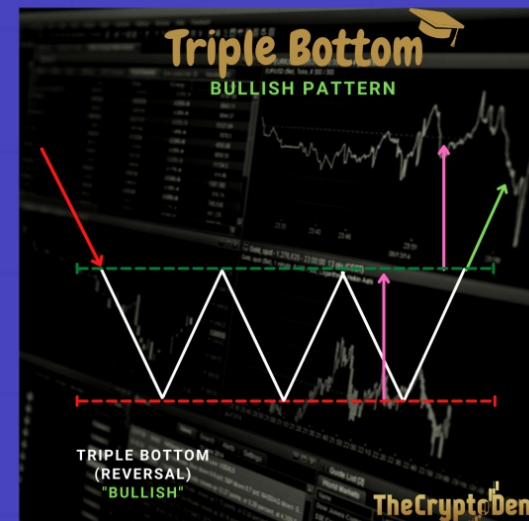
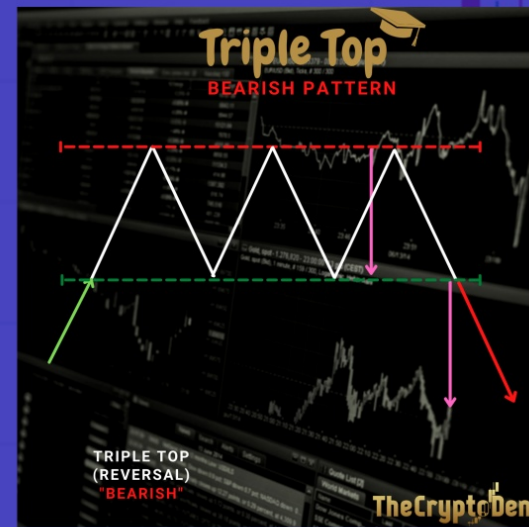
The triple top/bottom is another variation of reversal price patterns. The triple top is defined by three nearly equal highs with some space between the touches, while a triple bottom is created from three nearly equal lows. Generally, the wider the gap between touches the more powerful the pattern becomes.

The pattern is complete when price breaks below the swing low points created between the highs in a triple top, or when price breaks above the swing high points created between the lows in a triple bottom.

The pattern is considered a success when price covers the same distance after the breakout as the distance from the triple high to the furthest swing low point in a triple top, or the distance from the triple low to furthest swing high in a triple bottom (see pink arrows).

Triple Top success rate - 77%

Triple Bottom success rate - 79%



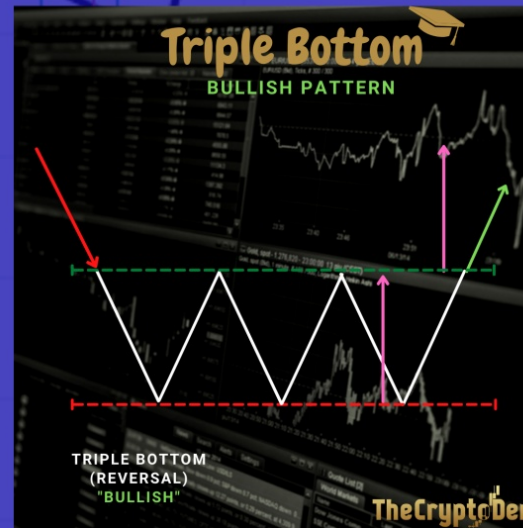
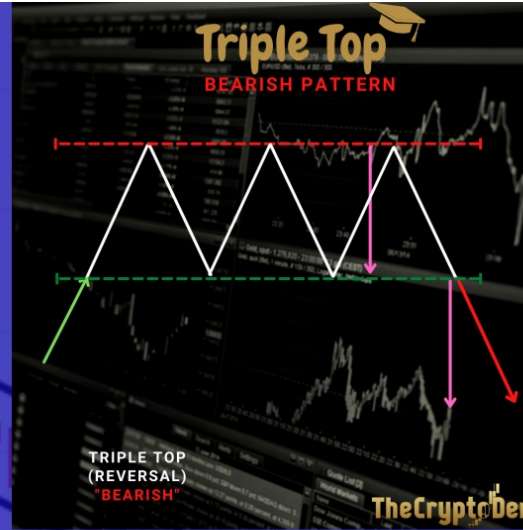
Top/Bottom

Another variation of reversal patterns is defined by three nearly equal highs between the touches, while the lows are three nearly equal lows. The more variation between touches the more

price breaks below the lowest of the highs in a triple top. The more variation between the swing high points in a triple bottom.

Success when price covers the breakout as the distance between the nearest swing low point in a triple top to furthest swing low point (see pink arrows).

%



Triple Top/Bottom

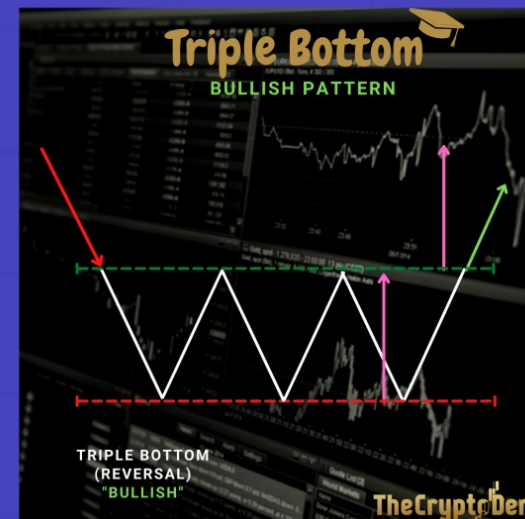
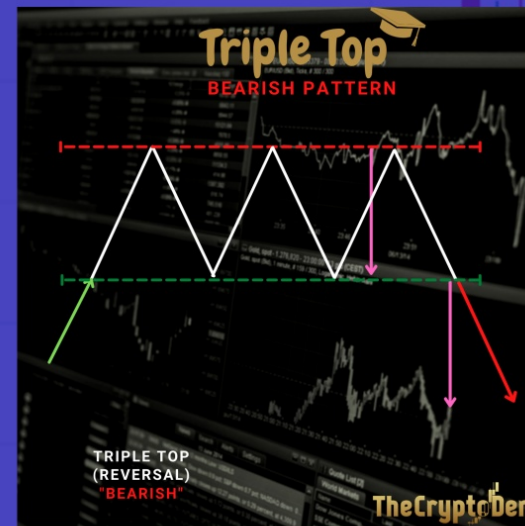
The triple top/bottom is another variation of reversal price patterns. The triple top is defined by three nearly equal highs with some space between the touches, while a triple bottom is created from three nearly equal lows. Generally, the wider the gap between touches the more powerful the pattern becomes.

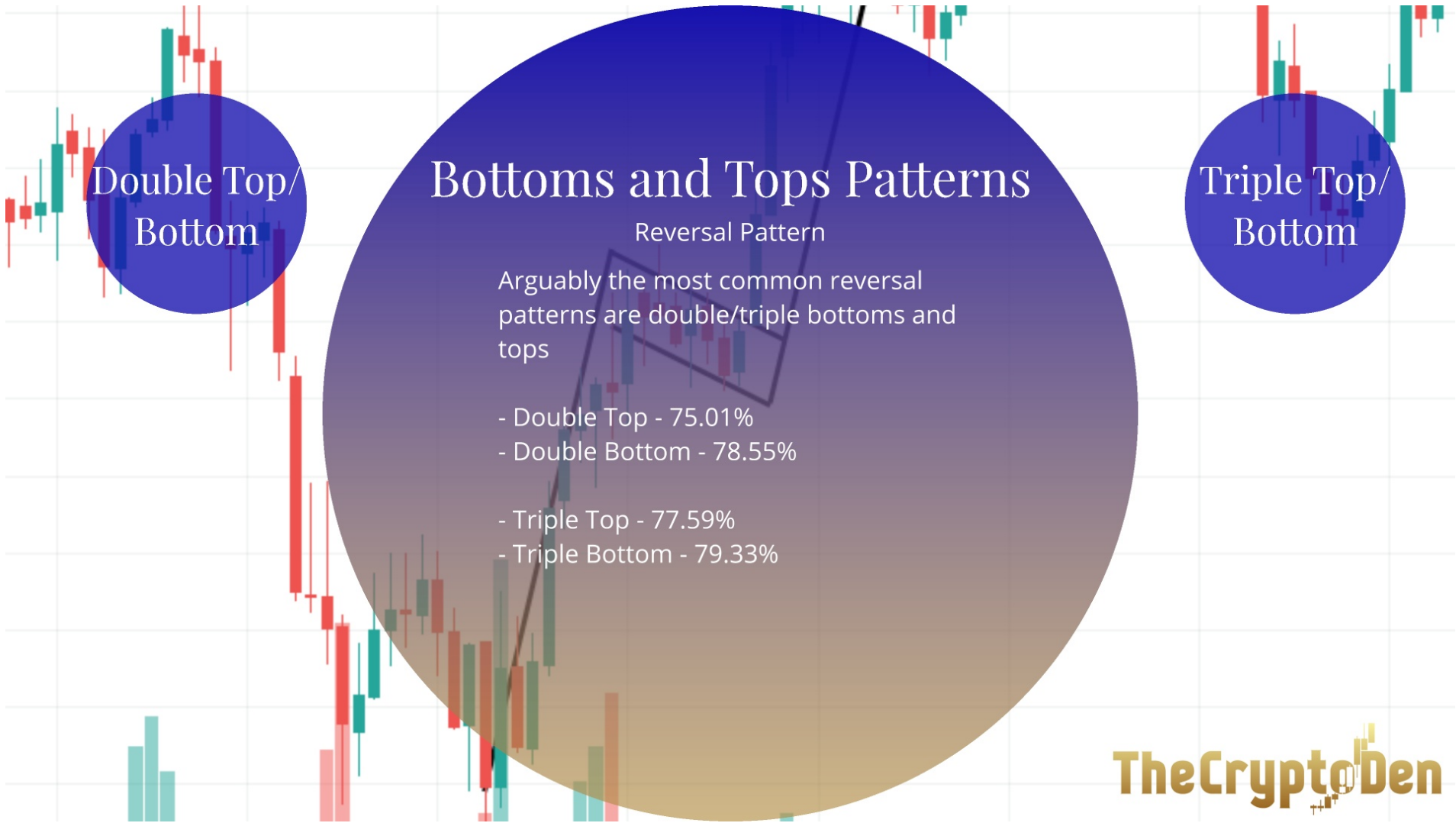
The pattern is complete when price breaks below the swing low points created between the highs in a triple top, or when price breaks above the swing high points created between the lows in a triple bottom.

The pattern is considered a success when price covers the same distance after the breakout as the distance from the triple high to the furthest swing low point in a triple top, or the distance from the triple low to furthest swing high in a triple bottom (see pink arrows).

Triple Top success rate - 77%

Triple Bottom success rate - 79%





Double Top/
Bottom

Bottoms and Tops Patterns

Reversal Pattern

Arguably the most common reversal patterns are double/triple bottoms and tops

- Double Top - 75.01%
- Double Bottom - 78.55%
- Triple Top - 77.59%
- Triple Bottom - 79.33%

Triple Top/
Bottom

TheCryptoDen

Chart Patterns



TheCryptoDen



Diamond
Top



Diamonds?

Diamond Tops and Diamond Bottoms are often forgotten patterns. That's because despite their very obvious and unique shape they can actually be quite difficult to spot.

- Diamond top - 95%
- Diamond Bottom - 79%



Diamond
Bottom

TheCryptoDen

Diamond Top

A diamond top is formed by two symmetrical triangles, so forming a diamond.

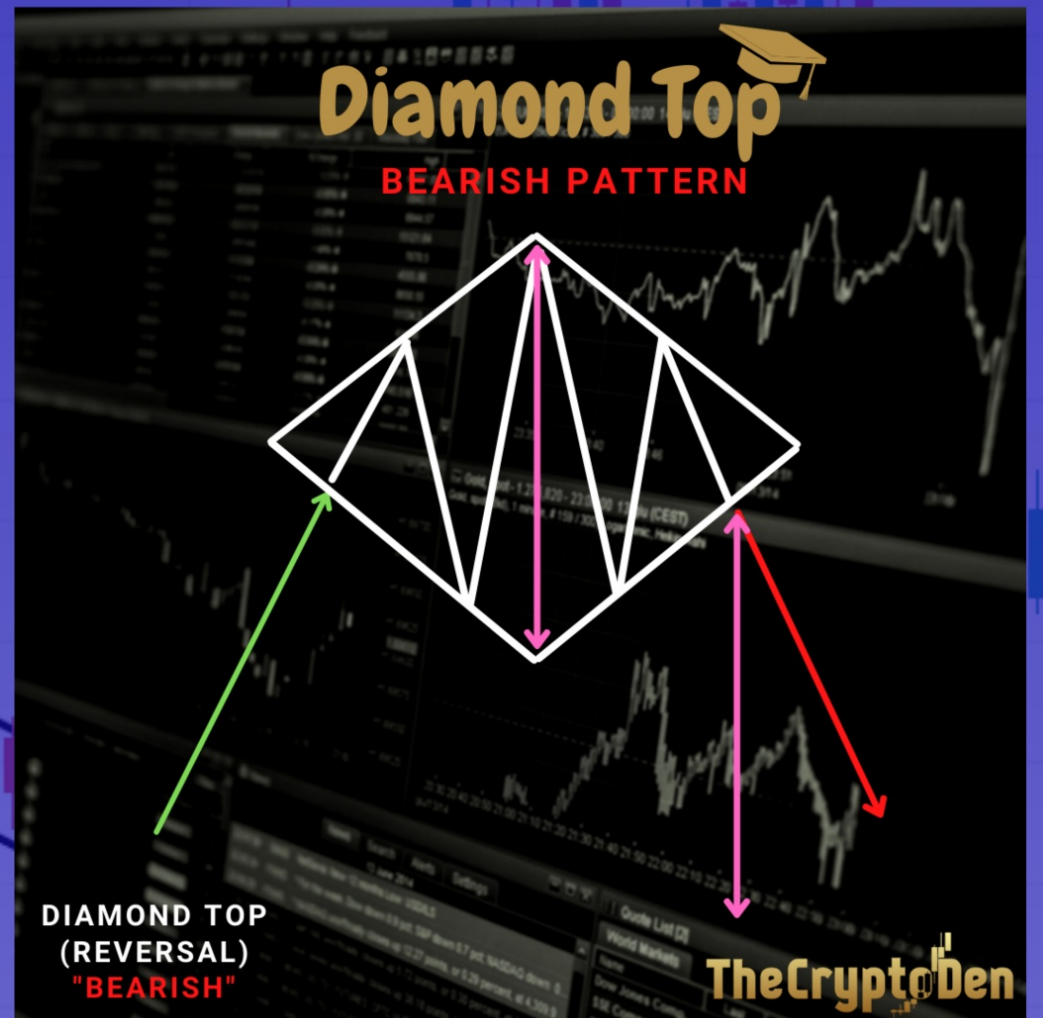
A diamond top has to be preceded by a bullish trend. This pattern marks the exhaustion of the buyers and signifies indecision.

Volatility and oscillations increase in the first half of the pattern (the symmetrical broadening wedge pattern); then decrease in the second half of the pattern (the symmetrical triangle).

A diamond top's price objective is calculated by plotting the minimum height of the diamond at the exit point.

In general, the exit movement is as fast as the upward movement that preceded it.

Success Rate - 95%





Diamond Top

Diamonds?

Diamond Tops and Diamond Bottoms are often forgotten patterns. That's because despite their very obvious and unique shape they can actually be quite difficult to spot.

- Diamond top - 95%
- Diamond Bottom - 79%

Diamond Bottom

TheCryptoDen

Diamond Bottom

A diamond bottom is formed by two symmetrical triangles, so forming a diamond.

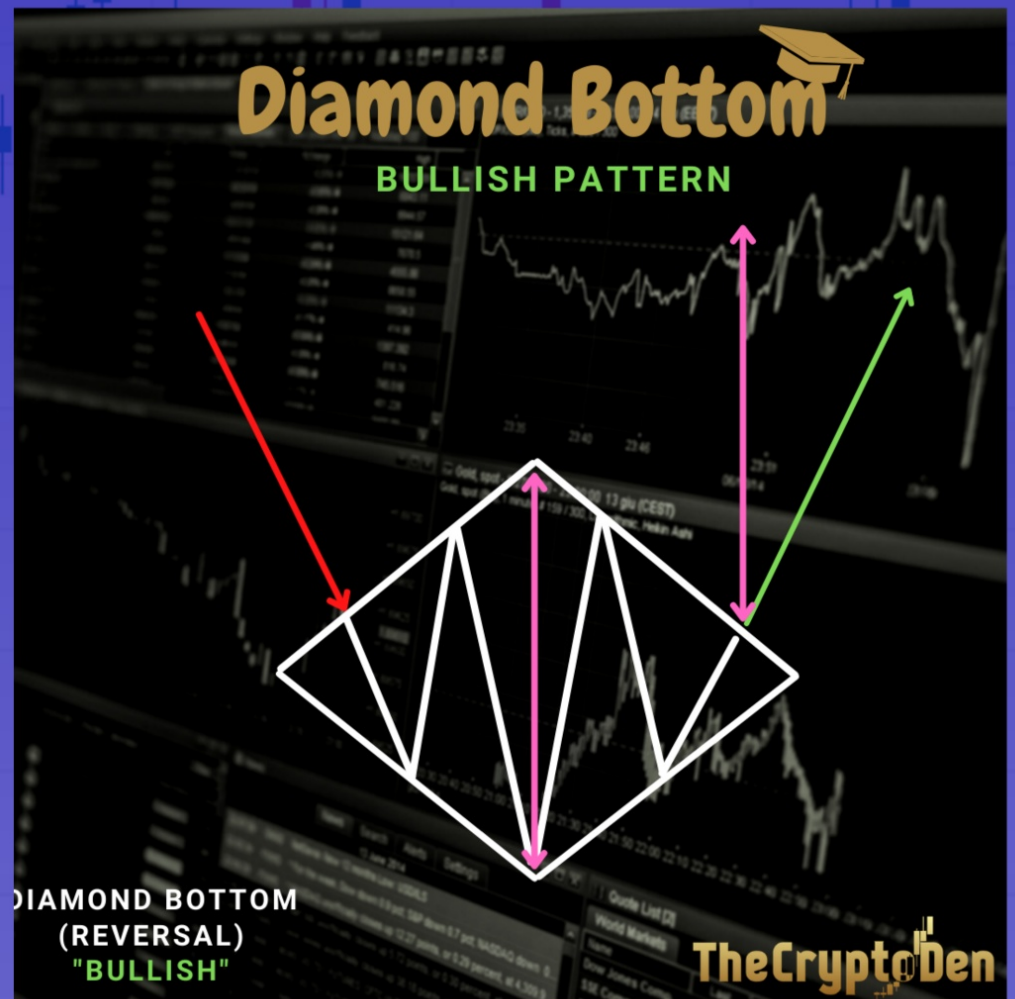
A diamond bottom has to be preceded by a bearish trend. This pattern marks the exhaustion of the sellers and signifies indecision.

Volatility and oscillations increase in the first half of the pattern (the symmetrical broadening wedge pattern); then decrease in the second half of the pattern (the symmetrical triangle).

A diamond bottom's price objective is calculated by plotting the maximum height of the diamond at the exit point.

In general, the exit movement is as fast as the downward movement that preceded it.

Success Rate - 79%





Diamond
Top

Diamonds?

Diamond Tops and Diamond Bottoms are often forgotten patterns. That's because despite their very obvious and unique shape they can actually be quite difficult to spot.

- Diamond top - 95%
- Diamond Bottom - 79%



Diamond
Bottom

TheCryptoDen

Chart Patterns



TheCryptoDen



Head &
Shoulders

Triple
bottoms/
tops

Examples

Double top/
bottoms

Diamond
Top

TheCryptoDen



Head &
Shoulders



Inverse Head
& Shoulders

TheCryptoDen



Head &
Shoulders



Inverse Head
& Shoulders

TheCryptoDen

Head & Shoulders

Inverse Head & Shoulders

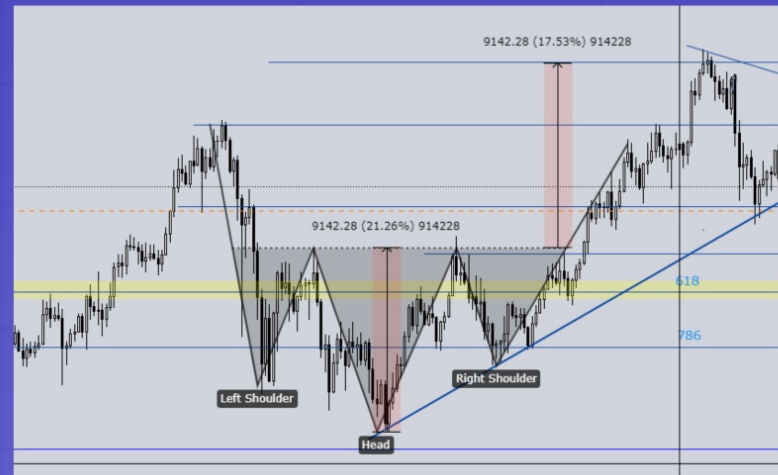


TheCryptoDen

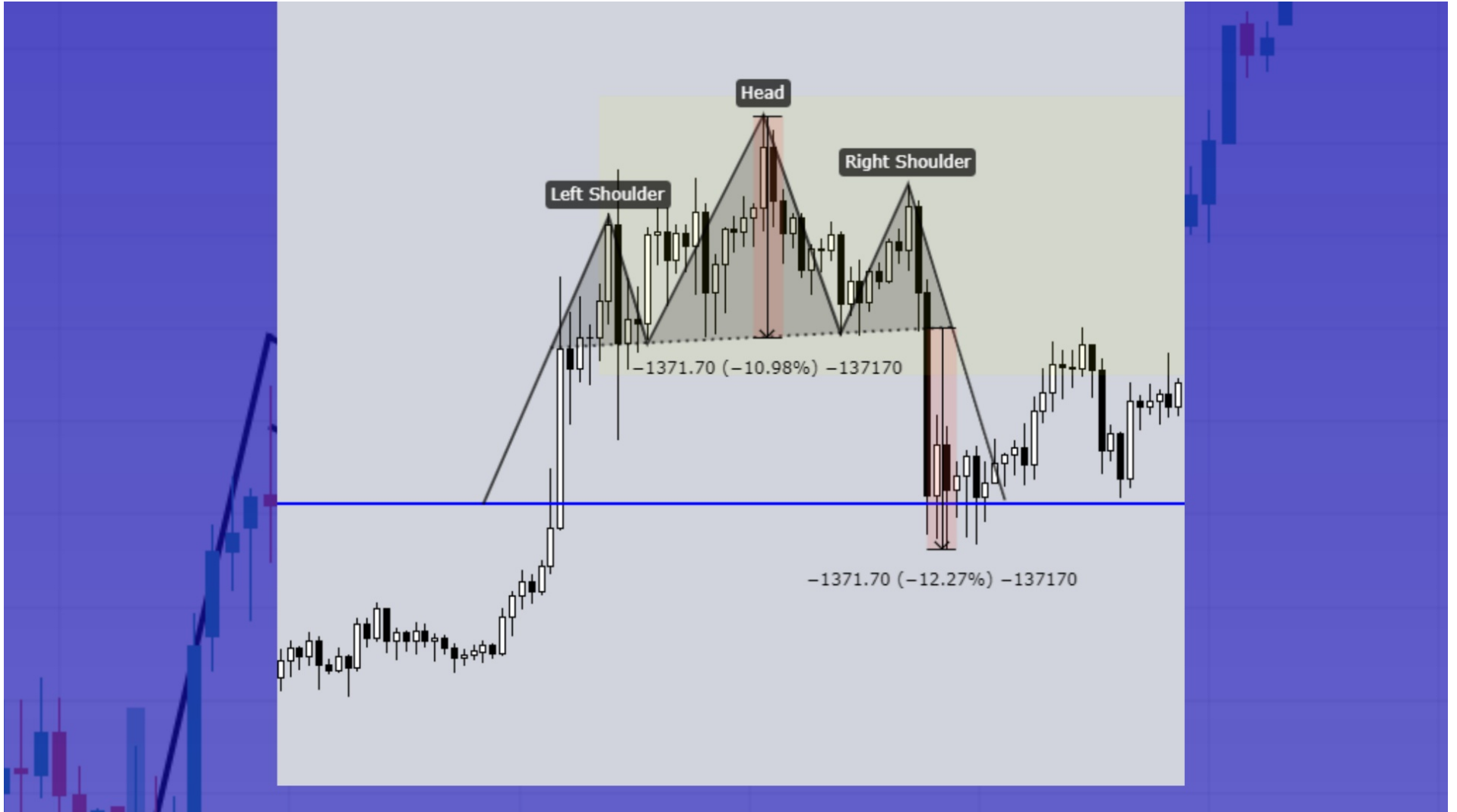
Head & Shoulders



Inverse Head & Shoulders



TheCryptoDen

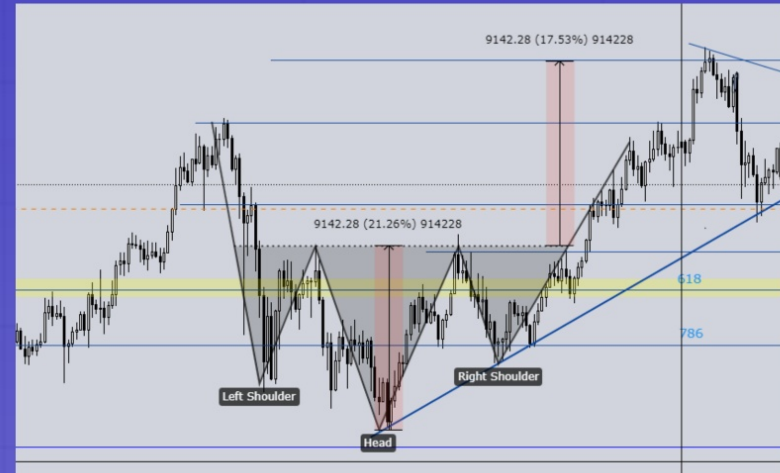




Head & Shoulders



Inverse Head & Shoulders



TheCryptoDen



Head &
Shoulders

Triple
bottoms/
tops

Examples

Double top/
bottoms

Diamond
Top

TheCryptoDen



Double Top



Double Bottom

TheCryptoDen

Double Top

Double Bottom



TheCryptoDen

Double Top



Double Bottom



TheCryptoDen

Double Top



Double Bottom



TheCryptoDen

Double Top



Double Bottom



TheCryptoDen



Head &
Shoulders

Triple
bottoms/
tops

Examples

Double top/
bottoms

Diamond
Top

TheCryptoDen

Triple Top



Triple Bottom



TheCryptoDen



Head &
Shoulders

Triple
bottoms/
tops

Examples

Double top/
bottoms

Diamond
Top

TheCryptoDen

Diamond Top



TheCryptoDen



Head &
Shoulders

Triple
bottoms/
tops

Examples

Double top/
bottoms

Diamond
Top

TheCryptoDen

Chart Patterns



TheCryptoDen