Module 09 · Printable reference

# Chart Patterns

Key concepts, worked examples and risk reminders. Use alongside the full free course.

## 108 Double top

Two similar peaks separated by a trough can form a candidate reversal pattern.

Example: Peaks 120 and 121 with trough 110; a close below 110 confirms one rule.

Check: Peaks 120 and neckline 110: conventional projected target?

Answer: 100, assuming a 10-point height.

Caution: Before confirmation it is only a candidate.

## 109 Double bottom

Two similar troughs separated by a peak can form a candidate reversal.

Example: Lows 99 and 100, peak 110; close above 110 confirms one rule.

Check: Trough near 100 and neckline 110: conventional upward projection?

Answer: 120, not a guaranteed destination.

Caution: A breakdown remains possible.

## 110 Head and shoulders

Three peaks with a higher central peak and a neckline describe a possible reversal.

Example: Peaks 110,120,112 with troughs near 100.

Check: When does a close-based confirmation occur?

Answer: After a completed close below the pre-defined neckline.

Caution: Neckline and shoulder criteria vary.

## 111 Inverse head and shoulders

Three troughs with a deeper central trough describe a possible bullish reversal.

Example: Lows 100,90,101 and neckline 110.

Check: Head low 90, horizontal neckline 110: projection?

Answer: 130, using the 20-point depth; not a forecast.

Caution: Avoid assuming a measured target will be reached.

## 112 Ascending triangle

Similar highs with rising lows form a narrowing range.

Example: Highs near 120 and lows 100,105,110.

Check: Highs near 120, lows 100,105,110: what changes?

Answer: The lower boundary rises while the upper boundary stays approximately flat.

Caution: Either side can break.

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## 113 Descending triangle

Similar lows with falling highs form a narrowing range.

Example: Lows near 100 and highs 120,115,110.

Check: Lows near 100 and highs 120,115,110: which edge slopes?

Answer: The upper edge slopes downward.

Caution: Direction is uncertain before a break.

## 114 Symmetrical triangle

Falling highs and rising lows converge.

Example: Highs 120,115,110 and lows 90,95,100.

Check: What direction is implied solely by convergence?

Answer: None; both upward and downward breaks are possible.

Caution: Convergence is not a directional forecast.

## 115 Flags

A short countertrend channel following an impulse is called a flag.

Example: Rise 100 to 120 then drift to 115.

Check: If price retraces the entire impulse, does it still meet a shallow-pause rule?

Answer: No.

Caution: A flag can become a deeper reversal.

## 116 Pennants

A compact converging range after an impulse is called a pennant.

Example: A rise to 120 followed by narrowing highs and lows.

Check: What geometrical feature distinguishes a pennant from a flag?

Answer: Converging rather than roughly parallel boundaries.

Caution: The distinction from a triangle is subjective.

## 117 Wedges

Converging boundaries sloping in the same direction define a wedge.

Example: Rising highs 110,115,118 and lows 100,107,113.

Check: If both lines rise at exactly the same rate, is that a wedge?

Answer: No; they are parallel, forming a channel.

Caution: Slope alone does not determine break direction.

## 118 Rectangles

Horizontal support and resistance describe a rectangular range.

Example: Repeated fluctuations between 100 and 110.

Check: Range 100–110: rectangle width?

Answer: 10 points.

Caution: False breaks are common.

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## 119 Measured moves

A measured move projects a pattern dimension from a breakout reference.

Example: A 10-point rectangle broken at 110 projects 120 in one convention.

Check: A 10-point range breaks downward at 100. Conventional projection?

Answer: 90.

Caution: Targets are hypotheses, not expected guaranteed returns.

## Further reading

SEBI investor education: investor.sebi.gov.in · NSE: nseindia.com. References for background only; no endorsement or independent validation is implied.