



# Brainy's Articles on Technical Analysis

## Chart patterns — more details

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### Introduction

The opinions of market participants are summarised in the price charts. This results in discernible "patterns" forming on the charts as well as lines of support and resistance which can be the boundaries of a *chart pattern*. How can we spot chart patterns? and use them?

In Brainy's eBook (PDF) Article TA-3410, "Chart patterns — introduction", we took an introductory look at the subject of chart patterns. In this Article (number TA-3420) we explore more details about chart patterns, and the range of different types of chart patterns, including an explanation of what causes these patterns to develop.

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### Overview

The majority of chart patterns tend to fall into one of the following categories:

- Basing or consolidation pattern
- Rectangle
- Triangle
- Double or triple top
- Double or triple bottom
- Head and shoulders
- Wedges
- Flags and pennants
- Rounding top / bottom

There are other known and recognised chart patterns, but those listed here tend to cover the vast majority of more the common patterns. These patterns are discussed, with samples, in the text below.

### Where to draw the lines?

This is a question that often causes debate. We said above that the daily close prices are most important. So it follows that the straight lines that mark a pattern boundary should be drawn based on the close prices. On a weekly or monthly chart where we cannot see the daily close prices, it is therefore appropriate to draw the lines somewhere through the tails of the candles. And sometimes it is appropriate to use a "fat pencil" to draw the lines to indicate a "zone" boundary rather than a thin line. Remembering that this is never 100% accurate nor totally predictive, there is often a little leeway in drawing the pattern boundaries.

### Chart pattern examples

On the following pages we take just a very brief look at some of the more important and more useful chart patterns.

(continued next page...!)



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