

TECHNICAL CHART PATTERNS CHARACTERISTICS

Obtained from the book by Thomas N. Bulkowski, Encyclopedia of Chart Patterns

Note! Most technical Analysis chart patterns typically occur slowly over a 3 months to 4 months time span.
Therefore, you should only seriously use a weekly chart profile setting and at least one-years worth of weekly time plots. .

<i>TOP 10 BULLISH TECHNICAL CHART FORMATIONS WITH HIGHEST MOST LIKELY RISE!</i>	<i>AVG. FAILURES %</i>	<i>AVG. RISE %</i>	<i>LIKELY RISE %</i>
1. <u>Rounding Tops</u>	6%	41%	30%
2. <u>Broadening Formations, Right Angled & Descending</u>	19%	27%	25%
3. <u>Scallops, Ascending</u>	25%	33%	25%
4. <u>Head-and-Shoulders Bottoms, Complex</u>	6%	37%	25%
5. <u>Horn Bottoms</u>	11%	37%	25%
6. <u>Head-and-Shoulders Bottoms</u>	5%	38%	25%
7. <u>Double Bottoms</u>	3%	40%	25%
8. <u>Wedges, Falling</u>	2%	43%	25%
9. <u>Rectangle Top, Up Breakout</u>	2%	52%	25%
10. <u>Flags, High and Tight</u>	17%	63%	25%
<i>TOP 10 BEARISH TECHNICAL CHART FORMATIONS WITH HIGHEST MOST LIKELY DECLINE!</i>	<i>AVG. FAILURES %</i>	<i>AVG. DECLINE %</i>	<i>LIKELY DECLINE %</i>
1. <u>Pennant, trend down</u>	34%	17%	25%
2. <u>Scallops, Descending</u>	3%	24%	20%
3. <u>Head-and-Shoulders, Tops, Complex</u>	8%	27%	20%
4. <u>Diamond Tops</u>	25%	21%	20%
5. <u>Broadening Wedges, Descending, Down Breakout</u>	41%	24%	20%
6. <u>Rectangle Tops, Down Breakout</u>	0%	20%	20%
7. <u>Broadening Bottoms, Down Breakout</u>	6%	27%	17.5%
8. <u>Bump-and-Run Reversal Tops</u>	19%	24%	17.5%
9. <u>Broadening Tops, Down breakout</u>	4%	23%	15%
10. <u>Triangles, Descending</u>	4%	19%	15%

Rounding Tops



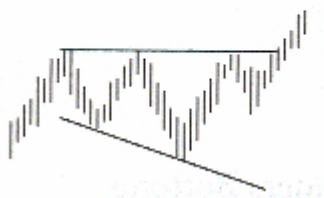
PATTERN CHARACTERISTICS

<p>#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 weekly charts and daily charts.</p>	<p>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 price support area.</p>
<p>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.</p>	<p>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.</p>

PATTERN CHARACTERISTICS

<p>#2 Bullish! Contrary to popular belief, more chart patterns with right-angled descending broadening formations break out upwards than downwards.</p>	<p>Pattern Shape - Looks like a megaphone, tilted downward, with the top the formation horizontal & bound on the bottom by a downward biased sloping trendline.</p>
<p>Trading Tactics - The upper price</p>	<p>WINS® - This pattern works great</p>

Broadening Formations, Right-Angled and Descending,



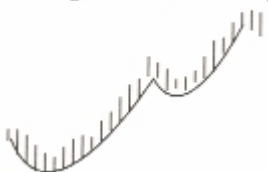
tags must form a horizontal line. There is no consistent volume pattern for this formation. Note! Prices can break out in either direction, usually with a rise in volume that soon tapers off.

with determining the strike prices for CCs and LEAPs spreads. The back and forth movements make the option premiums higher. Watch out for the third and fourth upmove to gapping prices!

PATTERN CHARACTERISTICS

<p>#3 Bullish! Ascending scallops appear when the stock prices are moving higher over 3, 6, or more months.</p>	<p>Pattern Shape - Ascending formations have a J shape and have two price peaks with a rounded price recession in between.</p>
<p>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.</p>	<p>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.</p>

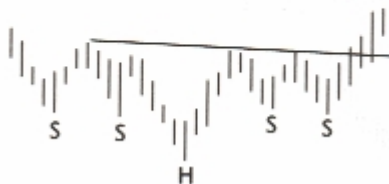
Scallops, Ascending



PATTERN CHARACTERISTICS

<p>#4 Bullish! This formation had only a 6% failure rate which is outstanding. When the neckline slopes downward at indicated, the stock performs better.</p>	<p>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.</p>
<p>Trading Tactics - Usually higher volume on the left side of shoulders than the corresponding shoulders on the right side. Great stock to play up and down with calls and puts or shorting.</p>	<p>WINs® - Great stock to generate considerable premiums with up the down cycles before allowing the stock to appreciate in value and cash out.</p>

Head-and-Shoulders Bottoms, Complex



PATTERN CHARACTERISTICS

Horn Bottoms



<p>#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.</p>	<p>Pattern Shape - Use the weekly profile to locate two downward spikes in the horns separated by a week worth of time.</p>
<p>Trading Tactics - The left spike shows higher than average volume and thus more volatility. Some horns appear near the end of uptrends, so watch for the trend to change!</p>	<p>WINs® - Horns will usually not 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!</p>

PATTERN CHARACTERISTICS

Head-and-Shoulders Bottoms,



<p>#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.</p>	<p>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.</p>
<p>Trading Tactics - The line slanted to the right is the neckline. The price usually advances above the neckline and stages an upside breakout.</p>	<p>WINs® - Volume is usually highest on the left shoulder or head and diminishes on the right shoulder. Upward breakouts occur usually with high volume. A low volume breakout is not an indicator of an impending failure.</p>

PATTERN CHARACTERISTICS

Double Bottoms



<p>#7 Bullish! A double bottom occurs after a downward price trend. High volume commonly occurs on the first bottom.</p>	<p>Pattern Shape - Shaped like a big upper case W that usually takes approximately 4 months worth of time to complete the formation pattern.</p>
<p>Trading Tactics - 2/3s of the double</p>	<p>WINs® - Bottoms humps that are closer</p>

bottom throw back to the breakout price. Therefore, consider waiting for the throwback and reversal for prices to head upward again.	together usually show larger price gains and breakouts. It is suggested that you average down or leg into positions with sideshows.
--	---

PATTERN CHARACTERISTICS

Wedges, Falling



#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 beginning of the trendlines.	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 on one side and 2 on the other side.
--	--

Trading Tactics - Most falling wedges has a minimum 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

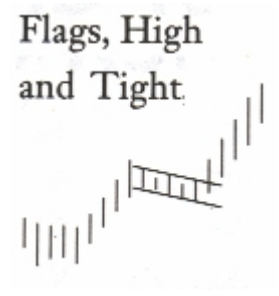
Rectangle Tops



#9 Bullish! - This tricky patern fails only 2% of the time! The average rise is an astounding 52% with a likely gain between 20% to 30% for late comers.	Pattern Shape - Stock prices oscillates between two horizontal trendlines before breaking upward. Looks like bridge iron support structures.
--	---

Trading Tactics - The 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	WINs® - Follow the standard approach of writing CCs at the peaks and allowing the price to drop before you cover cheap. This will protect your downside and
---	--

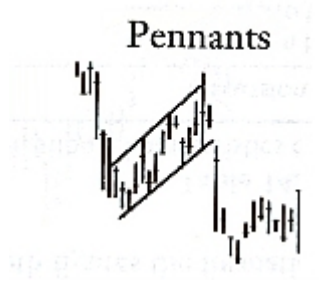
depending on your investing style.	free you up when the price begins to move upward again.
------------------------------------	---



PATTERN CHARACTERISTICS

<p>#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.</p>	<p>Pattern Shape - During a flag phase, prices can slowly drift downward as much as -20%. Prices move sideways for 3 to 5 weeks.</p>
<p>Trading Tactics - Buy after the breakout is the safest course of action. Wait for prices to rise above the highest high in the flag.</p>	<p>WINs® - You can buy and hold or average down your position. Let the trend be your friend.</p>

PATTERN CHARACTERISTICS

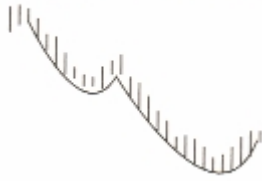


<p>#1 Bearish! This pattern fools many investors. Prices usually go against the prevailing trend. In other words, the price will eventually fall as the smart money exists.</p>	<p>Pattern Shape - There are two patterns which are related. Flags: price action bounded by two parallel trendlines. Pennants: the two trendlines converge to a point.</p>
<p>Trading 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.</p>	<p>WINs® - This kind of pattern last a total of 3-weeks max. Volume usually trends downward throughout the formation. "Volume precedes price!"</p>

PATTERN CHARACTERISTICS

<p>#2 Bearish! Prices peak, curve downward and around, then form a lower peak. Look for previous 52-week lows or previous lower price support</p>	<p>Pattern Shape - The price pattern looks like a letter-J reversed. There is no discernible volume trend for descending scallops. "Prices</p>
--	---

Scallops, Descending

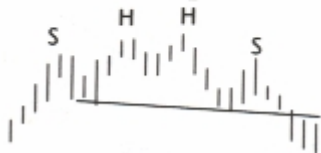


levels for clues. This is a good pattern to go short with only a 3% failure rate and an average decline of 24%.

<p>Trading Tactics - This is considered a short-term pattern up to 3 months time or less.</p>	<p>WINS® - This is a good LEAPs puts pattern to leg into or writing deep ITM CCs if you wish to remain long. PUTs sideshows are also profitable.</p>
--	---

PATTERN CHARACTERISTICS

Head-and-Shoulders Tops, Complex



#3 Bearish! One of the most easy patterns to spot and one of the most profitable! Takes as long as three months to form.

<p>Trading Tactics - Pull-backs average 64% and formations with downward sloping necklines or higher left shoulders perform better.</p>	<p>Pattern Shape - H&S tops have multiple heads, shoulders, or both.</p> <p>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.</p>
--	---

PATTERN CHARACTERISTICS

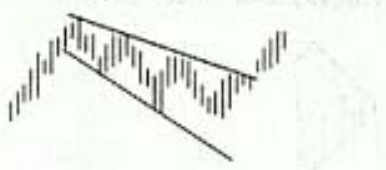
Diamond Tops



#4 Bearish! Prices usually trend up to the formation. Diamond tops need not form at the top of a price chart!

<p>Trading 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!</p>	<p>Pattern Shape - Diamond pattern forms after a downward price trend. Trendlines surrounding the minor highs & lows resembles a diamond.</p> <p>WINS® - 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.</p>
--	---

Broadening Wedges, Descending,



PATTERN CHARACTERISTICS

<p>#5 Bearish! Descending broadening wedges act as a consolidation of the prevailing trend. The volume tends to increase over time.</p>	<p>Pattern Shape - Price pattern looks like a megaphone titled downward. Both trendlines slope downward with the lower trendline having a steeper slope.</p>
<p>Trading Tactics - This formation acts as a consolidation of the trend. If prices are moving down, prices usually continue down after a downside breakout.</p>	<p>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.</p>

Rectangle Tops



PATTERN CHARACTERISTICS

<p>#6 Bearish! Prices trend for as long as 3 months up to the formation then oscillate with pull-backs that average 55% between two horizontal trendlines before breaking out downward.</p>	<p>Pattern Shape - Two parallel trendlines for the highs and the lows. Looks like bridge iron support structures.</p>
<p>Trading Tactics - The actual 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.</p>	<p>WINS® - Follow the standard approach of writing 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.</p>

PATTERN CHARACTERISTICS

<p>#7 Bearish! The price trend begins as a negative downtrend that leads to a bounce forming a</p>	<p>Pattern Shape - Looks like a bull-horn and usually takes less than three months to</p>
---	--

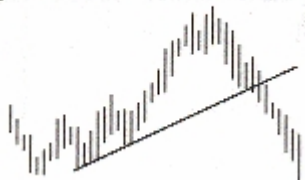
Hanging Man



<p>megaphone appearance with higher highs and lower lows that widens over time. Then, the breakout is upward usually off the moving average line.</p>	<p>form. Volume usually follows price; rises as price rises, falls when prices fall.</p>
<p>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.</p>	<p>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.</p>

PATTERN CHARACTERISTICS

Bump-and-Run Reversal Tops,

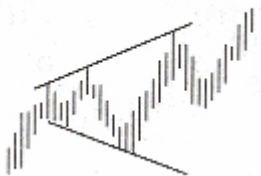


<p>#8 Bearish! Prices rise steadily along a trendline, bump up, round over, then declines through the trendline and continues downward.</p>	<p>Pattern Shape - If the trendline is flat or nearly so, it is not a good bump-and-rund reversal candidate. The typical trendline was a 30-degree angled line.</p>
<p>Trading Tactics - Waiting for the breakout improves investment performance. The close should be above the down-sloping trendline before you buy the stock.</p>	<p>WINS® - When prices rises to the old high, consider selling it if the the stock shows weakness.</p>

PATTERN CHARACTERISTICS

<p>#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. Then, the breakout is upward usually off</p>	<p>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.</p>
--	--

Broadening Tops



the moving average line.	
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

Triangles, Symmetrical Bottoms,



#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 trendlines 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® - Unknowns 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.