The Common Candlestick Chart Patterns (Part 1)

TRAVERSE CITY, Mich. - **Nov. 11, 2014** - *PRLog* -- Read Full Article with Diagrams Here >> http://www.slicktrade.net/2014/11/11/common-chart-candlestick-patterns-part-1/

The use of candlestick chart patterns is popular in the world of trading, be it in forex trading, binary options trading or trading other assets.

There are several types of candlestick patterns, which can assist you in your trading, if you know how to interpret and incorporate them into your technical analysis.

In this article, we'll look at some of the most common candlestick chart patterns used by traders.

The Double Top and Double Bottom

As the name suggests, this candlestick chart pattern is formed when "two tops" form following a strong rally or strong bullish conditions.

The pattern is important for figuring out bullish exhaustion and market tops after an extended up trend. Usually, the pattern signals that the market is about to reverse its direction.

The traditional way of trading the pattern is to put a sell order once price crosses past the neckline (the containment line acting as support when the pattern is formed).

The inverse of the double top pattern is the double bottom pattern. It normally appears after a strong bearish move and signals that the market is about to reverse to the upside.

Head and Shoulders and Inverse Head and Shoulders

Just as the name suggests, the head and shoulders chart pattern is formed by a head and two shoulders.

Normally, when it appears on a chart, traders interpret it to mean that the market that has been trending in a certain direction for a while is about to change its course.

The head and shoulders pattern usually form following a strong bullish move and it indicate that bulls are becoming tired and not able to continue moving the price of the trading instrument upwards.

Just like the double top pattern, the head and shoulders pattern is also traded by putting a sell order once market breaches the neckline.

Wedges

Wedges are normally formed when the market consolidates between sloping support and resistance lines, indicating that traders are still undecided on where to take the price next.

As the market makes higher lows (HL) and lower highs (LH), price is squeezed into the tip of the wedge and a breakout could take place.

Since wedges are bilateral, a breakout could happen either upwards or downwards.

So, the best technique to use for trading this pattern is to place buy orders once a breakout occurs upwards or place sell orders once a breakout takes place below the wedge.

Triangles (Ascending and Descending)

Ascending triangles normally appear on charts when the market runs into a resistance level and prevents further movement to the upside.

What is taking place during the formation of this pattern is the presence of a certain level that the bullish pressure is unable to penetrate.

However, this level is gradually being weakened as buyers continue to gain strength until a breakout happens to the upside. In some cases, the buyers are unable to break the barrier and the resistance level holds, making price to fall.

The opposite of the ascending triangle pattern is the descending triangle pattern.

The descending triangle pattern normally develops when strong bearish pressure fails to penetrate a solid support level in the market. The sellers seem to be unable to break the support line.

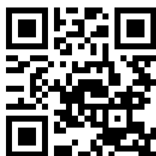
However, as they continue to gain strength, they exert enough force to cause a breakout to the downside. In some instances, the sellers are unable to break the support level and price rises upwards.

If you want to start career in forex trading or binary options trading, SlickTrade (http://slicktrade.net/) will equip you with the essential skills to ensure you succeed.

Contact
Krystal Comber
***@slicktrade.net

--- End ---

Source	SlickTrade
City/Town	Traverse City
State/Province	Michigan
Country	United States
Industry	Business, Home business
Tags	Ascending Triangle Pattern, Binary Options, Forex Trading, Candlestick Chart Patterns, Candlestick Patterns
Link	https://prlog.org/12393637



Scan this QR Code with your SmartPhone to-
* Read this news online
* Contact author
* Bookmark or share online