Classic Chart Patterns Strategy [Reversal and Continuation Patterns]

When multiple candlesticks align on a price chart, they form shapes that reflect **future price movements**. These shapes are known as **repetitive classic patterns**. Classic patterns are divided into two categories: **reversal patterns** and **continuation patterns**.



Classic Pattern 9 Repetiti e and Re ersal Classic Patterns

Some of the most important classic Chart patterns include Head and Shoulders, Flag, Wedge, and Symmetrical Triangle

Application of Classic Patterns

Due to their repetitive nature, **classic Chart patterns** are used to predict future price movements. Since they clearly define **highs and lows**, these patterns are helpful in identifying **entry points** and setting **stop-loss** levels in the **Forex market,** stock market, and **cryptocurrency**.

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Reasons for Using Classic Patterns

Although classic Chart patterns are **traditional methods of technical analysis**, they are still widely used in financial markets due to:

- **Simplicity in identification**
- **Compatibility with other analytical tools,** such as **indicators, trading volume, and candlestick patterns**

Reliable Chart Patterns

Classic Chart patterns are categorized into **Reversal Patterns** and **Continuation Patterns**.

Reversal Patterns

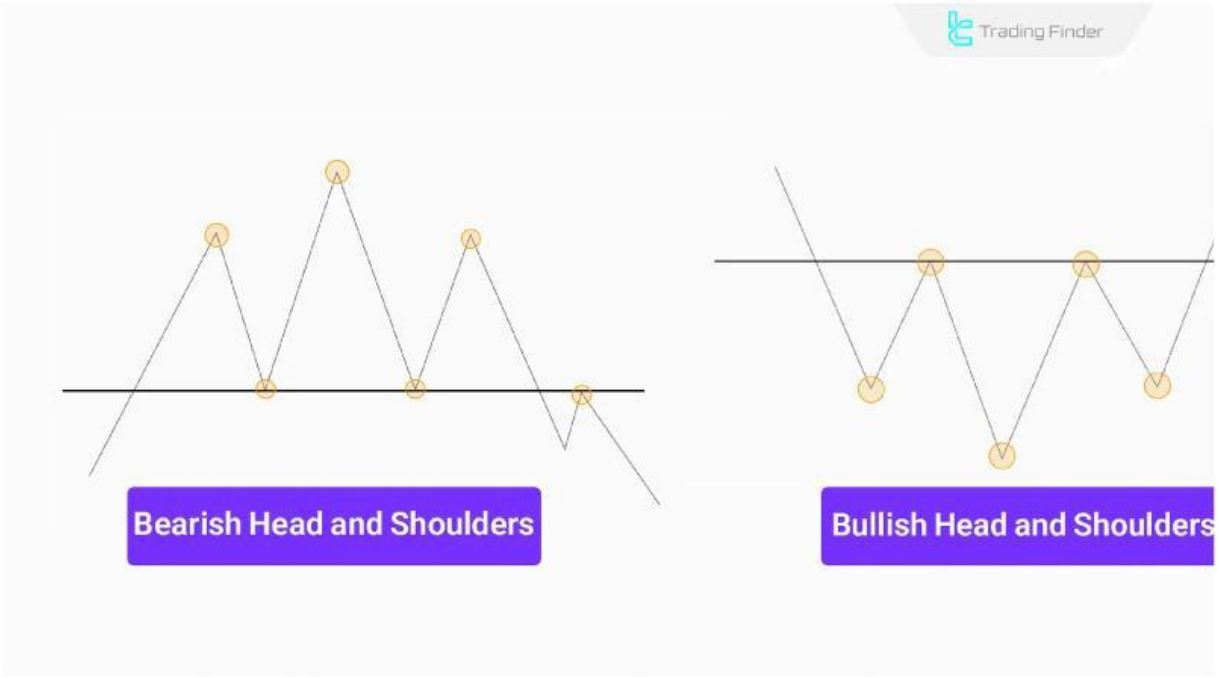
These classic patterns indicate a **weakening of the current trend** and a **potential trend reversal**.

Head and Shoulders

The **Head and Shoulders** reversal pattern signals the end of a trend and a possible change in price direction. This pattern consists of **one larger middle peak (or valley) and two smaller side peaks (or valleys).**

The pattern is more reliable in **medium to long term timeframes**, as the price must be in a strong trend before forming the pattern. It is **most visible in H1, H4, and Daily timeframes**.

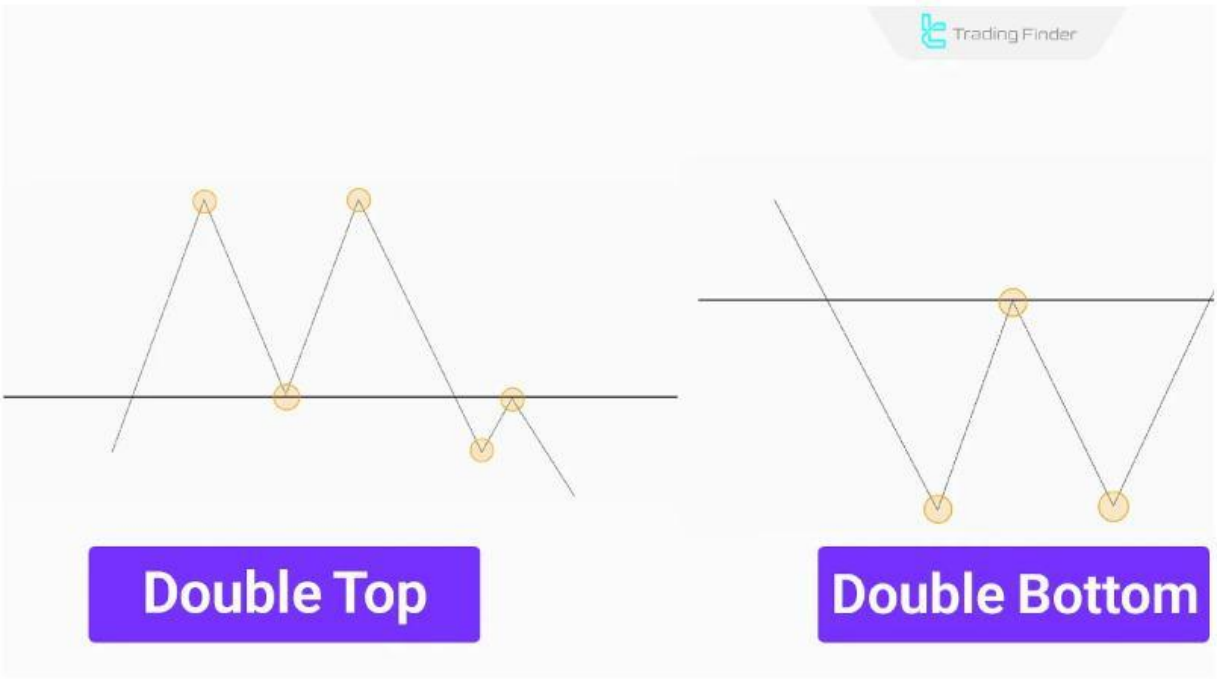
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Examples of the Head and Shoulders pattern in an uptrend and a downtrend

Double Top & Double Bottom

A **Double Top** forms **two consecutive peaks** at a resistance level, signaling **a bearish reversal**. Conversely, a **Double Bottom** forms **two troughs at a support level**, indicating a potential bullish reversal.



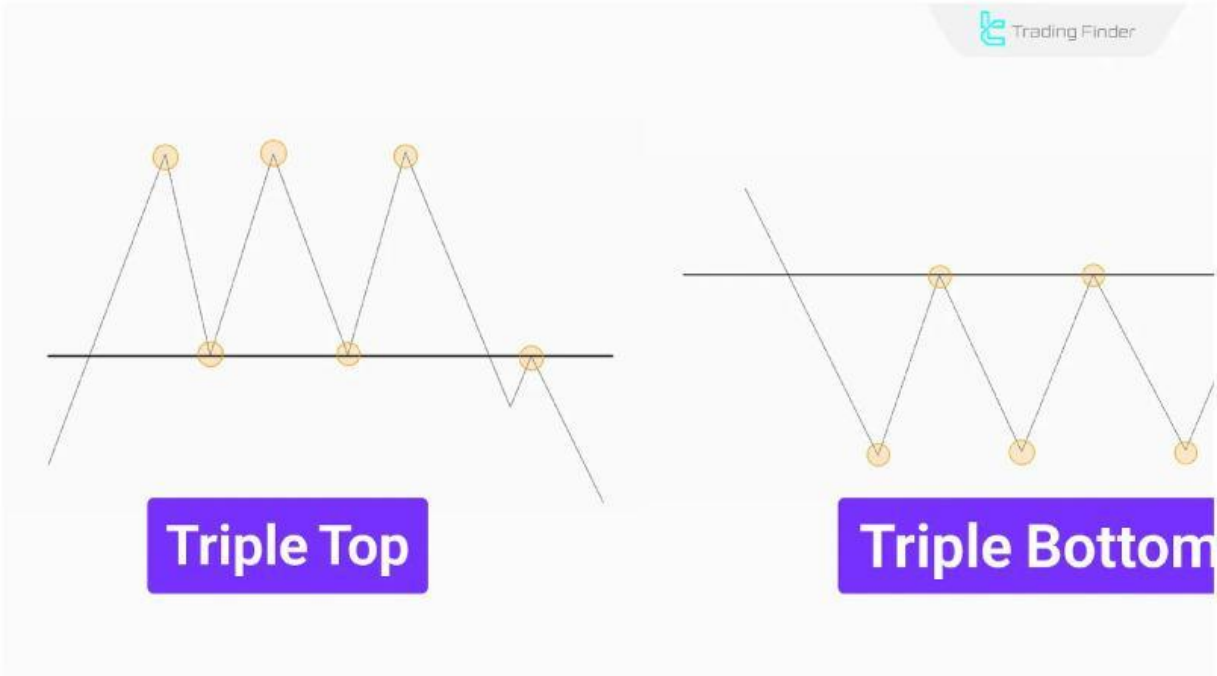
Examples of the Double Top and Double Bottom pattern

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The pattern is commonly seen in **short to medium term timeframes**, particularly in **30-minute to 4-hour charts (M30, H1, H4)**, as it often forms after a strong price wave.

Triple Top & Triple Bottom

A **Triple Top** forms when the price **hits resistance three times** but fails to break through, signaling a potential **downtrend**. Conversely, a **Triple Bottom** occurs when the price **bounces off support three times**, strengthening the probability of an uptrend.



Examples of the Triple Top and Triple Bottom patterns

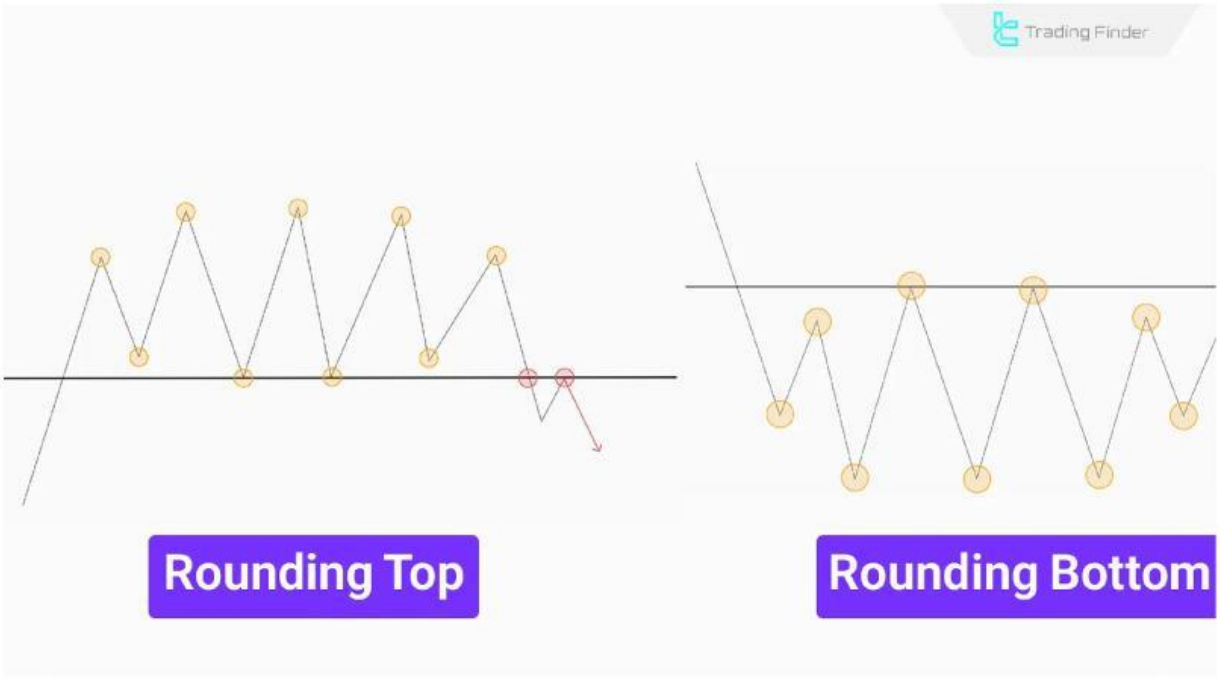
The pattern is more prominent in **medium to long term timeframes** (H4, Daily, Weekly), as price requires multiple attempts to breach support or resistance.

Rounding Bottom & Rounding Top

A **Rounding Bottom** appears as **a gradual downward movement that slowly turns upward**, forming a semi-circular shape at the bottom, indicating an **uptrend**.

A **Rounding Top** forms **a smooth arc at the peak of a price movement**, signaling a **downtrend**.

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Examples of the Rounding Bottom and Rounding Top patterns

Due to their **slow formation**, these patterns typically appear in long term timeframes (**Daily** and **Weekly**).

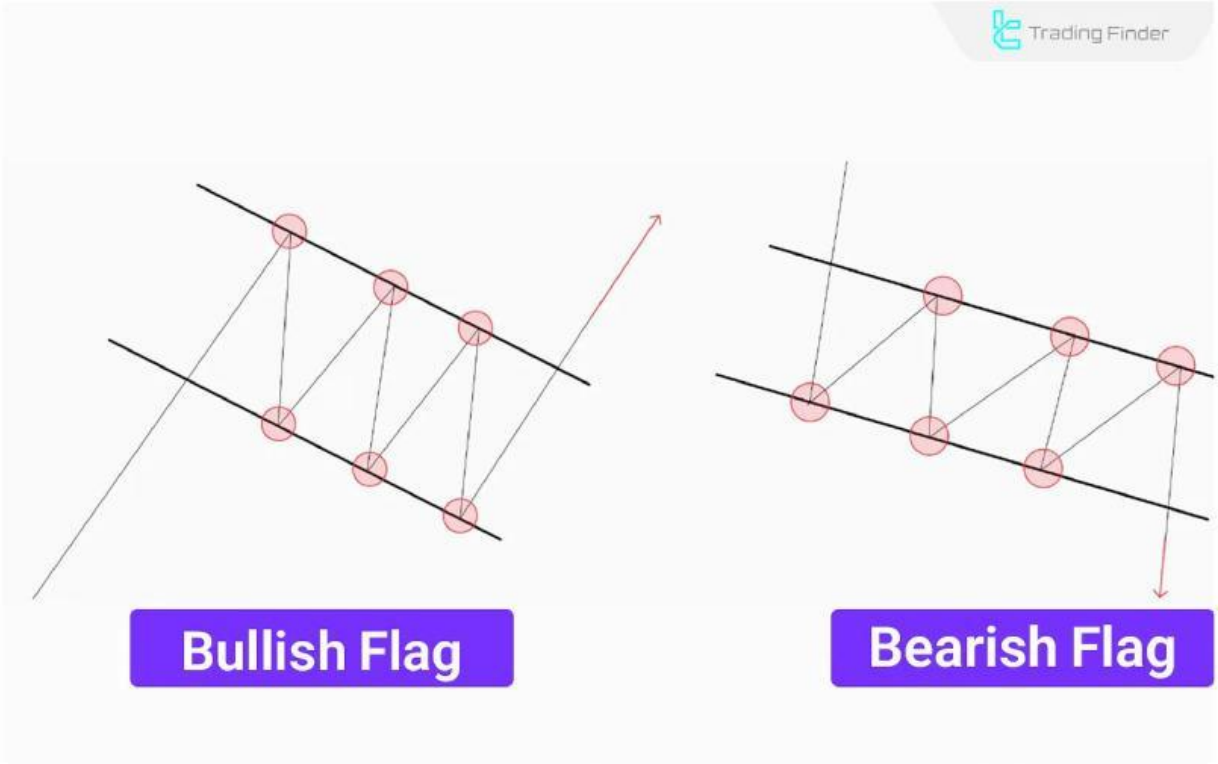
Continuation Patterns

Continuation classic patterns indicate the continuation of the trend after a **short correction**.

Flag

The Flag pattern is a short-term continuation pattern that forms after a substantial price movement (flagpole). It consists of a small channel moving in the opposite direction of the primary trend and breaks out in the direction of the previous trend.

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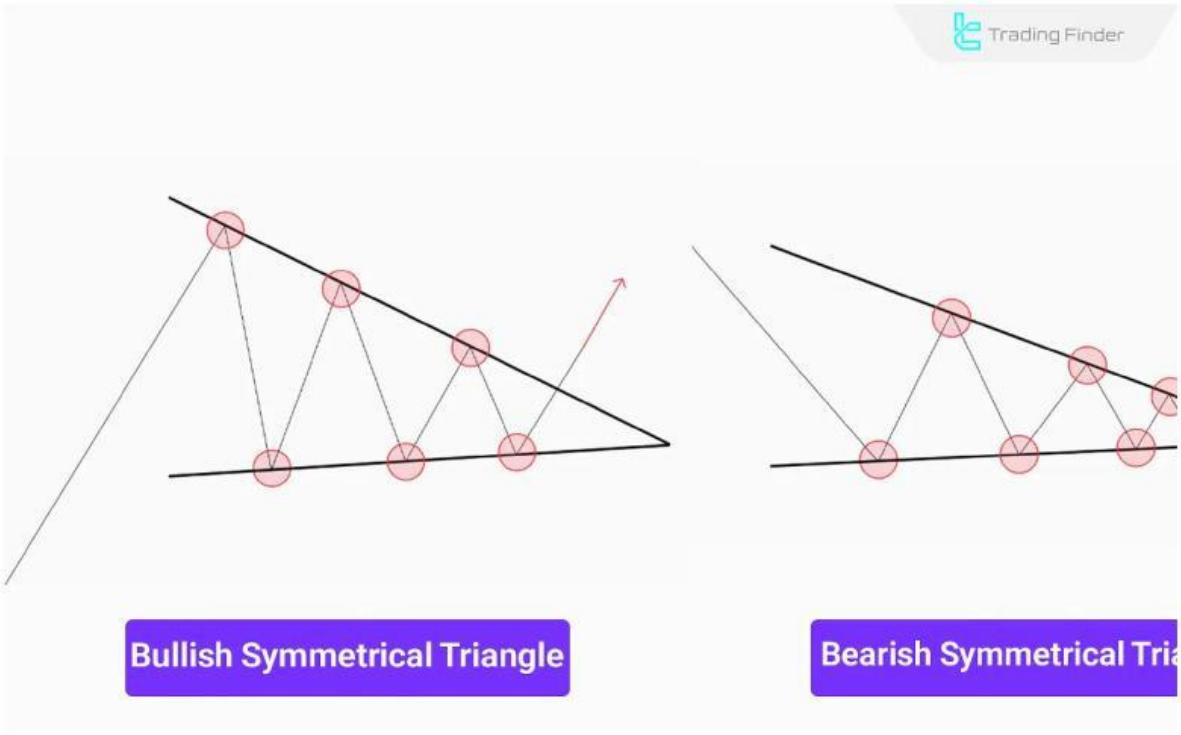
Example of Bullish and Bearish Flag patterns.

The Flag pattern is most useful for **scalping** and **day trading** in short to medium term timeframes (M5, M15, M30, H1).

Symmetrical Triangle

The **Symmetrical Triangle** is a continuation Classic chart pattern in which the price fluctuates within a narrowing range. It consists of **two converging trendlines** and usually leads to a breakout.

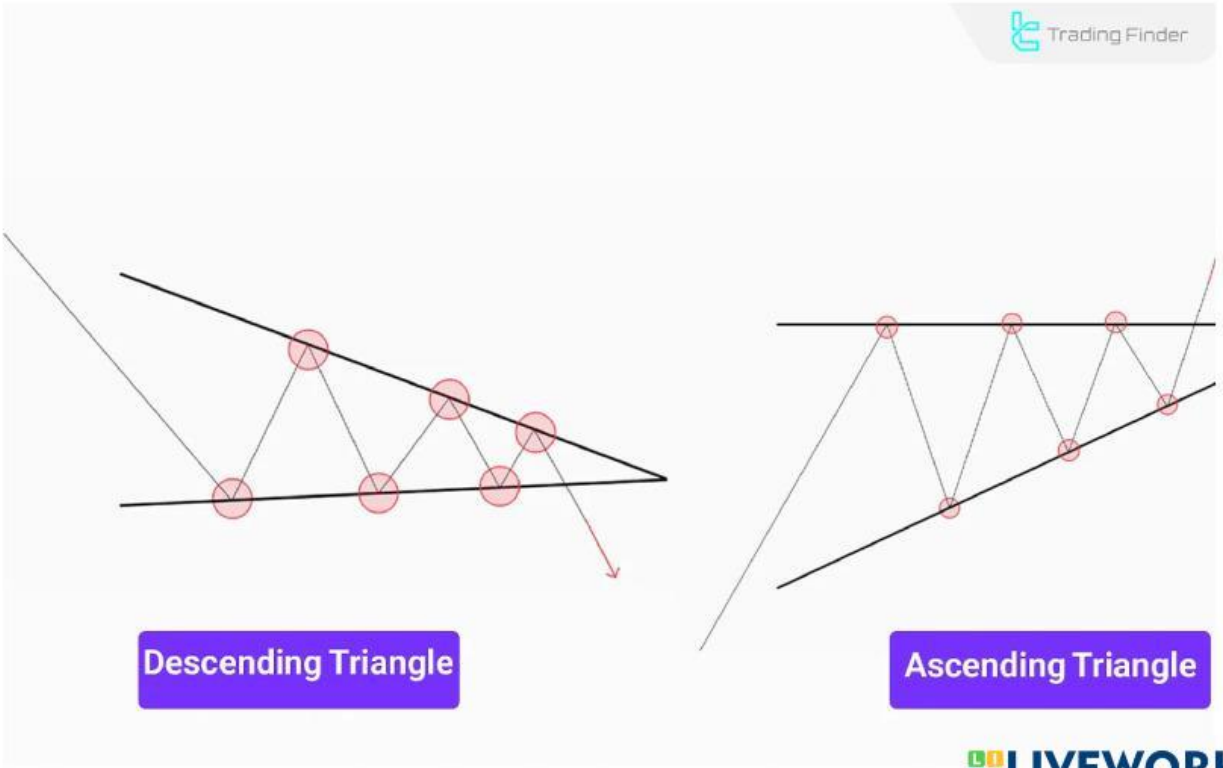
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Examples of Symmetrical Triangle in an uptrend and downtrend

Ascending & Descending Triangle

An **Ascending Triangle** has **a horizontal resistance and rising lows**, often resulting in an **upward breakout**.



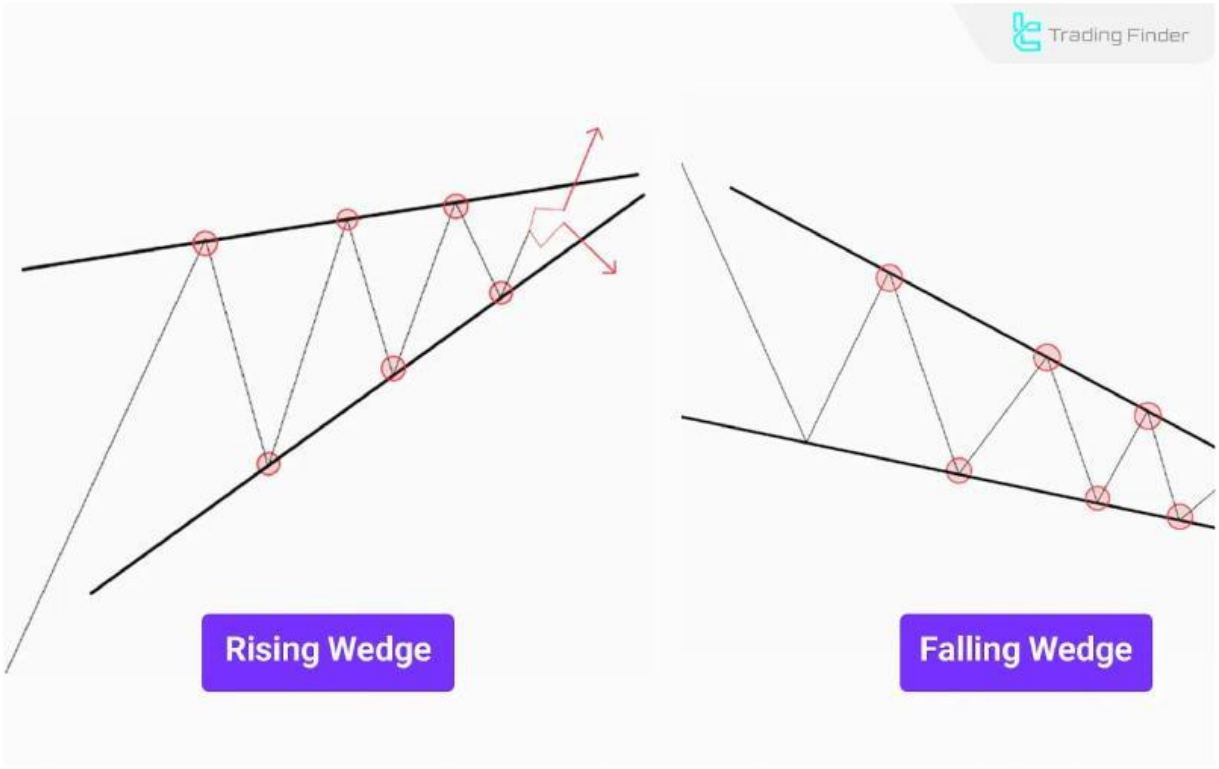
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Examples of Ascending and Descending Triangle patterns

Wedges

Wedges include **Rising Wedge** and **Falling Wedge**, typically forming in **high-momentum trends**.

- **Rising Wedge** slopes upward and usually results in **a bearish breakout**
- **Falling Wedge** slopes downward and typically **breaks out bullish**

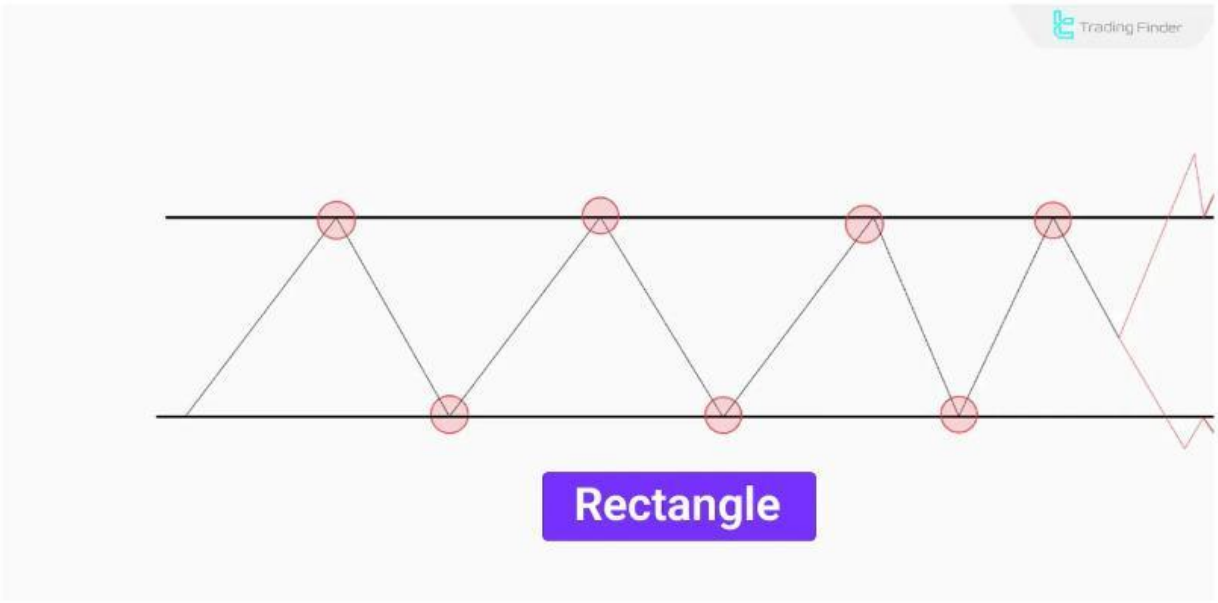


Examples of Rising and Falling Wedge patterns

Rectangle

The **Rectangle pattern** indicates **sideways price movement** where the price oscillates between **support and resistance** before breaking out.

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Example of the Rectangle pattern

Advantages and Disadvantages of Classic Patterns

These patterns, like all **trading strategies,** have their own **advantages and disadvantages**:

Advantages	Disadvantages
Simple visual identification	Possibility of fake breakouts
Usable in all financial markets	Requires confirmation with indicators and volume
Compatible with other analysis tools	Delayed signal confirmation

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- **Confirmation with Technical Indicators:** Uses **RSI, MACD,** and **Moving Averages**
- **Multiple Timeframe Analysis:** Ensure reliability across different timeframes

cator to Confirm Signals

used alongside classic patterns to identify overbought and oversold zones. For example, if **RSI is in the oversold zone and a Double Bottom pattern forms, the likelihood of a trend reversal increases**.

Combining Classic Patterns with the MACD Indicator

source:

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