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In this Thread, We will cover some important Reversal Patterns.

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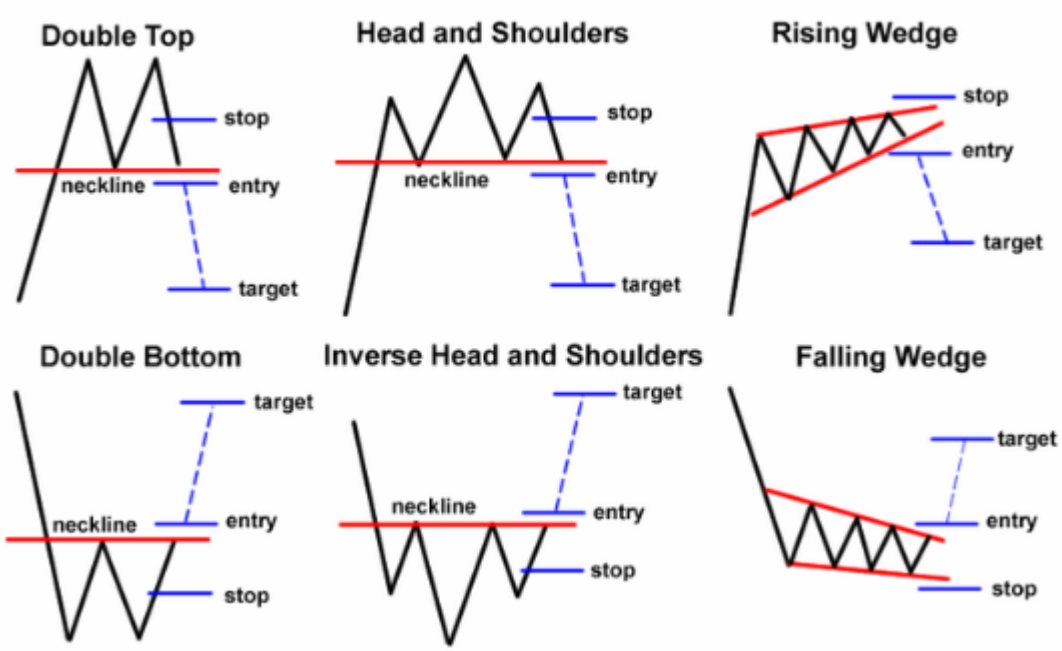


1. Double Top

a. Two successive peaks separated by an opposite reversal point.

b. Either rounded or pointed peaks that are usually at roughly the same price.

c. Price must break out of middle reversal point.

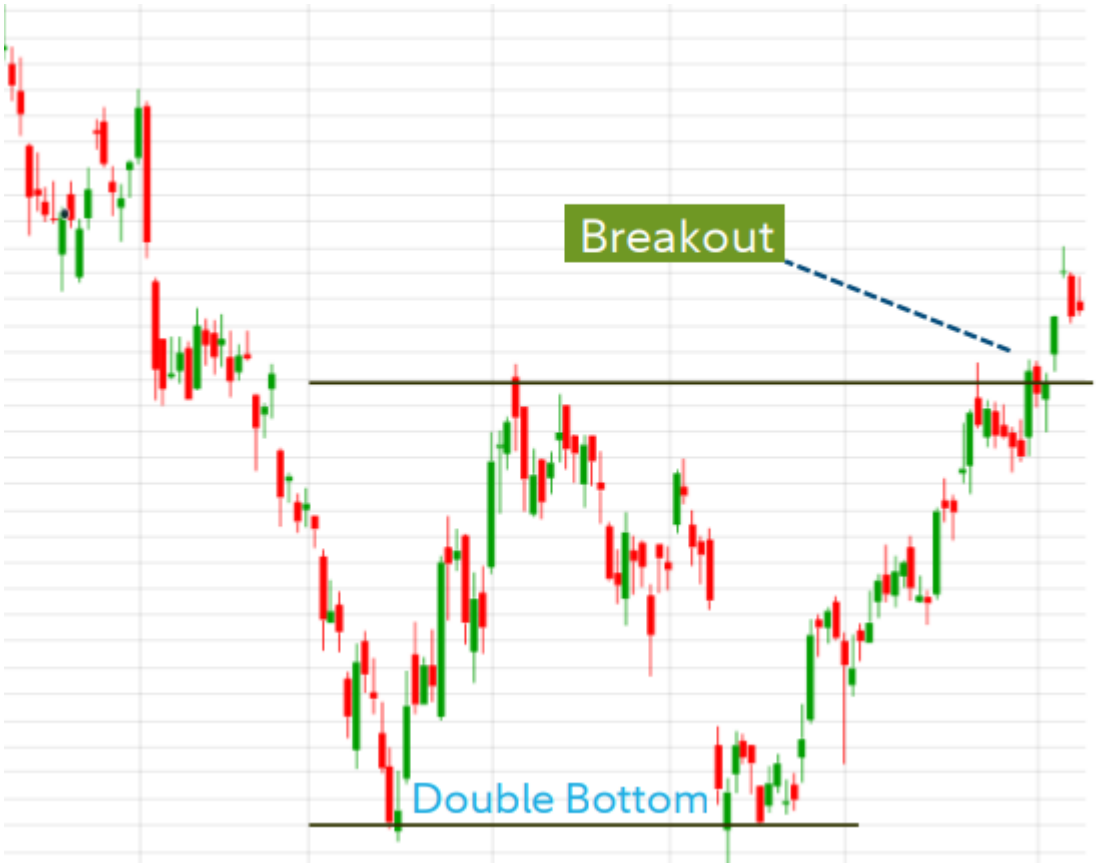


2. Double Bottom

a. Two successive troughs separated by a peak.

b. Either rounded or pointed troughs that are usually at roughly the same price.

c. Price must break out of middle peak.



3. Head and Shoulders

a. Three peaks with center peak higher than the other two.

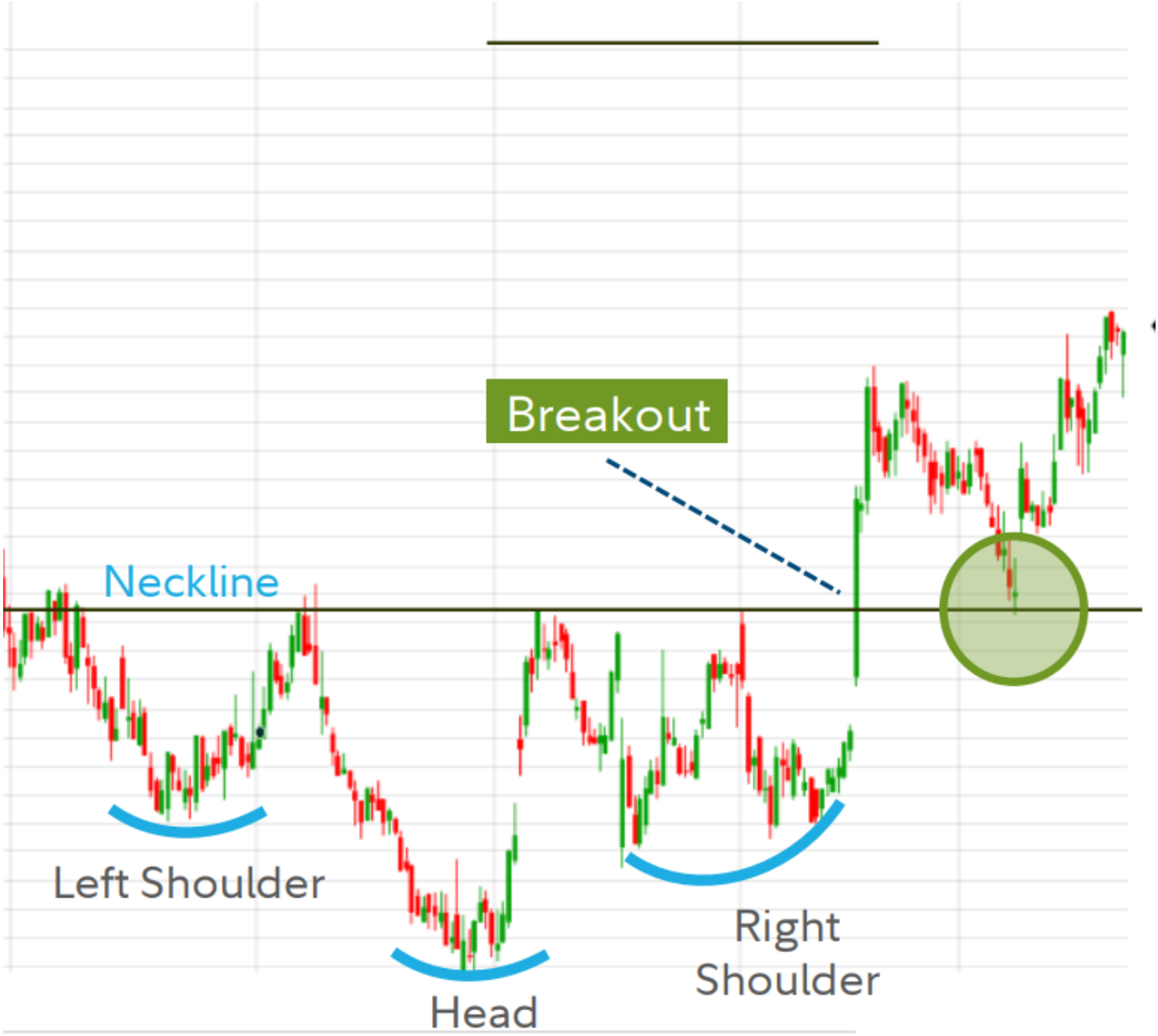
b. Shoulders should be at approximately the same level and the head higher.

c. Target is the distance from the head to the neckline projected from the neckline.



4. Inverse Head and Shoulders

a. Inverted but otherwise identical to above pattern.



5. Rising Wedge

a. Bounded by two trend lines, each headed in the same direction. Price must touch a trend line at least five times before a breakout.



6. Falling Wedge

a. The falling wedge has a series of lower highs and lower lows, but the lower lows are less pronounced than the lower highs, creating more of a wedge than a triangle shape.


Downtrend Market
Lower High
Bullish Breakout
Lower Low