Twitter Thread by Trading Sasmal

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A Thread on Rectangle Pattern:-

What is rectangle pattern?

Rectangle pattern also known as trading range, consolidation.We get multi-day, multi-week or multi-month consolidation where price move in range.

How rectangle pattern formed:-

The price should touch two point of resistance and two point of support parallelly to form rectangle pattern. Price move in range line "A " and line "B", line "A" known as resistance or supply, line "B" known as support or demand.

Role of volume :-

If you go through textbook method volume should dry up during the consolidation. But in my experience it is not necessary that volume should dry up there are time when volume get aggressive during consolidation.

Below chart shows how volume get aggressive during consolidation.

Below chart shows dry up volume during consolidation.

Duration:-

Longer the duration of rectangle pattern generally more aggressive the breakout going to be.

How do I place my entry, stop loss and target?

ENTRY:- Entry will be at breakout candle high with 0.3% buffer.

STOPLOSS:- Stop-loss can be placed on various ways some people use breakout candle low as stop-loss some use percentage type stop-loss, some put stop-loss based on latest swing low.

what I prefer is when I take short term swing trade I place a stop-loss based on latest swing low on one hour time frame or breakout candle low as stop-loss.

TARGET:- Range of consolidation is calculated as target by textbook method

but I mark next resistance as target if I am long.If stock is at all time high do not mark any specific target I just trail until my trailing stop-loss get hit.

Thanks for reading.