After learning the structure of the markets, you know the market typically moves between 4 stages (accumulation, advancing, distribution, declining).

But, knowing that isn't enough as you still need an entry trigger to get you into the trade.

You're probably wondering: "What's an entry trigger?"

It's a particular pattern or signal that tells when exactly to enter the markets.

This is important because you can have the best market conditions to trade, but if you don't know when to enter the trade, it's as good as not trading.

Now, a mistake new traders make is assuming the entry trigger is the trading strategy itself.

The truth is, the entry trigger is a part of a trading strategy.

Only when the other conditions are met, then a trader will look for an entry trigger to enter the trade.

Don't forget that.

So, in this chapter, you'll learn a few useful entry triggers that tell you when exactly to buy or sell.

**You'll learn:**

- False Break
- Buildup
- Head & Shoulders
- Ascending Triangle

Ready? Then let's begin…

**False Break**

The False Break pattern has a statistical edge in the markets as shown in the book, *The Art and Science of Technical Analysis* by Adam Grimes.

This pattern has been shared by many veteran traders and they have different names for it.

For example, Adam Grimes calls it "Failure Test", Richard Wyckoff calls it "Spring", and Victor Sperandeo calls it "2B".

So, what is this pattern all about?

A False Break pattern occurs when price trades above a swing high, only to get rejected and close lower.

Or, when price trades below a swing low, only to get rejected and close higher.

There are variations to this pattern as the price can get rejected within the same candle, the next candle, or even on the 3rd candle.

Also, it can appear in the form of a Pinbar or Engulfing pattern.

Here are some examples:

You’re probably wondering: “Why does the False Break pattern work?”

Well, think about this… when price trades above the highs, there are traders who will go long (like breakout traders).

But, when the market fails to rally higher (and starts to reverse), this group of traders are now “trapped”.

They are feeling the heat as their open positions are in the red. And as the price trades lower, they will eventually bail out and cut their loss (which adds to the selling pressure).

So, how do you profit from this phenomenon?

You trade the False Break pattern.

Moving on…

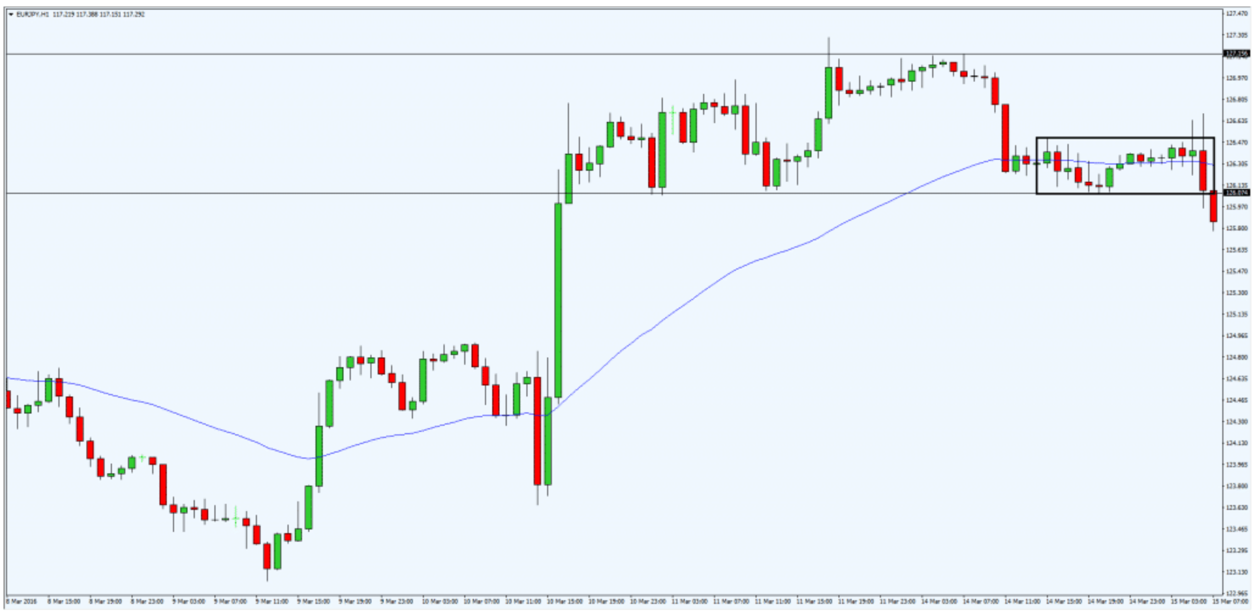
**Buildup**

This looks similar to trading the breakout of the Accumulation stage and shorting the breakdown of Distribution stage.

For a short setup, here are some things to look for:

- The 50-period moving average is flattening
- The buying pressure is getting weaker with smaller bodied candles
- The market is consolidating near the lows (called a buildup)

An example:



First, you want the 50MA to flatten to prevent you from shorting too early.

Next, you want to see reduced buying pressure (in the form of smaller-bodied candles) as this tells you the buyers are getting “weak”.

Then, you want the market to consolidate near the lows of Support to attract new buyers.

Now, why does this pattern work?

The reason is simple. Many traders will want to long at Support because this is an area of value.

So, what happens if the price consolidates at Support for a long period of time?

You can bet that more traders will be long since they are taught that the more times Support is tested, the stronger it becomes (which is not true).

And you will get more sell stop orders placed under the lows of Support.

But… what happens if the market breaks Support?

It will trigger all these sell stop orders (from traders who are long) which create selling pressure, and ultimately, lower prices.

And to take advantage of this phenomenon, you can short the break of Support.

**Head & shoulders patterns**

The Head & Shoulders is a reversal chart pattern.

It shows the buying pressure is losing strength and could reverse lower.

Here's how it looks like:


A – The buyers are in control as the market is in an uptrend (with higher highs and lows)

B – A "crack" is showing up as the buyers cannot break above the previous high

C – The sellers are in control as the price broke below Support

Now:

An important thing to look for is small bodied candles (or volatility contraction) at the right shoulder.

This tells you that the buyers are unable to push the price higher and the price is likely to trade lower.

And vice versa for Inverse Head & Shoulders pattern.

An example:


**Ascending Triangle**

The Ascending Triangle is a bullish chart pattern.

It shows the buyers are in control as they push the price higher (in the form of higher highs and lows) towards Resistance.

Here's how it looks like:


This pattern works because as the price re-test Resistance, there will be traders going short with their stop loss just above the highs of Resistance.

So, when the price does finally break out, it triggers this cluster of stop-loss which fuels more buying pressure.

Just like the Head & Shoulders pattern, I'd like to see volatility contraction when the triangle is forming because volatility tends to expand after contraction.

This allows a tighter stop loss and larger position size for the same level of risk.

And vice versa for the Descending Triangle.

An example:


Now, you're probably wondering:

"Do I enter when the price breaks a level, or wait for the candle to close in my favor?"

This is what I'll cover next…

**Do you wait for a candle close, or not?**

So here's the deal:

There's no right or wrong answer to this question.

Both approaches have their pros and cons to it, and if you ask me, it's a matter of personal preference whether you want to wait for a candle close, or not.

Now, let's understand what are the pros and cons of each approach…

**Wait for a candle close** — this approach is less prone to "false breakout" since you're entering the trade after the market has closed in your favor.

However, you may enter the trade at a much higher/lower price if the market has moved drastically away from the breakout level.

**Don't wait for candle close** — this approach would give you a better risk to reward as you are entering near the breakout level.

However, it is more prone to “false breakout”.

As mentioned earlier, there’s no right or wrong to either approach. Ultimately, you want to go with the option that exercises the least mental capital on yourself.

**Summary**

- You don’t want to trade entry triggers in isolation. Instead, use them as part of your overall trading strategy
- A False Break occurs when the price breaks through the high/lows only to get rejected lower/higher
- A buildup occurs when the price consolidates near the lows of Support for a long period of time (and vice versa)
- The Head & Shoulders pattern is a reversal chart pattern (and vice versa for Inverse Head & Shoulders)
- The Ascending Triangle is a bullish chart pattern (and vice versa for Descending Triangle)