



MARKET MASTERS

A C A D E M Y

**CONTINUATION  
PATTERNS  
CONFIDENTIAL  
TRAINING**

*Market Masters, LLC*

*[www.marketmastersacademy.com](http://www.marketmastersacademy.com)*

# CONTINUATION PATTERNS (CP)

- CP usually indicate that the sideways price action on the chart is nothing more than a pause in the prevailing trend and that the next move will be in the same direction as the trend that preceded the formation.

*CP are classified as "near term" or "intermediate" patterns*

- CP are not rigid rules but higher probability formations. We can see on charts triangles that signal major top or bottoms. Also, they can appear on L-T charts as well as in S-T charts.



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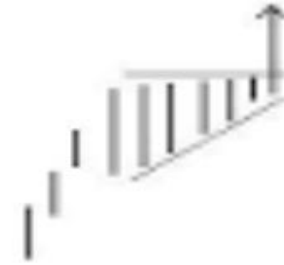
# CONTINUATION PATTERNS (CP)



**Flag**



**Pennant**



**Ascending Triangle**



**Descending Triangle**



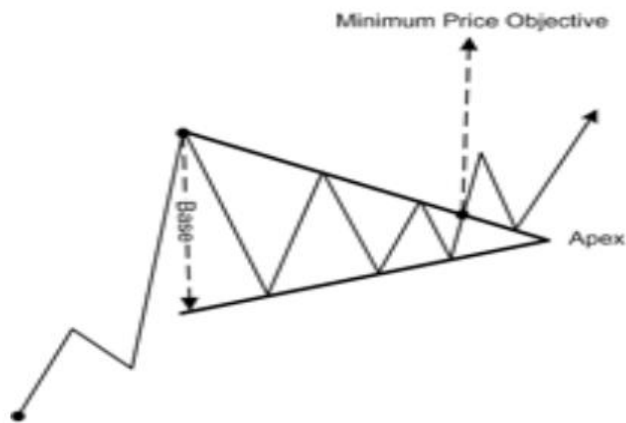
**Symmetrical triangle**



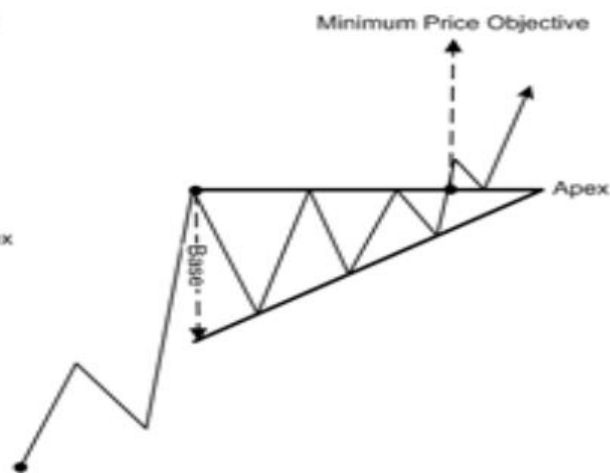
# Triangles

## 3 TYPES of TRIANGLES: SYMMETRICAL, ASCENDING & DESCENDING

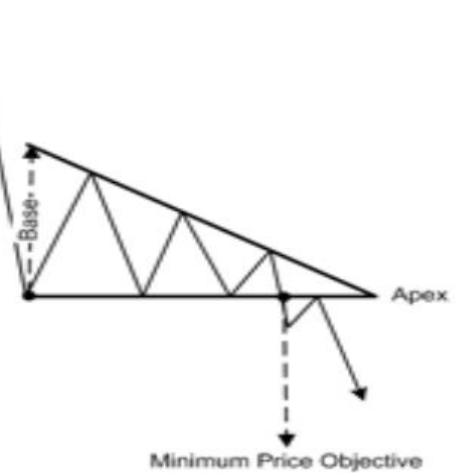
Symmetrical Triangle



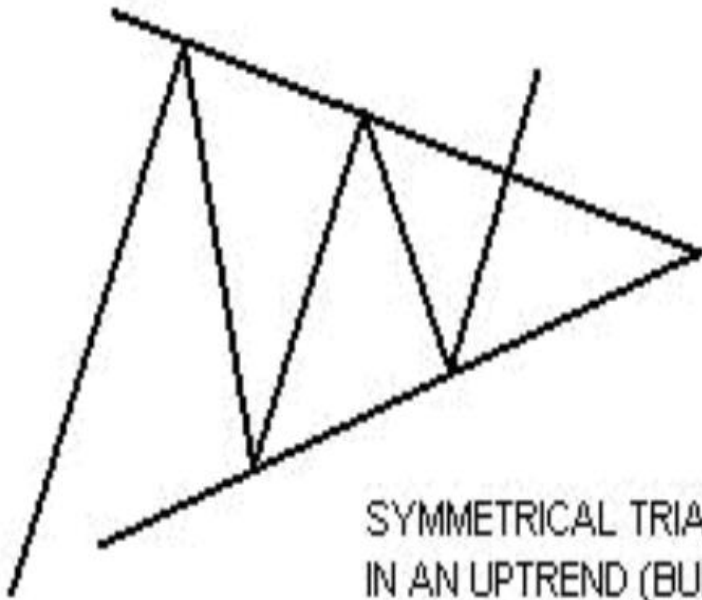
Ascending Triangle



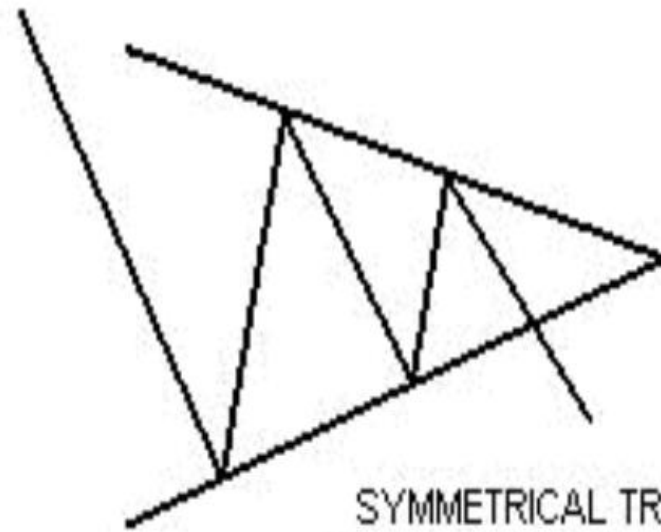
Descending Triangle



# Symmetrical (coil)



SYMMETRICAL TRIANGLE  
IN AN UPTREND (BULLISH)



SYMMETRICAL TRIANGLE  
IN A DOWNTREND (BEARISH)



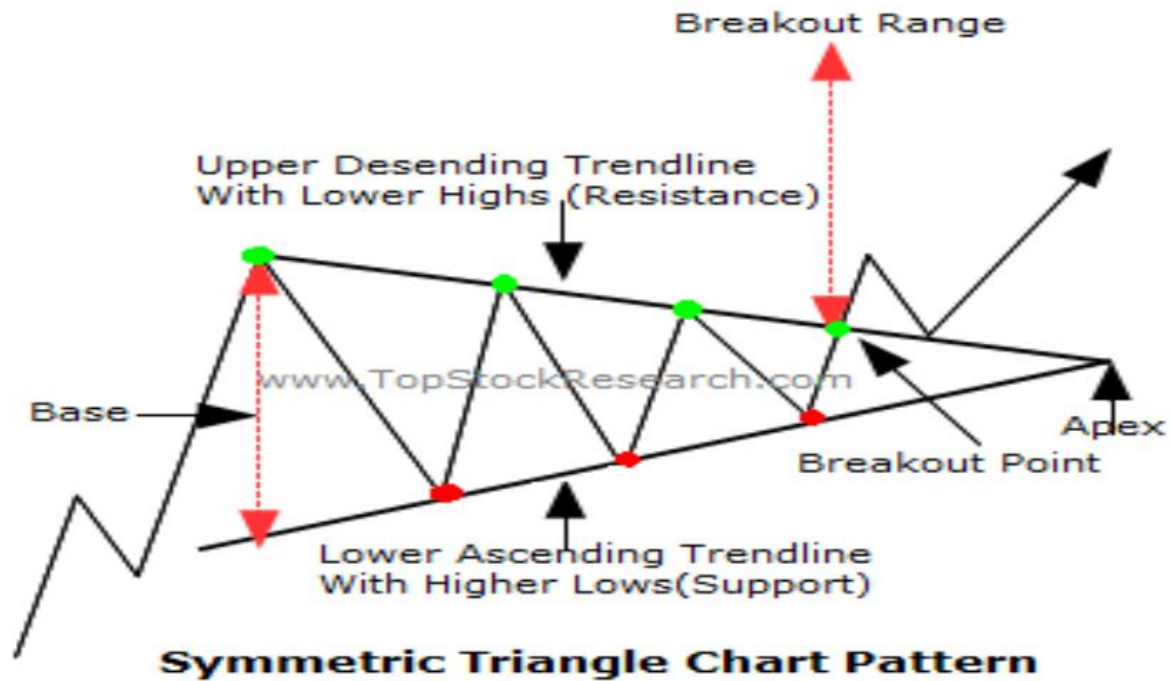
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# Symmetrical (coil)

1. Usually a C.P
2. Min requirement: 4 reversal points. Many triangles have 6 reversal points.
3. Time Limit: Breakout somewhere between  $2/3$  and  $3/4$  of the horizontal width of the triangle (Base to Apex). If prices remain within the triangle beyond the  $3/4$  point, it starts to lose its potency and usually means that prices will continue to move sideways and out to the Apex and beyond.



# Symmetric Triangle Chart Pattern



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# Symmetrical (coil)

## 4. Breakout:

Closing penetration of the trend lines (filters 1-3%, 2 days close). Sometimes, a return move will occur after the breakout. Trend lines become support and/or resistance. The Apex also acts as an important support or resistance level after the breakout occurs.



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## Symmetrical (coil)

### 5. Volume:

Volume should diminish as the price swings narrow within the triangle (all CP) but the volume should pick up noticeably at the breakout that the C.P completes.

- Volume is more important on the upside than on the downside
- During swings volume is up in the direction of the prevailing trend.



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# Symmetrical (coil)



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# Symmetrical (coil)

## 6. Measuring:

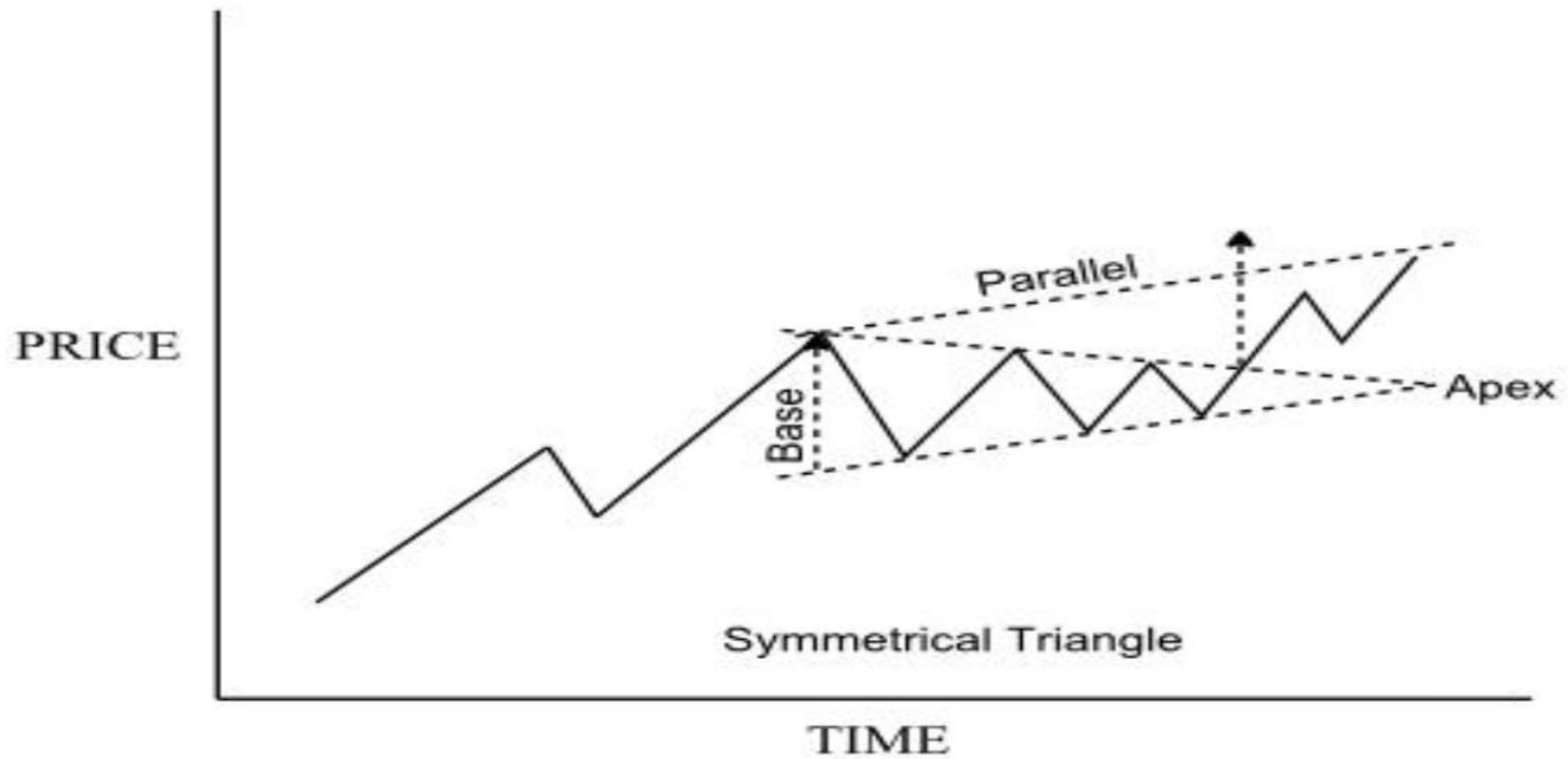
- Base projected at the breakout point
- Draw a trend line parallel to the trend line opposite of the breakout at top of base and set the channel. It is not unusual for prices to hit the channel line at the same time the apex occurs: MIN

## PRICE OBJECTIVE



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# Symmetrical (coil)



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# Ascending Triangle (Right angle)

- Upper trend line → flat
- Lower trend line → ascending
- Buyers are more aggressive than sellers → BULLISH FORMATION
- Whenever they appear, they have definite forecasting implications
- Volume: increase in breakout
- Measure: Vertical widest distance & project at breakout points (min price objective)
- Ascending triangles may sometimes appear as a bottoming pattern.

The interpretation remains => bullish pattern.



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# Ascending Triangle (Right angle)



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## Descending Triangle (Right Angle)

- Mirror image of Ascending
- Same as Ascending
- May appear as a Top reversal formation.



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# Descending Triangle (Right Angle)

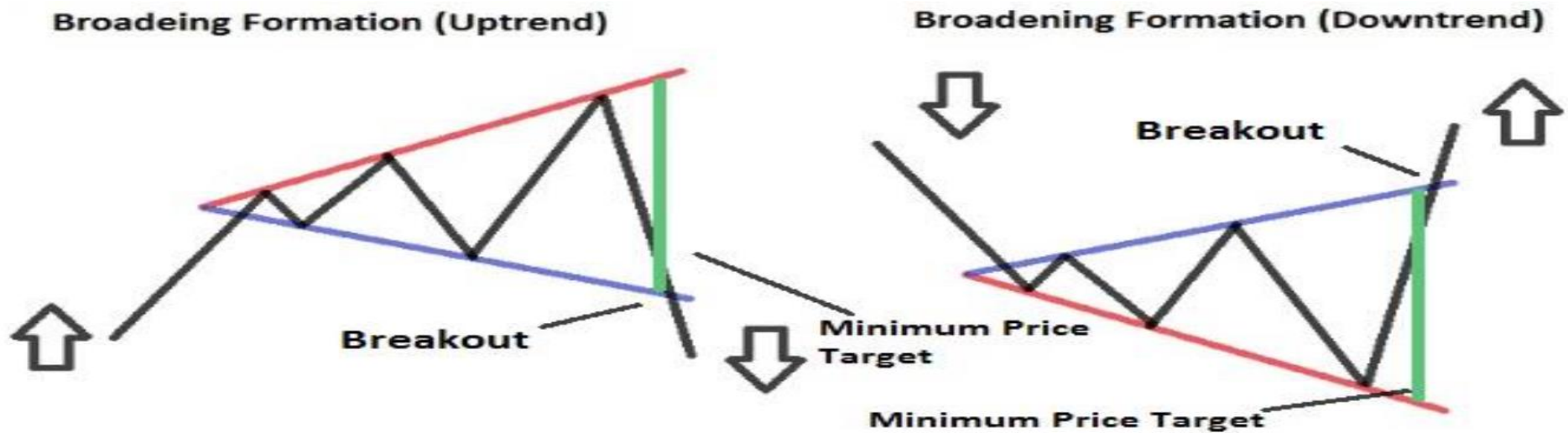


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# Broadening Formation

- Usually a Bearish Formation
- Rare
- Volume increases as swings open



# Broadening Formation



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# Flags & Pennants

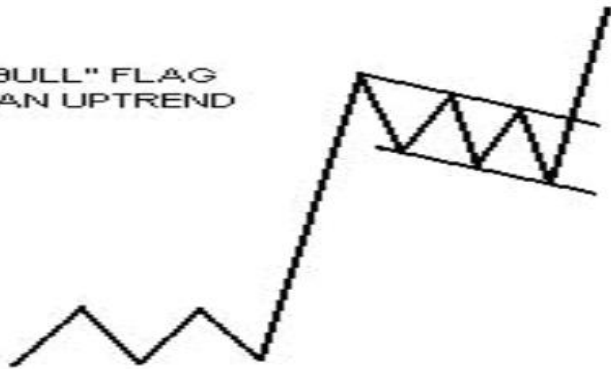
- Quite Common Formations
- Appear both at about the same place in an existing trend and have the same volume and measuring criteria.
- Represent brief pauses in a dynamic market move.
- One of the requirements **BE PRECEDED BY A SHARP & ALMOST STRAIGHT LINE MOVE.**
- Most reliable C.P. and only rarely produce a trend reversal



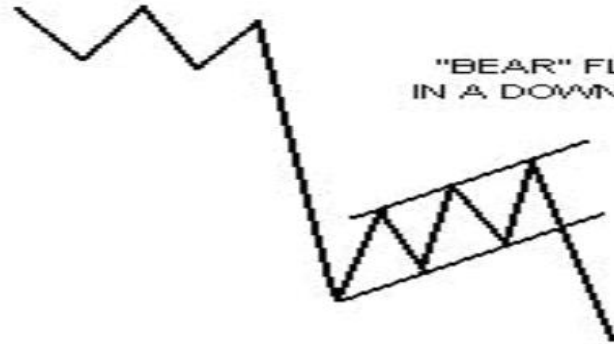
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# Flags & Pennants

"BULL" FLAG  
IN AN UPTREND

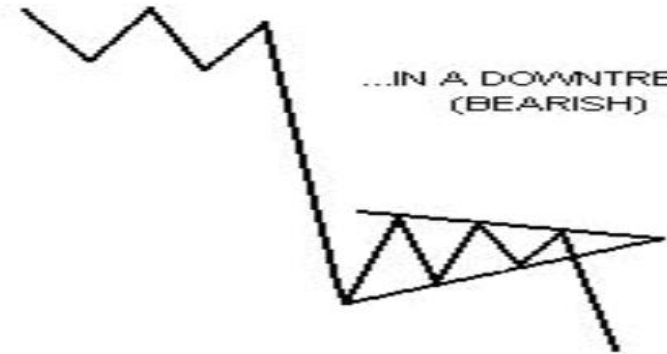


FLAGS



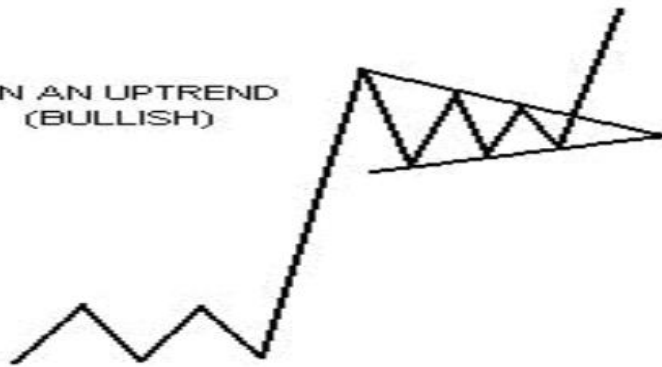
"BEAR" FLAG  
IN A DOWNTREND

PENNANTS...



...IN A DOWNTREND  
(BEARISH)

...IN AN UPTREND  
(BULLISH)

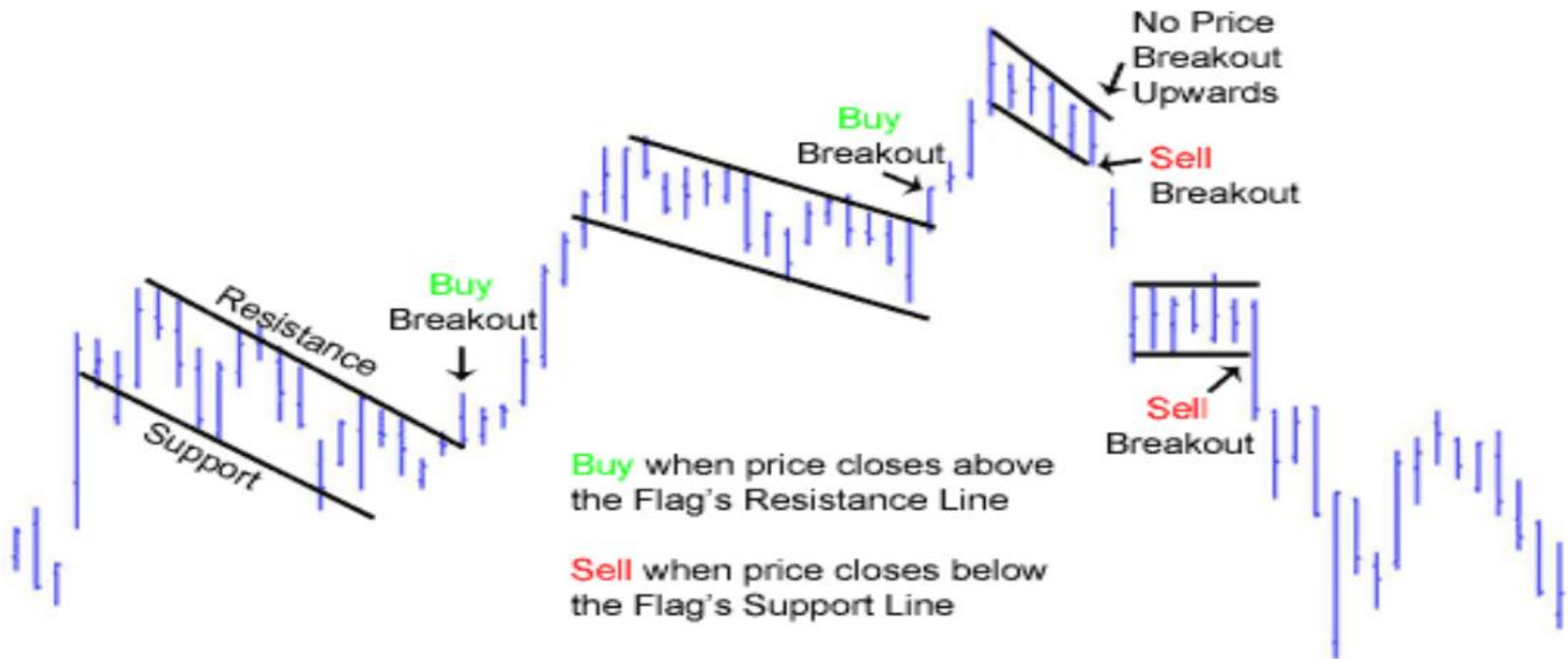


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# Flags & Pennants

## Flag Continuation Pattern

Daily Chart - eBay (EBAY)



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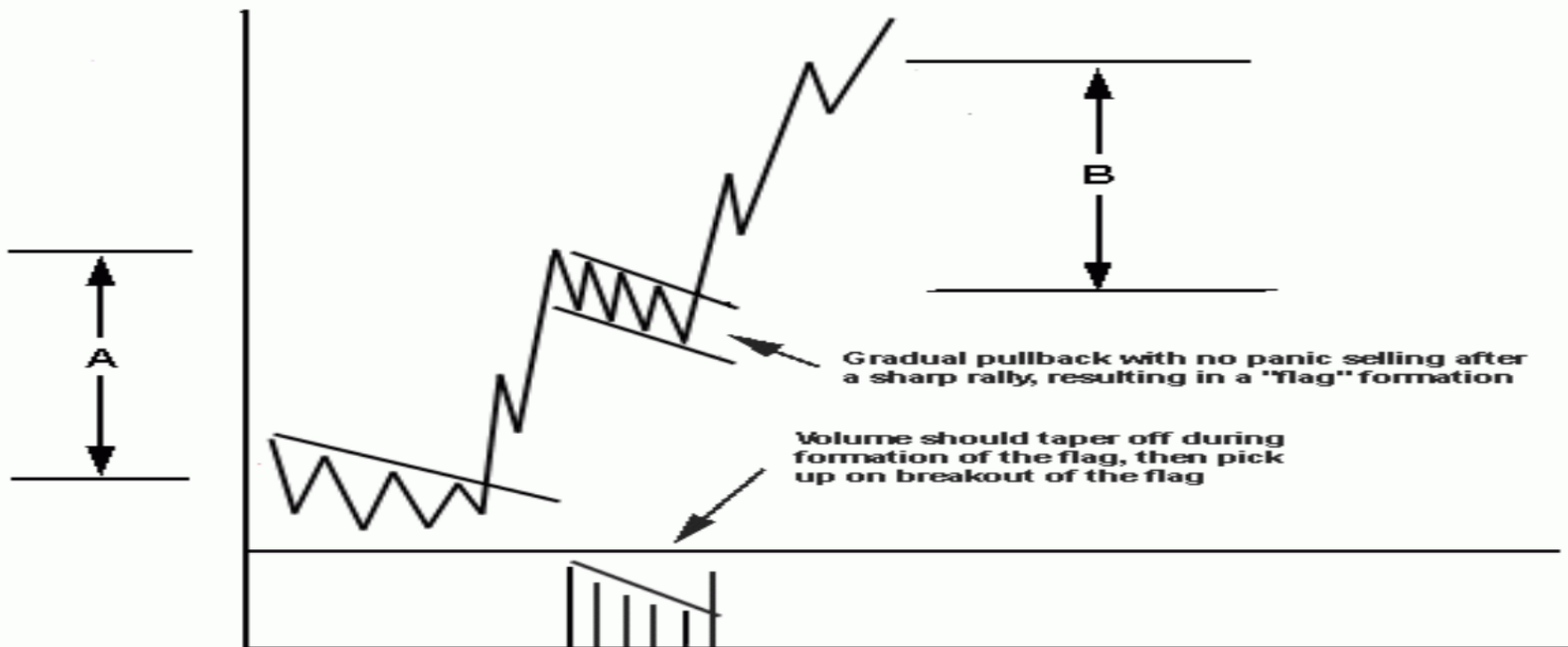
# Flags & Pennants

- Tend to slope against the prevailing trend (flag)
- Volume should dry-up noticeably while each pattern is forming and increase dramatically on the breakout
- Relatively S-T (1-3 weeks)
  - In down trends, tend to be even less (1-2 weeks)
  - Completed with the penetration of the trend line
- Measuring: said to fly at “half-most” from the flagpole. Tend to appear at about the halfway point of the move.

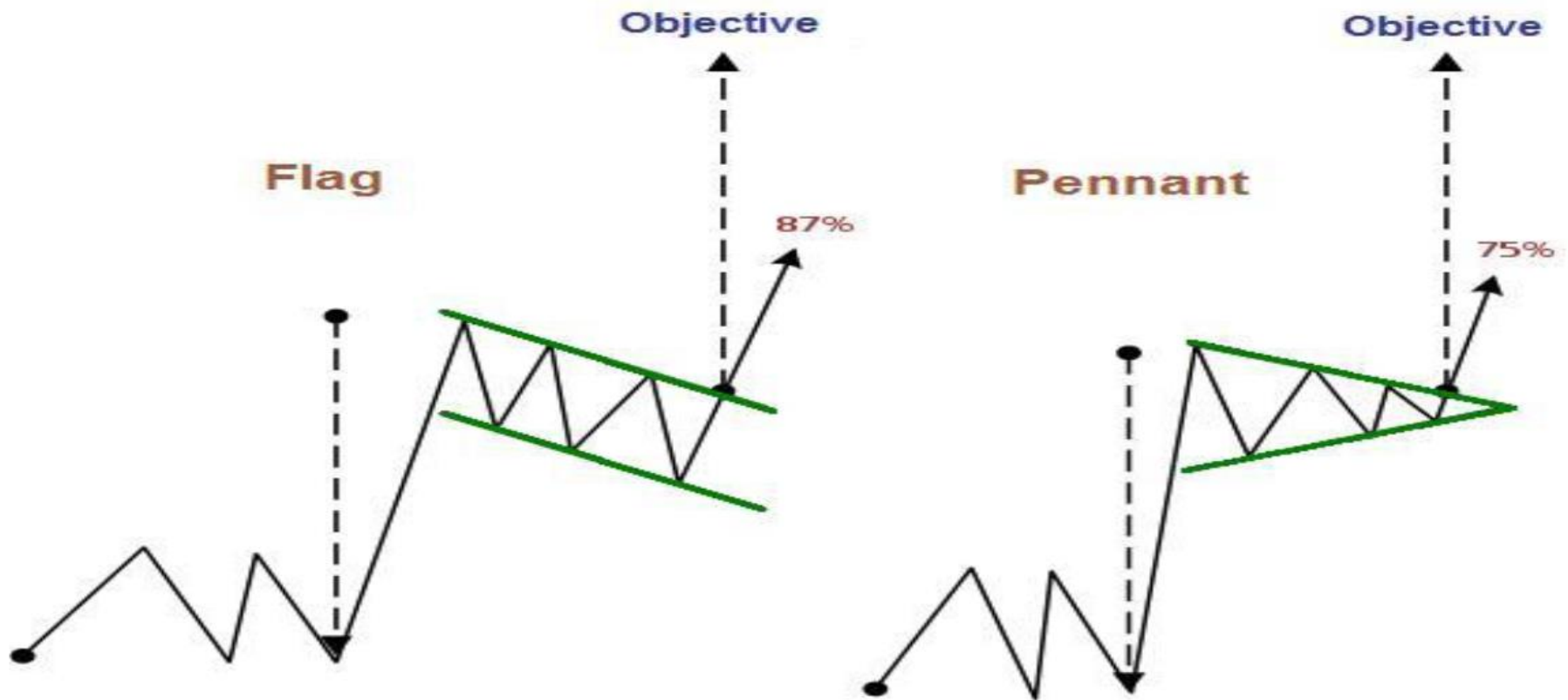


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# Flags & Pennants



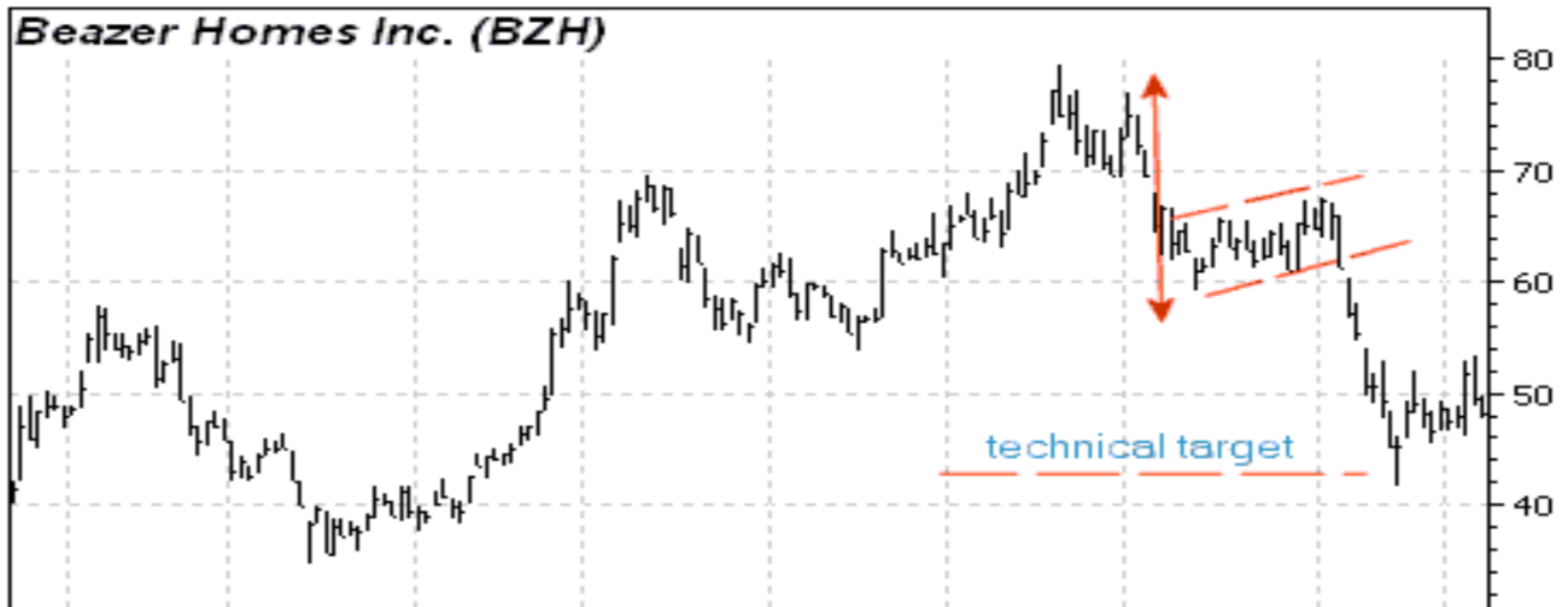
# Flags & Pennants



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# Flags & Pennants



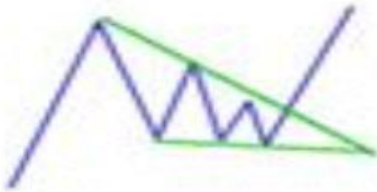
# Flags & Pennants



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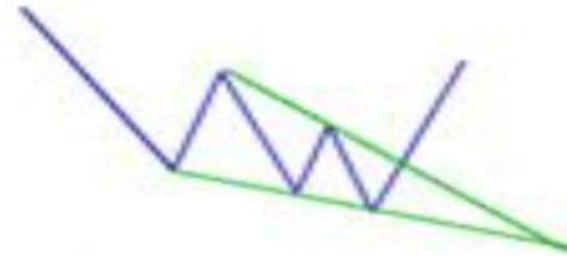
# Wedges

**FALLING IN UPTREND**

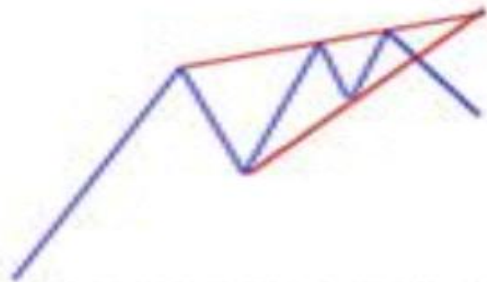


**BULLISH**

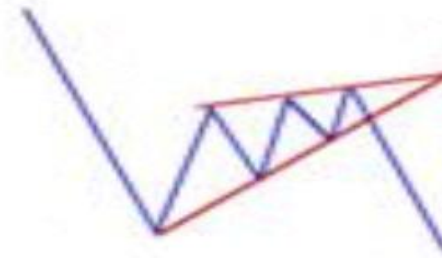
**FALLING IN DOWNTREND**



**BEARISH**



**RISING IN UPTREND**



**RISING IN DOWNTREND**



# Wedges

1. Similar to symmetrical triangle- shape & time (1-3 Months) Intermediate formation
2. The wedge slants against the prevailing trend
  - Falling wedge → bullish formation
  - Rising wedge → bearish formation
3. Usually → C.P.



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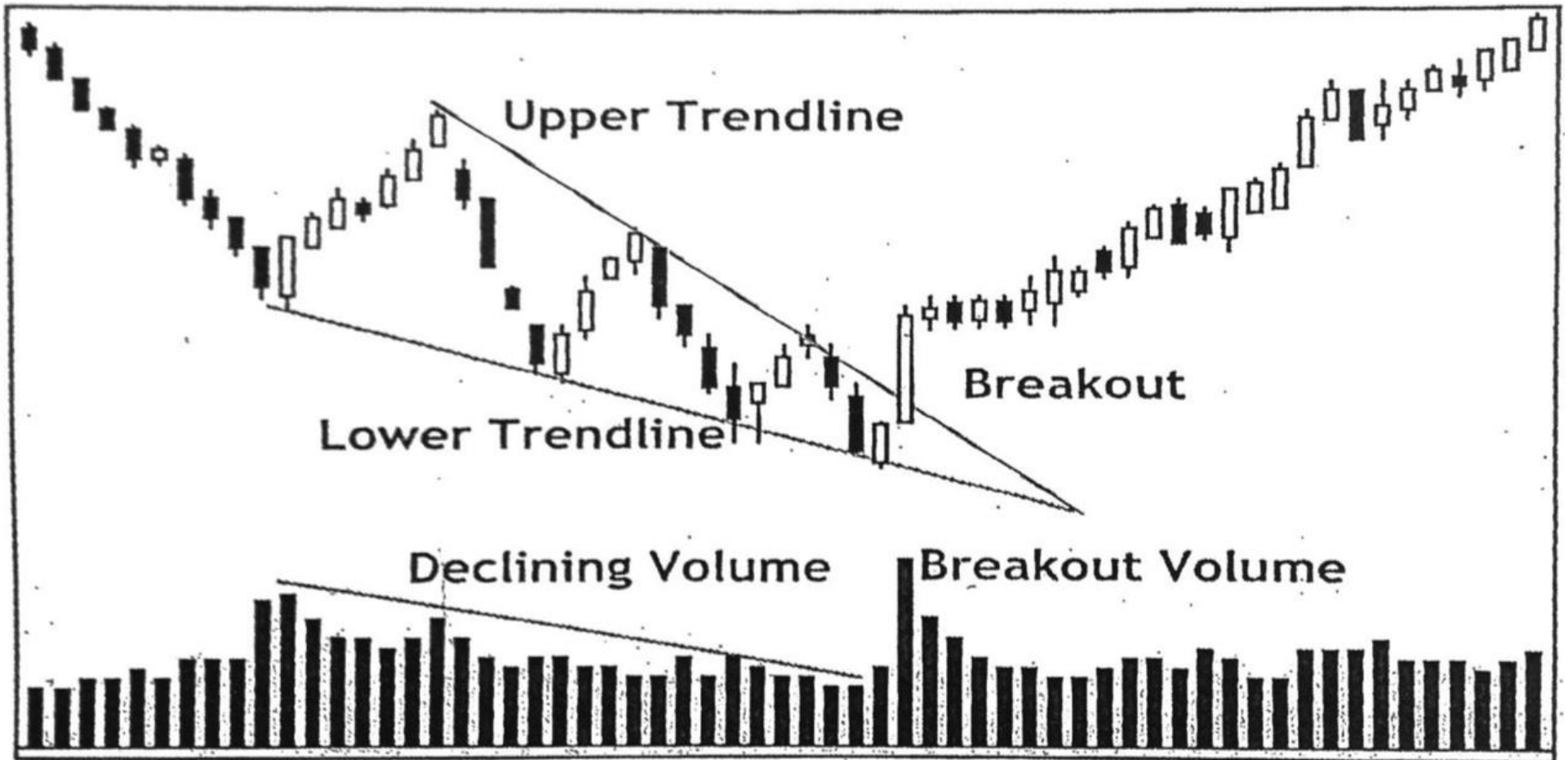
# Wedges

Can also appear on **tops (rising)** or **bottoms (falling)** and signal trend reversal (less common)



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# Wedges



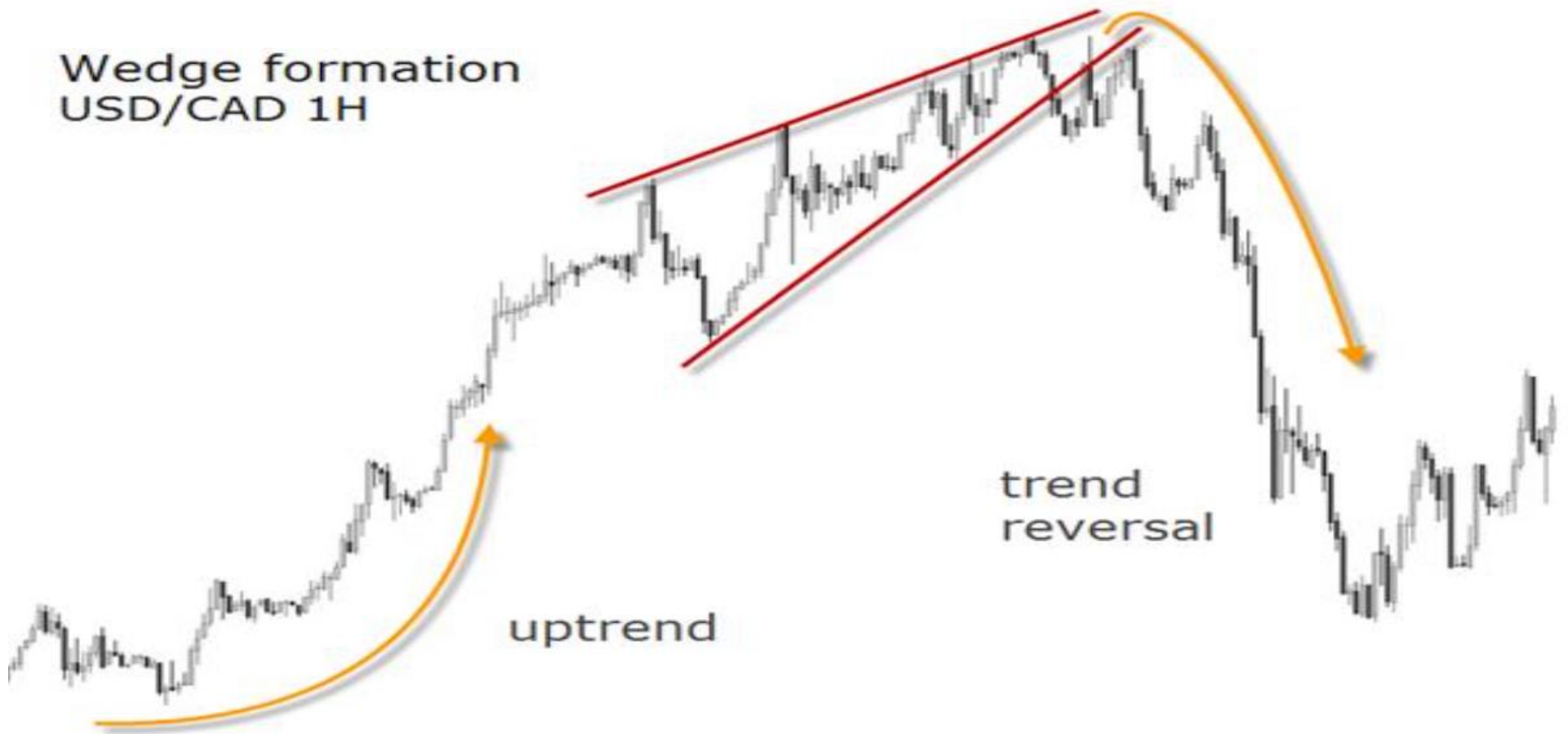
# Wedges



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# Wedges



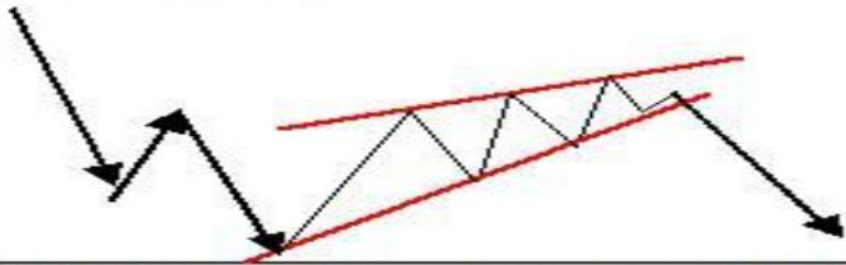
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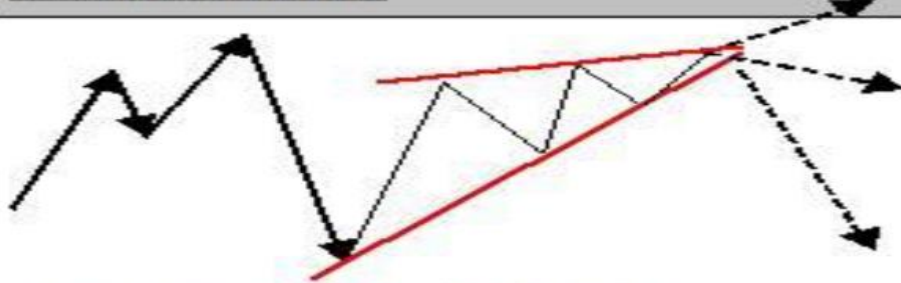
# Wedges

## Rising Wedge Patterns.

**Corrective 'Rising Wedge' in a Downtrend:** – Typically breaks to the downside, however these wedge pattern are prone to false breaks, which can lead to strong rallies.

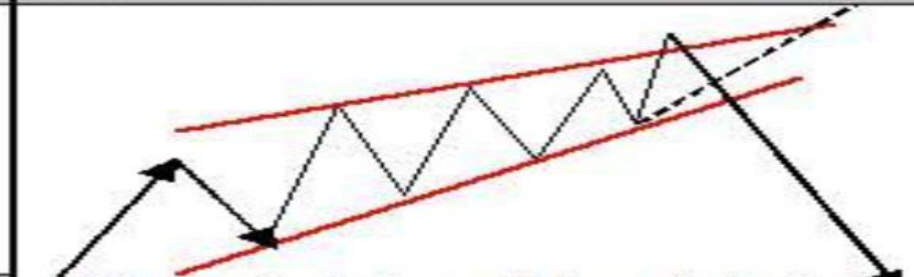


**This 'Rising Wedge' typically occurs following a correction lower within an uptrend or after a consolidation phase.**



Since this pattern is usually part of a consolidation, there is little consistency in where this type of wedge pattern's break will lead to; hence the various exit arrows shown above.

**'Rising Wedge' in an uptrend.** Typically if the trend is mature, wedge will break lower. – However if trend is less mature may continue in same direction.



This type of wedge is usually longer in duration. Solid arrow shows most typical exit from pattern, dash-line arrow exit sometimes occurs.

**Notes:** – The above examples are guides only. In practice there is usually some variation.

Typical duration 1 – 2 months, with the exception of the 'Rising Wedge in an uptrend which are usually 3 – 6 months.

The wedge must have risen up within both converging trend-lines, and must have touched at least one trend-line 3 times and the other trendline at least twice.



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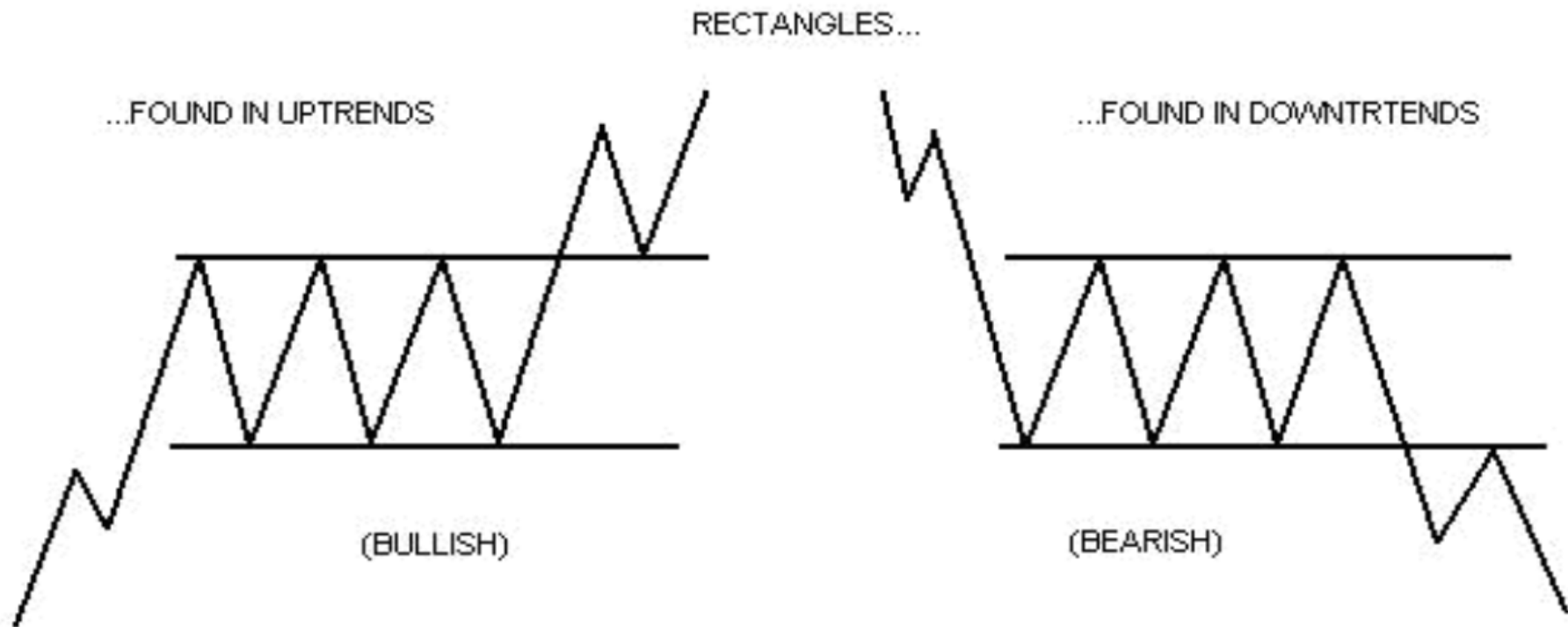
# The Rectangle Formation – Trading Range

- Represents a pause in the trend during which prices move sideways between 2 parallel horizontal lines.
- The rectangle is sometimes referred to as a “trading range” or congestion area.
- In terms of forecasting, it can be viewed as being similar to the symmetrical triangle with flat instead of converging trend lines.



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# The Rectangle Formation – Trading Range



# The Rectangle Formation – Trading Range

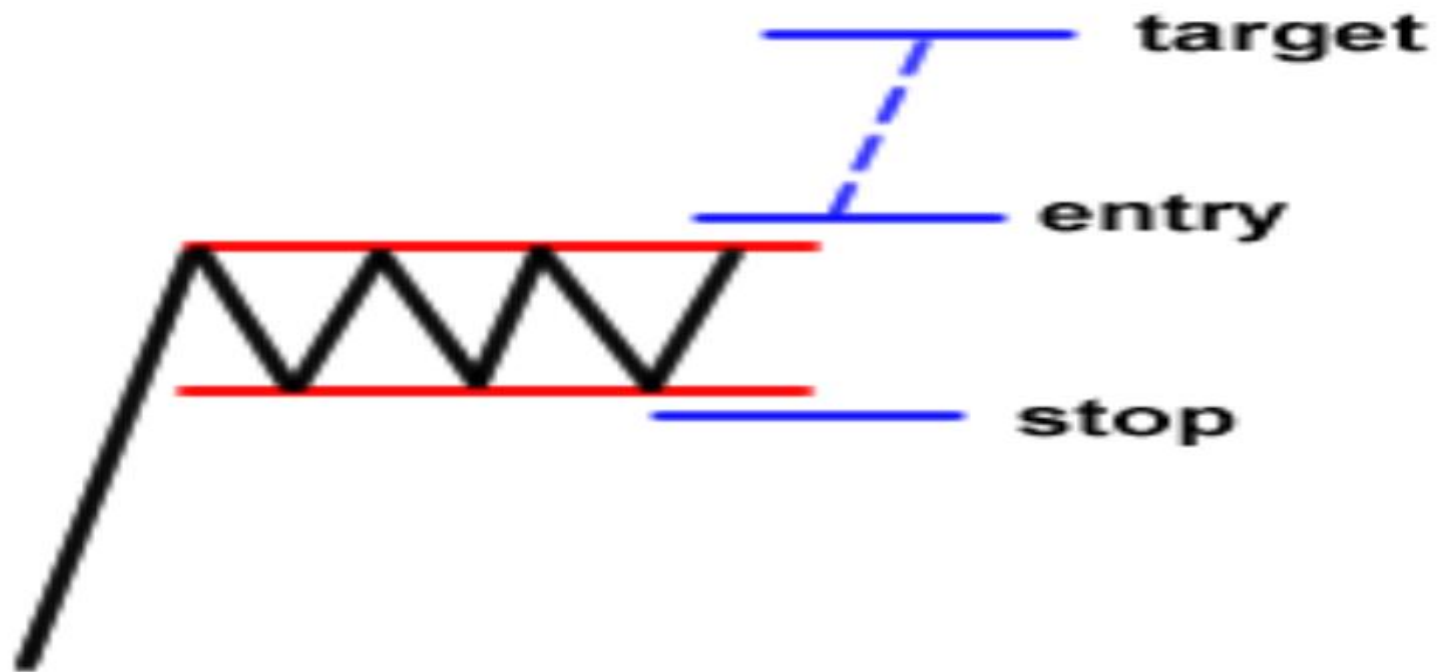
1. Decisive close above the trend line → completion and shows the direction of the trend.
2. Trader must be on alert that the rectangular consolidation does not turn into a reversal pattern (Triple or double top/bottom).
3. Keep an eye on which moves have the heavier volume.
4. Swings within the pattern can be traded, because of the well-defined boundaries.
  - a. Position on extremes with small stop loss. If boundary broken, then can reverse position.
  - b. Oscillators are especially useful in this situation but less useful once the breakout has occurred.
  - c. Other traders, take position in the prevailing trend on the opposite trend line (boundary) and others choose not to trade in such a trendless market.
5. Time to form: usually 1-3 month.
6. Usually there is no drop-off in activity - volume.
7. Measuring: Height of rectangle and project it from the breakout point.
8. Return Move: Trend lines are/become solid supports/resistances.



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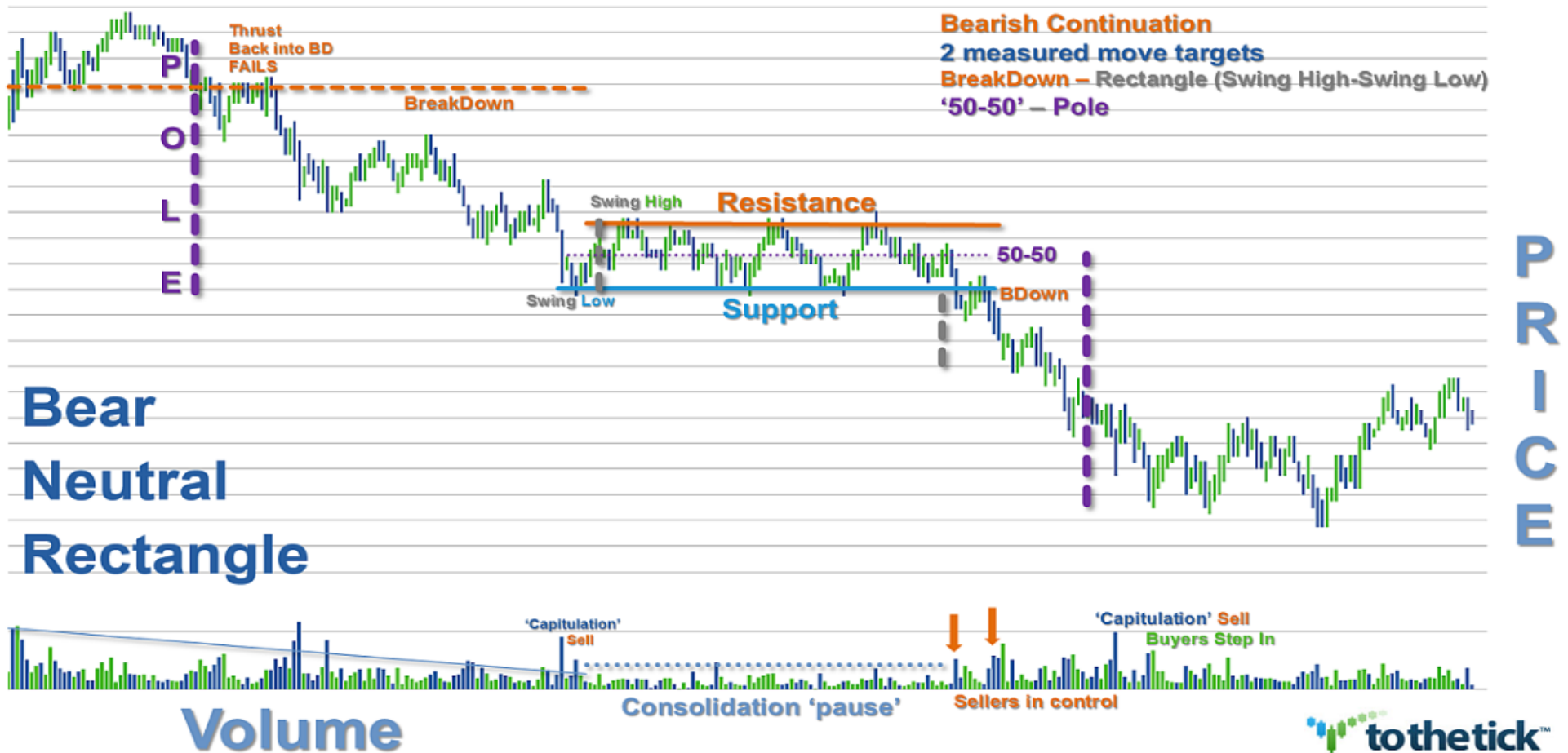
# The Rectangle Formation – Trading Range

## Bullish Rectangle



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# The Rectangle Formation – Trading Range



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# The Rectangle Formation – Trading Range



# Time Limits

1. Triangles:  $2/3$  to  $3/4$  of the horizontal width (Base-Apex).
2. Flags and Pennants: S-T 1-3 weeks; For downtrends tend to be 1- 2 weeks.
3. Wedges: Intermediate formation:1-3months.
4. Rectangle Formation: Intermediate formation: 1-3months.



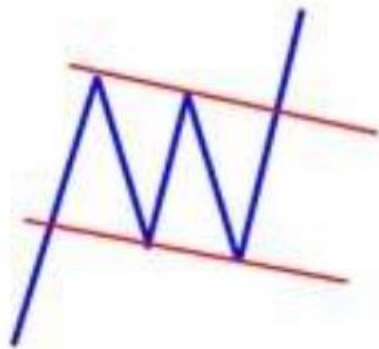
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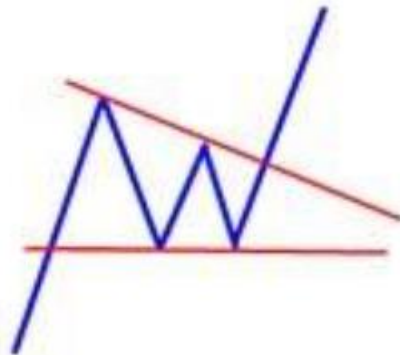
# Examples

## Continuation patterns

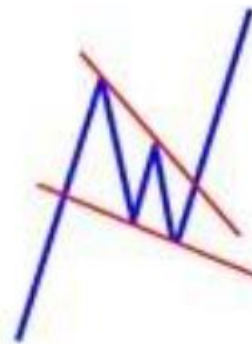
Flag



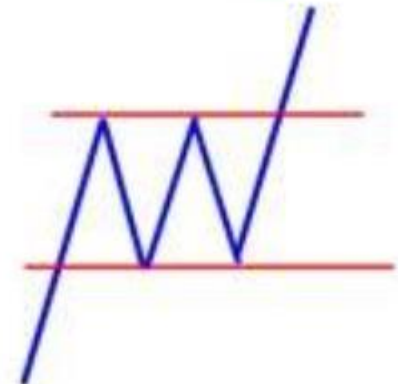
Pennant



Wedge

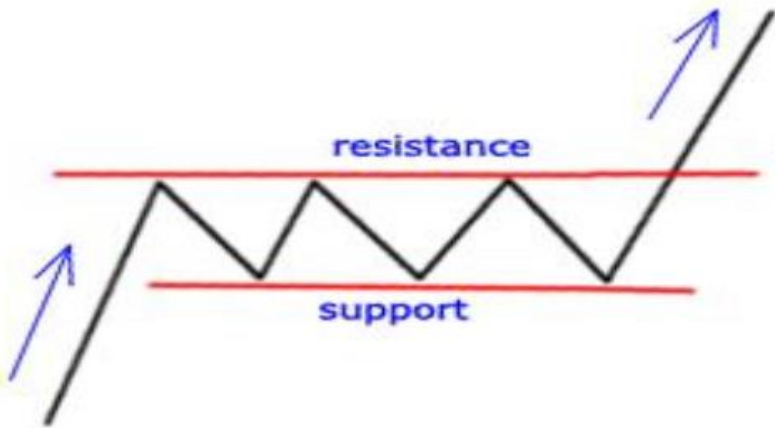
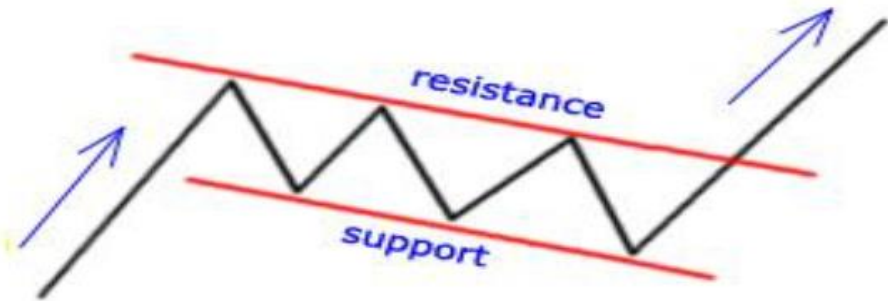


Rectangle



# Examples

## Bullish Rectangles



## Bearish Rectangles

