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## I was wondering if folks were interested in sharing their favorite chart patterns?

2 Recently someone started a chat about favorite books on investing and it was great. I've read two of Alexander Elder's books since reading that post and found them very worthwhile. I thought it might be interesting to do the same with chart patterns. For instance, with me I've found the rising and falling wedges to be good indicators as well as the double top and double bottom formations. I've found the double top and double bottom to work especially well when tied to a divergence in the MACD or the RSI.

1 [chart-patterns](#) [favorite](#)

asked Jan 02 '12 at 01:36

 Wingrider  
140 • 3 • 10

### 7 Answers:

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2 My favorite chart pattern is a simple Head and Shoulders. The reason is that almost everyone can recognize it on a chart so when it happens everyone gets in and so there is a good chance to make some profits.

[link](#)

answered Jan 02 '12 at 10:44

 Windsurf  
8.1k • 32 • 121

This is not a direct answer but it is presented as a trading idea ..

2 Over the years my selection of a favorite chart pattern is often based on what is dominating the primary market charts at the time (e.g., context). As an example, in May to June 2011 a head and shoulders pattern had formed on all the major indexes. This phenomena increased the odds (e.g., likelihood) of the pattern becoming reality. Because of that, I began looking for H&S patterns on the charts of the stocks I was trading and emphasized positions in those stocks for trading. This ended up being a profitable trading idea for me in 2011 ... easily the best of the year.

Additionally, the master of chart patterns is probably Thomas Bukowski and he maintains a very informative, free site here .. <http://thepatternsite.com/chartpatterns.html> .. he has even delineated probabilities for each chart pattern.

[link](#)

answered Jan 02 '12 at 14:47

 Anonymous  
6.5k • 2 • 8

I like this context approach. Thanks.

 AgnosticTrader (Jan 02 '12 at 15:14)

thx ... it works at improving my odds ...

 Anonymous (Jan 02 '12 at 15:18)

Your answer is the best of the bunch imo.

 ekwong (Jan 02 '12 at 17:18)

I tend to keep an eye out for patterns after the fact.

1 I don't scan for them, but when I see them forming they add weight to my decision to trade or not. So it helps to have a good general knowledge of patterns as part of strategy to look at charts holistically.

In my opinion, Bulkowski is the go to guy for patterns, mainly because he backs up his claims with stats.

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Asked: Jan 02 '12 at 01:36

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This is a good (affordable) book: [Getting Started in Chart Patterns \(Paperback\)](#)

Obviously there are more comprehensive books out there, by Bulkowski himself, and others. But the Getting Started book is cheap relative to value. He has a chapter in there called The Top Ten Performing Bottoms: Flags are number one, and to be honest, I trade off that one most often as a pull back in an uptrend.

Martin Pring's: [Pring on Price Patterns : The Definitive Guide to Price Pattern Analysis and Interpretation \(Hardcover\)](#) is also worth reading in my opinion.

Good Luck. Trade safe.

[link](#)

answered Jan 02 '12 at 03:02

 AgnosticTrader  
8.5k • 19 • 36

1 Some of the better chart patterns which I believe, have the greatest probabilities in your favor are the bullish or bearish triangle formations on the P&F charts. These don't happen too often, but offer some interesting movements in the markets worth looking at. Some good books for further consideration are written ( Dorsey, P&F), ( Davis, Profit and profitability),(Heinrich Weber and Kermit Zeig, P&F), and of course anything written by A.W. Cohen himself. Happy Trading.

[link](#)

answered Jan 02 '12 at 11:00

 trade2win  
61 • 2

1 I get a lot of mileage preferably trading shorter term (even intraday) by using the MACD & RSI combo. Gentleman "Tango" in a previous answer shows a similar concept. Excellent info by the way - I see the bullish divergence he is hinting at. Bravo Tango.

One very helpful thing I have learned is an idea from "Short Term Trading Strategies That Work" by Larry Connors that shortens up the time span on both indicators. His book presents factual back testing data using shorter time frames for the RSI. He recommends 2 as opposed to the usual 14. I am now happier with a 3 unit time frame. I also shortened up my MACD parameters from the usual 12-24-9 to 7-14-7. I also use the slow stochastics sometimes, but it can create a lot of false moves intraday. I find that the RSI 3-4 time frame works much better than 14 and also gives a great oversold-buy and overbought-sell signal. It responds a little quicker than the MACD which is OK I like the slight difference. The RSI going off first allows me to really focus in a the MACD and other criteria. I don't trade if both aren't in agreement. They almost always are. RSI typically must be below 10 etc. Of course you should float a 50dma on top of stock prices to be clear on the current trend, which is necessary for correct technical analysis and interpretation. It pays to play with the time periods as you will lock in on a certain comfort area. Adjusting the time frames will make the indicator more dynamic. Setting it to give a good signal at your comfort level is easy to get i.e. below 10 and above 90.

I highly recommend Larry Connors book(s). His "High Probability ETF Trading" is not just about ETF's but gives many more backtested indicator parameters to consider. Of course John Murphy is awesome as usual on any subject. His "Technical Analysis" book is a must have IMHO. Sorry I'm new here and don't have time (or expertise) to link to a chart yet. Maybe a little later.

[link](#)

edited Jan 18 '12 at 18:32

answered Jan 18 '12 at 18:24

 Jimboaz  
11 • 2

0 Here is my favorite pattern and chart (What ia an answer, without a chart?) My pattern is when the Slow daily Sto 5,1 falls back down under the 80% level. (This is my pattern).... See pink circles on chart..... The questions to then ask youeself are :

### 1. Where is the RSI 14?

### 2. What does the MACD look like?

### 3. What does a 60 min chart tell me.?

(The 60 min chart should tell you alot more about the pattern and the 'pullback' or 'trend change'.

[http://stockcharts.com/h-sc/ui?s=\\$SPX&p=D&yr=0&mn=7&dy=0&id=p94315200526&a=252467480](http://stockcharts.com/h-sc/ui?s=$SPX&p=D&yr=0&mn=7&dy=0&id=p94315200526&a=252467480)

[link](#)

answered Jan 02 '12 at 09:10

 Tango  
810 • 8 • 18

0 I like flags, pennants and high tight flags...I watch those but not exclusively...Doug  
EDIT...I hesitate to post my link but since it is free here are some examples:

<http://sharptraders.com/flags.html>

link

edited Jan 02 '12 at 15:37

answered Jan 02 '12 at 11:51

 Sharptraders  
2.5k • 5 • 30

Hello Doug, I am curious as to how you find these stocks? Do you check them visually or do you use the scan engine?

I am looking for scan for pennants and wondering if you know of one.

 ekwong (Jan 14 '12 at 08:18)

I look at a lot of charts. For example on my weekly Cups w/ handles I look at over 3,000 charts 30 up.

As far as Flags, Pennants and High Tight Flags I scan for stocks that are quite a bit above the 2 month low...Then I look at the charts 10 to a page.

I look at the charts very fast so of course I miss many. Sounds like a lot of work but it really doesn't take that long and I enjoy it...Doug

 Sharptraders (Jan 14 '12 at 11:08)

### Your answer

[hide preview]

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