



# CHART PATTERNS

## Reading the Market's Hidden Language

A visual, beginner-first guide to the reversal and continuation patterns that move crypto — how to spot them, trade them with discipline, and respect when they fail. Built for Indian traders, in ₹.

WRITTEN BY

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## LEGAL

# Chart Patterns — A Visual Guide

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For **education only** — not financial or tax advice. Chart patterns describe **probabilities, not certainties**; any pattern can fail. Crypto trading carries substantial risk of loss. Always use risk management, do your own research, and consult a qualified advisor. India tax notes are general — confirm current rules with a CA.

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**A MESSAGE FROM THE FOUNDER**

# Author's Note

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If the Beginner's Guide taught you the language of trading, this book teaches you to **read** it — to look at a chart and see the story the crowd is writing in real time.

Chart patterns are not magic. They are simply the visible footprints of human emotion — fear, greed, hesitation — repeating across every market, including crypto. Learn to recognise them and you stop guessing and start **anticipating**.

But here's the honest part most courses won't tell you: **patterns fail, often**. The edge isn't in the pattern — it's in how you trade it. Wait for confirmation, protect every entry with a stop, target the measured move, and never bet the account on one shape on a screen.

Master these patterns, pair them with the discipline from the Beginner's Guide, and you'll have a genuine, repeatable way to read the market — the Indian way, in ₹, with the tax reality kept firmly in view.

**See clearly. Trade calmly.**

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**Avik Kanrar**

WHAT YOU WILL LEARN

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PART I

# The Language of Price

How candles and shapes reveal the crowd's intent

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CHAPTER 1

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# What Chart Patterns Really Are

Footprints of fear and greed — not crystal balls

A **chart pattern** is a **recognisable shape** that price forms over time — a shape that has, historically, tended to be followed by a particular move. Patterns work because markets are made of people, and people behave in repeatable ways under fear and greed.

There are two broad families: **reversal** patterns (the trend is likely to turn) and **continuation** patterns (the trend pauses, then resumes). Most of this book is learning to tell them apart on sight.

### **! THE HONEST TRUTH — PATTERNS ARE PROBABILITIES**

No pattern is a guarantee. A “textbook” head & shoulders can still break upward. Treat every pattern as a **tilt in the odds**, never a certainty — and always trade it with a stop-loss.

### **I TWO CONFIRMATIONS TO DEMAND**

Before you act on any pattern, look for (1) a clean **break** of the key level, and (2) **volume** rising on that break. A break on thin volume often traps eager traders.

02

CHAPTER 2

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# Candlestick Anatomy

The single building block of every pattern

Before patterns, you must read a single **candlestick**. Each candle tells you four prices for its time period: the **open**, **high**, **low**, and **close**.



The thick **body** spans open-to-close. A **green** body means price closed higher than it opened (buyers won); a **red** body means it closed lower (sellers won). The thin **wicks** (or shadows) mark the highest and lowest points reached.

#### **I** WHY THIS MATTERS

Long wicks reveal rejection — price tried to go somewhere and got pushed back. A long lower wick says buyers stepped in; a long upper wick says sellers did. Every pattern in this book is just many candles telling this story together.

03

CHAPTER 3

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# Key Candlestick Signals

Single candles that whisper a turn

A few candle shapes are worth memorising — they often appear right at turning points.

### KEY SINGLE-CANDLE SIGNALS

Reversal clues

**DOJI**  
Indecision

**HAMMER**  
Bullish reversal

**SHOOTING STAR**  
Bearish reversal

**ENGULFING**  
Strong reversal

These are clues, not commands — always confirm with trend, level, and volume.

## What each one says

**Doji** — open and close almost equal: pure indecision, a possible pause or turn. **Hammer** — small body, long lower wick after a fall: buyers fought back, a bullish reversal hint. **Shooting Star** — small body, long upper wick after a rise: sellers took over, a bearish hint. **Engulfing** — a large candle that completely “eats” the previous one: a strong shift in control.

### ✓ USE THEM AS CONFIRMATION, NOT TRIGGERS

A hammer at a known **support** level, with rising volume, is far more reliable than a hammer floating in the middle of nowhere. Stack the evidence before you act.

PART II

# Reversal Patterns

Shapes that signal the trend is about to turn



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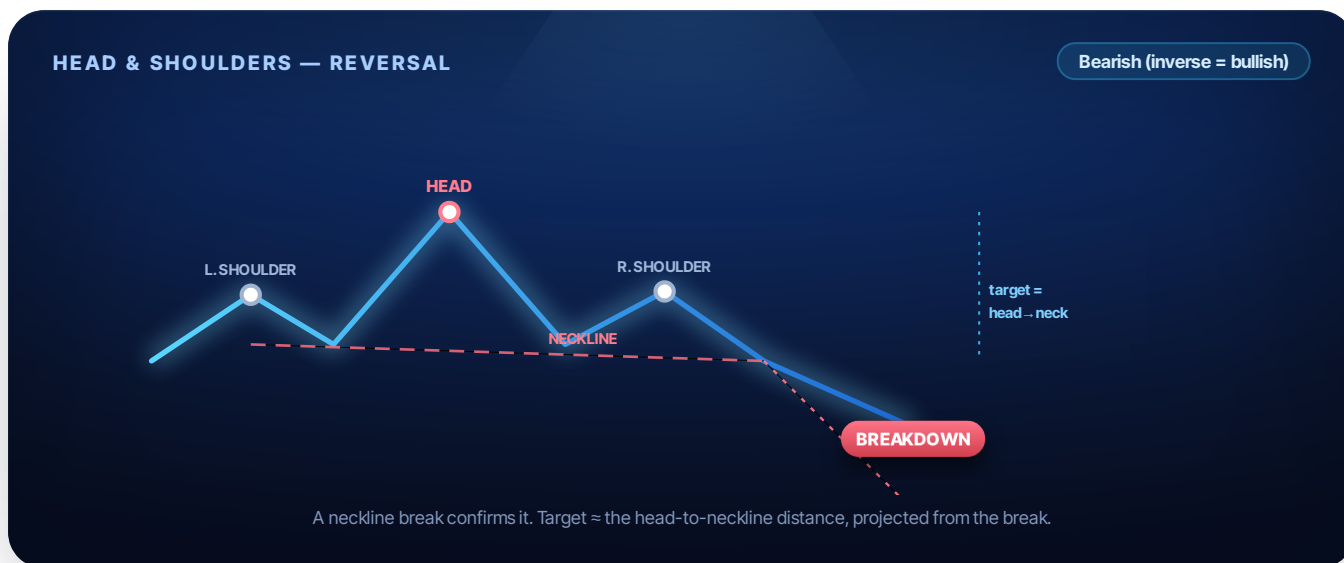
CHAPTER 4

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# Head & Shoulders

The most famous reversal of all

The **Head & Shoulders** is a classic top-reversal: three peaks — a higher **head** between two lower **shoulders** — sitting on a support line called the **neckline**.



The pattern completes when price **breaks below the neckline**. That break is your signal the uptrend is likely over. The **inverse head & shoulders** is the same shape flipped — a bottom reversal that signals a move up.

### I MEASURING THE TARGET

Measure the vertical distance from the **head to the neckline**, then project that same distance down from the break point. That's your estimated target — and where you'd place your take-profit.

05

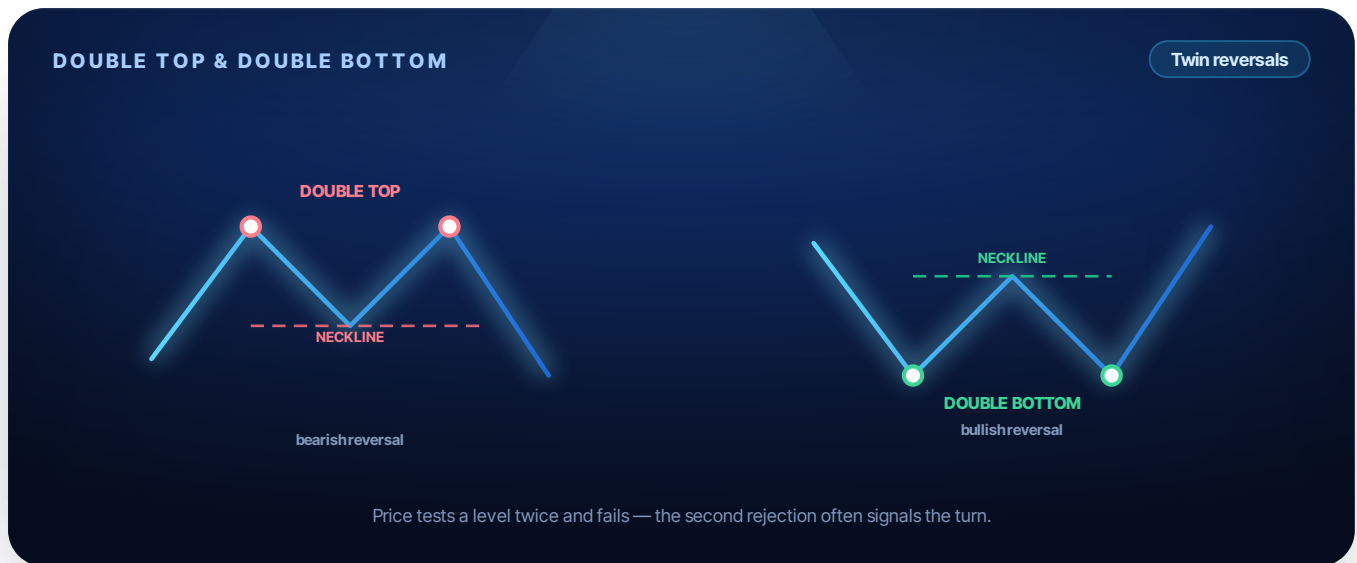
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# Double Tops & Bottoms

When price tests a level twice

A **Double Top** (an “M” shape) forms when price hits a resistance level, pulls back, rallies to the same level, and fails again. That second rejection often marks the top. A **Double Bottom** (a “W”) is the mirror image at support — a bullish reversal.



Confirmation comes when price breaks the **neckline** — the low between the two tops (or the high between the two bottoms). As with head & shoulders, the target is roughly the pattern's height projected from the break.

**! DON'T ANTICIPATE THE SECOND TOUCH**

Many beginners short the second top before it confirms. Wait for the **neckline break** — the level can break upward into a fresh trend just as easily.

PART III

# Continuation Patterns

Pauses that refuel an existing trend





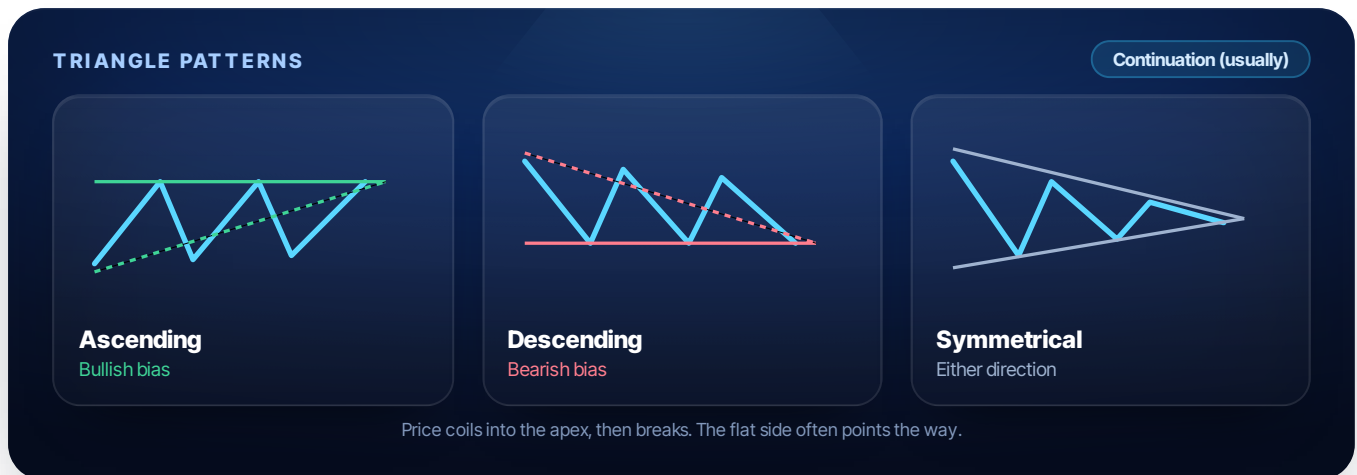
CHAPTER 6

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# Triangles

Price coiling toward a decision

Triangles form as price **coils** into a tightening range, building energy before a breakout. There are three kinds, and the sloping sides hint at the likely direction.



An **ascending** triangle (flat top, rising bottoms) is usually bullish — buyers keep stepping in higher. A **descending** triangle (flat bottom, falling tops) is usually bearish. A **symmetrical** triangle is neutral — trade the break, not a guess.

#### **I** TRADE THE BREAK, WITH VOLUME

Wait for a decisive close **outside** the triangle on rising volume. The most reliable breaks happen around two-thirds of the way to the apex — very late breaks often fizzle.



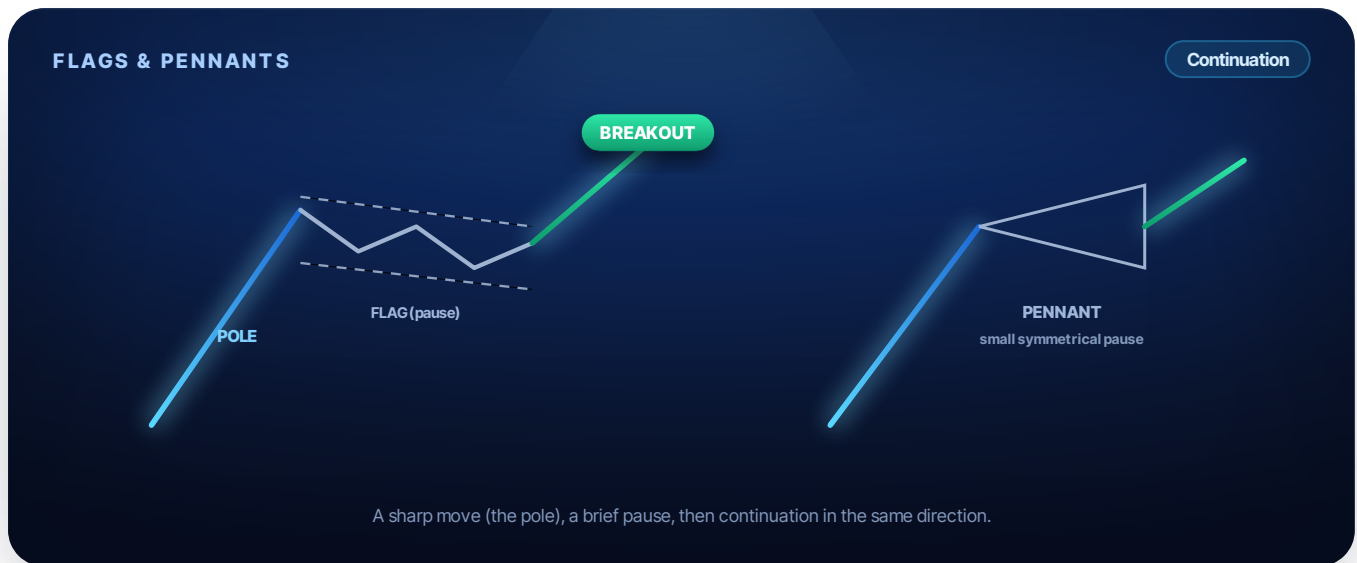
CHAPTER 7

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# Flags & Pennants

The trend catches its breath

After a sharp move (the **pole**), price often pauses in a small consolidation before continuing. A **flag** is a small rectangular drift against the trend; a **pennant** is a tiny symmetrical triangle. Both are **continuation** patterns.



✓ **HIGH-PROBABILITY, BUT BE QUICK**

Flags and pennants are some of the most reliable continuation patterns — but they resolve fast. The target is often the **length of the pole** projected from the breakout.

In fast-moving crypto, these form constantly on lower timeframes. Don't force them — only trade flags that follow a genuinely strong, high-volume pole.

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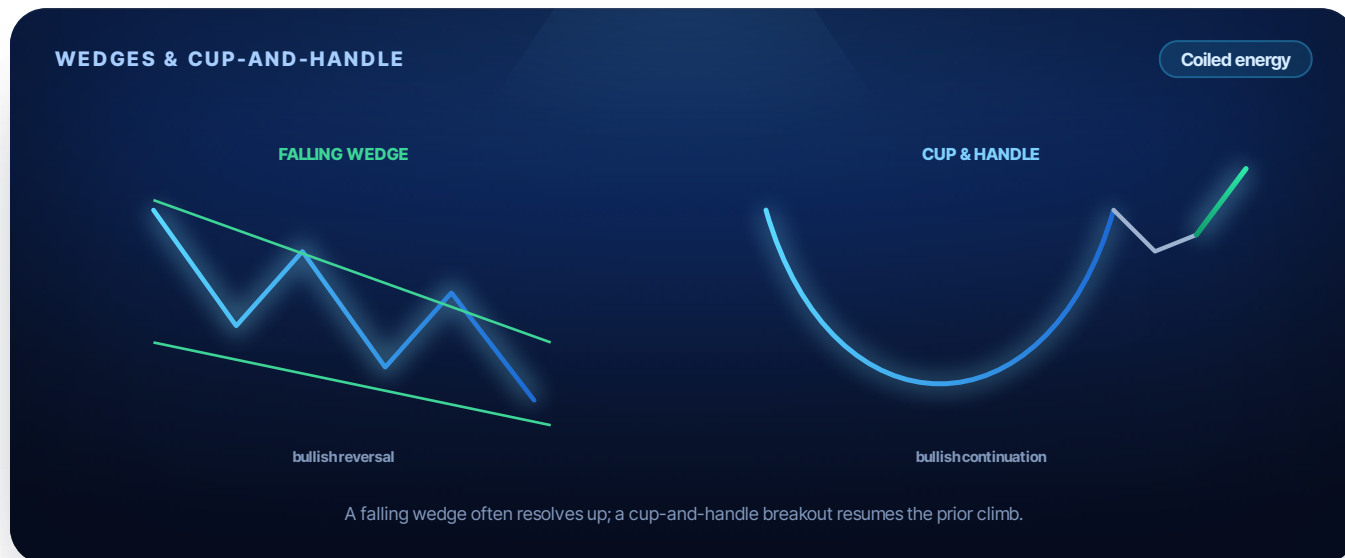
CHAPTER 8

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# Wedges & Cup-and-Handle

Coiled springs and rounded bases

Two more shapes round out your toolkit. A **falling wedge** (both lines sloping down, converging) usually resolves **upward** — a bullish reversal. A **rising wedge** is the bearish opposite. The **cup-and-handle** is a rounded base (the cup) followed by a small dip (the handle), then a breakout that resumes the climb.



### **I** PATIENCE IS THE PATTERN

Both shapes take time to form — that's the point. The longer and cleaner the base, the more meaningful the breakout. Rushing a half-formed cup is a classic beginner error.

PART IV

# Trading Patterns the Right Way

Turning shapes into disciplined, ₹-aware trades

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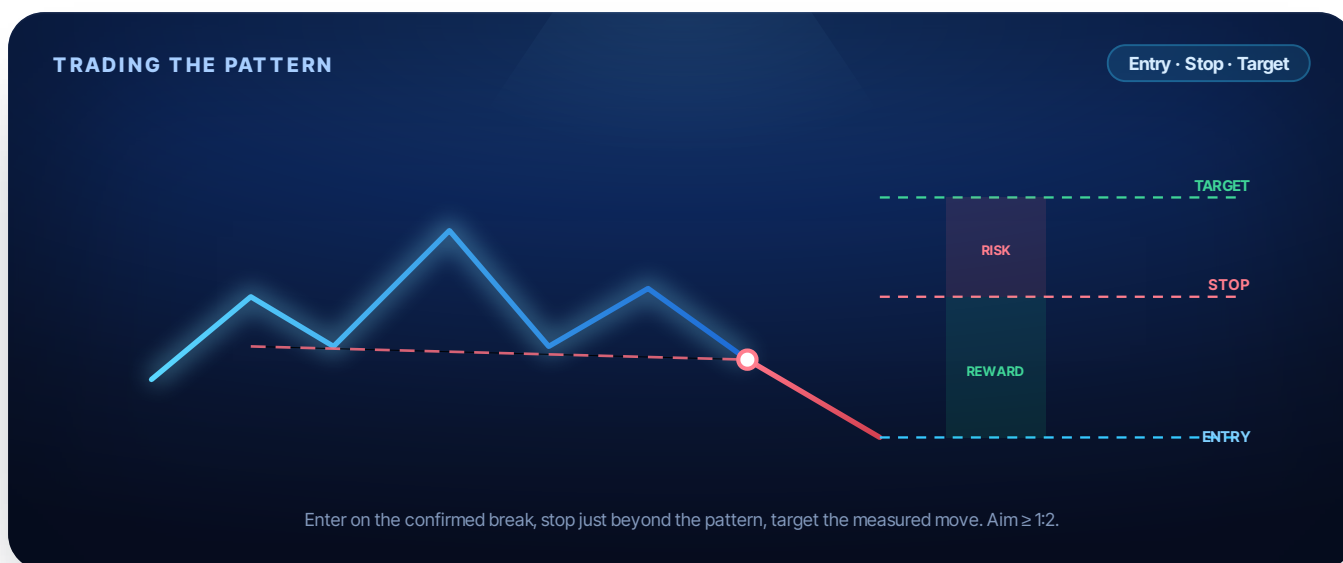
CHAPTER 9

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# How to Trade a Pattern

Entry, stop, target — every single time

Spotting a pattern is only half the job. Trading it well comes down to a repeatable three-part plan.



**Entry:** on the confirmed break (a candle **closing** beyond the level), ideally with rising volume. **Stop-loss:** just beyond the opposite side of the pattern — if it's hit, the pattern failed. **Target:** the measured move (the pattern's height projected from the break). Always aim for at least a **1:2** risk-reward.

#### ✓ A ₹ EXAMPLE

On a ₹50,000 account, risk 1–2% — say **₹750**. Size your position so that if the stop is hit, you lose only that ₹750. If the target offers ₹1,500+, the trade is worth taking. The pattern sets the levels; risk management sets the size.

#### ! REMEMBER THE TAX

In India your real return is after a flat **30% (+cess)** on the gain and **1% TDS** on the sale. A clean ₹1,500 pattern win is roughly ₹1,030 in hand — factor that into whether a setup is truly worth it.

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CHAPTER 10

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# Why Patterns Fail

The mistakes that cost beginners money

Patterns fail constantly — and that's fine, if you've planned for it. What ruins accounts is **how** people react when they fail.

### THE FIVE CLASSIC MISTAKES

**1.** Entering before confirmation (guessing the break). **2.** No stop-loss “because it's obviously going to work.” **3.** Seeing patterns that aren't there (forcing shapes). **4.** Ignoring the bigger trend on higher timeframes. **5.** Revenge-trading the next setup after a failed one.

## A failed pattern is information

When a clean pattern breaks the “wrong” way, that failure is itself a powerful signal — the trapped traders now have to exit, often fuelling a sharp move in the opposite direction. Respect the stop, take the small loss, and watch for that reversal.

### THE MINDSET THAT WINS

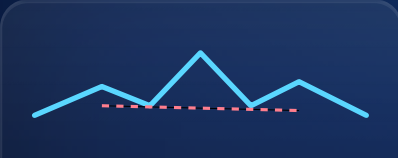



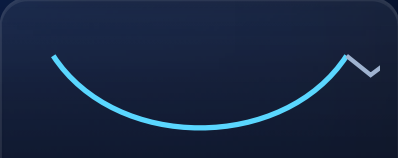
Trade the highest-probability patterns on higher timeframes, demand confirmation and volume, risk a fixed small amount every time, and accept losses as a cost of doing business. Consistency beats prediction.

APPENDIX A1

# Pattern Cheat Sheet

The patterns from this book, at a glance — bookmark this page.

**PATTERN CHEAT SHEET** Save this page

 <p><b>Head &amp; Shoulders</b> Reversal</p>	 <p><b>Double Top</b> Bearish</p>	 <p><b>Double Bottom</b> Bullish</p>
 <p><b>Triangle</b> Continuation</p>	 <p><b>Flag / Pennant</b> Continuation</p>	 <p><b>Cup &amp; Handle</b> Bullish</p>

## APPENDIX A2

# Glossary

**Body**

The thick part of a candle, from open to close.

**Wick / Shadow**

The thin line marking a candle's high and low.

**Doji**

A candle with almost no body — market indecision.

**Engulfing**

A candle that fully covers the prior candle's body.

**Reversal Pattern**

A shape suggesting the trend is about to turn.

**Continuation Pattern**

A shape suggesting the trend will resume.

**Neckline**

The key support/resistance line in tops, bottoms & H&S.

**Breakout**

Price closing decisively beyond a pattern's boundary.

**Measured Move**

Target found by projecting a pattern's height from the break.

**Head & Shoulders**

Three-peak top reversal (inverse = bottom).

**Double Top / Bottom**

Twin rejection of a level — M or W shape.

**Triangle**

A coiling range: ascending, descending, or symmetrical.

**Flag / Pennant**

Brief pause after a strong move; continuation.

**Wedge**

Converging sloped lines; falling = bullish, rising = bearish.

**Cup & Handle**

Rounded base + small dip, then bullish breakout.

**Volume**

How much traded; confirms the strength of a break.

**Support**

A price floor where buyers tend to step in.

**Resistance**

A price ceiling where sellers tend to step in.

**False Break**

A break that quickly reverses and traps traders.

**Timeframe**

The period each candle represents (e.g. 1h, 1d).

## APPENDIX A3 — SAMPLE

# Sample Pattern Trade

One clean setup, traded by the rules — start to finish.

## BTC / INR

DOUBLE BOTTOM · DAILY · COINDCX

SPOT · NO LEVERAGE

### THE SETUP

BTC carved a clean **double bottom** at support on the daily chart, with a bullish engulfing candle on the second low and rising volume. I waited — no entry until price **closed above the neckline**.

ENTRY (NECKLINE BREAK)

₹54,80,000

STOP (BELOW 2ND LOW)

₹52,90,000

TARGET (MEASURED  
MOVE)

₹58,60,000

RISK

1.5%

### EXECUTION & RESULT

Risked ₹750 on a ₹50,000 account, roughly 1:2. Set stop and take-profit immediately, then left it alone. Price reached the measured target over nine days.

RESULT

**+₹1,500**

Gross · ~₹1,030 after 30% tax + 1% TDS · exactly to plan

### LESSON

**Right:** waited for confirmation, sized by risk, never touched the trade after entry. **Lesson:** the pattern only gave the *levels* — the discipline gave the *profit*. And the tax always comes off the top.

● EDUCATION · ANALYSIS · COMMUNITY

## About the Author



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Founder of cRyPtO sMaRt — making cryptocurrency and trading education honest, simple, and accessible to every Indian beginner.



**See the Pattern. Trade the Plan.**

*A pattern only sets the levels — your discipline sets the result. Confirm, risk small, repeat.*

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