
TECHNICAL SERIES



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CHART PATTERNS TRADING

Continuation & Reversal
Pattern Recognition

Every pattern tells a story. Learn to read the stories
that predict where price is going next.

By **AVIK KANRAR**

Founder, cRyPtO sMaRt

First Edition · 2026 · Free Educational Series

FREE COURSE

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Author's Note

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Avik Kanrar

Founder, cRyPtO sMaRt

Charts are not just lines on a screen. They are the heartbeat of the market — the visual story of millions of traders making decisions driven by fear, greed, hope, and panic.

Every single chart pattern you will learn in this course is a snapshot of human psychology. A Head and Shoulders pattern? That is a crowd of optimists slowly losing confidence. A Double Bottom? That is a group of buyers saying 'we will NOT let price go lower than this.' A Bull Flag? That is the market catching its breath before sprinting again.

When you learn to read these stories, you gain a superpower. You can look at a chart and know — with a calculated probability — what is likely to happen next. Not certainty. Never certainty. But a measurable, tradeable edge.

This guide covers every major pattern with clear entry rules, stop-loss placement, and profit targets. No vague theory — just actionable, step-by-step instructions you can use from day one.

The patterns are waiting. Learn their language.

Avik Kanrar

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PART I



REVERSAL PATTERNS

When the market is about to change its mind



01

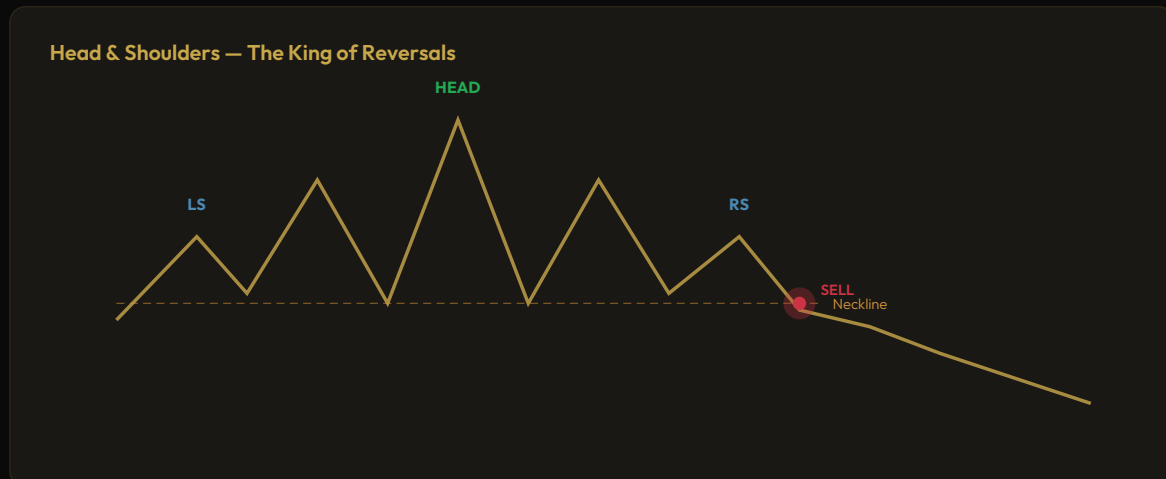
CHAPTER 1

Head & Shoulders — The King

The most famous and reliable reversal pattern in trading

If chart patterns had a royal family, the Head and Shoulders would wear the crown. This pattern has been studied, traded, and relied upon by professionals for over a century. It appears at the end of an uptrend and signals that buyers are exhausting and sellers are about to take control. And the best part? It is one of the easiest patterns to identify.

Imagine three mountain peaks side by side. The middle peak (the Head) is the tallest. The two peaks on either side (the Shoulders) are roughly equal in height but shorter than the Head. The valley floor connecting them is called the Neckline. When price breaks below the Neckline after forming the right shoulder, the reversal is confirmed.



Head & Shoulders Trading Rules

Entry: When price breaks and CLOSES below the neckline (do not enter on the wick!)

Stop-Loss: Above the right shoulder — if price goes above it, the pattern has failed

Profit Target: Measure the distance from the Head to the Neckline. Project that same distance downward from the breakout point. That is your target.

Volume: Volume should decrease on the right shoulder and INCREASE on the neckline break

THE INVERSE (BULLISH) VERSION

The Inverse Head and Shoulders is the mirror image — it appears at the bottom of a downtrend and signals a bullish reversal. Everything is flipped: the Head is the lowest point, the Neckline is above, and you enter when price breaks above it. Same rules, opposite direction.

Here is a professional secret: the strongest Head and Shoulders patterns have a neckline that slopes slightly downward (for bearish H&S;). A perfectly horizontal neckline is good, but a downward-sloping one is great because it shows that even the 'bounce' points are getting weaker. That is a market running out of steam.

02

CHAPTER 2

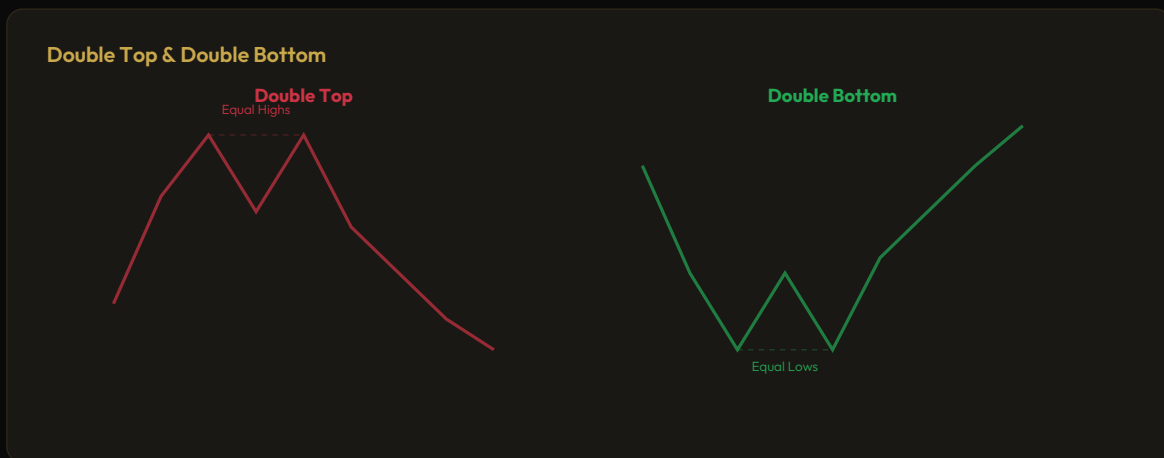
Double Top & Double Bottom

When the market says NO twice

Have you ever tried to push open a locked door? You push once, it does not budge. You try again, same result. After the second attempt, you give up and walk away. That is exactly what a Double Top and Double Bottom represent — the market tries to break through a level twice, fails both times, and reverses in defeat.

A Double Top forms when price reaches a high, pulls back, then returns to approximately the same high but fails to break through. This creates an 'M' shape on the chart. The message? Sellers are defending that level aggressively, and buyers are running out of energy.

A Double Bottom is the opposite — price drops to a low, bounces, then drops to approximately the same low but fails to go lower. This creates a 'W' shape. Buyers are stepping in to defend that level, and the downtrend is losing momentum.



Double Top / Double Bottom Rules

Double Top Entry: Sell when price breaks below the middle valley (the dip between the two peaks)

Double Bottom Entry: Buy when price breaks above the middle peak (the bounce between the two dips)

Stop-Loss: Just beyond the two peaks (DT) or two valleys (DB)

Target: Measure the height of the pattern and project it from the breakout point

THEY DON'T NEED TO BE PERFECT

The two peaks (or valleys) do NOT need to be exactly the same price. A difference of 1-3% is perfectly normal. What matters is that price clearly tried the same level twice and was rejected both times. Perfect symmetry is rare in real markets — do not demand it.

03

CHAPTER 3

Triple Top & Triple Bottom

When the market says NO three times

If a Double Top is the market pushing a locked door twice and giving up, a Triple Top is the market pushing THREE times and STILL being rejected. This makes the Triple Top even more powerful than the Double — because three failed attempts mean the defense at that level is extremely strong.

The psychology is devastating for the bulls: three separate rallies, three surges of hope, three rejections. By the third failure, even the most stubborn buyers lose confidence. When price finally breaks the support floor, the selling often accelerates violently because everyone gives up at once.

Triple Top / Triple Bottom Rules

Exactly like Double Top/Bottom but with 3 touches instead of 2.

Entry: Same — break of the support (TT) or resistance (TB) level

The key difference: Triple patterns are rarer but MORE reliable. The more times a level is tested without breaking, the stronger the eventual reversal when it finally gives way.

Warning: If a level is tested 4 or more times, it becomes more likely to BREAK rather than reverse. Three is the sweet spot.

IMPORTANT

Be patient with Triple patterns. They take longer to form — sometimes weeks. Many traders get impatient and enter too early. Wait for the confirmed breakout of the support/resistance level. The wait is always worth it.

PART II



CONTINUATION PATTERNS

When the market takes a breath before sprinting again



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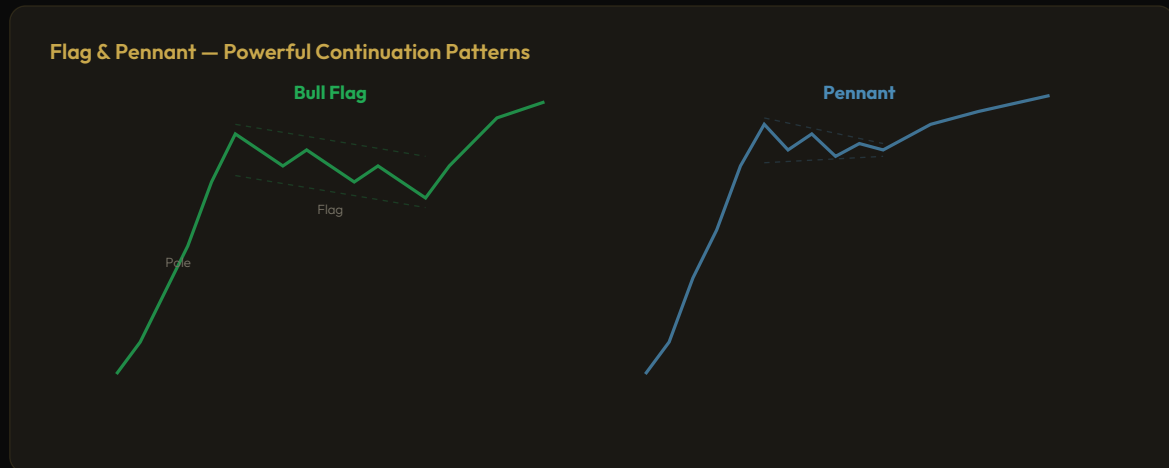
CHAPTER 4

Flags & Pennants

The power nap of the market

Imagine a sprinter running a 400-meter race. They sprint the first 200 meters at full speed, then their body needs a brief moment to gather energy before the final push. They do not stop. They do not turn around. They just slow down slightly, regroup, and then explode to the finish line. That is exactly what Flag and Pennant patterns represent in trading.

These are continuation patterns — they appear in the MIDDLE of a strong move, not at the end. The 'pole' is the initial strong move (the sprint). The 'flag' or 'pennant' is the brief consolidation (the power nap). The breakout is the continuation of the original move (the final sprint).



Flag vs Pennant — What's the Difference?

Flag: The consolidation forms a small CHANNEL that slopes against the trend (like a flag on a pole). In a bull flag, the channel slopes slightly downward.

Pennant: The consolidation forms a small symmetrical TRIANGLE (converging lines). The price squeezes tighter and tighter until it pops.

Both have the same entry rule: Enter when price breaks out of the consolidation in the direction of the original pole. Target = length of the pole projected from the breakout.

THE DURATION RULE

The best flags and pennants are SHORT in duration. The consolidation should last no more than 1/3 of the time it took to form the pole. A flag that takes too long stops being a flag and becomes a potential reversal. Speed matters.

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CHAPTER 5

Triangles — The Pressure Builders

When the market compresses before exploding

Think of a pressure cooker. You seal the lid, turn on the heat, and the pressure builds and builds until — BOOM — the steam releases with explosive force. Triangle patterns are the market's pressure cooker. Price gets squeezed into a tighter and tighter range until it can no longer contain the energy, and then it EXPLODES in one direction.

There are three types of triangles, and each tells you something different about who is likely to win the battle.



The Three Triangles

Ascending Triangle (Bullish): Flat resistance on top + rising support on bottom. Buyers are getting more aggressive each time. Usually breaks upward.

Descending Triangle (Bearish): Flat support on bottom + falling resistance on top. Sellers are getting more aggressive. Usually breaks downward.

Symmetrical Triangle (Neutral): Both lines converge equally. This one can break either way — wait for the breakout before committing. Trade the break, not the prediction.

THE 2/3 RULE

The breakout from a triangle is most reliable when it happens in the first 2/3 of the triangle's length (measured from left to right). If price drifts all the way to the apex (the point where the lines meet), the pattern loses its energy and the breakout becomes weak and unreliable.

06

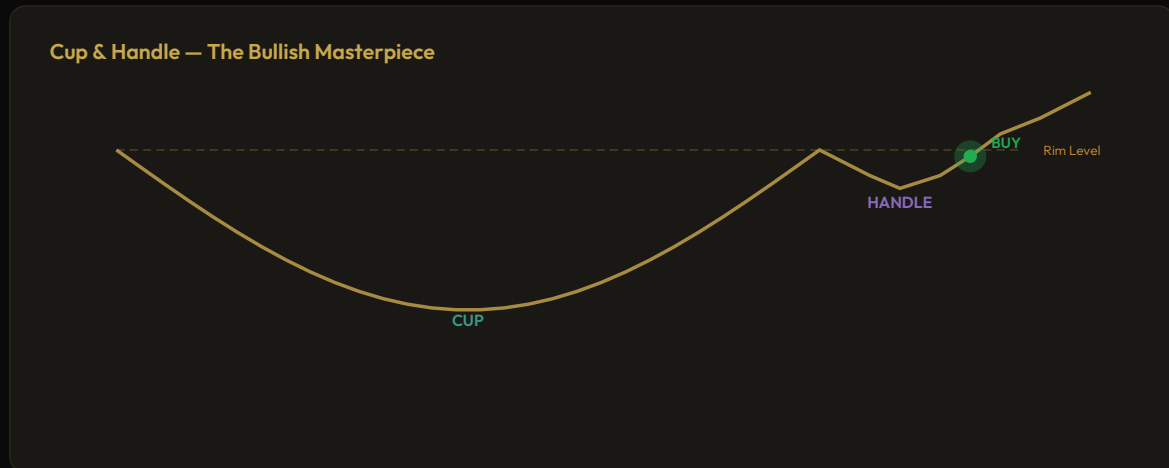
CHAPTER 6

Cup & Handle — The Masterpiece

The most beautiful bullish pattern in existence

Some chart patterns are functional. Some are elegant. The Cup and Handle is both — and it is arguably the most visually beautiful pattern in all of technical analysis. When you see a perfect Cup and Handle form on a chart, you will literally stop scrolling and stare. It is that satisfying.

The pattern looks exactly like its name: a rounded 'U' shape (the cup) followed by a small downward drift (the handle). The cup represents a gradual shift from selling to buying. The handle represents the last shakeout of weak hands before the big move begins. When price breaks above the handle, the rocket launches.



Cup & Handle Trading Rules

The Cup: Must be U-shaped, NOT V-shaped. A gradual rounded bottom shows healthy accumulation. A V-shaped recovery is too aggressive and less reliable.

The Handle: Should drift downward slightly (not more than 1/3 of the cup depth). If the handle drops too deep, the pattern is weakening.

Entry: When price breaks above the rim (the level where both sides of the cup begin)

Stop-Loss: Below the bottom of the handle

Target: Depth of the cup projected upward from the breakout point

BIGGER CUP = BIGGER MOVE

Cup and Handle patterns that form over weeks or months are more powerful than those that form in days. The longer the cup takes to form, the more accumulation is happening, and the bigger the eventual breakout. Patience pays double with this pattern.

07

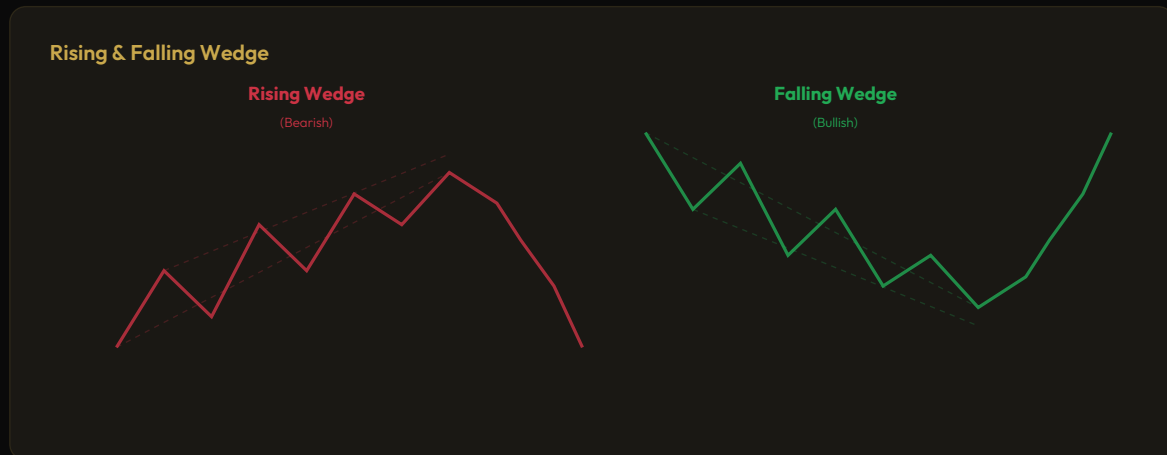
CHAPTER 7

Wedges — The Traps

Patterns that fool the majority and reward the patient

Wedges are the tricksters of chart patterns. They LOOK like the trend is continuing, but they are actually setting a trap. A Rising Wedge appears during an uptrend and looks bullish — but it is actually bearish. A Falling Wedge appears during a downtrend and looks bearish — but it is actually bullish. They are patterns of deception.

Why are they traps? Because the price IS making new highs (in a rising wedge) or new lows (in a falling wedge). Beginners see this and think the trend is strong. But if you look closely, the highs are getting closer together and the momentum is fading. The wedge is tightening like a coil being compressed the wrong way.



Wedge Trading Rules

Rising Wedge (Bearish): Price makes higher highs and higher lows but the range narrows. Enter SHORT when price breaks below the lower trendline. Stop above the last high. Target = height of wedge entrance.

Falling Wedge (Bullish): Price makes lower lows and lower highs but the range narrows. Enter LONG when price breaks above the upper trendline. Stop below the last low.

Key confirmation: Volume should decline during wedge formation and SPIKE on the breakout.

CONTRARIAN BY DESIGN

Wedges are one of the few patterns where you are trading AGAINST the apparent trend direction. This feels uncomfortable — and that is exactly why it works. When everyone else sees an uptrend (rising wedge), the smart traders see exhaustion. When everyone panics (falling wedge), the smart traders see opportunity.

PART III

MASTERING PATTERNS

From recognition to consistent profits

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CHAPTER 8

Volume Confirms Everything

The evidence that makes patterns trustworthy

You now know how to identify the most important chart patterns. But here is the harsh truth: a pattern WITHOUT volume confirmation is just a shape on a screen. Volume is the evidence that turns a visual pattern into a high-probability trade setup.

Think of volume as a lie detector for chart patterns. The pattern tells you a story, and volume tells you whether the story is true. High volume at the right moment means real money is backing the move. Low volume means nobody is convinced, and the 'breakout' may be a trap.

Volume Rules for Every Pattern

Reversal Patterns (H&S, Double Top/Bottom):

- Volume should DECREASE as the pattern forms (losing interest in the old trend)
- Volume should SPIKE on the breakout (new trend gaining conviction)

Continuation Patterns (Flags, Pennants, Triangles):

- Volume should DECREASE during consolidation (the market is resting)
- Volume should SURGE on the breakout (the sprint resumes)

Universal rule: If the breakout has LESS volume than average, treat it with extreme suspicion. It may be a false breakout.

FALSE BREAKOUT WARNING

A breakout on low volume is one of the most common traps in trading. Price breaks the level, you enter excitedly, and then price immediately reverses back inside the pattern. Always check volume before clicking that buy or sell button. No volume spike? No trade.

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CHAPTER 9

Measuring Profit Targets

Using mathematics to know exactly where to take profit

One of the most powerful aspects of chart patterns is that they come with built-in profit targets. You do not need to guess where to take profit — you can calculate it mathematically. This removes emotion from your exits and gives you a clear, objective plan before you even enter the trade.

The Measured Move Technique

For every pattern, the target = height of the pattern projected from the breakout.

Head & Shoulders: Target = Head-to-Neckline distance, projected down from neckline break

Double Top/Bottom: Target = distance between peaks/valleys and middle level

Triangles: Target = widest part of triangle, projected from breakout

Flags/Pennants: Target = length of the pole, projected from flag breakout

Cup & Handle: Target = depth of cup, projected from rim breakout

Wedges: Target = height of wedge at its widest point

This technique works because it is based on the physics of crowd psychology. The 'height' of a pattern represents the intensity of the battle between buyers and sellers. When one side wins (breakout), the losing side panics and creates a move roughly equal to the intensity of the original battle.

THE 90% RULE

Always set your take-profit at 90% of the measured target, not 100%. Markets rarely hit exact targets — they often reverse a few points before reaching the mathematical level. Taking profit at 90% ensures you capture most of the move without getting greedy.

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CHAPTER 10

Building a Pattern Trading System

Your complete process from scan to profit

Knowledge without a system is just entertainment. This final chapter converts everything you have learned into a repeatable, step-by-step process that you can follow every single trading day.

Your Pattern Trading System

Step 1 — Daily Scan: Every morning, scan your watchlist for patterns that are forming or about to complete. Mark them on your charts.

Step 2 — Pattern Validation: For each pattern, check: Is the pattern clear? Is the trend context right? Is volume declining during formation?

Step 3 — Set Alerts: Place price alerts at the breakout level. Let the market come to you.

Step 4 — Breakout Confirmation: When alerted, check: Did the candle CLOSE beyond the level? Was there a volume spike? If both YES, proceed.

Step 5 — Enter: Calculate position size (1-2% risk), set stop-loss (per pattern rules), set take-profit (measured move at 90%).

Step 6 — Manage: If price reaches 1:1 R:R, move stop to breakeven. At target, close or trail stop.

Step 7 — Review: After every pattern trade, record: Was the pattern valid? Did volume confirm? What was the outcome? What would you do differently?

THE GRANDMOTHER TEST

You do not need to trade every pattern. You need to trade the **CLEAREST** patterns — the ones that are so obvious they practically jump off the screen. If you have to squint, zoom in, or convince yourself the pattern is there, it is not there. The best patterns are the ones your grandmother could spot.

Chart patterns are the oldest and most time-tested tools in trading. While algorithms and AI evolve constantly, human psychology — the force that creates patterns — has not changed in centuries. Fear, greed, hope, and panic create the same shapes on charts today as they did in 1920. That is why chart patterns will never become obsolete. Master them, and you hold a timeless edge.

Pattern Cheat Sheet

Pattern Cheat Sheet — At a Glance

H&S Bearish	Inv H&S Bullish	Double Top Bearish	Double Bottom Bullish
Asc Triangle Bullish	Desc Triangle Bearish	Bull Flag Bullish	Bear Flag Bearish
Cup & Handle Bullish	Rising Wedge Bearish	Falling Wedge Bullish	Sym Triangle Either

Universal Rules

1. Wait for candle CLOSE beyond breakout level (never enter on wick)
2. Volume must spike on breakout (no volume = no trade)
3. Target = measured move at 90%
4. Stop-loss = beyond the pattern's extreme point
5. Risk = 1-2% per trade maximum
6. If you have to squint to see the pattern, skip it

Reliability Ranking

Most Reliable: Head & Shoulders, Cup & Handle, Double Bottom
 Very Reliable: Flags, Pennants, Falling Wedge
 Reliable: Triangles, Double Top, Rising Wedge
 Context-Dependent: Symmetrical Triangle (can break either way)

Glossary

- Ascending Triangle** — Flat resistance + rising support — typically bullish.
- Breakout** — Price moving decisively beyond a pattern boundary.
- Consolidation** — A period of tight, range-bound trading within a pattern.
- Cup & Handle** — A rounded U-shaped recovery followed by a small pullback.
- Descending Triangle** — Flat support + falling resistance — typically bearish.
- Double Bottom** — Two equal lows forming a W shape — bullish reversal.
- Double Top** — Two equal highs forming an M shape — bearish reversal.
- Falling Wedge** — Converging downward lines — bullish despite looking bearish.
- False Breakout** — Price briefly breaks a level then reverses back inside.
- Flag** — A small channel sloping against the trend — continuation pattern.
- Head & Shoulders** — Three peaks (middle tallest) — bearish reversal.
- Measured Move** — Using pattern height to calculate the profit target after breakout.
- Neckline** — The support line connecting the valleys in a H&S pattern.
- Pennant** — A small symmetrical triangle after a strong move — continuation.
- Pole** — The initial strong move before a flag or pennant forms.
- Rising Wedge** — Converging upward lines — bearish despite looking bullish.
- Symmetrical Triangle** — Equal converging lines — can break in either direction.
- Triple Bottom** — Three equal lows — very strong bullish reversal.
- Triple Top** — Three equal highs — very strong bearish reversal.



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ABOUT THE AUTHOR



Avik Kanrar

Founder of cRyPtO sMaRt — a platform dedicated to making cryptocurrency and trading education accessible to everyone.

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