

Continuation Pattern Vs Reversal Pattern

Many times when we trade, we come out of a stock with minimal profits and see that the stock soars like anything. And at the same time, sometime we will be making minor profits and we do not want to book profits, where the stock reverses its direction and the profit you were making turns into loss. Why does this happen? How can we trade at these levels?

When the stock is being traded, there are 3 major patterns which occur.

1. Continuation Pattern
2. Reversal Pattern
3. Consolidation / Sideway Pattern

While trading, there are times where market is trending. i.e., when it is moving up, it keeps moving up then probably the trading is happening in continuation pattern. There are many patterns which shows continuation, like Triangle, Flag, Higher top - higher bottom, Lower top - lower bottom and many more of them.

Similarly you will find that some times market reverses its direction. This happens when market is trading in reversal patterns like Head and Shoulder, Inverse Head and Shoulder, Double Top, Double Bottom etc.

Whenever market is not able to decide which direction it wants to go, it will be trading in a range and it is better to avoid these consolidation / sideway pattern.

Learn technical analysis and trade like a PRO. If you want to get a coach on your stock trading or want to build your portfolio, email me at nsebestocktradingcalls@gmail.com

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