

# INTELLIGENCE7

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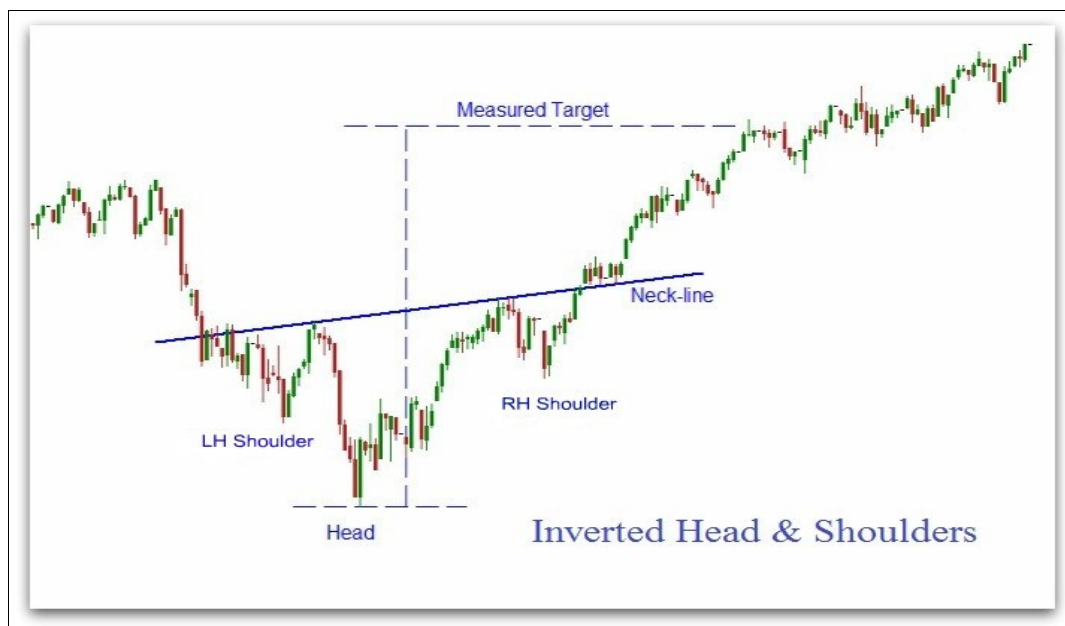
## INVERTED HEAD AND SHOULDERS PATTERNS

### Inverted Head and Shoulders

A reverse ,or inverted Head and shoulders pattern is a bullish stock market technical analysis charts reversal pattern that is found at market bottoms.

With inverted head and shoulders the neckline is drawn through the highest points of the two intervening peaks. A downward sloping neckline signals continuing weakness and is less reliable as a reversal signal.

The extent of the breakout move can be estimated by measuring from the top of the middle trough up to the neckline. This target is then projected upwards from the point of breakout.



### Volume confirmation

- High volume on the first trough,
- Moderate volume on the second trough,
- High volume on the second peak,

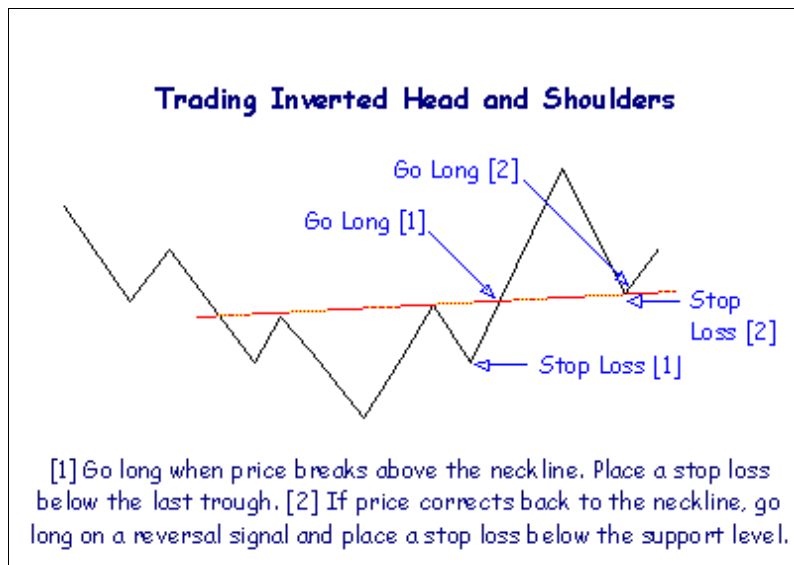
- Low volume on the third trough, and
- A sharp increase in volume at the breakout.

## Trading signals

### Go long at breakout above the neckline.

Place a stop-loss one tick below the last trough.

There is frequently a correction back to the neckline, which then acts as a support level. Go long on a reversal signal and place a stop-loss one tick below the support level.



Never trust an inverted head and shoulders pattern where the neckline is clearly descending (the second peak being lower than the first). The more level the neckline, the more reliable the pattern.