

Trading Chart Patterns PDF for Beginners

**A Practical Guide to Price Action, Market Structure, and
Trade Setups**

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This guide is part of TMGM's commitment to trader education. It is designed to help beginners understand how forex works, what drives currency prices, how trading risk operates, and how to build a more structured trading process before entering live market conditions.



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PART 1 OF 8

Chart Pattern Foundations

Chart Patterns are a set visual formation on a price chart that is repeated again and again, used by traders to predict future price movements.

All different types of chart patterns have a combination of entry and exit points including reversal patterns (signal a change in trend direction), continuation patterns (signal a pause before a trend resumes), and bilateral patterns (can break out in either direction).

01 What Are Chart Patterns?

02 How to Read a Trading Chart

03 Price Action and Candlestick Anatomy

04 Market Structure and Timeframes

05 Support, Resistance, and Key Zones

06 Volume Analysis: Useful, but Market-Specific



1

What Are Chart Patterns?

Chart patterns are repeated structures that appear on price charts. They are formed by the interaction between buyers and sellers over time.

Look at enough charts and your brain will start finding shapes everywhere. Two peaks can resemble a double top. A few swings can resemble a triangle. That ability is useful, but it can also become a trap. Humans have brains designed to find patterns in all things: we cloud gaze, see faces in burnt toast, and assign meaning to things that might not always have meaning.

Chart patterns are valuable because they turn the chaos of trader psychology into structured visual data. The shape gets your attention. Context and confirmation decide whether the idea deserves a trade plan.

"Chart patterns are recurring structures traders use to organise price action. They are not predictions."

Common types of chart patterns

CATEGORY	WHAT IT SUGGESTS	EXAMPLES
Reversal	A trend may be weakening or changing direction	Double top, double bottom, head and shoulders, cup and handle
Continuation	A trend may pause before continuing	Flags, pennants, triangles
Bilateral	Market indecision caused by balanced buying and selling pressure or low trading activity	Symmetrical triangle, rectangle, broadening range

TRADER TAKEAWAY

Chart patterns give you a map of market behaviour, but they don't guarantee the destination. When macro events like central bank rate decisions or geopolitical headlines hit, technical setups often crumble. Risk management is what keeps a failed trade from becoming a fatal one.

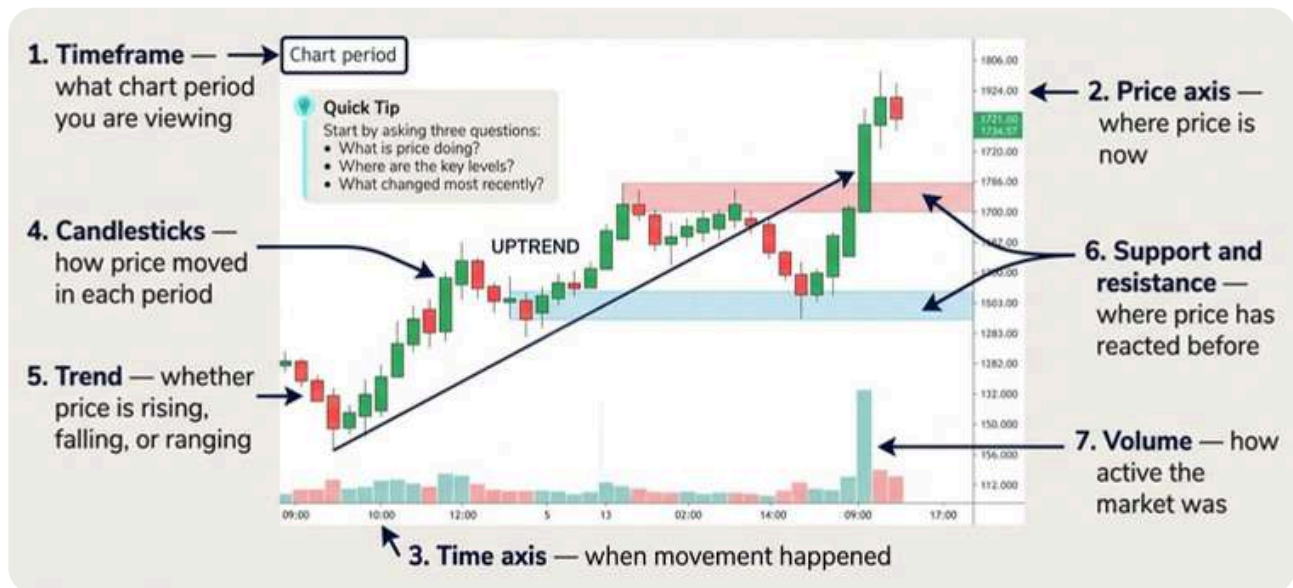
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How to Read a Trading Chart

A trading chart is simply price plotted over time.

If you have never used a trading chart before, begin with the axes. The horizontal axis moves from earlier to later. The vertical axis shows price. When the line or candles move upward, price is trading at higher levels. When they move downward, price is trading at lower levels.

A chart does not tell you why price moved. It records what happened. Technical analysis is the process of organising that record so you can identify trend, reaction zones, momentum and possible decision points.



BEGINNER NOTE

Before drawing a single pattern, practise pointing to the latest price, a recent swing high and a recent swing low. If those are clear, the rest of the book becomes much easier.

3

Price Action and Candlestick Anatomy

Price action is the study of how price moves over time.

Candlesticks compress that movement into readable blocks.

Each candlestick represents one selected period: one minute, one hour, one day or any other timeframe supported by the platform. It records four prices: the open, high, low and close.

The body shows the distance between the open and close. The thin lines above and below the body are the upper and lower wicks. A long wick can show that price travelled into an area and was pushed back, but the candle only becomes useful when you read it with location and wider structure.

Candlestick Anatomy



Candle Behaviour

Candle Type	What It May Suggest
Large bullish candle	Strong buying pressure
Large bearish candle	Strong selling pressure
Long upper wick	Rejection from higher prices
Long lower wick	Rejection from lower prices
Small body	Indecision or pause
Doji	Balance between buyers and sellers



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Market Structure and Timeframes

Before you name the pattern, name the market.

Market structure is a foundational mental model in technical analysis for interpreting price action.

In online trading content, the term is often used loosely as a catch-all for concepts drawn from Dow Theory and Wyckoff methodology, although its original economic meaning refers to the relationships and interactions between buyers and sellers within an economy or financial market.

Let's take a look at some of the primary market structures you should know.



Uptrend

Higher highs and higher lows. Buyers are willing to pay higher prices and sellers cannot push price back to previous lows.



Downtrend

Lower highs and lower lows. Sellers control the market and buyers are unable to hold previous support levels.



Range

Price moves sideways between support and resistance. Neither buyers nor sellers have full control of the trend.

CONDITION	SIMPLE STRUCTURE CLUE	QUESTION TO ASK
Uptrend	Higher highs + higher lows	Is the pattern supporting the trend or fighting it?
Downtrend	Lower highs + lower lows	Where has selling pressure repeatedly returned?
Range	Repeated reactions between two zones	Am I at the edge of the range or stuck in the middle?
Compression	Swings narrow and overlap	What level would confirm expansion?

TRADER TAKEAWAY

In an uptrend, traders often watch for bullish continuation patterns such as bull flags and pennants. In a downtrend, they watch for bear flags and descending triangles. In a range, they watch the edges.

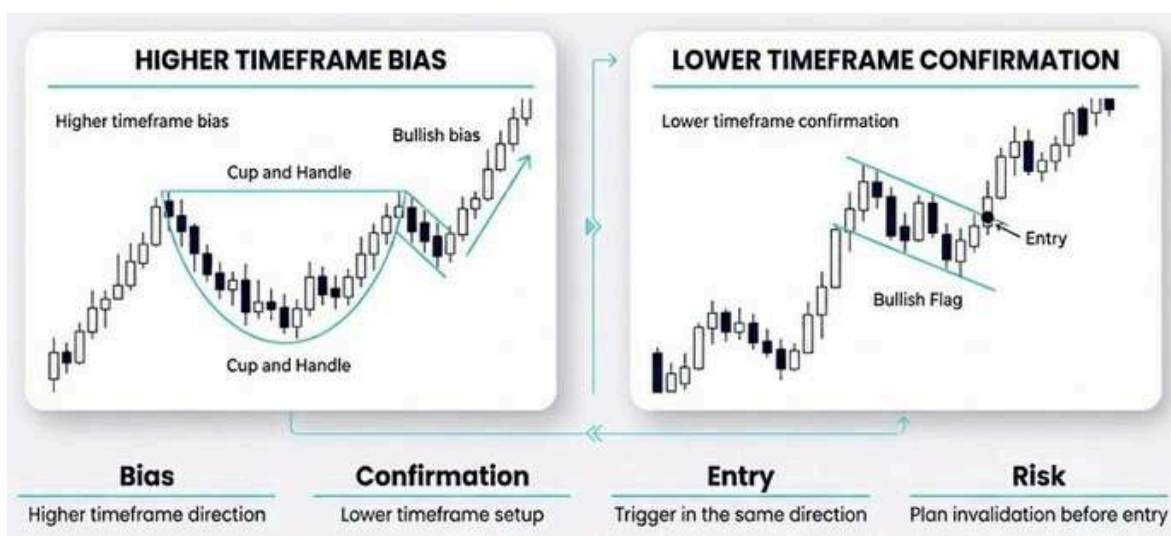
TIMEFRAME CHANGES WHAT THE PATTERN REPRESENTS

A pattern built from twelve weekly candles contains months of market history. The same silhouette built from ten five-minute candles may cover less than an hour. Lower timeframes usually contain more short-term noise; higher timeframes show more reliable trend. Neither is automatically "better" — the timeframe has to fit the trading plan.

A valid pattern on a 5-minute chart is generally more susceptible to failure than the same pattern on a weekly chart. Higher timeframe patterns usually represent stronger momentum and a more reliable price trend.

The correct approach is to use **multiple timeframe analysis**. Traders first **establish a directional bias** on a **higher timeframe**, then use a **lower timeframe** to **identify a more precise entry signal**.

For example, a cup and handle pattern on the hourly chart can establish a bullish bias; a bull flag forming on the 5-minute chart within that same bias provides confirmation and an entry opportunity.



TIMEFRAME	TYPICAL USE	BEST SUITED TO
Weekly / Daily	Establish the dominant trend and major support & resistance levels	Swing and position traders
4-Hour / 1-Hour	Identify short-term market sentiment and buying / selling momentum	Most beginner pattern trading
15-Minute / 5-Minute	For exact entry timing	Day traders

TRADER TAKEAWAY

A chart pattern should not be read in isolation. The market structure around the pattern often determines whether the setup is strong, weak, or unclear.

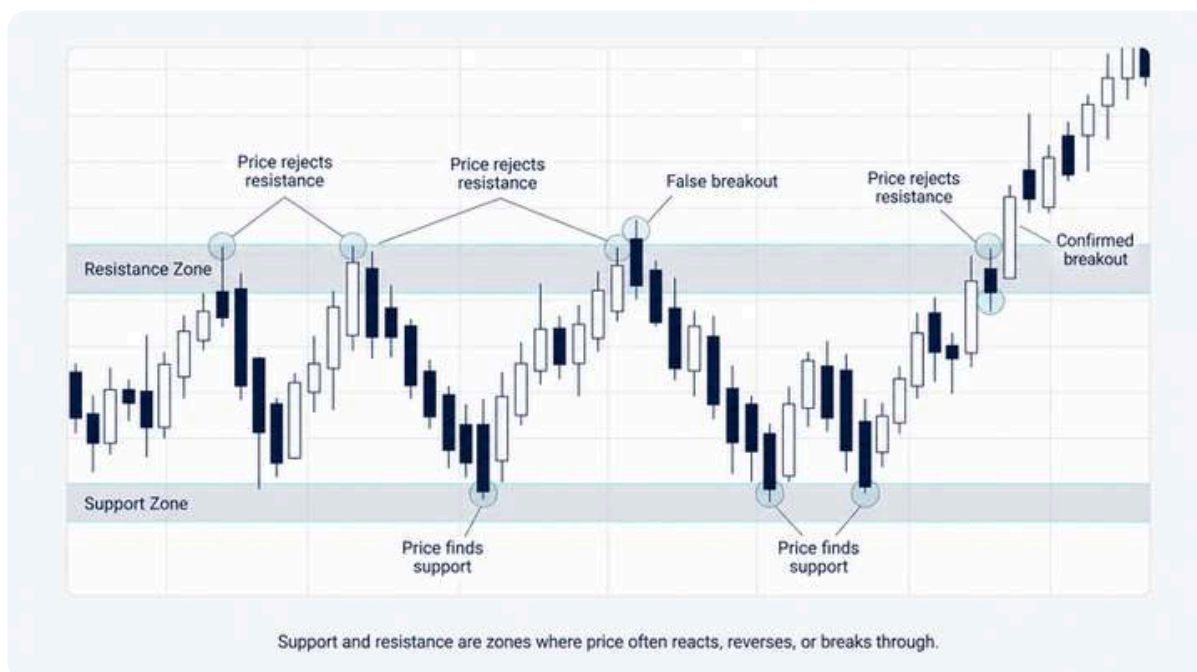
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Support, Resistance, and Key Zones

Support and resistance are the levels where price action forms a floor or a ceiling where price does not fall through or breakthrough easily.

Support is an area where buying pressure has previously been strong enough to slow or reverse a decline. Resistance is an area where selling pressure has previously been strong enough to slow or reverse a rally.

These areas are better treated as zones than perfect lines. Real markets overshoot, wick through levels and close back inside. A useful zone captures the area where price has repeatedly reacted rather than pretending every reaction occurred at the same decimal.

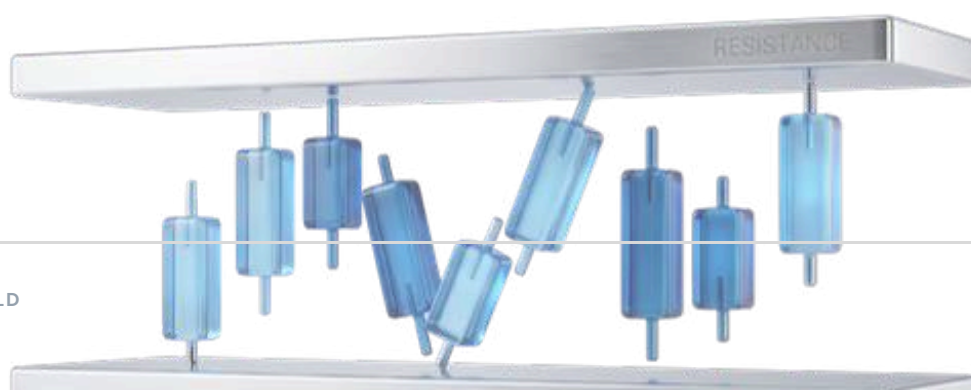


How to read the diagram

- Price reaches resistance and repeatedly struggles to continue higher.
- Price falls toward support and buying pressure repeatedly slows the decline.
- The area between the zones becomes a range.
- A breakout occurs when price moves and closes beyond the zone that had contained it.

BEGINNER MISTAKE

Drawing so many levels that every price becomes "important". If the chart starts looking like a barcode, you probably have too many lines.



Support and Resistance Can Change Roles

A broken level can become useful from the other side.

When resistance breaks and price later returns from above, traders watch to see whether the old resistance area now acts as support. The reverse can happen when support breaks and a later rally stalls underneath it.

This role reversal is especially useful for breakout and retest setups because it creates a clear question:

Did price leave the old range and then prove it can hold outside it?

Understanding Support and Resistance Flips



What happened	What a trader watches next
Resistance breaks	Does a pullback hold above the old resistance zone?
Support breaks	Does a rebound stall below the old support zone?
Price returns fully inside	The breakout may be failing rather than holding.

Resistance

A resistance level is a price point or zone on a chart where the **upward price movement stops or slows down** because **selling pressure is higher than buying demand**. It acts as a "ceiling" for the price.

Role Reversal

When support breaks, it may become resistance later. When resistance breaks, it may become support later.

This is especially important for breakout and retest trading.

The Importance of Support and Resistance Zones in Chart Patterns

Double Bottom at Support



A **double bottom** forming around a **major support zone** can carry more weight because price is already reacting at an area where buyers have stepped in before.

When the **pattern and support level line up**, it gives traders another reason to **watch for a possible move higher**.

The **same idea works in reverse**. A **head and shoulders pattern** forming near major long-term resistance shows **price struggling to push beyond** an established ceiling.

When that **resistance lines up with a bearish reversal pattern**, the setup becomes more convincing and may point to a move lower.

Head and Shoulders at Resistance



BEGINNER MISTAKE

Drawing too many levels. More lines do not necessarily make a chart more useful. Too many can quickly turn it into noise. Focus instead on the levels that stand out: areas price has reacted to several times, levels visible on higher timeframes, or zones that line up with other signals such as technical indicators.

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Volume Analysis: Useful, but Market-Specific

Volume can add context to a move, but first make sure you know what your platform is measuring.

In centrally traded markets such as exchange-listed shares and futures, volume can represent executed activity on that venue. Spot forex is decentralised, so retail platforms commonly show tick volume or activity from a particular data source rather than one consolidated global number.

For that reason, treat volume as supporting evidence rather than a standalone trade trigger. Rising activity during a breakout can support the idea that participation is expanding; falling activity during a controlled pullback can fit a continuation story. Neither guarantees the outcome.

Volume becomes most useful when it lets you compare before, during, and after a pattern. Imagine price has been moving sideways and volume has been fairly quiet. Price then breaks above the pattern and the volume bars suddenly get much bigger. That tells you more trading activity has appeared at the same time as the breakout, which can give the move additional confirmation.



WHAT YOU SEE

SIMPLE WAY TO READ IT

Volume gets bigger during a breakout

More activity is coming into the move

Volume gets quieter during a pullback

The pause may be losing momentum

Volume gets quieter while price moves sideways

The market may be waiting for its next move

Price breaks out but volume stays quiet

The breakout has less confirmation

Volume spikes but price barely moves

Lots of activity is happening, but price is struggling to go anywhere

TRADER TAKEAWAY

In forex, check what your platform means by "volume" before treating it like exchange volume. Think of volume as another clue rather than proof that the breakout will succeed.

PART 2 OF 8

Reversal Patterns

Reversal patterns mark a possible change in trend. Here's how to read the double tops, head and shoulders, and triple patterns that signal buyers or sellers losing control.

07 What Are Reversal Chart Patterns?

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09 Double Bottom Chart Pattern

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12 Triple Top Chart Pattern

13 Triple Bottom Chart Pattern



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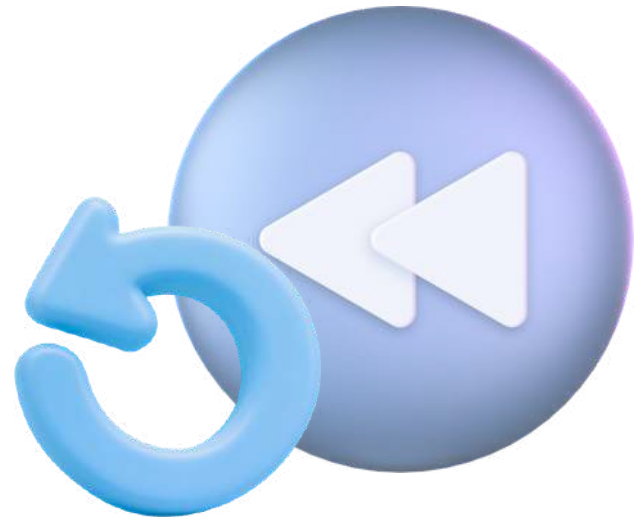
What Are Reversal Patterns?

Reversal patterns suggest that a trend may be losing strength and that price may be preparing to change direction.

They often form after a sustained move. Buyers or sellers make several attempts to continue the trend, but momentum begins to slow. Eventually, a key support or resistance level breaks, confirming that control may be shifting.

Common reversal patterns include:

- Double top
- Double bottom
- Head and shoulders
- Inverse head and shoulders
- Triple top
- Triple bottom
- Rising wedge
- Falling wedge



A reversal pattern is not confirmed by its shape alone. Traders usually wait for price to break a neckline, support level, resistance level, or trendline before treating the pattern as active.

CONFIRMATION RULE

A reversal pattern should not be treated as confirmed until price breaks the key level that completes the pattern.

Pullback vs Reversal Patterns

**A PULLBACK PAUSES THE TREND.
A REVERSAL FLIPS IT.**

Many beginners see the first red candle in an uptrend and assume the move is over. A pullback, however, is simply a temporary move against the prevailing direction.

A reversal requires more: the prior structure begins to fail and the opposite trend starts taking control.

In an uptrend, a pullback can still preserve higher lows. A potential reversal becomes more credible when **price stops making higher highs, breaks a meaningful support area** and then **fails to recover it**.

A reversal pattern is not confirmed by its shape alone. Traders usually wait for price to **break a neckline, support level, resistance level, or trendline** before treating the pattern as active.



NO-TRADE SIGNAL

A reversal pattern forming against a very strong trend but failing to break its key level is still a forming idea. Trading early means betting against the structure you can actually see.

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Double Top Chart Pattern

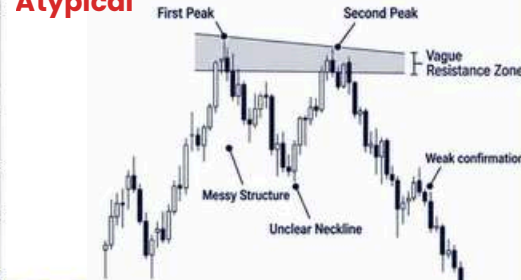
BEARISH

A clean silhouette is not enough. Compare the context, the boundary and the confirmation.

Typical



Atypical



Double Top

BEARISH

A double top is a bearish reversal pattern. It forms when price tests a similar resistance area twice and fails to sustain a move higher. The low between two peaks creates the neckline.

The pattern suggests that buyers tried to continue the uptrend, but sellers defended the same area more than once.

Structure

A double top usually has:

- First peak
- Pullback into neckline support
- Second peak near the same resistance zone
- Break below neckline support

Pattern Psychology

The first peak shows where sellers entered. The pullback shows that buyers lost short-term control. The second peak shows buyers trying again but failing to break higher. When price breaks the neckline, sellers may be gaining control.

Confirmation

The pattern is confirmed when price breaks below the neckline.

Some traders enter on the neckline break. Others wait for price to retest the neckline as resistance.

DOUBLE TOP GUIDE

Pattern type	Bearish reversal
Market context	Often appears after an uptrend
Confirmation	Break below neckline support
Entry idea	Neckline break or retest
Stop idea	Above second peak or resistance zone
Target idea	Pattern height projected downward
Invalidation	Price breaks above the peaks

BEGINNER MISTAKE

Selling at the second peak before the neckline breaks. At that stage, the pattern is still forming. Price may still break above resistance and continue the uptrend.

TRY IT ON DEMO

Find three double top examples. Mark the two peaks, neckline, confirmation candle, possible stop area, and target projection.

[Open a TMGM Demo Account →](#)

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Double Bottom Chart Pattern

BULLISH

The shape matters, but the location and the confirmation matter more.



Double Bottom

BULLISH

A double bottom is a bullish reversal pattern. It forms when price tests a support area twice and fails to break lower.

The pattern suggests that sellers tried to continue the downtrend, but buyers defended the same area more than once.

Structure

A double bottom usually has:

- First low
- Rebound into neckline resistance
- Second low near the same support zone
- Break above neckline resistance

Pattern Psychology

The first low shows where buyers entered. The rebound shows that sellers lost short-term control. The second low shows sellers trying again but failing to break lower. When price breaks the neckline, buyers may be gaining control.

Confirmation

The pattern is confirmed when price breaks above the neckline.

Some traders enter on the breakout. Others wait for a retest of the neckline as support.

DOUBLE BOTTOM GUIDE

Pattern type	Bullish reversal
Market context	Often appears after a downtrend
Confirmation	Break above neckline resistance
Entry idea	Neckline break or retest
Stop idea	Below second low or support zone
Target idea	Pattern height projected upward
Invalidation	Price breaks below the lows

BEGINNER MISTAKE

Buying only because price touched support twice. A double bottom is not confirmed until price breaks the neckline. Before that, price may simply be consolidating before another move lower.

10

Head and Shoulders Chart Pattern

BEARISH

Do not judge the setup by the silhouette alone. Check the trend, the neckline and the breakdown.



Head and Shoulders

BEARISH

The head and shoulders is a bearish reversal pattern. It often forms after an uptrend and suggests that buying momentum may be weakening. The head is the highest peak. The neckline connects the pullback lows between the shoulders and the head.

Structure

- A rally into the left shoulder
- A pullback
- A stronger rally into the head
- Another pullback
- A weaker rally into the right shoulder
- A break below the neckline

Pattern psychology

The left shoulder shows buyers pushing the trend higher. The head shows one final stronger rally. The right shoulder shows buyers failing to reach a new high. When price breaks the neckline, the market may be signalling that sellers are taking control.

BEGINNER MISTAKE

Shorting as soon as the right shoulder appears. The pattern is not confirmed until price breaks the neckline.

HEAD AND SHOULDERS GUIDE

Pattern type	Bearish reversal
Market context	Often appears after an uptrend
Confirmation	Break below neckline
Entry idea	Neckline break or retest
Stop idea	Above right shoulder or above head, depending on risk tolerance
Target idea	Distance from head to neckline projected downward
Invalidation	Price breaks above right shoulder or head

SLOPING NECKLINES

A neckline can be flat, rising, or falling. A flat neckline is usually easier for beginners to read. A sloping neckline can still be valid, but traders should be more careful with confirmation and target projection.

11

Inverse Head and Shoulders Chart Pattern

BULLISH



Inverse Head and Shoulders

BULLISH

The inverse head and shoulders is a bullish reversal pattern. It often forms after a downtrend and suggests that selling momentum may be weakening. The head is the lowest point. The neckline connects the rebound highs between the shoulders and the head.

Structure

- A decline into the left shoulder
- A rebound
- A deeper decline into the head
- Another rebound
- A shallower decline into the right shoulder
- A break above the neckline

Pattern psychology

The left shoulder shows sellers pushing the market lower. The head shows one final deeper sell-off. The right shoulder shows sellers failing to push price to a new low. When price breaks the neckline, buyers may be taking control.

INVERSE HEAD AND SHOULDERS GUIDE

Pattern type	Bullish reversal
Market context	Often appears after a downtrend
Confirmation	Break above neckline
Entry idea	Neckline break or retest
Stop idea	Below right shoulder or below head
Target idea	Distance from head to neckline projected upward
Invalidation	Price breaks below right shoulder or head

BEGINNER NOTE

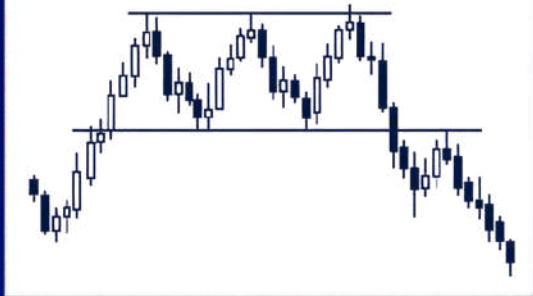
The inverse head and shoulders can be harder to spot than the standard version because it often forms after a messy sell-off. Clean structure matters. A stronger confirmation often comes when price breaks and closes above the neckline, then retests it as support.

12

Triple Top Chart Pattern

BEARISH

Repeated failure at resistance can matter, but only if the structure and confirmation are clear.

Typical**Atypical**

Triple Top

BEARISH

A triple top is a bearish reversal pattern. It forms when price fails three times near the same resistance zone, then breaks below support.

Repeated failure shows that one side of the market is struggling. However, repeated testing can also weaken a level: if price tests resistance many times, sellers may eventually be absorbed. This makes confirmation important.

TRADER TAKEAWAY

Three failed attempts can be powerful. Three touches without confirmation can also just be a range.

TRIPLE TOP GUIDE

Pattern type	Bearish reversal
Key level	Resistance
Confirmation	Break below neckline / support
Entry idea	Break or retest
Stop idea	Above resistance zone
Target idea	Range height projection

13

Triple Bottom Chart Pattern

BULLISH

Repeated support can strengthen the bullish case, but the breakout still matters.

Typical



Atypical



Triple Bottom

BULLISH

A triple bottom is a bullish reversal pattern. It forms when price fails three times to break below support, then breaks above resistance.

If price tests support many times, buyers may eventually be exhausted rather than strengthened. Wait for the level that completes the pattern to break before treating it as active.

TRIPLE BOTTOM GUIDE

Pattern type	Bullish reversal
Key level	Support
Confirmation	Break above neckline / resistance
Entry idea	Break or retest
Stop idea	Below support zone
Target idea	Range height projection

SEE IT LIVE

Ready to watch double tops and other reversal patterns form on a real chart, without risking capital?

[Open a TMGM Demo Account](#) →

Continuation patterns are pauses, not reversals. Flags, pennants, triangles, rectangles, wedges, and a handful of slower-forming shapes show a trend catching its breath before it likely continues.

19 Ascending Triangle Chart Pattern

25 Other Chart Patterns Worth Knowing

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What Are Continuation Patterns?

Continuation patterns form after a trend or a directional move is formed, then causes a pause or pullback in the trend.

The most important distinction is between a controlled pause and genuine structural damage. A shallow flag after a strong impulse tells a different story from a deep retracement that erases most of the move.

Likewise, a triangle following an active trend has a clearer continuation narrative than the same triangle appearing inside months of indecision.

Bull flag

Bear flag

Bullish pennant

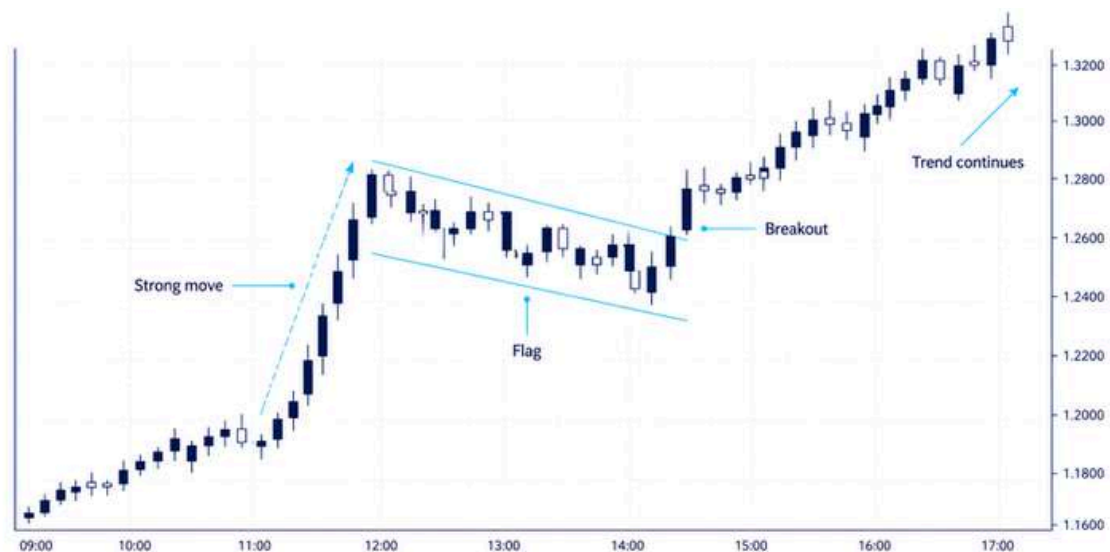
Bearish pennant

Ascending triangle

Descending triangle

Symmetrical triangle

Rectangle



TRADER TAKEAWAY

A continuation pattern is strongest when it forms after a clear impulse and breaks in the direction of the broader trend.

MARKET REALITY

A continuation pattern is not strong because the shape is pretty. It is strong when the trend, the pause and the breakout all tell the same story.

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Bull Flag Chart Pattern

BULLISH



Bull Flag

BULLISH

A **bull flag** is a bullish continuation pattern. It forms after a strong upward move, followed by a shallow pullback or sideways consolidation. The strong move is called the flagpole. The consolidation is called the flag.

Structure

- Strong upward impulse
- Shallow downward or sideways channel
- Break above the upper flag boundary
- Potential continuation higher

Pattern psychology

The impulse shows strong buying pressure. The flag shows temporary profit-taking or hesitation. If buyers remain in control, price may break higher and continue the trend.

BULL FLAG GUIDE

Pattern type	Bullish continuation
Market context	Uptrend or strong bullish impulse
Confirmation	Break above flag resistance
Entry idea	Breakout or retest of flag boundary
Stop idea	Below flag low
Target idea	Flagpole projection or next resistance
Invalidation	Price breaks below the flag structure

BEGINNER MISTAKE

Calling any pullback a bull flag. A true bull flag usually follows a strong impulse and has controlled consolidation. If the pullback is too deep, the trend may be weakening.

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Bear Flag Chart Pattern

BEARISH



Typical setup: A strong move lower pauses briefly before selling resumes.



Atypical setup: An upward drift alone is not enough. The prior move and the structure need to support the continuation idea.

Bear Flag

BEARISH

A bear flag is a bearish continuation pattern. It forms after a strong downward move, followed by a shallow upward or sideways consolidation completed by a breakout downwards.

Structure

- Strong downward impulse
- Shallow upward or sideways channel
- Break below the lower flag boundary
- Potential continuation lower

Pattern psychology

The impulse shows strong selling pressure. The flag shows temporary profit-taking or weak buying. If sellers remain in control, price may break lower and continue the downtrend.

BEAR FLAG GUIDE

Pattern type	Bearish continuation
Market context	Downtrend or strong bearish impulse
Confirmation	Break below flag support
Entry idea	Breakdown or retest of flag boundary
Stop idea	Above flag high
Target idea	Flagpole projection or next support
Invalidation	Price breaks above the flag structure

BEGINNER MISTAKE

Shorting too late after the breakdown. If price has already moved far from the breakout level, risk-reward may become weaker.



17

Bullish Pennant Chart Pattern

BULLISH

A bullish pennant starts with momentum. The small triangle is the pause, not the whole pattern.

TYPICAL SETUP



ATYPICAL SETUP



Bullish Pennant

BULLISH

A pennant chart pattern is a continuation pattern that forms after a sharp price move. Price then compresses into a small symmetrical shape before breaking out.

A bullish pennant forms after a strong move higher: price compresses, then breaks upward.

Pennant vs triangle

Pennants are usually smaller and form after sharp impulse moves. Triangles can develop over a longer period and may not always have a strong flagpole.

BULLISH PENNANT GUIDE

Pattern type	Bullish continuation
Market context	After a sharp upward impulse
Confirmation	Break above the upper pennant boundary
Entry idea	Breakout or retest
Stop idea	Below the pennant low
Target idea	Flagpole projection from the breakout point
Invalidation	Breaks the opposite direction and holds

BEGINNER NOTE

The longer a pennant drags on, the more it may behave like a broader triangle or range.

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Bearish Pennant Chart Pattern

BEARISH

A bearish pennant is a pause after a strong move lower. Look for the momentum before the compression.

TYPICAL SETUP



ATYPICAL SETUP



Bearish Pennant

BEARISH

A bearish pennant forms after a strong move lower. Price compresses into a small symmetrical shape, then breaks downward.

As with the bullish version, the flagpole carries the story. Without a sharp impulse before the compression, the shape is closer to a small triangle than a pennant.

TRADER TAKEAWAY

Measure the flagpole before the breakout, not after. The projection is only as good as the impulse it is based on.

BEARISH PENNANT GUIDE

Pattern type	Bearish continuation
Market context	After a sharp downward impulse
Confirmation	Break below the lower pennant boundary
Entry idea	Breakdown or retest
Stop idea	Above the pennant high
Target idea	Flagpole projection from the breakdown point
Invalidation	Breaks the opposite direction and holds

BEGINNER MISTAKE

Treating a pennant that drags on too long as still valid, once it starts behaving like a broader triangle.

19

Ascending Triangle Chart Pattern

BULLISH

TYPICAL SETUP



ATYPICAL SETUP



Ascending Triangle

BULLISH

An ascending triangle often appears as a bullish continuation pattern. It forms when price makes higher lows against a relatively flat resistance level.

Structure

- Flat resistance
- Rising lows
- Price compression
- Break above resistance

Pattern psychology

Buyers are stepping in at higher prices, while sellers continue defending the same resistance area. If buyers keep applying pressure, resistance may eventually break.

ASCENDING TRIANGLE GUIDE

Pattern type	Often bullish continuation
Market context	Uptrend or accumulation
Confirmation	Break above resistance
Entry idea	Breakout or retest of resistance as support
Stop idea	Below recent higher low or triangle support
Target idea	Triangle height projected upward
Invalidation	Price breaks below rising support

BEGINNER MISTAKE

Assuming every ascending triangle is bullish. In weak markets, ascending triangles can fail. Traders should wait for confirmation.

20

Descending Triangle Chart Pattern

BEARISH

Falling highs can show increasing pressure on support, but support has to give way before the pattern **confirms**.



Descending Triangle

BEARISH

A descending triangle often appears as a bearish continuation pattern. It forms when price makes lower highs against a relatively flat support level.

Structure

- Flat support
- Lower highs
- Price compression
- Break below support

Pattern psychology

Sellers are entering at lower prices, while buyers continue defending the same support area. If sellers keep applying pressure, support may eventually break.

DESCENDING TRIANGLE GUIDE

Pattern type	Often bearish continuation
Market context	Downtrend or distribution
Confirmation	Break below support
Entry idea	Breakdown or retest of support as resistance
Stop idea	Above recent lower high or triangle resistance
Target idea	Triangle height projected downward
Invalidation	Price breaks above descending resistance

BEGINNER MISTAKE

Selling before support breaks. Until support breaks, buyers may still be defending the level.



21

Symmetrical Triangle Chart Pattern

NEUTRAL

Compression tells you pressure is building. It does not tell you which side will win.



Symmetrical Triangle

NEUTRAL

A symmetrical triangle forms when price makes lower highs and higher lows. This creates compression. Unlike ascending and descending triangles, symmetrical triangles are more neutral: direction becomes clearer after price breaks out.

Structure

- Falling resistance line
- Rising support line
- Price compression
- Breakout in either direction

Pattern psychology

Buyers and sellers are becoming more balanced. Each rally is weaker, but each sell-off is also weaker. Eventually, price must break out of compression.

SYMMETRICAL TRIANGLE GUIDE

Pattern type	Neutral or continuation
Market context	Trend pause or consolidation
Confirmation	Breakout from triangle
Entry idea	Breakout or retest, confirmed direction only
Stop idea	Opposite side of triangle
Target idea	Triangle height projection
Invalidation	Failed breakout back inside pattern

BEGINNER MISTAKE

Choosing a direction too early. A symmetrical triangle does not confirm direction until price breaks out.

22

Rectangles and Ranges

NEUTRAL

Sideways price is information too. The important question is whether the boundaries are actually clear.

TYPICAL SETUP



ATYPICAL SETUP



Rectangles and Ranges

NEUTRAL

A rectangle forms when price moves sideways between horizontal support and resistance. It shows indecision of the market sentiment that settles with on the breakout direction.

Structure

- Clear support zone
- Clear resistance zone
- Multiple reactions at both levels
- Breakout above or below the range

Trading Approaches

Approach	Method
Range trading	Buy near support, sell near resistance
Breakout trading	Wait for price to break out of the rectangle
Retest trading	Wait for broken support or resistance to be retested

RECTANGLE GUIDE

Pattern type	Neutral or continuation
Market context	Sideways consolidation
Confirmation	Break above resistance or below support
Entry idea	Breakout or retest
Stop idea	Back inside range or beyond opposite zone
Target idea	Range height projection
Invalidation	Failed breakout back into range

BEGINNER NOTE

The middle of the range often offers poor risk-reward. The edges are usually better for entries.



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Rising Wedge Chart Pattern

BEARISH

A rising wedge is not just an upward channel. Look for converging boundaries and a confirmed break lower.

TYPICAL SETUP



Typical setup: Price compresses between converging rising boundaries before breaking lower.

ATYPICAL SETUP



Atypical setup: If the lines are too loose or nearly parallel, the structure may be a channel rather than a wedge.

Rising Wedge

BEARISH

A rising wedge forms when price moves higher within narrowing upward-sloping lines. It can suggest weakening upside momentum, and is often interpreted as bearish, especially after an uptrend.

BEGINNER MISTAKE

Trading a wedge before the trendline breaks. Until the break happens, the pattern is still forming.

RISING WEDGE GUIDE

Common bias	Bearish
Market context	Price rising within narrowing, upward-sloping lines
Confirmation	Break below wedge support
Entry idea	Breakdown or retest
Stop idea	Above recent wedge high
Target idea	Previous support or pattern base
Invalidation	Price breaks higher and holds



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Falling Wedge Chart Pattern

BULLISH

A falling wedge is more than a downward drift. Look for converging boundaries and a confirmed break higher.



Typical setup: Price compresses between converging falling boundaries before breaking higher.



Atypical setup: If the structure is too loose or behaves more like a channel, the wedge may be forced.

Falling Wedge

BULLISH

A falling wedge forms when price moves lower within narrowing downward-sloping lines. It can suggest weakening downside momentum, and is often interpreted as bullish, especially after a downtrend.

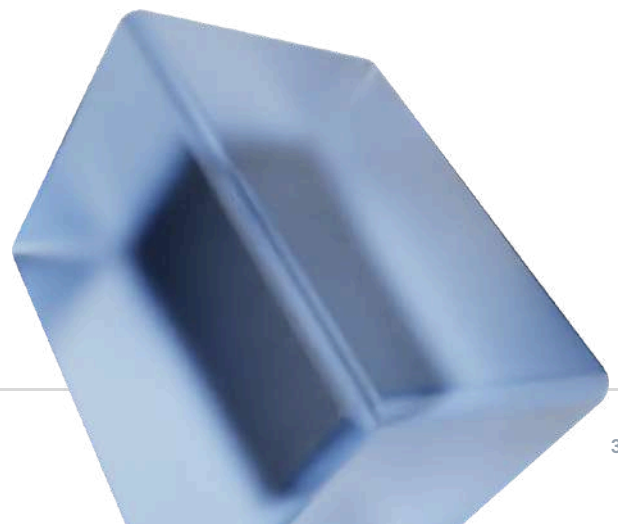
Both wedge types narrow as they develop, which is what separates them from a channel. The break of the sloping boundary is the event that matters.

FALLING WEDGE GUIDE

Common bias	Bullish
Market context	Price declining within narrowing, downward-sloping lines
Confirmation	Break above wedge resistance
Entry idea	Breakout or retest
Stop idea	Below recent wedge low
Target idea	Previous resistance or pattern base
Invalidation	Price breaks lower and holds

TRADER TAKEAWAY

A wedge is a story about momentum fading, not about price reaching a specific level. Confirmation comes from the trendline break.



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Other Chart Patterns Worth Knowing

The patterns covered so far make up the core of most beginner chart pattern education. A handful of other shapes turn up often enough on real charts that they are worth recognising too. They share the same underlying idea as everything else in this guide: they describe a recurring balance between buyers and sellers, and they still need a confirmed break before being treated as active.

Trend Channels

NEUTRAL



A trend channel forms when price respects two roughly parallel trendlines: one connecting the swing highs, the other connecting the swing lows. Inside an ascending channel, buyers step in near the lower line and sellers cap rallies near the upper line, with the whole structure drifting in the direction of the broader trend.

Channel trading is different from breakout trading. Many traders buy the lower line and sell the upper line while the channel holds, then treat a decisive break of either line as a signal that the trend is losing structure.

Cup and Handle

BULLISH



The recovery should be gradual. A sharp, V-shaped rebound does not qualify.

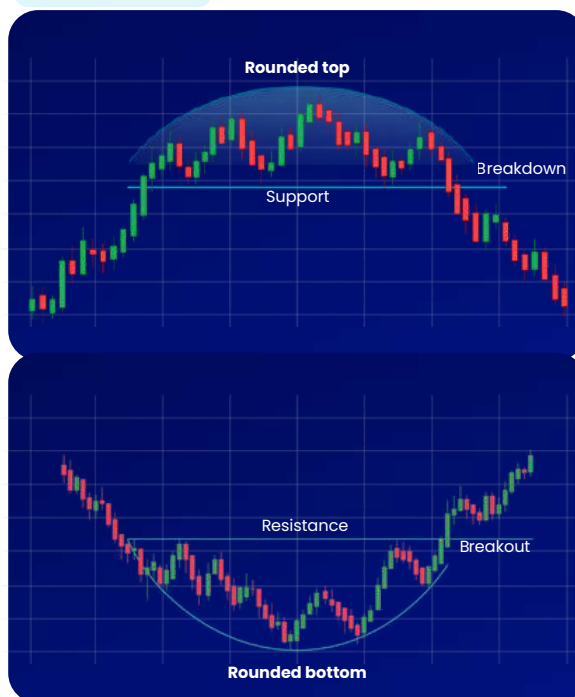
The handle then develops at the resistance level set by the cup's rim, showing up as a minor downward drift or a sideways consolidation that usually retraces 30% to 50% of the cup's advance during the U shaped bottom recovery.

The pattern is confirmed when price breaks out above the handle's upper resistance on higher-than-average volume. A handle that cuts deeper than that range, or that stays choppy, is not a good cup and handle.

Rounding Top and Bottom

BEARISH

BULLISH



A rounding top is a slow, dome-shaped reversal that forms after an extended uptrend, as buying pressure fades gradually rather than snapping at a single neckline. A rounding bottom is its bullish mirror image: a saucer-shaped base that forms after an extended downtrend.

A cup and handle is a bullish continuation pattern that develops after an existing uptrend.

Price dips away from the high and recovers along a rounded, U-shaped base that brings it back near where the decline started.

PART 4 OF 8

Breakouts, Retests, and Failed Patterns

A pattern is only half the story. This part covers how breakouts behave, why retests matter, and how to recognise a false break before it costs you.

26 How Breakouts Work

27 The Retest

28 Fakeout (False Breakout) and Pattern Failure

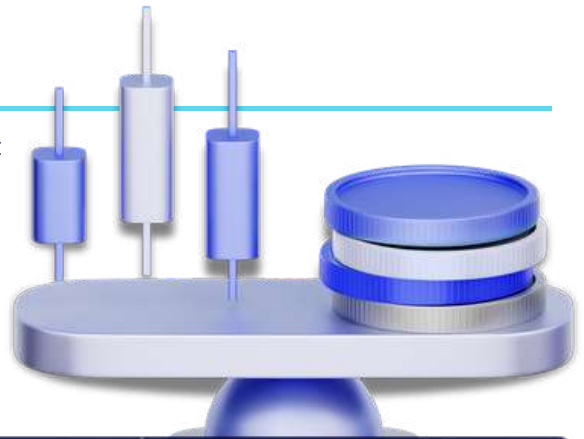


26

How Breakouts Work

A breakout happens when price breaks beyond any support and resistance level, especially after being rejected. Some common examples of breakouts occur at a neckline, price channel or a simple trendline.

Breakouts are important because they show that price has capped a previous structure.



STRUCTURE	WHAT PRICE IS BREAKING	WHAT TO WATCH
Horizontal support / resistance	A clearly defined price zone	A close beyond the level and follow-through
Range boundary	The support or resistance edge of a sideways range	Price leaving the range and holding outside it
Trendline	A rising or falling dynamic boundary	A clean break followed by a change in price behaviour
Pattern boundary	The key confirmation level of a chart pattern	The specific breakout that confirms the setup
Neckline	Support or resistance within patterns such as double tops or head and shoulders	A close beyond the neckline
Channel boundary	The upper or lower edge of a trend channel	Whether price rejects the edge or breaks through it

A STRONG BREAKOUT USUALLY HAS

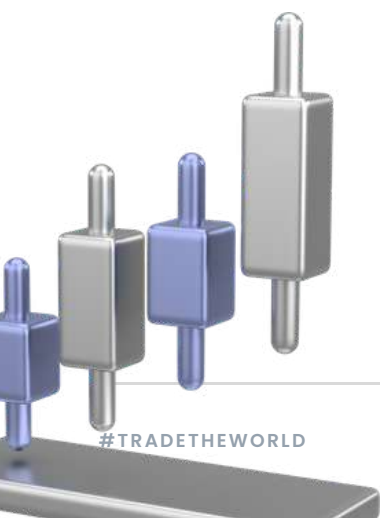
- Clear level
- Strong candle close beyond the level
- Momentum follow-through
- Successful retest, where relevant

A WEAK BREAKOUT MAY HAVE

- Only a wick beyond the level
- Immediate return inside the pattern or range
- No follow-through
- False breakout risk

IMPORTANT

The same breakout can belong to more than one category. For example, an ascending triangle breakout is also a break above resistance, while a head and shoulders breakdown is also a break below support at the neckline.



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The Retest

A retest happens when price breaks a level, then returns to test that level from the other side. Resistance may become support after a bullish breakout. Support may become resistance after a bearish breakdown.



Why retests matter

- More reliable trend
- Avoids 'fakeouts'
- Better risk-reward ratio

ENTRY TYPE	ADVANTAGE	RISK
Breakout entry	Earlier participation	Higher fakeout or false breakout risk
Retest entry	Clearer risk level	Price may run without a retest

Example

Price breaks above triangle resistance. Instead of entering immediately, a trader waits for price to return to the broken resistance. If the broken resistance level holds as a new support level, the trader may enter a position with a stop loss set below the retested support level.

BEGINNER NOTE

Beginners do not need to chase the breakout. Waiting for a retest can create a lower risk entry with a better Risk Reward Ratio.

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Fakeout (False Breakout) and Pattern Failures

A Fakeout (False Breakout) happens when price moves beyond a key level but fails to continue. Price then returns inside the previous structure. False breakouts are common. They can happen around major news, low-liquidity periods, choppy markets, or emotional market sentiment.



Common false breakout signs

- Price breaks with a wick and closes back inside the support/resistance level
- Price closes beyond the level after breakout but falls back into range on retest (failed retest)

Pattern failure

A pattern fails when price invalidates the original setup. For example:

- A double top fails if price breaks above the peaks.
- A bull flag fails if price breaks below the flag.
- A head and shoulders fails if price breaks above the right shoulder or head.

BEGINNER MISTAKE

Assuming every break of a line is a real breakout. A wick through a level is not the same as a strong close beyond it.

PART 5 OF 8

Turning Chart Patterns into Trade Setups

Recognising a shape is not a trading plan. Here's the framework for turning a pattern into a repeatable system with an entry, a stop, a target, and a properly sized position.

-
- | | | | |
|----|-------------------------------------|----|---------------------------------------|
| 29 | The Chart Pattern Trading Framework | 32 | Profit Targets and Measured Moves |
| 30 | Trading Entry Methods | 33 | Risk Reward Ratio and Position Sizing |
| 31 | Stop Loss Placement | | |
-



The Chart Pattern Trading Framework

A chart pattern should be assessed through a repeatable framework. Before trading any pattern, ask six questions.

1. MARKET CONDITION

Is price trending, ranging, or reversing? A bull flag is more meaningful in an uptrend. A double top is more meaningful after a rally into resistance.

2. LOCATION

Is the pattern forming near a key level? Patterns near important support, resistance, session highs, swing points, or trendlines often carry more meaning.

3. SHAPE

Is the pattern clean or messy? A clean pattern is easier to define. A messy pattern can show indecision and unclear market sentiment, affecting reliability of the setup.

4. CONFIRMATION

Has the key level broken? Confirmation comes from confluence, breakout, or a successful retest.

5. RISK

Where is the setup invalidated? If the trade idea is bullish, where would price need to fall to prove the idea wrong?

6. REWARD

Is the target realistic? A trade should have enough space to move before reaching the next major support or resistance zone.



CHART PATTERN TRADING CHECKLIST

QUESTION	YES / NO
Is the current market condition clear?	
Is the chart pattern forming near a meaningful level?	
Is the chart pattern shape clean enough to define?	
Were confirmation criteria met?	
Is there a clear invalidation point, with the stop-loss placed logically?	
Is the target realistic and the risk-reward acceptable?	
Are there major news events nearby?	
Is position size based on risk reward ratio, not emotion or guessing?	

TRADER TAKEAWAY

If several answers are "no," the setup may not be ready. A missed trade is better than a forced trade — there will always be another chart and another setup.

Trading Entry Methods

There are several ways to enter a chart pattern trade. Each has advantages and risks. An aggressive entry happens before full confirmation: this may offer a better price, but it carries higher risk because the pattern may not complete. A breakout entry happens when price breaks the confirmation level, which provides more evidence at a worse price. A retest entry waits for price to return to the broken level, which can create a clearer stop-loss area, but price may not return.

ENTRY TYPE	HOW IT WORKS	ADVANTAGE	RISK
Aggressive entry	Enter before confirmation	Better entry price	Higher failure risk
Breakout entry	Enter when key level breaks	Confirms setup	Can chase price
Retest entry	Enter after price retests broken level	Low risk	Retest may not happen
Limit order entry	Set planned entry at a level	Removes emotional timing	Can trigger before failure
Market order entry	Enter immediately	Fast execution	Slippage or poor price

Multi-timeframe confirmation

It is worth checking a pattern against more than one timeframe before treating it as high quality. A double bottom on the 1-hour chart is more convincing when it sits near a support zone that also matters on the daily chart, than when it appears in an area with no higher-timeframe significance at all.

BEGINNER NOTE

New traders often benefit from waiting for confirmation or retest entries. Aggressive entries require more experience and stronger risk control.

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Stop Loss Placement

A stop-loss should be placed where the setup is invalidated. It should not be placed randomly, and it should not be placed only where the loss feels comfortable.

SETUP	POSSIBLE STOP AREA
Double top	Above second peak
Double bottom	Below second low
Head and shoulders	Above right shoulder or head
Bull flag	Below flag low
Bear flag	Above flag high
Ascending triangle	Below recent higher low
Descending triangle	Above recent lower high
Rectangle breakout	Back inside range or beyond opposite side

Tight stops vs wide stops

A stop that is too tight may be triggered by normal market fluctuation. A stop that is too wide may make the trade unattractive because the potential loss becomes too large compared with the target. Traders can use volatility tools such as ATR to measure volatility and whether a stop is realistic.

TRADER TAKEAWAY

The stop-loss should answer one question: "At what point is this setup no longer valid?"

32

Profit Targets and Measured Moves

A profit target is the planned exit point if the trade moves in the expected direction. Chart pattern traders often use three types of target: a measured move, previous support or resistance, and a fixed risk-reward target.

MEASURED MOVE

A measured move uses the height of the pattern to project a profit target.

- **Double top:** distance from peak to neckline projected downward
- **Double bottom:** distance from low to neckline projected upward
- **Triangle:** widest part of triangle projected from breakout
- **Flag:** flagpole projected from breakout

SUPPORT AND RESISTANCE TARGETS

Sometimes the next support or resistance zone is more practical than a full measured move. If a bullish breakout has a measured target far above the market but strong resistance sits nearby, the resistance zone may be a more realistic first target.

RISK-REWARD TARGETS

Some traders use a fixed risk-reward target, such as 1:2. If the stop risk is 50 pips, a 1:2 target would be 100 pips.

Measured moves are guides, not guarantees.

RISK-REWARD EXAMPLE

A trader enters a bullish triangle breakout.

ENTRY	STOP-LOSS	TARGET	RATIO
1.0800	1.0750	1.0900	1:2

The trader is risking 50 pips to target 100 pips.

BEGINNER MISTAKE

Expecting every pattern to reach its full measured target. Markets often pause, reverse, or consolidate before reaching projected levels.

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Risk Reward Ratio and Position Sizing



A clean pattern is not automatically a good trade. The setup still needs acceptable risk-reward. If the stop-loss is too far away and the target is too close, the trade may not be worth taking.

The wider the stop-loss, the smaller the position size should usually be if the trader wants to keep risk consistent. A 30-pip stop and a 100-pip stop should not use the same lot size if the trader is risking a fixed percentage of the account.

BASIC POSITION SIZING FORMULA

Position size (lots) = Account risk ÷ (Stop-loss distance in pips × Pip value per lot)

Account risk is your account balance multiplied by the percentage you are willing to lose on one trade. A trader with a \$1,000 account risks 2%, which is \$20. The stop-loss is 50 pips away on EUR/USD, where 1 standard lot is worth about \$10 per pip.

$\$20 \div (50 \times \$10) = 0.04 \text{ lots}$

At 0.04 lots, each pip is worth \$0.40, so a 50-pip loss equals the planned \$20.

TRADER TAKEAWAY

Pattern size affects risk. Wider patterns need smaller position sizes if account risk is to remain controlled.

SIZE IT RIGHT

Working out pip value and position size by hand is easy to get wrong under pressure.

[Try TMGM's Position Size Calculator →](#)

PART 6 OF 8

Chart Pattern Cheat Sheet

A fast-reference playbook of bullish, bearish, and neutral chart patterns — built to be scanned at a glance, in the spirit of a trader's cheat sheet.

34 Bullish Chart Pattern Cheat Sheet

35 Bearish Chart Pattern Cheat Sheet

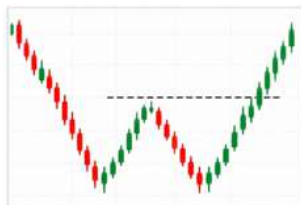
36 Neutral Chart Pattern Cheat Sheet



34

Bullish Chart Pattern Cheat Sheet

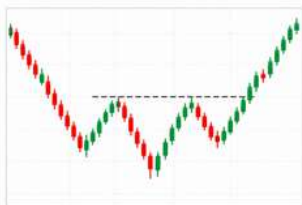
Every bullish pattern shares the same entry logic: wait for the level to break, place the stop where the idea is wrong, and project the pattern height for a first target.



Double Bottom

Reversal · Break
above neckline

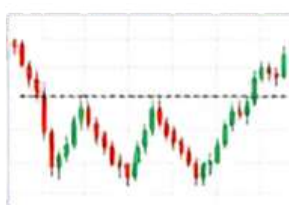
Stop below second low



Inverse Head & Shoulders

Reversal · Break
above neckline

Stop below right shoulder



Triple Bottom

Reversal · Break
above resistance

Stop below the third low



Bull Flag

Continuation · Break
above flag

Stop below flag low



Bullish Pennant

Continuation · Break
above pennant

Stop below pennant low



Ascending Triangle

Continuation · Break
above flat resistance

Stop below recent
higher low



Falling Wedge

Reversal or continuation
· Break above wedge

Stop below recent swing low



Cup and Handle

Continuation · Break
above handle

Stop below handle low

A rounding bottom and a rectangle breakout above range resistance also resolve bullishly. Both are slower to form: treat the level break, not the shape, as the trigger.

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Bearish Chart Pattern Cheat Sheet

Every bearish pattern shares the same entry logic: wait for support or the neckline to break, place the stop where the idea is wrong, and project the pattern height for a first target.



Double Top

Reversal – Break below neckline
Stop above second peak



Head and Shoulders

Reversal – Break below neckline
Stop above right shoulder



Triple Top

Reversal – Break below support
Stop above the third peak



Bear Flag

Continuation – Break below flag
Stop above flag high



Bearish Pennant

Continuation – Break below pennant
Stop above pennant high



Descending Triangle

Continuation – Break below flat support
Stop above recent lower high



Rising Wedge

Reversal or continuation – Break below wedge
Stop above recent swing high



Rounding Top

Reversal – Break below the rollover level
Stop above the dome high



A rectangle breakdown below range support and a broadening formation that breaks lower can also resolve bearishly. Treat the level break, not the shape, as the trigger.

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Neutral Chart Pattern Cheat Sheet

Neutral chart patterns do not confirm direction on shape alone.
Wait for price to break the boundary, then trade the confirmed direction.



Symmetrical Triangle

Compression • Breakout above or below
Stop beyond the opposite side



Rectangle / Range

Balance • Breakout from either edge
Stop back inside the range



Trend Channel

Trend • Break of either line ends the structure
Stop beyond the last swing or boundary



Broadening Formation

Expanding swings • Can break either way
Use recent swings rather than full pattern height



Neutral patterns are less about prediction and more about preparation. Mark the boundary, wait for confirmation, and define your invalidation before entry.

PART 7 OF 8

Train Your Eye

The goal of practice is not to find more patterns.
It is to get faster at rejecting the bad ones.

37 Clean Setup vs Weak Lookalike

39 Chart Pattern Trading Checklist

38 Beginner Chart Pattern Review Routine

40 14-Day Trading Chart Demo Plan



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Clean Setup vs Weak Lookalike

Two charts can share a similar shape but still offer very different trading setups. Learning how to identify chart patterns means looking beyond the outline itself and judging trend, structure, location and confirmation.

For chart patterns for beginners, the strongest setups usually combine clear market context, chart pattern confirmation and room for price to move.

Double Top Pattern: Clear Reversal vs Forced



Bull Flag Pattern: Controlled Pause vs Deep



Clean chart	Weak
Clear prior trend	Little or no meaningful trend
Boundaries are easy to define	Appears randomly in the middle of the chart
Forms near a useful support, resistance or trend area	Lines change depending on how they are drawn
Price closes beyond the key level	Only a wick or brief move breaks the level
Room exists before the next obstacle	Target runs directly into support or resistance
Invalidation is clear	Stop placement feels arbitrary

MARKET REALITY

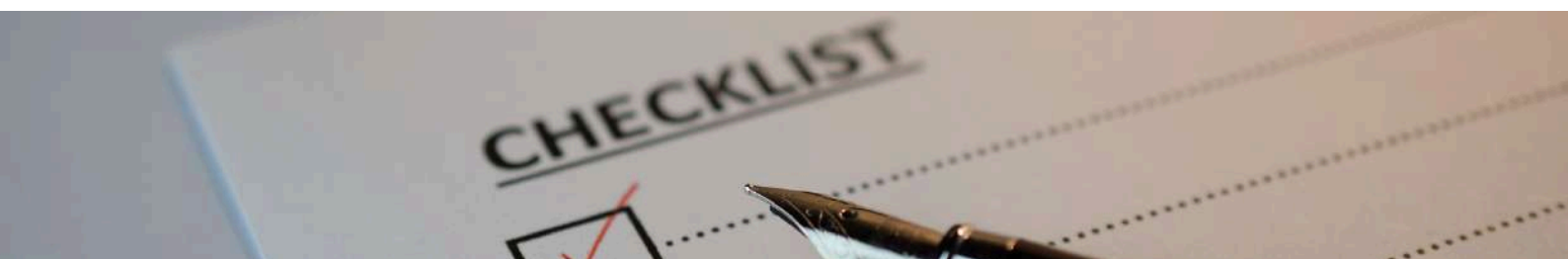
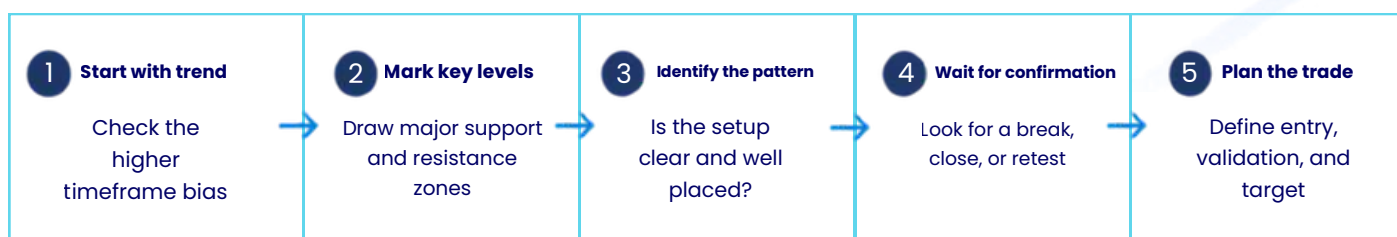
One of the fastest ways to improve at chart pattern trading is learning to reject weak setups sooner.

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Beginner Chart Pattern Review Routine

A chart review routine helps beginners stay consistent, slow down, and avoid forcing trades. Before you act on any chart pattern, review the market in the same order each time.

For chart patterns for beginners, the goal is not to predict every move. It is to check trend, key levels, pattern quality, confirmation, and risk before making a trading decision.



What to review	Beginner routine guide
Higher timeframe	Start with the broader trend or directional bias before looking for an entry.
Key levels	Mark the major support and resistance zones that matter most.
Pattern quality	Check that the chart pattern is clear, well structured, and not forced.
Confirmation	Wait for price to break, close beyond, or retest the key level.
Risk	Know where the trade idea is wrong before entering.
Next obstacle	Check whether there is room to the next support or resistance level.
Journal note	Write down the setup, the trigger, and why the trade makes sense.

MARKET REALITY

A good trading routine will not remove losses, but it can reduce impulsive decisions. The aim is consistency and better pattern selection, not taking every setup you see.



ROUTINE CHECK: Trend first → Key levels marked → Pattern clear → Confirmation present → Risk defined

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Chart Pattern Trading Checklist

Before moving from demo to live trading, make sure your chart pattern process is repeatable, risk-aware and realistic. Real money can change how traders react to losses, missed entries and uncertainty.



1. Chart Skills

- ☐ I can identify the wider trend
- ☐ I can mark major support and resistance
- ☐ I can recognise clean patterns
- ☐ I wait for confirmation

Trend, levels, pattern quality, confirmation.



2. Trade Planning

- ☐ I know my invalidation point
- ☐ I use a stop-loss based on structure
- ☐ I size positions sensibly
- ☐ I check the next obstacle

Invalidation, stop-loss, position size, nearby S/R levels.



3. Trader Process

- ☐ I check major events
- ☐ I can accept missed setups
- ☐ I can accept losing trades
- ☐ I keep a trading journal

Events, discipline, psychology, review.



Demo-to-Live Test

Complete 20–30 demo trades using the same process: Identify → Wait → Confirm → Plan → Execute → Review. The goal is not a perfect win rate. The goal is a repeatable process.



Market Reality

Recognising a chart pattern is not the same as being ready to trade it with real money. Your process should still make sense after a loss, a missed breakout, or a failed setup.

Ready-to-Go-Live Check

Check	Yes / No
Trend clear	
Levels marked	
Pattern defined	
Confirmation required	
Risk controlled	
Journal ready	



Trader Takeaway

If several answers are 'no', the setup may not be ready for live trading yet. A missed trade is better than a forced trade.



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14-Day Trading Chart Demo Plan

This 14-day demo plan is designed to help beginners practise trading chart patterns with a clear process before moving to live markets. Focus on consistency, confirmation, risk control and review.



WEEK 1 • BUILD THE FOUNDATION



DAY 1 Learn the basic pattern families: Reversal, continuation and neutral.



DAY 2 Review support, resistance and trendlines.



DAY 3 Study confirmation: Breakout, close and retest.



DAY 4 Practise spotting clean setups vs weak lookalikes.



DAY 5 Review invalidation and stop-loss placement.



DAY 6 Compare pullbacks, reversals and false breakouts.



DAY 7 Demo review: Save chart screenshots and note what you learned.



WEEK 2. PRACTISE & REVIEW



DAY 8 Focus on double tops, double bottoms, and head and shoulders.



DAY 9 Focus on flags, pennants and triangles.



DAY 10 Focus on wedges, ranges and trend channels.



DAY 11 Mark key S/R levels before looking for a pattern.



DAY 12 Practise waiting for confirmation before entry.



DAY 13 Record one complete demo setup: Entry, stop, target and outcome.



DAY 14 Final review: Summarise your strongest setup and your biggest lesson.



DAILY RULES

- Wait for confirmation
- Use a stop-loss
- Risk small
- Do not chase entries
- Journal every trade



SUCCESS CRITERIA

- Can identify the setup clearly
- Can mark support/resistance
- Can define entry, stop and target
- Can explain why the trade makes sense
- Can review the outcome calmly



PROGRESS CHECK

Trend clear	YES / NO
Levels marked	YES / NO
Pattern defined	YES / NO
Confirmation required	YES / NO
Risk controlled	YES / NO
Journal updated	YES / NO



TRADER TAKEAWAY

The goal is not to trade everything. The goal is to build a repeatable process you can trust — consistency over excitement, before you add live-money pressure.

PART 8 OF 8

Mistakes, Glossary, and Next Steps

Knowledge becomes skill through repetition. The mistakes to avoid, the terms to know, and the next steps for continuing a chart pattern education with TMGM.

41 Common Beginner Mistakes

43 Frequently Asked Questions

42 Chart Pattern Glossary

44 Next Steps with TMGM



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Common Beginner Mistakes

Chart patterns can help traders make sense of price action, but beginners often misuse them.



01 Forcing patterns

If a pattern is not clear, do not force it. A pattern that needs too much imagination may not be useful.

02 Entering before confirmation

Many patterns fail before they confirm. Waiting for the break of a neckline, trendline, or support/resistance zone can reduce early-entry risk.

03 Ignoring market trend

A bullish pattern inside a strong downtrend may fail. A bearish pattern during strong risk appetite may struggle. Existing market trends matter.

04 Drawing levels too precisely

Support and resistance are zones. Expecting price to react to the exact pip can lead to poor decisions.

05 Ignoring news events

A clean technical setup can become unstable around major data releases or central bank decisions.

06 Using the same position size for every pattern

Different patterns have different stop distances. Position size should adjust according to risk.

07 Chasing breakouts

A breakout that has already moved far from the level may offer poor risk-reward.

08 Expecting full targets every time

Measured moves are guides. Price may stop at earlier support or resistance.

09 Moving stop-losses emotionally

A stop-loss should be placed where the trade idea is invalidated. Moving it without a plan can turn a controlled loss into a larger one.

10 Taking too many similar trades

Several chart pattern trades may depend on the same market driver. This can increase correlation risk.

MASTER RISK MANAGEMENT

Most of the mistakes above come back to risk management: position sizing, stop-loss discipline, and trading psychology.

[Read TMGM's Forex Trading for Beginners Guide →](#)

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Chart Pattern Glossary

Key terms and concepts used throughout this ebook that you can refer back anytime you need a quick refresher.



Breakout



Retest



False Breakout



Support & Resistance



Range



Wedge

MARKET STRUCTURE

Breakout	Price movement beyond a key S/R level
Retest	Price returns to test a broken S/R level
Neckline	Confirmation level in patterns such as head and shoulders or double tops and bottoms
Support	Area where buyers may enter
Resistance	Area where sellers may enter
Trendline	Sloping line connecting highs or lows
Pullback	Temporary move against the trend
Consolidation	Sideways or compressed price movement
Range	Market moving between support and resistance
Higher high	New high above the previous high
Higher low	New low above the previous low

PATTERN SIGNALS

Lower high	New high below the previous high
Lower low	New low below the previous low
False breakout	Breakout that fails and returns inside the previous structure
Measured move	Target projection based on pattern height
Invalidation	Price level where the trade idea is considered wrong
Momentum	Strength of directional price movement
Volatility	Degree of price movement
Confirmation	Evidence that a pattern has activated
Flagpole	Strong impulse move before a flag or pennant
Wedge	Narrowing sloped pattern that may show exhaustion
Rectangle	Sideways consolidation between horizontal levels

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Frequently Asked Questions

Do chart patterns actually work?

Chart patterns describe recurring behaviour between buyers and sellers, and can improve the odds of a setup when combined with market structure, key levels, and confirmation. They are not guaranteed outcomes, and any individual pattern can fail.

Which chart pattern is best for beginners?

Patterns with a clear, single confirmation point tend to be easier to learn first, such as the double top, double bottom, and rectangle. Patterns with sloping boundaries, such as wedges and pennants, are usually easier once the basics are comfortable.

What timeframe should I use to trade chart patterns?

Many beginners start on the 4-hour or 1-hour chart to identify and confirm a pattern, then use a lower timeframe such as the 15-minute chart to fine-tune entry timing. See the timeframe guidance earlier in this guide for a fuller comparison.

How long does a chart pattern take to form?

It depends heavily on the timeframe. A flag or pennant may complete in a few hours on an intraday chart, while a head and shoulders or rounding pattern on the daily or weekly chart can take weeks or months to fully develop.

Do I need indicators to trade chart patterns?

No. Chart patterns are a form of price action analysis and can be traded from a clean chart. Some traders add volume or a volatility indicator such as ATR as a supporting check, but this is optional rather than required.

Can chart patterns be used alongside other strategies?

Yes. Chart patterns are commonly combined with support and resistance, trend analysis, Fibonacci levels, and fundamental context. They work best as one tool within a broader trading process rather than as a strategy on their own.

Next Steps with TMGM

Chart patterns can give traders a clearer way to read price action, but they should be used as part of a complete trading process. Before trading live, beginners should practise identifying market structure, drawing key levels, waiting for confirmation, and calculating risk-reward.

A demo account can help traders test pattern recognition, order types, stop-loss placement, and trade review without using live capital. TMGM provides access to global markets, trading platforms, market tools, and educational resources that can support this learning process.

FINAL RISK REMINDER

Chart patterns can help traders organise price action, but they do not guarantee results. Every setup can fail. Breakouts can reverse. Retests can break. Trends can change. News can override technical structures.

The goal is not to find a perfect pattern. The goal is to build a repeatable process: read the market condition, identify key levels, wait for confirmation, define invalidation, manage risk, review the outcome.

A structured trader does not need to take every trade. They need to take the right trades according to their plan. Start with observation. Practise on demo. Build discipline. Protect capital.

KEEP LEARNING

Practise before trading live, then continue your trader education with TMGM's educational resources.

[Open a Live Trading Account](#) →