



MARKETS NEVER SLEEP®

# Technical Event® Descriptions



## A

### Ascending Continuation Triangle

The increasingly higher lows and constant highs within this pattern tell us that buyers are more aggressive than sellers, confirmed by a breakout through a resistance level to signal a continuation of the prior uptrend. An Ascending Triangle, with its increasingly higher lows and constant highs, indicates that buyers are more aggressive than sellers. The pattern typically forms because a supply of shares is available at a certain price, represented by the upper flat line. When the supply depletes, the shares quickly break out from the top trendline and move higher.

## B

### Bollinger Bands

Trading is overstretched and prices may turn around; watch for signs of reversal. But be aware that momentum may be strong enough to first continue in the direction that the Bollinger Band was pierced. Bollinger Bands wrap the trading action within an upper and lower band which, when pierced, provide indication of overbought and oversold levels when the price moves beyond the typical range above or below respectively. The most common setting is to use a 20 bar moving average and draw the bands at 2 standard deviations above and below. Changes in the width of the bands signal changes in the price volatility; the bands expand when the price is experiencing greater volatility, and contract during periods of lesser volatility.

### Bottom Triangle - Bottom Wedge

The price seems to have reached a bottom, showing signs of reversal as it has broken upward after a period of uncertainty or consolidation. A Bottom Triangle shows two converging trendlines as prices reach lower highs and higher lows. Volume diminishes as the price swings back and forth between an increasingly narrow range reflecting uncertainty in the market direction. Then well before the triangle reaches its apex, the price breaks above the upper trendline with a noticeable increase in volume, confirming this bullish pattern as a reversal of the prior downtrend.

## C

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### **Commodity Channel Index (CCI)**

The price is relatively far from its -20bar average price. The Commodity Channel Index (CCI) measures the deviation of the price from its average value (comparing to a chosen moving average, typically 20 bars). The oscillator is normalized by dividing by the typical deviation, so we get an oscillator fluctuating roughly between 100+ and 100-. Many traders use these as overbought (100+)/oversold(100-) markers and watch for signs of reversal, but original use was to consider long positions when CCI is above 100+ (bullish event), and short when below 100- (bearish event). When the price crosses back in between 100+ and 100-, another event is triggered to indicate an end to the prior bullish or bearish situation and a possible opportunity to close out such a position.

### **Continuation Diamond (Bearish)**

The price has broken downward out of a consolidation period, suggesting a continuation of the prior downtrend. The Continuation Diamond (Bearish) begins during a downtrend as prices create higher highs and lower lows in a broadening pattern. Then the trading range gradually narrows after the highs peak and the lows start trending upward. When the price breaks downward out of the diamonds boundary lines, it marks the resumption of the prior downtrend.

### **Continuation Diamond (Bullish)**

The price has broken upward out of a consolidation period, suggesting a continuation of the prior uptrend. The pattern begins during a downtrend as prices create higher highs and lower lows in a broadening pattern. Then the trading range gradually narrows after the highs peak and the lows start trending upward. When the price breaks upward out of the diamonds boundary lines, it marks the resumption of the prior uptrend.

### **Continuation Wedge (Bearish)**

After a temporary interruption, the prior downtrend is set to continue. A Continuation Wedge (Bearish) represents a temporary interruption to a downtrend, taking the shape of two converging trendlines both slanted upward against the trend. During this time the bulls attempt to win over the bears, but in the end the bears triumph as the break below the lower trendline signals a continuation of the prior downtrend.

### **Continuation Wedge (Bullish)**

After a temporary interruption, the prior uptrend is set to continue. A Continuation Wedge (Bullish) represents a temporary interruption to an uptrend, taking the shape of two converging trendlines both slanted downward against the trend. During this time the bears attempt to win over the bulls, but in the end the bulls triumph as the break above the upper trendline signals a continuation of the prior uptrend.

## Cup with Handle

Cups with Handles are similar in appearance to Rounded Bottoms. Like rounded bottoms, the pattern includes an elongated U-shape. However, the pattern also includes a short period of consolidation of 2-1 weeks in duration, which tends to be downtrending. The pattern is similar in appearance to a coffee cup with a right-side handle, and indicates the potential for an uptrend.

## D

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## Descending Continuation Triangle

The increasingly lower highs and constant lows within this pattern tell us that sellers are more aggressive than buyers, confirmed by a break down through a support level to signal a continuation of the prior downtrend. A Descending Continuation Triangle, with its increasingly lower highs and constant lows, indicates that sellers are more aggressive than buyers. The pattern typically forms because a demand for shares is available at a certain price, represented by the lower flat line propping the price up. But when the supply depletes, the shares quickly break down below the bottom boundary line and move lower.

## Diamond Bottom

The price seems to have reached a bottom, showing signs of reversal as it has broken upward after a period of uncertainty or consolidation. The Diamond Bottom pattern begins during a downtrend as prices create higher highs and lower lows in a broadening pattern. Then the trading range gradually narrows after the highs peak and the lows start trending upward. When the price breaks upward out of the diamonds boundary lines, it marks a significant reversal to a new uptrend.

## Diamond Top

The price seems to have reached a top, showing signs of reversal as it has broken downward after a period of uncertainty or consolidation. The Diamond Top pattern begins during an uptrend as prices create higher highs and lower lows in a broadening pattern. Then the trading range gradually narrows after the highs peak and the lows start trending upward. When the price breaks downward out of the diamonds boundary lines, it marks a significant reversal to a new downtrend.

## Double Bottom

The price seems to have reached a bottom after failing to break through a support level and ultimately rising higher in a sign of reversal to a new uptrend. The Double Bottom pattern forms during a downtrend as the price reaches two distinct lows at roughly the same price level. Volume reflects a weakening of the downward pressure, tending to diminish as the pattern forms, with some pickup at each low, less on the second low. Finally the price breaks upward above the highest high to confirm the bullish signal.

## Double Moving Average Crossover

The price is generally in an established trend (bullish or bearish) for the time horizon represented by the moving average periods. Moving averages (MA) are used to smooth out the volatility or «noise» in the price series, to make it easier to discover the underlying trend. By plotting the average price over the last several bars, the line is less «jerky» than plotting the actual prices. In the double crossover method, a bullish event is generated when a faster moving average crosses above a slower moving average (-21 bar MA crosses -50bar, or -50bar MA crosses -200bar). In this state, the price is likely in an established uptrend. The opposite is true when the faster slips below the slower moving average, triggering a bearish event.

## Double Top

The price seems to have reached a top, after failing to break through a resistance level and ultimately breaking downward in a sign of reversal to a new downtrend. The Double Top pattern forms during an uptrend as the price reaches two distinct peaks at roughly the same price level. Volume reflects a weakening of the upward

momentum, tending to diminish as the pattern forms, with some pickup at each high, less on the second high. Finally the price breaks down below the lowest low to confirm the bearish signal.

## Downside Breakout

The price broke downward out of a trading range suggesting we're entering a new downtrend. The Downside Breakout represents a trading range in which prices move sideways between two parallel horizontal lines. It's often a pause or congestion area within an existing trend though sometimes the breakout results in a reversal to the prior trend. Either way, a downside breakout through the lower support line signals an end to the consolidation period and the start of a downtrend.

## E

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### Engulfing Line (Bearish)

The recent uptrend is due to reverse, now that selling pressure has overwhelmed prior buying pressure. Following a clear uptrend, we see two candlesticks where the black real body of the second completely envelops the white real body of the first, showing that the bears have taken over from the bulls.

### Engulfing Line (Bullish)

The recent downtrend is due to reverse, now that buying pressure has overwhelmed prior selling pressure. Following a clear downtrend, we see two candlesticks where the white real body of the second completely envelops the black real body of the first, showing that the bulls have taken over from the bears.

## Exhaustion Bar (Bearish)

The recent rally is showing signs of exhaustion; we may see lower prices at least in the short term. During a strong uptrend, an Exhaustion Bar opens with a gap up and develops into a very wide range. In the end, the open remains in the upper half of the bar showing that sentiment was most extreme early on, then the bears gained ground with a close in the lower half of the bar.

## Exhaustion Bar (Bullish)

Selling pressure showing signs of exhaustion; we may see higher prices at least in the short term. During a strong downtrend, an Exhaustion Bar opens with a gap down and develops into a very wide range. In the end, the open remains in the lower half of the bar showing that sentiment was most extreme early on, then the bulls gained ground with a close in the upper half of the bar.

## F

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### Fast Stochastic

When the event is bullish, we may be facing higher prices as the price has risen out of oversold (%K crossed below 20 then rose again) and starting to trade higher up in the recent -14bar high-to-low range (%K crossed above %D). The opposite is true for bearish events, where the price has fallen out of overbought and starting to trade lower in the recent high-to-low range. Stochastics is built on the premise that as prices increase, «close» prices tend to be closer to the upper end of the recent price range, and vice versa. The raw %K number looks at the most recent «close» price as a percentage of the high-to-low price range over a specified period of time (14 bars) so when %K is high, it's likely we're seeing upward pressure, and vice versa. %D is a -3 bar moving average of %K and is used as a signal line, indicating whether prices are starting to trade lower or higher within the recent high-to-low range. Both lines fluctuate between 0 and 100 with 20 and 80 often used to identify oversold and overbought conditions.

### Flag (Bearish)

The price seems to be resuming a sharp decline after taking a brief pause. A bearish Flag pattern occurs during a dynamic market decline, representing a brief pause as the market «catches its breath» before running off again in the same direction. The pattern consists of two parallel trend lines, often sloping upward against the prevailing downtrend, and is confirmed when the price breaks down through the lower boundary to resume the decline.

### Flag (Bullish)

The price seems to be resuming a sharp rally after taking a brief pause. A bullish Flag pattern occurs during a dynamic market rally, representing a brief pause as the market «catches its breath» before running off again in the same direction. The pattern consists of two parallel trend lines, often sloping downward against the prevailing uptrend, and is confirmed when the price breaks through the upper boundary to resume the rise.

## G

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### **Gap Down**

Gaps usually represent important areas of support or resistance. A Gap Down will indicate different situations based on the context in which it was formed. A Gap Down in a downtrend may indicate a previous level of support has been broken and now forms a resistance level. A Gap Down in an uptrend may indicate an end to, or a reversal of, the prior uptrend. Gaps provide an indication of a financial instrument's SHORT-TERM outlook.

### **Gap Up**

Gaps usually represent important areas of support or resistance. A Gap Up will indicate different situations based on the context in which it was formed. A Gap Up in an uptrend may indicate a previous level of resistance has been broken and now forms a support level. A Gap Up in a downtrend may indicate an end to, or a reversal of, the prior downtrend. Gaps provide an indication of a financial instrument's SHORT-TERM outlook.

### **Gravestone (Bearish)**

The bulls have fought to continue the prior uptrend, but ultimately the price closes down and we can expect lower prices ahead. During an uptrend, the bar opens at its low (or very close to its low), then rallies preferably making a new high, but isn't able to sustain the move and closes back down near the open. The bulls have lost the battle and we can expect lower prices ahead.

### **Gravestone (Bullish)**

The bears have sustained control over the downtrend, but the period has shown a surge of bullish demand that suggests we are nearing a bottom. During a downtrend, the bar opens at its low (or very close to its low), then rallies preferably making a new high, but isn't able to sustain the move and closes back down near the open. The bulls have lost the battle but have shown some strength during this period. It's possible we are nearing a bottom.

## H

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### **Hammer**

The price may have reached the bottom of the recent downtrend, having recovered high up from a sharp decline for the session. The Hammer appears during a downtrend, displaying a long lower shadow with a small real body at the top of the range. The price may be developing a bottom and due for a reversal to the upside.

### **Hanging Man**

The price may have reached the top of the recent uptrend, showing it has been

susceptible to selling pressure. The Hanging Man appears during an uptrend, displaying a long lower shadow with a small real body at the top of the range. The price may have reached a top and due for a reversal to the downside.

## **Head and Shoulders Bottom**

The price seems to have reached the end of a period of «accumulation» at the bottom of a major downtrend; the break up through resistance signals a reversal to a new uptrend. The Head and Shoulders Bottom is created by three successive declines in the price following a significant downtrend. The lowest low (head) is in the middle, flanked by two higher lows (shoulders) at roughly the same level. Volume is highest as the price makes the first two declines, then diminishes through the right shoulder. Finally volume surges as the price closes above the neckline (drawn between the two highs) to confirm the reversal.

## **Head and Shoulders Top**

The price seems to have reached the end of a period of «distribution» at the top of a major uptrend; the break down through support signals a reversal to a new downtrend. The Head and Shoulders Top is created by three successive rallies in the price following a significant uptrend. The highest high (head) is in the middle, flanked by two lower highs (shoulders) at roughly the same level. Volume is highest as the price makes the first two rallies, then diminishes through the right shoulder.

Finally volume surges as the price closes below the neckline (drawn between the two lows) to confirm the reversal.

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## **Inside Bar (Bearish)**

The balance between buyers and sellers, recently dominated by the bulls, is evening out. We may see lower prices ahead. An Inside Bar develops during a strong uptrend, when the trading range is completely within the boundaries of the prior bar. This suggests the balance between buyers and sellers is becoming more evenly balanced i.e. a weakening in power for the bulls and increasing in power for the bears.

## **Inside Bar (Bullish)**

The balance between buyers and sellers, recently dominated by the bears, is evening out. We may see higher prices ahead. An Inside Bar develops during a strong downtrend, when the trading range is completely within the boundaries of the prior bar. This suggests the balance between buyers and sellers is becoming more evenly balanced i.e. a weakening in power for the bears and increasing in power for the bulls.

## **Inverted Hammer**

The recent decline is approaching its bottom, as the balance between buyers and sellers evens out and there's an attempt (though failed) at higher prices. The Inverted Hammer appears during a downtrend with a long upper shadow reflecting an attempt at higher prices, and a small real body at the lower end of the range reflecting an evening out of the balance between buyers and sellers as the bears have lost some control. The price may have reached a bottom and ready to turn higher.

## **Island Bottom**

The recent decline has reached a bottom, signaling a (minor) reversal to the upside. An Island Bottom forms after a sustained downtrend, as a narrow trading range develops that is separated from the previous price action by first an exhaustion gap and then a breakaway gap.

## **Island Top**

The recent rally has reached a top, signaling a (minor) reversal to the downside. An Island Top forms after a sustained uptrend as a narrow trading range develops that is separated from the previous price action by first an exhaustion gap and then a breakaway gap.

## **K**

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### **Key Reversal Bar (Bearish)**

The recent rally is showing signs of exhaustion; we may see lower prices at least in the short term. A Key Reversal Bar (BEARISH) develops after a strong rally. The bar shows that the price opened strongly to the upside, preferably a good deal higher than the prior close, but was unable to sustain the move and after developing a wide range, closes near or below the prior bar's close.

### **Key Reversal Bar (Bullish)**

Selling pressure showing signs of exhaustion; we may see higher prices at least in the short term. A Key Reversal Bar (BULLISH) develops after a strong decline. The bar shows that the price opened clearly to the downside, preferably a good deal lower than the prior close, but the bears were unable to sustain the move and after developing a wide range, the price closes near or above the prior bar's close.

### **Know Sure Thing (KST)**

The KST, «Know Sure Thing», is an oscillator that combines multiple time frames into a single measure of momentum for a financial instrument. It can be interpreted in the same way as other smoothed oscillators but most commonly indicates bullish and bearish momentum signals as it crosses above and below its moving average respectively.

## M

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### **Megaphone Bottom**

The recent broadening action tells us that trading has been out of control, but a breakout on the upside suggests we're starting a more decisive uptrend. With its broadening price swings, the Megaphone represents a market that's unstable and out of control. It typically consists of two successively higher highs between three lower lows, and the reversal signal occurs when the price breaks up above the second peak (the highest high) as a sign of a more decisive bullish move.

### **Megaphone Top**

The recent broadening action tells us that trading has been out of control, but a breakout on the downside suggests we're starting a more decisive downtrend. With its broadening price swings, the Megaphone represents a market that's unstable and out of control. It typically consists of two successively lower lows between three higher highs, and the reversal signal occurs when the price breaks down below the second trough (the lowest lows) as a sign of a more decisive bearish move.

### **Momentum**

For bullish events, upward momentum has just built up with the latest price now trading higher than the price 10 bars ago. The opposite is true for bearish events where we're seeing downward momentum now that the price is trading lower than 10 bars ago. Momentum measures the velocity of price changes. For a -10bar momentum, we take the difference between the last bar's close and the close 10 bars ago and we plot this as a line fluctuating above and below 0 which can be used as buy and sell signals when in agreement with prevailing trend analysis. Momentum is significant because it signals the strength of price trends. A healthy price trend tends to exhibit strong momentum, while weakening trends often have decreasing momentum indicating a trend reversal or correction.

### **Moving Average Convergence/Divergence (MACD)**

The MACD (Moving Average Convergence Divergence) plots the difference between a shorter-term (-12bar) and a longer-term (-26bar) exponential moving average (EMA). Bullish and bearish events are generated respectively as the MACD fluctuates above and below zero to indicate whether prices in the shorter term are stronger or weaker than the longer term average. A -9period EMA of the MACD is overlaid as a «signal line» which smooth's out the MACD to provide a clearer view of whether it's moving upward or downward. A bullish event is generated when the MACD crosses above the signal line, showing that the current MACD is actually higher than its average, a sign of increasing strength for the price. The opposite is true for bearish events which signal decreasing strength in price as the MACD crosses below the signal line showing that it's now below average.

## O

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### **Outside Bar (Bearish)**

The recent rally is showing signs of exhaustion; we may see lower prices at least in the short term. An Outside Bar (BEARISH) develops during a strong uptrend when the trading range completely encompasses the range of the prior bar. This signals an exhaustion of the prior uptrend and potentially a reversal.

### **Outside Bar (Bullish)**

Selling pressure showing signs of exhaustion; we may see higher prices at least in the short term. An Outside Bar (BULLISH) develops during a strong downtrend, when the trading range completely encompasses the range of the prior bar. This signals an exhaustion of the prior downtrend and potentially a reversal.

## P

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### **Pennant (Bearish)**

The price seems to be resuming a sharp decline after taking a brief pause. A bearish Pennant pattern occurs during a dynamic market decline, representing a brief period of indecision before running off again in the same direction. The pattern consists of two converging trend lines with diminishing volume, and is confirmed when the price breaks down through the lower boundary to resume the decline.

### **Pennant (Bullish)**

The price seems to be resuming a sharp rally after taking a brief pause. A bullish Pennant pattern occurs during a dynamic market rally, representing a brief period of indecision before running off again in the same direction. The pattern consists of two converging trend lines with diminishing volume, and is confirmed when the price breaks through the upper boundary to resume the advance.

### **Price Crosses Moving Average**

The price is generally in an established trend (bullish or bearish) for the time horizon represented by the moving average period (50, 21 or 200 bars). Moving averages are used to smooth out the volatility or «noise» in the price series, to make it easier to discover the underlying trend. By plotting the average price over the last several bars, the line is less «jerky» than plotting the actual prices. A bullish event is generated when the price crosses above the moving average, and in this state, the price is likely in an established uptrend. The opposite is true when the price crosses below the moving average, triggered a bearish event.

## R

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### **Relative Strength Index (RSI)**

For bullish events, we may be seeing higher prices as the price seems to be recovering from oversold as losses on down periods (over the last 14 bars) are no longer overwhelming gains on up periods to the same extent. The opposite is true for bearish events, which signal lower prices ahead as the price seems to be recovering from overbought because up days are no longer overwhelming down days to quite the same extent. RSI measures the strength of an issue compared to its recent history of price change by comparing «up» periods to «down» periods. It's based on the premise that overbought conditions tend to occur after the market has advanced for a disproportionate number of periods. The RSI fluctuates between 0 and 100 with 70 and 30 often used to indicate overbought and oversold levels, and 50 the dividing line indicating the direction of the trend. The RSI should not be confused with relative strength which compares a financial instrument into a market index.

### **Rounded Bottom**

There has been a gradual shift from a downtrend to an uptrend; there may be a sharp rally ahead. The Rounded Bottom represents a slow and gradual reversal of the trend from down to sideways to up. Volume diminishes near the bottom as the stock trades within a range and finally bursts as investors become more decisively bullish. While rarer than other reversal patterns and often longer term, Rounded Bottoms usually mark a major turnaround.

### **Rounded Top**

There has been a gradual shift from an uptrend to a downtrend. The Rounded Top represents a slow and gradual reversal of the trend from up to sideways to down. Volume diminishes near the bottom as the stock trades within a range and finally bursts as investors become more decisively bearish. While rarer than other reversal patterns and often longer term, Rounded Bottoms usually mark a major turnaround.

## S

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### **Shooting Star**

The recent rally is approaching its top, as the balance between buyers and sellers evens out and the price backs off of its high. A star has a small real body that gaps away from the large real body of the previous bar. The small real body represents a deadlock between buyers and sellers. Meaning the buyers have given up some of their control and the uptrend is weakening. In the Shooting Star, the real body is near the low of the range and the upper shadow is long. This pattern shows the price could not sustain the strong rally and backs off to close near its low. This top pattern is a warning sign for an impending reversal.

## Slow Stochastic

When the event is bullish, we may be facing higher prices as the price has risen out of oversold (%K crossed below 20 then rose again) and starting to trade higher up in the recent -14bar high-to-low range (%K crossed above %D). The opposite is true for bearish events, where the price has fallen out of overbought and starting to trade lower in the recent high-to-low range. Stochastics is built on the premise that as prices increase, «close» prices tend to be closer to the upper end of the recent price range, and vice versa. The raw %K number looks at the most recent «close» price as a percentage of the high-to-low price range over a specified period of time (14 bars) but in Slow Stochastics %K is actually a -3bar moving average of the raw %K to make it a bit less reactive to the latest price. When %K is high, it's likely we're seeing upward pressure, and vice versa. %D is a -3bar moving average of %K and is used as a signal line, indicating whether prices are starting to trade lower or higher within the recent high-to-low range. Both lines fluctuate between 0 and 100 with 20 and 80 often used to identify oversold and overbought conditions.

## Symmetrical Continuation Triangle (Bearish)

The price has broken downward out of a consolidation period, suggesting a continuation of the prior downtrend. A Symmetrical Continuation Triangle (Bearish) shows two converging trendlines as prices reach lower highs and higher lows. Volume diminishes as the price swings back and forth between an increasingly narrow range reflecting uncertainty in the market direction. Then well before the triangle reaches its apex, the price breaks down below the lower trendline with a noticeable increase in volume, confirming the pattern as a continuation of the prior downtrend.

## Symmetrical Continuation Triangle (Bullish)

The price has broken upward out of a consolidation period, suggesting a continuation of the prior uptrend. A Symmetrical Continuation Triangle (Bullish) shows two converging trendlines as prices reach lower highs and higher lows. Volume diminishes as the price swings back and forth between an increasingly narrow range reflecting uncertainty in the market direction. Then well before the triangle reaches its apex, the price breaks out above the upper trendline with a noticeable increase in volume, confirming the pattern as a continuation of the prior uptrend.

## T

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### Top Triangle - Top Wedge

The price seems to have reached a top, showing signs of reversal as it has broken downward after a period of uncertainty or consolidation. A Top Triangle shows two converging trendlines as prices reach lower highs and higher (or stable) lows. Volume diminishes as the price swings back and forth between an increasingly narrow range reflecting uncertainty in the market direction. Then well before the triangle reaches its apex, the price breaks down below the lower trendline with a noticeable increase in volume, confirming this bearish pattern as a reversal of the prior uptrend.

## Triple Bottom

The price may have hit a bottom and seems to be turning around to form a new uptrend. The Triple Bottom starts with prices moving downward, followed by three sharp lows, all at about the same price level showing a test of a support level. Volume diminishes at each successive low and finally bursts as the price rises above the highest high--a decisive breach of that resistance level. This breakout confirms the pattern as a sign of BULLISH price reversal.

## Triple Moving Average Crossover

The price is generally in an established trend (bullish or bearish) for the time horizon represented by the moving average periods. Moving averages are used to smooth out the volatility or «noise» in the price series, to make it easier to discover the underlying trend. By plotting the average price over the last several bars, the line is less «jerky» than plotting the actual prices. In the triple crossover method, a bullish signal is generated when a faster moving average (4 bar) crosses above an intermediate moving average (9 bar), which in turn crosses above a slower moving average (18 bar). In this state, the price is likely in an established uptrend. The opposite is true when the 4 bar crosses below the 9 bar which in turn crosses below the 18 bar, triggering a bearish event.

## Triple Top

The price may have hit a top and seems to be turning around to form a new downtrend. The Triple Top starts with prices moving upward followed by three sharp peaks all at about the same price level showing a test of a resistance level. Volume diminishes at each successive peak and finally bursts as the price falls below the lowest low--a decisive breach of that support level. This breakout confirms the pattern as a sign of BEARISH price reversal.

## Two Bar Reversal (Bearish)

The recent rally is showing signs of exhaustion; we may see lower prices at least in the short term. A Two-Bar Reversal (BEARISH) forms during a prolonged uptrend and involves two exceptionally wide bars reflecting a change in psychology. The first bar develops strongly in the direction of the uptrend, though developing a wide range hinting at an underlying shift. The second bar opens near the previous high as sellers come into the session expecting more of the same, but they are ultimately disappointed as the price closes down very close to the low of the previous bar.

## Two Bar Reversal (Bullish)

Selling pressure showing signs of exhaustion; we may see higher prices at least in the short term. A Two-Bar Reversal (BULLISH) forms during a prolonged downtrend and involves two exceptionally wide bars reflecting a change in psychology. The first bar develops strongly in the direction of the downtrend, though developing a wide range hinting at an underlying shift. The second bar opens near the previous low as sellers come into the session expecting more of the same, but they are ultimately disappointed as the price closes up very close to the high of the previous bar.

## U

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### **Upside Breakout**

The price broke upward out of a trading range suggesting we're entering a new uptrend. The Upside Breakout pattern represents a trading range in which prices move sideways between two parallel horizontal lines. It's often a pause or congestion area within an existing trend though sometimes the breakout results in a reversal to the prior trend. Either way, an upside breakout through the upper resistance line signals an end to the consolidation period and the start of an uptrend.

## W

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### **Wave 1 (Elliott Wave)**

Wave 1 marks the beginning of a new trend. It can be pointing upward or downward but it will be opposite to the previous trend. It is very hard to recognize the «first wave» at the start as usually at this time news floating around the market is generally bad and traders believe that the previous trend is still intact.

### **Wave 2 (Elliott Wave)**

Wave 2 is the first pull back from the wave 1 in the direction of previous trend and gives an opportunity to enter the new emerging trend.

### **Wave 3 (Elliott Wave)**

Wave 3 is the longest and the strongest of all five waves of an Elliott wave cycle and hence the most profitable one. Investors want to get on board in wave two (while stock is still doing a pullback from wave 1). It is during the Wave 3 that most of the investors will realize that the previous trend is over.

### **Wave 4 (Elliott Wave)**

Wave 4 is corrective in nature. It is a signal that the best part of the trend is over.

### **Wave 5 (Elliott Wave)**

Wave 5 is the last move of the impulse wave and it is not nearly as dynamic as the third wave of an Elliott wave cycle. This wave marks the last burst of buying before a new trend starts.

### **Wave A (Elliott Wave)**

Wave A is typically seen as a correction of the then-current trend, when it is actually the first leg of a reversal, or larger downturn. Wave A is the first wave of corrective phase. Corrective phase is always of three waves and never five waves.

## Wave B (Elliott Wave)

Wave B is almost universally the most difficult to track. It is always either three waves or triangles. Wave B is usually completed on a low volume.

## Wave C (Elliott Wave)

Wave C is often very impulsive and marks end of the current corrective phase.

## Williams %R

For bullish events, we seem to be in a new uptrend now that the price has recovered from oversold (dropped below 80- then rose above). The opposite is true for bearish events where we seem to be in a new downtrend now that the price has recovered from overbought. Meanwhile there is clear evidence that the trend has reversed (continued through the 50- level). Williams %R is built on the premise that as prices increase, «close» prices tend to be closer to the upper end of the recent price range, and vice versa. The oscillator looks at the most recent «close» price as a percentage of the high-to-low price range over a specified period of time (14 bars) so when %R is high, it's likely we're seeing upward pressure, and vice versa. The line fluctuates between 0 and 100- with 20- and 80- often used to identify overbought and oversold conditions.

## Meet Trading Central

Trading Central is a global leader of financial market research and investment analytics. Our broad portfolio of market solutions combines awarded analyst research & patented pattern recognition with 24H global multi-asset coverage. Collectively, these provide technical and fundamental analysis on +75,000 instruments every market day to offer timely and actionable insight. Markets Never Sleep®, and with offices around the world, Trading Central is always there to support your investment decisions with actionable research in the moments that matter.