

Utilize support and resistance nuances of patterns for even greater opportunities

All patterns are the result of support and resistance. Understanding that patterns develop from trendlines and horizontal support and resistance will allow you to trade and confirm any pattern with better results and more confidence. The first step is to identify the lines and levels of the pattern itself.

Once you know exactly what to look for it becomes very easy to do. In fact, this step alone will increase your understanding of why patterns work and will change the way you trade patterns in a way no other distinction can or will.

One of the most common reasons so many traders use chart patterns is because there is a certain familiarity in identifying shapes that are already such a basic part of our lives. We all know what a triangle or rectangle shape is. Never underestimate the psychological edge of familiarity. Our eyes are already trained and know what these shapes look like. We also have an aesthetic understanding of what a "good" pattern shape looks like. Applying this knowledge to the financial markets feels comfortable. Working within this comfort level gives a trader confidence to act on what they see.

But there is a deeper level to pattern analysis as it applies to charts. If a trader understands that a symmetrical triangle is simply the convergence of an uptrend and downtrend line, he or she can apply this understanding to triggering a breakout or breakdown trigger. Confirming a trendline break is as simple an entry as can be found in trading. This is exactly what a trader does when they trigger a trade

with a [triangle](#) pattern.



Identifying a support and resistance level forming the shape of a rectangle is certainly more obvious than seeing the nuances of a wedge or channel down or channel up. Keep in mind none of this is difficult but rather a trader must know which lines and levels to focus on and whether the pattern is forming in a trending or sideways market. The accuracy of chart patterns can be increased when a trader first identifies which market cycles the pattern is forming.

