CHART CODE ACADEMY

Decode The Market Code

TOP 7 CHART PATTERNS

EVERY INDIAN TRADER MUST KNOW

Head & Shoulders, Double Top/Bottom, Triangles, Bull Flag and Cup & Handle — explained with diagrams, what each one actually signals, and how to trade the breakout without getting trapped.

A FREE STUDY RESOURCE BY CHART CODE

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About This Guide

A chart pattern is a recognisable shape that price tends to form repeatedly, because the crowd of buyers and sellers behind it tends to behave in recognisable ways. This guide covers the 7 patterns worth knowing first — four reversal patterns and three continuation patterns — each with its own custom diagram, a plain-English description of how it forms, and a practical note on how to actually trade the breakout.

It closes with the most common mistakes traders make when trading patterns, and a five-point confirmation checklist to run through before acting on any pattern you spot.

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Why Chart Patterns Matter

A chart pattern is simply a recognisable shape that price tends to form repeatedly, because the crowd of buyers and sellers behind it tends to behave in recognisable ways — hesitating at the same resistance twice, panicking at the same support, or pausing to "catch their breath" after a sharp move. Patterns aren't magic prediction tools; they're a visual shorthand for crowd psychology playing out on a chart.

Every pattern on this page falls into one of two families: **reversal patterns**, which tend to show up after an extended trend and hint that it may be ending, and **continuation patterns**, which tend to show up as a brief pause inside an existing trend and hint that the prior direction may resume. Knowing which family a pattern belongs to is the first, most useful filter before you even look at the shape itself.

> **QUICK JUMP TO ANY PATTERN**
> Use the sticky bar above, or the cards below, to skip straight to the pattern you're looking for.

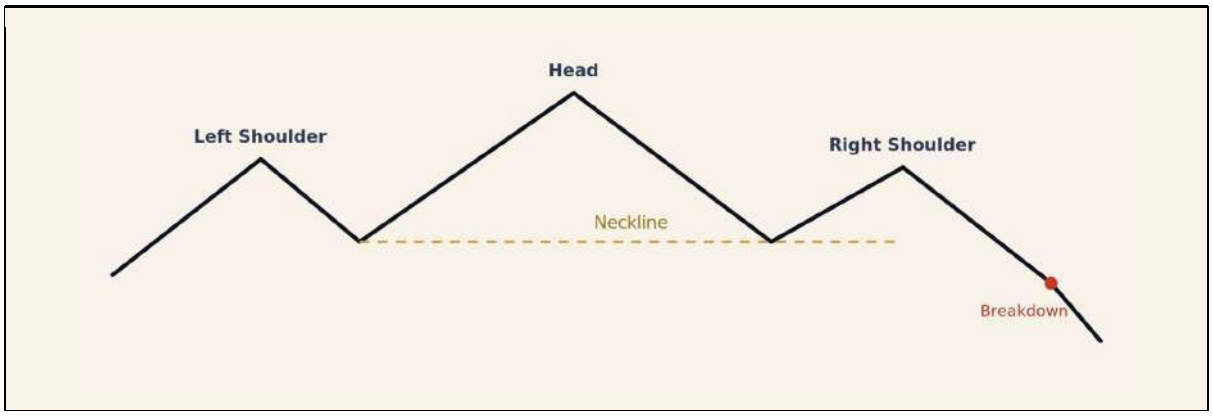
How to Actually Read a Pattern

The single biggest mistake beginners make with chart patterns is trading the shape in isolation, disconnected from everything else on the chart. A textbook-perfect Head & Shoulders forming at a random point in the middle of a range means far less than the same pattern forming after a long, extended uptrend, near a major resistance zone.

Before acting on any pattern in this guide, run it through three quick filters: **Where is it forming?** — reversal patterns matter most after an extended trend, not in the middle of sideways chop. **What is volume doing?** — a breakout on rising volume carries more weight than one on quiet, thin trading. **Has it actually closed beyond the level?** — a candle that briefly pokes through a neckline or trendline and closes back inside it is not a confirmed breakout, just a wick.

Pattern 1: Head & Shoulders

Head & Shoulders BEARISH REVERSAL

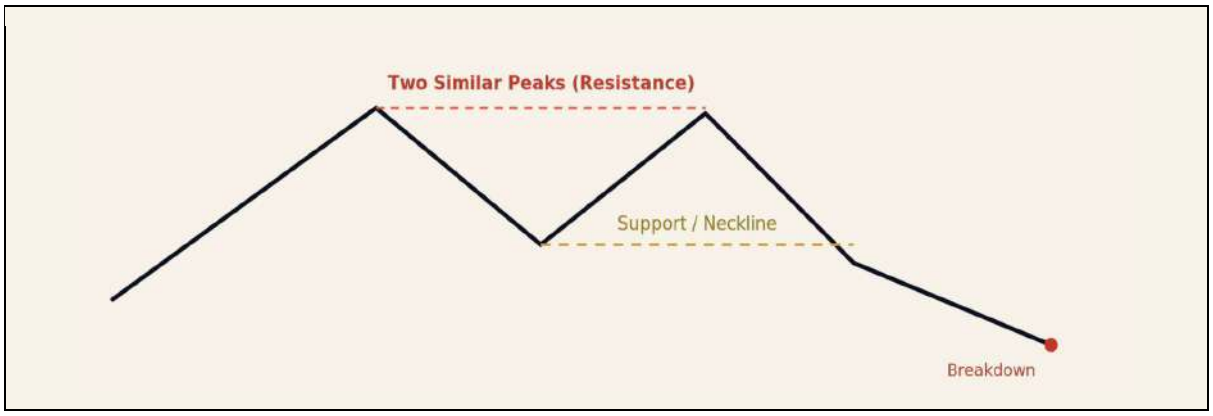


Three peaks form in sequence: a left shoulder, a taller head, and a right shoulder roughly matching the left one in height. A line connecting the two troughs between them is the "neckline" — when price closes decisively below it after the right shoulder forms, the reversal is considered confirmed.

> **HOW TO TRADE IT**
> Wait for a candle to close below the neckline on rising volume before acting — the distance from the head to the neckline is commonly used as a rough measured move target for how far the breakdown could extend.

Pattern 2: Double Top

Double Top BEARISH REVERSAL



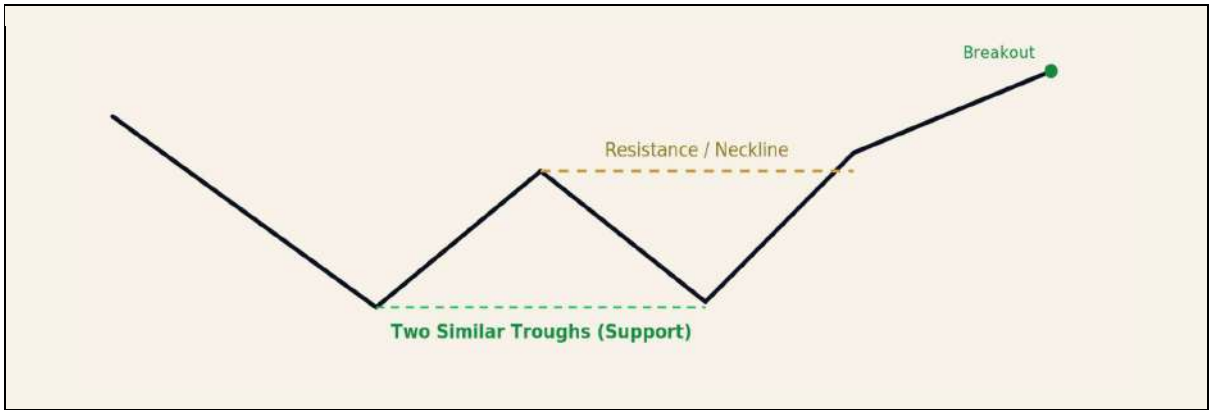
Price rallies to a resistance level, pulls back, rallies again to roughly the same level, and fails to break higher a second time. This "M"-shaped double failure at resistance is read as sellers successfully defending that level twice — a close below the trough between the two peaks confirms the reversal.

HOW TO TRADE IT

The second peak failing on visibly lower volume than the first adds confidence — it suggests genuinely weakening buying pressure, not just a coincidence of price.

Pattern 3: Double Bottom

Double Bottom BULLISH REVERSAL



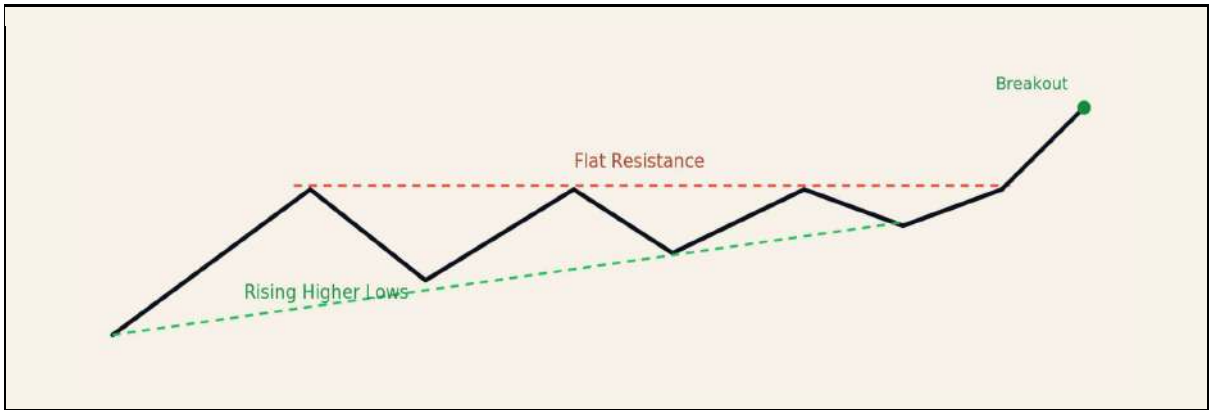
The mirror image of a double top: price falls to a support level, bounces, falls again to roughly the same level, and holds — buyers successfully defending the same floor twice. A "W" shape forms, and a close above the peak between the two troughs confirms the reversal to the upside.

HOW TO TRADE IT

A surge in volume on the second bounce, compared to the first, is a healthier confirmation sign than a quiet, listless retest of the same support level.

Pattern 4: Ascending Triangle

Ascending Triangle BULLISH CONTINUATION



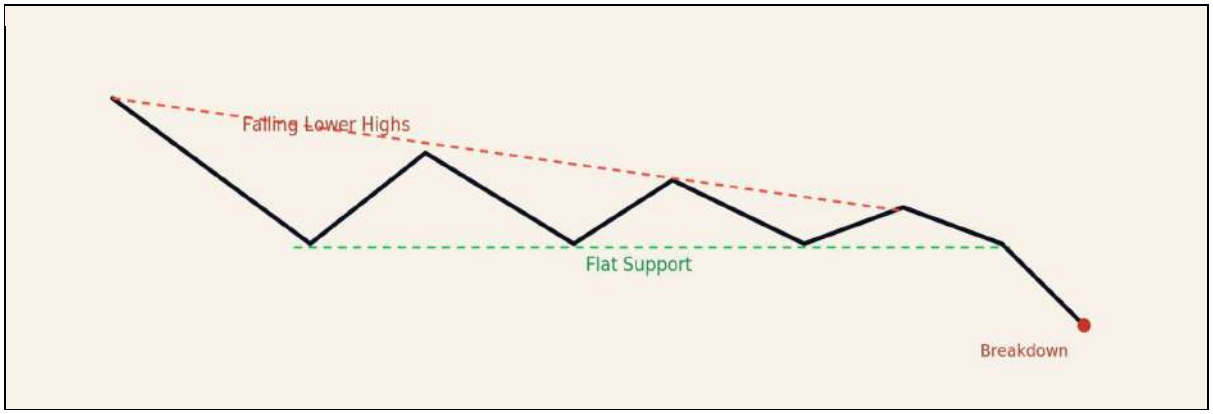
Price repeatedly tests the same horizontal resistance level while the troughs in between rise — each pullback holds a little higher than the last, showing buyers becoming more eager over time. The lines converge until price eventually breaks through the flat resistance on top.

HOW TO TRADE IT

The rising lower trendline is the real story here — as long as it holds, each retest of resistance is a sign of building pressure, not weakness, even though the top looks "stuck."

Pattern 5: Descending Triangle

Descending Triangle BEARISH CONTINUATION



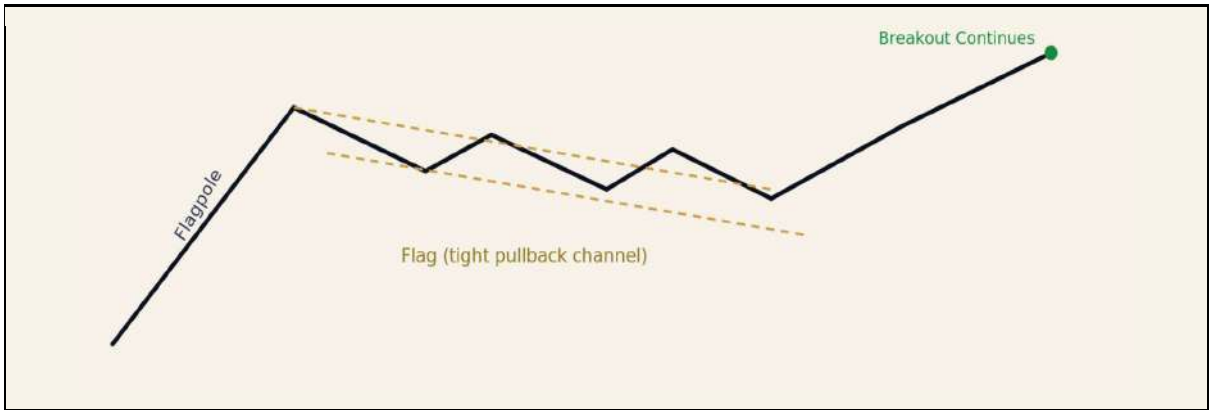
The mirror image of an ascending triangle: price repeatedly tests the same horizontal support while the peaks in between fall — each rally is weaker than the last, showing sellers gaining control. The breakdown occurs when price finally closes below the flat support line.

HOW TO TRADE IT

Falling highs into a flat support is generally read as distribution, not accumulation — treat repeated tests of that support as a warning sign building up, not a sign it will hold forever.

Pattern 6: Bull Flag

Bull Flag BULLISH CONTINUATION



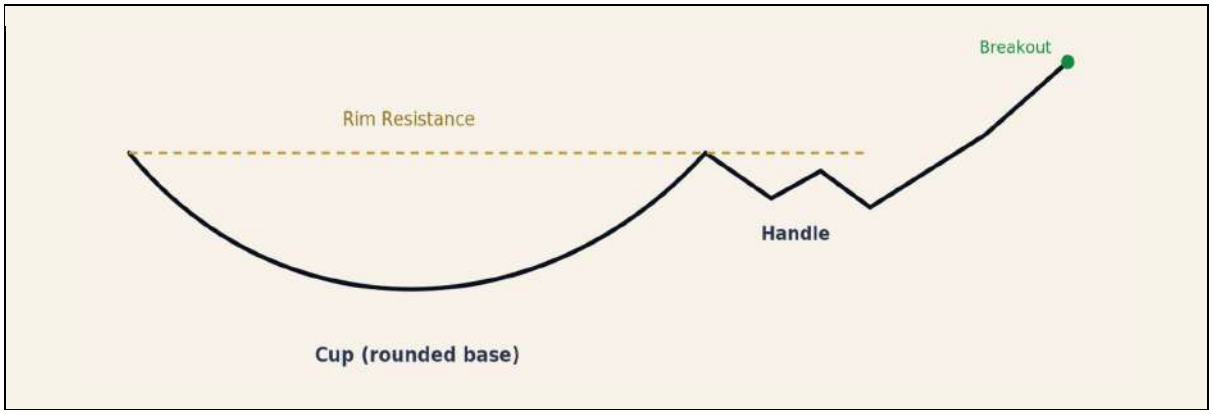
A sharp, near-vertical rally (the "flagpole") is followed by a brief, tight, gently downward-sloping consolidation (the "flag") as the stock pauses to digest its gains. When price breaks out of the flag's upper boundary, the prior uptrend is expected to resume.

HOW TO TRADE IT

Volume should shrink noticeably during the flag itself and then pick back up on the breakout — a flag that forms on heavy, choppy volume is less reliable than one that forms on a quiet, orderly pullback.

Pattern 7: Cup & Handle

Cup & Handle BULLISH CONTINUATION



Price rounds gently downward and back up, forming a smooth "U" shape (the cup) rather than a sharp V — this gradual shape suggests a calm, orderly shift from selling to buying pressure. A small, shallow pullback near the prior high forms the "handle," and a breakout above the rim resistance confirms the pattern.

HOW TO TRADE IT

The handle should be noticeably shallower and shorter than the cup itself — a handle that drifts down too deep starts to resemble simple distribution rather than a healthy pause before continuation.

Common Chart Pattern Mistakes to Avoid

01
Forcing a pattern that isn't really there
Staring at a chart long enough will eventually make almost any shape look like a pattern — if you have to squint, it probably isn't a clean one.

02
Trading the wick, not the close
A candle briefly poking through a neckline or trendline intraday is not the same as a confirmed close beyond it.

03
Ignoring volume entirely
A breakout on unusually thin volume is far more likely to be a false move than one accompanied by a genuine surge in participation.

04
Skipping the stop-loss
Every pattern fails sometimes — trading one without a predefined invalidation point turns a manageable loss into an open-ended one.

05
Ignoring the broader trend context
The same pattern shape can mean different things depending on whether it forms with or against the dominant higher-timeframe trend.

06
Chasing the breakout late
Entering well after a breakout candle has already run, instead of near the actual breakout level, usually means a far worse risk-reward setup.

📌 Spotting a pattern is the easy part — reading it in context with volume, trend, and risk management is the actual skill we build hands-on in our structured courses at Chart Code, offline in Boisar or live online anywhere in India.

Your Pattern Confirmation Checklist

Before acting on any pattern in this guide, run through this five-point check:

✓ **Context**
Is this pattern forming in a sensible location — after an extended trend for a reversal, or within an existing trend for a continuation?

✓ **Clean Structure**
Are the peaks, troughs, or trendlines reasonably clear, without needing to force the shape to fit?

✓ **Volume Confirmation**
Does volume support the move — rising on the breakout, and ideally contracting during any consolidation phase?

✓ **Confirmed Close**
Has price actually closed beyond the key level, rather than just wicking through it intraday?

✓ **Defined Risk**
Do you know exactly where you'd be proven wrong, and have you placed a stop-loss there before entering?

Frequently Asked Questions

Q. Are chart patterns guaranteed to work every time?
No. Chart patterns describe recurring crowd-behaviour tendencies, not guaranteed outcomes — every pattern fails a meaningful percentage of the time, which is exactly why confirmation (volume, a closing breakout, and a stop-loss) matters more than the pattern shape alone.

Q. What is the difference between a reversal pattern and a continuation pattern?

A reversal pattern, like Head & Shoulders or a Double Top, typically appears after an extended trend and signals that the trend may be ending. A continuation pattern, like a triangle or a flag, typically appears as a brief pause within an existing trend and signals that the prior trend may resume once it resolves.

Q. Do chart patterns work the same way on Nifty and BankNifty as on individual stocks?

The underlying pattern logic is the same, but index charts like Nifty and BankNifty tend to be smoother and less prone to sharp single-stock news gaps, since they average many stocks together. Individual stocks can form the same patterns but are more likely to gap through them on company-specific news, so stop-losses matter even more on single stocks.

Q. How do I know if a breakout is real or a false breakout?

No signal is perfect, but a breakout with above-average volume, a full candle close beyond the pattern's boundary (not just a brief wick through it), and confirmation on the next candle is considered more reliable than a breakout on thin volume that immediately reverses back inside the pattern.

Ready to Spot Patterns Live on a Chart?

Recognising the shape is step one. Trading it with volume, context and a stop-loss is step two. Chart Code Academy runs structured stock market courses — offline at our Boisar training centre, and live online for students anywhere in India — covering everything from these fundamentals to advanced Technical Analysis, F&O, and Smart Money Concepts.

Get in Touch

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