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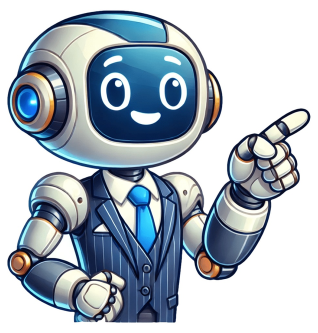

This information is general in nature and is for educational purposes only. Hedge With Crypto does not provide financial advice nor does it take into account your personal financial situation. We encourage you to seek financial advice from an independent financial advisor where appropriate and make your own enquiries. Most successful crypto traders use a combination of technical analysis and fundamental analysis to maximize their potential profits. While reading chart patterns may seem daunting for crypto newcomers, they are integral to any good trading strategy. This guide will dive into some of the best crypto chart patterns that can be used by experienced traders and beginners alike. 4.8 out of 5.0 Kraken is a US-based crypto trading platform that is best suited for users who need crypto-to-fiat and crypto-to-crypto trading facilities. One of the most regulated and security-focused exchanges, Kraken is a great choice. Supported Currencies USD, GBP, EUR, CAD, CHF, JPY & AUD Deposit Methods Bank transfer, SWIFT, SEPA, debit and credit card Tranding Fees 0.16% (maker) and 0.26% (taker) Chart PatternType of StrategySuitable ForEstimated Success RateHead And ShouldersReversalBeginners80%Ascending And Descending TriangleContinuationIntermediate70%Bullish And Bearish FlagContinuationIntermediate65%Rectangle ChannelsContinuationBeginners80%Ascending And Descending ChannelsContinuationIntermediate70%Rising And Falling WedgeReversal and continuationIntermediate66%Bullish And Bearish PennantReversalExperienced55%Double/Triple Top And BottomReversalBeginner80%Cup And HandleContinuationIntermediate65%Rounded Bottom And TopReversalIntermediate60%Swing Failure Top And BottomRanging and reversalExperienced50% * Note that these figures tend to come from longer-term swing traders with ample experience. Beginners, especially day traders, using these chart patterns should expect success rates of 50% or lower. Read our methodology is how these figures were estimated. The head and shoulders chart pattern is one of the easiest crypto trading signals to identify and is one of the most popular forms of technical analysis. It can be effective in all types of market conditions. Traders estimate the head and shoulders pattern to have a strike rate of nearly 80%, which makes it an excellent choice for beginners just dipping their toes into charting. The success rate can be realized when paired with popular crypto indicators such as the RSI or MACD. Inverse head and shoulder pattern on Bitcoin. Head and shoulders are typically used to find trend reversal signals in the price action of a cryptocurrency. They can be used to identify bearish and bullish reversals, which can provide traders with entry and exit positions for digital assets. The telltale sign of a head and shoulders pattern is a baseline paired with three triangles. The middle triangle is the tallest, while the two on either side are shorter, appearing much like its namesake – a head and shoulders. This typically signals a bearish reversal, while an inverse head and shoulders suggest a bullish breakout. This pattern can be easily overlayed on charting sites like TradingView. Easy to identify One of the most reliable chart patterns Perfect for beginners Traders need to wait until the pattern is fully identified before the signal is reliable Ascending and descending triangles are continuation patterns that can help traders identify momentum and breakouts in the price action of a cryptocurrency. An ascending triangle pattern will have a horizontal line over the ranging highs (resistance level), while the ranging lows (support level) will be an ascending trend line. When the price action breaks the horizontal resistance level, this suggests a bullish breakout. The inverse is true for descending triangles. Ascending triangle pattern on Ethereum. Ascending and descending triangles are quite effective (70% estimated success rate) and fairly easy to identify. Beginners can benefit from looking for triangles as they are a variation of a basic support and resistance trading strategy. However, they can easily be mistaken for other, triangle-based chart patterns which means some experience will improve the identification of the signal. Built on a simple fundamental support and resistance strategy Highly accurate Easy to implement trades based on patterns Price can breakout in the opposite direction Unreliable the fewer times the support/resistance line is hit Bullish and bearish flags are continuation patterns that are most effective when identified during trending markets. These trading signals often occur within a very short period on a price chart (although the chart can be any size). The flags can be used to suggest whether a pre-existing trend will continue – therefore, they are less effective in ranging markets. Descending flag pattern on Bitcoin. Flags are essentially adjacent support and resistance levels that, instead of being horizontal, are sloped upward or downward. Downward slopes, when the flag is making lower lows and lower highs, suggest a bullish breakout in the context of a pre-existing bullish trend. The inverse is true too. The smaller the gap between highs and lows, the more likely the pattern will be successful. On average, the flag pattern is successful around 65% of the time. While beginners and intermediate traders can spot flags, they are sometimes only effective in specific market conditions. Can signal breakouts Can be identified on charts of any size Not too hard to identify Might only occur after a coin has already risen substantially in price Most useful in trending markets Rectangle channels are an easy-to-spot continuation pattern that is very similar to bullish and bearish flags. This signal typically follows a period of price trending and can indicate whether the momentum will continue with another bullish or bearish breakout. The rectangle consists of horizontal support and resistance lines as the price action consolidates after a strong market trend. The price will bounce between the support and resistance lines before eventually breaking out. The more times the price hits the support and resistance, the more reliable the signal will be. 10 month Channel pattern on Chainlink. Awaiting confirmation on breakout direction. On average, rectangle channels are successful 80% of the time, making them excellent for beginners to trade cryptocurrency. A rectangle breakout is considered successful when the price action trends down (or up) greater than it was ranging within the rectangle. The rectangle pattern can be combined with indicators, chart patterns such as the swing pattern failure, or advanced strategies like liquidity sweeps to increase its win rate. Can signal trend breakouts Easy to identify Uses basic support and resistance levels High hit rate, making it great for beginners Can be slow to develop Most effective in trending markets The signal may come after the price of a coin has already dropped/risen substantially Ascending and descending channels are another continuation trading signal that is very similar to flags with one key difference – the price range is usually much higher. This means that the ascending and descending channels appear wider on a chart than flags do, and typically comprise more "hits" on the support and resistance trendlines. The signal comprises two parallel sloping lines, either ascending or descending and occurs following a significant upward or downward trend. Descending channel on Bitcoin that broke to the upside. Because ascending and descending channels are wider and involve more price action within the signal, they are typically more accurate than flags, with a success rate of approximately 70+%. They are easier to identify than flags, but may still be more effective when used by intermediate traders given their close resemblance to rectangular channels and ascending/descending flags. Can signal trend breakouts Uses basic support and resistance levels More effective than flags More useful in trending markets Can be confused with ascending/descending flags Rising (bearish) and falling (bullish) wedge patterns are commonly used by traders to identify potential trend reversals and a suitable time to trade a crypto pair. They can also be used to test the momentum of a pre-existing trend. A wedge, like many other chart patterns, is built on support and resistance fundamentals and comprises two sloping lines. However, a wedge is distinct in that the two lines are not parallel – instead, they are converging. A rising wedge occurs when the bottom line (support) is making higher highs and closing in on the resistance line. When paired with decreasing volume, this typically suggests a bearish reversal to short a crypto asset. The inverse is true for a rising wedge. Wedges are considered successful about two-thirds of the time, making them relatively effective. They are also fairly easy to identify, but depending on where the support and resistance lines are being drawn, can be subjective and misinterpreted. Due to this, they are likely more effective when used by intermediate and advanced traders – but beginners can benefit from learning the wedge pattern too given its versatility. Falling wedges suggesting a bullish breakout are more reliable Easy to implement a trading strategy based on trend reversals and continuation Occurs frequently in all markets Can be subjective (keep moving the trend lines to suit bias) Not as accurate over short periods of time Bullish and bearish pennants are very similar in appearance to flags with one key difference. Rather than the trend (support and resistance) lines being parallel to the price action, they are instead converging. Otherwise, the mode of identification is the same – pennants can be spotted following a significant trend. During a period of consolidation, the price will bounce between two trendlines – however, the gap in the peaks and troughs progressively gets smaller. Bullish pennant pattern on Ethereum. Bullish and bearish pennants tend to be a continuation signal, suggesting that a trend will either continue or reverse. According to several studies, they are one of the least reliable popular trading signals, only successfully suggesting a breakout about 55% of the time. This, paired with their close resemblance to flags, makes them difficult for beginners to master. However, pennants are a vital pattern to remember to help traders distinguish between triangles, flags, pennants, and rectangles. The implications of a pennant are easy to understand and act upon Can provide simple trading opportunities Not as effective as other chart patterns Usually only appears in trending markets Can be hard to distinguish Double/triple tops and bottoms are an example of a reversal price pattern. This chart signal is relatively easy to identify, taking the form of a "W" or "M" shape. These patterns tend to be identified during trending markets and are built around support and resistance levels. Double bottom pattern on ETH that led to a rally. A double top occurs when the price, after moving upward, bounces between parallel support and resistance levels twice, before falling below the bottom trendline. If the price action bounces three times, this is a triple top. Double/triple tops are a bearish signal and suggest the price of an asset has finished breaking out and is likely to consolidate. The inverse is true for double/triple bottoms. These chart patterns are usually more effective the wider the gap between the price action touching the support/resistance trendlines. In addition, a triple top and bottom are generally more effective than a double top and bottom. On average, this chart pattern has a success rate of over 75% and is quite easily spotted, making it a solid pattern for beginner and intermediate traders to master. Solid success rate Easy enough to spot Can be confused with other similar patterns like flags or rectangles More effective in trending markets The cup and handle chart pattern is one of the most ubiquitous signals in technical analysis and is quite popular among traders. It is a bullish continuation pattern that occurs during a period of consolidation in an upward-trending market. The cup is a rounded bottom (support level) that follows a sharp drop in price that climbs back up to its original value. The handle can then be identified as two parallel trend lines sloping downward. This pattern suggests the price will eventually break out of the handle pattern and the bullish trend will continue. 4 month cup and handle pattern on Ethereum. The cup and handle is a relatively effective chart pattern, with the price breaking out of the handle around two-thirds of the time. It is most useful during a bullish trend and can help traders find an entry point for crypto trades that are experiencing a bull run. However, identifying the cup and handle is rather subjective, making its interpretation prone to errors and false signals. A relatively common pattern during the bull run of a cryptocurrency Very useful for identifying bullish momentum Less useful for bearish continuation Identifying the cup and handle can be quite subjective Not the greatest success rate A rounded bottom and top chart pattern is a reversal signal that typically occurs following an up or downtrend in an asset's price. During a consolidation period, a rounded top/bottom will appear as a "U" shape that covers the peaks/troughs of a cryptocurrency's price action. A rounded top (upside-down "U") suggests an asset's bull run is coming to an end, while a rounded bottom suggests the price has bottomed out and is set to rise. Rounded bottom pattern on ADA-BTC pair. Rounded bottoms and tops are typically found alongside an inverted volume pattern, where the volume starts off strong, gets weaker in the middle, and then rises again. It's worth noting that a rounded bottom/top that does not reverse (about 40% of the time) may turn into a double/triple top/bottom, and instead become a continuation signal. This distinction is important to make as it can completely alter a trading strategy but often doesn't become clear until the trend has already taken shape. Can signal significant price breakouts Is associated with changes in volume, making it easier to identify More useful during trending markets Can be slow to form, reducing potential profit opportunities Failure swings are a popular chart pattern for serious traders that can appear when performing technical analysis on a cryptocurrency. It is considered a very reliable reversal signal in an already-trending market. A swing failure top and bottom are built upon the principles of support and resistance. For example, let's say the price of an asset was charging upwards and hit a new peak (point one). In most cases, the price will then swing downward (point two) before coming back up again. If the next peak (point three) fails to hit that first resistance level, it suggests that traders aren't interested in testing these levels and a trend reversal is imminent. Swing pattern failure on Bitcoin that led to a down move. The inverse is true too – higher swing bottoms during a downtrend suggest the momentum of downward price movement is slowing. The pattern is complete if the price action breaks above/below the point of the second swing. Swing failure tops and bottoms can form over charts of any duration – whether it occurs over less than five candlesticks, or over a month's worth of price action. The chart pattern is relatively successful but becomes much more effective when paired with the RSI indicator. Are quite effective during trending markets Present very clear buy and sell opportunities Best paired with TA tools like the RSI Can be difficult to identify Chart patterns are a pattern that occurs in the price action of an asset when displayed on a graph. They have been used by traders for decades to improve the success rate of trading a market. Chart patterns are heavily built around trendlines, specifically support and resistance levels. Chart patterns are a form of technical analysis that relies solely on data as an interpretation of the crypto market sentiment. There are three key types of chart patterns for traders to learn: Traditional chart patterns. Traditional chart patterns are patterns that can appear on basic price graphs. They are typically simple to implement and identify and can provide traders with data on trend momentum and potential reversals. Candlestick patterns. Candlestick chart patterns can only be identified on candlestick charts, as they involve the "wick" (peak/bottom of daily trading price) and the "candle" (open and close price) of each price period. Candlestick patterns are best suited to longer-term swing traders. Harmonic patterns. Harmonic patterns are by far the most complex chart patterns to identify. These patterns utilize geometry – specifically, Fibonacci numbers – to identify trends in an asset's price action. Harmonic patterns typically comprise at least 4-5 points and tend to form a kite-like shape. There are some simpler patterns (ABCD, Bat pattern) that may appeal to beginners, as harmonic patterns are typically very accurate when identified correctly. For more information on how to trade Fibonacci in crypto, read this tutorial next. Chart PatternEstimated Bullish Win RateEstimated Bearish Win RateTraditional chart pattern65-75%62-72%Candlestick chart pattern70-75%71-77%Harmonic chart pattern82-95%80-90% Crypto traders will need to use charting software with a price chart to find traditional crypto chart patterns. These charting tools can come in many forms, including downloadable software or an online website. Some will be simple graphs that only track the price action of a crypto pair, while others will come with in-built exchanges or technical analysis tools like the RSI and Bollinger Bands. To effectively find crypto chart patterns, most price charting applications will need to provide traders with the ability to draw trendlines. Platforms such as TradingView are popular, free, and extremely powerful for traders wanting to identify chart patterns. Open the crypto charts. The first step is to choose a charting tool and create an account. Then, open up the charts for a desired trading pair – for example, BTC/USD. Scan the price action and identify patterns. Patterns may not appear straight away, so regularly check the price graph set to various periods to patiently identify anything of note. Determine the overall trend direction. Different patterns will emerge in different markets (trending or ranging) so it's important to identify which direction the price action is currently heading. Identify any confluences with chart pattern. A chart pattern can help confirm an asset's current trend direction, or instead, reject it and suggest an imminent reversal. Place entry order with take profit and stop loss. Based on the chart pattern identified, traders can find a suitable entry/exit position and set up take-profits/stop-losses according to their trading strategy. Monitor trade performance. Setting up a stop-loss/take-profit can take some pressure off, but it's still important to keep an eye on the trade's performance. This will help investors improve their skills at reading chart patterns. There is no "one best pattern" for crypto trading. However, chart patterns like Head and Shoulders and Double/Triple Tops and Bottoms have relatively high success rates while being easy enough for beginners to trade. Harmonic chart patterns are usually quite reliable but are difficult to correctly identify. Yes, chart patterns work for crypto the same way they do for any other market. Given crypto's tendency to trend heavily during bull and bear markets, continuation and reversal patterns can be particularly effective. The overall success rate of the pattern depends on other factors such as risk management and discipline. There are more than twenty crypto chart patterns that traders can identify and use. Patterns are just that – patterns – and it's even possible for experienced traders to find their own chart patterns over years of trading. The estimated success rate of the crypto patterns listed above has been calculated as an average from multiple sources including: jan_5421/candlestick-pattern-performances-afe67ef44ce Head and Shoulders crypto patterns are employed in technical analysis to find the peaks. A baseline with three peaks represents the pattern, the central peak being the tallest and the outside two being near in height. The Head and Shoulders pattern is formed when cryptocurrency prices peak and fall back to the beginning of the previous uptrend. The price creates the "head" by rising above the previous high and returning to the base. At last, the cost of cryptocurrency reaches a new peak at the level of the formation's first peak before declining once again. You can use automated tools on charting software to discover this pattern in your crypto graph analysis. Head and Shoulders pattern is among the most trustworthy patterns for trend reversals on a crypto cycle chart. It is one of numerous top patterns that indicate the conclusion of an upward trend, with varied degrees of accuracy. The most typical entry point is a breakout of the neckline, stopping either above the right shoulder (market top) or below it (market bottom). The profit target is the difference between the breakout price and the low and high points to which the pattern has been added (market bottom) or subtracted (market top). This approach is not flawless, but it does give a means of trading the markets based on rational price fluctuations. H&S is one of the best crypto chart indicators that help you make informed decisions. One of the bullish crypto chart patterns known as the Falling Wedge expands at the peak and contracts as prices descend. As the response highs and reaction lows converge, the price action creates a cone with a downward slope. A Falling Wedge can be classified as a continuation crypto pattern even if it is a reversal pattern. This pattern continues to slope downward, but it will do so at an angle to the general upswing. The falling wedge reversal pattern slopes downward and in line with the general trend. Falling wedge formations are considered bullish regardless of whether they are reversal or continuation patterns in the best chances of crypto charts. A bearish pattern of the crypto cycle chart known as the Rising Wedge expands from the bottom and compresses as prices rise and the trading range gets smaller. Rising wedges slope upward and have a negative bias, unlike symmetrical triangles, which lack a clear slope and a bullish or bearish bias. On the other hand, a Rising Wedge pattern might also fall under the continuation heading on cryptocurrency charts. The rising wedge pattern will continue to slope upward, but it will do so at an angle to the general downturn. The increasing wedge will tilt upward and align with the current trend as a reversal pattern. Rising wedges are bearish regardless of their kind (reversal or continuation). When the price of an asset or stock rises quickly over a brief period, it forms a flag pattern known as the flagpole. Flag crypto patterns belong to the continuing crypto chart patterns and are temporary stops in a moving market. Before the previous trend continues, a consolidation pattern in a rectangle shape will appear. In technical analysis, a flag pattern usually develops following a significant price move in a specific direction. The pattern is seen as the market taking a break or rest before continuing in the same direction. Two primary categories of flag chart patterns are bearish and bullish. A bearish flag pattern on a crypto cycle chart indicates a downturn continues, whereas a bullish flag pattern suggests an upswing. It slopes upward following a downturn and downward following an uptick. The creation of patterns depends on the previous trend. Finding a breakthrough above or below the flag pattern is the key to trading flag patterns. The upper limit of the breakout above is regarded as a buy signal, and the lower border below is seen as a sell indication. The flag pattern is a customizable trading pattern that helps you change the best crypto charts according to your prospect and attitude. A double-top pattern is a bearish reversal pattern that forms following an upswing movement on cryptocurrency charts. Two peaks rise over the neckline, or a support level, to produce the double top pattern. Following a robust rise, the initial peak forms and retraces to the neckline. The price turns bullish and rises again to build the second high after returning to its neckline. When the prices move back to the neckline following the creation of the second peak, the pattern is said to be complete. The bearish trend reversal is confirmed when the prices breach the support level or the neckline. This pattern is one of the most comprehensive crypto graph analysis methods because of its accuracy and reliability. Following a downward trend, bullish reversal crypto patterns known as double-bottom patterns develop on the crypto cycle chart. Two lows below the pattern's resistance level—called the neckline—form this pattern. Following a significant downturn, the initial low is made, and the prices are then retraced to the neckline. The price turns bearish after making a second bottom by dropping one more to its neckline. When the prices return to the neckline following the development of the second low, the pattern is said to be complete. Traders can initiate a long position whenever the prices confirm the bullish trend reversal and break past the resistance level or neckline. Of course, comparing different timeframes to find the best crypto charts and making the right decision for your trade is advised. A reversal chart pattern known as the triple top pattern is created when a security's price reaches the same resistance level three times before collapsing. The triple full pattern indicates a change in market mood from bullish to negative, which is seen as a bearish indication. The price rises, tests a resistance level, retreats, and then rises again to push the barrier, completing the first two tops of the triple top pattern. The price pulls back once more before attempting to break through the level one last time after failing to break past the obstacle twice. But once more, if it is rejected, the triple top pattern is completed when the price drops below the support level. The three peaks are separated by a considerable amount of time and have about equal heights. There is a span of several weeks to many months between the peaks. Usually, the volume pattern gets smaller as it goes up. As the tops develop, the volume decreases, indicating weakening purchasing pressure. Volume increases as sellers seize the initiative and push the price below support following the third high. The breakdown of support suggests a decline in demand and a shift in mood from optimistic to pessimistic. The market has shifted in favor of sellers, and new purchasers are immediately overpowered by demand to buy. This increased supply lowers the price. The pattern is validated, and the breach of support confirms the downtrend of the crypto cycle chart. The triple top will make a lot of money if you study it entirely and conduct a thorough crypto graph analysis. Ascending triangles are produced by price movements that make it possible to form a rising trendline along the swing lows and a horizontal line along the swing highs. The two lines form a triangle on cryptocurrency charts. Traders frequently see triangle pattern breakouts. Either the upside or the downside may see the breakthrough. Since the price will usually break out in the same direction as the trend that was in place just before the triangle formed, escalating triangles are sometimes referred to as continuation crypto chart patterns. An ascending triangle can be traded because it offers a distinct entry point, profit goal, and stop-loss level. Ascending triangles are typically seen as continuation crypto patterns, essential in an upswing or a recession. Traders often purchase or sell the asset aggressively once the triangle breaks, depending on how the price moves and how they read crypto charts. To depict a downward trend, a descending channel is created by joining the lower highs and lower lows of the price of an asset with parallel trendlines on cryptocurrency charts. The descending channel, which is included in the general category of trend channels, is defined as the area between the trendlines. In general, technical traders employ channels extensively to recognize and track the patterns of securities over time. A falling channel is a charting pattern technical analysts use to assess a security's trend. Trendlines plotted at the support and resistance levels in a security's price series are used to create a channel. Channels may be utilized to determine the best levels of support and resistance to purchase or sell stocks. When two parallel lines cross each other's peaks (upper line) and bottoms (lower line) and go up to the right, it is possible to identify the Channel Up crypto patterns. First, the trendline is defined by the bottom line, which is found to run along the lows. The top line, also known as the channel line, crosses the first notable peak and is found to be parallel to the trendline. Prices should bounce off both the top and lower bounds of the channel; the more times these reversals happen, the more consistent the pattern is. Breakouts from the Channel Up have opposite meanings and can happen uphill and downward. When the price breaches the trendline, it may signify a significant, perhaps drastic, shift. On the other hand, breaking over the channel line indicates that the current trend of the crypto cycle chart is accelerating. However, remember that channels, like all different patterns, may occasionally experience false or premature breakouts, meaning that price may retreat inside the channel. Rectangle crypto chart patterns help spot possible market prices. This pattern appears on a price chart as a rectangle when a security price moves for a long time within a horizontal range. In this time frame, the price drifts sideways inside a specific price range rather than trending in either direction. Rectangles are highly valued in crypto graph analysis methods because there are fewer risks in trading with them. Price breakouts from the rectangle pattern on significant volume indicate a validated pattern. A breakout higher means an optimistic market. A downward break suggests a pessimistic outlook. Traders can find possible buy and sell signals using the rectangle chart pattern. It is a buy signal when the price breaks out of the rectangle pattern to the upside and suggests an uptrend. When the price breaks out of the rectangle pattern and moves down, it may be in a downtrend, which triggers a sell signal. There are two essential components to the Break and Retest strategy: Break and Retest. The occurrence of both is necessary for the plan to demonstrate its sustainability. When an asset's price reaches a high in momentum and breaks through a level of support or resistance, the mechanism starts to move. There is a lot of trading activity during the event. The retest phase is the next critical step in the strategy's development. There is an opportunity to enter a trade and profit as soon as the crypto cycle chart shows a retracement of the asset price back to the support or resistance level. A price retracement that faces the opposite direction from the support/resistance levels, indicating the continuation of the trend seen before the break, shows a complete and confirmed retest pattern. This pattern is one of the best accessible crypto charts that beginners can learn quickly and see on the chart. The answer will be technical analysis. Because crypto graph analysis may assist investors in identifying market patterns and projecting future price movements of an asset, cryptocurrency charts are crucial for traders looking to locate the most beneficial chances in the market. The ideas of Dow Theory still hold in today's markets despite its over a century-long existence. It explains how to recognize and quantify markets, including crypto chart patterns. The following six Dow's theory tenets highlight the significance of cryptocurrency charts: Asset prices include all information: The market factors in all available information when setting asset prices. An asset's pricing already includes all relevant information, including its competitive advantage and profit potential. There are three main categories of market trends: The two main market tendencies are bull and bear markets. Corrections in bull markets and rallies in bear markets are examples of secondary trends in a market that typically run counter to the primary ones. There are three stages to the main trends. This covers the stages of accumulation, public involvement, and excess in a bull market. In contrast, the bear market moves through stages of distribution, public participation, and panic. There must be a correlation between market indices: To validate a new market trend, signals derived from one market index must match signals derived from another. A new market trend has not started if one market index indicates a recent primary downtrend and another indicates a primary upswing. However, traders can verify the start of a new market trend if both indices indicate the same upward or downward trend. Volumes and market trends should match up: In a bull market, volume should rise proportionally to market movements. Market volume should gradually decline in a bear market. In a bull market, a decline in market volume may indicate a bearish trend that could result in a bear market. The trend continues until a definite reversal occurs: Market trends continue until an apparent reversal occurs. Dow Theory highlights that until a clear reversal occurs, a market trend will continue regardless of daily price moves. Additionally, you can use crypto patterns for risk management. Instead of making a few large trades, traders using the best crypto charts must make numerous tiny trades. H&S, resistance break, channel up or down, ascending or descending triangles, and so on have success rates of roughly 70%. Traders should always create trading methods that, at the least, provide a course to follow in the hopes of making gains rather than losses before venturing into the wild world of cryptocurrency trading. Whether it is a Double Bottom's optimistic signs or a Head and Shoulders' bearish warnings, all crypto chart patterns breed amounts of uncertainty. No pattern can guarantee a profit or loss; these chart patterns are probability trades based on past data, frequently impacted by outside market factors like news stories or black swan events. These best crypto charts will help you to understand the market better and make more money if you choose them wisely. If you're a crypto trader, you'll find chart patterns to be a vital tool in your toolbox. These patterns show you the ebbs and flows of the market and form the basis of all technical analysis. You'll want to pay attention to them if you want to avoid losing your shirt playing against the market. Like forex chart patterns, crypto chart patterns are segmented into two primary categories – trending and reversal chart patterns. In this article, we will break down the top 10 crypto chart patterns that you'll find useful in your trading. Trending Crypto Chart Patterns These chart patterns indicate that the price of particular crypto will continue trading in the prevailing trend. They are also called continuation patterns. In many instances, trending chart patterns form when the price action consolidates but instead of a reversal, the price continues trading in the previously observed trend. Here are the most notable crypto trending chart patterns: Cup & Handle Pattern The cup and handle crypto chart pattern signals a bullish continuation in price action. As the name suggests, this pattern occurs when the price action consolidates from a bullish trend forming a U-shaped "depression" that resembles a cup and a downward price movement that looks like a cup's handle. The cup often forms after a sustained uptrend. It represents the period where the crypto price is pulling back and consolidating. This pullback doesn't wipe out the gains from the uptrend. It's followed by a rally of equivalent size, resulting in the U-shape. After the rally, the price then trades in a sideways channel forming the "handle." Typically, after the handle is formed, the market experiences a renewed rally with the price breaking above the previous highs formed by the 'cup.' This breakout results in the continuation of the previous uptrend. Note that depending on the time-frame you are trading, it may take a while for the cup and handle crypto chart pattern to form fully. For monthly candles, it could be years in the making. The Triangle Crypto Patterns The triangle chart patterns can be ascending, descending, or symmetrical. Ascending triangle pattern: This is a bullish continuation pattern. The high price swings form a horizontal line in this pattern, while the lower price swings form a rising trend-line – these two lines form a triangle. You can identify the ascending triangle chart pattern under these conditions: The market is in an uptrend which is followed by price consolidation. The price forms higher lows and a rising trend-line can be drawn connecting the higher lows. This shows that short-sellers are getting exhausted and cannot push the price much lower since buyers are pushing the price higher. High price swings do not go beyond the flat upper trend-line, which is the resistance level. The price breaks through the upper trend-line, which is confirmation of the trend continuation. When trading the ascending triangle pattern, good entry points form when the price breaks out above the upper horizontal line. Descending triangle pattern: is the opposite of the ascending triangle pattern. The descending chart pattern shows a bearish price continuation. These are the conditions necessary for the formation of a descending triangle. The market is in a sustained downtrend, followed by a short price rally. The price forms lower highs and a dropping trend-line can be drawn connecting the lower highs. This shows buyers are getting exhausted in the market and that the bears are pushing the price further downwards. Lower price swings do not trade below a flat horizontal trend-line. Connecting the downward sloping trend-line and the flat bottom line forms a descending triangle. A bearish continuation forms when the price breaks below the flat horizontal bottom line. Symmetrical triangle chart pattern: show price consolidation. This pattern is characterized by the market forming higher lows and lower highs simultaneously. When you draw a trend-line connecting the lower highs and another connecting the higher lows, they appear to be converging. This chart pattern is also called a pennant. Note that the symmetrical triangle pattern can be either a continuation or a reversal chart pattern. Continuation occurs when the price breaks out in a direction similar to the price action before consolidation. The reversal occurs if the price breakout is opposite to that before consolidation. Rectangle Crypto Chart Pattern The rectangle chart pattern is the simplest and most popular among the top 10 crypto chart patterns since it easily identifies both continuation and trend reversals. The pattern is formed during price consolidation after a sustained bullish or bearish trend. During the consolidation, the crypto asset trades in between two horizontal channels of support and resistance. This means that when you draw a horizontal line touching the price highs and another touching the price lows during the consolidation, they form a rectangular pattern. Flag Crypto Patterns The flag pattern is a continuation chart pattern which forms after a short period of consolidation following a persistent trend in one direction. This chart pattern can either be a bullish or bearish flag pattern. There has to be a prior uptrend for the bullish flag pattern, which forms the "pole" of the flag pattern – followed by a short price pull-back period. When you draw trend lines on the consolidation, they form a downward pointing flag. A bear flag pattern forms after a short upward price consolidation following a sharp downtrend. Here, the bear flag points upwards and has a positive slope. In the bull flag chart pattern, price continuation occurs after the price breaks out above the resistance level. For the bear flag, the bear trend continues when the price breaks out below the support level. Reversal Crypto Chart Patterns Reversal crypto chart patterns mark a period where the prevailing market trend shifts into an opposite trend. For example, if the prevailing trend was bullish, a reversal chart pattern indicates that the market is about to adopt a bearish trend. In this case, it shows that sellers are exerting downward pressure in the market. Similarly, if the prevailing is bearish, a reversal chart pattern forms when the market is shifting into an uptrend. Here's a brief description of the top reversal crypto chart patterns: Head and Shoulders Crypto Pattern The head and shoulders chart pattern represents a trend reversal from bullish to bearish. Typically, this pattern forms after a bullish trend. It is characterized by price swings that form three peaks – the left shoulder, the head, and the right shoulder. The left shoulder forms when there is a price pullback. After this pullback, the price will swing back up, to a level higher than the prior high. However, this price rally won't be sustained as sellers will push it downwards to the level of the previous swing low. The right shoulder is formed after buyers attempt to push the price back up, but fail to reach the previously attained levels (the head). Short sellers push the price downwards. This is a confirmation that bears are dominating the market. When you draw a trend-line from the lows of the first shoulder and the second shoulder, you'll notice that they are approximately on the same level. This is the "neckline", and it forms the support level. If the price breaks below it, it's an indicator that a bear trend is beginning. If you intend to trade a reversal using the head and shoulder crypto chart pattern, you must wait until the entire chart pattern forms to reduce your risk in trading. Double/Triple Tops and Bottoms Chart Pattern A Double top pattern signals reversal of a bullish trend to a bearish trend. This chart pattern occurs when the price forms two peaks at the same level. These peaks represent the resistance level reached by the asset during a bullish trend. During an uptrend, the price reaches the first peak then pulls back slightly to a support level. The price then bounces back to a second peak, touching the resistance level created by the first peak. This pattern shows that buyers cannot push the price beyond the resistance level and that the bullish momentum is dissipating. Consequently, the prices drop below the support level and adopt a bearish trend. Triple tops are similar to double tops only that they form three instead of two peaks. The triple tops chart pattern is a bearish reversal pattern. The three peaks formed are approximately at the same support level. This implies that the support level is tested at least three times before the price adopts a bearish trend. A double bottom chart pattern is a bullish reversal pattern and considered the opposite of the double bottoms chart pattern. When the price is on a steady downtrend, it reaches a level where sellers cannot push the prices much lower. This is where the first bottom is formed – a resistance level where prices cannot go much lower. The price retraces to a higher support level, but the short-sellers push the price back down, forming a second bottom at the resistance level. Buyers overwhelm the sellers in the market, causing the prices to bounce off the resistance level, reversing the downtrend. A triple bottoms chart pattern is the opposite of the triple tops chart pattern. The pattern is formed like the double bottoms chart pattern but has three swing lows at approximately the same level. The prior bearish trend is reversed when the price breaks above the resistance level. Rounded Top and Bottom Crypto Chart Pattern Typically, the rounded top and bottom crypto chart patterns are used to identify longer-term reversal trends. Since it forms over a longer period, this pattern represents a gradual reversal of a trend. Traders use the rounded tops chart pattern to identify long-term bearish reversal patterns. It signals the ending of a bullish trend and the start of a possible bear trend. This chart pattern resembles an inverted U. It occurs when, after a long-term bull run, the price consolidates for an extended period forming a rounded top. Subsequently, the price drops below the 'neckline' signaling the start of a downtrend. Conversely, the rounded bottom chart pattern is a bullish reversal pattern showing the end of a bear run and the possible beginning of a bullish trend. In this case, the asset price has to consolidate for a long period, after a sustained downtrend, forming a U-shaped pattern. Eventually, the price will start rising and break above the 'neckline' signaling the start of a bull run. The Failure Swing Trading Crypto Chart Pattern This chart pattern often occurs when large speculative traders fail to form new highs or lows. These speculators often enter positions by taking advantage of deferred liquidity accumulated by other traders through limit orders such as buy and sell stop and stop-loss levels. These large speculators attempt a swing trade by placing large orders in a relatively narrow price range. In a bear market, failure swing trading occurs when short-sellers unsuccessfully attempt to achieve new lows. This is often a signal of an impending reversal of the downtrend into an uptrend. The bear trend reversal is completed when the price breaks through a prior high. Similarly, the pattern in the bull market forms after buyers attempt and fail to form new highs. The bull trend reversal is completed when the price breaks through the previous low and adopts a downtrend. Bottom Line Chart analysis is the backbone of technical analysis in crypto trading, and we have covered the 10 most helpful crypto chart patterns. Most of the chart patterns we have discussed can be used for price action analysis across any time-frame. Although most crypto traders use these chart pattern analyses to support their trades, we strongly recommend that you conduct thorough back-tests when selecting which crypto chart pattern to support your trading. While understanding these crypto chart patterns will help you start to predict trends in crypto prices, we highly recommend you seek the guidance of professional traders who have years of experience predicting crypto trends. The crypto market tends to be relatively volatile, so signing up for telegram signals from professional traders will ensure that you are spotting trends accurately. Are you looking to start your trading journey, or enhance your trading strategy? If so, you will need to learn how to spot crypto chart patterns. In this article, we will discuss some of the most common chart patterns that traders use to make decisions. We will also provide examples of each pattern. So, if you're ready to learn about crypto chart patterns, keep reading! Chart patterns are a key part of technical analysis that traders use to identify potential trading opportunities. Think of them as visual cues on a price chart that hint at where the market might be headed next. By recognizing and interpreting chart patterns, traders can better predict future price movements and ultimately make informed decisions about when to buy or sell. These patterns come in different shapes and forms—like triangles, head and shoulders, or double tops—and each tells a different story about market sentiment. For instance, some patterns signal that a trend might be about to reverse, while others suggest that the current trend is likely to continue. Trend lines are another important tool in this process. By drawing lines that connect significant price points, such as recent highs or lows, traders can see the market's overall direction and identify levels of support (where the price tends to stop falling) and resistance (where the price tends to stop rising). These lines help traders spot the best entry and exit points for their trades, ultimately giving them a better chance of success in the market. Learning to read crypto chart patterns is a valuable skill for trading and investing in cryptocurrencies. Here's a step-by-step guide tailored for beginners, along with advice on the tools you should use and tips on how to start: Chart patterns are formations that appear on the price charts of cryptocurrencies and represent the battle between buyers and sellers. These patterns can indicate potential price movements. Familiarize yourself with the most common patterns, like head and shoulders, cup and handle, flags, and triangles. If you struggle initially, don't be discouraged — like any skill, with practice and experience, you'll soon be able to identify these patterns effortlessly. A good charting tool is essential for viewing and analyzing crypto charts. Some popular options include: TradingView: Highly popular for its range of tools and social sharing features. Coinigy: Offers extensive tools for trading directly from the chart. CryptoCompare: Provides a less advanced, user-friendly interface suitable for beginners. This step tends to be the most time-consuming, but with the right resources, you can master it efficiently. Start by identifying simple patterns. Utilize tools such as our chart pattern cheat sheets and trading tutorials on YouTube to guide your learning. Give it a go with two or three of the most popular patterns, such as head and shoulders, cup and handle, or triangles. Practice spotting these patterns on actual charts. By actively searching for these patterns yourself, you'll develop a keen eye for identifying potential market movements, which is crucial for successful trading. Use your charting tool to look at historical price actions and try to identify the patterns. Most platforms allow you to "replay" the market from an earlier date to simulate how patterns might have helped predict movements. While memorizing chart patterns is useful, understanding some basic technical analysis can enhance your ability to read charts. If you are a beginner, I would suggest to learn about: Support and Resistance Levels are prices at which the crypto consistently stops falling or rising, respectively. Volume helps confirm the strength of a price move. Patterns with high volume on the breakout are more reliable. Moving Averages smooth out price data to create a single flowing line, which makes it easier to identify the direction of the trend. Simple moving averages (SMA) and exponential moving averages (EMA) are good starting points. The Relative Strength Index (RSI) measures the speed and change of price movements on a scale of 0 to 100. Generally, an RSI above 70 indicates overbought conditions (possibly a sell signal), while below 30 indicates oversold conditions (possibly a buy signal). Moving Average Convergence Divergence (MACD) is a trend-following momentum indicator that shows the relationship between two moving averages of a cryptocurrency's price. The MACD is calculated by subtracting the 26-period EMA from the 12-period EMA. A Stochastic Oscillator is a momentum indicator that compares a particular closing price of a cryptocurrency to a range of its prices over a certain period. It helps to identify overbought and oversold levels, providing insight into potential reversal points. Before investing real money, practice your skills using a demo account. Many trading platforms offer demo accounts where you can trade with fake money but real market data. Influenced by news and global events, the crypto market is highly volatile. Keep yourself updated with the latest cryptocurrency news. Be flexible and ready to adapt your strategy as the market changes. Memorizing chart patterns is a good start, but it's not enough for consistent success in crypto trading. Understanding the context in which these patterns develop and the market sentiment and complementing them with other forms of technical analysis like trend lines, volume, and indicators like Moving Averages or RSI can provide a more comprehensive trading strategy. One of the most common chart patterns is the triangle, formed by an asset's converging trend lines. There are three types of triangles: Ascending (bullish chart pattern) Descending (bearish pattern) Symmetrical Triangle crypto chart patterns, explained Ascending and descending triangles are continuation chart patterns, which means that they typically occur in the middle of a trend and signal that the trend will continue. Symmetrical triangles are considered to be reversal patterns, which means they can occur at the end of a trend and signal that the price may reverse its course. Triangles are some of the long-lasting patterns: they can take several months or even years to form. An ascending triangle pattern is created when the price of an asset forms higher highs and higher lows. This pattern is considered a bullish continuation pattern — so it gives a buy signal. Here are some common defining characteristics of an ascending triangle: The price is forming higher highs and higher lows. There is a horizontal resistance line at a certain price level. The chart pattern is typically found in the middle of an uptrend. A descending triangle is a bearish continuation pattern that, just like the name suggests, is the opposite of the ascending triangle. It occurs when the asset price forms lower highs and lower lows. A descending triangle usually gives a sell signal as it is a sign that a bearish trend will probably continue. There are several ways to identify a descending triangle. These are some of the things you can look for. The asset price forms lower highs and lower lows. You can observe horizontal support. It is the middle of a downtrend. A symmetrical triangle chart pattern emerges when the price of an asset forms higher lows and lower highs. This chart pattern can be found at the end of a trend; it signals that the price may reverse its course. The symmetrical triangle pattern can be either bullish or bearish. Here are some signs that the pattern you're seeing might be a symmetrical triangle: The price forms higher lows and lower highs. There is no clear trend. It is the end of a trend. Wedges are another subtype of triangle chart patterns. A rising wedge is a bearish reversal pattern that comes to life when the price of an asset forms lower highs and higher lows. This pattern signals that the price is likely to continue to fall. It gives a sell signal. Here are some things that can point towards a pattern being a rising wedge: The price forms lower highs and higher lows. There is horizontal resistance at a certain price level. It is the middle of a downtrend. How to read Bitcoin charts: wedge patterns A falling wedge is a bullish reversal pattern that, just like the name suggests, is the opposite of the rising wedge. It occurs when there are higher highs and lower lows on the price chart. A falling wedge usually gives a buy signal as it is a sign that an uptrend will probably continue. There are several ways to identify a falling wedge. These are some of the things you can look for: The asset forms higher highs and lower lows. You can observe horizontal support. It is the middle of an uptrend. A rectangle chart pattern is created when the price of an asset consolidates between two horizontal levels of support and resistance. This chart pattern can signal that the price is about to break out in either direction. A bullish rectangle is a chart pattern that is created when the price of an asset cannot break out through either the top or the bottom horizontal line and ends up consolidating between the support and resistance levels. This chart pattern signals that the price is likely to break out to the upside — so it gives a buy signal. Here are the defining characteristics of a bullish rectangle: Price consolidation between two horizontal levels of support and resistance. This chart pattern is typically found at the end of a downtrend. Crypto trading patterns: Bullish rectangle vs bearish rectangle pattern A bearish rectangle is the opposite of the bullish rectangle. It happens when asset price "gets stuck" in between two horizontal levels of support and resistance. A bearish rectangle usually gives a sell signal as it is a sign that the price is likely to continue to fall. A double top is one of the most common crypto chart patterns. It is characterized by the price shooting up twice in a short period of time — retesting a new high. If it fails to go back to that level and cross over the upper horizontal line, it typically signifies that a strong pullback is coming. This is a bearish reversal pattern that gives a sell signal. Crypto chart patterns: Double bottom and double top breakout patterns A double bottom is a chart pattern that, as can be seen from its name, is the opposite of the double top. It occurs when the asset price tests the lower horizontal level twice but then pulls back and goes up instead. A double bottom usually gives a buy signal as it is a sign that there will likely be an uptrend. The triple top and bottom patterns are very similar to their "double" counterparts. The triple top also occurs when the price of an asset tests the upper horizontal line but fails to cross over it — but for this pattern, it happens thrice. It is a bearish reversal pattern that signals an upcoming downward trend. Triple top and triple bottom crypto chart patterns The triple bottom crypto chart pattern is observed when asset price reaches a certain level and then pulls back two times before finally kicking off a bullish trend. Pole chart patterns are characterized by the price of an asset reaching a certain level and then pulling back before returning to that level. These patterns get their name from the "pole" present in them — a rapid upward (or downward) price movement. A bullish flag is a chart pattern that occurs when the asset price reaches a certain level and then pulls back before reclaiming that level. A bullish version of this crypto flag pattern usually gives a buy signal because it is a sign that an uptrend will probably continue. The most distinctive thing about this pattern is, unsurprisingly, its shape: a pole followed by a flag. Here's how it's structured: Drastic upward price movement A brief consolidation period with lower highs A bullish trend Crypto graph patterns: Bear flag and bull flag A bearish flag is the complete opposite of a bullish flag crypto chart pattern. It is formed by a sharp downtrend and consolidation with higher highs that ends when the price breaks and drops down. These flags are bearish continuation patterns, so they give a sell signal. You can learn more about them in this article. A bullish pennant is a bullish pole chart pattern rather similar to a bullish flag. It also has a pole — a shart uptrend — followed by a brief (or not so brief) consolidation, and then a continued uptrend. Unlike the flag, however, its consolidation period is shaped like a triangle: it has higher lows and lower highs. It gives a buy signal. Pennant patterns: How to read crypto charts for beginners? A bearish pennant is, naturally, the opposite of a bullish pendant. Its pole is a sharp downward price movement, and it is followed by a price decrease. It gives a sell signal. Pennants are also defined by trading volume: it should be exceptionally high during the "pole" and then slowly whittle down during consolidation. They usually last between one and four weeks. There are also several other chart patterns that you can look for when trading cryptocurrencies. Here are a few of the most common ones. Chart analysis is one of the best tools in trading crypto. Here's how to identify a head and shoulders pattern. A more advanced chart pattern, the head and shoulders chart pattern, occurs when the price of an asset reaches a certain level and then pulls back before retaking that level. This chart pattern can be either bullish or bearish, depending on where it occurs in the market cycle. One of the more advanced technical analysis patterns, inverted head and shoulders, should be used with other indicators before taking a position. The inverted head and shoulders chart pattern is created when the price of an asset reaches a certain level and then pulls back before reaching that level again. This chart pattern is usually bullish and gives a buy signal as it is a sign that an uptrend will probably continue. Just like the name suggests, it is the inverted version of the traditional head and shoulders pattern. The cup and handle is a pattern that can be observed when the price of an asset reaches a certain level and then pulls back before reclaiming that level. It is named like that because it actually looks like a cup. This chart formation is often referred to as the bullish reversal pattern. However, it can give either a bullish or a bearish signal — it all depends on what point of the cycle it is seen in. Crypto cup and handle pattern: How to read crypto charts? Bearish chart pattern: Rounded top (a.k.a. rounding top) The rounded top and bottom chart pattern appears when the price of an asset reaches a certain level and then pulls back before retaking that level. This chart pattern can be either bullish or bearish, depending on where it occurs in the market cycle. Bullish chart pattern: Rounded bottom (a.k.a. rounding bottom chart pattern) This crypto chart pattern typically occurs right before a trend reversal. The "top" pattern signals a possible bearish reversal, creating a potential shorting opportunity. The "bottom" pattern is the opposite and often precedes a reversal from a downward trend to an upward one. Cryptocurrency patterns: The failure swing The failure swing chart pattern happens if the asset price reaches a certain level and then pulls back before reaching that level again. Common failure chart patterns typically involve trend lines, such as breakouts before a fail point, or descending triangles. When these patterns appear on charts, they may indicate that a reversal or pullback is due; however, false signals can occur if the underlying conditions or fundamentals do not support the formation of the pattern. Analyzing chart patterns: Crypto and other financial markets. Non-failure swing graph pattern. Non-failure swing chart patterns are similar to failure swing charts, but they involve a second peak staying above the first one (an upward continuation). Non-failure swings can indicate strong market trends and sustained price movements. One should look at both types of patterns in combination with other market indicators to validate their accuracy. So, you've spotted a pattern on a crypto chart. What should you do next? While the crypto market moves fast and waits for no one, it's wise to heed the advice of seasoned traders and take a thorough approach to maximize the benefits of your chart pattern. To make the most out of chart patterns in crypto trading, pay attention to these critical aspects: Price Movement: Observe whether there are higher highs or lower lows, which can indicate the strength of a trend. Support and Resistance Levels: These are critical areas where the price may stall or reverse. Trend Stage: Determine whether the trend is at its beginning, middle, or end to better gauge potential moves. How to use crypto trading patterns? Here are other essential tips to enhance your trading strategy: Make sure that the chart pattern is valid. This means that it should meet all of the criteria we discussed earlier in this article. Wait for a confirmation signal before entering a trade. A confirmation signal is something like a breakout or a candlestick pattern. Utilize technical indicators. They can help crypto traders identify potential entry and exit points, as well as determine the prevailing trend in the market. Pay attention to different time frames. Short-term traders may focus on hourly or daily charts, while long-term investors may look at the bigger picture — weeks or months. Have a proper risk-reward ratio. This means that your potential profits should be greater than your potential losses. Have a plan for exiting the trade. This includes setting a profit target and a stop-loss order. If you are an experienced trader or have a higher-than-average risk appetite, you can try to trade patterns before the confirmation. However, please remember that it is incredibly risky — not to mention insanely hard. While these patterns are easy to identify in retrospect, they can be not-so-easy to notice when they are just happening. Of course, some tools and indicators (or even bots) can help with that, and you will get better at catching them as you practice more, but they can still be incredibly treacherous. There are many different chart patterns that you can use to trade crypto, but not all of them are equally effective. Some chart patterns have a higher success rate than others. For example, the head and shoulders pattern has a success rate of about 70%. On the other hand, the cup and handle pattern has a success rate of about 80%. It's important to note that the success of these patterns can be influenced by several factors: Chart Timeframe: Patterns on longer timeframes tend to be more reliable than those on shorter ones. Pattern Type: Continuation patterns might perform differently in bull markets compared to bear markets. External Factors: Black swan events, sudden news releases, and major announcements can heavily impact market conditions, often disrupting established patterns. Therefore, while chart patterns can be a valuable tool for traders, they should be used in conjunction with a comprehensive understanding of the overall crypto market, especially in day trading, where market sentiment can shift rapidly. Proper risk management and strategy alignment are essential to maximize their effectiveness. At the end of the day, what matters most is using the patterns that fit your trading strategy best, as well as utilizing proper risk management. Technical analysis: Chart patterns and risk management Risk management is incredibly important when it comes to trading crypto chart patterns. No matter how good or prominent the chart pattern is, things can always go wrong. So, it's crucial to have a solid risk management strategy in place before you start trading and adjust it accordingly. Here are some things to keep in mind: Set a stop loss. This is probably the most important thing you can do in terms of risk management. A stop loss will help you limit your losses if the trade goes against you. Use a take profit target. A take profit target will help you lock in profits if the trade goes in your favor. Use a trailing stop. A trailing stop is a great way to protect your profits because it will automatically sell your position if the price starts to fall. Manage your position size. Position size also matters. You don't want to risk too much of your account on one trade. Hedging is also an important concept to understand when trading chart patterns. It involves opening a position in one asset to offset the risk associated with another asset. For example, let's say you're long on BTC, and you're worried about a potential market crash. You could hedge your position by going short in altcoins. This way, if the market does crash, your losses will be offset by your gains in altcoins. These are just a few things to keep in mind in regard to risk management when trading chart patterns. If you can master risk management, you'll be well on your way to success as a trader. Yes, chart patterns can be extremely useful for trading crypto. They may not be 100% reliable, but they can definitely help you make more informed trading decisions. As with any other asset out there, combining chart patterns with other forms of technical and fundamental analysis provides a more comprehensive trading strategy. This mix can help mitigate the risks associated with misleading signals from any single method. The most accurate crypto chart patterns are typically the Head and Shoulders for trend reversals, and Bullish/Bearish Flags for trend continuations. These patterns, especially when confirmed by volume and observed on longer time frames, are highly reliable for predicting market movements. There's no one "best" pattern for trading cryptocurrencies because it really depends on what works best for you. However, if you're just starting out, it's a good idea to focus on simpler patterns that are easier to spot and tend to work well. Some good ones include Horizontal Resistance, Ascending Triangle, Channel Down, Falling Wedge, and Inverse Head and Shoulders. These patterns can help you figure out when to buy and are generally more reliable, which can make trading a bit less daunting for beginners. There are a few technical analysis tools that can be really useful for cryptocurrency trading. Some of the most popular ones include: Moving Average (MA) Bollinger Bands Relative Strength Index (RSI) MACD indicator Predicting a crypto pump is no easy task, but there are a few things you can look out for that may give you some clues. These include: Increased social media activity Frequent occurrences of FOMO in the community Pump and dump groups Unusual trading activity on exchanges A crypto pattern chart: All of these formations can be found in technical analysis of other financial markets, too. Plenty of chart patterns that can be used in crypto trading. In technical analysis, whose basics work for all financial markets, there are about 30 formations. These include head and shoulders, double tops and bottoms, triangles, wedges, flags and pennants, cups and handles, channels, and ranges. Each pattern has its own distinct characteristics and can be used to identify potential entry or exit points to make profitable trading decisions. Different crypto patterns will work better depending on the asset, so it is important for investors to know how each chart pattern applies to their specific situation. Disclaimer: Please note that the contents of this article are not financial or investing advice. The information provided in this article is the author's opinion only and should not be considered as offering trading or investing recommendations. We do not make any warranties about the completeness, reliability and accuracy of this information. The cryptocurrency market suffers from high volatility and occasional arbitrary movements. Any investor, trader, or regular crypto users should research multiple viewpoints and be familiar with all local regulations before committing to an investment. Trading in cryptocurrency demands a deeper understanding of markets and repetitive chart patterns that can bring good opportunities to gain returns. Therefore, in this article, we'd be listing some of the best crypto price patterns that you, as a beginner, can refer to. Chart patterns are nothing but a more straightforward way to understand and predict the market sentiment and use to try and gain returns based on the prevailing conditions. The top seven crypto price patterns are head and shoulders, double/triple top/bottom, rising/falling wedge, triangles, cup and handle flag, and rectangle. Both reversal and continuation patterns can be put into a trading strategy. As the name suggests, patterns are drawn on the trading chart looking at the digital asset's price movements (buying/selling). Some patterns drawn include triangles, flags, wedges, rectangles, etc. These patterns suggest the possible market sentiments, which can further determine the asset's movement. In short, price movements are the basis for price patterns. Finally, there are two kinds of price patterns: Continuation or Trending Patterns Reversal Patterns Continuation or trending patterns indicate the past movements to continue in the same direction, thus the name trending or continuation. A reversal pattern is the opposite of continuation or trending patterns. The pattern is often drawn when support or resistance is created. They indicate movement opposite to the trending pattern. For example, if the price movements were falling, the reversal pattern may indicate a rise in price and vice versa. Resistance or high is a line formed when there is an increased demand for selling in the market. This results in the downfall of price. This price drop then creates a demand for buying in the market. That's when support or neckline is shown. Breakout happens when the asset price moves above the resistance or high or when the asset's price moves below the support or neckline. In addition, breakouts often indicate a reversal in the movement of price. Join our Telegram and get free crypto price analysis. This is a legit human body's head and shoulders. The pattern is formed when there is a rise from a low price position, and then the price again drops to almost the same low price position from where it rose. The pattern is formed after the final price rise. This is spotted by its three successive tops in the pattern. The price often drops further from the final top point. This indicates a trend reversal. Head and Shoulders Pattern At first, there is an uptrend in the price movements, reaching the high(the first or the left shoulder). It falls to its support or neckline upon facing the resistance or high. Upon reaching the neckline, the price rises. When the price rises, it meets the resistance forming the head(top head). The price drops roughly to the position matching the first shoulder or the first top. However, they do not form horizontal lines. It can be a diagonal or a neckline. At this moment, forming the second shoulder or the final top. A market from bullish to bearish is signaled. The price, in most cases, keeps falling and goes below the neckline or support, indicating the pattern of head and shoulders and the head and shoulder breakout. The shoulders are connected and are believed to be the pattern's neckline. As the name suggests, this pattern is the reverse of the head and shoulder. The pattern here is drawn upside down. The other head and shoulder pattern type is inverted head and shoulder. Inverted Head and Shoulders At first, there is a downward trend in the price movements, reaching the neckline or support. Upon reaching the neckline, it falls down further and then returns to the neckline, forming the first shoulder. Upon touching the support, it falls down further and returns to the neckline, forming the head. When the head reaches the neckline, the price falls and reaches a point to form the second shoulder. Both shoulders are at the same level. Therefore, a horizontal line is formed. When the price falls, it makes the second shoulder, and the price then rises. This mark a bullish market. A breakout of price is seen here. The trading strategy applied in the head and shoulders pattern is we wait for the second shoulder to go below the neckline. Therefore, we can expect a trend reversal once the price goes below the neckline. The trading strategy applied in reversed head and shoulder is we wait for the second shoulder to form and rise above the support. Here we can expect a continuation of the trend. Note: Multiple patterns are considered when analyzing the market through price patterns. Therefore, the abovementioned strategies are basic examples and should not be taken as trading advice. Join our Telegram and get free crypto price analysis. A wedge pattern is a triangular shape with an inclined plane. Both the resistance and support or the trending lines meet at a point. There are two kinds of wedge patterns, rising wedges and falling wedges. A rising wedge pattern is formed when two trend lines, also known as support or resistance, move upward diagonally. As a result, the volume decreases as it moves upward. This is known as a rising wedge. It is also known as an ascending wedge/ bullish wedge. Rising Wedge A rising wedge can be seen in both an uptrend and a downtrend. Both the high and neckline are converging. The volume of price decreases as the lines converge with each other. A breakdown is usually seen at the time of converging. Higher highs and higher lows are seen between the lines. A rising Wedge can signal both bearish and Bullish market conditions. A falling wedge is not something familiar to find on price charts. However, a falling wedge is formed when the buyers are strong and thus pull down the price. Both the trending lines move downward, prices getting lower and lower. They indicate a bearish market. Falling wedges are also known as descending wedges/ bearish wedges. Falling Wedge Pattern Falling wedges can be seen in both upward and downward trends. However, some say it is often seen in an upward direction. The two resistance and support lines move in a downward manner. Therefore, the lines can also be understood as descending lines. Lower highs and lower lows are seen between the lines. Falling wedges usually signal bearishness. Price breakout can be seen before the trend lines converge. Applying a trading strategy on rising/falling wedges can be tricky. As the trend may continue or reverse after the breakout. So patience is the key here. Here, the prime strategy is to read the wedge and wait for the breakout. Then, confirm whether, after the breakout, the price moves in the same direction or the opposite. Accordingly, you can open a sale/buy position. Double top forms two triangles of roughly the same shape. We can also understand the triangles as "M." Imagine two trend lines drawn over the "M," and the final fall of the price goes below the support line. This is known as a double top. Double Top First, the price moves upward and meets the high, forming the first high (first top). The price then drops and meets the support. Upon meeting the support, the prices rise and form the second high (second top) by meeting the resistance. Finally, the price moves below the support line and breaks the uptrend. Double top indicates a reversal in trend. The double bottom is the inverse of the top-bottom. They, too, form two triangles between the trend lines of almost the same size. We can understand the double bottom as "W." Let us assume two trend lines drawn over the "W". When the last high of the price goes above the resistance line, this is known as a double top. Double Bottom At first, the price moves downward and meets the support. The price then rises and meets the resistance forming the first low (first bottom). The prices fall and meet the support a second time upon meeting the resistance. Finally, the price moves upward from the support line and breaks the downward trend forming the second low (second bottom) by meeting the resistance. The price moves above the resistance, confirming a double bottom. Double bottom indicates a bullish market by breaking the downward trend. When the price movements form a double top, the price moves below the support line. The trading strategy is opening a selling position. When the price movements form a double bottom, the price moves above the resistance line. The trading strategy is opening a buying position. Join our Telegram and get free crypto price analysis. The triple top is not often seen on price charts. However, we can understand a triple top as a double top. Both patterns resemble each other. The pattern is the same; the only difference is that it forms one more top. There are three highs seen in the triple top. Triple Top At first, the price was in an uptrend for a long time, reached the first resistance point, and formed the first high(first top). The price then reverses back to the support line, rises again to meet the resistance, and forms the second high(second top). The price reverses back to the support line and rises for the final time. It falls below the support line upon meeting the resistance for the third time. A triple top indicates the reversal in the trend. It signals a bearish market. The triple bottom is the opposite of the triple top. It signals a bullish market as it is formed in the bear market. We can understand triple bottom and double bottom as they are similar. Three consecutive triangles are formed of almost the same size. None of the lows breaks the support line, thus triple bottom. They are often formed after a downtrend. Hence, a reversal movement is expected, signaling an upward trend after facing the third support. The price moves above the resistance line, breaking the downward trend. The breaking of the resistance line confirms a triple bottom. The trading strategy applied in the triple top is opening a sell position since the price movements go below the support line. The trading strategy applied in the triple bottom is opening a buy position since the price movements go above the resistance line. As the name suggests, the pattern can be understood as a cup and its handle. The pattern follows the shape of a cup resembling "U". It is not the most reliable pattern as predictions can be tricky and go wrong. However, the pattern seems to start in a bearish market. And on meeting the handle, there is a breakout, and an uptrend can be expected. Cup and Handle Pattern The price patterns form a "U" shape, starting in a bearish market. While forming the depth of "U," the price does not go very low. The handle starts forming at the cup's mid-top or "U." Breakout can be seen at or before the handle formation. The reversal of a bearish market is signaled. Wait for the breakout, and then place the order. Closely read the depth of "U" and apply the best-suited strategy. For example, stop loss. Analyze the distance between the bottom of the cup and the handle. Accordingly, predict the profit. The profit may go above the distance calculated. Two or more ascending or equal triangles are formed during an uptrend. The resistance line is horizontal, while the support is an ascending line. These lines meet, signaling the continuation of the uptrend or bullish market. Ascending Triangle The price patterns start forming triangles of two or three equal highs. The resistance line now formed is horizontal. The support line formed is an ascending line. The ascending triangles can be seen between the lines. Both the resistance and support line meet. The pattern is confirmed when a breakout is seen before the ascending line meets the resistance level. The breakout is when the price pattern moves above the resistance line. The descending triangle is the opposite of an ascending triangle. The triangles formed here are of low peaks. The pattern can be understood when the support line is horizontal and the resistance line is a descending line. The pattern usually forms a downward trend signaling the continuation of the movement. Descending Triangle The descending triangle can be expected when the price keeps falling. Two or more low peak triangles are formed, with the support line being horizontal. The price keeps reversing from resistance to support, forming the low peaks of the descending triangles as the resistance level keeps decreasing. Both the resistance and support line meet. Finally, the price falls below the support line before the lines meet. Join our Telegram and get free crypto price analysis. With an ascending triangle placing the orders after the breakout would be a good choice as the volume increases. With a descending triangle placing the selling order when the price breakouts would be beneficial. The bullish flag is the most common crypto pattern that can be seen. The bullish flag is formed in an uptrend and signals for a continuation. The flag is formed only to continue the uptrend price patterns. The bullish flag is also known as the bull flag. Bullish Flag The bullish flag can be expected in an uptrend, where the price keeps moving up. While moving up, the price movement meets its first resistance. Upon meeting the resistance, the price movement starts forming diagonal lines. The resistance and support lines form a rectangle. The bullish flag is confirmed when the price movement goes above the resistance line of the flag. The bearish flag is the opposite of a bullish flag. The bear flag pattern can be seen as an upside-down bullish flag pattern. The bearish flag can be seen in the downtrend and indicates a continuation of the trend. Bearish Flag Identifying a bearish flag is the same as a bullish flag. However, the prime difference is that the bearish flag is formed during a downward trend. The downward trend meets its first support point marking the inverted flag pole. The price movement starts forming the diagonals of triangles between the resistance and support lines. The triangles are of higher lows and higher highs. Finally, the price movement breaks the support line and continues the downward trend. We can start placing orders after confirming the breakout. Placing a buy order is the typical strategy applied. Similar to the bullish flag, we wait for the breakout. These flags are a continuation pattern; hence waiting for the breakout is best. Again, placing a sell order is the chosen strategy. Join our Telegram and get free crypto price analysis. A rectangle pattern is a pause in the trend. Both the resistance and support lines are almost horizontal and parallel. The rectangle pattern also indicates a continuation of the trend in the original direction. Be it upward or downward. For upward movement, the triangle is bullish, while it is known as a bearish rectangle for downward. Rectangle The bullish rectangle is identified when the price moves upward after breaking the resistance line of the rectangle formed. The bearish rectangle is identified when the price moves downward, continuing the downward trend. The pattern is completed when the price moves below the support line. Wait for the price breakout, and then place orders. Then, sell orders when the price goes below the support line and vice versa. Amidst the volatility of the crypto market, the chart patterns give you stability. The top seven crypto chart patterns are some of the most common patterns in the trading chart. For a successful trading experience, it is essential to do the followings: Identify the chart patterns and read and analyze the chart patterns. However, the market is entirely driven by human emotions and sentiments; hence, no chart pattern or trading strategy can predict the outcome. Therefore, apart from only being dependent on price patterns, do a long-term fundamental analysis of the crypto you're about to buy. You can read crypto charts by understanding different chart patterns like bullish chart patterns, bearish chart patterns, triangles, rectangles, and others. But understanding chart patterns can sound daunting. However, starting with basic chart patterns can be a good start. Crypto breakouts can be seen when the price moves above the resistance or below the support line. No, the double bottom pattern signals a bullish market. You can read crypto charts by understanding different chart patterns like bullish chart patterns, bearish chart patterns, triangles, rectangles, and others. But understanding chart patterns can sound daunting. However, starting with basic chart patterns can be a good start. Crypto breakouts can be seen when the price moves above the resistance or below the support line. No, the double bottom pattern signals a bullish market. Also read,