

Twitter Thread by Subhadip Nandy



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I see a lot of traders following classical chart patterns . Being a pattern follower myself for some years , here is my advice to them as I feel some pointers will improve their accuracy . Again , this is not the only correct way but what I have learnt from my experiences

1. Volume confirmation is a must. Without the volume rules being fulfilled , there is no importance to the pattern
 2. Understand where the pattern is taking place within the major price structure of the index/stock. An inverse head and shoulders bottom reversal occurs at market bottoms , not at market tops
 3. If a pattern is valid, it will leap out at you from the computer screen . If it takes a lot of time for you to "see" the pattern , you are probably imagining things
 4. Understand how the market players operate so that a pattern is created . Understand the psychological basis of market participants within the pattern . Best resource : Technical Analysis of Stock Trends by Edwards and Magee . You should read the book at least 10 times or more
 5. A pro tip : Use line charts while searching for patterns . Bar charts or candlesticks will be confusing , a line chart consisting of only closing prices is much easier on the eye
 6. Check whether major support/resistance zones exist after a pattern breakout. In short , check whether the breakout has empty spaces to run
 7. Define an entry stop and how you will trail the trade once it get's going. Define when and why you will exit if something changes . Have your plan ready before you enter the trade.
 8. Use modern indicators to support the pattern breakout. See whether a price breakout is supported by a momentum , volume or volatility breakout. If so , it adds weight to chances of success for the breakout
 9. Last but not the least , use some for of money mgmt for initial position sizing and then scaling in or scaling out.
- #bestofluck trading patterns :)

10. Trading patterns will need years of practice , there is no shortcut. The amount of time you spend and see the patterns working out will add to your experience . Took me 5 years to successfully trade patterns :)