Consolidation & Continuation Patterns

Rules
- Buy position on a break out of pattern
- Be aware of potential reversals (and whipsaws)
- Set stops on opposite side of your entry line
- The potential initial move is typically equal to the trading range of the pattern

Continuation Patterns
- The way a stock is moving while it retraces in a trend
- Generally a stock will "continue" in the trend when the patterns occur

Rectangle Pattern - 2-4 or more weeks

Stock that's moving sideways
- Represents equal balance between buyers & sellers
- Breakout determines a direction you are going to trade
- Often breakout is same direction as original trend
- Rally will usually begin as high as channel's height