

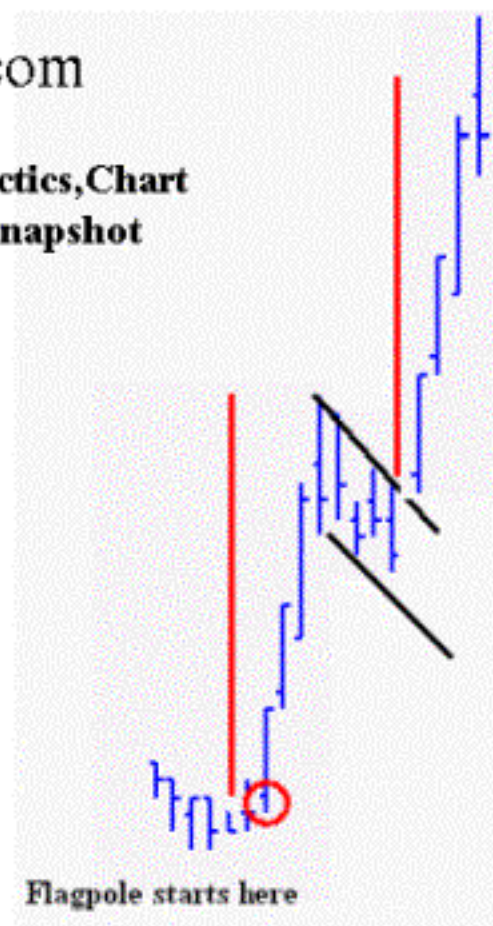
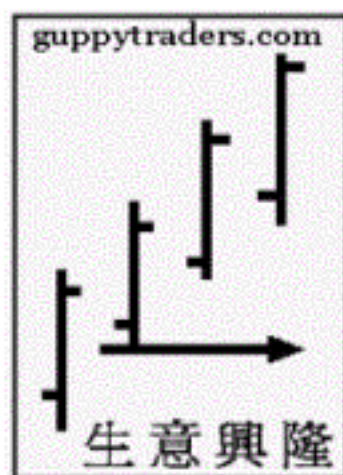
# Precision Pattern Workbooks

Daryl Guppy

[www.guppytraders.com](http://www.guppytraders.com)

Author of

**Share Trading, Market Trading Tactics, Chart  
Trading, Better Stock Trading, Snapshot  
Trading, Trend Trading**



# PATTERN TRADING ADVANTAGES

- Risk and reward is easily defined
- High probability of success
- Contingent buy and sell orders make it easy to manage the trade while doing other work
- Price projection target areas make it easy to manage trades
- **PATTERN TRADING DISADVANTAGES**
- The pattern can be part of a larger trend move so an early exit limits profits.

# A STRAIGHT LINE TO PROFIT

- Good pattern trading is based on chart reading
- It calls for accurate trend line placement
- It requires good identification of support and resistance levels

## Using Price Projections

- Create the triangle
- Measure the base
- Project target
- Define downside risk
- Select entry point
- Aggressive – before breakout
- Conservative – after breakout
- High probability pattern
- 80% success in bull markets
- 70% success in bear markets

Usually minimum targets



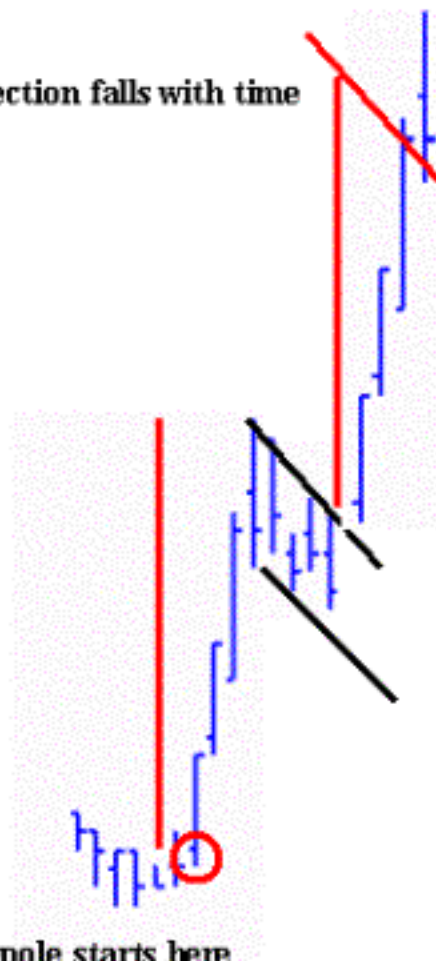


## Constructing a Bullish Flag

- **This is a high probability pattern.**  
**85% in bull markets.**  
**75% in bear markets**
- **Starts with 1 to 5 large range days in a single direction**
- **Flag is a retracement with parallel sides**
- **Top edge is set first**
- **Bottom edge is inferred**
- **Price target is based on flagpole height**
- **Breakout is powerful**
- **Slow breakouts show pattern failure**

Target projection falls with time

Flagpole starts here



## Constructing a Stirrup Pattern

- This is a continuation pattern with a set target
- Starts with a sudden price drop not dividend related
- Key feature is upward sloping triangle
- Once breakout is confirmed, pattern measurement and price projection is applied
- Pattern projection is not based on triangle



## Pattern recognition

- Identify the pattern
- Define the pattern
- Establish pattern base measurement
- Complete price projection
- Set stop
- Calculate return.  
Assume entry tomorrow at today's closing price





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Eli Lilly  
10% return



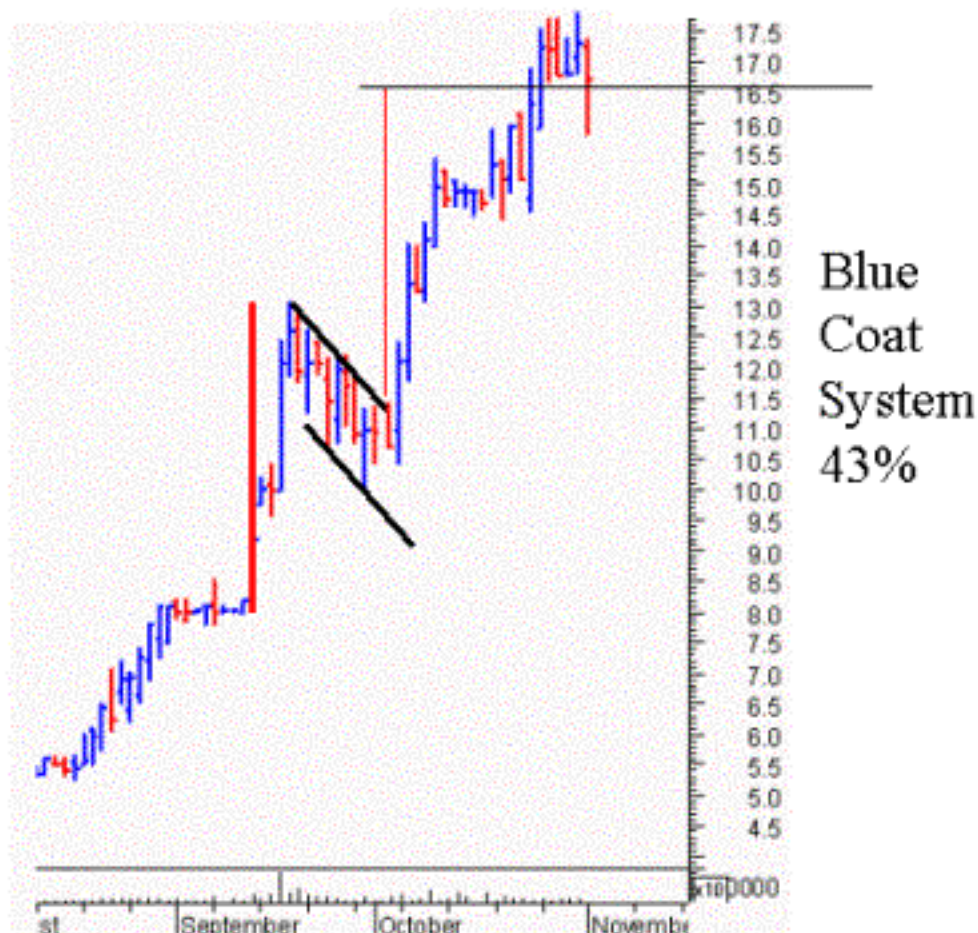
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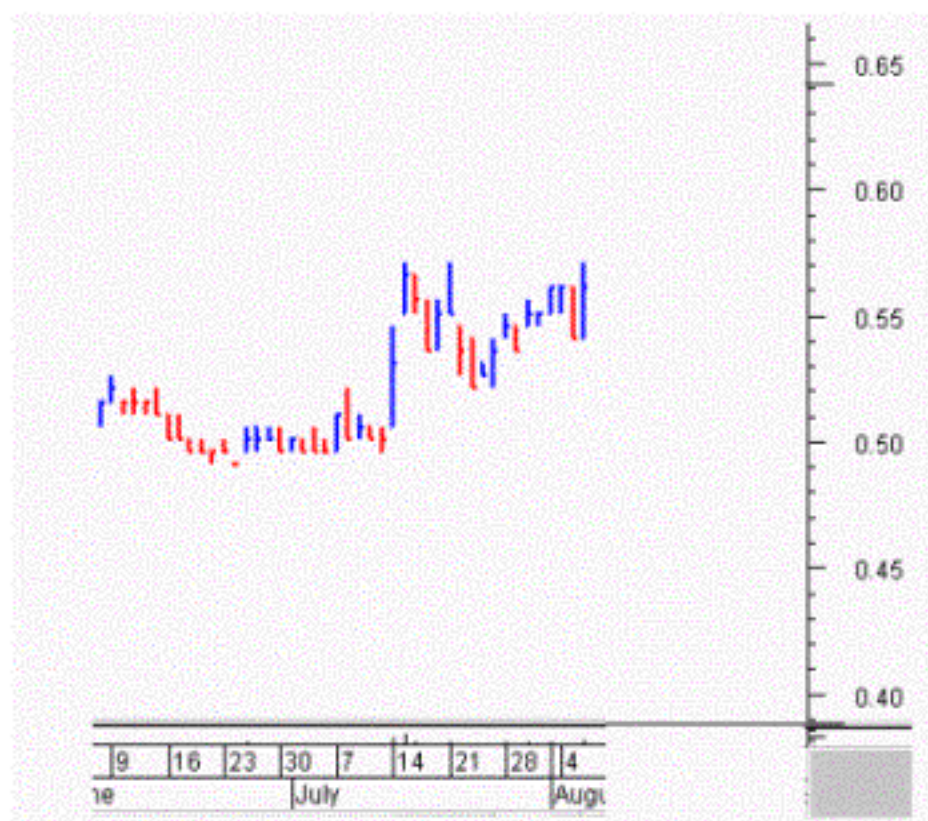
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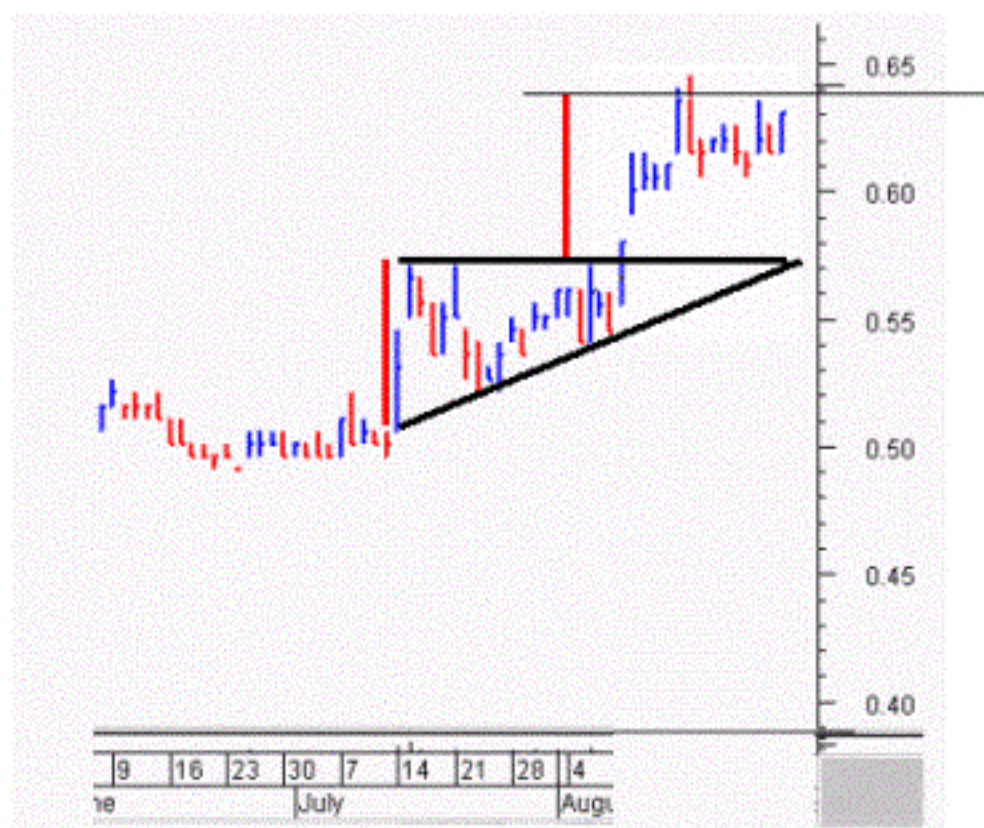
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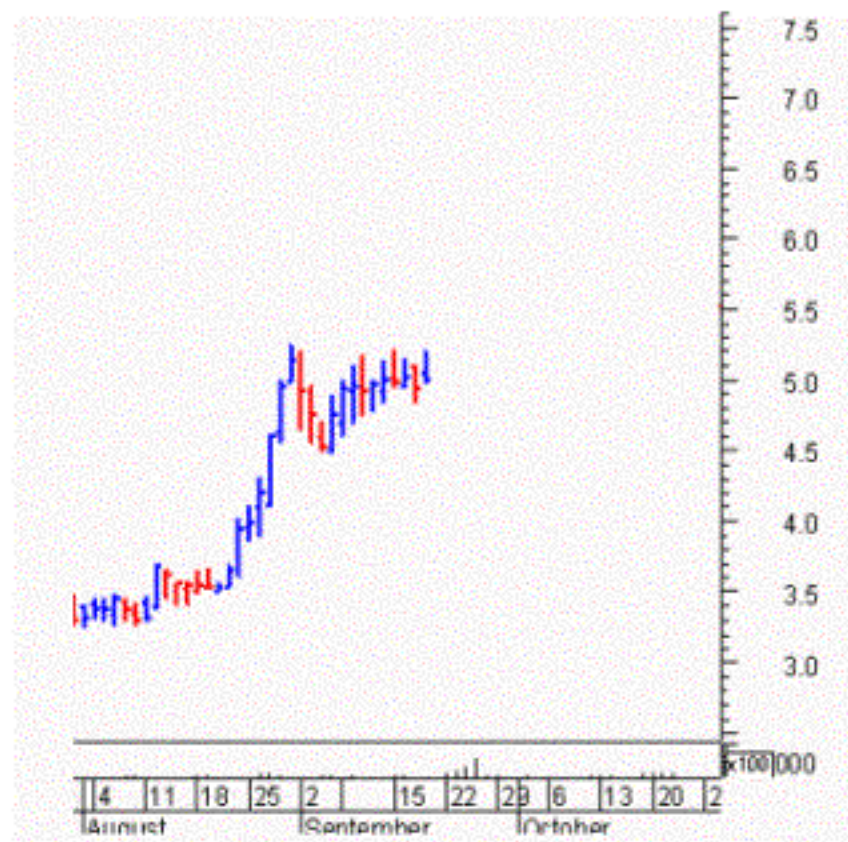
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China Aviation Oil 15%



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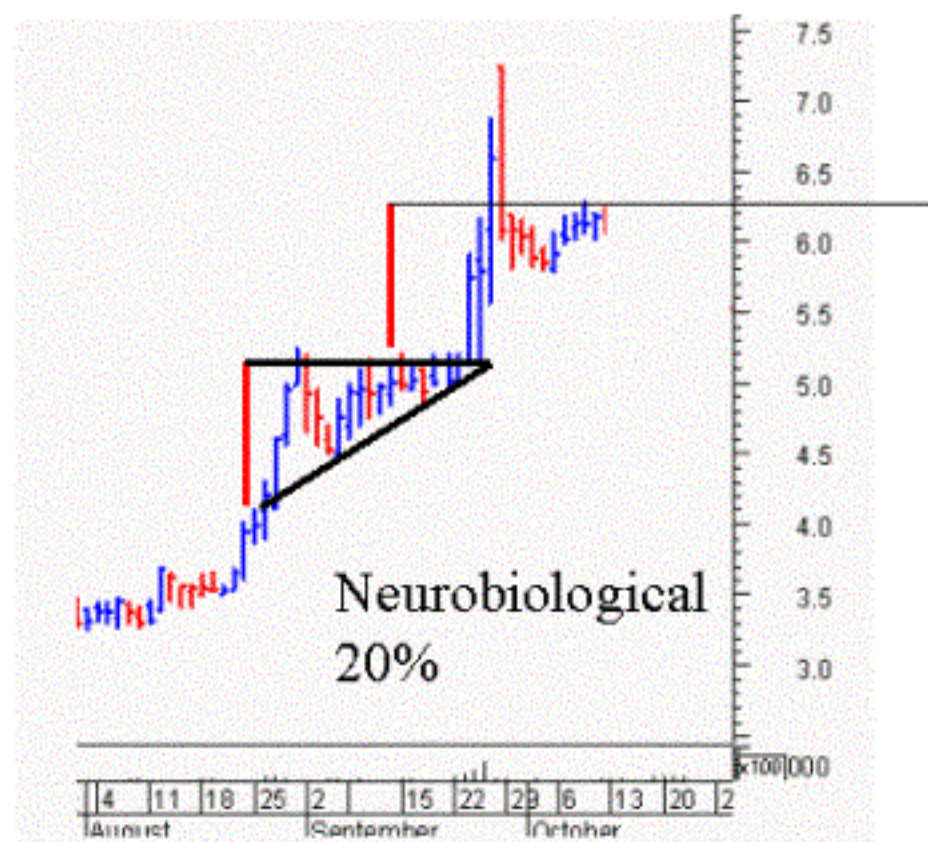
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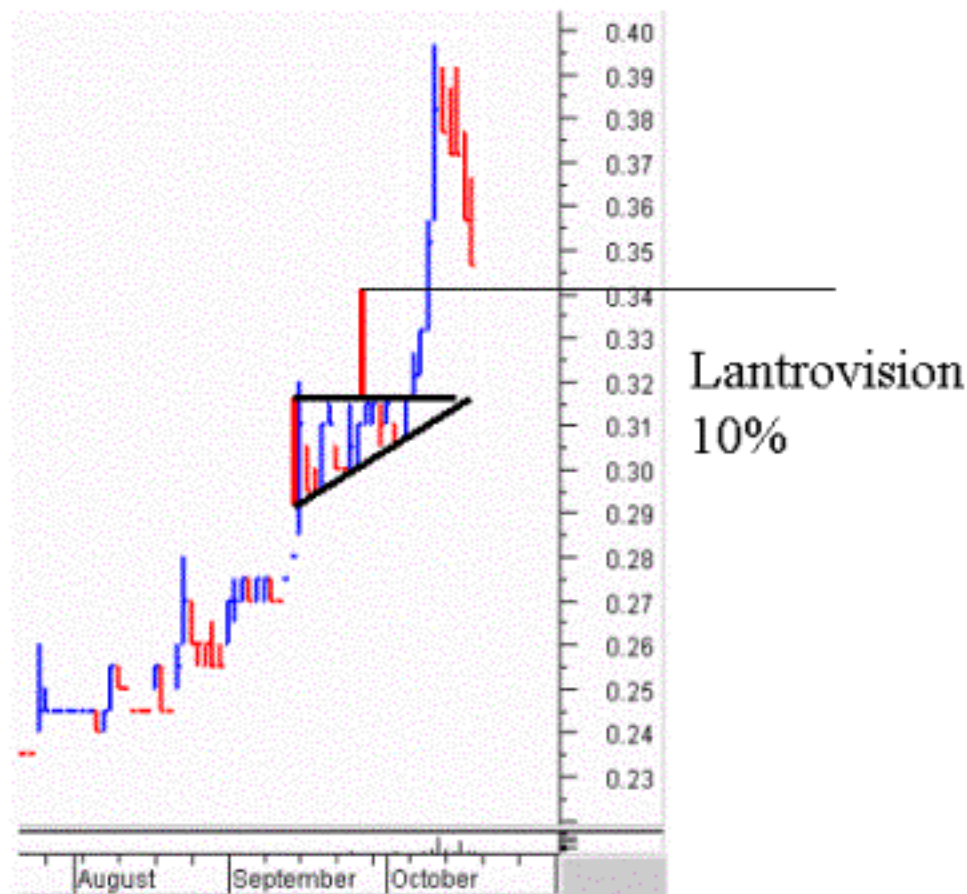
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## Pattern recognition

- Identify the pattern

Valid resistance

Best fit is retrospective

No continuous base

No tradeable triangle pattern





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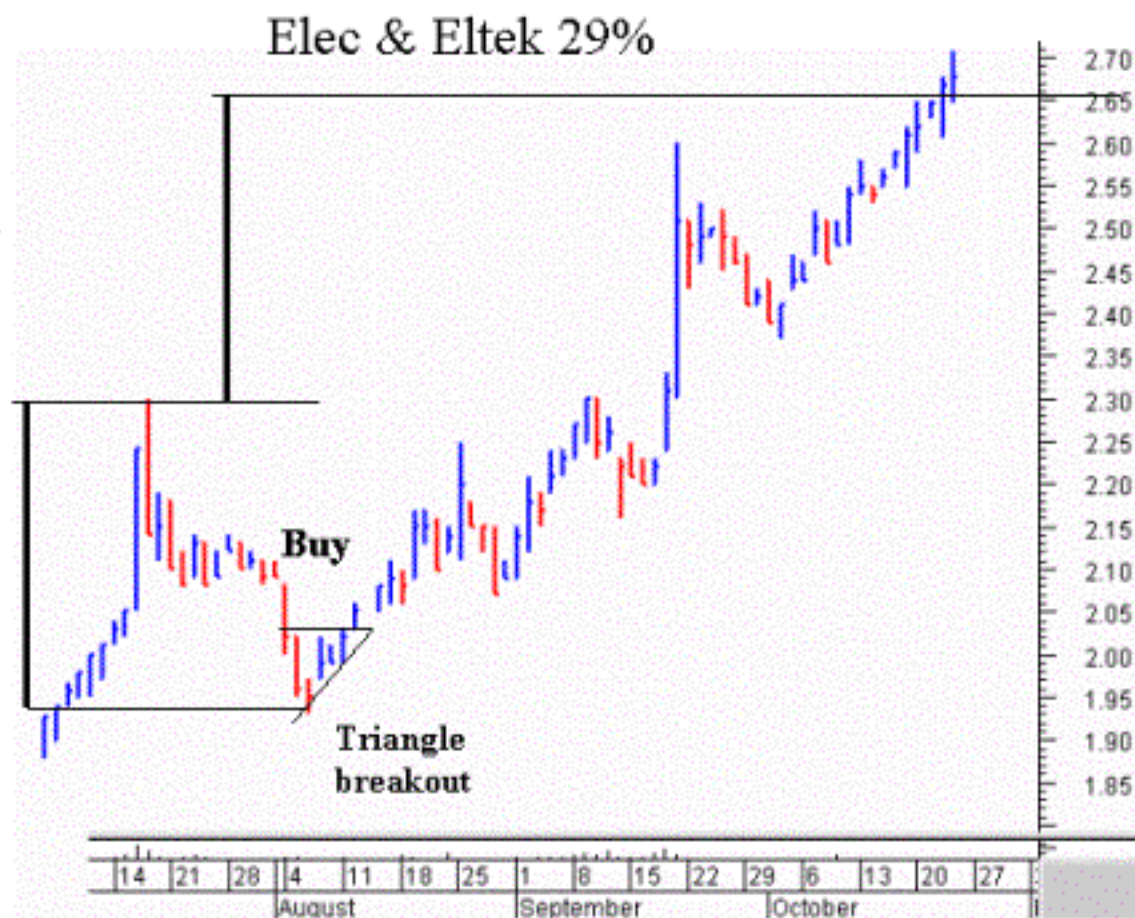
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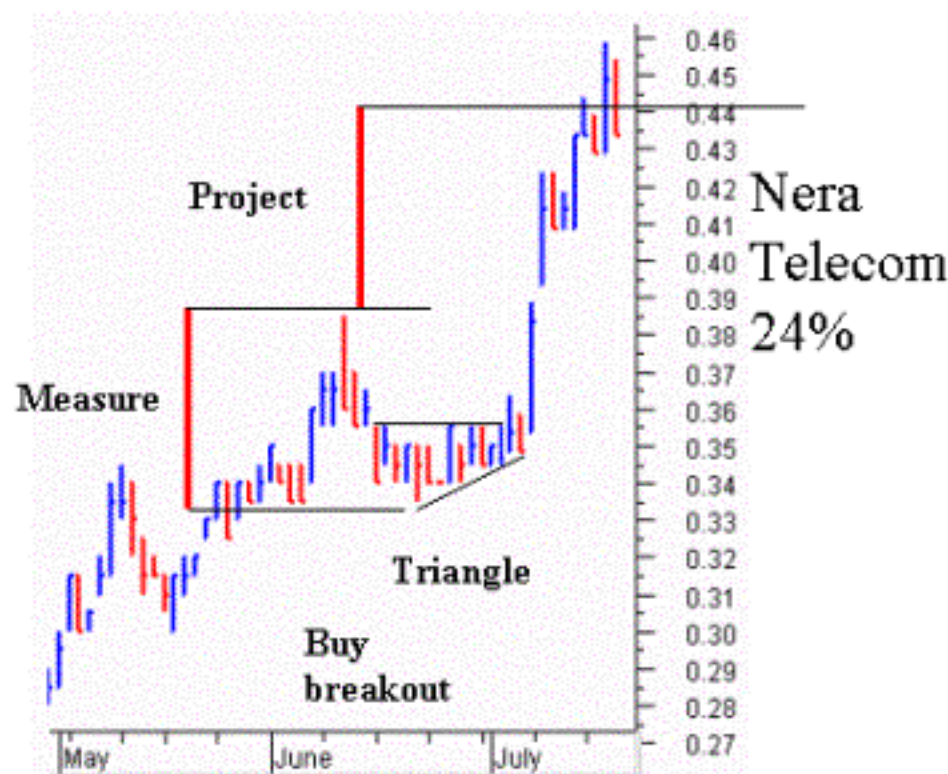
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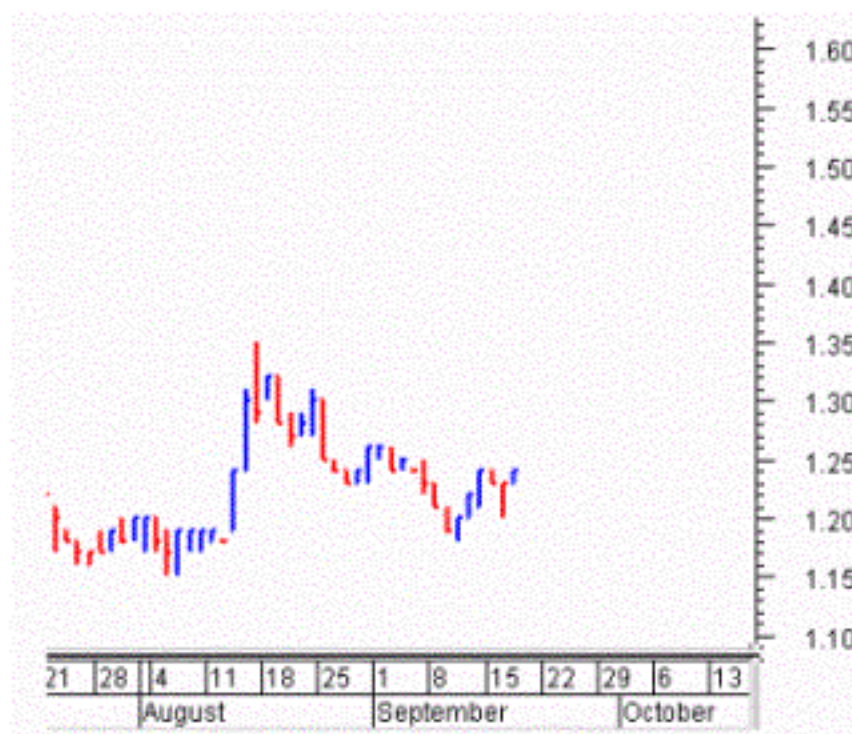
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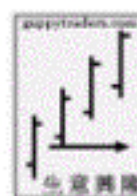
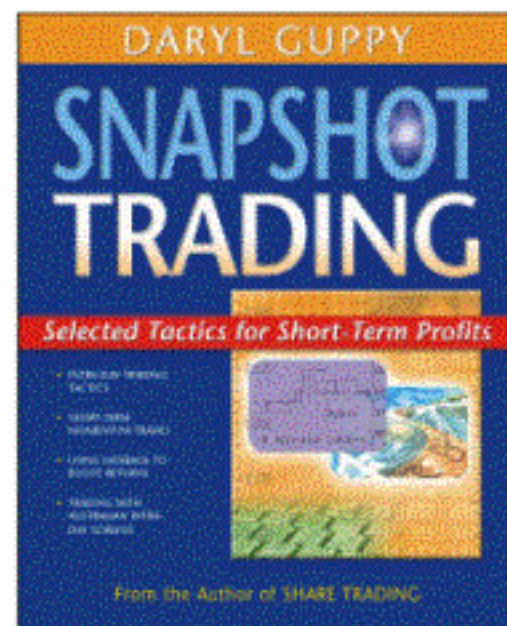
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Tan Chong International  
21%



## MORE PATTERN TRADING

- Want detailed pattern trading strategies with real trades?
- These and other short term tactics are covered in **SNAPSHOT TRADING**



**TUTORIALS IN APPLIED  
TECHNICAL ANALYSIS**

Trading Techniques Weekly

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