

Symmetrical Triangles

Symmetrical chart patterns can be found in almost any market and any time frame. They normally signify some indecision in the market and as the pattern develops it is common to see a decrease in volume. The pattern forms as the bar's highs and lows inside the triangle converge so as to outline the shape of a triangle.

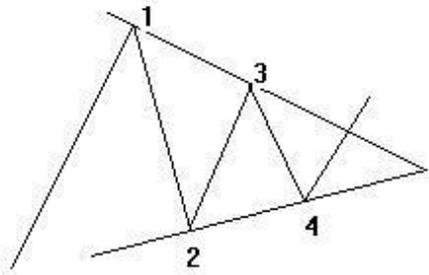
Symmetrical triangles have a tendency to break in the direction of the preceding trend and are often accompanied by heavy volume. Although this is often the case it is not a given and regardless of the direction of the break there are normally good opportunities to trade the breakout.

The fast way to tell if it's a bullish or bearish triangle is to find the first point of contact farthest to the left inside the triangle (see chart example). If the first point of the triangle is at the top left then it is a bullish triangle. If the first point in the triangle is in the bottom left then it is a bearish triangle.

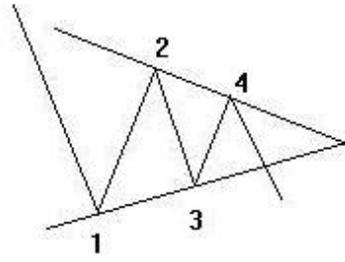
To find a potential target of a triangle you can measure the base of the triangle and then add or subtract that from the breakout point. Lets assume that point 1 in our bullish triangle is 95 and point 2 in the triangle is 80. If you take 80 from 95 you get 15. Now lets assume the breakout point is 88. You add 15 to the breakout point to get 103. Therefore 103 is the target area for the breakout. The same applies to the bearish triangle. If point 1 were 80 and point 2 were 95 you would still deduct 80 from 95 to get 15. If you get a breakout point of 85 you would now deduct 15 from 85 to get 70 as a potential target point.

In the example of the Japanese Yen (see second chart) point 1 was 111.71 and point 2 was 102.00 which gave us a base of 9.71. The breakout occurred at approximately 108.90. If we add 9.71 to 108.90 it gave us a target of 118.61.

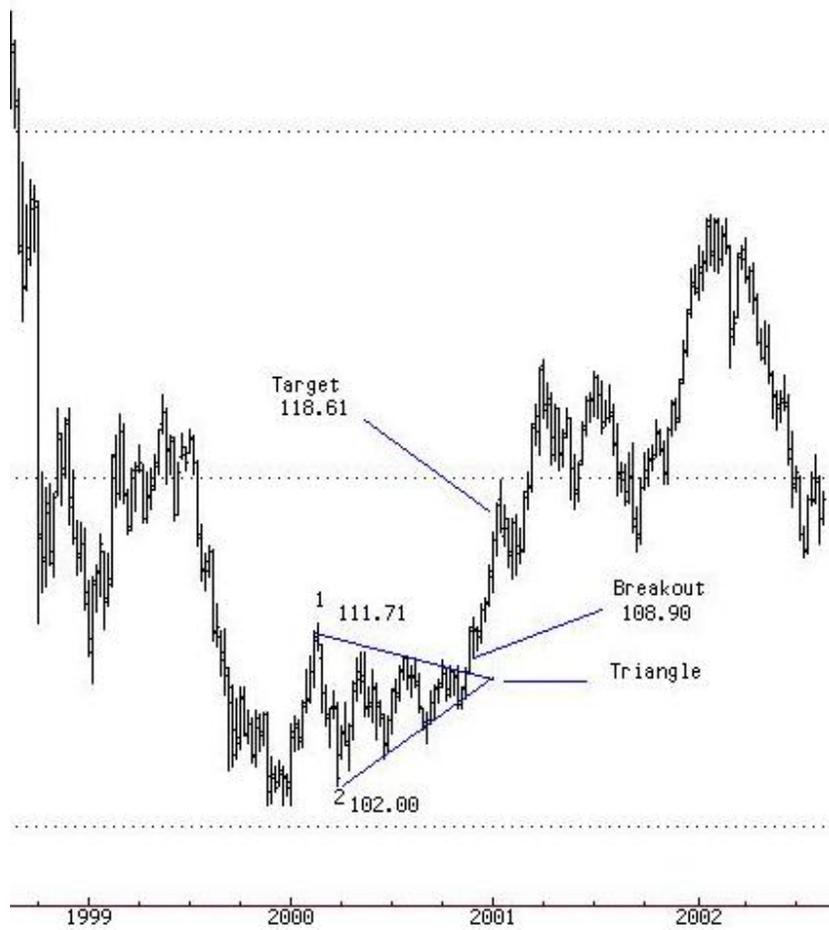
Although symmetrical triangle can often mean continuation of the trend this particular triangle (second chart) formed at the end of a downtrend and broke up.



**Symmetrical Triangle
In An Uptrend: Bullish**



**Symmetrical Triangle
In An Downtrend: Bearish**



Good Trading

Best Regards
Mark McRae

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