CONTINUATION PATTERNS

A continuation pattern is a type of chart pattern that suggests the price movement of a financial instrument will continue in the same direction after it has completed.

CONTINUATION PATTERNS

- Flags
- Pennants
- Ascending Triangle
- Descending Triangle

FLAGS

Technical chart patterns that momentarily deviate from the current price action are known as flags. Chart patterns and other technical indicators are used by traders to assess the probable actions of other market participants, which will dictate future price movements.

TYPES OF FLAGS.

1. BULL FLAG

2. BEAR FLAG

BULL FLAG

A bull flag is a stock or an uptrend continuation chart pattern in the stock market that indicates the likelihood of a positive trend continuing. Bull flags are indicators that traders and investors can use to determine whether to enter the next leg of an uptrend.

Component of Bull Flag.

Finding the Pole: The bull flag starts with the "pole," which is a time of large price gain shown by steadily greater volume and highs, indicating strong buyer interest.

Retracement Levels: The majority of the pole's gains are retained due to the flag's mild price falls. Retracements usually occur above the 38.2% Fibonacci level since steeper declines could undermine the pattern's stability.

Breakout: When the price breaks above the flag pattern's resistance line, it represents a bullish breakout.
An surge in volume usually follows this breakthrough, indicating fresh buying activity and the possibility of the uptrend continuing**.**

<u>Let’s take some example of Bull Flag</u>

The breakout from a flag often results in a powerful move higher, measuring the length of the prior flag pole.

BEAR FLAG

In technical analysis is the bear flag pattern, which is a chart pattern that indicates the continuance of a negative price trend. It indicates a negative outlook for the market and suggests that, barring a short period of consolidation, the current downward trend will probably continue**.**

Component of Bear Flag.

Flagpole: The bear flag pattern's flagpole is formed by the first significant decline in price. It typically happens as a result of strong selling pressure or unfavorable news about the asset or stock.

Consolidation: There is a consolidation phase after the flagpole during which the price moves within a small range. This consolidation phase usually takes the form of a parallelogram or rectangle on the chart, with the upward slope of the phase sloping slightly against the overall decline.

Breakout: When the price breaches the flag pattern's bottom trendline, the bear flag pattern is confirmed. Volume tends to rise during this breakout, suggesting that selling interest has resumed and that the downtrend may continue.

Let's take some example of Bear Flag.

These elements are used by traders to spot possible openings for short positions or to adjust

PENNANTS

An established trend can be carried on by using a pennant as an entering pattern. The formation typically follows a strong price move with gaps (sometimes referred to as the mast or pole of the pennant), where the pennant consolidates the previous leg and reflects a period of indecision at the halfway point of the whole move.

<u>Component of Pennants.</u>

Flagpole: A pennant begins with a flagpole, which is a notable and abrupt price movement in one direction (either up or down), much like a flag pattern. The first impulse that results in the construction of the pennant pattern is formed by this flagpole.

Pennant (Triangle): The price action creates a symmetrical triangle pattern after the flagpole, which is frequently referred to as the pennant. Converging trendlines, which indicate lower highs in a bearish pennant or higher lows in a bullish pennant, are what define the pennant as the price consolidates inside the triangle.

Breakout: The confirmation of the pennant pattern occurs when the price breaks out of the triangle formation. A breakout from a pennant pattern is significant because it suggests a continuation of the initial trend that preceded the formation of the pennant.

<u>Let's take some example of pennants.</u>

ASCENDING TRIANGLE

In order to make well-informed trading decisions, traders frequently search for pennant patterns as possible indicators of upcoming price moves. They combine these patterns with other technical analysis methods.
When an uptrend is occurring, the ascending triangle is a bullish continuation pattern that suggests the trend is likely to continue. It is one of the most often utilized patterns in charting and is often seen on price charts.

Component of Ascending Triangle.

Shape: It develops when there is a horizontal upper trendline (resistance line) and a rising lower trendline (support line). Where the bottom line is climbing, the price oscillates between these two lines, forming a triangle.

Breakout: When the price breaks above the horizontal resistance line, the pattern is deemed complete. Usually, this breakout happens about two thirds of the way into the pattern's evolution.

Let's take some example of Ascending Triangle.

A rising lower trendline and a horizontal upper trendline define the bullish ascending triangle pattern. It indicates that there may be a period of consolidation prior to a possible uptrend continuation, and traders should look for a breakout over the horizontal resistance line to initiate long positions.

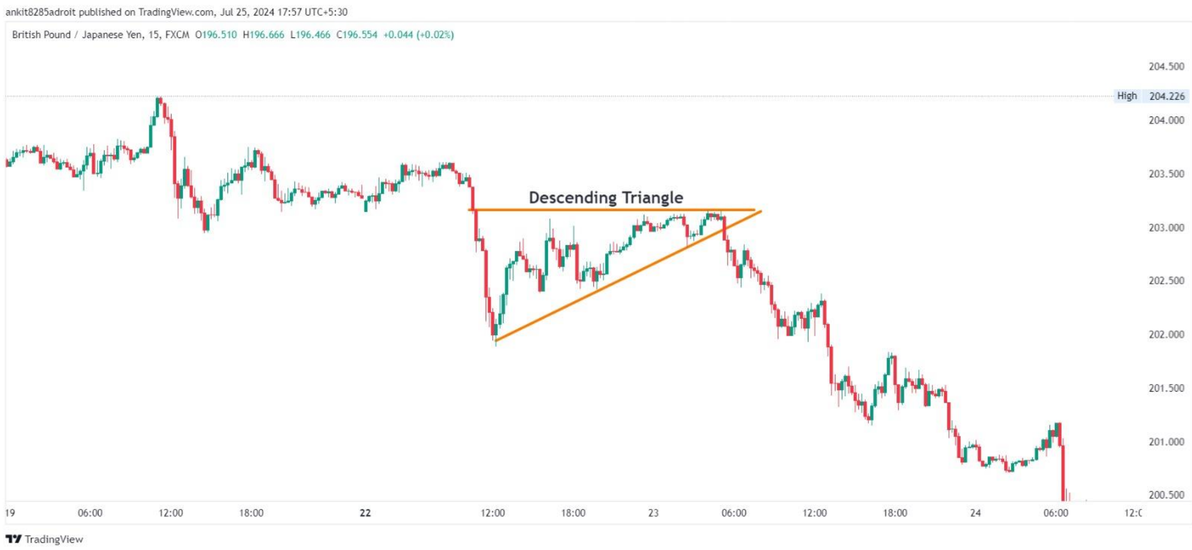
A descending triangle is a technical analysis chart pattern that is made up of two trend lines: one horizontal line that connects a sequence of lows and another linking a series of lower highs. Regular falling triangle patterns are frequently interpreted as continuation patterns with an established downturn or bearish chart patterns.

Component of Decending Triangle.

Shape: It takes the form of a descending upper trendline (resistance line) and a horizontal lower trendline (support line). Between these two lines, the price fluctuates, forming a triangle with the upper line dropping.

Breakout: When the price breaks below the horizontal support line, the pattern is deemed complete. Usually, this breakout happens about two thirds of the way into the pattern's evolution.

Let’s take some example of Decending Triangle.



A descending upper trendline and a horizontal lower trendline produce a bearish pattern known as a descending triangle. It indicates that there may be a period of consolidation before the downturn possibly continues. Traders should look for a breakdown below the horizontal support line as a signal to shorten their positions or sell their current holdings.