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Charting Patterns that Show You the Money!

The Time is Right: With the Fed lowering interest rates and setting a good tone to the markets along with earnings season coming up next month, there has never been a better time to learn to read price charts to pinpoint the best entries and exits for your trades.

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When you know how to correctly read price and candle patterns you can identify the beginning of the next big wave and the most profitable entry for your trades. The price graph will also give you clues about when that wave is slowing down so you have time to tighten your stops and maximize your returns.

The markets today are providing us with great trading opportunities. The positive reaction to the interest rate news sent stocks skyrocketing, which made for some wonderful trades if you positioned in early. Many of those stocks, however, are due for a pullback. And what a perfect time to be trading because once you learn to identify the typical pullback, or retracement patterns, you can use those to enter trades before the next big run into earnings.

Here's An Example:

A pattern that we usually see before a stock makes a run into earnings is a rectangle. A rectangle pattern is created when a stock moves up and down in a small range for a short period of time. This type of consolidation is more of a sideways move, during which time the stock doesn't lose much of its value, but the options do become cheaper as the volatility decreases. An example of a recent rectangle is a trade we did in the two day Technically Speaking Workshop during which we bought calls on Freeport (FCX). This trade was done because the stock had just broken out of a rectangle pattern and, as you will learn in the Technically Speaking Workshop, we teach entering trades on the first or the second day of the move.

This trade was based on a contingency order at \$92.50 on the Breakout Entry #1 seen below. This teaching method allows you the flexibility to trade as an end-of-day trader so you don't have to be tied to your computer. The first entry was one that was triggered while unable to watch the markets. On the second day, there was an additional entry above \$93 as the stock opened up outside of the rectangle. That is Breakout Entry #2, and is the pattern used to enter the trade in the Technically Speaking Workshop. As you can see below, FCX has rallied to a closing high of \$108.67 - almost a fifteen dollar rally since entering the trade!

Another Example:

Another pattern that you might see as stocks pull back from the recent rally is a Flag pattern. This is similar to rectangle but one that is tipped on its side. With this type of pattern the stock pulls back in price and gives a better entry price into the trade. DryShips, Inc. (DRYS) formed just such a pattern this month as it retraced about ten dollars before heading to a new high. Below, you see the Flag pattern outlined in blue with the Breakout Entry #1 around \$71. The second day provided another opportunity to enter the trade at around \$75 before the stock rallied to a new all time high of \$81.65 (at the time of this report). Depending on what day you would have entered the trade, this has been anywhere from a six to ten dollar upward move in the stock.

When you can properly identify pattern such as these and more you will have the skills needed to correctly read a price chart to determine when the retracement has ended and when you should enter a trade. That is how you enter trades near the beginning of the next big move.

Charting Your Way to Profits Online Classes.

Learn more about how to read price and candlestick patterns to enter the right trades at the right time and earn maximum profits.

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