

## Understanding the Symmetrical Triangles

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Symmetrical triangles are chart patterns where trend lines can be drawn to show a triangle as shown in the chart below. The price action is a rally to a relative new high, a pullback, a second rally that does not exceed the first high and another pullback that does not breach the first pullback.



### Interpretation

Symmetrical triangles can be characterized as areas of indecision where a market pauses and future direction is questioned. Rallies are quickly met by selling and dips are seen as bargains. Each new high is lower than the previous and new bottoms are found above previous lows. The formation of symmetrical triangles is often accompanied by diminishing volume as a result of the market's indecision. Eventually, this indecision results in an explosive breakout of the symmetrical triangle formation often on heavy



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volume. Most breakouts occur before the triangle is completed. Breakouts that occur at the end of the triangle's formation are often false breaks and should be avoided. Symmetrical triangles often breakout in the direction of the original trend and the technical target is derived by adding the largest vertical height of the triangle to the breakout level.

### Case Study

Many people believe that chart patterns are very subjective. But many chart patterns can be easily identified like the symmetrical triangle in Foster's Group Limited (FGL) in the chart above. It can be seen that FGL forms a symmetrical triangle with volume decreasing during this period. The break out is then supported by increased volume and FGL rallies to the technical target.