

## Triangles

### Price Compression Leads to Breakouts

Price consolidation can produce several different chart patterns.

Consolidation and compression typically takes place when there is an almost equal number of buyers and sellers. The formation of a "triangle" results when the daily range from the highest price for the day, and the lowest price for the day (called the daily range), begins to shrink and continues to do so over consecutive days, producing the tip of the triangle.

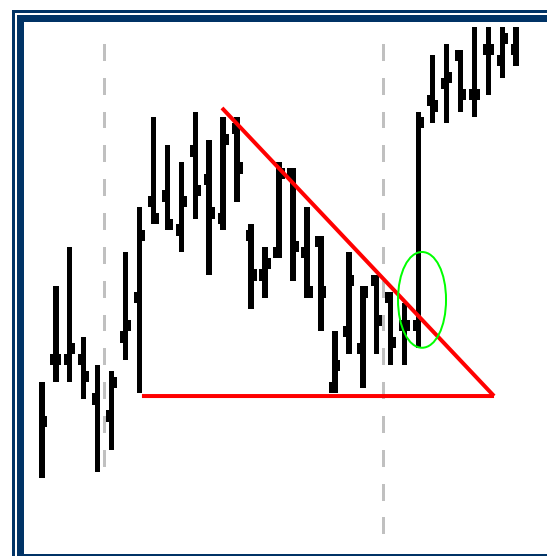
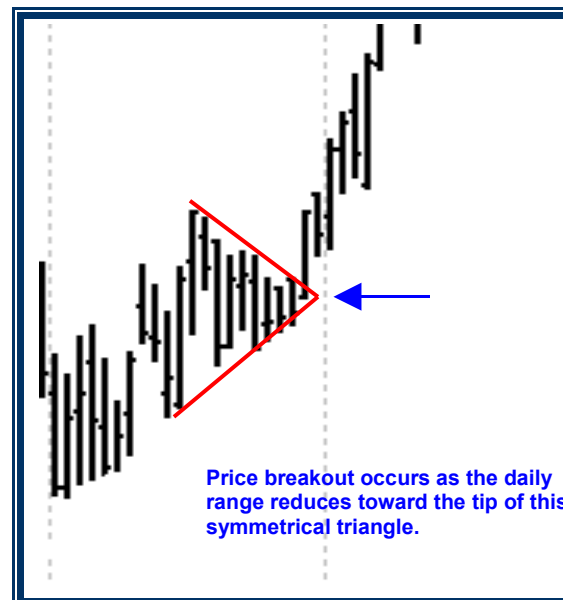
There are three main types: the symmetrical, ascending, and descending triangles. All three can produce a breakout in price, usually in the same direction as the established trend.

Triangles are formed when we can establish trend-lines across both the high and low points of price activity on a graph or chart, as seen opposite.

An ascending triangle is distinct from a symmetrical triangle. This type of triangle is formed when you can draw a line of resistance across the high points and an upward trend-line across the low points. Such a formation will typically breakout to the upside. In other words, expect the breakout to occur through the resistance level.

In contrast, descending triangles are much like ascending triangles and only the characteristics are inverted. They occur when one can draw a line of support across the low points, and downward trend-line across the high points – the opposite of an ascending triangle. Descending triangles often breakout through support to the downside.

A helpful confirming action is when there is a surge in volume on the breakout bar.



This is a good example of a breakout to the upside on a descending triangle – but the overall trend was still upwards.