

---

# Chart Patterns VIII: Descending and Ascending Triangles

Contributed by Administrator  
Saturday, 13 September 2008

## Descending Triangles

The descending triangle is a triangular consolidation zone that has a hypotenuse sloping downward at the top of the triangle.

Beneath the hypotenuse is a straight trend line.

Generally, when the market breaks through this trend line, it is seen as a signal that sellers have the momentum in the market, and that shorting may be a good opportunity as a result. Accordingly, it can reasonably be stated that the descending triangle usually appears in a downward trending market and signals a continuation of the downward trend.

## Ascending Triangles

As you might expect, the ascending triangle usually appears in an upward trend - and signals the continuation of the upward trend. The ascending triangle is essentially an inverted descending triangle; it has a hypotenuse that moves upward with time, above which is a straight trend line that traders are eyeing carefully as a key resistance point. When this confirmation of that resistance has broken is received, it

can be a signal that buyers have taken control of the market - hence making it an ideal time to buy.

In the chart below, USD/CHF formed an ascending triangle over 5 days before the release of an important economic data. The price tested the resistant level 1.2545 for three times before breakthrough. On the hypotenuse side, the buying momentum pushed the support level further up which formed the converging ascending triangle. Once the economic data was released, the price broke the resistance and shot further up.

The converging triangles, no matter descending or ascending, represents the psychology of traders on the market. Before the breakout, traders are not sure which direction the price will go, they are trading with great caution, and thus, reflected by the narrow trading range before the breakout. The range will get narrower as traders are getting more cautious before the final breakout. Once the direction of breakout is conformed, the followers will enter the market following the direction, which forms the strong momentum after the breakout.

Ultimately, the important signal provided by the triangle is not the shape, though. The signal is provided by the direction of the breakout from the triangle, which signals a continuation or sometimes a reversal of the trend.