

## Point and Figure Tutorials (8)

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### Reversed triple bottom sell signal (spot bear and bull traps)

this signal tells us that a very important sell signal has been equalized from a predominating trend, it was a bear trap. This signal has importance in bull markets where the main tendency is up. Why bear traps are important in these markets ? Because the main trend is up and normally the chance to catch a downtrend is not that big in a bull market. In these markets the better odds are on the long side. In bear markets we also should not pay much attention to buy signals of the market because the main trend according to the Charles Dow tenet is downwards and should go in that direction a longer time frame. So in this case the better odds are on the short side of the market. After a single sell signal marked with the upper red line the market tested a former support level marked with the lower red line. The pullback was not that strong and generated the first part of the blue line in the chart. The blue line also determined the level for a possible new buy signal. But before that could happen, we had a very serious spread triple bottom sell signal which normally has very high success rate. But as we could see the breakdown was not that strong in the high/low chart and was not confirmed by the daily close chart. At this time it was likely that this was a typical bear trap. So the response of the market with that single buy signal was overwhelming which took the quotations almost to a new high. In a way the voice of the market talked to us but we only have to understand his language which is called point and figure.

### Trendlines in point and figure charts

there are four different trendlines to use in point and figure charts. These lines are useful if we want to determine in what stage are actually a bullish or bearish tendency.

the first line is the bullish support line. This line is plotted in a 45 degree angle from the lower left side to the upper right side of the screen or grid paper.

the second line of importance is the bearish resistance line. This line is plotted in a 135 degree angle from the upper left side to the lower right side of the screen or grid paper.

there are also a third and fourth line but they don't have the importance of the first two lines because they tell us when the market is overbought (bull markets) and oversold (bear markets). These two lines are named as follows.

the bullish resistance line is used like an upper bullish channel line and is plotted like the bullish support line in a 45 degree angle but we begin at the highest point of the first X column on the left side of the point and figure chart.

the bearish support line is used like a lower bearish channel line and is plotted like the bearish resistance line in a 135 degree angle but we begin at the point where the bullish support line was breached the first time and after that a single sell signal was made.

there are also normal horizontal lines in point and figure charts but these lines are used to mark resistance and support levels in a specific market. The form we plot point and figure charts makes it easy to spot support and resistance levels.

### Advertising

If you like to participate in my point and figure training courses which gives you an edge as a trader feel free to contact me. After this training you will see the market moves much clearer as before don't trade every pattern you see. Don't make your broker rich because you have to make money.