



# Reversals: Tools, Techniques, and Tips

PRESENTED BY:

Jarad Champagne

# DISCLAIMER

BearBullTrading.com employees, contractors, shareholders and affiliates, are **NOT an investment advisory service, a registered investment advisor or a broker-dealer** and does not undertake to advise clients on which securities they should buy or sell for themselves.

You understand that **NO content published as part of the Bear Bull Trading Room and its Website constitutes a recommendation** that any particular investment, security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

You further understand that **none of the creators or providers of our Services or their affiliates will advise you personally** concerning the nature, potential, value or suitability of any particular investment, security, portfolio of securities, transaction, investment strategy or other matter.

# Definition

---

- A reversal is when the direction of the price trend has changed.
  - Uptrend into downtrend, vice versa
  - Trend into a Range
- Defining the current state of the market you're trading on different timeframes can help you understand the type of forces you're looking to reverse and potential locations to consider the trade.
  - Examples:
    - Stock A is in a 1, 5, and 15 Minute Uptrend, but the 1 Hour and Daily are in a Range
    - Stock B is in a 1 and 5 Minute Uptrend, a 15 Minute and 1 Hour Downtrend, and Daily is in a Range
- Some conditions may not be worth attempting or identifying reversals
  - New catalysts, breakouts, etc
  - No good location to attempt the reversal on the intraday price range

# Why Trade Reversals?

---

- Personal Style
- Can be straightforward to identify risk levels and targets
- Can make the same, if not bigger, move against previous trends (sometimes faster)
- Keeps us out of extended stocks near the end of a move
- Similar to good intraday trends, intraday reversals can establish swing potential on higher timeframes

Just like other trading styles, there are often bad setups, bad days for a stock to attempt reversals on, and certain locations are not 'facilitative' to good reversals.

Knowing what good reversals look like and where they tend to form can also be good areas to profit take on previous trends.

# Trends

- Uptrends are characterized by Higher Highs and Higher Lows on a certain timeframe.
- Downtrends are characterized by Higher Highs and Higher Lows on a certain timeframe.



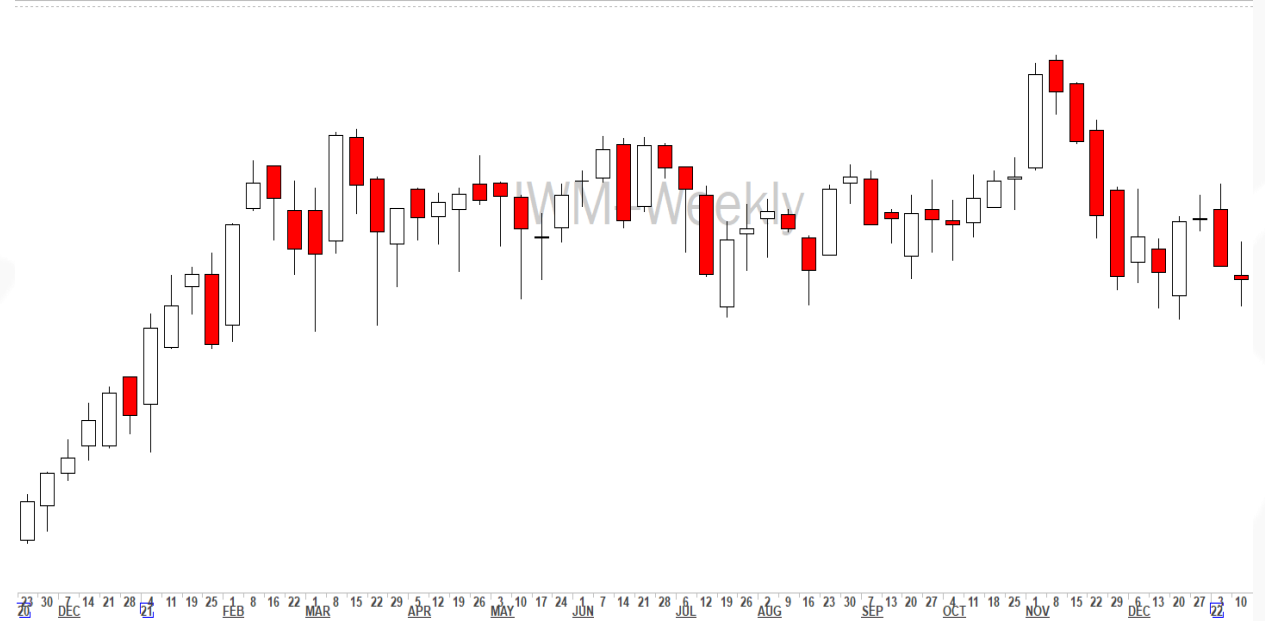
# Trend Concepts

---

- Good trends have characteristics that are repeated during the lifetime of the trend.
  - Pullbacks to similar levels
    - Support > Resistance / Resistance > Support
    - Moving Averages
    - Momentum
- What is the minimum number of candles needed to change a trend?

# Ranges

- Areas of Support and Resistance that are 'capturing' the price movements.
  - No clear trends outside of moving through the range.
  - Consistent or equivalent highs and lows defining the range



# Reversal Tools

---

Structure

Trend or Range

Patterns

Reversal Patterns, Single or Multi-Candle Setups

Volume

Stopping or Exhaustive Volume Signals

Levels

Higher Timeframe Levels that act as Support/Resistance to Intraday Trends

Trendlines

Changes in Supply/Demand interactions during Trend

Indicators

MA's, RSI, ATR, MACD, etc.



# Reversal Example: Double Top/Bottom

- Classic Reversal Pattern, identified by a change of a previous trend and a momentum reversal from prior leading price action.
  - Characterized by a price low, a rebound, a similar drop to the price level, and a second rebound higher than the initial bounce.
  - Looks like a 'W' on the chart.
- The objective of a Double T/B Reversal is to end the previous trend (no more Major Swing Highs/Lows) and turn into a new trend to test previous levels in the chart.



# Reversal Example: Double Top/Bottom

Structure: Trend

Pattern: Double Bottom (Multi-Candle)

Volume: Not Applicable

Levels: Daily Swing Lows and Previous Range Lows

Trendline: Broken on First Bounces, 'Backtested' on Second Drop

Indicators: RSI Oversold (Below 30)



# Reversal Example: Double Top/Bottom

## Improvements:

- Moving Averages
  - 9 EMA (Pink)
  - 20 EMA (Green)
  - 50 SMA (Blue)
- Volume Price Analysis
  - Using Doji Candles to identify Isolated Pivots at the indicating price levels
- Level 2 and Tape Reading
- Pivot Point Strategies



# Reversal Tips

---

1. If you're a reversal trader, know that trend changes can occur in multiple ways with various signals and confirmations for entry. Having various techniques to manage your entry (entries) and exit (exits) will allow for recognition of the reversal no matter how it forms.
2. Sometimes the reversal is close, but your original entry is stopped out. Don't lose focus, as a second attempt might be forming and offer better risk/reward opportunity.
3. Find ways to have a trending position and a reversal position (different instruments) and/or enter/exit around the waves in the market.
4. Averaging 'in' to a reversal in formation can be acceptable, but always have a stop loss in mind. Not only can we continue in the direction of the main trend, but the movement can become 'accelerated' depending on what levels/dynamics are in play.
5. Trend changes can take time to materialize, so while your entry is in the correct location and has the right risk management, the move in your favor will take time to materialize.

# Reversal Reference Tradebooks

---

- Parabolic Reversal (Pullback Reversal)
- Extreme Reversal (V Reversal)
- Mountain Pass (Double Bottom/Top Reversal)
- Pierce and Fail (False Breakdown/Expansion Reversal)
- Camarilla Pivot Reversals (Range Inflections or Extreme Pivot Levels)
- Gap Reversals (Swing Reversals)
- ... List goes on

# Resources

---

## Bear Bull Traders Education Center

- <https://bearbulltraders.com/education-center>
- Search for 'Reversal' to find previous Webinars and Resources

## Online Resources

- Reversal Patterns (Entry, Measured Moves)
- Scanning Tools (Cam Pivot Levels, Trending Stocks, etc)

