# TACTICAL SUMMARIES

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**INDICATOR – HEAD AND SHOULDER PATTERN**

This is a three part pattern that signals a trend reversal. It is used to set downside targets using price projection techniques.

**APPLICATION**

The pattern is difficult to recognise until it has been almost fully completed. This makes it a confirming indicator. It is most usefully applied to setting future downside targets. When prices reach the target level, the trader may decide to close short positions or look for long side trading opportunities.


**TACTICS**

- Use other indicators to confirm the end of trend and exit as the right shoulder forms on a rally

- Exit once the right shoulder has formed and the neckline has been penetrated
- Use the downside targets to manage short side trades.
- Use the downside targets to prepare for possible long side rebound trades.

**RULES**

- The shoulders and head are clearly defined rally and retreat patterns. These can be easily defined using the GTE saucer tool
- The neckline connects the bottom of the left and right shoulder.
- The neckline may slope up, down, or remain horizontal
- Pattern is confirmed first by the rally and retreat that forms the right shoulder
- Pattern is confirmed secondly by the inability of price to rise above the neckline after the retreat below the neckline.
- The distance between the neckline and the head is measured. This distance is projected downwards from the neckline to set the downside targets. Use the GTE price range tool. Projection is most reliable when it matches an existing support level.
- Targets should be regarded as minimum targets.

**ADVANTAGES**

- Reliable for setting downside targets when they match an existing downside target
- Useful for trading the short side
- Helps to define potential rebound points

**DISADVANTAGES**

- Difficult to recognise in advance. Recognition usually only comes, at earliest, as the right shoulder forms.