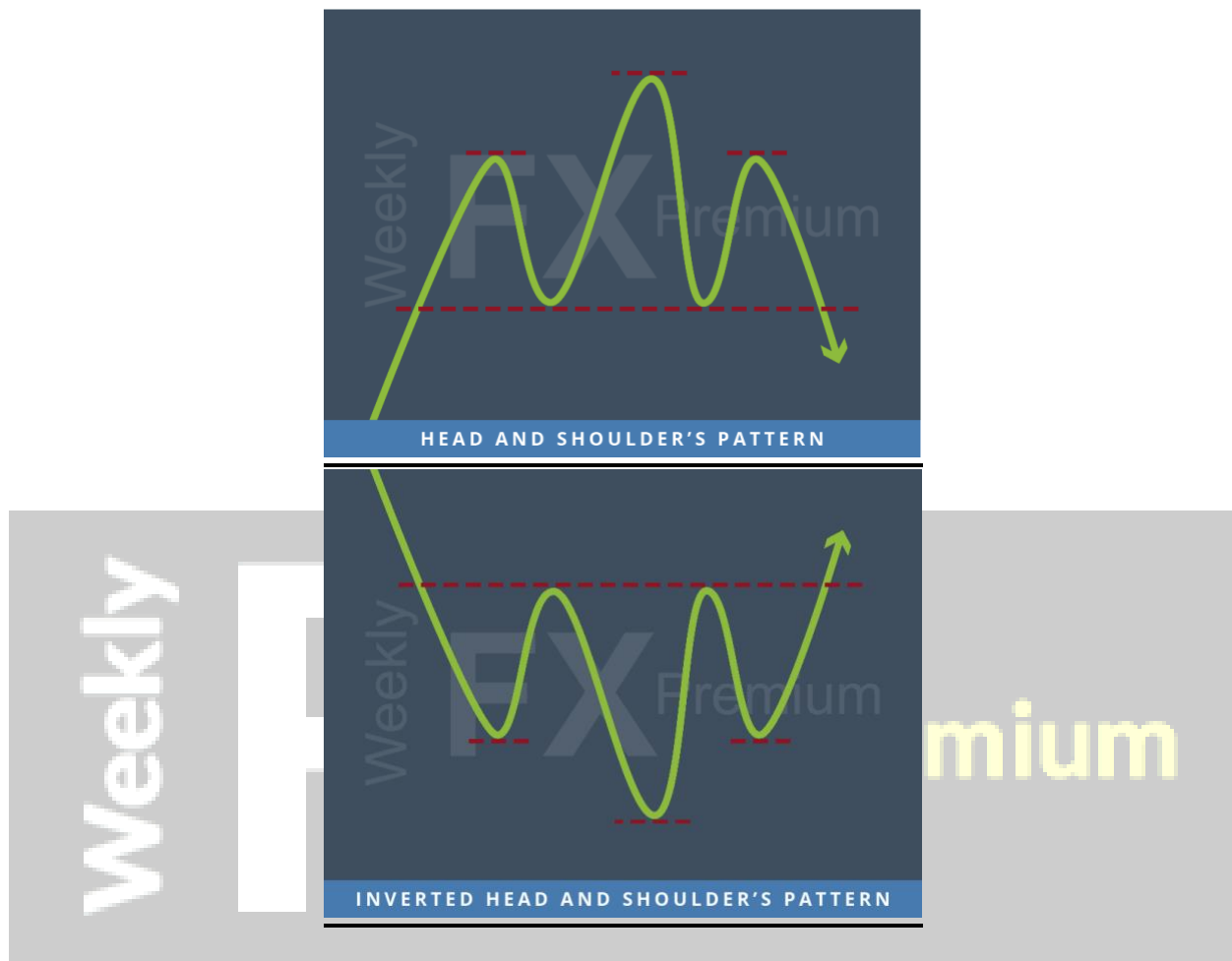


HEAD & SHOULDERS:



A head and shoulders pattern is described by three peaks that comprise of a middle peak (the “head”) and two peaks on either side (the “shoulders”). The “head” is always higher than the shoulders in a regular head and shoulders pattern, and lower in an inverse head and shoulders pattern.

A head and shoulders pattern is a reversal pattern, not a continuation pattern. In other words, when trending higher, traders look for a regular head and shoulders pattern and when in a downtrend, for an inverse one.

In a regular head and shoulders pattern, the entry is typically just below the neckline, and the stop is above the right shoulder. For an inverse head and shoulders pattern, the entry is typically above the neckline and the stop is below the right shoulder. The measured target from the entry point is equal to the distance from the top of the head to the neckline.