

Module 3 – Chapter 2 – Three Black Crows

The Three Black Crows is a bearish reversal pattern that stands out as a clear signal of an impending downfall after a period of uptrend or bullish sentiment. As its name suggests, the pattern is symbolically likened to three crows descending upon a battlefield, symbolizing doom and darkness.

What The Pattern Looks Like

The Three Black Crows pattern consists of three distinct candles:

- 1) **First Candle:** This is a relatively long bearish (red) candle. It appears after a period of uptrend or bullish consolidation, indicating a sharp decrease in price from the opening to the close.
- 2) **Second Candle:** The second candle is also a bearish one, and it should ideally open within the body of the first candle. Crucially, this candle closes even lower than the first, further perpetuating the downward trend.
- 3) **Third Candle:** Following the trend, the third candle is bearish, opening within the body of the second candle. It should close lower than the second candle, affirming the bearish reversal trend.

For the pattern to be a genuine Three Black Crows formation, it's preferable for all three candles to have minimal or nonexistent upper wicks. This implies that the market consistently closed near its low during the formation of the pattern.

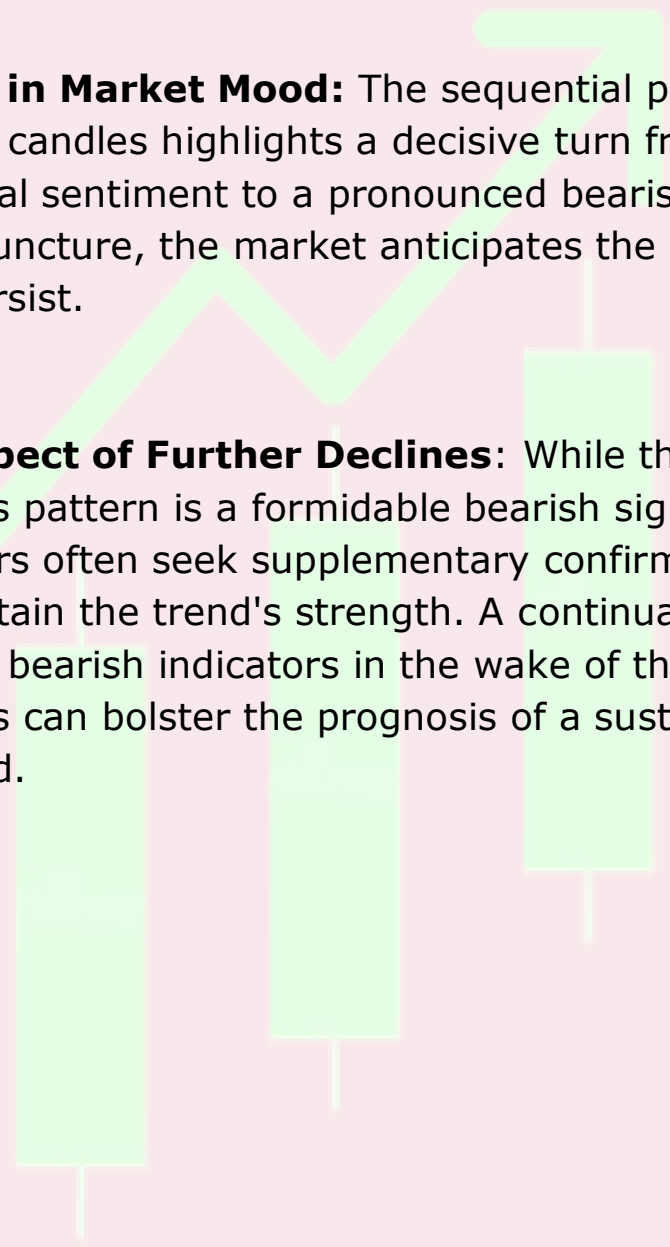
Pattern Psychology

Diving into the psychology behind the Three Black Crows:

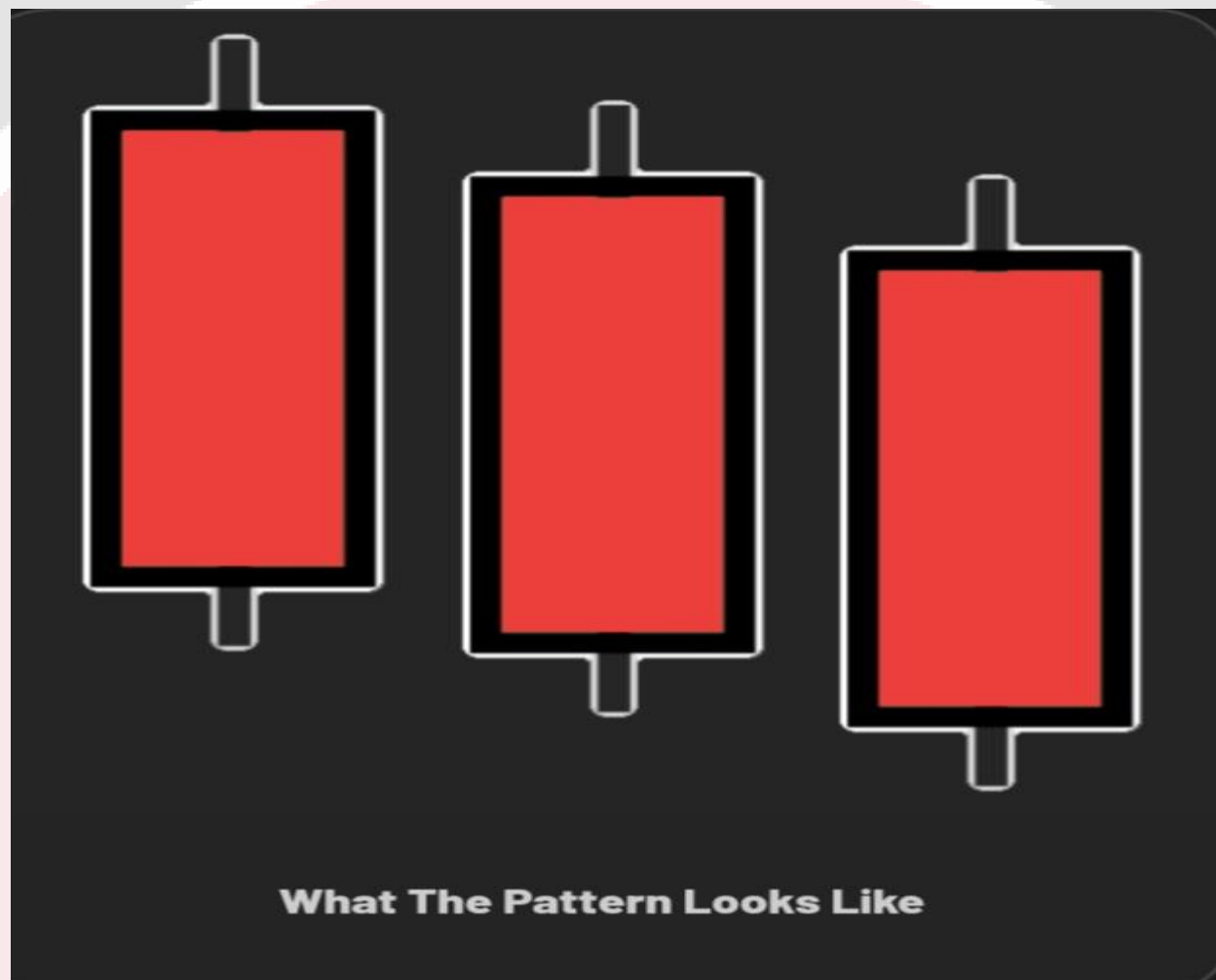
- 1) **End of Bull Dominance:** Before the emergence of the Three Black Crows, the market is generally in an uptrend or bullish consolidation phase. Bulls are dominant, driving prices upwards.
- 2) **Bearish Onset:** The surfacing of the first long bearish candle indicates an abrupt and potent selling interest. This could be attributed to negative news, shifts in market conditions, or other elements that reverse the prevailing sentiment.
- 3) **Sustained Selling Pressure:** The next two candles showcase a continued selling vigor. The consistent closing near the lows (with small upper wicks) reveals that bears

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maintain control throughout the trading days, overpowering any bullish attempts to elevate prices.

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- A diagram of the Three Black Crows candlestick pattern. It consists of three consecutive black candlesticks. The first candlestick has a long upper shadow and a short lower shadow. The second candlestick has a short upper shadow and a long lower shadow. The third candlestick has a short upper shadow and a long lower shadow. The pattern is set against a background of a large, light green circle with a white border. The text 'Share Market Easy' is written in a large, white, serif font at the bottom of the circle.
- 4) **Shift in Market Mood:** The sequential progression of the three candles highlights a decisive turn from a bullish or neutral sentiment to a pronounced bearish disposition. At this juncture, the market anticipates the downward trend to persist.
- 5) **Prospect of Further Declines:** While the Three Black Crows pattern is a formidable bearish signal, savvy traders often seek supplementary confirmation to ascertain the trend's strength. A continuation pattern or other bearish indicators in the wake of the Three Black Crows can bolster the prognosis of a sustained bearish period.

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In conclusion, the Three Black Crows candlestick pattern offers traders a profound visual cue of a potential shift from bullish momentum to bearish dominance. Its strength is accentuated by its clear portrayal of the transformation in market sentiment. However, as a prudent practice, traders should couple this pattern with other analytical instruments to fortify their trading decisions.



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