Module 3 – Chapter 6 – The Bearish Three Line Strike Pattern

The Bearish Three Line Strike is a striking bearish continuation pattern. It often surfaces during a downtrend, indicating a potent continuation of the bearish momentum. The pattern vividly captures a temporary rebound in the downward movement, swiftly followed by a dominant resurgence of the bears.

What The Pattern Looks Like

The Bearish Three Line Strike consists of a series of four candles:

1) **First Three Candles**: These are three consecutive bearish (red) candles, with each one closing lower than the preceding, mirroring the continuation of the prevailing downtrend.

2) **Fourth Candle**: In a surprising twist, the fourth candle is a long bullish (green) one. It opens below the third candle's close but then dramatically "strikes" upwards, engulfing the real bodies of the preceding three bearish candles and closing above the first day's open. Nonetheless, it doesn't necessarily need to cover the shadows of the prior candles.

Pattern Psychology

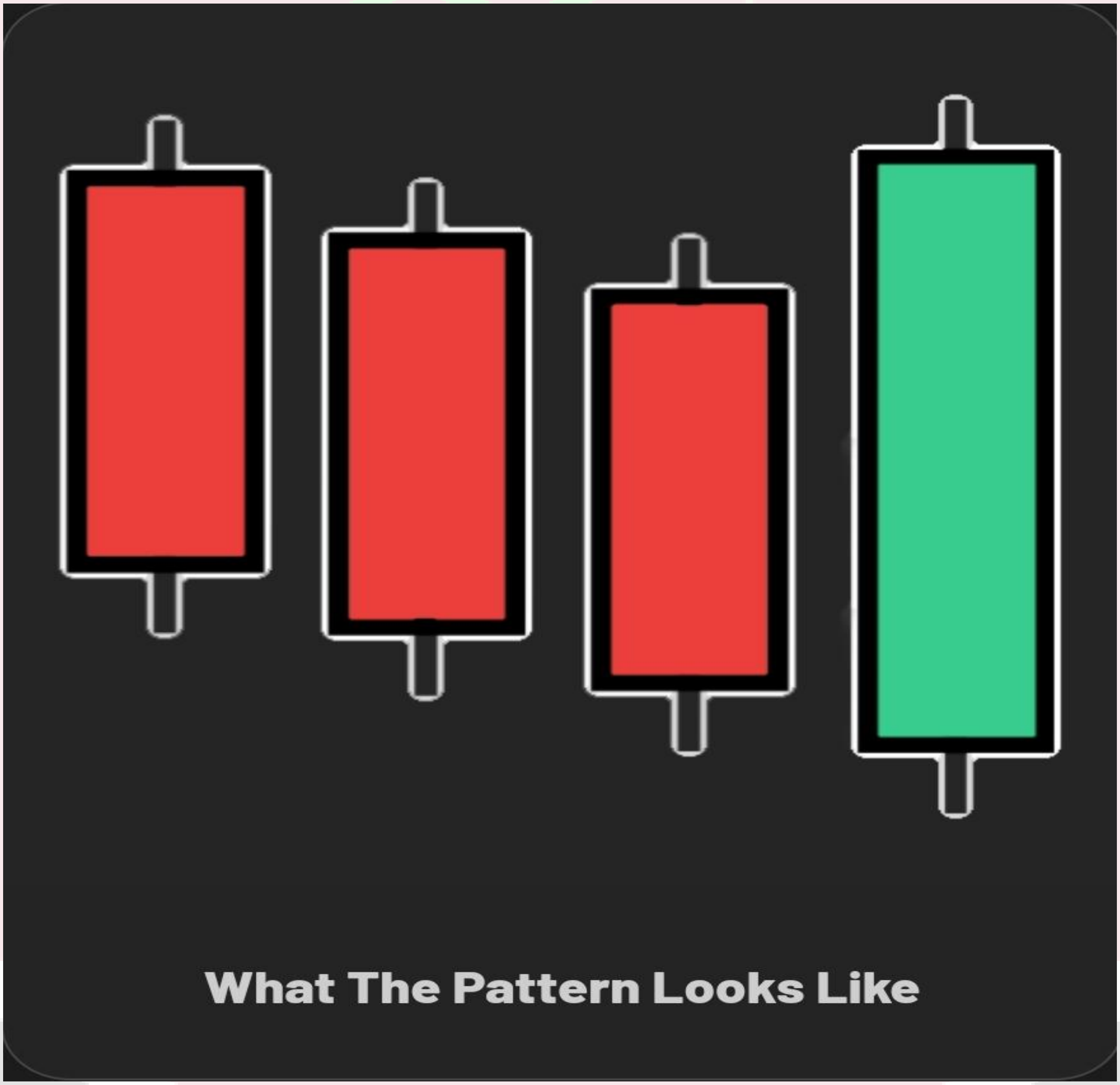
To grasp the mindset behind the formation of the Bearish Three Line Strike:

1) **Persisting Bearish Control**: The initial three candles unmistakably showcase the ongoing bearish sentiment. Each day, sellers exert their influence, pushing prices lower and securing a close at or near the daily low.

2) **Temporary Hiccup**: The fourth day begins with a downward bias, consistent with the established trend. Yet, as trading unfolds, buyers momentarily swing into action, driving prices upwards and erasing the losses from the prior three days. This indicates a fleeting resurgence of the bulls.

3) **Bearish Determination**: Despite the bullish interruption on the fourth day, the overarching trend remains bearish. The pattern is generally perceived as a bearish continuation, suggesting that the bulls' brief attempt on the fourth day fails to overturn the dominant downtrend.

4) **Evaluating the Context:** The potency of the Bearish Three Line Strike is bolstered when aligned with other technical indicators. For instance, if the fourth candle faces resistance at a known level or is paired with a high selling volume, it amplifies the pattern's bearish continuation indication.



To wrap things up, the Bearish Three Line Strike epitomizes the resilience of a bearish market. Even when the bulls make a valiant effort on the fourth day, the overarching bearish sentiment persists, dominating the narrative. As with all candlestick patterns, while the Bearish Three Line Strike offers valuable insights, it is paramount to interpret it in tandem with the broader market landscape and other technical tools to ensure a comprehensive and judicious trading strategy.