

## **Module 2 – Chapter 6 – Three Inside Up**

The Three inside Up is a bullish reversal candlestick pattern, signaling a potential turnaround from a preceding downtrend to an uptrend. It is a robust sign of buying interest after a period of selling pressure, pointing to a shift in the market's sentiment.

### **What The Pattern Looks Like**

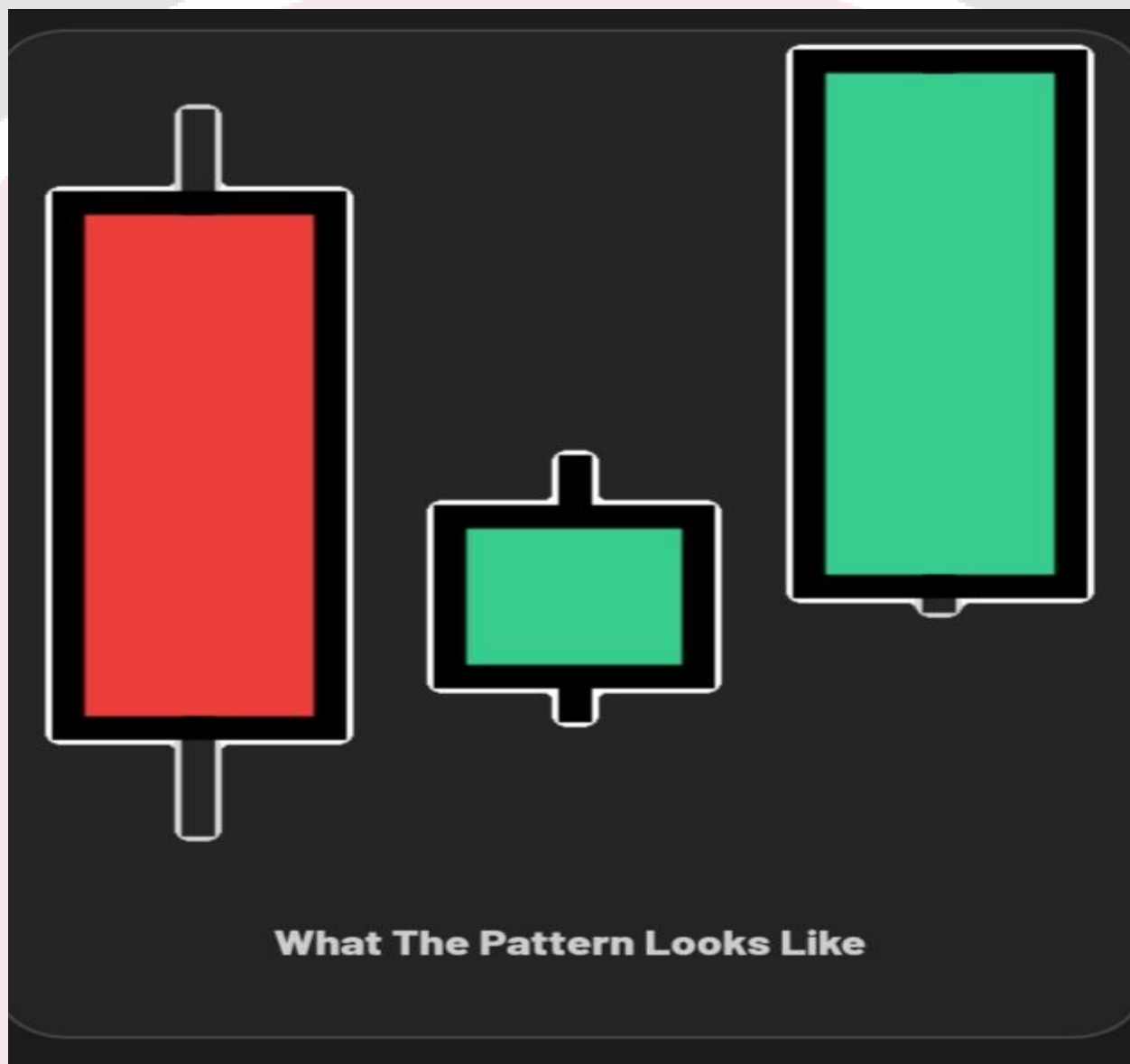
The Three Inside Up pattern consists of a trio of candles:

- 1) **First Candle:** A long bearish (red) candle, reflecting the continuation of the existing downtrend.
- 2) **Second Candle:** A bullish (green) candle that forms within the range of the first candle. Crucially, this second candle closes higher than its open but does not surpass the close of the first candle. Essentially, it's a bullish pattern when combined with the first candle.
- 3) **Third Candle:** Another bullish candle that closes above the high of the first candle, validating the reversal signal.

### **Pattern Psychology**

To appreciate the mentality behind the formation of the Three Inside Up:

- 1) **Initial Pessimism:** The appearance of the long bearish candle indicates that sellers still dominate the market, continuing the prevailing downtrend.
- 2) **Seeds of Doubt:** The second bullish candle, forming within the boundaries of the first, implies that the bears might be losing steam. Buyers are starting to step in, though cautiously. The bearish sentiment is being questioned, but a definite shift hasn't occurred just yet.
- 3) **Bullish Confirmation:** The third bullish candle that eclipses the high of the first candle is a decisive move by the bulls. It confirms that the tide is turning in their favor, and the bears are now on the back foot. This third candle validates the reversal signal, suggesting a forthcoming uptrend.
- 4) **Pattern Power:** The Three Inside Up, at its core, captures the tug-of-war between bears and bulls. While bears initially seem to have control, the subsequent candles reveal a gradual and then definitive shift in power to the bulls.



In summation, the Three Inside Up is a reliable hint at a forthcoming bullish reversal after a prevailing downtrend. Traders often see it as an opportunity to consider long positions. However, as is the case with all technical patterns, it's essential to use the Three Inside Up in conjunction with other technical indicators and to be aware of the broader market context to make well-informed trading decisions.

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