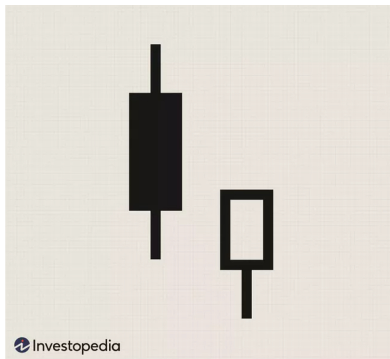
Thrusting Pattern

By CORY MITCHELL Updated November 13, 2019

What Is a Thrusting Pattern?

A thrusting pattern is a type of price chart pattern used by technical analysts. It is formed when a long black (down) candle is followed by a white (up) candle. The white candle closes above the black candle's close, but it doesn't close above the midpoint of the black candle's real body.

Thrusting patterns are generally considered to be a bearish continuation pattern. However, evidence suggests that they can also signal a bullish reversal. Therefore, the thrusting pattern is best used in combination with other trading signals.



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KEY TAKEAWAYS

- A thrusting pattern is a long black candle followed by a white candle that closes near the midpoint of the black candle's real body.
- The pattern is thought to act as a continuation pattern, but in reality, it acts as a reversal pattern about half the time.
- Thrusting patterns are fairly common, don't necessarily result in large price moves, and are most useful when combined with other types of evidence.

Understanding the Thrusting Pattern

A thrusting pattern occurs when a black candle is followed by a white candle. The white candle gaps lower, but then it closes the period near the midpoint of the black candle's real body.

The general interpretation of the thrusting pattern is that it reflects bulls' attempts to intervene following a price decline. The failure of the white candle to break out above the black candle's midpoint suggests that the bulls lack the strength to reverse the bearish trend. Therefore, some assume a thrusting pattern signifies a continuation of the downtrend as the bulls will eventually give up their rally attempt.

There is, however, contrary evidence. Statistical analysis of the thrusting pattern has shown that it is also often followed by a bullish reversal. It is essentially a coin flip as to whether the price will go higher or lower following the pattern.

Because of these mixed results, if using the pattern for trading or analytical purposes, the trader should be open to a breakout (move above the pattern's high or low) in either direction, or they should only take a trade in the breakout direction if confirmed by other forms of technical analysis.

For example, if a stock pulls back within a long-term uptrend and then forms a thrusting pattern along a rising trendline, it could signal the pullback is over and the uptrend is resuming if the price breaks the pattern to the upside.

Trading the Thrusting Pattern

Since the price can break higher or lower following the pattern, traders will watch for the price to move above the high of the first candle to signal a potential long trade or a drop below the second candle low to signal a short trade.

A stop loss could be placed at a number of different places. If an upside breakout occurs, a stop loss can be placed below the low of the pattern or below the low of the most recent breakout candle. If a downside breakout occurs, a stop loss could be placed above the high of the pattern or above the most recent breakout candle.

Another form of technical analysis is used to signal when to take profit, as the candlestick pattern doesn't have a profit target.

Important: The thrusting pattern is one of many candlestick patterns used in technical analysis, a discipline of investing based on analyzing the past and present price history of a security. Because technical analysis focuses on price movements, as opposed to the fundamental characteristics of the security in question, the techniques of technical analysis can be applied across a wide range of asset classes. Apart from technical analysis, the other major approach to investing is fundamental analysis, which is associated with value investors like Warren Buffett and Benjamin Graham.

Real-World Example of a Thrusting Pattern

The following daily chart of Meta, formerly Facebook, (FB) shows three separate thrusting patterns.

TradingView

The first example, on the left, resulted in a reversal higher. There is a sharp sell-off but then the price continues to rise above the top of the pattern.

The second example is a continuation pattern. The price is rolling over to the downside when the candlestick pattern forms. The price proceeds lower following the pattern.

In the third example, there is a sharp drop quickly followed by a move back to the upside.

The Difference Between the Thrusting Pattern and In Neck Candlestick Pattern

The thrusting pattern is similar to the "in neck" and "on neck" chart patterns. However, the thrusting pattern is unique because its white candle must close above the close of the black candle. With the on neck pattern, the black and white candles have the same closing level.

The thrusting pattern is also similar to the piercing pattern, in which the white candle closes above the midpoint of the previous black candle.

Limitations of the Thrusting Pattern

The pattern is a poor predictor of price direction following the pattern. It is a coin flip as to whether the price will go higher or lower. Traders can wait for a breakout of the pattern to see which way the price is going.

The price won't necessarily have a large move following the pattern. The price may run for several periods, or it may reverse course relatively quickly. Other forms of technical analysis are used to help confirm entries and a profitable exit point.

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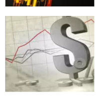
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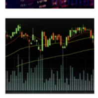
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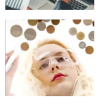
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