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## Advance Block

By GORDON SCOTT Updated July 10, 2021

Fact checked by TIMOTHY LI

### What Is an Advance Block?

Advance block is the name given to a candlestick trading pattern. The pattern is a three-candle bearish setup that is considered to be a [reversal](#) pattern—a suggestion that price action is about to change from what had been an upward trend to a downward trend in relatively short time frames. Some authors suggest that in practice the formation often leads to a bullish [continuation](#) instead of a reversal.

#### KEY TAKEAWAYS

- An advance block is a three-period candlestick pattern considered to forecast a reversal.
- The pattern's success at predicting reversal is barely above random.
- Reversals are more prevalent when this pattern occurs in a larger downward trend.

### Understanding an Advance Block

An advance block candlestick pattern looks like the image below.

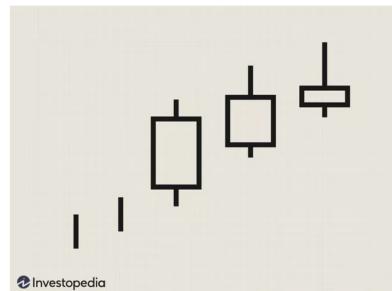


Image by Sabrina Jiang © Investopedia 2020

The advance block candlestick pattern has the following four characteristics:

- The price action has displayed an upward trend or a significant bounce within a downtrend.
- Three white candles appear that have progressively shorter [real bodies](#).
- The open of the second and third candles lie within the real body of the previous candles respectively.
- The upper [shadows](#) of the three candles gradually become taller—especially the shadow of the last candle.

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This pattern is considered to forecast a price reversal in the next several periods immediately following the pattern. This chart pattern best forecasts a reversal pattern during temporary upward moves and pullbacks within larger-scale downtrends and when candles have long real bodies. The bearish reversal is confirmed when the first subsequent price bar trades through the midpoint of the first candle's real body.

The advance block pattern was relatively rare in the years before algorithmic trading but has since grown more common, reflecting a greater frequency of intraday counter swings. Even so, traders shouldn't take buy or sell signals from the advance block pattern alone. Instead, use the pattern as confirmation or as additional evidence added to other chart patterns and technical indicators to improve the reliability of this signal as a forecasting tool. In addition, traders should look for tall real bodies to maximize the odds for a reversal, as opposed to bullish continuation.

### Advance Block Trading Psychology

The security is trending higher as part of a broader uptrend or a bounce within a downtrend. The first candle generates strongly bullish energy with a rally that reaches a new high. Bulls prevail in the second candle but not before a lower opening that approaches the midpoint of the prior candle. The weak opening waves a red flag because bulls expect higher prices after strong price action in the first candle. The slightly lower opening on the third candle adds to fears that buying power is drying up but the security moves higher intraday like it did during the previous two sessions. It reverses before the close, giving up the majority of gains, indicating that traders are taking profits or establishing short sales. A sharp thrust lower in the next few sessions confirms a reversal.

This technical pattern is violated, signaling bullish continuation, if the security continues to gain ground and trades above the third candle shadow. The bull signal is stronger when the close holds above the shadow of the third candle, instead of a pullback generating another long shadow.

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