



The news you need to know to start your week  
from Investopedia's Editor in Chief, Caleb Silver.  
[SUBSCRIBE & LISTEN >](#)

Advertisement

TECHNICAL ANALYSIS &gt; ADVANCED TECHNICAL ANALYSIS CONCEPTS

## Ladder Bottom/Top

By CORY MITCHELL Updated August 25, 2021

Fact checked by MICHAEL LOGAN

### What Is Ladder Bottom/Top?

Ladder bottom/top are two types of [candlestick](#) patterns used to indicate a [reversal](#) in the price direction of an asset.

The ladder bottom is a five candle reversal pattern that indicates a rise is commencing following a decline and is created by a series of lower [closes](#), followed by a sharp price increase. The ladder top, on the other hand, is a five candle bearish reversal pattern that is composed of a series of higher closes, followed by a sharp price drop.

#### KEY TAKEAWAYS

- In theory, the ladder bottom indicates a price reversal to the upside following a downtrend, while the ladder top indicates a price reversal to the downside following an uptrend.
- In reality, they act as a reversal pattern a little more than 50% of the time.
- Ladder bottom/top patterns are quite rare, so opportunities for trading them are limited.

### Understanding Ladder Bottom/Top

The ladder bottom and top are theoretically reversal patterns, although they don't always act like that. According to the *Encyclopedia of Candlestick Charts*, by Thomas Bulkowski, the patterns only act as reversal patterns about 56% of the time.<sup>[1]</sup> Therefore, traders may wish to trade [breakouts](#) from the pattern—price moves above or below the pattern high or low, respectively—in either direction.

The bottoming pattern tended to show the best performance when the price was in an overall [downtrend](#), and breakouts higher or lower tended to work out about equally.<sup>[1]</sup>

#### The Ladder Bottom

The ladder bottom is a [bullish](#) reversal pattern with the following characteristics:

- The market is in a [downtrend](#).
- The first, second, and third candles have long black (down) [real bodies](#) with each open and close below the open and close of the previous candle.
- The fourth candle is black with a short real body and long upper [shadow](#).
- The fifth candle is white (up) with an open above the real body of the prior candle.



Advertisement

**CHART ADVISOR**  
The latest market analysis from Investopedia's trading and investing experts.

[LEARN MORE](#)

The theory behind the pattern is that a downtrend loses momentum with an inverted [hammer](#) candle that creates an opening for bulls to take over and reverse the trend. In addition to not being common, the ladder bottom tends to be mediocre at predicting a reversal. However, it does tend to produce price moves of 6% or more in the breakout direction within the 10 days following the pattern (for stocks).<sup>[1]</sup>

Traders should use the ladder bottom in conjunction with other technical indicators to predict bullish reversals. If the pattern does occur, traders may want to exit any [short positions](#) or adjust their [stop-loss](#) levels, but betting on a long position may require additional confirmation through other chart patterns or technical indicators.



Advertisement

**STOCK SIMULATOR**  
Compete [risk free](#) with \$100,000 in virtual cash

[GET STARTED FREE >](#)

#### The Ladder Top

The ladder top is a [bearish](#) reversal pattern with the following characteristics:

- The market is in an [uptrend](#).
- The first, second, and third candles have long white (up) [real bodies](#) with each open and close above the open and close of the previous candle.
- The fourth candle is white with a short real body and long lower shadow.
- The fifth candle is black (down) with an open below the real body of the prior candle.

The theory behind the pattern is that an uptrend loses momentum with a hammer [harami](#) candle that creates an opening for bears to take over and reverse the trend. As with the bottoming pattern, a breakout from the ladder top pattern tends to produce a decent-sized move in the days following the pattern, but the breakout could occur in either direction. It won't always be a reversal pattern.



Advertisement

**CHART ADVISOR**  
The latest market analysis from Investopedia's trading and investing experts.

[LEARN MORE](#)

Ladder Bottom/Top Example

Apple's daily chart shows a large ladder bottom pattern. There are three long red (down) candles, followed by a ladder hammer and a large green (up) candle. From high to low, this particular pattern covered more than a 12% price area.



Image by Sabrina Jiang © Investopedia 2021

Following the first (green) candle, the price moved up initially but didn't move above the high of the pattern (candle one). It then briefly moved below the low of the pattern, indicating a further slide. The price quickly recovered though and moved above the high of the pattern, continuing to the upside.

Entry points and stop losses could be placed at various locations within the pattern. A [long](#) could be taken following the green candle in a bottoming pattern, with a stop loss below the pattern low or below the green candle, for example.

### Ladder Bottom/Top vs. Three White Soldiers

The [three white soldiers](#) pattern is created by three large white (up) candles in a row,



Advertisement

**CHART ADVISOR**  
The latest market analysis from Investopedia's trading and investing experts.

[LEARN MORE](#)

where each opens within the real body of the last candle, but then closes higher. It shows strong bullish sentiment and traders typically look for it following a decline.

It is possible that a ladder bottom could transition into a three white soldiers if two more long up candles follow the white candle (fifth candle) in the ladder bottom.

#### Ladder Bottom/Top Limitations

- These patterns are quite rare, which means the opportunities to use them for trading or analytical purposes will be limited.
- The patterns are a poor predictor of price direction. The price could break higher or lower after they appear, with a breakout being a price move above the high or low price of the pattern. Despite being designed to spot reversals, it is about 50/50 as to whether the patterns will reverse or continue the prevailing trend.
- The pattern can be quite large and cover a lot of price area. By the time the price moves outside the range of the pattern, a significant portion of the ensuing price move may have already occurred.

The ladder bottom and top, like other candlestick patterns, are typically best used in conjunction with other forms of technical analysis, such as [price action](#), larger chart patterns, or technical indicators.

#### Compete Risk Free with \$100,000 in Virtual Cash

Put your trading skills to the test with our [FREE Stock Simulator](#). Compete with thousands of Investopedia traders and trade your way to the top! Submit trades in a virtual environment before you start risking your own money. [Practice trading strategies](#) so that when you're ready to enter the real market, you've had the practice you need. [Try our Stock Simulator today>](#)

#### ARTICLE SOURCES ▾

#### Related Terms

##### [Unique Three River Definition and Example](#)

The unique three river is a candlestick pattern composed of three specific candles, and it may lead to a bullish reversal or a bearish continuation. [more](#)

PRACTICE TRADING



##### [Up/Down Gap Side-by-Side White Lines](#)

The up/down gap side-by-side white lines is a rare three-candle continuation pattern that occurs on candlestick charts. [more](#)

PRACTICE TRADING

LEARN MS EXCEL

##### [Three Stars in the South](#)

The three stars in the south is a three-candle bullish reversal pattern, following a decline, that appears on candlestick charts. [more](#)

#### Partner Links

Scan & analyse the intraday markets. Switch your broker now.

Sign up for our daily newsletters

Get daily insights on what's moving the markets and why it matters...

Learn to trade stocks by investing \$100,000 virtual dollars...

##### [Counterattack Lines Definition and Example](#)

Counterattack lines are two-candle reversal patterns that appear on candlestick charts. There are both bullish and bearish versions. [more](#)

##### [What Is a Doji Candle Pattern?](#)

A doji is a name for a session in which the candlestick for a security has an open and close that are virtually equal and are often components in patterns. [more](#)

##### [On Neck Pattern Definition and Example](#)

The on neck candlestick pattern theoretically signals the continuation of a downtrend, although it can also result in a short-term reversal to the upside. [more](#)



#### Related Articles



TECHNICAL ANALYSIS BASIC EDUCATION  
Using Bullish Candlestick Patterns To Buy Stocks



TECHNICAL ANALYSIS BASIC EDUCATION  
Tweezers Provide Precision for Trend Traders



ADVANCED TECHNICAL ANALYSIS CONCEPTS  
Advanced Candlestick Patterns



TECHNICAL ANALYSIS BASIC EDUCATION  
Understanding a Candlestick Chart



FOREX TRADING STRATEGY & EDUCATION  
Most Commonly Used Forex Chart Patterns



TRADING SKILLS & ESSENTIALS  
10 Day Trading Strategies for Beginners

**Enterprise Risk Management**

Install SimpleRisk in minutes to expand your risk management capabilities.

[simplerisk.com](#) [Open >](#)

Advertisement



f t i m



About Us Terms of Use Dictionary

Editorial Policy Advertise News

Privacy Policy Contact Us Careers

[California Privacy Notice](#)

# A B C D E F G H I J K L M N O P Q R S T U V W X Y Z