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Rising Three Methods

By JAMES CHEN Updated September 16, 2019

What is the Rising Three Methods Pattern?

"Rising three methods" is a [bullish](#) continuation [candlestick](#) pattern that occurs in an [uptrend](#) and whose conclusion sees a resumption of that trend. This can be contrasted with a [falling three method](#).

KEY TAKEAWAYS

- Rising three methods is a bullish continuation candlestick pattern that occurs in an uptrend and whose conclusion sees a resumption of that trend.
- The decisive (fifth) strongly bullish candle is proof that sellers did not have enough conviction to reverse the prior uptrend and that buyers have regained control of the market.
- The rising three methods may be more effective if the initial bullish candlestick's wicks, denoting the high and low traded price for that period, are shallow.

Understanding the Rising Three Methods Pattern

The rising three methods pattern forms when a security's price action meets the following characteristics:

- The first bar of the pattern is a bullish candlestick with a large real body within a well-defined uptrend.
- Subsequent candlesticks, normally three consecutive bearish small-bodied candlesticks that trade above the low and below the high of the first candlestick.
- The last bar is another bullish candlestick with a large real body that breaches the high and closes above the high and close established with the first candlestick, which suggests the bulls are back in control of the security's direction.

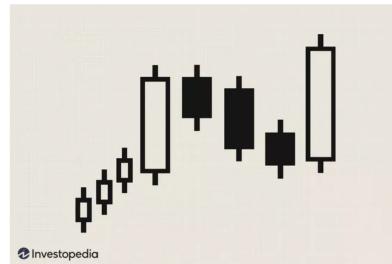


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The bulls are in firm control before pausing to see if there is enough conviction in the trend. The series of small-bodied candlesticks contained between the first and fifth candle in the rising three methods pattern is regarded as a period of [consolidation](#) before the uptrend resumes. The decisive (fifth) strongly bullish candle is proof that sellers did not have enough conviction to reverse the prior uptrend and that buyers have regained control of the market. Active traders may use the pattern as a signal to add to their long positions.



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Similar chart formations that do not meet the exact characteristics of the pattern can still help traders identify good entry points in a trending market. For example, there may be four or five small-bodied candles, instead of three, within the pattern. The rising three methods pattern is the opposite of the [falling three methods](#) pattern.

Trading the Rising Three Methods Pattern

Entry: Traders can enter the market when the final bar in the pattern closes. Alternatively, a trade could be taken when price moves above the high of the final candle. Aggressive [traders](#) may look for an entry before the final bar closes but must be prepared to exit if the fifth bar fails to complete the pattern.

Traders should make sure the rising three methods pattern is not located beneath key [resistance](#) to ensure the uptrend has sufficient room to continue. For instance, a trendline or widely used moving average slightly above the pattern could limit further gains. Resistance levels should be checked on longer-term charts to increase the probability of a successful trade. The "rising three methods" may be more effective if the initial bullish candlestick's wicks, denoting the high and low traded price for that period, are shallow and if it forms above a whole number.

Risk Management: Aggressive traders could place a [stop-loss order](#) below the low of the final bar in the pattern or under the second small-bodied candle, depending on their risk tolerance. Traders who want to give their trade some room to move might place a stop order below the first bullish candle or under a recent swing low.

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