

## The Bearish Three-Drive Pattern

(three “drives” to a market top)



### What is it?

- Suggests a potential reversal of a bullish market
- One of the rare patterns where price and time symmetry are key
  - Once you know what to look for, this pattern may be easily identified or “jump out” at you
- Formed by three consecutive symmetrical mountain tops
  - Contains two connecting (intertwined) bearish ABCD patterns
  - Also contains a bearish butterfly pattern (completing at the third drive)

### Why is it important?

- Suggests that a market may be at its most bullish, in which a more significant correction may occur
- May offer an excellent risk/reward ratio
- Pattern failure suggests a potentially strong bullish continuation may be in progress

### Sounds good ... So how do I find it?

First, it's very important to remember not to “force” a three-drive pattern. Price and time symmetry are key, so the pattern should really stand out as three distinct, symmetrical drives to a top. Traders should also remember that the three-drive is far less common than a butterfly or Gartley (especially on longer timeframes).

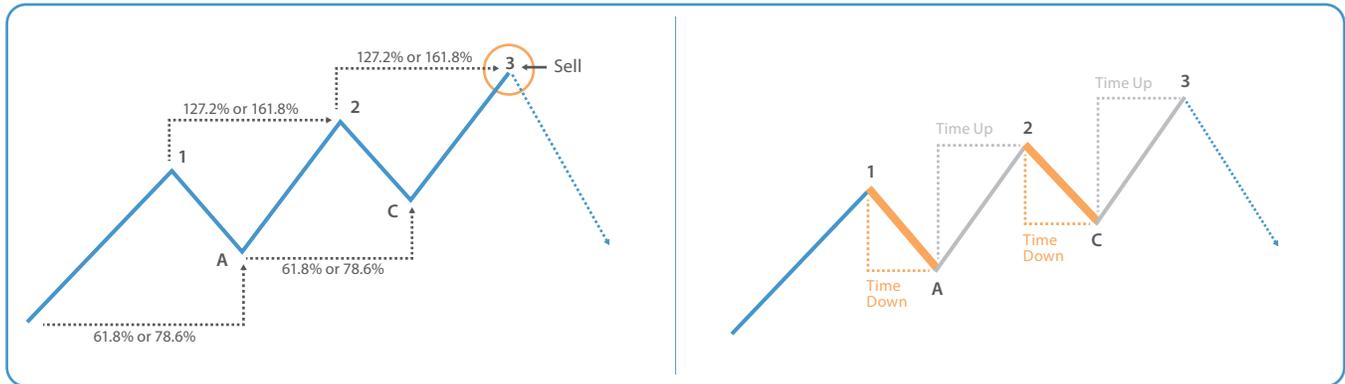


# The Bearish Three-Drive Pattern (cont'd)

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## Bearish Three-Drive Pattern Rules (potential sell at third drive)

1. Symmetry is the key to this pattern
2. Drives 2 and 3 should be 127.2% or 161.8% extensions of the A and C retracements
3. The A and C retracements will typically be 61.8% or 78.6% of the previous swing
  - In strongly trending markets these retracements may be 38.2% or 50%
4. Times of the A and C retracements should be symmetrical. The same is true for extensions (second and third drives to the top)
5. A large price gap at anytime may be a sign that the pattern is wrong. Traders should wait for further confirmation that a top is in progress

### Example 1: GBP/JPY, 2min



Source: GFT

### Example 2: GBP/JPY, 2min (Bearish 3-drive within the last leg of above pattern)



Source: GFT

IMPORTANT NOTE: Trading foreign exchange on margin carries a high level of risk, and may not be suitable for all investors. The high degree of leverage can work against you as well as for you. Before deciding to trade foreign exchange you should carefully consider your investment objectives, level of experience, and risk appetite. The possibility exists that you could sustain a loss of some or all of your initial investment and therefore you should not invest money that you cannot afford to lose. You should be aware of all the risks associated with foreign exchange trading, and seek advice from an independent financial advisor if you have any doubts. Past performance is not necessarily indicative of future results. CD04U.052.030509