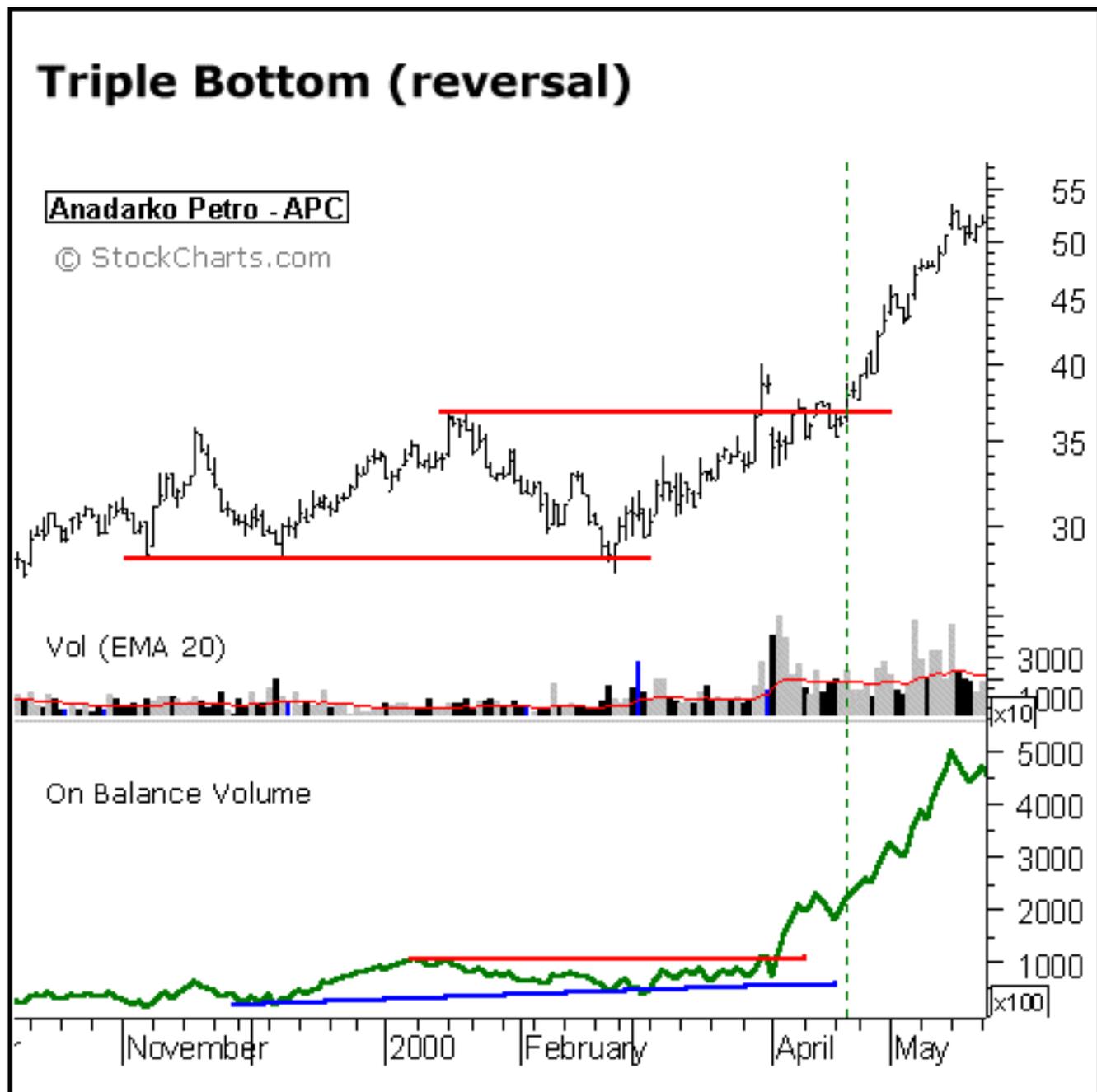




Triple Bottom (Reversal)

The triple bottom is a reversal pattern made up of three equal lows followed by a breakout above resistance. While this pattern can form over just a few months, it is usually a long-term pattern that covers many months. Because of its long-term nature, weekly charts can be best suited for analysis. We will first examine the individual parts of the pattern and then look at an example.



1. **Prior Trend:** With any reversal pattern, there should be an existing trend to reverse. In the case of the triple bottom, a downtrend or long trading range should be in place. Sometimes there will be a definitive downtrend to reverse. Other times the downtrend will fade away after many months of sideways trading.
2. **Three lows:** All three lows should be reasonable equal, well spaced and mark significant turning points. The lows do not have to be exactly equal, but should be reasonably equivalent.
3. **Volume:** As the triple bottom develops, overall [volume](#) levels usually decline. Volume sometimes increases near the lows. After the third low, an expansion of volume on the advance and at the resistance breakout greatly reinforces the soundness of the pattern.
4. **Resistance break:** As with many other reversal patterns, the triple bottom is not complete until a resistance breakout. The highest point of the formation, which would be the highest of the intermittent highs, marks resistance.
5. **Resistance turns support:** Broken resistance becomes potential [support](#), and there is sometimes a test of this newfound support level with the first correction. Because the triple bottom is a long-term pattern, the test of newfound support may occur many months later.
6. **Price Target:** The distance from the resistance breakout to lows can be measured and added to the resistance break for a price target. The longer the pattern develops, the more significant is the ultimate breakout. Triple bottoms that are 6 or more months in duration represent major bottoms and a price target is less likely to be effective.

As the triple bottom develops, it can start to resemble a number of patterns. Before the third low forms, the pattern may look like a [double bottom](#). Three equal lows can also be found in a [descending triangle](#) or [rectangle](#). Of these patterns mentioned, only the descending triangle has bearish overtones; the others are neutral until a breakout occurs. Similarly, the triple bottom should also be treated as a neutral pattern until a breakout occurs. The ability to hold support is bullish, but demand has not won the battle until resistance is broken. Volume on the last advance can sometimes yield a clue. If there is a sharp increase in volume and momentum, then the chances of a breakout increase.



After a failed double bottom breakout, ANDW formed a large triple bottom. While the new reaction high (black arrow) and potential double bottom breakout seemed bullish, the stock subsequently fell back to support.

- Technically, the downtrend ended when the stock formed a higher low in Mar-99 and surpassed its Jan-99 high by closing above 20 in Jul-99 (black arrow). Even though the downtrend ended, it would have been difficult to label the trend bullish after the third test of support around 11.
- Over a 13-month timeframe, three relatively equal lows formed in Oct-98, Mar-99 and Nov-99. When the Jul-00 high surpassed the Jan-99 high, the possibility of a rectangle pattern was ruled out.
- Resistance at 22 1/2 was broken in Jan-00. The stock closed above this key level for 5 consecutive weeks to confirm the breakout.
- Even though volume expanded near the second and third lows, the 10-day EMA of volume declined between the lows. The advance off the third low saw a dramatic expansion of volume that lasted many weeks. The Accumulation/Distribution Line formed a positive divergence in 1999 and broke to new highs with the stock in Jan-00.
- After the resistance break, the stock fell below 22 1/2 twice over the next 2 months. Based on the Feb-00 and Apr-00 lows, a new support level was established at 20 and. Because upside

movement was limited after the breakout (a high of 25 1/2), a pullback below 22 1/2 might have been expected. Based on Oct-99 resistance, critical support could have been marked at 18 1/2.

- ANDW built a base over a 13-month period. Even though the height of the pattern is relatively impressive, it pales in comparison to the length of the base. The length of this pattern and subsequent breakout suggest a long-term change of sentiment.

Written by Arthur Hill

[Send us your Feedback!](#)

© 1999-2000 StockCharts.com
All Rights Reserved [Terms of Use](#)