Tactical Breakdown: The Three Inside Down

Pattern Recognition & Execution Playbook



Gemini Notebook

Pattern Profile HUD



Bearish Reversal

Pattern Type



3-Candle Formation

Component Structure



Requires Established Uptrend

Prerequisite Context

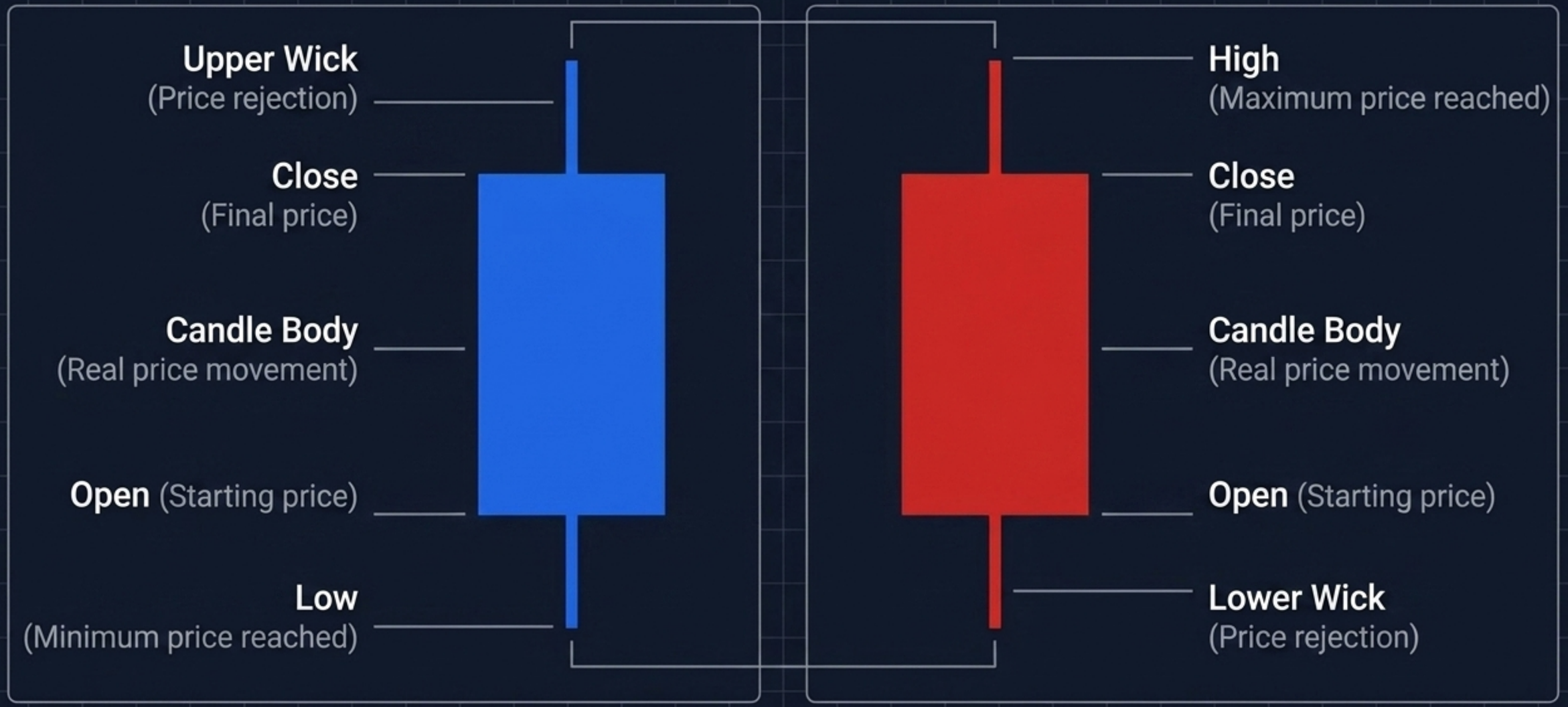


Medium to High Reliability

Tactical Reliability

Gemini Notebook

Anatomical Primer: Candlestick Lexicon



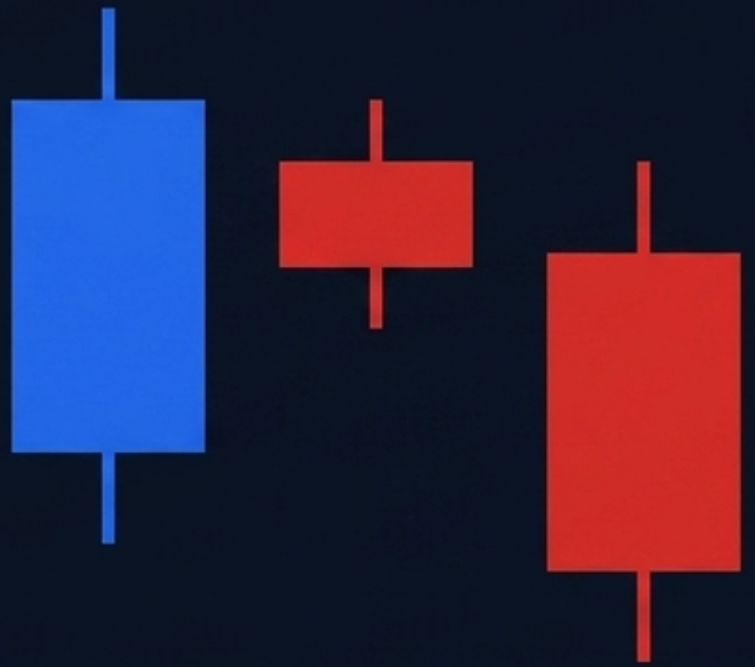
Gemini Notebook

Diagnostic Matrix: The 3-Candle Breakdown

The Exhaustion (Candle 1)	The Trap (Candle 2)	The Reversal (Candle 3)
		
Must be a strong bullish candle continuing the existing uptrend.	Must be bearish. The entire body must be completely contained within the Open and Close of Candle 1 (an ‘inside’ candle).	Must be bearish. Must close completely below the Open of Candle 1, confirming the structural shift.

Gemini Notebook

Under the Hood: Market Psychology Heatmap



Momentum Heatmap

Uncontested buyer dominance; late buyers rush into the uptrend.

Equilibrium and indecision; buying pressure suddenly evaporates, trapping late entrants.

Total seller control; trapped buyers liquidate positions, accelerating the downward cascade.

Gemini Notebook

The Tactical Blueprint: Execution & Risk Management



Gemini Notebook

Signal Filtering: Confirmation & Validated Timeframes



Confirmation Criteria

- Wait for the close of the 3rd candle. Never enter while Candle 3 is still forming.

- Look for increasing bearish volume on the 3rd candle as institutional sellers step in.

Optimal Timeframes

✅ M15	✅ H1
Intraday Scalping	Day Trading
✅ H4	✅ Daily
Swing Trading	Macro Trend Reversals

Gemini Notebook

Refinement Module: Navigating Common Failure Points

Anticipating the Close

Mistake: Entering short before Candle 3 officially closes.
Correction: The pattern is invalid until the final second of C3's formation.

Ignoring the Macro Context

Mistake: Trading the pattern inside a sideways, ranging market.
Correction: Reversals require a trend to reverse. Ensure a clear uptrend precedes the setup.

Sub-optimal Stop Placement

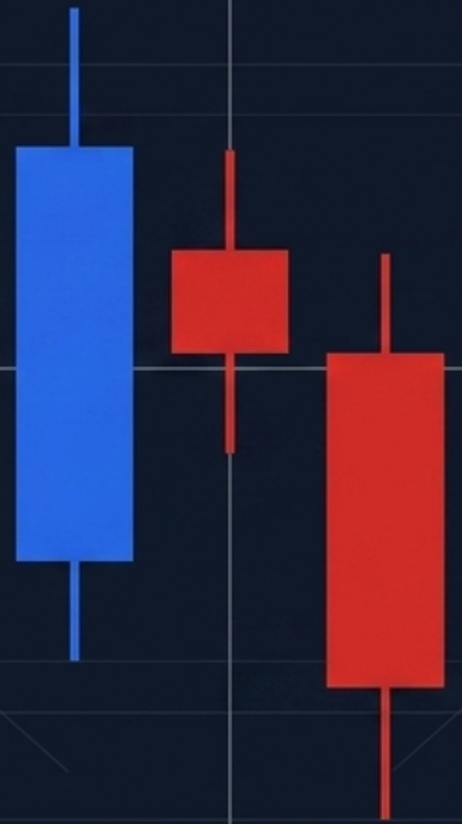
Mistake: Placing the Stop Loss too tight, inside the pattern itself.
Correction: Always place the SL above the extreme High of Candle 1 to survive normal volatility wicks.

Gemini Notebook

The Master Cheat Sheet

Structural Rules

- C1: Strong Bullish Exhaustion
- C2: Bearish, trapped inside C1
- C3: Bearish, closes below C1 Open



Tactical Execution

- Entry: Execute Short instantly on C3 close.
- Risk: Place Stop Loss strictly above C1 High.

Market Context

- Trend: Requires established macro uptrend.
- Validated Frames: M15, H1, H4, Daily.

Order Flow Shift

- The exact moment late buyer exhaustion is overwhelmed by aggressive, institutional seller takeover, triggering trapped long liquidations.

Gemini Notebook