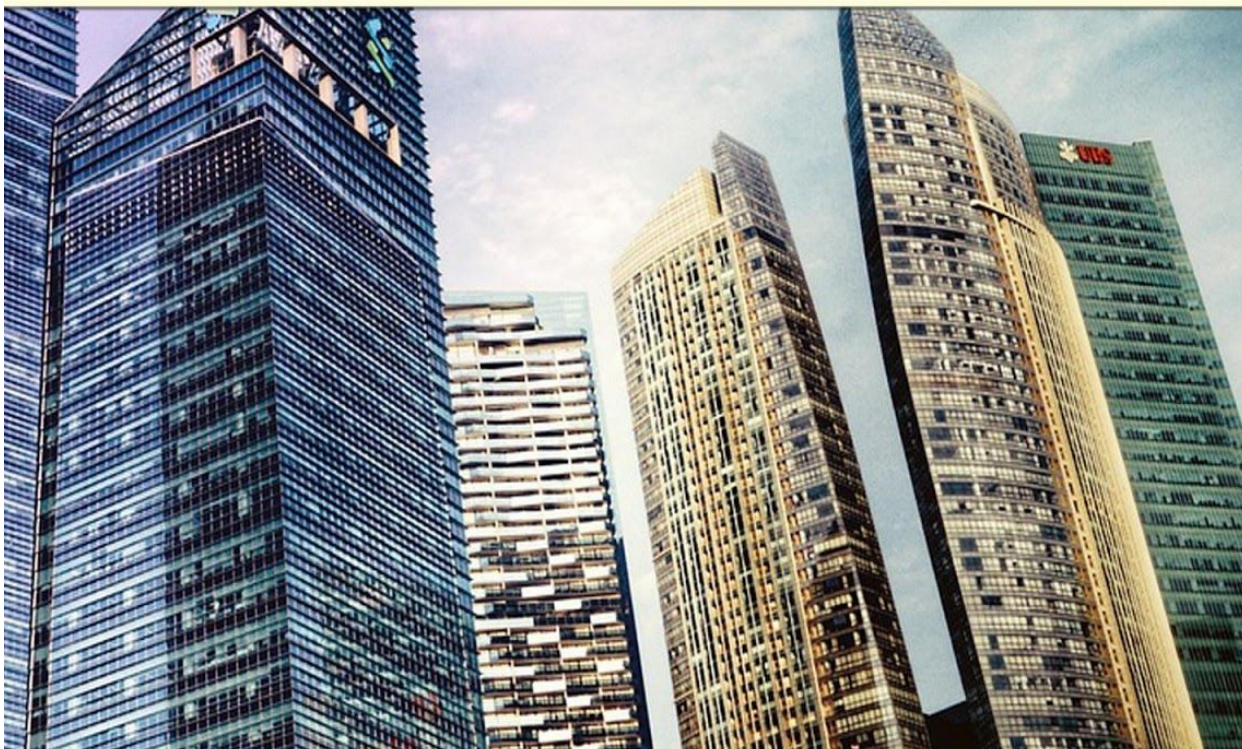


# ***Triple Top Chart Pattern Trading Strategy***

**A reversal trading strategy that gives you the opportunity  
to be part of a new trend right from the beginning**



**Trading Strategy Guides.com**

# Triple Top Chart Pattern Trading Strategy

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The Triple Top chart pattern trading strategy is a reversal trading strategy that seeks to take advantage of a simple yet very powerful chart pattern. One of the main benefits of a reversal trading strategy is that it gives you the opportunity to be part of a new trend right from the beginning.

Our team at Trading Strategy Guides is working hard to develop the most comprehensive guide on different chart pattern strategies. In order to understand the psychology of a chart pattern, please start here: [Chart Pattern Trading Strategy step-by-step Guide](#).

The triple top patterns can actually take a long time to spread out over time, but it's about watching the battle between the buyers and sellers.

However, on intraday time frames the triple top reversal can appear more often which is the reason why we prefer daytrading with the triple top chart pattern trading strategy.

Now...

Let's first start defining what triple top patterns are, and what is the psychology behind this money-making chart pattern.

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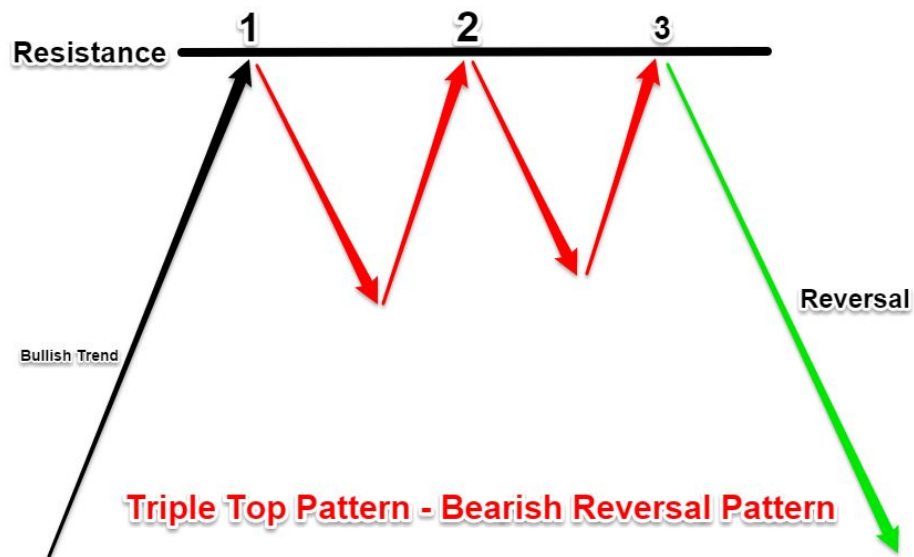


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- What are Triple Top Patterns?

According to the textbook definition, the triple top patterns is one of many reversal patterns that is visually representing the changing of the control of the trend.

The structure of a textbook perfect looking triple top reversal is composed of three peaks at nearly or the same price level without the market being able to break through it. The third peak or the third reaction of off resistance is an indication of selling interest is outweighing buying interest and the trend is in the process of reversing



We need to define a couple of rules about the triple top pattern:

- Rule 1: In order to have a reversal we must have a prior trend in the background in order to reverse. In the case of the triple top reversal, we're looking for a bullish trend that has finally got into a swing high area from where we got enough selling activity to stop the bullish trend for going much further.
- The strength of the bullish trend might determine the strength of the sell-off.

Let's now look into the psychology of these triple top reversal.

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- The Psychology behind Triple Top Patterns

Basically, the psychology behind the triple top reversal says that buyers are getting exhausted or they aren't aggressive enough to push the price higher.

At the same time, the sellers are starting to become a bit more aggressive as they are prepared to pay the higher price and we reach a point of equilibrium between the buying and selling power.

The triple top pattern is a more powerful reversal pattern because by the third failed attempt to break above resistance more sellers see that buyers are weak and unable to push the price higher so they step in more aggressively and in the end manage to drive the price lower.





**Note\*\*\*** The crowd psychology say that the three consecutive failed attempts to break above resistance increase the significance of this level.

Now, let's see how you can effectively trade with the Triple Top chart pattern trading strategy and how to make some profits.

## • Triple Top Chart Pattern Trading Strategy

Triple top patterns occur very rarely in the higher time frame which is the reason why we apply the Triple Top chart trading strategy mainly on the intraday charts. You can safely apply this strategy on the higher time frames but you'll need a lot of patience as you'll have fewer signals.

### Step #1: An A++ Triple Top Reversal is composed of 3 Rounded Tops

You need to identify three rounded tops in order for the triple top patterns to be considered tradable.

But, what is a rounded top?



In technical analysis, a rounded top is simply a price formation that typically occurs after an uptrend, prices move upward and then quickly roll back downwards creating a dome or sometimes an inverted "V."

Now, of course, that depending on the triple top reversal structure the inverted V top will vary in size and magnitude. But the idea is that we need a quick move up followed by a quick move down to define a rounded top.



To put in practice the triple top chart trading strategy, we have chosen the GBP/USD triple top reversal highlighted in the above figure. More or less we can note that the inverse “V” top is presented in all three peaks.

**Note \*\*\* Don't seek perfection, because in trading you need to get rid of your idealistic mindset as the inverse “V” top will not look perfect all the time, so be flexible.**

### **Step #2: Allow a 10-15 pips variation between the three tops**

The second criterion of tradable triple top patterns is that you need to allow a 10-15 pips variation between the three tops.

What do we mean by that?

The probability of three tops happening at the same exact price level is almost impossible. You'll often find that the three tops have slight variations, but they happen near the same price zone. What is more important is the closing price, which can align perfectly if the location of the triple top pattern is good.

That's why we advocate of getting rid of your idealistic mindset.



### **Step #3: Entry 1 at the third resistance retest and Entry 2 at the support breakout**

If you want to take a little bit more risk and be more aggressive you can also enter at third resistance test in anticipation that the triple top reversal will hold. What we prefer here to do is



to split our risk in order to gain more and enter half of our position at the third retest and the second half at the support breakout.



From a swing trading perspective, you want to see when the sentiment has changed from bullish to bearish and that indication can only be given by the support breakout of the triple top reversal.

**Note\*\*\*** The support level here is formed by the troughs created during the development of the triple top pattern.

The next logical thing we need to establish for the Triple top chart pattern trading strategy is where to take profits.

See below...

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**Step #4: Take Profit equals the same distance in price as measured from the highest peak to the lowest valley**

The minimum average decline after the triple top reversal breakout is approximately equal to the same distance in price as measured from the highest peak to the lowest valley.

If we project the same price distance to the downside we obtain our first take profit zone for the Triple Top chart pattern trading strategy.



The next important thing we need to establish is where to place your protective stop loss.

See below...

### Step #5: Place the protective stop loss slightly above the resistance created by the triple top patterns

The Triple Top chart pattern trading strategy gives you a simple way to quantify risk because you can place your protective stop loss slightly above the triple top patterns.

Trading triple top patterns is all about expressing an informed view, but at the same time being able to cap the risk as much as possible. You don't want to trade with massive stop loss either.



**Note\*\*\*** The above was an example of a SELL trade... Use the same rules – but in reverse – for a BUY trade, but this time we're going to use the triple bottom pattern. In the figure below, you can see an actual BUY trade example, using triple bottom patterns.



## • Conclusion

The triple top patterns don't happen as often as other chart patterns, but has the potential to offer you great profits when it shows up. The triple top reversal is a very reliable price formation that we recommend to be traded on the intraday time frames because it appears more often.

The significance of triple top chart pattern trading strategy is that it gives you the opportunity to enter a new trend right from the start.

If you're not comfortable trading reversal patterns we suggest you try out our trend following system: [MACD Trend Following Strategy- Simple to learn Trading Strategy](#).

Thank you for reading!

Please Leave a comment below if you have any questions about this strategy!

**As a Bonus for you we always like to include examples of our strategy to help you perfect this trading system.**

### Example 1: EUR/CAD 1-Hour Triple Top



### Example 2: EUR/GBP 5-Minutes Triple Top



### Example 3: USD/JPY 15-Minutes Triple Top



