

Double Tops and Double Bottoms

Recognising potential trend reversals

GUIDE 9

One of the most common concepts in technical analysis is that price patterns often repeat over time. While no pattern guarantees a future outcome, recurring formations can provide useful insights into market behaviour.

Among the best-known reversal patterns are the Double Top and the Double Bottom.

1. The Double Top

- A Double Top develops after an upward trend.
- Price attempts to rise above a previous peak but fails.
- This creates two similar highs on the chart.

Why it matters

The inability to move beyond the second peak may suggest weakening upward momentum.

What to watch

1 First peak forms

2 Pullback follows

3 Second peak forms

4 Neckline is tested

Confirmation

A break below the neckline strengthens the bearish interpretation.



2. The Double Bottom

A Double Bottom develops after a decline.

Price reaches a low point, rebounds, and then returns to test a similar low.

Why it matters

Repeated support at the same level may indicate that selling pressure is fading.

What to watch

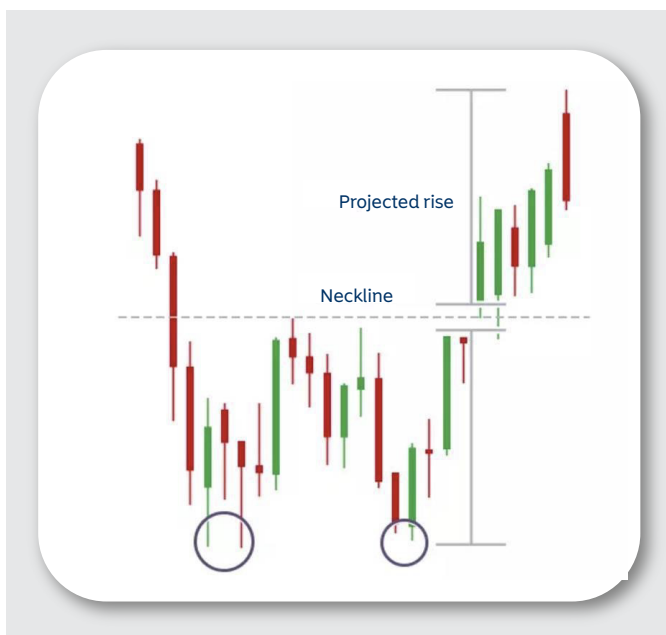
- 1 **First bottom forms**
- 2 **Recovery begins**
- 3 **Second bottom forms**
- 4 **Neckline is approached**

Confirmation

A break above the neckline strengthens the bullish interpretation.

Quick reference

A break above the neckline strengthens the bullish interpretation.



Pattern	Market message
Double Top	Potential bearish reversal
Double Bottom	Potential bullish reversal
Neckline Break	Confirmation signal
Failure to Confirm	Pattern remains incomplete

Final reminder

Chart patterns provide evidence, not certainty. Always wait for confirmation from price behaviour before drawing conclusions.



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