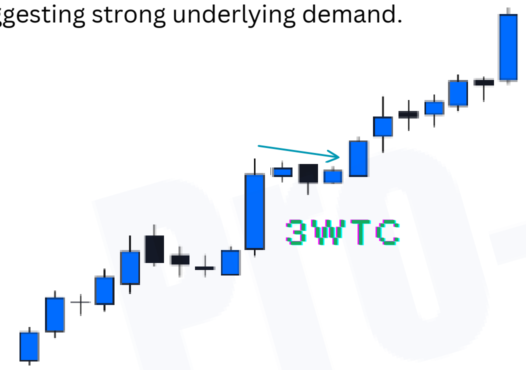
3 Weeks Tight Close (3WTC)

The **Three-Week Tight Close (3WTC)** pattern (*discovered by IBD's founder William O'Neil*) serves as a follow-up buying opportunity for traders looking to add to their positions in winning stocks. It indicates a period of consolidation where institutional investors pause their buying instead of taking profits, suggesting strong underlying demand.



QUICK TIP The success probability of 3WTC setups is higher when you trade them close to 10-Week EMA (50-Day EMA).

Key Characteristics

Tight Price Range: The last 3 weekly closing prices should be very close to each other, typically no more than 1.5%. In addition, the distance between the highest high & lowest low of the last 3 weeks should also be narrow.

Volume Consideration: During this period, trading volume should generally be low, indicating that selling pressure has diminished.

Market Context: This pattern typically forms after a stock has broken out from a previous base, signaling continued strength and potential for further gains.

Trading Strategy

Entry Point & Stop Loss: Look to add positions when stock breaks above the tight range. Stop Loss can be kept at the low of the tight range.

Risk Management: It's advisable to limit position size during this addition to avoid excessive exposure if the stock retraces.

Volume: An increase in volume upon breaking above the tight range signals strong buying interest and validate the breakout.

*In April 2023, **Bajaj Auto** broke out of a long base and started moving upward. It briefly consolidated near its 10-week EMA, forming a 3WTC pattern several times. This could have been a good opportunity to add to an existing position and strengthen the holding.*

Pro-Setups **Dashboard** gives you a one-click solution to identify 3WTC patterns.