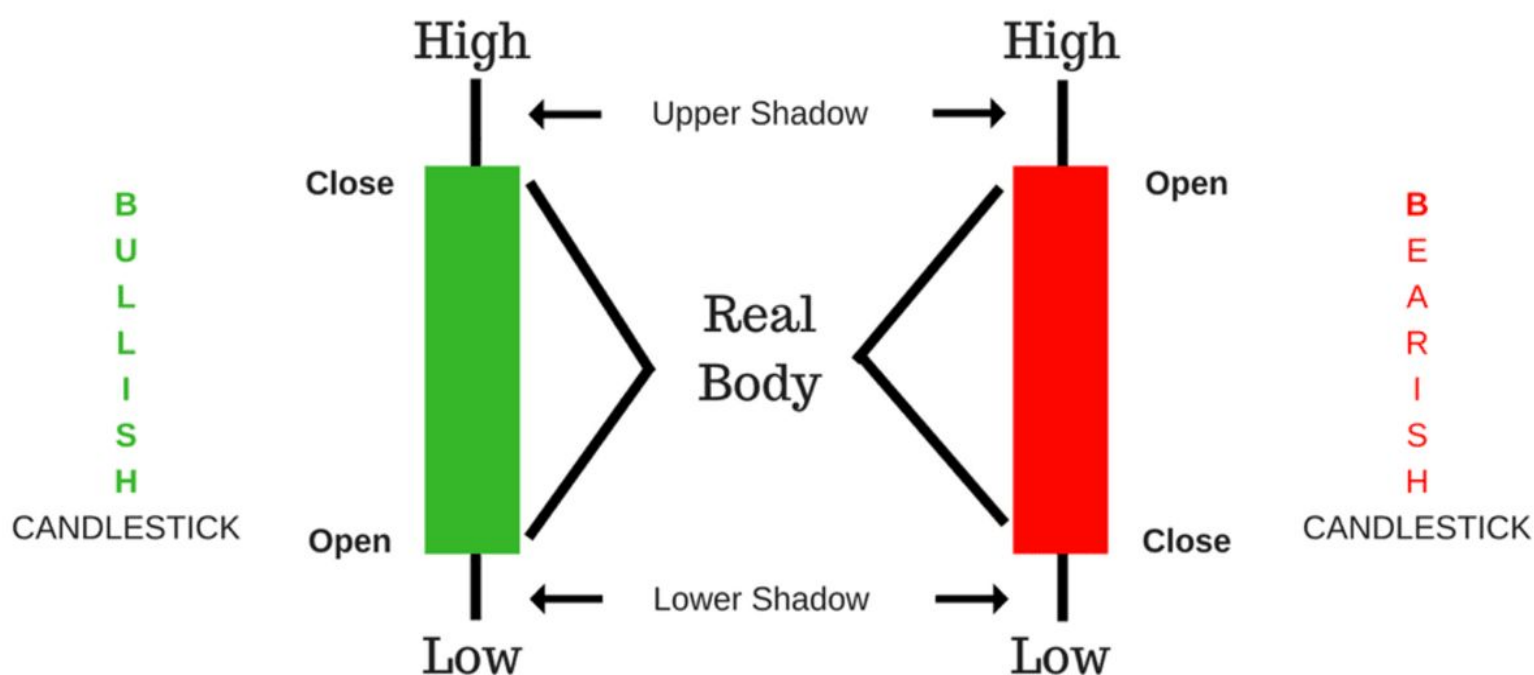


Candlestick Patterns Free PDF Guide



Candlestick patterns are one of the oldest forms of technical and price action trading analysis.

Candlesticks are used to predict and give descriptions of price movements of a security, derivative, or currency pair.

Candlestick charting consists of bars and lines with a body, representing information showing the price open, close, high, and low.

It dates back to the 16th century when a man named [Homma Munehisa](#) used this to trade rice contracts. He was also thought to have developed the candlestick charts that was later brought to the Western world by Steve Nison.

Steve Nison introduced candlesticks to the world in his 1991 book “Japanese Candlestick Charting Techniques” and they are now very popular because of their simplicity and unique insight into the sentiment of the market.

Candlestick charts are most often used in technical analysis of equity and currency price patterns.

What are Candlestick Charts?



Candlesticks are visual representations of market movements. Traders use candlesticks to help them make better trading decisions by studying patterns that forecast a markets short-term direction.

A candlestick is a chart that shows a specific period of time that displays the prices opening, closing, high and low of a security. It is a fundamental component of technical analysis because it helps a trader understand a market movement at a glance. It is a very suitable technique for trading liquid financial assets such as Forex, and futures.

What is the Difference Between Candlestick Charts and Bars?



Bars and candlestick charts are both used for [technical analysis](#) to study the supply and demand of a security or commodity in a marketplace and represents the trading range of a security.

Bar charts have a small tick symbol on the left side to represent the opening price and a small tick on the right side to indicate the closing price.

As for a candlestick chart, it has a body and a shadow. Bodies are defined as the range between the opening and closing price. Shadows represent the range of the day outside of the opening and closing of the prices.

Mastering Candlestick Charts

Candlestick patterns are an efficient way for you to view an asset's price chart. It shows you which way the price moved during a specific period of time using colors, as well as how far the price moved on that period.

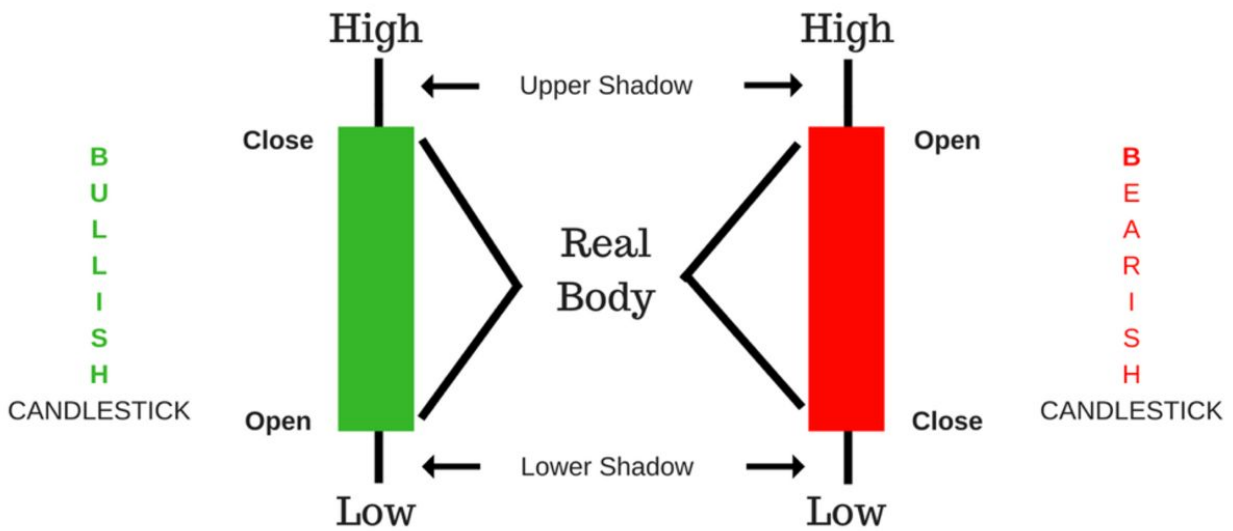
Time frames are shown for the time frame you are using or have selected. For example; if you are using a 5-minute time frame, a candle will show the HIGH, LOW, OPEN and CLOSING in 5 minute intervals.

Bullish Candle and Bearish Candle

Bullish and bearish represents buyers and sellers.

The intra-session high represents bulls and the intra-session low represents the bears. If the close is closer to high, then the bulls are in control. If the close is closer to the low, then the bears are in control.

A bullish candle shows that the price has increased over the set time period. For the bearish candle it shows that the price has decreased over the time period. Each fully formed candle represents the price action of a specific time period.



Candlesticks have 2 parts, a real body and a wick (tail). The open and close prices are the first and last transaction prices of that time frame. If no real body was shown or the real body is very small, then it means that the open and close are almost the same. In addition, real bodies have color but differ in every charting platform.

The most common color of real bodies is green, red, white, and black, however you can change this to your liking.

A green or white candle means the price finished higher or the closing price is above the open price. A red or black candle means that the price has decreased over the time period or the top of the real body is the open price and below is the closing price.

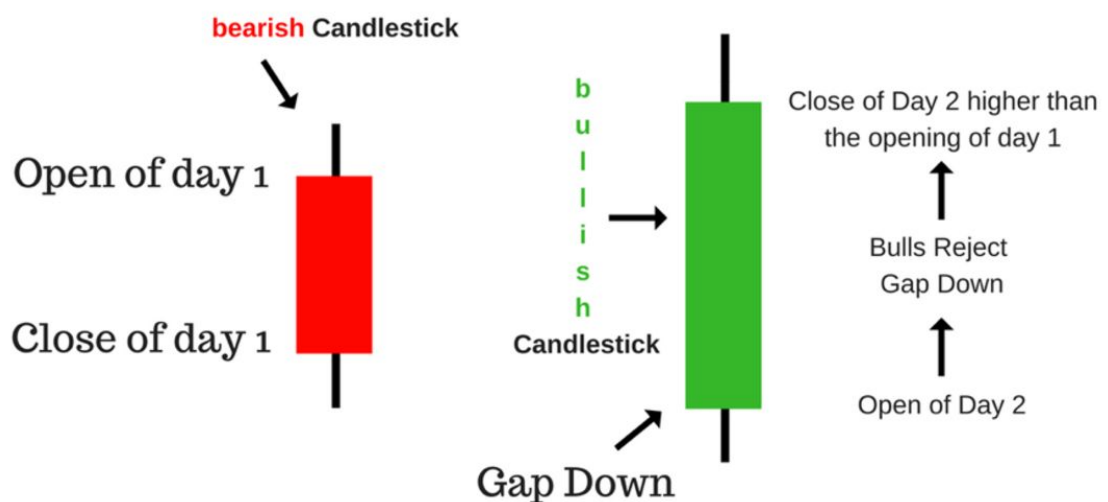
The bullish candle and the bearish candle similarly reflect the difference between the open and close price during that period.

Most charting platforms allow you to make adjustments to your candlesticks to be visually appealing and easily identifiable.

You can alter the colors of your up and down candles to make the contrast distinct.

What are Some of the Best Candlestick Chart Patterns?

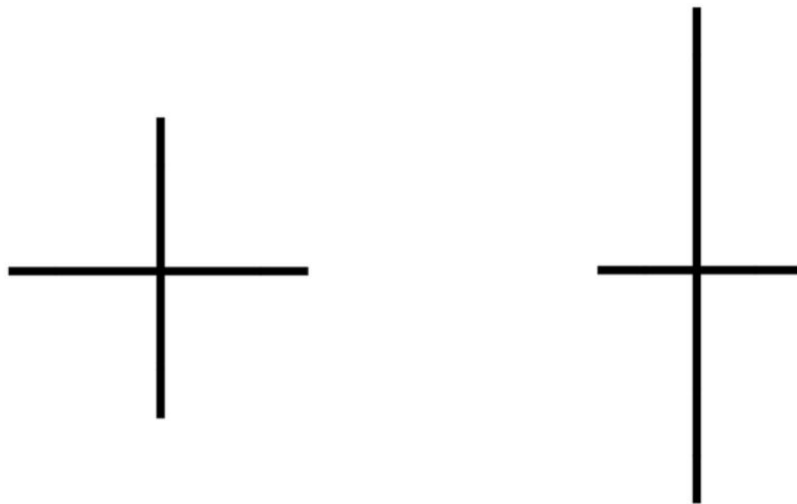
Bullish Engulfing Candlestick



Quite a name for a candlestick. This pattern consists of two candles and shows when the price of a security moves beyond the high and low of the previous

sessions range. This candle is your signal for a sustained upward move or trend change.

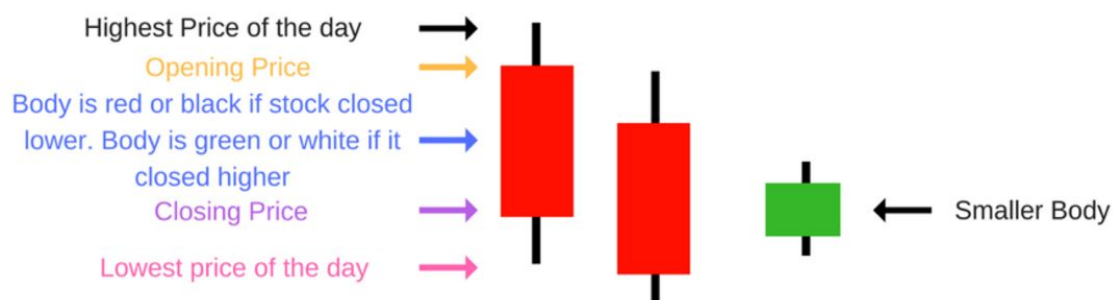
Doji Candlestick



Doji Candlestick

A [doji candlestick](#) is one of the most popular candlestick patterns. The doji pattern usually has a very small body with a close near the open price. It also has a long wick formed to the high and low. This candlestick offers a heads up that the sentiment may be changing.

Harami Candlestick

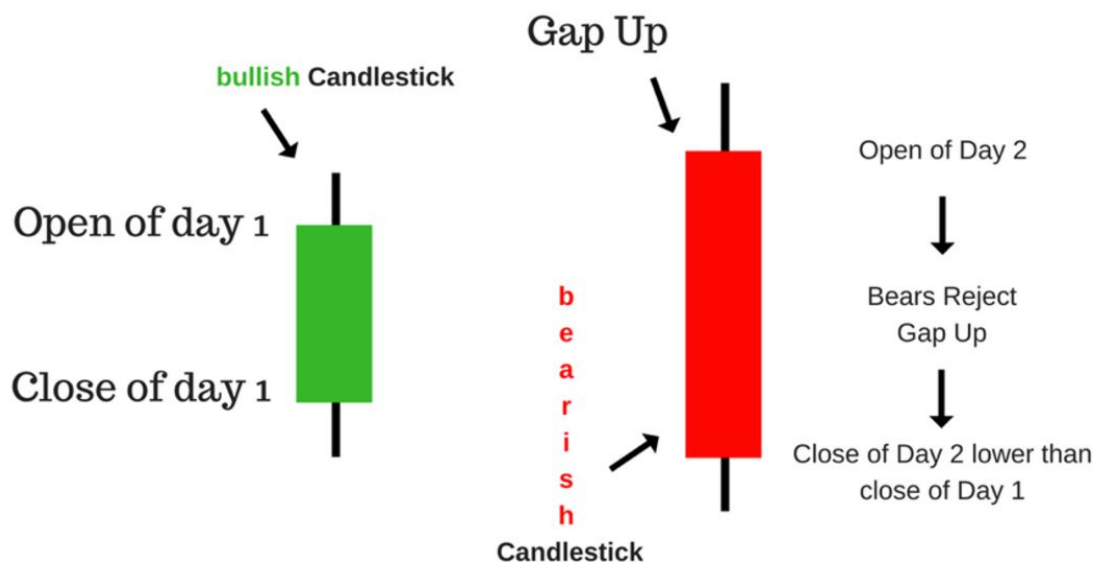


The bullish and bearish harami is a two candlestick pattern that is considered a reversal pattern.

For a bullish reversal the first candle needs to be a large bearish candle. This is then followed by a small bullish candle.

For a bearish harami the inverse needs to occur. The first candle needs to be a strong bullish candle followed by a smaller bearish candle.

Bearish Engulfing Candlestick



This pattern is the opposite of the bullish engulfing candle.

This can be a precursor to a sharp sustained drop and provide an indication of potential reversal or trend change.

Using Advanced Candlestick Patterns

One of the best features of candlestick charting is that it helps you visualize market movements without overpopulating your monitor with numbers or complicated indicators and news feeds.

Because of the candlestick, you can quickly understand what's going on with the price of a security at a single glance.

You can also tell whether the sellers or buyers have dominated on a given day along with the sense of the trend. It is an excellent way for traders to identify and decide when is the best time to buy, sell, or wait.

After reading the most rudimentary of candlestick basics, you can easily spot the opening and closing price of a security and start to see patterns forming. You can then begin using more advanced patterns like the [hanging man candlestick pattern](#) in your trading.