

5 STEPS OF CANDLESTICK ANALYSIS

YOU SHOULD KNOW

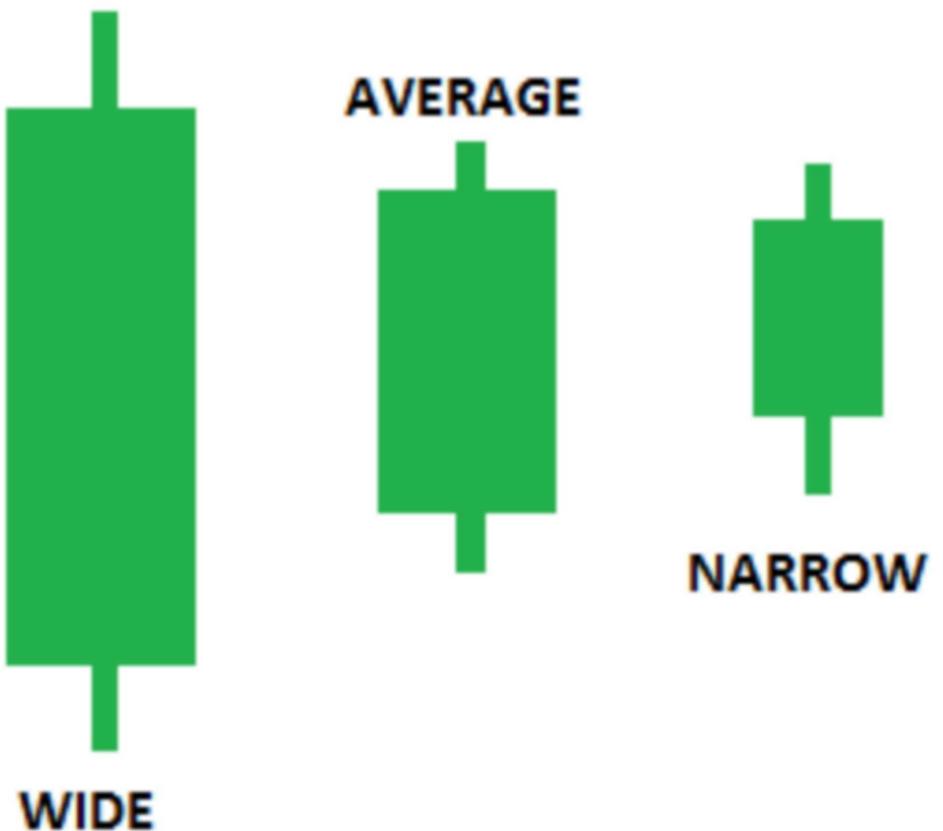


CANDLESTICK ANALYSIS



Step1: The size of the body (high to low)

BODY:



CANDLESTICK ANALYSIS

@knowledgeofstockmarket

Step2: The length of wicks



Larger wicks show that price has moved a lot during the duration of the candle but it got rejected, shows the presence of supply or demand.

CANDLESTICK ANALYSIS

@knowledgeofstockmarket

Step2: The length of wicks



At major support and resistance levels. Candlewick becomes larger it indicates volatility. This generally happens after long trending phases before a reversal happen from support and resistance level.

CANDLESTICK ANALYSIS

@knowledgeofstockmarket

Step2: The length of wicks



Long wick candles do not always signal a reversal if the wick of rejection candle engulf by subsequent move it fails, it called reverse rejection

CANDLESTICK ANALYSIS

Step2: The length of wicks



Long wick candles If it appears between the trend it shows trend cont. (as a small pullback in a smaller time frame)

CANDLESTICK ANALYSIS

@knowledgeofstockmarket

Step2: The length of wicks



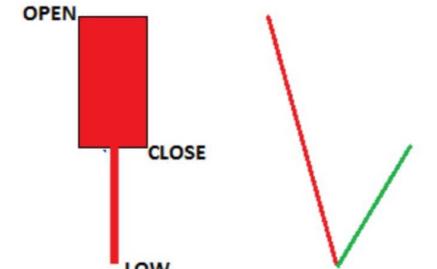
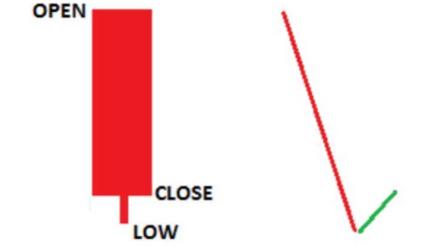
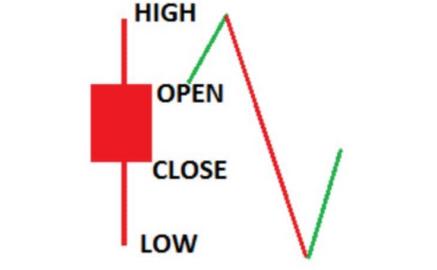
While a single long long wick indicates possible prices moving in the opposite direction of the wick, a cluster of multiple wicks indicate that prices are likely to move in the same direction of the wick created and if the body closing the direction of the trend

CANDLESTICK ANALYSIS

Step3: The ratio between wicks and bodies

- Open price tells us where the balance between buyers and sellers at the opening of that period.
- Close price tells us where the balance point was at the end of the period

BODY TO WICK RELATION

	<p>Price open and drive low and close near or at high price retracement more than 70% of the move That means sellers try but fail, buyers entry Sentiment=bullish or rejection from buyers</p>
	<p>Price open and drive down and close middle of the candle price retracement 50% (below 70%) of the move That means buyers entry but sellers still in strength Sentiment=neutral</p>
	<p>Price open and drive down and close at low of the candle price only retracement about 30% of the move That means this retracement move by weak sellers exit Sentiment=strong bearish</p>
	<p>Price open and drive up and get rejected by sellers, then drive down and also get rejected by buyers and drive up Price open and close at or near open price Sentiment=indecision</p>

CANDLESTICK ANALYSIS

@knowledgeofstockmarket

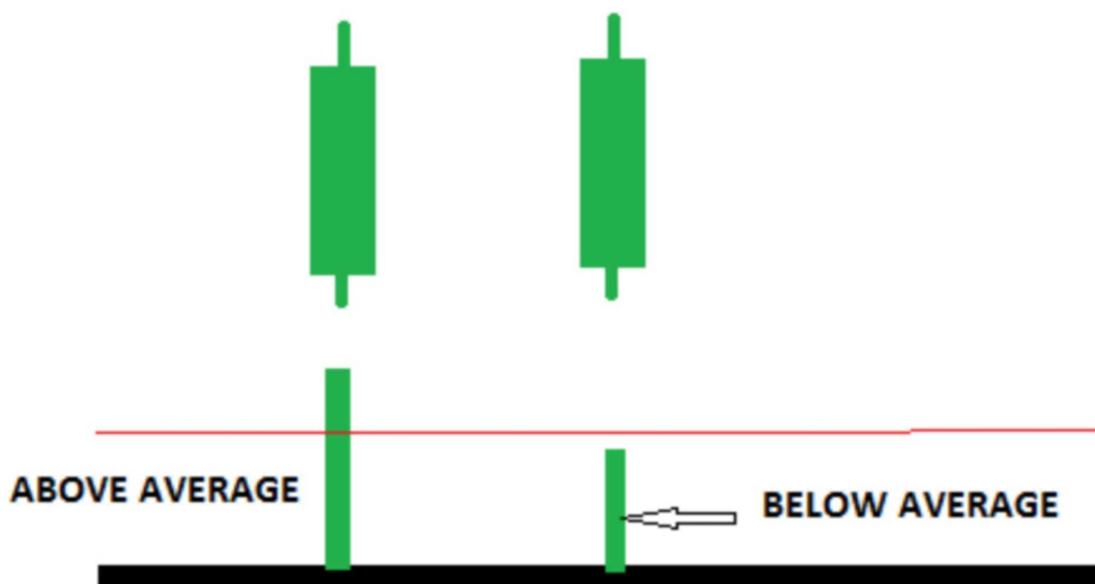
Step4: Volume contains

Wide spared candle:-

Price action – Strong BULLISH market sentiment. The price action has risen sharply higher and closed at or near the high of an up candle.

Volume action – 

The associated volume should, therefore, reflect this strong sentiment with a ‘strong’ volume. As we can see in the above example is, if the volume is above average(effort vs result), then this is what we should expect to see as it validates the price. The smart money is joining the move higher and everything is as it should be.



If the volume is below average or low, this is a warning signal. The price is being marked higher, but with little effort. The move is not genuine. If we are in a position, we look to exit. If we are not in a position we stay out and wait for the next signal to see when and where the smart money is now taking this market.

CANDLESTICK ANALYSIS

@knowledgeofstockmarket

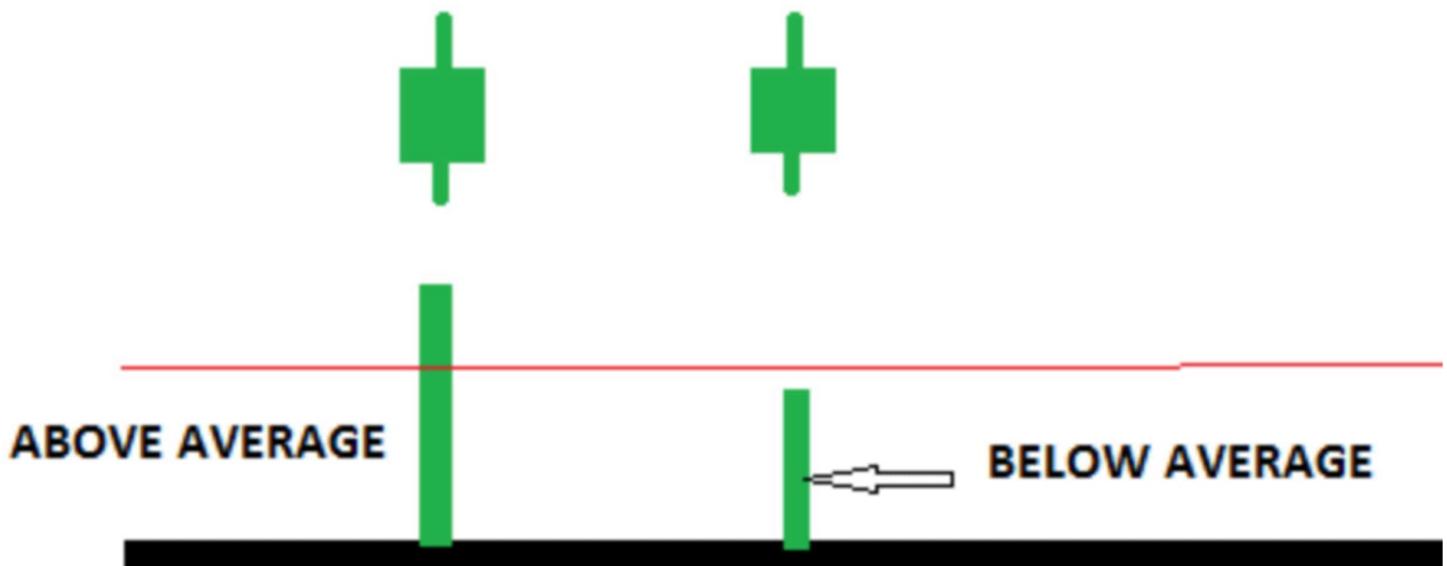
Step4: Volume contains

Narrow Spread Candles:-

Price action – weak market sentiment

Volume action:- ⬇️

- A narrow spread candle should have low volume – again effort vs result.



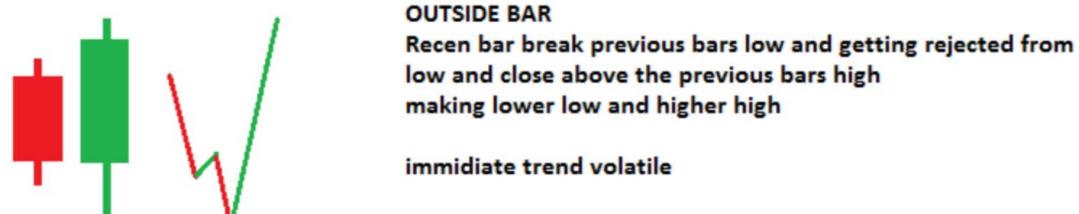
- **NARROW SPREAD CANDLE WITH HIGH VOLUME.** If the volume had represented buying, how can the spread be narrow? There are only two possible explanations for a narrow spread up candle on a very high volume.

CANDLESTICK ANALYSIS

Step5: RELATIVE OR 2 CANDLE PRICE ACTION

DIRECTION OF CANDLE

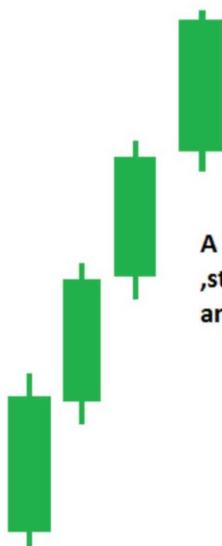
The relationship of each bar high/low relative to the previous bar



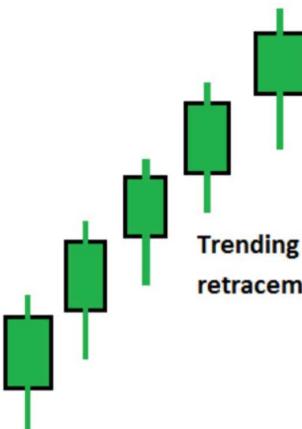
CANDLESTICK ANALYSIS

Step5: RELATIVE OR 2 CANDLE PRICE ACTION

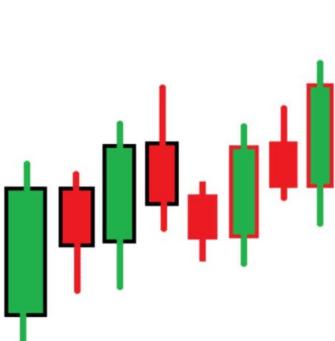
DIRECTION OF TREND WITH RESPECT TO CANDLE POSITION



A very strong trend
,strong buying pressure
and no selling pressure



Trending up with deep
retracement, sellers are present



Upside with choppy price
action.very weak buying
and sellers sowing
strength,buyers
struggling to upside



HEALTHY TREND
Good strength up bar and lack of sell bar in
down



market open and move
up and down with any
directional conviction



market open and move
between a very tight range
generally this types of price
action occure before
breakout

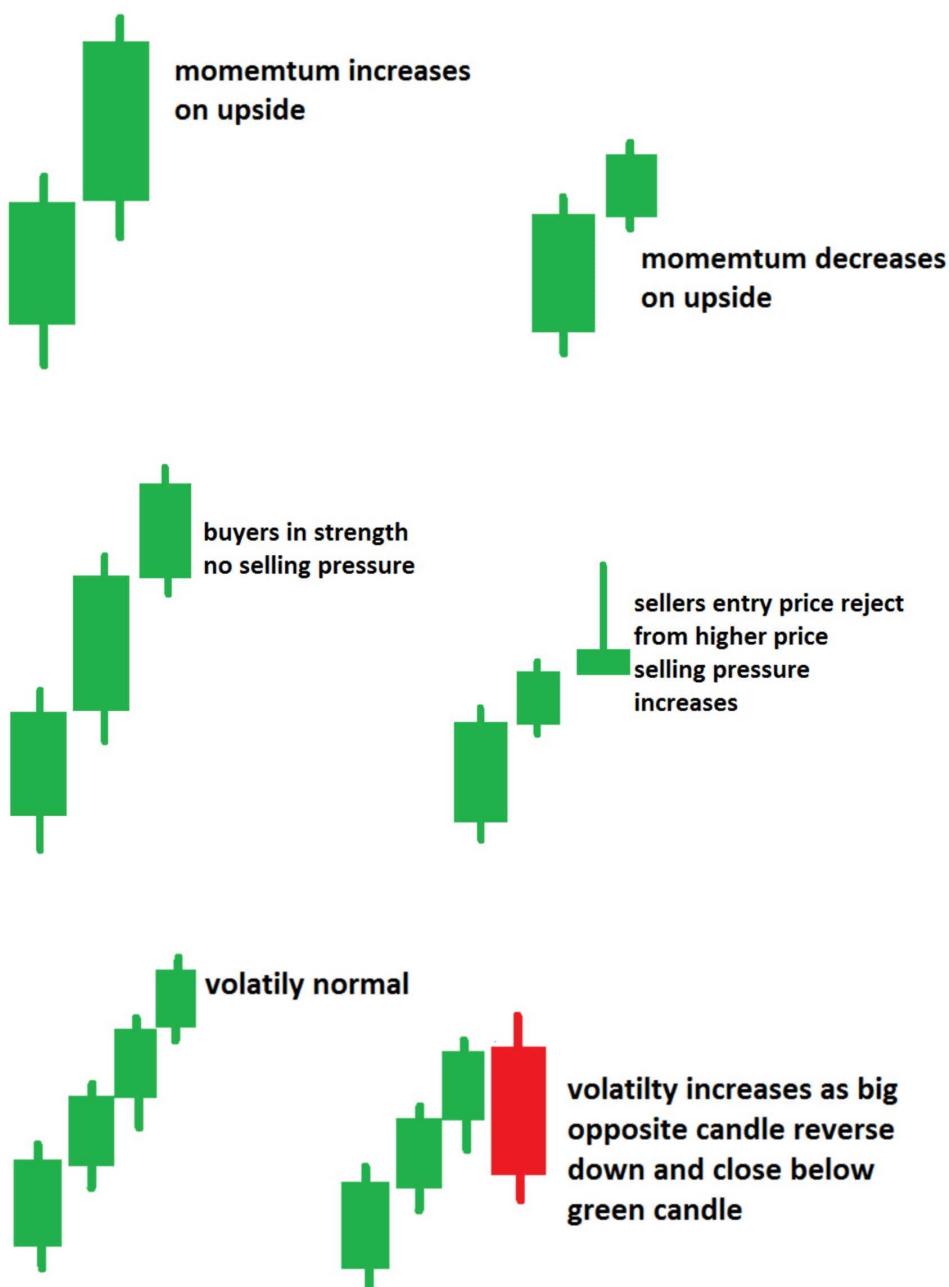
CANDLESTICK ANALYSIS

Step5: RELATIVE OR 2 CANDLE PRICE ACTION

Context or Background

CANDLESTICK should not be analyzed in a vacuum. A candlestick always must be analyzed in the context of what has happened in the past.

Context is what the current candlestick shows with respect to the previous candlestick



CANDLESTICK ANALYSIS

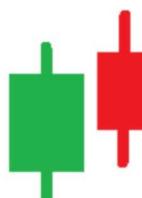
Step5: RELATIVE OR 2 CANDLE PRICE ACTION

TESTING PRICE LEVELS

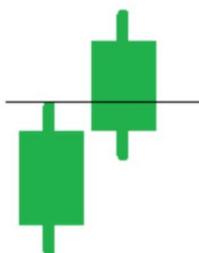
The concept of testing refers to the market moving towards a price level to “test” if the price level will accept/reject the market’s advances.



price gap down and drive below low of previous candle but reject from buyers and close above the open
sentiment=bullish



price gap up above close and test previous bar high and reject higher price close below open but within body of previous bar
sentiment= neutral



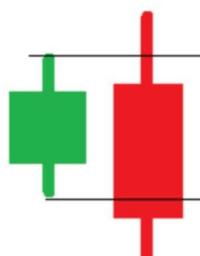
price open and drive up and close above the previous candle high
sentiment=strongly bullish



price gap down and drive below low of previous candle but reject from buyers and close above the open
sentiment=bullish



price gap up above close and test previous bar high and reject higher price close below open but within body of previous bar
sentiment= neutral

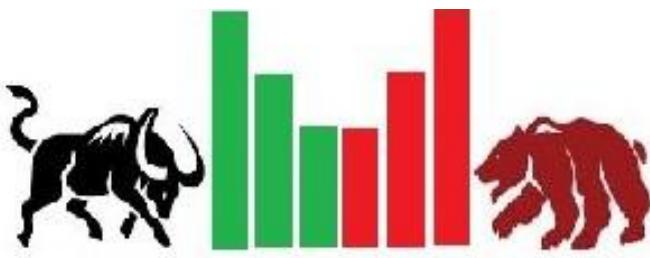


price test previous bar high but reject higher price and close below the low of previous candle
sentiment= bearish

Join me free and learn it All in one shot



WE ARE



@knowledgeofstockmarket