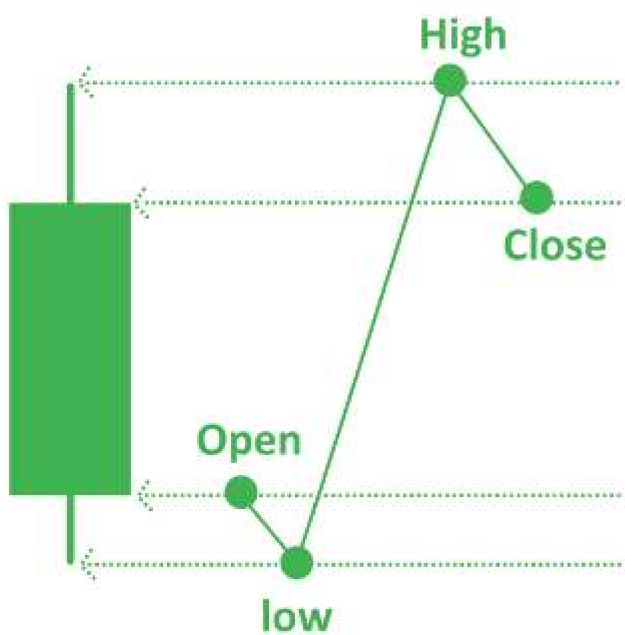
35 Most Important Candlestick Pattern



Aurthor: Muhammad Hamza Akhtar

https://innercircletrading.website/

INTRODUCTION

Candlestick is a tool used in technical analysis to represent the price movement of a stock, commodity, or currency. Most technical analysts use these candlesticks to identify potential price movements and trends in financial markets.

A candlestick pattern is formed by combining two or more candles. Most technical analysts use these patterns to determine their trading actions, Cause these candlestick patterns help predict where the price of an asset is headed in the future, making it a popular tool among most technical analysts.

In this pdf book, I discussed all 35 powerful candlestick patterns traders should know. However, before we check all that information, let's first go over some basic information about candlestick patterns, such as what it is, how to read them, and the various types available.

What are Japanese Candlestick Patterns?

Candlestick is a tool used in technical analysis to represent the price movement of a stock, commodity, or currency with open, close, high, and low.

They say it was founded in the 1700s when Japanese rice trader Honma Munehisa noticed a link between the price and the supply and demand of rice. Honma then developed a candlestick graph displaying the nature of price movements. These graphs were generated 100 years before the Western people developed point-and-figure charts and bar charts.

Every candlestick includes three different parts, which are as follows:

- Upper Shadow / Upper Wick
- Body
- Lower Shadow / Lower Wick

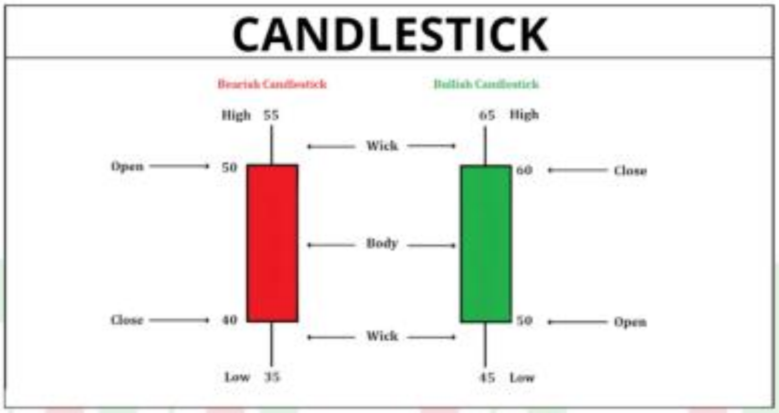
And also, one candlestick includes four points of data which are high, low, open, and close. The area between open and close is known as the body. The lines above and below the candle's body are called shadows or wicks. Wick above the body is used to indicate high made by price, and the wick below the body is used to indicate low made by price.

A Candlestick chart tells traders the price movement in a particular timeframe. A trader can see different candlesticks in [different time frames].

For example, if we look at the 15 minute candlestick chart, it shows the open, close, high, and low of that particular 15 minute candlestick chart.

Mostly red and green colors represent candlesticks, in which red represents the falling price, and the green represents the rising price.

See the picture below to understand it clearly.



Look carefully at the above picture, two candlesticks are shown in it, Bearish and Bullish.

If you look at the Bearish candlestick, it opened at 50 ₹, later made a High of 55 ₹ and fell down, then closed at 40 ₹ with a Low of 35 ₹.

And if you look at the bullish candlestick, it is a bit opposite, in this the candlestick opened at 50 ₹ from the bottom, later made a low of 45 ₹ and went up and made a high of 65 ₹ and closed at 60 ₹.

It is clear that the Bearish candlestick opens from the top and closes down, while the Bullish candlestick opens from the bottom and closes up. And in the same way you can easily get the price by reading the candlestick.

Types of candlestick patterns

These 35 candlestick patterns are divided into three different types:

1. Bullish Candlestick Patterns

Bullish Candlestick patterns are those that indicate up trending market. These candles are primarily shown in green color. These candles also work as reversal candles. That's why we can also call them bullish reversal patterns. If these candles are formed in an ongoing downtrend, the trend will change from down to up. So traders should be cautious about their selling positions when a bullish reversal pattern appears.

2. Bearish Candlestick Patterns

Bearish Candlestick patterns are those that indicate down trending market. These candles are primarily shown in red color. These candles also work as a reversal. That's why we can call them bearish reversal patterns.
If these candles are formed in an ongoing uptrend, the trend will change from down to up.

3. Continuation Candlestick Patterns

Continuation candlestick patterns continue the ongoing trend. for example, if an uptrend is going on and these candlestick patterns appear, they will continue the uptrend.

How to Trade With Candlestick Patterns?

Candlestick patterns are used for entry and exit in stocks, futures & options, currency, or other securities in the market. But the essential thing while trading with candlestick is the market trend, support or resistance. All these factors matter while trading on candlestick patterns.

Suppose, If you take a trade on a Bullish engulfing candlestick, which is established near the resistance level or at the top, it is probably about to fail, and your stop loss will get hit. But if there is a Bearish engulfing candlestick pattern and you enter it, then you will get your target, and trade will be winning.

So the levels also matter when following candlestick patterns, many people would recommend using them with indicators like EMA and other indicators, but I don't use indicators, so that is up to you. Also, remember that if your entry is correct, your exit will be correct, and you won't exit based on emotions like fear or greed.

Many traders typically wait for the closing of a candle to confirm their entry, which is considered a common approach. However, I prefer to enter the trade within 20 seconds of a candle closing. Because there are chances when price movements occur rapidly, and waiting until the candle closes may result in missing out on the ideal entry. By entering within the final moments of the candle, I aim to capture these rapid moves effectively.

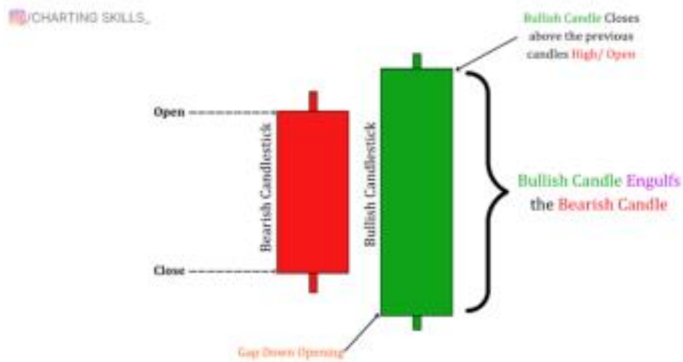
List of 35 Powerful Candlesticks Patterns

1. Bullish Engulfing

The bullish engulfing pattern forms when a green candle completely engulfs a bearish candle. More clearly, in this pattern green candle (bullish candle) completely covers the red candle (bearish candle).

Mostly bullish engulfing candlestick patterns don't have wicks, but sometimes a little wick is okay. No wick or little wick indicates the power of the bulls. The bigger the green candle, the healthier it is.

Bullish engulfing candles work smoothly in a downtrend. On this candle, traders can enter for buying position.
Example of the Bullish Engulfing candlestick pattern:



How price trend change when Bullish Engulfing Candle forms:

As the above chart image shows, the ongoing trend was a downtrend, and a bullish engulfing pattern appeared, and then the trend changed from down to up.

Read More about [The Bullish Engulfing Pattern: Definition, Formation, and Trading Strategies]

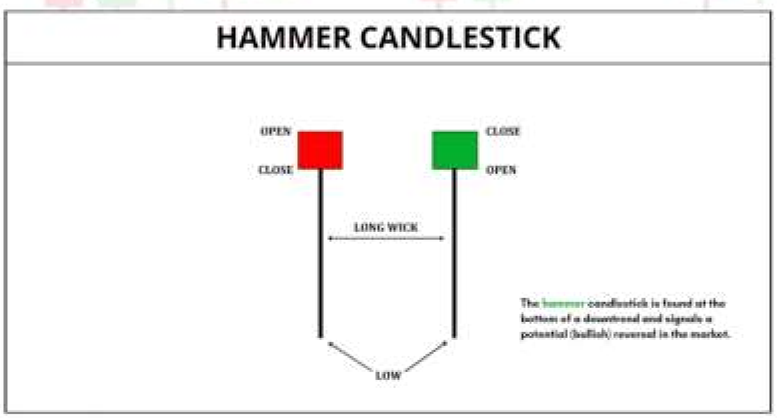
2. Hammer

The Hammer candle pattern is a single candlestick pattern. Hammer has a small body, and the lower wick size is at least twice the size of the body. And this candlestick has no upper wick, or sometimes it has a tiny upper wick which is okay.

The stock price must be in a downtrend before the hammer forms. The color of the body does not matter, although a green body is more powerful than a red one.

The hammer candle pattern indicates reversal, which means the downtrend is about to change to an uptrend.

The psychology behind hammer formation is that after open price, sellers try to push the price down, but suddenly buyers come into the market and push the price up, which shows that buyers are more powerful than sellers.
Example of the Hammer Candlestick Pattern:



How price trend change when Bullish Hammer Candle forms:

As the above chart image shows, the ongoing trend was a downtrend; at the bottom of the downtrend, a hammer candlestick appears, and then the trend changes from down to up.

3. Inverted Hammer

The inverted hammer is a single candlestick pattern. It has a small body, and the upper wick size is at least twice the size of the body. And this candlestick has no lower wick, or sometimes it has a tiny lower wick which is okay.

The stock price must be in a downtrend before the inverted hammer pattern forms. The color of the body does not matter, although a green body is more powerful than a red one.

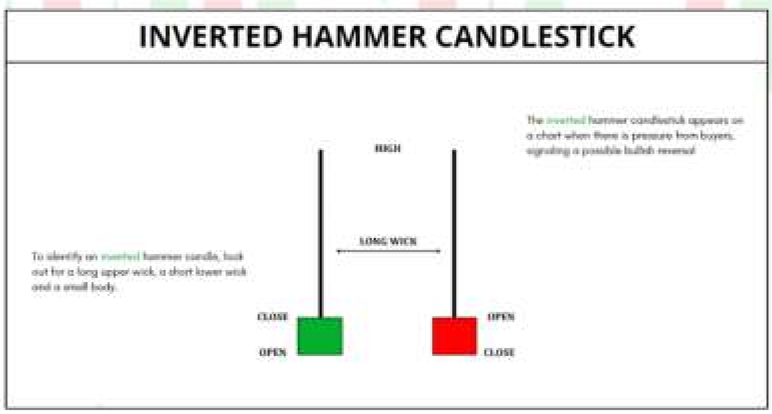
The inverted hammer candlestick pattern indicates a reversal. It means the ongoing downtrend is about to change from down to up.

The psychology behind the inverted hammer formation is that buyers try to push the price up after the open price, but sellers come and push the price down again. Still, it was unsuccessful as they could not close the price below the opening price, which shows the sellers are getting weak in the market and indicates a reversal in an ongoing downtrend.

As the name signifies, an inverted hammer is just another type of hammer; it is just a reverse hammer candle. The difference between an inverted hammer and a hammer is this is just an upside-down version of a hammer.

This candle mainly forms at the bottom of the downtrend and shows that bears are getting weaker and unable to close the price lower.

Example of the inverted hammer:



Example of the inverted hammer in a downtrend:

As the above chart image shows, the ongoing trend was a downtrend, and at the bottom of the downtrend, an inverted hammer candlestick appeared, and then the trend changed from down to up.

4. Morning Star Pattern

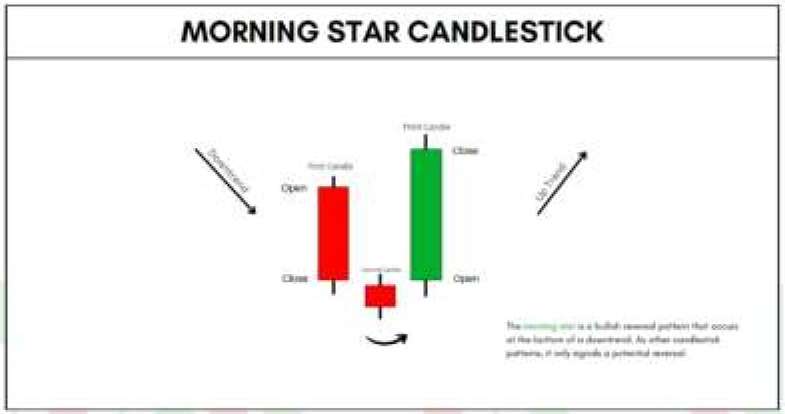
The Morning Star Pattern is a bullish reversal candlestick pattern. When the morning star candlestick pattern forms in a downtrend, it signals that the trend is about to reverse.

The morning star candlestick consists of 3 candles. The first is a bearish candle, the second is Doji, and the third is a bullish candle representing the buyers' power.

The psychology behind the morning star pattern is like this; the first candle shows the continuation of a downtrend. Then the second candle, the Doji candle, shows confusion between buyers and sellers, and the third candle shows that buyers are more powerful than sellers.

The morning star pattern works in a downtrend. And it can reverse the ongoing downtrend to an uptrend.

Example of the morning star candle pattern:



As the above image shows, the ongoing trend was a downtrend, and then at the bottom of the downtrend, a morning star candlestick appeared, and then the trend changed from down to up.

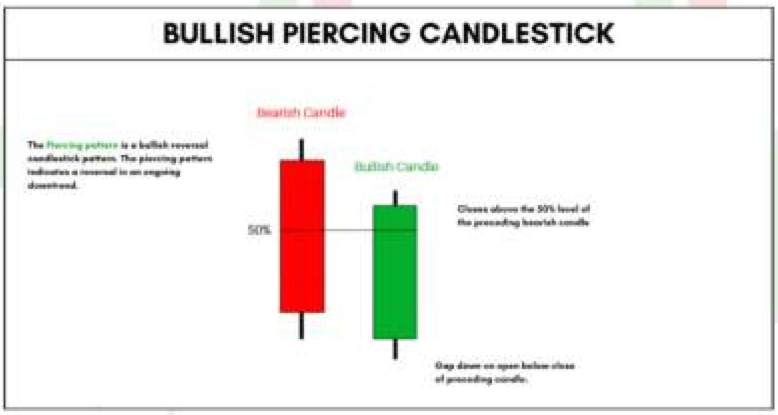
5. Piercing Pattern

The Piercing pattern is a bullish reversal candlestick pattern. The piercing pattern indicates a reversal in an ongoing downtrend, which means when this pattern appears in a continuous downtrend, the trend will change from down to up.

The Piercing pattern consists of two candles. The first candle is bearish, representing a continuation of the downtrend, and the next candle opens the gap down. Still, it covers the first bearish candle by more than 50%, which shows that bears are getting weaker in the downtrend, buyers are back, and the trend is about to change.

When this pattern forms in a downtrend, traders should be cautious about their selling positions or add new buying positions.

Example of the piercing candlestick pattern:



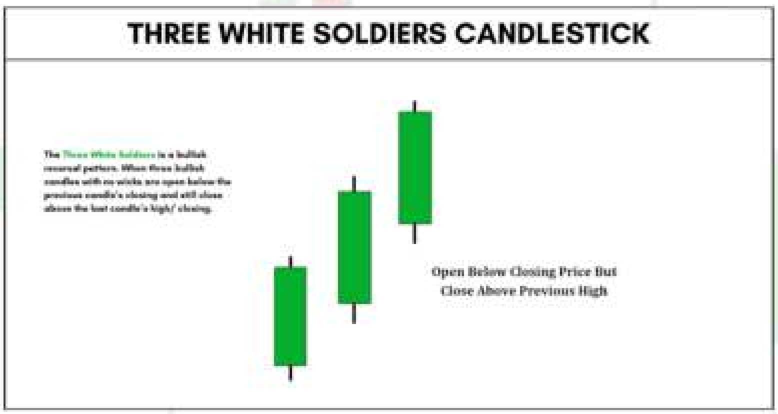
As the above image shows, there were first powerful bearish candle and then next candle opens gap down but still able to cover more than 50% of previous candle.

6. Three White Soldiers

The Three White Soldiers is a bullish reversal pattern. When this pattern appears in a downtrend, the trend reverses from down to up.

This pattern consists of three candlesticks, which don't have shadows or wicks. Three white soldiers' patterns form when three bullish candles with no wicks are open below the previous candle's closing and still close above the last candle's high/closing. Three white soldiers indicate that bulls are back in the market.

Example of the Three White Soldiers candlestick patterns:



7. Bullish Harami

The bullish harami is a bullish reversal candlestick pattern. A bullish harami pattern occurs in a downtrend and indicates that trend will change from down to up.

This pattern consists of two candlesticks, The first candle is bearish, and another is a small bullish candle that opens and closes inside the bearish candle.

The first red candle shows a continuation of the downtrend, and the second candle represents bulls returning in the market.
When this pattern appears, traders can take buying positions after the completion of this pattern.

Example of Bullish Harami Candlestick pattern:

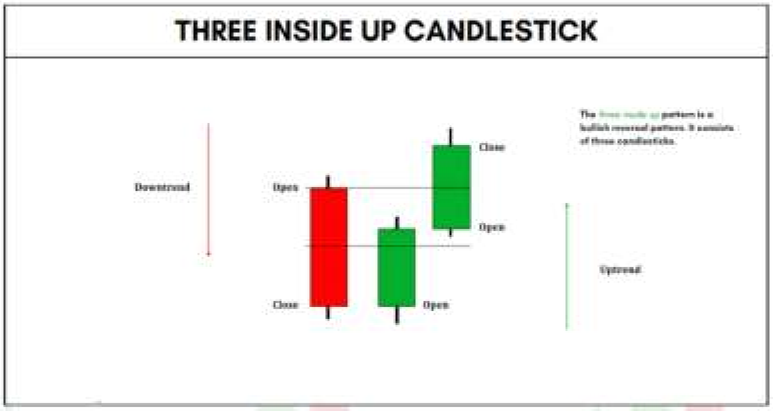
8. Three Inside Up Pattern

The three inside up pattern is a bullish reversal pattern. It appears in a downtrend and changes the trend from down to up.

The three inside up candlestick pattern consists of three candlesticks. The first bearish candle indicates a continuation of the downtrend, and the second candle opens and closes inside the first bearish candle. These two candlesticks are like a bullish harami candlestick pattern.

The third candle confirms the change in trend by closing above them. We can open buying positions after the completion of this pattern.

Example of Three inside up candlestick patterns:



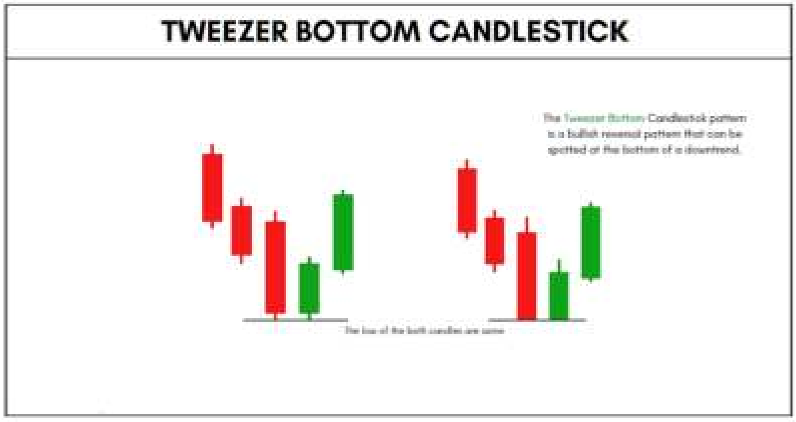
9. Tweezer Bottom

The tweezer bottom candlestick appears at the end of the downtrend. It is a bullish reversal candlestick.

The Tweezer Bottom pattern consists of two candlesticks. The first is a bearish candle, and the 2nd is a bullish candle. This candlestick is formed in the downtrend. And both candlesticks have the same low.

The first candle in this pattern indicates a continuation of an ongoing downtrend. But the next bullish candle's low suggests strong support at the first bearish candle closing, which signals that the downtrend could change to an uptrend.

Example of the Tweezer Bottom candlestick pattern:



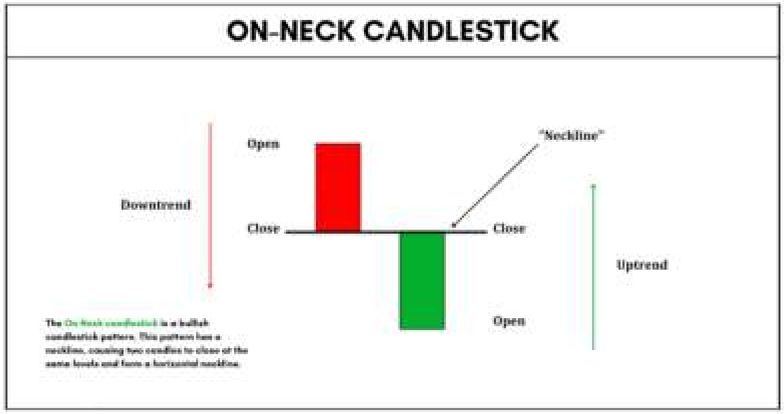
10. On-Neck Pattern

The On-Neck pattern is a bullish candlestick pattern. The on-neck pattern occurs in a downtrend and shows that bulls are getting powerful enough and can change the trend from down to up.

This candlestick pattern is made up of two candles. The first is a bearish candle, and the 2nd is a bullish candle that opens a gap down but closes at the level of the previous bearish candle.

This pattern has a neckline, causing two candles to close at the same levels and form a horizontal neckline.

Example of the on-neck candlestick pattern:

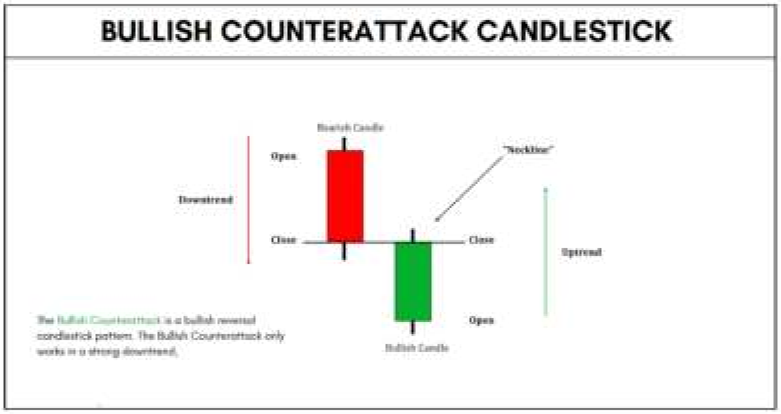


11. Bullish Counterattack

The Bullish Counterattack is a bullish reversal candlestick pattern. This pattern consists of two candlesticks in which the first candle is bearish, and after that price opens a gap down but closes near or above the previous candles closing. The pattern indicates that bears are getting weaker in the ongoing downtrend and cannot push prices lower.

The Bullish Counterattack only works in a strong downtrend. And this pattern indicates the downtrend will reverse, and a new uptrend will begin soon.

Example of the Bullish Counterattack candlestick pattern:



12. Three Outside Up

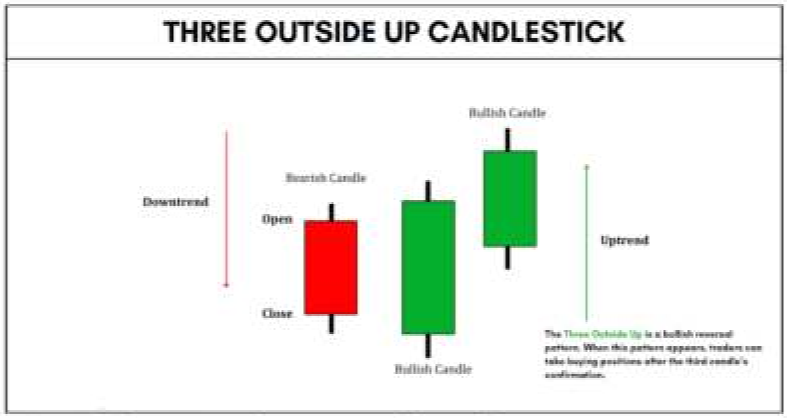
The Three Outside Up is a bullish reversal pattern. This pattern occurs in a downtrend and indicates that trend will change from down to up.

The three-outside-up pattern consists of three candlesticks. The first candle is a short bearish candle. The second is a healthy bullish candlestick bigger than the bearish candle, which covers the first candle, so it's like a bullish engulfing pattern.

And the last candlestick is also a healthy bullish candlestick confirming the previous two candles by closing above them.

When this pattern appears, traders can take buying positions after the third candle's confirmation.

Example of the Three Outside Up candlestick pattern:

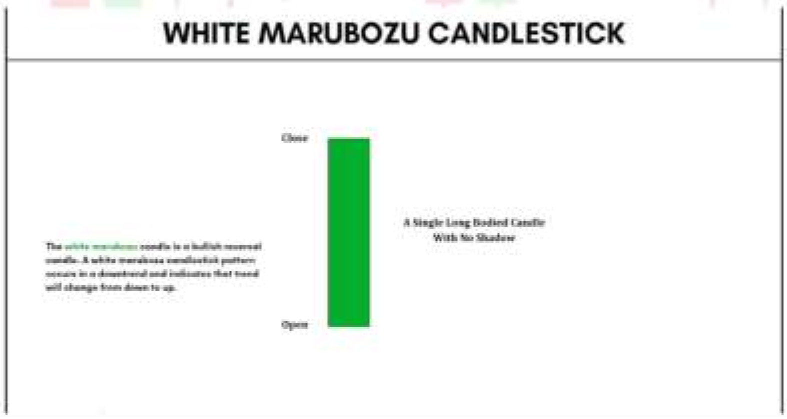


13. White Marubozu candlestick

The white marubozu candle is a bullish reversal candle. A white marubozu candlestick pattern occurs in a downtrend and indicates that trend will change from down to up.

The White Marubozu candle is a healthy bullish candlestick with no upper or lower wicks. This candle represents increasing buying pressure in the market, and bears are getting weaker, so they can't even be able to let the price low anymore.

Example of White Marubozu Candlestick pattern:



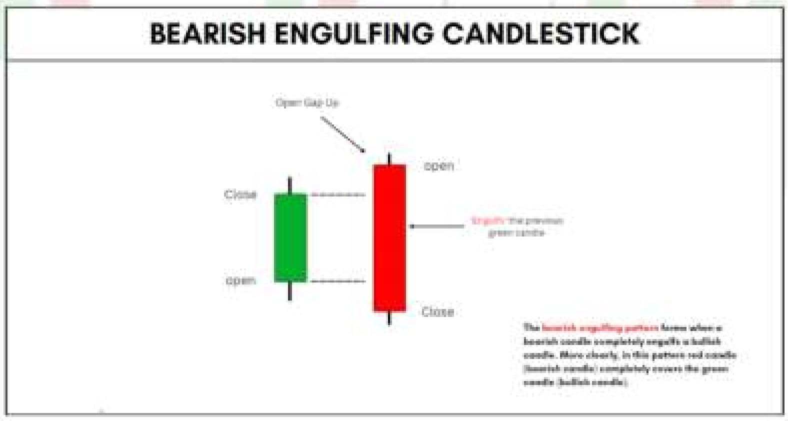
14. Bearish Engulfing

The bearish engulfing pattern forms when a bearish candle completely engulfs a bullish candle. More clearly, in this pattern red candle (bearish candle) completely covers the green candle (bullish candle).

Mostly bearish engulfing candlestick patterns don't have wicks, but sometimes a little wick is okay. No wick or little wick indicates the power of the bears. The bigger the red candle, the healthier it is.

Bearish engulfing candles work smoothly in an uptrend. On this candle, traders can exit buying positions or short the stock or security.

Example of the bearish engulfing candlestick pattern:



As the above image shows, there were first powerful bullish candle and then next candle opens gap up and cover the entire bullish candle(engulfs).

15. Hanging Man

The Hanging Man candlestick pattern is a single candlestick pattern. The hanging man pattern has a small body, and the lower wick size is at least twice the size of the body. And this candlestick has no upper wick, or sometimes it has a tiny upper wick which is okay.

The price must be in an uptrend before the hanging man candlestick forms. The color of the body does not matter, although a red body is more powerful than a green one.

The Hanging man candlestick pattern indicates a reversal in the ongoing uptrend means the uptrend will change from up to down.

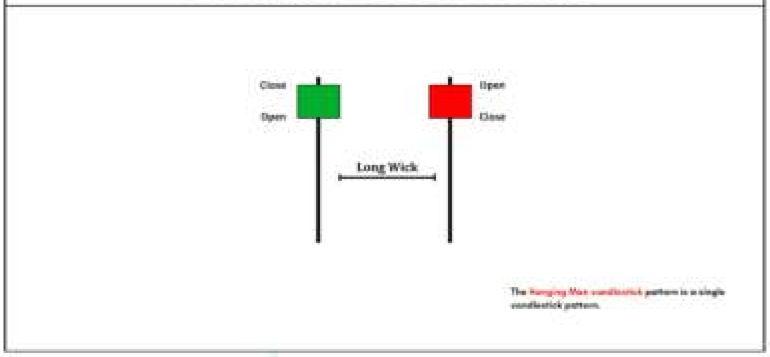
The psychology behind the hanging man candlestick formation is that after the opening price, sellers try to push the price down, but buyers come and push the price up again. Still, it was unsuccessful, as they could not close the price above the opening price. And this shows the buyers are getting weak in the market and indicates a reversal in the ongoing uptrend.

This is just a hammer candle called hanging man due to its location at the top of the uptrend because it looks like a hanging man, that's why.

This candle at the top of an uptrend shows that bulls are getting weaker and unable to close the price higher.

Example of the Hanging man candlestick pattern:

HANGING MAN CANDLESTICK



As shown in the image, the hanging man candle has a long wick and a small body.

16. Shooting Star

The Shooting Star candlestick is a single candlestick pattern. It has a small body, and the upper wick size is at least twice the size of the body. And this candlestick has no lower wick, or sometimes it has a tiny lower wick which is okay.

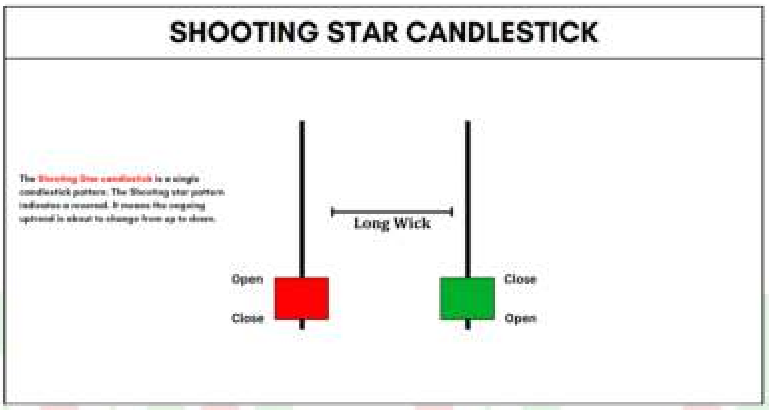
The price must be in an uptrend before the shooting star candlestick forms. The color of the body does not matter, although a red body is more powerful than a green one.

The Shooting star pattern indicates a reversal. It means the ongoing uptrend is about to change from up to down.

This is just an inverted hammer candle called a shooting star. It got its name because it looks like a shooting star, and it's located at the top of the uptrend.

This candle mainly forms at the top of an uptrend and shows that bulls are getting weaker and unable to close the price higher.

Example of the Shooting Star candlestick pattern:



17. Evening star pattern

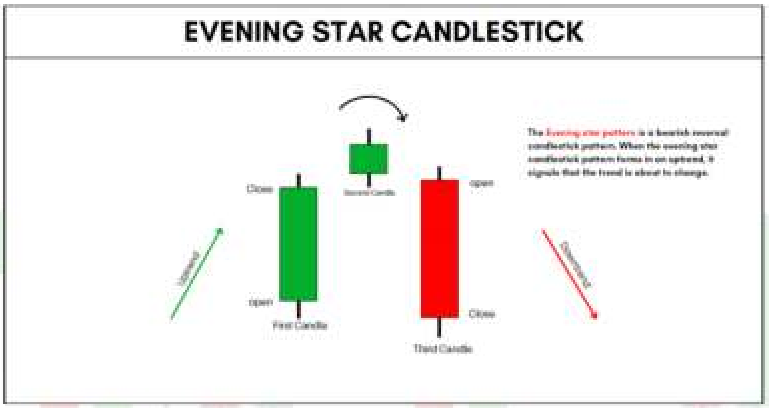
The Evening star pattern is a bearish reversal candlestick pattern. When the evening star candlestick pattern forms in an uptrend, it signals that the trend is about to change.

The evening star candlestick consists of 3 candles. The first is a bullish candle, the second is Doji, and the third is a bearish candle representing the sellers' power.

The psychology behind the evening star pattern is like this; The first candle shows the continuation of an uptrend. Then the second candle, the Doji candle, shows confusion between sellers and buyers, and the third candle shows that sellers are more powerful than buyers.

The evening star pattern works in an uptrend. And it can reverse the ongoing uptrend to a downtrend.

Example of the evening star candle pattern:



As the above chart image shows, the ongoing trend was an uptrend, and then at the top of the uptrend, an evening star candlestick appeared, and then the trend changed from up to down.

18. Dark cloud cover pattern

The Dark Cloud Cover pattern is a bearish reversal candlestick pattern. The Dark Cloud Cover indicates a reversal in an ongoing uptrend, which means when this pattern appears in a continuous

19. Three Black Crows

The Three Black Crows is a bearish reversal pattern; when this pattern appears in an uptrend, the trend reversal from up to down.

This pattern consists of three candlesticks, which don't have shadows or wicks. Three black crows pattern form when three bearish candles with no wicks are open above the previous candle's closing and still close below the last candle's low/ closing. Three black crows indicate that bears are back in the market.

Example of the Three Black Crows:

20. Bearish Harami

The bearish harami is a bearish reversal pattern. A bearish harami pattern occurs in an uptrend and indicates that trend will change from up to down.

This pattern consists of two candlesticks, The first candle is bullish, and another is a small bearish candle that opens and closes inside the bullish candle.

When this pattern appears, traders can take selling positions after the completion of this pattern.

Example of Bearish Harami candlestick pattern:

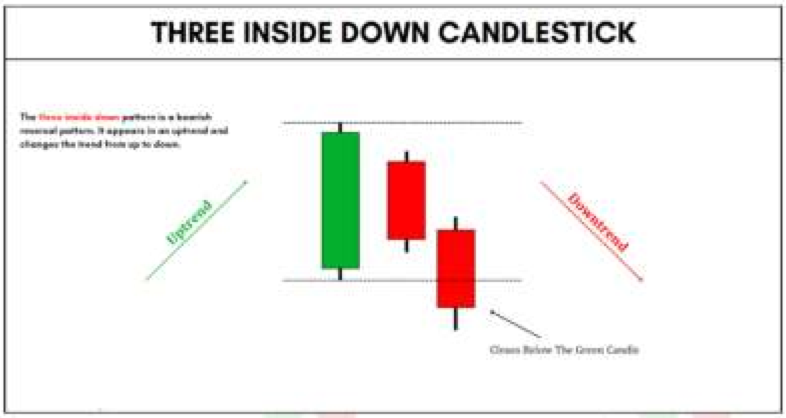
21. Three Inside Down

The three inside down pattern is a bearish reversal pattern. It appears in an uptrend and changes the trend from up to down.

The three inside down candlestick pattern consists of three candlesticks. The first bullish candle indicates a continuation of the uptrend, and the second candle opens and closes inside the first bullish candle. These two candlesticks are like a bearish harami candlestick pattern.

The third candle confirms the change in trend by closing below them. We can open selling positions after the completion of this pattern.

Example of Three inside-down candlestick patterns:



22. Tweezer Top

It is a bearish reversal pattern formed at the top of an uptrend.

The tweezer top consists of two candlesticks. The first is a bullish candle, and the other is a bearish candlestick pattern. Both these candles have the same high.

When a tweezer top candlestick pattern occurs in an ongoing uptrend, the first bullish candlestick shows a continuation of the uptrend. And the next bearish candle opens where the previous candles close and high was. It exhibits strong resistance at that level as the price cannot close above it.

Example of a tweezer top candlestick pattern:

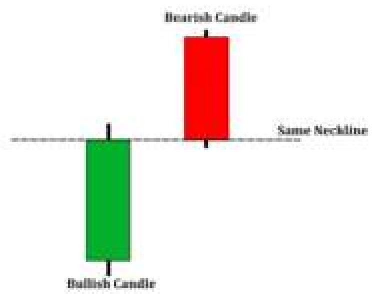
23. Bearish Counterattack Pattern

The Bearish Counter is a bearish reversal candlestick pattern. This pattern consists of two candlesticks in which the first candle is bullish, and after that price opens a gap up but closes near or below the previous candle closing. The pattern indicates that bulls are getting weak in the ongoing uptrend and cannot push prices higher.

The bearish counterattack only works in a strong uptrend. And this pattern indicates the uptrend will reverse, and a new downtrend will begin soon.

Example of the bearish counterattack candlestick pattern:

BEARISH COUNTERATTACK CANDLESTICK



24. Three Outside Down

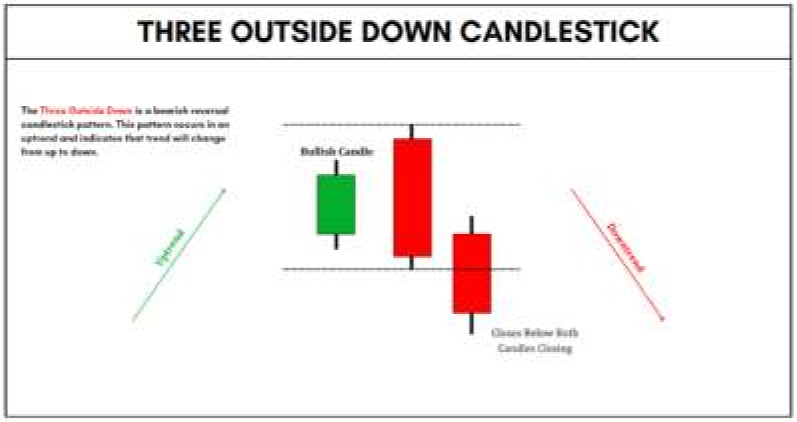
The Three Outside Down is a bearish reversal candlestick pattern. This pattern occurs in an uptrend and indicates that trend will change from up to down.

The three outside down pattern consists of three candlesticks. The first candle is a short bullish candle. The second is a healthy bearish candlestick bigger than the bullish candle, which covers the first candle, so it's like a bearish engulfing pattern.

And the last candlestick is also a healthy candlestick confirming the previous two candles by closing below them.

Traders can take selling positions after the third candle confirmation when this pattern appears.

Example of Three inside down candlestick patterns:



25. Black Marubozu

The black marubozu candle is a bearish reversal candle. A black marubozu candlestick pattern occurs in an uptrend and indicates that trend will change from up to down.

The Black Marubozu candle is a healthy bearish candlestick with no upper or lower wicks. This candle represents increasing selling pressure in the market, and bulls are getting weaker, so they can't even be able to let the price high anymore.

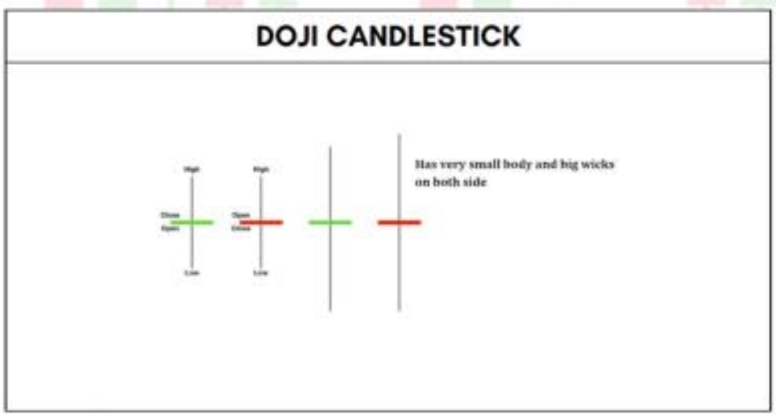
Example of black marubozu candlestick pattern:

26. Doji

Doji candlestick shows indecisiveness among buyers and sellers. This candle opens and closes on the same level, which creates confusion among traders.

It is formed when buyers and sellers try to control prices, but nobody can do so. Ultimately, this led to indecision in the market, and Doji formed.

Example of Doji candle pattern:



27. Falling three methods
This bearish candlestick pattern consists of five candles. The falling three methods continue the ongoing downtrend.

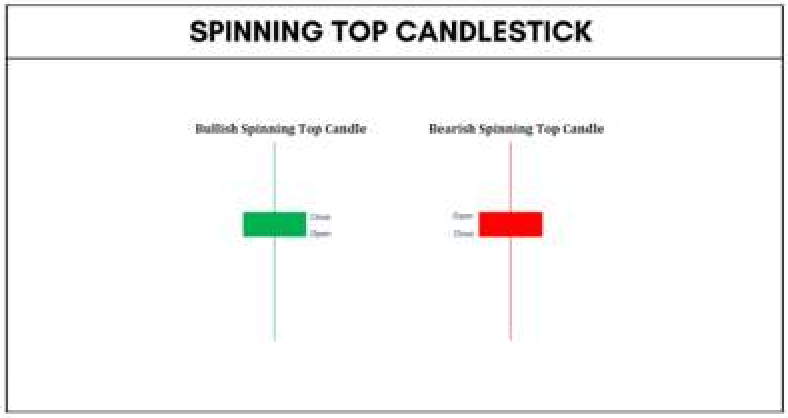
This candlestick pattern is made of five candles, two healthy bearish candles containing three shorter candlesticks inside them.

Example of falling three methods pattern:

28. Spinning Top
The spinning top is also like Doji. It indicates indecision among traders.

The spinning top candlestick pattern is a little different than normal Doji. It has a little body, and Doji doesn't have a body.

Example of spinning top candlestick pattern:



29. High Wave

The high wave candlestick is an indecision candle pattern. The High wave candle shows that neither bulls nor bears are in power in the market.

The High wave candlestick pattern mostly gets formed near the support or resistance level, where bulls and bears try to push the price in their own direction.

The High wave candlestick pattern has a long upper wick and a long lower wick with a small body. These long wicks indicate a rapid price movement within the given timeframe. In the end, nobody can take the price in their direction, and the price is close to the opening price and form a small body with long upper and long lower wicks.

30. Rising Three Methods

As there are falling three methods, there are also rising three methods.

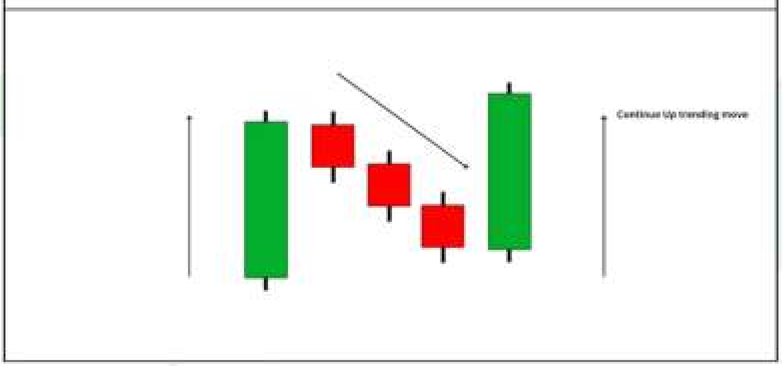
Rising three methods is a bullish pattern consisting of five candles. This pattern signals interruption but does not affect the ongoing uptrend.

The Rising three methods consist of five candles in which the left and right-sided candles are bullish, and three little bearish candles form between them.

The rising three methods pattern is an excellent signal to bulls as bears still don't have enough power to change the trend.

Example of the rising three methods pattern:

RISING THREE METHODS CANDLESTICK

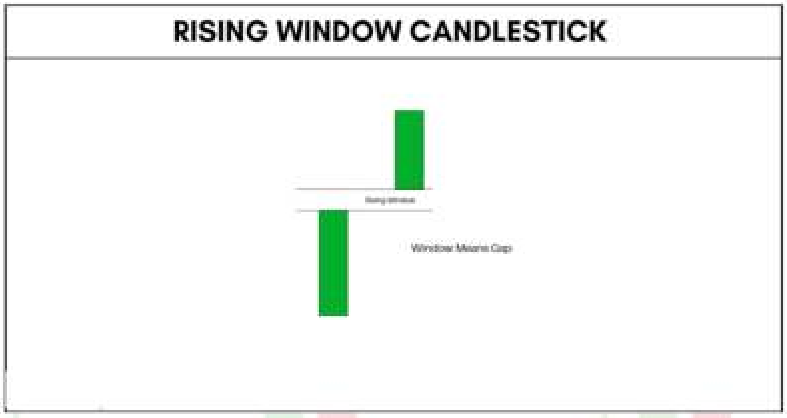


31. Rising Window

The rising window candlestick pattern indicates a continuation of the uptrend.

The rising window candlestick pattern consists of two candles, and there is a gap between them due to high volatility in the market. The rising window is a trend continuation candlestick pattern, indicating that bulls are influential in the market.

Example of a Rising Window candlestick pattern:



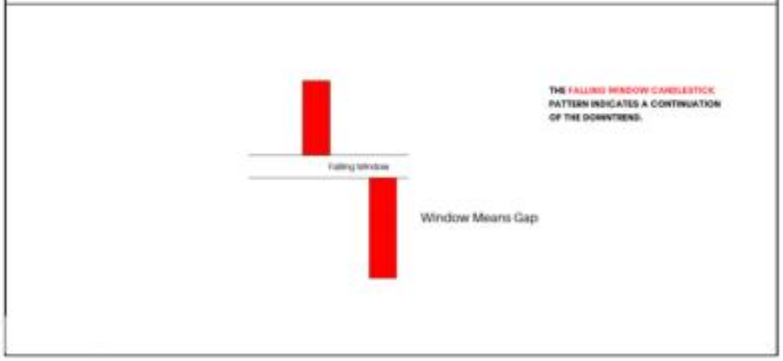
32. Falling Window

The falling window candlestick pattern indicates a continuation of the downtrend.

The falling window candlestick pattern consists of two candles, and there is a gap between them due to high volatility in the market. The falling window is a trend continuation candlestick pattern, indicating that bears are influential in the market.

Example of a Falling window candlestick pattern:

FALLING WINDOW CANDLESTICK



33. Upside Tasuki Gap

As the name suggests, Upside Tasuki Gap is a bullish continuation candlestick pattern that appears in an ongoing uptrend.

The Upside Tasuki gap consists of three candles. The first and second are strong bullish candles, and the third candlestick is a bearish candle that closes between the gap formed by the previous two candles.

34. Downside Tasuki Gap

The Downside Tasuki Gap is opposite the Upside Tasuki Gap. Downside Tasuki Gap is a bearish continuation candlestick pattern that appears in an ongoing downtrend.

The Downside Tasuki Gap consists of three candles. The first and second are strong bearish candles, and the third candlestick is a bullish candle that closes between the gap formed by the previous two candles.

35. Mat Hold
The mat holds a candlestick pattern indicating the continuation of an ongoing trend. So if this pattern forms in an uptrend, then it shows a continuation of the uptrend and vice-versa for the downtrend.

This candlestick pattern consists of five candles. It could be a bearish pattern or a bullish pattern.

Conclusion
All the candlestick discussed above is another tool used by many technical analysts. The trader should not only rely on them for trading in the market. These candlestick patterns work perfectly at perfect locations or trends only, so before using them, check all other factors too.

Nothing is 100% guaranteed in stocks, forex, or any market, so these candlesticks don't need to work every time. These candlesticks can sometimes produce false signals as well. In that case, use other factors to make your trading decisions.

I hope you found this article informative and that it will be helpful to you in your trading.

I'm Muhammad Hamza, the creator and the owner of this pdf guide .With over 2.5 years of Forex trading experience and a strong background in computer science, I have developed a trading approach that combines supply and demand methods with Inner Circle Trader (ICT) concepts. This powerful combination has allowed me to achieve exceptional results in the Forex market.

Knowledge sharing plays a pivotal role in the growth and success of individuals and communities, especially in fields like forex trading. As an ICT student and a Lecturer in Computer Science, I recognize the importance of sharing knowledge and insights to empower fellow traders.

By sharing the knowledge gained from my ICT journey and other valuable insights, I aim to help traders navigate the complexities of the forex market and make informed decisions.

At www.innercircletrading.website, you'll find simplified explanations, practical examples, and educational resources that cater to traders of all levels. From understanding support, resistance, and supply and demand to exploring advanced ICT concepts, our blog covers it all.

Join our trading community and discover a supportive environment where you can enhance your trading skills and navigate the forex market with confidence. Let's embark on this journey together and unlock the potential of forex trading.

Begin your forex trading journey with me at https://innercircletrading.websitelet's achieve financial success through the power of knowledge and experience.

hamzaakhtar