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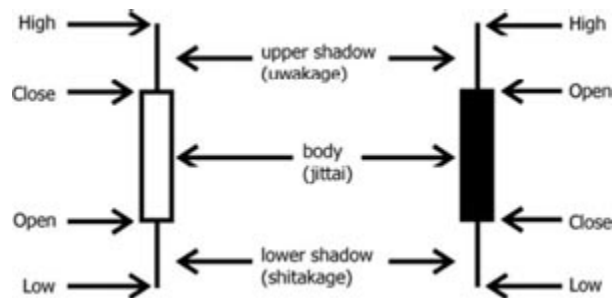
# Candlestick Patterns



## **Overview**

Candlestick charting was popularized in Japan and has received world wide recognition. Each candlestick is composed of four values, the high, low, open and close. The advantage to this form of charting is that it provides more visual information about the trading day as well as many trading signals to help decision making. The body of the candlestick (or jittai) is the open and the close of the trading day. The high and the low of the day create the upper and lower shadows of the main candle body.

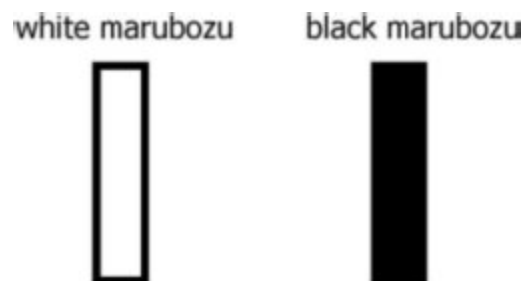
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(Most charting programs will allow you to use other colors in the bar, typically green for white candle and red for black)

## Types of Candles

With candlestick charting, there is quite a lot of terminology and meaning towards the types of patterns encountered. Significance is given to the size of the shadows, the size of the candles as well as the pattern the candles form



A **marubozu**, or "shaved head", is a candlestick with no shadows. This is where the open and close prices are similar to the high and low



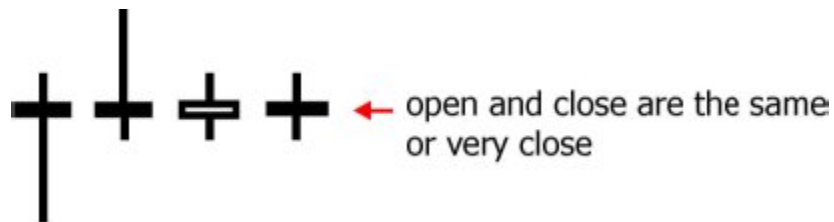
An **opening bozu** in a white candlestick is when there is no lower shadow (opens at the low) and

in the case of the black candlestick an opening bozu has no upper shadow (opens at the high).



A **closing bozo** in a white candlestick is when there is no upper shadow (it closes at the high) and in a black candle a closing bozo is when there is no lower shadow (it closes at the low).

### Doji



A **Doji** candlestick is one of the more common candlesticks. The Doji signifies a balance of buyers and sellers and shows an indecisiveness in the price. Doji's are not very significant by themselves, but if a Doji occurs after a large candle a stronger signal is generated (see bullish and bearish patterns).

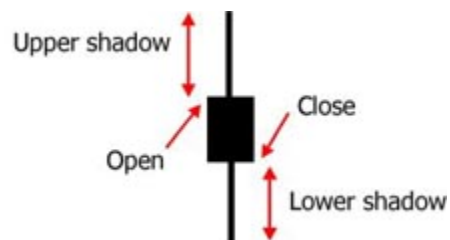
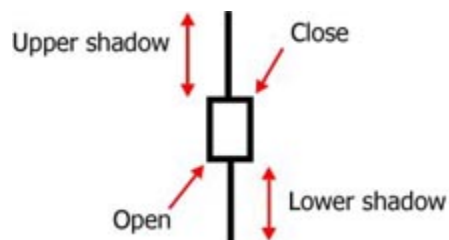
### Size of Candles

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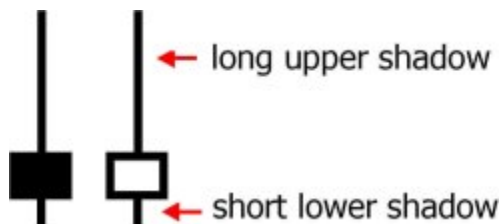


The size of the candlestick gives the trader an indication of buying (white candle) or selling (black candle) pressure. The larger the candle, the more buying and selling pressure, short candlesticks on the other hand represent a period of consolidation and weak buying or selling pressure.

### Size of Shadows



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Upper shadows represent buyer action which pushes the price up. Lower shadows represent seller action which pushes the price down. The size of the shadows tells us the amount of price action that occurred during the day as well as the activity of buyers and sellers. Short shadows show a balance of buyers and sellers (a consolidation).

If both shadows are short (as well as the candle), this represents a weak trading day where prices had little movement. This shows a balance of sellers and buyers. If there is low volume with a short small candle, this shows a weak market day.

Candles with a long upper shadow and a small lower shadow represent a trading day where the buyers forced the price up during the trading day but sellers later won.

Candles with long lower shadows and small upper shadows signify that the sellers dominated the opening while the buyers pushed the price up at the end of the session.

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## "Wait and See" Candlestick Patterns

Certain signals give the trader an indication of a weak market or period of consolidation, these patterns are referred to as wait and see patterns. Avoiding these situations can help traders avoid unnecessary exposure until a clear trend has formed.

### **Komas or spinning top**

This pattern refers to the idea that "the trend is not quite sure where to go". In this pattern the price did not move much and therefore shows a period of indecision/consolidation. Buyer and seller activity was equally matched throughout the trading day and neither the buyers or sellers have established a trend.



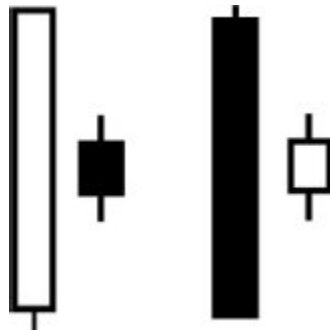
### **Tonbo or dragonfly**

This indicates a sign of trend reversal, yet it still may move either way. The tonbo or dragonfly differ from the hangman and hammer in that the open and close are the same. In a hammer or hangman there is a candle body.



! The tonbo or dragonfly differ from the hangman and hammer in that the open and close are the same

### **Harami candlestick**

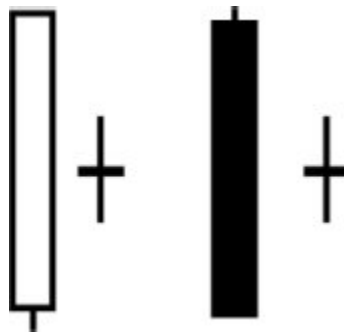


! This pattern is often mistaken for an engulfing pattern but it is important to note the order of the candles.

### **Haramiyose candlestick**

This two day pattern is similar to the harami, except it indicates a reverse in trend. The first day opens with a tall candle of either color, the second day a doji candlestick appears. The doji in this case opens at a different price from the previous day's close.

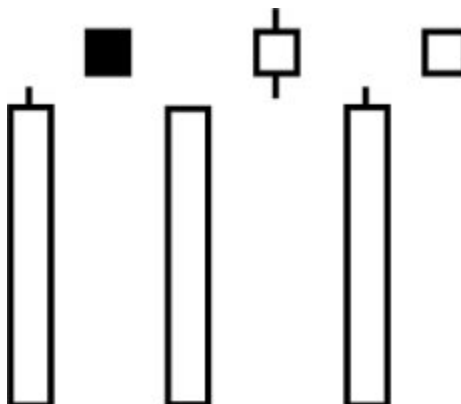
The reasoning to wait when this signal occurs is that the market is unsure of where to go. The third candle will help us confirm



### **Hoshi (star) candlestick**

The hoshi pattern has the same candlesticks as the Harami pattern, except that the second candle gaps up.

Waiting after this pattern is prudent since there should be a short correction to help fill the gap.



### **Shooting Star**

In the case of a shooting star, it is identical to the hoshi except it has a long upper shadow. It also

signifies a "wait and see" situation.



Waiting after this pattern is prudent since there should be a short correction to help fill the gap.

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## Bullish Candlestick Patterns

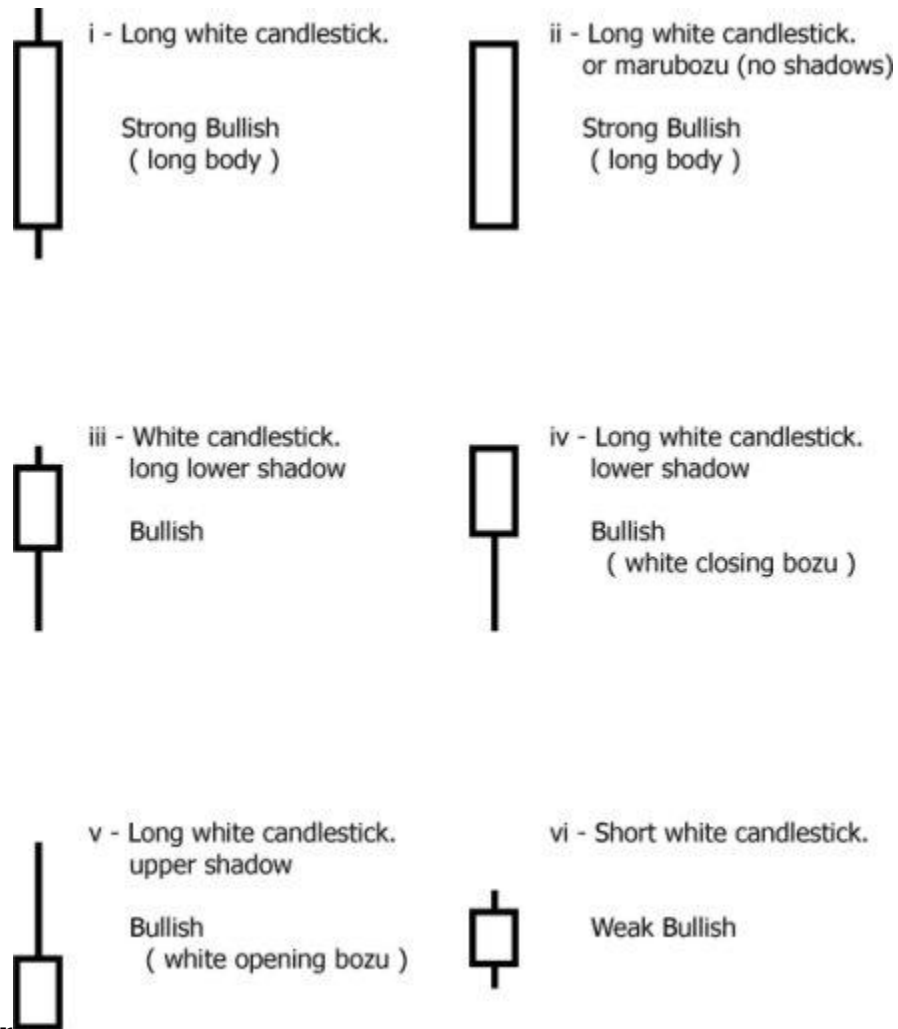
### Single day bullish patterns

For the most part, daily candlestick reversal patterns are quite subjective with the exception of the "*long-legged shadows' Doji*" and the "*hangman and hammer*" which are more commonly used and provide more significance to the trader

### **Yo-Sen (single white candle)**

#### **Reliability Rating: Very Low**

The easiest type of signal is the single white candlestick (yo-sen). The longer the body (jittai) the more bullish is the candle



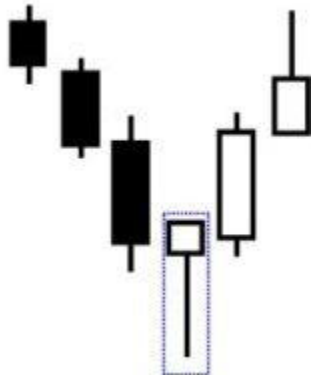
## The Hammer

### Reliability Rating: low/moderate

The Hammer, consists of a small body (either color) with a very long lower shadow. This pattern is typically found at the top or bottoms of trends. When the pattern occurs at the top of a up trend it is called a hangman (when it is found at the bottom of a down trend it is called a hammer).



The hammer can be either a black or a white candle.



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## Bullish Candlestick Patterns

Two day bullish patterns

**Bullish Doji**

**Reliability Rating: moderate**



A bullish Doji starts with a large black candle and then a down gapping Doji.

Since on the second day is trades within a small range, it shows many positions have changed and potential for a reversal.

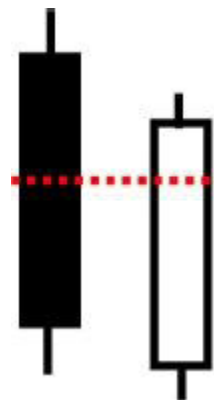
Waiting for the next day to open into a white candle would be prudent to confirm the trend however when the bullish Doji occurs it is worthwhile having a look.



### **Kirikomi or Kirihaeshi or Piercing Line candlestick pattern**

**Reliability Rating: Low/moderate**

This two day candlestick opens with a black marubozu candlestick and is followed by a kirikomi candlestick ( a kirikomi candlestick is a marubozu candlestick which has opened lower than the previous low and closes above the 50% level, but below the black marubozu's opening price.)



The first candle shows a down. On the second day, the candle opens lower than the previous day's low. This creates an "overnight price gap". Typically the pattern does not weaken further (if it does it's marginal), the market then fills the gap. By closing above the 50% level, the kirikomi candlestick is considered a strong bullish signal.

### **Bullish Belt Hold**

**Reliability Rating: Low**

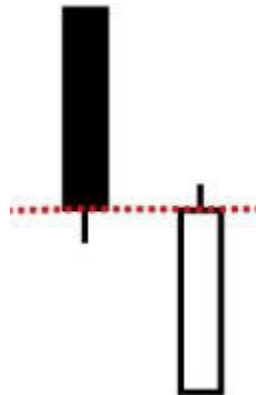


The bullish belt hold pattern is when a white candle occurs in a downtrend with no lower shadow and opens at a new low. This pattern shows a rally from the buyers towards the end of the trading session and gives some indication of a potential trend reversal.

### **Bullish Meeting Lines**

#### **Reliability Rating: Moderate**

The first candle in this pattern is a black candle, the second day a white candle gaps open with a lower body closes at the same price as the previous black candle. This signifies that the price has hit resistance and a short uptrend should ensue.

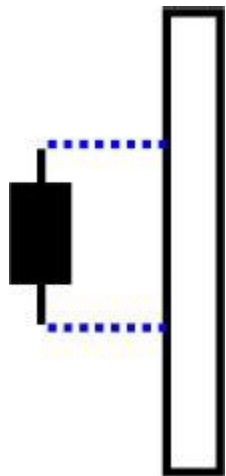


### **Bullish Kicking Pattern**

#### **Reliability Rating: High**

This pattern consists of a black marabuzo followed by a gapped up white marabuzo

This pattern composes of "*a second day long white candlestick that opens lower and closes higher than the preceding small black body.*"



The name comes from the idea that the white candle "engulfs" the black candle. This can also be known as a "bullish key reversal" and is a signal to reverse and go bullish.

It is common to see a neutral period follow this pattern since it takes time for the market to react to the large one day movement.

### Bullish Tasuki Candlestick

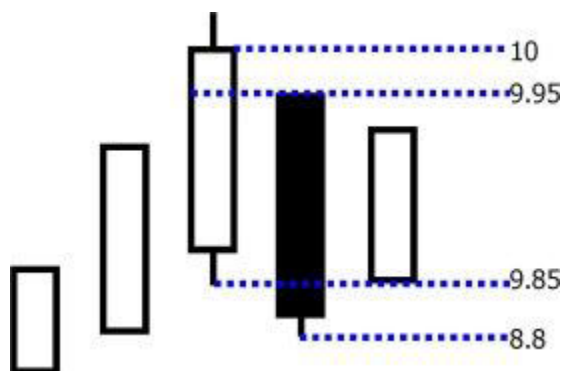
#### Reliability Rating: Low

The bullish tasuki candlestick comprises of *"a long black candlestick that opens within the range of the previous day's long white body, and closes marginally below the previous day's low"*.

(Candlesticks do not have to have long bodies if the two days ranges are about the same size).

The second day of the formation, the candle opens lower than the previous close. (This black candle occurs in an otherwise uptrending market). This move can be interpreted as profit taking.

At this point, the profit taking during an uptrend where the bullish tasuki occurs.



## Upside Gap Tasuki Candlestick

### Reliability Rating: Moderate

The upside gap tasuki is "a second day black candle that closes an overnight gap opened on the previous day by a white candle."



The pattern is similar to a common gap. It provides a short term opportunity to sell to fill the gap. The filling of the upside gap is an indication that the uptrend will resume

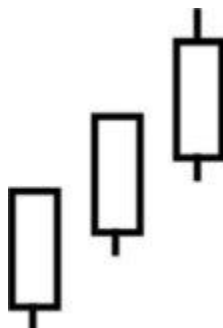
## Bullish Candlestick Patterns

### Three day bullish patterns

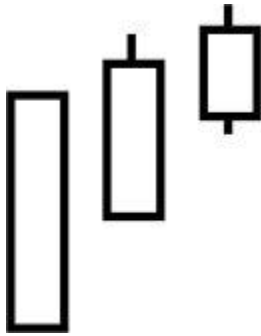
#### Bullish Sanpei (three parallel candlesticks / three soldiers)

### Reliability Rating: high

This pattern is intended to signal either a trend reversal or the trend continuation. It consists of three white candlesticks of similar increments and size. It signifies a continuation of the trend.



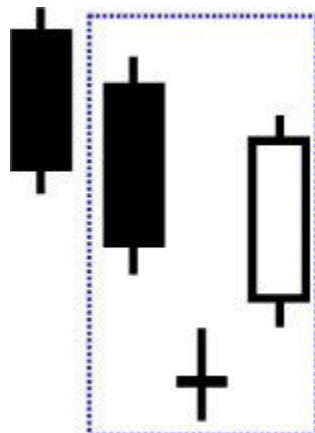
If the second and third day candlesticks open at or above the midrange of the previous day, this signifies that the trend will continue.



### Three River Morning Doji Star

**Reliability Rating: High**

This pattern start with a long black candle (part of a downtrend), it is followed by a gap down doji and finally on the third day a white candle is formed with a gap up.



This pattern shows a potential rally. Many positions have changed for seller to buyer in this instance. It is the third white candle where the bullish signal can be confirmed. Be concious of the gaps since this will give you information as to the strength of the signal.

### Three River Morning Star

**Reliability Rating: High**

The three river morning star is the opposite of the three river evening star, this is it's bullish equivalent



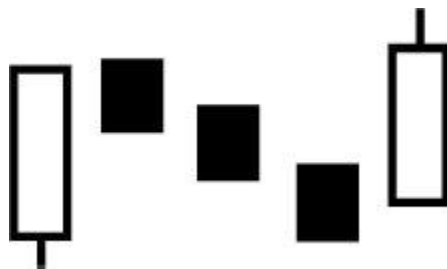


## Complex Bullish patterns

### Bullish Sanpo (rising three methods)

#### Reliability Rating: high

The idea behind the sanpo pattern is that no price movement moves straight up or down, there always exists some retracement before the movement makes a new high or low. Therefore this pattern is to indicate whether a trader should "pause" during the trend (a short term consolidation will occur with a direction opposite to that of the major trend).  
Bullish Formation (rising three methods)



### Bullish Breakaway

#### Reliability Rating: Moderate

This is a multiple day pattern. It starts with an established downtrend. On the second day the stock gaps down with a smaller black candle. On day 3 and 4 the candles are small but closing downward. On the last day of the pattern a large white candle is formed.



In this pattern, day 4 is not necessary, an equally valid pattern is where days 1, 2, 3, and 5 occur.

This only shows the potential for a short term breakout and does not give indication about the strength of the breakout.

# Bearish Candlestick Patterns

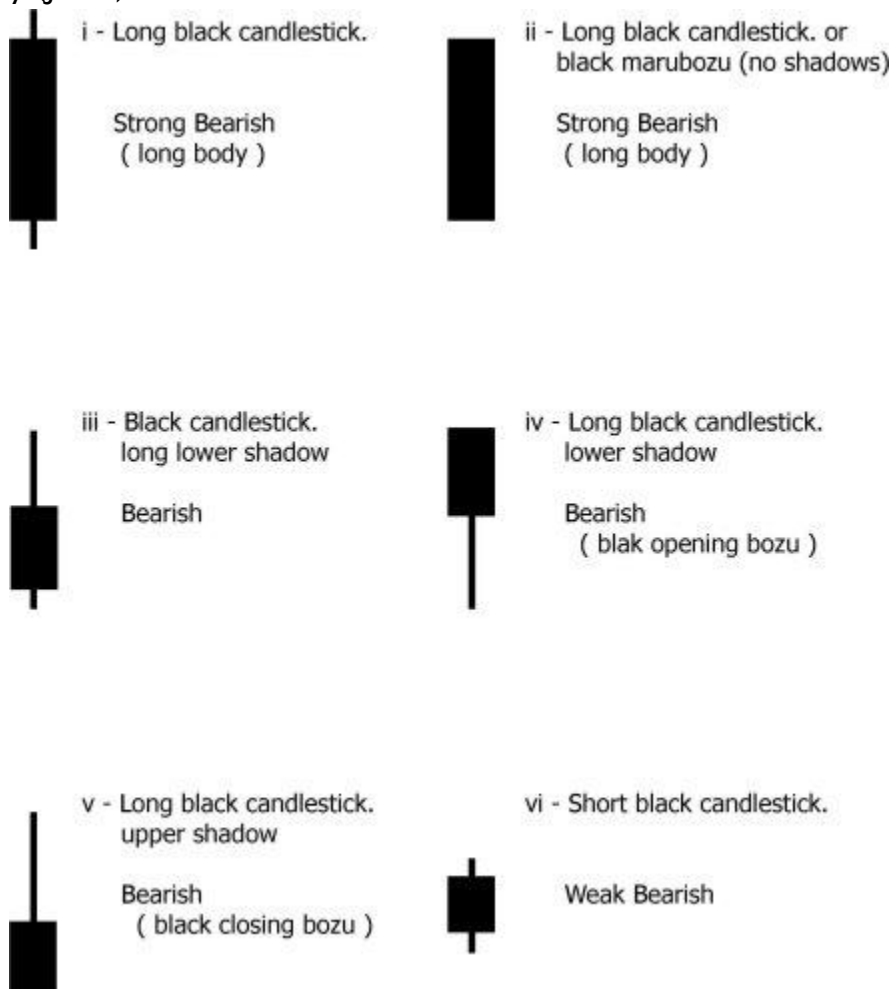
## Single day bearish patterns

For the most part, daily candlestick reversal patterns are quite subjective with the exception of the "*long-legged shadows' Doji*" and the "*hangman and hammer*" which are more commonly used and provide more significance to the trader.

## In-Sen (single black candle)

### Reliability Rating: Very Low

The easiest type of signal is the single black candlestick (in-sen). The longer the body (jittai) the more bullish is the candle



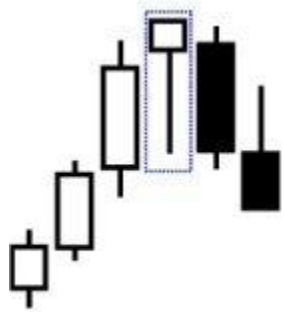
## The Hangman

### Reliability Rating: low/moderate

The hangman (karakasa, or paper umbrella), consists of a small body (either color) with a very long lower shadow. This pattern is typically found at the top or bottoms of trends. When the pattern occurs at the top of a up trend it is called a hangman (when it is found at the bottom of a down trend it is called a hammer).



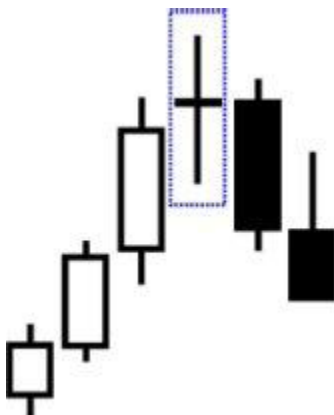
The hangman can be either a black or a white candle



## Long-legged shadows' doji candlestick

### Reliability Rating: moderate

This candle has no body, the open and the close is identical. This signal shows that the trend has run it's course and it will reverse. The trend will reverse quickly after this signal occurs. It is considered a reliable signal.

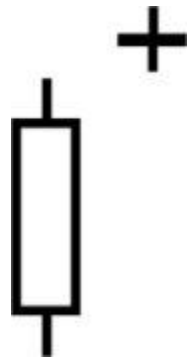


# Bearish Candlestick Patterns

Two day bearish patterns

## **Bearish Doji**

**Reliability Rating: moderate**



A bearish Doji starts with a large white candle and then an up gapping Doji. Since on the second day is trades within a small range, it shows many positions have changed and potential for a reversal.

Waiting for the next day to open into a black candle would be prudent to confirm the trend however when the bearish Doji occurs it is worthwhile having a look.

## **Bearish Belt Hold**

**Reliability Rating: Low**



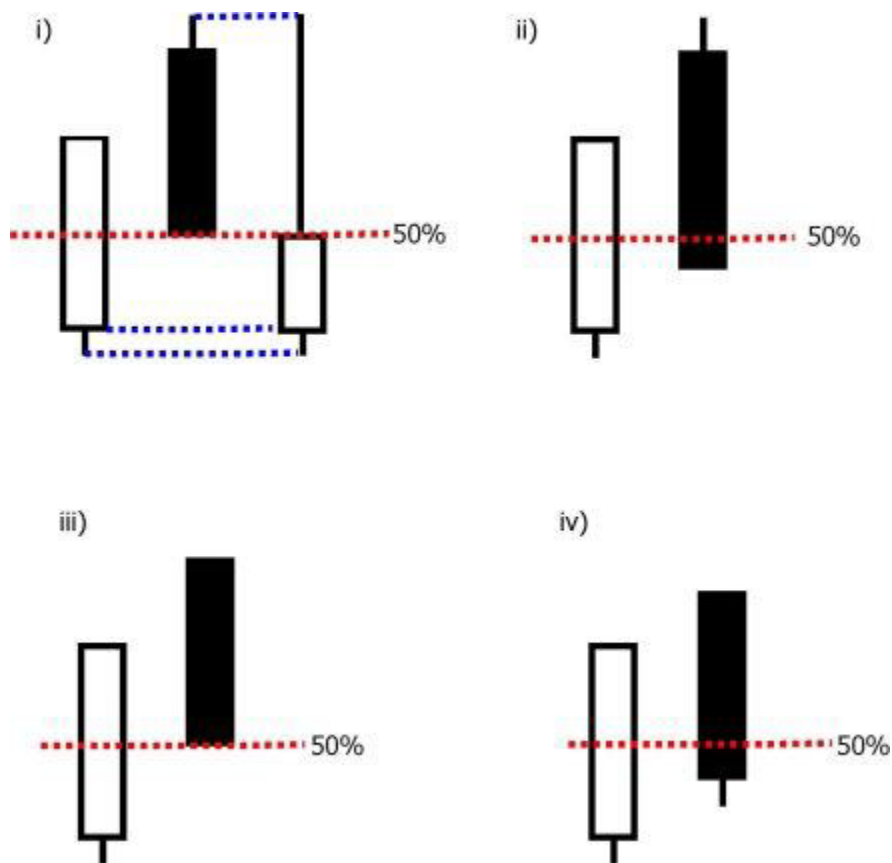
The bearish belt hold pattern is when a black candle occurs in an uptrend with no upper shadow and opens at a new high. This pattern shows a rally from the sellers towards the end of the trading session and gives some indication of a potential trend reversal.

## **Dark Cloud Cover (Kabuse Candlestick)**

**Reliability Rating: Moderate**

The dark cloud cover (Kabuse candlestick) has an white candle followed on the second day by a black candlestick that opens at a higher price. The black candlestick should open approximately half way up the white candle's body. It is the black candle which negates the previous day's movement that gives the pattern it's name, a dark cloud cover (or kabuse candlestick). This pattern is

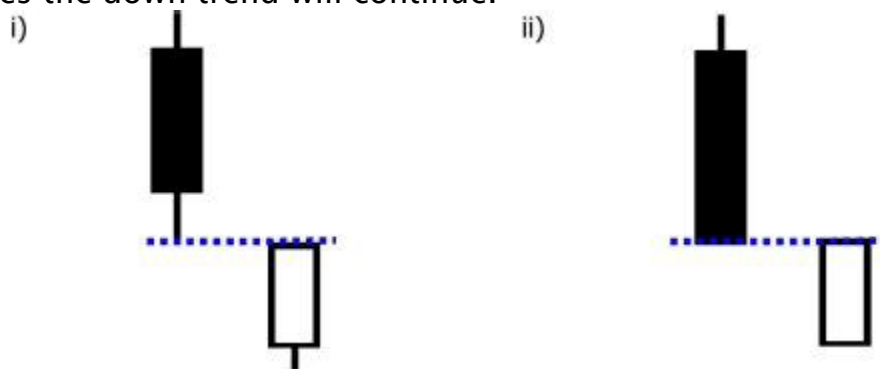
considered a bearish reversal (sell).



## Atekubi (Ate) Candlestick

### Reliability Rating: Low

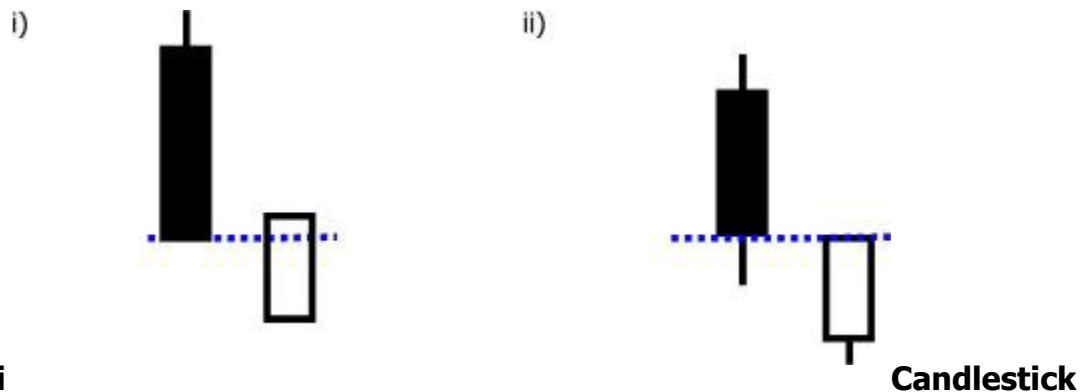
The atkubi candlestick's second day small white candle which has opened lower than the previous day's low and then closes at a high. Typically the volume is lower and the current close at the high is only equal to the previous day's low. This signal is seen most often in a down trend and the appearance of this signal indicates the down trend will continue.



### Irikubi Candlestick

#### Reliability Rating: Low

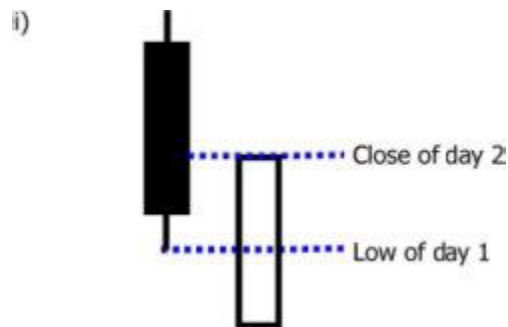
The irikubi candlestick is a modified atekubi candlestick, the difference is that the white candlestick's high can be marginally higher than the black candlestick low. This pattern is bearish and indicates further selling ahead.



### Sashikomi

#### Reliability Rating: Low

The sashikomi candlestick is an alteration of the irikubi candlestick. This is where the white candle opens lower than the black candle's low, and closes at the daily high. This is considered a bearish signal.

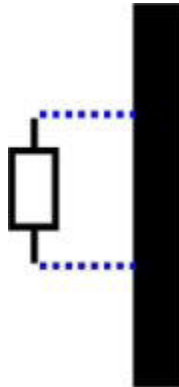


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### **Bearish Engulfing Pattern (Bearish Tsutsumi)**

#### **Reliability Rating: Moderate**

This pattern is pretty much the opposite of the bullish engulfing pattern. The first day white candle is engulfed by the second day black candle. Volume tends to be high during this signal and indicates a change in sentiment.



### **Bearish Kicking Pattern**

#### **Reliability Rating: High**



This pattern is a strong sign that a downtrend will ensue. The major trend is not as important with this pattern as with other patterns and is considered a highly reliable signal

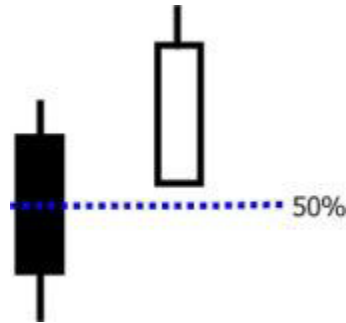


### **Bearish Tasuki Candlestick**

#### **Reliability Rating: Low**

The tasuki pattern has a second day white candle that has opened within the body of the first day black candle's body. The white candle then closes slightly above the black candle's low. Either candle can have varying body sizes as long as the range of both candles are of similar size. This pattern is found in downtrends and is viewed as a period of profit taking. This is a bearish signal

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### **Downside Gap Tasuki Candlestick**

**Reliability Rating: --**

This pattern has a second day white candle that closes an overnight gap from a black candle. This provides a very short term opportunity to buy to fill the gap, however, it has no other significance. It is typical for the down trend to continue after this pattern occurs.



## **Bearish Candlestick Patterns**

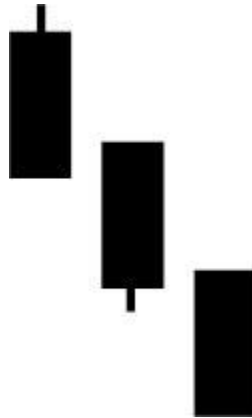
### **Three day bearish patterns**

#### **Bearish Sanpei (three crows)**

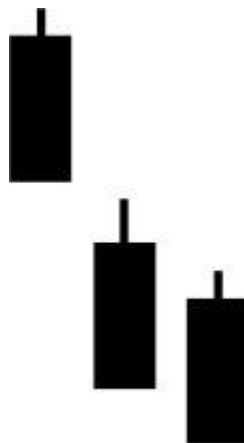
**Reliability Rating: high**

This pattern is intended to signal either a trend reversal or the trend continuation. It consists of three black candlesticks of similar increments and size. It signifies a continuation of the trend.



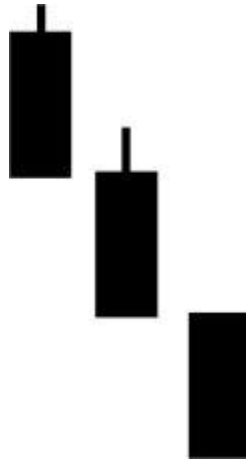


If the second day gap is lower followed by a third candlestick which opens above the midrange of the second day, this is also considered bearish. (also known as a *"down gap three wings"*).



In the last variation, each black candlestick opens at the close of the previous day. This pattern is extremely bearish and suggests a strong down trend

[Daily chart](#)

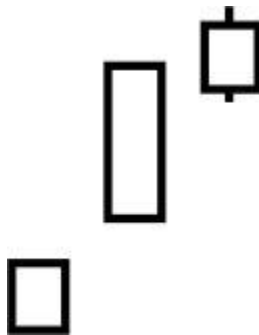


### **Red three candlestick advance block or Skizumari**

**Reliability Rating: low**

If the second and third day show decreasing higher high's following a long white marubozu, the trend is reaching it's end and signifies a sell. This sell pattern is also known as a red three candlestick advance block or skizumari, this indicates uncertainty and it would be advised to assume the trend will break.

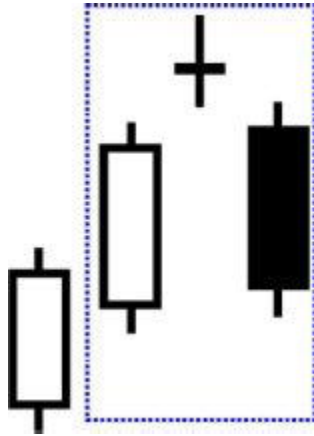
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### **Three River Evening Doji Star**

**Reliability Rating: High**

This pattern start with a long white candle (part of a uptrend), it is followed by a gap up doji and finally on the third day a black candle is formed with a gap down.

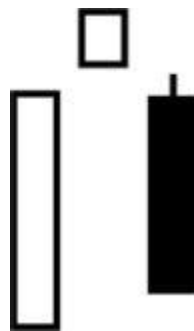


The uptrend builds strength and gaps on on the second day of this pattern. On the second day, there is a small trading range showing an erosion of the uptrend. Finally on the third day, it gaps down and forms a black candle. It is the third day that gives the confirmation that the trend has reversed.

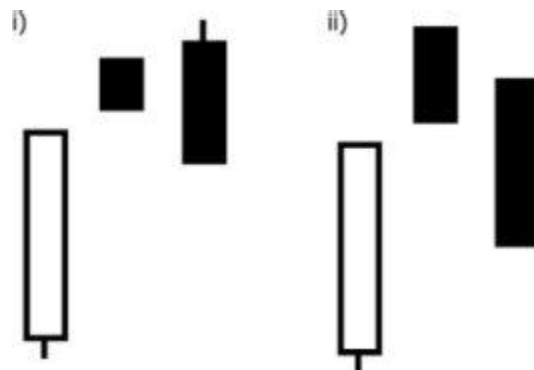
**Reliability Rating: Moderate**

### **Sansen / Three Rivers / The Three River Evening Star**

The sansen is a three day pattern. The first day consists of a long white candle, followed by a small gapped white candle and ends with a long black candle. This pattern is considered a bearish reversal.



Other variations of the sansen are



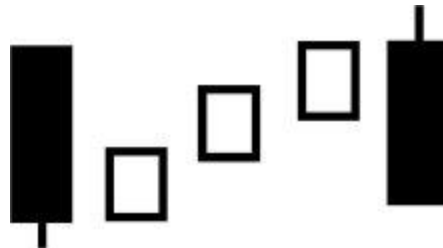
### **Complex Bearish patterns**

#### **Bearish Sanpo (falling three methods)**

**Reliability Rating: high**

The idea behind the sanpo pattern is that no price movement moves straight up

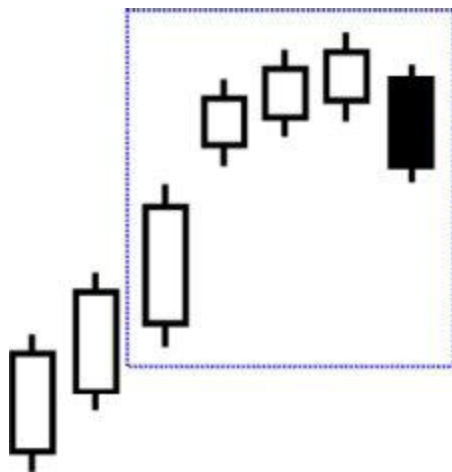
or down, there always exists some retracement before the movement makes a new high or low. Therefore this pattern is to indicate whether a trader should "pause" during the trend (a short term consolidation will occur with a direction opposite to that of the major trend). Bearish Formation (falling three methods)



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### **Bearish Breakaway**

**Reliability Rating: Moderate** This is a multiple day pattern. It starts with an established uptrend. On the second day the stock gaps up with a smaller white candles. On day 3 and 4 the candles are small but closing upward. On the last day of the pattern a large black candle is formed



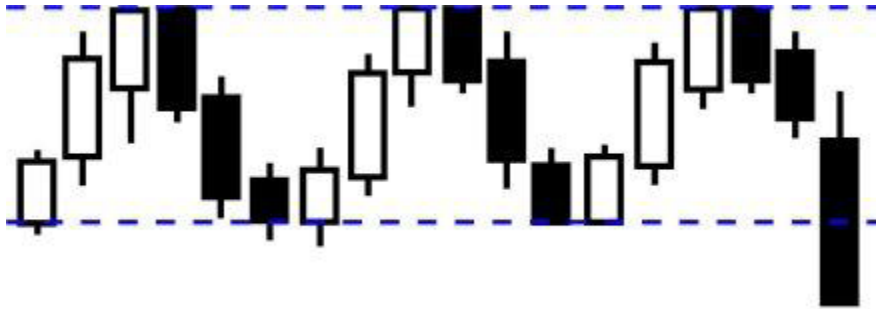
In this pattern, day 4 is not necessary, an equally valid pattern is where days 1, 2, 3, and 5 occur.

This only shows the potential for a short term breakout and does not give indication about the strength of the breakout.

### **Sanzan or Three Mountains**

**Reliability Rating: moderate**

Similar to a triple top formation, the Sanzan (or three mountains) have three peaks of all similar height.

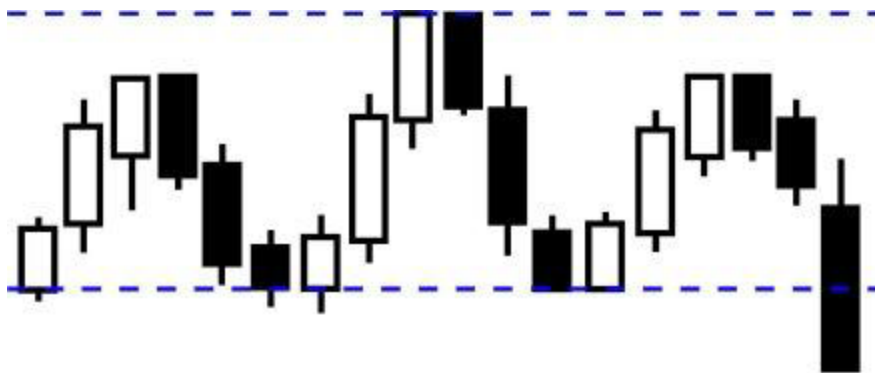


[Barack Obama](#)

### **Buddha top formation**

**Reliability Rating: moderate/high**

The buddha top is similar to the sanzan except that the middle mountain is higher than the other two (head and shoulders pattern).



[sahambei](#)

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