1.What is candle stick?

Candlesticks show that emotion by visually representing the size of price moves with different colors. Traders use the candlesticks to make trading decisions based on regularly occurring patterns that help forecast the [short-term](https://www.investopedia.com/articles/trading/09/short-term-trading.asp) direction of the price.

<https://www.edelweiss.in/investology/technical-analysis-2c8d50/what-is-candle-stick-chart-in-stock-market-f4dcde>

<https://www.youtube.com/watch?v=1rwVV_8uUxc>

2.What are Candle stick Components?

Just like a bar chart, a daily candlestick shows the market's open, high, low, and [close](https://www.investopedia.com/terms/c/close.asp) price for the day. The candlestick has a wide part, which is called the "real body."

This real body represents the price range between the open and close of that day's trading. When the real body is filled in or black, it means the close was lower than the open. If the real body is empty, it means the close was higher than the open.

Traders can alter these colors in their [trading platform](https://www.investopedia.com/terms/t/trading-platform.asp). For example, a down candle is often shaded red instead of black, and up candles are often shaded green instead of white.

<https://www.istockphoto.com/vector/vector-illustration-of-candlestick-chart-components-composition-of-a-candlestick-or-gm1293625951-387962669>

3.How to read candle stick charts?

Just above and below the real body are the "[shadows](https://www.investopedia.com/terms/s/shadow.asp)" or "wicks." The shadows show the high and low prices of that day's trading. If the upper shadow on a down candle is short, it indicates that the open that day was near the high of the day.

A short upper shadow on an up day dictates that the close was near the high. The relationship between the days open, high, low, and close determines the look of the daily candlestick. Real bodies can be long or short and black or white. Shadows can be long or short.

<https://groww.in/blog/how-to-read-candlestick-charts>

## 4.Candlestick vs bar charts?

## [Bar charts](https://www.investopedia.com/terms/b/barchart.asp) and candlestick charts show the same information, just in a different way. Candlestick charts are more visual, due to the color coding of the price bars and thicker real bodies, which are better at highlighting the difference between the open and the close.

## <https://cropwatch.unl.edu/2019/charting-commodities-bar-candlestick>

## 5.What is a candlestick pattern?

## Candlestick charts are a technical tool that packs data for multiple time frames into single price bars. This makes them more useful than traditional open, high, low, close (OHLC) bars or simple lines that connect the dots of closing prices. Candlesticks build patterns that may predict price direction once completed. Proper color coding adds depth to this colorful technical tool, which dates back to 18th century Japanese rice traders.

## <https://www.investopedia.com/articles/active-trading/092315/5-most-powerful-candlestick-patterns.asp>

## 6.How to read a candle stick pattern?

## A daily candlestick represents a market’s opening, high, low, and closing (OHLC) prices. The rectangular real body, or just body, is colored with a dark color (red or black) for a drop in price and a light color (green or white) for a price increase. The lines above and below the body are referred to as wicks or tails, and they represent the day’s maximum high and low. Taken together, the parts of the candlestick can frequently signal changes in a market’s direction or highlight significant potential moves that frequently must be confirmed by the next day’s candle.

## <https://optionalpha.com/topics/candlestick-patterns>

## 7.What are some examples of Candlestick Pattern?

## Doji and spinning top,Bullish/Bearish engulfing lines,Hammer,Hanging man,Abandoned Baby top/bottom

## 8.What is Doji and spinning top?

A doji (plural is also doji) is a candlestick formation where the open and close are identical, or nearly so. A spinning top is very similar to a doji, but with a very small body, in which the open and close are nearly identical.

Both patterns suggest indecision in the market, as the buyers and sellers have effectively fought to a standstill. But these patterns are highly important as an alert that the indecision will eventually evaporate and a new price direction will be forthcoming.

## <https://www.elearnmarkets.com/blog/spinning-tops-and-doji/>

## 9.What are Bullish/Bearish engulfing lines?

For a pattern to qualify as bullish engulfing, the high of the second candle should hit higher prices than the high of the prior candle. The same scenario applies for the low.

Ideally, the closing price (top of the body) should also be higher than the highest point of the wick of the prior candle. This scenario gives further significance to the second candle and shows that the bulls have control over the price action now.

The bearish candlestick pattern follows the same line of thought, the only difference is that it is a bearish reversal pattern that occurs at the top of an uptrend. The first candle is a bullish candle that signals the continuation of the uptrend, before the appearance of the powerful bearish candle that completely shuts down the prior candle.

Moreover, if the second candle is huge and long, it can practically close the door for you to open a trade, as your stop would be placed far away from the entry price i.e. high risk and not such high reward.

## <https://www.thinkmarkets.com/en/learn-to-trade/indicators-and-patterns/general-patterns/bullish-bearish-engulfing-candlestick-patterns/>

## 10.What is Hammer in candle stick?

## A hammer is a price pattern in [candlestick](https://www.investopedia.com/terms/c/candlestick.asp) charting that occurs when a security trades significantly lower than its opening, but rallies within the period to close near the opening price. This pattern forms a hammer-shaped candlestick, in which the lower shadow is at least twice the size of the real body. The body of the candlestick represents the difference between the [opening](https://www.investopedia.com/terms/o/openingprice.asp) and [closing](https://www.investopedia.com/terms/c/closingprice.asp) prices, while the shadow shows the high and low prices for the period.

## <http://1sharemarket.com/hammer-candlestick-pattern.html>

## 11.How Hammer candlestick works?

A hammer occurs after the price of a security has been declining, suggesting that the market is attempting to determine a bottom.

Hammers signal a potential [capitulation](https://www.investopedia.com/terms/c/capitulation.asp) by sellers to form a bottom, accompanied by a price rise to indicate a potential [reversal](https://www.investopedia.com/terms/r/reversal.asp) in price direction. This happens all during a single period, where the price falls after the opening but regroups to close near the opening price.

A hammer should look similar to a “T.” This indicates the potential for a hammer candle. A hammer candlestick does not indicate a price reversal to the upside until it is confirmed.

Confirmation occurs if the candle following the hammer closes above the closing price of the hammer. Ideally, this confirmation candle shows strong buying. Candlestick traders will typically look to enter [long](https://www.investopedia.com/terms/l/long.asp) positions or exit [short](https://www.investopedia.com/terms/s/shortselling.asp) positions during or after the confirmation candle. For those taking new long positions, a stop loss can be placed below the low of the hammer’s shadow.

Hammers aren’t usually used in isolation, even with confirmation. Traders typically utilize price or [trend analysis](https://www.investopedia.com/terms/t/trendanalysis.asp), or technical indicators to further confirm [candlestick patterns](https://www.investopedia.com/articles/trading/06/advcandlesticks.asp).

Hammers occur on all time frames, including one-minute charts, daily charts, and weekly charts.

## <https://academy.binance.com/en/articles/how-to-trade-with-hammer-candlestick-patterns>

## 12.What is hanging man in Candlestick?

## A hanging man [candlestick](https://www.investopedia.com/terms/c/candlestick.asp) occurs during an uptrend and warns that prices may start falling. The candle is composed of a small real body, a long lower shadow, and little or no upper shadow. The hanging man shows that selling interest is starting to increase. In order for the pattern to be valid, the candle following the hanging man must see the price of the asset decline.

## <https://www.elearnmarkets.com/blog/hanging-man-candlestick-pattern/>

## 13.What hanging man in candlestick tell you?

Traders should look at a few characteristics of this pattern and take advantage of the formation of this pattern.

The long lower shadow of this pattern indicates that the sellers have entered the market.

Usually, pattern with longer lower shadows seems to have performed better than the Hanging Man with shorter lower shadows.

This candlestick pattern can be either green or red but this does not play a significant role in the interpretation of this candlestick pattern.

The signal given by this pattern is confirmed when the bearish candle is formed on the next day.

The traders should also analyze if the volume has increased during the formation of this pattern.

Traders can enter a short position at the closing price of this candlestick or at the opening price of the next bearish candlestick.

A [stop-loss can be placed](https://www.elearnmarkets.com/blog/how-to-place-a-stop-loss-when-trading?utm_campaign=blog_CTA&utm_medium=blogpage&utm_source=elearnmarkets_blog) at the highest point of the this candlestick.

<https://www.investopedia.com/articles/active-trading/040914/understanding-hanging-man-optimistic-candlestick-pattern.asp>

14.How do you identify the Hanging man pattern?

### **Criteria for Identifying this pattern:**

Below are some points that should be kept in mind when identifying this pattern on the candlestick charts**:**

* There so be no or little upper shadow
* The lower shadow should be long as twice the length of the real body
* The real body should be on the upper side of the candlestick.

<https://www.youtube.com/watch?v=WbaiZ96YLw4>

## 15.What is Abandoned Baby top/bottom?

## An Abandoned Baby Bottom is a rare bullish three bar reversal pattern that develops after a down leg. This pattern begins with a down gap followed by a Doji or similar smaller candlestick. An up gap then occurs on the next bar leaving the doji "abandoned" at the low.

## <https://patternswizard.com/abandoned-baby-candlestick-pattern/>

## 16.What is bearish engulfing patern?

## A bearish engulfing pattern is a technical chart pattern that signals lower prices to come. The pattern consists of an up (white or green) [candlestick](https://www.investopedia.com/terms/c/candlestick.asp) followed by a large down (black or red) candlestick that eclipses or "engulfs" the smaller up candle. The pattern can be important because it shows sellers have overtaken the buyers and are pushing the price more aggressively down (down candle) than the buyers were able to push it up (up candle).

## <https://www.dsij.in/dsijarticledetail/psychology-behind-bearish-engulfing-candlestick-pattern-17096>

## 17.What does bearish engulfing pattern tell you?

A bearish engulfing pattern is seen at the end of some upward price moves. It is marked by the first candle of upward momentum being overtaken, or engulfed, by a larger second candle indicating a shift toward lower prices. The pattern has greater reliability when the open price of the engulfing candle is well above the close of the first candle, and when the close of the engulfing candle is well below the open of the first candle. A much larger down candle shows more strength than if the down candle is only slightly larger than the up candle.

The pattern is also more reliable when it follows a clean move higher. If the price action is [choppy](https://www.investopedia.com/terms/c/choppymarket.asp) or ranging, many engulfing patterns will occur but they are unlikely to result in major price moves since the overall price trend is choppy or ranging.

Before acting on the pattern, traders typically wait for the second candle to close, and then take action on the following candle. Actions include selling a [long](https://www.investopedia.com/terms/l/long.asp) position once a bearish engulfing pattern occurs, or potentially entering a [short](https://www.investopedia.com/terms/s/short.asp) position.

If entering a new short position, a [stop loss](https://www.investopedia.com/terms/s/stop-lossorder.asp) can be placed above the high of the two-bar pattern.

## Astute traders consider the overall picture when utilizing bearish engulfing patterns. For example, taking a short trade may not be wise if the uptrend is very strong. Even the formation of a bearish engulfing pattern may not be enough to halt the advance for long. Yet, if the overall trend is down, and the price has just seen a [pullback](https://www.investopedia.com/terms/p/pullback.asp) to the upside, a bearish engulfing pattern may provide a good shorting opportunity since the trade aligns with the longer-term downtrend.

## <https://www.dailyfx.com/education/candlestick-patterns/bearish-engulfing.html>

## 17.What is Bullish engulfing pattern?

## A bullish engulfing pattern is a [white candlestick](https://www.investopedia.com/terms/w/white_candlestick.asp) that closes higher than the previous day's opening after opening lower than the previous day's close. It can be identified when a small [black candlestick](https://www.investopedia.com/terms/r/red-candlestick.asp), showing a bearish trend, is followed the next day by a large white candlestick, showing a bullish trend, the body of which completely overlaps or engulfs the body of the previous day’s candlestick.

## <https://www.samco.in/knowledge-center/articles/what-is-bullish-and-bearish-candlestick-pattern/>

## 18. What does bullish engulfing pattern tell you?

## A bullish engulfing pattern is not to be interpreted as simply a white candlestick, representing upward price movement, following a black candlestick, representing downward price movement. For a bullish engulfing pattern to form, the stock must open at a lower price on Day 2 than it closed at on Day 1. If the price did not gap down, the body of the white candlestick would not have a chance to engulf the body of the previous day’s black candlestick.

Because the stock both opens lower than it closed on Day 1 and closes higher than it opened on Day 1, the white candlestick in a bullish engulfing pattern represents a day in which [bears](https://www.investopedia.com/terms/b/bear.asp) controlled the price of the stock in the morning only to have [bulls](https://www.investopedia.com/terms/b/bull.asp) decisively take over by the end of the day.

The white candlestick of a bullish engulfing pattern typically has a small upper [wick](https://www.investopedia.com/terms/s/shadow.asp), if any. That means the stock closed at or near its highest price, suggesting that the day ended while the price was still surging upward.

This lack of an upper wick makes it more likely that the next day will produce another white candlestick that will close higher than the bullish engulfing pattern closed, though it’s also possible that the next day will produce a black candlestick after gapping up at the opening. Because bullish engulfing patterns tend to signify [trend reversals](https://www.investopedia.com/terms/r/reversal.asp), analysts pay particular attention to them.

## <https://www.dailyfx.com/education/candlestick-patterns/bullish-engulfing.html>

## 19. **How to Persevere Through Both Bullish and Bearish Markets**

Regardless of the current market we’re in, the standards of strong portfolios remain constant. The first thing you should have in order when it comes to investing is your ultimate financial goals. For most Americans, this principally includes retirement, along with vacations, buying a home and more. By defining your goals, you can make investment decisions based on them.

Once you know your goals and their timeline, you can build [your portfolio’s asset allocation](https://smartasset.com/investing/asset-allocation-calculator). This involves choosing the selection of investments within your portfolio and what percentages they’ll hold. For instance, someone nearing retirement may want to steer clear of individual stocks since they can be quite volatile. Angling towards investments like ETFs and bonds might instead be in order.

On the other hand, if you’re still far from retiring, you might want to take a chance on individual stocks. Their volatility and high-risk nature makes their return potential also much stronger. Since it’ll be a while until you retire, you can risk a bit for those earnings.

As your portfolio ages, you shouldn’t just leave it completely alone. Instead, you’ll want to [rebalance your investments](https://smartasset.com/investing/factors-to-consider-when-rebalancing-your-portfolio). This entails bringing your portfolio’s complexing back to your intended asset allocation. The necessity from this is derived from returns affecting your portfolio over time.

In the end, there is no way to ensure gains in the investment market. All you can do is maintain strong investment tendencies and make prudent decisions. In addition, try to avoid trading on emotion, as that can lead you down a dangerous path.

## <https://www.fool.com/investing/how-to-invest/bull-vs-bear-market/>

## 20.What is Bearish evening star?

An evening star is a stock-price chart pattern used by [technical analysts](https://www.investopedia.com/terms/t/technicalanalysis.asp) to detect when a trend is about to reverse. It is a bearish [candlestick pattern](https://www.investopedia.com/trading/candlestick-charting-what-is-it/) consisting of three candles: a large white candlestick, a small-bodied candle, and a red candle.

Evening star patterns are associated with the top of a price uptrend, signifying that the [uptrend](https://www.investopedia.com/terms/u/uptrend.asp) is nearing its end. The opposite of the evening star is the [morning star](https://www.investopedia.com/terms/m/morningstar.asp) pattern, which is viewed as a bullish indicator.

<https://www.elearnmarkets.com/blog/evening-star-pattern/>

## 21. How an Evening Star Works

A candlestick pattern is a way of condensely presenting certain information about a stock. Specifically, it represents the [open, high, low, and close price](https://www.investopedia.com/terms/s/stockquote.asp) for the stock over a given time period.

Each candlestick consists of a candle and two wicks. The length of the candle is a function of the [range](https://www.investopedia.com/terms/r/range.asp) between the highest and lowest price during that trading day. A long candle indicates a large change in price, while a short candle indicates a small change in price. In other words, long candlestick bodies are indicative of intense [buying or selling pressure](https://www.investopedia.com/terms/v/volume.asp), depending on the direction of the trend, while short candlesticks are indicative of little price movement.

The evening star pattern is considered a very strong [indicator](https://www.investopedia.com/terms/t/technicalindicator.asp) of future price declines. Its pattern forms over a period of three days:

1. The first day consists of a large white candle signifying a continued rise in prices.
2. The second day consists of a smaller candle that shows a more modest increase in price.
3. The third day shows a large [red candle](https://www.investopedia.com/terms/r/red-candlestick.asp) that opens at a price below the previous day and then closes near the middle of the first day.

## <https://www.timothysykes.com/blog/evening-star-candlestick-pattern/>

## 22.What is Bearish Harami

## A bearish harami is a two bar Japanese [candlestick](https://www.investopedia.com/trading/candlestick-charting-what-is-it/) pattern that suggests prices may soon reverse to the downside. The pattern consists of a long white candle followed by a small black candle. The opening and closing prices of the second candle must be contained within the body of the first candle. An uptrend precedes the formation of a bearish harami.

## The size of the second candle determines the pattern's potency; the smaller it is, the higher the chance there is of a reversal occurring. The opposite pattern to a bearish harami is a bullish harami, which is preceded by a downtrend and suggests prices may reverse to the upside.

## Traders typically combine other technical indicators with a bearish harami to increase the effectiveness of its use as a trading signal. For, example, a trader may use a 200-day moving average to ensure the market is in a long-term downtrend and take a short position when a bearish harami forms during a retracement.

## <https://tradewinxcandlestick.wordpress.com/bearish-harami/>

## 23. What is it Trading a Bearish Harami?

**Price Action**: A short position could be taken when price breaks below the second candle (harami candle) in the pattern. This can be done by placing a [stop-limit order](https://www.investopedia.com/terms/s/stop-limitorder.asp) slightly below the harami candle's low, which is ideal for traders who don't have time to watch the market, or by placing a market order at the time of the break. Depending on the trader's appetite for risk, a stop-loss order could be placed above either the high of the harami candle or above the long white candle. Areas of [support and resistance](https://www.investopedia.com/trading/support-and-resistance-basics/) might be used to set a profit target.

**Indicators**: Traders can use technical indicators, such as the relative strength index (RSI) and the [stochastic oscillator](https://www.investopedia.com/terms/s/stochasticoscillator.asp) with a bearish harami to increase the chance of a successful trade. A short position could be opened when the pattern forms and the indicator gives an overbought signal. Because it is best to trade a bearish harami in an overall downtrend, it may be beneficial to make the indicator's setting more sensitive so that it registers an overbought reading during a retracement in that trend. Profits could be taken when the indicator moves back into oversold territory. Traders who want a larger profit target could use the same indicator on a larger time frame. For example, if the daily chart was used to take the trade, the position could be closed when the indicator gives an oversold reading on the weekly timeframe.

<https://www.dailyfx.com/education/candlestick-patterns/bearish-harami.html>

24.What is bullish harami?

A bullish harami is a candlestick chart indicator suggesting that a bearish trend may be coming to end. Some investors may look at a bullish harami as a good sign that they should enter a long position on an asset.

A [candlestick chart](https://www.investopedia.com/terms/c/candlestick.asp) is a type of chart used to track the performance of a security, named for the rectangular shape depicted in the chart, with lines protruding from the top and bottom, which resembles a candle and wicks. A candlestick chart typically represents the price data of stock on a single day, including [opening price](https://www.investopedia.com/terms/o/openingprice.asp), [closing price](https://www.investopedia.com/terms/c/closingprice.asp), high price, and low price.

Investors looking to identify harami patterns must first look for daily market performance reported in candlestick charts. Harami patterns emerge over two or more days of trading, and a bullish harami relies on initial candles to indicate that a downward price trend is continuing, and that a [bearish market](https://www.investopedia.com/terms/b/bearmarket.asp) looks to be pushing the price lower.

The bullish harami indicator is charted as a long candlestick followed by a smaller body, referred to as a doji, that is completely contained within the vertical range of the previous body. To some, a line drawn around this pattern resembles a pregnant woman. The word harami comes from an old Japanese word meaning pregnant.

For a bullish harami to appear, a smaller body on the subsequent doji will close higher within the body of the previous day’s candle, signaling a greater likelihood that a [reversal](https://www.investopedia.com/terms/r/reversal.asp) will occur.

<https://www.dailyfx.com/education/candlestick-patterns/bullish-harami.html>

## 25.What is Bearish Harami Cross?

## A harami cross is a Japanese [candlestick](https://www.investopedia.com/terms/c/candlestick.asp) pattern that consists of a large candlestick that moves in the direction of the trend, followed by a small [doji](https://www.investopedia.com/terms/d/doji.asp) candlestick. The doji is completely contained within the prior candlestick’s body. The harami cross pattern suggests that the previous trend may be about to [reverse](https://www.investopedia.com/terms/r/reversal.asp). The pattern can be either bullish or bearish. The bullish pattern signals a possible price reversal to the upside, while the bearish pattern signals a possible price reversal to the downside.

A [bullish harami](https://www.investopedia.com/terms/b/bullishharami.asp) cross pattern forms after a downtrend. The first candlestick is a long down candle (typically colored black or red) which indicates that the sellers are in control. The second candle, the doji, has a narrow range and opens above the previous day’s [close](https://www.investopedia.com/terms/c/closingprice.asp). The doji candlestick closes near to the price it opened at. The doji must be completely contained with the real body of the previous candle.

The doji shows that some indecision has entered the minds of sellers. Typically, traders don't act on the pattern unless the price follows through to the upside within the next couple of candles. This is called [confirmation](https://www.investopedia.com/terms/c/confirmation.asp). Sometimes the price may pause for a few candles after the doji, and then rise or fall. A rise above the open of the first candle helps confirm that the price may be heading higher.

A bearish harami cross forms after an uptrend. The first candlestick is a long up candle (typically colored white or green) which shows buyers are in control. This is followed by a doji, which shows indecision on the part of the buyers. Once again, the doji must be contained within the real body of the prior candle.

## <https://www.mypivots.com/dictionary/definition/355/bearish-harami-cross-candlestick-pattern>

## 26. What is Bullish Harami Cross?

A [bullish harami](https://www.investopedia.com/terms/b/bullishharami.asp) cross pattern forms after a downtrend. The first candlestick is a long down candle (typically colored black or red) which indicates that the sellers are in control. The second candle, the doji, has a narrow range and opens above the previous day’s [close](https://www.investopedia.com/terms/c/closingprice.asp). The doji candlestick closes near to the price it opened at. The doji must be completely contained with the real body of the previous candle.

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A bearish harami cross forms after an uptrend. The first candlestick is a long up candle (typically colored white or green) which shows buyers are in control. This is followed by a doji, which shows indecision on the part of the buyers. Once again, the doji must be contained within the real body of the prior candle.

<https://www.dailyfx.com/education/candlestick-patterns/bullish-harami.html>

## 27.What is Bullish Rising Three

## Bullish Rising Three Methods is a trend continuation pattern which warns traders to the weakening of the current trend. The first day’s long white candle is followed by three shorter, decreasing candles. The smaller candles reflect the resistance of the trend, which may involve a trend reversal. These 3 candles are usually black and a part of their bodies stay within the first day’s price movement’s range. The formation ends with another white candle on the 5th day. This candle’s opening price is higher than the first day’s closing price. The ascending trend must continue.

## <https://forexop.com/candlesticks/rising-3-method/>

## 28. What is Bearish Rising Three

## The pattern starts out with a strong down day. This is followed by three small real bodies that make upward progress but stay within the range of the first big down day. The pattern completes when the fifth day makes another large downward move. It shows that sellers are back in control and that the price could head lower.

## <https://www.tradingview.com/support/solutions/43000592712-falling-three-methods-bearish/>

## 29.What is Morning star candlestick pattern?

A morning star is a candlestick pattern that consists of three candlesticks.

A morning star is formed after a downward trend and signals the beginning of an upward movement of prices.

It is a signal of a reversal in the prior price trend.

Traders should analyze the formation of a morning star and then seek confirmation that a reversal is confirmed using technical indicators.

## <https://www.aimarrow.com/technical-analysis/morning-star-candlestick-pattern/>

# 30. How To Trade the Morning Star Candlestick Pattern

A morning star is a visual pattern, so there are no particular calculations to perform. A morning star is a three-candle pattern with the low point on the second candle. However, the low point is only apparent after the close of the third candle.

A morning star is a three-candle pattern with the low point on the second candle. However, the low point is only apparent after the close of the third candle.

## Other technical indicators can help predict if a morning star is forming, such as whether the price action is nearing a support zone or whether or not the [relative strength indicator](https://www.investopedia.com/terms/r/rsi.asp) (RSI) is showing that the stock or commodity is oversold.

## An Example of How to Trade a Morning Star

Morning star patterns can be used as a visual sign for the start of a trend reversal from bearish to bullish, but they become more important when other technical indicators back them up as previously mentioned. Another important factor is the volume that is contributing to the pattern formation.

Generally, a trader wants to see volume increasing throughout the three sessions making up the pattern, with the third day seeing the most volume. High volume on the third day is often seen as a confirmation of the pattern (and a subsequent uptrend) regardless of other indicators. A trader will take up a bullish position in the stock/commodity/pair/etc. as the morning star forms in the third session and rides the uptrend until there are indications of another reversal.

<https://www.dailyfx.com/education/candlestick-patterns/morning-star-candlestick.html>

## 31. What Do Three White Soldiers Mean?

Three white soldiers is a bullish [candlestick](https://www.investopedia.com/terms/c/candlestick.asp) pattern that is used to predict the reversal of the current downtrend in a pricing chart. The pattern consists of three consecutive long-bodied candlesticks that open within the previous candle's [real body](https://www.investopedia.com/terms/r/realbody.asp) and a close that exceeds the previous candle's high. These candlesticks should not have very long [shadows](https://www.investopedia.com/terms/s/shadow.asp) and ideally open within the real body of the preceding candle in the pattern.

<https://www.thinkmarkets.com/en/learn-to-trade/indicators-and-patterns/general-patterns/three-soldiers-black-crows-candlestick-pattern/>

## 32.What Do Three White Soldiers Tell You?

The three white soldiers candlestick pattern suggests a strong change in market sentiment in terms of the stock, commodity or pair making up the price action on the chart. When a candle is closing with small or no shadows, it suggests that the bulls have managed to keep the price at the top of the range for the session. Basically, the bulls take over the rally all session and close near the high of the day for three consecutive sessions. In addition, the pattern may be preceded by other candlestick patterns suggestive of a reversal, such as a [doji](https://www.investopedia.com/terms/d/doji.asp).

Here is an example of three white soldiers appearing in a pricing chart for the VanEck Vectors Fallen Angel High Yield Bond exchange traded fund (ETF)

The ETF had been in a strong bearish downtrend over the course of several weeks before the three white soldiers pattern marked a sharp bullish reversal. The pattern may suggest that the rally will continue, but traders may also look at other relevant factors before making a decision. For example, the stock may have reached an area of resistance or the move may have been on low volume.

## Example of How to Trade Three White Soldiers

As three white soldiers is a bullish visual pattern, it is used as an entry or exit point. Traders who are short on the security look to exit and traders who are waiting to take up a bullish position see the three white soldiers as an entry opportunity.

When trading the three white soldiers pattern, it's important to note that the strong moves higher could create temporary overbought conditions. The relative strength index (RSI), for example, may have moved above 70.0 levels. In some cases, there is a short period of consolidation following the three soldiers pattern, but the short- and intermediate-term bias remains bullish. The significant move higher could also reach key [resistance levels](https://www.investopedia.com/terms/r/resistance.asp) where the stock could experience consolidation before continuing to move higher.

<https://www.ig.com/en/trading-strategies/a-trader_s-guide-to-the-three-white-soldiers-candlestick-pattern-200218>

## 33.What Are the Three Black Crows?

Three black crows is a phrase used to describe a bearish [candlestick](https://www.investopedia.com/terms/c/candlestick.asp) pattern that may predict the [reversal](https://www.investopedia.com/terms/r/reversal.asp) of an uptrend. Candlestick charts show the day's opening, high, low, and closing prices for a particular security. For stocks moving higher, the candlestick is white or green. When moving lower, they are black or red.

The black crow pattern consists of three consecutive long-bodied candlesticks that have opened within the [real body](https://www.investopedia.com/terms/r/realbody.asp) of the previous candle and closed lower than the previous candle. Often, traders use this indicator in conjunction with other [technical indicators](https://www.investopedia.com/terms/t/technicalindicator.asp) or chart patterns as confirmation of a reversal.

<https://www.elearnmarkets.com/blog/three-crows-pattern/>

## 34. What Is a Cup and Handle Pattern?

A cup and handle price pattern on a security's price chart is a [technical indicator](https://www.investopedia.com/terms/t/technicalindicator.asp) that resembles a cup with a handle, where the cup is in the shape of a "u" and the handle has a slight downward drift.

The cup and handle is considered a bullish signal, with the right-hand side of the pattern typically experiencing lower trading volume. The pattern's formation may be as short as seven weeks or as long as 65 weeks.

<https://www.learnstockmarket.in/technical/cup-and-handle-pattern/>

## 35. What Does a Cup and Handle Pattern Tell You?

American technician William J. O'Neil defined the cup and handle (C&H) pattern in his 1988 classic, How to Make Money in Stocks, adding technical requirements through a series of articles published in Investor’s Business Daily, which he founded in 1984.1 O'Neil included time frame measurements for each component, as well as a detailed description of the rounded lows that give the pattern its unique teacup appearance.

As a stock forming this pattern tests old highs, it is likely to incur selling pressure from investors who previously bought at those levels; selling pressure is likely to make price consolidate with a tendency toward a [downtrend](https://www.investopedia.com/terms/d/downtrend.asp) trend for a period of four days to four weeks, before advancing higher. A cup and handle is considered a bullish continuation pattern and is used to identify buying opportunities.

It is worth considering the following when detecting cup and handle patterns:

* Length: Generally, cups with longer and more "U" shaped bottoms provide a stronger signal. Avoid cups with sharp "V" [bottoms](https://www.investopedia.com/terms/b/bottom.asp).
* Depth: Ideally, the cup should not be overly deep. Avoid handles that are overly deep also, as handles should form in the top half of the cup pattern.
* Volume: Volume should decrease as prices decline and remain lower than average in the base of the bowl; it should then increase when the stock begins to make its move higher, back up to test the previous high.

A retest of previous resistance is not required to touch or come within several [ticks](https://www.investopedia.com/terms/t/tick.asp) of the old high; however, the further the top of the handle is away from the highs, the more significant the breakout needs to be.

<https://www.fidelity.com/learning-center/trading-investing/technical-analysis/technical-indicator-guide/cup-with-handle>

## 36.How to Trade the Cup and Handle

There are several ways to approach [trading the cup and handle](https://www.investopedia.com/articles/active-trading/032415/new-ways-trade-cup-handle-pattern.asp), but the most basic is to look for entering a long position. The image below depicts a classic cup and handle formation. Place a stop buy order slightly above the upper trend line of the handle. Order execution should only occur if the price breaks the pattern’s resistance. Traders may experience excess slippage and enter a false breakout using an aggressive entry.

Alternatively, wait for the price to close above the upper trend line of the handle, subsequently place a limit order slightly below the pattern’s breakout level, attempting to get an execution if the price retraces. There is a risk of missing the trade if the price continues to advance and does not pull back.

A profit target is determined by measuring the distance between the bottom of the cup and the pattern’s breakout level and extending that distance upward from the breakout. For example, if the distance between the bottom of the cup and handle breakout level is 20 points, a profit target is placed 20 points above the pattern's handle. [Stop-loss orders](https://www.investopedia.com/terms/s/stop-lossorder.asp) may be placed either below the handle or below the cup depending on the trader’s risk tolerance and market volatility.

## Example Trading the Cup and Handle

Now let's consider a real-world historical example using Wynn Resorts, Limited ([WYNN](https://www.investopedia.com/markets/quote?tvwidgetsymbol=wynn)), which went public on the [Nasdaq](https://www.investopedia.com/terms/n/nasdaq.asp) exchange near $13 in October 2002 and rose to $154 five years later.23 The subsequent decline ended within two points of the [initial public offering](https://www.investopedia.com/terms/i/ipo.asp) (IPO) price, far exceeding O'Neil's requirement for a shallow cup high in the prior trend. The subsequent recovery wave reached the prior high in 2011, nearly 10 years after the first print.

https://www.thebalancemoney.com/trading-the-cup-and-handle-chart-pattern-4153469

## 38.Limitations of the Cup and Handle Pattern

Like all technical indicators, the cup and handle should be used in concert with other signals and indicators before making a trading decision. Specifically, with the cup and handle, certain limitations have been identified by practitioners. The first is that it can take some time for the pattern to fully form, which can lead to late decisions. While one month to one year is the typical timeframe for a cup and handle to form, it can also happen quite quickly or take several years to establish itself, making it ambiguous in some cases.

Another issue has to do with the depth of the cup part of the formation. Sometimes a shallower cup can be a signal, while other times a deep cup can produce a false signal. Sometimes the cup forms without the characteristic handle. Finally, one limitation shared across many technical patterns is that it can be unreliable in illiquid stocks.

<https://blog.joinfingrad.com/what-is-cup-and-handle-pattern-usage-limitations/>

## 39. **What is the Shooting Star Pattern?**

A shooting star is a type of candlestick pattern which forms when the price of the security opens, rises significantly, but then closes near the open price.

The distance between the highest price of the day and the opening price should be more than twice as large as the shooting star’s body.

It occurs at the end of uptrend and signals bearish reversal.

<https://www.elearnmarkets.com/blog/shooting-star-candlestick-formation-example-limitations/>

## 40. **What does Shooting Star tells you?**

Shooting stars signals a potential downside reversal and is most effective when it forms after 2-3 consecutive rising candles having higher highs.  
  
A shooting star opens and rises strongly during the trading session, showing the same buying pressure that is seen over the last trading sessions.

At the end of the trading session, the sellers push the price down near the open.

This shows that the buyers have lost control by the end of the day, and the sellers have taken over.

The long upper shadow indicates that the buyers are losing position as the price drops back to the open.

The candle after the shooting star gaps down and then moves lower on heavy volume.

This candle helps in confirming the price reversal and indicates that the price will continue to fall.

Trading Example:

Before trading with the shooting star, one should remember the following points:

1. Trade Entry: Before you enter a shooting star trade, you should confirm that the prior trend is an active bullish trend.
2. Stop Loss: You should always try to use a stop-loss order when trading the shooting star candle pattern.
3. Taking Profits: The price target for this trade should be equal to the size of the shooting star pattern.

<https://www.investopedia.com/terms/s/shootingstar.asp>