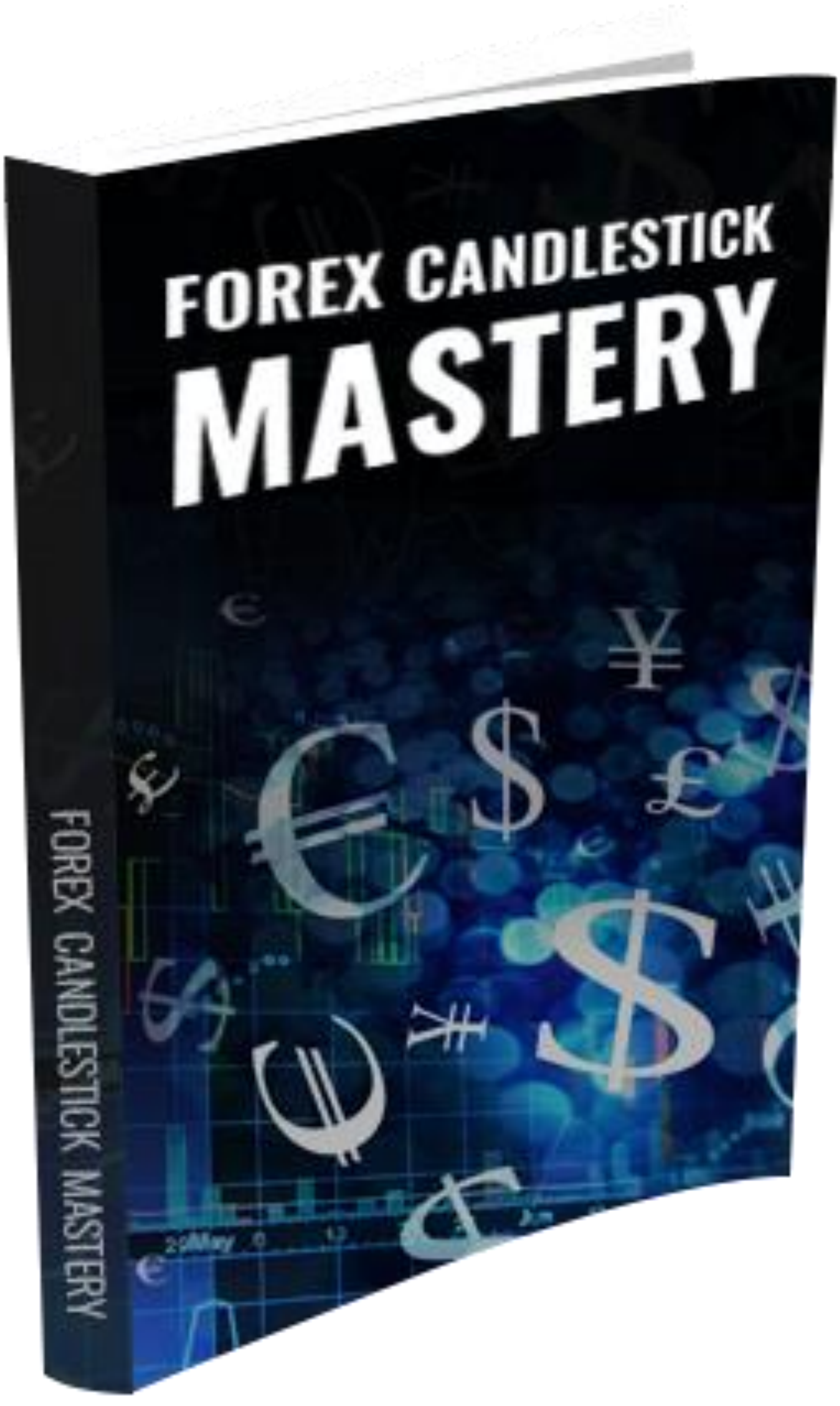
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Contents

Welcome

Hello and thank you for choosing to invest in Forex Candlestick Mastery™ ADVANCED EDITION.

This is just a short introduction and then we're jumping right in on the very next page.

You probably already know what this eBook is about by the title. You will notice that it's not a huge eBook – but the information we provide is clearly written, step-by-step and (of course) profitable – we've not 'padded' Forex Candlestick Mastery™ ADVANCED EDITION with unnecessary information!

Candlesticks are used by most professional traders in some form or another. To understand candlesticks is almost certainly critical to your success as a trader – they will *at least* improve your trading – whatever strategy(s) you use.

While reading this the first time (it is my hope you will come back to it again and again as a reference manual for your trading) I advise to keep an open mind to all that is being said – every word is there for a reason and nothing should be missed out.

We have not included *every* candlestick pattern there is; only the patterns that are guaranteed to improve your understanding of the markets *and* improve your trading.

We would ask one more thing… once you have finished reading this eBook we would love to hear your honest feedback – even just a short email. Thank you!

Please send emails to: contact@forexcandlestickmastery.com

Onwards!

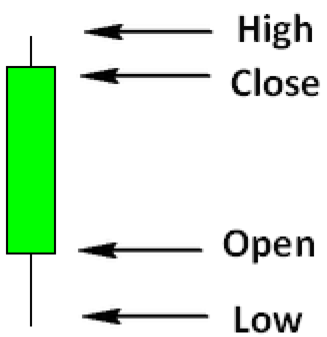
Candlestick Basics

We're going to start right at the beginning with how to interpret candles.

Each candle represents what price has done over a specific period of time. So, for example, let's say you are looking at a 1-hour price chart; each candle will represent one hour and will show:

- Where price was at the start of that hour
- The lowest price reached during that hour
- The highest price reached during that hour
- Where price was at the end of that hour

Let's see how this looks:



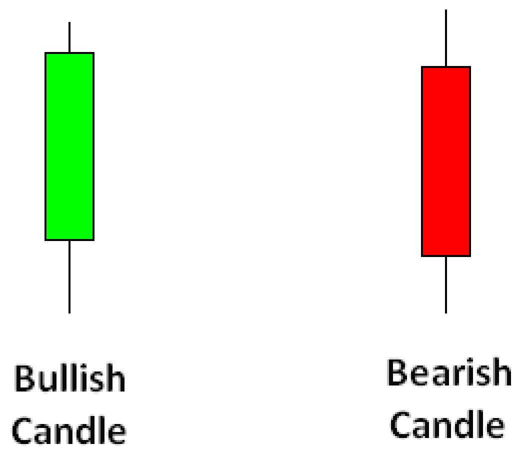
We will use green and red candles throughout this eBook. You can usually select any colours you want for your candlesticks on most charting platforms. Most are with black/white or red/green by default.

Many charting platforms will use black and white candlesticks; white candles are typically bullish and black candles bearish.

An important note about candlesticks: It does not matter what timeframe you are viewing your candles on, whether 5-minute charts or daily charts, **the principles behind candlesticks are the same across *all* timeframes**.

The Most Basic Candlesticks

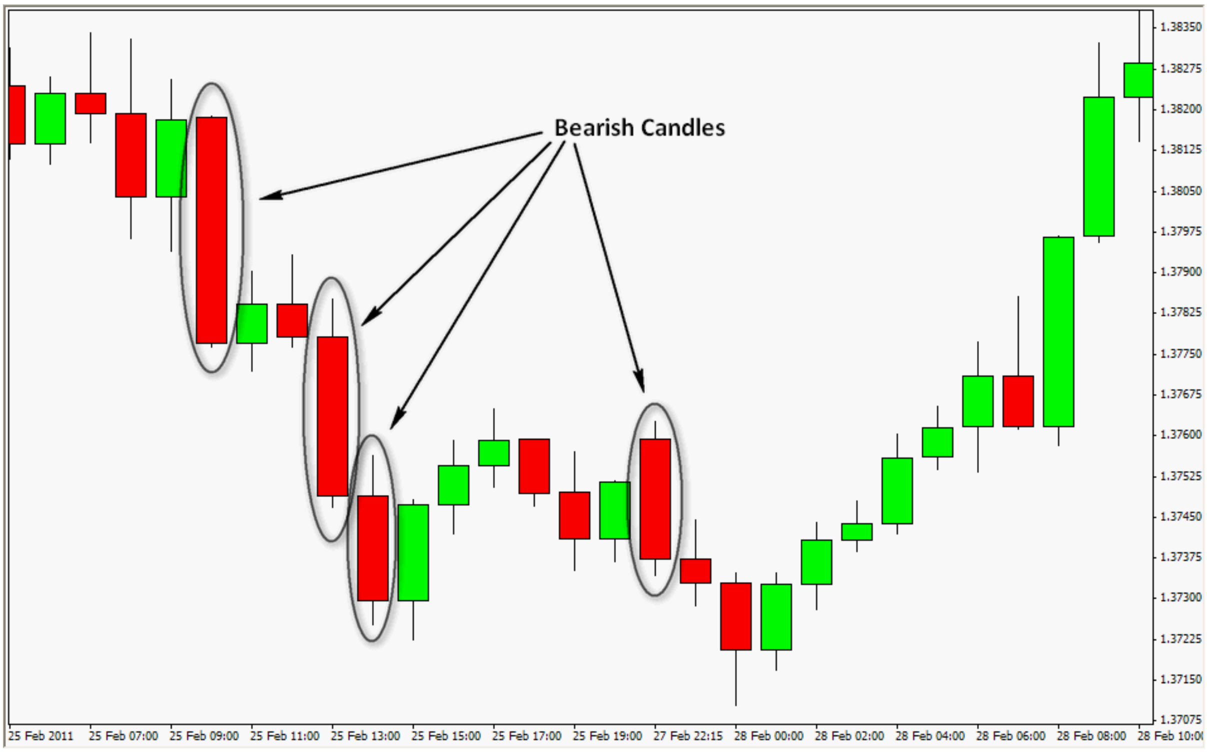
The simplest candles are the **bullish candle** and the **bearish candle**.

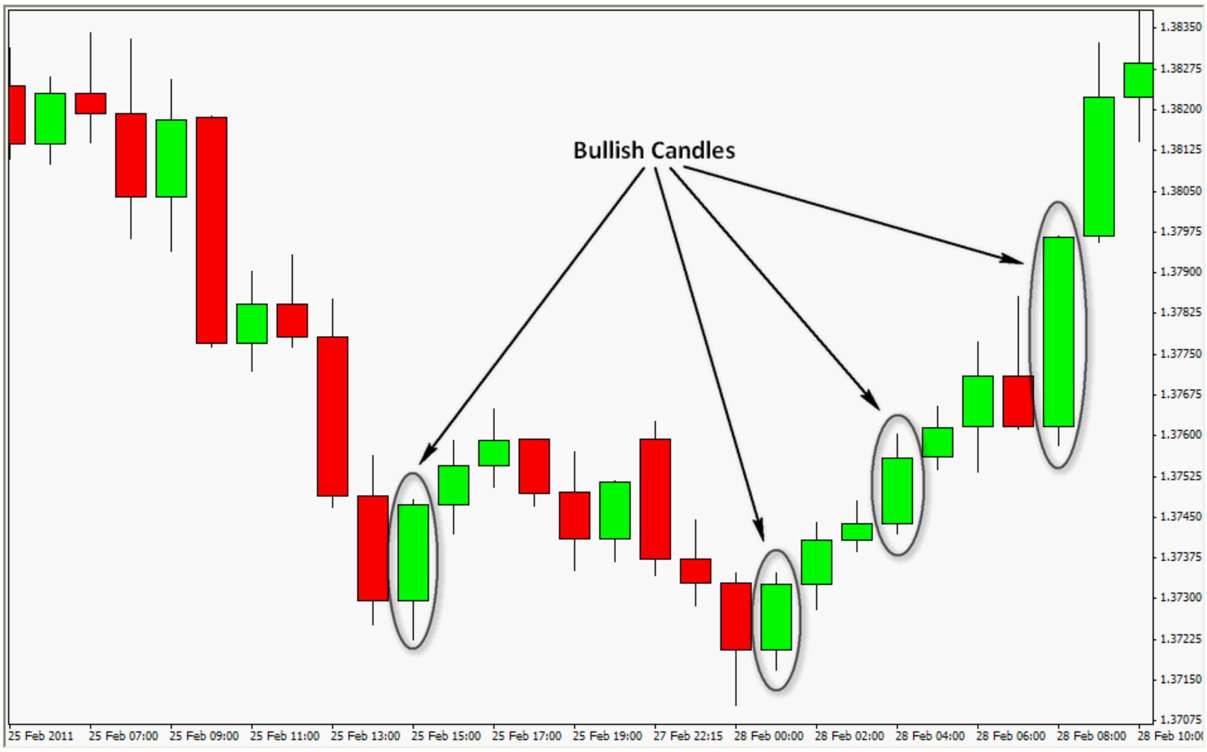


A **bullish candle** represents buyers overpowering sellers and is indicative of; yes you guessed it, bullishiness.

And in a similar way a **bearish candle** represents selling activity being greater than buying activity and demonstrates bearishness.

Let's now take a look at a couple of charts showing bullish and bearish candles in action:

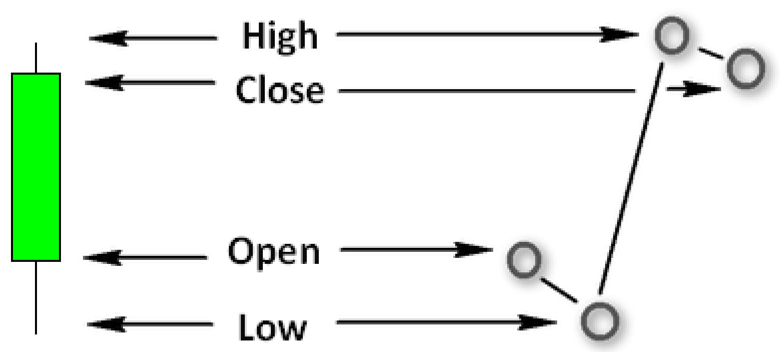




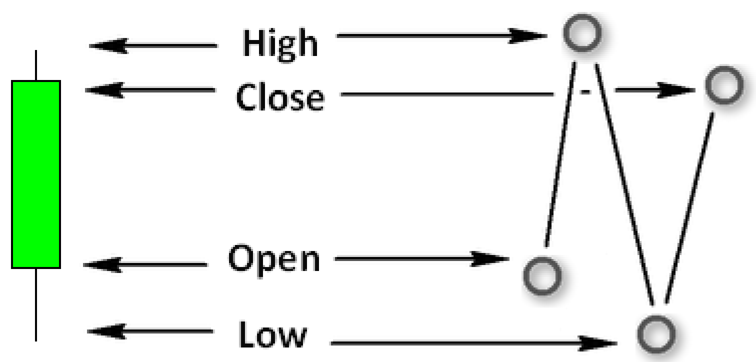
What is happening INSIDE the candle?

You can never be 100% sure what movements price has made INSIDE a candle without going down to a lower timeframe chart. Reading candlesticks is all about interpreting what price has done so that you can understand what is happening in the market; in other words figure out what buyers and sellers are doing.

A bullish candle with shadows will typically be made up of price moving like this:



However, there is a chance that price *may* have done something like this, but is unlikely:



Although it is good practice to consider what is going on inside a candle – your main analysis should be focused on what is happening in the 'bigger picture'.

Single Candle Patterns

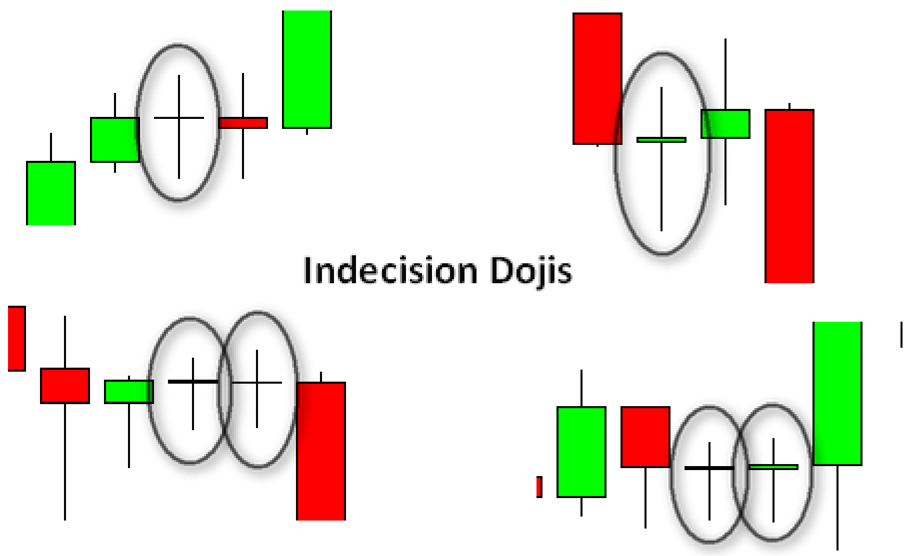
Dojis, spinning tops, hammers and shooting stars

Next to the bullish candle and bearish candle the **doji candle** is probably the one most traders will be familiar with.

A doji candle occurs when the close of a candle is the same price as the open.

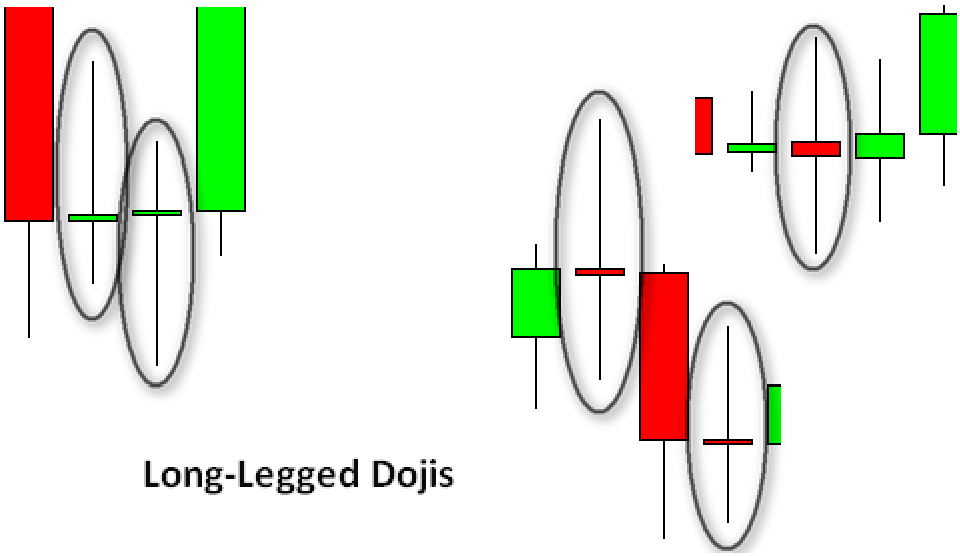
There are two main types of doji candles. The first type indicates indecision in the market. The upper shadow and lower shadow will be of similar length and quite often you will get a few of these dojis one after the other.

Here are a few examples of the indecision style of doji candle:



What is happening with this type of doji is that buyers and sellers are in balance. The traders buying and the traders selling have currently reached a price where they are in agreement.

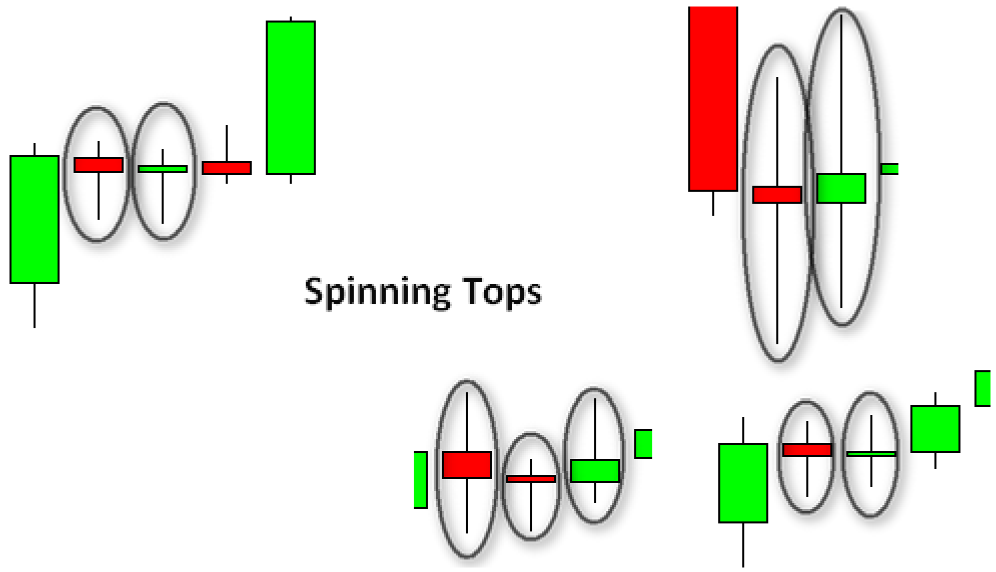
Long-legged dojis are the same as ordinary indecision dojis except that the shadows are much longer. For example:



Long-legged dojis represent a lot of indecision in the market; quite often they can highlight periods of low-liquidity (e.g. prior to significant news announcements).

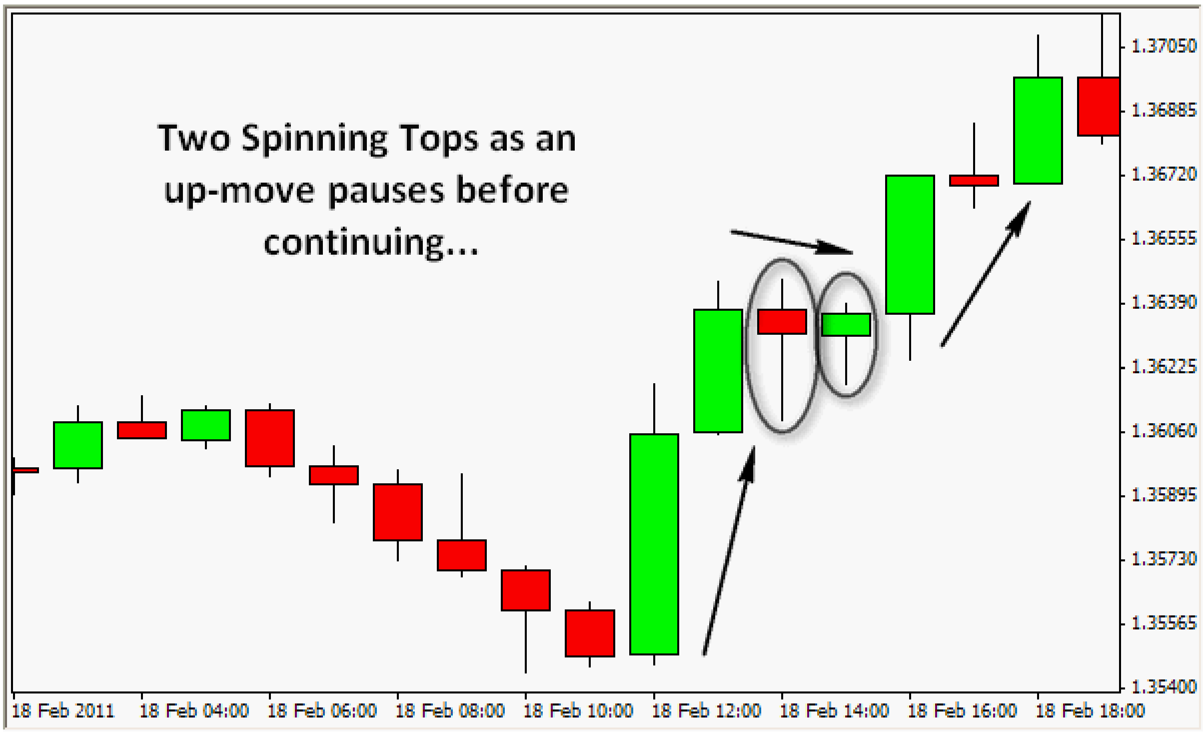
Indecision dojis have a candle similar to them; they are called **spinning tops**. Spinning tops are almost identical to indecision dojis except that the open and closes are not exactly the same price. In other words the open may be above the close or vice-versa.

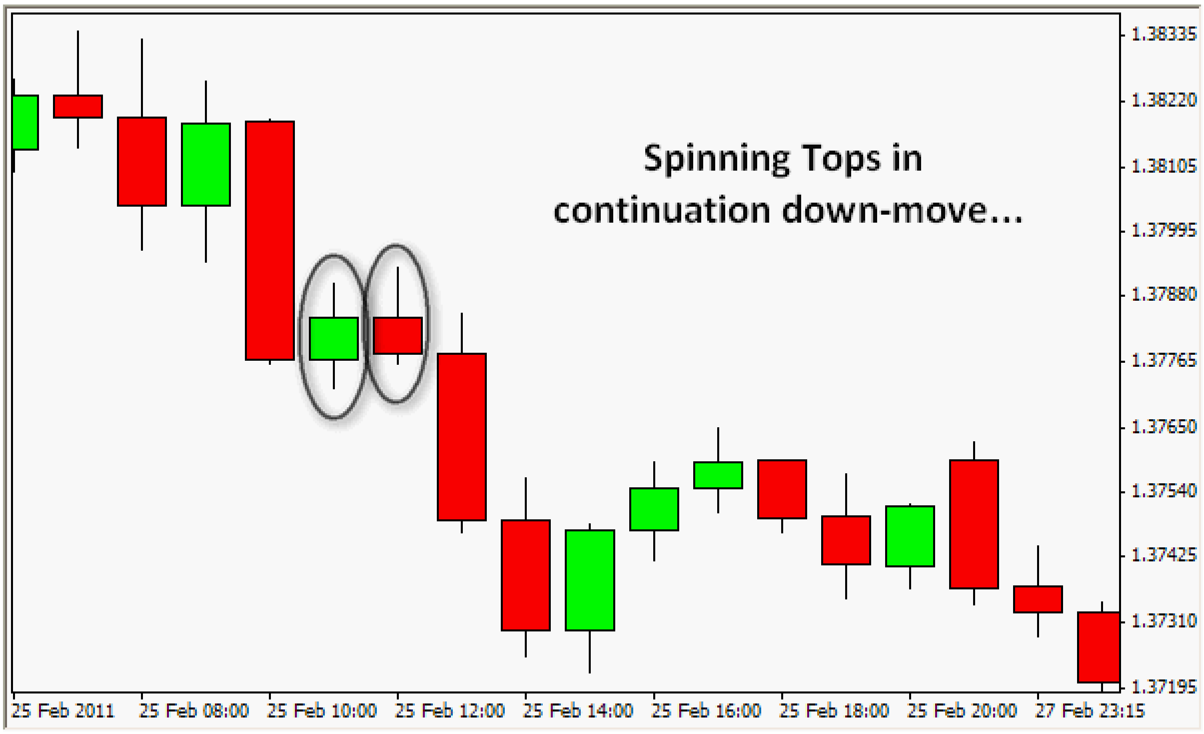
Some examples of spinning tops:

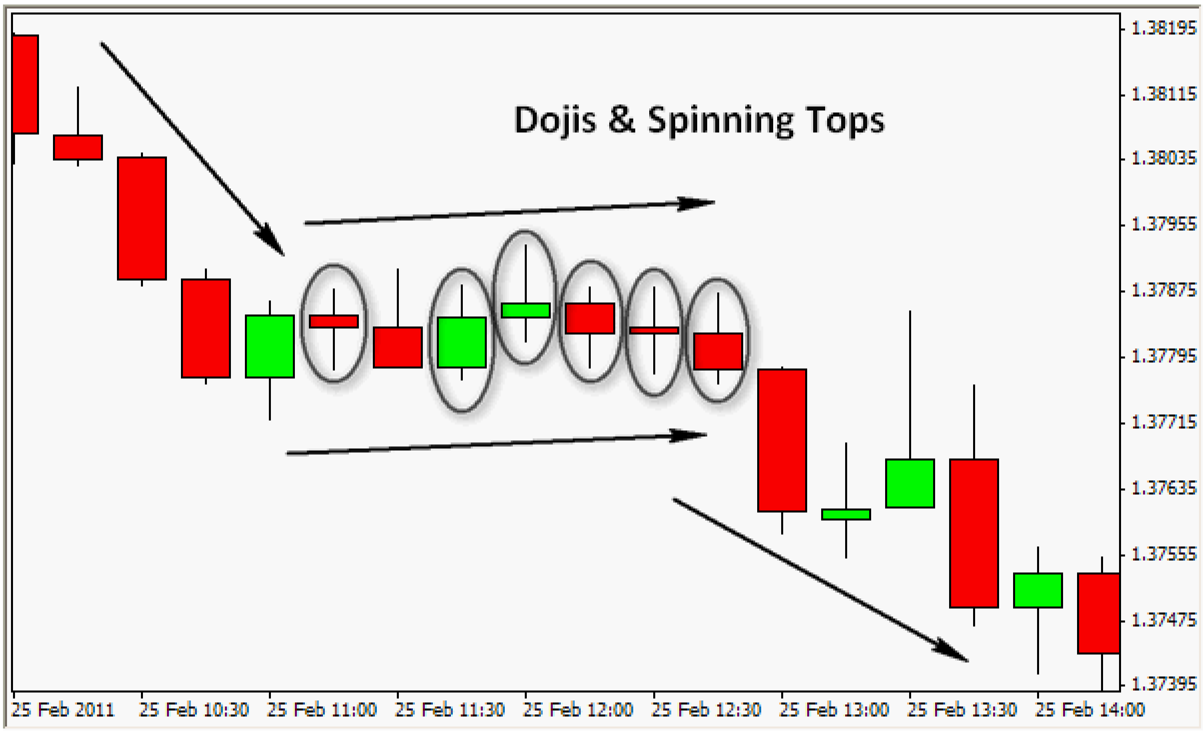


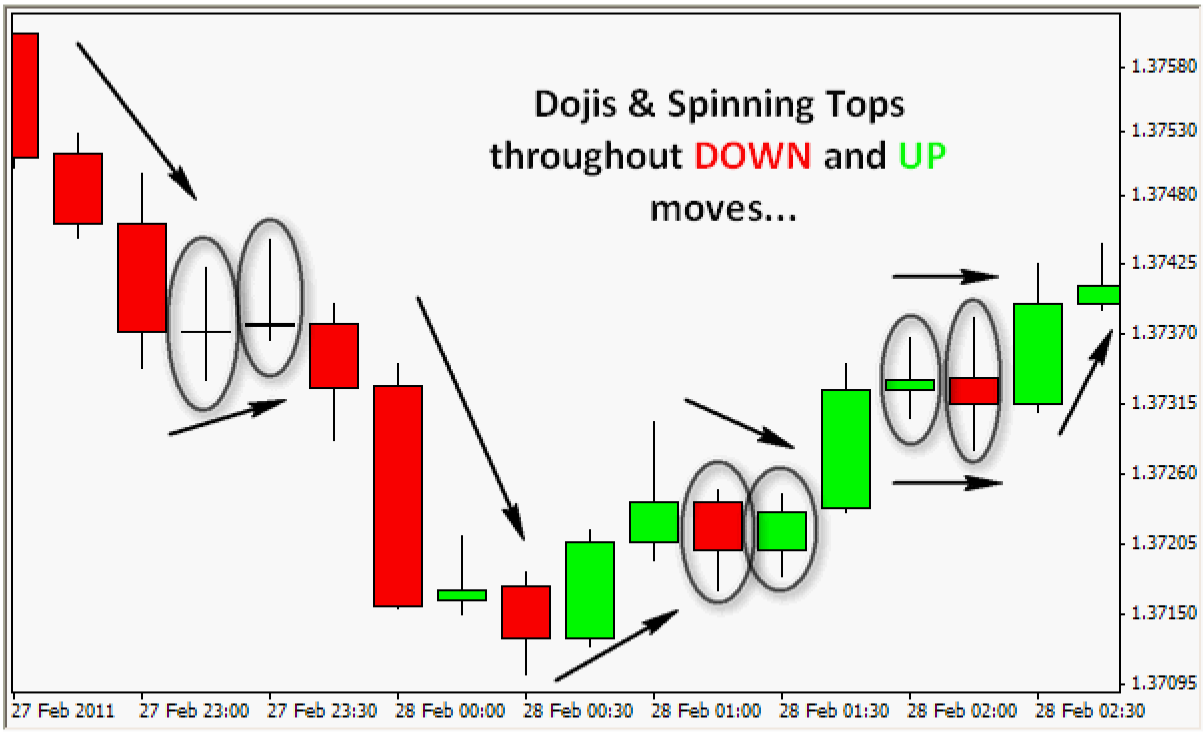
Because indecision dojis and spinning tops are so similar in what they represent – we will treat them the same from here on.

Now, more often than not, price will make a decent move after having been 'in balance'. Take a look at these charts:

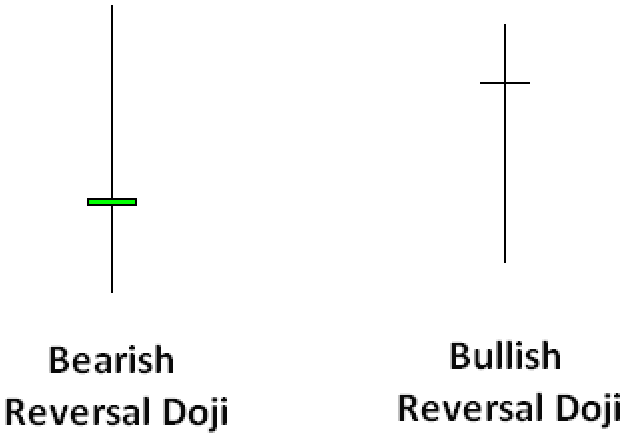





Dojis & Spinning Tops
1.38195
1.38115
1.38035
1.37955
1.37875
1.37795
1.37715
1.37635
1.37555
1.37475
1.37395
25 Feb 2011
25 Feb 10:30
25 Feb 11:00
25 Feb 11:30
25 Feb 12:00
25 Feb 12:30
25 Feb 13:00
25 Feb 13:30
25 Feb 14:00


Dojis & Spinning Tops
throughout DOWN and UP
moves...
1.37580
1.37530
1.37480
1.37425
1.37370
1.37315
1.37260
1.37205
1.37150
1.37095
27 Feb 2011
27 Feb 23:00
27 Feb 23:30
28 Feb 00:00
28 Feb 00:30
28 Feb 01:00
28 Feb 01:30
28 Feb 02:00
28 Feb 02:30

The other type of doji is what is called the ‘reversal’ doji; here is what this type of doji looks like:



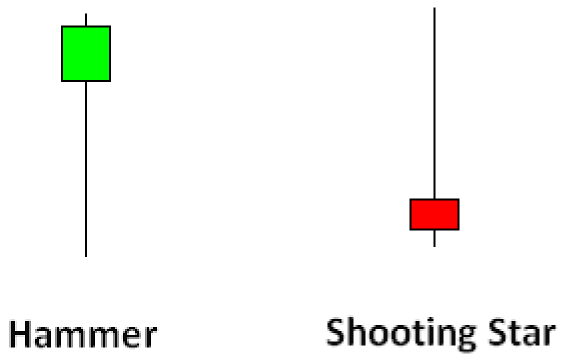
So what is happening here? For the bullish reversal doji we are seeing sellers taking price lower and then buyers overpowering these sellers and taking price higher. This is a sign of bullishness as price tried to go down, could not stay down, and then was pushed back higher again.

The same is true for a bearish reversal doji; buyers took price higher and then seller came in and forced price back down again – a bearish indication for sure.

Reversal dojis also have very similar related bars; the bullish doji has a similar candle called a **hammer**; and the bearish doji has a similar candle called a **shooting star**.

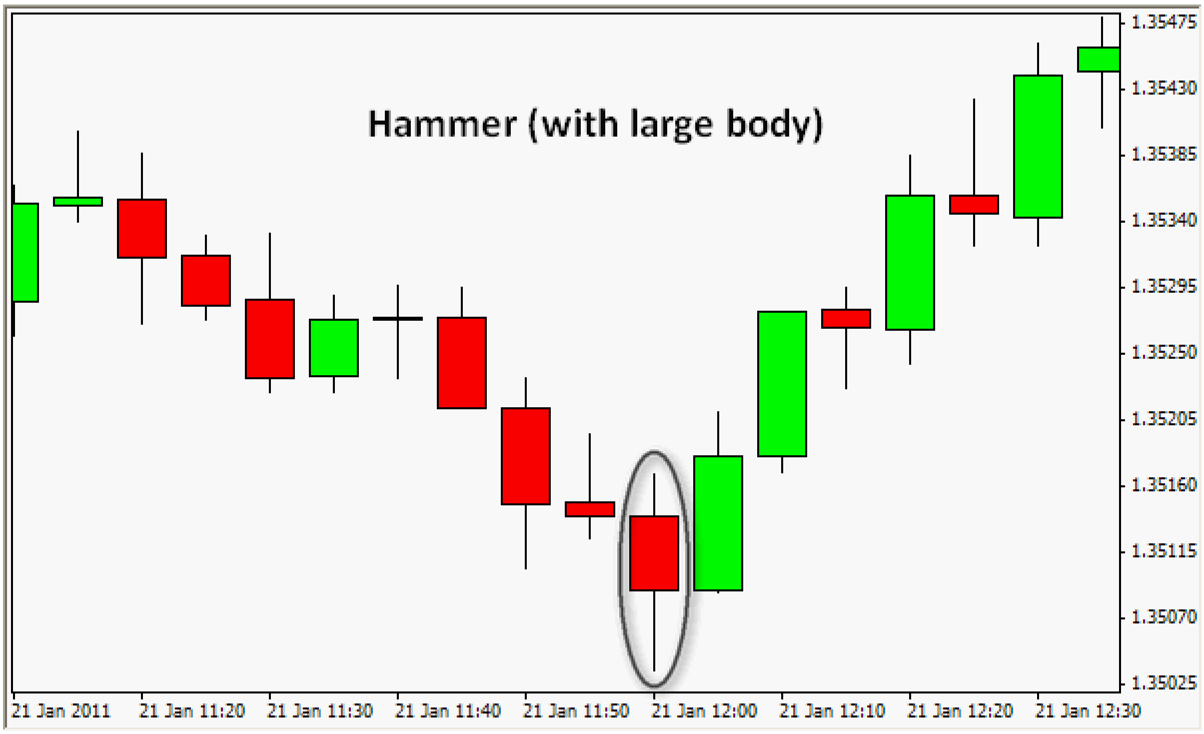
The hammer and shooting star candles are pretty much the same as their related reversal dojis except their closes and opens do not have to occur at the same price.

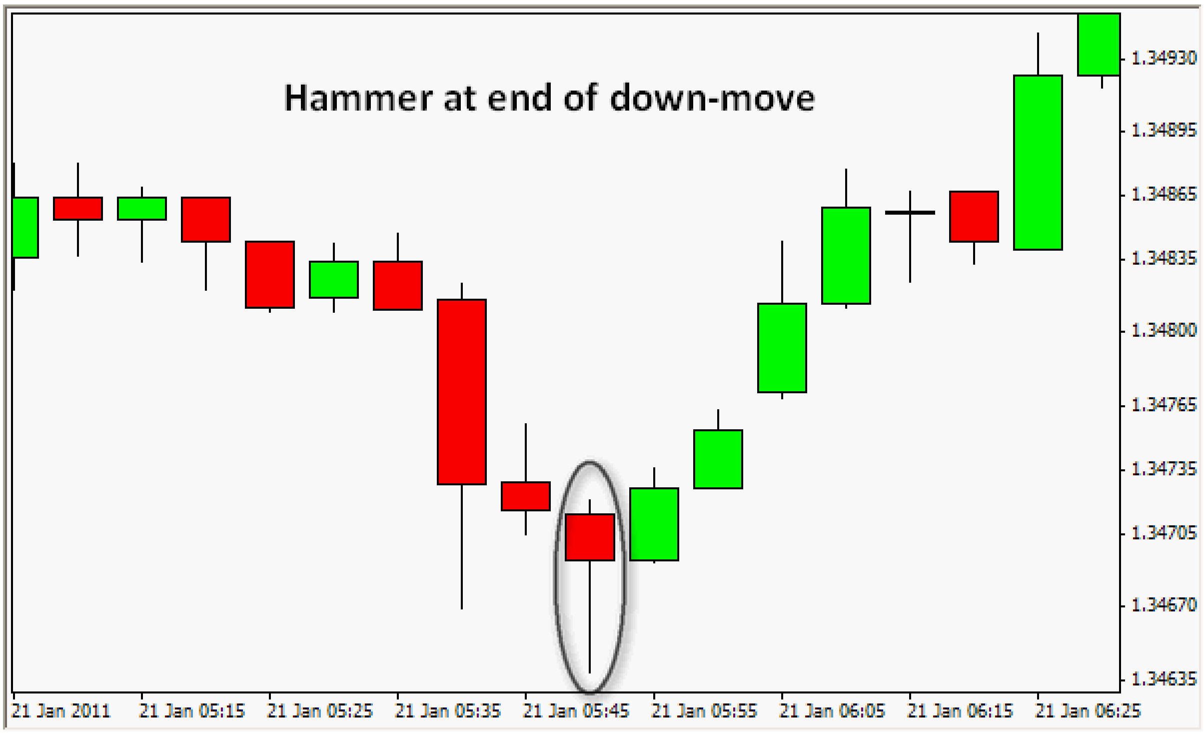
Example of hammers and shooting stars:

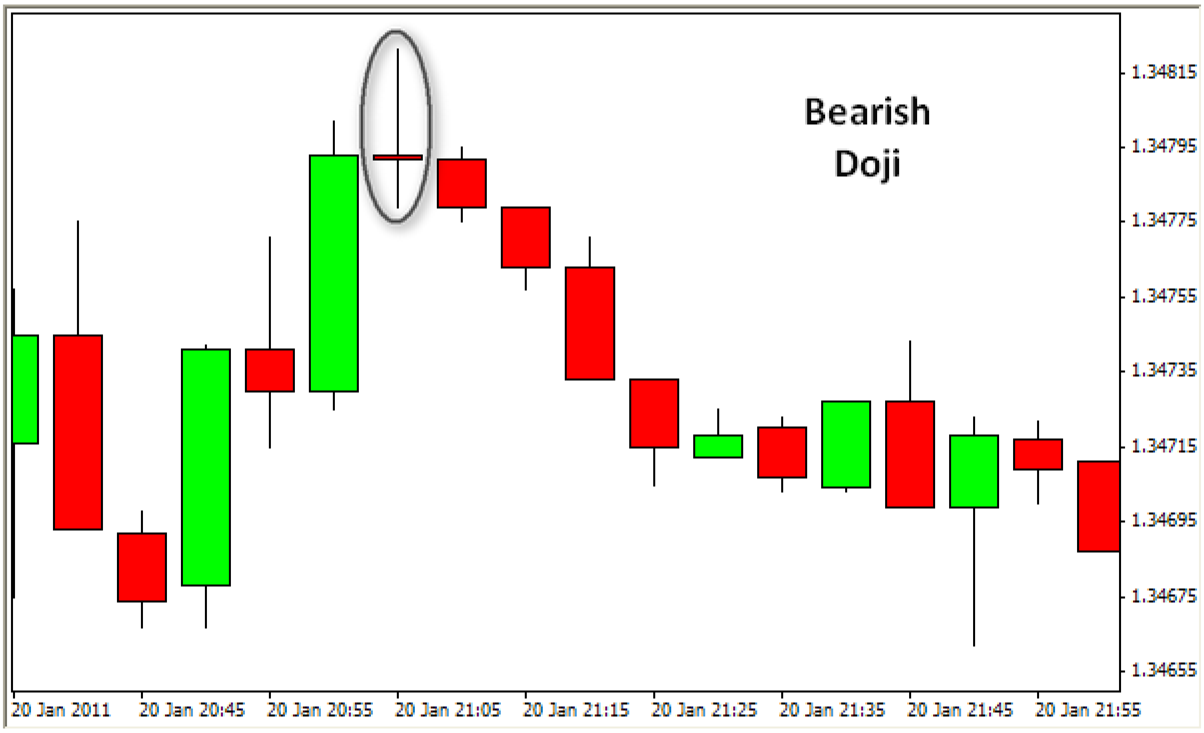


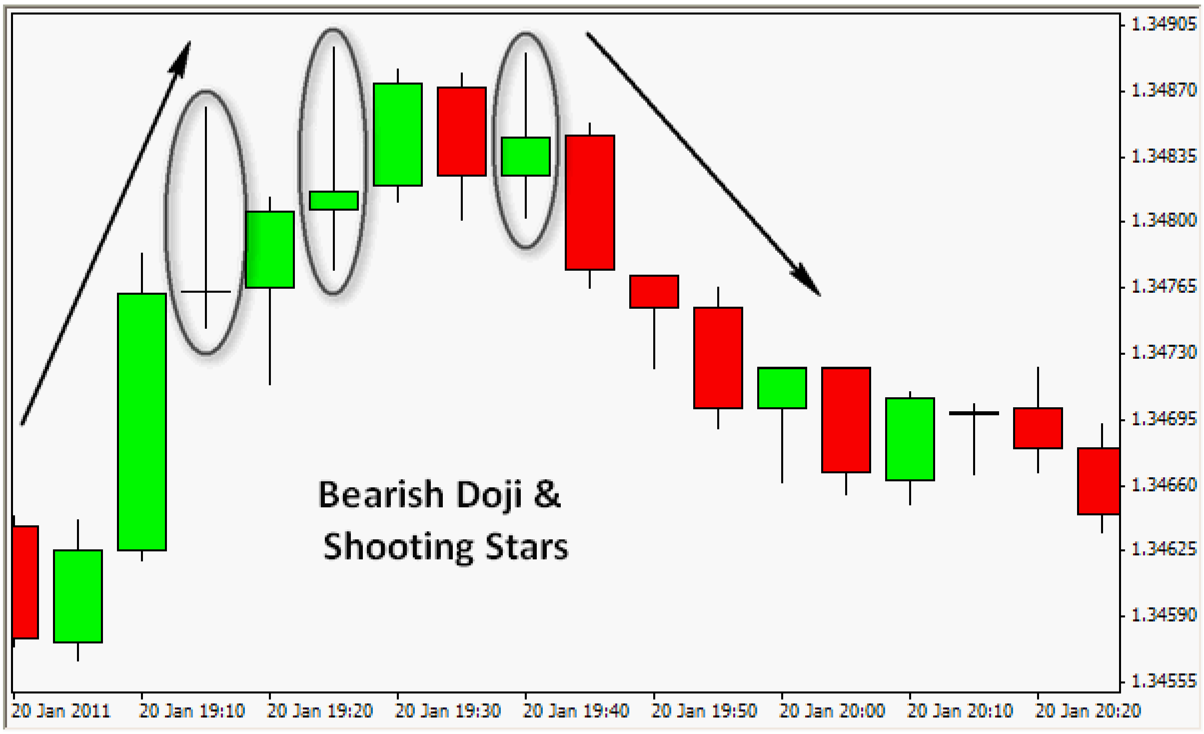
Bullish reversal dojis and hammers can regarded as the same – the difference is minor; this is the same for bearish reversal dojis and shooting stars.

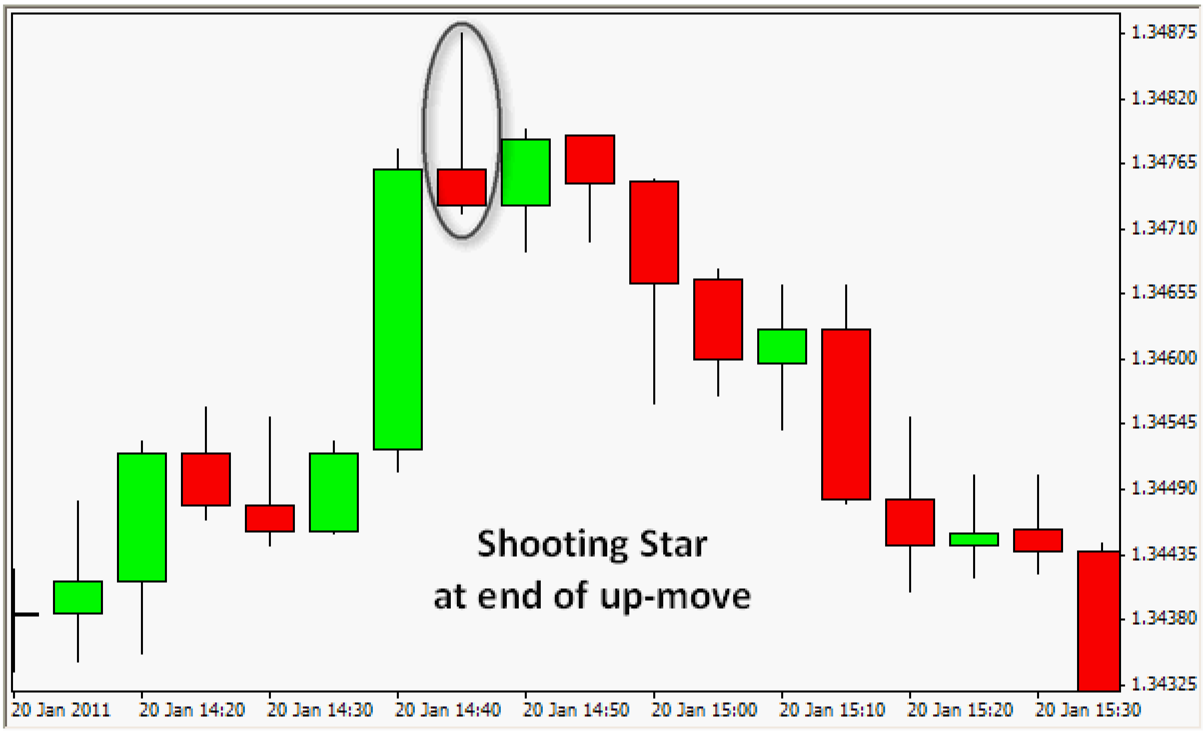
Let’s take a look at some examples of **bullish** and **bearish reversal dojis**, **hammers** and **shooting stars** in action:






Bearish
Doji
1.34815
1.34795
1.34775
1.34755
1.34735
1.34715
1.34695
1.34675
1.34655
20 Jan 2011
20 Jan 20:45
20 Jan 20:55
20 Jan 21:05
20 Jan 21:15
20 Jan 21:25
20 Jan 21:35
20 Jan 21:45
20 Jan 21:55

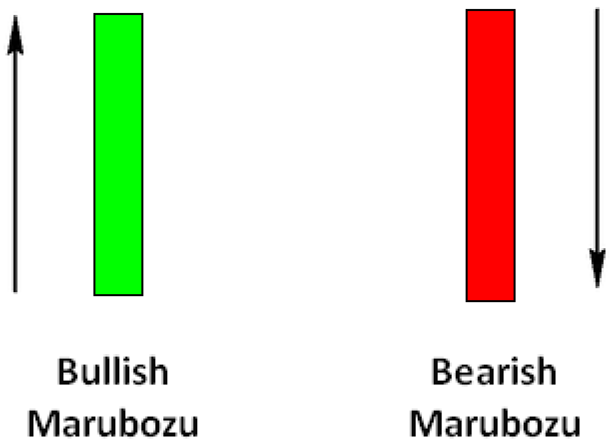

Bearish Doji &
Shooting Stars
1.34905
1.34870
1.34835
1.34800
1.34765
1.34730
1.34695
1.34660
1.34625
1.34590
1.34555
20 Jan 2011
20 Jan 19:10
20 Jan 19:20
20 Jan 19:30
20 Jan 19:40
20 Jan 19:50
20 Jan 20:00
20 Jan 20:10
20 Jan 20:20


Shooting Star
at end of up-move
1.34875
1.34820
1.34765
1.34710
1.34655
1.34600
1.34545
1.34490
1.34435
1.34380
1.34325
20 Jan 2011
20 Jan 14:20
20 Jan 14:30
20 Jan 14:40
20 Jan 14:50
20 Jan 15:00
20 Jan 15:10
20 Jan 15:20
20 Jan 15:30

Marubozu

Marubozu candles are an indication of a strong momentum-driven move.

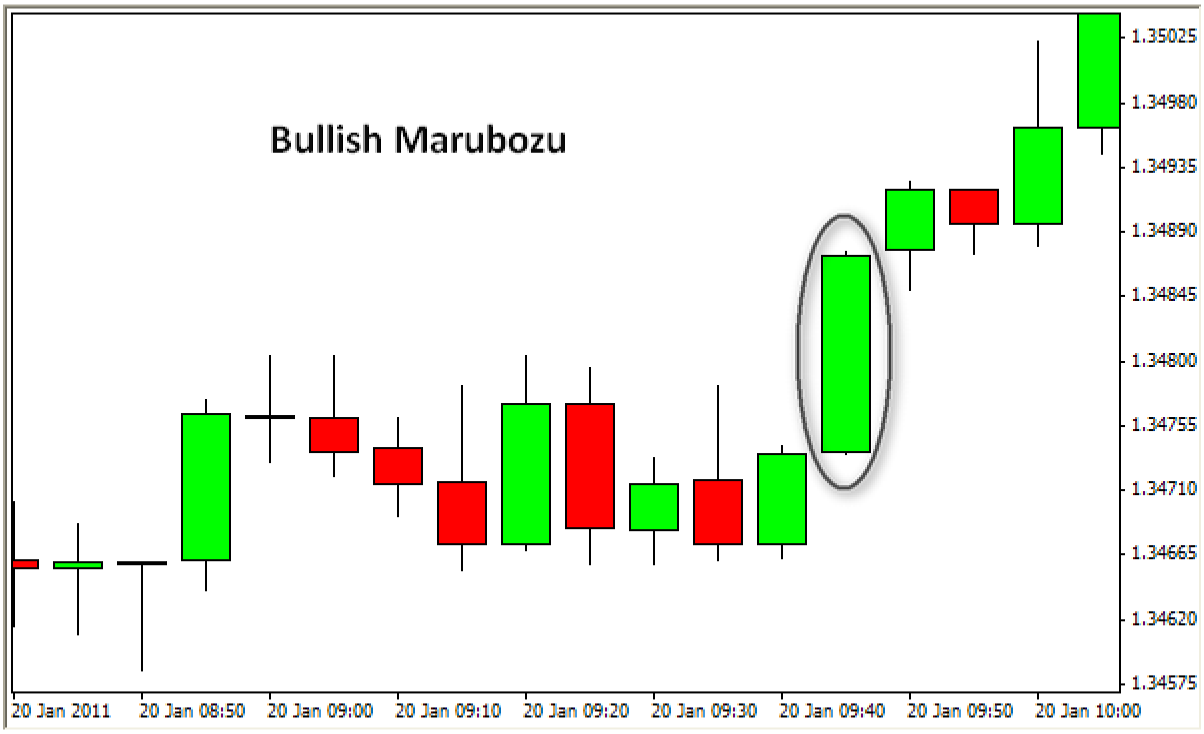
The fundamental feature that differentiates a Marubozu candle from an ordinary bullish or bearish candle is the lack of a distinct shadow. See below:

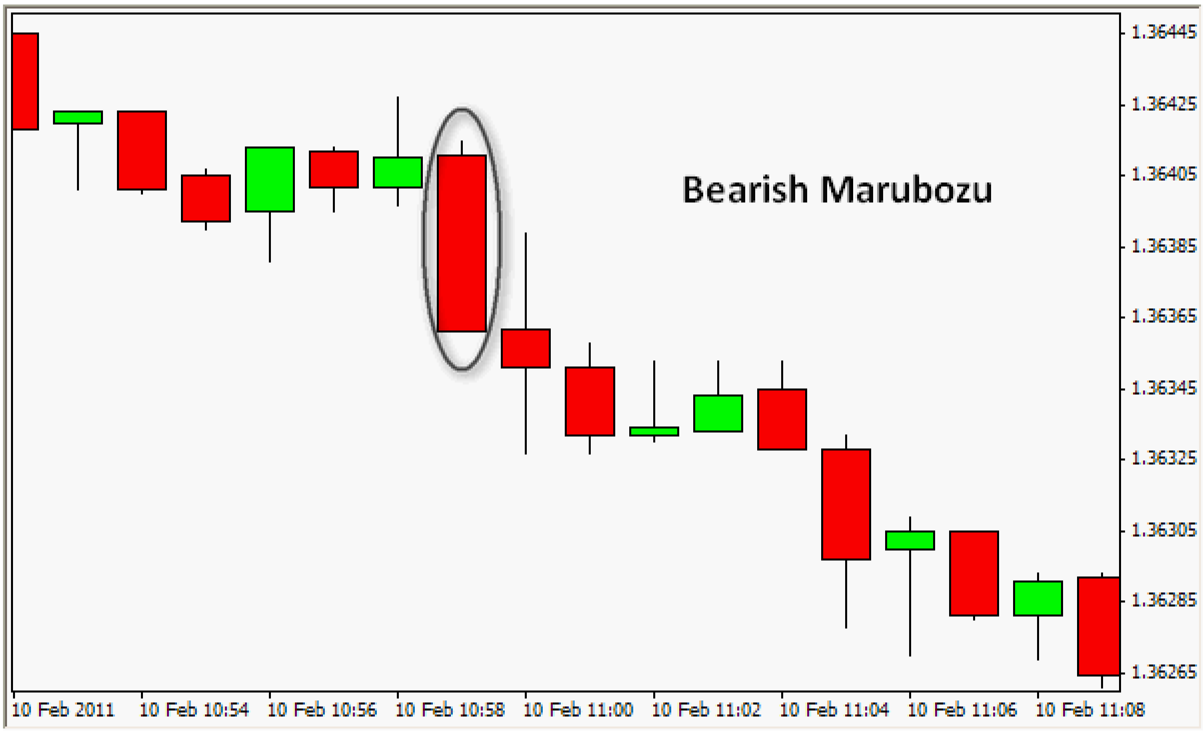


The premise behind the Marubozu is that, the after the candle has opened, price immediately goes in one direction without any pullback; further to this, the price continues in that same direction into the close of the candle, without any pullbacks (which would be shown by a shadow on the candle).

In other words a Marubozu candle shows price heading in a single direction with very little pullback – which is indicative of a strong move with lots of momentum.

Some examples of Marubozu candles:

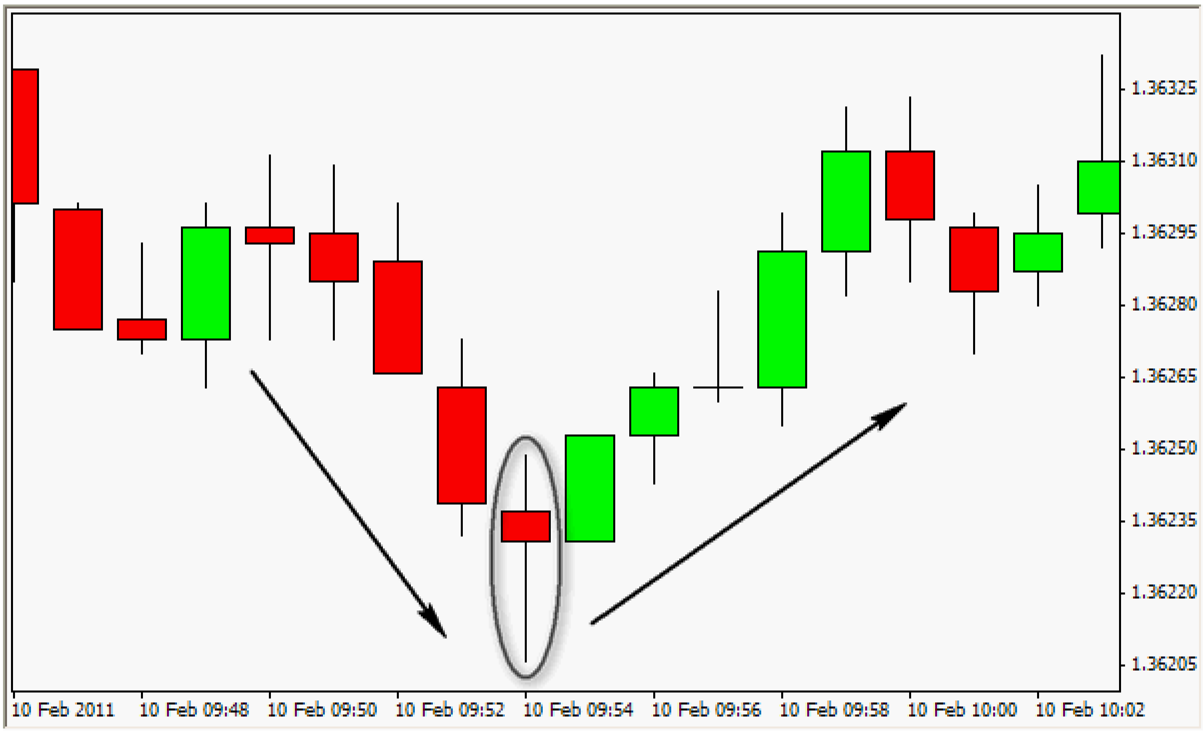




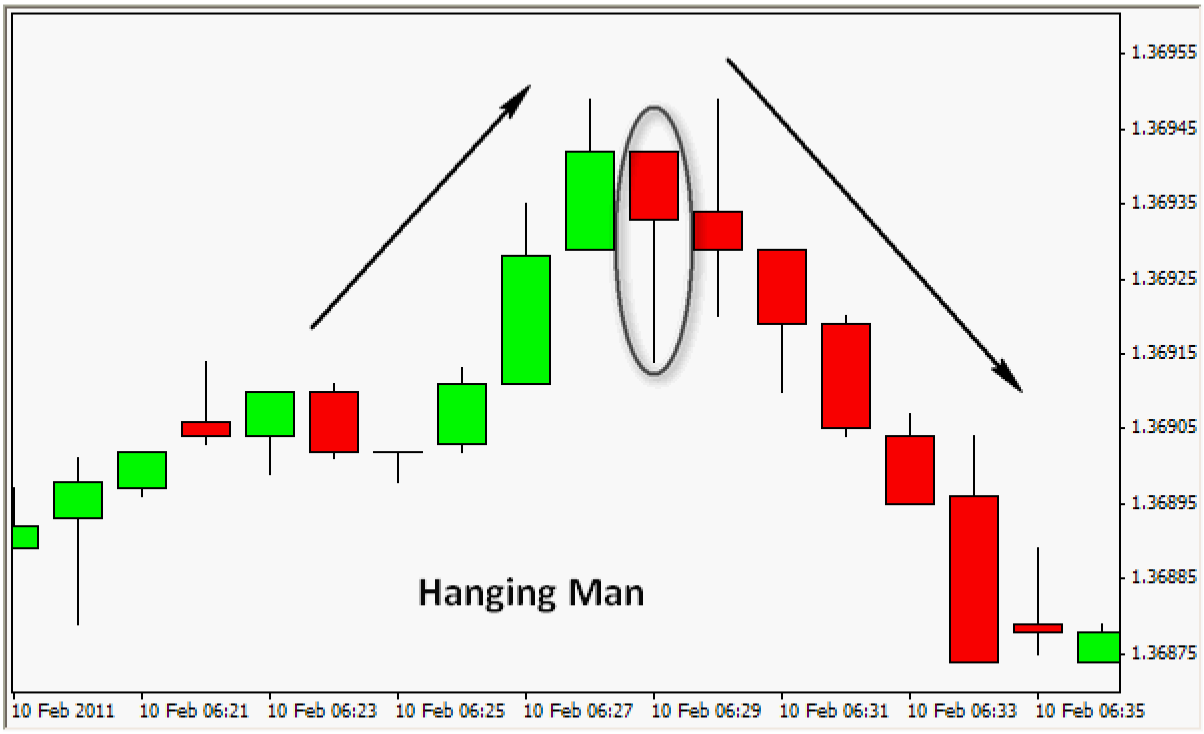
Inverted hammer and hanging man candles

From earlier we know that hammers and shooting stars are exactly the same except that hammers are bullish and shooting stars are bearish.

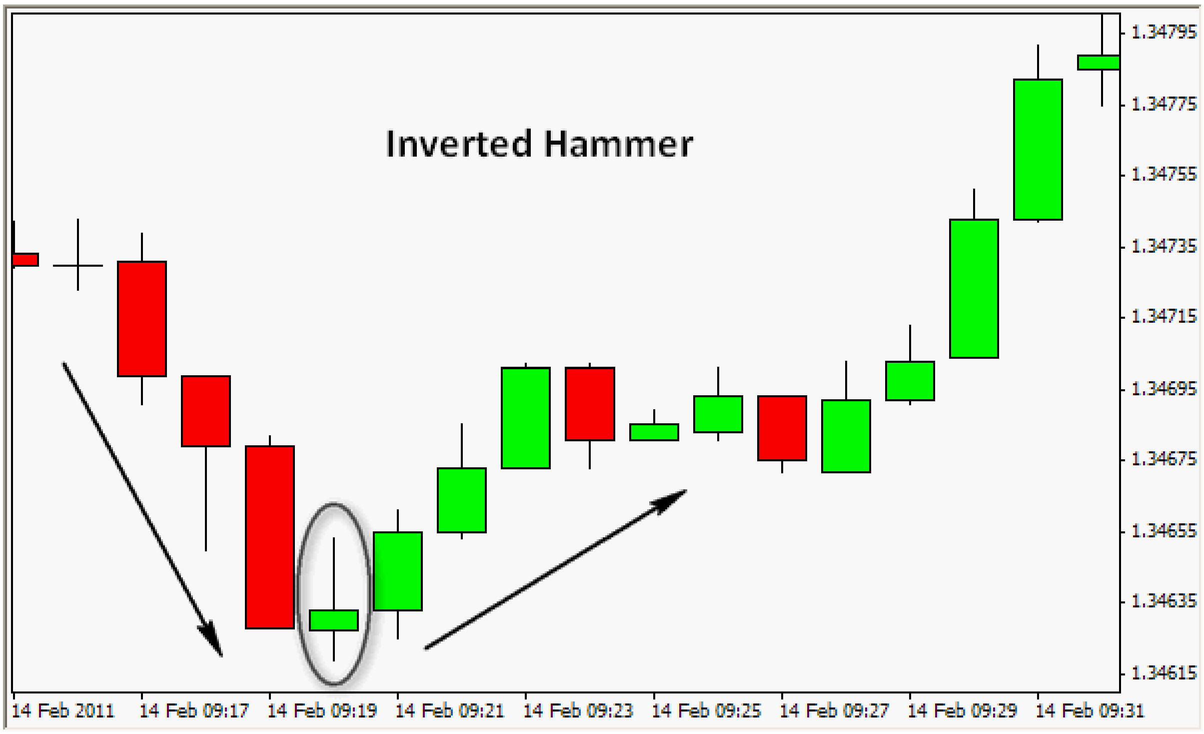
For a hammer to be a hammer it occurs at a swing low like this:



When a hammer-style candle occurs at a swing high we call this a **hanging man** candle. Here is an example:

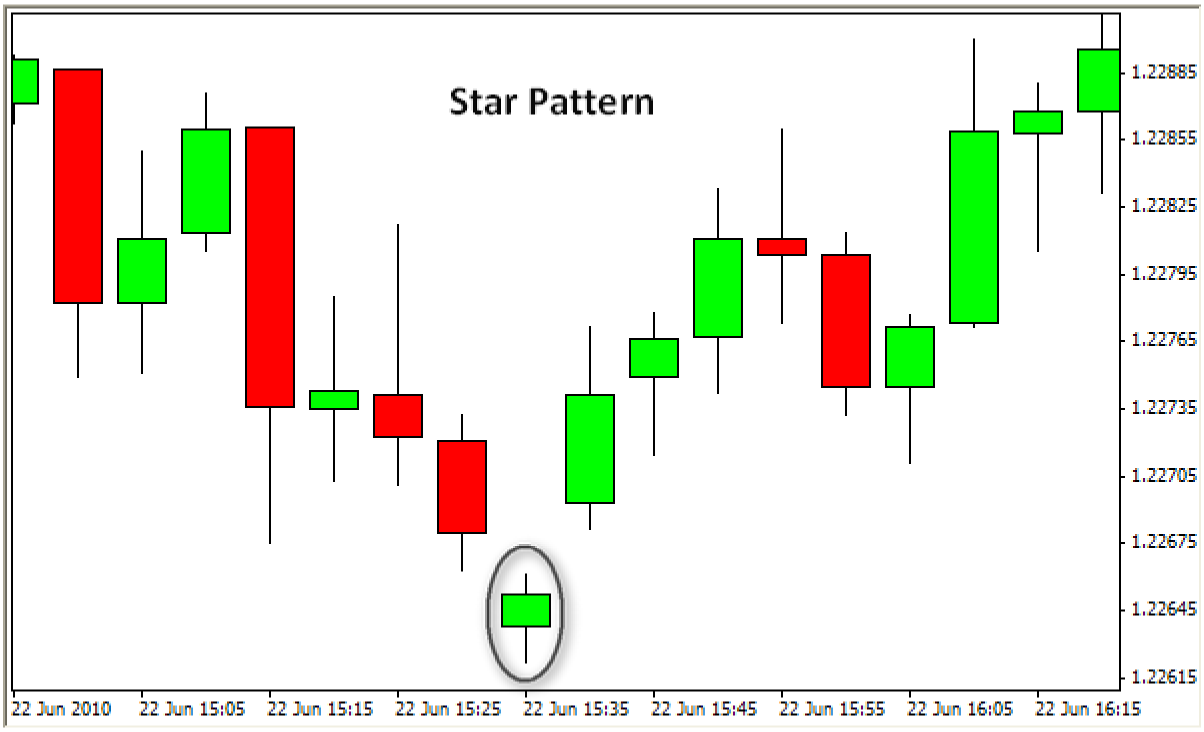


In a similar fashion, when we get a shooting star style candle occurring at a swing low, we call this an **inverted hammer**. An example:



Star

The **star** candle is a doji that is formed a distance away from the previous and subsequent candles. Here is an example:



This candle however is not really applicable in Forex as it requires a period of time to occur between opens and closes to form the *distance* between the star candle and the other candles. Once the Forex market opens at the beginning of the week there is no point where there can be an open and a close – the market is open 24 hours per day, 5 days per week.

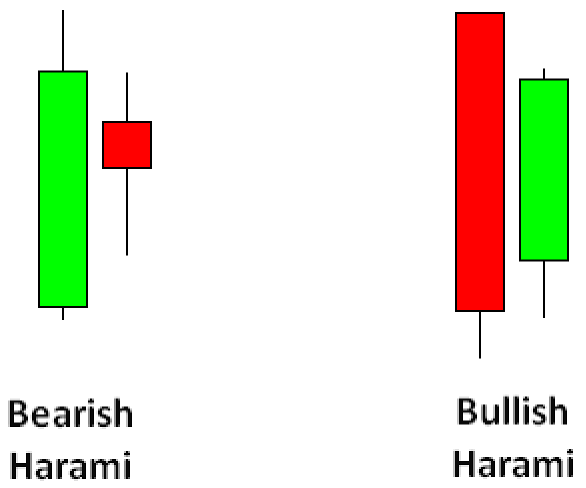
As a result the only charts that could have a star would be the weekly and monthly charts (and perhaps even <u>yearly</u> if you're into the *really* longer timeframes).

Candle Patterns

Harami

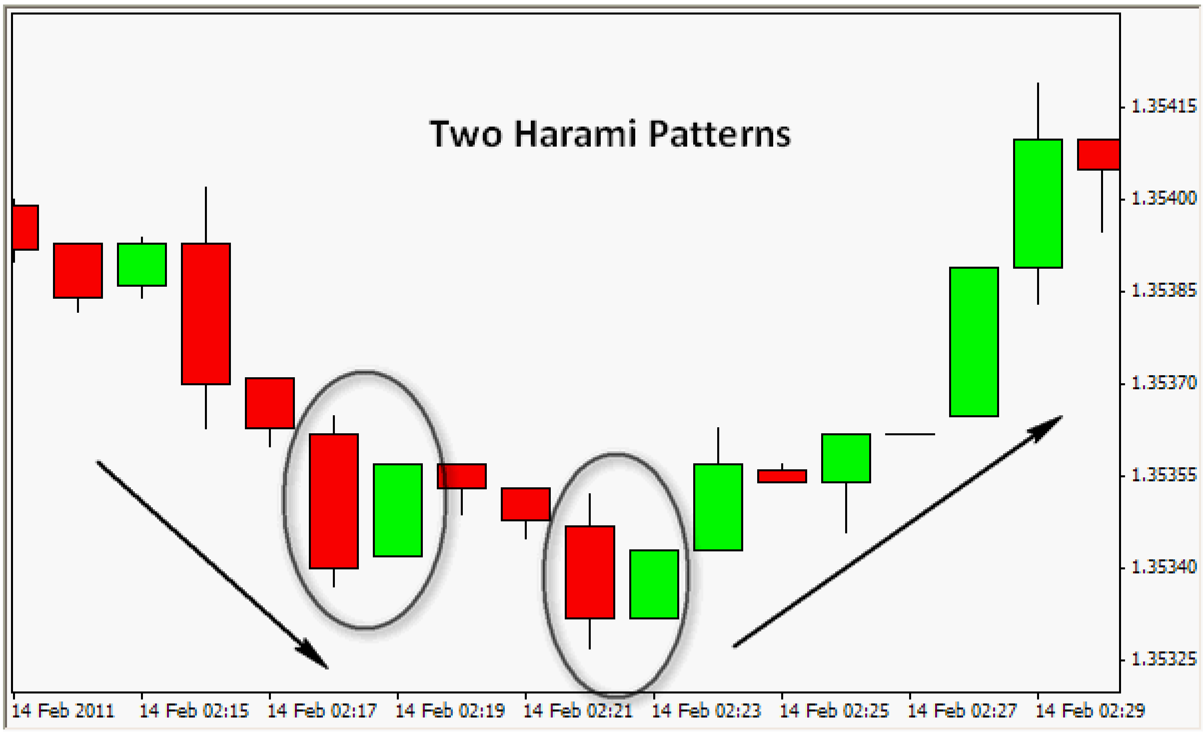
This is a two-candle pattern that is formed when the second candle is contained *entirely* within the body of the first. The second candle's open and close must be in the *opposite* direction to that of the first candle – in other words, if the first candle's close was above its open, then the second candle's close would be *below* its open.

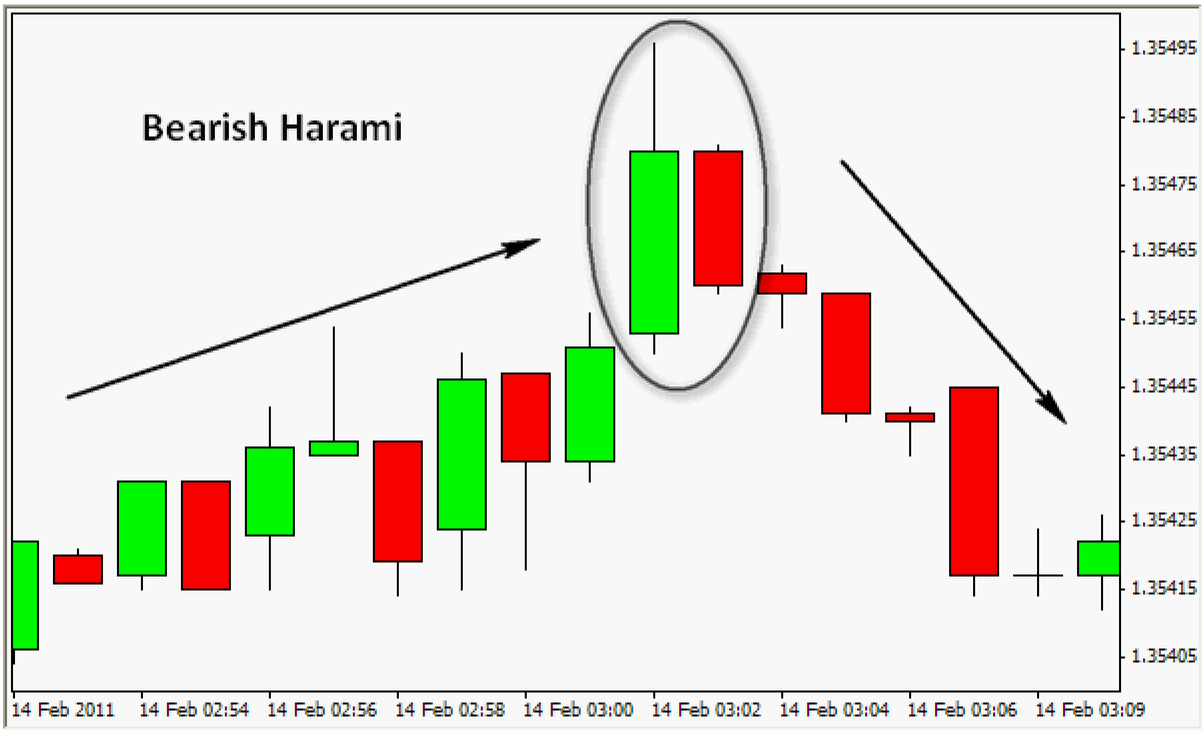
Here are the two possible **Harami** patterns styles that you will see:



A Harami indicates a potential reversal in the market. We would look for a **Bullish Harami** at a swing-low and a **Bearish Harami** at a swing-high.

Harami examples:

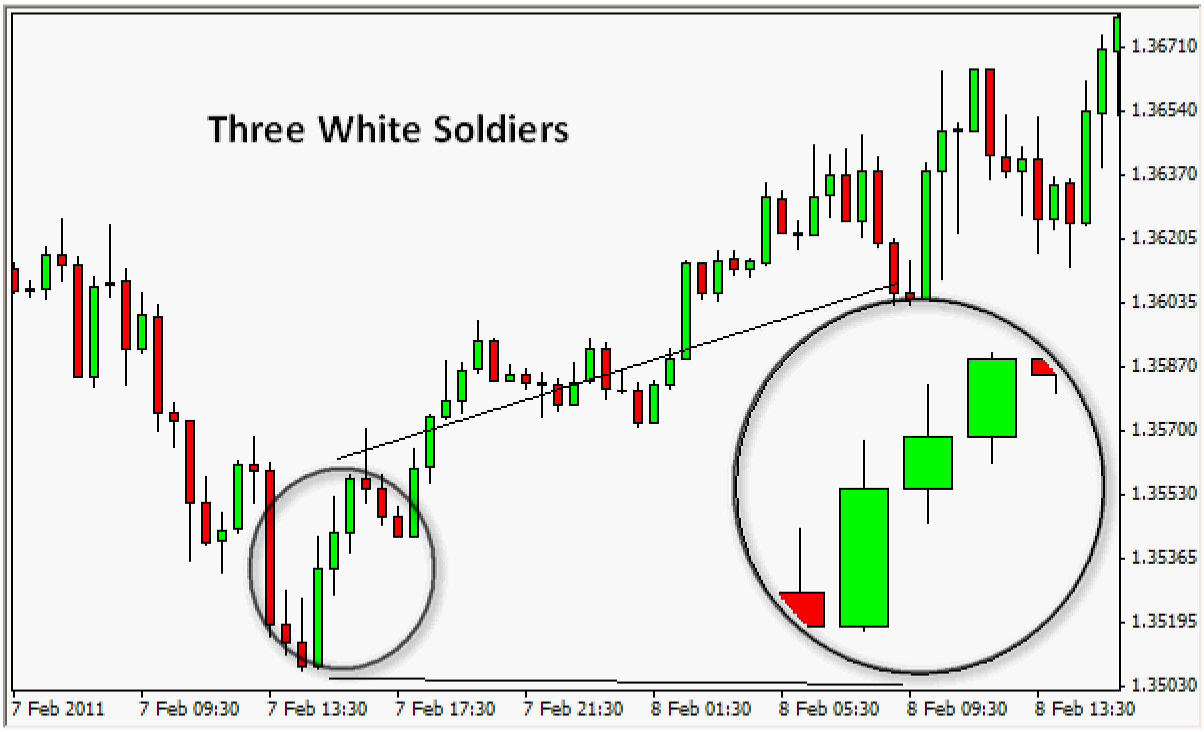




Three white soldiers

This is a bullish reversal pattern and consists of three days of solid bullish candles in a row.

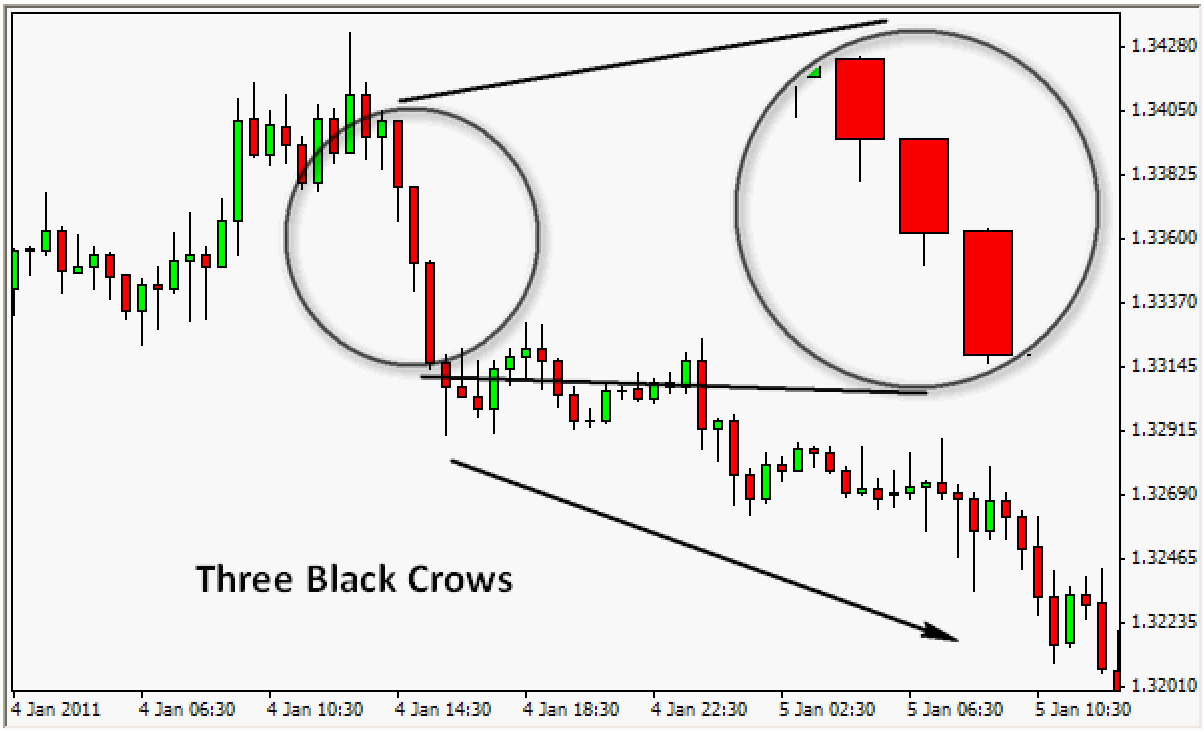
This pattern has the greatest potential after the market has made a steady decline.



Three Black Crows

The **Three Black Crows** pattern is the inverse of the **Three White Soldiers** pattern.

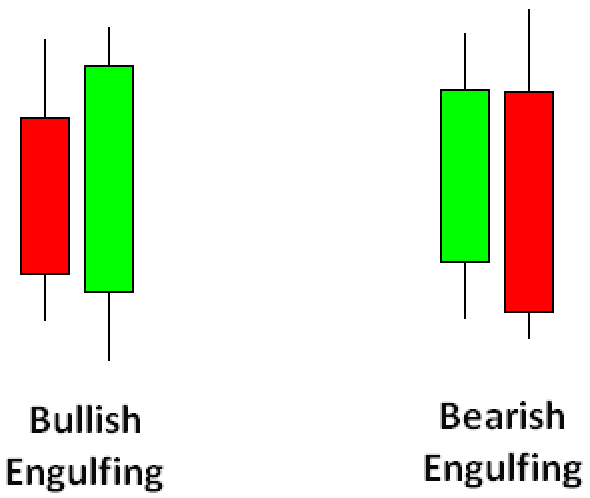
The pattern signifies a strong potential in the market to fall when it occurs after the market has made a steady climb.



Bullish and Bearish Engulfing

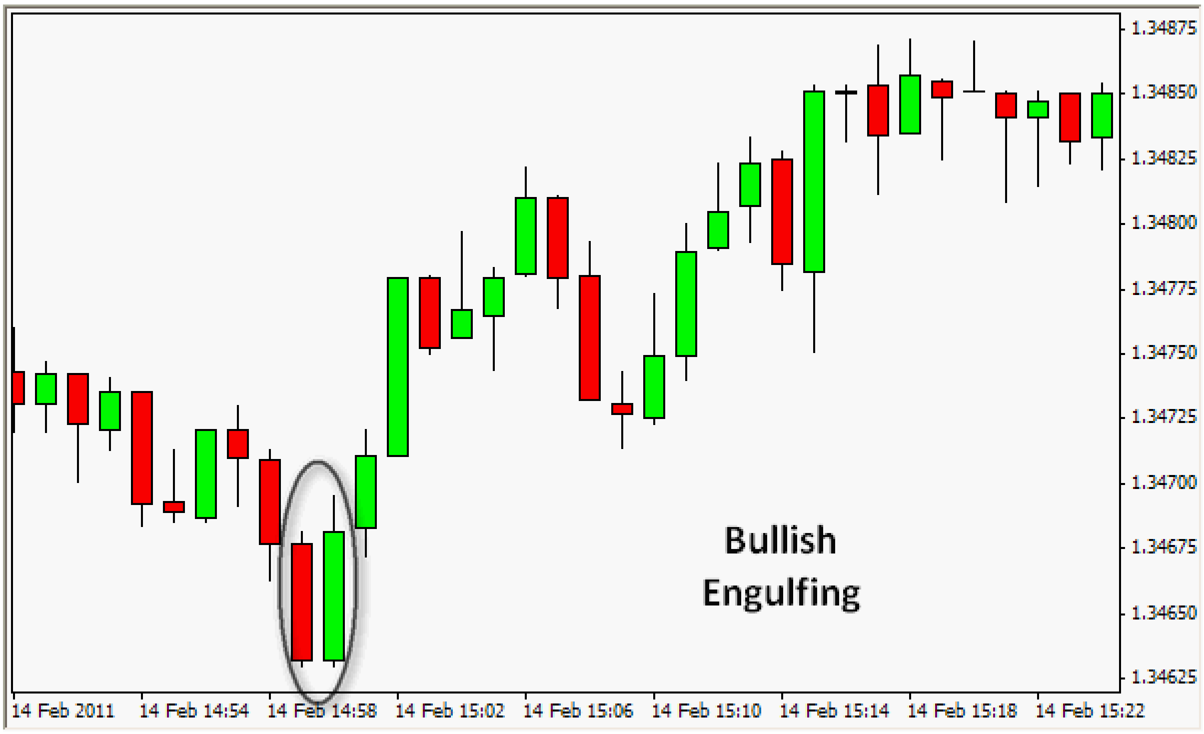
The **Bullish Engulfing** pattern consists of a first candle that is consistent with the current trend (i.e. a black candle if the market is trending down); the next candle's low is lower, and high is higher, than the first candle.

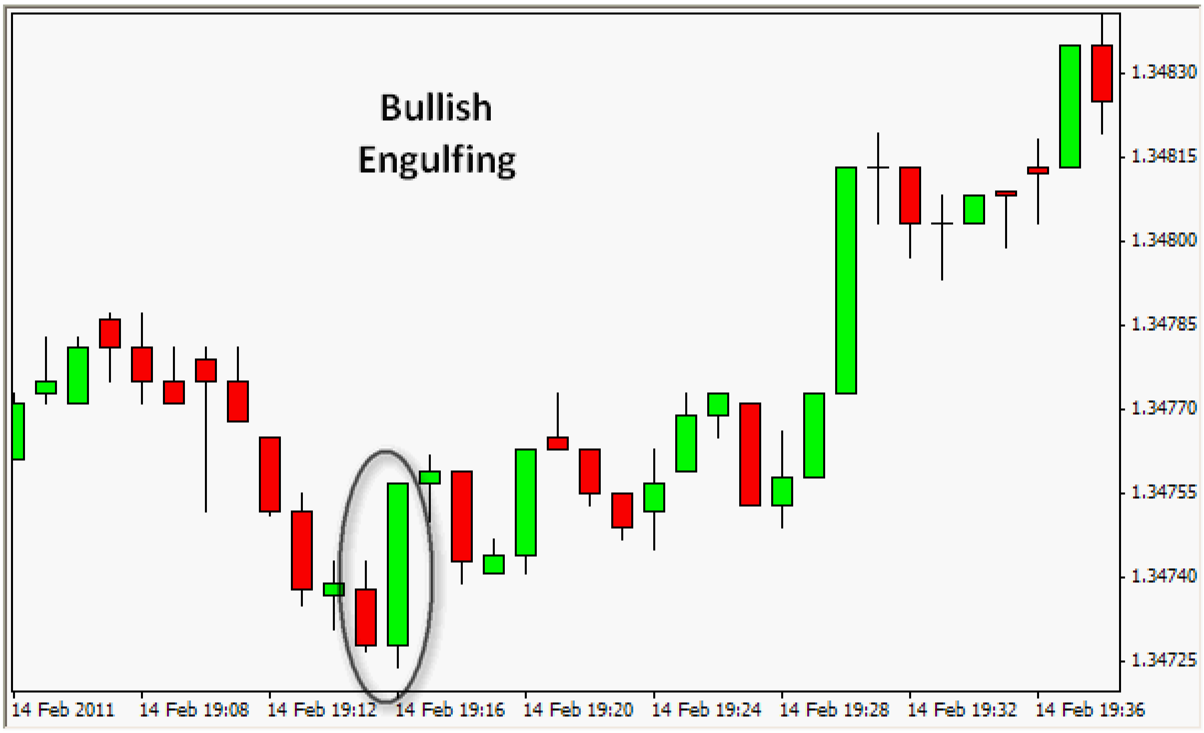
A **Bearish Engulfing** pattern is the inverse of the bullish engulfing pattern and occurs during, and can signify the end, of an uptrend. The patterns:

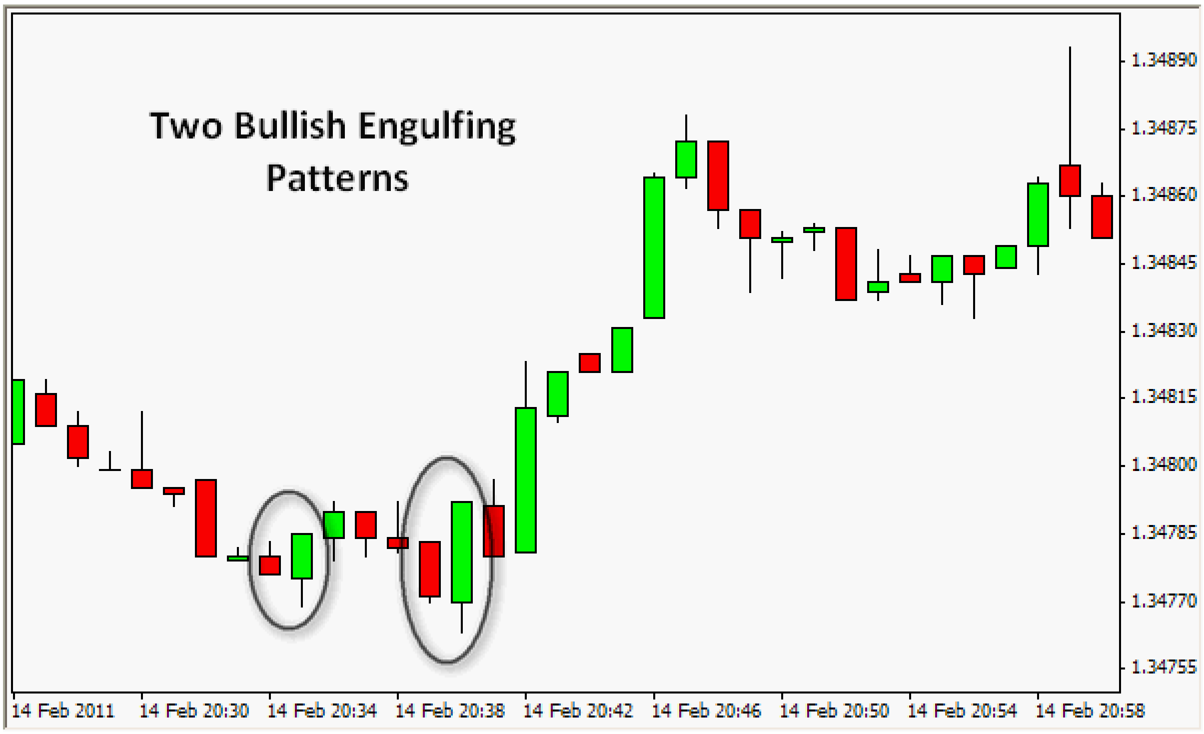


For the engulfing patterns to be significant they *need* to occur during a market phase where there is a single direction (i.e. a rally for a Bearish Engulfing pattern and a decline for a Bullish Engulfing pattern). A candle's highs and lows will engulf a previous candle's highs and lows often while the market is ranging – but this is meaningless and should not be considered.

However, many times an engulfing pattern will appear while the market is making a move, further strengthening the move that is underway.

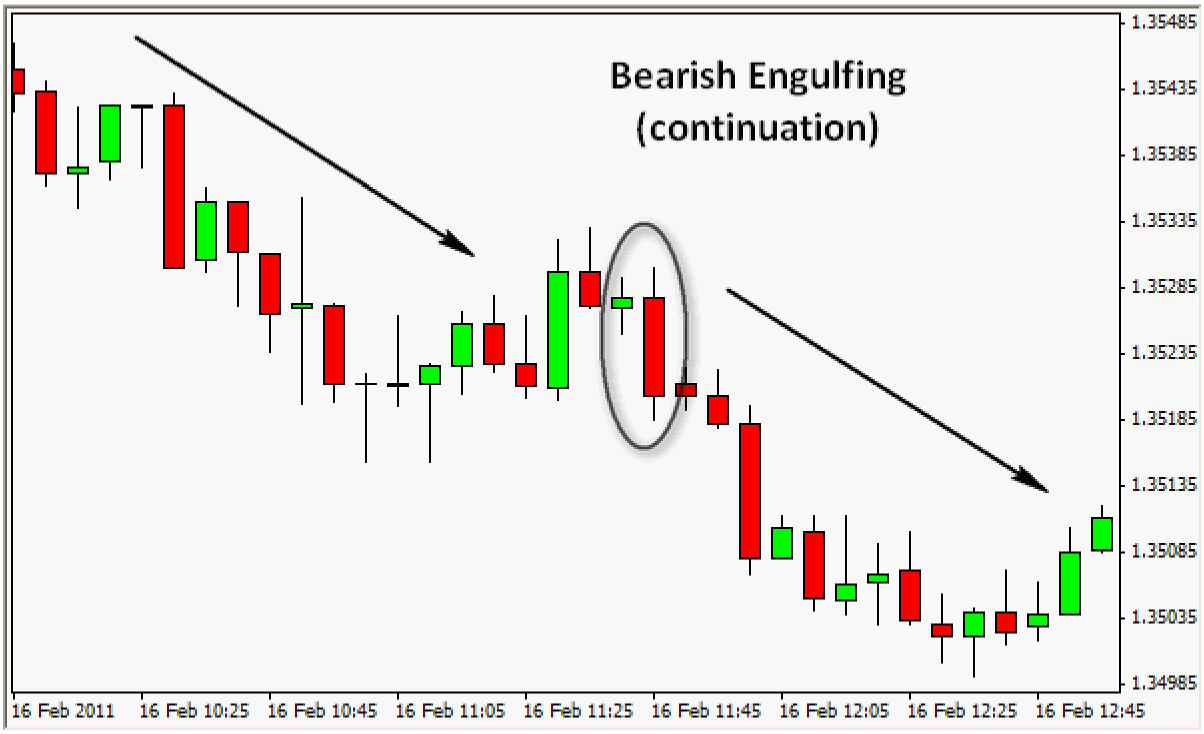

Bullish
Engulfing
1.34875
1.34850
1.34825
1.34800
1.34775
1.34750
1.34725
1.34700
1.34675
1.34650
1.34625
14 Feb 2011
14 Feb 14:54
14 Feb 14:58
14 Feb 15:02
14 Feb 15:06
14 Feb 15:10
14 Feb 15:14
14 Feb 15:18
14 Feb 15:22


Bullish
Engulfing
1.34830
1.34815
1.34800
1.34785
1.34770
1.34755
1.34740
1.34725
14 Feb 2011
14 Feb 19:08
14 Feb 19:12
14 Feb 19:16
14 Feb 19:20
14 Feb 19:24
14 Feb 19:28
14 Feb 19:32
14 Feb 19:36



Two Bullish Engulfing Patterns
1.34890
1.34875
1.34860
1.34845
1.34830
1.34815
1.34800
1.34785
1.34770
1.34755
14 Feb 2011
14 Feb 20:30
14 Feb 20:34
14 Feb 20:38
14 Feb 20:42
14 Feb 20:46
14 Feb 20:50
14 Feb 20:54
14 Feb 20:58

Bearish Engulfing
1.35460
1.35425
1.35390
1.35355
1.35320
1.35285
1.35250
1.35215
1.35180
1.35145
15 Feb 2011
15 Feb 10:09
15 Feb 10:13
15 Feb 10:17
15 Feb 10:21
15 Feb 10:25
15 Feb 10:29
15 Feb 10:33
15 Feb 10:37


Bearish Engulfing
(continuation)
1.35485
1.35435
1.35385
1.35335
1.35285
1.35235
1.35185
1.35135
1.35085
1.35035
1.34985
16 Feb 2011
16 Feb 10:25
16 Feb 10:45
16 Feb 11:05
16 Feb 11:25
16 Feb 11:45
16 Feb 12:05
16 Feb 12:25
16 Feb 12:45

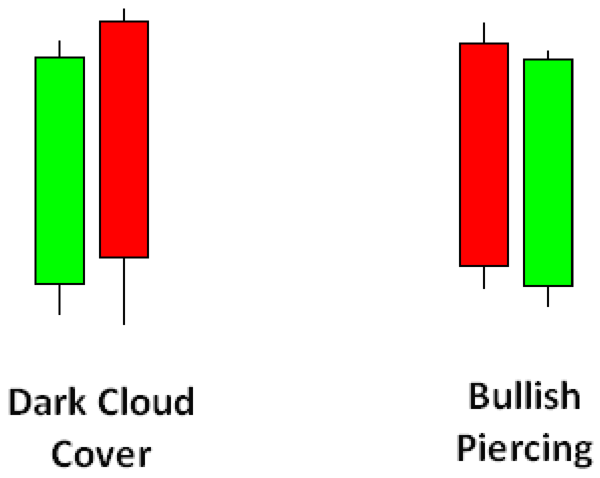

Bullish Engulfing
(continuation)
1.37975
1.37925
1.37875
1.37825
1.37775
1.37725
1.37675
1.37625
1.37575
1.37525
1.37475
24 Feb 2011
24 Feb 12:00
24 Feb 12:20
24 Feb 12:40
24 Feb 13:00
24 Feb 13:20
24 Feb 13:40
24 Feb 14:00
24 Feb 14:20

Piercing Pattern and Dark Cloud Cover

These final two patterns are, as with the previous patterns, the same, but one is bullish and the other bearish.

The **Piercing Pattern** indicates that a downtrend may be coming to an end; and Dark Cloud Cover indicates that an uptrend may be coming to an end.

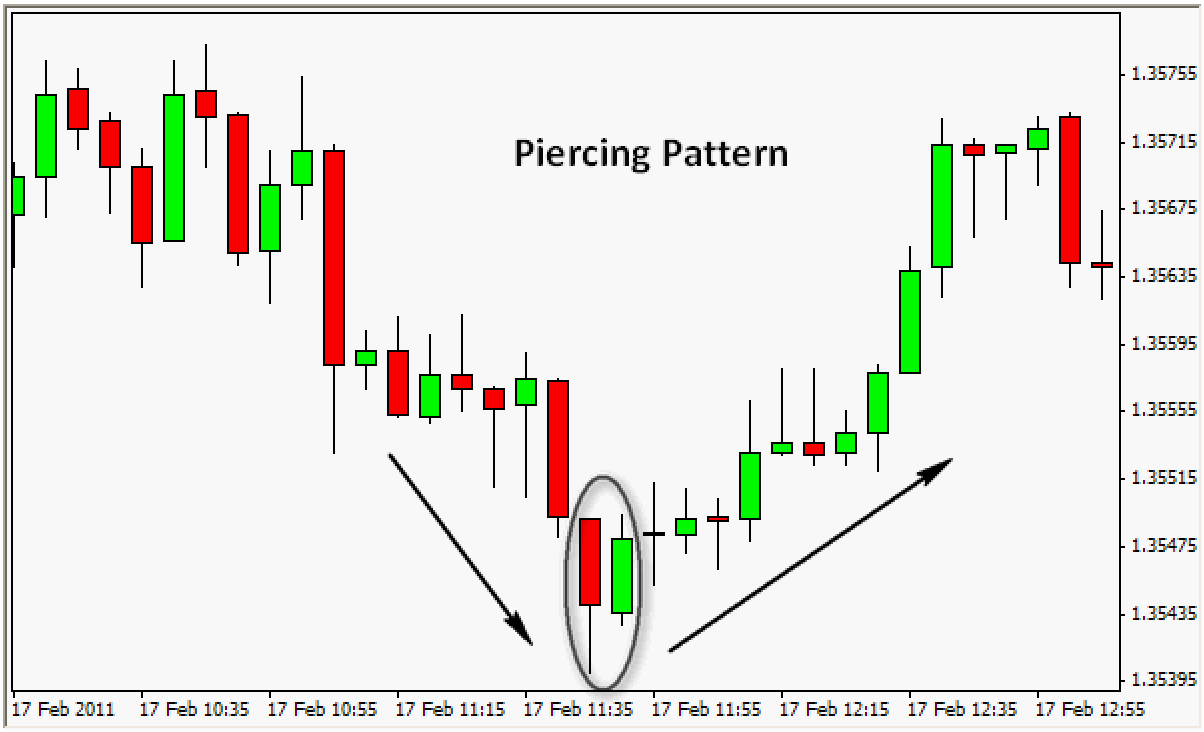
The patterns look like this:



For a dark cloud cover pattern to occur the second bar must open *above* the first bar's close (indicating strong upward momentum) and then close near the open price of the first candle (signifying that although the market was strong sellers have come it and taken it right back down – quickly!).

The piercing pattern is similar to this; the second bar opens *below* the first bar's close and closes near the open of the first bar – thus indicating the initial bearishness with the first bar and sudden bullishness as the second bar closes up significantly.

Some examples of these patterns:



Trading the Candlesticks

The great thing about candlesticks, and knowing how to interpret them, is that the knowledge can be applied to whatever method you use to trade the markets.

There are many ways to trade the markets – one could possibly even say an infinite number of ways; some more common, and higher-probability, than others.

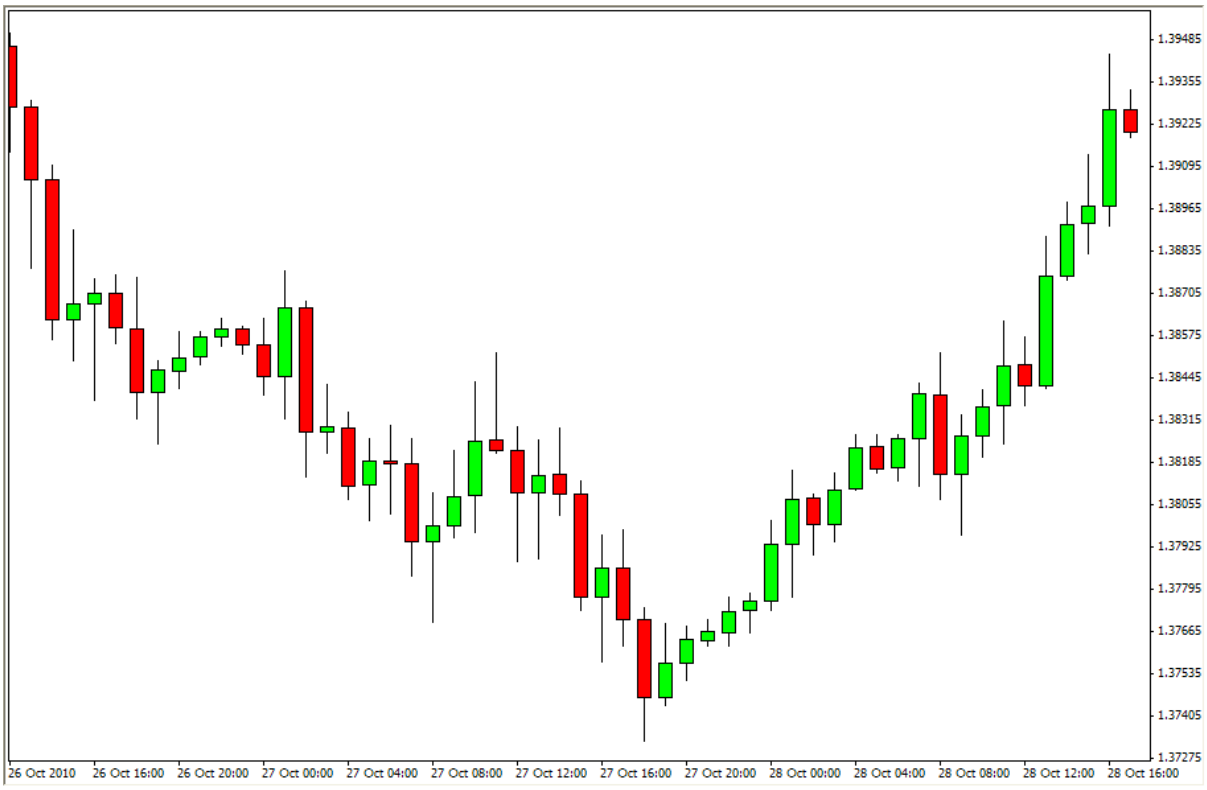
We're going to go over what is probably the most common type of trading in the remainder of this book; to demonstrate how to apply you candlestick knowledge to a trading method. We are going to run through a number of trade examples using purely **Support** and **Resistance**.

It is assumed you already know what support and resistance is so we won't be spending any time explaining that – we are just going jump right in and show you how to start trading the candlestick patterns you have learned with support and resistance.

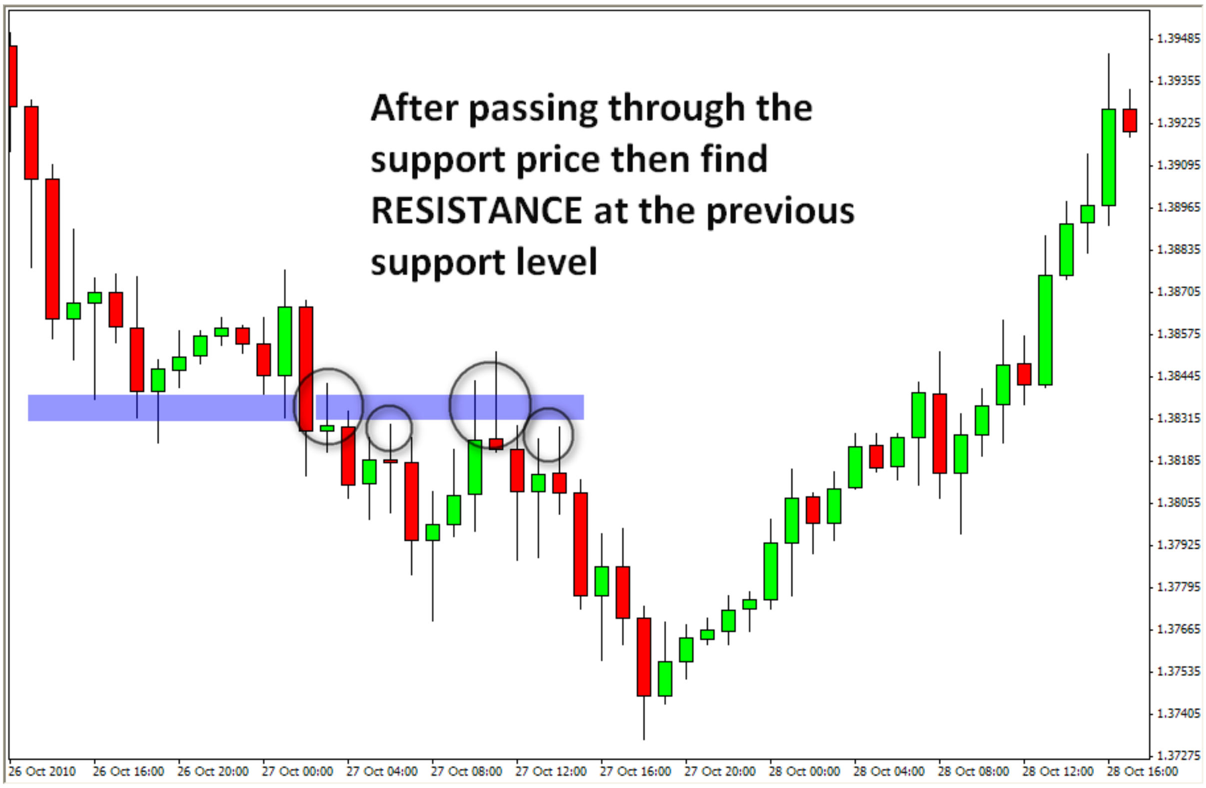
S/R Harami

The following is a step-by-step walkthrough of how we identify S/R and then watch for a candlestick pattern we can use to take a trade.

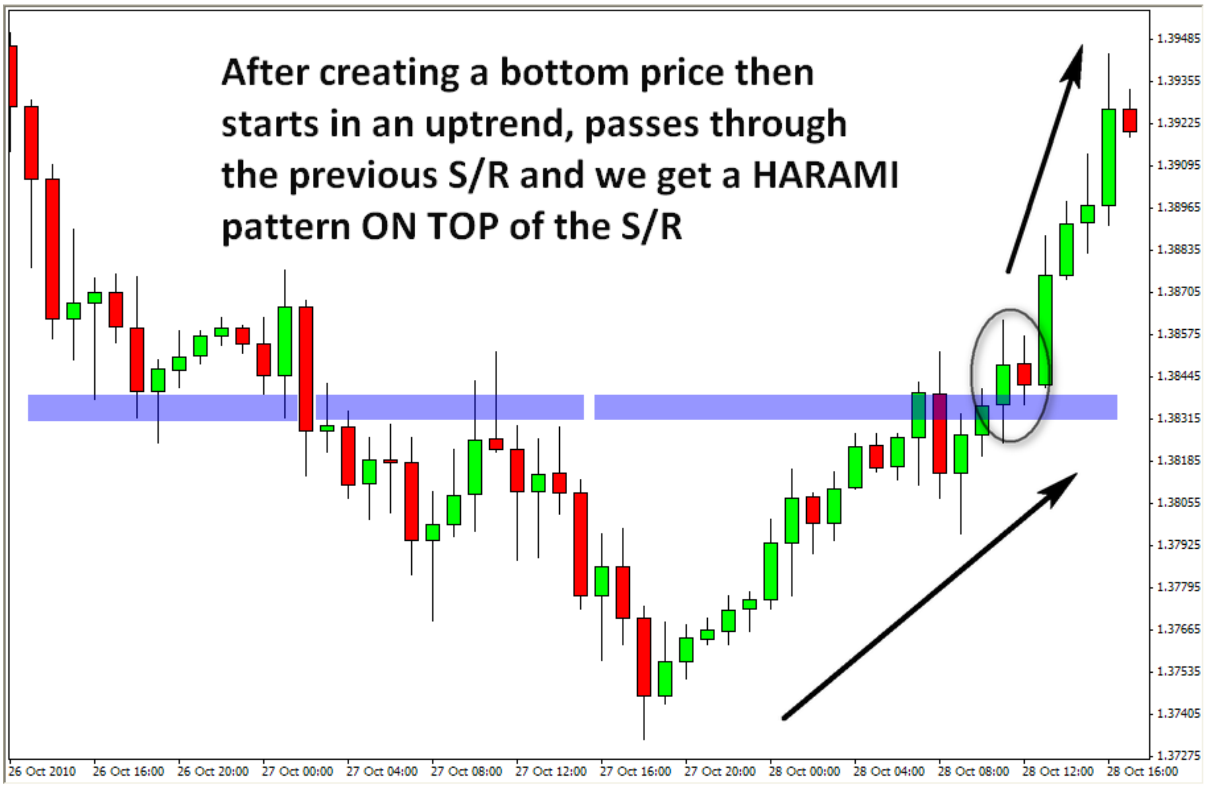
Take a look at the fowling charts:



Price finds some SUPPORT during it's decline
1.39485
1.39355
1.39225
1.39095
1.38965
1.38835
1.38705
1.38575
1.38445
1.38315
1.38185
1.38055
1.37925
1.37795
1.37665
1.37535
1.37405
1.37275
26 Oct 2010
26 Oct 16:00
26 Oct 20:00
27 Oct 00:00
27 Oct 04:00
27 Oct 08:00
27 Oct 12:00
27 Oct 16:00
27 Oct 20:00
28 Oct 00:00
28 Oct 04:00
28 Oct 08:00
28 Oct 12:00
28 Oct 16:00



After passing through the support price then find RESISTANCE at the previous support level
1.39485
1.39355
1.39225
1.39095
1.38965
1.38835
1.38705
1.38575
1.38445
1.38315
1.38185
1.38055
1.37925
1.37795
1.37665
1.37535
1.37405
1.37275
26 Oct 2010
26 Oct 16:00
26 Oct 20:00
27 Oct 00:00
27 Oct 04:00
27 Oct 08:00
27 Oct 12:00
27 Oct 16:00
27 Oct 20:00
28 Oct 00:00
28 Oct 04:00
28 Oct 08:00
28 Oct 12:00
28 Oct 16:00



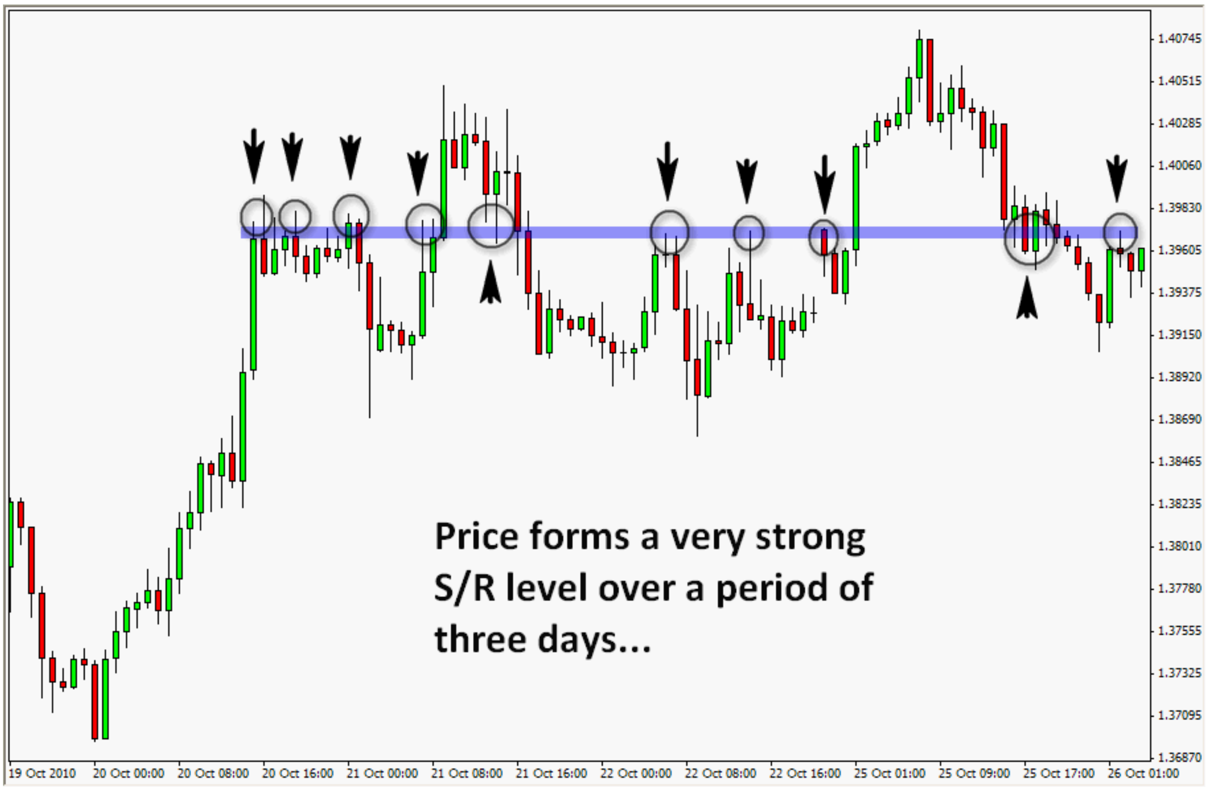
In the above trade you can see how we waited a good while before we took a trade. Price formed support… then *confirmed* with resistance… price then made a bottom before rallying again… broke through the previous S/R… and only once the S/R was being *tested* from above AND we were presented with an <u>identifiable</u> candlestick pattern would we take the trade.

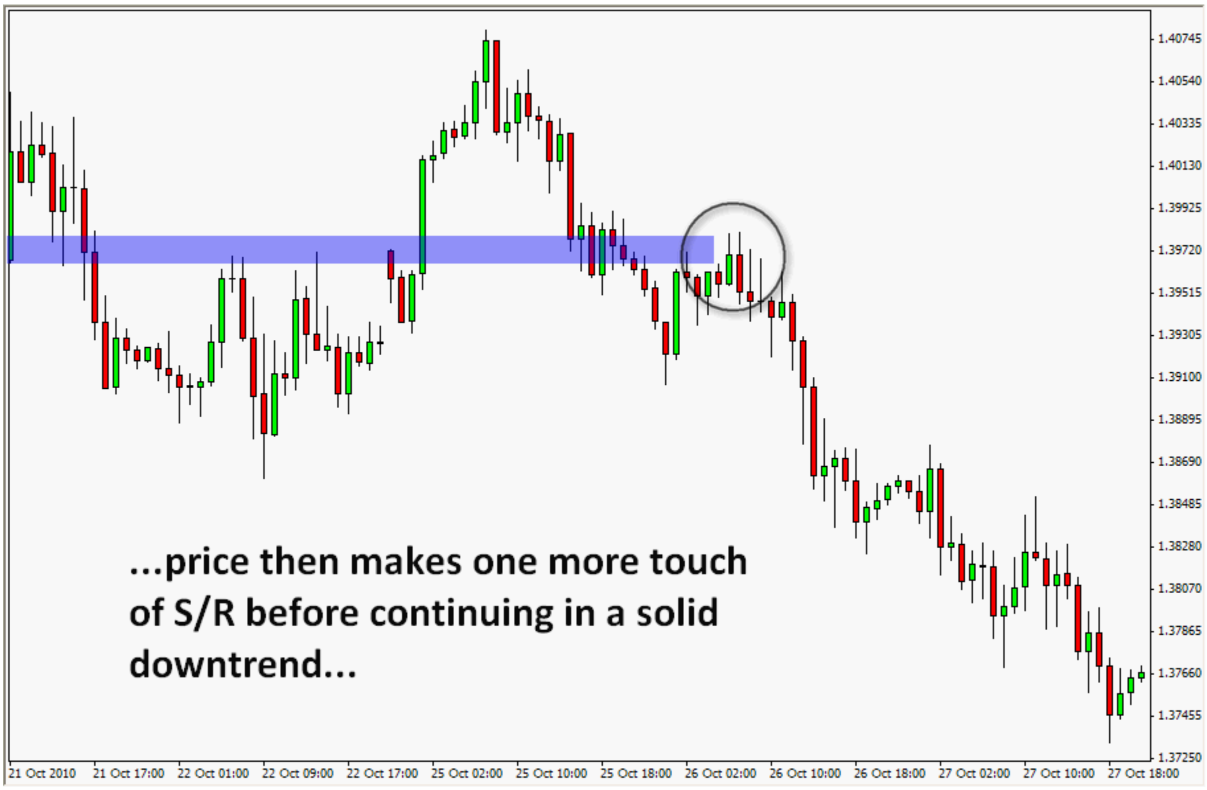
We have not gone into detail on how to execute this particular trade – there are many, many ways to enter a trade – we just want to focus our effort on how to identify S/R and candlestick patterns together.

S/R Bearish Engulfing

Here's another S/R based trade example; this time with a different candlestick pattern.

Check out the following charts:


Price forms a very strong
S/R level over a period of
three days...


...price then makes one more touch
of S/R before continuing in a solid
downtrend...

The example was very similar to the previous Harami example except it was over a slightly longer time period.

Reversal Doji

The following example demonstrates perfectly how S/R still stays valid for a period of time.

S/R is formed and then almost a week later price comes back to it and the effect of the S/R can be clearly seen.

Have a look at these charts:

...we then get a perfect REVERSAL DOJI on the 18th October.
1.41535
1.41305
1.41075
1.40845
1.40620
1.40390
1.40160
1.39935
1.39705
1.39475
1.39250
1.39020
1.38790
1.38565
1.38335
1.38105
1.37880
1.37650
12 Oct 2010
12 Oct 15:00
12 Oct 23:00
13 Oct 07:00
13 Oct 15:00
13 Oct 23:00
14 Oct 07:00
14 Oct 15:00
14 Oct 23:00
15 Oct 07:00
15 Oct 15:00
18 Oct 00:00
18 Oct 08:00
18 Oct 16:00

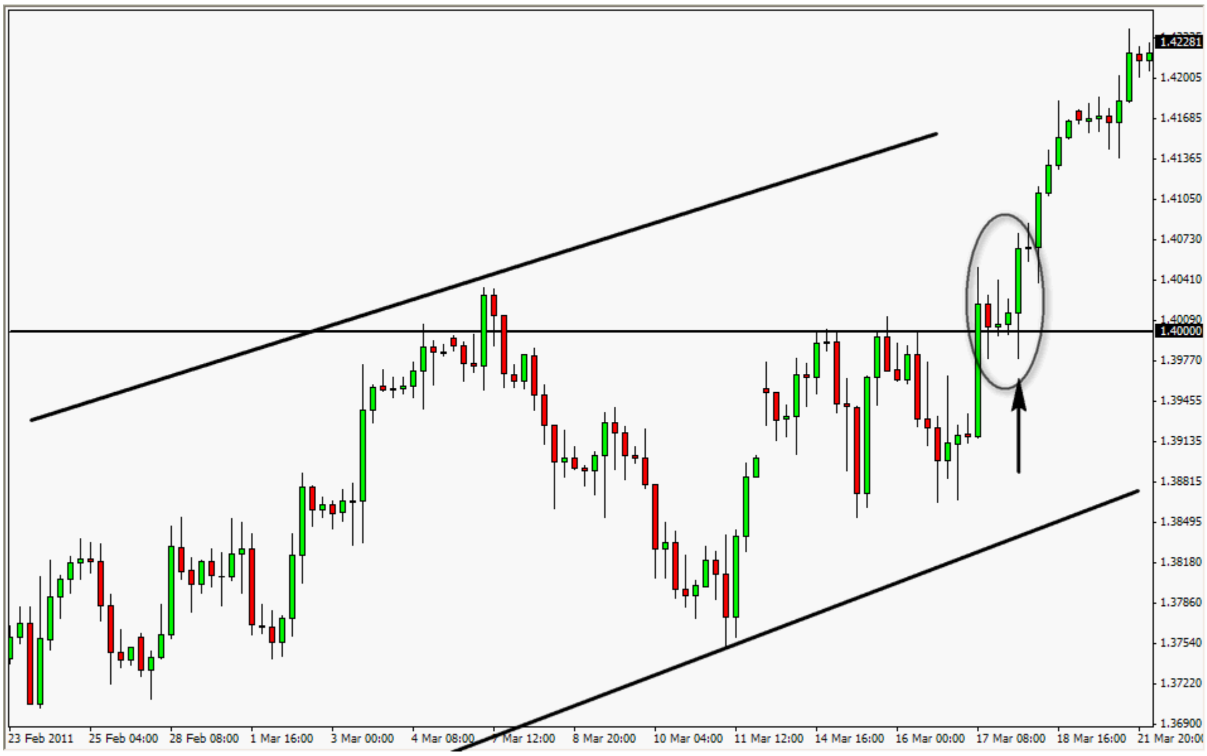
Psychological Numbers

Psychological numbers, or Round numbers as they are sometimes called, are areas where you will often see some sort of reaction by price – examples of these numbers are 1.4100, 1.3500, 1.2000, etc.; they are numbers that are *rounded-off*.

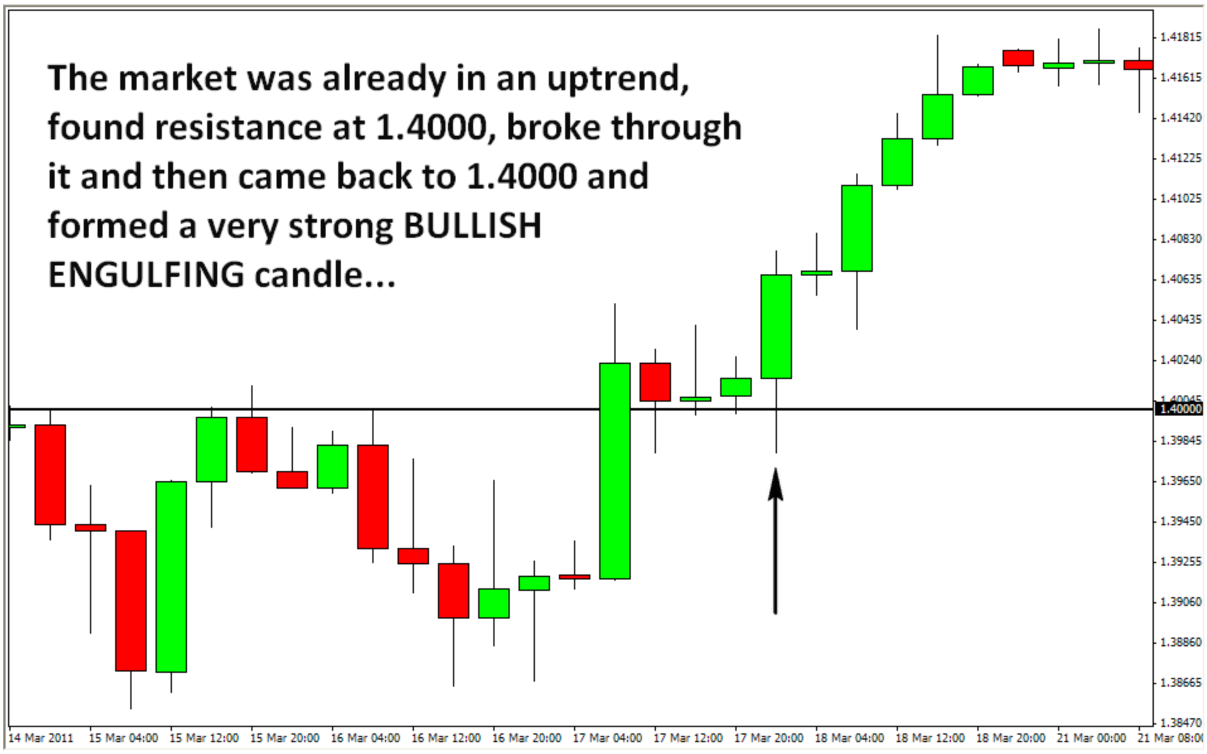
Using candlestick analysis you can swing the odds further in your favour when trading these levels.

Take a look at the following chart:

Price is rising steadily and then finds resistance at the **1.4000** number. Price finally breaks through the resistance and then comes back to test it:



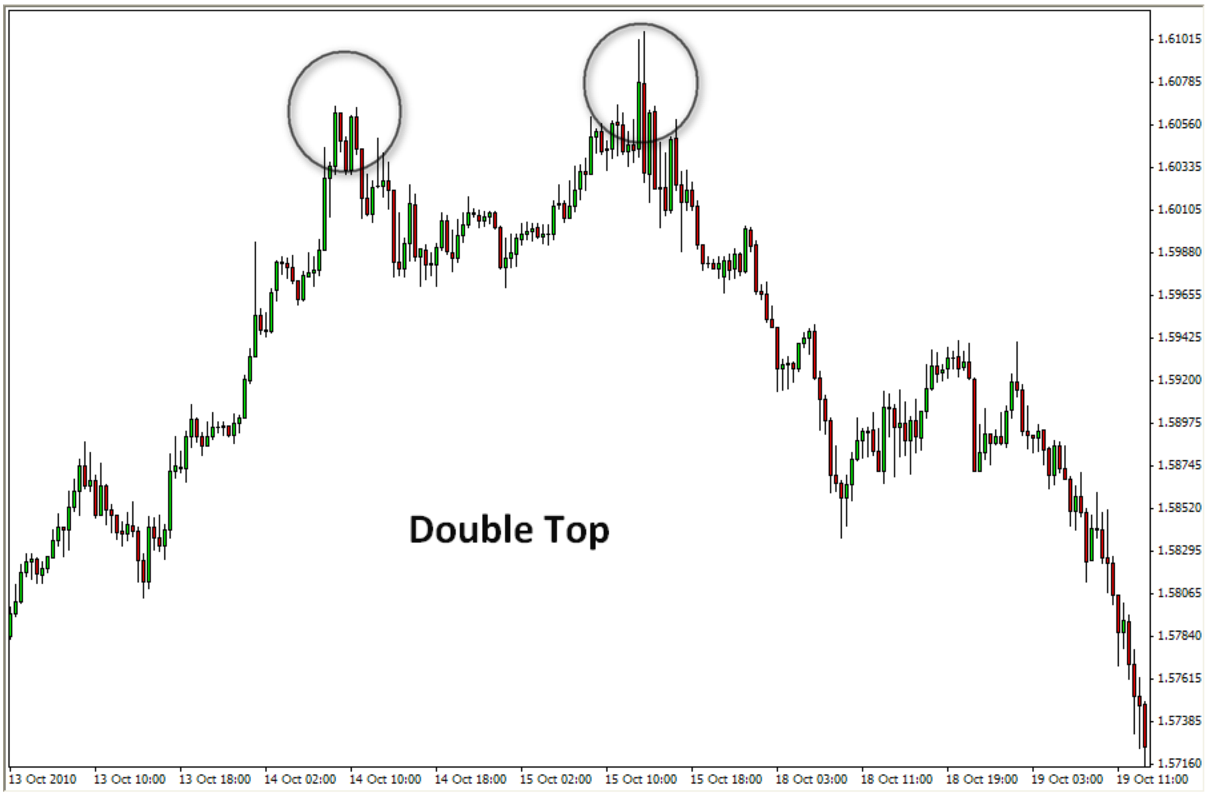
We have a perfect candlestick pattern occurring on the **1.4000** level – a **Bullish Engulfing**:



Double Top

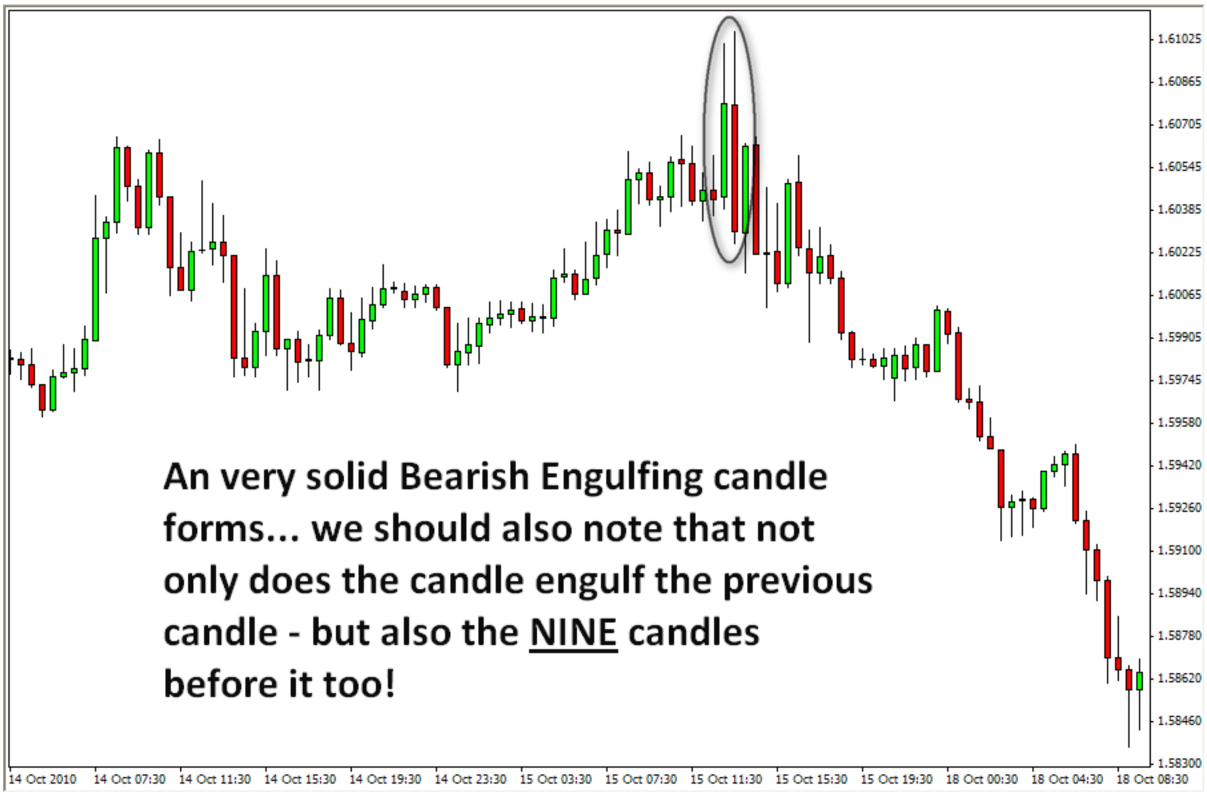
Trading Double-Tops can typically be quite tricky; especially with regard to stop placement and specific point of entry.

Take a look at this chart:



The second top goes a fair bit higher than the first – making it a little difficult to trade as it is.

In this case however, when we zoom in, we get a solid candlestick pattern almost jumping out at us:



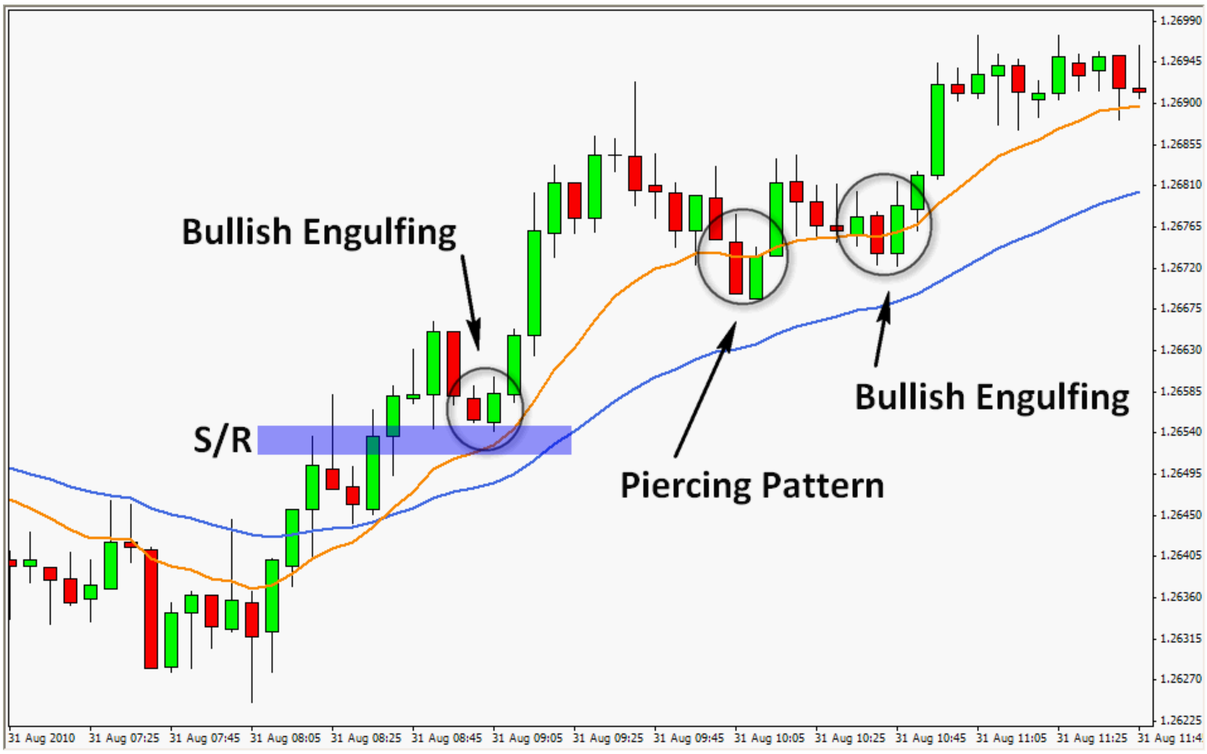
Moving Average Strategies

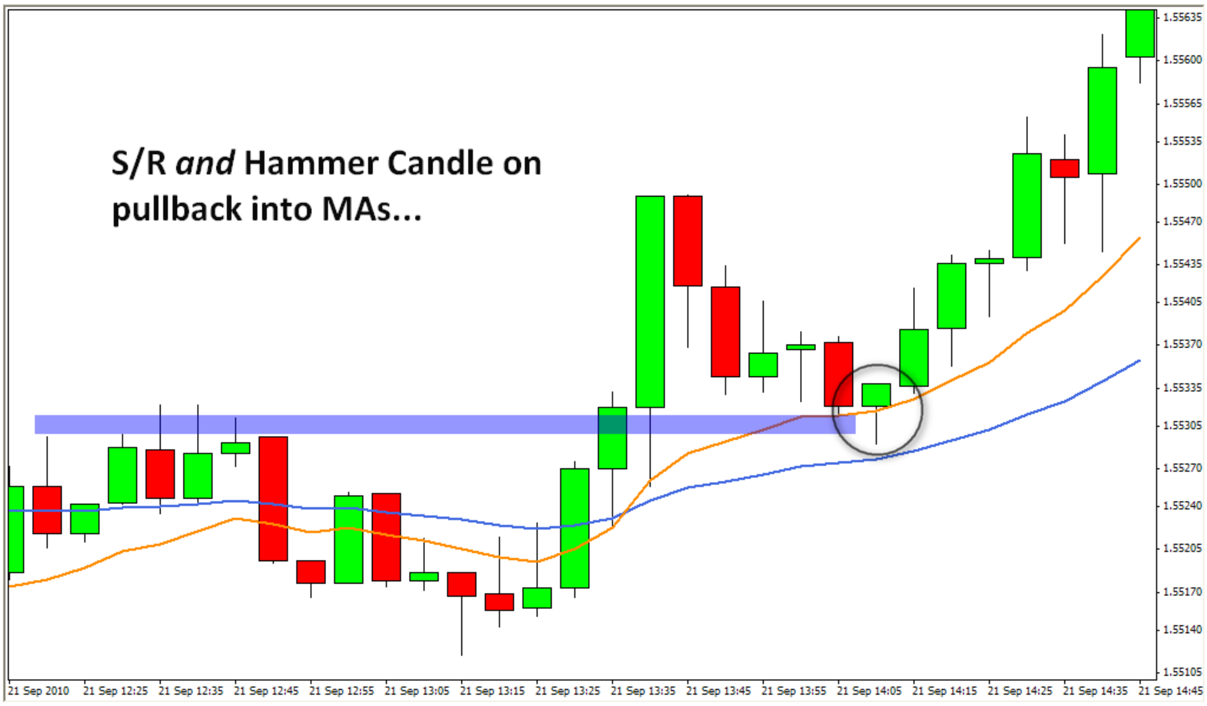
Many traders, new and old, don’t like the idea of strategies that employ Moving Averages; they say that they are “lagging” or simply that “indicators don’t work”.

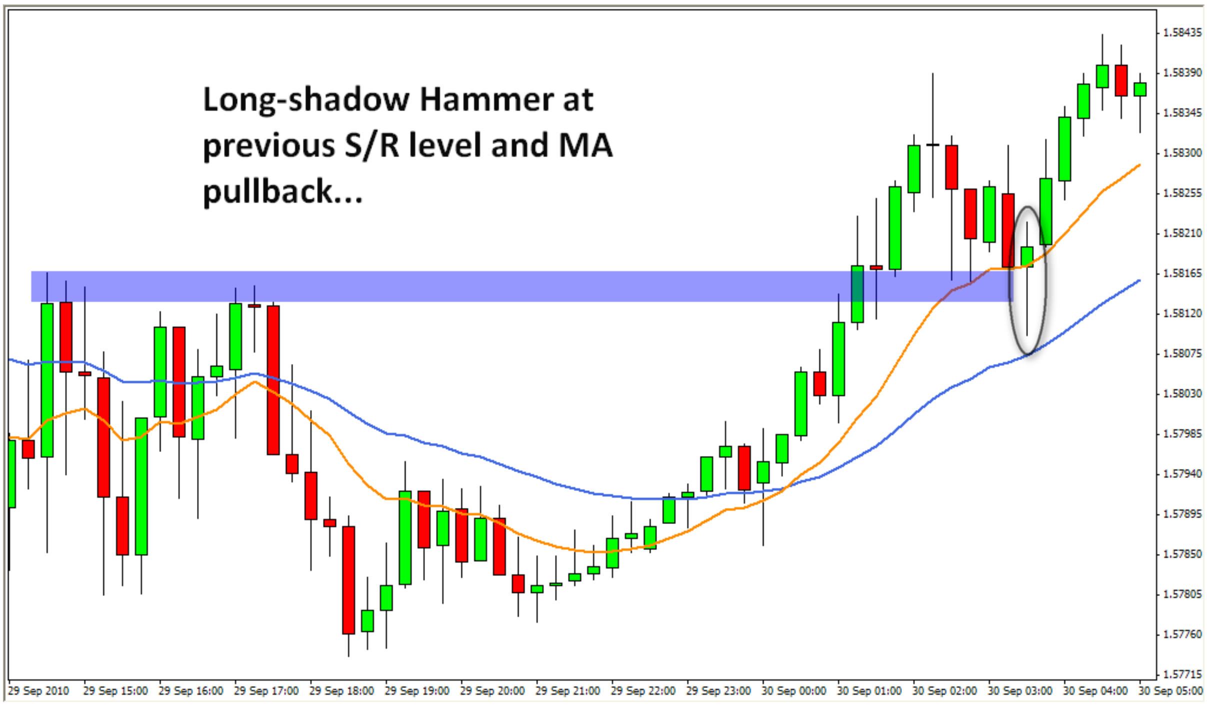
Now, this is true <u>for the people who can’t get these strategies to work</u>, but plenty of traders (new *and* professional) use strategies, methods and systems based on Moving Averages.

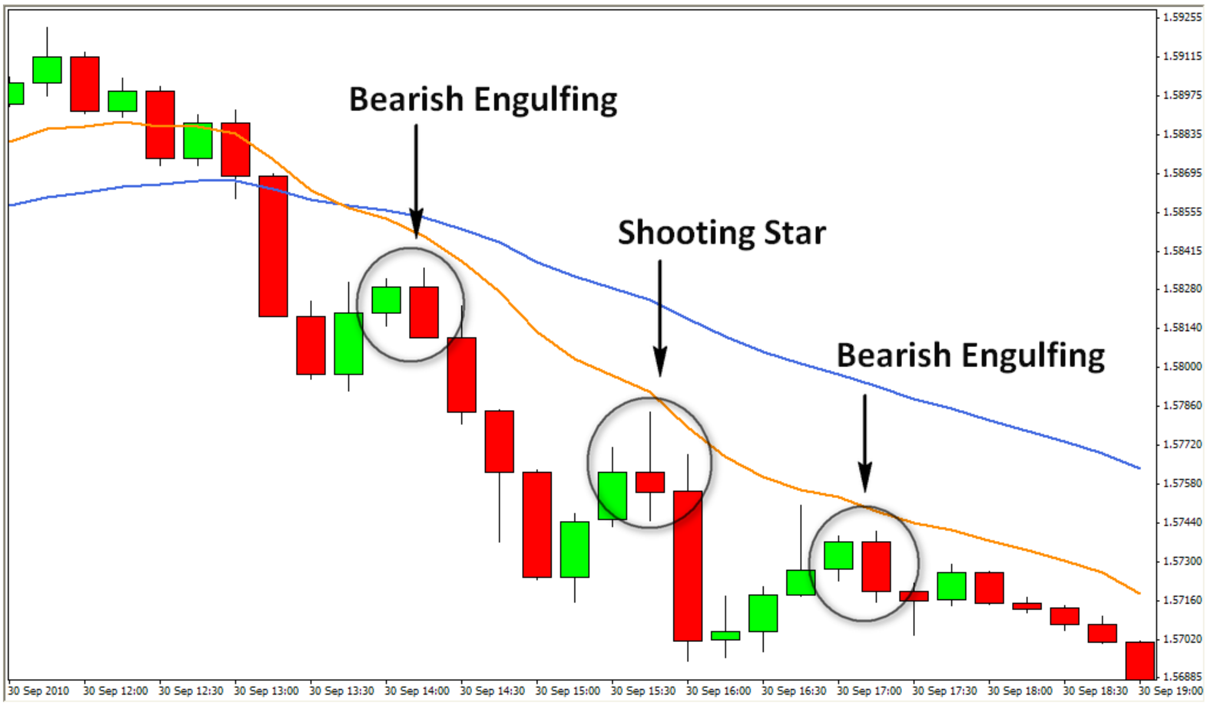
Our focus here is on how we can use our new knowledge of candlesticks to enhance and help such a system.

Take a look at the following charts and how we can use candlestick patterns, combined with pullbacks, to help our Moving Average based strategies:




S/R *and* Hammer Candle on pullback into MAs...
1.55635
1.55600
1.55565
1.55535
1.55500
1.55470
1.55435
1.55405
1.55370
1.55335
1.55305
1.55270
1.55240
1.55205
1.55170
1.55140
1.55105
21 Sep 2010
21 Sep 12:25
21 Sep 12:35
21 Sep 12:45
21 Sep 12:55
21 Sep 13:05
21 Sep 13:15
21 Sep 13:25
21 Sep 13:35
21 Sep 13:45
21 Sep 13:55
21 Sep 14:05
21 Sep 14:15
21 Sep 14:25
21 Sep 14:35
21 Sep 14:45


Long-shadow Hammer at previous S/R level and MA pullback...
1.58435
1.58390
1.58345
1.58300
1.58255
1.58210
1.58165
1.58120
1.58075
1.58030
1.57985
1.57940
1.57895
1.57850
1.57805
1.57760
1.57715
29 Sep 2010
29 Sep 15:00
29 Sep 16:00
29 Sep 17:00
29 Sep 18:00
29 Sep 19:00
29 Sep 20:00
29 Sep 21:00
29 Sep 22:00
29 Sep 23:00
30 Sep 00:00
30 Sep 01:00
30 Sep 02:00
30 Sep 03:00
30 Sep 04:00
30 Sep 05:00



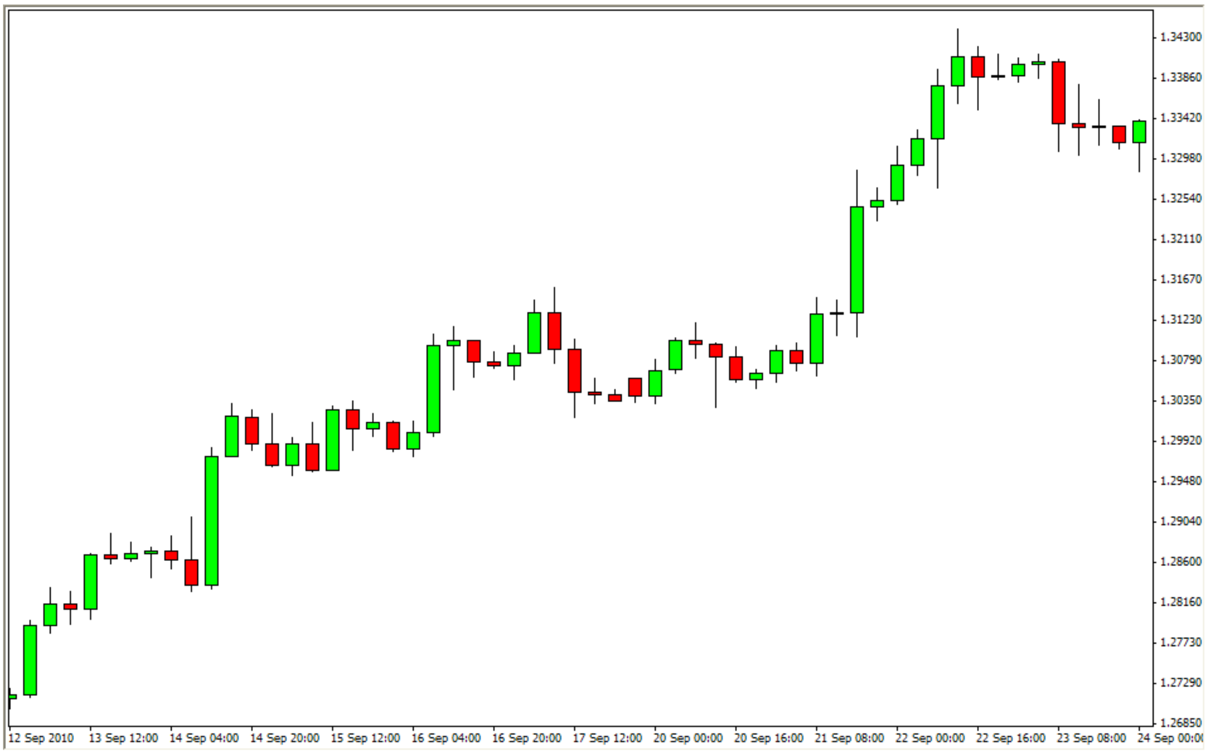
This MA strategy uses the 13EMA (Exponential Moving Average) and 34EMA.

This 13/34 MA strategy works very well on the 5 and 15 minute timeframes.

<u>Use the candlestick patterns to guide you when trading it!</u>

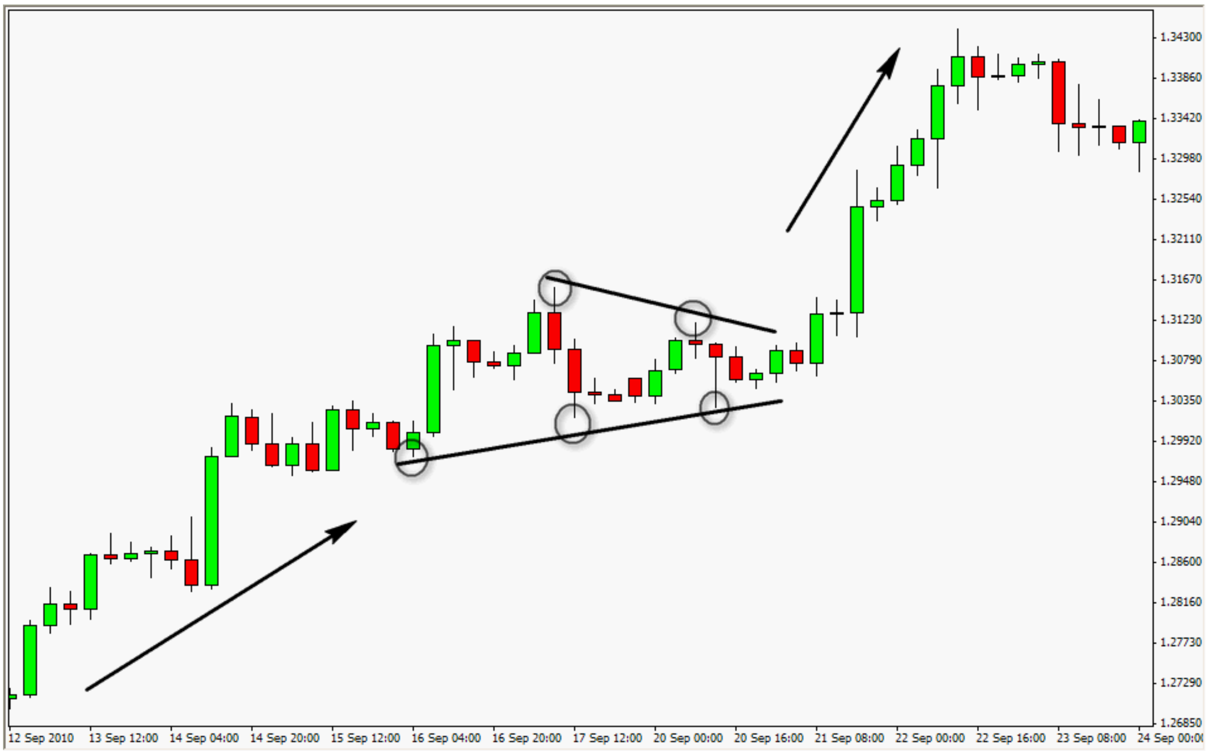
Triangles & Pennants

Take a look at the following chart:

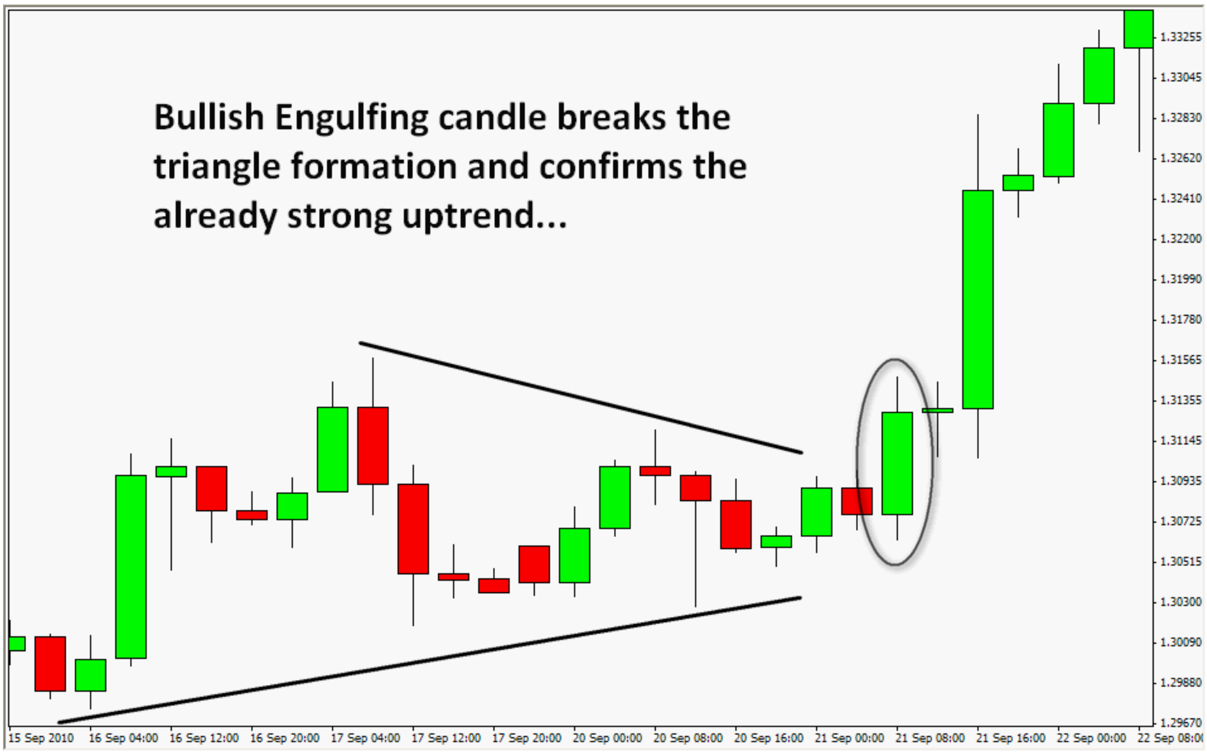


We have a strong uptrend to the left and then a period of consolidation.

If we do some more analysis of the consolidation we can clearly mark a triangle as follows:



We can clearly see a Bullish Engulfing candle breaks the triangle – allowing the market to continue in the strong uptrend:



A simple example of how even a simple Bullish Candle can represent a strong opportunity - if you understand what the market is doing.

Trendlines & Channels

Using candlesticks and trendlines/channels alone you can have a VERY profitable trading strategy.

Trendlines and channels are a huge part of what professional traders look at when trading.

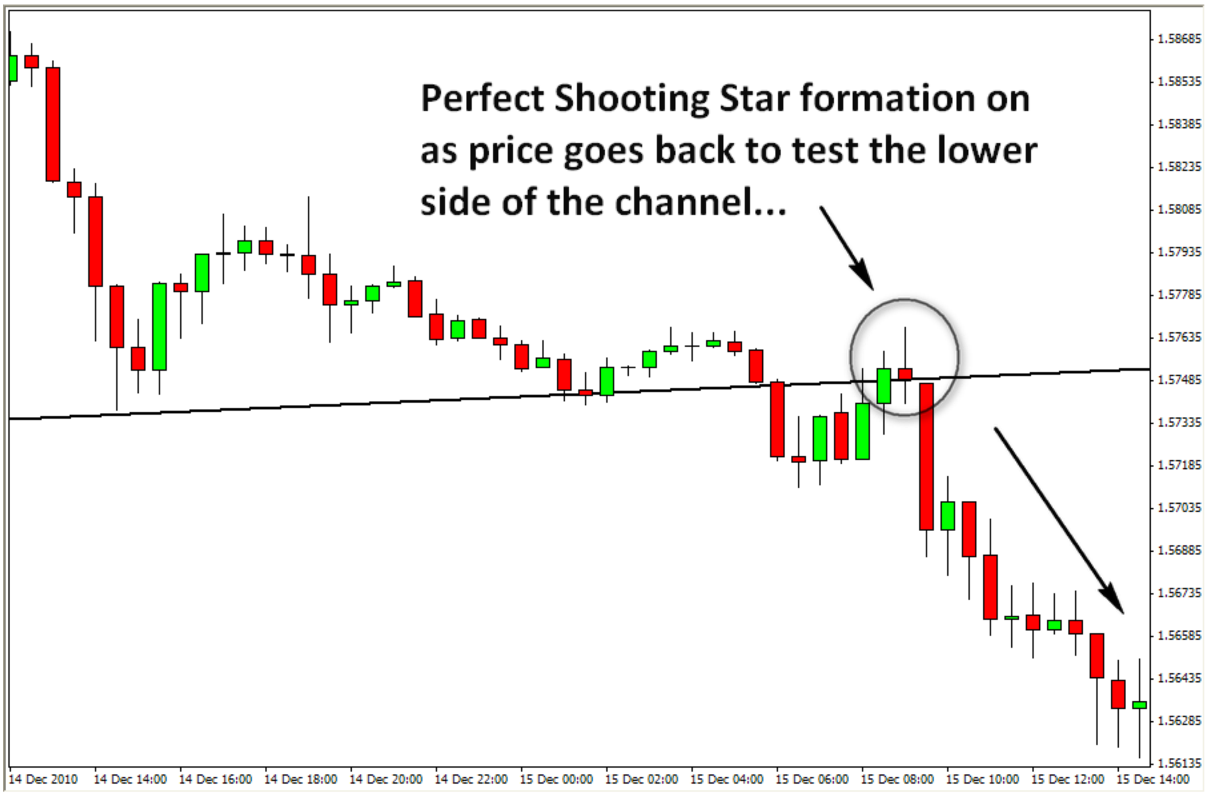
Generally the higher the timeframe the more reliable they are.

Candlesticks can pinpoint and confirm excellent entry places to take trades when using trendlines and cannels.

Take a look at the following chart:

Price finally broke down below the rising channel and <u>then went back to test the lower side of the channel</u>.

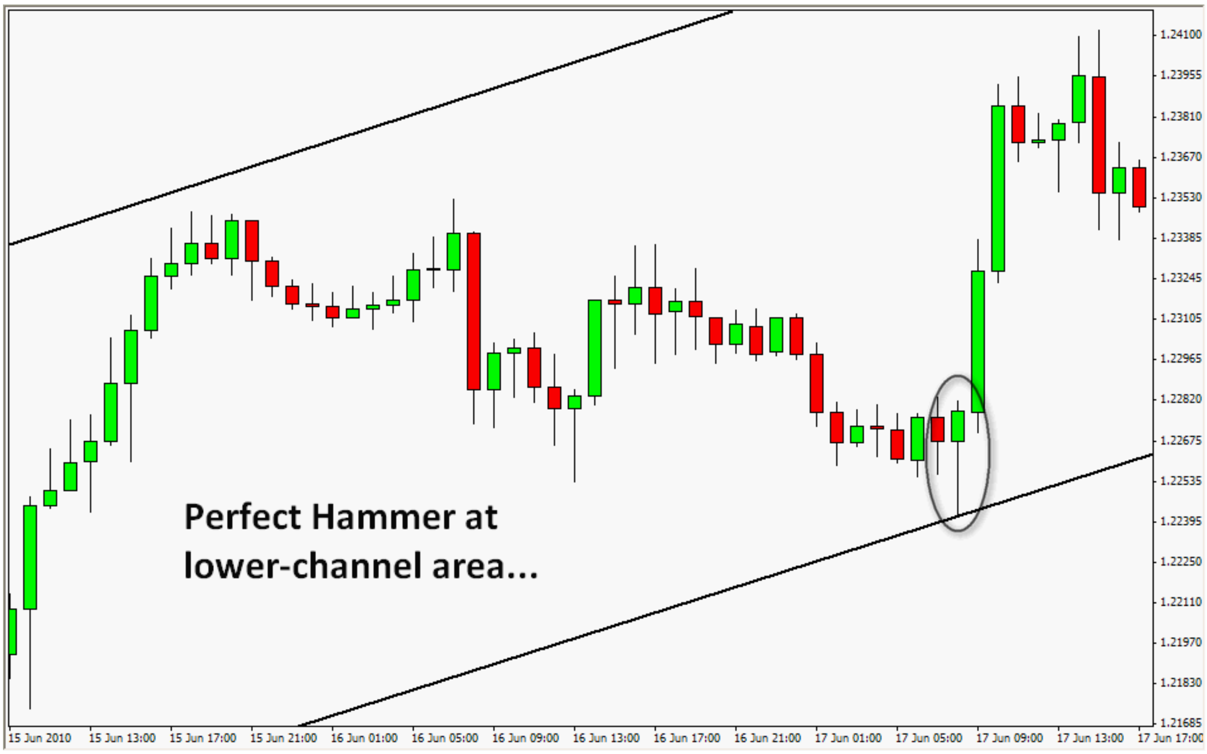
Now let's zoom in and see how our candlestick knowledge can help us here:



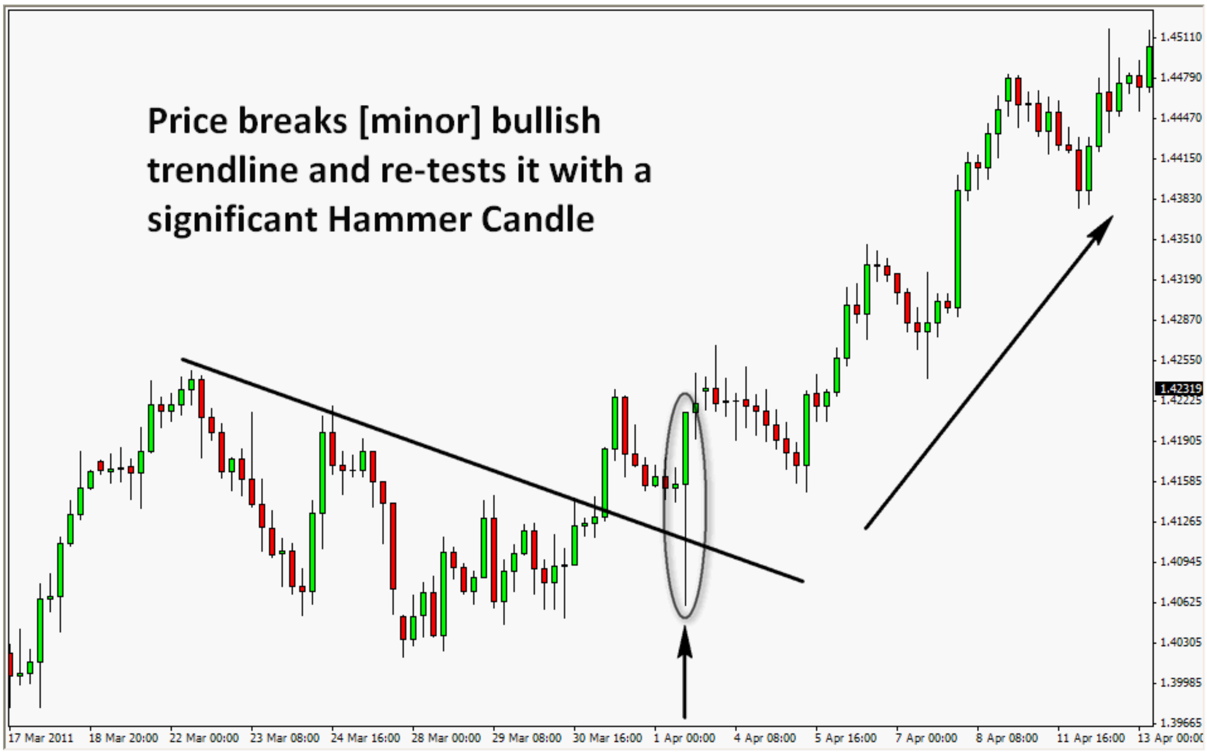
Using candlestick to aid us in trading in the direction of a channel/trendline can improve things greatly for us.

Take a look at the following chart:

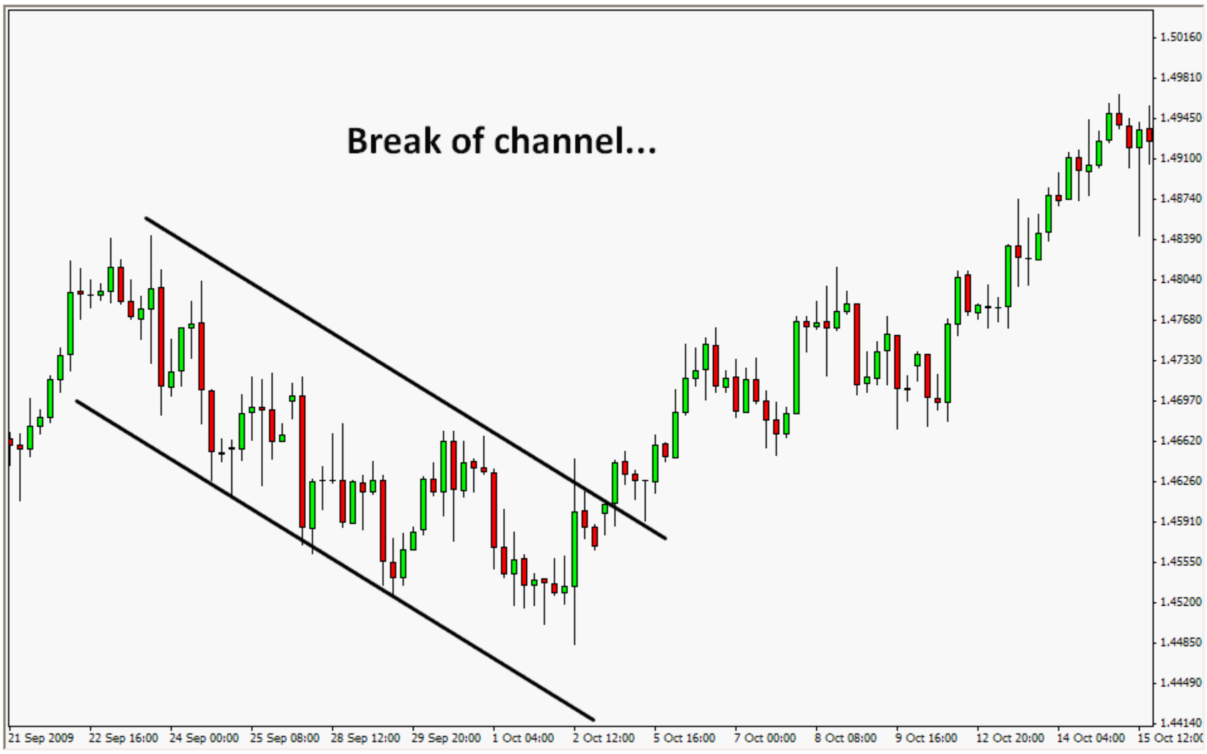
If we zoom in on the channel we can start to see areas where we can *expect* price to continue up – and our candlestick analysis help us decide *when* the best time to enter is…



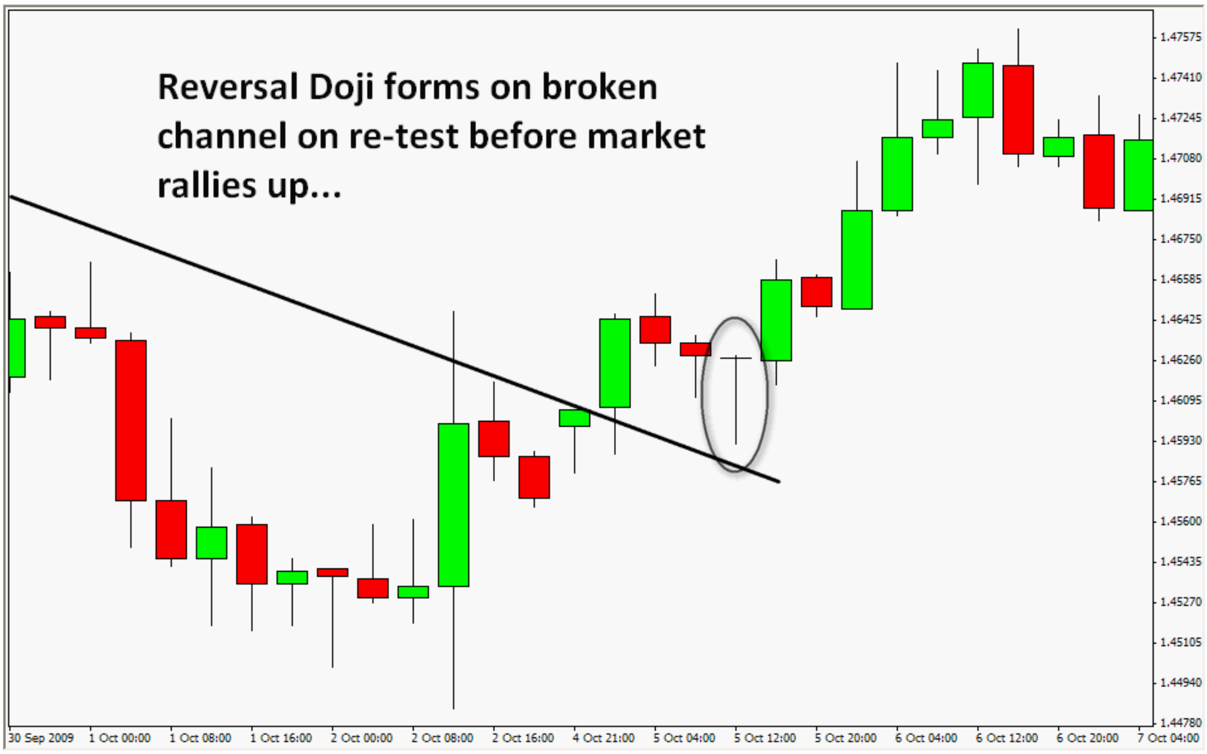
The following chart shows a perfect break of a declining channel in an uptrend and then a test with a Long-Legged Hammer:



In a last example here we will show another channel break and re-test; this is a very common pattern that can be traded extremely profitably with the help of what you have learned about candlestick analysis:



If we zoom into the break, see the test of the channel, and the Reversal Doji that formed to confirm the break…



Once you become aware of these patterns you will start seeing them everywhere – and on *all* timeframes.

And remember, *the higher the timeframe*, <u>the more reliable the pattern will generally be</u>.

Sunday Gap

You know about the “Sunday Gap”, right?

Okay, if you don’t, then listen up…

The Forex market is closed from Friday evening until Sunday evening (assuming GMT time to make it easier for everyone).

Quite often the price that currency pairs open at on Sunday is different from what they closed at on Friday – this different is called the ‘Gap’.

Now, price almost always “closes” the gap, that is, price trades up (or down) to where price was on Friday within 24 hours (but *occasionally* a lot longer).

Sometimes the gap can be 20 pips… and sometimes it can be 200!

Take a look at the following – a 30-minute chart of the USD/JPY pair:

So by selling on Sunday as the market opened there was 20 pips available… which was fulfilled over the next 4 hours.

This is a valid strategy – just look for gaps… however there becomes a fairly significant issue and that is: <u>What if the market goes the other way?</u>

Remember, the market does not <u>*have*</u> to close the gap, it can take as looooooooong as it wants – even if that means going 800 pips in the *other* direction before closing the gap (which can happen, I saw it once on the EUR/JPY, it eventually closed the gap four days later on a Thursday!).

Take a look at this example:

So there was a 14 pip potential profit on this gap… but just buying on Sunday when the market opened would either result in a large loss as the market went against you and you’re **squeezed out**… or you *try* and stomach the large drawdown.

Either way not a great trade at all in the case!

This is where we “tweak” this market gap thingy…

How We Use Candlesticks To Trade The Gap <u>Properly</u>

What we do is actually really simple; we look for a gap on a currency pair and then, instead of just jumping in, we wait patiently until we get a solid candlestick pattern.

A candlestick pattern does three things for us:

#1 – Confirmation, with the occurrence of a reliable candlestick pattern, of what we are hoping the market is going to do.

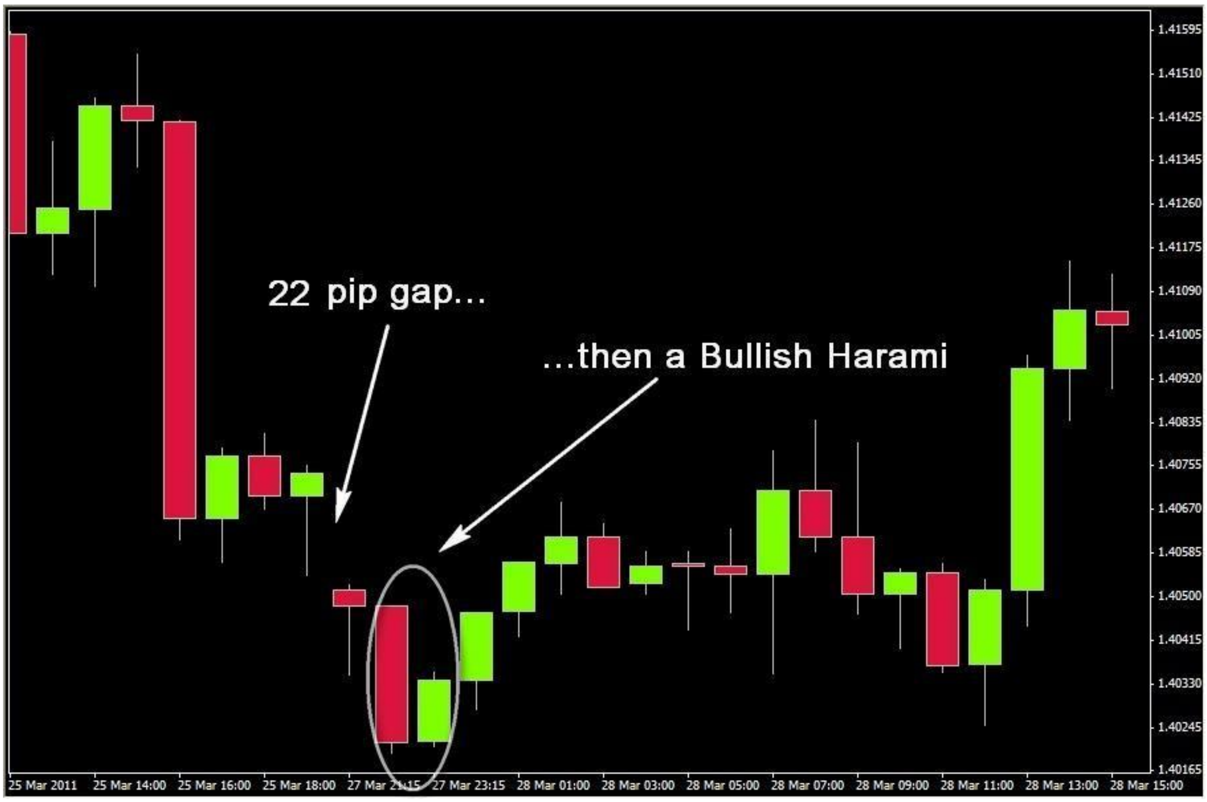
#2 – Somewhere to place our stoploss – we do not trade without it!

#3 – We will typically get an even better entry price!

As always, the best way to explain is with actual examples, so let's get to it…

First example is on the EUR/USD 1-hour chart.

We get a decent gap and then a solid-looking Harami pattern occurs:



Now, from this first example, what do you notice?

Our entry was even lower than the initial gap!

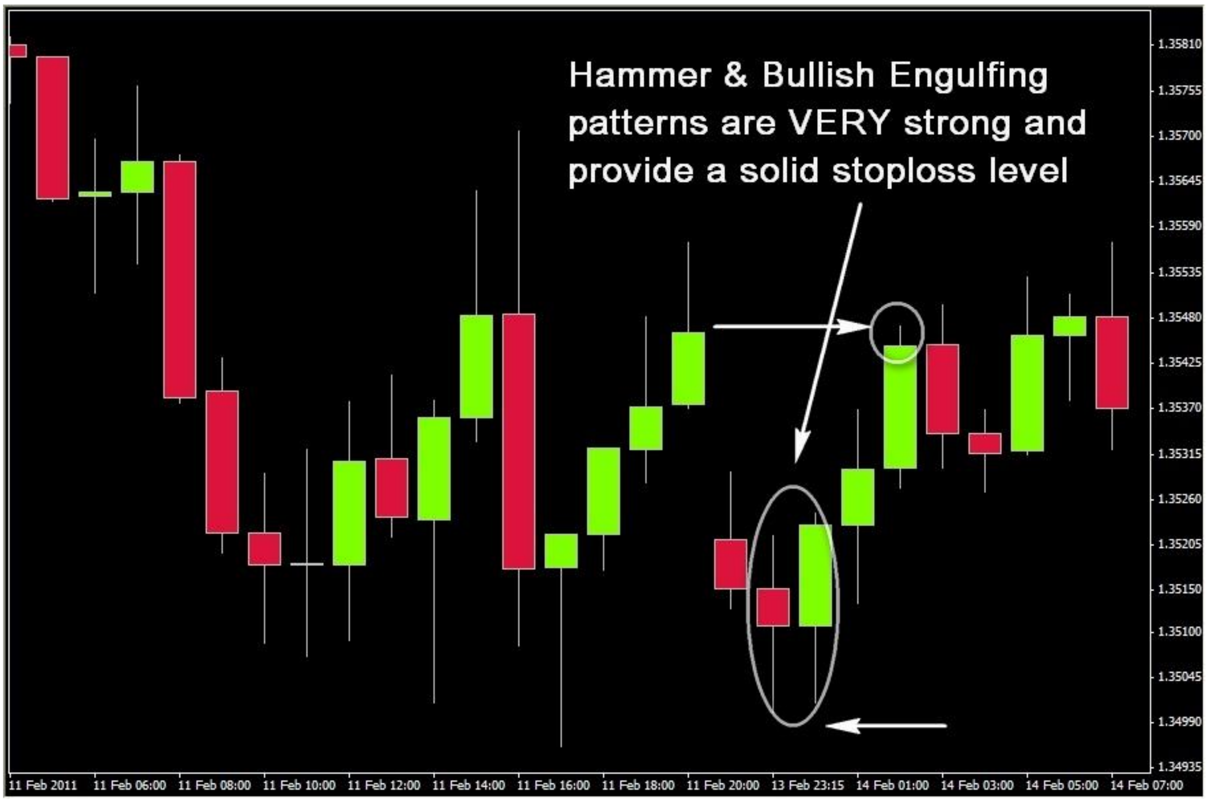
The initial gap was 22 pips… but our entry (after the Harami formed) would be almost 20 pips lower.

The total available to us on this trade was around 40 pips – almost double that of what was available right on the open.

We also get a very small stoploss of around 18 pips by placing it below the low of the Harami pattern.

The next trade is again on the EUR/USD 1-hour chart.

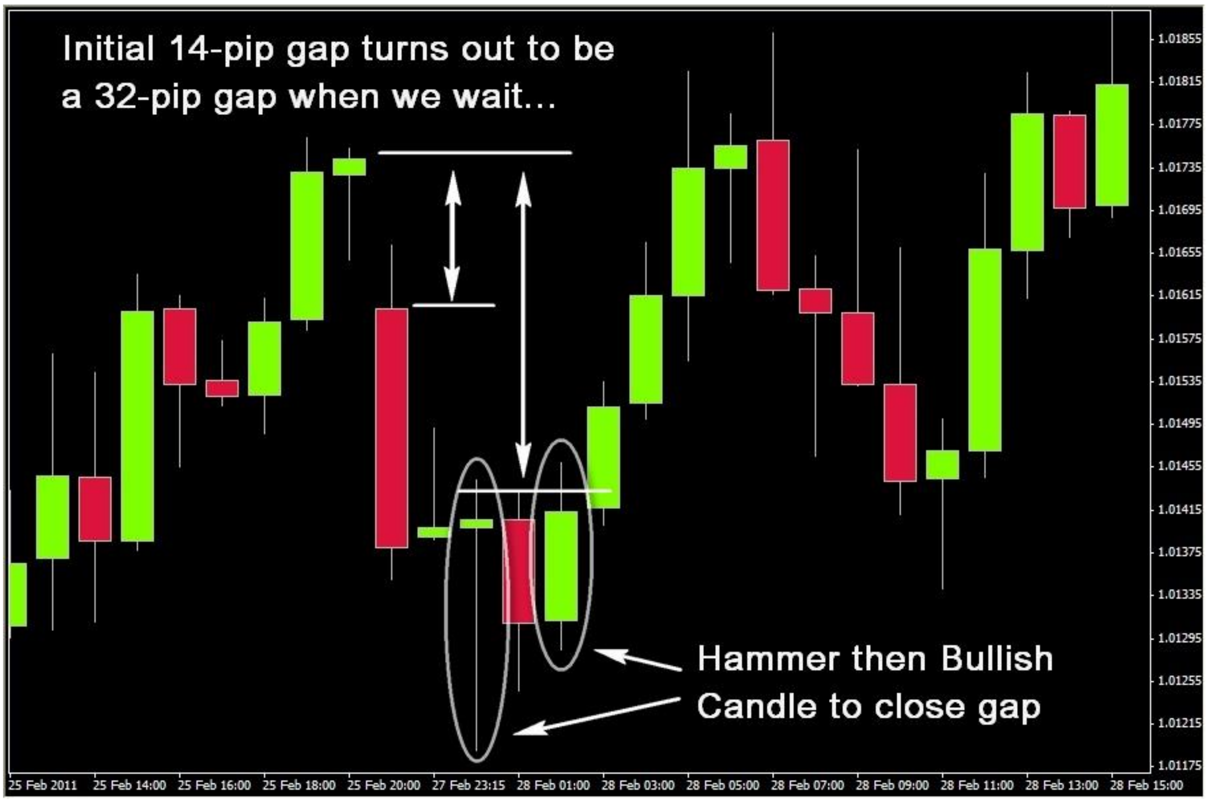
We get a 25 pips gap on Sunday… then we wait for candlestick confirmation; we get this around 2-3 hours later in the form of a Hammer candle AND a Bullish Engulfing together:



The combination of the Hammer and Bullish Engulfing pattern is very powerful.

You could however have entered right after the Hammer formed – this was a good signal itself!

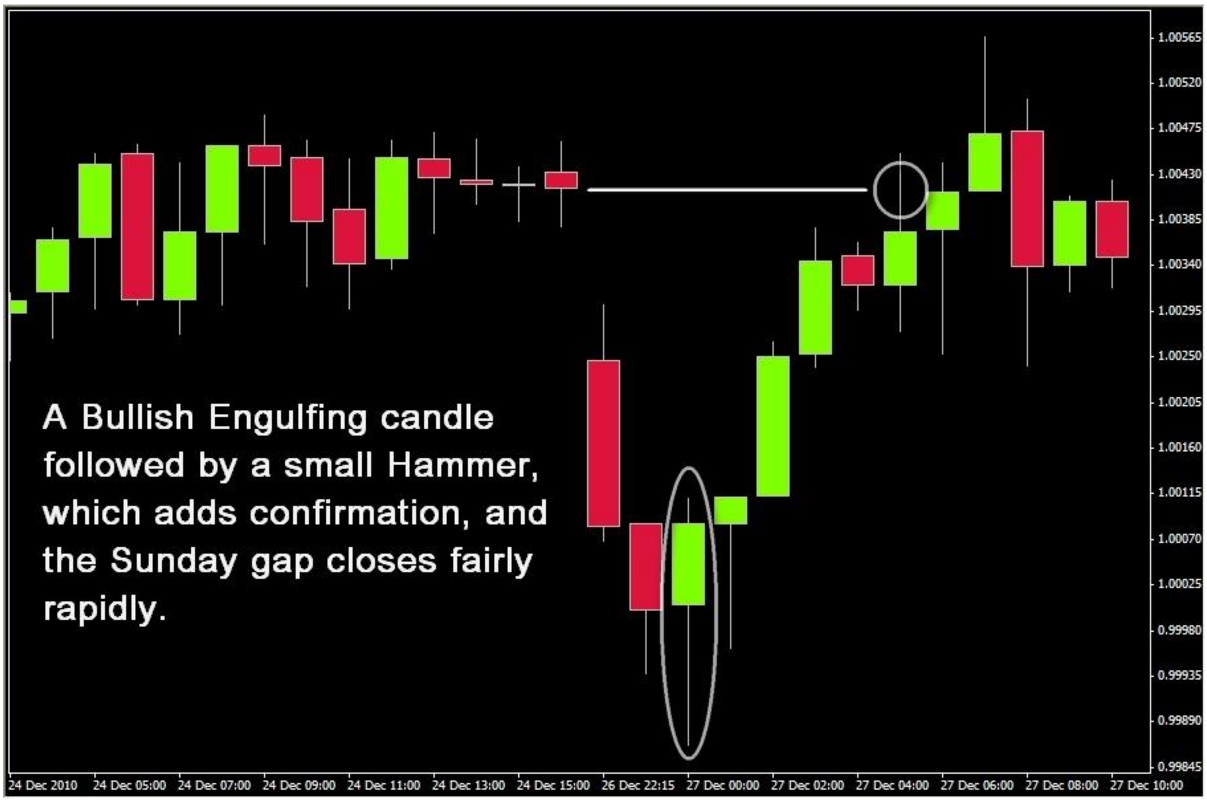
The AUD/USD provides a nice opportunity on the 1-hour chart:



This is a prime example of how an initially small gap can be played as a large one if we wait for candlestick pattern confirmation.

The main candlestick here is the Long-legged hammer and then further confirmation of this pattern with the Bullish candle.

In this final example we get an absolutely clear-cut Bullish Engulfing candle on the AUD/USD 1-hour again:



The Bullish Engulfing candle, as seen above, if one of the most powerful candles you will see – this is equally so when they indicate a reversal and a continuation.

Final Thoughts

Unfortunately it is time to bring this eBook to a close.

If you have even had one “ah-ha” moment then I feel I have been successful in my endeavour with Forex Candlestick Mastery™ ADVANCED EDITION.

But YOUR success is what matters! If just one piece of information from this eBook saves you from a losing trade or puts you in a winning trade (assuming you trade a *live* account and not demo) then this book will have paid for itself.

From here we would advise you start looking through your charts. We guarantee you will start seeing what you’ve learned *jump out* at you.

But take it slowly, don’t dive in and trade everything you see, trading is about patience as much as it is about knowledge and experience.

If you already have a system that you trade – try and figure out how understanding what the candlesticks are doing is going to factor into your system and increase your profits.

Finally, we want to thank you again for investing in Forex Candlestick Mastery™ ADVANCED EDITION, and wish you the greatest success in your trading.

One last thing…

We would love to hear from you and get your honest feedback about this eBook.

Please send your email to: contact@forexcandlestickmastery.com

Even just a single-line email would be appreciated. Thank you.

Wishing you success in your trading, Joe Parker – Forex Candlestick Mastery™

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