CANDLESTICK INTRODUCTION

A candlestick chart is a type of financial chart that graphically represents the price moves of an asset for a given timeframe. As the name suggests, it's made up of candlesticks, each representing the same amount of time. The candlesticks can represent virtually any period, from seconds to years. Candlestick charts date back to about the 17th century. Their creation as a charting tool is often credited to a Japanese rice trader called Homma. His ideas were likely what provided the foundation for what is now used as the modern candlestick chart. Homma's findings were refined by many, most notably by Charles Dow, one of the fathers of modern technical analysis.

While candlestick charts could be used to analyze any other types of data, they are mostly employed to facilitate the analysis of financial markets. Used correctly, they're tools that can help traders gauge the probability of outcomes in the price movement. They can be useful as they enable traders and investors to form their own ideas based on their analysis of the market. (Source :- BINANCE ACADEMY)

HOW DO CANDLESTICK CHART WORK

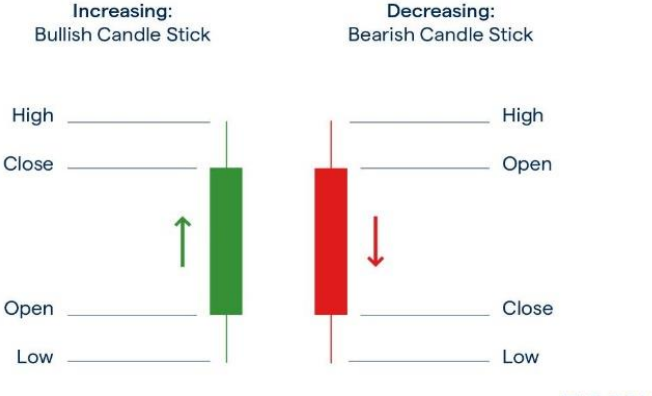
The following price points are needed to create each candlestick:

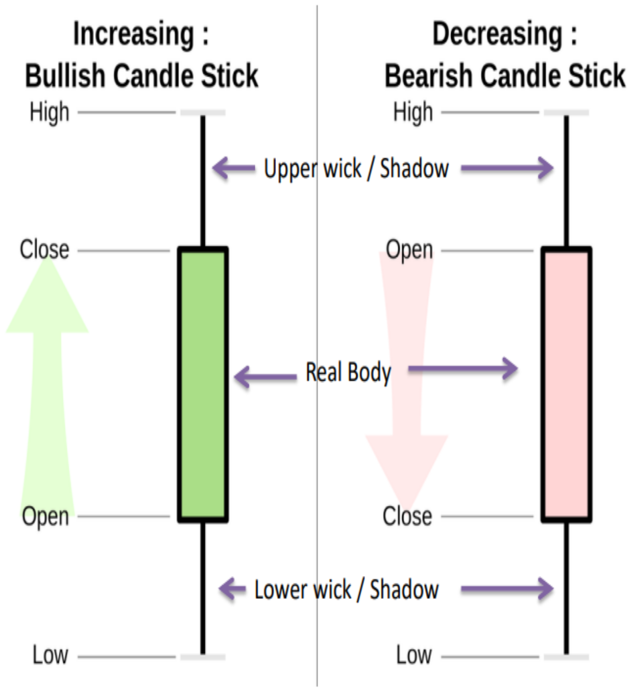
1. Open — The first recorded trading price of the asset within that particular timeframe.

2. High — The highest recorded trading price of the asset within that particular timeframe.

3. Low — The lowest recorded trading price of the asset within that particular timeframe.

4. Close — The last recorded trading price of the asset within that particular timeframe.


Increasing:
Bullish Candle Stick
Decreasing:
Bearish Candle Stick
High
Close
Open
Low
High
Open
Close
Low

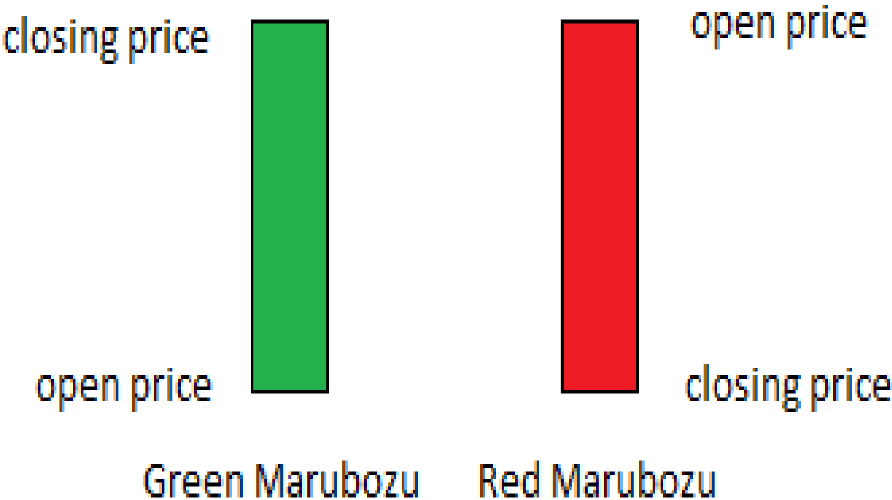

Increasing :
Bullish Candle Stick
Decreasing :
Bearish Candle Stick
High
High
Upper wick / Shadow
Close
Open
Real Body
Open
Close
Lower wick / Shadow
Low
Low

THERE ARE TWO CANDLESTICK PATTERNS

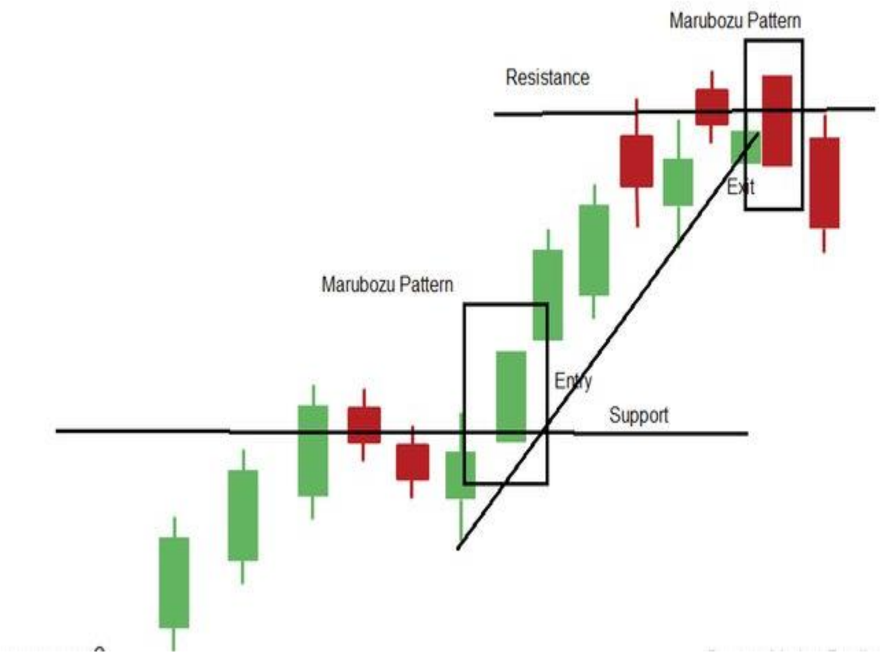
1. REVERSAL PATTERN
2. CONTINUATION PATTERN

MARUBOZU **means "close-cropped" Typically, the marubozu is a long candle that implies the day's trading range has been large. A marubozu candle lacks either an upper or lower shadow. On rare occasions it can lack both a upper or lower shadow. When a full marubozu occurs, or one that is very close to full, it is very well worth noting. If it is a white candle, then it signals extreme conviction among buyers. Conversely, if it is a dark candle, then it indicates sellers were eager to flee. AS always, you should pay careful attention to the next day's trading to see if there is follow through. A full or nearly full marubozu implies that there is strong buying or selling interest depending on the color. If there is follow through early the next day, the stock is likely to trend in that same direction for the next few sessions. That awareness can be important for the trader.**

MARUBOZU


closing price
open price
open price
closing price
Green Marubozu
Red Marubozu

ENTRY AND EXIT SIGNAL

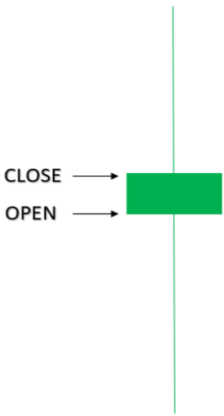


SPINNING TOP

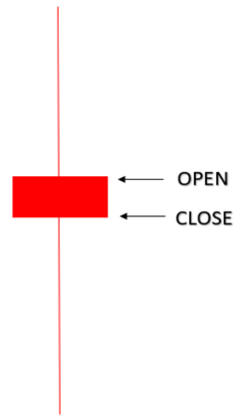
A spinning top is a candlestick pattern with a short real body that's vertically centered between long upper and lower shadows. The candlestick pattern represents indecision about the future direction of the asset. Neither the buyers nor the sellers could gain the upper hand. The buyers pushed the price up during the period, and the sellers pushed the price down during the period, but ultimately the closing price ended up very close to the open. After a strong price advance or decline, spinning tops can signal a potential price reversal, if the candle that follows confirms.

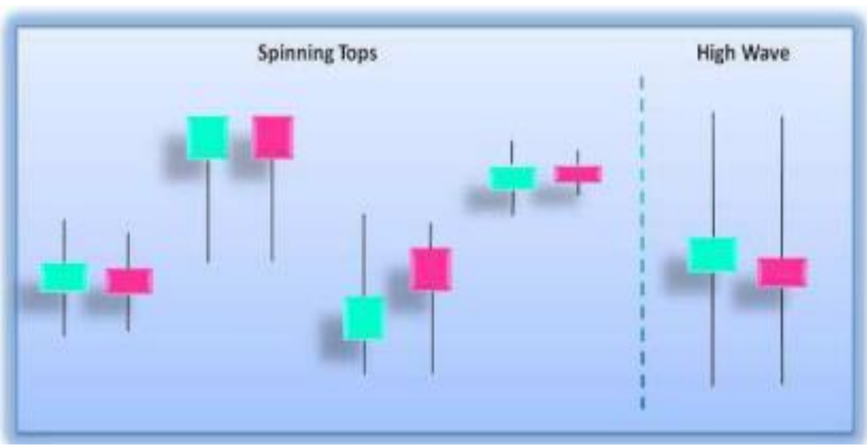
A spinning top can have a close above or below the open, but the two prices need to be close together

Bullish Spinning Top:



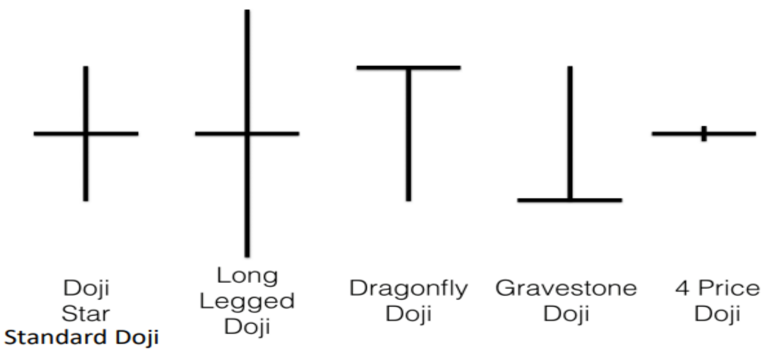
Bearish Spinning Top:





DOJI

A Doji forms when the open and the close are the same (or very close to each other). The price can move above and below the open but eventually closes at or near the open. As such, a Doji may indicate an indecision point between buying and selling forces. Still, the interpretation of a Doji is highly dependent on context. Depending on where the line of the open/close falls, a Doji can be described as:



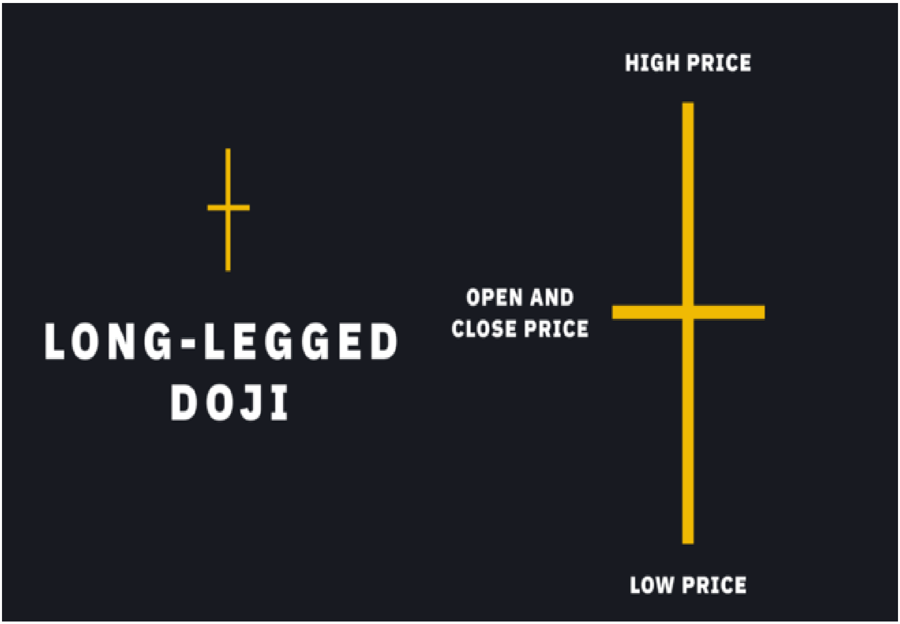
DOJI


USDT
Bitcoin / TetherUS · 1D · BINANCE
O22917.81 H23162.20 L22770.00 C22872.41
22872.83
0.72
22873.55
8800.00
8300.00
7800.00
7400.00
7000.00
6600.00
6200.00
5800.00
5500.00
5200.00
4900.00
4650.00
4410.00
4210.00
4010.00
DOJI
TradingView
ZIGMAVERSE (PVT) LTD
17
Oct
15
Nov
12

GRAVESTONE DOJI – Bearish reversal candle with a long upper wick and the open/close near the low.

GRAVESTONE DOJI

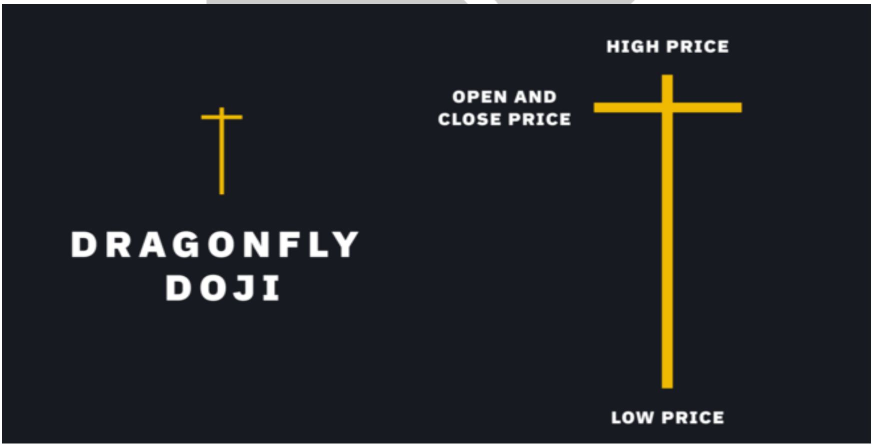
LONG - LEGGED DOJI – Indecisive candle with both a lower and upper wick, and the open/close near the midpoint.



LONG - LEGGED DOJI

LONG - LEGGED DOJI

DRAGONFLY D0JI – **Either bullish or bearish candle (depending on context) with a long lower wick and the open/close near the high.**



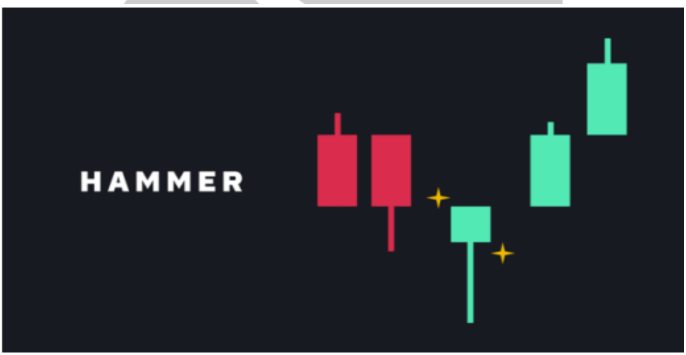
DROGONFLY DOJI

FOUR PRICE DOJI

HAMMER

BULLISH REVERSAL PATTERN

A candlestick with a long lower wick at the bottom of a downtrend, where the lower wick is at least twice the size of the body. A hammer shows that even though the selling pressure was high, the bulls drove the price back up close to the open. A hammer can be either red or green, but green hammers may indicate a stronger bull reaction.



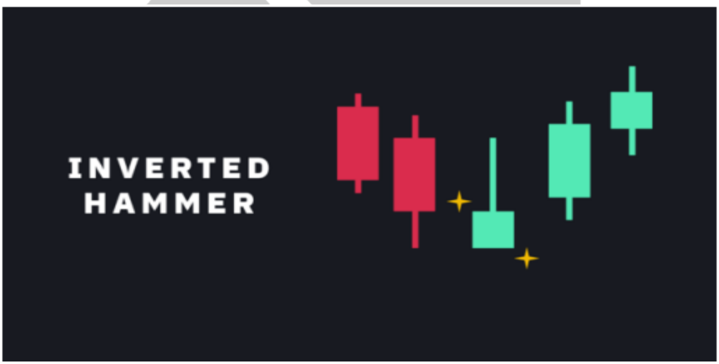
HAMMER

USDT
XRP / TetherUS · 4h · BINANCE · TradingView
O0.3917 H0.3930 L0.3899 C0.3923 +0.0005 (+0.13%)
0.3925
0.0001
0.3926
1.4000
1.3000
1.2000
1.1000
1.0063
0.9000
0.8000
0.7400
0.6800
0.6400
0.6000
0.5600
0.5250
0.4900
HAMMER
ZIGMAVERSE (PVT) LTD
19
21
13:30
24
26
28

INVERTED HAMMER

BULLISH REVERSAL PATTERN

Also called the inverse hammer, it's just like a hammer, but with a long wick above the body rather than below. Similar to a hammer, the upper wick should be at least twice the size of the body. An inverted hammer occurs at the bottom of a downtrend and may indicate a potential reversal upward. The upper wick shows that price stopped its continued downward movement, even though the sellers eventually managed to drive it down near the open. As such, the inverted hammer may suggest that buyers soon might gain control of the market.



INVERTED HAMMER

HANGING MAN

BEARISH REVERSAL PATTERN

The hanging man is the bearish equivalent of a hammer. It typically forms at the end of an uptrend with a small body and a long lower wick. The lower wick indicates that there was a large sell-off, but bulls managed to take back control and drive the price up. Keeping that in mind, after a prolonged uptrend, the sell-off may act as a warning that the bulls might soon be losing control of the market.

HANGING MAN


USDT
Theta Token / TetherUS · 2h · BINANCE · TradingView
O0.877 H0.877 L0.876 C0.876 −0.001 (−0.11%)
0.876
0.001
0.877
4.800
4.700
4.600
4.500
4.400
4.300
4.200
4.100
4.000
3.900
3.800
3.720
3.640
3.570
3.500
3.479
HANGING MAN
ZIGMAVERSE (PVT) LTD
30
31
Apr
2
3
4
5

SHOOTING STAR

BEARISH REVERSAL PATTERN

The shooting star is made of a candlestick with a long upper wick, little or no lower wick, and a small body, ideally near the low. The shooting star is a similar shape as the inverted hammer but is formed at the end of an uptrend. It indicates that the market reached a high, but then sellers took control and drove the price back down. Some traders prefer to wait for the next few candlesticks to unfold for confirmation of the pattern.

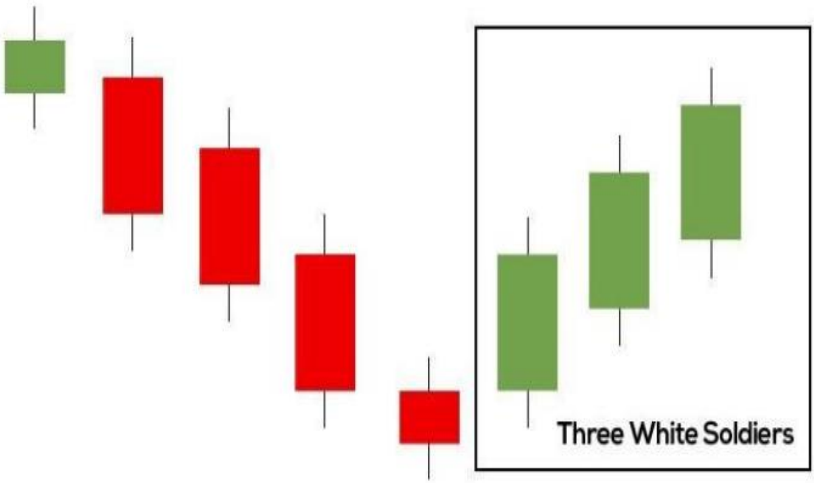
SHOOTING STAR

THREE WHITE SOLDIER

BULLISH REVERSAL PATTERN

The three white soldiers pattern consists of three consecutive green candlesticks that all open within the previous candle's body, and close at a level exceeding the previous candle's high. Ideally, these candlesticks shouldn't have long lower wicks, indicating that continuous buying pressure is driving the price up. The size of the candles and the length of the wicks can be used to judge the chances of continuation or a possible retracement.

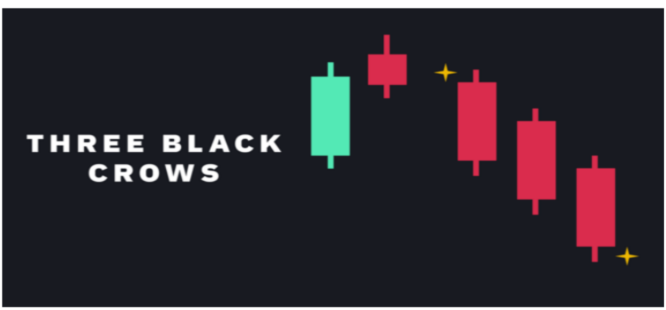
THREE WHITE SOLDIER



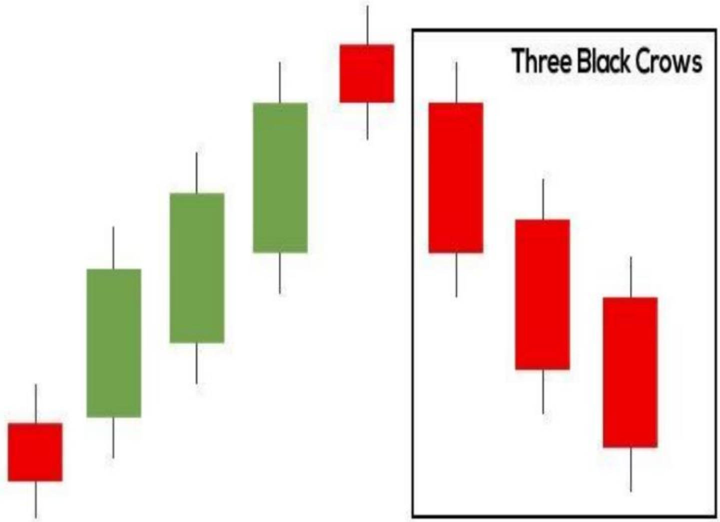
THREE BLACK CROWS

BEARISH REVERSAL PATTERN

The three black crows are made of three consecutive red candlesticks that open within the previous candle's body, and close at a level below the previous candle's low. The bearish equivalent of three white soldiers. Ideally, these candlesticks shouldn't have long higher wicks, indicating continuous selling pressure driving the price down. The size of the candles and the length of the wicks can be used to judge the chances of continuation.



THREE BLACK CROWS

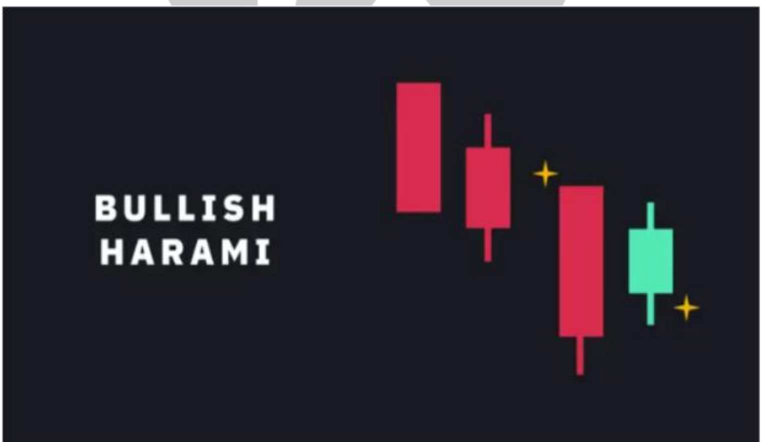


THREE WHITE SOLDIER & THREE BLACK CROWS

BULLISH HARAMI

BULLISH REVERSAL PATTERN

A bullish harami is a long red candle followed by a smaller green candle that's entirely contained within the body of the previous candle. The bullish harami can unfold over two or more days, and it's a pattern indicating that selling momentum is slowing down and might be coming to an end.



BULLISH HARAMI

BEARISH HARAMI

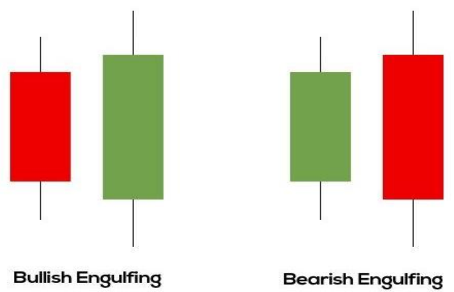
BEARISH REVERSAL PATTERN

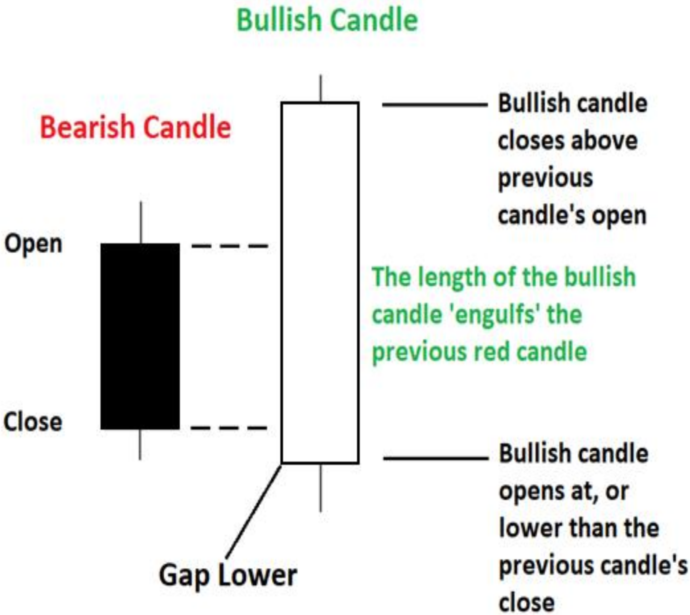
The bearish harami is a long green candle followed by a small red candle with a body that's entirely contained within the body of the previous candle. The bearish harami can unfold over two or more days, appears at the end of a downtrend, and may indicate that buying pressure is decreasing.

BEARISH HARAMI

ENGULFING CANDELES

Engulfing candles tend to signal a reversal of the current trend in the market. This specific pattern involves two candles with the latter candle 'engulfing' the entire body of the candle before it. The engulfing candle can be bullish or bearish depending on where it forms in relation to the existing trend. The image below presents the bullish engulfing candle.




Bullish Candle
Bearish Candle
Bullish candle closes above previous candle's open
Open
The length of the bullish candle 'engulfs' the previous red candle
Close
Bullish candle opens at, or lower than the previous candle's close
Gap Lower

BULLISH & BEARISH ENGULFING

BEARISSH ENGULFING

MORNING STAR

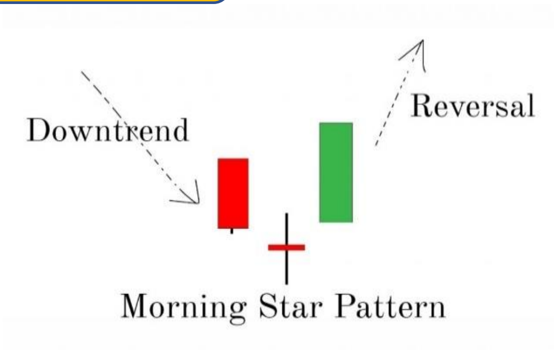
BULLISH REVERSAL PATTERN

The morning star, that on the first day there is a large dark candle. The middle day is not a perfect star, because there is a small lower shadow, but the upper shadow on top of a small real body gives it a star quality. The third candle is a large white candle that completes the reversal. Not how the third candle recovered nearly to the highs of the first day and occurred on strong volume.

In order for the Morning Star signal to be valid, the following conditions must exist:

- The stock must have been in a definite downtrend before this signal occurs. This can be visually seen on the chart.
- The first day of the signal must be a long dark body. The second day must be a day of indecision. The third day should be a long white candle reaching at least halfway into the body of the first day's dark candle.

MORNING STAR

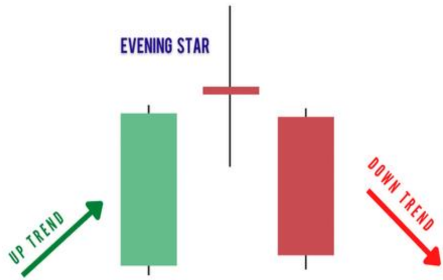


EVENING STAR

BEARISH REVERSAL PATTERN

The evening star pattern occurs during a sustained uptrend. On the first day we see a candle with a long white body. Everything looks normal and the bulls appear to have full control of the stock. In the second day, however, a star candle occur. For this to be a valid evening star pattern, the stock must gap higher on the day of the star. The star can be either black or white. A star candle has a small real body and often contains a large upper shadow. On the third day, a candle with a black real body emerges. This candle retreats substantially into the real body of the first day. The pattern is made more powerful if there is a gap between the second and third day's candles. However, this gap is unusual, particularly when it comes to equity trading. The further this third candle retreats into the real body of the first day's candle, the more powerful the reversal signal.

EVENING STAR



RISING THREE METHOD

CONTINUATION PATTERNS

This pattern occurs in an uptrend, where three consecutive red candles with small bodies are followed by the continuation of the uptrend. Ideally, the red candles shouldn't breach the range of the preceding candlestick.

The continuation is confirmed with a green candle with a large body, indicating that bulls are back in control of the trend's direction.

RISING THREE METHOD

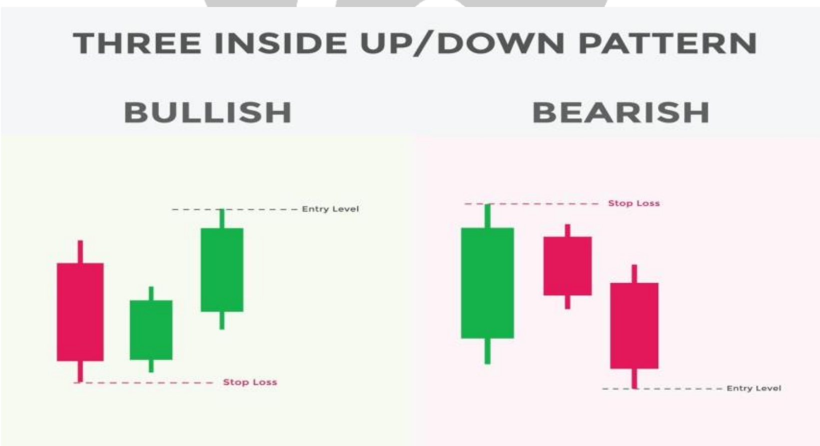
FALLING THREE METHOD

The inverse of rising three methods, indicating the continuation of a downtrend instead.

FALLING THREE METHOD

THREE INSIDE UP/DOWN

The terms "Three inside up" and "Three inside down" refer to a pair of candle reversal patterns (each containing three individual candles) that appear on candlestick charts. The pattern requires three candles to form in a specific sequence, showing that the current trend has lost momentum and a move in the other direction might be starting.

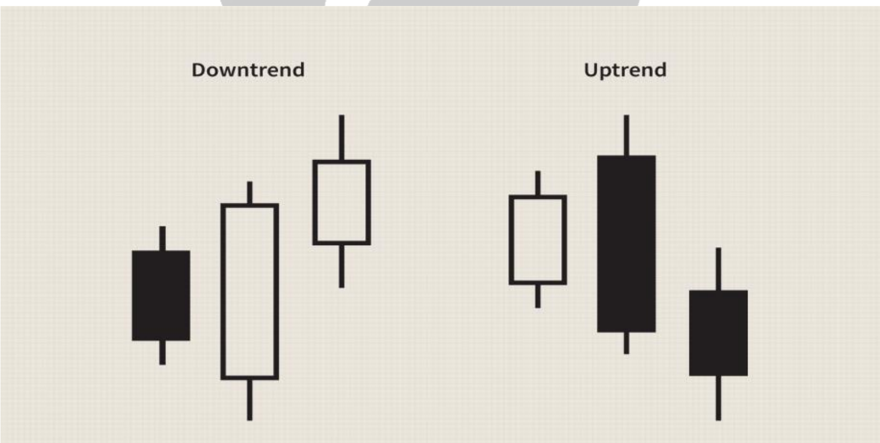


THREE INSIDE UP

THREE INSIDE DOWN

THREE OUTSIDE UP AND THREE OUTSIDE DOWN

The three outside up and Three outside down are **three-candle reversal patterns** that appear on candlestick charts. The pattern requires three candles to form in a specific sequence, showing that the current trend has lost momentum and might signal a reversal of an existing trend.



THREE OUTSIDE UP

Mr. Charuka Weerakkody ZIGMAVERSE (PVT) LTD

THREE OUTSIDE DOWN

මෙම pdf එක සතු සියලුම අයිතිය ZIGMAVERSE (PVT) LTD සතු අතර මෙය අපගේ සිසුන් සඳහා පමණක් ලබා දෙන අතර ආයතනයෙන් පිටත කිසිදු පුද්ගලයෙකු ට මෙය Share කිරීම හෝ ළඟ තබා ගැනීම ට නොහැකි බව කරුණාවෙන් දන්වා සිටිමු.

මේ පිළිබඳ සවිස්තරාත්මක විස්තරයක් පාඨමාලාවේ දී ලබා දෙන අතර මෙය අප අමතරව ලබා දෙන දෙයක් පමණක් බව මතක තබා ගන්න. නිවැරදි මඟ පෙන්වීමක් සහ නිවැරදි අධ්‍යාපනයක් ලබා ගැනීම ට නම් අප හා සම්බන්ධ වන්න.

අපගේ,

නිළ දුරකථන අංකය :- +94 76 97 97 997

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