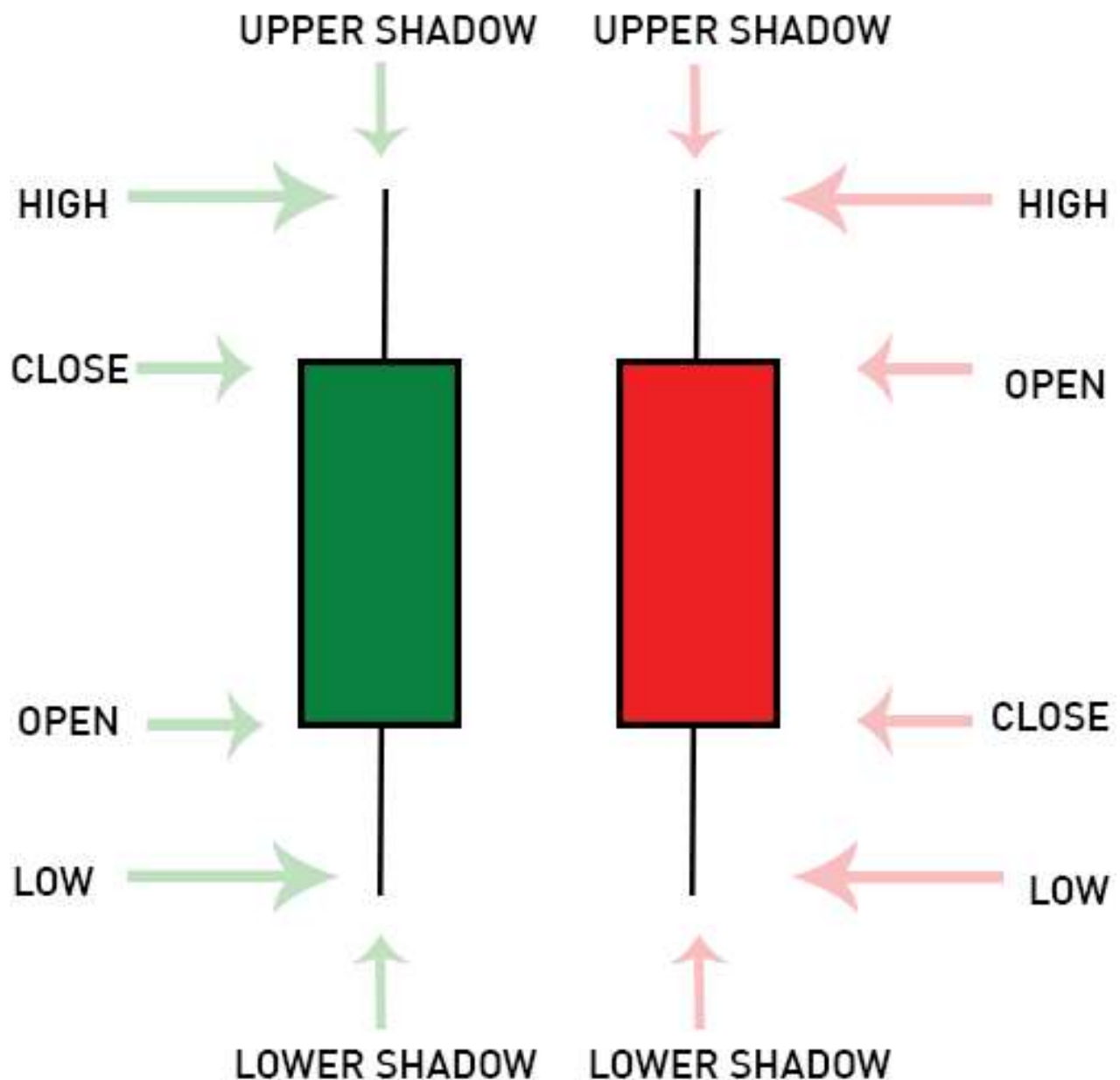


Lecture 13

Candlesticks

What is a Candlestick?

Candlestick: A graphical representation of the high, low, opening and closing price of a security for a specific period. A green Real Body represents a stock that closed at a higher price than it opened at. A red Real Body represents a stock that closed at a price lower than it opened at.



What can a Candlestick tell us about supply & demand

Big Candles



Big Red Candle Has an unusually long red body with a wide range between high and low. Prices open near the high and close near the low. Considered a bearish pattern.



Big Green Candle Has an unusually long white body with a wide range between high and low of the day. Prices open near the low and close near the high. Considered a bullish pattern.

Dojis



Dojis form when the opening and closing prices are virtually equal. Alone, dojis are neutral patterns.



Long-Legged: This doji reflects a great amount of indecision about the future direction of the underlying asset.



Gravestone: The long upper shadow suggests that the direction of the trend may be nearing a major turning point. It is formed when the opening and closing price of the underlying asset are equal and occur at the low of the day.



Dragonfly: The long lower shadow suggests that the direction of the trend may be nearing a major turning point. It is formed when the opening and closing price of the underlying asset are equal and occur at the high of the day.



Shooting Star A black or a white candlestick that has a small body, a long upper shadow and a little or no lower tail. Considered a bearish pattern in an uptrend.



Hammer A black or a white candlestick that consists of a small body near the high with a little or no upper shadow and a long lower tail. Considered a bullish pattern during a downtrend.

Example of Dojis

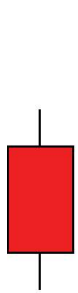




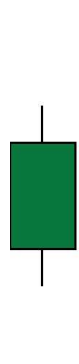
Bearish Harami Consists of an unusually large green body followed by a small red body (contained within large green body). It is considered as a bearish pattern when preceded by an uptrend.



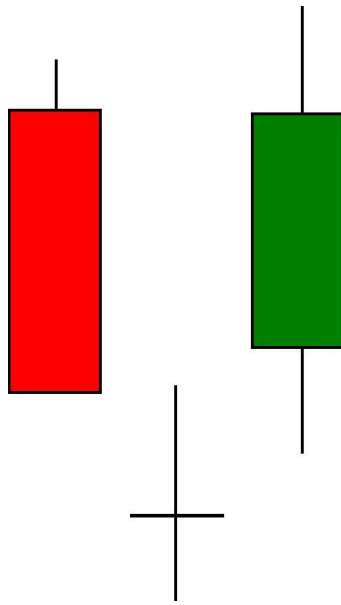
Bullish Harami Consists of an unusually large red body followed by a small green body (contained within large red body). It is considered as a bullish pattern when preceded by a downtrend.



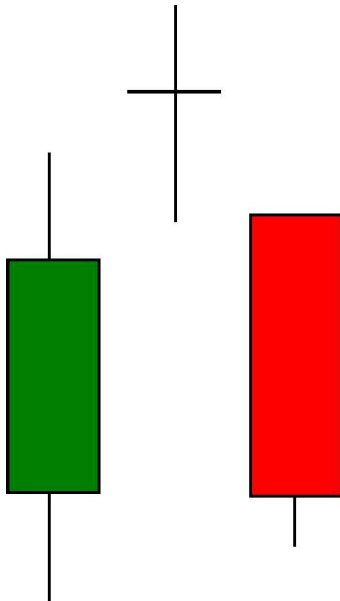
Engulfing Bullish Consists of a small red body that is contained within the followed large green candlestick. When it appears at bottom it is interpreted as a major reversal signal.



Engulfing Bearish Consists of a small green body that is contained within the followed large red candlestick. When it appears at top it is considered as a major reversal signal.



Morning Doji Star Consists of a large red body candlestick followed by a Doji that occurred below the preceding candlestick. On the following day, a third green body candlestick is formed that closed well into the red body candlestick which appeared before the Doji. It is considered as a major reversal signal.



Evening Doji Star Consists of three candlesticks. First is a large green body candlestick followed by a Doji that gap above the green body. The third candlestick is a red body that closes well into the green body. When it appears at the top it is considered as a reversal signal. It signals a bearish trend.
