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with the

Candlestick Charting **Quick Reference Guide**

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Candlestick Charting Quick Reference Guide

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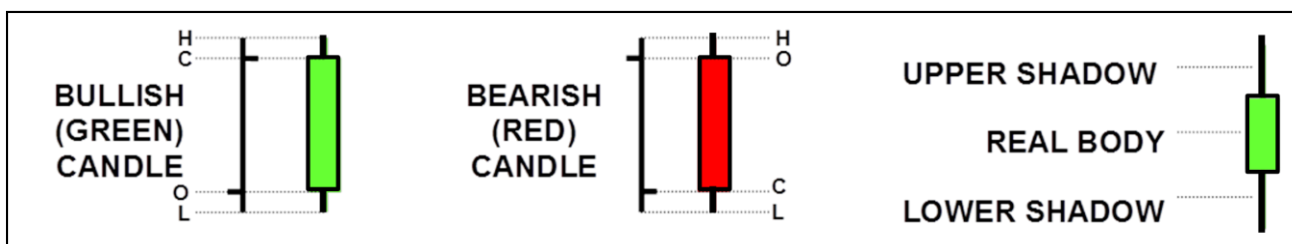
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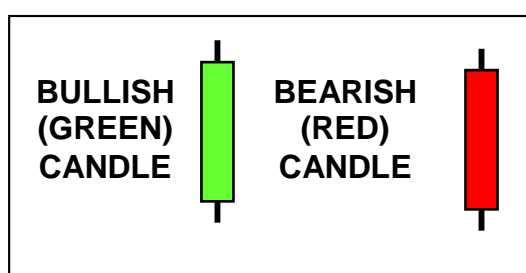
Candle Definition



Candle Properties

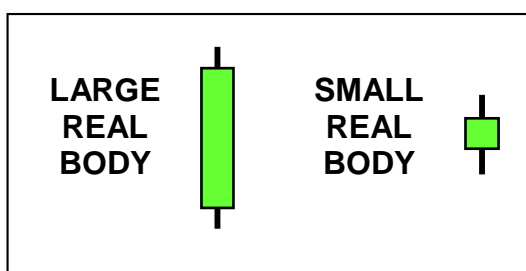
Colour

- The colour is generally displayed as green and red candles (or white and black candles).
- Green candles are bullish, closing higher than the open.
- Red candles are bearish, closing lower than the open.



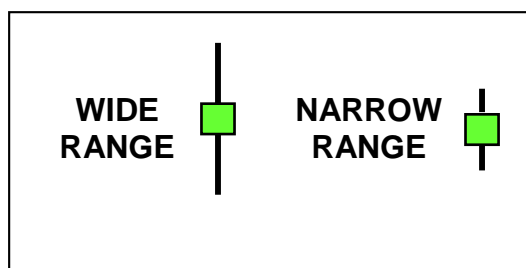
Body Size

- The body size represents the degree to which the bulls overcome the bears (green candle) or the bears overcome the bulls (red candle).
- A large body shows increased commitment.
- A small body shows reduced commitment.



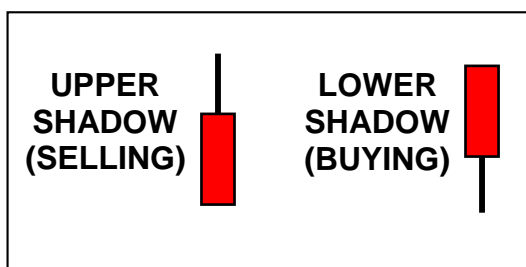
Range

- The range of the candle is the distance from the high to the low, and represents the volatility of the price during the time period represented by the candle.
- A wide range shows increased volatility.
- A narrow range shows reduced volatility.



Shadow Location

- Shadows above the real body show rejection of higher prices (selling).
- Shadows below the real body show rejection of lower prices (buying).





Candlestick Charting Quick Reference Guide

Doji

Description

- BULLISH or BEARISH single candle Reversal Pattern.
- The open is equal to (or almost equal to) the close, resulting in no real body. Indecision in the market – neither the bulls nor bears are in control.
- The Doji can be found at the top or bottom. The Gravestone Doji is usually found at a top reversal. The Dragonfly Doji is usually found at a bottom reversal.

Bullish / Bearish Reversal



Setup

A trending market - an uptrend for a bearish reversal, or a downtrend for a bullish reversal.

Psychology

A Doji indicates a 'tug-of-war' between the bulls and bears in which neither party was dominant. Price may have been driven up and/or down from the open, but was driven back to close equal to (or almost equal to) the opening price. This indecision in the market often precedes a change in trend to either a sideways or a reverse direction trend.

The Gravestone Doji is more bearish, and therefore more effective at a market top. The Dragonfly Doji is more bullish, and therefore more effective at a market bottom.

Confirmation

The price trades above the doji at a market bottom, or below the doji at a market top.





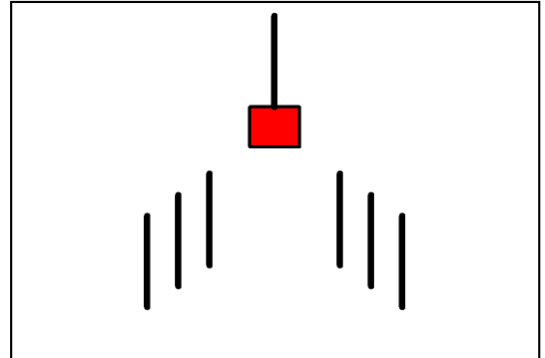
Candlestick Charting Quick Reference Guide

Shooting Star

Description

- BEARISH single candle Reversal Pattern.
- Market gaps up to Shooting Star candle.
- Colour can be RED or GREEN.
- Upper Shadow is at least 2 times the size of the real body.

Bearish Reversal



Setup

Uptrend

Psychology

The bulls continue the uptrend by gapping the price up at the open and driving it to new highs. The bears come back in force though and drive price back down. A red Shooting Star is more bearish than a green Shooting Star, due to the bears ability to force the close of the candle below the opening price.

Confirmation

The price trades below the body of the Shooting Star candle.





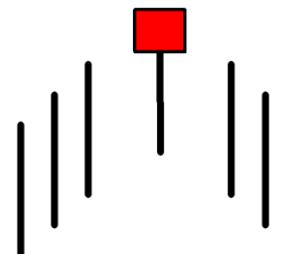
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Hanging Man

Description

- BEARISH single candle Reversal Pattern.
- Market gaps up to Hanging Man candle.
- Colour can be RED or GREEN.
- Lower Shadow is at least 2 times the size of the real body.

Bearish Reversal



Setup

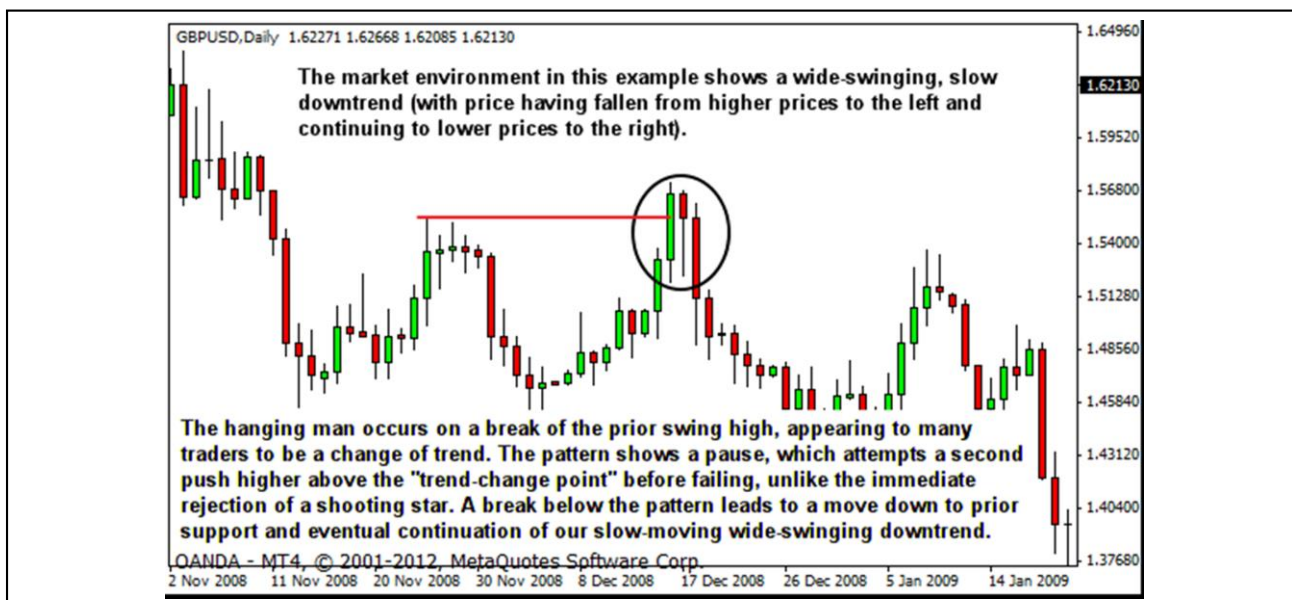
Uptrend

Psychology

The uptrend initially appeared that it would continue strongly as the price gapped up at the open, however the bears fought back strongly driving price convincingly lower. Although the bulls were able to resist the downward pressure, this is only temporary. A red Hanging Man is more bearish than a green Hanging Man, due to the bulls inability to force the close of the candle above the opening price. The Hanging Man is not considered as bearish as the Shooting Star, due to the fact that the bulls were able to fight back to some degree.

Confirmation

The price trades below the body of the Hanging Man candle.





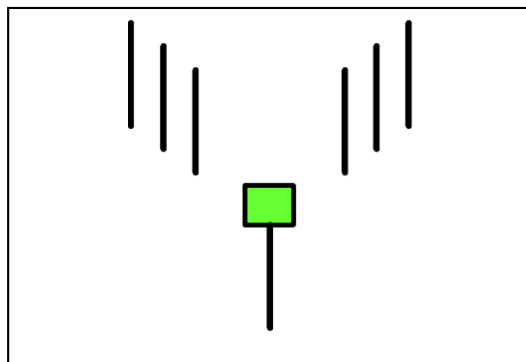
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Hammer

Description

- BULLISH single candle Reversal Pattern.
- Market ideally gaps down to Hammer candle.
- Colour can be RED or GREEN.
- Lower Shadow is at least 2 times the size of the real body.

Bullish Reversal



Setup

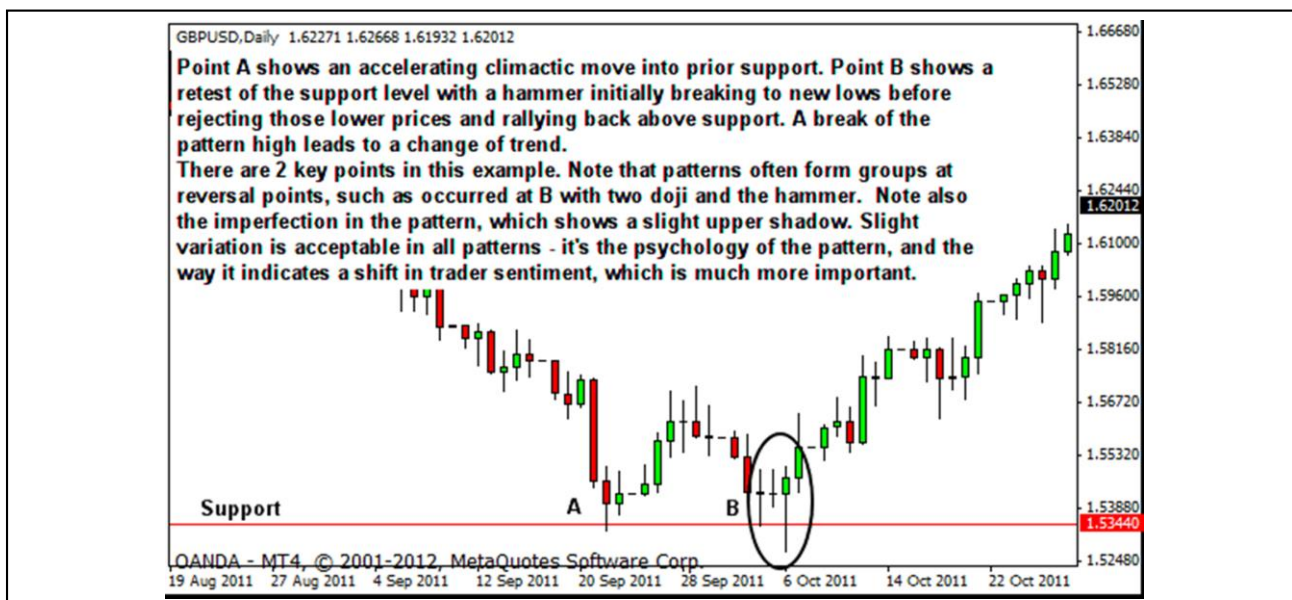
Downtrend

Psychology

The bears continue the downtrend by gapping the price down at the open and driving it to new lows. The bulls come back in force though and drive price back up. A green Hammer is more bullish than a red Hammer, due to the bulls ability to force the close of the candle above the opening price.

Confirmation

The price trades above the Hammer candle's real body.





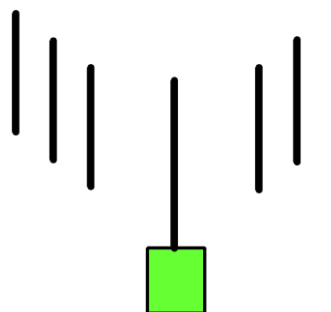
Candlestick Charting Quick Reference Guide

Inverted Hammer

Description

- BULLISH single candle Reversal Pattern.
- Market ideally gaps down to Inverted Hammer candle.
- Colour can be RED or GREEN.
- Upper Shadow is at least 2 times the size of the real body.

Bullish Reversal



Setup

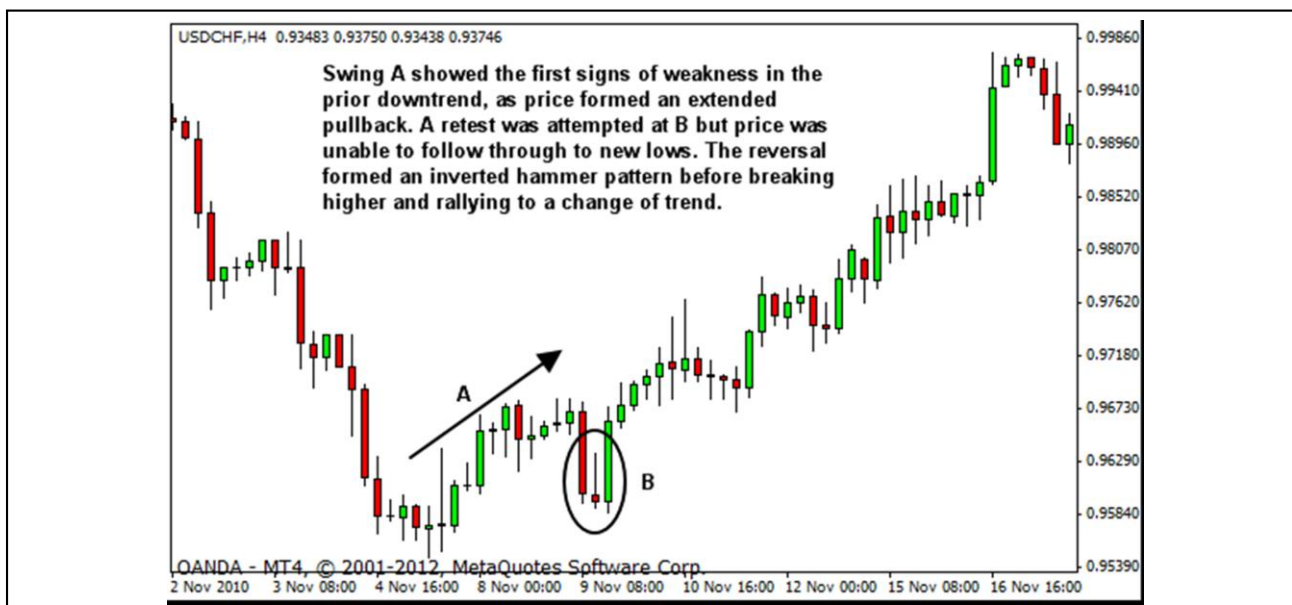
Downtrend

Psychology

The downtrend initially appeared that it would continue strongly as the price gapped down at the open, however the bulls fought back strongly driving price convincingly higher. Although the bears were able to resist the upward pressure, this is only temporary. A green Inverted Hammer is more bullish than a red Inverted Hammer, due to the bear's inability to force the close of the candle below the opening price. The Inverted Hammer is not considered as bullish as the Hammer, due to the fact that the bears were able to fight back to some degree.

Confirmation

The price trades above the body of the Inverted Hammer candle.

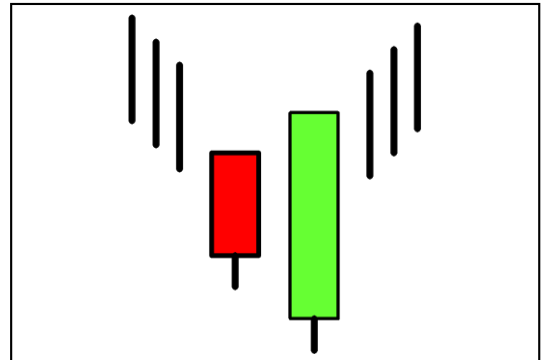


Bullish Engulfing

Description

- BULLISH two candle Reversal Pattern.
- 1st candle has a smaller RED real body.
- 2nd longer GREEN candle completely engulfs the first candle body.

Bullish Reversal



Setup

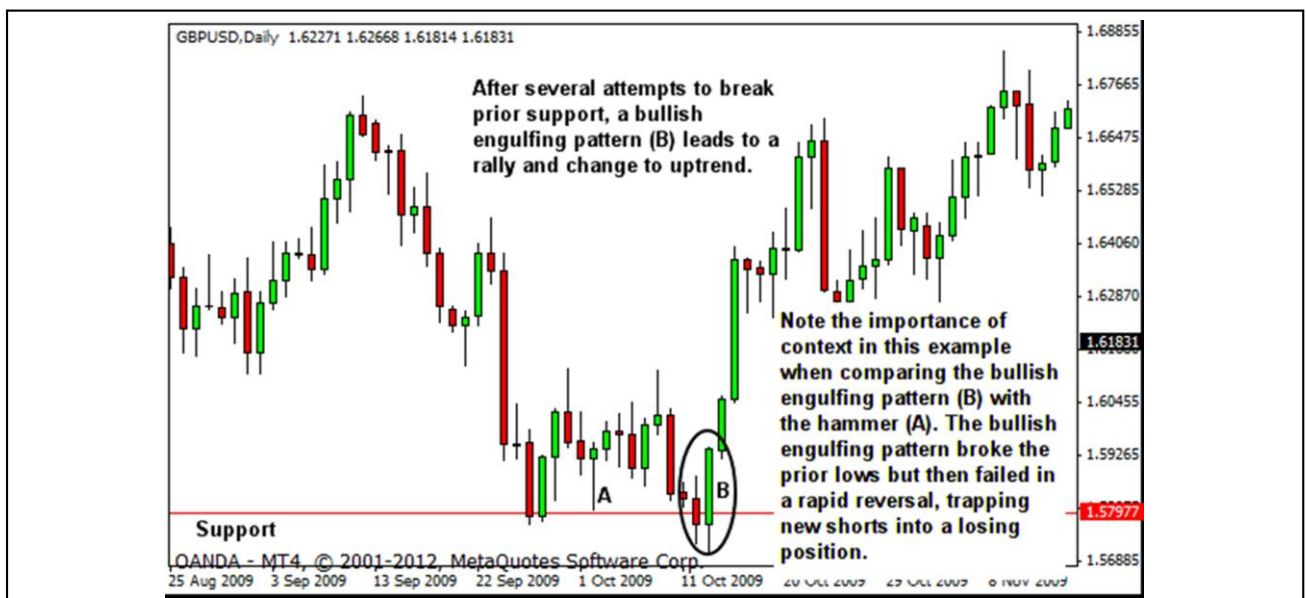
Downtrend

Psychology

This is a very bullish reversal pattern in which the bulls inflict a rapid and decisive victory over the bears. The downtrend continues via a red bodied candle. The opening of the next candle ideally gaps down (continued sign of bearishness) however the bulls then drive the price upwards to close the candle above the open of the red bodied candle. The name 'bullish engulfing' is due to the fact that the real body of the green candle completely engulfs the real body of the red candle.

Confirmation

The price trades above the body of the green candle.





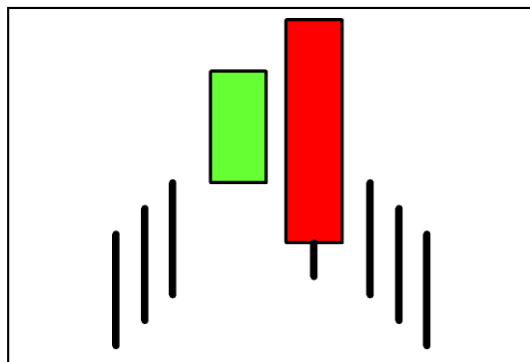
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Bearish Engulfing

Description

- BEARISH two candle Reversal Pattern.
- 1st candle has a smaller GREEN real body.
- 2nd longer RED candle completely engulfs the 1st candle body.

Bearish Reversal



Setup

Uptrend

Psychology

This is a very bearish reversal pattern in which the bears inflict a rapid and decisive victory over the bulls. The uptrend continues via a green bodied candle. The opening of the next candle ideally gaps upwards (continued sign of bullishness) however the bears then drive the price down to close the candle below the open of the green bodied candle. The name 'bearish engulfing' is due to the fact that the real body of the red candle completely engulfs the real body of the green candle.

Confirmation

The price trades below the body of the red candle.





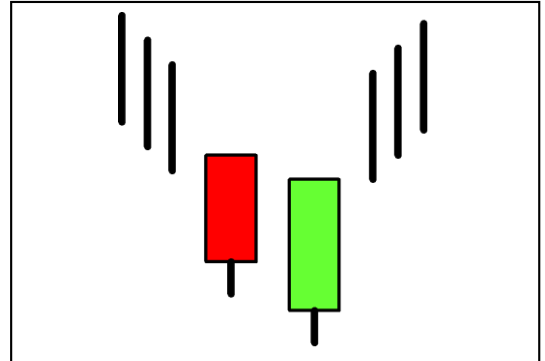
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Piercing Pattern

Description

- BULLISH two candle Reversal Pattern.
- 1st candle has a RED real body.
- 2nd GREEN candle opens below, and closes in the upper half of the 1st candle body.

Bullish Reversal



Setup

Downtrend

Psychology

The downtrend continues via a red bodied candle. The opening of the next candle ideally gaps down (continued sign of bearishness) however the bulls then drive the price back up showing renewed strength and a potential change of trend. The bulls win the battle closing the candle in the upper half of the red candle's body. Note that this is not as bullish as the bullish engulfing pattern, in which the bulls were able to drive the price higher to close above the first candle's real body.

Confirmation

The price trades above the real body of the green candle.





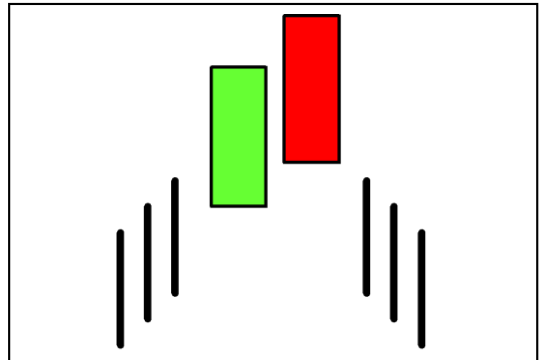
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Dark Cloud Cover

Description

- BEARISH two candle Reversal Pattern.
- 1st candle has a GREEN real body.
- 2nd RED candle opens above, and closes in the lower half of the 1st candle body.

Bearish Reversal



Setup

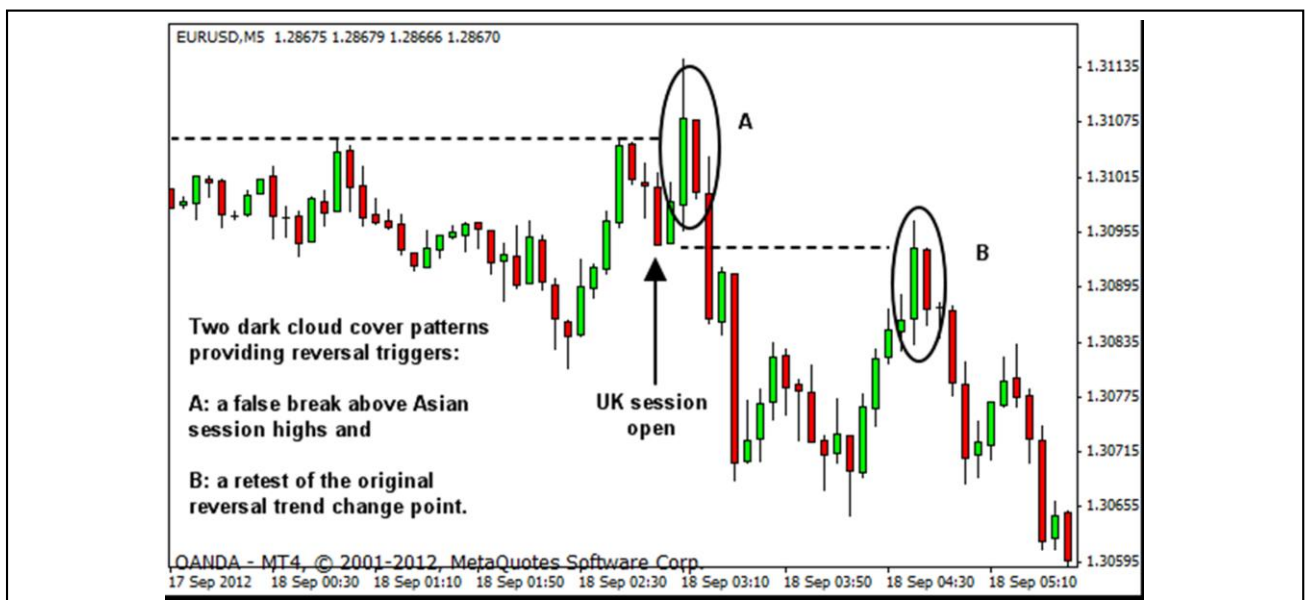
Uptrend

Psychology

The uptrend continues via a green bodied candle. The opening of the next candle ideally gaps up (continued sign of bullishness) however the bears then drive the price back down showing renewed strength and a potential change of trend. The bears win the battle closing the candle in the lower half of the green candle's body. Note that this is not as bearish as the bearish engulfing pattern, in which the bears were able to drive the price lower to close below the first candle's real body.

Confirmation

The price trades below the real body of the red candle.





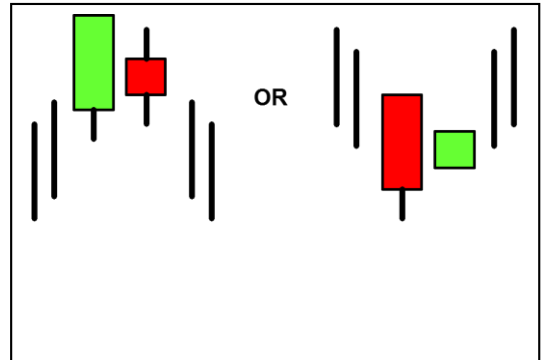
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Harami

Description

- BULLISH or BEARISH two candle Reversal Pattern.
- 1st candle continues the trend direction.
- 2nd candle real body is contained within the 1st candle real body. This candle may be either green or red.

Bullish / Bearish Reversal



Setup

A trending market - an uptrend for a bearish reversal, or a downtrend for a bullish reversal.

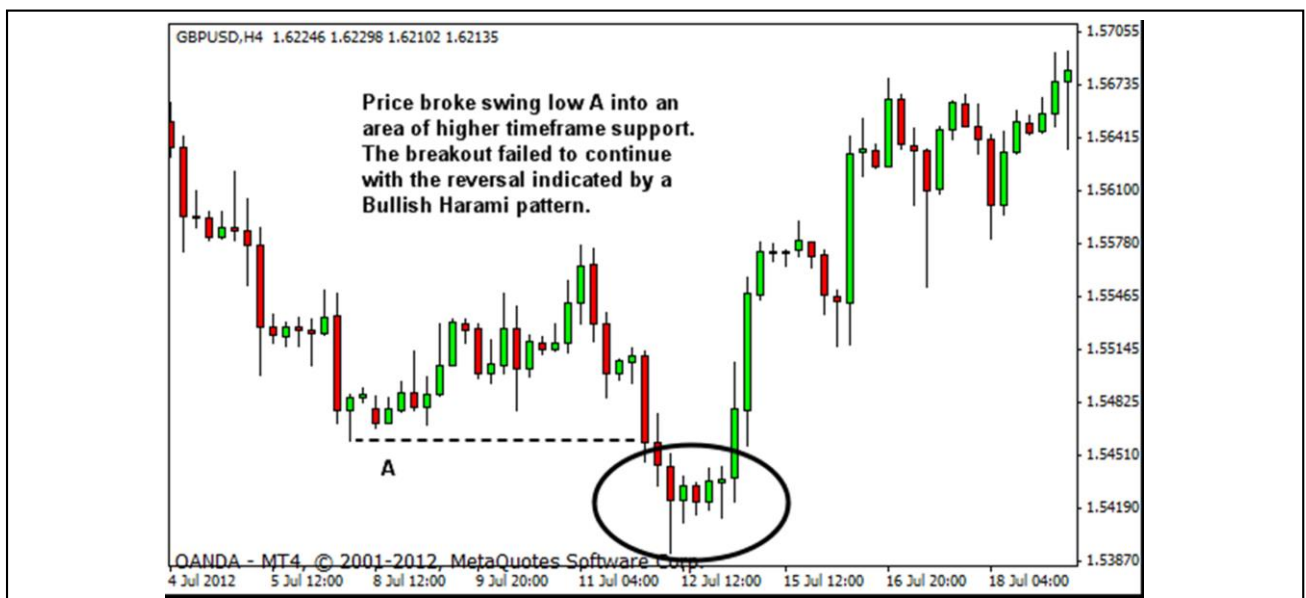
Psychology

Bearish Harami – Often found at a market top, the uptrend continues with the bulls driving price higher to complete a green candle. The second candle shows indecision as the price then stalls. Neither the bulls nor the bears are able to dominate, resulting in a small candle of either colour contained within the first body candle. This indecision often precedes a change to sideways congestion or a reversal of the trend.

Bullish Harami – Opposite of the above, found at a bottom reversal.

Confirmation

The price trades above the pattern for a bottom reversal, or below the pattern for a top reversal.





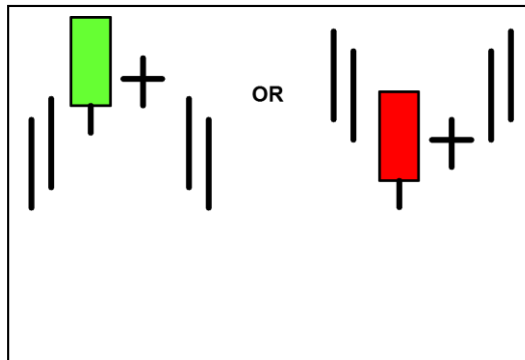
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Harami Cross

Description

- BULLISH or BEARISH two candle Reversal Pattern.
- 1st candle continues the trend direction.
- 2nd candle is a Doji, and is contained within the 1st candle real body.

Bullish / Bearish Reversal



Setup

A trending market - an uptrend for a bearish reversal, or a downtrend for a bullish reversal.

Psychology

Bearish Harami Cross – Often found at a market top, the uptrend continues with the bulls driving price higher to complete a green candle. The second candle shows indecision as the price then stalls to form a doji. Neither the bulls nor the bears are able to dominate. This indecision often precedes a change to sideways congestion or a reversal of the trend.

Bullish Harami Cross – Opposite of the above, found at a bottom reversal.

Confirmation

The price trades above the pattern for a bottom reversal, or below the pattern for a top reversal.





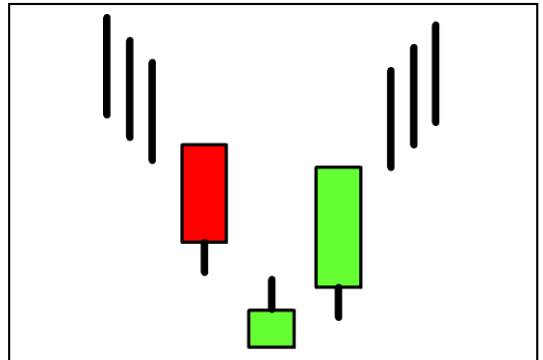
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Morning Star

Description

- BULLISH three candle Reversal Pattern.
- 1st candle has a long RED real body.
- Market gaps down to 2nd small body candle (either colour).
- 3rd candle has a GREEN real body, ideally gapping up from the star (2nd candle).

Bullish Reversal



Setup

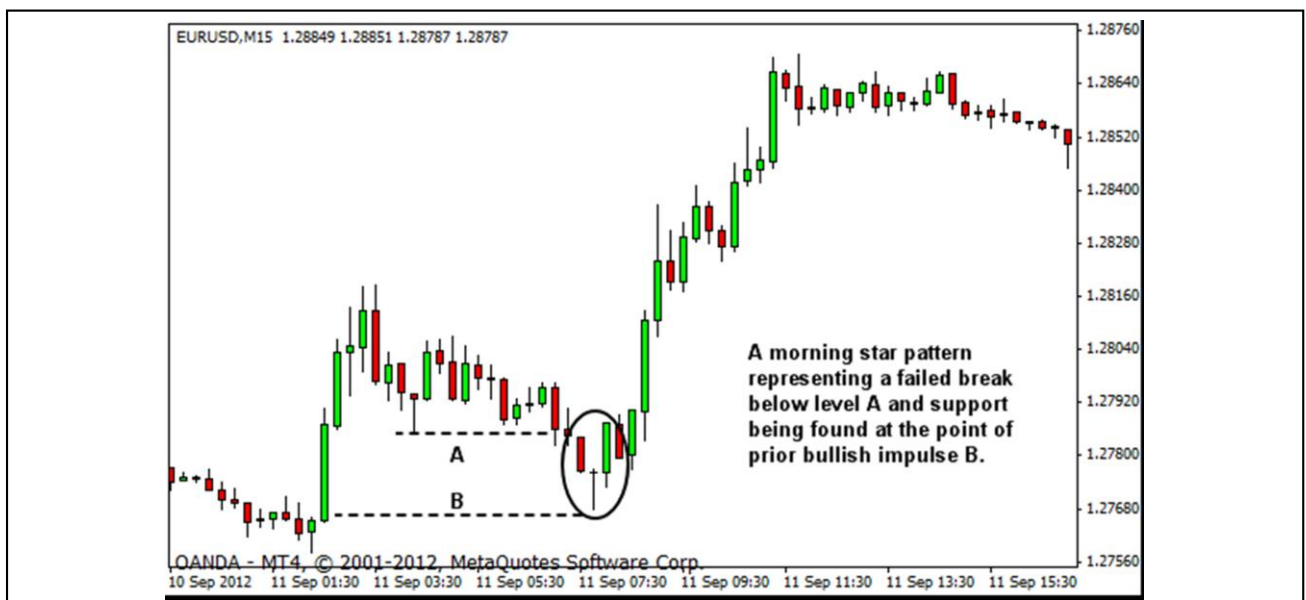
Downtrend

Psychology

The bears continue the downtrend by forming a long red bodied candle. The gap opening down to the second candle initially appears bearish, but the small body of the star shows a possible loss of momentum. The bulls then re-enter the market in force, ideally gapping up from the star, and driving price to close well within (or above) the first candle. The higher the close, the more decisive the victory of the bulls over the bears.

Confirmation

The price trades above the body of the long green candle.





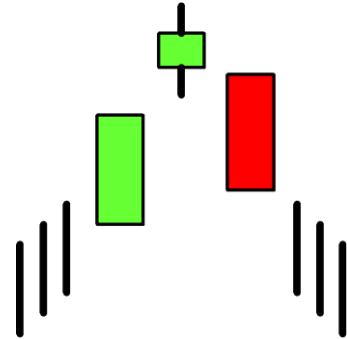
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Evening Star

Description

- BEARISH three candle Reversal Pattern.
- 1st candle has a long GREEN real body.
- Market gaps up to 2nd small body candle (either colour).
- 3rd candle has a RED real body, ideally gapping down from the star (2nd candle).

Bearish Reversal



Setup

Uptrend

Psychology

The bulls continue the uptrend by forming a long green bodied candle. The gap opening up to the second candle initially appears bullish, but the small body of the star shows a possible loss of momentum. The bears then re-enter the market in force, ideally gapping down from the star, and driving price to close well within (or below) the first candle. The lower the close, the more decisive the victory of the bears over the bulls.

Confirmation

The price trades below the body of the long red candle.

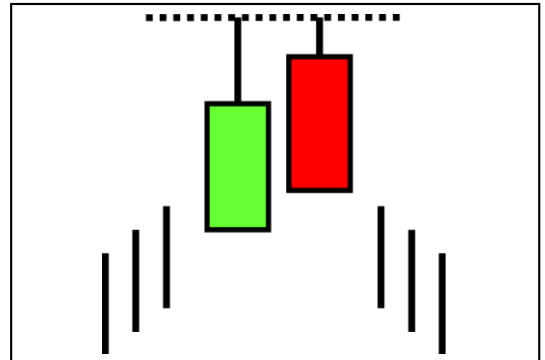


Tweezer Top

Description

- BEARISH Pattern, identifying a Resistance Level
- 2 or more candles with the HIGH point achieving the same level.
- Candles can be either colour.

Bearish Reversal



Setup

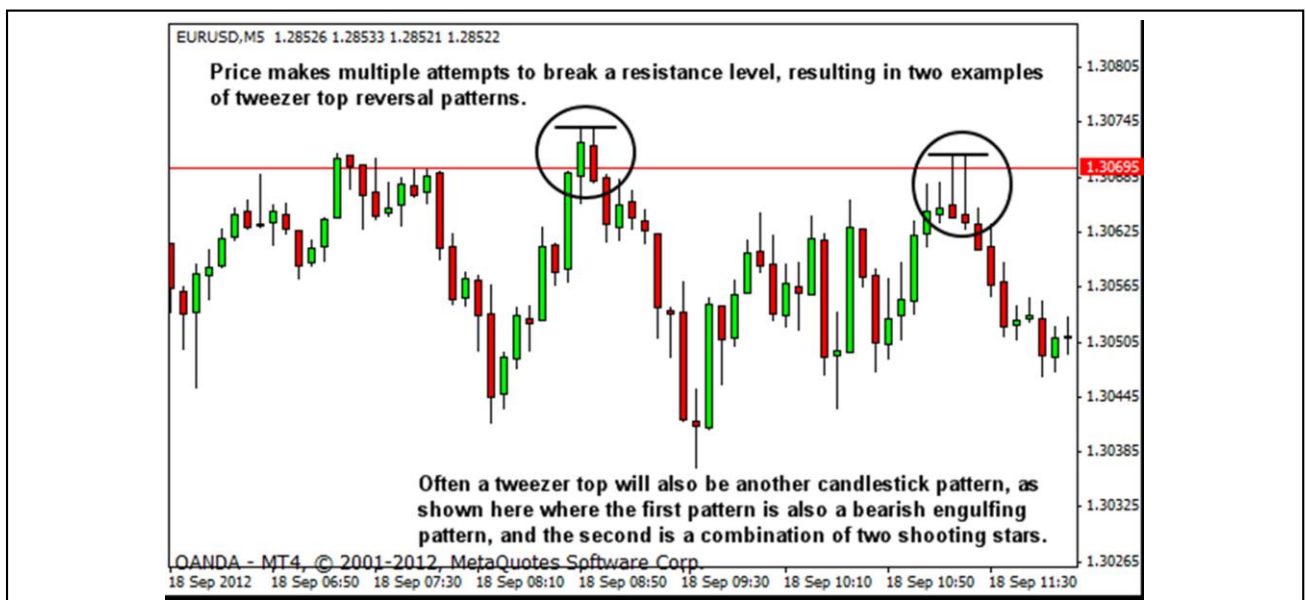
Uptrend

Psychology

The upper extreme of the shadows represents an area of resistance. Bulls were not willing to buy above this price, so the bears returned in force to drive the price back down. The Tweezer Top forms when two or more candle's upper shadows form at the same level, confirming the strength of this resistance, and the likelihood that the uptrend will either pause or reverse to a downtrend.

Confirmation

The price trades below the level of resistance. Price trading below the body of the Tweezer Top candles is more bearish, and likely to indicate a reversal of trend rather than a change to consolidation.





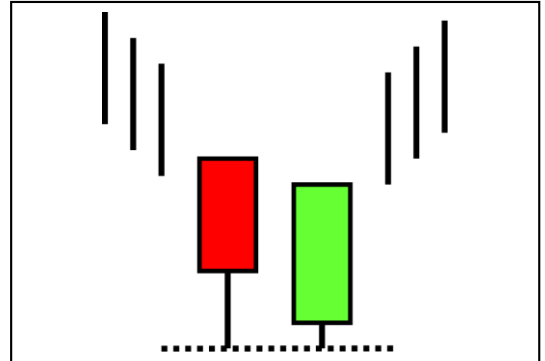
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Tweezer Bottom

Description

- BULLISH Pattern, identifying a Support Level
- 2 or more candles with the LOW point achieving the same level.
- Candles can be either colour.

Bullish Reversal



Setup

Downtrend

Psychology

The lower extreme of the shadows represents an area of support. Bears were not willing to sell below this price, so the bulls returned in force to drive the price back up. The Tweezer Bottom forms when two or more candle's lower shadows form at the same level, confirming the strength of this support, and the likelihood that the downtrend will either pause or reverse to an uptrend.

Confirmation

The price trades above the level of support. Price trading above the body of the Tweezer Bottom candles is more bullish, and likely to indicate a reversal of trend rather than a change to consolidation.





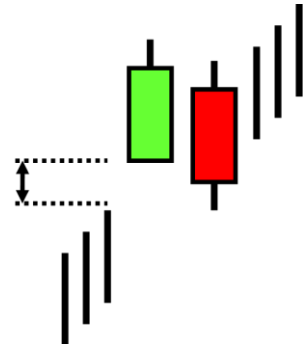
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Upward Gap Tasuki

Description

- BULLISH 2 Candle Continuation Pattern
- Uptrend gaps up to a GREEN candle.
- Followed by RED candle opening inside & closing below the green candle's real body.

Bullish Continuation



Setup

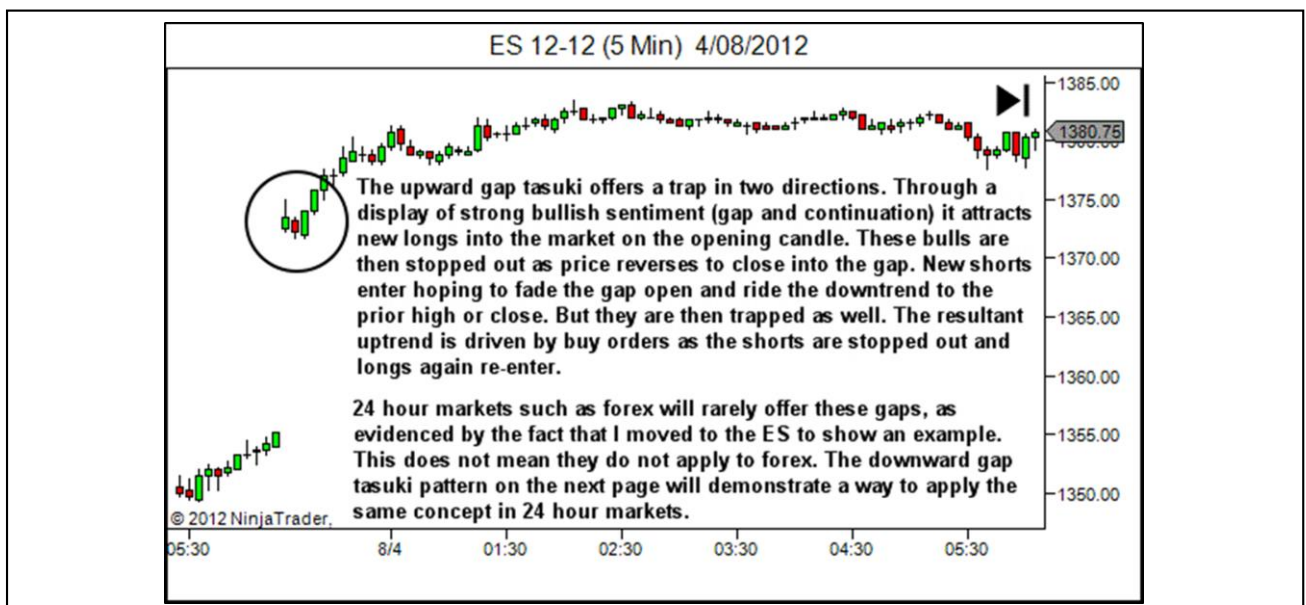
Uptrend

Psychology

An uptrend shows further strength by gapping up on the open and driving price higher to close as a green candle. This is followed by a pause as the bears attempt to force price down, but are unable to close the gap. Continued trading above the gap shows strength with the bulls.

Confirmation

The price continues to trade above the gap, and preferably above the red candle's real body.





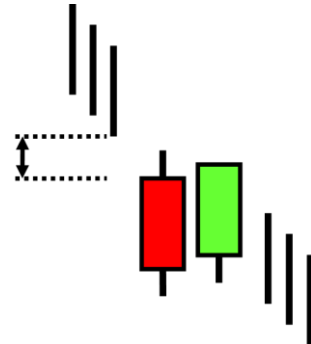
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Downward Gap Tasuki

Description

- BEARISH 2 Candle Continuation Pattern
- Downtrend gaps down to a RED candle.
- Followed by a GREEN candle opening inside and closing above the red candle's real body.

Bearish Continuation



Setup

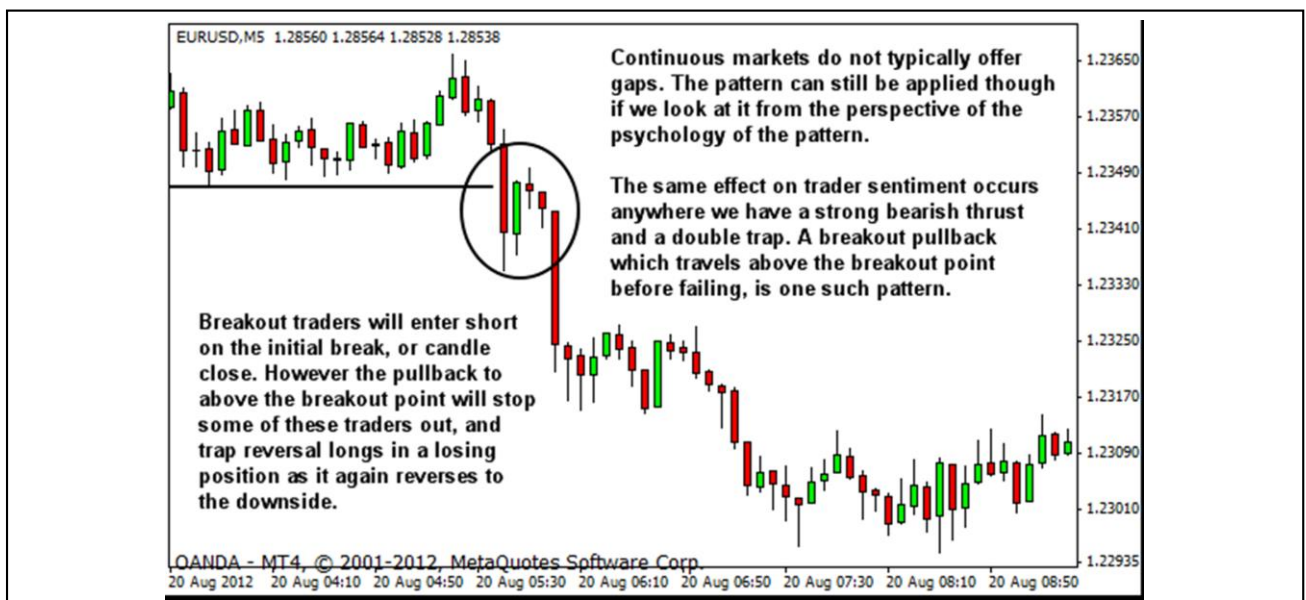
Downtrend

Psychology

A downtrend shows further strength by gapping down on the open and driving price lower to close as a red candle. This is followed by a pause as the bulls attempt to force price up, but are unable to close the gap. Continued trading below the gap shows strength with the bears.

Confirmation

The price continues to trade below the gap, and preferably below the green candle's real body.





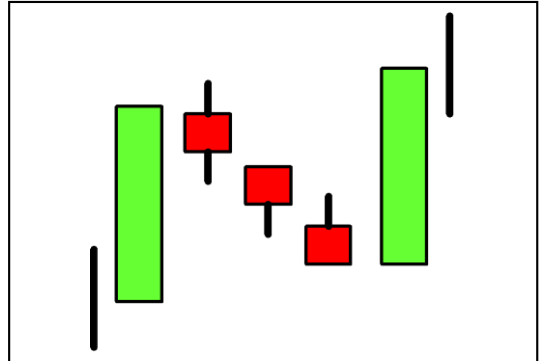
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Rising Three

Description

- BULLISH Continuation Pattern
- Long GREEN candle.
- Followed by 2 or more short candles (ideally RED), which are contained within the body of the first green candle.
- Followed by another long GREEN candle closing above the 1st candle.

Bullish Continuation



Setup

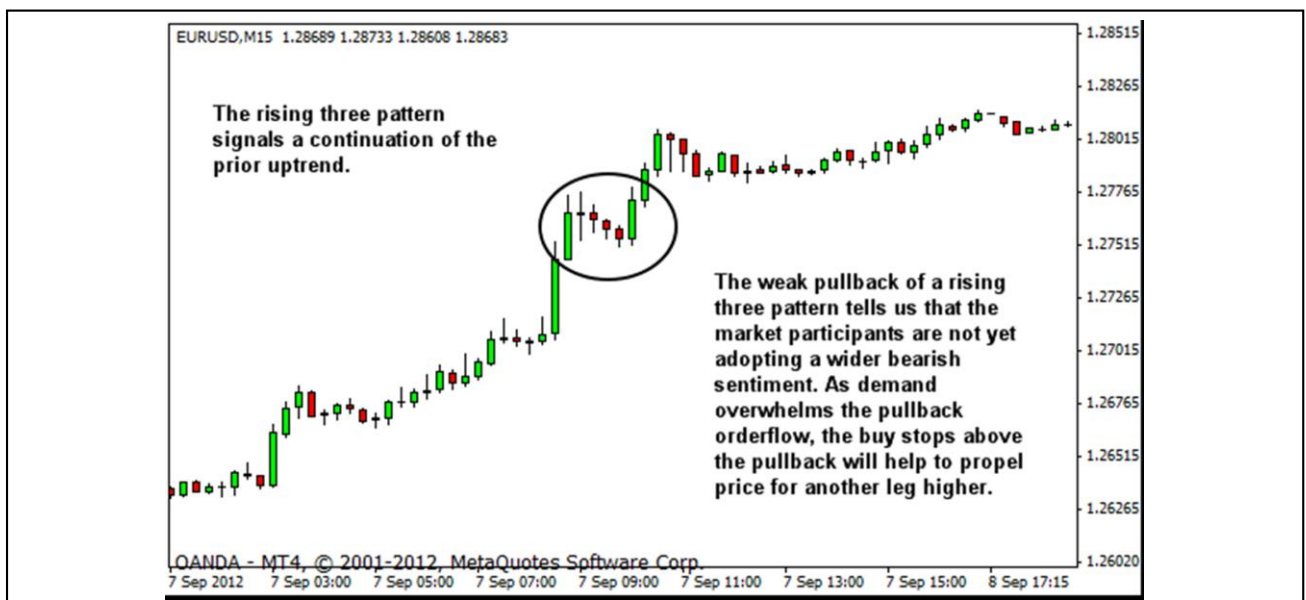
Uptrend

Psychology

The bulls domination of the bears is evident within the uptrend by the formation of the first long green candle. Price then pauses, forming 2 or more small candles within the range of the first candle. The bears are not able to force price below the low of the original candle, and are then overcome once again by the bulls who push price upwards with a second long green candle closing above the first candle.

Confirmation

The price trades above the body of the second long green candle.





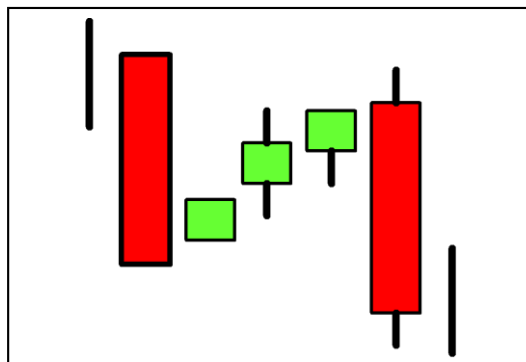
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Falling Three

Description

- BEARISH Continuation Pattern
- Long RED candle.
- Followed by 2 or more short candles (ideally GREEN), which are contained within the body of the first red candle.
- Followed by another long RED candle closing below the 1st candle.

Bearish Continuation



Setup

Downtrend

Psychology

The bears domination of the bulls is evident within the downtrend by the formation of the first long red candle. Price then pauses, forming 2 or more small candles within the range of the first candle. The bulls are not able to force price above the high of the original candle, and are then overcome once again by the bears who push price downwards with a second long red candle closing below the first candle.

Confirmation

The price trades below the body of the second long red candle.





Beyond Candles...

- If you wish to explore beyond candlestick patterns, learning to read shifting sentiment within ALL price action, have a look at the following article series.
- Click on the links to open the first part of each article series. The end of the webpage will contain links to further articles.
- Advanced Candlestick Analysis (article 1 of 2):
<http://yourtradingcoach.com/trading-process-and-strategy/advanced-candlestick-analysis-part-1-of-2/>
- Better than Candlestick Patterns (article 1 of 5):
<http://yourtradingcoach.com/trading-process-and-strategy/better-than-candlestick-patterns-part-one/>

Or Discover My Complete Trading Strategy At:

www.YTCPriceActionTrader.com