

User:

I want to know all (basic/advance) about all thr candlesticks patterns in forex trading in the context of buy and sell and which descion we have to make if we saw in the market and each pattern should be covered these points

Actul pattern

Location either resistance or supply

Why this formed

How long it will stay

Which time filters we shd use to analyze this

Where to enter and exit based on this and with example. Clearly say where to put stop loos and take profit and slots size , RR, and also how to use position index web site with this

Pips calculation base on each pattern

Any other things which you think important

Also i need good examples in each pattern

Make this as a good document type style so I can refer letter

And I want all patterns at once so provide me details of all here

Grok:

Comprehensive Guide to Candlestick Patterns in Forex Trading

This document provides a detailed analysis of candlestick patterns in forex trading, covering both basic and advanced patterns. Each pattern includes its structure, formation context, duration, timeframes for analysis, entry and exit strategies, stop-loss and take-profit placement, risk-reward ratio (R:R), position sizing, pip calculations, and practical examples. Additionally, guidance on using the Position Size Calculator from Myfxbook.com is included for effective risk management.

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1. Introduction to Candlestick Patterns

Candlestick patterns are visual representations of price movements in forex trading, developed in 18th-century Japan by Munehisa Homma. They display the open, high, low, and close prices for a specific timeframe, helping traders identify market sentiment, trend reversals, or continuations. Each candlestick consists of:

Body: The range between open and close prices (green/white for bullish, red/black for bearish).

Wicks/Shadows: Lines above and below the body showing the high and low prices.

Color: Indicates whether buyers (bullish) or sellers (bearish) dominated.

Patterns are used to predict short-term price movements and are most effective when combined with other technical tools like support/resistance levels, volume analysis, and indicators (e.g., RSI, moving averages). They are not foolproof and can produce false signals, especially in choppy or ranging markets.



This guide covers key patterns, their application in buy/sell decisions, and practical trading strategies.

2. Basic Candlestick Patterns

2.1 Hammer

Actual Pattern: A single candlestick with a small body (green or red), a long lower wick (at least twice the body length), and little to no upper wick. It forms at the bottom of a downtrend.

Location: Near a support level.

Why Formed: Indicates strong buying pressure after an initial sell-off. Sellers pushed the price down, but buyers drove it back up, closing near the open.

Duration: Signals a potential reversal; effect typically lasts 1–5 candles (short-term).

Time Filters: Use 1-hour, 4-hour, or daily charts for reliability. Lower timeframes (e.g., 5-minute) may have noise.  

Entry and Exit:

Entry: Enter a long (buy) position after a bullish confirmation candle closes above the hammer's high.

Exit: Set take-profit at the next resistance level or based on a 1:2 or 1:3 R:R ratio.

Stop-Loss: Place below the hammer's low (5–10 pips buffer to avoid minor retracements).

Position Sizing: Use a position size calculator (e.g., Myfxbook.com) to risk 1–2% of your account per trade.

R:R Ratio: Aim for 1:2 or higher (e.g., risk 20 pips to gain 40–60 pips).

Pip Calculation: Measure the distance from the entry (hammer's high) to stop-loss (hammer's low) and multiply by 2–3 for take-profit. Example: If hammer's high is 1.2000, low is 1.1980 (20-pip risk), target 40–60 pips at 1.2040–1.2060.

Example:

Scenario: On a 4-hour EUR/USD chart, a hammer forms at 1.1800 (support) with a low of 1.1780. The next candle closes at 1.1810 (confirmation).

Action: Buy at 1.1810. Stop-loss at 1.1775 (5-pip buffer). Take-profit at 1.1870 (60 pips, 1:3 R:R).

Position Size: For a \$10,000 account, risking 1% (\$100), with a 35-pip stop-loss, trade 0.29 mini lots ($\$100 \div 35 \text{ pips} \div \$1/\text{pip}$ for EUR/USD mini lot).

Outcome: Price hits 1.1870, yielding \$174 profit ($60 \text{ pips} \times \$1 \times 0.29 \text{ lots}$).

Other Notes: Confirm with volume increase or RSI showing oversold conditions. Avoid trading in choppy markets. 

Actual Pattern: A single candlestick with a small body (green or red), a long upper wick (at least twice the body length), and little to no lower wick. It forms at the top of an uptrend.

Location: Near a resistance level.

Why Formed: Indicates strong selling pressure after an initial rally. Buyers pushed the price up, but sellers drove it down, closing near the open.

Duration: Signals a potential reversal; effect lasts 1–5 candles.

Time Filters: Use 1-hour, 4-hour, or daily charts. Avoid lower timeframes due to noise.

Entry and Exit:

Entry: Enter a short (sell) position after a bearish confirmation candle closes below the shooting star's low.

Exit: Set take-profit at the next support level or 1:2/1:3 R:R.

Stop-Loss: Place above the shooting star's high (5–10 pips buffer).

Position Sizing: Risk 1–2% of account using Myfxbook's calculator.

R:R Ratio: Target 1:2 or higher.

Pip Calculation: Risk is the distance from entry to stop-loss; multiply by 2–3 for take-profit.

Example: If shooting star's low is 1.2100, high is 1.2120 (20-pip risk), target 40–60 pips at 1.2060–1.2040.

Example:

Scenario: On a daily GBP/USD chart, a shooting star forms at 1.3900 (resistance) with a high of 1.3920. The next candle closes at 1.3890.

Action: Sell at 1.3890. Stop-loss at 1.3930 (10-pip buffer). Take-profit at 1.3810 (80 pips, 1:4 R:R).

Position Size: For a \$5,000 account, risking 2% (\$100), with a 40-pip stop-loss, trade 0.25 mini lots ($\$100 \div 40 \div \$1/\text{pip}$).

Outcome: Price hits 1.3810, yielding \$200 profit (80 pips \times \$1 \times 0.25 lots).

Other Notes: Confirm with high volume or RSI overbought signals. Avoid in ranging markets. 

2.3 Bullish Engulfing

Actual Pattern: A two-candle pattern where a small bearish candle is followed by a larger bullish candle that completely engulfs the previous candle's body.

Location: Near a support level after a downtrend.

Why Formed: Indicates buyers overpowering sellers, signaling a potential reversal.

Duration: Effect lasts 3–10 candles.

Time Filters: Best on 4-hour or daily charts for swing trading; 1-hour for day trading.

Entry and Exit:

Entry: Buy after the bullish candle closes.

Exit: Take-profit at the next resistance or 1:2/1:3 R:R.

Stop-Loss: Below the bullish candle's low (5–10 pips buffer).

Position Sizing: Use Myfxbook to risk 1–2%.

R:R Ratio: Target 1:2 or higher.

Pip Calculation: Risk is the distance from entry to stop-loss; target 2–3 times that. Example: Entry at 1.3000, stop-loss at 1.2980 (20 pips), take-profit at 1.3040–1.3060 (40–60 pips).

Example:

Scenario: On a 4-hour USD/JPY chart, a bullish engulfing forms at 110.50 (support). The bullish candle closes at 110.60.

Action: Buy at 110.60. Stop-loss at 110.45 (15 pips). Take-profit at 111.05 (45 pips, 1:3 R:R).

Position Size: For a \$10,000 account, risking 1% (\$100), with a 15-pip stop-loss, trade 0.67 mini lots ($\$100 \div 15 \div \$1/\text{pip}$).

Outcome: Price hits 111.05, yielding \$301.50 profit (45 pips \times \$1 \times 0.67 lots).

Other Notes: Confirm with volume spike or support confluence.  

2.4 Bearish Engulfing

Actual Pattern: A two-candle pattern where a small bullish candle is followed by a larger bearish candle that engulfs the previous candle's body.

Location: Near a resistance level after an uptrend.

Why Formed: Sellers overpower buyers, signaling a potential reversal.

Duration: Effect lasts 3–10 candles.

Time Filters: Use 4-hour or daily charts; 1-hour for shorter trades.

Entry and Exit:

Entry: Sell after the bearish candle closes.

Exit: Take-profit at the next support or 1:2/1:3 R:R.

Stop-Loss: Above the bearish candle's high (5–10 pips buffer).

Position Sizing: Risk 1–2% via Myfxbook.

R:R Ratio: Target 1:2 or higher.

Pip Calculation: Risk is entry to stop-loss; target 2–3 times. Example: Entry at 1.3200, stop-loss at 1.3220 (20 pips), take-profit at 1.3160–1.3140 (40–60 pips).

Example:

Scenario: On a daily AUD/USD chart, a bearish engulfing forms at 0.7500 (resistance). The bearish candle closes at 0.7490.

Action: Sell at 0.7490. Stop-loss at 0.7515 (25 pips). Take-profit at 0.7430 (60 pips, 1:2.4 R:R).

Position Size: For a \$5,000 account, risking 2% (\$100), with a 25-pip stop-loss, trade 0.4 mini lots ($\$100 \div 25 \div \$1/\text{pip}$).

Outcome: Price hits 0.7430, yielding \$240 profit ($60 \text{ pips} \times \$1 \times 0.4 \text{ lots}$).

Other Notes: Confirm with RSI overbought or volume increase. 

2.5 Doji

Actual Pattern: A single candlestick with a very small body where the open and close prices are equal or very close, with wicks of varying length.

Location: At support or resistance, often after a strong trend.

Why Formed: Signals indecision between buyers and sellers, often preceding a reversal or continuation.

Duration: Effect lasts 1–3 candles, depending on confirmation.

Time Filters: Use 1-hour, 4-hour, or daily charts. Avoid 1-minute/5-minute due to noise.

Entry and Exit:

Entry: Buy if the next candle breaks above the doji's high (bullish); sell if it breaks below the low (bearish).

Exit: Take-profit at the next support/resistance or 1:2 R:R.

Stop-Loss: Below the doji's low for buy (5–10 pips buffer); above the high for sell.

Position Sizing: Risk 1–2% via Myfxbook.

R:R Ratio: Target 1:2 or higher.

Pip Calculation: Risk is entry to stop-loss; target 2–3 times. Example: Doji at 1.4000, high 1.4010, low 1.3990. Buy at 1.4015, stop-loss at 1.3985 (30 pips), take-profit at 1.4075 (60 pips).

Example:

Scenario: On a 4-hour EUR/GBP chart, a doji forms at 0.8500 (support). The next candle closes at 0.8510.

Action: Buy at 0.8510. Stop-loss at 0.8490 (20 pips). Take-profit at 0.8550 (40 pips, 1:2 R:R).

Position Size: For a \$10,000 account, risking 1% (\$100), with a 20-pip stop-loss, trade 0.5 mini lots ($\$100 \div 20 \div \$1/\text{pip}$).

Outcome: Price hits 0.8550, yielding \$200 profit (40 pips \times \$1 \times 0.5 lots).

Other Notes: Confirm with a breakout and volume. Dojis in ranges are less reliable. 

2.6 Spinning Top

Actual Pattern: A single candlestick with a small body and long upper/lower wicks of roughly equal length.

Location: At support or resistance, often after a trend.

Why Formed: Reflects indecision, with balanced buying and selling pressure.

Duration: Effect lasts 1–3 candles.

Time Filters: Use 4-hour or daily charts for clarity.

Entry and Exit:

Entry: Buy on a bullish breakout above the high; sell on a bearish breakout below the low.

Exit: Take-profit at the next key level or 1:2 R:R.

Stop-Loss: Below the low for buy; above the high for sell (5–10 pips buffer).

Position Sizing: Risk 1–2% via Myfxbook.

R:R Ratio: Target 1:2 or higher.

Pip Calculation: Risk is entry to stop-loss; target 2–3 times. Example: Entry at 1.2500, stop-loss at 1.2480 (20 pips), take-profit at 1.2540 (40 pips).

Example:

Scenario: On a daily USD/CAD chart, a spinning top forms at 1.3000 (resistance). The next candle closes at 1.2990.

Action: Sell at 1.2990. Stop-loss at 1.3015 (25 pips). Take-profit at 1.2930 (60 pips, 1:2.4 R:R).

Position Size: For a \$5,000 account, risking 2% (\$100), with a 25-pip stop-loss, trade 0.4 mini lots.

Outcome: Price hits 1.2930, yielding \$240 profit.

Other Notes: Less reliable alone; confirm with other indicators. 

2.7 Marubozu

Actual Pattern: A single candlestick with a long body and little to no wicks, indicating strong momentum (bullish or bearish).

Location: At support (bullish) or resistance (bearish), often in a trend.

Why Formed: Shows dominant buying (bullish) or selling (bearish) pressure with no retracement.

Duration: Signals continuation or reversal; lasts 3–10 candles.

Time Filters: Use 4-hour or daily charts.

Entry and Exit:

Entry: Buy after a bullish marubozu closes; sell after a bearish one.

Exit: Take-profit at the next key level or 1:2 R:R.

Stop-Loss: Below the bullish marubozu's low or above the bearish marubozu's high (5–10 pips buffer).

Position Sizing: Risk 1–2% via Myfxbook.

R:R Ratio: Target 1:2 or higher.

Pip Calculation: Risk is entry to stop-loss; target 2–3 times. Example: Bullish marubozu at 1.2000–1.2050, stop-loss at 1.1990 (10 pips), take-profit at 1.2080 (30 pips).

Example:

Scenario: On a 4-hour GBP/JPY chart, a bullish marubozu forms at 150.00–150.50 (support). The next candle confirms.

Action: Buy at 150.50. Stop-loss at 149.90 (60 pips). Take-profit at 151.70 (120 pips, 1:2 R:R).

Position Size: For a \$10,000 account, risking 1% (\$100), with a 60-pip stop-loss, trade 0.17 mini lots ($\$100 \div 60 \div \$1/\text{pip}$).

Outcome: Price hits 151.70, yielding \$204 profit.

Other Notes: Strong signal in trending markets; confirm with volume. 

3. Advanced Candlestick Patterns

3.1 Three White Soldiers

Actual Pattern: Three consecutive long bullish candles with small wicks, each closing higher than the previous.

Location: At support after a downtrend.

Why Formed: Indicates strong buying momentum, suggesting a reversal.

Duration: Effect lasts 5–15 candles.

Time Filters: Use daily or 4-hour charts for swing trading.

Entry and Exit:

Entry: Buy after the third candle closes.

Exit: Take-profit at the next resistance or 1:2/1:3 R:R.

Stop-Loss: Below the first candle's low (5–10 pips buffer).

Position Sizing: Risk 1–2% via Myfxbook.

R:R Ratio: Target 1:2 or higher.

Pip Calculation: Risk is entry to stop-loss; target 2–3 times. Example: Entry at 1.3500, stop-loss at 1.3470 (30 pips), take-profit at 1.3560 (60 pips).

Example:

Scenario: On a daily EUR/USD chart, three white soldiers form at 1.1800–1.1850 (support). The third candle closes at 1.1850.

Action: Buy at 1.1850. Stop-loss at 1.1795 (55 pips). Take-profit at 1.1960 (110 pips, 1:2 R:R).

Position Size: For a \$10,000 account, risking 1% (\$100), with a 55-pip stop-loss, trade 0.18 mini lots.

Outcome: Price hits 1.1960, yielding \$199.80 profit.

Other Notes: Confirm with increasing volume. 

3.2 Three Black Crows

Actual Pattern: Three consecutive long bearish candles with small wicks, each closing lower than the previous.

Location: At resistance after an uptrend.

Why Formed: Indicates strong selling momentum, suggesting a reversal.

Duration: Effect lasts 5–15 candles.

Time Filters: Use daily or 4-hour charts.

Entry and Exit:

Entry: Sell after the third candle closes.

Exit: Take-profit at the next support or 1:2/1:3 R:R.

Stop-Loss: Above the first candle's high (5–10 pips buffer).

Position Sizing: Risk 1–2% via Myfxbook.

R:R Ratio: Target 1:2 or higher.

Pip Calculation: Risk is entry to stop-loss; target 2–3 times. Example: Entry at 1.4000, stop-loss at 1.4030 (30 pips), take-profit at 1.3940 (60 pips).

Example:

Scenario: On a 4-hour USD/JPY chart, three black crows form at 111.00–110.50 (resistance). The third candle closes at 110.50.

Action: Sell at 110.50. Stop-loss at 111.10 (60 pips). Take-profit at 109.30 (120 pips, 1:2 R:R).

Position Size: For a \$5,000 account, risking 2% (\$100), with a 60-pip stop-loss, trade 0.17 mini lots.

Outcome: Price hits 109.30, yielding \$204 profit.

Other Notes: Confirm with volume spike or RSI overbought. 

3.3 Morning Star

Actual Pattern: A three-candle pattern: a long bearish candle, a short candle (doji or spinning top), and a long bullish candle.

Location: At support after a downtrend.

Why Formed: Signals indecision followed by strong buying pressure.

Duration: Effect lasts 5–15 candles.

Time Filters: Use daily or 4-hour charts.

Entry and Exit:

Entry: Buy after the third candle closes.

Exit: Take-profit at the next resistance or 1:2/1:3 R:R.

Stop-Loss: Below the second candle's low (5–10 pips buffer).

Position Sizing: Risk 1–2% via Myfxbook.

R:R Ratio: Target 1:2 or higher.

Pip Calculation: Risk is entry to stop-loss; target 2–3 times. Example: Entry at 1.2000, stop-loss at 1.1970 (30 pips), take-profit at 1.2060 (60 pips).

Example:

Scenario: On a daily GBP/USD chart, a morning star forms at 1.3600 (support). The third candle closes at 1.3620.

Action: Buy at 1.3620. Stop-loss at 1.3590 (30 pips). Take-profit at 1.3680 (60 pips, 1:2 R:R).

Position Size: For a \$10,000 account, risking 1% (\$100), with a 30-pip stop-loss, trade 0.33 mini lots.

Outcome: Price hits 1.3680, yielding \$198 profit.

Other Notes: Confirm with support confluence or volume. 

3.4 Evening Star

Actual Pattern: A three-candle pattern: a long bullish candle, a short candle (doji or spinning top), and a long bearish candle.

Location: At resistance after an uptrend.

Why Formed: Signals indecision followed by strong selling pressure.

Duration: Effect lasts 5–15 candles.

Time Filters: Use daily or 4-hour charts.

Entry and Exit:

Entry: Sell after the third candle closes.

Exit: Take-profit at the next support or 1:2/1:3 R:R.

Stop-Loss: Above the second candle's high (5–10 pips buffer).

Position Sizing: Risk 1–2% via Myfxbook.

R:R Ratio: Target 1:2 or higher.

Pip Calculation: Risk is entry to stop-loss; target 2–3 times. Example: Entry at 1.4500, stop-loss at 1.4530 (30 pips), take-profit at 1.4440 (60 pips).

Example:

Scenario: On a 4-hour EUR/JPY chart, an evening star forms at 130.00 (resistance). The third candle closes at 129.80.

Action: Sell at 129.80. Stop-loss at 130.10 (30 pips). Take-profit at 129.20 (60 pips, 1:2 R:R).

Position Size: For a \$5,000 account, risking 2% (\$100), with a 30-pip stop-loss, trade 0.33 mini lots.

Outcome: Price hits 129.20, yielding \$198 profit.

Other Notes: Confirm with RSI overbought or volume spike. 

3.5 Bullish Harami

Actual Pattern: A two-candle pattern: a large bullish candle followed by a smaller bearish candle contained within the previous candle's body.

Location: At support after a downtrend.

Why Formed: Indicates weakening selling pressure and potential buying interest.

Duration: Effect lasts 3–10 candles.

Time Filters: Use 4-hour or daily charts.

Entry and Exit:

Entry: Buy after the bullish candle closes.

Exit: Take-profit at the next resistance or 1:2 R:R.

Stop-Loss: Below the bearish candle's low (5–10 pips buffer).

Position Sizing: Risk 1–2% via Myfxbook.

R:R Ratio: Target 1:2 or higher.

Pip Calculation: Risk is entry to stop-loss; target 2–3 times. Example: Entry at 1.1000, stop-loss at 1.0970 (30 pips), take-profit at 1.1060 (60 pips).

Example:

Scenario: On a daily USD/CHF chart, a bullish harami forms at 0.9000 (support). The bullish candle closes at 0.9010.

Action: Buy at 0.9010. Stop-loss at 0.8980 (30 pips). Take-profit at 0.9070 (60 pips, 1:2 R:R).

Position Size: For a \$10,000 account, risking 1% (\$100), with a 30-pip stop-loss, trade 0.33 mini lots.

Outcome: Price hits 0.9070, yielding \$198 profit.

Other Notes: Confirm with support or volume increase. 

3.6 Bearish Harami

Actual Pattern: A two-candle pattern: a large bullish candle followed by a smaller bearish candle contained within the previous candle's body.

~~Two candle pattern: a large bullish candle followed by a smaller bearish candle contained within the previous candle's body.~~

Location: At resistance after an uptrend.

Why Formed: Indicates weakening buying pressure and potential selling interest.

Duration: Effect lasts 3–10 candles.

Time Filters: Use 4-hour or daily charts.

Entry and Exit:

Entry: Sell after the bearish candle closes.

Exit: Take-profit at the next support or 1:2 R:R.

Stop-Loss: Above the bullish candle's high (5–10 pips buffer).

Position Sizing: Risk 1–2% via Myfxbook.

R:R Ratio: Target 1:2 or higher.

Pip Calculation: Risk is entry to stop-loss; target 2–3 times. Example: Entry at 1.5000, stop-loss at 1.5030 (30 pips), take-profit at 1.4940 (60 pips).

Example:

Scenario: On a 4-hour AUD/JPY chart, a bearish harami forms at 85.00 (resistance). The bearish candle closes at 84.90.

Action: Sell at 84.90. Stop-loss at 85.20 (30 pips). Take-profit at 84.30 (60 pips, 1:2 R:R).

Position Size: For a \$5,000 account, risking 2% (\$100), with a 30-pip stop-loss, trade 0.33 mini lots.

Outcome: Price hits 84.30, yielding \$198 profit.

Other Notes: Confirm with RSI overbought or volume. 

3.7 Dark Cloud Cover

Actual Pattern: A two-candle pattern: a bullish candle followed by a bearish candle that opens

above the previous high and closes below its midpoint.

Location: At resistance after an uptrend.

Why Formed: Signals strong selling pressure overtaking buyers.

Duration: Effect lasts 3–10 candles.

Time Filters: Use 4-hour or daily charts.

Entry and Exit:

Entry: Sell after the bearish candle closes.

Exit: Take-profit at the next support or 1:2 R:R.

Stop-Loss: Above the bearish candle's high (5–10 pips buffer).

Position Sizing: Risk 1–2% via Myfxbook.

R:R Ratio: Target 1:2 or higher.

Pip Calculation: Risk is entry to stop-loss; target 2–3 times. Example: Entry at 1.3200, stop-loss at 1.3230 (30 pips), take-profit at 1.3140 (60 pips).

Example:

Scenario: On a daily EUR/USD chart, a dark cloud cover forms at 1.2000 (resistance). The bearish candle closes at 1.1980.

Action: Sell at 1.1980. Stop-loss at 1.2010 (30 pips). Take-profit at 1.1920 (60 pips, 1:2 R:R).

Position Size: For a \$10,000 account, risking 1% (\$100), with a 30-pip stop-loss, trade 0.33 mini lots.

Outcome: Price hits 1.1920, yielding \$198 profit.

Other Notes: Confirm with volume or RSI overbought.  

3.8 Piercing Line

Actual Pattern: A two-candle pattern: a bearish candle followed by a bullish candle that opens

below the previous low and closes above its midpoint.

Location: At support after a downtrend.

Why Formed: Signals strong buying pressure overtaking sellers.

Duration: Effect lasts 3–10 candles.

Time Filters: Use 4-hour or daily charts.

Entry and Exit:

Entry: Buy after the bullish candle closes.

Exit: Take-profit at the next resistance or 1:2 R:R.

Stop-Loss: Below the bullish candle's low (5–10 pips buffer).

Position Sizing: Risk 1–2% via Myfxbook.

R:R Ratio: Target 1:2 or higher.

Pip Calculation: Risk is entry to stop-loss; target 2–3 times. Example: Entry at 1.1000, stop-loss at 1.0970 (30 pips), take-profit at 1.1060 (60 pips).

Example:

Scenario: On a 4-hour USD/JPY chart, a piercing line forms at 110.00 (support). The bullish candle closes at 110.20.

Action: Buy at 110.20. Stop-loss at 109.90 (30 pips). Take-profit at 110.80 (60 pips, 1:2 R:R).

Position Size: For a \$5,000 account, risking 2% (\$100), with a 30-pip stop-loss, trade 0.33 mini lots.

Outcome: Price hits 110.80, yielding \$198 profit.

Other Notes: Confirm with volume or RSI oversold. 

3.9 Kicker Pattern

Actual Pattern: A two-candle pattern with a sharp reversal: a bearish candle followed by a bullish

candle with a gap up (bullish kicker), or a bullish candle followed by a bearish candle with a gap down (bearish kicker).

Location: At support (bullish) or resistance (bearish).

Why Formed: Indicates a sudden shift in sentiment, often due to news or strong momentum.

Duration: Effect lasts 5–15 candles.

Time Filters: Use daily or 4-hour charts.

Entry and Exit:

Entry: Buy after bullish kicker closes; sell after bearish kicker closes.

Exit: Take-profit at the next key level or 1:2/1:3 R:R.

Stop-Loss: Below the bullish kicker's low or above the bearish kicker's high (5–10 pips buffer).

Position Sizing: Risk 1–2% via Myfxbook.

R:R Ratio: Target 1:2 or higher.

Pip Calculation: Risk is entry to stop-loss; target 2–3 times. Example: Bullish kicker entry at 1.2500, stop-loss at 1.2470 (30 pips), take-profit at 1.2560 (60 pips).

Example:

Scenario: On a daily GBP/USD chart, a bullish kicker forms at 1.3500 (support). The bullish candle closes at 1.3520.

Action: Buy at 1.3520. Stop-loss at 1.3490 (30 pips). Take-profit at 1.3580 (60 pips, 1:2 R:R).

Position Size: For a \$10,000 account, risking 1% (\$100), with a 30-pip stop-loss, trade 0.33 mini lots.

Outcome: Price hits 1.3580, yielding \$198 profit.

Other Notes: Strong pattern; confirm with volume or news catalyst.  

3.10 Island Reversal

Actual Pattern: A gap followed by a doji or small candle, then another gap in the opposite

direction.

Location: At support (bullish) or resistance (bearish).

Why Formed: Signals indecision and a sharp reversal, often due to exhaustion.

Duration: Effect lasts 5–15 candles.

Time Filters: Use daily or 4-hour charts.

Entry and Exit:

Entry: Buy after bullish island closes; sell after bearish island closes.

Exit: Take-profit at the next key level or 1:2/1:3 R:R.

Stop-Loss: Below the island's low (bullish) or above the high (bearish) (5–10 pips buffer).

Position Sizing: Risk 1–2% via Myfxbook.

R:R Ratio: Target 1:2 or higher.

Pip Calculation: Risk is entry to stop-loss; target 2–3 times. Example: Bearish island entry at 1.4000, stop-loss at 1.4030 (30 pips), take-profit at 1.3940 (60 pips).

Example:

Scenario: On a daily EUR/USD chart, a bearish island reversal forms at 1.2000 (resistance). The bearish candle closes at 1.1980.

Action: Sell at 1.1980. Stop-loss at 1.2010 (30 pips). Take-profit at 1.1920 (60 pips, 1:2 R:R).

Position Size: For a \$5,000 account, risking 2% (\$100), with a 30-pip stop-loss, trade 0.33 mini lots.

Outcome: Price hits 1.1920, yielding \$198 profit.

Other Notes: Rare but powerful; confirm with volume or gaps. 

4. Using Position Size Calculators (Myfxbook.com)

To manage risk effectively, use the Myfxbook Position Size Calculator (www.myfxbook.com/forex-calculators/position-size). Follow these steps:

Input Account Details:

Account balance (e.g., \$10,000).

Risk percentage (e.g., 1% = \$100).

Account currency (e.g., USD).

Enter Trade Details:

Currency pair (e.g., EUR/USD).

Entry price (e.g., 1.2000).

Stop-loss price (e.g., 1.1970).

Calculate pip value (e.g., 30 pips).

Calculate Position Size:

The calculator provides the lot size to risk your chosen amount. Example: For a \$10,000 account, risking \$100 on a 30-pip stop-loss for EUR/USD, trade 0.33 mini lots ($\$100 \div 30 \div \$1/\text{pip}$).

Apply to Trade: Enter the calculated lot size in your trading platform.

Verify: Ensure the R:R ratio aligns with your strategy (e.g., 1:2 or higher).

This tool ensures you maintain consistent risk across trades, crucial for long-term success.



5. General Notes and Best Practices

Confirmation: Always confirm patterns with additional indicators (e.g., RSI, MACD, volume) or support/resistance levels to reduce false signals.

Timeframes: Daily and 4-hour charts are most reliable for swing trading; 1-hour for day trading. Avoid lower timeframes for major patterns due to noise.

Risk Management: Never risk more than 1–2% per trade. Use trailing stops to lock in profits.

Market Conditions: Patterns work best in trending markets. Avoid trading in choppy or ranging markets.

Pip Value: For most pairs (e.g., EUR/USD), 1 pip = 0.0001; for JPY pairs, 1 pip = 0.01. Use a pip calculator (e.g., FXTM's at www.forextime.com) for accuracy.

Backtesting: Test patterns on historical data using a demo account to understand their reliability for your strategy.

Resources: Study books like *Japanese Candlestick Charting Techniques* by Steve Nison or *Technical Analysis of the Financial Markets* by John Murphy for deeper insights.

6. Conclusion

Candlestick patterns are powerful tools for forex trading when used correctly. By understanding their formation, location, and application, traders can make informed buy/sell decisions. Combining patterns with technical indicators, proper risk management, and tools like Myfxbook's Position Size Calculator enhances their effectiveness. Practice on a demo account to master these patterns, and always prioritize risk management to protect your capital.

For further learning, explore the referenced sources or join trading communities for real-time insights. Happy trading!

References:

- Investopedia - Understanding Basic Candlestick Charts 
- IG International - 16 Candlestick Patterns Every Trader Should Know 
- Investopedia - What Is a Candlestick Pattern? 
- Strike.money - 40 Powerful Candlestick Patterns 
- Morpher - Candlestick Patterns: The Updated Complete Guide (2025) 
- Babypips.com - Candlesticks with Support and Resistance 
- Babypips.com - How to Set a Stop Loss Based on Risk Percentage 
- FOREX.com - Take Profits and Stop Losses 
- Dailypriceaction.com - 3 Candlestick Patterns You Need To Use In 2023 
- XS.com - 59 Candlestick Patterns Every Trader Must Know in 2025 
- Investopedia - Advanced Candlestick Patterns 
- IG UK - 16 Candlestick Patterns Every Trader Should Know 
- Tradeciety.com - 8 Candlestick Trading Strategies for Forex 
- Litefinance.org - How to Read Candlestick Charts 
- Forextime.com - Forex Pip Calculator 
- Myfxbook.com - Forex Profit Calculator 
- @elearnmarkets - Candlestick Patterns on X

This document is designed for easy reference and practical application in forex trading.

 1 post

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