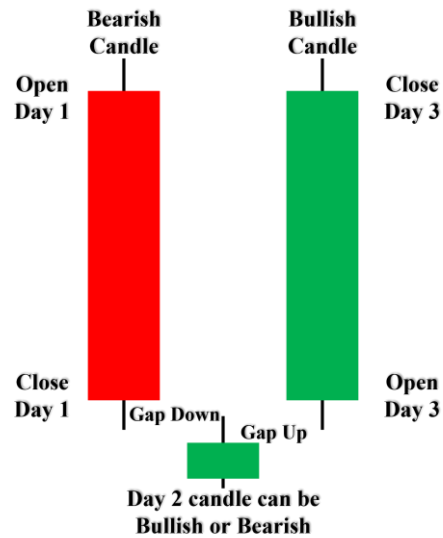


MORNING STAR PATTERN



The **morning star pattern** is a three-candle bullish reversal pattern, that occurs at the bottom of a downtrend. As other candlestick patterns, it **only signals a potential reversal**, an idea which should ideally be confirmed with other indicators.

Elements to consider for its formation

1. A **downtrend** must be in place since a morning star is a bullish reversal pattern.
2. The **first candlestick is bearish**, preferably longer, which indicates that sellers are still in charge of the market.
3. The **second candle is a small one**, which represents that sellers are in control, but they don't push the market much lower, and this candle can be bullish or bearish.
4. The **third candle is a strong bullish candlestick**, that gapped up on the open and closed above the midpoint of the body of the first day, this candlestick holds a significant trend reversal signal.

Trade setup

Basically, after the signal formation, traders can **enter the market** immediately after the close of the bullish candlestick. Some other traders may consider waiting for another bullish confirmation candlestick that closes above the third candlestick and infiltrate the market. Advanced traders may consider waiting for a pullback and enter the market upon break of the re-entry to catch the big moves. Professional traders on the other end may consider combining the pattern with other indicators for more certain signals. Thus, the **entry strategy** is entirely based on the type of a trader one is. The stop loss and take profit targets are placed at recent swing low and swing high respectively.



To ideally understand this, immediately after the confirmation, traders can go long either by placing **direct buy orders**, or can use buy stop orders to enter the market. Stop loss is placed a few pips just below the recent **swing low** of the morning star pattern. Take profit is placed a few pips above or at the recent **swing high** from the downtrend. Depending on the types of traders, partial take profits can be set and trailed at these swing highs. You can then sit back and relax to give the trading setup time to play and win.