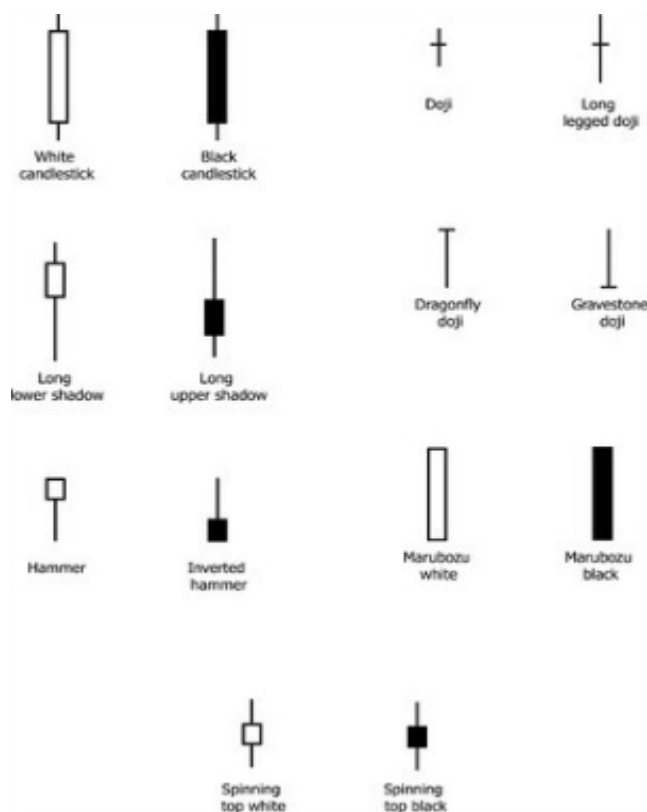
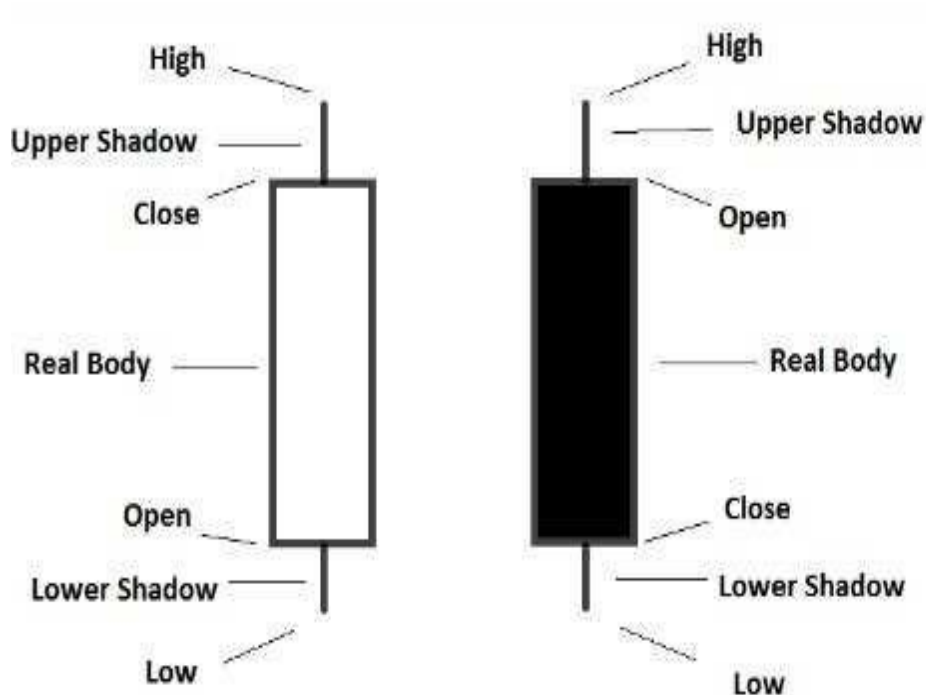


Mastering Candlestick Patterns



A practical guide for
smart trading decisions

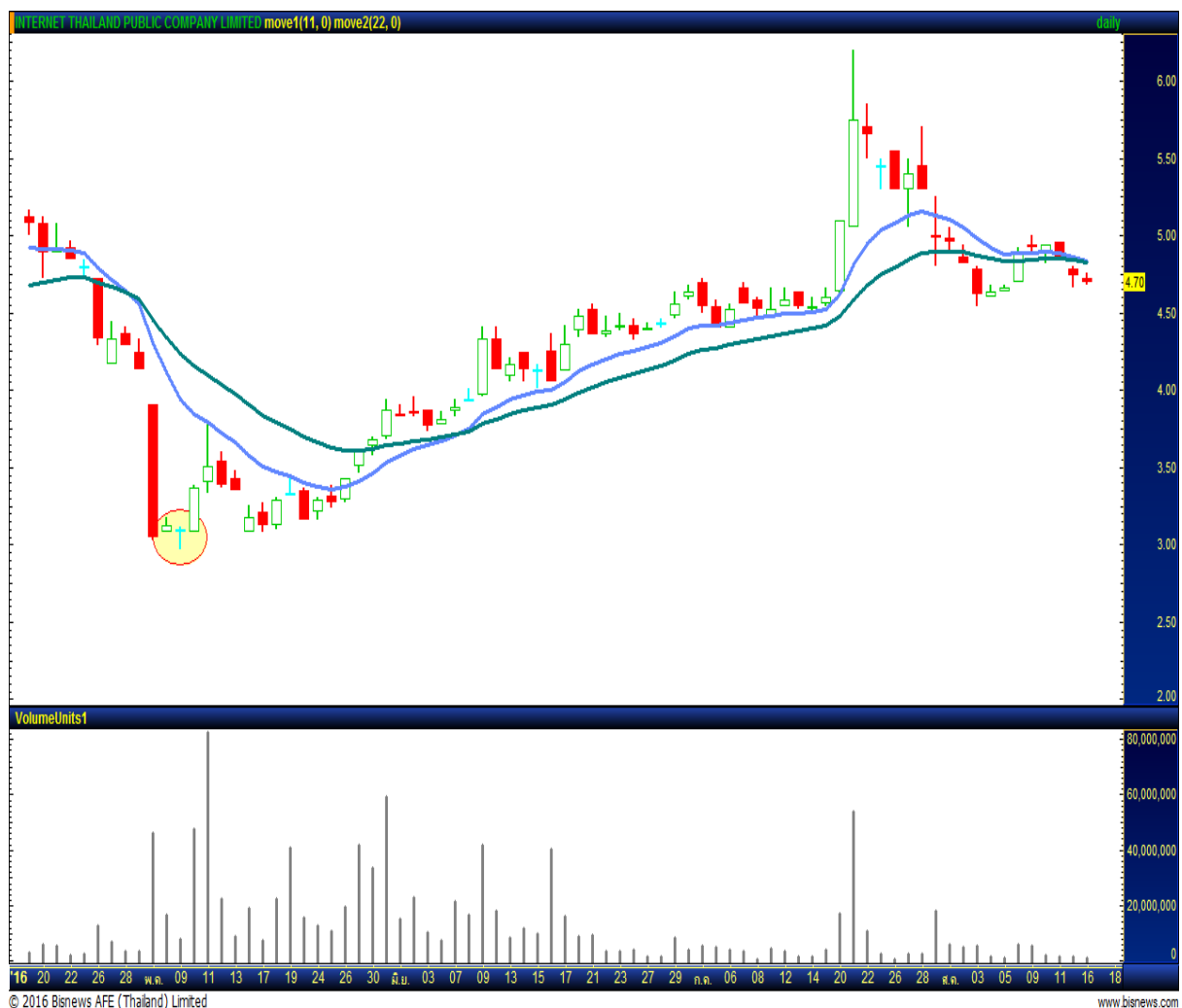
Candlestick Patterns (Every trader should know)



A doji represents an equilibrium between supply and demand, a tug of war that neither the bulls nor bears are winning. In the case of an uptrend, the bulls have by definition won previous battles because prices have moved higher. Now, the outcome of the latest skirmish is in doubt. After a long downtrend, the opposite is true. The bears have been victorious in previous battles, forcing prices down. Now the bulls have found courage to buy, and the tide may be ready to turn.

For example = INET

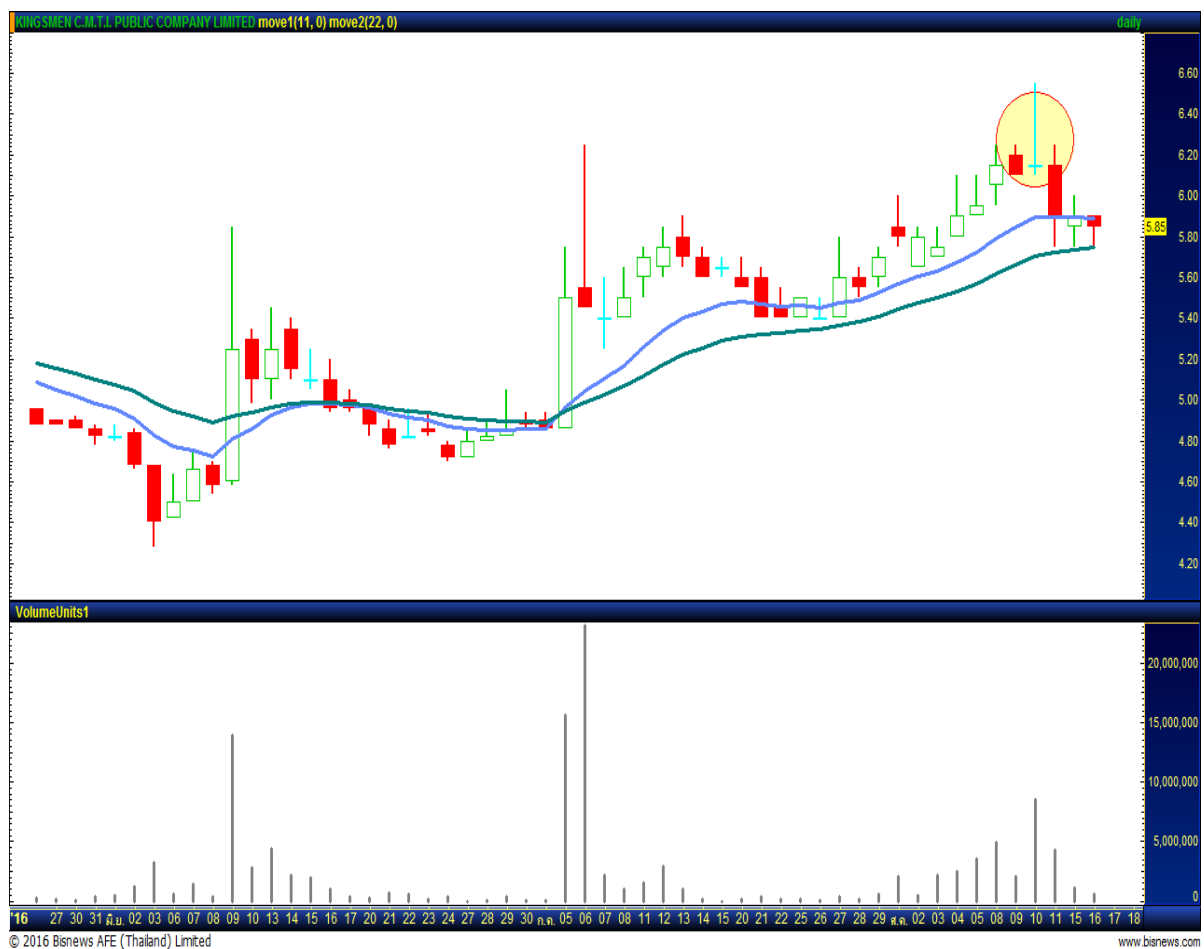
Doji Star



A “long-legged” doji is a far more dramatic candle. It says that prices moved far higher on the day, but then profit taking kicked in. Typically, a very large upper shadow is left. A close below the midpoint of the candle shows a lot of weakness. Here’s an example of a long-legged doji.

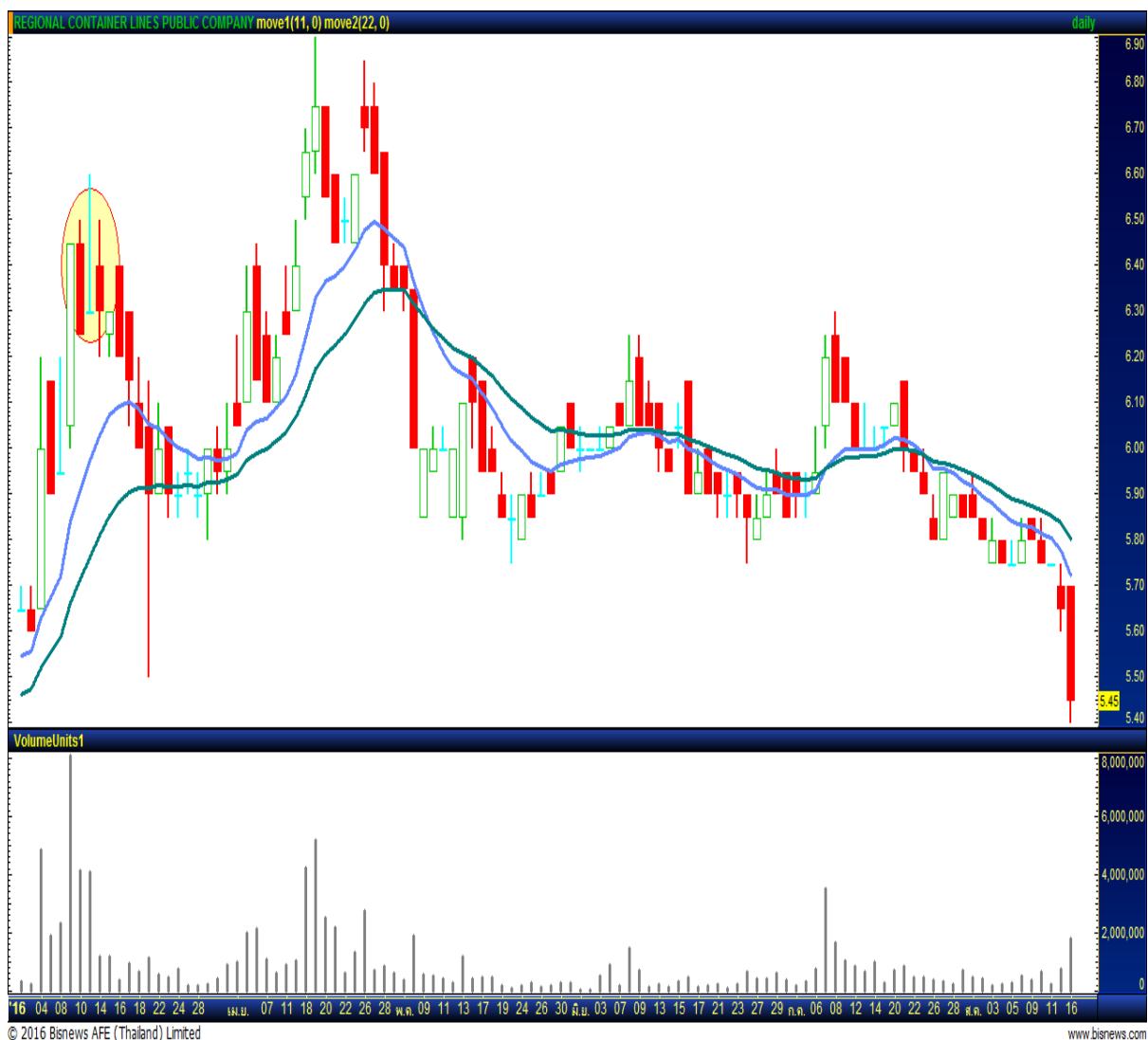
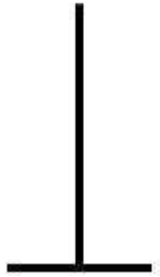
For example = K

Long-legged Doji



A “gravestone doji” as the name implies, is probably the most ominous candle of all, on that day, price rallied, but could not stand the altitude they achieved. By the end of the day. They came back and closed at the same level. Here ’s an example of a gravestone doji:

Gravestone Doji



© 2016 Bisnews AFE (Thailand) Limited

www.bisnews.com

A **“Dragonfly” doji** depicts a day on which prices opened high, sold off, and then returned to the opening price. Dragonflies are fairly infrequent. When they do occur, however, they often resolve bullishly (provided the stock is not already overbought as show by Bollinger bands and indicators such as stochastic).

For example = DSGT

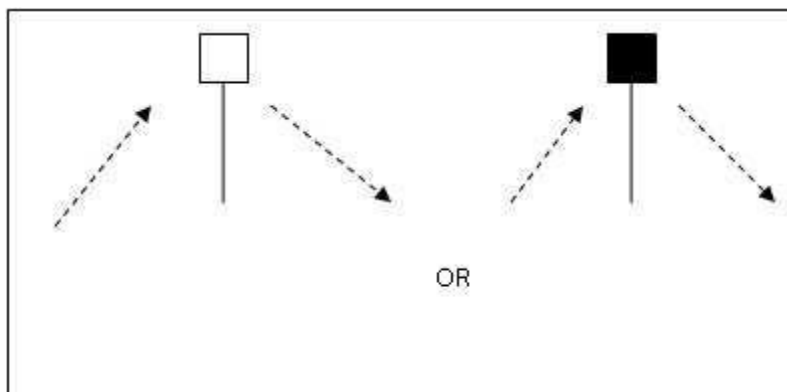
Dragonfly Doji



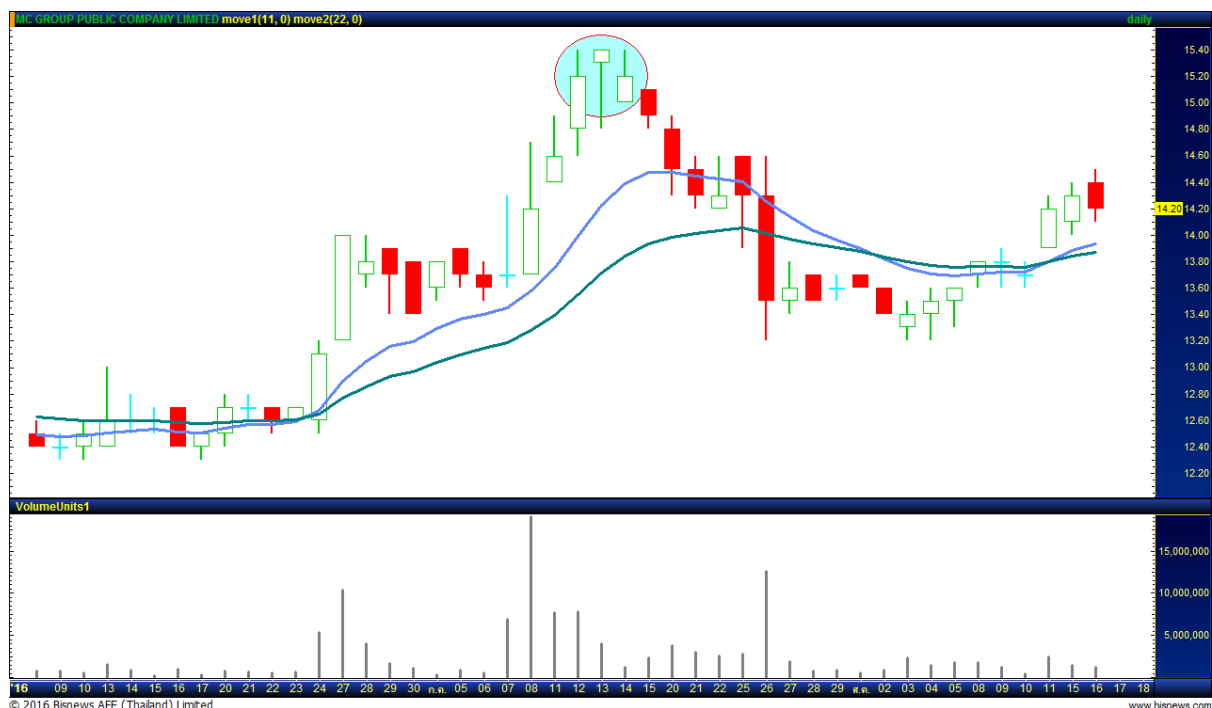
The hangman candle, so named because it looks like a person who has been executed with legs swinging beneath, always occurs after an extended uptrend. The hangman occurs because traders, seeing a sell-off in the shares, rush in to grab the stock at a bargain price.

In order for the Hanging Man signal to be valid, the following conditions must exist:

- The stock must have been in a definite uptrend before this signal occurs. This can be visually seen on the chart.
- The lower shadow must be at least twice the size of the body.
- The day after the Hanging Man is formed, one should witness continued selling.
- There should be no upper shadow or a very small upper shadow. The colour of the body does not matter, but a black body would be more positive than a white body.



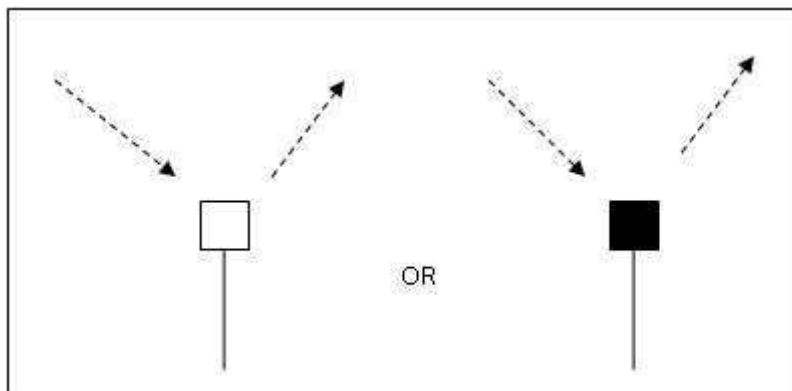
For example = MC



The hammer puts in its appearance after prolonged downtrend. On the day of the hammer candle, there is strong selling, often beginning at the opening bell. As the day goes on, however, the market recovers and closes near the unchanged mark, or in some cases even higher. In these cases the market potentially is “hammering” out a bottom.

In order for the Hammer 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 lower shadow must be at least twice the size of the body.
- The day after the Hammer is formed, one should witness continued buying.
- There should be no upper shadow or a very small upper shadow. The colour of the body does not matter, but a white body would be more positive than a black body.



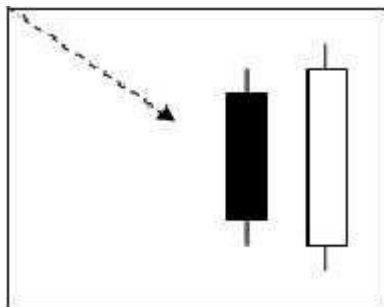
For example = KCE



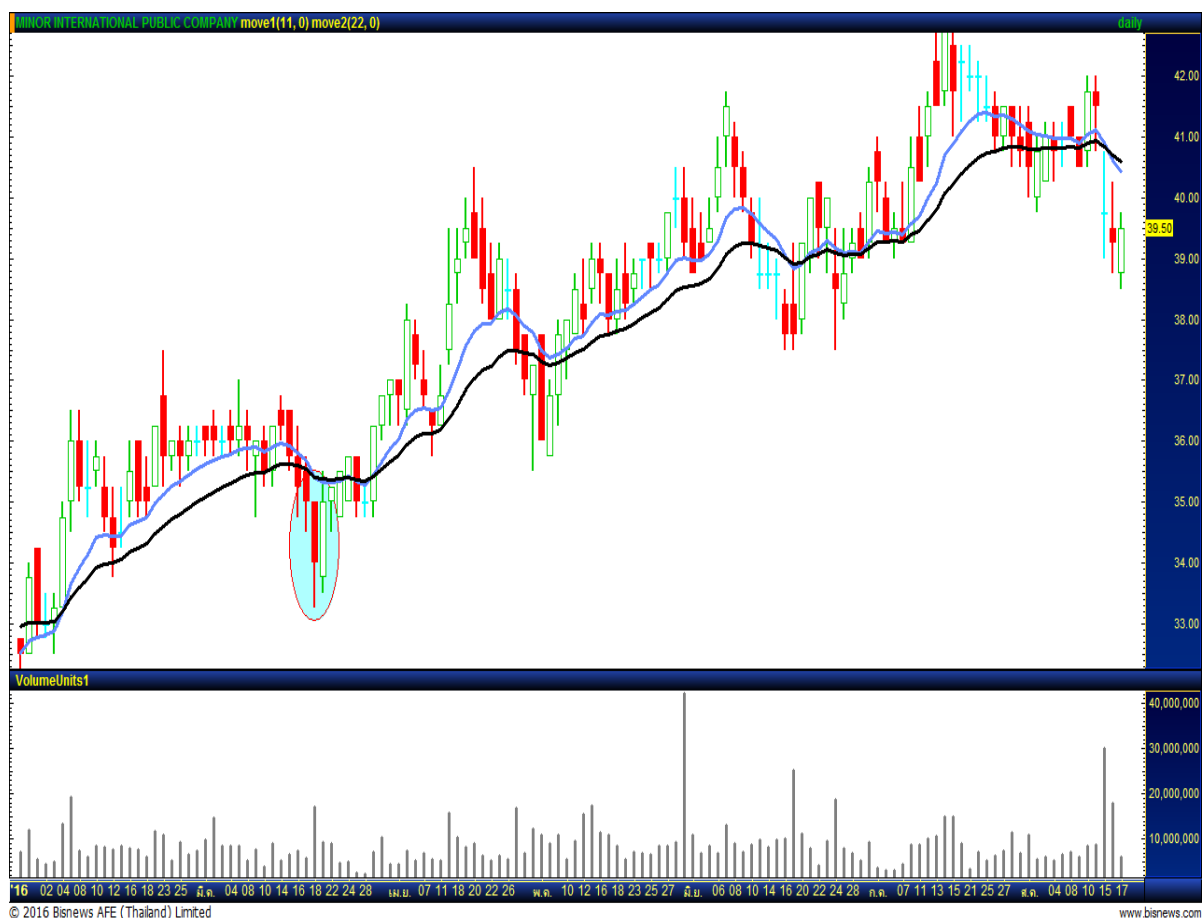
A bullish engulfing candle occurs after a significant downtrend. Note that the engulfing candle must encompass the real body of the previous candle, but need not surround the shadow.

In order for the Bullish Engulfing 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 second day of the signal should be a white candle opening below the Close of the previous day and closing above the Open of the previous day's black candle



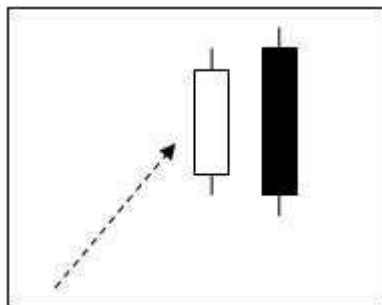
For example = MINT



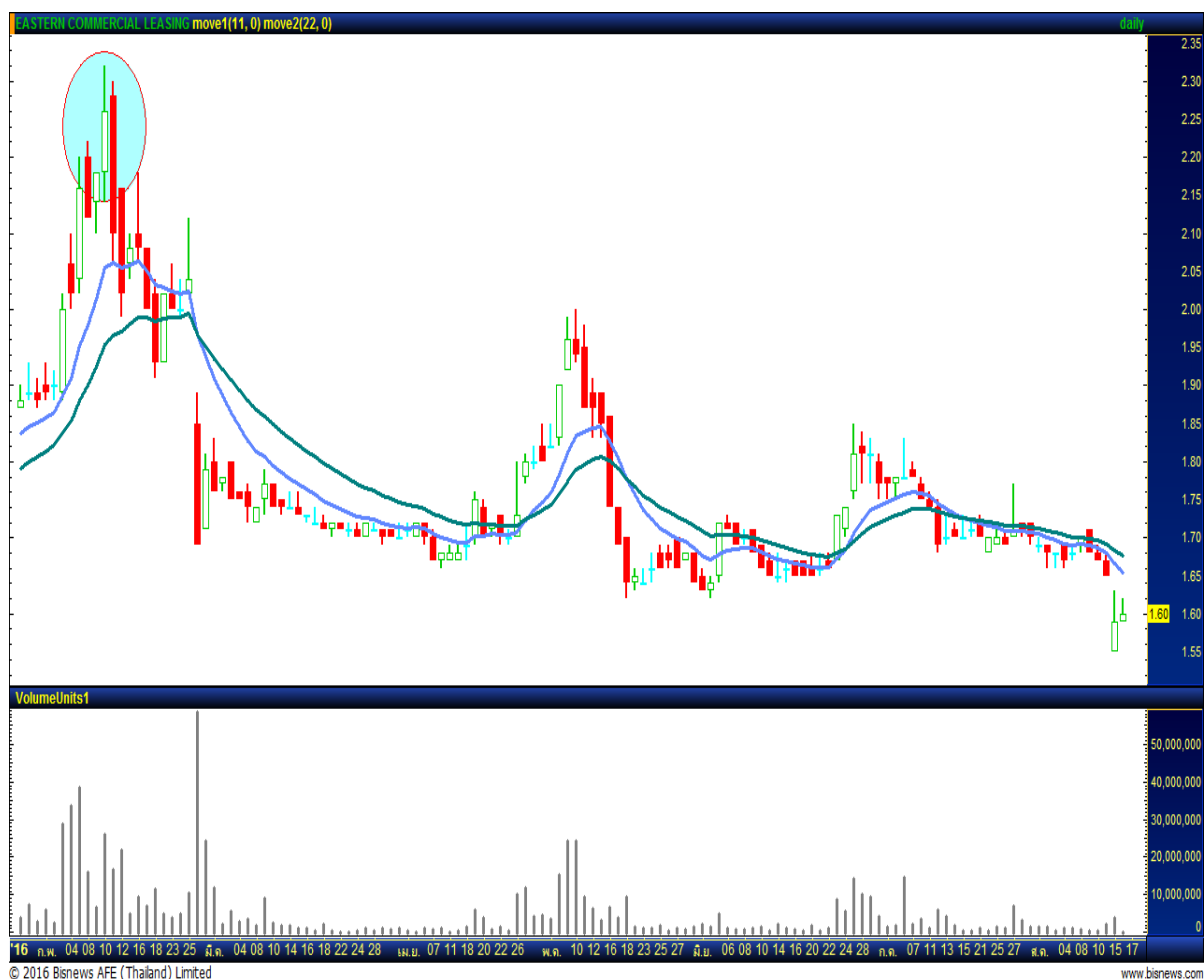
A bearish engulfing candle occurs after a significant uptrend. Again, the shadows need not be surrounded.

In order for the Bullish Engulfing 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 second day of the signal should be a white candle opening below the Close of the previous day and closing above the Open of the previous day's black candle.



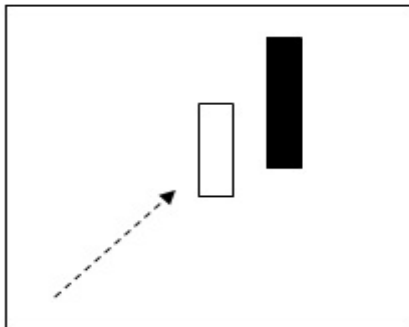
For example = ECL



On the dark cloud cover day, the stock closes at least halfway into the previous white capping candle. The larger the penetration of the previous candle (that is , the closer this candle is a being a bearish engulfing), the more powerful the signal. Traders should pay particular attention to a dark cloud cover candle if it occurs at an important resistance area and if the end of day volume is strong.

In order for the Dark Cloud signal to be valid, the following conditions must exist:

- The stock must have been in a definite uptrend before this signal occurs. This can be visually seen on the chart.
- The second day of the signal should be a black candle opening above the high of the previous day and closing more than half way into the body of the previous day's white candle.



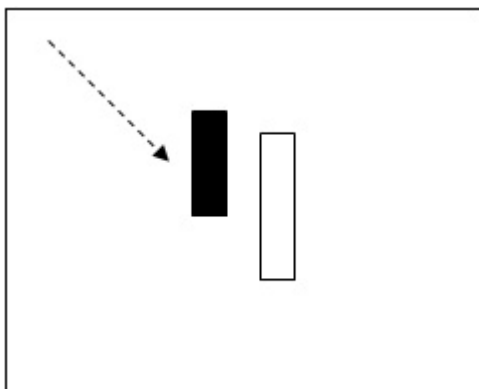
For example = SCN



The piercing pattern often will end a minor downtrend (a downtrend that often lasts between five a fifteen trading days) The day before the piercing candle appears, the daily candle should ideally have a fairly large dark real body, signifying a strong down day. In the classic piercing pattern, the next day's candle gaps below the lower shadow, or previous day's low.

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

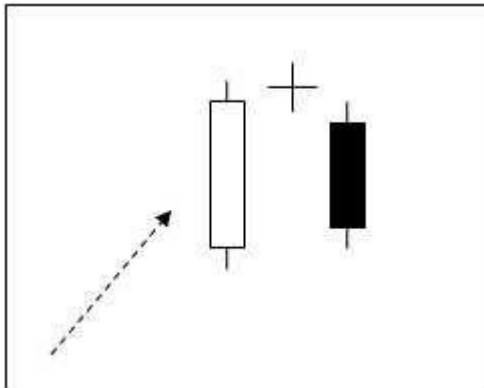
- The stock must have been in a definite downtrend before this signal occurs. This can be visually seen on the chart.
- The second day of the signal should be a white candle opening below the low of the previous day and closing more than half way into the body of the previous day's black candle



For example = SET INDEX



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 occurs. 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.



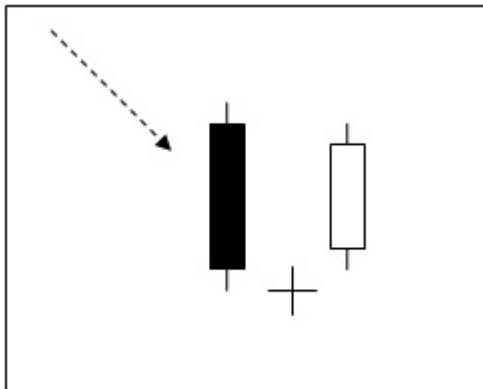
For example = TRUE



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.



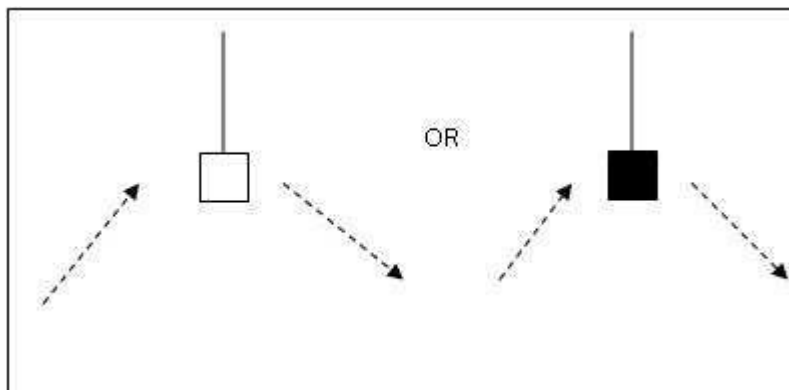
For example = VIBHA



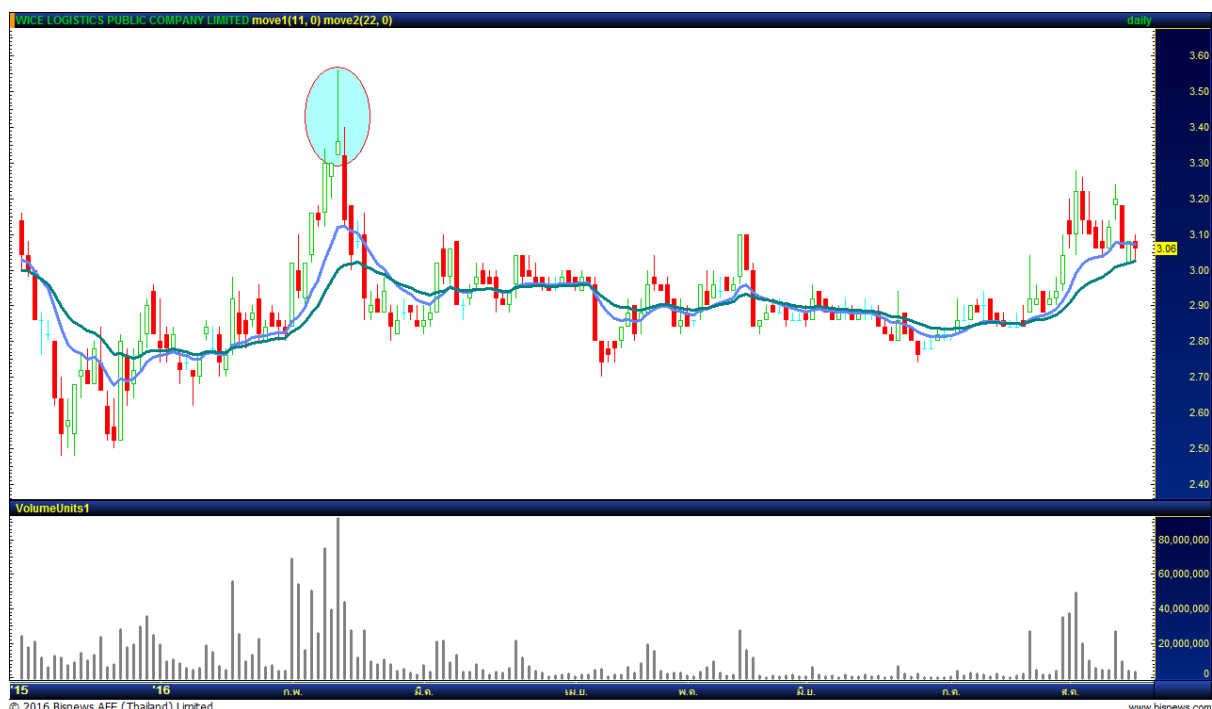
The shooting star can appear only at a potential market top. If a shooting star occurs after a candle with a large real body, typically it is that much stronger a warning because it shows that the price cannot sustain high levels. The day the shooting star occurs, the market ideally should gap higher. The stock should then rally sharply. At this point, it appears as though the longs are in complete control. Sometime during the day, however, profit taking ensues. The stock closes near the unchanged market, as shown by a small real body. Therefore a shooting star has a small real body and a large upper shadow. Typically, there will be either no lower shadow or a very small one.

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

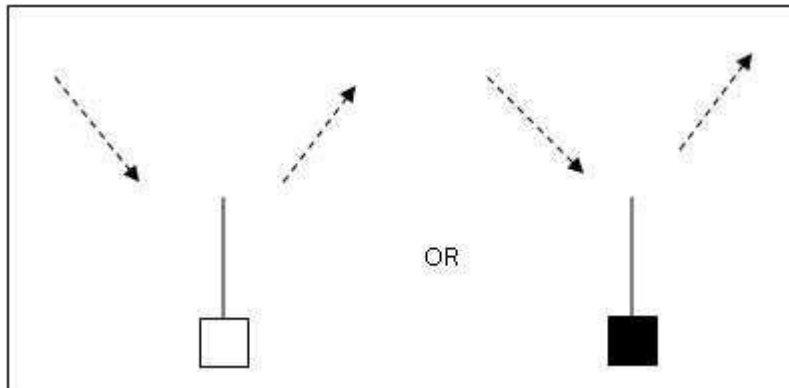
- The stock must have been in a definite uptrend before this signal occurs. This can be visually seen on the chart.
- The Upper shadow must be at least twice the size of the body.
- The day after the Shooting Star is formed, one should witness continued selling.
- There should be no lower shadow or a very small lower shadow. The colour of the body does not matter, but a black



For example = WICE



The inverted hammer can only occur after a sustained downtrend, the stock is in all probability already oversold. Therefore, the inverted hammer signifies that traders who have held long positions in the security, most of whom are now showing large losses, often are quick to dump their shares by selling into strength .



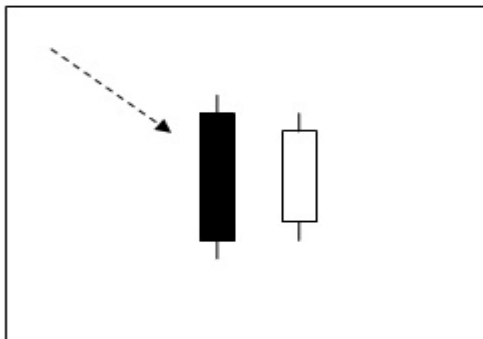
For example = STEC



The bullish harami candle can occur in either bullish or bearish trends, but the colors are reversed: A large black body precedes a smaller white real body, and this gives out a bullish signal: it implies that the stock is poised to move upward. In signal: In either bullish or bearish haramis, the upper and lower shadows can be of any size, and theoretically could even go above the real body of the clear candle day. In practice, however, the harami day's shadows often are small and typically are contained well within the real body of the previous day's candle.

In order for the Bullish Harami 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 second day of the signal should be a white candle opening above the Close of the previous day and closing below the Open of the previous day's black candle.

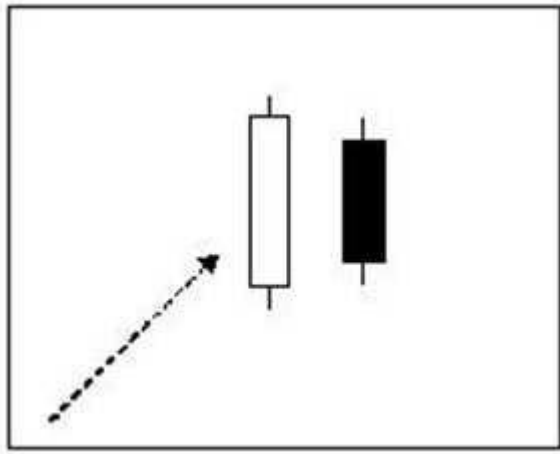


For example = CPF



In order for the Bearish Harami signal to be valid, the following conditions must exist:

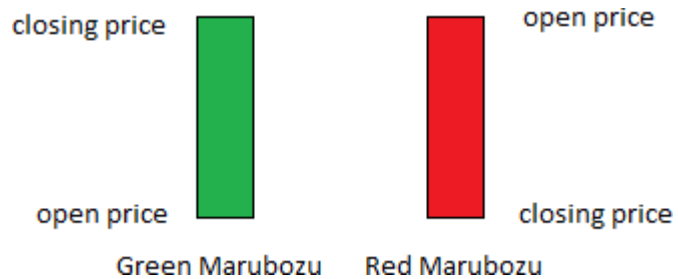
- The stock must have been in a definite uptrend before this signal occurs. This can be visually seen on the chart.
- The second day of the signal should be a dark candle opening below the Close of the previous day and closing above the Open of the previous day's white candle.



For example = BBL



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 nex 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.



For example = INTUCH



Spin top , the shadow are relatively small and the candle has a very small range. When combined with low volume, traders may be expressing disinterest.

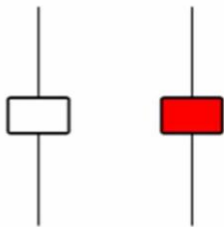
Spinning Top High Wave Definition:

A Spinning Top Wave, also called a High Wave candle, is candlestick that has an open and close price near each other which produces a small real body and color is of no importance. They also have long upper and lower shadows that significantly exceed the length of the body. These types of candlesticks indicate indecision and subsequent consolidation.

Practical Use:

Technical analysts will often watch for Spinning Top High Wave candlesticks and then "join the sidelines." After such a volatile session, traders will often wait for additional confirmation of an upward or downward price movement.

Spinning Top High Wave



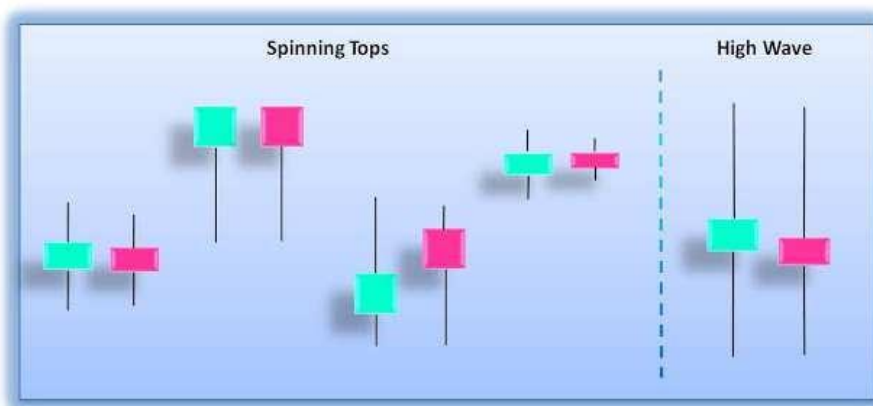
FreeOnlineTradingEducation.com

For example = SET INDEX

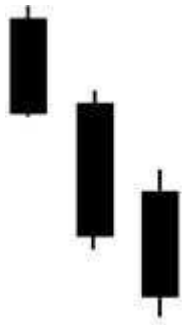


High wave candle, on the other hand, portrays a situation where there is a active tug of war between the bulls and bears. This candle shows a market has lost a clear sense of direction. If it occurs on high volume, then it indicates the market's general confusion about the direction prices are headed

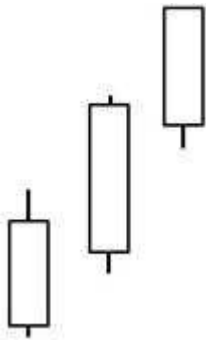
- High Wave candles show the confusion among traders
- The size of the real body shows the lack of consensus among traders to sustain the current trend
- Indicates an early sign of a possible shift in the current uptrend or downtrend
- The candle has a small real body of either color
- The size of both shadows are particularly long, but are not required to be the exact same length
- Ignore in a trading range: price is pausing before breaking out
- Caution is recommended when encountering such candles



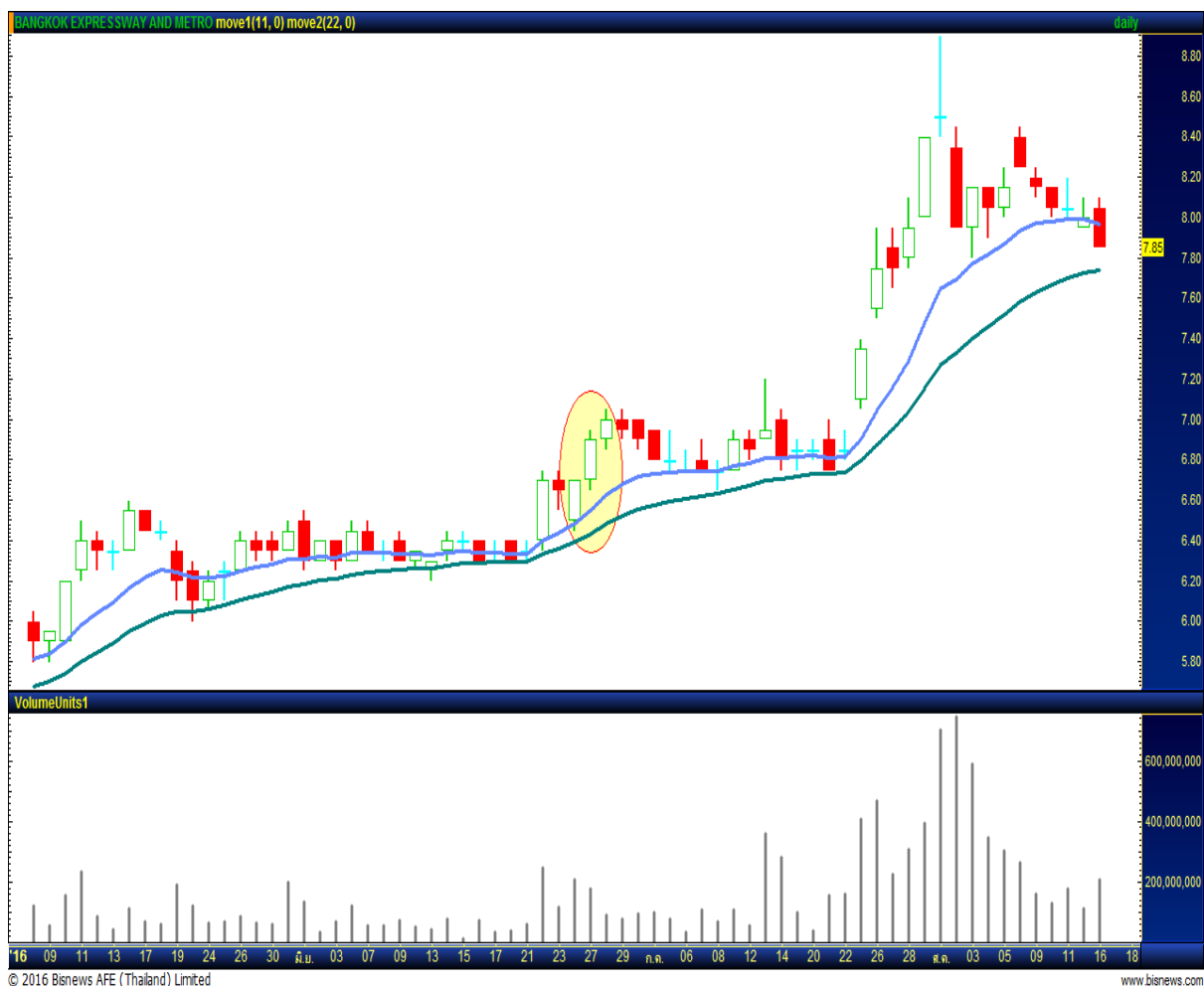
The three black crows candle formation does not happen very frequently in stock trading, but when it does occur swing traders should be very alert to the crow's caw. The candlestick's metaphor is three crows sitting in a tall tree. On the day the first black crow makes its appearance, the formation is most predictive if the first "crow" or dark candlestick closes below the previous candle's real body. Two more long-bodied consecutive down days then ensue. On each of these days, it appears as if the stock wants to regain its former strength, as the stock opens higher than the close on the previous day. By the end of each session, however, the sellers regain control and the stock drops to a new closing low.



The three white soldiers pattern is most potent when it occurs after an extended decline and a period of subsequent consolidation. When a particular stock posts a decline followed by sideways movement, the appearance at that point of three white soldiers signals that higher prices are likely ahead. The first of the three white soldiers is a reversal candle. It either ends a downtrend or signifies that the stock is moving out of a period of consolidation after a decline. The candle on day two may open within the real body of day one. The pattern is valid as long as the candle of day two opens in the upper half of day one's range. By the end of day two, the stock should close near its high leaving a very small or non-existent upper shadow. The same pattern is then repeated on day three.



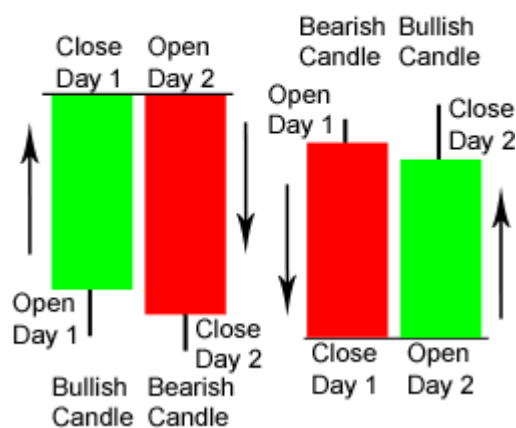
For example = BEM



The tweezers formation always involves two candles. At a tweezers top, the high price of two nearby sessions is identical or very nearly so. In a high priced stock there may be a few cents variation, and I believe it should still be considered a tweezers. At a tweezers bottom, the low price of two sessions that come in close succession is the same. For simplicity, let's talk just about the tweezers bottom. In some instances, the tweezers bottom is formed by two real candlestick bodies that make an identical low. In other instances, the lower shadows of two nearby candles touch the same price level and the stock then bounces higher. A third possibility is that the lower shadow of one day and the real body of a nearby session hit the same bottom level.

Tweezers

Tweezer Top Tweezer Bottom



www.OnlineTradingConcepts.com - All Rights Reserved

For example = BH



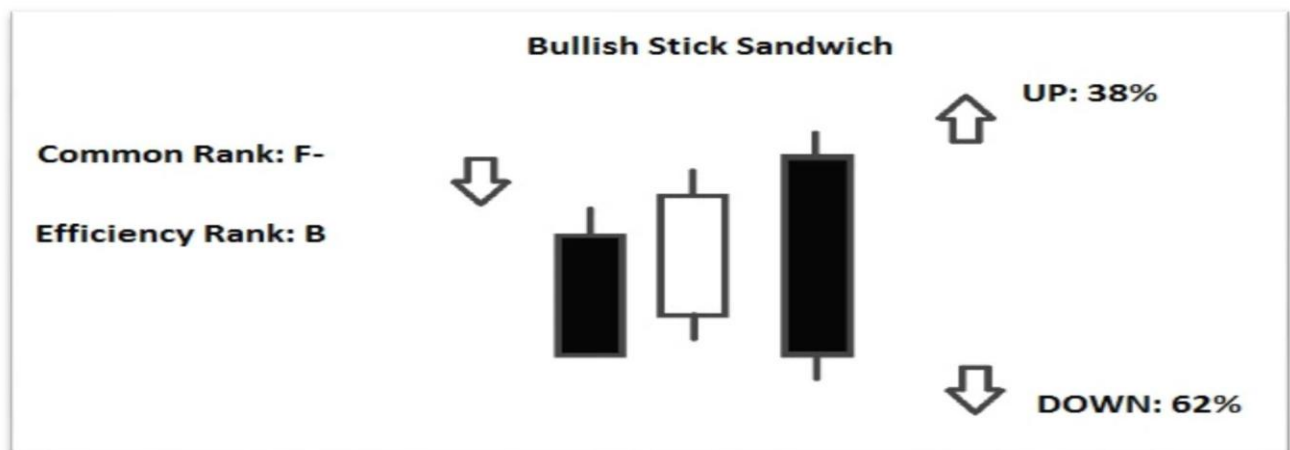
For example = STEC



Stick Sandwich

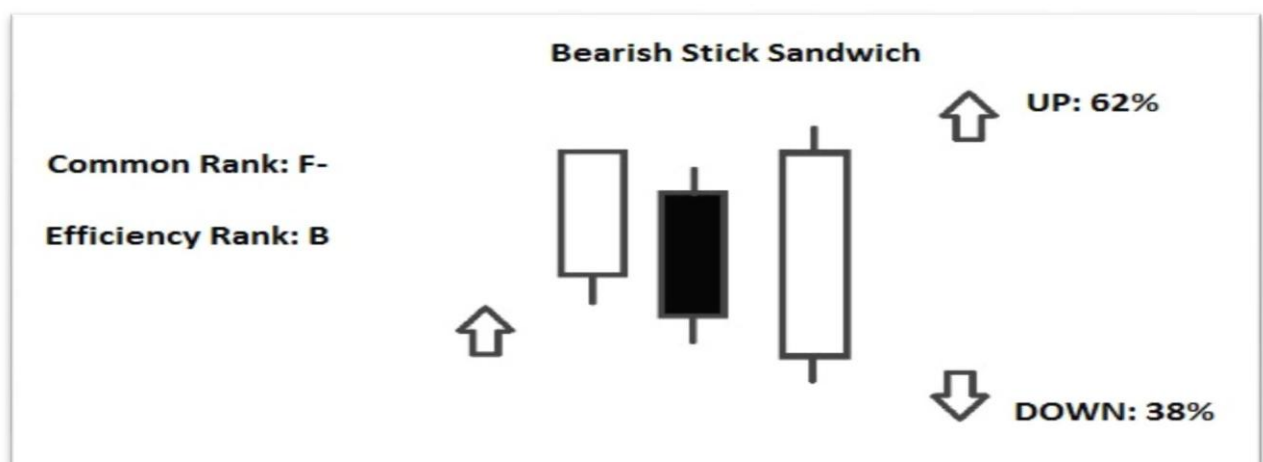
It occurs during a Downtrend; confirmation is required by the candles that follow the Pattern.

- **The First Candle is black**, it has a short Lower shadow (Or it has not a Lower Shadow) that represents a new Low in the Downtrend.
- **The Second Candle is white**, it has the Open above the Close of the First Candle (The Real Body is above the close of the First Candle).
- **The Third Candle is black**, it has the Open above the Close of the Second Candle whereas it has the Close at the same level (More or less) of the Close of the First Candle (So that it fully contains the Real Body of the Second Candle).



– It occurs during an Uptrend; confirmation is required by the candles that follow the Pattern.

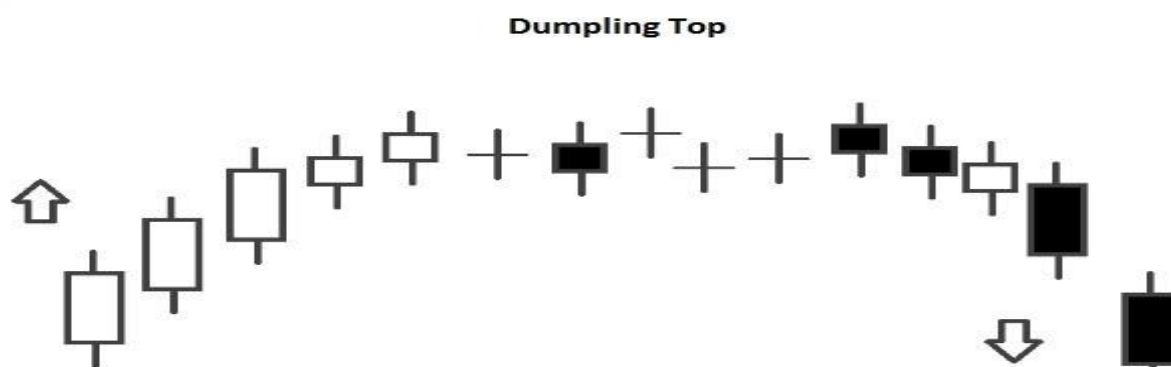
- **The First Candle is white**, it has a short Upper shadow (Or it has not an Upper Shadow) that represents a new High in the Uptrend.
- **The Second Candle is black**, it has the Close below the Open of the First Candle (The Real Body is below the Close of the First Candle).
- **The Third Candle is white**, it has the Open below the Close of the Second Candle whereas it has the Close at the same level (More or less) of the Close of the First Candle (So that it fully contains the Real Body of the Second Candle).



Dumpling top pattern

Normally it should be a signal of Bearish reversal of the current Trend.

- It occurs during an Uptrend; confirmation is required by the candles that follow the Pattern.
- The Pattern starts during an Uptrend, then it becomes a “Sideways” Trend (That represents the indecision of the Markets); at the end of the Pattern, there is a reversal in the direction of the Trend and it becomes a Downtrend.
- This Pattern is quite rare; is important that there is a Gap Down after the “Sideways” Trend and just before the start of the Downtrend (To obtain a further confirmation of the reversal of the Trend, as the Pattern suggests).

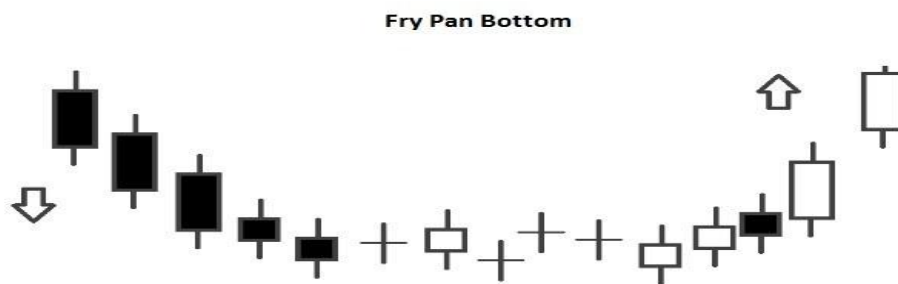


For example = BTS



Fry pan bottom pattern

- **Normally it should be** a signal of Bullish reversal of the current Trend.
- **It occurs during a Downtrend;** confirmation is required by the candles that follow the Pattern.
- **The Pattern starts during a Downtrend,** then it becomes a “Sideways” Trend (That represents the indecision of the Markets); at the end of the Pattern, there is a reversal in the direction of the Trend and it becomes an Uptrend.
- **This Pattern is quite rare;** is important that there is a Gap Up after the “Sideways” Trend and just before the start of the Uptrend (To obtain a further confirmation of the reversal of the Trend, as the Pattern suggests).



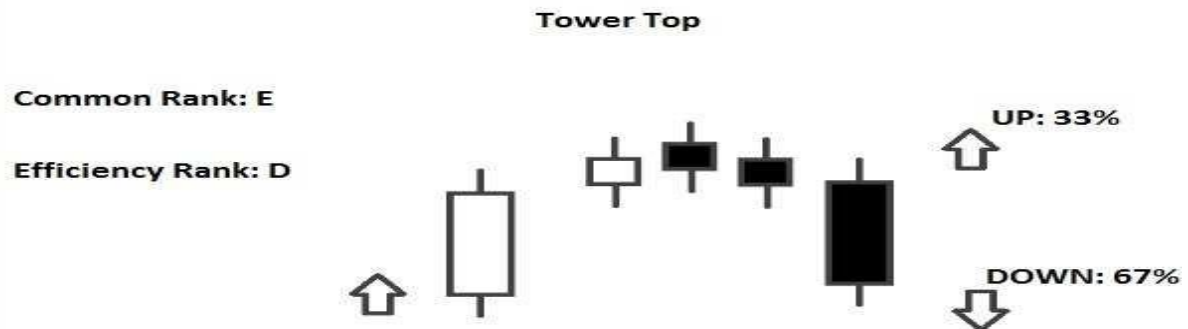
For example = BLA



Tower top pattern

It occurs during an Uptrend; confirmation is required by the candles that follow the Pattern.

- The First Candle is long and white.
- The next Candles that are in the “Sideways” Phase, are Spinning Tops (Black or white) and they show the indecision of the Market.
- The Last Candle is long and black, that is the start of the reversal of the current Trend.

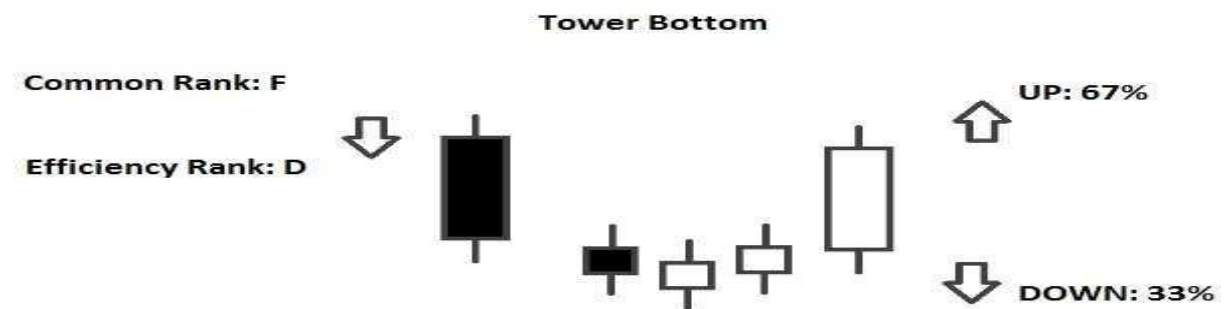


For example = MDX



Tower bottom pattern

- It occurs during a Downtrend; confirmation is required by the candles that follow the Pattern.
- The First Candle is long and black.
- The next Candles that are in the “Sideways” Phase, are Spinning Tops (Black or white) and they show the indecision of the Market.
- The Last Candle is long and white, that is the start of the reversal of the current Trend.



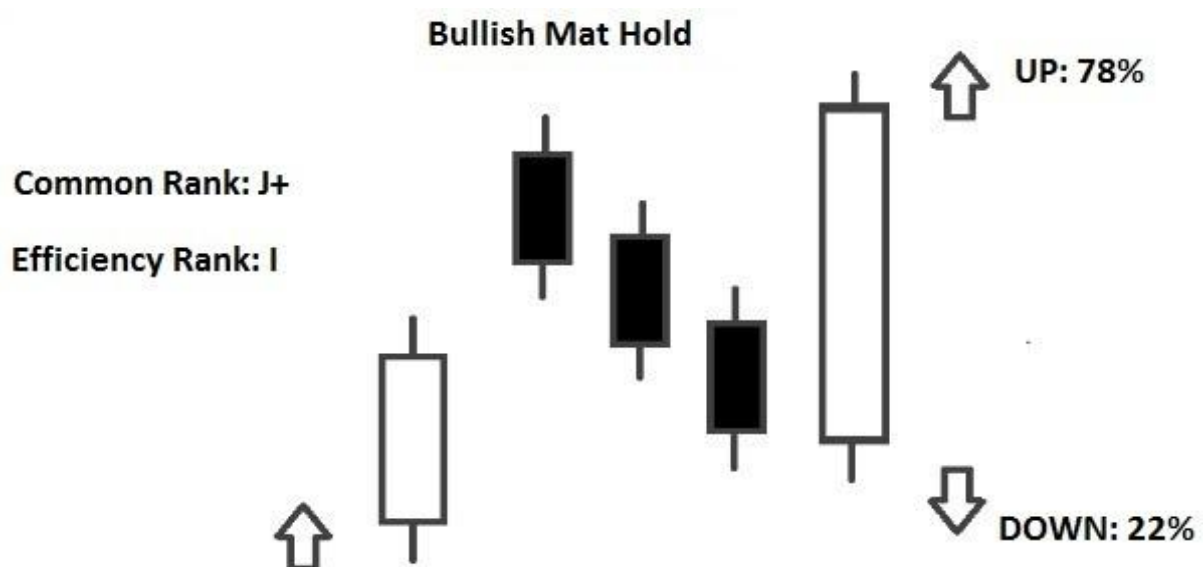
For example = SMPC



Mat Hold pattern

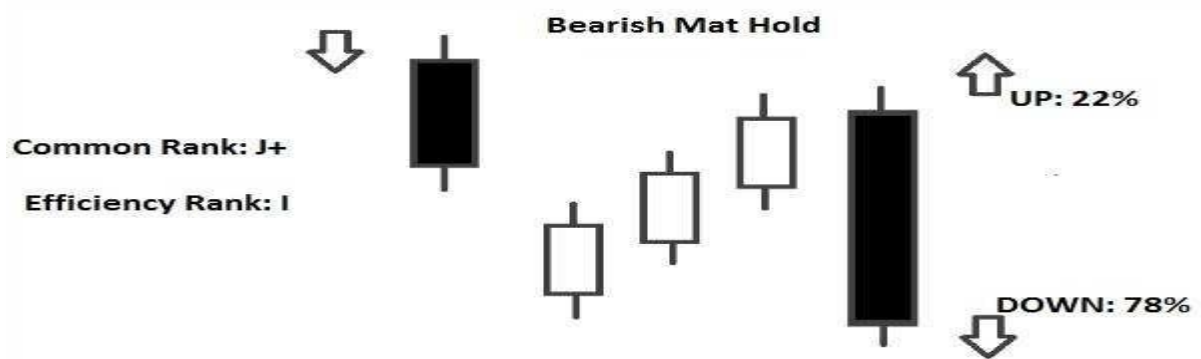
It occurs during an Uptrend; confirmation is required by the candles that follow the Pattern.

- **The First Candle** is long and white.
- **Then there is a Gap Up** between the First and Second Candle.
- **The Second Candle is black**, it has a short Real Body; moreover it has the Close above the Close of the First Candle.
- **The Third Candle can be white or black** (It doesn't matter), but it has a short Real Body.
- **The Fourth Candle** is black, with a short Real Body.
- **The Second, Third and Fourth Candle** represent a decline in prices; moreover their Real Bodies are above the Low of the First Candle.
- **The Fifth Candle** is long and white; it has the Close above the High of the Second Candle.



– It occurs during a Downtrend; confirmation is required by the candles that follow the Pattern.

- **The First Candle** is long and black.
- **Then there is a Gap Down** between the First and Second Candle.
- **The Second Candle is white**, it has a short Real Body; moreover it has the Close below the Close of the First Candle.
- **The Third Candle can be white or black** (It doesn't matter), but it has a short Real Body.
- **The Fourth Candle** is white, with a short Real Body.
- **The Second, Third and Fourth Candle** represent a rise in prices; moreover their Real Bodies are below the High of the First Candle.
- **The Fifth Candle** is long and black; it has the Close below the Low of the Second Candle.



For example = JAS

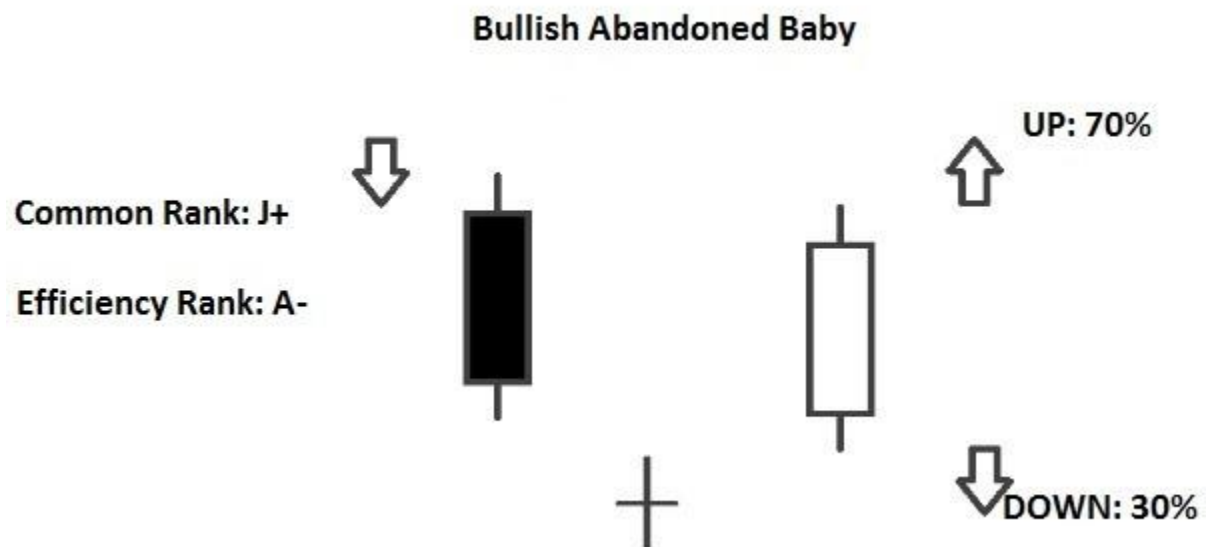


For example = QTC



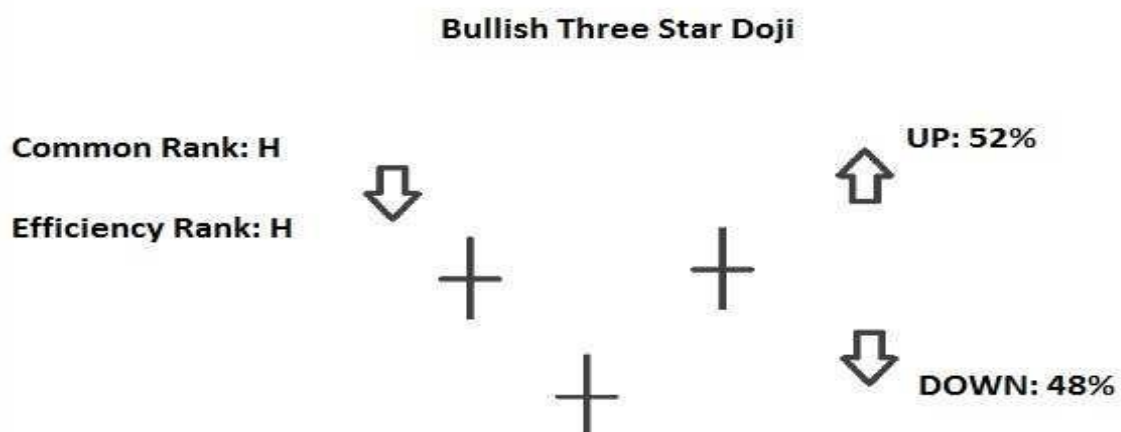
Abandoned baby pattern

- It occurs during a **Downtrend**; confirmation is not required by the candles that follow the Pattern (Although it's better if you search for confirmation).
- The **First Candle** is long and black.
- The **Second Candle is a Doji Candle**, that gaps down from the Previous Candle.
- The **Third Candle is long and white**; it has the Open above the Second Candle.



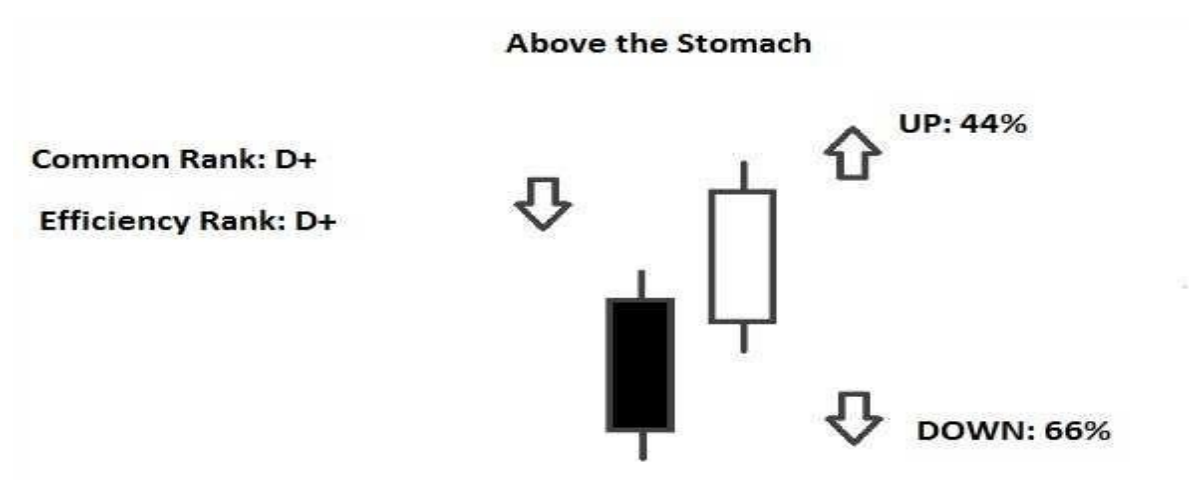
Tri star doji

- It occurs during a **Downtrend**; confirmation is required by the candles that follow the Pattern.
- The **Second Doji** is below the other Two Doji Candles.



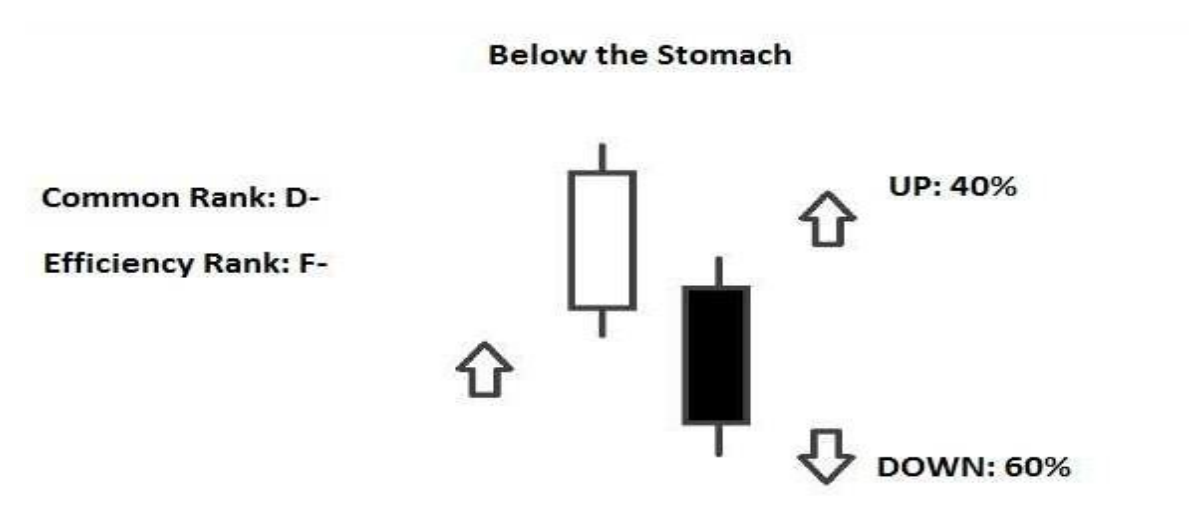
Above below the Stomach pattern

- **Normally it should be** a signal of reversal of the current Trend.
- **You can find it in the variants:** Above and Below, depending on the Trend in which is located.



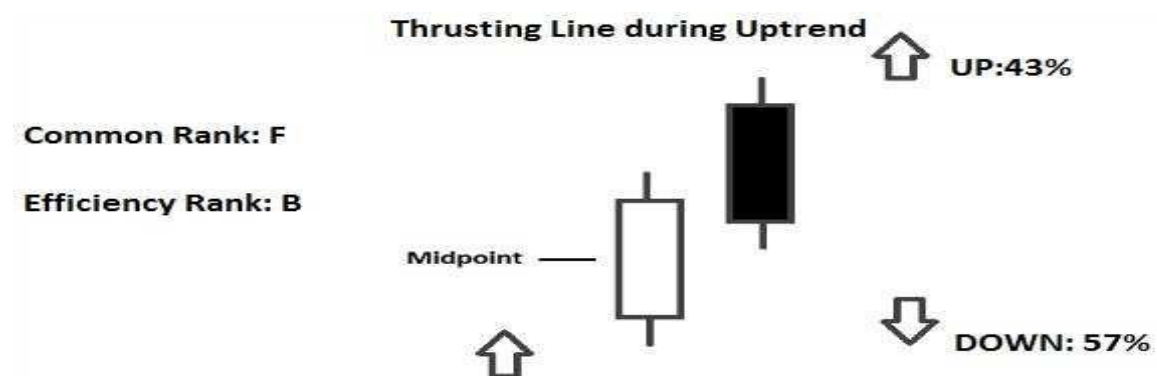
Below The Stomach

- **It occurs during an Uptrend;** confirmation is required by the candles that follow the Pattern .
- **The First Candle** is long and white.
- **The Second Candle is black** (Although it could be also white); it has the Open below or at the same level of the midpoint of the Real Body of the First Candle. Whereas it has the Close below the Open of the First Candle and below the midpoint of the Real Body of the First Candle (In the case which the Second Candle is black).

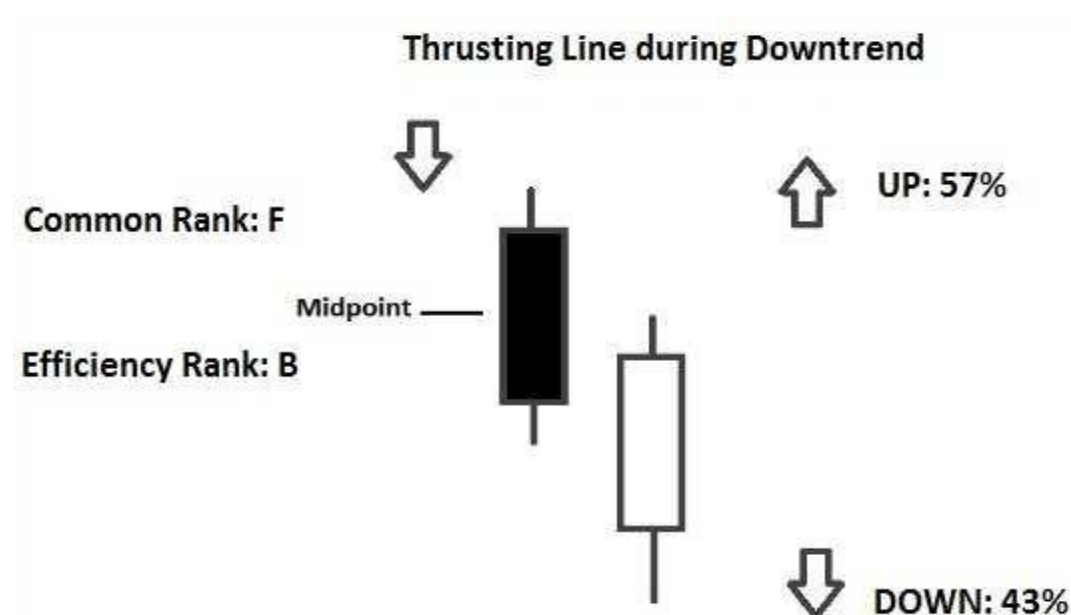


Thrusting Line

- **Normally it should be** a signal of continuation of the current Trend.
- **It occurs during a Downtrend or an Uptrend**; confirmation is required by the candles that follow the Pattern.
- **The Pattern is characterized by** Two Candles of opposite color (Black and white in case of a Downtrend; white and black in case of an Uptrend).

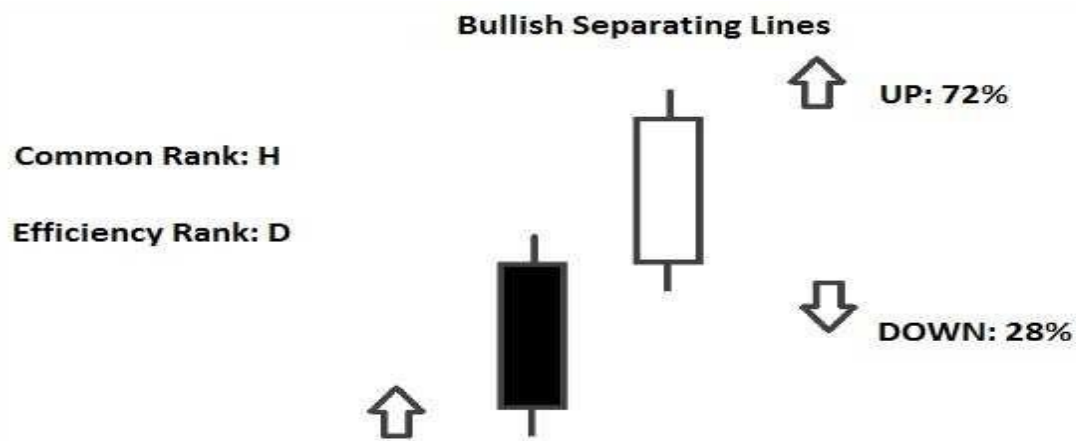


The First Candle is long and black (In case of a Downtrend) or is long and white (In case of an Uptrend).
– **The Second Candle** has the Open below the Low of the First Candle, whereas it has the Close near (But below) the Midpoint of the Real Body of the First Candle (In case of a Downtrend). **The Second Candle** has the Open above the High of the First Candle, whereas it has the Close near (But above) the Midpoint of the Real Body of the First Candle (In case of an Uptrend).



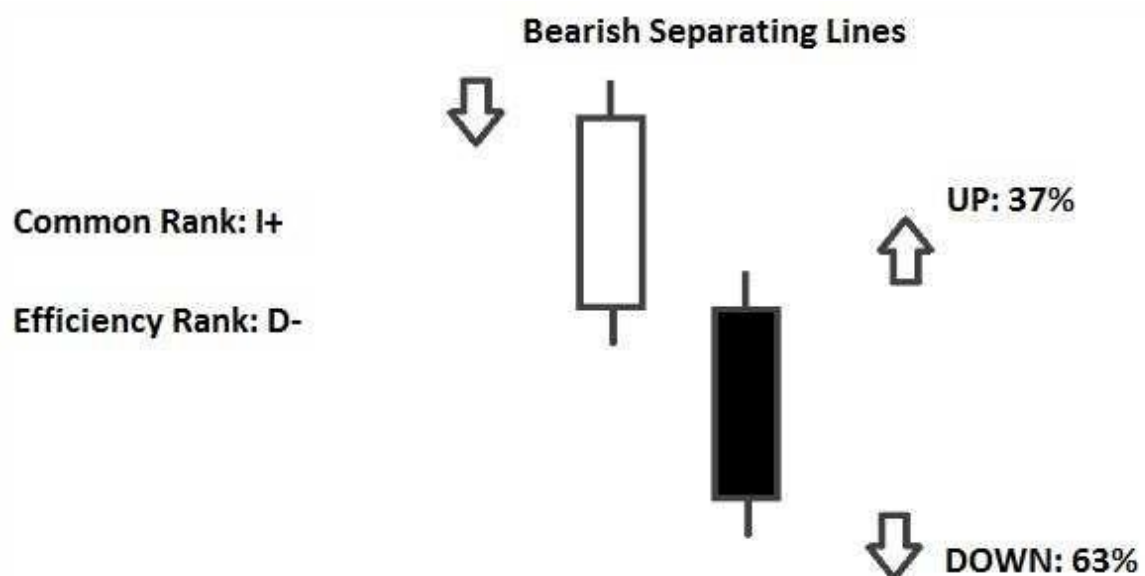
Separating Line pattern

- **Normally it should be** a signal of continuation of the current Trend.
- **You can find it in the variants:** Bullish and Bearish, depending on the Trend in which is located.



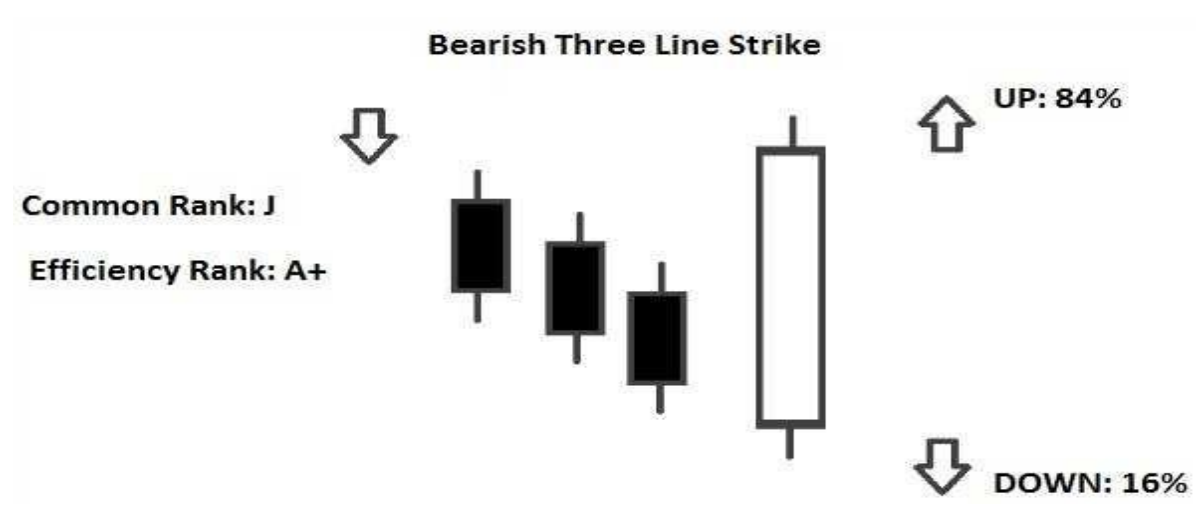
Bearish Separating line

- **It occurs during a Downtrend;** confirmation is required by the candles that follow the Pattern.
- **The First Candle** is long and white.
- **The Second Candle is long and black;** it has the Open at the same level (More or less) of the Open of the First Candle.

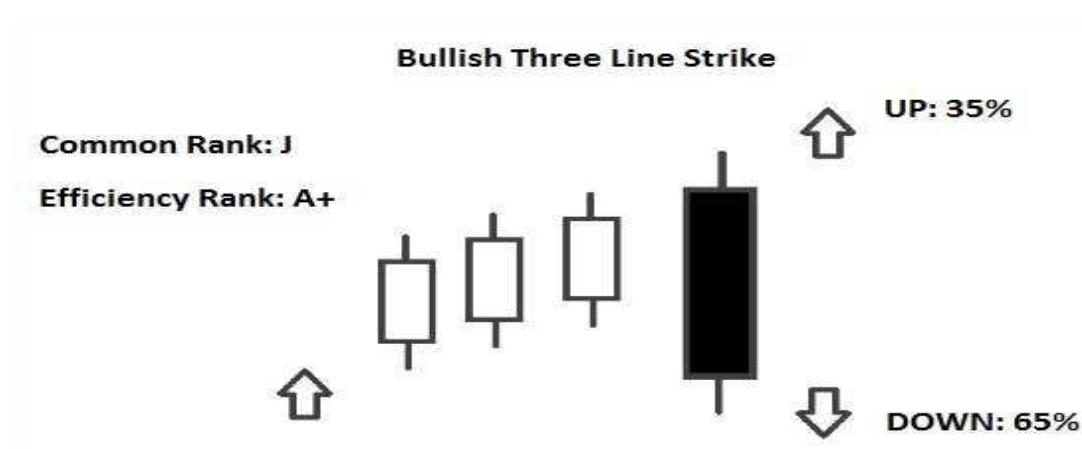


Three line Strike

- **Normally it should be** a signal of continuation of the current Trend.
- **You can find it in the variants:** Bullish and Bearish, depending on the Trend in which is located.

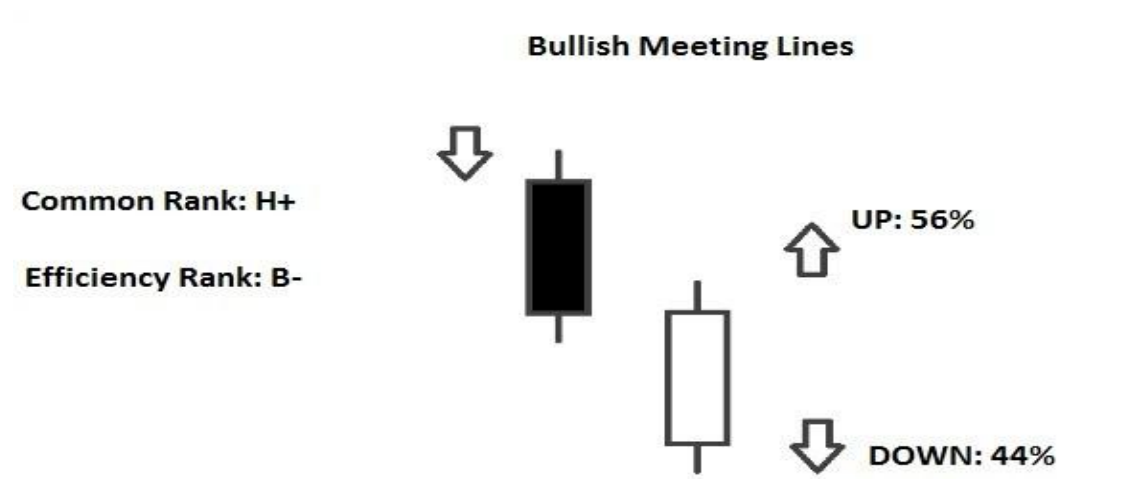


- **It occurs during an Uptrend;** confirmation is required by the candles that follow the Pattern.
- **The First, Second and Third Candle are white;** moreover each Candle has the Close above the Close of the Previous Candle.
- **The Fourth Candle is long and black;** it has the Open above the Open of the Previous Candles while it has the Close below the Open of the First Candle (The Fourth Candle fully contains within his Real Body the Three Previous Candles).

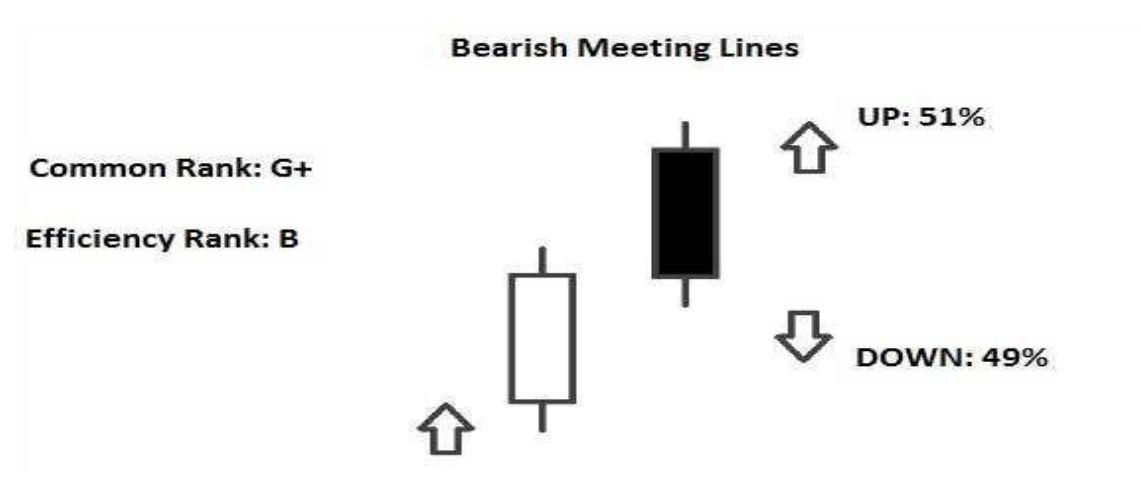


Meeting line pattern

- It occurs during a **Downtrend**; confirmation is required by the candles that follow the Pattern.
- The **First Candle** is long and black.
- The **Second Candle** is long and white; it has the Close at the same level (More or Less) of the Close of the First Candle.



- It occurs during an **Uptrend**; confirmation is required by the candles that follow the Pattern.
- The **First Candle** is long and white.
- The **Second Candle** is long and black; it has the Close at the same level (More or Less) of the Close of the First Candle.

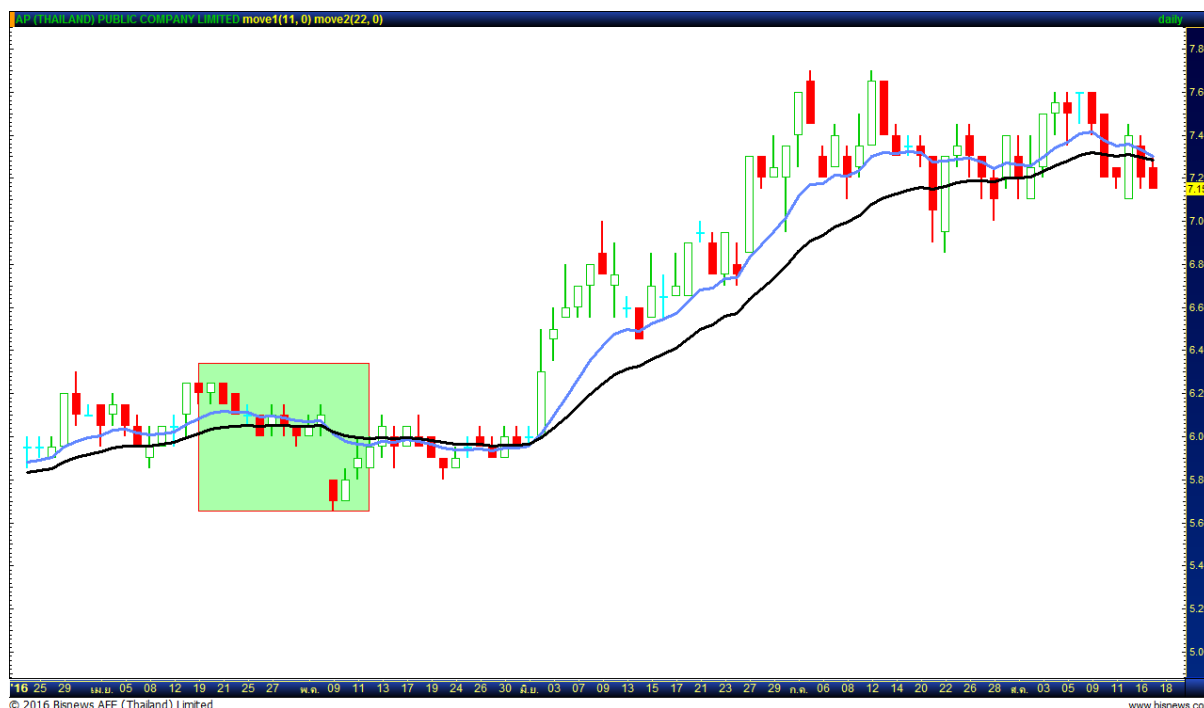


Low price gapping play

- Normally it should be a signal of continuation of the current Trend.
- It occurs during a Downtrend; confirmation is required by the candles that follow the Pattern.
- The First Candle is long and black.
- The Second, Third and Fourth Candle, have a short Real Body and they are near the level of the Low of the First Candle.
- The Fifth Candle is long and black, that gaps down from the Previous Candle.
- The “Sideways” Period, can contain up to Eleven Candles (Not necessarily Three Candles); these candles are the Spinning Tops (That have short Real Body).

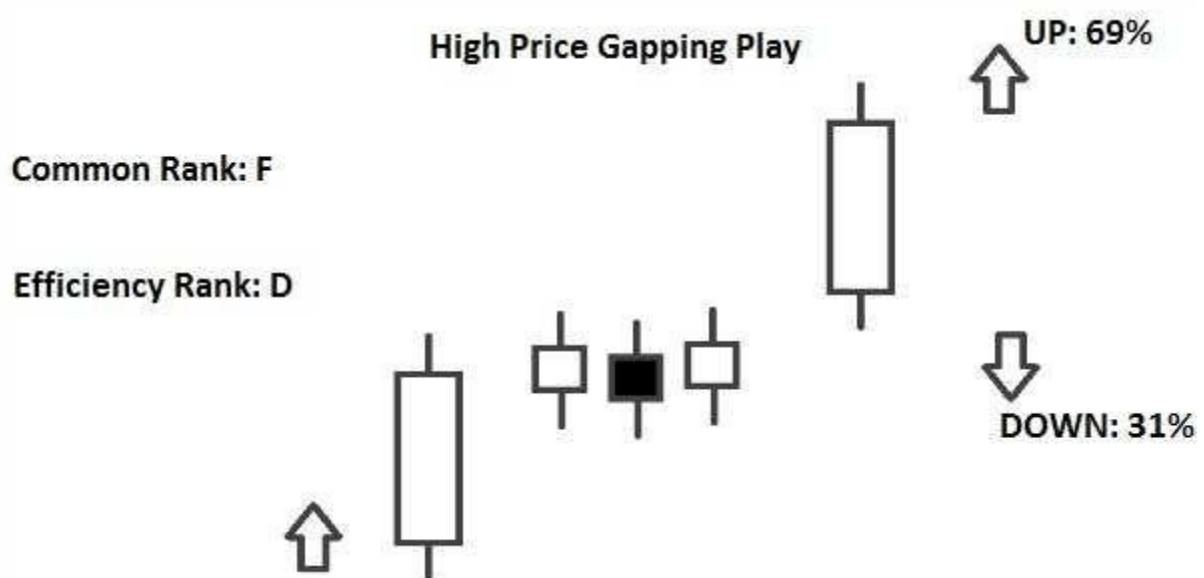


For example = AP



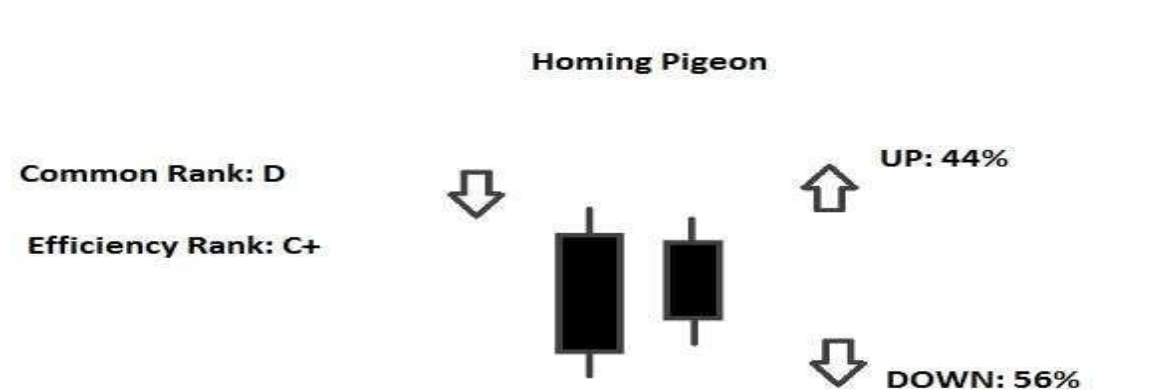
High price gapping play

- **Normally it should be** a signal of continuation of the current Trend.
- **It occurs during an Uptrend**; confirmation is required by the candles that follow the Pattern.
- **The First Candle** is long and white.
- **The Second, Third and Fourth Candle**, have a short Real Body and they are near the level of the High of the First Candle.
- **The Fifth Candle** is long and white, that gaps up from the Previous Candle.
- **The “Sideways” Period**, can contain up to Eleven Candles (Not necessarily Three Candles); these candles are the Spinning Tops (That have short Real Body).

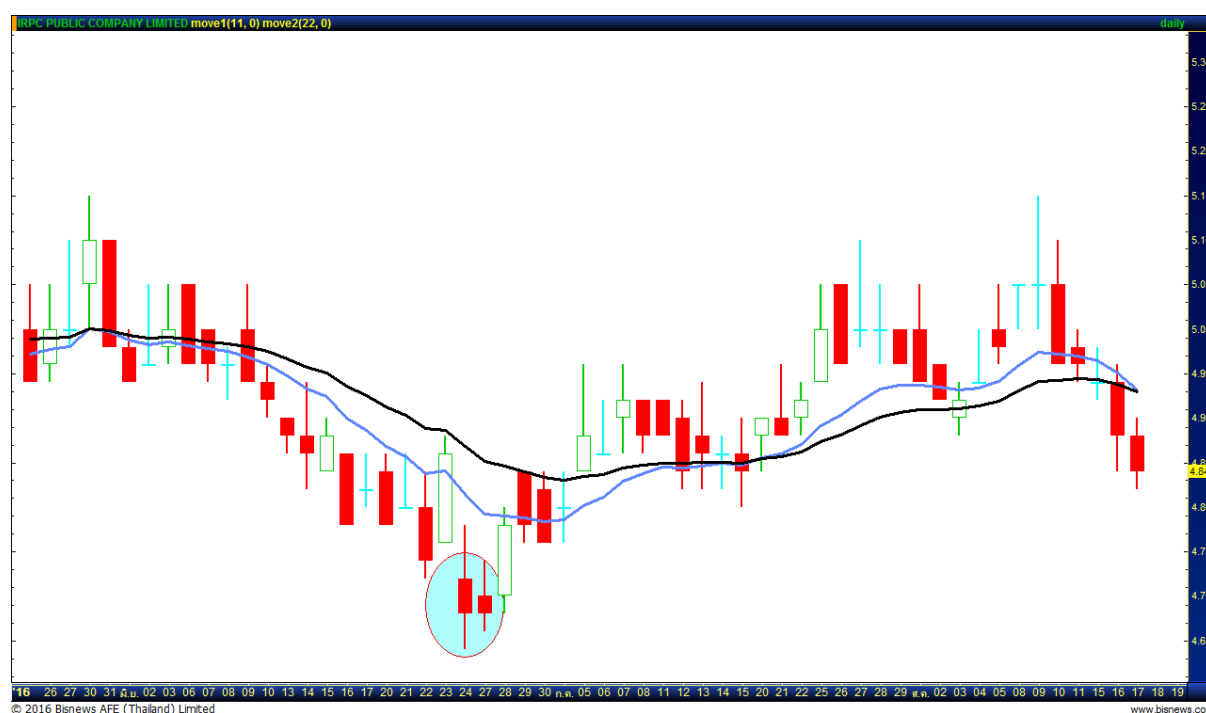


Homing Pigeon pattern

- Normally it should be a signal of Bullish reversal of the current Trend.
- It occurs during a Downtrend; confirmation is required by the candles that follow the Pattern.
- The First Candle is long and black, whereas the Second Candle is black but is shorter than the First Candle. The Real Body of the Second Candle is fully contained within the Real Body of the First Candle.
- Confirmation of the Pattern and the reversal of the Trend: when the Close of a Candle that follows the “Homing Pigeon” is below the Lowest Low of the Two Candle of the Homing Pigeon.



For example = IRPC



8-10-12-13 New price lines

- It occurs during an Uptrend; confirmation is required by the candles that follow the Pattern.
- The Pattern is characterized by eight consecutive candles, each with a higher High.
- To obtain a further confirmation of the Pattern, you should check the Close of the last Candle Line: if it is over the Top of the Real Body of the Previous Candle, there are more chances that there will be a rise in Prices. If the Close is below the Top of the Real Body of the Previous Candle, there are more chances that there will be a fall in Prices.

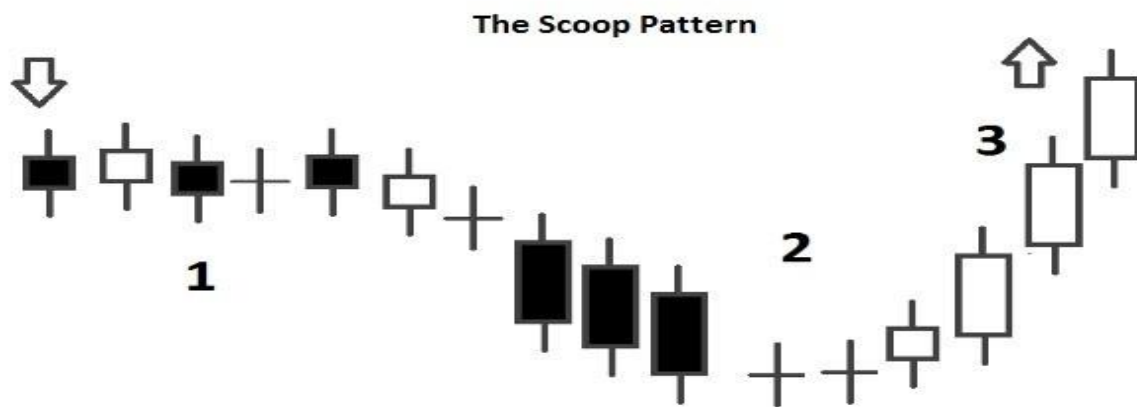


For example = FTSE



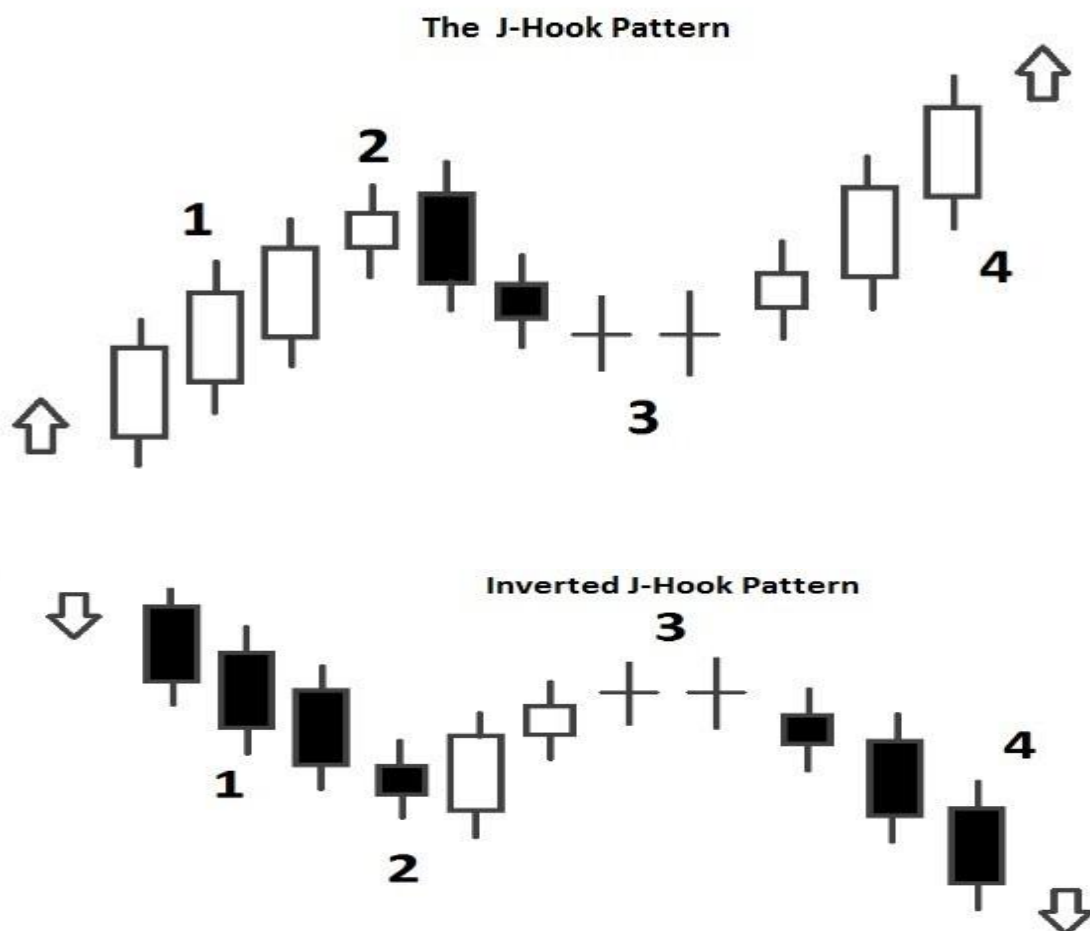
Scoop pattern

- It occurs during a **Sideways Trend**; confirmation is required by the candles that follow the Pattern.
 - The Pattern starts showing the **indecision** of the Markets (Spinning Tops, Doji, Small Candles, etc...).
- (1)
- Then the **Price starts to fall** (Probably due to some Traders that expected a rise in the prices, but now that the trend is sideways they are selling because they do not believe anymore in a possible rise).
- (2)
- This **decline in Prices attracts other Traders**, that hope in a possible Rise in the Prices after the fall.
- For this reason the prices start to rise: if the prices go above the phase of indecision, it will begin a new Uptrend; if not, the Pattern will fail. (3)



J-Hook pattern and Inverted J-Hook pattern

- Normally it should be a signal of continuation of the current Trend.
- It occurs during an **Uptrend**; confirmation is required by the candles that follow the Pattern.
- The Pattern starts with a rapid increase in the Prices. (1)
- Then there is a **Candlestick Pattern** that gives a bearish signal (So the Traders start to sell). (2)
- The prices fall, then reach a level of “indecision”; at the end of this phase of indecision, there should be a Bullish signal. (3)
- The prices start to rise and they reach the Previous High (The one formed from the Phase (1)). If the prices keep rising, going above this High, there should be a new Uptrend in Prices.
- If the prices don't go above the High, the Pattern has failed; in this case the Pattern creates the Double Top Pattern (A pattern from the Technical analysis).



For example = KCE



For example = SAPPE



Cradle pattern

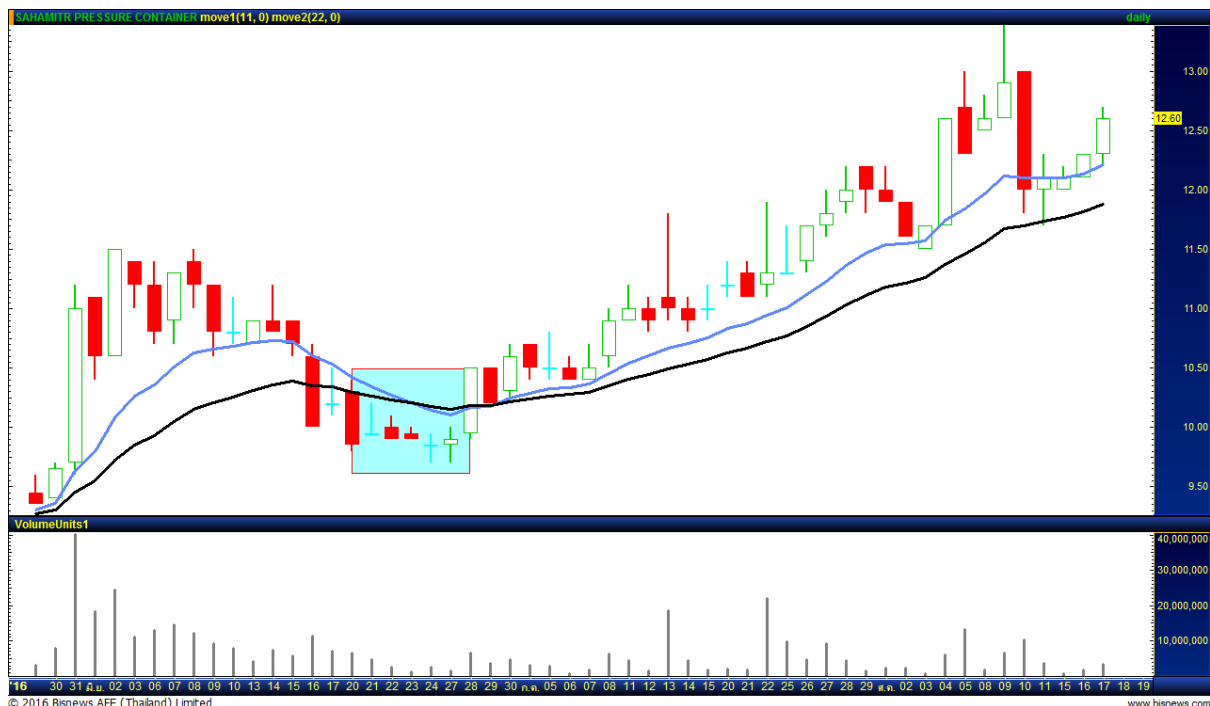
Normally it should be a signal of reversal of the current Trend.

- It occurs during a **Downtrend**; confirmation is required by the candles that follow the Pattern.
- The Pattern starts with a **long and black Candle**, during a downtrend (Due to the Traders that are selling because they are worried by the downtrend).
- Then there is a **phase of indecision in the Prices** (There are Doji Candles, Spinning Tops, Hammer, Inverted Hammer), so the Prices remain in a precarious balance.
- At the end of the Pattern, starts a rise in the Prices with a long and white Candle (That shows the strength of the rise).

The Cradle Pattern

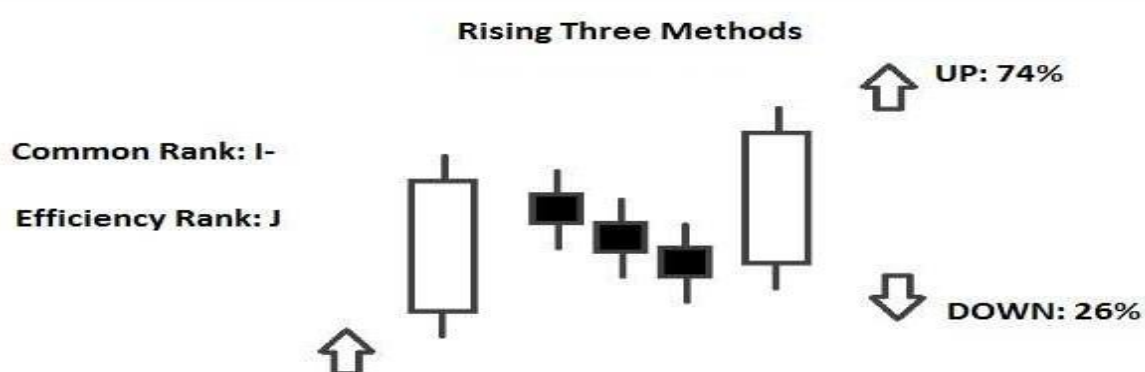


For example = SMPC

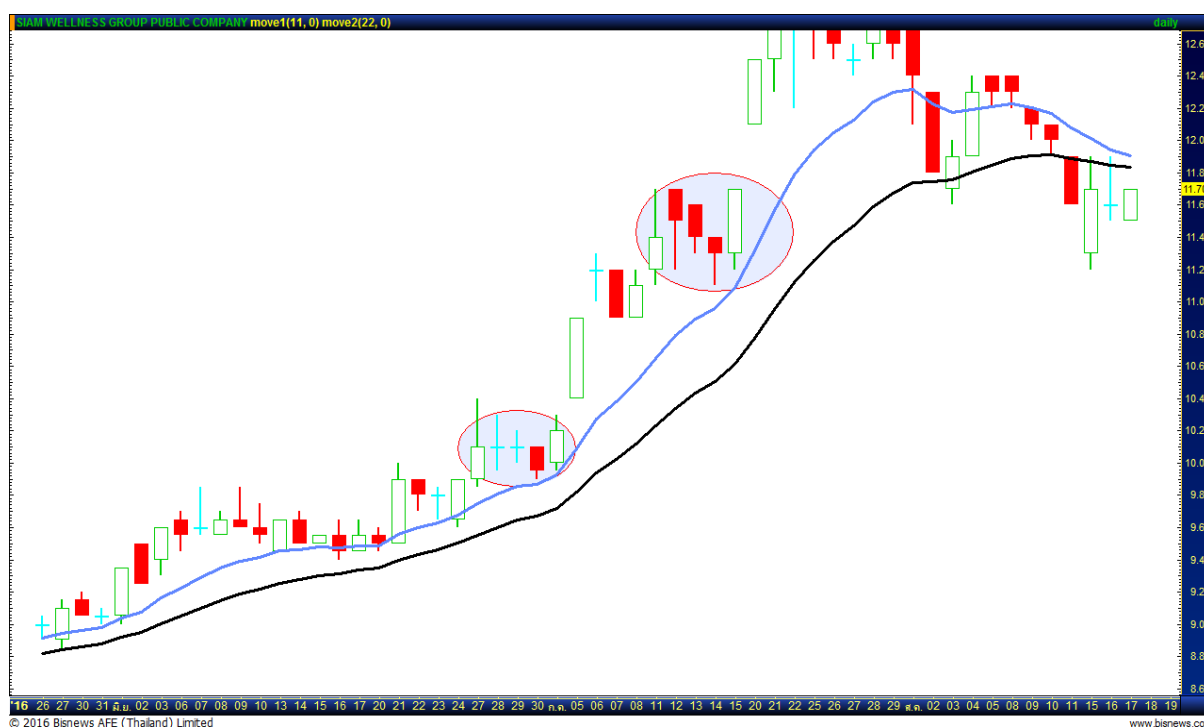


Rising three methods

- It occurs during an **Uptrend**; confirmation is required by the candles that follow the Pattern.
- The **First and Fifth Candle** are white and are longer than the other Three Candles of the Pattern.
- The **Second, Third and Fourth Candle** are **black** (Or they alternate the color: it only matters that they represent a Decline in Prices; normally is the Third Candle that can be of any color). Moreover these Candles are fully contained within the Real Body of the First Candle (or within the High-Low Range of the First Candle); while the Lows are above the Open of the First Candle and the Highs are below the Close of the First Candle.
- The **Close of the Fifth Candle** is above the Close of the First Candle

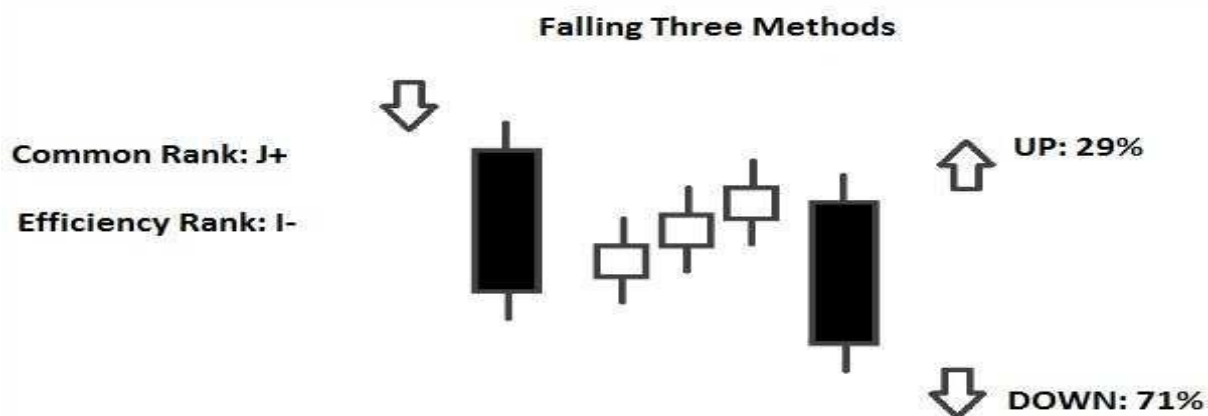


For example = SPA



Falling Three Methods

- It occurs during a **Downtrend**; confirmation is required by the candles that follow the Pattern.
- The **First and Fifth Candle** are black and are longer than the other Three Candles of the Pattern.
- The **Second, Third and Fourth Candle** are **white** (Or they alternate the color: it only matters that they represent a Rise in Prices; normally is the Third Candle that can be of any color). Moreover these Candles are fully contained within the Real Body of the First Candle (or within the High-Low Range of the First Candle); while the Lows are below the Open of the First Candle and the Highs are above the Close of the First Candle.
- The **Close of the Fifth Candle** is below the Close of the First Candle.

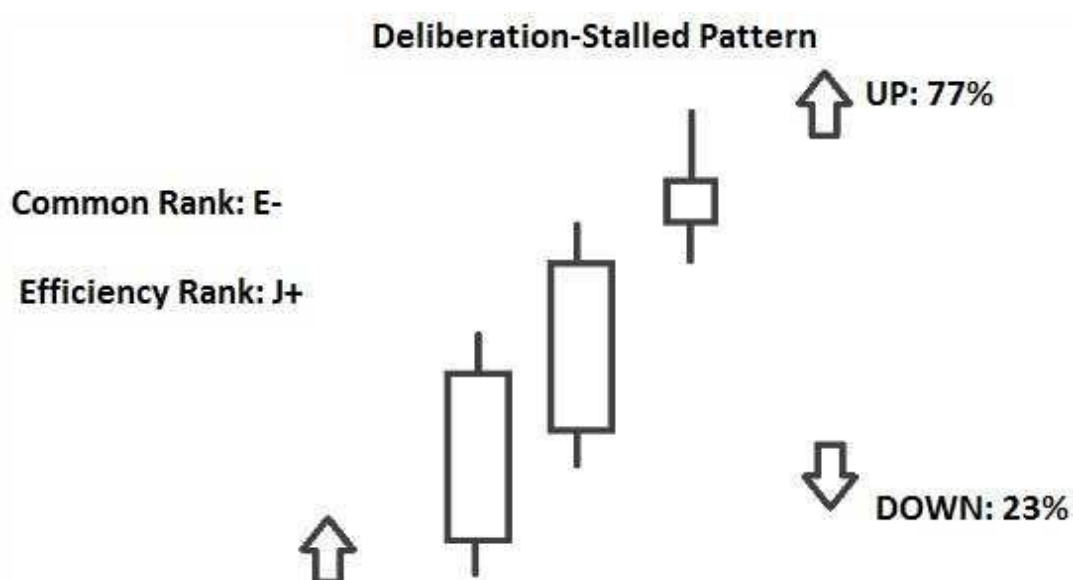


For example = DTAC



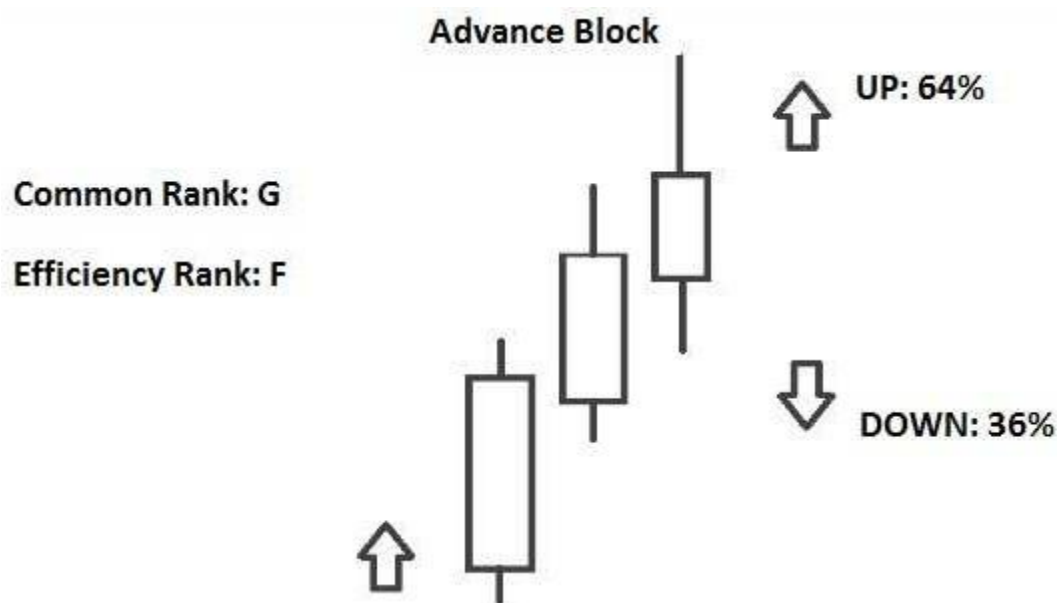
Deliberation pattern or Stalled pattern

- It occurs during an **Uptrend**; confirmation is required by the candles that follow the Pattern.
- **Normally it should be** a signal of Bearish reversal of the current Trend.
- **The Pattern is composed by Three White Candles:** the First One and the Second One have their Real Body longer than the Real Body of the Third Candle.
- **The Open and Close of each Candle,** should be higher then The Open and Close of the Previous Candle.
- **The Third Candle has a short Real Body,** it can be also a Doji Candle; moreover, it has an Upper Shadow very tall. Lastly, it has the Open near the level of the Close of the Second Candle.
- **The confirmation of the Bearish Reversal** could be from the next Candles, when one of them (While is falling) overcomes the midpoint of the Real Body of the Second Candle.



Advance block pattern

- It occurs during an **Uptrend**; confirmation is required by the candles that follow the Pattern.
- Normally it should be a signal of Bearish reversal of the current Trend.
- The Pattern is composed by Three White Candles, that gradually have a shorter Real Body.
- The Open of the Second and Third Candle should be within the Real Body of the Previous Candle.
- The Close of the Candles are often far away from their respective Highs.
- The Shadows of the Candles are gradually taller, especially the Upper Shadows of the Last Two Candles.
- The confirmation of the Bearish Reversal could be from the next Candles, when one of them (While is falling) overcomes the midpoint of the Real Body of the First Candle.



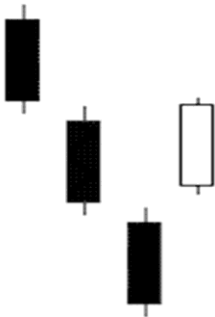
Kicker

You can see in the above graphic why this pattern is so explosive. Like most candle patterns there is a bullish and bearish version. In the bullish version, the stock is moving down and the last red candle closes at the bottom of the range.

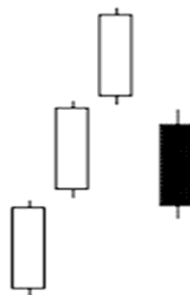
Then, on the next day, the stock gaps open above the previous days high and close. This "shock event" forces short sellers to cover and brings in new traders on the long side.

This is reversed in the bearish version.

Bullish Kicker



Bearish Kicker



FOR EXAMPLE = MINT



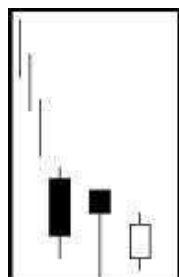
BULLISH UNIQUE THREE RIVER BOTTOM

Definition

This is a three-candlestick pattern that somewhat looks like the Bullish Morning Star. It appears in a downtrend. The first day's black candlestick engulfs the following small black body, which characteristically has a long lower shadow. The pattern is completed by a small white body, which closes below the close of the second day.

Recognition Criteria

1. The market is characterized by a prevailing downtrend.
2. A black candlestick is observed on the first day.
3. The second day is a black body that opens higher, trades at a new low, and then closes near the high.
4. The third day is a short white day below the second day.



BULLISH DOWNSIDE GAP TWO RABBITS

Definition

This is a three-candlestick bullish reversal pattern. The gap between the white body of the second day and the black body of the first day represents the downside gap. The white candlesticks of the second and third day represent the rabbits ready to jump out of their burrow.

Recognition Criteria

1. The market is characterized by a prevailing downtrend.
2. A normal or long black candlestick appears on the first day.
3. The second day is a short white candlestick that gaps down.
4. On the last day another white candlestick appears that opens at or below the open, and then closes above the close of the previous day, but still below the close of the first day.

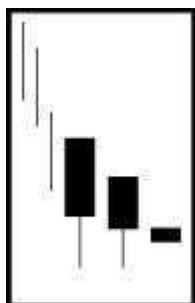
BULLISH THREE STARS IN THE SOUTH

Definition

This pattern consists of three consecutive black candlesticks which have consecutively lower closes and higher lows in a slowly deteriorating downtrend.

Recognition Criteria

1. The market is characterized by a prevailing downtrend.
2. A black candlestick with almost no upper shadow and a long lower shadow appears on the first day.
3. The next day is another black candlestick closing below the previous day's close and having an opening in the range of the previous day's body. However, it has a higher low.
4. The last day is a small black Marubozu with a higher low.



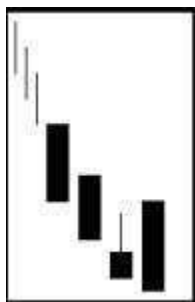
BULLISH CONCEALING BABY SWALLOW

Definition

This is a pattern formed by four black candlesticks. After two falling Black Marubozu days, a short down day engulfed by a fourth black day shows that the downtrend has eroded significantly, despite the final close is at a new low.

Recognition Criteria

1. Two falling Black Marubozu days at the beginning confirms the downtrend.
2. The third day is a short black with downside gap. However, this day trades into the previous day's body, producing a long upper shadow.
3. The fourth black day completely engulfs the third day including the shadow.



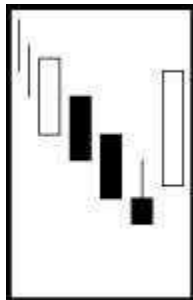
BULLISH LADDER BOTTOM

Definition

This is a five candlestick pattern that starts with three strong black candlesticks. The downtrend continues with the fourth lower close. The next day gaps higher and closes much higher than the previous day or two. This may imply a bullish reversal.

Recognition Criteria

1. The market is characterized by a prevailing downtrend.
2. Three strong black candlesticks occur much like the Three Black Crows pattern.
3. The fourth black candlestick closes also lower but has a long upper shadow.
4. The fifth day is a strong white with an open above the previous day's body.



BULLISH AFTER BOTTOM GAP UP

Definition

This is a five candlestick pattern that starts with three black candlesticks. The market signals a bottom reversal with the change in the color at the fourth candlestick. The next day gaps higher and makes a strong upward move, confirming the reversal.

Recognition Criteria

1. The pattern begins with a black candlestick.
2. The next two days are also black days, and each one closes lower than the previous day's close.
3. The third day gaps down and opens below the close of the second day.
4. The fourth day is white.

BULLISH DESCENT BLOCK

Definition

This pattern consists of three consecutive black candlesticks with consecutively lower closes in a downtrend. It is the compliment of the Bearish Advanced Block Pattern.

Recognition Criteria

1. The market is characterized by a prevailing downtrend.
2. A black candlestick appears on the first day.
3. The next two days are black candlesticks with each closing below the previous day's close and having an opening in the range of the previous day's body.
4. The last two days have long lower shadows.

Pattern Requirements and Flexibility

The first candlestick of a Bullish Descent Block should be a normal or long black candlestick. The following consecutive black candlesticks must open within the range of the previous day's body, and close below the previous day's close. The bodies of the three black candlesticks should get shorter, while the lower shadows get longer.

BULLISH DELIBERATION BLOCK

Definition

This pattern consists of three consecutive black candlesticks with consecutively lower closes in a downtrend. It is the compliment of the Bearish Deliberation Block Pattern.

Recognition Criteria

1. Market is characterized by a prevailing downtrend.
2. A black candlestick appears on the first day.
3. The next day is another black candlestick, which opens in the range of the previous day's body and closes below the previous day's close.
4. The final day is a short black candlestick, a spinning top or a Doji that gaps down below the second day.

Pattern Requirements and Flexibility

The first two black candlesticks appearing in the Bullish Deliberation Block should not be short. The second day should open at or higher than the close of the first day, while the close of the second day should be at or below the close of the first day. The gapping down third candlestick can be a short black candlestick or a Doji.

BULLISH SQUEEZE ALERT

Definition

This is a three-day bullish reversal pattern. It was developed because of the frequent event where prices can break to the upside following this pattern, especially if the pattern is preceded by a strong downside move.

Recognition Criteria

1. The market is characterized by a prevailing downtrend.
2. A black candlestick appears on the first day.
3. The second and third days each have lower highs and higher lows than the previous day. Their color is not important.
4. The sizes of the bodies of the three days do not matter.

Pattern Requirements and Flexibility

The first candlestick should be a black candlestick. The other two candlesticks can be of any color and length but they should have lower highs and higher lows consecutively.

BULLISH AFTER BOTTOM GAP UP

Definition

This is a five candlestick pattern that starts with three black candlesticks. The market signals a bottom reversal with the change in the color at the fourth candlestick. The next day gaps higher and makes a strong upward move, confirming the reversal.

Recognition Criteria

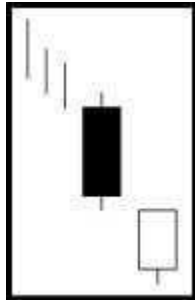
1. The pattern begins with a black candlestick.
2. The next two days are also black days, and each one closes lower than the previous day's close.
3. The third day gaps down and opens below the close of the second day.
4. The fourth day is white.
4. The fifth day is a strong white with an open forming (causing) a gap above the previous day's close.

Pattern Requirements and Flexibility

The first three days of the Bullish After Bottom Gap Up are strong black candlesticks with consecutive lower opens and lower closes. The third black should gap down. The fourth day is a white candlestick that opens higher and covers the gap. The fifth day is a strong white candlestick that makes a body gap with the fourth day. There are no short candlesticks in this pattern.

ON NECK LINE

(ate kubi)



Description

The On Neck Line pattern is almost a 'meeting line pattern', but the critical term is 'almost'. The ON Neck pattern does not reach the previous day's close; it only reaches the previous day's low.

Criteria

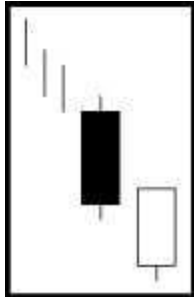
1. A long black candle forms in a downtrend.
2. The next day gaps down from the previous day's close; however, the body is usually smaller than one seen in the meeting line pattern.
3. The second day closes at the low of the previous day.

Pattern Psychology

After a market has been moving in a downward direction, a long black candle enhances the downtrend. The next day opens lower, a small gap down, but the trend is halted by a move back up to the previous day's low. The buyers in this upmove should be uncomfortable that there was not more strength in the upmove. The sellers step back in the next day to continue the downtrend.

IN NECK LINE

(iri kubi)



Description

The In Neck pattern is almost a Meeting Line pattern. It has the same description as the On Neck pattern except that it closes at or slightly above the previous day's close. Confirmation is suggested. The In Neck Line indicates some short covering, but not a change in trend direction.

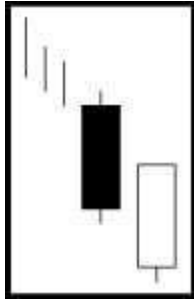
Criteria

1. A long black candle forms in a downtrend
2. The next day gaps down from the previous day's close; however, the body is usually smaller than one seen in the Meeting Line pattern.
3. The second day closes at the close or just slightly above the close of the previous day.

Pattern Psychology

This is the same scenario as the On Neck pattern. After a market has been moving in a downward direction, a long black candle enhances the downtrend. The next day opens lower, a small gap down, but the trend is halted by a move back up to the previous day's low. The buyers in this upmove should be uncomfortable that there was not more strength in the upmove. The sellers step back in the next day to continue the downtrend.

THRUSTING



Description

The Thrusting pattern is almost an 'On Neck' or an 'In Neck' pattern and resembles the Meeting Line pattern, also. It has the same description as the 'On Neck' pattern except that it closes near, but slightly below the midpoint of the previous day's black body.

Criteria

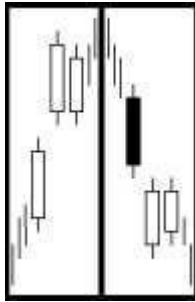
1. A long black candle forms in a downtrend.
2. The next day gaps down from the previous day's close; however, the body is usually bigger than the ones found in the On Neck and In Neck patterns.
3. The second day closes just slightly below the midpoint of the previous day's candle.

Pattern Psychology

This is the same scenario as the 'On neck' pattern. After a market has been moving in a downward direction, a long black candle enhances the downtrend. The next day opens lower, a small gap down, but the trend is halted by a move back up to the previous day's low. The buyers in this upmove should be uncomfortable that there was not more strength in the upmove. The sellers step back in the next day to continue the downtrend. It is a little stronger than the On neck and In Neck patterns, but not quite as strong as the Piercing Line pattern.

SIDE-BY-SIDE WHITE LINES - Continuation Pattern

(narabi aka)



Description

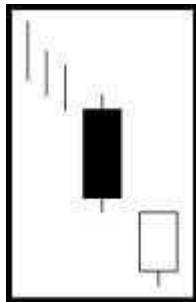
[Side-by-Side White Lines](#) are found in uptrends. Two white candles form side-by-side after gapping up from the previous white candle. Narabi in Japanese means 'in a row'. Narabi aka means "whites in a row,; Side-by-Side Lines, black or white, indicate a pause or stalemate when they are observed by themselves. In this case, the stock market data has a different meaning because they occur after a gap in the trend's direction.

Criteria

1. An uptrend is in progress. A gap occurs between two candles of the same color.
2. The color the first two candles is the same as the prevailing trend.
3. The third day, a candle opens at the same or near the open price of the previous day.
4. The third day closed near the close of the previous day.

ON NECK LINE

(ate kubi)



Description

The On Neck Line pattern is almost a 'meeting line pattern', but the critical term is 'almost'. The ON Neck pattern does not reach the previous day's close; it only reaches the previous day's low.

Criteria

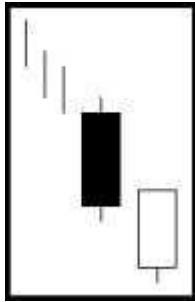
1. A long black candle forms in a downtrend.
2. The next day gaps down from the previous day's close; however, the body is usually smaller than one seen in the meeting line pattern.
3. The second day closes at the low of the previous day.

Pattern Psychology

After a market has been moving in a downward direction, a long black candle enhances the downtrend. The next day opens lower, a small gap down, but the trend is halted by a move back up to the previous day's low. The buyers in this upmove should be uncomfortable that there was not more strength in the upmove. The sellers step back in the next day to continue the downtrend.

IN NECK LINE

(iri kubi)



Description

The In Neck pattern is almost a Meeting Line pattern. It has the same description as the On Neck pattern except that it closes at or slightly above the previous day's close. Confirmation is suggested. The In Neck Line indicates some short covering, but not a change in trend direction.

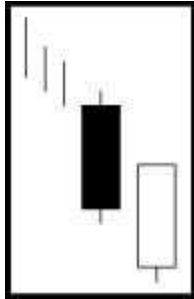
Criteria

1. A long black candle forms in a downtrend
2. The next day gaps down from the previous day's close; however, the body is usually smaller than one seen in the Meeting Line pattern.
3. The second day closes at the close or just slightly above the close of the previous day.

Pattern Psychology

This is the same scenario as the On Neck pattern. After a market has been moving in a downward direction, a long black candle enhances the downtrend. The next day opens lower, a small gap down, but the trend is halted by a move back up to the previous day's low. The buyers in this upmove should be uncomfortable that there was not more strength in the upmove. The sellers step back in the next day to continue the downtrend.

THRUSTING



Description

The Thrusting pattern is almost an 'On Neck' or an 'In Neck' pattern and resembles the Meeting Line pattern, also. It has the same description as the 'On Neck' pattern except that it closes near, but slightly below the midpoint of the previous day's black body.

Criteria

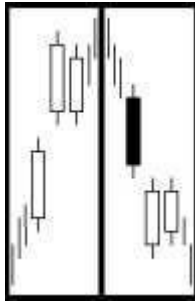
1. A long black candle forms in a downtrend.
2. The next day gaps down from the previous day's close; however, the body is usually bigger than the ones found in the On Neck and In Neck patterns.
3. The second day closes just slightly below the midpoint of the previous day's candle.

Pattern Psychology

This is the same scenario as the 'On neck' pattern. After a market has been moving in a downward direction, a long black candle enhances the downtrend. The next day opens lower, a small gap down, but the trend is halted by a move back up to the previous day's low. The buyers in this upmove should be uncomfortable that there was not more strength in the upmove. The sellers step back in the next day to continue the downtrend. It is a little stronger than the On neck and In Neck patterns, but not quite as strong as the Piercing Line pattern.

SIDE-BY-SIDE WHITE LINES - Continuation Pattern

(narabi aka)



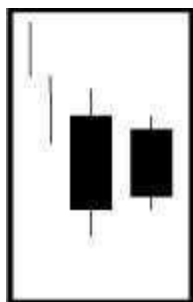
Description

[Side-by-Side White Lines](#) are found in uptrends. Two white candles form side-by-side after gapping up from the previous white candle. Narabi in Japanese means 'in a row'. Narabi aka means "whites in a row,; Side-by-Side Lines, black or white, indicate a pause or stalemate when they are observed by themselves. In this case, the stock market data has a different meaning because they occur after a gap in the trend's direction.

Criteria

1. An uptrend is in progress. A gap occurs between two candles of the same color.
2. The color the first two candles is the same as the prevailing trend.
3. The third day, a candle opens at the same or near the open price of the previous day.
4. The third day closed near the close of the previous day.

HOMING PIGEON



Description

The Homing Pigeon is the same as the Harami, except for the color of the second day's body. The pattern is composed of a two-candle formation in a down trending market. Both candles are the same color as the current trend. The first body of the pattern is a long body, the second body is smaller. The open and the close of the second day occurs inside the open and the close of the previous day. Its presence indicates that the trend is over.

Criteria

1. The body of the first candle is black; the body of the second candle is black.
2. The downtrend has been evident for a good period. A long black candle occurs at the end of the trend.
3. The second day opens higher than the close of the previous day and closes lower than the open but above the closing price of the prior day.
4. Unlike the Western Inside Day, just the body needs to remain in the previous day's body; where as the Inside Day requires both the body and the shadows to remain inside the previous day's body.
5. For a reversal signal, further confirmation is required to indicate that the trend is moving up.

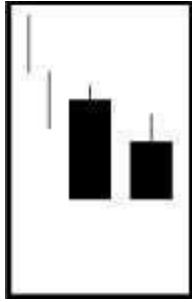
Signal Enhancements

The higher the second candle closes up on the first black candle, the more convincing that a reversal has occurred.

Pattern Psychology

After a strong downtrend has been in effect and after a long black candle, the bulls open the price higher than the previous close. The shorts get concerned and start covering. The price finishes lower for the day but not as low as the previous day. This is enough support to have the short sellers take notice that the trend has been violated. A strong day after that would convince everybody that the trend was reversing. Usually the volume is above the recent norm due to the unwinding of short positions.

MATCHING LOW



Description

The [Matching Low](#) pattern is similar to the Homing Pigeon pattern, the exception being that the two days of the pattern close on their lows, at the same level. After a long downtrend, recognizing that the price has closed at the same level without going through is an indication to the bears that the bottom has been hit.

Criteria

1. The body of the first candle is black; the body of the second candle is black.
2. The downtrend has been evident for a good period. A long black candle occurs at the end of the trend.
3. The second day opens higher than the close of the previous day and closes at the same close as the prior day.
4. For a reversal signal, further confirmation is required to indicate that the trend is moving up.

Pattern Psychology

After a strong downtrend has been in effect and after a long black candle, the bulls open the price higher than the previous close. The shorts get concerned and start covering. However, the bears still have enough control to close the price at the low of the day, the low being the same as the close of the previous day. The psychological impact for the bears is that it couldn't close below the previous close, thus causing concern that this is a support level.