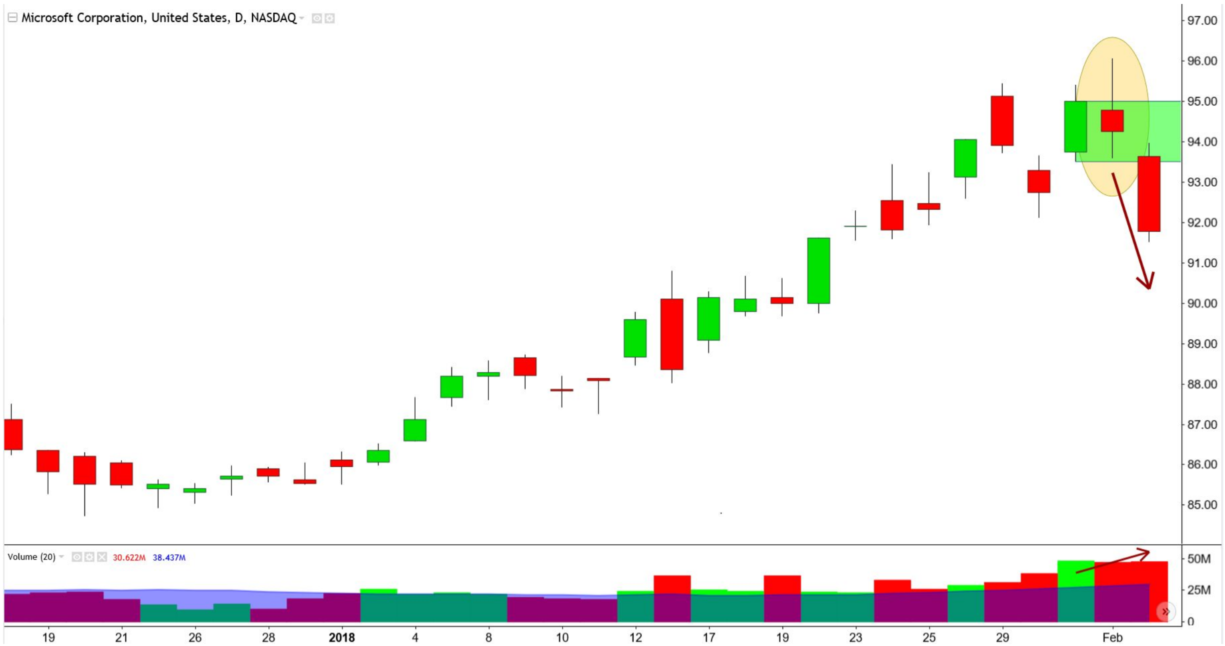
A less strict harami forms. There is real body containment but the upper wick surpasses the first candles high. In any case the current candle shifts back to a firm bearish tone due to upper wick rejection and a spike in red volume. The harami adds some indecision but it should also be noted that a very narrow double top forms with the prior high of the dark cloud cover formation.


Microsoft Corporation, United States, D, NASDAQ
Volume (20) 30.622M 38.437M
97.00
96.00
95.00
94.00
93.00
92.00
91.00
90.00
89.00
88.00
87.00
86.00
85.00
50M
25M
0
19
21
26
28
2018
4
8
10
12
17
19
23
25
29
Feb


Microsoft Corporation, United States, D, NASDAQ
Volume (20) 30.622M 38.437M
97.00
96.00
95.00
94.00
93.00
92.00
91.00
90.00
89.00
88.00
87.00
86.00
85.00
84.00
83.00
82.00
81.00
80.00
40M
0
6
11
14
19
22
2018
5
10
16
19
24
29
Feb
6

Rapid drop ensues after immediate closes under the lows of the harami and dark cloud cover. Nearing the mid 80s a likely support range as it was the approximate prior upper boundary.

The key take away here is not so much to argue whether the looser interpretations of the dark cloud cover or harami were correct or incorrect. Rather it is to demonstrate the candles are just a convenient summary of price action. The general price action is still demonstrated to be an overall bearish time in the market. Even though the dark cloud cover and harami could have been discounted if stricter criteria was applied, the general movement was upward weakness and increasing selling concentrated to the lows of the candles.

A very large harami but since the second candle is also of near equal H-L range this is a more proportional harami than the one seen in December. In any case the second candle is more important as it shows lower wick rejection and is effectively a large bull hammer that has immediate confirmation. The closing of price over the high of this less strict harami can be considered further bullish momentum in the development of an early uptrend. Once again this can not be considered a harami if strict criteria eliminates it due to the lower wick breaching the low of the first large red candle. However the overall price action is similar in that it is indecisive to bullish.

A slow but gradual climb that will see strong opposition nearing the mid 90s


Microsoft Corporation, United States, D, NASDAQ
Volume (20) 30.622M 38.437M
97.00
96.00
95.00
94.00
93.00
92.00
91.00
90.00
89.00
88.00
87.00
86.00
85.00
84.00
40M
0
2018
8
12
19
25
Feb
7
13
20
Mar
7


Microsoft Corporation, United States, D, NASDAQ
Volume (20) 30.622M 38.437M
98.00
97.00
96.00
95.00
94.00
93.00
92.00
91.00
90.00
89.00
88.00
87.00
86.00
85.00
84.00
40M
0
8
12
19
25
Feb
7
13
20
Mar
7
13

The upper range is maintained despite marginally higher bearish engulfings.

Bearish engulfings can still be slow to start but are certainly more directional than haramis and indecisive price action that forms in the lower part of the developing range.

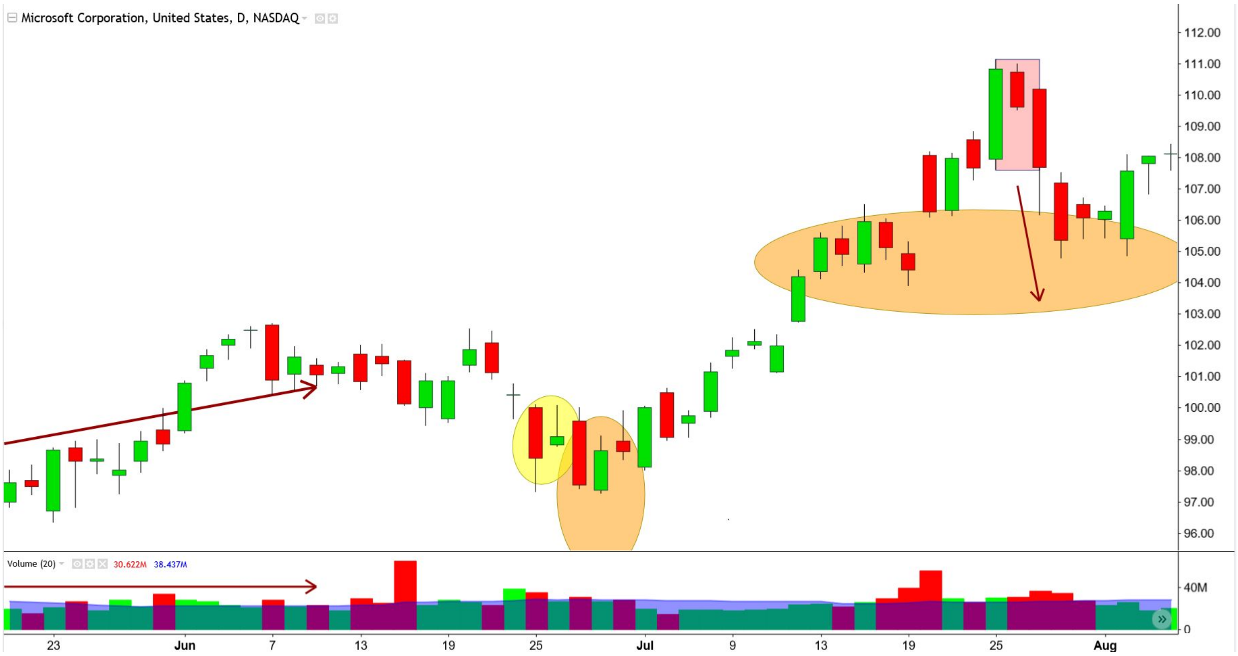
This lower range holds and once again it is a demonstration of a somewhat more “passive” rise. Sharp drops from the mid 90s led to an oversold market in the short term and that allowed for a relatively slow but stable rise with less green bullish price action and volume. Later red spikes at and above the mid 90s further demonstrate this as those short events are unable to push price much lower in the oversold environment.

A harami and piercing pattern side by side to quickly shift the sentiment from neutral to bullish. Additional bullish factors were the lower wick rejection of the first “mother” harami candle and the second or “baby” candle being an inverted hammer. There was also rapid price action over the lows of the upswing point. Volume that followed was below normal but consistently green.

Harami forms to introduce indecision as the uptrend continues. The current candle shifts sentiment back on a more bullish track.

A disconnect between high red volume and red candles that don't drive lower and actually rise.

A disparity soon corrected with a harami that quickly turns the market bearish as the recent candle trades and almost closes below its low with increased selling volume.



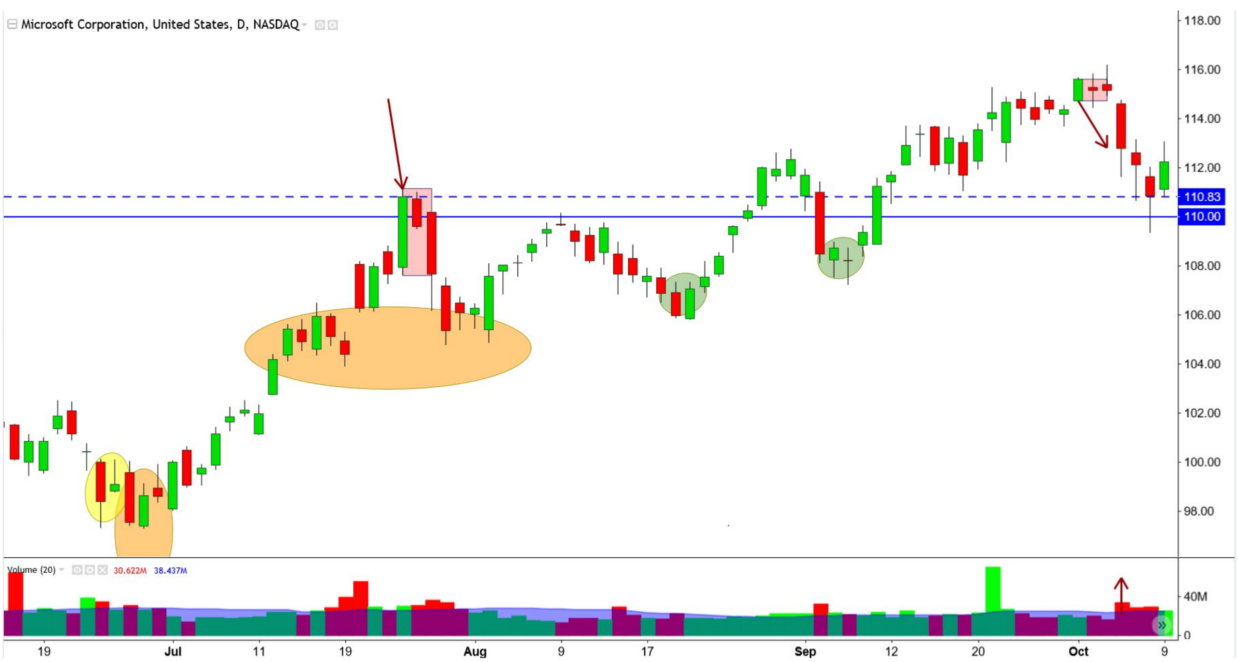
Rapid overselling in the short term leads to inability for the market to sell Microsoft under the low 100s range where prior hesitation and indecision took place in mid July.

Uptrend resumes and is actively bought up higher rather than the initial passive rise from overselling. First a clean bullish engulfing followed by bull hammer and doji lower wick rejection that formed similar price action to a morning star except it is unsymmetrical and skewed to the lower left at first.

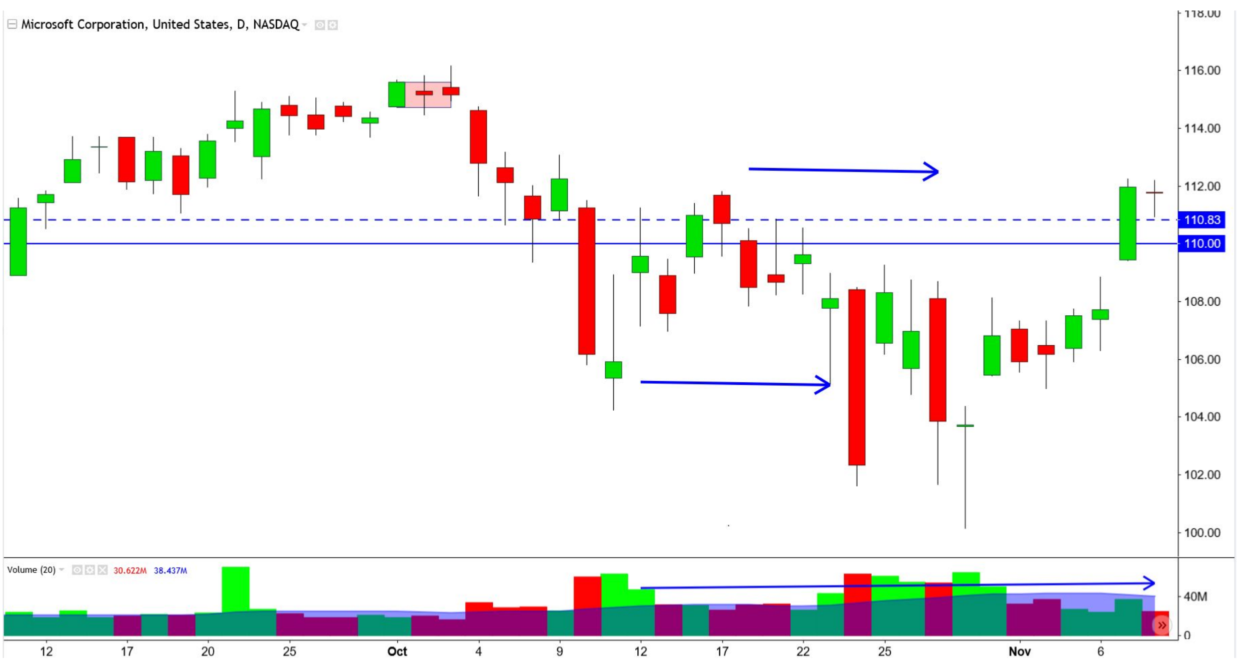
Though once again the general price action and immediate bullish closes higher are more important.

Volume is also consistent and generally slightly above average levels a very stable uptrend prior to the current neutral to bearish tone from the recent harami and upper wick rejection.

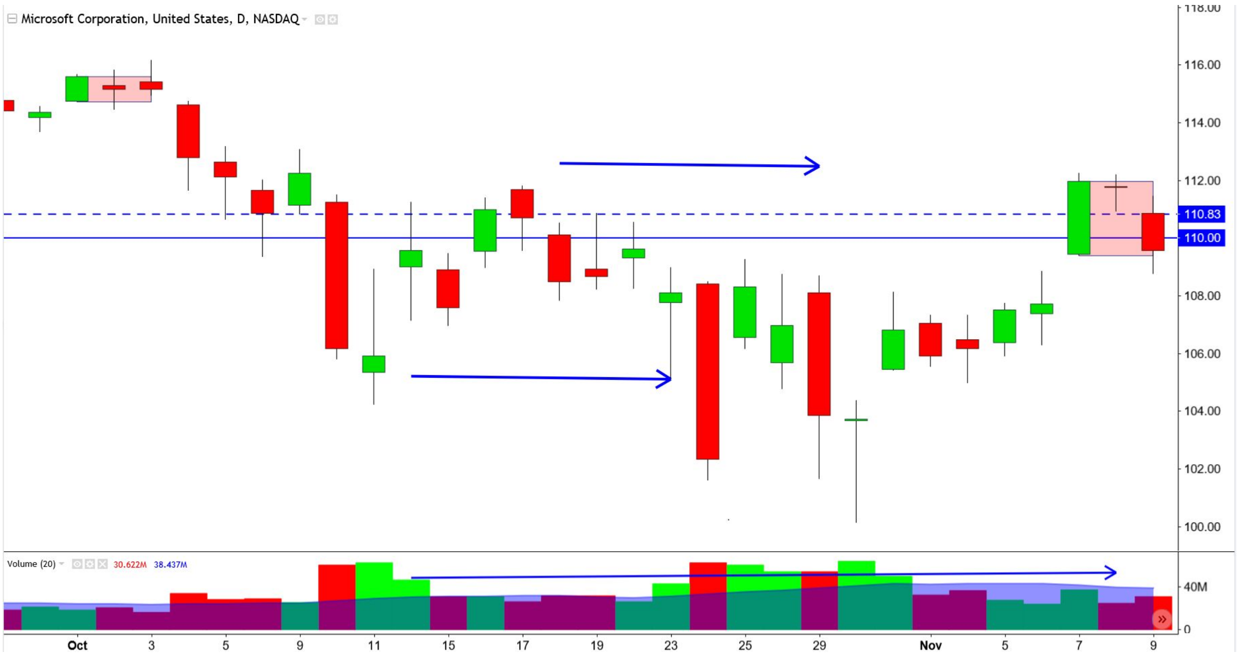
High bearish confirmation for a likely downswing.



As would be expected the market moves lower but finds quick support from the prior 110 range.



It is a highly volatile time that is neutral to bearish in the long term, mainly due to the large red candle breaking under 110 on October 10th and negating the seemingly strong bullish confirmation on the 9th.



The last 3 candles have the general price action of an evening star as price tries to reestablish over 110. Though a strict interpretation of an evening star would not qualify the last 3 candles since there is real body overlap. It is also an upwardly skewed harami with the second or “baby” candle concentrating higher similar to a hanging man. Nonetheless it is a bearish indication at resistance. Particularly with the current candle being a thicker red real bodied bearish star.

Confirmation for the evening star downswing looks likely to have 110 hold

Microsoft down longer.

The neutral range is volatile and rapidly accelerates lower for familiar results. Oversold in the short term to end 2018 and produce a mostly passive rise that is accelerated to pass 110 in March of 2019.

A minor sideways range follows at new record highs but it is much more stable with cleaner candle formations. The one commonality is that it is also composed of haramis that mainly appear in directional contexts to form the upper and lower boundaries. It is more of a continuation or resting phase in the bullish trend mainly because of the rapid confirmation of the harami in the early June upswing to avoid prolonged flat trading.

Harami Candle Example Case Study 3

Extreme proportions of a bearish engulfing are reverse in a short time with the early July bullish engulfing with more normal proportions.

Clear upper and lower ranges form despite some prolonged and volatile flat periods.

Another harami with a slight upward concentration where the second candle is near the high of the first.

It also illustrates another formation close to an evening star's U shaped turn. The absence of gaps between real bodies is more understandable given it is a forex chart. Regardless of how strict or loose the criteria is for evening stars and haramis. The past 3 candles demonstrate a leaning towards bearish movement with upper wick rejection approaching the firm 123 level and closing lower.

A doji that immediately forms for normal and brief pausing that is quickly overcome. Then a normal rapid upward reversal with a bullish engulfing that has the next few candles close immediately above it.

Familiar sight of the market establishing above the prior resistance with a minor downswing and flat range before jumping in July.

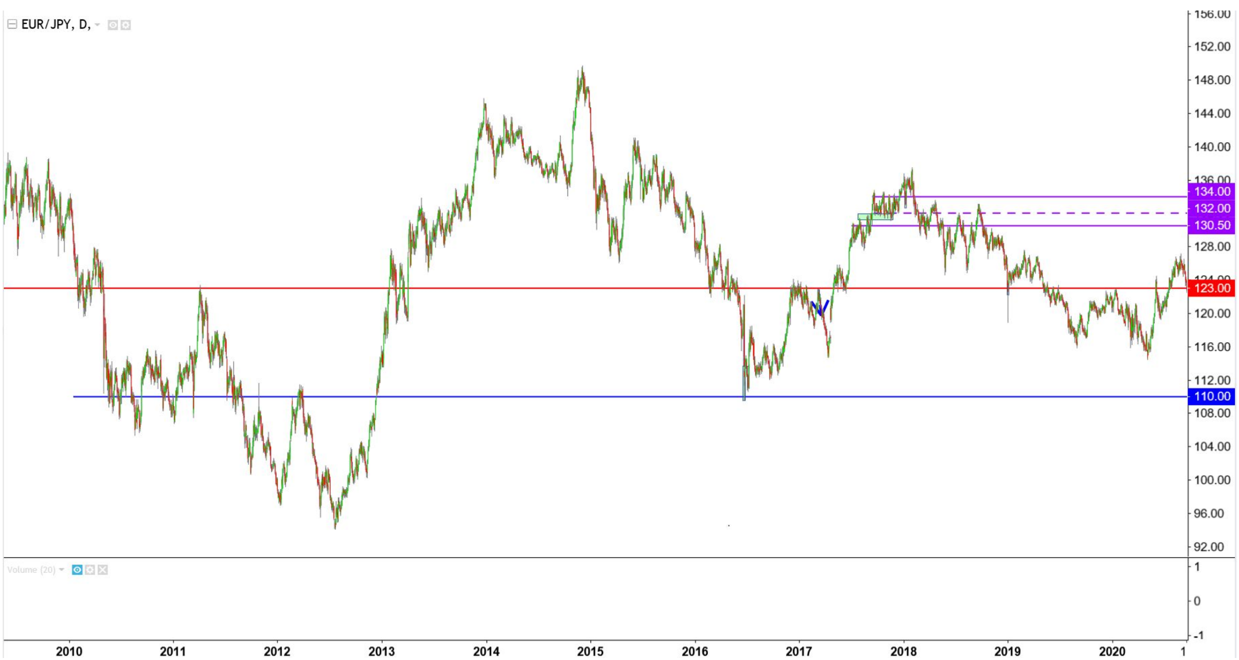
Initial bearish price action from the harami is not taken advantage of for the bearish perspective. Normal flat range from a row mainly made up of dojis and spinning tops.

Either a continuation goes ahead to resume climbing by surpassing 134 soon or 132 is breached to reach the 130 support.

132 is under pressure but lower wick rejection holds the line.

More upwardly skewed haramis at 134

134 is passed but overbought territory is reached due to severely sharper peaks to begin 2018.



2018 ends on a highly bullish note with a long lower wicked bullish hammer holding over 123 as it is engulfed by the next candle to form a minor uptrend to start 2019.

Chapter 9 Continuation Price Formations And Candle Example Case Studies

Continuation Price Formations And Candle Example Case Study 1

Crude Oil WTI Futures, D, (CFD)
80.00
76.00
72.00
68.00
64.00
60.00
56.00
52.00
48.00
44.00
40.00
36.00
32.00
28.00
24.00
1
0
-1
Oct
2016
Apr
Jul
Oct
2017
Apr
Jul
Oct
2018
Apr
Jul
Oct

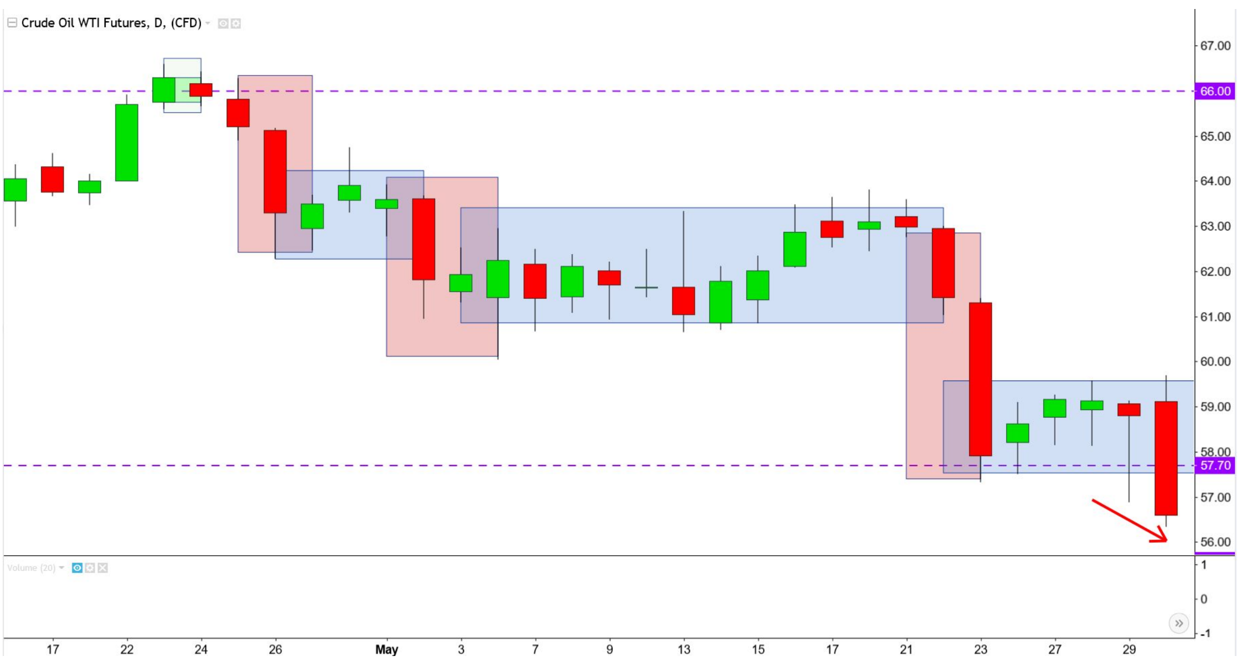
Crude Oil WTI Futures, D, (CFD)
78.00
76.00
74.00
72.00
70.00
68.00
66.00
64.00
62.00
60.00
58.00
56.00
54.00
1
0
-1
Nov
Dec
2018
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov

A major upward channel is broken to give way to a stable and sustainable downtrend that provides a great demonstration of multiple 3 methods falling candle patterns. Similar to many continuations before but closer to the original 3 methods falling during the span of fewer candles.

Major upswing originates from a formation that has the price action of a bullish star but also comprises a harami and bullish engulfing at the same time. In any case it is an overall bullish formation from the upward facing U turn shape.

Like earlier examples there is natural resistance around the continuation levels from 3 methods falling patterns. Especially the O and C of the first large candle that really defines the outline of the pattern.

More 3 methods falling examples originating from the downswing point that is a bearish harami due to the immediate closing confirmation below its low in the next candle that also proceeds to go under the 66 resistance.



In some ways the first two phases of a 3 methods falling are like a harami in that the large red candle contains the real bodies of the smaller candles that follow. This provides a neutral to bullish tone before the last candle finishes the pattern lower to return the original bearish conditions in a similar fashion to a bearish engulfing pattern.

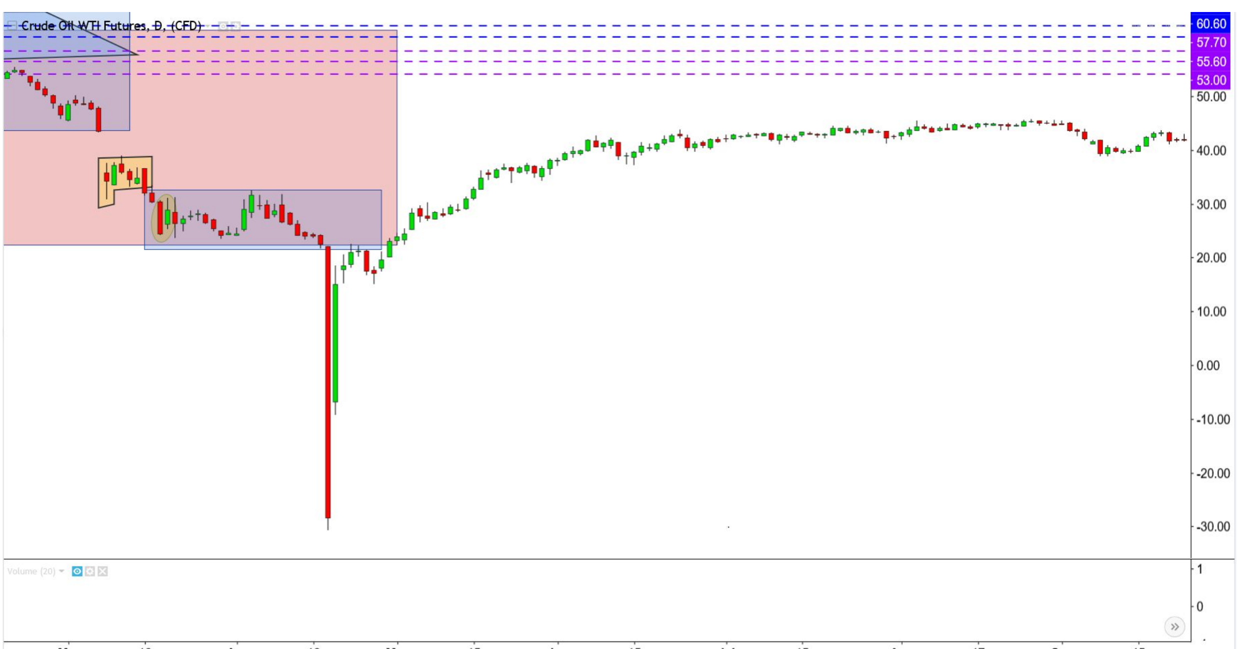
Double bottom comprises two piercing patterns for a rapid reversal.

As expected the prior price ranges from the first downtrend remain highly influential well into the future.

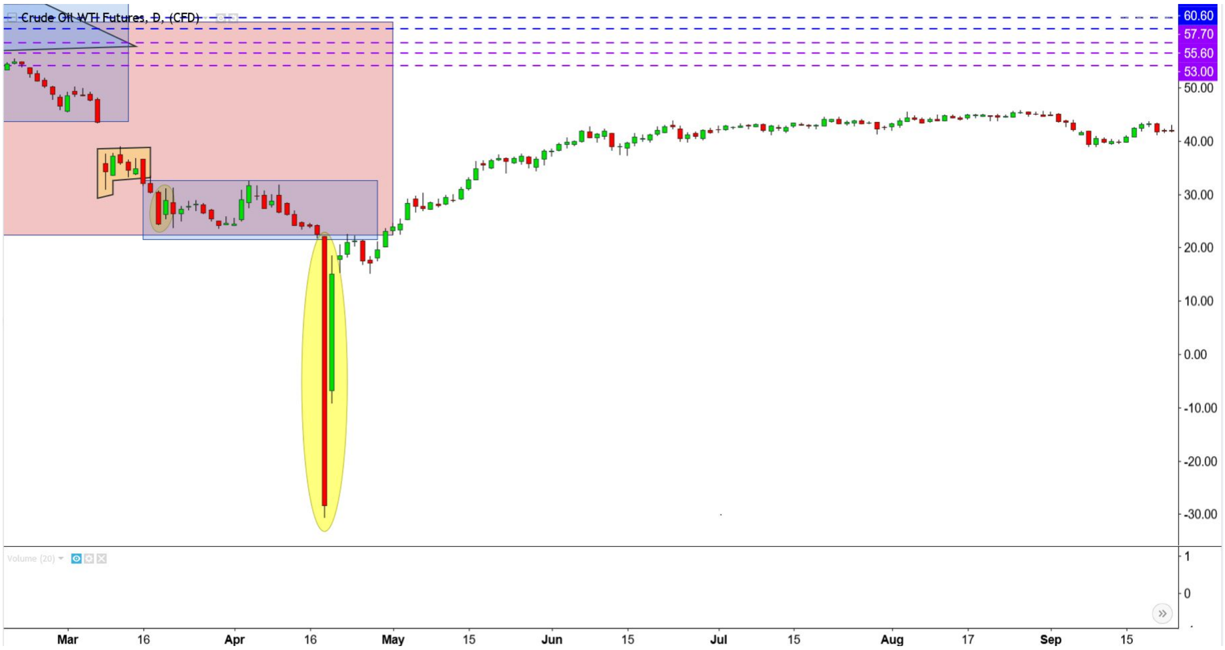
Combining a shorter time frame (15 minute intraday chart on the left) with a longer time frame (daily chart on the right) provides greater context and illustrates the price action or chart within a chart that candles summarize. As well it shows why the O and C prices are generally more significant in the long term and the importance of the O and C of the first large red candle that sets the main structure of a falling 3 methods.

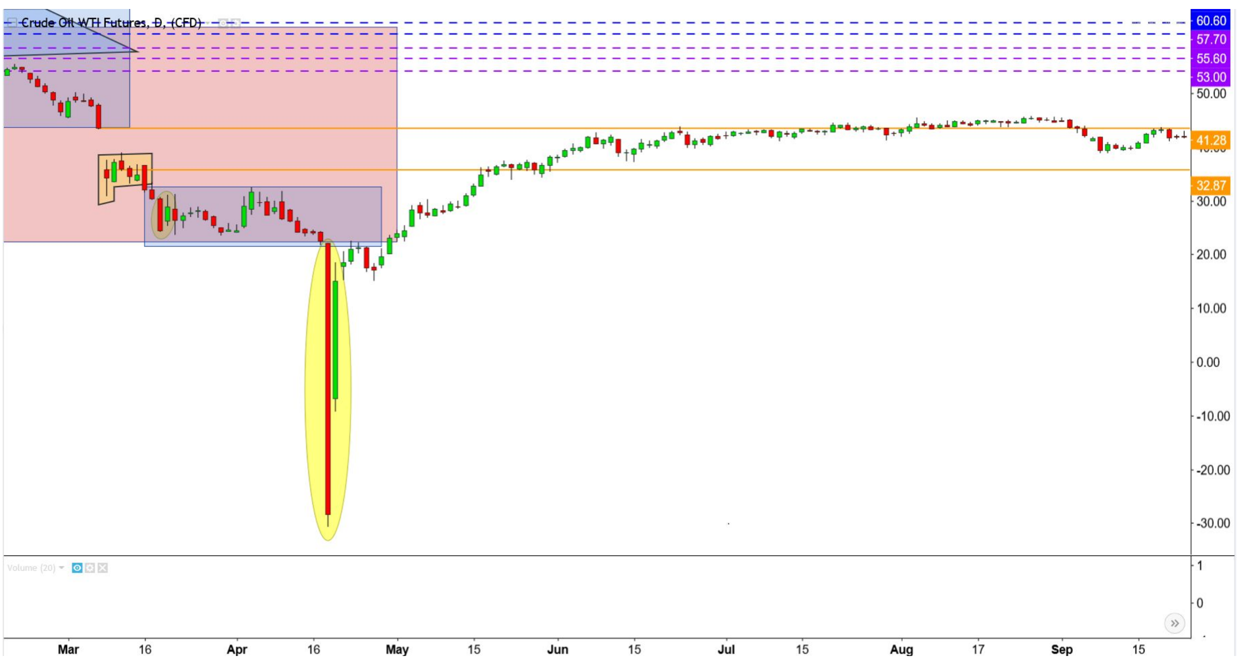
More merging of multiple time frames a multi year downward continuation that basically has the same price action and elements as a smaller scale 3 methods falling.

March begins with a gap down and illustration of how bull hammers can especially slow down a large drop even if they don't lead to an upswing. This has been seen in many other examples. The market is actually bullish in the very short term in more of a "passive" rise after a rapid drop oversells during the break of a key lower boundary.



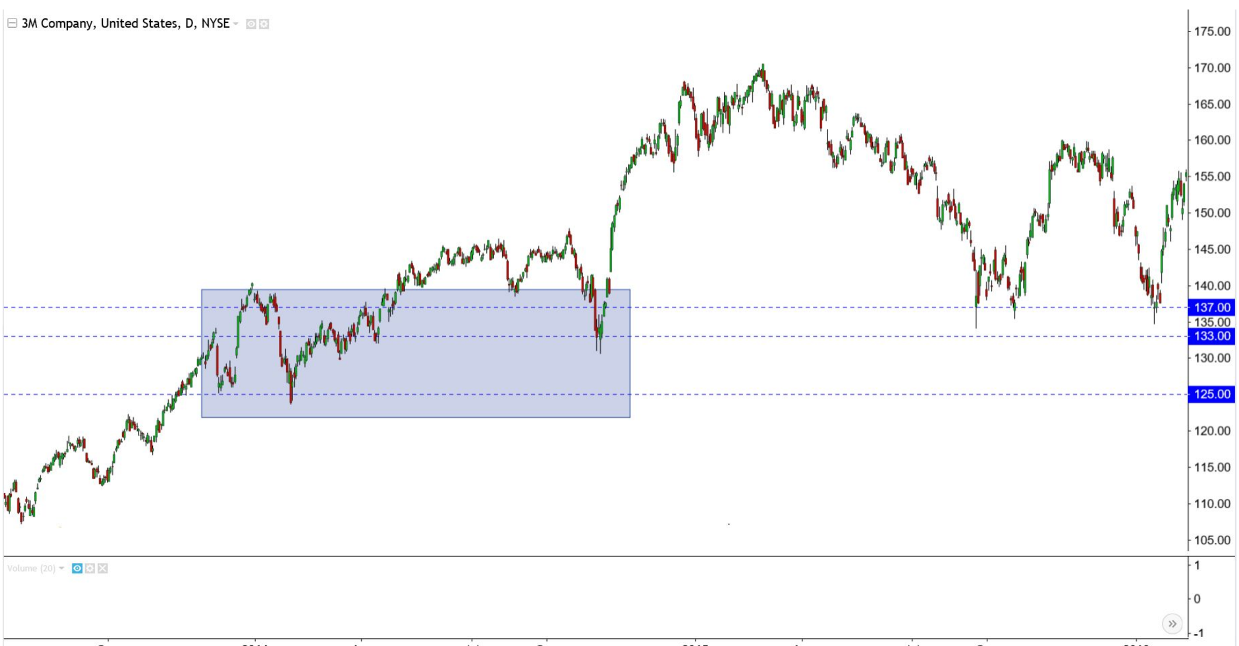
This oversold then "passive" bullish rise is even seen when the key lower 20s range is breached during the historic crude oil futures drop into negative territory. A downward continuation over extended. The two candles in negative price ranges effectively form lower wick rejection and a thicker bodied bull hammer when combined. An uptrend is highly possible after the high of this large harami is passed and oil closes above the lower 20s range that offered a first resistance range.





Naturally the historic volatility led to the candles of the next few months appearing drastically more stable in comparison. The gap down levels naturally provide further lower intermediate resistance.

Continuation Price Formations And Candle Example Case Study 2



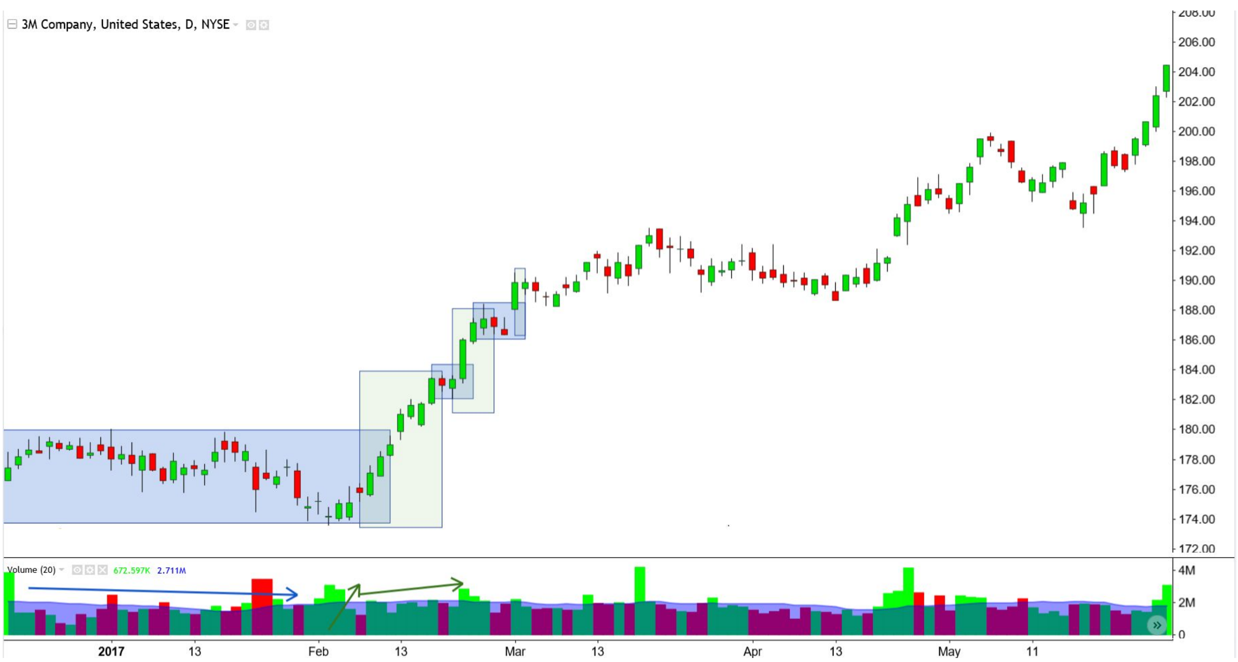
Excellent lower wick rejection as a prior upper range reverses roles to become a major support range.

Upward continuations are essentially 3 methods rising on a larger scale. Primary features are the increased price action and volume of rapidly rising price with a flat to downward range in between that often has proportionally lower volume and smaller candles.

3M Company, United States, D, NYSE
Volume (20)
664.524K 2.71M

3M Company, United States, D, NYSE
Volume (20)
664.801K 2.71M

Hesitation from an upwardly skewed harami is quickly overcome to produce a 3 methods rising and a likely rise provided the following candle close successively higher.



The rise does indeed happen with higher than average green buying volume too and demonstrates a 3 methods rising formation with just two candles for the resting phase.


3M Company, United States, D, NYSE
Volume (20)
675.457K
2.711M


3M Company, United States, D, NYSE
Volume (20)
2.711M

Some upper wick rejection and close to the outline of a hanging man near the temporary upper boundary near 208, but overall still bullish in every other aspect in a likely upward continuation.

Continuation comes with the usual features of a row of increasing green candles and consistent green volume.

All up trends end at some point. This one gaps down and is caught near the important O of the first green candles that began the final upward continuation.

Longer term context places the gap down as a minor pullback. Then the next major downtrend is halted at the lower support range seen at the start of this example. Thereby illustrating the relevance of major ranges once again, even years later.

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Continuation Price Formations And Candle Example Case Study 3

Similar start to an earlier example with FedEx stock that had a sharp peak then a flat range to end a long term uptrend.

While volume is helpful it might not always be adequate or readily available on all charts especially on less heavily traded stocks or assets outside the stock market like forex that don't readily display volume. This example is a great demonstration showing 3 methods rising price action. Generally normal to slightly below normal levels of mainly green bullish volume. Even without the volume the price action alone is more than adequate in clarifying that an uptrend is continuing and developing a consistent pace higher.

Price action is volatile but overall clear during contact with the 165-170 upper intermediate range where resistance is naturally going to occur. The downswings are clear upper wick rejection and dark cloud cover as seen in other examples.

Again expected resistance halts the rise at the prior 178 range. Bearishly engulfed hanging man with immediate close below it, downswing more likely. However additional context is needed. 170 will be a key lower boundary before an established downtrend can form. Also the O-L of the large green candle on October 23rd will also oppose a drop since it is a potential first candle in a pssible 3 methods rising formation. The last 4 candles can be developing an upward continuation especially since the last 2 red candles are decreasing in volume compared to the two green candles before them.

Remaining bearish but to a lower degree since both bearish price action and volume are decreasing in intensity.

The lower 170s hold the minor neutral to bearish move and the current large green real body candle forms a clear 3 methods rising. Its higher volume and close above the 178 resistance level are additional bullish features. As usual the confirmation for further bullish movement to newer highs will be more likely if price can immediately trade above and close over the 3 methods rising's high with the next candle.

Price does trade higher but the candle is bearish to close lower with higher bearish volume. This puts doubt into a continuation higher but it is more of a unique situation since this is a major resistance at record high ranges compared to the earlier 3 methods risings that were in the lower to middle portions of established trading ranges where resistance was comparatively weaker.

Similar to late October McDonald's stock price drops but at a relatively slower pace and with lower volume than the larger green candles that have taken price back up faster and with proportionally higher volume. In fact this could just be another 3 methods rising in the making especially with the current candle rejecting lower prices. It is a bull hammer in a very short term context with the O of the large green candle on October 30th being the lower immediate lower support boundary.

It is indeed another 3 methods rising with a strong gap up higher for the O on November 5th with a spike in green volume once more. This along with another close over 178.36 provides additional bullish attributes.

Green volume flattens off but remains consistent with an immediate close above the 3 method's rising's high. A clear break to newer highs has begun and even if there is another downswing the 178.36 level offers a firm base to consolidate over.

A near perfect continuation composed of 3 methods risings that do form the eventual minor downswing and flat range to consolidate but the trend is so strong it forms higher near the mid 180s as opposed to directly returning to the 178 area at previous highs. Volume decreases back to near normal or lower than normal levels but it remains consistently green overall.

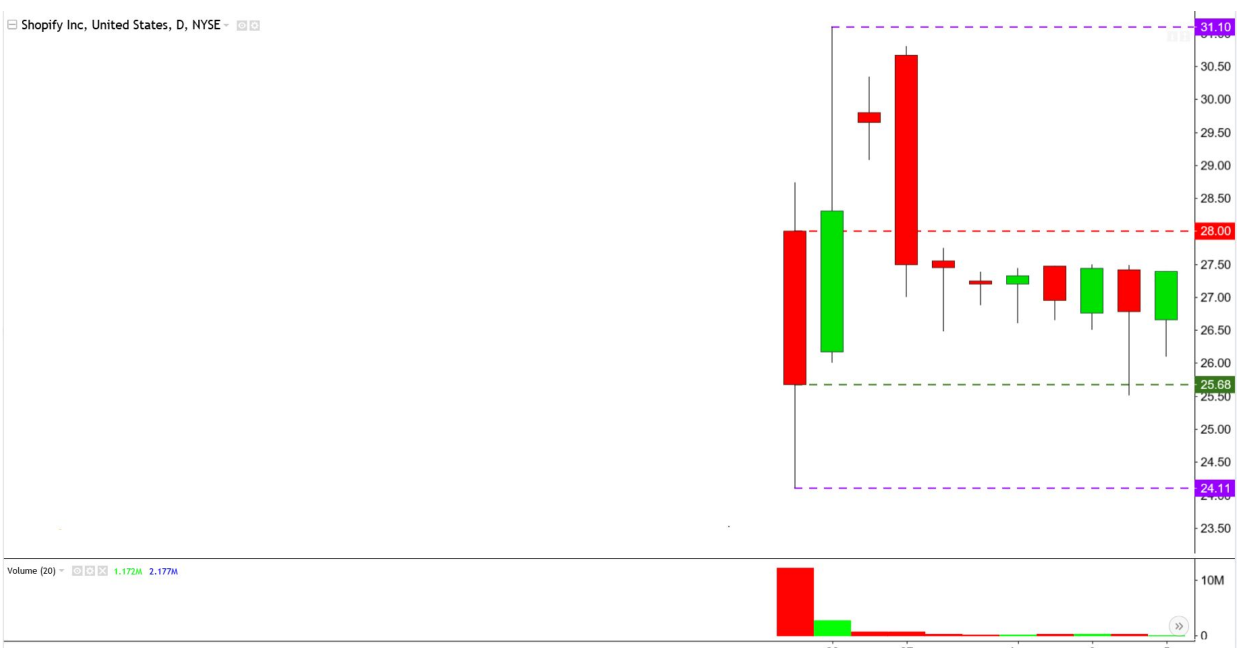
Short term volatility and fear from the broader market sees the transition into 2019 emerge to seemingly negate recent progress. However a longer term perspective sees the prior 170s ranges significantly reduce the stronger spikes in selling. The 3 methods risings that ended 2018 were key in maintaining the 170s range and weather the bearish periods better compared to other stocks during the same time.

Longer term context does indeed clarify the situation as essentially one large 3 methods rising continuation similar to other large continuations seen earlier. The key points here are flat ranges did form but the lower boundaries were never breached significantly or for sustained periods of time. While the downswings were short lived and often rapidly reversed. That all contributed to relatively stable "resting phases" of bearish to neutral price action in between the rapid bullish rises.

Later when the market corrects due to another broader market decline in early 2020, the previous ranges remain highly influential in slowing down the strong drop. Then familiar bullish reversal candles form to begin an uptrend that is still influenced by the 150- 180 ranges yet again.

Chapter 10 Strong Price Action And Candle Continuation Example Case Studies

Strong Price Action And Candle Continuation Example Case Study 1



Shopify stock will provide a good case study to illustrate candle charting and general price action during uncertain times that are first present during the normal speculation in stock prices when a company first begins trading on the stock market such as Shopify did in mid 2015.

Naturally O, C, L, & H prices of the first days are spread over a wide range due to initial speculation. These are key ranges that influence stock price far into the future. It can be referred to as the IPO(initial public offering) range. The one red candle on June 10th is normal even during a rapid rise due to the 28.00 opening price of the first day. Offering some selling pressure. Though overall it is more like a minor resting phase the general price action in the last 3 days is essentially the most rapid form of a 3 methods rising with the bear minimum criteria of 2 large green candles with one resting bearish to neutral candle in between.

Immediate confirmation with a strong close over the 3 methods rising price action points to the higher likelihood of Shopify establishing newer highs during its early trading on the stock market.

Rapid upward acceleration with increasing volume too. The strongest of continuations in the form a 3 marching soldiers pattern. Large green real body candles with clear gaps between them for a near vertical climb. The candle on June 15th does have larger wicks(especially the upper one) However it is still predominately bullish. As with other candle patterns it will be less common to match theoretical diagram proportions all the time on real live charts. As long as the general price action features are present there can be slight deviation from the proportions of candle diagrams. This is especially true for the 3 marching soldiers as there will usually be some short term volatility that forms a longer wick in at least one of the candles.

Familiar sight especially after a rapid rise that can be considered over extended. Bearish star is immediately confirmed with a close lower for a likely downswing. 3 marching soldiers is by nature a rapid and short lived move. It along with the 3 black crows pattern lead to over extension as they develop trends too quickly in the short term. As long as price dips back to and reverses off a recent support level a longer term uptrend in this case can remain intact.

Very normal volatility in the next few months drawn back into the IPO range. The overall sentiment is neutral to bullish because the IPO low of 24.11 had not been breached and when it was contacted there was strong lower wick rejection.

A flat lower range is overcome similar to the formation of the IPO range. There is some minor real body overlap between the candles but after the bullish engulfing there is a strong continuation higher with the same general 3 marching soldiers price action. Also note in late august the row of red candles breaching under 31.10 forms a clean 3 black crows pattern with gradually increasing volume. When 31.10 is first dropped on too there is still some minor lower wick rejection on August 19th to show normal residual support slowing down the downswing for a brief time. The same is true for lower wick rejection on August 21st with the drop back onto 28.00.

Another attempt into the 40s fails. Leading to a decisive downtrend under the IPO low of 24.11 to turn market sentiment bearish.

Again there is minor real body overlap but a row of green candles successively closing higher is the more important aspect of general price action to focus on. Rather than the more minor detail of how much of a gap or overlap exists between candles that are rapidly closing higher to eventually form an uptrend to retry entry into the 40s.

31.10 halts the rise as it remains influential. May begins with what can be considered the general price action of a 3 black crows pattern that makes up most of the current downswing. The candles are not uniform in size like a theoretical diagram, and there is massive disparity in the lower wick rejection on May 4th, though there are gaps between the real bodies. Overall it is without a doubt the general rapid declining in price that is more important than the minor details of candle proportions.

Sustained red volume spikes keep the slide on a steep angle where short term over extension and lower wick rejection combined with the 25.68 support level provide a base to begin an upswing that is accelerated by a 3 marching soldiers pattern with increasing gap distance between real bodies to indicate very strong bullish sentiment. The lower wick rejection in early May did point to some weakness in the downtrend and bullish sentiment that remained closer to the 25-28 range.

Normally a chart has less volatility after a full year of trading after IPO stocks often stabilize and develop clearer direction. In Shopify's case there is still some high volatility at times but price action has stabilized overall and the transition into 2017 sees all kinds of strong upward continuations from the first 3 marching soldiers to the 3 methods rising pattern that holds to finally establish and surpass the 40s range. Then the one single large green candle in mid February that is essentially the sum representation of any bullish continuation price action.

Examples of single large real bodied candles instead of 3 marching soldiers, 3 methods rising and their bearish counterparts. Even though they are disproportionately larger they still behave to form a lower range with minor lower wick rejection in the mid 80s and upper wick rejection at the 100 area.

3 methods falling in early December. Then abrupt but expected upswing emerges from a bullishly engulfed doji that has lower wick rejection relative to the supporting range in the lower 90s still remaining active from October.

April and August 2018 saw extreme 3 black crows with the final candles sprinting down. They were large but unsustainable bearish moves and naturally became overextended immediately upon completion. The drop in June is still strong but weaker and slower in comparison due to high real body overlap.

In the long term the 120-100 range holds to form a resting phase that is easily surpassed in 2019. 100 is a key stock price especially for a stock like Shopify having only traded on the stock market for a few years. Often after passing 100 following an IPO, a stock can go on a strong uptrend as seen here. It is not a guarantee all newly listed stocks would go on such a large uptrend but 100 does become a firm base after it is passed.

Note the downtrend shows weakness and indecision. Many dojis and lower wick rejection that slow down the drop. Volume is slightly above normal. Bullish green volume easily reverses the short term drops from red candles that have increased volume but little effect in forming a solid longer term reversal as the lower 300s form a solid base similar to earlier lower boundaries.

Taken in the longer term context the brief bearish phase was more of a resting phase in the longer term uptrend which resumed with a strong bullish move out of the 300s to end April. Very much like the formation of a 3 methods rising on a large scale.

Strong Price Action And Candle Continuation Example Case Study 2

The boundary between the 30s and 40s remains highly influential despite large shifts in price over the years.

Examples of strong continuations during upswings and downswings close to the key 41-39 range.

Neutral to bullish after the bounce following lower wick rejection off 41.00 to begin 2016. Bullish volume is less consistent than the still constant selling present in 2016. However the periodic rows of large green candles and increased buying volume are enough to hold the 57.50 area and eventually form a bullish continuation to end 2016.

Uptrend slows due to a short term bearish return that is not maintained. If stronger selling doesn't begin soon the flat range can give way to another bullish continuation to move further into 2017.

Key break of the lower mid 70s range with increasing bearish volume too.

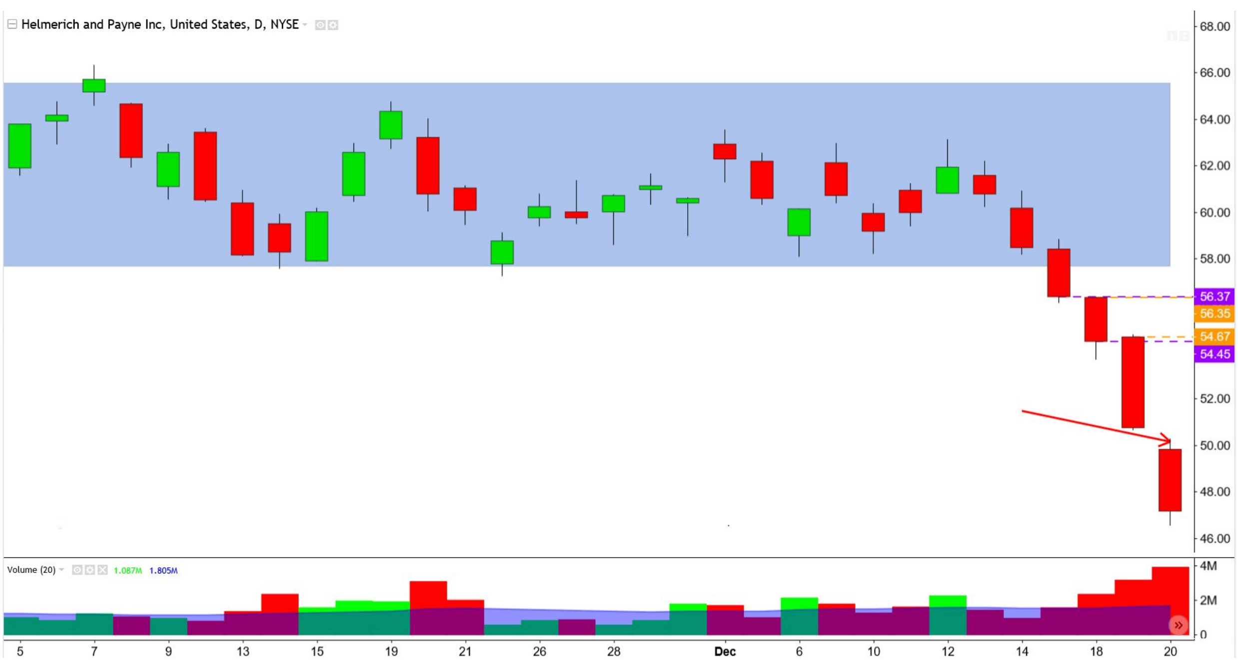
Immediate follow through the next day. A clear sign of a downward continuation with a possible 3 black crows in the shorter term context.

Indeed a 3 black crows finishes the downward continuation strongly. The drop gradually slows due to short term downward over extension as well as decreasing volume in general. Also bullish volume and lower wick rejection are present but they are not sufficient to fully counter the relatively stronger bearish price action and volume into March.

A bearish advantage is held to fall towards 41 where before there is even direct contact with the key lower range another major uptrend forms to end 2017 similar to how 2016 started.

A swift reversal forms off the sharp peak of upper wick rejection in early October. A familiar sight as the mid 70s now presented resistance from the prior peak. Another familiar sight in that the market started moving more neutral to bearish. Despite some sharp bearish spikes the downtrend progressively slows towards the prior upper 50s range that is offering strong support.

Temporary range is breached at the solid short term support. Once again another resting phase finishes for a likely continuation drop.



In the shorter term there is a 3 black crows candle pattern. It is a 3 black crows with less strict criteria when referring to theoretical diagrams. Gaps between the real bodies could be more abundant, but that is not much of a problem since real body overlap is low. Other than the lack of gaps between real bodies the candles are strongly bearish as they have small wicks and they increase in size along with increasing bearish selling volume approaching the end of December. The end result is similar whether it is a 3 black crows with less or more gaps between real bodies, A large and rapid drop.

Lower close and volume is still high. Though the inverted hammer is a sign of a possible slow down, if not a complete upward reversal.

Price doesn't reverse immediately but the downtrend has weakened significantly. Then following the next inverted hammer on December 24th there is not only lower wick rejection and a bullish candle closing higher but the general price action of a morning star. It is quite a unique example where a potential reversal forms with large shifts in volume and price during the end of December since market activity tends to slow down towards the end of the year with Christmas and New Years.

As usual an uptrend following a downward continuation encounters firm resistance at key ranges in the downward continuation's formation. In this case it is the mid 50s around the area where the continuation breached the resting phase's lower boundary to finish lower.

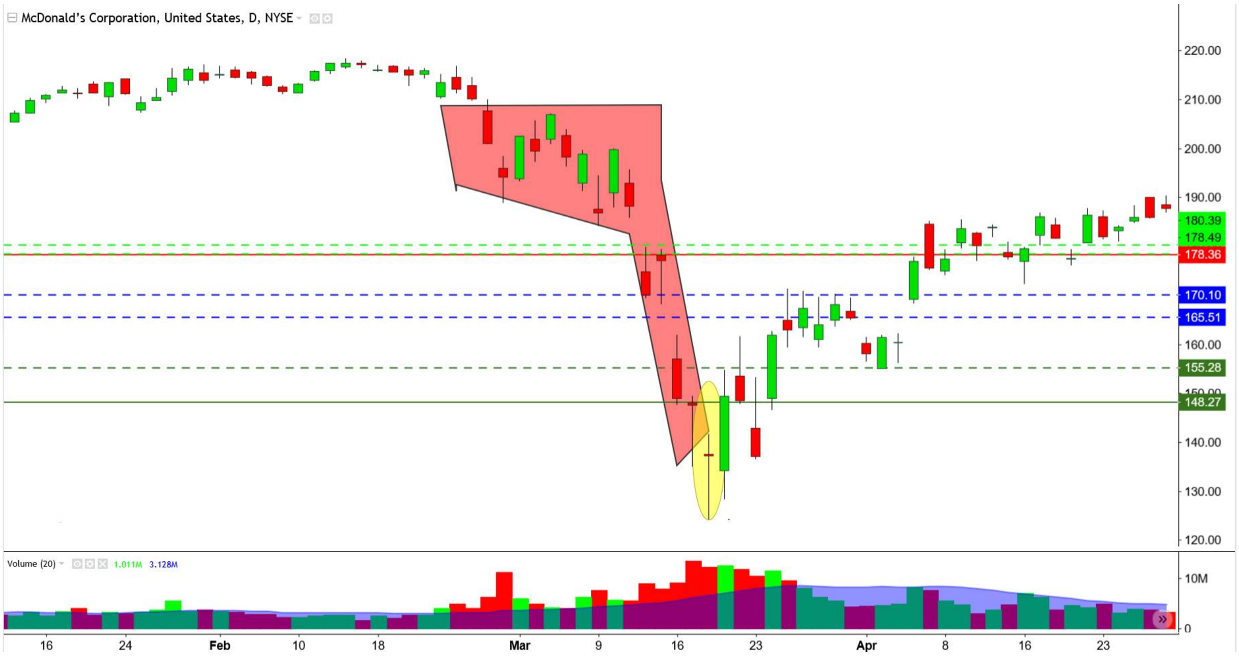
Bullish volume was sustained to remain then rise into the upper 60s where resistance was present from the upper boundary of the downward continuation's resting phase. The subsequent downtrend that formed naturally found major support around the 41-39 range seen at the start of this example. However the sell off was strong even into the new decade when the strong support was decisively breached to form another strong downward continuation. The broader market decline in early 2020 helped accelerate the drop even more.

Strong Price Action And Candle Continuation Example Case Study 3

The second candle in the early February drop is an example of lower wick rejection during price action that is otherwise a strong 3 black crows drop. It is almost like the brief pausing resting phase of a 3 methods falling except on a smaller scale.

Mid August sees a downward continuation that isn't a massive 3 black crows, but the price action is similar. It still amounts to an accelerated sell off rapidly driving down price. Volume also increases to strengthen the bearish move that moves slower in comparison to the normal 3 black crows on a near vertical descent.

Price is over extended downward to begin March. This coupled with an immediate drop in bearish volume and a bullish engulfing candle leads to a strong uptrend that is soon given further strength by a 3 marching soldiers pattern that is not exceedingly strong in terms of having large candles and spikes in green volume, but it is consistent and uniform with large green real bodies and little to no wicks in proportion. The one doji between the bullish engulfing and the 3 marching soldiers is normal during such a major and rapid shift in the market. Indecision is present for a short duration. Even though that single doji didn't close above the high of the bullish engulfing it was more of a neutral to bullish sign given that it traded over the bullish engulfing's high.



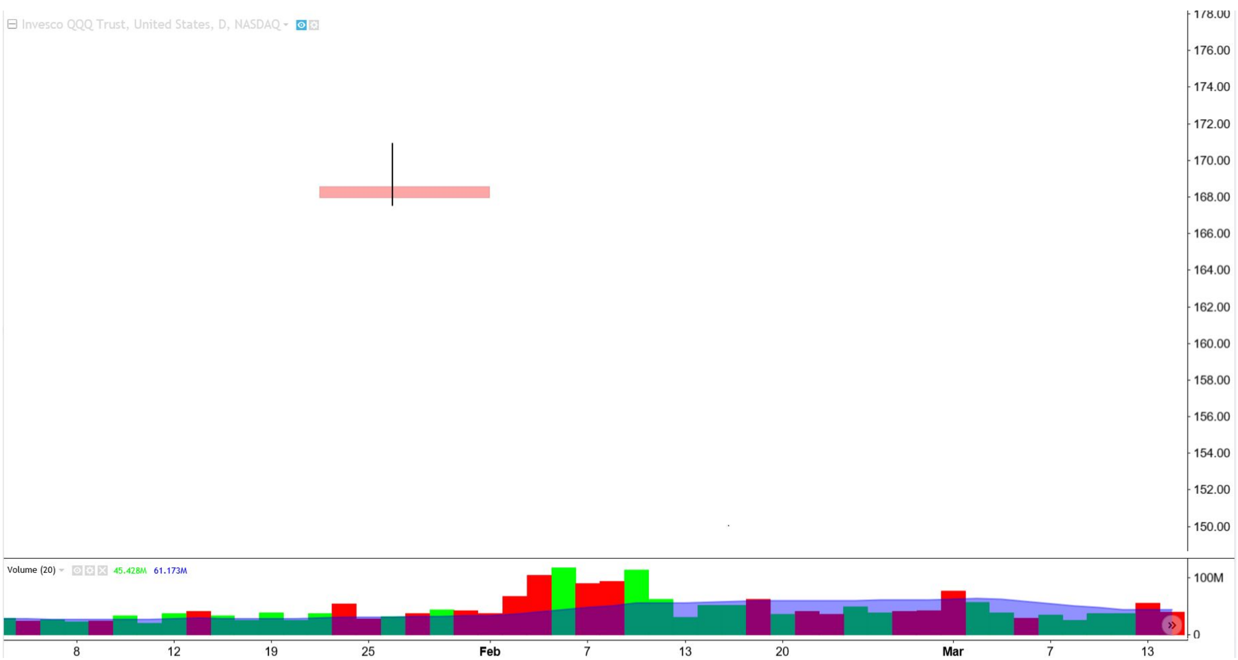
As seen before with the earlier example of McDonald's stock chart and other charts, there was a general stock market decline in early 2020. It is not a strict 3 black crows pattern but the rapid row of falling red candles and high red volume speaks for itself in illustrating the same general price action. Lower wick rejection near the eventual upswing was an indication of a downtrend slow down.

Chapter 11 Combining Multiple Candles, Reversal Example Case Studies

Combining Multiple Candles, Reversal Example Case Study 1

Major stock market indices and the ETFs that track them such as the QQQ ETF that tracks the Nasdaq index, tend to have fewer sharp swing points compared to individual stocks. This is mainly due to indices being an average of broad stock market price movement which is reflected in the aggregated price action of indices. This means candle patterns can be less clear and often have delayed confirmation of a likely reversal.

Such an issue can be remedied by combining multiple candles. This is most effective at established support and resistance ranges.



The rounded top is a sharp upper wick rejection prior to the surge of red selling in February. Simply starting with the O of the first candle in the bearish engulfing pattern then ending with the C of the thicker bodied gravestone doji to form the real body. Then draw the wick with a vertical line from the highest H found in the group of candles and the lowest L.