Unfortunately for the CAD/USD 0.75 remains highly influential as an obstacle to rising price and bullish sentiment does not build on the initial success in March. The prolonged flat range around 0.75 was essentially a resting phase for a downward continuation.

Still strongly bearish but that bull hammer with a longer upper wick does begin to apply the breaks to the drop with the help of the 0.73 level.

A large green real bodied candle with lower wick rejection is no bull hammer but it is still a strong bullish formation in the face of the medium term downtrend following the drop in mid April. Its real body easily engulfs the real bodies of the past 4 red candles and when combining it with the longer upper wicked bull hammer it forms a candle between a bull hammer and dragonfly doji for very long lower wick rejection.

Remaining marginally more bullish because the past two red candles have lower wick rejection and are bull hammers with longer upper wicks.

Bullish advantage gone with no progress higher but bearish selling is unable to drive cleanly below .73, effectively an indecisive phase.

Selling pressure persists but there is prompt lower wick rejection for the majority of real body ranges staying above .73. A slight incline develops to point at the possibility of a bullish resurgence. Also the most recent candle finally trades above the high of the bullish engulfing pattern, not a strong sign since it was delayed and didn't happen right after the bullish engulfing pattern. Though still a minor positive sign.

A bullish week follows to end May off on a high note. Natural flattening as heavier resistance is reached to line up with the resting phase of the last downward continuation's resting phase range.

Flat range continues sideways after the last large green candle cleared 0.74 in late May. Now note the recent large green candle that is able to close above the firm 0.75 level. It may look like a very familiar and even repetitive formation of price action over the past few weeks following the early May upswing.

It is indeed another continuation except this time it is bullish. A normal slow down after overcoming 0.75 and the market now begins to consolidate. As long as closes remain above 0.75 there can be further development of the currently solid uptrend.

The bullish comeback did indeed materialize and in the very short term it is interesting to note a bullishly engulfed bearish star that essentially amounts to hesitation and a neutral to bearish tone.

More upper wick rejection as a proper bearish engulfing forms in the suitable context of an uptrend.

Minor confirmation with the next two candles trading lower. Though the situation is not fully bear yet since there is still lower wick rejection despite the attempts to sell lower.

Back to back lower closes gradually increase the bearish tone and easily close below the low of the bearish engulfing to decisively shift into an early downtrend.

Even though there were a series of strong upswings and bullish engulfing patterns combined with lower wick rejection, the CAD/USD returned back to another bearish cycle with many of the previous levels of significance still remaining highly relevant.

Chapter 6 Three Candle Reversal Example Case Studies

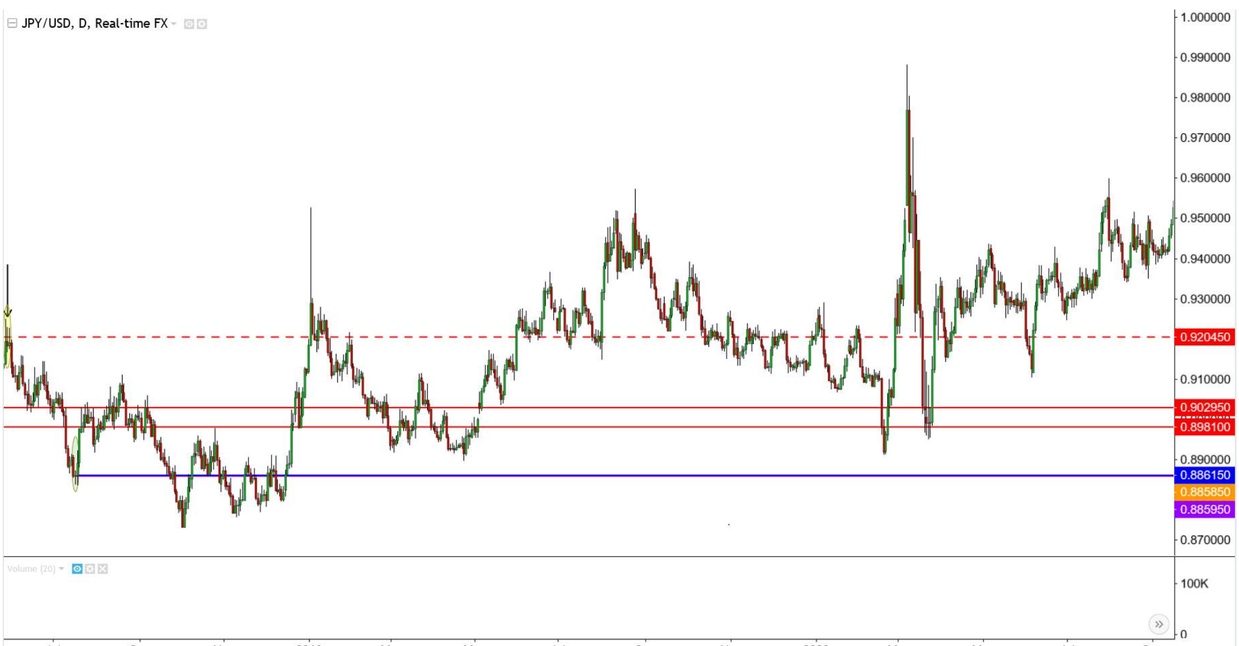
Three Candle Reversal Example Case Study 1

Familiar sight with a doji providing upward reversal potential since it forms a swift upswing during an established downtrend. The following candles promptly close above its high. Naturally forex charts have fewer large gaps in between each day due to the global and longer duration trading sessions. That being said the small gaps in between the real body of the doji and the red candle before it and the green candle after it form a morning star. Effectively analogous to a gradual but strong turnaround to put a likely end to the existing downtrend.

A strict morning star has a shorter middle candle with gaps and no overlap of the real bodies. Confirmation is trading and preferably a close above the high of the morning star that is the highest H of the 3 candles that make up the pattern. Though there can be some minor overlap of real bodies if less strict criteria is used. It is the same general gradual reversing price action but it can be less reliable.

Upper wick rejection due to the break of a prior support and upswing in the .89-.90 range that forms firm resistance. Similar to the CAD/USD in an earlier example the initial bullish momentum was not maintained at the first barrier to an uptrend and that led to a sideways range and eventual drop. Rapid pace is essential at the early stages to build on to a solid uptrend.

A morning star began May but it was not developed further. Subsequently a minor upper boundary formed at .92 with clean upper wick rejection.



.88 has residual but minor influence on later price action. The same happens for the 3 red levels but they have a greater and longer lasting influence on the market due to the greater significance they had in the past.

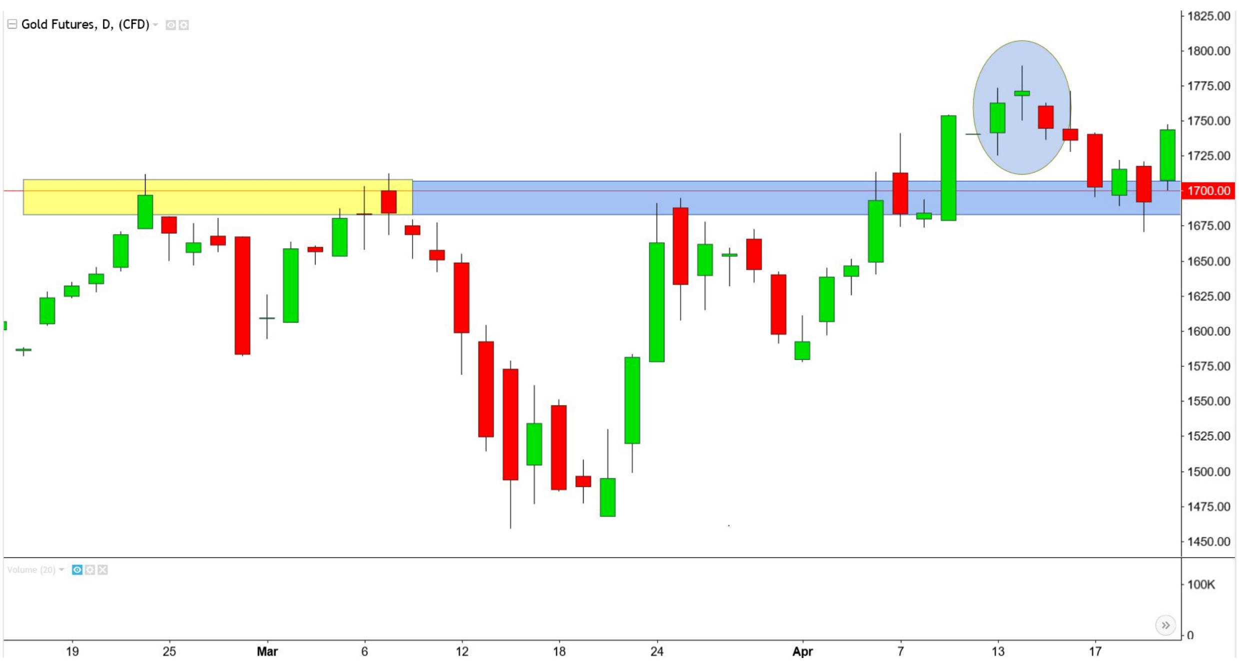
Three Candle Reversal Example Case Study 2

A flat range gradually slopes higher, largely with the help of lower wick rejection and a few large green real bodied candles.

A longer upper wicked bull hammer is immediately confirmed for greater upswing potential with the current candle trading and closing above its high.

A very swift and stable uptrend forms due to the solid start. Note it was more than a bull hammer. It was actually a morning star when combined with the candle before and after it. Thus adding more bullish advantage.

Upper wick rejection at a firm resistance is overcome with the help of a large green real bodied candle in early April.



A normal minor downswing to consolidate and attempt to establish over the prior resistance range. Note the downswing point is more than a thick bodied doji. It is an evening star producing a swift but minor downswing that is held a loft by the influence of 1700 now providing support for the evolving uptrend. A very clear evening star with easily identifiable gaps between the real bodies. The price action is like the gaps for an "abandoned baby candle" but on a much smaller scale and more of a transition and deliberation candle rather than an over extension.

Clean consolidation of 1700 for a strong uptrend to resume.

The recent sharp peak formed from very bearish candles in the shorter term context to begin August. The bearish star was more of a precursor before the bearish engulfing confirmed the rapid bearish shift.

Lower wick rejection continues to halt the early progress downward, largely due to the large bullish hammer forming a clear lower range in the short to medium term.

Three Candle Reversal Example Case Study 3

Unusual long lower wick begins December that is more of a bull hammer or simply strong lower wick rejection countering the earlier gravestone doji rather than a hanging man. That is why there is no downtrend to end 2017 despite a strong downswing forming at the end of November to early December.

Dropping from 3 bearish engulfing patterns in a row without delay.

The 3 upswings that counter show clear lower wick rejection to form a support range. They are not morning stars by any means but they have some analogous features in that the first candle is a large red real body. The second candle is proportionally shorter and is close to the close of the first candle for varying degrees of real body overlap or a slight gap. Then the third candle is closer to a bullish engulfing rather than the third candle gapping up in a morning star reversal. However the third candles are also large green real bodied candles similar to the bullish intent that concludes a morning star.


iShares Russell 2000 ETF, United States, D, NYSE
Volume (20) 14.39M 21.773M
162.00
160.00
158.00
156.00
154.00
152.00
150.00
148.00
146.92
146.76
145.44
144.00
142.00
40M
0
17
24
Feb
8
15
Mar
8
15
22
Apr
9


iShares Russell 2000 ETF, United States, D, NYSE
Volume (20) 14.48M 21.778M
162.00
160.00
158.97
158.46
158.00
156.00
154.00
152.00
150.00
147.92
146.92
146.76
145.44
144.00
142.00
40M
0
17
24
Feb
8
15
Mar
8
15
22
Apr
9
16

Returning to the upper range with a gravestone doji.

Next candle immediately closes lower for gravestone doji confirmation of a more likely downswing. Then notice that there are gaps between the real bodies of the gravestone dojis and the real bodies of the green candle before and red candle after it. Those candles also had proportionally larger real bodies. Thus it is an evening star. The gravestone doji was deliberating neutral to bearish.

Evening star confirmed for a more likely downswing due to the next candle closing below its low(which is the lowest L of the 3 candles(in this case the L of the third candle).

Clear gaps between the real bodies.

Downtrend develops but quickly slows.

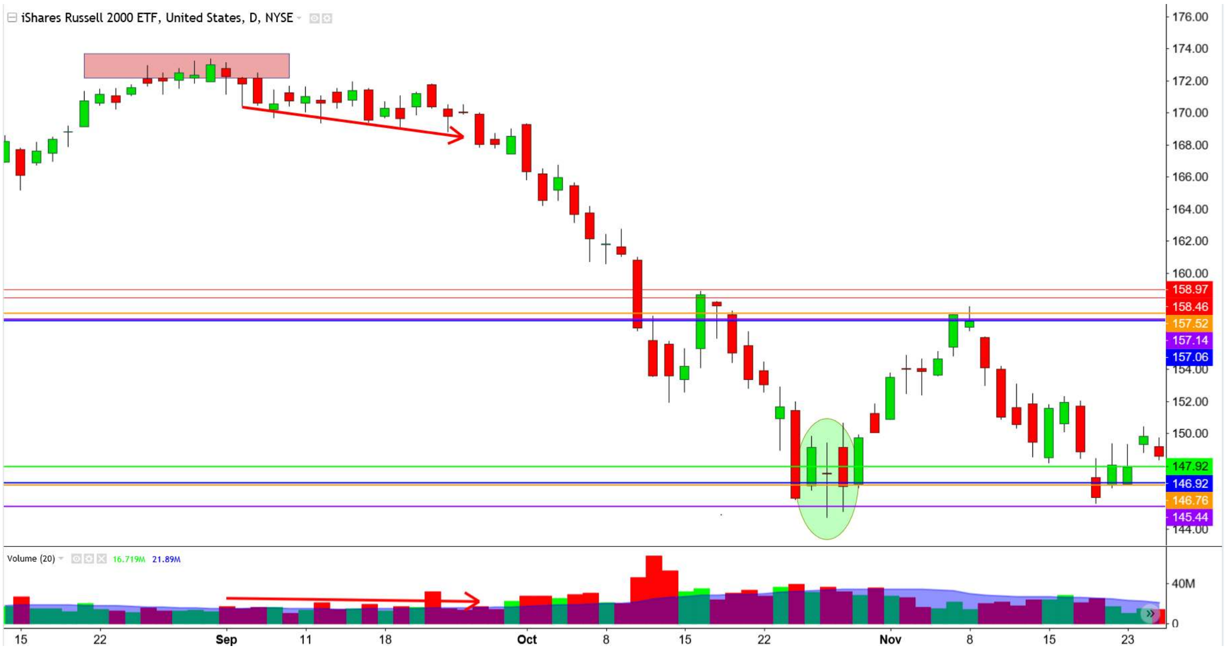
Remember the bigger picture and the upward sloping support range that effectively forms an ascending triangle pattern in the medium to long term context for an upward continuation able to surpass the upper 150s with normal to low but consistent green volume and candles. Thus once again candles used in one time frame can lead to tunnel vision in the short term. It is not a fault of candle charting on its own. It is important for, traders, investors, and market observers to form complete context and take into account other factors in the longer term context where applicable.

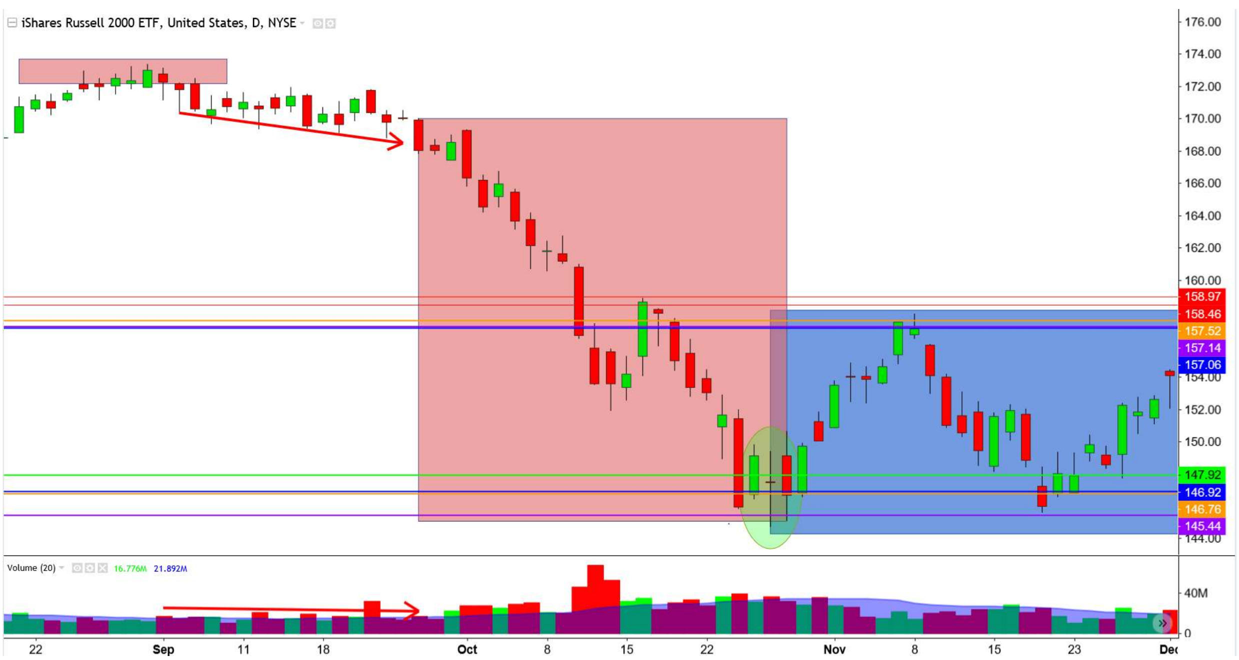
New upper range forms with another series of bearish engulfing patterns. Yes the first one isn't completely engulfed but it is very close and effectively demonstrates the same general price action. The drastically higher red selling volume also helps hold down price.

A later high range is not as strong to begin with after upper wick rejection was not followed by candles closing below the first bearish star's low for over a week. Though price did trade under and the downtrend gradually accelerated with increasing volume.

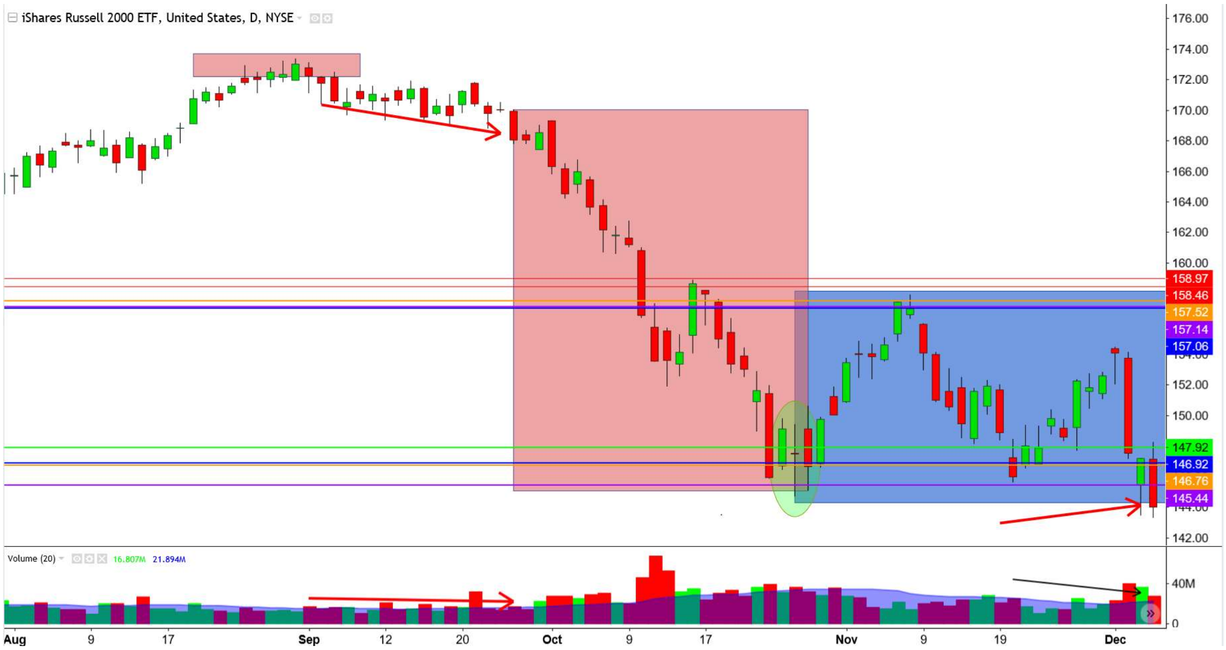
Upper 150s offered firm support but the bearish momentum was more than adequate to fall further. That being said the upper 150s showed that secondary characteristic of slowing down the drop rather than reversing it.

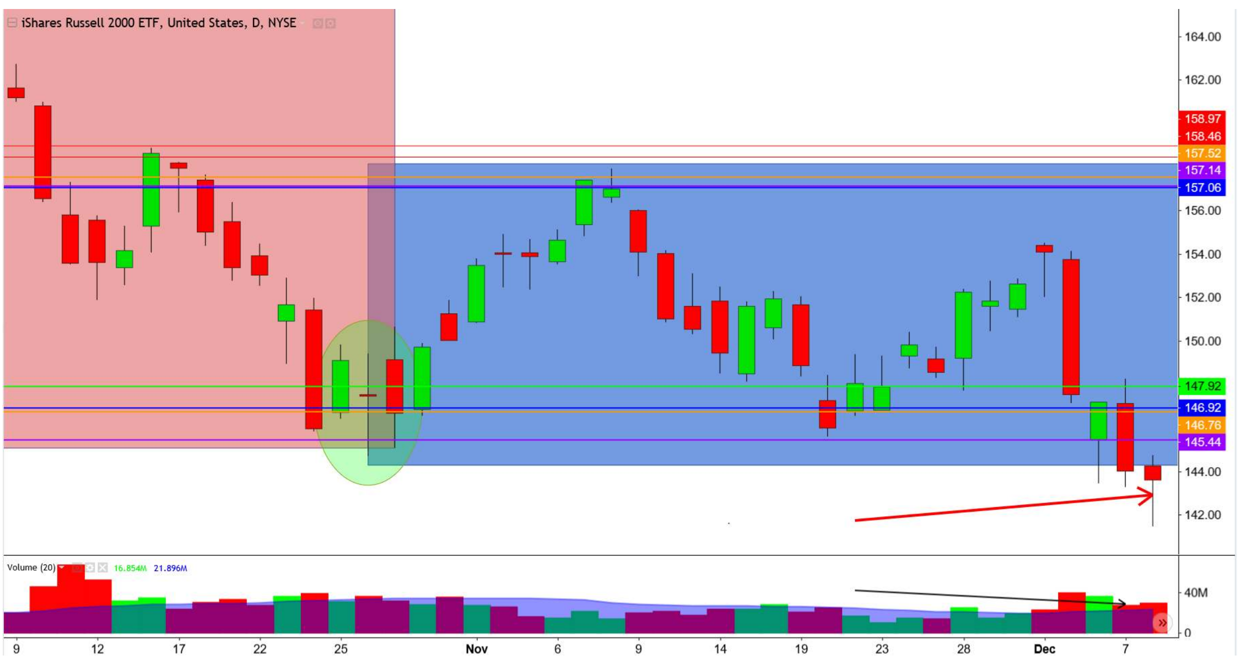
An indecisive base forms from a harami and doji. It becomes slightly more bullish to end October as lower wick rejection persists on the established mid 140s support range. It is certainly no morning star but similar price action with the doji acting as a deliberation day in between two larger real bodied candles.



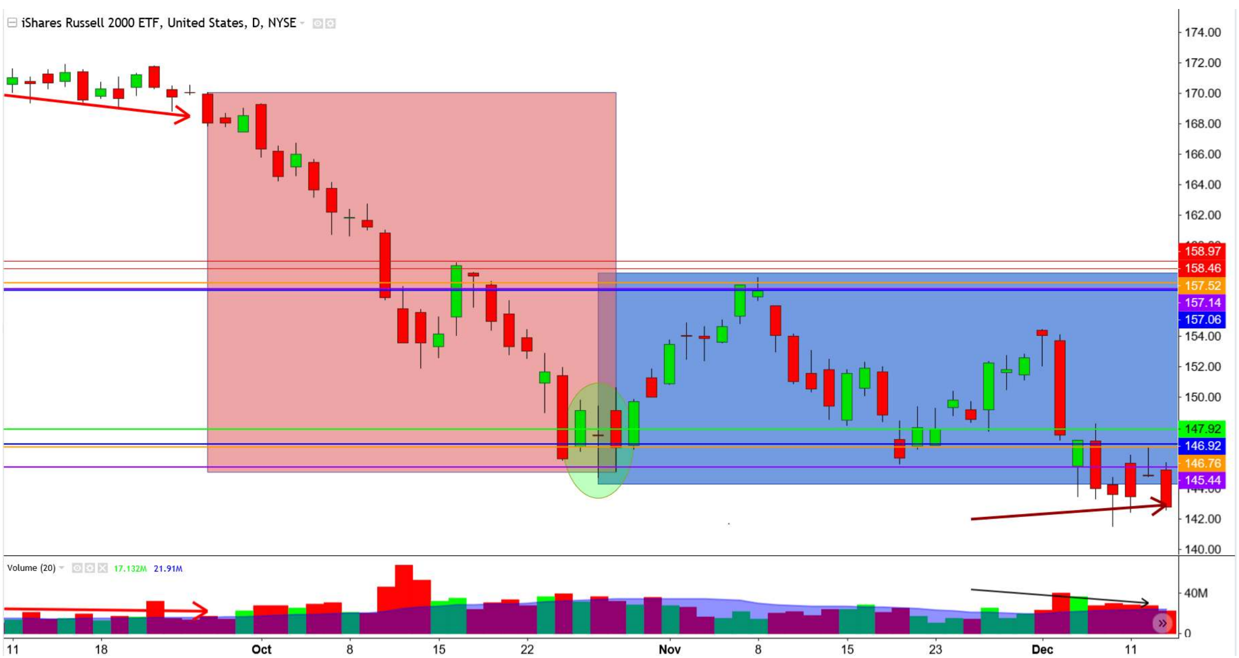


A minor upswing is naturally repelled by the firm upper 150s that returns to being a resistance range. It is more a case of the early November upswing being a minor rise after the market was heavily oversold during the rapid downtrend. This is further evidenced by another upswing that also currently has low volume. It can be referred to as a more "passive" rise due to overselling rather than the market fully shifting over to a bullish tone.





More of the same as a fairly flat but slightly down sloping range forms to return back into the mid 140s where support is still strong as seen with the bull hammers that drastically slow down the strong red candles.

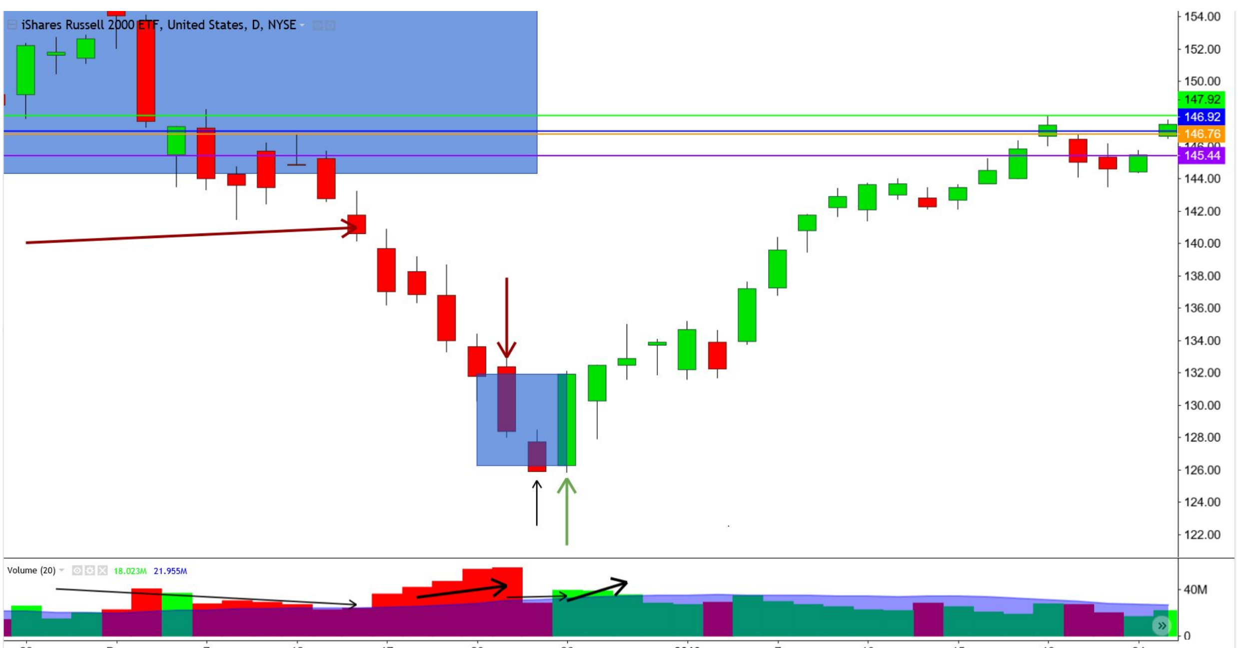


Maintaining contact with the support range but the short and longer term contexts are both increasingly bearish. Actually it is a familiar sight like in prior examples.

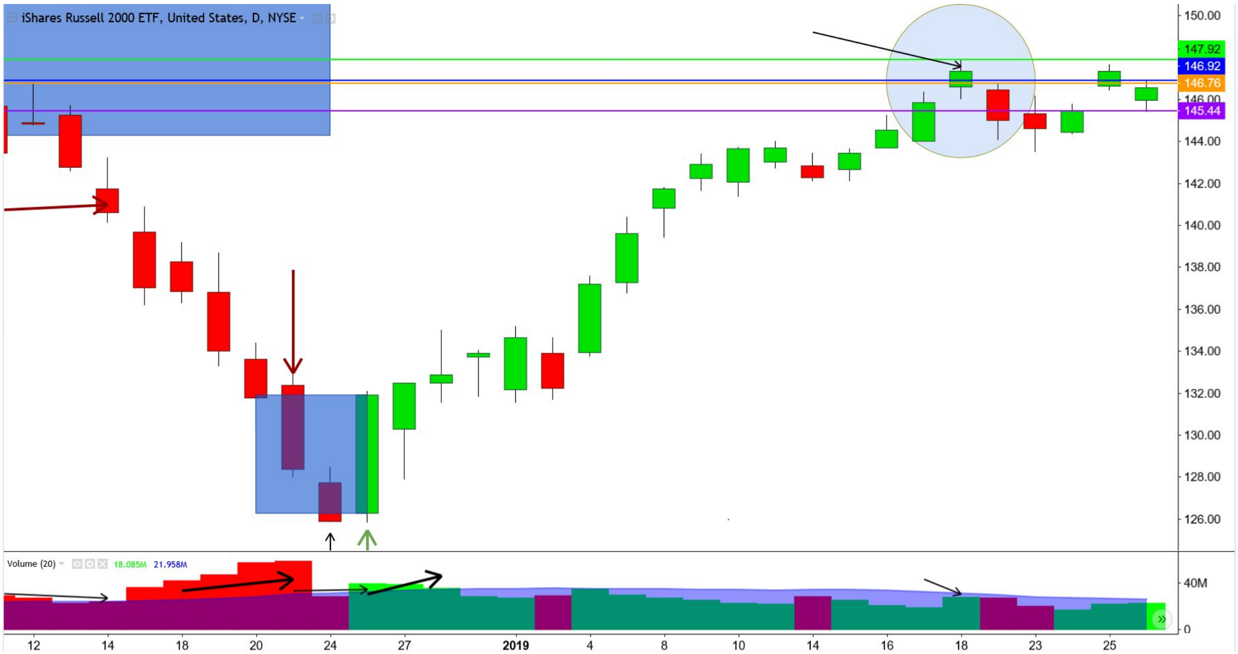
Slowly but surely the firm support range has eroded and bearish volume remains above normal levels. A further drop is more likely now as this continuation price action progresses towards completion.

As expected the market loses contact with the lower boundary with the onset of a rapid continuation lower.

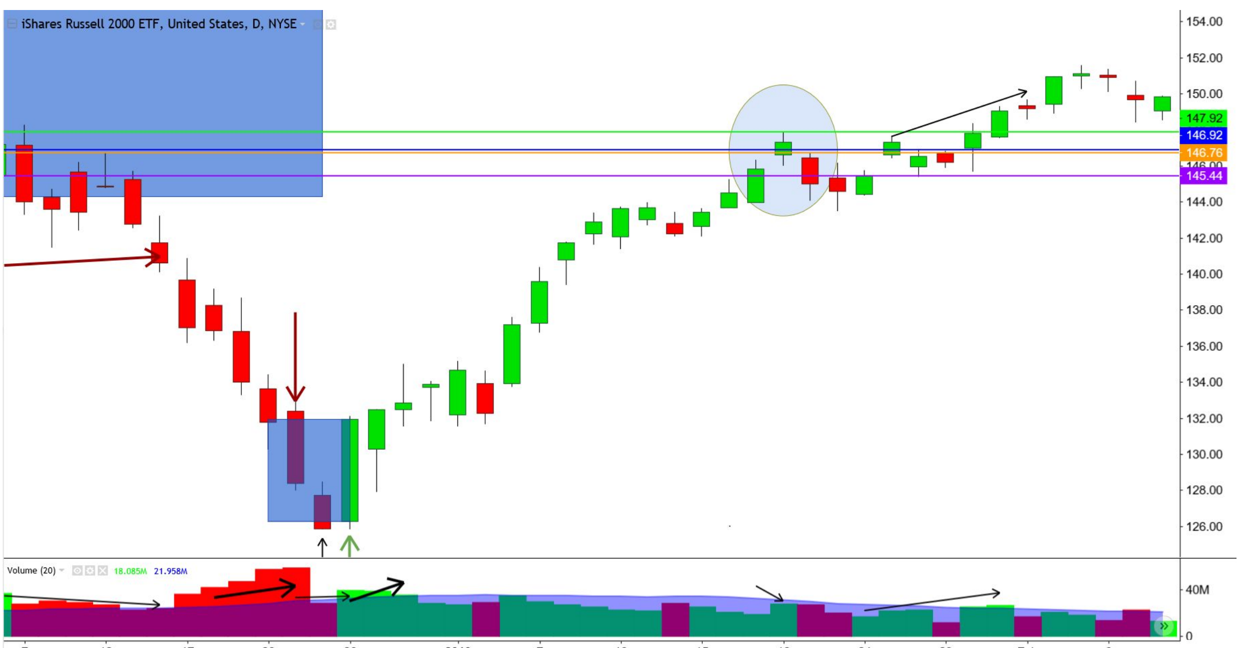
Upswing into 2019 is certainly stronger than those in November 2018 since there are overwhelmingly more green candles successively closing higher with consistent volume closer to normal levels. However there is still an element of a “passive” rise in response to the oversold market following the December drop.



On closer inspection the upswing point is not a clean pattern of any kind but rather the merging of general price action from several patterns. It has the large red first candle, smaller bodied second candle followed by a large third green candle like a morning star. However there is too much overlap with the second and third candles to be a morning star, but too little engulfing to be bullish engulfing. Overall still the general price action of a gradual shift from down to uptrend. The lower volume for the second candle and higher volume for the first and third candles is also a favorable sign for an upswing.



Like other examples the first major obstacle is with the lower boundary of the resting phase from the earlier downward continuation.

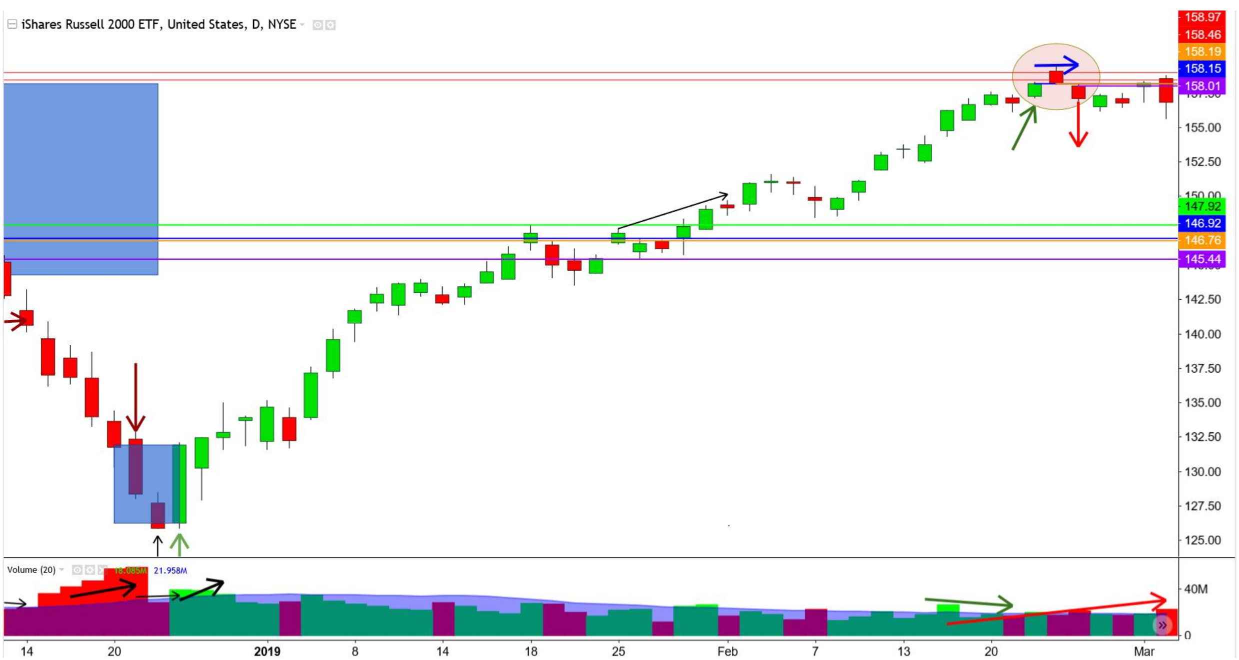


An evening star technically did form but it wasn't too symmetrical in terms of even gap lengths and the close of the middle candle was above 146.92 to drive higher and show less upper wick rejection even for a relatively balanced second candle of deliberation. Volume was also normal to low before during and after the evening star. Volume was also mostly green for days at a time to indicate a gradual build up of bullish intent that ultimately culminated in the rise over the mid 140s range.

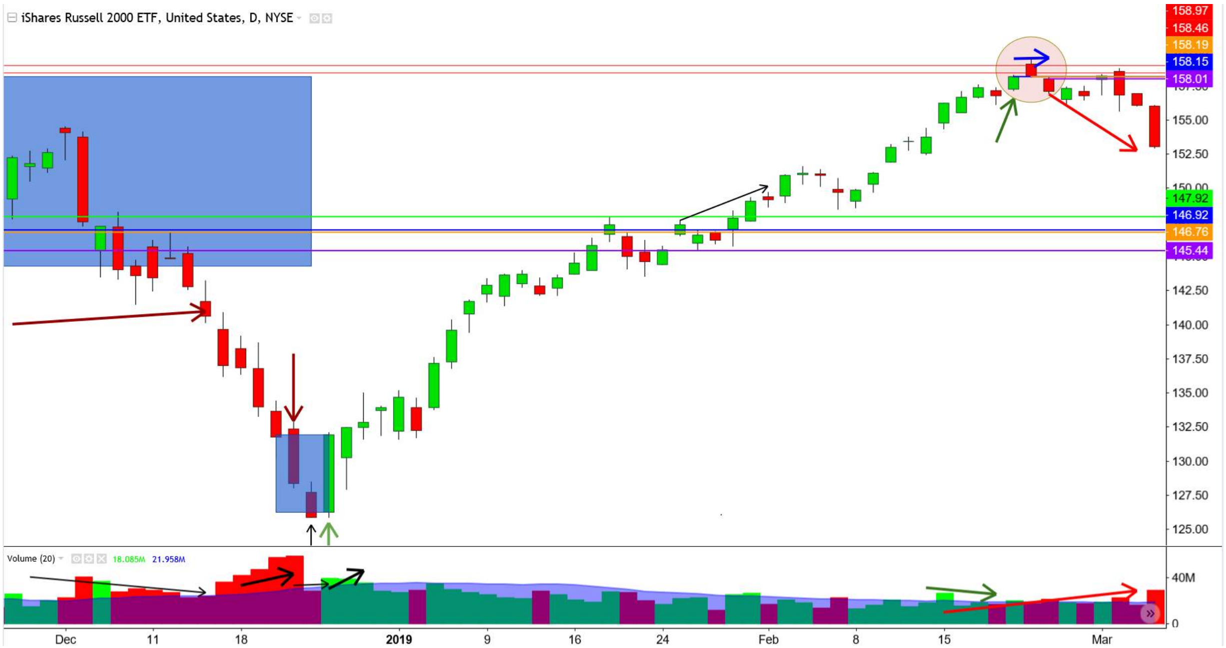
A strong but steady rise to the next major obstacle in the upper 150s with volume staying at near normal but consistent levels.

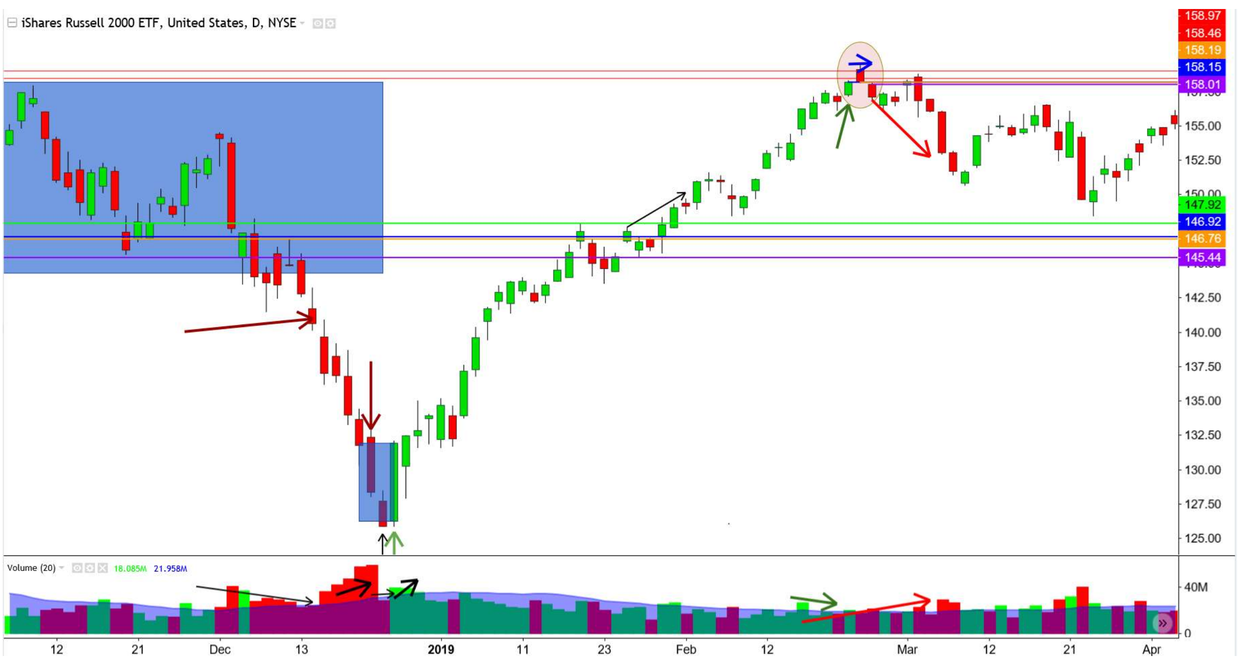
As expected resistance upon contact with the upper 150s first a harami then a relatively clean evening star. Overall symmetrical with higher volume for the first and third candles. Adequate gaps are present. The only glaring imperfection from picture perfect diagrams of evening stars is the first and third candles are not significantly larger than the second. That is a minor discrepancy between theoretical ideal and price behavior in real world circumstances. Also good to see minor upper wick rejection on the second candle to close under 158.46 to be slightly more bearish.

The gradual U shaped downswing is followed by brief trading below the evening star's low. It is a minor bearish sign since the current candle is green and closes back above the evening star's low. This can delay the otherwise bearish context.

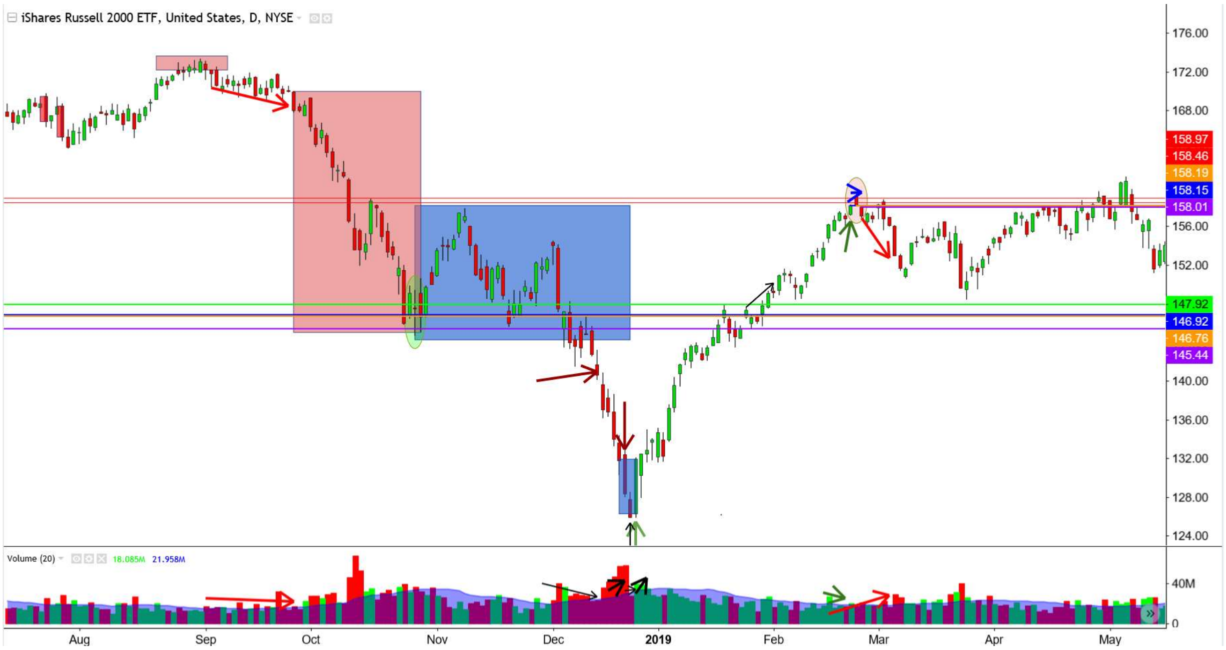


Bearish activity resumes but lower wick rejection in the last week delays and lessens the possibility of another strong downswing from the upper 150s range. On the other hand there is still renewed opportunity for a drop from the increased bearish volume and the large red real body of the current candle.

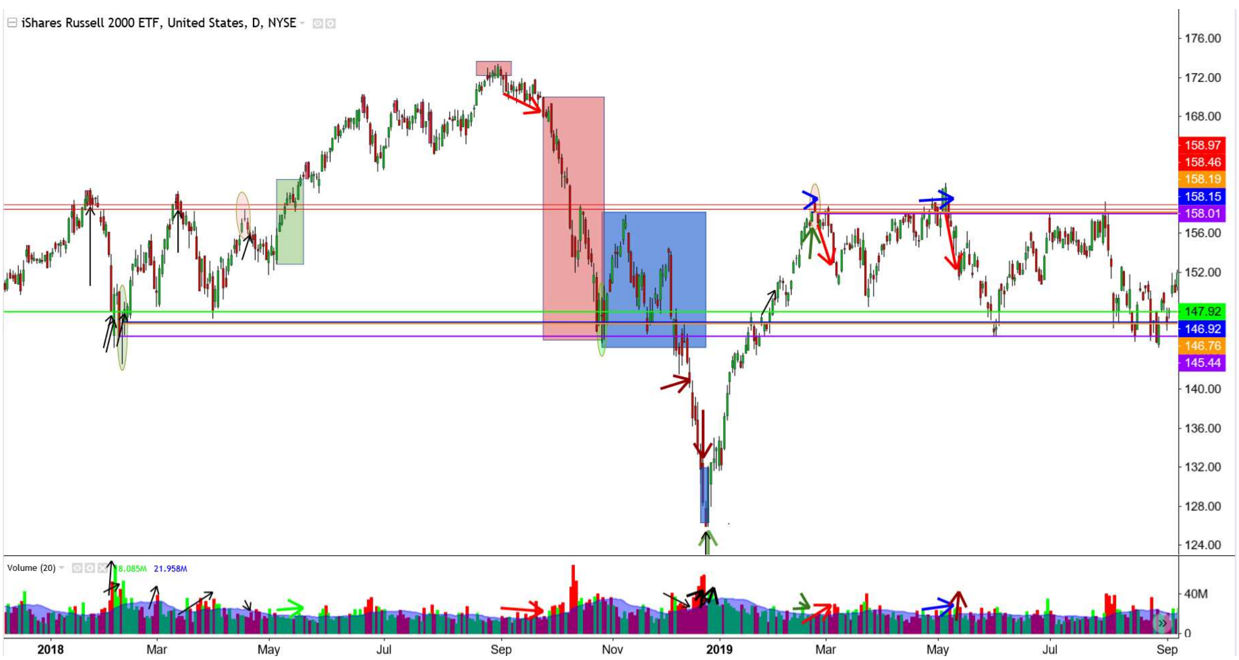




A steady downtrend eventually emerges with timely increase in red candles and bearish volume. The upswing in early March is a cross between a bullish kicking pattern and an unsymmetrical morning star. While the second upswing draws heavy influence from the mid 140s support range to form lower wick rejection in the form of a large spinning top that is found in a bullish context.

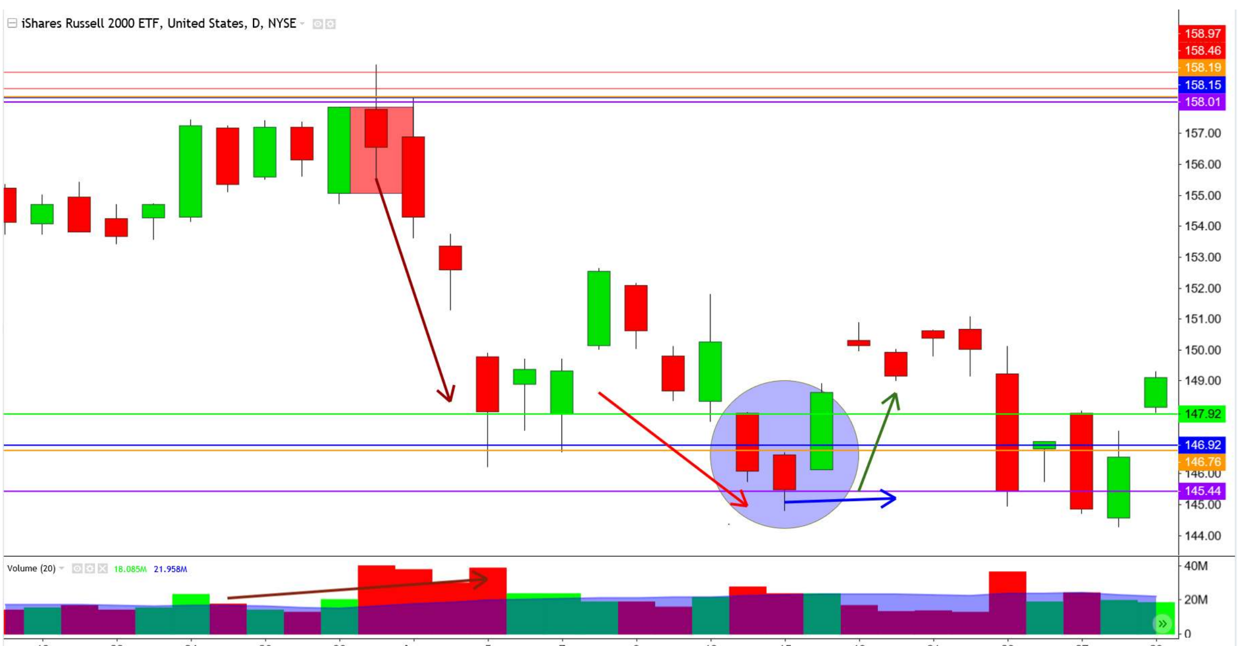


The upper 150s remain a contentious area. Despite upper wick rejection and a bearish engulfing pattern in later April a bullish balance persists to stall a seemingly inevitable drop once more.

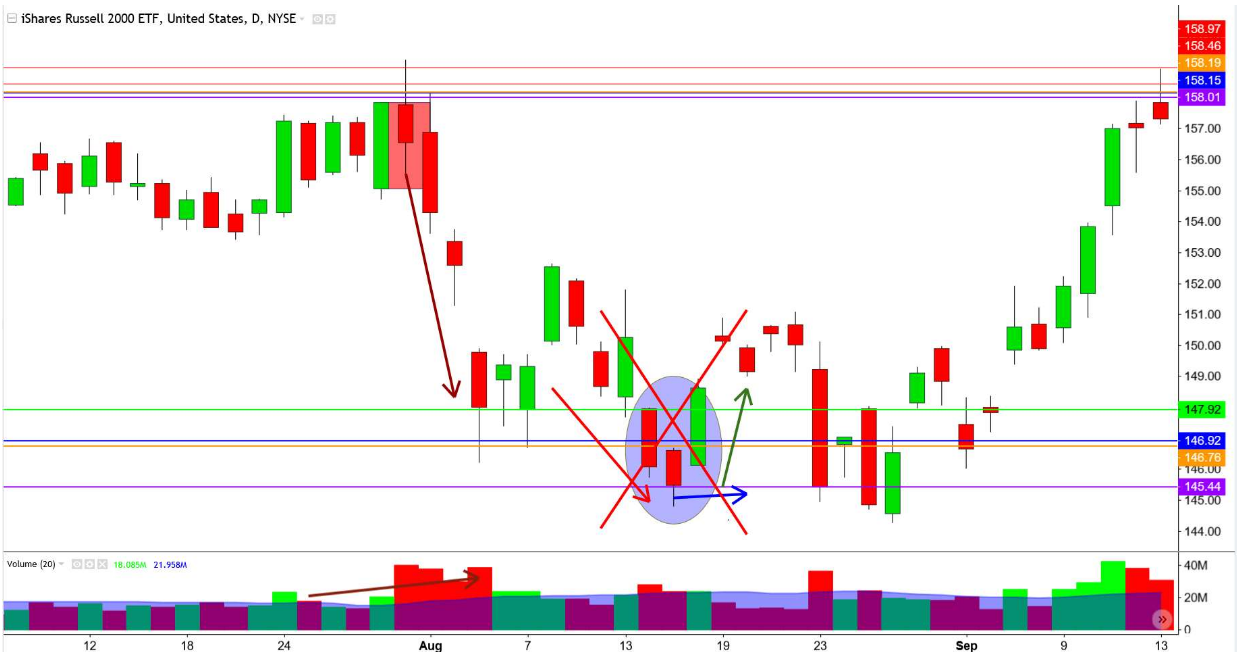


A major upper intermediate range has formed during the volatile year and a half to form a strong zone of confinement from the mid 140s to upper 150s.

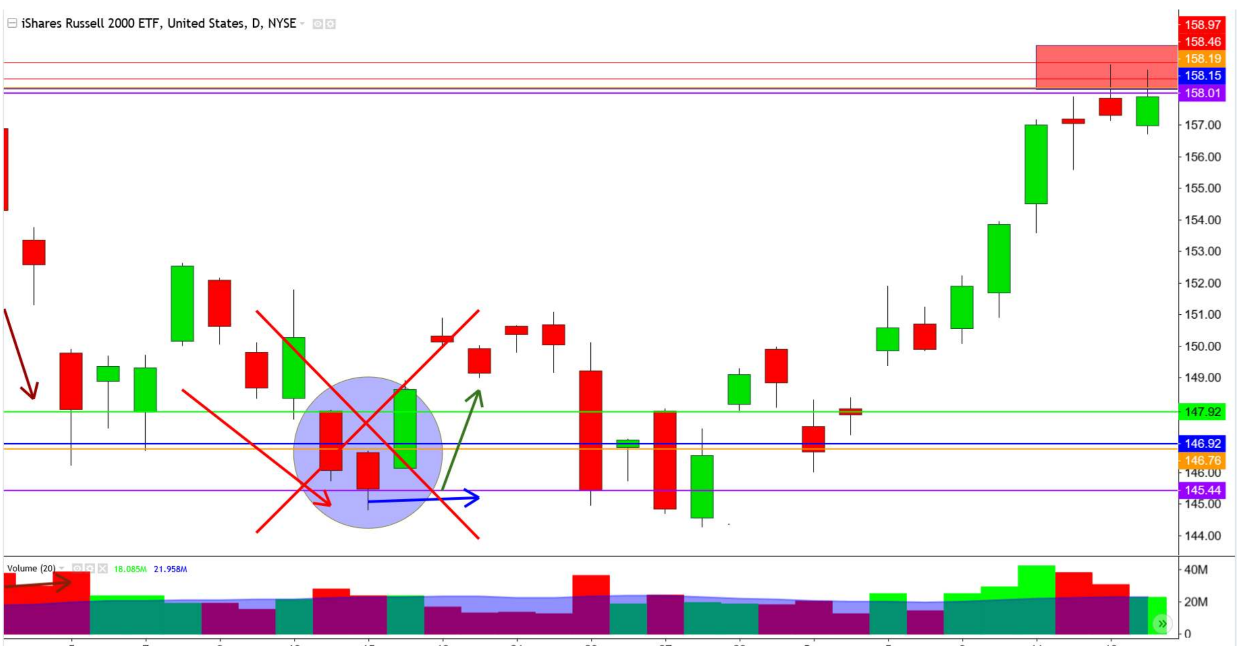
Note the upper wick rejection with two red spinning tops that directly contact the resistance zone to illustrate a case where spinning tops can form directional movement(bearish context in this case).



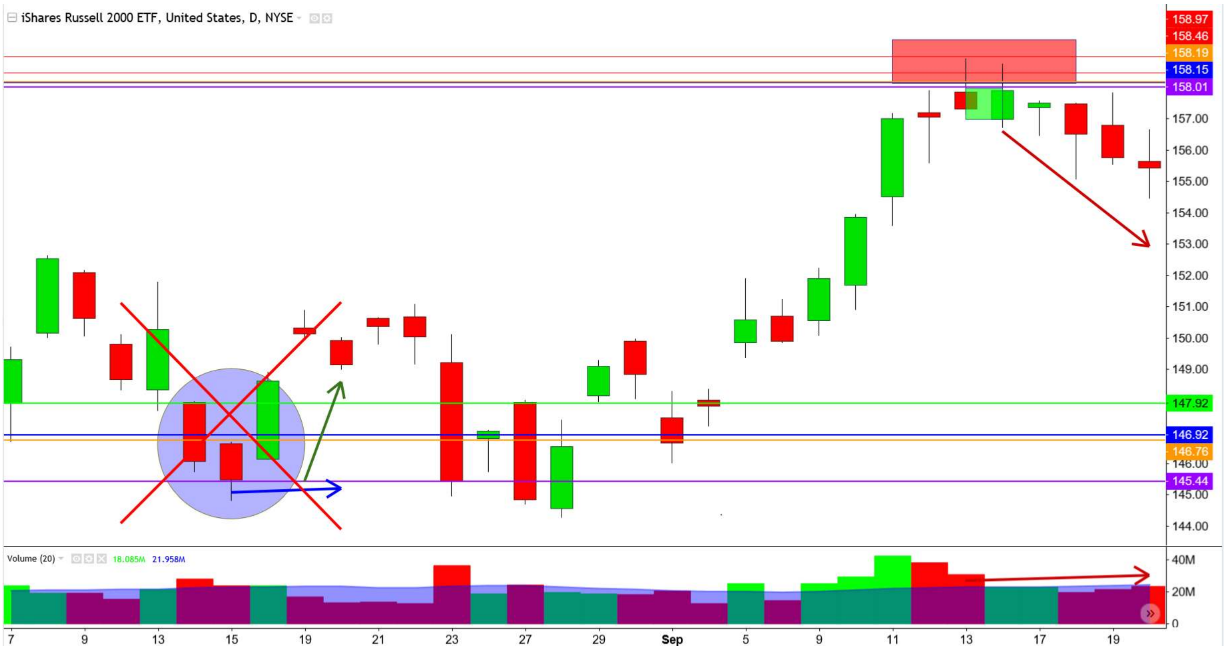
Not a morning star in mid August due to overlapping real body ranges but those 3 candles have the same general U shaped price action. When combining the range from the O of the first candle, C of the third L of the second and H of the third the result is closer to the price action of a bull hammer or thick dragonfly doji spread over 3 candles. In any case it is similar to rejection of lower prices in the support range like the thicker red real bodied bull hammer on August 5^{th}.

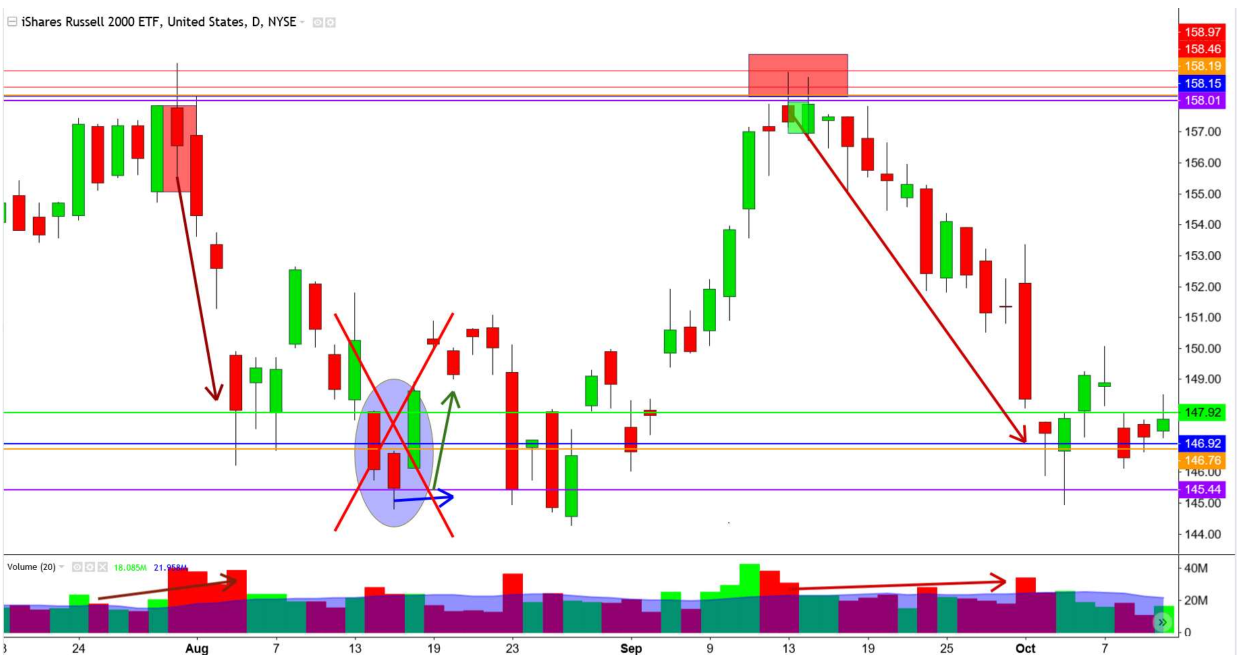


No morning star but a strong foundation builds along with the upswing point before and after it. Once again the range persists with a strong rise back to the upper boundary where resistance soon forms with a doji slowing down the rise before the current bearish star.



A green candle but another bearish star keeps the tone bearish with price trading lower for a brief time. A downswing is more certain once there is a close below the current and newest bearish star's low.





Classic descent with volume and price action gradually accelerating more bearishly to be stopped at the expected lower boundary with clean lower wick rejection. Note the pair of bearish stars could be thought of as one large green bearish star which incidentally looks like an out of place bullish engulfing at the top of an uptrend.

Speaking of bullish engulfing October started off with the exact reverse with a pair of bull hammers that was also a bullish engulfing pattern that had immediate confirmation. Even though price stalled and dropped back on October 8th it further bolstered the uptrend forming a swift double bottom pattern in the medium term context to prolong the range. The upswing was also quite rapid with low but consistent green volume due to a downward over extension in September. More of a "passive" rise back to the upper 150s where no surprise there is apparent resistance. Clustered red candles and a peaking bearish star.

Resistance is still present but note how even the bearish candles manage to close higher than the previous few downswings at the same range. The tone gradually becomes more neutral with the market unwilling to sell below 158.

The large green candle in late November finally breaks above the range with high volume as an added boost to the continuation of the prior uptrend. After that there is a minor evening star to form the downswing that often forms after a break over major resistance to consolidate and establish more stable highs. This morning star has gaps between the real bodies and is unsymmetrical. It is also unusual in that the first candle is a gravestone doji and red. Nonetheless the U shaped price action is present and there is immediate follow through with a strong red candle to start December. There is also a bit more upper wick overlap of the first and third candles in the real body range of the second candle. This may not be proper if strictly adhering to theoretical candle charting diagrams that have little or no wick overlap.

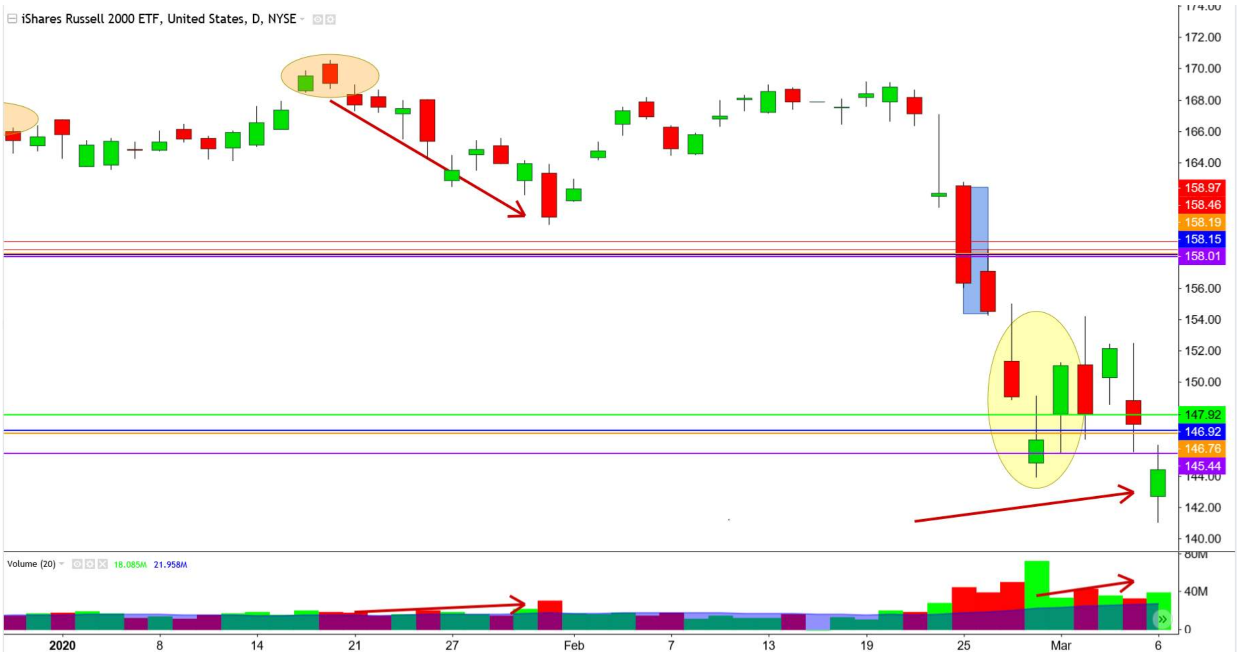

iShares Russell 2000 ETF, United States, D, NYSE
172.00
171.00
170.00
169.00
168.00
167.00
166.00
165.00
164.00
163.00
162.00
161.00
160.00
158.97
158.46
158.19
158.15
158.01
Volume (20)
18.085M
21.958M
20M
0
19
22
Dec
5
10
13
18
23
27
2020
7
10
15


iShares Russell 2000 ETF, United States, D, NYSE
172.00
171.00
170.00
169.00
168.00
167.00
166.00
165.00
164.00
163.00
162.00
161.00
160.00
158.97
158.46
158.19
158.15
158.01
Volume (20)
18.085M
21.958M
20M
0
19
22
Dec
5
10
13
18
23
27
2020
7
10
15

Bearish engulfing has little effect since 2020's bullish start countered the minor downswing. Dark cloud cover later on had the requisite follow through with plenty of red candles gradually accelerating lower with increasing volume.

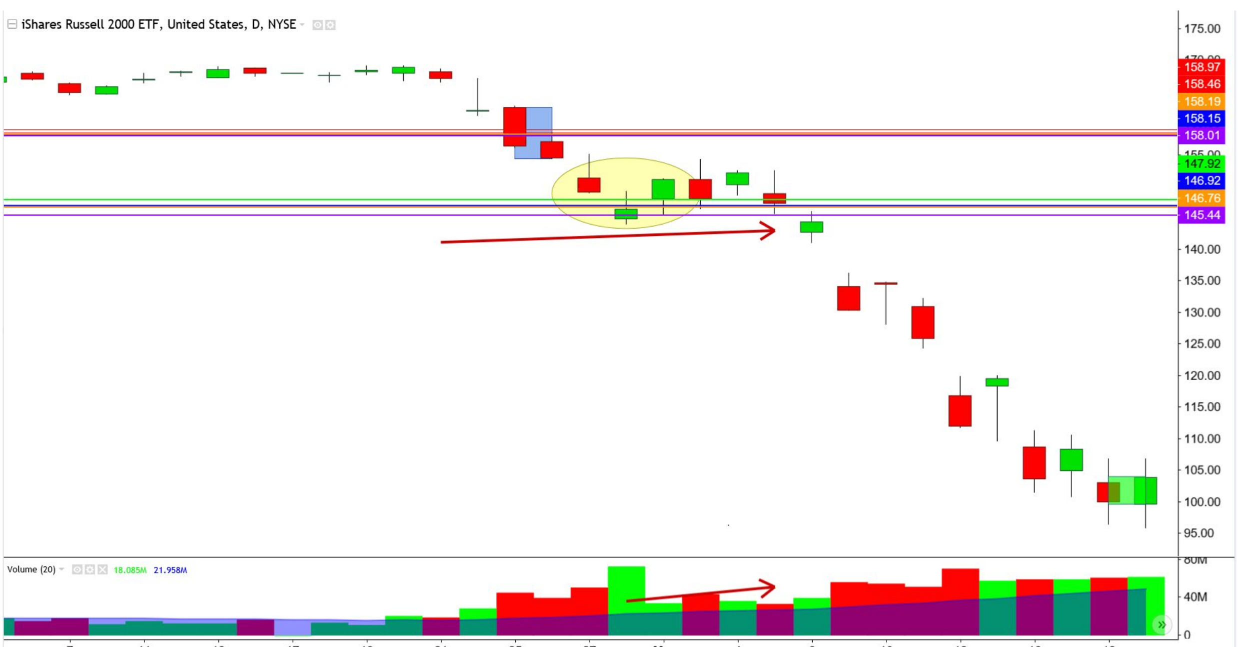
Strong support appears from the recent break over the upper 150s. However the upswing is weak and erratic with many gaps in between the small candles that have declining volume. Also the upswing point is formed from a harami that has a very large red candle. The prior bearish context and weak upswing effectively cancel each other to imply a more neutral context as the market returns to the previous high.

Minor increase in bullish volume is not enough as the prior peak forms firm resistance with two dark cloud cover patterns that form a double top in the short term and a sloping triple top in the medium term. Another example of a major support range slowing down even the strongest of drops that does become over extended in the short term to form a minor sideways range largely composed of inverted hammers. The bigger picture is still bearish but the short term is oversold and there is minor intent to rise as seen with the upper wicks of the inverted hammers.



A lower close under the support range to resemble a downward continuation ready to accelerate down. This is highly likely even though the current candle is unusual in that it is green rather than red. Focusing on general price action is more sensible rather than one single green candle.

The longer term and more general context of downward continuation price action prevails over the minor doubt of the one green candle that still technically took price lower.



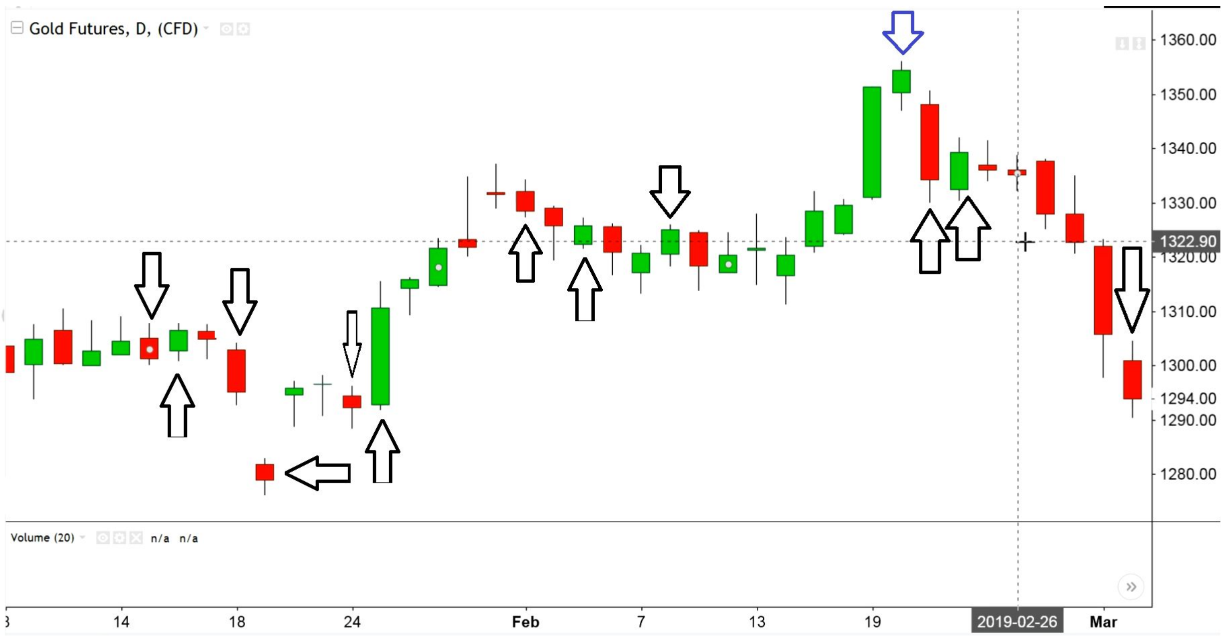
More bullish candles with lower wick rejection emerge to end march as the rapid sell off can be considered over extended. A bullish engulfing is also promising for at least a minor upswing.

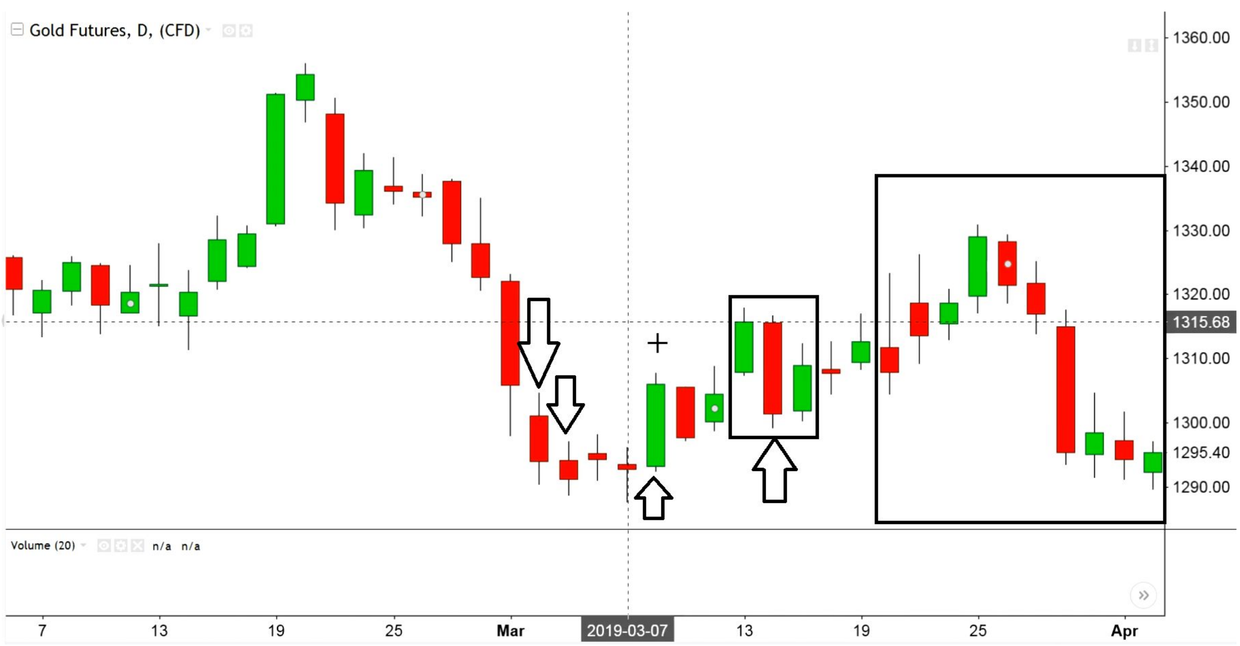
Volatility remains and the next two candles are large red ones. However the market does manage to hold the lows with more lower wick rejection. Price is weak as it first trades above but does not close over the bullish engulfing pattern's high. This can be normal after such a major global and volatile market drop like in March 2020 where clean single candle upswings are less common.

Along the way back up to the previous upper intermediate range there are some evening stars. The first one is closer to what is seen in theoretical candle diagrams with more defined gaps and shorter wicks. Though it is still strange in that the second candle is larger than the first and second and the first candle is red during an uptrend. Speaking of the uptrend it gradually stabilizes and that is likely a reason why the downswing is small as the market becomes bullish prior to reaching the mid 140s. The second evening star is a less strict and ideal example similar to the evening star seen back in late November of 2018. Again the downswing it produces does not start a downtrend due to the existing uptrend that has normal to low volume. Thus it has the element of a "passive" rise rather than a fully active uptrend. This is in part due to the rapid sell off and over extension in February and March.

Chapter 7 Spinning Top Candle Example Case Studies

Spinning Top Candle Example Case Study 1





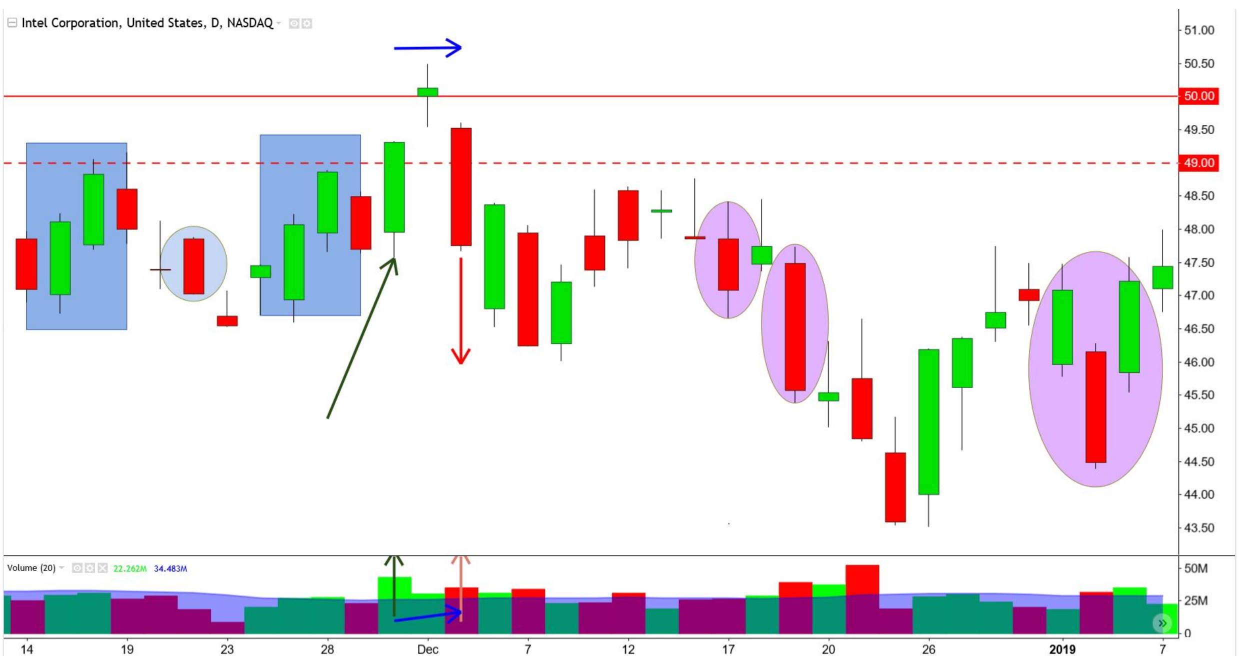
Spinning tops don't have much meaning on their own. They mainly represent indecision, especially in sideways ranges. However they can have directional meaning when found alongside reversal or even doji candles. For example a spinning top can be the second large green candle in a bullish engulfing pattern or the first and second candles in an evening star. Spinning tops near support/resistance ranges can also add to directional meaning.

Spinning Top Candle Example Case Study 2

Examples of spinning tops with less meaning while they are in the middle of upswings, downswings, and flat ranges. October 24th can be combined with the next green candle to effectively represent lower wick rejection over two candles.

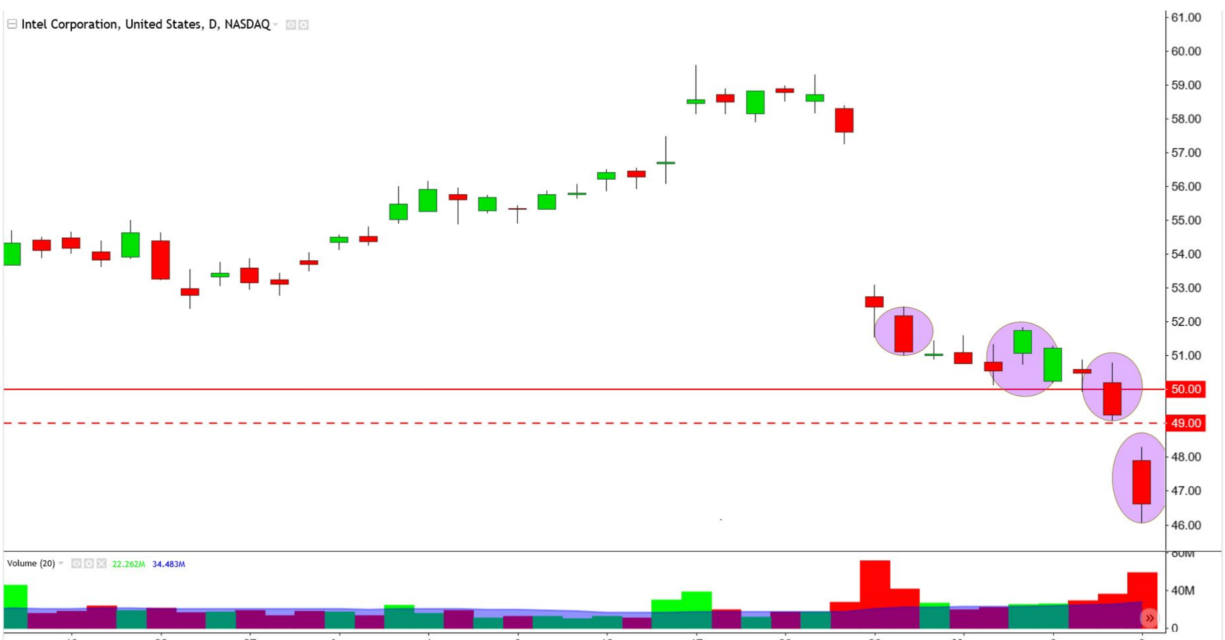

Intel Corporation, United States, D, NASDAQ
Volume (20)
22.262M
34.483M
54.00
53.00
52.00
51.00
50.00
49.00
48.00
47.00
46.00
45.00
44.00
43.00
42.00
40M
0
Aug
9
17
Sep
12
20
Oct
9
17
Nov
9
19


Intel Corporation, United States, D, NASDAQ
Volume (20)
22.262M
34.483M
60.00
58.00
56.00
54.00
52.00
50.00
49.00
48.00
46.00
44.00
42.00
40.00
38.00
36.00
34.00
32.00
100M
0
Mar
May
Jul
Sep
Nov
2018
Mar
May
Jul
Sep
Nov



Spinning tops under the 49-50 resistance range were mostly indecisive but the first and third candle of the evening star stretching from the end of November to the start of December are in a directional(bearish) context. First two red candles highlighted in purple are simply part of the downtrend confirmation and early development. The first red candle of 2018 is like another lower wick rejection forming a small upswing over 3 days much like a morning star's price action.

Intel Corporation, United States, D, NASDAQ
Volume (20)
22.262M
34.483M
60.00
58.00
56.00
54.00
52.00
50.00
49.00
48.00
46.00
44.00
42.00
80M
40M
0
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2019
Feb
Mar
Apr
May

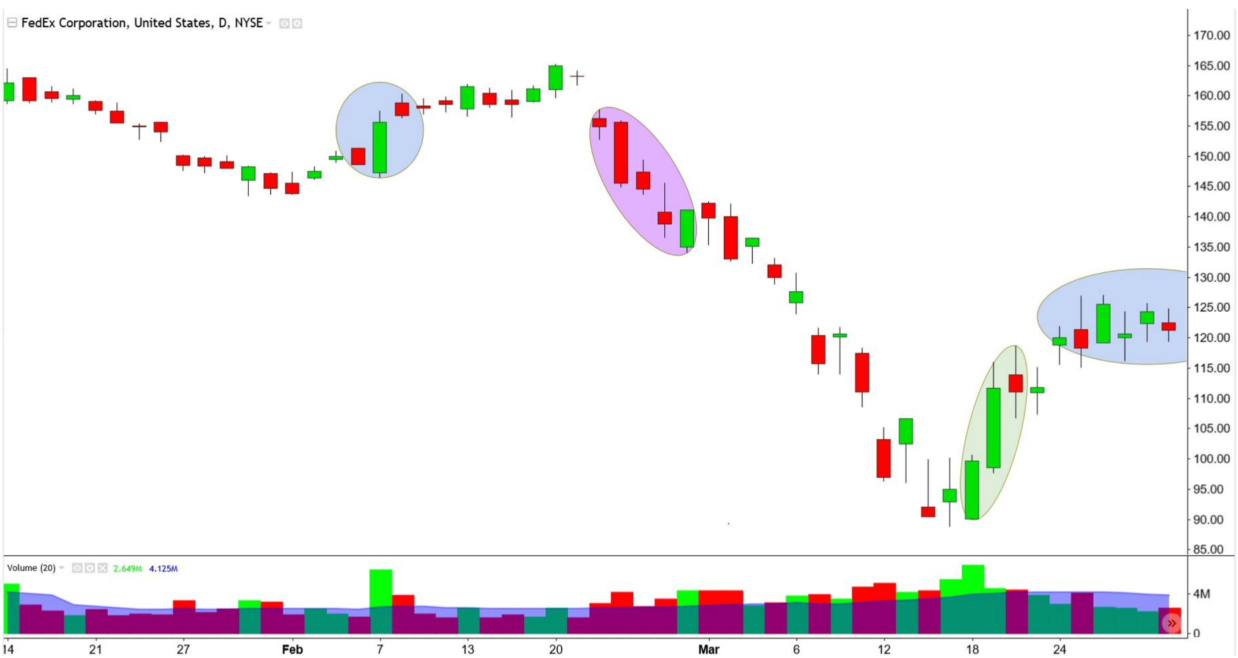


Intel Corporation, United States, D, NASDAQ
Volume (20)
22.262M
34.483M
61.00
60.00
59.00
58.00
57.00
56.00
55.00
54.00
53.00
52.00
51.00
50.00
49.00
48.00
47.00
46.00
80M
40M
0
19
22
27
Apr
4
9
12
17
23
26
May
6
9

Naturally the 49-50 range remains highly influential far into the future. Even when there are strong bullish and bearish moves through it, there is the natural secondary effect of slowing down price action rather than reversing it. As per usual slowing down often leads to flatter and more hesitant and/or indecisive price action. Thus spinning tops are a common sight during the abrupt or gradual slow down of strong up and downtrends through major areas such as the 49-50 range here.

Spinning Top Candle Example Case Study 3

Long term downtrend sees spinning tops as part of candle patterns composed of two candles. Harami, bearish engulfing, and another harami. In these cases the haramis lead to more directional rather than sideways movement. All 3 examples illustrate red spinning tops but in directional contexts due to the candles before or after them.



Small upswing from confirmation of inverted hammers at the beginning of February in the form of a green spinning top that acts as a bullish engulfing but not at the exact upswing point. Closer to March a large red candle can be considered a spinning top that is more bearish as it negates the bull hammer before it. Then the bullish engulfing after that is once again negated by a longer upper wicked red spinning top. Bullish engulfing in mid to later march once again has the green engulfing candle in a bullish context rather than a less significant spinning top candle by itself.

Flat range develops in March with plenty of dojis and spinning tops forming indecisive price action. In August large green bodied candles can be called spinning tops on their own. However they are more accurately called bullish due to their role in the continuation higher.

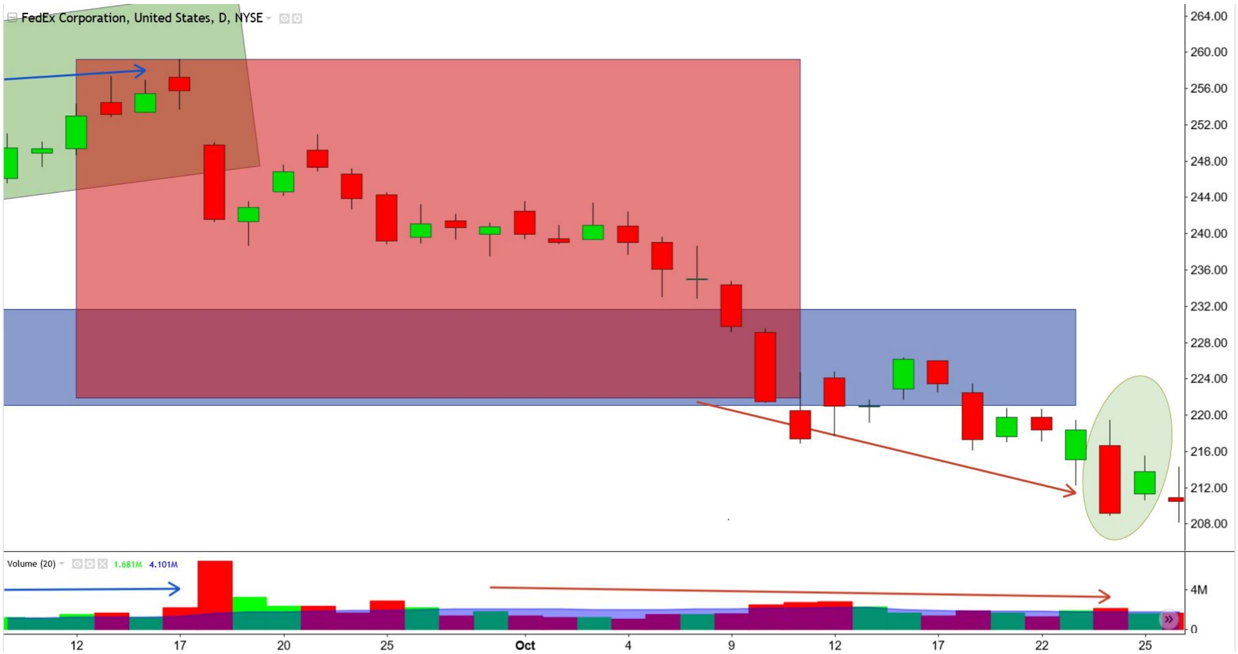
Chapter 8 Harami Candle Example Case Studies

Harami Candle Example Case Study 1

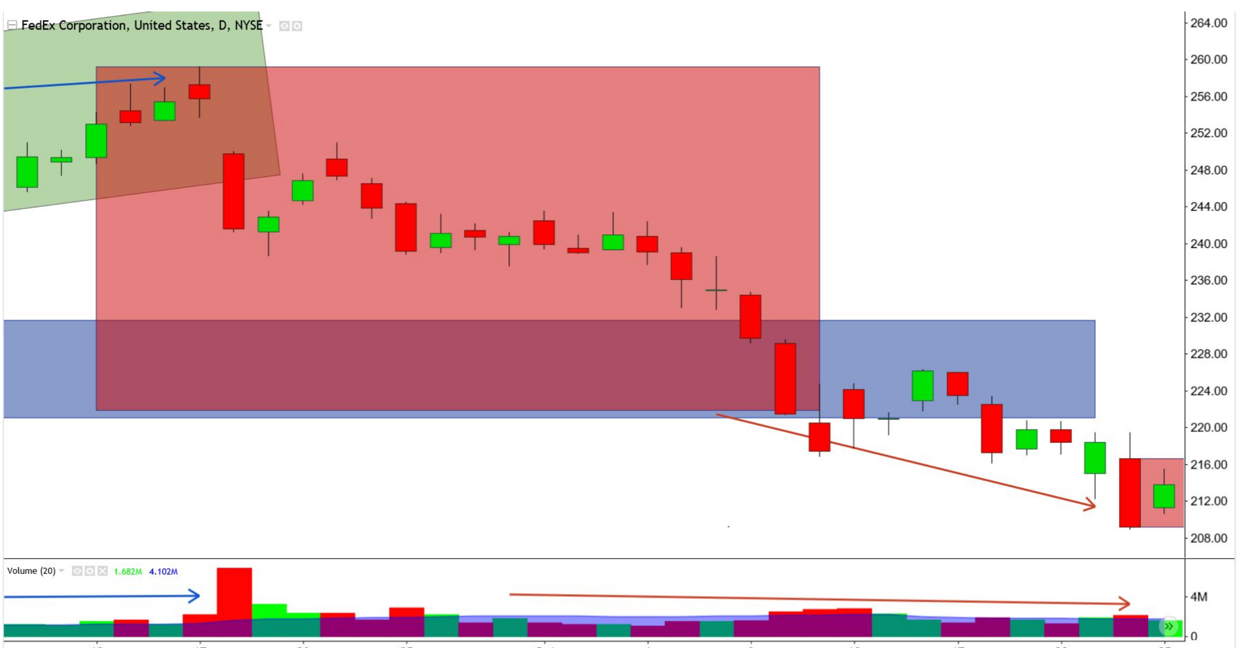
Long term context: clear up trend has peaked and market hesitation confines trading to a prolonged flat range for now.

Haramis are technically two candle patterns as they comprise two candles. They can also be considered two candle reversal patterns when they produce up or downswings. However they are treated somewhat separately since they can also have a tendency to produce flat and indecisive ranges. Thus they can be a special type of two candle pattern that is highly dependent on market context. This is in contrast to patterns like the bearish and bullish engulfing seen at the start of the now likely downward continuation range.

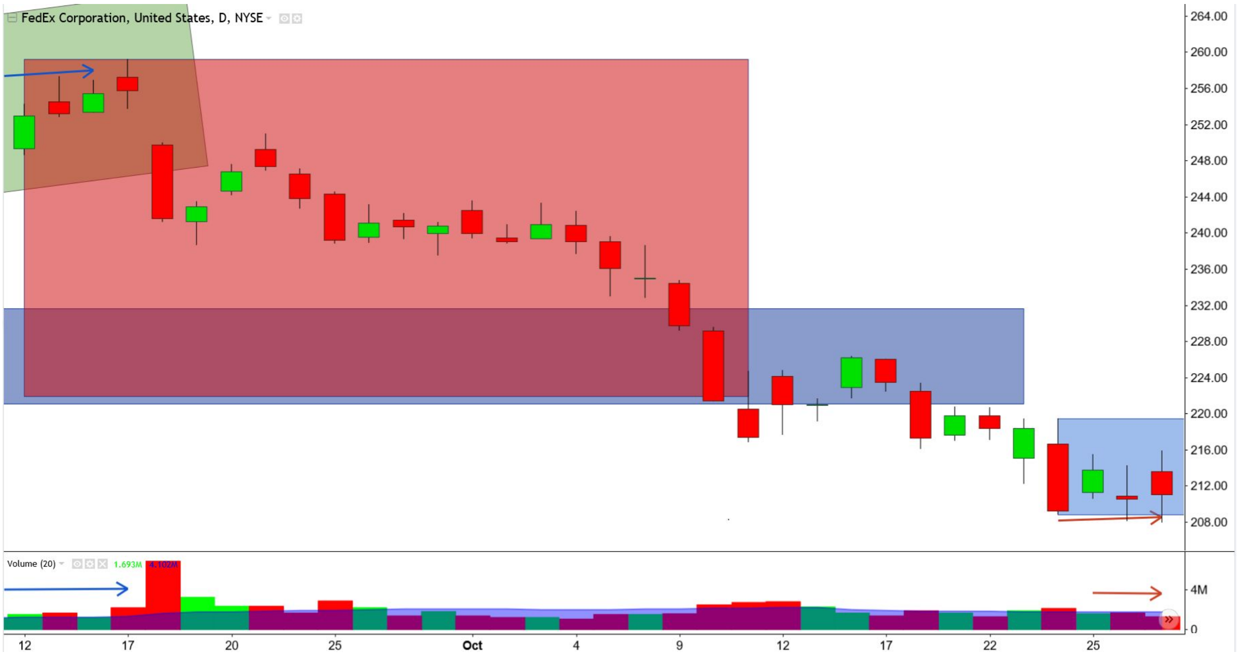
Increasing red candles and volume breaking the lower boundary like the prior examples



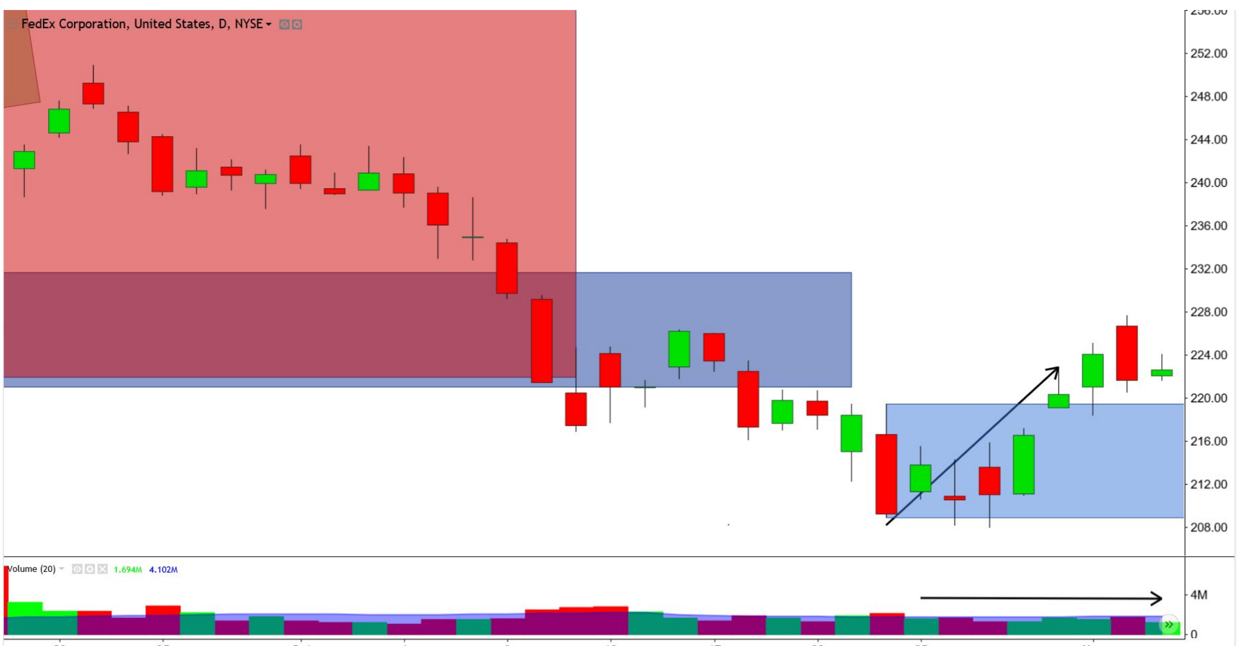
Note the 3 candles from Oct. 10-12th have the general price action of a morning star and even have an inverted hammer and bull hammer as the second and third candles. However they are in the context of a likely downward continuation and they are all red and closing below the lower 220 boundary. It is another case where reversal type price action does not produce an upswing but does stall the drop at a key lower boundary.



Classic haramis have formed with a red candle continuing the downtrend and the green candles that follows has its real body fully contained in the real bodied range of the larger red candle before it.

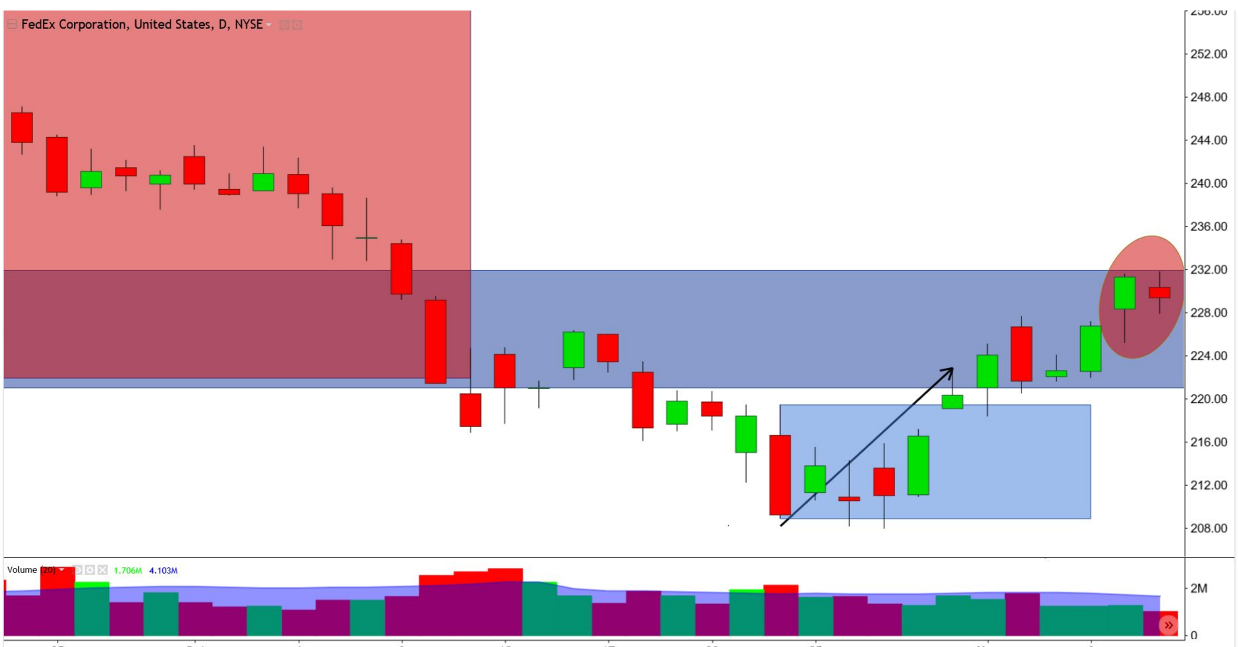


Naturally the green candle is bullish but often first leads to doubt in the downtrend followed by a more bullish tone once price is trading and closes above the high of the harami which is often the high of the first candle.

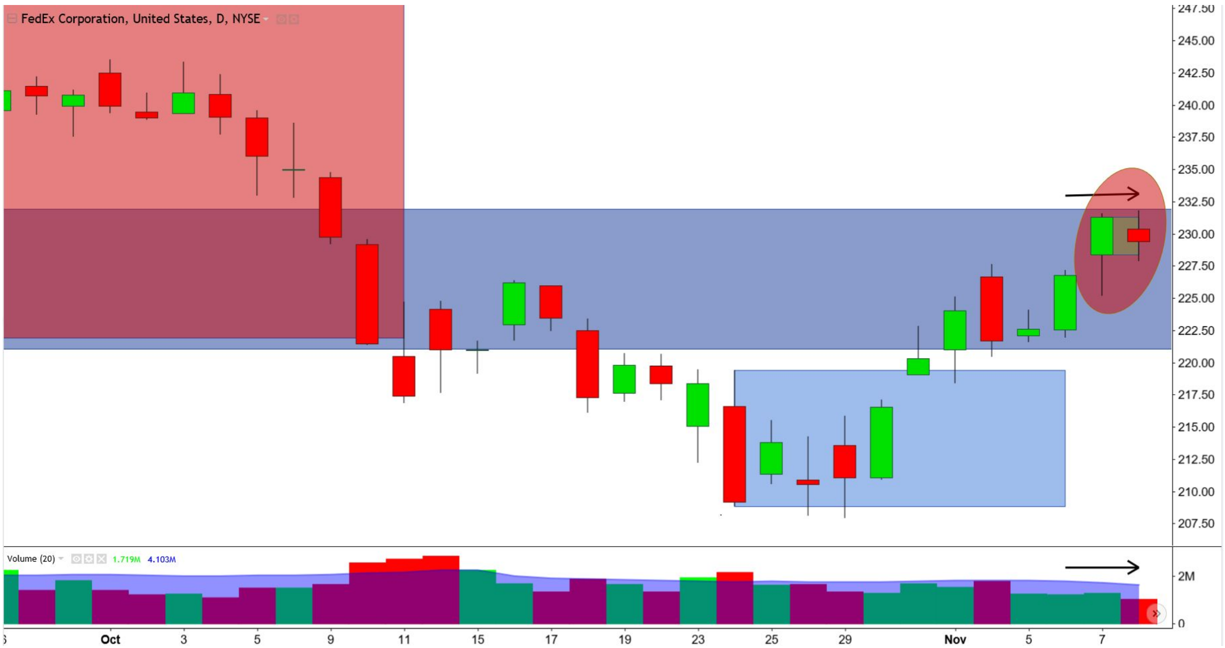


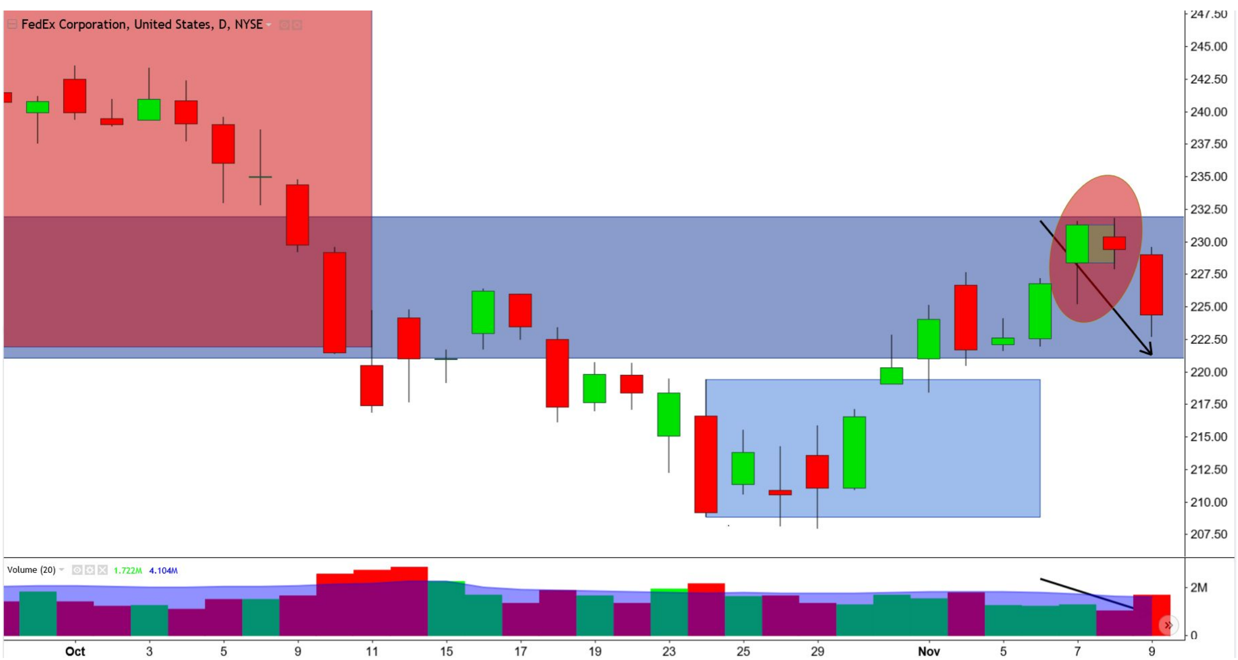
Doji and spinning top after harami are indicative of indecision.

Confirmation of a more likely uptrend after closing above harami's high. Again the faster price closes above the haramis high the more likely the uptrend will be stronger and last longer. Though haramis often have more delayed confirmation compared to bull hammers or bullish engulfings, if an uptrend develops at all.

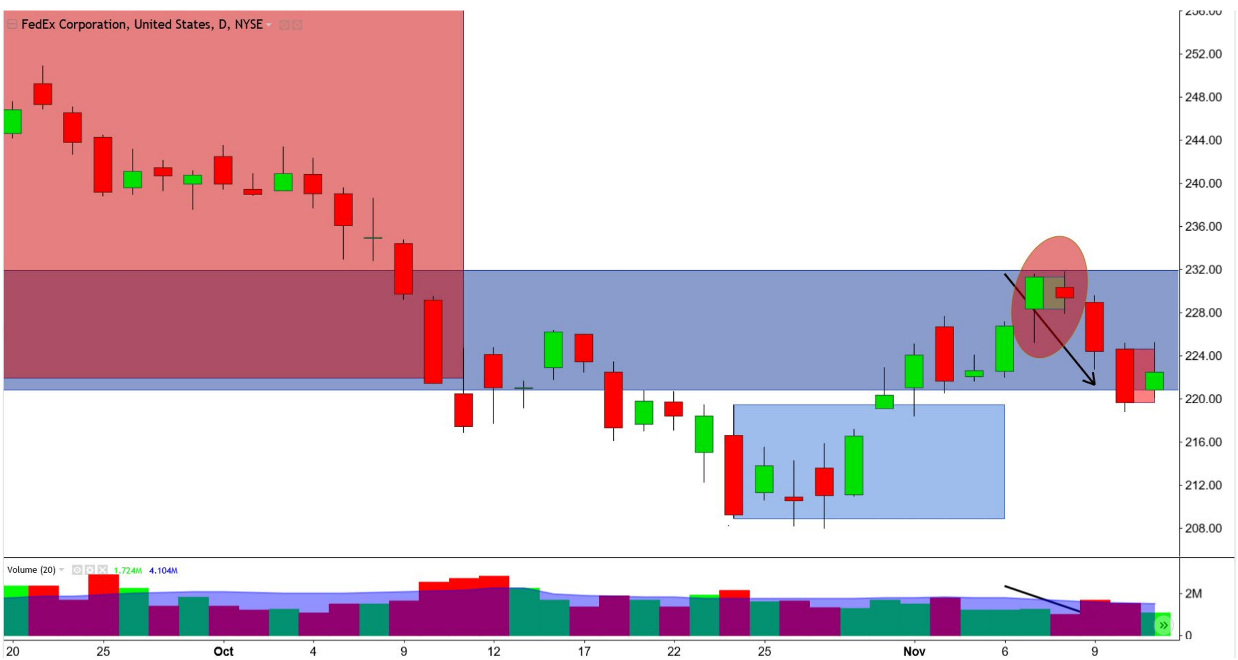


Naturally the prior 220-230 lower range is the first resistance range for a developing uptrend. Most recently another harami has formed in the bearish context.

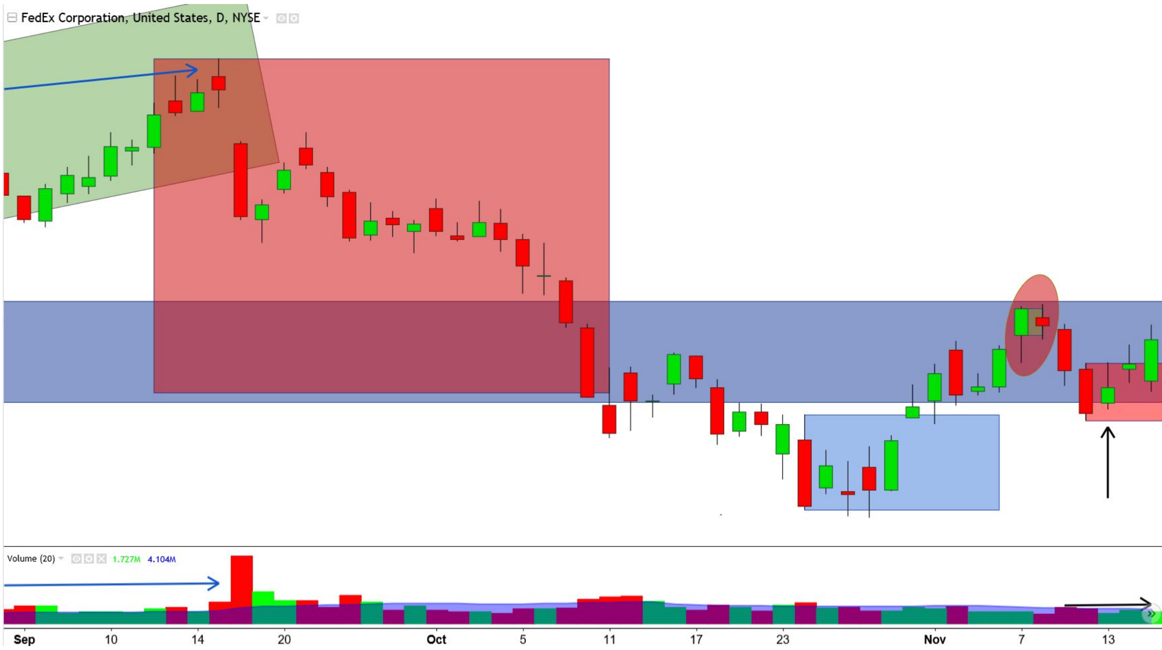




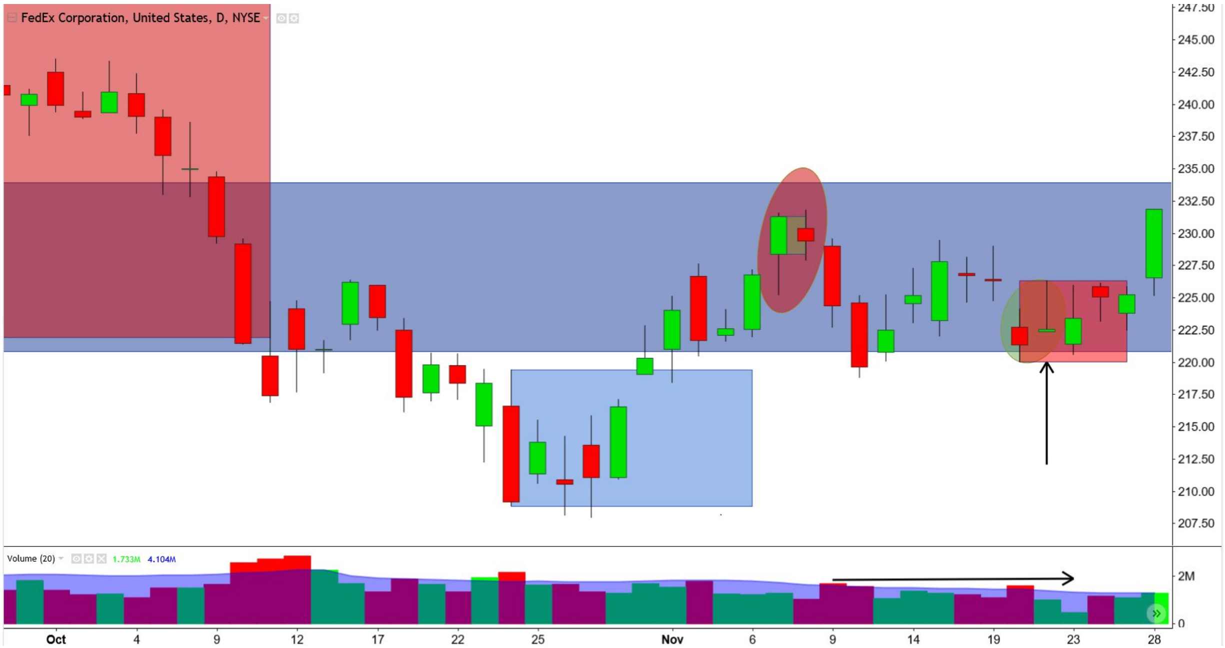
Immediate "confirmation" of a more likely downswing with the next candle strongly closing below the harami's low.

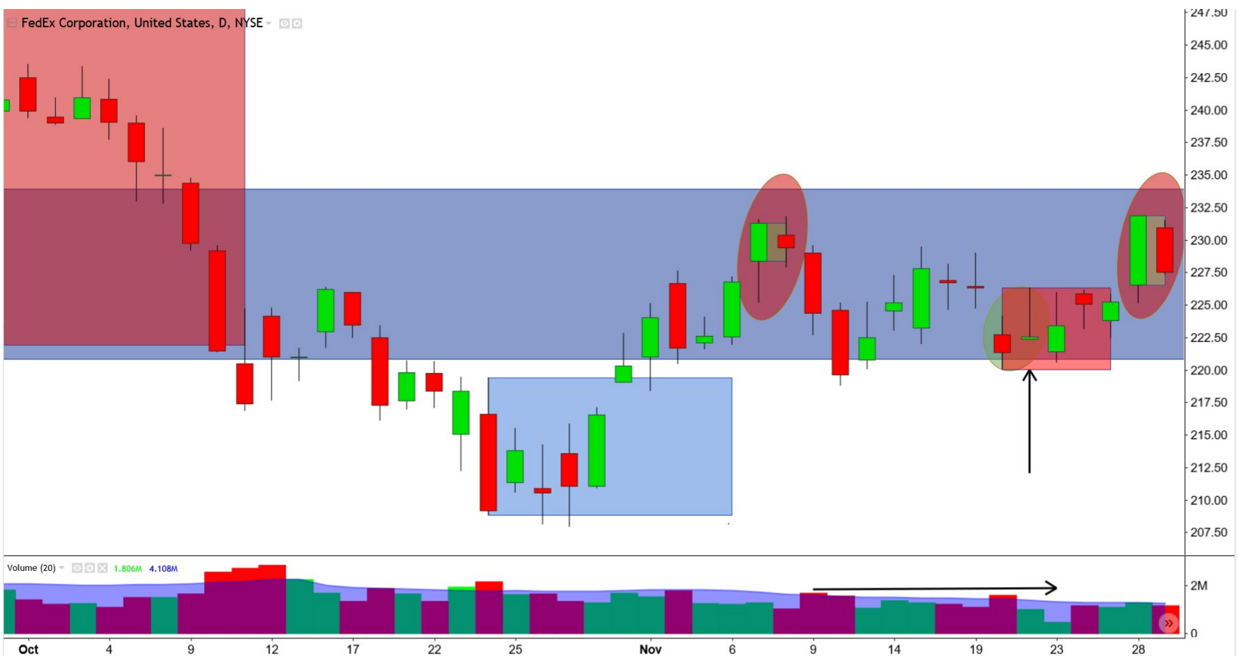


Major long term 220-230 range is a natural stiff barrier and contentious area since it was a key lower boundary to finish off the downward continuation in October. Another harami but back to a sideways to bullish context due to it forming at the lower boundary of the narrow 220-230 range and coming after the brief downswing began.

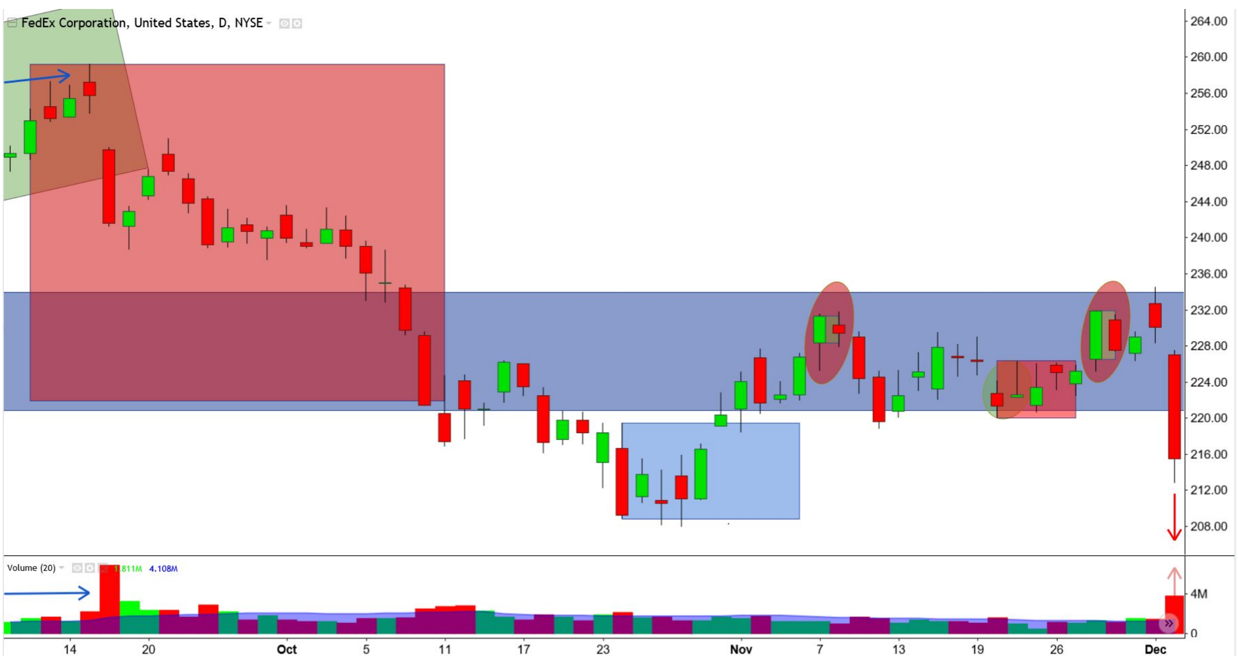


Bullish to flat with a marginal upswing. Once price returns to the lower 220 threshold a bullish harami forms with a gravestone doji that signals intent to rise again with its upper wick similar to an inverted hammer . Though it is weak bullish sentiment with low volume and price unable to close above the first red candle’s high.

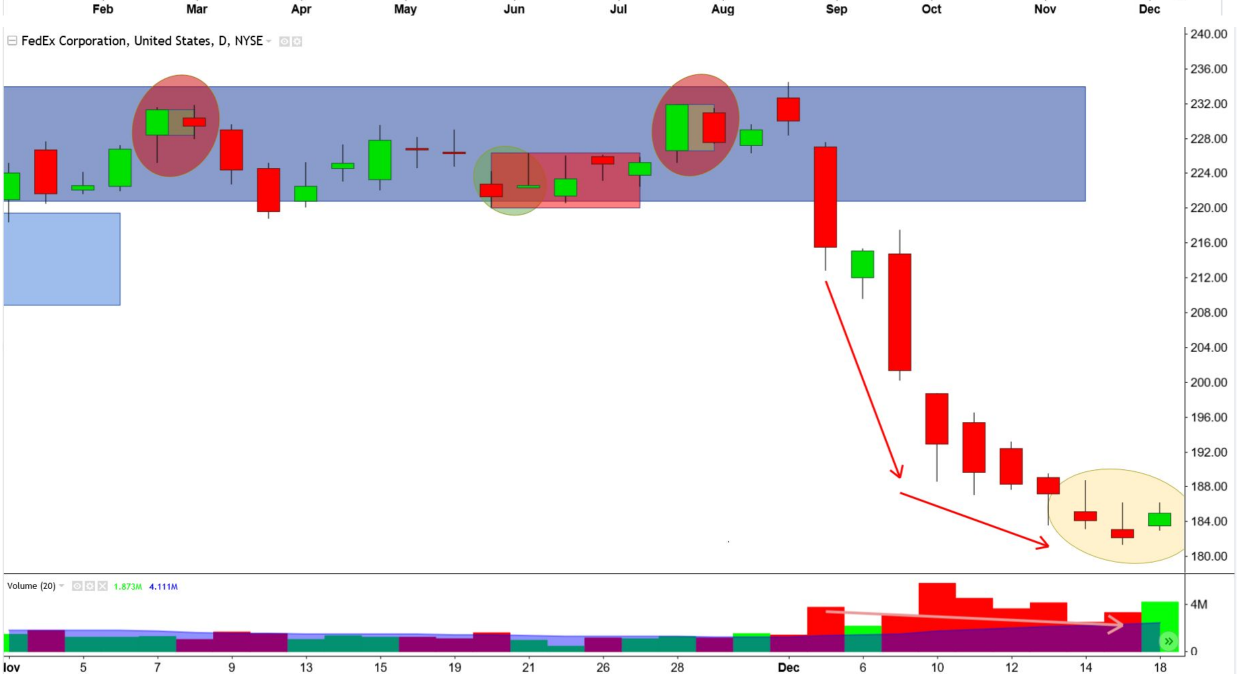




Drastic moves in the short term but very inconsequential in the long term until FedEx stock can move out of the narrow contentious range.



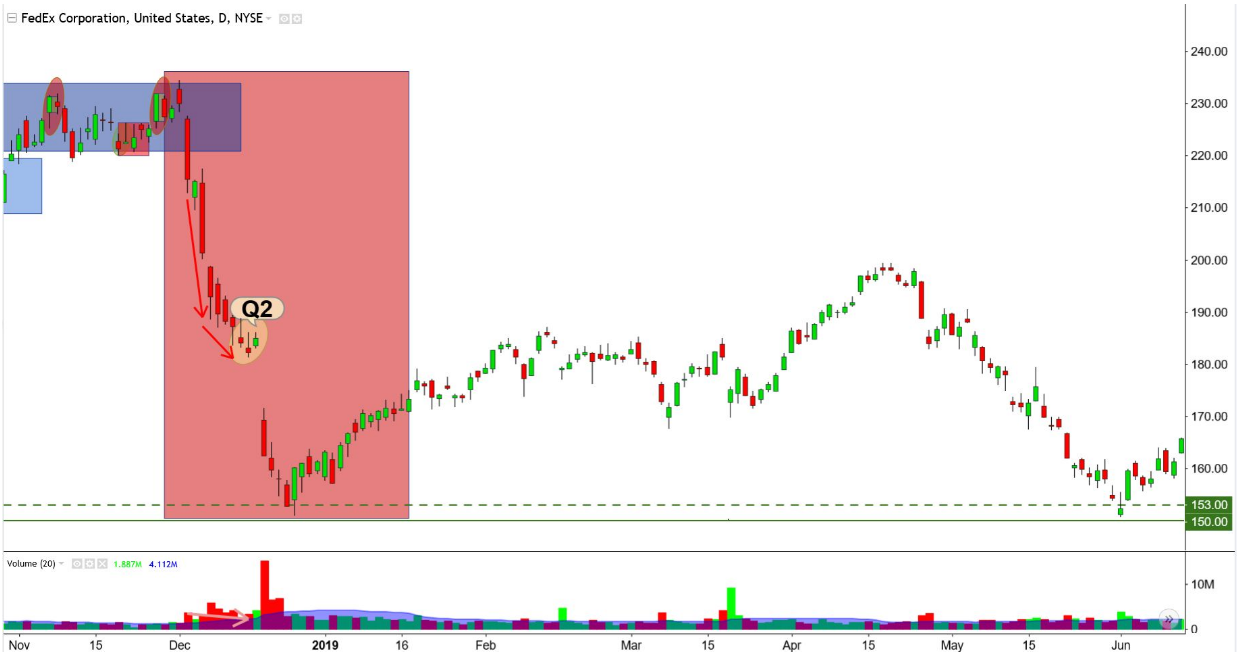
Large red spike strongly closes under the 220 boundary for a more likely shift back to lower prices.



The familiar sight of a rapid rush lower following the break under a key range. The pace accelerates along with volume. Note the major slow down with bull hammers and inverted hammers after lower wick rejection began on December 10th. It even forms a morning star with the current third green candle having increased volume. It is a possible bullish reversal in the making.

The opposite occurs as the longer term downtrend resumes with a catalyst. This was the second quarter results being reported. Similar to the Walmart example there is a negation of clear technical factors on the chart such as the morning star and inverted hammers. Due to a volatile and unpredictable event(in terms of the market's reaction) to something like the announcement of quarterly results. Quarterly reports can see price jump as well such as in the Walmart case study. However given the bearish background on the chart alone this was less likely.

The market does become oversold and it is more of a "passive" rise as discussed in earlier examples where the rise generally has low bullish volume but shifts higher due to the bearish imbalance during the rapid decline. Note the upswing at the end of December formed from two candles not quite a bearish engulfing and too much real body overlap to be even the loosest interpretation of a kicking pattern. The important part is the general price action starts from the O of the first red candle to the C of the second green candle and it is essentially a bull hammer over the course of two candles.



Inverted hammers form a bearish star with increased green buying volume. To catch the latest downtrend at the support range offered by the low 150s as June begins.

Early "confirmation" with the next candle trading above the morning star's high. However since it was red it showed weakness along with the generally low volume and slow rise to the natural resistance at 170 the site of the gap down from the Q2 report and past swing points.

A downswing just under 170 can be called evening star price action but it is more of a bearish star followed by dojis and eventual closes lower. It is a rapid downward acceleration and a volatile time in the market with a rapid rise to counter and form a harami that leans more bullish due to the current baby candle being near equal size to the mother candle but still has its real body range within the mother candle’s real body range, along with exceedingly high volume.

Immediate confirmation for a short lived upswing. The two downswings that followed are essentially upper wick rejection followed by near bearish engulfing price action. These two candle reversals are a familiar sight and generally more certain and rapid compared to haramis that carry indecisive price action due to the second candle that is contained within the influence of the first larger candle.

A moderate but consistent break over 170 is short lived. The latest return to the mid 150s sees a brief upswing that is once again somewhere in the spectrum between bullish engulfing and kicking pattern. Though too much overlapping for a kicking pattern and too little engulfing for a bullish engulfing.

The lower range that has formed is generally of low volume and less important in the long term until the market decisively breaks out of it similar to the earlier situation.

Bullish engulfing has an early confirmation to start another bullish attempt off the low 150s

Consistent and noticeably increased volume compared to the previous break over 170.

Another gap down due to an earnings report. Before that was natural flat price action that is often from caution in the market prior to the catalyst event of the earnings announcement. A natural first lower boundary at the still firm lower 150s. A piercing pattern shows bullish intent much more so than if a harami had formed with the second candle's real body within the range of the first red candle's real body range.

Piercing pattern alone is less significant even at a major support range without immediate confirmation to build on. The next few candles do the exact opposite to effectively negate it and close lower.

Instead going below the low of the piercing pattern and the long standing 150 level which produces the opposite effect of a further drop. Though not a strong continuation such as with 3 methods falling type price action since much of the selling was exhausted in the gap down as evidenced by rapidly declining volume and volatility in terms of narrower H-L and O-C ranges of recent candles.

Gradually bearish to neutral with more market deliberation. Particularly with the emergence of a thick doji that forms a harami with the candle before it. A bullish reversal can come if FedEx rapidly moves over this harami’s high. If it doesn’t than flatter price action is more likely.

Return to longer term context. The market has been oversold at times but the downtrend is still strong and there is still room to fall to even lower support ranges.

Almost a morning star in terms of the U shaped price action. Volume is declining but the tone shifts to a more neutral to marginally bullish stance with the short green candle ever so slightly higher than the harami's high to also introduce element's of a bullish kicking pattern.

Rapid follow through with a row of higher closes provides a good example where early confirmation is built on to turn a harami closer to other two candle patterns in a reversal role such as the bullish engulfing or piercing patterns that are inherently more directional and only lead to flat price action when the market delays confirmation over their highs or negates their bullish intent with lower closes in the proceeding candles.

Depending on how strict the criteria is for a harami some patterns outlined above are or are not haramis. This is in regards to whether the upper and lower wick moving out of the O-C or even H-L range of the first candle constitutes a harami. If a more loose interpretation is applied than the first two swing points are haramis. Overall the general price action is similar as long as the second real body is within the first candle's real body range. The first and third haramis are great examples of haramis in a directional context. While the second harami is closer to the more common neutral to directional movement that follows a harami.

FedEx does indeed continue lower before it finally recovers a portion of the losses over the last few years. The break under the 137 level is another great demonstration of a reversal pattern(a bullishly engulfed inverted hammer in this case) that is negated by the following candles that begin strongly closing in the opposite direction (in this case bearishly downward).

Harami Candle Example Case Study 2

December starts with what can technically be considered a harami due to the second candle's real body being fully contained within the real body of the first larger red candle. Though the proportions of the first candle are a lot more extreme than a normal harami.

The large red candle is more of a downward over extension similar to a short lived gap down rather than forming a reliable harami. Focus on the inverted hammer and its immediate confirmation is more useful. Then closing above the high of this disproportional harami and the bearish star of the gap up from late October around 85 can be used as a sign of the longer term uptrend resuming.

Close to a dark cloud cover pattern but with less strict criteria since the second candle doesn't close near the mid point of the first green candle.

Less strict dark cloud cover is confirmed with a close lower to also form price action similar to an evening star.

A single green candle immediately puts doubt into a possible downswing that is seemingly certain especially with the increasing red volume before hand.