Basics of Candlesticks

- Candlesticks originated in Japan and have been used for centuries in technical analysis of financial markets.
- Candlesticks can be used for any time period, from minutes to weeks to months.
- A "bullish" candlestick indicates that the closing price is higher than the opening price, while a "bearish" candlestick indicates the opposite.
- The color of the body of the candlestick can vary by charting platform or trading style, but traditionally a green or white body represents a bullish candlestick, while a red or black body represents a bearish candlestick.
- The length of the wicks/shadows can provide additional information about the price movement. Long upper wicks indicate that the price rose significantly before falling back down, while long lower wicks indicate the opposite.
- Candlestick patterns, which involve the arrangement of multiple candlesticks in a certain sequence, can provide further insights into potential price movements and trend reversals.

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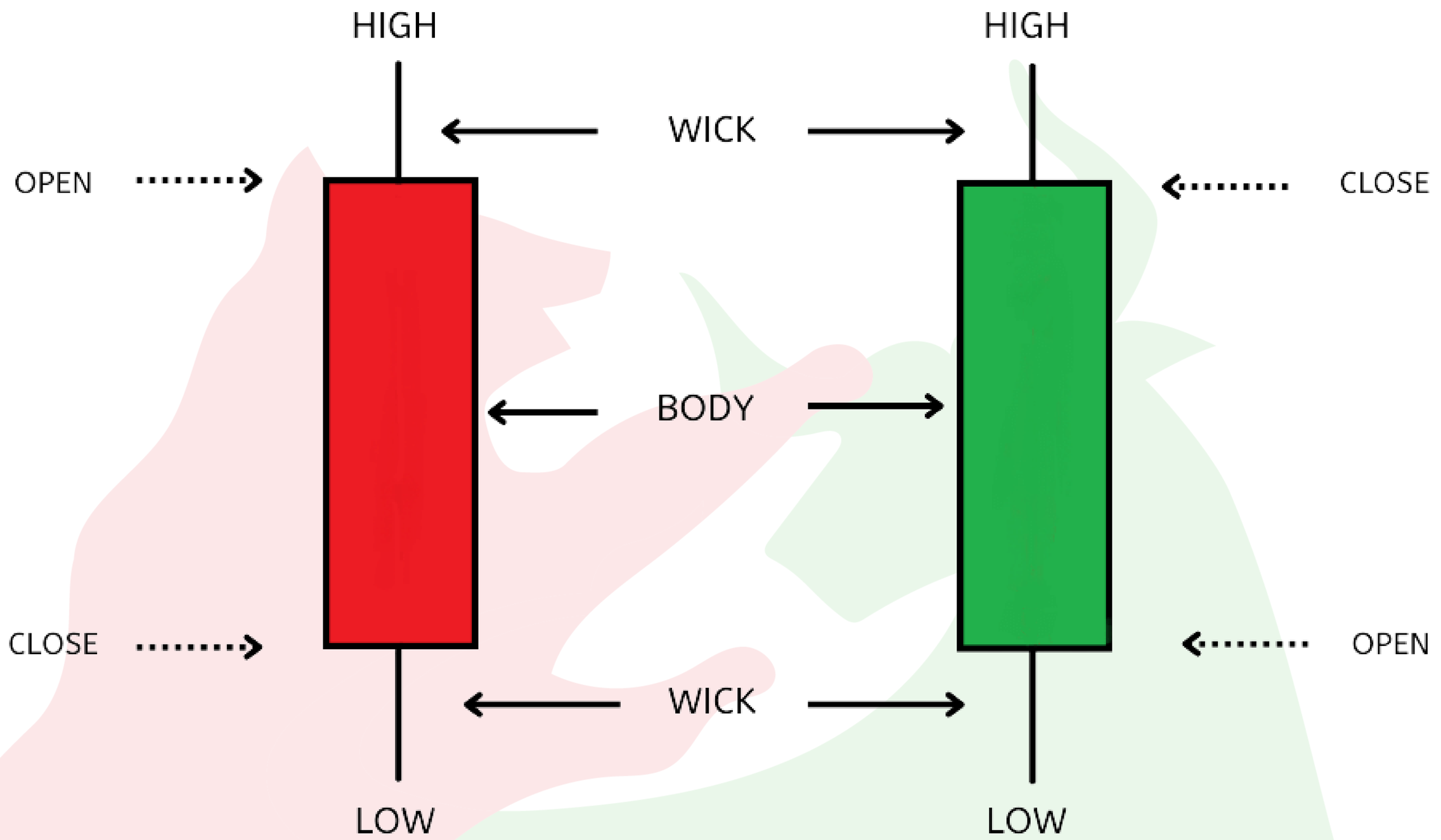
CANDLESTICKS



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- **Each candlestick represents four data points: the opening price, closing price, highest price, and lowest price.**
- **The rectangular area between the opening and closing price is called the body of the candlestick.**
- **The thin lines above and below the body are called the wicks or shadows.**
- **The top of the upper wick indicates the highest price, while the bottom of the lower wick indicates the lowest price.**
- **A green or white candlestick body represents a bullish candlestick, while a red or black body represents a bearish candlestick.**
- **The length of the wicks and body can provide information about the price movement and market sentiment.**

BULLISH CANDLESTICKS

Bullish candlesticks are a type of candlestick chart pattern that indicates a potential uptrend in the price of an asset. Here are some important points about bullish candlesticks:

- Bullish candlesticks have a long body and a short wick or no wick at all. The body represents the opening and closing price of the asset during the trading period, while the wick shows the price range that occurred during the period.
- The color of a bullish candlestick is usually green or white, indicating that the closing price is higher than the opening price.
- The longer the body of the bullish candlestick, the stronger the buying pressure in the market and the more significant the bullish trend.
- Bullish candlesticks can come in different shapes and sizes, including the hammer, the bullish engulfing pattern, and the morning star pattern.

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BULLISH ENGULFING CANDLESTICK

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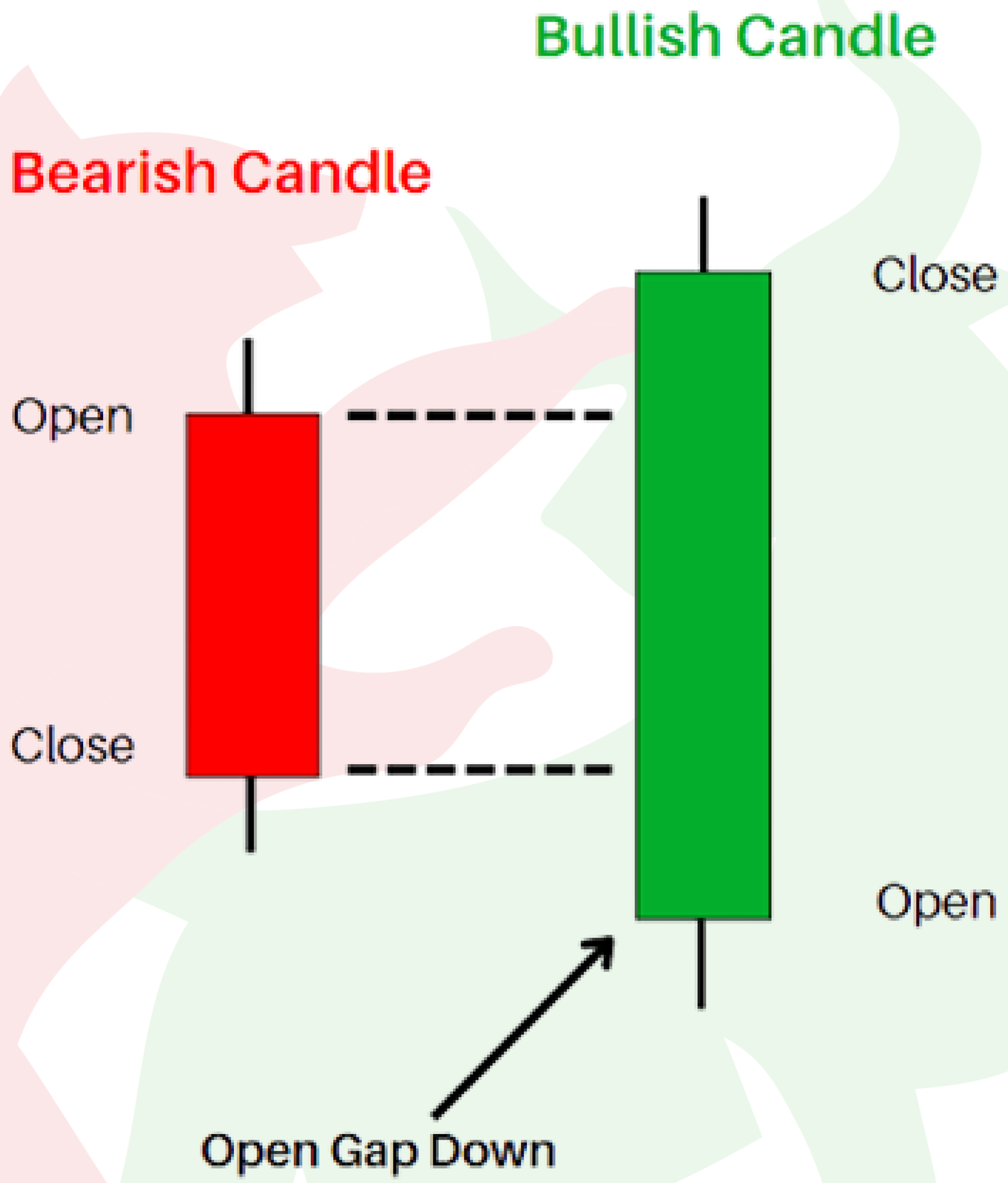
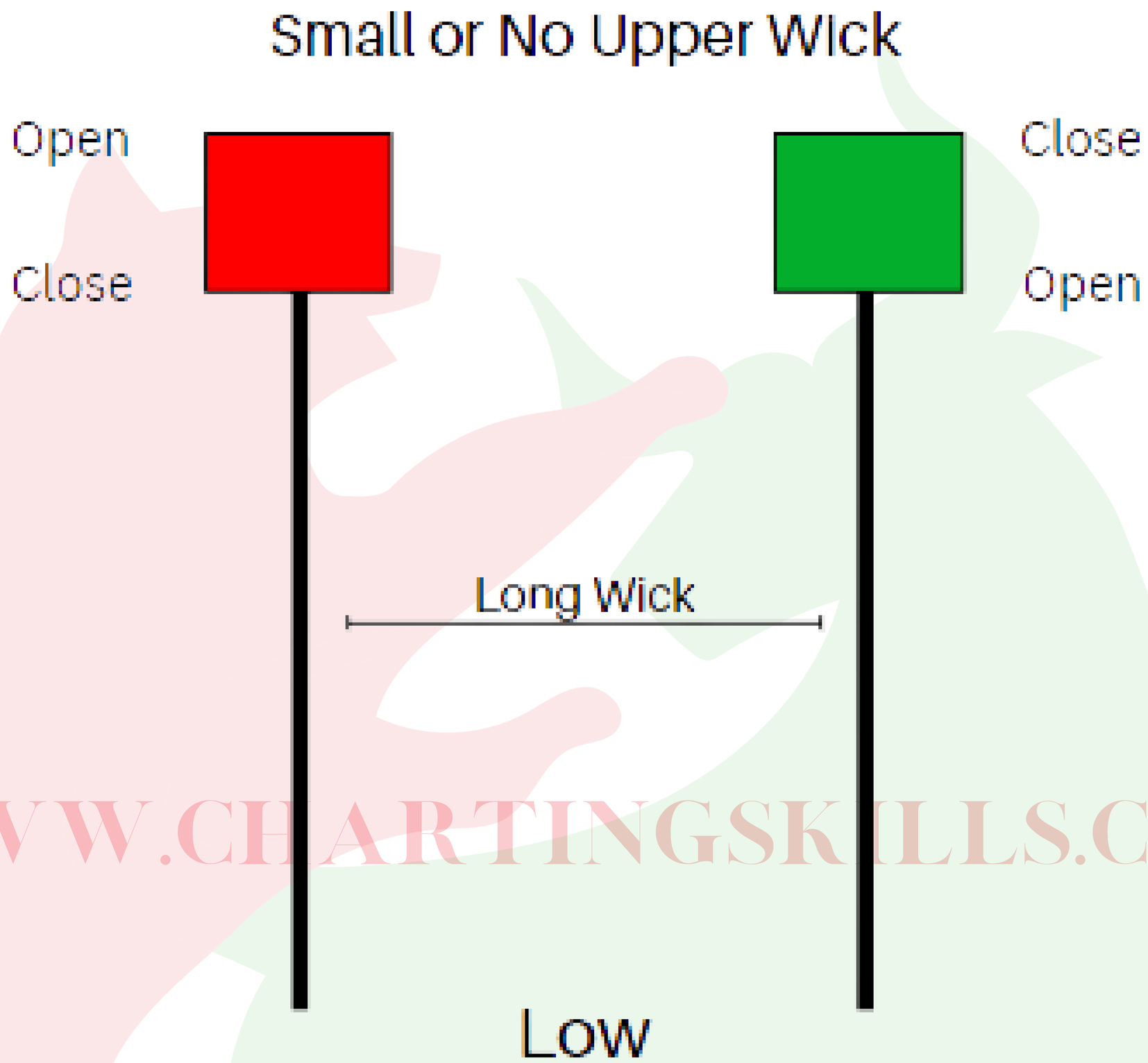


- **The bullish engulfing candlestick pattern is a two-candle pattern that forms during a downtrend.**
- **The first candle is a bearish candle, meaning it has a long body and a short upper wick, indicating that the sellers are in control of the market.**
- **The second candle is a bullish candle that opens below the previous candle's low but then closes above the previous candle's high.**
- **The bullish candle completely engulfs the previous bearish candle, which means that the buyers have taken control of the market.**

HAMMER CANDLESTICK



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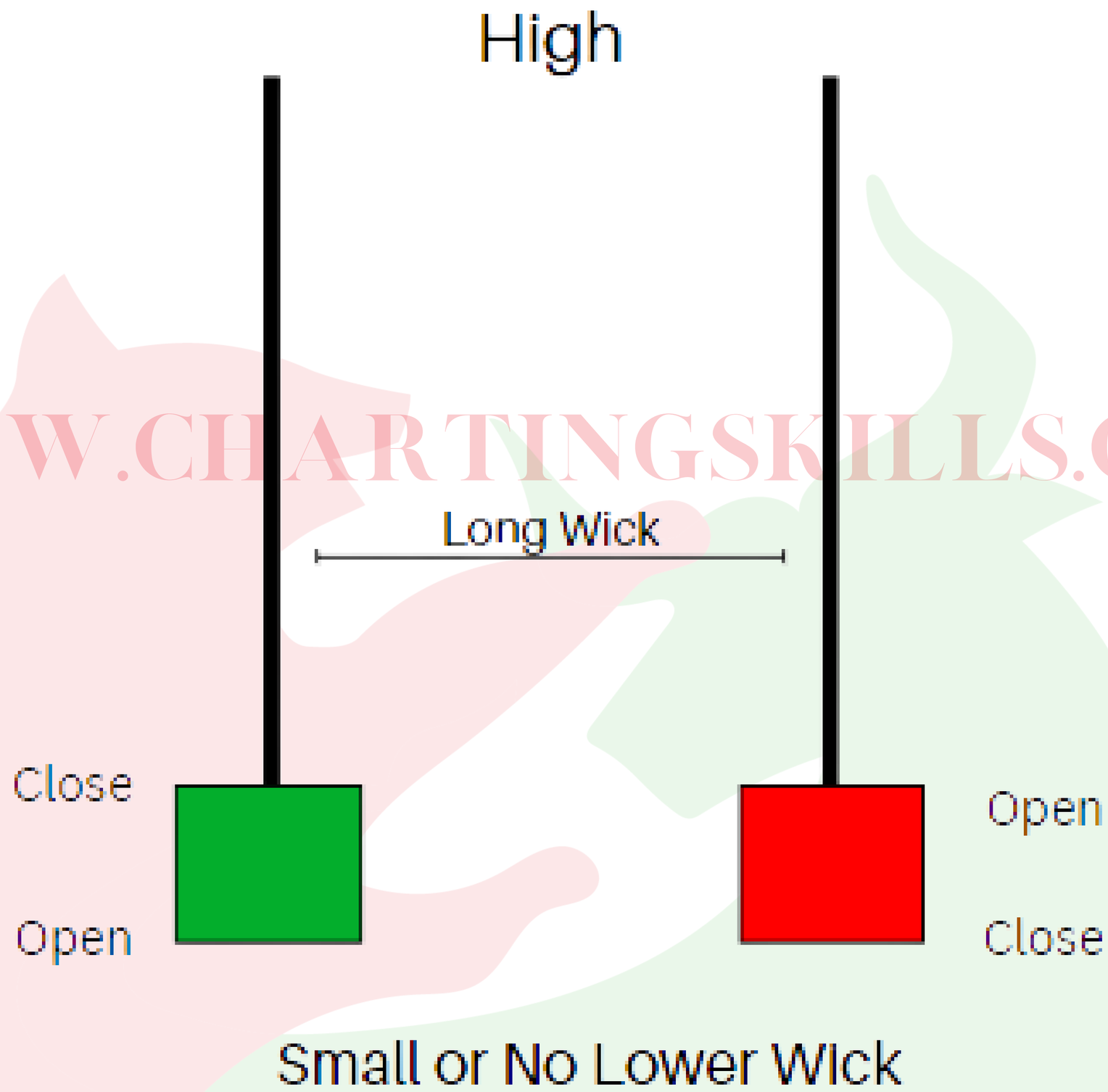
- **The hammer candlestick pattern is a single candle pattern that forms during a downtrend.**
- **It is characterized by a small real body (or no real body) and a long lower wick, which is at least twice the length of the real body.**
- **The long lower wick represents price rejection at the lower levels, indicating that the buyers are stepping in and pushing the price up.**
- **The opening and closing prices are typically close together or at the top of the real body, creating a small or non-existent upper wick.**
- **The hammer pattern suggests that the sellers are losing control of the market, and a potential uptrend may be starting.**

INVERTED HAMMER CANDLESTICK



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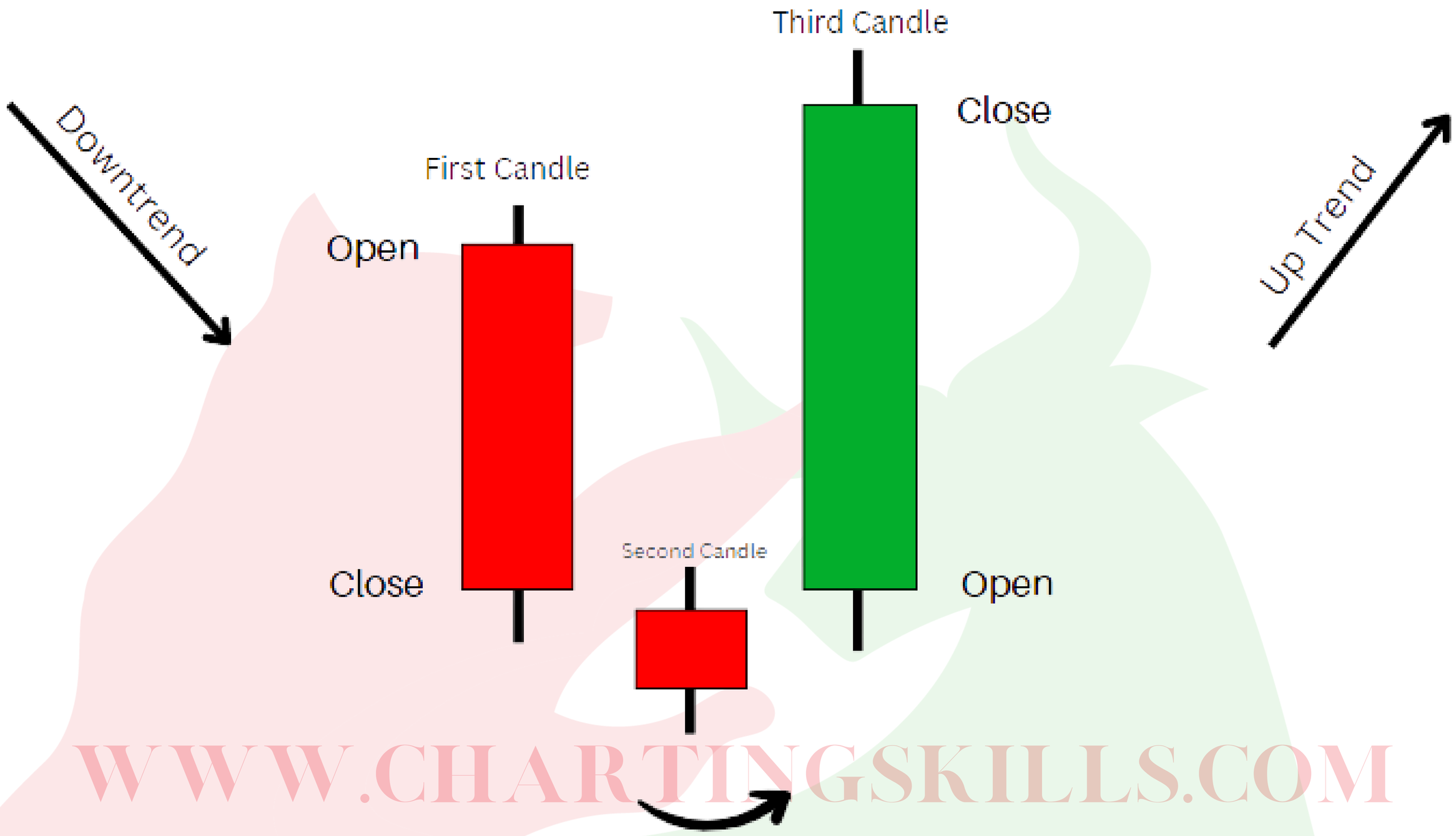
- **The inverted hammer candlestick pattern is a single candle pattern that forms during a downtrend.**
- **It is characterized by a small real body (or no real body) and a long upper wick, which is at least twice the length of the real body.**
- **The long upper wick represents price rejection at the higher levels, indicating that the buyers tried to push the price up, but the sellers ultimately took control.**
- **The opening and closing prices are typically close together or at the bottom of the real body, creating a small or non-existent lower wick.**
- **The inverted hammer pattern suggests that the sellers are losing control of the market, and a potential uptrend may be starting.**

MORNING STAR CANDLESTICK



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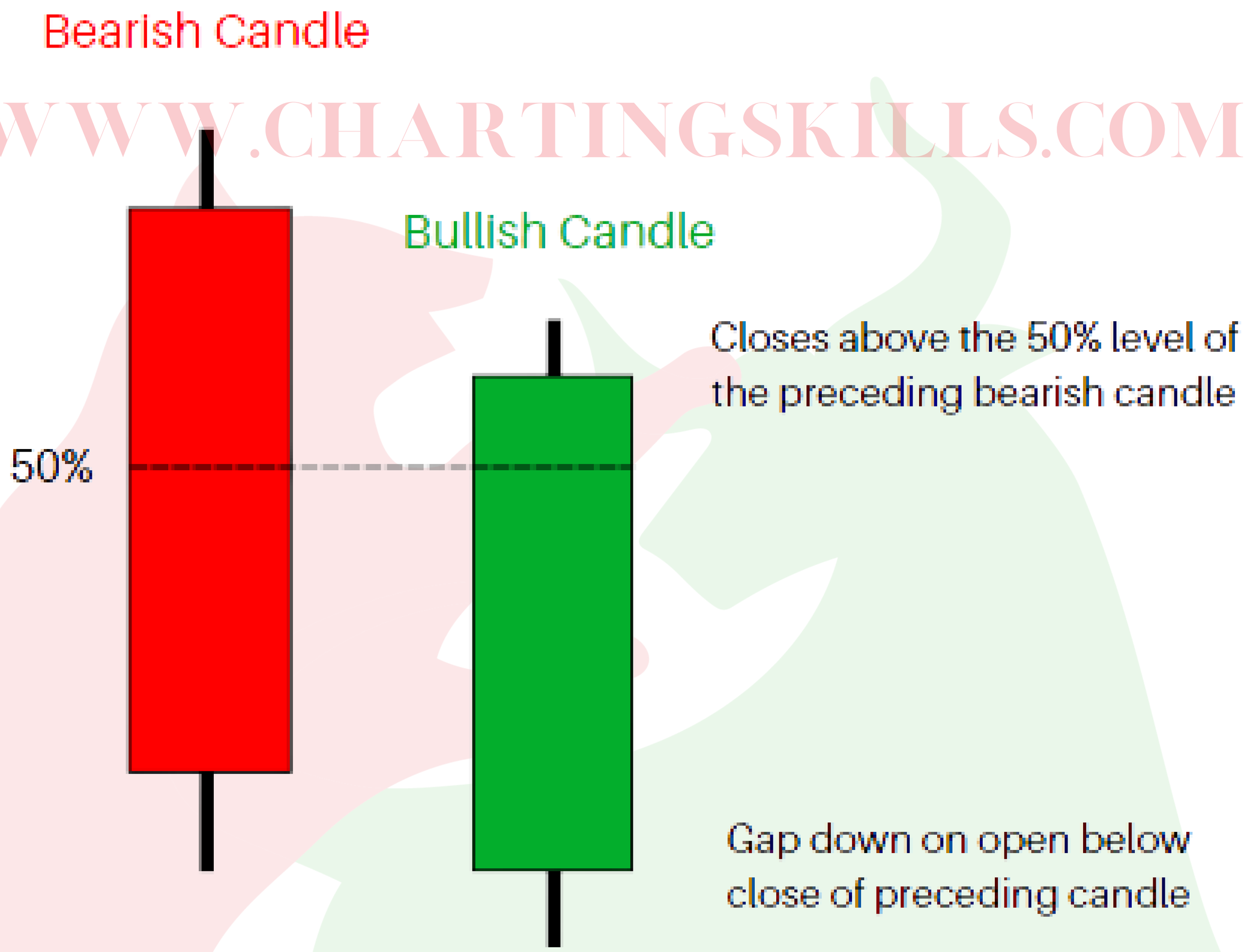
- The morning star candlestick pattern is a three-candle pattern that forms during a downtrend.
- The first candle is a bearish candle, indicating that the sellers are in control of the market.
- The second candle is a small-bodied candle, which could be bullish or bearish, and may have a small upper or lower wick.
- The third candle is a bullish candle that closes above the first candle's real body.
- The morning star pattern suggests that the sellers are losing control of the market, and a potential uptrend may be starting.
- The longer the third candle's real body, the stronger the potential uptrend may be.

PIERCING CANDLESTICK



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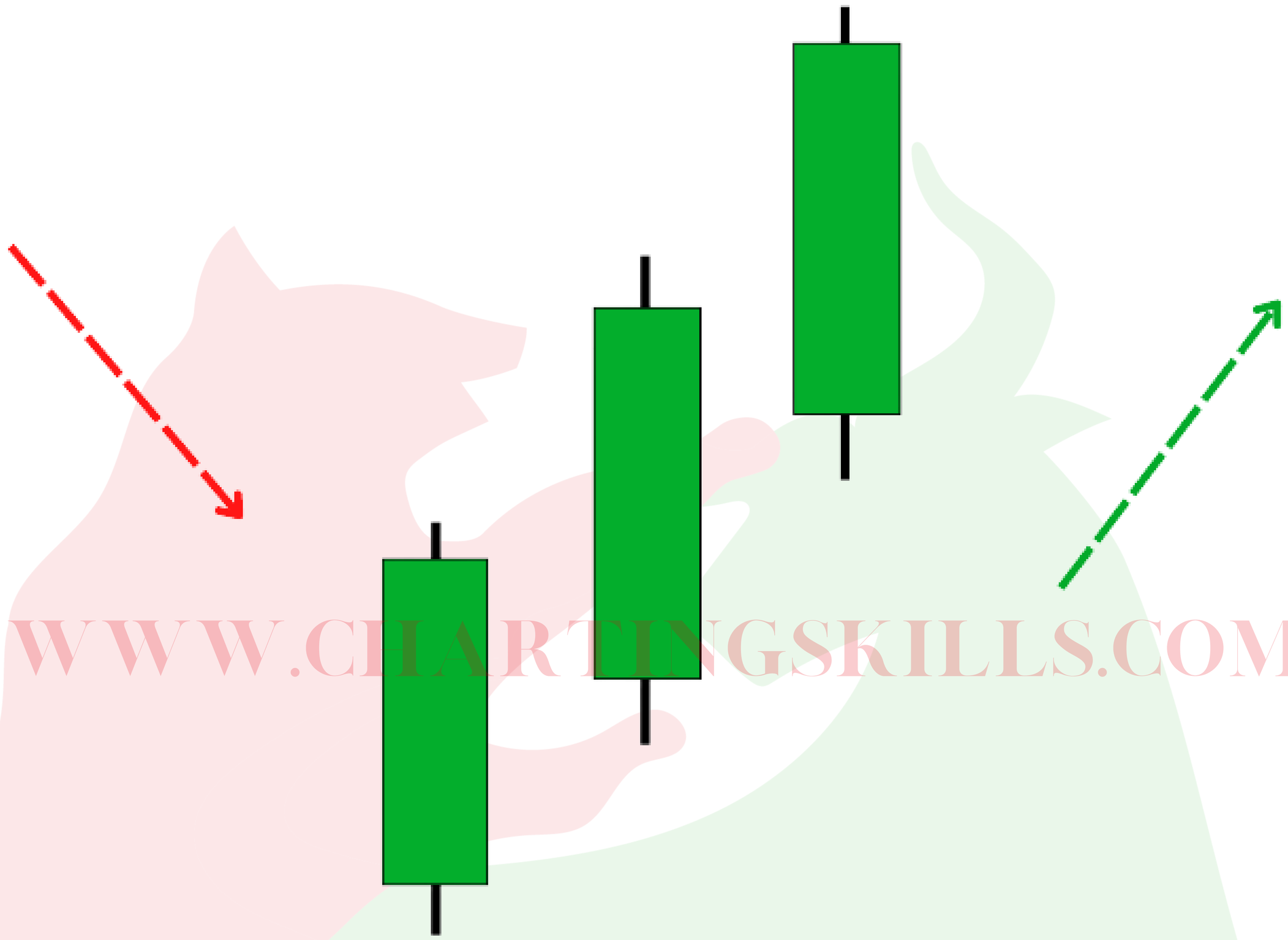
- **The piercing candlestick pattern is a two-candle pattern that forms during a downtrend.**
- **The first candle is a bearish candle, indicating that the sellers are in control of the market.**
- **The second candle is a bullish candle that opens below the previous candle's low and closes above the midpoint of the first candle's real body.**

THREE WHITE SOLDIERS



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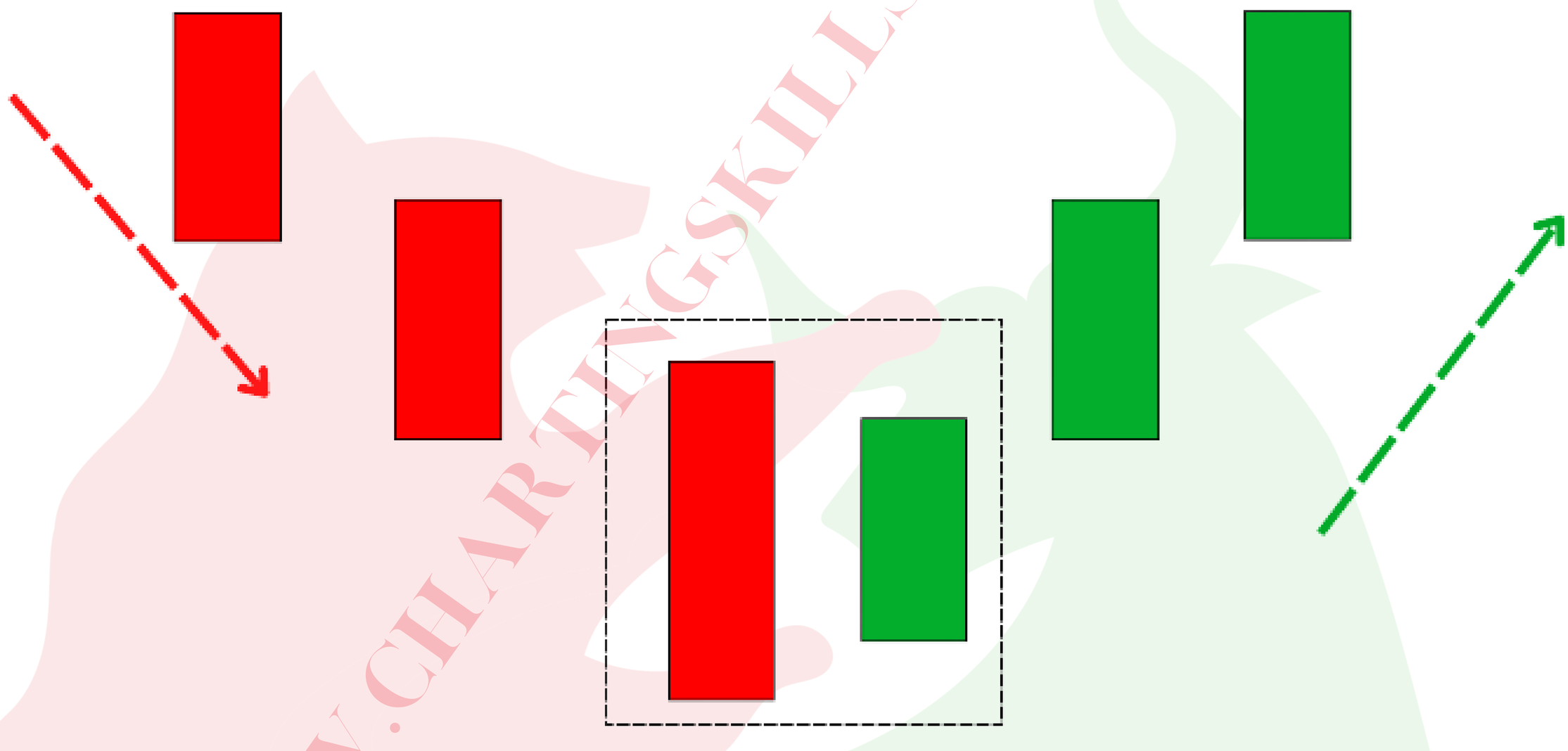
- The three white soldiers candlestick pattern is a three-candle pattern that forms during a downtrend.
- Each of the three candles is a long, bullish candle that opens within the previous candle's real body and closes near its high.
- The three white soldiers pattern suggests that the buyers are taking control of the market, and a potential uptrend may be starting.

BULLISH HARAMI



- The three white soldiers candlestick pattern is a three-candle pattern that forms during a downtrend.
- Each of the three candles is a long, bullish candle that opens within the previous candle's real body and closes near its high.
- The three white soldiers pattern suggests that the buyers are taking control of the market, and a potential uptrend may be starting.

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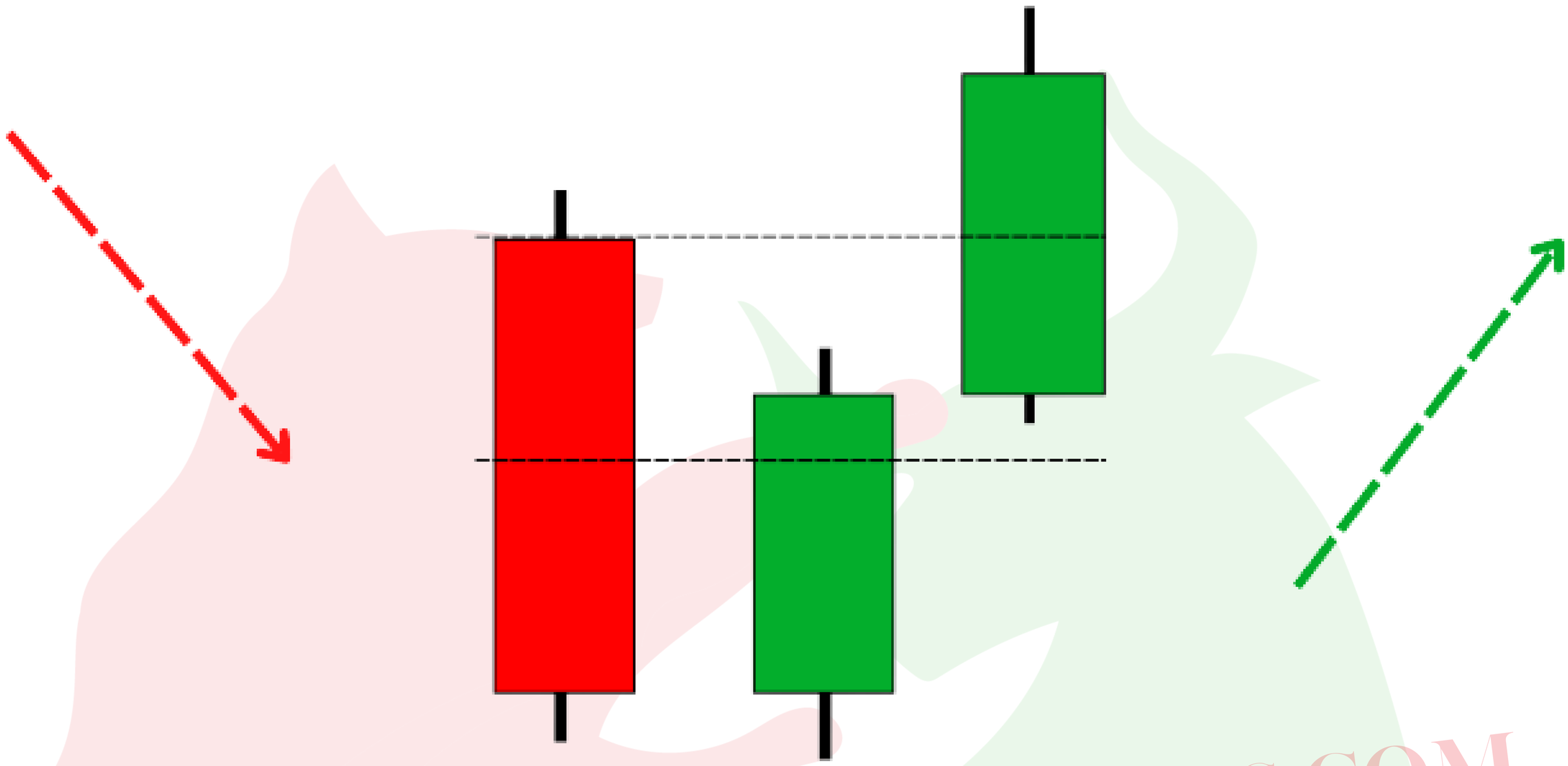
THREE INSIDE UP



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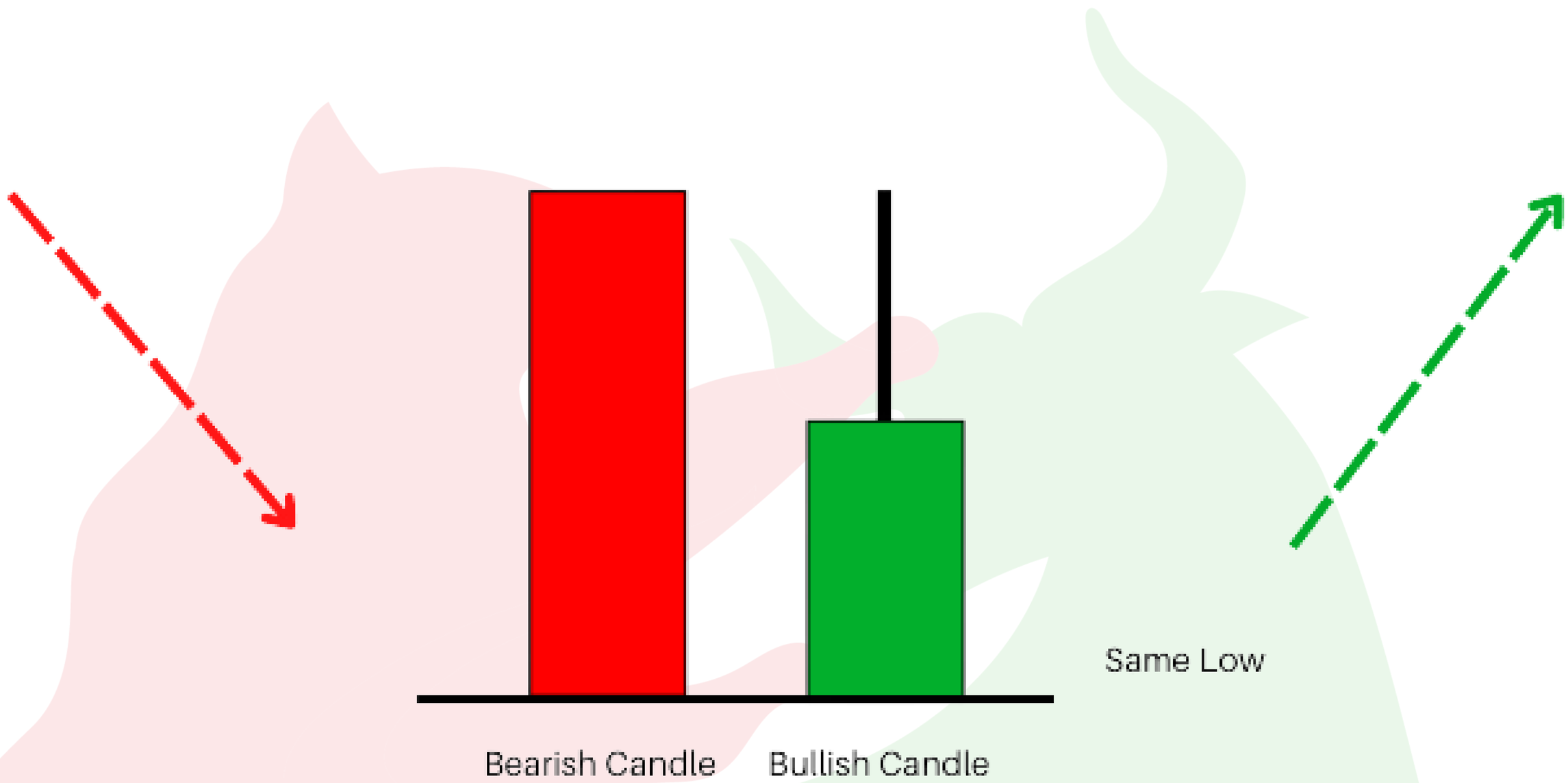
- The three inside up candlestick pattern is a three-candle pattern that forms during a downtrend.
- The first candle is a long, bearish candle that indicates that the sellers are in control of the market.
- The second candle is a bullish candle that is completely contained within the real body of the first candle.
- The third candle is a bullish candle that closes above the first candle's high, indicating that the buyers are taking control of the market.
- The three inside up pattern suggests that the sellers are losing control of the market, and a potential uptrend may be starting.

TWEEZER BOTTOM PATTERN



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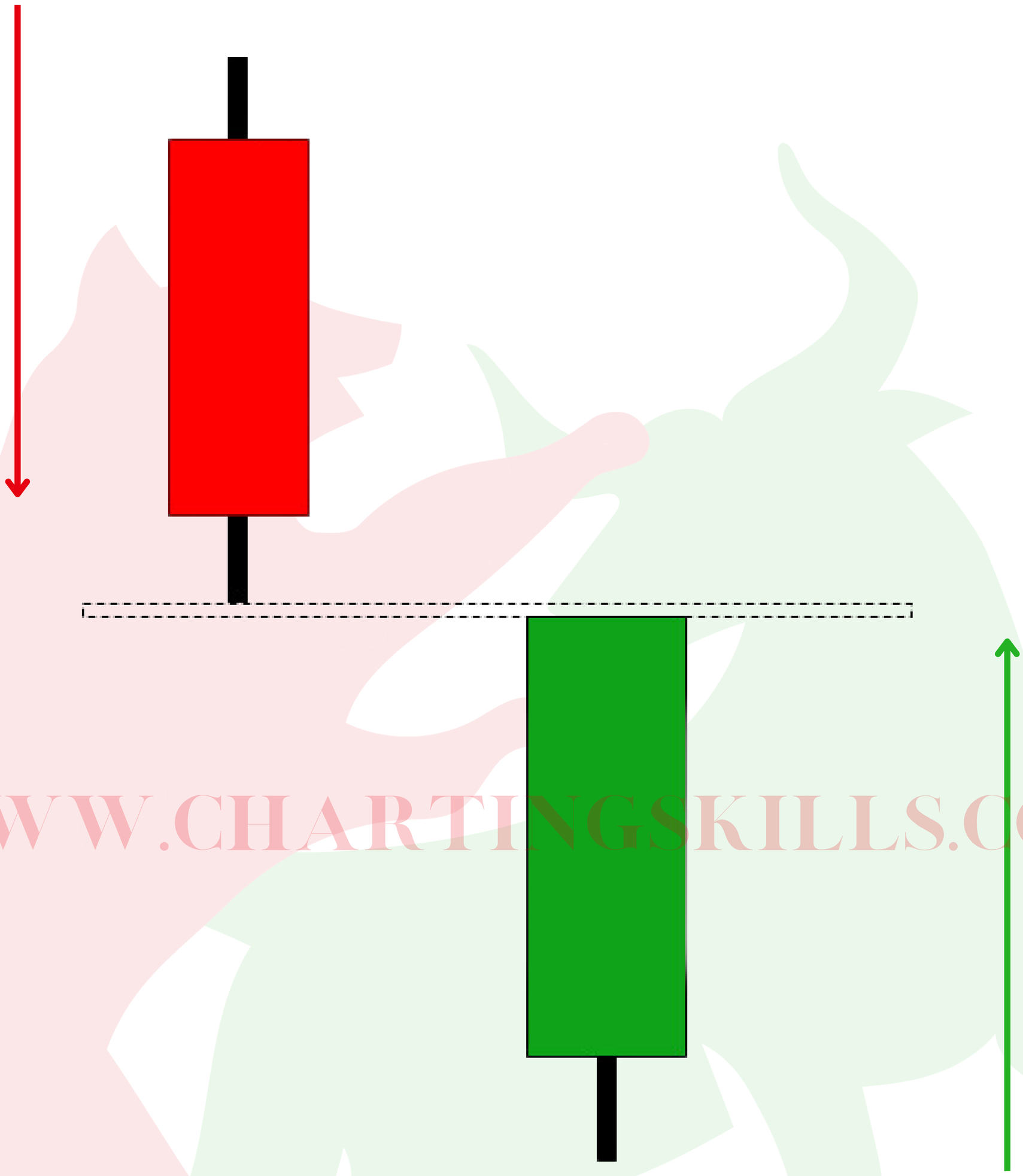
- **The tweezer bottom pattern is a two-candle pattern that forms during a downtrend.**
- **The two candles have the same low price.**
- **The first candle is a bearish candle that indicates that the sellers are in control of the market.**

ON-NECK CANDLESTICK



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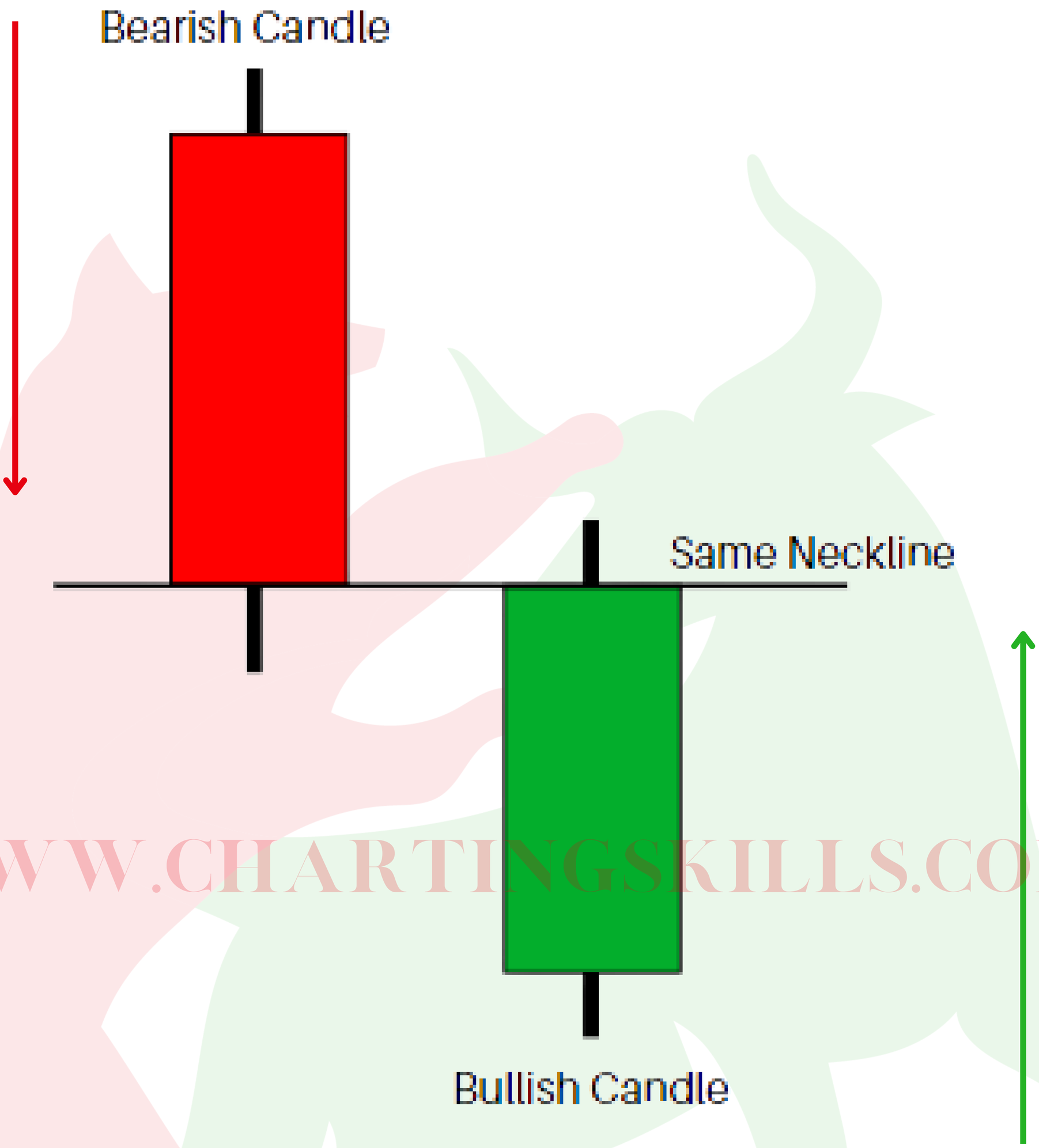
- The on-neck candlestick pattern is a two-candle pattern that forms during a downtrend.
- The first candle is a bearish candle that indicates that the sellers are in control of the market.
- The second candle is a small bullish candle that opens below the previous candle's low and closes near or the same as the previous candle's closing price.

BULLISH COUNTERATTACK



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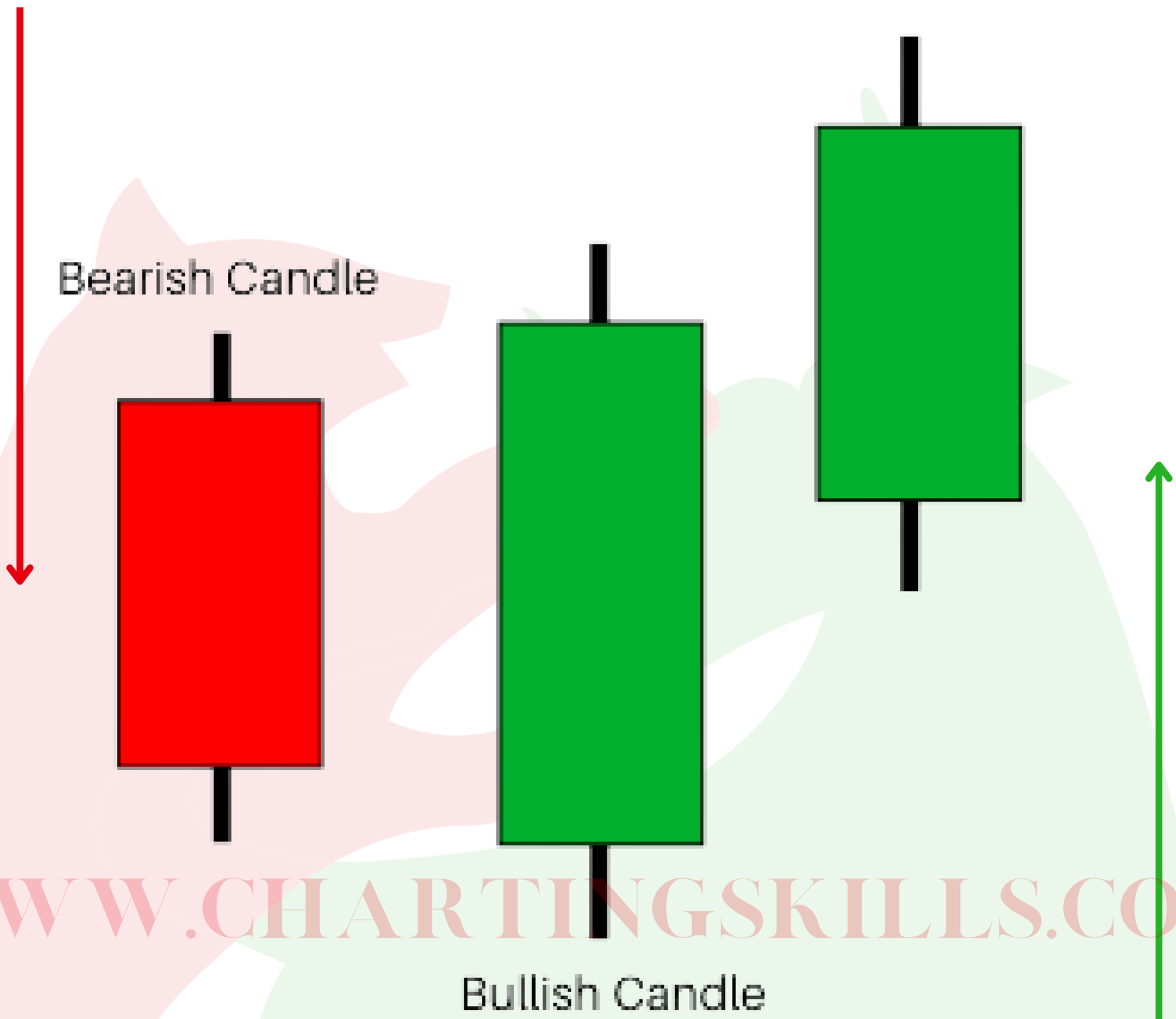
- **The bullish counterattack pattern is a two-candle pattern that forms during a downtrend.**
- **The first candle is a bearish candle that indicates that the sellers are in control of the market.**
- **The second candle is a bullish candle that opens below the previous candle's low and closes near the previous candle's closing price.**

THREE OUTSIDE UP



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- **The Three Outside Up is a bullish reversal pattern that indicates a change from a downtrend to an uptrend.**
- **The pattern consists of three candlesticks, with the first candle being a short bearish candle.**
- **The second candle is a healthy bullish candlestick larger than the first and covers its body, similar to a bullish engulfing pattern.**
- **The third candle is also a healthy bullish candlestick that confirms the previous two candles by closing above them.**
- **When the Three Outside Up pattern appears, traders may consider taking long positions after the confirmation of the third candlestick.**

WHITE MARUBOZU CANDLESTICK

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- The White Marubozu candle is a bullish reversal candlestick pattern that suggests a change from a downtrend to an uptrend.
- The pattern represents increasing buying pressure in the market and signals that bears are getting weaker, as they are unable to push the price lower.
- In down trending market it opens near the previous bearish candles closing and covers the previous few candles. (It can have smaller wicks or no wicks)
- Traders may consider taking long positions when they see a White Marubozu candlestick pattern, as it suggests a potential bullish move in the market.

BEARISH CANDLESTICK

Bearish candlesticks are a type of candlestick chart pattern that indicates a potential down trend in the price of an asset. Here are some important points about bearish candlesticks:

- Bearish candlestick patterns indicate a down trending market.
- Primarily shown in red color. These candles work as a reversal, which is why they are called bearish reversal patterns.
- When a bearish candlestick pattern appears in an uptrend, it can signal a potential trend reversal from up to down.
- Bearish candlestick patterns can have different shapes, sizes, and names, such as bearish engulfing, shooting star, hanging man, and dark cloud cover, among others.

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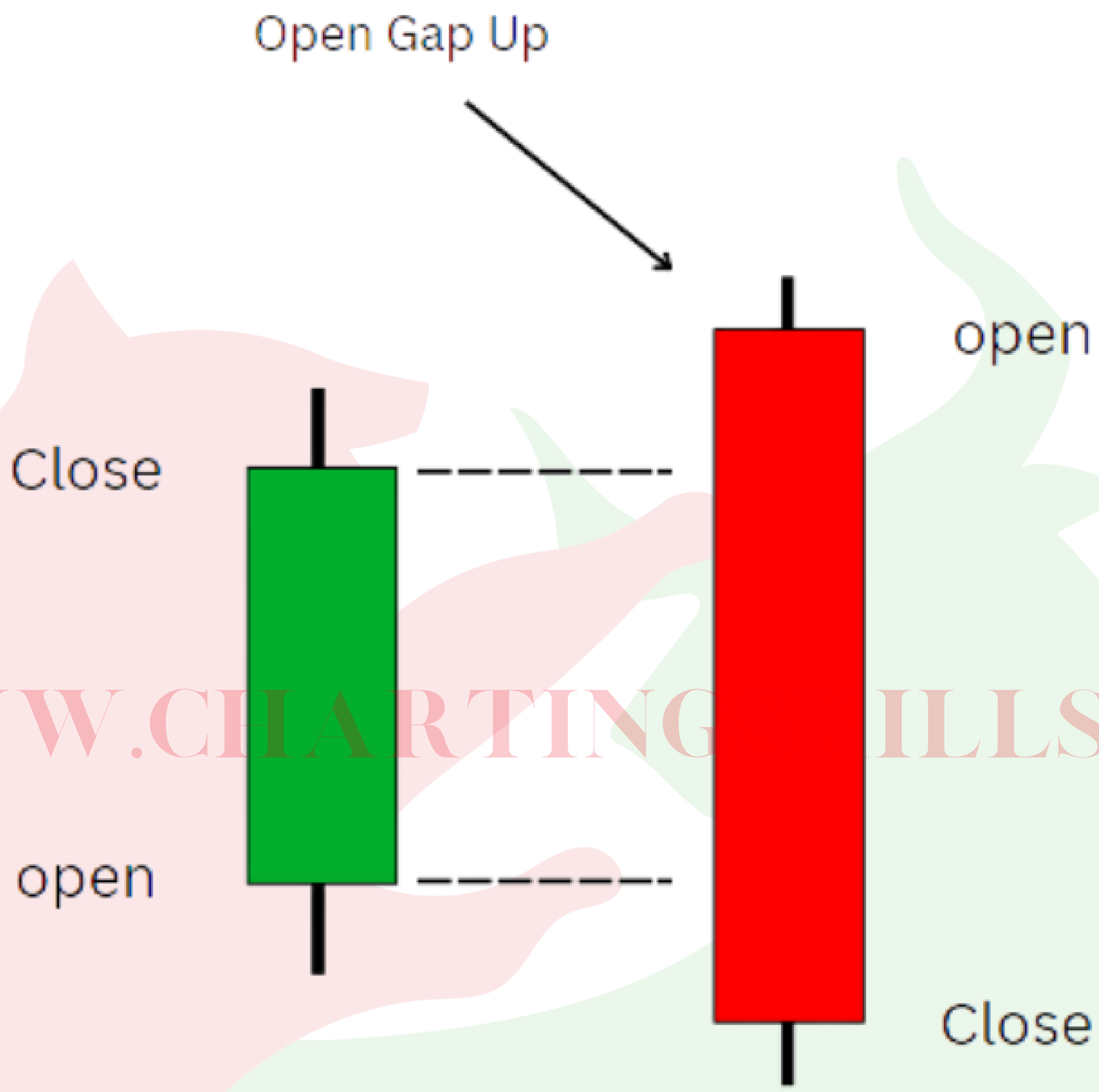
BEARISH ENGULFING CANDLESTICK



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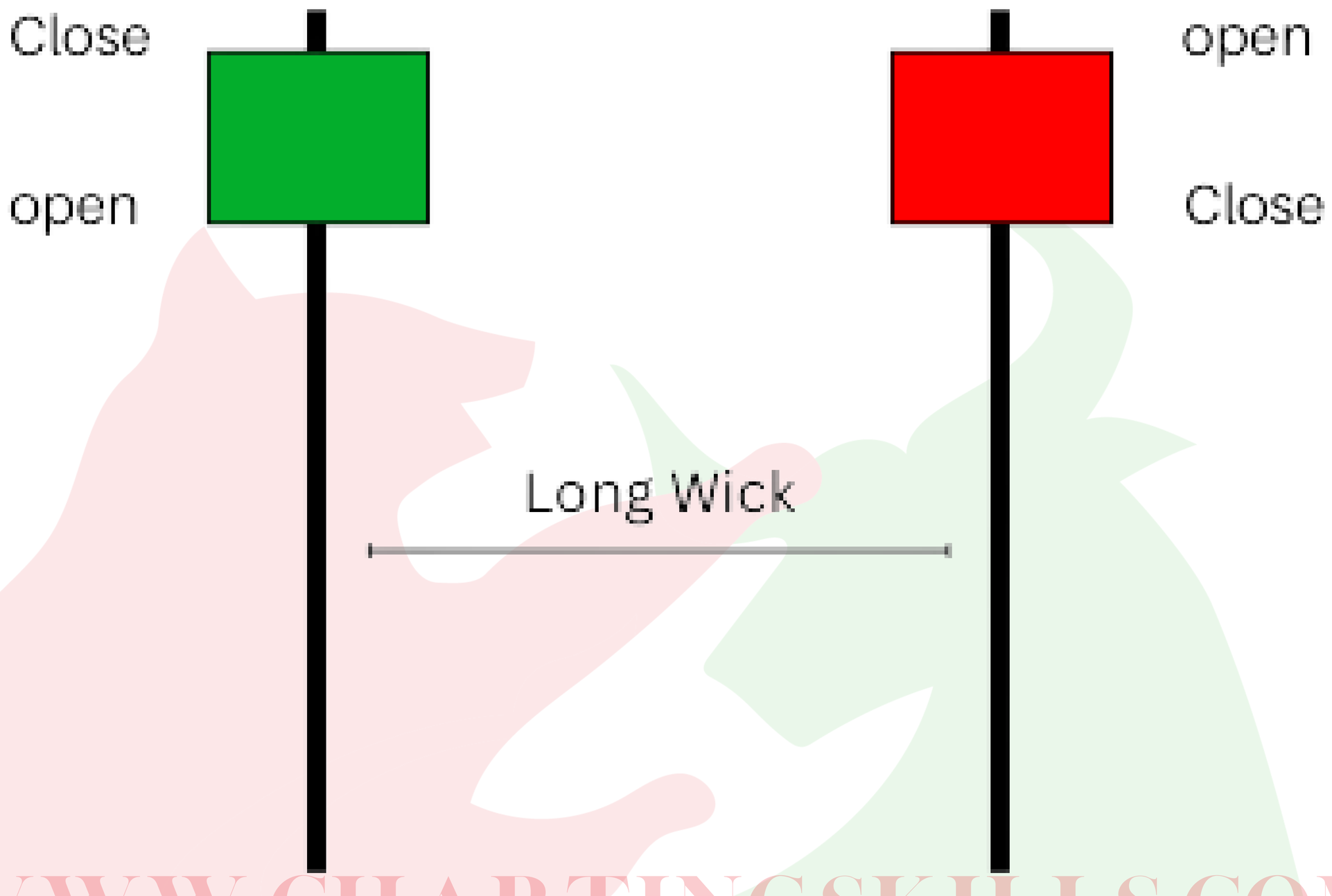
- Bearish engulfing pattern is a bearish reversal pattern that occurs in an uptrend.
- It forms when a large red candle completely engulfs the previous small green candle.
- The bearish candle should have little to no wick, indicating strong selling pressure and the power of the bears.
- The bigger the bearish candle, the stronger the signal that the trend is likely to reverse.
- Traders can use this pattern to exit long positions or take short positions in the security or stock. It's a good signal to sell.

HANGING MAN CANDLESTICK



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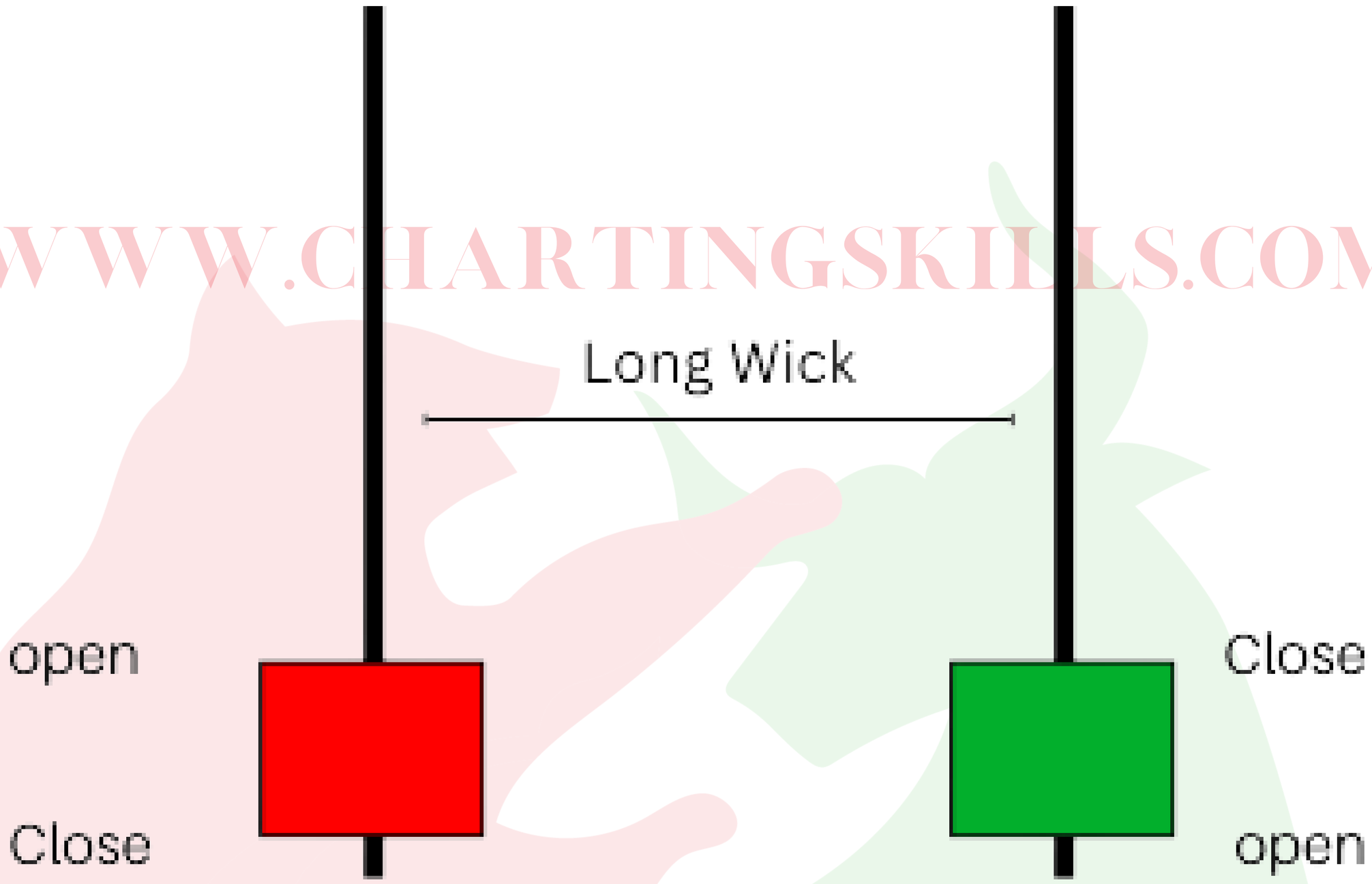
- **Hanging Man is a single candlestick pattern that signals a potential trend reversal in an uptrend.**
- **The candlestick has a small body and a lower wick that is at least twice the size of the body, while there is no or a tiny upper wick.**
- **The color of the body does not matter, although a red body is considered more powerful than a green one.**
- **The Hanging Man pattern forms when sellers try to push the price down after the opening, but buyers push it back up, but fail to close above the opening price, indicating weakness in buyers.**
- **The pattern is named Hanging Man because it appears at the top of an uptrend and looks like a hanging man.**

SHOOTING STAR CANDLESTICK



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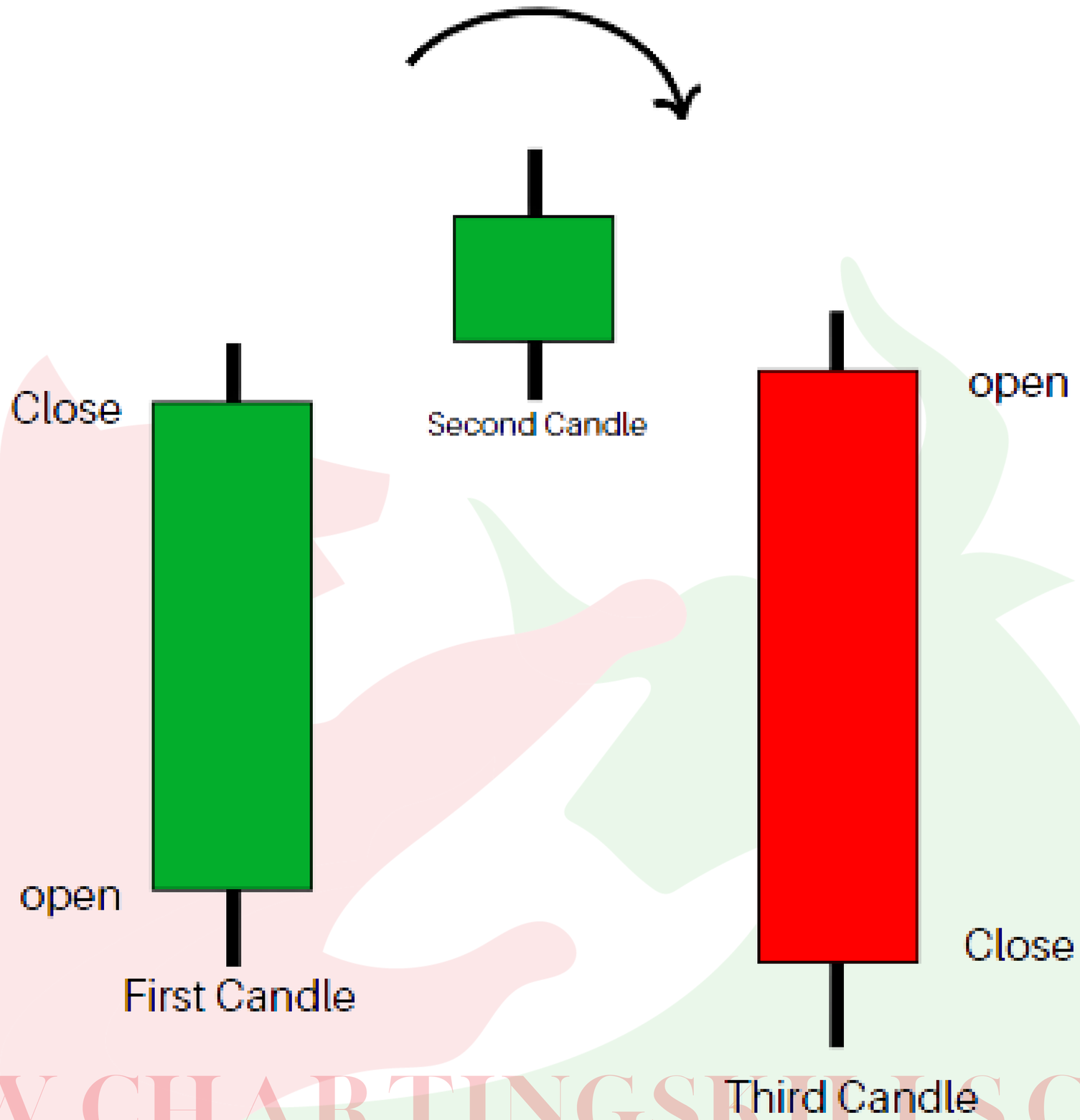
- The Shooting Star candlestick pattern is a single candlestick pattern that forms at the top of an uptrend.
- It has a small body, and the upper wick size is at least twice the size of the body. It may have no lower wick or a tiny lower wick.
- The color of the body doesn't matter, but a red body is more powerful than a green one.
- The Shooting Star pattern indicates a reversal, signaling that the ongoing uptrend is about to change from up to down.
- This pattern is also known as an inverted hammer candlestick and is called a Shooting Star because it looks like a shooting star in the sky.

EVENING STAR CANDLESTICK



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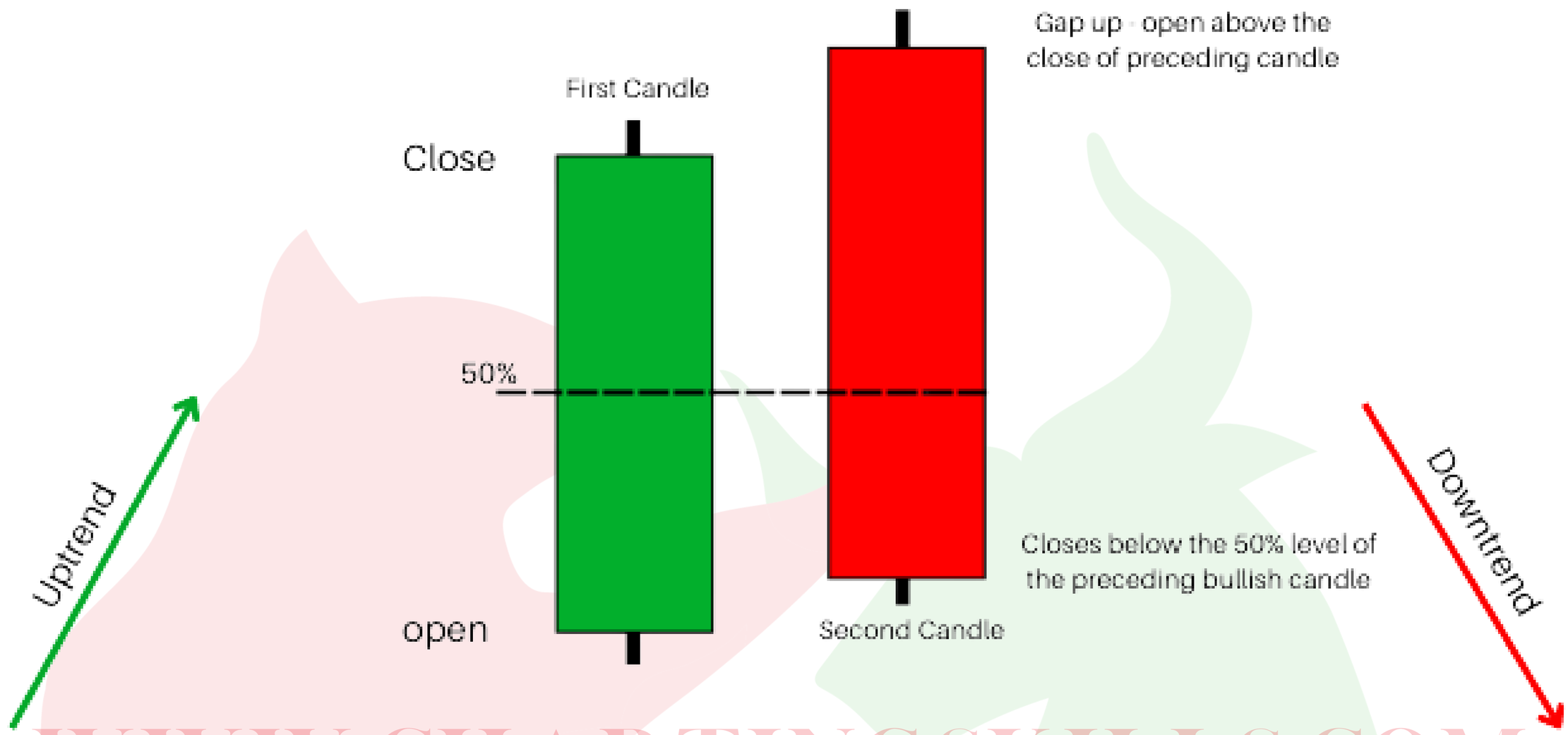
- **The Evening star pattern is a bearish reversal candlestick pattern.**
- **It signals a change in trend when it forms in an uptrend.**
- **It consists of 3 candles: a bullish candle, a Doji, and a bearish candle representing sellers' power.**
- **The first candle shows the continuation of an uptrend.**
- **The second candle, the Doji, shows confusion between buyers and sellers.**
- **The third candle shows that sellers are more powerful than buyers.**

DARK CLOUD COVER CANDLESTICK



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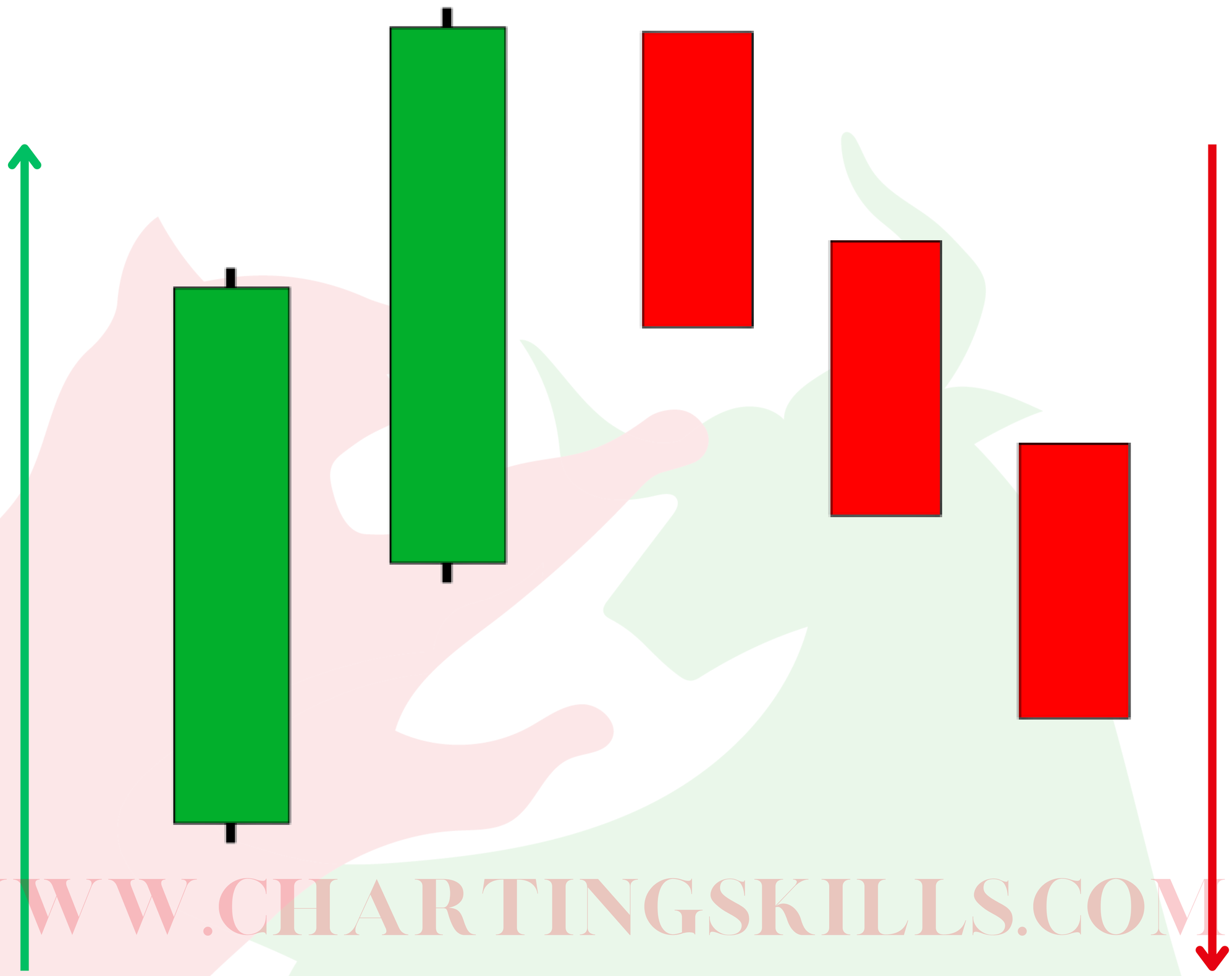
- **The Dark Cloud Cover pattern is a bearish reversal candlestick pattern.**
- **It indicates a reversal in an ongoing uptrend and signals that the trend is about to change from up to down.**
- **The pattern is made up of two candles, with the first candle being bullish and the next one opening the gap up.**
- **The second candle covers more than 50% of the first candle, indicating that bulls are getting weaker in the uptrend, and sellers are back.**
- **When this pattern forms in an uptrend, traders should be cautious about their buying positions or add new selling positions.**
- **This pattern is also known as the bearish piercing pattern.**

THREE BLACK CROWS CANDLESTICK



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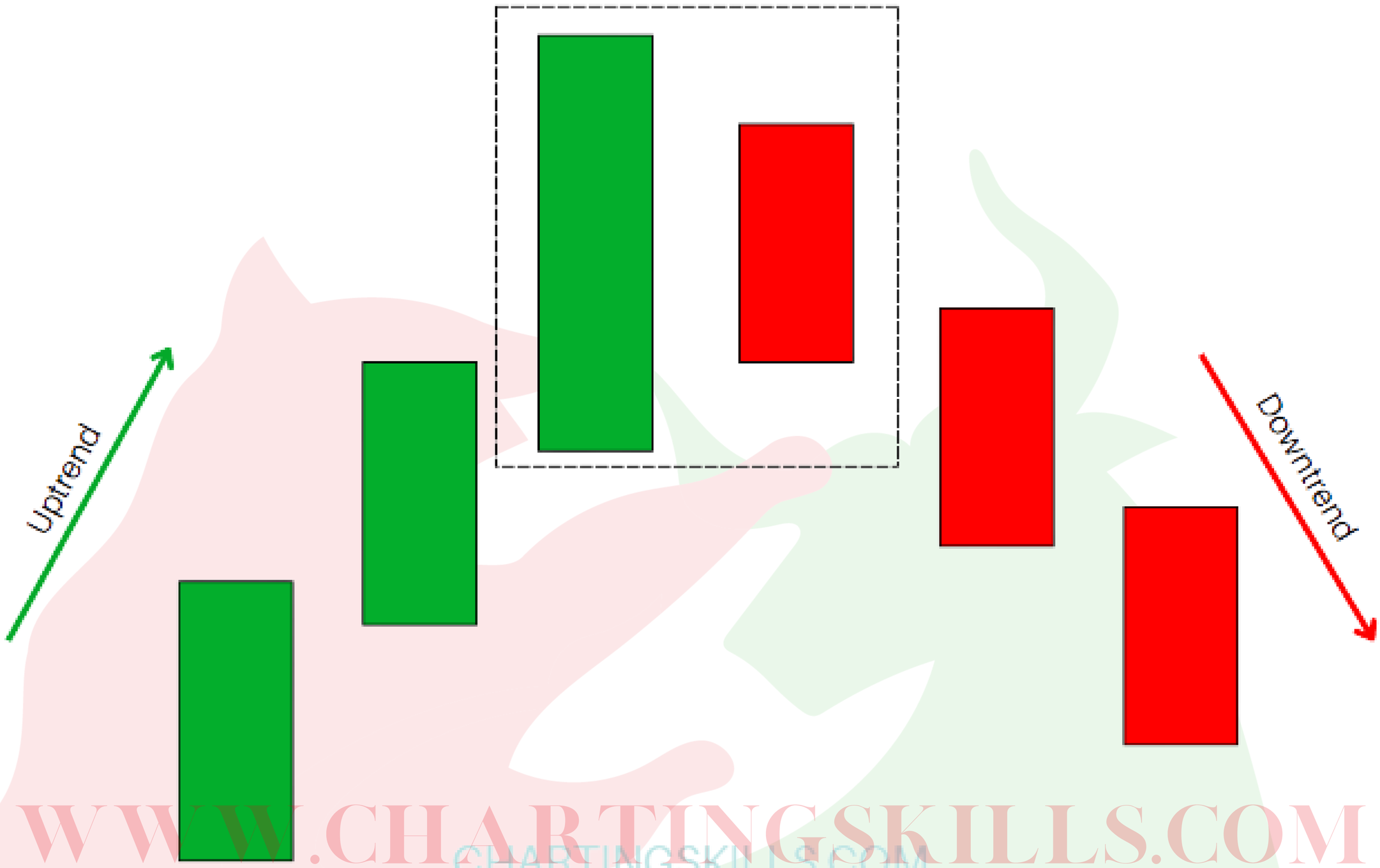
- The Three Black Crows is a bearish reversal pattern.
- When this pattern appears in an uptrend, it signals a trend reversal from up to down.
- This pattern consists of three candlesticks, with no shadows or wicks.
- The three bearish candles open above the previous candle's closing and close below the last candle's low/closing.
- Three black crows indicate that bears are back in the market.

BEARISH HARAMI CANDLESTICK



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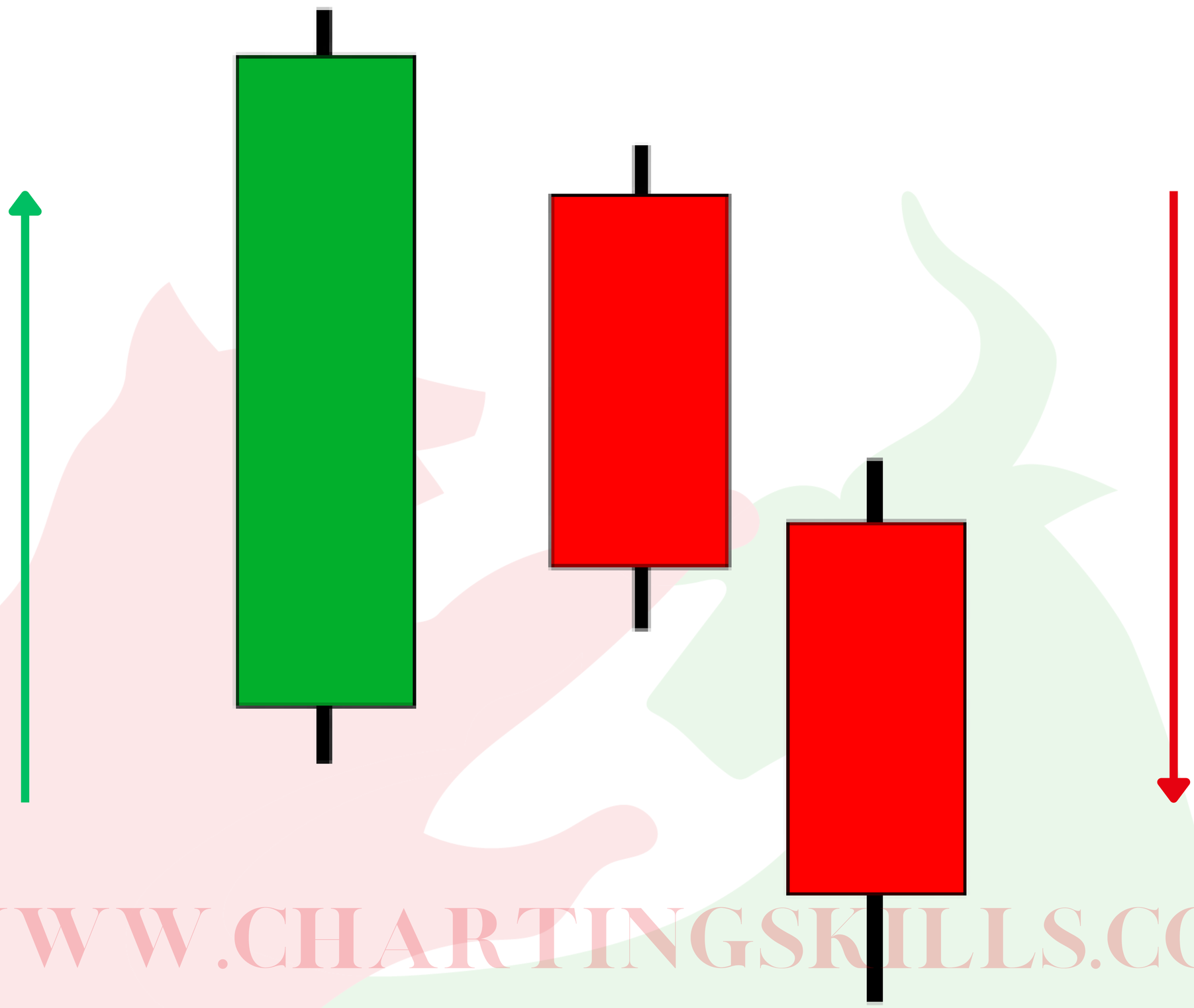
- The bearish harami is a bearish reversal pattern.
- It occurs in an uptrend and indicates a trend reversal from up to down.
- The pattern consists of two candlesticks - a bullish candlestick followed by a small bearish candlestick.
- The bearish candlestick opens and closes inside the range of the previous bullish candlestick.
- The bearish harami suggests that bulls are losing their control over the market and the bears may take over.

THREE INSIDE DOWN CANDLESTICK



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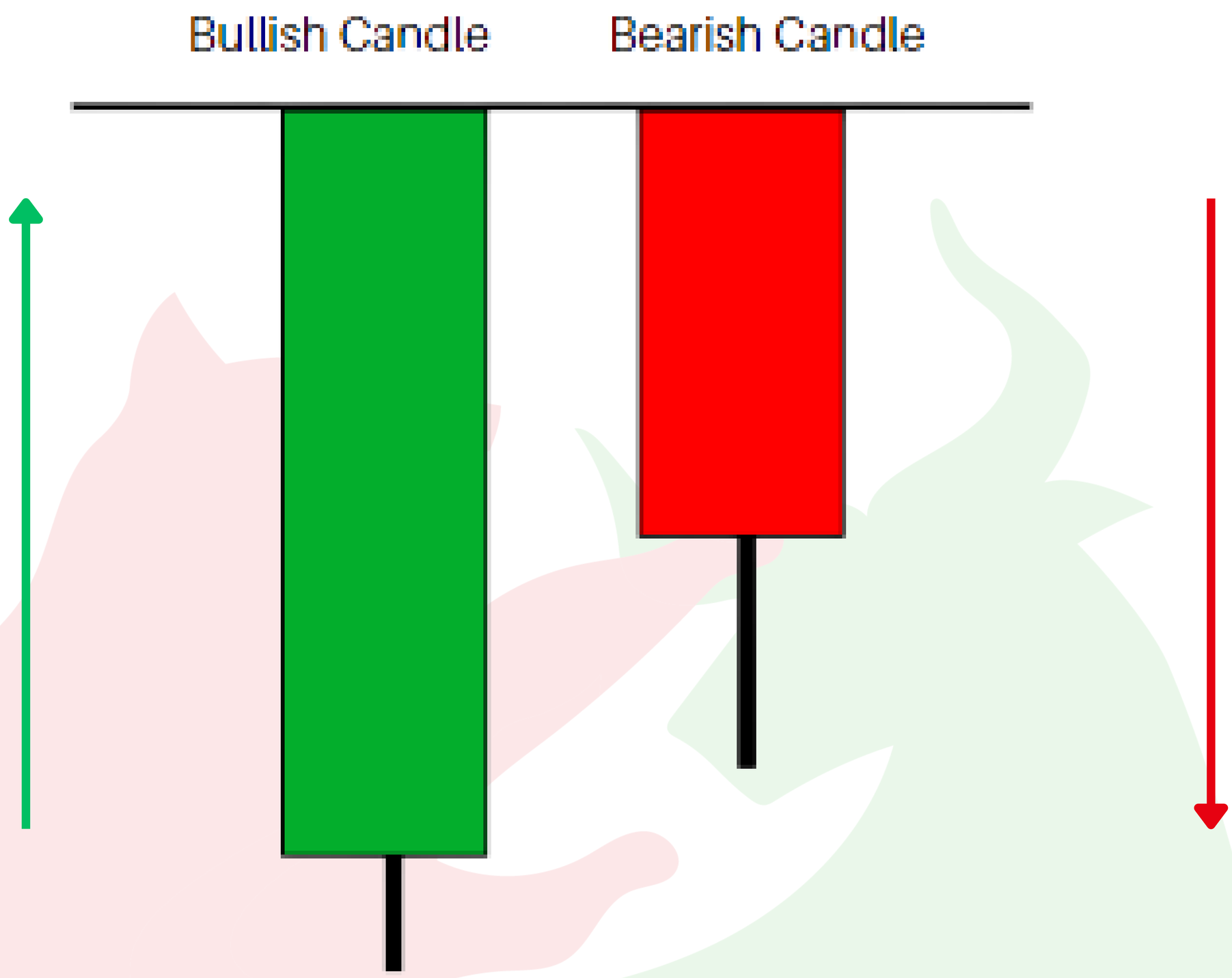
- The Three Inside Down pattern is a bearish reversal pattern.
- This pattern appears in an uptrend and indicates a change in trend from up to down.
- The pattern consists of three candlesticks.
- The first candlestick is a bullish candle indicating a continuation of the uptrend.
- The second candlestick is a bearish candle that opens and closes inside the range of the first bullish candle, forming a bearish harami pattern.
- The third candlestick confirms the trend reversal by closing below the second candle's low.
- Traders can open selling positions after the completion of this pattern.

TWEEZER TOP CANDLESTICK



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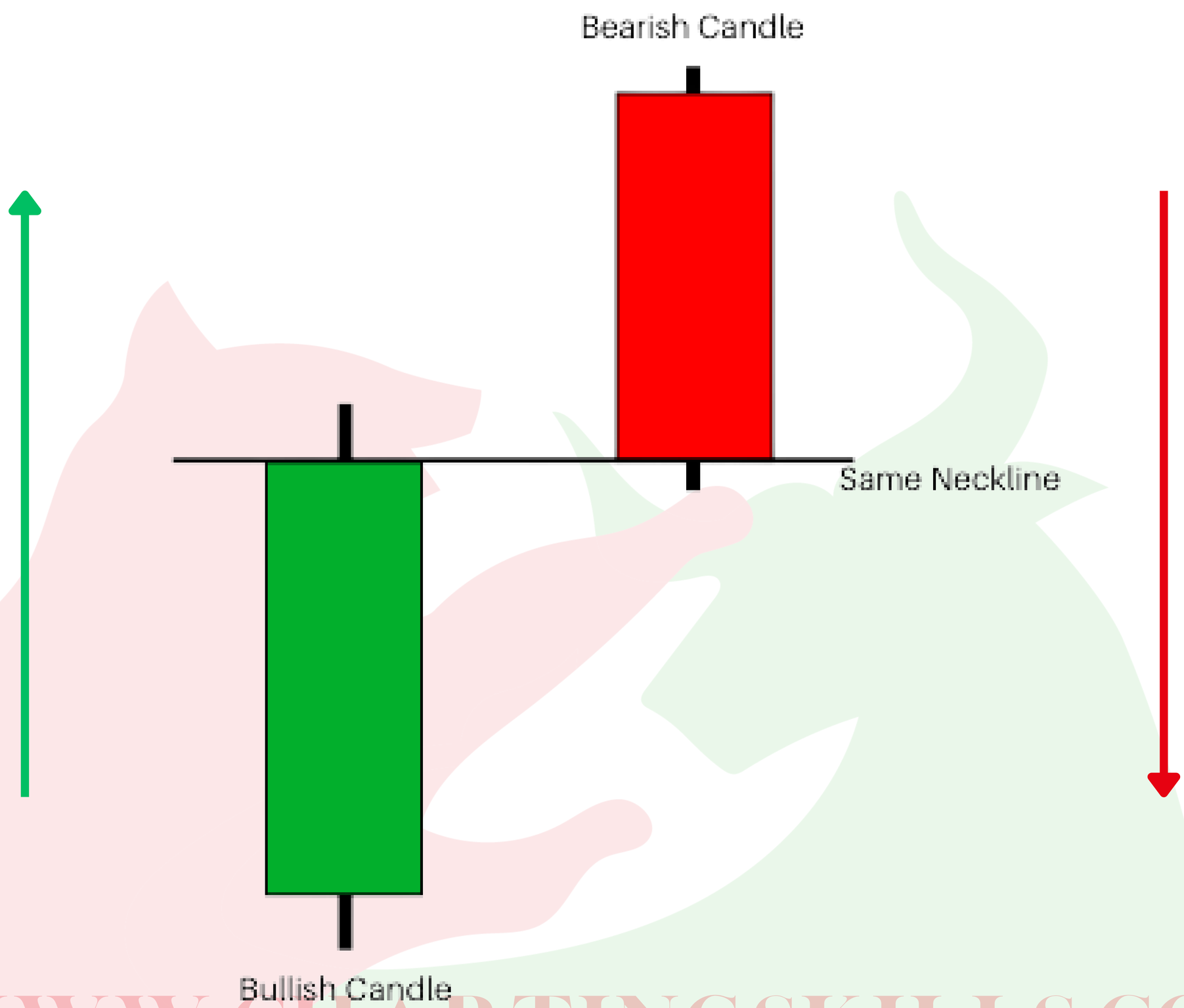
- Tweezer top is a bearish reversal pattern that forms at the top of an uptrend.
- It consists of two candlesticks, a bullish and a bearish candlestick, with the same high.
- The first candle shows a continuation of the uptrend, and the second candle opens at the same level and exhibits strong resistance.
- When this pattern appears in an uptrend, traders can take selling positions or be cautious about their buying positions.

BEARISH COUNTERATTACK CANDLESTICK



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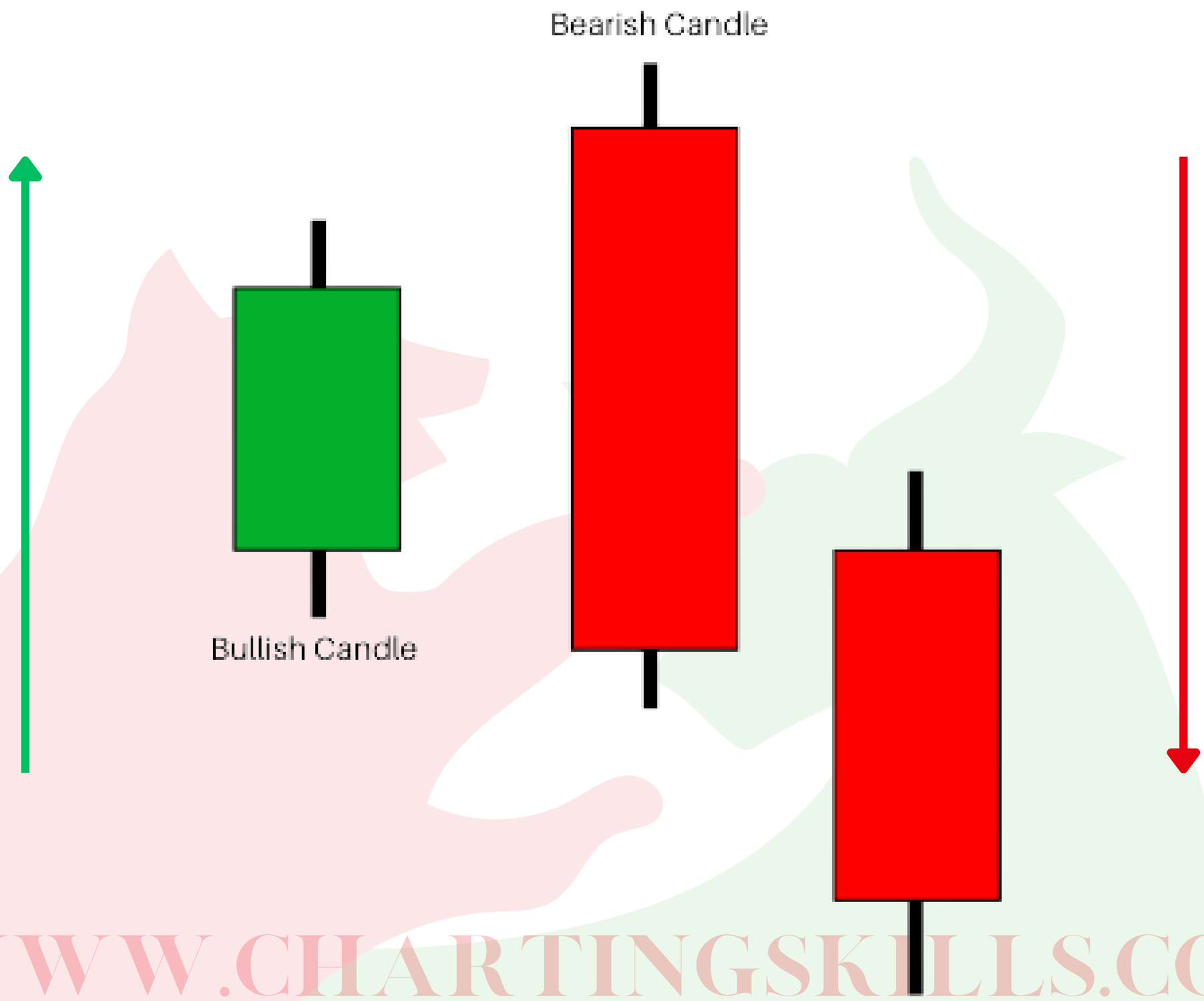
- The Bearish Counter is a bearish reversal candlestick pattern.
- The pattern consists of two candlesticks, with the first being bullish.
- After the first candle, the price opens with a gap up but closes near or below the previous candle's closing.
- This pattern indicates that bulls are getting weaker in the ongoing uptrend and cannot push prices higher.
- The Bearish Counter only works in a strong uptrend.

THREE OUTSIDE DOWN CANDLESTICK



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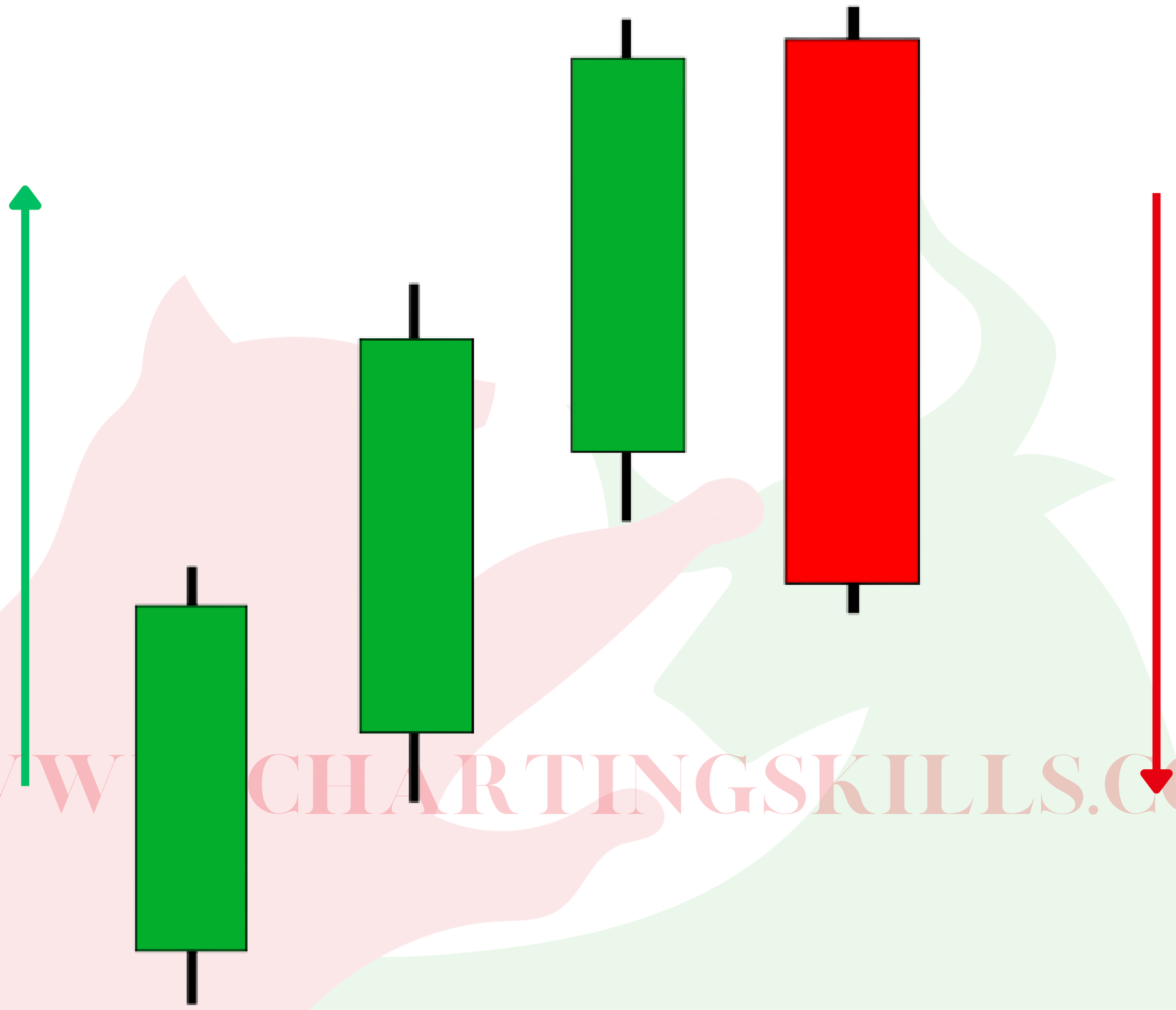
- **The Three Outside Down is a bearish reversal candlestick pattern.**
- **This pattern occurs in an uptrend and indicates that trend will change from up to down.**
- **The pattern consists of three candlesticks: a short bullish candle, a healthy bearish candlestick that covers the first candle, and a last candlestick that confirms the previous two candles by closing below them.**

BLACK MARUBOZU CANDLESTICK



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- The black marubozu candle is a bearish reversal candlestick pattern.
- It occurs in an uptrend and signals that the trend is about to change from up to down.
- The black marubozu candle is a healthy bearish candlestick with no upper or lower wicks.
- It represents increasing selling pressure in the market and indicates that bulls are getting weaker and unable to push prices higher.

CONTINUATION CANDLESTICK PATTERNS

Continuation candlestick patterns are price action patterns that suggest the current trend will continue.

These patterns indicate a temporary pause in the price movement before the trend resumes.

Continuation patterns are the opposite of reversal patterns, which suggest a trend reversal.

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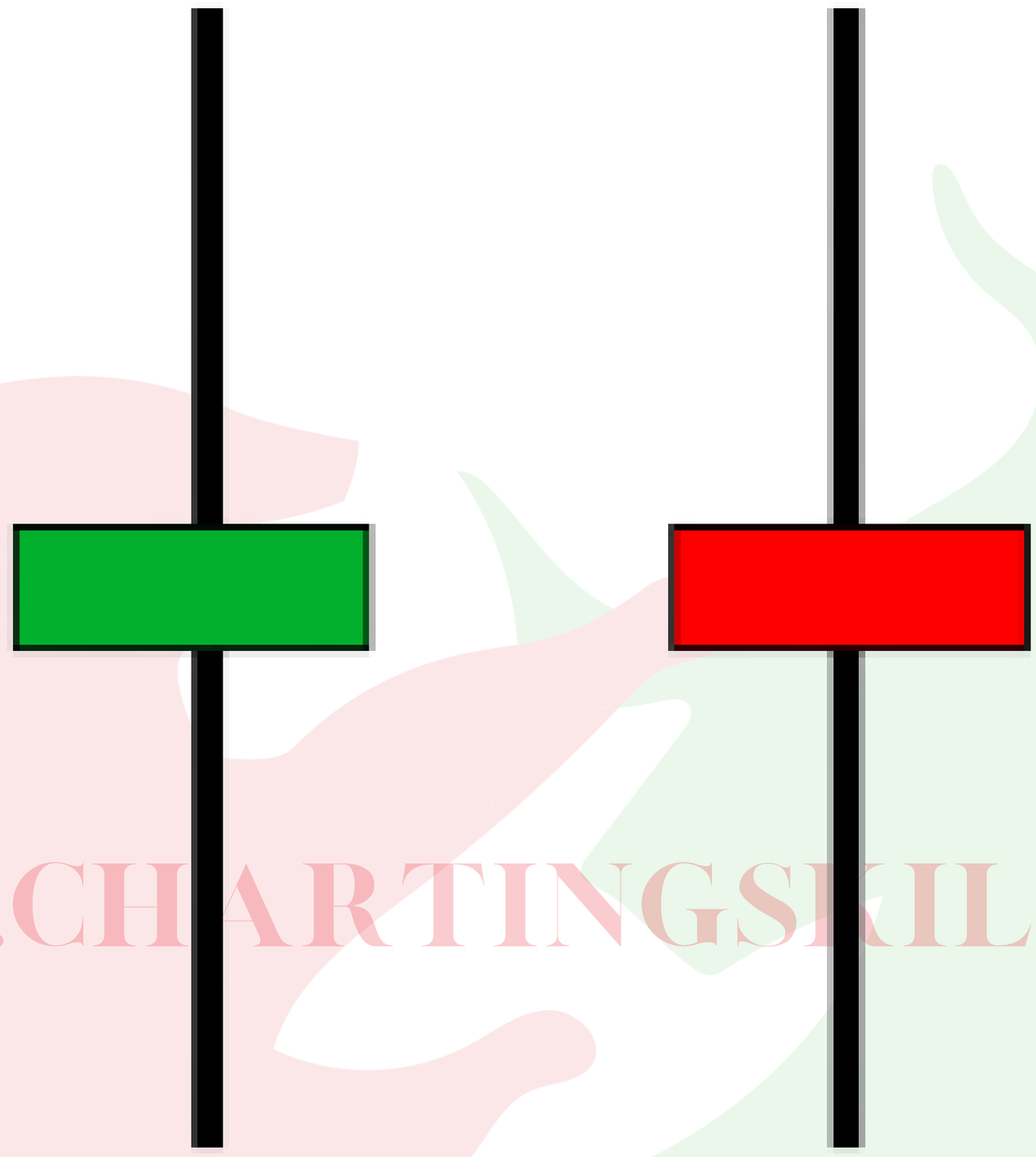
DOJI CANDLESTICK



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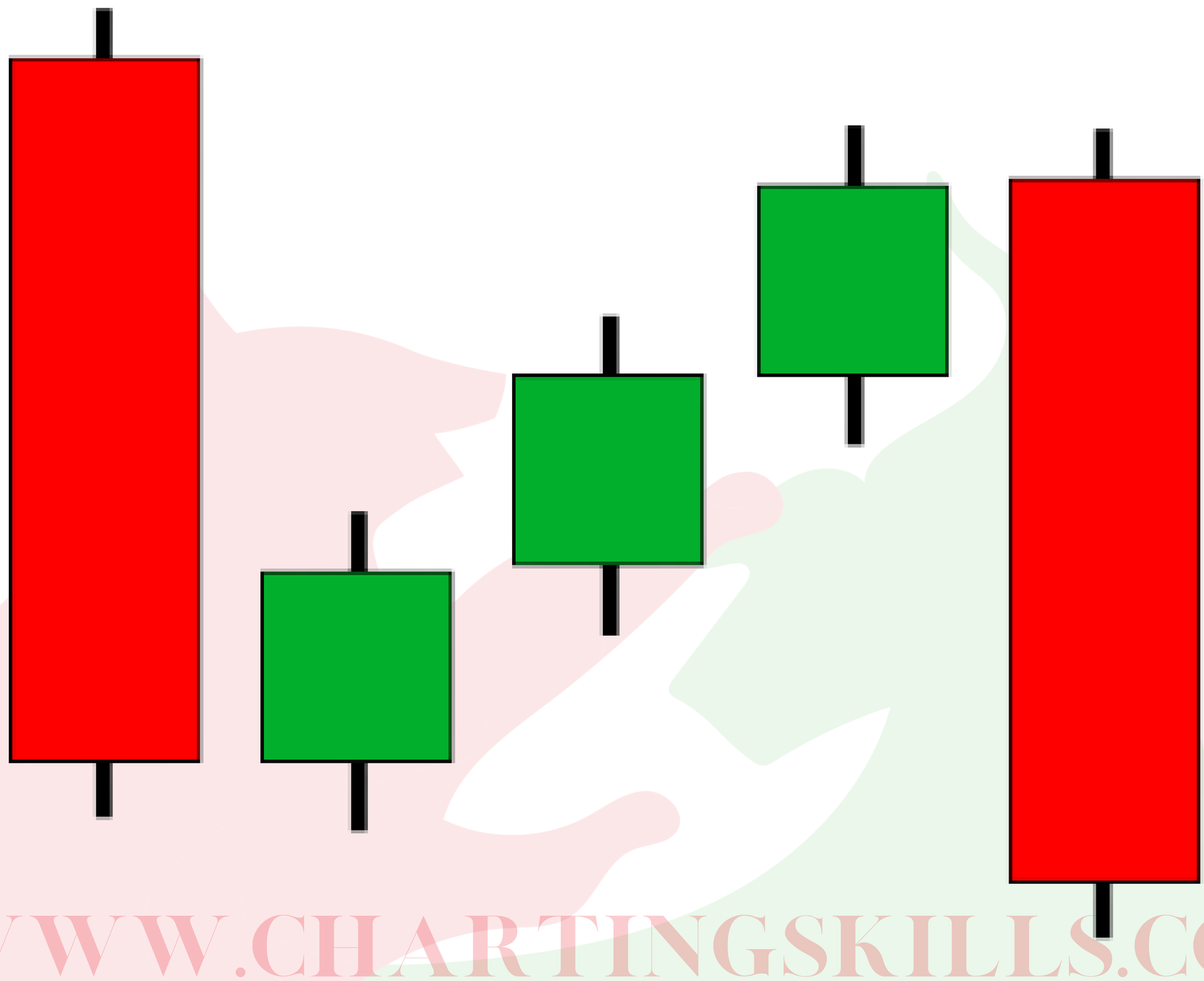
- A Doji candlestick is a neutral candlestick pattern that indicates indecision in the market.
- It occurs when the opening and closing prices of the candlestick are almost equal or have a small difference.
- A Doji candlestick can have different shapes, such as a cross, a plus sign, or a T-shape.
- A Doji candlestick pattern can indicate a potential trend reversal if it appears after a strong trend.
- It can also signal a potential trend continuation if it appears during a consolidation period.

FALLING THREE METHODS



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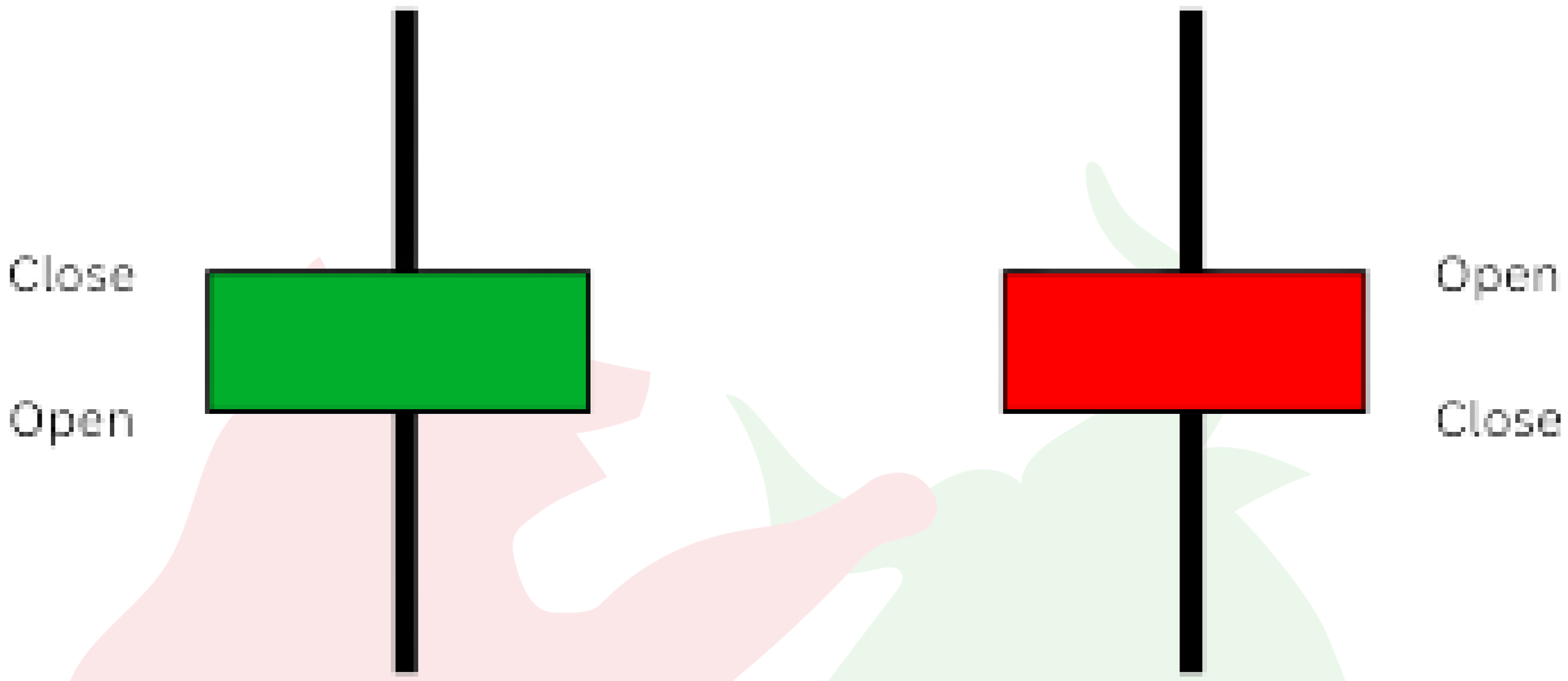
- Falling Three Methods is a bearish continuation candlestick pattern that appears in a downtrend.
- This pattern consists of five candles where the first is a bearish candlestick, and the next three candles are small bullish candlesticks. The last candle is a bearish candlestick that closes below the first candle's low.
- The three small bullish candles appear in the middle of the pattern, and they're called "rising windows" or "gaps." These windows indicate a temporary interruption in the trend before it resumes its downward movement.

SPINNING TOP



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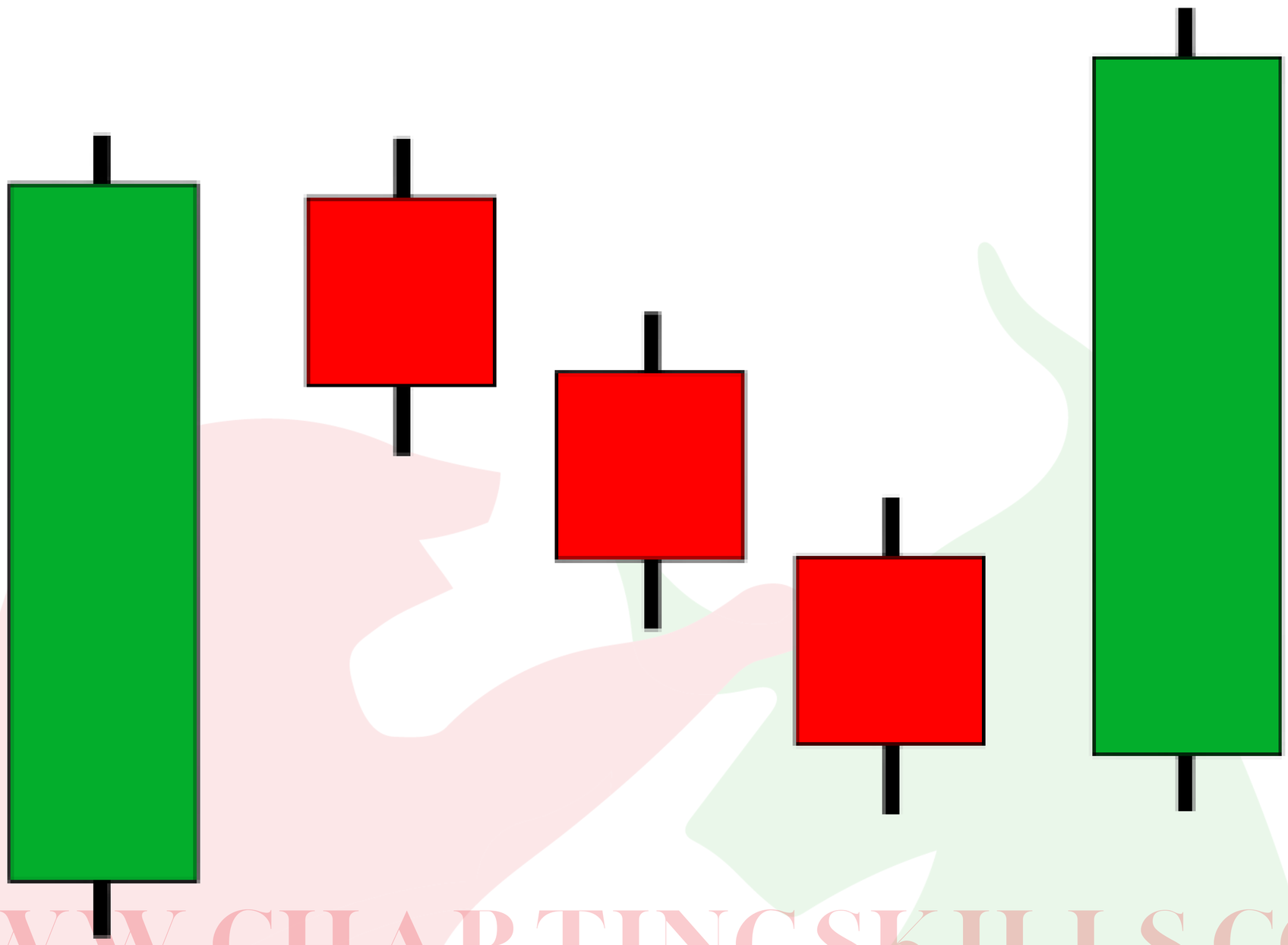
- The spinning top is a candlestick pattern that indicates indecision in the market.
- It is characterized by a small real body (open and close are near each other) and long upper and lower shadows/wicks.
- The pattern can occur in both uptrends and downtrends, as well as in ranging markets.
- It suggests that neither bulls nor bears have control of the market and that a potential trend reversal could occur.

RISING THREE METHODS



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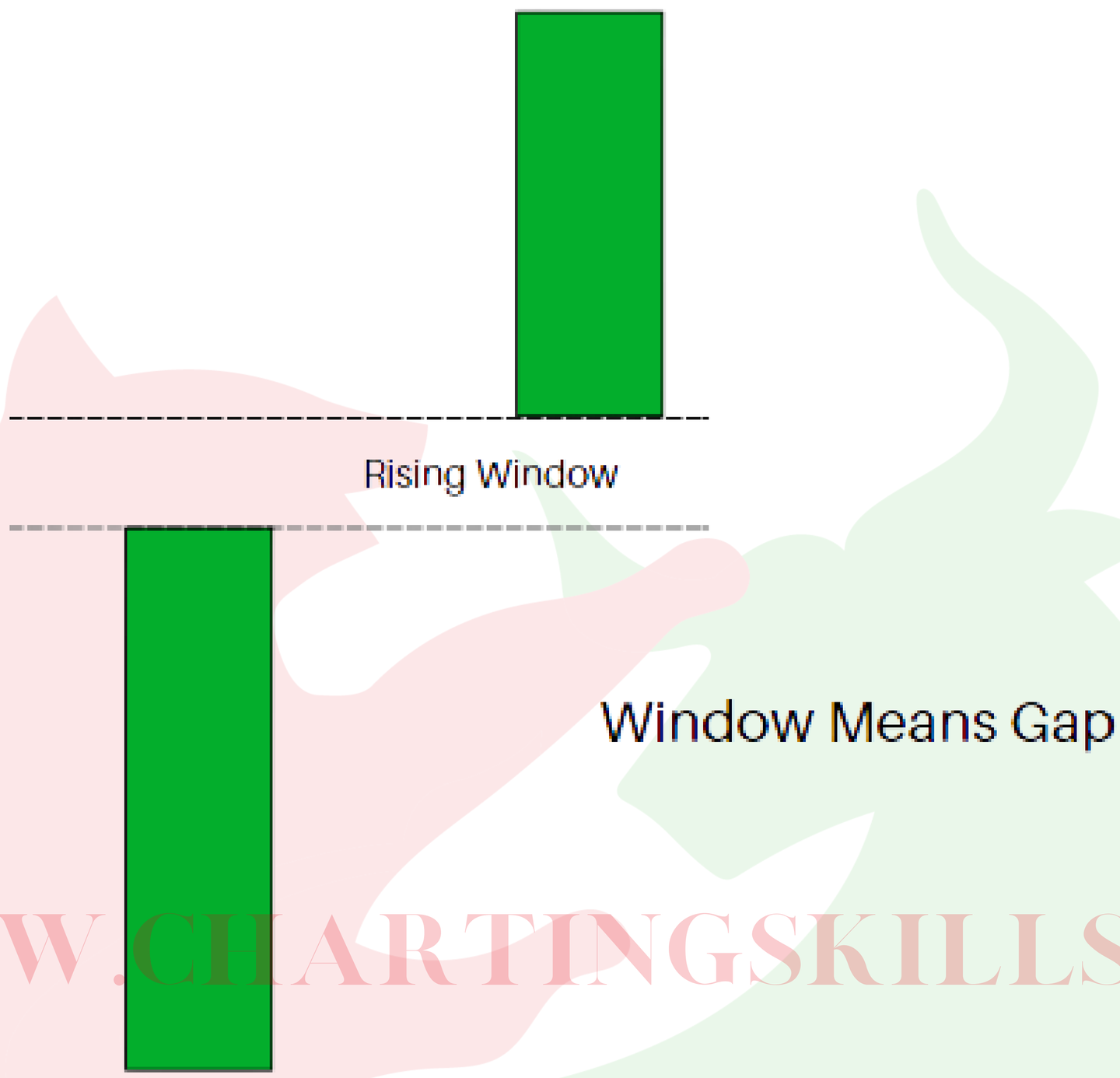
- Rising Three Methods is a bullish continuation candlestick pattern that occurs in an uptrend.
- This pattern consists of five candlesticks, including a long bullish candlestick, followed by three small bearish candlesticks, and then another long bullish candlestick that closes higher than the first bullish candle.
- The three bearish candles represent a temporary consolidation or correction in the price before the uptrend continues.

RISING WINDOW



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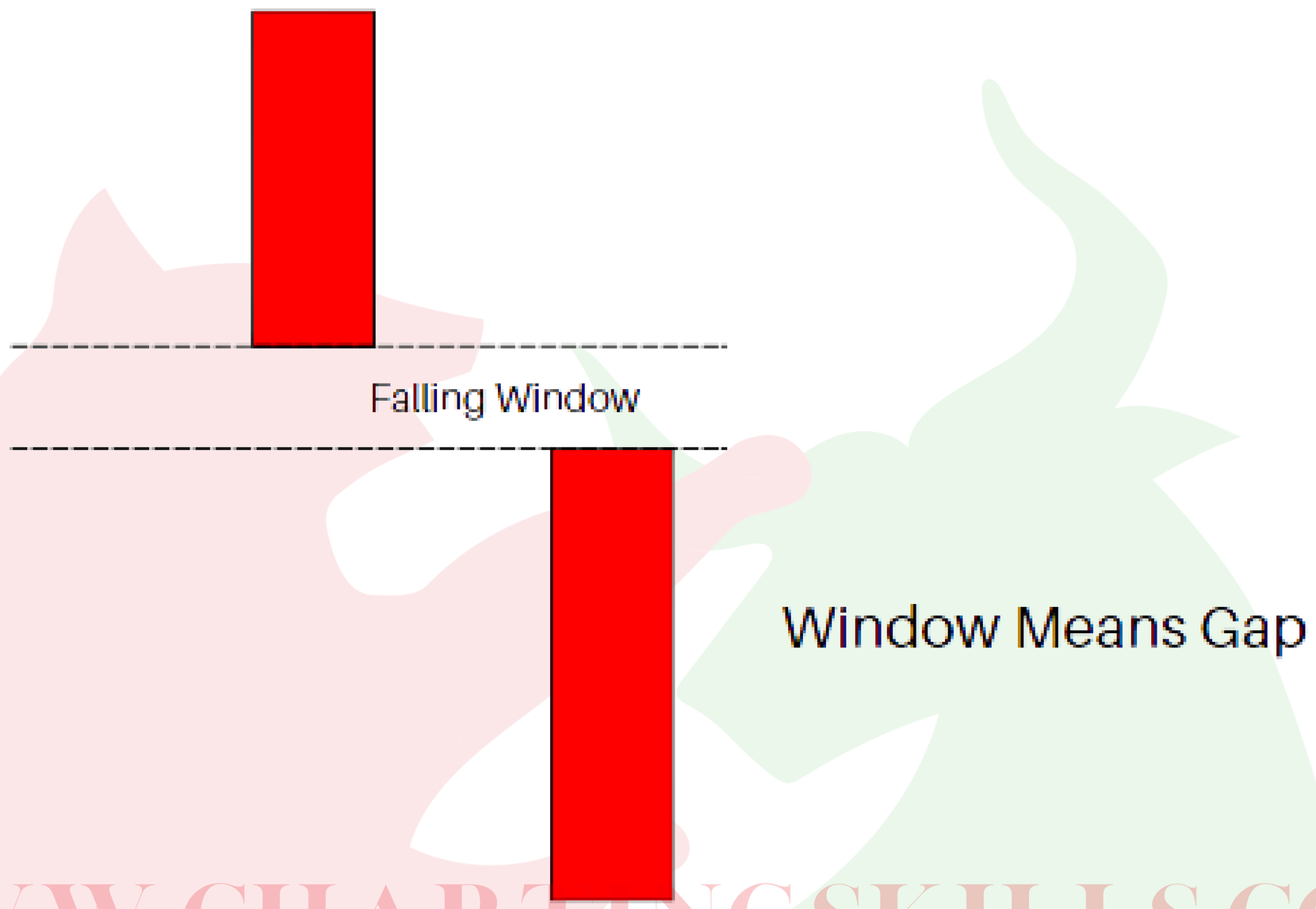
- **Rising Window, also known as a gap up, is a bullish candlestick pattern that occurs in an uptrend.**
- **This pattern consists of two candlesticks where the first one is a bullish candlestick and the second one opens above the previous day's high, leaving a gap between them.**
- **This gap indicates a sudden increase in bullish momentum, and buyers are willing to pay higher prices to buy the asset.**

FALLING WINDOW



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- **Falling window, also known as a gap-down window, is a bearish candlestick pattern.**
- **This pattern occurs when the current day's low price is higher than the previous day's high price, creating a gap or window on the price chart.**
- **Falling window indicates a sudden increase in selling pressure in the market, and the price is expected to continue to decline.**