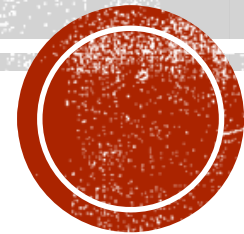


CANDLESTICK PRESENTATION IN IRAN

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www.iransarmaye.com

WHAT ARE CANDLESTICKS?

- ❑ Candlesticks are a method of charting prices for financial markets. They were the precursor to the modern-day bar chart and are used today as an analytical tool by technical traders.
- ❑ They are very similar to bar charts in that they are built using only four pieces of data:
 - 1. opening 2. high 3. low 4. closing prices.
- ❑ It is important to realize that *candlesticks do not tell you anything different than a bar chart* because they are based on exactly the same data. However, candlesticks make certain patterns much easier to recognize.
- ❑ Just like bar charts, candlesticks can be used in any time frame and are best used in conjunction with other technical indicators.



CANDLESTICK CHARTING HISTORY

[1]

- ❑ Candlesticks have a rich history that extends far beyond their relatively short period of popularity among today's traders.
- ❑ The Japanese are credited for developing the candlestick techniques still in use today.
- ❑ These techniques originated in the technical charting methods used as far back as the 1600's.
- ❑ Over 100 years before the West developed the bar, point and figure analysis systems, Japanese candlestick chartists were drawing their charts on a scroll of rice paper, from right to left, with a crow quill and India ink ground by hand.
- ❑ During the 16th and 17th centuries, the Japanese feudal lords waged constant wars; this was known as Sengoku Jidai, or "Age of Country at War." It was during this highly militaristic period that candlestick charting was developed.



Success is a ladder that cannot be climbed with your hands in your pockets

Japanese Proverb



- ❑ Osaka became Japan's capital during Toyotomi reign. As a sea port, it was an ideal commerce center; land travel was slow and often dangerous, and therefore the port quickly emerged as a major trade hub. In warehousing and distributing commodities by sea and land, Osaka evolved into Japan's largest financial center. In time, Osaka's financial influence stabilized regional imbalances in rice prices. It was in Osaka at this time that Yodoya Keihan became an immensely successful rice trader due to his ability to transport, distribute and set the price of rice. He was so successful that his front yard became Japan's first rice exchange.
- ❑ During Yodoya Keian's ascendancy as one of the most powerful traders in Japan, society was divided into four classes: the soldier, the farmer, the artisan, and the merchant.



- As stability settled over the Japanese culture during the early 17th century, new opportunities also became apparent. The centralized government, led by Tokugawa, diminished the feudal system and paved the way for the expansion of the local markets to a centralized national market. The demise of local markets spurred the growth of technical analysis in Japan. Accompanying all these changes was the formation of the Dojima Rice Exchange – the institutionalized market that began in Yodoya's front yard. Merchants were now capable of grading the rice, and negotiating the market price on a broad scale. The resulting economic expansion increased the use of candlestick charting as a tool for tracking the valuation of rice.
- It has been rumored that candlestick charts were first introduced near the beginning of the Meiji era (around 1870) by an Englishman and were used primarily for the silver market in Yokohama. However, the most widely accepted theory as to how candlesticks were introduced into Japanese culture is that the chart originated with the beginning of the rice market (around 1750) as has been discussed above.



- Honma's achievements were due in part to the fact that he applied candlestick charting in an innovative, new way. He researched the historic movement of rice prices in the context of seasonal weather conditions. His research established interpretations that he applied with great success. He discovered that although there was a link between price and the supply and demand of rice, the markets were strongly influenced by the emotions of the traders. He understood that when emotions played into the equation, a vast difference between the value and the price of rice occurred. His findings are known as the "Sakata Rules", named after the Honma family's hometown. These principles are the basis for the candlestick chart analysis which is used to measure market emotions towards a stock. This difference between the value and the price is as applicable to stocks today as it was to rice in Japan centuries ago.
- The Osaka rice brokerage became the foundation for the city's wealth with 1,300 rice dealers occupying the Exchange. A daimyo in need of money could send his surplus rice to Osaka and get a receipt from a warehouse and this receipt could then be sold. Many daimyo found that cash flow problems could be eliminated through this method. Sometimes many future years of crops were mortgaged to take care of current expenses.



□ With the rice coupon becoming an actively traded entity, the Dojima Rice Exchange became the world's first futures exchange. Rice coupons were also called "empty rice" coupons, rice that was not in physical possession. Rice futures trading became so established in the Japanese marketplace, that in 1749, 110,000 bales were freely traded while there were only 30,000 bales in existence throughout Japan. It was during this time period that trading based on candlestick charts became more refined.

□ Following the commodity traders' success with candlesticks, the Japanese later integrated these techniques into their stock market. Still later, after World War II, the chart became very popular in Japan due to an increase in the number of active speculative investors. Prior to the last 50 years or so, the candlestick technique was known to only a few Japanese investors. Now, however, Japan's most elusive technical trading methodology has entered the twenty-first century and traders world wide are interested in profiting from the wealth of knowledge that is only available with this technique.



DEN AND SAKATA'S METHOD

[3]

□ Den and Sakata's Method. The Market Sanmi No Den rules can be summarized as:

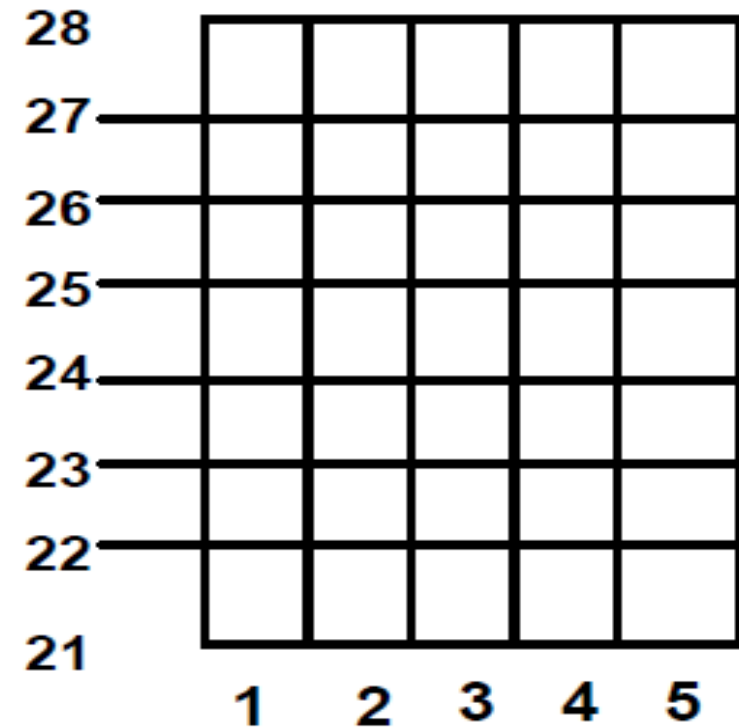
- A. Without being too greedy, analyze the time and price ratio by reviewing its past movements.
- B. Aim at selling at the ceiling and purchasing at the bottom.
- C. Increase the position after a rise of 100 bags from the bottom or 100 bags from the top. (The price stayed the same; the volume measured in bags changed in those days.)
- D. If a trade is not working, analyze it as fast as possible. Once it is discovered to be a bad trade, liquidate it immediately and rest before putting on the next trade.
- E. Liquidate 70 to 80 percent of a profitable trade, liquidating the remainder after the price has indicated a top or bottom.



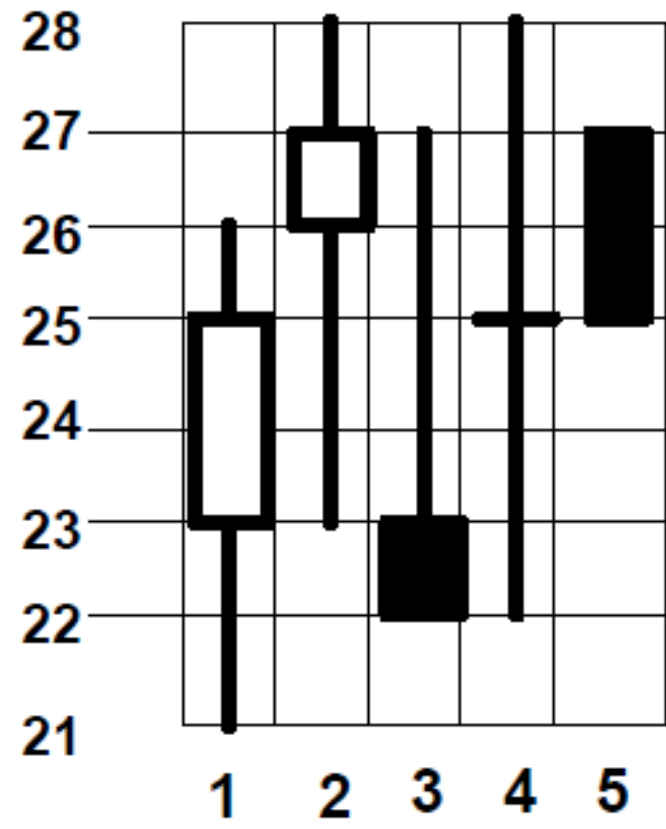
DRAWING CANDLE LINES

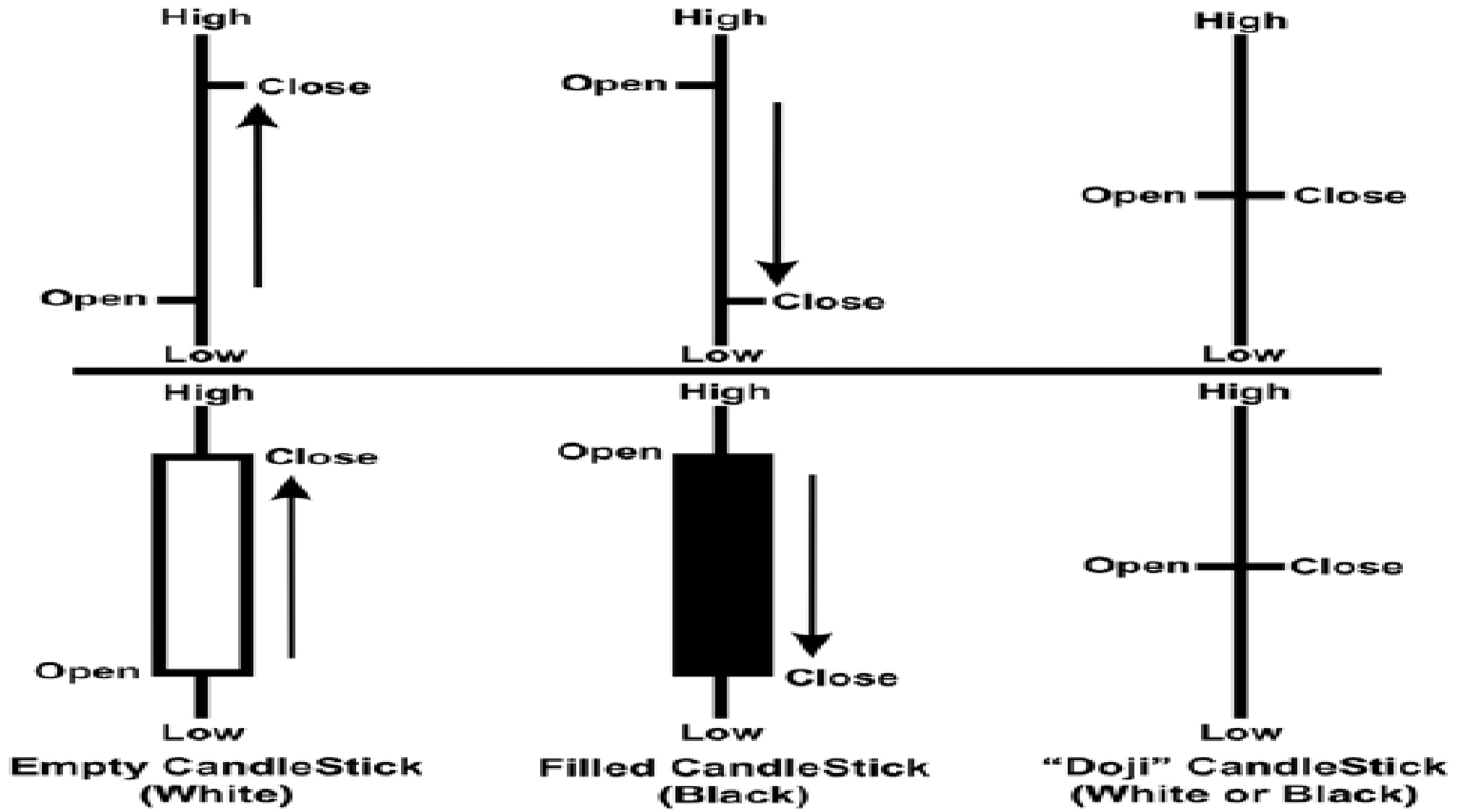
[2]

<u>session</u>	<u>open</u>	<u>high</u>	<u>low</u>	<u>close</u>
1	23	26	21	25
2	26	28	23	27
3	23	27	22	22
4	25	28	22	25
5	27	27	25	25



<u>session</u>	<u>open</u>	<u>high</u>	<u>low</u>	<u>close</u>
1	23	26	21	25
2	26	28	23	27
3	23	27	22	22
4	25	28	22	25
5	27	27	25	25



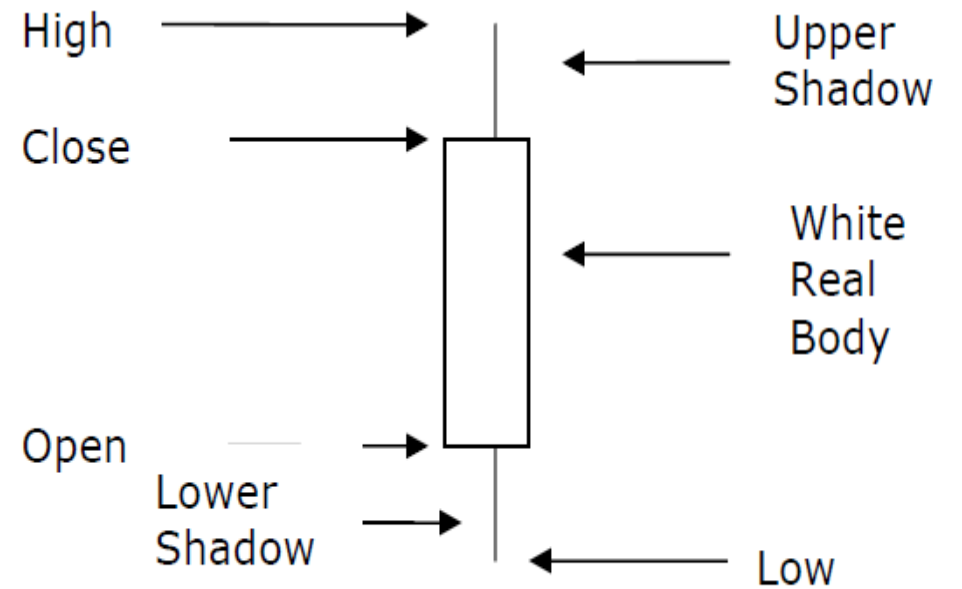
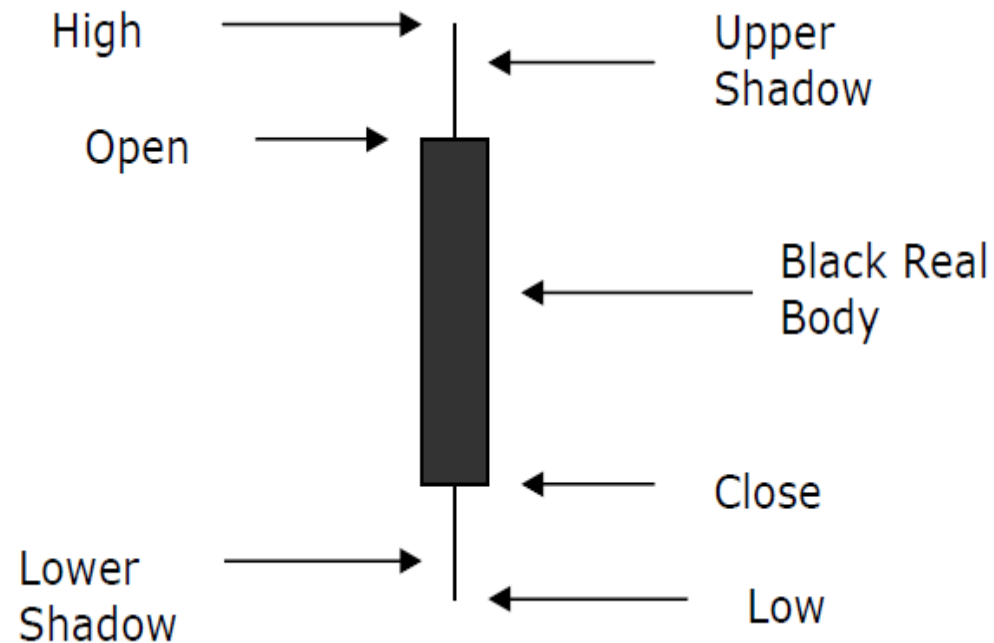


AN INTRODUCTION

- Candlestick charting allows a quick read on changes in supply and demand. By analyzing the daily price movements of an issue using candlesticks, a trader is able to confirm evidence of trend reversal very early on. Candlesticks draw an inductive, as opposed to deductive, view of markets – the facts are presented graphically, one has only to read and understand.
- The candlestick graph is comprised of both black and white candle bodies, often with "wicks" at both ends. A single white candlestick body highlights that the opening price was at the bottom of the body of the candlestick. In the case where the candle has wicks on either end, the bottom wick symbolizes the low prices traded during that period and the top wick points to the high of the period. Whenever a candle body is black, the opening price is the top of the candle body and the closing price is the bottom of the candle body. Again, if there are wicks, they signify intra-day highs and lows.



CANDLESTICK CHARTS ARE CONSIDERED TO BE MUCH MORE VISUALLY ATTRACTIVE THAN A STANDARD TWO-DIMENSIONAL BAR CHART. SIMILAR TO A STANDARD BAR CHART, THERE ARE FOUR ELEMENTS NEEDED TO CONSTRUCT A CANDLESTICK CHART, THE OPEN, HIGH, LOW AND CLOSING PRICE FOR A GIVEN TIME PERIOD. GIVEN BELOW ARE THE ILLUSTRATIONS OF CANDLESTICKS AND A DEFINITION FOR EACH CANDLESTICK COMPONENT.

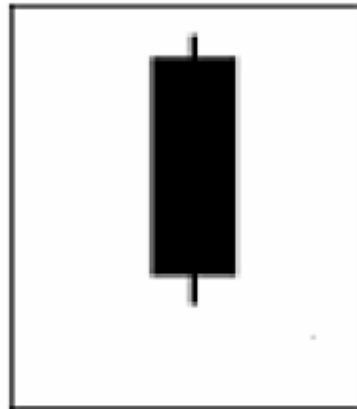


- The body of the candlestick chart is known as the real body, and represents the range between the open and closing prices.
- • A black or filled-in body highlights that the close during that time period was lower than the open (usually considered bearish). When the body is open or white, it shows the close was higher than the open (usually considered bullish).
- • The slim straight line above and/or below the real body is known as the upper/lower shadow, representing the high/low price limits for the period.

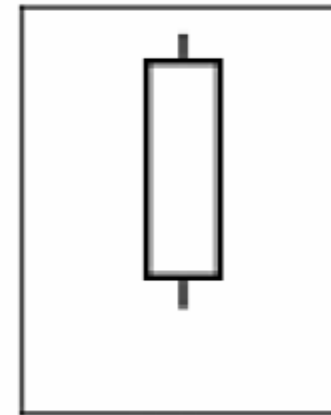


- Below is a list of several individual candlestick terms. It is very important to realize that many formations occur within the context of prior candlesticks.

Long Days



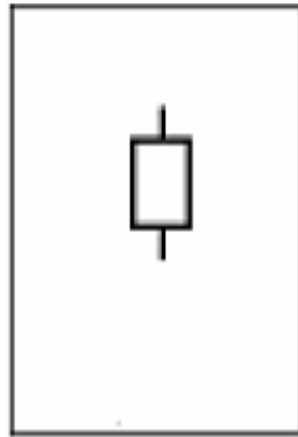
Long Black Day



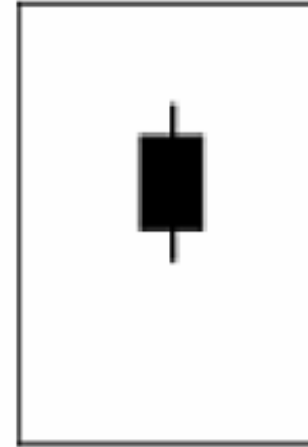
Long White Day



Short Days



Short White Day

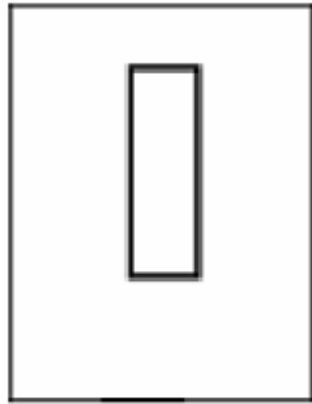


Short Black Day

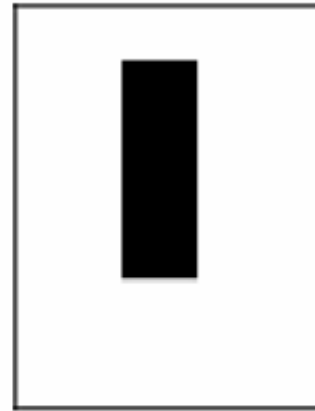
The Short Days indicate little difference between the opening price and the closing price for a trading day. The body and the shadow lines are both very short.



MARUBOZU: INDICATES THAT THERE ARE
NO SHADOWS FROM THE BODIES



White Marubozu

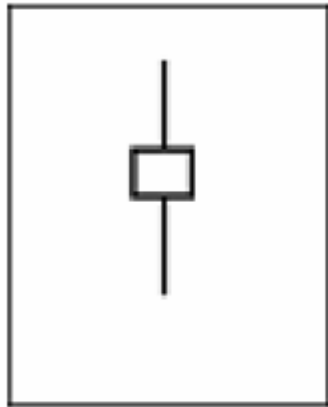


Black Marubozu

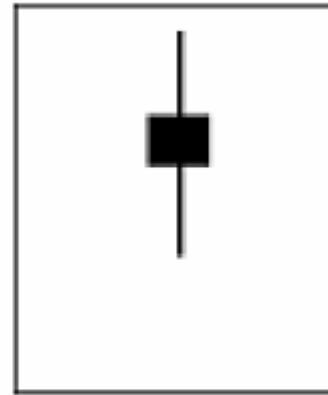


SPINNING TOPS

- The Spinning Tops have much longer shadows than real bodies. The colors of the real bodies are not essential. The pattern points towards the indecisiveness between the bullish and bearish trends.



White Spinning Tops

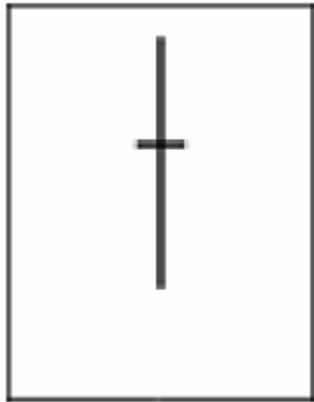


Black Spinning Tops



DOJI

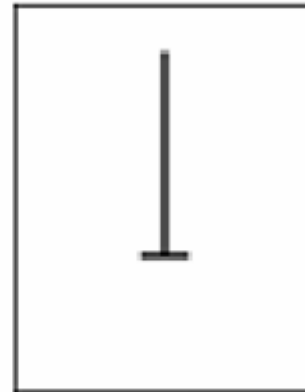
- Doji lines are considered to be patterns with the same open and close price. There are four special types of doji lines.



Long-legged Doji



Dragonfly Doji



Gravestone Doji



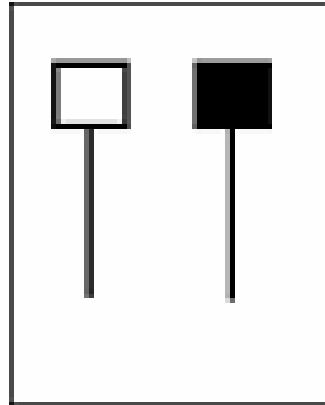
Four-Price Doji



- **Long-legged Doji:** Comprised of long upper and lower shadows with the price in the middle of the range. It indicates indecision.
- **Dragonfly Doji:** Comprised of a long lower shadow and no upper shadow. It is a fine indication of bearish trend reversal.
- **Gravestone Doji:** Comprised of a long upper shadow and no lower shadow. It is a perfect indication of bullish trend reversal.
- **Four Price Doji:** Open, high, low and close are all the same for a trading day. It's a very distinctive line that indicates the indecision of the traders, or a very quiet market.
- **Paper Umbrella**



THE PAPER UMBRELLA EMERGES WHEN A SMALL BODY COMES WITH A LONG LOWER SHADOW. IT IS CONSIDERED TO BE A STRONG REVERSAL SIGN.



CANDLESTICK CHARTING – TYPES

- Candlesticks contain the same data as a normal bar chart, but in addition they highlight the relationship between opening and closing prices. It depicts the battle between Bulls (buyers) and Bears (sellers) over a given period of time. The narrow stick represents the range of prices traded during the period (high to low) while the broad mid-section represents the opening and closing prices for the period. The interpretation of candlestick charts is based primarily on patterns.
- A candlestick chart is a good representation of a stock's momentum. On a candlestick chart, one can easily see the succession of up days, down days and sudden changes in the stock pattern. The advantage of candlesticks is the ability to highlight trend weakness and reversal signals that may not be apparent on a normal bar chart.



CANDLESTICK POSITIONING

- The long white line is a sign that buyers are firmly in control - a bullish symbol. A long black line shows that sellers are in control - definitely a bearish sign.

Candlestick Symbols



Long White Line



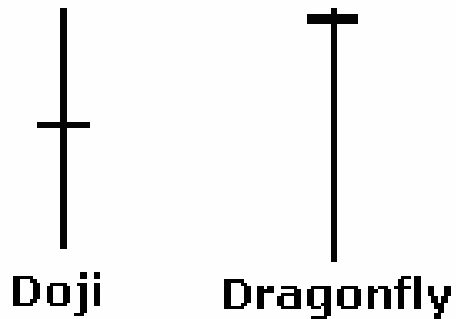
Long Black Line



DOJI

- The doji occurs when the open and close occur at the same price. This signals indecision when open and close occur in the middle of the trading range. The dragonfly is a doji where the open and close occur near the top of the trading range. This signals a reversal after a downtrend; control has shifted from sellers to buyers.

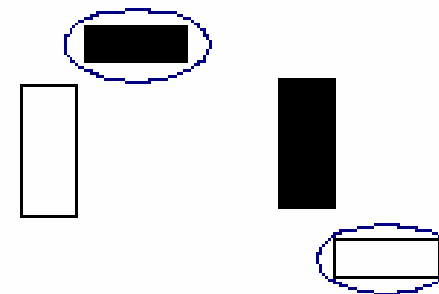
Candlestick Doji



STAR POSITION

- A candlestick that gaps away from the previous candlestick is said to be in star position. The first candlestick usually has a large real body, but not always, and the second candlestick in star position has a small real body. Depending on the previous candlestick, the star position candlestick gaps up or down and appears isolated from previous price action. The two candlesticks can be any combination of white and black. Doji, hammers, shooting stars and spinning tops have small real bodies and can form in the star position. Later we will examine 2- and 3-candlestick patterns that utilize the star position.

Star Position



HARAMI POSITION

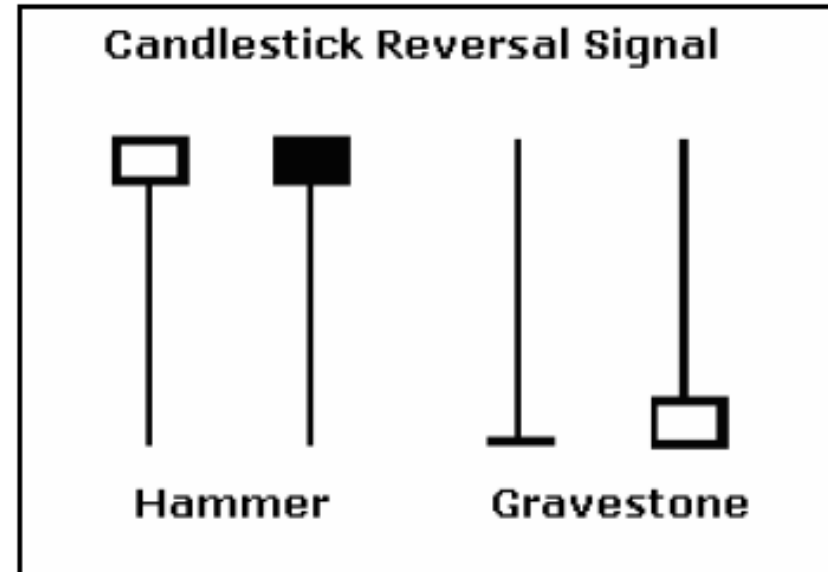
- A candlestick that forms within the real body of the previous candlestick is in harami position. Harami means 'pregnant' in Japanese and the second candlestick is nestled inside the first. The first candlestick usually has a large real body and the second a smaller real body than the first. The shadows (high/low) of the second candlestick do not have to be contained within the first, though it's preferable if they are. Doji and spinning tops have small real bodies and can form in the harami position as well.

Harami Position



REVERSAL SIGNALS

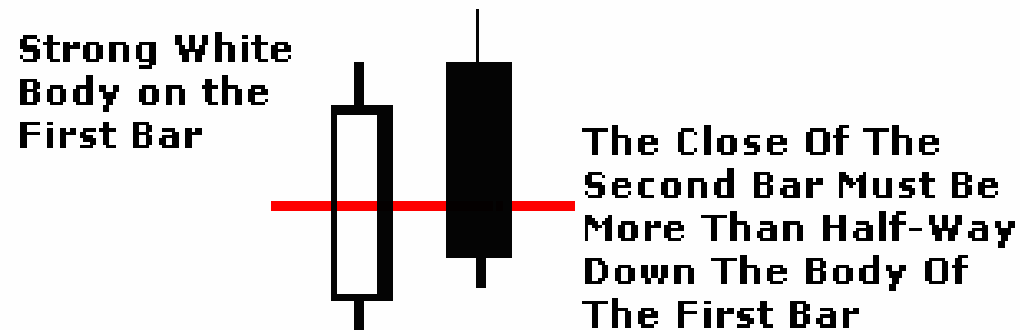
The hammer signals a reversal after a downtrend - control has shifted from sellers to buyers. The shadow should be at least twice the height of the body. If it occurs after an up trend, it is called a 'hanging man' and is a bearish signal. A gravestone is identified by open and close near the bottom of the trading range. This is really the converse of a hammer and signals a reversal when it occurs after an up-trend.



DARK CLOUD PATTERN

- A Dark Cloud pattern encountered after an up-trend is a reversal signal warning of "rainy days" ahead.

Dark Cloud Cover - Reversal

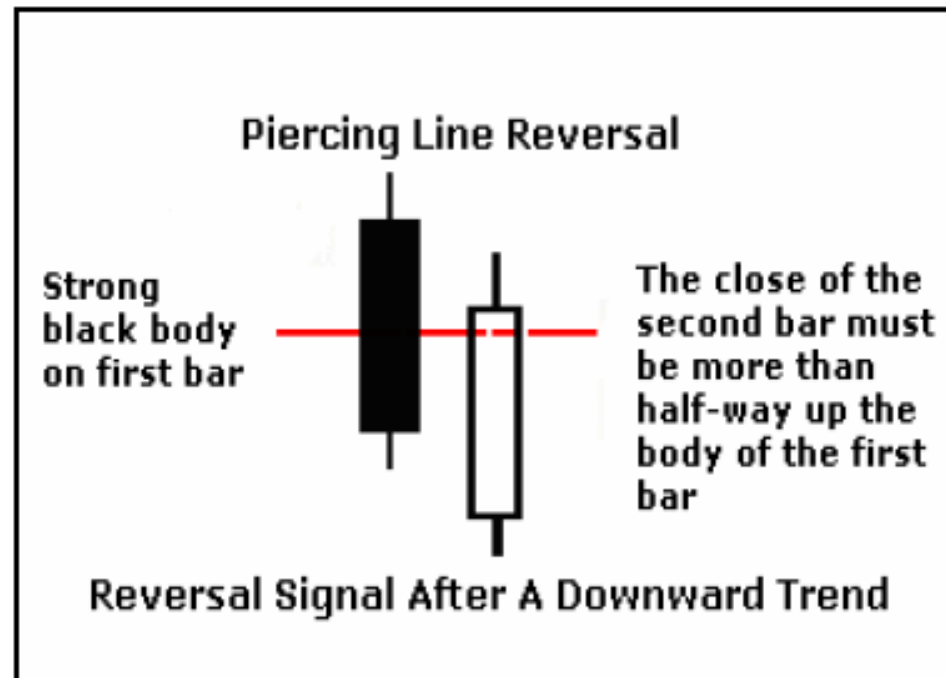


Reversal Signal After An Uptrend



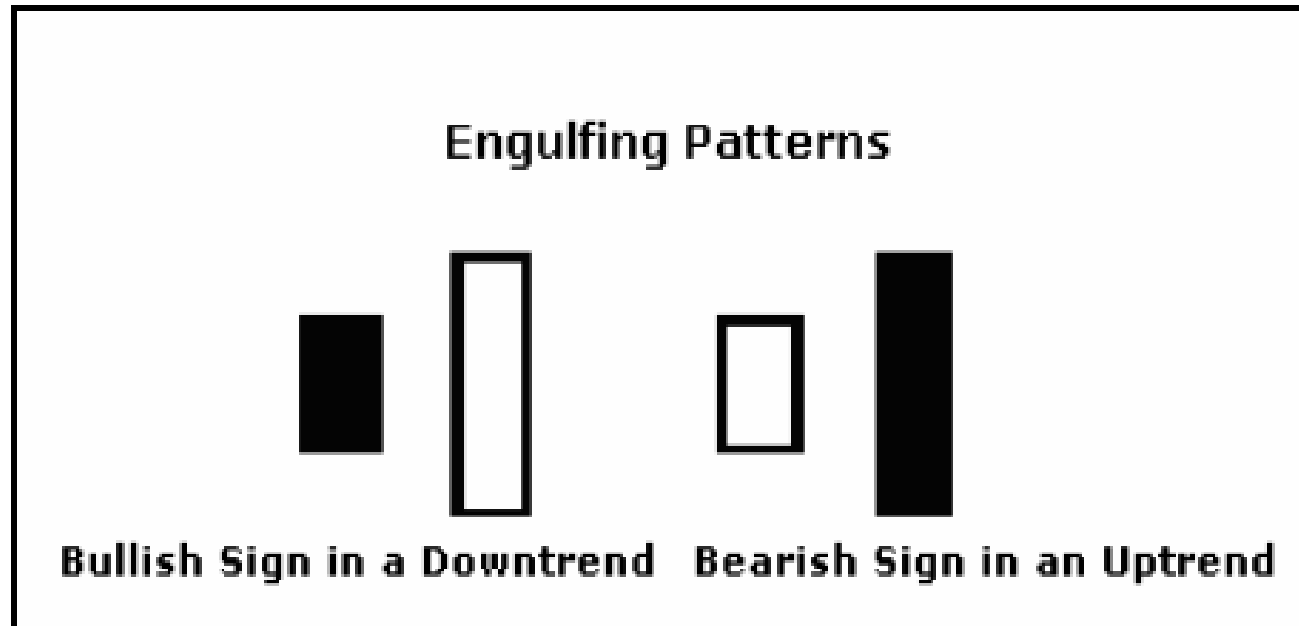
PIERCING LINE

- The Piercing Line is the opposite of the Dark Cloud pattern and is a reversal signal if it appears after a downtrend



ENGULFING PATTERNS

- Engulfing patterns consist of two bodies without any shadows and where the second body 'engulfs' the first. These signals are only significant after a prolonged trend.



STARS

Stars are made up of a long body followed by a short body with a much smaller shadow (trading range). The bodies of the two must not overlap, though the shadows may.

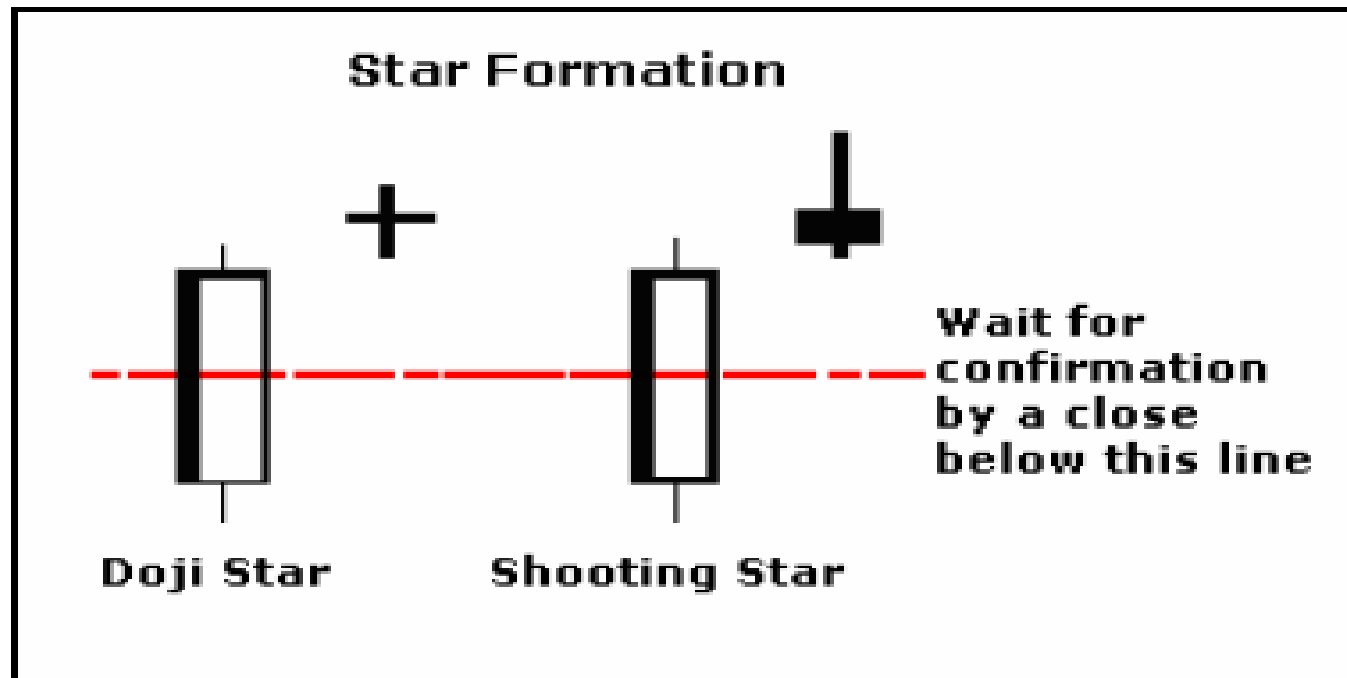
➤ Type of stars:

- i. Morning Star**
- ii. Evening Star Pattern**
- iii. Doji Star**



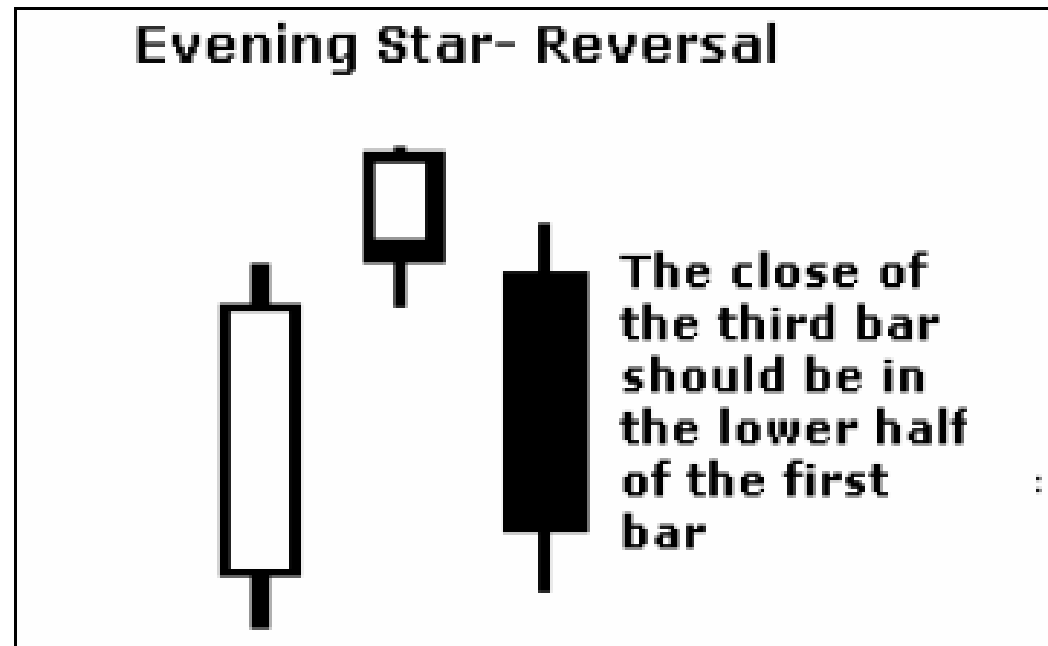
DOJI STAR

- A Doji Star formation is weaker than the Morning or Evening Star - the doji represents indecision. With a Shooting Star the body on the second bar must be near the low - at the bottom end of the trading range. The upper shadow must be longer. This is also a weaker reversal signal after a trend. Both of these patterns require confirmation - by the next bar closing below halfway on the first bar.



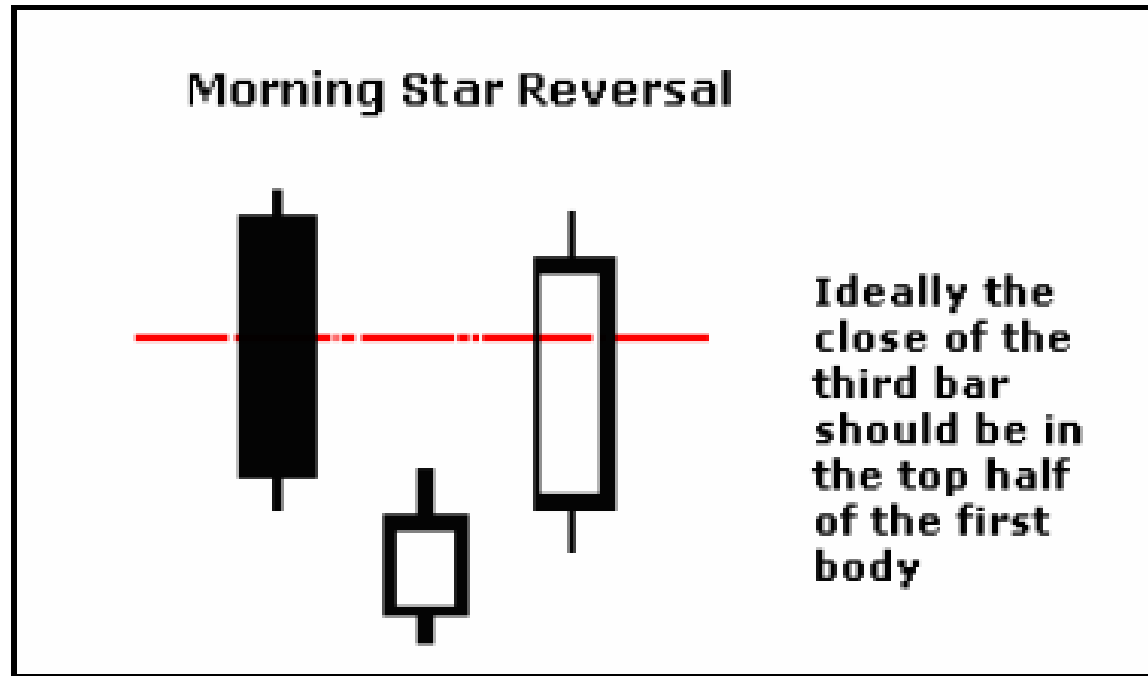
EVENING STAR PATTERN

- The Evening star pattern is opposite to Morning Star and is a reversal signal at the end of an up-trend. Evening stars is a three-candle pattern that comes after a rally. The first candle has a tall white real body, the second has a small real body that gaps higher to form a star, and the third is a black candle that closes well into the first session's white real body.



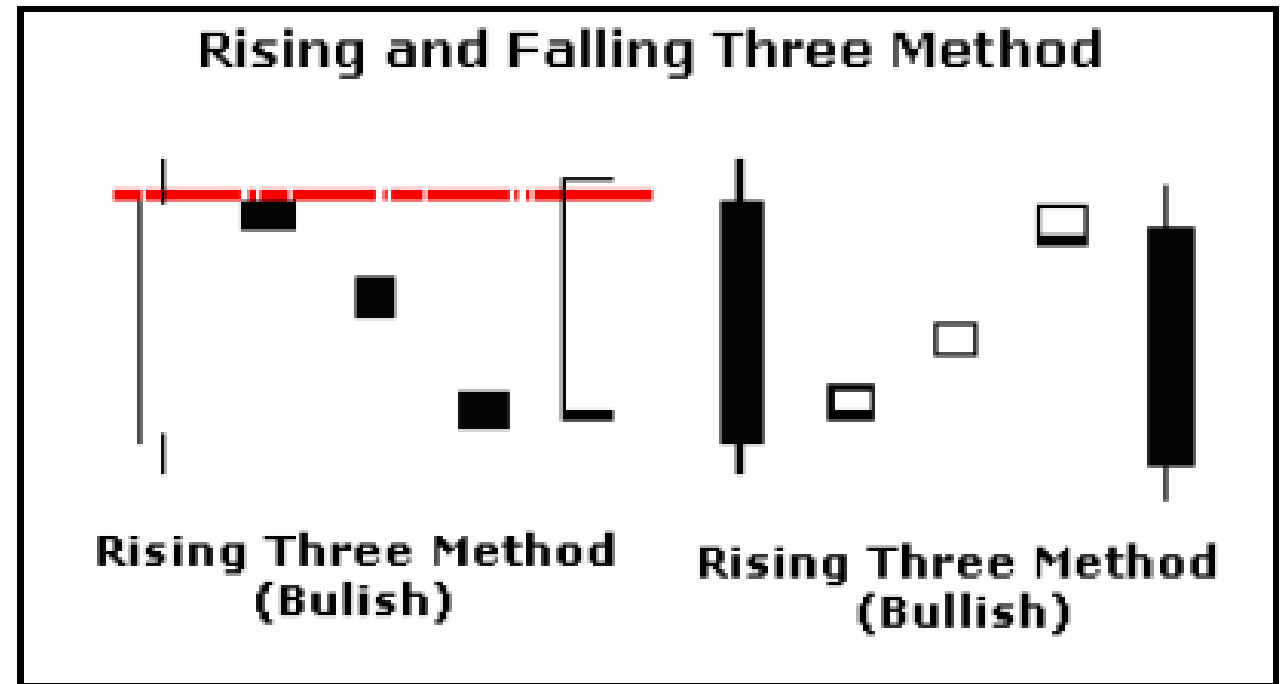
MORNING STAR

The Morning Star pattern is a bullish reversal signal after a downtrend. The first bar has a long black body, the second body gaps down from the first (the shadows may still overlap) and may be filled or hollow. This is followed by a long white body, which closes in the top half of the body of the first bar.



RISING AND FALLING THREE METHODS

- The Rising Method consists of two strong white lines bracketing three or four small declining black lines. The final white line forms a new closing high. The pattern is definitely bullish. The bearish Falling Method is bracketed by strong black bars, the second black bar forming a new closing low.



DETECTING THE 'RIGHT' CANDLESTICK SIGNALS

As one learns to interpret the different candlestick patterns, one should always keep in mind the following rules to assist in detecting patterns and determining possible actions to be taken. There are three simple rules to interpreting candlestick patterns:

Size

Larger candles play an important role when identifying patterns. They represent accumulation or distribution within the market or stock. When you begin to see an increase in size of the candles, the trend is accelerating and accumulation is occurring. When you begin to see a decrease in the size of the candles, the trend is decelerating and distribution is occurring.

Shape

The shape of the candlestick, or pattern, determines the type of pattern generated, the possible trading signal, and the potential direction of trend. Shape and size work hand-in-hand. A very small Engulfing Bullish pattern would indicate the potential for a market rally, yet the small size indicates that the trend has not yet begun to accelerate.



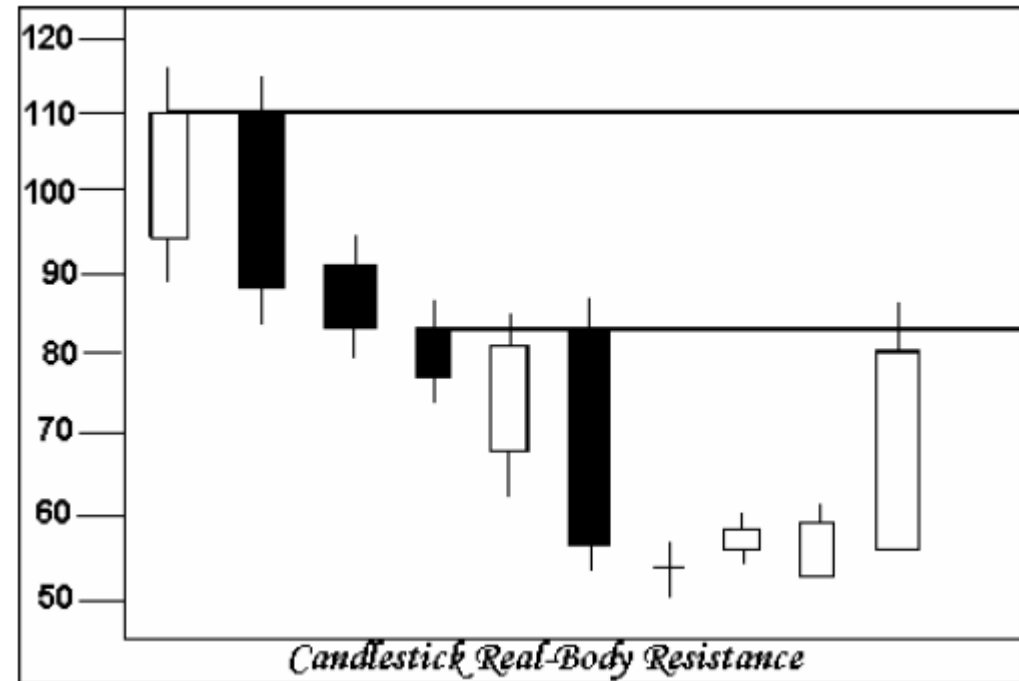
LOCATION

- The location of a candlestick pattern will assist in determining the possible trading signal. For example, a Shooting Star found after a defined up trend strongly indicates a potential bearish correction or top. A Piercing Line found after a defined down trend indicates a potential for a bullish reversal. Either of these two patterns found within a consolidated sideways trend, do not indicate as strong a potential for a trend reversal, and one should wait for confirmation of the candlestick pattern before taking action.



NOTICE / VISUAL INSIGHT

- When a chartist looks at a bar graph, accumulations of highs and lows are often seen as key market levels. Breaking through these points signals important changes in the expected direction of prices. Candlestick real bodies, however, may turn out to be better for this task. Much like highs and lows are on bar charts, an accumulation of real-body highs or lows at a given level is significant.



PATTERN ANALYSIS

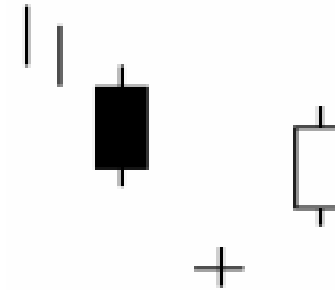
- A pattern can be formed by one or several candlesticks, but not more than five. Most of the time, candle patterns show reversal patterns but they also help in projecting trends. A reversal pattern shows that the direction of a stock is going to curtail its flow and at times this conveys that an uptrend or downtrend will reverse its course.



BULLISH PATTERNS

- A bullish pattern becomes evident when prices open near the low and close significantly higher near the period's high. **Thirty-four** bullish patterns are described as follows:
 - ❖ This is a three day pattern. The first day is a long black day followed by a doji that gaps in the direction of the previous trend. The third day is a white day gapping in the opposite direction with no overlapping shadows.
 - ❖ This one day pattern consists of a white day with no lower shadow and closes near the high of the day.

Abandoned Baby



Belt Hold



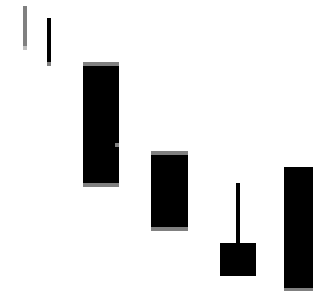
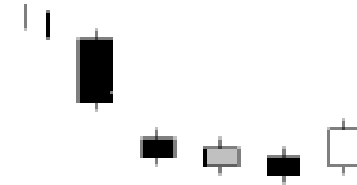
➤ Breakaway

❖ This is a five day pattern. A long black day is followed by another black day with gaps below the first day. The next two days continue in the same direction and close lower. The final day is a long white day that closes in the gap between the first and second days.

➤ Concealing Baby Swallow

❖ This is a four day pattern. The first two days are Black Marubozu days (open is the high of the day and the close is the low of the day). The third day is also a black day that gaps in the same direction but trades up into the body of the second black day. The final day is a Black Marubozu that gaps up and engulfs the third day.

Breakaway



➤ Doji Star

❖ This is a two day pattern. A long black day is followed by a doji, which gaps in the direction of the trend. The shadow of the doji is not long.

Doji Star



➤ Dragonfly Doji

❖ This one day pattern is a doji that forms at the upper end of the trading range with a long lower shadow. The longer the shadow the more the pattern is bullish.

Dragonfly Doji



➤ Bullish Engulfing

❖ This is a two day pattern. A large white day “engulfs” the previous black day that gaps below the black day’s low and increases to close above its high.

Bullish Engulfing



➤ Gravestone Doji

❖ This is a one day pattern. A doji forms at the lower end of the trading range. The upper shadow of the doji is usually long while the lower shadow is small or may not exist at all.

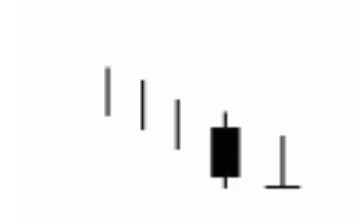
➤ Hammer

❖ This is a one day pattern. A small body and a long lower shadow characterize the candle. The lower shadow should be at least twice the length of the body with almost no upper shadow.

➤ Harami

❖ This is a two day pattern. A white day follows a long black day. It gaps opposite the trend and is completely engulfed by the real body of the first day.

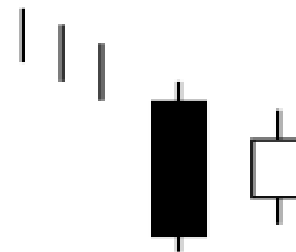
Gravestone Doji



Hammer



Harami



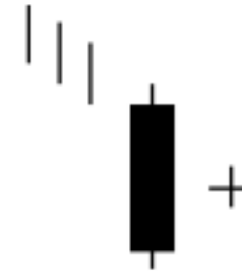
➤ **Harami Cross**

❖ This is a two day pattern. A long black day is followed by a doji. It gaps opposite the trend and is completely engulfed by the real body of the first day.

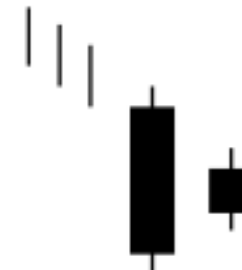
➤ **Homing Pigeon**

❖ This is a two day pattern. The first day is a long black day. The second day is a smaller black day that is within the body of the first day. In a downtrend, the bears continue to have their way. However, the second day opening and closing within the body of the first day suggests an erosion of the downtrend. Ensuing sell-offs, followed by buy-ins could result in a reversal.

Harami Cross



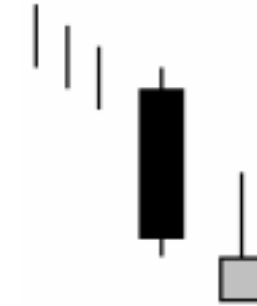
Homing Pigeon



Inverted Hammer

➤ Inverted Hammer

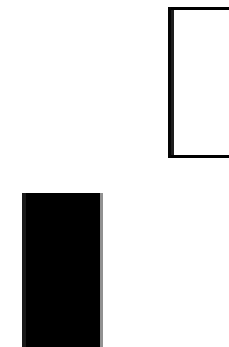
- ❖ This is a one day pattern. The lower end of the trading range is characterized by a small real body. The upper shadow is usually not more than twice as long as the real body. The lower shadow is not formed or is very negligibly present.



Kicking

➤ Kicking

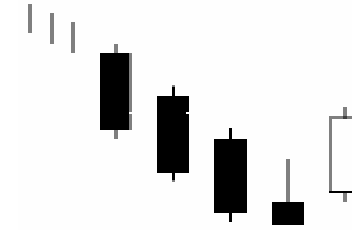
- ❖ This is a two day pattern. A Black Marubuzo (open is the high of the day and the close is the low of the day) day is followed by a White Marubuzo (open is the low of the day and the close is the high of the day) day that gaps in the opposite direction.



➤ Ladder Bottom

- ❖ This is a five day pattern. Three almost identical black days occur with successive lower opens and lower closes. Then the fourth day is a black day, which has some noticeably upper shadow. The final day is a white day that gaps against the trend. It opens above the body of the fourth day.

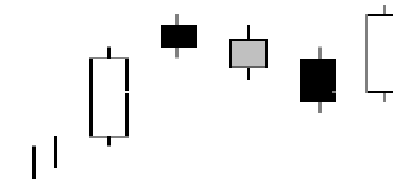
Ladder Bottom



➤ Mat Hold

- ❖ This is a five day pattern. A long white day in an uptrend is followed by a comparatively small black day that gaps in the direction of the trend. The next two days that follow are small days that stay within the range of the first day. The fifth day is a long white day that closes above the close of the first day and continues the uptrend.

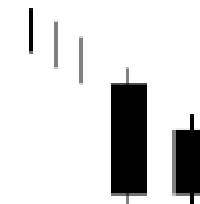
Mat Hold



➤ Matching Low

- ❖ This is a two day pattern. A long black day is followed by another black day. Both the candles have the same close. In a downtrend, two black days occur with an equal close. This suggests short-term support, and can cause a reversal on the next day of trading.

Matching Low



➤ Meeting Lines

❖ This is a two day pattern. A long black day is followed by a long white day that gaps in the direction of the trend. The second candle closes at the same price as the black day's close. Even though the second day open low, it rallies to close at the close of the previous day. This typically means a reversal is likely.

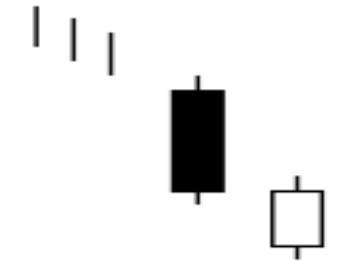
➤ Morning Doji Star

❖ This is a three day pattern. A black day is followed by a doji that gaps in the direction of the trend. The third day is a white candle that closes in the top half of the black day.

➤ Morning Star

❖ This is a three day pattern. A long black day is followed by a relatively very small day that gaps in the direction of the trend. The third day, a white day, ends with a close in the top half of the black day.

Meeting Lines



Morning Doji Star



Morning Star



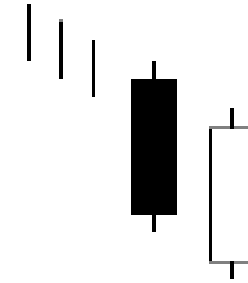
➤ Piercing Line

❖ This is a two day pattern. A white day follows a long black day that gaps below the black day's low and closes within and above the midpoint of the black day's body.

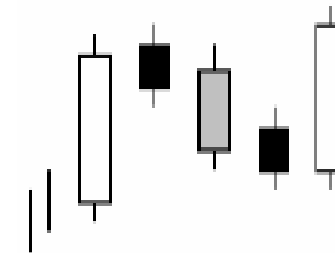
➤ Rising Three Methods

❖ This is a five day pattern. A long white day creates an uptrend. It is followed by three relatively small candles that move opposite the trend but stay within the range of the first day. The last day is a long white day that closes above the close of the first day and continues with the uptrend.

Piercing Line



Rising Three Methods



➤ Separating Lines

- ❖ This is a two day pattern. A black day is followed by a white day. Both days have the same opening price.

➤ Side by Side White Lines

- ❖ This is a three day pattern. All the candles in this pattern are white candles. A white day is followed by another white day that gaps in the direction of the trend. The third candle is almost identical to the second day.

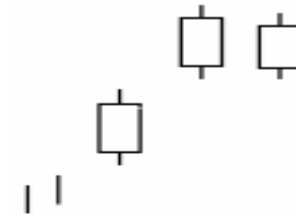
➤ Stick Sandwich

- ❖ This is a three day pattern. Two black days have a white day sandwiched between them. The white day gaps against the downtrend and closes above the black day's high. The third day's close is the same as the first day.

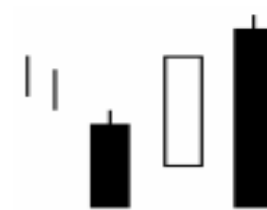
Separating Lines



Side by Side White Lines



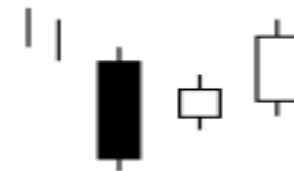
Stick Sandwich



➤ **Three Inside Up**

❖ This is a three day pattern. A bullish Harami pattern is depicted at first. It is followed by a white day that closes higher than the second day.

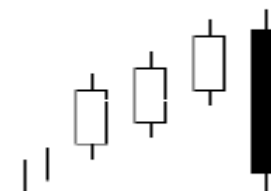
Three Inside Up



➤ **Three Line Strike**

❖ This is a four day pattern. Three long white days have consecutive higher closes. This is followed by a black day. It gaps open in the direction of the trend and closes below the open of the first day.

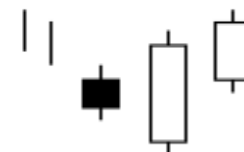
Three Line Strike



➤ **Three Outside Up**

❖ This is a three day pattern. A bullish engulfing pattern is followed by a white day that closes higher than the second day.

Three Outside Up

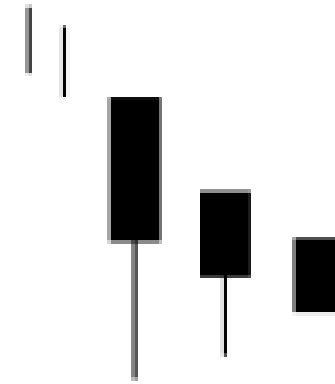


➤ **Three Stars in the South**

❖ This is a three day pattern. First there is a long black day with a long lower shadow. This is followed by a similar but smaller black day with a lower shadow shorter than on the first day. The third day is a small Black Marubozu (open is the high of the day and the close is the low of the day) and it lies within the second day's trading range.

➤ **Three White Soldiers**

❖ This is a three day pattern of white sticks. Three long white days occur with each successive open being within the body of the previous day and each successive close being higher than the previous day and near the day's high.



➤ Tri Star

❖ This is a three day pattern. Doji are observed on three consecutive trading days with the second gapping down and the third gapping up.

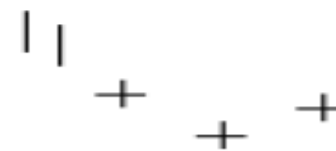
➤ Unique Three River Bottom

❖ This is a three day pattern. The first day is a long black day followed by a Homing Pigeon whose lower shadow is too long and creates a new low. The last day is a white small day, and closes below the second day's close.

➤ Upside Gap Three Methods

❖ This is a three day pattern. A long white day is followed by a second long white day that gaps in the direction of the trend. The third day is black and fills the gap between the first two days.

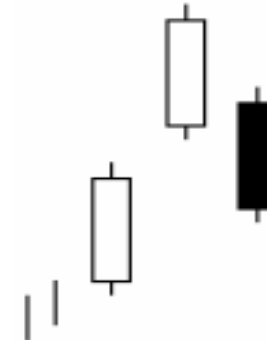
Tri Star



Unique Three River Bottom



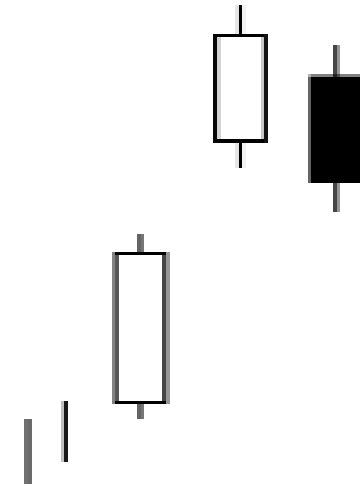
Upside Gap Three Methods



➤ Upside Tasuki Gap

- ❖ This is a three day pattern. A long white day is followed by a second relatively small white day that gaps in the direction of the trend. The third day is a black day and opens within the body of the second day and closes within the gap.

Upside Tasuki Gap



✓ **Bearish** Patterns

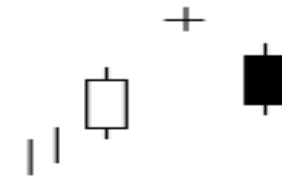
- ❖ A bearish pattern is evident when prices open near the high and close significantly lower near the period's low. Thirty- four bearish candlestick patterns are described below.



➤ Abandoned Baby

❖ This is a three day pattern. The first day is a long white day. The next is a doji that gaps in the direction of the trend. The third is a black day gapping in the opposite direction with no coinciding shadows.

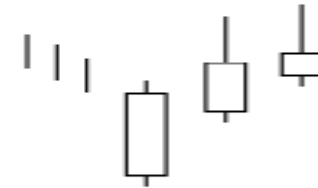
Abandoned Baby



➤ Advanced Block

❖ This is a three white day pattern. Each day opens within the body of the previous day and closes above the previous day. The bodies of the candles grow smaller on each successive day. The upper shadows follow a reverse pattern. Each candle is bigger than the previous one.

Advanced Block



➤ Belt Hold

❖ This is a one day pattern. It is a black day with no upper shadow and a close near the day's low.

Belt Hold



➤ Breakaway

❖ This is a four day pattern. A long white day is followed by a smaller white day that gaps above the first day. The next two days are also smaller and comparable to second day. They move in the same direction with higher consecutive closes. The final day is a long black day that closes in the gap between the first and second days.

Breakaway



➤ Dark Cloud Cover

❖ This is a two day pattern. A black day follows a long white day. The black day gaps above the high of the white candle and then closes below the midpoint of the white day's body.

Dark Cloud Cover



➤ Deliberation

❖ This is a three white day pattern. A long day is followed by a second similar long day, which closes higher than the first. The third white day displays a white spinning top or doji. It gaps above the second day.

Deliberation



➤ Doji Star

- ❖ This two day pattern consists a long white day followed by a doji that gaps in the direction of the trend. The doji does not have a long shadow.

Doji Star



➤ Downside Gap Three Methods

- ❖ This is a three day pattern. Two long black days occur in succession. The second black day gaps in the direction of the trend. The third day is a white day and it fills the gap between the first two days.

Downside Gap Three Methods



➤ Downside Tasuki Gap

❖ This is a three day pattern. A long black day is followed by a second black day shorter than the first. It gaps in the direction of the trend. The third day is white, opens within the body of the second day and closes within the gap.

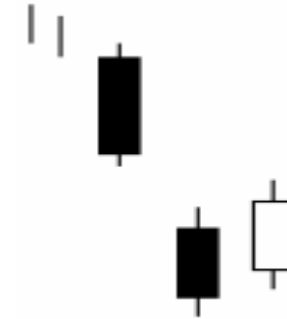
➤ Dragonfly Doji

❖ This is a one day pattern. A doji forms at the upper end of a trading range with a long lower shadow which has no or a very small upper shadow.

➤ Bearish Engulfing

❖ This two day pattern occurs when a white day is completely “engulfed” by a large black day that gaps above the white day's high and closes below its low.

Downside Tasuki Gap



Dragonfly Doji



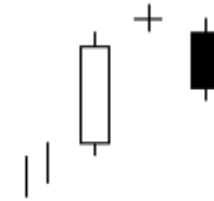
Bearish Engulfing



➤ Evening Doji Star

❖ This is a three day pattern. A doji that gaps in the direction of the trend follows a long white day. The third day is a black day that closes in the bottom half of the white candle.

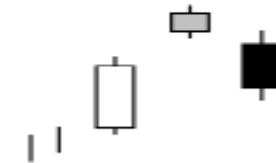
Evening Doji Star



➤ Evening Star

❖ This is a three day pattern. A small body that gaps in the direction of the trend follows a long white day. The third day is a black day that closes in the bottom half of the white candle.

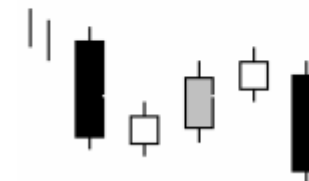
Evening Star



➤ Falling Three Methods

❖ This is a five day pattern. Three small candles that move opposite the trend but remain in the range of the first day follow a long black day in a downtrend. The fifth day is a long black day that closes below the close of the first day and continues with the downtrend.

Falling Three Methods



➤ Gravestone Doji

❖ This is a two day pattern. A white day is followed by a doji. The doji forms at the lower end of the trading range. The upper shadow is usually long while the lower shadow is small or almost nonexistent.

Gravestone Doji



➤ Hanging Man

❖ This is a one day pattern. A small real body forms at the upper end of the trading range with a long lower shadow but with no or almost no upper shadow.

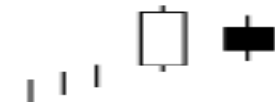
Hanging Man



➤ Harami

❖ This is a two day pattern. A small black day follows a long white day. The black day gaps down and is completely engulfed by the real body of the white day.

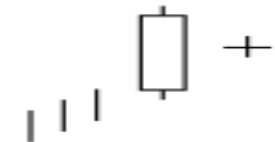
Harami



➤ Harami

❖ This is a two day pattern. A small black day follows a long white day. The black day gaps down and is completely engulfed by the real body of the white day.

Harami Cross



➤ Harami Cross

❖ This is a two day pattern. A doji that gaps down and is completely engulfed by the real body of the first day follows a long white day.



➤ **Identical Three Crows**

❖ This is a three day pattern. Three identical black days occur with the open of each day being the same as the close of the previous day.

➤ **In Neck**

❖ This is a two day pattern. A long white day follows a similar black day that gaps down at the open and closes at the same price as the black day.

➤ **Kicking**

❖ This is a two day pattern. A White Marubuzo (opens at low and closes at high) is followed by a Black Marubuzo (opens at high and closes at low) that gaps down.

Identical Three Crows



In Neck



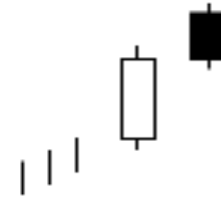
Kicking



➤ Meeting Lines

- ❖ This is a two day pattern. A long white day is followed by a comparatively smaller black day that gaps up at the open. It then drops to close at the same price as the earlier day's close.

Meeting Lines



➤ On Neck

- ❖ This is a two day pattern. A long black day is followed by a long white day that gaps down at the open and closes below the close of the black day.

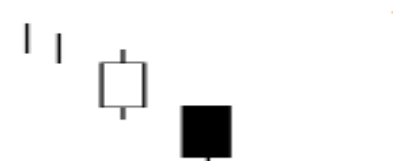
On Neck



➤ Separating Lines

- ❖ This is a two day pattern. A white day is followed by a black day. Both days have the same opening price.

Separating Lines



➤ Shooting Star

❖ This is a one day pattern where a small body forms after the white body at the lower end of the trading range. The upper shadow is usually long while the lower shadow is small or almost nonexistent.

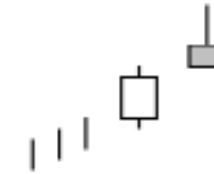
➤ Side By Side White Lines

❖ This is a three day pattern. A black day is followed by two white days similar to each other. The first white body gaps in the direction of the trend.

➤ Three Black Crows

❖ This pattern consists in three long black days. These days occur with each successive open being within the body of the previous day and each successive close being below the previous day's.

Shooting Star



Side By Side White Lines



Three Black Crows



➤ Three Inside Down

❖ This is a three day pattern. A bearish Harami pattern is trailed by a black day that closes lower than the second day.

➤ Three Line Strike

❖ This is a four day pattern. Three black days with consecutively lower closes are followed by a fourth long white day that gaps in the direction of the trend and closes above the open of the first day.

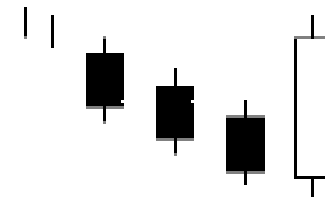
➤ Three Outside Down

❖ This is a three day pattern. A bearish Engulfing pattern is trailed by a black day that closes lower than on the second day.

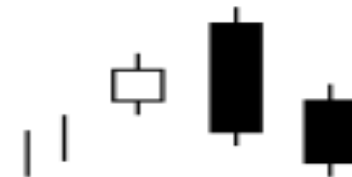
Three Inside Down



Three Line Strike



Three Outside Down



➤ Thrusting

- ❖ This is a two day pattern. A white day follows a black day that gaps in the direction of the trend and closes below the midpoint of the black day.

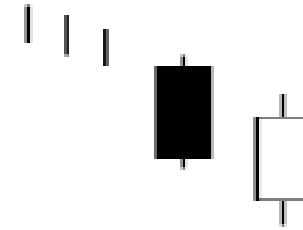
➤ Tri Star

- ❖ This is a three day pattern. A doji occurs on three consecutive trading days with the second gapping up and the third gapping down (in the opposite direction).

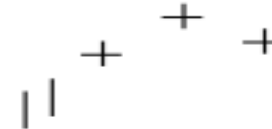
➤ Two Crows

- ❖ This is a three day pattern. A long white day is followed by a black candle that gaps up in the direction of the trend. The final day is a black day that opens within the body of the small black day and drops to fill the gap closing within the body of the first day.

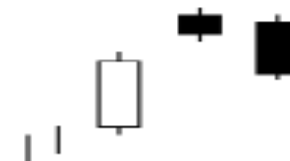
Thrusting



Tri Star



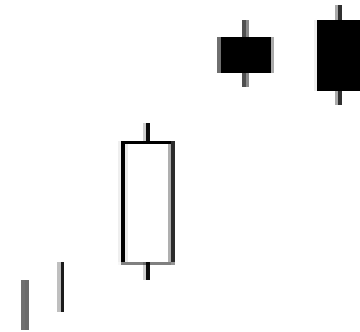
Two Crows



➤ Upside Gap Two Crows

- ❖ This is a three day pattern. Two black candles follow a long white day with the first black candle gapping in the direction of the trend. The second black day engulfs the small black day and closes within the gap of the first two days

UPSIDE GAP TWO CROWS



✓ END OF PATTERNS

- ✓ Pattern analysis can help make short-term or long-term forecasts. The patterns put all buying and selling into perspective by consolidating the forces of supply and demand into a concise picture. They present a complete pictorial record of all trading, depicting the battle raging between bulls and bears. They can help determine who is winning the battle so that traders and investors can position themselves accordingly.



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[4]:

