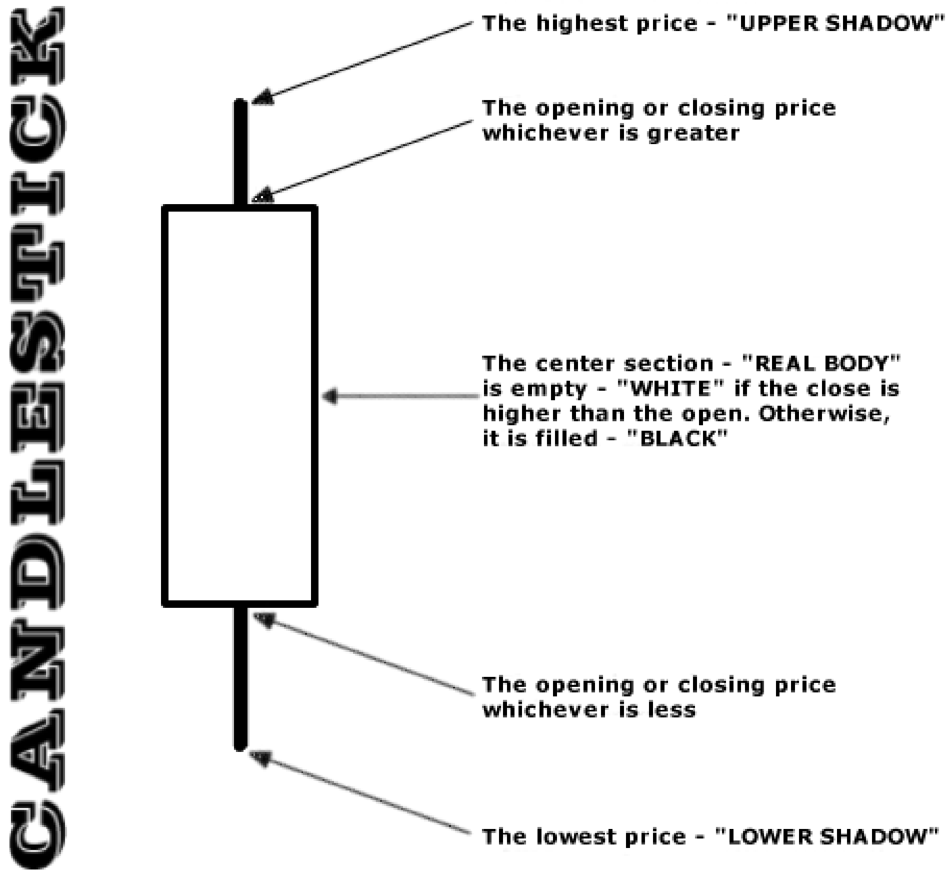
Edited by Kaspirano

JAPANESE CANDLESTICKS

In the 1600s, the Japanese developed a method of technical analysis to analyze the price of rice contracts. This technique is called candlestick charting. Steven Nison is credited with popularizing candlestick charting and has become recognized as the leading expert on their interpretation.

Candlestick charts display the open, high, low, and closing prices in a format similar to a modern-day bar-chart, but in a manner that extenuates the relationship between the opening and closing prices. Candlestick charts are simply a new way of looking at prices, they don't involve any calculations.

Each candlestick represents one period (e.g., day) of data. The figure below displays the elements of a candlestick:

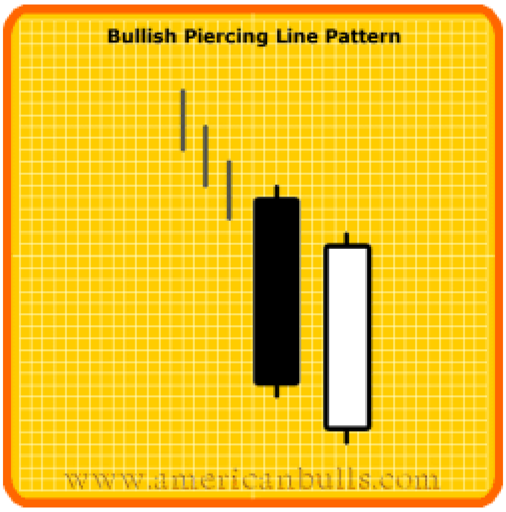


The interpretation of candlestick charts is based primarily on patterns. The most popular patterns are thoroughly explained in this website. The patterns are examined in three main groups as “Bullish”, “Bearish”, and “Neutral”. These groups are further subdivided with respect to the type of the patterns as “Reversal”, “Continuation”, and with respect to their reliability as “High Reliability”, “Medium Reliability” and “Low Reliability”.

Candlestick charts are flexible, because candlestick charts can be used alone or in combination with other technical analysis techniques. A significant advantage attributed to candlestick charting techniques is that these techniques can be used in addition to, not instead of, other technical tools. In fact this system is superior to other technical tools. Candlestick charting techniques provide an extra dimension of analysis. As with all charting methods, candlestick chart patterns are subject to interpretation by the user. As you gain experience in candlestick techniques, you will discover which candlestick combinations work best in your market.

BULLISH REVERSAL PATTERNS

HIGH RELIABILITY



BULLISH PIERCING LINE

Definition : Bullish Piercing Line Pattern is a bottom reversal pattern. A long black candlestick is followed by a gap lower during the next day while the market is in downtrend. The day ends up as a strong white candlestick, which closes more than halfway into the prior black candlestick's real body.

Recognition Criteria:

1. Market is characterized by downtrend.
2. We see a long black candlestick.
3. Then we see a long white candlestick whose opening price is below previous day's low on the second day.
4. The second day's close is contained within the first day body and it is also above the midpoint of the first day's body.
5. The second day however fails to close above the body of the first day.

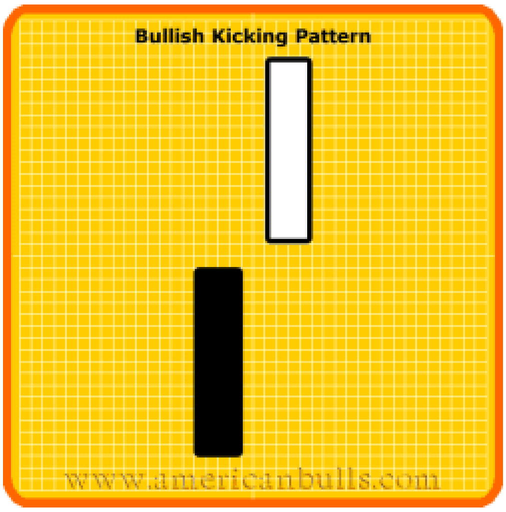
Explanation:

The market moves down in a downtrend. The first black real body reinforces this view. The next day the market opens lower via a gap. Everything now goes, as bears want it. However suddenly the market surges toward the close, leading the prices to close sharply above the previous day close. Now the bears are losing their confidence and re-evaluating their short positions. The potential buyers start thinking that new lows may not hold and perhaps it is time to take long positions.

Important Factors:

In the Bullish Piercing Pattern, the greater the degree of penetration into the black real body, the more likely it will be a bottom reversal. An ideal piercing pattern will have a real white body that pushes more than half way into the prior session's black real body.

A confirmation of the trend reversal by a white candlestick, a large gap up or by a higher close on the next trading day is suggested.



BULLISH KICKING PATTERN

Definition: The Bullish Kicking Pattern is a White Marubozu following a Black Marubozu. After the Black Marubozu, market gaps sharply higher on the opening and it opens with a gap above the prior session's opening thus forming a White Marubozu.

Recognition Criteria:

1. Market direction is not important.
2. We first see a Black Marubozu pattern.
3. Then we see a White Marubozu that gaps upward on the second day.

Explanation:

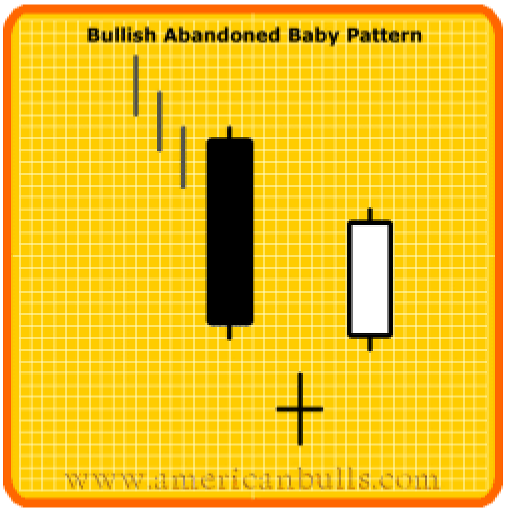
This Bullish Kicking Pattern is a strong sign showing that the market is headed upward. The previous market direction is not important for this pattern unlike most other candle patterns. The market is headed up with the Bullish Kicking Pattern as the prices gap up the next day. The prices never enter into the previous day's range. Instead they close with another gap.

Important Factors:

We should be careful that both of the patterns do not have any shadows or they have only very small shadows (they both are Marubozu).

The Bullish Kicking Pattern is somewhat similar to the Bullish Separating Lines Pattern. The opening prices are equal in Bullish Separating Lines Pattern while in the Bullish Kicking Pattern a gap occurs.

The Bullish Kicking Pattern is highly reliable, but still, a confirmation of the reversal on the third day should be sought. This confirmation may be in the form of a white candlestick, a large gap up or a higher close on the third day.



BULLISH ABONDONED BABY

Definition: The Bullish Abandoned Baby Pattern is a very rare bottom reversal signal. It is composed of a Doji Star, which gaps away (including shadows) from the prior and following days' candlesticks.

Recognition Criteria:

1. Market is characterized by downtrend.
2. We usually see a long black candlestick in the first day.
3. Then a Doji appears on the second day whose shadows gap below the previous day's lower shadow and gaps in the direction of the previous downtrend.
4. Then we see a white candlestick on the third day with a gap in the opposite direction with no overlapping shadows.

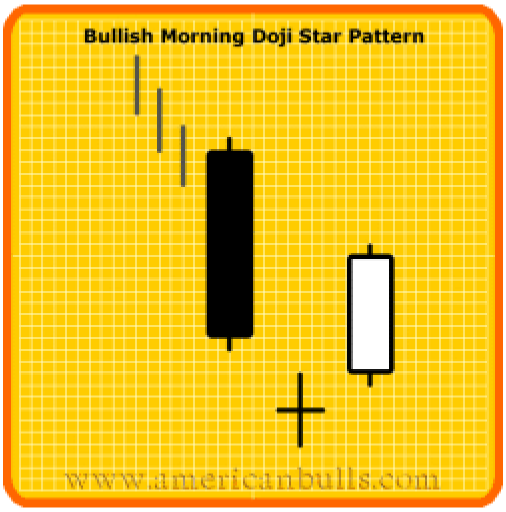
Explanation:

We have a similar scenario that is valid for most of the three-day star patterns. In a falling market, the market shows bearish strength first with a long black candlestick and opens with a gap on the second day. The second day trading is within a small range and second day closes at or very near its open. This now suggests the potential for a rally showing that positions are changed. The signal of trend reversal is given by the white third day and by well-defined upward gap.

Important Factors:

The Bullish Abandoned Baby Pattern is quite rare.

The reliability of this pattern is very high, but still a confirmation in the form of a white candlestick with a higher close or a gap-up is suggested.



BULLISH MORNING DOJI STAR

Definition: This is also a three-candlestick formation signaling a major bottom reversal. It is composed of a long black candlestick followed by a doji, which characteristically gaps down to form a doji star. Then we have a third white candlestick whose closing is well into the first session's black real body. This is a meaningful bottom pattern.

Recognition Criteria:

1. Market is characterized by downtrend.
2. We see a long black candlestick in the first day.
3. Then we see a Doji on the second day that gaps in the direction of the previous downtrend.
4. The white candlestick on the third day confirms the reversal.

Explanation:

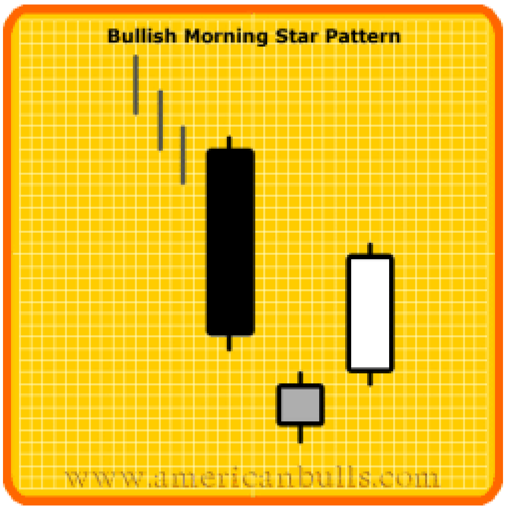
Black real body while market is falling down may suggest that the bears are in command. Then a Doji appears showing the diminishing capacity of sellers to drive the market lower. Confirmation of bull ascendancy is the third day's strong white real body. An ideal Bullish Morning Doji Star Pattern must have a gap before and after the middle line's real body. The second gap is rare, but lack of it does not take away from the power of this formation.

Important Factors:

The Doji may be more than one, two or even three.

Doji's gaps are not important.

The reliability of this pattern is very high, but still a confirmation in the form of a white candlestick with a higher close or a gap-up is suggested.



BULLISH MORNING STAR

Definition: This is a three-candlestick formation that signals a major bottom. It is composed of a first long black body, a second small real body, white or black, gapping lower to form a star. These two candlesticks define a basic star pattern. The third is a white candlestick that closes well into the first session's black real body. Third candlestick shows that the market turned bullish now.

Recognition Criteria:

1. Market is characterized by downtrend.
2. We see a long black candlestick in the first day.
3. Then we see a small body on the second day gapping in the direction of the previous downtrend.
4. Finally we see a white candlestick on the third day.

Explanation:

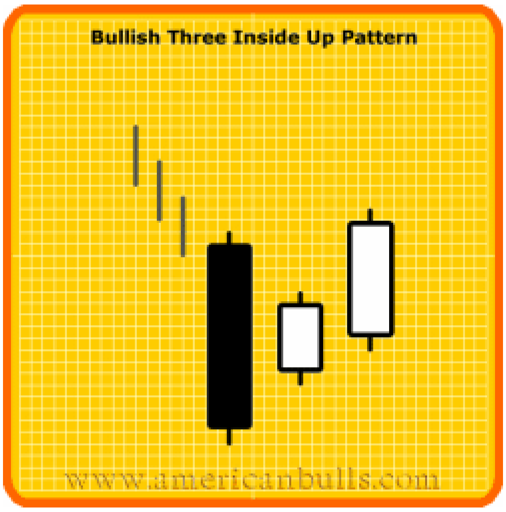
We see the black body in a falling market suggesting that the bears are in command. Then a small real body appears implying the incapacity of sellers to drive the market lower. The strong white body of third day proves that bulls have taken over. An ideal Bullish Morning Star Pattern preferably has a gap before and after the middle candlestick. The second gap is rare, but lack of it does not take away from the power of this formation.

Important Factors:

The stars may be more than one, two or even three.

The colour of the star and its gaps are not important.

The reliability of this pattern is very high, but still a confirmation in the form of a white candlestick with a higher close or a gap-up is suggested.



BULLISH THREE INSIDE UP

Definition: The Bullish Three Inside Up Pattern is another name for the Confirmed Bullish Harami Pattern. The third day is confirmation of the bullish trend reversal.

Recognition Criteria:

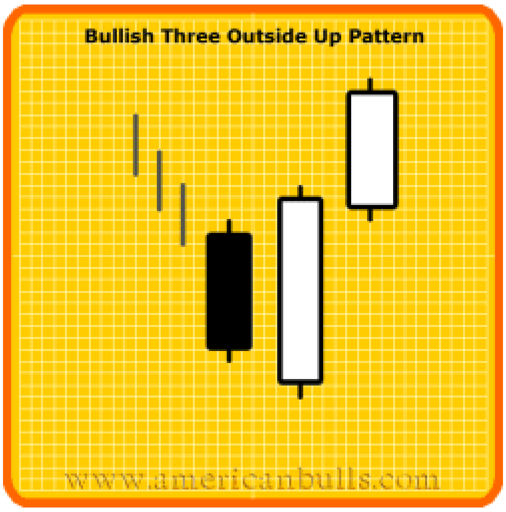
1. Market is characterized by downtrend.
2. We see a Bullish Harami Pattern in the first two days.
3. Then we see a white candlestick on the third day with a higher close than the second day.

Explanation:

The first two days of this pattern is simply the Bullish Harami Pattern, and the third day confirms the reversal suggested by the Bullish Harami Pattern, since it is a white candlestick closing with a new high for the last three days.

Important Factors:

The reliability of this pattern is very high, but still a confirmation in the form of a white candlestick with a higher close or a gap-up is suggested.



BULLISH THREE OUTSIDE UP

Definition: The Bullish Three Outside Up Pattern is simply another name for the Confirmed Bullish Engulfing Pattern. The third day is confirmation of the bullish trend reversal.

Recognition Criteria:

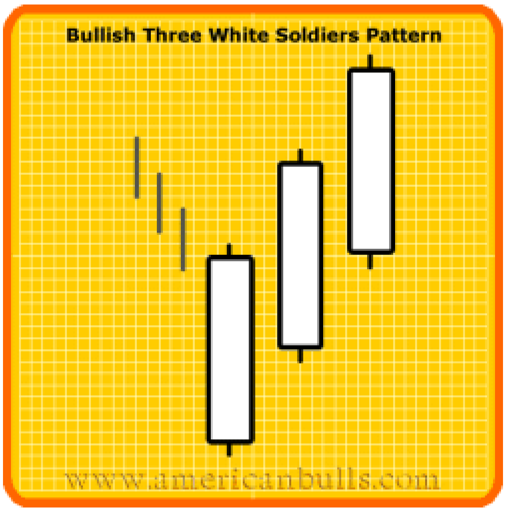
1. Market is characterized by downtrend.
2. We see a Bullish Engulfing Pattern in the first two days.
3. The third day is a white candlestick with a higher close than the second day.

Explanation:

The first two days of this three-day pattern is simply a Bullish Engulfing Pattern, and the third day confirms the reversal suggested by the Bullish Engulfing Pattern since it is a white candlestick closing with a new high for the last three days.

Important Factors:

The reliability of this pattern is very high, but still a confirmation in the form of a white candlestick with a higher close or a gap-up is suggested.



BULLISH THREE WHITE SOLDIERS

Definition: Bullish Three White Soldiers Pattern is indicative of a strong reversal in the market. It is characterized by three long candlesticks stepping upward like a staircase. The opening of each day is slightly lower than previous close rallying then to a short term high.

Recognition Criteria:

1. Market is characterized by downtrend.
2. We see three consecutive long white candlesticks.
3. Each candlestick closes at a new high.
4. The opening of each candlestick is within the body of the previous day.
5. Each consecutive day closes near or at its highs.

Explanation:

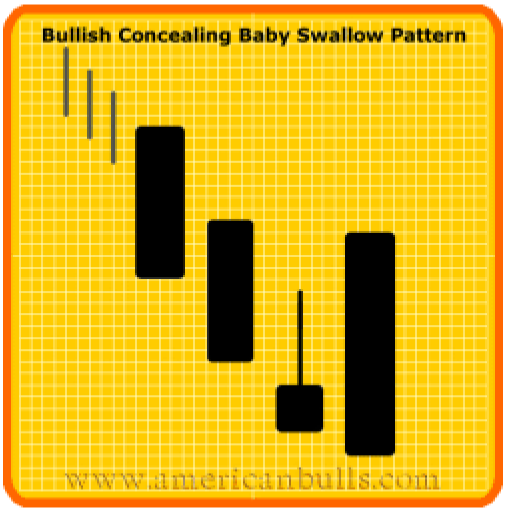
The Bullish Three White Soldiers Pattern appears in a context where the market stayed at a low price for too long. The market is still falling down and it is now approaching a bottom or already at bottom. Then we see a decisive attempt upward shown by the long white candlestick. Rally continues in the next two days characterized by higher closes. Bears are now forced to cover short positions.

Important Factors:

The opening prices of the second and third days can be anywhere within the previous day's body. However, it is better to see the opening prices above the middle of the previous day's body.

If the white candlesticks are very extended, one should be cautious about an overbought market.

The reliability of this pattern is very high, but still a confirmation in the form of a white candlestick with a higher close or a gap-up is suggested.



BULLISH CONCEALING BABY SWALLOW

Definition: This pattern is highlighted by two consecutive Black Marubozu. They are characterized by the fact that a gapping black candlestick trades into the body of the previous day and it is seen during a downtrend. Then there is another Black Marubozu on the third day showing sale of positions since it closes at a new low. However this may give incentive to the shorts to cover their positions implying that a bullish reversal is now possible.

Recognition Criteria:

1. Market is characterized by downtrend.
2. We see two consecutive Black Marubozu in the first and second days.
3. Then we see a black candlestick on the third day opening with a downward gap but trading into the body of the second day and it is characterized by a long upper shadow.
4. Finally we see another Black Marubozu on the fourth day that completely engulfs the candlestick of the third day including the shadow.

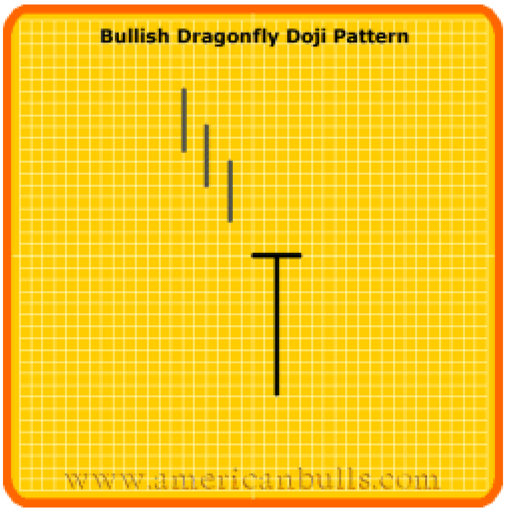
Explanation:

Two black Marubozu show that downtrend is continuing to the satisfaction of the bears. On the third day, we see a downward gap further confirming the downtrend. However, prices on the third day start going above the close of the previous day causing some doubts about the bearish direction even though the day closes at or near its low. The next day shows us a significantly higher gap in the opening. After the opening, however, prices again go down closing at a new low. This last day may be interpreted as a good chance for the short-sellers to cover their short positions.

Important Factors:

The reliability of this pattern is very high, but still a confirmation in the form of a white candlestick with a higher close or a gap-up is suggested.

MEDIUM RELIABILITY



BULLISH DRAGONFLY DOJI

Definition: The Bullish Dragonfly Doji Pattern is a single candlestick pattern that occurs at the bottom of a trend or during a downtrend. The Bullish Dragonfly Doji Pattern is very similar to the Bullish Hammer Pattern mentioned above. The distinction between the two is if there is a body or not. In case of Bullish Dragonfly Doji Pattern, the opening and closing prices are identical and there is no body. On the other hand the Bullish Hammer Pattern has a small real body at the upper end of the trading range.

Recognition Criteria:

1. There is an overall downtrend in the market.
2. Then we see a Doji at the upper end of the trading range.
3. The doji has an extremely long lower shadow.
4. However the doji does not have any upper shadow.

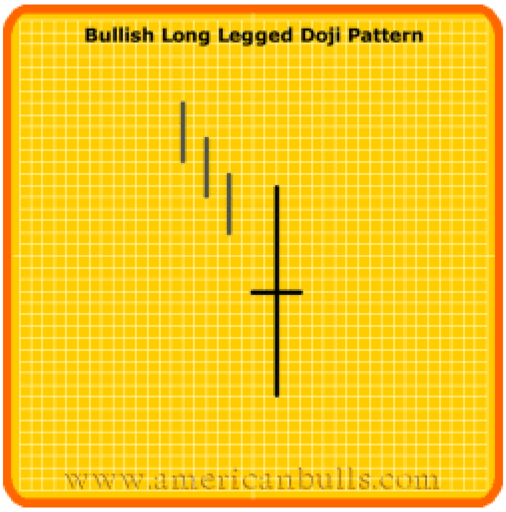
Explanation:

The market is in an overall bearish mood characterized by a downtrend. Then market opens and sells off sharply. However, the sell-off is suddenly abated and the prices reverse direction and start going up for the rest of the day closing at or near the day's high thus leading to the long lower shadow. The failure of the market to continue in the selling side reduces the bearish sentiment. Now the shorts are increasingly uneasy with their bearish positions. If the market opens higher next day, many shorts will have a strong incentive to cover their short positions.

Important Factors:

The Bullish Dragonfly Doji Pattern is a more bullish signal than a Bullish Hammer Pattern. Its reliability is also higher than the Bullish Hammer Pattern.

However, a confirmation of the trend reversal implied by this pattern by either a white candlestick, a large gap up or a higher close on the next trading day is still suggested, to be on the safe side.



BULLISH LONG LEGGED DOJI

Definition: Long Legged Doji is a doji characterized with very long shadows. It shows the indecision of the buyers and sellers. It is one of the important reversal signals.

Recognition Criteria:

1. Market is characterized by a bearish mood and downtrend.
2. Then we see a Doji that gaps in the direction of the downtrend.
3. The real body is either a horizontal line or it is significantly small.
4. Both of the upper and lower shadows are long and they are almost equal in length.

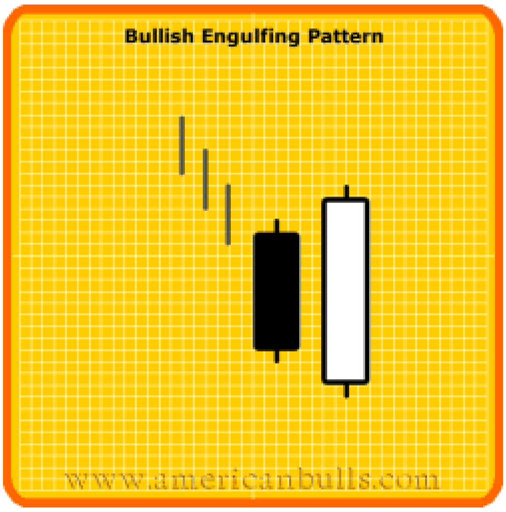
Explanation:

Long Legged Doji shows that there is a great deal of confusion and indecision in the market. This particular pattern shows that the prices moved well above and below the day's opening level, however they finally closed virtually at the same level with the opening price. The end result is only a little change from the opening price despite the whole volatility and excitement during the day that clearly reflects that the market lost its sense of direction.

Important Factors:

Long Legged Doji is more important at tops.

Long Legged Doji is a single candlestick pattern. It requires confirmation in the form of a move opposite to the prior trade on the next trading day.



BULLISH ENGULFING

Definition: Bullish Engulfing Pattern is a pattern characterized by a large white real body engulfing a preceding small black real body, which appears during a downtrend. The white body does not necessarily engulf the shadows of the black body but totally engulfs the body itself. The Bullish Engulfing Pattern is an important bottom reversal signal.

Recognition Criteria:

1. Market is characterized by downtrend.
2. Then we see a small black body.
3. Next day we see a white body that completely engulfs the black real body of the preceding day.

Explanation:

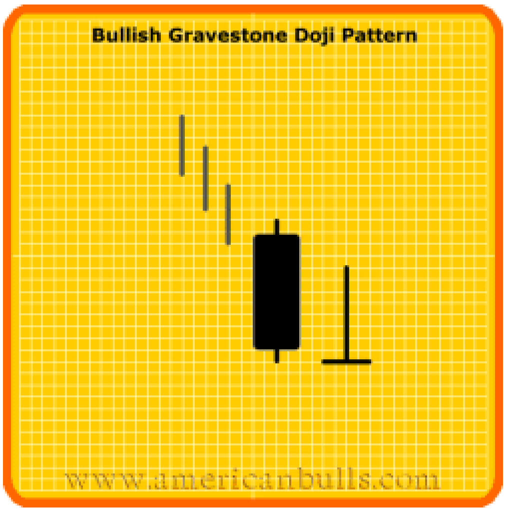
While the market sentiment is bearish; we see some subsided selling reflected by the short, black real body of the first day. Next day shows bull strength with a closing price at or above the previous day's open. It means that the downtrend is now losing momentum and the bulls started to take the lead.

Important Factors:

The relative size of the bodies in the first and second days is important. If the first day of the Bullish Engulfing Pattern is characterized by a very small real body (it may even be a doji or nearly a doji) but the second day is characterized by a very long real body, this strongly indicates that the bearish power is diminishing and the disparity of white versus black body is indicative of the emerging bull power.

There is higher probability of a bullish reversal if there is heavy volume on the second real body or if the second day of the Bullish Engulfing Pattern engulfs more than one real body (which essentially means we see two or more small black bodies preceding the long white body).

The reversal of downtrend needs further confirmation on the third day. This confirmation may be in the form of a white candlestick, a large gap up or a higher close on the third day.



BULLISH GRAVESTONE DOJI

Definition: Gravestone Doji is a specific Doji with opening and closing prices equal to the low of the day. The Bullish Gravestone Doji Pattern is a bottom reversal pattern. Similar to its cousin the Bullish Inverted Hammer Pattern, it occurs in a downtrend and represents a possible reversal of trend.

Recognition Criteria:

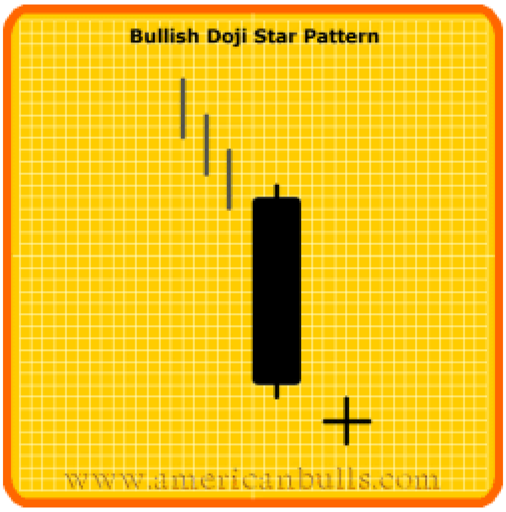
1. Market is characterized by downtrend.
2. We see a black body formed at the lower end of the trading range.
3. We then see a Doji, which does not have a lower shadow in the second day.
4. No gap down is required.

Explanation:

The market opens below the closing price of the previous day. Then there is a brief rally but the rally is not enough to send prices over the closing price of previous day and prices then reverse direction and fall down to the day's lows. This movement however leaves shorts in a losing position creating the potential for an upcoming rally. It may not be clear why it signals a potential reversal. The answer has to do with what happens over the next session. If the next day opens above the real body of the Gravestone Doji, it means those who shorted at the opening (or closing) of the Gravestone day are losing money. The longer the market holds above Gravestone Doji's real body the more likely these shorts will cover. The short will then spark a rally by covering their positions, which also encourage the bottom pickers to go long. The Gravestone Doji represents the graves of those bears that have died defending their territory.

Important Factors:

Bullish Gravestone Doji requires further confirmation on the next day. Confirmation may be in the form of the next day opening above the Gravestone Doji's body. The larger the gap the stronger the confirmation will be. A white candlestick with higher prices can also be another form of confirmation.



BULLISH (DOJI) STAR

Definition: Bullish (Doji) Star Pattern is a short candlestick, a spinning top, a highwave or a doji, which gaps from a long black candlestick during a downtrend.

Recognition Criteria:

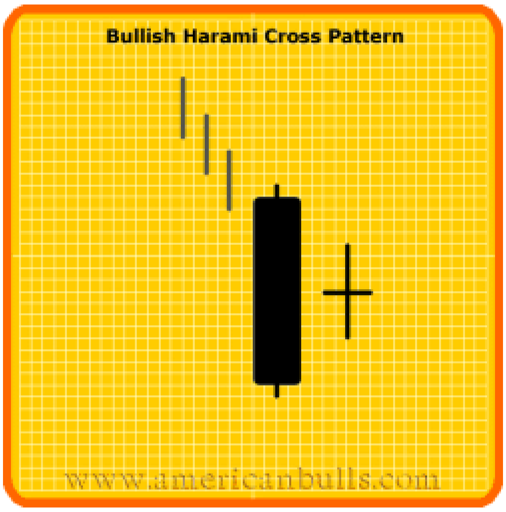
1. Market is characterized by downtrend.
2. We see a long black candlestick on the first day.
3. Then we see a short candlestick, a spinning top, a highwave or a doji, that gaps in the direction of the previous trend on second day.
4. The shadows of this short candlestick, spinning top, highwave or doji are not long.

Explanation:

Usually a star that follows a long black candlestick in a downtrend indicates a change in the market environment. Bears were in control during the downtrend but now a change is implied by the appearance of a star that shows that the bulls and the bears are in equilibrium. The downward energy is dissipating. Things are not favorable for continuation of a bear market.

Important Factors:

A confirmation of the reversal on the third day is required. This confirmation of the trend reversal may be in the form of a white candlestick, a large gap up or a higher close on the next trading day (third day).



BULLISH HARAMI CROSS

Definition: Bullish Harami Cross Pattern is a doji preceded by a long black real body. The Bullish Harami Cross Pattern is a major bullish reversal pattern. It is more significant than a regular Bullish Harami Pattern.

Recognition Criteria:

1. Market is characterized by downtrend.
2. Then we see a long black candlestick.
3. Long black candlestick is followed by a doji completely engulfed by the real body of the first day. The shadows (high/low) of the doji may not be necessarily contained within the first black body, though it's preferable if they are.

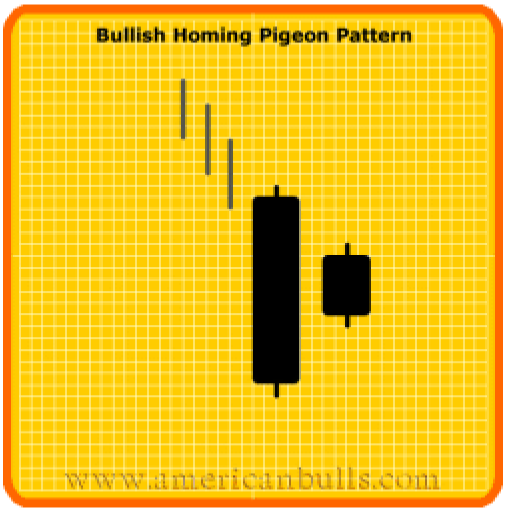
Explanation:

The Bullish Harami Cross Pattern is a strong signal of disparity about the market's health. During a downtrend, the heavy selling reflected by a long, black real body; is followed by a doji next day. This shows that the market is starting to severe itself from the prior downtrend.

Important Factors:

The Bullish Harami Pattern is not a major reversal pattern, however the Bullish Harami Cross Pattern is a major upside reversal pattern. Short traders will not be wise to ignore the significance of a harami cross just after a long black candlestick. Harami crosses point out to the bottoms.

A third day confirmation of the reversal is recommended (though not required) to judge that the downtrend has reversed. The confirmation may be in the form of a white candlestick, a large gap up or a higher close on the next trading day.



BULLISH HOMING PIGEON

Definition: Bullish Homing Pigeon Pattern is a small black real body contained by a prior relatively long black real body.

Recognition Criteria:

1. Market is in downtrend.
2. We see a black body in the first day.
3. Then we again see a black body in the second day where the real body of this second day is completely engulfed by the real body of the first day. It is not required that the shadows (high/low) of the second candlestick are contained within the first, though it's preferable if they are.

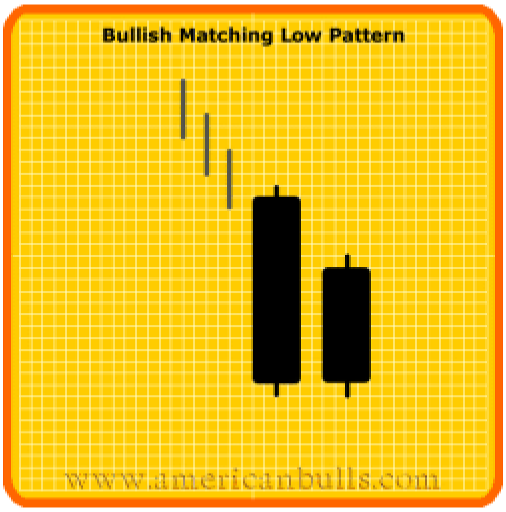
Explanation:

The Bullish Homing Pigeon Pattern is a signal of disparity. In a market characterized by downtrend, we first see heavy selling reflected by the long, black real body of the first day. However small body of second day points out to diminished power and enthusiasm of the sellers thus suggesting a trend reversal.

Important Factors:

The important fact about this pattern is the requirement that the second day has a minute real body relative to the prior candlestick and that this small body is completely contained by the larger one. The Bullish Homing Pigeon Pattern is not necessarily a signal for a rally. Market usually has a tendency to enter into a congestion phase following a Homing Pigeon.

We must check the third day to confirm that the downtrend has reversed. This confirmation may be in the form of a white candlestick, a large gap up or a higher close on the next trading day (on the third day).



BULLISH MATCHING LOW

Definition: Bullish Matching Low Pattern occurs when two black days appear with equal closes in a downtrend. The pattern is suggestive of a short-term support, and it may cause a reversal on the next day of trading.

Recognition Criteria:

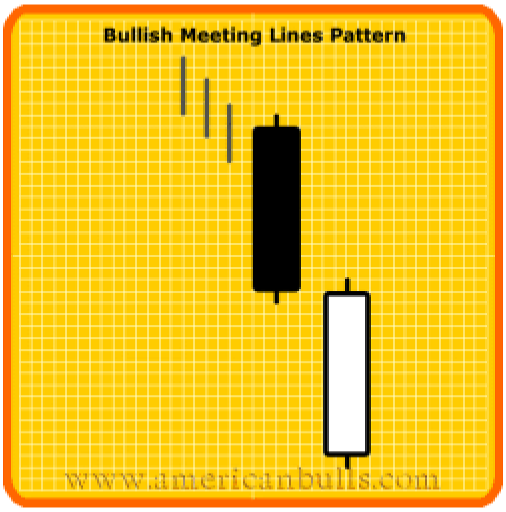
1. The market moves in downtrend.
2. We then see a long black candlestick on the first day.
3. Second day follows with another black candlestick whose closing price is equal or extremely close to the closing price of the first day.

Explanation:

Market continues to move down as evidenced by first black candlestick. Next day; prices open at a higher level, they then continue to go up during the day but the day closes at a price which is equal to the closing price of the previous day. This pattern suggests a short-term support. Shorts should be aware of this fact. If they ignore Bullish Matching Low Pattern as a possible reversal signal, they may pay for it soon. Two days closing at the same price is indicative of short-term support and this support may be followed by a reversal on the next day of trading.

Important Factors:

The reversal of downtrend requires a confirmation on the third day. The confirmation of the trend reversal may be in the form of a white candlestick, a large gap up or a higher close on the next trading day (on the third day).



BULLISH MEETING LINES

Definition: We sometimes see that market gaps sharply lower when it opens and then closes at the same level as the prior session's close. This is seen following a black candlestick in a downtrend. Such an occurrence is called Bullish Meeting Lines Pattern that is a pattern reflecting a stalemate between bulls and bears.

Recognition Criteria:

1. Market is characterized by downtrend.
2. We see a black candlestick on the first day.
3. Then we see a long white candlestick on the second day. Its body is lower than the previous trend.
4. The closing prices are same or almost same on both days.
5. Both candlesticks are long but the second candlestick may be shorter than the first.

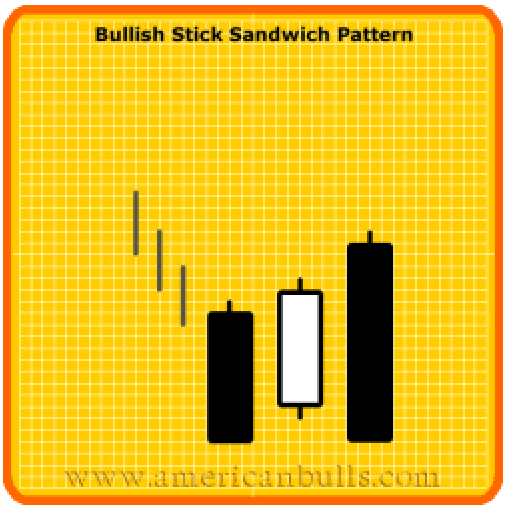
Explanation:

This pattern appears during a decline. The first candlestick of this pattern is long and black. However the next session opens sharply lower causing the bears to feel confident. Then the bulls start a counterattack pushing the prices up and leading to a close equal to previous close. The downtrend is now breached.

Important Factors:

The Bullish Meeting Lines Pattern is a pattern that is comparable to the Bullish Piercing Line Pattern. The Piercing Line has the same two-candlestick pattern. The main difference between the two is the fact that the bullish counterattack does not carry the prices up to the prior session's white real body in the case of Bullish Meeting Lines Pattern. It can only get back to prior session's close while The Piercing Line Pattern's second line pushes well into the black real body. Consequently the Piercing Line Pattern is a more significant bottom reversal. Nonetheless, the Bullish Meeting Lines Pattern should also be respected.

The Bullish Meeting Lines Pattern requires confirmation of the reversal on the third day. This confirmation may be in the form of a white candlestick, a large gap up or a higher close on the third day.



BULLISH STICK SANDWICH

Definition: The Bullish Stick Sandwich Pattern is characterized by consecutive higher opens for three days, but results in an eventual close equal to the first day's close. It may warn that prices are now finding a support price. We may then see a reversal from this support level.

Recognition Criteria:

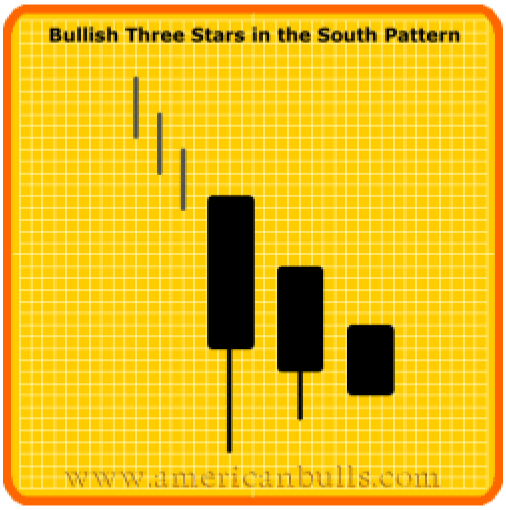
1. Market is characterized by downtrend.
2. We see a Black Closing Marubozu in the first day.
3. Then we see a white candlestick, which is above the close of the first day.
4. Then we again see a Black Closing Marubozu characterized with a close equal to the close of the first day.

Explanation:

In the Bullish Stick Sandwich Pattern, there is a downtrend going on. Then prices open higher on the next trading day and they reach to higher levels all day, closing at or near the high. This bullish act suggests that the previous downtrend may now reverse implying that the shorts need protection. The next day, prices open at a higher level leading some shorts to cover their positions initially but then the prices start moving lower to close at the same price as two days ago. This pattern shows that the market is finding a support level and now the trend may reverse from this support level.

Important Factors:

A confirmation on the fourth day is required to be sure that the downtrend is reversed. Confirmation may be in the form of a white candlestick, a large gap up or a higher close on the fourth day.



BULLISH THREE STAR IN THE SOUTH

Definition: We see three consecutive black candlesticks during a downtrend. These candlesticks show that each day is consecutively weaker in a bearish sense and possibly some buying is occurring. Daily small rallies keep the market's lows from reaching that of the first day. These indications suggest that tide is turning in a bullish direction.

Recognition Criteria:

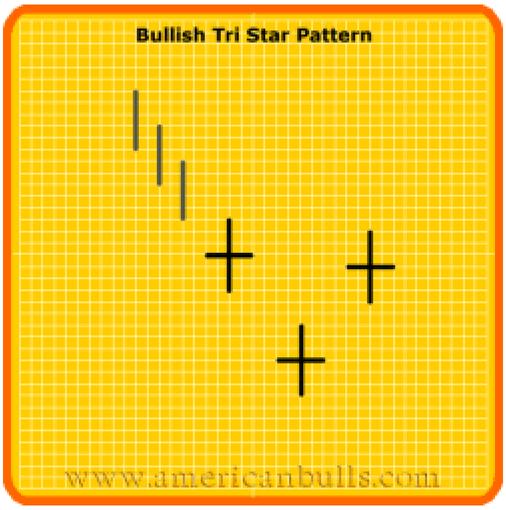
1. Market is characterized by downtrend.
2. We see a long Black Opening Marubozu in the first day characterized by a long lower shadow just like a Hammer.
3. Then we see a Black Opening Marubozu on the second day similar to the first day however smaller in body with a low above the first day's low.
4. We finally see a small Black Marubozu on the third day that lies within the second day's trading range.

Explanation:

The Bullish Three Stars in the South Pattern shows a slowly deteriorating downtrend, which is characterized by less and less daily price movement and consecutively higher lows. Buying enthusiasm is reflected by the long lower shadow of the first day. The next day opens at a higher level, trades lower, but its low is not lower than the previous day's low. This second day also closes off its low. Then we see a black Marubozu, which is engulfed by the previous day's range on the third day. Higher lows cause uneasiness among shorts. The last day of the pattern reflects market indecision, with hardly any price movement. Shorts are now ready to cover positions if they see anything in the upside. Everything points out that the tide is slowly turning toward the bull side.

Important Factors:

A confirmation on fourth day is required to be sure that the downtrend has reversed. This confirmation may be in the form of a white candlestick, a large gap up or a higher close on the fourth day.



BULLISH TRI STAR

Definition: The Bullish Tri Star Pattern is a very rare but significant bottom reversal pattern. Three Dojis form this pattern. The middle Doji is a Doji Star.

Recognition Criteria:

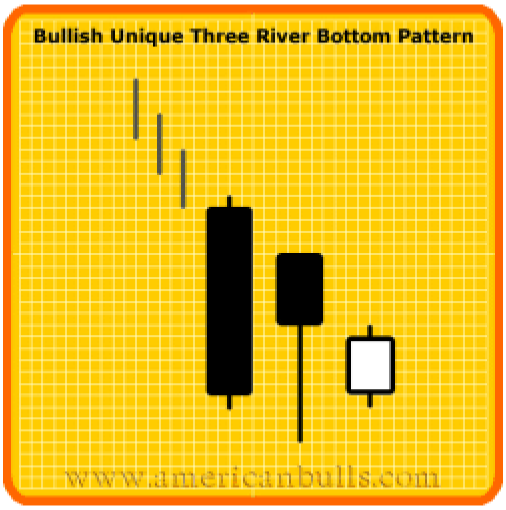
1. Market is characterized by downtrend.
2. Then we see three consecutive Doji.
3. The second day Doji gaps below the first and third.

Explanation:

In the case of a Bullish Tri Star Pattern, we have a market, which is in a downtrend for a long time. However the weakening trend shows itself by the fact that the real bodies are probably becoming smaller. The first Doji is a matter of concern. The second Doji clearly indicates that market is losing its direction. Finally, the third Doji warns that the downtrend is over. This pattern indicates too much indecision leading to reversal of positions.

Important Factors:

A confirmation on fourth day is required to be sure that the downtrend has reversed. Confirmation may be in the form of a white candlestick, a large gap up or a higher close on the fourth day.



BULLISH UNIQUE THREE RIVER BOTTOM

Definition: The Bullish Unique Three River Bottom Pattern is an extremely rare bottom reversal pattern. Its first candlestick is an extended black candlestick then followed by a second black real body closing higher than the first candlestick's close, and the third candlestick is a white candlestick with a very small real body. The real white body shows that the market lost the selling pressure.

Recognition Criteria:

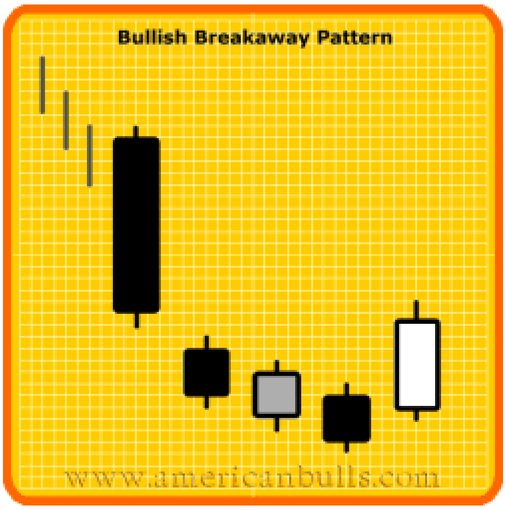
1. Market is characterized by a downtrend.
2. We see a long black candlestick in the first day.
3. Then we see a Hammer-like black candlestick on the second day.
4. The lower shadow of the second day sets a new low.
5. Then we see a short white candlestick, which is below the second day candlestick.

Explanation:

With the Unique Three River Bottom bull pattern, we first see a long black stick in a falling market. The next day opens at a higher level, however bearish sentiment is strong causing a new low during the day however the day closes near the high thus producing a small black body within the body of the first day. This rally questions the strength of bears. The increasing uncertainty is further strengthened when the third day opens lower, but not lower than the low of the second day. There is some stability on the third day as evidenced by its small white body. Third day ends by a rally closing below the close of the second day. If price rises to new high on the fourth day, then a reversal of trend is confirmed.

Important Factors:

A confirmation on fourth day is advisable to show that that the downtrend has reversed. This may be in the form of a white candlestick, a large gap up or a higher close on the fourth day.



BULLISH BREAKAWAY

Definition: There is a downtrend but we also see that the prices bottom out and level off now. The result is a long white candlestick that however does not close the initial downward gap of the first and second days. This suggests a short-term reversal.

Recognition Criteria:

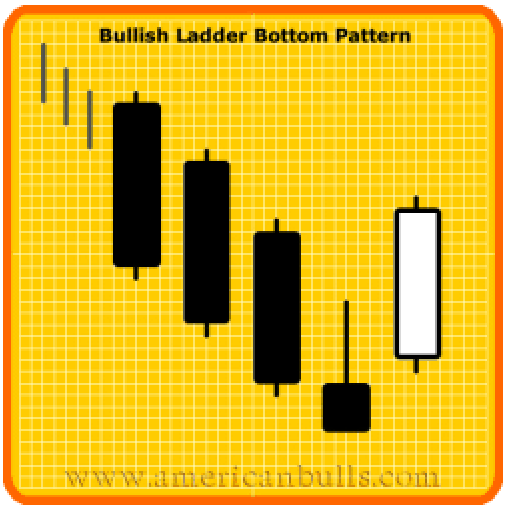
1. Market is characterized by downtrend.
2. We see a long black candlestick in the first day.
3. Then we see a black candlestick on the second day with a gap below the first day.
4. Bearish mood continues on the third and fourth days as evidenced by lower consecutive closes.
5. Finally however, we see a long white candlestick on the fifth day characterized by a closing price inside the gap caused by the first and second days.

Explanation:

The Bullish Breakaway Pattern appears during a downtrend and it shows that selling accelerated to the point of an oversold market. It starts with a long black day then involves a gap in the direction of the downtrend followed by three consecutively lower price days. So far, all days in this pattern are black with the exception of the third day, which can be either be black or white. The three days after the gap are similar to the Three Black Crows pattern since their highs and lows are each consecutively lower. It is by now apparent that the downtrend has accelerated with a big gap and then starts to fizzle, however it still continues. There is an evident slow deterioration of the downtrend suggested by this pattern. Finally, we see a burst in the opposite direction, which completely recovers the previous three days' price action. The gap is not filled which points out to the weakness of the reversal. This is a short-term reversal.

Important Factors:

A confirmation on the sixth day is recommended in the form of a white candlestick, a large gap up or a higher close, to be sure about the reversal.



BULLISH LADDER BOTTOM

Definition: The shorts may have a chance to close their positions and realize their profits by the fourth day of a considerable downtrend. Then we see an upward gap on the fifth day as a result of this. If the body of the fifth day is long, or the volume of trading is high, this may also imply a bullish reversal.

Recognition Criteria:

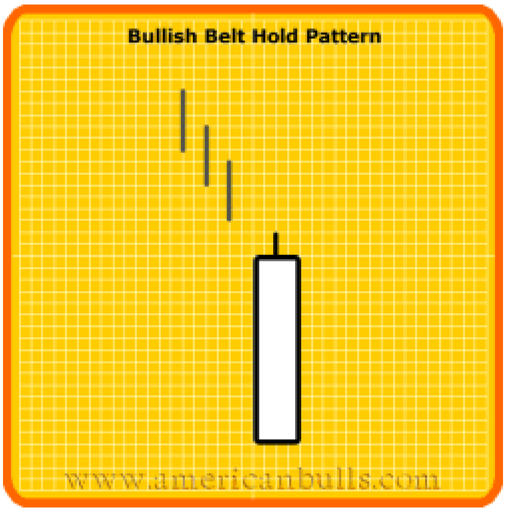
1. Market is characterized by downtrend.
2. We see three long black candlesticks characterized by consecutively lower opens and a closing sequence just like the Bearish Three Black Crows Pattern.
3. Then we see a black candlestick on the fourth day with an upper shadow.
4. Finally we see a white candlestick opening above the body of the fourth day on the fifth day.

Explanation:

There is a considerable downtrend for some time and the bears are happy. Then we see a good move downward. Prices start trading above the opening price and almost reaching to the new high of the previous day, but then they close at another new low. This action is a warning for shorts telling them that the market will not go down forever. The shorts may then be forced to reevaluate their positions and they may start closing their positions on the next day if profits are good. This act is the reason behind the upward gap we see on the last day of the pattern and also the close is considerably higher. If volume is high on the last day, a trend reversal has probably occurred.

Important Factors:

A confirmation on the sixth day is suggested in the form a white candlestick, a large gap up or a higher close, to be sure that the market has reversed.



BULLISH BELT HOLD PATTERN

Definition: The Bullish Belt Hold Pattern is a single candlestick pattern. It is basically a White Opening Marubozu that occurs in a downtrend. As such; it opens on its low, then we see a rally during the day against the overall trend of the market, and then the day closes near its high but not necessarily at its high. If Belt Hold lines are characterized by longer bodies, then it means that they offer more resistance to the trend they are countering.

Recognition Criteria:

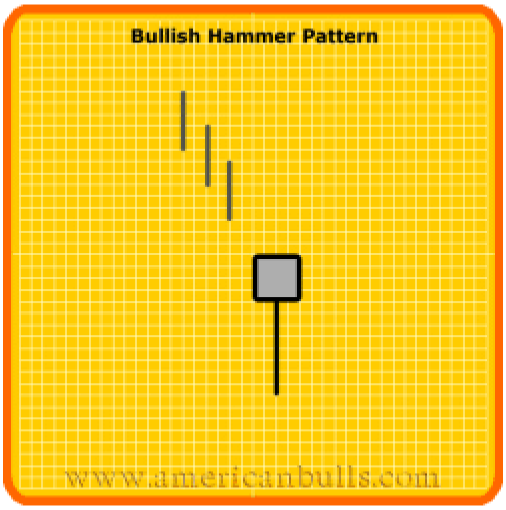
1. There must be an overall downtrend in the market.
2. The day gaps down, and the market opens at its low but then prices go up during the day and they close near to the day’s high.
3. We see a white body that has no lower shadow that is a White Opening Marubozu.

Explanation:

The market starts the day with a significant gap in the direction of prevailing downtrend. So the first impression reflected in the opening price is continuation of the downtrend. However; then the things change rapidly and the following price action of the day is the opposite of the previous trend. This obviously causes much concern among some shorts and leads to covering of many short positions. This accentuates the reversal and it may signify a rally for the bulls.

Important Factors:

The trend reversal implied by Bullish Belt Hold pattern requires further confirmation in the form of either a white candlestick, a large gap up or a higher close on the next trading day.



BULLISH HAMMER

Definition: The Bullish Hammer Pattern is a significant candlestick that occurs at the bottom of a trend or during a downtrend and it is called a hammer since it is hammering out a bottom. The Bullish Hammer Pattern is a single candlestick pattern and it has a strong similarity to the Bullish Dragonfly Doji Pattern. In the case of Bullish Dragonfly Doji Pattern, the opening and closing prices are identical whereas the Bullish Hammer Pattern has a small real body at the upper end of the trading range.

Recognition Criteria:

1. The market is characterized by a prevailing downtrend.
2. Then we see a small real body at the upper end of the trading range. Color of this body is not important.
3. We would like to see the lower shadow at least twice as long as the real body.
4. There is no (or almost no) upper shadow.

Explanation:

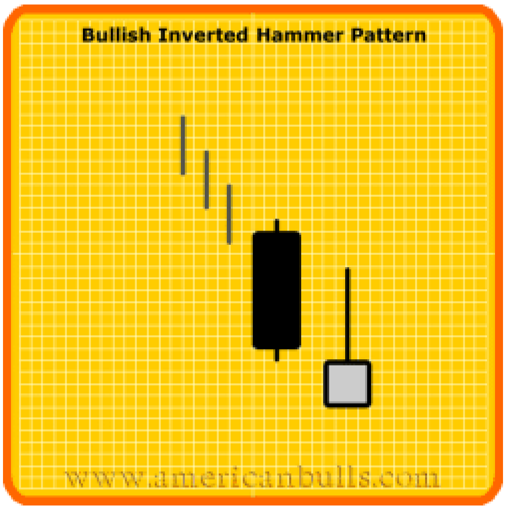
The overall direction of the market is bearish, characterized by a downtrend. Then the market opens with a sharp sell off implying the continuation of the downtrend. However, prices suddenly turn upwards, the sell-off is quickly abated and bullish sentiment continues during the day with a closing price at or near to its high for the day which causes the long lower shadow. Apparently the market fails to continue in the selling side. This observation reduces the previous bearish sentiment causing the short traders to feel increasingly uneasier with their bearish positions.

Important Factors:

If the hammer is characterized by a close above the open thus causing a white body, the situation looks even better for the bulls.

The Bullish Dragonfly Doji pattern is generally considered more bullish than the Bullish Hammer Pattern and a higher reliability is ascribed to this Doji than the Bullish Hammer Pattern.

The reliability of Bullish Hammer Pattern is low. It requires confirmation of the implied trend reversal by a white candlestick, a large gap up or a higher close on the next trading day.



BULLISH INVERTED HAMMER

Definition: Bullish Inverted Hammer Pattern is a candlestick characterized by a long upper shadow and a small real body preceded by a long black real body. It is similar in shape to the Bearish Shooting Star. The shooting star appears in a downtrend and thus it becomes a potentially bullish inverted hammer.

Recognition Criteria:

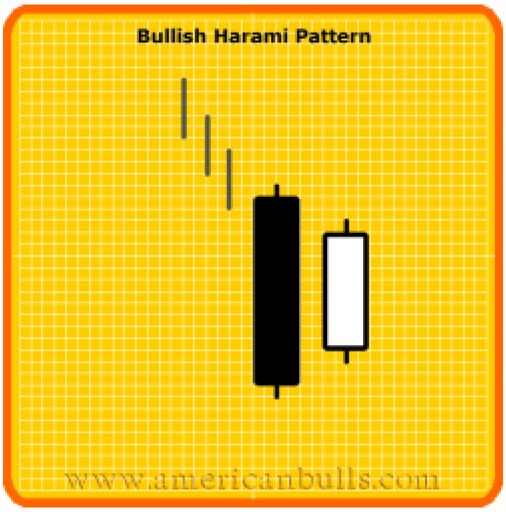
1. Market is currently characterized by downtrend.
2. The first day of the pattern is a black candlestick formed at the lower end of the trading range.
3. The second day of the pattern is a small real body and is formed at the lower end of the trading range.
4. The color of the second real body is not important, however the color of the body is black in the first day.
5. No gap down is required, as long as the pattern is seen after a downtrend.
6. Upper shadow of the second small body should be at least twice as long as the real body.
7. The second body does not have lower shadow or it has only a very little lower shadow.

Explanation:

Bullish Inverted Hammer Pattern occurs in a bearish background. In a day of inverted hammer, market opens at or near its low. Then prices change direction and we see a rally. However the bulls cannot succeed to sustain the rally during the rest of the day and prices finally close either at or near the low of the day. It may not be clear why this type of price action is interpreted as a potential reversal signal. The answer has to do with what happens over the next day. If the next day opens above the real body of the inverted hammer, it means that those who shorted at the opening or closing of the inverted hammer day are losing money. The longer the market holds above the inverted hammer's real body, the more likely these shorts will attempt to cover their positions. This may ignite a rally as a result of covered short positions, which may then inspire the bottom pickers to take long positions.

Important Factors:

Bullish verification on the day following the inverted hammer is required. This verification can be in the form of the next day opening above the inverted hammer's real body. The larger the gap the stronger the confirmation will be. A white candlestick with higher prices can also be another form of confirmation.



BULLISH HARAMI

Definition: Bullish Harami Pattern is characterized by a small white real body contained within a prior relatively long black real body. “Harami” is an old Japanese word for “pregnant”. The long black candlestick is “the mother” and the small candlestick is “the baby”.

Recognition Criteria:

1. The market is in a bearish mood characterized by downtrend.
2. Then we see a long black candlestick.
3. We see a white candlestick on the following day where the small white real body is completely engulfed by the real body of the first day. The shadows (high/low) of the second candlestick are not necessarily contained within the first body, however it's preferable if they are.

Explanation:

The Bullish Harami Pattern is a sign of disparity about the market’s health. While the market is characterized by downtrend and bearish mood; there is heavy selling reflected by a long, black real body however it is followed by a small white body in the next day. This may signal a trend reversal since the second day’s small real body shows that the bearish power is diminishing.

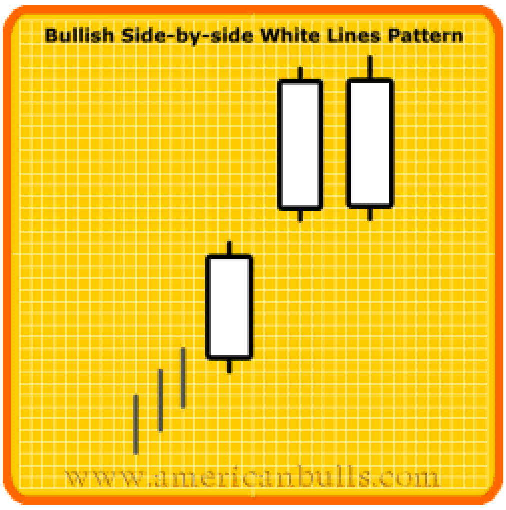
Important Factors:

The decisive fact about this pattern is that the second candlestick has a minute real body relative to the prior candlestick. Furthermore this small body is completely inside the larger one. The Bullish Harami Pattern does not necessarily imply that a rally will follow. Market usually enters into a congestion phase following the Bullish Harami.

We may need a third day confirmation to be sure that the downtrend has really reversed. This confirmation of the trend reversal may be signaled by a white candlestick, a large gap up or by a higher close on the third day.

BULLISH CONTINUATION PATTERNS

HIGH RELIABILITY



BULLISH SIDE-BY-SIDE WHITE LINES

Definition: A white candlestick with an upward gap over another white candlestick is followed in the next day by another similar sized white candlestick. The second and the third days have the same opening price. Such a formation is called a Bullish Side By Side White Lines Pattern.

Recognition Criteria:

1. Market is characterized by uptrend.
2. We see a white candlestick in the first day.
3. Then we see another white candlestick on the second day with an upward gap.
4. Finally, we see a white candlestick on the third day characterized by the same body length and whose closing price is equal to the close of the second day and a new high is established.

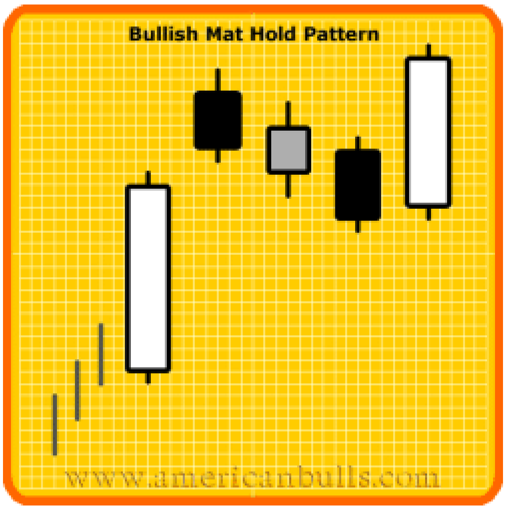
Explanation:

Bullish Side By Side White Lines Pattern appears in a bullish market. The first white candlestick confirms the continuation of the bull market. On the second day, the market opens with an upward gap and it closes at a still higher level. On the third day, the market suddenly opens at a much lower level even as low as the previous day's open. However, the initial selling that causes the lower opening ends quickly and the market again climbs to yet another high. This demonstrates that the bullish move is continuing.

Important Factors:

The two side-by-side white candlesticks that we see after the upward gap are not only of similar size, but also their opening prices should be almost the same.

The reliability of this pattern is very high, but still a confirmation in the form of a white candlestick with a higher close or a gap-up is suggested.



BULLISH MAT HOLD

Definition: The Bullish Mat Hold Pattern is known as a strong continuation pattern. In this pattern, a long white candlestick appears during an uptrend, which then is followed by three consecutive small real bodies that constitute a short downtrend. Then bull ascendancy begins on the fifth day marked with a closing price that is a new high.

Recognition Criteria:

1. Market is characterized by uptrend.
2. We see a long white candlestick in the first day.
3. We then see an upward gap and a black candlestick on the second day.
4. We see a sequence of small real bodies constituting a brief downtrend however staying within the range of the first day on the second, third, and fourth days.
5. Finally we see a white candlestick, which opens with a gap and closes with a new high on the fifth day.

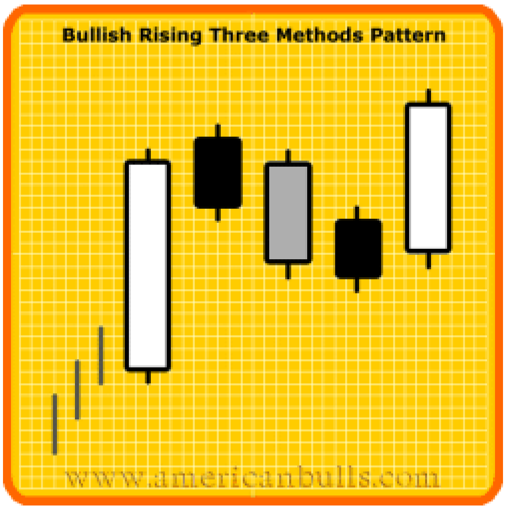
Explanation:

The pattern appears during an uptrend, which is further confirmed by the first long white candlestick. Prices open with a gap next day and they trade within a narrow range closing at a slightly lower level. This may be a lower close but it is still a new closing high along the uptrend. This however suggested that the bulls now prefer to rest while the bears are encouraged. The next couple of days start causing some concern about the ability of the upward move to sustain itself since these days open at the level where the market closed on the previous day and they close at slightly lower levels. In any case, the markets are still higher than the opening price of the first day even on the third day, and remember that the first day was a long white candlestick day. This observation shows that there was an attempt for reversal but it failed. Prices rise again to close at a new closing high apparently showing that the events of past few days were only a pause in a strong upward trend. It appears that attempts to reverse the trend occurred, but failed. The upward trend should continue.

Important Factors:

The Bullish Mat Hold Pattern is similar to the Bullish Rising Three Methods Pattern. The difference is that the reaction days, two, three, and four are altogether higher than those in the Bullish Rising Three Methods Pattern.

The reliability of this pattern is very high, but still a confirmation in the form of a white candlestick with a higher close or a gap-up is suggested.



BULLISH RISING THREE METHODS

Definition: The Bullish Rising Three Methods Pattern is a continuation pattern representing a pause during a trend without causing a reversal. The pattern is characterized by a long white candlestick followed by three small bodies in three consecutive days. The small bodies represent some resistance to previous uptrend and they may even trace a short downtrend. These three reaction days usually have black candlesticks but the bodies remain within the high and low range of the first day's white candlestick. The pattern is completed by a white candlestick on the fifth day, opening above the close of the previous day and closing at a new high. The small downtrend between the two long white candlesticks represents a break during the uptrend. The upward trend then resumes and continues.

Recognition Criteria:

1. Market is characterized by uptrend.
2. We see a long white candlestick in the first day.
3. Then we see small real bodies defining a brief downtrend but staying within the range of the first day on the second, third and fourth days.
4. Finally we see a long white candlestick on the fifth day opening above the close of the previous day and also closing at a new high.

Explanation:

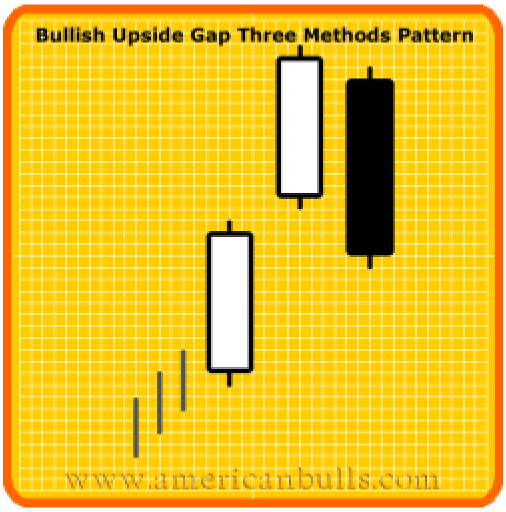
The Bullish Rising Three Methods Pattern typically represents a rest in the market action. This may be used to add new positions by longs. The pattern is the reflection of doubts about the ability of the trend to continue. This doubt may increase because of small-range reaction days. However, given the fact that a new low cannot be made, the bullishness is resumed and new highs are set quickly.

Important Factors:

The high-low range includes the shadows.

The reliability of this pattern is very high, but a confirmation in the form of a white candlestick with a higher close or a gap-up still is suggested.

MEDIUM RELIABILITY



BULLISH UPSIDE GAP THREE METHODS

Definition: The pattern is characterized by two long white candlesticks with a gap upward between them during an uptrend. The third day is a black candlestick, which closes the gap between the first two. A support for uptrend may be forming caused by temporary profit taking.

Recognition Criteria:

1. Market is characterized by uptrend.
2. We see two long white candlesticks with a gap between them.
3. Then we see the black candlestick on the third day, which opens within the body of the second day.
4. The third black candlestick fills the gap between the first two days.

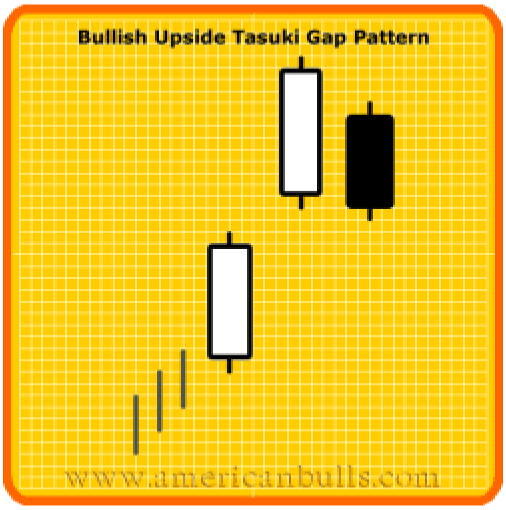
Explanation:

With the Bullish Upside Gap Three Methods Pattern, the market is in a strong bullish mood. The bullish move goes on further by another day that gaps in the direction of the uptrend. However the third day opens well into the body of the second day filling the gap. The gap-closing move may be interpreted as supporting the current uptrend. Gaps create excellent support and/or resistance points, which however becomes evident after a reasonable period of time. The gap here is filled within one day suggesting other considerations. If this is the first gap of a move, then the third day action, also called reaction day, can be considered as profit taking. It is usually defined as a closing gap movement in technical analysis.

Important Factors:

This Bullish Upside Gap Three Methods Pattern is a simple pattern similar to the Bullish Upside Tasuki Gap Pattern. However the Bullish Upside Tasuki Gap Pattern is characterized by a gap in the first two days and it is not filled on the third day.

A confirmation on fourth day is required in the form of a white candlestick, a large gap up or higher close.



BULLISH UPSIDE TASUKI GAP

Definition: The pattern is characterized by two long white candlesticks with a gap upward between them during an uptrend. However the pattern also shows a black candlestick on the third day partially closing the gap between the first two. The black candlestick is the result of temporary profit taking. We expect the trend to continue upward following the direction of the upward gap.

Recognition Criteria:

1. Market is characterized by uptrend.
2. We see two long white candlesticks with a gap between them.
3. Then we see black candlestick on the third day that opens within the body of the second day.
4. The third day candlestick closes into the gap but does not fully close the gap.

Explanation:

The Bullish Upside Tasuki Gap Pattern appears in a strongly upward market. This bullish move continues one more day with a gap in the direction of the uptrend. The black candlestick of the third day is characterized by an opening well into the body of the second day, which partially fills the gap. This third day, called the correction day, do not completely fill the gap so the previous uptrend should continue. This is a case of temporary profit taking. Since the gap is not filled or closed, the previous upward trend must continue.

Important Factors:

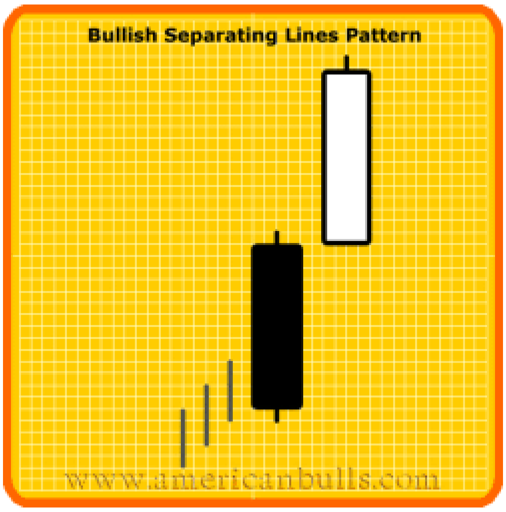
This Bullish Upside Tasuki Gap Pattern is a rare formation.

The real bodies of the last two candlesticks in the Bullish Upside Tasuki Gap Pattern are about the same size.

This Bullish Upside Tasuki Gap Pattern is a simple pattern quite similar to the Bullish Upside Gap Three Methods Pattern. The only difference is that in the Bullish Upside Gap Three Methods Pattern, the gap that is made between the first two days is filled in the third day.

A confirmation on the fourth day is recommended in the form of a white candlestick, a large gap up or a higher close.

LOW RELIABILITY



BULLISH SEPERATING LINES

Definition: It is a White Opening Marubozu following a black body. During an uptrend, after we see a black candlestick in the first day, the market gaps up sharply higher when it opens with an opening price equal to the prior session's opening and it also closes the day at a higher level.

Recognition Criteria:

1. Market is characterized by an uptrend.
2. We see a long black candlestick in the first day.
3. Then we see that the second day has the same opening price as the first day, or extremely close to it.
4. The second day pattern is a White Opening Marubozu.

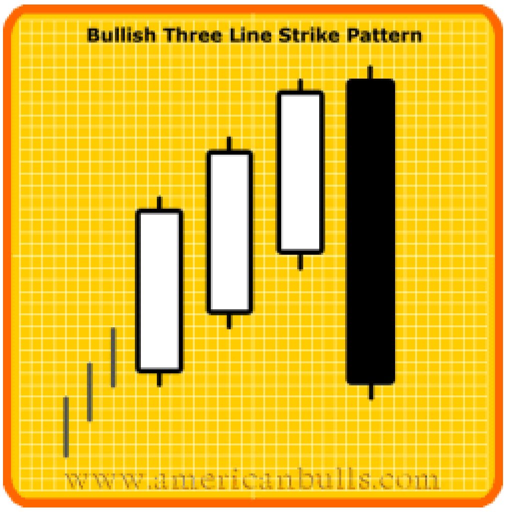
Explanation:

During an uptrend, a black real body (especially a relatively long one) is a matter of concern for longs. It may indicate that the bears may be gaining control. However, if the next day opens with a gap such that the second day opening price is equal to the previous black day's opening price, it shows that the bears lost control of the market. If this white candlestick also closes at a higher level, it tells us the bulls have regained control and the uptrend will continue.

Important Factors:

The second pattern must be a White Opening Marubozu.

A third day confirmation is required to be sure that the rally continues. This confirmation may be in the form of a white candlestick, a large gap up or a higher close on the next trading day (on the third day).



BULLISH THREE LINE STRIKE

Definition: This pattern is formed by three adjacent white long candlesticks followed by a black candlestick driving prices back to the point where they were at the beginning of the pattern. If there was a strong bullish trend before the pattern, then it should continue.

Recognition Criteria:

1. Market is characterized by downtrend.
2. We see three consecutive long white candlesticks with consecutively higher closes.
3. Then we see a black candlestick opening at a higher level and closing below the open of the pattern's first day.

Explanation:

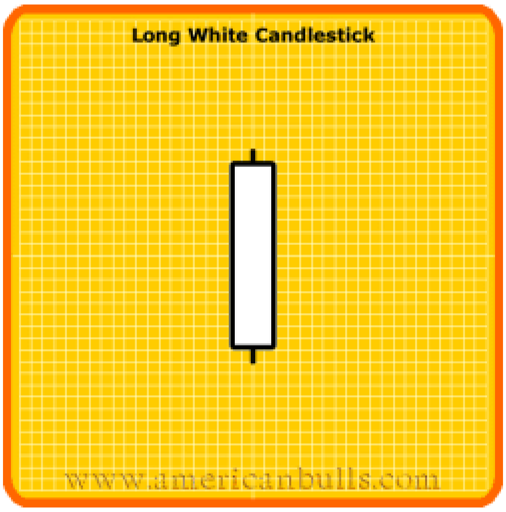
Bullish Three Line Strike Pattern appears in a market characteristically in uptrend as evident in the three white candlesticks. The fourth day opens in the direction of the trend, however it then moves in opposite direction due to profit taking. There may be a reevaluation of the market direction now. However we know that this move completely eradicated the gains of the previous three days. If the previous trend was really strong, this may now be interpreted as a temporary setback caused by profit taking. The last day of the pattern shows liquidating which may now give the upward trend a new strength to continue in the previous upward direction.

Important Factors:

A confirmation on the fifth day in the form a white candlestick, a large gap up or a higher close is definitely required.

BULLISH REVERSAL/CONTINUATION PATTERNS

LOW RELIABILITY



LONG WHITE CANDLESTICK

Definition: The Long White Candlestick is a signal indicating strong buying pressure.

Recognition Criteria:

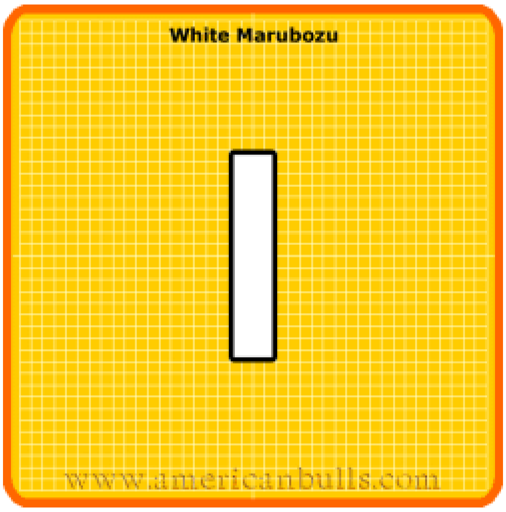
1. The real body of the Long White Candlestick has a relatively longer length relative to other candlesticks on the chart.
2. The sizes of the upper and lower shadows are not important.

Explanation:

Long White Candlesticks show strong buying pressure. A longer white candlestick is indicative of the fact that the closing price is further above the opening price. The Long White Candlestick shows that the prices advanced significantly from open to close during the day under strong buying pressure and buyers were aggressive. The Long White Candlestick is generally a bullish pattern, however its position within the broader technical picture is also important. For example; Long White Candlesticks may show a potential turning point or they may show that prices have reached to a support level if they are seen after an extended decline. If a Long White Candlestick is seen after a long and significant rally, it can point out to excessive bullishness in the market that says that prices are at dangerously high levels.

Important Factors:

The Long White Candlestick is a single candlestick pattern and it is not reliable as such. It reflects only one day's trading. It may show continuation of a trend as well as a possible reversal. Adjacent candlesticks must be taken into consideration for a healthier decision regarding the status of the trend.



WHITE MARUBOZU

Definition: The White Marubozu is a single candlestick pattern characterized with a long white body having no shadows on either end. It is an extremely strong bullish candlestick pattern.

Recognition Criteria:

1. A white Marubozu does not have upper or lower shadows.
2. The day opens and prices continue to go up all day thus forming a long white day with no lower shadow.
3. The day also closes at the high of the day and hence with no upper shadow.

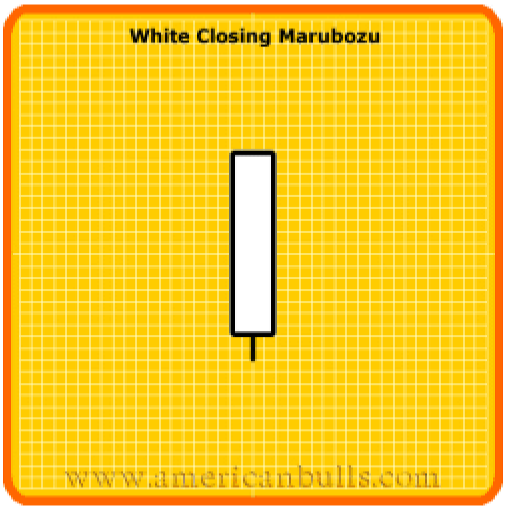
Explanation:

A White Marubozu simply means that the opening price is equal to the low price of the day and the closing price is equal to the high price of the day. This shows that the buyers controlled the price action from the first trade to the last trade. In a White Marubozu day, the day opens and prices continue to rally up all day long without looking back. The bulls were very strong during the day at such a degree that it caused some concern among the bears and led them to cover their short positions thus adding fuel to the rally.

Important Factors:

What the White Marubozu says about the future course of the trend depends a lot on the general picture. A White Marubozu can possibly be the first part of a bullish continuation pattern but it may also be interpreted as a bearish reversal candlestick pattern depending on the preceding day's candlesticks.

The White Marubozu is a single candlestick pattern and consequently it has low reliability. It reflects only one day's trading and it may show the continuation of the trend but also may indicate reversal. It needs to be used with other candlesticks for a better and healthier judgment about the status of the trend.



WHITE CLOSING MARUBOZU

Definition: The White Closing Marubozu is a single candlestick pattern characterized by a long white body with no upper shadow. This is an extremely strong bullish candlestick pattern.

Recognition Criteria:

1. A White Closing Marubozu has a lower shadow but no upper shadow.
2. The day opens, the prices then slightly go lower creating the lower shadow but then prices continue to go up all day thus forming a long white day.
3. The day then closes at the high of the day and hence with no upper shadow.

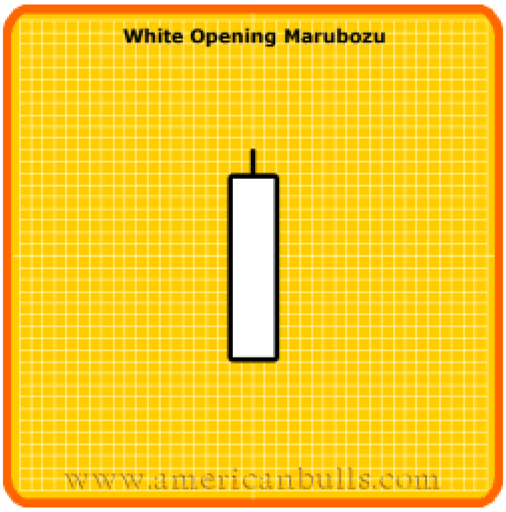
Explanation:

The White Closing Marubozu is a single candlestick pattern characterized by a long white body with a shadow on the open and but no shadow on the closing end of the body. This candlestick shows that the day opened and then prices went lower slightly, however it was followed by a rally that drove the prices over the opening price and the rally continued all day ending with a closing price equal to the high of the day. Hence the bulls were very strong during the day except the initial phase of the session. The bull strength caused some concern among the bears leading them to cover their short positions thus adding fuel to the rally.

Important Factors:

What a White Closing Marubozu says about the future course of the prices depends a lot on the general picture just as in the case of White Marubozu. White Closing Marubozu can possibly be the first part of a bullish continuation pattern or it may also be interpreted as a bearish reversal candlestick pattern depending on the preceding day's candlesticks.

The White Closing Marubozu is a single candlestick pattern with low reliability. It only reflects one day's trading and it may show the continuation of the trend but it may also indicate reversal. It needs to be used with other candlesticks for a better and healthier judgment about the status of the trend.



WHITE OPENING MARUBOZU

Definition: The White Opening Marubozu is a single candlestick pattern characterized by a long white body. It has an upper shadow but no lower shadow. This is a strong bullish candlestick pattern.

Recognition Criteria:

1. A White Opening Marubozu does not have lower shadow but it has an upper shadow.
2. The day opens and prices continue to go up all day long forming a long white body with no lower shadow.
3. The prices close over the opening price but not at the high of the day thus creating an upper shadow.

Explanation:

The White Opening Marubozu is a single candlestick pattern characterized with a long white body displaying a shadow on the closing side and but no shadow on the opening side. This shows that the day opened and then the prices continued to go up all day long without coming below the opening level thus forming a long white body, however prices did not close at the high of the day and thus they created an upper shadow. It is a typical bull day and strength of the bulls is enough to cause some concern among the bears. A White Opening Marubozu, on the other end, does not show as much bullish strength as in the case of White Marubozu.

Important Factors:

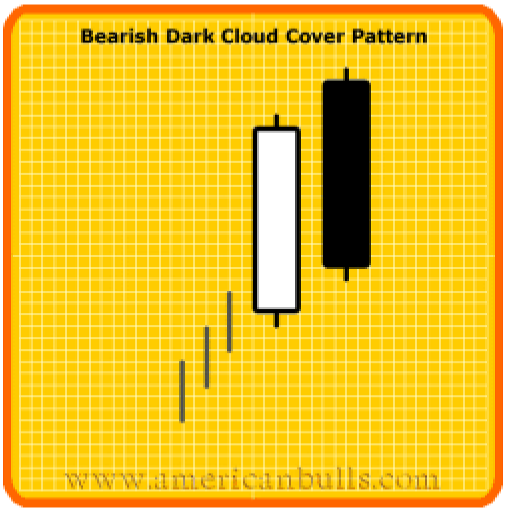
Like all other Marubozu, what a White Opening Marubozu says about the future course of the prices depends a lot on the general picture. It may be the first part of a bullish continuation pattern but it may also be interpreted as a bearish reversal pattern depending on the preceding day's candlesticks.

In the case of downtrend a White Opening Marubozu is called as a Bullish Belt Hold Pattern.

The White Opening Marubozu is a single candlestick pattern with low reliability. It reflects only one day's trading and it may show the continuation of the trend but may also indicate a reversal. It needs to be used with other candlesticks for a better and healthier judgment about the status of the trend.

BEARISH REVERSAL PATTERNS

HIGH RELIABILITY



BEARISH DARK CLOUD COVER

Definition: Bearish Dark Cloud Cover Pattern is a two-candlestick pattern signaling a top reversal after an uptrend or, at times, at the top of a congestion band. We see a strong white real body in the first day. The second day opens strongly above the previous day high (it is above the top of the upper shadow). However, market closes near the low of the day and well within the prior day's white body at the end of the day.

Recognition Criteria:

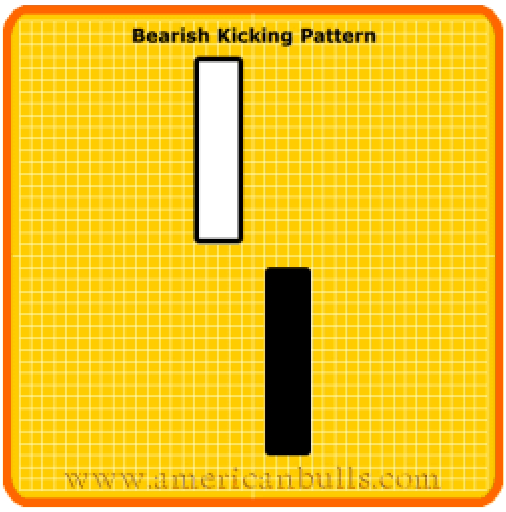
1. Market is characterized by an uptrend.
2. We see a long white candlestick in the first day.
3. Then we see a black body characterized by an open above the high of the previous day on the second day.
4. The second black candlestick closes within and below the midpoint of the previous white body.

Explanation:

Market goes up with an uptrend. Then we see a strong white candlestick followed by a gap suggesting that bulls retain the control. However, the rally does not continue. Market suddenly closes at or near the lows of the day so the second day body moving well into the prior day's real body. Longs are shaken somehow and short sellers now have a benchmark to place a stop, which is at the new high of the second day.

Important Factors:

If the black real body's close penetrates deeper into the prior white real body, the chance for a top increases. There are some Japanese technicians who require more than a 50% penetration of the black day's close into the white real body. If the black candlestick does not close below the halfway point of the white candlestick then it is better to wait for confirmation following the dark cloud cover; and even if it does, a confirmation may still be necessary. This confirmation may be in the form of a black candlestick, a large gap down or a lower close on the next trading day.



BEARISH KICKING

Definition: A White Marubozu is followed by a sharply lower gap when it opens during the second day. The second day opening is even below the prior session's opening (forming a Black Marubozu). Such a pattern is called a Bearish Kicking Pattern.

Recognition Criteria:

1. Market direction is not important.
2. We see a White Marubozu in the first day.
3. Then we see Black Marubozu day that gaps downward on the second day.

Explanation:

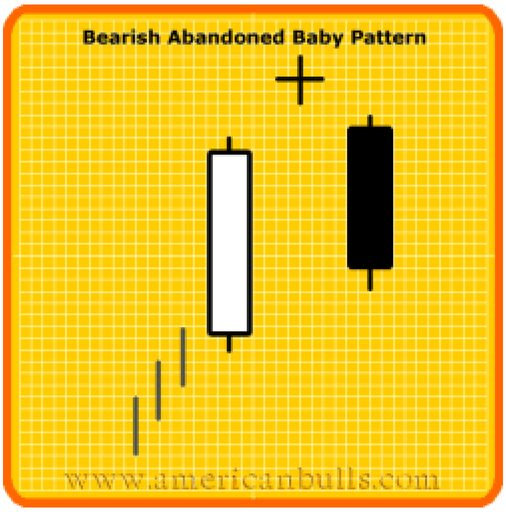
Bearish Kicking Pattern sends a strong signal suggesting that the market is now heading downward. The previous market direction is not important in this pattern unlike most other candlestick patterns. The market has been in a trend when prices gap down the next day in case of Bearish Kicking Pattern. The prices on the second day never enter into the previous day's range and we have a close with another gap.

Important Factors:

Both of the candlesticks do not have shadows (or very small shadows if any). In other words both are Marubozu.

The Bearish Kicking Pattern is similar to the Bearish Separating Lines Pattern except that instead of the open prices being equal, in the Bearish Kicking Pattern a gap occurs.

The Bearish Kicking Pattern is highly reliable but still a confirmation may be necessary, and this confirmation may be in the form of a black candlestick, a large gap down or a lower close on the next trading day.



BEARISH ABANDONED BABY

Definition: The Bearish Abandoned Baby Pattern is a very rare top reversal signal. It is basically composed of a Doji Star, which shows gaps (including shadows) from the prior and following sessions’ candlesticks.

Recognition Criteria:

1. Market is characterized by uptrend.
2. We see a long white candlestick in the first day.
3. Then we see a doji on the second day whose shadows characteristically gap above the previous day's upper shadow and also gaps in the direction of the previous uptrend.
4. Finally we see a black candlestick characterized with a gap in the opposite direction, with no overlapping shadows.

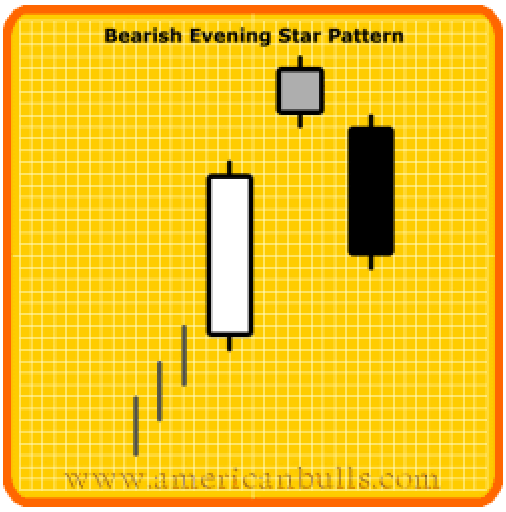
Explanation:

Most of the three-day star patterns have similar scenarios. In an uptrend, the market seems still strong displaying a long white candlestick and opening with a gap on the second day. The trading in second day is within a small range and its closing price is equal or very near to its opening price. Now there is a sign of sale-off potential with reversal of positions. The trend reversal is confirmed by the black candlestick on the third day. Downward gap also supports the reversal.

Important Factors:

The Bearish Abandoned Baby Pattern is quite rare.

The reliability of this pattern is very high, but still a confirmation in the form of a black candlestick with a lower close or a gap-down is suggested.



BEARISH EVENING STAR

Definition: This is a major top reversal pattern formed by three candlesticks. The first candlestick is a long white body; the second one is a small real body that may be white. It is characteristically marked with a gap in higher direction thus forming a star. In fact, the first two candlesticks form a basic star pattern. Finally we see the black candlestick with a closing price well within first session's white real body. This pattern clearly shows that the market now turned bearish.

Recognition Criteria:

1. Market is characterized by uptrend.
2. We see a long white candlestick in the first day.
3. Then we see a small candlestick on the second day with a gap in the direction of the previous uptrend.
4. Finally we see a black candlestick on the third day.

Explanation:

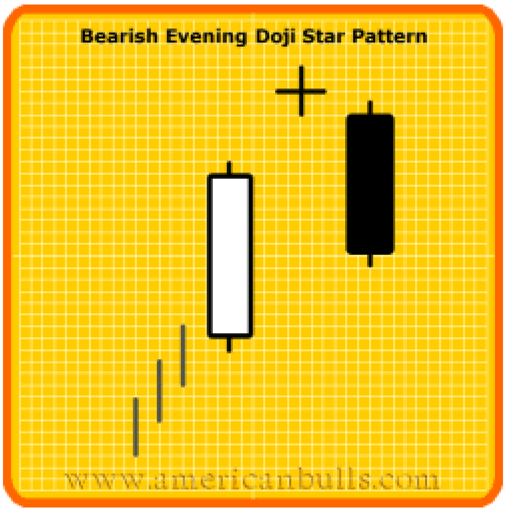
The market is already in an uptrend when the white body appears which further suggests the bullish nature of the market. Then a small body appears showing the diminishing capacity of the longs. The strong black real body of the third day is a proof that the bears have taken over. An ideal Bearish Evening Star Pattern has a gap before and after the middle real body. The second gap is rare, but lack of it does not take away from the power of this formation.

Important Factors:

The stars may be more than one, two or even three.

The color of the star and its gaps are not important.

The reliability of this pattern is very high, but still a confirmation in the form of a black candlestick with a lower close or a gap-down is suggested.



BEARISH EVENING DOJI STAR

Definition: This is a major top reversal pattern formed by three candlesticks. The first candlestick is a long white body; the second is a doji characterized by a higher gap thus forming a doji star. The third one is a black candlestick with a closing price, which is within the first day's white real body. It is a meaningful top pattern.

Recognition Criteria:

1. Market is characterized by uptrend.
2. We see a white candlestick in the first day.
3. Then we see a Doji that gaps in the direction of the previous uptrend on the second day.
4. Finally the third day is a black candlestick.

Explanation:

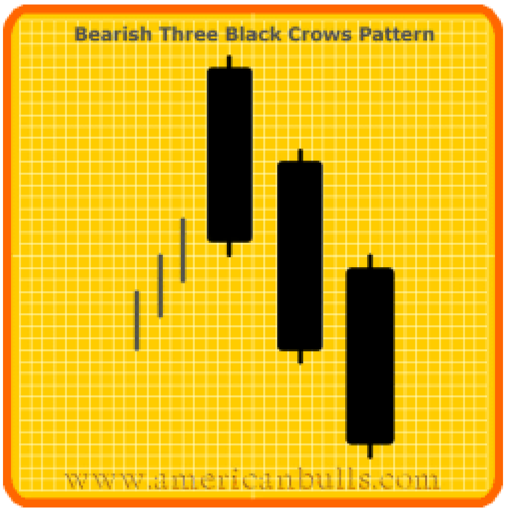
The first white body, while the market is in an uptrend, shows the continuing bullish nature of the market. Then a Doji appears showing the diminishing power of the longs. The strong black real body on the third day proves that bears have taken over. An ideal Bearish Evening Doji Star Pattern has a gap before and after the middle real body. The second gap is rare, but lack of it does not take away from the power of this formation.

Important Factors:

The Doji may be more than one, two or even three.

Doji's gaps are not important.

The reliability of this pattern is very high, but still a confirmation in the form of a black candlestick with a lower close or a gap-down is suggested.



BEARISH THREE BLACK CROWS

Definition: The Bearish Three Black Crows Pattern is indicative of a strong reversal during an uptrend. It consists of three long black candlesticks, which look like a stair stepping downward. The opening price of each day is higher than the previous day's closing price suggesting a move to a new short term low.

Recognition Criteria:

1. Market is characterized by uptrend.
2. Three consecutive long black candlesticks appear.
3. Each day closes at a new low.
4. Each day opens within the body of the previous day.
5. Each day closes near or at its lows.

Explanation:

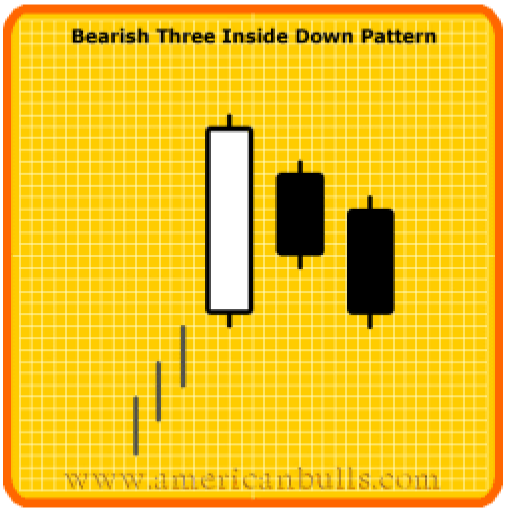
The Bearish Three Black Crows Pattern is indicative of the fact that the market has been at a high price for too long and the market may be approaching a top or is already at the top. A decisive downward move is reflected by the first black candlestick. The next two days show further decline in prices due to profit taking. Bullish mood of the market cannot be sustained anymore.

Important Factors:

The opening prices of the second and third days can be anywhere within the previous day's body. However, it is better to see the opening prices below the middle of the previous day's body.

If the black candlesticks are very extended, one should be cautious about an oversold market.

The reliability of this pattern is very high, but still a confirmation in the form of a black candlestick with a lower close or a gap-down is suggested.



BEARISH THREE INSIDE DOWN

Definition: The Bearish Three Inside Down Pattern is another name for the Confirmed Bearish Harami Pattern. The third day confirms the bearish trend reversal.

Recognition Criteria:

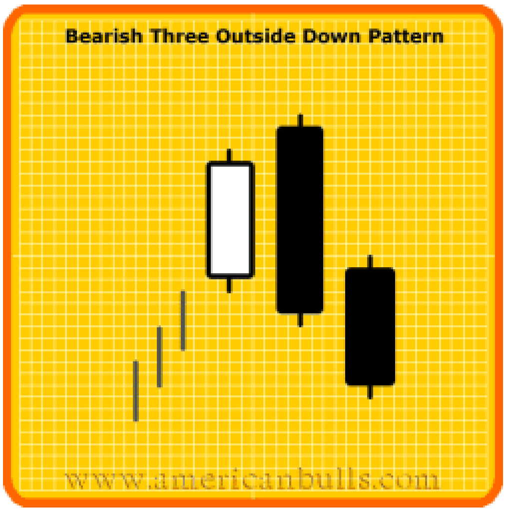
1. Market is characterized by uptrend.
2. We see a Bearish Harami Pattern in the first two days.
3. We then see a black candlestick on the third day with a lower close than the second day.

Explanation:

The first two days of this three-day pattern is a Bearish Harami Pattern, and the third day confirms the reversal suggested by Bearish Harami Pattern since it is a black candlestick closing with a new low for the three days.

Important Factors:

The reliability of this pattern is very high, but still a confirmation in the form of a black candlestick with a lower close or a gap-down is suggested.



BEARISH THREE OUTSIDE DOWN

Definition: The Bearish Three Outside Down Pattern is another name for the Confirmed Bearish Engulfing Pattern. The third day confirms the bearish trend reversal.

Recognition Criteria:

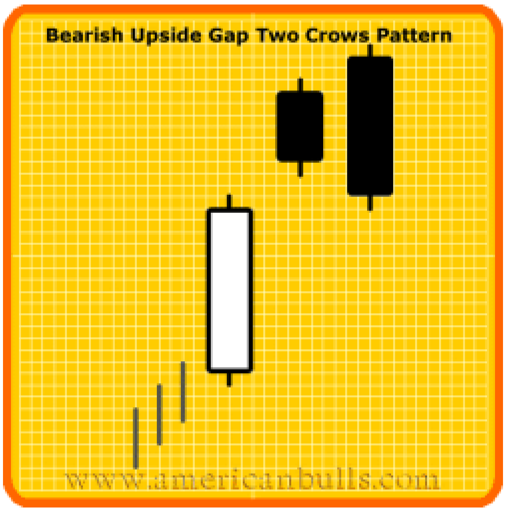
1. Market is characterized by uptrend.
2. We see a Bearish Engulfing Pattern in the first two days.
3. Then we see a black candlestick on the third day with a lower close than the second day.

Explanation:

The first two days forms a Bearish Engulfing Pattern, and the third day confirms the reversal suggested by the Bearish Engulfing Pattern since it is a black candlestick closing with a new low for the three days.

Important Factors:

The reliability of this pattern is very high, but still a confirmation in the form of a black candlestick with a lower close or a gap-down is suggested.



BEARISH UPSIDE GAP TWO CROWS

Definition: The Bearish Upside Gap Two Crows Pattern is a three-candlestick pattern and it signals a top reversal. The first candlestick is a long white candlestick followed by a real body that gaps higher. Then another black real body appears, which opens above the second day's open and closes under the second day's close, completing the pattern

Recognition Criteria:

1. Market is characterized by uptrend.
2. We see a long white candlestick in the first day that signals the continuation of uptrend.
3. Then we see a black body with a gap up on second day.
4. The third day is characterized by another black candlestick having an opening above the first black day and also closing below the body of the first black day. The body of third day engulfs the body of the first day.
5. The close of the second black candlestick is still above the close of the first long white candlestick.

Explanation:

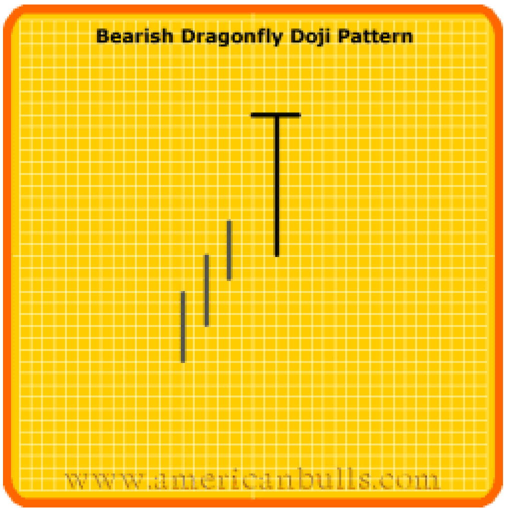
The market is in an uptrend and it displays a higher opening with a gap. However the new highs of the day cannot hold and the market forms a black candlestick. However the bulls still comfort themselves by the fact that the close on this black candlestick day is still above the prior day's close. The third day however increases the bearish sentiment displaying another new high but failing to hold these highs until the close. Also the day closes below the prior day's close, which is another bearish sign. . So the following question becomes relevant. If the market is so strong, why the new highs fail to hold and why market closes lower? The answer is clear. Market is not now as strong as the bulls would like to believe.

Important Factors:

The two black candlesticks of the pattern are the crows reminding ominous looking black crows atop a tree branch.

Confirmation for the Bearish Upside Gap Two Crows Pattern may be mildly suggested. If in the fourth session prices fail to regain high ground, lower prices should be expected.

MEDIUM RELIABILITY



BEARISH DRAGONFLY DOJI

Definition: A Bearish Dragonfly Doji Pattern is a single candlestick pattern, which occurs at a market top or during an uptrend. The Bearish Dragonfly Doji Pattern is very similar to the Bearish Hanging Man Pattern as mentioned above. In the case of Bearish Dragonfly Doji Pattern, the opening and closing prices are identical whereas the Bearish Hanging Man Pattern is characterized by a small real body at the upper end of the trading range.

Recognition Criteria:

1. The market is characterized by an overall uptrend.
2. Then we see a Doji at the upper end of the trading range and it is located above the trend.
3. Lower shadow of the Doji is extremely long.
4. There is no upper shadow.

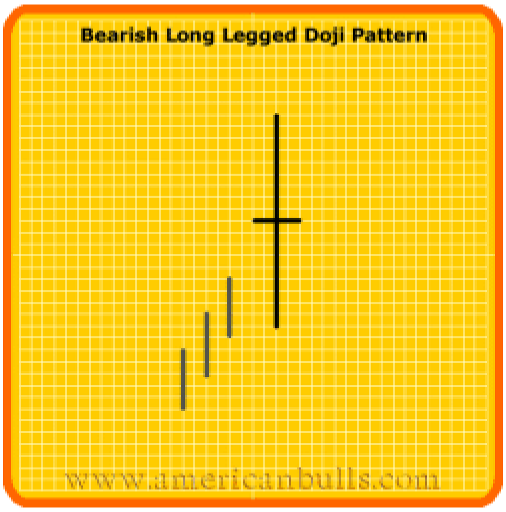
Explanation:

The market is in a bullish mood characterized by an uptrend. Then we see a price action characterized by a sharp sell off when it opens. Prices move down going much lower than the opening price. Then we see a rally in the closing hours of the day, which closes the day at or very near the opening price. However this end-of-day rally signifies the potential for further sell offs. The long lower shadow shows how the market started the day with a sell off. If the market opens lower the next day, we may see a lot of longs eager to sell their positions.

Important Factors:

The Bearish Dragonfly Doji Pattern is a more bearish pattern than the Bearish Hanging Man Pattern and it is also more reliable.

Confirmation of the suggested trend reversal by either a black candlestick, a large gap down or a by a lower close on the next trading day is strongly advised.



BEARISH LONG LEGGED DOJI

Definition: Long Legged Doji is a doji characterized by very long shadows. It shows the indecision of the buyers and sellers and it is an important reversal signal.

Recognition Criteria:

1. Market is characterized by overall uptrend.
2. Then we see a Doji that gaps in the direction of the uptrend.
3. The real body of the Doji is either a horizontal line or it is significantly small (its length is not more than a few ticks).
4. The upper and lower shadows of the Doji are long and almost equal in length.

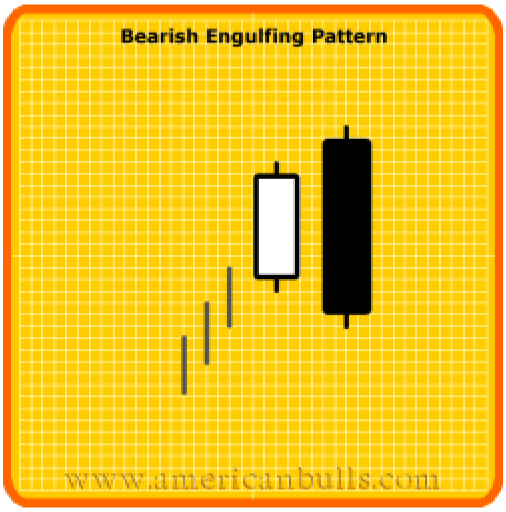
Explanation:

This particular doji shows that there is a great amount of indecision in the market. Long-legged Doji shows that the prices traded well above and below the opening price however they closed virtually at the level of the opening price. We have an end result with little change from the initial open despite all the excitement and volatility during the day showing that the market has lost its sense of direction.

Important Factors:

Long Legged Doji is more important at tops.

Since the Long Legged Doji is a single candlestick pattern, it is better to see confirmation in the form of a move opposite to the prior trade on the next trading day.



BEARISH ENGULFING

Definition: Bearish Engulfing Pattern is a large black real body, which engulfs a small white real body in an uptrend (it need not engulf the shadows). The Bearish Engulfing Pattern is an important top reversal signal.

Recognition Criteria:

1. Market is characterized by uptrend.
2. We see a white candlestick in the first day.
3. Then we see a black candlestick that completely engulfs the real body of the first day.

Explanation:

Market is in a bull mood. Then we see diminished buying reflected by the short, white real body. This then is followed by a strong sell-off, which lead to a close at or below the previous day's open. Apparently the uptrend has lost momentum and the bears may be gaining strength.

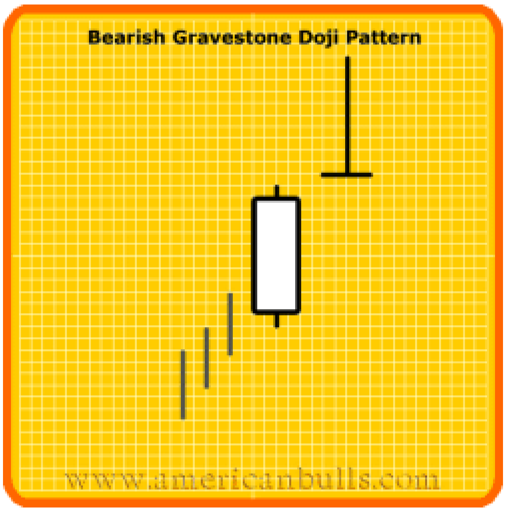
Important Factors:

Relative sizes of the first and second days are important. If the first day of the Bearish Engulfing Pattern is a very small real body (it may even be almost a doji or is a doji) but the second day has a very long real body, this shows the dissipation of the prior uptrend's force and an increase in bearish force.

A protracted or very fast move increases the chance that potential buyers are already long and that there may be less of a supply of new longs in order to keep the market moving up. A fast move makes the market overextended and vulnerable to profit taking. A Bearish Engulfing Pattern appearing after such a move is more likely to be an important bearish reversal indicator.

A bearish reversal is more possible if there is heavy volume on the second real body or if the second day of the Bearish Engulfing Pattern engulfs more than one real body.

A confirmation in the third day is required to be sure that the uptrend has reversed. The confirmation may be in the form of a black candlestick, a large gap down or a lower close on the third day.



BEARISH GRAVESTONE DOJI

Definition: Gravestone Doji is a pattern in which the opening and closing prices are at the low of the day. The Bearish Gravestone Doji Pattern is a top reversal pattern. It appears during an uptrend representing a possible reversal of trend just like its cousin Bearish Shooting Star Pattern.

Recognition Criteria:

1. Market is characterized by uptrend.
2. We see a white candlestick at the higher end of the trading range in the first day.
3. Prices open with a gap and we see a Doji with no lower (or almost no) shadow on the second day.
4. Upper shadow of the doji is usually long.

Explanation:

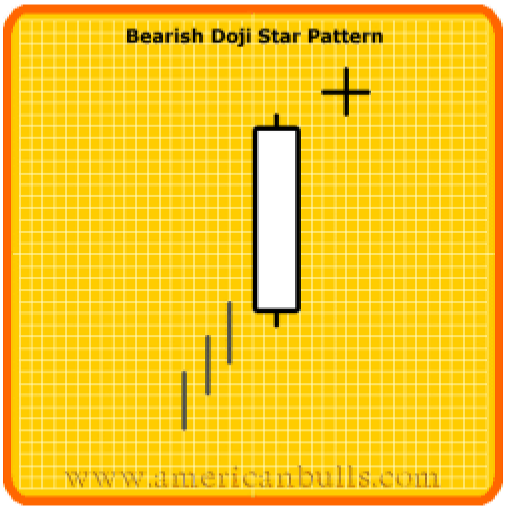
Gravestone Doji after a rally has bearish implications for the following reason. The market opens on the low of the day. Then prices start to rally (preferably to a new high). The rally cannot be sustained during the day and prices plummet to the day's lows meaning trouble for longs. The Gravestone Doji represents the graves of those bulls that have died defending their territory.

Important Factors:

The Bearish Gravestone Doji Pattern has more bearish implications than a Bearish Shooting Star Pattern.

The longer the upper shadow and the higher the price level, the more bearish the implications of the Bearish Gravestone Doji Pattern will be.

A confirmation is required on the following day to be more certain about the bearish implications of the Bearish Gravestone Doji Pattern. Confirmation may be in the form of the next day opening below the Gravestone Doji. The larger the gap the stronger the confirmation will be. A black candlestick with lower prices can also be another form of confirmation.



BEARISH (DOJI) STAR

Definition: A short candlestick, a spinning top, a highwave or a doji following a white candlestick with an upside gap during an uptrend, is the Bearish (Doji) Star Pattern.

Recognition Criteria:

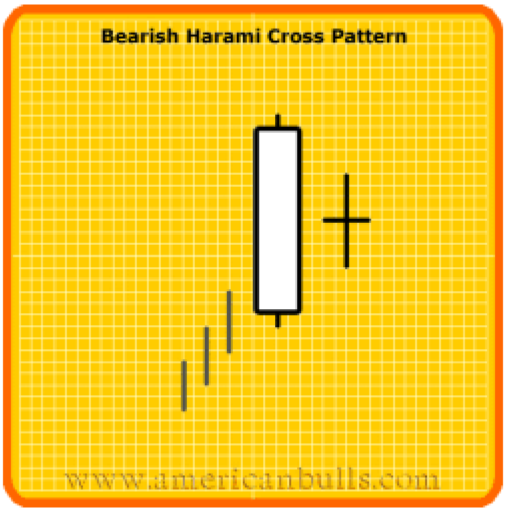
1. Market is characterized by uptrend.
2. We see a long white candlestick in the first day.
3. Then we see a short candlestick, a spinning top, a highwave or a doji that gaps in the direction of the previous trend on the second day.
4. The shadows of the short candlestick, spinning top, highwave or doji are not long.

Explanation:

Bulls control the market in a strong uptrend. The appearance of a Bearish (Doji) Star Pattern in such an uptrend shows that buyers are now losing the control and market is moving to a deadlock between buyers and sellers. This deadlock or balance between buyers and sellers may result because of a diminition in the buying force or an increase in the selling force. Whatever the reason is, the star tells us that the strength of uptrend is now dissipating and the market is increasingly vulnerable to a setback.

Important Factors:

A confirmation on the third day is required to convincingly show that the uptrend has reversed. This confirmation may be in the form of a black candlestick, a large gap down or a lower close on the next trading day.



BEARISH HARAMI CROSS

Definition: Bearish Harami Cross Pattern is a doji preceded by a long white real body. The Bearish Harami Cross Pattern is a major reversal pattern and is more significant than a regular Bearish Harami Pattern.

Recognition Criteria:

1. Market is characterized by uptrend.
2. We see a long white candlestick in the first day.
3. Then we see a doji completely engulfed by the real body of the first day on the second day. The shadows (high/low) of this Doji do not have to be contained within the first, though it's preferable if they are.

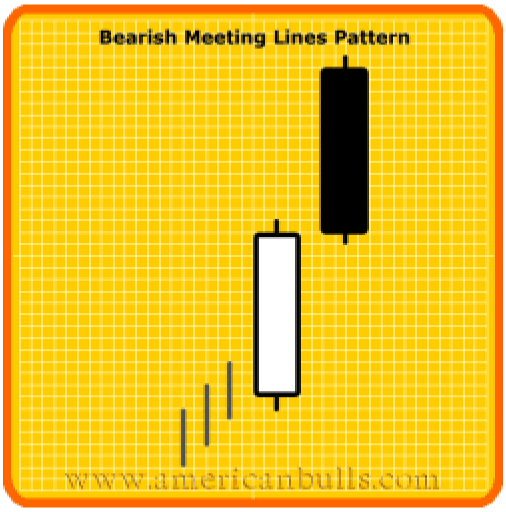
Explanation:

The Bearish Harami Cross Pattern is a sign of disparity about the market's health. Market is bullish and strong buying continues as evidenced by the long, white real body but then we see the doji. This shows that the market may not continue in uptrend.

Important Factors:

While the Bearish Harami Pattern is not a major reversal pattern, the Bearish Harami Cross Pattern is a major downside reversal pattern. If a harami cross appears after a long white candlestick, longs should take notice of it since Harami Crosses call tops very effectively.

A confirmation on the third day is required to be sure that the uptrend has reversed. This confirmation may be in the form of a black candlestick, a large gap down or a lower close on the third day.



BEARISH MEETING LINES

Definition: Market may gap up sharply as it opens but it closes unchanged from the prior session's close during an uptrend. Such a pattern is called Bearish Meeting Lines Pattern, which is a pattern that reflects a balance between the bulls and the bears.

Recognition Criteria:

1. Market is characterized by uptrend.
2. We see a long white candlestick in the first day.
3. Then we see a long black candlestick, which has a body that is also higher than the previous trend on the second day.
4. The close of both days is same or almost same.
5. Both of the candlesticks are long but second day candlestick may be shorter than the first.

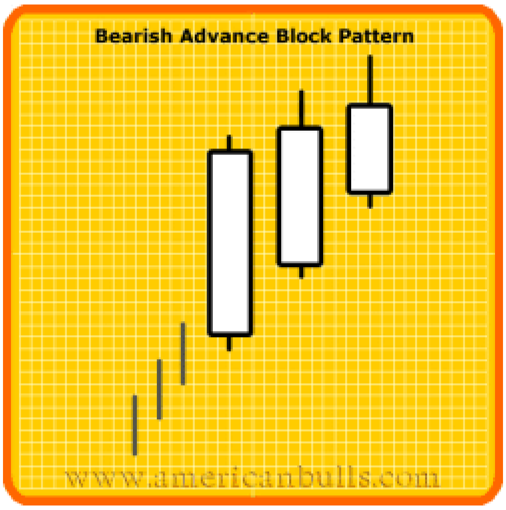
Explanation:

The Bearish Meeting Lines Pattern is a top reversal pattern suggesting a stall in uptrend. The first candlestick, a long white one, shows that the bullish momentum is going on. The next day opens higher with a gap but then the bears pull prices down to the prior day's close. So the initial optimism on the second day's opening now turns into concern of the longs.

Important Factors:

The Bearish Meeting Lines Pattern is similar to the Bearish Dark Cloud Cover Pattern. The Dark Cloud Cover has the same two-candlestick pattern. The main difference between the two is the fact that the bearish counterattack line does not usually move into the prior session's white real body. It just gets back to prior session's close. The Bearish Dark Cloud Cover Pattern's second line pushes well into the white real body. So the Dark Cloud Cover Pattern is a more important top reversal signal than the Bearish Meeting Lines Pattern.

A confirmation on third day is required to be sure that the uptrend has reversed. This confirmation may be in the form a black candlestick, a large gap down or a lower close on the third day.



BEARISH ADVANCE BLOCK

Definition: It is a pattern characterized by three long white candlesticks with consecutively higher closes during an uptrend. The Bearish Advance Block Pattern is similar to the Bullish Three White Soldiers Pattern. The difference is the fact that each successive day is weaker than the one preceding it. This may suggest that the rally is losing strength and a reversal is possible.

Recognition Criteria:

1. Market is characterized by uptrend.
2. We see three adjacent white candlesticks with consecutively higher closes.
3. Each day opens within the previous day's body.
4. Each day’s body is significantly smaller than the body of the previous day.

Explanation:

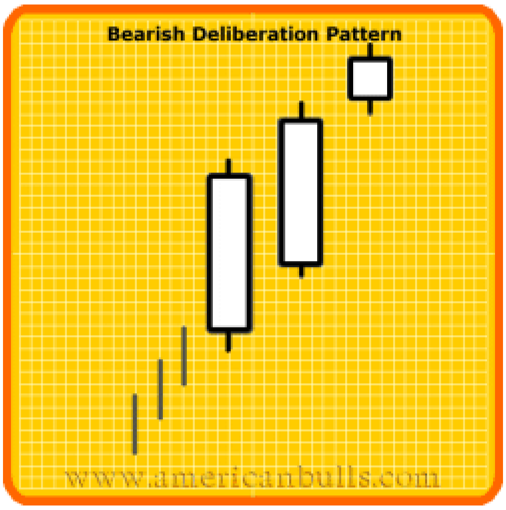
If the second and the third candlesticks (particularly the third) show signs of weakening, this means that the rally is losing steam and longs must consider protecting their positions. Longs need especially to be careful about the Bearish Advance Block Pattern during a mature uptrend. Signs of weakening are the progressively smaller white real bodies or the relatively long upper shadows on the latter two white candlesticks.

Important Factors:

A definite deterioration in the upward strength is evidenced by long upper shadows on the second and third days.

The Bearish Advance Block Pattern is not normally a top reversal pattern, but it has the potential to precede a meaningful price decline. This pattern is more important at higher price levels. It suggests to liquidate long positions but it is yet early for short positions.

A confirmation of the reversal on the fourth day would provide the needed proof that the uptrend has reversed. A confirmation of the trend reversal by a black candlestick, a large gap down or by a lower close on the next trading day is suggested.



BEARISH DELIBERATION

Definition: The Bearish Deliberation Pattern is a derivative of the Bearish Three White Soldiers Pattern. This pattern also shows a weakness similar to the Bearish Advance Block Pattern since it becomes weaker in a short period of time. However here the weakness occurs all at once on the third day. The small third body of the pattern shows that the rally is losing strength and a reversal is possible.

Recognition Criteria:

1. Market is characterized by uptrend.
2. We see long white bodies in the first and second days.
3. The second day has a higher close than the first day.
4. Then the third day opens near the second day's close.
5. The third day is typically a short white candlestick, a spinning top or a star that gaps above the second day.

Explanation:

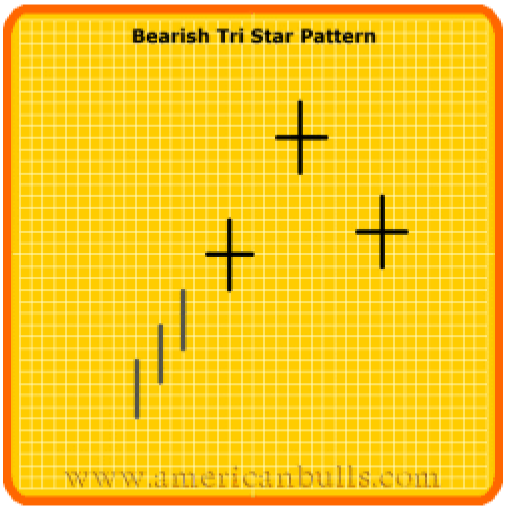
The Bearish Deliberation Pattern appears after a sustained upward move and is suggestive of the fact that the rally is losing strength and a reversal is possible. The formation is a proof that the bulls’ strength is at least temporarily exhausted.

Important Factors:

The last small white candlestick may show a gap away from the long white body, thus becoming a star, or it can be riding on the shoulder of the long white real body.

The Bearish Deliberation Pattern is not normally a top reversal pattern but it has potential to precede a meaningful price decline. This pattern is more important at higher price levels. It must be used to liquidate long positions but it is yet too early for short positions.

A confirmation on fourth day is required to confirm that the uptrend has reversed. This may be in the form of a black candlestick, a large gap down or a lower close on the fourth day.



BEARISH TRI STAR

Definition: The Bearish Tri Star Pattern is a very rare but significant top reversal pattern. It is formed by three Dojis. The middle Doji is a Doji Star.

Recognition Criteria:

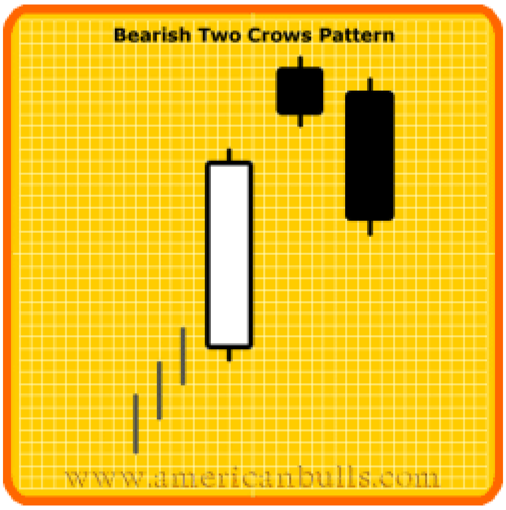
1. Market is characterized by uptrend.
2. We see three Dojis on three consecutive days.
3. The second day Doji has a gap above the first and third.

Explanation:

The Bearish Tri Star Pattern appears in a market characterized by uptrend for a long time. When the trend starts to show weakness, we see smaller real bodies. The first Doji is already a matter of considerable concern. The second Doji shows that market now lost its direction. Finally, the third Doji announces the end of uptrend since this now shows utmost indecision leading to reversal of the positions.

Important Factors:

A confirmation on the fourth day is required to show that the uptrend has reversed. This may be in the form of a black candlestick, a large gap down or a lower close on the fourth day.



BEARISH TWO CROWS

Definition: During an uptrend we see the market closing lower after an opening gap. Then we see a black day that fills the gap creating the Bearish Two Crows Pattern. It suggests the erosion of the uptrend, and warns about a possible trend reversal.

Recognition Criteria:

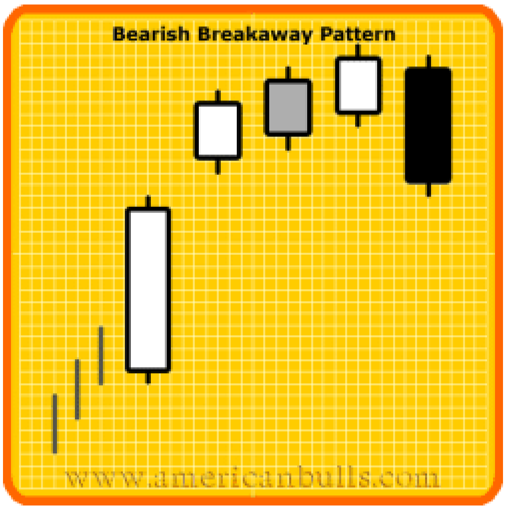
1. Market is characterized by uptrend.
2. We see a long white candlestick in the first day.
3. Then we see a black candlestick on the second day characterized by a gap up.
4. Finally we see a black candlestick whose opening price is inside the body of the second day and which closes inside the body of the first day.

Explanation:

In the Two Crows bear pattern, the market is already in an extended uptrend. We see a gap in the opening of the second day. This higher opening is followed by a lower close in this second day warning that there is some weakness in the rally. The third day also opens at a higher price, but not above the open of the previous day, and then prices go down with a close well within the body of the first day. This third day action fills the gap of the second day. It shows that the bullishness started to erode quickly.

Important Factors:

A confirmation on the fourth day is required to show that the uptrend has reversed. This confirmation may be in the form of a black candlestick, a large gap down or a lower close on the fourth day.



BEARISH BREAKAWAY

Definition: We see this pattern during an uptrend marked with a bullish surge that eventually weakens. This weakening is illustrated by a long black candlestick that is unable to close the gap into the body of the first day. These events warn us about a short-term reversal.

Recognition Criteria:

1. Market is characterized by uptrend.
2. We see a long white candlestick in the first day.
3. Then we see a white candlestick with a gap above the first day on the second day.
4. However the third and fourth days continue in the direction of the second day with higher consecutive closes.
5. Finally we see a long black candlestick on the fifth day with a closing price inside the gap caused by the first and second days.

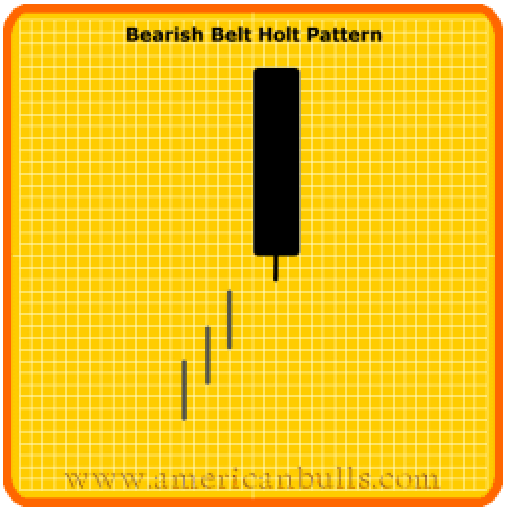
Explanation:

The Bearish Breakaway Pattern is constituted by a gap in the direction of the uptrend followed by three consecutively higher price days. This shows that the trend has suddenly accelerated with a big gap but then it started to fizzle, however it still manages to move in the same direction. There is evidently a slow deterioration of the trend even though the uptrend continues. Finally, we see a burst in the opposite direction completely recovering the previous three days' price action. A possible reversal is also implied by the fact the gap has not been filled. We are now ready for a short-term reversal.

Important Factors:

A confirmation on the sixth day is recommended in the form of a black candlestick, a large gap down or a lower close to be sure that there is indeed a reversal.

LOW RELIABILITY



BEARISH BELT HOLT

Definition: The Bearish Belt Hold Pattern is a single candlestick pattern and it is basically a Black Opening Marubozu that occurs in an uptrend. The pattern shows that the day opens on its high, it then rallies against the trend of the market, and then closes near its low but not necessarily at its low. Longer bodies for Belt Hold are indicative of more resistance to the trend they are countering.

Recognition Criteria:

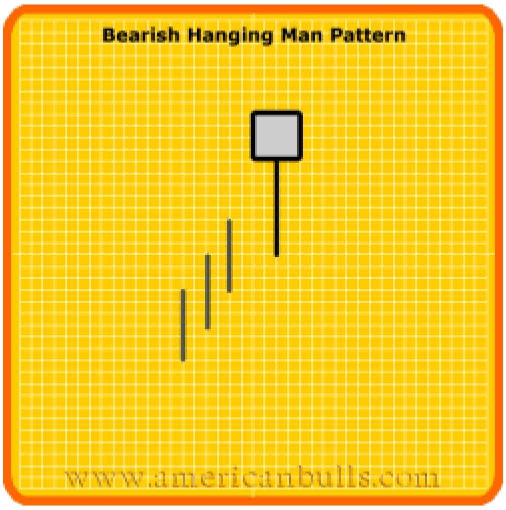
1. There is an overall uptrend in the market.
2. The day gaps up and prices open on their high but then prices move down closing near its low for the day.
3. We then see a black body characterized by the absence of upper shadow, which is called a Black Opening Marubozu.

Explanation:

We have a market that is trending up when a significant gap in the direction of trend occurs as the day opens. However; then prices reverse direction and all further price action of the day is the opposite of the previous trend. Such a move causes concern among the bulls and leads them to sell many positions. This strengthens the reversal and turns into a sell-off.

Important Factors:

A confirmation of the trend reversal with either a black candlestick, a large gap down or a lower close on the next trading day is required.



BEARISH HANGING MAN

Definition: The Bearish Hanging Man Pattern is a single candlestick and a top reversal pattern. It is very similar to the Bearish Dragonfly Doji Pattern. In case of the Bearish Dragonfly Doji Pattern, the opening and closing prices are identical whereas the Bearish Hanging Man Pattern has a small real body.

Recognition Criteria:

1. We see it at a market top or during an uptrend.
2. It is characterized by its small real body at the upper end of the trading range and it is located above the trend. The color of the body is unimportant.
3. It has a lower shadow, which is at least twice the height of the real body.
4. There is either no upper shadow or a very short upper shadow.

Explanation:

The hanging man is a bearish reversal pattern. It signals a market top or a resistance level. Since it is seen after an advance, a Bearish Hanging Man Pattern signals that selling pressure is starting to increase. The low of the long lower shadow indicates that the sellers pushed prices lower during the session. Even though the bulls regained their footing and drove prices higher by the finish, the appearance of this selling pressure after a rally is a serious warning signal.

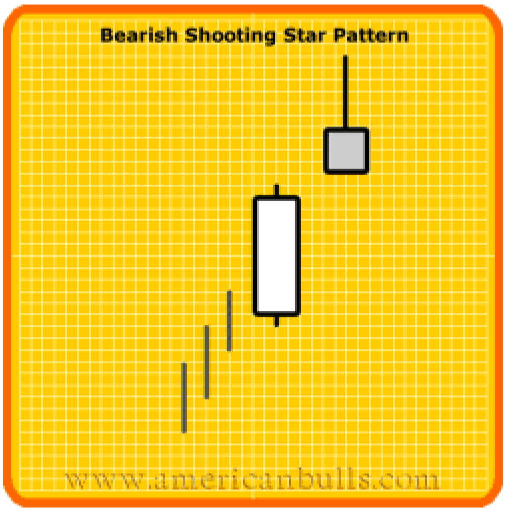
Important Factors:

Ideally; the lower shadow of the Bearish Hanging Man Pattern must be two or three times the height of the real body. However, a long lower shadow may not have to be twice the height of the real body in the real life conditions in order to signal a reversal. The pattern is more perfect if the lower shadow is longer.

The Bearish Dragonfly Doji Pattern is a more bearish signal than the Bearish Hanging Man Pattern and it is also more reliable than the Bearish Hanging Man Pattern.

If a Bearish Hanging Man Pattern is characterized by a black real body, it shows that the close was not able to get back to the opening price level, which has potentially bearish implications.

We need a confirmation of the reversal on the next day for a more definite proof about the reversal of the uptrend. This confirmation may be in the form of a black candlestick, a large gap down or a lower close on the next trading day.



BEARISH SHOOTING STAR

Definition: Bearish Shooting Star Pattern suggests that prices may be approaching to a top. It looks like its name, a shooting star. The shooting star is a small real body characterized by a long upper shadow, which gaps away from the prior real body.

Recognition Criteria:

1. Market is characterized by uptrend.
2. We see a white candlestick in the first day.
3. Prices then open with a gap creating a small real body at the lower end of the trading range on the second day.
4. Upper shadow of the pattern on the second day is usually at least twice as long as the real body.
5. However; second day pattern has no (or close to none) lower shadow.

Explanation:

The Shooting Star simply tells us that the market opened near its low, then prices strongly rallied up and finally prices moved down to close near the opening price. In other words, the rally of the day was not sustained.

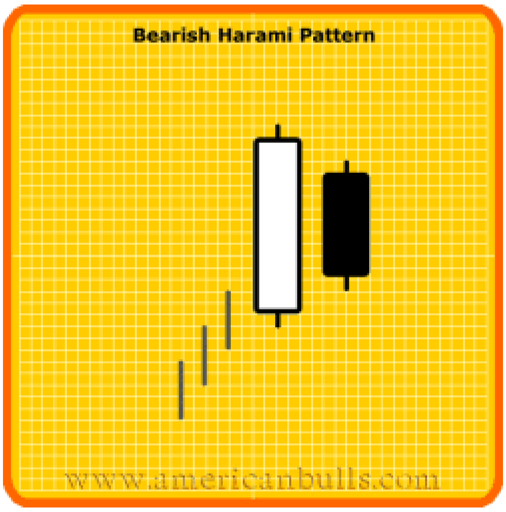
Important Factors:

Bearish Shooting Star Pattern is usually not a major reversal signal as is the evening star.

The color of the real body is not important.

An ideal shooting star has a real body which gaps away from the prior real body. Nonetheless, this gap is not always necessary.

A confirmation on the third day is required to be sure that the uptrend has reversed. The confirmation may be in the form of a black candlestick, a large gap down or a lower close on the next trading day.



BEARISH HARAMI

Definition: Bearish Harami Pattern is a two-candlestick pattern composed of a small black real body contained within a prior relatively long white real body. “Harami” is an old Japanese word for “pregnant”. The long white candlestick is “the mother” and the small candlestick is “the baby”.

Recognition Criteria:

1. Market is characterized by an uptrend.
2. We see a long white candlestick on the first day.
3. Then we see a black candlestick on the second day whose real body is completely engulfed by the real body of the first day. The shadows (high/low) of the second candlestick do not have to be contained within the first body, though it's preferable if they are.

Explanation:

The Bearish Harami Pattern is a sign of a disparity about the market’s health. Bull market continues further confirmed by the long white real body’s vitality but then we see the small black real body which shows some uncertainty. This shows the bulls’ upward drive has weakened and now a trend reversal is possible.

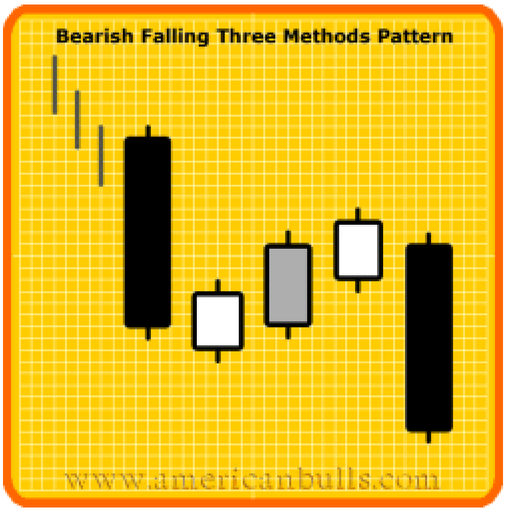
Important Factors:

It is important that the second day black candlestick has a minute real body relative to the prior candlestick and that this small body is inside the larger one. The Bearish Harami Pattern does not necessarily mean a market reversal. It rather predicts that the market may not continue with its previous uptrend. There are however some instances in which the Bearish Harami Pattern can warn of a significant trend change - especially at market tops.

A confirmation of the reversal on the third day is required to be sure that the uptrend has reversed. This confirmation may be in the form of a black candlestick, a large gap down or a lower close on the next trading day (the third day).

BEARISH CONTINUATION PATTERNS

HIGH RELIABILITY



BEARISH FALLING THREE METHODS

Definition: The Bearish Falling Three Methods Pattern is a continuation pattern, which shows a temporary break in the trend of prices without causing a reversal. The pattern is characterized by a long black candlestick during a downtrend, which is then followed by small consecutive small bodies that look like a short uptrend. It is better if all the bodies of these three days are white however they can also be of mixed color. These small bodies however must all remain within the high-low range of the first day's black candlestick. The pattern is completed by a long black candlestick, closing at a new low and showing that bears are finally taking over. The small uptrend between two long black days simply shows a market break. After this temporary break, the downward trend continues.

Recognition Criteria:

1. Market is characterized by downtrend.
2. We see a long black candlestick in the first day.
3. We then see three small real bodies defining a brief uptrend on the second, third, and fourth days. However these bodies stay within the range of the first day.
4. Finally we see a long black candlestick on the fifth day opening near the previous day’s close and also closing below the close of the initial day to define a new low.

Explanation:

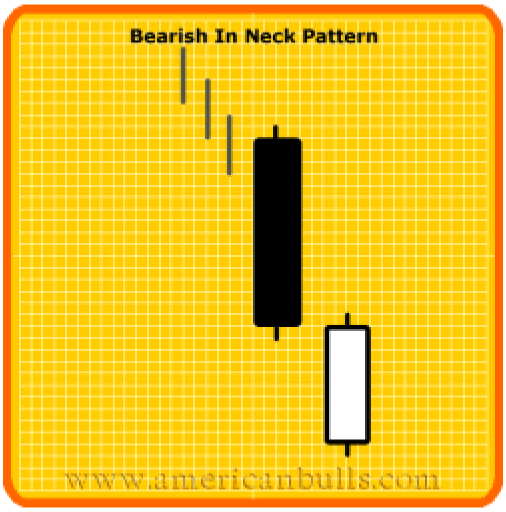
The Bearish Falling Three Methods Pattern is a continuation pattern marked with a temporary break in the overall trend of prices without causing a reversal. The temporary break shows that there is some doubt about the ability of the trend to continue. This doubt increases as the small-range reaction days take place. However, given the fact that a new high cannot be made, the bearishness is resumed and new lows are set quickly.

Important Factors:

The high-low range includes the shadows.

The reliability of this pattern is very high. However, a confirmation in the form of a black candlestick with a lower closing is still suggested.

MEDIUM RELIABILITY



BEARISH IN NECK

Definition: Bearish In Neck Pattern is characterized by a white candlestick that has a closing price slightly above the previous black candlestick’s low during a downtrend. If the white candlestick’s low is broken down, the downtrend continues.

Recognition Criteria:

1. Market is characterized by downtrend.
2. We see a long black candlestick in the first day.
3. Then we see a white candlestick on the second day with an opening price that is below the low of the previous day and whose closing price is barely above or equal to the closing price of the previous day.

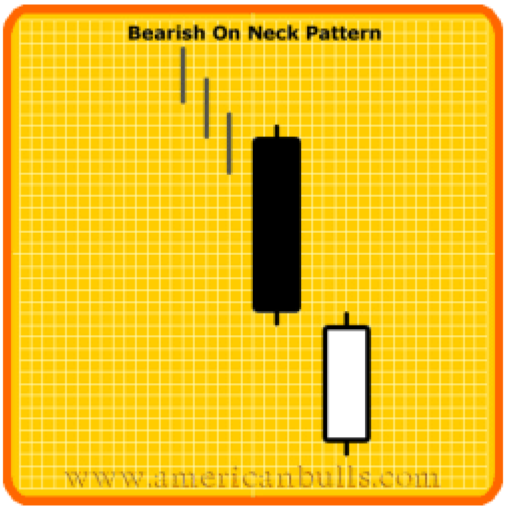
Explanation:

The Bearish In Neck Pattern is an undeveloped version of the Bullish Piercing Line Pattern with a much lower close. The white body on second day closes near the close of the previous black day, at the lower part of the body. The actual definition requires a closing price just inside the previous day's body and slightly above its close. So it is a higher close than the Bearish On Neck Pattern, but not much.

Important Factors:

The white candlestick of the Bearish In Neck Pattern must be small.

Confirmation is required on third day in the form of a black candlestick, a gap down or a lower close.



BEARISH ON NECK

Definition: Bearish On Neck Pattern is a black candlestick followed by a small white candlestick, which is characterized by a closing price near the low of the black candlestick during a downtrend. If the low of white candlestick is broken down, market goes further down.

Recognition Criteria:

1. Market is characterized by downtrend.
2. We see a long black candlestick in the first day.
3. Then we see a white candlestick on the second day, which opens below the low of the previous day. This day does not need to be a long day or it might resemble the Bullish Meeting Line Pattern.
4. The closing price of the second day is either the low price of the first day or almost same.

Explanation:

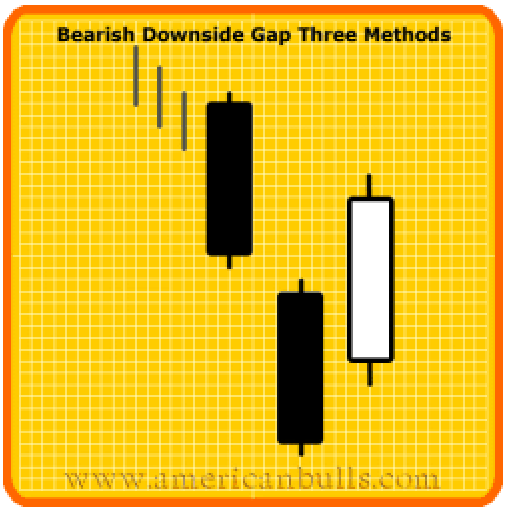
The Bearish On Neck Pattern is an undeveloped version of the Bullish Piercing Line Pattern. It is a similar pattern except that the second day's white body only gets up to the previous day's low. The Bearish On Neck Pattern usually appears during a decline and is a typical pattern in a downtrend. Bearishness increases with the long black first day. The market shows a gap down on the second day, but cannot continue the downtrend. Prices start going up but they stop at the previous day's low price. This bearish occurrence is uncomfortable for potential bottom pickers. The downtrend may continue for a short while.

Important Factors:

The Bearish On Neck Pattern is different from the Bullish Meeting Lines Pattern.

The likelihood of the downward trend increases if the trading volume on the second day is high.

Confirmation on third day is required in the form of a black candlestick, a gap down or a lower close.



BEARISH DOWNSIDE GAP THREE METHODS

Definition: Two long black candlesticks with a downward gap between them appear. They are followed on the third day with a white candlestick, which manages to close the gap between the first two. This should be seen as a support for the downward trend.

Recognition Criteria:

1. Market is characterized by downtrend.
2. We see two long black candlesticks with a gap between them in the first and second days.
3. Then we see a black candlestick on the third day characterized with an opening within the body of the second day.
4. The body of third day candlestick is white and it fills the gap between the first two days.

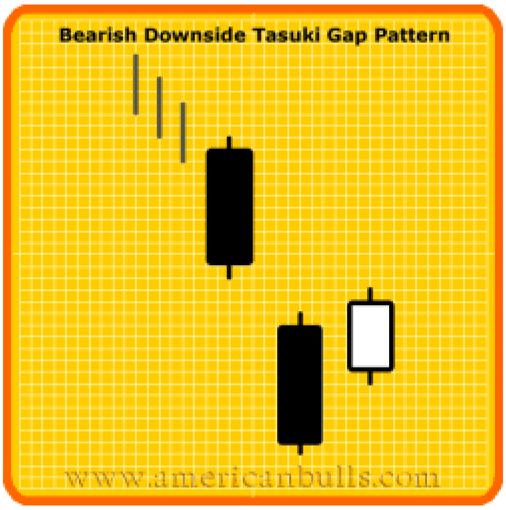
Explanation:

The Bearish Downside Gap Three Methods Pattern appears when the market is moving strongly downward. Downward move is extended further by another day showing a gap in the direction of the downtrend. The third day opening is well within the body of the second day, and it manages to completely fill the gap. This gap-closing move may be interpreted as a support level for the current downtrend.

Important Factors:

This Bearish Downside Gap Three Methods Pattern is a simple pattern with strong similarity with the Bearish Downside Tasuki Gap Pattern. The only difference is that in the Bearish Downside Tasuki Gap Pattern, the gap between the first two days is not filled by a third day body.

A confirmation of the trend is required in the form of a black candlestick, a large gap down or a lower close on the next trading day to be sure that downtrend is continuing.



BEARISH DOWNSIDE TASUKI GAP

Definition: The pattern involves two long black candlesticks with a downward gap between them during a downtrend. Pattern is completed by a third day white candlestick partially closing the gap between the first two. The white candlestick may be the result of investors temporarily taking advantage of the low buying price. However we expect the trend to continue in the downward direction.

Recognition Criteria:

1. Market is characterized by downtrend.
2. We see two long black candlesticks with a gap between them in the first and second days.
3. Then we see a white candlestick characterized with an opening within the body of the second day.
4. The body of third day candlestick closes into the gap but does not fully close the gap.

Explanation:

The Bearish Downside Tasuki Gap Pattern appears in a strongly downward moving market. The downward move is extended further by another day, which displays a gap in the direction of the downtrend. The third day has an opening well into the body of the second day and it partially fills the gap. However the gap is not filled or closed, so previous downward trend continues.

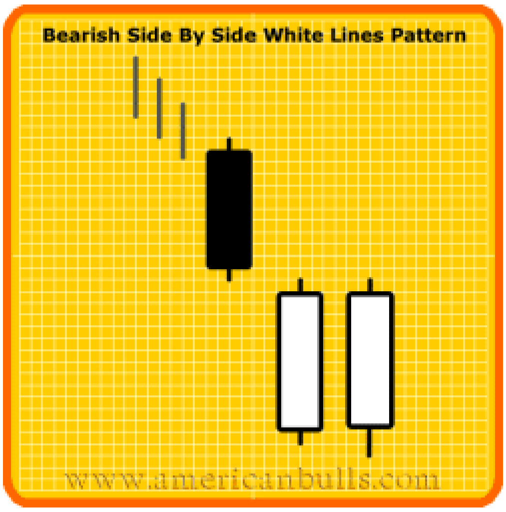
Important Factors:

The Bearish Downside Tasuki Gap Pattern is a rare formation.

The real bodies of the last two candlesticks in the Bearish Downside Tasuki Gap Pattern should be about the same size.

This Bearish Downside Tasuki Gap Pattern is a simple pattern quite similar to the Bearish Downside Gap Three Methods Pattern. The only difference is that in the Bearish Downside Gap Three Methods Pattern, the gap that is made between the first two days is filled by the third day.

A confirmation is recommended in the form of a black candlestick, a large gap up or a lower close on the next trading day to be sure that downward trend will continue.



BEARISH SIDE BY SIDE WHITE LINES

Definition: This pattern is formed by a black candlestick that follows two white candlesticks during a downtrend. Its particular feature is to display days that are gapped below the first day. This suggests that the shorts are covering their positions, and no reversal is expected soon. The downtrend is likely to remain intact for the near future.

Recognition Criteria:

1. Market is characterized by downtrend.
2. We see a black candlestick in the first day.
3. Then we see a white candlestick gapping down on second day.
4. Finally we see a white candlestick, which is almost the same size and is also marked with an opening price at about the same price as the opening price of the second day.

Explanation:

An ongoing downtrend is further enhanced with the long black candlestick displaying a large downward gap when market opens on the next day. The prices then may trade at higher levels all day long, however not high enough to close the downward gap. The third day then opens lower, at about the same opening price as the second day. There is evidently a resistance to further downside action, which impels the shorts to cover their positions causing a third day rally and leading to a higher close. However it is again not high enough to close the initial downward gap. As short covering terminates, prices should move lower.

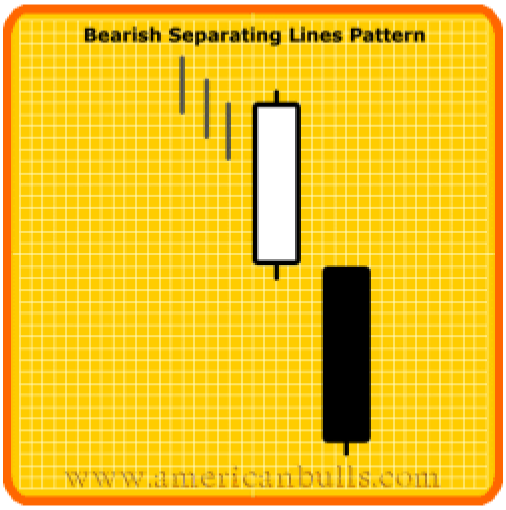
Important Factors:

This Bearish Side By Side White Lines Pattern is a very rare formation.

The two side-by-side white candlesticks after gapping below a black candlestick are not only of similar size, but also the opening price should be very close.

A confirmation is recommended in the form of a black candlestick, a large gap down or a lower close on the next trading day to be sure that downtrend will continue.

LOW RELIABILITY



BEARISH SEPERATING LINES

Definition: This pattern is characterized by a white candlestick in a downtrend, which is followed by a sharply lower gap when market opens next day and shows an opening price equal to the prior day's opening price and also a lower closing price, which is a Black Opening Marubozu.

Recognition Criteria:

1. The market is characterized by downtrend.
2. We see a long white candlestick in the first day.
3. Then we see a black body, which has the same opening price as the first day, or extremely close to it.
4. The second day candlestick is a Black Opening Marubozu.

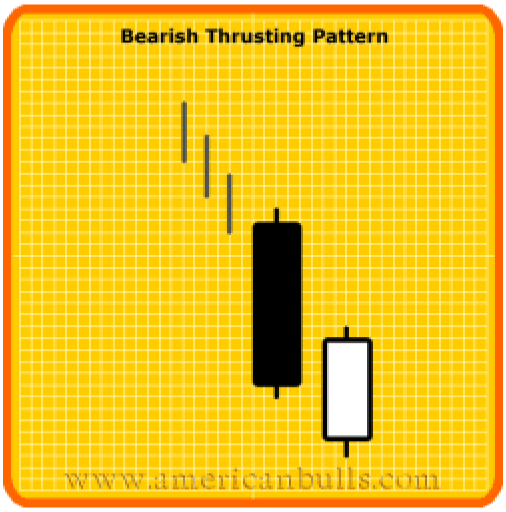
Explanation:

A white real body (especially a relatively long one) is a matter of concern for the shorts during downtrend. It shows that the bulls may be gaining control. However, if the next day opens with a downward gap and an opening price equal to the previous day's opening price, this reinstates the bear confidence. If furthermore the day closes lower, bears feel even more confident about the fact that the downtrend will continue.

Important Factors:

The black candlestick must be a Black Opening Marubozu.

A confirmation on the third day is required to justify that the downtrend is still strong. The confirmation may be in the form of a black candlestick, a large gap down or a lower close on the third day.



BEARISH THRUSTING

Definition: Bearish Thrusting Pattern is characterized by a white candlestick that closes in the prior black real body, however still under the middle of the prior session’s real body. Bearish Thrusting Pattern is a bearish signal in a downtrend.

Recognition Criteria:

1. Market is characterized by downtrend.
2. We see a black candlestick in first day.
3. Then we see a white candlestick, which opens considerably lower than the low of the first day.
4. The second day candlestick closes well into the body of first black candlestick, but not above the midpoint.

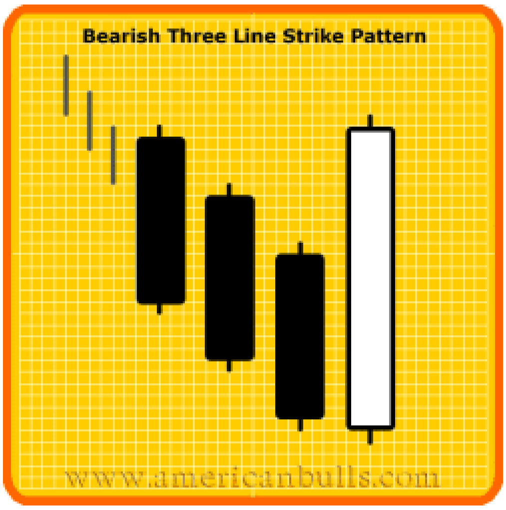
Explanation:

The Bearish Thrusting Pattern shows a rally failure in a down market. The fact that the second day's close doesn't even reach to the midpoint of the first day's body discourages the bulls and downtrend continues due to lacking of buying.

Important Factors:

The Bearish Thrusting Pattern is weaker than the Bearish On Neck and In Neck continuation patterns.

A confirmation of downtrend by a black candlestick, a gap down or by a lower close on the next trading day (the third day) is required.



BEARISH THREE LINE STRIKE

Definition: This pattern is characterized by three adjacent black and long candlesticks terminated by a white candlestick driving prices back to the point where they were at the beginning of the pattern. If there was a strong bearish trend before the pattern, then it should continue.

Recognition Criteria:

1. Market is characterized by downtrend.
2. We see three long black candlesticks with consecutively lower closes.
3. Then we see a white candlestick on the fourth day opening at a lower level and closing above the open of the pattern's first day.

Explanation:

The Bearish Three Line Strike Pattern appears during a downtrend as evidenced by the three black candlesticks. We see an opening on the fourth day that opens in the direction of the downtrend, but now shorts start covering their positions causing the prices to move strongly in the opposite direction. This may lead to doubts about market direction. However it is also a fact that this move completely eradicated the move of the previous three days. So this day should be looked upon as a day that gave the shorts the chance of being covered and if the bearish trend was strong before the pattern, the downward move should continue.

Important Factors:

A confirmation on the fifth day in the form of a black candlestick, a large gap down or a lower close is definitely required.

BEARISH REVERSAL/CONTINUATION PATTERNS

LOW RELIABILITY

LONG BLACK CANDLESTICK

Definition: The Long Black Candlestick signals strong selling pressure in the market.

Recognition Criteria:

1. The real body is black and it is relatively long.
2. The sizes of the upper and lower shadows are not important.

Explanation:

Long Black Candlesticks are indicators of strong selling pressure. A longer black candlestick means that the close is further below the opening price. The prices decline significantly following the opening showing that sellers were aggressive. Long Black Candlesticks are generally bearish formations however their interpretation also depends on their position within the broader technical picture. A Long Black Candlestick may warn a turning point or mark a future resistance level after a long rally. However Long Black Candlestick may signal panic or capitulation if it appears after a long decline.

Important Factors:

The Long Black Candlestick is a single candlestick pattern with low reliability. It only reflects one day's trading and may both be pointing out to continuation or reversal. Thus it requires consideration of other candlesticks to confirm a trend.

BLACK MARUBOZU

Definition: The Black Marubozu is a single candlestick pattern characterized by a long black body. It does not have any shadows on either end. It is an extremely strong bearish candlestick pattern.

Recognition Criteria:

1. A black Marubozu is characterized by not having upper or lower shadows and by its long black body.
2. It shows that the prices moved down all day long after the opening thus forming the long black body.
3. Then the day closes at its lowest level that explains the absence of the lower shadow.

Explanation:

A Black Marubozu forms when the opening price is equal to the high price of the day while the closing price is equal to the low price of the day. This shows that the sellers controlled the price action from the first trade to the last trade. When a Black Marubozu day occurs, the day opens and prices continue to move down all day long without stopping. It may show continuation of the downtrend or a final sell off attempt before the bulls regain control.

Important Factors:

A Black Marubozu may be the initial phase of a bearish continuation pattern but it may also signal a bullish reversal depending on the preceding day's candlesticks.

The Black Marubozu is a single candlestick pattern with low reliability. It reflects only one day’s trading with a potential to signal both continuation and reversal. It must be used with other candlesticks for the confirmation of a trend.

BLACK CLOSING MARUBOZU

Definition: The Black Closing Marubozu is a single candlestick pattern characterized by its long black body. It does not have a lower shadow but it has an upper shadow. It is an extremely strong bearish candlestick pattern.

Recognition Criteria:

1. A Black Closing Marubozu has an upper shadow.
2. The day opens, prices slightly move up creating the upper shadow but then prices start moving down all day long creating the long black body.
3. Then the day closes at the low of the day which explains the absence of the lower shadow.

Explanation:

The Black Closing Marubozu is a single candlestick pattern. As mentioned above; it is a long black body showing a shadow on the open but no shadow at close. This shows that the day opened and then prices initially went up but then they reversed direction moving below the opening level and finally closed at the low of the day. It is a day of the bears. With the bears in full force; it may show either the continuation of a downtrend or a final sell off attempt just before the bulls regain control.

Important Factors:

A Black Closing Marubozu can be either the initial phase of a bearish continuation pattern or it may signal a bullish reversal depending on the preceding day's candlesticks.

The Black Opening Marubozu is a single candlestick pattern with low reliability. It only reflects one day's trading and may be pointing either continuation or reversal. Hence it must be considered with other candlesticks to better judge the direction of the trend.

BLACK OPENING MARUBOZU

Definition: The Black Opening Marubozu is a single candlestick pattern characterized by a long black body, a lower shadow and absence of upper shadow. It is a strongly bearish candlestick pattern.

Recognition Criteria:

1. A Black Opening Marubozu has a lower shadow.
2. The day opens and prices go below the opening price. Prices continue to move down all day thus forming the long black body.
3. The closing price is below the opening price but not at the low of the day that gives us the lower shadow.

Explanation:

The Black Opening Marubozu is a single candlestick pattern characterized by its long black body, displaying a shadow on the closing side but no shadow on the opening side. This shows that the day opened and prices continuously went down but they did not close at the low of the day and thus they created a lower shadow. It is a day for bears and such a bearish rally should cause concern among the bulls.

Important Factors:

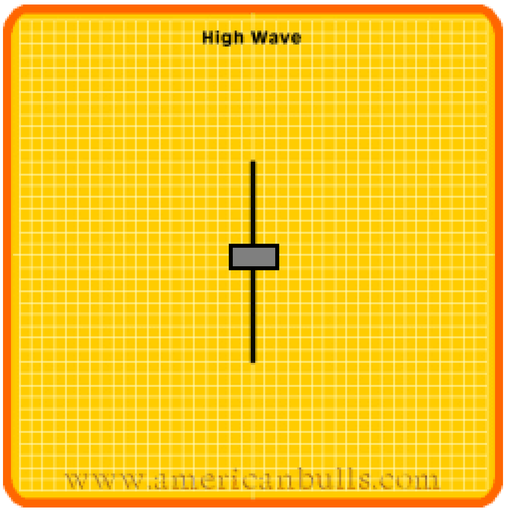
A Black Opening Marubozu may be interpreted either as the initial phase of a bearish continuation pattern or it may also signal a bullish reversal depending on the preceding day's candlesticks.

In the case of an uptrend, a Black Opening Marubozu is called as a Bearish Belt Hold Pattern.

The Black Opening Marubozu is a single candlestick pattern with low reliability. It only reflects one day's trading and may be pointing either continuation or reversal. Hence it must be considered with other candlesticks to better judge the direction of the trend.

NEUTRAL REVERSAL PATTERNS

MEDIUM RELIABILITY



HIGH WAVE

Definition: High Wave is a type of candlestick characterized with either a very long upper or a lower shadow. It has only a short real body. A group of these patterns may signal a market turn.

Recognition Criteria:

1. The real body of the candlestick is small. Its color is not important.
2. Either the upper or the lower shadow, or both shadows are long.

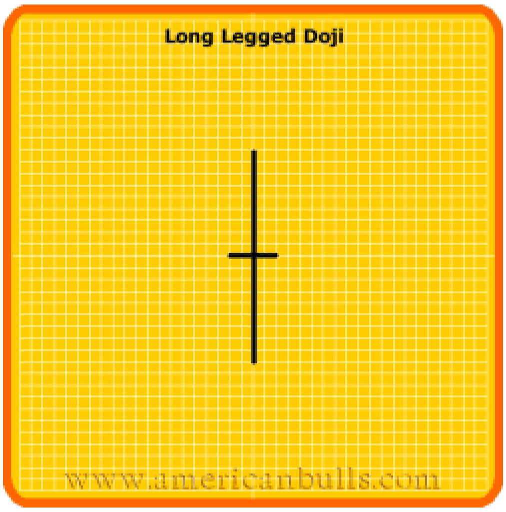
Explanation:

The High Wave just like long legged doji shows that there is a great amount of indecision in the market. This pattern is formed when prices trade well above and/or below the day's opening price, but then the price closes almost at the same level as the opening price. It means that the end result is not different from the initial open despite the whole excitement and volatility during the day. The pattern implies a loss of sense of direction and that there is a great amount of indecision in the market. A group of high wave candlesticks signal a possible reversal in the market.

Important Factors:

High Wave is especially important at tops.

High Wave is also a single candlestick pattern. Hence a confirmation is definitely required in the form of an opposite move to the prior trade on the next trading day in order to judge that a reversal may be starting.



LONG LEGGED DOJI

Definition: Long Legged Doji is characterized by very long shadows. It is an important reversal signal.

Recognition Criteria:

1. The real body of the Long Legged Doji is either a horizontal line or it is significantly small (its length is not more than a few ticks).
2. Both of the upper and lower shadows are long and they are almost equal in length.

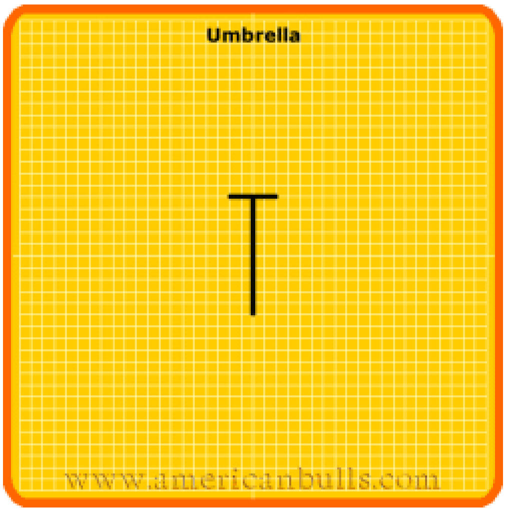
Explanation:

Long Legged Doji shows that there is a great amount of indecision in the market. This pattern is formed when prices trade well above and below the day's opening price, but then close almost at the same level as the opening price. It means that the end result is not different from the initial open despite the whole excitement and high volatility during the day. This implies a loss of sense of direction and that there is a great amount of indecision in the market.

Important Factors:

Long Legged Doji is especially important at tops.

Long Legged Doji is a single candlestick pattern. Hence, a confirmation is definitely required in the form of an opposite move to the prior trade on the next trading day in order to judge that a reversal may be starting.



UMBRELLA

Definition: An Umbrella is a type of a doji characterized with no upper shadow but a long lower shadow. The long lower shadow shows the evidence for buying pressure, but the position of low price indicates that plenty of sellers still are around. Umbrella is interpreted as a reversal pattern.

Recognition Criteria:

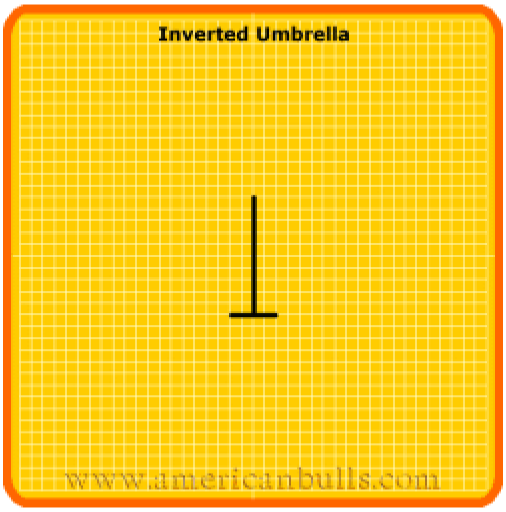
1. The real body is either a horizontal line or it is significantly small (its length is not more than few ticks).
2. There is no upper shadow.
3. However the lower shadow is long.

Explanation:

Umbrella indicates that sellers mostly dominated trading during the day and they were able to drive the prices lower during the day. However; buyers resurfaced at the end of the day and they successfully pushed prices back to the opening level and to the day high.

Important Factors:

Umbrella has the potential to signal a bullish reversal at the bottom if it appears after a long downtrend, long black candlestick or if it is seen at a visible support level. Likewise; umbrella may signal a bearish reversal at the top if it appears after a long uptrend, a long white candlestick or if it is seen at a visible resistance level. Bearish or bullish confirmation is required in both situations.



INVERTED UMBRELLA

Definition: An Inverted Umbrella is characterized by having no lower shadow and but a long upper shadow. The long upper shadow shows the evidence for selling pressure, but the position of high price indicates that plenty of buyers still are around. Inverted Umbrella is a reversal pattern.

Recognition Criteria:

1. The real body of the Inverted Umbrella is either a horizontal line or it is significantly small (its length is not more than a few ticks).
2. There is no lower shadow.
3. However the upper shadow is long.

Explanation:

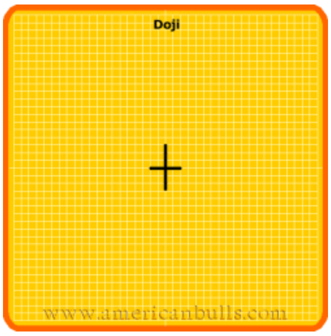
Inverted Umbrella indicates that buyers dominated the trading and they were able to drive the prices higher during the day. However, sellers resurfaced by the end of the day and pushed prices back to the opening price level and to the day's low.

Important Factors:

The Inverted Umbrella has the potential to point out evidence for buying pressure and indicate a potential bullish reversal if it appears after a long downtrend, long black candlestick or if it is seen at a visible support level. Likewise it may show a failed rally and indicate a potential bearish reversal if it appears after a long uptrend, long white candlestick or if it is seen at a visible resistance level. Bearish or bullish confirmation is required in both situations.

NEUTRAL REVERSAL/CONTINUATION PATTERNS

LOW RELIABILITY



DOJI

Definition: If a security has virtually equal opening and closing prices, this leads to a Doji. The length of the upper and lower shadows of a Doji can vary and consequently the resulting candlestick may look like a cross, inverted cross or a plus sign. Doji, taken alone, is a neutral pattern.

Recognition Criteria:

1. The real body is either a horizontal line or it is significantly small (its length is not more than a few ticks).
2. The upper and lower shadows vary in length.

Explanation:

The open and close should be equal in an ideal Doji. However the real life is unfortunately not that simple. A Doji with an equal open and close may be considered more robust but it is also rare in the real life. Hence it is more important to capture and understand the essence of this important candlestick. Doji is a particular signal showing indecision about the direction of the market and it represents a tug of war between buyers and sellers. Doji simply shows that prices has moved above and below the opening price during the day, but then the security closed either exactly at or very near the opening price. The overall result is a standoff. It shows that neither the bulls nor the bears were able to gain control during the day and it is possible that a turning point can develop soon.

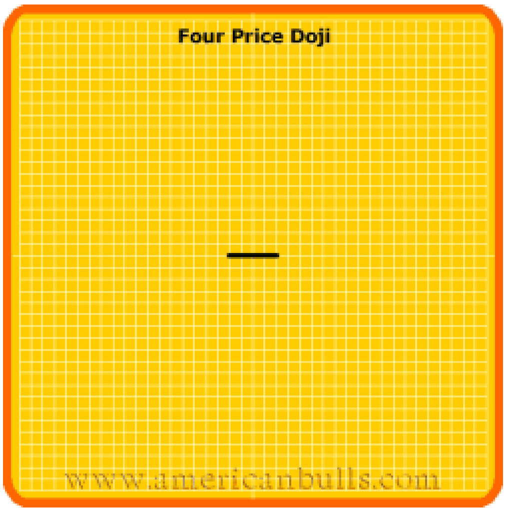
Important Factors:

Doji is an important candlestick. It provides information on its own. It also features in other formations as an important element.

Doji is relatively easy to spot. It has a very small body with the appearance of a thin horizontal line. The very small body relative to other candlesticks is its distinguishing characteristic.

Doji needs to be interpreted in terms of a preceding trend or preceding candlesticks. The appearance of a Doji after an advance or a long white candlestick signals the fact that the buying pressure is getting weaker. The appearance of a Doji after a decline or a long black candlestick signals the fact that the selling pressure is diminishing. Essentially Doji gives the message that the forces of supply and demand are becoming more evenly matched and consequently a change in trend may be near. However Doji alone is not enough to identify a reversal and further confirmation by following signals may be warranted.

The importance of Doji as a signal is somewhat relative and depends on the characteristics of the market. It is actually important only in markets where you do not see many Doji. If there are many Doji on a particular chart, the appearance of a new Doji in that particular market is not very meaningful and its signal value is negligible.



FOUR PRICE DOJI

Definition: The Four Price Doji is a single candlestick pattern. It is simply a horizontal line that has no upper or lower shadows.

Recognition Criteria:

1. The body is a horizontal line.
2. There are no upper or lower shadows at all.
3. The open, close, high and low are the same throughout the entire day.

Explanation:

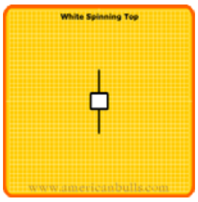
A Four Price Doji is a very rare occurrence and it may be seen only if all the four price components are equal. That is, the open, high, low, and close turn out to be the same. It represents complete and total uncertainty by traders concerning the market direction.

Important Factors:

The Four Price Doji usually occurs when a stock is very illiquid, has low volume, or the data source do not report any other price other than the closing price.

The Four Price Doji is not reliable like most other single candlestick patterns. It only reflects one day's trading and conveys a sense of complete indecision. It usually is interpreted as a reversal pattern however this indicator must be used with other candlesticks for a healthier judgment about the course of the trend.

Like all other doji types, Four Price Doji is also important only in markets where there are not many doji. In a chart characterized by many doji, the emergence of Four Price Doji do not have a signal value.



WHITE SPINNING TOP

Definition: The White Spinning Top is a single candlestick pattern. Its shape is a small white body with upper and lower shadows that have a greater length than the body's length.

Recognition Criteria:

1. The real body of the pattern is white and small.
2. The upper and lower shadows are longer than the real body's length.

Explanation:

The market moves higher and then sharply lower, or vice versa. It then closes above the opening price creating a white body. This represents complete indecision between the bulls and the bears. The actual length of the shadows is not important. The small body relative to the shadows is what makes the spinning top.

Important Factors:

If a White Spinning Top is observed after a long rally or a long white candlestick, this implies weakness among the bulls and it is a warning about a potential change or interruption in trend.

If a White Spinning Top is observed after a long decline or a long black candlestick, this implies weakness among the bears and it is a warning about a potential change or interruption in trend.

Like most other single candlestick patterns, the White Spinning Top has low reliability. It reflects only one day's trading and can be interpreted both as a continuation and a reversal pattern. This candlestick needs to be used with other candlesticks for a healthier confirmation of a trend.

BLACK SPINNING TOP

Definition: The Black Spinning Top is a single candlestick pattern. Its shape is a small black body with upper and lower shadows having a greater length than the body's length.

Recognition Criteria:

1. The real body of the pattern is black and small.
2. The upper and lower shadows are longer than the real body's length.

Explanation:

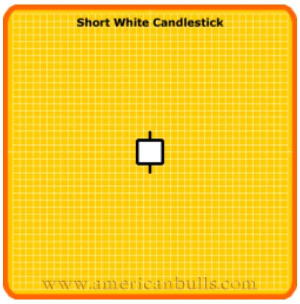
The market moves higher and then sharply lower, or vice versa. It then closes below the opening price creating a black body. This represents complete indecision between the bulls and the bears. The actual length of the shadows is not important. The small body relative to the shadows is what makes the spinning top.

Important Factors:

If a Black Spinning Top is observed after a long rally or long white candlestick, this implies weakness among the bulls and it is a warning about a potential change or interruption in trend.

If a Black Spinning Top is observed after a long decline or a long black candlestick, this implies weakness among the bears and it is a warning about a potential change or interruption in trend.

Like most other single candlestick patterns, the Black Spinning Top has low reliability. It reflects only one day's trading and can be interpreted both as a continuation and a reversal pattern. This pattern must be used with other candlesticks for a better and healthier confirmation of a trend.



SHORT WHITE CANDLESTICK

Definition: The Short White Candlestick represents relatively weak buying pressure with little price movement.

Recognition Criteria:

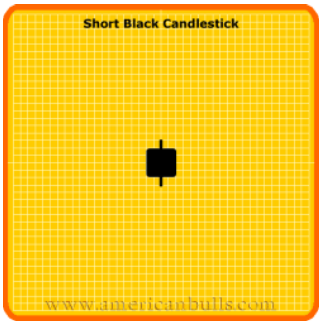
1. The real body of the candle is white and small.
2. The upper and lower shadows are smaller than the length of the real body.

Explanation:

The Short White Candlestick signals consolidation.

Important Factors:

The Short White Candlestick is not reliable since it is a single candlestick pattern. Only one day’s trading is reflected in this pattern. It may show continuation of the trend as well as reversal. Other neighboring patterns must be taken into consideration for a healthier decision regarding the status of the trend.



SHORT BLACK CANDLESTICK

Definition: The Short Black Candlestick implies relatively weak selling pressure with little price movement.

Recognition Criteria:

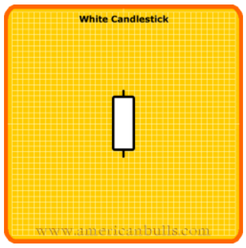
1. The real body of this pattern is black and short.
2. The upper and lower shadows are smaller than the length of the real body.

Explanation:

The Short Black Candlestick signals a possible consolidation.

Important Factors:

Like most other single candlestick patterns, the Short Black Candlestick has low reliability. It reflects only one day's trading and can be interpreted both as a continuation and a reversal pattern. It must be used with other candlesticks for a better and healthier confirmation of a trend.



WHITE CANDLESTICK

Definition: The White Candlestick represents normal buying pressure.

Recognition Criteria:

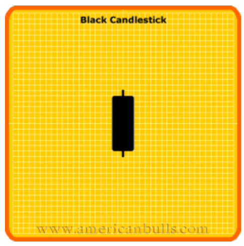
1. The real body of the pattern is white with normal length.
2. The upper and lower shadows are smaller than the length of the real body.

Explanation:

White Candlestick shows buying pressure. It shows that prices advanced from open to close during the day and buyers were in control.

Important Factors:

The White Candlestick is not a reliable pattern like most other single candlestick patterns. Only one day’s trading is reflected in a White Candlestick. Hence it has potential to be interpreted as a continuation pattern as well as a reversal pattern. The neighboring candlesticks must be taken into account to have a healthier decision if the trend is continuing or not.



BLACK CANDLESTICK

Definition: The Black Candlestick represents normal selling pressure.

Recognition Criteria:

1. The real body of this pattern is black with normal length.
2. The upper and lower shadows are smaller than the length of the real body.

Explanation:

Selling pressure is indicated by a Black Candlestick. The pattern shows that prices declined from open to close during the day and sellers were in control throughout this process.

Important Factors:

Like most other single candlestick patterns the Black Candlestick has low reliability. It reflects only one day's trading and can be interpreted both as a continuation and a reversal pattern. The pattern must be used with other candlesticks for a better or healthier confirmation of a trend.

Edited by Kaspirano