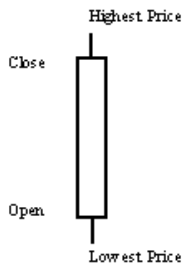
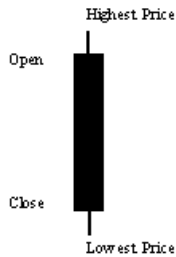


Candlestick Patterns for Day Trading

Introduction



Japanese rice traders developed candlesticks centuries ago to visually display price activity over a defined trading period. Each candlestick represents the trading activity for one period. The lines of a candlestick represent the opening, high, low and closing values for the period.



The main body (the wide part) of the candlestick represents the range between the opening and closing prices. If the closing price is higher than the opening price, the main body is white. If the closing price is lower than the opening price, the main body is black.

The lines protruding from either end are called wicks or shadows.

Bearish 3



Pattern

A long black body followed by several small bodies and ending in another long black body. The small bodies are usually contained within the first black body's range.

Interpretation

A bearish continuation pattern.

Bearish Harami

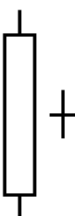


Pattern

A very large white body followed by a small black body that is contained within the previous bar.

Interpretation

A bearish pattern when preceded by an uptrend.



Bearish Harami Cross

Pattern

A Doji contained within a large white body.

Interpretation

A top reversal signal.

Big Black Candle



Pattern An unusually long black body with a wide range. Prices open near the high and close near the low.

Interpretation A bearish pattern.

Big White Candle



Pattern A very long white body with a wide range between high and low. Prices open near the low and close near the high.

Interpretation A bullish pattern.

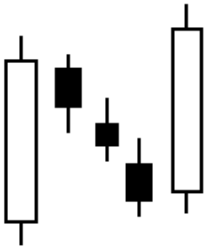
Black Body



Pattern This candlestick is formed when the closing price is lower than the opening price.

Interpretation A bearish signal. More important when part of a pattern.

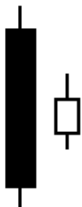
Bullish 3



Pattern A long white body followed by three small bodies, ending in another long white body. The three small bodies are contained within the first white body.

Interpretation A bullish continuation pattern

Bullish Harami



Pattern A very large black body is followed by a small white body and is contained within the black body.

Interpretation A bullish pattern when preceded by a downtrend.

Bullish Harami Cross



- Pattern** A Doji contained within a large black body.
- Interpretation** A bottom reversal pattern.

Dark Cloud Cover



- Pattern** A long white body followed by a black body. The following black candlestick opens higher than the white candlestick's high and closes at least 50% into the white candlestick's body.
- Interpretation** A bearish reversal signal during an uptrend.

Doji



- Pattern** The open and close are the same.
- Interpretation** Dojis are usually components of many candlestick patterns. This candlestick assumes more importance the longer the vertical line.

Doji Star

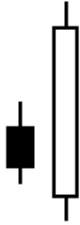


- Pattern** A Doji which gaps above or below a white or black candlestick.
- Interpretation** A reversal signal confirmed by the next candlestick (eg. a long white candlestick would confirm a reversal up).

Engulfing Bearish Line



- Pattern** A small white body followed by and contained within a large black body.
- Interpretation** A top reversal signal.



Engulfing Bullish Line

Pattern A small black body followed by and contained within a large white body.

Interpretation A bottom reversal signal.



Evening Doji Star

Pattern A large white body followed by a Doji that gaps above the white body. The third candlestick is a black body that closes 50% or more into the white body.

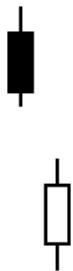
Interpretation A top reversal signal, more bearish than the regular evening star pattern.



Evening Star

Pattern A large white body followed by a small body that gaps above the white body. The third candlestick is a black body that closes 50% or more into the white body.

Interpretation A top reversal signal.



Falling Window

Pattern A gap or "window" between the low of the first candlestick and the high of the second candlestick.

Interpretation A rally to the gap is highly probable. The gap should provide resistance.



Gravestone Doji

Pattern The open and close are at the low of the bar.

Interpretation A top reversal signal. The longer the upper wick, the more bearish the signal.

Hammer



Pattern A small body near the high with a long lower wick with little or no upper wick.

Interpretation A bullish pattern during a downtrend.

Hanging Man



Pattern A small body near the high with a long lower wick with little or no upper wick. The lower wick should be several times the height of the body.

Interpretation A bearish pattern during an uptrend

Inverted Black Hammer



Pattern An upside-down hammer with a black body.

Interpretation A bottom reversal signal with confirmation the next trading bar.

Inverted Hammer



Pattern An upside-down hammer with a white or black body.

Interpretation A bottom reversal signal with confirmation the next trading bar.

Long Legged Doji



Pattern A Doji pattern with long upper and lower wicks.

Interpretation A top reversal signal.

Long Lower Shadow



Pattern A candlestick with a long lower wick with a length equal to or longer than the range of the candlestick.

Interpretation A bullish signal.

Long Upper Shadow



Pattern A candlestick with an upper wick that has a length equal to or greater than the range of the candlestick.

Interpretation A bearish signal.

Morning Doji Star



Pattern A large black body followed by a Doji that gaps below the black body. The next candlestick is a white body that closes 50% or more into the black body.

Interpretation A bottom reversal signal

Morning Star



Pattern A large black body followed by a small body that gaps below the black body. The following candlestick is a white body that closes 50% or more into the black body.

Interpretation A bottom reversal signal.

On Neck-Line



Pattern In a downtrend, a black candlestick is followed by a small white candlestick with its close near the low of the black candlestick.

Interpretation A bearish pattern where the market should move lower when the white candlestick's low is penetrated by the next bar.

Piercing Line



Pattern A black candlestick followed by a white candlestick that opens lower than the black candlestick's low, but closes 50% or more into the black body.

Interpretation A bottom reversal signal.

Rising Window



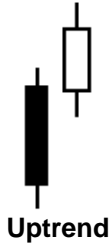
Pattern

A gap or "window" between the high of the first candlestick and the low of the second candlestick.

Interpretation

A selloff to the gap is highly likely. The gap should provide support.

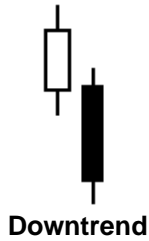
Separating Lines



Pattern

In an **uptrend**, a black candlestick is followed by a white candlestick with the same opening price.

In a **downtrend**, a white candlestick is followed by a black candlestick with the same opening price.



Interpretation

A continuation pattern. The prior trend should resume.

Shaven Bottom



Pattern

A candlestick with no lower wick.

Interpretation

A bottom reversal signal with confirmation the next trading bar.

Shaven Head



Pattern

A candlestick with no upper wick.

Interpretation

A bullish pattern during a downtrend and a bearish pattern during an uptrend.

Shooting Star



Pattern

A candlestick with a small body, long upper wick, and little or no lower wick.

Interpretation

A bearish pattern during an uptrend.

Spinning Top



Pattern

A candlestick with a small body. The size of the wicks is not critical.

Interpretation

A neutral pattern usually associated with other formations.

Three Black Crows



Pattern

Three long black candlesticks with consecutively lower closes that close near their lows.

Interpretation

A top reversal signal.

Three White Soldiers



Pattern

Three white candlesticks with consecutively higher closes that close near their highs.

Interpretation

A bottom reversal signal.

Tweezer Bottoms



Pattern

Two or more candlesticks with matching bottoms. The size or color of the candlestick does not matter.

Interpretation

Minor reversal signal.

Tweezer Tops



Pattern

Two or more candlesticks with similar tops.

Interpretation

A reversal signal.

White Body



Pattern

A candlestick formed when the closing price is higher than the opening price.

Interpretation

A bullish signal.