

Looking for Reversals

Simple Candlestick
patterns to light your
way

Contents

Introduction

- Hammer
- Shooting Star
- Inverted Hammer
- Hanging Man
- Doji
- Stars

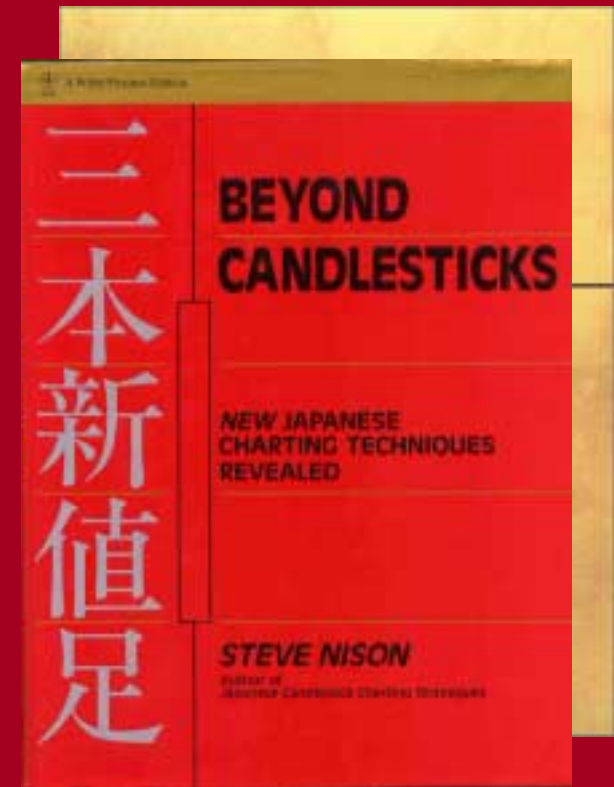
- Evening Star
- Morning Star
- Engulfing Pattern
- Dark Cloud Cover
- Piercing Pattern
- Flexibility
- Harami
- Summary

A brief history

- Candlestick Charts have only become popular in the Western World in the last 10 years, however this is not a passing “fad”
- The psychology behind Candlesticks has been used by Japanese traders as far back as the 1700's
- Charts similar to those that we see Today probably came into use in the late 1800's

A brief history (cont'd)

- Until the late 1980's candlesticks were only used by Japanese traders. Then Steve Nison kindled an interest in the Western world which he ignited with the publication of his book "Japanese Candlestick Charting Techniques". This is the "Bible" for this form of analysis and has been followed up by another volume: "Beyond Candlesticks"



Why use Candles?

- Based on the fact that Candles use the same data as the traditional western "Bar Charts" – what is the attraction?
- Candlesticks present the basic data set in a different way to Bar Charts. The briefest of glances instantly gives a clue as to how they can aid us in looking at charts

Why use Candles (cont'd)?



Why use Candles (cont'd)?



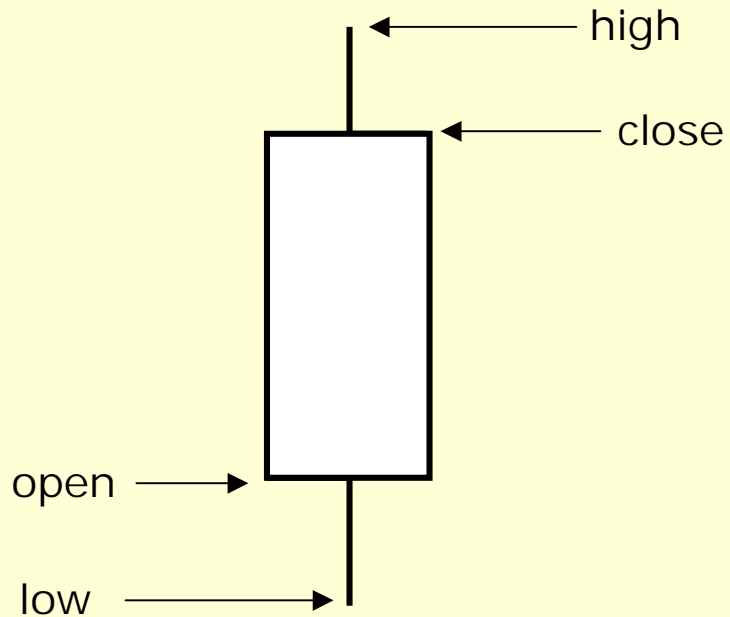
Candle Chart

Why use Candles (cont'd)?

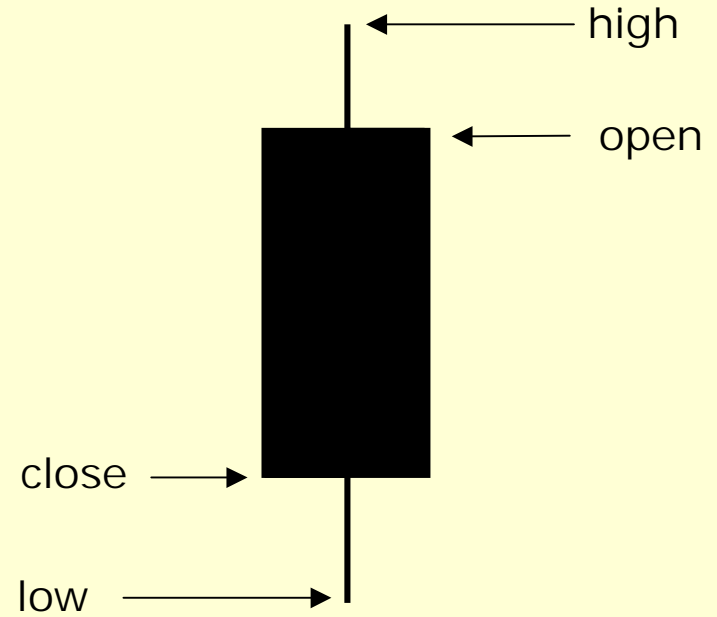


Candle Chart

Construction

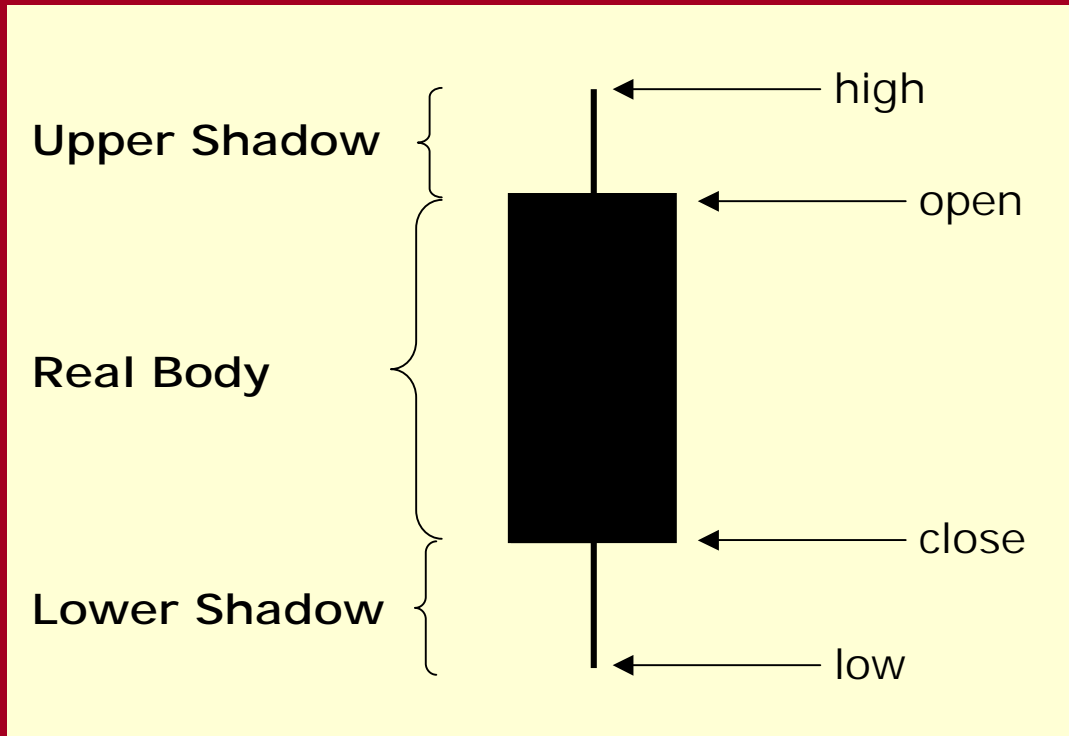


Open/White/Green candle - Bullish



Filled/Black/Red candle - Bearish

Construction (cont'd)



Why use Candles?

- The Japanese used Candlesticks as a graphical representation of the psychology of the market. It is important to think of them in this way

Contents

- Introduction
- **Hammer**
- Shooting Star
- Inverted Hammer
- Hanging Man
- Doji
- Stars

- Evening Star
- Morning Star
- Engulfing Pattern
- Dark Cloud Cover
- Piercing Pattern
- Flexibility
- Harami
- Summary