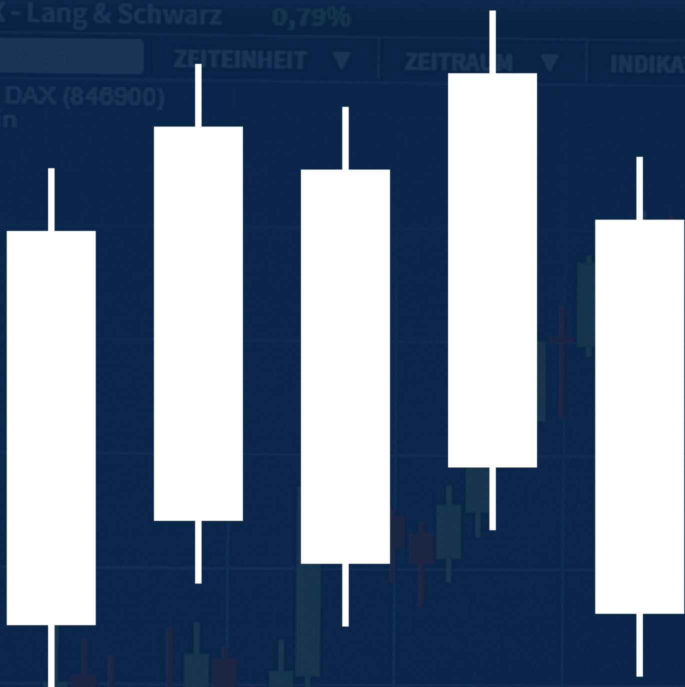
FEEL THE CANDLESTICKS

A BEGINNER'S GUIDE TO CANDLESTICK PATTERNS



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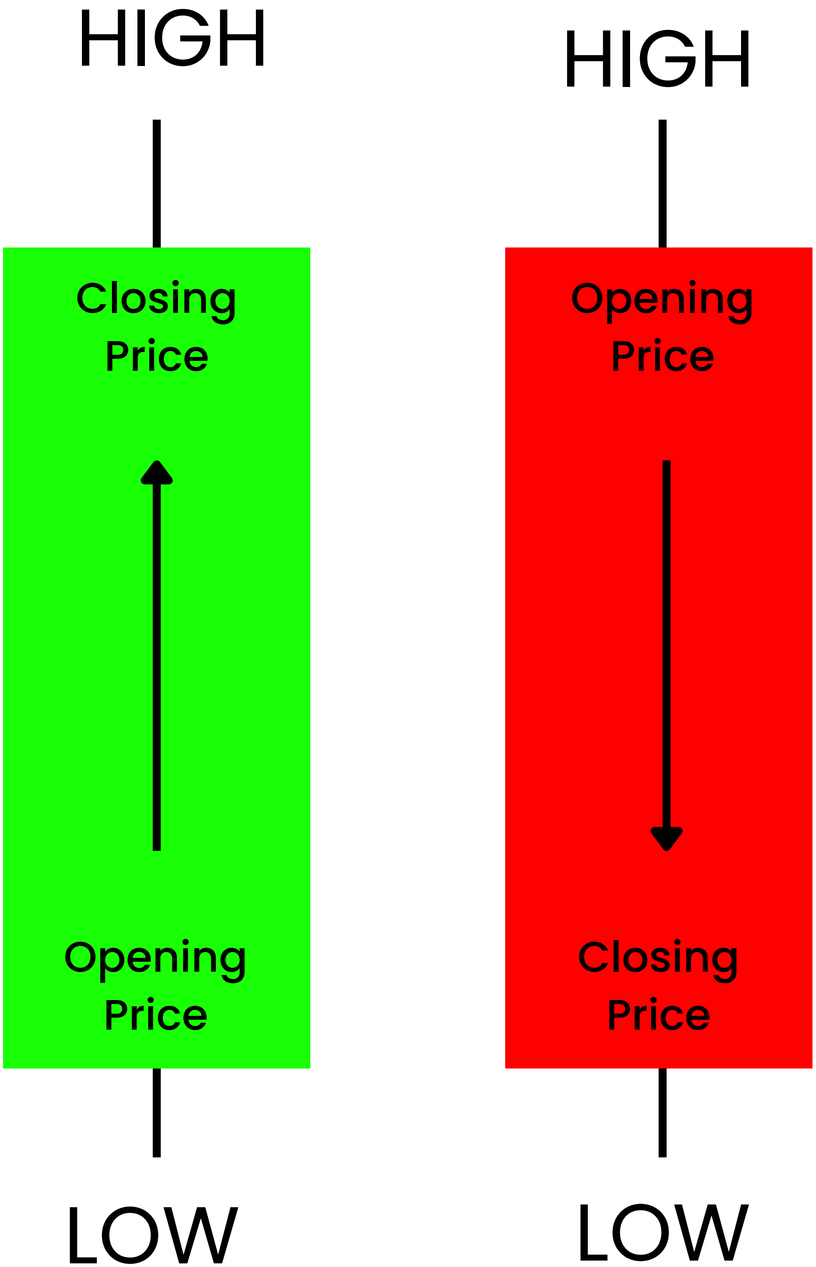
Candlestick charts are a fundamental tool in the world of trading. They help traders visualize price movements and identify patterns that can signal potential market trends. Understanding candlestick patterns is essential for anyone interested in trading, as these patterns can provide valuable insights into market behavior.

WHAT IS A CANDLESTICK?

A candlestick is a type of chart used to represent the price movements of a stock over a specific period. Each candlestick shows the opening, closing, highest, and lowest prices during that time. The body of the candlestick represents the difference between the opening and closing prices, while the wicks (or shadows) show the highest and lowest prices. Candlesticks are typically green, indicating an upward trend, or red, indicating a downward trend. However, the color of the candles can be customized. What truly matters is identifying bullish candles, which indicate rising prices, and bearish candles, which indicate falling prices.


HIGH
Closing Price
Opening Price
LOW
HIGH
Opening Price
Closing Price
LOW

HISTORY OF CANDLESTICK CHARTS

Candlestick charts have a rich history that dates back to 18th-century Japan. They were developed by *Munehisa Homma*, a rice trader who observed that market prices were influenced by the emotions of traders. To capture this, he created candlestick charts that recorded price movements and market sentiment. These charts eventually spread beyond Japan and became a standard tool in financial markets worldwide.

TYPES OF CANDLESTICKS

- Strength Candles (Marubozu)
- Rejection Candles (Pinbars)
- Indecisive Candles (Doji)

CANDLESTICK PATTERNS BASED ON THE NUMBER OF CANDLESTICKS

Candlestick patterns can be classified based on the number of candlesticks involved. These patterns are important for swing trading, as they help traders predict potential market movements.

1. Single Candlestick Patterns

- **Hammer:** Appears after a downtrend, with a small body at the top and a long lower wick. It suggests a potential upward reversal.
- **Shooting Star:** Appears after an uptrend, with a small body at the bottom and a long upper wick. It indicates a potential downward reversal.
- **Inverted Hammer:** Similar to the hammer but appears after a downtrend, with a long upper wick.
- **Hanging Man:** Appears after an uptrend and looks similar to the hammer. It has a small body at the top with a long lower wick. It suggests a potential downward reversal, indicating that the market may be losing momentum.

- **Marubozu:** A candlestick with no wicks, indicating strong buying or selling pressure.
- **Doji:** A candlestick with a very small or no body, showing **indecision** in the market.

2. Double Candlestick Patterns

- **Engulfing Pattern:** Involves two candlesticks. In a bullish engulfing pattern, a small red candlestick is followed by a larger green candlestick, signaling a potential upward reversal. In a bearish engulfing pattern, a small green candlestick is followed by a larger red candlestick, indicating a potential downward reversal.

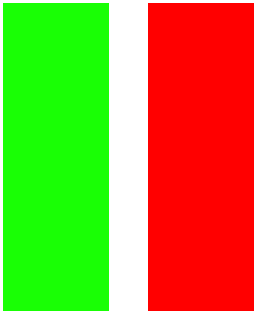
3. Triple Candlestick Patterns

- **Morning Star:** Appears after a downtrend and consists of three candlesticks. The first is a long bearish candlestick, followed by a small-bodied candlestick (doji or spinning top), and then a long bullish candlestick. This pattern suggests a potential upward reversal.

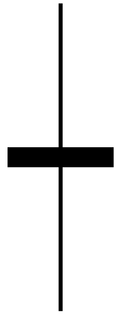
- **Evening Star:** Appears after an uptrend and is the opposite of the morning star. It consists of a long bullish candlestick, followed by a small-bodied candlestick, and then a long bearish candlestick, indicating a potential downward reversal.

CANDLESTICKS AND TIMEFRAMES

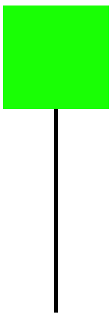
Time is a powerful element in trading. **The larger the timeframe, the more reliable and accurate the candlestick patterns become.** It's important to start by analyzing patterns in higher timeframes, such as monthly or weekly charts. Once you've identified patterns in these timeframes, you can move down to daily, hourly, and even minute charts.



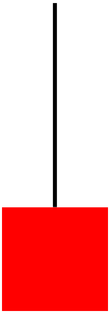
Marubozu



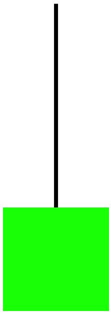
Doji



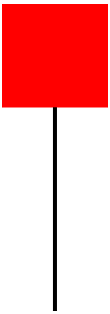
Hammer



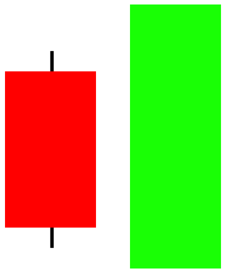
Shooting Star



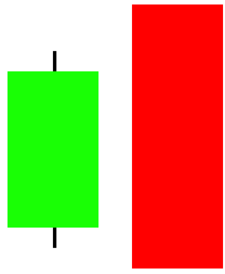
Inverted Hammer



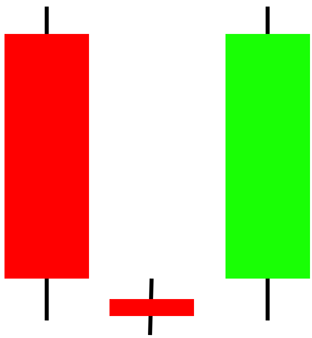
Hanging Man



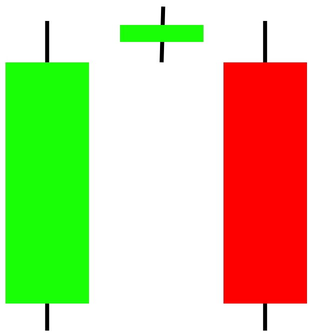
Bullish Engulfing



Bearish Engulfing



Morning Star



Evening Star

THE BOTTOM LINE

This ebook is created specifically for swing trading purposes. It covers almost all the important candlestick patterns. To get the most out of these patterns, start by identifying them in higher timeframes. Remember, patterns identified in higher timeframes are more reliable and can give you a better edge in the market.

DISCLAIMER:

The information provided in this ebook is solely for educational purposes. Don't blindly jump into trading without proper ***experience*** *and knowledge. It is always better to consult a financial advisor.*

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