

Candlesticks :

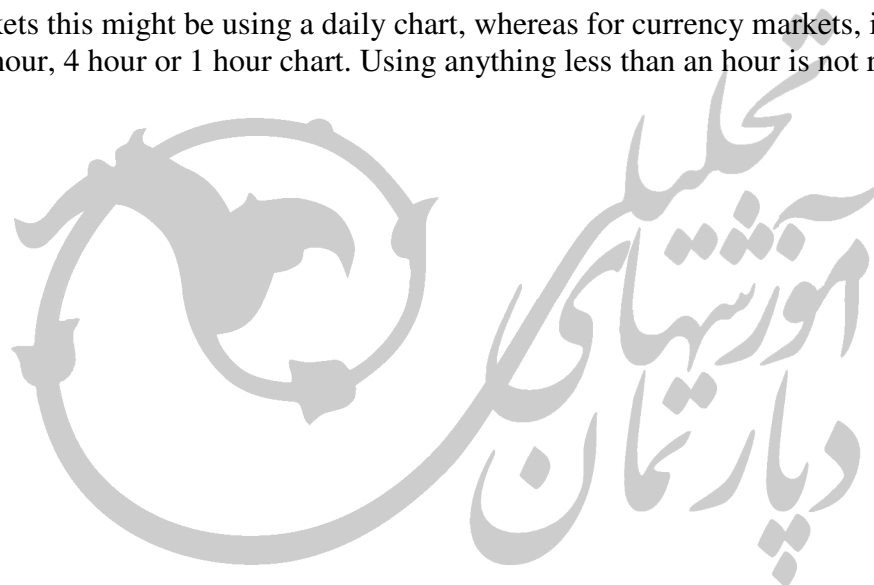
Introduction:

Candlestick charts were derived over 200 years ago by the Japanese, who used them for the purpose of doing analysis of the rice markets. They are visually more attractive than standard bar and line charts and they make for a clearer market reading, once understood

Note: A trading period can be a week, a day, an hour or even less. What period is most appropriate depends on the market and the nature of the trade. Trading periods under an hour are not good measures for currency markets.

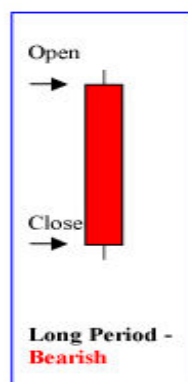
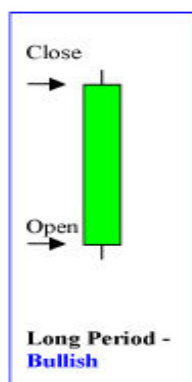
We do ask that when using candlestick indicators, you should always use them in combination with some other trend indicators, such as the slow stochastic indicator, RSI and Bollinger bands. Also, be aware that technical analysis on its own is not enough as economic indicators are often the triggers for price action, so fundamentals are also critical to active trading.

For stock markets this might be using a daily chart, whereas for currency markets, it could be an 8 hour, 4 hour or 1 hour chart. Using anything less than an hour is not recommended



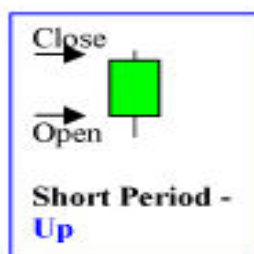
Candle Stick Types:

1) Long Periods



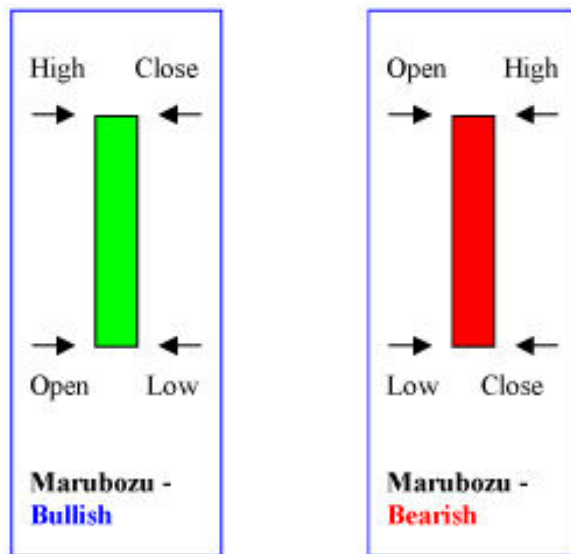
Usually the shadows are quite short, indicating that the market movement was one-directional.

2) Short Periods

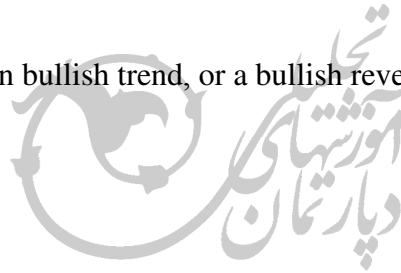


Compressed candlestick bodies indicate little price movement.

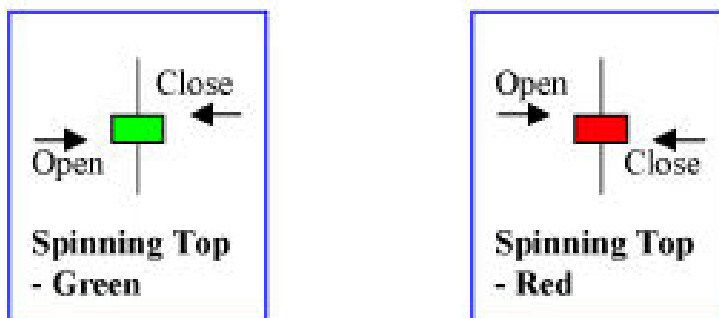
3) Marubozu



No shadows - start of a continuation bullish trend, or a bullish reversal pattern.

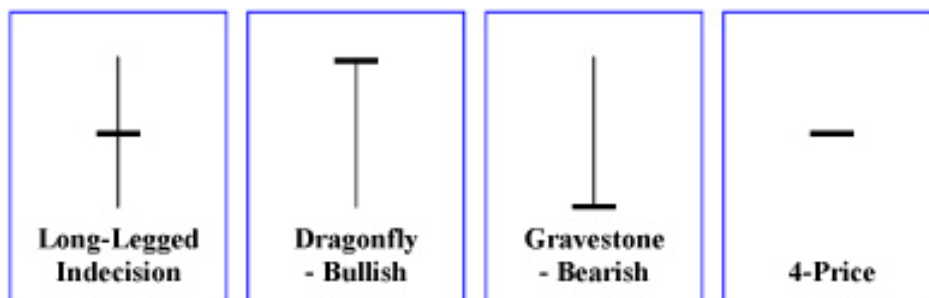


4) Spinning Tops



Longer shadows than bodies - market indecision and the trend is neither bullish nor bearish.

## 5) Doji



Doji sticks have the same open and close price)

A Long Legged Doji has long shadows-considerable fluctuation - market indecision.

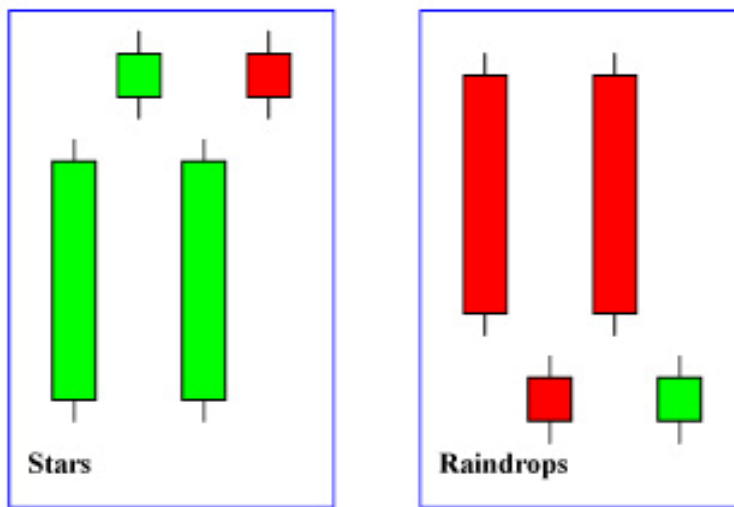
A Dragonfly Doji has only one long shadow- It is a good signal of a bearish trend reversal, i.e. price should now move upwards.

A Gravestone Doji is the opposite of a Dragonfly -It is a good signal of a bullish trend reversal, i.e. price should now move downwards.

A 4-Price Doji is a rare event-only happens when trading is suspended.



6) Stars and Raindrops



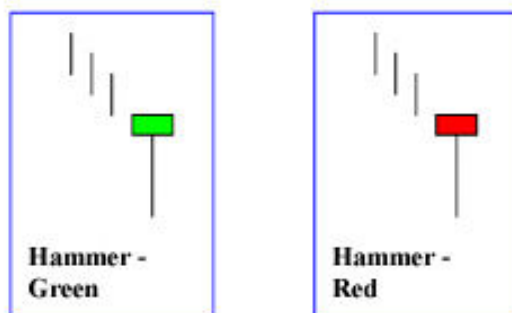
Stars and raindrops form part of a more complicated pattern, usually a reversal pattern, but need to be examined in a wider context.

7) Paper Umbrella



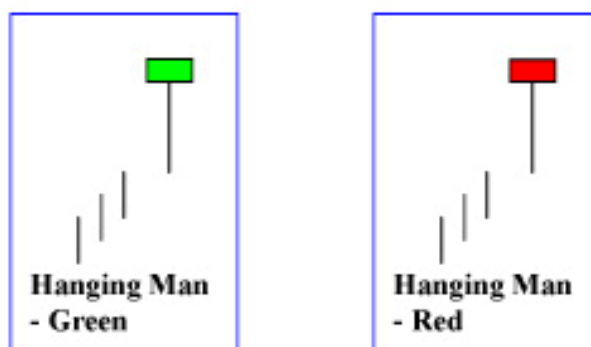
Strong reversal indicator. Both umbrellas indicate a bearish trend reversal.

8) Hammer



A hammer is a very important indicator of reversal trend - attempting to hammer out a market bottom. Bullish trend on the way.- appears during a downtrend only. The color of the body does not matter.

9) Hanging Man



A man in hanging position with his legs dangling underneath -Trend reversal to a bearish market.The colour of the body is not important to the trend reversal.

10) Engulfing



Body completely engulfs that of the preceding period's body- trend reversal.

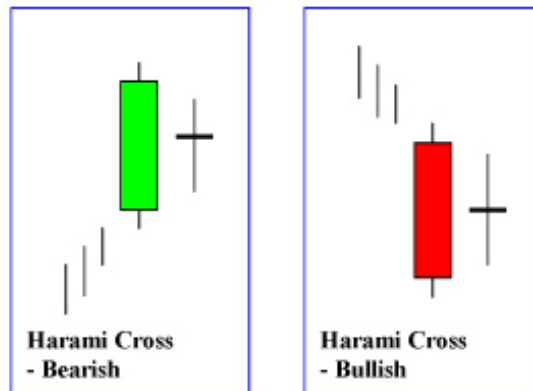


11) Harami



A Harami is the reverse of engulfing-(impregnated in Japanese) -A trend reversal.

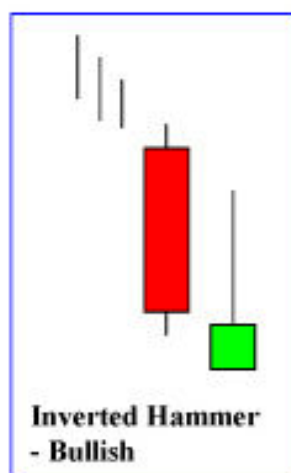
12) Harami Cross



Trend reversal - (second candle is a Doji).

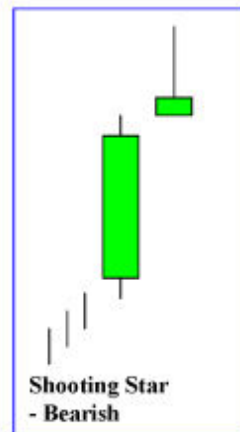


13) Inverted Hammer

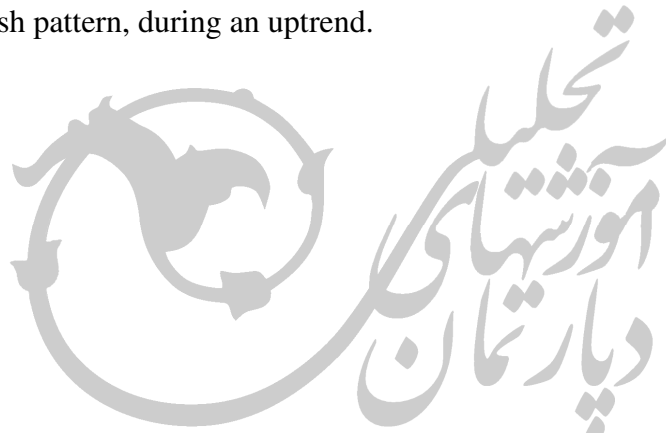


It occurs at the bottom of a downtrend - trend reversal.

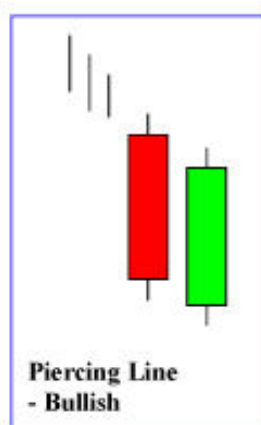
14) Shooting Star



A Shooting Star is a bearish pattern, during an uptrend.

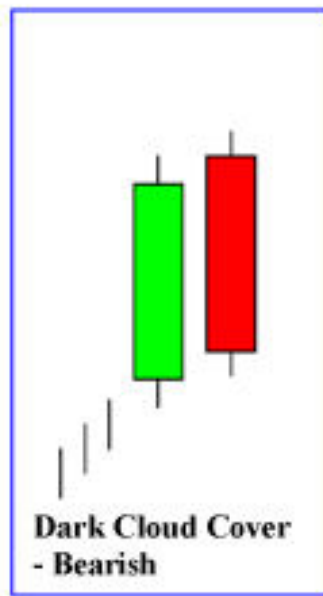


15) Piercing Line



The Piercing line is a bullish indicator that indicates a trend reversal. The opening price of the bullish body is below the close point of the bearish body and the bullish body pierces the mid-point of the preceding trading period.

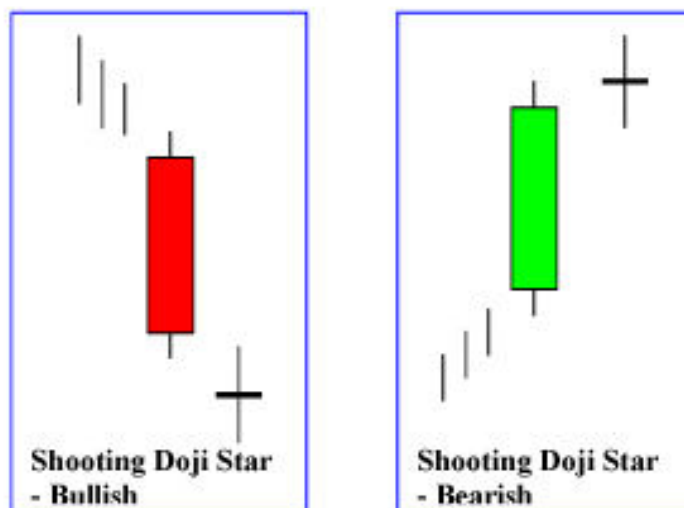
16) Dark Cloud Cover



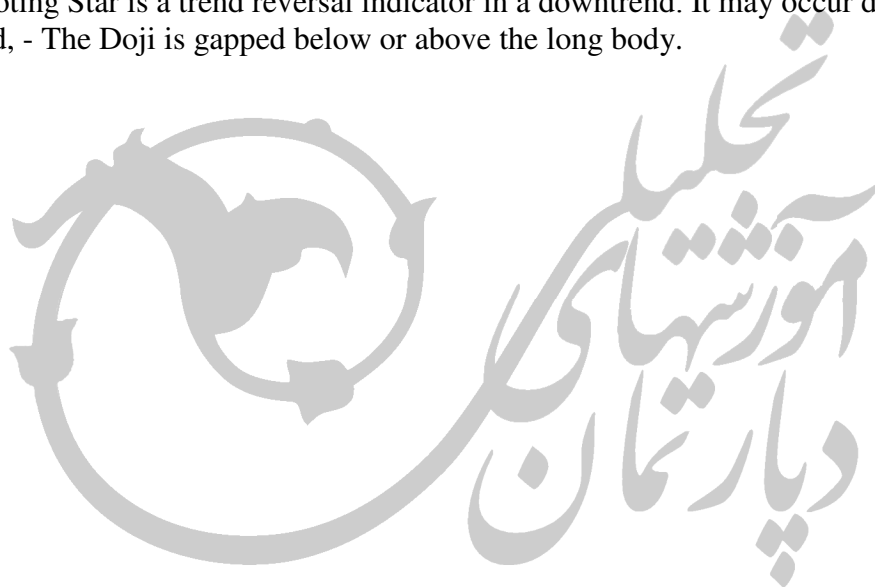
A bearish pattern and an indicator of trend reversal. - It occurs in an uptrend only - The bearish body pierces the mid-point of the preceding body.



17) Doji Shooting Star



A Doji Shooting Star is a trend reversal indicator in a downtrend. It may occur during an uptrend or a downtrend, - The Doji is gapped below or above the long body.



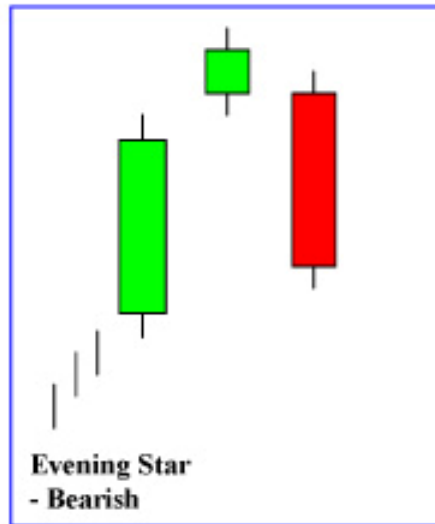
18) Morning Star



A Morning Star is a bullish indicator - trend reversal. It consists of 1) a long bearish body during a downtrend, 2) a star with a short bullish body that is gapped away from the bearish body and finally 3) a long bullish body, which is the confirmation of the trend reversal. There is a 3<sup>rd</sup> candle which has a long body that confirms the trend upwards and has a close above the mid-point of the long bearish body.

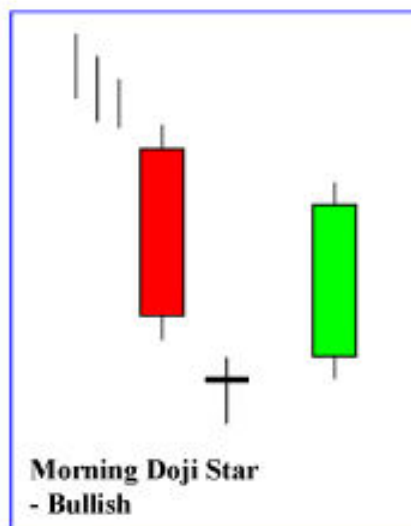


19) Evening Star



An Evening Star consists of 3 candles - 1) a long bullish candle, 2) a shorter star candle where the price goes higher and finally 3) a long bearish candle . -indicator of a trend reversal and is a bearish sign.(mid-point)



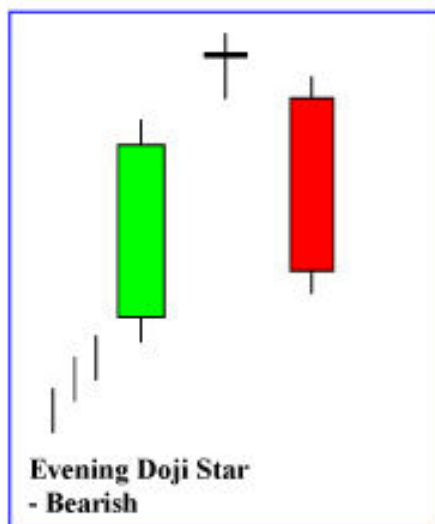
20) Morning Doji Star

Reversal indicator- It consists of a long bearish body, a Doji gapped below the bearish body and finally a long bullish body, which follows the Doji and which pierces above the mid-point of the long bearish body and confirms the trend reversal.

The close price of the bullish candle pierces above the mid-point of the bearish candle body.



21) Evening Doji Star



An evening Doji Star occurs during an uptrend and is a trend reversal indicator. (mid-point)

