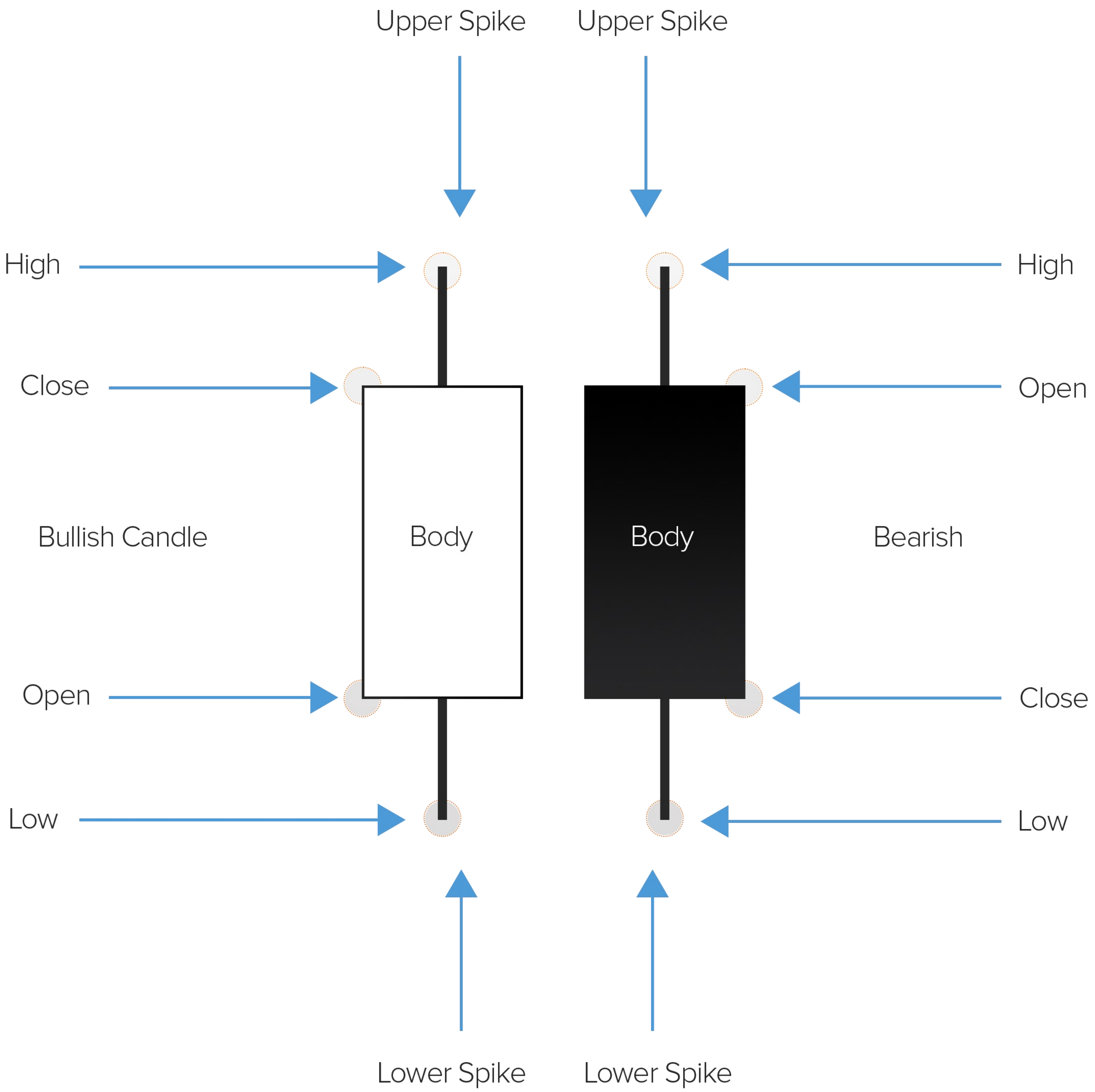
FAIR MARKETS

Education Package
02 Candlesticks

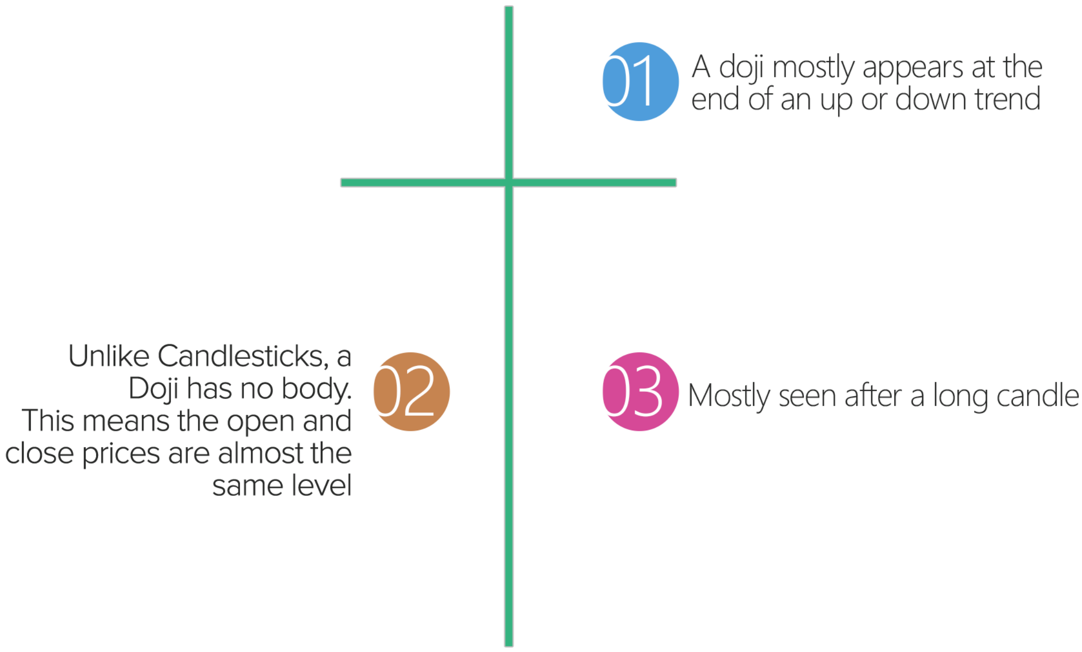
HOW TO READ CANDLESTICKS

Candlesticks are the most commonly used chart in FX trading. This is because they allow you to picture relevant price movements in a certain time frame (for example, 30mins).



HOW DO CANDLESTICKS HELP TRADERS?

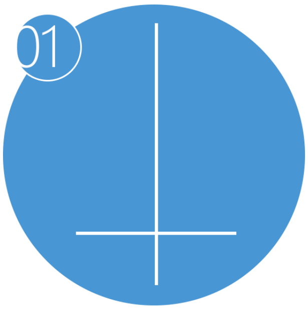
DOJI



REVERSAL PATTERNS

Here the Doji has a long upper shadow (a spike) and a smaller lower shadow. They appear in uptrends and warns that the trend may change. The long doji is mostly seen after a long bullish candlestick, especially when the bullish market seems strong.

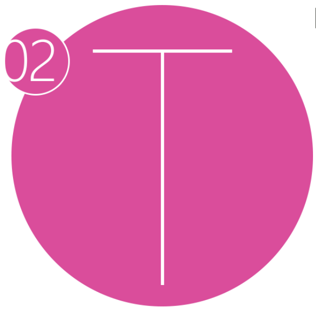
The open level trading range becomes smaller when a long doji appears and closes. Here bulls and bears meet in the equilibrium. Meaning that uptrend energy is becoming weaker.



Dragonfly Doji

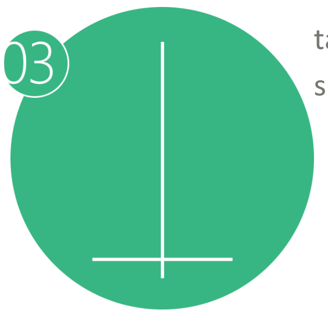
The Dragonfly Doji appears when the open, high and close are around the same level. The most important component of this Doji is the long lower shadow. This shadow implies that the marker has found the demand.

Bears tend to press prices downwards, however sometimes an area of support is found at the low of the day, which meant buy pressure is able to push prices back up. Here the bearish advance is rejected by the bulls.



Price Doji

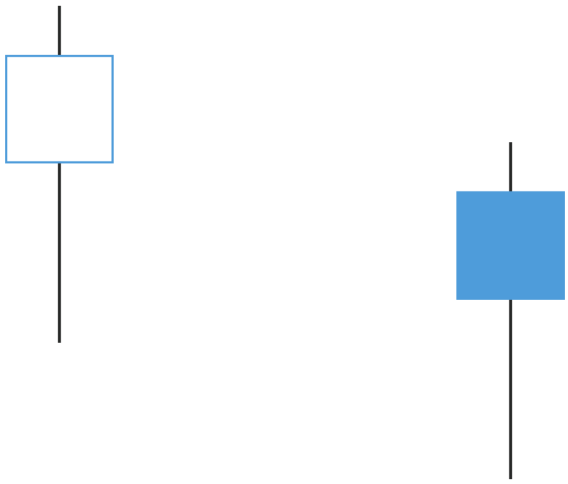
This Doji rarely appears. It represents a total confusion in the market direction. The formation is identified by its lack of lower shadow, which means the close price is almost equal to the open price.



HAMMER AND HANGING MAN REVERSAL INDICATIONS

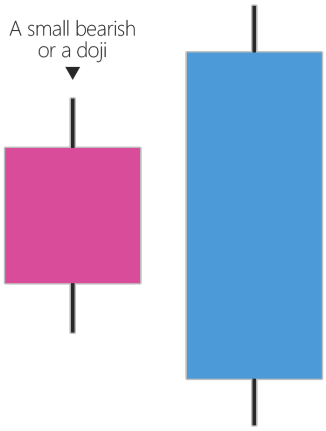
1. Hanging Man : When a hanging man appears on a bullish trend it emits a bearish signal.

2. Hammer : A hammer is formed when the open, high and close are almost at the same level. The hammer is a bullish reversal pattern. It mainly occurs at the bottom of down trends.



BULLISH AND BEARISH ENGULFING PATTERN

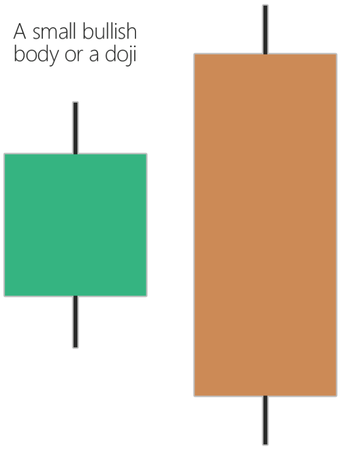
A bullish engulfing is composed of a smaller bearish body and a larger bullish body. This bullish body engulfs the previous downtrend pattern. It totally engulfs the body of the bearish trend but may not always engulf the shadow. The length of the first bearish shadow is not important in this instance - it can even be a doji.



BULLISH AND BEARISH ENGULFING

Bullish Engulfing

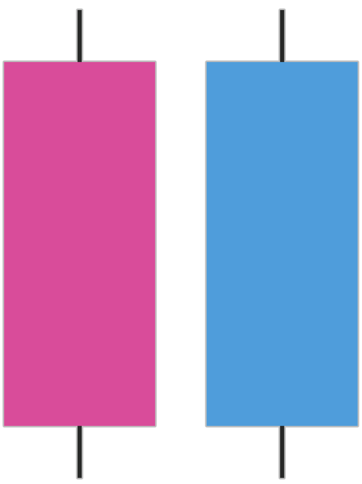
A bearish engulfing pattern is the opposite of a bullish engulfing pattern. A larger bearish body will engulf a smaller bullish body, without necessarily engulfing its shadows. The length of the smaller bullish body doesn't matter and can even be a doji.

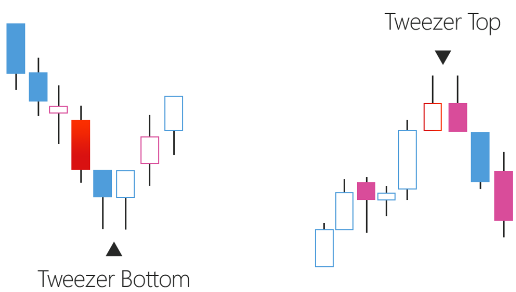


TWEEZER TOP AND TWEEZER BOTTOM REVERSAL SIGNALS

The tweezer top can be found at the tip of an uptrend. The first candlestick should be bullish with a larger body, this will be followed by a bearish candlestick almost the same size. The upper shadows of these candlesticks are also almost the same. This pattern is more accurate in the context of a broader price chart.

The tweezer bottom can be found at the bottom of a downtrend. The first candlestick should be bearish with a large body, followed by a bullish candlestick. The bodies and shadows of these candlestick should be nearly the same size. This pattern is most accurate when it appears during market lows, near support lines or at lower trend lines.





HARAMI REVERSAL SIGNALS

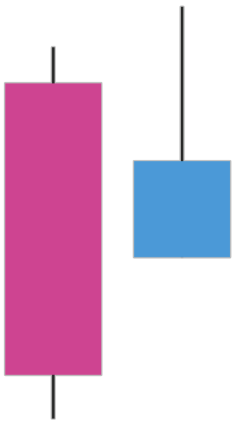
A The Harami pattern is divided into two types, bullish and bearish. Two shadows need to be at the same or almost the same level. This pattern consists of a small bearish body which is completely inside the range of the first bullish body.

Bearish Harami

This pattern consists of a large bullish body and a smaller bearish body that is completely inside the range of the first body. Harami is a word which stands for pregnant in Japanese therefore the first candle is called as mother and the second is called as baby.

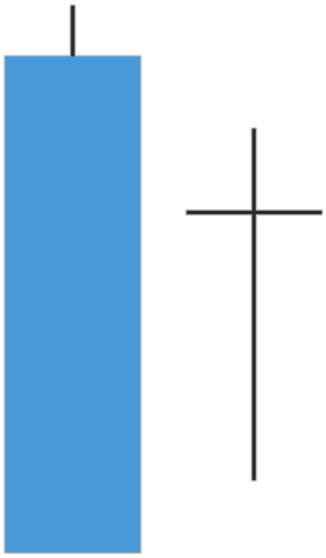
Bullish Harami

Bullish harami consists of a large bearish body and a smaller bullish body that is completely inside the range of the first body. Either the body tops or the body bottoms of the two candlesticks may be at the same level, but whatever the case, bearish body should be smaller than the previous one.



HARAMI CROSS

Flags and pennants are quite similar. They both form during stationary periods in an active trend. Flags are continuation pattern that are finalised after the break.

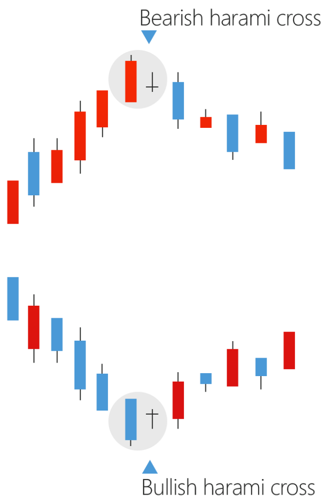


Bearish Harami Cross

This is a major bearish reversal pattern which is even more significant than a regular bearish harami. The pattern characterized by a large bullish body followed by a doji that is completely inside the range of the previous body.

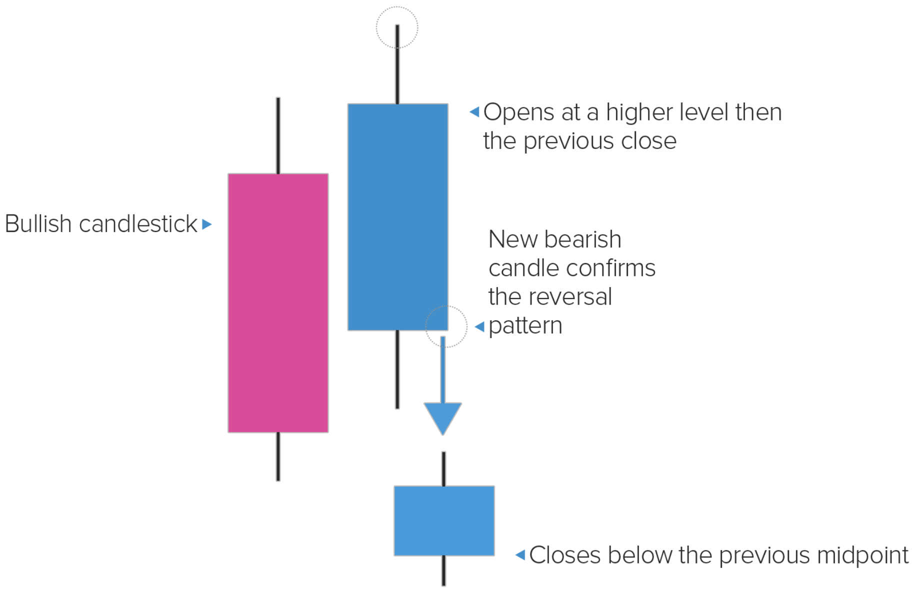
Bullish Harami Cross

This is a major bullish reversal pattern which is even more significant than a regular bullish harami. The pattern characterized by a large bearish body followed by a doji that is completely inside the range of the previous body.



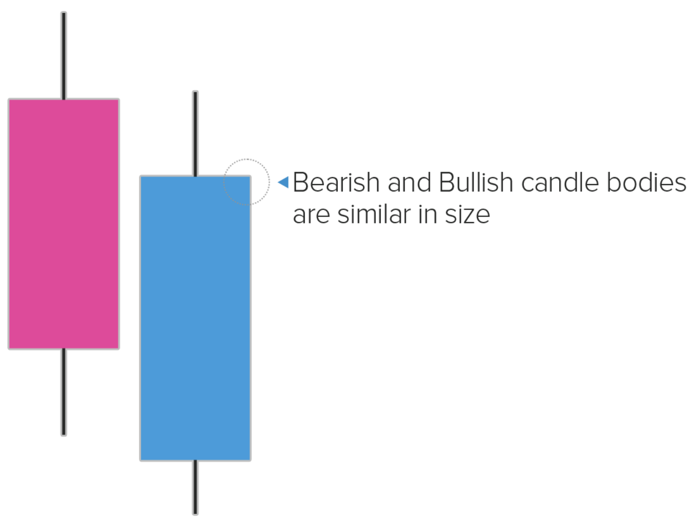
DARK CLOUD COVER PATTERN

This pattern occurs during an uptrend. At first a bullish candlestick appears, after this a new bearish candle will open after a higher gap. This then closes within the previous price range. Below you can observe the midpoint between previous open and close prices. The confirmation will appear is a secondary bearish candle forms.



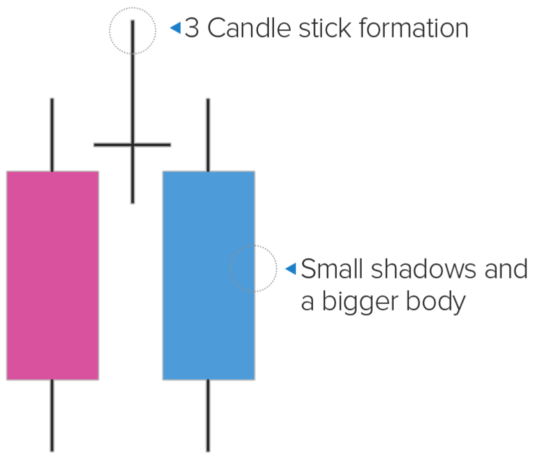
BEARISH BLACK CROW

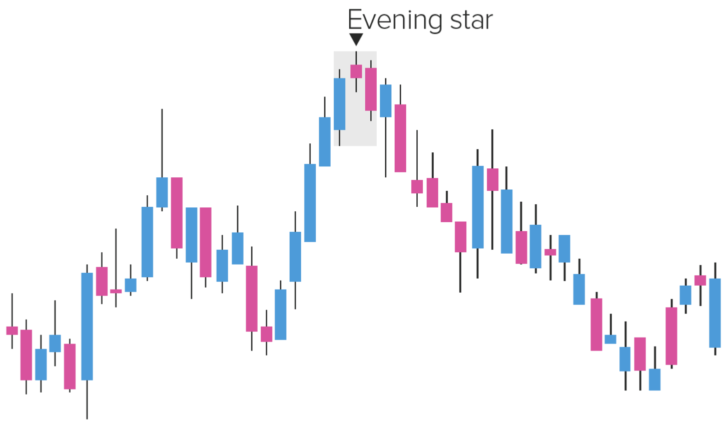
This pattern appears during an uptrend. It consists of a bullish and bearish candlestick. A black candlestick then opens below the preceding day's close. It closes below its open. The pattern can look similar to the formation of a bearish harami, the only difference is; the second candle closes lower. Which prevents the bullish body engulfing the bearish body.



EVENING DOJI STAR

This three candlestick pattern indicates a bearish reversal. It’s composed of a bullish body, and is then followed by a doji. This is then followed by a bearish candlestick, as seen below. The bearish candlestick appears when closing reaches the first candle midpoint. The doji creates a gap between the two.





MORNING DOJI STAR

This pattern also contains three candlesticks. In this instance however it indicates a bullish reversal. It’s compo-sed of a bearish body, followed by a doji which creates a gap, and then a bullish body. The closing of the bullish candlestick reaches the first midpoint.