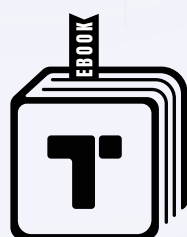


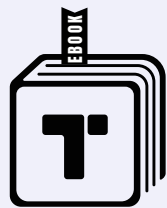


15 CANDLESTICK PATTERNS

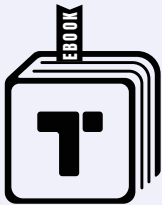
17 CHART PATTERNS



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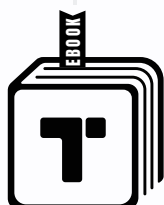
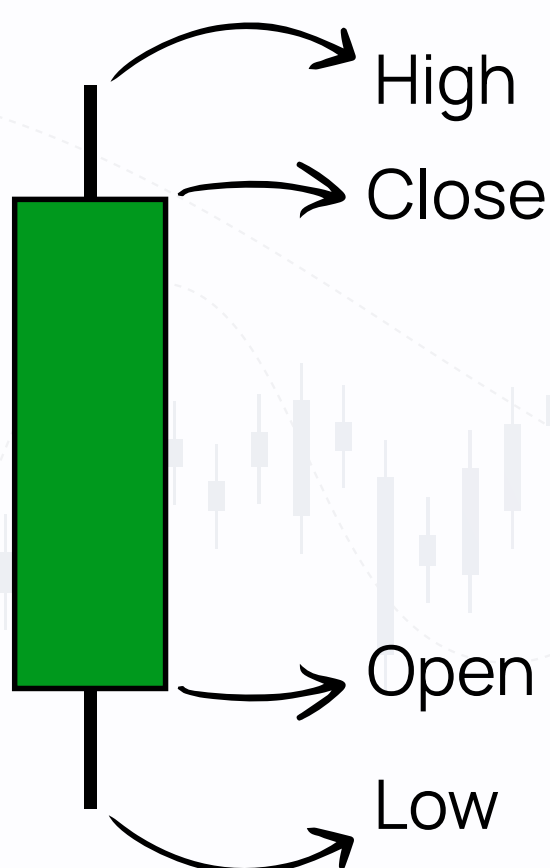


1. INTRODUCTION

Candlesticks show us how the price of an underlying security moves over time, which means we get insights into the battle between buyers and sellers. They tell us the four key components of price movement; the open, close, high and low of the price of an asset in a given timeframe.

When reading into candlesticks, the key information lies in the size and the colour. As a result, candlesticks can be broadly classified into two types: bullish and bearish. The second component of a candlestick, apart from the body, is the wicks on either side. While the body represents the opening and closing of a security's price over a period, the wicks represent its high and low. The upper wick, above the body of the candlestick, represents the highest price the asset reached during the specified time. The lower wick shows the lowest price.

Let's delve deeper into the different types of candlesticks and candlestick patterns.



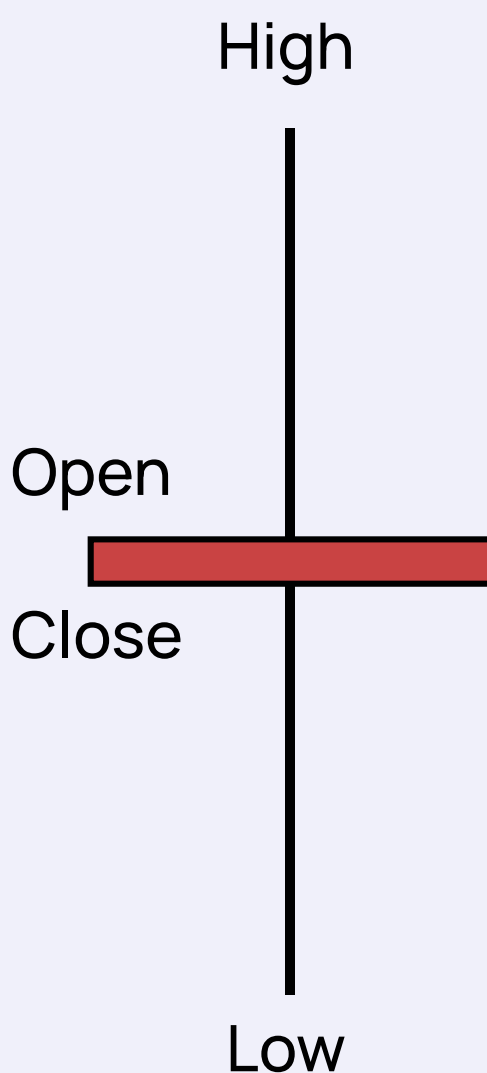
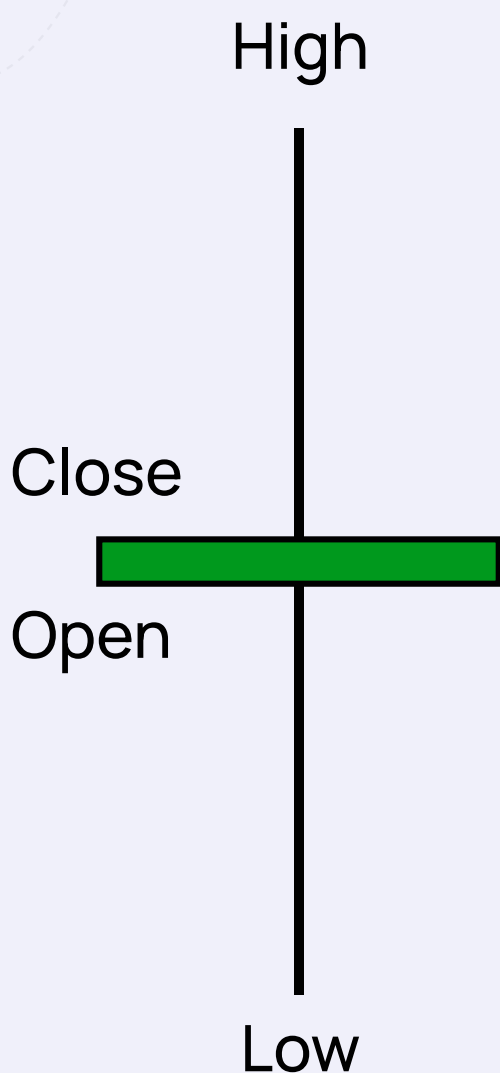
2. CANDLESTICKS

DOJI:

A Doji is formed when the opening and closing prices of the security are nearly the same, resulting in the body of the candle becoming significantly small. The formation of a Doji candlestick pattern in technical analysis reflects market indecision often indicating a potential trend reversal or significant price consolidation. Doji in isolation doesn't give sufficient information to base a trade.



DOJI



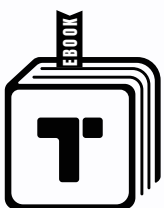
TYPES OF DOJI:

GRAVESTONE:

This Doji has its body at the bottom of the candle. It usually points towards a possible forthcoming bearish reversal.



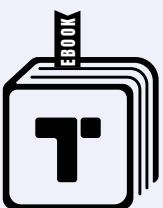
GRAVESTONE



LONG-LEGGED:

This Doji candle has a relatively longer lower leg. Even though it depicts indecisiveness, it could also signal a potential reversal or a consolidation period ahead.

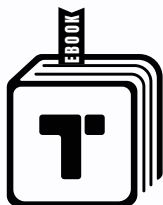
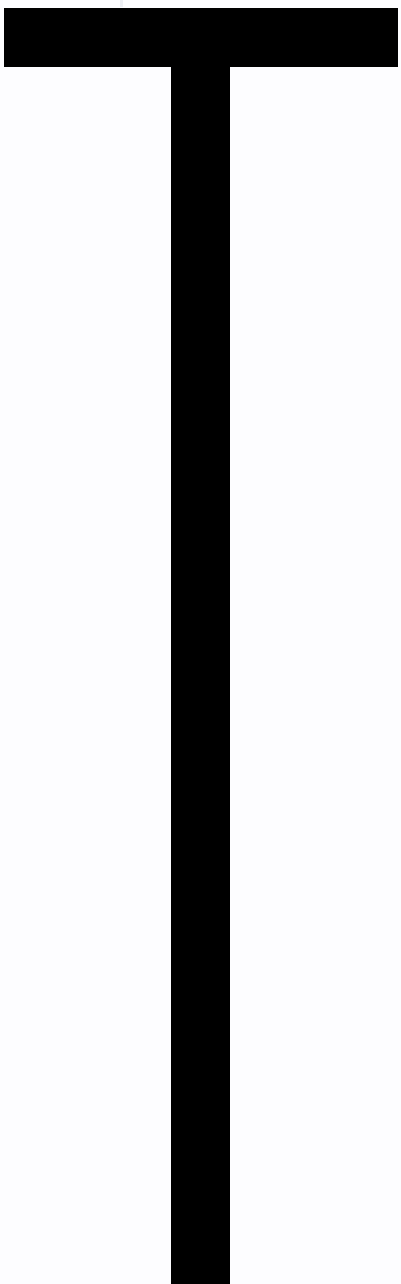
LONG-LEGGED



DRAGONFLY:

In this candle, the body is formed at the top of the candle. it can tell us that a reversal is around the corner.

DRAGONFLY



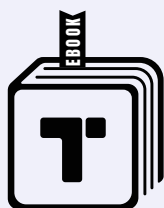
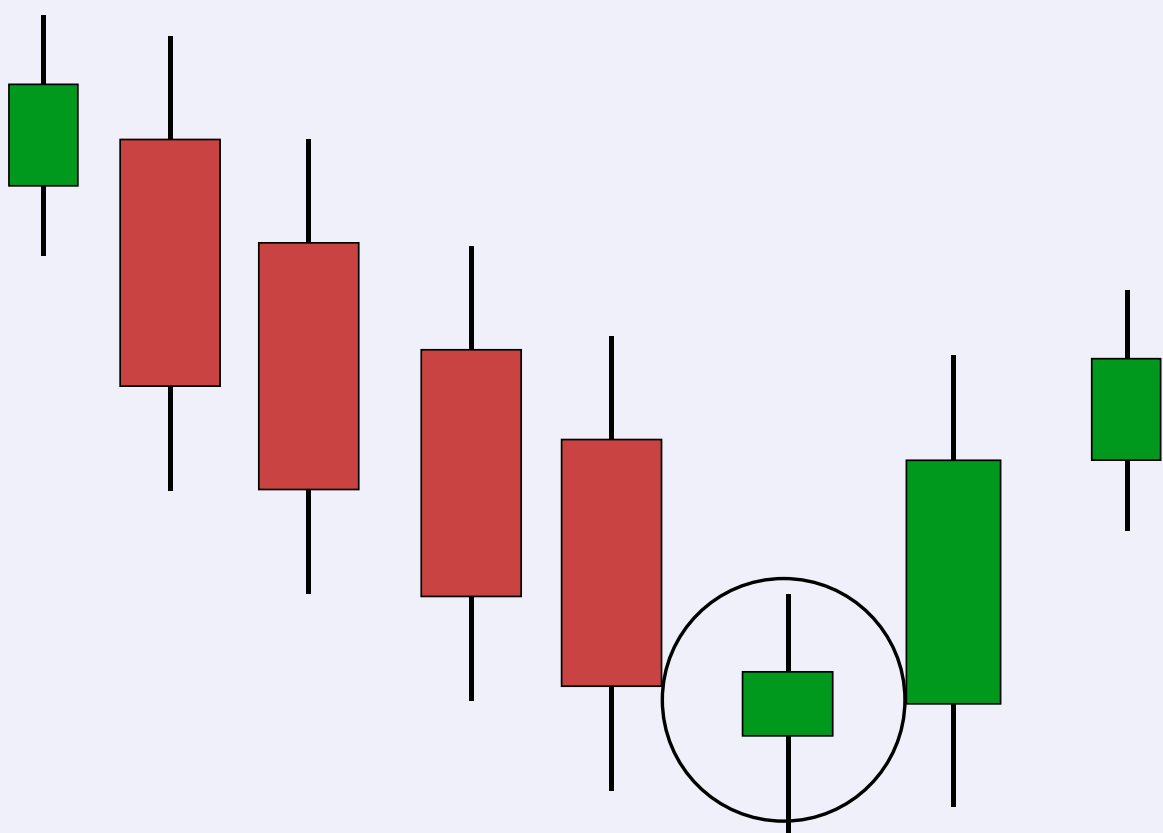
MORNING STAR:

Morning Star is a three-candlestick pattern, where the first candle is red, usually towards the end of a downtrend. The third candle confirms the reversal by opening higher than the previous candle. The star here is the middle candle, which can be red or green, showing indecision in the market. The selling pressure has diminished and the buyers are getting stronger.

Entry: Slightly above the high of the third candle

SL: Below the low of the star

MORNING STAR



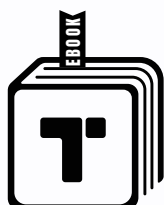
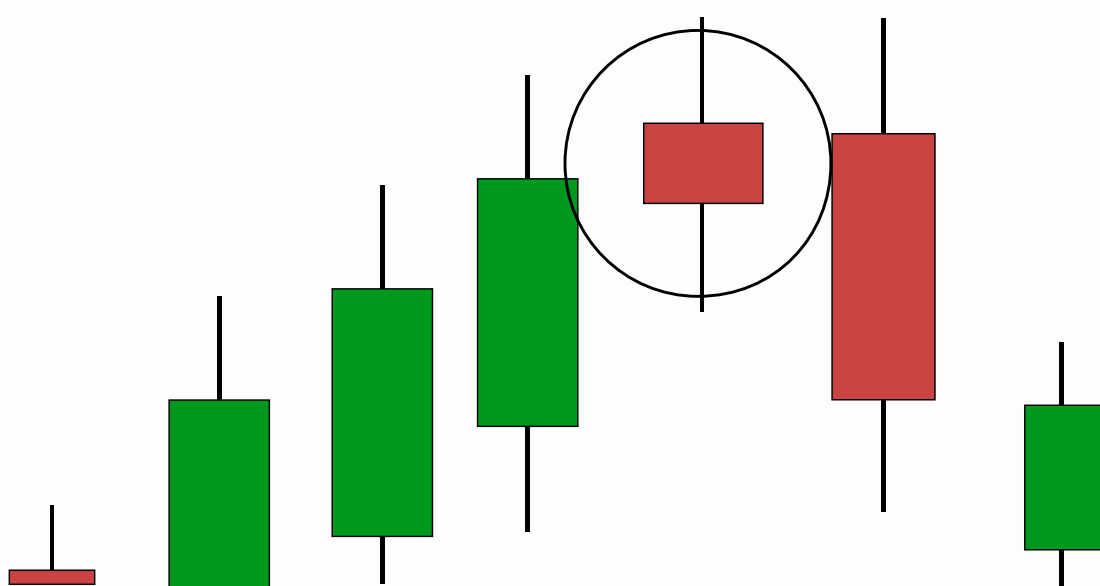
EVENING STAR:

Evening Star is also a three-candlestick pattern, where the first candle is green, usually towards the end of an uptrend. The third candle confirms the reversal by opening lower than the previous candle. The star here is the middle candle, which can be red or green, showing indecision in the market. Buying pressure has diminished and the sellers are getting stronger.

Entry: Slightly below the low of the third candle

SL: Above the high of the star

EVENING STAR



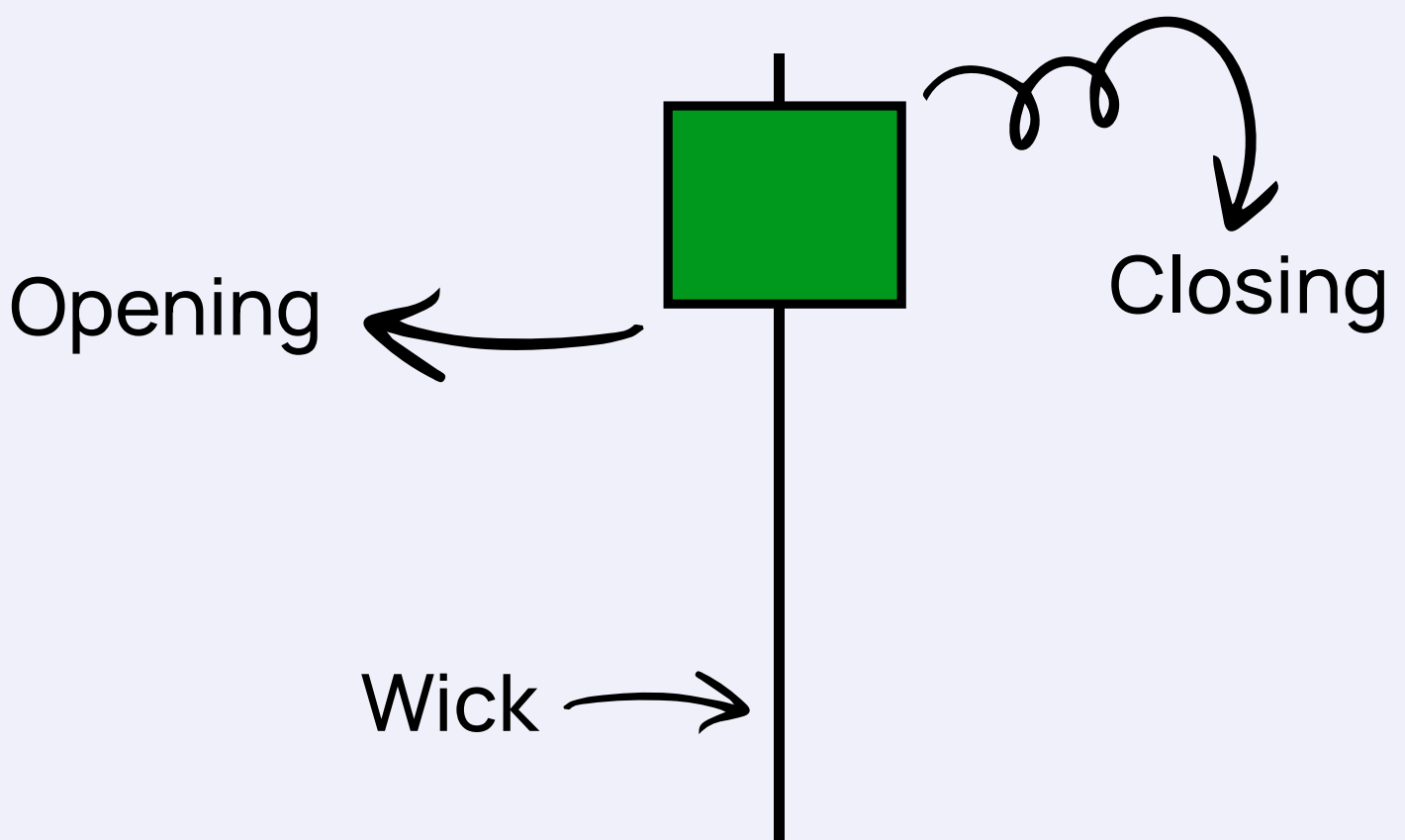
HAMMER:

Hammer candlesticks have a small body with a long lower shadow or wick. The formation suggests a potential trend reversal as buyers regain control after a period of selling pressure (downtrend), reflecting a psychological shift towards bullish sentiment in the market.

Entry: Above the high of the hammer candlestick

SL: Below the low of the candlestick

BULLISH HAMMER



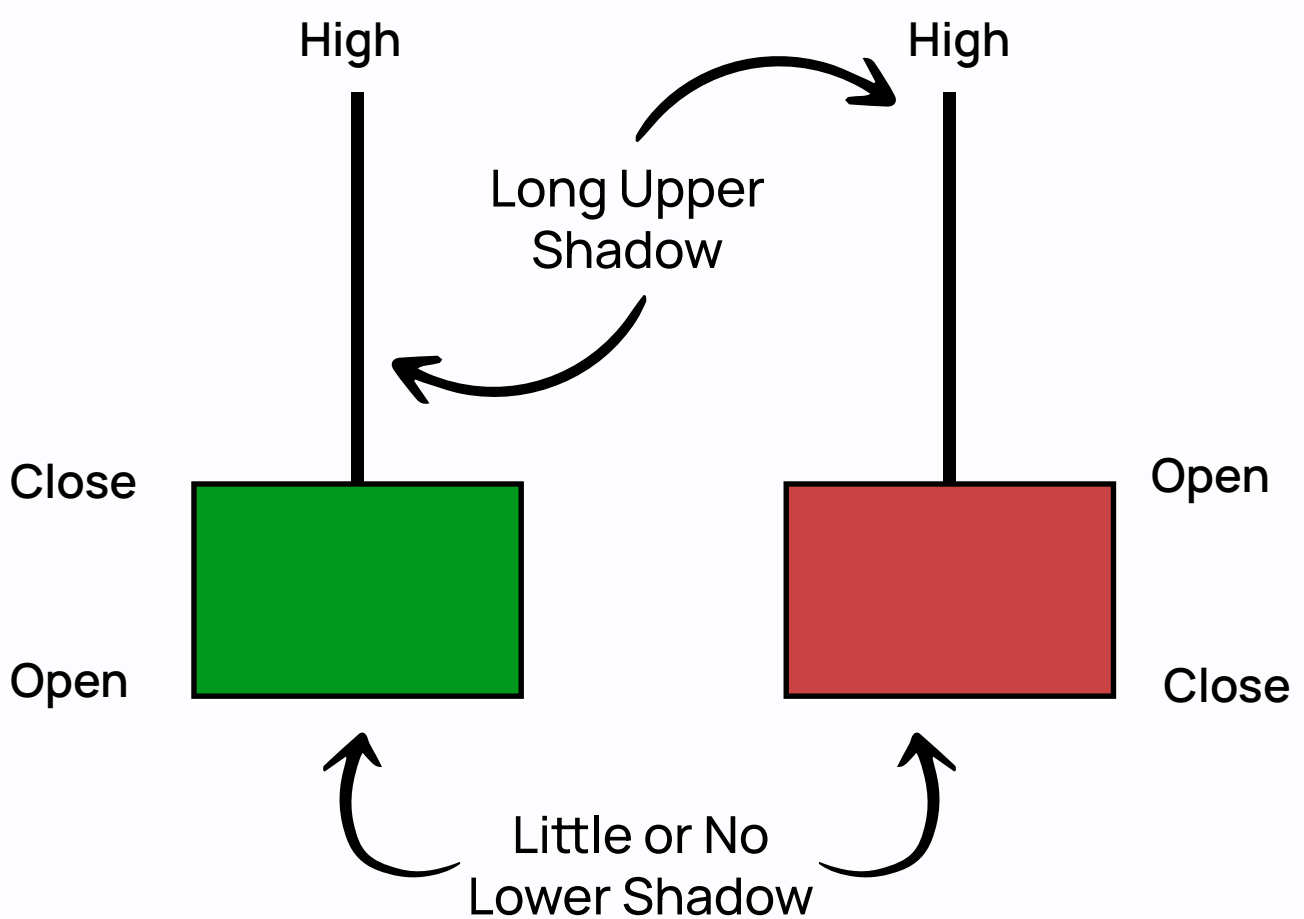
INVERTED HAMMER:

An inverted hammer is an upside-down hammer. The upper wick is typically almost twice as long as the body, with little to no lower wick. Inverted hammers indicate a bullish trend reversal from a downtrend. What happens is that during the downtrend, where sellers pose a high threat, buyers push back.

Entry: Above the high of the candle

SL: Below the low of the candlestick

INVERTED HAMMER



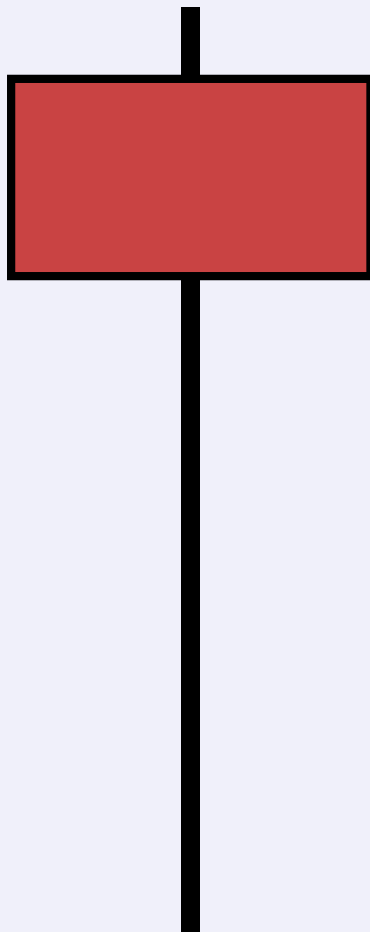
HANGING MAN:

A hanging man is a single-candlestick bearish pattern, with a small body with little to no upper wick and a lower wick nearly twice as long as the body. The hanging man is typically found at the end of an uptrend.

Entry: Below the low of the candlestick

SL: Above the high of the candle

HANGING MAN



SHOOTING STAR:

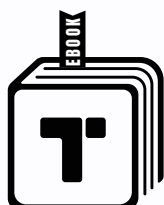
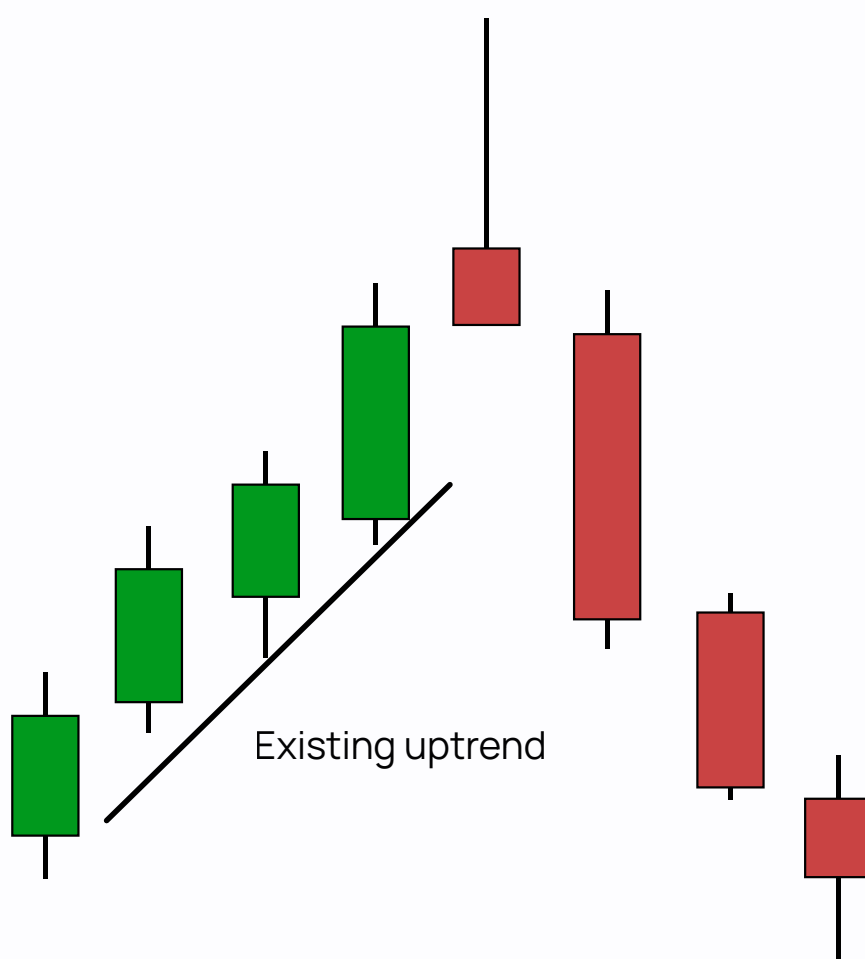
This candlestick has a small body at the bottom and a long upper shadow, resembling the tail of a comet. A shooting star is a bearish candle with a long upper shadow little or no lower shadow and a small body. It usually appears after an uptrend/ price rise. The upper shadow is usually about twice the size of the body.

Note: Regardless of whether the candle is green or red, a shooting star signifies a bearish candle when in an uptrend.

Entry: Below the low of the candle

SL: Above the high of the candle

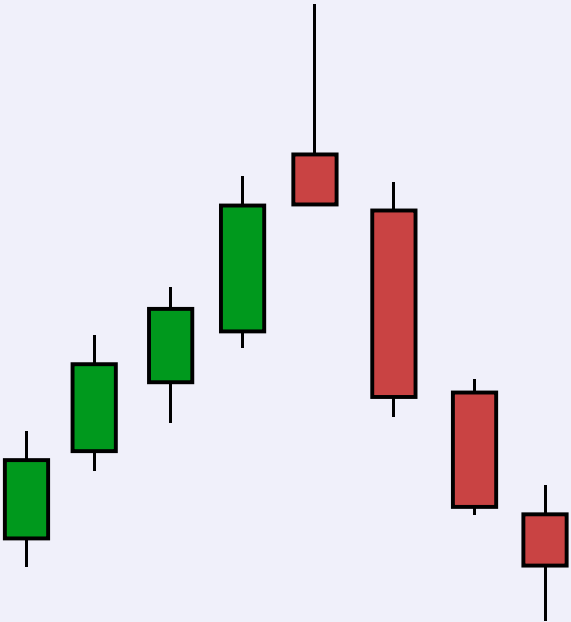
SHOOTING STAR



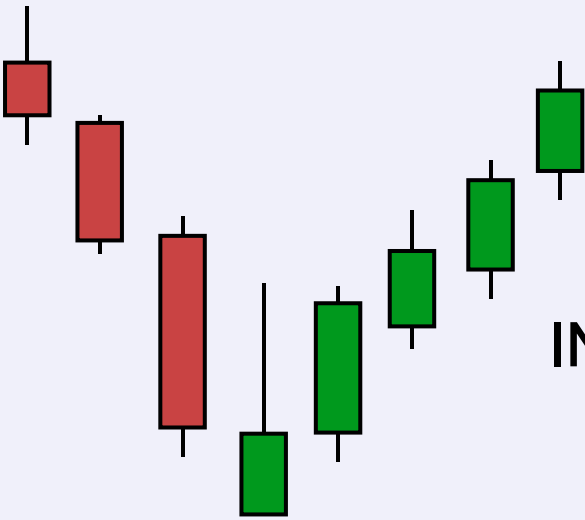
Shooting Star vs. Inverted Hammer

SHOOTING STAR	INVERTED HAMMER
Bearish reversal pattern	Potential bullish reversal
Appears at the end of an uptrend	Appears at the end of a downtrend
Small real body, with a long upper shadow	Small real body, with a long upper shadow
Sign of potential trend change to downtrend	Sign of potential trend change to uptrend

SHOOTING STAR



INVERTED HAMMER



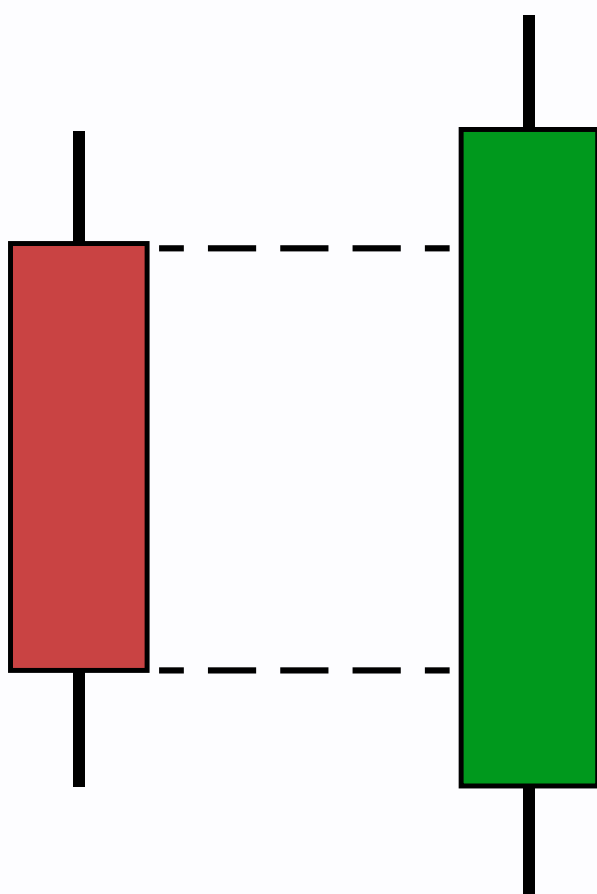
BULLISH ENGULFING:

A bullish engulfing candle is formed when a small bearish candle is followed by a bullish candle that opens at or lower than the previous candle's closing. However, the bullish candle closes at a point higher than the last candle's opening, thereby engulfing the bearish candle. Irrespective of the size of the red candle, the critical factor here is the size of the green candle.

Entry: Above the high of the bullish candle

SL: Below the low of the bullish candle

BULLISH ENGULFING



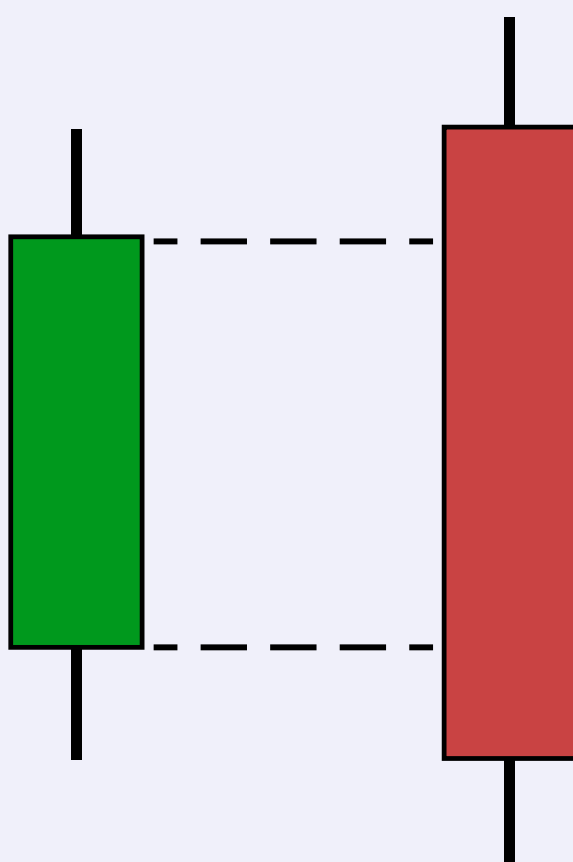
BEARISH ENGULFING:

A bearish engulfing candle is formed when a small bullish candle is followed by a bearish candle that opens at or lower than the bullish candle's closing. However, the bearish candle closes at a point higher than the last candle's opening and, as a result, engulfs the bullish candle. Contrary to the bullish engulfing candle, the critical factor in this pattern is the size of the red candle.

Entry: Below the low of the bearish engulfing candle

SL: Above the high of the bearish engulfing candle

BEARISH ENGULFING



BULLISH HARAMI:

A Bullish Harami is a two-candlestick pattern at the end of a downtrend. The first candle is a long bearish candle. The second candle is a small bullish candle that is contained within the body of the first candle.

Entry: Above the high of the bullish candle

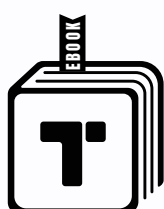
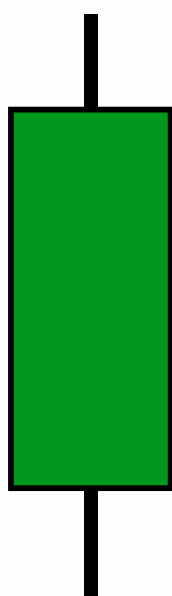
SL: Below the low of the bearish candle

BULLISH HARAMI

Red
Candle



Green Body
Candle



BEARISH HARAMI:

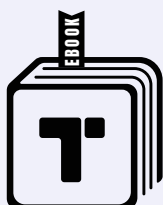
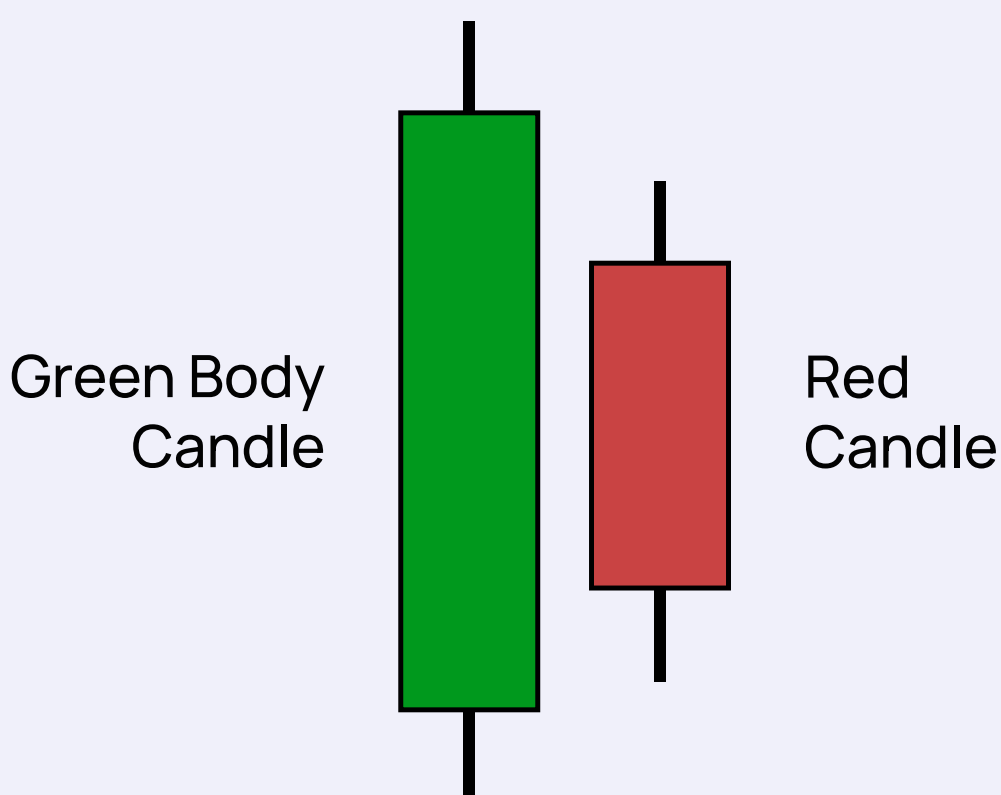
This pattern consists of two candlesticks. The first candlestick is larger and represents the existing uptrend while the second candlestick gaps down the mid-range of the previous candle and is smaller and cosied up within the body of the first one.

This pattern indicates that there is selling pressure and acts as a warning sign that the bears might be regaining strength suggesting a potential reversal in the market, from bullish to bearish.

Entry: Below the low of the bearish candle

SL: Above the high of the bullish candle

BEARISH HARAMI



THE RISING THREE METHOD:

The rising three-method pattern appears during an upward trend and retraces its steps throughout the following days. The market is now experiencing a strong buy-side period, and the pattern indicates that the trend will probably continue in the near term.

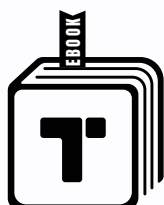
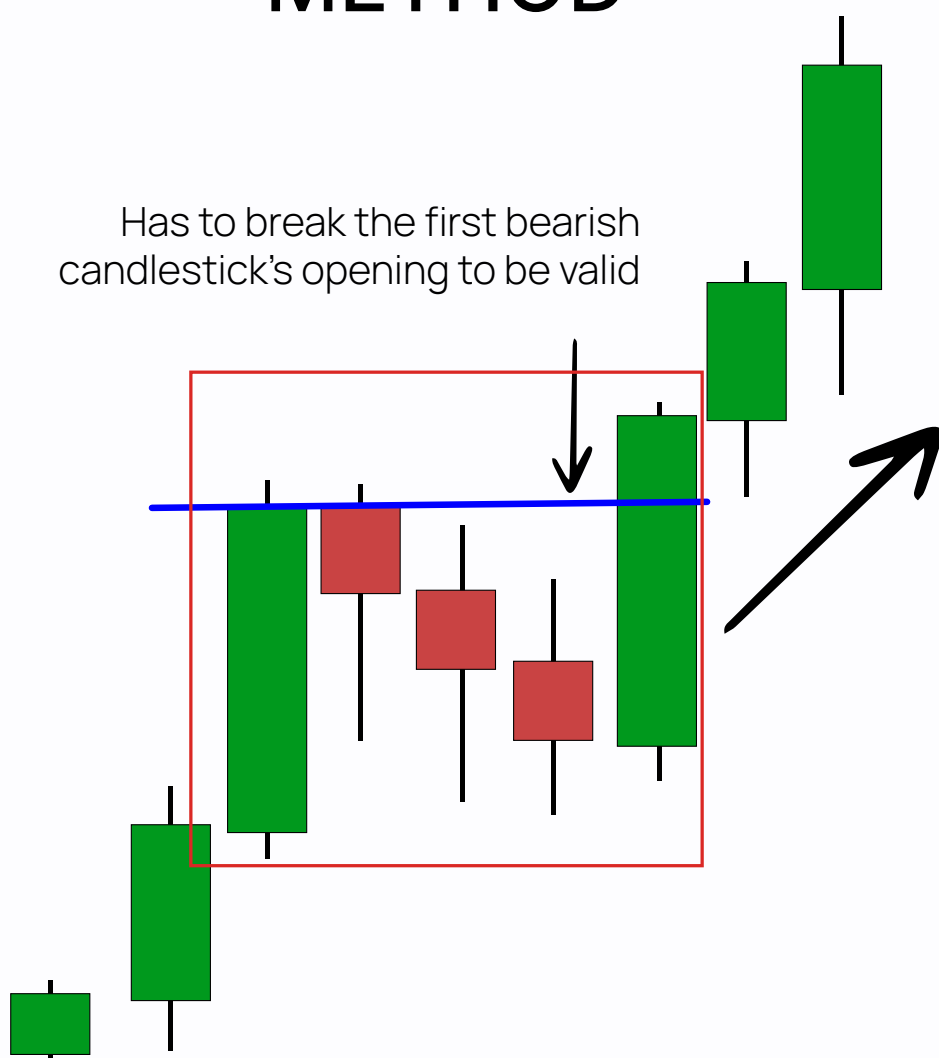
The rising three-method candlestick pattern consists of five candles. The first and fifth are usually represented by the colour green. They are lengthy bullish candlesticks. The second, third and fourth candlesticks are all red.

Entry: Above the high of the fifth candle

SL: Below the low of the first candle

RISING THREE METHOD

Has to break the first bearish candlestick's opening to be valid



A FALLING THREE METHOD:

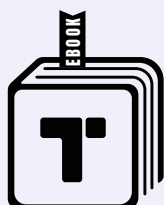
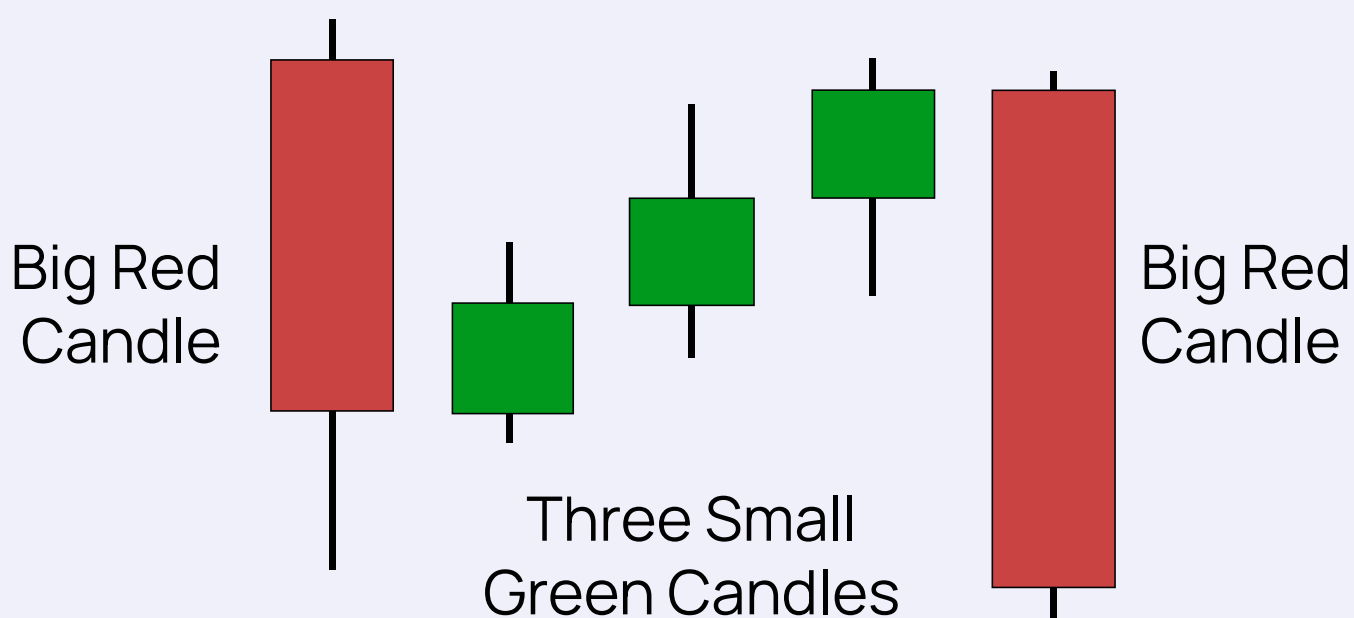
A bearish trend and a falling-three-candlestick pattern show that the bears are in control.

The pattern is produced when the bulls start to gain the upper hand but are unable to completely defeat the bears. First, it halts the downward movement of the price, as seen by the three brief green candles. The bears catch up to the bulls because they can't keep up their speed for very long. By closing below the level of the first long candle, the long red candle after the pattern completes it.

Entry: Below the low of the fifth candle

SL: Above the high of the first candle

FALLING THREE METHOD



TWEEZER TOP:

This is a bearish reversal candlestick pattern that usually occurs when an uptrend is ending.

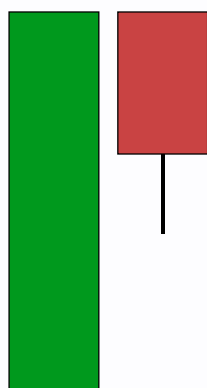
The first candle is bullish and the second candle is bearish. They both usually have the same highs, although not necessarily. The body of the second candle can be pretty much any size but it must make a high similar to the first candle.

Entry: Below the low of the bearish candle

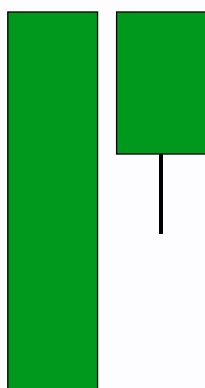
SL: Above the high of the candles

TWEEZER TOPS

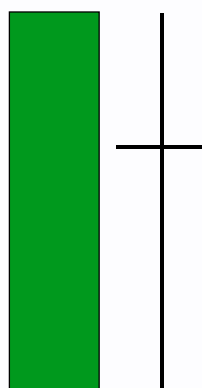
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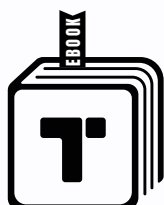
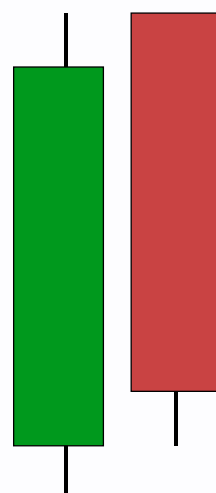
B



C



D



TWEEZER BOTTOM:

This is a bullish reversal candlestick pattern that usually occurs when a downtrend is dying. The first candle is a bearish candle followed by a second bullish candle. The body of the second candle can be any size but their lows must have similar lows.

Entry: Above the high of the bullish candle

SL: Below the low of candles

TWEEZER BOTTOM



3. CONTINUATION CHART PATTERNS

ASCENDING TRIANGLE:

An ascending triangle is formed when there is an uptrend in the market during a series of high lows and relatively equal highs. When the uptrend consolidates, a horizontal line can be drawn across the highs, which acts as the resistance level. A rising trendline connecting the higher lows represents the upward momentum, indicating a bullish movement.

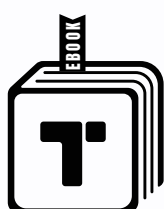
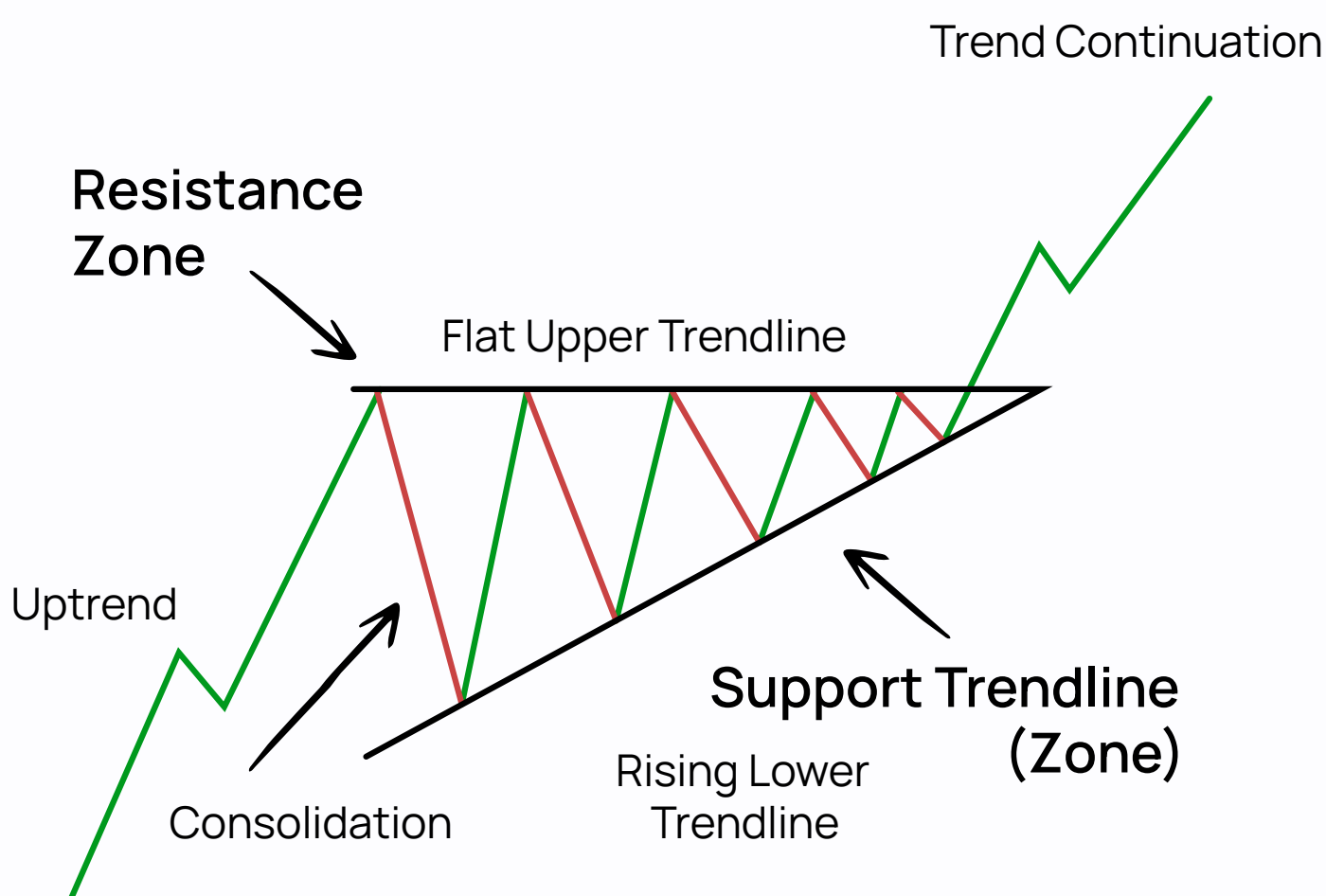
Entry: When the resistance is broken

SL: Below the highest point of the support trendline

Target: The target should be equal to the width of the triangle

Accuracy: 83%*

ASCENDING TRIANGLE



DESCENDING TRIANGLE:

When there is a downtrend in the market during a series of lower highs and relatively equal lows, it is a descending triangle pattern. Upon consolidation, the equal low points mark the support level. This is the horizontal line of the descending triangle. The downward momentum is indicated by the falling trendline connecting the low highs, mainly caused by the selling pressure.

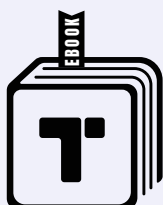
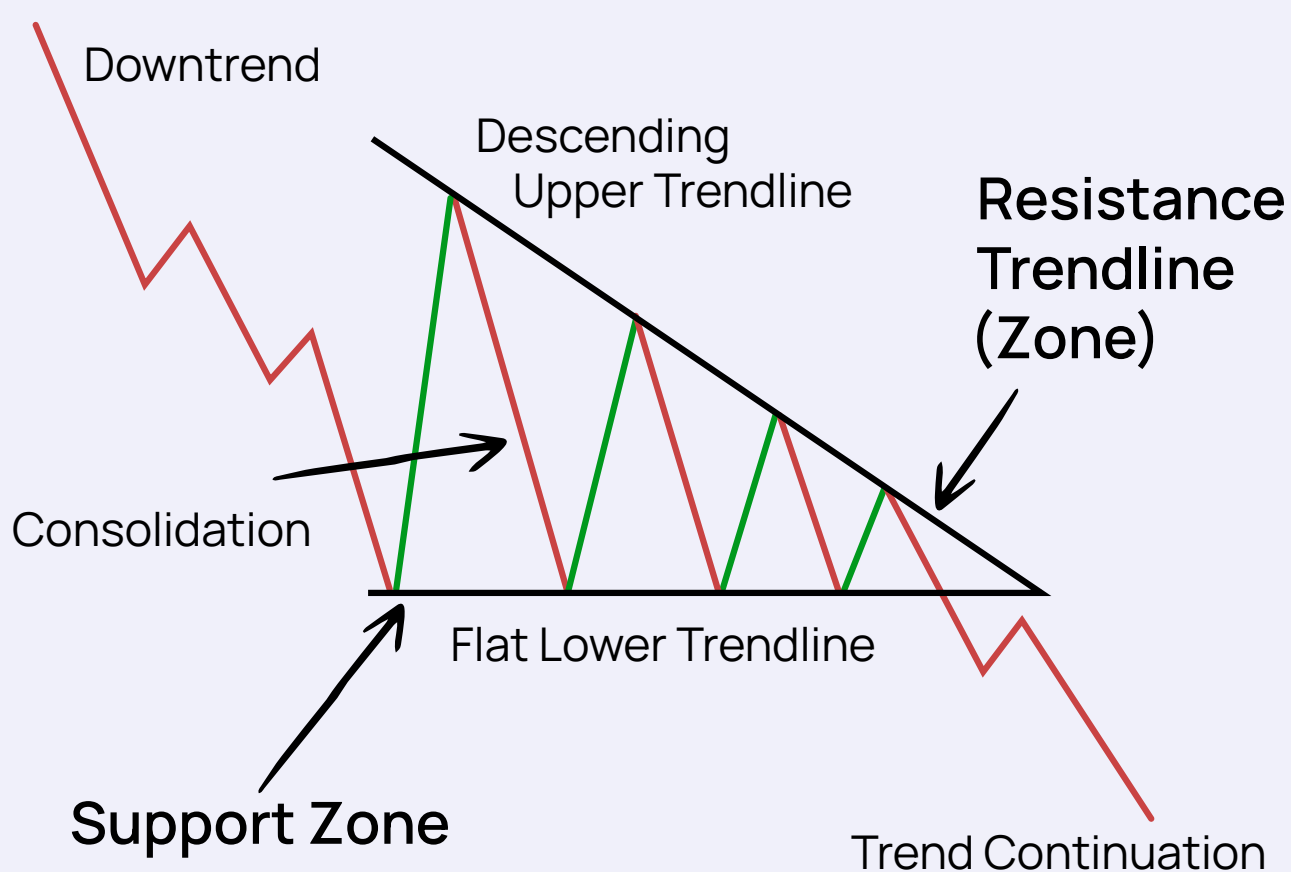
Entry: When the support is broken

SL: Above the lowest point of the resistance trendline

Target: The target should be equal to the width of the triangle

Accuracy: 87%*

DESCENDING TRIANGLE



SYMMETRIC TRIANGLE:

In this continuation pattern, there is a balance between the buyers and sellers—two converging trendlines. one ascending and one descending, create the triangle. The upper trendline connects the lower highs, while the lower trendline connects the higher lows, implying that volatility is reducing.

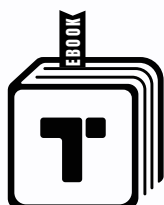
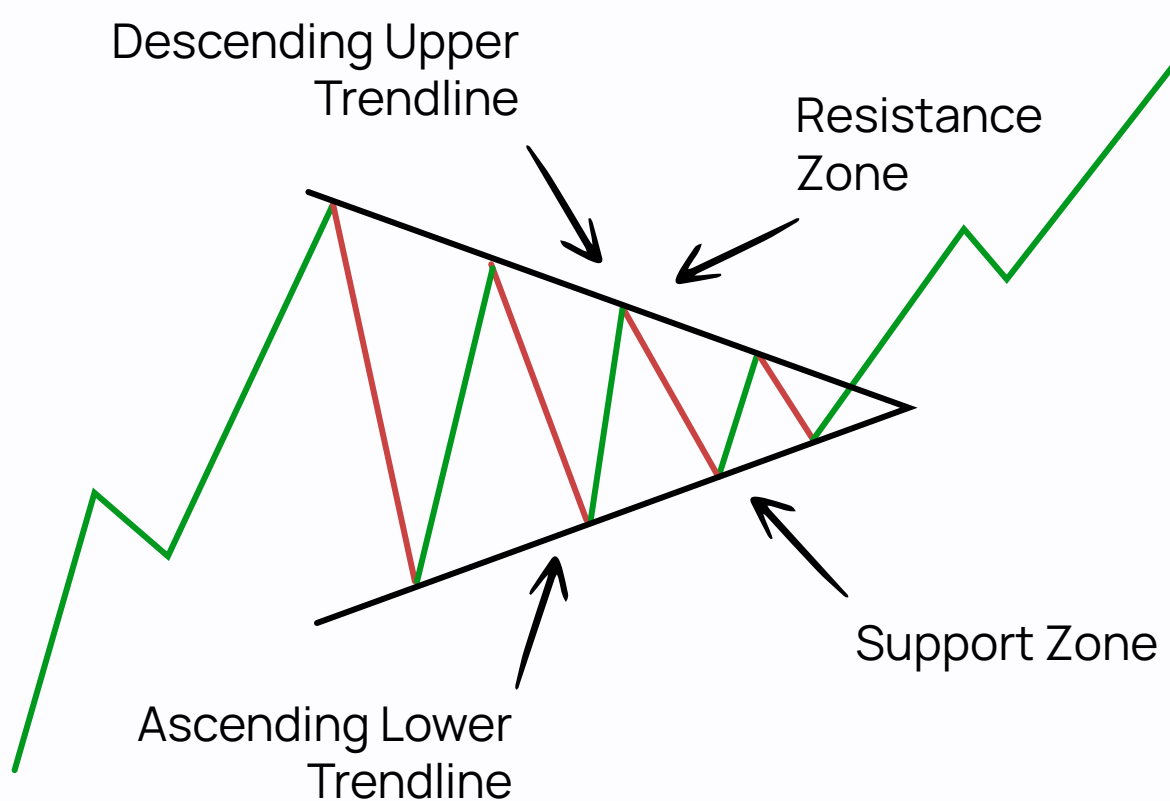
Entry: When the support/resistance is broken

SL: When going long, the SL should be below the highest point of the support trend line. When going short, the SL should be above the lowest point of the resistance trend line.

Target: The target should be equal to the width of the triangle

Accuracy: ↑ 81%* ↓ 62%*

SYMMETRIC TRIANGLE



BULLISH POLE & FLAG PATTERN:

This pattern is formed after an uptrend, during the consolidation. As the name suggests, it resembles a flag on a flagpole—the flagpole is the sharp rally and the flag is a rectangular-shaped continuation of the trend. Two parallel lines form the flag, where the upper one acts as resistance while the other is support.

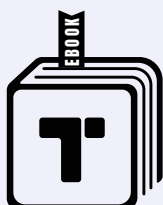
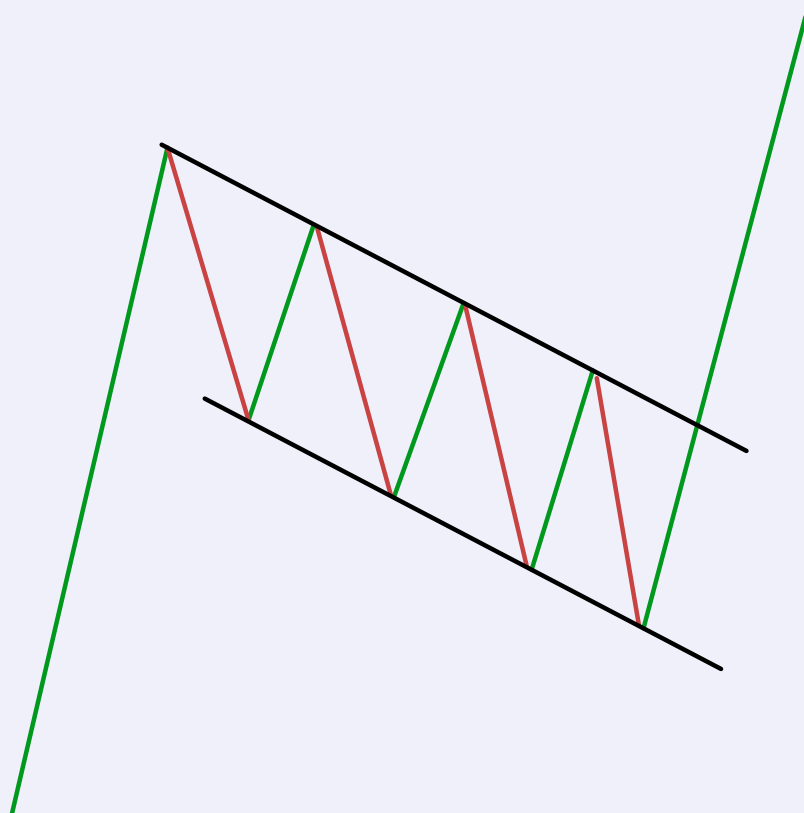
Entry: When the parallel line (resistance line or the upper line of the flag) is broken

SL: Place stop loss where the Flag's lower trend line reaches its lowest point

Target: The target will be equal to the length of the pole

Accuracy: 85%*

BULLISH FLAG



BEARISH POLE & FLAG PATTERN:

In direct contradiction to a bullish flag pattern, a bearish flag continues a downtrend, consolidating the price movements. After a sharp correction, represented by the flagpole, prices move in a narrow range which is indicated by the support and resistance lines of the bearish flag.

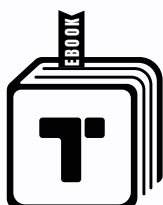
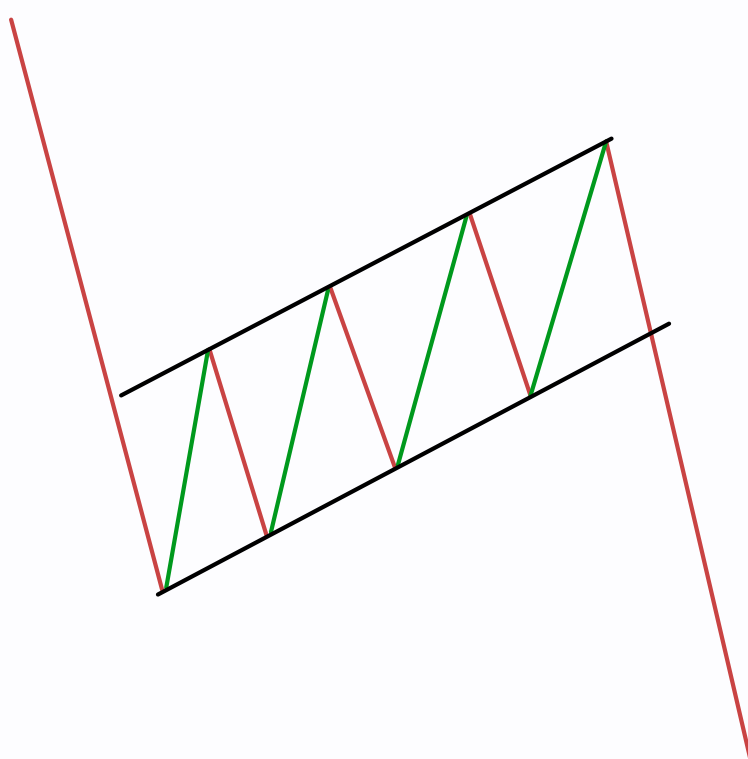
Entry: When the parallel line (support line or the lower line of the flag) is broken

SL: Place stop loss where the Flag's upper trend line reaches its highest point

Target: The target will be equal to the length of the pole

Accuracy: 50%*

BEARISH FLAG



PENNANT:

Pennant is a short-term continuation pattern. It comprises of two converging trendlines with a support (Upward slope) and resistance (Downward slope) forming a triangle.

Entry: (i) If in a downtrend, the price falls below the support line a sell signal arises

(ii) If in an uptrend, the price rises above the resistance line a buy signal arises

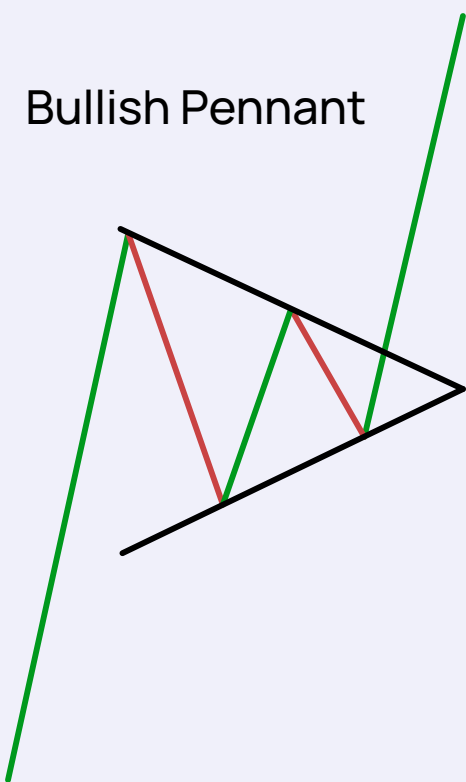
SL: Here, place your stop loss on the other side (Support or resistance trendline)

Target: The target will be equal to the length of the pole

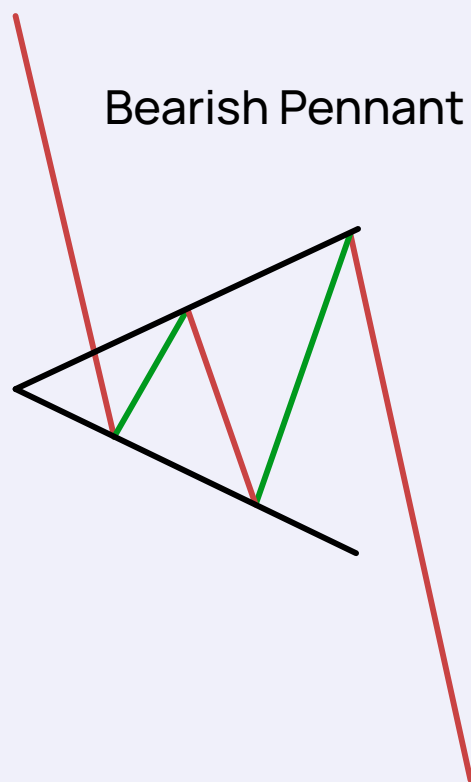
Accuracy: 46%*

PENNANT

Bullish Pennant



Bearish Pennant



ASCENDING CHANNEL:

In an ascending channel, the price moves upwards within the two boundaries of support (lower line) and resistance (upper line). It is the continuation of an uptrend and suggests the asset will rally upon breakout.

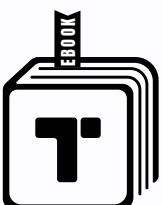
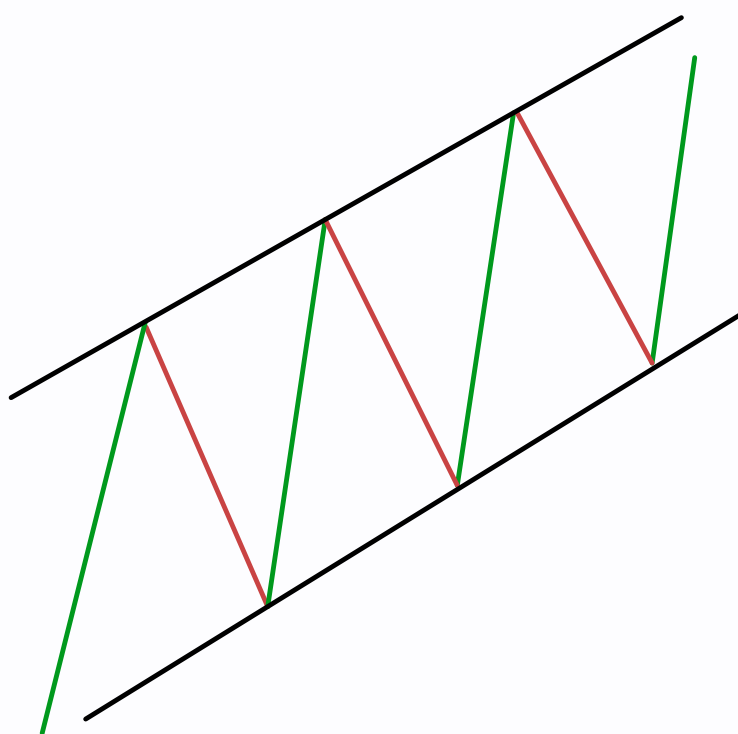
Entry: When the resistance is broken

SL: Place stop loss where the lower trend line reaches its highest point

Target: The target is equal to the width of the channel

Accuracy: 73%*

ASCENDING CHANNEL



DESCENDING CHANNEL:

This downtrend continuation pattern draws two parallel boundaries within which the price of an underlying asset falls. These boundaries are the resistance and support levels, with the upper line representing the former and the lower line, the latter.

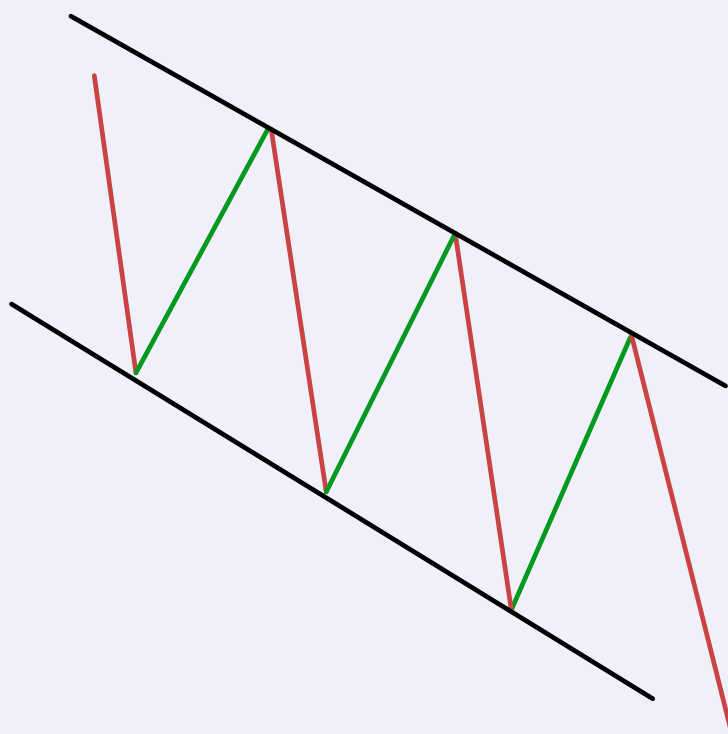
Entry: When the support is broken

SL: Place stop loss where the upper trend line reaches its lowest point

Target: The target is equal to the width of the channel

Accuracy: 73%*

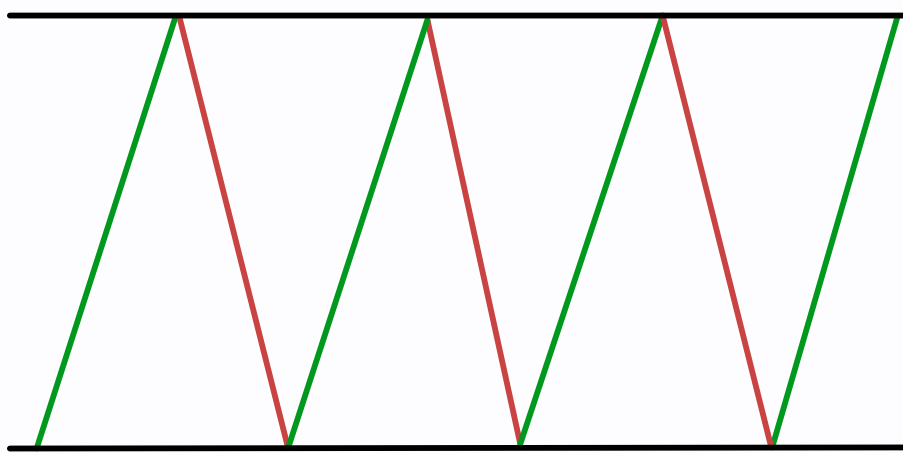
DESCENDING CHANNEL



HORIZONTAL CHANNEL:

This price pattern shows the equal forces of buyers and sellers in the market. Due to this, the price moves sideways. The breakout of trend channels predicts the direction of the price trend. A bearish trend occurs if the support zone breaks, while a bullish trend forms if the resistance zone breaks. In the horizontal trend channel, price moves in the form of swings making highs and lows. It is also called the ranging market.

HORIZONTAL CHANNEL



Bearish Rectangle (Horizontal Channel):

A bearish rectangle pattern is a trend continuation pattern which is usually formed in a downtrend and signals the trend's direction. It is characterized by support and resistance levels which connect recent lows and highs of the price. If the price falls below the support line a sell signal appears.

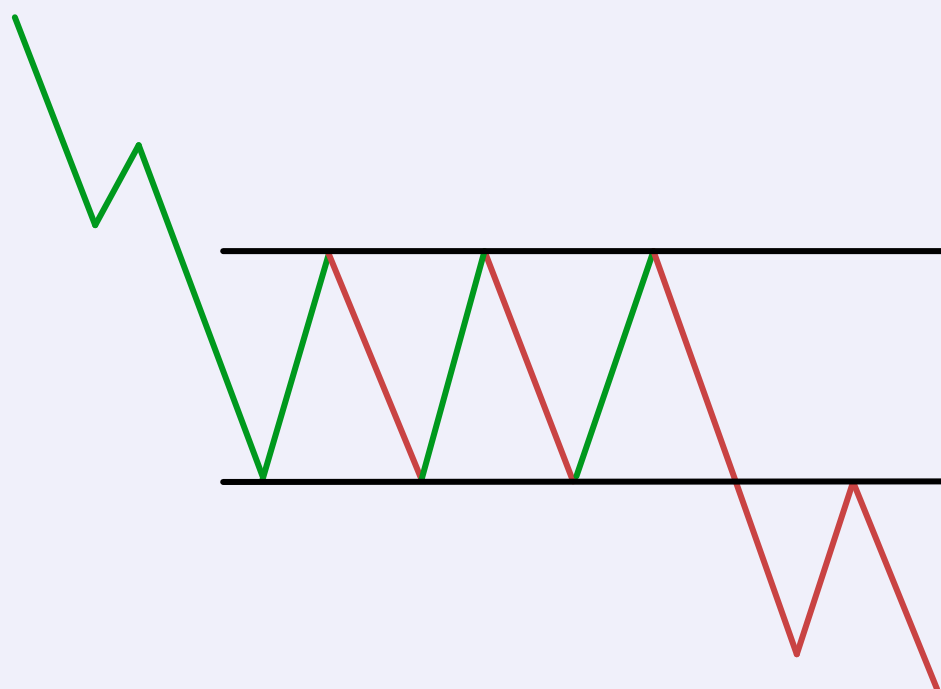
Entry: When the support is broken

SL: Slightly above the resistance

Target: The target is equal to the width of the channel

Accuracy: 78%*

BEARISH RECTANGLE



Bullish rectangle (Horizontal channel):

A bullish rectangle pattern is a trend continuation pattern which is usually formed in an uptrend and signals the trend's direction. It is characterized by support and resistance levels which connect recent highs and lows of the price. If the price rises above the resistance line a buy signal appears.

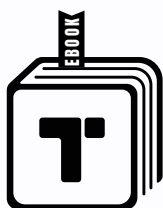
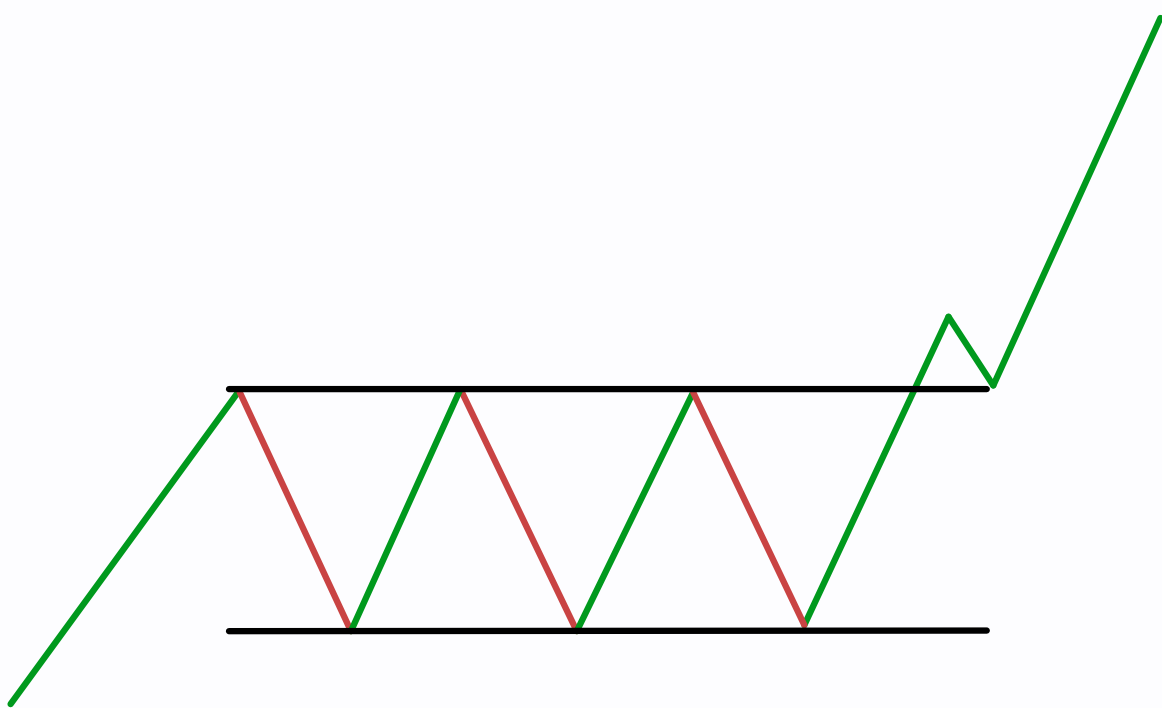
Entry: When the resistance is broken

SL: Slightly below the support

Target: The target is equal to the width of the channel

Accuracy: 78%*

BULLISH RECTANGLE



4. REVERSAL CHART PATTERNS

DOUBLE TOP:

This is a bearish reversal pattern where the price reaches a significant peak, experiences a retracement from high selling pressure and rallies again, attempting to reach the previous high. Here, the price fails to surpass the previous peak and that point becomes the resistance level.

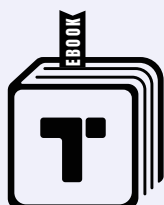
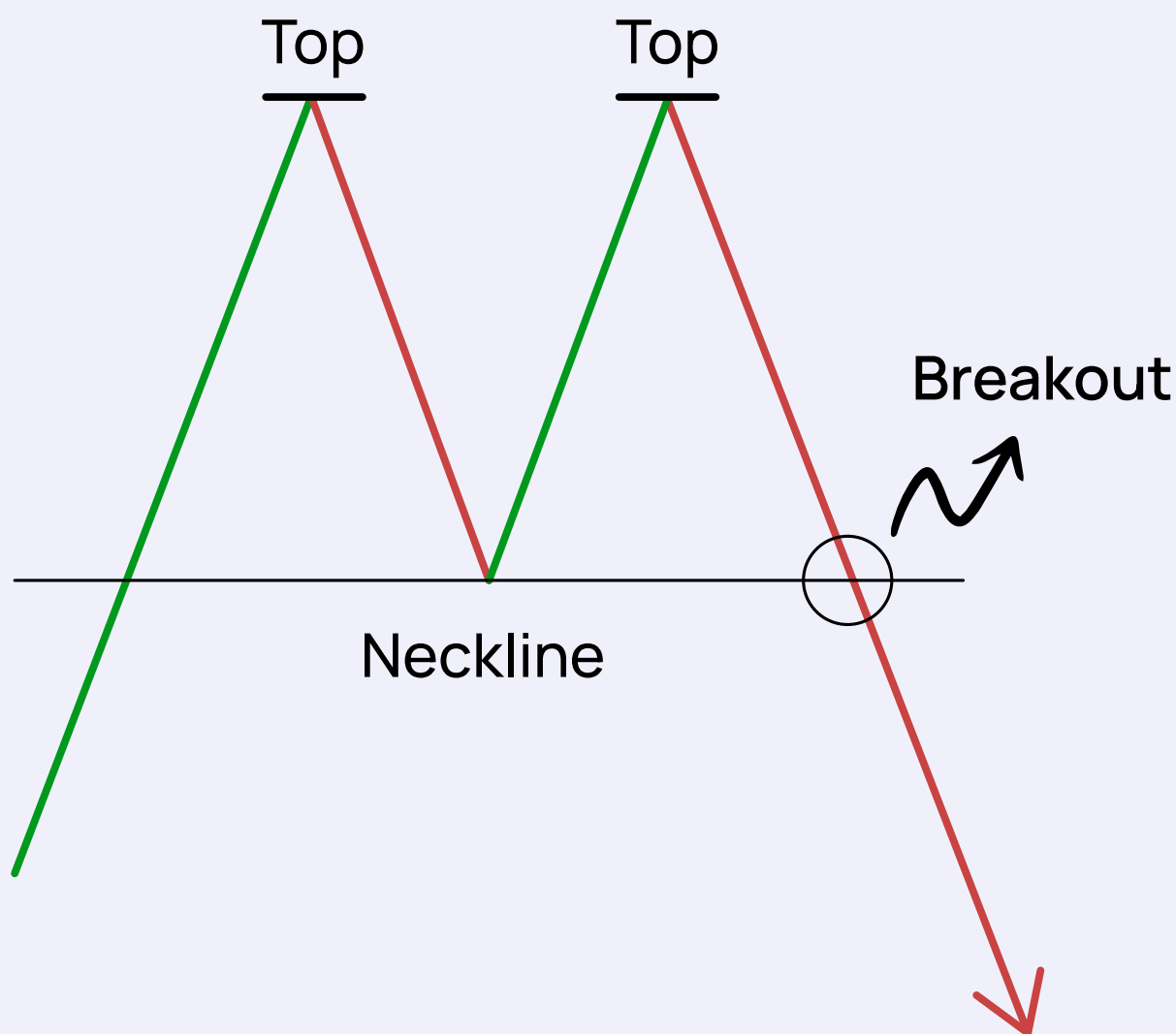
Entry: Enter the trade when the neckline is broken

SL: Keep stop loss slightly above the resistance

Target: The target in points should be equal to your stop-loss points

Accuracy: 75%*

DOUBLE TOP



DOUBLE BOTTOM:

A double bottom pattern is a bullish reversal pattern that occurs after a downtrend and suggests a potential trend reversal. Contrary to a Double-Top, this pattern has two roughly equal lows (support level) joined by either a rally or a sideways trend. The pattern starts with a significant low, bounces off the support level and revisits it to form a second low.

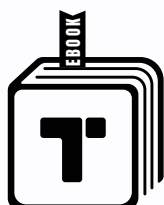
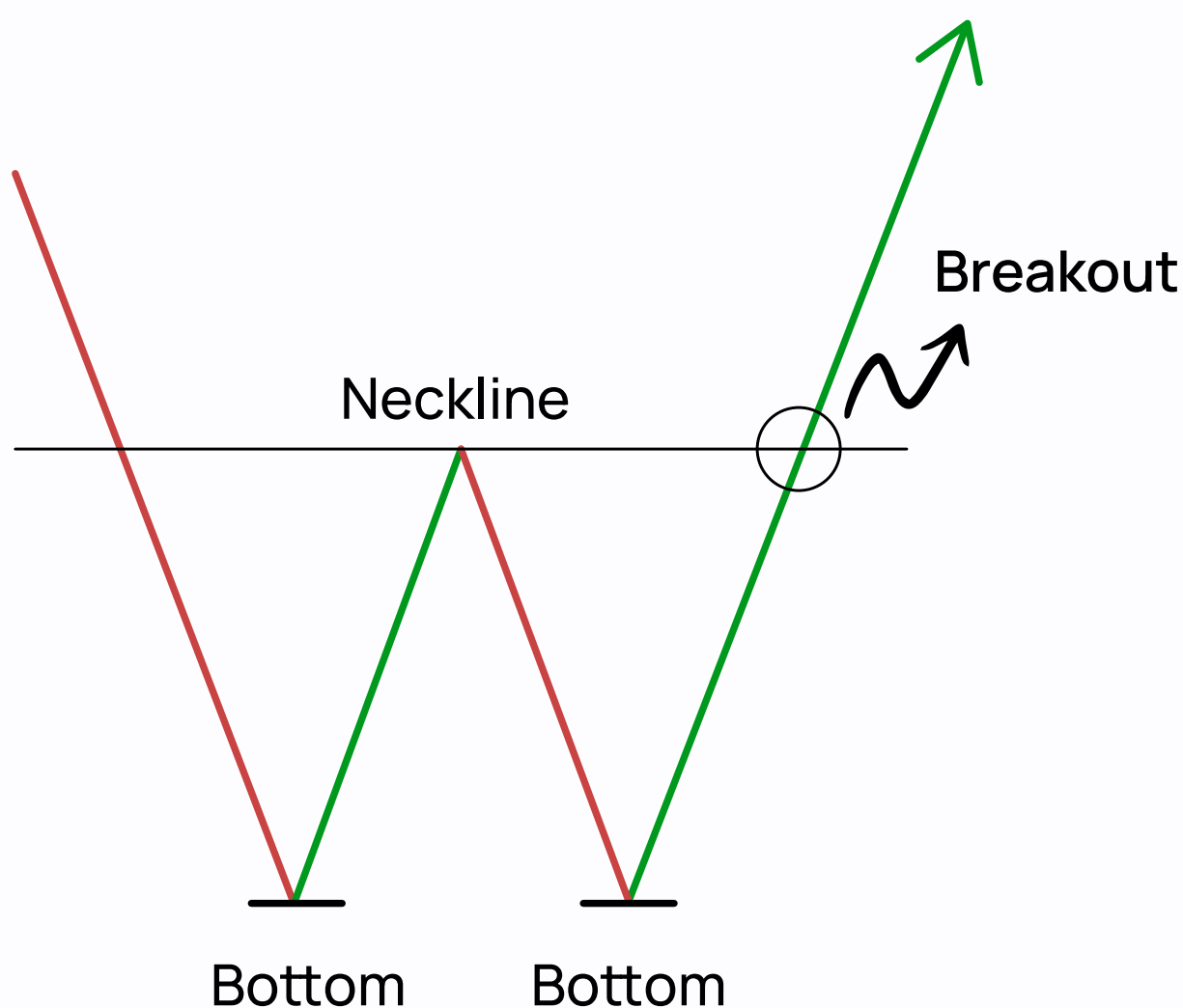
Entry: Enter the trade when the neckline is broken

SL: Keep stop loss slightly below the support

Target: The target in points should be equal to your stop-loss points

Accuracy: 89%*

DOUBLE BOTTOM



HEAD AND SHOULDERS:

The head and shoulders pattern indicates a trend reversal from bullish to bearish. It is called so due to its resemblance to a head with two shoulders. The pattern, however, wouldn't be a replica of the structure-it will only resemble the structure to an extent. The left shoulder is the first peak of the pattern, the head is the second and the highest peak and the right shoulder is the third peak resembling the left shoulder.

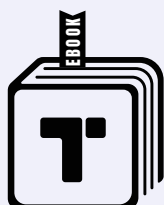
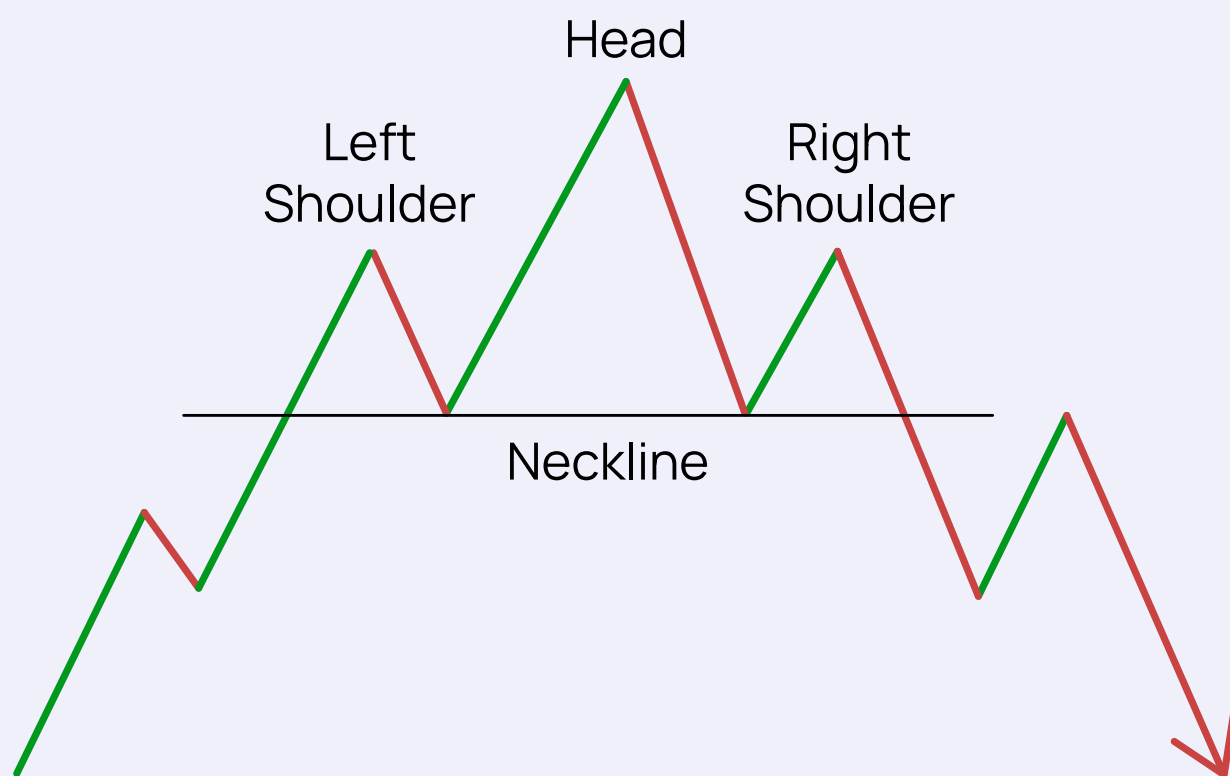
Entry: Enter the trade when the neckline is broken

SL: Keep stop loss slightly above the right shoulder

Target: The target is equal to the height of the neck

Accuracy: 81%*

HEAD AND SHOULDERS



INVERSE HEAD AND SHOULDERS:

The Inverse Head and Shoulder pattern signals a potential trend reversal from a downward trend to an upward trend. The pattern resembles the shape of a person's head and two shoulders in an inverted position, with three consistent lows and peaks. The chart aims to identify a potential reversal in a downtrend, indicating a possible bullish trend.

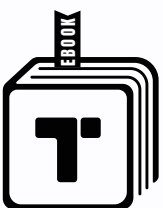
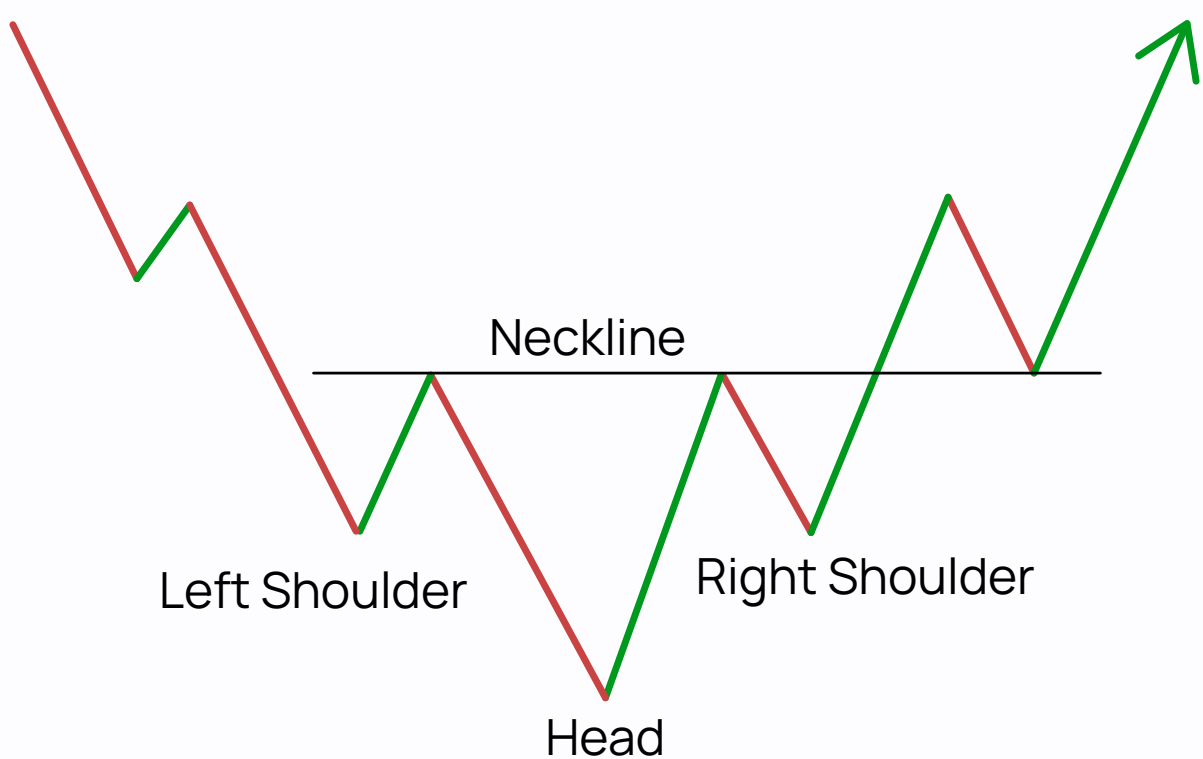
Entry: Enter the trade when the neckline is broken

SL: Keep stop loss slightly below the right shoulder

Target: The target is equal to the depth of the neck

Accuracy: 89%

INVERSE HEAD AND SHOULDERS



5. PATTERNS THAT INDICATE BOTH CONTINUATIONS AND REVERSALS

RISING WEDGE:

A rising wedge is a narrowing range of prices with higher highs and higher lows, both of which are enclosed by upward-sloping trendlines.

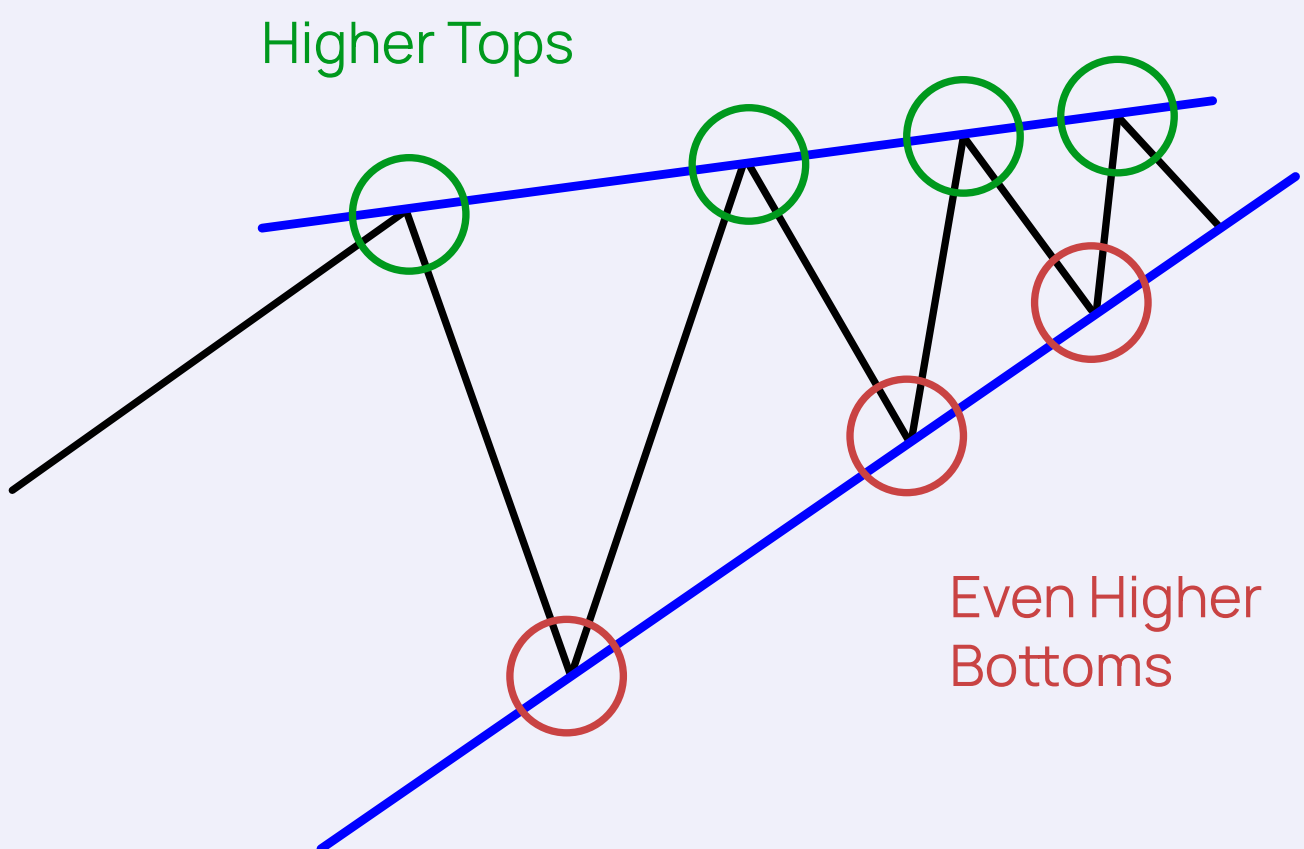
Entry: Go long when the resistance is broken. Go short when the support is broken.

SL: When going long, the SL should be at the highest point of support. When going short, the SL should be at the highest point of resistance.

Target: Equal to the width of the wedge

Accuracy: ↑ 81%* ↓ 51%*

RISING WEDGE



FALLING WEDGE:

A falling wedge is a narrowing range of prices with lower highs and lower lows, enclosed by downward-sloping trendlines. This indicates a potential uptrend.

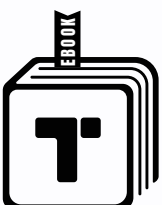
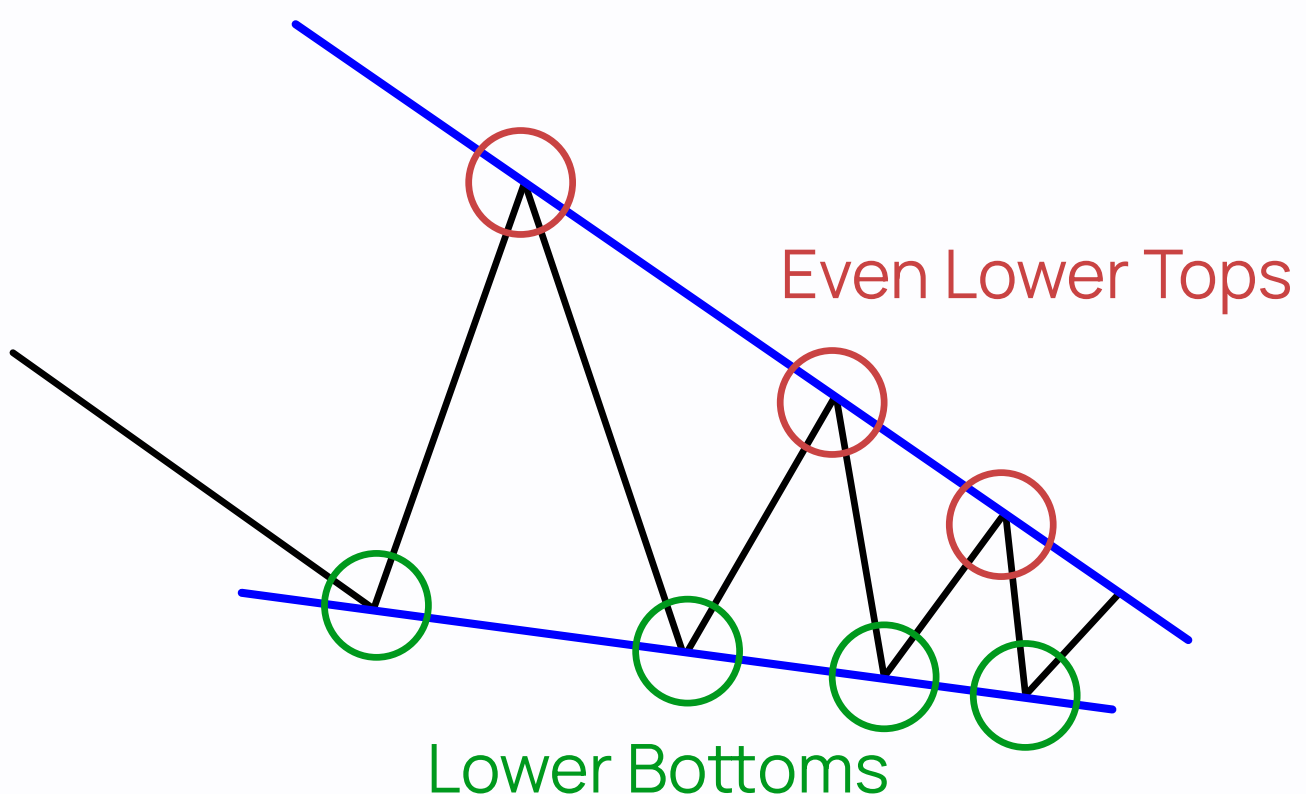
Entry: Go long when the resistance is broken. Go short when the support is broken.

SL: When going long, the SL should be at the lowest point of support. When going short, the SL should be at the lowest point of resistance.

Target: Equal to the width of the wedge

Accuracy: ↑ 74%* ↓ 71%*

FALLING WEDGE



CUP AND HANDLE:

The Cup and Handle is a bullish continuation as well as a reversal pattern that marks a consolidation period followed by a breakout. The pattern consists of two components, the handle, and the cup, as suggested by its name. The cup takes shape following an advance and has a bowl-like or rounded bottom. The handle forms when the cup is finished, and a trade range appears on the right side. When the handle breaks out of its trading range again, the previous rise will continue.

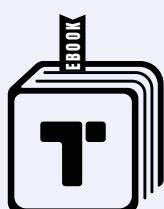
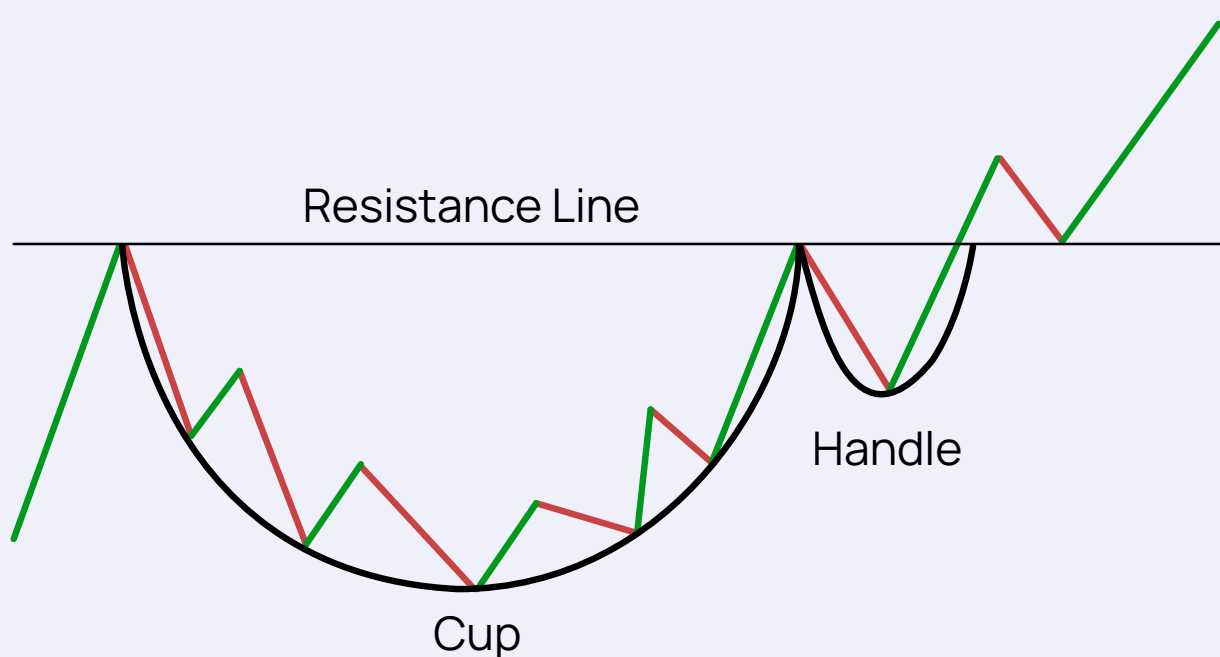
Entry: Go long when the handle breaks

SL: Below the handle

Target: The target should be equal to the depth of the cup

Accuracy: 95%*

CUP AND HANDLE



INVERTED CUP AND HANDLE:

The inverted cup and handle pattern is a bearish continuation as well as a reversal pattern that appears in a downward price trend. The pattern is considered valid when a downward breakout occurs and the price closes below the support or neckline. This upside-down cup pattern works the same way as the cup and handle pattern, except that the breakout direction is downward instead of upward.

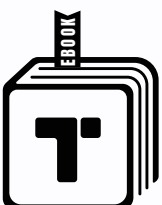
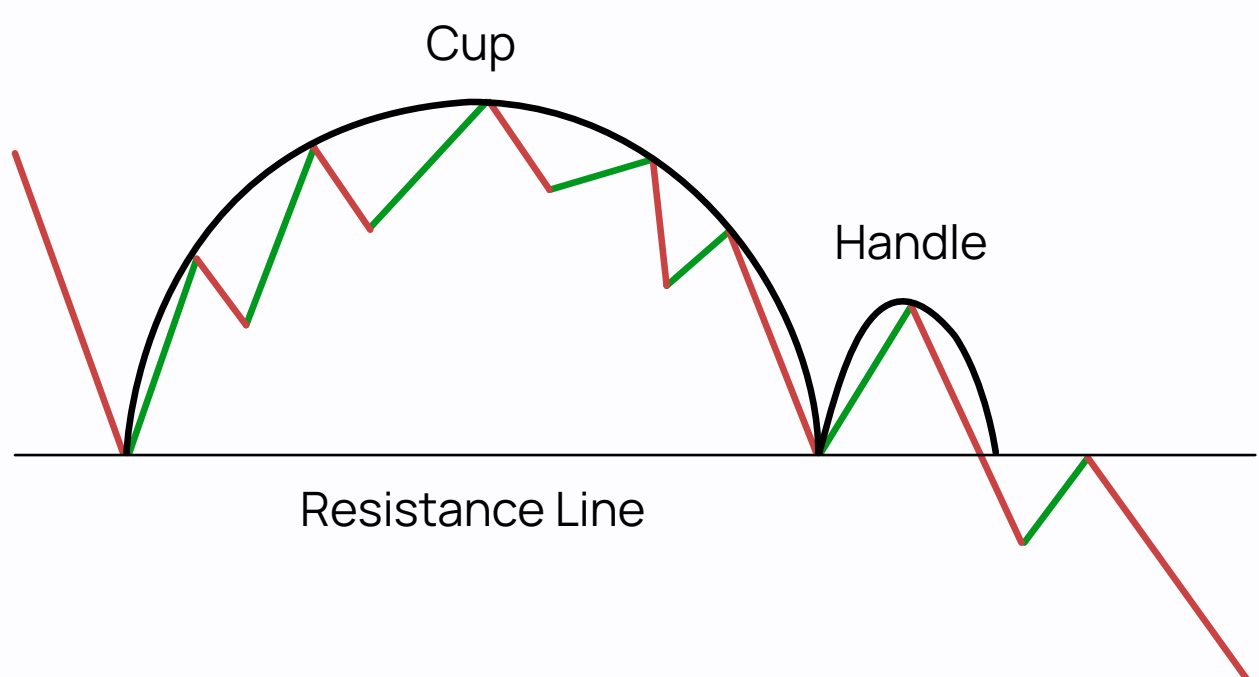
Entry: Go long when the handle breaks

SL: Above the handle

Target: The target should be equal to the depth of the cup

Accuracy: 82%*

INVERTED CUP AND HANDLE



6. CONCLUSION

Candlestick charts are easy to read and understand, especially for beginners. However, they are not guaranteed to work—candlesticks only show the direction of a security's price, which is why they should be used in conjunction with other technical analysis tools, such as moving averages and trendlines. It is essential to account for the broader market context. Moreover, different candlestick patterns hold different meanings depending on the timeframe being analysed. It may also help if you practise using candlestick charts on a demo account before trading with real money.

DISCLAIMER:

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