MASTERING CANDLESTICK PATTERNS

A COMPREHENSIVE GUIDE TO TECHNICAL ANALYSIS

BY SARDAR OMAR

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MASTERING

CANDLESTICK

PATTERNS

A COMPREHENSIVE GUIDE TO TECHNICAL ANALYSIS

Become a trading master. With real-world examples of the most successful candlestick patterns.

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ABOUT AUTHOR

AUTHOR

SARDAR OMAR

Greetings and welcome to "Mastering Candlestick Patterns: A Comprehensive Guide to Technical Analysis"! I'm Omar, your instructor, and a part-time trader with over years of experience in the stock market. Like many, I initially tried to navigate trading independently, unaware of the challenges ahead. Through trial and error, I learned the intricacies of trading patterns, investing significant time and resources into online programs and research.

After a journey filled with both profitable and unsuccessful trades, I've developed this course to share my knowledge and help aspiring traders avoid common pitfalls. My goal is to guide you towards financial freedom in the stock market, leveraging the lessons I've learned to accelerate your learning curve.

Disclaimer:

This material is provided purely for educational purpose and is not intended to provide financial advice.

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I did my hardest to present you with all of the information you need on this subject in a simple and understandable manner. However, if you have any difficulties understanding the concept or have any questions, please do not hesitate to ask. I'll try my best to meet your requirements.

Mastering Candlestick Patterns: A Comprehensive Guide to Technical Analysis

Welcome to Mastering Candlestick Patterns, your go-to place for exploring the fascinating world of technical analysis. Whether you're a seasoned pro or just getting started, this tutorial has got you covered on everything related to bullish and bearish candlestick patterns. Discover how to spot, understand, and leverage these patterns to enhance your trading decisions. Through in-depth explanations and real-life examples, you'll grasp the ins and outs of well-known candlestick formations like the Doji, Hammer, Engulfing Pattern, and more. Elevate your trading game and harness the potential of candlestick analysis starting today.

What you'll learn?

- ☑ Become a trading master. With real-world examples of the most successful candlestick patterns.
- ☑ Interpret Japanese Candlesticks in the manner in which they were meant.
- ☑ Recognize early reversal indications that indicate a shift in the trend.
- ☑ Determine which candlestick patterns are the most rewarding.
- ☑ Understand the "story" behind the candlestick of trade sentiment.
- ☑ Understand the "narrative" behind the candlestick of trading mood.

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About this Course

Welcome to "Mastering Candlestick Patterns: A Comprehensive Guide to Technical Analysis." This course is designed to help you learn quickly by focusing on the most important basics, making sure you understand everything easily. You'll become skilled in reading and understanding Japanese candlesticks accurately, and learn how to use these patterns with support and resistance levels.

Explore more than 35 popular candlestick patterns that are crucial for predicting future market trends in various asset classes like cryptocurrency, stocks, options, FX, ETFs, and bonds. Immerse yourself in the world of technical analysis, becoming an expert in trading in open marketplaces.

This course provides a detailed look at Japanese candlestick patterns, giving you the knowledge and tools to use them effectively. Take your time to absorb the information, and review a concise summary at the end of the course to strengthen your understanding.

Access all the patterns we cover in our lessons, so you can print them for future reference and become a skilled trader. Begin this journey to uncover the secrets of candlestick patterns and improve your trading skills.

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Technical Analysis: Candlestick Trading for Beginners

Intra-day trading is a type of stock trading in which the trader buys and sells stocks on the same day, leaving no open positions at the end of the day. Intra-day traders aim to buy a stock at a low price and sell it at a higher price within the same day, or short sell a stock at a high price and acquire it at a lower one. This necessitates a thorough awareness of the industry as well as pertinent data to assist them in making the best judgments possible. The price of a stock on the stock market is affected by a variety of variables, including demand and supply.

Traders benefit greatly from tools such as candlestick chart patterns. We'll go through how to interpret Candlestick Charts and what to look for.

What is Candlestick?

Candlesticks are used to discover trading patterns that aid technical analysts in setting up transactions. These candlestick patterns are used to forecast the direction of price movements in the future. Candlestick designs are created by arranging two or more candles in a certain pattern. A single candlestick may sometimes send forth significant indications. We'll go over all 35 powerful candlestick patterns in these tutorials, but first, let's go over how to interpret candlestick charts.

Candlestick charts are a type of technical analysis that consolidates data from many time frames into a single price bar. This distinguishes them from standard open-high, low-close bars or simple lines connecting the dots of closing prices. Candlesticks create patterns that, if completed, forecast price direction. This colorful technical instrument, which goes back to 18th-century Japanese rice dealers, gains depth with proper color coding.

Candlestick charts were established in Japan over a century before bar charts and point-and-figure charts were invented in the West. In the 1700s, a Japanese man named Homma observed that, while there was a relationship between rice price and supply and demand, the markets were also heavily impacted by merchants' emotions.

These candlestick charts were made with the intention of demonstrating the significant link between market prices as well as the supply and demand of various financial instruments such as stocks, FX, and commodities

Objective

- ☑ Traders can use candlestick charts to make trading choices, such as when to enter or quit a stock, by evaluating the technical charts.
- ☑ Traders would also be able to comprehend market emotions and the interaction of buyers and sellers.
- ☑ They will also be able to determine if the current trend will continue or reverse, allowing them to make informed trading selections.

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Candlestick Pattern Reliability

Candlestick patterns aren't all created equal. Because they've been evaluated by hedge funds and their algorithms, their tremendous popularity has diminished their dependability. To compete against regular investors and established fund managers who use popular technical analysis tactics, these well-funded players rely on lightning-fast execution. Hedge fund managers, in other words, utilize software to entice participants searching for high-odds bullish or bearish outcomes. Reliable patterns, on the other hand, continue to emerge, offering for both short- and long-term profit chances.

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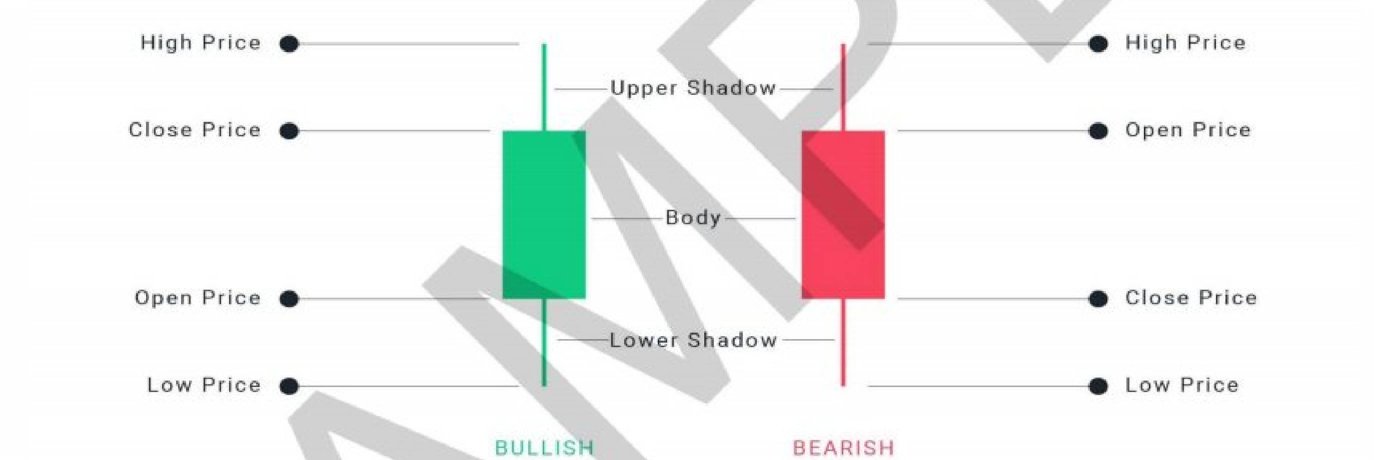
How To Read Candlestick Charts?

The purpose of Japanese candlestick charts is to demonstrate the important relationship between market prices as well as the supply and demand of various financial instruments. Traders use these charts to trade a variety of financial instruments, including stocks, forex, commodities, and so on. Patterns are visually simple to recognize and understand, and they provide more information about the relationship between buyers and sellers over time than traditional charts, as well as assisting traders in determining market sentiment.

Candlestick Components

A daily candlestick chart, like a bar chart, displays the market's open, high, low, and closing prices for the day. The "real body" of a candlestick is the broad or rectangular component that illustrates the relationship between opening and closing prices. The price range between the beginning and close of that day's trade is represented by this real body.



The body might be red or green, and it can be long or short. Shadows can either be lengthy or short. The market's emotion about the stock is represented by a combination of these. To understand how to interpret a candle chart, you must be aware of these elements.

A candle has four points of data:

- ☑ Open: The first trade during the period specified by the candle
- ☑ High: The highest traded price
- ☑ Low: The lowest traded price
- ☑ Close: The last trade during the period specified by the candle

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Bullish Candle

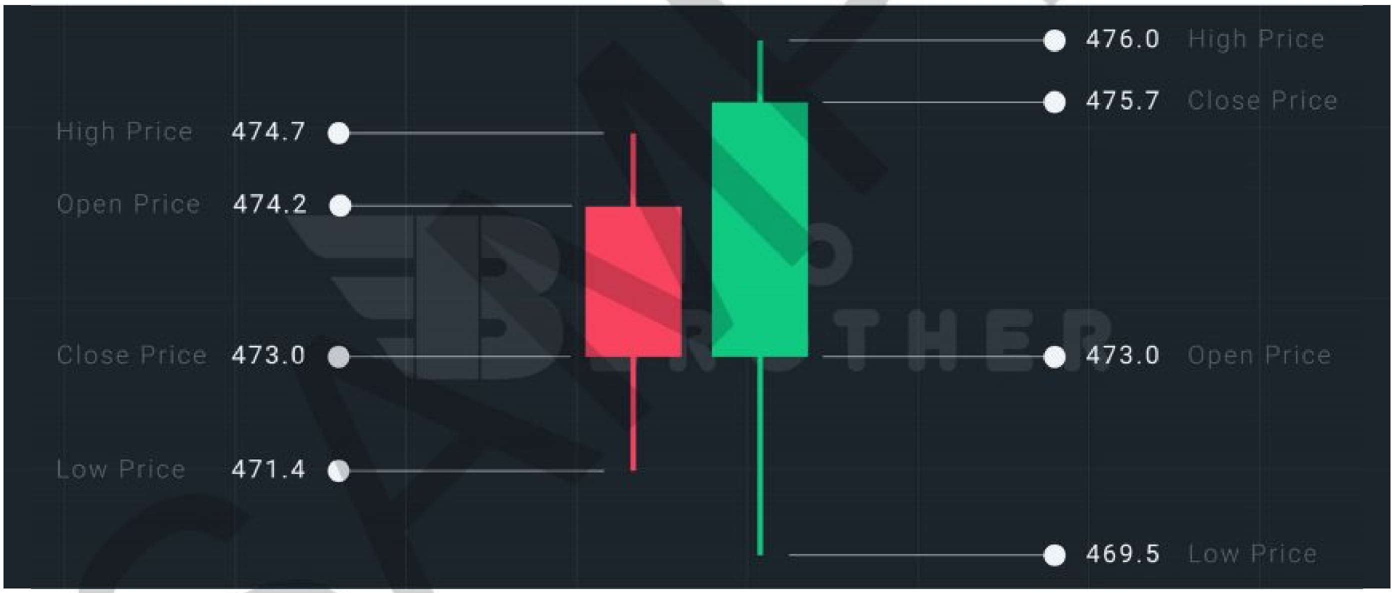
If the real body is empty, white, or green, the close was higher than the open, which is known as a bullish candle. It demonstrates that once the prices opened, the bulls drove them higher, and the prices closed higher than the opening price.

Bearish Candle

The bearish candle is formed when the true body is filled, black or red, indicating that the closure is lower than the open. It demonstrates that the prices opened higher, but the bears pushed them lower, and the prices closed lower than the opening price.

Shadows or Wicks

The wicks or shadows are thin vertical lines above and below the real body that indicate the trading session's high and low prices. The higher shadow depicts the trading session's peak price, while the lower shadow depicts the trading session's low price.



Analysing Candlestick Chart

In Above illustration, the beginning price is lower than the closing price of the first candle (bearish candle). This means the stock started at a high of $474.2 and ended up at $474.7. However, by the end of the day, it had dropped to $471.4 and had closed at $473.0, a price that was lower than the opening price. This means the bears have been successful.The opening price of the second candle (bullish candle) is lower than the closing price. This means that the stock began at a low of $473.0 and ended up at a high of $476.0. However, it sank to $469.5 at one time, but by the end of the day, it had risen to $475.7, which was greater than the beginning price. This indicates that the bulls have overcome.

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Types Of Candlestick Patterns

Candlestick charts are a great method to analyze investor mood and the link between supply and demand, bears and bulls, greed and fear, and so on. Traders must keep in mind that while a single candle gives adequate information, patterns can only be identified by comparing one candle to its prior and following candles. It is critical for traders to grasp candlestick chart patterns in order to benefit from them. Let's break down the patterns into two portions for easier comprehension:

- Continuation Patterns
- Reversal Patterns

Continuation Patterns:

A continuation pattern is a price pattern that indicates a momentary break in an existing trend.

A continuation pattern is a pause in a dominant trend—a time when the bulls catch their breath during an uptrend or the bears rest for a little while during a decline. It's impossible to predict whether a trend will continue or reverse while it's emerging. As a result, it's critical to pay close attention to the trendlines used to form the price pattern, as well as whether the price breaks above or below the continuation zone. Typically, technical analysts advise that a trend will continue unless it is proven to have reversed.

In general, the bigger the price movement inside a price pattern and the longer it takes to develop, the more dramatic the move after price breaks above or below the region of continuation.

A continuation pattern occurs when price follows its trend. The following are examples of common pattern continuations:

- Doji
- Rising & Falling Three Methods
- Rising & Falling Window
- Spinning Top
- High Wave

Reversal Patterns:

Reversal patterns might indicate that the bulls or bears have lost control and that a trend change is on the way. There will be a halt in the current trend, after which the price will move in a new direction from the other side (bull or bear)

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01.3 - TYPES OF CANDLESTICK PATTERN

A distribution pattern is a reversal that happens during market peaks, in which the traded item is quickly sold rather than acquired. The opposite of a reversal that occurs during market bottoms is an accumulation pattern, in which the item is traded more aggressively acquired than sold.

The most common reversal patterns are:

- Hammer
- The Morning Star
- Three White Soldiers
- The Evening Star
- Three Black Crows

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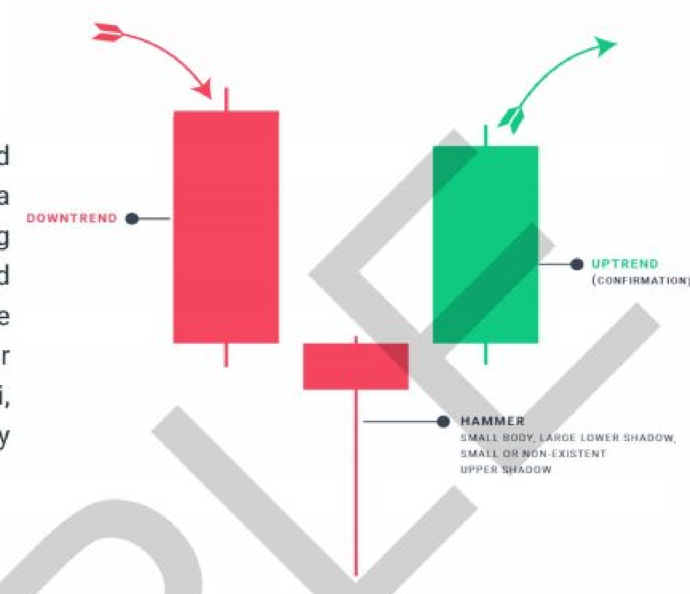
Hammer Candlestick Patterns

A Quick Overview Of Hammer Candlestick Patterns:

The Hammer candlestick pattern has a small body and a long lower shadow and appears at the bottom of a lower trend. A hammer indicates that, despite selling pressure during the day, significant purchasing demand finally drove the price upward. Although the color of the body varies, but, the green hammers imply a stronger bull market than red hammers. According to Bulkowski, this reversal predicts higher prices with an 60% accuracy rate.



Hammer Candlestick Keypoints

- Hammer candlesticks are usually seen following a price drop. Their real body is little, and their bottom shadow is long.
- When sellers enter the market during a price decrease, the hammer candlestick appears. By the time the market closes, buyers have absorbed all of the selling pressure and the market price has returned to its opening level.
- The close might be above or below the beginning price, but it should be close to the open in order for the candlestick's real body to stay modest.
- The bottom shadow should be at least twice the real body's height.
- Hammer candlesticks signal a possible upward price reversal. Following the hammer, the price must begin to rise; this is known as confirmation.

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Identifying a Hammer Candlestick

The Hammer candlestick pattern has a short body and a long lower shadow, and it appears near the bottom of a downward trend. A Hammer indicates that, despite heavy selling pressure earlier in the day, the price subsequently rose due to strong purchasing demand. Body color may vary, but green hammers have a greater bull market than red hammers.

To confirm that the candlestick pattern is "Hammer," consider the following points.

- ☑ The market is on a downward trend.
- ☑ A hammer is a single candlestick pattern.

02.1 - HAMMER

- ☑ A hammer has a lower shadow that is between two and three times the body height, but no longer.
- ☑ The top shadow of a hammer is very small or non-existent.
- ☑ The color of a hammer might be green or red. Body color is unimportant.
- ☑ A hammer candlestick pattern occurs near the bottom of a downward trend.

A downtrend should exist prior to the creation of a Hammer pattern, with at least two to three bearish candlesticks. After the Hammer, a bullish candlestick should be generated to confirm the reversal.

Trading Tactics

The best-performing hammers occur when the principal (longer-term) rising trend is retracing downward. Price rises for a few days in a main decline, but then quickly falls.

Before you trade, think about the following elements to assist you identify candles that will perform effectively.

- ☑ Wait for the price to close higher the day after the hammer to assist you spot a turnaround. That suggests a reversal will happen more than 90% of the time. A reversal happens when price closes above the pattern's top, which might be deceiving. Waiting for a higher close could ensure it, but it doesn't tell you how long the reversal will persist.
- ☑ Green-bodied (Bullish) hammers are more likely to operate as reversals than red-bodied (Bearish) hammers.
- ☑ The finest performance comes from gap confirmation. Only trade if price gaps open higher the next day following the hammer.
- ☑ The finest performance comes from candles that close in the middle of the hammer.
- ☑ Except for bear market/up breakouts, green candles (Bullish) perform better than red candles (Bearish) in

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Unlock the complete book now to gain a deep understanding of all candlestick patterns. Enhance your trading strategy for greater security and profitability.

Thank you for your time.

I sincerely hope you find

Mastering Candlestick Patterns: A Comprehensive Guide to Technical Analysis

as enjoyable and enlightening to read as it was for me to write. I have endeavoured to present all the essential information on this subject in a clear and accessible manner. If you encounter any challenges or have any questions, please do not hesitate to reach out. I am committed to helping you fully grasp these concepts and will do my best to address your queries.

For additional valuable content and updates, I invite you to visit infobrother.com regularly. Continue to expand your knowledge and enjoy your journey in mastering technical analysis.

Warm regards,

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