

Candlestick *Field Guide*

Sixteen formations and what they describe. A candle is a record of a fight between buyers and sellers. It is not a prediction.

■ Emerald: bullish candle (close above open) ■ Gold: bearish candle (close below open)

INDECISION

Doji



Open $\approx$ close. Buyers and sellers in balance. Meaningful only at a key level after a move.

POSSIBLE BULLISH REVERSAL

Hammer



Long lower wick after a decline: sellers pushed down, buyers reclaimed. Needs confirmation.

POSSIBLE BEARISH REVERSAL

Shooting star



Long upper wick after a rally: buyers were rejected. Needs confirmation.

STRONG CONVICTION

Marubozu



Full body, little or no wick. One side controlled the entire session.

INDECISION

Spinning top



Small body, wicks both sides. Momentum is fading.

POSSIBLE BULLISH REVERSAL

Bullish engulfing



An emerald body fully engulfs the prior gold body after a decline.

POSSIBLE BEARISH REVERSAL

Bearish engulfing



A gold body fully engulfs the prior emerald body after a rally.

POSSIBLE BULLISH REVERSAL

Piercing line



Opens below the prior low and closes above the prior body's midpoint.

POSSIBLE BEARISH REVERSAL

Dark cloud cover



Opens above the prior high and closes below the prior body's midpoint.

MOMENTUM SLOWING

Bullish harami



A small body inside the prior large gold body. Selling may be exhausting.

MOMENTUM SLOWING

Bearish harami



A small body inside the prior large emerald body. Buying may be exhausting.

POSSIBLE SUPPORT

Tweezer bottom



Two candles with matching lows: the level held twice.

POSSIBLE BULLISH REVERSAL

Morning star



Decline, small indecision candle, then a strong emerald close into the first body.

POSSIBLE BEARISH REVERSAL

Evening star



Rally, small indecision candle, then a strong gold close into the first body.

BULLISH CONTINUATION

Three white soldiers



Three strong emerald candles closing progressively higher.

BEARISH CONTINUATION

Three black crows



Three strong gold candles closing progressively lower.

WHEN CANDLES MEAN LITTLE

- **Location beats shape.** A hammer in the middle of a range is noise; at tested support after a decline it is information.
- **Wait for confirmation.** The next candle closing in the expected direction matters more than the pattern itself.
- **Timeframe matters.** Daily and weekly candles carry more weight than 1-minute ones.
- **Volume adds context.** A reversal pattern on rising volume is more telling than one on thin volume.
- **Test it.** Backtest any pattern on your market before trusting it. Many perform close to random on their own.