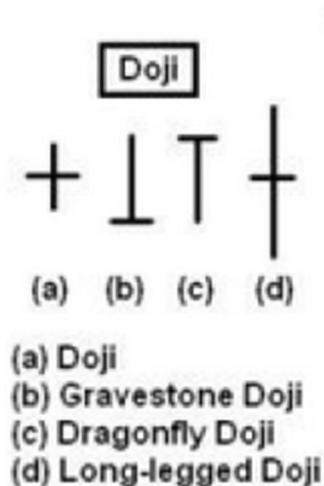


# TEN PROFITABLE CANDLESTICK PATTERNS EVERY TRADER NEEDS TO KNOW

There are lots of candlesticks, but out of all of them only 9 that you really need to know. Why? Because there are very popular are really powerful so why waste time with the rest?

When these candlesticks form at support and resistance levels or Fibonacci levels they are great trade entry signals.

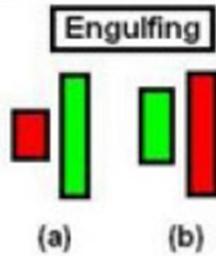
## #1: The Doji Candlestick Patterns.



The doji candlesticks are single (individual) candlestick patterns. There are 4 types of doji candlesticks as shown below:

1. The doji cross can be both considered a bullish or bearish signal depending on where it forms.
2. The gravestone doji is considered a bearish reversal candlestick when formed in an uptrend or in a resistance level.
3. The dragonfly doji is considered a bullish candlestick pattern when formed in a downtrend or in a support level.
4. The long-legged doji shows a period of indecision by bulls and bears and depending on where it forms (uptrend/resistance level=bearish signal, downtrend/support level=bullish signal) it can be considered a bearish or bullish signal.

## #2: The Engulfing Candlestick Patterns

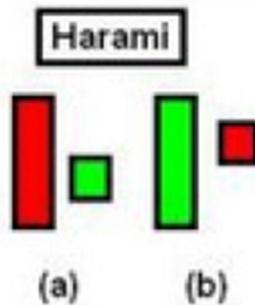


(a) Bullish Engulfing  
(b) Bearish Engulfing

The engulfing patterns are 2 candlestick patterns. For a bullish engulfing pattern, you will see that the first candle is bearish followed by the second candle which is very bullish and this 2<sup>nd</sup> candle completely engulfs

1. Bullish Engulfing-when formed in a support level or in a downtrend, this can signal that the downtrend is potentially ending.
2. Bearish Engulfing-when formed in an uptrend or or in a resistance level, this is a signal that the uptrend may be ending.

## #3: Harami Candlestick Patterns.

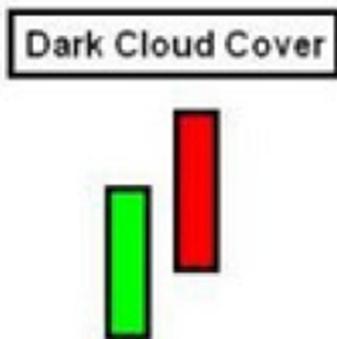


(a) Bullish Harami  
(b) Bearish harami

The harami is a 2 candlestick pattern and can be bullish or bearish.

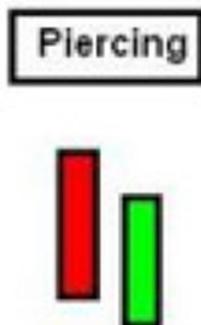
1. **Bullish Harami**-this is a 2 candlestick pattern. The first candlestick is a very bearish candlestick followed by a bullish candle, which is quite short and is completely covered by the shadow of first candle. When you see this in a downtrend or in an area of support, this will be your bullish(buy) signal.
2. **Bearish Harami** is the exact opposite of bullish harami. When you see this pattern form in a resistance level or in an uptrend, this is a bearish reversal signal and may indicate that the uptrend is ending and you should go short (sell).

## #4: Dark Cloud Cover Candlestick Pattern



The dark cloud is another bearish reversal candlestick pattern formation consisting of 2 candlesticks. The first one is a bullish candlestick showing a strong upward momentum but when the second candle forms, it shows a completely different story...its bearish and it closes at about the midway point of the first candlestick. When you see the dark cloud cover candlestick pattern in an uptrend or in level of resistance, it's a bearish reversal signal and you should be thinking to go short (sell).

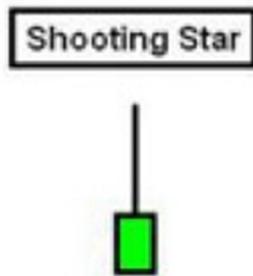
## #5: Piercing Line Candlestick Pattern



The piercing line is the opposite of dark cloud cover. You may see this in a downtrend or forming at a support level. The first candlestick is very bearish and when the 2<sup>nd</sup> candle forms, it tells a completely different story, it's bullish. This tells you that the bears are losing steam and that the bulls are gaining strength to potentially move the market price up. The second bullish candlestick should close somewhere up the mid-point of the first candlestick.

So when you see the piercing line pattern forming at support levels or in a downtrend market, take note as this is a potential bullish reversal signal so you should be thinking of going long (buying).

## #6: Shooting Star Candlestick Pattern

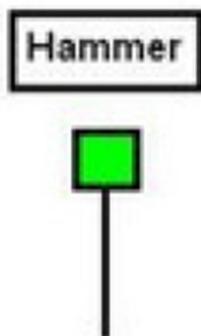


This is one of the most reliable candlesticks and obviously one of the most popular due to the fact that they are so easy to spot on any chart.

The shooting star is single candlestick pattern and when it forms in an uptrend or in a resistance level, then it is considered as a bearish reversal pattern and so you should be looking to sell.

*Note: the shooting star is sometimes called the bearish hammer, inverse hammer, inverted hammer or bearish pin bar. They all mean the same and refer to the shooting star candlestick pattern.*

## #7: Hammer Candlestick Pattern



The hammer candlestick is a single candlestick pattern pattern and its is considered a bullish reversal candlestick pattern and it's the opposite of the shooting star candlestick pattern.

It has a very long tail and a short upper wick or none at all. Also called a pin bar

When it forms in a downtrend or at support levels, you should take note...this is a very high probability bullish reversal candlestick pattern and you should be looking to go long (buy).

## #8: Hanging Man Candlestick Pattern

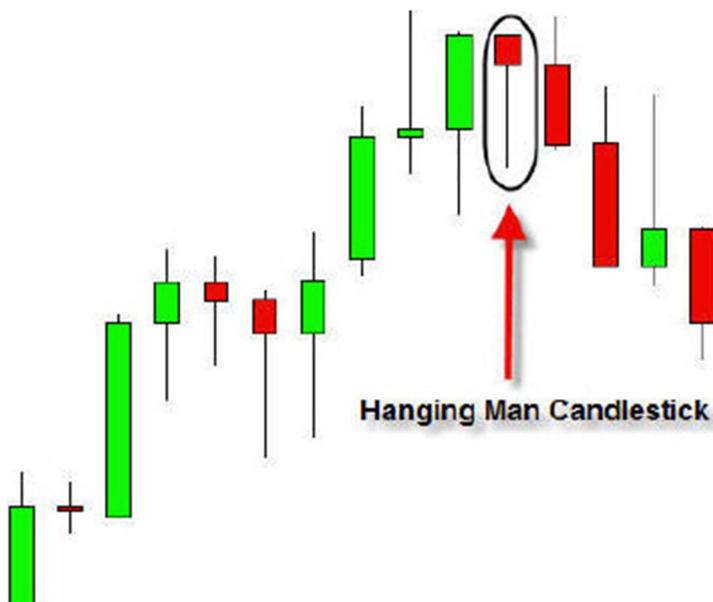
Hanging Man



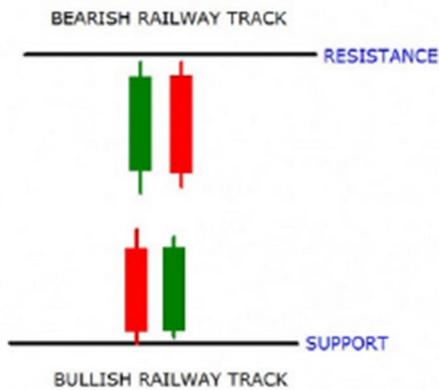
Now, what happens if you see in an uptrend a candlestick that looks like a hammer? Is it still a bullish signal? Well, *in that case*, this candlestick is a hanging man and its not a bullish signal. Here's how it looks:

*Now, the hanging man, is exactly like hammer but the only difference is that it must form in an uptrend.*

When it forms in an uptrend or in resistance levels, it tells you that there is a possibility that the uptrend is ending so you should be looking to go short (sell). See chart below:



## #9: Railway Track Candlestick Patterns



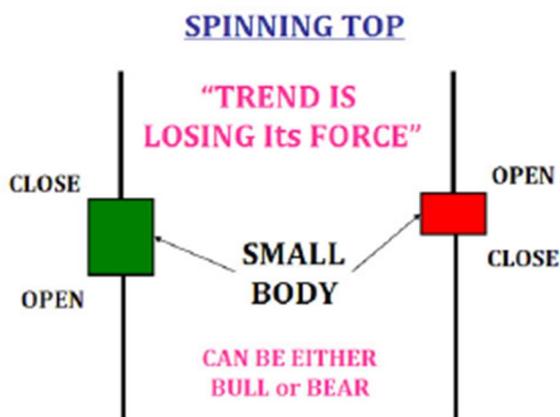
The railway track pattern is a 2-candlestick pattern and there's a bearish and bullish railway track candlestick pattern. A notable feature of railway tracks is that *they look like paralalled railway tracks...*and both candlesticks should be of almost the same length and body and almost look like mirror image of each other.

1. For a bearish railway track, the first candle is bullish followed by almost exactly the same length and body of the second candlestick which is bullish. This tells you that bulls are losing ground and bears have gained controlled.

So when you see the bearish railway track pattern in an uptrend, or in an area of resistance, this is a signal that the downtrend may be starting so you should be looking to sell.

1. Similarly but opposite is the bullish railway track pattern. When you see this in a downtred or in an area of support, take note because the market may be heading up and this is your signal to buy.

## #10: Spinning Top

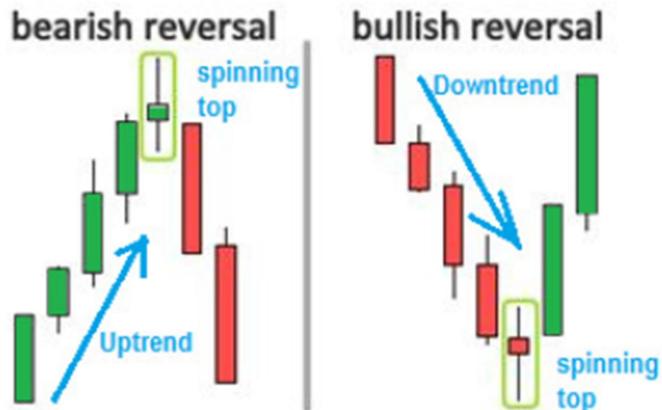


Spinning tops can be continuation candlestick patterns or reversal candlestick patterns. Spinning tops have small bodies with upper and lower shadows that exceed the length of the body. Spinning tops signal indecision. A spinning top is a single candlestick pattern and it can be both bullish or bearish.

Let me explain. *If you see are bearish spinning top in a support area or in a downtrend, this can be considered a bullish reversal signal when the high of that bearish spinning top is broken to the upside.*

*Similarly, a bullish spinning stop in a resistance level or in an uptrend can be considered a bearish signal as soon as the low is broken to the downside.*

Example below shows what I mean:



Spinning tops are fairly short in length compared to other candlesticks and their body length is a few steps wider than that of doji candlesticks(which actually have none or very tiny bodies).

Another notable feature of spinning tops is that the *wicks on both sides should be almost the same length*.

When I see spinning tops form on support or resistance levels, all it tells me the bears and bulls do not really know where to push the market and so when a *breakout of the low or high of a spinning top by the next candle that forms* usually signals the move in that direction of breakout!



**BAMBOO GROWTH**  
**JSE SHARES / FOREX**