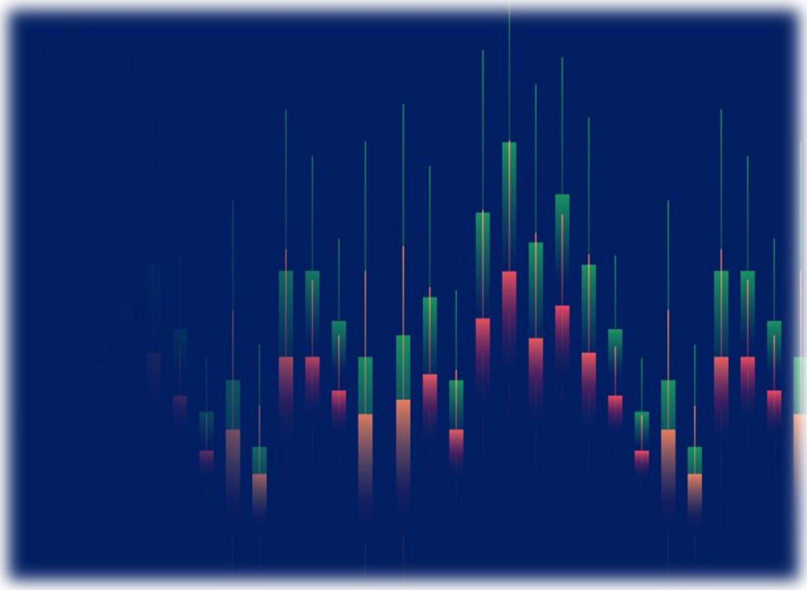

INTRODUCTION TO CANDLESTICK

ABSTRACT
"Trading Mindset" refers to the beliefs, attitudes, and behaviors that shape a trader's perception, decision-making, risk management, and emotional resilience in financial markets.

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INTRUDUCTION TO CANDLESTICKS

Introduction: Candlestick patterns are powerful tools used by traders to analyze market sentiment and make informed trading decisions. These patterns, formed by the arrangement of candlesticks on a price chart, provide valuable insights into the ongoing battle between buyers and sellers in the financial markets. In this article, we will explore essential candlestick patterns, their characteristics, and their implications for traders.these candlestick paterns are best use with price action.

Japanese candlestick patterns have a rich history in trading, originating in Japan in the 18th century. Munehisa Homma, a Japanese rice trader, developed the candlestick charting technique to analyze market trends. Today, candlestick patterns are widely used by traders worldwide for technical analysis and price prediction in various financial markets.

Remember, candlestick patterns should not be used in isolation but in conjunction with other technical analysis tools and indicators. By combining candlestick patterns with trend analysis, support and resistance levels, and volume analysis, traders can gain a more comprehensive understanding of market dynamics and make more informed trading decisions.

Understanding Candlestick Charts: Here, we will delve into the structure of candlestick charts and explain the different components of a candlestick. We will cover bullish and bearish candles, Contunuation Pattern and candlestick bodies, wicks, and shadows. Additionally, we will explore the concept of timeframes and how they affect the interpretation of candlestick patterns.

Basic Candlestick Patterns: This chapter will introduce readers to essential candlestick patterns. We will cover patterns such as Doji, Hammer and Hanging Man, Shooting Star and Inverted Hammer, and Engulfing Patterns. Each pattern will be explained in detail, accompanied by examples and illustration.

Continuation Candlestick Patterns : Here, we will focus on candlestick patterns that indicate a continuation of the prevailing trend. Patterns such as Bullish and Bearish Harami, Three White Soldiers and Three Black Crows, and Rising and Falling Three Methods will be discussed, providing insights into their significance and potential trading opportunities.

Basic of Candlestic

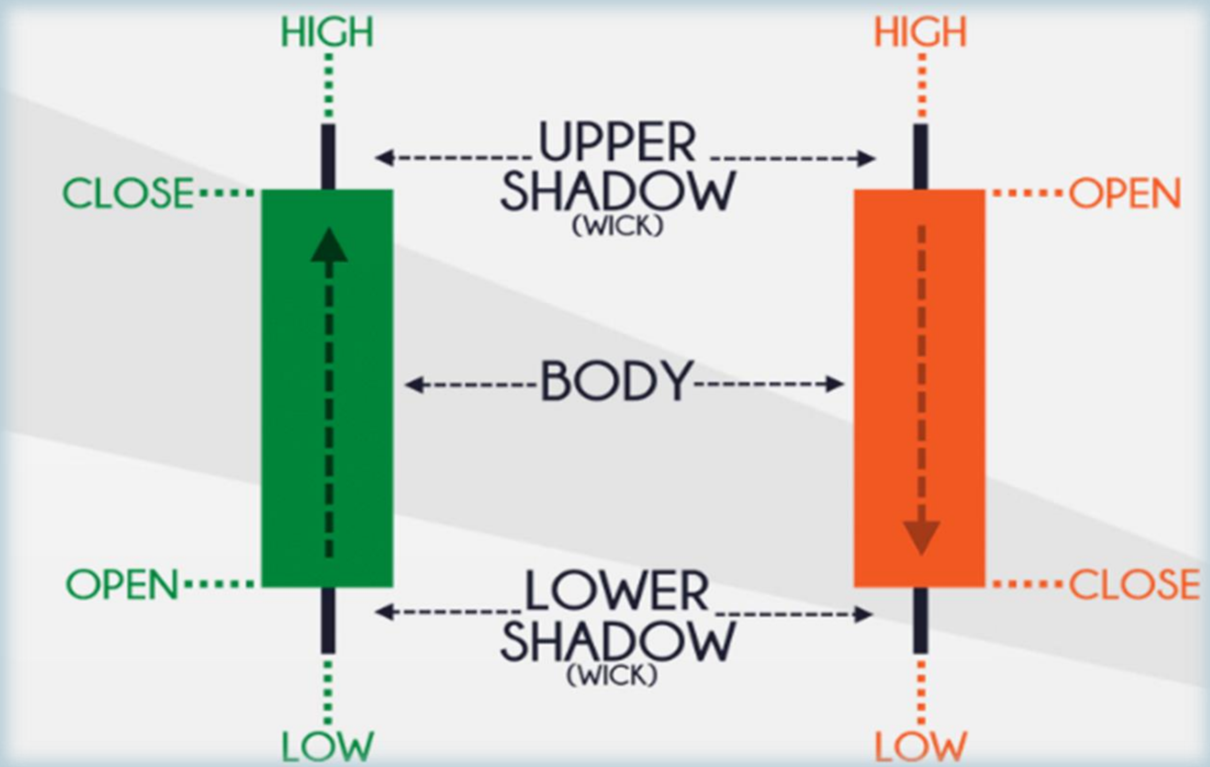
Every candlestick has 4 points :

Open - The Opening Price

High - The highest price over fixed period of time .

Low – The lowest price over a foxed time period

Here what I mean:



Color of candle depends upon opening and closing of price during specific time period .

If candle close above opening price then color of candle would be Green .

If candle close below opening price then the color of candle is Red .

At Sikhnomics Academy, our emphasis is not primarily on the color of the candle, but rather on analyzing its structure to assess the strength of buyers and sellers. By focusing on the candle's structure, we can better predict the potential movement of the next candle and make informed trading decisions.

Bullish Candlestck patterns

1. **Inverse Hammer:** The inverse hammer is a bullish reversal pattern that occurs at the bottom of a downtrend. It has a long upper shadow, a small or nonexistent lower shadow, and a small real body near the low of the candle. This pattern suggests that sellers have exhausted their momentum, and buyers are stepping in, indicating a potential trend reversal.

   Here's how to identify a hammer candlestick pattern:

   - The candle has a small or no upper shadow.
   - The closing price is at or near the top 25% of the candle's range.
   - The lower shadow is approximately 2 or 3 times the length of the body.

   and here's what a hammer pattern signifies:

   1. Initially, sellers dominate the market and push the price lower after the market opens.
   2. At a certain point, significant buying pressure emerges, leading to a price rebound.
   3. The buying pressure is strong enough to drive the price above the opening level, resulting in a close near or above the opening price.

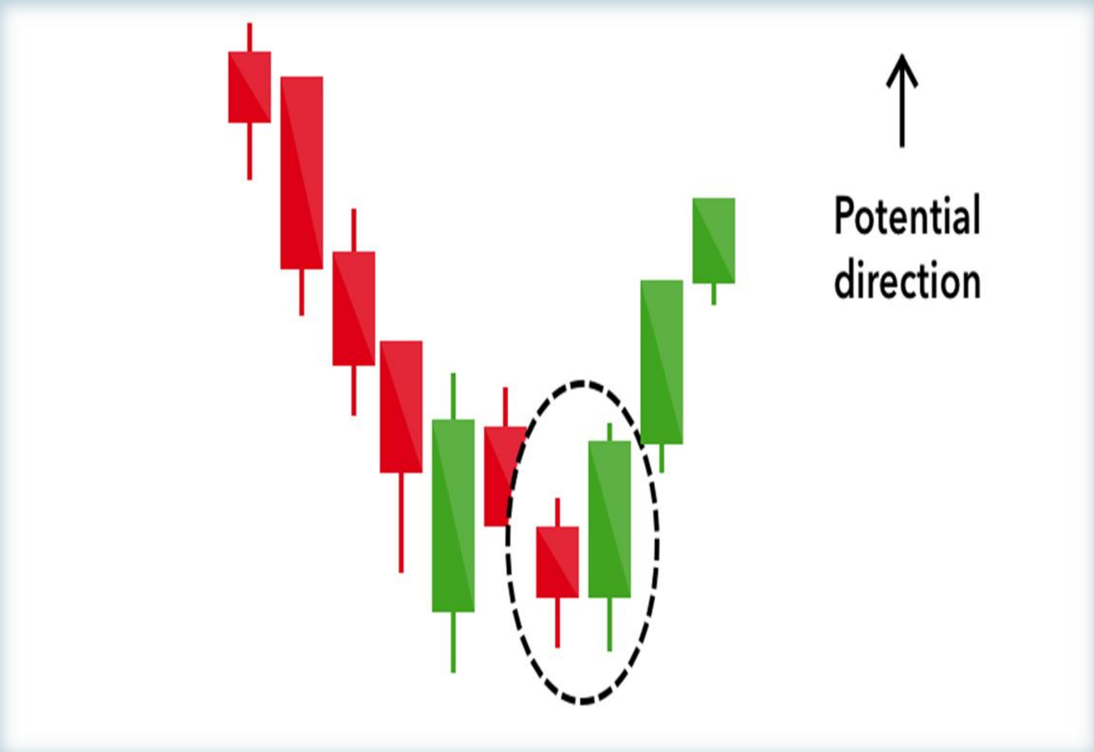
2. **Bullish Engulfing:** The bullish engulfing pattern is a two-candle reversal pattern that occurs during a downtrend. The first candle is a bearish candle, followed by a larger bullish candle that completely engulfs the previous candle's body. This pattern signifies a shift in market sentiment from bearish to bullish, indicating a potential trend reversal.

   Here's how to identify a Bullish Engulfing Pattern.

   - The first candle closes with a bearish tone.
   - The body of the second candle completely engulfs the body of the first candle, disregarding the shadows.
   - The second candle closes with a bullish tone

   and this is the significance of a Bullish Engulfing Pattern:

   1. The first candle indicates that sellers have control as it closes lower than the previous period.
   2. In contrast, the second candle demonstrates strong buying pressure as it closes above the high of the previous candle. This suggests that buyers have emerged victorious, at least temporarily, in the battle between buyers and sellers.



3. **Morning Star:** The morning star pattern is a bullish reversal pattern that occurs during a downtrend. It consists of three candles: a long bearish candle, a small-bodied candle with a gap down, and a long bullish candle that closes above the midpoint of the first candle's body. This pattern indicates a potential trend reversal and a shift from bearish to bullish momentum.

Here's how to identify a Morning Star pattern:

- The first candle closes with a bearish tone.
- The second candle has a small range.
- The third candle closes aggressively higher, surpassing 50% of the range of the first candle.

and this is the significance of a Morning Star pattern:

1. The first candle indicates that sellers are in control as the price closes lower.
2. The second candle reflects market indecision as both buying and selling pressure are relatively balanced, resulting in a small range.
3. On the third candle, buyers emerge victorious in the battle as the price closes higher.

4. **Three White Soldiers:** The three white soldiers pattern is a bullish reversal pattern that occurs during a downtrend. It consists of three consecutive long bullish candles with small or no shadows. Each candle opens within the previous candle's body and closes near its high. This pattern suggests a strong buying pressure and a potential trend reversal.

5. **Piercing Line:** The piercing line pattern is a bullish reversal pattern that occurs during a downtrend. It consists of a bearish candle followed by a bullish candle that opens below the low of the previous candle but closes more than halfway above its body. This pattern suggests a potential trend reversal and a possible upward price movement

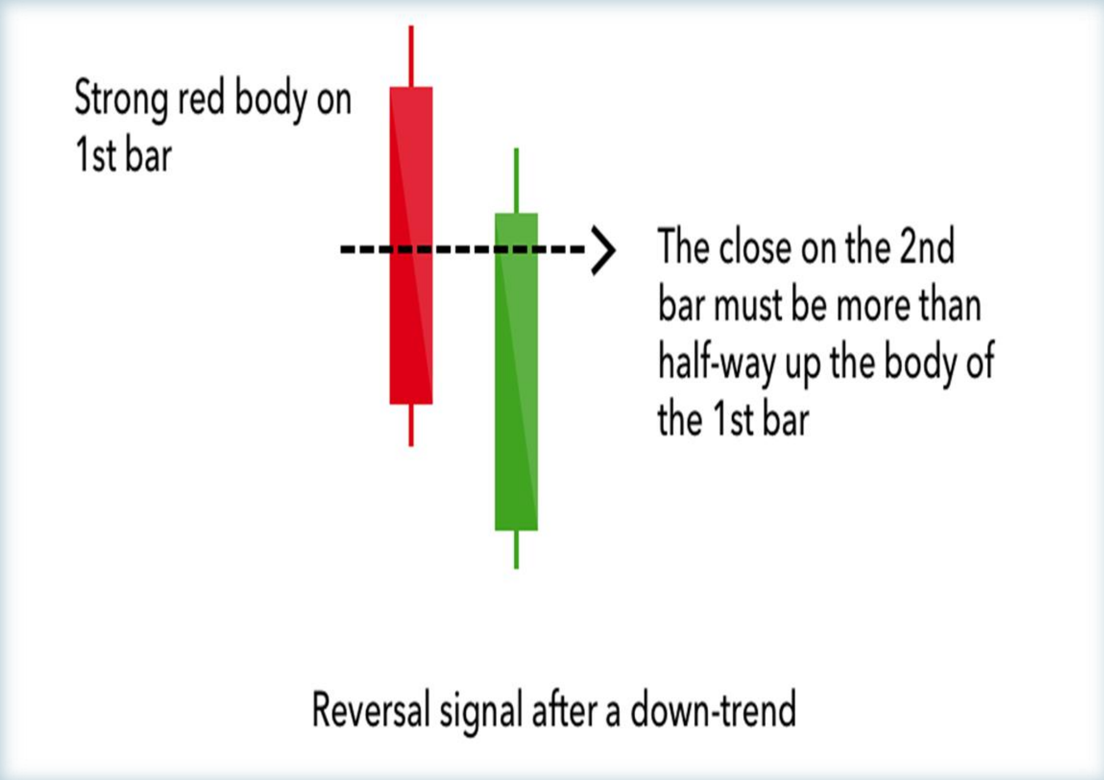
   Here's how to identify a Piercing Pattern:

   - The first candle closes with a bearish tone.
   - The body of the second candle closes beyond the halfway point of the first candle.
   - The second candle closes with a bullish tone.

   and this is the significance of a Piercing Pattern:

   1. The first candle indicates that sellers are in control as it closes lower.

2. On the second candle, buying pressure emerges, leading to a bullish close that exceeds 50% of the previous candle's body. This suggests the presence of significant buying pressure in the market.



Bearish Candlestick patterns

1. **Shooting Star:** The shooting star is a bearish reversal pattern that occurs at the top of an uptrend. It has a long upper shadow, a small or nonexistent lower shadow, and a small real body near the low of the candle. This pattern indicates that buyers attempted to push the price higher but failed, suggesting a potential trend reversal.

   Here's how to identify a Shooting Star candlestick pattern:

   - The candle has a small or no lower shadow.
   - The closing price is at or near the bottom 25% of the candle's range.
   - The upper shadow is approximately 2 or 3 times the length of the body.

   And this is the significance of a Shooting Star pattern:

1. Initially, buyers take control of the market and push the price higher after the market opens.
2. At a certain point, significant selling pressure enters the market and pushes the price lower.
3. The selling pressure is strong enough to drive the price below the opening level, resulting in a close near or below the opening price.

In summary, a Shooting Star is a bearish reversal candlestick pattern that indicates a rejection of higher prices and a potential shift in market sentiment towards bearishness.

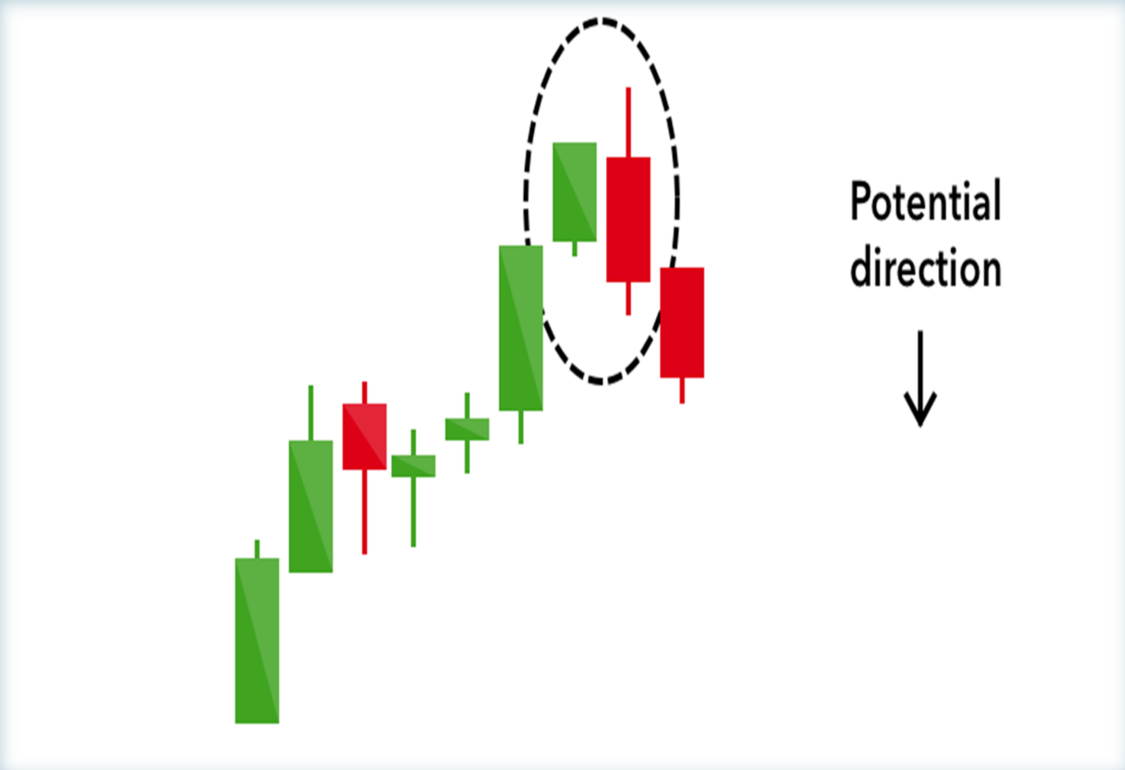
2. **Bearish Engulfing:** The bearish engulfing pattern is a two-candle reversal pattern that occurs during an uptrend. The first candle is a bullish candle, followed by a larger bearish candle that completely engulfs the previous candle's body. This pattern signifies a shift in market sentiment from bullish to bearish, indicating a potential trend reversal.

   here's how to identify it:

- The first candle closes with a bullish tone.
- The body of the second candle completely engulfs the body of the first candle, excluding the shadows.
- The second candle closes with a bearish tone.

and this is the meaning of a Bearish Engulfing Pattern:

1. The first candle indicates that buyers have control as they closed higher during the period.
2. On the second candle, strong selling pressure emerges and closes below the low of the previous candle. This signifies that sellers have emerged victorious in the battle between buyers and sellers, at least for the time being.



3. **Evening Star:** The evening star pattern is a bearish reversal pattern that occurs during an uptrend. It consists of three candles: a long bullish candle, a small-bodied candle with a gap up, and a long bearish candle that closes below the midpoint of the first candle's body. This pattern indicates a potential trend reversal and a shift from bullish to bearish momentum.

here's how to identify an Evening Star pattern:

- The first candle closes with a bullish tone.
- The second candle has a small range.
- The third candle closes aggressively lower, surpassing 50% of the range of the first candle.

and this is the significance of an Evening Star pattern:

1. The first candle indicates that buyers are in control as the price closes higher.
2. The second candle reflects market indecision as both buying and selling pressure are relatively balanced, resulting in a small range.
3. On the third candle, sellers emerge victorious in the battle as the price closes lower.

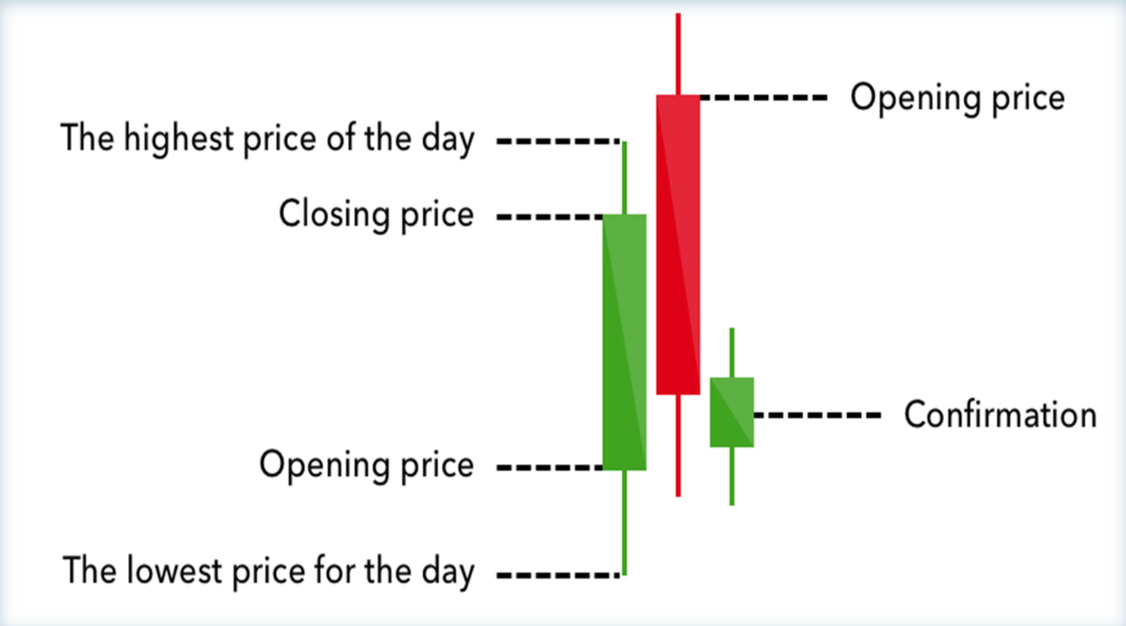
   In short, an Evening Star pattern suggests that buyers are exhausted and sellers have gained temporary control over the market.

4. **Dark cloud Cover :** The dark cloud cover candlestick pattern indicates a bearish reversal – a black cloud over the previous day's optimism. It comprises two candlesticks: a red candlestick which opens above the previous green body, and closes below its midpoint.It signals that the bears have taken over the session, pushing the price sharply lower. If the wicks of the candles are short it suggests that the downtrend was extremely decisive.

here's how to identify a Dark Cloud Cover pattern:

1. The first candle is a bullish candle, indicating a price advance.
2. The second candle opens higher than the previous candle's close but closes below the midpoint of the first candle.
3. The second candle's close creates a bearish sentiment, potentially indicating a reversal.

   In summary, the Dark Cloud Cover pattern is characterized by a bearish candle following a bullish candle, where the second candle's close suggests a potential reversal or resistance to further price advances.



5. **Three Black Crows:** The three black crows pattern is a bearish reversal pattern that occurs during an uptrend. It consists of three consecutive long bearish candles with small or no shadows. Each candle opens within the previous candle's body and closes near its low. This pattern suggests a strong selling pressure and a potential trend reversal.

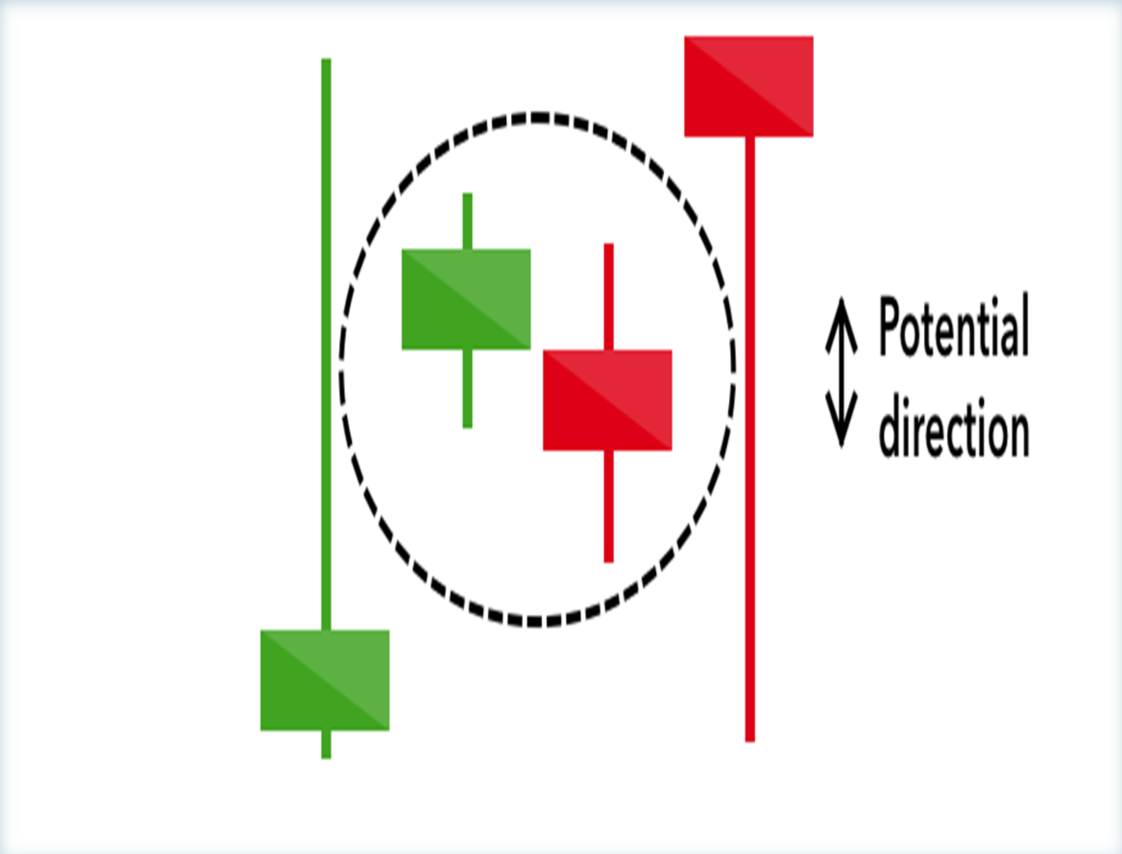
here's how to identify a Three Black Crows pattern:

1. The pattern consists of three consecutive bearish (downward) candles.
2. Each candle should open within the previous candle's body.
3. Each candle should close near its low, indicating sustained selling pressure.
4. The pattern typically forms after an uptrend, signaling a potential reversal.

In summary, the Three Black Crows pattern is recognized by three successive bearish candles with lower closes, suggesting a shift in market sentiment from bullish to bearish.

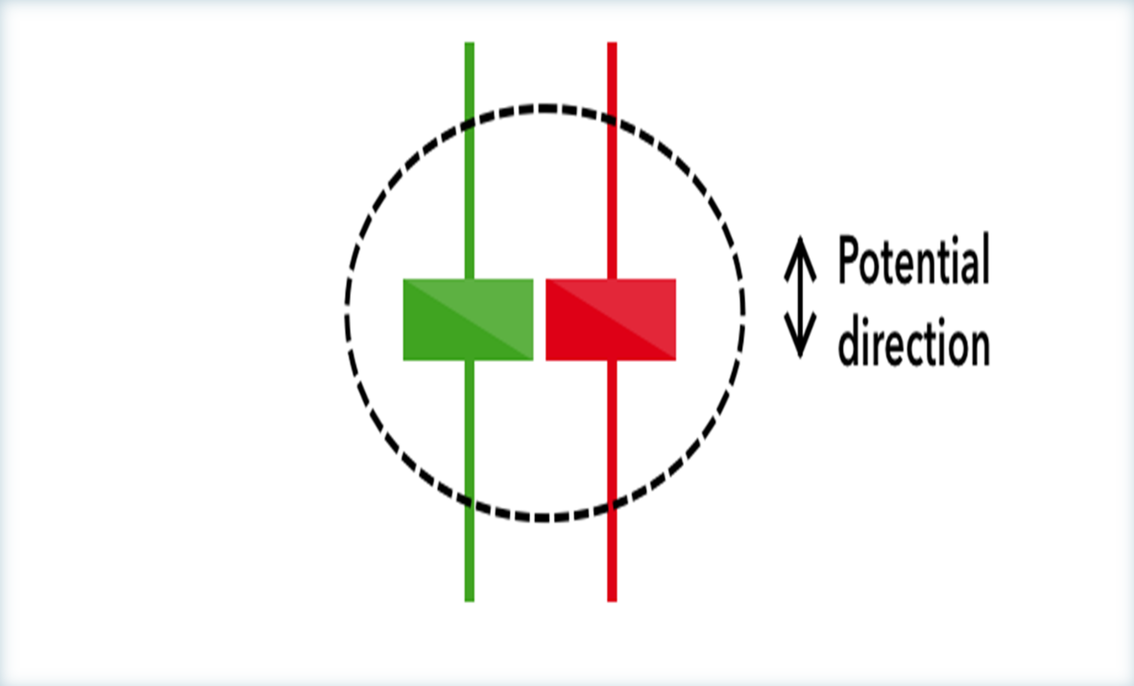
Continuation Candlestick Patterns

1. **Doji:** The doji is a candlestick pattern that indicates market indecision. It has a small real body, with the opening and closing prices near or equal to each other. A doji suggests that neither buyers nor sellers have control and can signal a potential trend reversal or continuation, depending on the preceding price action.



2. **Spinning Top:** The spinning top is a candlestick pattern with a small real body and long upper and lower shadows. It suggests indecision in the market, with

buyers and sellers struggling for control. A spinning top can indicate a potential trend reversal or continuation, depending on the context and surrounding price action.



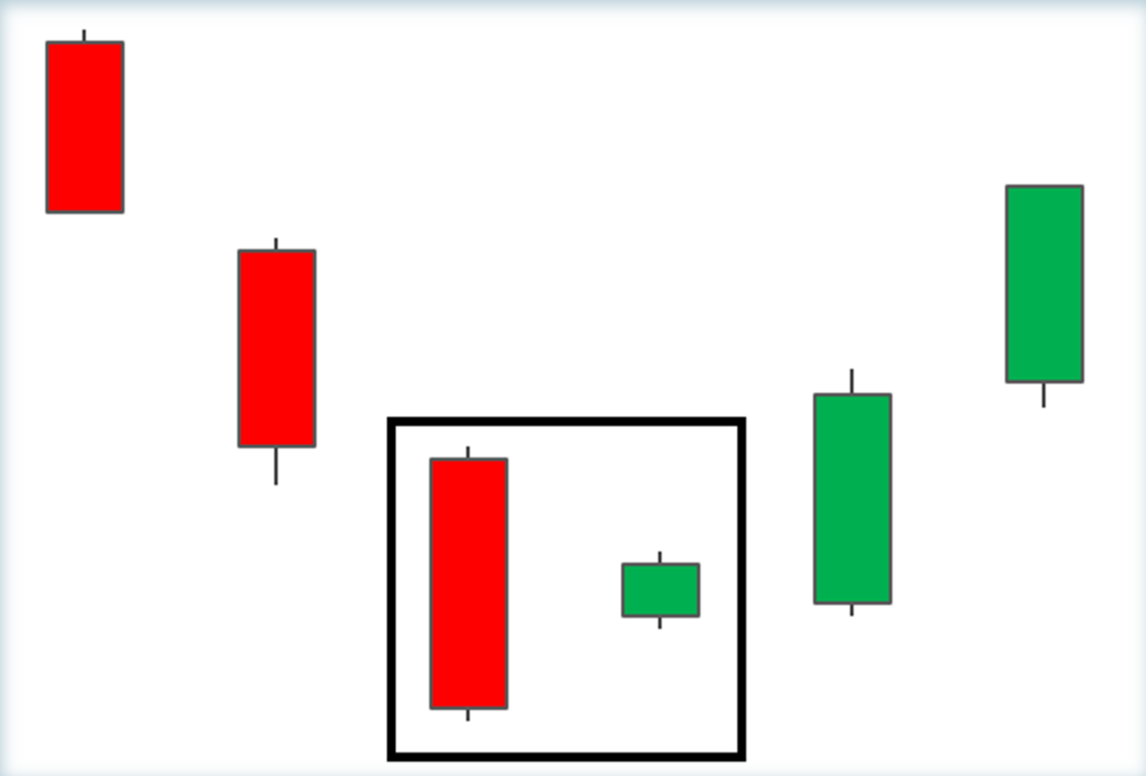
3. **Falling Three:** The falling three pattern is a bearish continuation pattern that occurs during a downtrend. It consists of a long bearish candle, followed by a series of smaller bullish candles that trade within the range of the first candle. This pattern suggests that the downtrend is likely to continue after a temporary pause or consolidation.

4. **Rising Three:** The rising three pattern is a bullish continuation pattern that occurs during an uptrend. It consists of a long bullish candle, followed by a series of smaller bearish candles that trade within the range of the first candle. This pattern suggests that the uptrend is likely to continue after a temporary pause or consolidation.

5. **Bullish Harami :**

here's how to identify a Bullish Harami pattern:

1. Look for a prevailing downtrend in the price chart.
2. Identify a large bearish (downward) candlestick that represents the current trend.
3. The next candlestick should be a smaller bullish (upward) candlestick that is completely contained within the range of the previous bearish candlestick.
4. The smaller bullish candlestick can have either a filled or hollow body.

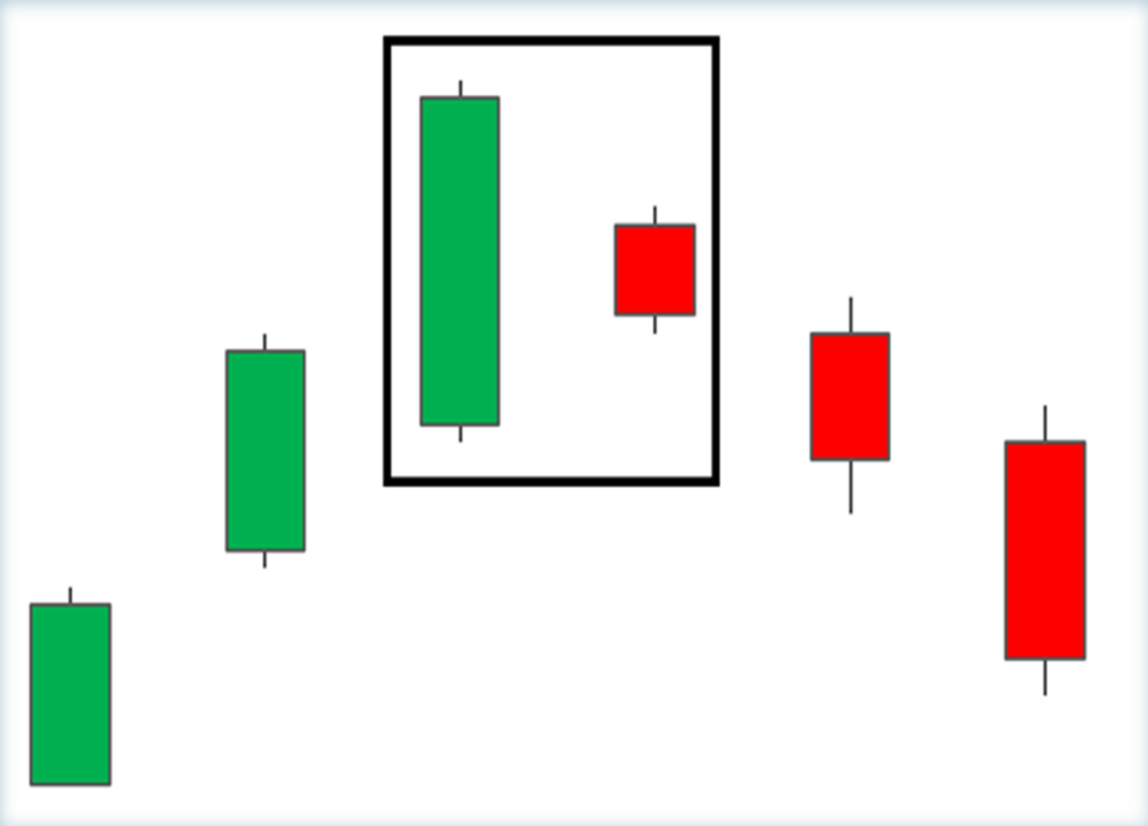


6. **Bearish Harami:**

Here's how to identify a Bearish Harami pattern:

1. Look for a prevailing uptrend in the price chart.
2. Identify a large bullish (upward) candlestick that represents the current trend.
3. The next candlestick should be a smaller bearish (downward) candlestick that is completely contained within the range of the previous bullish candlestick.
4. The smaller bearish candlestick can have either a filled or hollow body.

In summary, a Bearish Harami pattern is recognized by a smaller bearish candlestick appearing within the range of a preceding larger bullish candlestick. This pattern suggests a potential reversal of the uptrend and indicates that selling pressure may be emerging in the market. Traders often interpret this pattern as a signal to consider taking short positions or closing out long positions.



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