

CANDLE STICK SIGNALS

This book is given for reference. So readers may or may not read it.

: The History of Japanese Candlesticks :

Throughout Candlestick Analysis you are going to find many war-like references. Between 1500 and 1600 the territories of today's Japan were at constant war. Each daimyo (feudal lord) was in constant contention to take over their neighbor. This one hundred year period is known as Sengoku Jidai or the "Age of Country at War". This was a definite period of turmoil. It slowly came to order in the early 1600's through three dynamic generals - Nobunaga Oda, Hideyoshi Toyotomi, and Ieyasu Tokugawa. Their combined leadership prowess has become legendary folklore in Japan's history. Their achievements are described as: "Nobunaga piled the rice, Hideyoshi kneaded the dough, and Tokugawa ate the cake." All the contributions from these great generals unified Japan into one nation. Tokugawa's family ruled the country from 1615 to 1867. This became known as the Tokugawa Shogunate Era.

While the Candlestick methodology was being developed, a military environment persisted in Japan. Understandably, the Candlestick technique employs extensive military terminology for its explanations. Investing is correlated to battle. It requires the same tactical abilities to win. The investor has to prepare for winning trades as a general prepares for battle. A strategy is required, the psychology of coming events have to be thought through. Competition comes into play. Aggressive maneuvers and strategic withdrawals are required to eventually win the war - to achieve financial success.

As stability settled over the Japanese culture during the early 17th century, new opportunities became apparent also. The centralized government led by Tokugawa diminished the feudal system. Local markets began to expand to a national scale. The demise of local markets created the growth of technical analysis in Japan.

Osaka became regarded as Japan's capital during the Toyotomi reign. Its location near the sea made it a commercial center. Land travel was slow and dangerous, not to mention costly. It became a natural location for the development of the national depot system, assembling and disbursing supplies and market products. It rapidly evolved into Japan's largest city of finance and commerce. Osaka, the "Kitchen of Japan" with its vast system of warehouses, eventually established an atmosphere of price stability by reducing regional imbalances of supply. Osaka became the profit center of all Japan, completely altering the normal social standards. In all other cities the quest for profits was despised. Japan was composed of four classes, the Soldier, the Farmer, the Artisan, and the Merchant. It was not until the 1700's that the merchants broke down the social barrier. "Mokarimakka" which means "are you making a profit?" is still the common greeting in Osaka today.

Under Hideyoshi's reign, a man named Yodoya Keian became a successful war merchant. He had exceptional abilities to transport, distribute and set the price of rice. His reputation became so well known, his front yard became the first rice exchange. Unfortunately, he became very wealthy. Unfortunately because the Bakufu (the military government led by the Shogun) relieved him of all his fortune. This was done based upon the charge that he was living a life of luxury beyond his social rank. This was during a period in the mid 1600's when the Bakufu was becoming very leary of the merchant class. A number of merchants tried to corner the rice market. They were punished by having their children executed. They were exiled and their wealth was confiscated.

The Dojima Rice Exchange, the institutionalized market that developed in Yodoya's front yard, was established in the late 1600's. Merchants were now capable of grading the rice, and negotiated setting the market price. After 1710, actual rice trading expanded into issuance and negotiating for rice warehouse receipts. These became known as rice coupons, and were the first forms of futures. The Osaka rice brokerage became the foundation for the city's wealth. 1,300 rice dealers occupied the Exchange. Due to the debasing of coinage, rice became the medium of exchange. A daimyo in need of money could send his surplus rice to Osaka and get a receipt from a warehouse. This receipt (coupon) could then be sold. As with many daimyo, cashflow problems could be eliminated through this method. Sometimes many future years of crops were mortgaged to take care of current expenses.

With the rice coupon becoming an actively traded entity, the Dojima Rice exchange became the world's first futures exchange. Rice coupons were also called "empty rice" coupons, rice that was not in physical possession. Rice futures trading became so established in the Japanese marketplace, that in 1749, 110,000 bales (rice traded in bales) were freely traded while there were only 30,000 bales in existence throughout Japan.

It was during this time period that Candlestick trading became more refined. Candlestick analysis had been developed over the years simply due to the tracking of rice price movements. However, in the mid 1700's they were really fully utilized. "The god of the markets" Homma came into the picture. Munehisa Homma, the youngest son of the Homma family, inherited the family's business due to his extraordinary trading savvy. This at a time when the Japanese culture, as well as many other cultures, thought it common that the eldest son should inherit the family business. The trading firm was moved from their city, Sakata, to Edo (Tokyo). Homma's research into historic price moves and weather conditions established more concrete interpretations into what became known as Candlesticks. His research and findings, known as "Sakata Rules" became the framework for Japanese investment philosophy.

After dominating the Osaka rice markets, Homma eventually went on to amass greater fortunes in the Tokyo exchanges. It was said that he had over one hundred winning trades in a row. His abilities became legendary and were the basis of Candlestick analysis.

Japanese Candlestick analysis was never a hidden or secretive trading system. It was successfully used in Japan for hundreds of years. It has been only recently, about 25 years ago, that it first made its way into the U.S. trading community. Until then, there just wasn't any interest from Western cultures to investigate the Candlestick Technique. Even then, it was not noticed all that much. The perception has been that it was difficult to learn and very time consuming. That may have been true until recently. The first books introducing it into the U.S. trading arena would describe how to make wooden boxes that were backlit. Then the chart graphs could be better viewed. Fortunately, the advent of computers and computer programming has taken Candlestick analysis ahead by leaps and bounds.

Until recently, the investment community knew about Candlesticks, they just didn't know how to use them effectively. Interest has been increasing dramatically now that the roaring markets have collapsed. Investors, new and old, are now trying to investigate methods that protect them from the severe losses that occurred from March 2000 until now.

Hundreds of years of analysis and interpretation can be much more easily extracted through computer programming. Huge fortunes were amassed with simple charting techniques. The same will be true with all the benefits that computer software provides the investor today.

: GLOSSARY OF CANDLE STICK SIGNALS :

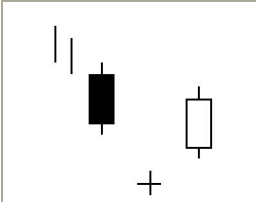
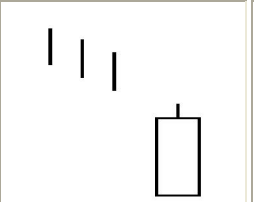
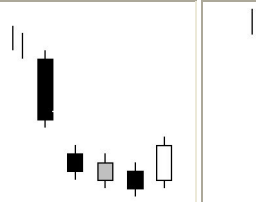

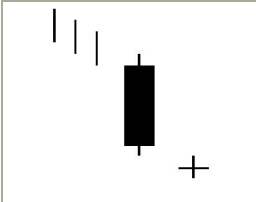
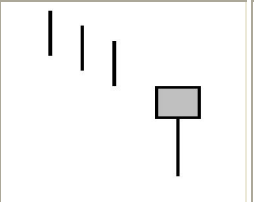
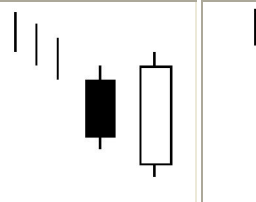
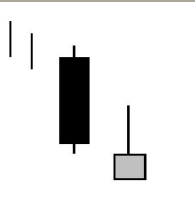
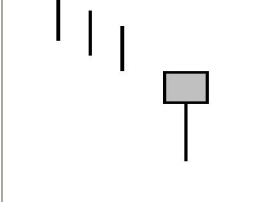
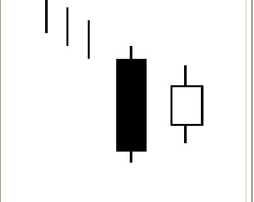
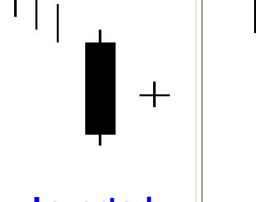
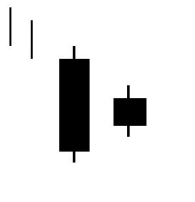
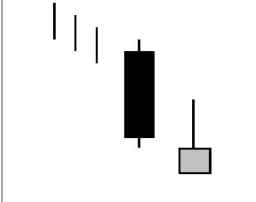
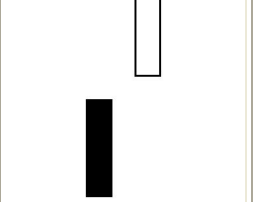
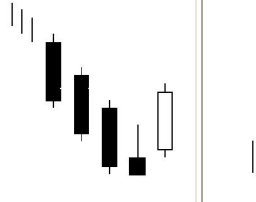
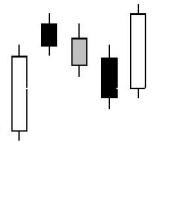
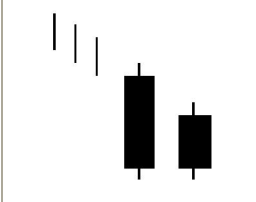
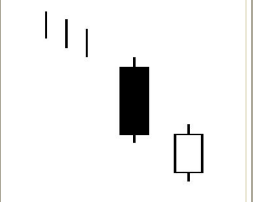
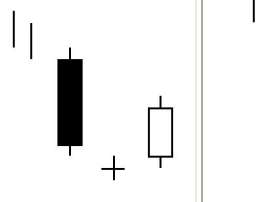
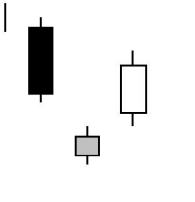
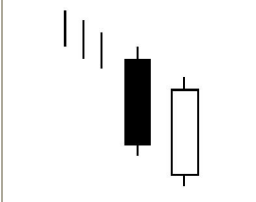
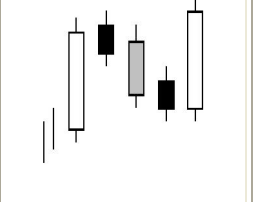
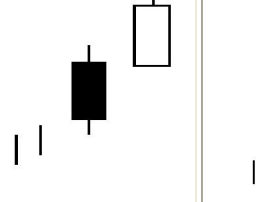
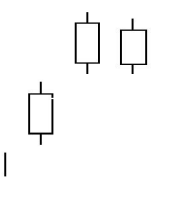
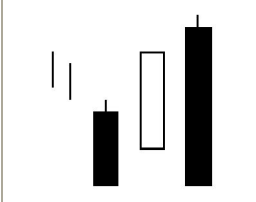
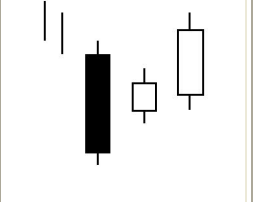
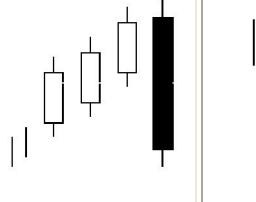
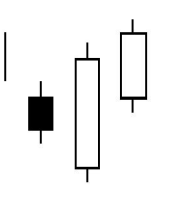
BULLISH SIGNALS


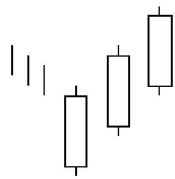
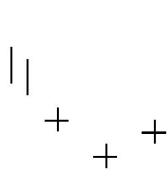
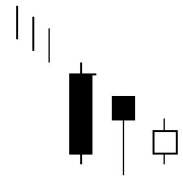
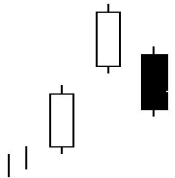

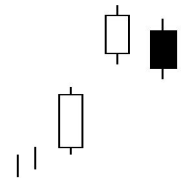
- [Abandoned Baby](#)
- [Belt Hold](#)
- [Breakaway](#)
- [Concealing Baby Swallow](#)
- [Doji Star](#)
- [Dragonfly Doji](#)
- [Engulfing](#)
- [GraveStone Doji](#)
- [Hammer](#)
- [Harami](#)
- [Harami Cross](#)
- [Homing Pigeon](#)
- [Inverted Hammer](#)
- [Kicking](#)
- [Ladder Bottom](#)
- [Mat Hold](#)
- [Matching Low](#)
- [Meeting Lines](#)
- [Morning Doji Star](#)
- [Morning Star](#)
- [Piercing Line](#)
- [Rising Three Methods](#)
- [Separating Lines](#)
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- [Stick Sandwich](#)
- [Three Inside Up](#)
- [Three Line Strike](#)
- [Three Outside Up](#)
- [Three Stars in The South](#)
- [Three White Soldiers](#)
- [Tri Star](#)
- [Unique Three River Bottom](#)
- [Upside Gap Three Methods](#)
- [Upside Tasuki Gap](#)

BEARISH SIGNALS

- [Abandoned Baby](#)
- [Advance Block](#)
- [Belt Hold](#)
- [Breakaway](#)
- [Dark Cloud Cover](#)
- [Deliberation](#)
- [Downside Gap Three Methods](#)
- [Downside Tasuki Gap](#)
- [Doji Star](#)
- [Dragonfly Doji](#)
- [Engulfing](#)
- [Evening Doji Star](#)
- [Evening Star](#)
- [Falling Three Methods](#)
- [Gravestone Doji](#)
- [Hanging Man](#)
- [Harami](#)
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- [Thrusting](#)
- [Tri Star](#)
- [Two Crows](#)
- [Upside Gap Two Crows](#)

: GRAPHICAL REPRESENTATION OF BULLISH INDICATORS :

| | | | |
|---|---|--|---|
|  |  |  |  |
| <u>Abandoned Baby</u> | <u>Belt Hold</u> | <u>Breakaway</u> | <u>Concealing Baby Swallow</u> |
|  |  |  |  |
| <u>Doji Star</u> | <u>Dragonfly Doji</u> | <u>Hammer</u> | <u>Harami</u> |
|  |  |  |  |
| <u>Harami Cross</u> | <u>Homing Pigeon</u> | <u>Inverted Hammer</u> | <u>Kicking</u> |
|  |  |  |  |
| <u>Ladder Bottom</u> | <u>Mat Hold</u> | <u>Matching Low</u> | <u>Meeting Lines</u> |
|  |  |  |  |
| <u>Morning Doji Star</u> | <u>Morning Star</u> | <u>Piercing Lines</u> | <u>Rising Three Methods</u> |
|  |  |  |  |
| <u>Separating Lines</u> | <u>Side By Side White Lines</u> | <u>Stick Sandwich</u> | <u>Three Inside Up</u> |
|  |  |  |  |
| <u>Three Line Strike</u> | <u>Three Outside Up</u> | <u>Three Line Strike</u> | <u>Three Outside Up Strike</u> |

| | | | |
|--|--|---|---|
|  <p><u>Three Stars in The South</u></p> |  <p><u>Three White Soldiers</u></p> |  <p><u>Tri Star</u></p> |  <p><u>Unique Three River Bottom</u></p> |
|  <p><u>Upside Gap Three Methods</u></p> |  |  <p><u>Upside Tasuki Gap</u></p> | |

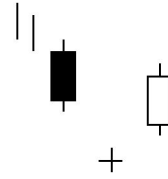
EXPLANATIONS OF BULLISH SIGNALS:

: Abandoned Baby Bullish :

PATTERN : REVERSAL

TREND : BULLISH

RELIABILITY : High



How to Identify it :

- First day is usually a long black day
- Second day is a doji that gaps in the direction of the previous trend
- The third day is a white day, gapping in the opposite direction, with no overlapping shadows

What it Means :

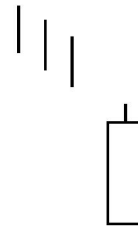
In a downtrend, the market bolsters the bearish trend with a long black day and gaps open on the second day. However, the second day trades within a small range and closes at or near its open. This scenario definitely shows the potential for a rally, as many positions have been changed. Confirmation of the trend reversal is given by the white third day, and is well defined by the upward gap.

: Belt Hold Bullish :

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Low



How to Identify it :

- A white body occurs in a downtrend with no lower shadow

What it Means :

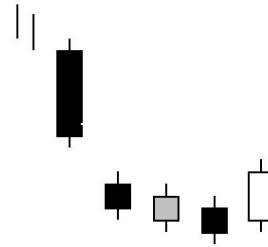
In a downtrend, a white body occurs with an open that is also the low for the day. This may signify a rally for the bulls.

: Breakaway Bullish :

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Moderate



How to Identify it :

- The first day is a long black day
- The second day is a black day that gaps below the first day
- The third and fourth days continue to in the direction of the second with lower consecutive closes
- The fifth day is a long white day that closes into the gap between the first and second days

What it Means :

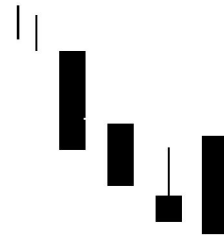
A downtrend sees prices bottoming out and leveling off. The result is a long white day which does not close the gap into the body of the first day. This suggests a short term reversal.

: Concealing Baby Swallow Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : High



How to Identify it :

- The first two days are Black Marubozu days
- The third day is black day that gaps downward, but trades into the body of the second day
- The fourth day is a Black Marubozu day that engulfs the third day

What it Means :

In a strong downtrend, highlighted by two consecutive Black Marubozu days, a gapping black day trades into the body of the previous day. The last day, another Black Marubozu, shows investors selling off, as it closes at a new low. This provides an opening for the shorts to cover their positions. A bullish reversal should ensue.

: Doji Star Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Moderate



How to Identify it :

- First day is a long black day
- Second day is a doji that gaps in the direction of the previous trend
- The shadows of the doji should not be long

What it Means :

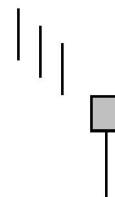
In a downtrend, the market bolsters the bears with a long black day and gaps open on the second day. However, the second day trades within a small range and closes at or near its open. This scenario generally shows the potential for a rally, as many positions have been changed. Confirmation of the trend reversal would be a higher open on the next trading day.

: Hammer / Dragonfly Doji Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Low / Moderate



How to Identify it :

- Small real body at the upper end of the trading range
- Lower shadow at least twice as long as the real body
- No (or almost no) upper shadow

What it Means :

There is a sharp sell off after the market opens during a downtrend. However, by the end of the trading day, the market closes at or near its high for the day. This signifies a weakening of the previous bearish sentiment, especially if the real body is white (the close is higher than the open price). Since the certainty for a Hammer indicator is low, the trend reversal can be confirmed by a higher open and an even higher close on the next trading day. If the open and the close are identical, the indicator is considered a Dragonfly Doji. The Dragonfly Doji has a higher reliability associated with it than a Hammer.

: Engulfing Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Moderate



How to Identify it :

- A long black day occurs
- The second day is a white that completely engulfs the real body of the first day

What it Means :

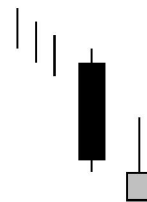
Occurring in a downtrend, the Engulfing depicts an opening at a new low, followed by a high buy-in that closes at or above the previous day's open. This signifies that the downtrend has lost momentum and the bulls may be gaining strength. The Engulfing indicator is also the first two days of the Three Outside patterns.

: Inverted Hammer / Gravestone Doji Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Low / Moderate



How to Identify it :

- Small real body at the lower end of the trading range
- Upper shadow usually no more than twice as long as the real body
- No (or almost no) lower shadow

What it Means :

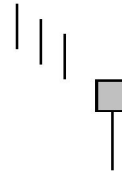
As the market opens below the close of the previous day, the bulls rally briefly, but not enough to close above the previous day's close. As this leaves shorts in a losing position, the Inverted Hammer presents the potential for an upcoming rally. Confirmation of the trend reversal would be by an opening above the body of the Inverted Hammer on the next trading day. If the open and the close are identical, the indicator is considered a Gravestone Doji. The Gravestone Doji has a higher reliability associated with it than an Inverted Hammer.

: Hammer / Dragonfly Doji Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Low / Moderate



How to Identify it :

- Small real body at the upper end of the trading range
- Lower shadow at least twice as long as the real body
- No (or almost no) upper shadow

What it Means :

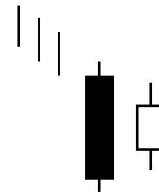
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: Harami Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Low



How to Identify it :

- A long black day occurs
- The second day is a white day where the real body is completely engulfed by the real body of the first

What it Means :

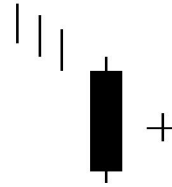
After a long black day at the low end of a downtrend, a white candlestick opens higher than the previous day's close. The price is driven up, as many shorts are covered, which encourages further buy-ins. The Harami indicator should be confirmed with the next trading day's candlestick following the reversal trend. The Harami pattern is also the first two days of the Three Inside patterns.

: Harami Cross Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Low



How to Identify it :

- A long black day occurs
- The second day is a doji within the real body of the previous day

What it Means :

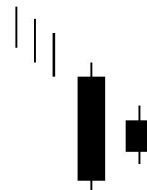
After a long black day at the low end of a downtrend, the market opens higher than the previous day's close and closes at the open. The Harami Cross indicator is more definite than the basic Harami indicator, and signifies a reversal for the bulls.

: Homing Pigeon Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Moderate



How to Identify it :

- The first day is a long black day
- The second day is a smaller black day that is within the body of the first day

What it Means :

In a downtrend, the bears continue to have their way. However, the second day opening and closing within the body of the first day suggests an erosion of the downtrend. Ensuring sell-offs, followed by buy-ins could result in a bullish reversal.

: Inverted Hammer / Gravestone Doji Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Low / Moderate



How to Identify it :

- Small real body at the lower end of the trading range
- Upper shadow usually no more than twice as long as the real body
- No (or almost no) lower shadow

What it Means :

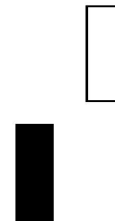
As the market opens below the close of the previous day, the bulls rally briefly, but not enough to close above the previous day's close. As this leaves shorts in a losing position, the Inverted Hammer presents the potential for an upcoming rally. Confirmation of the trend reversal would be an opening above the body of the Inverted Hammer on the next trading day. If the open and the close are identical, the indicator is considered a Gravestone Doji. The Gravestone Doji has a higher reliability associated with it than an Inverted Hammer.

: Kicking Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : High



How to Identify it :

- The first day is a Black Marubuzo day
- The second day is a White Marubuzo day that gaps upward

What it Means :

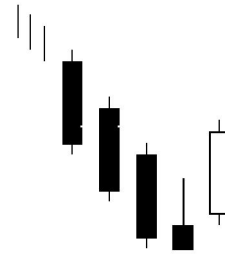
This pattern is a strong sign that the market is headed upward. With this indicator, the previous market direction is not as important as with other indicators.

: Ladder Bottom Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Moderate



How to Identify it :

- Three black days occur with consecutively lower opens and closes
- The fourth day is black with some upper shadow
- The fifth day is a white day that opens above the body of the fourth day

What it Means :

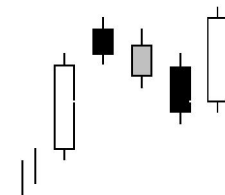
In a considerable downtrend, the shorts may have a chance to sell and take in any profits by the fourth day. This results in a gap upward on the fifth day. If the body of the fifth day is long, or the volume of trading is high, a bullish reversal has likely occurred.

: Mat Hold Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : High



How to Identify it :

- The first day is a long white day
- The second day gaps up and is a black day
- The second, third, and fourth days have small real bodies and follow a brief downtrend pattern, but stay within the range of the first day
- The fifth day is a long white day that closes above the close of the first day

What it Means :

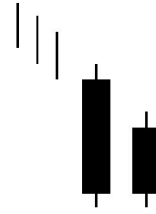
The Mat Hold pattern is similar to the Rising Three Methods pattern. In an uptrend, a long white day occurs, following by three days of small real bodies that fall into a short downtrend. On the fifth day, the bulls come in strong to close at a new high. It appears that attempts to reverse the trend occurred, but failed. The upward trend should continue.

: Matching Low Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Moderate



How to Identify it :

- The first day is a long black day
- The second day is a black day with a close equivalent to the first day's close

What it Means :

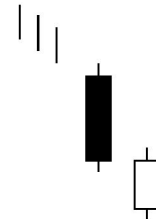
In a downtrend two black days occur with equal closes. This suggests short-term support, and can cause a reversal on the next day of trading.

: Meeting Lines Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Moderate



How to Identify it :

- The first day is a long black day, and has a body that is lower than the previous trend
- The second day is a long white day, and has a body that is also lower than the previous trend.
- Both days have identical closes

What it Means :

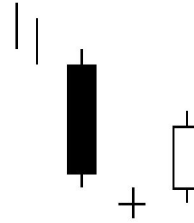
In a downtrend two days open below the previous trend. Even though the second day open low, it rallies to close at the close of the previous day. This typically means a benchmark has been defined by traders, and a reversal is likely.

: Morning Doji Star Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : High



How to Identify it :

- First day is a long black day
- Second day is a doji that gaps in the direction of the previous trend
- The third day is a white day

What it Means :

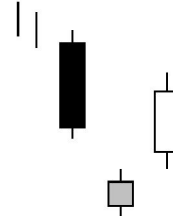
In a downtrend, the market bolsters the bearish trend with a long black day and gaps open on the second day. However, the second day trades within a small range and closes at or near its open. This scenario generally shows the potential for a rally, as many positions have been changed. Confirmation of the trend reversal is given by the white third day. The Morning Doji Star is a fully realized bullish Doji Star pattern.

: Morning Star Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : High



How to Identify it :

- First day is a long black day
- Second day is a small day that gaps in the direction of the previous trend
- The third day is a white day

What it Means :

In a downtrend, the market bolsters the bearish trend with a long black day and gaps open on the second day. However, the second day trades within a small range and closes at or near its open. This scenario generally shows the potential for a rally, as many positions have been changed. Confirmation of the trend reversal is given by the white third day.

: Piercing Lines Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Moderate



How to Identify it :

- First day is a long black day
- Second day is a white day with an open below previous days low
- Second days close is within but above the midpoint of the first days body

What it Means :

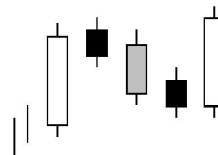
In a downtrend the market gaps open, but rallies strong to close above the previous days midpoint. This pattern suggests an opportunity for the bulls to enter the market and support the trend reversal. The Piercing Line pattern is the opposite of the Dark Cloud Cover.

: Rising Three Methods Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : High



How to Identify it :

- The first day is a long white day
- The second, third, and fourth days have small real bodies and follow a brief downtrend pattern, but stay within the range of the first day
- The fifth day is a long white day that closes above the close of the first day

What it Means :

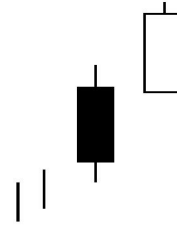
In an uptrend, a long white day occurs, following by three days of small real bodies that fall into a short downtrend. On the fifth day, the bulls come in strong to close at a new high. This small downtrend, in between two long white days, is consistent with investors taking a break. The upward trend should continue.

: Separating Lines Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Low



How to Identify it :

- The first day is a black day
- The second day is a white day that has the same opening price as the first day

What it Means :

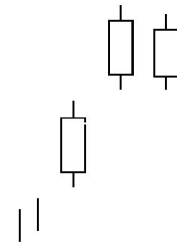
In an uptrend a long black day occurs. The second day, however, picks up where the previous day's trading left off and rallies to close higher. This suggests that the uptrend should remain intact.

: Side By Side White Lines Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : High



How to Identify it :

- The first day is a white day
- The second day is a white day that gaps up
- The third day is a white day of about the same body length and close as the second day

What it Means :

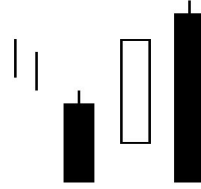
In an uptrend three white days occur with an upward gap between the first two and a similar body length and close for the last two. This suggests a definite building of the uptrend.

: Stick Sandwich Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Moderate



How to Identify it :

- The first day is a black day
- The second day is a white day that trades above the close of the first day
- The third day is a black day with a close equivalent to the first day

What it Means :

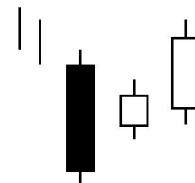
This pattern shows three days consecutive higher opens, but results in an eventual close equal to the first day's close. This pattern is indicative of the market finding a support price. The overall trend has the potential to reverse, building on the new support price.

: Three Inside Up Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : High



How to Identify it :

- A bullish Harami pattern occurs in the first two days
- The third day is a white day with a higher close than the second day

What it Means :

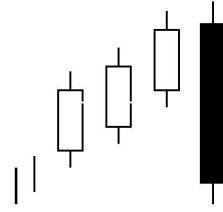
This pattern is a more reliable addition to the standard Harami pattern. The third day is confirmation of the bullish trend reversal.

: Three Lines Strike Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Low



How to Identify it :

- Three long white days occur with consecutively higher closes
- The fourth day opens higher and closes below the open of the first day

What it Means :

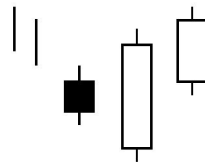
The black day drives prices back to where they were at the start of the pattern. If the bullish trend was strong before the pattern, then it should continue.

: Three Outside Up Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : High



How to Identify it :

- A bullish Engulfing pattern occurs in the first two days
- The third day is a white day with a higher close than the second day

What it Means :

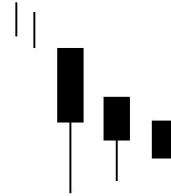
This pattern is a more reliable addition to the standard Engulfing pattern. The third day is confirmation of the bullish trend reversal.

: Three Stars in The South Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Moderate



How to Identify it :

- The first day is a long black day with a long lower shadow
- The second day is a black day similar to the first, but smaller, with a low above the first days low
- The third day is a small Black Marubozu that lies within the second days trading range

What it Means :

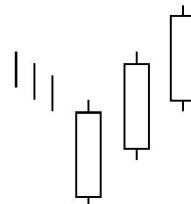
In a downtrend three black days occur. However each day is consecutively weaker within the trend, suggesting that some buying is occurring. Small rallies on each day keep the market's lows from reaching that of the first day. All indications are that the tide is slowly turning toward the bulls.

: Three White Soldiers Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : High



How to Identify it :

- Three long white days occur, each with a higher close than the previous day
- Each day opens within the body of the previous day and closes near the high of the day

What it Means :

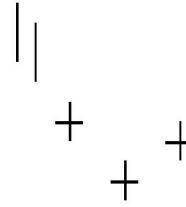
In a downtrend three long white days occur with consecutively higher closes. Generally this suggests future market fortitude, as a reversal is in progress that is building on moderate upward steps.

: Tri Star Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Moderate



How to Identify it :

- A doji occurs on three consecutive trading days
- The second doji gaps below the first and third

What it Means :

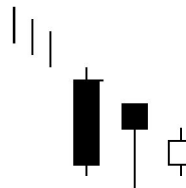
In an long downtrend, the market shows signs of a rally as the real bodies have grown progressively smaller. The trend culminates with the bullish Tri Star, identifying that many bearish positions may be reversing.

: Unique Three River Bottom Bullish:

PATTERN : Reversal

TREND : Bullish

RELIABILITY : Moderate



How to Identify it :

- The first day is a long black day
- The second is a black Harami day, with a shadow that sets a new low
- The third day is a short white day which closes below the close of the second day

What it Means :

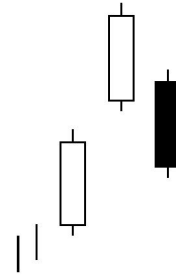
Two black days occur consecutively, with the second day's body within that of the first day. However, the long lower shadow shows the bearish tide may be reversing. The third day opens lower, reinforcing the indecision of the market and ends in a rally. The bulls should take over.

: Upside Gaps Three Methods Bullish:

PATTERN : Continuation

TREND : Bullish

RELIABILITY : Moderate



How to Identify it :

- Two long white days occur with a gap between them
- The third day is a black day that fills the gap between the first two days

What it Means :

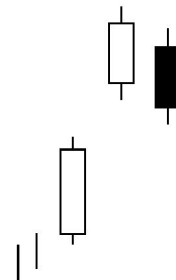
An uptrend is followed by two long white days with a gap upward between them. The third day is a black day, but one that closes the gap between the first two. This should be seen as support for the upward trend, and may be caused by temporary profit taking.

: Upside Tasuki Gap Bullish:

PATTERN : Continuation

TREND : Bullish

RELIABILITY : Moderate



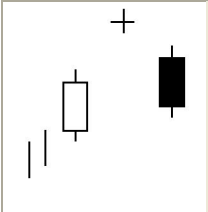
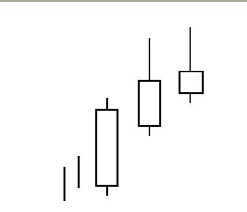
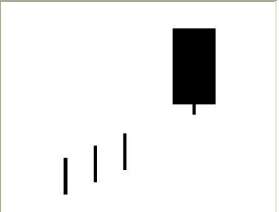
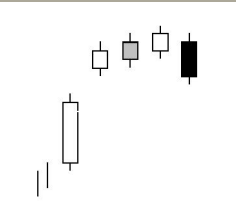
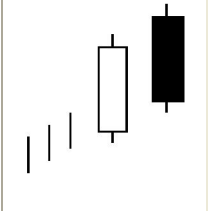
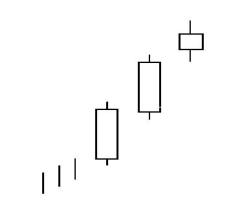
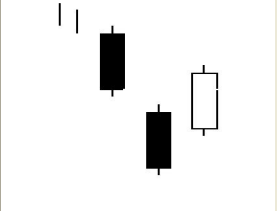
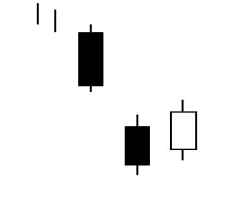
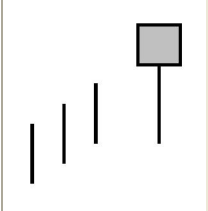
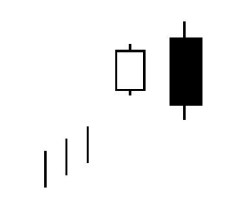
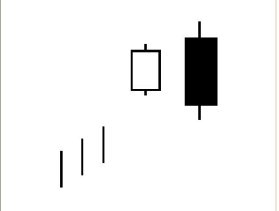
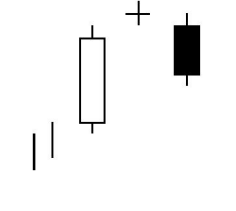
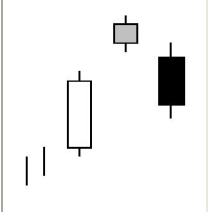
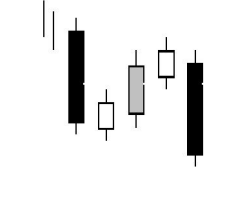
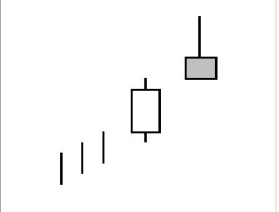
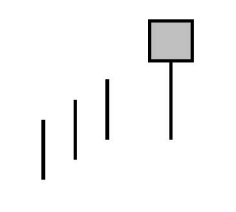
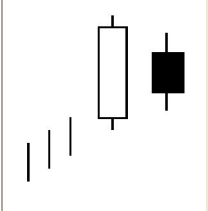
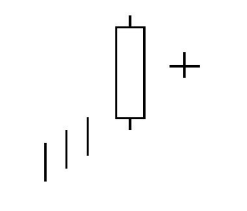

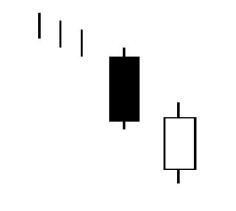
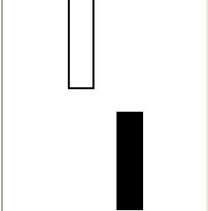
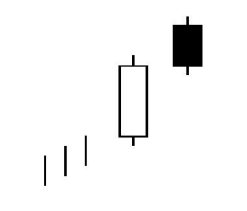
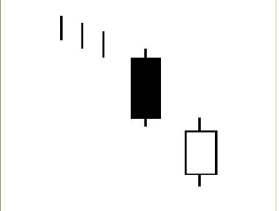
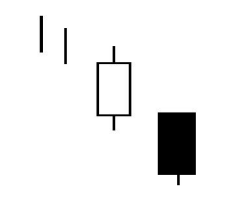
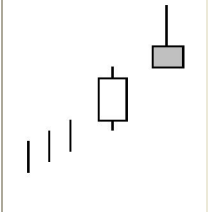
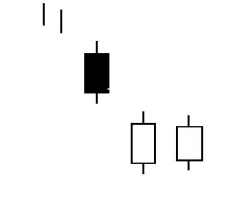
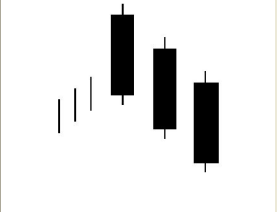
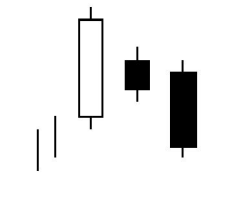
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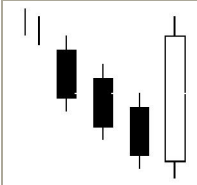
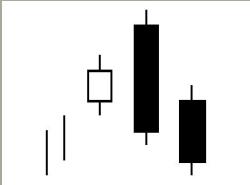
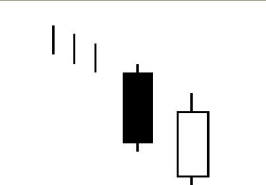
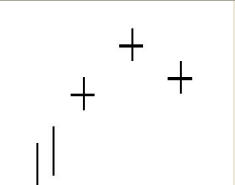
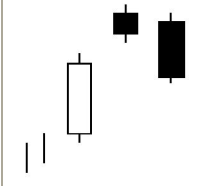
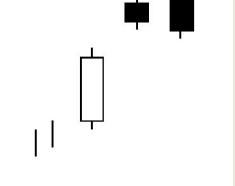
- The first two days are white days with an opening gap
- The third day is a black day that opens within the body of the second day and closes within the gap of the first two days

What it Means :

In an uptrend a white day occurs, followed by another white day that gaps up. A black day ensues, and is likely the result of temporary profit taking. The trend should continue to follow the direction of the upward gap.

: GRAPHICAL REPRESENTATION OF BEARISH INDICATORS :

| | | | |
|---|--|--|--|
|  <u>Abandoned Baby</u> |  <u>Advance Block</u> |  <u>Belt Hold</u> |  <u>Breakaway</u> |
|  <u>Dark Cloud Cover</u> |  <u>Deliberation</u> |  <u>Downside Gap Three Methods</u> |  <u>Downside Tasuki Gap</u> |
|  <u>Doji Star</u> |  <u>Dragonfly Doji</u> |  <u>Engulfing</u> |  <u>Evening Doji Star</u> |
|  <u>Evening Star</u> |  <u>Falling Three Methods</u> |  <u>Gravestone Doji</u> |  <u>Hanging Man</u> |
|  <u>Harami</u> |  <u>Harami Cross</u> |  <u>Identical Three Crows</u> |  <u>In Neck</u> |
|  <u>Kicking</u> |  <u>Meeting Lines</u> |  <u>On Neck</u> |  <u>Separating Lines</u> |
|  <u>Shooting Star</u> |  <u>Side By Side</u> |  <u>Three Black Crows</u> |  <u>Three Inside</u> |

| | <u>White Lines</u> | | <u>Down</u> |
|---|--|--|--|
|  <p><u>Three Line Strike</u></p> |  <p><u>Three Outside Down</u></p> |  <p><u>Thrusting</u></p> |  <p><u>Tri Star</u></p> |
|  <p><u>Two Crows</u></p> | | |  <p><u>Upside Gap Two Crows</u></p> |

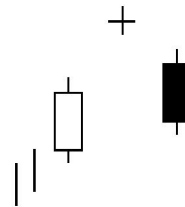
EXPLANATION OF BEARISH SIGNALS:

: Abandoned Baby Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : High



How to Identify it :

- First day is usually a long white day
- Second day is a doji that gaps in the direction of the previous trend
- The third day is a black day, gapping in the opposite direction, with no overlapping shadows

What it Means :

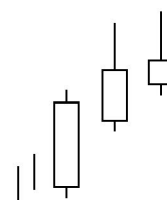
In an uptrend, the market builds strength on a long white day and gaps open on the second day. However, the second day trades within a small range and closes at or near its open. This scenario definitely shows an erosion of confidence in the current trend. Confirmation of the trend reversal is the black third day, which is given extra validation by the downward gap.

: Advance Block Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : Moderate



How to Identify it :

- Three long white days occur, each with a higher close than the previous day
- Each day opens within the body of the previous day and closes near the high of the day
- Each days body is significantly smaller than the previous days body
- The second and third days should exhibit long upper shadows

What it Means :

In an uptrend three long days occur with consecutively higher closes. This pattern is similar to the Three White Soldiers pattern, however, in this case, each successive day is weaker than the one preceding it. This suggests that the previous rally is losing strength, and preparing for a reversal.

: Belt Hold Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : LOW



How to Identify it :

- A black body occurs in an uptrend with no upper shadow

What it Means :

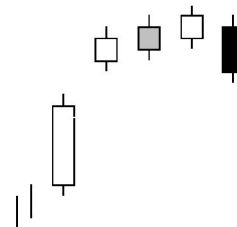
In an uptrend, a black body occurs with an open that is also the high for the day. This may cause many positions to be sold, perpetuating a bearish reversal.

: Breakaway Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : Moderate



How to Identify it :

- The first day is a long white day
- The second day is a white day that gaps above the first day
- The third and fourth days continue to in the direction of the second with higher consecutive closes
- The fifth day is a long black day that closes into the gap between the first and second days

What it Means :

An uptrend sees a bullish surge that eventually weakens. The result is a long black day that does not close the gap into the body of the first day. This suggests a short-term reversal.

: Dark Cloud Cover Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : High



How to Identify it :

- First day is a long white day
- Second day is black with an open above the high of the previous day
- Second day closes within but below the midpoint of the first day's body

What it Means :

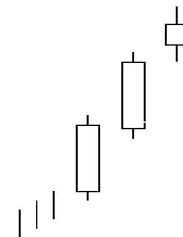
In an uptrend the market gaps open, but loses ground to fall below the midpoint of the previous day. The Dark Cloud Cover pattern suggests an opportunity for the shorts to capitalize on the next day's open: a warning sign to bullish investors. The Dark Cloud Cover pattern is the opposite of the Piercing line pattern.

: Deliberation Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : Moderate



How to Identify it :

- Two long white days occur, the second with a higher close than the first
- A third white day is a spinning top or doji that gaps above the second day

What it Means :

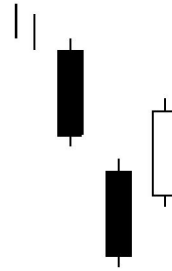
In an uptrend three white days occur with consecutively higher closes. This pattern is a derivative of the Three White Soldiers pattern and is very similar to the Advance Block pattern. Even though an uptrend continues, the small third body suggests that the previous rally is losing strength and preparing for a reversal.

: Downside Gap Three Methods Bearish :

PATTERN : CONTINUATION

TREND : BEARISH

RELIABILITY : MODERATE



How to Identify it :

- Two long black days occur with a gap between them
- The third day is a white day that fills the gap between the first two days

What it Means :

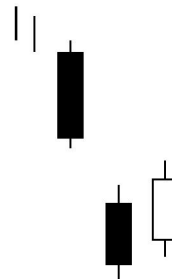
A downtrend is followed by two long black days with a gap downward between them. The third day is a white day, but one that closes the gap between the first two. This should be seen as support for the downward trend.

: Downside Tasuki Gap Bearish :

PATTERN : CONTINUATION

TREND : BEARISH

RELIABILITY : MODERATE



How to Identify it :

- The first two days are black days with an opening gap
- The third day is a white day that opens within the body of the second day and closes within the gap of the first two days

What it Means :

In a downtrend a black day occurs, followed by another black day that gaps down. A white day ensues, and is likely the result of investors temporarily taking advantage of the low buying price. The trend should continue to follow the direction of the downward gap.

: Doji Star Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : MODERATE



How to Identify it :

- First day is a long white day
- Second day is a doji that gaps in the direction of the previous trend
- The shadows of the doji should not be long

What it Means :

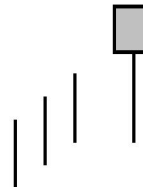
In an uptrend, the market builds strength on a long white day and gaps open on the second day. However, the second day trades within a small range and closes at or near its open. This scenario generally shows erosion of confidence in the current trend. Confirmation of a trend reversal would be a lower open on the next trading day.

: Hanging Man / Dragonfly Doji Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : LOW /
MODERATE



How to Identify it :

- Small real body at the upper end of the trading range
- Lower shadow at least twice as long as the real body
- No (or almost no) upper shadow

What it Means :

There is a sharp sell off after the market opens during an uptrend. However, by the end of the trading day, the market closes at or near its high for the day. This signifies the potential for further sell-offs. Since the certainty for a Hanging Man indicator is low, the trend reversal can be confirmed by a black candlestick or a large down gap on the next trading day accompanied by a lower close. If the open and the close are identical, the indicator is considered a Dragonfly Doji. The Dragonfly Doji has a higher reliability associated with it than a Hanging Man.

: Engulfing Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : MODERATE



How to Identify it :

- A long white day occurs
- The second day is a black day that completely engulfs the real body of the first day

What it Means :

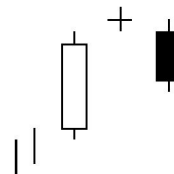
Occurring in an uptrend, the Engulfing depicts an opening at a new high, followed by a high volume sell-off that closes at or below the previous day's open. This signifies that the uptrend has been hurt and the bears may be gaining strength. The Engulfing indicator is also the first two days of the Three Outside patterns

: Evening Doji Star Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : HIGH



How to Identify it :

- First day is a long white day
- Second day is a doji that gaps in the direction of the previous trend
- The third day is a black day

What it Means :

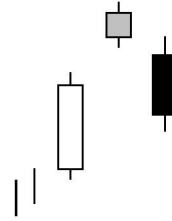
In an uptrend, the market builds strength on a long white day and gaps open on the second day. However, the second day trades within a small range and closes at or near its open. This scenario generally shows an erosion of confidence in the current trend. Confirmation of the trend reversal is the black third day. The Evening Doji Star indicator is the fully realized bearish Doji Star pattern.

: Evening Star Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : HIGH



How to Identify it :

- First day is a long white day
- Second day is a small day that gaps in the direction of the previous trend
- The third day is a black day

What it Means :

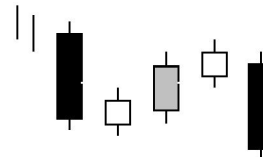
In an uptrend, the market builds strength on a long white day and gaps open on the second day. However, the second day trades within a small range and closes at or near its open. This scenario generally shows an erosion of confidence in the current trend. Confirmation of the trend reversal is the black third day.

: Falling Three Methods Bearish :

PATTERN : CONTINUATION

TREND : BEARISH

RELIABILITY : HIGH



How to Identify it :

- The first day is a long black day
- The second, third, and fourth days have small real bodies and follow a brief uptrend pattern, but stay within the range of the first day
- The fifth day is a long black day that closes below the close of the first day

What it Means :

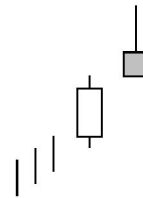
In a downtrend, a long black day occurs, following by three days of small real bodies that fall into a short uptrend. On the fifth day, the bears come in strong to close at a new low. This small uptrend, in between two long black days, is consistent with investors taking a break. The downward should continue.

: Shooting Star / Grave Stone Doji Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : LOW /
MODERATE



How to Identify it :

- Small real body at the lower end of the trading range
- Prices gap open
- Upper shadow usually at least three times as long as the real body
- No (or almost no) lower shadow

What it Means :

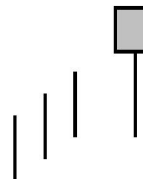
The market gaps open above the previous day's close in an uptrend. It rallies to a new high then loses strength and closes near its low: a bearish change of momentum. Confirmation of the trend reversal would be an opening below the body of the Shooting Star on the next trading day. If the open and the close are identical, the indicator is considered a Gravestone Doji. The Gravestone Doji has a higher reliability associated with it than a Shooting Star.

: Hanging Man / Dragonfly Doji Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : LOW /
MODERATE



How to Identify it :

- Small real body at the upper end of the trading range
- Lower shadow at least twice as long as the real body
- No (or almost no) upper shadow

What it Means :

There is a sharp sell off after the market opens during an uptrend. However, by the end of the trading day, the market closes at or near its high for the day. This signifies the potential for further sell-offs. Since the certainty for a Hanging Man indicator is low, the trend reversal can be confirmed by a black candlestick or a large down gap on the next trading day accompanied by a lower close. If the open and the close are identical, the indicator is considered a Dragonfly Doji. The Dragonfly Doji has a higher reliability associated with it than a Hanging Man.

: Harami Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : LOW



How to Identify it :

- A long white day occurs
- The second day is a black day that is completely engulfed by the real body of the first day

What it Means :

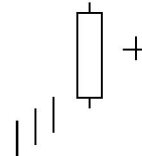
After a long white day at the high end of an uptrend, a black candlestick opens lower than the previous day's close. Trading is typically light and the day ends with a close lower than the open and within body of the first day; a signal that the current uptrend is losing strength. The Harami indicator should be confirmed with the next trading day's candlestick following the reversal trend. The Harami pattern is also the first two days of the Three Inside patterns.

: Harami Cross Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : HIGH



How to Identify it :

- A long white day occurs
- The second day is a doji that is within the range of the previous day's real body

What it Means :

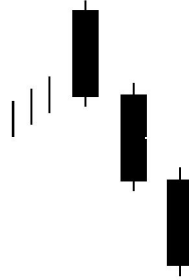
After a long white day at the high end of an uptrend, the market opens lower than the previous day's close. Trading is typically light and the day ends with a close at the same price as the open and within body of the first day; an even stronger signal than the basic Harami pattern that the current uptrend is losing strength.

: Identical Three Crows Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : HIGH



How to Identify it :

- Three black days occur, each with a close below the previous day
- Each day opens at the close of the previous day

What it Means :

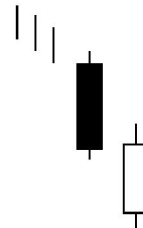
In an uptrend three long black days occur that open at the previous day's close. This pattern is similar to the Three Black Crows pattern but typifies a more severe loss of buying power. A bearish trend is almost certain.

: In Neck Bearish :

PATTERN : CONTINUATION

TREND : BEARISH

RELIABILITY : MODERATE



How to Identify it :

- The first day is a long black day
- The second is a white day that opens below the low of the previous day and closes barely above or equal to the close of the previous day

What it Means :

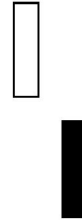
The In Neck pattern is a less severe relative of the On Neck pattern. A small rally is built by the second day, but ends near the close of the previous black day. Although, as in the case of the On Neck pattern, the downtrend should prevail, it may take longer to evolve.

: Kicking Bearish :

PATTERN : CONTINUATION

TREND : BEARISH

RELIABILITY : HIGH



How to Identify it :

- The first day is a White Marubuzo day
- The second day is a Black Marubuzo day that gaps downward

What it Means :

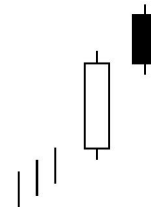
This pattern is a strong sign that the market is headed downward. With this indicator, the previous market direction is not as important as with other indicators.

: Meeting Lines Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : MODERATE



How to Identify it :

- The first day is a long white day, and has a body that is above the previous trend
- The second day is a long black day, and has a body that is also above the previous trend.
- Both days have identical closes

What it Means :

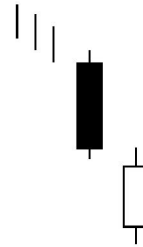
In an uptrend two days open above the previous trend. Even though the second day opens high, it rallies to close at the close of the previous day. This typically means a benchmark has been defined by traders, and a reversal is likely. The bearish Meeting Lines pattern is similar to, but less reliable than the Dark Cloud Cover pattern.

: On Neck Bearish :

PATTERN : CONTINUATION

TREND : BEARISH

RELIABILITY : MODERATE



How to Identify it :

- The first day is a long black day
- The second is a white day (not long) that opens below the low of the previous day and closes at the low of the previous day

What it Means :

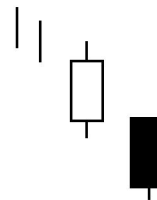
The On Neck pattern is typical in a downtrend. The fact that a small rally is built by the second day, but ends at the low of the previous black day indicates that the bears should prevail.

: Separating Lines Bearish :

PATTERN : CONTINUATION

TREND : BEARISH

RELIABILITY : LOW



How to Identify it :

- The first day is a white day
- The second day is a black day that has the same opening price as the first day

What it Means :

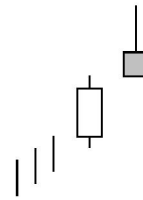
In downtrend a long white day occurs. The second day, however, picks up where the previous day's trading left off and rallies to close lower. This suggests that the downtrend should remain intact.

: Shooting Star / Gravestone Doji Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : LOW /
MODERATE



How to Identify it :

- Small real body at the upper end of the trading range
- Prices gap open
- Upper shadow usually at least three times as long as the real body
- No (or almost no) lower shadow

What it Means :

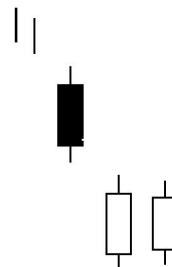
The market gaps open above the previous day's close in an uptrend. It rallies to a new high then loses strength and closes near its low: a bearish change of momentum. Confirmation of the trend reversal would be an opening below the body of the Shooting Star on the next trading day. If the open and the close are identical, the indicator is considered a Gravestone Doji. The Gravestone Doji has a higher reliability associated with it than a Shooting Star.

: Side By Side White Lines Bearish :

PATTERN : CONTINUATION

TREND : BEARISH

RELIABILITY : MODERATE



How to Identify it :

- The first day is a black day
- The second day is a white day that gaps down
- The third day is a white day of about the same body length and close as the second day

What it Means :

In a downtrend a black day is followed by two white that are gapped below the first day. This typically means the shorts are covering their positions, and no reversal is about to occur. The downtrend should remain intact for the near future.

: Three Black Crows Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : HIGH



How to Identify it :

- Three black days occur, each with a close below the previous day
- Each day opens within the body of the previous day
- Each day closes near or at its lows

What it Means :

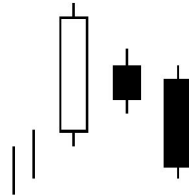
In an uptrend three long black days occur with consecutively lower closes. This pattern suggests that the market has been at a high price for too long, and investors are beginning to compensate for it.

: Three Insie Down Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : HIGH



How to Identify it :

- A bearish Harami pattern occurs in the first two days
- The third day is a black day with a lower close than the second day

What it Means :

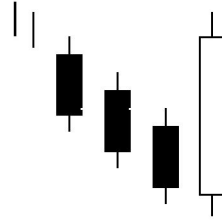
This pattern is a more reliable addition to the standard Harami pattern. The third day is confirmation of the bearish trend reversal.

: ThreeLine Strike Bearish :

PATTERN : CONTINUATION

TREND : BEARISH

RELIABILITY : LOW



How to Identify it :

- Three long black days occur with consecutively lower closes
- The fourth day opens lower, but closes above the open of the first day

What it Means :

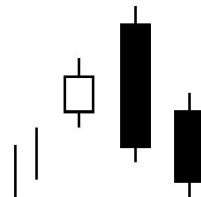
The white day drives prices back to where they were at the start of the pattern. If the bearish trend was strong before the pattern, then it should continue.

: Three Outside Down Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : HIGH



How to Identify it :

- A bearish Engulfing pattern occurs in the first two days
- The third day is a black day with a lower close than the second day

What it Means :

This pattern is a more reliable addition to the standard Engulfing pattern. The third day is confirmation of the bearish trend reversal.

: Thrusting Bearish :

PATTERN : CONTINUATION

TREND : BEARISH

RELIABILITY : LOW



How to Identify it :

- The first day is a long black day
- The second is a white day that opens below the low of the previous day and closes into the body of the previous day, but below the midpoint

What it Means :

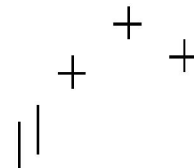
The Thrusting pattern is a weaker relative of the On Neck and In Neck continuation patterns. A rally is built by the second day, and closes well into the body of the previous black day. However, since the second day's close doesn't even reach the midpoint of the first day's body, the bulls will likely be discouraged and the downtrend will continue.

: Tri Star Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : MODERATE



How to Identify it :

- A doji occurs on three consecutive trading days
- The second doji gaps above the first and third

What it Means :

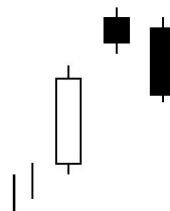
In an long uptrend, the market shows signs of weakness as the real bodies have grown progressively smaller. The trend culminates with the Tri Star, identifying that there is little strength left, and signaling a return of the bears.

: Two Crows Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : MODERATE



How to Identify it :

- The first day is a long white day
- The second day is a black day that gaps above the first day
- The third day is a black day that opens within the body of the second day and closes within the body of the first day

What it Means :

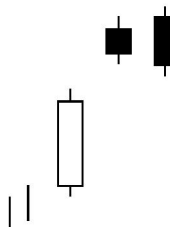
In an uptrend the market closes lower after an opening gap upwards. This is followed by another black day which fills the gap. The Two Crows pattern suggests the erosion of the uptrend, and foreshadows a trend reversal.

: Up Side Gap Two Crows Bearish :

PATTERN : REVERSAL

TREND : BEARISH

RELIABILITY : HIGH



How to Identify it :

- The first day is a long white day continuing in an uptrend
- The second day is black and gaps up
- The third day is also black and engulfs the previous black day, but still closes above the first day

What it Means :

In an uptrend the market falters, but still closes above the previous day's close. The next day, it falters more but remains above the first day's close. This is a signal that the market can no longer hold its position and is in for a bearish ride.

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