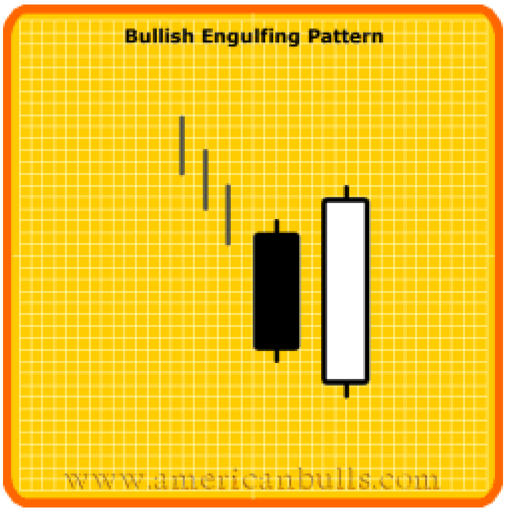



## BULLISH ENGULFING

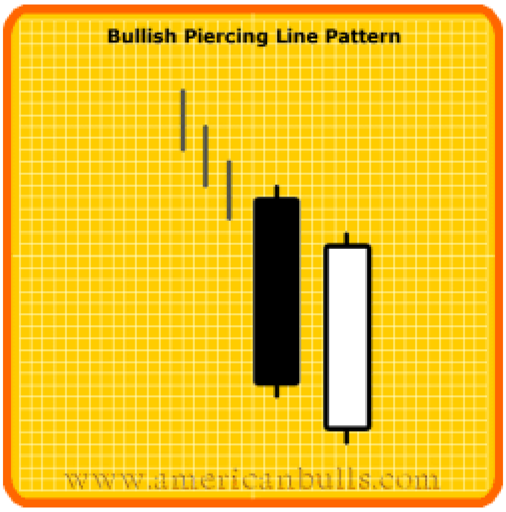
| | |
|---|---|
| Type: | **Reversal** |
| Relevance: | **Bullish** |
| Prior Trend: | **Bearish** |
| Reliability: | **Medium** |
| Confirmation: | **Suggested** |
| No. of Sticks: | **2** |

**Definition:**
Bullish Engulfing Pattern is a pattern characterized by a large white real body engulfing a preceding small black real body, which appears during a downtrend. The white body does not necessarily engulf the shadows of the black body but totally engulfs the body itself. The Bullish Engulfing Pattern is an important bottom reversal signal.

**Recognition Criteria:**
1. Market is characterized by downtrend.
2. Then we see a small black body.
3. Next day we see a white body that completely engulfs the black real body of the preceding day.

**Explanation:**
While the market sentiment is bearish; we see some subsided selling reflected by the short, black real body of the first day. Next day shows bull strength with a closing price at or above the previous day's open. It means that the downtrend is now losing momentum and the bulls started to take the lead.

**Important Factors:**
The relative size of the bodies in the first and second days is important. If the first day of the Bullish Engulfing Pattern is characterized by a very small real body (it may even be a doji or nearly a doji) but the second day is characterized by a very long real body, this strongly indicates that the bearish power is diminishing and the disparity of white versus black body is indicative of the emerging bull power.
There is higher probability of a bullish reversal if there is heavy volume on the second real body or if the second day of the Bullish Engulfing Pattern engulfs more than one real body (which essentially means we see two or more small black bodies preceding the long white body).
The reversal of downtrend needs further confirmation on the third day. This confirmation may be in the form of a white candlestick, a large gap up or a higher close on the third day.




## PIERCING LINE

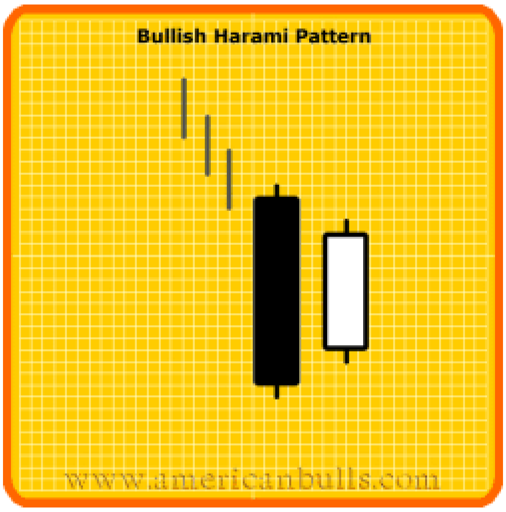
| | |
|---|---|
| Type: | **Reversal** |
| Relevance: | **Bullish** |
| Prior Trend: | **Bearish** |
| Reliability: | **High** |
| Confirmation: | **Suggested** |
| No. of Sticks: | **2** |

**Definition:**
Bullish Piercing Line Pattern is a bottom reversal pattern. A long black candlestick is followed by a gap lower during the next day while the market is in downtrend. The day ends up as a strong white candlestick, which closes more than halfway into the prior black candlestick's real body.

**Recognition Criteria:**
1. Market is characterized by downtrend.
2. We see a long black candlestick.
3. Then we see a long white candlestick whose opening price is below previous day's low on the second day.
4. The second day's close is contained within the first day body and it is also above the midpoint of the first day's body.
5. The second day however fails to close above the body of the first day.

**Explanation:**
The market moves down in a downtrend. The first black real body reinforces this view. The next day the market opens lower via a gap. Everything now goes, as bears want it. However suddenly the market surges toward the close, leading the prices to close sharply above the previous day close. Now the bears are losing their confidence and reevaluating their short positions. The potential buyers start thinking that new lows may not hold and perhaps it is time to take long positions.

**Important Factors:**
In the Bullish Piercing Pattern, the greater the degree of penetration into the black real body, the more likely it will be a bottom reversal. An ideal piercing pattern will have a real white body that pushes more than half way into the prior session's black real body. A confirmation of the trend reversal by a white candlestick, a large gap up or by a higher close on the next trading day is suggested.




## BULLISH HARAMI

Type: **Reversal**

Relevance: **Bullish**

Prior Trend: **Bearish**

Reliability: **Low**

Confirmation: **Strongly suggested**

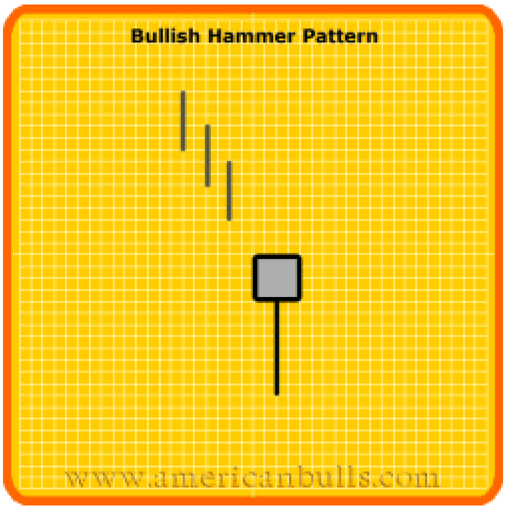
No. of Sticks: **2**

**Definition:**
Bullish Harami Pattern is characterized by a small white real body contained within a prior relatively long black real body. “Harami” is an old Japanese word for “pregnant”. The long black candlestick is “the mother” and the small candlestick is “the baby”.

**Recognition Criteria:**
1. The market is in a bearish mood characterized by downtrend.
2. Then we see a long black candlestick.
3. We see a white candlestick on the following day where the small white real body is completely engulfed by the real body of the first day. The shadows (high/low) of the second candlestick are not necessarily contained within the first body, however it's preferable if they are.

**Explanation:**
The Bullish Harami Pattern is a sign of disparity about the market’s health. While the market is characterized by downtrend and bearish mood; there is heavy selling reflected by a long, black real body however it is followed by a small white body in the next day. This may signal a trend reversal since the second day’s small real body shows that the bearish power is diminishing.

**Important Factors:**
The decisive fact about this pattern is that the second candlestick has a minute real body relative to the prior candlestick. Furthermore this small body is completely inside the larger one. The Bullish Harami Pattern does not necessarily imply that a rally will follow. Market usually enters into a congestion phase following the Bullish Harami.
We may need a third day confirmation to be sure that the downtrend has really reversed. This confirmation of the trend reversal may be signaled by a white candlestick, a large gap up or by a higher close on the third day.




## BULLISH HAMMER

Type: **Reversal**

Relevance: **Bullish**

Prior Trend: **Bearish**

Reliability: **Low**

Confirmation: **Definitely required**

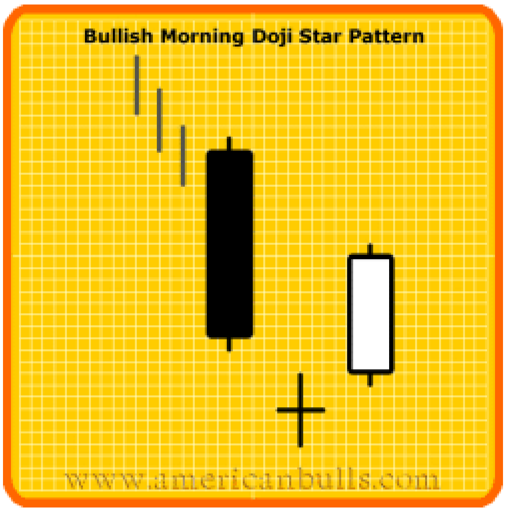
No. of Sticks: **1**

**Definition:**
The Bullish Hammer Pattern is a significant candlestick that occurs at the bottom of a trend or during a downtrend and it is called a hammer since it is hammering out a bottom. The Bullish Hammer Pattern is a single candlestick pattern and it has a strong similarity to the Bullish Dragonfly Doji Pattern. In the case of Bullish Dragonfly Doji Pattern, the opening and closing prices are identical whereas the Bullish Hammer Pattern has a small real body at the upper end of the trading range.

**Recognition Criteria:**
1. The market is characterized by a prevailing downtrend.
2. Then we see a small real body at the upper end of the trading range. Color of this body is not important.
3. We would like to see the lower shadow at least twice as long as the real body.
4. There is no (or almost no) upper shadow.

**Explanation:**
The overall direction of the market is bearish, characterized by a downtrend. Then the market opens with a sharp sell off implying the continuation of the downtrend. However, prices suddenly turn upwards, the sell-off is quickly abated and bullish sentiment continues during the day with a closing price at or near to its high for the day which causes the long lower shadow. Apparently the market fails to continue in the selling side. This observation reduces the previous bearish sentiment causing the short traders to feel increasingly uneasier with their bearish positions.

**Important Factors:**
If the hammer is characterized by a close above the open thus causing a white body, the situation looks even better for the bulls.
The Bullish Dragonfly Doji pattern is generally considered more bullish than the Bullish Hammer Pattern and a higher reliability is ascribed to this Doji than the Bullish Hammer Pattern.
The reliability of Bullish Hammer Pattern is low. It requires confirmation of the implied trend reversal by a white candlestick, a large gap up or a higher close on the next trading day.




## BULLISH MORNING DOJI STAR

Type: **Reversal**

Relevance: **Bullish**

Prior Trend: **Bearish**

Reliability: **High**

Confirmation: **Suggested**

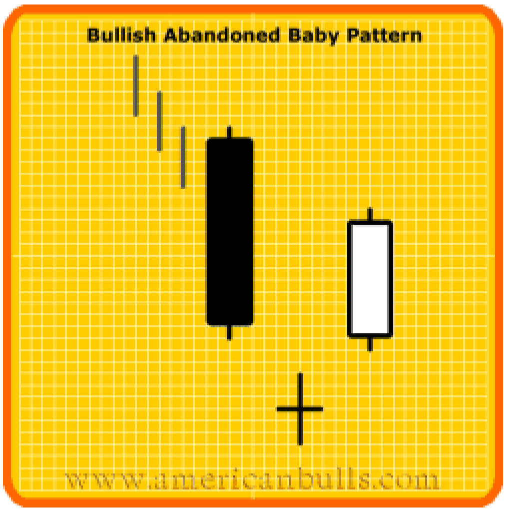
No. of Sticks: **3**

**Definition:**
This is also a three-candlestick formation signaling a major bottom reversal. It is composed of a long black candlestick followed by a doji, which characteristically gaps down to form a doji star. Then we have a third white candlestick whose closing is well into the first session’s black real body. This is a meaningful bottom pattern.

**Recognition Criteria:**
1. Market is characterized by downtrend.
2. We see a long black candlestick in the first day.
3. Then we see a Doji on the second day that gaps in the direction of the previous downtrend.
4. The white candlestick on the third day confirms the reversal.

**Explanation:**
Black real body while market is falling down may suggest that the bears are in command. Then a Doji appears showing the diminishing capacity of sellers to drive the market lower. Confirmation of bull ascendancy is the third day’s strong white real body. An ideal Bullish Morning Doji Star Pattern must have a gap before and after the middle line’s real body. The second gap is rare, but lack of it does not take away from the power of this formation.

**Important Factors:**
The Doji may be more than one, two or even three.
Doji’s gaps are not important.
The reliability of this pattern is very high, but still a confirmation in the form of a white candlestick with a higher close or a gap-up is suggested.




## BULLISH ABONDONED BABY

Type: **Reversal**

Relevance: **Bullish**

Prior Trend: **Bearish**

Reliability: **High**

Confirmation: **Suggested**

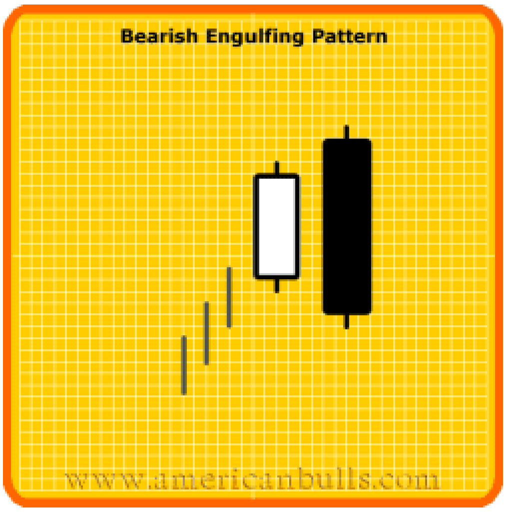
No. of Sticks: **3**

**Definition:**
The Bullish Abandoned Baby Pattern is a very rare bottom reversal signal. It is composed of a Doji Star, which gaps away (including shadows) from the prior and following days' candlesticks.

**Recognition Criteria:**
1. Market is characterized by downtrend.
2. We usually see a long black candlestick in the first day.
3. Then a Doji appears on the second day whose shadows gap below the previous day's lower shadow and gaps in the direction of the previous downtrend.
4. Then we see a white candlestick on the third day with a gap in the opposite direction with no overlapping shadows.

**Explanation:**
We have a similar scenario that is valid for most of the three-day star patterns. In a falling market, the market shows bearish strength first with a long black candlestick and opens with a gap on the second day. The second day trading is within a small range and second day closes at or very near its open. This now suggests the potential for a rally showing that positions are changed. The signal of trend reversal is given by the white third day and by well-defined upward gap.

**Important Factors:**
The Bullish Abandoned Baby Pattern is quite rare.
The reliability of this pattern is very high, but still a confirmation in the form of a white candlestick with a higher close or a gap-up is suggested.




## BEARISH ENGULFING

Type: **Reversal**

Relevance: **Bearish**

Prior Trend: **Bullish**

Reliability: **Medium**

Confirmation: **Suggested**

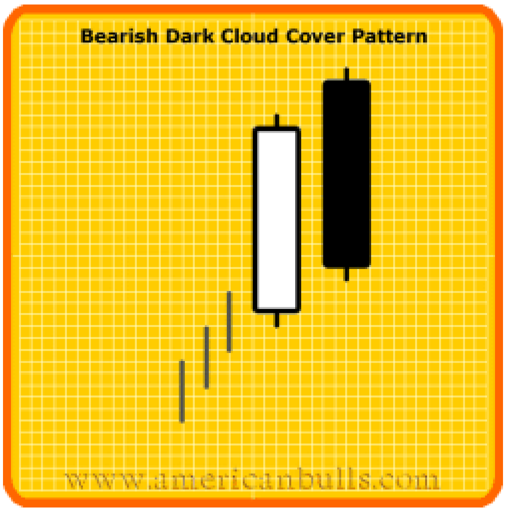
No. of Sticks: **2**

**Definition:**
Bearish Engulfing Pattern is a large black real body, which engulfs a small white real body in an uptrend (it need not engulf the shadows). The Bearish Engulfing Pattern is an important top reversal signal.

**Recognition Criteria:**
1. Market is characterized by uptrend.
2. We see a white candlestick in the first day.
3. Then we see a black candlestick that completely engulfs the real body of the first day.

**Explanation:**
Market is in a bull mood. Then we see diminished buying reflected by the short, white real body. This then is followed by a strong sell-off, which lead to a close at or below the previous day's open. Apparently the uptrend has lost momentum and the bears may be gaining strength.

**Important Factors:**
Relative sizes of the first and second days are important. If the first day of the Bearish Engulfing Pattern is a very small real body (it may even be almost a doji or is a doji) but the second day has a very long real body, this shows the dissipation of the prior uptrend's force and an increase in bearish force.
A protracted or very fast move increases the chance that potential buyers are already long and that there may be less of a supply of new longs in order to keep the market moving up. A fast move makes the market overextended and vulnerable to profit taking. A Bearish Engulfing Pattern appearing after such a move is more likely to be an important bearish reversal indicator.
A bearish reversal is more possible if there is heavy volume on the second real body or if the second day of the Bearish Engulfing Pattern engulfs more than one real body.
A confirmation in the third day is required to be sure that the uptrend has reversed. The confirmation may be in the form of a black candlestick, a large gap down or a lower close on the third day.




## BEARISH DARK CLOUD COVER

Type: **Reversal**

Relevance: **Bearish**

Prior Trend: **Bullish**

Reliability: **High**

Confirmation: **Suggested**

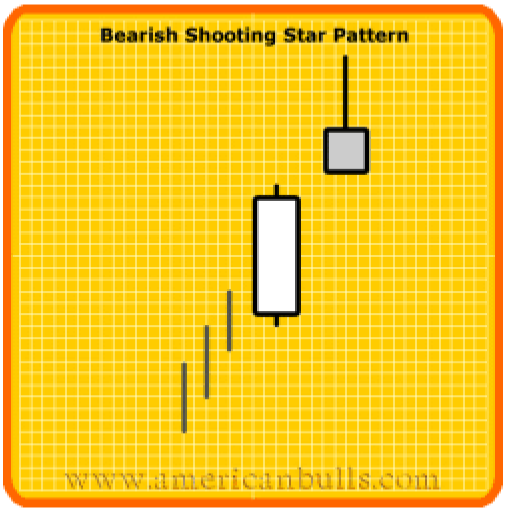
No. of Sticks: **2**

**Definition:**
Bearish Dark Cloud Cover Pattern is a two-candlestick pattern signaling a top reversal after an uptrend or, at times, at the top of a congestion band. We see a strong white real body in the first day. The second day opens strongly above the previous day high (it is above the top of the upper shadow). However, market closes near the low of the day and well within the prior day's white body at the end of the day.

**Recognition Criteria:**
1. Market is characterized by an uptrend.
2. We see a long white candlestick in the first day.
3. Then we see a black body characterized by an open above the high of the previous day on the second day.
4. The second black candlestick closes within and below the midpoint of the previous white body.

**Explanation:**
Market goes up with an uptrend. Then we see a strong white candlestick followed by a gap suggesting that bulls retain the control. However, the rally does not continue. Market suddenly closes at or near the lows of the day so the second day body moving well into the prior day's real body. Longs are shaken somehow and short sellers now have a benchmark to place a stop, which is at the new high of the second day.

**Important Factors:**
If the black real body's close penetrates deeper into the prior white real body, the chance for a top increases. There are some Japanese technicians who require more than a 50% penetration of the black day's close into the white real body. If the black candlestick does not close below the halfway point of the white candlestick then it is better to wait for confirmation following the dark cloud cover; and even if it does, a confirmation may still be necessary. This confirmation may be in the form of a black candlestick, a large gap down or a lower close on the next trading day.




## BEARISH SHOOTING STAR

Type: **Reversal**

Relevance: **Bearish**

Prior Trend: **Bullish**

Reliability: **Low**

Confirmation: **Definitely required**

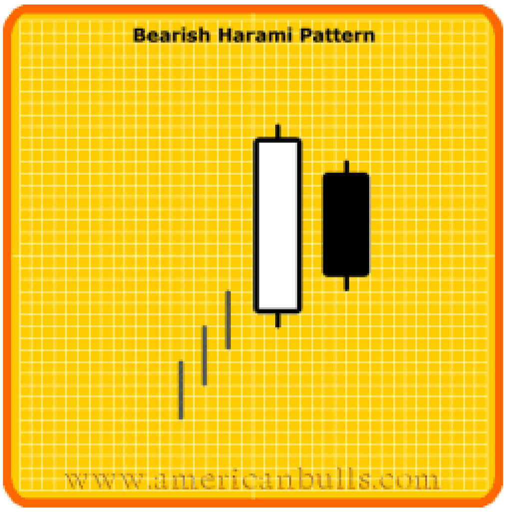
No. of Sticks: **2**

**Definition:**
Bearish Shooting Star Pattern suggests that prices may be approaching to a top. It looks like its name, a shooting star. The shooting star is a small real body characterized by a long upper shadow, which gaps away from the prior real body.

**Recognition Criteria:**
1. Market is characterized by uptrend.
2. We see a white candlestick in the first day.
3. Prices then open with a gap creating a small real body at the lower end of the trading range on the second day.
4. Upper shadow of the pattern on the second day is usually at least twice as long as the real body.
5. However; second day pattern has no (or close to none) lower shadow.

**Explanation:**
The Shooting Star simply tells us that the market opened near its low, then prices strongly rallied up and finally prices moved down to close near the opening price. In other words, the rally of the day was not sustained.

**Important Factors:**
Bearish Shooting Star Pattern is usually not a major reversal signal as is the evening star.
The color of the real body is not important.
An ideal shooting star has a real body which gaps away from the prior real body. Nonetheless, this gap is not always necessary.
A confirmation on the third day is required to be sure that the uptrend has reversed. The confirmation may be in the form of a black candlestick, a large gap down or a lower close on the next trading day.




## BEARISH HARAMI

Type: **Reversal**

Relevance: **Bearish**

Prior Trend: **Bullish**

Reliability: **Low**

Confirmation: **Strongly suggested**

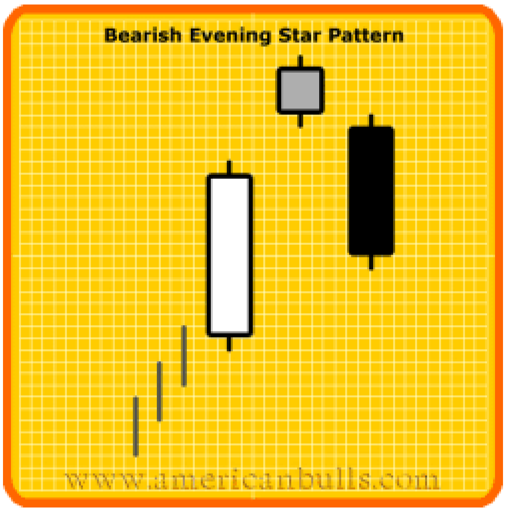
No. of Sticks: **2**

**Definition:**
Bearish Harami Pattern is a two-candlestick pattern composed of a small black real body contained within a prior relatively long white real body. "Harami" is an old Japanese word for "pregnant". The long white candlestick is "the mother" and the small candlestick is "the baby".

**Recognition Criteria:**
1. Market is characterized by an uptrend.
2. We see a long white candlestick on the first day.
3. Then we see a black candlestick on the second day whose real body is completely engulfed by the real body of the first day. The shadows (high/low) of the second candlestick do not have to be contained within the first body, though it's preferable if they are.

**Explanation:**
The Bearish Harami Pattern is a sign of a disparity about the market's health. Bull market continues further confirmed by the long white real body's vitality but then we see the small black real body which shows some uncertainty. This shows the bulls' upward drive has weakened and now a trend reversal is possible.

**Important Factors:**
It is important that the second day black candlestick has a minute real body relative to the prior candlestick and that this small body is inside the larger one. The Bearish Harami Pattern does not necessarily mean a market reversal. It rather predicts that the market may not continue with its previous uptrend. There are however some instances in which the Bearish Harami Pattern can warn of a significant trend change - especially at market tops.
A confirmation of the reversal on the third day is required to be sure that the uptrend has reversed. This confirmation may be in the form of a black candlestick, a large gap down or a lower close on the next trading day (the third day).




## BEARISH EVENING STAR

Type: **Reversal**

Relevance: **Bearish**

Prior Trend: **Bullish**

Reliability: **High**

Confirmation: **Suggested**

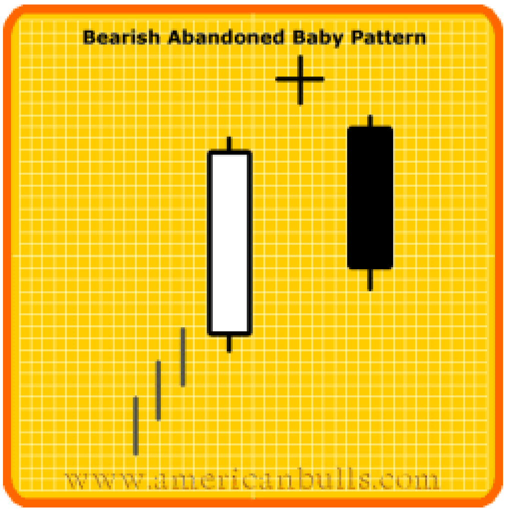
No. of Sticks: **3**

**Definition:**
This is a major top reversal pattern formed by three candlesticks. The first candlestick is a long white body; the second one is a small real body that may be white. It is characteristically marked with a gap in higher direction thus forming a star. In fact, the first two candlesticks form a basic star pattern. Finally we see the black candlestick with a closing price well within first session's white real body. This pattern clearly shows that the market now turned bearish.

**Recognition Criteria:**
1. Market is characterized by uptrend.
2. We see a long white candlestick in the first day.
3. Then we see a small candlestick on the second day with a gap in the direction of the previous uptrend.
4. Finally we see a black candlestick on the third day.

**Explanation:**
The market is already in an uptrend when the white body appears which further suggests the bullish nature of the market. Then a small body appears showing the diminishing capacity of the longs. The strong black real body of the third day is a proof that the bears have taken over. An ideal Bearish Evening Star Pattern has a gap before and after the middle real body. The second gap is rare, but lack of it does not take away from the power of this formation.

**Important Factors:**
The stars may be more than one, two or even three.
The color of the star and its gaps are not important.
The reliability of this pattern is very high, but still a confirmation in the form of a black candlestick with a lower close or a gap-down is suggested.




## BEARISH ABANDONED BABY

Type: **Reversal**

Relevance: **Bearish**

Prior Trend: **Bullish**

Reliability: **High**

Confirmation: **Suggested**

No. of Sticks: **3**

**Definition:**
The Bearish Abandoned Baby Pattern is a very rare top reversal signal. It is basically composed of a Doji Star, which shows gaps (including shadows) from the prior and following sessions' candlesticks.

**Recognition Criteria:**
1. Market is characterized by uptrend.
2. We see a long white candlestick in the first day.
3. Then we see a doji on the second day whose shadows characteristically gap above the previous day's upper shadow and also gaps in the direction of the previous uptrend.
4. Finally we see a black candlestick characterized with a gap in the opposite direction, with no overlapping shadows.

**Explanation:**
Most of the three-day star patterns have similar scenarios. In an uptrend, the market seems still strong displaying a long white candlestick and opening with a gap on the second day. The trading in second day is within a small range and its closing price is equal or very near to its opening price. Now there is a sign of sale-off potential with reversal of positions. The trend reversal is confirmed by the black candlestick on the third day. Downward gap also supports the reversal.

**Important Factors:**
The Bearish Abandoned Baby Pattern is quite rare.
The reliability of this pattern is very high, but still a confirmation in the form of a black candlestick with a lower close or a gap-down is suggested.