

# Introduction to Candlestick Reversal Signals





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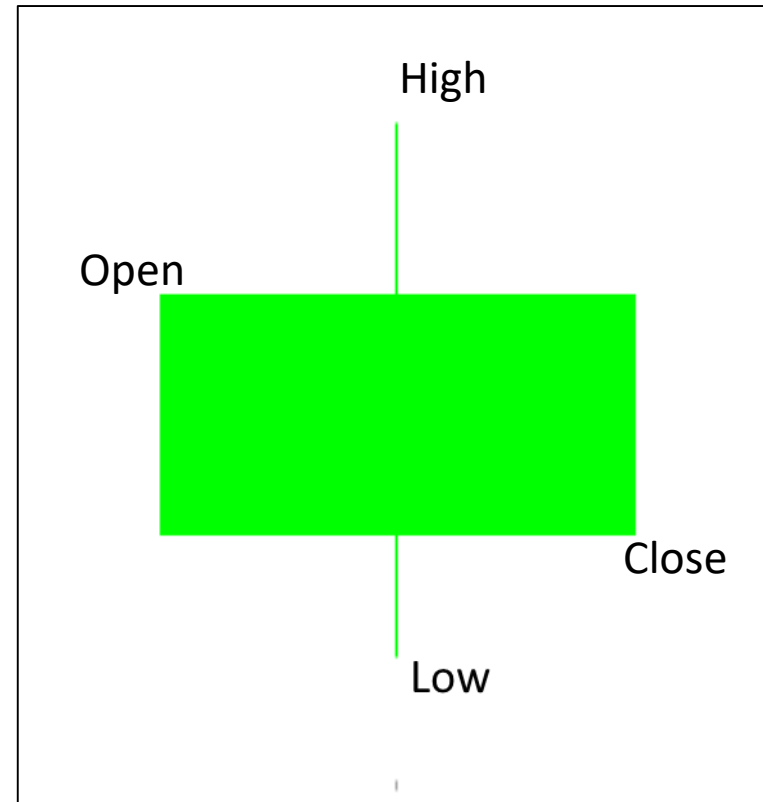
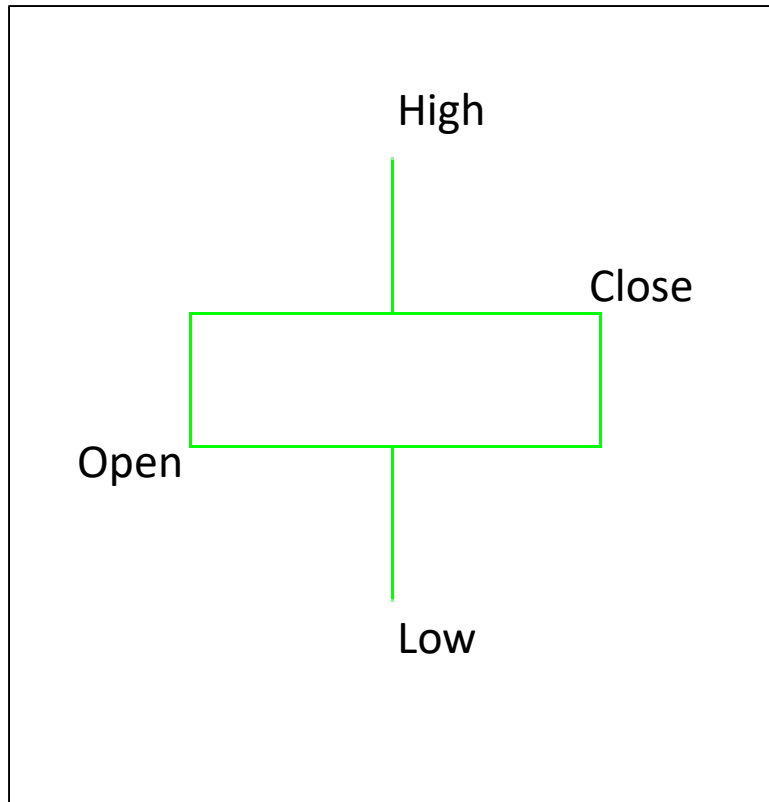
# More on Candlesticks

## What are Candlesticks?

- Highly visual price bars that illustrate the psychology between bulls and bears.
- Provides short-term reversal and continuation chart patterns.
- *We will focus on reversal patterns*

# Candlestick Structure

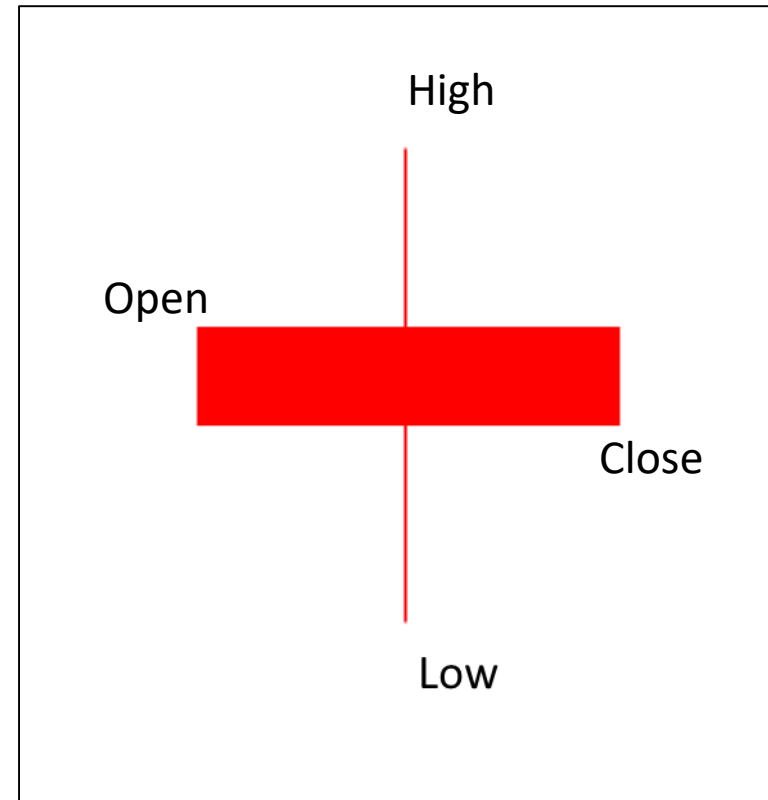
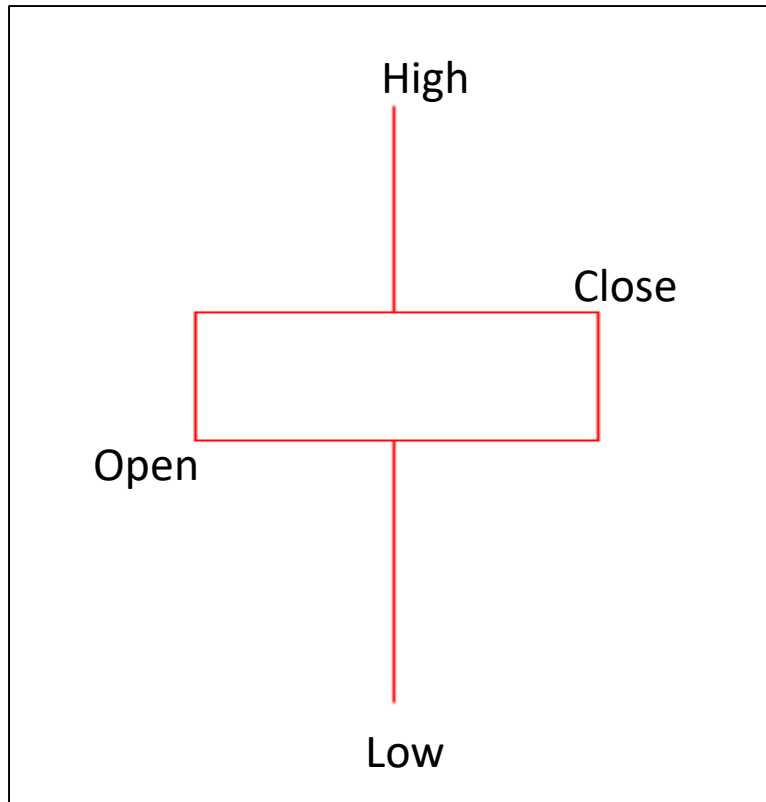
- Price – Candelstick (Green candle = Higher close than previous day)



- Range – the difference between the high and the low prices

# Candlestick Structure

- Price – Candlestick (Red candle = Lower close than previous day)



- Range – the difference between the high and the low prices

# Identify Changes in Sentiment

Though single candlesticks convey valuable information about the changes in a market's supply and demand balance, a succession of candlesticks taken together, is more pertinent as they form a pattern.

# Candlestick Reversal Signals

## Harami Patterns



# Bullish Harami

- The market is characterized by a prevailing downtrend.
- A filled red candle is observed on the first day.
- The unfilled green body that is formed on the second day is completely engulfed by the body of the first day.
- *The confirmation level is defined as the last close or the midpoint of the filled red body, whichever is higher. Prices should cross above this level for confirmation.*
- *The stop loss level is defined as the lower of the last two lows.*



# Confirmation and Stop Loss



Graph Control Panel

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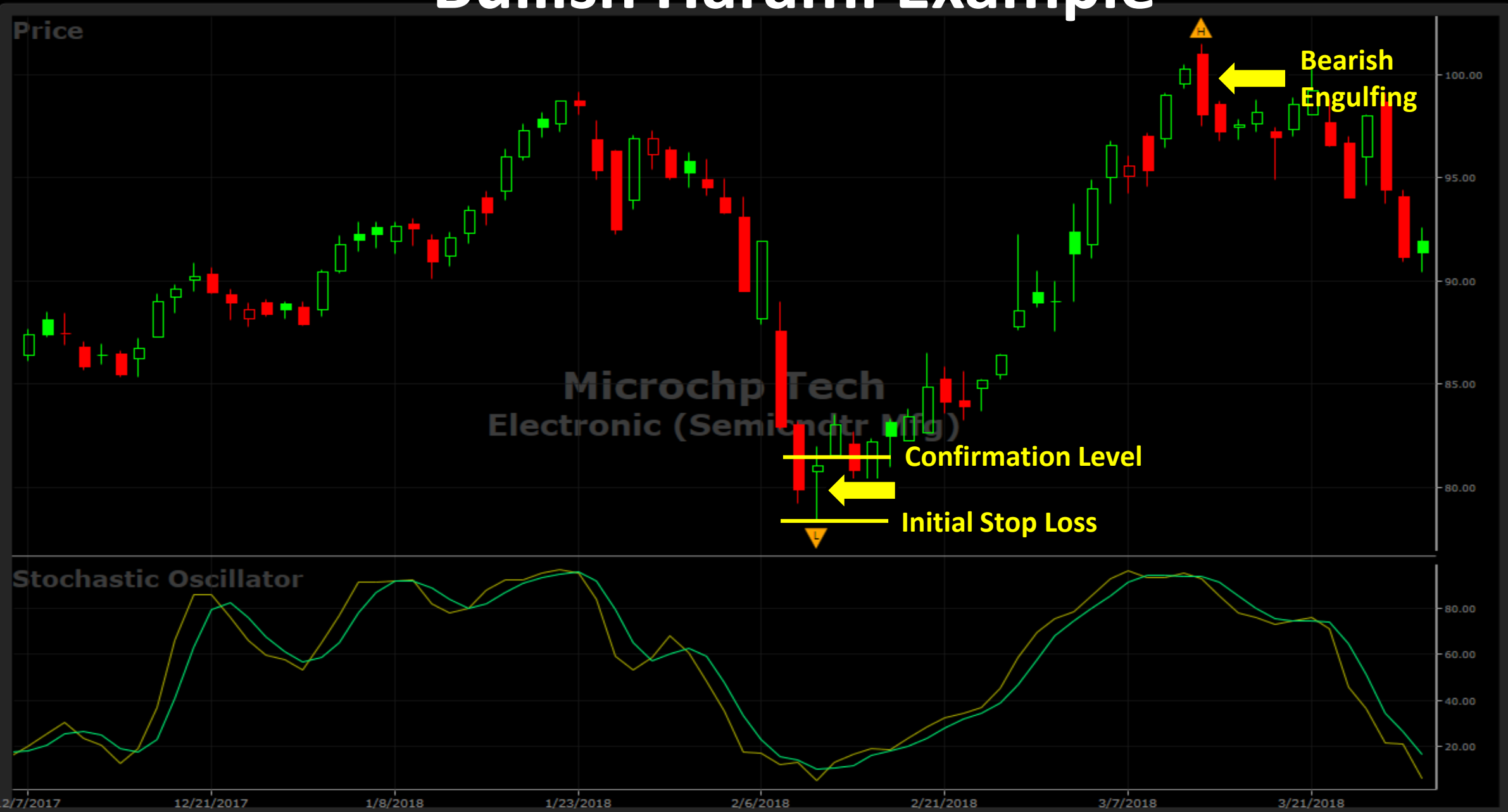
# Bullish Harami Example



Graph Control Panel

Navigation icons: back, forward, zoom in, zoom out, reset, and a vertical scrollbar.

# Bullish Harami Example



Graph Control Panel

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# Bullish Harami Example



Broadridge Finl  
Business Svc (Misc)

Graph Control Panel

# Bullish Harami Example



Graph Control Panel



# Bullish Harami Example



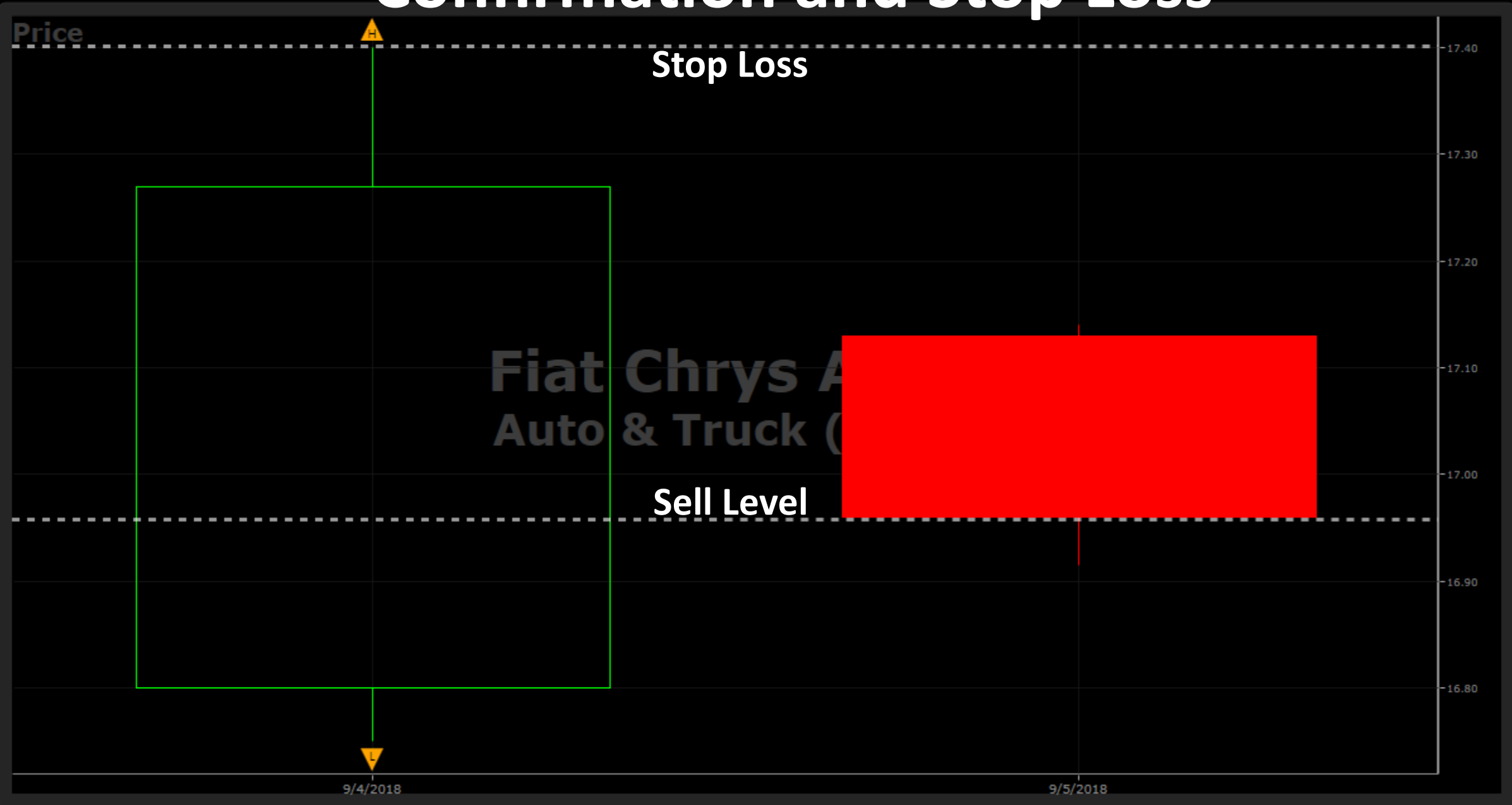
Graph Control Panel

# Bearish Harami

- The market is characterized by a prevailing uptrend.
- An unfilled green body is observed on the first day.
- The filled red body that is formed on the second day is completely engulfed by the body of the first day.
- **The confirmation level is defined as the last close or the midpoint of the unfilled green body, whichever is lower. Prices should cross below this level for confirmation.**
- **The stop loss level is defined as the higher of the last two highs.**



# Confirmation and Stop Loss



Graph Control Panel

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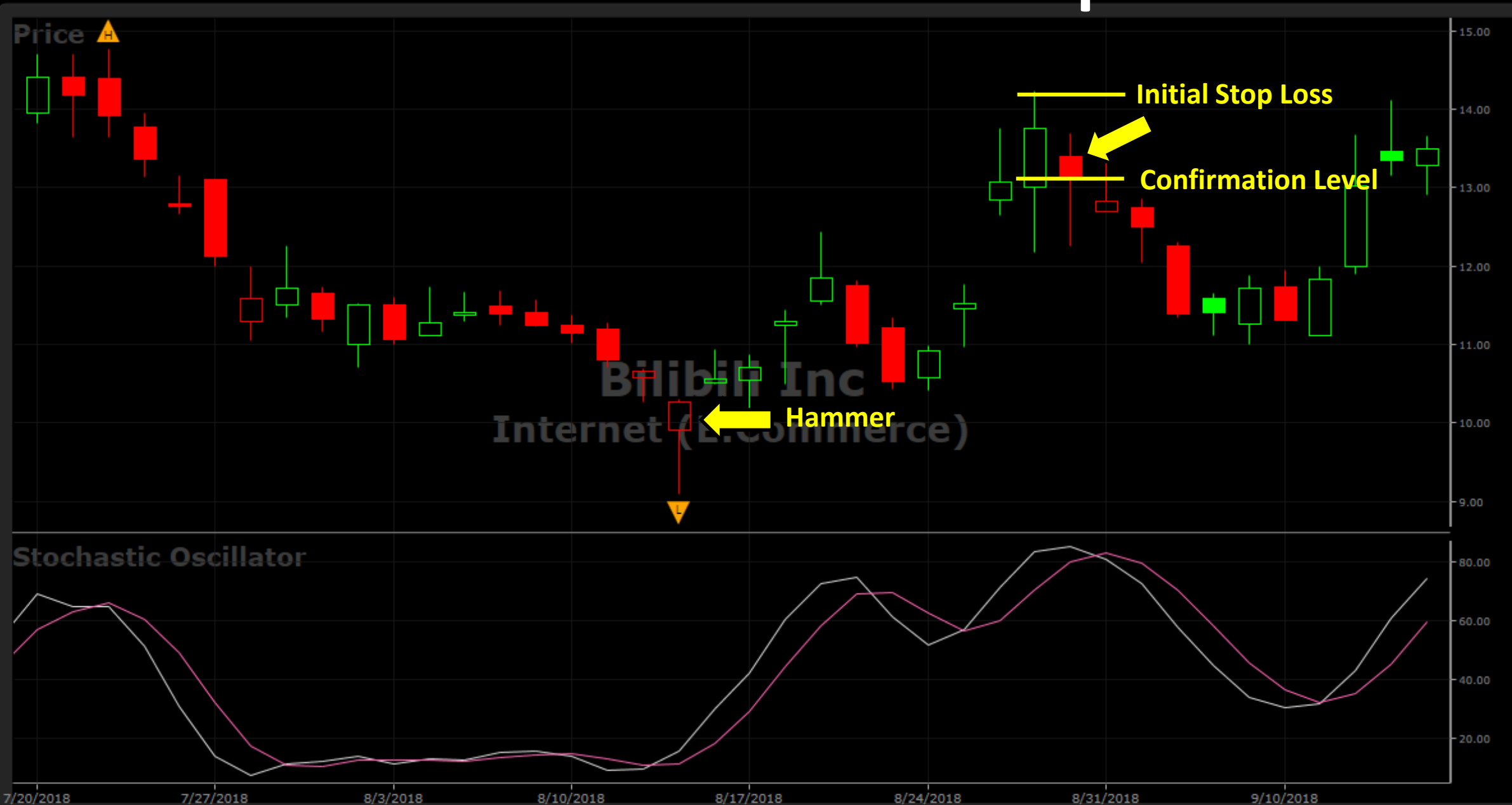
# Bearish Harami Example



Graph Control Panel

Vertical scroll bar and navigation controls.

# Bearish Harami Example



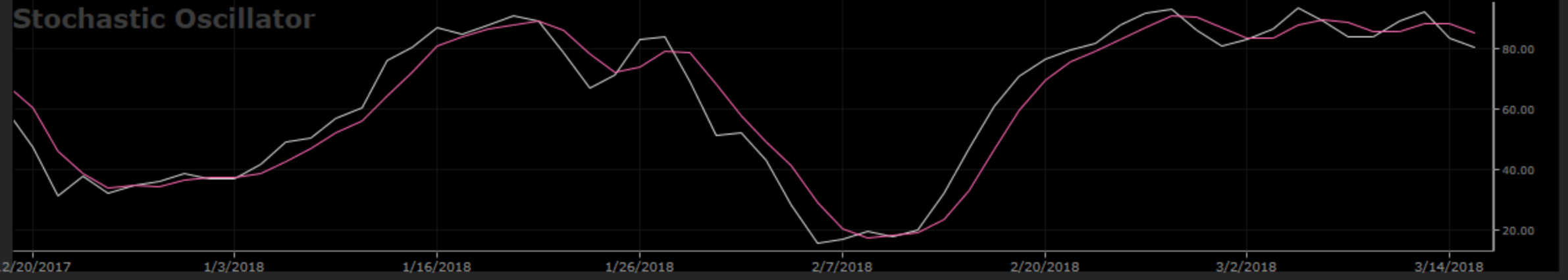
# Bearish Harami Example



Graph Control Panel

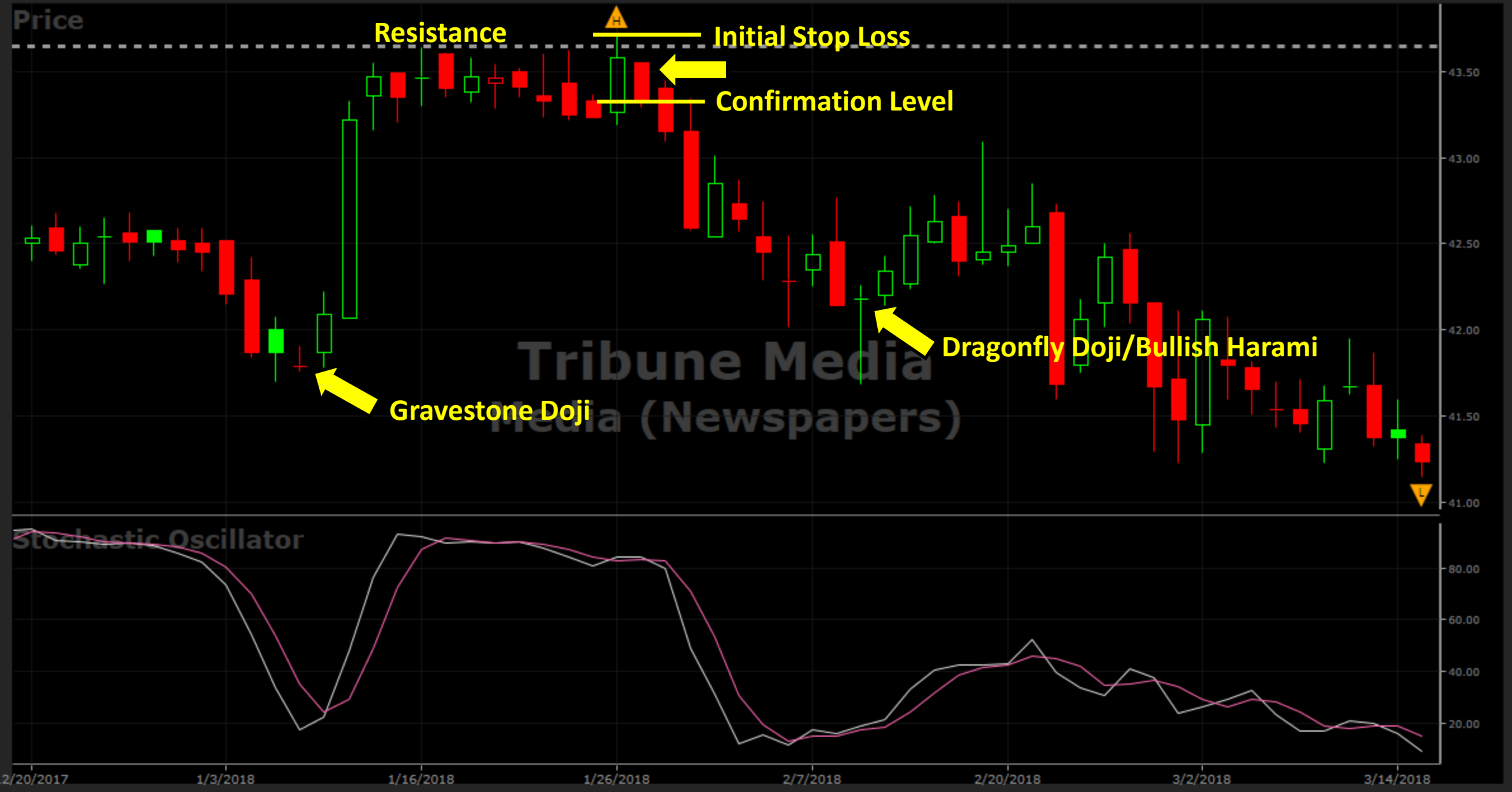
Vertical scroll bar and zoom controls.

Factset Resrch  
Business Svc (FISV)



# Bearish Harami Example

Price



Graph Control Panel

Vertical scrollbar and navigation controls.

# Module 6

# White Soldiers and Black Crows



# One White Soldier (Bullish)

- The market is characterized by a prevailing downtrend.
- A filled red candle is observed on the first day.
- The unfilled green body that is formed on the second day opens higher than the prior day's close and closes higher than the prior day's open.
- **The confirmation level is defined as the last close. Prices should cross above this level for confirmation.**
- **The stop loss level is defined as the last low.**

# Confirmation and Stop Loss



Graph Control Panel

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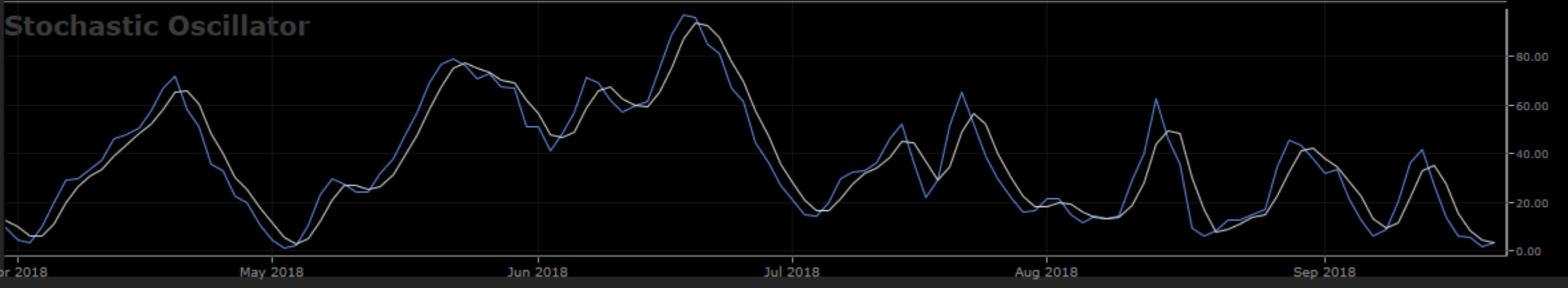
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# One White Soldier Example



Lions Gate B  
Media (Movies)



# One White Soldier Example



Graph Control Panel

Vertical scrollbar and navigation icons.

# One White Soldier Example



# One White Soldier Example

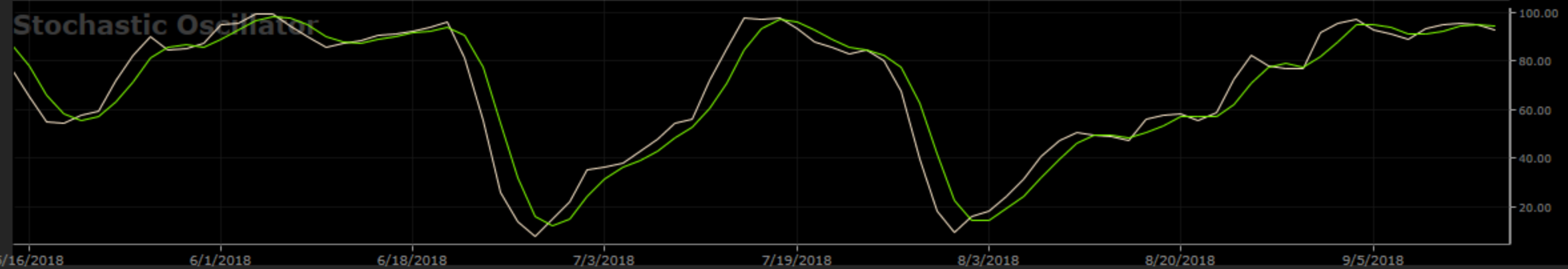
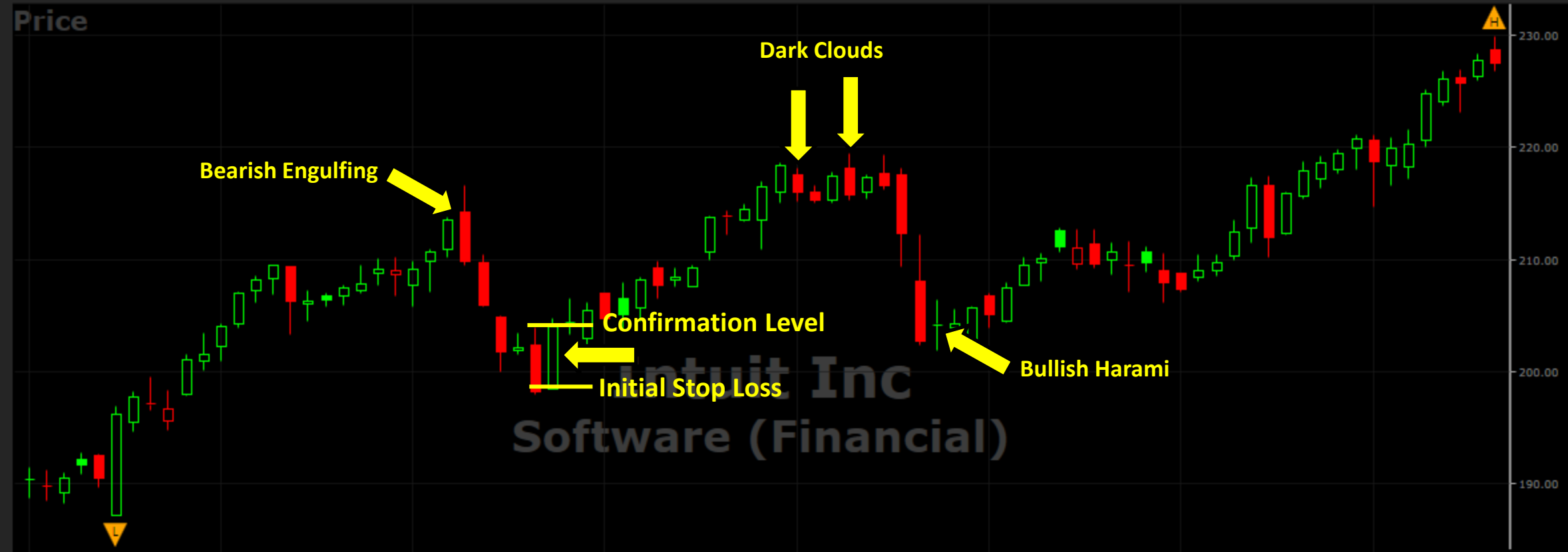


Graph Control Panel

# One White Soldier Example



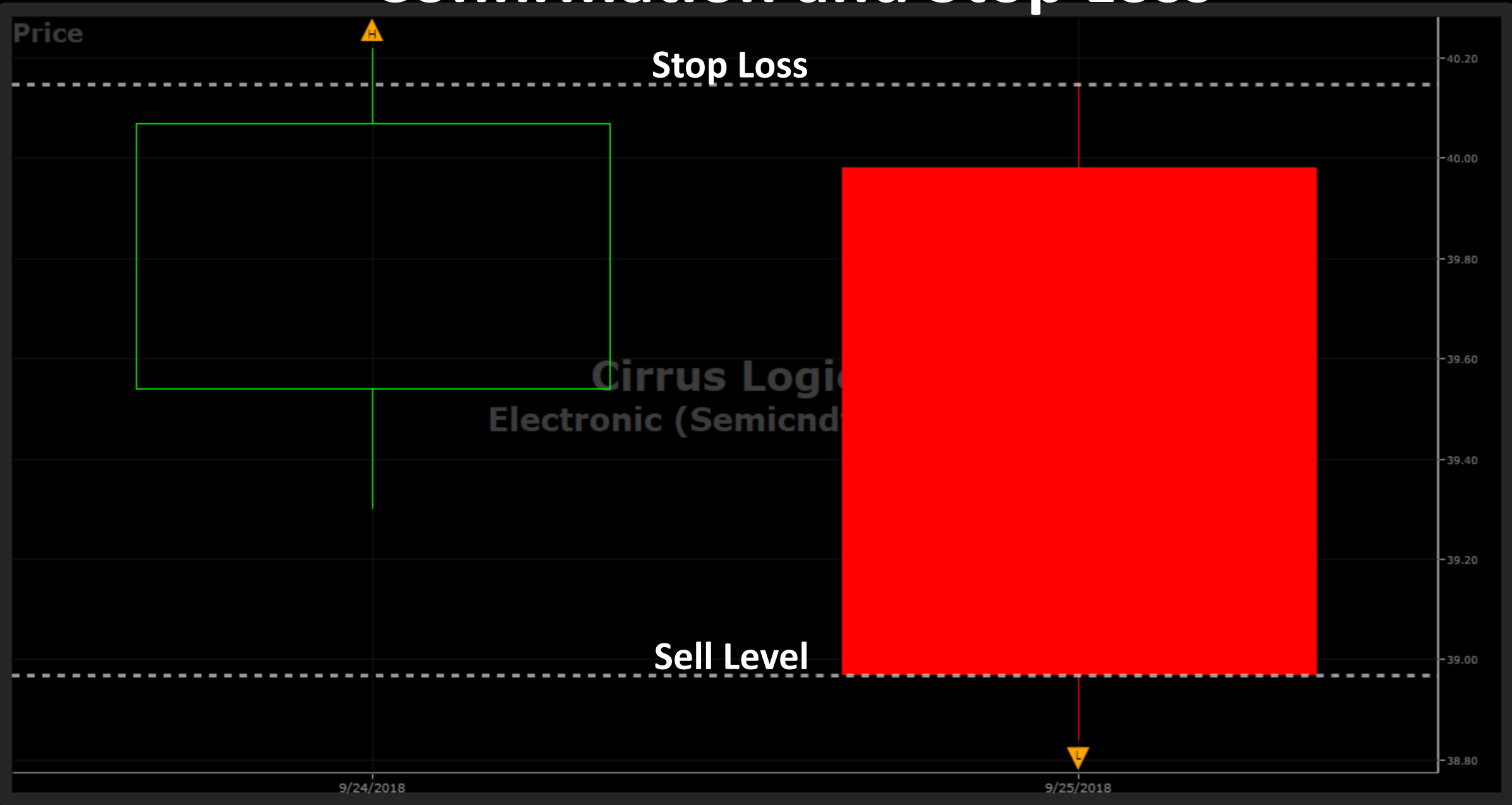
# One White Soldier Example



# One Black Crow (Bearish)

- The market is characterized by a prevailing uptrend.
- An unfilled green candle is observed on the first day.
- The filled red body that is formed on the second day opens lower than the first day's close and closes lower than the first day's open.
- *The confirmation level is defined as the last close. Prices should cross below this level for confirmation.*
- *The stop loss level is defined as the last high.*

# Confirmation and Stop Loss





# One Black Crow



Graph Control Panel

Navigation icons: back, forward, zoom in, zoom out, reset, and scroll bar.

# One Black Crow



Graph Control Panel

Vertical scroll bar

# One Black Crow



Graph Control Panel

Navigation arrows and a vertical scrollbar are present on the right side of the chart area.

# One Black Crow



Graph Control Panel

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