

Table of Contents

1. Introduction to Candlestick Patterns
2. Understanding Bullish Candlestick Patterns
 - 2.1 Hammer
 - 2.2 Inverted Hammer
 - 2.3 Bullish Engulfing
 - 2.4 Piercing Line
 - 2.5 Morning Star
 - 2.6 Three White Soldiers
 - 2.7 Bullish Harami
 - 2.8 Rising Three Methods
3. Understanding Bearish Candlestick Patterns
 - 3.1 Shooting Star
 - 3.2 Hanging Man
 - 3.3 Bearish Engulfing
 - 3.4 Dark Cloud Cover
 - 3.5 Evening Star
 - 3.6 Three Black Crows
 - 3.7 Bearish Harami
 - 3.8 Falling Three Methods
4. Conclusion
5. References

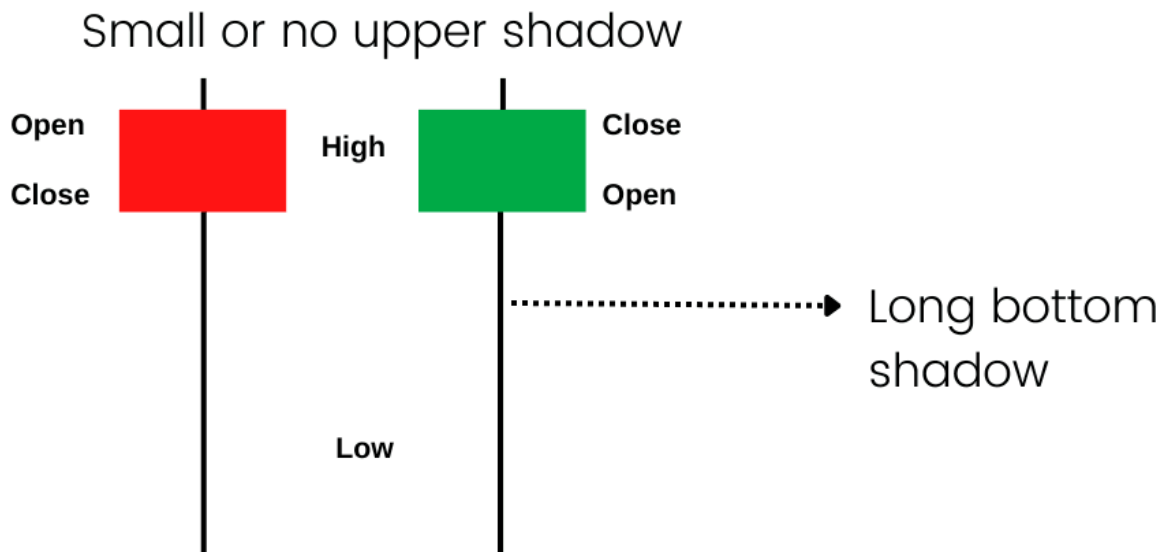
1. Introduction to Candlestick Patterns

Candlestick patterns are essential tools for technical traders and help in predicting market movements based on the graphical representation of price action. In this guide, we will focus on two key categories: Bullish and Bearish candlestick patterns, which signal potential market reversals and continuations. Understanding these patterns allows traders to make informed decisions, whether buying or [selling](#).

2. Understanding Bullish Candlestick Patterns

Bullish candlestick patterns signal a potential reversal of a downward trend and indicate a price increase.

2.1 [Hammer](#)

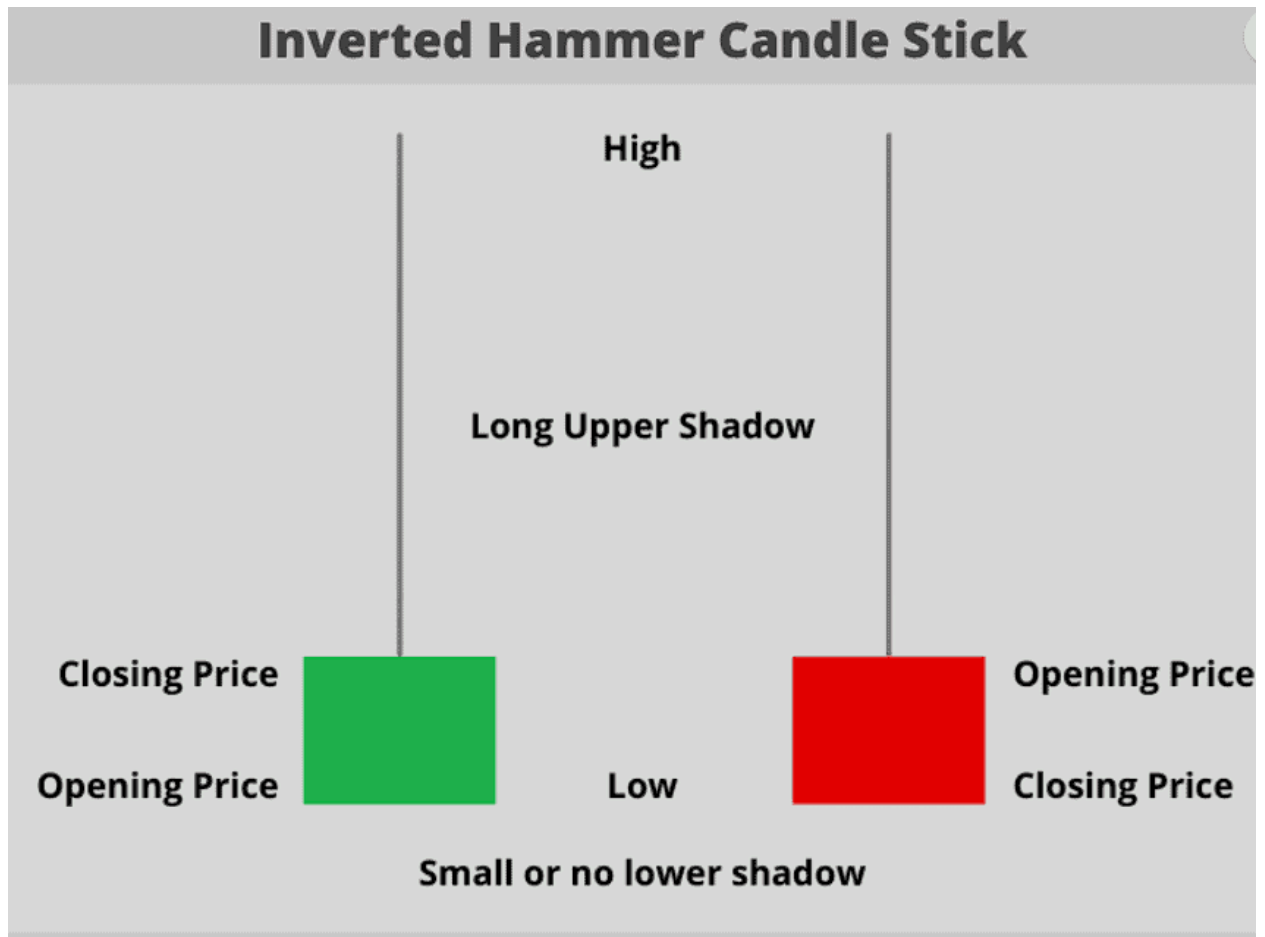


Hammer Candlestick Patterns

A hammer forms after a downtrend and signals a potential reversal. It has a small body with a long lower wick, indicating that despite the selling pressure during the day, buyers pushed the price up by the close.

- **Pattern Characteristics:**
 - Small real body at the top of the trading range
 - Long lower wick at least twice the size of the real body

2.2 [Inverted Hammer](#)

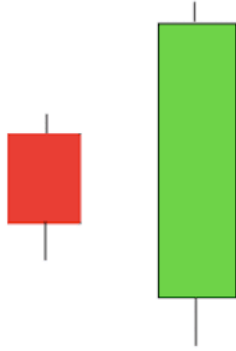


The inverted hammer also occurs after a downtrend and suggests a reversal. It has a small body with a long upper wick, signaling that buyers are starting to gain control.

- **Pattern Characteristics:**
 - Small real body
 - Long upper wick

2.3 [Bullish Engulfing](#)

BULLISH ENGULFING

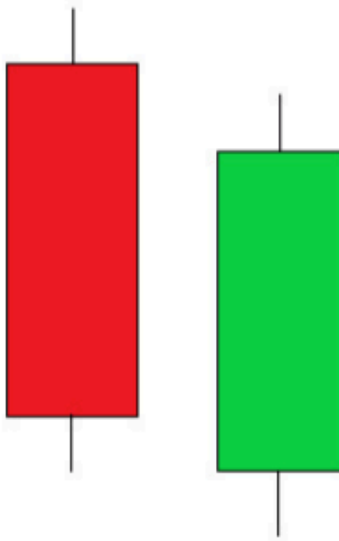


A bullish engulfing pattern appears when a small red candlestick is followed by a large green candlestick, fully engulfing the previous candle's body, signaling strong buying pressure.

- **Pattern Characteristics:**
 - The second candlestick engulfs the first
 - The engulfing candle is green or bullish

2.4 [Piercing Line](#)

Piercing Line Pattern



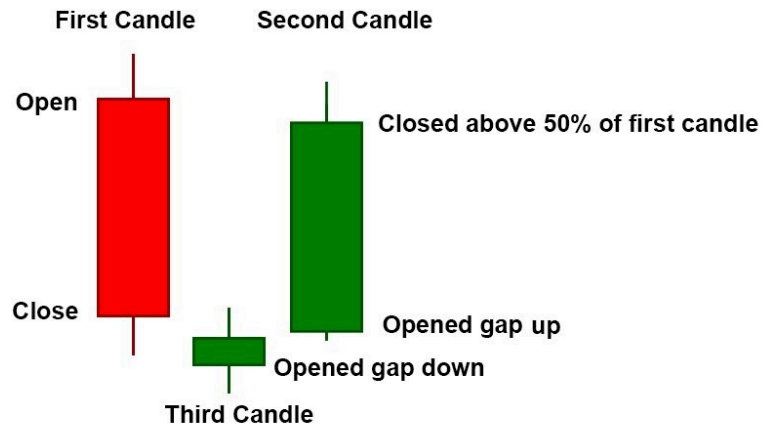
- Two candle Pattern
- Trend Reversal Pattern
- Effective if found during down trend
- 1st Candle: **Red (Bearish)**
- 2nd Candle: **Green (Bullish)**
- Both candles should be big
- **Green** candle opens below **Red** candle.
- **Green** candle closes slightly below the top of **Red** candle.

The piercing line forms in a downtrend where the first candle is bearish, and the second candle opens lower but closes above the midpoint of the first candle, indicating buying strength.

- **Pattern Characteristics:**
 - First candlestick bearish
 - Second candlestick opens lower and closes above the first candle's midpoint

2.5 [Morning Star](#)

Morning Star

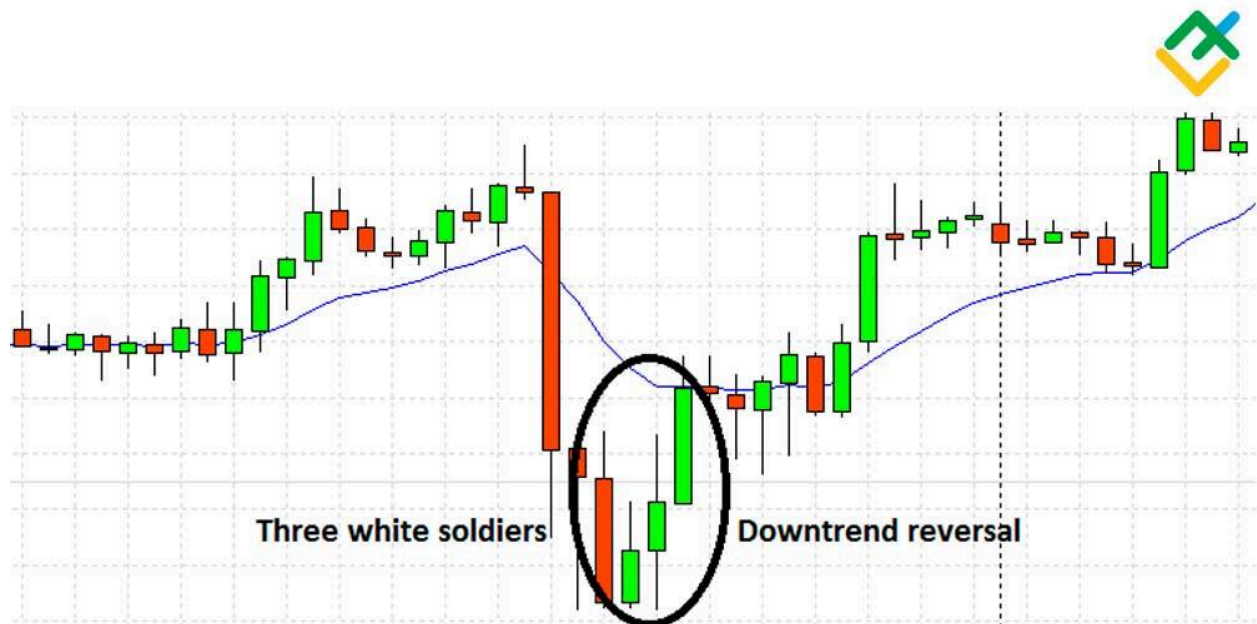


The morning star is a three-candle pattern that signals a reversal at the bottom of a downtrend. The first is a bearish candle, the second is a small-bodied candle, and the third is a bullish candle that closes above the midpoint of the first candle.

- **Pattern Characteristics:**

- Three candles: bearish, indecisive, and bullish
- Third candle closes above the midpoint of the first candle

2.6 Three White Soldiers



Three consecutive long green candles with small wicks suggest a strong reversal and signify that bulls are in control.

- **Pattern Characteristics:**
 - Three consecutive bullish candles
 - Each candle has a higher close than the previous

2.7 [Bullish Harami](#)

BULLISH HARAMI



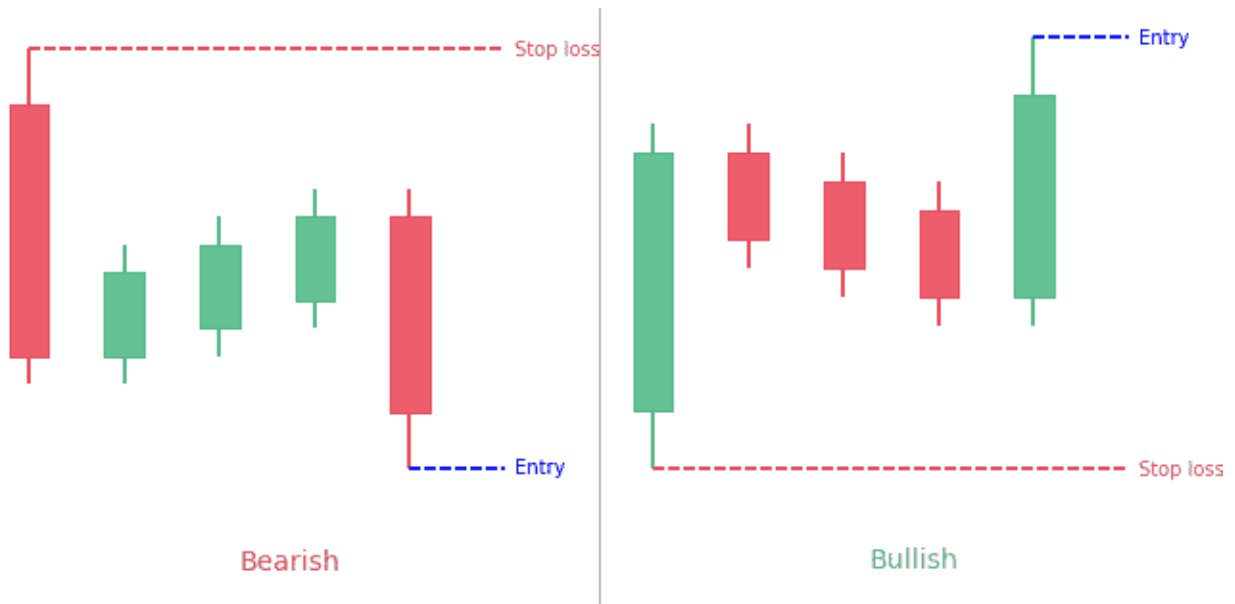
BEARISH HARAMI



A bullish harami occurs when a large bearish candle is followed by a small bullish candle entirely contained within the body of the first candle, signaling potential reversal.

- **Pattern Characteristics:**
 - Second candle's body is smaller and fits within the first candle
 - Indicates indecision or reversal

2.8 Rising Three Methods



This is a continuation pattern where three short bearish candles appear between two long bullish candles, confirming that the bulls are in control.

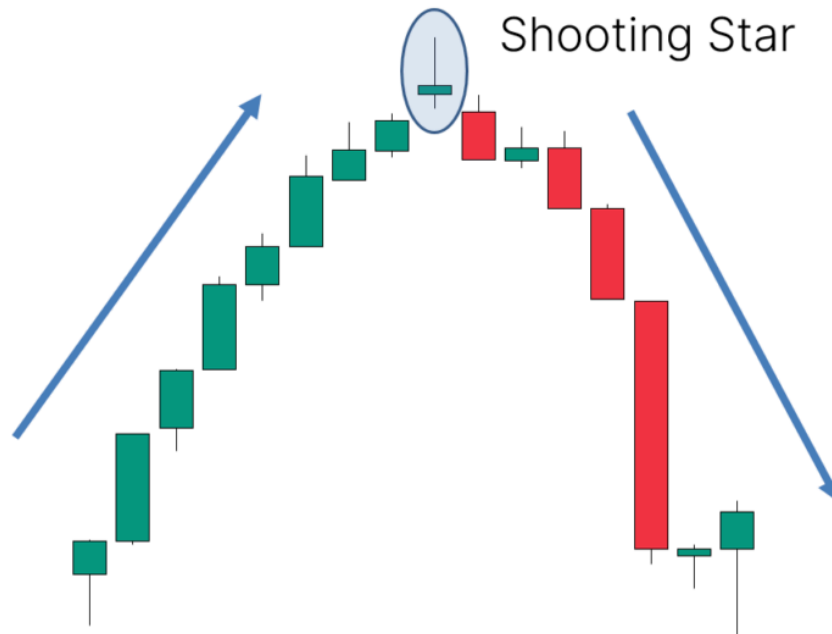
- **Pattern Characteristics:**

- Three small bearish candles within the range of two bullish candles
- Signals continuation of the uptrend

3. Understanding Bearish Candlestick Patterns

Bearish candlestick patterns indicate a potential reversal of an upward trend, suggesting that prices are likely to fall.

3.1 [Shooting Star](#)



A shooting star appears after an uptrend and signals a reversal. It has a small body and a long upper wick, showing that buyers pushed prices up but sellers regained control.

- **Pattern Characteristics:**
 - Small body at the bottom
 - Long upper wick

3.2 [Hanging Man](#)

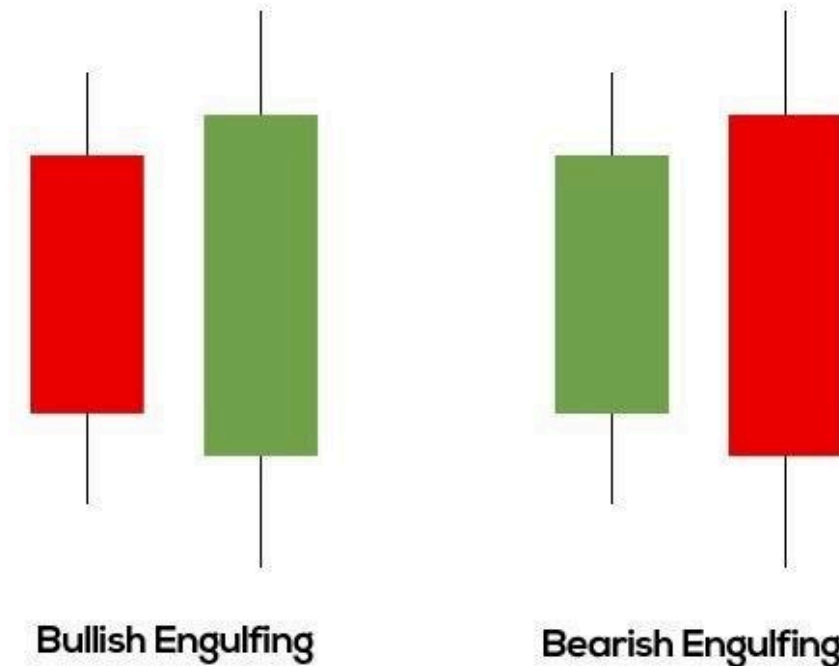


The hanging man occurs at the top of an uptrend and has a small body with a long lower wick, indicating that sellers are starting to dominate despite an upward price movement.

- **Pattern Characteristics:**
 - Small real body
 - Long lower wick

3.3 [Bearish Engulfing](#)

Engulfing Patterns



A bearish engulfing pattern forms when a small bullish candle is followed by a larger bearish candle, which completely engulfs the previous day's body, signaling a shift in momentum to the downside.

- **Pattern Characteristics:**
 - The second candle engulfs the first
 - The engulfing candle is bearish

3.4 Dark Cloud Cover

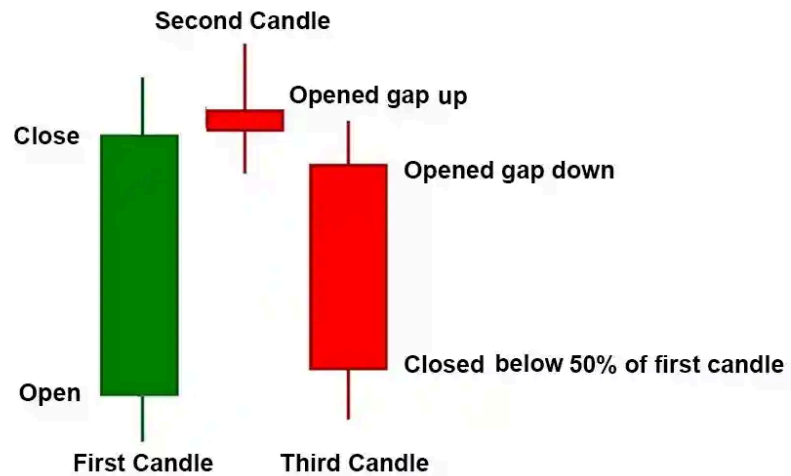


The dark cloud cover appears when a bullish candle is followed by a bearish candle that opens higher but closes below the midpoint of the previous candle, signaling potential reversal.

- **Pattern Characteristics:**
 - First candle bullish
 - Second candle opens higher and closes below the midpoint

3.5 [Evening Star](#)

Evening Star



The evening star is a three-candle pattern that occurs at the top of an uptrend. The first is a bullish candle, the second is a small candle, and the third is a bearish candle that closes below the midpoint of the first candle.

- **Pattern Characteristics:**

- Three candles: bullish, indecisive, and bearish
- Third candle closes below the midpoint of the first candle

3.6 Three Black Crows

Phillips Carbon Black Ltd, India, NSE:PHIL, D



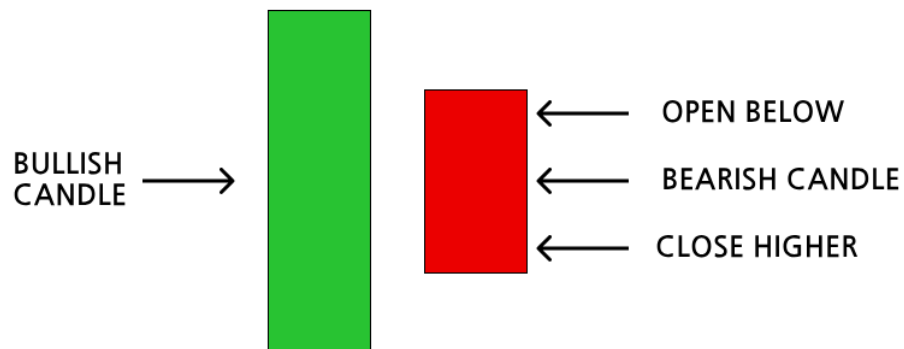
Three consecutive long bearish candles with small wicks indicate strong downward pressure and signify a trend reversal from bullish to bearish.

- **Pattern Characteristics:**

- Three consecutive bearish candles
- Each candle closes lower than the previous one

3.7 [Bearish Harami](#)

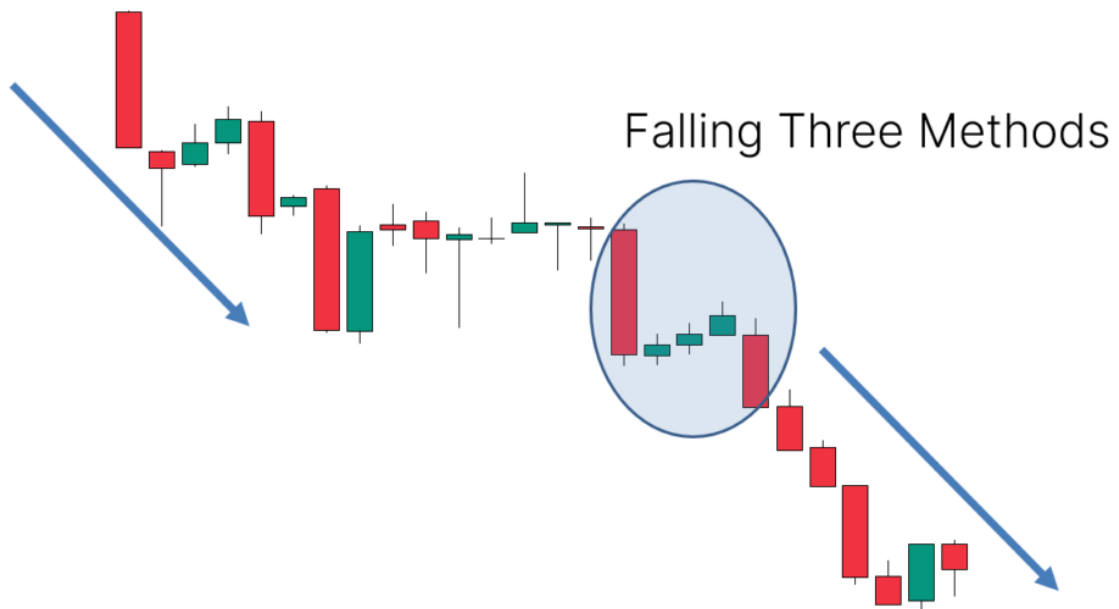
BEARISH HARAMI CANDLESTICK PATTERN



A bearish harami occurs when a large bullish candle is followed by a small bearish candle, signaling the weakening of the uptrend.

- **Pattern Characteristics:**
 - Second candle's body is smaller and fits within the first candle
 - Indicates indecision or reversal

3.8 Falling Three Methods



This pattern is a continuation signal, where three short bullish candles appear between two long bearish candles, confirming that the bears are still in control.

- **Pattern Characteristics:**
 - Three small bullish candles within the range of two bearish candles
 - Signals continuation of the downtrend
-

4. Conclusion

Candlestick patterns are vital tools in understanding market sentiment and price movements. Recognizing and interpreting these patterns—whether bullish or bearish—enables traders to anticipate potential market reversals and make informed trading decisions. A deep understanding of these patterns can increase trading accuracy and profitability.