CANDLESTICK CHEAT SHEET

The Complete Beginner-to-Advanced Guide to Candlestick Patterns

Understanding Price Action, Reversal Patterns, Continuation Patterns, Confirmation, Entries, Stop-Losses and Risk Management

Educational Edition | Indian Stock Market Context

Table of Contents

---

1. Introduction to Candlestick Charts

Candlestick charts are one of the most widely used methods for analyzing financial markets.

They visually represent price movement during a specific period and allow traders to quickly understand:

- Opening price
- Closing price
- Highest price
- Lowest price
- Buying pressure
- Selling pressure
- Market rejection
- Momentum
- Possible reversal
- Continuation
- Indecision

Candlesticks are used across:

- Stocks
- Indices
- Futures
- Options
- Commodities
- Currencies
- Cryptocurrencies

A candlestick does **not predict the future with certainty**.

Instead, it provides information about what buyers and sellers did during a particular period.

The strongest candlestick analysis therefore combines:

Candlestick + Trend + Support/Resistance + Volume + Market Context + Risk Management

---

2. What Is a Candlestick?

A candlestick represents the price movement of an asset during a selected time period.

For example:

- 1-minute candle
- 5-minute candle
- 15-minute candle
- 30-minute candle
- 1-hour candle
- 4-hour candle
- Daily candle
- Weekly candle
- Monthly candle

A daily candle represents one trading day's price action.

A weekly candle represents the price movement during one week.

The same candlestick pattern can have different significance depending on the timeframe.

---

3. The Four Important Prices

Every standard candlestick contains four primary prices.

Open

The price at which the selected period begins.

High

The highest price reached during the period.

Low

The lowest price reached during the period.

Close

The price at which the selected period ends.

These are commonly abbreviated as:

OHLC

Open + High + Low + Close = OHLC

---

4. Anatomy of a Candlestick

A candlestick consists primarily of:

1. Body

The area between the Open and Close.

2. Upper Wick

The line extending above the body.

It represents prices traded above the body during that period.

3. Lower Wick

The line extending below the body.

It represents prices traded below the body during that period.

4. High

The topmost price reached.

5. Low

The lowest price reached.

---

5. Bullish and Bearish Candles

Bullish Candle

A candle is bullish when:

Close > Open

Buyers were able to push the closing price above the opening price.

A bullish candle is commonly displayed as:

- Green
- White

depending on the charting platform.

Bearish Candle

A candle is bearish when:

Close < Open

Sellers pushed the closing price below the opening price.

A bearish candle is commonly displayed as:

- Red
- Black

---

6. Candle Body and Wick Analysis

The size of the candle body provides information about the strength of price movement.

Large Bullish Body

May indicate strong buying pressure.

Large Bearish Body

May indicate strong selling pressure.

Small Body

May indicate indecision or reduced momentum.

Long Upper Wick

May indicate rejection of higher prices.

Long Lower Wick

May indicate rejection of lower prices.

However, a wick alone should not automatically be treated as a buy or sell signal.

Context matters.

---

7. What Candlesticks Actually Tell You

Candlesticks provide information about the battle between buyers and sellers.

Consider a candle with a long upper wick.

Price moved substantially higher during the period but failed to remain there.

This can indicate:

Buyers pushed price up → sellers entered → price fell from the high.

Similarly, a long lower wick may indicate:

Sellers pushed price down → buyers entered → price recovered.

This concept of **price rejection** is fundamental to candlestick analysis.

---

8. Importance of Market Context

A candlestick pattern should never be analyzed completely in isolation.

The same candle can have different meanings depending on where it appears.

For example:

A Hammer after a prolonged decline near major support may provide a bullish reversal signal.

The same-looking candle in the middle of a sideways market may have considerably less significance.

Always ask:

1. What is the current trend?
2. Where is the candle forming?
3. Is there support or resistance nearby?
4. What is volume doing?
5. Is momentum confirming the pattern?
6. Has the next candle confirmed the signal?
7. Where is the invalidation level?
8. Is the potential reward worth the risk?

---

9. Single-Candle Patterns

Single-candle patterns use the structure of one candle to interpret market behavior.

Important single-candle patterns include:

- Doji
- Spinning Top
- Marubozu
- Hammer
- Hanging Man
- Inverted Hammer
- Shooting Star

- Dragonfly Doji
- Gravestone Doji

---

10. Doji

A Doji forms when the opening and closing prices are very close.

Conceptually:

Open ≈ Close

A Doji often represents market indecision.

During the session:

- Buyers may have pushed price higher.
- Sellers may have pushed price lower.
- Neither side ultimately dominated the closing price.

What It May Indicate

- Indecision
- Momentum slowdown
- Potential reversal
- Temporary balance between buyers and sellers

Important

A Doji does **not automatically mean reversal**.

Confirmation is important.

A Doji appearing after a strong uptrend is different from a Doji appearing in a quiet sideways market.

---

11. Long-Legged Doji

A Long-Legged Doji has relatively long upper and lower wicks.

It indicates substantial movement in both directions but little net change between Open and Close.

It can indicate:

- High uncertainty

- Strong two-way trading
- Market indecision
- Possible exhaustion

The next candle can be important for confirmation.

---

12. Dragonfly Doji

A Dragonfly Doji generally has:

- Open near the high
- Close near the high
- Long lower wick
- Little or no upper wick

The candle shows that sellers pushed price significantly lower but buyers recovered the decline.

Potential Interpretation

At support after a decline, it may indicate rejection of lower prices.

Confirmation

A subsequent bullish candle can strengthen the interpretation.

---

13. Gravestone Doji

A Gravestone Doji generally has:

- Open near the low
- Close near the low
- Long upper wick
- Little or no lower wick

It indicates that buyers pushed price significantly higher but sellers eventually forced price back toward the opening area.

Potential Interpretation

Near resistance after an extended advance, it can indicate rejection of higher prices.

Confirmation is important.

---

14. Spinning Top

A Spinning Top generally has:

- Small body
- Upper wick
- Lower wick

It indicates uncertainty or balance between buyers and sellers.

A Spinning Top after a strong trend may indicate that momentum is slowing.

However, it is not automatically a reversal signal.

---

15. Marubozu

A Marubozu is characterized by a very large body with little or no wick.

Bullish Marubozu

Open near the low and close near the high.

It indicates strong buying throughout the period.

Bearish Marubozu

Open near the high and close near the low.

It indicates strong selling throughout the period.

Interpretation

Marubozu candles can indicate strong momentum.

They may be particularly important during:

- Breakouts
- Trend continuation
- Strong support/resistance breaks

---

16. Hammer

A Hammer generally appears after a decline.

Characteristics:

- Small body
- Long lower wick
- Small or limited upper wick
- Lower wick substantially larger than the body

The candle indicates that sellers pushed price lower, but buyers recovered much of the decline.

Potential Meaning

A Hammer near support can indicate rejection of lower prices.

Confirmation

A bullish candle following the Hammer can provide additional confirmation.

Common Mistake

Do not buy every Hammer.

Location matters.

---

17. Hanging Man

The Hanging Man looks similar to a Hammer but occurs after an advance.

Characteristics:

- Small body
- Long lower wick
- Appears after an upward move

It can indicate that selling pressure appeared during the session.

Potential Meaning

It may warn that the uptrend is losing strength.

Confirmation

A bearish follow-through candle can strengthen the bearish interpretation.

---

18. Inverted Hammer

An Inverted Hammer generally occurs after a decline.

Characteristics:

- Small body
- Long upper wick
- Small or limited lower wick

Buyers attempted to push price higher, although sellers eventually pushed it back.

After a downtrend, it may indicate potential bullish reversal.

Confirmation is important.

---

19. Shooting Star

A Shooting Star generally occurs after an advance.

Characteristics:

- Small body
- Long upper wick
- Little lower wick
- Appears after an upward movement

It indicates that buyers pushed prices higher but sellers rejected those levels.

Potential Meaning

Possible bearish reversal or momentum exhaustion.

Stronger Context

A Shooting Star near major resistance can be more meaningful than one occurring randomly.

---

20. Two-Candle Patterns

Two-candle patterns evaluate the relationship between consecutive candles.

Important patterns include:

- Bullish Engulfing
- Bearish Engulfing
- Bullish Harami
- Bearish Harami
- Piercing Line

- Dark Cloud Cover
- Tweezer Top
- Tweezer Bottom

---

21. Bullish Engulfing

A Bullish Engulfing pattern generally consists of:

1. A bearish candle
2. Followed by a larger bullish candle whose body engulfs the previous candle's body

It indicates a shift toward stronger buying pressure.

Potential Setup

Downtrend → Support → Bearish candle → Bullish Engulfing → Confirmation

Interpretation

The second candle demonstrates that buyers have overwhelmed the prior bearish body.

---

22. Bearish Engulfing

A Bearish Engulfing pattern generally consists of:

1. A bullish candle
2. Followed by a larger bearish candle whose body engulfs the previous candle's body

It may indicate that selling pressure has taken control.

Potential Setup

Uptrend → Resistance → Bullish candle → Bearish Engulfing → Confirmation

---

23. Bullish Harami

A Bullish Harami generally consists of:

1. A relatively large bearish candle
2. Followed by a smaller bullish or neutral candle contained within the prior body

It can indicate that bearish momentum is weakening.

The pattern is generally more meaningful after a decline and near support.

---

24. Bearish Harami

A Bearish Harami generally consists of:

1. A relatively large bullish candle
2. Followed by a smaller candle contained within the prior body

It can indicate that bullish momentum is weakening.

Context is particularly important.

---

25. Piercing Line

A Piercing Line is generally a bullish two-candle pattern after a decline.

The second candle:

- Opens below the prior bearish close or near it, depending on market structure
- Moves strongly upward
- Closes substantially into the prior bearish candle's body

It indicates a shift from selling pressure toward buying pressure.

---

26. Dark Cloud Cover

Dark Cloud Cover is generally a bearish two-candle pattern after an advance.

The second candle:

- Opens above or near the prior bullish close
- Moves downward
- Closes substantially into the previous bullish body

It can indicate increasing selling pressure.

---

27. Tweezer Bottom

A Tweezer Bottom generally occurs after a decline.

Two consecutive candles show lows at approximately the same level.

Potential interpretation:

Sellers attempted to push lower but encountered buying interest around the same price zone.

Support confirmation can improve the setup.

---

28. Tweezer Top

A Tweezer Top generally occurs after an advance.

Two candles show highs at approximately the same level.

Potential interpretation:

Buyers attempted to move higher but encountered selling pressure around the same price zone.

Resistance confirmation can improve the setup.

---

29. Three-Candle Patterns

Three-candle patterns use a sequence of candles to identify potential shifts in market control.

Important patterns include:

- Morning Star
- Evening Star
- Three White Soldiers
- Three Black Crows
- Three Inside Up
- Three Inside Down

---

30. Morning Star

The Morning Star is generally considered a bullish reversal pattern.

A simplified structure:

1. Strong bearish candle
2. Small-bodied candle showing hesitation
3. Strong bullish candle

It typically appears after a decline.

Interpretation

Selling pressure may be losing control while buyers begin to take over.

Stronger Signal

The pattern becomes more interesting when it forms:

- Near support
- After an extended decline
- With improving volume
- With bullish confirmation

---

31. Evening Star

The Evening Star is generally considered a bearish reversal pattern.

A simplified structure:

1. Strong bullish candle
2. Small-bodied candle
3. Strong bearish candle

It generally appears after an advance.

Interpretation

Buying momentum may be weakening while sellers are gaining control.

---

32. Three White Soldiers

Three White Soldiers generally consist of three strong bullish candles appearing after a decline or during a developing uptrend.

Typical characteristics:

- Strong bullish bodies
- Consecutive higher closes
- Relatively small upper wicks

It can indicate sustained buying pressure.

However, after an already extended rally, traders should consider whether price is becoming overextended.

---

33. Three Black Crows

Three Black Crows generally consist of three strong bearish candles.

Typical characteristics:

- Strong bearish bodies
- Consecutive lower closes
- Relatively small lower wicks

It can indicate sustained selling pressure.

---

34. Three Inside Up

Three Inside Up generally consists of:

1. Bearish candle
2. Smaller candle contained within the first
3. Bullish confirmation candle

It can indicate a potential bullish reversal.

---

35. Three Inside Down

Three Inside Down generally consists of:

1. Bullish candle
2. Smaller candle contained within the first
3. Bearish confirmation candle

It can indicate a potential bearish reversal.

---

36. Continuation Patterns

Not every candlestick pattern predicts reversal.

Some patterns indicate that the existing trend may continue.

Important examples include:

- Rising Three Methods
- Falling Three Methods
- Inside Bar
- Strong Marubozu continuation
- Breakout candles
- Trend continuation sequences

---

37. Rising Three Methods

A simplified Rising Three Methods structure:

1. Strong bullish candle
2. Several smaller bearish or sideways candles
3. Strong bullish continuation candle

It can indicate that the market paused without destroying the broader bullish structure.

---

38. Falling Three Methods

The Falling Three Methods is the bearish counterpart.

Typical structure:

1. Strong bearish candle
2. Several smaller counter-trend candles
3. Strong bearish continuation candle

It may indicate continuation of the broader downtrend.

---

39. Inside Bar

An Inside Bar occurs when the current candle's range is contained within the previous candle's range.

It indicates temporary contraction or consolidation.

The market may subsequently break:

- Above the mother candle high
- Below the mother candle low

Trading Concept

Inside Bar → Consolidation → Breakout

But breakouts can fail, so confirmation and risk management remain important.

---

40. Outside Bar

An Outside Bar has a range that exceeds the previous candle's range.

It shows increased volatility and two-sided price movement.

A bullish outside bar can indicate strong buying pressure.

A bearish outside bar can indicate strong selling pressure.

Context determines whether it represents reversal or continuation.

---

41. Gap Patterns

A gap occurs when the price opens substantially away from the previous closing price, leaving a discontinuity in the chart.

Common concepts include:

Common Gap

Often occurs within normal trading activity.

Breakaway Gap

Can occur when price moves decisively away from a consolidation or important level.

Runaway / Continuation Gap

Can appear during a strong trend.

Exhaustion Gap

Can appear near the later stages of a strong move.

Gaps should be evaluated together with volume, trend and support/resistance.

---

42. Candlestick Patterns at Support

Candlestick patterns become particularly interesting when they appear near established support.

Examples include:

- Hammer
- Bullish Engulfing
- Morning Star
- Dragonfly Doji
- Tweezer Bottom
- Piercing Line

A simplified bullish framework:

Downtrend → Support → Rejection → Bullish Pattern → Confirmation → Entry

---

43. Candlestick Patterns at Resistance

Bearish patterns can become more meaningful near resistance.

Examples include:

- Shooting Star
- Bearish Engulfing
- Evening Star
- Gravestone Doji
- Tweezer Top
- Dark Cloud Cover

A simplified bearish framework:

Uptrend → Resistance → Rejection → Bearish Pattern → Confirmation → Entry

---

44. Candlesticks and Volume

Volume measures trading activity.

A candlestick pattern accompanied by meaningful volume can provide additional information.

For example:

Bullish Breakout + Strong Volume

May suggest stronger participation.

Bullish Breakout + Very Low Volume

May require greater caution.

Bearish Breakdown + Strong Volume

May indicate stronger selling participation.

Volume should not be used as a standalone prediction tool.

---

45. Candlesticks and Trend

Always identify the trend before interpreting a pattern.

Uptrend

Higher highs + higher lows.

Downtrend

Lower highs + lower lows.

Sideways Market

Price remains within a relatively defined range.

A bullish pattern in an uptrend may be a continuation signal.

A bullish pattern after a prolonged downtrend may be a reversal signal.

---

46. Candlesticks and Moving Averages

Moving averages can provide trend context.

Common periods include:

- 20 EMA
- 50 SMA/EMA
- 100 SMA/EMA
- 200 SMA/EMA

Example:

Price above a rising 50-day moving average + bullish candlestick near the moving average may provide stronger trend alignment than the same candle appearing randomly.

Moving averages should be treated as dynamic reference areas rather than exact support or resistance levels.

---

47. Candlesticks and RSI

RSI can provide momentum context.

Traditional reference levels:

- Above 70: potentially overbought
- Below 30: potentially oversold

These are **not automatic sell and buy signals**.

In strong trends, RSI can remain elevated or depressed for extended periods.

A candlestick reversal pattern combined with meaningful RSI behavior may provide additional context.

---

48. Candlesticks and MACD

MACD can be used to evaluate momentum and trend.

Traders may examine:

- MACD line
- Signal line
- Histogram
- Crossovers
- Divergence

A bullish candlestick pattern with improving bullish momentum can create stronger confluence than the candle alone.

---

49. Candlesticks and Breakouts

A breakout occurs when price moves beyond an important resistance area.

A high-quality breakout analysis may consider:

1. Resistance level
2. Candle closing beyond resistance
3. Volume
4. Overall trend
5. Market conditions

6. Retest
7. Stop-loss location

Example

Resistance = ₹500

Price closes at ₹515 with strong participation.

Possible interpretation:

Resistance broken → potential bullish breakout

However, the trader should still consider false-breakout risk.

---

50. Entry Techniques

Candlestick traders can use different entry approaches.

Method 1: Immediate Entry

Enter after the pattern closes.

Advantage:

- Earlier entry

Disadvantage:

- Greater false-signal risk

Method 2: Confirmation Entry

Wait for the next candle to confirm direction.

Advantage:

- More confirmation

Disadvantage:

- Entry may occur at a less favorable price

Method 3: Break of Pattern High/Low

For bullish setups, entry may occur above the pattern's relevant high.

For bearish setups, entry may occur below the relevant low.

No method guarantees success.

---

51. Stop-Loss Techniques

A stop-loss defines the price level where the trade thesis is considered invalid.

Possible locations include:

Below Hammer Low

For a bullish Hammer setup.

Above Shooting Star High

For a bearish Shooting Star setup.

Beyond Support

For a bullish setup.

Beyond Resistance

For a bearish setup.

The stop should be logically connected to the setup rather than chosen randomly.

---

52. Target Techniques

Possible target methods include:

- Previous swing high
- Previous swing low
- Support
- Resistance
- Measured move
- Risk-reward target
- Trailing stop

For example:

Entry = ₹500
Stop = ₹480
Risk = ₹20

If targeting a 1:3 risk-reward:

Potential target = ₹560.

---

53. Risk-Reward Ratio

Risk-reward compares potential loss with potential profit.

Example:

Entry = ₹500

Stop = ₹480

Target = ₹560

Risk = ₹20

Potential Reward = ₹60

Therefore:

Risk : Reward = 1 : 3

A 1:3 ratio does not guarantee profitability.

A trader can still lose money if the strategy's win rate and execution are poor.

---

54. Position Sizing

Position sizing determines how many shares to trade.

Example:

Trading capital = ₹1,00,000

Maximum risk = 1%

Maximum acceptable loss = ₹1,000

Entry = ₹500

Stop = ₹480

Risk per share = ₹20

Simplified position size:

₹1,000 ÷ ₹20 = 50 shares

Potential real-world adjustments include:

- Brokerage
- Taxes
- Slippage

- Liquidity
- Gap risk
- Portfolio exposure

---

55. Reversal vs Continuation

One of the most important questions is:

Is the pattern signaling a reversal or continuation?

Consider:

Reversal

Trend → Exhaustion → Pattern → Confirmation → New Trend

Continuation

Trend → Consolidation → Pattern → Breakout → Trend Continues

The same candle can have different meanings depending on market structure.

---

56. Strong vs Weak Candlestick Signals

Stronger Conditions

A pattern may have greater significance when:

- It appears at major support/resistance
- It aligns with the broader trend
- Volume supports the move
- The candle closes strongly
- Multiple factors confirm the setup
- Risk can be clearly defined

Weaker Conditions

Be cautious when:

- Pattern appears in random price territory
- Market is highly choppy
- Volume is very low

- The pattern contradicts the broader structure
- Stop-loss is too wide
- Reward potential is limited

---

57. False Signals

Candlestick patterns can fail.

Common reasons include:

- Low liquidity
- Sudden news
- Market-wide volatility
- False breakouts
- Algorithmic trading
- Earnings announcements
- Unexpected economic events
- Strong trend continuation
- Poor pattern location

A failed bullish pattern can become a bearish signal if price breaks its invalidation level.

Similarly, a failed bearish setup can turn bullish if price strongly reverses.

---

58. Common Beginner Mistakes

Mistake 1: Memorizing Patterns Without Context

Knowing 50 patterns is less useful than understanding five patterns properly.

Mistake 2: Buying Every Hammer

A Hammer in the middle of nowhere is not necessarily a trade.

Mistake 3: Selling Every Shooting Star

Resistance and trend context matter.

Mistake 4: Ignoring Volume

Volume can provide useful confirmation.

Mistake 5: Entering Before Candle Close

An unfinished candle can change dramatically before it closes.

Mistake 6: Using Excessive Leverage

Leverage magnifies losses.

Mistake 7: No Stop-Loss Plan

Every trade should have a predefined invalidation concept.

Mistake 8: Risking Too Much

A single trade should not have the ability to seriously damage the entire portfolio.

Mistake 9: Revenge Trading

One losing trade should not trigger a series of emotionally driven trades.

Mistake 10: Treating Patterns as Certainties

Candlestick patterns represent probabilities, not guarantees.

---

59. Candlestick Trading Checklist

Before entering a trade, ask:

Market Structure

- What is the trend?
- Is the market trending or ranging?
- Where are major swing highs and lows?

Pattern

- What candlestick pattern has formed?
- Has the candle closed?
- Is the pattern clearly defined?

Location

- Is it near support?
- Is it near resistance?
- Is it near a moving average?
- Is it at a previous swing level?

Confirmation

- Is volume supportive?
- Is momentum supportive?
- Is there breakout confirmation?
- Is the broader market aligned?

Risk

- Where is the stop-loss?
- What is the maximum loss?
- What is the target?
- What is the risk-reward ratio?
- Is the position size appropriate?

If these questions cannot be answered clearly, avoid forcing the trade.

---

60. Quick Reference Table

Pattern	Typical Context	Potential Interpretation
Doji	After a move / range	Indecision
Hammer	After decline	Potential bullish reversal
Hanging Man	After advance	Potential bearish warning
Inverted Hammer	After decline	Potential bullish reversal
Shooting Star	After advance	Potential bearish reversal
Bullish Engulfing	After decline	Potential bullish reversal
Bearish Engulfing	After advance	Potential bearish reversal
Bullish Harami	After decline	Possible bullish shift
Bearish Harami	After advance	Possible bearish shift
Piercing Line	After decline	Bullish reversal signal
Dark Cloud Cover	After advance	Bearish reversal signal

Pattern	Typical Context	Potential Interpretation
Tweezer Bottom	Near support	Potential bullish reversal
Tweezer Top	Near resistance	Potential bearish reversal
Morning Star	After decline	Bullish reversal
Evening Star	After advance	Bearish reversal
Three White Soldiers	After decline / consolidation	Strong bullish momentum
Three Black Crows	After advance / consolidation	Strong bearish momentum
Rising Three Methods	Uptrend	Bullish continuation
Falling Three Methods	Downtrend	Bearish continuation
Inside Bar	Consolidation	Potential breakout
Outside Bar	Expansion	Potential reversal/continuation

---

61. Practical Example – Bullish Reversal

Suppose a stock is trading in a downtrend.

Price approaches an important support zone.

A Hammer forms.

The Hammer has:

- Small body
- Long lower wick
- Close near the upper portion of the range

The next candle closes above the Hammer's high.

Volume increases.

A trader may interpret this as:

Downtrend → Support → Rejection → Hammer → Confirmation

A possible plan could be:

Entry: Above confirmation level
Stop: Below Hammer low
Target: Previous resistance / predefined risk-reward level

This is an example of a framework, not a guaranteed trade.

---

62. Practical Example – Bearish Reversal

Suppose a stock is in an uptrend.

Price approaches major resistance.

A Shooting Star appears.

The following candle closes below the Shooting Star's low.

Volume increases.

Possible interpretation:

Uptrend → Resistance → Rejection → Shooting Star → Confirmation

Possible framework:

Entry: Below confirmation level
Stop: Above Shooting Star high
Target: Previous support / predefined risk-reward level

Again, this is an educational example.

---

63. Practical Example – Bullish Breakout

Suppose a stock has repeatedly failed near ₹500.

The stock consolidates between ₹480 and ₹500.

Eventually, a large bullish candle closes above ₹500.

Volume is significantly higher than recent average activity.

The trader may interpret:

Resistance → Consolidation → Breakout Candle → Volume Confirmation

Possible approaches include:

- Immediate breakout entry
- Retest entry
- Confirmation after subsequent price action

False breakouts remain possible.

---

64. Practical Example – Failed Breakout

Suppose resistance is ₹500.

Price moves to ₹520.

A bullish candle appears to break resistance.

However:

- Volume is weak.
- The candle closes back below ₹500.
- The next candle is strongly bearish.

This can indicate a failed breakout.

The important lesson:

A breakout is not confirmed simply because price temporarily moves beyond resistance.

Closing price, volume and subsequent price action matter.

---

65. Candlestick Trading Plan

A disciplined candlestick trading plan can contain the following rules:

Step 1 – Identify Trend

Determine whether the market is:

- Bullish
- Bearish
- Sideways

Step 2 – Mark Levels

Identify:

- Support
- Resistance
- Previous high
- Previous low
- Swing points

Step 3 – Wait for Pattern

Look for a predefined candlestick setup.

Step 4 – Confirm

Use:

- Candle close
- Volume
- Market structure
- Momentum
- Breakout/retest

Step 5 – Define Risk

Determine:

- Entry
- Stop
- Target
- Position size

Step 6 – Execute

Take the trade only if it meets your predefined rules.

Step 7 – Record

Document:

- Setup
- Entry
- Stop
- Target
- Result
- Mistakes
- Emotional state

---

66. Candlestick Psychology

Understanding candlesticks becomes easier when you think about market psychology.

Large Bullish Candle

Buyers controlled the period strongly.

Large Bearish Candle

Sellers controlled the period strongly.

Long Upper Wick

Higher prices were rejected.

Long Lower Wick

Lower prices were rejected.

Small Body

Neither side clearly dominated the closing price.

Increasing Range

Volatility may be expanding.

Decreasing Range

Market may be consolidating.

This approach is often more useful than simply memorizing pattern names.

---

67. The Importance of Candle Close

One of the most important principles in candlestick analysis is:

Do not assume an unfinished candle will remain unchanged.

A candle may look bullish during the session and become bearish before it closes.

Therefore, when a strategy depends on a completed candlestick pattern, wait for the relevant candle to close.

This is especially important for:

- Doji
- Hammer
- Shooting Star
- Engulfing
- Breakout candles
- Reversal patterns

68. Timeframe Matters

A Hammer on a:

- 1-minute chart
- 5-minute chart
- 15-minute chart
- Daily chart
- Weekly chart

does not necessarily have the same significance.

Higher-timeframe candles generally represent a larger amount of market information.

A practical approach is to use multiple timeframes.

For example:

Daily → 1-hour → 15-minute

Daily:

Identify broader trend.

1-hour:

Identify important structure.

15-minute:

Identify potential entry setup.

This is called **multi-timeframe analysis**.

---

69. Multiple-Timeframe Confirmation

A setup can become more meaningful when different timeframes agree.

Example:

Daily chart:

Bullish trend

↓

1-hour chart:

Price reaches support

↓

15-minute chart:

Bullish Engulfing forms

↓

Volume:

Improves

This creates confluence.

Confluence does not guarantee success, but it can improve the quality of a trading decision.

---

70. Candlesticks and Market Gaps

Gaps can create important price-action situations.

For example:

Previous Close = ₹500

Next Open = ₹530

The market has opened significantly higher.

The resulting candle should be analyzed alongside:

- News
- Volume
- Previous resistance
- Overall trend
- Gap size
- Closing behavior

A gap that holds throughout the session can indicate strong participation.

A gap that quickly reverses may indicate rejection or exhaustion.

---

71. Candlestick Patterns During News

Candlestick analysis becomes more difficult during major events.

Examples include:

- Company earnings
- Government announcements
- Central-bank decisions
- Inflation data
- Election results
- Major geopolitical events
- Unexpected corporate announcements

News can cause extreme volatility and gaps.

A technically perfect setup can fail instantly because of unexpected information.

Therefore:

Always consider event risk.

---

72. Candlestick Patterns and Options

Candlestick analysis can be used on:

- Stocks
- Indices
- Futures
- Options

However, option prices depend on more than the underlying price.

Important option variables include:

- Time to expiry
- Implied volatility
- Strike price
- Delta
- Gamma
- Theta
- Vega

Therefore, a correct directional call on the underlying does not automatically mean an option trade will be profitable.

Options involve additional risks and complexity.

---

73. Candlesticks and Intraday Trading

Intraday traders frequently use:

- 1-minute
- 3-minute
- 5-minute
- 15-minute
- 30-minute
- 1-hour charts

However, lower timeframes contain more market noise.

A pattern on a 1-minute chart may fail much more frequently than the same structural pattern on a higher timeframe.

Beginners should avoid assuming that more candles means more opportunities.

More signals can simply mean more noise.

---

74. Candlesticks and Swing Trading

Swing traders may use:

- Daily charts
- 4-hour charts
- 1-hour charts

Typical setups include:

Support + Bullish Reversal Pattern

or

Resistance + Bearish Reversal Pattern

Swing trading usually allows more time for a setup to develop but can involve overnight and gap risk.

75. Candlesticks and Investing

Candlesticks can also help long-term investors with timing.

For example:

A fundamentally strong company may enter a long-term support zone.

A bullish price-action pattern may provide additional information about short-term market behavior.

However:

Candlesticks should not replace fundamental analysis for long-term investing.

Business quality remains critical.

---

76. Most Important Candlestick Principles

Remember these rules:

Rule 1

Context is more important than the pattern name.

Rule 2

Location matters.

Rule 3

Wait for confirmation when your strategy requires it.

Rule 4

Volume can strengthen or weaken a signal.

Rule 5

Never risk too much on one trade.

Rule 6

A candlestick pattern is a probability, not a prediction.

Rule 7

Always define invalidation before entering.

Rule 8

Do not trade every pattern you see.

Rule 9

Higher timeframes can provide broader context.

Rule 10

Protect capital first.

---

77. The Ultimate Candlestick Framework

A practical framework is:

STEP 1 — TREND

What is the broader trend?

↓

STEP 2 — LEVEL

Where are support and resistance?

↓

STEP 3 — LOCATION

Is the pattern forming at an important level?

↓

STEP 4 — PATTERN

What candlestick structure has appeared?

↓

STEP 5 — CONFIRMATION

Does price action or volume confirm the idea?

↓

STEP 6 — ENTRY

Where exactly will the trade be entered?

↓

STEP 7 — INVALIDATION

At what price is the setup wrong?

↓

STEP 8 — TARGET

Where will profit be taken?

↓

STEP 9 — POSITION SIZE

How many shares can be traded without exceeding risk limits?

↓

STEP 10 — EXECUTION

Follow the plan without emotional interference.

---

78. One-Page Candlestick Cheat Sheet

BULLISH PATTERNS

Hammer

Context: After decline
Shape: Small body + long lower wick
Idea: Lower-price rejection

Inverted Hammer

Context: After decline
Shape: Small body + long upper wick
Idea: Potential bullish reversal

Bullish Engulfing

Context: After decline
Shape: Bullish body engulfs prior bearish body
Idea: Buying pressure increases

Piercing Line

Context: After decline
Idea: Buyers recover significant part of previous bearish candle

Morning Star

Context: After decline
Idea: Potential trend reversal

Three White Soldiers

Context: After decline/consolidation
Idea: Strong bullish momentum

Tweezer Bottom

Context: Near support
Idea: Repeated rejection of lower prices

---

79. BEARISH PATTERNS

Shooting Star

Context: After advance
Shape: Small body + long upper wick
Idea: Higher-price rejection

Hanging Man

Context: After advance
Shape: Small body + long lower wick
Idea: Potential warning of selling pressure

Bearish Engulfing

Context: After advance
Idea: Sellers overwhelm prior bullish body

Dark Cloud Cover

Context: After advance
Idea: Selling pressure enters strongly

Evening Star

Context: After advance
Idea: Potential bearish reversal

Three Black Crows

Context: After advance/consolidation
Idea: Strong bearish momentum

Tweezer Top

Context: Near resistance
Idea: Repeated rejection of higher prices

---

80. INDECISION PATTERNS

Doji

Open ≈ Close

Spinning Top

Small body + upper/lower wicks

Long-Legged Doji

Small body + long wicks on both sides

These patterns indicate uncertainty and should generally be interpreted with surrounding candles.

---

81. CONTINUATION PATTERNS

Rising Three Methods

Bullish trend → pause → bullish continuation

Falling Three Methods

Bearish trend → pause → bearish continuation

Inside Bar

Consolidation → potential breakout

Strong Marubozu

Strong directional momentum

---

82. Pattern Reliability Framework

Instead of asking:

"Is this pattern reliable?"

Ask:

"Under what conditions does this pattern become more meaningful?"

For example:

Hammer

Weak:

Random location.

Stronger:

Downtrend + major support + long lower wick + bullish close + volume confirmation.

Shooting Star

Weak:

Random location.

Stronger:

Uptrend + major resistance + long upper wick + bearish follow-through.

This way of thinking is much more useful than assigning a fixed success percentage to every pattern.

---

83. Candlestick Confluence

A high-quality setup may contain several aligned factors.

Example:

Uptrend

-

Support

-

Bullish Engulfing

-

50 EMA

-

Increasing Volume

-

Positive Momentum

=

Multiple Confluences

This does not guarantee success.

It simply means the setup has several independent reasons supporting the same interpretation.

84. What Not to Do

Do not:

- Trade every Doji
- Buy every Hammer
- Short every Shooting Star
- Enter before confirmation when your strategy requires confirmation
- Ignore the broader trend
- Ignore support and resistance
- Ignore volume
- Risk your entire account
- Use excessive leverage
- Move your stop emotionally
- Double your position to recover losses
- Follow social-media tips blindly
- Assume historical patterns guarantee future results

---

85. Candlestick Journal Template

For every trade, record:

Field	Details
Date	
Symbol	
Timeframe	
Market Trend	
Pattern	
Support/Resistance	
Entry	

Field	Details
Stop-Loss	
Target	
Position Size	
Risk	
Risk-Reward	
Volume	
Confirmation	
Result	
Mistake	
Emotional State	
Lesson	

A trading journal helps identify which setups actually work for your strategy.

---

86. Beginner Practice Exercise

Before using real money:

Exercise 1

Open a historical chart.

Find 20 Hammer patterns.

Record:

- Trend
- Location
- Support
- Next candle
- Outcome

Exercise 2

Find 20 Shooting Stars.

Record the same information.

Exercise 3

Study 20 Bullish Engulfing patterns.

Exercise 4

Study 20 Bearish Engulfing patterns.

Exercise 5

Compare patterns with and without volume confirmation.

This process helps transform theoretical knowledge into practical chart-reading ability.

---

87. Final Candlestick Rules

Keep this page as your permanent reference.

1. Read the market before reading the candle.

2. Identify the trend.

3. Mark support and resistance.

4. Look for the pattern at a meaningful location.

5. Wait for the candle to close when appropriate.

6. Look for confirmation.

7. Check volume.

8. Define entry before entering.

9. Define stop-loss before entering.

10. Calculate position size.

11. Define target.

12. Check risk-reward.

13. Never risk too much on one trade.

14. Accept that losing trades are part of trading.

15. Do not revenge trade.

16. Keep a trading journal.

17. Review your results regularly.

18. Focus on process, not individual outcomes.

---

88. Final Takeaway

Candlestick analysis is not about memorizing dozens of names.

The real skill is understanding the story behind price movement.

A candle tells you what happened during a specific period.

A sequence of candles tells you how control is shifting.

Support and resistance tell you where that shift is occurring.

Volume tells you about participation.

Trend tells you the broader direction.

Risk management determines whether you can survive when the analysis is wrong.

The strongest approach is therefore:

Price Action + Market Structure + Context + Confirmation + Risk Management

No candlestick pattern can guarantee a profitable trade.

Successful market participation requires a combination of knowledge, discipline, risk control, consistency and continuous learning.

Learn the pattern.
Understand the context.
Wait for confirmation.
Control the risk.
Protect the capital.

---

89. Educational Disclaimer

This Candlestick Cheat Sheet is provided strictly for educational and informational purposes.

It does not constitute investment advice, financial advice, trading advice, a recommendation, solicitation or an offer to buy or sell any security, derivative or financial product.

Candlestick patterns are analytical tools and do not guarantee future price movements or trading profits.

Financial markets involve substantial risk. Investors and traders may lose part or all of their invested capital.

Examples, calculations and trading scenarios in this guide are illustrative only and should not be interpreted as guaranteed or projected returns.

Past performance does not guarantee future results.

Before making financial decisions, conduct your own research and consider consulting a qualified and appropriately regulated financial professional.

Applicable market rules, taxes, charges and regulations can change. Always verify current information from official sources before making financial decisions.

Trade responsibly. Protect your capital.