Module 02 · Printable reference

Candlestick Analysis

Key concepts, worked examples and risk reminders. Use alongside the full free course.

011 Candle anatomy

A candle summarizes open, high, low and close for one interval; the body spans open to close and wicks reach extremes.

Example: O=100 H=108 L=97 C=105 means a bullish body of 5 and range of 11.

Check: Calculate body, upper wick and lower wick for O=100, H=108, L=97, C=105.

Answer: 5, 3 and 3 respectively; the full range is 11.

Caution: A candle does not reveal the sequence of intrabar trades.

012 Timeframes

The same transactions aggregate differently across one-minute, hourly and daily bars.

Example: Five one-minute bars aggregate using first open, maximum high, minimum low and last close.

Check: Why can't you average the five highs to construct the five-minute high?

Answer: The aggregate high is the maximum traded price, not an average.

Caution: Never compare incomplete daily candles with completed bars.

013 Marubozu

A long body with small wicks shows a directional close near an extreme.

Example: O=100 H=111 L=99 C=110 has body 10 of range 12.

Check: Does this candle meet body/range >=80% and each wick/range <=10%?

Answer: Yes: body/range is 10/12, and each wick is 1/12.

Caution: A strong candle can exhaust rather than continue a move.

014 Doji

A doji has an open and close near each other relative to its full range.

Example: O=100 H=105 L=95 C=100.1 has a tiny body.

Check: O=100,C=100.1,H=105,L=95: what share of the range is the body?

Answer: 1%; the small net change coexists with a 10-point intrabar range.

Caution: Indecision is not automatically a reversal.

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015 Spinning top

A small body with wicks on both sides reflects movement without a decisive close.

Example: O=100 H=107 L=94 C=102 gives a body of 2 in range 13.

Check: Compute the wicks for O=100,C=102,H=107,L=94.

Answer: Upper wick 5 and lower wick 6; both exceed the body of 2.

Caution: Interpret relative to recent volatility.

016 Hammer

A small upper body and long lower wick after a decline may indicate rejection of lower prices.

Example: O=100 H=102 L=92 C=101 gives lower wick 8.

Check: If a hammer low is 92 and the next candle closes at 90, what happened?

Answer: The low was breached; an interpretation requiring it to hold has failed.

Caution: The shape alone does not prove buyers will prevail.

017 Hanging man

A hammer-like candle following an advance can flag downside pressure.

Example: A rise from 90 to 110 followed by O=110 H=111 L=102 C=109 fits the shape.

Check: Can the same OHLC candle be a hammer in one context and hanging man in another?

Answer: Yes; its preceding trend determines the conventional label.

Caution: Require context; it is not an automatic short signal.

018 Inverted hammer

A small lower body and long upper wick after a decline can indicate an attempted recovery.

Example: O=100 H=108 L=99 C=101 leaves upper wick 7.

Check: What is the upper wick if H=108,O=100,C=101?

Answer: 7 points; the body is only 1 point.

Caution: The upper wick also shows prices failed to hold the high.

019 Shooting star

A small lower body and long upper wick after an advance can indicate rejection above.

Example: O=110 H=120 L=109 C=111 leaves upper wick 9.

Check: Which feature distinguishes a shooting star from an inverted hammer?

Answer: The prior trend: advance versus decline.

Caution: Do not confuse a pattern with certainty of reversal.

020 Bullish engulfing

A bullish real body encloses the preceding bearish real body.

Example: First O=105 C=101, next O=100 C=106.

Check: Does a second candle closing 104 engulf a prior bearish open at 105?

Answer: No; its real body does not reach the prior open.

Caution: Wicks need not be engulfed under the usual body definition.

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021 Bearish engulfing

A bearish real body encloses the prior bullish real body.

Example: First O=100 C=104, next O=105 C=99.

Check: Prior O=100,C=104; current O=103,C=99. Does it meet an inclusive engulfing definition?

Answer: No; the second open is below the previous close.

Caution: A sideways market can produce many false signals.

022 Harami

A small real body lies inside the previous large real body.

Example: First O=110 C=100, next O=103 C=106.

Check: Must the child's entire high-low range be inside the previous full range?

Answer: Only the child's real body must be inside the prior real body; its full high-low range may extend outside.

Caution: A contraction is not proof of reversal.

023 Piercing and dark cloud

Two-candle patterns describe a close deep into the previous opposing real body.

Example: After O=110 C=100, a bullish close at 107 crosses the midpoint 105.

Check: If the previous bearish body is 110–100 and the next bullish close is 104, did it cross halfway?

Answer: No; the midpoint is 105.

Caution: Strict textbook gap conditions may not appear in continuous markets.

024 Morning and evening stars

Three candles show an initial directional move, a pause and opposing recovery.

Example: A decline from 110 to 100, small body near 98, then a close at 107 illustrates a morning star.

Check: When is a morning star fully observable?

Answer: After the third candle closes, not when the small middle candle first appears.

Caution: Gap requirements vary by convention; test your definition.

025 Three soldiers and crows

Three successive directional bodies can show persistent pressure.

Example: Opens 100,100.5,103; closes 101,104,107: rising bullish bodies, later opens inside prior bodies.

Check: If three closes rise but each candle is bearish, are they white soldiers?

Answer: No; rising closes alone do not establish three bullish bodies.

Caution: Late entries after extended moves can carry poor reward relative to risk.

Further reading

SEBI investor education: investor.sebi.gov.in · NSE: nseindia.com. References for background only; no endorsement or independent validation is implied.

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