GENERAL

21 candlesticks every trader should know

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For anyone serious about trading, mastering candlestick patterns is a fundamental skill that can significantly sharpen your market edge. Candlesticks offer a visual snapshot of price action, revealing the underlying emotions of buyers and sellers in a single, easy-to-interpret graphic. Whether you trade stocks, forex, commodities, or crypto, a solid grasp of the most common patterns can help you anticipate trend reversals, confirm breakouts, and manage risk more effectively.

In this comprehensive guide, we'll walk through **21 candlesticks every trader should know**. From the classic hammer to the more nuanced marubozu, each pattern is explained with its formation, interpretation, and practical trading tips. By the end, you'll be equipped to spot these patterns on any chart and incorporate them into your trading strategy with confidence.

Why Candlestick Patterns Matter

Candlestick charts, introduced by Japanese rice trader Munehisa Homma in the 18th century, have become the gold standard for technical analysis. Unlike line charts that only show closing prices, candlesticks display open, high, low, and close values, giving traders a richer picture of market sentiment.

Key reasons to focus on candlesticks:

- Clarity: A single candle can convey bullish or bearish bias in a glance.
- Speed: Patterns form quickly, allowing for timely decisions.
- Versatility: They work across timeframes—from 1-minute tick charts to monthly charts.
- Confirmation: Combined with volume or other indicators, they provide strong trade signals.

Because candlesticks capture the interplay between supply and demand, they're invaluable for identifying potential turning points in the market. Let's dive into the patterns that every trader should be familiar with.

The 21 Essential Candlesticks

1. Hammer

A hammer has a small body near the top of the range, a long lower shadow, and little to no upper shadow. It usually appears after a downtrend, suggesting that buyers stepped in and pushed the price back up.

- Interpretation: Possible trend reversal or consolidation.
- Confirmation: Look for a bullish candle or higher close on the next bar.
- Risk Reward: Set stop below the low of the hammer; target a move equal to the body size.

2. Hanging Man

The hanging man is the bearish counterpart of the hammer, appearing after an uptrend. It has a small body, long lower shadow, and no upper shadow.

- Interpretation: Potential reversal or pause.
- Confirmation: A bearish candle or lower close on the next bar.
- Risk Reward: Stop above the high of the hanging man; target a move equal to the body.

3. Doji

A Doji has almost equal open and close prices, forming a cross or a tiny body. It signals indecision in the market.

- Interpretation: Market uncertainty; potential reversal.
- Confirmation: Look for a strong directional move in the following candle.
- Risk Reward: Tight stops; consider using Doji as a pivot point.

4. Engulfing Pattern

An engulfing pattern consists of two candles. A bullish engulfing occurs when a small bearish candle is followed by a larger bullish candle that completely covers the previous body. The bearish version is the opposite.

- Interpretation: Strong reversal signal.
- Confirmation: Volume spike or trendline break.
- Risk Reward: Stop just below the low of the engulfing candle.

5. Morning Star

The morning star is a three candle pattern: a bearish candle, a small-bodied candle (often a doji), and a bullish candle that closes well into the previous candle's body.

- Interpretation: Bullish reversal.
- Confirmation: Volume increase on the bullish candle.
- Risk Reward: Stop below the low of the middle candle.

6. Evening Star

Mirror image of the morning star, the evening star signals a bearish reversal. It starts with a bullish candle, followed by a small-bodied candle, and ends with a bearish candle that closes well into the previous candle's body.

- Interpretation: Bearish reversal.
- Confirmation: Volume spike on the bearish candle.
- Risk Reward: Stop above the high of the middle candle.

7. Piercing Line

After a downtrend, a bearish candle is followed by a bullish candle that opens below the prior close but closes above the midpoint of the previous body.

- Interpretation: Bullish reversal.
- Confirmation: Higher close on the third candle.
- Risk Reward: Stop below the low of the bullish candle.

8. Dark Cloud Cover

The bearish counterpart of the piercing line. A bullish candle is followed by a bearish candle that opens above the prior close but closes below the midpoint of the previous body.

- Interpretation: Bearish reversal.
- Confirmation: Lower close on the third candle.
- Risk Reward: Stop above the high of the bearish candle.

9. Tweezer Tops

Two consecutive candles with identical highs, often signaling a bullish reversal if the preceding trend is downward.

- Interpretation: Potential reversal.
- Confirmation: Bullish candle after the pair.
- Risk Reward: Tight stop below the low of the second candle.

10. Tweezer Bottoms

Two consecutive candles with identical lows, typically indicating a bearish reversal after an uptrend.

- Interpretation: Possible reversal.
- Confirmation: Bearish candle follows the pair.
- Risk Reward: Stop above the high of the second candle.

11. Hanging Man with a Doji

When a hanging man is followed by a doji, the market shows hesitation and a potential shift in momentum.

- Interpretation: Ambiguous; watch for the next candle.
- Confirmation: A bearish candle signals reversal.
- Risk Reward: Use a wider stop to account for volatility.

12. Three White Soldiers

Three consecutive bullish candles with higher closes and minimal wicks. It's a powerful bullish continuation pattern.

- Interpretation: Strong upward momentum.
- Confirmation: Volume increase across the three candles.
- Risk Reward: Stop below the low of the first candle.

13. Three Black Crows

Three consecutive bearish candles with lower closes and minimal wicks. It signals a bearish continuation.

- Interpretation: Strong downward momentum.
- Confirmation: Volume spike on the third candle.
- Risk Reward: Stop above the high of the first candle.

14. Bullish Harami

A small-bodied candle (the harami) is engulfed by a larger bullish candle that follows it. This pattern often indicates a potential bullish reversal after a downtrend.

- Interpretation: Bearish to bullish shift.
- Confirmation: Bullish candle closes above the previous high.
- Risk Reward: Stop below the low of the harami.

15. Bearish Harami

The opposite of the bullish harami. A small-bodied candle is engulfed by a larger bearish candle, suggesting a potential bearish reversal after an uptrend.

- Interpretation: Bullish to bearish shift.
- Confirmation: Bearish candle closes below the previous low.
- Risk Reward: Stop above the high of the harami.

16. Marubozu

A Marubozu has no wicks; the open and close are at the high and low of the period. A bullish Marubozu signals strong buying pressure, while a bearish Marubozu indicates strong selling pressure.

- Interpretation: Market strength.
- Confirmation: Followed by a continuation candle.
- Risk Reward: Tight stop; target can be the next swing high/low.

17. Spinning Top

A spinning top has a small body and long wicks on both ends. It represents market indecision and a potential reversal when followed by a directional candle.

- Interpretation: Uncertainty.
- Confirmation: Directional candle on the next bar.
- Risk Reward: Use as a pivot point; tight stop.

18. Long Legged Doji

Similar to a Doji but with exceptionally long wicks, indicating extreme volatility and indecision. It often precedes a reversal.

- Interpretation: Market is “torn” between buyers and sellers.
- Confirmation: Followed by a clear directional candle.
- Risk Reward: Consider using a breakout strategy.

19. Dragonfly Doji

A Dragonfly Doji has a long lower wick and no upper wick, with the open and close near the high. It’s a bullish reversal signal after a downtrend.

- Interpretation: Buying pressure building.
- Confirmation: Bullish candle on the next bar.
- Risk Reward: Stop below the low of the Dragonfly Doji.

20. Gravestone Doji

The gravestone Doji is the bearish counterpart: a long upper wick and no lower wick, with the open and close near the low. It signals a potential bearish reversal after an uptrend.

- Interpretation: Selling pressure emerging.
- Confirmation: Bearish candle follows.
- Risk Reward: Stop above the high of the gravestone Doji.

21

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