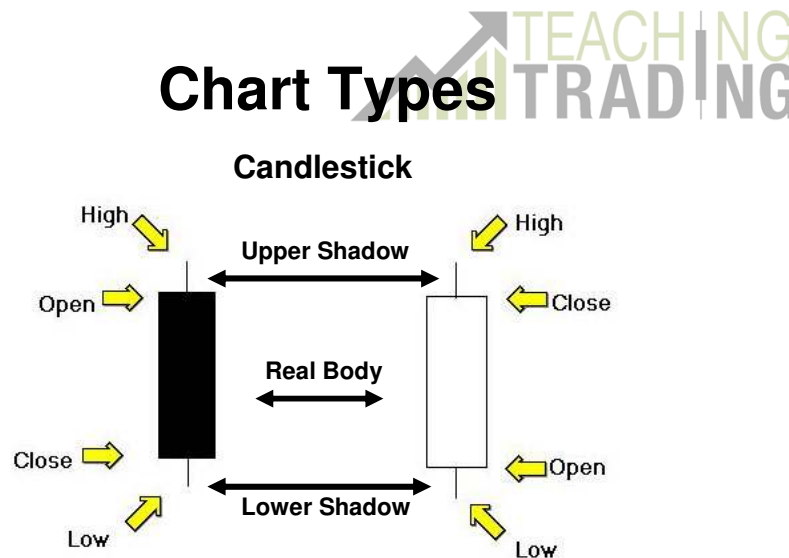


**\*\* Retransmission and reproduction without agreement is strictly prohibited without prior written consent of [www.TeachingTrading.com](http://www.TeachingTrading.com) and Archgum Enterprises Corp. \*\***

## Beginner's Candlestick Analysis Guide

Many people have asked me “How do I know when to enter or exit from a market?” A proven technique that can give very accurate enter or exit signals are candlesticks. Candlesticks has lasted through the test of time and are very good indicators. Candlesticks were developed in the 1700s by the Japanese and were used in technical analysis to trade the world's first rice crop as a futures market.

Here is an example of a candle stick formation:



[www.TeachingTrading.com](http://www.TeachingTrading.com)

Copyright ©  
Archgum Enterprises Corp.

As you can see from the diagram if the close of the day is greater than the open, then a white candle stick is formed. If the close of the day is less than the open, then a black candle stick is formed. The upper and lower shadows symbolize the high and the low of the day respectively.

When more than one candle sticks are combined together they form a pattern. The combination of candlesticks is the KEY for knowing when to enter or exit a market. There are literally hundreds of candle stick patterns with different names. What's even more confusing, the same candle stick pattern may be given different names depending on which author that you talk with. So to simplify this matter, I have chosen a dozen or so candles sticks that I use every day that are essential for making accurate predictions. If you spend the time to remember these patterns, you are on your way to making huge profits.

Just a few important terminologies that will help you remember the patterns:

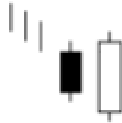
**Doji:** A candlestick with a small body but long shadows. A doji by itself symbolizes indecision.

**Star:** A candlestick that gaps up or down. This gap is usually caused by a fundamental event such as a news release or natural event such as natural disaster.

## Essential Bullish Reversal Candlestick Patterns

The following diagrams are bullish reversal patterns. These are enter and exit signals that tells you that the currently bearish market (a market that is in a down trend) is reversing, and is about to switch directions into a bullish market (a market that is in an up trend). In other words, these bullish reversal patterns give us a good indication that the bearish market is slowing down and may become bullish. Spend some time to remember these patterns.

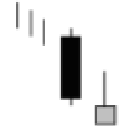
Bullish Engulfing



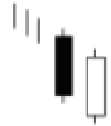
Hammer



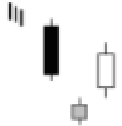
Inverted Hammer



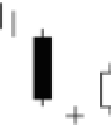
Piercing Pattern



Morning Star



Morning Doji Star



Harami Bullish



Again, there are many more bullish reversal patterns, but these six patterns should be memorized as they show up very frequently. Keep reading, I will show you how to use these patterns to recognize enter and exit signals, but for now just know that these patterns do exist.

## Essential Bearish Reversal Candlestick Patterns

The following patterns are bearish reversal patterns. When a bearish reversal pattern appears in a bullish market, it is an alert that the bullish trend is ending. Again, there are many different bearish reversal patterns. The patterns that are listed below are the essential ones that show up most frequently. Spend some time to memorize the following patterns.

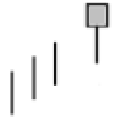
Bearish Engulfing



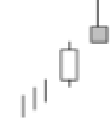
Dark Cloud Cover



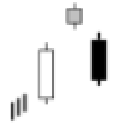
Hanging Man



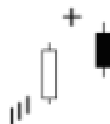
Shooting Star



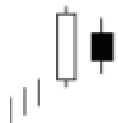
Evening Star



Evening Doji Star



Harami Bearish



Again, an easy way to memorize these graphs is that the word “star” is used whenever the candle stick gaps up or down. The term doji is used when the candle stick has a small body with a long shadow. Just an interesting side note, the term “Harami” means pregnant woman in Japanese. That is why the Harami pattern has a long candlestick that represents the woman followed by the small black candle stick that represents the baby.

## How To Use Reversal Candle Stick Patterns

Now that you have memorized the graphs of the reversal patterns, it is time to start analyzing.

Example



Here, I have randomly picked out a chart. This chart is for Intel Corp. I have circled some of the enter and exit positions. Lets us look at each point in detail.

Point A: Here we see a pattern that resembles the bullish engulfing pattern. This point gives us an alert at the market might become bullish. It is no surprise that next day, it gapped up with a white candle stick giving us an enter signal.

Point B: Here we see a pattern that resembles an evening star. Until point B, the market has been bullish. An evening star is a signal that the market is about to become bearish. Seeing an evening star does not guarantee that the market will become bearish, but it does indicate a high probability that it could be. The next day, the market moves down giving us a signal to either exit (if you were already in a long position) or enter (if you wanted to short).

Point C: Here we have a pattern that resembles the piercing pattern. Until point C, the market has been bearish. A piercing pattern gives us an alert that the market may be changing and that it could become bullish. The market gapped up the next day giving us a signal to get in.

Point D: Here we have a pattern that resembles the Morning Star pattern. Until point D, the market has been bearish. The Morning Star pattern is an alert that the bearish market may become bullish. Again, seeing the morning start pattern is not enough to get in or out of a market, we must wait for the next day to get confirmation. We see that the next day, the market moved up with a white candle stick giving us an enter/exit signal.

As you can see from these examples, candlesticks give us a very good indication on when to enter and exit from a market. By practicing these time proven techniques, you are on your way to making rewarding profits in the market.

For more information about candlestick trading and other technical analysis techniques, please visit our online trading school. [www.TeachingTrading.com](http://www.TeachingTrading.com)

**\*\*\*This article contains information believed to be reliable and accurate as of the date it was written. No independent verification has been made and we do not guarantee its accuracy or completeness. This report should not a request to engage in any transaction involving the purchase or sale of stocks and/or futures contract and/or commodity option thereon. The risk of loss in trading stocks, futures contracts or commodity options can be substantial, and investors should carefully consider the inherent risks of such an investment in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of [www.TeachingTrading.com](http://www.TeachingTrading.com) and Archgum Enterprises Corp. is strictly prohibited. Copyright Archgum Enterprises Corp 2007-2009.**