



Technical Analysis &

Candlesticks

PRICE ACTION

DOMINATION

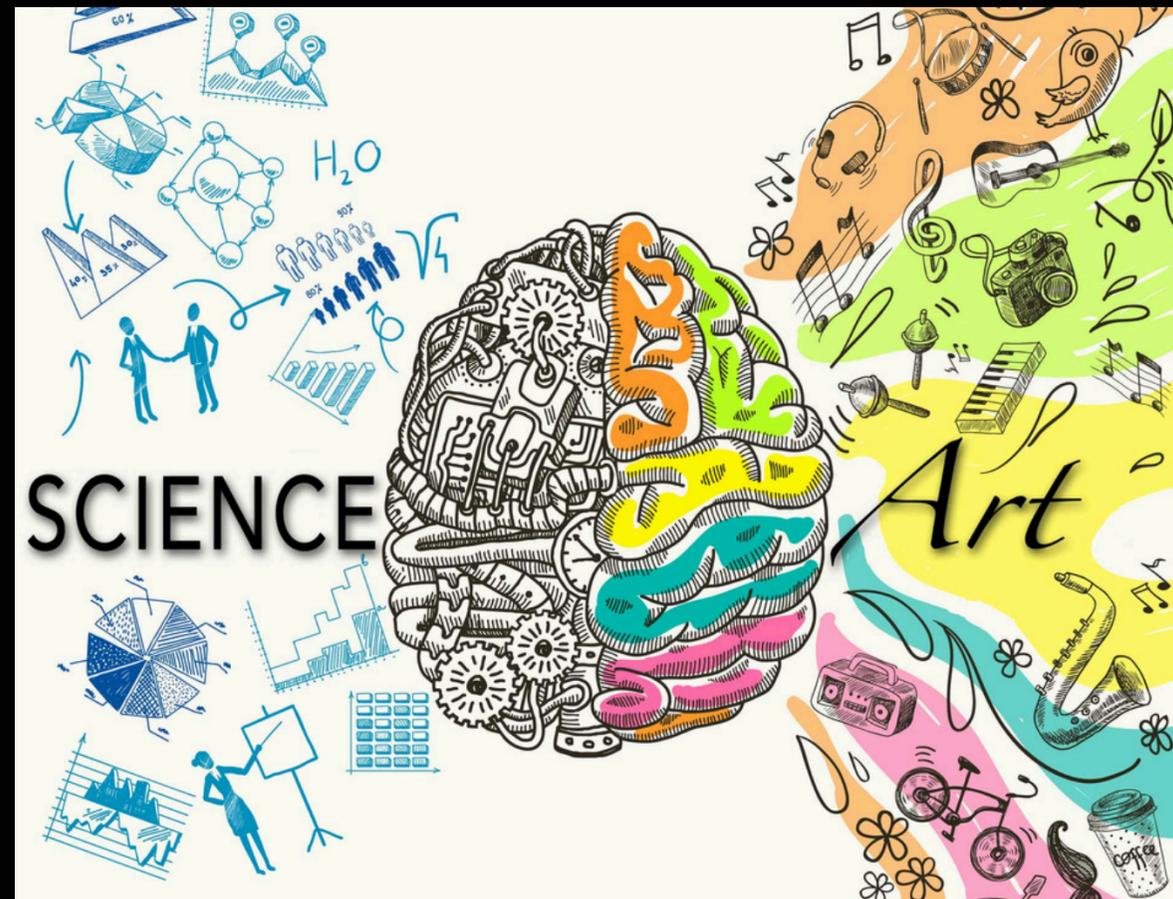
What is Technical Analysis?

Technical analysis is a method used by traders and investors to evaluate securities and make trading decisions by analyzing statistical trends from trading activity, such as **price movements and volume**.



Technical Analysis - Science or Art?

- The most accurate way to describe technical analysis is likely as a combination of both science and art. The scientific aspect lies in the use of **Data, Statistics, and Patterns**, while the art is found in the **Interpretation, Intuition, and Adaptability** required to apply these tools effectively in real-world trading.



Assumptions of Technical Analysis

Assumptions of Technical Analysis

- **Market Discounts Everything:** All known information is reflected in the price, so analysts focus on price movements and patterns.
- **Prices Move in Trends:** Prices are more likely to continue in the direction of the trend than to move randomly.
- **History Tends to Repeat Itself:** Human behavior in the market is consistent, leading to recurring patterns that can be analyzed to predict future movements.
- **Market Trends Follow Established Patterns:** Recognizable patterns and cycles in the market can be used to make informed trading decisions.

Japanese

Candlesticks

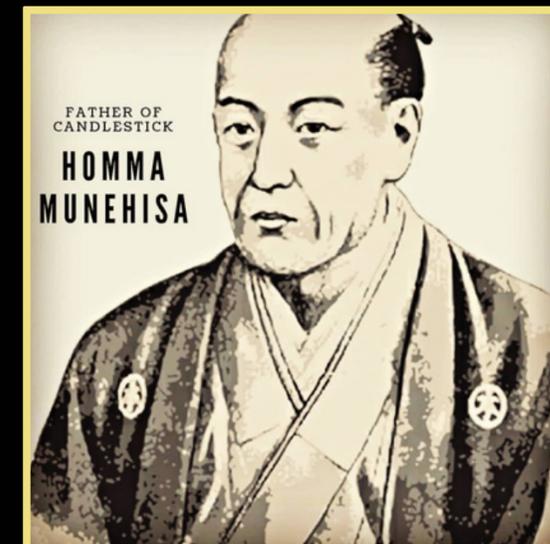
ローソクは身を減らして人を照らす

“Candles Exhaust Themselves to Give Light to Men”

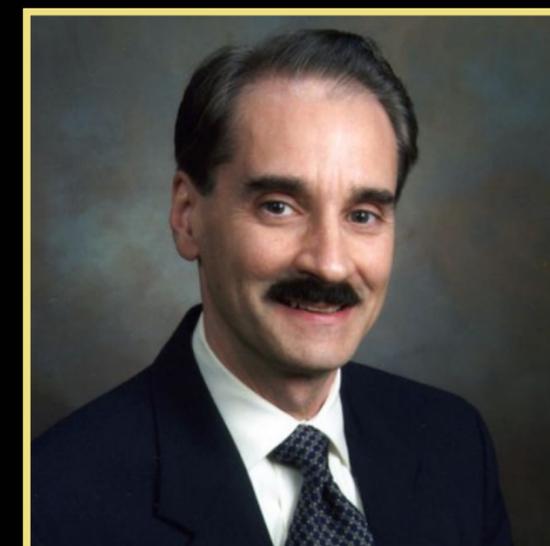
History

Japanese Candlesticks

- Japanese Rice Trader named **Homma Munehisa**



- Brought to the West by **Steve Nison** in the 1980's



The Basics

*“Even a Thousand Mile Journey Begins with
the First Steps”*

Concepts of OHLC and OHLCV

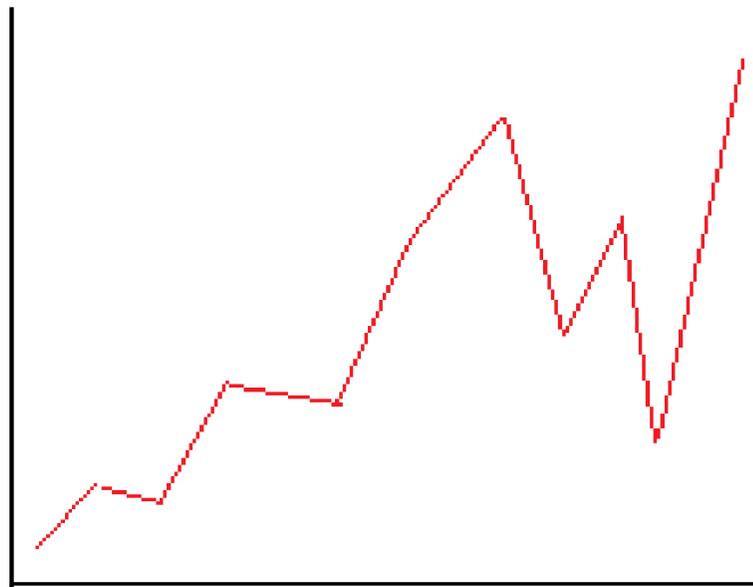
Concepts of OHLC and OHLCV

- Stands for **Open, High, Low, Close**. These are the key price points that summarize the price action of a security over a specific time period.
- Add **Volume to OHLC**, providing a more complete picture of trading activity by including the total number of shares or contracts traded.
- **Importance of Volume:** Volume is crucial for confirming the strength of price movements and understanding market sentiment.

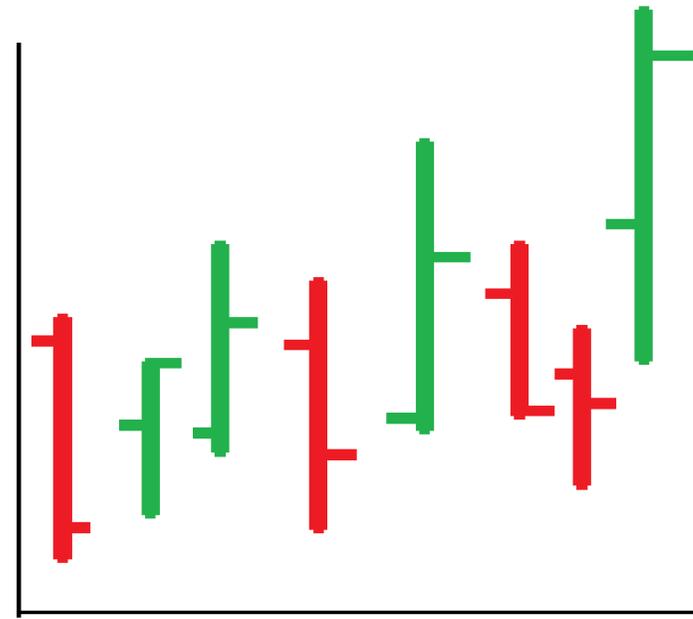
Line chart v/s Bar chart

v/s Candlestick

Line chart v/s Bar chart v/s Candlestick



Line Chart



Bar Chart

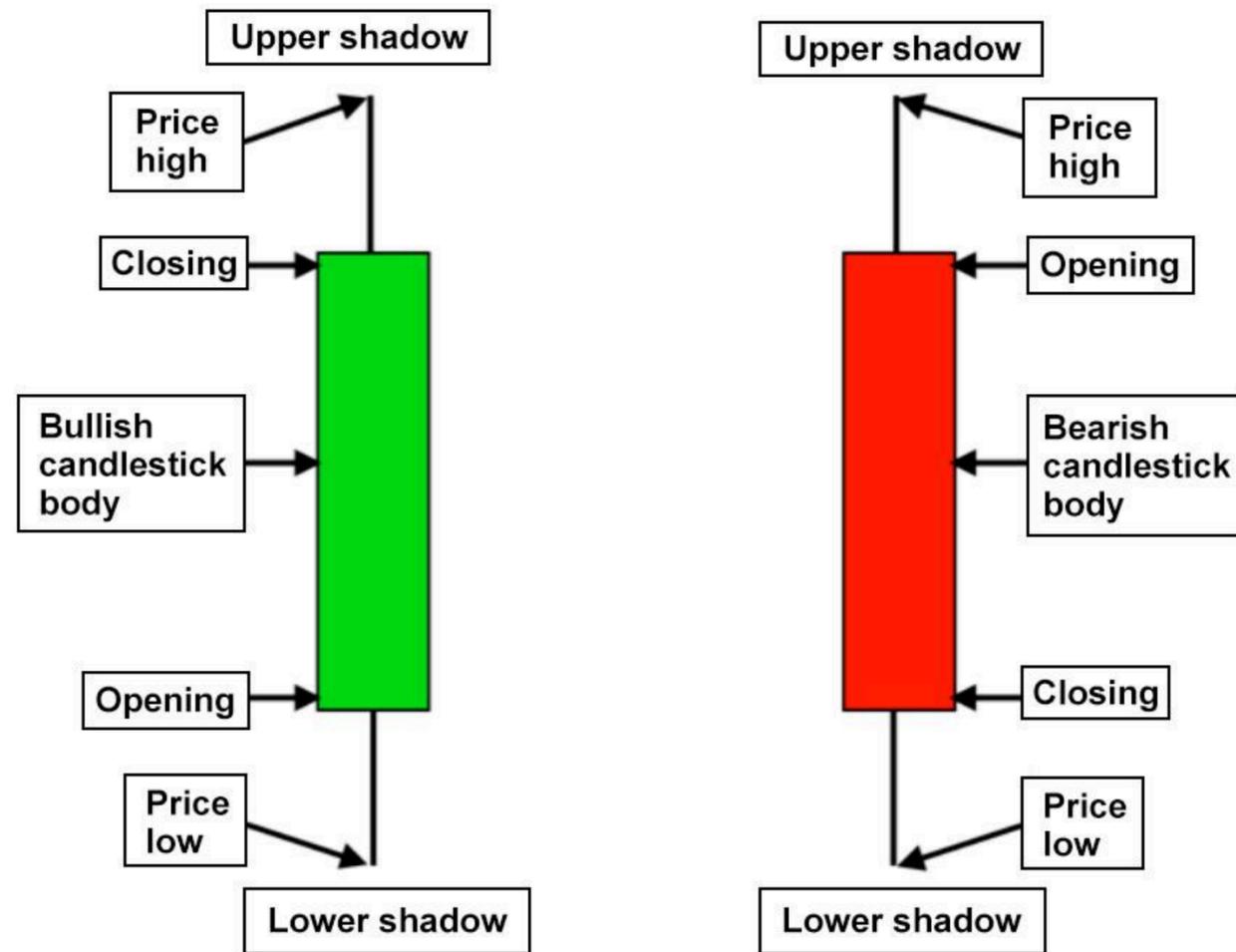


Candlestick Chart

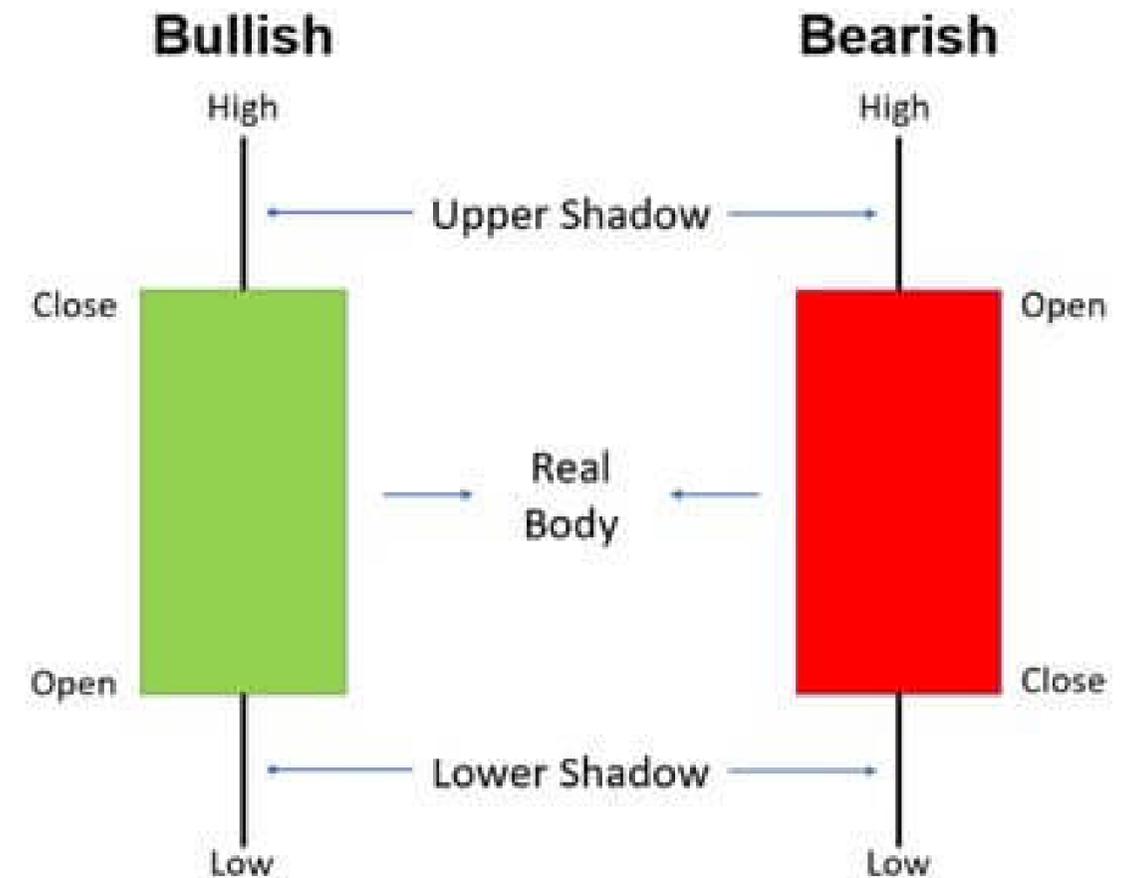
Feature	Line Chart	Bar Chart	Candlestick Chart
Data Shown	Closing price	Open, High, Low, Close (OHLC)	Open, High, Low, Close (OHLC)
Visual Simplicity	Simple and easy to understand	Moderate complexity	Visually detailed and intuitive
Trend Identification	Best for identifying long-term trends	Good for identifying trends and volatility	Excellent for spotting trends and patterns
Market Sentiment	Limited	Provides insight into daily sentiment	Strong insights into market psychology
Use Case	Long-term analysis	Daily analysis and volatility tracking	Short to medium-term trading; pattern recognition

Types of Candles

Types of Candles



Candlestick Analysis



Psychology behind Candlestick Pattern

Psychology behind Candlestick Pattern

- **Market Sentiment and Emotion:** Candlestick patterns are visual representations of the market's emotions, reflecting fear, greed, and indecision.
- **Buyer vs. Seller Dynamics:** Each candlestick captures the battle between buyers and sellers, indicating shifts in market control.

Types of Candlesticks

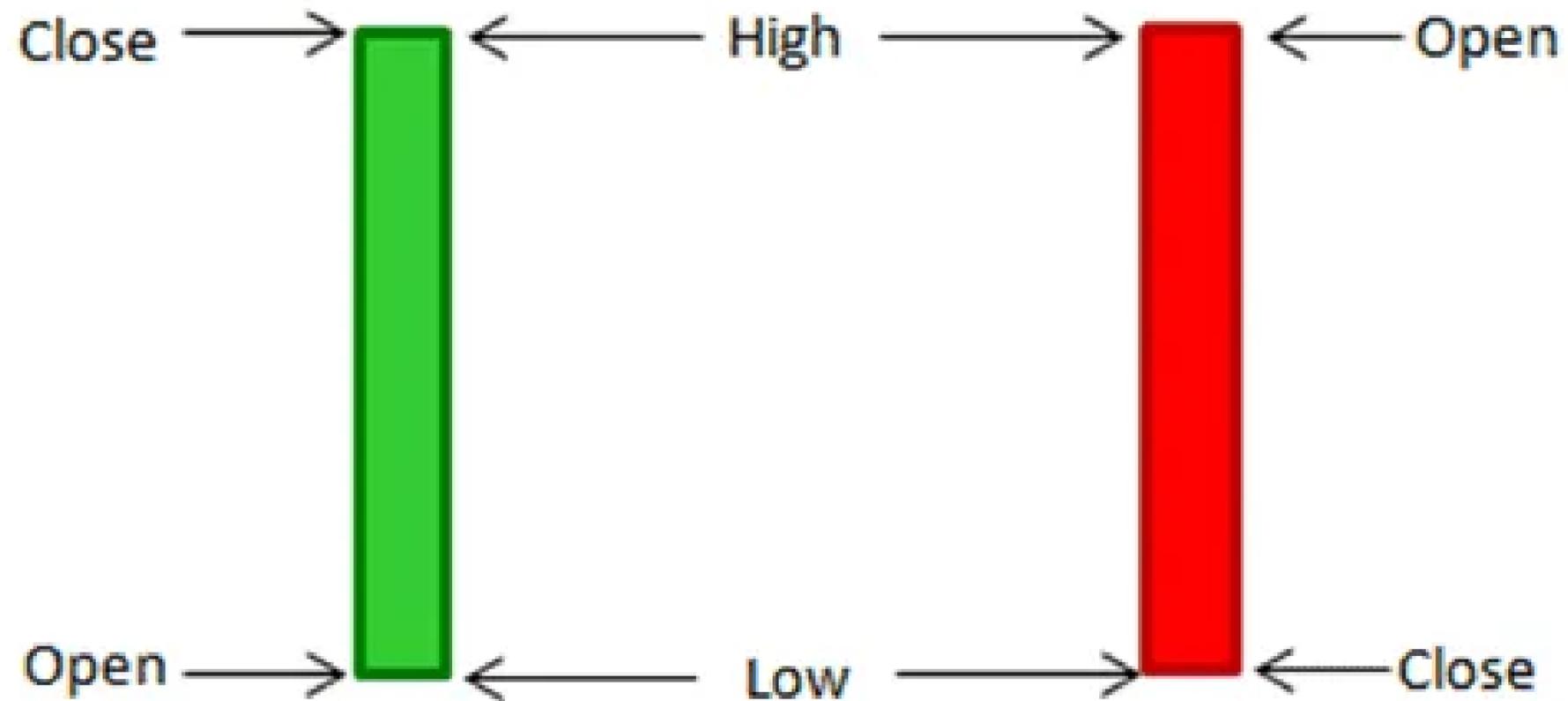
Types of Candlesticks

- **Single Candle Patterns** – Marubozu, Doji, Hammer, Hanging Man, Inverted Hammer and Shooting Star.
- **Double Candle Patterns** – Engulfing, Harami
- **Three Candle Patterns** – Morning and Evening Star, Three White Soldiers, Three Black Crows.

Bullish and Bearish

Marubozu

Bullish and Bearish Marubozu

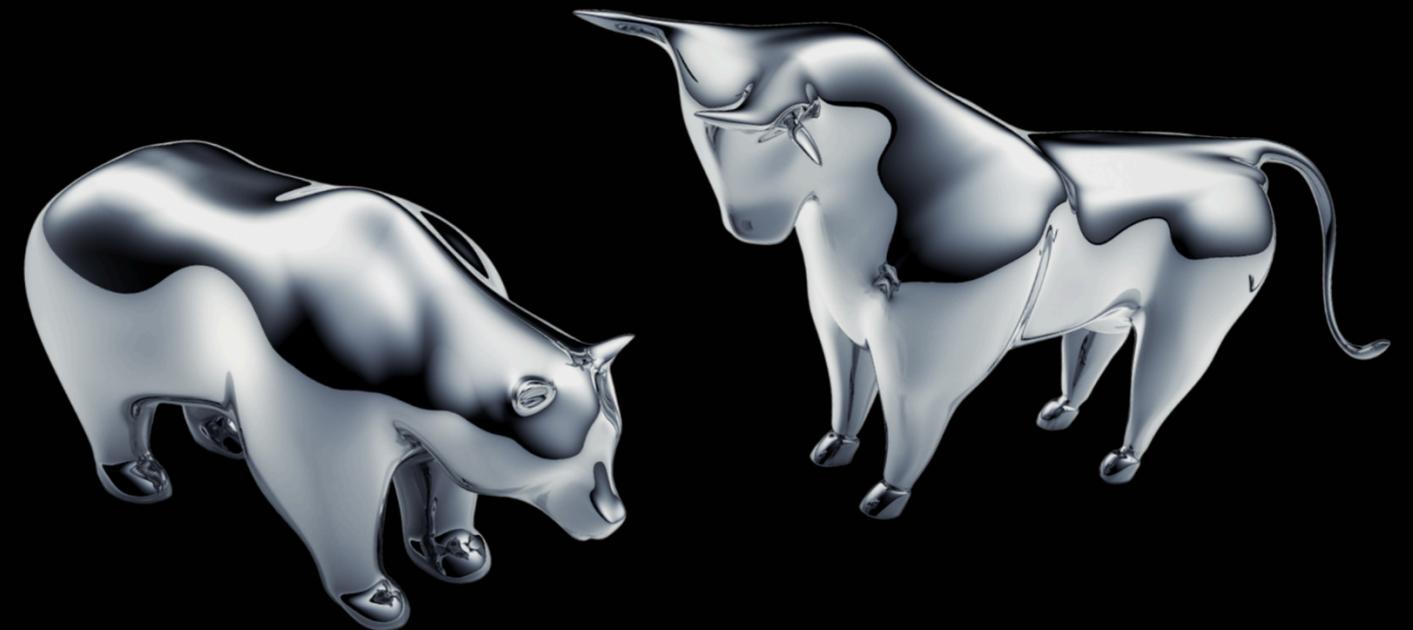


Marubozu
Bullish

Marubozu
Bearish

Bullish and Bearish Marubozu

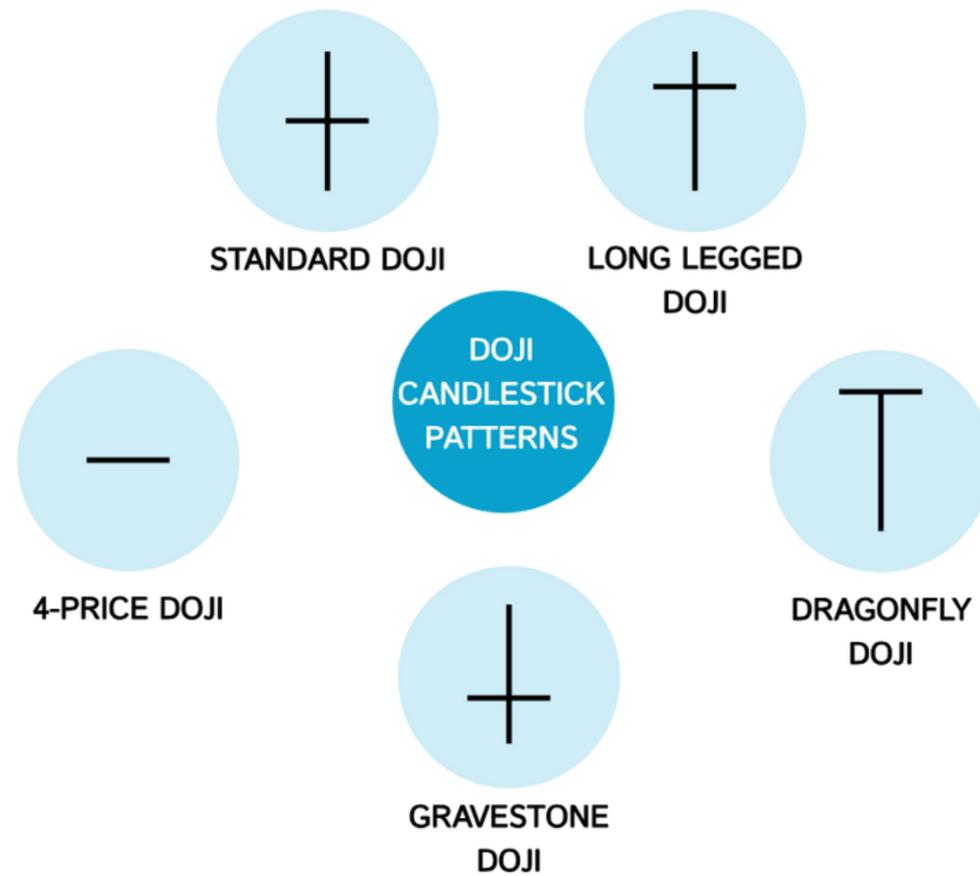
- **Bullish Marubozu:** A strong bullish candlestick with no shadows, indicating complete control by buyers, often signaling trend continuation or reversal.
- **Bearish Marubozu:** A strong bearish candlestick with no shadows, indicating complete control by sellers, often signaling trend continuation or reversal.



Doji Candlestick

Doji Candlestick

The Different Types of Doji Patterns



Doji Candlestick

A Doji occurs when the opening and closing prices are nearly equal, resulting in a very small body. It indicates indecision in the market and can signal a potential reversal, especially after a strong trend.

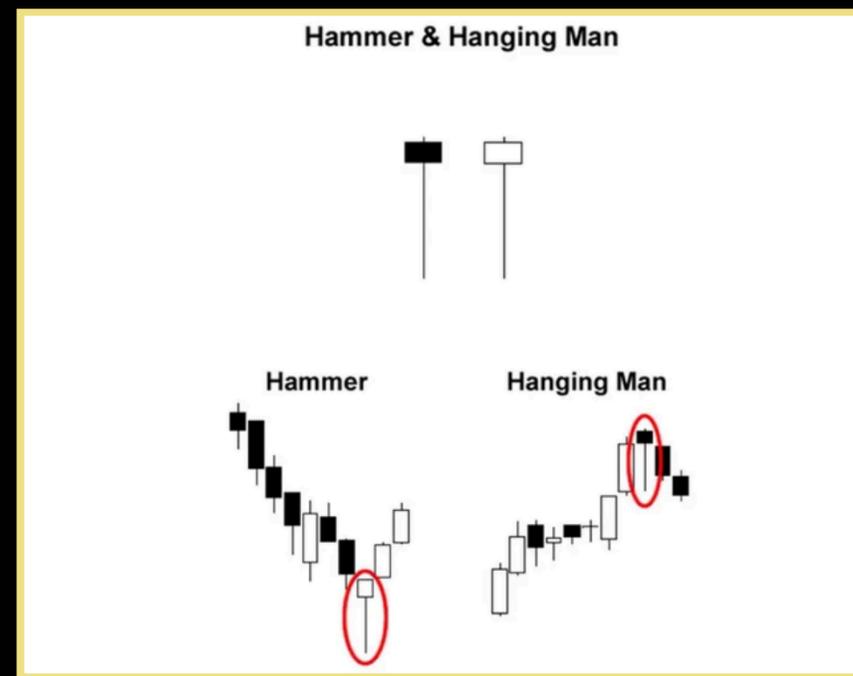
- **Standard Doji:** Represents indecision with small real body and equal shadows, requiring confirmation for trend reversal.
- **Long-Legged Doji:** Indicates high volatility with long upper and lower shadows, signaling potential trend reversal with confirmation.
- **Gravestone Doji:** Bearish reversal signal with a long upper shadow and little to no lower shadow, formed after an uptrend.
- **Dragonfly Doji:** Bullish reversal signal with a long lower shadow and little to no upper shadow, formed after a downtrend.
- **Four-Price Doji:** A rare and neutral pattern where open, high, low, and close are all at the same price, indicating extreme market indecision.

Hammer and

Hanging Man

Hammer and Hanging Man

- A **Hammer** has a small body near the top of the candle with a long lower wick. It typically appears after a downtrend and indicates a potential bullish reversal.



- A **Hanging man** has a small real body near the top with a long lower shadow and little or no upper shadow, appearing after an uptrend.

Inverted Hammer and Shooting Star

Inverted Hammer and Shooting Star

Inverted Hammer



Shooting Star



Inverted Hammer and Shooting Star

- **Inverted Hammer** is a Bullish Pattern found during a downtrend. **Inverted Hammer** looks like an upside down version of Hammer candlestick pattern. It consists of a candle with a small body and a long upper wick.

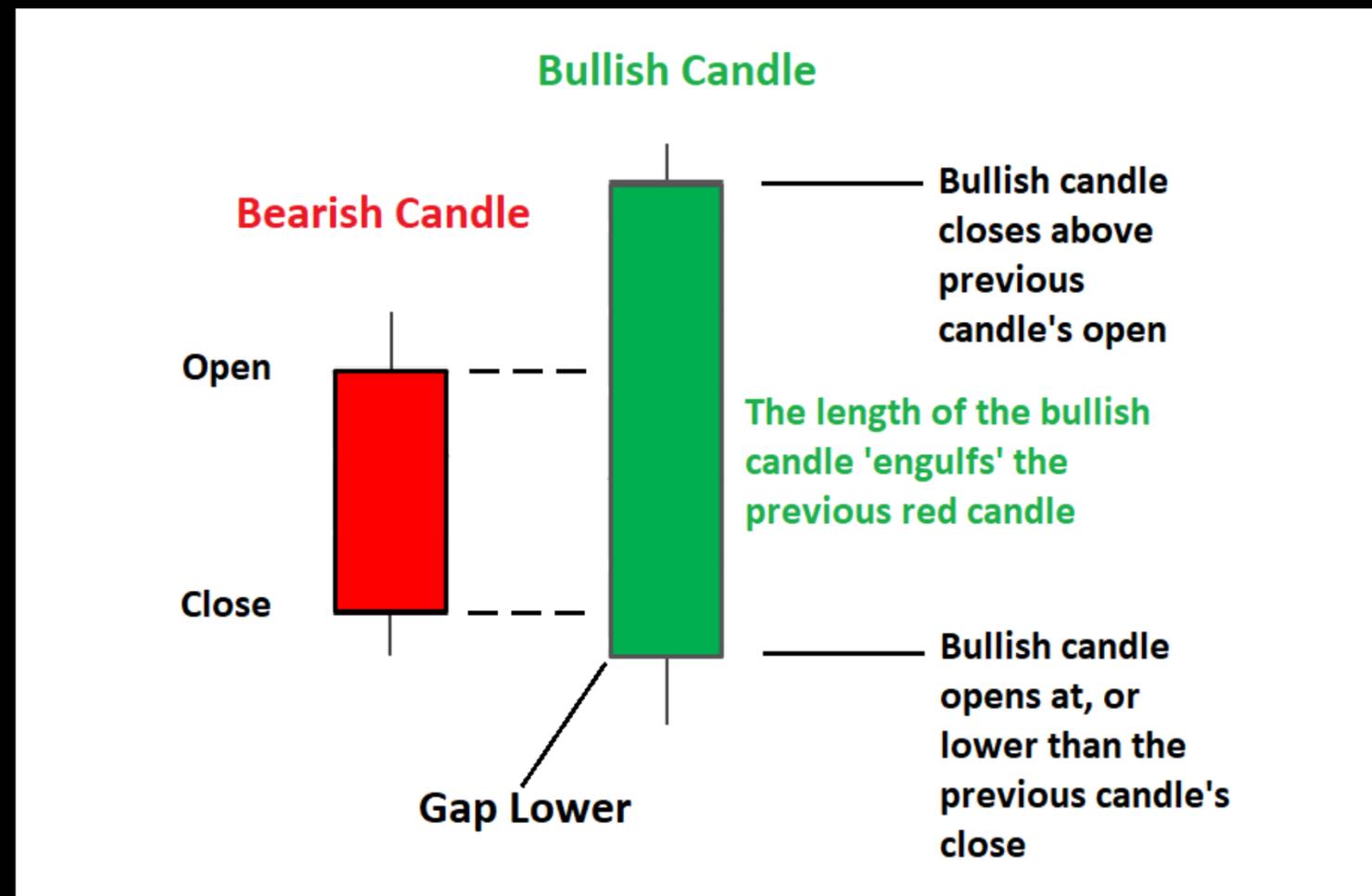


- The **Shooting Star** has a small body at the lower end of the trading range, with a long upper shadow and little to no lower shadow, resembling a star falling from the sky

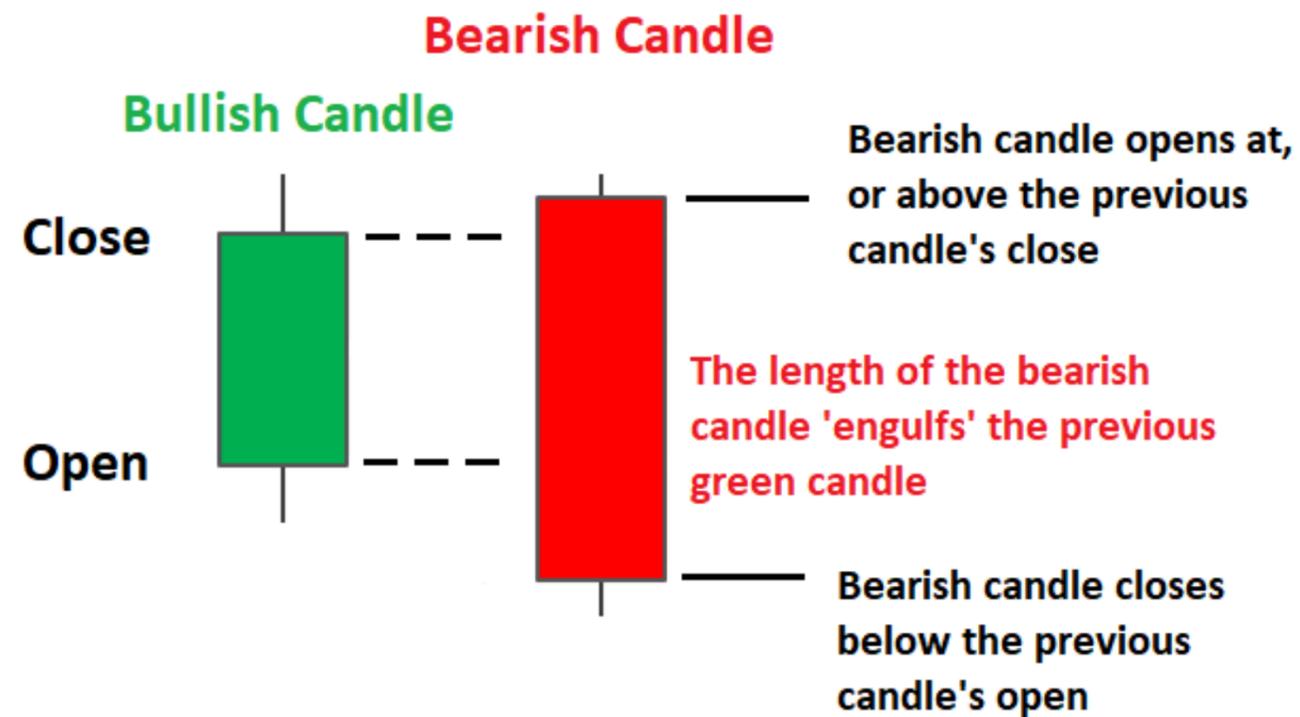
Bullish and Bearish

Engulfing

Bullish Engulfing

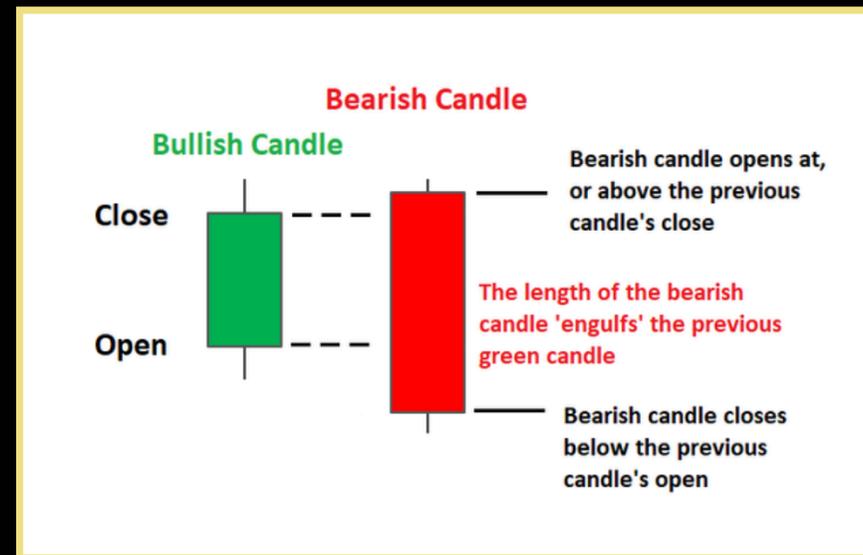


Bearish Engulfing



Bullish and Bearish Engulfing

- A **bullish engulfing pattern** occurs when a **small bearish candle** is followed by a **larger bullish candle** that completely engulfs the body of the previous candle. It suggests a potential reversal from a downtrend to an uptrend.

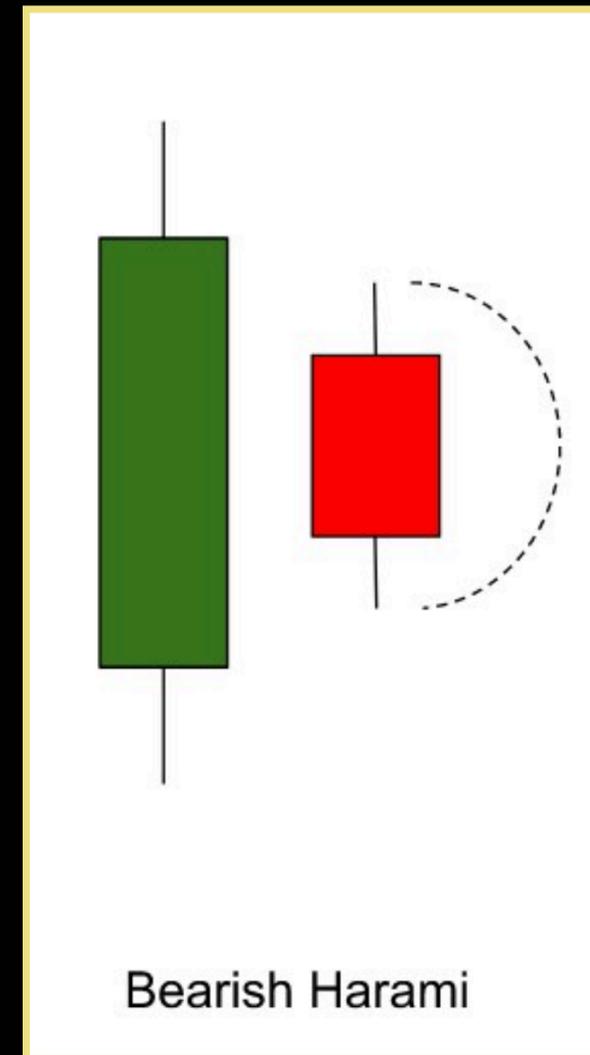
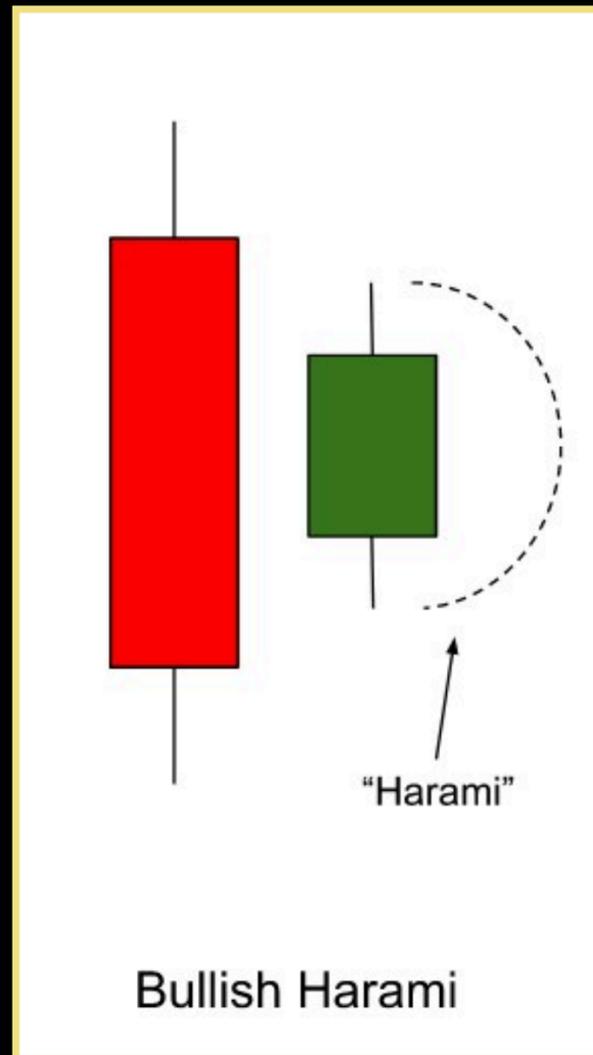


- A **bearish engulfing pattern** is the opposite, where a **small bullish candle** is followed by a **larger bearish candle**, indicating a potential reversal from an uptrend to a downtrend.

Bullish and Bearish

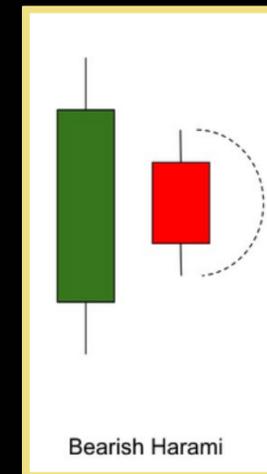
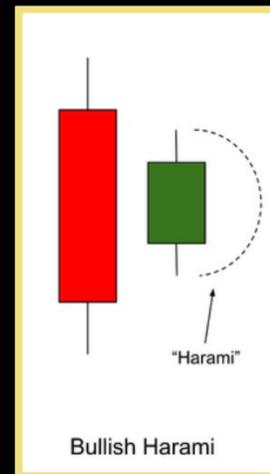
Harami

Bullish and Bearish Harami



Bullish and Bearish Harami

- **Bullish Harami** occurs in a downtrend, with a large bearish candle followed by a smaller bullish candle within the first candle's body, suggesting a potential upward reversal.

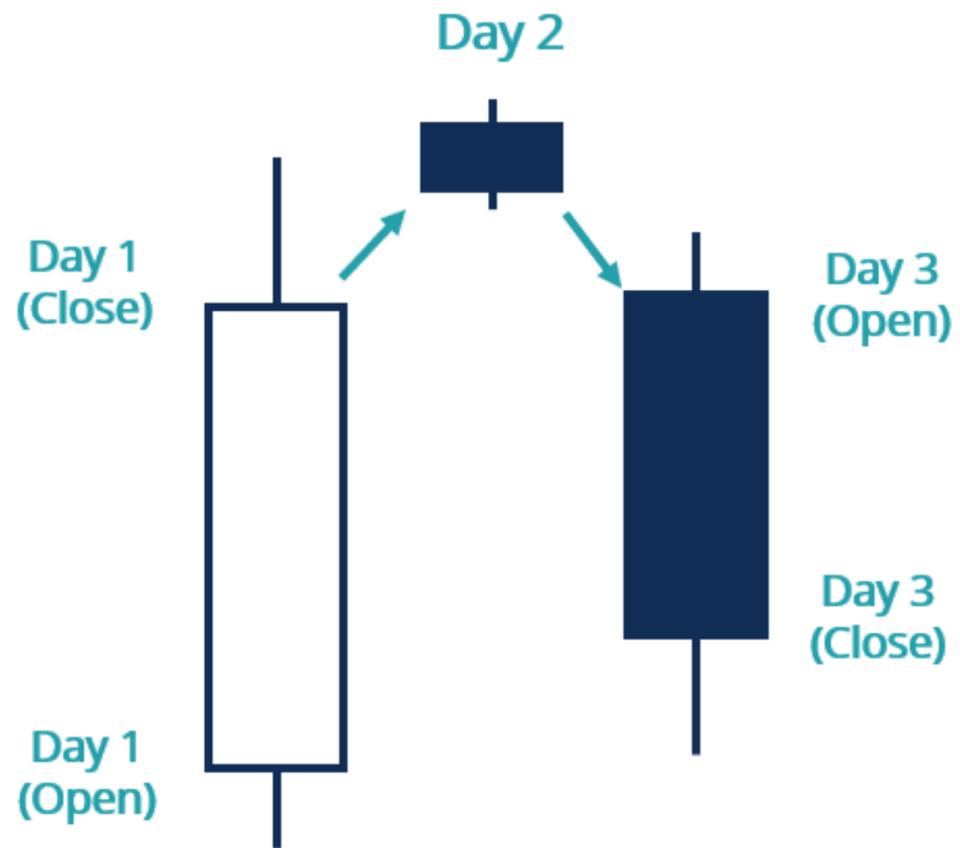


- **Bearish Harami** occurs in an uptrend, with a large bullish candle followed by a smaller bearish candle within the first candle's body, indicating a possible downward reversal.

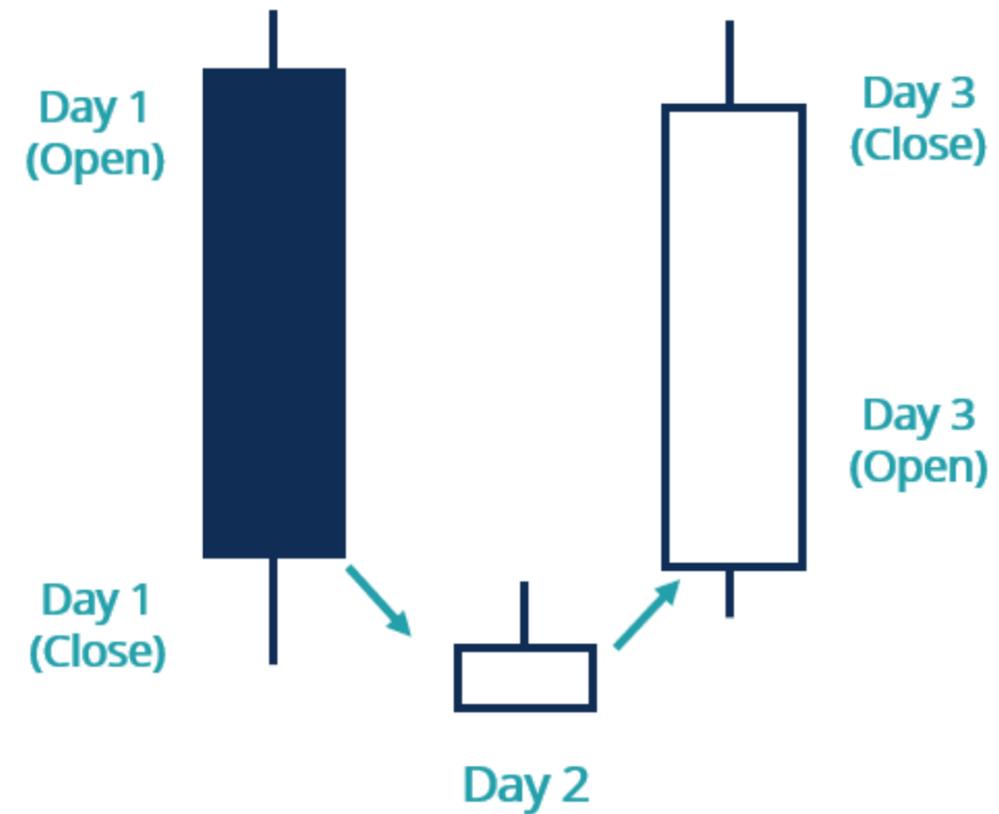
Morning Star and Evening Star

Morning Star and Evening Star

Evening Star

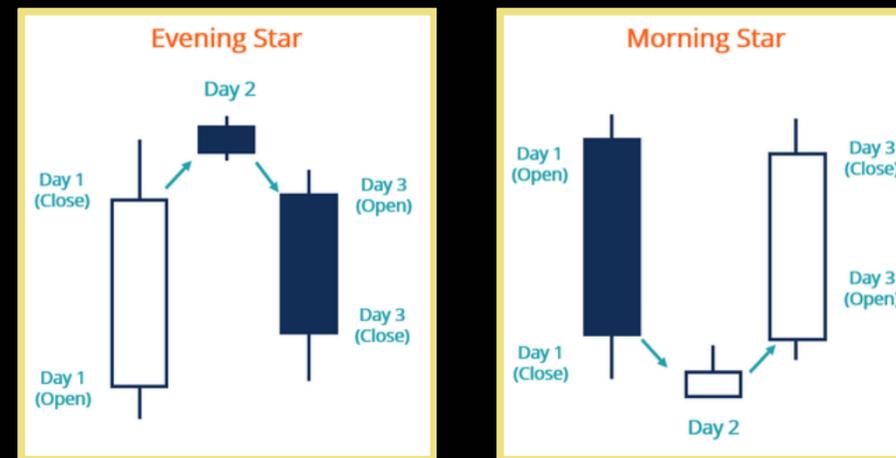


Morning Star



Morning Star and Evening Star

- A **Morning Star Pattern** consists of three candles: a large bearish candle, a small-bodied candle (indicating indecision), and a large bullish candle. This pattern suggests a potential bullish reversal after a downtrend.



- An **Evening Star Pattern** is the opposite of the morning star, with a large bullish candle, a small-bodied candle, and a large bearish candle. It indicates a potential bearish reversal after an uptrend.

Summarizing Candlesticks

Understanding Candlesticks

- **Candlestick Structure:** Consists of the Open, High, Low, and Close prices within a specific time period, with the body representing the open-close range and wicks showing high-low extremes.
- **Basic Patterns:** Single, Two, and Three-candle patterns like Doji, Hammer, Bullish Engulfing, and Morning Star provide insights into potential market reversals or continuations.
- **Interpreting Patterns:** Consider the context, look for confirmation, and pay attention to volume to increase the reliability of candlestick signals.
- **Trading Applications:** Candlestick charts are useful for identifying entry and exit points, assessing market sentiment, and timing trades.

Support & Resistance

Change in Polarity

Support & Resistance



Support and Resistance

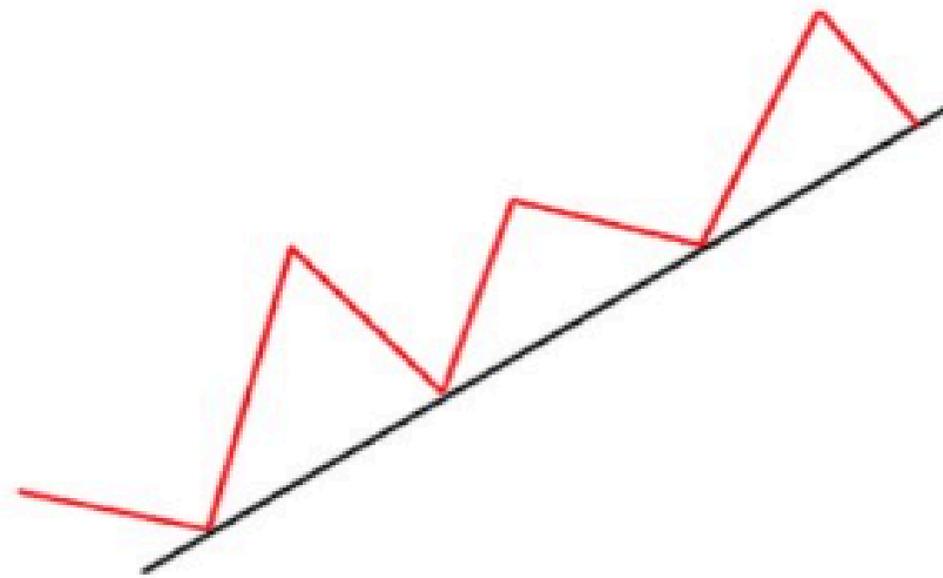
- **Support:** A price level where a downtrend may pause or reverse due to increased buying interest. It acts as a "floor."
- **Resistance:** A price level where an uptrend may pause or reverse due to increased selling interest. It acts as a "ceiling."
- **Identification:** Support and resistance levels can be identified through historical price data, round numbers, moving averages, and trendlines.
- **Volume Confirmation:** High volume at these levels strengthens their significance.
- **Role Reversal:** Once breached, support can become resistance and vice versa.
- **Trading Applications:** These levels are used for determining entry and exit points, setting stop losses, and trading breakouts and pullbacks.

Trendlines

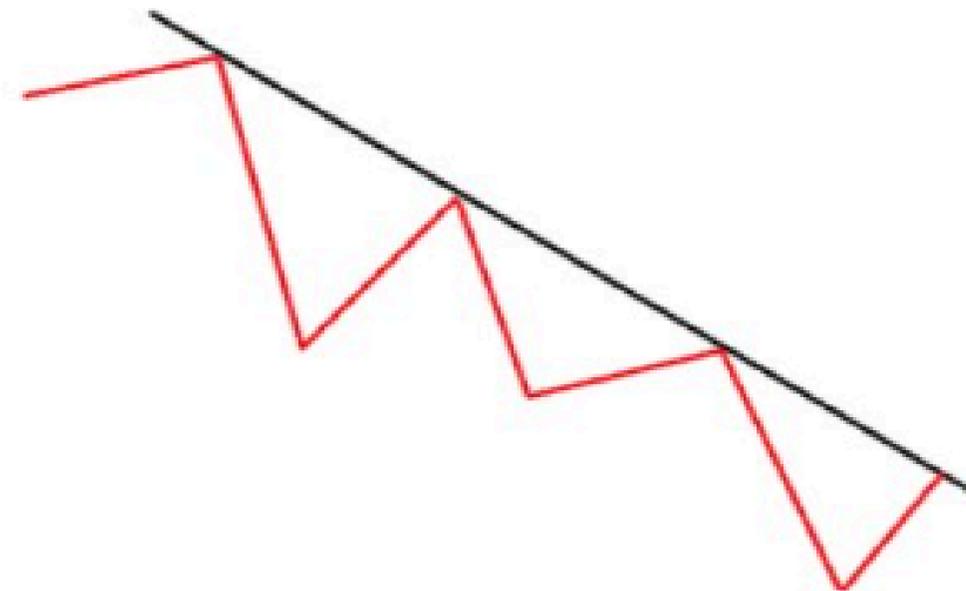
Trendlines

Trendlines, drawn by connecting a series of higher lows (in an uptrend) or lower highs (in a downtrend), can also act as support or resistance.

Ascending Trend Line

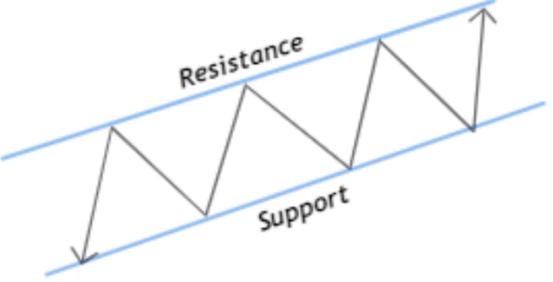
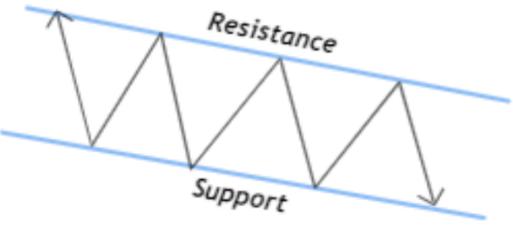
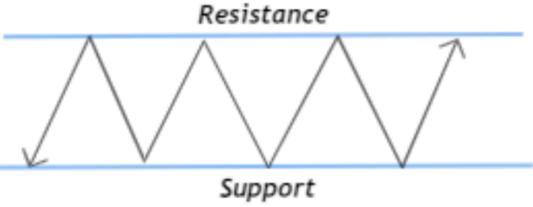


Descending Trend Line



Trading Channels

Trading Channels

Types	Visuals	Standing Merits
Ascending Channel		Higher High Higher Low (Indicates Uptrend)
Descending Channel		Lower High Lower Low (Indicates Downtrend)
Parallel Channel		Equal High Equal Low (Indicates Sideways Trend)

Charts in different Timeframe

Charts in different Timeframe

- Analyzing multiple time frames provides a more comprehensive understanding of market behavior. A trader might identify a long-term trend on a monthly chart, confirm it on a weekly chart, and then find an optimal entry point on a daily or hourly chart.
- **Monthly Chart (1 Month):** Ideal for long-term trend analysis and strategic investment decisions.
- **Weekly Chart (1 Week):** Useful for intermediate-term trends and swing trading.
- **Daily Chart (1 Day):** Best for short to intermediate-term trends and position trading.
- **Hourly Chart (1 Hour):** Favored by intraday traders for timing entries and exits.
- **15-Minute Chart:** Used by scalpers for short-term patterns and fine-tuning trades.
- **5-Minute Chart:** Perfect for high-frequency trading and capturing minute-by-minute price movements.

Summary

Summary

- **Basic definition of Technical Analysis. Logical perspective whether Technical Analysis is a Science or an Art. Assumptions of Technical Analysis.**
- **Types of Charts, difference between them and it's implications.**
- **Components of a Candlestick OHLC, Body, shadows or wicks.**
- **Different types of Candlesticks and Candlestick Patterns.**
- **Psychology and importance behind the candlestick and it's patterns**
- **How to identify Support/Resistance, it's importance and what do you mean by change in polarity of Support and Resistance ?**
- **Trendlines, types of trendlines and how to draw them.**
- **What are Channels and how to trade with the help of channels.**
- **Different timeframe charts and their use.**