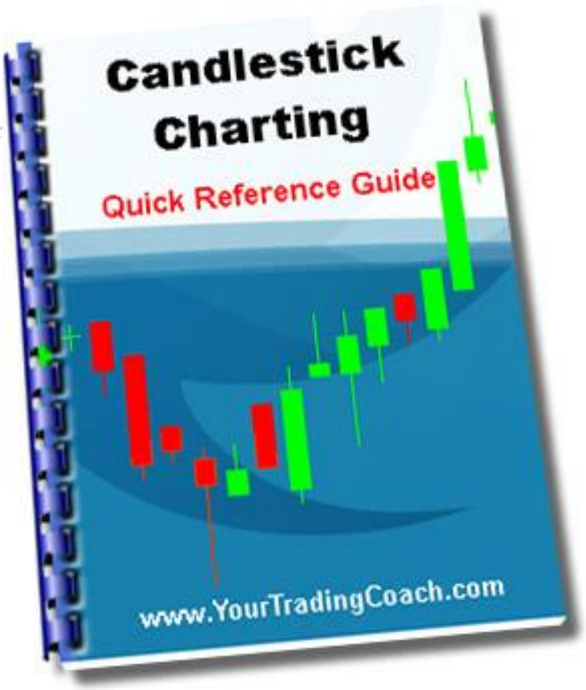

Quickly and easily master the common Candlestick Charting patterns, with the

Candlestick Charting
Quick Reference Guide

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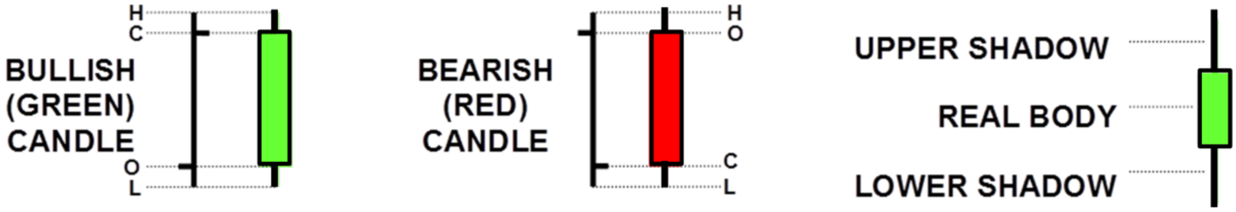
Candlestick Charting Quick Reference Guide

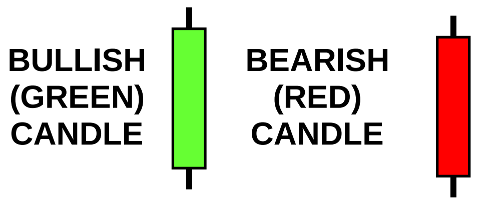
Candle Definition



Candle Properties

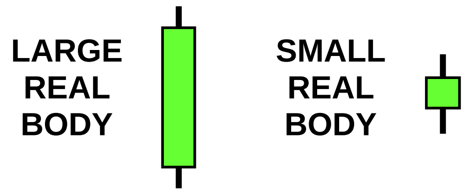
Colour

- The colour is generally displayed as green and red candles (or white and black candles).
- Green candles are bullish, closing higher than the open.
- Red candles are bearish, closing lower than the open.



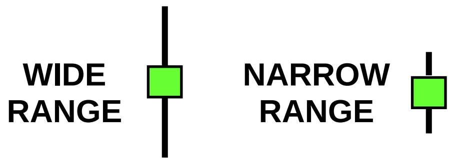
Body Size

- The body size represents the degree to which the bulls overcome the bears (green candle) or the bears overcome the bulls (red candle).
- A large body shows increased commitment.
- A small body shows reduced commitment.



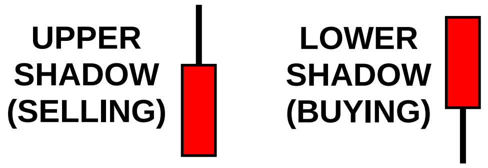
Range

- The range of the candle is the distance from the high to the low, and represents the volatility of the price during the time period represented by the candle.
- A wide range shows increased volatility.
- A narrow range shows reduced volatility.



Shadow Location

- Shadows above the real body show rejection of higher prices (selling).
- Shadows below the real body show rejection of lower prices (buying).



Doji

Bullish / Bearish Reversal

Description

- BULLISH or BEARISH single candle Reversal Pattern.
- The open is equal to (or almost equal to) the close, resulting in no real body. Indecision in the market – neither the bulls nor bears are in control.
- The Doji can be found at the top or bottom. The Gravestone Doji is usually found at a top reversal. The Dragonfly Doji is usually found at a bottom reversal.

Setup

A trending market - an uptrend for a bearish reversal, or a downtrend for a bullish reversal.

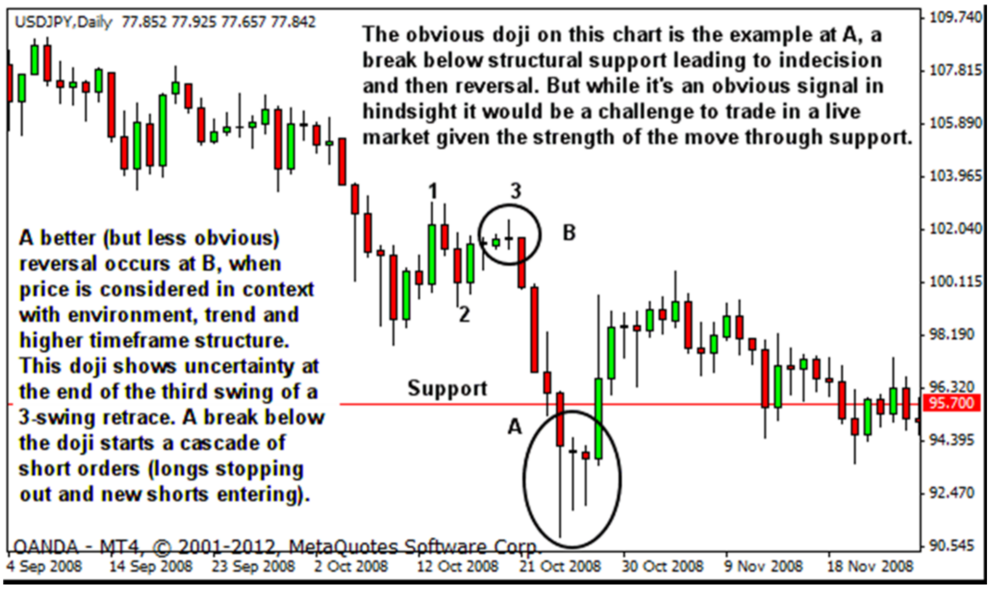
Psychology

A Doji indicates a 'tug-of-war' between the bulls and bears in which neither party was dominant. Price may have been driven up and/or down from the open, but was driven back to close equal to (or almost equal to) the opening price. This indecision in the market often precedes a change in trend to either a sideways or a reverse direction trend.

The Gravestone Doji is more bearish, and therefore more effective at a market top. The Dragonfly Doji is more bullish, and therefore more effective at a market bottom.

Confirmation

The price trades above the doji at a market bottom, or below the doji at a market top.

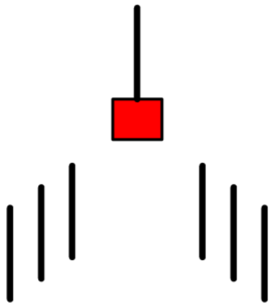


Shooting Star

Bearish Reversal

Description

- BEARISH single candle Reversal Pattern.
- Market gaps up to Shooting Star candle.
- Colour can be RED or GREEN.
- Upper Shadow is at least 2 times the size of the real body.



Setup

Uptrend

Psychology

The bulls continue the uptrend by gapping the price up at the open and driving it to new highs. The bears come back in force though and drive price back down. A red Shooting Star is more bearish than a green Shooting Star, due to the bears ability to force the close of the candle below the opening price.

Confirmation

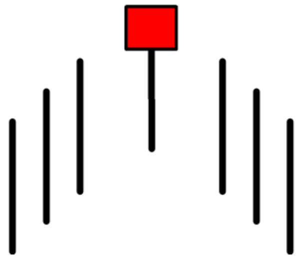
The price trades below the body of the Shooting Star candle.

Hanging Man

Bearish Reversal

Description

- BEARISH single candle Reversal Pattern.
- Market gaps up to Hanging Man candle.
- Colour can be RED or GREEN.
- Lower Shadow is at least 2 times the size of the real body.



Setup

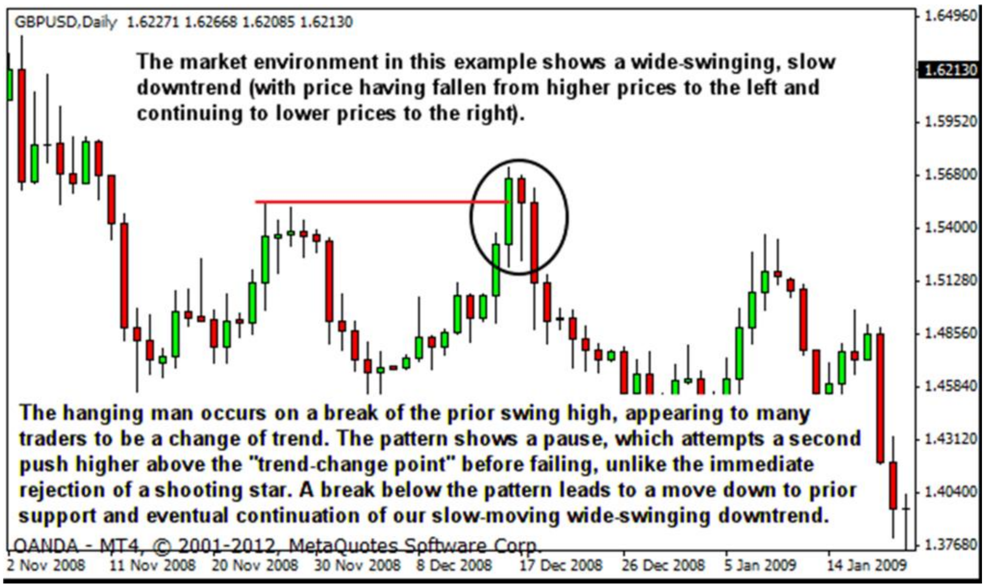
Uptrend

Psychology

The uptrend initially appeared that it would continue strongly as the price gapped up at the open, however the bears fought back strongly driving price convincingly lower. Although the bulls were able to resist the downward pressure, this is only temporary. A red Hanging Man is more bearish than a green Hanging Man, due to the bulls inability to force the close of the candle above the opening price. The Hanging Man is not considered as bearish as the Shooting Star, due to the fact that the bulls were able to fight back to some degree.

Confirmation

The price trades below the body of the Hanging Man candle.

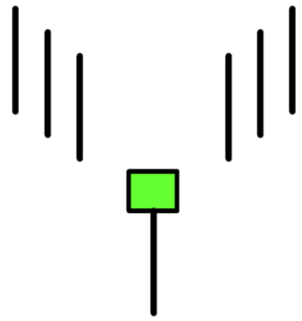


Hammer

Bullish Reversal

Description

- BULLISH single candle Reversal Pattern.
- Market ideally gaps down to Hammer candle.
- Colour can be RED or GREEN.
- Lower Shadow is at least 2 times the size of the real body.



Setup

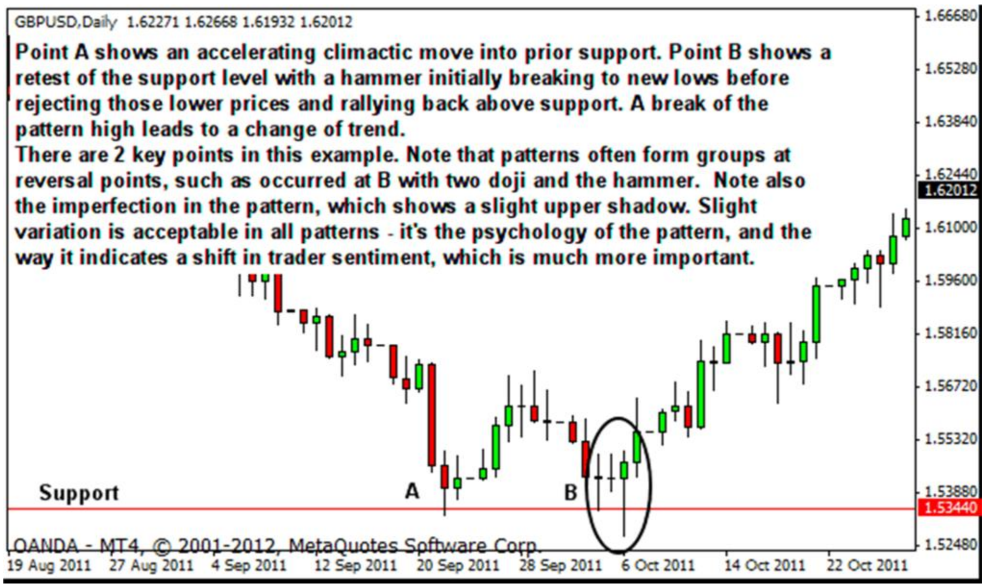
Downtrend

Psychology

The bears continue the downtrend by gapping the price down at the open and driving it to new lows. The bulls come back in force though and drive price back up. A green Hammer is more bullish than a red Hammer, due to the bulls ability to force the close of the candle above the opening price.

Confirmation

The price trades above the Hammer candle's real body.

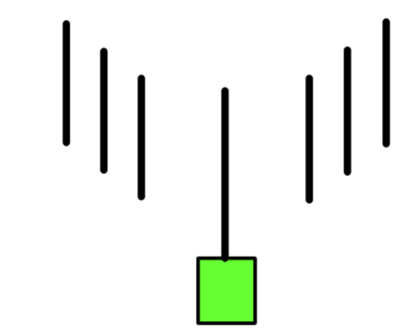


Inverted Hammer

Bullish Reversal

Description

- BULLISH single candle Reversal Pattern.
- Market ideally gaps down to Inverted Hammer candle.
- Colour can be RED or GREEN.
- Upper Shadow is at least 2 times the size of the real body.



Setup

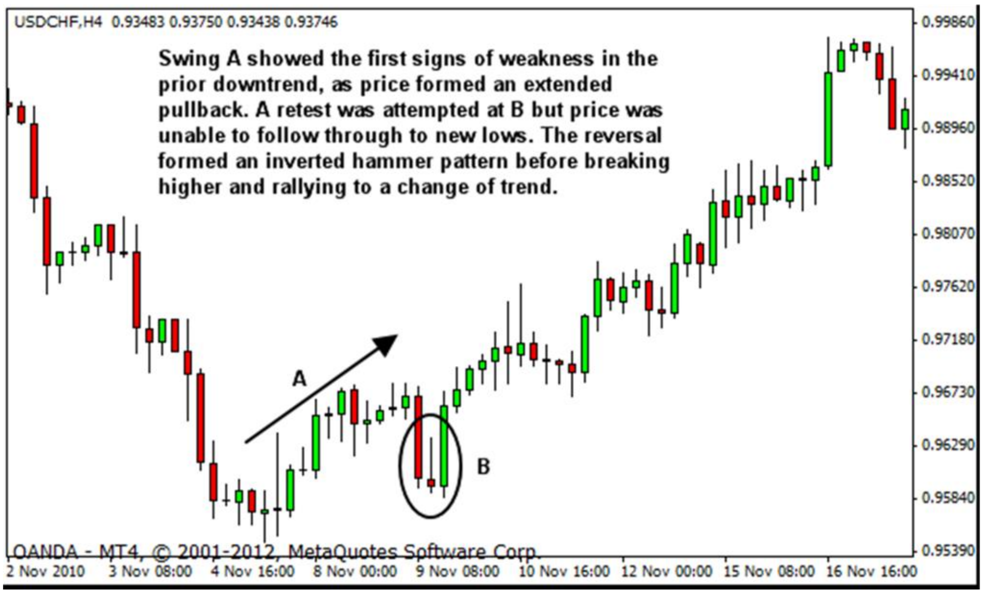
Downtrend

Psychology

The downtrend initially appeared that it would continue strongly as the price gapped down at the open, however the bulls fought back strongly driving price convincingly higher. Although the bears were able to resist the upward pressure, this is only temporary. A green Inverted Hammer is more bullish than a red Inverted Hammer, due to the bear's inability to force the close of the candle below the opening price. The Inverted Hammer is not considered as bullish as the Hammer, due to the fact that the bears were able to fight back to some degree.

Confirmation

The price trades above the body of the Inverted Hammer candle.

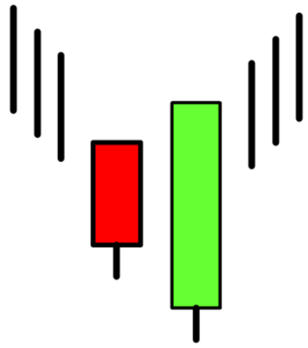


Bullish Engulfing

Bullish Reversal

Description

- BULLISH two candle Reversal Pattern.
- 1st candle has a smaller RED real body.
- 2nd longer GREEN candle completely engulfs the first candle body.



Setup

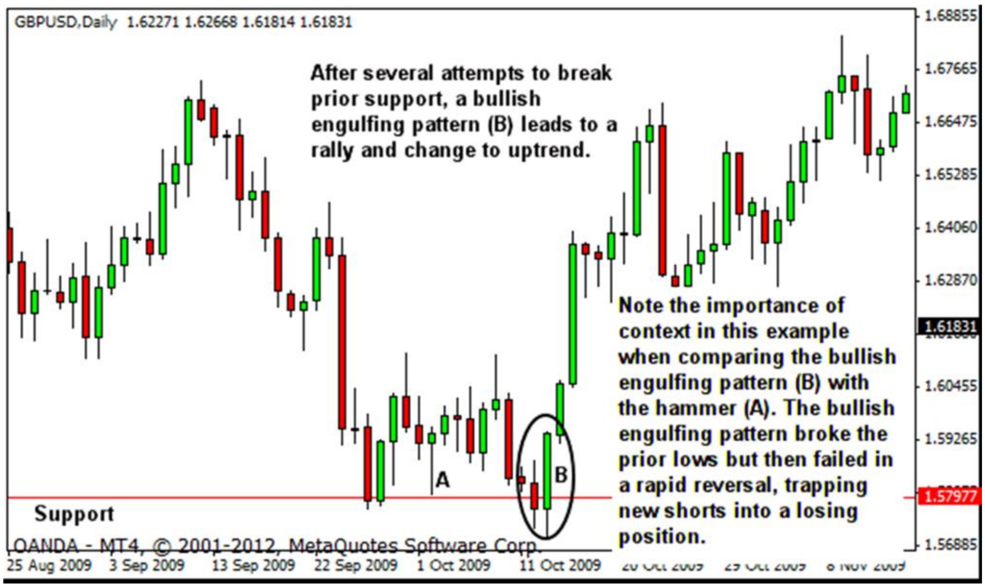
Downtrend

Psychology

This is a very bullish reversal pattern in which the bulls inflict a rapid and decisive victory over the bears. The downtrend continues via a red bodied candle. The opening of the next candle ideally gaps down (continued sign of bearishness) however the bulls then drive the price upwards to close the candle above the open of the red bodied candle. The name 'bullish engulfing' is due to the fact that the real body of the green candle completely engulfs the real body of the red candle.

Confirmation

The price trades above the body of the green candle.

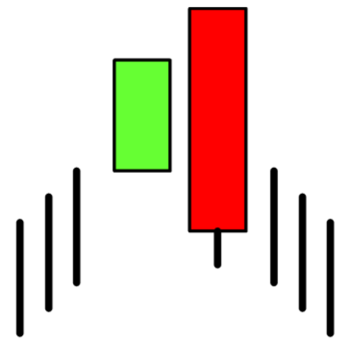


Bearish Engulfing

Bearish Reversal

Description

- BEARISH two candle Reversal Pattern.
- 1st candle has a smaller GREEN real body.
- 2nd longer RED candle completely engulfs the 1st candle body.



Setup

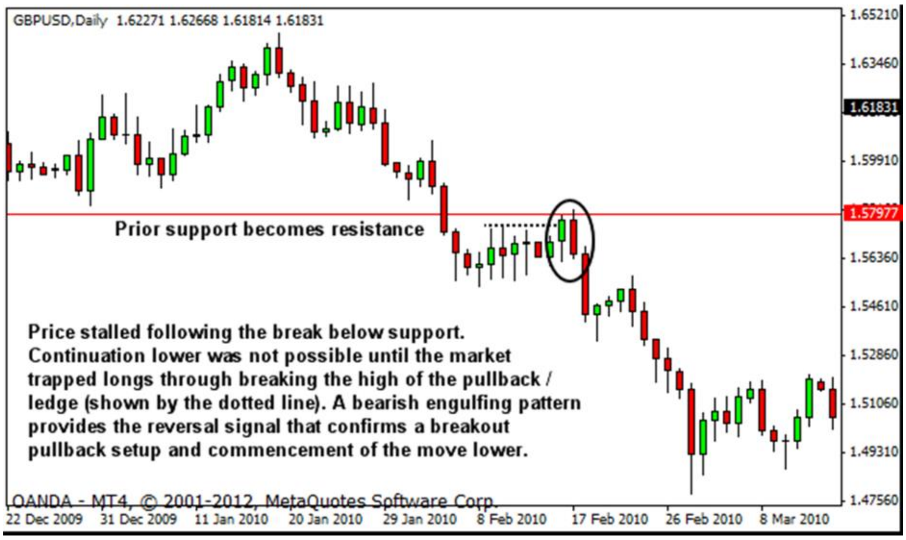
Uptrend

Psychology

This is a very bearish reversal pattern in which the bears inflict a rapid and decisive victory over the bulls. The uptrend continues via a green bodied candle. The opening of the next candle ideally gaps upwards (continued sign of bullishness) however the bears then drive the price down to close the candle below the open of the green bodied candle. The name 'bearish engulfing' is due to the fact that the real body of the red candle completely engulfs the real body of the green candle.

Confirmation

The price trades below the body of the red candle.

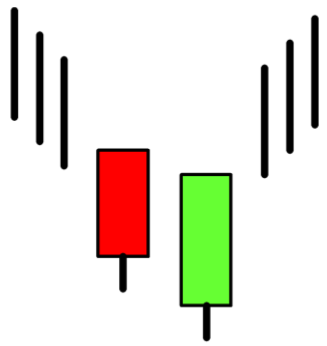


Piercing Pattern

Bullish Reversal

Description

- BULLISH two candle Reversal Pattern.
- 1st candle has a RED real body.
- 2nd GREEN candle opens below, and closes in the upper half of the 1st candle body.



Setup

Downtrend

Psychology

The downtrend continues via a red bodied candle. The opening of the next candle ideally gaps down (continued sign of bearishness) however the bulls then drive the price back up showing renewed strength and a potential change of trend. The bulls win the battle closing the candle in the upper half of the red candle's body. Note that this is not as bullish as the bullish engulfing pattern, in which the bulls were able to drive the price higher to close above the first candle's real body.

Confirmation

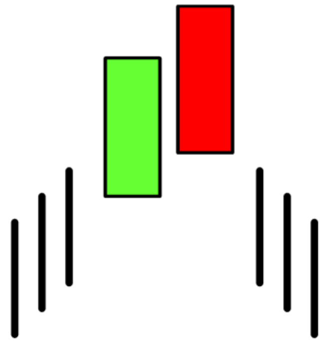
The price trades above the real body of the green candle.

Dark Cloud Cover

Bearish Reversal

Description

- BEARISH two candle Reversal Pattern.
- 1st candle has a GREEN real body.
- 2nd RED candle opens above, and closes in the lower half of the 1st candle body.



Setup

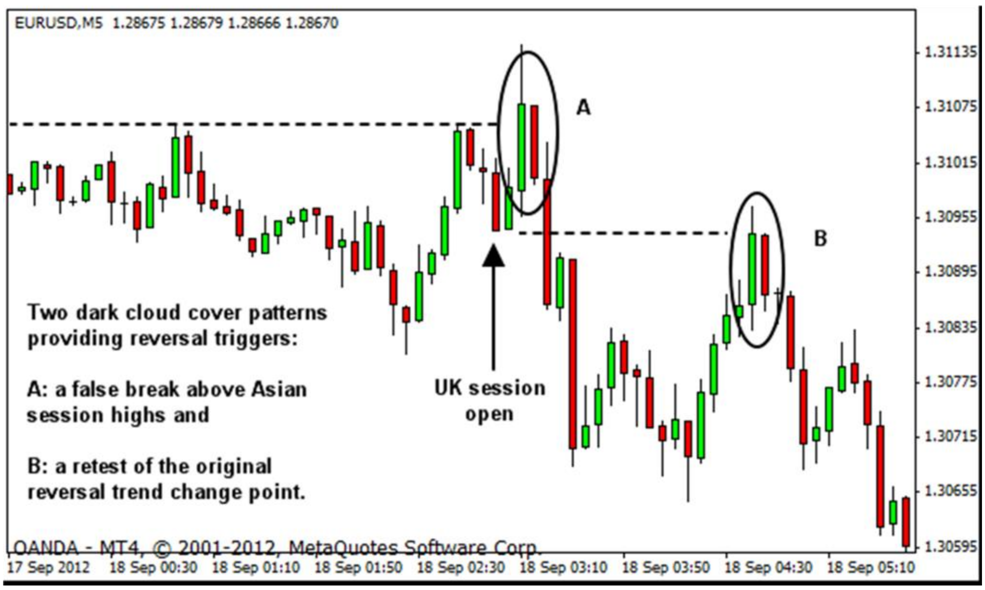
Uptrend

Psychology

The uptrend continues via a green bodied candle. The opening of the next candle ideally gaps up (continued sign of bullishness) however the bears then drive the price back down showing renewed strength and a potential change of trend. The bears win the battle closing the candle in the lower half of the green candle's body. Note that this is not as bearish as the bearish engulfing pattern, in which the bears were able to drive the price lower to close below the first candle's real body.

Confirmation

The price trades below the real body of the red candle.

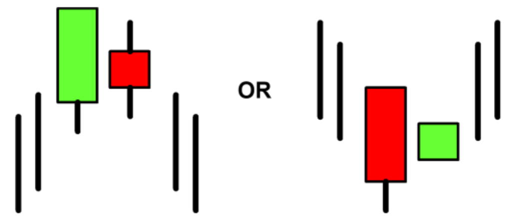


Harami

Bullish / Bearish Reversal

Description

- BULLISH or BEARISH two candle Reversal Pattern.
- 1st candle continues the trend direction.
- 2nd candle real body is contained within the 1st candle real body. This candle may be either green or red.



Setup

A trending market - an uptrend for a bearish reversal, or a downtrend for a bullish reversal.

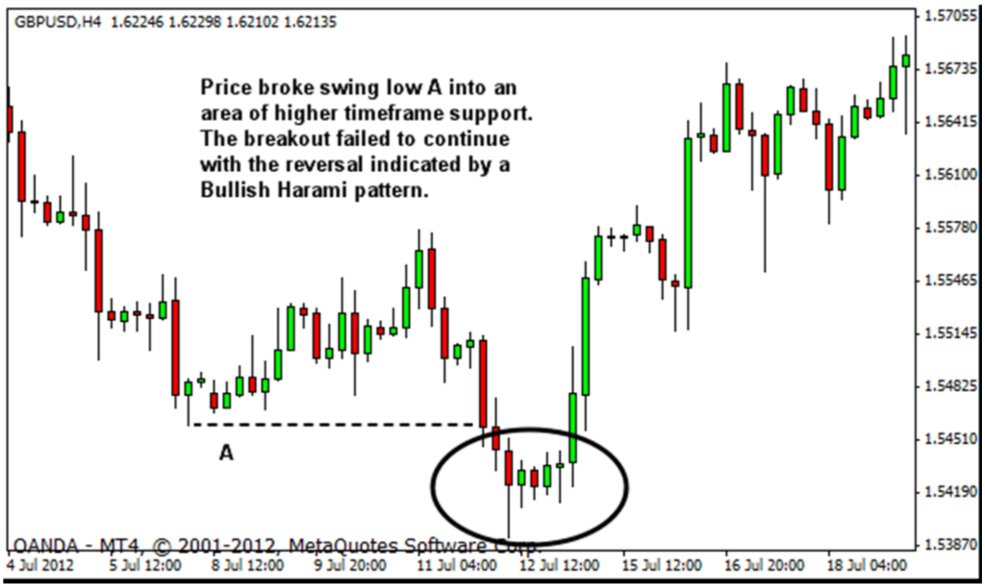
Psychology

Bearish Harami – Often found at a market top, the uptrend continues with the bulls driving price higher to complete a green candle. The second candle shows indecision as the price then stalls. Neither the bulls nor the bears are able to dominate, resulting in a small candle of either colour contained within the first body candle. This indecision often precedes a change to sideways congestion or a reversal of the trend.

Bullish Harami – Opposite of the above, found at a bottom reversal.

Confirmation

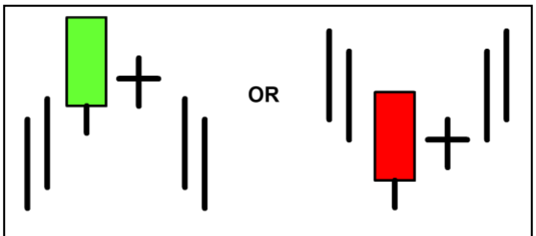
The price trades above the pattern for a bottom reversal, or below the pattern for a top reversal.



Candlestick Charting Quick Reference Guide

Harami Cross

Bullish / Bearish Reversal



Description

- BULLISH or BEARISH two candle Reversal Pattern.
- 1st candle continues the trend direction.
- 2nd candle is a Doji, and is contained within the 1st candle real body.

Setup

A trending market - an uptrend for a bearish reversal, or a downtrend for a bullish reversal.

Psychology

Bearish Harami Cross – Often found at a market top, the uptrend continues with the bulls driving price higher to complete a green candle. The second candle shows indecision as the price then stalls to form a doji. Neither the bulls nor the bears are able to dominate. This indecision often precedes a change to sideways congestion or a reversal of the trend.

Bullish Harami Cross – Opposite of the above, found at a bottom reversal.

Confirmation

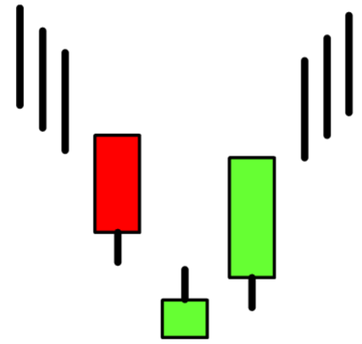
The price trades above the pattern for a bottom reversal, or below the pattern for a top reversal.

Morning Star

Bullish Reversal

Description

- BULLISH three candle Reversal Pattern.
- 1st candle has a long RED real body.
- Market gaps down to 2nd small body candle (either colour).
- 3rd candle has a GREEN real body, ideally gapping up from the star (2nd candle).



Setup

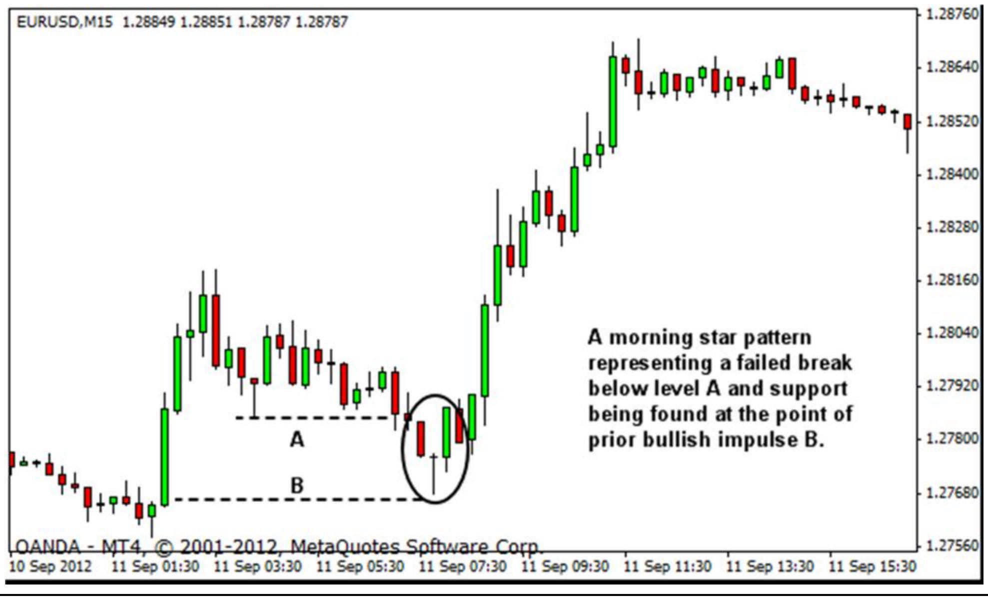
Downtrend

Psychology

The bears continue the downtrend by forming a long red bodied candle. The gap opening down to the second candle initially appears bearish, but the small body of the star shows a possible loss of momentum. The bulls then re-enter the market in force, ideally gapping up from the star, and driving price to close well within (or above) the first candle. The higher the close, the more decisive the victory of the bulls over the bears.

Confirmation

The price trades above the body of the long green candle.

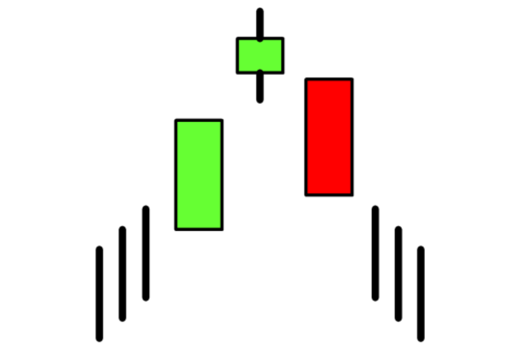


Evening Star

Bearish Reversal

Description

- BEARISH three candle Reversal Pattern.
- 1st candle has a long GREEN real body.
- Market gaps up to 2nd small body candle (either colour).
- 3rd candle has a RED real body, ideally gapping down from the star (2nd candle).



Setup

Uptrend

Psychology

The bulls continue the uptrend by forming a long green bodied candle. The gap opening up to the second candle initially appears bullish, but the small body of the star shows a possible loss of momentum. The bears then re-enter the market in force, ideally gapping down from the star, and driving price to close well within (or below) the first candle. The lower the close, the more decisive the victory of the bears over the bulls.

Confirmation

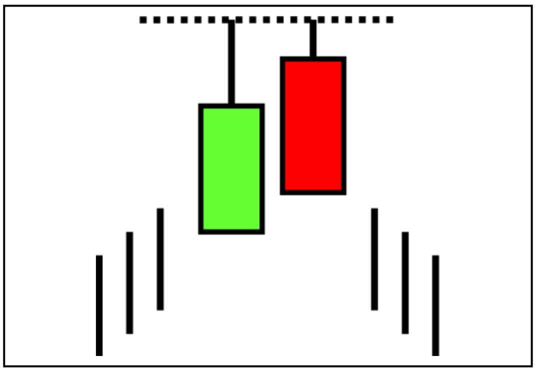
The price trades below the body of the long red candle.

Tweezer Top

Bearish Reversal

Description

- BEARISH Pattern, identifying a Resistance Level
- 2 or more candles with the HIGH point achieving the same level.
- Candles can be either colour.



Setup

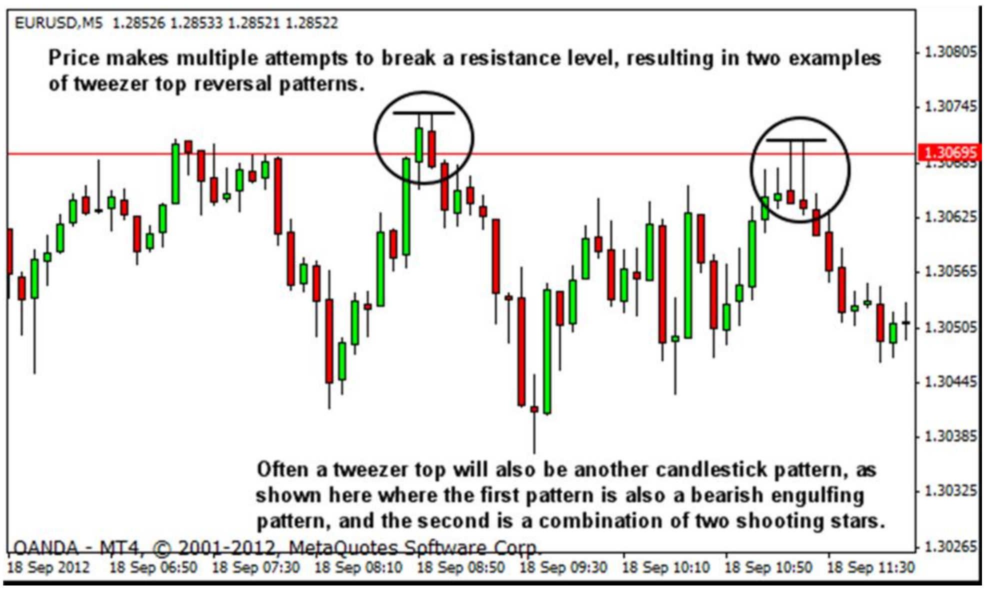
Uptrend

Psychology

The upper extreme of the shadows represents an area of resistance. Bulls were not willing to buy above this price, so the bears returned in force to drive the price back down. The Tweezer Top forms when two or more candle's upper shadows form at the same level, confirming the strength of this resistance, and the likelihood that the uptrend will either pause or reverse to a downtrend.

Confirmation

The price trades below the level of resistance. Price trading below the body of the Tweezer Top candles is more bearish, and likely to indicate a reversal of trend rather than a change to consolidation.

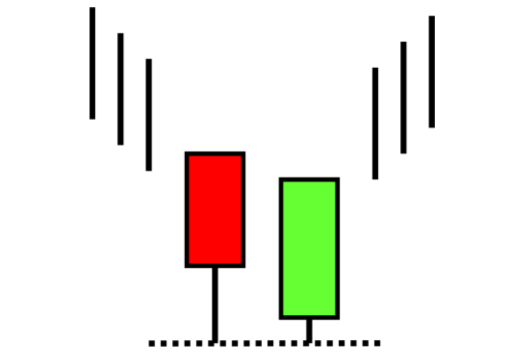


Tweezer Bottom

Bullish Reversal

Description

- BULLISH Pattern, identifying a Support Level
- 2 or more candles with the LOW point achieving the same level.
- Candles can be either colour.



Setup

Downtrend

Psychology

The lower extreme of the shadows represents an area of support. Bears were not willing to sell below this price, so the bulls returned in force to drive the price back up. The Tweezer Bottom forms when two or more candle's lower shadows form at the same level, confirming the strength of this support, and the likelihood that the downtrend will either pause or reverse to an uptrend.

Confirmation

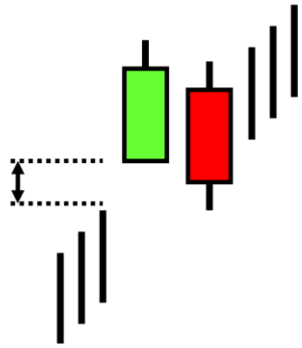
The price trades above the level of support. Price trading above the body of the Tweezer Bottom candles is more bullish, and likely to indicate a reversal of trend rather than a change to consolidation.

Upward Gap Tasuki

Bullish Continuation

Description

- BULLISH 2 Candle Continuation Pattern
- Uptrend gaps up to a GREEN candle.
- Followed by RED candle opening inside & closing below the green candle's real body.



Setup

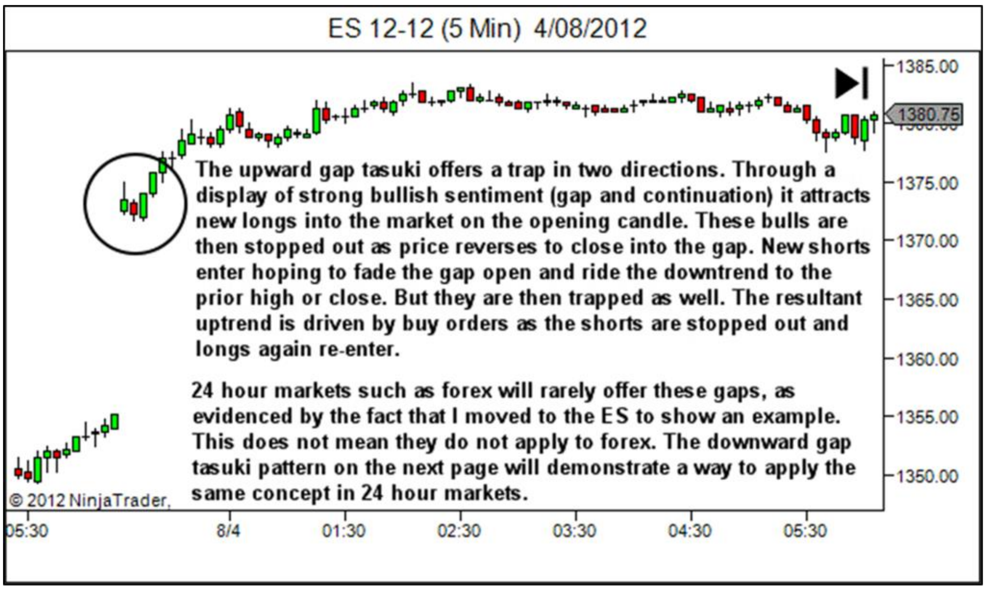
Uptrend

Psychology

An uptrend shows further strength by gapping up on the open and driving price higher to close as a green candle. This is followed by a pause as the bears attempt to force price down, but are unable to close the gap. Continued trading above the gap shows strength with the bulls.

Confirmation

The price continues to trade above the gap, and preferably above the red candle's real body.

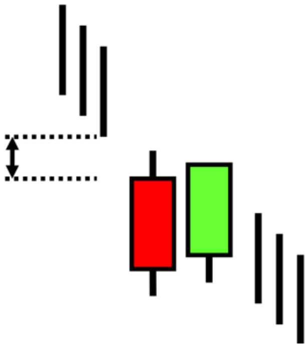


Downward Gap Tasuki

Bearish Continuation

Description

- BEARISH 2 Candle Continuation Pattern
- Downtrend gaps down to a RED candle.
- Followed by a GREEN candle opening inside and closing above the red candle's real body.



Setup

Downtrend

Psychology

A downtrend shows further strength by gapping down on the open and driving price lower to close as a red candle. This is followed by a pause as the bulls attempt to force price up, but are unable to close the gap. Continued trading below the gap shows strength with the bears.

Confirmation

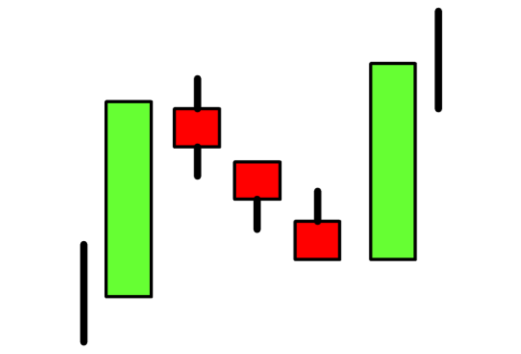
The price continues to trade below the gap, and preferably below the green candle's real body.

Rising Three

Bullish Continuation

Description

- BULLISH Continuation Pattern
- Long GREEN candle.
- Followed by 2 or more short candles (ideally RED), which are contained within the body of the first green candle.
- Followed by another long GREEN candle closing above the 1st candle.



Setup

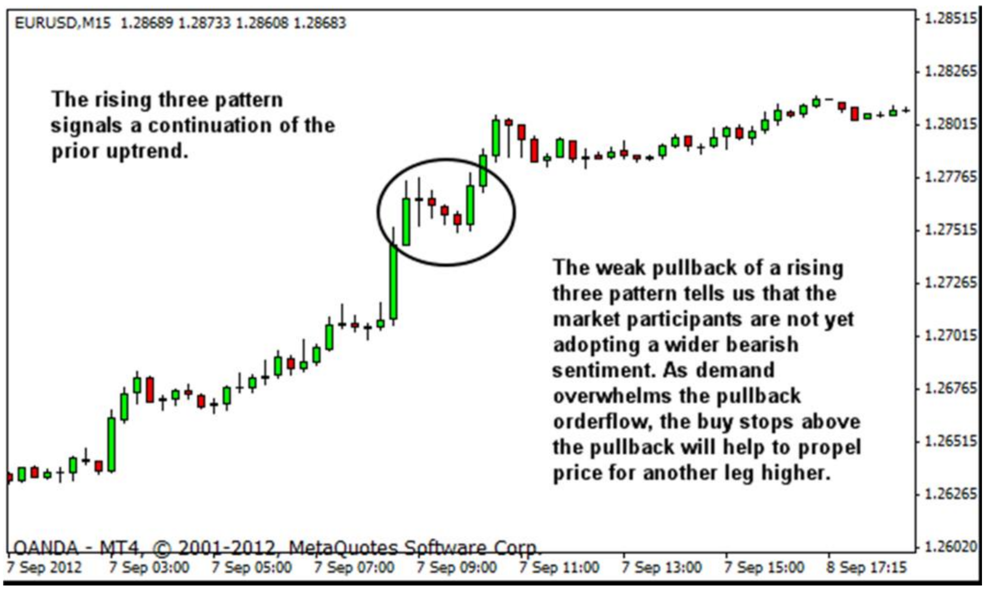
Uptrend

Psychology

The bulls domination of the bears is evident within the uptrend by the formation of the first long green candle. Price then pauses, forming 2 or more small candles within the range of the first candle. The bears are not able to force price below the low of the original candle, and are then overcome once again by the bulls who push price upwards with a second long green candle closing above the first candle.

Confirmation

The price trades above the body of the second long green candle.



Falling Three

Bearish Continuation

Description

- BEARISH Continuation Pattern
- Long RED candle.
- Followed by 2 or more short candles (ideally GREEN), which are contained within the body of the first red candle.
- Followed by another long RED candle closing below the 1st candle.

Setup

Downtrend

Psychology

The bears domination of the bulls is evident within the downtrend by the formation of the first long red candle. Price then pauses, forming 2 or more small candles within the range of the first candle. The bulls are not able to force price above the high of the original candle, and are then overcome once again by the bears who push price downwards with a second long red candle closing below the first candle.

Confirmation

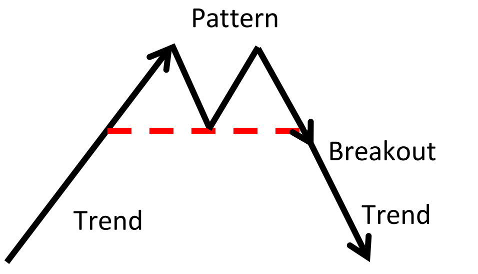
The price trades below the body of the second long red candle.

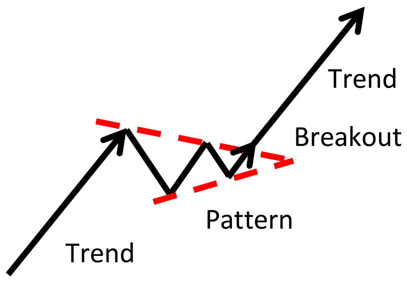
Charting Patterns (Macro) (1 of 4)

PATTERN STAGES AND TYPES

Four Stages to a Pattern

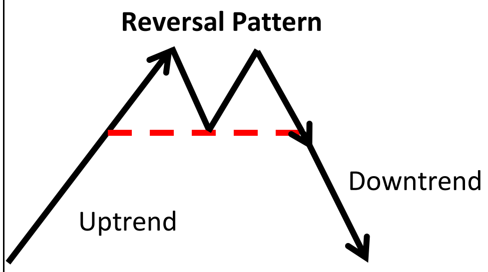
1. Trend
2. Pattern
3. Breakout
4. Trend

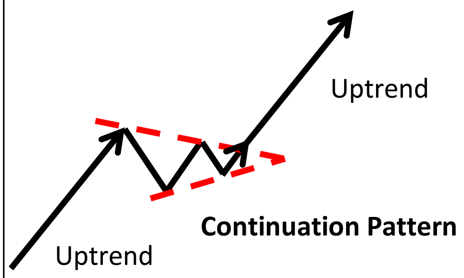




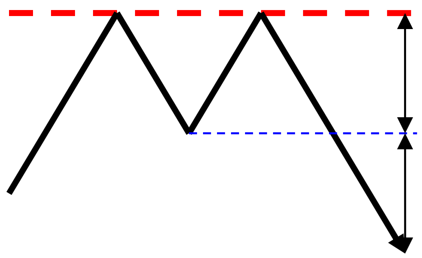
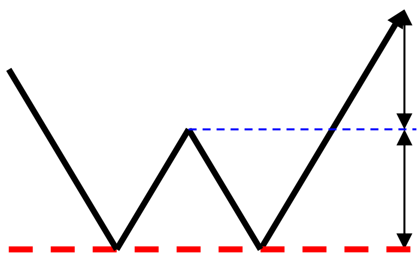
Two Types of Pattern

1. Reversal
2. Continuation



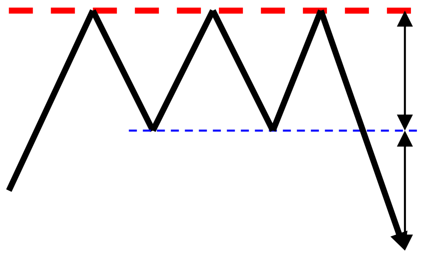
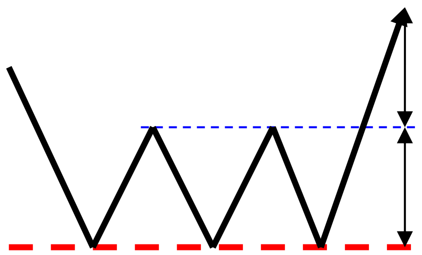
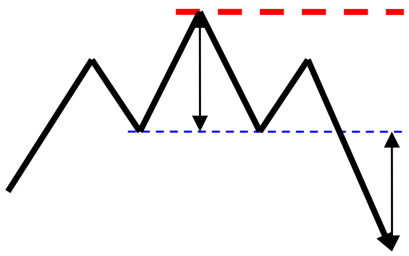
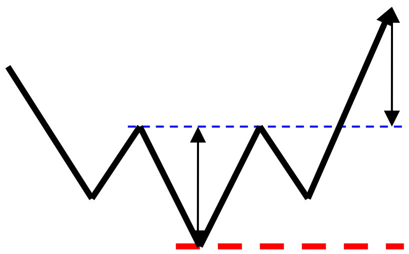


REVERSAL PATTERNS

NAME	DESCRIPTION	DIAGRAM
DOUBLE TOP	• A reversal pattern at the top of an uptrend. • Price forms two swing highs at approximately the same price level. • The pattern is confirmed on a break of the intermediate swing low.	
DOUBLE BOTTOM	• A reversal pattern at the bottom of a downtrend. • Price forms two swing lows at approximately the same price level. • The pattern is confirmed on a break of the intermediate swing high.	

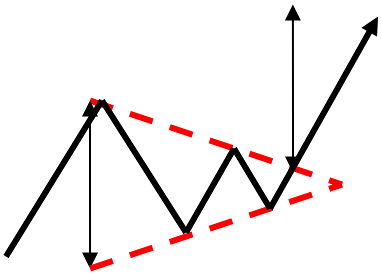
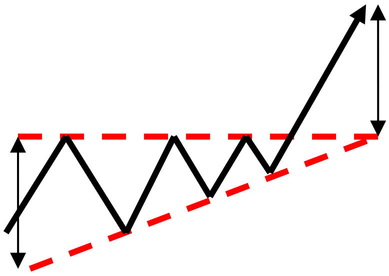
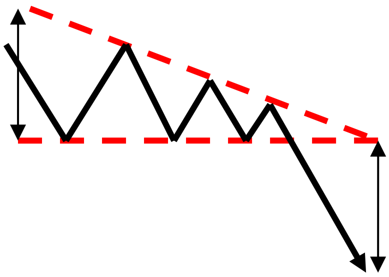
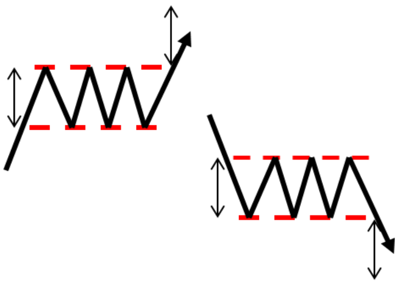
Charting Patterns (Macro) (2 of 4)

REVERSAL PATTERNS

NAME	DESCRIPTION	DIAGRAM
TRIPLE TOP	• A reversal pattern at the top of an uptrend. • Price forms three swing highs at approximately the same price level. • The pattern is confirmed on a break of the lowest of the intermediate swing lows.	
TRIPLE BOTTOM	• A reversal pattern at the bottom of a downtrend. • Price forms three swing lows at approximately the same price level. • The pattern is confirmed on a break of the highest of the intermediate swing highs.	
HEAD AND SHOULDERS	• A reversal pattern at the top of an uptrend. • Price forms a swing high, a higher swing high, and a lower swing high. • The pattern is confirmed on a break of the neckline – the line joining the intermediate swing lows.	
INVERTED HEAD AND SHOULDERS	• A reversal pattern at the bottom of a downtrend. • Price forms a swing low, a lower swing low, and a higher swing low. • The pattern is confirmed on a break of the neckline – the line joining the intermediate swing highs.	

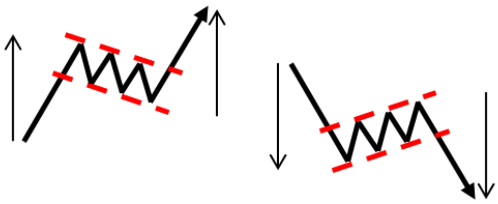
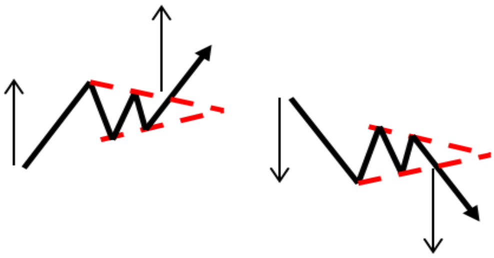
Charting Patterns (Macro) (3 of 4)

CONTINUATION PATTERNS

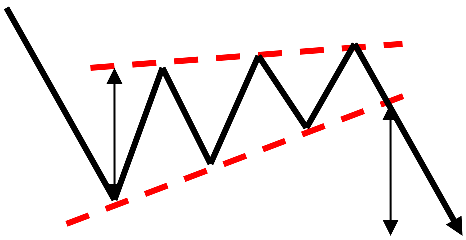
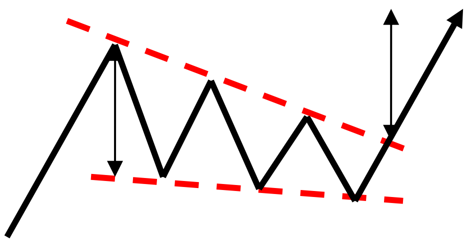
NAME	DESCRIPTION	DIAGRAM
SYMMETRICAL TRIANGLE	• A continuation pattern. • Price contracts with lower swing highs (falling trendline) and higher swing lows (rising trendline) towards a single point. • The pattern is confirmed on a break of the triangle, usually occurring in the final third of the pattern.	
ASCENDING TRIANGLE	• A continuation pattern. • Price contracts with level swing highs (short-term resistance) and higher swing lows (rising trendline) towards a single point. • The pattern is confirmed on a break of short-term resistance, usually occurring in the final third of the pattern.	
DESCENDING TRIANGLE	• A continuation pattern. • Price contracts with lower swing highs (falling trendline) and level swing lows (short-term support) towards a single point. • The pattern is confirmed on a break of short-term support, usually occurring in the final third of the pattern.	
RECTANGLE	• A continuation pattern. • Price forms a short-term range with level swing highs forming short-term resistance and level swing lows forming short-term support. • The pattern is confirmed on a break of the pattern in the continuation direction.	

Charting Patterns (Macro) (4 of 4)

CONTINUATION PATTERNS

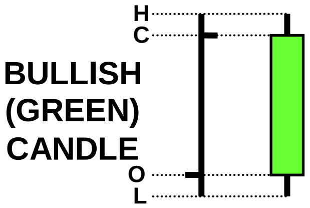
NAME	DESCRIPTION	DIAGRAM
FLAG	• A continuation pattern. • Price forms a short-term consolidation, tilted against the direction of the market trend, between approximately parallel sloping support & resistance. • The pattern is confirmed on a break of the pattern in the continuation direction.	
PENNANT	• A continuation pattern. • Price forms a short-term symmetrical triangle pattern (smaller scale than the usual symmetrical triangle). • The pattern is confirmed on a break of the pennant in the continuation direction.	

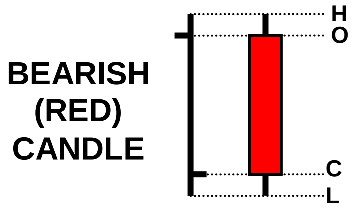
REVERSAL OR CONTINUATION PATTERNS

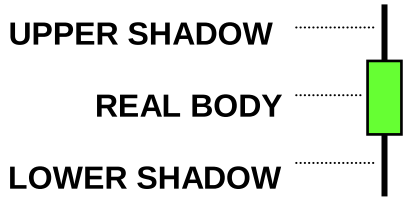
NAME	DESCRIPTION	DIAGRAM
RISING WEDGE	• A continuation or reversal pattern. • Price forms higher swing highs and higher swing lows which both converge towards one point. • The pattern is confirmed on a break of the lower trendline of the pattern.	
FALLING WEDGE	• A continuation or reversal pattern. • Price forms lower swing highs and lower swing lows which both converge towards one point. • The pattern is confirmed on a break of the upper trendline of the pattern.	

Common Candlestick Charting Patterns (1 of 4)

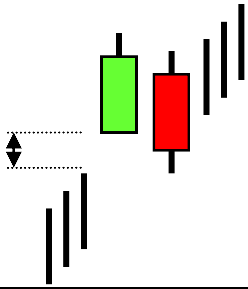
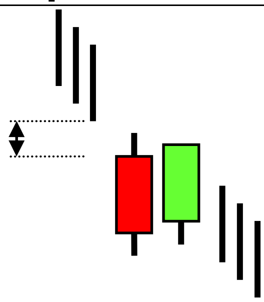
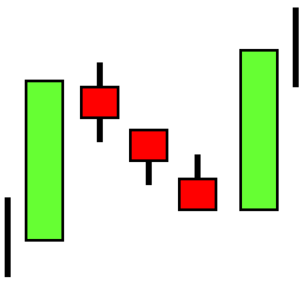
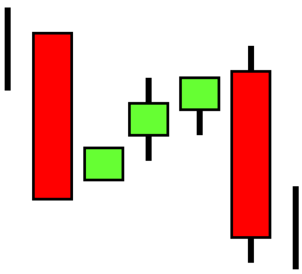
DEFINITION





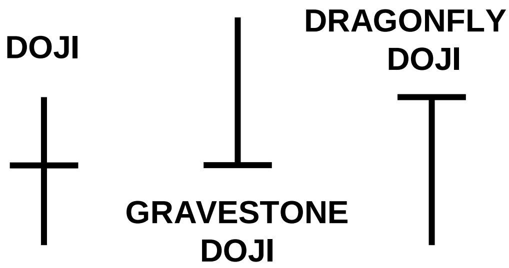
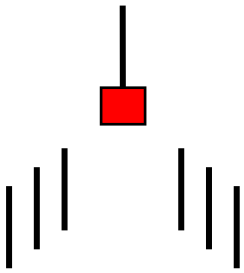
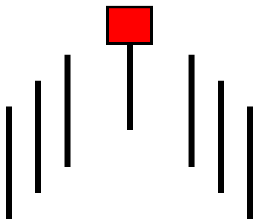
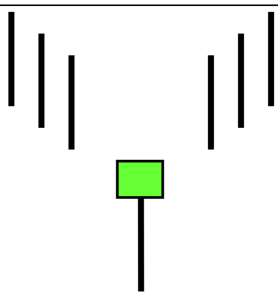
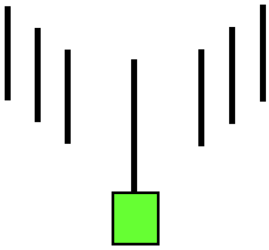


CONTINUATION PATTERNS

NAME	DESCRIPTION	DIAGRAM
UPWARD GAP TASUKI	• BULLISH 2 Candle Continuation Pattern • Uptrend gaps up to a GREEN candle. • Followed by RED candle opening inside & closing below the green candle's real body.	
DOWNWARD GAP TASUKI	• BEARISH 2 Candle Continuation Pattern • Downtrend gaps down to a RED candle. • Followed by a GREEN candle opening inside and closing above the red candle's real body.	
RISING THREE	• BULLISH Continuation Pattern • Long GREEN candle. • Followed by 2 or more short candles (ideally RED), which are contained within the body of the first green candle. • Followed by another long GREEN candle closing above the 1st candle.	
FALLING THREE	• BEARISH Continuation Pattern • Long RED candle. • Followed by 2 or more short candles (ideally GREEN), which are contained within the body of the first red candle. • Followed by another long RED candle closing below the 1st candle.	

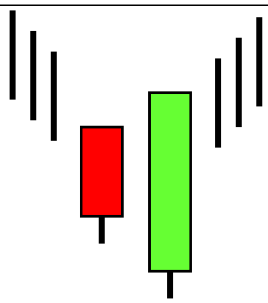
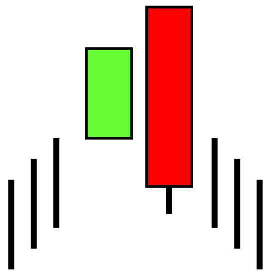
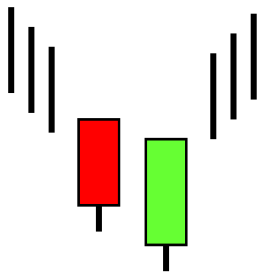
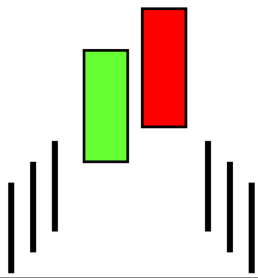
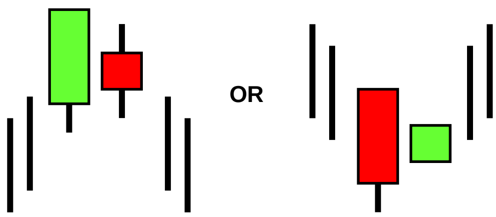
Common Candlestick Charting Patterns
(2 of 4)

REVERSAL PATTERNS

NAME	DESCRIPTION	DIAGRAM
DOJI	• BULLISH or BEARISH single candle Reversal Pattern. • The open is equal to (or almost equal to) the close, resulting in no real body. • Indecision in the market – neither the bulls nor bears are in control. • The Doji can be found at the top or bottom. The Gravestone Doji is usually found at a top reversal. The Dragonfly Doji is usually found at a bottom reversal.	
SHOOTING STAR	• BEARISH single candle Reversal Pattern. • Market gaps up to Shooting Star candle. • Colour can be RED or GREEN. • Upper Shadow is at least 2 times the size of the real body.	
HANGING MAN	• BEARISH single candle Reversal Pattern. • Market gaps up to Hanging Man candle. • Colour can be RED or GREEN. • Lower Shadow is at least 2 times the size of the real body.	
HAMMER	• BULLISH single candle Reversal Pattern. • Market ideally gaps down to Hammer candle. • Colour can be RED or GREEN. • Lower Shadow is at least 2 times the size of the real body.	
INVERTED HAMMER	• BULLISH single candle Reversal Pattern. • Market ideally gaps down to Inverted Hammer candle. • Colour can be RED or GREEN. • Upper Shadow is at least 2 times the size of the real body.	

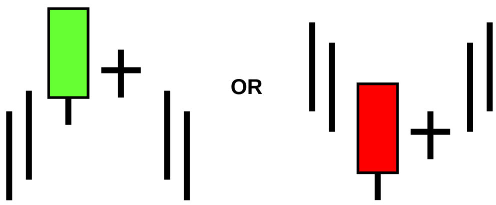
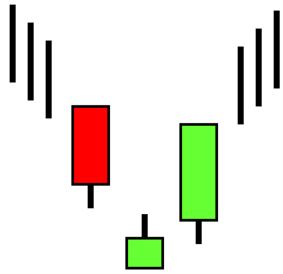
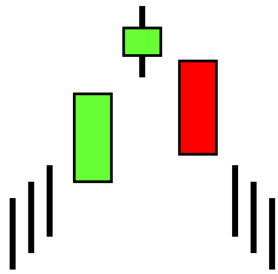
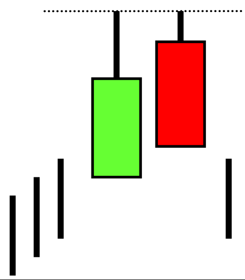
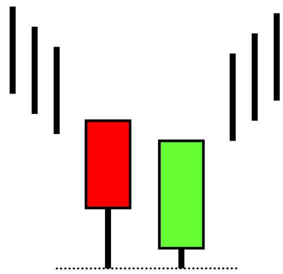
Common Candlestick Charting Patterns
(3 of 4)

REVERSAL PATTERNS

NAME	DESCRIPTION	DIAGRAM
BULLISH ENGULFING	• BULLISH two candle Reversal Pattern. • 1st candle has a smaller RED real body. • 2nd longer GREEN candle completely engulfs the first candle body.	
BEARISH ENGULFING	• BEARISH two candle Reversal Pattern. • 1st candle has a smaller GREEN real body. • 2nd longer RED candle completely engulfs the 1st candle body.	
PIERCING PATTERN	• BULLISH two candle Reversal Pattern. • 1st candle has a RED real body. • 2nd GREEN candle opens below, and closes in the upper half of the 1st candle body.	
DARK CLOUD COVER	• BEARISH two candle Reversal Pattern. • 1st candle has a GREEN real body. • 2nd RED candle opens above, and closes in the lower half of the 1st candle body.	
HARAMI	• BULLISH or BEARISH two candle Reversal Pattern. • 1st candle continues the trend direction. • 2nd candle real body is contained within the 1st candle real body. This candle may be either colour.	

Common Candlestick Charting Patterns
(4 of 4)

REVERSAL PATTERNS

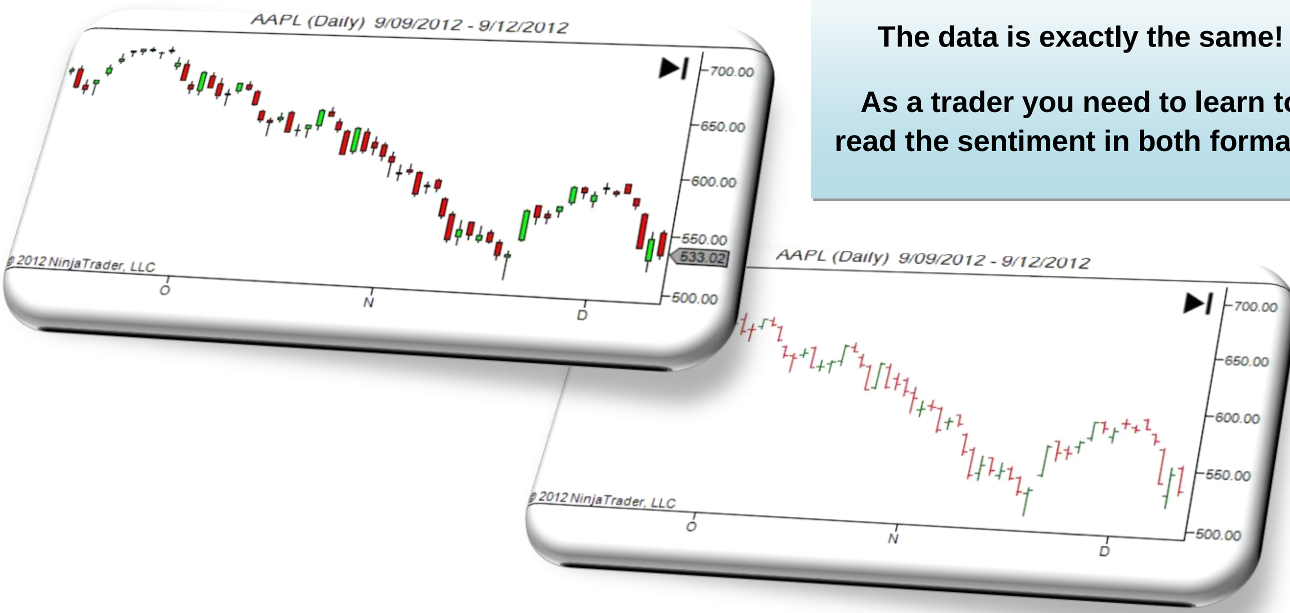
NAME	DESCRIPTION	DIAGRAM
HARAMI CROSS	• BULLISH or BEARISH two candle Reversal Pattern. • 1st candle continues the trend direction. • 2nd candle is a Doji, and is contained within the 1st candle real body.	
MORNING STAR	• BULLISH three candle Reversal Pattern. • 1st candle has a long RED real body. • Market gaps down to 2nd small body candle (either colour). • 3rd candle has a GREEN real body, ideally gapping up from the star (2nd candle).	
EVENING STAR	• BEARISH three candle Reversal Pattern. • 1st candle has a long GREEN real body. • Market gaps up to 2nd small body candle (either colour). • 3rd candle has a RED real body, ideally gapping down from the star (2nd candle).	
TWEEZER TOP	• BEARISH Pattern, identifying a Resistance Level • 2 or more candles with the HIGH point achieving the same level. • Candles can be either colour.	
TWEEZER BOTTOM	• BULLISH Pattern, identifying a Support Level • 2 or more candles with the LOW point achieving the same level. • Candles can be either colour.	

Candlesticks = Price Bars

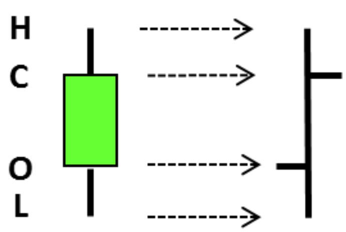
All Candlestick Patterns may also be displayed via OHLC Price Bars!

The data is exactly the same!

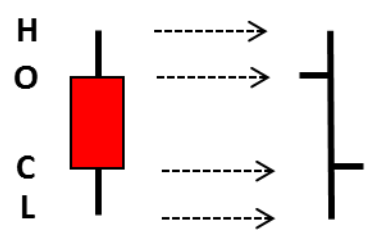
As a trader you need to learn to read the sentiment in both formats!



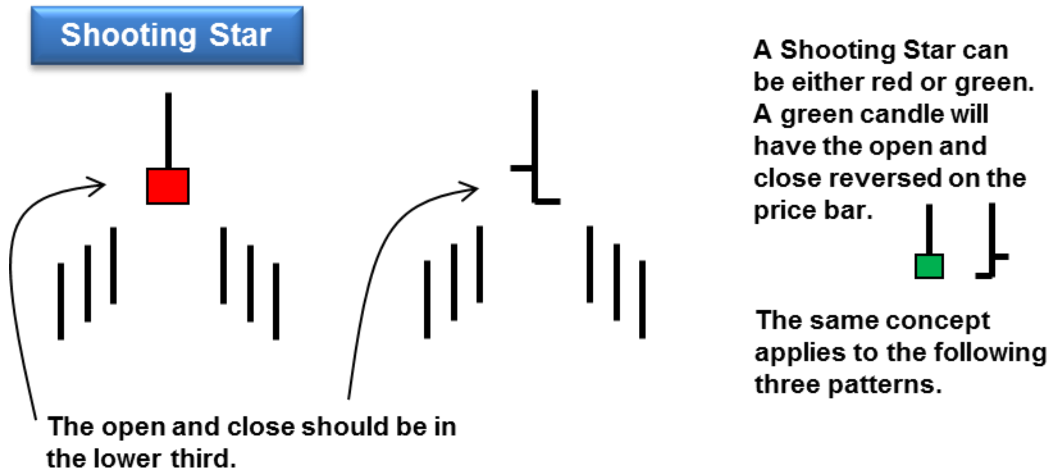
Candlesticks and their equivalent Price Bars

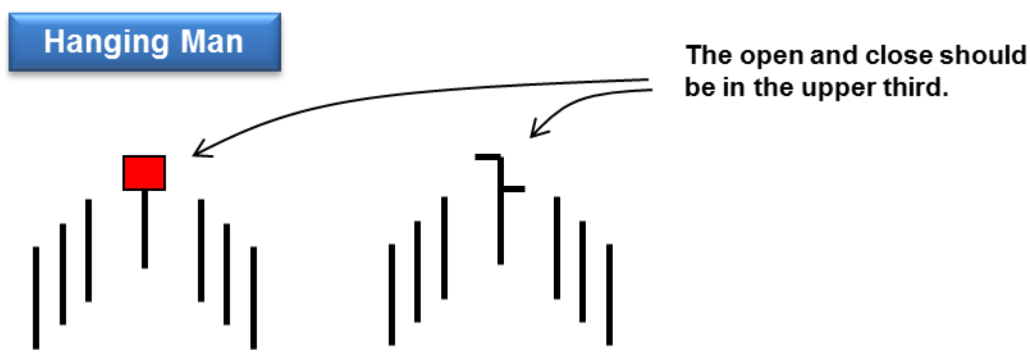


Bullish Candle & Price Bar

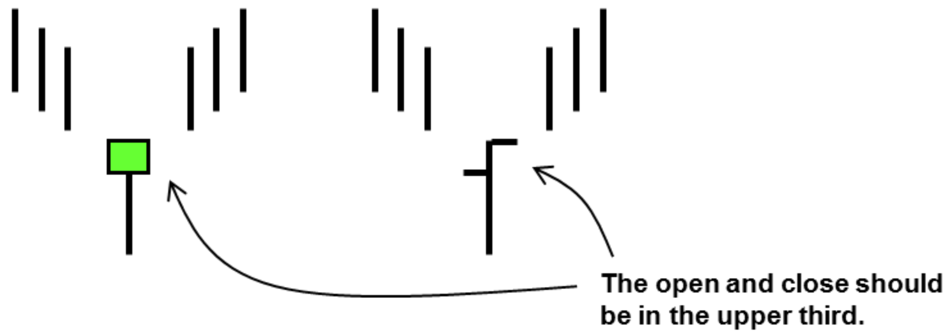


Bearish Candle & Price Bar


Shooting Star
A Shooting Star can be either red or green. A green candle will have the open and close reversed on the price bar.
The same concept applies to the following three patterns.
The open and close should be in the lower third.

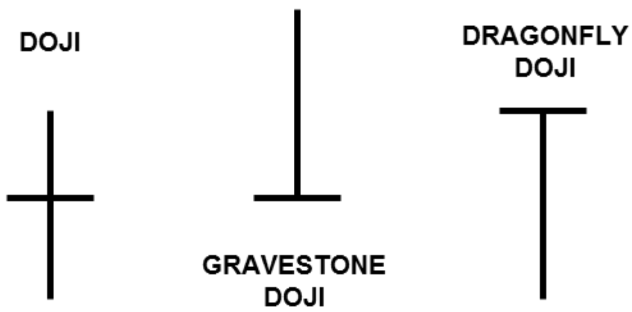

Hanging Man
The open and close should be in the upper third.

Hammer



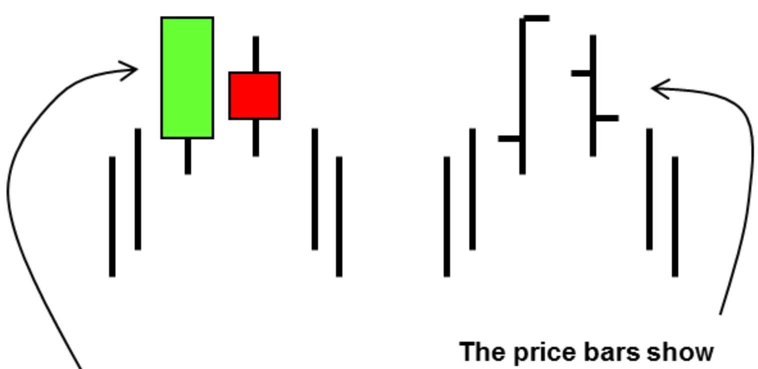
Inverted Hammer

Doji



Note: All Doji look exactly the same in both candlestick and price bar format!

Harami



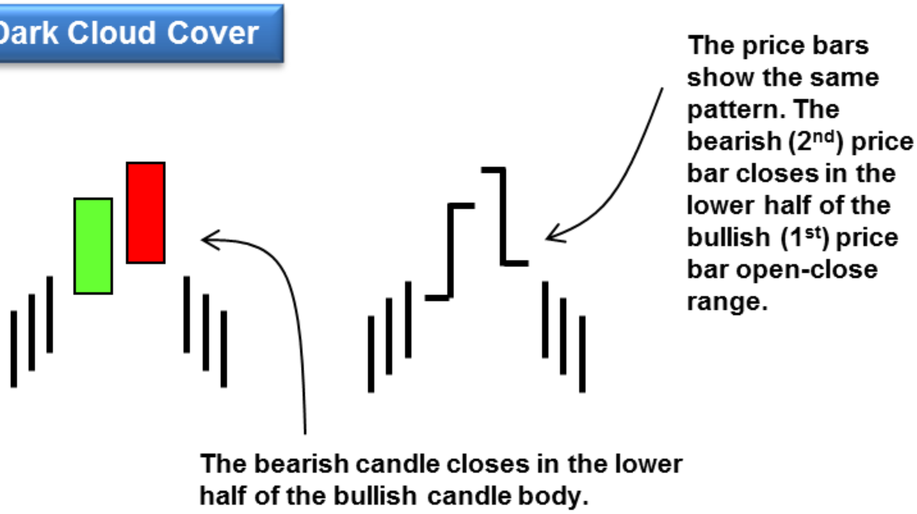
The bearish candle body is contained within the bullish candle body.

The price bars show the same pattern. The bearish open-close range is contained within the bullish open-close range.

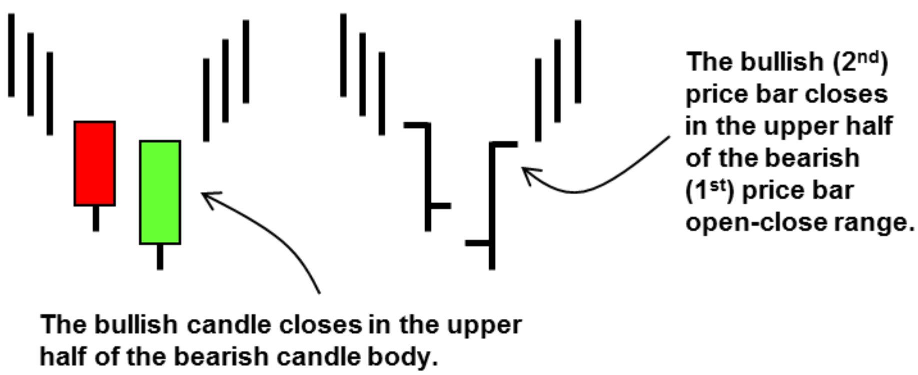
A Harami may occur at either a top or bottom.

The bottom reversal is comprised of a bearish (1st) candle or price bar and a bullish (2nd) candle or price bar.

Dark Cloud Cover

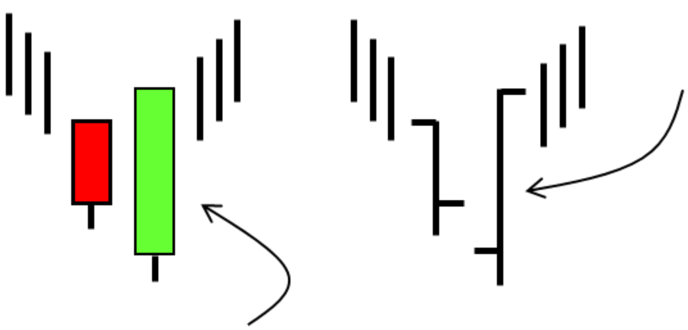


Piercing Pattern



Bearish Engulfing

Bullish Engulfing

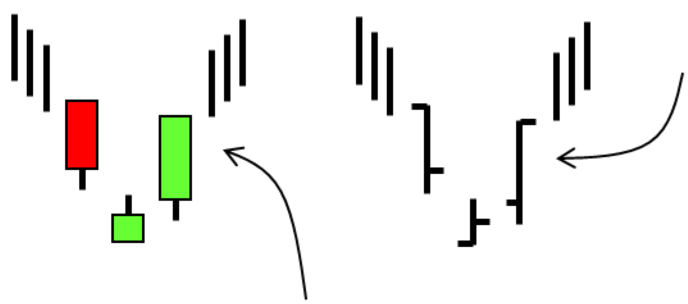


Evening Star

1st price bar is bullish. Price ideally gaps up to the star (2nd price bar) which may be either bullish or bearish. The bearish (3rd) price bar closes below the open-close range of the star.

Bearish candle closes below the body of the star (2nd candle).

Morning Star



1st price bar is bearish. Price ideally gaps down to the star (2nd price bar) which may be either bullish or bearish. The bullish (3rd) price bar closes above the open-close range of the star.

Bullish candle closes above the body of the star (2nd candle).

30 Days to Becoming a Better Trader

Before departing on holidays recently I preloaded Facebook and Twitter with 30 posts to help improve your trading business.

And it seems that people loved them. I had a few requests to put them all together in one group.

So here they are.

They're all quite simple. Just 30 questions to get you thinking about your trading business. If something catches your attention, explore the idea deeper. It might lead nowhere. But it might also lead to improvements in process or even new sources of edge.

Lance Beggs

YTC www.YourTradingCoach.com

Day 1 of 30:

Do you actually want to trade?

Spend some time reconsidering your life goals and values?

Are they more easily achieved through other means?

Does your passion for this game still exist?

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Day 2 of 30:

Imagine you were the head of your own prop trading firm and were tasked with interviewing new traders. What are the top five qualities you would seek in a trader to ensure they were the best possible fit for your team culture?

Now, since you are actually the trader, grade yourself on these five qualities. Would you hire yourself? Or do you need to work on some areas?

How could you go about improving in each of these qualities over the coming months?

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Day 3 of 30:

Are your relationships with others acting more as a source of stress than as a positive influence?

Trading is tough enough without having to deal with relationship or family problems at the same time.

Allocate some time to understand the problem, identify potential solutions and outline a plan to improve these areas of life.

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Day 4 of 30:

Are you commencing your trading sessions in peak physical condition?

What can you do to improve your physical health and wellbeing?

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Day 5 of 30:

Are you commencing your trading sessions in peak psychological condition?

What can you do to improve your mental and emotional health and wellbeing?

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Day 6 of 30:

What other priorities do you have which are competing with trading for your time and your energy?

List them all. Review them. Can they be discarded entirely? Can they be passed to someone else or outsourced? Can they be simplified? Can they be rescheduled to more convenient times?

Find some way to minimise the time and energy they consume and to maximise your focus on your trading business.

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Day 7 of 30:

What caused you to miss the most trading days last year?

Tech issues? Personal health issues? Other?

Whatever it was, what can you do to ensure that further disruption is minimised or avoided entirely?

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Day 8 of 30:

Can you rearrange your trading room to improve efficiency?

Can you rearrange your trading room to minimise distraction?

Can you rearrange your trading room to prime yourself for peak performance?

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Day 9 of 30:

Is there any software or new technology which can improve your efficiency, either through automation or simplification of processes?

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Day 10 of 30:

Are all steps of your pre-session, during-session or post-session routines essential?

Consider each in turn.

Do you have any which add minimal value to your performance?

Can they be discarded?

Or can they be improved so that they do actually add value?

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Day 11 of 30:

When running late, what pre-session tasks do you tend to skip over?

Consider whether or not they REALLY are necessary?

If they do add value, is there any way to simplify or speed up the task so that it is no longer skipped?

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Day 12 of 30:

What daily trading activity feels like it takes too long or feels like a real chore?

Why is that?

Find a way to modify or streamline the task so that it operates more efficiently.

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Day 13 of 30:

What data or information is required for your review process to MOST EFFECTIVELY drive growth and development?

Are you actually capturing the required data or information?

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Day 14 of 30:

Assuming you are capturing the information required for growth and development, how can you improve the way you use this information to assess performance, understand strengths and weaknesses, and identify process and strategy improvements?

There is always something which can be improved. Find it.

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Day 15 of 30:

What output is your trading and review process generating which is simply stored and never (or rarely) used.

Examine it.

Either find a way to use it to drive further growth and development, or scrap it and simplify your processes.

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Day 16 of 30:

Are you certain you're trading the best strategy type for your personality?

(Compare discretionary vs systematic, long timeframe vs short timeframe, single-market vs multiple markets)

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Day 17 of 30:

Are you certain you're trading the best markets for your strategy?

Are you certain you're trading the best time of day for your strategy?

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Day 18 of 30:

How confident are you that your plan can provide a positive expectancy outcome over the next 12 months?

How do you know?

If you're not confident, what additional testing and evaluation can you do to confirm potential edge and gain the required confidence?

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Day 19 of 30:

If you had to drop everything you've done so far and start again, what would you change?

Is there any reason why you should not explore these changes now?

Make sure you're not persisting with something that's not working, simply because you've put in significant effort so far!

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Day 20 of 30:

Has your performance improved over the last twelve months?

If you have been actively pursuing growth and development, but it's not achieving any improvement in performance, why is this?

Are you asking the wrong questions? Are you operating on assumptions which may not be correct?

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Day 21 of 30:

Is the variation in your results on a month-to-month basis within acceptable limits?

If not, why not?

What can be done to improve your consistency?

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Day 22 of 30:

What was the high point of the last twelve months?

What can you do to ensure the greatest chance of that repeating again in future?

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Day 23 of 30:

What was the low point of the last twelve months?

What can you do to prevent that reoccurring?

Or if not possible, then what can you do to minimise the likelihood or consequence of recurrence?

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Day 24 of 30:

What was your biggest trade of the last year?

Review the trade. Break it down into each element of the trading process and find the factors which led to success.

Is there some way to improve your processes or decision making and capture more trades like this one?

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Day 25 of 30:

What was your worst trade of the last year?

Review the trade. Break it down into each element of the trading process and find the factors which led to poor performance.

Is there some way to improve your processes or decision making so that you avoid these situations in future?

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Day 26 of 30:

What is the weakest part of your plan?

Don't over-think. Trust your intutition. Pick something NOW!

Maybe identification of trade ideas, entry, trade management & exits, money management, personal discipline or consistency in process?

Now, why did your intuition choose that answer? There is growth available in this area. Explore it further and find the source of improvement.

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Day 27 of 30:

What if you HAD TO ensure a profit over the next 20 trades.

No option. Assume there's a gun to your head if you want.

What would you do differently to maximise the likelihood of success over this series of trades?

Is there any reason why these changes are not a part of your normal plan?

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Day 28 of 30:

What if you were limited to a maximum of ONE trade per day?

How would you identify that A+ prime trade opportunity?

Is there any way to amend your plan to try to capture more of these trades?

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Day 29 of 30:

Have you ever clearly defined the environment and market conditions which are most suited to your trading approach?

Could your performance be improved by limiting trading ONLY to those times when these factors are present?

Or, are there ways to more quickly recognise when these conditions become present in future, allowing you to rapidly adapt and exploit the opportunity within these ideal trading conditions?

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Day 30 of 30:

Let's finish this series on a high.

What excites you the most about your future potential?

How can you modify your environment to remind you of this every day?

Trader's Checklist -

Steps to Trading Success

By Lance Beggs

'Because You'd Rather Be Trading For A Living...'

Trader's Checklist – Steps to Trading Success

by Lance Beggs

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About the Author

Lance Beggs is a full time day-trader with a current preference for FX futures and E-mini futures markets. His style of trading is discretionary, operating in the direction of short-term sentiment within a framework of support and resistance.

As an ex-military helicopter pilot and aviation safety specialist, Lance has an interest in applying the lessons and philosophy of aviation safety to the trading environment, through study in human factors, risk management and crew resource management.

He is the founder and chief contributor to https://yourtradingcoach.com/, which aims to provide quality trading education and resources with an emphasis on the ‘less sexy’ but more important aspects of trading – business management, risk management, money management and trading psychology.

Lance can be contacted via support@YourTradingCoach.com

"A goal without a plan is just a wish."

...Antoine de Saint-Exupery

Table of Contents

Trader's Checklist – Steps to Trading Success

Introduction

Would you like to become a trader? At YourTradingCoach.com, we don't believe this is possible through just purchasing an ebook or completing a weekend seminar. The road to trading success is a long, hard, winding road, with many potholes, false turns and dead-ends. Sorry, but that's a fact. There is no Holy-Grail trading solution.

Just as peak performance in sport requires years of exposure to the sport, trading success comes from years of exposure to the markets, allowing constant improvement in the trader's ability to read changes in market sentiment and to react without fear.

Disciplined application of the following steps will get you off to a great start to becoming a trader. Please print it out and get started from step one immediately. And as you travel along this long journey to profitability, don't forget to enjoy the process and marvel at the complexity of the challenge and the personal psychological insights that you WILL make along the way.

Cheers,
Lance Beggs

Checklist

No	Step	Tick when completed
1	Understand why you want to trade. ✓ What do you want out of life? ✓ How does trading fit into this life plan? ✓ What are your beliefs about the markets? ✓ What are your beliefs about your ability to trade the markets?	☐
2	Are you up to the task of becoming a trader? ✓ What personal strengths will you bring to your trading? ✓ What personal weaknesses will impact your efforts? ✓ What is your attitude to risk? ✓ How motivated are you to achieve success? ✓ What are the consequences of failure, and are you prepared to face this possibility?	☐
3	Do you wish to trade part-time or full-time? ✓ Why? ✓ If full-time, how do you plan to make the transition from working for a living to trading for a living? • When will you quit work? • Will you phase it out? • How will you support yourself or your family during this period? • What is your fallback plan?	☐
4	What timeframe do you wish to trade? ✓ How much time do you have to devote to trading? ✓ Would you prefer daytrading, swing trading or position trading?	☐
5	What are your goals from trading? ✓ What return on investment are you seeking? • Daily, weekly, monthly or annual? ✓ Why? ✓ Consider whether that return is realistic? ✓ Are you trading for cashflow or capital growth? ✓ How long are you expecting it to take for you to learn to trade and achieve this result?	☐

6	Review your financial situation. ✓ What initial capital will you have available to commence your trading? ✓ How much can you afford to spend on trading education? ✓ How much are you willing to lose during the 'learning' period?	☐
7	Review your current time schedule. ✓ How much time can you commit to learning to trade? ✓ Produce a weekly planner to ensure that time is always available.	☐
8	Seek advice from a licensed financial adviser. ✓ Discuss your desire to trade, and how it can best be safely incorporated into your wider portfolio and wealth management strategy.	☐
9	It's time for a reality check. ✓ Accept that approximately 95% of traders fail in their ability to consistently profit from the markets. ✓ Research the cause of trader failure. ✓ Why do you believe that you can be a part of the 5% consistently profitable traders? ✓ Accept that trading success will most likely take longer than you anticipate, and cost more than you expect. How will that impact your plans? ✓ Do you have realistic expectations with respect to the time and effort required to learn to trade, and the returns that are possible from trading?	☐
10	Confirm you have the full support of your family. ✓ Discuss any concerns you may have, and your plans to minimize any negative impact. ✓ Discuss any concerns they may have about the impact on relationships, or your financial future.	☐
11	Trading Psychology. ✓ Understand that you need to take personal responsibility for your trading decisions, and ultimately for your trading success or failure. ✓ Understand that the nature of the markets is uncertainty. ✓ Understand the probabilistic nature of the trading.	☐

<table>
<tr><td>12</td><td>What market do you wish to trade?
✓ Stocks, options, forex, futures, CFDs?
✓ Research the above choices and choose the market that you feel most comfortable with.
✓ Understand why you want to trade this market.</td><td>☐</td></tr>
<tr><td>13</td><td>Study your chosen market.
✓ Understand the fundamental drivers of that market.
✓ Is there sufficient liquidity in the market to allow ease of entry and exit? If not, consider selecting another market.
✓ Is there sufficient volatility in the market in order to achieve your profit objectives within your chosen trading timeframe? If not, consider selecting another market or timeframe.
✓ Define a broad strategic concept that could be applied to this market to produce profits, such as:
• Capturing trends.
• Capturing momentum swings.
• Support or resistance.
• Reversal from extremes.
• Gap plays.
• Volatility or time decay option strategies.
✓ What capital is required for trading your chosen market & timeframe?
• What margin do you require?
• What is the minimum position size?
• If you cannot afford this market, then either
▪ Continue studying while saving more capital, or
▪ Consider finding another more suitable market or timeframe that suits your available capital.
✓ Understand the benefits and dangers of the leverage available in this market.</td><td>☐</td></tr>
<tr><td>14</td><td>Study price movement.
✓ Understand the movement of price from the perspective of supply and demand imbalances.</td><td>☐</td></tr>
<tr><td>15</td><td>What is your preferred analysis style?
✓ Technical Analysis?
✓ Fundamental Analysis?
✓ Statistical Analysis?
✓ A combination of the above methods?
✓ Research all of the above methods and find the style that you most relate to.</td><td>☐</td></tr>
</table>

16	Study your chosen analysis style. ✓ Become familiar with all analysis tools and choose those that you most relate to. ✓ For example, with technical analysis: • Do you prefer bar, candlestick or point & figure charts? • Will you use tools such as Level II, market profile or time of sales? • Do you prefer price action analysis or indicator based analysis?	☐
17	Consider the need for personal coaching or mentoring. ✓ Do you prefer live trading rooms? ✓ Do you prefer after-market coaching? ✓ Do you prefer one-on-one coaching? ✓ Do you prefer a group or seminar setting? ✓ Do you prefer self-coaching?	☐
18	Risk Management. ✓ What is the maximum risk that you will allow per trade? ✓ What is the maximum portfolio heat that you will allow?	☐
19	Money Management. ✓ How will you determine position sizing? ✓ When will you increase or decrease position size? ✓ What are your plans for profit reinvestment? ✓ What are your plans for drawing capital?	☐
20	Rewards Program. ✓ All work and no play isn't fun, so please implement a rewards program. ✓ How and when will you reward yourself for progress towards becoming a trader? ✓ How and when will you reward yourself for profitability?	☐
21	Trading Psychology. ✓ Understand the qualities of a successful trader. ✓ Determine strategies to maximize these qualities within yourself. ✓ Understand the qualities of a losing trader ✓ Determine strategies to limit the impact of these qualities within yourself.	☐

22	Study basic business skills, such as: ✓ Time Management. ✓ Goal Setting. ✓ Record Keeping. ✓ Bookkeeping.	☐
23	Business Management - Business Setup and Planning: ✓ Seek advice regarding appropriate strategies for: • Business structure. • Asset protection. • Tax minimization.	☐
24	Business Management – Process: ✓ Documented trading plan – use this checklist as a guide for documenting your trading plan. ✓ Documented procedural steps to ensure consistent application of your trading plan. ✓ Documented routine: • Pre-market routine. • During trading. • Post-market routine. ✓ Documented record keeping and performance tracking process: • Trading Journals, equity curves and Profit & Loss statements. • Recording of personal trading performance and psychology. • Will you use a spreadsheet, paper, or portfolio management software? ✓ Documented review process: • Daily, weekly, monthly, quarterly, or annual reviews. • Performance based review upon exceeding daily, weekly or monthly drawdown.	☐
25	Business Management – Personnel: ✓ Consider the need for the following support personnel: • Broker. • Adviser. • Coach / Mentor. • Trading Partner. • Accountability Partner. • Accountant / Bookkeeper. ✓ Will they be employed or outsourced?	☐

26	Business Management – Resources: ✓ Ensure appropriate office space for trading • Home office or dedicated trading office? • Desk. • Comfortable chair. • Suitable lighting. • Minimal distractions. ✓ Ensure appropriate hardware for implementation of your trading plan: • Computer system. • Internet Service Provider. • Telephone system. ✓ Ensure appropriate software for implementation of your trading plan: • Charting application. • Data provider. • Scanning software. • Research tools. • Testing software. • Trading journals (may be soft copy or hard copy). • Portfolio Management. • Record Keeping / Bookkeeping.	☐
27	Business Management - Contingency Planning: ✓ Develop contingency plans for hardware failure. ✓ Develop contingency plans for software failure: • Of particular importance is your ability to contact your broker and exit all positions if you lose access to your charting and order entry applications. ✓ Develop contingency plans for additional income streams, if required. ✓ Halt trading criteria: • During a trading session. • Drawdown limits – daily, weekly or total.	☐
28	Personal Management: ✓ What is your plan to ensure maintenance or improvement of health? Establish plans for: • Physical health. • Fatigue management. • Time away from the markets. ✓ What is your plan to ensure a healthy mindset? Establish plans for: • Relaxation • Visualization / Affirmations.	☐

29	Learn how to use all your trading hardware and software resources. ✓ In particular, be familiar with all order types available. Understand the advantages and disadvantages of each, and when to use each type of entry or exit order.	☐
30	Do you prefer systems that are: ✓ Discretionary? ✓ Rule based? ✓ Why?	☐
31	Define your trading strategy. ✓ Will you develop your own, or purchase a system? ✓ Understand why the chosen strategy works. ✓ Does this strategy fit your beliefs for how and why the market moves? ✓ Does this strategy suit any time constraints you may have? ✓ Asset allocation – what percentage of your total capital will be applied to this strategy and/or market? ✓ Can this strategy provide the rewards you are seeking? ✓ Does this strategy provide a maximum drawdown that is within your financial and psychological limits? ✓ Document clear rules for: • Position sizing. • Risk control. • Trade setup. • Trade entry. • Trade management. • Trade exit.	☐
32	Ensure your strategy has a proven edge. ✓ Conduct back testing to ensure profitability, either by hand if your system is discretionary based, or with appropriate testing software if you system is rule based. ✓ Conduct forward testing to ensure profitability, using a demo or simulation platform if available, otherwise via paper-trading. ✓ Ensure any testing was conducted exactly in accordance with your trading plan, and over sufficient sample size to ensure valid results.	☐

33	Are you ready for live trading? ✓ Review the above steps and confirm all actions have been carried out. ✓ Is your trading plan documented? ✓ Is your trading routine and process documented? ✓ Why do you believe you are ready? ✓ What is your edge in the market?	☐
34	Commence trading with the smallest possible position size. ✓ Your goal is to consistently execute quality trades in accordance with your plan, not to make money. ✓ Remember, success comes from the disciplined and consistent application of a positive expectance trading strategy, with proper application of risk management, money management, business management, personal development and trading psychology. ✓ Success comes from continued exposure to the markets and developing an intuitive feel for market sentiment. ✓ Success comes from unlearning the fear based decision making processes that were developed through your pre-trading life. As you continue to act in accordance with your trading plan, and eventually realize that the market cannot hurt you, your confidence will naturally build. You will learn to react to your system instinctively, without fear.	☐
35	Ensure ongoing performance tracking and review. ✓ Document all trades in your trading journal. ✓ Document your personal performance in your trading journal. ✓ Conduct regular reviews of your strategy and yourself, to identify areas of strength and weakness.	☐
36	Achieve consistency in implementing your trading plan ✓ Ensuring you NEVER allow your risk to exceed pre-planned limits.	☐
37	Achieve breakeven consistency. ✓ Reward yourself – breakeven is an excellent result.	☐
38	Increase position size gradually. ✓ Prove consistent success at each level, in application of the trading plan and profitability, before any further increase in position size. ✓ Gradually increase up to the maximum risk allowable for your capital base.	☐

39	Continue trading: ✓ Your goal continues to be executing quality trades in accordance with your plan, not to make money. Do this and the money will follow. ✓ Continue with your ongoing performance tracking and review process. Never stop learning. ✓ Commit to ongoing education and constant improvement.	☐
40	Well done – you're a trader!	☐