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ANDREY STRASHKO

THE TRADER'S CHEAT SHEET

50 CANDLESTICK & CHART PATTERNS



READ THE MARKET. SPOT THE SETUP. MANAGE THE RISK.



ILLUSTRATED PRACTICAL GUIDE

Andrey Strashko

The Trader's Cheat Sheet. 50 Candlestick & Chart Patterns

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Аннотация

Why does price reverse, and how can you recognize a potential breakout? The Trader's Cheat Sheet explains 50 candlestick and chart patterns through clear illustrations and practical examples. Learn what each pattern means, how to look for confirmation, where a trading idea can fail, and how to manage risk. With common mistakes and a helpful glossary, this illustrated reference is designed for beginner and developing traders. For educational purposes only.

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Andrey Strashko

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Preface

Almost everyone who has opened a trading platform has seen this scene at least once. The price surges, a bright green candle appears, and your finger hovers over the Buy button. A minute later, the market reverses. One question pounds inside your head: “Why right now?” Thousands of beginners know that uncomfortable feeling. It is a good place to begin our conversation about charts.

Trading has an attractive surface: neat lines, colorful candles, and impressive names for patterns. Dig a little deeper, though, and you find a very human struggle. Someone got scared. Someone rushed in. Someone paid too much. Someone sold at the very bottom. A chart is built from those decisions. That is why it becomes far more interesting when you read it as a story about human behavior instead of a collection of magic spells.

I designed this book as a substantial cheat sheet you can open to exactly the page you need. Spot a long lower wick? Turn to the Hammer. Notice two similar peaks? Open the Double Top section. See a tightening triangle? Compare it with the three types of consolidation. Every diagram comes with a detailed explanation: how to recognize the shape, what might have happened among market participants, where to look for it, what confirmation to watch for, and when to admit that the idea has failed.

The diagrams in this book use hypothetical prices. I have deliberately removed unnecessary noise so you can see the structure of each pattern clearly. Real charts are usually messier: candles vary in size, lines are crooked, a level looks more like a zone, and price has a talent for testing your patience. We will return again and again to the journey from a clean textbook illustration to a living market.

Perhaps the most surprising lesson, repeated throughout this book in different forms, is that being able to name a pattern does not automatically make a trade worthwhile. The more useful questions are quieter ones: Where did this pattern appear? What confirms it? At what point would my idea be wrong? How much could I lose if I am mistaken? There is less romance in those questions, but far more practical value.

This material is for educational purposes. It provides no personalized investment recommendations and promises no returns. Trading securities, currencies, futures, and cryptoassets can lead to substantial losses; borrowing money or using leverage increases the risk further. Before putting real money at stake, practice with historical charts or a demo account.

REMEMBER

How to use this book: read the basics and the risk-management chapter first. Then study three or four patterns at a time and look for them on completed historical candles. Each pattern profile ends with a short takeaway you can review before practicing.

The Language of Price

Learn to see the movement first. Then learn to recognize the patterns.

Chapter 1. One Candle, One Period, Four Prices

Look at an ordinary market chart. At first it seems complicated: long shadows, green and red rectangles, lines, numbers everywhere. Yet every candlestick rests on just four values. Once you understand them, the screen starts looking less like an unsolvable mosaic.

Open, High, Low, Close

Open is the price at the beginning of the selected period. High is the highest price reached during that period. Low is the lowest. Close is the price at the end. Together they form OHLC. On a five-minute chart, one candle describes five minutes; on a daily chart, it describes a trading session or a calendar day, depending on the market and data provider.

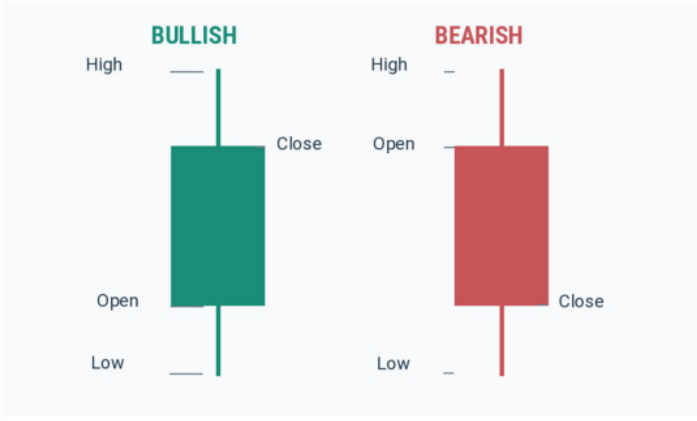


Fig. 1. Anatomy of a bullish and a bearish candlestick. Schematic; hypothetical prices.

The rectangle between the open and close is called the body. The thin lines above and below it are the shadows, or wicks. A close above the open generally produces a green body; a close below the open, a red one. Platforms let you change these colors, so always look at the actual relationship between the prices. Some charts use white and black instead of green and red.

How to Read a Candle's Mood

Picture a large green candle with short wicks. For most of the period, price moved from the open toward a higher close. That shows a meaningful advantage for buyers during that interval. A small green body with a long upper wick tells a different story:

price rose, but the market could not hold those higher levels. A long lower wick means buyers absorbed at least part of a decline.

A candle, however, cannot reveal the exact order of all the trades. From the four OHLC prices alone, you cannot know whether the high or low came first, how many participants traded, or why they made their choices. Sometimes you need a lower timeframe, volume data, and information about how trading unfolded.

Why the Timeframe Matters

The same hour might look like one long bullish candle on an hourly chart but a series of sharp selloffs and rebounds on a one-minute chart. The shorter the period, the more often random fluctuations resemble familiar patterns. A large formation on a daily chart describes a different scale of conflict than a similar shape on a three-minute chart.

To begin, pick one primary timeframe and one higher timeframe. For example, use the hourly chart to identify patterns and the daily chart to understand context. Reading a few dozen historical examples confidently on two timeframes is much more useful than trying to watch ten screens at once.

REMEMBER

Quick candle check: Where is the close within the candle's full range? How large is its body compared with nearby candles? Which wick is longer? At what price level did it appear?

Chapter 2. Trends: Following the Price Staircase

Beginners often try to predict the next candle. Experienced observers first look at the road the market traveled to reach its current price. One good way to see that road is to follow the sequence of prominent highs and lows.

The Three Basic Market Conditions

In an uptrend, price generally forms higher highs and higher lows. In a downtrend, it tends to form lower highs and lower lows. Within a sideways range, the sequence becomes less reliable: price keeps returning to roughly the same upper and lower boundaries.

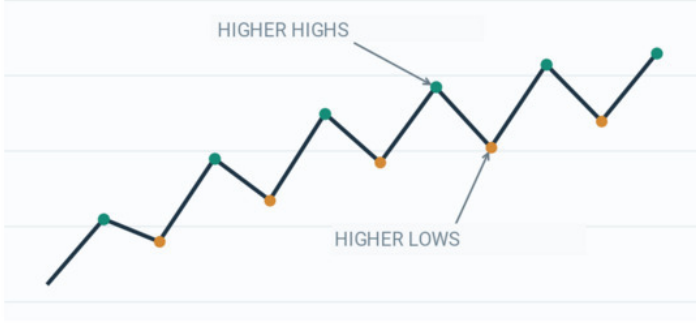


Fig. 2. Rising highs and lows. Schematic; hypothetical prices.

The word “generally” matters. Markets rarely follow a textbook perfectly. One brief move below a previous low does not necessarily destroy an uptrend. Pay attention to important swings; do not obsess over every tiny tick. The clearer the structure, the less you have to invent explanations.

Impulses and Pullbacks

An impulse is a directional move in which price makes noticeable progress. A correction, or pullback, is a temporary move against the prevailing direction. In an uptrend, pullbacks feel painful to people who bought late, even though they also let the market reposition itself. In a downtrend, rebounds can look wonderfully encouraging while remaining only a temporary pause.

The patterns in this book take on different meanings depending on the preceding price action. A Hammer after a steep decline may suggest that demand is returning. The very same candle during a rally is more often called a Hanging Man. Their outward shapes are almost identical; the story leading up to them determines what question we are trying to answer.

Why the Higher Timeframe Helps

Imagine a beautiful, tidy Ascending Triangle on a five-minute chart. Now switch to the daily chart. Directly above it sits a resistance zone that has reversed price repeatedly for six months. A small local breakout faces a much more complicated situation

than it first appeared. The higher timeframe gives you a map of the terrain.

REMEMBER

Before studying any pattern, describe the state of the market in one sentence: “Rising with higher lows,” “Falling toward support,” or “Trading in a range for two months.”

Chapter 3. Levels: Places Where the Market Remembers

Why does price sometimes stop several times near the same number? There can be many reasons. Market participants remember previous trades, close positions, place limit orders, or defend levels that matter to them. On a chart, their actions show up as repeated reactions. That is how we identify support and resistance.

Support and Resistance

Support is an area where meaningful demand appeared before, slowing a decline or turning it into a rise. Resistance is an area where selling pressure previously halted an advance. It helps to identify these zones through several price reactions, especially on a higher timeframe.

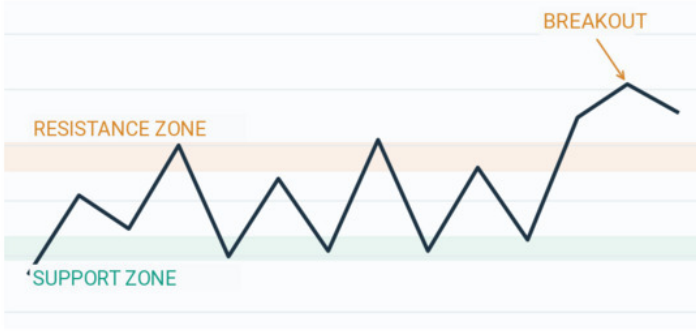


Fig. 3. Support and resistance zones. Schematic; hypothetical prices.

A level is rarely a mathematically perfect line only one tick thick. Price may briefly dip below an old low, trigger protective orders, and close back above it. A strong resistance level can be exceeded by several points before price returns to the range. Allowing a little room around the level usually reflects reality better than drawing an inflexible line.

Breakouts and Retests

A breakout occurs when price moves beyond a significant boundary. A retest is a later return to check that boundary. After a convincing move above resistance, the former ceiling sometimes becomes support. After a drop below support, the old floor may become resistance. These are common scenarios, but they do not have to play out every time.

One especially deceptive move happens when price crosses a level briefly and then snaps right back. This is called a false breakout. Traders can become trapped inside it: they position themselves for continuation while the market returns to its old territory. Remember where the candle closed, not merely that price pierced a level.

How Many Levels Should You Draw?

Put twenty horizontal lines on a chart and almost every candle will end up near one of them. Here lies a trap: afterward, you can explain almost any move with one of those lines. Choose a handful of the most obvious zones, mark them in advance, and evaluate fresh reactions without constantly shifting your drawings.

REMEMBER

A level is useful when you can explain where and why price reacted to it in the past, and what would make a new reaction inconsistent with your trading idea.

Chapter 4. Volume, Volatility, and Price Gaps

Two identical-looking candles can form under very different conditions. One may emerge during a busy trading day with heavy turnover. Another may come from a handful of scattered trades in a thin market. The shapes look alike, but the quality of the information differs. That is why charts are more useful when read alongside trading conditions.

What Volume Tells You

Volume usually measures the number of shares, contracts, or units of an asset traded during a period. Some over-the-counter and foreign-exchange platforms show tick volume instead: the number of quote changes. Tick volume cannot automatically be treated as total market turnover. First find out exactly what your platform is displaying.

Rising volume as price crosses a long-established boundary can suggest broad participation in the move. Yet heavy volume also occurs at climactic points, when traders close positions in an emotional rush. A taller volume bar does not, by itself, predict where price will go next. It merely helps you judge how significant an event might be.

Volatility: When Distances Change

Volatility describes how much price fluctuates. Candles are often short on quiet days; during major news events, their

ranges may expand several times over. The same ten-point stop feels very different in these conditions. Compare the current price range with what is typical, and avoid carrying yesterday's distances into an entirely new market environment.

Average True Range, or ATR, is a measure of the average true price range over time. It does not predict direction. ATR helps you estimate typical movement and consider whether a protective stop may be too close. Its formula cannot replace the logic of a meaningful level or a clearly defined invalidation point.

Gaps: Empty Space Between Sessions

In stocks, a price gap can form between one day's close and the next day's open. For instance, a stock closes at 100 and the first trade the following morning occurs at 108. Gaps are part of the classical descriptions of candlestick patterns such as the Morning Star and Piercing Pattern.

Crypto markets and some other instruments trade almost continuously, so a traditional gap between neighboring candles often does not occur. You may spot similar combinations of candle bodies, but describe them carefully. A signal that depends on a gap at the start of an exchange session cannot simply be transplanted into a 24-hour market.

The main practical danger of a gap is order execution. If price jumps past your stop level, your actual exit may occur at a worse price than planned. This is one reason why a risk number in a spreadsheet is never a guaranteed maximum loss.

REMEMBER

Before interpreting a pattern, ask: Is this market liquid? How are trading sessions organized? What volume data is available? Has the usual price range suddenly grown several times larger?

Chapter 5. Six Questions to Ask About Every Pattern

The biggest danger of a beautiful chart is the feeling that it has already explained everything. You recognize a familiar W shape, immediately remember the textbook, and are ready to act. Good analysis begins by slowing your thoughts down. Six questions can stop you from falling in love with a picture.

1. What Happened Before the Pattern?

A reversal pattern needs a move that it could plausibly reverse. If price has spent days drifting around a range, a "Double Top" might simply be another piece of that same range. Identify the trend and its timeframe.

2. Where Exactly Is the Pattern Forming?

A Hammer at strong support tells a different story from a Hammer in the middle of an empty range. A Shooting Star near repeatedly tested resistance deserves more attention than an identical candle appearing at a random point. Location gives a shape its meaning.

3. Has the Pattern Actually Completed?

Before a candle closes, its body can change color and size. Before a triangle breaks, price can emerge in either direction. A Head and Shoulders remains a developing structure until the neckline is breached. There is nothing wrong with examining unfinished patterns, but be honest about their status.

4. Is There Confirmation?

Confirmation is subsequent price behavior consistent with your idea. It may be a close above the high of a bullish candle, price holding a broken level, or a sequence of higher lows. Confirmation cannot eliminate the possibility of a loss, but it gives you something objective to test.

5. Where Would the Idea Be Proven Wrong?

A useful trading plan defines in advance the event that would invalidate the original story. For a Double Bottom, that might be a decisive loss of the zone around its two lows. For a bullish breakout, it might be a sustained return to the old range. The boundary depends on the setup, volatility, and instrument.

6. What Would Being Wrong Cost?

Even a gorgeous pattern does not justify unlimited risk. Calculate the distance from entry to your planned exit if the trade fails, then include commissions, spread, and potential slippage. If the total is too much for your capital or your peace of mind, skipping the trade may be the smartest decision of the day.

Notice that none of these six questions asks you to guess what will happen tomorrow. They force you to describe conditions you can actually observe. That small change makes trading feel a lot less mysterious.

REMEMBER

The six questions in one line: trend → location → completion → confirmation → invalidation → risk.

Japanese Candlesticks

Short stories about pressure, buying the dip, pauses, and attempts to reverse a trend.

Now we reach many readers' favorite part: Japanese candlesticks. One candle, two, three, sometimes five form little stories about the struggle between supply and demand. Each has a name, recognizable traits, and a typical setting. But there is no need to memorize the labels mechanically. What matters far more is learning to see recurring human behavior behind similar shapes.

In the figures, green bodies indicate a close above the open and red bodies a close below it. A pale rectangle highlights the candle or group being studied. A dashed line sometimes marks a potentially important price area. All charts use hypothetical prices and have been deliberately simplified. They illustrate how a pattern is constructed without promising what will happen next.

Every profile begins with a short story, followed by recognition clues, market psychology, context, a confirmation checklist, common mistakes, and an example. All prices and situations are invented for learning purposes. They represent neither actual trades nor statistics about profitability.

Single-Candlestick Patterns

ONE CANDLE

01. Hammer



Fig. 4. Hammer. Schematic; hypothetical prices.

Sometimes you look at a falling market and think, "That's it. The buyers have vanished." Price slips even lower, and then, just before the candle closes, almost the entire drop gets bought back. A long lower wick is left on the chart. That is the story a Hammer tells.

How to Recognize It

A Hammer has a small body near the top of its range and

a long lower shadow. The lower wick is often at least twice as long as the body, and the upper wick is short. Body color is secondary. The pattern becomes meaningful after a decline, particularly near previously important support. The same candle after an extended rise has a different name: Hanging Man.

What Is Happening in the Market

During the period, sellers pushed with all their might. At lower prices, demand emerged, and by the close the market had recovered. Buyers have not won the battle yet: the rebound might be temporary. But for the first time in a while, sellers had to give ground. That moment is what catches a trader's eye.

Where to Look

Look for a Hammer after a sequence of lower highs and lows, close to an area that has produced rebounds before. A return to the range after a false break of support deserves particular attention. In sideways markets, Hammers appear by the dozen. Without a relevant level and prior move, their significance falls dramatically.

How to Confirm and Plan

Mark the Hammer's high and low. One possible approach is to wait for the next candle to close above the Hammer's high before assessing an entry. If the follow-up candle is weak, it may be best to pass. In a practice plan, an invalidation level might sit below the lower wick, with room for spreads, slippage, and volatility; the distance to that level determines position size.

Common Mistakes

The most common trap is buying before the Hammer has closed. Halfway through the session it looks perfect; five minutes later it turns into a long red candle. Another mistake is treating every long lower shadow as a reversal. During sharp moves driven by news, candle ranges can be erratic and the required stop distance may be uncomfortably large.

A Worked Example

Imagine a stock that has fallen for three days toward the 100 area. During the day it touches 96 and closes near 101. Buyers have pulled price back into an important zone, but the outcome remains uncertain. The following day closes above the Hammer's high: there is now a reason to watch for a reversal attempt. If price quickly falls below 96, the original idea loses its basis.

In Brief

A Hammer says: "Selling pressure met resistance at lower prices." A potential trade needs the rest of that story.

ONE CANDLE

02. Hanging Man

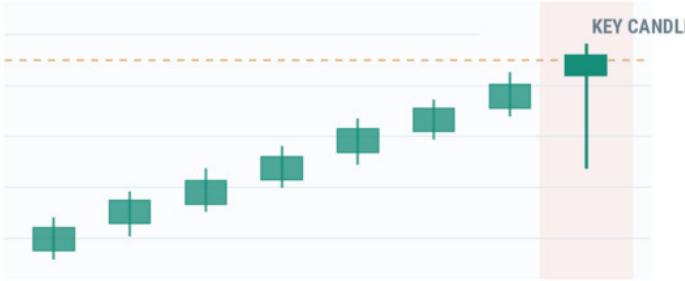


Fig. 5. Hanging Man. Schematic; hypothetical prices.

The Hanging Man has a frightening name, even though it looks just like a fairly friendly Hammer. The twist is where it appears. After a powerful advance, the market suddenly reveals that price can plunge within a single period. It is as if the rally has stumbled for the first time in ages.

How to Recognize It

The body is small and sits near the candle's high. The lower wick is long; the upper wick is short. It is easy to confuse this shape with a Hammer, so first check that an uptrend preceded it. One candle cannot prove the move has ended. The behavior of subsequent candles matters especially here.

What Is Happening in the Market

While the candle formed, sellers managed to push price sharply lower. Buyers recovered most of the drop. On the surface, everything ended well, but the very depth of the fall hints at a shift in strength. If price then begins closing below the Hanging Man's body, that warning gains confirmation.

Where to Look

A Hanging Man is most expressive after a prolonged rally, at resistance, near a round-number price, or just after an acceleration. In the middle of a broad range, a similar candle often reflects ordinary intraday volatility. Compare the wick with neighboring candles and the asset's usual range.

How to Confirm and Plan

Mark the Hanging Man's low as a level to watch. A more cautious educational setup is to wait for the next candle to close below its body or low before judging whether the risk is acceptable. For a short position, an invalidation level is generally considered above the pattern's high. Remember that short selling comes with additional rules and risks.

Common Mistakes

Trying to sell the instant a long lower wick appears often ends badly. A strong trend can absorb the drop and keep climbing. Another mistake is finding a Hanging Man among three random candles after a quiet sideways phase and treating it as a major reversal signal.

A Worked Example

Price rose from 70 to 90. A candle appears that dips to 84

and closes around 89. The next day fails to make a new high and closes below 84. The case for a weakening trend has become much clearer. If price instead establishes itself convincingly above 90, the warning remains only a warning.

In Brief

What matters is a deep intraperiod drop after an advance, followed by how the market reacts on the next day.

ONE CANDLE

03. Inverted Hammer



Fig. 6. Inverted Hammer. Schematic; hypothetical prices.

After a long decline, a candle suddenly appears with a long upper wick. It looks as though the bulls tried to attack and were slapped down. Even so, that attempt to lift price is important: the market has shown a noticeable upward push for the first time in

a while.

How to Recognize It

An Inverted Hammer has a small body near the low, a long upper wick, and barely any lower wick. It appears after a decline. Its color may vary; the defining feature is a substantial attempt to rise during the period. The same silhouette at a market top is known as a Shooting Star.

What Is Happening in the Market

Buyers managed to push price significantly above the open. Sellers rejected part of that advance, so the closing result is modest. This candle captures a battle in which buyers have only just made themselves heard. Confirmation is particularly important: an initial test of demand often fizzles out.

Where to Look

Look for an Inverted Hammer near repeatedly tested support, after a false breakout, or at the end of a run of declining candles. A stronger upward body on the following bar adds weight to the idea. In the middle of a chaotic range, a long upper wick may simply signal high volatility.

How to Confirm and Plan

Mark two boundaries: the upper wick and the candle's low. Possible confirmation is a close above the Inverted Hammer's high on the next bar, or another clear display of demand. After confirmation, assess the distance to an invalidation point below the low. If the range is too wide, feel free to skip the trade. The chart will offer other opportunities.

Common Mistakes

Do not confuse an Inverted Hammer with a Shooting Star by looking only at the candle itself. Do not buy simply because you see a long upper wick: sellers have already demonstrated that they can push price down again. Entering early increases your exposure to false signals.

A Worked Example

After a week of declines, price approaches 50. Within one day it manages to reach 55 but closes near 51. The next candle opens quietly and closes around 56. The buyers' attempts now look more consistent. A return below 50 invalidates the idea according to the plan you made beforehand.

In Brief

This is an early sign of buyer interest. A continuing rise still needs confirmation.

ONE CANDLE

04. Shooting Star



Fig. 7. Shooting Star. Schematic; hypothetical prices.

At a market top, a Shooting Star can be striking. Price races higher, the crowd is already counting imaginary profits, and by the close the entire surge has deflated. A long upper shadow remains on the chart: the mark of a failed assault.

How to Recognize It

The body sits near the candle's low. Its upper shadow is typically at least twice as long as the body, while the lower wick is small. A noticeable rise must precede the pattern. If the same body and upper wick appear after a decline, it may be an Inverted Hammer, which calls for a different interpretation.

What Is Happening in the Market

Bulls tried to take the market higher, but there was too much

supply. Late buyers are left in an awkward position: they bought near highs that could not hold. During the next decline they may rush to exit, intensifying the drop. This is one possible chain of events, never a guarantee.

Where to Look

Look near old peaks, resistance on higher timeframes, rapid accelerations upward, and heavily traded tests of a level. If the candle forms during an uptrend just below resistance that has already been broken, selling immediately can be dangerous. Sometimes price briefly pulls back before its next push higher.

How to Confirm and Plan

It makes sense to watch how the candle closes and then observe the next bar. A close below the star's low, or a return below resistance, may confirm weakening momentum. For a short trade, invalidation often lies above the long upper wick. Check whether short positions are available and whether you can withstand a gap.

Common Mistakes

A Shooting Star after an ordinary sideways candle offers little information. A critical mistake is to treat the wick as proof that price can never revisit the high. Stops placed above peaks are sometimes swept away by another sudden spike.

A Worked Example

Suppose price has climbed for several weeks toward 200, reaches 207 on news, and closes around 199. The next candle takes price back below 197. Sellers now have follow-through.

But if price closes decisively above 207, the weakness thesis falls apart. There is nothing to argue about.

In Brief

A long upper wick after an advance signals that higher prices were rejected.

ONE CANDLE

05. Doji

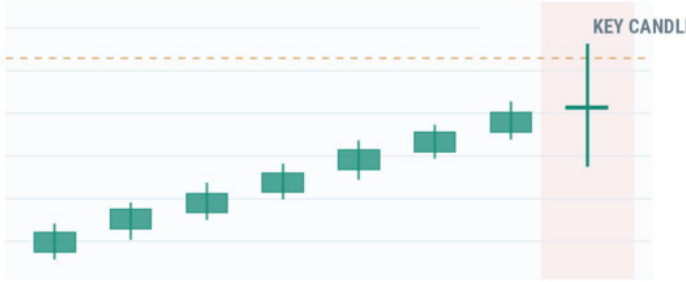


Fig. 8. Doji. Schematic; hypothetical prices.

Sometimes the market spends an entire day arguing loudly and then finishes almost exactly where it started. That is a Doji. It has an elegant name, a strangely calm close, and a powerful temptation to announce an immediate reversal.

How to Recognize It

A Doji has nearly identical opening and closing prices.

Exact equality is unnecessary, particularly in markets quoted in fractions. Its upper and lower wicks reveal how wide the struggle became. A Doji may have short or long wicks; the tiny body itself tells you nothing certain about the next move.

What Is Happening in the Market

Buyers and sellers have temporarily balanced each other by the end of the period. That does not mean the market has run out of energy. Sometimes a Doji is followed by a sharp continuation, sometimes by a reversal, and sometimes by more sideways movement. Patience serves you better than a hasty prediction.

Where to Look

A Doji deserves greater attention after several large candles moving in the same direction. At resistance it can highlight buyer fatigue; at support it can show seller hesitation. Ten Doji candles in a quiet range do not provide ten separate trading setups.

How to Confirm and Plan

Mark the Doji's high and low. Then observe which side manages to close beyond one of those boundaries and whether a strong price level is nearby. A stop for a possible trade should reflect the specific setup and volatility. Mechanically buying the first touch of the upper wick often produces false signals.

Common Mistakes

A beginner's mistake is treating a Doji like a "reverse the market" button. The chart shows near-equality at the close; it promises neither a drop nor a rise. Another mistake is calling

every small-bodied candle a Doji. The relationship between body size, total range, and context matters.

A Worked Example

After five green days, a stock closes with a Doji near a record high. One trader sells immediately and gets caught by the next day's rally. Another marks the boundaries and watches. A day later price breaks above the Doji's high and confirms buyer strength. Avoiding the rush kept the second trader thinking clearly.

In Brief

A Doji captures a pause in the outcome of a struggle. What price does next will reveal the direction.

ONE CANDLE

06. Dragonfly Doji



Fig. 9. Dragonfly Doji. Schematic; hypothetical prices.

A Dragonfly Doji seems to hover over its long tail. It looks fragile, but the movement inside the candle can be anything but gentle: price was pushed sharply down and recovered almost completely. You can hardly resist calling that return a little victory.

How to Recognize It

The open and close are almost at the same level, near the upper end of the range. The upper wick is absent or very short; the lower wick is noticeably long. In essence, this is a close relative of the Hammer with almost no body. Its meaning becomes stronger after a decline and near support.

What Is Happening in the Market

At the beginning or middle of the period, sellers managed to produce a genuine plunge. Buyers gradually absorbed the supply and pulled price back toward its starting point. If convincing buying follows the Dragonfly, the potential reversal story becomes more credible. Without follow-through, the candle merely shows that a sharp selloff was bought back.

Where to Look

Check previous reactions to the level, the length of the wick, and overall market conditions. On an illiquid instrument, one isolated trade can leave an enormous shadow. The shape looks dramatic, but its meaning is questionable. It is better when the recovery comes with normal trading volume.

How to Confirm and Plan

After the candle closes, mark its extremes. A possible

confirmation is for the next candle to hold above the Dragonfly's high. An invalidation point might lie beneath the long tail. If the wick is so large that even one contract creates unacceptable risk, walk away without regret.

Common Mistakes

Never assume a Dragonfly has high accuracy just because its shape is recognizable. Wicks on very short timeframes are often caused by spread changes or sudden orders. And do not forget: a break below the low undermines the story of a successful recovery.

A Worked Example

Price falls toward support at 300, briefly dips to 289, and returns to 301. The Dragonfly Doji looks impressive. Yet an hour later price begins slipping again. That is exactly why traders wait for follow-through instead of falling in love with a shape.

In Brief

A Dragonfly records a powerful recovery from the lows. The key question is whether the market can hold what buyers have regained.

ONE CANDLE

07. Gravestone Doji

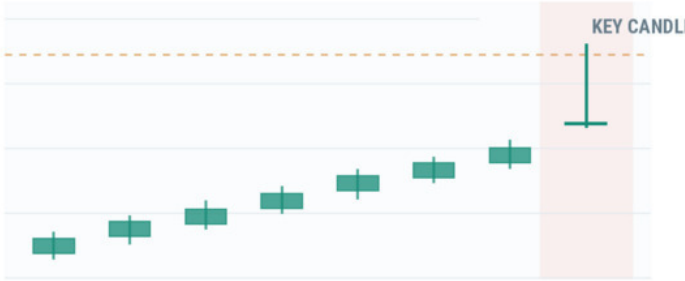


Fig. 10. Gravestone Doji. Schematic; hypothetical prices.

"Gravestone" is an ominous name, and the upper wick really does resemble a failed attempt to capture higher ground. Price rose far above the open, then returned almost to where it began. At the top of a rising market, that is an unpleasant surprise for buyers.

How to Recognize It

The open and close nearly coincide near the candle's low. The upper shadow is long, and there is virtually no lower shadow. For a bearish reading, a preceding advance is essential. At a market bottom, the same configuration requires a different assessment and is no universal sell signal.

What Is Happening in the Market

Buyers briefly seized the initiative, then sellers took it back

completely. Traders who bought near the high may become nervous during the next pullback. Yet a strong market can climb above the top of the wick again and carry on.

Where to Look

Look for a Gravestone Doji near important highs, after an excessively fast advance, or during a test of resistance. Understand why the level matters to market participants: perhaps it is an earlier peak or the edge of a long-standing range. A random wick in a thin market carries much less weight.

How to Confirm and Plan

Mark the high of the upper wick and the candle's low. A decisive close below the low may confirm a bearish reading. In a practice short setup, an invalidation point can be considered beyond the Gravestone's high. If your entry is far from that point, the risk-to-reward ratio may be unattractive.

Common Mistakes

Never open a short position simply because the name sounds scary; the name is more convincing than the signal. News days with unpredictable spikes and opening gaps in the next trading session pose additional dangers.

A Worked Example

Price approaches an old high at 500, rises to 516, and closes near 501. The next day opens quietly, then falls below 498. That is a reason to watch for weakness. A sustained move above 516 changes the picture completely.

In Brief

A Gravestone Doji shows a failed move higher at elevated prices; the following candle provides directional confirmation.

ONE CANDLE

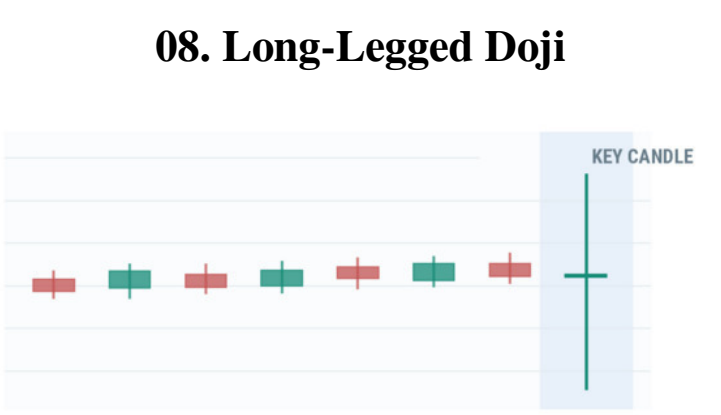


Fig. 11. Long-Legged Doji. Schematic; hypothetical prices.

A Long-Legged Doji makes the market look as though it is rushing between two doors, throwing both open, but stepping through neither. The upper and lower wicks are large, and the body almost disappears. The trading session might have been full of panic, even though the close looks calm.

How to Recognize It

The opening price is close to the closing price, and both shadows are long relative to the body. The total range is often much wider than those of neighboring candles. On its own, this

is a neutral pattern. The wider the gap between high and low, the broader the boundaries of any potential trading setup.

What Is Happening in the Market

Both buyers and sellers made progress at different points during the period. Neither side held the ground it had gained. Near an important event, this often reflects uncertainty and rapid changes in valuation. The sense of control you had in the morning can evaporate by evening.

Where to Look

Look for a Long-Legged Doji after a strong trend impulse or near a break from an extended range. Compare its size with typical candles. Unusually long wicks are especially suspicious in an illiquid market: part of that enormous move may have occurred through only a few trades.

How to Confirm and Plan

First, simply draw the high and low of the range. Then wait for a close above or below it and check whether the move is sustained. The candle's sheer size often makes a stop at the opposite extreme impractical. Choosing to stay out is a perfectly valid trading decision.

Common Mistakes

Do not guess the direction because one wick is a couple of points longer than the other. Remember to account for spread and possible news events. An impressive-looking diagram may conceal chaotic trading conditions.

A Worked Example

Within one hour, price rises from 100 to 111, drops to 93, and finishes around 101. Both sides have lived through a storm. The next hour is still uncertain. Only a sustained move outside that broad range begins to provide a useful direction for analysis.

In Brief

A Long-Legged Doji reflects deep uncertainty. Waiting for clarity is often the better choice.

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