More On Common Candlestick Chart Patterns

TRAVERSE CITY, Mich. - Nov. 18, 2014 - *PRLog* **--** Last week, we posted an article on some of the candlestick chart patterns that are commonly used in forex trading (http://slicktrade.net/2014/11/13/forex-trading/) and binary options trading (http://slicktrade.net/2014/11/03/choose-binary-options-trading/).

You can click here (http://slicktrade.net/2014/11/11/common-chart-candlestick-patterns-part-1/) to read more on them.

Today's post is a continuation of last week's post. We'll continue looking at some other popular and important candlestick chart patterns loved by most traders.

Engulfing patterns

Engulfing patterns are either bullish or bearish and they are usually regarded as strong indications of market reversal when they appear on charts.

They are called engulfing patterns because the body of the second candle totally 'engulfs" or eats up the first candle.

The bullish engulfing pattern is composed of two candlesticks in which a short bearish candle (indicating a declining bearish pressure) is immediately followed by a larger bullish candle (indicating building up of bullish pressure).

When a bullish engulfing pattern appears at the end of a downtrend, it indicates that the market is about to reverse upwards and therefore it's time to buy.

The bearish engulfing pattern, giving signals that a bearish trend reversal is imminent, is the opposite of the bullish engulfing pattern. When it appears at the end of an uptrend, it indicates that it's time to put sell orders in the market.

Hammer/Shooting Star Patterns

These types of candlestick chart patterns (http://en.wikipedia.org/wiki/Candlestick_pattern) consist of short candlesticks with one extended wick.

The hammer, so named since the market seems to be hammering at the bottom, is a single candlestick pattern that signals that the bearish pressure is ending and the bullish pressure is just about to start.

When it appears at the end of a downtrend, then you should prepare to place buy orders.

When the wick of the hammer faces upwards, it's called inverted hammer, and it's also a bullish signal.

The shooting star pattern, which mainly appears at the top of uptrends, looks very similar to the inverted hammer. It is considered a very bearish reversal pattern for similar reasons.

Harami patterns

The Harami (meaning “pregnant” in Japanese) can be considered the opposite of engulfing patterns. The Harami patterns are made up of two candlesticks and they are considered to be strong reversal patterns.

A long bearish candlestick followed by a short bullish candlestick forms the bullish harami pattern.

The pattern indicates that even though the bearish pressure was high, the bears grew tired and it’s now time for the bulls to come in.

The bearish harami pattern, which normally appears at the top of uptrends, is the opposite of the bullish harami pattern.

Morning star and evening star

The morning star and the evening star candlestick chart patterns are normally formed by three candles, and they are strong reversal indicators.

The morning star, which normally appears at the end of a downtrend, is a bullish reversal pattern indicating that price is about to rise to the upside.

On the other hand, the evening star pattern, which usually appears at the end of an uptrend, is the reverse of the morning star pattern and it’s a strong indicator that the market is about to reverse to the downside.

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