

Steve Nison's Candle Charting Essentials and Beyond :Day 1

***Confidently
Finding the
High
Probability
Trades***

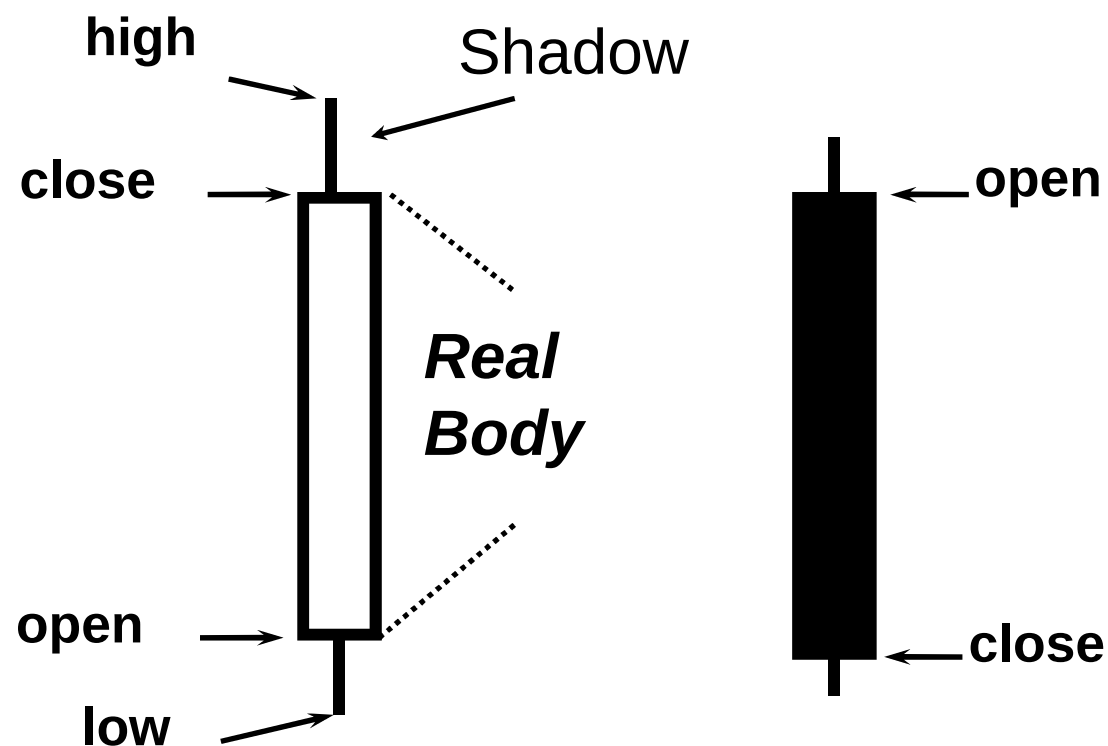
**The Framework &
Real Bodies and
Shadows**



with Steve Nison

Founder and President: Candlecharts.com

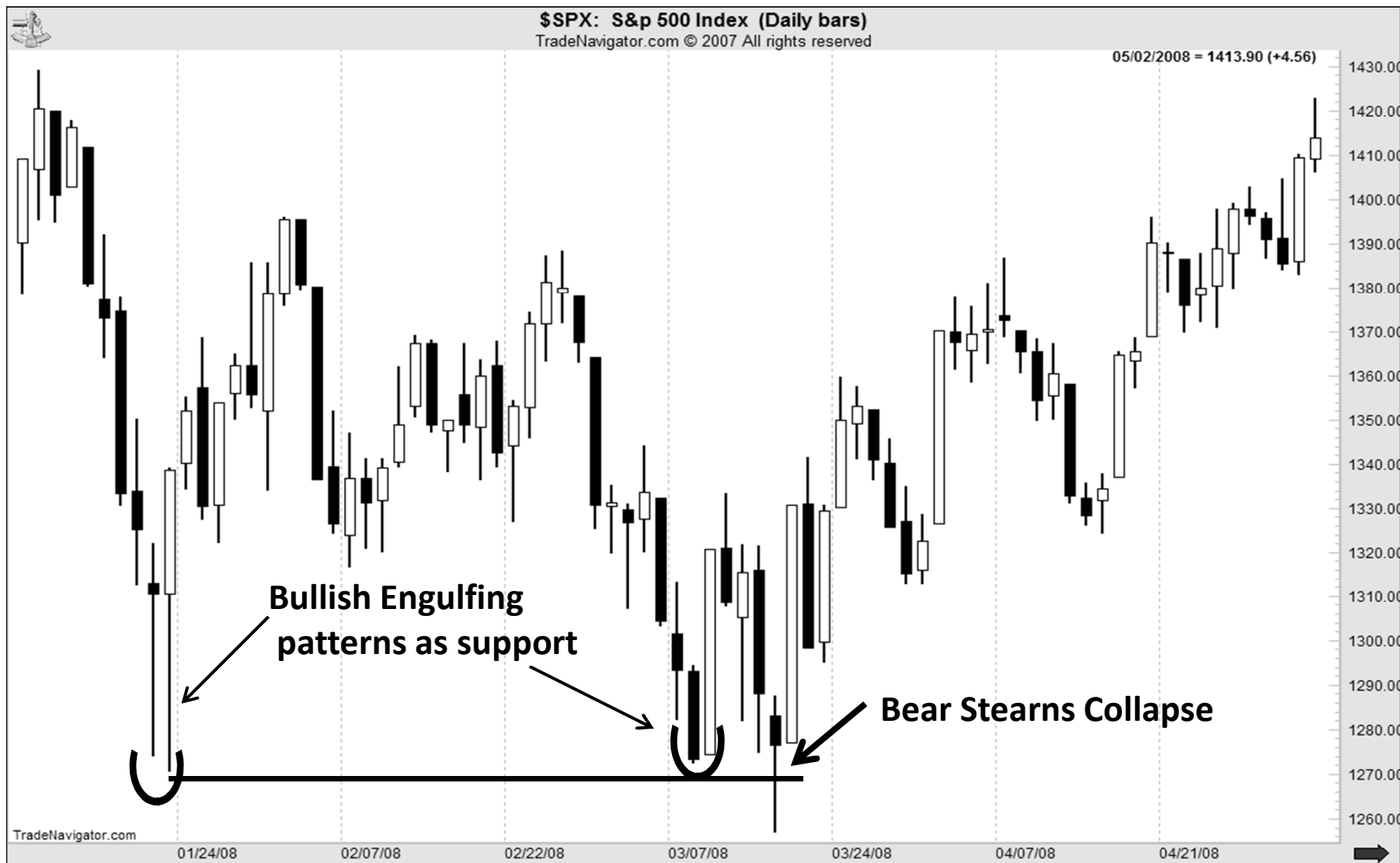
Constructing the Candlestick Line



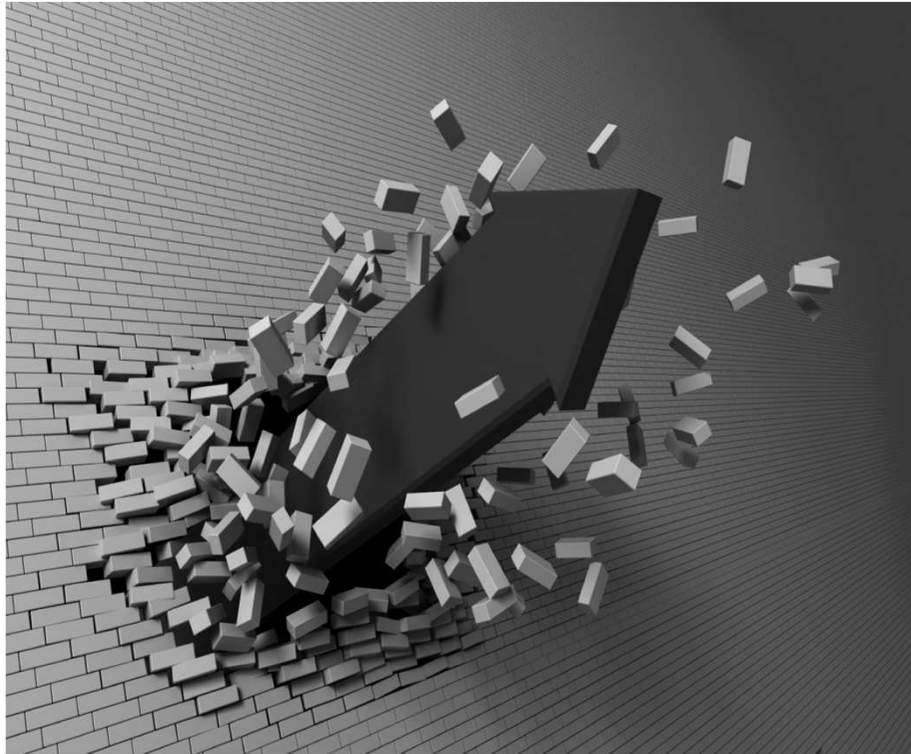
Real Bodies / Shadows



Reading the market Psychology



The Goal



*Helping you
overcoming
your trading
challenges*

“Step after Step the Ladder is Ascended”

Trading Challenges:

- **Entering trades too late**
- **Knowing when to exit**
- **Preserving trading capital**
- **Quickly recognizing the candle signals**
- **Paralysis by analysis**
- **Quickly recognizing candle signals**
- **Correctly using candlesticks**
 - When to pull trigger**
 - When to ignore**
- **Lack of confidence pulling the trigger**

The Goal

*Helping you
overcoming
your trading
challenges*

And how do
we do that?



With the Light of
the Candles!

What Are the Benefits of Candles?



- Easy to Understand
- Early Reversals
- *“Safety First”*
- East + West
- All markets
- All Time Frames
- Accelerates Analysis

WHY CANDLES

Safety
First
Trading



**Candlestick
Charting
Techniques**

**Western
Charting
Tools**



By Owning the Knowledge you will:

- **Seize trading opportunities before they become apparent to others**
- **Information is Power! Learn how to avoid losing trades**
- ***Pinpoint turning signals with razor sharp accuracy***

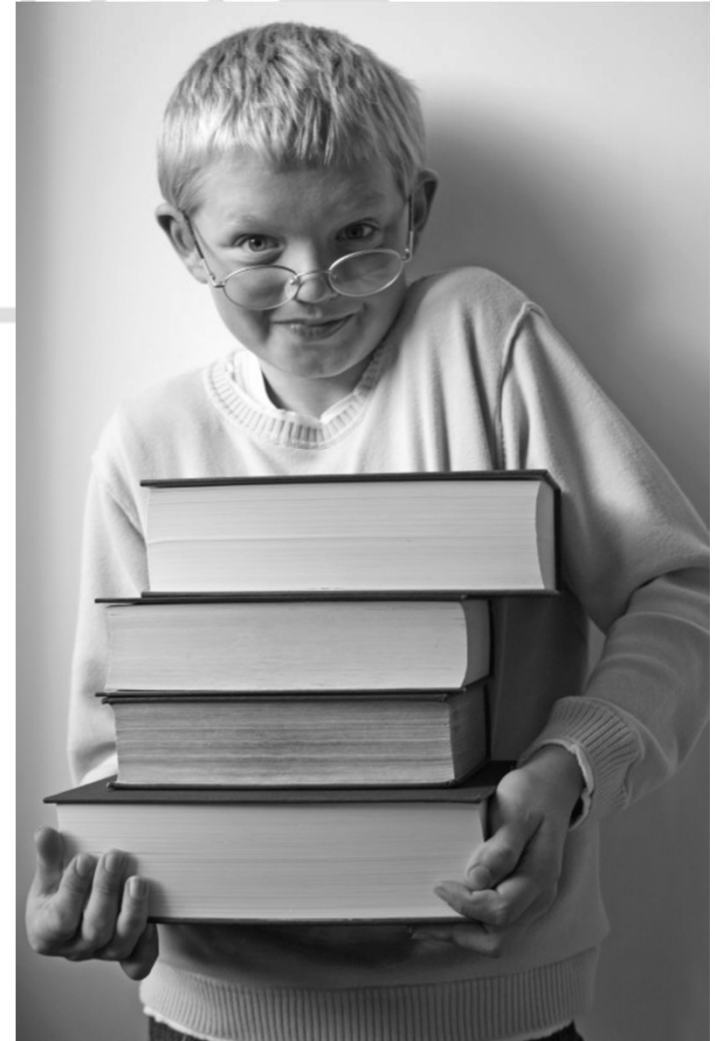
The Result:



ROCK SOLID CONFIDENCE

What we learned:

- ✓ **The Popularity of Candles**
- ✓ **The Anatomy of the Candle Line**
- ✓ **Candles and market psychology**
- ✓ **History of candles**
- ✓ **Benefits of Candles**
- ✓ **Candles are a tool – not a trading system**
- ✓ **Importance of Education**



**Candlestick
Charting
Techniques**

**Western
Charting
Tools**



Trade Management

Steve Nison's Trading Triad Success System®

1

Candlestick Charts

- Early reversals
- “Safety First” Trading
- Quickly read the market's message

The Framework: Analyzing Real Bodies and Shadows

Get TWICE the information

**Candles, like a bar chart,
shows price – PLUS candles
reveal the force of the
current move**

Reading the Message of the candle line

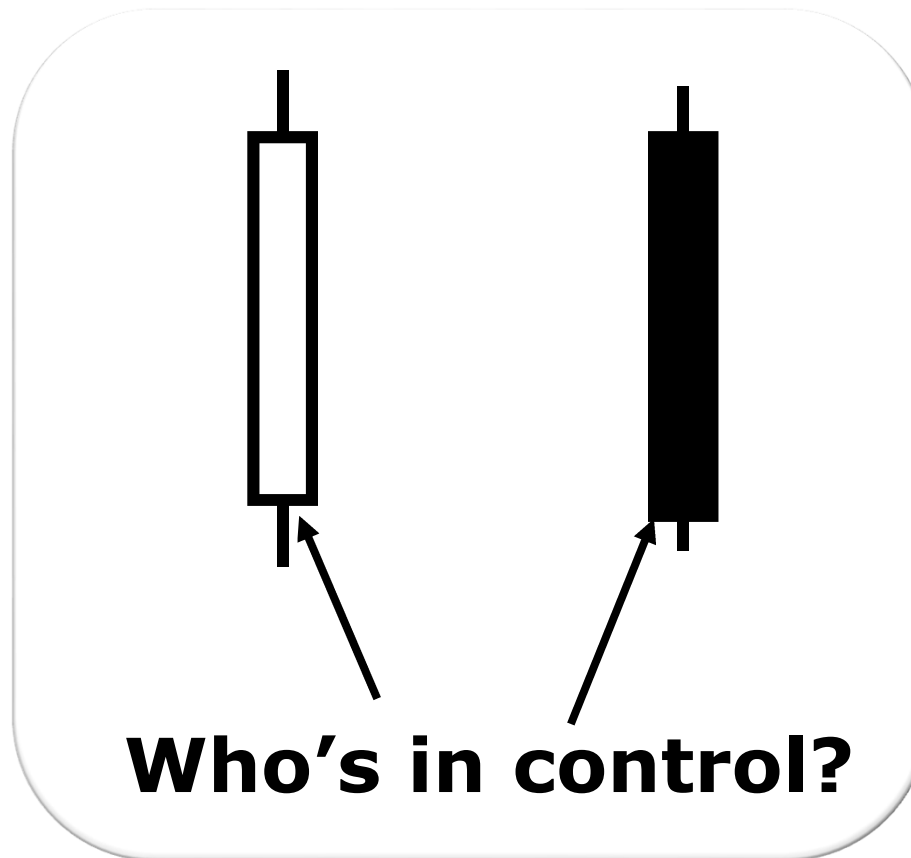


The longer the real body the stronger the momentum.

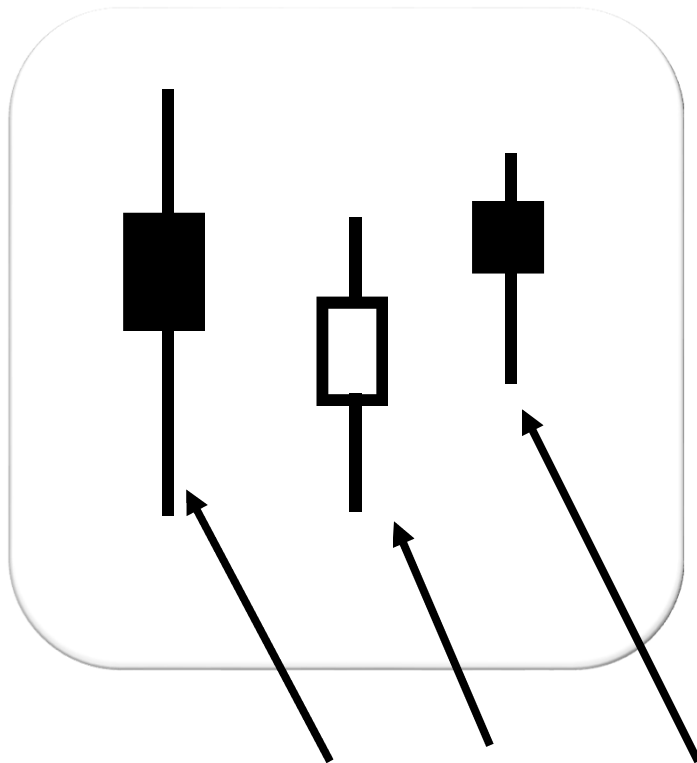
The relative size and position of the shadow displays the extent of price rejection.

TALL CANDLES

"The Real Body is the Essence of the Price Movement"



SMALL REAL BODIES (ALSO CALLED “SPINNING TOPS”)



Who's in control?

Basic Criteria:

Small real body - black or white

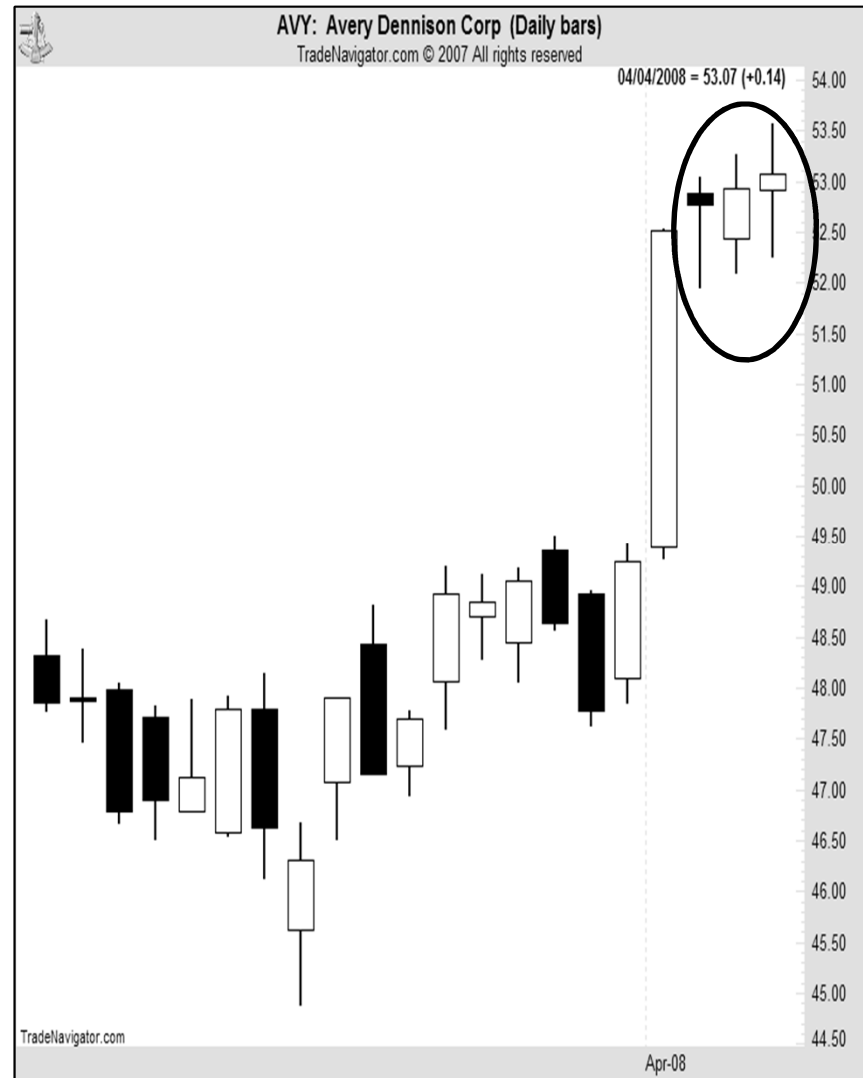
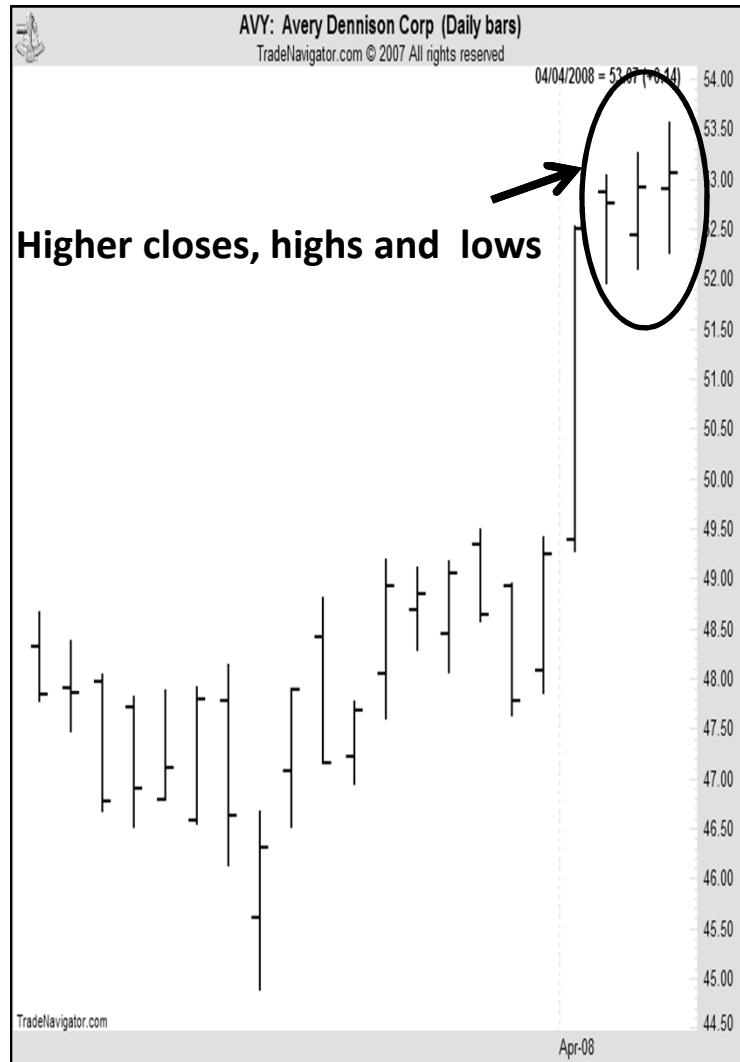
Market Implication:

Immediately preceding trend losing momentum.

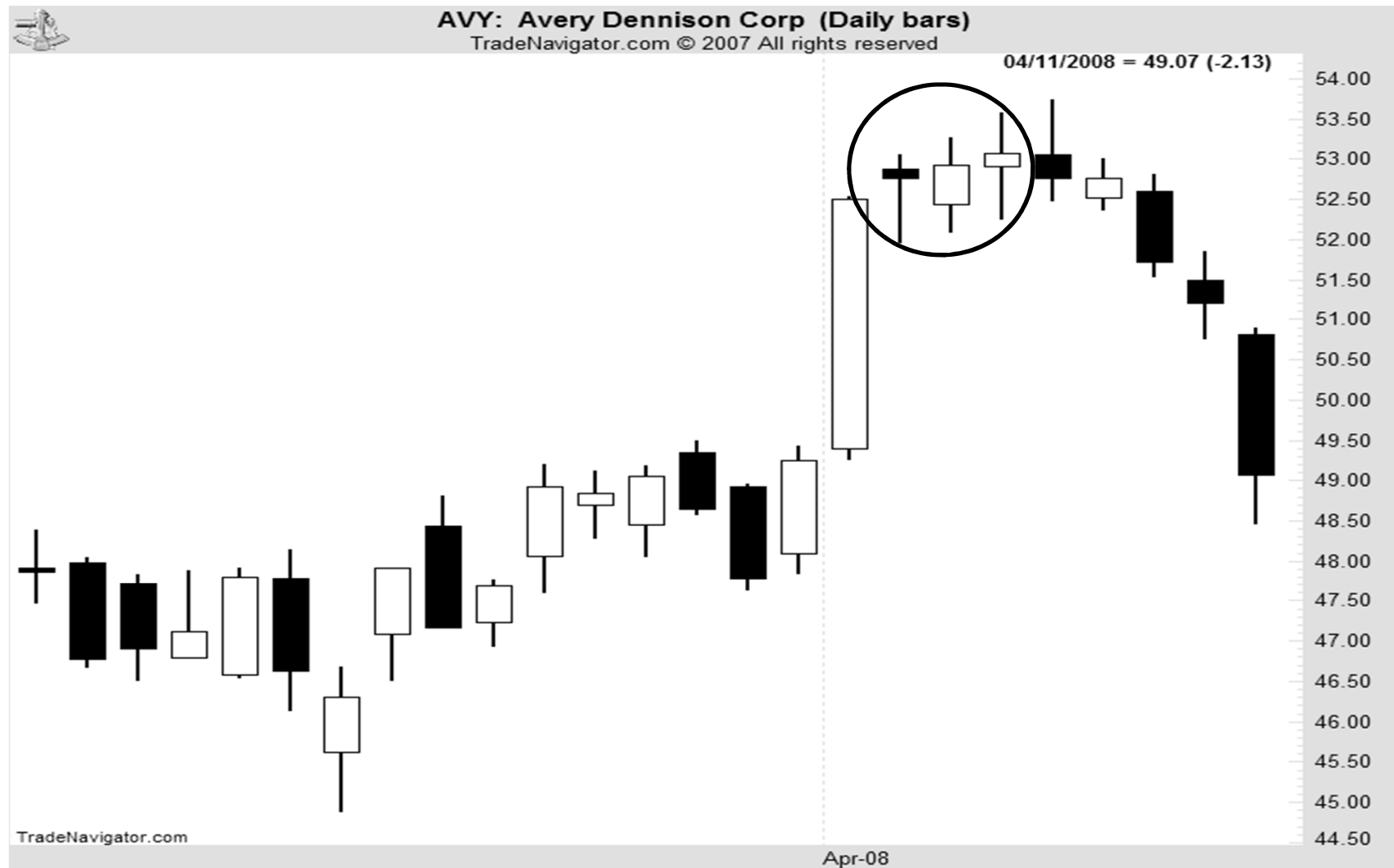
Support or Resistance:

Not used

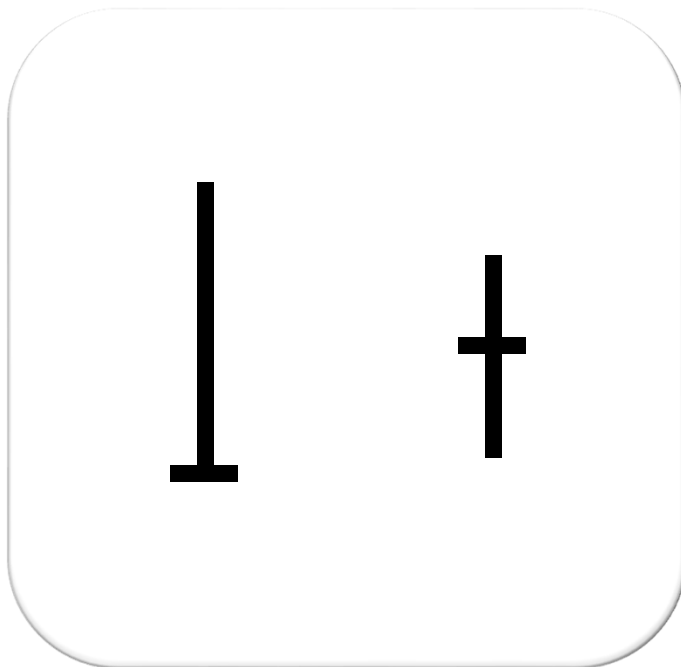
The cost of not using candles



What is one of the best ways to make money??



Doji



Basic Criteria:

- Market in up or down trend
- Open and close prices are the same (or nearly the same)

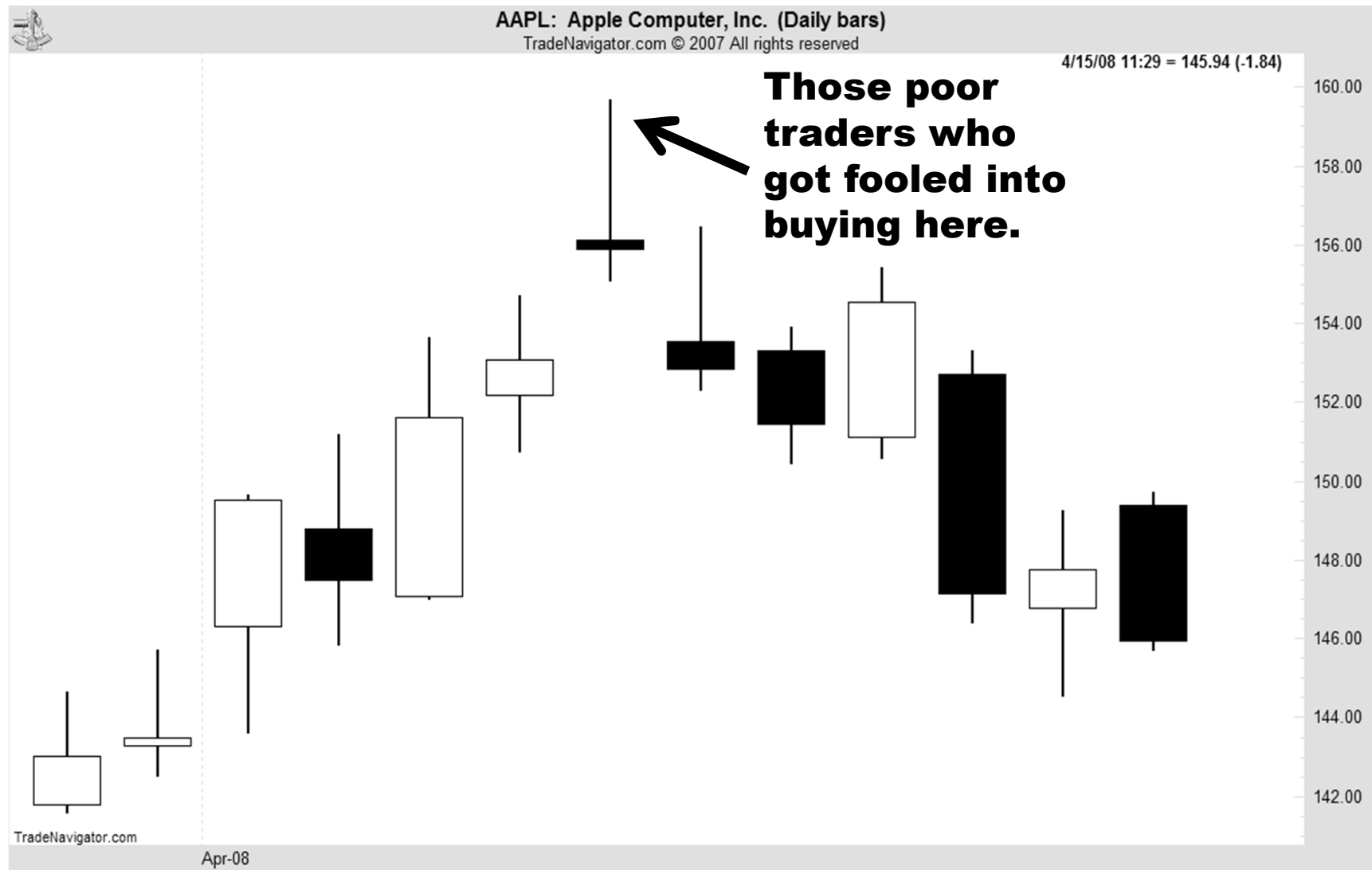
Market Implication:

Market at a point of indecision

Support or Resistance:

Highest high of doji and prior candle for resistance. Not used as support

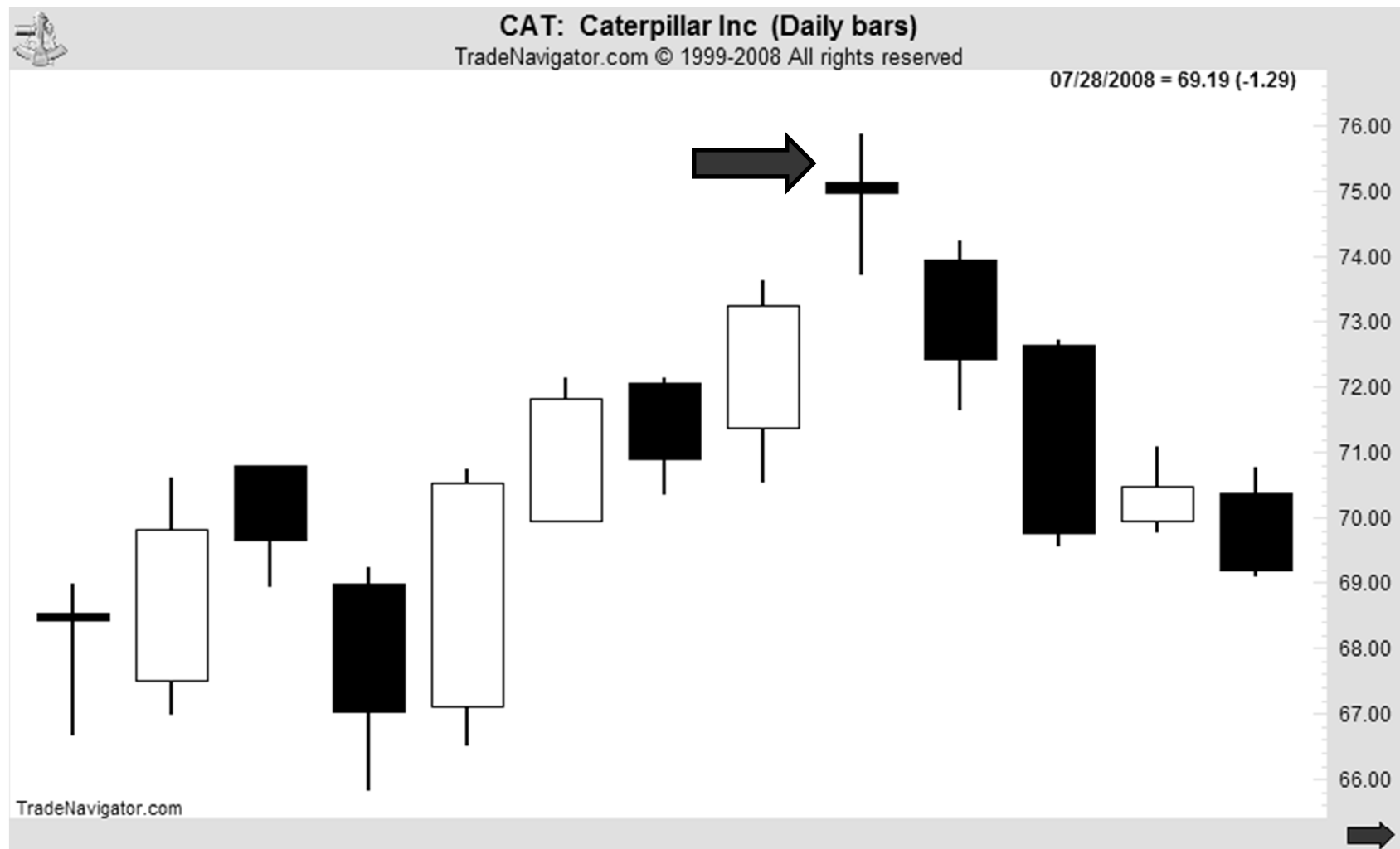
Saved by the light of the candles!



Candle misuse ALERT!

***A doji does not
mean market will
go down***

Be cautious of new highs made with doji



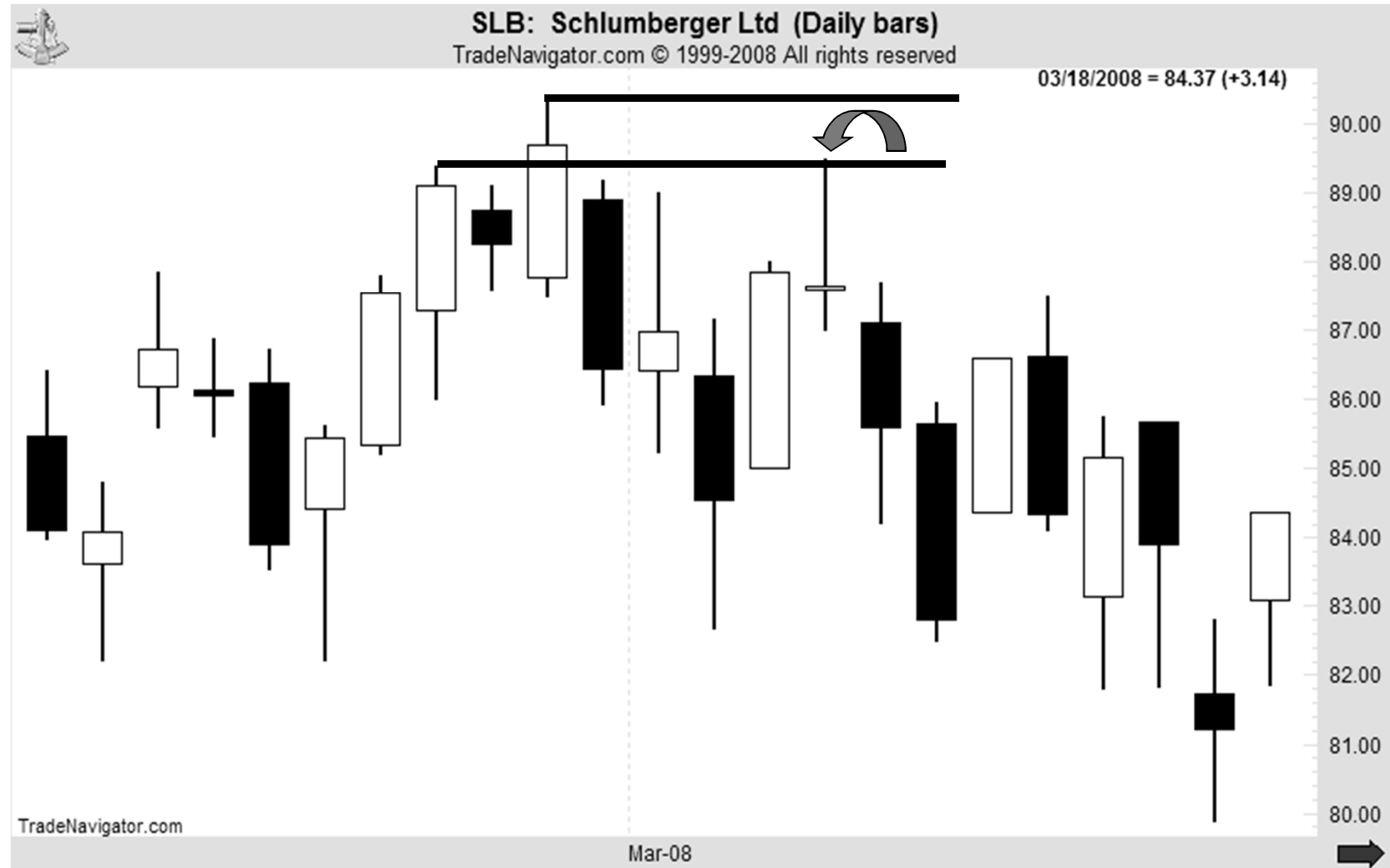
Doji as Warning



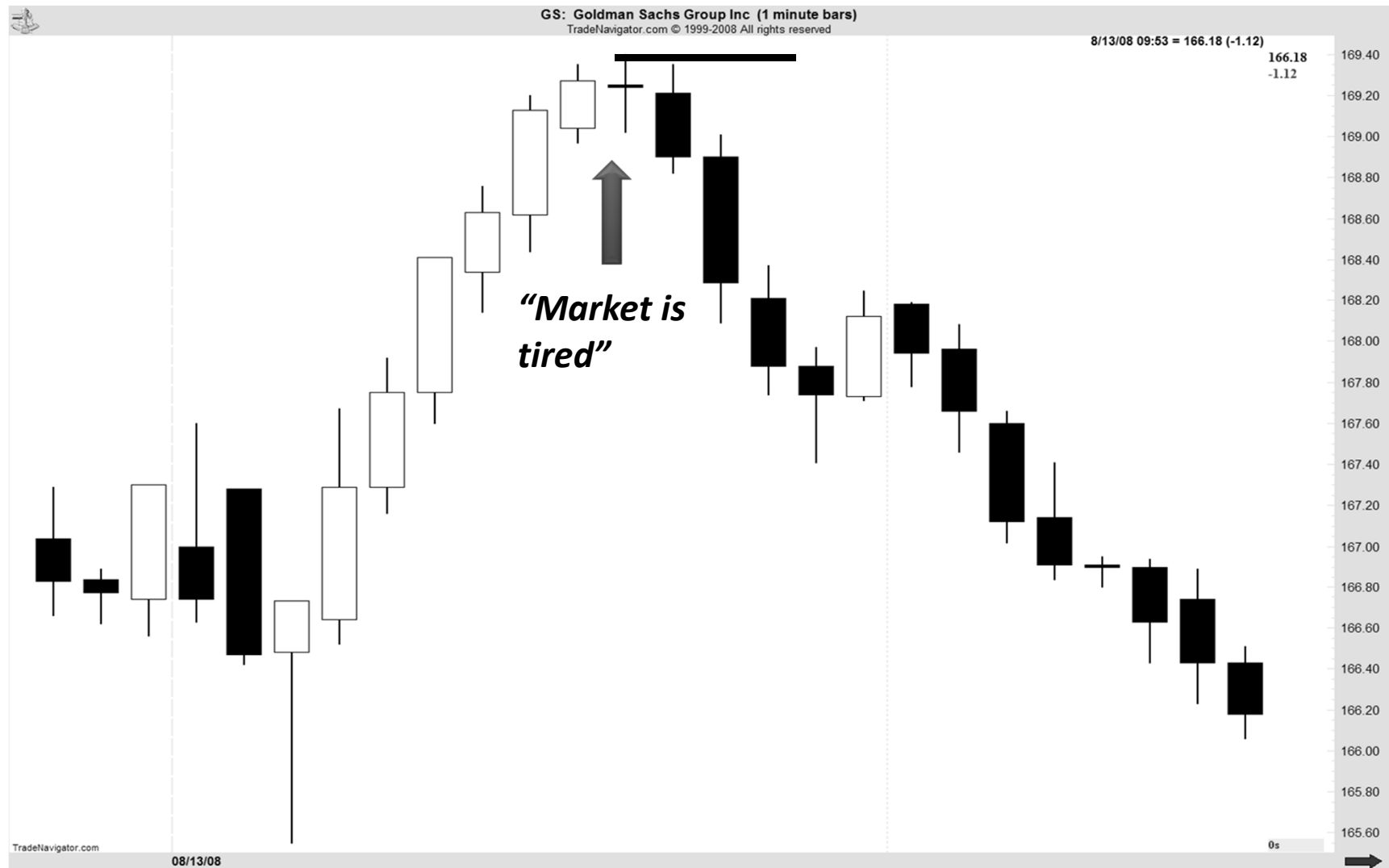
Doji Hints Rally Stalling



Doji Confirms resistance

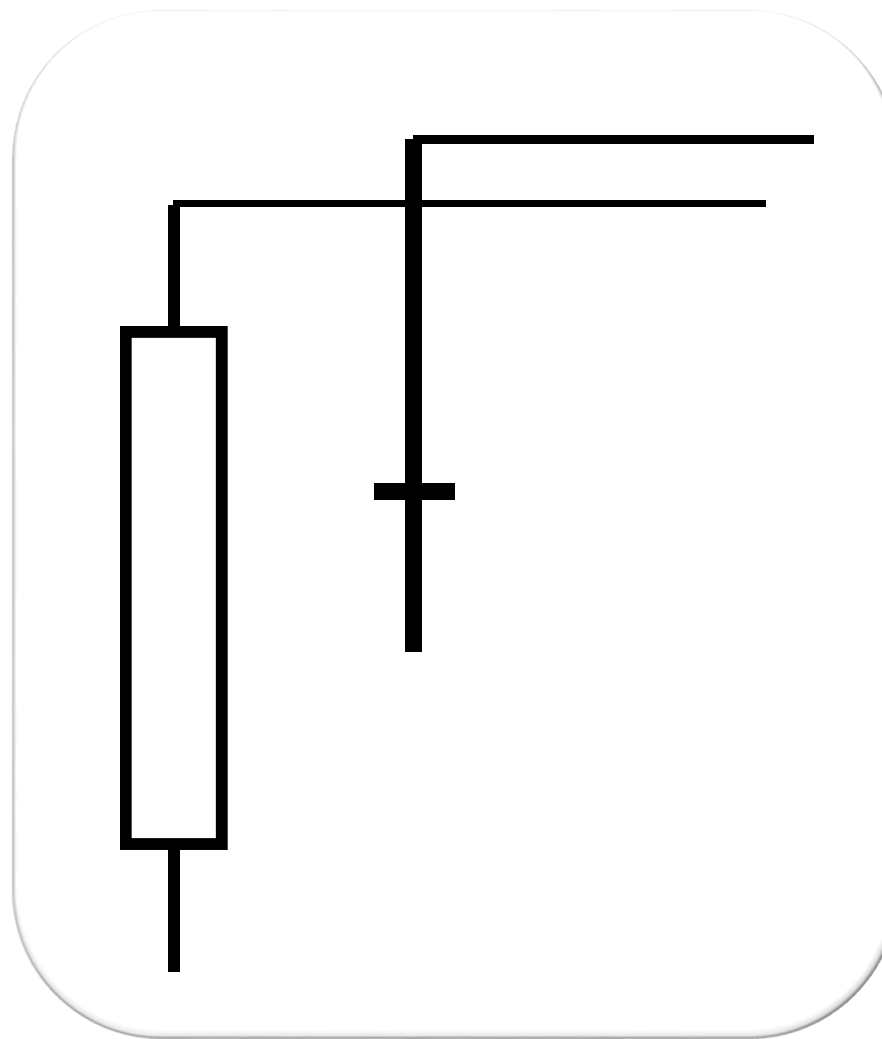


Candles can be used in all time frames

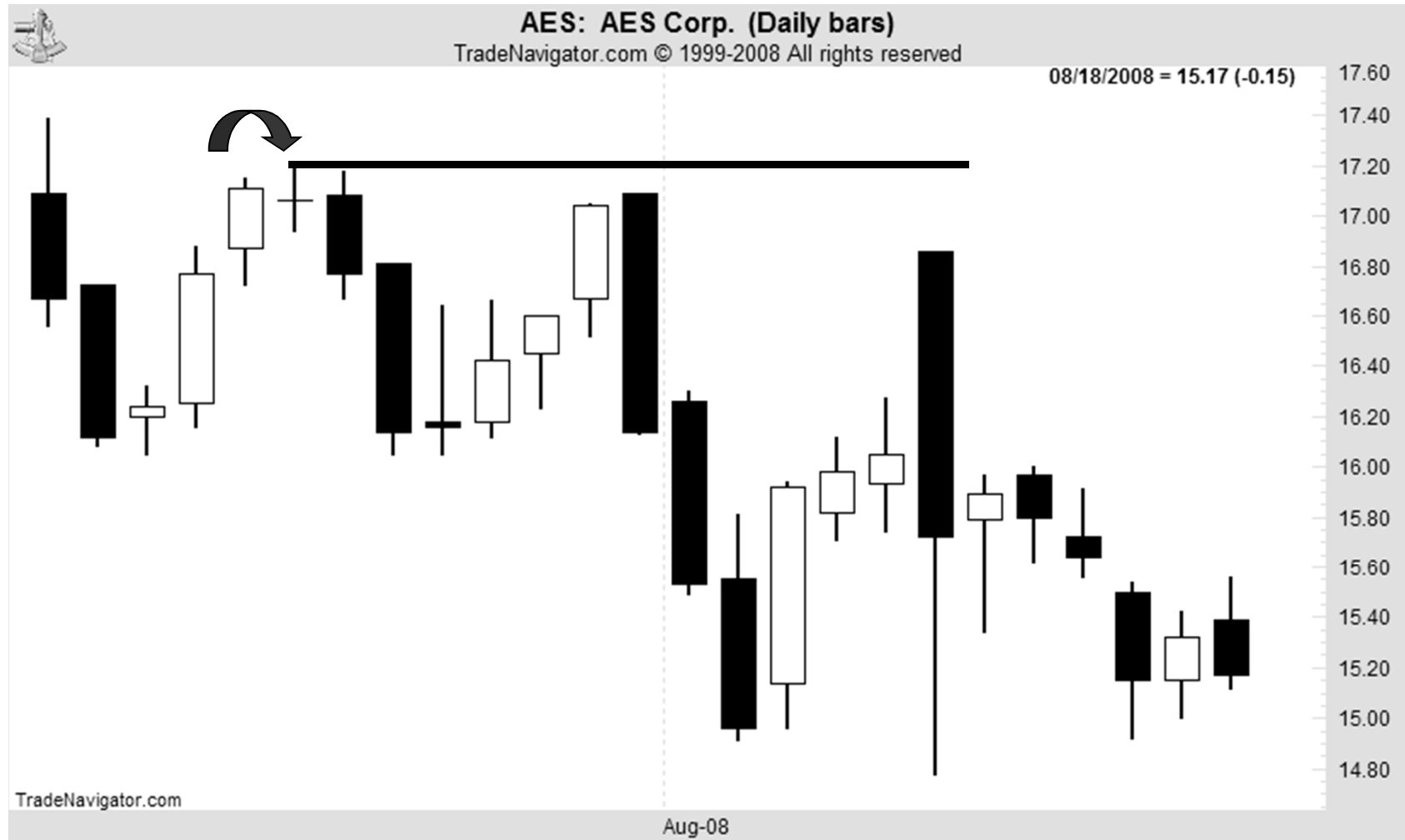


DOJI AS RESISTANCE

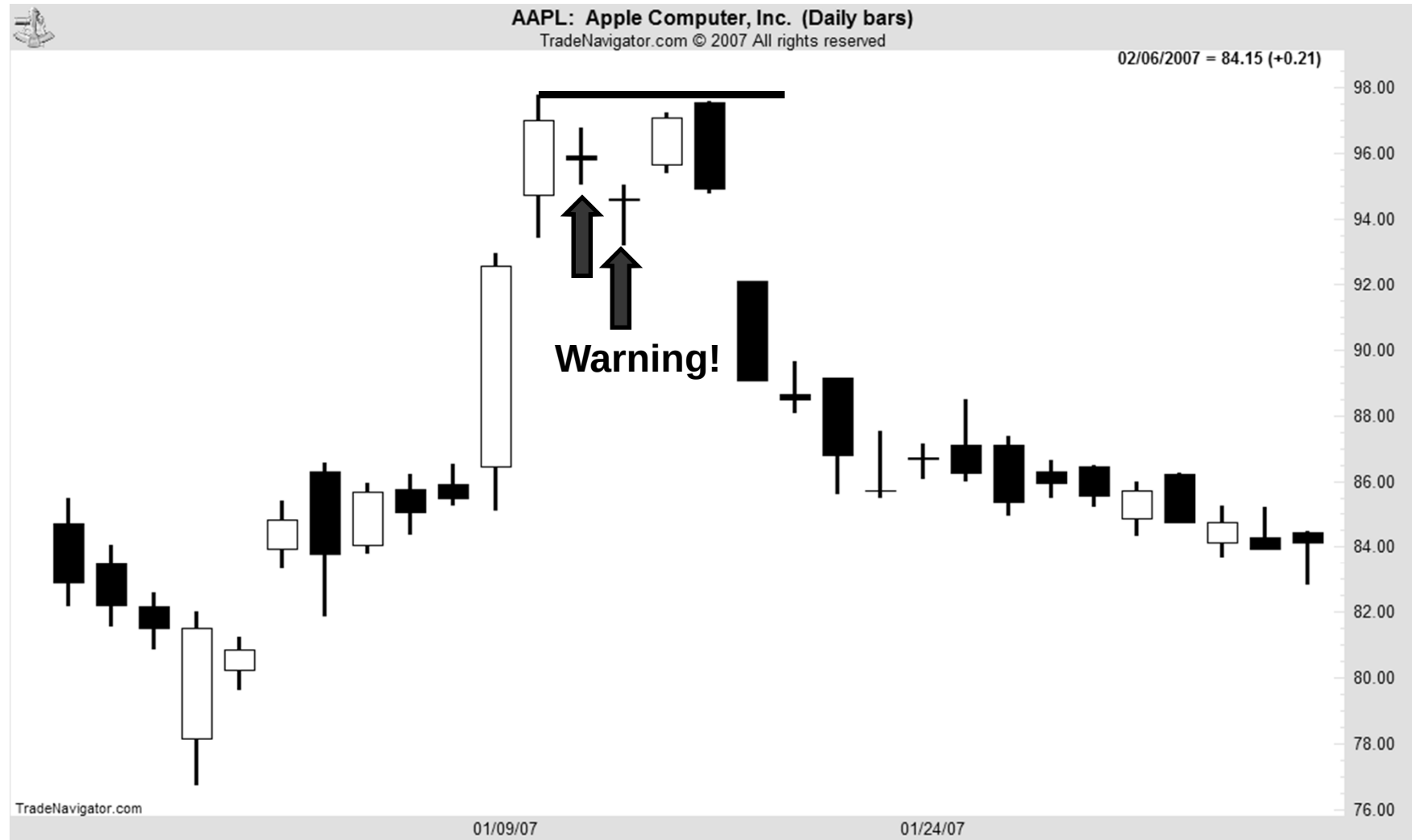
Use the highest high of those two sessions (top of upper shadow) as resistance



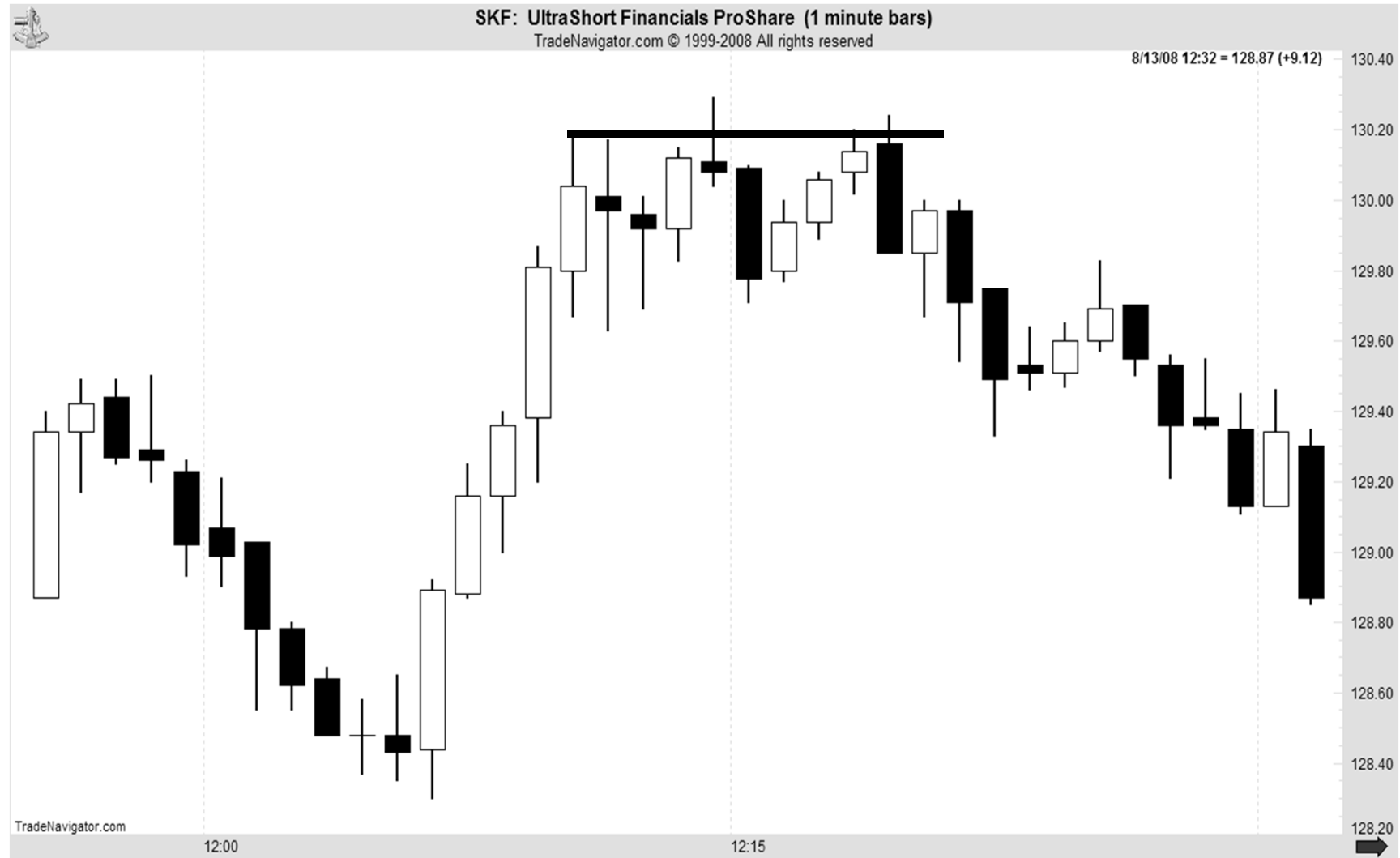
Doji as Resistance



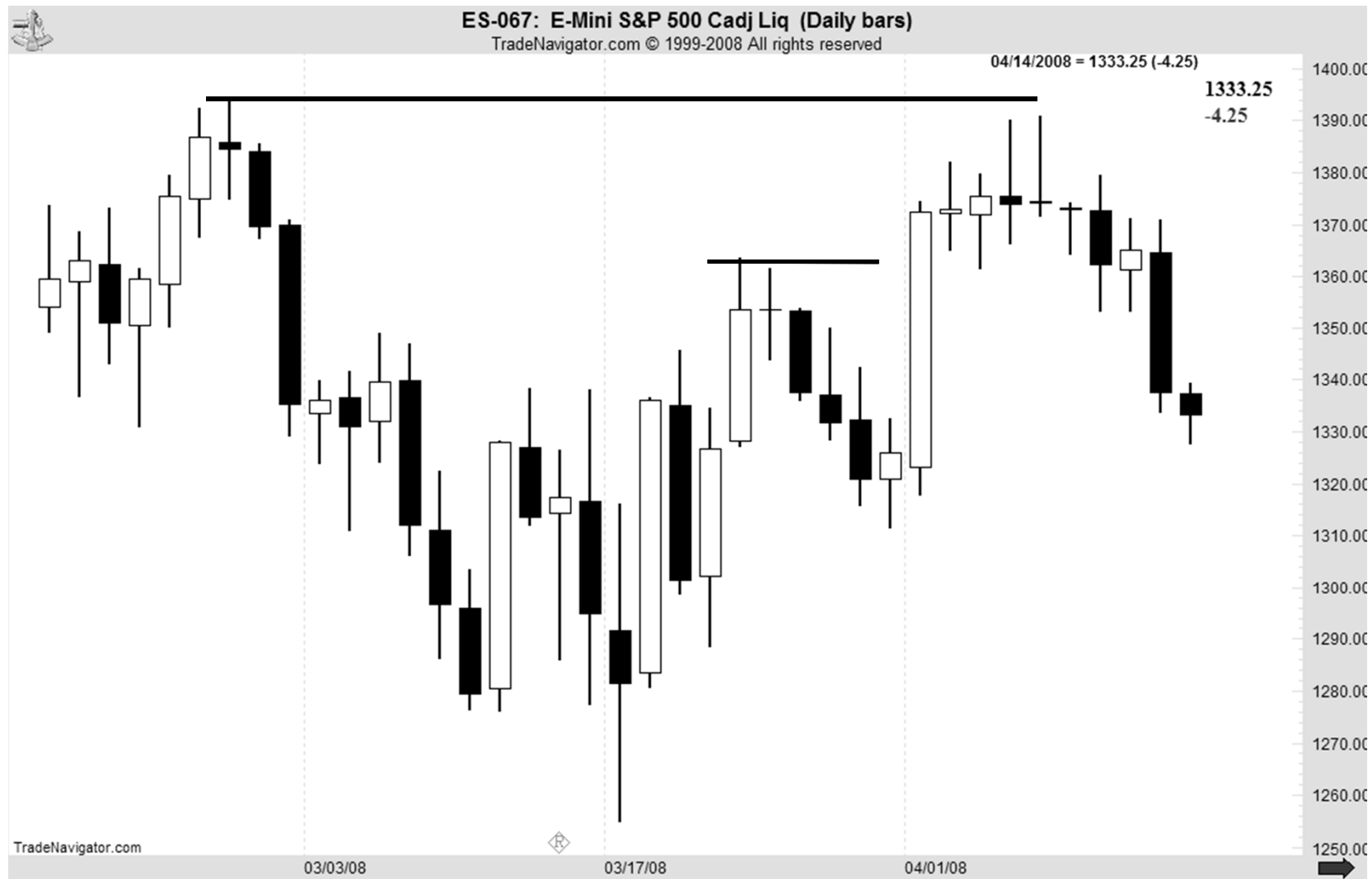
Reading the Market's Message Quickly!



Doji as resistance



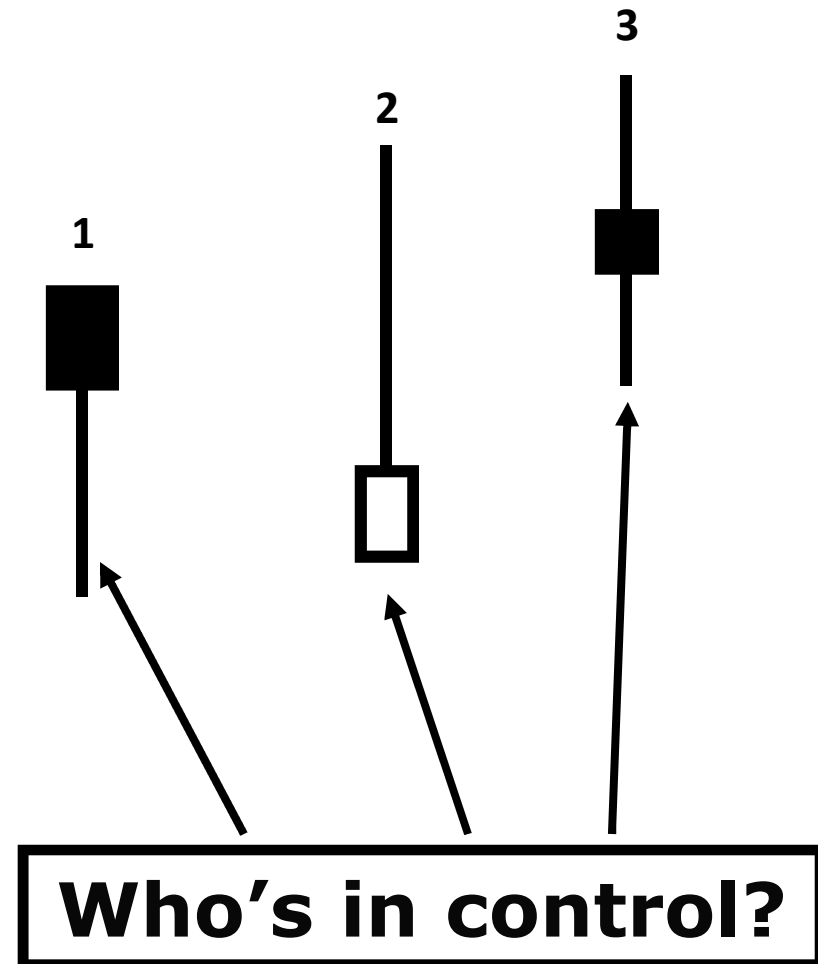
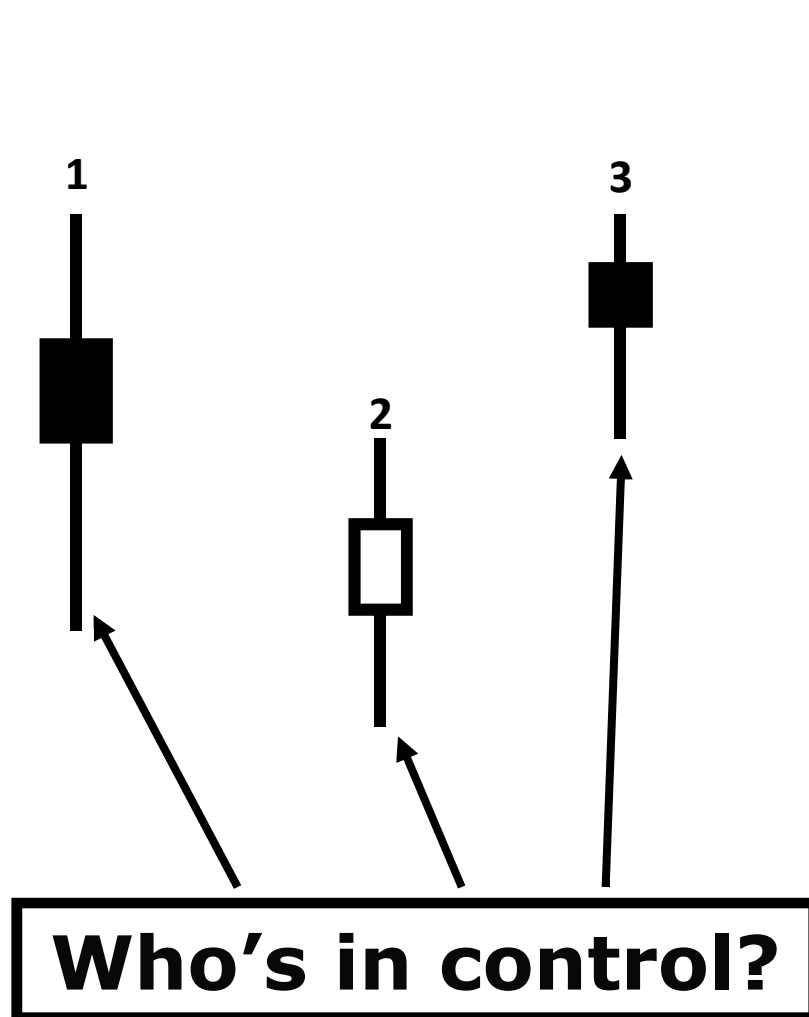
Doji as Resistance



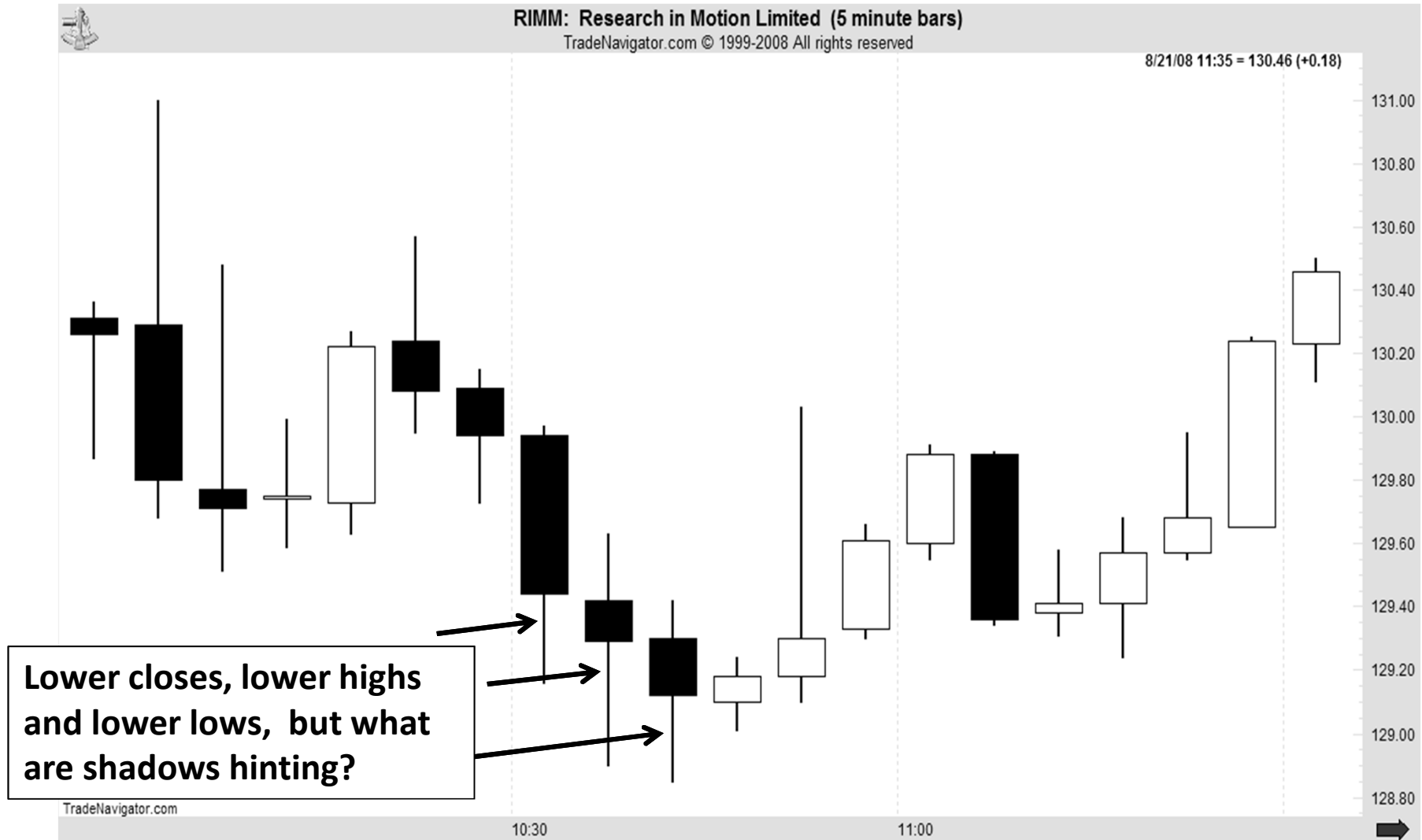
Candle Misuse ALERT!

***Not placing
enough emphasis
on shadows.***

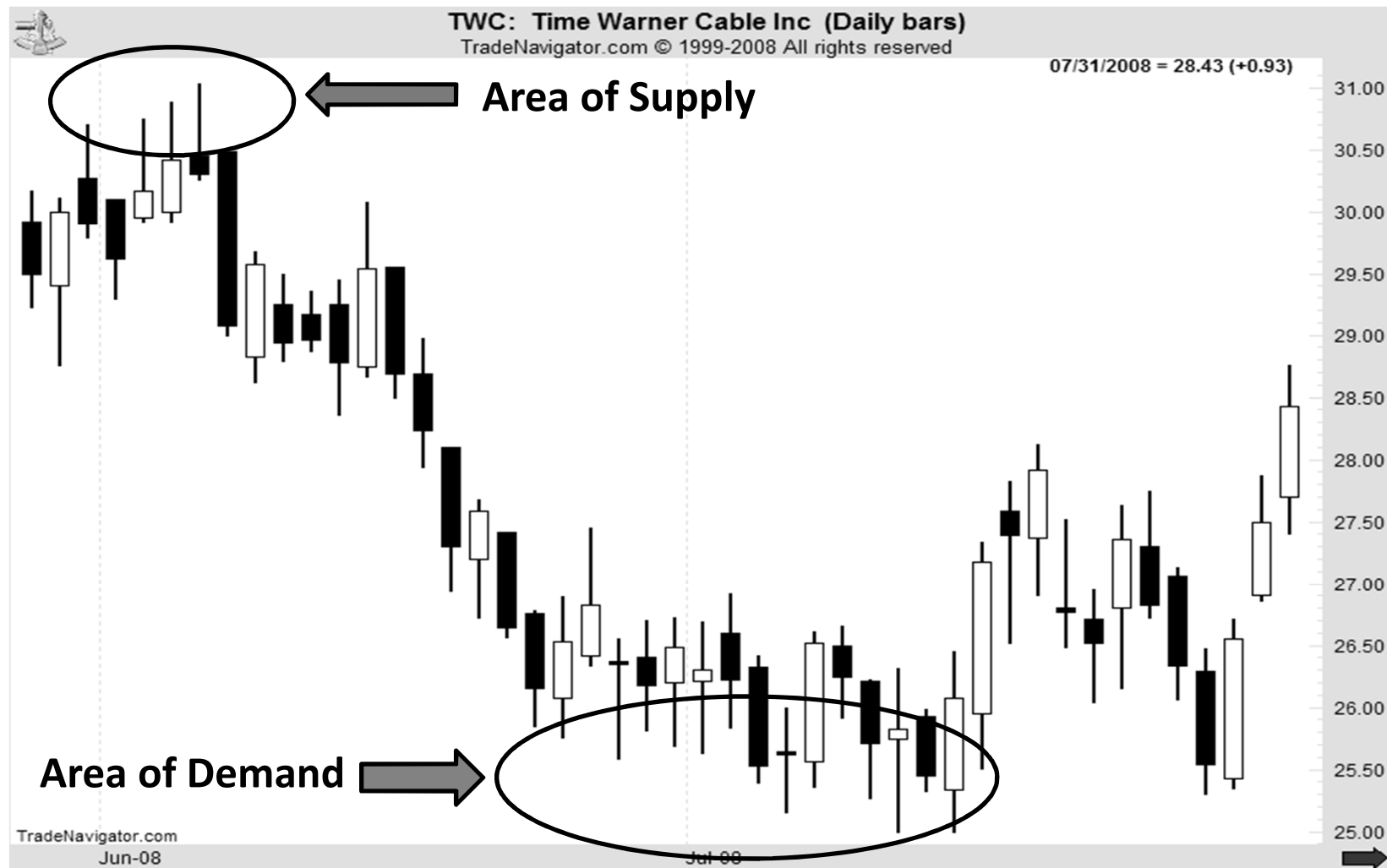
Small Real Bodies (spinning tops)



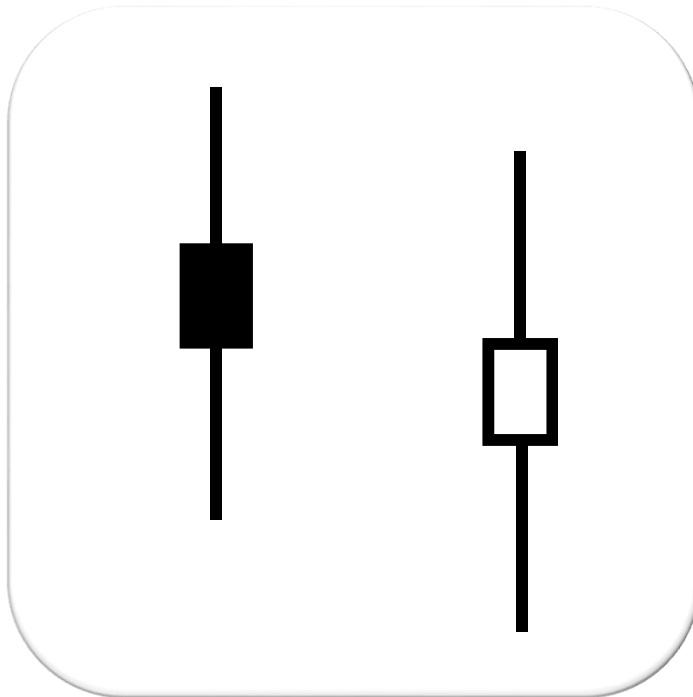
Shadows



Upper and Lower Shadows



HIGH WAVE CANDLE



Basic Criteria:

- Market in up or down trend
- Very long upper and lower shadow/
small real body towards the middle
of session's range

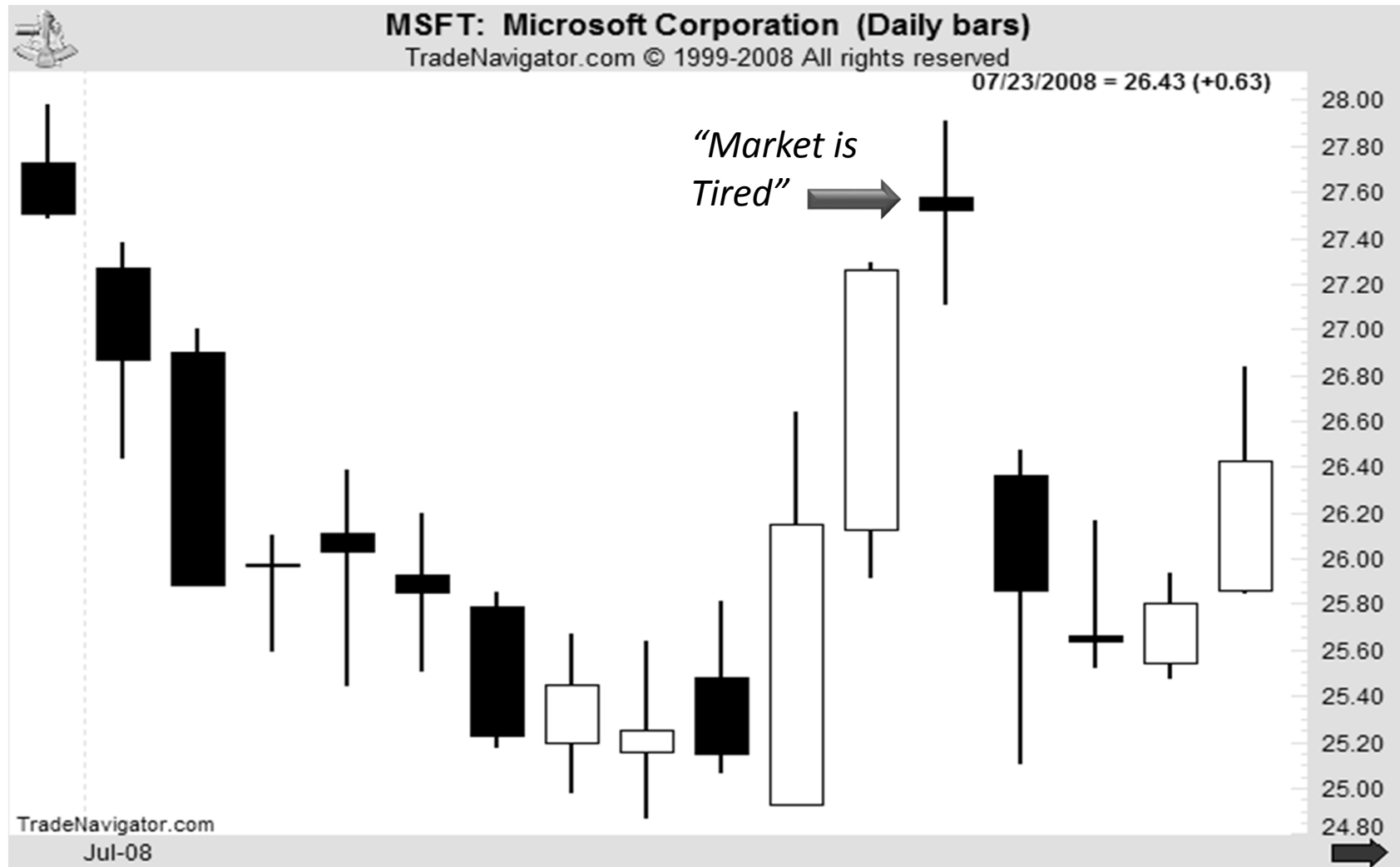
Market Implication:

Market “confused”

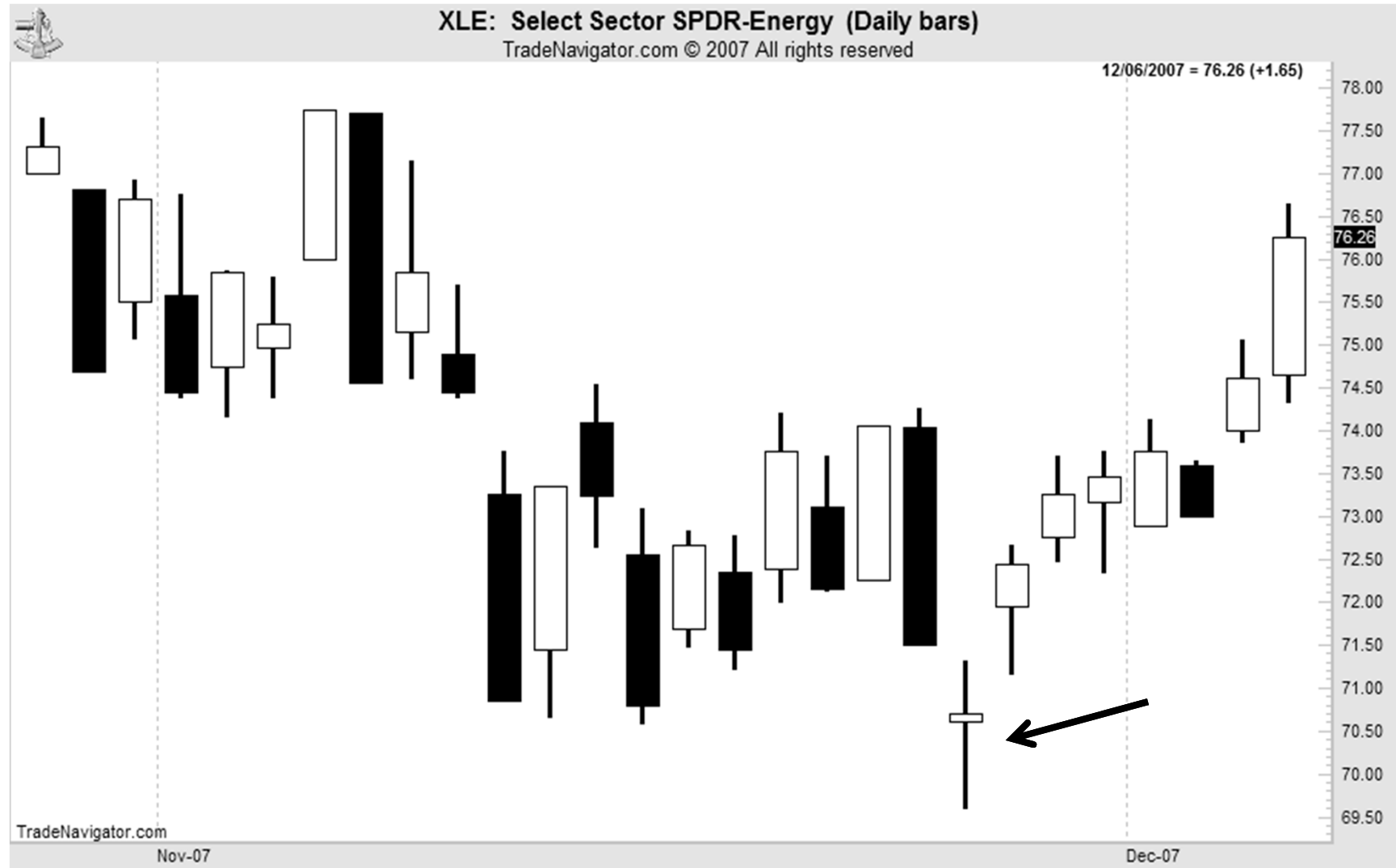
Support or Resistance:

Not used

Doji = caution



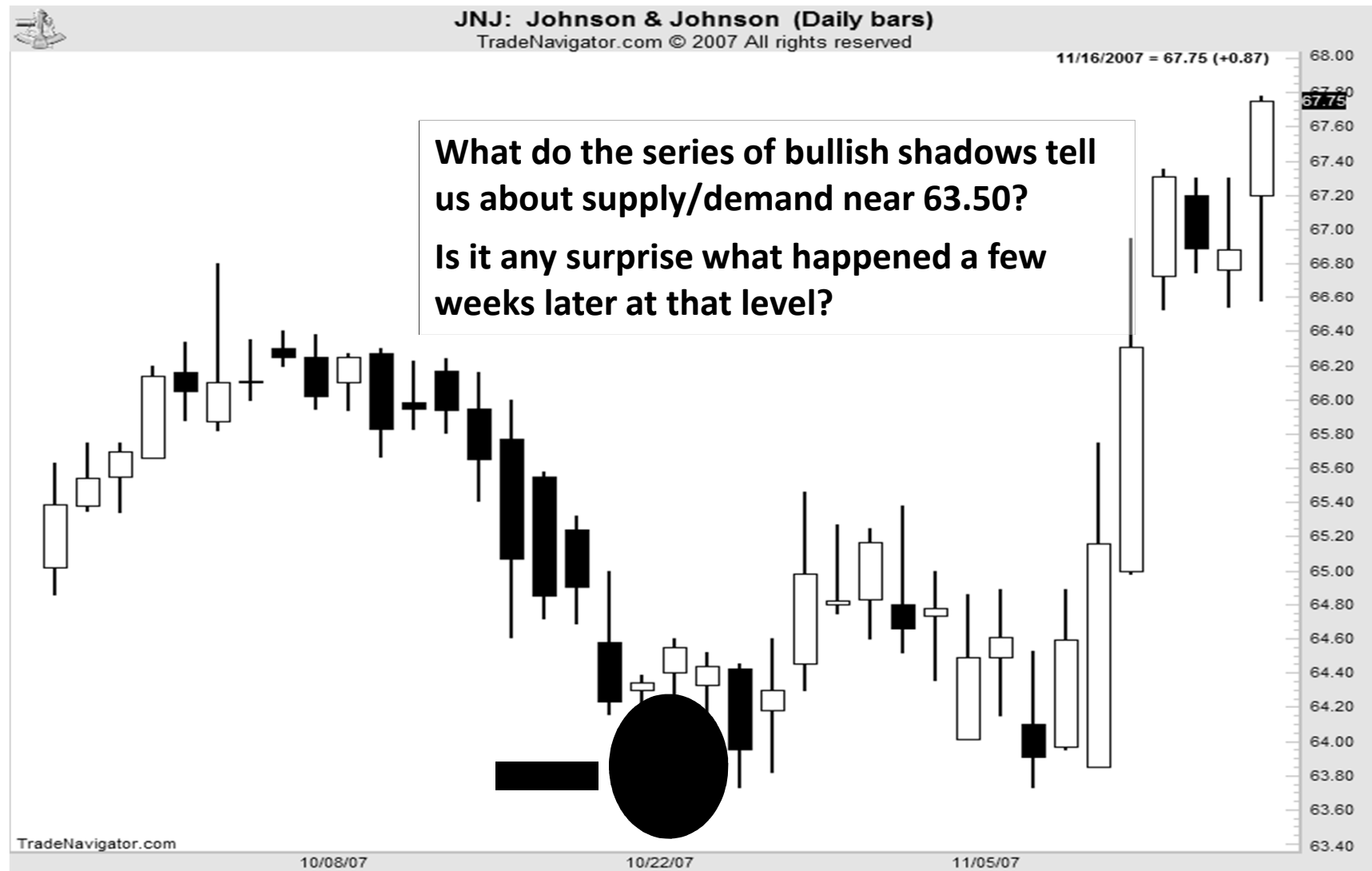
New low with high wave means caution



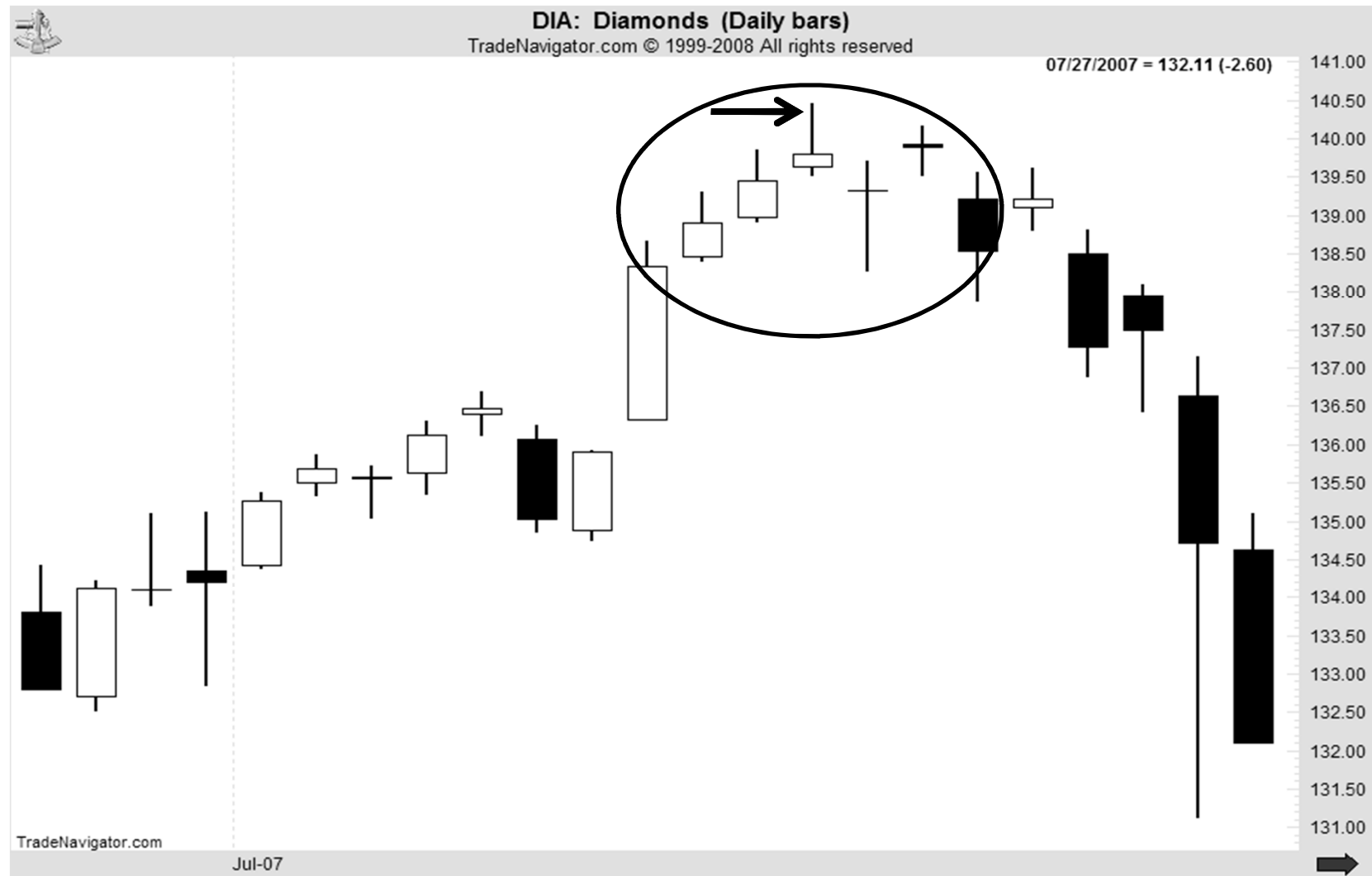
Candle
Misunderstanding
ALERT!

***Candles are
Complicated***

Candles help us read the markets message



Reading the Market's Message



What we learned:

- ✓ **Candles give 2x information**
- ✓ **Spinning Tops**
- ✓ **Doji – warning and resistance**
- ✓ **Importance of Shadows**
- ✓ **Single candles and market psychology**

Steve Nison's Candle Charting Essentials and Beyond

***Confidently
Finding the
High
Probability
Trades***

**Essentials of Single
Candle Patterns**



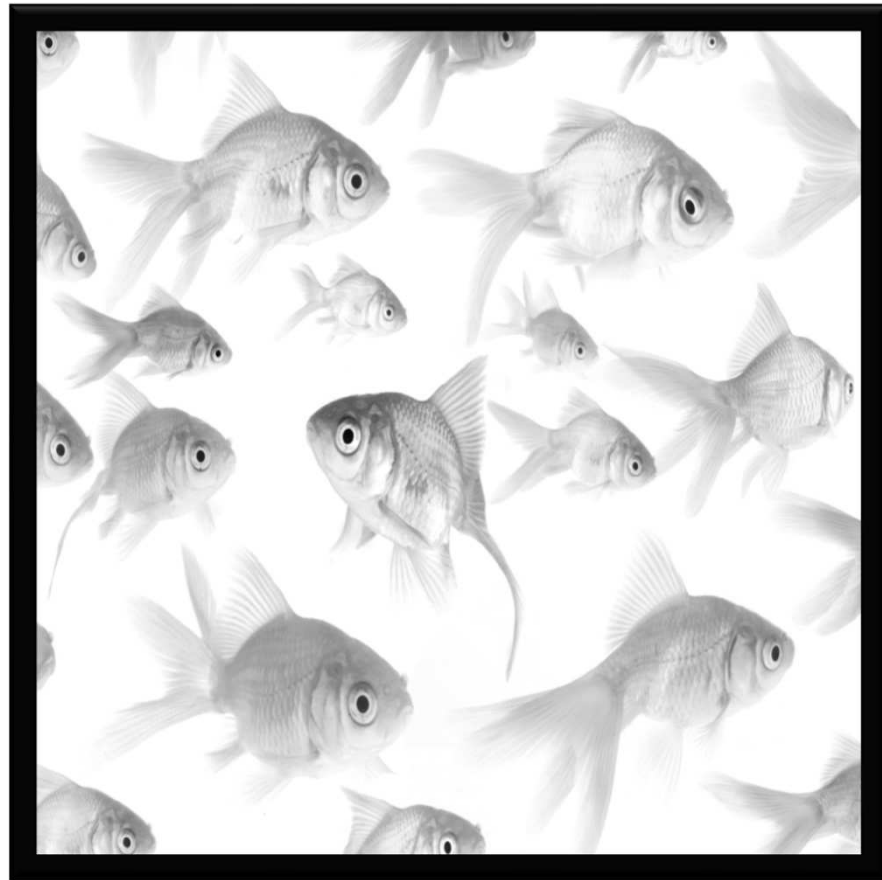
with Steve Nison

Founder and President: Candlecharts.com
www.candlecharts.com

Candle Patterns

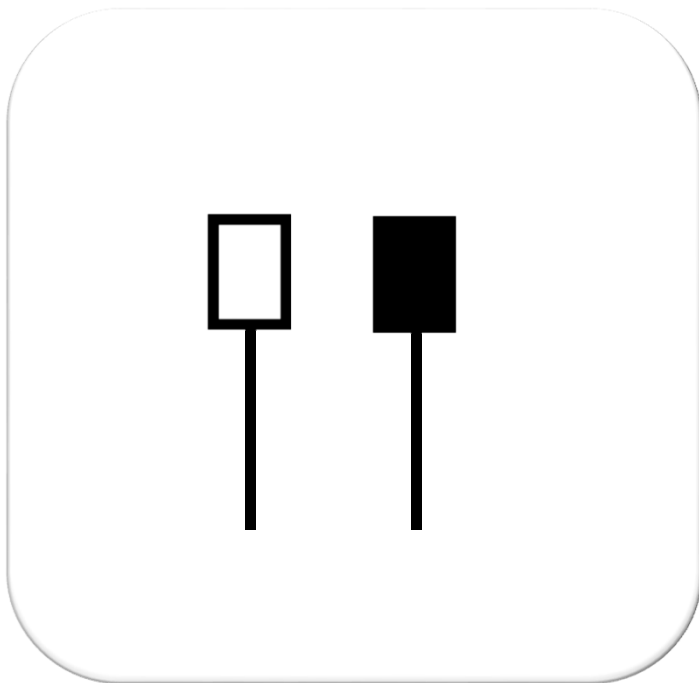
Reversal Signals

- Where the current trend slows or reverses after the reversal pattern.
- Most candle signals are potential reversals.



Single Candle Lines: The Bull Signals

THE HAMMER



Basic Criteria

- Market in a downtrend
- Small real body (either color) at, or near, top of range.
- Lower shadow at least 2x height real body

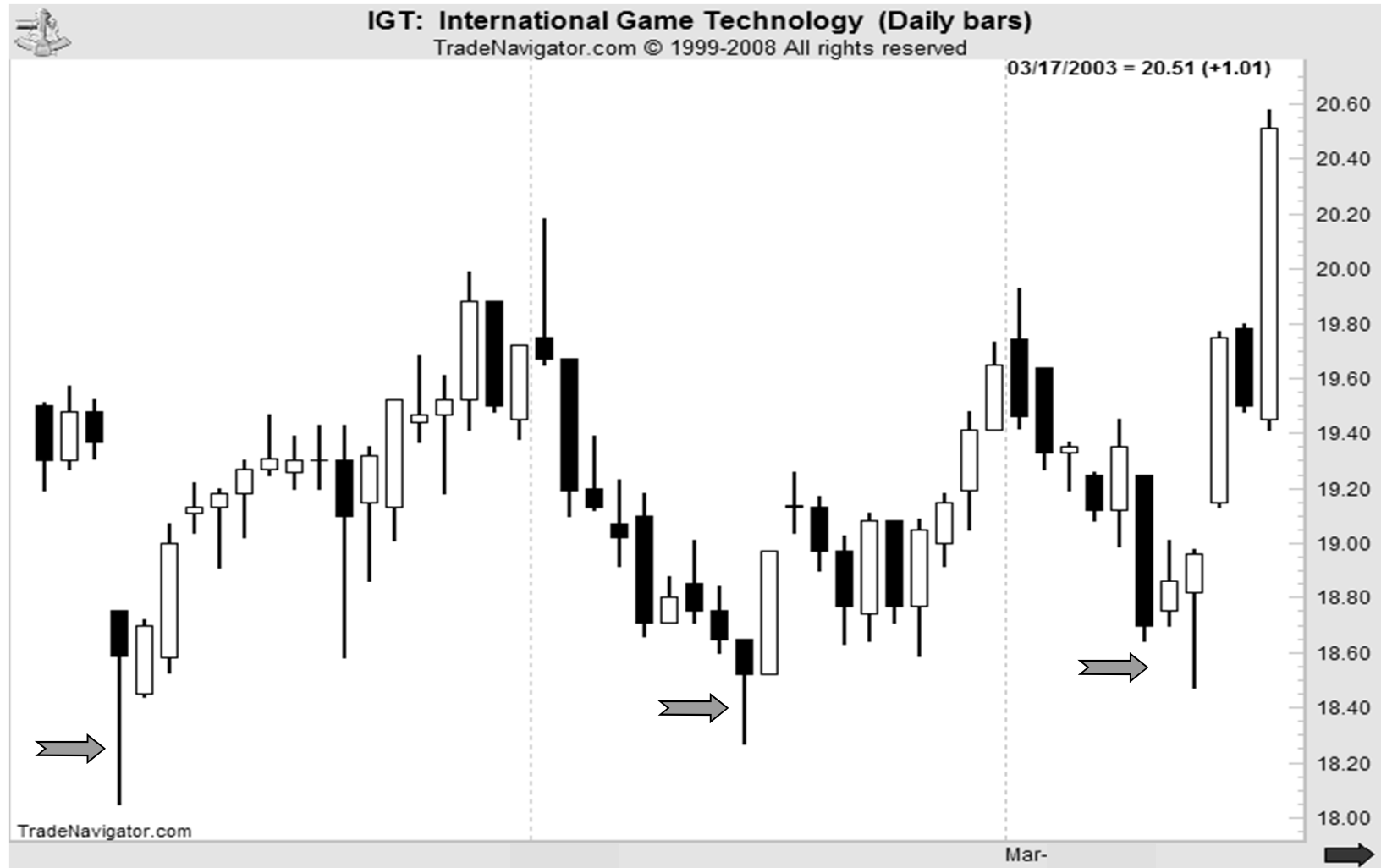
Market Implication

“A chance to buy at the bottom “

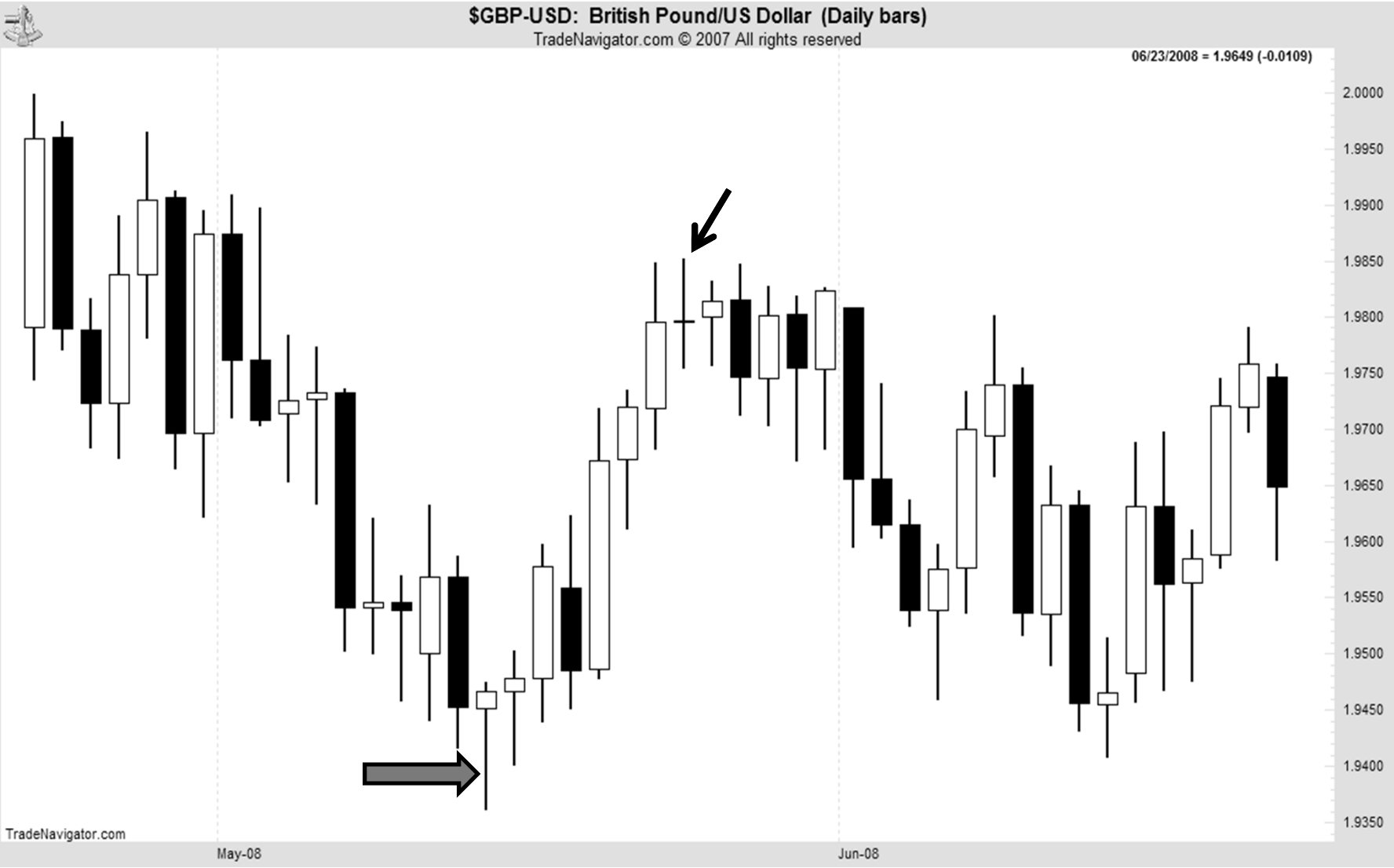
Support or Resistance

Low of hammer as support

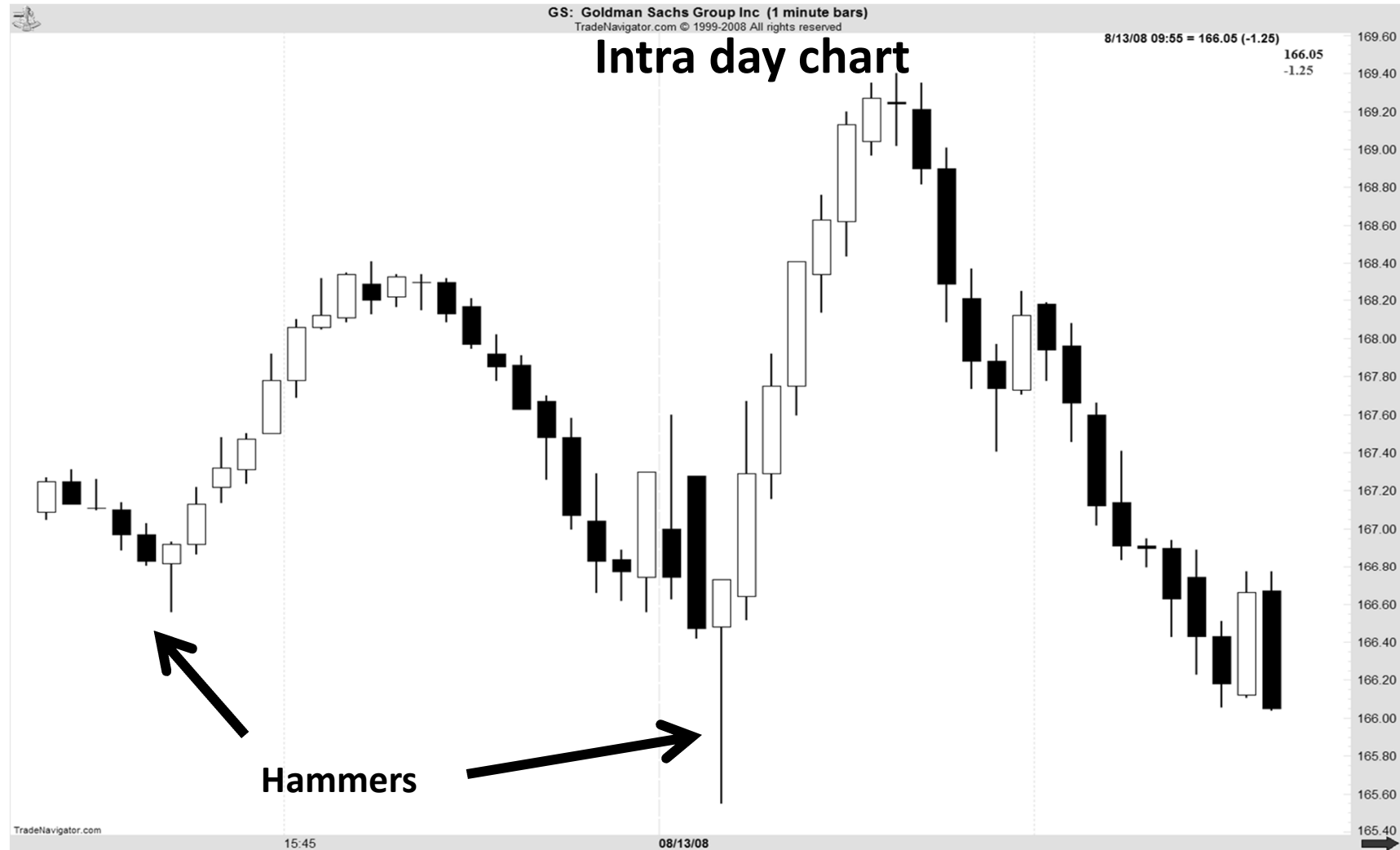
Psychology – Strong demand



Using Candles across the Spectrum



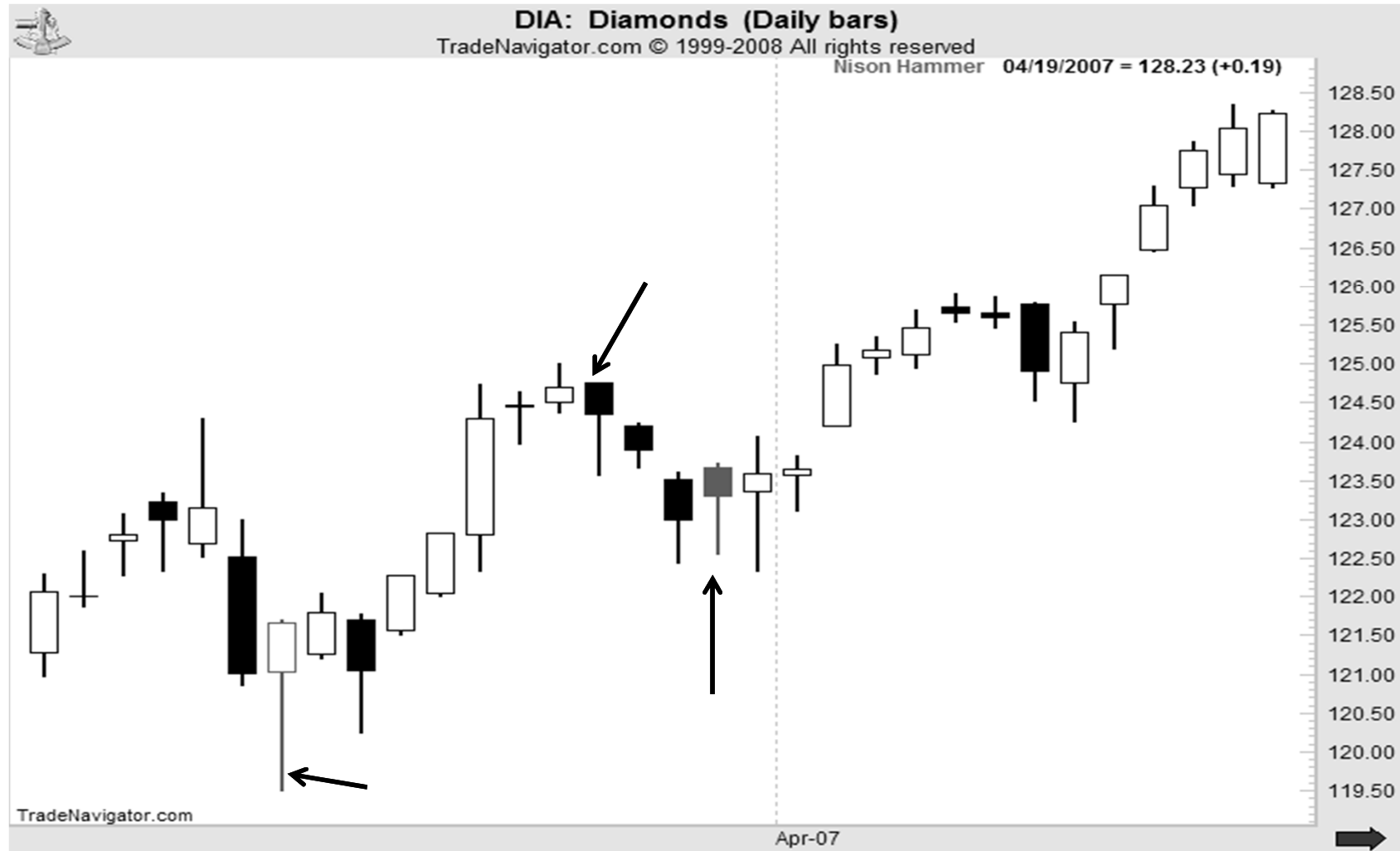
Using Candles across the Spectrum



Education = Confidence = \$uccess



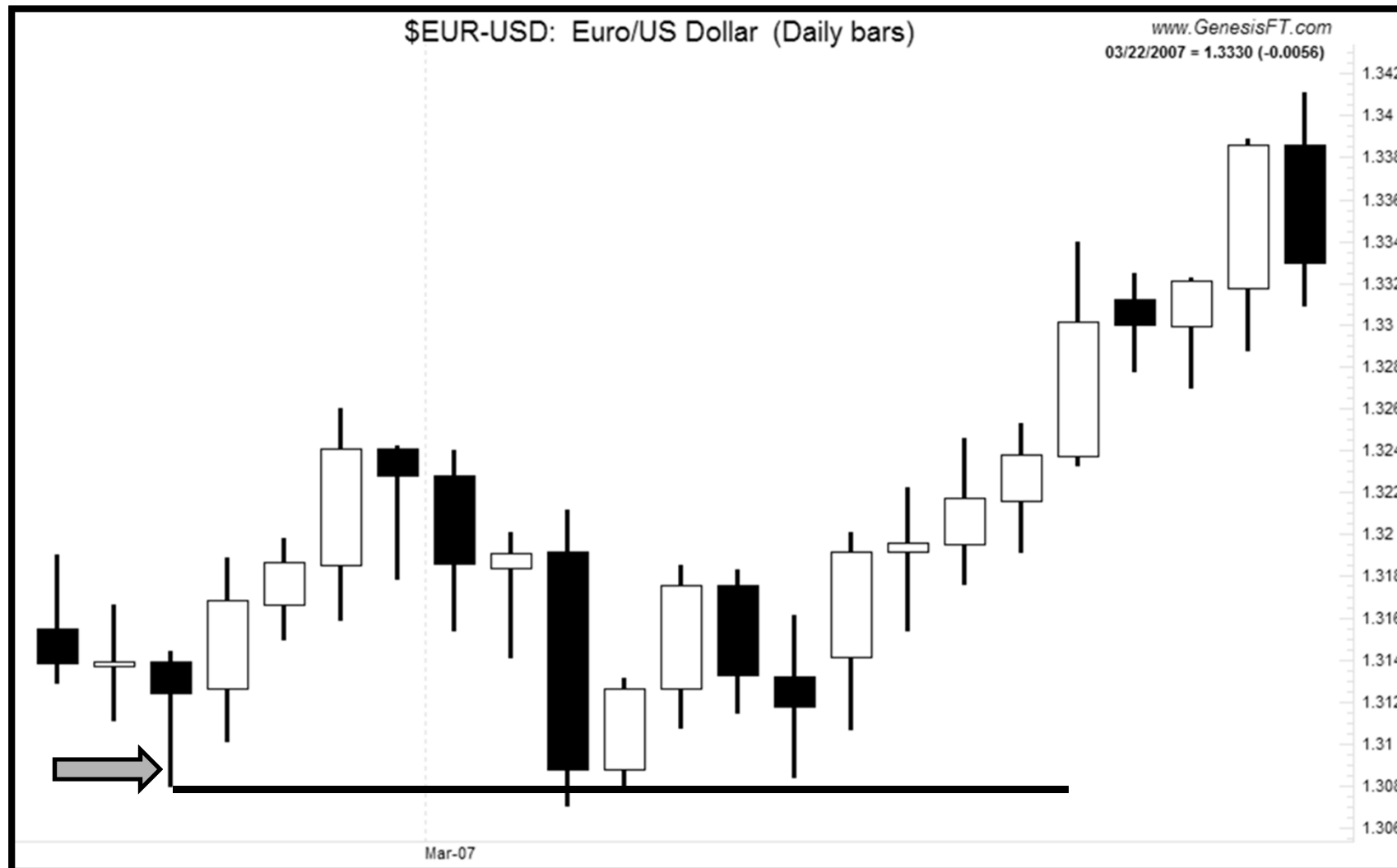
Hammer and trend



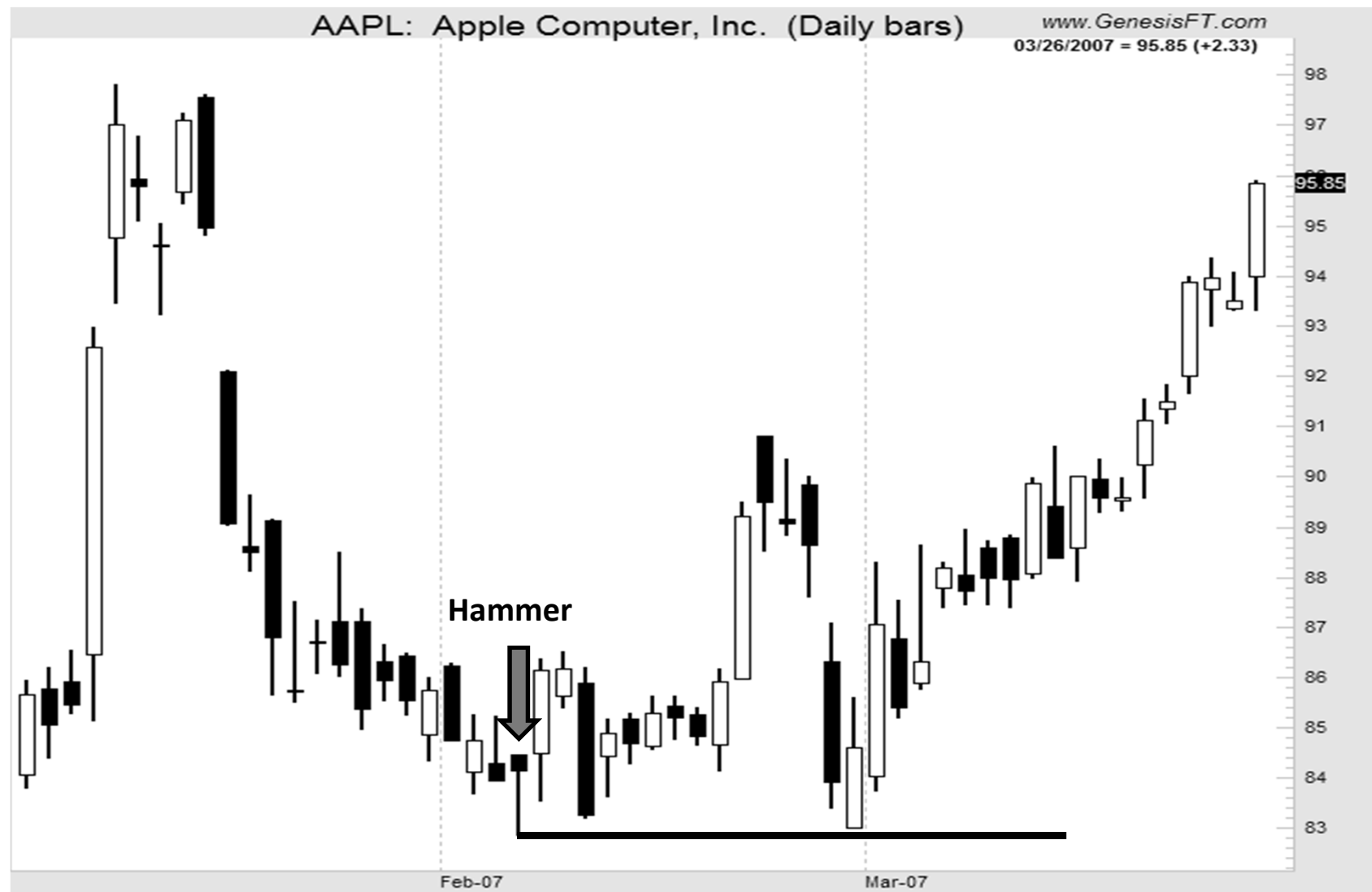
Candle Misuse ALERT!

***Ignoring candle's
support or
resistance areas***

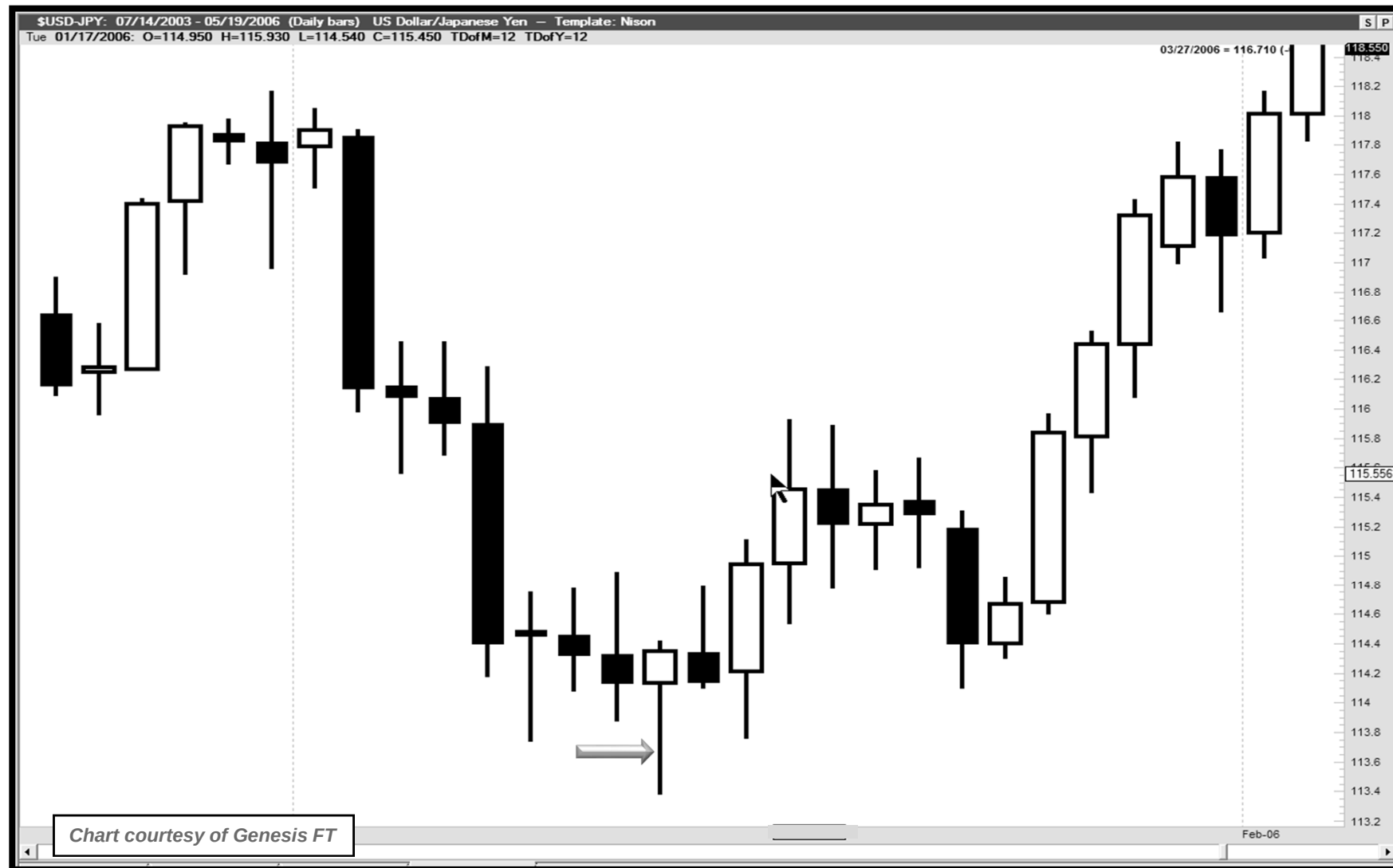
hammer's lower shadow as Support



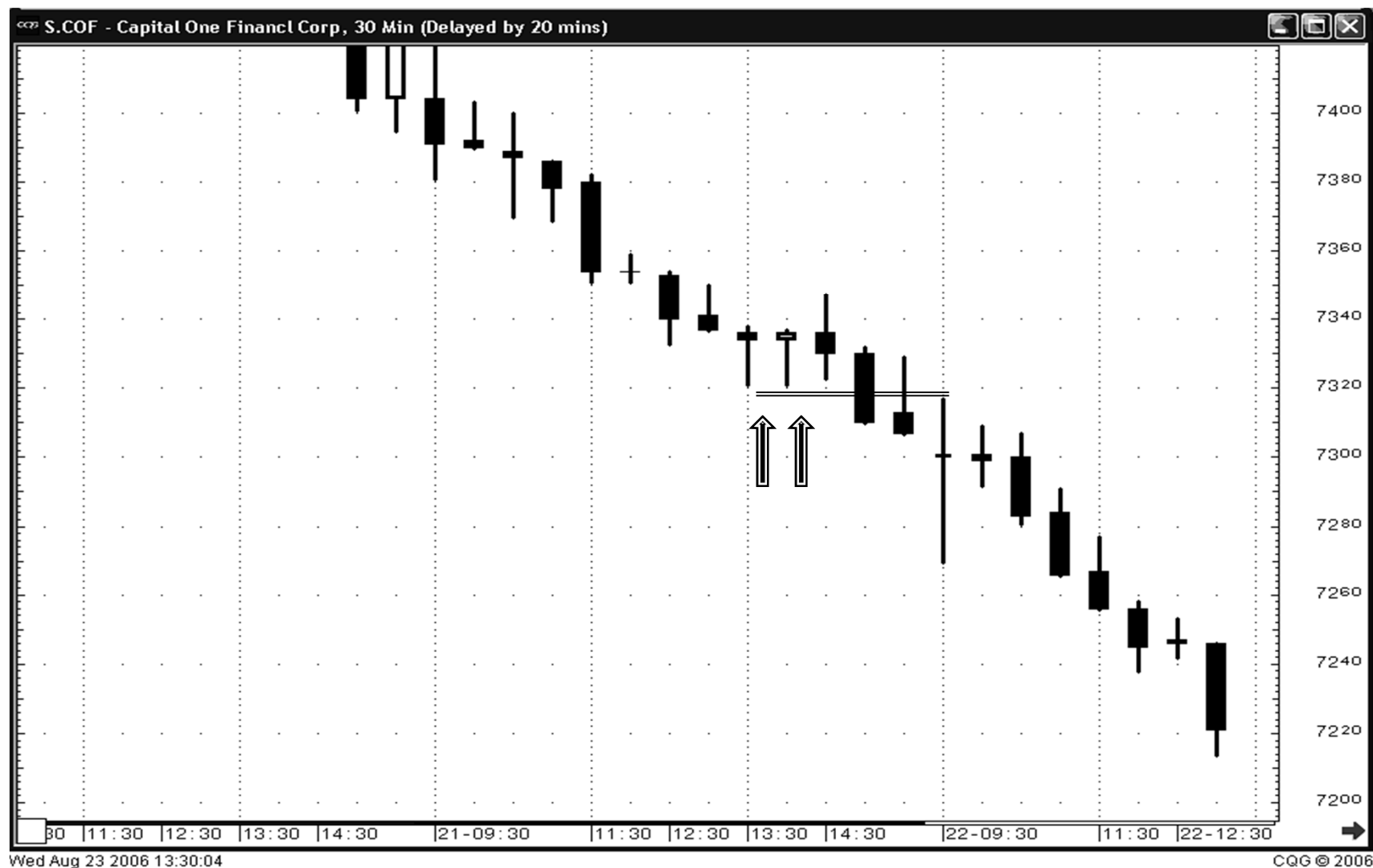
Hammer as Support



Hammer as Support



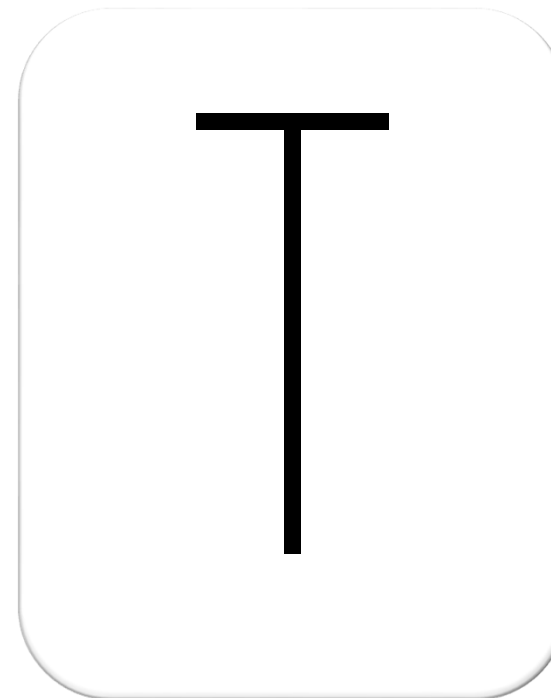
Why Protective Stops



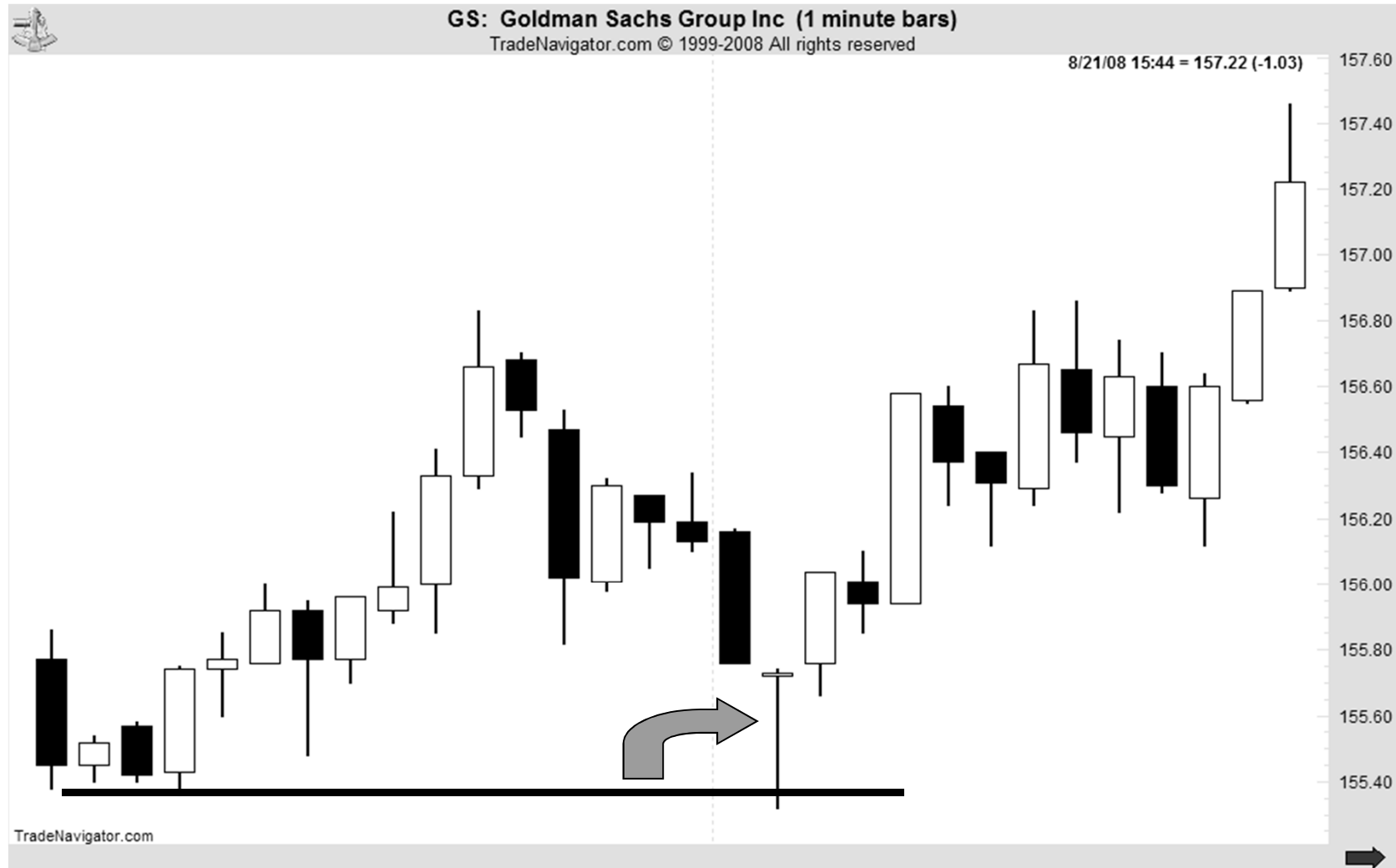
Dragonfly Doji

Which three prices of the session are on the high?

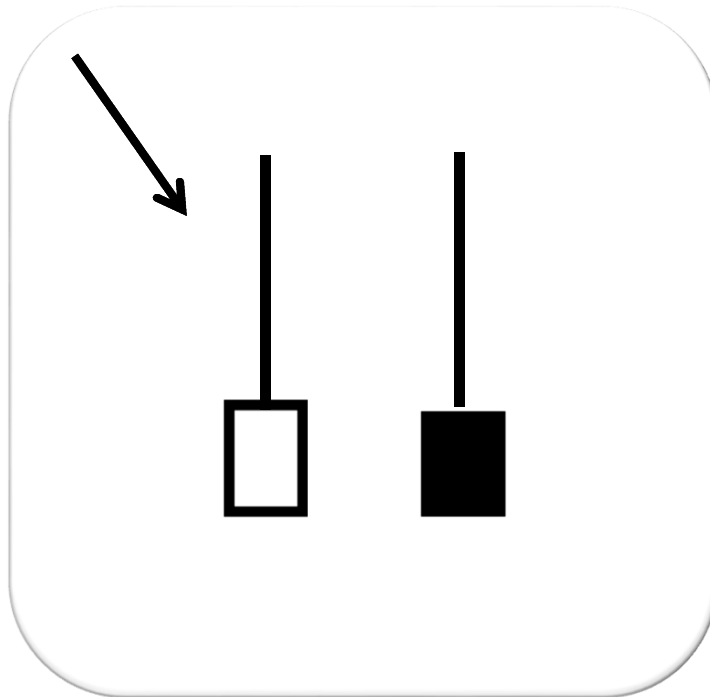
What happened during the session and by session's end?



Dragonfly



THE INVERTED HAMMER



Basic Criteria:

Same shape as Hammer but market in downtrend

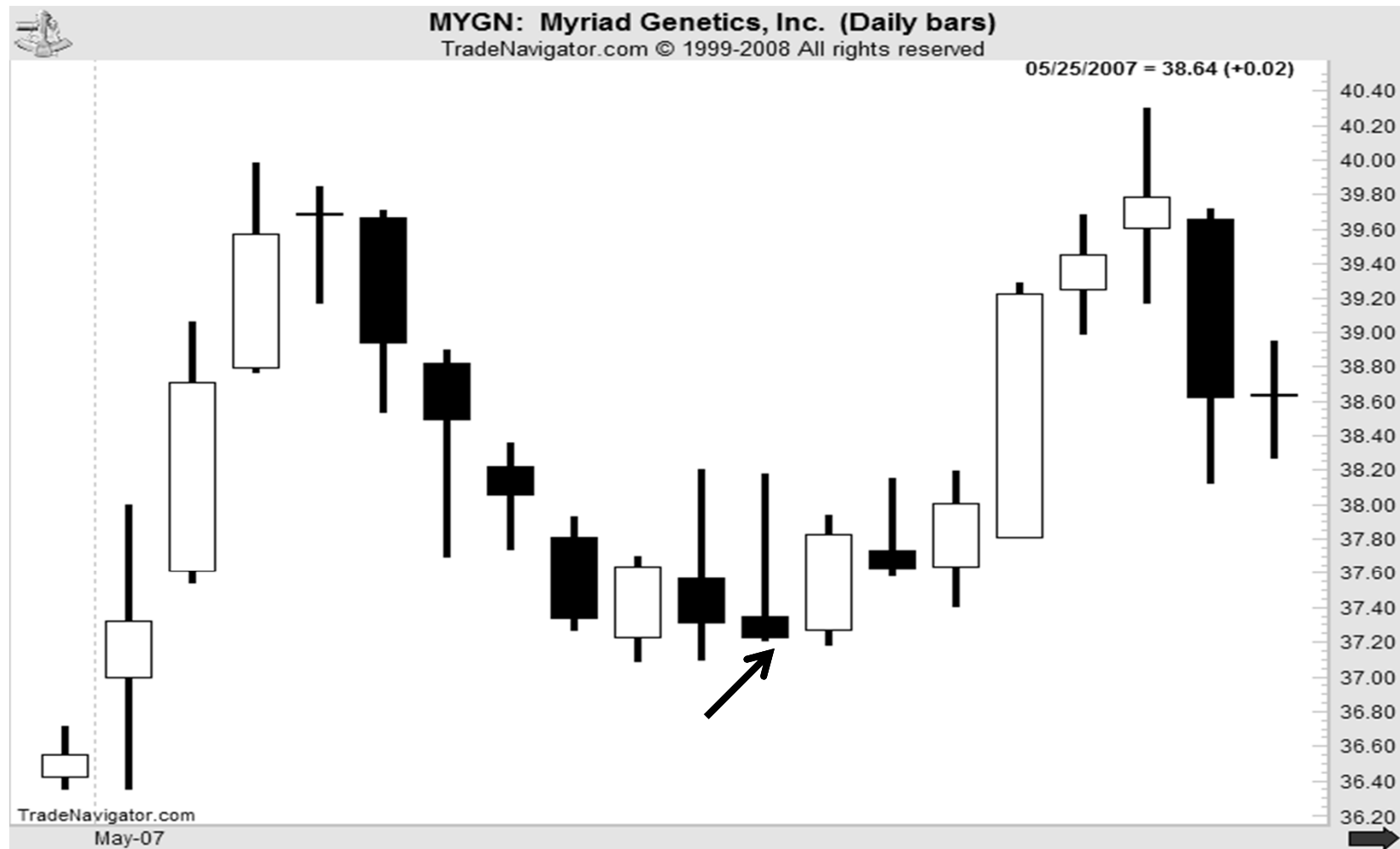
Market Implication:

In theory, potential bottom reversal

Support or Resistance:

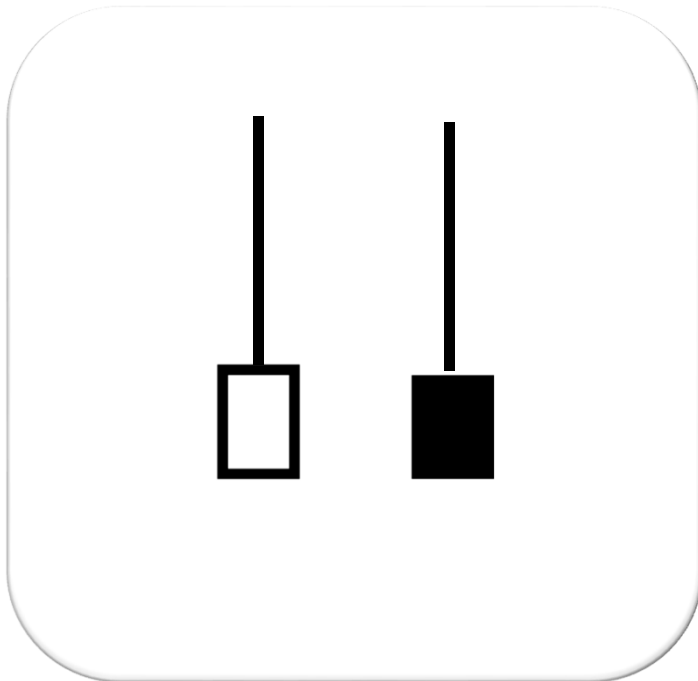
Not used as support

Inverted Hammer with confirmation



Single Candle Lines: The Bear Signals

THE SHOOTING STAR



Basic Criteria:

- Market in up trend
- Small real body (black or white) at, or near, bottom of session
- Upper shadow at least twice height of the real body

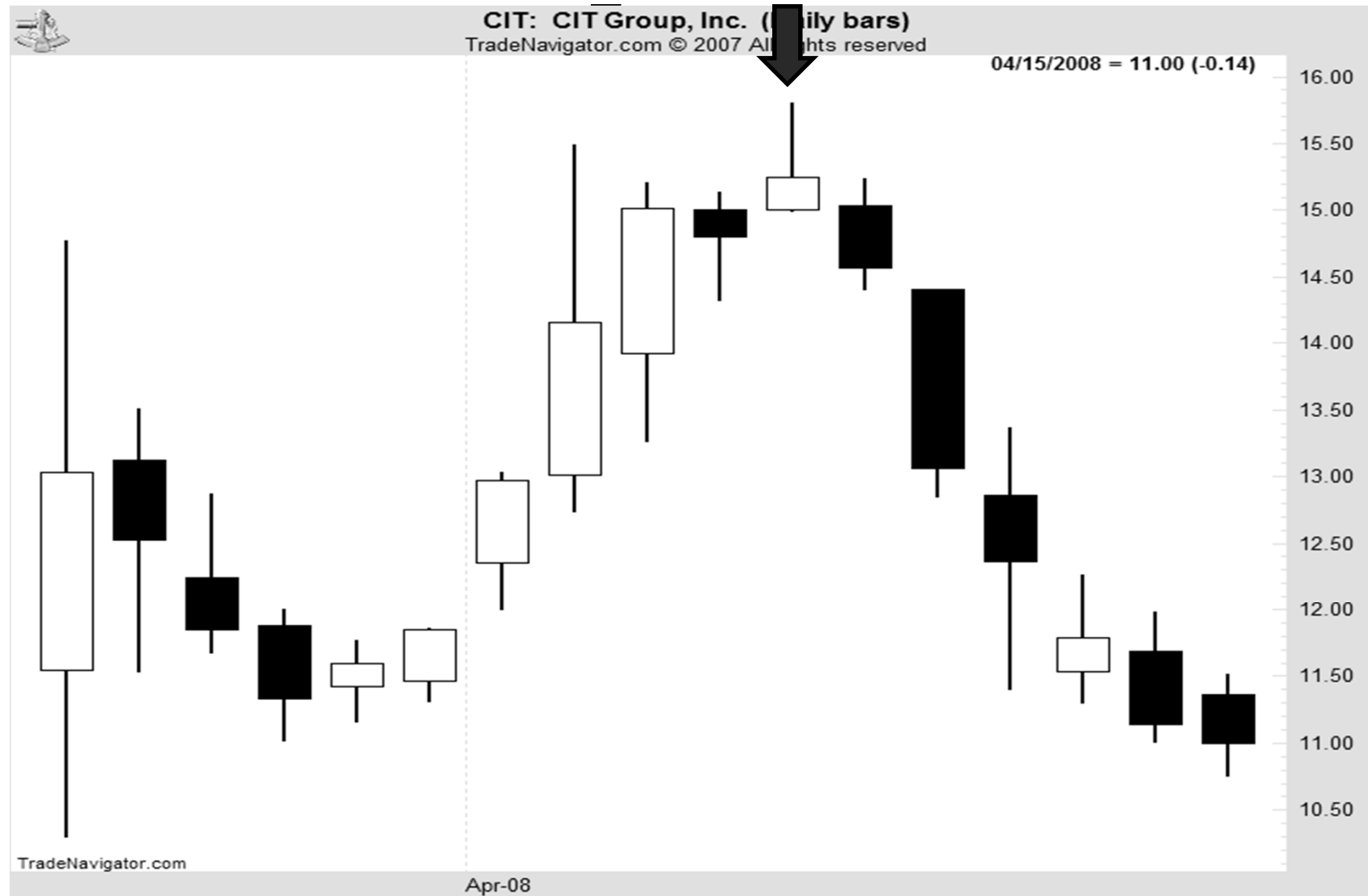
Market Implication:

Potential top reversal

Support or Resistance:

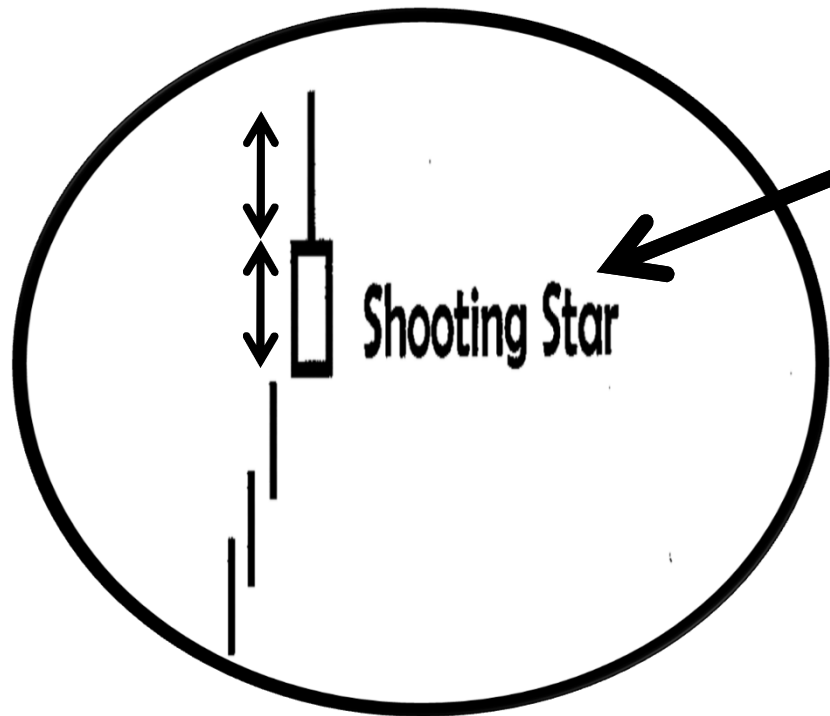
High of signal as resistance

Shooting Star “signals trouble overhead”



Education = Confidence = \$uccess





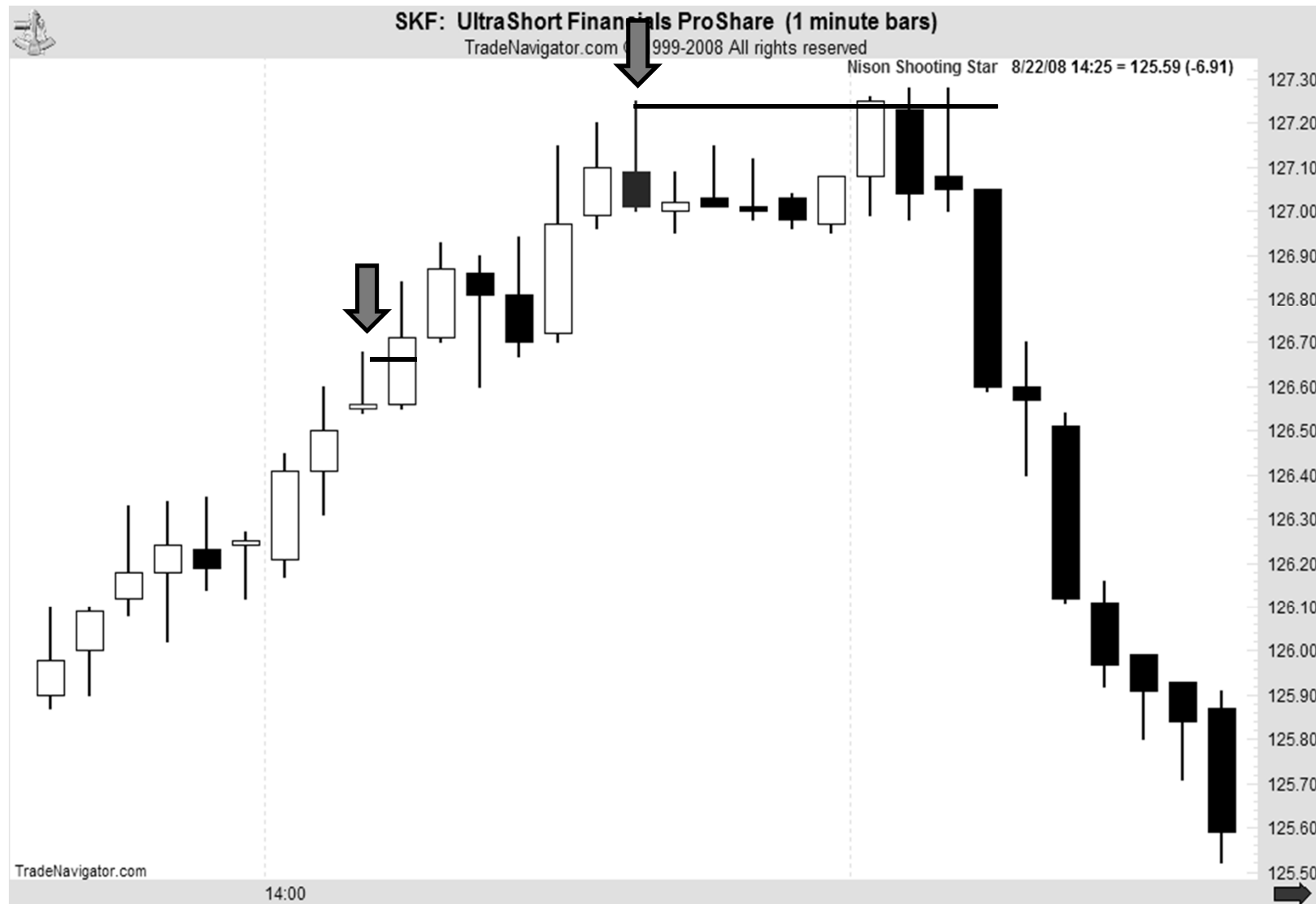
**What is
wrong with
this so called
“shooting
star?”**

Hint: look at upper shadow

“A crack has entered the market”



Shooting Stars as Resistance



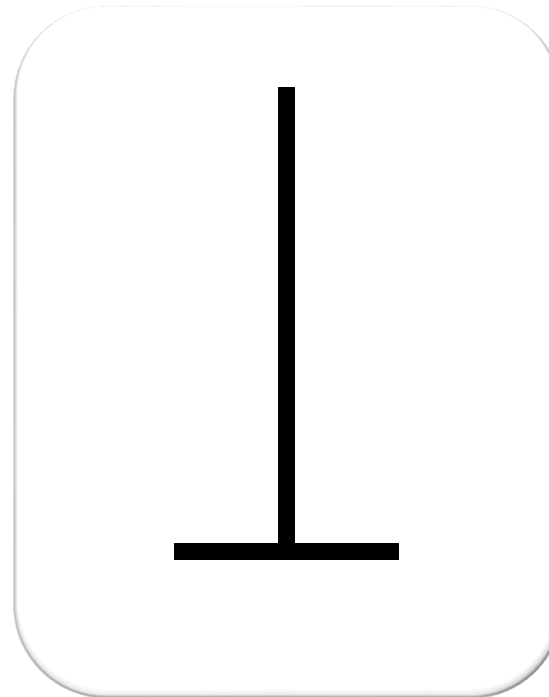
Shooting Stars



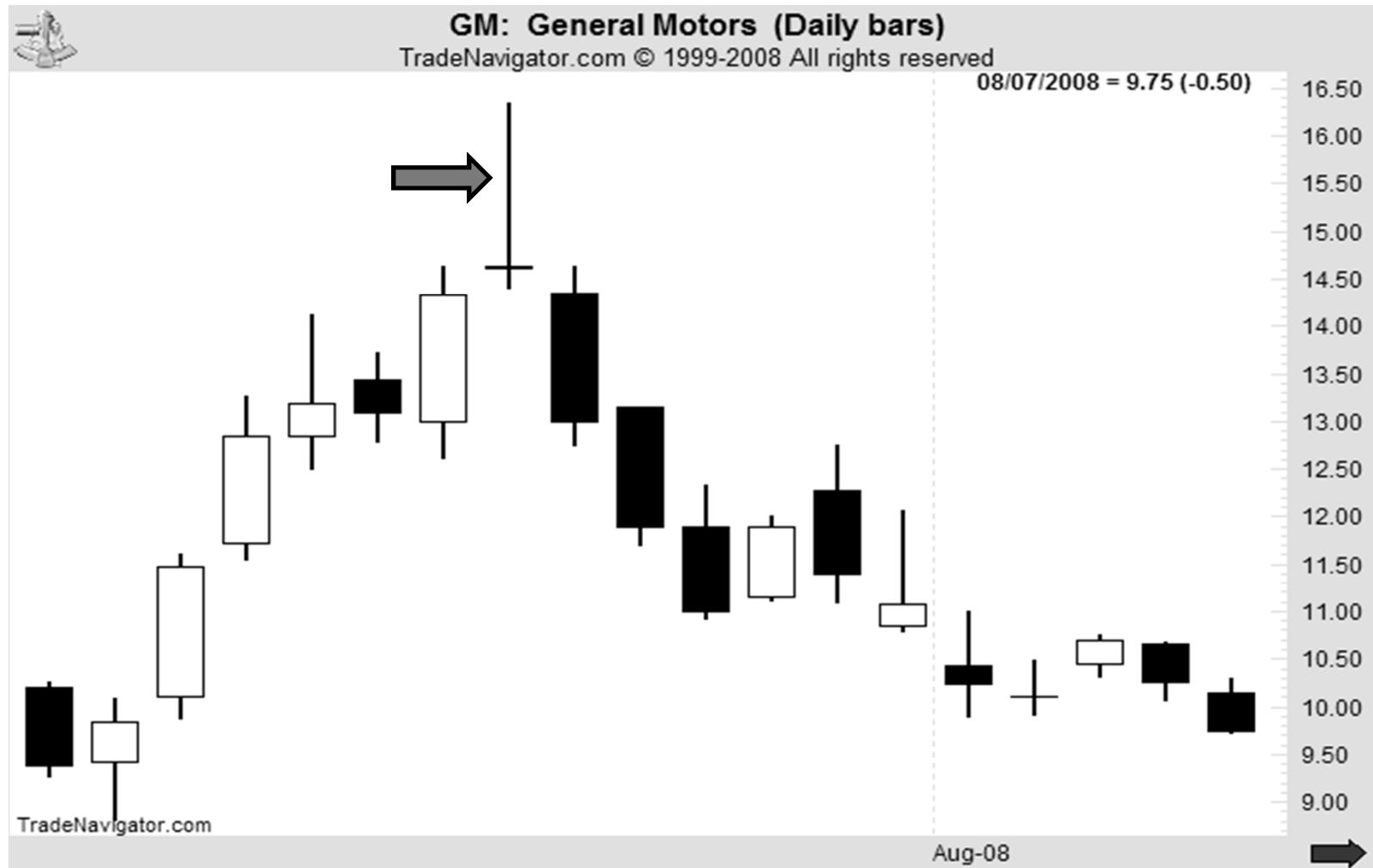
Gravestone Doji

Which three prices of the session are on the low?

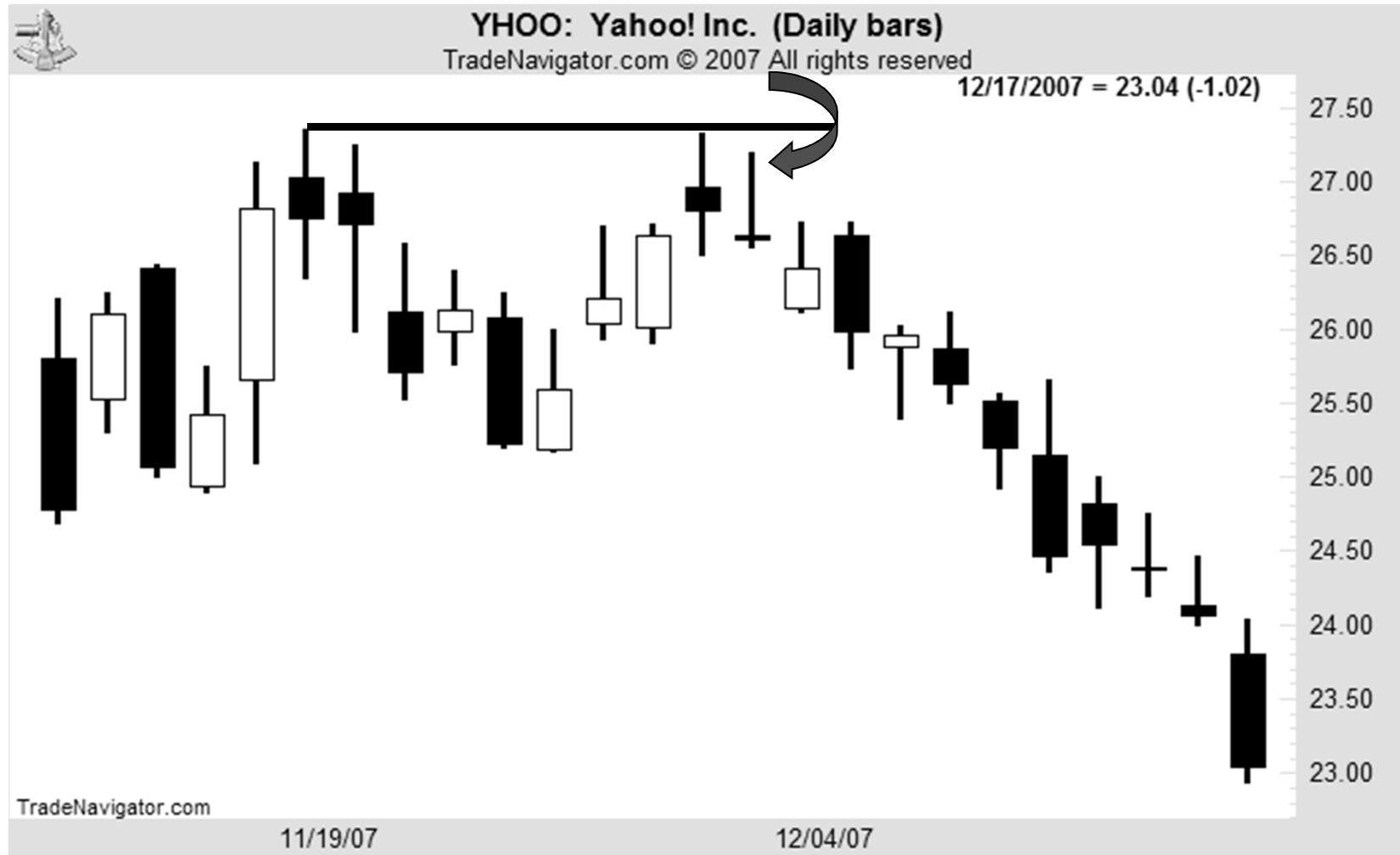
What happened during the session and by session's end?



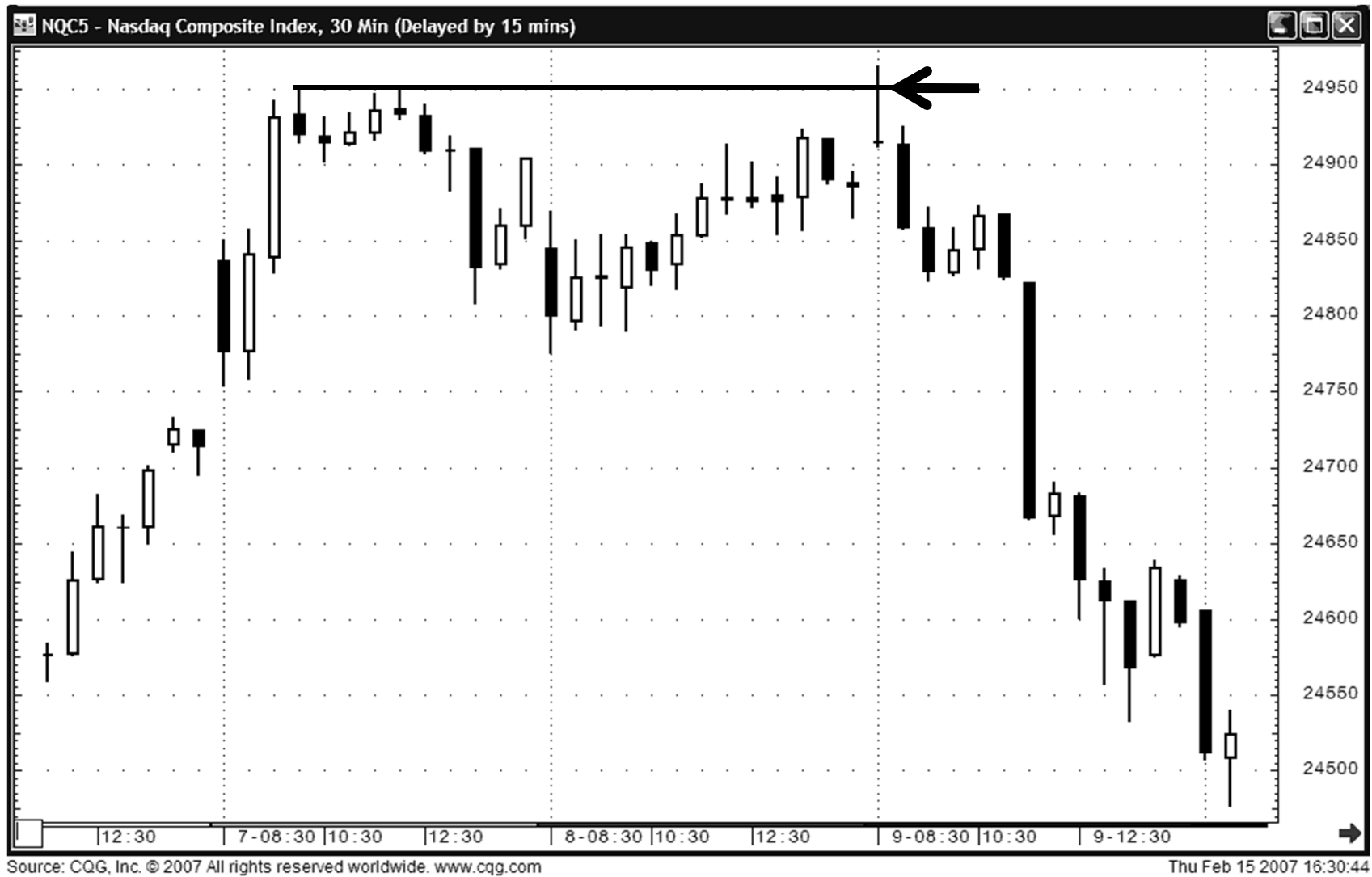
Gravestone



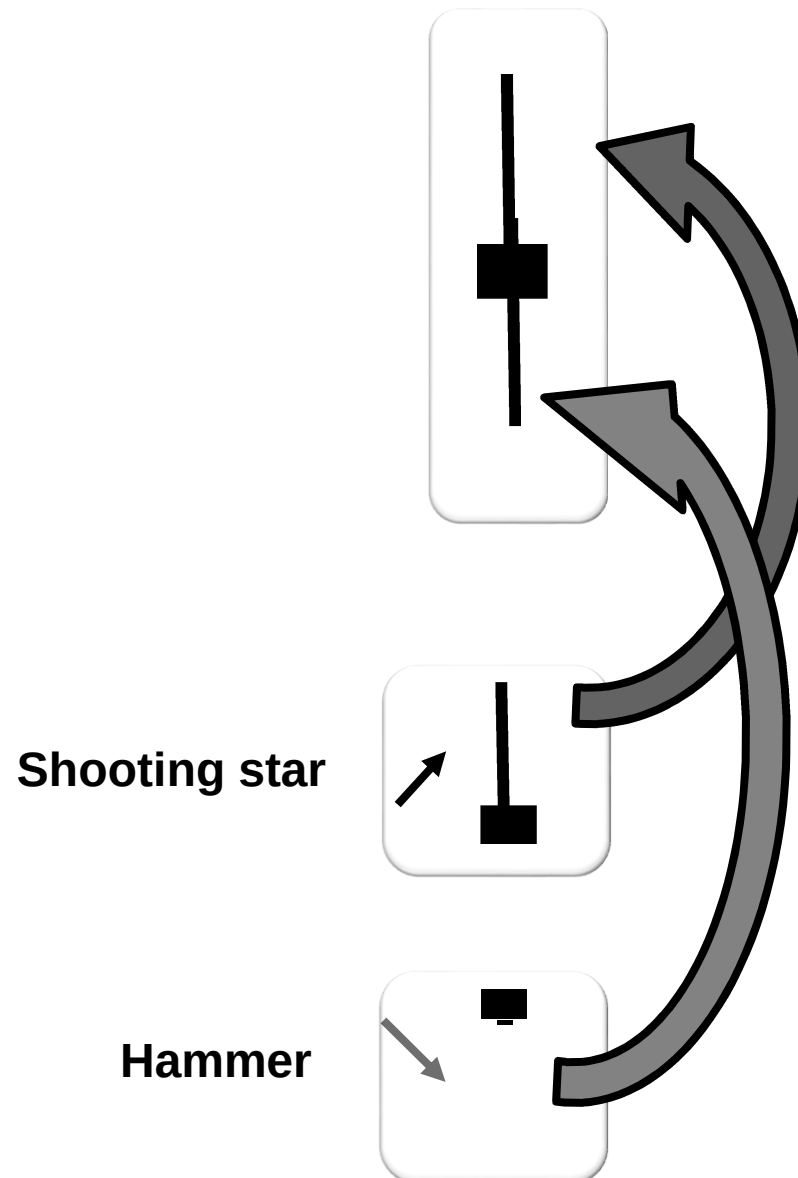
Gravestone

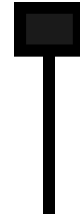
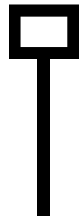


Gravestone Doji



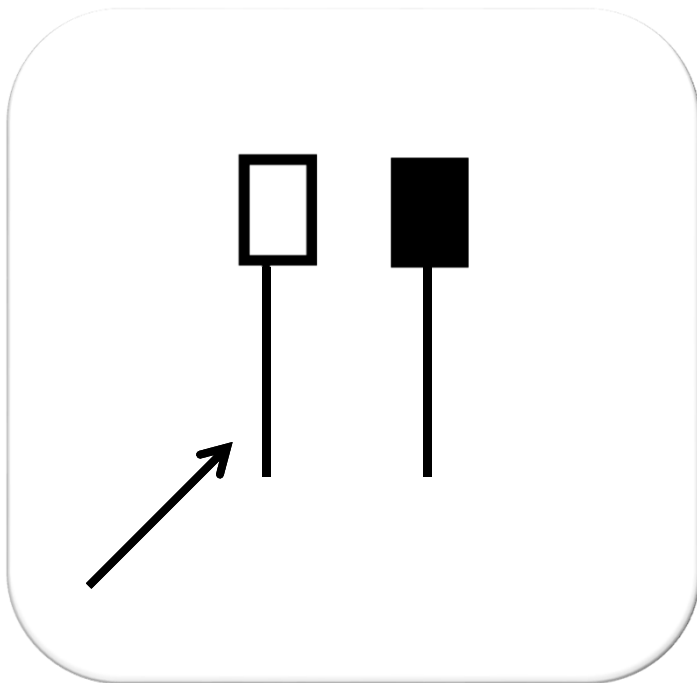
HIGH WAVE CANDLE





***“If it appears from below,
buy. If it appears from
above then sell.”***

THE HANGING MAN



Basic Criteria

Same shape as Hammer but market in uptrend

Market Implication

In theory, potential top reversal

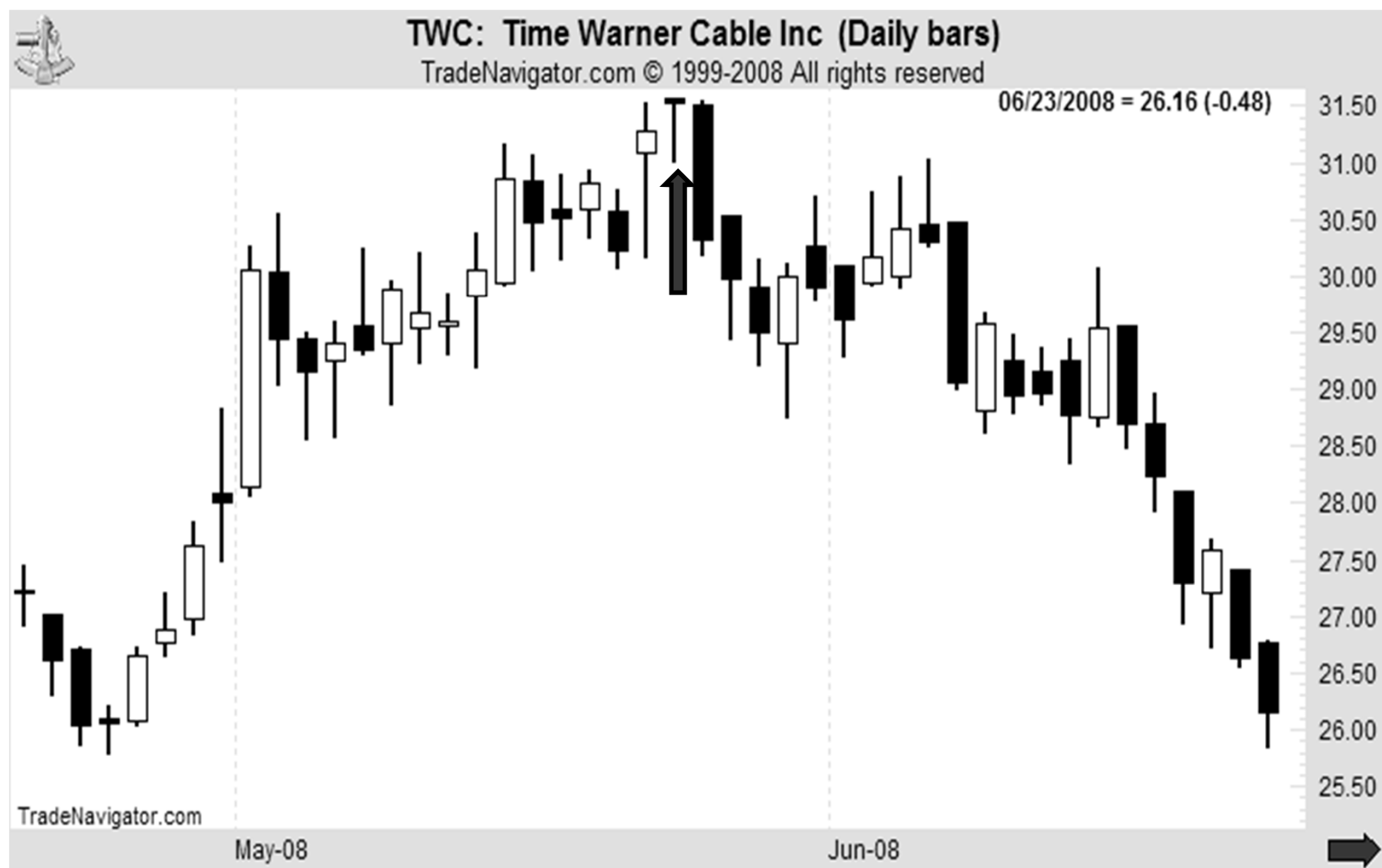
Support or Resistance

Not used as resistance

NISON TRADING PRINCIPLE

There must be bearish confirmation for the hanging man. This means waiting for an open- or even better – a close under the bottom of the hanging man's real body.

Hanging Man

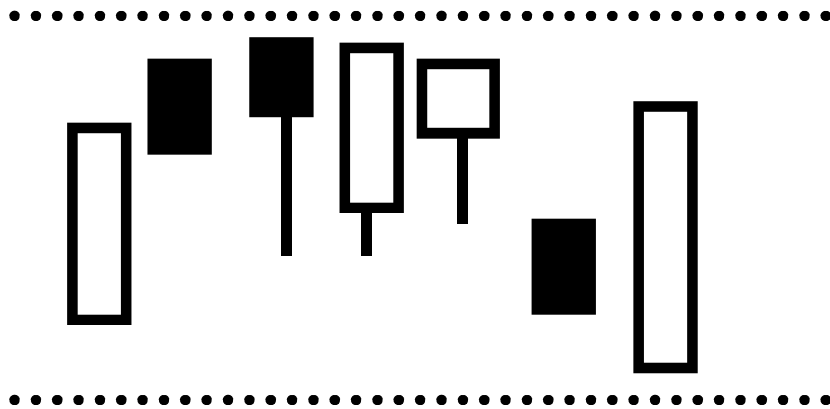
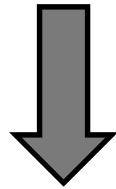


Hanging Man

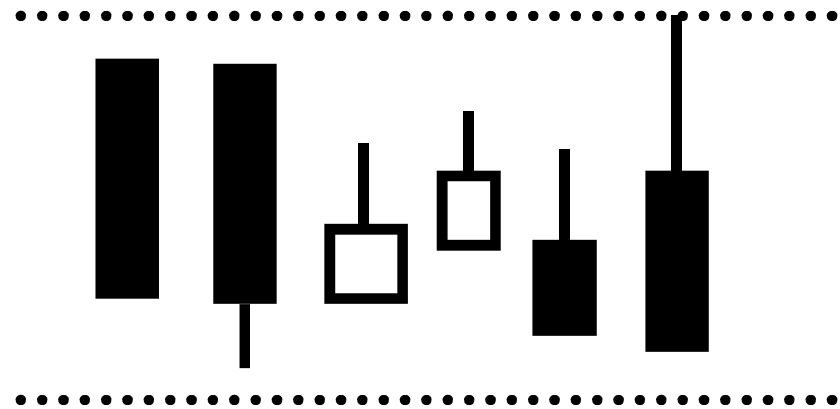
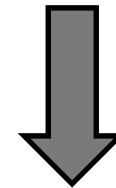


Using Candles in a "Box" Range

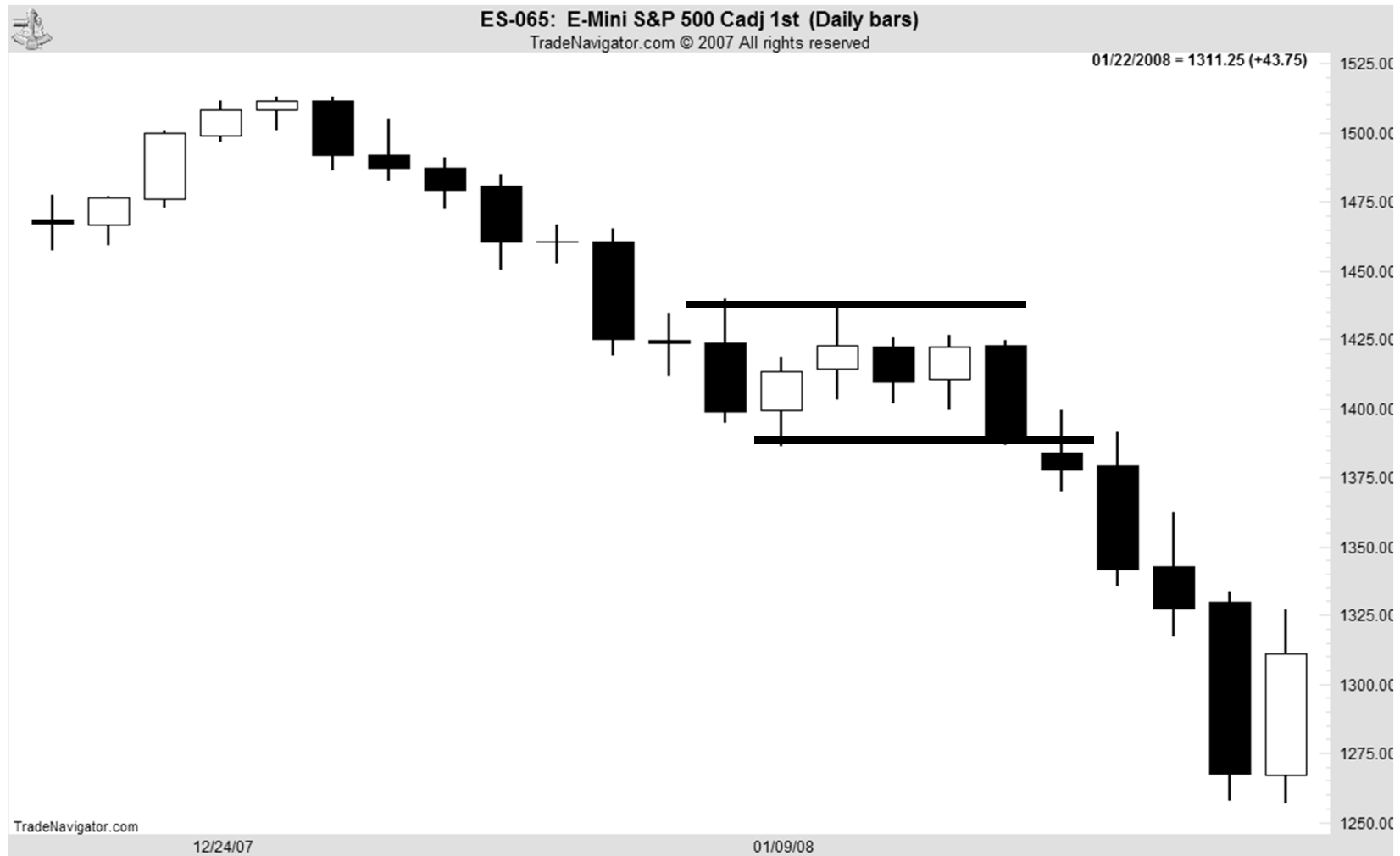
Who has more control here?



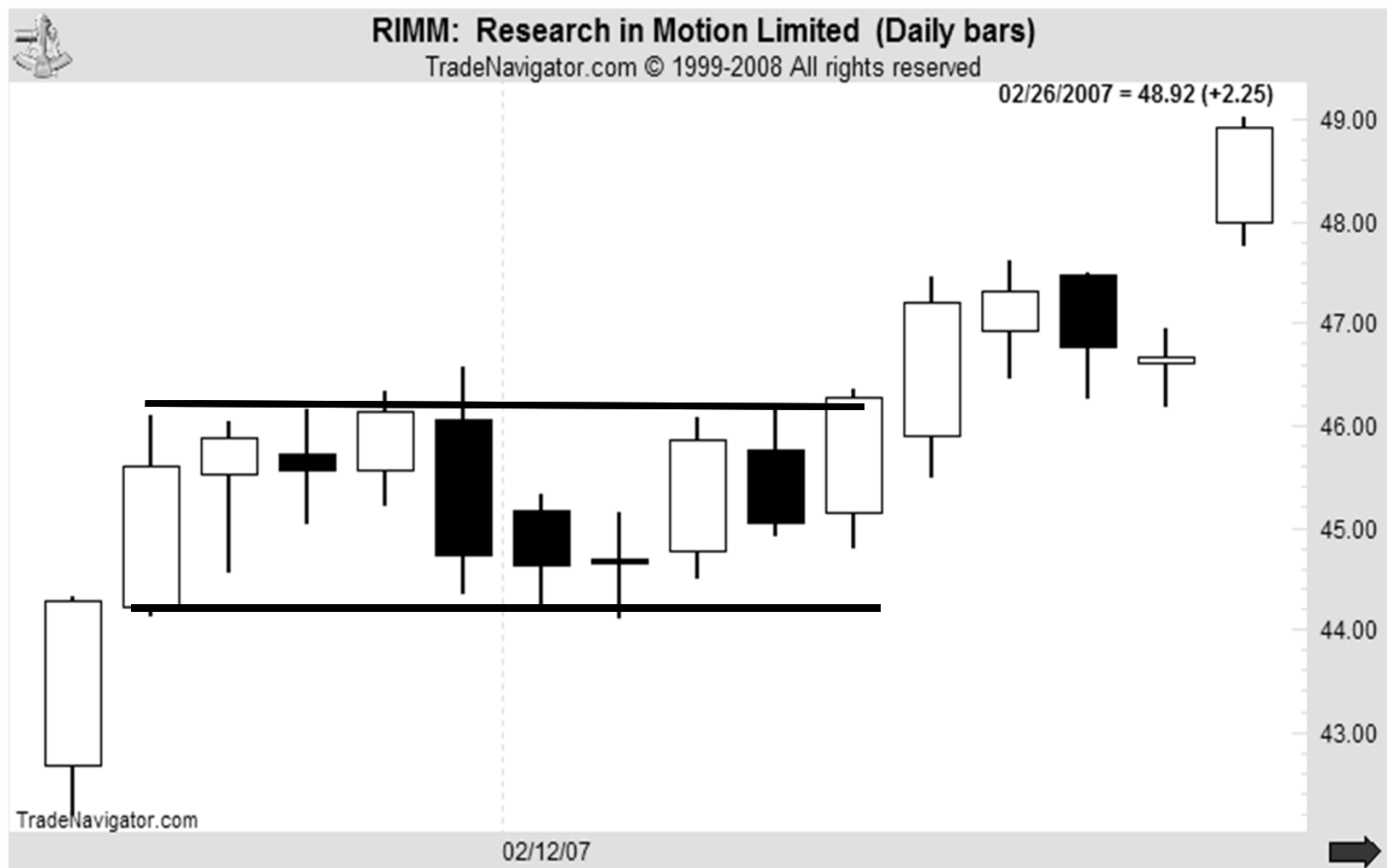
Who has more control here?



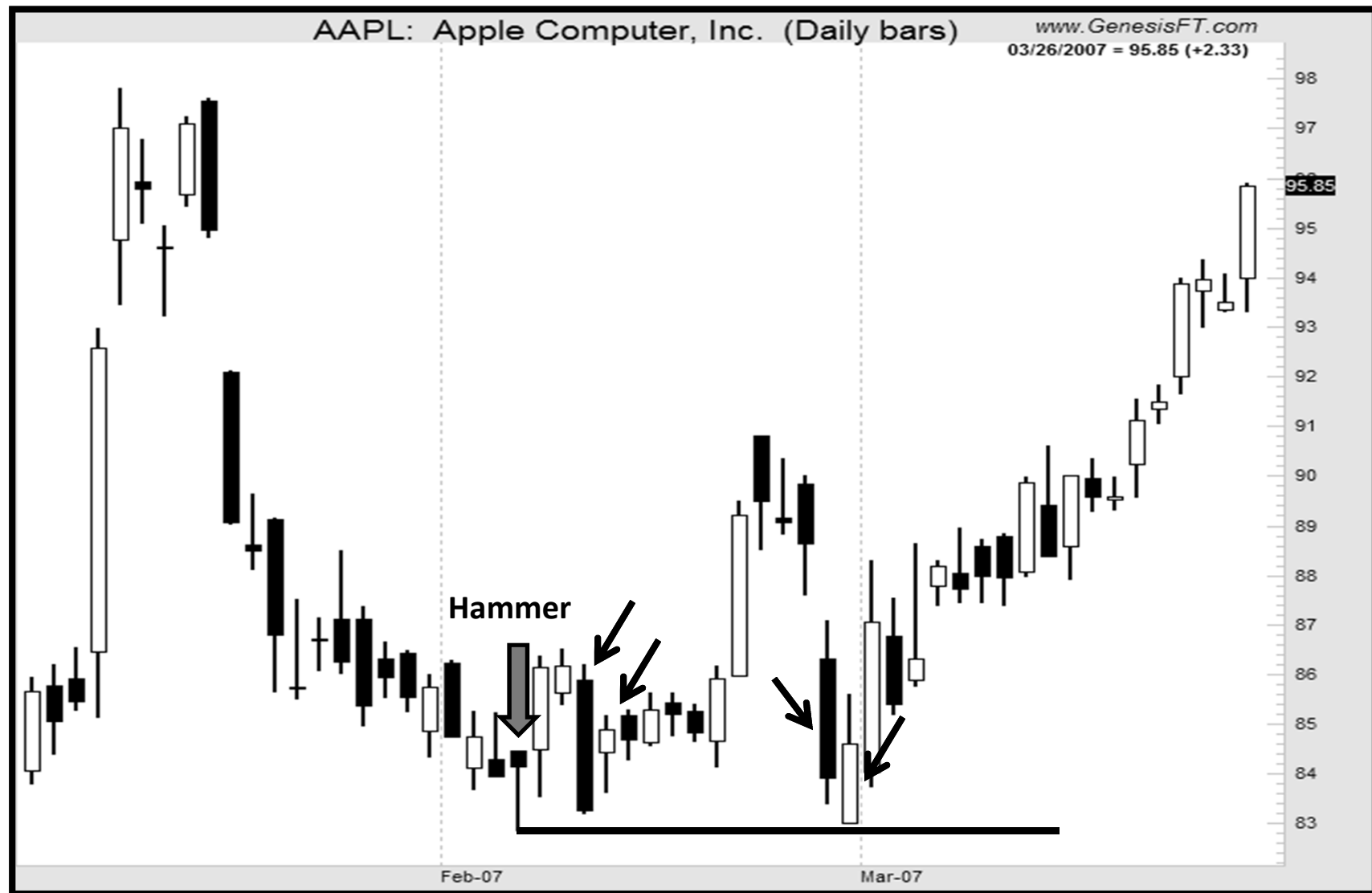
Box range – which way?



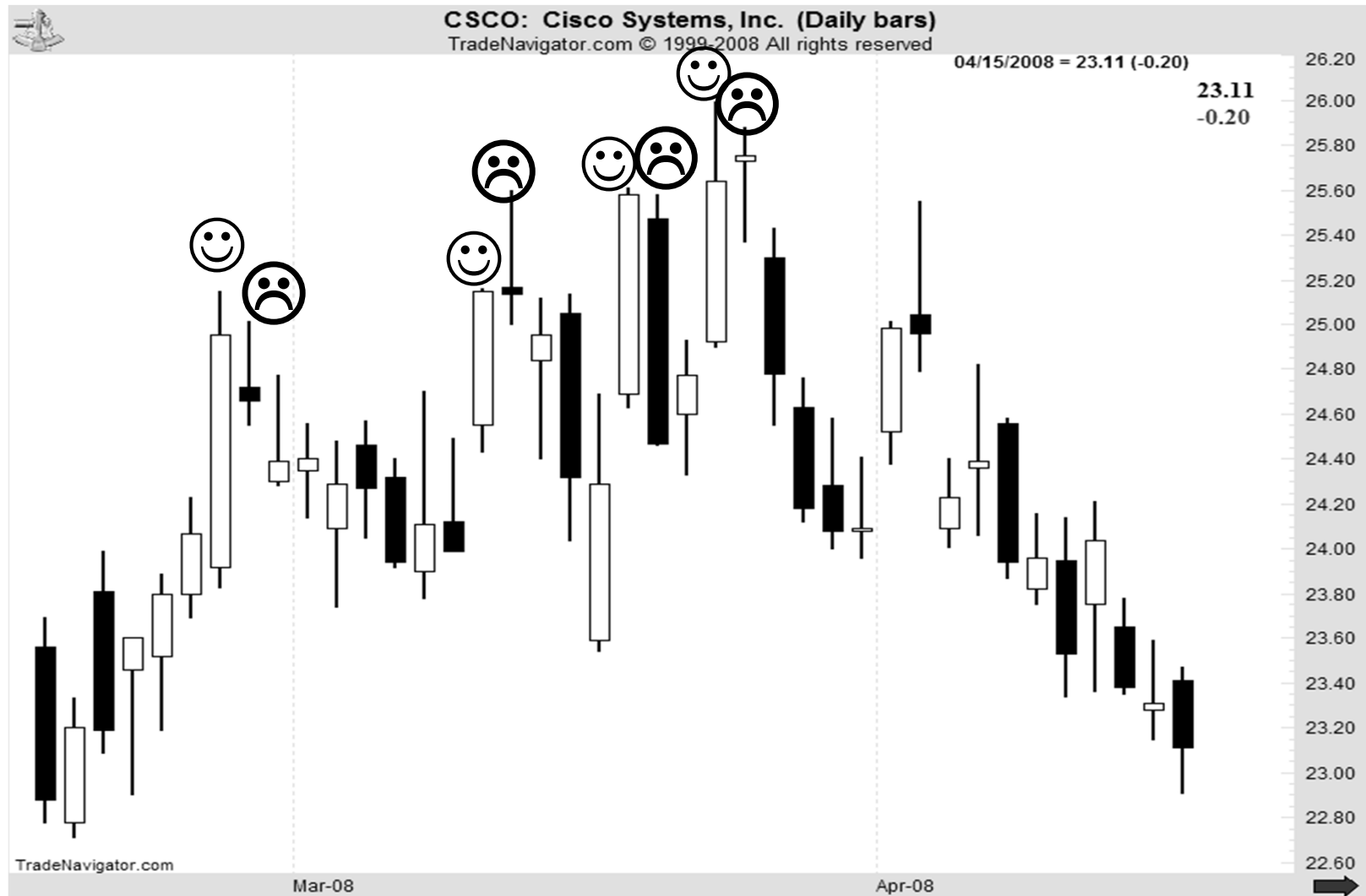
Box range – which way?



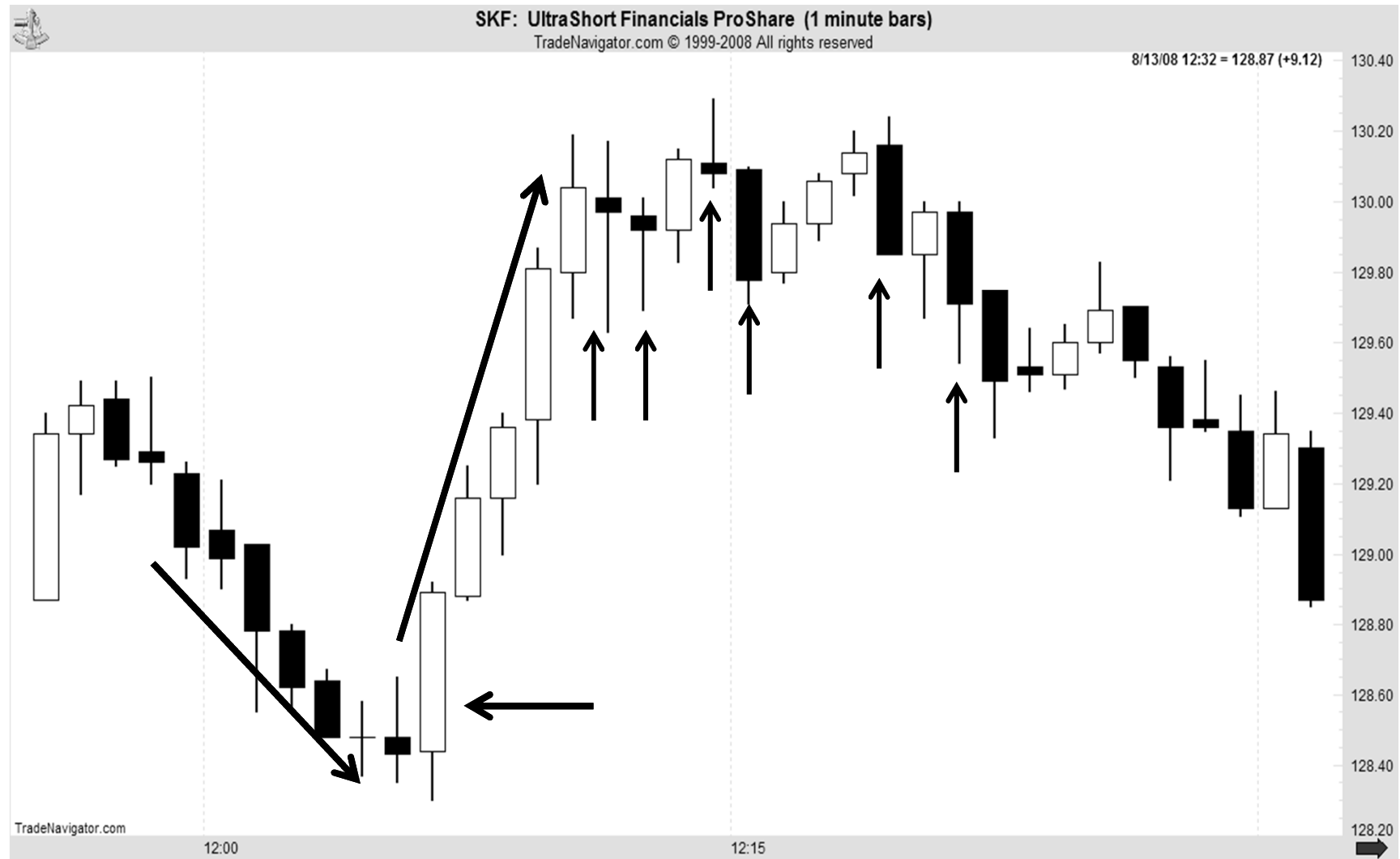
Reading the Market's Message



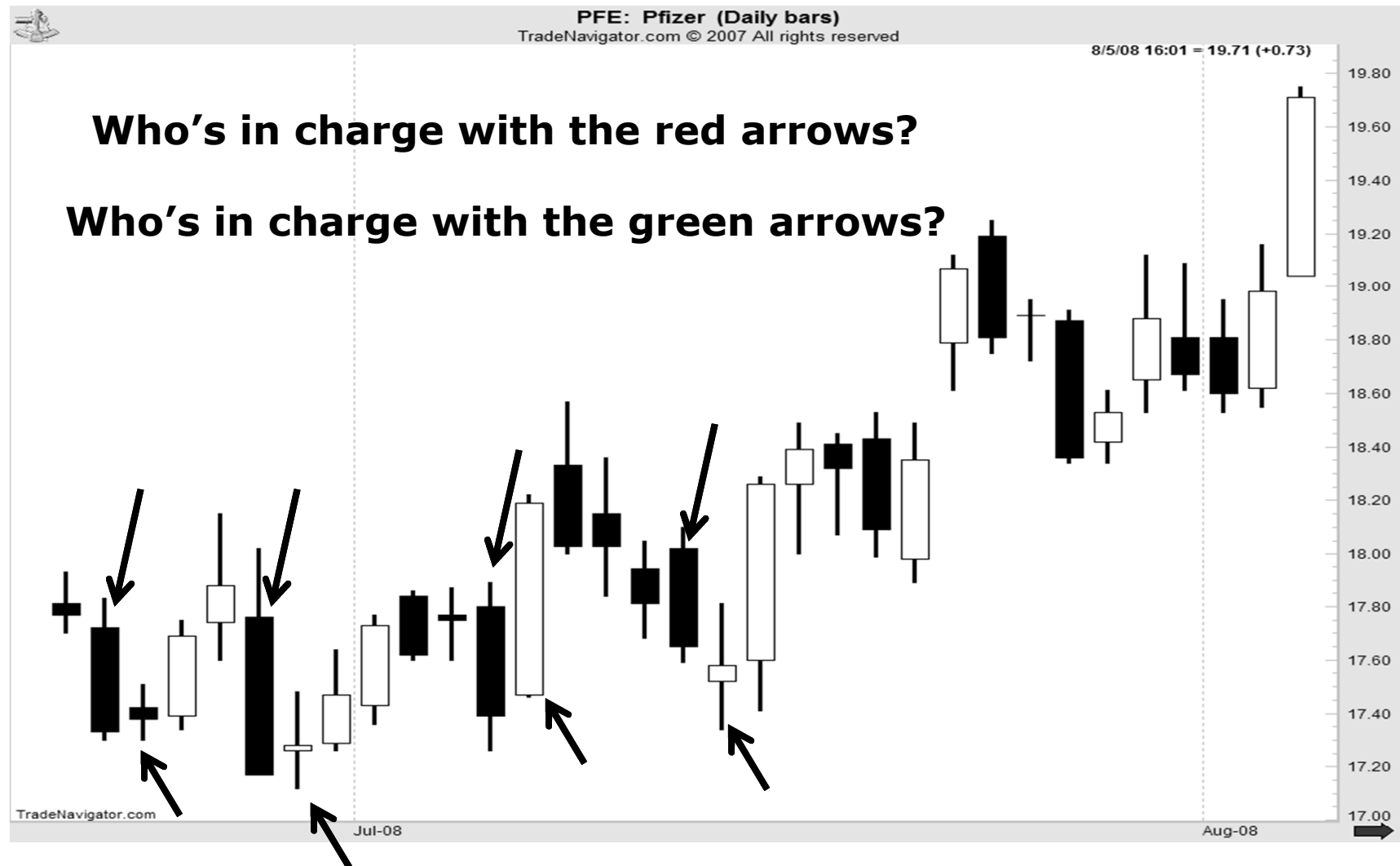
Using the insights of single candle lines



Using Single Candle Lines



Reading the Market's Message



Reading Market Psychology



What we learned:

- ✓ Most candles are reversals
- ✓ High wave candles
- ✓ One sided shadow candles: bull and bear
- ✓ Less emphasis on hanging man and inverted hammer
- ✓ Box ranges and single candle lines
- ✓ Single candle lines to read the market's message

Steve Nison's Candle Charting Essentials and Beyond

***Confidently
Finding the
High
Probability
Trades***

**Essentials of Multiple
Candle Lines**

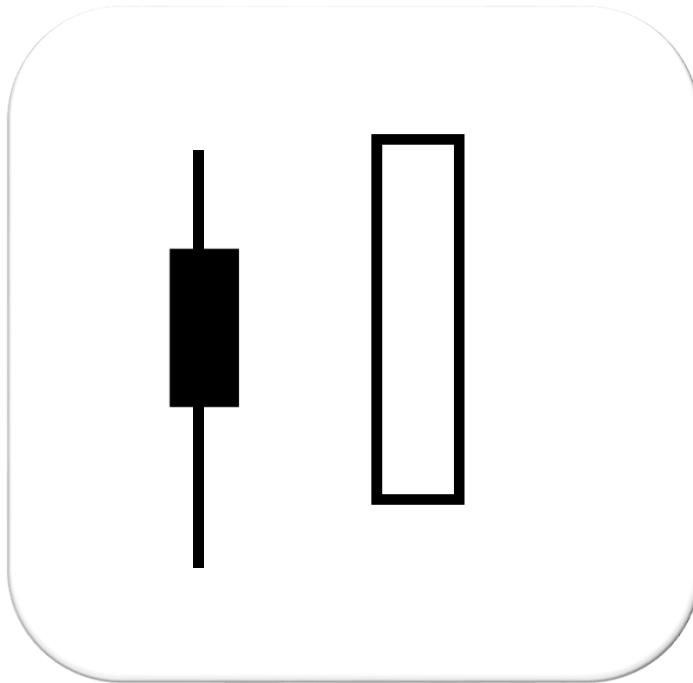


with Steve Nison

Founder and President: Candlecharts.com

Double Candle Lines: The Bull Signals

BULLISH ENGULFING PATTERN



Basic Criteria

- Market in down trend
- White real body wraps around prior session black real body

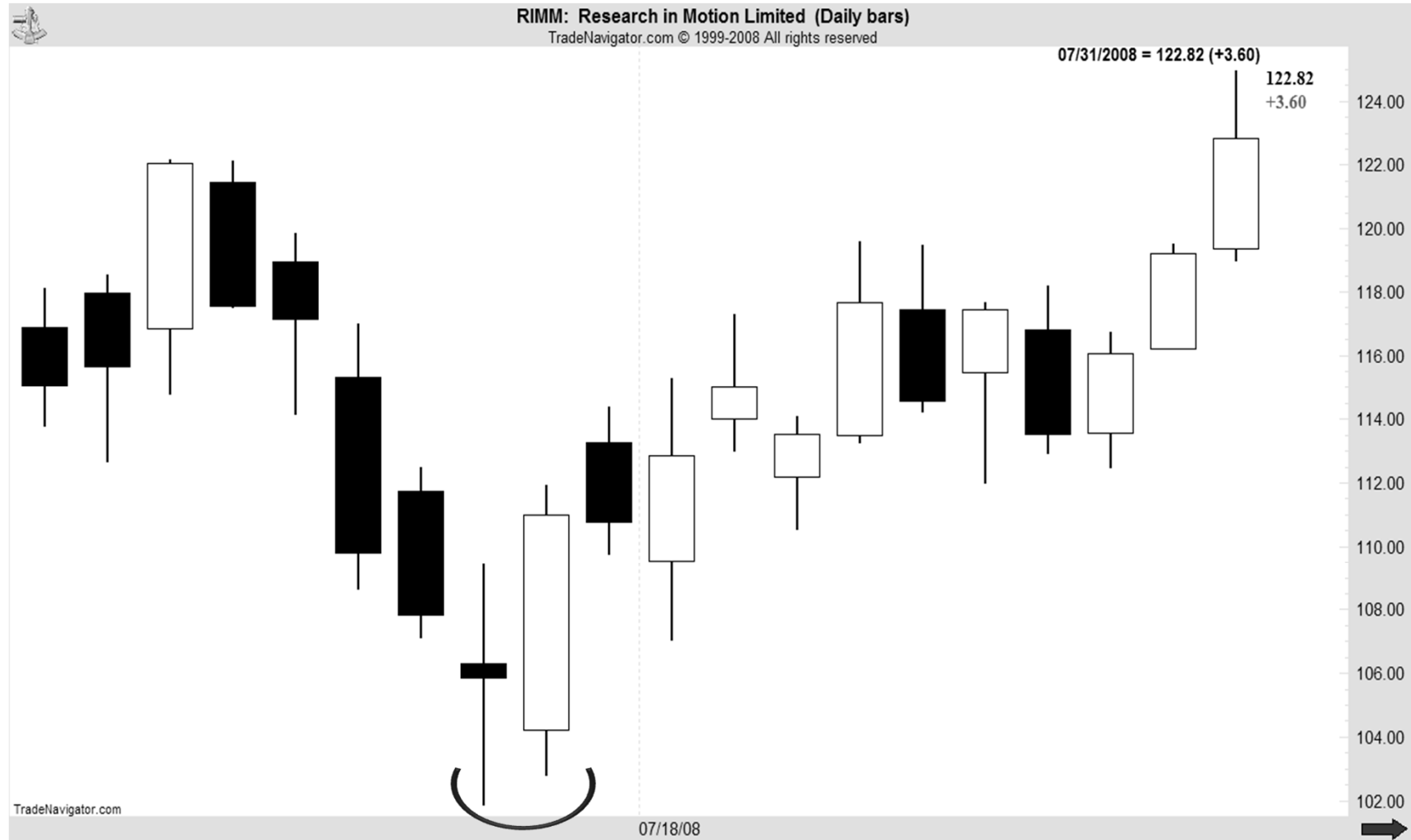
Market Implication

Bottom reversal

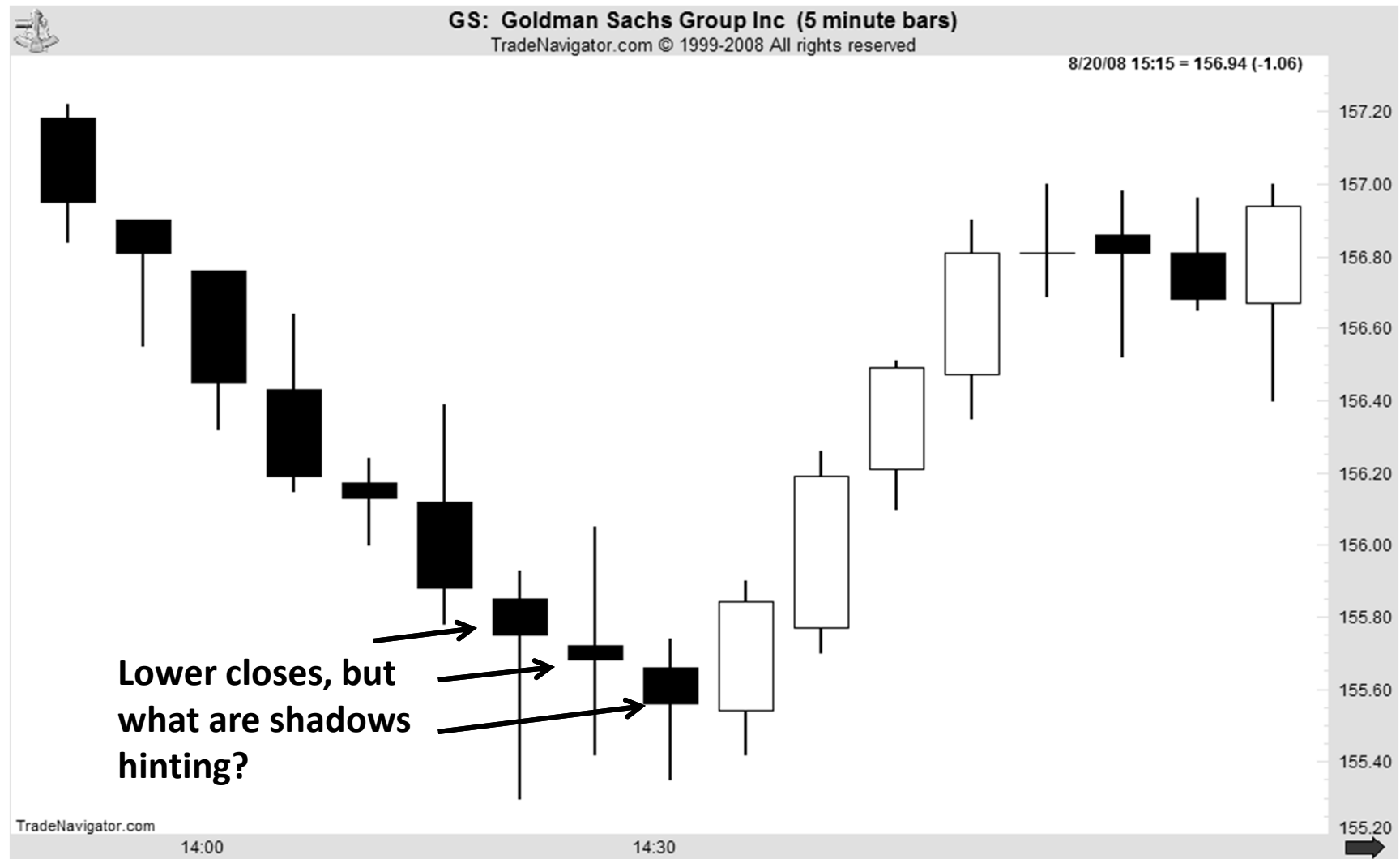
Support

The lowest low of the two sessions of the pattern

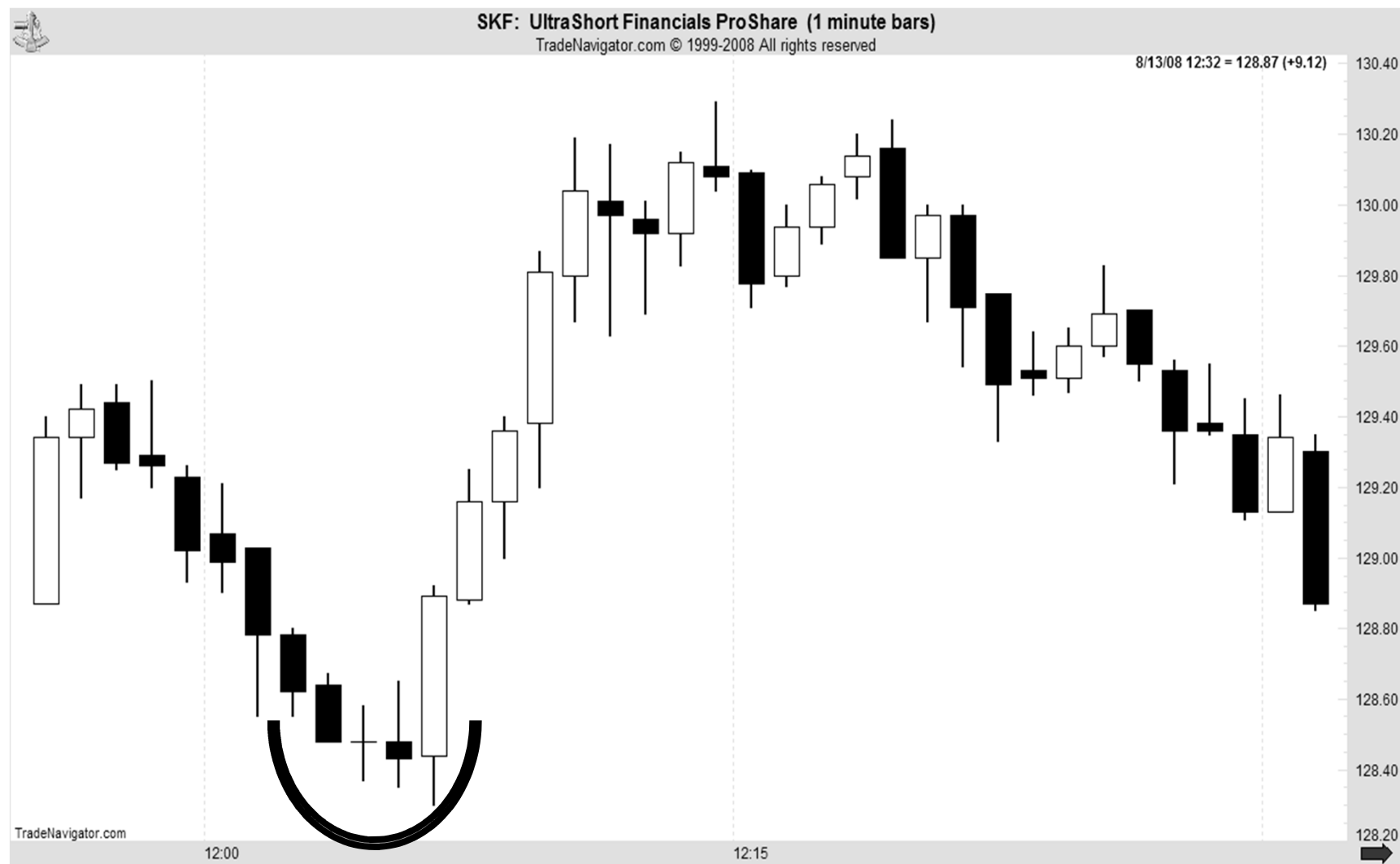
Classic Bull Engulf



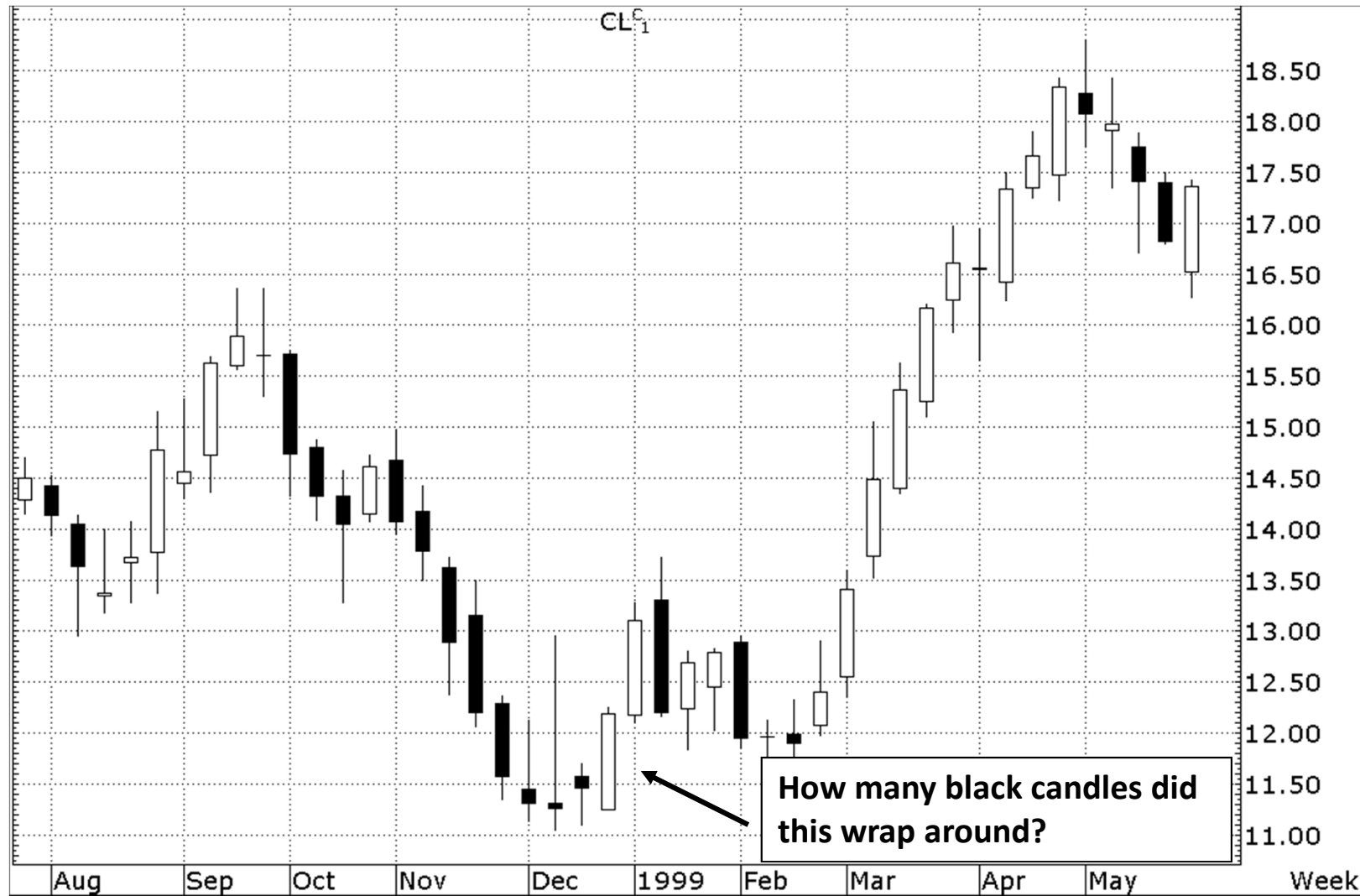
Shadows for Insights



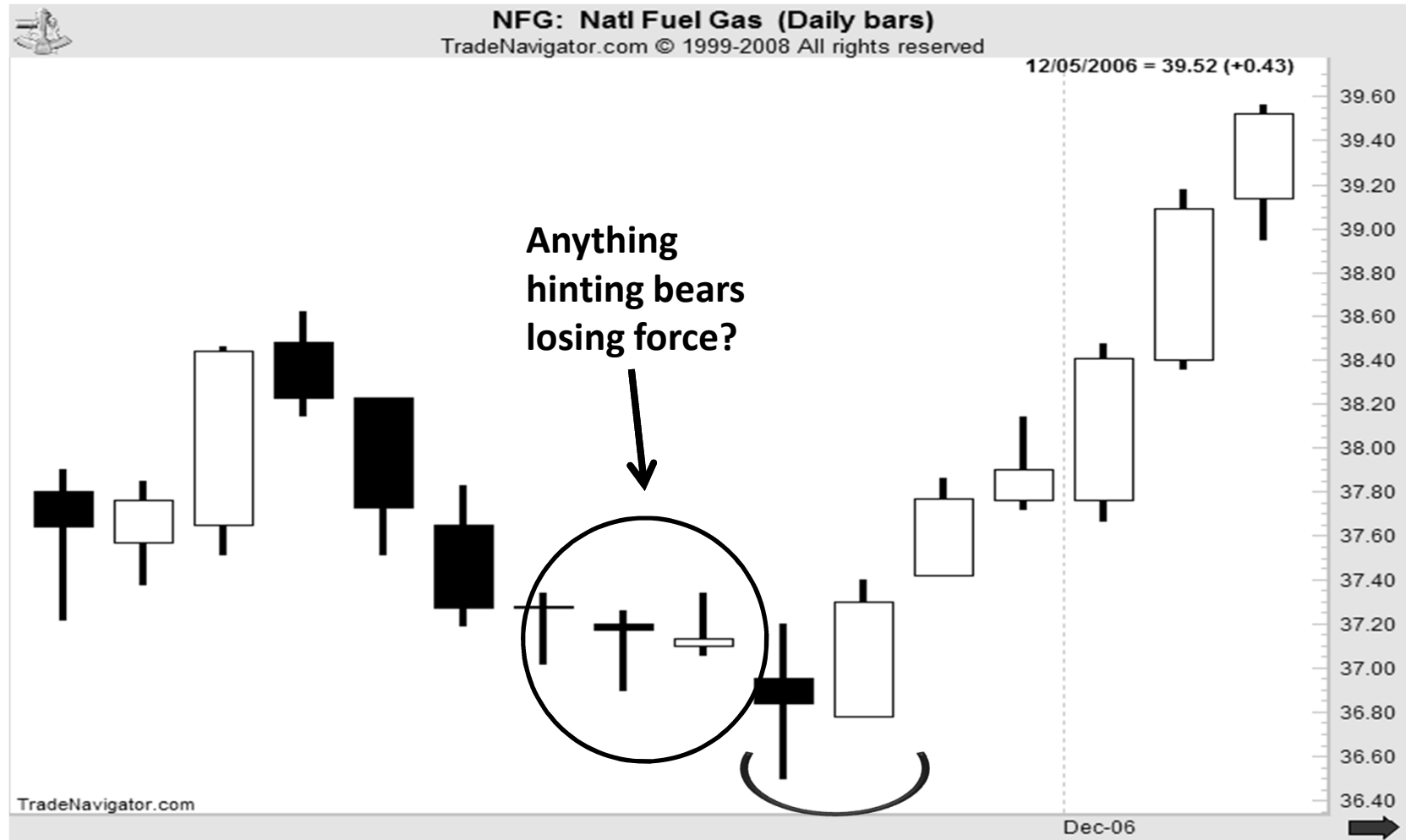
Bullish Engulfing Pattern



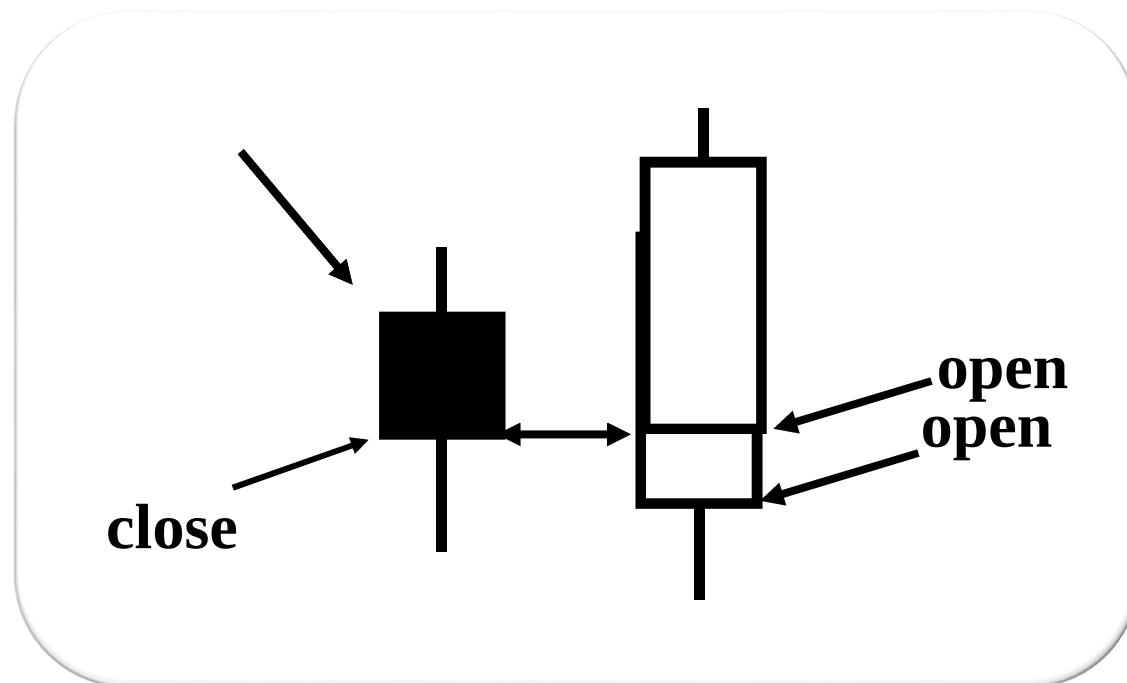
Bullish Engulfing Pattern



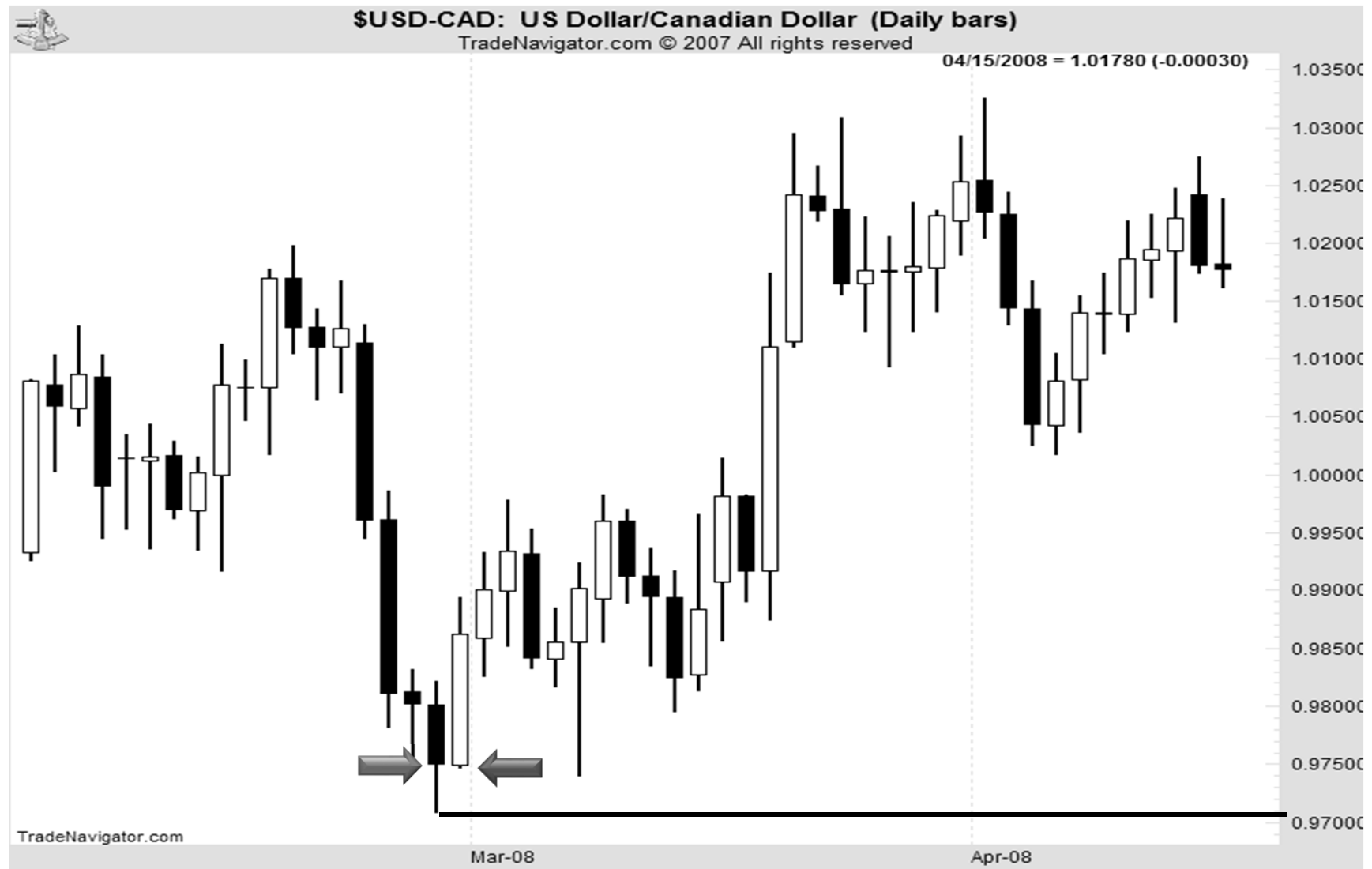
Bullish Engulfing Pattern



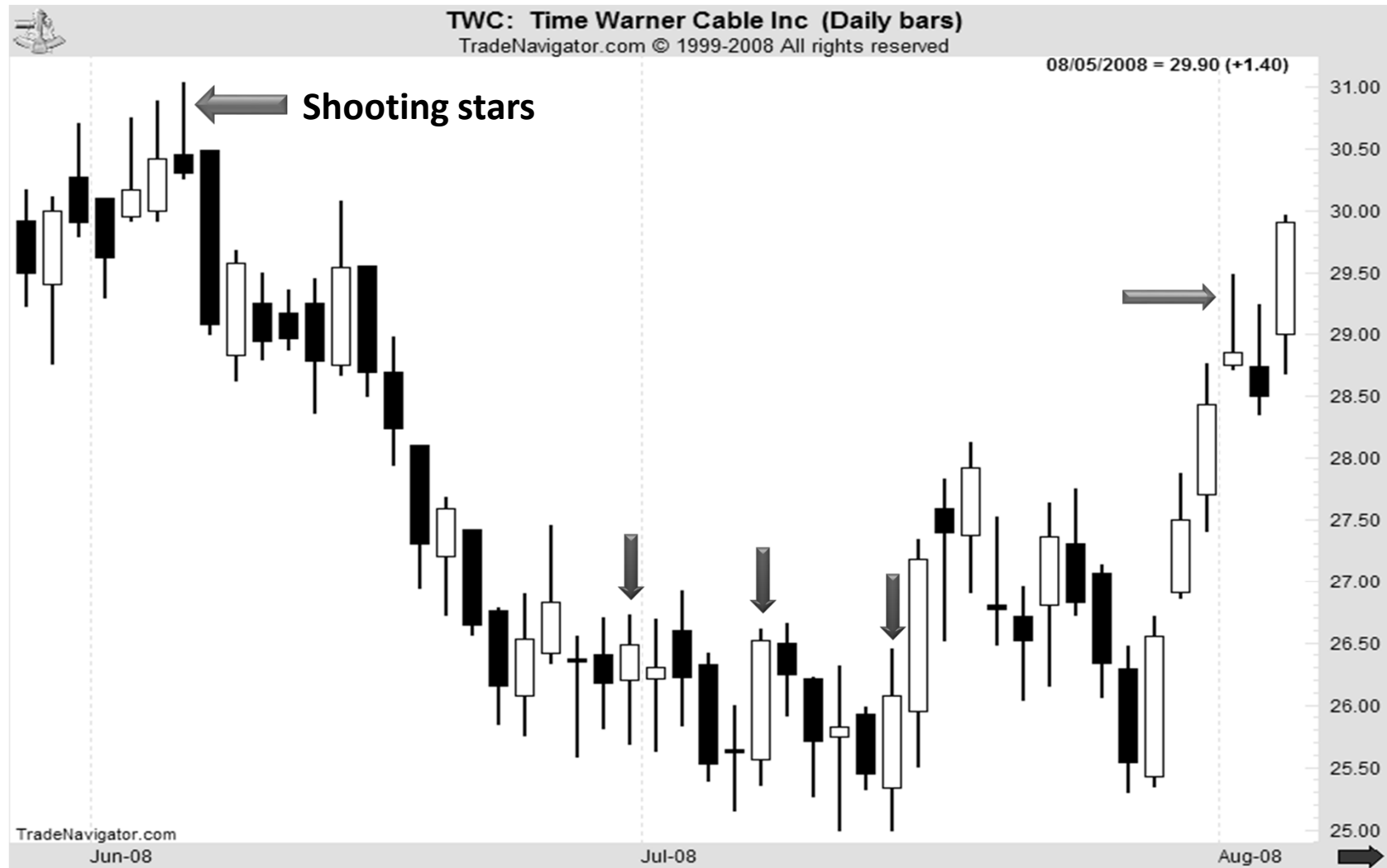
FX BULLISH ENGULFING PATTERN



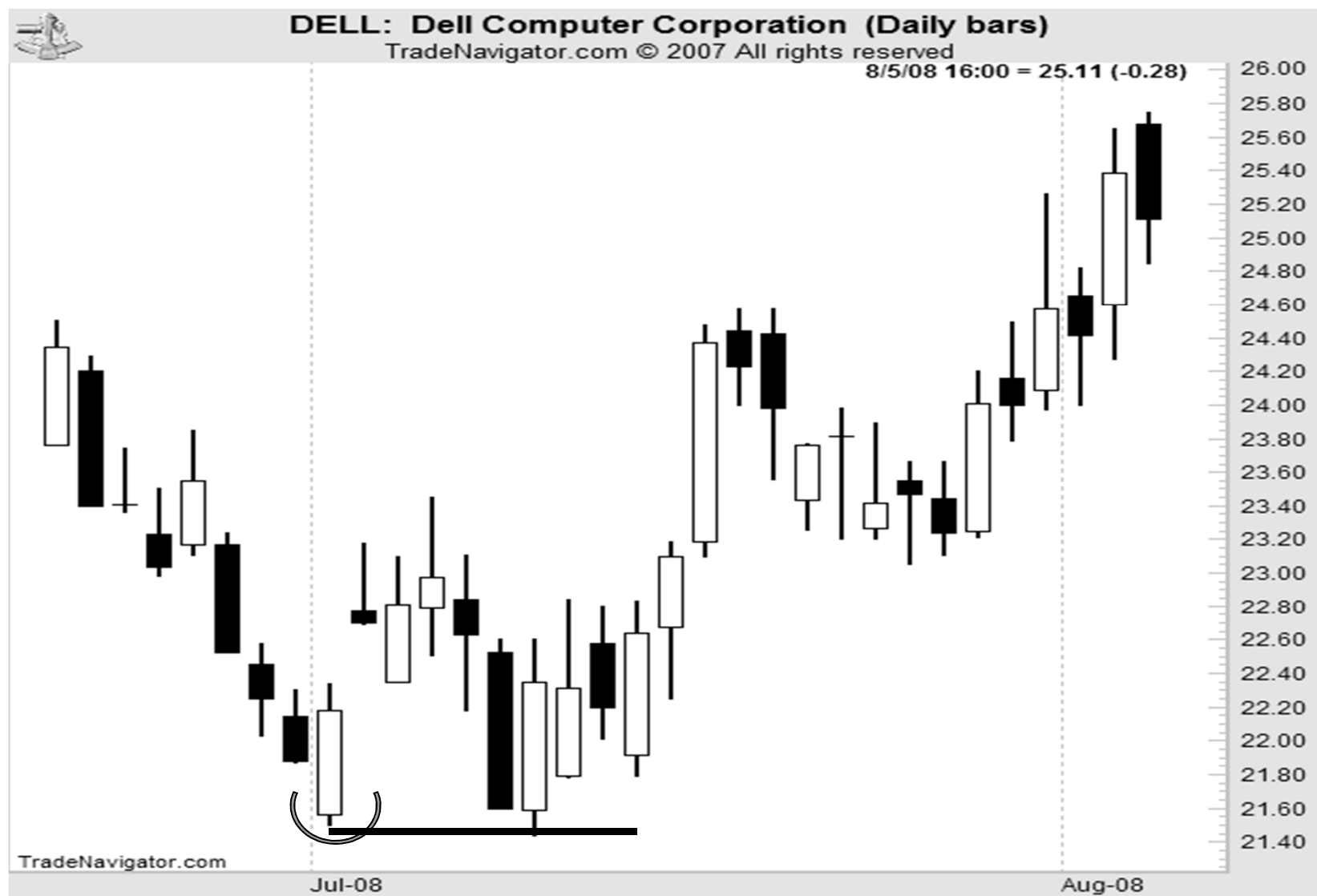
Bullish Engulfing Pattern



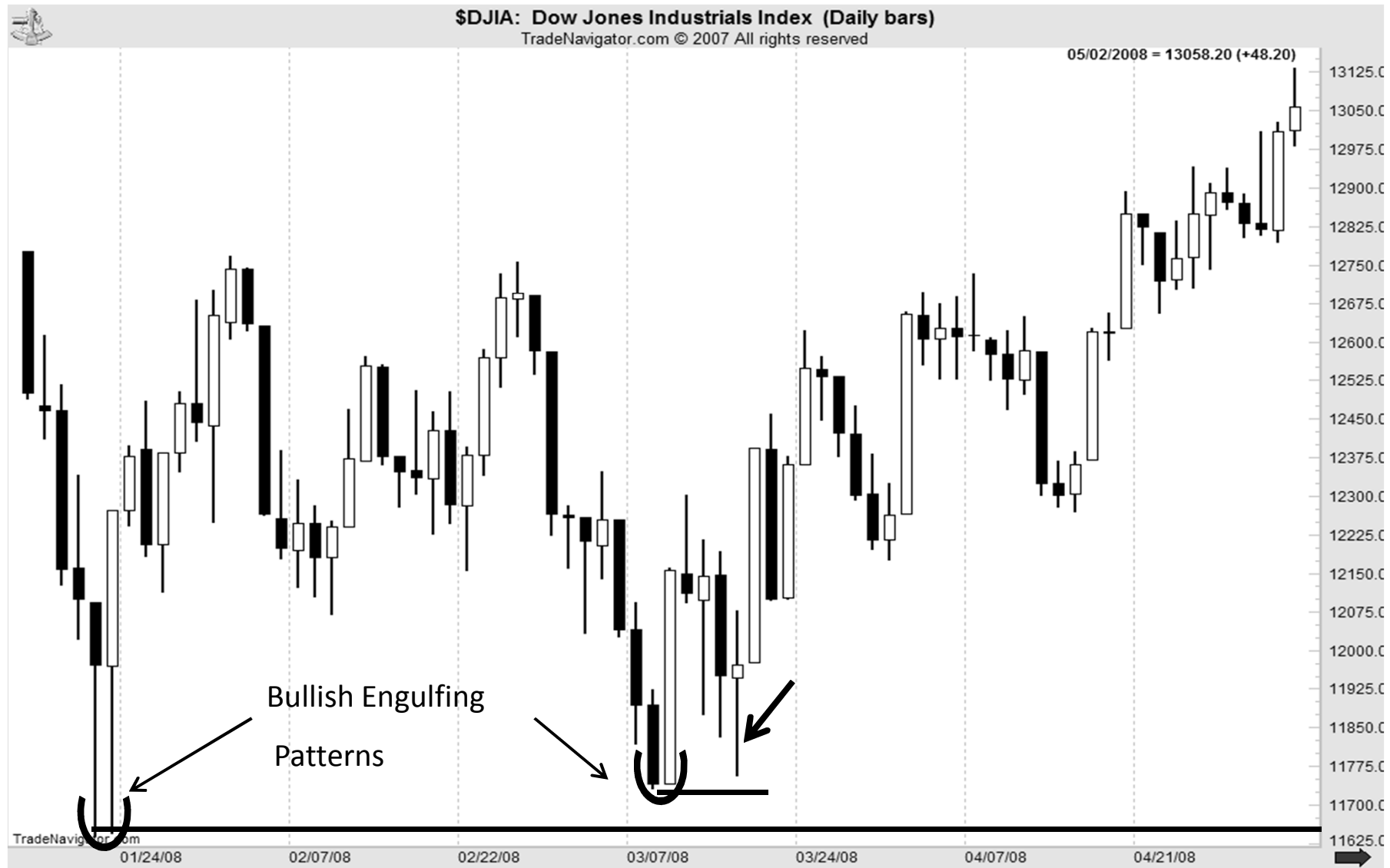
Series of Bullish Engulfing Patterns



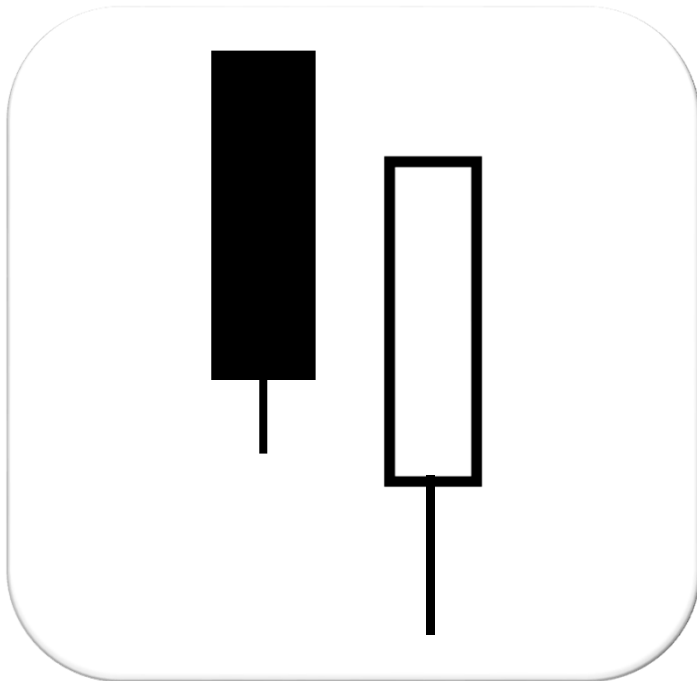
Bullish Engulfing Pattern as Support



Bull Engulf as Support



PIERCING PATTERN



Basic Criteria

- Market in down trend
- Opens below prior low (or close)
- White candle closes more than 50% into prior black real body

Market Implication

Bottom reversal

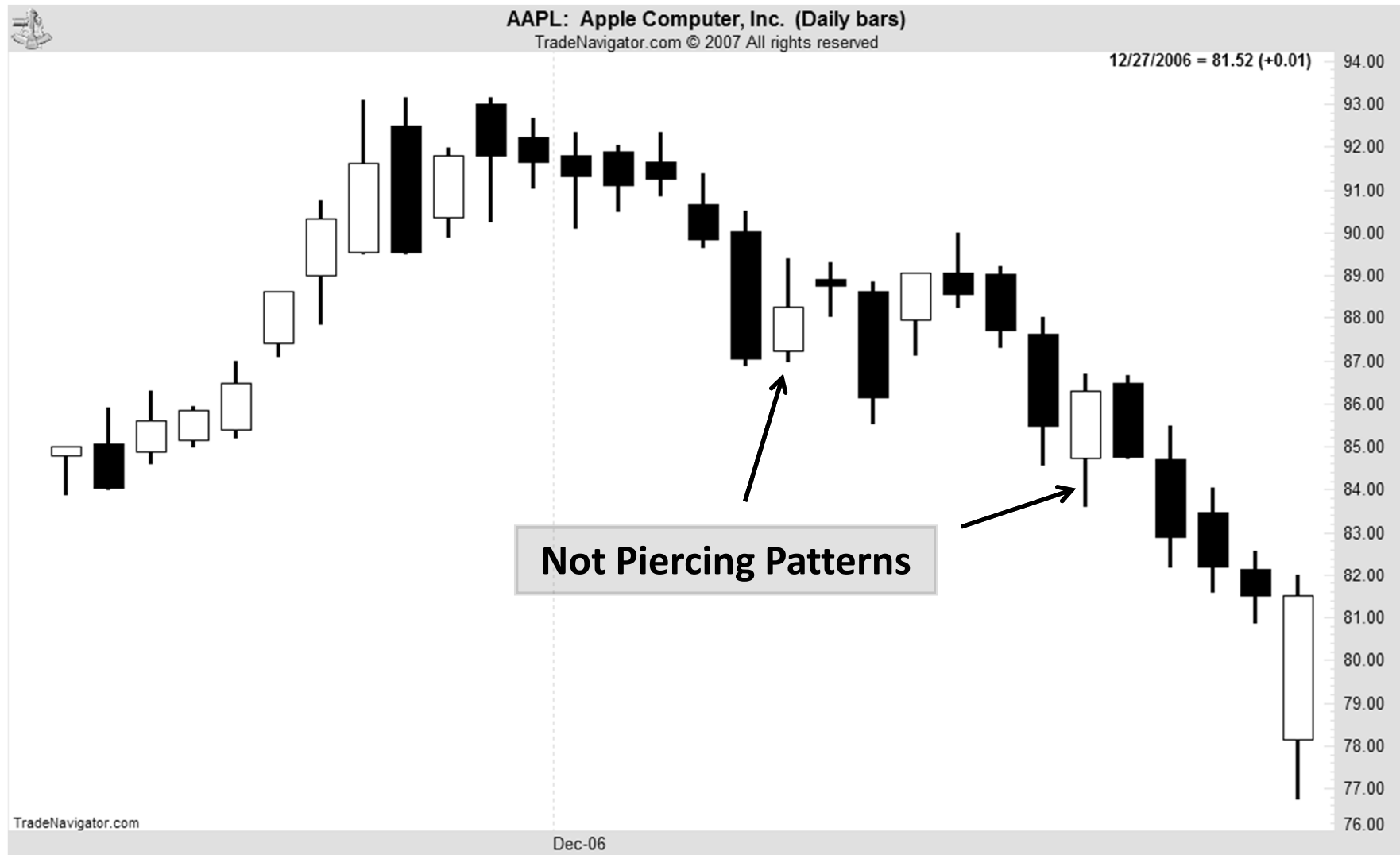
Support

The lowest low of the two candlestick lines

Piercing Pattern



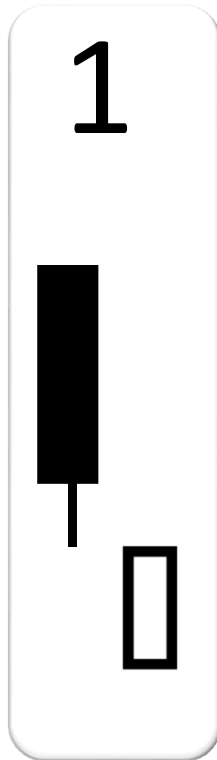
Piercing Pattern



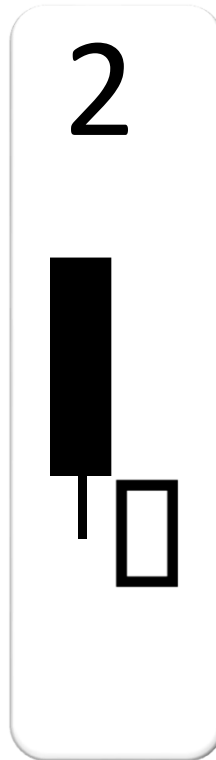
Early clues of shifting supply/demand



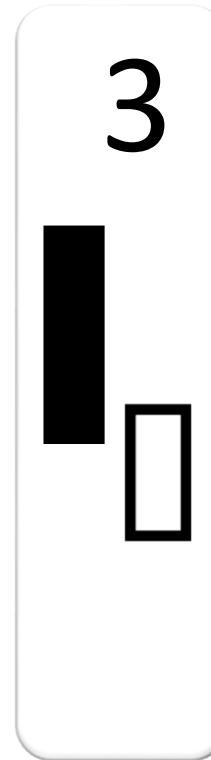
SIMPLIFYING CANDLE ANALYSIS



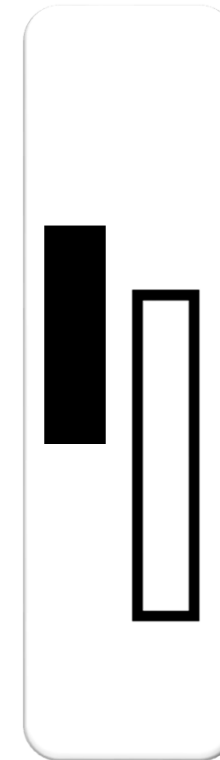
On-neck
close=
prior low



In-neck
close=
prior close
(small white
candle)



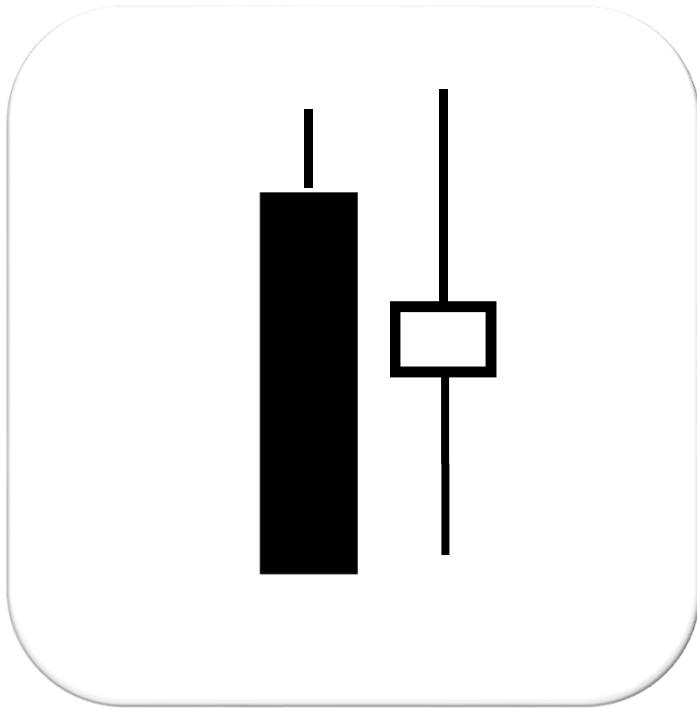
Thrusting
close above
prior low
(small white
candle)



Piercing
Pattern

Patterns 1,2 and 3 are viewed as small, reactionary rallies where the bulls counter drive is weak. *"Selling chase begins"* under any of these patterns for momentum traders. 108

BULL HARAMI



Basic Criteria

- Market in down trend
- First candle is an unusually long black real body
- Second relatively small real body (either color) within prior real body

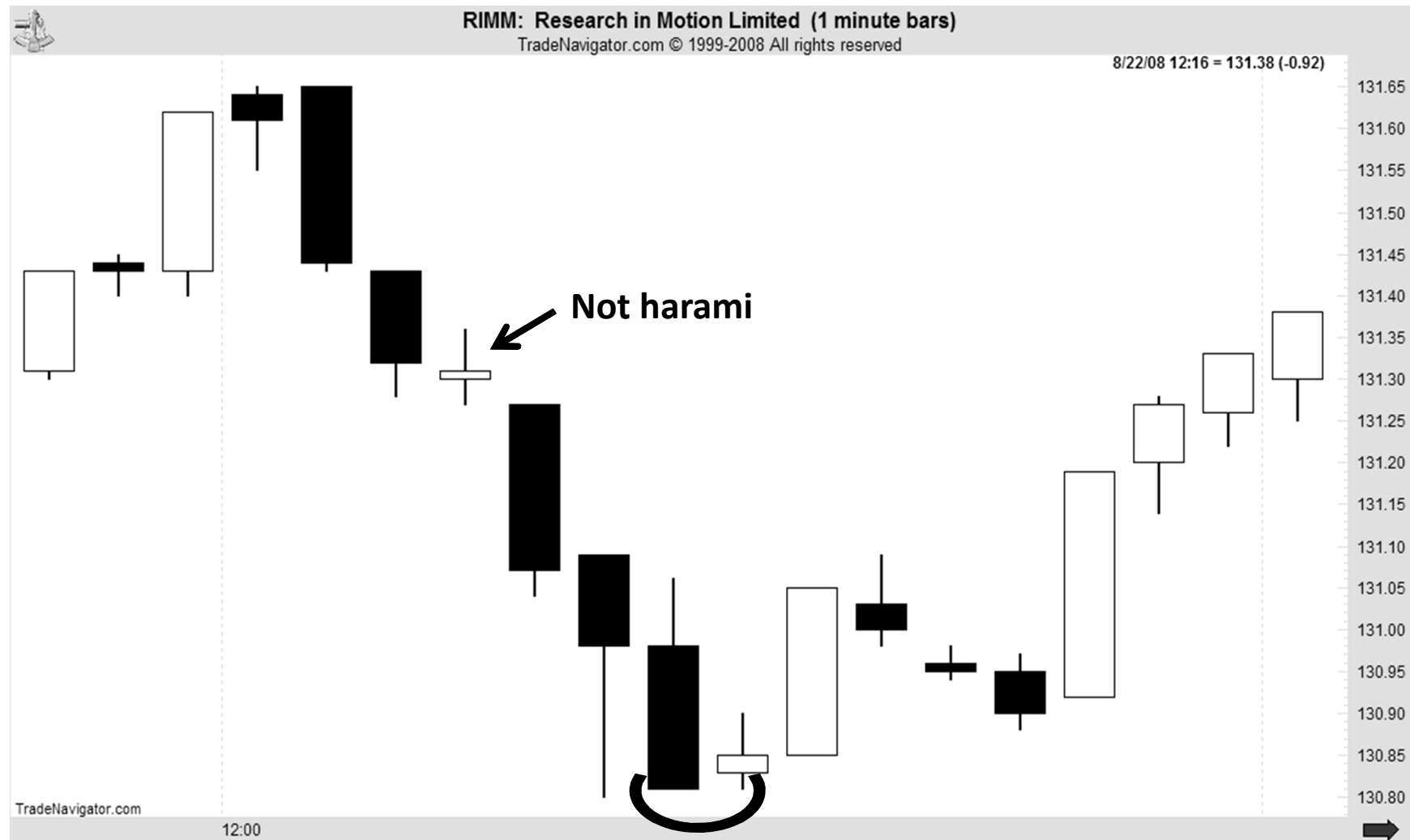
Market Implication

Prior trend is “losing its breath”

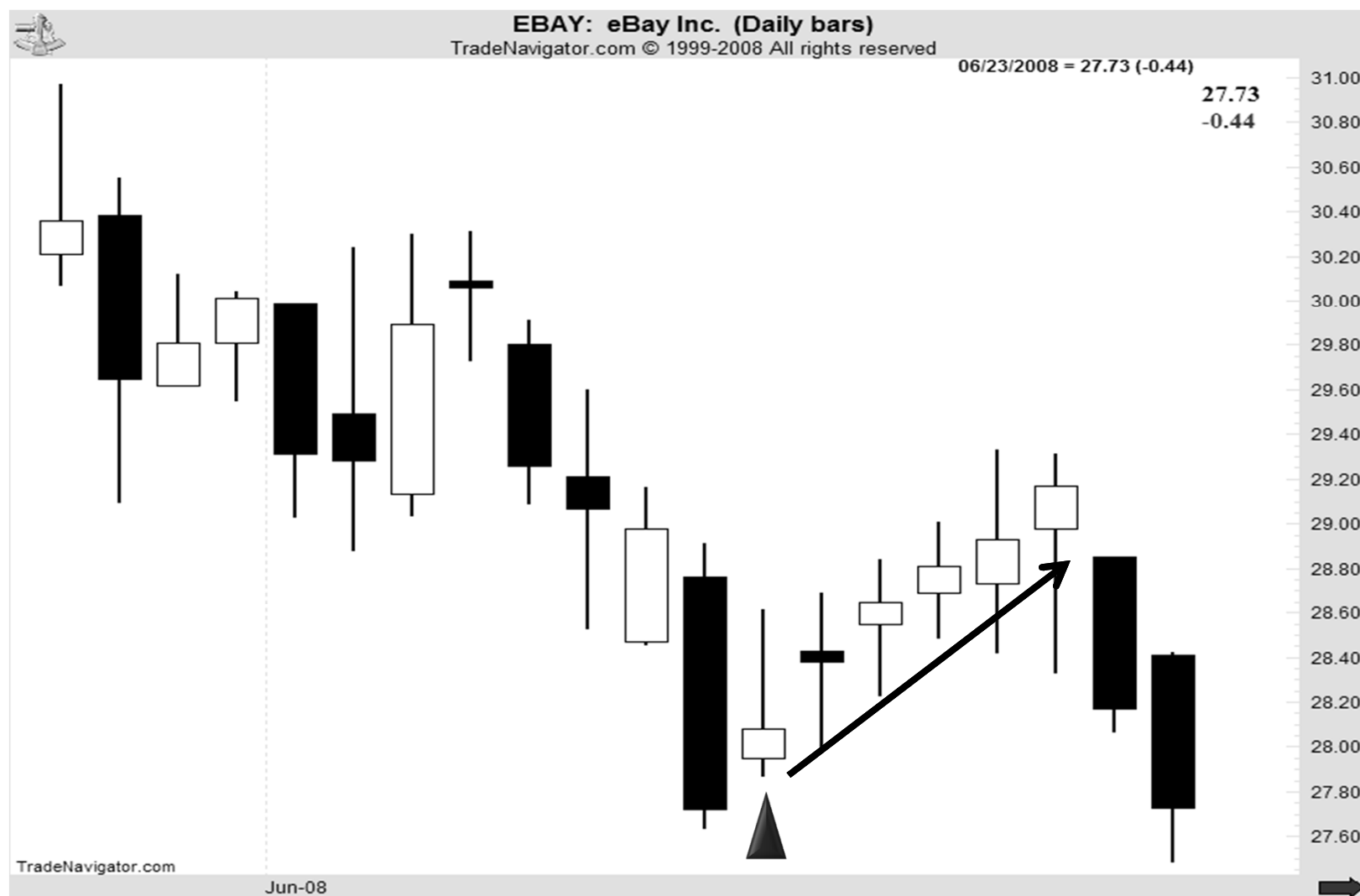
Support

Not used

Bull Harami



Bull Harami

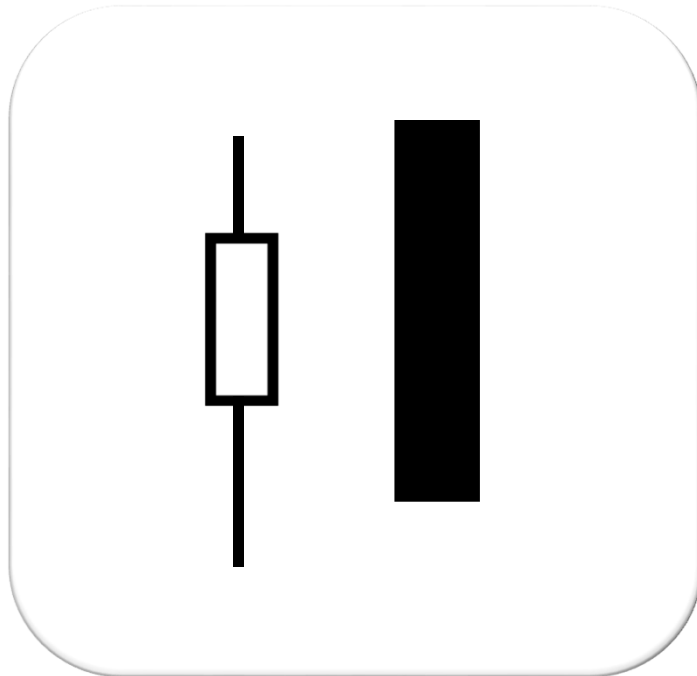


Bull Harami



Double Candle Lines: The Bear Signals

BEARISH ENGULFING PATTERN



Basic Criteria

- Market in up trend
- Black real body wraps around prior session opposite color real body

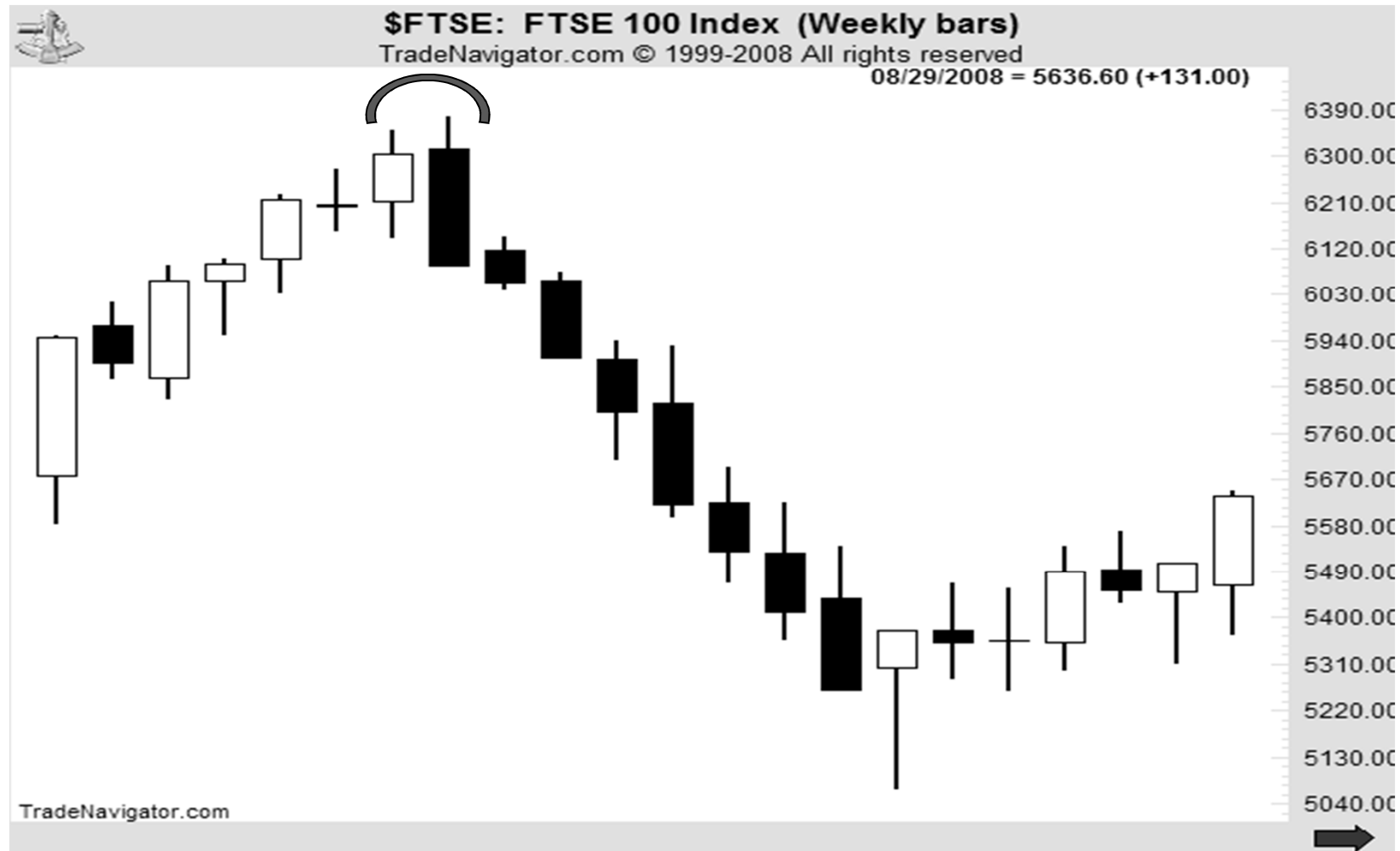
Market Implication

Top Reversal

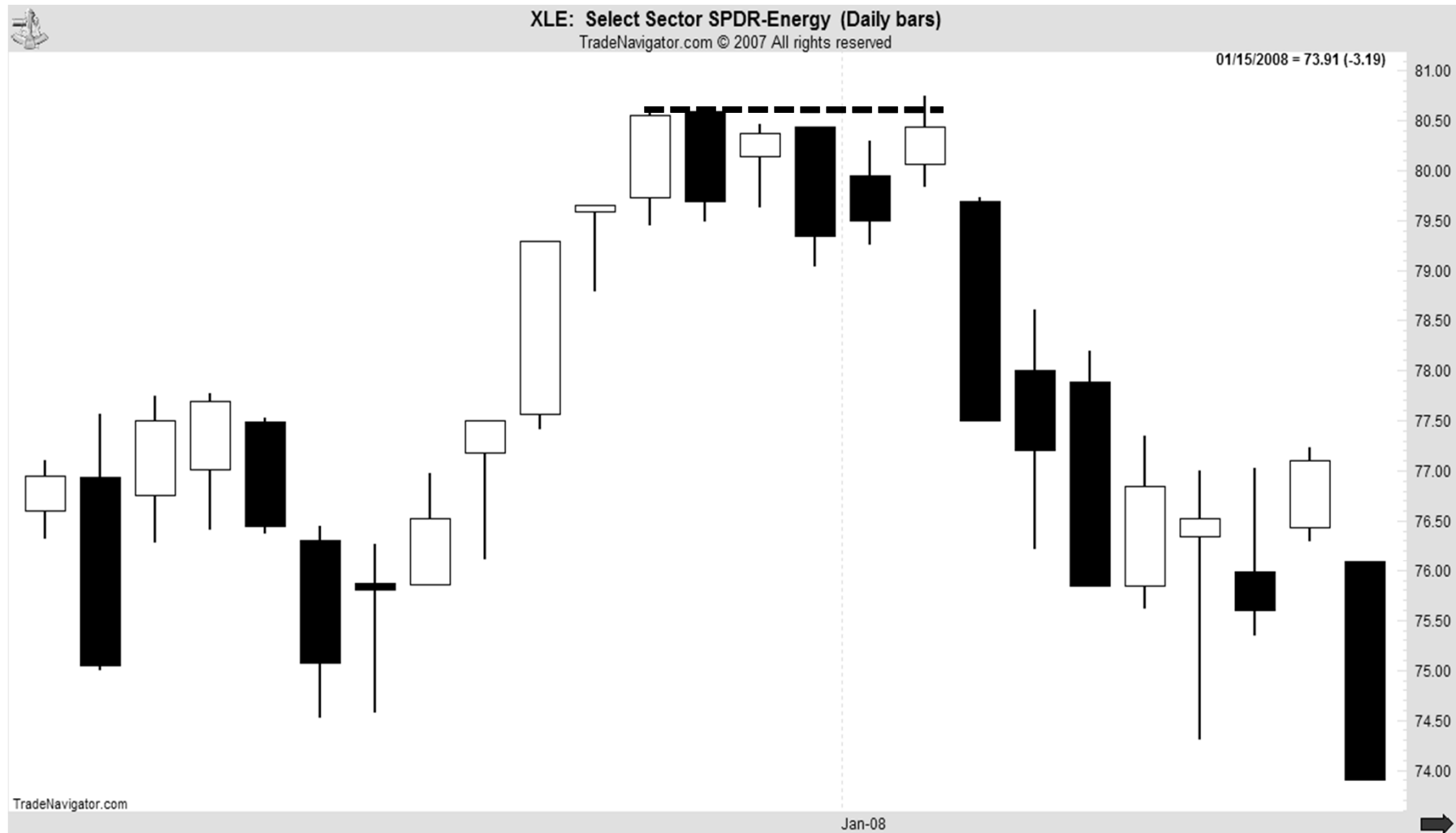
Resistance

The highest high of the two sessions of the pattern

Bearish Engulfing Pattern



Bearish Engulfing pattern as resistance



Candles: Support and Resistance

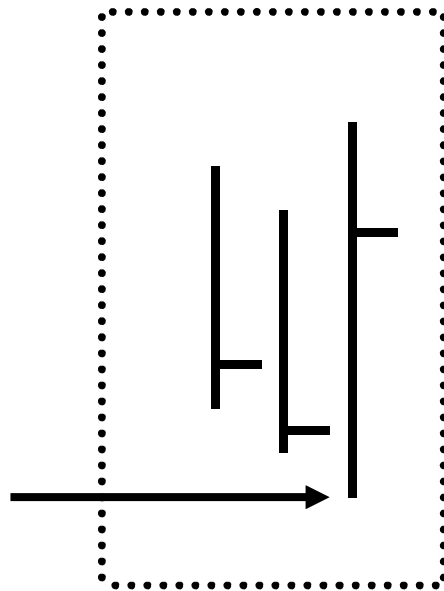


Candles: Support and Resistance

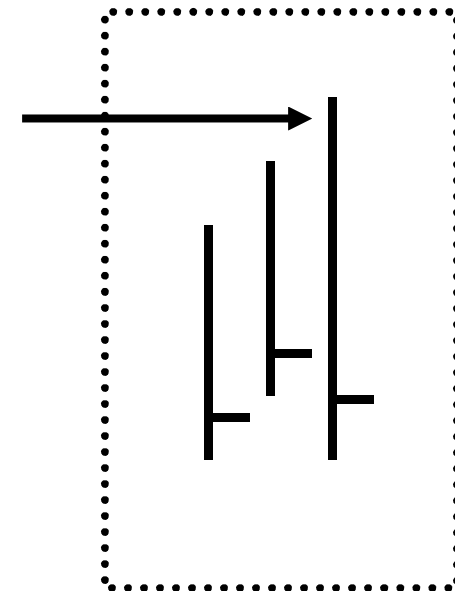


Western Outside Reversals

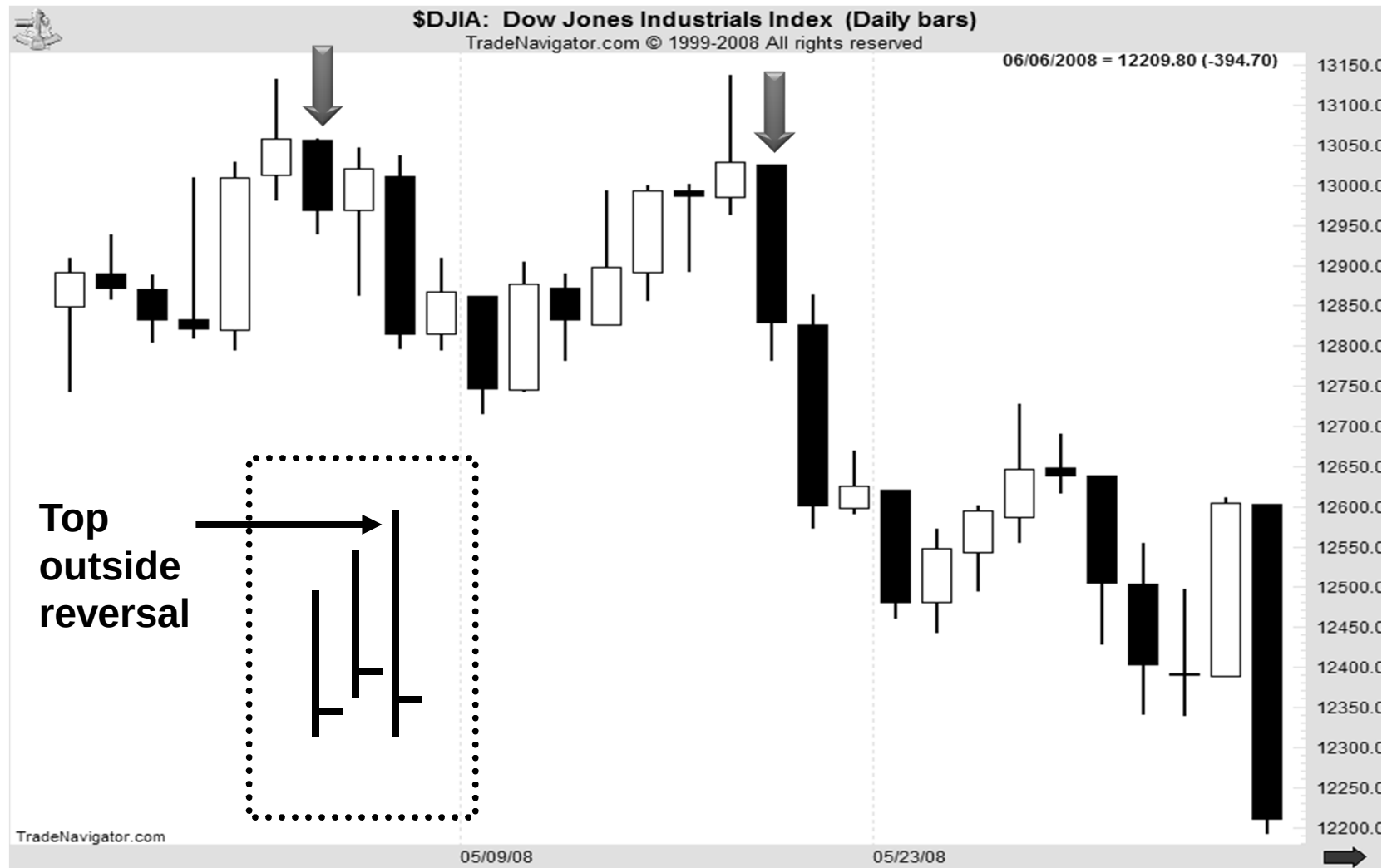
Bottom
outside
reversal



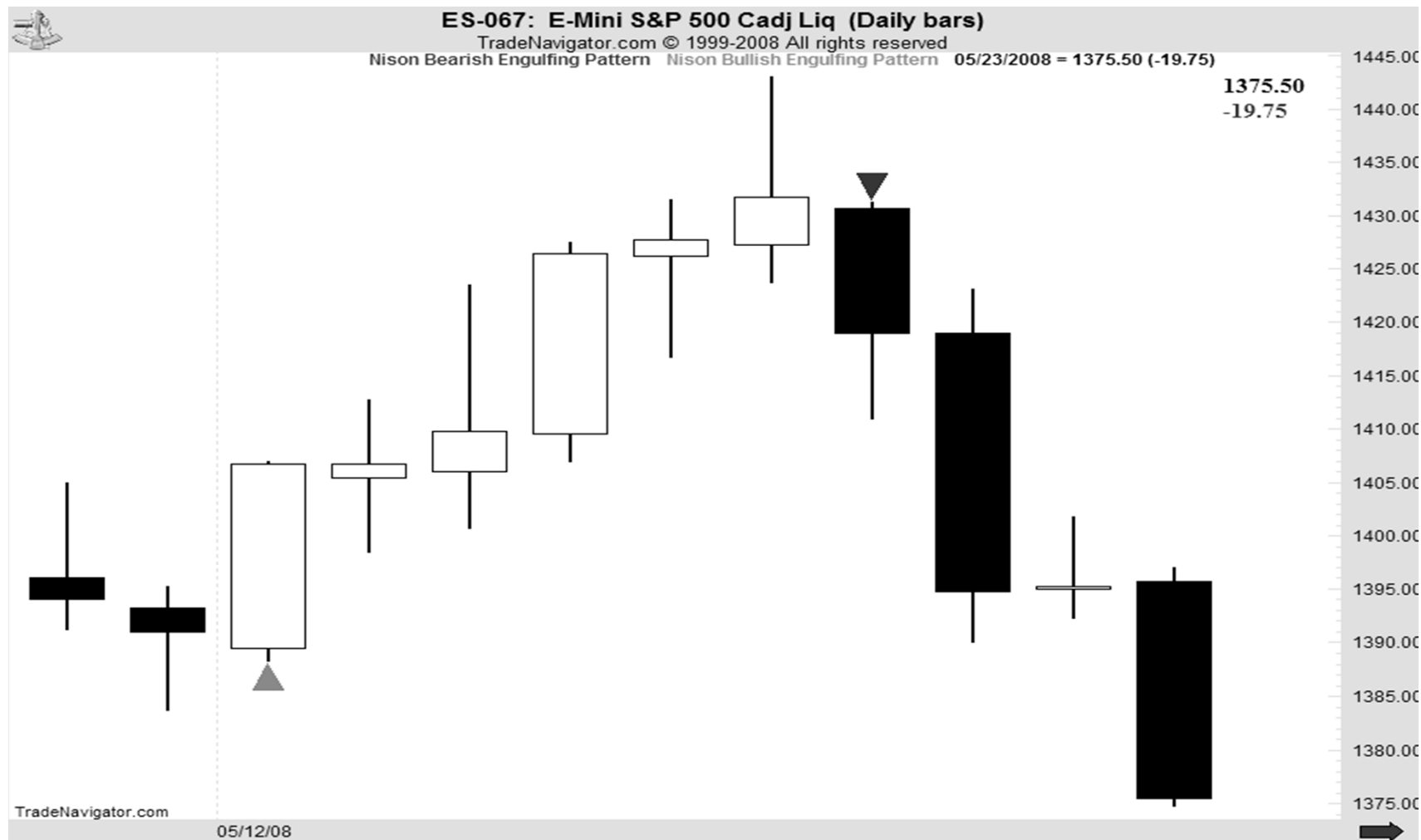
Top
outside
reversal



Engulfing Patterns and Outside reversals



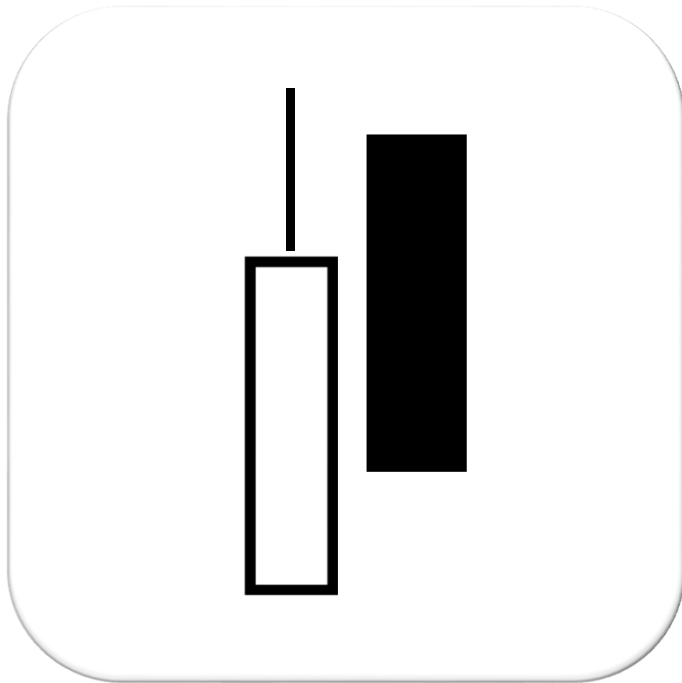
Engulfing Patterns and Outside Reversals



Engulfing pattern and trends



DARK CLOUD COVER



Basic Criteria

- Market in up trend
- Opens above prior high (or close)
- Black candle closes deeply into prior long white candle

Market Implication

Top reversal

Support or Resistance

The highest high of the two lines that make up the pattern

Dark Cloud Cover



Dark Cloud Cover as Resistance- FX



Dark Cloud Cover- Futures



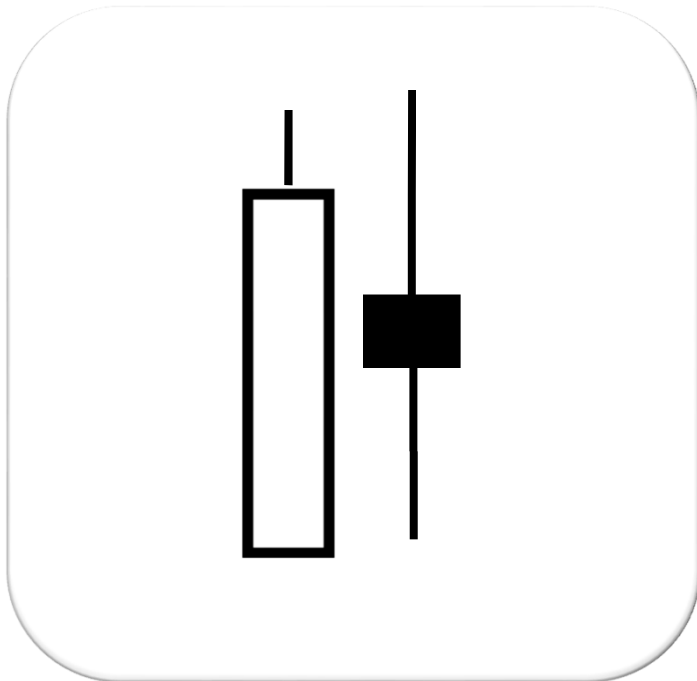
Dark Cloud Cover - Stock



Dark Cloud Cover as Resistance - Intraday



BEAR HARAMI



Basic Criteria

- Market in up trend
- First candle is an unusually long white real body
- Second relatively small real body (either color) within prior real body

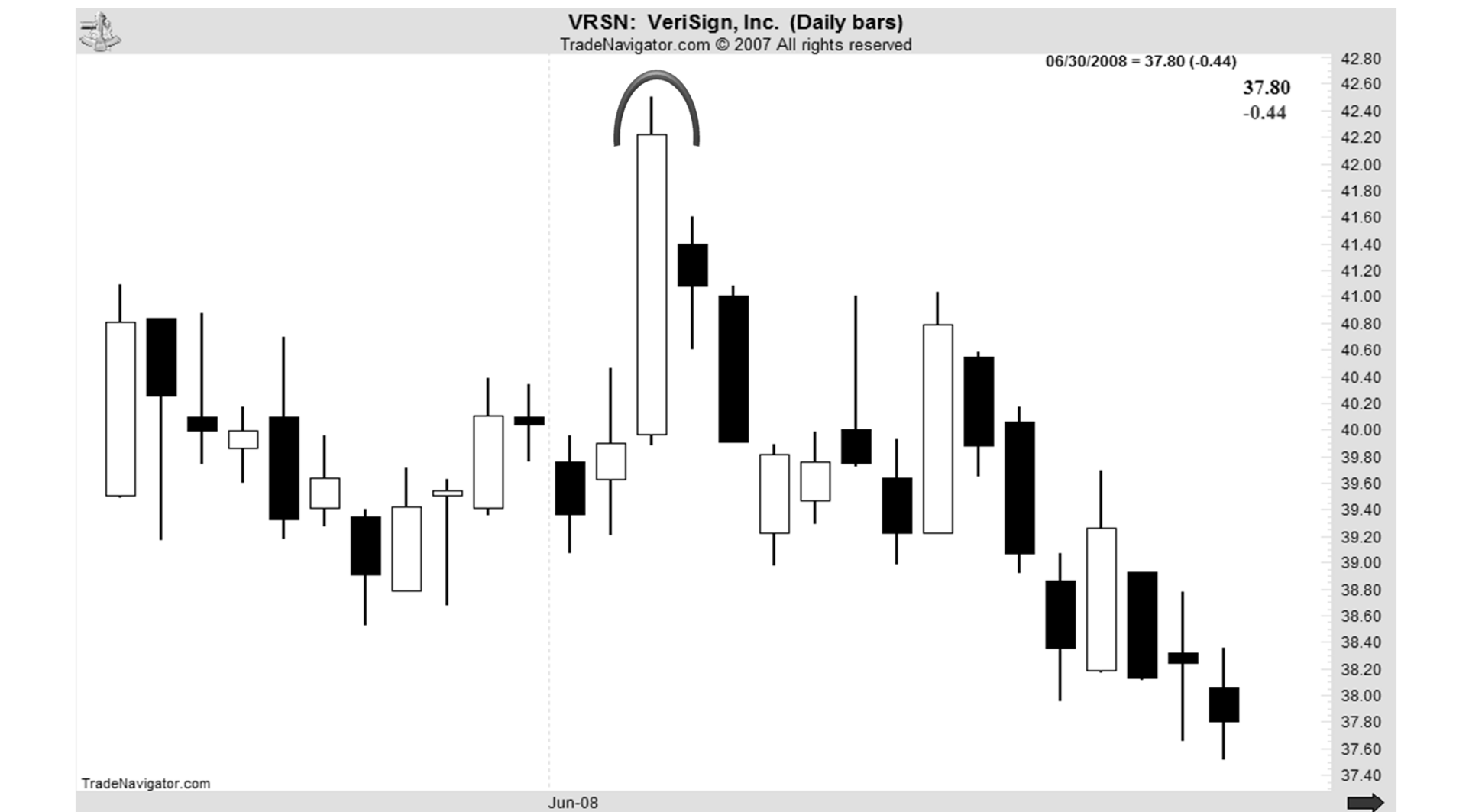
Market Implication

Bears losing momentum

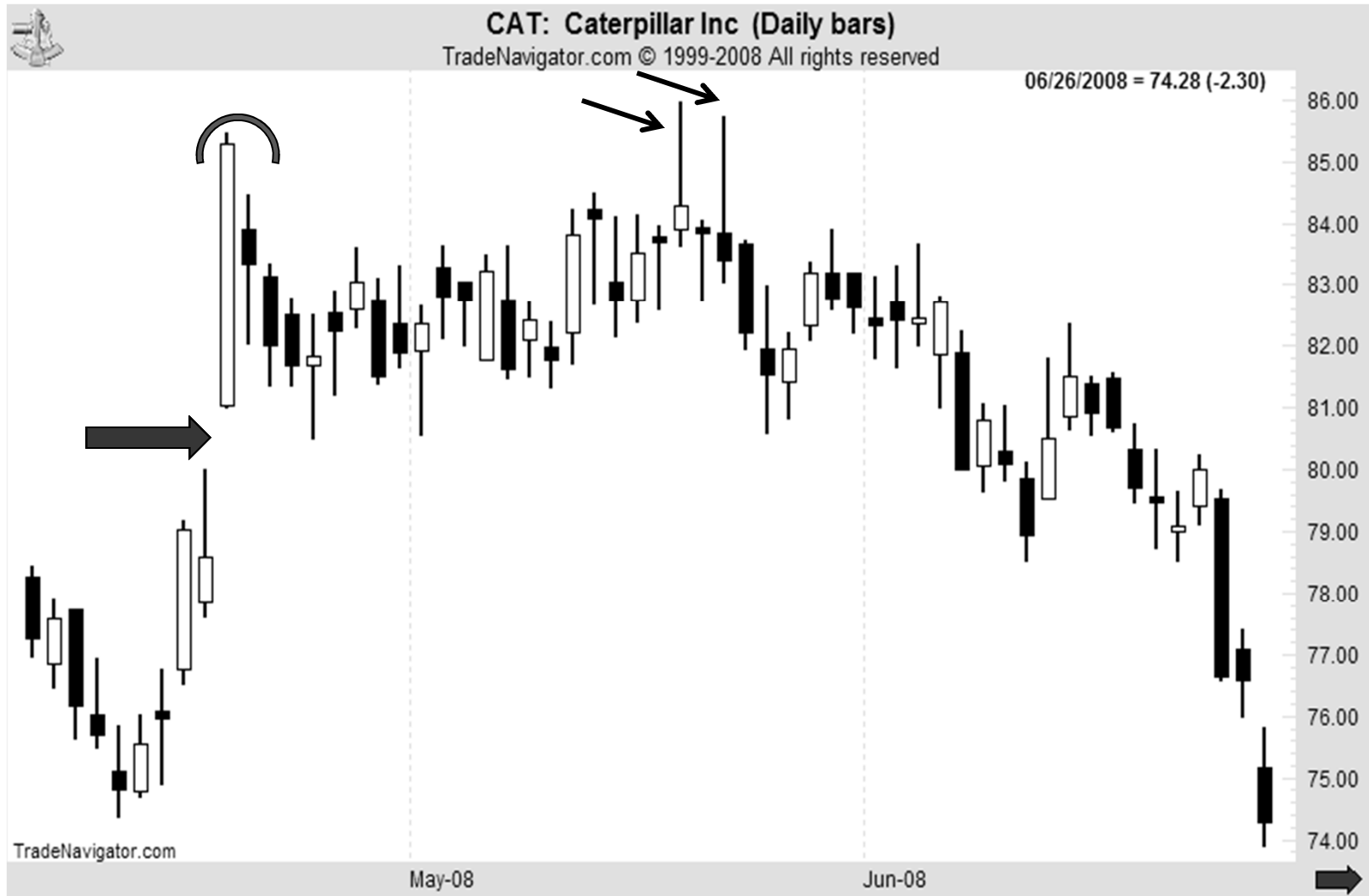
Support or Resistance

Not used

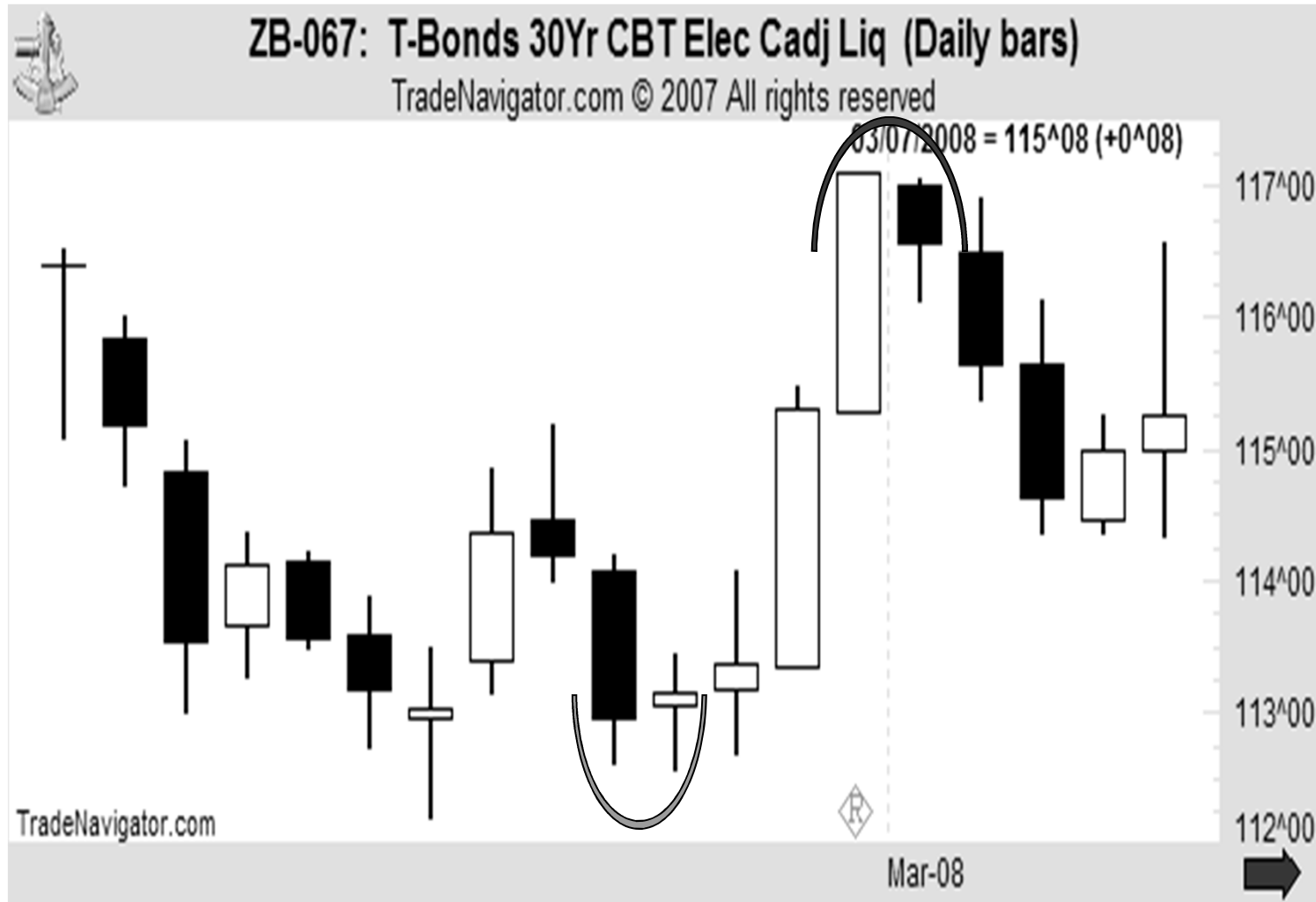
Bear harami



Bear Harami

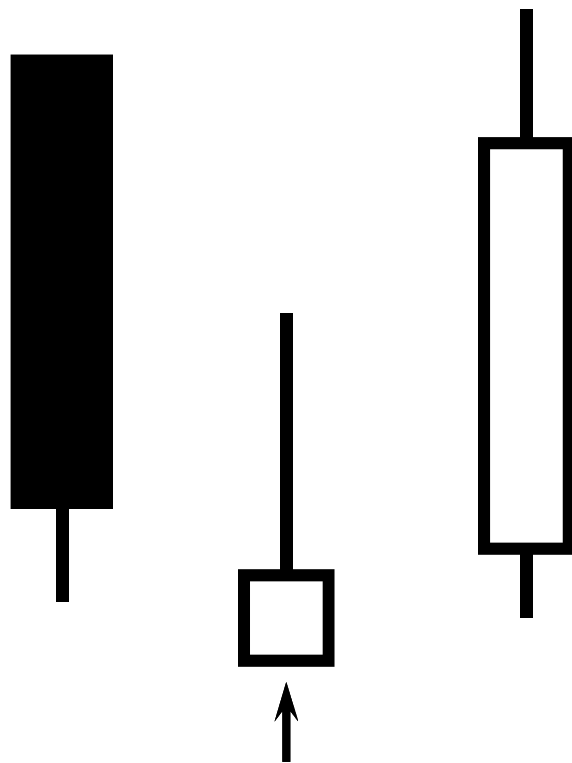


Bull and Bear Harami



Triple Candle Lines: The Bull Signals

MORNING STAR



white or black

Criteria

- Market in downtrend
- First candle is long black
- Second candle small real body that doesn't (or slightly) overlaps first real body
- Third candle is white real body that gets deeply into first real body

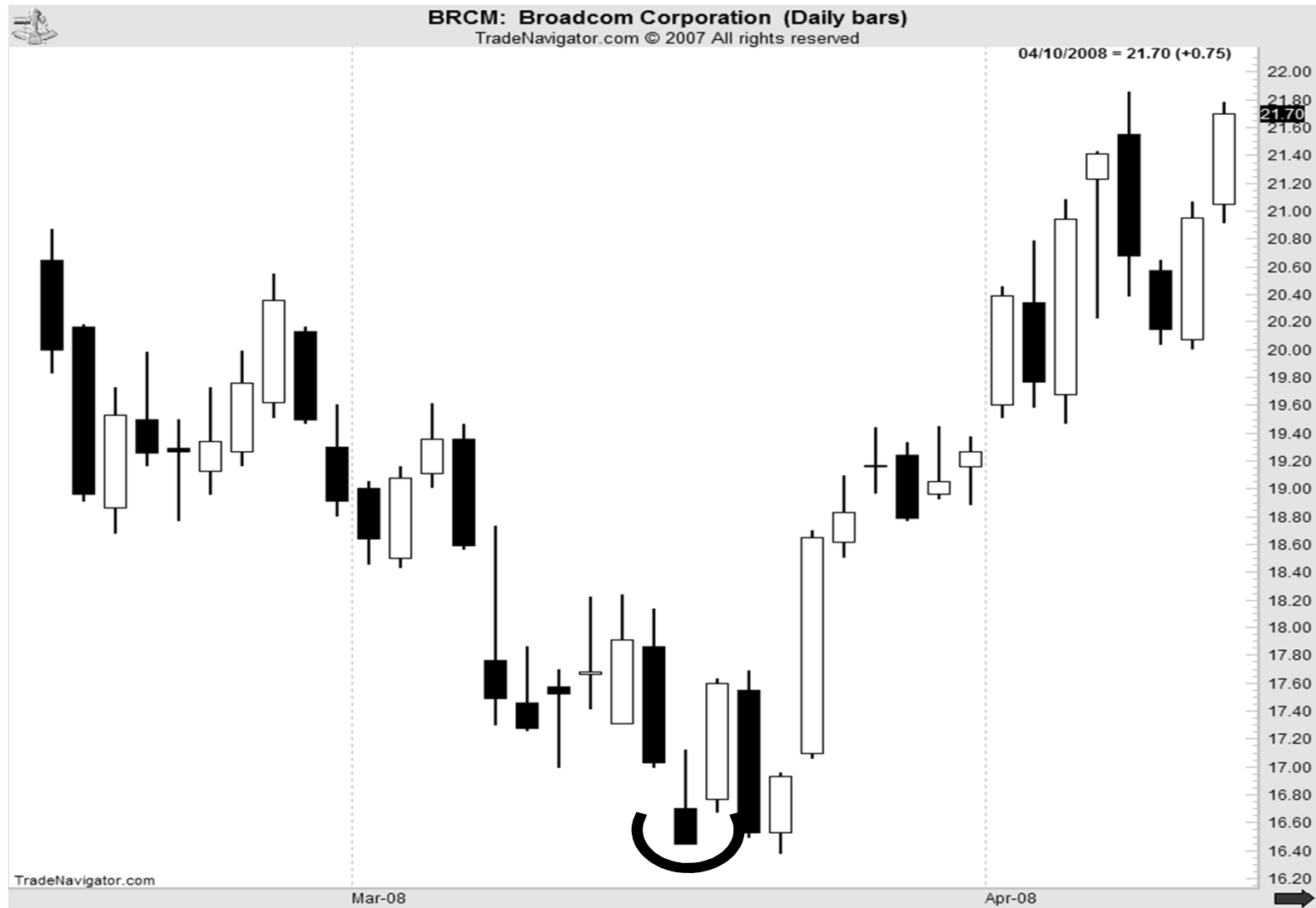
Market Implication

Bulls now in control

Support

Low of three candles

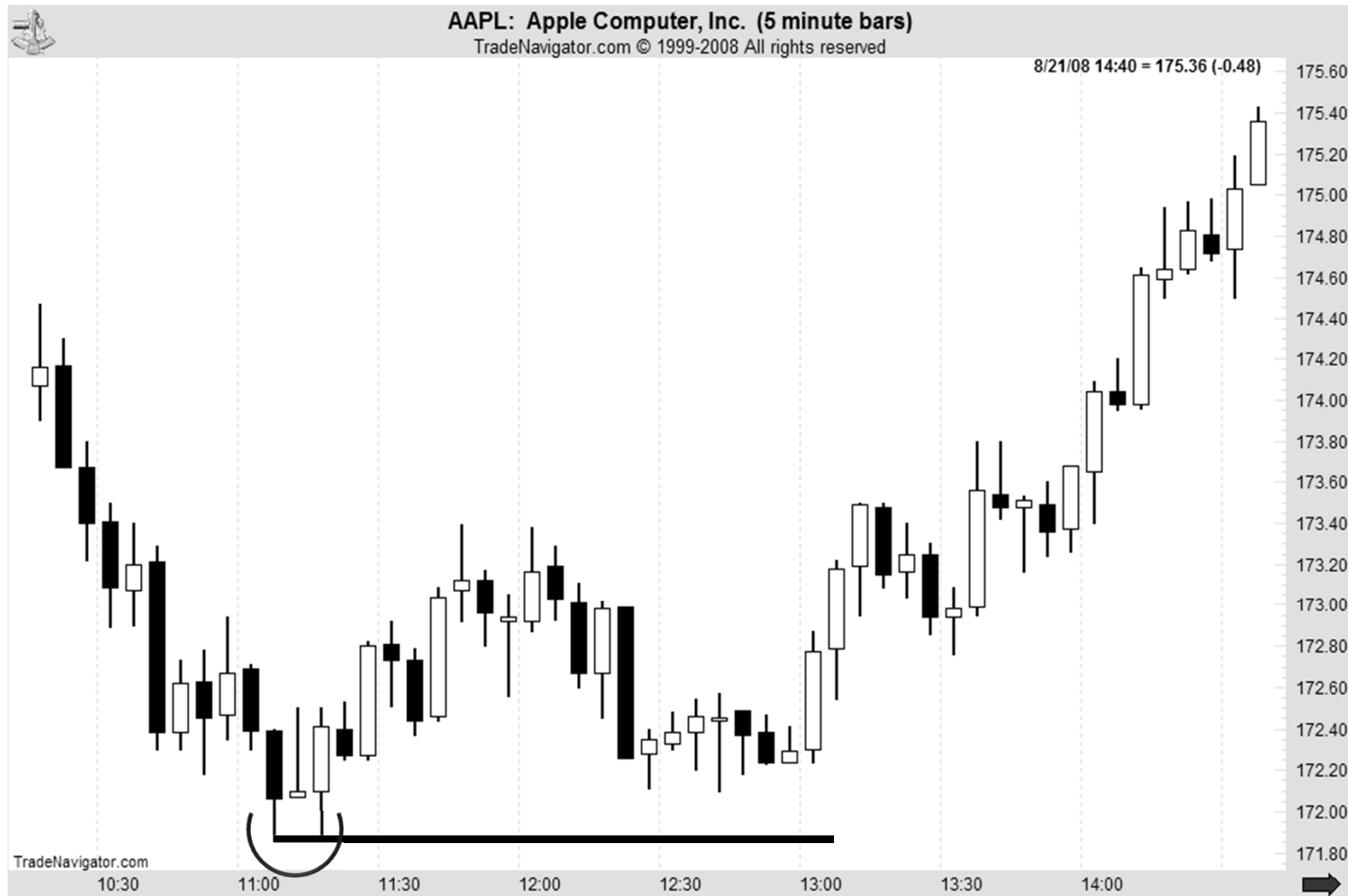
Morning Star as Support



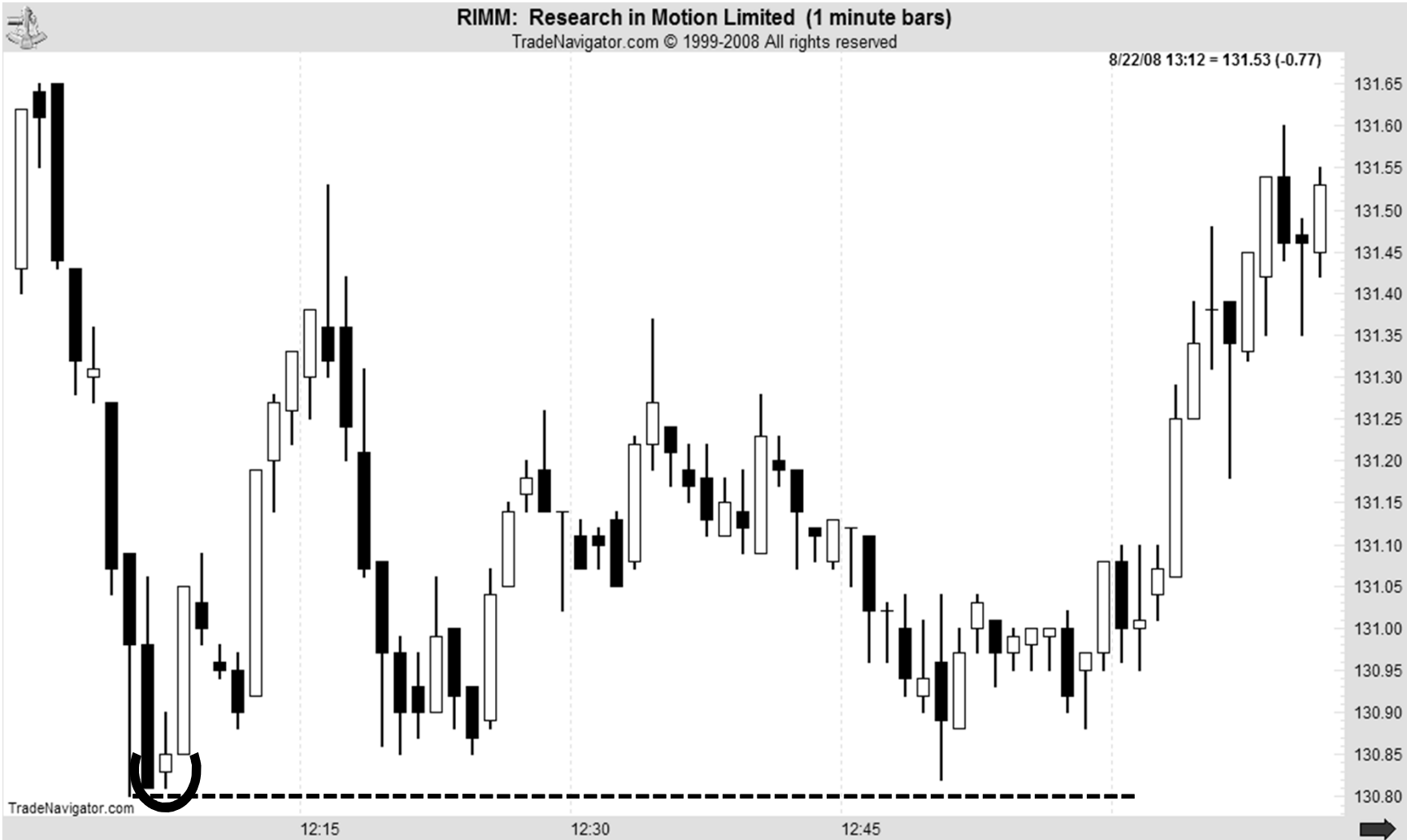
Morning Stars



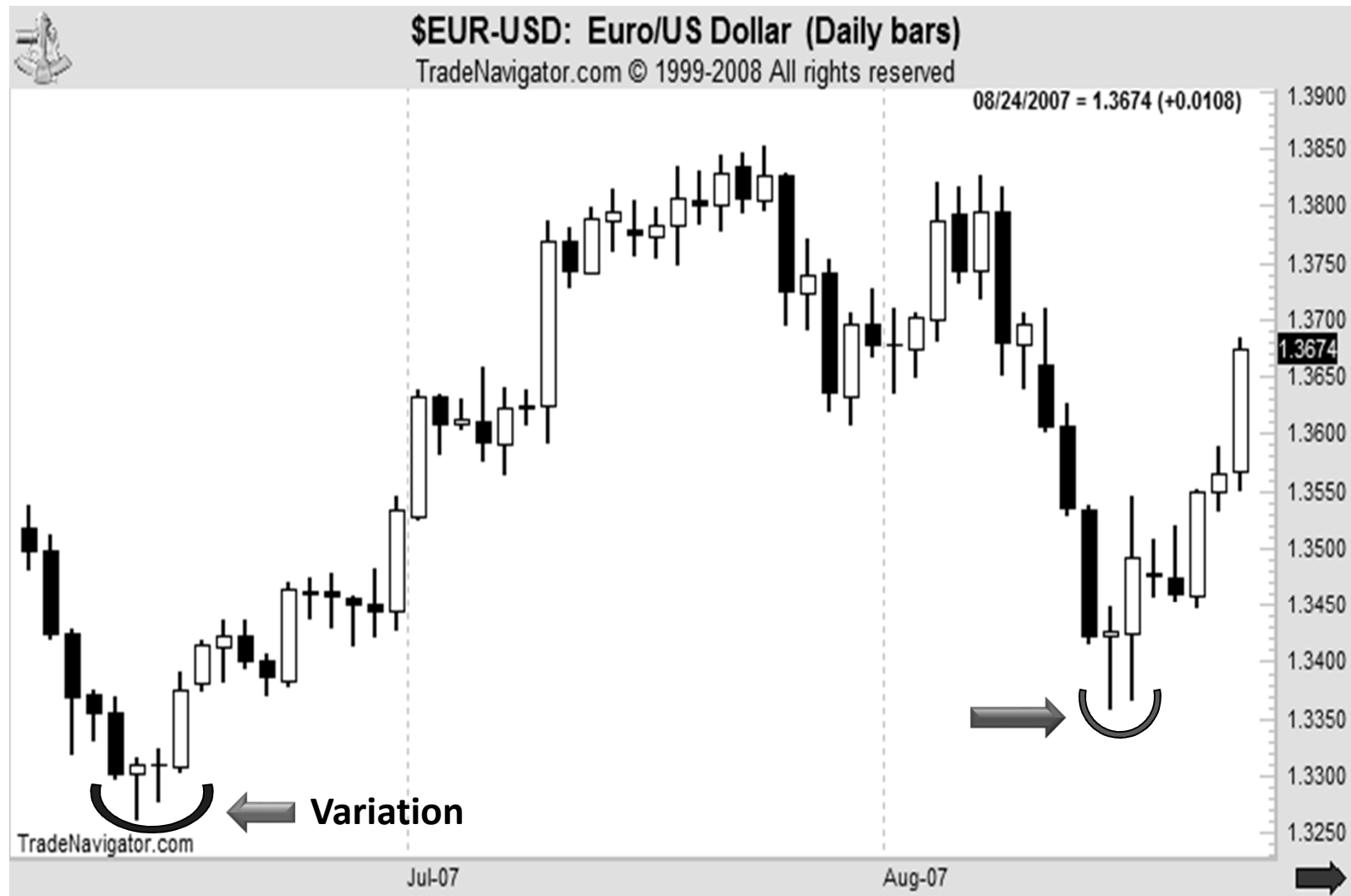
Morning Star as Support



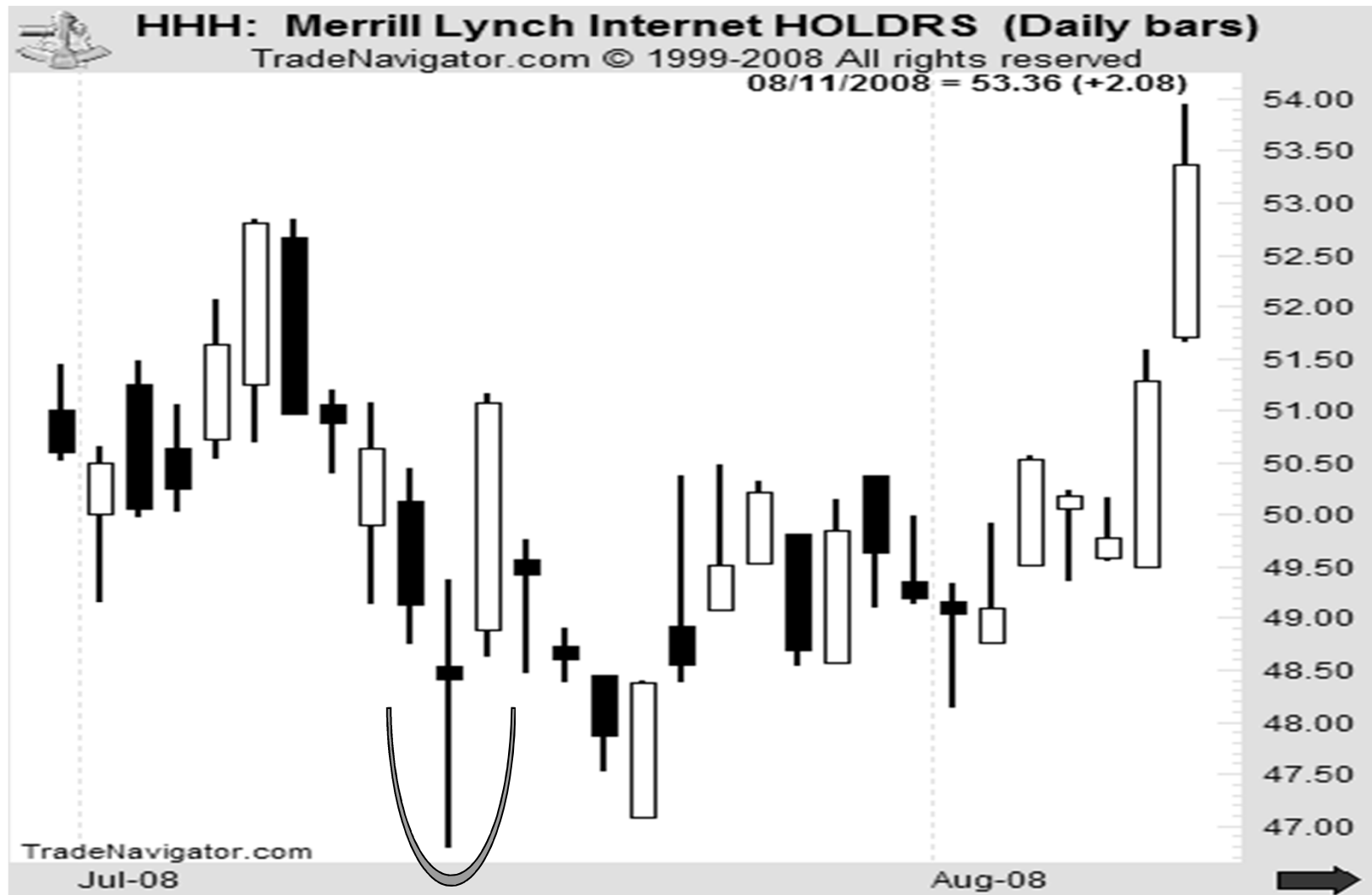
Moring Star as Support



Morning Star

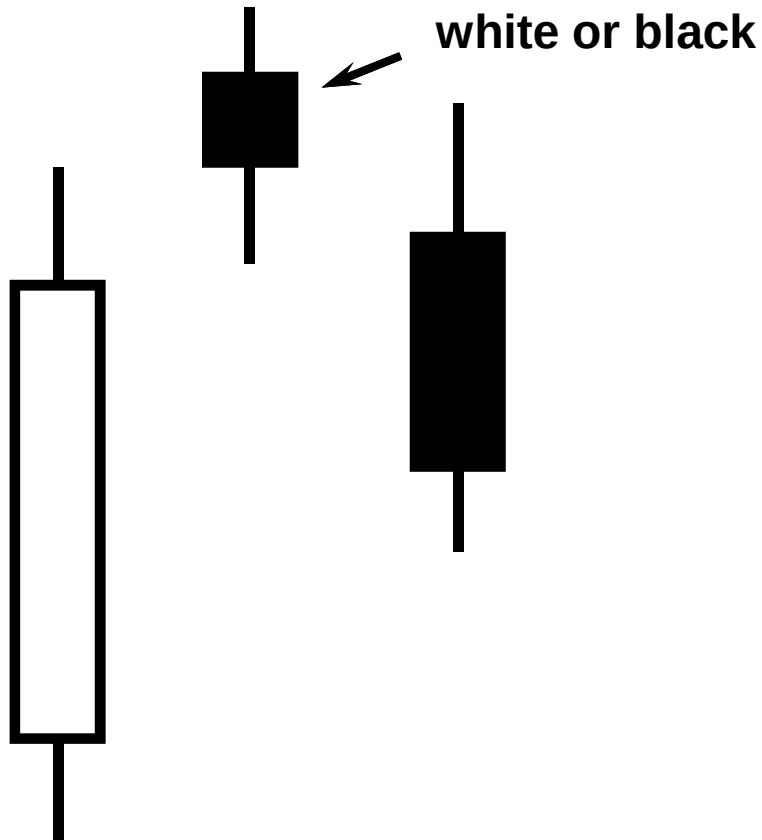


Morning Star as Support



Triple Candle Lines: The Bear Signals

EVENING STAR



Criteria

- Market in uptrend
- First candle is long white
- Second candle small real body that doesn't (or slightly) overlaps first real body
- Third candle black real body that gets deeply into first real body

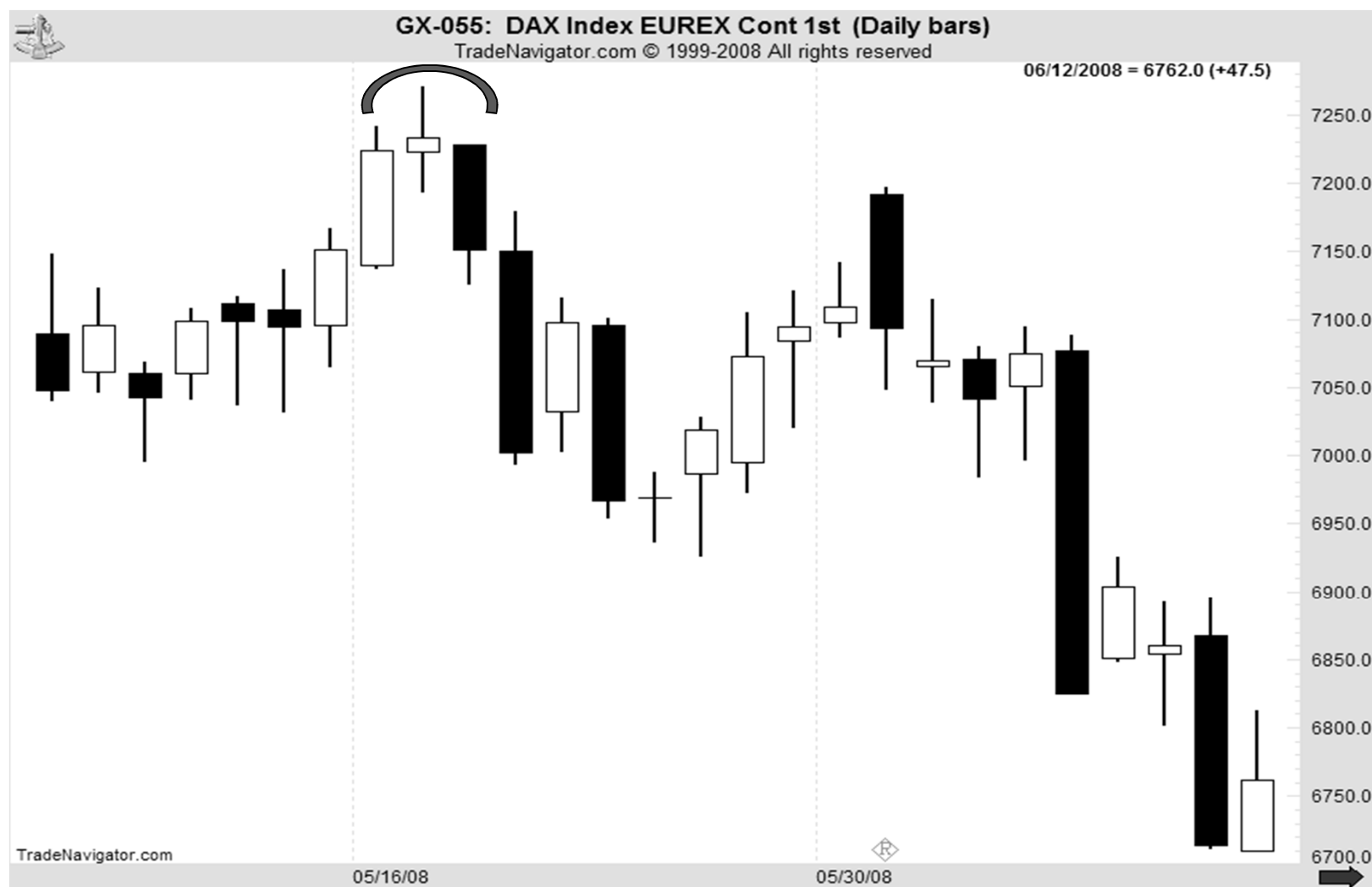
Market Implication

Bears are now in control

Resistance

Highest high of three candle lines

Evening Star



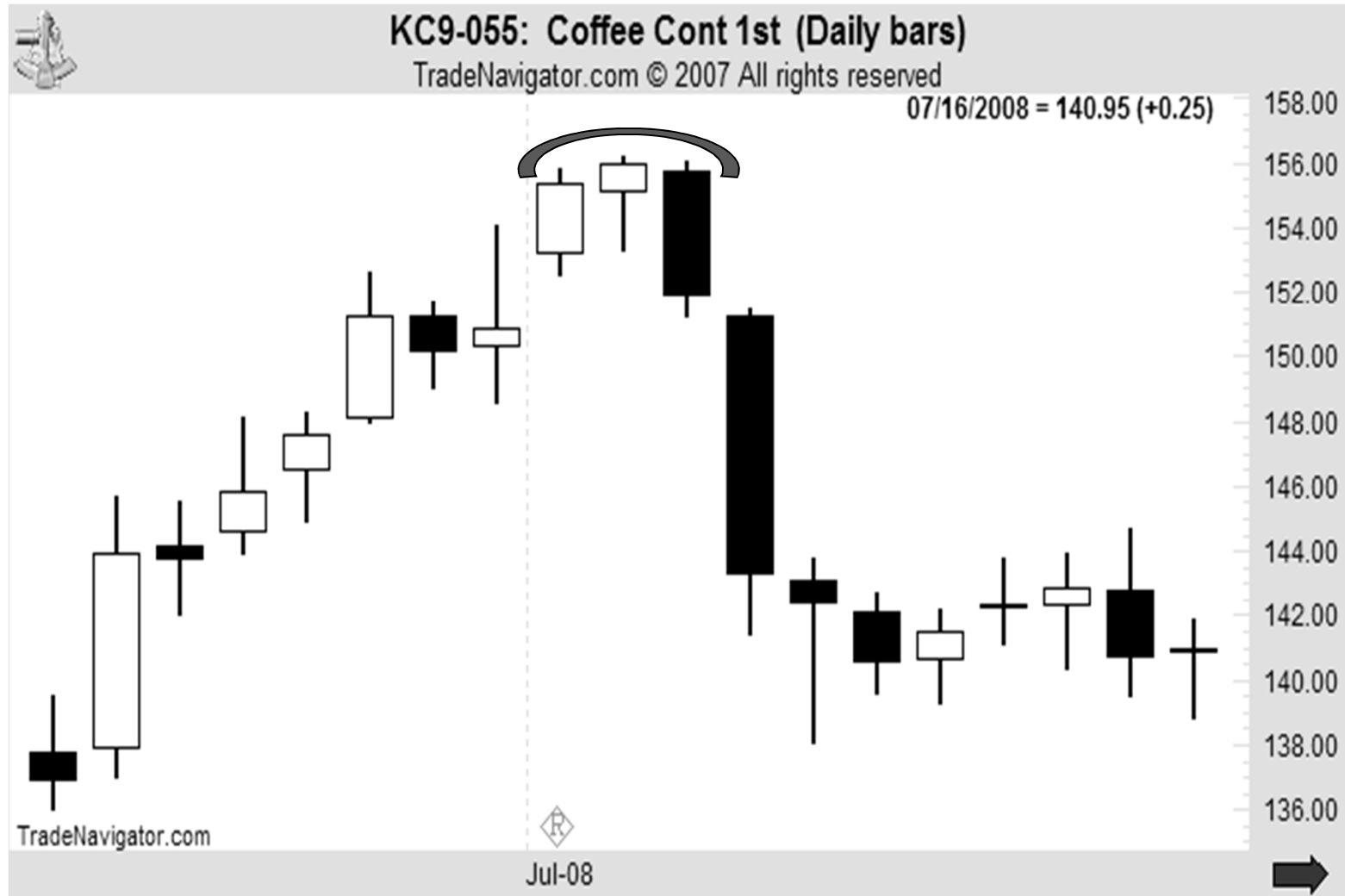
Candle Misuse ALERT!

***Candles don't
call all reversals***

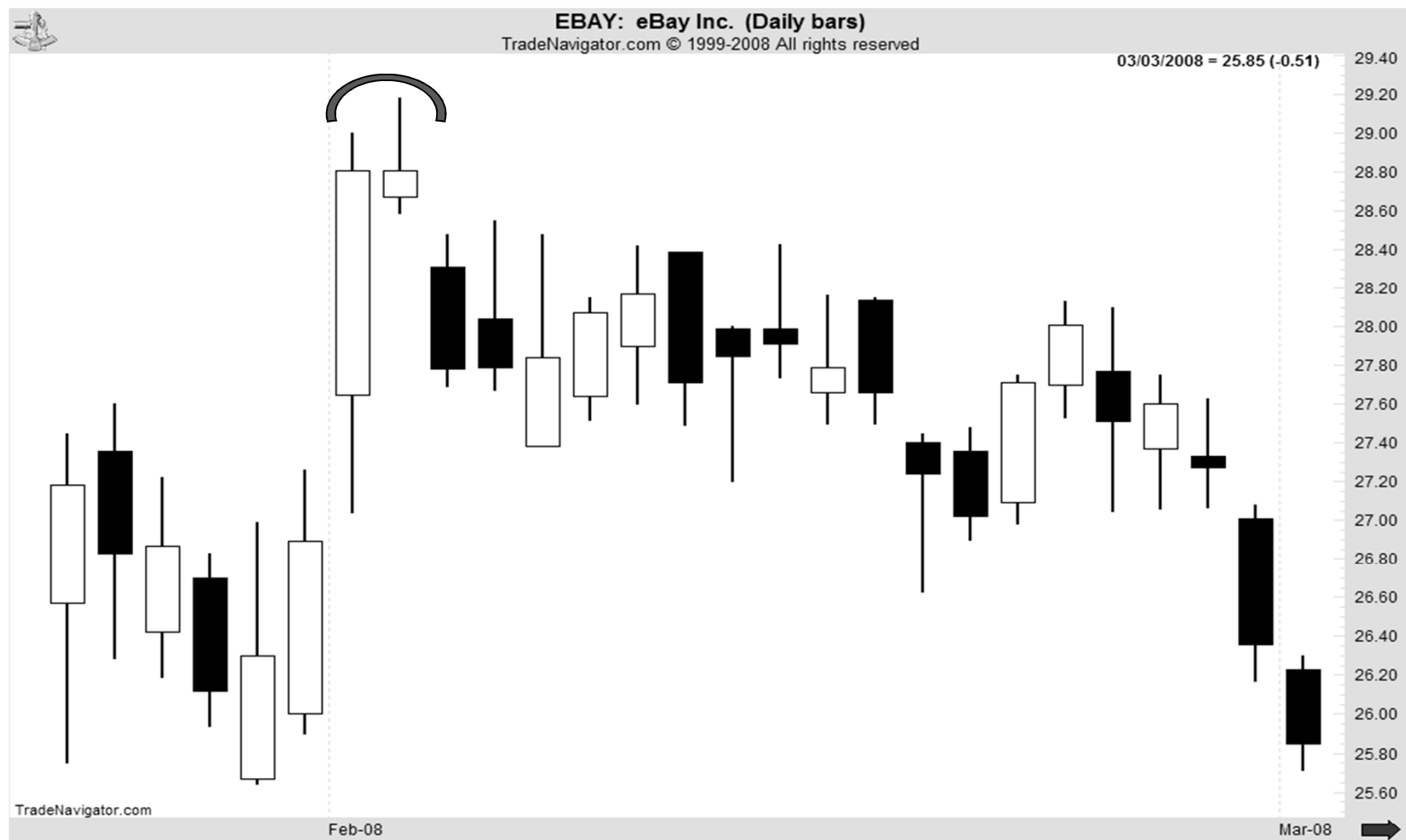
Evening Star



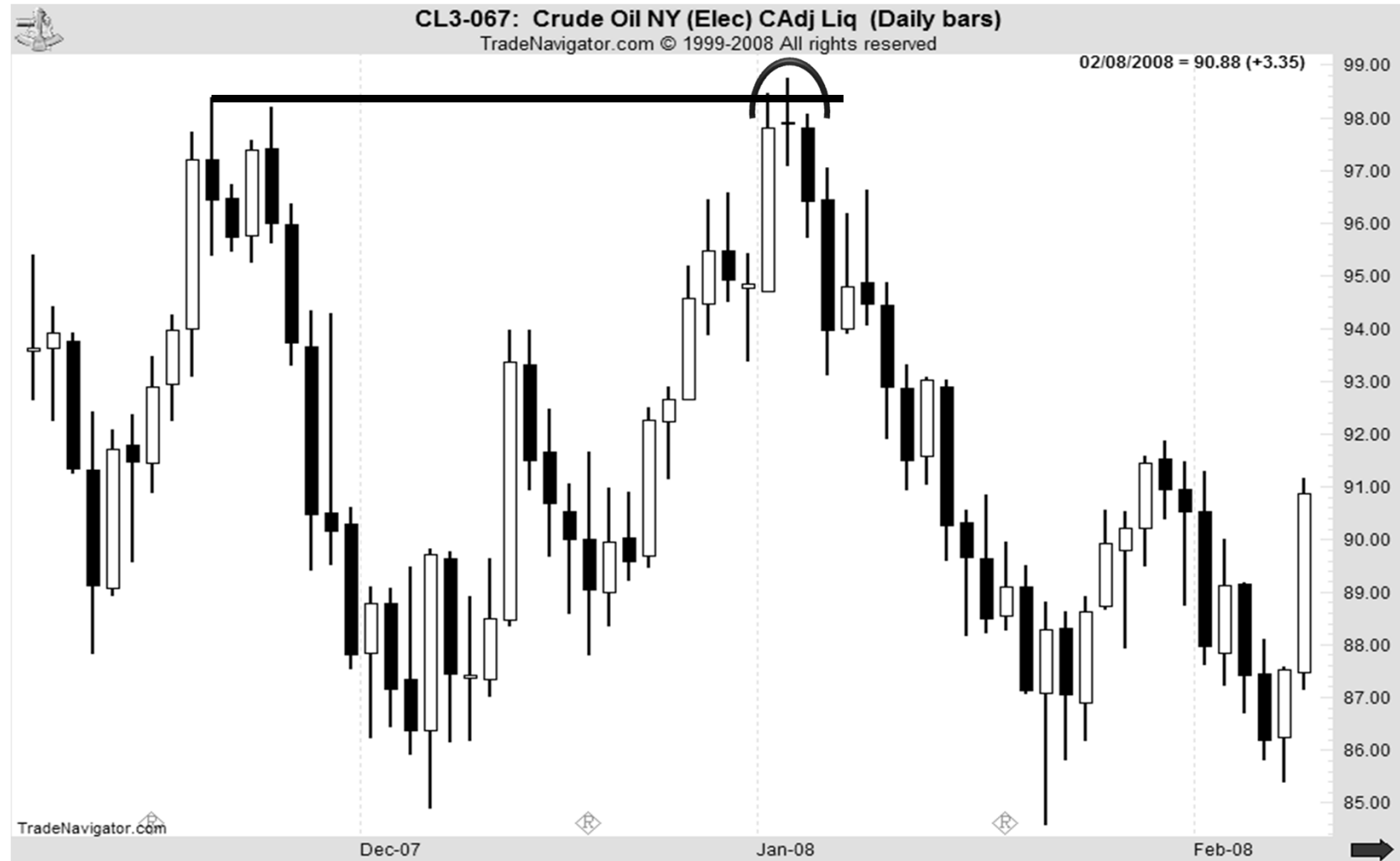
Evening Star



Evening star



Evening Star and Flexibility



Evening Star as Resistance



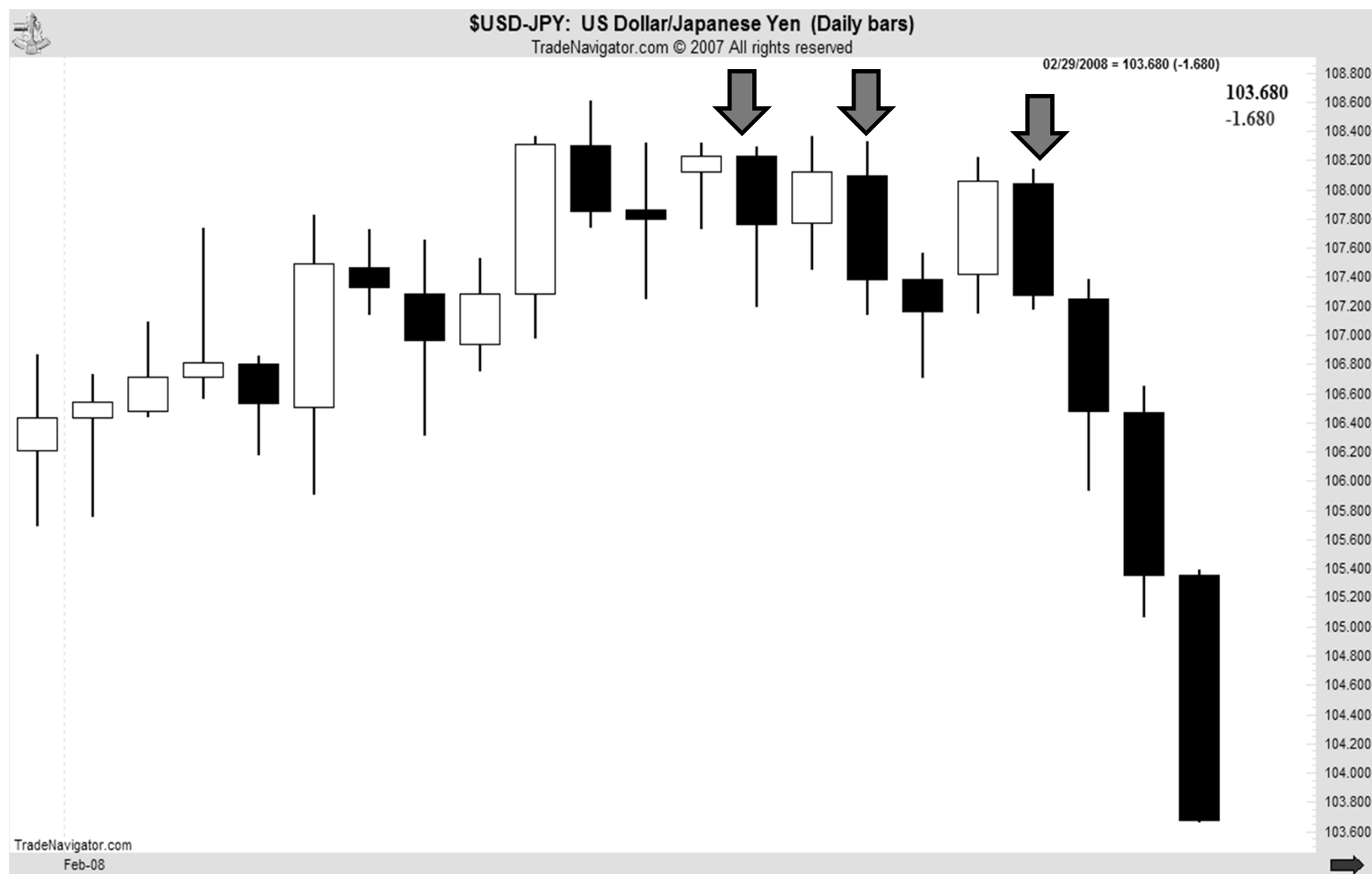
Evening Star Variation



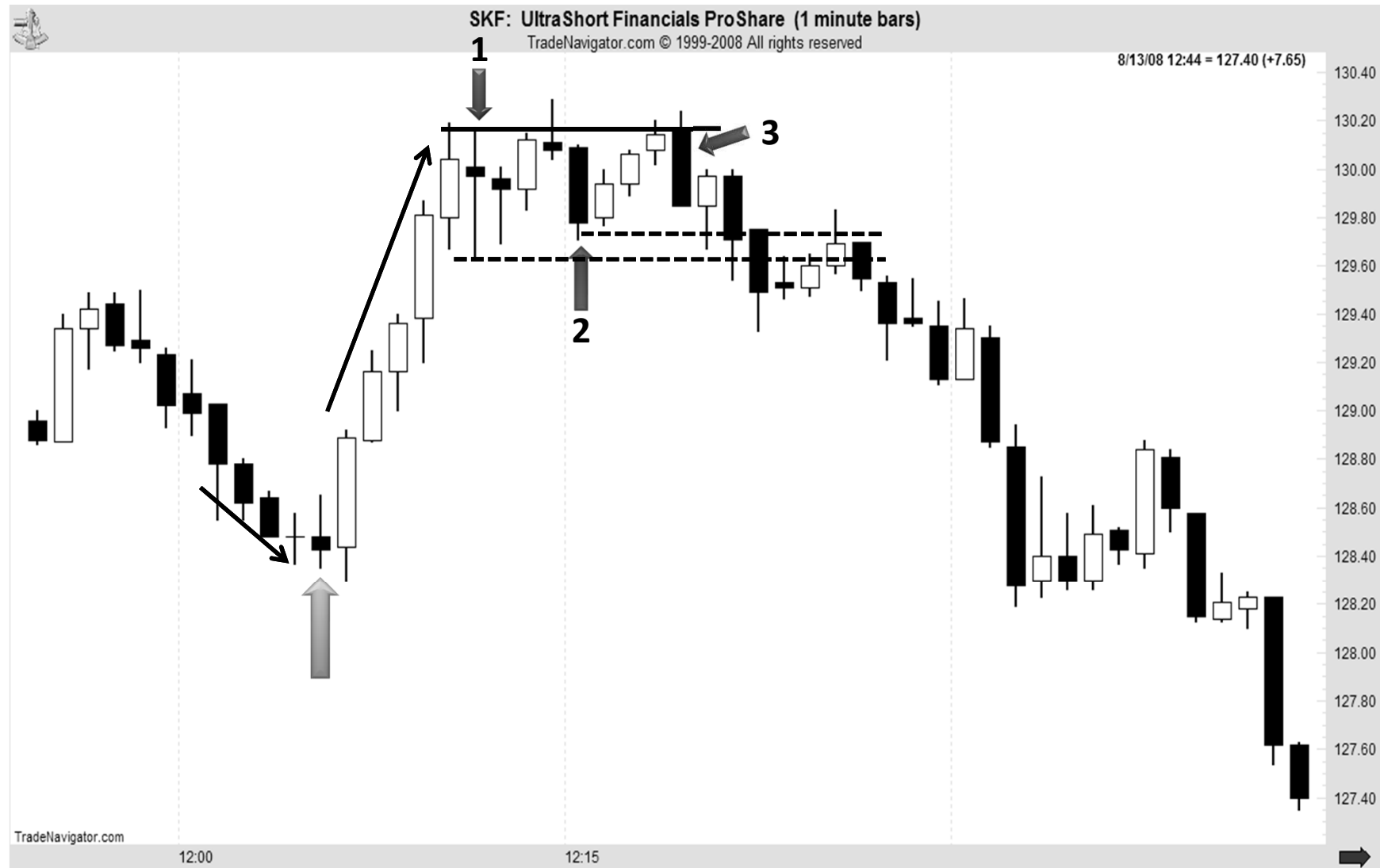
Reading the Market's Message Quickly and Accurately



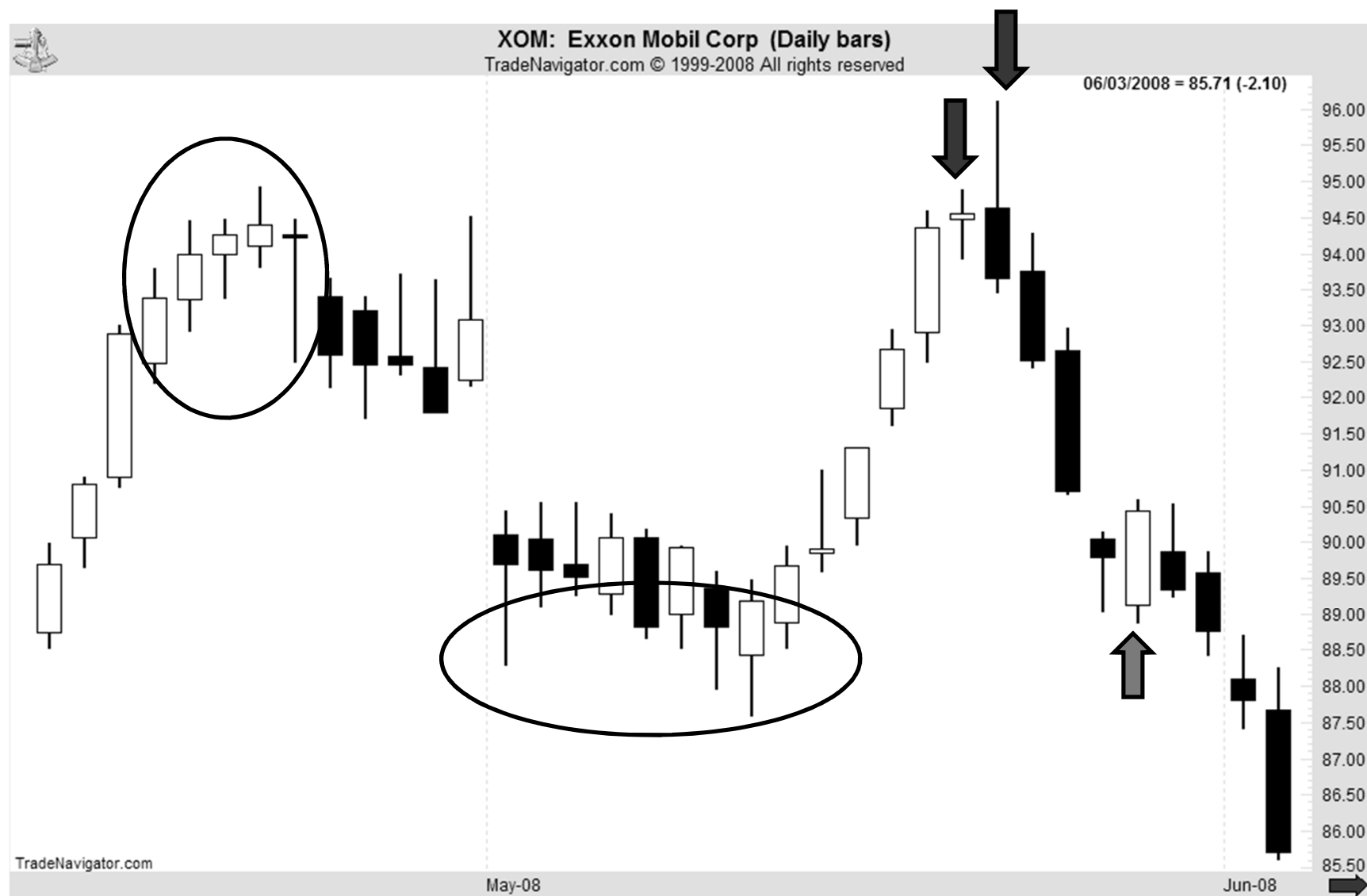
Reading the Market's Message Quickly and Accurately



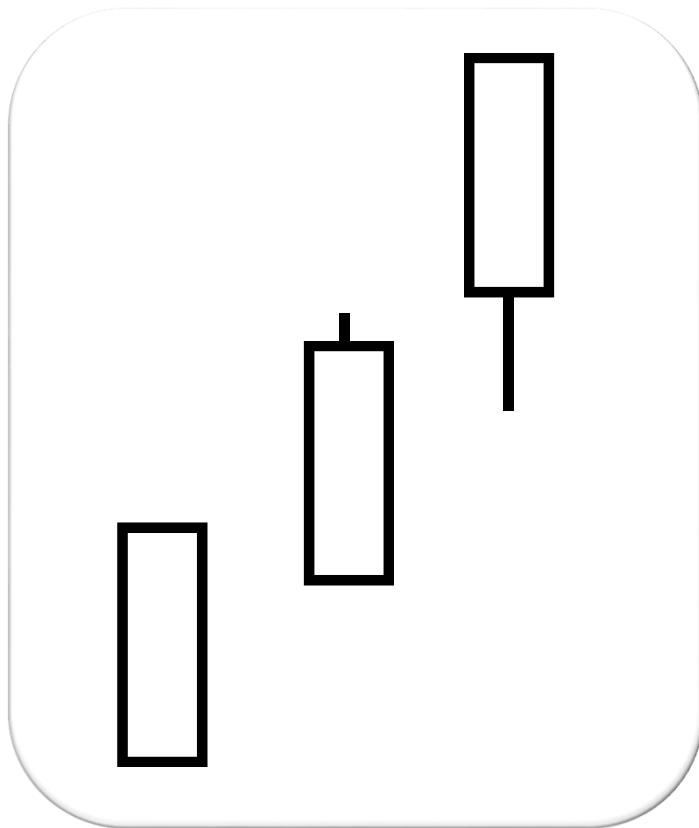
Reading the Market's Message



Reading the Market's Psychology



THREE ADVANCING WHITE SOLIDERS



Criteria

- Market in a downtrend
- Three relatively long white candles
- Last two open within, or over, prior white real body
- Each candle closes at, or near, its high

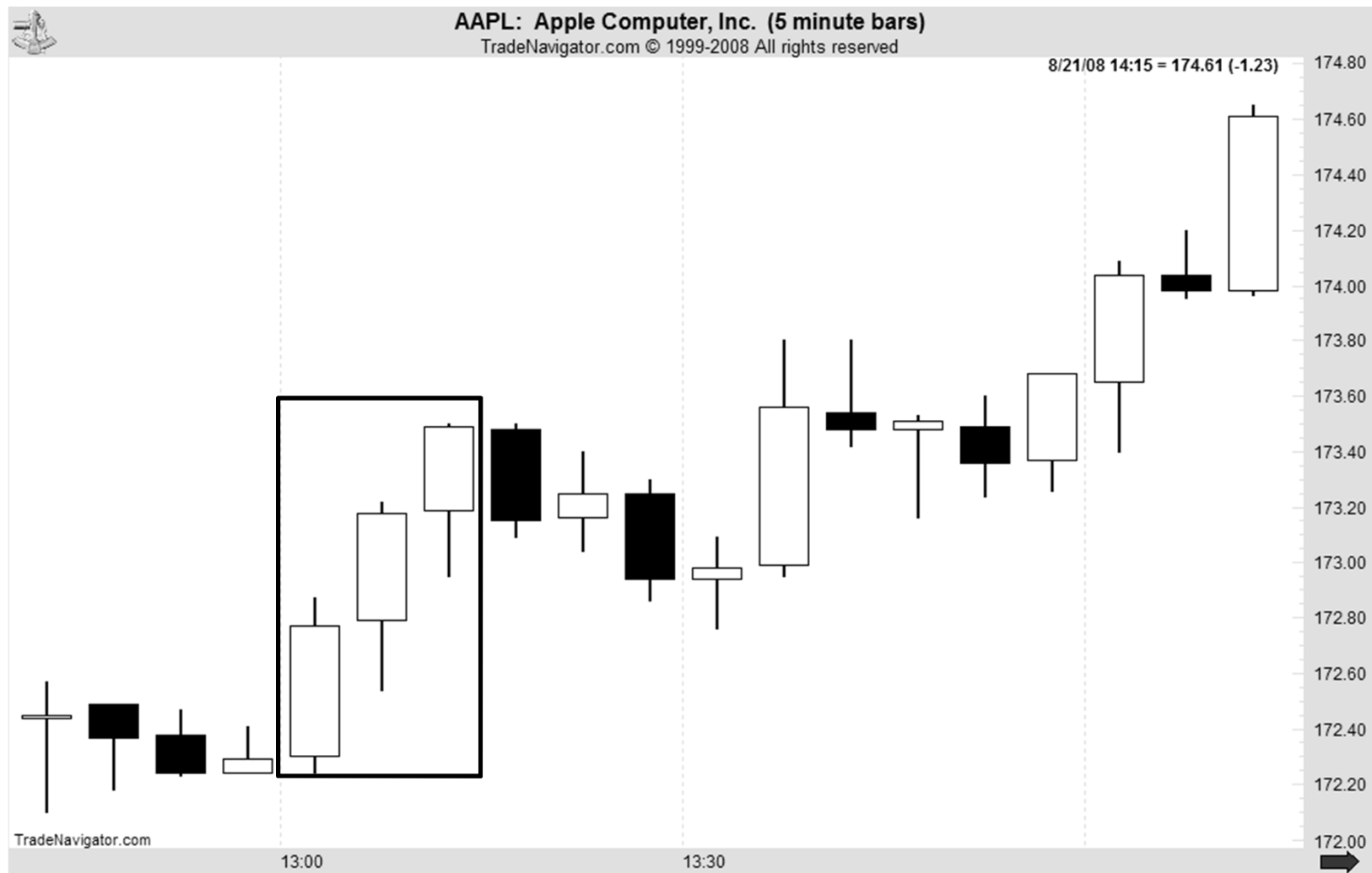
Market Implication

Bottom reversal

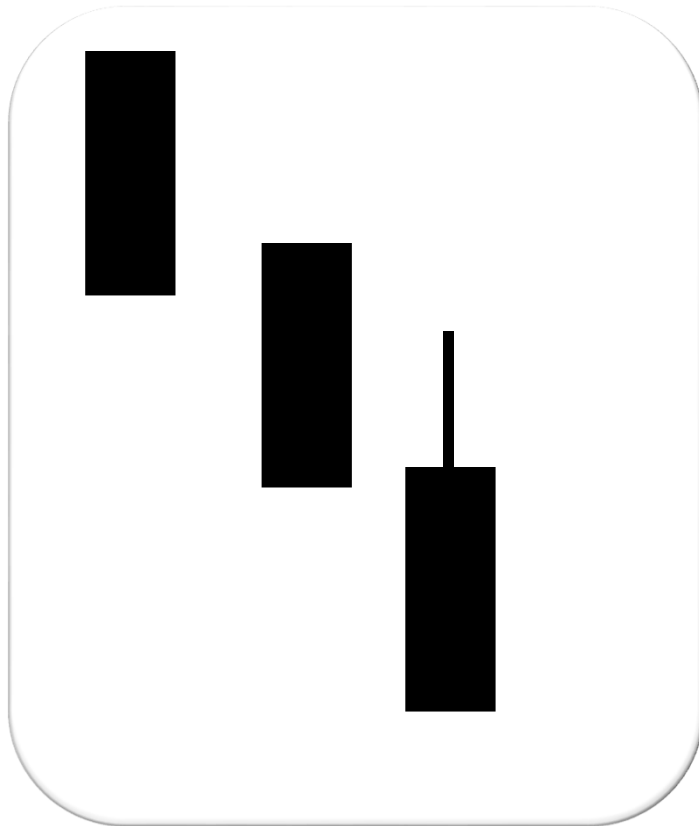
Support or Resistance

Not used as support

Three Soldiers



THREE BLACK CROWS



Criteria

- Market in uptrend
- Three long black candles
- Open of last two within, or below, prior black real bodies
- Each candle closes at, or near, its low

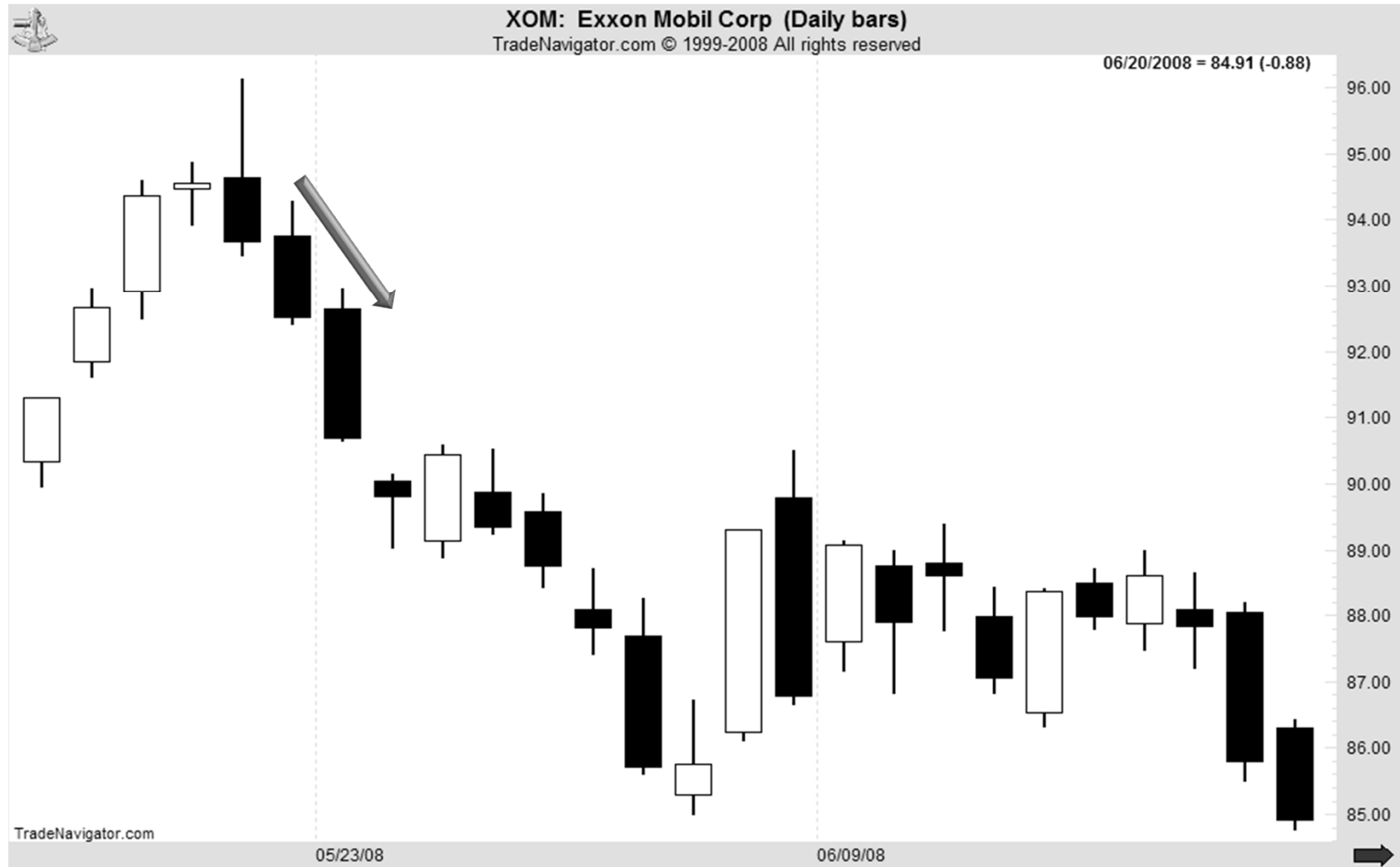
Market Implication

Top reversal

Support or Resistance

Not used as resistance

Three Black Crows



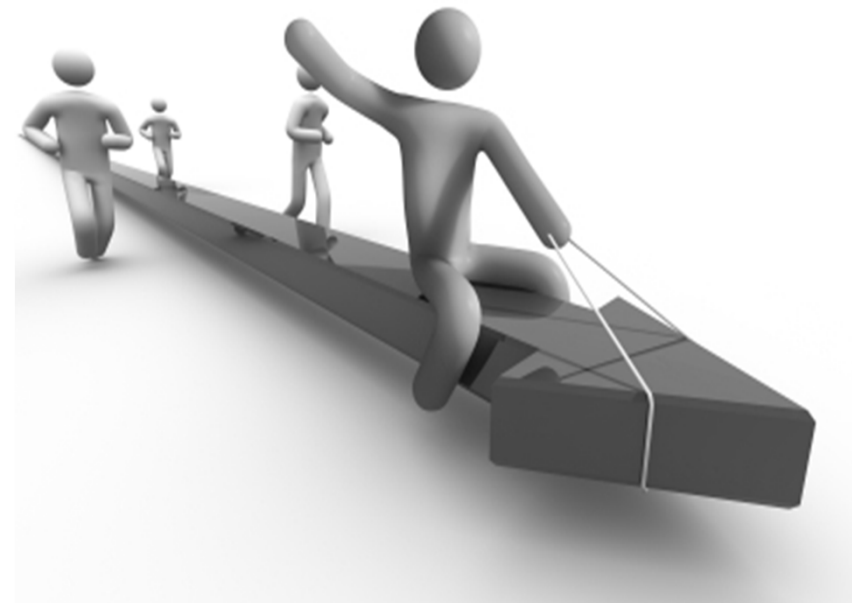
What we learned:

- ✓ **Bullish and Bearish Engulfing Patterns**
- ✓ **Brief description difference with candles in FX**
- ✓ **Piercing Pattern**
- ✓ **Simplifying Candle Analysis**
- ✓ **Dark Cloud Cover**
- ✓ **Bull and Bear Harami**
- ✓ **Reading the market's message with dual candle patterns**
- ✓ **Morning and Evening Stars**
- ✓ **Being flexible in chart readings**
- ✓ **Soldiers and Black Crows**

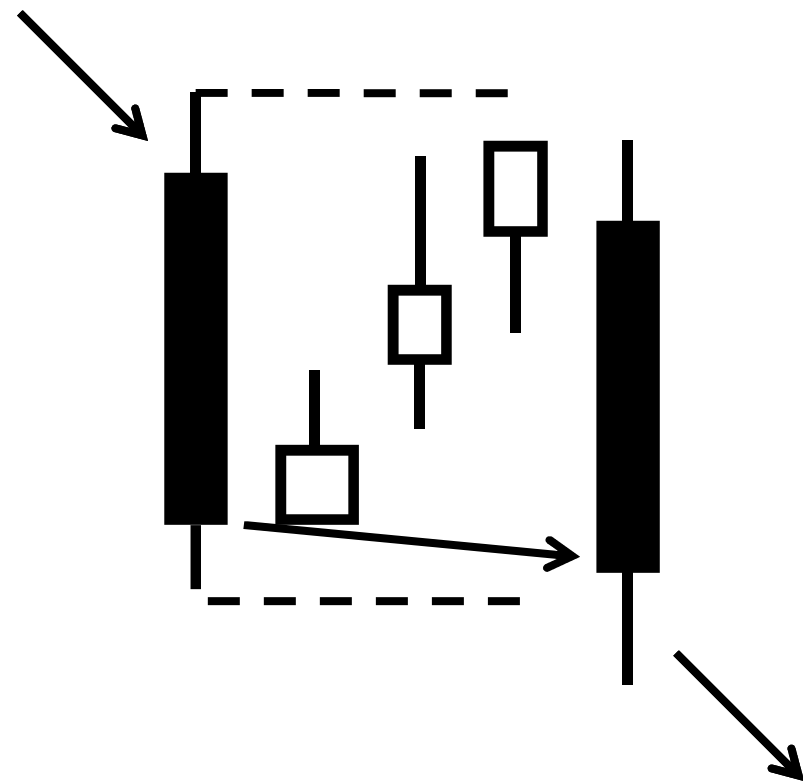
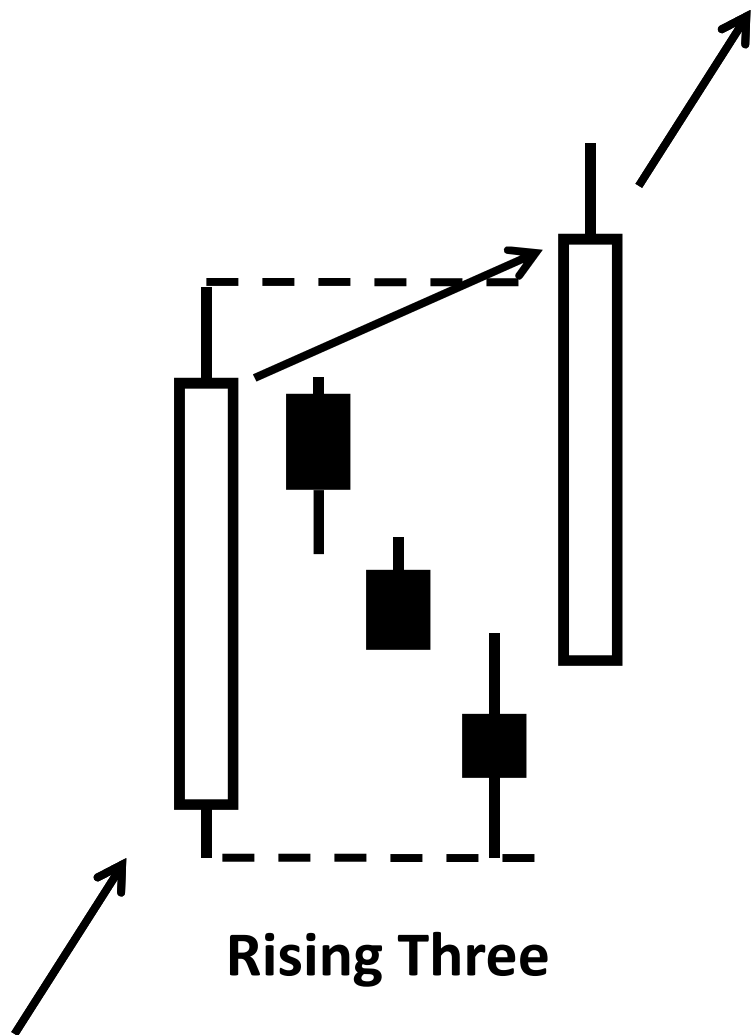
CONTINUATION CANDLES

The trend before the signal continues after the signal

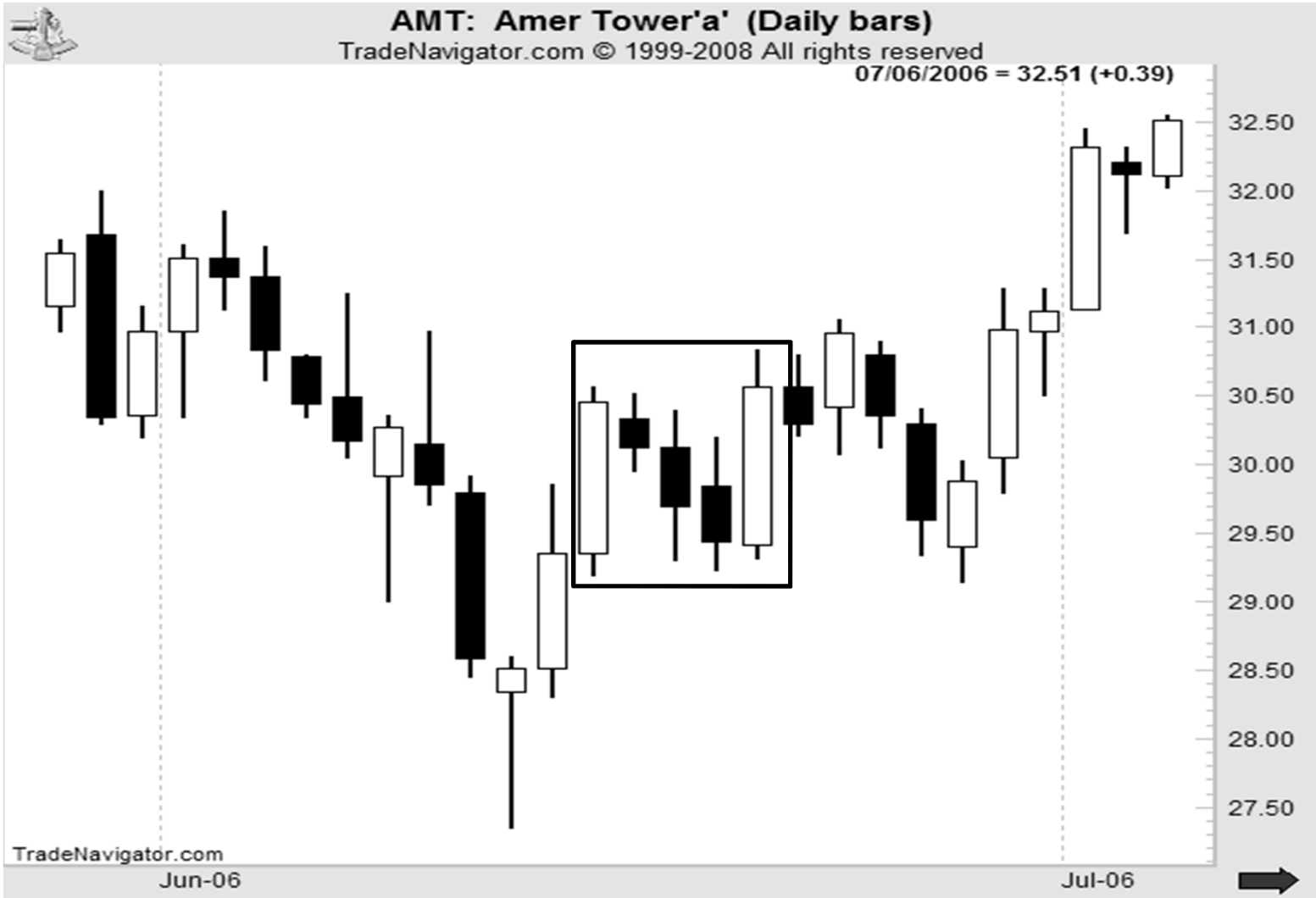
- ❑ **Three Methods**
- ❑ **Windows**



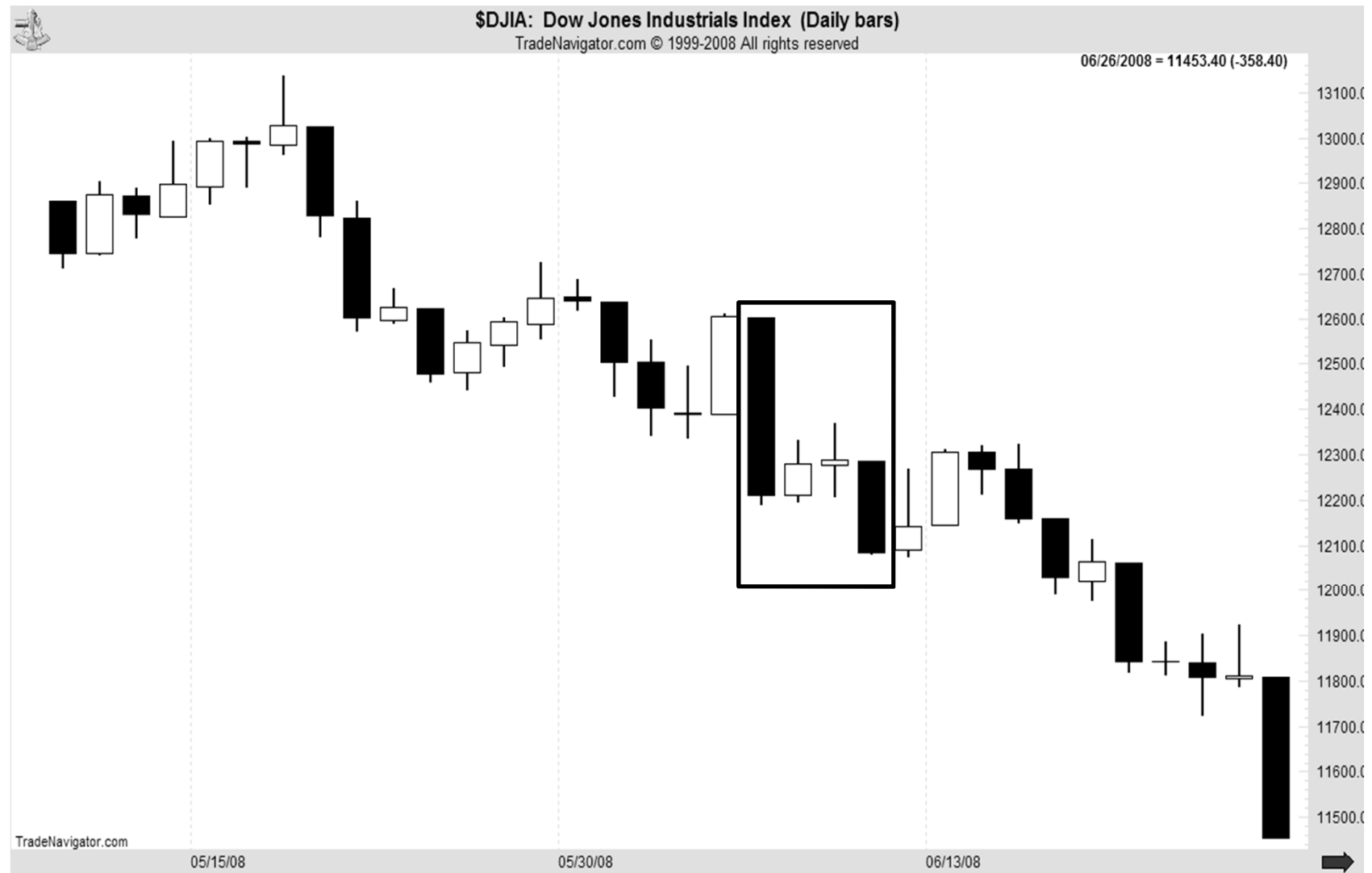
Rising and Falling Three Methods



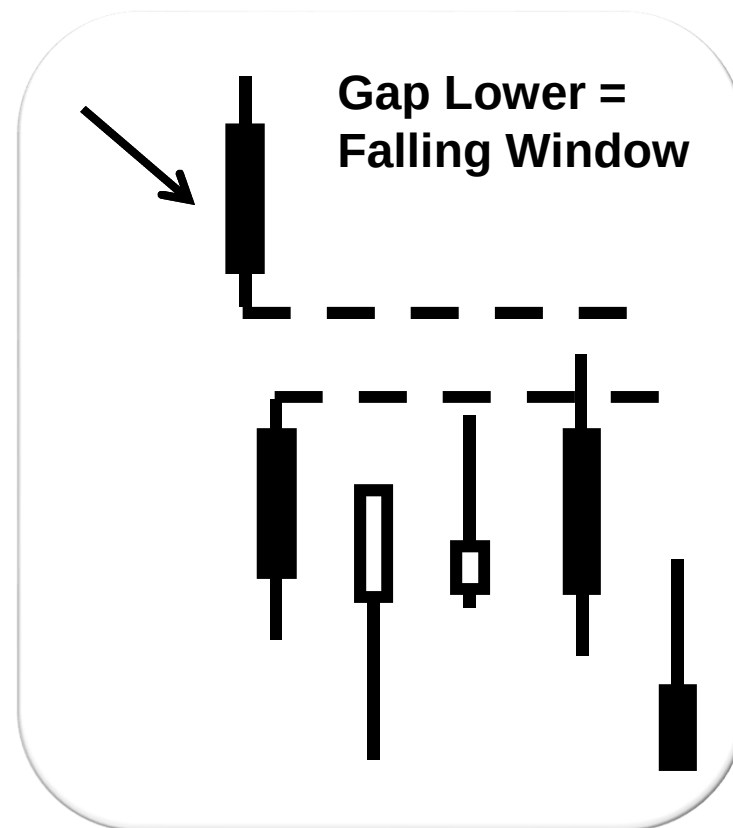
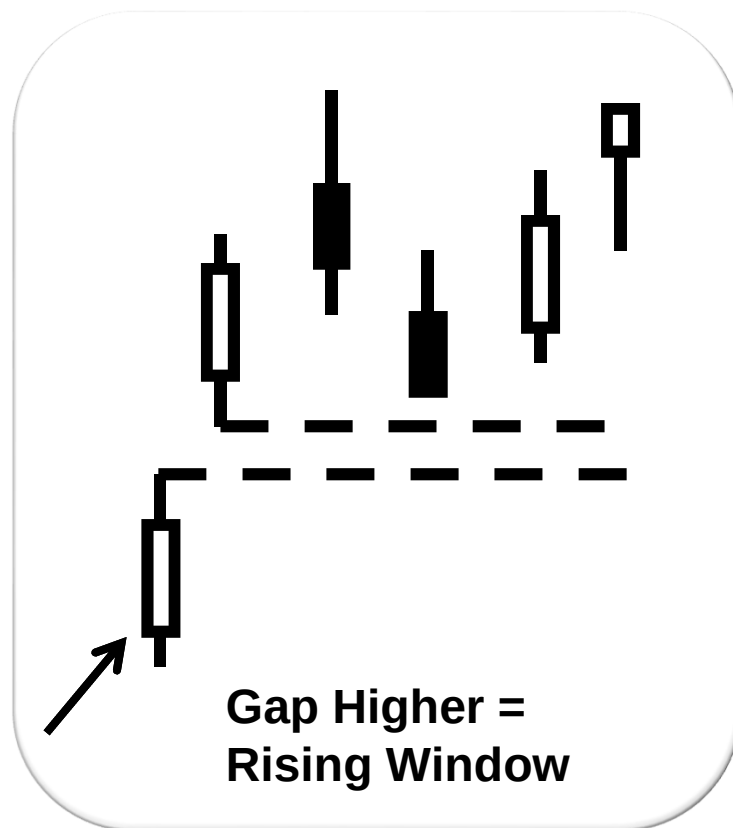
Rising Three Methods



Falling Three Methods

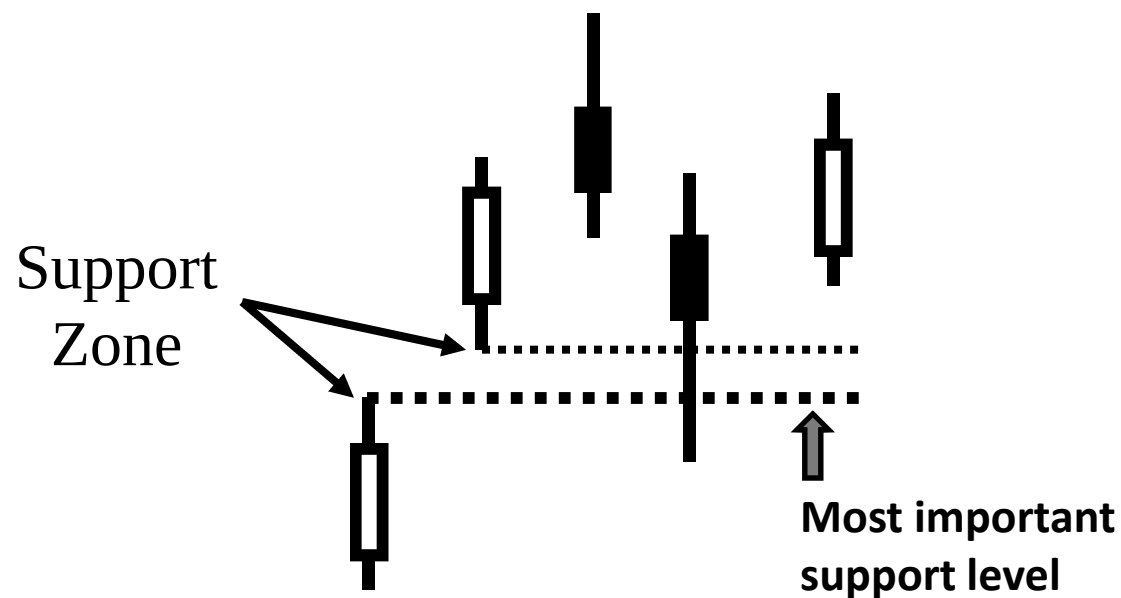


WINDOWS

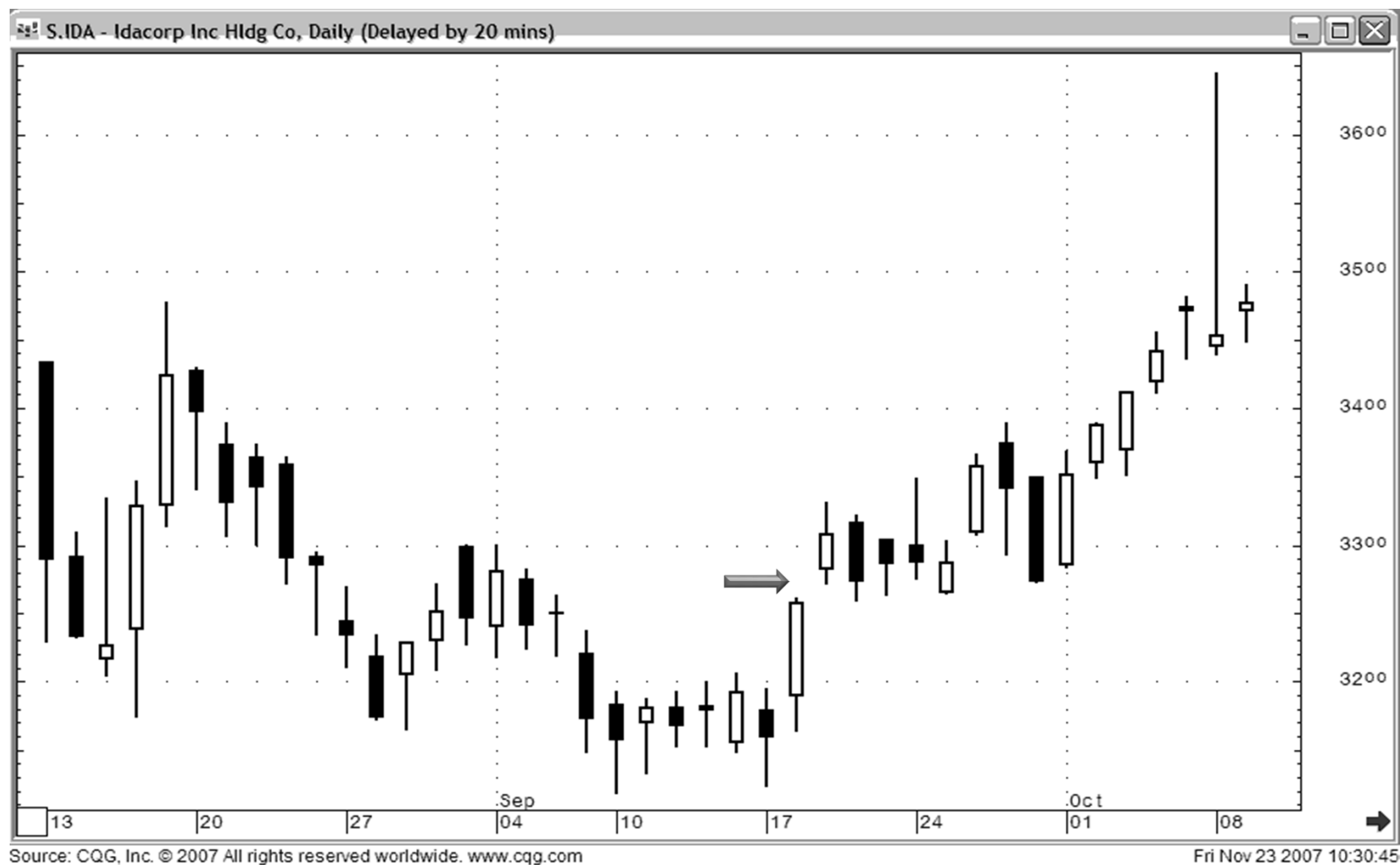


Corrections stop at the window

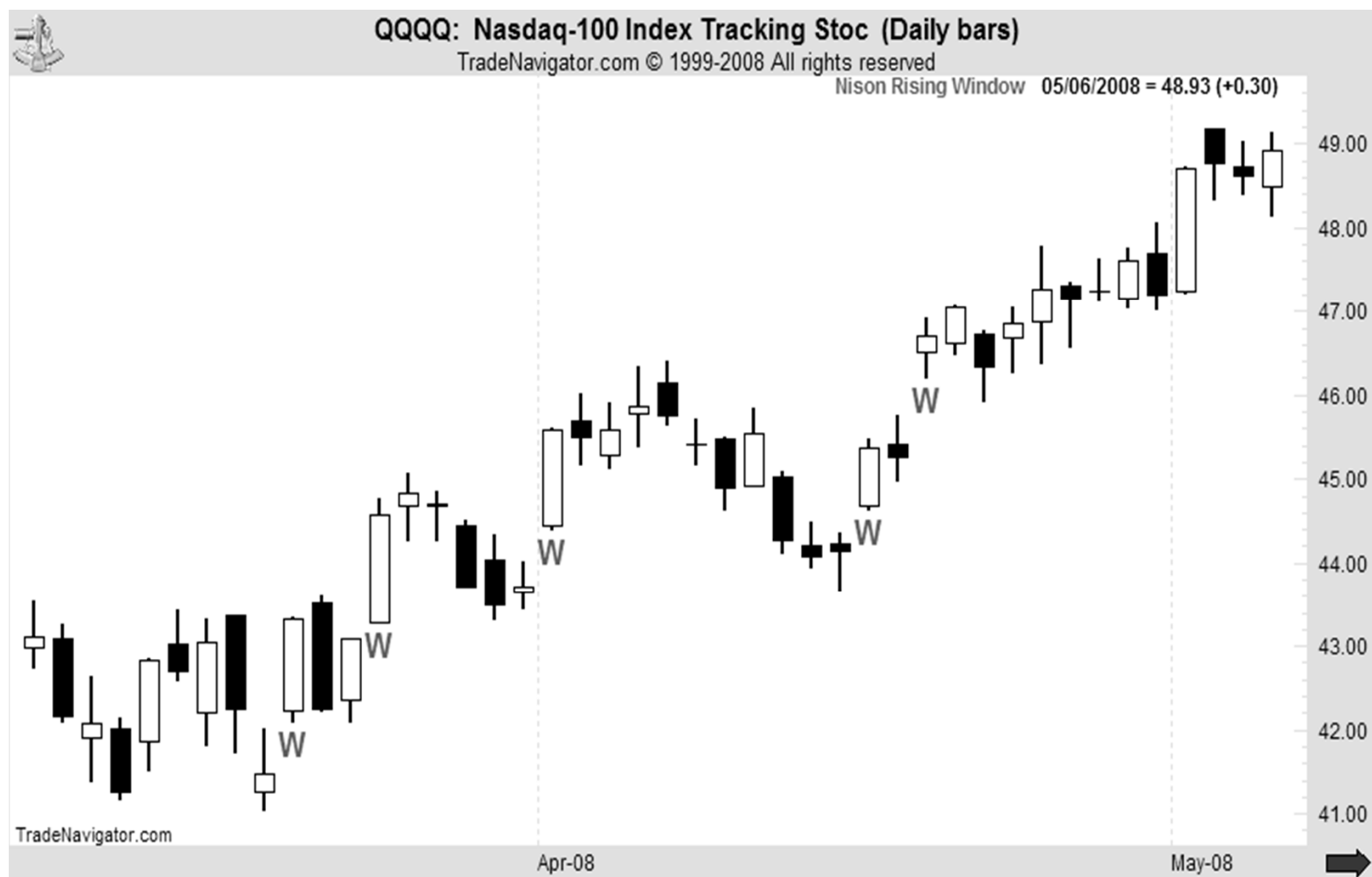
A rising window is support



Rising Window



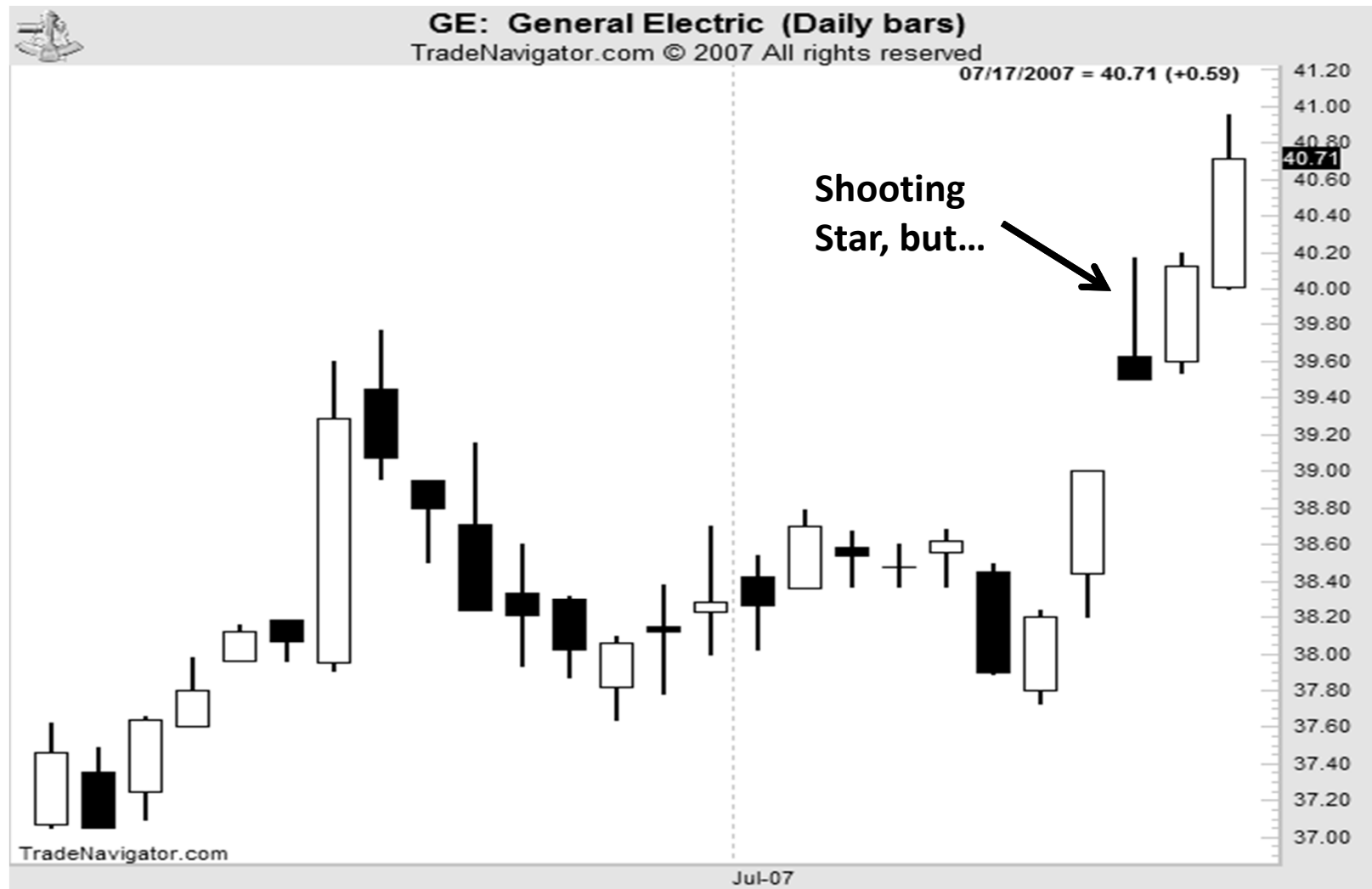
Rising Windows



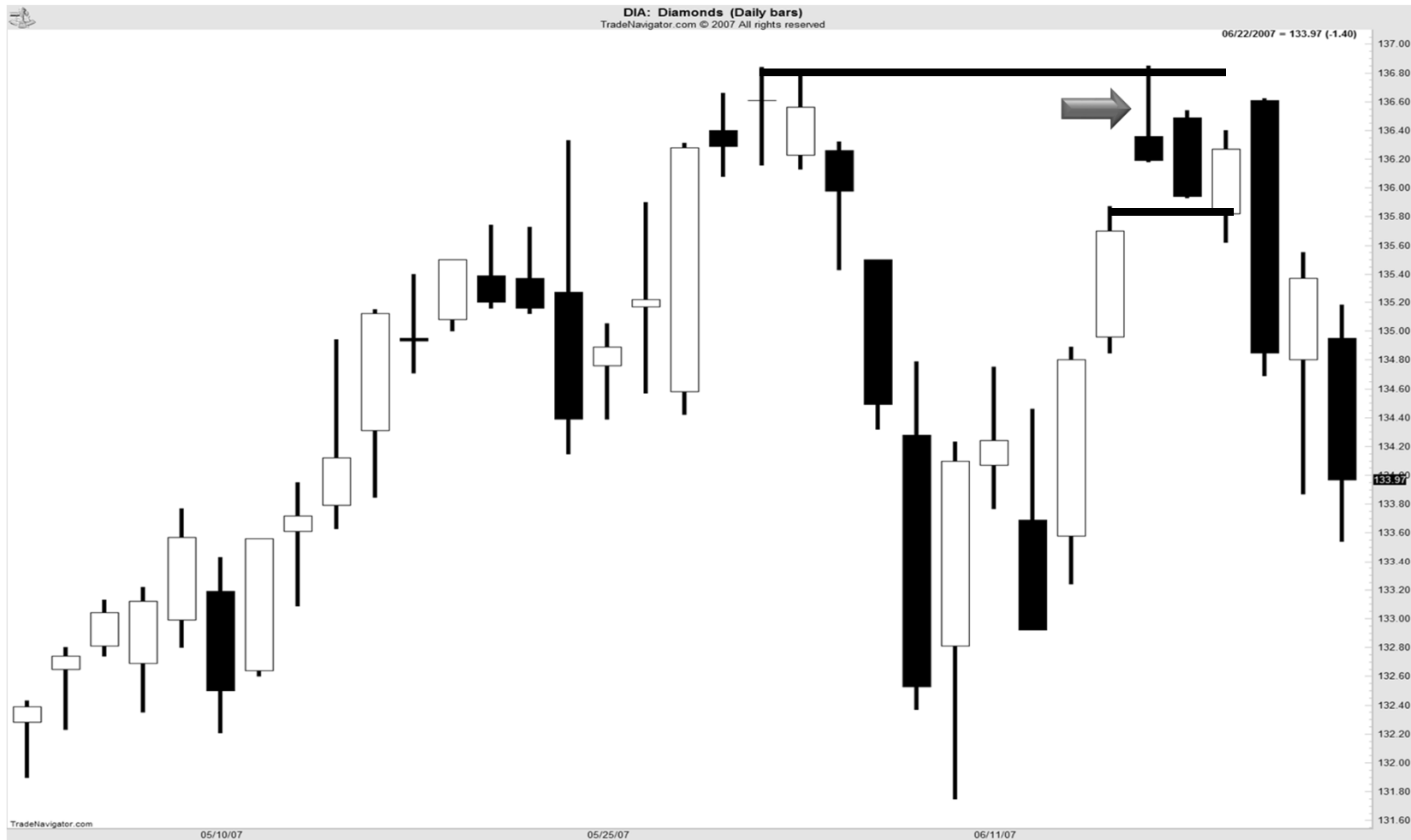
Broken Windows



Candles in Context



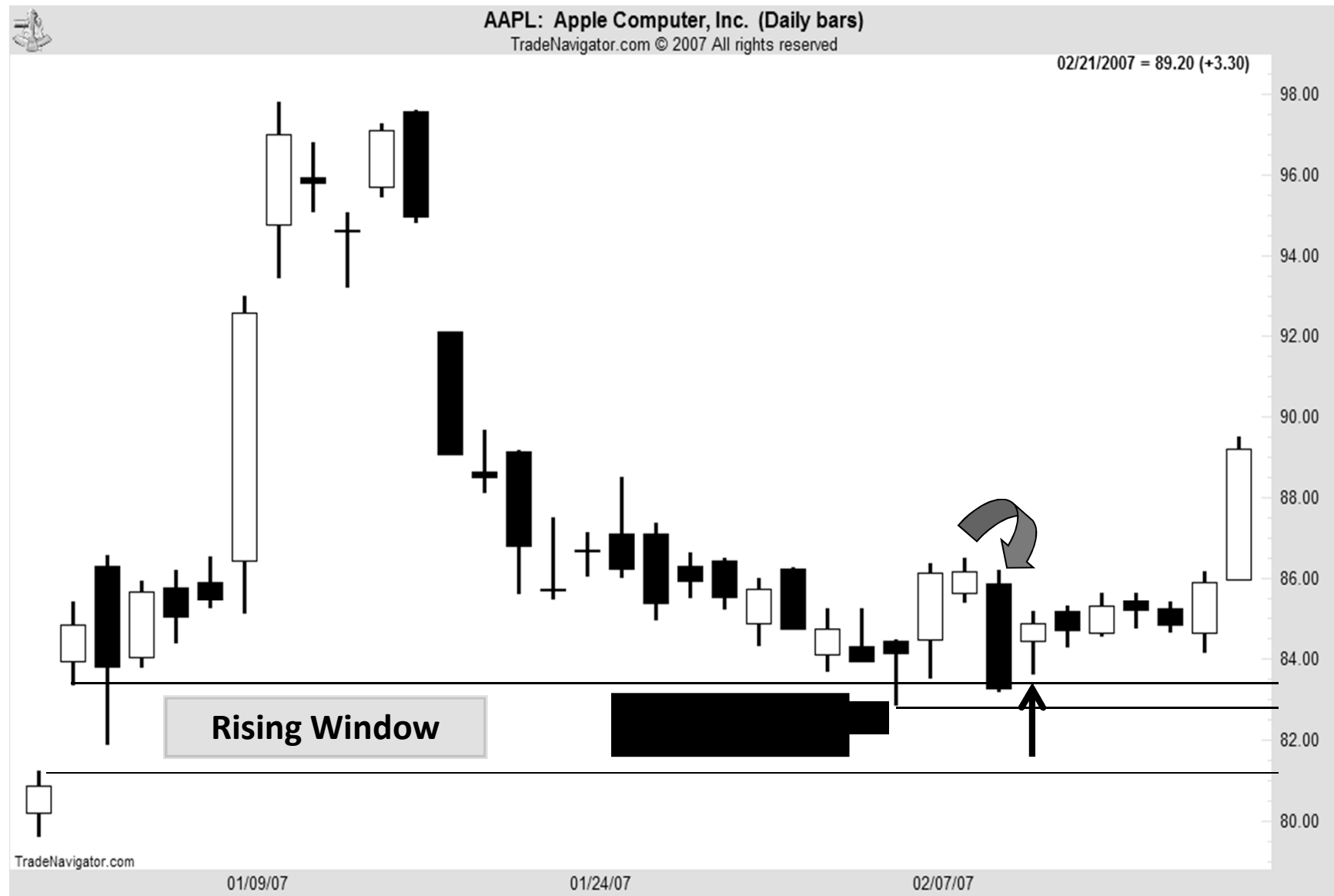
Candles in Context



How education SAVES you money

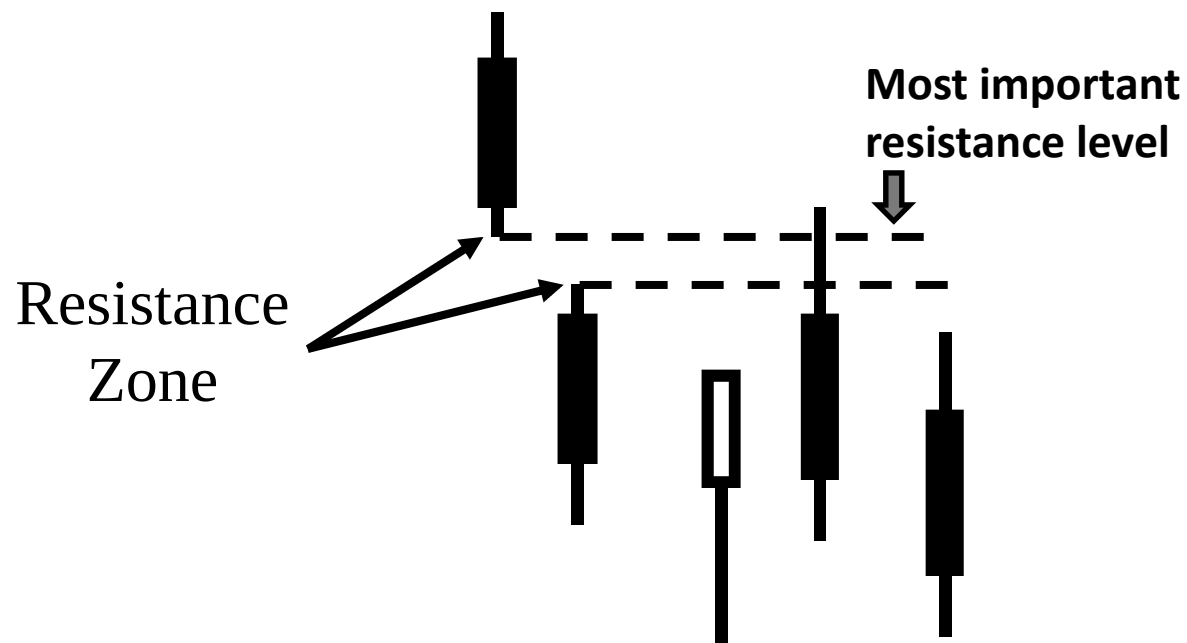


Rising Window

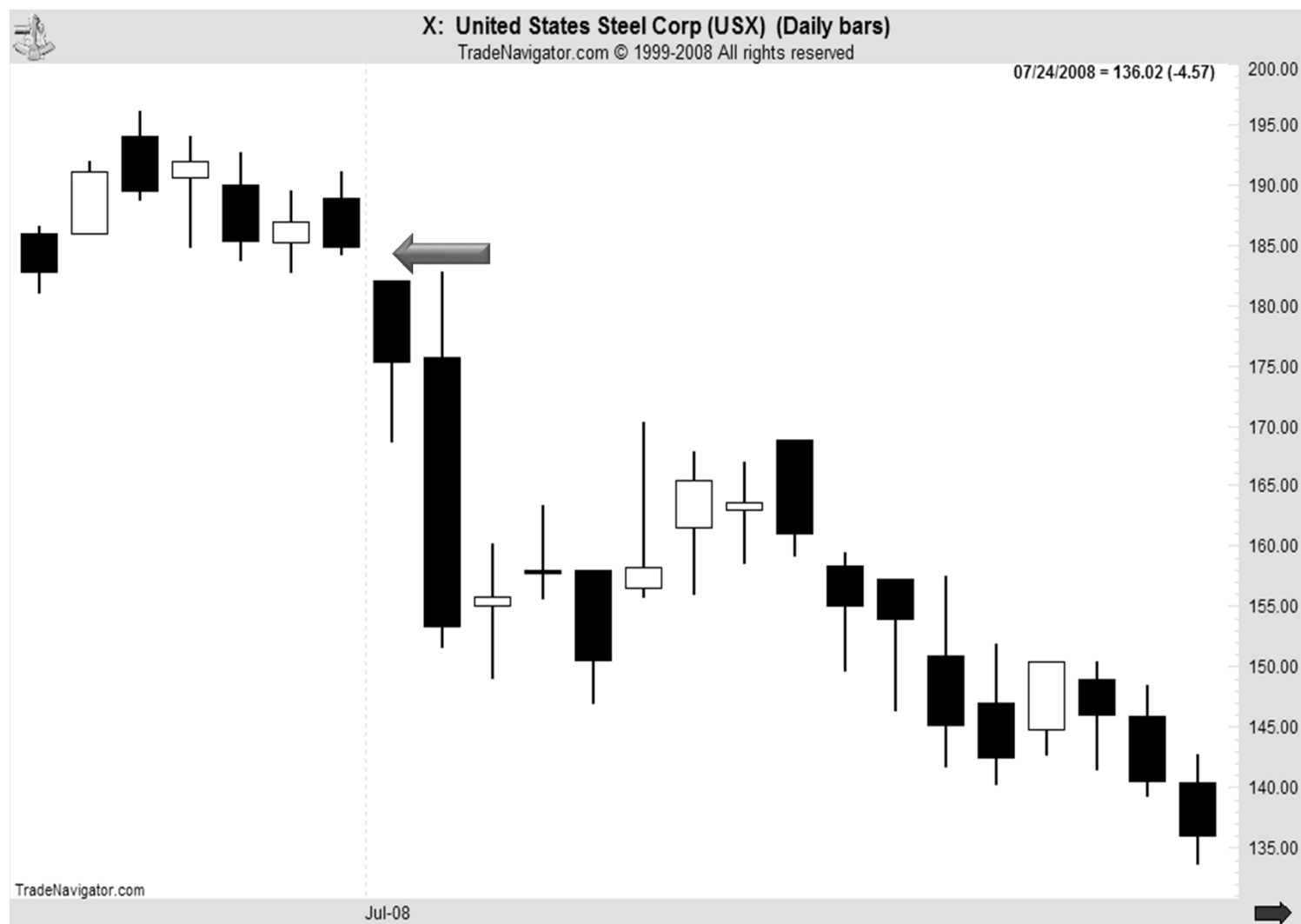


Corrections stop at the window

A falling window is resistance



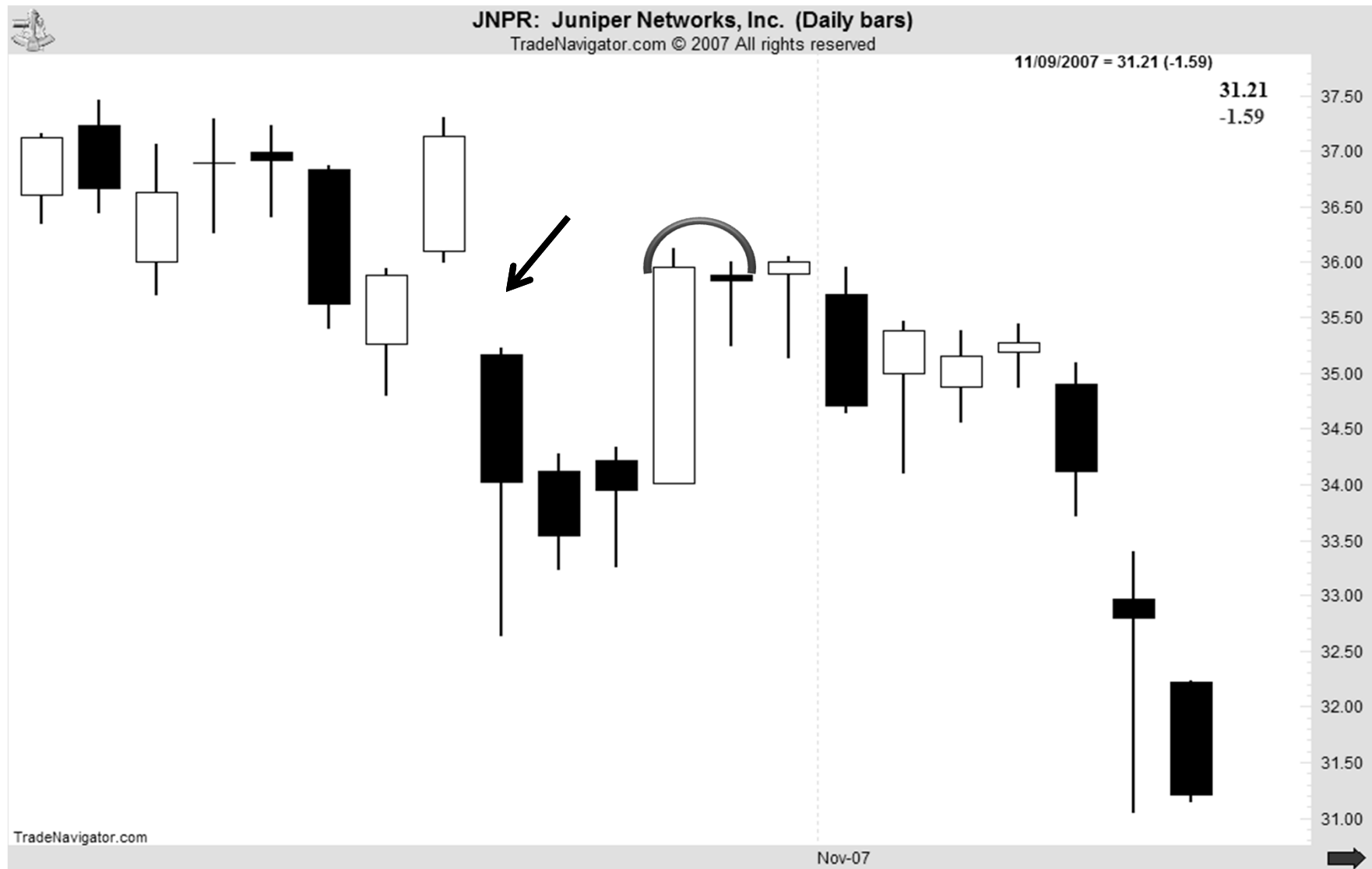
Falling Window



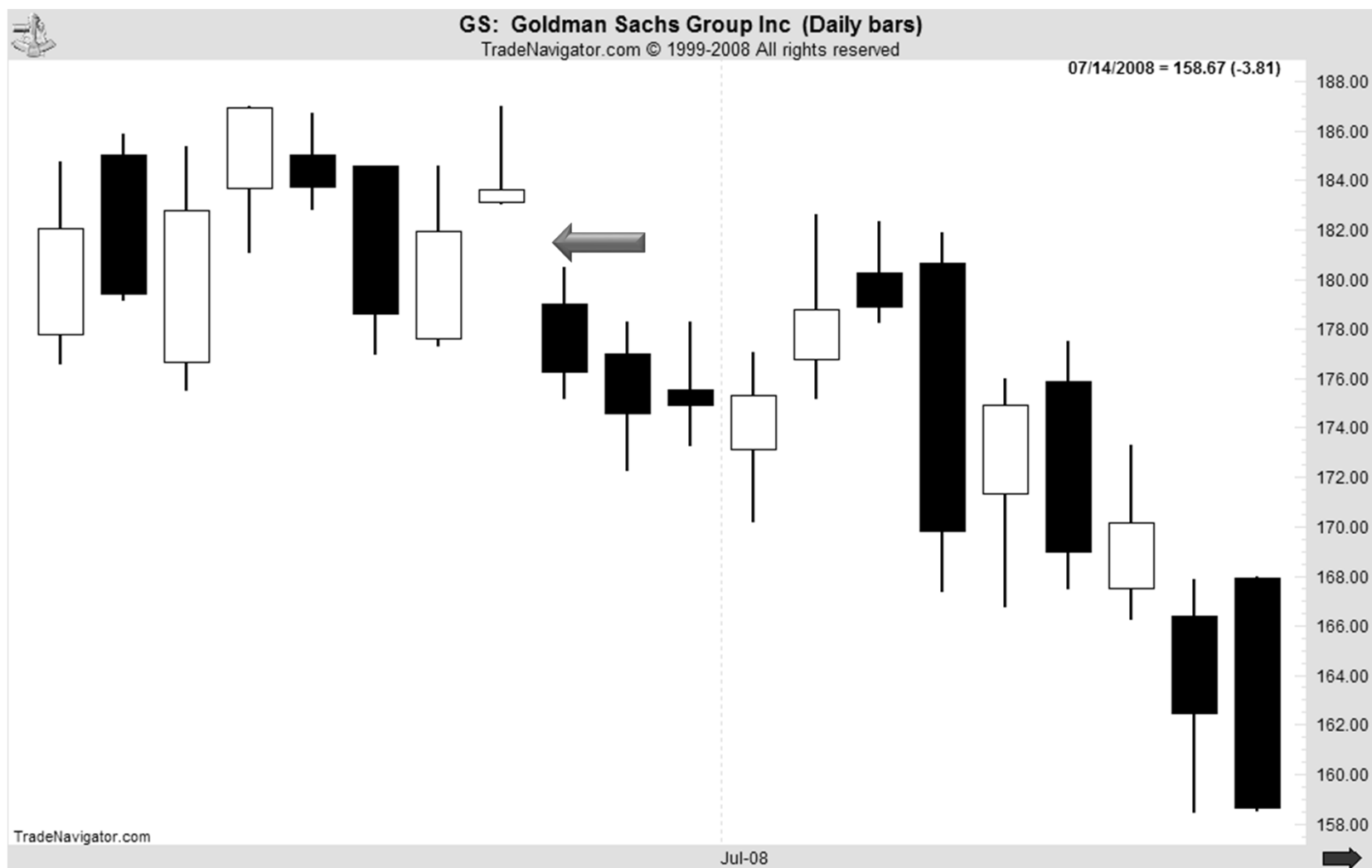
Breaking Falling window's Resistance



Falling Window



Falling window

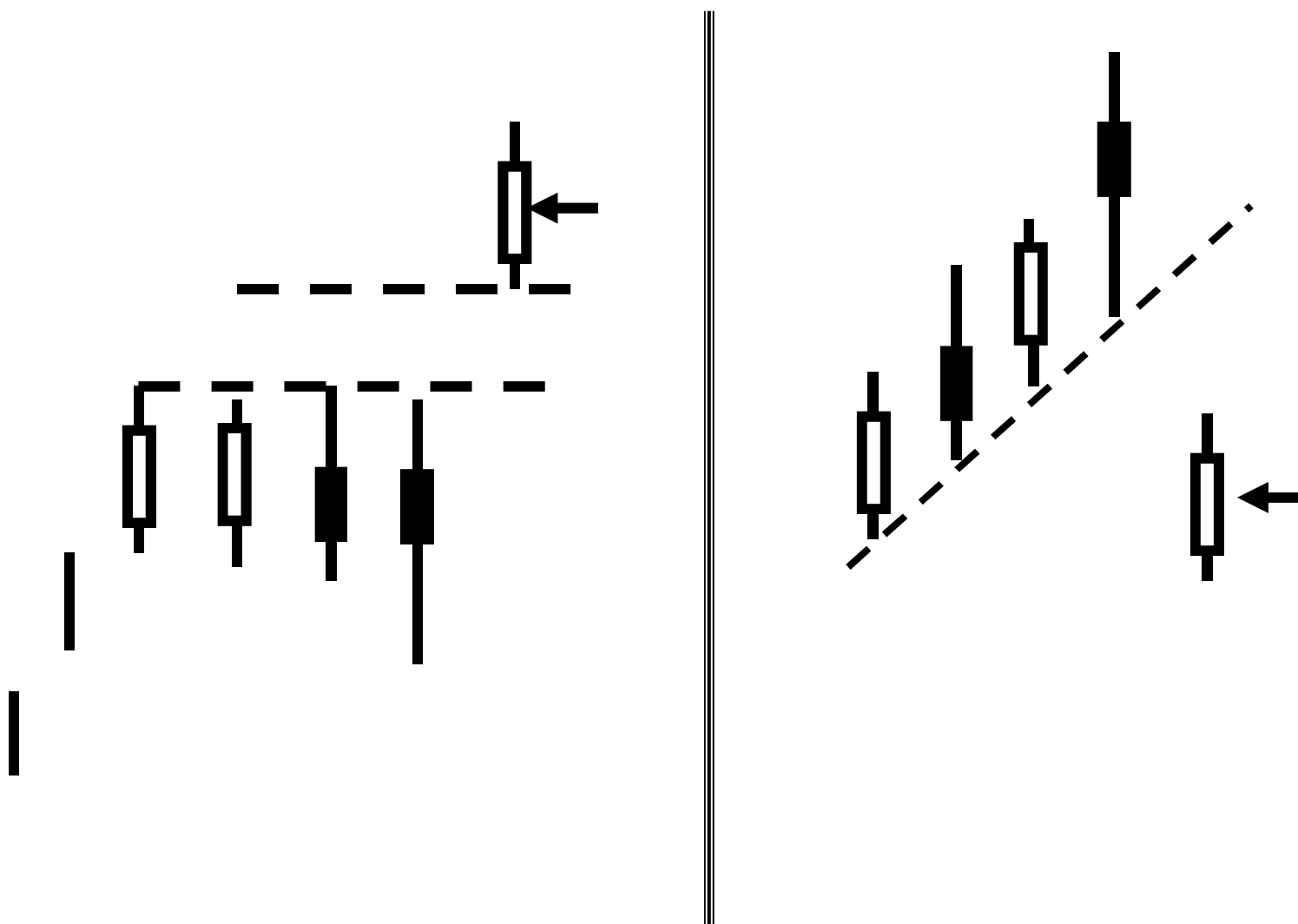


Small Windows



Breakaway Gap

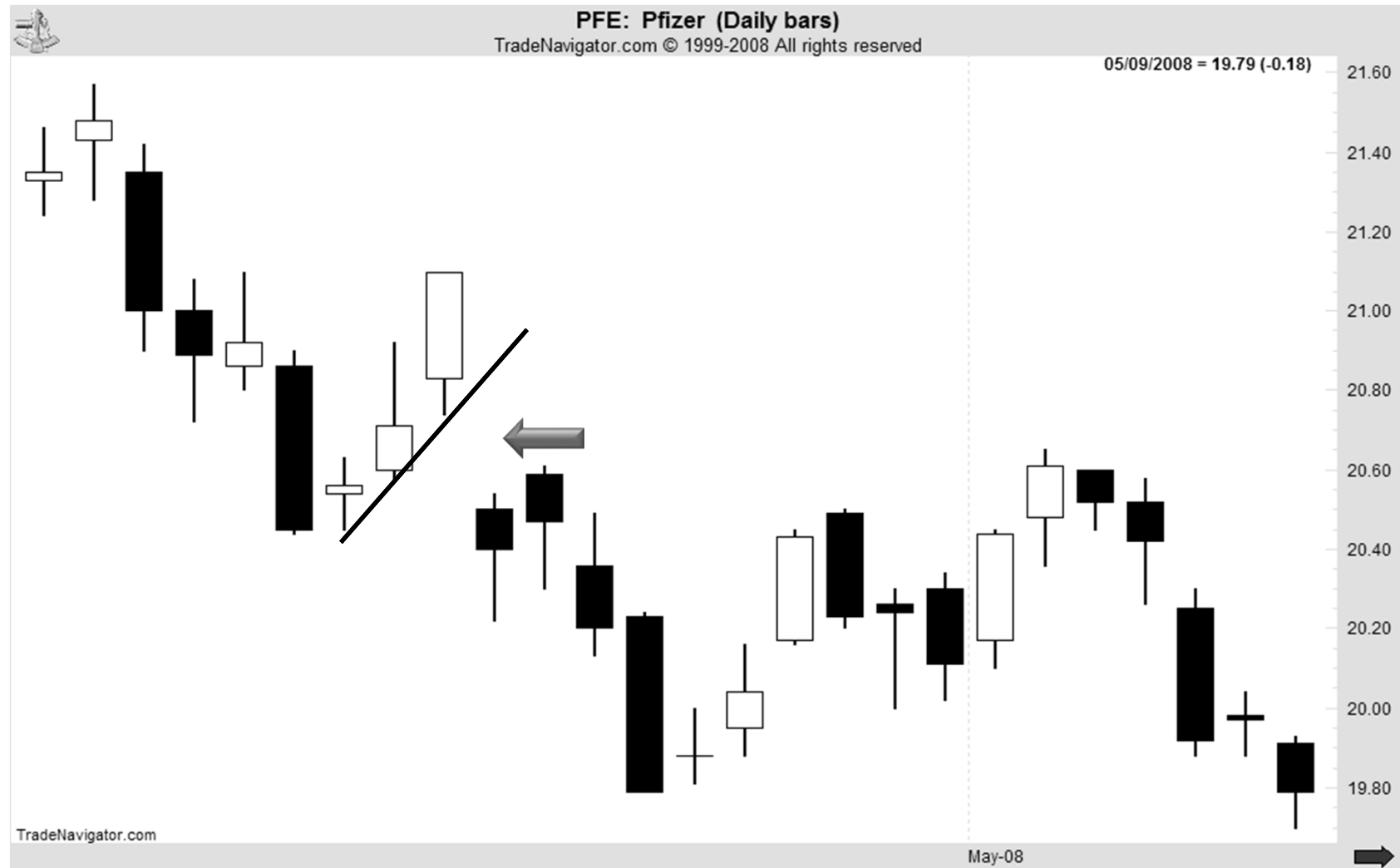
When the market gaps above resistance – or below support



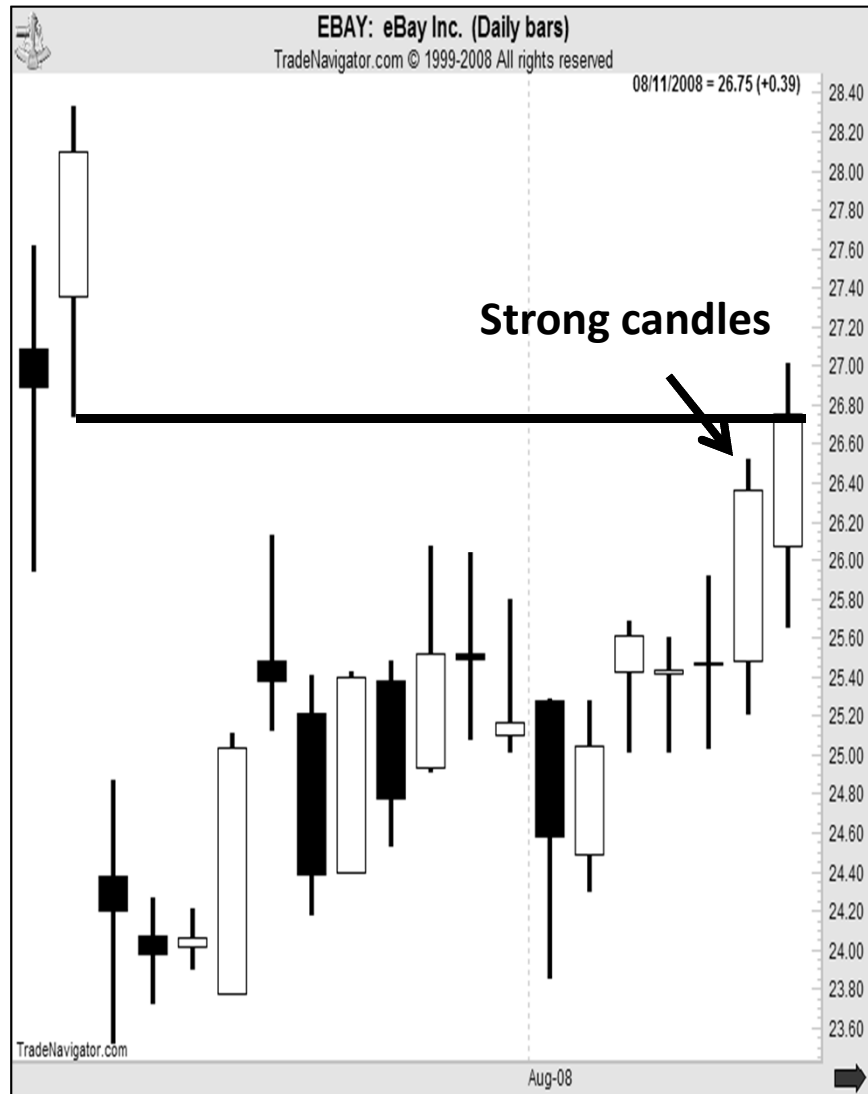
Breakaway Gap



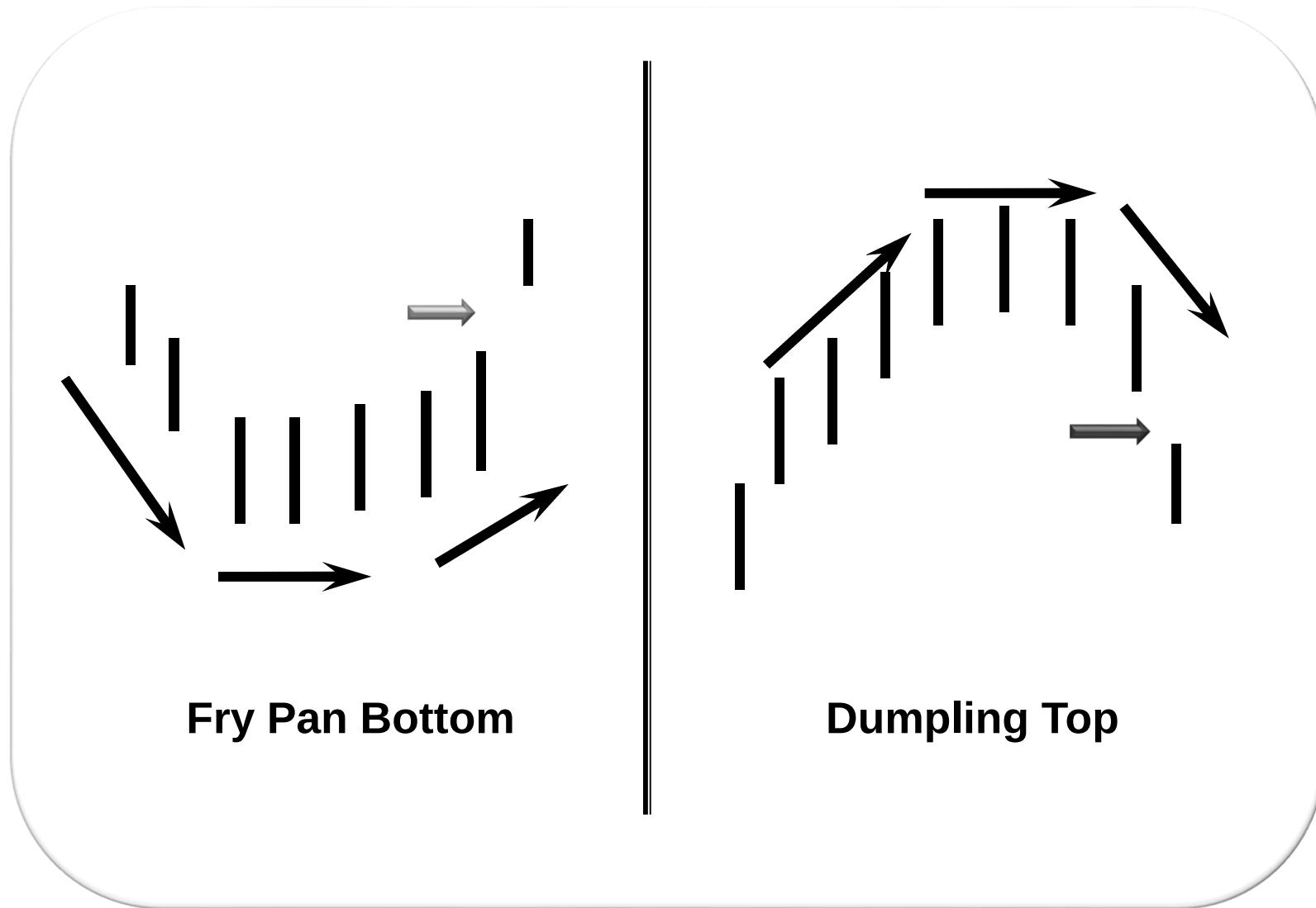
Breakaway gap



Safety first Trading



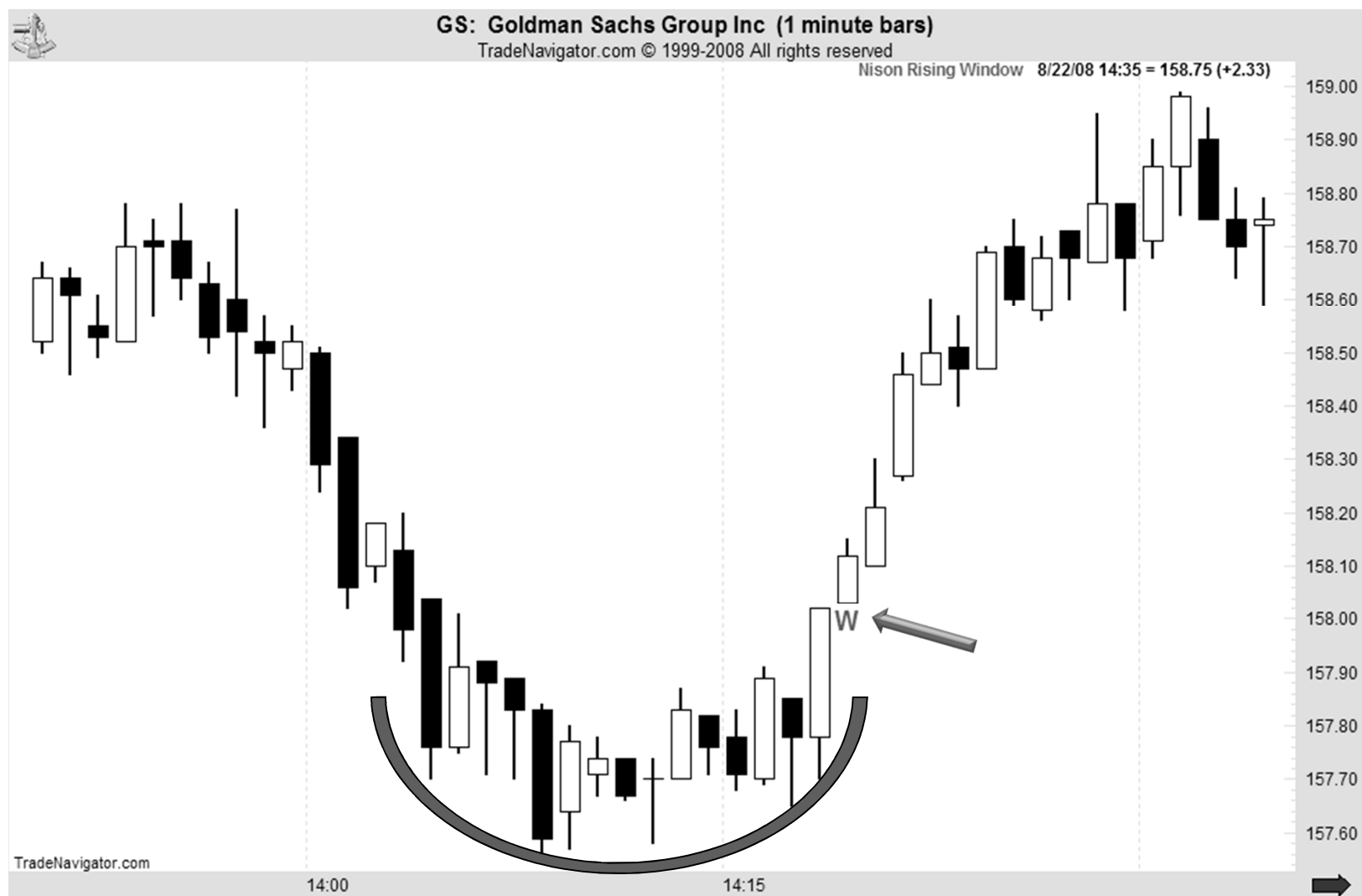
ROUNDING BOTTOMS AND TOPS



Fry pan bottom



Fry Pan Bottom

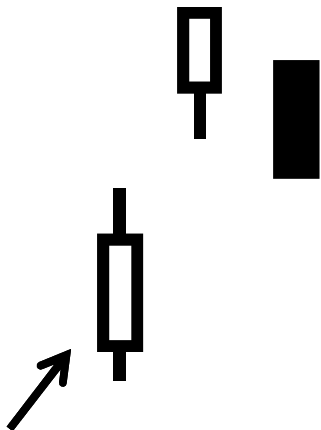


Dumpling top

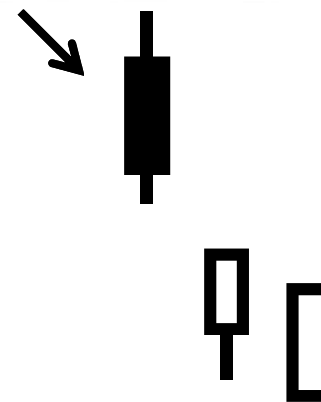


SIMPLIFYING CANDLE ANALYSIS

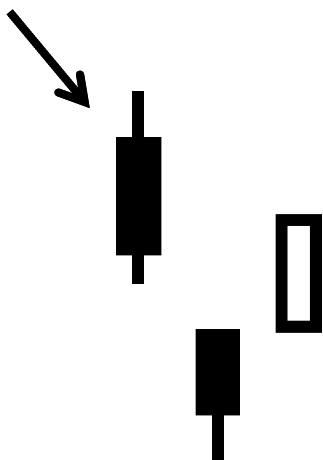
Upside gapping tasuki



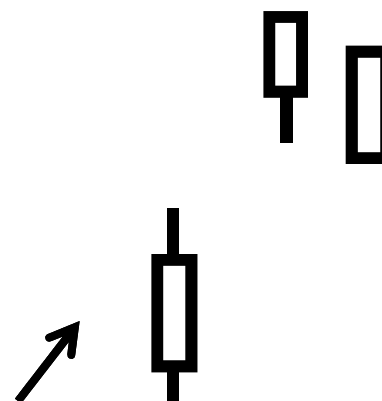
Down gap parallel white lines



downward gapping tasuki



Up gap parallel white lines



What we learned:

- ✓ **Continuation candles**
- ✓ **Rising and falling three methods**
- ✓ **Window essentials**
- ✓ **Large vs. small windows**
- ✓ **Windows and rounding tops/bottoms**
- ✓ **Simplifying candle analysis with windows**

How NOT to use candlesticks

