Candlestick Patterns: Powerful Trading Signals

Bullish Reversal Patterns

Tweezer Bottom | Bullish
Formation: Following a downtrend, a formation appears that involves two candles with long shadows to the south. These candles can be Dragonfly or Hammer Doji, but the shadows to the south must make up at least 60% of the candle's total height and have lows that are similar.

Signal: Potential trend reversal that is based on the inability of the Bears to push to a lower low.

Harami | Bullish
Formation: A Harami forms when a small candle develops within the open and close boundaries of the real body of the preceding candle.

Signal: Following a significant move lower, the Bulls and the Bears are now at a standstill. The Harami is an indication that the current Bearish trend is changing and may be reversing.

Bullish Engulfing | Bullish
Formation: Following a downtrend, a small dark candle forms. This small candle is followed by a candle that gaps lower as a result of strong selling pressure, but soon losses control to buying pressure from the Bulls. The buying pressure becomes so intense that the current bullish candle overwhelms the previous day's Bearish candle and closes higher than the previous day's open.

Signal: Potential trend reversal.
MORNING STAR | BULLISH

**Formation** - At the end of a downward trend, there is an exhaustion gap. This gap is followed by a small bodied candle, or Doji, indicating indecisiveness between the Bulls and Bears. The third candle in the formation indicates a decisive move higher as the Bulls establish control.

**Signal** - The three candle formation that signals a Bullish reversal.

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ABANDONED BABY | BULLISH

**Formation** - This is a Bullish reversal signal that results from and exhaustion gap being followed by an indecision candle. The lack of continued selling pressure allows the Bulls to step in and move the price higher. This explosive Bullish move creates an additional gap on the right side of the indecision candle. There can be no overlap of the real bodies or the shadows between the three candles.

**Signal** - The isolated indecision candle signals a potential Bullish reversal.

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PIERCING LINE | BULLISH

**Formation** - This is a Bullish reversal signal results from the Bulls asserting themselves after a Bearish trend. The Piercing Line formation is a Bearish decision candle that is followed by a Bullish decision candle. The Bullish candle does not engulf the Bearish candle, but does retrace over 50% of the Bearish candle’s body.

**Signal** - The isolated indecision candle signals a potential Bullish reversal.
BEARISH REVERSAL PATTERNS

TWEEZER TOP | BEARISH

Formation - Following an uptrend, a formation appears that involves two candles with long shadows to the north. These candles can be Dragonfly or Hammer Doji, but the shadows to the north must make up at least 60% of the candle’s total height and have highs that are similar.

Signal - Potential trend reversal.

HARAMI | BEARISH

Formation - A Harami forms when a small candle develops within the open and close boundaries of the real body of the preceding candle.

Signal - Following a significant move higher, the Bulls and the Bears are now at a standstill. The Harami is an indication that the current Bullish trend is changing and may be reversing.

BEARISH ENGULFING | BEARISH

Formation - Following an uptrend, a small white candle forms. This small candle is followed by a candle that gaps higher as a result of strong buying pressure but soon loses control to selling pressure from the Bears. The selling pressure becomes so intense that the current Bearish candle overwhelms the previous day’s Bullish candle and closes lower than the previous day’s open.

Signal - Potential trend reversal.
**EVENING STAR | BEARISH**

**Formation** – At the end of an upward trend, there is an exhaustion gap. This gap is followed by small bodied candle, or Doji, indicating indecisiveness between the Bulls and Bears. The third candle in the formation indicates a decisive move lower as the Bears establish control.

**Signal** – The three candle formation that signals a Bearish reversal.

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**ABANDONED BABY | BEARISH**

**Formation** – This is a Bearish reversal signal that results from an exhaustion gap being followed by an indecision candle. The lack of continued buying pressure allows the Bears to step in and move the price lower. This explosive Bearish move creates an additional gap on the right side of the indecision candle. There can be no overlap between of the real bodies or shadows of the three candles.

**Signal** – The isolated indecision candle signals a Bearish reversal.

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**DARK CLOUD COVER | BEARISH**

**Formation** – Following an uptrend, a candle gaps higher as a result of strong buying pressure, but soon loses control to the selling pressure of the Bears. The selling pressure becomes so intense that the current candle turns Bearish and retraces back down the body of the previous candle. The Bearish candle does not engulf the previous candle but must close below the 50% mark of the previous Bullish candle’s body.

**Signal** – Potential trend reversal.