

Candlestick Pattern Cheat Sheet

By PriceActionNinja.com
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Are you tired of memorizing all the important candlestick patterns in Forex?

Do you wish there was a way to quickly identify a pattern and what it signals?

I hear ya...

To help all of you traders out; I've created this HUGE candlestick pattern cheat sheet. It is a listing of 24 of the most common patterns that form in Forex. This sheet will give you a full breakdown of how to identify a pattern, what it indicates when it forms, and what must happen for the pattern to be valid.

So no more scratching your head, wondering what a pattern is or what it indicates...

Now, you can just check this cheat sheet!

Cool, right?

Let's begin by looking at single candlestick patterns...

(Note: Hit 'Left-click' On A Heading To Jump Lower)

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Single Candlestick Patterns

Single candle patterns are the most common type of pattern, making up most of the candlestick patterns we see on our charts. As you can guess, they form from 1 candle only and can signal a reversal, continuation, or indecision between the bulls and bears. Many of these patterns are used as entry signals in common technical strategies.

Over 13 different patterns exist, but here's the 4 you need to keep your eye on.

Hammers/Pin Bars

The most famous candlestick pattern of them all, hammer candlesticks - or pin bars, as they're better known nowadays - are one of the highest probability reversal signals that form in the Forex market.

They come in 4 variations, each of which indicates a different reversal based on where and when they form.

Shooting Star/Bearish Pin Bar.

Hammer/Bullish Pin Bar.

Inverted Hammer.

Hanging Man.



Shooting stars and hammers are the best know variations.

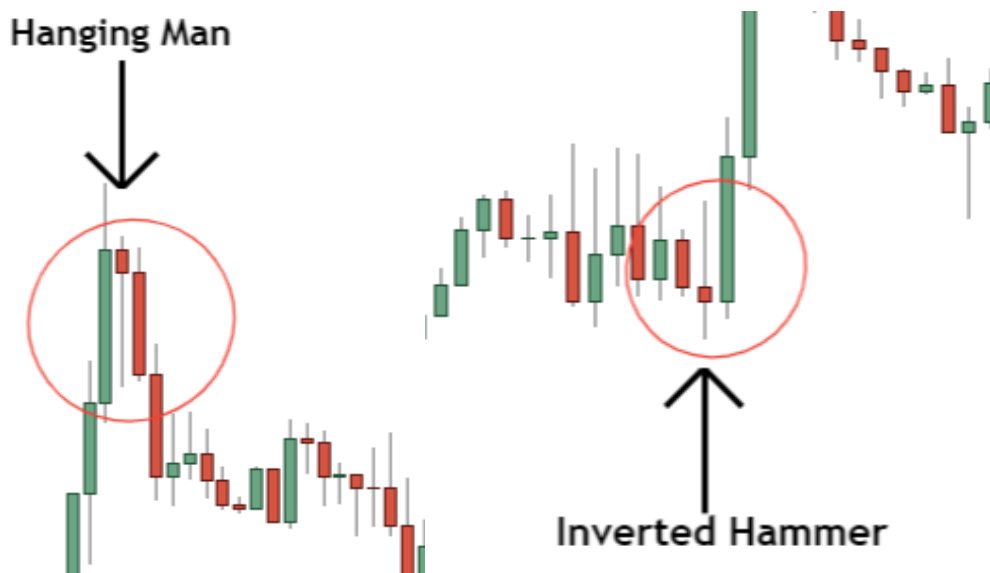
These are frequently used as entry signals in trading strategies, like support and resistance levels, for example. Common trading books/guru's say they form from the bulls or bears pushing the other side back and putting the momentum in their favour.

However, in most cases, they actually form because the banks and other big traders are placing trades, closing trades, or taking profits.

This makes them great signals of what the banks are up to behind the scenes.

For a hammer or shooting start up to be valid, watch for these characteristics:

1. The pattern must have a long wick that sticks out from the surrounding price action.
2. The body must form towards the end of the candle, not in the middle.
3. The pattern is confirmed when the next candle CLOSES past the open.



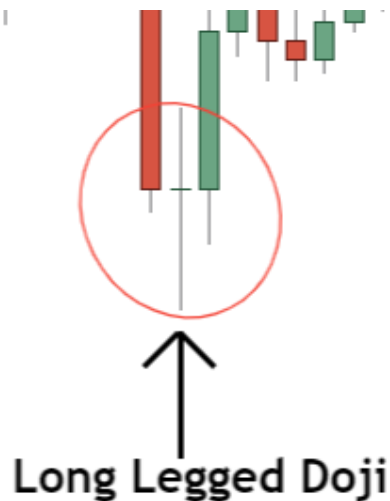
Inverted hammers and the hanging man patterns are also great reversal signals, though they don't perform as well as shooting stars and hammers.

For inverted hammers and hanging man patterns to be valid, watch for these characteristics:

1. The pattern must have a long wick that points inwards toward the price action - if it sticks out, it's a hanging man or shooting star.
2. The body must form towards the end of the candle - the closer to the end, the better.
3. The final The next candle (also bullish) MUST close above the first candle's high for the pattern to show the bulls have overwhelmed the bears.

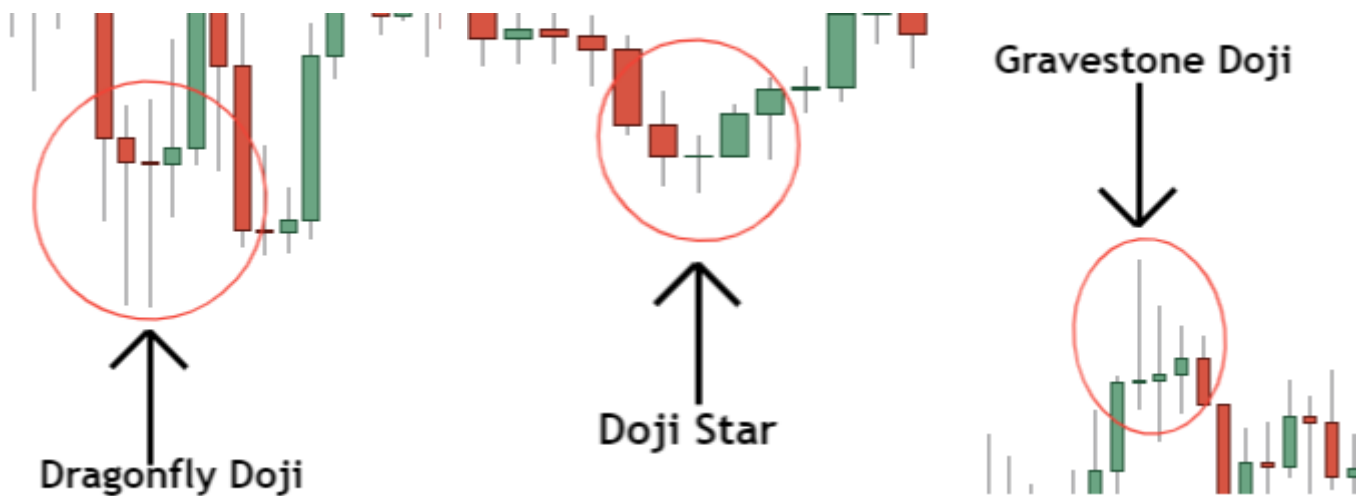
Doji Candlesticks

Doji's are a special family of candlesticks (4 in total) that form when a candle closes almost exactly at the open, leaving little-to-no real body - much like a cross or dash. They're similar to spinning tops, in that they show the bulls and bears are engaged in heavy battle, with neither side able to gain the edge over the other.



The long-legged Doji is the most common type. It signals indecision and can form anywhere during a move (uptrend/downtrend). It is easily identified by its almost equal-sized wicks, and its open and close being in the middle of the candle.

The other 3 dojis are all reversal signals, they are:



You'll typically find these near the ends of trends, as they indicate exhaustion on the part of the bulls or bears. Make sure to combine them with other technical points - e.g support and resistance levels, supply and demand zones - to confirm a reversal has a high probability of beginning.

When watching for indecision candles, keep these 2 things in mind:

1. They'll usually form towards the end of trends/moves but often appear mid trend as well.
2. Always combine reversal Doji's with other technical points, never trade them on their own.

Spinning Top

The spinning top is a common candlestick that indicates indecision between the bulls and bears.

It gets its name because the candle forms with a small body and with similar length upper and lower wicks, making the candle look like a spinning top - in some cases, the wicks aren't equal nor is the body found in the centre of the candle.

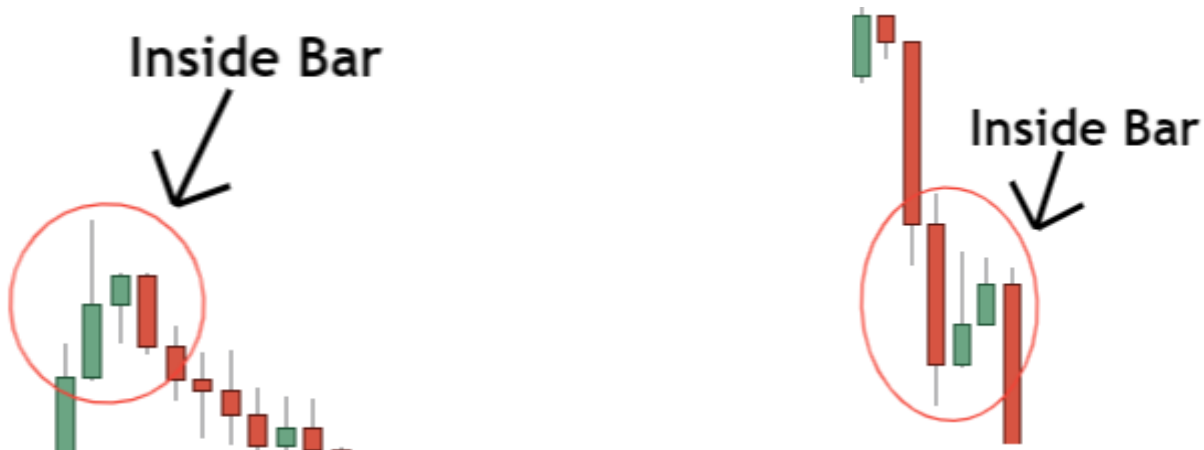


Since it signals indecision, the spinning top is a neutral candlestick. It doesn't give you much info about the price other than the bulls and bears are locked in an intense battle with no decisive winner.

Be sure to check out my post for more on spinning tops and how to use them in your trading.

Inside Bar

One of the few continuation patterns on this list, the inside bar is a 1 - 3 candle pattern that forms when price stays within the range of a single candle, known as the mother bar.



The inside bar can signal either a continuation or reversal depending on where it forms. Most of the time, it indicates a continuation of the prior trend or movement, but when it forms at a significant technical level - like a support or resistance level - it signals a reversal of the current trend.

For the inside bar to be valid, watch for these characteristics:

1. A candle **MUST** form within the range - between the high and low - of the previous candle.
2. Multiple candles can form in the pattern, so long as they close within the range of the initial candle
3. The pattern completes when a candle closes past the high or low of the first candle.

Two Candle Candlestick Patterns

Some of the most famous candlestick patterns are made up of two candlesticks.

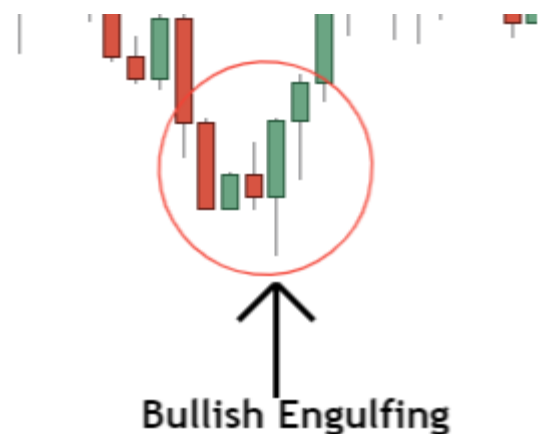
These patterns can signal either a reversal or a continuation - no indecision patterns, like with single candlesticks. Given they take two candles to form, they tend to be rarer than their single candle counterparts, but still form frequently enough to warrant watching.

Here's the 4 you need to keep you eye out for:

Bullish And Bearish Engulfing Patterns

These next two patterns need no introduction.

Bullish and bearish engulfs are two of the most well-known reversal patterns in Forex, they are used as confirmation signals in a whole host of technical trading strategies.



Bullish engulfing patterns usually appear near the end of down moves, indicating either a reversal or re-tracement.

They show the bulls have completely overwhelmed the bears - who were in control previously - and form when a bearish candle gets engulfed by a bigger bull candle, leading to the formation you see above.

For a bullish engulf to be valid, watch for these characteristics:

1. The first candle will always be bearish and form at the end of a downtrend or large downswing.
2. The second candle will always be bullish and have a bigger body than the body of the first candle.



The 'brother' of bullish engulfs, bearish engulfs typically appear towards the end of up-moves and signals a reversal/retracement could be on hand. They form when a bearish candle overwhelms a smaller bull candle, showing the bears have wrestled back control of price from the bulls and intend it to move lower.

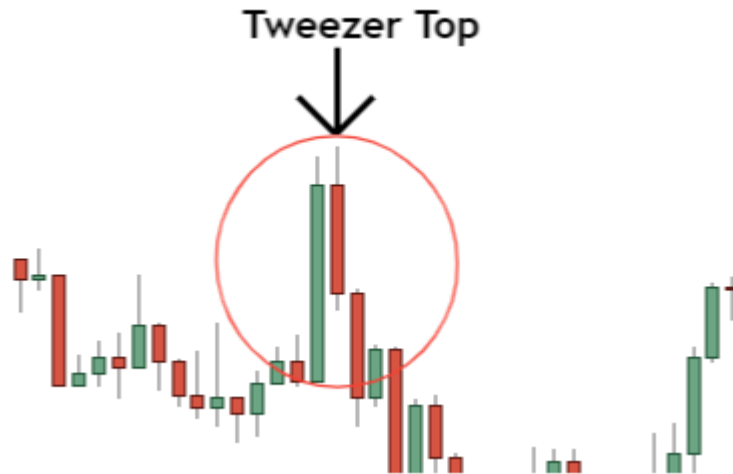
For a bearish engulf to be valid, watch for these characteristics:

1. The first candle is always bullish and forms at the end of an uptrend or large upswing.
2. The second candle is always bearish and **MUST** have a bigger body than the body of the first candle.

Tweezer Tops And Tweezer Bottoms

Tweezer tops and bottoms are one of the most common two-candle patterns you'll see form in the Forex market.

Comprised of two candles - one bullish and one bearish - they usually appear at the end of trending movements and suggest a reversal of the previous trend - though in some cases, this turns out to just be a retracement.



Tweezer tops are the bearish variation of the pattern.

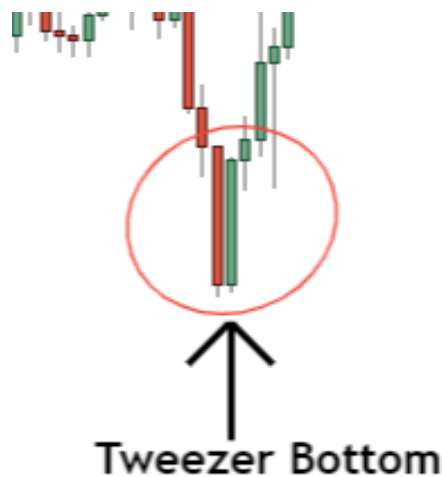
They only form at the end of up-trending movements, signalling a possible reversal to the downside.

The first candle in this pattern, which is usually (but not always) the last bull candle in the trending move, is always bullish with the second being bearish.

For a tweezer top to be valid, watch for these characteristics:

1. The first candle will be a long bullish candle that appears at or near the end of a uptrend or large up-swing.
2. Candle #2 will always be bearish and should push price at least down to the halfway point of the prior bull candlestick.
3. The high on both candles must be almost the same.

Switching over, we have tweezer bottoms...



These are bullish patterns that typically form at the end of down-trending movements, indicating a reversal to the upside. Tweezer bottoms are essentially tweezer tops but flipped the other way around.

For a tweezer bottoms to be valid, watch for these characteristics:

1. The first candle will be a long bearish candle that appears at or near the end of a downtrend or large downswing.
2. Candle #2 will always be bullish and should push price at least back to the halfway point of the prior bear candlestick.
3. The low on both candles must be almost the same.

Three-Candle Candlestick Patterns

Three-candle patterns are some of the rarest but also most powerful in the market. They're made up of three candles that form one after the other, signalling either a continuation or reversal of the current move.

Due to their rarity, only a couple appear often enough to warrant watching for.

Here's what they are:

Three White Soldiers And Three Black Crows

First up, we have three white soldiers and three black crows.

These two patterns rarely form in Forex. They're much more common in stocks and other markets; but, when they do appear, they're usually high probability signals price is about to reverse its current direction.



Three white soldiers is the bullish variant of the pattern; you'll find this forming at the end of downtrends.

It's made up of three candles, all of which are bullish but different sizes. The first candle is the smallest, as it forms after significant selling pressure. The second candle is roughly double the size and pushes price back into the prior down move.

The third candle is the biggest and shows the bulls have overwhelmed the bears, resulting in a reversal.

For a three white soldier to be valid, watch for these characteristics:

1. The first candle is always bullish and may or may not engulf the prior candle, which is bearish.
2. The second candlestick **MUST** be equal or bigger than the first candle, and ideally, close at its high with little to no upper wick.
3. The third candle should be the biggest, and **MUST** be bigger than the second candle - it should also close near its highs, with only a small upper wick.



On the other hand, we have the three black crows pattern.

This is the opposite of the three white soldiers; it only forms near the end of up-trends and is made up of 3 bearish candles. The pattern indicates a reversal to the downside, with its three candles being a sign the bears have overridden the bulls and gained control of price.

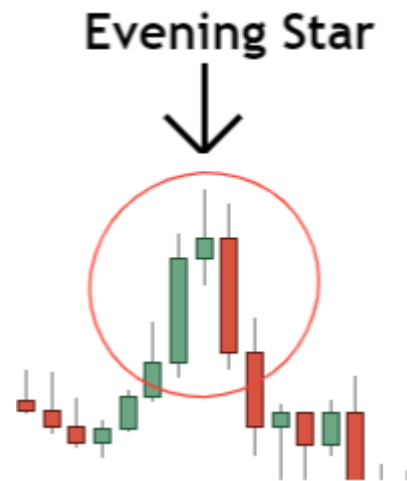
For a three black crows to be valid, watch for these characteristics:

1. The first candle, which is always bearish, may or may not be a bearish engulfing candle.
2. The second candle **MUST** be bigger or equal in size to the first candle and should close at its lows with only a small, or no, lower wick.
3. The candle **MUST** be bigger than the prior candle and should be the biggest of the three.

Morning Star And Evening Star

One of the few three-bar reversal patterns, the morning star and evening star are good signals that price may be about to reverse and move in the opposite direction.

The evening star is the bearish variant that only appears at the end of uptrends and indicates a reversal lower.



It forms when price makes a quick move higher but stalls at a high.

Sometimes a Doji will show price has stalled, but usually it'll be some kind of indecision candle. Price will then proceed to fall almost the entire length of the bull candle, creating the pattern.

For the evening star to be valid, watch for these characteristics:

1. The first candle is always bullish and forms at the end of an uptrend.
2. The second candle is usually a Doji or spinning top pattern, either bullish or bearish. It shows the bears have begun battling it out with the bulls.
3. The third candle (always bearish and typically much bigger than candle #2) signals the bears have taken control and that a reversal is now underway. For this to be valid, it **MUST** close below the halfway point of the first candle.



The brother of the evening star is, of course, the morning star.

As you can probably tell, the morning star is a bullish pattern. Compared to the evening star, it only forms at the end of downtrends or down movements and indicates a reversal to the upside.

The pattern forms when price falls sharply but is met with significant buying pressure, resulting in either a Doji or indication candle forming. That buying pressure continues on the next candle, causing a large bullish candle to form that terminates roughly a third of the way into the initial bear candle that caused the drop.

For the morning star to be valid, watch for these characteristics:

1. The first candle will always be bearish and form at the bottom of a downtrend.
2. Candle #2 is always some kind of indecision candle, most often a spinning top or Doji pattern. This can be either bullish or bearish, it makes no difference.
3. The final candle is always bullish, and **MUST** close above the midpoint of the first candle.

Three Inside Up And Three Inside Down

Next, we have the three inside up and three inside down patterns. Much like the three white soldiers and three black crows, the three inside up/down is a rare reversal pattern you'll usually find forming at the end of trends.



A bullish reversal pattern, the three inside up only forms at the end of downtrends and indicates a move to the upside.

The pattern is made up of three candles: two bullish, one bearish. The bearish candle forms first and is usually the last candle in the downtrend. Two bullish candles then follow, signalling the bulls have taken over and will now push price higher.

For a three inside up to be valid, watch for these characteristics:

1. The first candle will be a long bearish candle that appears at or near the end of a downtrend or large downswing.
2. Candle #2 will always be bullish and should push price at least back to the halfway point of the prior bear candlestick.
3. The third and final candle (also bullish) **MUST** close above the first candle's high for the pattern to show the bulls have overwhelmed the bears.

Three Inside Down



The three inside down formation is a bearish reversal pattern that forms at the end of up-trends.

Like the three inside up, it's comprised of three candles: two bearish and one bullish, which form one after the other. The pattern completes when the third candle forms, at which point, price should reverse to the downside.

For a three inside down to be valid, watch for these characteristics:

1. The first candle will be a large bullish candle that forms at the end of an uptrend or large upswing.
2. The second candle, which is always bearish, should cause price to fall at minimum back to the halfway point of the prior bull candle.
3. The final candle **MUST** close below the low of the first candle; otherwise it shows the bears may not have control over the bulls.

Rising Three And Falling Three

Technically a 4 candle pattern, the rising three and falling three are rare patterns that signal a continuation of the previous trend or movement.



The rising three, which is the bullish variant, only forms during upmoves and signals a continuation of the prior rise.

The pattern forms when price makes a sharp move higher, but then retraces back into the candle on the next three candlesticks, which can either be bullish or bearish, before price rises sharply again and continues the prior trend.

For the rising three to be valid, watch for these characteristics:

1. The first candle is a long bullish candle that forms during an uptrend or upswing.
2. The second, third, and fourth, candles **MUST** be within the range of the long bull candle.
3. The final candle should be another big bear candle that closes **BELOW** the low of the first large bear candle.



The falling three is the bearish variation, forming only during uptrends/upswings and signalling a continuation of the prior movement.

The falling three is created when price falls sharply, but then retraces on the next three candles. Each candle forms within the range - between the high and low - of the big bear candle and makes successive lower closes.

Once the third candle has completed, the next candle should be a large bear candle that continues the prior movement.

For a three inside down to be valid, watch for these characteristics:

1. The first candle will be a large bullish candle that forms at the end of an uptrend or large upswing.
2. The second candle, which is always bearish, should cause price to fall at minimum back to the half-way point of the prior bull candle.
3. The final candle **MUST** close below the low of the first candle; otherwise it shows the bears may not have control over the bulls.

Summary

Memorizing so many candlesticks patterns will never be a walk in the park. However, with this cheat sheet, you now have a simple way to quickly identify the key patterns as well as easily figure out what they signal. Which should make understanding patterns much easier.