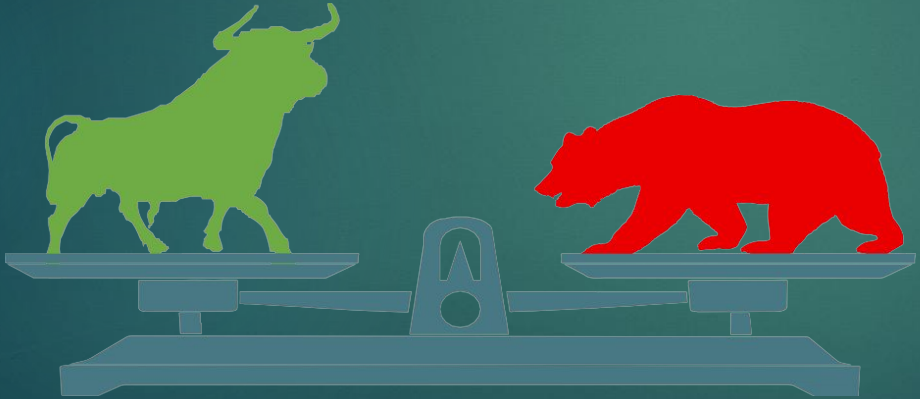
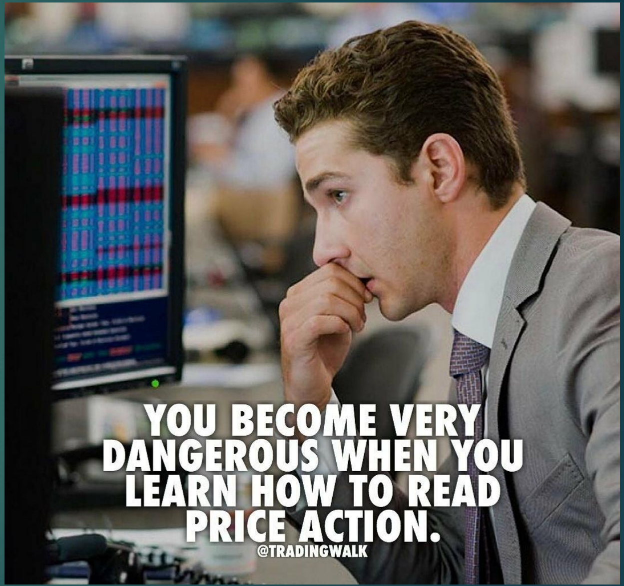
E-book curated by professionals

Price Action Trading Course

-A Key To Your Financial Freedom





Price Charts

- A price chart displays the price of a particular market over a period of time.
- You can change between different time frames on any charting platform.
- Chart time frames range from 1 minute charts all the way up to monthly and yearly charts.
- There are three main types of charts: Line charts, Bar charts and Candlestick charts.
- For price action trading, the candlestick chart is most commonly accepted as the 'best' type of chart to use.

Line Charts

- Line charts display the price of a market via a line that typically connects the close of one time period to the close of another.

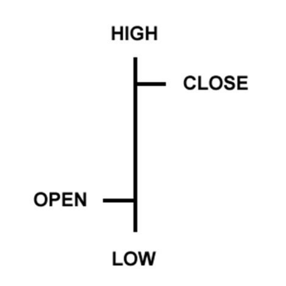
- The main advantage of a line chart lies in providing you with a quick view of the overall market **trend** and **support and resistance levels**.

- They are not practical to make trade entry or exit decision from because they do not display individual price bars.

Bar Charts

- A bar price chart shows a ‘standard price bar’ for the time frame being observed. If you’re looking at a 1 day chart, you will see a standard price bar for each day time period.

- Each individual price bar gives us four pieces of information that we can use to help us make our trading decisions: The open, high, low, and close.

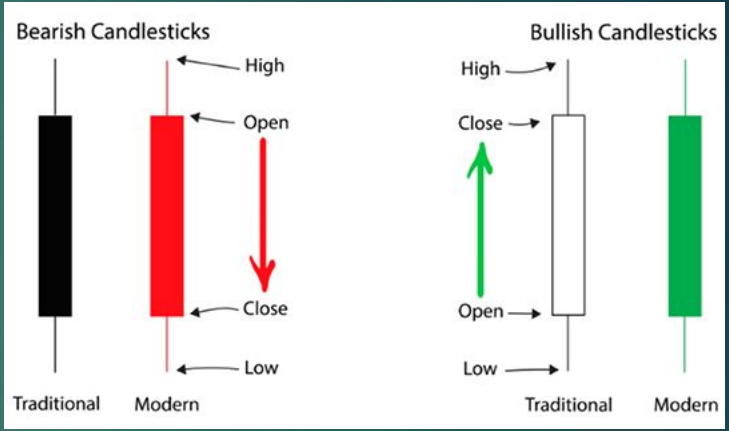


- Sometimes bar charts are called OHLC charts (open, high, low, close charts).

Candlestick Charts

- Each candlestick shows the high, low, open and close for the period of time it reflects, this is the same information reflected in traditional price bars, but candlesticks make this information much easier to visualize.

- Candlestick charts indicate the high and low of the given time period just as bar charts do, with a vertical line. The top vertical line is called the upper shadow while the bottom vertical line is called the lower shadow; you might also see the upper and lower shadows referred to as "wicks" or "tails".



Candlestick Charts

- The main difference between bar charts and candlesticks charts, lies in how candlestick charts display the opening and closing price. The large block in the middle of the candlestick indicates the range between the opening and closing price. Traditionally this block is called the "real body".

- If the real body is red it means the close was lower than the open or called as Bearish Candle.

- If the real body is green it means the close was higher than the open or called as Bullish Candle.

Why Candlestick Charts?

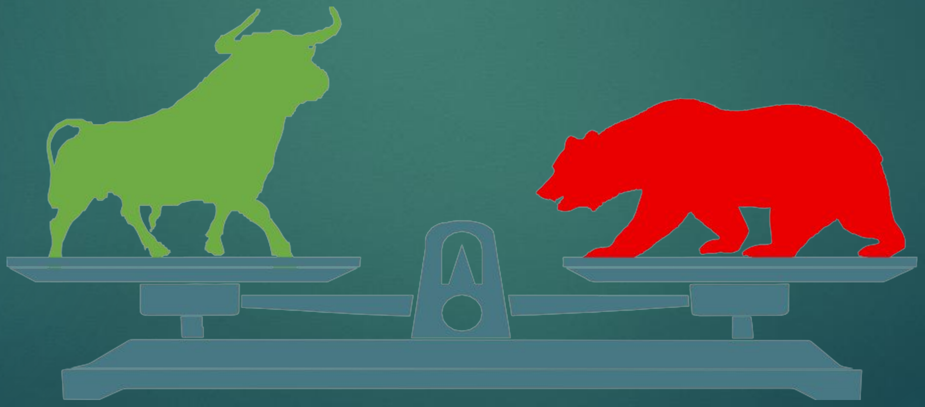
- For the following reason and more, most professional traders use candlestick charts…

i. A candlestick chart provides traders with a quick view of overall market sentiment via the colored real bodies of the bars. If a market is very bullish, you will see a lot of green real bodies, if it's very bearish for example, you'll see a lot of red real bodies, this is one big advantage of candlestick charts. The dramatic visual contrast from one candlestick to the next, enables traders to more easily spot **price action strategies** and visualize the differences in dynamics between price bars in a significantly easier and more enjoyable manner than using standard bar charts.

Candlestick Patterns

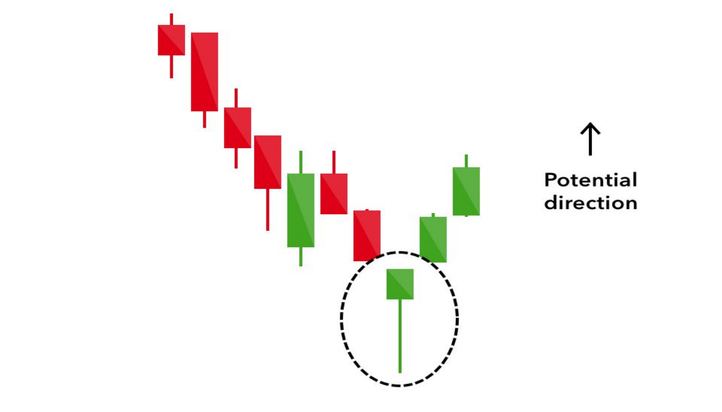
Bullish Candlestick patterns

Bullish patterns may form after a market **downtrend**, and signal a reversal of price movement. They are an indicator for traders to consider opening a long position to profit from any upward trajectory.



Candlestick Patterns

Hammer



The hammer candlestick pattern is formed of a short body with a long lower wick, and is found at the bottom of a downward trend.
A hammer shows that although there were selling pressures, ultimately a strong buying pressure drove the price back up. The color of the body can vary, but green hammers indicate a **stronger** bull market than red hammers.

Candlestick Patterns

Inverse Hammer

A similarly bullish pattern is the inverted hammer. The only difference being that the upper wick is long, while the lower wick is short.
It indicates a buying pressure, followed by a selling pressure that was not strong enough to drive the market price down. The inverse hammer suggests that buyers will soon have **control** of the market.

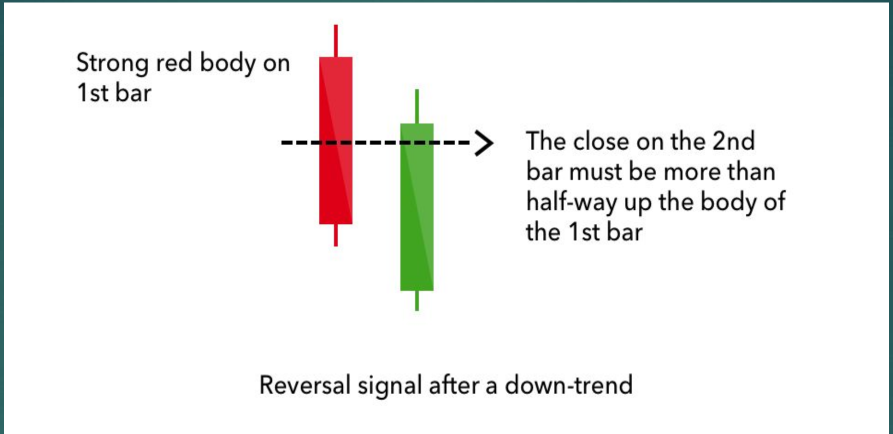
Candlestick Patterns

Bullish engulfing

The bullish engulfing pattern is formed of two candlesticks. The first candle is a short red body that is completely **engulfed** by a larger green candle. Though the second day opens lower than the first, the bullish market pushes the price up, culminating in an obvious win for buyers.

Candlestick Patterns

Piercing line



The piercing line is also a two-stick pattern, made up of a long red candle, followed by a long green candle.
There is usually a significant gap down between the first candlestick's closing price, and the green candlestick's opening. It indicates a strong buying pressure, as the price is pushed up to or above the **mid-price** of the previous day.

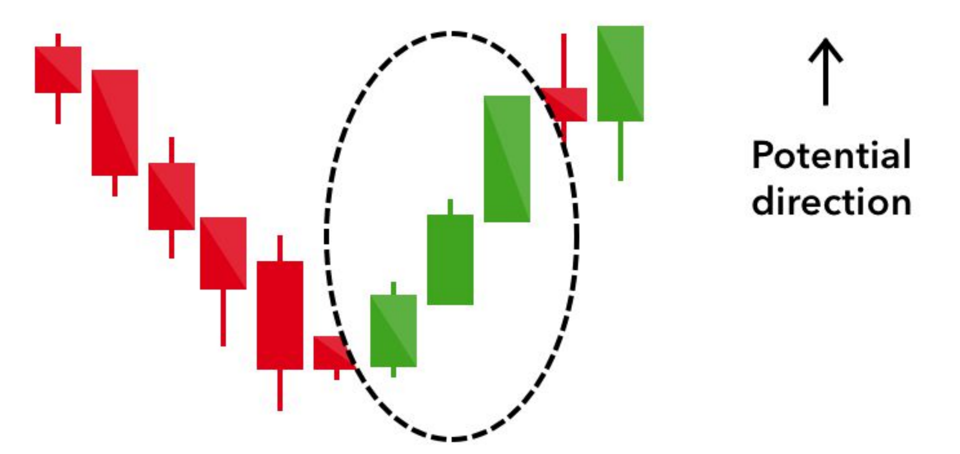
Candlestick Patterns

Morning star

The morning star candlestick pattern is considered a sign of hope in a bleak market downtrend. It is a **three-stick pattern**: one short-bodied candle between a long red and a long green. Traditionally, the 'star' will have no overlap with the longer bodies, as the market gaps both on open and close. It signals that the selling pressure of the first day is subsiding, and a bull market is on the horizon.

Candlestick Patterns

Three white soldiers

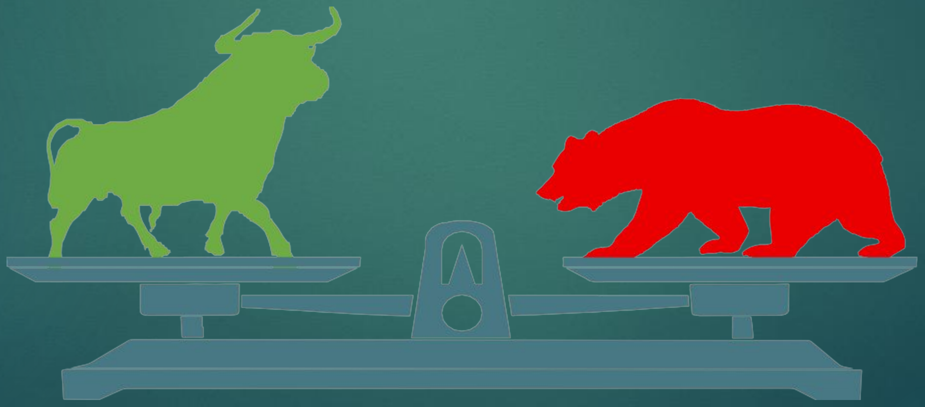


The three white soldiers pattern occurs over three days. It consists of consecutive long green (or white) candles with **small wicks**, which open and close progressively higher than the previous day.
It is a very **strong** bullish signal that occurs after a downtrend, and shows a steady advance of buying pressure.

Candlestick Patterns

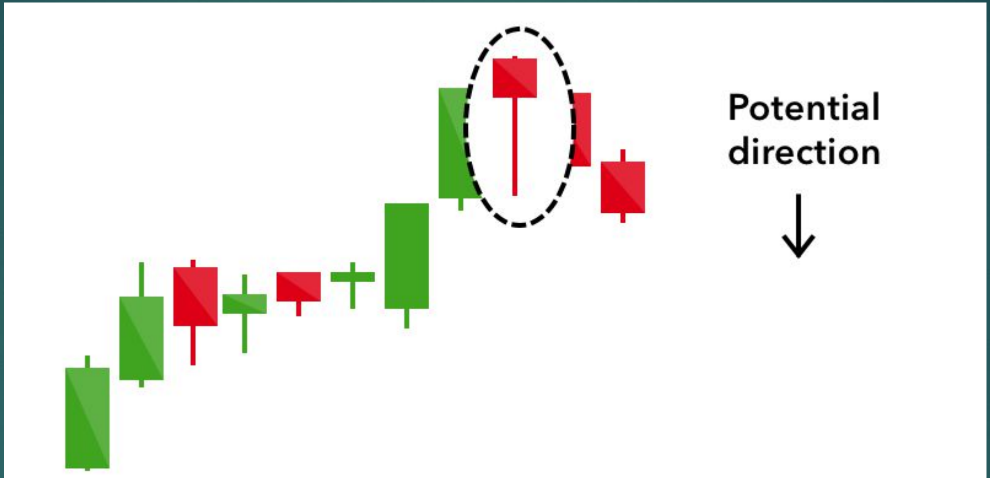
Bearish Candlestick patterns

Bearish candlestick patterns usually form after an **uptrend**, and signal a point of resistance. Heavy pessimism about the market price often causes traders to close their long positions, and open a short position to take advantage of the falling price.



Candlestick Patterns

Hanging man



The hanging man is the bearish equivalent of a **hammer**; it has the same shape but forms at the end of an uptrend.
It indicates that there was a significant sell-off during the day, but that buyers were able to push the price up again. The large sell-off is often seen as an indication that the bulls are **losing control** of the market.

Candlestick Patterns

Shooting star

The shooting star is the same shape as the **inverted hammer**, but is formed in an uptrend: it has a small lower body, and a long upper wick.
Usually, the market will gap slightly higher on opening and rally to an intra-day high before closing at a price just above the open – like a star falling to the ground.

Candlestick Patterns

Bearish engulfing

A bearish engulfing pattern occurs at the end of an uptrend. The first candle has a small green body that is **engulfed** by a subsequent long red candle. It signifies a peak or slowdown of price movement, and is a sign of an impending market downturn. The lower the second candle goes, the more significant the trend is likely to be.

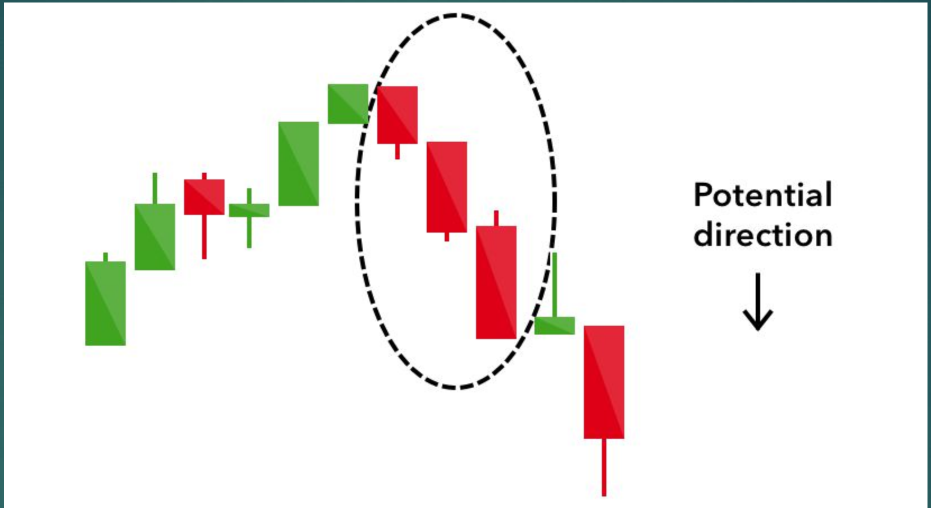
Candlestick Patterns

Evening star

The evening star is a three-candlestick pattern that is the equivalent of the **bullish morning star**. It is formed of a short candle sandwiched between a long green candle and a large red candlestick.
It indicates the reversal of an uptrend, and is particularly strong when the third candlestick **erases** the gains of the first candle.

Candlestick

Three black crows

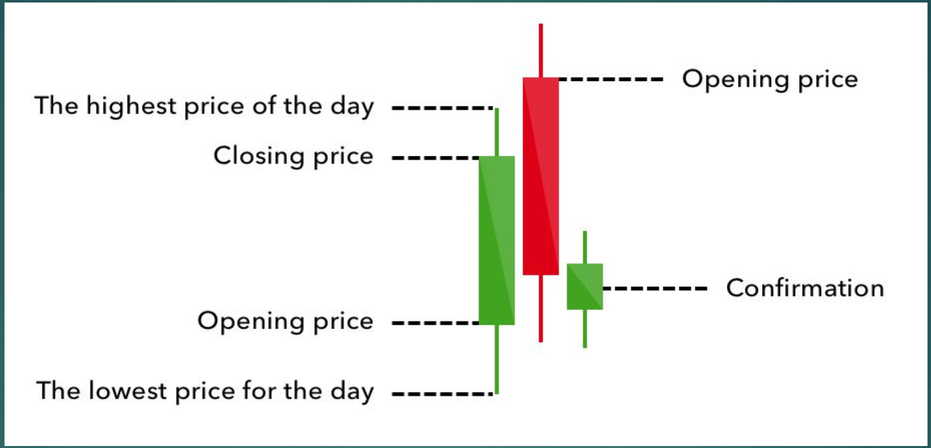


The three black crows candlestick pattern comprises of three consecutive long red candles with short or non-existent wicks. Each session opens at a similar price to the previous day, but selling pressures push the price lower and lower with each close.

Traders interpret this pattern as the start of a **bearish downtrend**, as the sellers have overtaken the buyers during three successive trading days.

Candlestick Patterns

Dark cloud cover



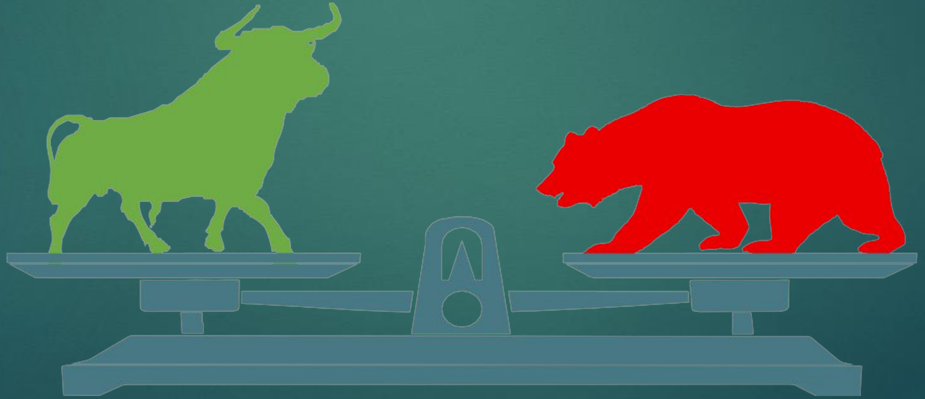
The dark cloud cover candlestick pattern indicates a bearish reversal – a black cloud over the previous day's optimism. It comprises **two** candlesticks: a red candlestick which opens above the previous green body, and closes below its midpoint.

It signals that the bears have taken over the session, pushing the price sharply lower. If the wicks of the candles are short it suggests that the downtrend was extremely **decisive**.

Candlestick Patterns

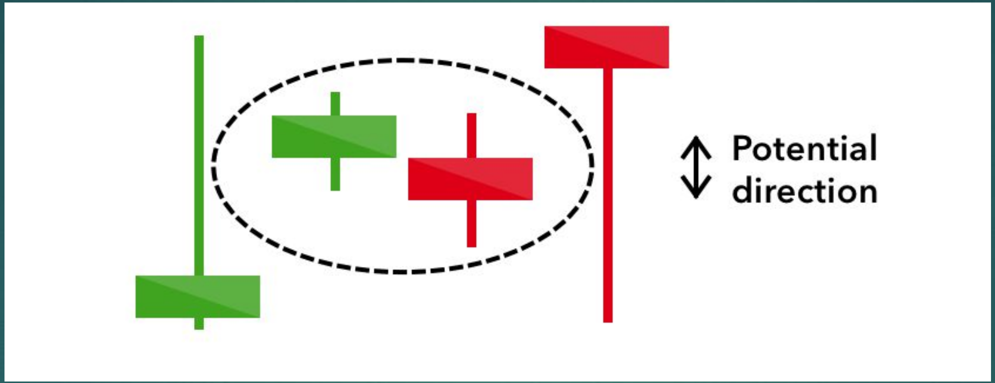
Continuation Candlestick patterns

If a candlestick pattern doesn't indicate a change in market direction, it is what is known as a continuation pattern. These can help traders to identify a period of **rest** in the market, when there is market indecision or neutral price movement.



Candlestick Patterns

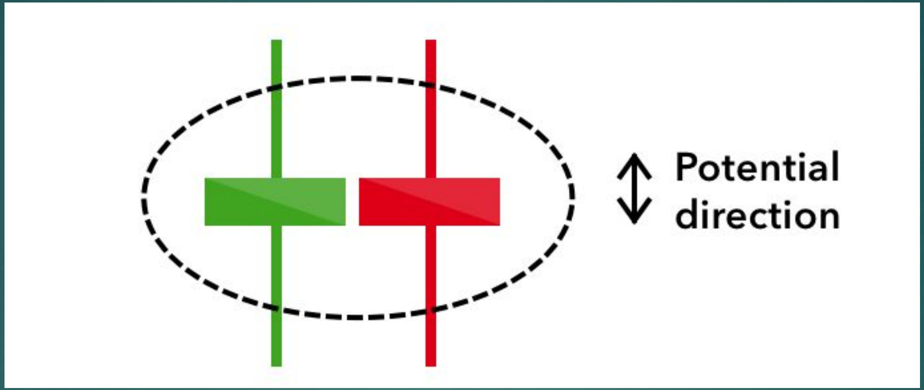
Doji



When a market's open and close are almost at the same price point, the candlestick resembles a cross or plus sign – traders should look out for a short to non-existent body, with wicks of varying length.
This doji's pattern conveys a struggle between buyers and sellers that results in no net gain for either side. Alone a doji is **neutral signal**, but it can be found in reversal patterns such as the **bullish morning star** and **bearish evening star**.

Candlestick Patterns

Spinning top



The spinning top candlestick pattern has a short body centered between wicks of equal length. The pattern indicates **indecision** in the market, resulting in no meaningful change in price: the bulls sent the price higher, while the bears pushed it low again. Spinning tops are often interpreted as a period of consolidation, or rest, following a significant uptrend or downtrend.

On its own the spinning top is a relatively benign signal, but they can be interpreted as a sign of things to come as it signifies that the current market pressure is losing control.

Candlestick Patterns

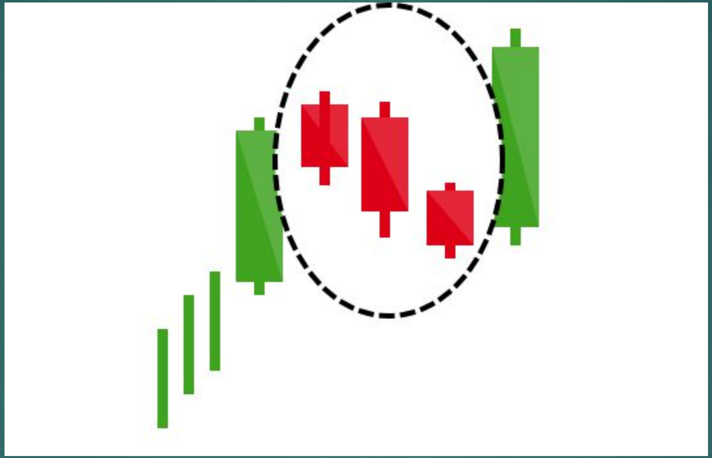
Three-method formation patterns are used to predict the continuation of a current trend, be it **bearish or bullish**.

Falling three methods

The bearish pattern is called the 'falling three methods'. It is formed of a long red body, followed by three small green bodies, and another red body – the green candles are all contained within the range of the bearish bodies. It shows traders that the bulls do not have enough **strength** to reverse the trend.

Candlestick Patterns

Rising three methods

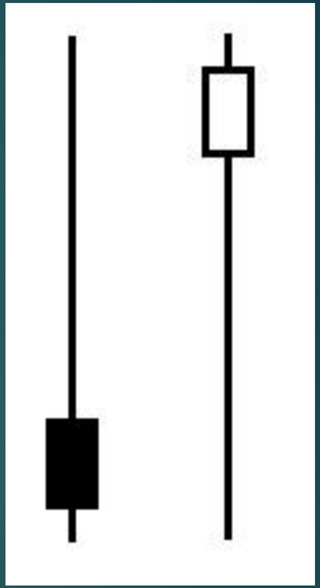


The opposite is true for the bullish pattern, called the 'rising three methods' candlestick pattern. It comprises of three short reds sandwiched within the range of two long greens. The pattern shows traders that, despite some selling pressure, buyers are **retaining** control of the market.

Tailed Bars

Tailed bars are the most important bars on a price chart. Plain and simple. The reason they are so important is because they often give us a very strong clue as to what price might do next, more so than any other type of price bar.

The tails of price bars, sometimes called shadows or wicks, are important to decipher because of what they show and what they imply. They show rejection of a level or price area and either a small, medium or large reversal that happened quite quickly. This shows us that there was exhaustion at that area the tail formed, which has big implications. When we see an area price is becoming exhausted at, it means there is something happening that we need to take note of. That tail is showing us that either buyers really wanted to buy there, or sellers really wanted to sell, why doesn't really matter, we only care about the what and the how.



A tail on a bar implies that price MIGHT move in the opposite direction, and soon. This is obviously a huge piece of data for a price action trader, and you can honestly base your entire trading approach around tailed bars if you want.