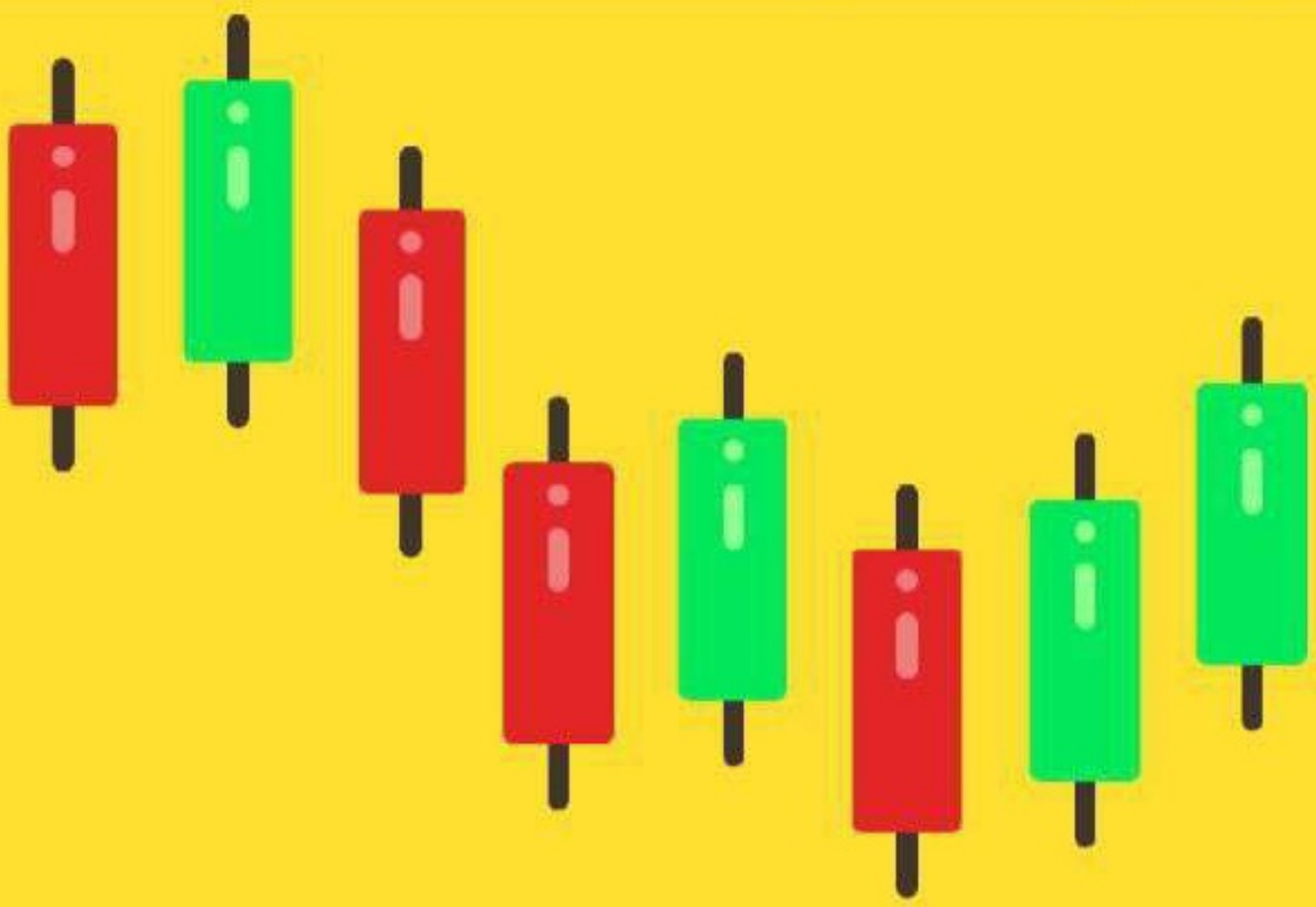


TECHNICAL AND GRAPHICAL ANALYSIS

THE ART OF TRADING



Trading Technicals

INTRODUCTION

Trading can be profitable for the informed trader, like how you will be after reading this book. This book is written for anyone new to trading Stocks, Crypto, or Forex. Any prior knowledge in these financial markets is a plus.

Why is Technical Analysis so important?

The charts don't lie; the beauty of technical analysis is that it is "scam proof" It relies on your ability to read the charts and price data. In technical analysis, price patterns often sign transitions between rising and falling trends. It is helpful to understand patterns and spot them out in the trading world, whether it is Stocks, Crypto or Forex.
TA helps investors anticipate the future but doesn't make accurate predictions.

Trading Technicals

ALL CHAPTERS



1. CANDLE STICK PATTERNS



2. GRAPH INDICATORS



3. CHART PATTERNS



Trading Technicals

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Trading Technicals

CANDLE STICK PATTERNS

CHAPTER. 1

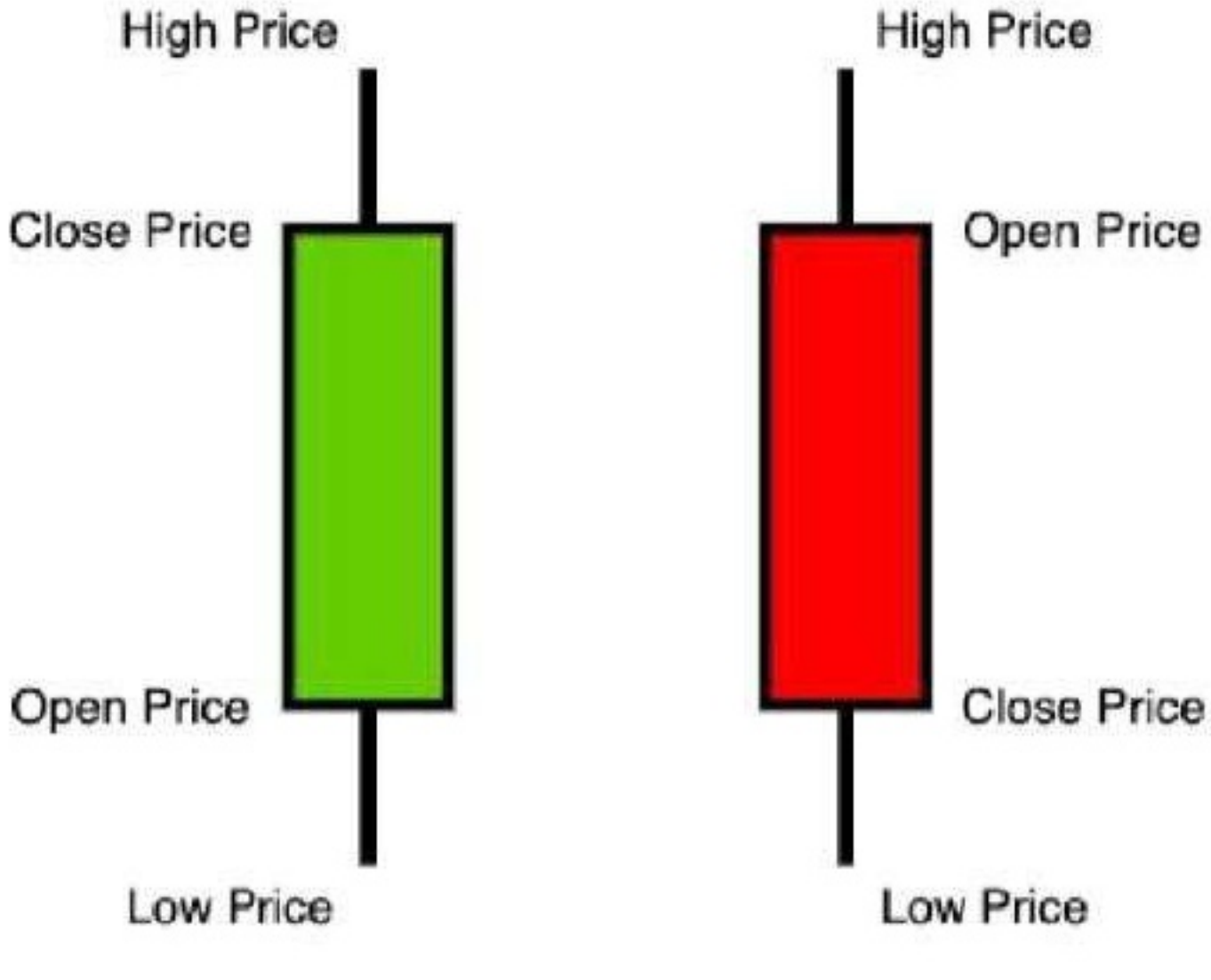


Trading Technicals

What is a Candle Stick?

A candlestick is a single bar on a candlestick price chart, showing traders market movements at a glance.
Each candlestick shows the open price, low price, high price, and close price of a market for a particular period of time.

- **<u>The body</u>, Which represents the open-to-close range.**
- **<u>The wick</u>, or shadow, that indicates the intra-day high and low.**
- **<u>The color</u>, which reveals the direction of market movement – a green body indicates a price increase, while a red body shows a price decrease.**



BULLISH

CANDLE-STICK PATTERNS

= Uptrend



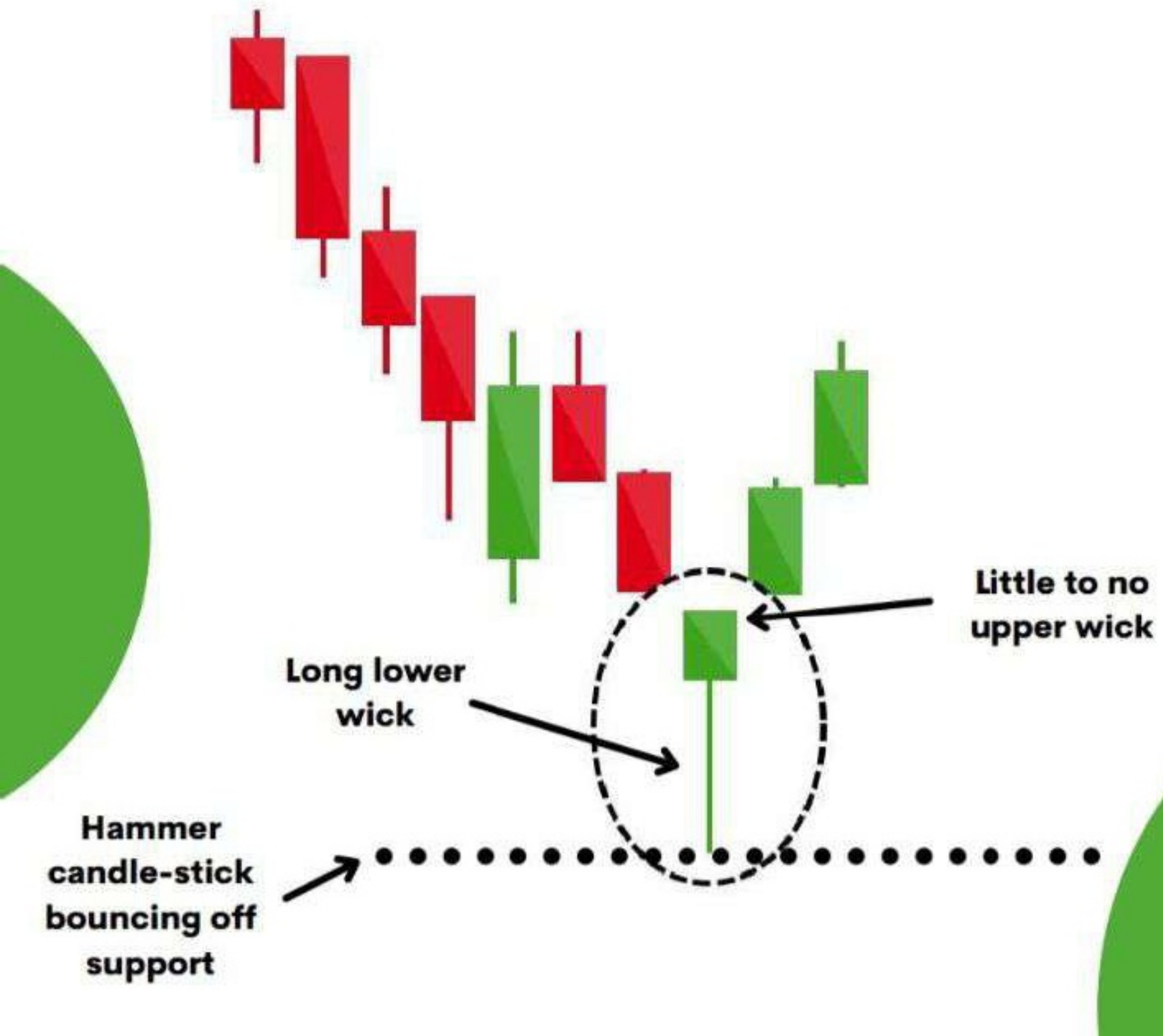
Trading Technicals

Hammer

- **Hammer candlestick pattern consists of a small body and a long wick extending from the bottom.**

- **This pattern can be seen at the support line of a downward trend (see example below). Hammer candlesticks typically occur after a price decline.**

- **Hammer candlesticks indicate a potential price reversal to the upside. The price must start moving up following the hammer; this is called confirmation.**

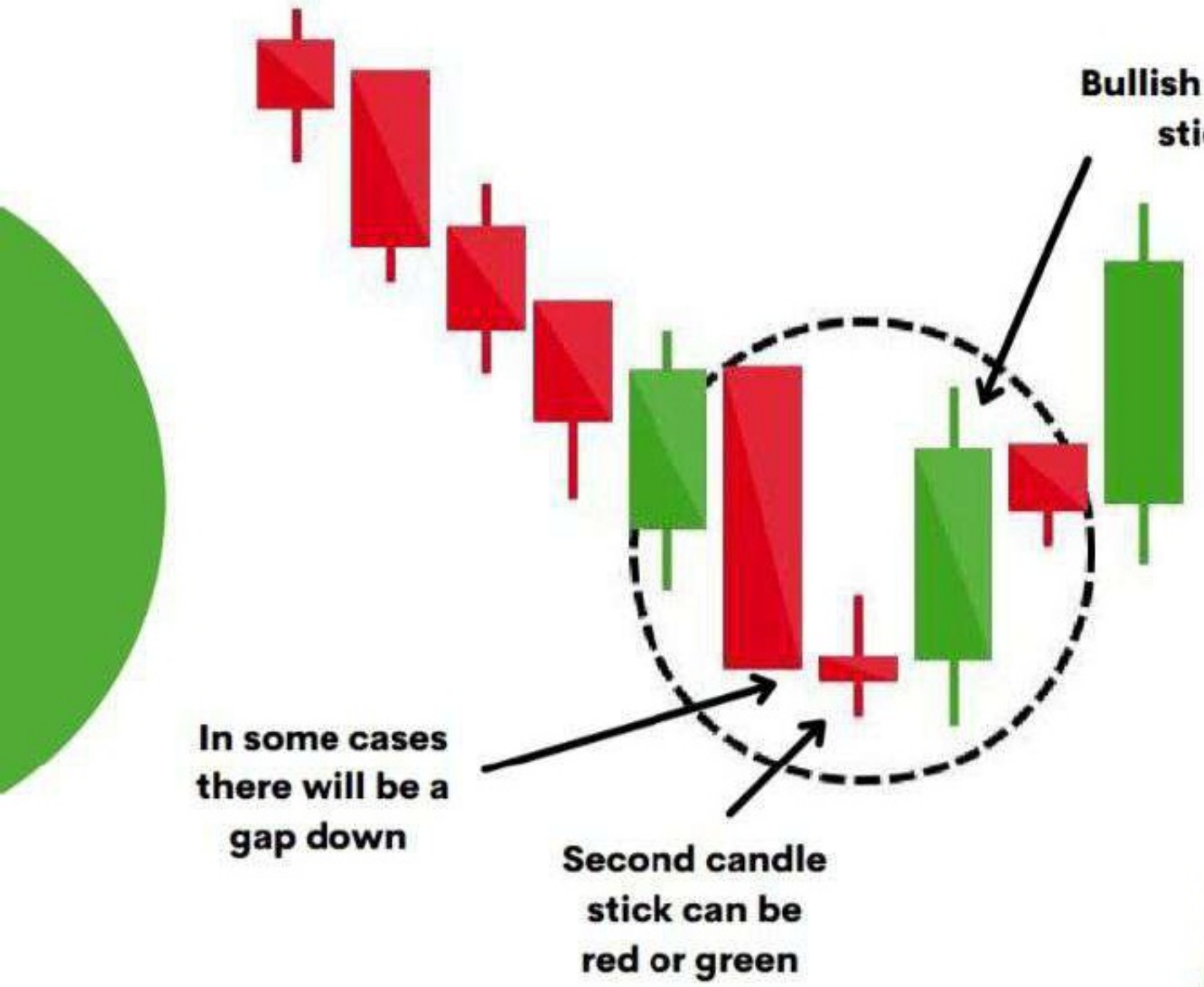


Morning Star

- This is a three-stick pattern: one short-bodied candle between a long red and a long green candle.

- The middle candle of the morning star captures a moment of market indecision where the bears begin to give way to bulls.

- The third candle confirms the reversal and can mark a uptrend.

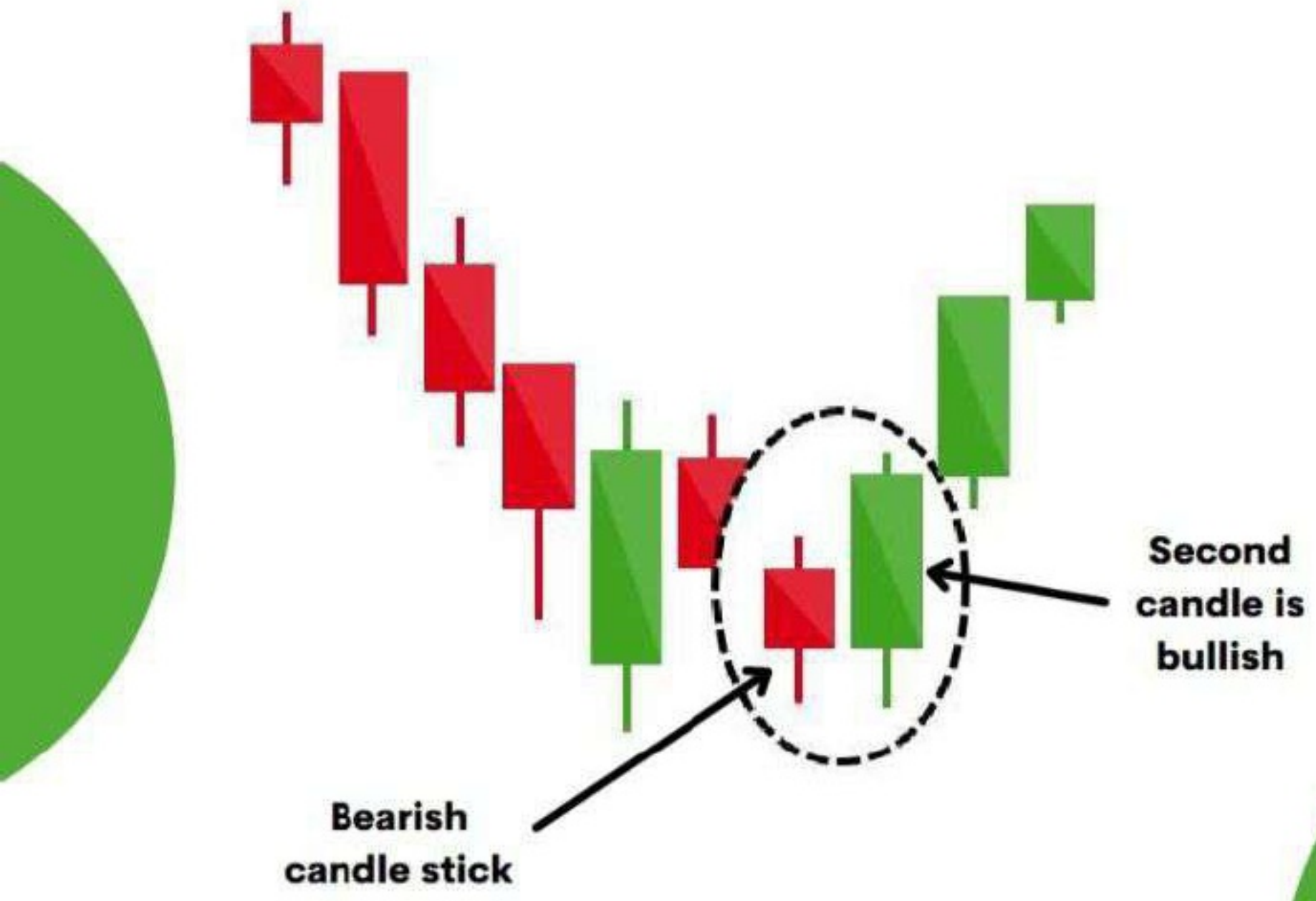


Bullish Engulfing

- **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.**

- **The buying pressure increases, leading to a reversal of the downtrend.**

- **The second Bullish candlestick is engulfing the body of the first bearish candle stick.**

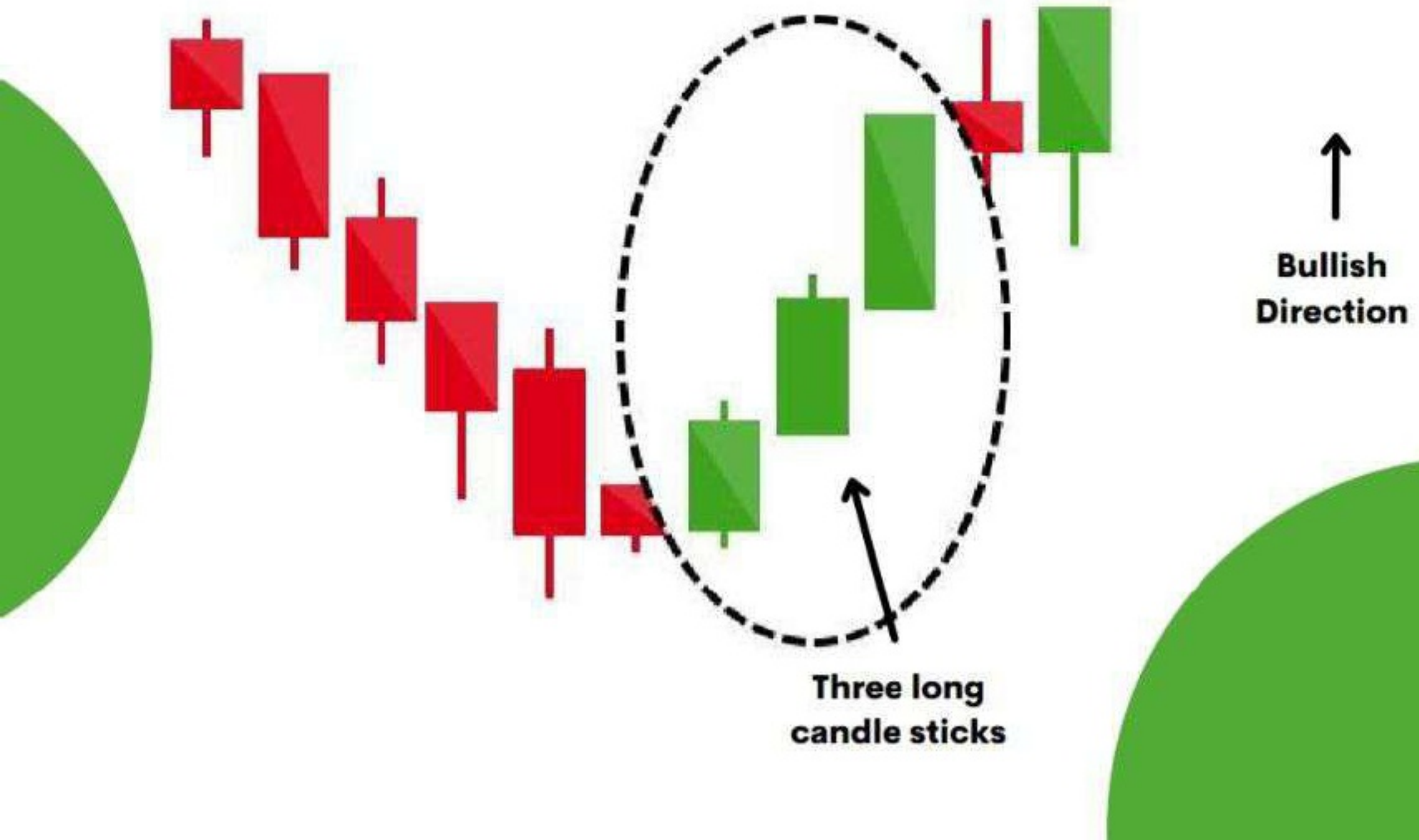


Three White Soldiers

- This pattern is made up of three long green candles in a row, this pattern also has to open and close higher than the previous period.

- Three White Soldiers is a strong bullish signal that shows up after a downtrend.

- This pattern is considered a reliable reversal pattern when confirmed by other technical indicators like the relative strength index (RSI).



BEARISH

CANDLE-STICK PATTERNS

= Downtrend



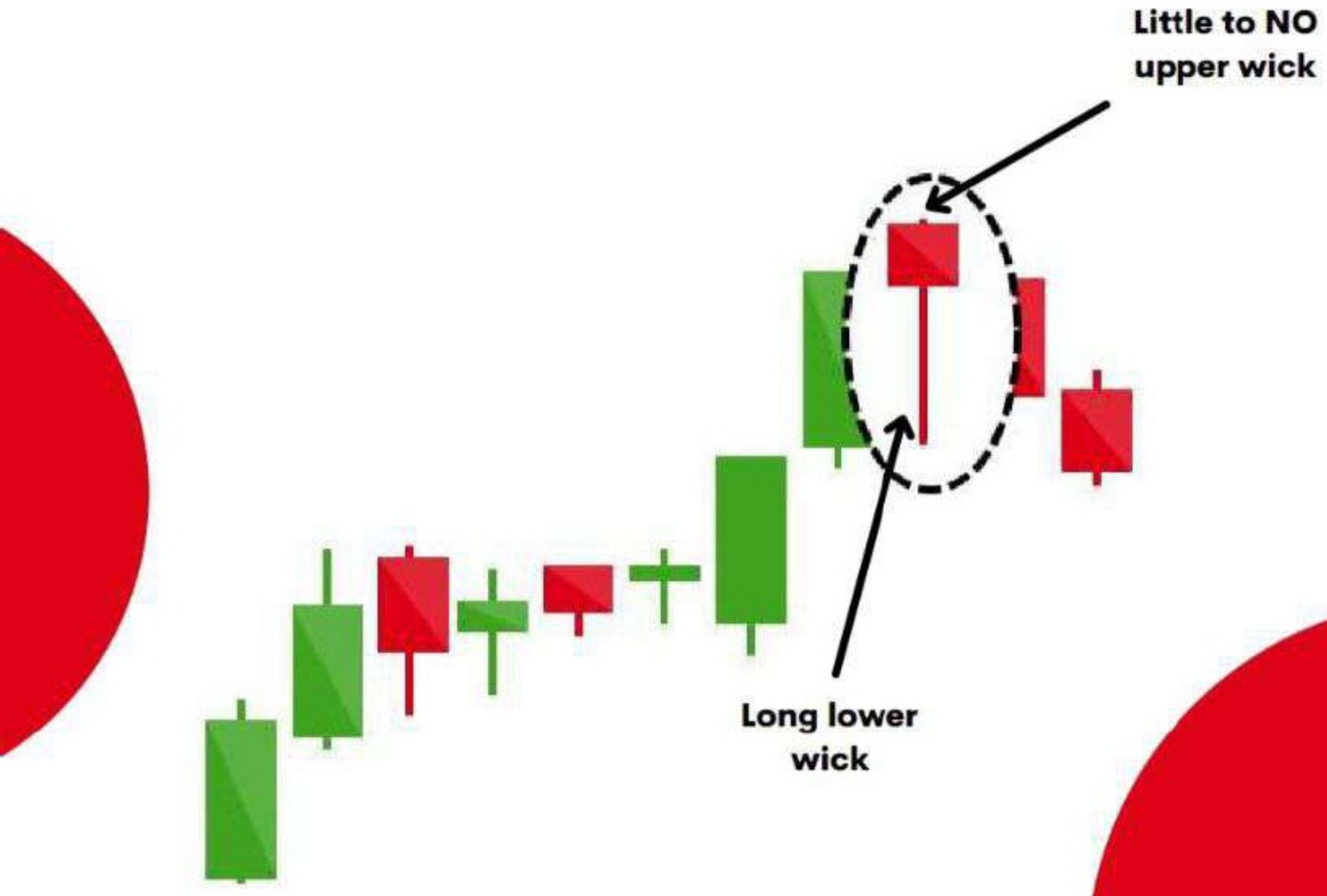
Trading Technicals

Hanging Man

- **Hanging man candle has a small real body (distance between open and close) and a long lower shadow. There is little to no upper shadow.**

- **It shows up at the end of an uptrend, indicating that bears are stepping in.**

- **An extensive selling pressure was present during a part of the candle stick which created a wick**

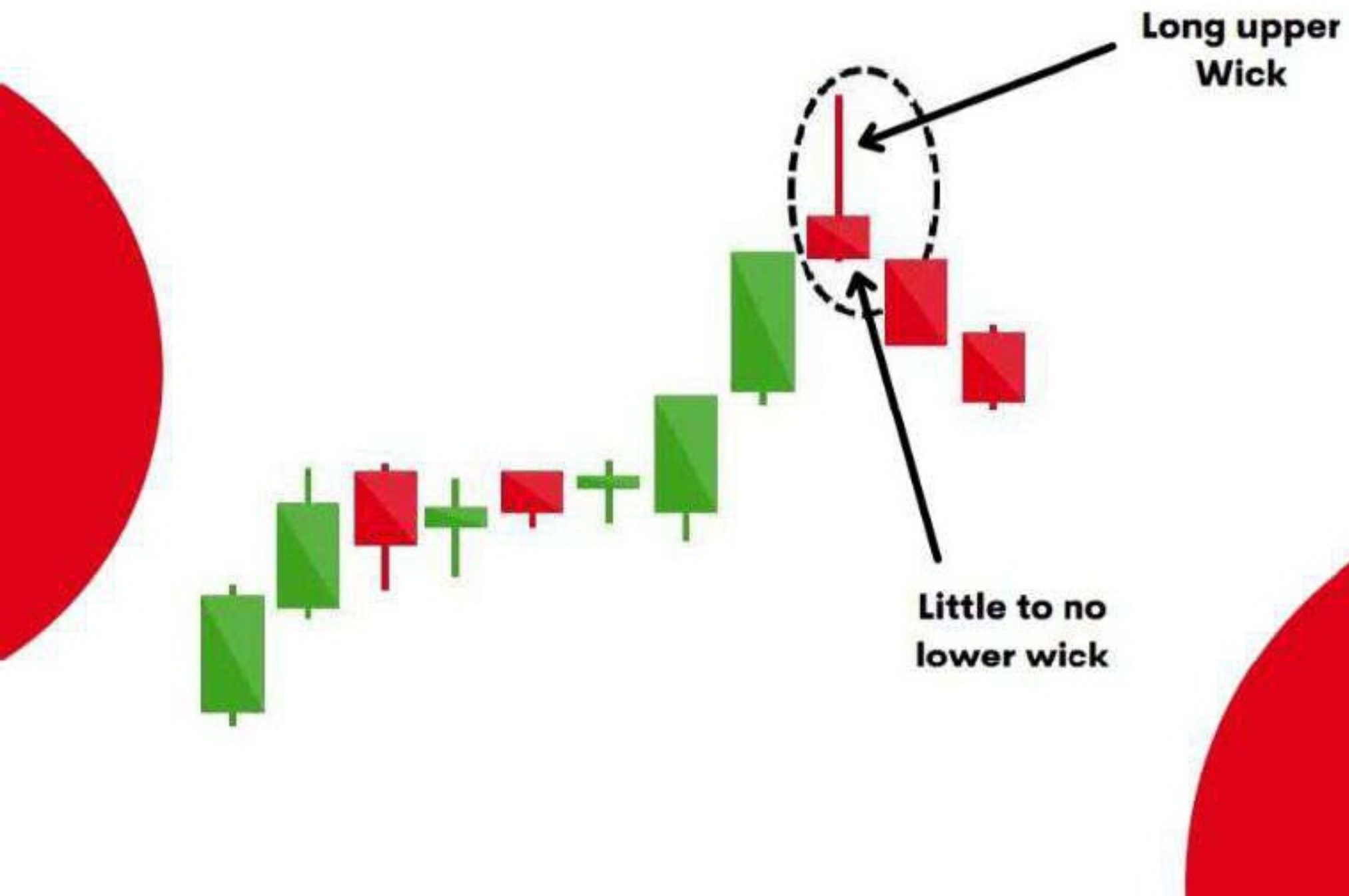


Shooting Star

- **The shooting star is the opposite of an inverted hammer. It consists of a red candle with a short body and a long upper shadow.**

- **Generally, the market will gap a bit higher on the candlestick opening and close just below the open.**

- **If the price rises after a shooting star, the formation may have been a false signal.**

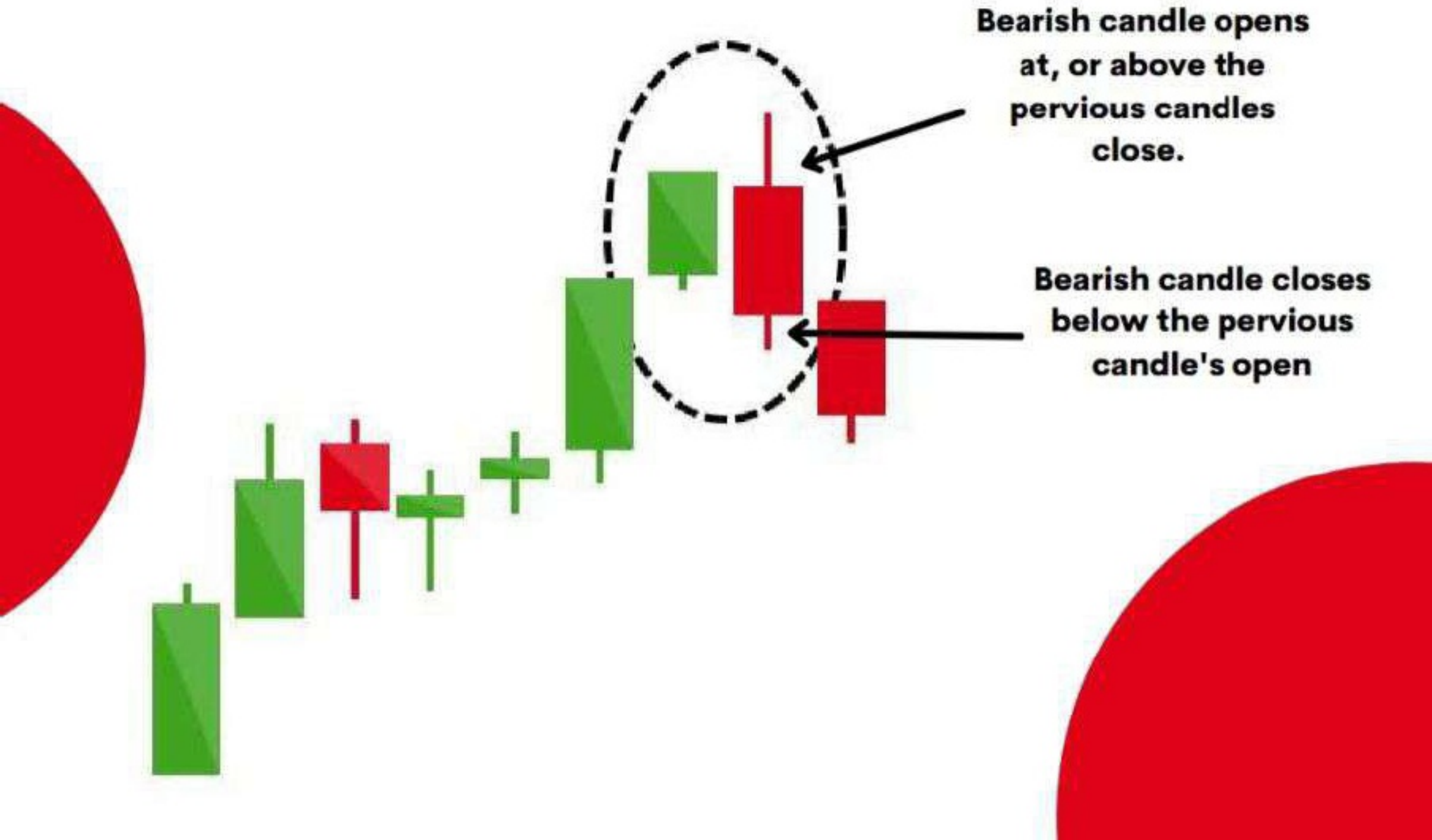


Bearish Engulfing

- A bearish engulfing pattern occurs at the end of an uptrend.

- The real body—the difference between the open and close price—of the candlesticks is what matters. The real body of the down candle must engulf the up candle.

- A bearish engulfing pattern can occur anywhere, like an uptrend or a pullback to the upside with a larger downtrend.

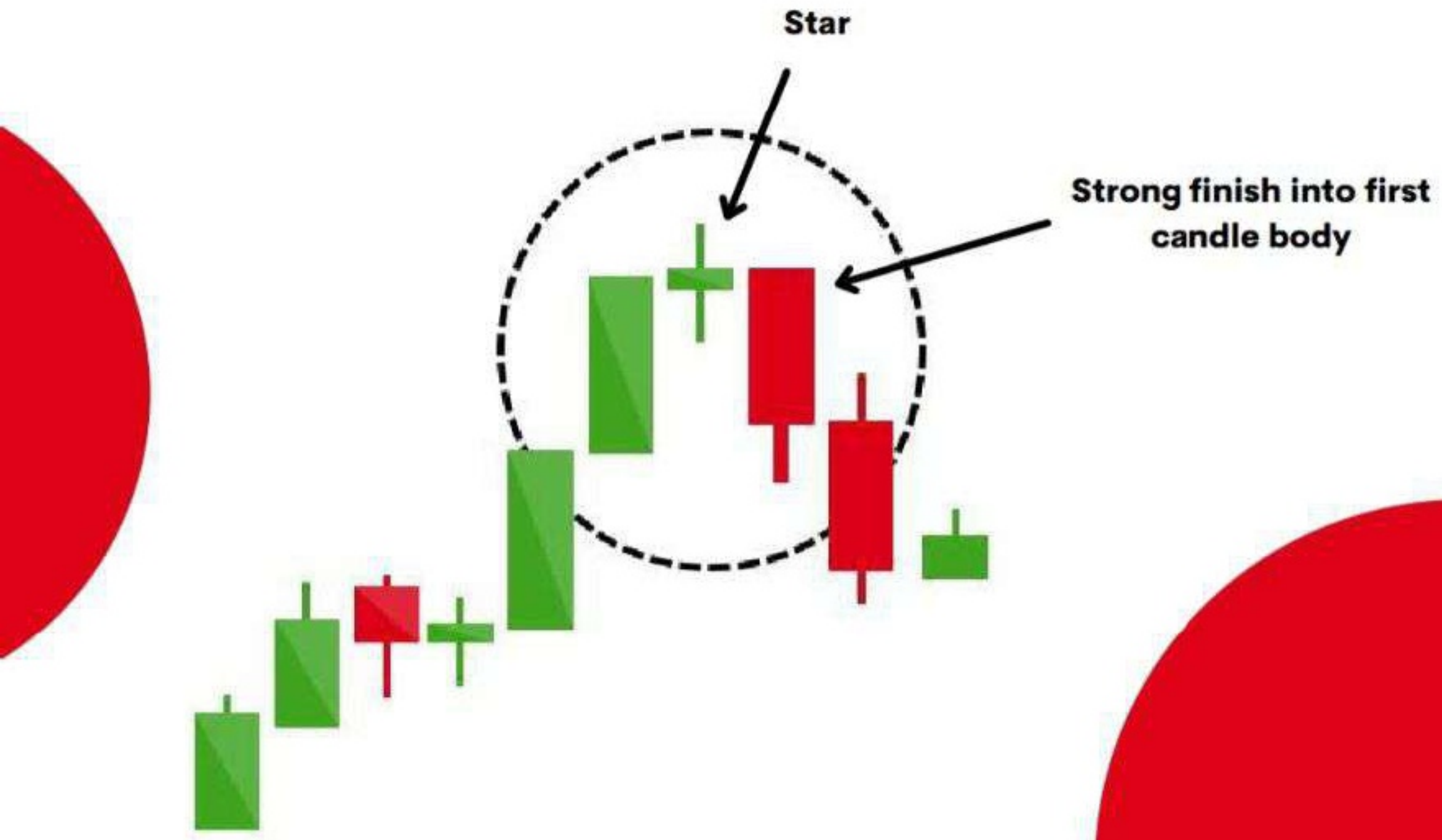


Evening Star

- The evening star is a three-candlestick pattern equivalent to the bullish morning star.

- It is formed of a short candle sandwiched between a long green candle and a large red candlestick.

- Although this candle stick pattern is rare, the evening star pattern is considered by traders to be a reliable technical indicator.



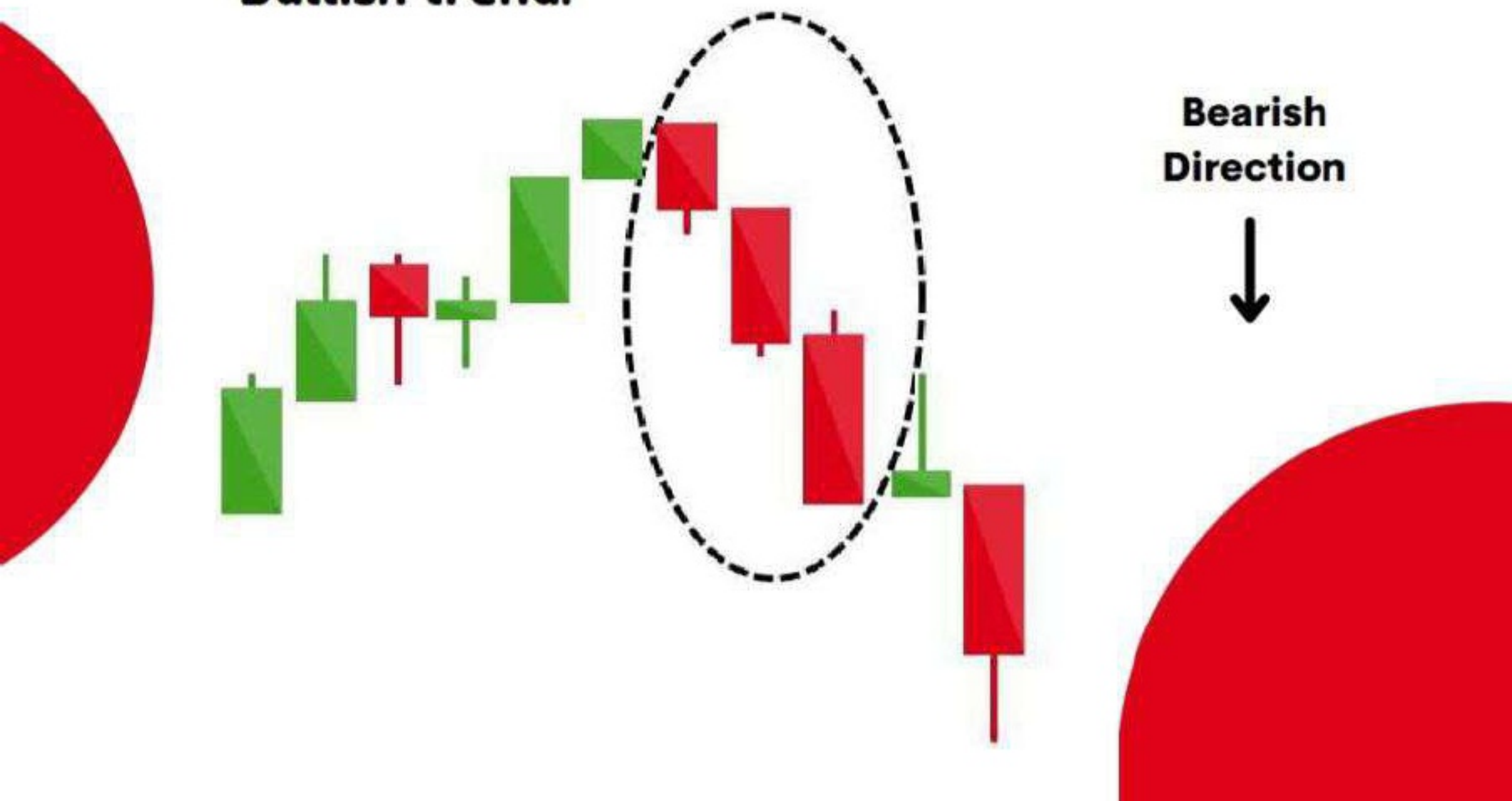
Three Black Crows

- The pattern shows on the pricing charts as three bearish long-bodied candlesticks with short or no wicks.

- Each session opens at a similar price to the previous, but selling pressures push the price lower and lower with each close.

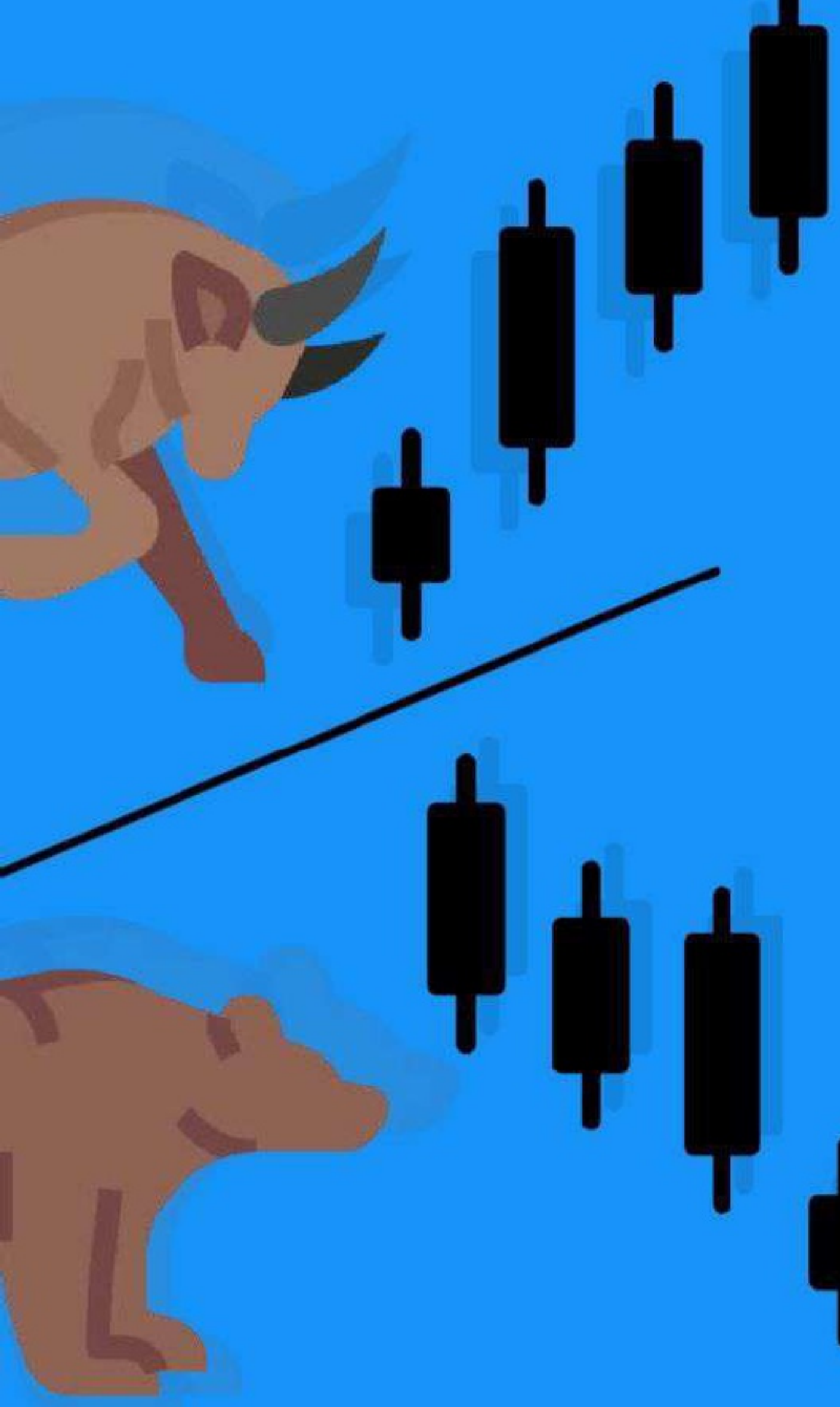
- Traders use it alongside other technical indicators such as the relative strength index (RSI).

- The opposite pattern of three black crows is three white soldiers, which indicates a Bullish trend.



BILATERAL

CANDLE-STICK PATTERNS

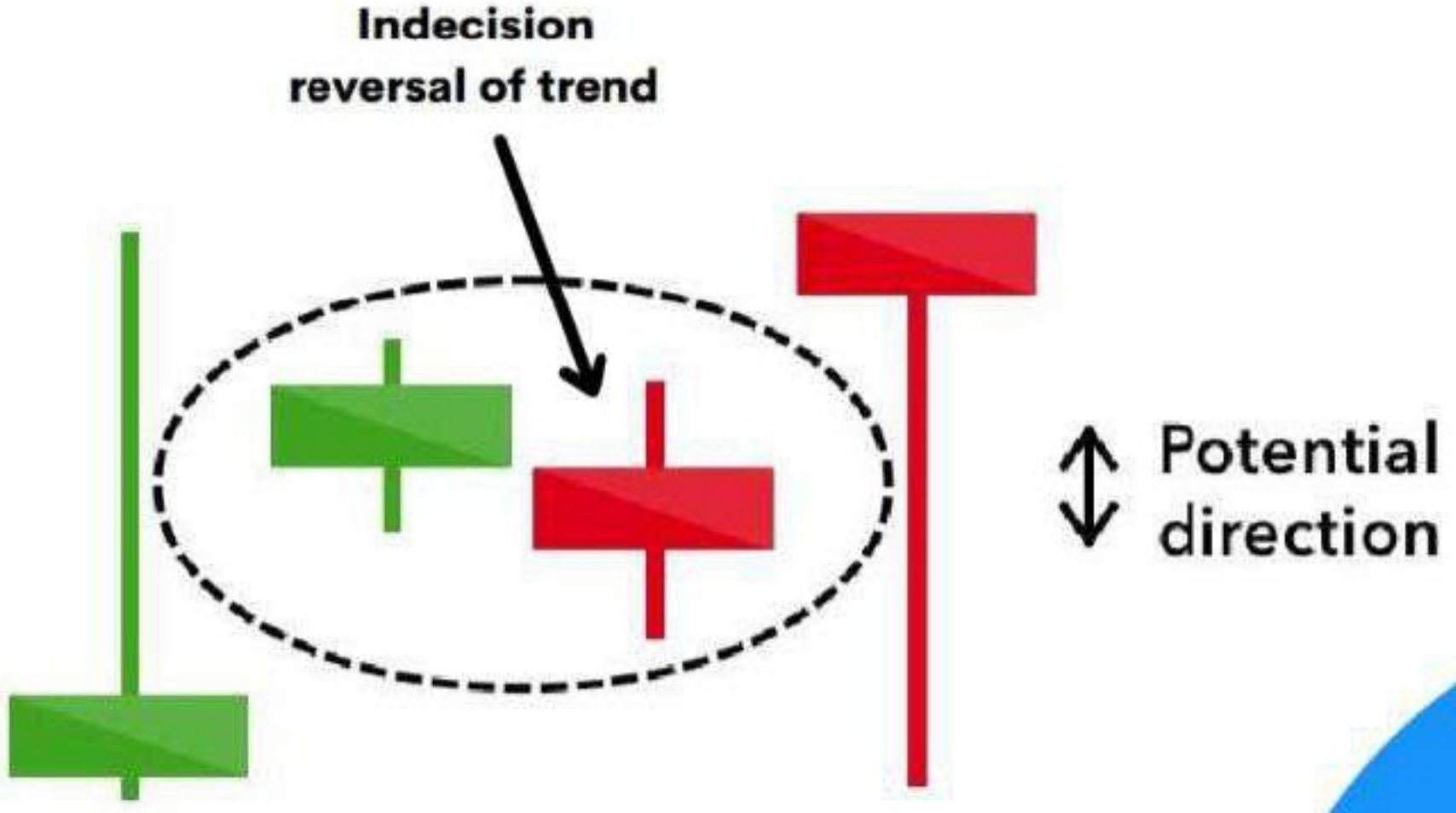


These candle-stick patterns can move in either direction

Trading Technicals

Doji

- **Doji candlestick has an open and close that are virtually equal.**
- **It is important to emphasize that the Doji pattern does not mean reversal, it means indecision.**
- **The market explores its options both upward and downward, but cannot commit either way.**

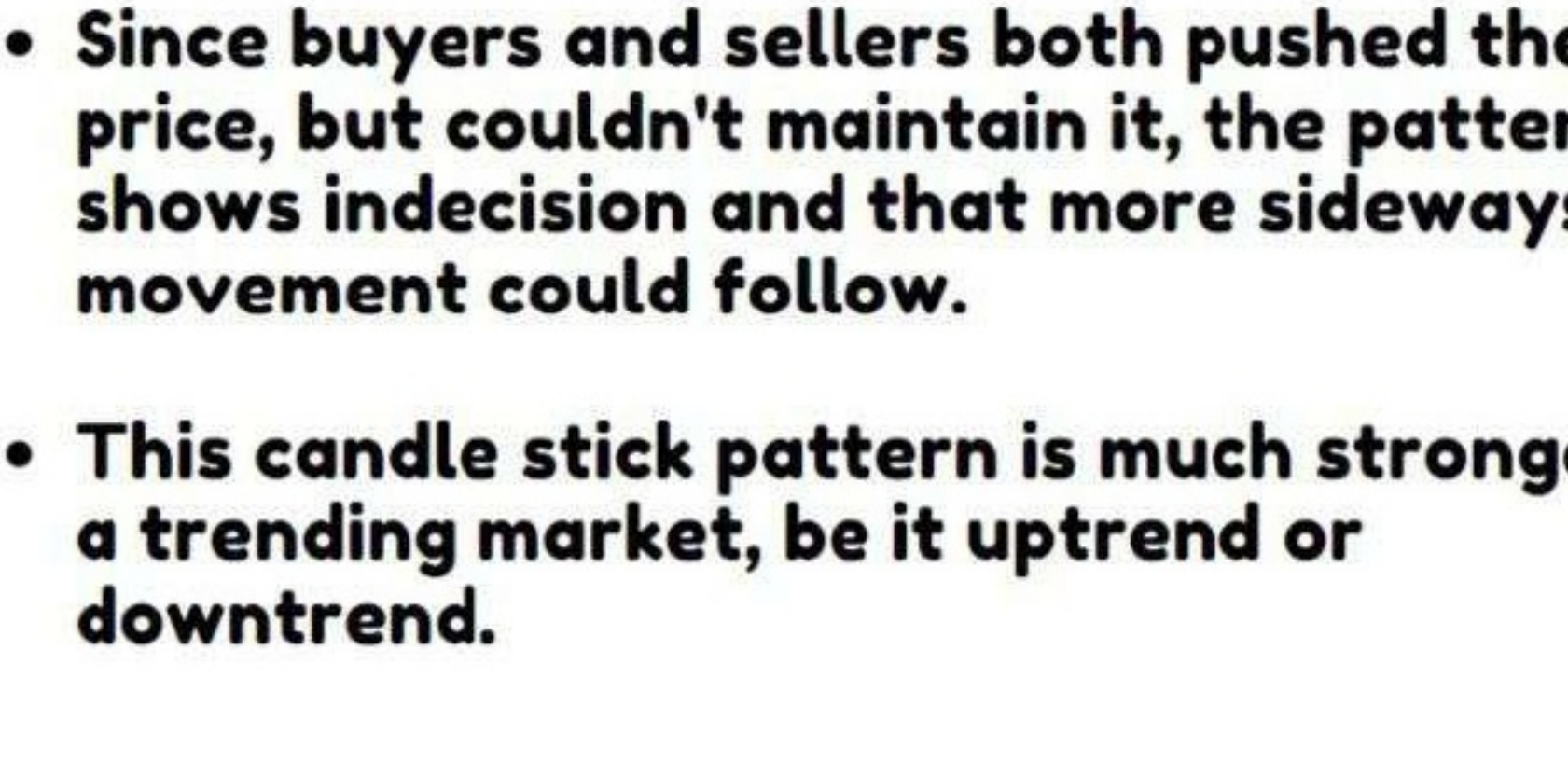


Spinning Top

- A spinning top is a candlestick pattern that has a short real body that's vertically centered between long upper and lower wick.

- Since buyers and sellers both pushed the price, but couldn't maintain it, the pattern shows indecision and that more sideways movement could follow.

- This candle stick pattern is much stronger in a trending market, be it uptrend or downtrend.



GRAPHIC INDICATORS

CHAPTER. 2



Trading Technicals

What are Technical Indicators?

Trading indicators are mathematical calculations, which are plotted as lines on a price chart and can help traders identify certain signals and trends within the market.

- **There are different types of trading indicator, including leading indicators and lagging indicators.**
- **Leading Indicator is a forecast signal that predicts future price movements.**
- **Lagging Indicator look at the past trends and indicates momentum.**

