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Simple Illustration for Applying **Hammer Candlestick** plus **Doji**  
**Candlestick** plus **Support** and **Resistance** or the **S** and **R**...25 to 36

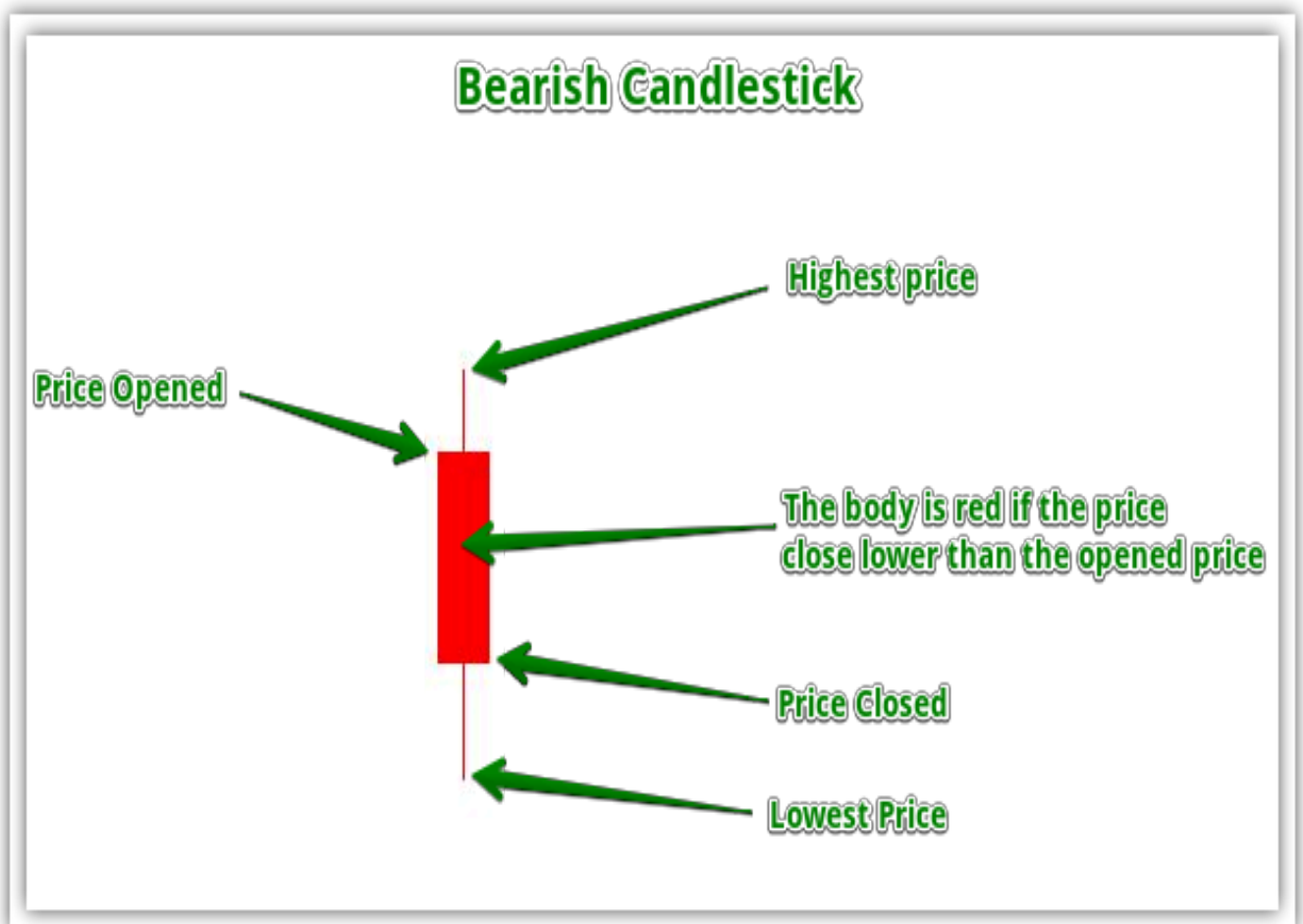
## Chapter 1 :

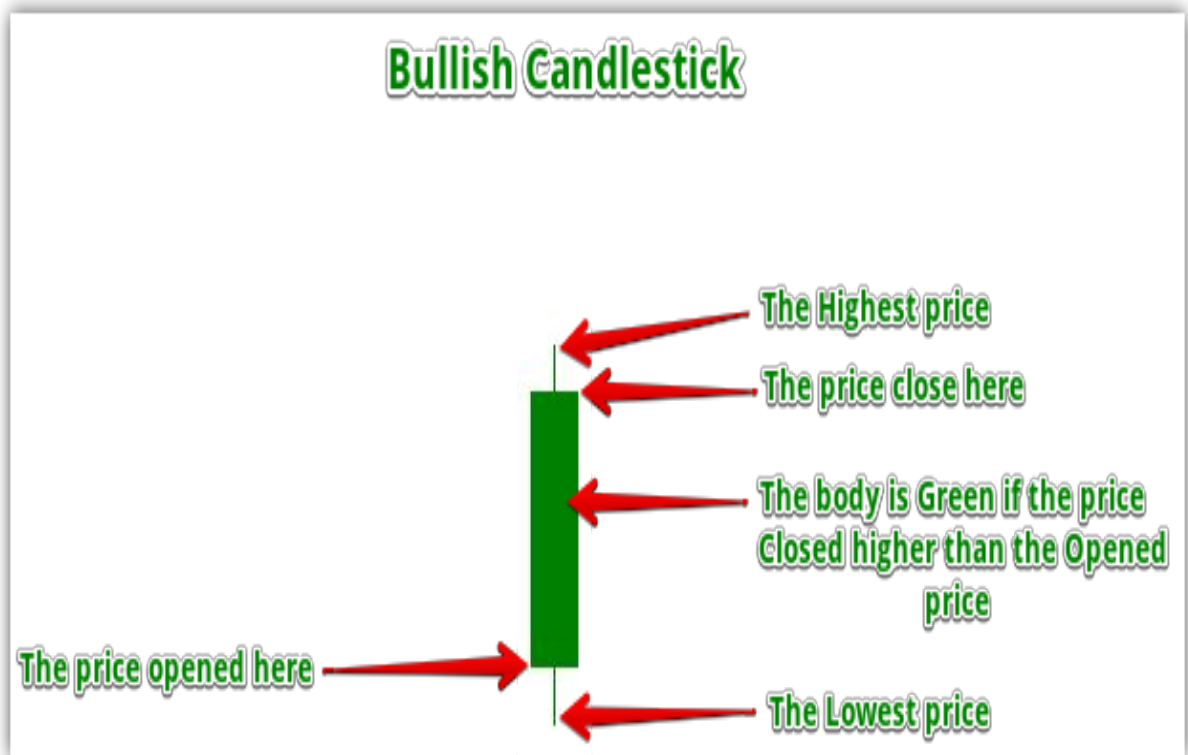
### BASIC CANDLESTICK ANATOMY

Whenever you are at a price chart you will select a time frame for that chart.

Perhaps it's 5 minutes **M5** ... or an hour **H1** ... or at the Daily time frame the **D1**.

Rather than simply putting the Open or a Close price for that time frame, the Candlestick gives you information about what went on during the period of that time.

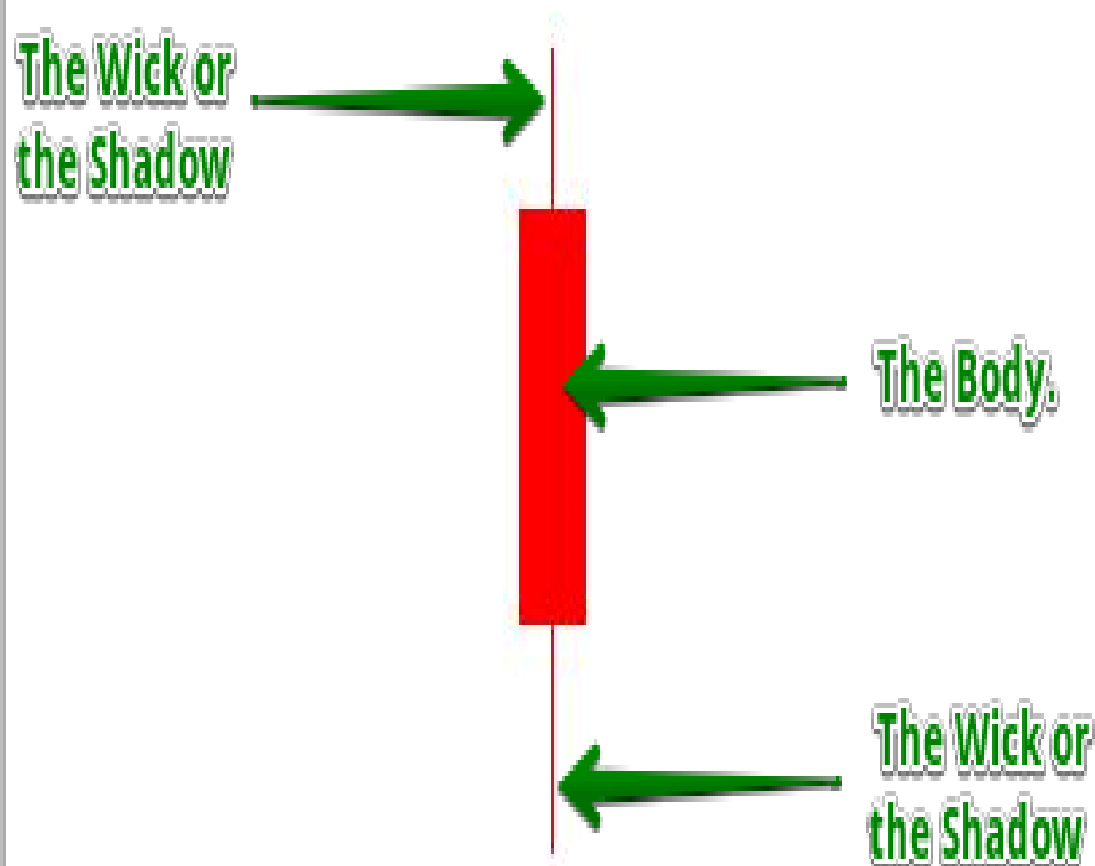




Having all this information gives you a heads-up about market sentiments and can offer invaluable clues about how the market will move.

Forex terminology is interchangeable. For instance, when the price is going up, it's referred to as the **Bulls being in the market or going Long**; When the price is going down, it's referred to as the **Bears being in the market or going Short**.

It has the same meaning when you hear of a wick or shadow. A wick is formed when, for instance, the price goes in one direction, but then all of a sudden there's an increase of pressure going in the opposite direction before that candle closes.



# The MARUBOZU CANDLESTICK



**A GREEN MARUBOZU CANDLESTICK** contains a long green body with no shadows. The **open price is equal to the low price** and the **closed price is equal to the high price**. This is a very bullish candlestick as it shows that the buyer is in control of the entire session. It usually becomes the first part of a bullish continuation or Bullish reversal pattern.

**A RED MARUBOZU CANDLESTICK** contains a long Red Body with no shadows. The **open price is equal to the high price** and the **closed price is equal to the low price**. This is a very bearish candlestick as it shows the sellers controlled the price action of the entire session. It usually implies a bearish continuation or a bearish reversal pattern.

## Chapter 2 :

# The Doji Candlestick

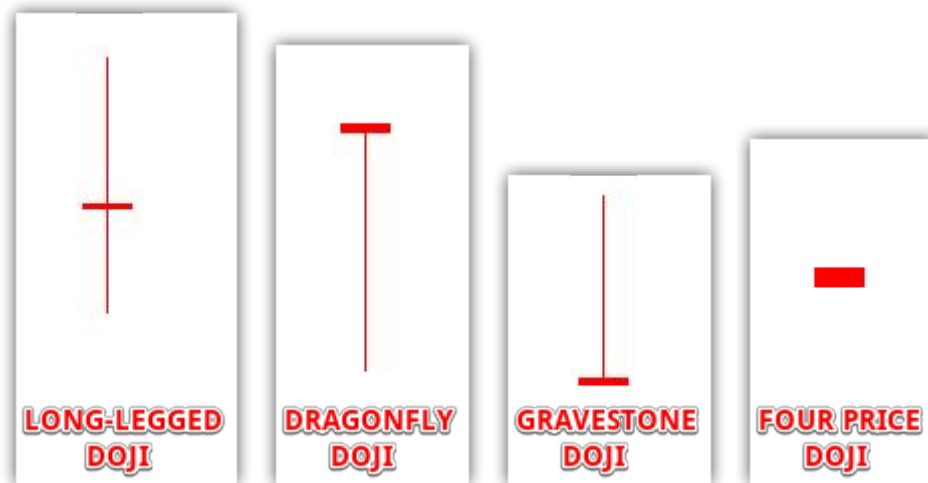
**Doji candlestick** has the same open and close price or at least their bodies are extremely short. A Doji should have a very small body that appears as a thin line.

Doji candlestick suggests indecision or a struggle for turf position between buyers and sellers. Price moves above and below the open price during the session but closes at or very near to the open price.

Neither buyers or sellers were able to gain control and the result was essentially a draw.

There are four special types of Doji candlestick. The length of the upper and lower shadows can vary and the resulting forex candlestick looks like a cross, inverted cross, or **plus (+)** sign. The word “Doji” refers to both the singular and plural forms.

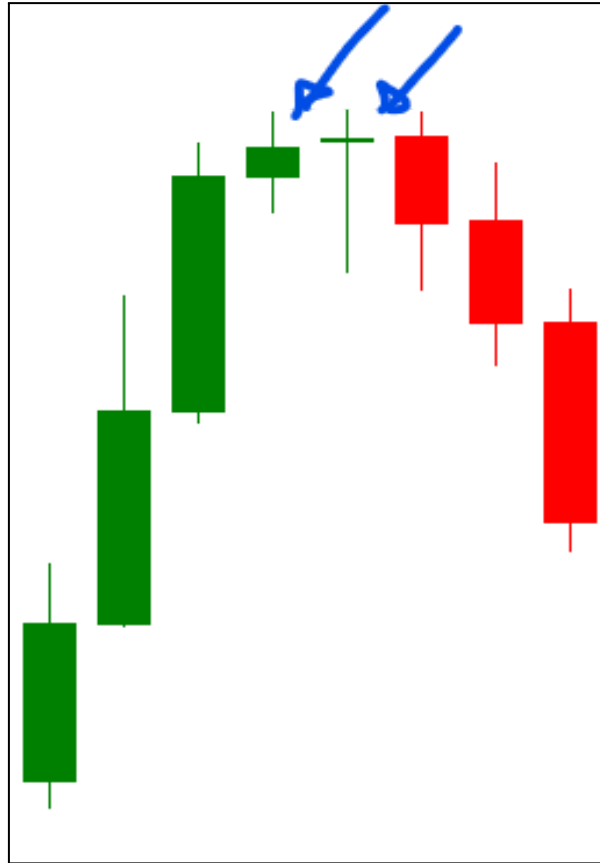
## 4 TYPES OF DOJI CANDLESTICK



Pay attention to the preceding candlesticks when the **Doji candlestick** forms on your charts **especially in the Support and Resistance area.**

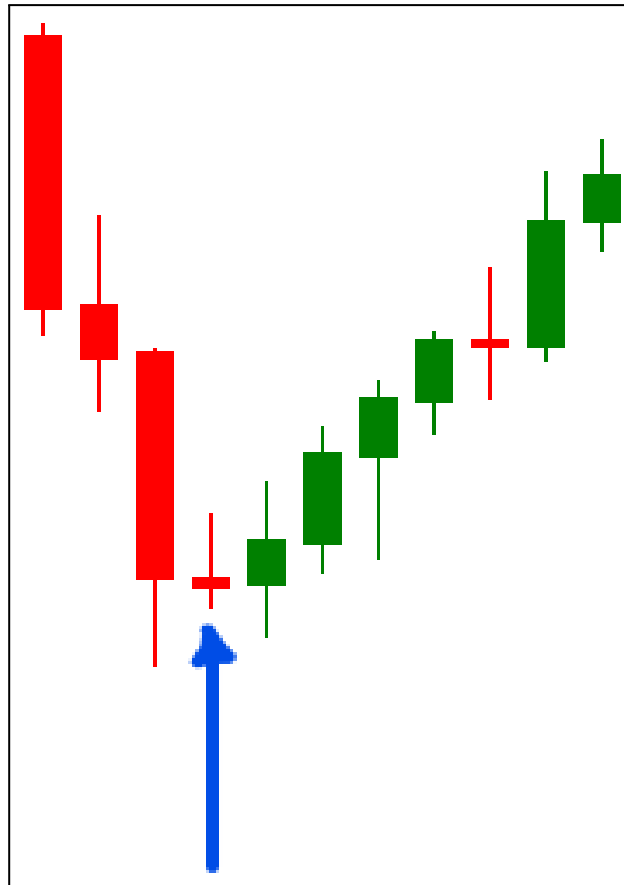


## The LONG GREEN CANDLESTICK plus DOJI



If a **Doji candlestick** forms after a series of candlesticks with a **Green body** (like in the image above), the **Doji candlestick** signals that the buyer is becoming exhausted and weakening. For the price to continue rising, more buyers are needed but there aren't any more! The seller is licking their chops and is looking to come in and drive the price back down.

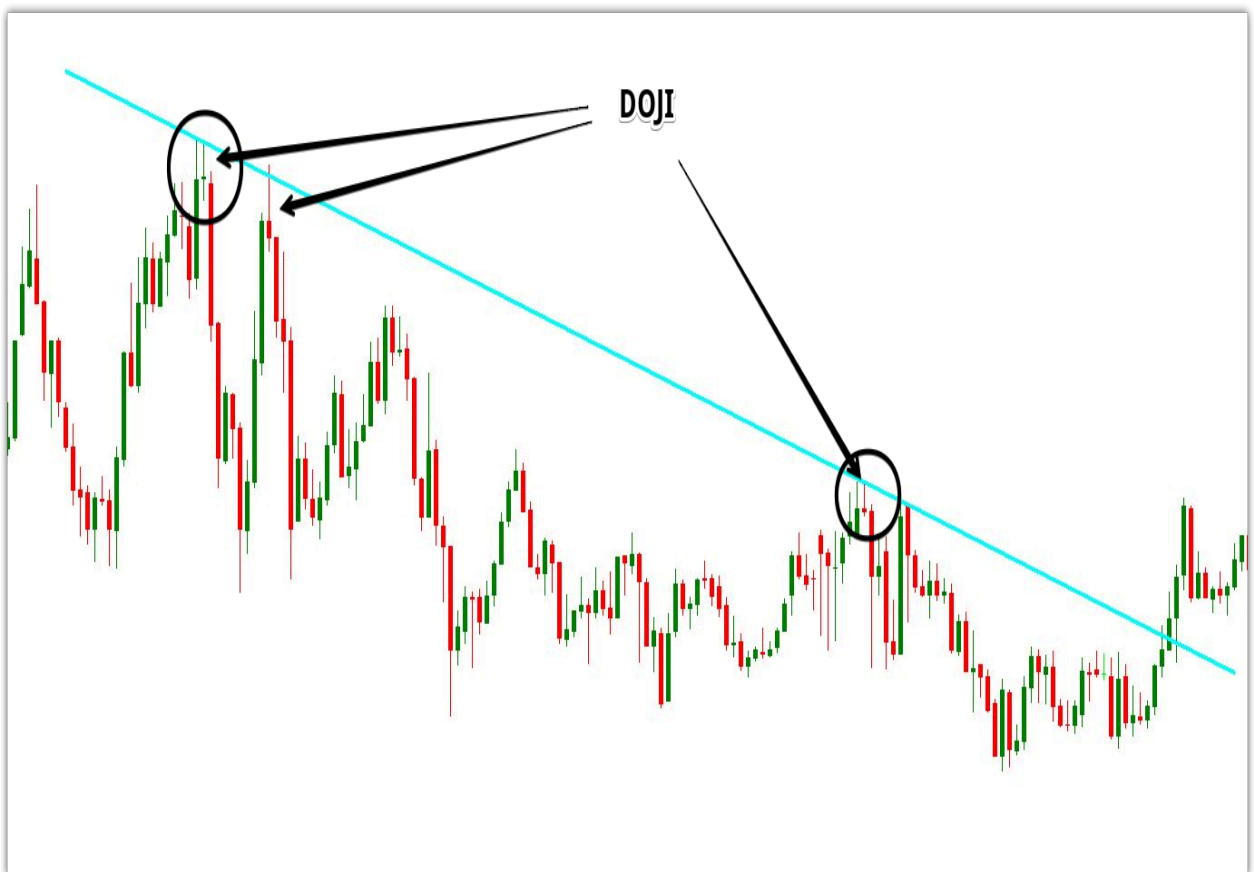
## The LONG RED CANDLESTICK plus DOJI



If a **Doji candlestick** forms after a series of candlesticks with a Red body (like in the image above), the Doji candlestick signals that the seller is becoming Exhausted and weak. For the price to continue falling, more sellers are needed but sellers are all tapped out! Buyers are foaming in the mouth for a chance to get in cheap.

While the decline is sputtering due to a lack of new sellers, further buying strength is required to confirm any reversal. Look for a Green candlestick to close to confirm the sign of reversal for your buy signal and entry.

**Applying Doji candlestick:** a good trick is to look out for a Doji candlestick near the edge of a price channel (i.e., if the Doji candlestick appears at the top of the very great channel it could indicate a bearish correction.)





**Notice** that a Downtrend comes with a Doji candlestick at a Great level of support and the price shuts up.

**The Doji candlestick signal is one of the most predominant reversal indicators. It is very effective in time frames, whether using a five-minute M5, fifteen-minute M15, thirty-minute M30, or one-hour H1 chart for day trading and four-hour H4, daily D1, and weekly W1 charts for the swing trader and long-term investor.**

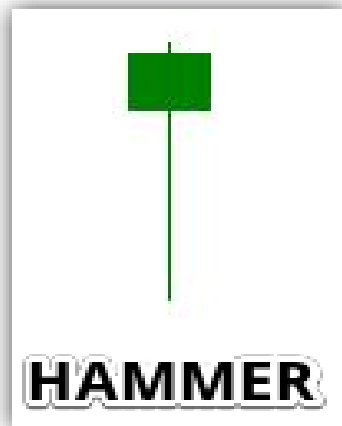
The Japanese say that whenever a **Doji candlestick** appears, **always take notice**. A well-founded rule of Candlestick followers is that **when a Doji candlestick appears at the very top of a trend, in a super overbought area, sell immediately**.

Conversely, a **Doji candlestick** seen at the very bottom of an extended downtrend **requires buying signals to confirm the reversal. Otherwise, the weight of the market could take the trend lower**.

### Chapter 3 :

## The Hammer Candlestick ( bullish ) and The Hanging Man ( bearish)

**This is one of the best-known as a reversal indicator...**



It is a candlestick pattern that consists of just one candle (although with candlestick it is always best to view them in the context of the candlesticks around them - in particular, the candle that follows immediately after).

The hammer or hanging man candlestick has a long lower wick, a short body, and little to no upper wick. Strictly speaking, the lower wick should be at least two times longer than the body- the longer the better.

Depending on where you find it on a chart, it is called either a **Hammer candlestick** or a **Hanging Man candlestick**.

**A hammer candlestick:** is found in a downtrend, and signals a bullish reversal. The long lower wick shows a period in which the seller is in control, but the body shows the buyer is coming back in. From this, we can tell that there is strong buying by the bulls in the period of sell-off declines.

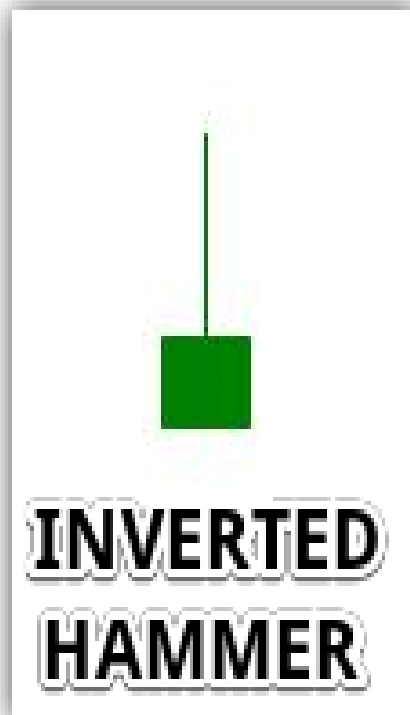
As with all single candlestick patterns, we should wait for the next candle to confirm that the buyer is in control.



**Note** how the strong selling action and increased volume (indicated by the long lower wick on the **Hammer candlestick** ) on that candlestick are reversed as the buyer comes back in. The green candlestick opening almost above the body of the **Hammer candlestick confirms the bullish trend.**

## **Inverted Hammer Candlestick ( bullish ) and The Shooting Star Candlestick ( bearish )**

This Hammer candlestick is, **as you would expect, turned down its head...**



It is a candle with a small body and long upward wick, signaling a possible reversal. Where it appears in a chart affects whether it's an inverted hammer or a shooting star.



An inverted hammer forms after a downtrend or at the bottom of a period of consolidation. The reversal isn't confirmed until you have a bullish candle in the next period. (i.e. **The next closed Green candlestick from the inverted hammer is the close confirmation candlestick to enter for your buy entry.** )



# The Shooting Star Candlestick



A **Shooting star candlestick** forms after an uptrend or at the top of a period of consolidation.

Inverted hammers and shooting stars can have a green or red body- what's important here is that the body size is smaller than the upper wick is at least twice the length of the body and the lower wick is negligible.

## A Hanging Man Candlestick



**A hanging man candlestick** is the same shape as the hammer candlestick but is found on the uptrend. We don't expect to see strong selling pressure in an uptrend (see in the long lower wick on the candle), so here it suggests a change of market sentiment and reversal to the downside.

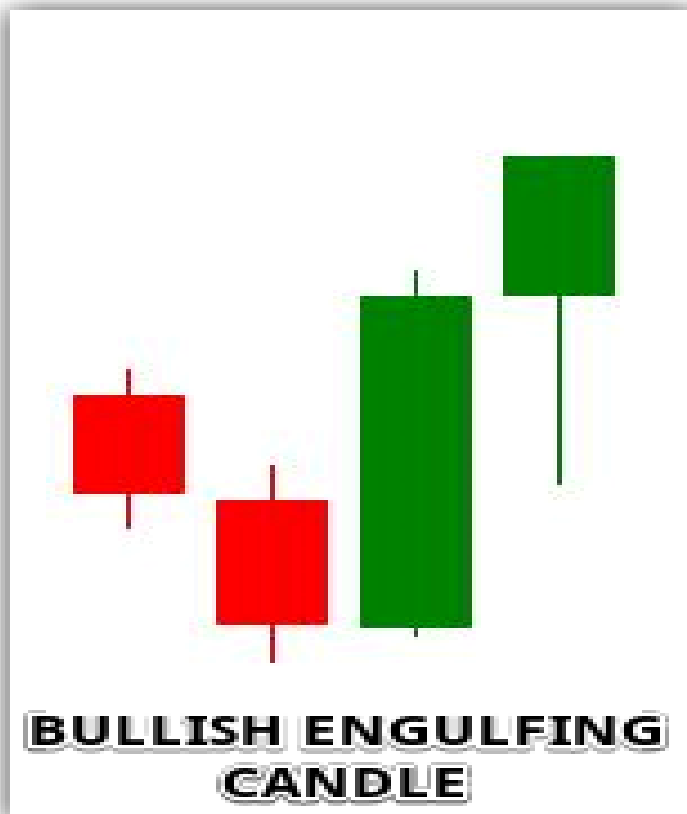
**In this case, the hanging man shape shows the price to be overbought, and the next Red candlestick confirms the move to serve as a closed confirmation candle for you to enter a sell position on the next candlestick if the price is moving away from the resistance area.**

There's no hard and fast rule about what color a hammer or a hanging man candlestick should be - the fact that they have a short body already means that there's indecision coming into the market. However, a Green hammer and a red-hanging man candlestick are strong indicators of market reversal.

## Chapter 4 :

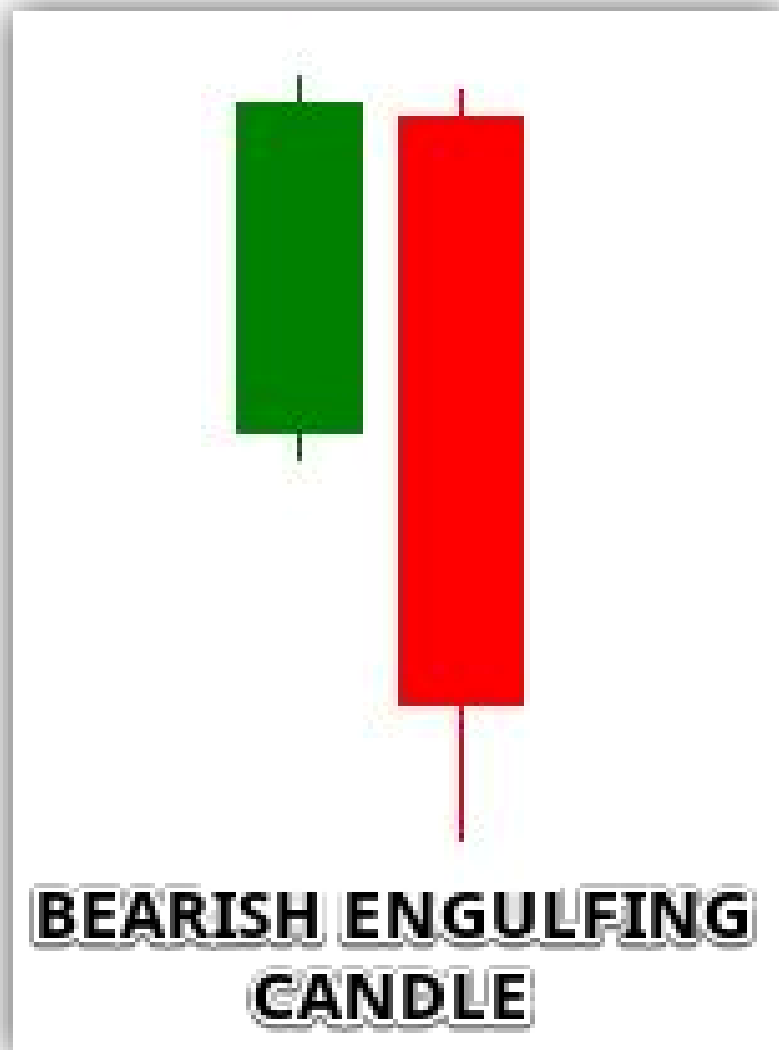
# Engulfing Bullish Candlestick and the Bearish Candlestick

An Engulfing pattern signal is a reversal and can be bullish or bearish. It is composed of two candlesticks, the Red Candlestick followed by the Green Candlestick. The body of the second candlestick which is the Green Candlestick must engulf the body of the red candlestick and must be opposite Color of the first candle.



For a **Bullish engulfing candlestick**, we have a smaller red candlestick, followed by a Green candlestick, in which the body of the Green Candlestick is greater in size than the previous red candlestick.

## Example: 1. The Bearish engulfing candlestick



For a **Bearish engulfing candlestick**, the first candlestick is the Small Green candlestick followed by a Red candlestick of which the body of the Red Candlestick engulfs the previous candlestick.

## Example: 2. The Bearish Engulfing Candlestick



In the image example above, **The bearish engulfing pattern**, we have a clear uptrend, **where the final Green candlestick touches the resistance which is the Aqua line above**, and the next candlestick with the Red body candlestick, which engulfs the body of the previous green candlestick. This suggests that strong selling pressure has come into the market, and could indicate a reversal or period of stagnation.

**The Red Candlestick pointed by the blue arrow is the Bearish Engulfing Candlestick**



**Based on the image example above, A bearish engulfing candlestick shows that the price is overbought, and the Red engulfing candlestick confirms the reversal move of the market. The Red engulfing Candlestick serves as a closed confirmation candlestick. This Red Candlestick is a SIGN for you to enter a sell position on the next candlestick if the price is moving away from the resistance area.**

## Chapter 5 :

### Three White Soldiers Candlestick ( Bullish) and Three Black Crows Candlestick (Bearish)

Below is a great example of the **Three Black Crows**.



The three long red candlesticks with lower and lower closes appear from an upward trend. They show powerful selling action which strongly suggests that more selling is imminent, as we see, the price goes down with 3 straight red candlesticks. And Goes back up again when the support is hit by the price.



The flip side of the three black crows is **three white soldiers**.  
The three-strong Green candlestick is within the downtrend.  
These are a bullish signal of strong buying action at work.



## Chapter 6 :

### Sample Illustration No. 1



Notice how in the illustration above, right after the Doji Candlestick formed at the resistance area the price moved downward for 3 consecutive red candles. Also, when the Doji Candlestick formed with great support, the price went up drastically.

## Sample Illustration No. 2



Again, notice how in the illustration above following the **Hammer candlestick** and the **Doji candlestick** at the great support the price shut up drastically.

And when a **Doji candlestick** is found at the great support or the great resistance, it's good to be watchful for a reversal. Depending on the timeframe chart traded, it could result in major pips gained.

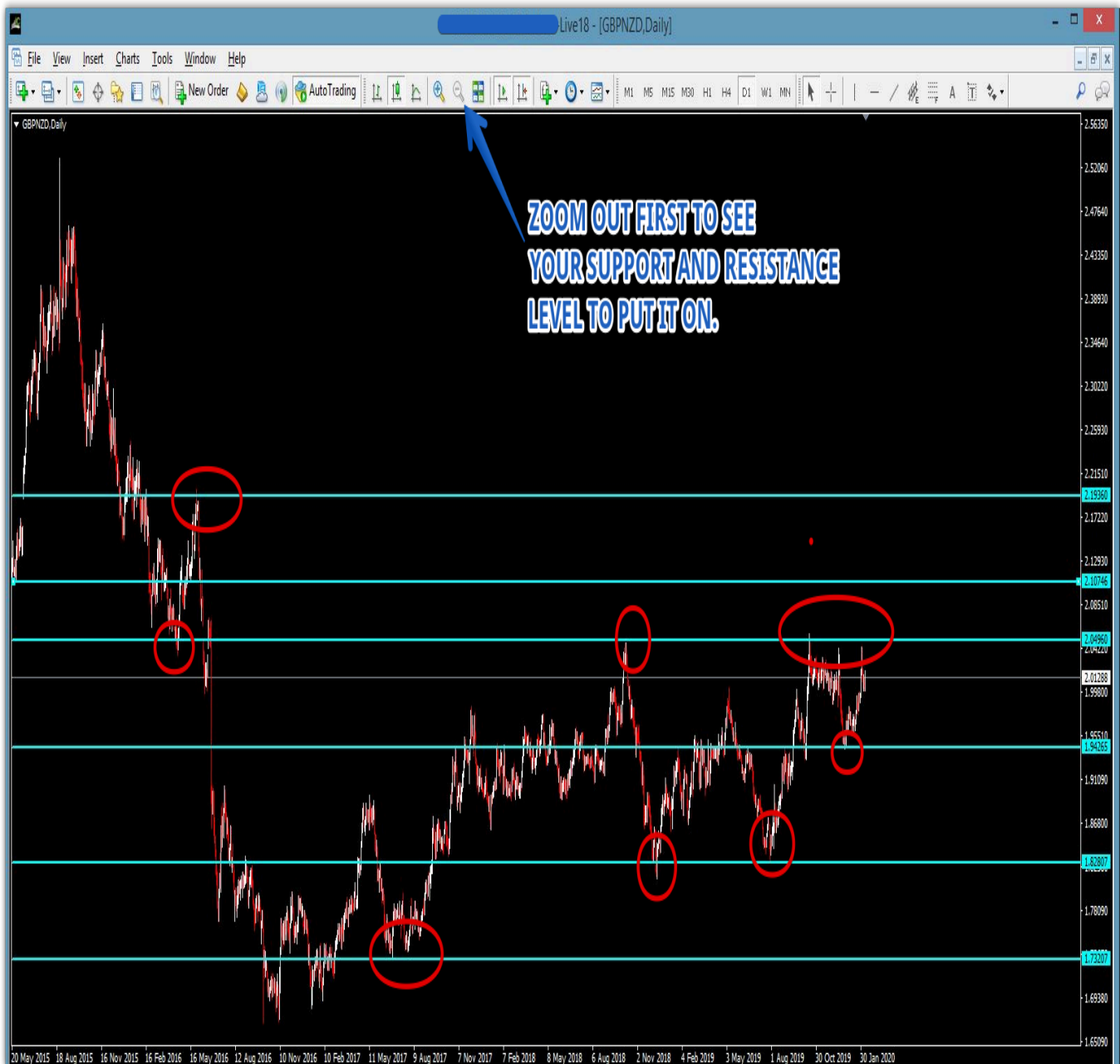
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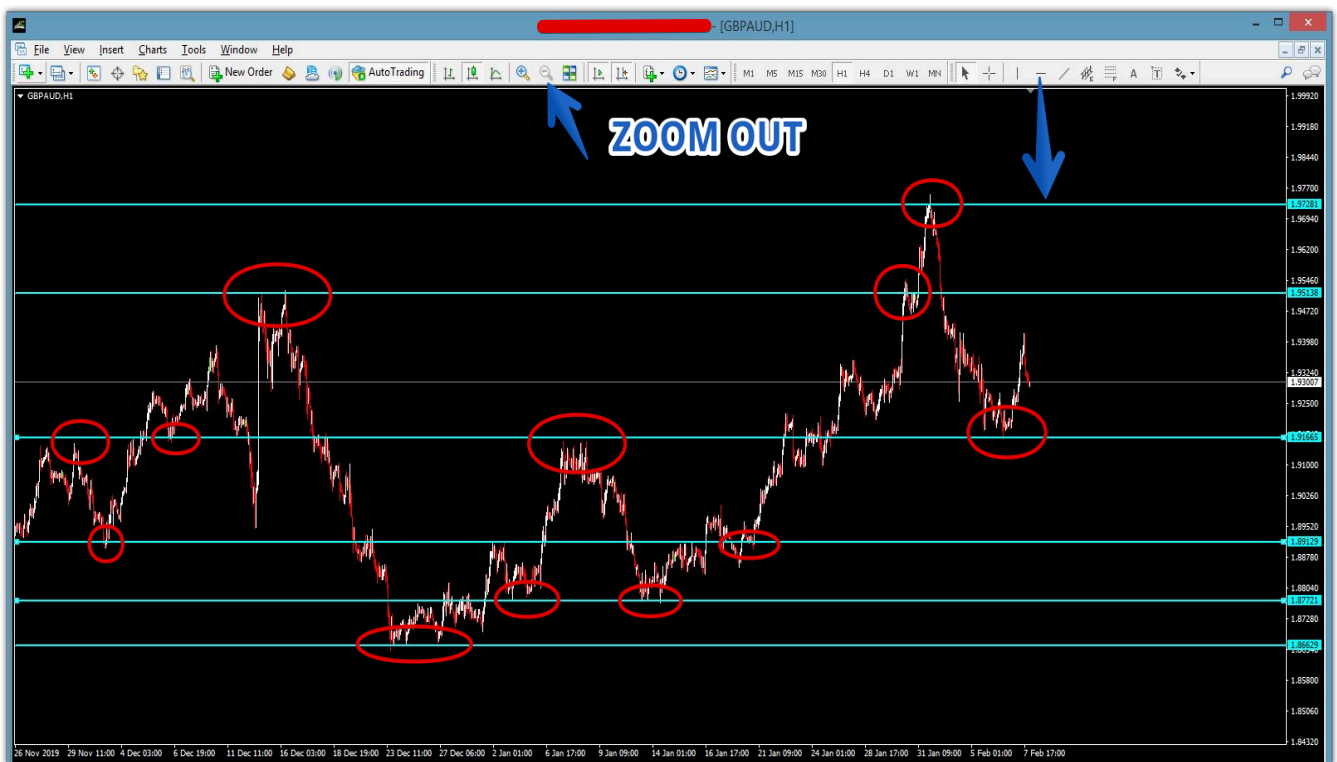
## HOW TO PLOT YOUR SUPPORT AND RESISTANCE

First, Select the H1 time frame and Zoom Out your Mt4 or MT5 Trading chart. To see where the price or the candlestick is stopped. Plot your **Support** and **Resistance** level at the price stopover. See the image below.



Notice the image below with the Red Circle where the price stopover is. That's a good level of support and resistance. **If you notice** that everything is connected. Red circle = price stopover.





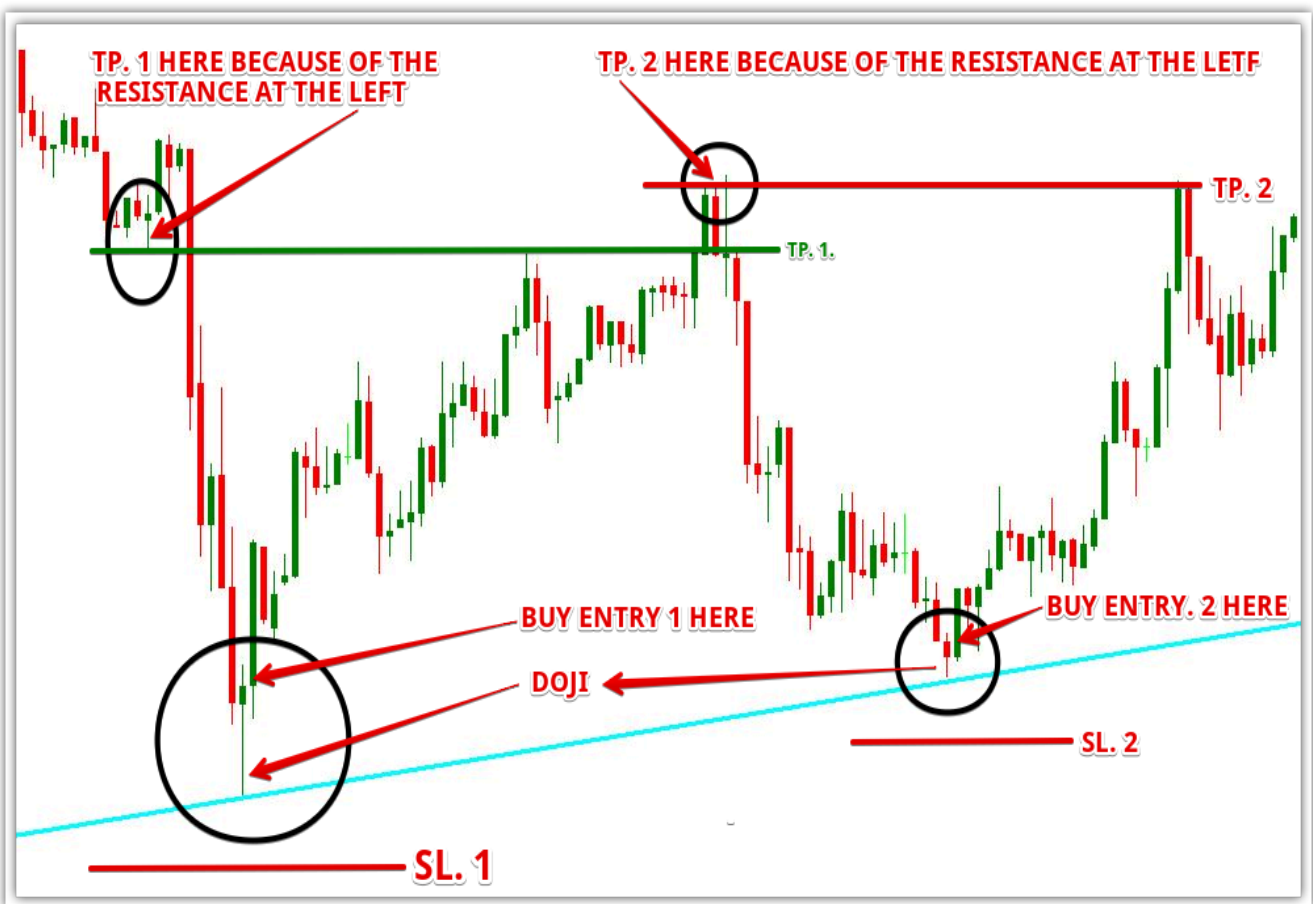




## When to enter for a BUY ORDER?

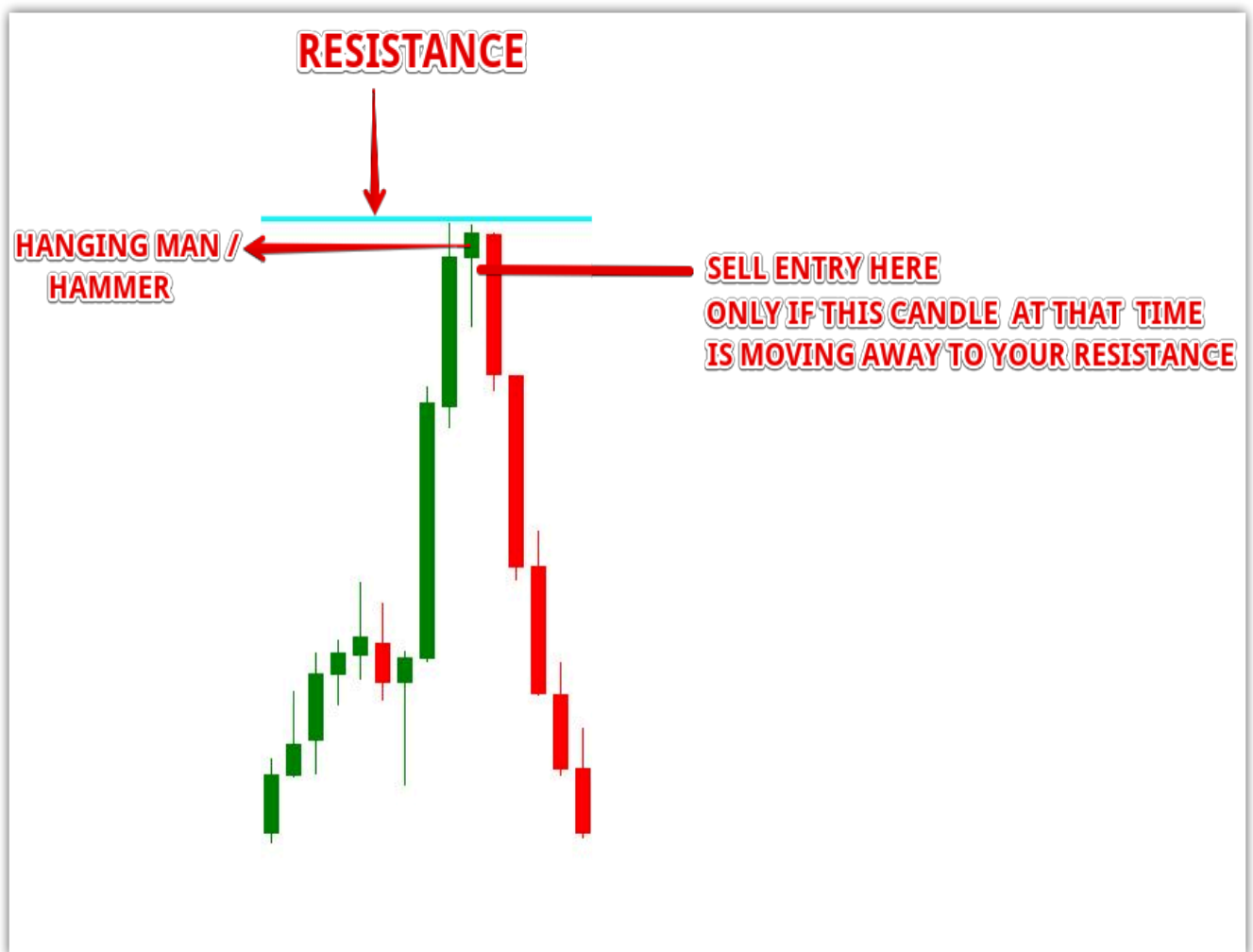
**Always enter for a Buy order only if your support is hit by the price and you wait for the candlestick to close.** The Candlestick could be a Doji, a Bullish Engulfing, an Inverted Hammer, or a Hammer candlestick. **You must first have the reversal closed confirmation candle. Only Enter a Buy order on the Next candle or if the candle or the price is moving away from your support level.** See the image below.

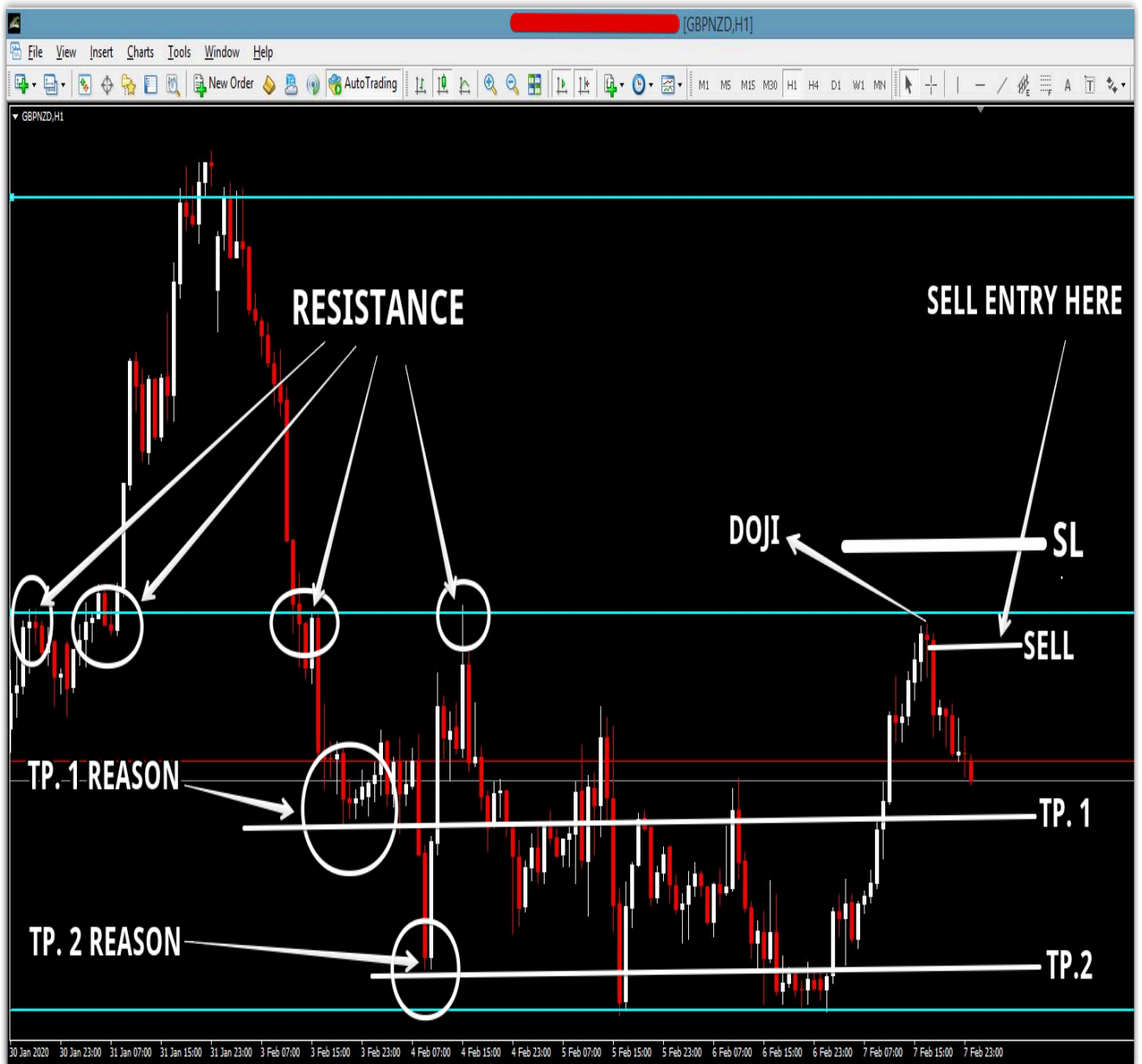




## When to enter for a SELL ORDER?

**Always enter for a Sell order only if your resistance is hit by the price and wait for the candlestick to close.** The candlestick could be a Doji, Bearish Engulfing candle, Inverted hammer, or a Hanging man, **You must first have the reversal closed confirmation candle.** Only enter a Sell order on the Next candle if the candle or the price is moving away from your Resistance level. See the image below.





**Notice** the image below with the **White circled from the left**. Always check for where to put your Take profit. The white circle on the left acts as a past resistance and becomes support later. When the White Candlestick shut back up at the same area of resistance on the first white circle at the left. And become support on the second circle.



*In closing, I hope that this Candlestick Cheat Sheet pattern serves as a tool for you to find awesome entry points in the market and increase your trading profits.*

**To your trading success,  
DNCFXPH**

PS: You can create a trading account by clicking or copying and pasting this link to your browser >>> [Best Forex trading broker in the Philippines](#)

For you to apply and practice what you have learned in this ebook  
Forex Candlestick Cheat Sheet pattern.