

Issam Algo

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CANDLESTICK PATTERNS IN CONTEXT

A Practical Illustrated Guide

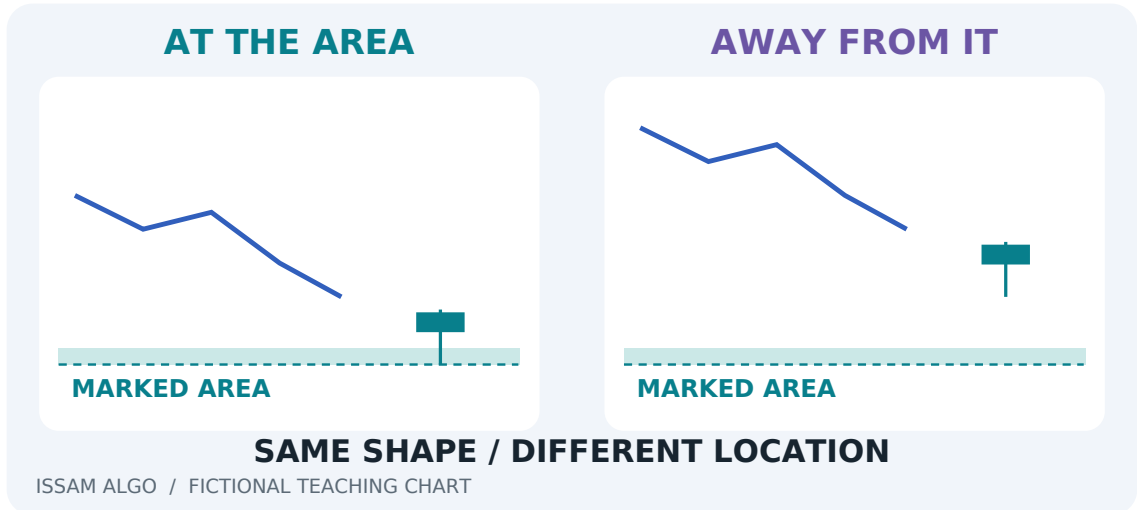


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The same shape can ask a different question

A candlestick pattern is a recognisable arrangement of one or more candles. Context is the surrounding information: the earlier move, nearby price areas and space available before the next obstacle.



Identical long-lower-wick shapes: one reaches a previously marked area; the other forms well above it. Schematic comparison.

Start with location. If your idea requires a response near an earlier low, a similar candle in the middle of the chart does not answer the same question.

Then inspect the sequence. A pause after falling prices differs from a pause after a climb. Finally, write what must happen next and what would cancel the idea.

This book teaches a few patterns carefully. The goal is to make a consistent decision with incomplete information, not to memorise every candle name.

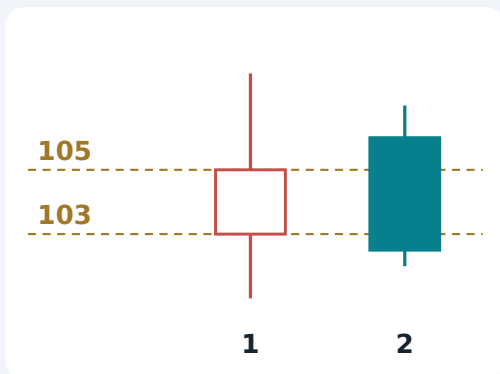
COMMON MISTAKE

Recognising an attractive shape and drawing a convenient support line underneath it afterward.

Engulf the body, not necessarily the wicks

An engulfing pair contains opposite-direction bodies. The second body covers the first. Bullish and bearish describe the direction of that second candle; the prior move still matters. [3,4]

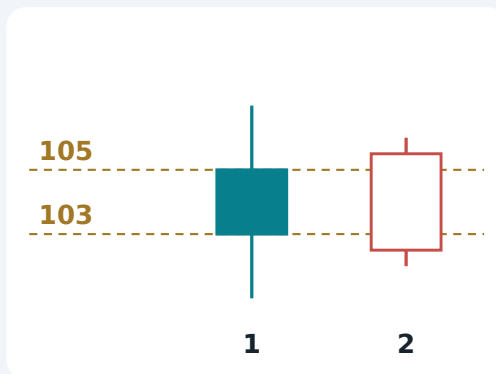
BULLISH PAIR



After a decline

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BEARISH PAIR



After an advance

Bullish: body 102.50-106 covers 103-105. Bearish: body 102.50-105.50 covers 103-105. The earlier wicks remain outside.

For this book, require strict coverage at both body edges. A bullish pair has a down first candle, then $O_2 < C_1$ and $C_2 > O_1$. Reverse those inequalities for a bearish pair. Equal edges do not qualify under our convention.

For a reversal reading, look for a bullish pair after a decline or a bearish pair after an advance. The larger second body records a change across those two periods; it does not guarantee the next one.

An outside bar covers the previous high and low. An engulfing body does not have to do that. These are different descriptions, and neither is the entry rule used later in this book.

COMMON MISTAKE

Calling a candle engulfing because its wick crosses the previous high while its body does not cover the earlier body.