



# Introduction to Candlestick Charts



# Outline

What is Technical Analysis

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Candlestick OHLC

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# What is Technical Analysis

- Make probabilistic forecasts of future price behaviour based on price history
- Find risk-defined entries (and exits) on instruments that a speculator wants to be long/short
- NOT a way to know the future price behaviour of an instrument based on price history

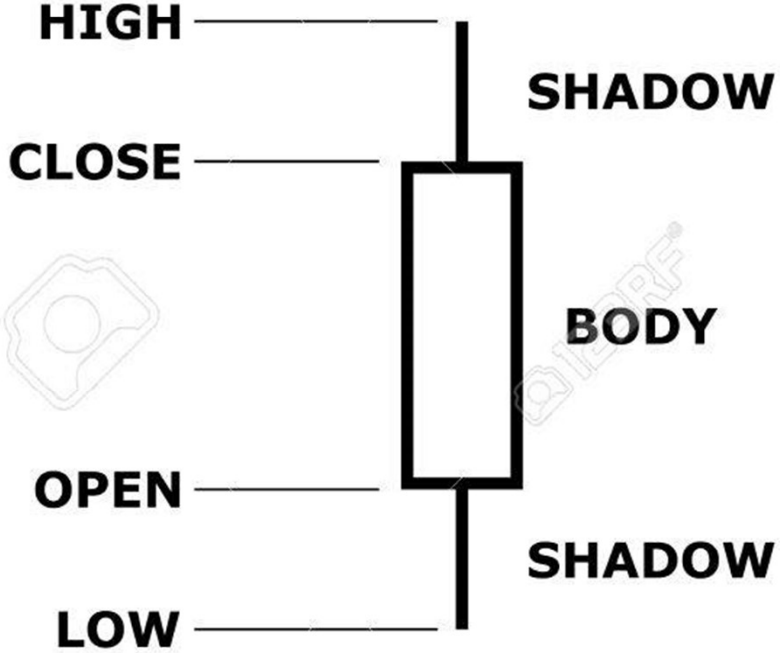
In other words, technical analysis is best thought of as a risk management tool



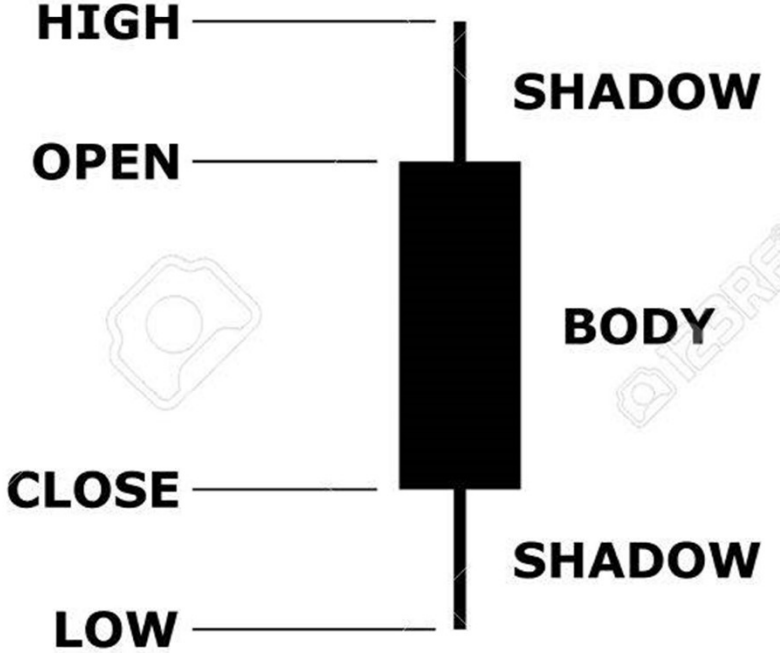
# Candlestick Anatomy

- Candlestick charts are one version of a price chart
- Anatomy: colour, body, wick
- Candle colours
  - Red/Bearish candle → closing price was lower than opening price (within a given time frame)
  - Green/Bullish candle → closing price was higher than opening price (within a given time frame)
- Candle bodies
  - Red/Bearish candle → upper body is the opening price & lower body is the closing price (wgtf)
  - Green/Bullish candle → upper body is the closing price & lower body is the opening price (wgtf)
- Candle wicks
  - Upper wick → highest price point within a given time frame
  - Lower wick → lowest price point within a given time frame

# BULLISH CANDLE



# BEARISH CANDLE





# Candlestick OHLC

- When hovering your cursor over a candlestick, your platform should show you the OHLC
  - **O**pen
  - **H**igh
  - **L**ow
  - **C**lose
- This is very useful when mapping out significant price levels
  - Weekly open
  - Daily open
  - High of day/Low of day
  - Precise high/low of a given move
  - Whether price closed through a level or swing point



# Time Frames

- Time frame you choose dictates the time period that 1 candle represents
  - E.g. on 15 Minute time frame, 1 candle = 15 minutes elapsed
  - Also gives context for OHLC e.g. on 1 Day time frame, OHLC tells you the open, high, low, and close for the day
- Higher time frame candles are comprised of lower time frame candles
  - E.g. 1 Hour time frame = 4X 15 Minute candles, or 2X 30 Minute candles, and so forth
- Candle closes are very significant → don't get ahead of yourself before a candle close
  - A lot can change in what a candle looks like between the open and the close
  - Especially true for higher time frame candles (D1, W1, et cetera)
  - Good idea to wait for the candle to close on the time frame you're trading before taking a position
- Beginners should focus on a couple of (higher) time frames to not get caught up in the noise
  - My favourite combination being the Monthly, Weekly, H12 and H1 time frames



# Candlestick Patterns

- There're a ton of them, but the ones I pay attention to:
  - Swing High/Swing Low (more of a price pattern)
  - Doji
  - Shooting Star/Hammer
  - Engulfing
  - Tweezers
- When it comes to candlestick patterns, I implore you to take a nuanced approach
  - Beginners, having just learned all sorts of patterns, start looking for them everywhere and trying to trade based on patterns alone → bad idea
  - My suggestion: look for higher time frame, clear patterns where it makes sense to do so
    - E.g. no point looking for reversal patterns in a tight range, but makes more sense to pay attention to a reversal pattern where there is a strong trend (up or down)





Important Tip

- **USE HIGHER TIME  
FRAMES**
- **ZOOM OUT**



# Conclusion

- Well done for making it through the first lesson → enjoy the rest of the course!
- Learning how to read a candlestick chart and doing so intuitively is really important
  - So spend some time studying and looking at price charts until it becomes second nature
- Get in the habit of looking at candlestick OHLC, especially for marking out key opens, closes, high, lows et cetera
- When it comes to time frames, it's really easy to get caught up in all the low time frame noise
  - Find 1 or 2 time frames when starting out and study them → observe price
- Patterns can be useful, but only if they appear in the right context
  - Don't 'hunt' for them everywhere → wait for them to setup where it makes sense to do so
  - Find a handful that work for you, don't try to learn them all and trade them all everywhere
- **USE HIGHER TIME FRAMES AND ZOOM OUT**