THE COMPLETE BOOK OF

Candlestick Patterns

Every formation explained, one page each,
with research notes and crypto trading guides



160 pages | 77 pattern pages | 6 trading playbooks | glossary and quiz

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A field guide to every major candle formation, with research notes, crypto trading guidance, six playbooks, a quiz and journal pages.

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About this edition

This book was researched and written with the help of Claude, an AI model made by Anthropic. Pattern definitions follow the standard candlestick literature. Statistics quoted for specific patterns come from Thomas Bulkowski's published tests of 103 candlestick patterns (daily stock data) as reported on his site and in his articles; they were checked against those sources in November 2026. Figures change as he updates his work, so check the original for the latest numbers.

Candlestick diagrams are schematic. They show the defining geometry of each pattern, not real price data, and real charts will look messier.

Disclaimer

This book is for education and information only. It does not provide financial, investment, tax or legal advice and does not recommend buying or selling any asset. Trading, especially leveraged trading of crypto-assets, carries a high risk of loss and past performance of any pattern does not guarantee future results. You are responsible for your own decisions. Consult a licensed professional if you need advice.

Bulkowski, Thomas N. *Encyclopedia of Candlestick Charts*. Wiley, 2008. Nison, Steve. *Japanese Candlestick Charting Techniques*. New York Institute of Finance, 1991.

Contents

How to Use This Book 9

Chapter 1: The Story of the Candle 11

Chapter 2: Anatomy of a Candle 13

Chapter 3: Body, Wick and Size 15

Chapter 4: Context Is Everything 17

Chapter 5: The Psychology Behind the Shapes 19

Chapter 6: Timeframes and Crypto Market Structure 21

Chapter 7: A Five-Step Method for Reading Any Pattern 23

Chapter 8: Reversal, Continuation and Indecision 24

Group A: Single-Candle Patterns 27

- Bullish Marubozu 28
- Bearish Marubozu 29
- Long Bullish Candle 30
- Long Bearish Candle 31
- Spinning Top 32
- High Wave Candle 33
- Doji 34
- Long-Legged Doji 35
- Dragonfly Doji 36
- Gravestone Doji 37
- Hammer 38
- Hanging Man 39

Inverted Hammer 40
Shooting Star 41
Bullish Belt Hold 42
Bearish Belt Hold 43

Group B: Two-Candle Patterns 44

Bullish Engulfing 45
Bearish Engulfing 46
Bullish Harami 47
Bearish Harami 48
Bullish Harami Cross 49
Bearish Harami Cross 50
Piercing Line 51
Dark Cloud Cover 52
Tweezer Bottom 53
Tweezer Top 54
Bullish Kicking 55
Bearish Kicking 56
Bullish Counterattack Lines 57
Bearish Counterattack Lines 58
Homing Pigeon 59
Matching Low 60
Matching High 61
On Neck 62
In Neck 63
Thrusting 64
Bullish Separating Lines 65
Bearish Separating Lines 66
Inside Bar 67
Outside Bar 68

Group C: Three-Candle Patterns 69

Morning Star 70

Evening Star . . . 71
Morning Doji Star . . . 72
Evening Doji Star . . . 73
Bullish Abandoned Baby . . . 74
Bearish Abandoned Baby . . . 75
Three White Soldiers . . . 76
Three Black Crows . . . 77
Three Inside Up . . . 78
Three Inside Down . . . 79
Three Outside Up . . . 80
Three Outside Down . . . 81
Bullish Three Line Strike . . . 82
Bearish Three Line Strike . . . 83
Bullish Tri-Star . . . 84
Bearish Tri-Star . . . 85
Upside Tasuki Gap . . . 86
Downside Tasuki Gap . . . 87
Upside Gap Three Methods . . . 88
Downside Gap Three Methods . . . 89
Deliberation (Stalled Pattern) . . . 90
Advance Block . . . 91
Two Crows . . . 92
Identical Three Crows . . . 93
Unique Three River Bottom . . . 94
Stick Sandwich . . . 95

Group D: Multi-Candle and Gap Patterns . . . 96

Rising Three Methods . . . 97
Falling Three Methods . . . 98
Mat Hold . . . 99
Bullish Breakaway . . . 100
Bearish Breakaway . . . 101

Rising Window . . . 102
Falling Window . . . 103
Island Reversal . . . 104
Hikkake (False Breakout) . . . 105
Key Reversal Day . . . 106
Rounding Bottom (Fry Pan) . . . 107

The Rare Pattern Catalog . . . 108

Chapter 9: Confluence - Stacking the Odds . . . 111

Chapter 10: Volume and Candles . . . 113

Chapter 11: Candles Plus Indicators . . . 114

Chapter 12: Entries, Stops and Targets . . . 116

Chapter 13: Risk and Position Sizing . . . 118

Chapter 14: Crypto-Specific Considerations . . . 120

Chapter 15: Six Trading Playbooks . . . 122

Chapter 16: Backtesting and What the Research Says . . . 124

Chapter 17: Look-Alike Patterns . . . 126

Chapter 18: The Trader's Mind . . . 128

Appendix A: Signal Finder . . . 130

Appendix B: Visual Pattern Index . . . 132

Appendix C: Self-Test Quiz . . . 138

Quiz Answer Key . . . 140

Appendix D: Glossary **141**

Appendix E: Trade Journal **143**

Appendix F: Weekly Review and Further Reading **155**

Appendix G: Pre-Trade Checklist and Size Worksheet **156**

Appendix H: Pattern Mastery Tracker **157**

Notes **160**

How to Use This Book

This book is a complete field guide to candlestick patterns. It is written for traders of every market, but the examples, warnings and playbooks are tuned for cryptocurrency charts, where markets never close, liquidity is uneven and leverage is easy to reach.

The book has three parts. **Part I** teaches the anatomy and logic of the candle: how a single bar is built, what its shape says about the fight between buyers and sellers, and why context matters more than shape. **Part II** is the encyclopedia: 77 individual patterns, one page each, grouped by the number of candles they use, plus a catalog of rare formations. **Part III** shows how to turn patterns into trades with confirmation, risk management, playbooks and honest backtesting. The appendices hold cheat sheets, a quiz, a glossary and journal pages.

How each pattern page works

Every encyclopedia page uses the same layout so you can compare patterns quickly. At the top you will see the pattern name, its group, the typical signal, and the prior trend in which it is meant to appear. Below that is a diagram. Grey candles show the lead-in trend; numbered candles are the pattern itself. Green candles close above their open and red candles close below it. Six short notes follow:

- **Formation** - the exact rules that define the pattern.
- **Story** - what the candles say about buyers and sellers.
- **Trade** - a sensible way to act on it, with confirmation.
- **Risk** - where the idea is proven wrong.
- **Crypto** - how the pattern behaves on 24/7 crypto charts.
- **Mistake** - the error traders most often make with it.

Where research exists, a shaded **Research note** compares the textbook claim with measured results. Several textbook labels turn out to be wrong, and you will see why in Chapter 8.

> **A NOTE ON RISK**
>
> This book is for education only. It is not financial advice, and no candlestick pattern predicts the future. Trading leveraged crypto products can lose more than you expect, quickly. Never risk money you cannot afford to lose, and test every idea on a demo account or with small size before trusting it.

Chapter 1: The Story of the Candle

Candlestick charts are older than modern stock markets. The standard story begins in 18th-century Japan, in the rice trade of Osaka and Sakata. A merchant named Munehisa Homma (1724-1803) is credited with recognising that the price of rice depended not only on supply and demand but also on the emotions of traders. His observations about how prices opened, traded and closed, and how crowd psychology moved them, are said to have evolved into what we now call candlestick charting. Much of Homma's biography is legend, and the exact line from his notes to the modern candle is hard to trace, but the central idea, that price is a record of human emotion, survives.

The Japanese name for the chart is *ashi*, meaning foot or leg, and many of the pattern names you will meet are Japanese words: *doji* (a blunder or mistake, because open and close are nearly equal), *marubozu* (shaved head, a candle without wicks), *tasuki* (a sash worn to tie up a kimono sleeve) and *hikkake* (a trap). The poetic names stuck because they describe pictures traders can recognise at a glance.

Western traders mostly used line charts and bar charts until the early 1990s. Steve Nison, an analyst working in New York, introduced candlesticks to a wide Western audience with his book *Japanese Candlestick Charting Techniques* (1991). Within a few years candles became the default display on trading platforms. Today, almost every charting package, from stock terminals to crypto exchanges, opens with candles.

From folklore to statistics

For most of their history, candlestick patterns passed on as expert lore: "this shape means a reversal". Thomas Bulkowski changed that conversation. In his *Encyclopedia of Candlestick Charts* (2008) he examined 103 candlestick patterns across millions of price bars (he reports about 4.7 million candle lines of daily stock data) and measured how often each one actually behaved as its textbook description predicted. Some patterns performed well. Others did the opposite of the legend. We will use his findings throughout this book, with the caveat that they come largely from stocks, not crypto.

Why candles on crypto charts?

Bitcoin began trading in 2009 and the first exchanges adopted the charting conventions of stock platforms. Candles became standard because they pack four

prices (open, high, low, close) into a shape you can read in a glance, and because crypto traders are overwhelmingly chart-driven. When tens of thousands of traders watch the same hammer on the same level, their actions can create the very reaction the pattern describes. That is both the strength and the weakness of the method: patterns work partly because people believe in them, and they fail when too many people act at the same moment.

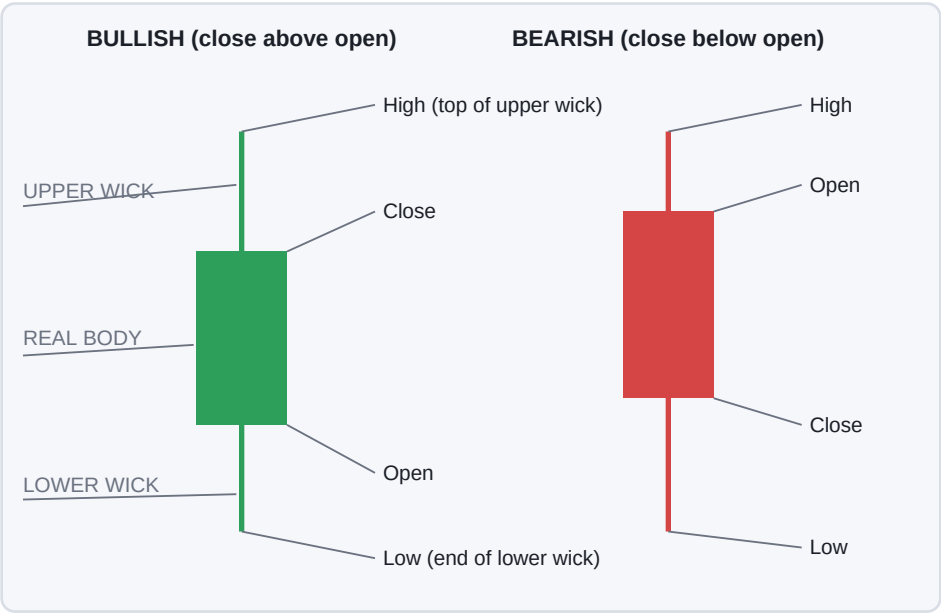
KEY IDEA

A candle is not a prediction. It is a compact record of what buyers and sellers did during a specific period. Patterns are only a way of grouping those records into stories that have tended to repeat.

Chapter 2: Anatomy of a Candle

Every candle summarizes one period of trading, whether that is one minute, one hour, one day or one week. It records four prices:

- **Open** - the first traded price of the period.
- **High** - the highest traded price.
- **Low** - the lowest traded price.
- **Close** - the last traded price of the period.



The thick part of the candle is the **real body**. It spans from the open to the close. If the close is above the open the candle is **bullish** (drawn green or hollow on most platforms); if the close is below the open it is **bearish** (drawn red or filled). The thin lines above and below the body are the **wicks** (also called shadows or tails). The upper wick runs from the top of the body to the high, the lower wick from the bottom of the body to the low.

What the parts mean

- **The body** shows who won the period. A tall body means one side dominated from open to close.

- **The upper wick** shows buyers who pushed price up and were rejected. A long upper wick means supply appeared at higher prices.
- **The lower wick** shows sellers who pushed price down and were rejected. A long lower wick means demand appeared at lower prices.
- **The close** is the most important price. It is the last agreement between buyers and sellers, and it is what most traders use for signals.

Colors are a convention

Green and red are not universal. In East Asian markets red often means up and green means down, and some platforms use hollow and filled bodies. This book always uses green for a bullish (close above open) candle and red for a bearish (close below open) candle. Check your own platform settings before comparing diagrams to a chart.

Candle formation in real time

A candle is not complete until its period ends. While it forms, its shape changes tick by tick: a bar that looks like a hammer at minute 50 of an hour can become a long red candle by minute 59. This is why professional traders wait for the **candle close** before acting on a pattern, and why this book says "on the close" so often. Acting on a live candle means acting on a picture that does not exist yet.

> **RULE OF THUMB**
> A pattern exists only after the final candle closes. Until then it is a possibility.

PATTERN 11 OF 77 | SINGLE-CANDLE PATTERNS

Hammer

SIGNAL	CANDLES	PRIOR TREND
Bullish reversal	1	Downtrend



FORMATION A small real body in the upper part of the range with a lower wick at least twice the body's height and little or no upper wick, after a decline.

STORY Sellers drove price sharply lower during the period, but buyers took control and lifted it back near the open. The failed push down is the bullish evidence.

TRADE Buy on a close above the hammer's high (the confirmation candle) or on a retest of the lower wick region. The more support nearby, the better.

RISK Below the hammer's low. Many traders use a small ATR buffer below the wick.

CRYPTO Hammers are common after crypto flush-outs. Prefer hammers on daily/4-hour charts that form at a prior support area with rising volume.

MISTAKE Calling any candle with a lower wick a hammer. The body must be small, the wick long, and the location must be at the end of a decline.

PATTERN 17 OF 77 | TWO-CANDLE PATTERNS

Bullish Engulfing

SIGNAL	CANDLES	PRIOR TREND
Bullish reversal	2	Downtrend



FORMATION A small bearish candle followed by a larger bullish candle whose real body completely covers the prior body, after a decline.

STORY Sellers pushed price lower at the open, then buyers overwhelmed them and closed above the previous open. Control of the market flipped in one bar.

TRADE Buy on a close above the engulfing candle's high or on a pullback to its midpoint. Strongest at support and when volume expands.

RISK Below the low of the engulfing candle.

CRYPTO On crypto daily charts, bullish engulfing bars after multi-day dumps are common bounce signals. Check that the engulfing candle closed, not merely wicked, above the prior body.

MISTAKE Accepting tiny first candles. If the first candle is a doji or very small, the 'engulfing' says little; the first candle should show real selling.

PATTERN 41 OF 77 | THREE-CANDLE PATTERNS

Morning Star

SIGNAL	CANDLES	PRIOR TREND
Bullish reversal	3	Downtrend



FORMATION A long bearish candle, a small-bodied 'star' that gaps below it, then a long bullish candle closing above the midpoint of the first candle.

STORY Selling exhausts itself in candle one, indecision appears in the star, and buyers take control in candle three. It reads like dawn after a dark night.

TRADE Buy on the close of the third candle or on a pullback into its body. Best at support with volume rising on the third candle.

RISK Below the star's low.

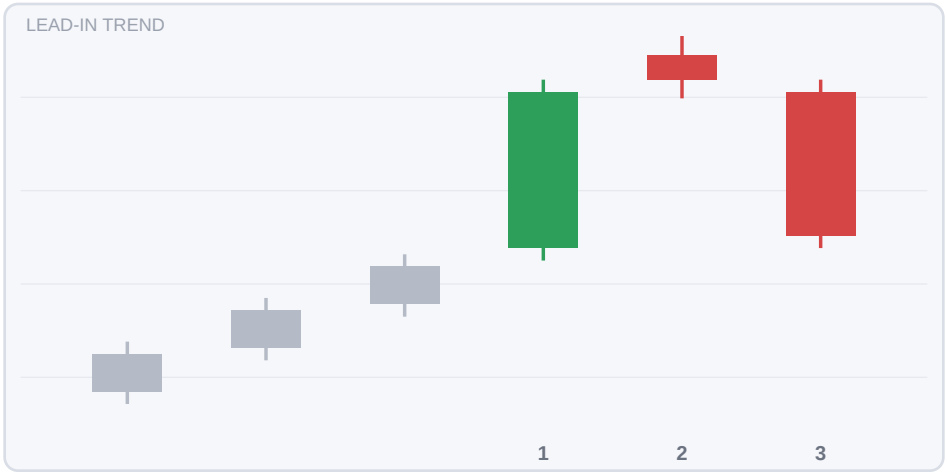
CRYPTO With few true gaps in crypto, accept a star whose body sits below the first candle's body without requiring wick separation.

MISTAKE Accepting a third candle that closes only slightly into the first. It should reach beyond the midpoint.

PATTERN 42 OF 77 | THREE-CANDLE PATTERNS

Evening Star

SIGNAL	CANDLES	PRIOR TREND
Bearish reversal	3	Uptrend



FORMATION A long bullish candle, a small-bodied star that gaps above it, then a long bearish candle closing below the midpoint of the first candle.

STORY Buying pushes to a high, then stalls in the star, and finally sellers take over. The sun sets on the rally.

TRADE Short or exit on the third candle's close, or on a retest of its body. Stronger at resistance and when volume rises on the third candle.

RISK Above the star's high.

CRYPTO Evening stars on weekly BTC charts are rare but significant; on lower timeframes they are common and less reliable.

MISTAKE Skipping the location filter. An evening star mid-range is not a top.

RESEARCH NOTE Bulkowski's tests rate the evening star as a bearish reversal about 72% of the time, among his top ten overall performers.

PATTERN 48 OF 77 | THREE-CANDLE PATTERNS

Three Black Crows

SIGNAL	CANDLES	PRIOR TREND
Bearish reversal	3	Uptrend



FORMATION Three consecutive long bearish candles, each opening inside the previous body and closing near its low, making lower closes.

STORY Relentless selling over three sessions, each bounce failing. The trend has flipped from demand-led to supply-led.

TRADE Short a bounce into the first crow's body, or on a break below the third crow's low. Avoid chasing after a large decline.

RISK Above the first crow's high, or above the second crow's high for more aggressive trading.

CRYPTO In crypto the three crows often develop over three days after a blow-off top; check funding rates for crowded longs unwinding.

MISTAKE Entering after the third crow when price is already near support.

RESEARCH NOTE Bulkowski's data rank three black crows third overall, with a bearish reversal about 78% of the time. This is one of the best textbook candlestick patterns in his tests, but remember it came from stock data.