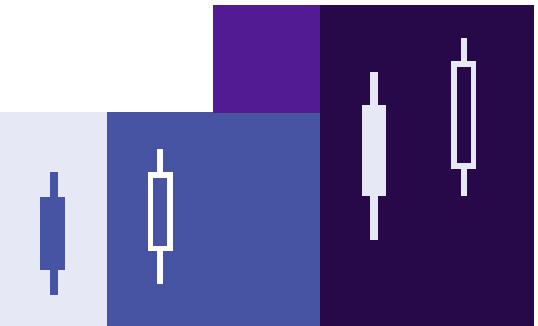


Japanese Candlesticks

background and formation



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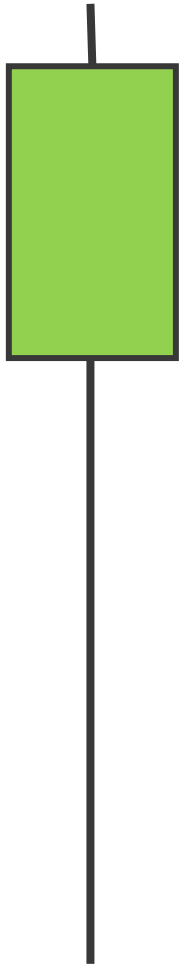
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History of the Japanese Candlestick

- Candlesticks were developed by 18th Century rice trader Homma Munehisa

- As a result, Munehisa was able to study price information over a period of time in order to get a reliable indication of price movements

- Behind each candlestick:
  - There is a story – many things may happen between the open and close of a candlestick
  - There is psychology – buyers and sellers are trying to get the best price
  - There is likelihood of a pattern or direction – throughout a period of time a pattern of strength or weakness may be established



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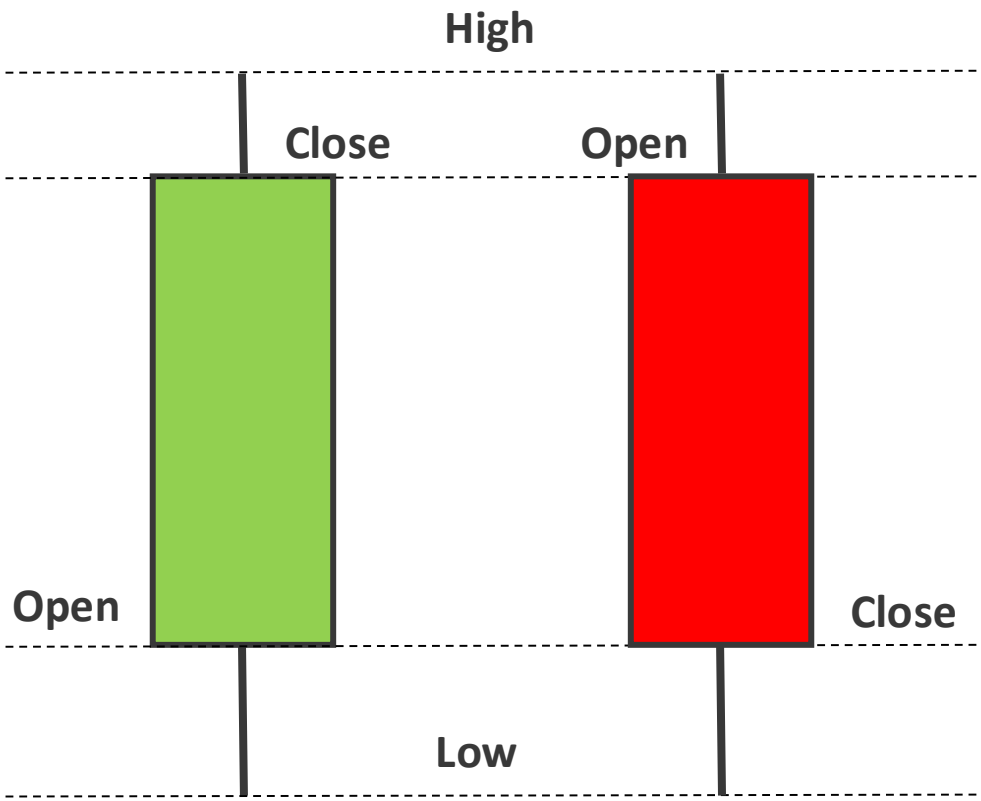
Candlestick Components

+ **Composed of 4 prices**
  1. An open price
  2. A close price
  3. A period high price
  4. A period low price

+ A green body signifies an up price movement

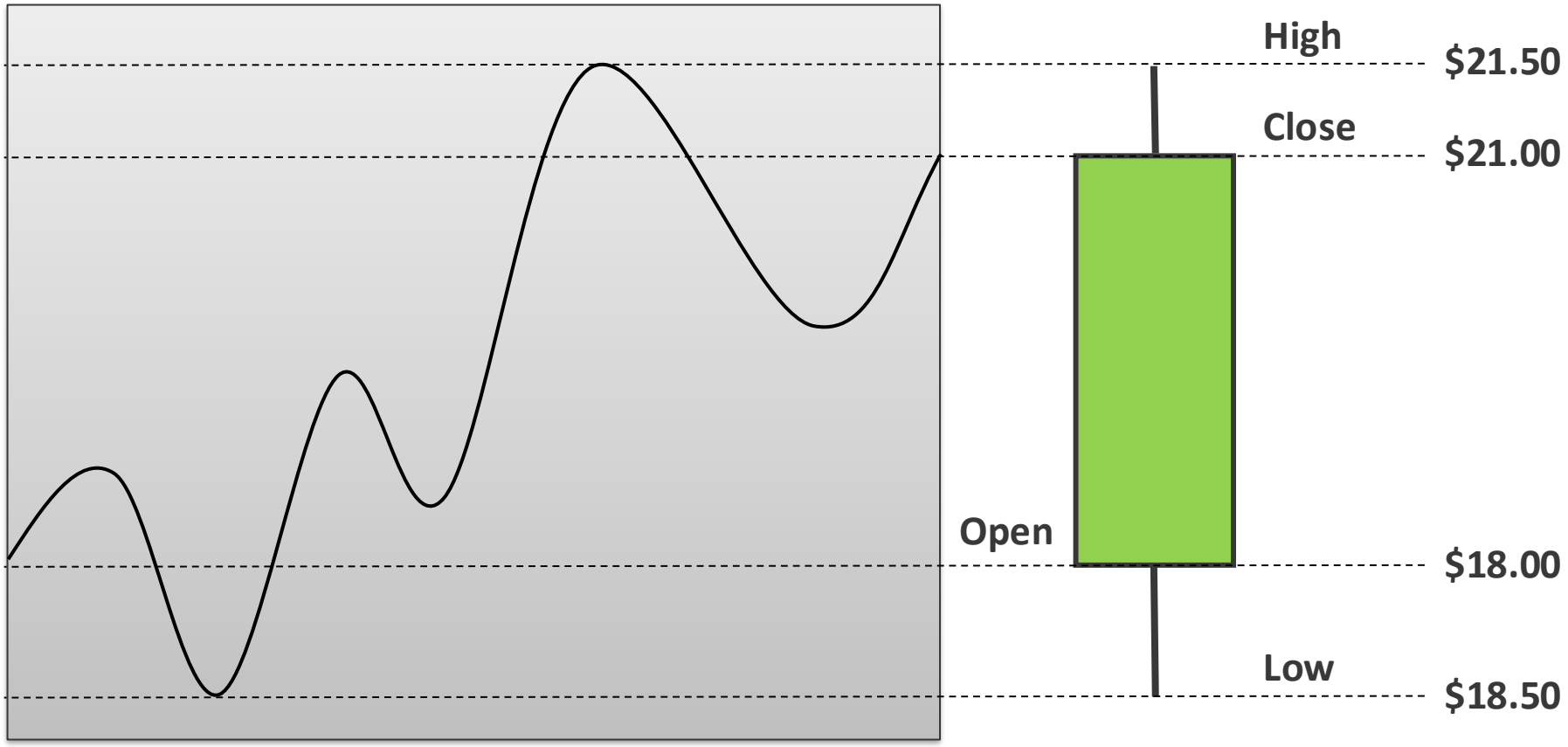
+ A red body signifies a down price movement

+ The wicks or shadows illustrate the highest and lowest price point



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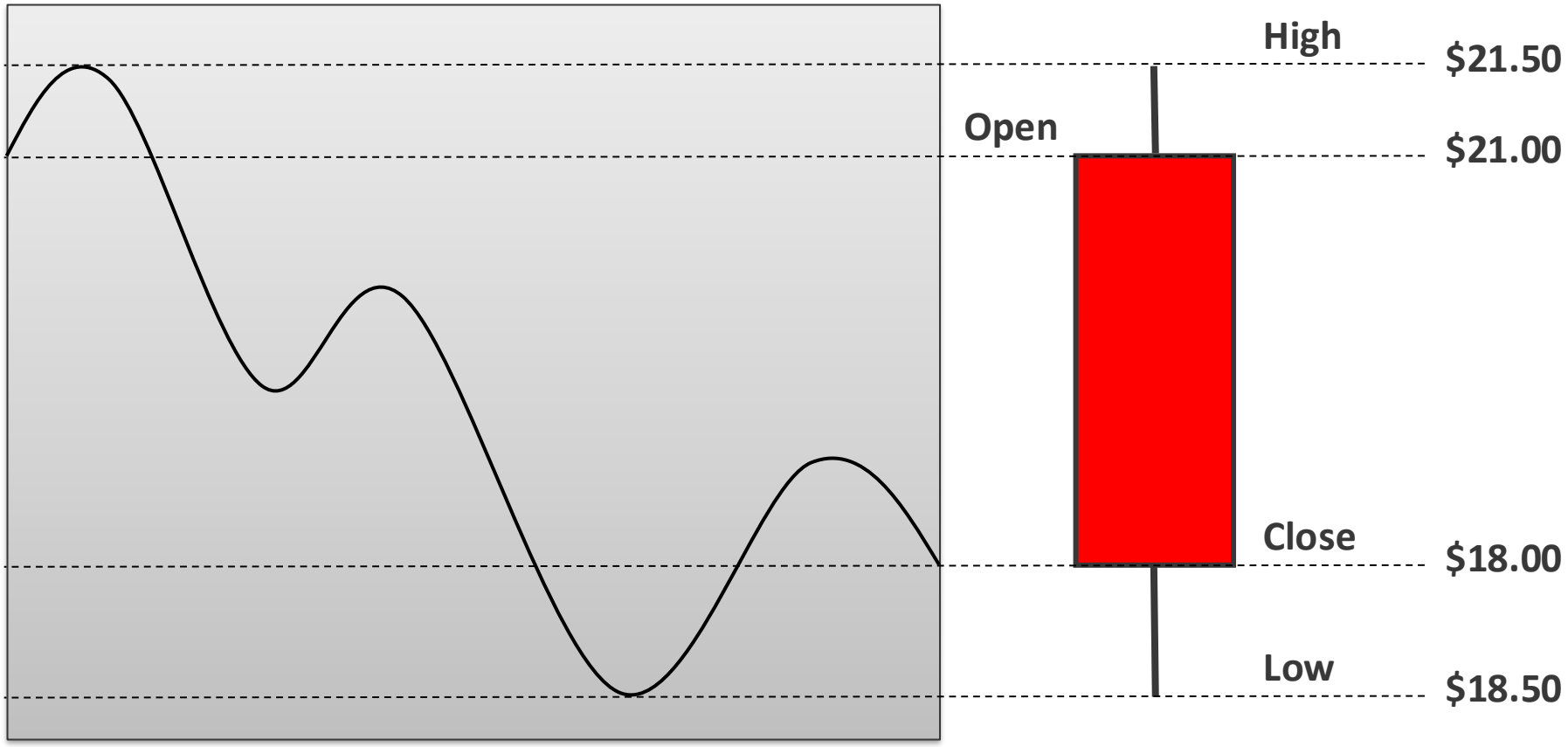
Rising Price Candlestick



+ Based on a standard period of time, i.e. 5 mins, 1 day, 1 week candlestick

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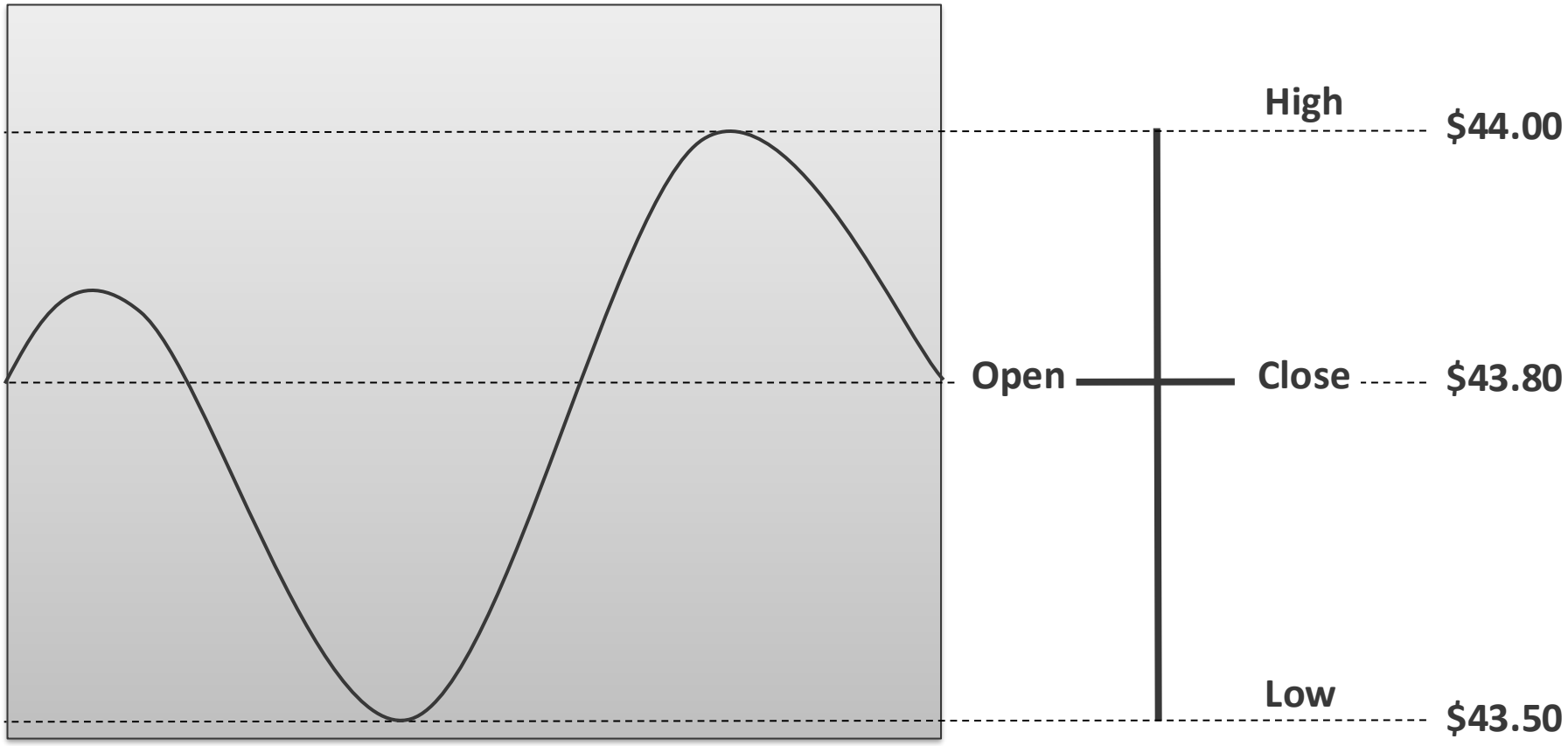
Declining Price Candlestick



+ Based on a standard period of time, i.e. 5 mins, 1 day, 1 week candlestick

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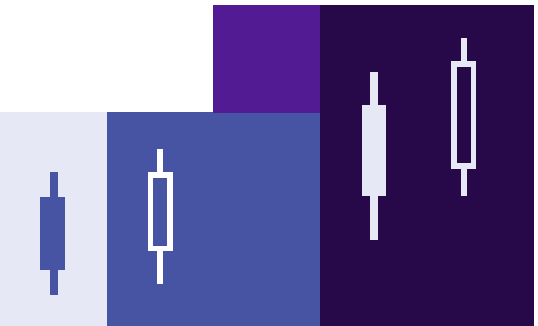
Doji Candlestick Without Change



+ Based on a standard period of time, i.e. 5 mins, 1 day, 1 week candlestick



The Formation of a Japanese Candlestick

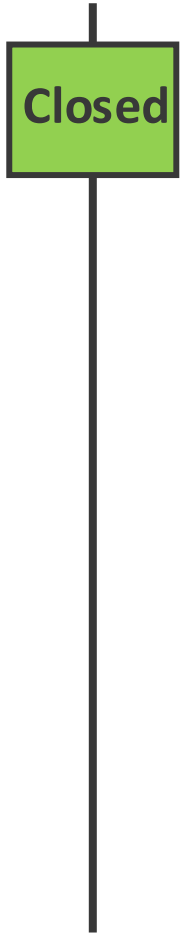


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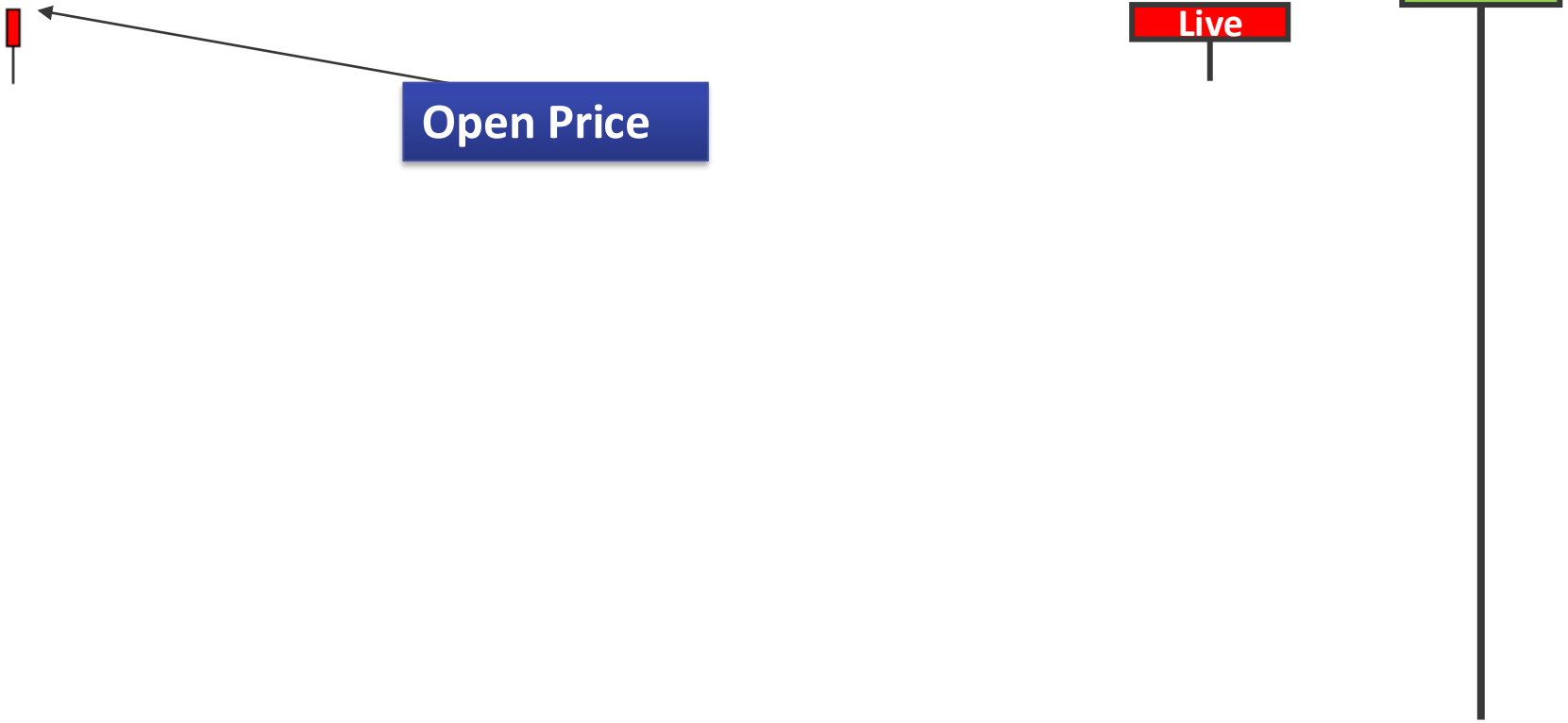
A Day in the Life of a Candlestick

+ Green candle - an up day
+ Long downward tail
+ Who won today?
+ How did the day start?
+ What can the wick or shadow tell us?



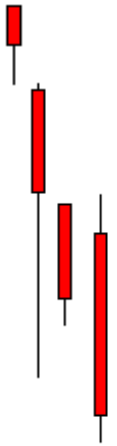
A Day in the Life of a Candlestick

Start of day – 9.30 am

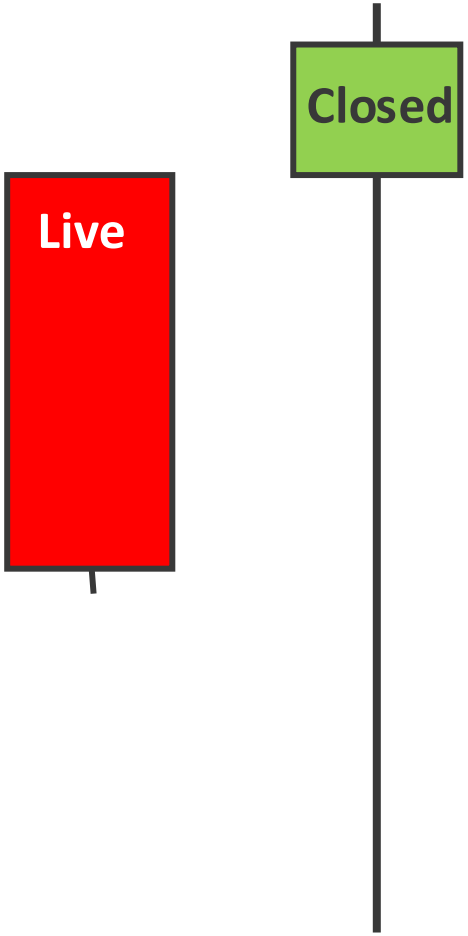


A Day in the Life of a Candlestick

1 hour into trading



We are going down

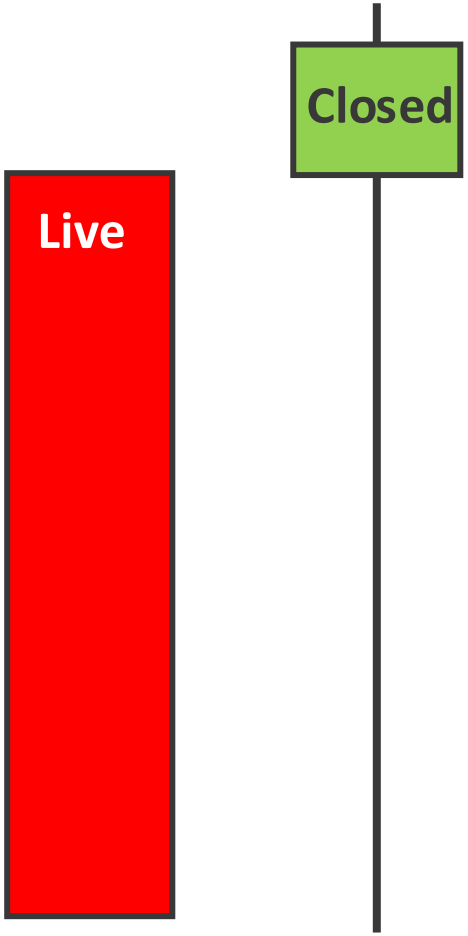


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A Day in the Life of a Candlestick

2.30 hours into trading



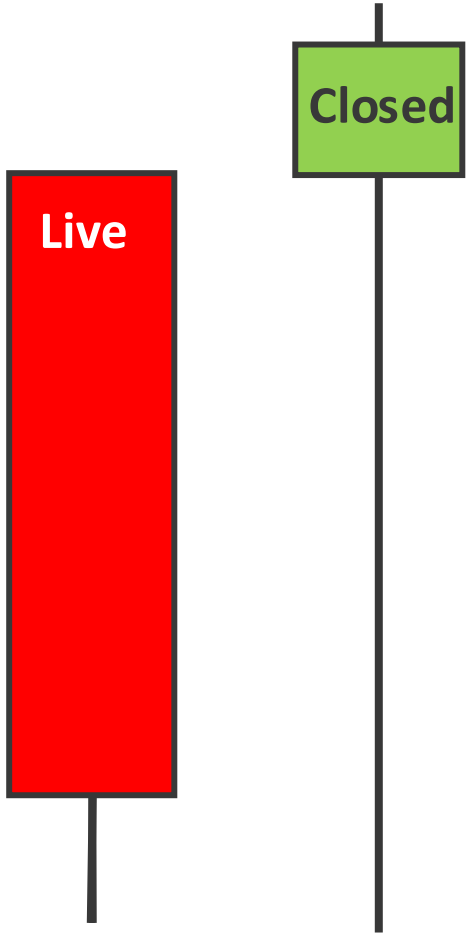


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A Day in the Life of a Candlestick

2.45 hours into trading

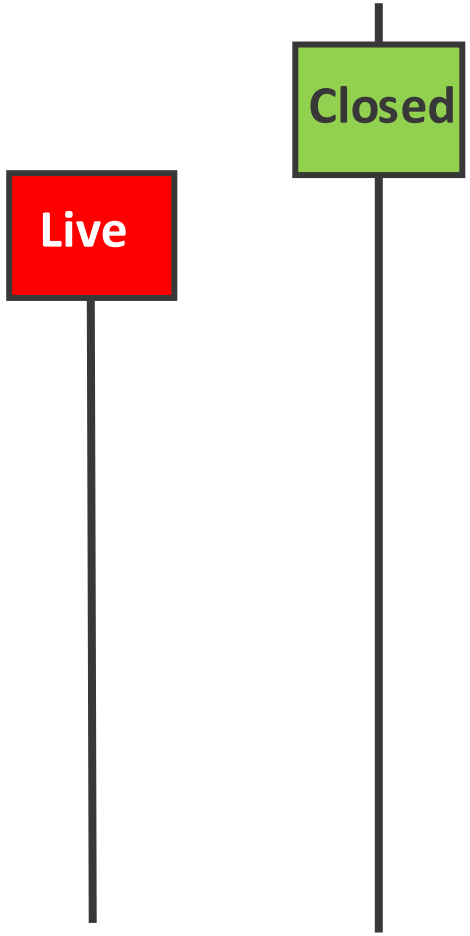




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A Day in the Life of a Candlestick





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A Day in the Life of a Candlestick



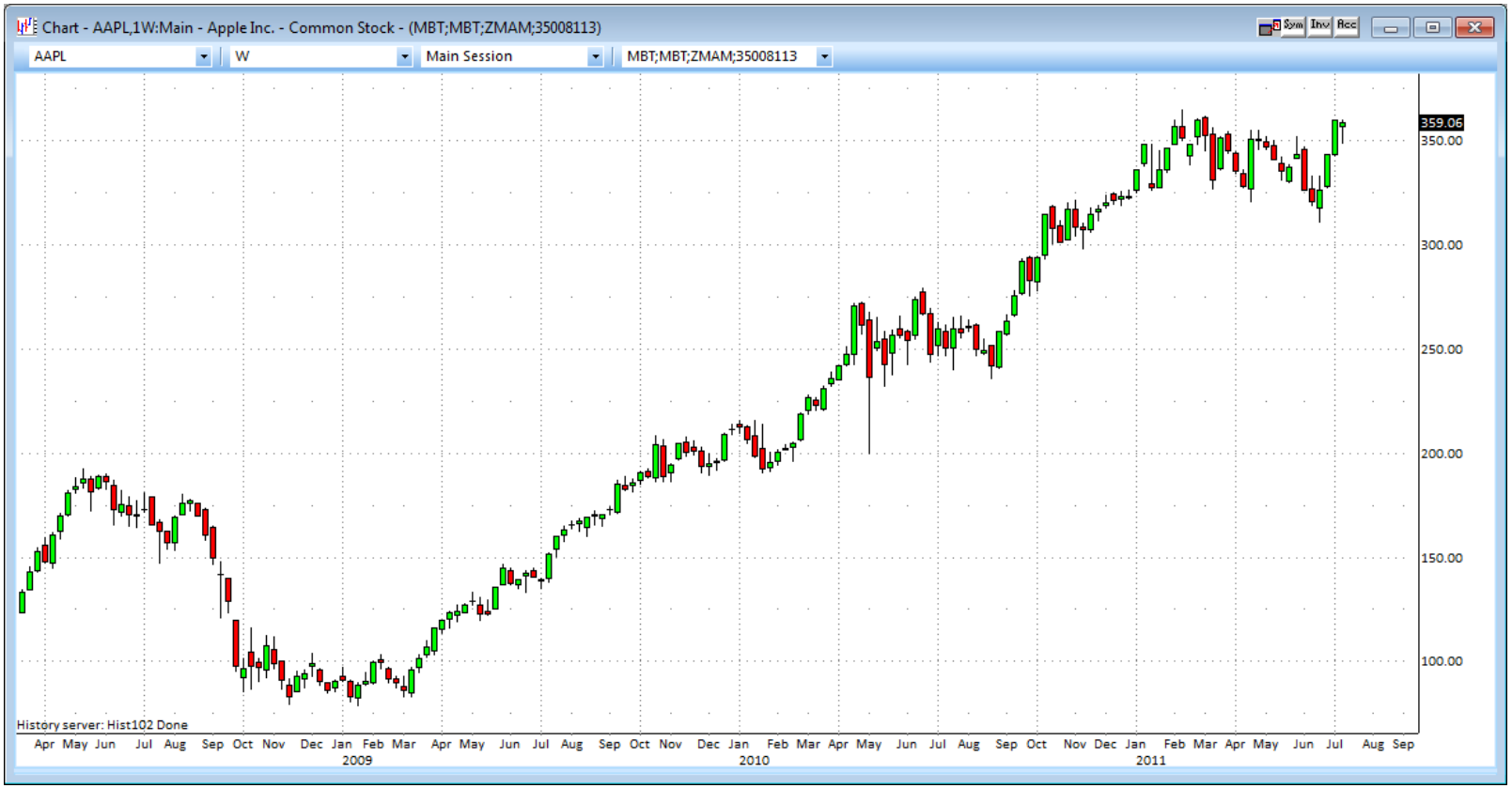
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A Day in the Life of a Candlestick



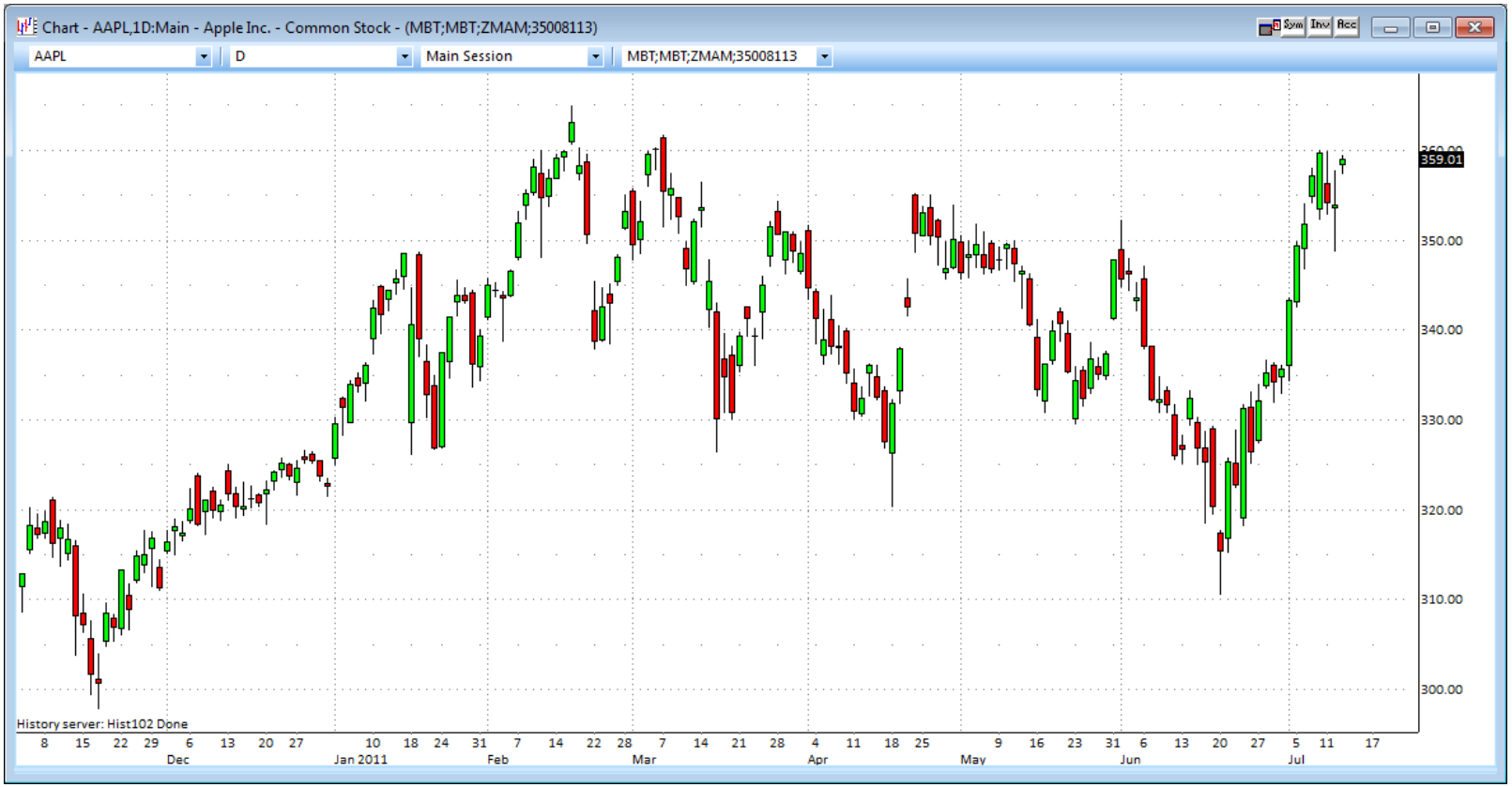
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Candlesticks & Charts - Weekly



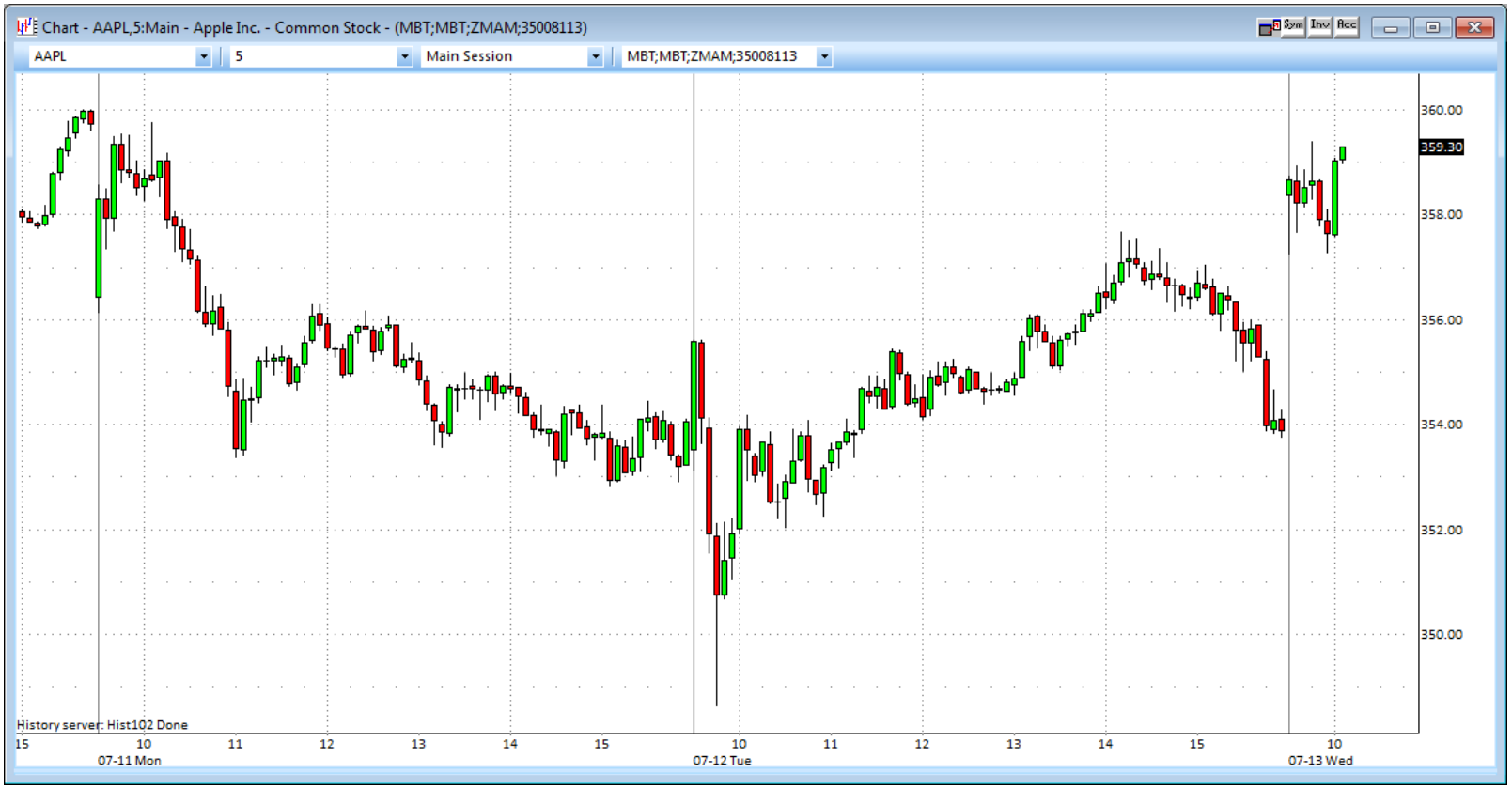
+ Each candlestick represents 1 full week of trading activity
+ Range – at least 1 year of weekly data
+ Weekly graphs give you a perspective of the asset over a long period and is useful for those trading longer timeframes

Candlesticks & Charts - Daily



+ Each candlestick represents 1 day of trading activity
+ Range – at least 6 months of daily data
+ Daily graphs give the spread trader a view of the stocks recent movements and are useful for those who wish to hold a position for a few days or maybe weeks

Candlesticks & Charts - Intraday



+ Each candlestick represents 5 minutes (in this instance) of trading activity
+ Range – 1 day of data
+ An Intraday graph give the trader a snapshot of the current movement of the stock and is suitable for those who want to be in and out of the asset on the same day