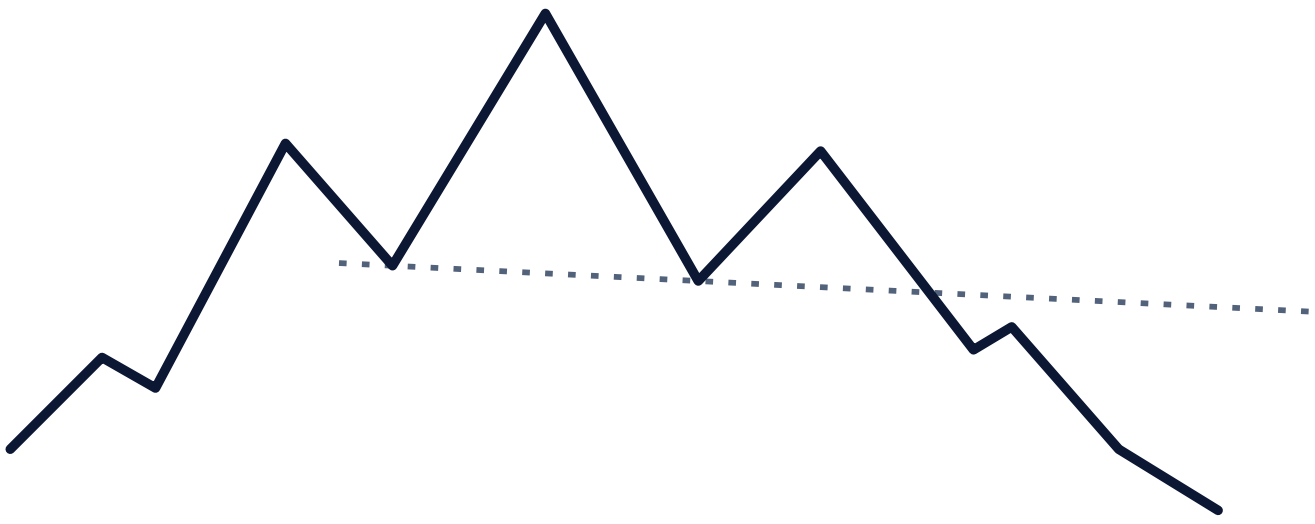
TradingLoot

VERSION 1.0 · 17 OCTOBER 2026

A VISUAL FIELD GUIDE

Chart Patterns & Candlesticks

Eight chart-pattern families and the core candlestick shapes, each explained around one clear diagram: what to recognise, why context matters, what confirmation means and how readings fail.



ABOUT THIS GUIDE

How to Use This Guide

ON THIS PAGE what each page shows, how to read the diagrams, and what this guide is not.

One idea per page

This guide condenses TradingLoot's free online guides to chart patterns and Japanese candlesticks. Each page teaches one idea around one diagram, and links to the full guide for more detail.

Two scales

A chart pattern describes a structure that forms across many periods. A candle summarizes a single period's open, high, low and close. Part 1 covers chart patterns; Part 2 covers candles.

Reading the diagrams

- Every diagram is an idealised schematic, not real market data. It has no prices, dates or timeframe.
- Numbered markers match the numbered notes beside each diagram.
- Dashed lines show alternatives or conventions, not predictions.
- Two candlestick drawings are adapted for this guide; their captions say so.

What this guide is not

Educational content only. It explains how patterns and candles are commonly read; it is not investment advice, and no chart pattern or candle predicts or guarantees trading results. Trading carries risk of loss.

It gives no success rates or performance statistics, and recognising a shape is never, on its own, an instruction to trade.

Where the information comes from

Definitions and conventions come from StockCharts' ChartSchool and Thomas Bulkowski's ThePatternSite, attributed in the text. General explanations, the diagrams and the practical advice are TradingLoot's own. Sources are listed on page 26.

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PART 1

Chart patterns

Shapes that form across many bars, read as a record of how buyers and sellers have behaved. A pattern describes what has happened; it can’t say what will happen next.

What a chart pattern is, and isn’t

A chart pattern is a shape that recurs often enough to have a name. Each one summarizes a contest: where buyers kept stepping in, where sellers kept capping rallies, and what happened when one side gave way. Reading a pattern means reading that contest, not matching a picture.

Treat a pattern as a way to organize what you see and to decide where you’d be wrong, not as a forecast.

Pattern families

Patterns are usually grouped by what they are traditionally read as suggesting. The groups are a convention, not a promise about direction.

- **Reversal:** a possible end to the trend before them, such as head and shoulders and double tops and bottoms.
- **Continuation:** a possible rest within a trend, such as flags and pennants.
- **Either way:** shapes such as triangles, whose name doesn’t fix the direction of the breakout.

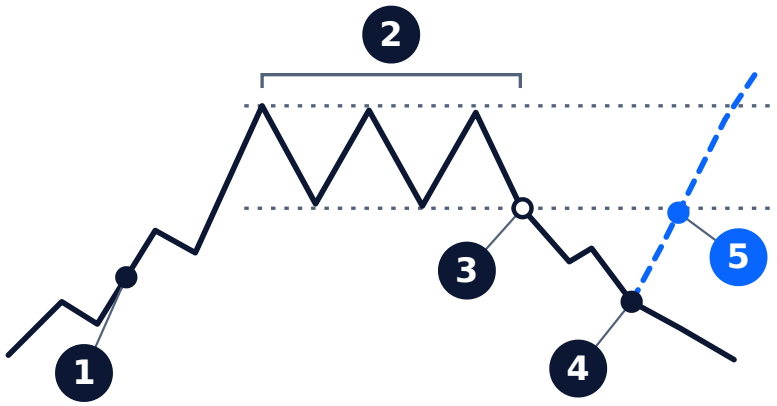
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CHART PATTERNS · METHOD

Reading Any Chart Pattern

ON THIS PAGE the same four steps apply whatever the shape: trend, boundaries, confirmation, and where the reading would be wrong.



1. **Prior trend.** The move the pattern forms after. A reversal pattern needs a trend to reverse.
2. **Formation.** Price swings between two boundaries, the dotted lines. The bracket spans the formation.
3. **Breakout.** Price crosses a boundary. On its own, a breakout is not yet confirmation.
4. **Confirmation.** Price has moved convincingly beyond the boundary. What counts as convincing varies by pattern and source.
5. **Possible failure (dashed).** One alternative: price later comes back through the pattern and out the other side. It may not happen.

How a chart pattern is read. Idealised schematic, not real market data, from TradingLoot’s chart patterns guide. The solid and dashed paths are alternatives; the diagram doesn’t say which is more likely.

1. Start with the trend

A pattern only means something relative to what came before it. ChartSchool is explicit that without a prior trend to reverse, there can’t be a reversal pattern at all.

2. Find the boundaries

Most patterns are defined by a level or line that price keeps reacting to. That boundary is where the pattern will be confirmed or not.

3. Wait for confirmation

Bulkowski defines confirmation as the price at which “squiggles on a chart become a valid chart pattern”. Before confirmation you have a possible pattern, not a pattern.

4. Know where you’d be wrong

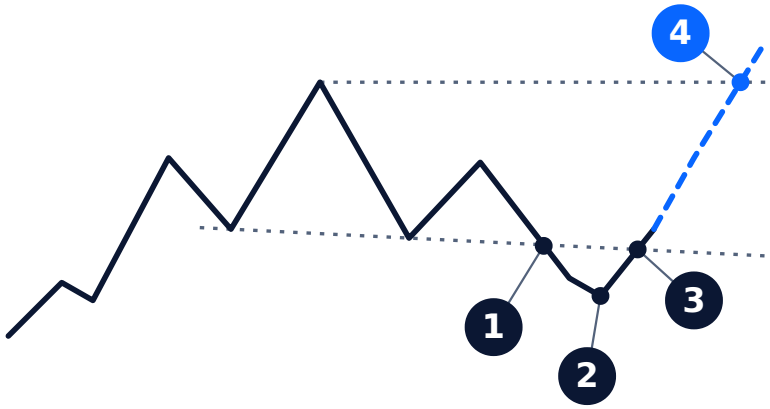
Decide in advance what price would show the reading was wrong, typically back through the pattern on the other side. That is TradingLoot’s practical advice, not a rule from the sources.

Sources: StockCharts ChartSchool and Thomas Bulkowski’s ThePatternSite glossary, as cited in the full guide. The quotation was checked word for word for the online guide.

CHART PATTERNS · METHOD

When Patterns Fail

ON THIS PAGE false breakouts, failed patterns and retests: what can happen after a boundary breaks.



1. **Neckline break.** The pattern looks confirmed.
2. **Little follow-through.** Price stalls not far beyond the neckline.
3. **Back above the neckline.** The breakout has failed.
4. **Possible further reversal (dashed).** After the failed neckline breakout, price may reverse further upward, here rising above the top of the pattern.

A failed head and shoulders breakout. Idealised schematic, not real market data, from TradingLoot's head and shoulders guide.

This shows one way a breakout can fail. It isn't a probability, and it doesn't mark a universal point where a reading becomes wrong.

False breakouts

Not every break holds. Price can poke through a boundary and slip straight back, which is why ChartSchool suggests filters before treating a break as valid. Filters reduce false signals, but they also mean acting later; neither choice removes the risk.

Failed patterns

A pattern can fail after it has been confirmed. Bulkowski's narrower term is a busted pattern: price moves no more than 10% after the breakout, then reverses and crosses the other side of the pattern.

Failure is information

A failed pattern shows that the side that seemed to be winning couldn't follow through. That is why every reading needs a point where it would be wrong.

Retests

Price often comes back to test a boundary it has just broken. Bulkowski calls the return a throwback after an upward breakout and a pullback after a downward one. A retest is a possibility, not a step in the pattern.

CHART PATTERNS · METHOD

Context, Volume and Limits

ON THIS PAGE what to weigh alongside the shape, and what no pattern can tell you.

Volume

Treat volume as one input to weigh, not a switch that turns a pattern on or off. How much weight it gets varies by pattern and source: ChartSchool, for example, treats volume on a head-and-shoulders neckline break as one of the most critical factors.

Context

Context matters as much as shape. The same pattern means something different after a long trend than in the middle of a choppy range, close to a major level than in open space, or on a chart with too little trading to show a real contest.

Textbook vs live charts

- Live charts rarely look like diagrams: shoulders are uneven, peaks don’t quite match and boundaries slope.
- Look at the boundary and the confirmation level rather than how closely the shape matches a picture.
- Ask whether you would have seen the pattern before the breakout, or only after it.

Probabilities and limits

TradingLoot doesn’t publish success rates. Results depend on how a pattern is defined, the market, the period studied and how a break is measured, so a single number can mislead. A projected target is a reference point, not a forecast.

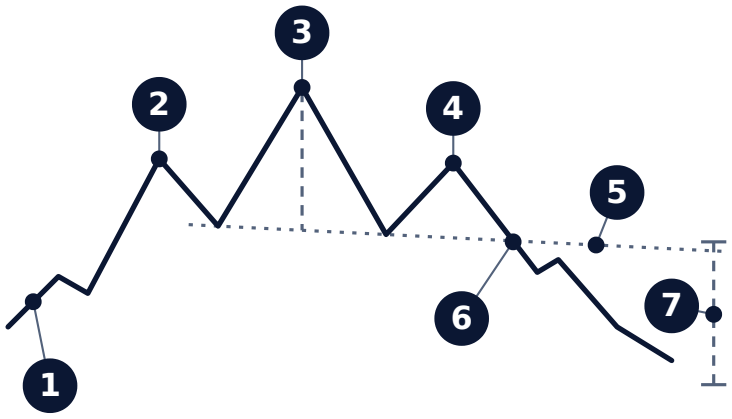
Key takeaways

- A chart pattern records what buyers and sellers have done; it doesn’t predict what they’ll do.
- Read the prior trend first: a reversal pattern needs something to reverse.
- A shape isn’t a pattern until price breaks its boundary convincingly.
- Confirmed patterns can still fail, so decide in advance where the reading would be wrong.
- Treat volume and price targets as guides, not guarantees.
- Live patterns are messier than diagrams, and easier to see in hindsight.

CHART PATTERNS · REVERSAL PATTERN

Head and Shoulders

ON THIS PAGE why three peaks alone don’t make the pattern: it needs a prior uptrend, and only the neckline break completes it.



1. **Prior uptrend.** Without a trend to reverse, there is no reversal pattern.
2. **Left shoulder.** A peak, then a pullback.
3. **Head.** A higher peak, then a decline back toward the earlier low.
4. **Right shoulder.** A lower peak, often roughly level with the left shoulder.
5. **Neckline.** The line through the two lows between the peaks. It can slope up, down or be flat.
6. **Neckline break.** A convincing move below the neckline. Only now is the pattern complete.
7. **Measured-move convention (dashed).** The head’s height above the neckline, projected down from the break. A rough guide, not a forecast.

Head and shoulders top. Idealised schematic, not real market data, from TradingLoot’s head and shoulders guide. Until marker 6, this is only a shape that could become a head and shoulders top.

Why the prior trend matters

ChartSchool is explicit that without a prior uptrend to reverse, there can’t be a head and shoulders top. A similar shape in the middle of a range is just a shape. The inverse pattern, upside down, needs a prior downtrend.

Confirmation

- Complete only when price breaks the neckline convincingly.
- A three-peak shape may never break its neckline at all.

How it can fail

- After a break, price can stall and come back above the neckline: a failed breakout.
- Waiting for a convincing break reduces the risk of reading too early, at the cost of acting later. Neither choice removes it.

A COMMON MISREADING

“The right shoulder is the signal.”

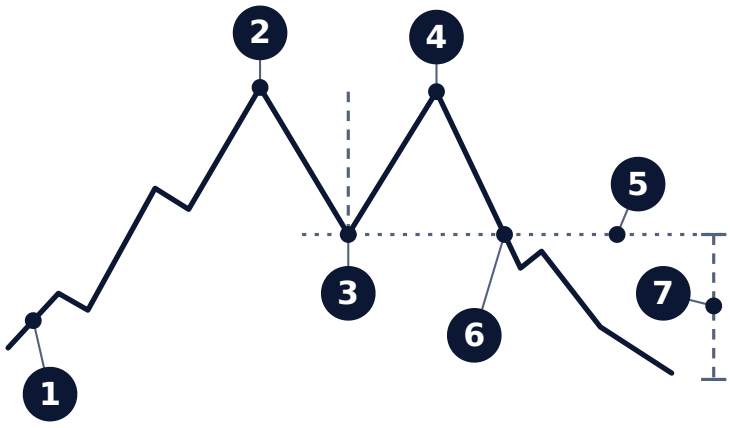
The right shoulder completes the shape. The neckline break is what confirms the pattern.

Recognising the shape is not an instruction to trade: a confirmed pattern can still fail. Sources: StockCharts ChartSchool and Thomas Bulkowski’s ThePatternSite glossary, as cited in the full guide.

CHART PATTERNS · REVERSAL PATTERN

Double Tops and Bottoms

ON THIS PAGE why two similar peaks are only a possible pattern until the level between them breaks.



1. **Prior uptrend.** Without a trend to reverse, there is no reversal pattern.
2. **First peak.** The high of the trend so far. On its own, nothing unusual.
3. **Trough.** The pullback between the peaks. Its low sets the support level.
4. **Second peak.** A rally back to about the same height, where price meets resistance.
5. **Support level.** The line through the lowest point between the peaks, sometimes called the neckline.
6. **Support break.** A convincing move below the support level. Only now is the pattern complete.
7. **Measured-move convention (dashed).** The height from the peaks to support, projected down from the break. A reference point, not a forecast.

Double top. Idealised schematic, not real market data, from TradingLoot's double top and double bottom guide. A double bottom is the mirror image.

Until marker 6, two similar peaks are only a possible double top.

Why the prior trend matters

ChartSchool looks for a significant prior uptrend before a double top, and a prior downtrend before a double bottom.

Confirmation

- A double top is complete only when price breaks below the lowest point between the peaks.
- A double bottom needs a break above the high between the lows.

How it can fail

- Before confirmation, support can simply hold: that isn't a failed pattern.
- After confirmation, price can break the level and come back through it: a failed breakout.

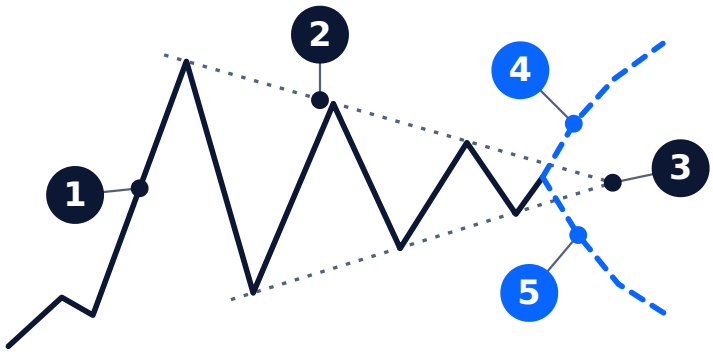
> A COMMON MISREADING
>
> **"The second peak is the signal."**
>
> The second peak completes the shape. The break of support is what confirms the pattern.

Recognising the shape is not an instruction to trade: a confirmed pattern can still fail. Sources: StockCharts ChartSchool and Thomas Bulkowski's ThePatternSite glossary, as cited in the full guide.

CHART PATTERNS · CAN BREAK EITHER WAY

Triangles

ON THIS PAGE why a triangle’s name doesn’t fix the direction of its breakout.



1. **Prior trend.** ChartSchool treats symmetrical triangles as more often continuation patterns, but not always.
2. **Converging boundaries.** Lower highs and higher lows narrow the range.
3. **Apex.** Where the two lines would meet. ChartSchool treats breaks very close to it as less meaningful.
4. **Possible upward exit (dashed).** One way price could leave the pattern.
5. **Possible downward exit (dashed).** The other way price could leave the pattern.

Symmetrical triangle. Idealised schematic, not real market data, from TradingLoot’s triangle guide. Neither exit is drawn solid: until a breakout is confirmed, the direction isn’t established.

Three shapes

- **Ascending:** flat resistance above, rising lows below.
- **Descending:** flat support below, falling highs above.
- **Symmetrical:** lower highs and higher lows, narrowing toward an apex.

Direction

ChartSchool labels ascending triangles bullish and descending ones bearish; Bulkowski measures breakouts in both directions for all three. Until price leaves the pattern convincingly, you don’t know which way it will go.

How it can fail

- A confirmed breakout shows which way price left, not how far it will go.
- Price can leave the triangle, make little progress and come back through the boundary it broke: a failed breakout.

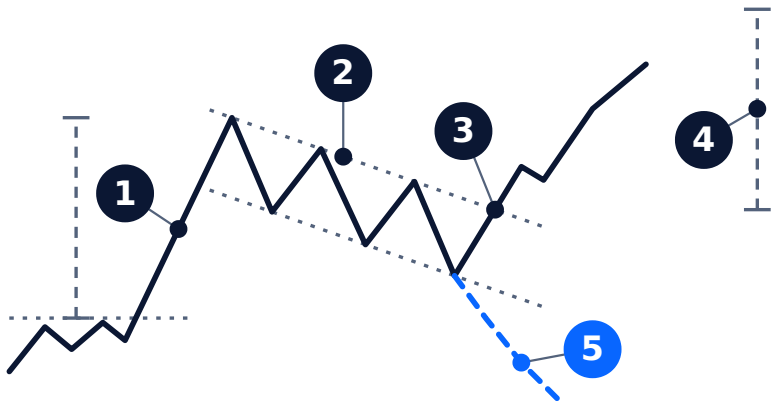
> A COMMON MISREADING
>
> **“An ascending triangle always breaks upward.”**
>
> Any triangle can break either way. Some sources lean one way; the breakout decides.

Recognising the shape is not an instruction to trade: a confirmed breakout can still fail. Sources: StockCharts ChartSchool and Thomas Bulkowski’s ThePatternSite, as cited in the full guide.

CHART PATTERNS · CONTINUATION PATTERN

Flags and Pennants

ON THIS PAGE why the sharp move before it, the flagpole, is what defines a flag or pennant.



1. **Flagpole.** A sharp advance that breaks above earlier resistance (the short dotted line on the left).
2. **Flag.** A short consolidation between two parallel lines, sloping down against the pole.
3. **Upward breakout.** Price closes above the upper line. That shows the exit direction; it doesn't guarantee follow-through.
4. **Measured-move convention (dashed).** ChartSchool applies the pole's length from the breakout. A guideline, not a forecast.
5. **Possible alternative exit (dashed).** Price could instead leave below the lower line.

Bull flag. Idealised schematic, not real market data, from TradingLoot's flags and pennants guide. A pennant has converging lines instead of parallel ones.

The solid and dashed exits are alternatives; which one happens is only known once a breakout is confirmed.

The flagpole comes first

Both patterns start with a sharp, steep move. ChartSchool says that without it, the pattern's reliability is questionable; a short channel with no pole before it is just a short channel.

Flag or pennant

- **Flag:** two parallel lines, usually sloping against the pole.
- **Pennant:** two converging lines, like a small symmetrical triangle.

Confirmation and failure

- ChartSchool reads both as continuation patterns, but the breakout decides the exit, and it can go either way.
- Price can leave the pattern, make little progress and fall back through it: a failed breakout.

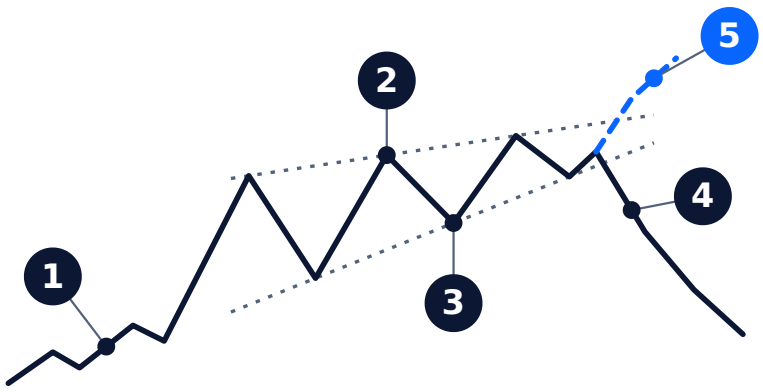
> A COMMON MISREADING
>
> **"A bull flag always breaks upward."** ChartSchool reads it as continuation, but the breakout decides the exit.

Recognising the shape is not an instruction to trade: a breakout can still fail. Sources: StockCharts ChartSchool and Thomas Bulkowski's ThePatternSite, as cited in the full guide.

CHART PATTERNS · REVERSAL OR CONTINUATION

Wedges

ON THIS PAGE why a wedge is named after its slope, not the direction of its breakout.



1. **Prior advance.** The move the wedge forms after. Read as a reversal pattern, it needs a trend to reverse.
2. **Upper line.** Reaction highs, each higher than the last.
3. **Lower line.** Reaction lows, each higher too. This line is steeper, so the two lines converge.
4. **Downward breakout.** Price closes below the lower line. That shows the exit direction; it doesn't guarantee follow-through.
5. **Possible alternative exit (dashed).** Price could instead leave above the upper line.

Rising wedge. Idealised schematic, not real market data, from TradingLoot's wedge guide. A falling wedge is the mirror image.

The solid and dashed exits are alternatives; which one happens is only known once a breakout is confirmed.

Context

After a trend in the same direction, a wedge is read as a possible reversal; sloping against the trend, as a possible pause. ChartSchool calls rising wedges bearish and falling wedges bullish; Bulkowski notes the breakout can go either way.

Confirmation

- Bulkowski treats a close outside one of the lines as confirmation.
- ChartSchool sets a stricter bar: a convincing break of the lower line in a rising wedge, or the upper line in a falling wedge.

How it can fail

- ChartSchool calls wedges among the most difficult patterns to recognise and trade accurately.
- After a breakout, price can make little progress and fall back through the wedge: a failed breakout.

A COMMON MISREADING

"A rising wedge is bullish because it's rising."

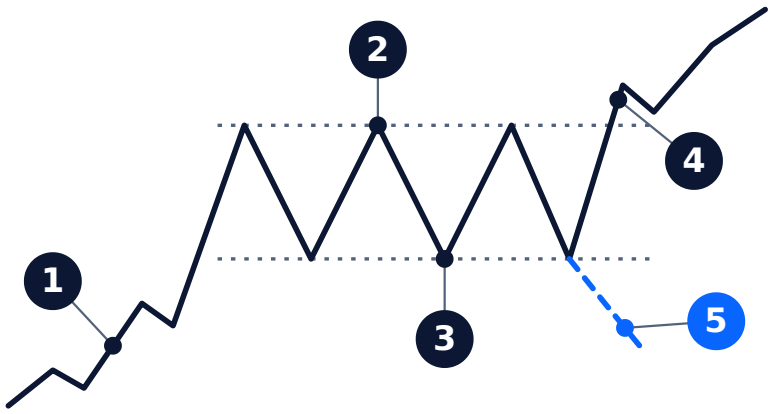
The name describes the slope. ChartSchool reads the rising wedge as bearish, and the falling wedge as bullish.

Recognising the shape is not an instruction to trade: a breakout can still fail. Sources: StockCharts ChartSchool and Thomas Bulkowski's ThePatternSite, as cited in the full guide.

CHART PATTERNS · CAN BREAK EITHER WAY

Rectangles

ON THIS PAGE why a trading range is neutral until price closes outside it.



1. **Prior advance.** The trend the range interrupts. Read as a continuation pattern, a rectangle needs one.
2. **Resistance.** Reaction highs at roughly the same level, joined by a horizontal line.
3. **Support.** Reaction lows at roughly the same level, joined by a second horizontal line.
4. **Upward breakout.** Price closes above resistance. That shows the exit direction; it doesn't guarantee follow-through.
5. **Possible alternative exit (dashed).** Price could instead leave below support.

Rectangle within an uptrend. Idealised schematic, not real market data, from TradingLoot's rectangle guide. The solid and dashed exits are alternatives; which one happens is only known once a breakout is confirmed.

Context

ChartSchool reads a rectangle as a pause within a trend, but it can also mark a top or a bottom. After an advance, its continuation reading expects a break above resistance; that comes from the context, not the shape.

Confirmation

- Moves between the lines are part of the range; sources look for a close outside it.
- ChartSchool says rectangles have no standard volume pattern.

How it can fail

- A poke through one line that quickly reverses can turn out to be part of the range.
- After a breakout, price can make little progress and fall back through the range: a failed breakout.

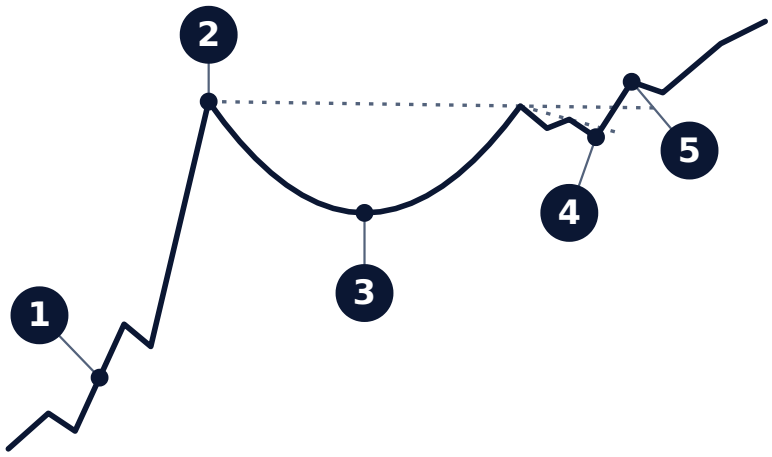
> A COMMON MISREADING
>
> **"A rectangle in an uptrend will break upward."**
>
> The prior trend is context. The pattern is neutral, and the breakout decides the exit.

Recognising the shape is not an instruction to trade: a breakout can still fail. Sources: StockCharts ChartSchool and Thomas Bulkowski's ThePatternSite, as cited in the full guide.

CHART PATTERNS · CONTINUATION PATTERN

Cup and Handle

ON THIS PAGE why a cup and handle stays unfinished until price breaks out, and which level counts.



1. **Prior advance.** The trend the pattern interrupts. ChartSchool reads the cup and handle as a continuation of it.
2. **Rims.** The highs on each side of the cup, at about the same level. The dotted line joining them is the rim line.
3. **Rounded cup.** A gradual, U-shaped turn rather than a sharp V.
4. **Handle.** A short, shallow pullback after the right rim, in the upper part of the cup. The second dotted line runs through its highs.
5. **Breakout.** Price closes above handle resistance and the rim line. That shows the exit direction; it doesn't guarantee follow-through.

Cup and handle. Idealised schematic, not real market data, from TradingLoot's cup and handle guide. Breaking handle resistance and clearing the rim line are two different levels.

The shape

- A rounded, U-shaped cup after an advance; ChartSchool considers a V-shaped bottom too sharp.
- A short, shallow handle; Bulkowski wants it in the upper half of the cup.

Why the prior trend matters

ChartSchool says the pattern needs a prior advance to qualify as a continuation pattern. A rounded turn after a decline is read differently, as a rounding bottom.

Confirmation and failure

- A break of handle resistance comes earlier; a close above the rims is the stricter test.
- The handle can sink too deep or never break out, and a breakout can fall back below the rim line.

A COMMON MISREADING

"The pattern is complete once the handle forms."

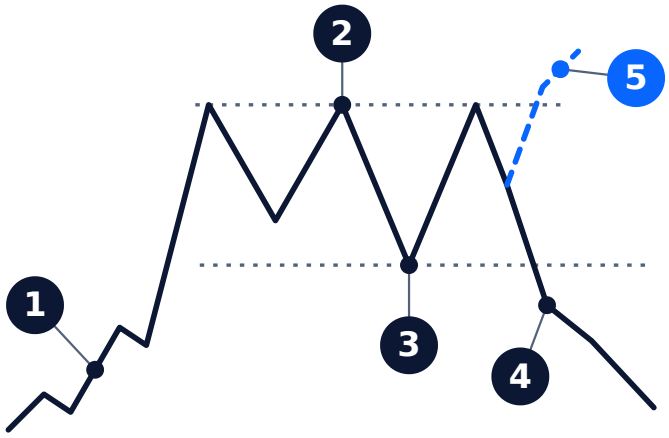
Without a breakout, it's unfinished. The handle can still deepen or fail.

Recognising the shape is not an instruction to trade: a breakout can still fail. Sources: StockCharts ChartSchool and Thomas Bulkowski's ThePatternSite, as cited in the full guide.

CHART PATTERNS · REVERSAL PATTERN

Triple Tops and Bottoms

ON THIS PAGE which low between the peaks confirms a triple top, and why that choice matters.



1. **Prior advance.** The trend a top would reverse.
2. **Three peaks.** Highs at about the same level, well spaced, joined by the upper dotted line.
3. **Confirmation level.** The lower of the two lows between the peaks, drawn as a horizontal line. The earlier, higher low is not used.
4. **Downward break.** Price closes below the confirmation level. That confirms the pattern; it doesn't guarantee follow-through.
5. **Possible alternative exit (dashed).** Before confirmation, price could instead rise above the peaks.

Triple top. Idealised schematic, not real market data, from TradingLoot's triple top and triple bottom guide. A triple bottom is the mirror image.

Until price closes below the confirmation level, the three peaks are an unfinished pattern, and the dashed branch is just as possible.

Why the prior trend matters

Both sources expect a trend to reverse: ChartSchool asks for an uptrend before a top and a clear downtrend before a bottom.

Confirmation

- Top: a close below the lowest of the lows between the peaks.
- Bottom: a close above the highest of the highs between the lows.

How it can fail

- Price can close through the level, make little progress and come back: the first warning that the break hasn't held.
- Neither source sets a single invalidation level.

> A COMMON MISREADING
>
> **"Three highs at the same level make a triple top."**
>
> Not until price closes below the confirmation level. Before that, the pattern is unfinished.

Recognising the shape is not an instruction to trade: a confirmed pattern can still fail. Sources: StockCharts ChartSchool and Thomas Bulkowski's ThePatternSite, as cited in the full guide.

CHART PATTERNS · COMPARISONS

Telling Similar Shapes Apart

ON THIS PAGE neighbouring patterns that look alike, and the feature that separates them in each guide.

Peaks and lows

- **Double vs triple top:** before the third high forms, a triple top can look like a double top (ChartSchool).
- **Triple top vs head and shoulders:** if the middle peak sits above the other two, Bulkowski calls it a head and shoulders. Their confirmation levels also differ: horizontal for a triple top, a neckline that can slope for a head and shoulders.
- **Rectangle vs double top:** a double top is a possible reversal, confirmed by a break of the low between the peaks; a rectangle is a range with repeated touches on both lines and an open direction.

Rounded turns

- **Cup and handle vs rounding bottom:** a rounding bottom follows a decline and, in ChartSchool's description, has no handle.
- **Cup vs double bottom:** a double bottom has two separate lows with a peak between them, rather than one rounded low.

Converging and parallel lines

- **Wedge vs channel:** both lines slope the same way, but a channel's stay parallel.
- **Wedge vs triangle:** a triangle's lines converge without sharing a slope.
- **Rectangle vs channel:** a rectangle's parallel lines are horizontal.

Duration and the pole

- **Flag vs rectangle:** ChartSchool says a flag lasting more than about twelve weeks would be classified as a rectangle.
- **Pennant vs symmetrical triangle:** a pennant that long would become a symmetrical triangle; a pennant also needs a sharp pole before it.
- **Pennant vs wedge:** Bulkowski draws the line by time, and a pennant's lines normally slope in opposite directions.

PART 2

Japanese candlesticks

One candle, one period: the body spans the open and the close; the shadows reach the high and the low. Shape and context are separate questions.

Single candles and multi-candle patterns

Some names describe one candle: the doji, the marubozu, the hammer, the hanging man, the inverted hammer and the shooting star. Others describe how two or more candles relate; the engulfing pattern is the two-candle example in this guide.

Three-candle patterns such as the morning and evening star, and others such as the harami, are not covered in this edition.

Shape, then context

Two questions are worth keeping apart. Does the candle, or the group of candles, match the definition? And what was price doing before? For reversal candles, the shape alone doesn’t settle the name; the prior trend does.

Candle patterns also work at a smaller scale than the chart patterns in Part 1, which form across many periods.

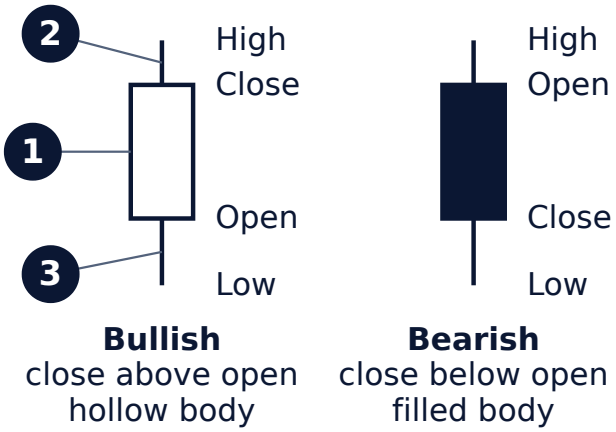
In this part

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JAPANESE CANDLESTICKS · BASICS

Anatomy of a Candle

ON THIS PAGE what each part of a candle records, and what its colour does and doesn't mean.



1. **Real body.** The block between the open and the close.
2. **Upper shadow.** From the top of the body to the high of the period.
3. **Lower shadow.** From the bottom of the body to the low of the period.

Candle anatomy. Idealised schematic, not real market data, from TradingLoot's candlestick guide. Hollow and filled bodies are the convention used here and in ChartSchool's guide.

Four prices

Each candle needs four prices for its period: the open, the high, the low and the close. When a shadow is missing, the period's open or close was also its high or low.

Bodies and shadows

- ChartSchool reads a long body as strong buying or selling pressure, and a short body as little movement between the open and the close.
- A long upper shadow means price traded well above the close; a long lower shadow, well below.

Colours are settings

In ChartSchool's convention, the body is hollow when the close is above the open and filled when it's below. Many platforms use colours such as green and red instead, and most let you change both. Check what your chart's colours mean before reading anything into them.

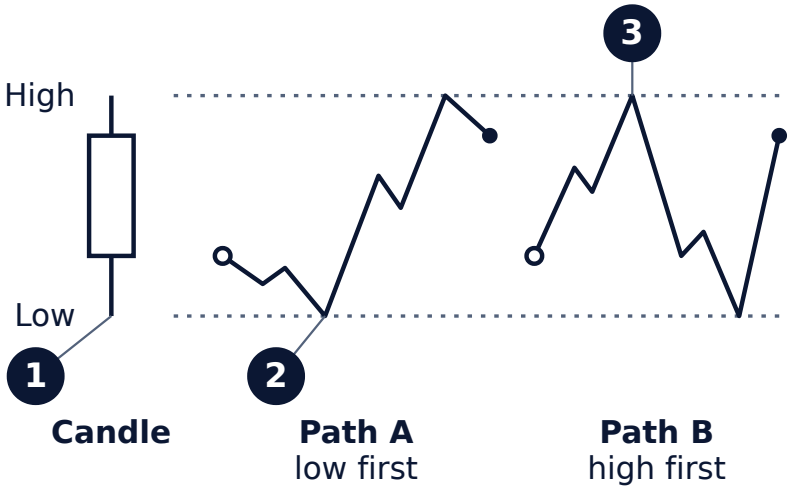
> A COMMON MISREADING
>
> **"A green candle means price went up."**
>
> It depends on the platform's settings. In the convention used here, a hollow body only means the close was above the open in that period.

Sources: StockCharts ChartSchool, as cited in the full guide.

JAPANESE CANDLESTICKS · BASICS

What a Candle Doesn’t Show

ON THIS PAGE why one candle can hide different paths, and why its shape depends on the period and the data.



1. **The candle.** One open, high, low and close for the whole period.
2. **Path A.** Reaches the low before the high.
3. **Path B.** Reaches the high before the low.

Two paths, one candle. Idealised schematic, not real market data, from TradingLoot’s candlestick guide.

Both paths are hypothetical: they start at the open, end at the close and touch the same high and low, so the candle can’t tell you which happened.

Four prices, not the path

A candle doesn’t say whether the high came before the low, how long price spent at any level, or how much traded there. ChartSchool makes the same point: two different sequences can produce the same candle.

Unfinished candles

Until a period ends, its candle is provisional. A candle that looks like a hammer halfway through the period can end as a different shape.

Timeframes and data

- One daily candle covers the same trading as many hourly candles, so a shape can appear on one timeframe and not another.
- In TradingLoot’s view, session settings, time zones and the trades a feed includes can change a candle’s open, high, low or close.

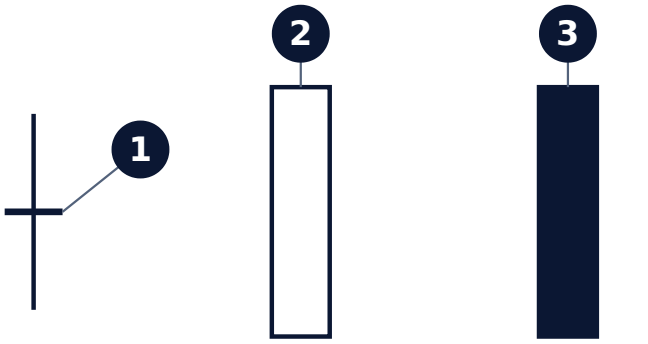
> A COMMON MISREADING
>
> **“The long lower shadow shows buyers stepped in at the end.”**
>
> The candle doesn’t record when the low was reached, only that it was.

Sources: StockCharts ChartSchool and StockCharts’ help pages, as cited in the full guide.

JAPANESE CANDLESTICKS · SINGLE-CANDLE SHAPES

Doji and Marubozu

ON THIS PAGE two single-candle shapes at opposite extremes: almost no body, and nothing but body.



1. **Doji.** The open and close are equal or virtually equal, so the body is a line.
2. **Bullish marubozu.** Opens at the low and closes at the high: a hollow body with no shadows.
3. **Bearish marubozu.** Opens at the high and closes at the low: a filled body with no shadows.

Doji and marubozu. Idealised schematic, not real market data, from TradingLoot's candlestick guide.

The doji is drawn with exactly equal open and close for clarity. ChartSchool treats a very small body that looks like a thin line as a doji too.

Doji

ChartSchool defines a doji as a candle whose open and close are virtually equal, and reads it as indecision. The body should be very small, a thin line compared with the candles before it; it doesn't set one universal threshold. On its own, ChartSchool treats a doji as neutral.

Marubozu

A marubozu has no shadows. In ChartSchool's introduction, a white marubozu opens at the low and closes at the high, and a black one the reverse; it reads the long body as strong buying or selling pressure. Its pattern dictionary uses the name more loosely, for a candle with no shadow at the open, the close or both.

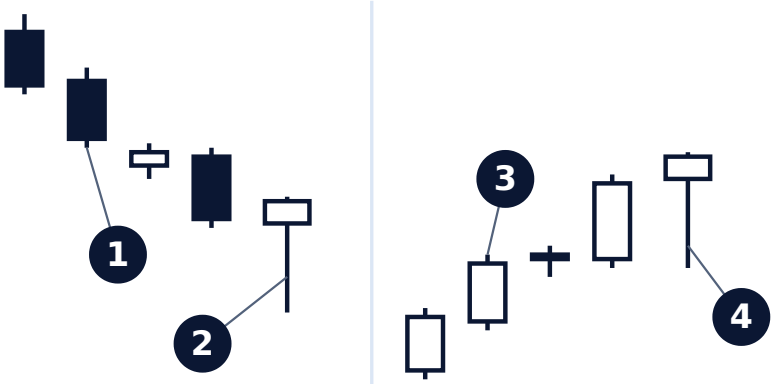
> **KEEP IN MIND**
>
> These names describe completed candles. Until a period ends, its candle is provisional and its shape can still change.

Sources: StockCharts ChartSchool, as cited in the full guide.

JAPANESE CANDLESTICKS · SINGLE-CANDLE SHAPES

Hammer vs Hanging Man

ON THIS PAGE why one shape takes two names, and why neither is a signal on its own.



Hammer
after a decline

Hanging man
after an advance

1. **Prior decline.** Candles closing lower before the signal candle.
2. **Hammer.** Small body near the top of the range, long lower shadow, little or no upper shadow.
3. **Prior advance.** Candles closing higher before the signal candle.
4. **Hanging man.** Exactly the same shape, after an advance.

Hammer and hanging man. Idealised schematic, adapted from TradingLoot's candlestick guide so that each signal candle opens near the previous close. Both panels share one scale.

Lower shadow drawn at four times the body: a drawing check, not a market rule. Neither candle is confirmed here.

The shape

- A small body near the top of the range.
- A long lower shadow: at least twice the body for ChartSchool; two or three times in Bulkowski's hammer guidelines.
- Little or no upper shadow.

Why the prior trend matters

ChartSchool calls the shape a hammer after a decline, read as potentially bullish, and a hanging man after an advance, read as potentially bearish. The same shape in a sideways market says much less.

Confirmation

- ChartSchool says both need confirmation, such as a gap, a long candle or a move on heavy volume in the new direction. Without it, it treats them as neutral.

How it can fail

- A hammer can still be followed by more selling.
- Decide in advance what would show the reading was wrong, such as price trading back below the hammer's low. That's an example, not a universal rule.

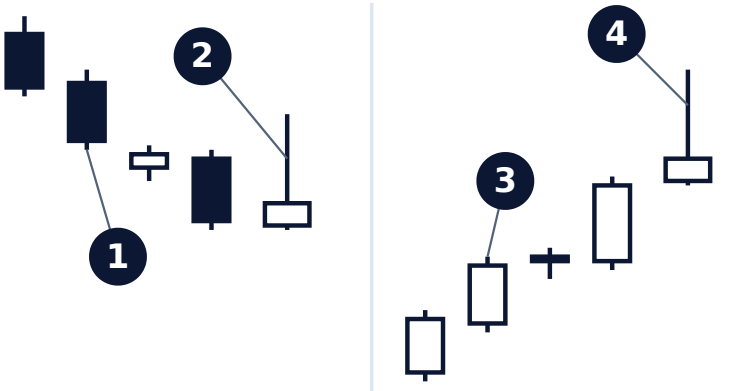
> A COMMON MISREADING
>
> **"A hammer is bullish wherever it appears."**
>
> The name depends on the prior trend. After an advance, the same shape is a hanging man.

Recognising the shape is not an instruction to trade: a signal needs context and confirmation, and can still fail.
Sources: StockCharts ChartSchool and Thomas Bulkowski's hammer guidelines, as cited in the full guide.

JAPANESE CANDLESTICKS · SINGLE-CANDLE SHAPES

Inverted Hammer vs Shooting Star

ON THIS PAGE the hammer’s shape turned over, and why the prior trend again decides the name.



Inverted hammer
after a decline

Shooting star
after an advance

1. **Prior decline.** Candles closing lower before the signal candle.
2. **Inverted hammer.** Small body near the bottom of the range, long upper shadow, little or no lower shadow.
3. **Prior advance.** Candles closing higher before the signal candle.
4. **Shooting star.** Exactly the same shape, after an advance.

Inverted hammer and shooting star. Idealised schematic, adapted from TradingLoot’s candlestick guide so that each signal candle opens near the previous close. Both panels share one scale.

Upper shadow drawn at four times the body: a drawing check, not a market rule. Neither candle is confirmed here.

The shape

- A small body near the bottom of the range.
- A long upper shadow: ChartSchool’s guideline for the shooting star is at least twice the body; it gives no ratio for the inverted hammer.
- Little or no lower shadow.

Why the prior trend matters

ChartSchool calls the shape a shooting star after an advance, read as potentially bearish, and an inverted hammer after a decline, read as potentially bullish.

Confirmation

- ChartSchool says the inverted hammer needs bullish confirmation, and that most bearish reversal patterns need bearish confirmation too.

How it can fail

- For a shooting star, one sign the reading was wrong might be price trading back above its high. That’s an example, not a universal rule.

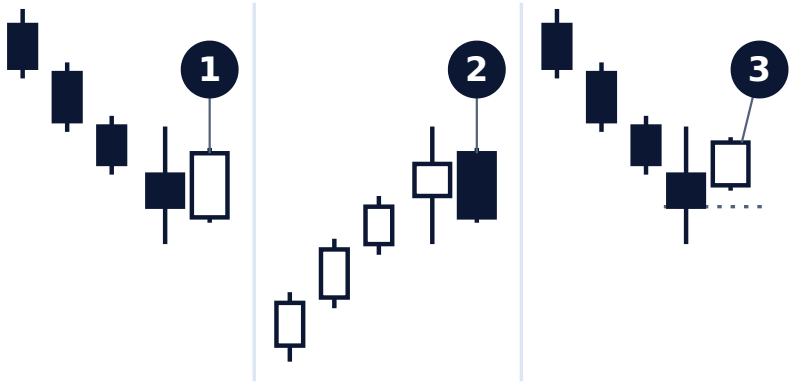
> A COMMON MISREADING
>
> **“The current candle is a shooting star.”**
>
> Not until the period closes. Until then, the shape can still change.

Recognising the shape is not an instruction to trade: a signal needs context and confirmation, and can still fail.
Sources: StockCharts ChartSchool, as cited in the full guide.

JAPANESE CANDLESTICKS · TWO-CANDLE PATTERN

Bullish and Bearish Engulfing

ON THIS PAGE what gets engulfed: the body, not the whole candle.



1. **Bullish engulfing.** After a decline, a hollow body covers the whole of the previous filled body. Only the bodies are engulfed.
2. **Bearish engulfing.** After an advance, a filled body covers the whole of the previous hollow body.
3. **Near miss.** The second body covers only part of the first body (dotted line). By the definition used here, that is not an engulfing pattern.

Engulfing patterns and a near miss. Idealised schematic, not real market data, from TradingLoot's candlestick guide. The sources don't say how to treat bodies that share an edge exactly, and this drawing doesn't settle it.

The definition

- Two candles of opposite colour; in ChartSchool's dictionary, the second body completely engulfs the first body.
- Bullish after a decline, hollow over filled; bearish after an advance, filled over hollow.
- The first candle shouldn't be a doji, which is easy to engulf.

The shadows

ChartSchool says the pattern doesn't require the whole range to be engulfed, and contrasts it with the outside reversal, which does. Engulfing the shadows too is ideal but not required; Bulkowski's guidelines say "ignore the shadows".

> A COMMON MISREADING
>
> **"Engulfing means the whole candle is covered."**
>
> The sources define it by the bodies. Covering the full range is a different pattern, the outside reversal.

Recognising the shape is not an instruction to trade: a signal needs context and confirmation, and can still fail. Sources: StockCharts ChartSchool and Thomas Bulkowski's bullish engulfing guidelines, as cited in the full guide.

JAPANESE CANDLESTICKS · READING IN CONTEXT

Context, Confirmation and Failed Signals

ON THIS PAGE why a candle signal needs a trend to reverse, something that follows it, and a point where the reading would be wrong.

A reversal needs something to reverse

ChartSchool's guides say bullish reversal patterns should form within a downtrend, and that bearish ones need an existing uptrend, which can be short-term. The same shape in a sideways market says much less.

Confirmation

ChartSchool says most reversal patterns need confirmation, such as a gap, a long candle or a move on heavy volume in the new direction. Without it, it treats them as neutral, marking at best a possible support or resistance level.

- Read candles alongside other tools, such as support and resistance, momentum and volume; ChartSchool says candlesticks shouldn't be used alone.
- Confirmation shows that price followed through for a while; it doesn't guarantee the move continues.

Failed signals

A candle signal can fail before confirmation or after it. A hammer can be followed by more selling; a confirmed bearish engulfing pattern can give way to new highs.

In TradingLoot's view, the useful habit is deciding in advance what would show the reading was wrong: for a hammer, perhaps price trading back below its low; for a shooting star, back above its high. Those are examples, not universal rules.

> **KEEP IN MIND**
> A failed signal still tells you something: the side that seemed to be gaining ground couldn't follow through. The same idea applies to chart patterns.

REFERENCE

Common Misreadings

ON THIS PAGE ways patterns and candles are often misread, as TradingLoot sees it.

Chart patterns

“Three peaks make a head and shoulders.”

Not without a prior uptrend and a confirmed break of the neckline.

“Strong volume guarantees the breakout.”

Volume is supporting evidence. It can strengthen a reading, but it can’t guarantee one.

“A confirmed breakout means the move will continue.”

It shows the direction price took. It doesn’t guarantee follow-through.

“The measured move tells you where price will go.”

It’s a convention for a rough reference point, not a forecast of distance or timing.

“Any narrowing pattern is a wedge.”

Only if both lines slope the same way.

“A failed pattern means patterns don’t work.”

Failure is part of how any pattern behaves, and it’s information in its own right.

Candlesticks

“A green candle means price went up.”

It depends on the platform’s settings; a hollow body only means the close was above the open.

“A hammer is bullish wherever it appears.”

The name depends on the prior trend. After an advance, the same shape is a hanging man.

“The long lower shadow shows buyers stepped in at the end.”

The candle doesn’t record when the low was reached, only that it was.

“Engulfing means the whole candle is covered.”

The sources define it by the bodies; covering the full range is the outside reversal.

“The current candle is a shooting star.”

Not until the period closes. Until then, the shape can still change.

“Candle definitions are standard.”

The broad shapes are, but the numbers differ: ChartSchool and Bulkowski give different shadow ratios for the hammer.

REFERENCE

Sources and Further Reading

ON THIS PAGE where the definitions in this guide come from, and where to read more.

StockCharts ChartSchool

- Head and shoulders top and bottom
- Double top and double bottom reversals
- Ascending, descending and symmetrical triangles
- Flags and pennants
- Rising and falling wedges
- Rectangle
- Cup with handle
- Triple top and triple bottom reversals
- Introduction to candlesticks
- Candlestick pattern dictionary

Thomas Bulkowski, ThePatternSite

- Glossary
- Hammer
- Bullish engulfing

Each online guide lists every page it used, including Bulkowski’s individual pattern pages. Sources were checked in October 2026.

The full TradingLoot guides

- Chart patterns: how to read them
- The eight pattern guides
- How to read Japanese candlesticks

Book summaries on TradingLoot

- Encyclopedia of Chart Patterns, Thomas Bulkowski
- Technical Analysis of the Financial Markets, John J. Murphy
- Japanese Candlestick Charting Techniques, Steve Nison

About the diagrams

All diagrams are TradingLoot’s own idealised schematics, not market data. Two candlestick drawings are adapted for this guide so that each signal candle opens near the previous close; their shapes and scale match the online guide. No statistics or proprietary diagrams are reproduced.

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