

# BULLISH JAPANESE CANDLESTICKS & STRATEGIES

A guide to using this popular and trusted Technical Analysis tool  
Examples of Forex and CFD Strategies



Written by  
**Andreas Thalassinos**  
(FXTM Head of Education)



# Contents

<b>01</b> Title page .....	1
<b>02</b> Table of Contents .....	2
<b>03</b> History .....	3
<b>04</b> Introduction .....	4
<b>05</b> About the Author .....	6
<b>06</b> Bullish Reversals .....	7
<b>07</b> Bullish Strategies .....	18
<b>08</b> Conclusion .....	29
<b>09</b> Disclaimer .....	30



# History

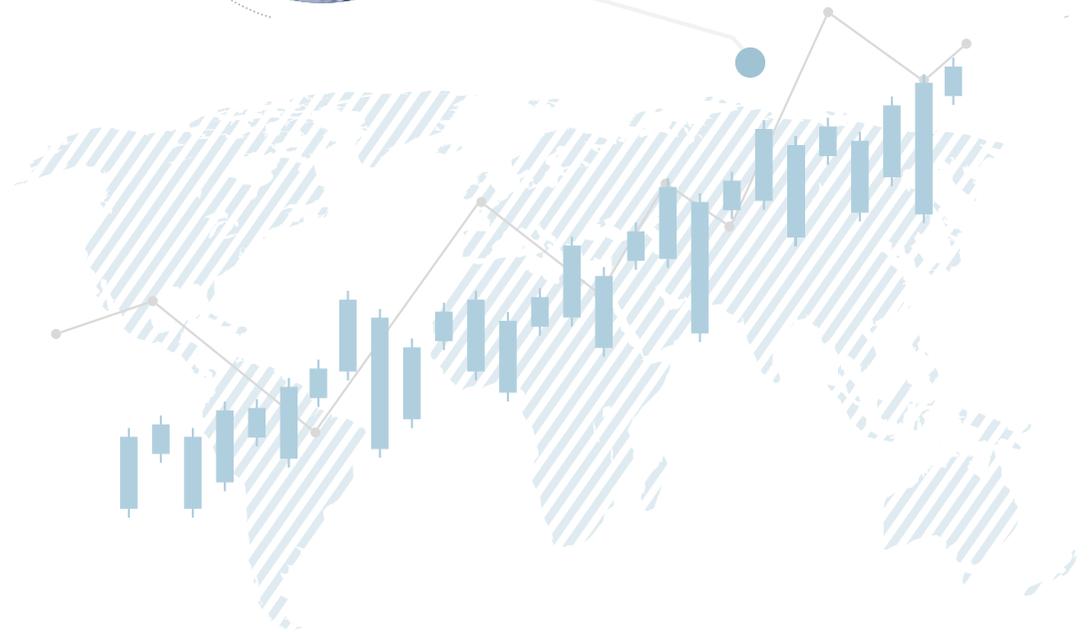
Japanese candlestick charting dates back to the 18th century in Japan, when it was used to trade the futures market. This method of price charting is attributed to Munehisa Homma, a highly respected rice trader from Sakata, who successfully traded Japan's rice coupon (futures) market.

Homma realised there was a distinction between price and value in the market. He also knew that supply and demand was the driving force behind any price movement but he also believed that investors' psychology and traders' emotions influenced the price of rice. He knew that being able to gauge the market's sentiment was imperative in order to succeed in trading. He researched years of historical prices and recorded the previous day's prices (open high, low, close) in a pictorial way that became known as Candlesticks. Homma used the Candlestick patterns to forecast the direction of the rice market. It was reported that he took 100 profitable consecutive trades!

Japanese Candlesticks were unknown to the West until the late 1980's when Steve Nison started writing articles that explained the new price charting method. His book Japanese Candlestick Charting Techniques, unveiled the Candlesticks to western traders and investors.



MUNEHISA HOMMA



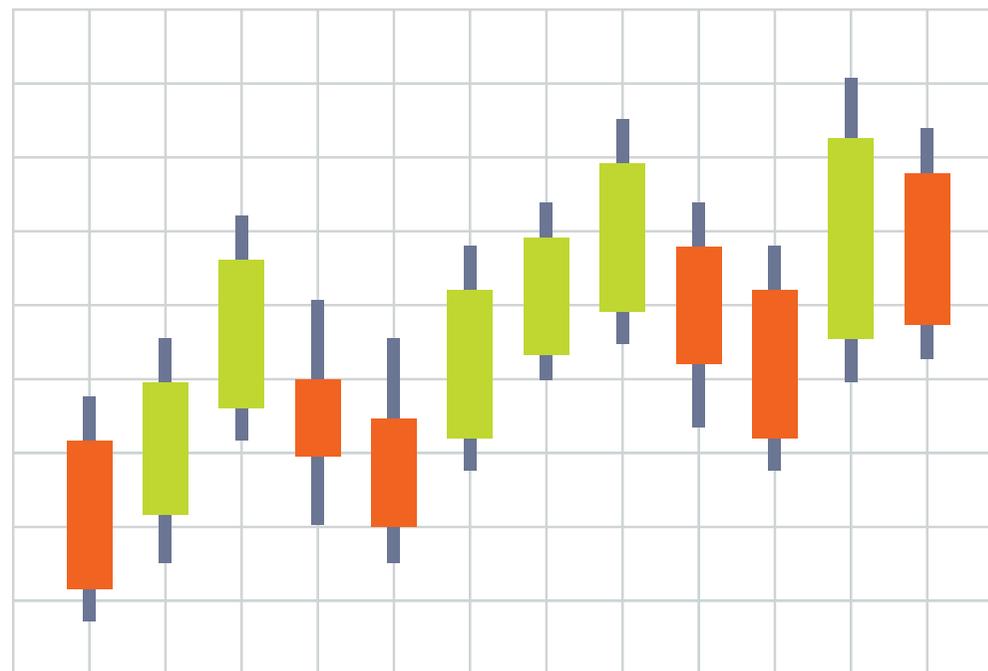


# Introduction

Understanding how to use and interpret technical analysis charts, is a vital skill for any investor. Candlestick charts are one of the most popular charts in use -and for good reason.

Traditional bar and line charts need to be used in conjunction with other indicators to glean trading insights. Candlestick charts however, display market movements in much greater detail. These insights into price action in financial markets, allows an investor to use pattern analysis to determine future movements. After some practice and education, the use of Candlestick charts to perform pattern analysis, can assist an investor to hone their trading strategies. Candlestick analysis is all about reversal and continuation patterns but it also introduces another important element - market psychology.

Price movements are not only affected by tangible forces such as geopolitics and economics, hope, fear and greed also play a role in moving markets. Candlesticks allow you to read the changes in the market's determination of value, also referred to as investor sentiment. Candlestick charts show the interaction between buyers and sellers, which in turn is reflected in price movements. This market sentiment is a unique attribute of candlestick charts, which is not present in bar or line charts.



Candlesticks as a charting method has recently gained a lot of popularity all over the world because they are more visually appealing than bar charts and are generally easier to read and interpret. The chart makes it easier to see the relationship between the open and close and the high and low of price movements. They also give a more accurate depiction of market sentiment. They provide an easy-to-identify set of formations that used along with other indicators, give an investor a view of patterns that are emerging in the market.



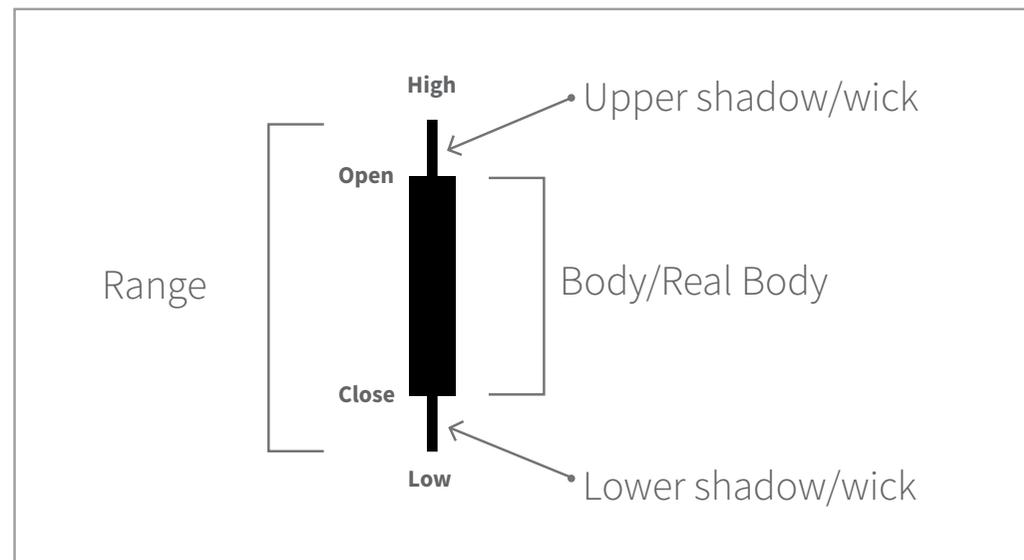
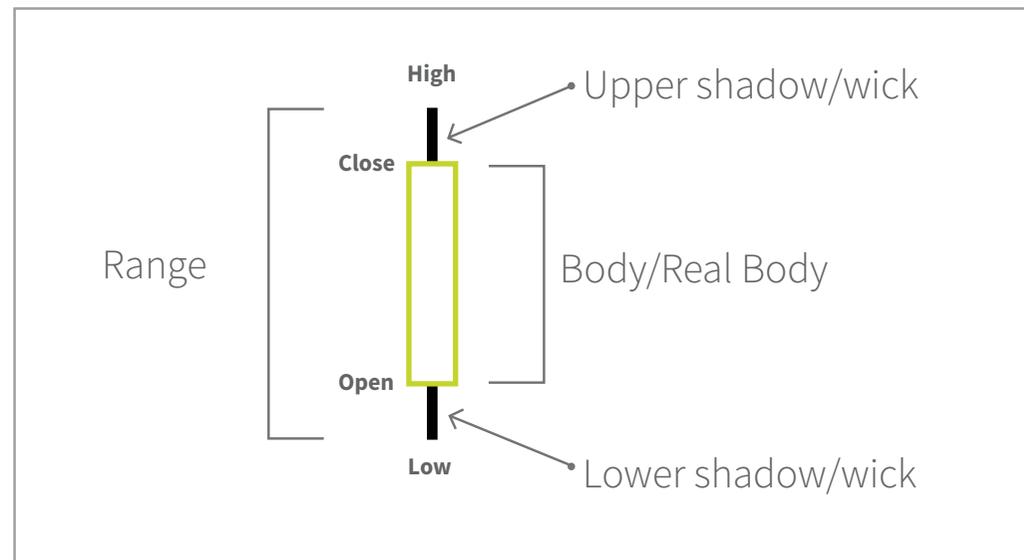
There are two types of Candlesticks:

- The first Candle has a **white or hollow body** which indicates that the market is moving upwards as there is more buying than selling interest. As the Close price is higher than the Open price, the white Candlestick depicts the positive sentiment in the market and the fact that bulls are in control. The longer the body is, the stronger the buying interest.
- The second is a **filled (black) body** which indicates that the market is moving downwards, this indicates that there is more selling than buying interest. As the Close price is lower than the Open price, the black candlestick depicts the negative sentiment in the market and the fact that bears are in control. The longer the body is, the stronger the selling interest.

The lines above and below the body of the candlestick are called “Shadows” or “Wicks”.

The upper shadow reveals the price levels above the body that have been tested but eventually rejected. Similarly, the lower shadow reveals the price levels below the body that have been tested but eventually rejected.

There are over 60 different main patterns that underpin candlestick charting, however you do not need to learn them all. This e-book serves as an introduction and reference guide to the meanings and uses of Bullish Candlestick formations. By the end of it you will have a holistic view of how to integrate this type of charting into your trading strategy.





## About the Author

FXTM's Head of Education, Andreas Thalassinos, is a respected FX educator and Certified Technical Analyst. He is a recognised authority in the forex industry, and renowned for his expertise in algorithmic trading. After years of consulting with FXTM on a number of key projects, Andreas officially joined the company in June 2016 and is the principal driver and architect of FXTM's extensive educational programme. His department's international seminars and workshops, provide clients across the world with on-location support, while his webinars, e-books, educational articles and videos, form the cornerstone of FXTM's multilingual, open access training resources. The training is tailored to traders' needs by region and experience level.

Thalassinos has played a key role in the development of forex education within the industry, training tens of thousands of traders and forex professionals around the world. Traders of all levels value his seminars and workshops for both content and his passionate and lively presentations. As Head of Education, Thalassinos also plays a pivotal role in FXTM's research and development team. In this capacity, he led the development of the FXTM Trading Signals and FXTM Pivot Points Strategy tools, which are designed to help traders' spot potential trading opportunities across various trading instruments.

Thalassinos has been awarded a number of international professional certificates including: MSTA by the Society of Technical Analysts (UK), CFTe and MFTA by the International Federation of Technical Analysts (USA) – the highest qualifications in the technical analysis community. He also holds a BSc and MSc in Computer Science from University of Louisiana at Lafayette and Bowie State University, respectively.





## 06 BULLISH REVERSALS

“ A TECHNICAL ANALYST’S GOAL  
IS TO IDENTIFY THE TREND  
**IN ITS EARLY STAGES.** ”

- *Andreas Thalassinos*

- 6.1 Long White Body
- 6.2 Hammer
- 6.3 Belt Hold
- 6.4 Engulfing Pattern
- 6.5 Harami
- 6.6 Piercing Lining
- 6.7 Tweezers
- 6.8 Homing Pigeon
- 6.9 Three White Soldiers
- 6.10 Morning Star



## 06 BULLISH REVERSALS

### 6.1 LONG WHITE BODY

A candlestick of a long white body that forms at the end of a downtrend, or at a support area. This has bullish reversal implications.

#### Meaning

The prolonged decline brought prices lower- to a point that caught the traders' attention, who then entered the market aggressively at the beginning of the session pushing prices higher. The closing price is greater than the opening price, signalling a possible end of the decline and new upward move.

#### Supply/Demand

Demand is greater than supply.

#### Direction

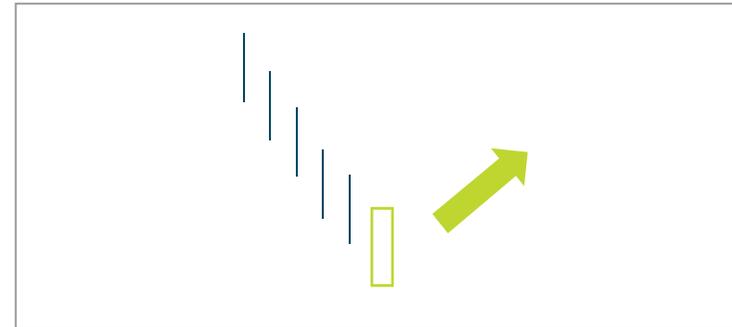
Bullish.

#### Sentiment

Positive.

#### Trigger

Buy if next candle exceeds high of the long white body.



Color of the body	White
Range of the body	Long
Range of the upper shadow	Small or non-existent
Range of the lower shadow	Small or non-existent
Location	End of downtrend or decline



## 06 BULLISH REVERSALS

### 6.2 HAMMER

The presence of a hammer at the end of a downtrend or decline, alerts for a possible bullish reversal. Traders enter the market with short positions, pushing prices even lower in the direction of the prevailing trend, to form the lower shadow. Eventually, the downward move is proven short-lived, as bulls take control and manage to close the session at the upper area of the candle. This forms the real body, whose length is 2-3 times shorter than the lower shadow.

#### Meaning

Traders trade in the direction of the prevailing downward trend, opening mostly short positions which drives the market even lower. As prices fall, bulls find prices attractive and then enter the market aggressively with long positions. The session eventually concludes at the higher area of the candlestick, thus revealing the shift of the market's psychology to positive.

#### Supply/Demand

Demand is greater than supply.

#### Direction

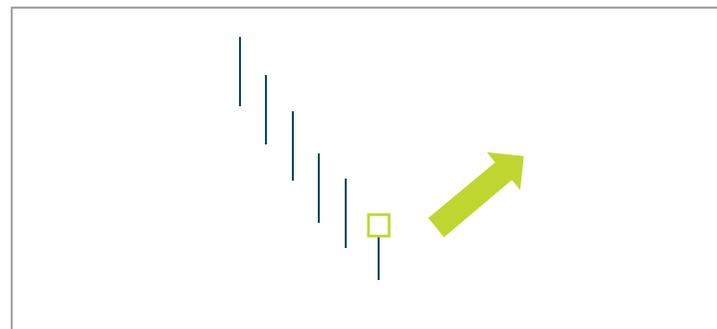
Bullish.

#### Sentiment

Positive.

#### Trigger

Consider buying if next candle exceeds high of the hammer.



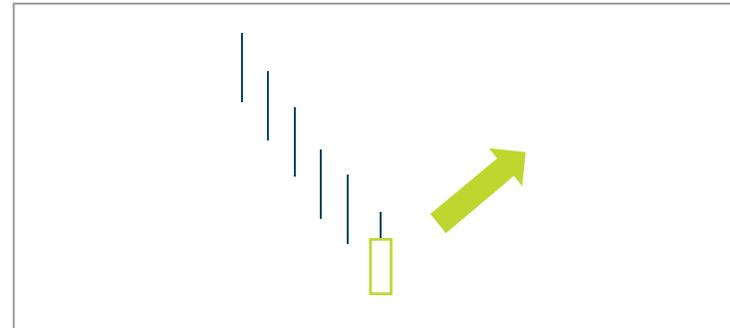
Color of the body	Black or White
Range of the body	Small
Range of the upper shadow	Small or non-existent
Range of the lower shadow	2-3 times the size of the body
Location	End of downtrend or decline



## 06 BULLISH REVERSALS

### 6.3 BELT HOLD

It forms at the end of a decline or near a support area. The candle has a long white body and very small or non-existent lower shadow. The session opens near the low and closes near the high of the candlestick. A long white body at the end of a decline reveals the determination of the bulls to push prices higher.



#### Meaning

After a prolonged decline, prices reach attractive levels triggering long positions as a result of buyers entering the market. This causes demand that surpasses supply.

#### Supply/Demand

Demand is greater than supply.

#### Direction

Bullish.

#### Sentiment

Positive.

#### Trigger

Consider buying if next candle exceeds the high of the Belt Hold.

Color of the body	White
Range of the body	Long
Range of the upper shadow	Small
Range of the lower shadow	Small or non-existent
Location	End of downtrend or decline



## 06 BULLISH REVERSALS

### 6.4 ENGULFING PATTERN

A long white candlestick is formed at the end of a downtrend, preceded by a small black candlestick. The body of the small black candlestick is completely engulfed by the body of the long white candlestick. The bearish pressure of the prevailing downward move, is overcome by the buyers entering the market aggressively at the end of the decline. This forms a long white candlestick with bullish implications.

#### Meaning

During the course of a downward move and while prices fall lower, the presence of a smaller black body signifies that shorts have second thoughts on maintaining the bearish direction. While the bears show signs of weakness, the bulls enter the market aggressively as they are lured by the attractiveness of prices. As demand is higher than supply, and sentiment shifts to positive, prices climb to higher levels.

#### Supply/Demand

Demand is greater than supply.

#### Direction

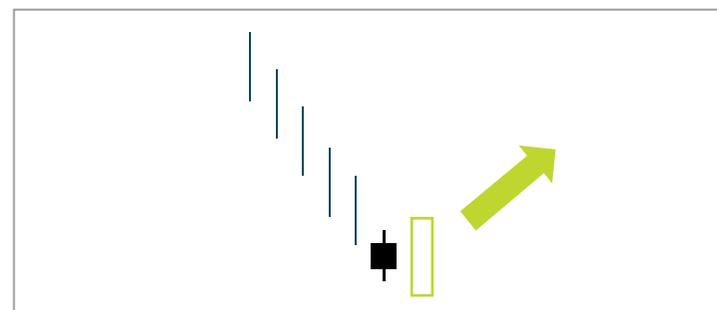
Bullish.

#### Sentiment

Positive.

#### Trigger

Consider buying if next candle exceeds the high of the long white candle.



Color of the body	Black
Range of the body	Small
Range of the upper shadow	Small
Range of the lower shadow	Small
Location	End of downtrend or decline.

Color of the body	White
Range of the body	Long
Range of the upper shadow	Small
Range of the lower shadow	Small
Location	End of downtrend or decline. Follows a small black body. The body of the black candle is completely engulfed by the body of the white candle.



## 06 BULLISH REVERSALS

### 6.5 HARAMI

A small candlestick body of either colour follows a candlestick of a long black body. The colour of the small candlestick is not important. The bearish decline is running out of steam as shown by the presence of the small candle which signals uncertainty, as it is contained by the previous long body. The weakness of the market to push prices lower and the presence of the pattern at the end of a decline, signals possible bullish implications.

#### Meaning

After a prolonged decline traders continue to trade in the direction of the prevailing trend until the market enters a phase of uncertainty, as traders are not willing to move the market lower nor higher at the moment. The fact that, price action has been contained within the previous session's open and close, it manifests weakness to move lower and a possible bullish reversal.

#### Supply/Demand

Equilibrium.

#### Direction

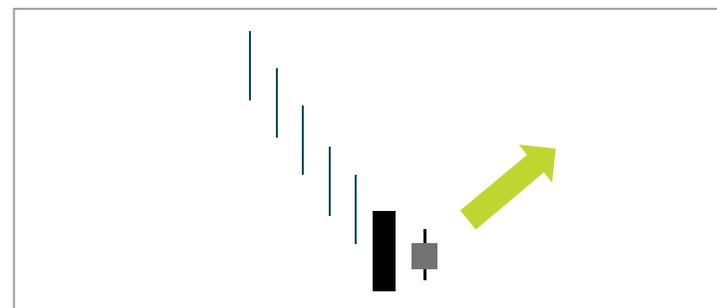
Possible bullish reversal.

#### Sentiment

Neutral.

#### Trigger

Consider buying if next candle exceeds the high of the long candle.



Color of the body	Black
Range of the body	Long
Range of the upper shadow	Small
Range of the lower shadow	Small
Location	End of downtrend or decline. Precedes a small candlestick of small body.

Color of the body	White or Black
Range of the body	Small
Range of the upper shadow	Small
Range of the lower shadow	Small
Location	End of downtrend or decline. Follows a long body. Body is within the range of the previous white candle's body.



## 06 BULLISH REVERSALS

### 6.6 PIERCING LINE

During the course of a decline, a long white candlestick exceeds the midpoint of the previous long black candle. The white candle opens below the previous close or low.

#### Meaning

Traders open short positions in the direction of the descent, as it remains intact. The opening of the next session, confirms the bears' intentions, as the new candlestick gaps lower (either the close or the low price). Bears go with the direction of the downward move but the bulls find prices attractive - entering the market aggressively with long positions.

The session closes with gains for the bulls who managed to close the long white candle, well into the previous candle's body.

#### Supply/Demand

Demand is greater than supply.

#### Direction

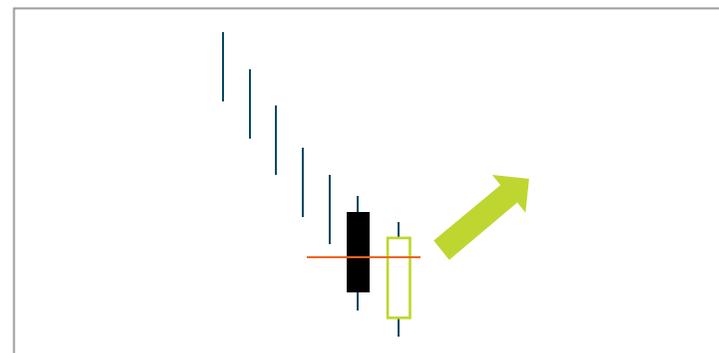
Bullish reversal.

#### Sentiment

Positive.

#### Trigger

Consider buying if the next candlestick exceeds the high of the long black candlestick.



Color of the body	Black
Range of the body	Long
Range of the upper shadow	Small
Range of the lower shadow	Small
Location	End of downtrend or decline. Precedes a long candlestick of white body.

Color of the body	White
Range of the body	Long
Range of the upper shadow	Small
Range of the lower shadow	Small
Location	End of downtrend or decline. Follows a long black body. It extends above the midpoint of the previous body.



## 06 BULLISH REVERSALS

### 6.7 TWEEZERS

The market continues to trade in the direction of the established decline, registering lower lows. The next session is bullish, pushing prices higher. The matching lows indicate that a possible bottom may be in place and a reversal may be imminent.

#### Meaning

During the course of the downtrend, traders enter the market with short positions trading in the direction of the decline. While the sentiment is clearly negative, the next session opens higher (than the previous close) as traders find prices attractive. While the battle between bulls and bears goes on, traders enter with short positions but not willing to trade at a price lower than the previous session (thus matching lows), and long positions- to register a bullish candle and shift the sentiment to positive.

#### Supply/Demand

Demand is greater than supply.

#### Direction

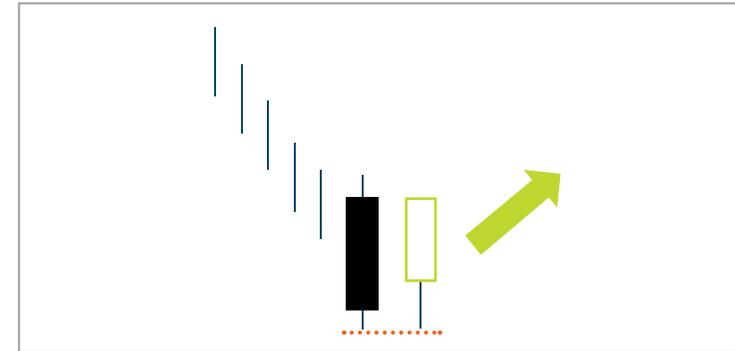
Bullish reversal.

#### Sentiment

Positive.

#### Trigger

Consider buying if the next candlestick exceeds the high of the white candle.



Color of the body	Black
Range of the body	Long
Range of the upper shadow	Small
Range of the lower shadow	Small
Location	Precedes a candle (ideally smaller white) with matching low.

Color of the body	Any color (ideally white)
Range of the body	Any color (ideally small)
Range of the upper shadow	Small
Range of the lower shadow	Any size
Location	End of downtrend or decline. Follows a (ideally long black) candle with matching low.



## 06 BULLISH REVERSALS

### 6.8 HOMING PIGEON

The decline continues to record lower prices as reflected by the long black candle. Next session is characterized by a smaller black body that is completely engulfed by the previous long black body, signalling weakness, setting the stage for further descent.

#### Meaning

Sellers take advantage of the falling market, entering or adding onto their short positions. Buyers find prices attractive entering the market with long positions. They do this in order to take advantage of the opportunity; pushing away from the low levels of the previous session, as the market action is contained in the range of the previous open and close. As sellers demonstrate reluctance to push prices lower, a possible bullish reversal could be in the making.

#### Supply/Demand

Equilibrium.

#### Direction

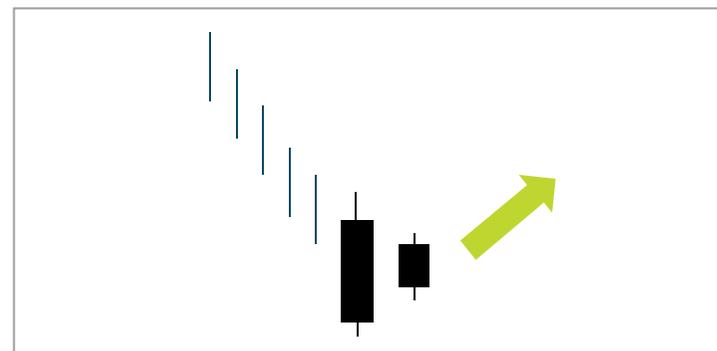
Possible bullish reversal.

#### Sentiment

Neutral.

#### Trigger

Consider buying if the next candlestick exceeds the high of the pattern.



Color of the body	Black
Range of the body	Long
Range of the upper shadow	Small
Range of the lower shadow	Small
Location	End of downtrend or decline

Color of the body	Black
Range of the body	Small
Range of the upper shadow	Small
Range of the lower shadow	Small
Location	Follows along black candle. The small candle is engulfed within the previous candle's body.



## 06 BULLISH REVERSALS

### 6.9 THREE WHITE SOLDIERS

At the end of the downtrend or decline, the presence of three consecutive long white candlesticks signify the end of the downward move and the beginning of a new move in the opposite direction. Each Marubozu opens below the previous close and concludes above it. The upper shadows are very small if present - thus demonstrating the strength of the ascent.

#### Meaning

After a prolonged downtrend or decline, traders enter the market aggressively with long positions, resulting in three consecutive long candlesticks that close higher than each other.

Demand is clearly greater than supply and sentiment is positive, these factors drive the market to rally higher. The forceful control of the bulls, leaves the bears unable to react but to cover their short positions.

#### Supply/Demand

Demand is greater than supply.

#### Direction

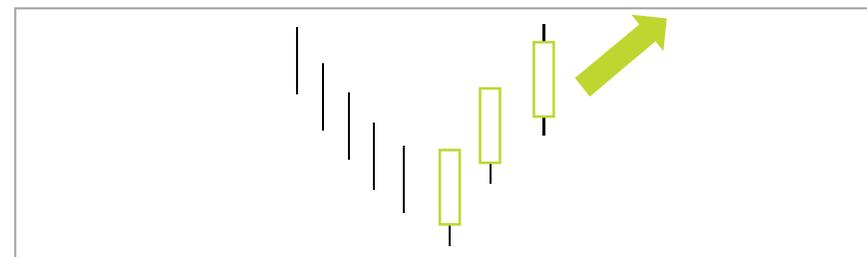
Bullish reversal.

#### Sentiment

Positive.

#### Trigger

Consider buying if the next candlestick exceeds the high of the third long white candle.



Color of the body	White
Range of the body	Long
Range of the upper shadow	Small or non-existent
Range of the lower shadow	Small
Location	End of downtrend or decline. Open is below prior close. Close is above prior close.

Color of the body	White
Range of the body	Long
Range of the upper shadow	Small or non-existent
Range of the lower shadow	Small
Location	Follows a long white candlestick. Open is below prior close. Close is above prior close.

Color of the body	White
Range of the body	Long
Range of the upper shadow	Small or non-existent
Range of the lower shadow	Small
Location	Follows a long white candlestick. Open is below prior close. Close is above prior close.



## 06 BULLISH REVERSALS

### 6.10 MORNING STAR

A long black candlestick forms in the direction of the prevailing trend, signifying that the decline is still in force. Next session gaps below, forming a small candle that acts as an obstacle to further decline. A long white candle drives the market higher, well into the long black candle's body and more specifically, above its mid-point - Indicating a bullish reversal.

#### Meaning

Traders enter the market with short positions, pushing prices even lower in the direction of the established downward move. A sudden phase of indecision or pause in the market appears and it is manifested by the small bodied candlestick, implying that the bears are losing their strength. Eventually, buyers' pressure overcomes sellers' pressure and the market bounces up and closes in the upper area of the long white candlestick.

#### Supply/Demand

Demand is greater than supply.

#### Direction

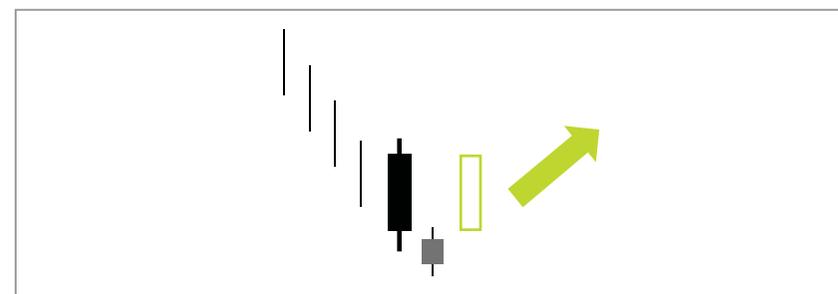
Bullish.

#### Sentiment

Positive.

#### Trigger

Consider buying if next candlestick exceeds the high price of the long white candle.



Color of the body	Black
Range of the body	Long
Range of the upper shadow	Small
Range of the lower shadow	Small
Location	End of downtrend or decline.

Color of the body	White or Black
Range of the body	Small
Range of the upper shadow	Small
Range of the lower shadow	Small
Location	Follows a long black body. It gaps below the previous candle's close.

Color of the body	White
Range of the body	Long
Range of the upper shadow	Small or non-existent
Range of the lower shadow	Small
Location	May gap above the prior candle's body. It closes above the mid-point of the long black candle.



# 07 BULLISH STRATEGIES

“ TO RELY ON RUSTICS AND NOT  
PREPARE IS THE GREATEST OF CRIMES;  
**TO BE PREPARED BEFOREHAND FOR  
ANY CONTINGENCY IS THE GREATEST  
OF VIRTUES.** ”

- Sun Tzu

- 7.1 Contrarian entry with Hammer, RSI and SMA (50)
- 7.2 Contrarian Entry with Piercing Line, RSI and SMA(50)  
as Take-Profit target
- 7.3 Harami with RSI filtering and SMA(20) as Take Profit Target
- 7.4 Tweezers with RSI and SMA(20)
- 7.5 Homing Pigeon with CCI and SMA(20)
- 7.6 Resistance with Long White Body and LWMA(50)
- 7.7 Three White Soldiers with RSI and SMA(20)
- 7.8 Morning Star filtered by Stochastics and EMA(50)
- 7.9 Engulfing with Stochastics and LWMA(20)
- 7.10 Belt Hold with Stochastics and EMA(20)



# 07 BULLISH STRATEGIES

## 7.1 Contrarian entry with Hammer, RSI and SMA (50)

During a downtrend (or downward correction) the appearance of a Hammer filtered by RSI at the oversold area.



One could consider buying when the next candle exceeds the high price of the Hammer.

Place a protective stop loss at the bottom (low) of the Hammer.

You can consider the following actions, bearing in mind that a Take-Profit strategy is heavily dependent on the trading profile of each individual.

1. Close the position when the price reaches the SMA(50).
2. Close 50% of the position when price travels 100% the length of the Hammer's range, then close the remaining 50% when price reaches the SMA(50).
3. Other combinations may be applied.



# 07 BULLISH STRATEGIES

## 7.2 Contrarian Entry with Piercing Line, RSI and SMA(50) as Take-Profit target.

During the course of a downtrend (or downward correction) the appearance of a Piercing Line pattern filtered by RSI at the oversold area.



One could consider buying when the next candle exceeds the high price of the long black candle.

Place a protective stop-loss at the bottom of the Piercing Line.

You can consider the following actions, bearing in mind that a Take-Profit strategy is heavily dependent on the trading profile of each individual.

1. Close the position when the price reaches the SMA(50).
2. Close 50% of the position when price travels 100% the length of the Piercing Line pattern then close the remaining 50% when price reaches the SMA(50).
3. Other combinations may be applied.



# 07 BULLISH STRATEGIES

## 7.3 Harami with RSI filtering and SMA(20) as Take Profit Target

During the course of a decline the appearance of a Harami pattern filtered by RSI at the oversold area.



One could consider buying when the next candle exceeds the high price of the long black candle.

Place a protective stop loss at the bottom of the Harami pattern.

You can consider the following actions, bearing in mind that a Take-Profit strategy is heavily dependent on the trading profile of each individual.

1. Close the position when the price reaches the SMA(20).
2. Close 50% of the position when price travels 100% the length of the Harami pattern then close the remaining 50% when price reaches the SMA(20).
3. Other combinations may be applied.



# 07 BULLISH STRATEGIES

## 7.4 Tweezers with RSI and SMA(20)

During the course of a decline, the appearance of the Tweezers pattern filtered by RSI at the oversold area.



One could consider buying when the next candle exceeds the high price of the pattern.

Place a protective stop loss at the bottom of the pattern.

You can consider the following actions, bearing in mind that a Take-Profit strategy is heavily dependent on the trading profile of each individual.

1. Close 50% of the position when price travels 100% the length of the pattern
2. Close the remaining 50% when price reaches the 200% of the pattern or at the presence of a reversal candlestick pattern above the SMA(20).
3. Other combinations may be applied.



# 07 BULLISH STRATEGIES

## 7.5 Homing Pigeon with CCI and SMA(20)

During the course of a decline the appearance of the Homing Pigeon pattern filtered by CCI at the oversold area.



One could consider buying when the next candle exceeds the high price of the pattern. Place a protective stop loss at the bottom of the pattern.

You can consider the following actions, bearing in mind that a Take-Profit strategy is heavily dependent on the trading profile of each individual.

1. Close 50% of the position when price travels 100% the length of the pattern.
  - a. Close the remaining 25% when price reaches the 200% of the length of the pattern above SMA(20).
  - b. Move the protective stop-loss at the top of the pattern.
  - c. Close the remaining 25% of the position at the presence of a reversal candlestick or when price falls below the SMA(20).
2. Other combinations may be applied



# 07 BULLISH STRATEGIES

## 7.6 Resistance with Long White Body and LWMA(50).

During the course of a decline, the appearance of a Long White Body breaking through a resistance above the LWMA(50).



One could consider buying when the next candle exceeds the resistance or the high of the Long White Body.

Place a protective stop loss at the bottom of the pattern.

You can consider the following actions, bearing in mind that a Take-Profit strategy is heavily dependent on the trading profile of each individual.

1. Close 70% of the position when price travels 100% the length of the pattern.
  - a. Close the remaining 20% when price reaches the 200% of the length of the pattern above LWMA(50).
  - b. Move the protective stop-loss just below the resistance.
  - c. Close the remaining 10% when price reaches 250% of the length of the pattern or prices close below the LWMA(50) or at the presence of a reversal candlestick, whichever happens first.
2. Other combinations may be applied



# 07 BULLISH STRATEGIES

## 7.7 Three White Soldiers with RSI and SMA(20)

During the course of a decline, the appearance of Three White Soldiers filtered by RSI at the oversold area.



One could consider buying when the next candle exceeds the high price of the pattern.

Place a protective stop loss at the bottom of the pattern.

You can consider the following actions, bearing in mind that a Take-Profit strategy is heavily dependent on the trading profile of each individual.

1. Close 50% of the position when price travels 100% the last Long White Candle.
  - a. Close the remaining 25% when price reaches the 200% of the length of the last Long White Candle.
  - b. Move the protective stop-loss at the top of the pattern.
  - c. Close the remaining 25% of the position at the presence of a reversal candlestick or when price closes below the SMA(20) or when price travels 300% of the length of the pattern, whichever happens first.
2. Other combinations may be applied



# 07 BULLISH STRATEGIES

## 7.8 Morning Star filtered by Stochastics and EMA(50).

During the course of a decline, the appearance of the Morning Star filtered by Stochastics at the oversold area.



One could consider buying when the next candle exceeds the high price of the third candle (white).

Place a protective stop loss at the bottom of the pattern.

You can consider the following actions, bearing in mind that a Take-Profit strategy is heavily dependent on the trading profile of each individual.

1. Close 50% of the position when price travels 100% of the pips at risk.
  - a. Close the remaining 25% when price reaches the 200% of the pips at risk.
  - b. Move the protective stop-loss at the top of the pattern.
  - c. Close the remaining 25% of the position at the presence of a reversal candlestick or when price closes below the EMA (50) or when price travels 300% of the length of the pattern, whichever happens first.
2. Other combinations may be applied



# 07 BULLISH STRATEGIES

## 7.9 Engulfing with Stochastics and LWMA(20).

During the course of a decline, the appearance of the Engulfing pattern filtered by Stochastics at the oversold area.



One could consider buying when the next candle exceeds the high price of the pattern.

Place a protective stop loss at the bottom of the pattern.

You can consider the following actions, bearing in mind that a Take-Profit strategy is heavily dependent on the trading profile of each individual.

1. Close 60% of the position when price travels 100% the length of the pattern.
  - a. Close the remaining 20% when price reaches the 200% of the length of the pattern.
  - b. Move the protective stop-loss at the top of the pattern.
  - c. Close 10% of the remaining of the position when price reaches 300% of the length of the pattern.
  - d. Close the remaining 10% of the position at the presence of a reversal candlestick or when price closes below the LWMA(20) or when the price travels 400% of the length of the pattern, whichever happens first.
2. Other combinations may be applied



# 07 BULLISH STRATEGIES

## 7.10 Belt Hold with Stochastics and EMA(20)

During the course of a decline, the appearance of the Belt Hold pattern filtered by Stochastics at the oversold area.



One could consider buying when the next candle exceeds the high price of the pattern.

Place a protective stop loss at the bottom of the pattern.

You can consider the following actions, bearing in mind that a Take-Profit strategy is heavily dependent on the trading profile of each individual.

1. Close 50% of the position when price closes above the EMA(20) provided that the distance travelled is at least equal to the length of the pattern
  - a. Move the protective stop-loss at the middle of the pattern.
  - b. Close the remaining 20% when price reaches the 200% of the length of the pattern.
  - c. Move the protective stop-loss at the top of the pattern.
  - d. Close the remaining 20% of the position when price reaches 300% of the length of the pattern.
  - e. Close the remaining 10% of the position at the presence of a reversal candlestick or when price closes below the EMA(20).
2. Other combinations may be applied



# Conclusion

Japanese Candlesticks are valuable technical analysis charts in a trader's toolkit. Now that you have an understanding of how they can be applied to your trading decisions, take the time to see how they can be used with other tools to help hone your trading strategies. To recap, they help you to determine the state of the market at a glance, identify market patterns quickly, and help you see specific bullish and bearish reversal patterns that cannot be seen on other charts.

Technical Analysis is the only way one can determine market sentiment, it helps to shine a light on movements when the fundamentals of the markets have not changed. Candlesticks tell a story that other types of charts do not. Mastering Technical Analysis is a skill that improves over time, as long as you keep learning, refining and practicing.



# FXTM

IT'S FOREX TIME

## NOTES TO EDITORS

The FXTM brand provides international brokerage services and gives access to the global currency markets, offering trading in forex, precious metals, Share CFDs, ETF CFDs and CFDs on Commodity Futures. Trading is available via the MT4 and MT5 platforms with spreads starting from just 1.3 on Standard trading accounts and from 0.1 on ECN trading accounts. Bespoke trading support and services are provided based on each client's needs and ambitions - from novices, to experienced traders and institutional investors. ForexTime Limited is regulated by the Cyprus Securities and Exchange Commission (CySEC), with license number 185/12, licensed by South Africa's FSB with FSP number 46614 and registered with the UK FCA under reference number 600475 and FT Global Limited is regulated by the International Financial Services Commission (IFSC) with license numbers IFSC/60/345/TS and IFSC/60/345/APM.

**DISCLAIMER:** This written/visual material is comprised of personal opinions and ideas. The content should not be construed as containing any type of investment advice and/or a solicitation for any transactions. It does not imply an obligation to purchase investment services, nor does it guarantee or predict future performance. FXTM, its affiliates, agents, directors, officers or employees do not guarantee the accuracy, validity, timeliness or completeness of any information or data made available and assume no liability for any loss arising from any investment based on the same.

**RISK WARNING:** There is a high level of risk involved with trading leveraged products such as forex and CFDs. You should not risk more than you can afford to lose, it is possible that you may lose more than your initial investment. You should not trade unless you fully understand the true extent of your exposure to the risk of loss. When trading, you must always take into consideration your level of experience. If the risks involved seem unclear to you, please seek independent financial advice.