FOREX MARKET ANALYSIS

Complete Study Program

MODULE 2

Price Action & Candlesticks

Intermediate Level | GBP/USD · EUR/USD · USD/JPY · XAU/USD | Study Notes + Patterns + Exercises + Quiz

45+ Patterns	Price Structure	S/D Zones	Volume Analysis

Sections in This Module

Anatomy • Single-Candle Patterns • Two-Candle Patterns • Three-Candle Patterns • Multi-Candle & Exotic Patterns

Support & Resistance • Trendlines & Channels • Market Structure (HH/HL/LH/LL) • Supply & Demand Zones

Volume Analysis • Reversal vs Continuation Map • Sample Trade Setup • Pre-Trade Checklist • Quiz

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SECTION 1 **Candlestick Anatomy: Deep Dive**

1. Candlestick Anatomy

Every candlestick on a chart is a compressed story of the battle between buyers and sellers over a defined time period. Reading that story accurately: before looking at patterns: is the foundation of every price action decision you will ever make.

1.1 The Four Data Points

Each candlestick encodes exactly four prices from its time period:

Price Point	Position	What It Represents	Trading Significance
Open	Body edge (bottom of bull / top of bear)	The first traded price when the candle began	Establishes the initial supply/demand baseline for the period
Close	Body edge (top of bull / bottom of bear)	The last traded price before the candle closed	Most important price: shows where buyers/sellers finished dominating
High	Top of upper wick	Highest price tested during the candle	Shows how far bulls pushed; rejected if a long wick forms there
Low	Bottom of lower wick	Lowest price tested during the candle	Shows how far bears pushed; rejected if a long wick forms there

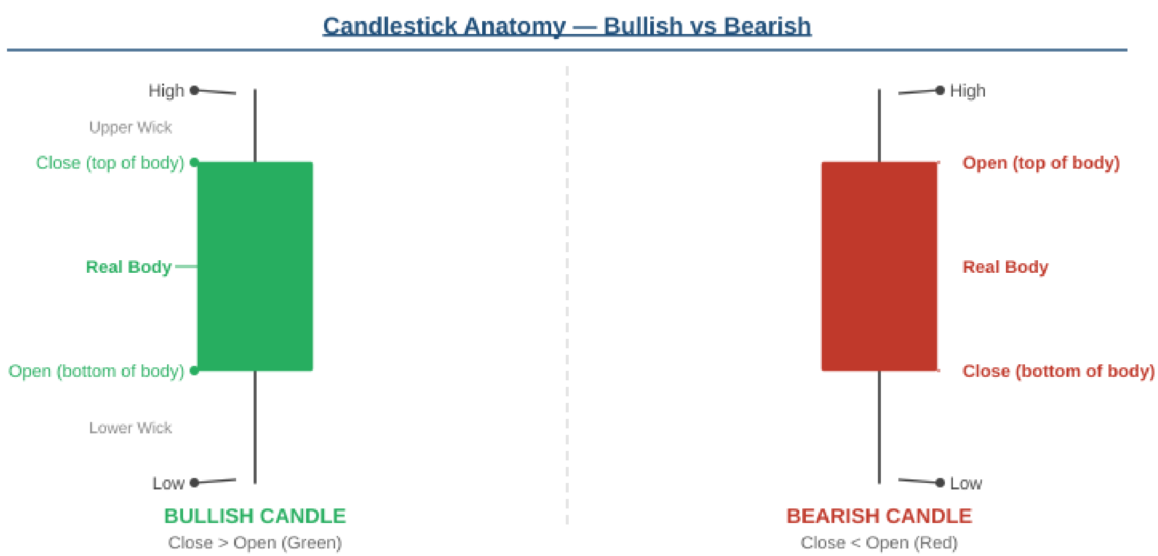


Fig 1.1: Candlestick Anatomy: Bullish vs Bearish with Labeled Components

1.2 Anatomy Components

Component	Also Called	Definition & Interpretation
Real Body	Body	The rectangle between Open and Close. Bullish = green/white (close > open). Bearish = red/black (close < open). Larger body = stronger conviction.
Upper Wick	Upper Shadow / Tail	Thin line above the body. Extends to the session High. Length indicates how far bulls pushed and were rejected: longer = stronger bearish rejection overhead.
Lower Wick	Lower Shadow / Tail	Thin line below the body. Extends to the session Low. Length indicates how far bears pushed and were rejected: longer = stronger bullish rejection below.
Body-to-Range Ratio	Real Body %	Body size ÷ total candle range (High – Low) × 100. Marubozu = ~95%+. Doji = ~0–5%. Spinning top = ~20–40%.
Upper Wick Ratio	-	Upper wick ÷ total range × 100. High ratio (>40%) at resistance signals strong bearish rejection.
Lower Wick Ratio	-	Lower wick ÷ total range × 100. High ratio (>40%) at support signals strong bullish rejection.

1.3 Bullish vs Bearish Candle Anatomy

Feature	Bullish Candle (Green)	Bearish Candle (Red)
Open position	Bottom of body	Top of body
Close position	Top of body	Bottom of body
Meaning	Buyers dominated: price closed above where it opened	Sellers dominated: price closed below where it opened
Upper wick interpretation	Bulls pushed higher but some selling capped the close	Bears pushed lower but sellers ran out of steam above the close
Lower wick interpretation	Bears tried to push lower but bulls bought the dip	Bears tried to push lower; dip was bought but then rejected again
No wick (Marubozu)	Extreme bullish dominance: buyers controlled entire session	Extreme bearish dominance: sellers controlled entire session

1.4 Body Size: What It Tells You

Body Size	Body-to-Range %	Market Message
Large / Full body	70–100%	Strong momentum in one direction. One side fully dominated. High conviction candle.
Medium body	40–70%	Moderate conviction. Direction is clear but some opposing pressure exists.
Small body	15–40%	Indecision. Neither side dominated convincingly. Potential exhaustion or pause.

Body Size	Body-to-Range %	Market Message
Very small / Doji	0–15%	Near-equal open and close. Strong indecision. Context determines bullish/bearish bias.

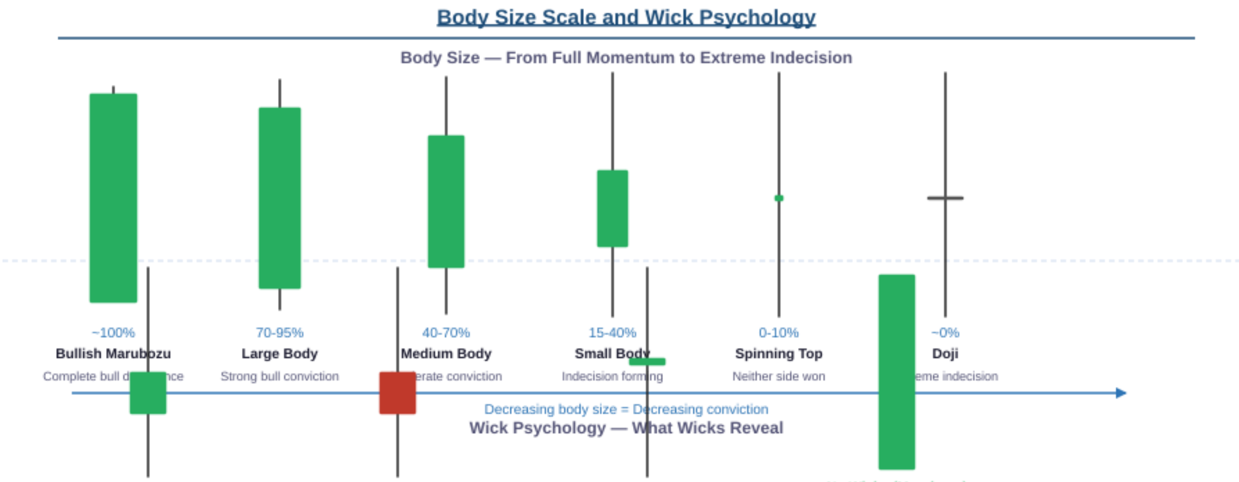


Fig 1.2: Body Size Scale and Wick Psychology

1.5 Wick Psychology: The Hidden Story

Wicks reveal rejected price levels and institutional order activity. They are one of the most powerful yet most misread elements on a chart.

Wick Scenario	What Likely Happened	Trading Implication
Long upper wick on bullish candle	Bulls pushed price high but smart money distributed (sold) at the highs, pushing price back down before close	Bearish warning at resistance: confirms selling pressure overhead
Long upper wick on bearish candle	Bears had full control. Bulls tried briefly but were crushed back immediately	Extreme bearish momentum: very few buyers willing to step in
Long lower wick on bearish candle	Bears pushed low but smart money absorbed (bought) at the lows: bullish absorption signal	Bullish reversal potential: strong demand at the low
Long lower wick on bullish candle	Bears tried pushing lower but bulls defended and reclaimed strongly before close	Confirms bullish demand at the wick low: a high-quality support test
Equal wicks both sides (Spinning Top)	Complete indecision: buyers and sellers tested both extremes and returned to centre	Pause in trend. Wait for the next candle for direction confirmation
No wicks at all (Marubozu)	Total one-sided dominance. Opening price immediately ran in one direction with no opposition	High-momentum continuation signal. Follow the body direction.

KEY CONCEPT: Wick Confluence

When a long wick terminates exactly at a known Support/Resistance level, Supply/Demand Zone, or Fibonacci level: the reliability of that wick's reversal signal multiplies dramatically. A 10-pip wick on EUR/USD at a Daily support level is far more significant than a 50-pip wick in the middle of nowhere.

1.6 Candle Context Rules

No candlestick pattern has meaning in isolation. Always evaluate:

- Where on the chart is the pattern forming? (At structure or in the middle of a range?)
- What is the higher-timeframe trend? (Counter-trend patterns require higher conviction)
- What is the session context? (London open candles carry more weight than Asian session candles)
- What is the volume on the pattern candle? (High-volume reversals are more reliable)
- Has price run into a key level? (S/R, supply/demand zone, round number, Fibonacci level)
- What is the candle's size relative to recent average candles? (Unusually large = momentum or exhaustion)

SECTION 2 **Single-Candle Patterns**

2. Single-Candle Patterns

Single-candle patterns are formed by one candlestick alone. They are signals of indecision, momentum, or rejection and must always be read in the context of where they appear on the chart and the surrounding trend.

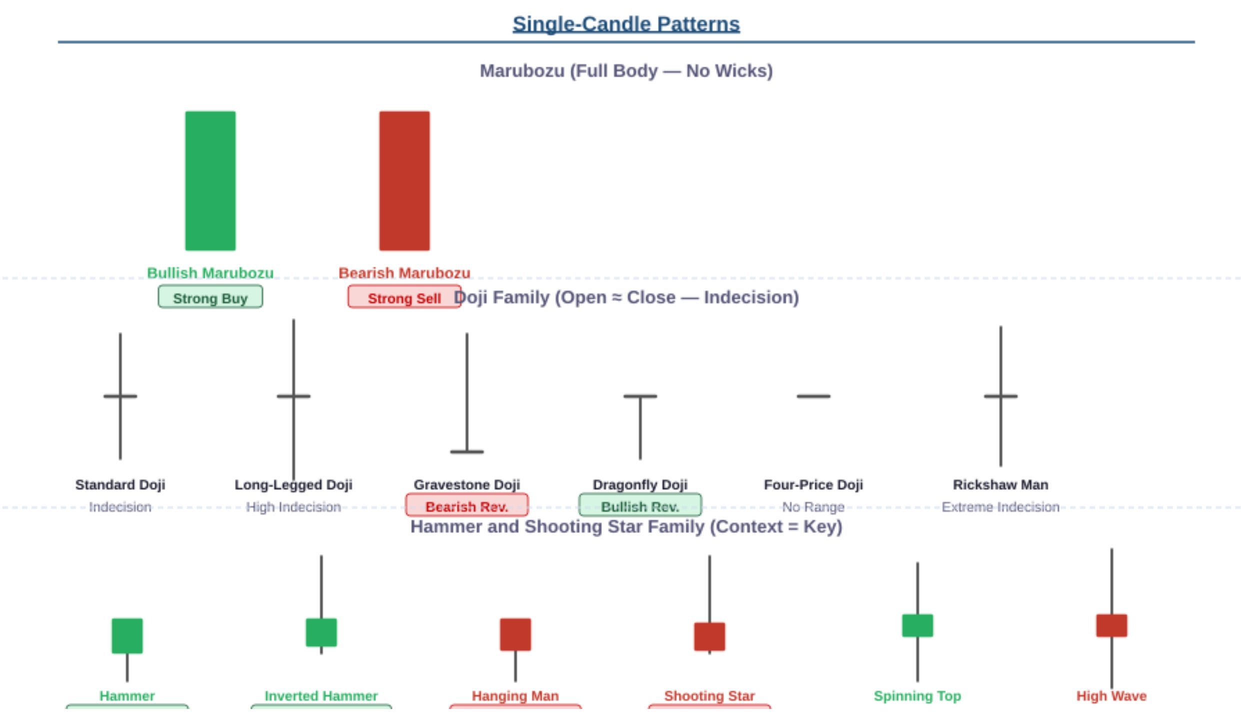


Fig 2A: Single-Candle Patterns: Marubozu, Doji Family, Hammer and Shooting Star Family

2.1 The Doji Family

A Doji forms when the open and close are at or near the same price, producing a very small or non-existent body. All Doji variants signal indecision and potential reversal: their power comes from their location, not from the Doji itself.

Pattern	Candles	Prior Trend	Signal	Reliability	Instrument Example	Key Notes / Confirmation
DOJI FAMILY						
Standard Doji	1	Any	Indecision: neither bulls nor bears won	Moderate	EUR/USD: appears mid-range before breakout	Open ≈ Close; small body; equal upper/lower wicks. Context-dependent; alone it is weak.

Pattern	Candles	Prior Trend	Signal	Reliability	Instrument Example	Key Notes / Confirmation
Long-Legged Doji	1	Any	High indecision: strong test both ways	Moderate	USD/JPY: forms before major reversal after trend run	Extremely long upper AND lower wicks. Market tested far in both directions. Expect volatility.
Gravestone Doji	1	Uptrend	Bearish reversal	High	GBP/USD: forms at daily resistance after rally	Open=Close=Low. Long upper wick only. Bears crushed bull rally back to open. Strongly bearish.
Dragonfly Doji	1	Downtrend	Bullish reversal	High	XAU/USD: forms at key demand zone on H4	Open=Close=High. Long lower wick only. Bears pushed hard but bulls fully recovered. Strongly bullish.
Four-Price Doji	1	Any	Extreme indecision / illiquid market	Low	EUR/USD: rare on 1H; seen in thin Asian session	Open=High=Low=Close. No range at all. Usually means low liquidity; ignore or avoid.
Neutral Doji	1	Any	Indecision with slight body	Low-Moderate	USD/JPY: transition signal in choppy conditions	Tiny body (not zero), roughly equal wicks. Similar to standard Doji but fractionally decisive.

2.2 Hammer & Hanging Man Family

These patterns share the same physical shape: small body at the top of the candle range with a long lower wick. Their signal (bullish or bearish) depends entirely on their position in the trend.

Pattern	Candles	Prior Trend	Signal	Reliability	Instrument Example	Key Notes / Confirmation
HAMMER & HANGING MAN FAMILY						
Hammer	1	Downtrend	Bullish reversal	High	GBP/USD: lower wick touches weekly support on H4	Small body at top; lower wick ≥ 2× body. Bull candle preferred. No or tiny upper wick.
Inverted Hammer	1	Downtrend	Bullish reversal (weaker	Moderate	EUR/USD: forms at demand zone; needs	Small body at bottom; long upper wick. Bulls tried upward but failed;

Pattern	Candles	Prior Trend	Signal	Reliability	Instrument Example	Key Notes / Confirmation
			than Hammer)		bullish follow-through	watch for next candle confirmation.
Hanging Man	1	Uptrend	Bearish reversal warning	Moderate-High	USD/JPY: appears at top of extended rally	Same shape as Hammer but in uptrend. Bears pushed down hard but bulls recovered. Bearish if confirmed.
Shooting Star	1	Uptrend	Bearish reversal	High	GBP/USD: long upper wick into daily resistance	Small body at bottom; long upper wick ≥ 2× body. Bears crushed bull rally. No or tiny lower wick.

CONFIRMATION RULE: Best Practice
A Hammer or Shooting Star pattern must be confirmed by the next candle. For a Hammer: the following candle should close above the Hammer's body. For a Shooting Star: the following candle should close below the pattern's body. Trading the pattern without confirmation is a common beginner mistake.

2.3 Marubozu: Momentum Candles

A Marubozu has no wicks (or negligible wicks). It signals total dominance by one side and is one of the strongest momentum signals on any timeframe.

Pattern	Candles	Prior Trend	Signal	Reliability	Instrument Example	Key Notes / Confirmation
MARUBOZU FAMILY						
Bullish Marubozu	1	Any (strongest in uptrend)	Bullish continuation / reversal	Very High	XAU/USD: large green body at break of resistance	Open=Low; Close=High. No wicks. Complete bull domination for entire session. Strong continuation signal.
Bearish Marubozu	1	Any (strongest in downtrend)	Bearish continuation / reversal	Very High	GBP/USD: large red body at break of major support	Open=High; Close=Low. No wicks. Complete bear domination. Strong continuation or reversal initiation.

Pattern	Candles	Prior Trend	Signal	Reliability	Instrument Example	Key Notes / Confirmation
Closing Marubozu (Bull)	1	Any	Bullish bias: close at high	High	EUR/USD: strong NY close with no upper wick	Has lower wick (open above low) but closes at session high. Buyers dominated the second half.
Closing Marubozu (Bear)	1	Any	Bearish bias: close at low	High	USD/JPY: NY session close at lows after selling	Has upper wick but closes at session low. Sellers dominated the second half; bearish into next sessionion.
Opening Marubozu (Bull)	1	Any	Initial bullish push: weakens	Moderate	EUR/USD: opens at low, closes below high	Open=Low but has upper wick; bulls lost some momentum. Less reliable than full Marubozu.

2.4 Spinning Tops & Other Single Patterns

Pattern	Candles	Prior Trend	Signal	Reliability	Instrument Example	Key Notes / Confirmation
SPINNING TOP & MISCELLANEOUS SINGLES						
Spinning Top	1	Any	Indecision: trend exhaustion warning	Moderate	USD/JPY: forms after 5-day directional run	Small body (any colour) with wicks longer than body on both sides. Neither side won. Potential reversal setup.
High Wave Candle	1	Any	Extreme indecision at high volatility	Moderate	GBP/USD: high-vol candle at NFP surprise	Like Spinning Top but with very long wicks on both sides; market tested extreme ranges before settling.
Belt Hold (Bull)	1	Downtrend	Bullish reversal initiation	Moderate	EUR/USD: opens at low, closes near high with no lower wick	Opens at low (no lower wick), close is significantly higher. Similar to Opening Marubozu; bullish momentumomentum shift.

Pattern	Candles	Prior Trend	Signal	Reliability	Instrument Example	Key Notes / Confirmation
Belt Hold (Bear)	1	Uptrend	Bearish reversal initiation	Moderate	XAU/USD: opens at high, closes near low with no upper wick	Opens at high (no upper wick), close is significantly lower. Bearish momentum shift.
Rickshaw Man	1	Any	Extreme indecision	Low	EUR/USD: very rare; appears in thin markets	Doji where open/close are exactly in the middle of the range. Maximum symmetry = maximum indecision.
Takuri Line	1	Downtrend	Strong bullish reversal	High	USD/JPY: extremely long lower wick at H4 support	Extreme lower wick (≥3× body). A very elongated Dragonfly/Hammer. Bears tested deeply; bulls crushed them.

SECTION 3 **Two-Candle Patterns**

3. Two-Candle Patterns

Two-candle patterns require the relationship between two consecutive candles to form a signal. The first candle establishes direction or context; the second confirms the reversal or continuation. These patterns carry more weight than single-candle formations.

Pattern	Candles	Prior Trend	Signal	Reliability	Instrument Example	Key Notes / Confirmation
ENGULFING PATTERNS						
Bullish Engulfing	2	Downtrend	Strong bullish reversal	Very High	GBP/USD: large green candle engulfs prior red at H4 support	Candle 2 body fully covers Candle 1 body. Green engulfs red. Volume surge on C2 increases reliability.
Bearish Engulfing	2	Uptrend	Strong bearish reversal	Very High	EUR/USD: large red candle engulfs prior green at daily resistance	Candle 2 body fully covers Candle 1 body. Red engulfs green. One of the most reliable 2-candle signals.
HARAMI PATTERNS (Inside Bar variants)						
Bullish Harami	2	Downtrend	Bullish reversal warning	Moderate	USD/JPY: small green inside large red at support zone	Candle 2 is small and contained within C1's body. Japanese for 'pregnant'. C2 must be opposite colour for classic Harami.
Bearish Harami	2	Uptrend	Bearish reversal warning	Moderate	GBP/USD: small red inside large green at supply zone	Opposite of Bullish Harami. C2 is small red inside large green C1. Signals potential top.
Bullish Harami Cross	2	Downtrend	Bullish reversal	Moderate-High	EUR/USD: Doji inside large bear candle at	C2 is a Doji (not just small candle). Stronger than standard Harami due to

Pattern	Candles	Prior Trend	Signal	Reliability	Instrument Example	Key Notes / Confirmation
					demand zone	extreme indecision.
Bearish Harami Cross	2	Uptrend	Bearish reversal	Moderate-High	XAU/USD: Doji inside large bull candle at supply zone	C2 Doji inside bull C1. Strong indecision at top after bullish run.
PIERCING & DARK CLOUD						
Piercing Line	2	Downtrend	Bullish reversal	High	GBP/USD: C2 green opens below C1 low, closes above C1 midpoint	C1=bear candle. C2 opens below C1 low (gap down), closes above C1's 50% midpoint. Bulls pierced bearish dominance.
Dark Cloud Cover	2	Uptrend	Bearish reversal	High	EUR/USD: C2 red opens above C1 high, closes below midpoint	C1=bull candle. C2 opens above C1 high, closes below C1's midpoint. Opposite of Piercing Line.
TWEEZER PATTERNS						
Tweezer Bottom	2	Downtrend	Bullish reversal: double-tested low	High	USD/JPY: two candles share identical low at H4 support	Two candles test the exact same low and both reject it. Shows strong demand at that level. Strong S/R confirmation.
Tweezer Top	2	Uptrend	Bearish reversal: double-tested high	High	GBP/USD: two candles share identical high at resistance	Two candles test the exact same high and both reject it. Strong supply at that level. Resistance confirmed.
ON-NECK & COUNTER-ATTACK PATTERNS						
On-Neck (Bearish)	2	Downtrend	Bearish continuation	Moderate	EUR/USD: C2 closes near but just at C1's low: weak bull response	C1=large bear. C2=small bull that closes near C1's close. Bulls couldn't recover. Bearish continuation.

Pattern	Candles	Prior Trend	Signal	Reliability	Instrument Example	Key Notes / Confirmation
In-Neck (Bearish)	2	Downtrend	Bearish continuation	Moderate	USD/JPY: C2 barely closes above C1's close: marginal bull push	Similar to On-Neck but C2 closes slightly above C1's close. Still a bearish continuation pattern.
Counterattack (Bull)	2	Downtrend	Bullish reversal signal	Moderate	GBP/USD: C2 green closes at same price as C1 red	C1=bear; C2=bull that opens lower but closes at C1's close (same price). Bulls fully counteracted bears.
Counterattack (Bear)	2	Uptrend	Bearish reversal signal	Moderate	XAU/USD: C2 red closes at same price as C1 green	C1=bull; C2=bear that opens higher but closes at C1's close. Bears fully counteracted bulls at the top.
MEETING LINES						
Bullish Meeting Lines	2	Downtrend	Potential bullish reversal	Moderate	EUR/USD: bear and bull candle close at same price at demand zone	Two opposite-colour candles close at exactly the same level. Shared close = standoff. Bullish if at support.
Bearish Meeting Lines	2	Uptrend	Potential bearish reversal	Moderate	GBP/USD: bull and bear candle close at same price at supply zone	Opposite of Bullish Meeting Lines. Both close at same price at resistance. Bearish continuation risk.

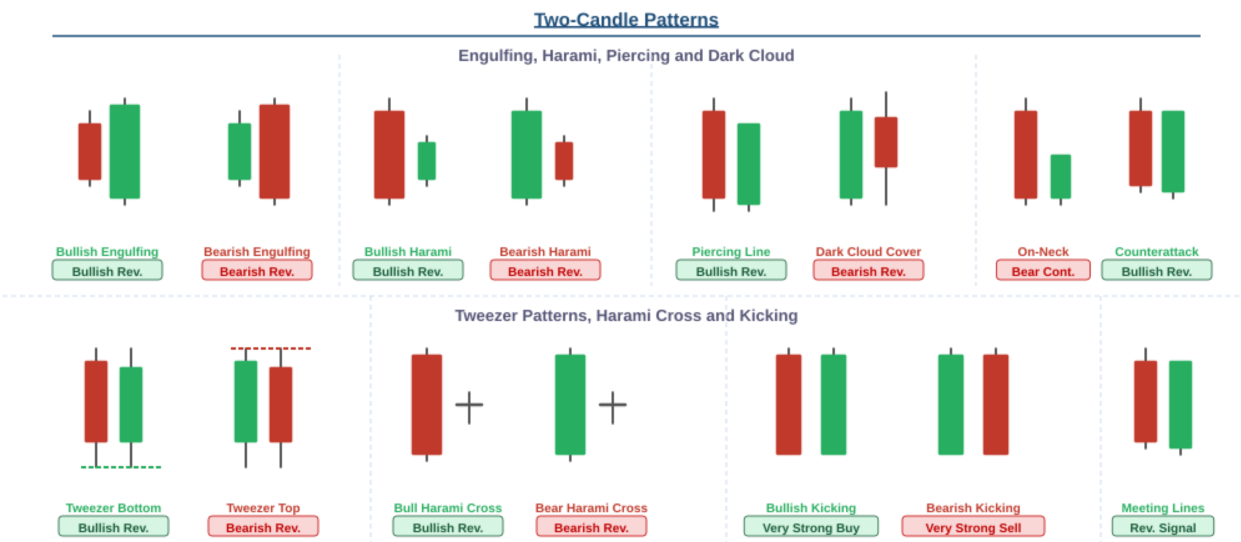


Fig 2B: Two-Candle Patterns: Engulfing, Harami, Tweezer, Piercing, Kicking and More

CAUTION: Two-Candle Patterns

The Harami and Piercing Line patterns are weaker when they appear mid-trend with no structural confluence. Only trade two-candle reversal patterns when they form at a key level (support, resistance, supply/demand zone, Fibonacci retracement). Without location context, these patterns have a reliability close to random.

SECTION 4 **Three-Candle Patterns**

4. Three-Candle Patterns

Three-candle patterns offer the clearest narrative structure in candlestick analysis: a setup candle, a decision candle, and a confirmation candle. They are widely regarded as the most balanced between reliability and timeliness.

Pattern	Candles	Prior Trend	Signal	Reliability	Instrument Example	Key Notes / Confirmation
STAR PATTERNS						
Morning Star	3	Downtrend	Strong bullish reversal	Very High	GBP/USD: forms at weekly support on Daily chart	C1=large bear. C2=small/Doji (gap down or in body). C3=large bull closing into C1's body. Classic 3-candle reversal.
Evening Star	3	Uptrend	Strong bearish reversal	Very High	EUR/USD: forms at monthly resistance on Daily chart	C1=large bull. C2=small/Doji (gap up or in body). C3=large bear closing into C1's body. Mirror of Morning Star.
Morning Doji Star	3	Downtrend	Very strong bullish reversal	Very High	USD/JPY: Doji sandwiched between bear and bull candle at support	C2 must be a Doji specifically. Stronger than standard Morning Star: deeper indecision before reversal.
Evening Doji Star	3	Uptrend	Very strong bearish reversal	Very High	XAU/USD: Doji at top of gold rally on H4	C2 must be a Doji specifically. Stronger than Evening Star. Most reliable 3-candle top signal.

Pattern	Candles	Prior Trend	Signal	Reliability	Instrument Example	Key Notes / Confirmation
Abandoned Baby (Bull)	3	Downtrend	Strongest bullish reversal	Highest	GBP/USD: rare gap Doji at key daily demand zone	C1=bear. C2=Doji that gaps away from C1 AND C3. Isolated. Very rare in Forex (no true gaps). High impact when gaps appear at week open.
Abandoned Baby (Bear)	3	Uptrend	Strongest bearish reversal	Highest	EUR/USD: rare gap Doji isolated at daily supply zone	C1=bull. C2=Doji isolated by gaps on both sides. C3=bear. Rarest and most reliable reversal pattern.
SOLDIERS & CROWS						
Three White Soldiers	3	Downtrend / Base	Strong bullish continuation/reversal	High	GBP/USD: three consecutive large green candles after base	Three large bullish candles, each closing higher, opening within prior body. No major wicks. Strong institutional buying.
Three Black Crows	3	Uptrend	Strong bearish reversal	High	EUR/USD: three consecutive large red candles from resistance	Three large bearish candles, each closing lower, opening within prior body. Strong institutional selling.
Advance Block	3	Uptrend	Bearish reversal warning	Moderate	USD/JPY: Three Soldiers but bodies shrinking + upper wicks growing	Like Three White Soldiers but progressively smaller bodies and growing upper wicks; bull momentum fading.

Pattern	Candles	Prior Trend	Signal	Reliability	Instrument Example	Key Notes / Confirmation
Deliberation	3	Uptrend	Potential top formation	Moderate	XAU/USD: third candle is small or Doji after two large bulls	Two large bull candles then a very small third. Bulls losing conviction; potential reversal incoming.
THREE INSIDE / OUTSIDE						
Three Inside Up	3	Downtrend	Bullish reversal: confirmed Harami	High	GBP/USD: Bullish Harami confirmed by bullish C3 close	C1=large bear, C2=small bull inside C1 (Harami), C3=bull that closes above C1's open. Full confirmation.
Three Inside Down	3	Uptrend	Bearish reversal: confirmed Harami	High	EUR/USD: Bearish Harami confirmed by bearish C3 close	C1=large bull, C2=small bear inside C1, C3=bear closing below C1's open. Mirror of Three Inside Up.
Three Outside Up	3	Downtrend	Bullish reversal: confirmed Engulfing	High	USD/JPY: Bullish Engulfing confirmed by bullish C3	C1=bear, C2=bull that engulfs (Bullish Engulfing), C3=bull that closes higher. Full 3-candle confirmation.
Three Outside Down	3	Uptrend	Bearish reversal: confirmed Engulfing	High	GBP/USD: Bearish Engulfing confirmed by bearish C3	C1=bull, C2=bear that engulfs (Bearish Engulfing), C3=bear that closes lower. Strong triple confirmation.
THREE LINE STRIKE						
Bullish Three Line Strike	3+1	Downtrend	Bullish continuation (counter-intuitive)	Moderate	EUR/USD: three bears followed by one large bull that	Three bear candles (lower lows) followed by a large bull candle that closes above

Pattern	Candles	Prior Trend	Signal	Reliability	Instrument Example	Key Notes / Confirmation
					covers all three	C1's open. Actually a bullish continuation after retracement.
Bearish Three Line Strike	3+1	Uptrend	Bearish continuation (counter-intuitive)	Moderate	GBP/USD: three bulls followed by one large bear that covers all three	Three bull candles followed by a large bear candle that closes below C1's open. Bearish continuation signal.
UNIQUE THREE-CANDLE PATTERNS						
Tri-Star (Bull)	3	Downtrend	Strong bullish reversal	High	USD/JPY: three consecutive Doji at support	Three consecutive Doji candles at or near the same level. Extreme indecision resolved; watch for explosive breakoutplosive move.
Tri-Star (Bear)	3	Uptrend	Strong bearish reversal	High	XAU/USD: three consecutive Doji at resistance	Three consecutive Doji at or near highs. Very rare. Expect sharp reversal move following this.
Unique Three-River Bottom	3	Downtrend	Bullish reversal: rare	Moderate	GBP/USD: bear, hammer, small bull inside range	Complex 3-candle sequence: large bear, bear with long lower wick (makes new low), small inside bull. Reversal signal.

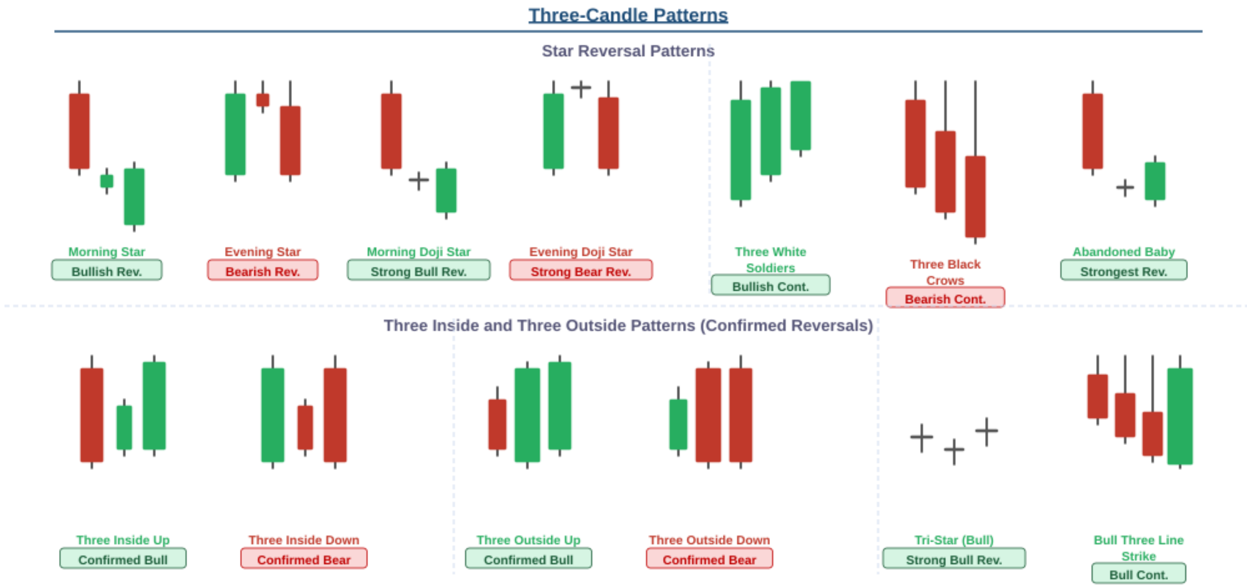


Fig 2C: Three-Candle Patterns: Star Patterns, Soldiers, Crows, Inside and Outside Patterns

BEST PRACTICE: Three-Candle Patterns

The Morning Star and Evening Star patterns on the Daily timeframe at a Weekly support or resistance level are among the highest-probability setups in Price Action trading. When C3 closes more than 50% into C1's body, and volume on C3 exceeds C1's volume, the probability of follow-through increases substantially.

SECTION 5 **Multi-Candle & Exotic Patterns**

5. Multi-Candle & Exotic Patterns

Multi-candle patterns require four or more candles to complete. These patterns are less frequent but tend to offer high-quality continuation or reversal signals, particularly on the H4 and Daily timeframes.

Pattern	Candles	Prior Trend	Signal	Reliability	Instrument Example	Key Notes / Confirmation
RISING & FALLING THREE METHODS (Continuation)						
Rising Three Methods	5	Uptrend	Bullish continuation	High	GBP/USD: large bull → 3 small bears → large bull	C1=large bull. C2/C3/C4=3 small bears (stay within C1 range). C5=large bull closing above C1's high. Pause then continuation.
Falling Three Methods	5	Downtrend	Bearish continuation	High	EUR/USD: large bear → 3 small bulls → large bear	Mirror: C1=large bear. Middle 3 = small bulls within range. C5=large bear making new low. Bearish continuation.
TASUKI GAP PATTERNS						
Upside Tasuki Gap	3	Uptrend	Bullish continuation	Moderate	GBP/USD: bull gap up + small bear that doesn't fill gap	C1=bull, C2=bull that gaps up, C3=bear that opens in C2's body but doesn't close the gap. Gap holds = continuation.
Downside Tasuki Gap	3	Downtrend	Bearish continuation	Moderate	USD/JPY: bear gap down + small bull that doesn't fill gap	C1=bear, C2=bear that gaps down, C3=bull that can't close the gap. Gap holds = bearish continuation.
MAT HOLD PATTERNS						
Bull Mat Hold	5	Uptrend	Bullish continuation	High	EUR/USD: similar to Rising Three	Large bull, gap up, three small bears declining (stay above C1 open),

Pattern	Candles	Prior Trend	Signal	Reliability	Instrument Example	Key Notes / Confirmation
					Methods on Daily chart	large bull continuation candle. Strong institutional footprint.
Bear Mat Hold	5	Downtrend	Bearish continuation	High	GBP/USD: large bear, gap down, three small bulls, large bear	Large bear, gap down, three small bulls declining, large bear continuation. Mirror pattern. High reliability.
STICK SANDWICH						
Bull Stick Sandwich	3	Downtrend	Bullish reversal	Moderate-High	USD/JPY: bear-bull-bear where C1 and C3 close at same level	C1=bear, C2=bull, C3=bear closing at C1's close (same price). Shows strong support at that price level.
Bear Stick Sandwich	3	Uptrend	Bearish reversal	Moderate-High	XAU/USD: bull-bear-bull where C1 and C3 close at same high	C1=bull, C2=bear, C3=bull closing at C1's close. Repeated resistance at same close level. Bearish warning.
CONCEALING BABY SWALLOW						
Concealing Baby Swallow	4	Downtrend	Strong bullish reversal	High	GBP/USD: four-candle reversal after deep bear trend	C1=bear Marubozu, C2=bear Marubozu, C3=bear with upper wick (gap up), C4=large bull that engulfs C3. Rare pattern.
SIDE-BY-SIDE PATTERNS						
White Side-by-Side	3	Uptrend	Bullish continuation	Moderate	EUR/USD: gap up then two almost identical bull candles	C1=any. C2=bull candle that gaps up. C3=bull candle almost identical to C2. Two near-equal bulls after gap = continuation.
Black Side-by-Side	3	Downtrend	Bearish continuation	Moderate	USD/JPY: gap down	Mirror: gap down followed by two

Pattern	Candles	Prior Trend	Signal	Reliability	Instrument Example	Key Notes / Confirmation
					then two almost identical bear candles	near-identical bear candles. Institutional selling continuation.
KICKING PATTERN						
Bullish Kicking	2	Any	Very strong bullish reversal	Very High	GBP/USD: bearish Marubozu gapped by bullish Marubozu	C1=bear Marubozu. C2=bull Marubozu that gaps away from C1. Total momentum reversal. Very rare but very powerful.
Bearish Kicking	2	Any	Very strong bearish reversal	Very High	XAU/USD: bullish Marubozu gapped by bearish Marubozu	C1=bull Marubozu. C2=bear Marubozu that gaps down. Complete and sudden momentum reversal.
HOMING PIGEON / LADDER PATTERNS						
Homing Pigeon	2	Downtrend	Bullish reversal signal	Moderate	EUR/USD: two bear candles where C2 is inside C1	Both candles bear. C2 contained within C1's range. Bears are losing range; bullish reversal possible.
Ladder Bottom	5	Downtrend	Bullish reversal: exhaustion	High	GBP/USD: three bears with increasing upper wicks + bull with gap	Three bear candles with progressively longer upper wicks (absorption beginning), then Shooting Star, then gap-up bull.
Ladder Top	5	Uptrend	Bearish reversal: exhaustion	High	EUR/USD: three bulls with increasing lower wicks + bear with gap	Three bull candles with progressively longer lower wicks, then Hammer, then gap-down bear. Mirror pattern.

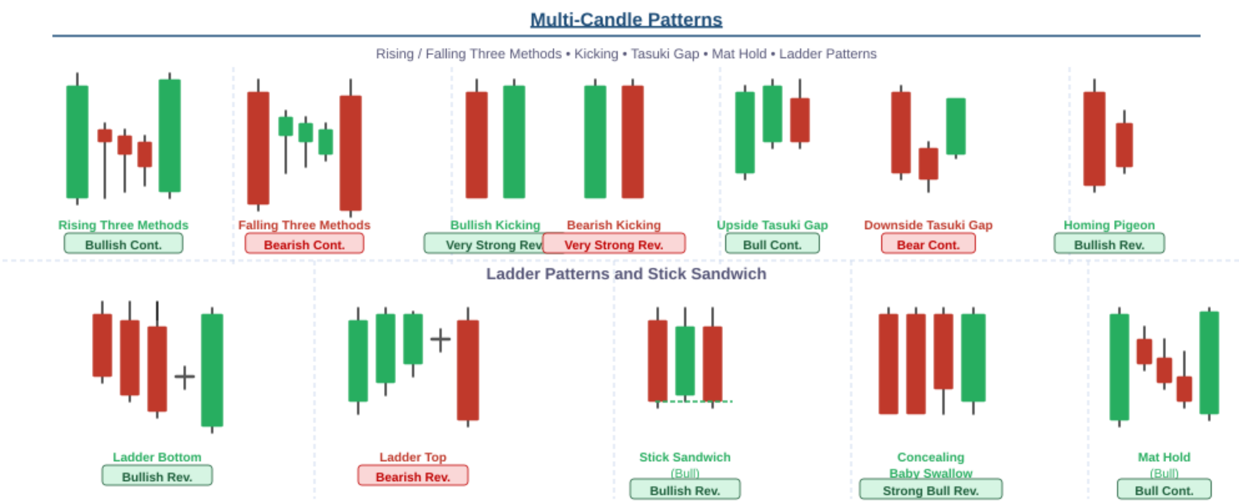


Fig 2D: Multi-Candle Patterns: Three Methods, Kicking, Tasuki, Ladder and Mat Hold

SECTION 6 Support & Resistance

6. Support & Resistance

Support and Resistance (S&R) are horizontal price levels where price has previously paused, reversed, or consolidated. They are the most fundamental concept in technical and price action analysis. Every candlestick pattern described in Sections 2–5 gains its primary power from occurring at these levels.

6.1 Definitions

Concept	Definition
Support	A price level where buying interest is historically strong enough to halt or reverse a downward move. Price has bounced up from this level at least twice.
Resistance	A price level where selling interest is strong enough to halt or reverse an upward move. Price has been rejected at this level at least twice.
S/R Zone	A zone (band of prices), not a single line, where the level has been tested multiple times across slightly different prices. More realistic than a single pip line.
Role Reversal (Flip)	When a previous Support is broken, it becomes new Resistance. When previous Resistance is broken, it becomes new Support. This is one of the most powerful confirmations in PA trading.
Round Numbers	Price levels ending in .0000, .5000, .2500 act as psychological S/R due to large order clusters. Examples: EUR/USD 1.1000, GBP/USD 1.2500, XAU/USD 2000, USD/JPY 150.00

6.2 How to Identify Valid S/R Levels

Not all horizontal levels are equal. Use this hierarchy to rank level quality:

Rank	Level Type	How to Identify
1st	Monthly / Weekly S/R	Levels from Monthly and Weekly chart timeframes. Price has reacted at these levels over months or years. Highest quality.
2nd	Daily S/R	Swing highs and lows on the Daily chart. Widely watched by professional traders and algorithmic systems.
3rd	H4 S/R	4-hour swing levels. Relevant for intraday and swing traders. Used to refine entries from Daily levels.
4th	Round Number Levels	Psychological levels (e.g., USD/JPY 150.00, EUR/USD 1.1000). Tend to cluster stop losses and pending orders.
5th	Previous Day/Week High & Low	PDH, PDL, PWH, PWL are key institutional reference points for daily trading decisions.

6.3 S/R Quality Factors

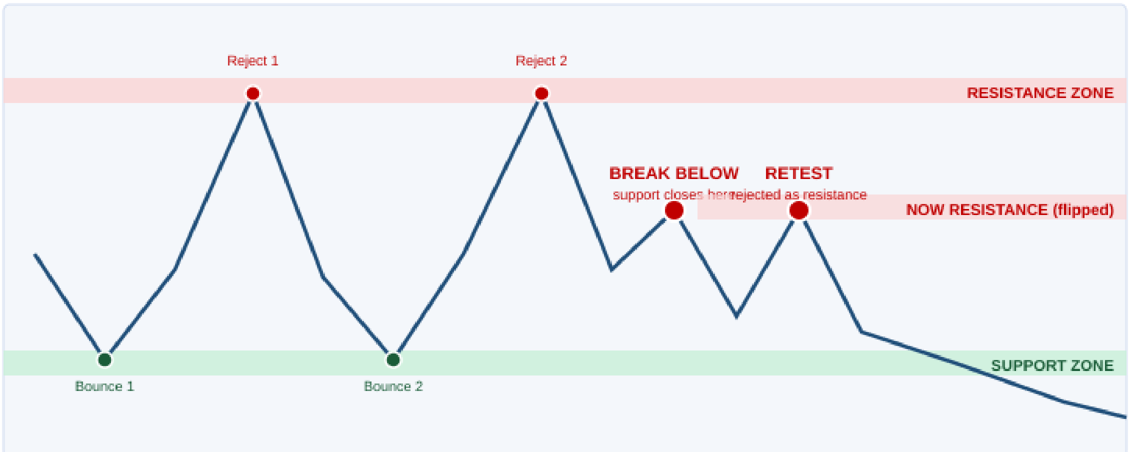
- Number of touches: More touches = stronger level (minimum 2, ideally 3+)
- Time between touches: Levels tested months apart are stronger than levels tested within hours
- Candle behaviour at the level: Long wicks with closes away from level = strong rejection
- Volume at the level: High volume reaction = institutional participation confirmed
- Distance from current price: Levels close to current price carry more immediate relevance
- Cleanness of the level: A level where price turned sharply (not gradually) is cleaner and more tradeable

6.4 The S/R Role Reversal (Flip): Illustrated

This is one of the most powerful and reliable price action concepts. Once a level changes from S to R or vice versa, it often holds with increased strength.

Scenario	Before Break	After Break	Example
Support becomes Resistance	Level holds as Support multiple times	Price breaks below decisively, retests from below, now rejects downward	GBP/USD: 1.2600 was support (tested 4×). Breaks below, retests 1.2600, sellers step in → now resistance.
Resistance becomes Support	Level holds as Resistance multiple times	Price breaks above decisively, retests from above, now holds as support	EUR/USD: 1.0900 was resistance (tested 3×). Breaks above, retests 1.0900, buyers defend → now support.
Failed Flip	Resistance appears to break; then fails	Price breaks above, retests, and falls back through; original resistance holds	USD/JPY: 150.00 breaks, immediate retest, sellers overwhelm; false break. 150.00 remains resistance.

Support and Resistance — Role Reversal (Flip)



Broken Support becomes Resistance • Broken Resistance becomes Support

Fig 6.1: Support and Resistance with Role Reversal

CAUTION: S/R Levels

Support and Resistance are ZONES, not exact pip levels. A level of 1.0850 on EUR/USD may act as support anywhere from 1.0843 to 1.0857. Drawing S/R as a zone (shaded area) rather than a single horizontal line prevents premature stop losses and unnecessary missed entries.

SECTION 7 **Trendlines & Channels**

7. Trendlines & Channels

Trendlines are diagonal S/R levels that connect a series of swing highs or lows, defining the angle and boundary of a trend. Channels add a parallel line on the opposite side to create a price corridor. They are dynamic: they change angle and position as price evolves.

7.1 Trendline Drawing Rules

Incorrectly drawn trendlines are worse than no trendline at all; they create false expectations. Follow these rules:

Rule	Detail
Minimum 2 points	A trendline requires at least 2 swing lows (uptrend) or 2 swing highs (downtrend) to draw. 3 points = confirmed trendline.
Use candle bodies, not wicks	Draw through the bodies (close/open prices) for the most meaningful line. Wicks are noise; bodies are commitment.
Connect the most prominent swings	Use major swing lows/highs visible on your timeframe, not every minor wiggle.
Avoid forcing the line	A valid trendline should connect 2+ points cleanly without cutting through candle bodies between those points.
Steeper = more fragile	A trendline with an angle above 45° is likely to break. Shallow, sustained trendlines are the strongest.
Extend forward	Always extend trendlines into the future; this reveals upcoming interaction points before price arrives.
Timeframe hierarchy	A trendline on the Daily chart outweighs one on H1. Draw on higher TF first, then use lower TF for precision.

7.2 Types of Trendlines

Type	How Drawn	Market Condition	Instrument Example
Ascending Trendline (Support)	Connect rising swing lows	Uptrend: defines the rising floor	GBP/USD: connect June, August, October swing lows on Daily chart
Descending Trendline (Resistance)	Connect falling swing highs	Downtrend: defines the falling ceiling	EUR/USD: connect March, May, July swing highs in downtrend
Horizontal Trendline	Flat line at repeated price level	Consolidation or key S/R	USD/JPY: flat line at 149.50 tested 4 times

Type	How Drawn	Market Condition	Instrument Example
Internal Trendline	Drawn through candle congestion areas (not extreme wicks)	Cutting through price action to find hidden diagonal S/R	XAU/USD: line through dense wax zones on H4

Trendlines and Channels — Three Types

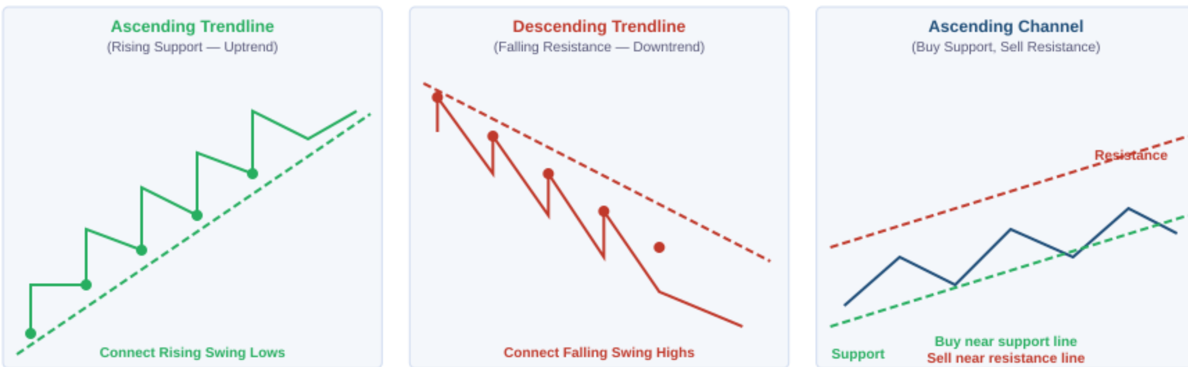


Fig 7.1: Ascending Trendline, Descending Trendline and Channel

7.3 Channels

A channel is formed by drawing a second (parallel) line on the opposite side of the trendline, creating a price corridor. Price oscillates between the two lines, providing both support and resistance entries within the structure.

Channel Type	Shape	Trading Approach
Ascending Channel	Rising parallel lines (SW to NE)	Buy at lower channel line (support); sell at upper channel line (resistance). Bias is bullish.
Descending Channel	Falling parallel lines (NW to SE)	Sell at upper channel line (resistance); buy at lower channel line (support). Bias is bearish.
Horizontal Channel (Range)	Flat parallel lines	Buy at support, sell at resistance. No directional bias: fade the extremes.
Expanding Channel (Megaphone)	Widening lines: higher highs and lower lows	Volatile, hard to trade. Usually indicates institutional accumulation/distribution. Avoid.
Contracting Channel (Wedge)	Narrowing lines converging	Breakout imminent. Falling wedge = bullish breakout likely. Rising wedge = bearish breakout likely.

7.4 Trendline Breaks: Trading the Break

A trendline break is one of the most powerful signals in price action, often marking the beginning of a new trend phase or the end of a corrective move.

- RULE 1: Require a candle CLOSE beyond the trendline, not just a wick pierce, to confirm the break
- RULE 2: The break candle should show increased momentum (larger body relative to recent candles)
- RULE 3: Wait for a retest: after breaking, price often returns to test the broken trendline from the other side before continuing
- RULE 4: Volume should increase at the break point; low-volume breaks are often false breaks
- EXAMPLE: GBP/USD descending trendline on H4. Break with large bullish body, followed by 3-candle retest back to the trendline. Bullish Engulfing on retest = high-confidence long entry

WARNING: Trendline Breaks
Up to 30% of trendline breaks are false breaks (price briefly crosses then returns). This is why waiting for the retest rather than chasing the initial break is a critical discipline. False breaks are particularly common during news events and low-liquidity periods (Asian session, Friday PM).

SECTION 8 **Market Structure: HH / HL / LH / LL**

8. Market Structure

Market structure is the backbone of price action analysis. Before identifying any candlestick pattern or entry signal, you must know which structural phase the market is in. Trading in alignment with market structure is one of the highest-impact rules in systematic price action trading.

8.1 The Four Structural Swings

Swing Type	Abbreviation	Definition & Significance
Higher High	HH	Price makes a peak (swing high) above the previous swing high. Confirms uptrend; bulls are pushing higher each rally.
Higher Low	HL	Price makes a trough (swing low) above the previous swing low. Buyers are stepping in earlier each time: demand increasing.
Lower High	LH	Price makes a peak below the previous swing high. Sellers are stepping in earlier each rally; supply is buildingy increasing. First sign of potential trend change.
Lower Low	LL	Price makes a trough below the previous swing low. Bears are pushing lower each decline. Confirms downtrend.

8.2 Trend Identification by Structure

Market Phase	Structural Sequence	Description & Trading Bias
Uptrend	HH → HL → HH → HL	Price consistently making higher highs AND higher lows. ONLY look for long (buy) entries at HL zones. Do not short an uptrend.
Downtrend	LH → LL → LH → LL	Price consistently making lower highs AND lower lows. ONLY look for short (sell) entries at LH zones. Do not buy a downtrend.
Consolidation / Range	HH → LL or erratic	Price oscillating between roughly equal highs and lows. No clear structural sequence. Trade the range or wait for breakout.
Transitioning (Trend Change)	HH → HL → LH → HL	First LH forms (after previous HH): early warning of potential trend change. Wait for LL confirmation before reversing bias.

8.3 Break of Structure (BOS) & Change of Character (CHoCH)

Event	Definition	Significance
Break of Structure (BOS)	Price closes beyond a key swing high (bullish BOS) or key swing low (bearish BOS)	Confirms current trend continuation. A bullish BOS (new HH) in uptrend = buy; bearish BOS (new LL) in downtrend = sell or hold shorts.
Change of Character (CHoCH)	In an uptrend: price breaks below the previous HL (creates a LL). In downtrend: breaks above previous LH.	First structural evidence that the trend is reversing. CHoCH is not a confirmed reversal; it is an alert to tighten stops or reduce position on trend trades.
Confirmed Reversal	CHoCH followed by a new LH (in former uptrend) or new HL (in former downtrend)	Only now should you actively trade against the prior trend. Two structural shifts required for confirmation.

8.4 Multi-Timeframe Structure Alignment

The most powerful price action trades occur when structure aligns across multiple timeframes:

Timeframe	Role	How to Use
Monthly / Weekly	Macro trend direction	Defines the highest-probability bias for all lower-TF trades. Never fight this trend.
Daily	Primary trade structure	Identifies key swing highs/lows, trend phase (HH/HL or LH/LL). Entry zones based on this TF.
H4	Intermediate structure	Refines the Daily entry zone to a specific H4 price level. Confirms Local structure.
H1	Entry trigger timeframe	Candlestick patterns and entry signals at exact price. Final confirmation before executing.
M15	Precision entry (optional)	Used by experienced traders to reduce pip distance to stop loss. Not recommended for beginners.

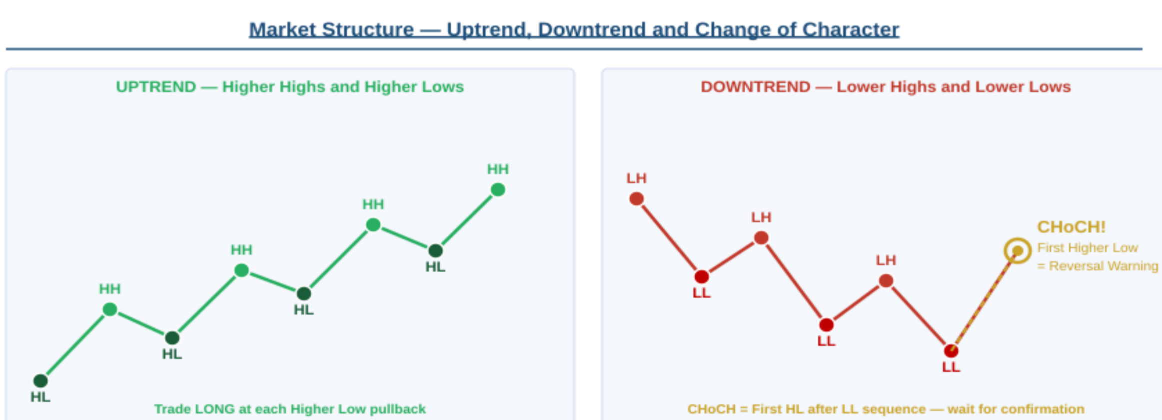


Fig 8.1: Market Structure: Uptrend (HH/HL), Downtrend (LH/LL) and CHoCH

BEST PRACTICE: Market Structure

Never place a trade on a 1H or H4 signal that goes against the Daily or Weekly market structure. A bearish Evening Star on H4 is meaningless if the Weekly chart shows a strong uptrend with price still well above its last Higher Low. Structure alignment is more important than any individual candlestick pattern.

SECTION 9 **Supply & Demand Zones**

9. Supply & Demand Zones

Supply and Demand zones are areas on the chart where significant institutional order activity has occurred. Unlike simple horizontal S/R which looks at price levels, S/D zones focus on the candle structure that originated the move: the exact location where large orders were placed and may still be waiting to be filled.

9.1 Supply vs Demand: Core Definitions

Zone Type	Definition	Formation Signal
Demand Zone	Price area where institutional buyers placed large orders. Price left this area sharply upward, leaving unfilled demand behind.	A sharp bullish impulse candle (or candles) that left the area quickly. The zone is the base of that move.
Supply Zone	Price area where institutional sellers placed large orders. Price left this area sharply downward, leaving unfilled supply behind.	A sharp bearish impulse candle (or candles) that left the area quickly. The zone is the ceiling of that drop.
Untested (Fresh) Zone	A zone price has not returned to since it was created	Highest probability: unfilled orders still waiting. Most powerful entry when price returns.
Tested (Used) Zone	A zone price has already returned to and reacted from once	Still valid but weakened; some orders were filled on the first return. Reliability decreases with each test.
Broken Zone	A zone price has passed through completely (close beyond it)	Zone is invalidated. May flip to opposite S/D role if clean break occurs.

9.2 How to Draw S/D Zones

The zone boundaries are defined by the base candle(s): the consolidation or pause that immediately preceded the sharp move:

- DEMAND ZONE: Draw from the BODY HIGH of the last bearish candle before the impulse upward, to the BODY LOW of the first bullish impulse candle (or the consolidation range low)
- SUPPLY ZONE: Draw from the BODY LOW of the last bullish candle before the impulse downward, to the BODY HIGH of the first bearish impulse candle (or the consolidation range high)
- Wicks extending beyond the zone are acceptable; they show price tested outside the zone but closed within it

- The best zones are formed from 1–3 candle consolidation bases before a sharp departure, not gradualual drift

9.3 Zone Types by Formation Pattern

Zone Type	Abbreviation	Formation	Example
DEMAND ZONE TYPES			
Rally-Base-Rally	RBR	Small upward move → base (1–3 candle consolidation) → sharp rally up. Continuation demand zone.	EUR/USD: pullback to the base of a prior bullish impulse during uptrend
Drop-Base-Rally	DBR	Sharp drop → base → sharp rally upward. Classic demand zone reversal.	GBP/USD: price drops into a zone, consolidates for 1–2 candles, reverses sharply up
SUPPLY ZONE TYPES			
Drop-Base-Drop	DBD	Small downward move → base → sharp drop. Continuation supply zone.	USD/JPY: rally into the base of a prior bearish impulse during downtrend
Rally-Base-Drop	RBD	Sharp rally → base → sharp drop. Classic supply zone reversal.	XAU/USD: price rallies into zone, consolidates for 1–2 candles, drops sharply

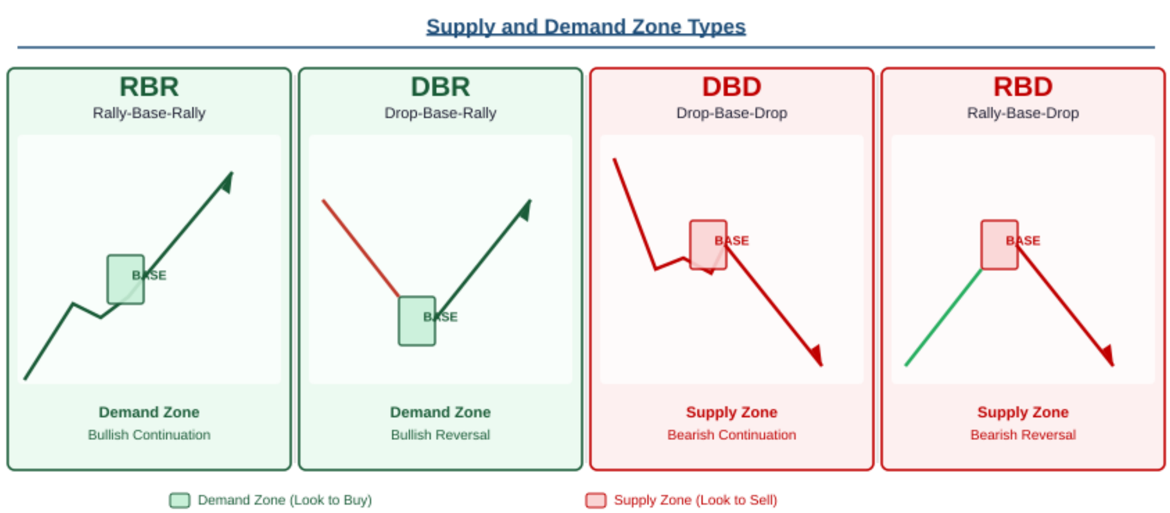


Fig 9.1: Supply and Demand Zone Types: RBR, DBR, DBD, RBD

9.4 S/D Zones vs. S/R Levels: Key Differences

Aspect	Support & Resistance	Supply & Demand Zones
Shape	Horizontal line or thin zone	Area/rectangle: typically 10–40 pips wide on H4
Defined by	Price levels where reactions have occurred	The base candle(s) that preceded the impulse move
Focus	Where price reacted (the reaction point)	Where orders were placed (the origin of the move)
Ideal test count	Gets stronger with 3+ touches	Gets weaker with each return: freshness is key
Best timeframe	Daily / Weekly / Monthly for drawing	H4 / Daily for drawing; H1 for entry refinement
Origin concept	Historical price behaviour	Unfilled institutional orders at specific price ranges

KEY CONCEPT: Freshness is Everything

A fresh (untested) Supply or Demand zone that formed from a sharp, clean departure carries significantly more weight than one that has already been visited. When price returns to a fresh zone, unfilled institutional orders from the original move are still resting there: creating a natural inflection point. After a zone is tested twice, treat it as standard S/R only.

SECTION 10 **Volume Analysis in Price Action**

10. Volume Analysis in Price Action

Volume represents the total number of contracts or units traded during a candlestick's period. In Forex, true volume (number of contracts) is unavailable since the market is decentralised: however, tick volume (the number of price changes per period) has been shown to correlate closely with real institutional volume and is the standard proxy used in Forex analysis.

> **NOTE: Forex Volume**
> Forex tick volume from your broker shows only the activity through that broker's liquidity pool, not the whole market. Despite this, studies have shown that tick volume in major Forex pairs (EUR/USD, GBP/USD) correlates 90%+ with actual exchange volume from futures markets (CME). Volume analysis remains highly useful.

10.1 Volume Principles

Principle	Explanation
Trend + Rising Volume	Price trending with rising volume = strong, sustainable trend. Institutional participation confirmed.
Trend + Declining Volume	Price trending with declining volume = weakening momentum. Trend may be exhausting.
Breakout + High Volume	A breakout of S/R or trendline with volume spike = genuine break. High probability of follow-through.
Breakout + Low Volume	A breakout with no volume surge = suspicious. High probability of a false break / stop hunt.
Reversal Candle + High Volume	A reversal pattern (Engulfing, Morning Star etc.) on high volume = strong institutional reversal signal.
Pullback + Low Volume	A retracement within a trend that shows declining volume = healthy pullback, trend likely to resume.
Climax Volume	Extremely high volume spike at the end of a trend (exhaustion). Often marks the final push before reversal.

10.2 Volume at Key Price Levels

Scenario	Volume Pattern	Interpretation
Price approaches Support	Volume decreases as price drops toward support	Bears are losing conviction before the support: expect bounce
Price bounces from Support	Volume spikes on the bounce candle	Strong institutional buying confirmed: high-quality support
Price approaches Resistance	Volume decreases as price rallies toward resistance	Bulls losing conviction: expect rejection at resistance
Price rejects from Resistance	Volume spikes on the bearish rejection candle	Institutional selling confirmed: high-quality resistance
Price consolidates (range)	Very low, declining volume during range	Market resting / orders accumulating: big move incoming
Price breaks out of range	Volume spikes sharply on breakout candle	Institutional money entering: breakout likely genuine

10.3 Volume Divergence

Volume divergence occurs when price action and volume move in opposite directions. This is a powerful warning signal:

Divergence Type	What You See	Meaning
Bearish Volume Divergence	Price makes new higher highs BUT volume is declining on each successive high	Institutional participation is fading; bulls are running out of buyers. Reversal risk high.
Bullish Volume Divergence	Price makes new lower lows BUT volume is declining on each successive low	Bears are losing participation; fewer sellers at each new low. Reversal risk high.
Climax Reversal	Extremely high volume on a candle that then fails to make a new extreme	Exhaustion: all remaining buyers/sellers acted at once. Reversal likely.

10.4 Volume and Candlestick Pattern Combinations

Pattern	Volume Confirmation Needed	Example
Bullish Engulfing at Support	High volume on the engulfing (C2) candle	GBP/USD: Bullish Engulfing at 1.2500 Daily support + volume 2× average = high-confidence long
Bearish Engulfing at Resistance	High volume on the engulfing (C2) candle	EUR/USD: Bearish Engulfing at 1.0950 resistance + volume spike = high-confidence short
Morning Star	High volume specifically on C3 (the recovery candle)	USD/JPY: Morning Star at 147.00 support; C3 volume exceeds C1 = strong reversal confirmation
Trendline Break	Volume must spike on the break candle	XAU/USD: bearish trendline broken with bullish candle + high tick volume = genuine break, not false
Inside Bar / Harami	Low volume during the inside candle; then spike on breakout	GBP/USD: Bullish Harami at support, low volume on C2 (indecision), then explosive C3 + high volume = confirm

SECTION 11 **Reversal vs Continuation Master Reference**

11. Pattern Classification Master Table

Use this table as a quick reference to classify any pattern by its type, signal direction, and minimum reliability before using it in a live trade setup.

Pattern Name	Candles	Classification	Reliability	Minimum Conditions for Use
SINGLE-CANDLE PATTERNS				
Bullish / Bearish Marubozu	1	Continuation	Very High	Must appear in direction of trend; high volume preferred
Hammer	1	Bullish Reversal	High	Must be in downtrend; at Support or Demand Zone; confirmed by next candle
Shooting Star	1	Bearish Reversal	High	Must be in uptrend; at Resistance or Supply Zone; confirmed by next candle
Gravestone Doji	1	Bearish Reversal	High	At resistance in uptrend only; needs bearish follow-through
Dragonfly Doji	1	Bullish Reversal	High	At support in downtrend only; needs bullish follow-through
Standard Doji	1	Indecision	Moderate	Location context essential; not tradeable alone
Spinning Top	1	Indecision	Moderate	At structure only; requires strong follow-through next candle
Hanging Man	1	Bearish Reversal	Moderate-High	Must be in uptrend; at resistance; bearish next candle required
TWO-CANDLE PATTERNS				
Bullish Engulfing	2	Bullish Reversal	Very High	Downtrend; at Support/Demand; C2 volume > C1
Bearish Engulfing	2	Bearish Reversal	Very High	Uptrend; at Resistance/Supply; C2 volume > C1
Bullish Harami	2	Bullish Reversal	Moderate	At Support only; needs C3 confirmation for higher reliability

Pattern Name	Candles	Classification	Reliability	Minimum Conditions for Use
Bearish Harami	2	Bearish Reversal	Moderate	At Resistance only; needs C3 confirmation
Tweezer Bottom	2	Bullish Reversal	High	Exact double test of same low; at Support or Demand Zone
Tweezer Top	2	Bearish Reversal	High	Exact double test of same high; at Resistance or Supply Zone
Piercing Line	2	Bullish Reversal	High	C2 must close above C1's midpoint; in downtrend at support
Dark Cloud Cover	2	Bearish Reversal	High	C2 must close below C1's midpoint; in uptrend at resistance
Bullish Kicking	2	Bullish Reversal	Very High	Both Marubozu with gap; extremely rare; trade immediately
On-Neck / In-Neck	2	Bearish Continuation	Moderate	In downtrend; C2 fails to recover; continue the short
THREE-CANDLE PATTERNS				
Morning Star	3	Bullish Reversal	Very High	At Support; C3 closes >50% into C1; high volume on C3
Evening Star	3	Bearish Reversal	Very High	At Resistance; C3 closes >50% into C1; high volume on C3
Morning Doji Star	3	Bullish Reversal	Very High	C2 must be Doji; strongest at Weekly or Monthly support
Evening Doji Star	3	Bearish Reversal	Very High	C2 must be Doji; strongest at Weekly or Monthly resistance
Three White Soldiers	3	Bullish Rev / Cont	High	Each candle closes near high; no large wicks; post-consolidation
Three Black Crows	3	Bearish Rev / Cont	High	Each candle closes near low; no large wicks; from resistance
Three Inside Up	3	Bullish Reversal	High	Confirmed Harami; C3 closes above C1 open; at Support
Three Inside Down	3	Bearish Reversal	High	Confirmed Harami; C3 closes below C1 open; at Resistance

Pattern Name	Candles	Classification	Reliability	Minimum Conditions for Use
Three Outside Up	3	Bullish Reversal	High	Confirmed Engulfing; highest reliability of 3-candle setups
Three Outside Down	3	Bearish Reversal	High	Confirmed Engulfing; highest reliability of 3-candle setups
Abandoned Baby (Bull)	3	Bullish Reversal	Highest	Gap required on both sides of C2; extremely rare in Forex
MULTI-CANDLE PATTERNS				
Rising Three Methods	5	Bullish Continuation	High	Middle 3 candles stay within C1 range; C5 breaks C1 high
Falling Three Methods	5	Bearish Continuation	High	Middle 3 candles stay within C1 range; C5 breaks C1 low
Bullish Kicking (full)	2	Bullish Reversal	Very High	Marubozu gap: any trend context; rarest of all patterns
Ladder Bottom	5	Bullish Reversal	High	Three bears with increasing upper wicks + gap-up bull
Ladder Top	5	Bearish Reversal	High	Three bulls with increasing lower wicks + gap-down bear

SECTION 12 **Sample Trade Setup**

12. Sample Trade Setup: GBP/USD Short (Pure Price Action)

This setup demonstrates how multiple price action concepts covered in this module combine into a single, fully documented trade. Every element of the decision is traceable to a specific PA concept.

12.1 Market Context Analysis

Context Layer	Analysis
Weekly Chart Structure	GBP/USD in a downtrend on Weekly: sequence of LH → LL → LH → LL confirmed over 14 weeks. Weekly bias: BEARISH.
Daily Chart Structure	After recent LL at 1.2450, price has rallied back up to the previous LH zone at 1.2750–1.2780. Daily is now forming a new Lower High: bearish structure continuation.
Supply Zone (H4)	A Rally-Base-Drop (RBD) Supply Zone identified on H4 between 1.2760 and 1.2795. This zone was formed 3 weeks ago when price collapsed 200 pips from exactly this zone. Zone is FRESH (untested since).
Resistance Level (Daily)	The 1.2780 level is a Daily resistance level with 3 previous touches. Also coincides with the 61.8% Fibonacci retracement of the last bear leg.
Session	London session open (08:00 UTC). GBP pairs most active. Catalyst potential from 09:30 UTC UK PMI data (moderate impact, not red-folder).

12.2 Entry Signal: Evening Star Formation

Candle	Description
Candle 1 (C1)	Large bullish candle on H4; price pushed up into the Supply Zone (1.2760–1.2795). Candle closes at 1.2771. Volume: 40% above 20-period average. Bulls showing conviction but entering supply.
Candle 2 (C2)	Small Doji candle with body between 1.2768–1.2774. Opens and closes almost identically. Upper wick reaches 1.2792 (into top of Supply Zone). Lower wick to 1.2761. Volume: 25% below average. Indecision: Morning Doji Star formation beginning.
Candle 3 (C3)	Large bearish candle closes at 1.2718; closing well below C1's midpoint (1.2740). Volume: 65% above 20-period average. Bears have full control. Evening Doji Star pattern CONFIRMED.
Pattern Confirmed	Evening Doji Star at Supply Zone coinciding with Daily Resistance and Weekly Lower High formation. Three-layer confluence: Pattern + Zone + Structure.

12.3 Full Trade Plan

Trade Element	Detail
Instrument	GBP/USD
Direction	SHORT (Sell)
Entry Price	1.27180: Sell Limit placed at close of C3 (or enter at open of next H4 candle)
Stop Loss	1.28000: Above the top of the Supply Zone (1.2795) + 5 pip buffer = 82 pips
Take Profit 1	1.26480: Previous H4 support / consolidation zone = 70 pips (0.85:1 RR)
Take Profit 2	1.25500: Previous Daily swing low (LL) = 168 pips (2.05:1 RR)
Overall RR (TP2)	2.05:1: comfortably above the 1.5:1 minimum
Account Size	$5,000
Risk Per Trade	1% = $50
Position Size	$50 ÷ (82 pips × $10/pip) = 0.061 lots → round to 0.06 lots
Actual $ Risk	82 pips × $0.60/pip (0.06 lots) = $49.20
Trade Management	At TP1 (1.26480): Close 50%, move SL to breakeven (1.27180). Let remainder run to TP2.
Invalidation	Any H4 candle closing ABOVE 1.27950 (inside the Supply Zone body) invalidates the short.
News Check	No red-folder events in next 12 hours. UK PMI at 09:30 is orange; monitor but maintain position.
PA Confluence Summary	Evening Doji Star + Fresh RBD Supply Zone + Daily Resistance + Weekly LH + High volume C3 + H4 structure turning bearish (CHoCH)

GOOD PRACTICE: Confluence Checklist

This trade has 5 independent confluence factors: (1) Candlestick pattern, (2) Supply Zone, (3) Horizontal Resistance, (4) Market Structure (LH), (5) Volume confirmation on C3. A minimum of 3 confluences should be your personal rule before committing real capital to any trade.

SECTION 13 **Pre-Trade Checklist: Price Action Edition**

13. Pre-Trade Checklist: Price Action Edition

This checklist expands on Module 1's foundation with Price Action-specific verification steps. Complete every item before entering any trade based on PA signals.

	PRICE ACTION PRE-TRADE CHECKLIST
1. Market Structure	
[ ]	I have checked the Weekly chart and identified the structural trend (uptrend HH/HL, downtrend LH/LL, or range)
[ ]	My trade direction aligns with the Weekly and Daily market structure; I am NOT trading counter-trendd without extra confluence
[ ]	I have identified whether we are in an impulse leg or a corrective/pullback leg; I am entering at a pullback, not chasing the impulse
[ ]	I have confirmed no Break of Structure (BOS) against my trade direction has occurred on the trigger timeframe
2. Key Levels & Zones	
[ ]	I have identified the nearest Support or Resistance level on the Daily chart that my trade is interacting with
[ ]	If applicable, I have identified and shaded a Supply or Demand Zone on H4; my entry is within or at the edge of this zone
[ ]	I have checked for a Role Reversal (Flip); is a broken support now acting as resistance, or vice versa?
[ ]	My Stop Loss is placed beyond the key level / zone, not inside it
3. Candlestick Signal	
[ ]	I have identified a specific candlestick pattern (named it: _____________) and it is at a key level; not in the middle of a range
[ ]	For reversal patterns (Hammer, Engulfing, Star etc.): the prior trend is clear and the pattern appears at the END of it
[ ]	For two-candle patterns: I have waited for the second candle to fully close before entering, not anticipatingticipating mid-candle
[ ]	For three-candle patterns: C3 has closed at least 50% into C1's body to confirm the pattern
[ ]	I have considered the body-to-range ratio and wick psychology of the signal candle; wicks confirm rejection at my expected level
4. Volume Confirmation	
[ ]	Volume on the signal candle (or C3 for Star patterns) is above the 20-period average, ideally 150%+
[ ]	If this is a breakout entry, the breakout candle shows a volume spike, not a low-volume false break

	PRICE ACTION PRE-TRADE CHECKLIST
[ ]	Volume during the pullback (if entering on retest) was declining, confirming the pullback is corrective, not impulsive
5. Trendline & Channel	
[ ]	If my entry relies on a trendline break; the break candle has CLOSED beyond the trendline (not just a wick)
[ ]	If trading a channel, I am entering at the channel boundary: not mid-channel
6. Confluence Count	
[ ]	I have a minimum of 3 independent confluence factors: Pattern + Level Type + Structure + Volume + Session = at least 3 of these
[ ]	I have written down the name of the pattern, the zone/level I'm at, and my structural reason; if I cannot articulate it, I do not trade can't write it clearly, I don't take the trade
7. Risk & Execution	
[ ]	Position size calculated; SL and TP levels pre-set; order type selected (limit preferred over market for PA setups)
[ ]	Economic calendar checked: no red-folder event within 4 hours of entry
[ ]	I am not in this trade due to FOMO, revenge trading, or someone else's signal. I have my own PA reason.

SECTION 14 Practice Exercises

14. Practice Exercises

Exercise 1: Pattern Identification

For each description, name the candlestick pattern:

1. EUR/USD H4: A large bearish candle followed by a Doji that gaps into the bearish candle's range, followed by a large bullish candle closing more than 60% into the first candle's body. Name: _______________
2. GBP/USD Daily: Two consecutive candles test the exact same high at 1.2800 and both close below it. Name: _______________
3. USD/JPY H4: A candle with no body (open = close), long upper wick, no lower wick, forming at the top of a rally into resistance. Name: _______________
4. XAU/USD H4: Three large bullish candles, each opening within the prior candle's body, each closing near its own high, after a prolonged downtrend. Name: _______________
5. GBP/USD Daily: A large bull candle followed by a small bear candle that is completely contained within the bull candle's body, at a resistance level. Name: _______________
6. EUR/USD H4: One bear Marubozu gapped down by a bull Marubozu. Name: _______________
7. USD/JPY: Five candles: large bull, three small bears staying inside the bull's range, then a large bull closing above the first candle's high. Name: _______________

Exercise 2: Supply & Demand Zone Drawing

Open a GBP/USD H4 chart. Identify and document 2 Supply Zones and 2 Demand Zones using the following template for each:

ZONE 1:

Type (Supply/Demand): _______ | Formation Pattern (RBR/DBR/DBD/RBD): _______

Zone Top: _______ | Zone Bottom: _______ | Zone Width (pips): _______

Fresh or Tested: _______ | Number of times tested: _______

Sharp departure? (Y/N): _______ | Volume spike at origin? (Y/N): _______

ZONE 2:

Type (Supply/Demand): _______ | Formation Pattern (RBR/DBR/DBD/RBD): _______

Zone Top: _______ | Zone Bottom: _______ | Zone Width (pips): _______

Fresh or Tested: _______ | Number of times tested: _______

Exercise 3: Market Structure Mapping

On a blank chart grid, mark the following sequence of EUR/USD Daily closing prices and classify each swing:

Prices (in order): 1.0750 → 1.0820 → 1.0780 → 1.0870 → 1.0810 → 1.0900 → 1.0850 → 1.0820

1. Label each peak as HH or LH, and each trough as HL or LL
2. What is the structural trend phase? (Uptrend / Downtrend / Transitioning)
3. Has a Change of Character (CHoCH) occurred? If yes, at which price?
4. If you were a swing trader, where would be the ideal next entry and in which direction?

Exercise 4: Full Trade Setup Documentation

Using the sample trade setup in Section 12 as your template, document a hypothetical trade on EUR/USD using only Price Action concepts covered in this module. Complete ALL fields:

Pair: EUR/USD | Direction: _______ | Timeframe: _______ | Session: _______

Weekly Structure: _______ | Daily Structure: _______

Candlestick Pattern: _______ (named)

Supply/Demand Zone (Y/N): _______ Zone: _______ to _______

S/R Level: _______ | Volume Confirmation: _______

Entry: _______ | Stop Loss: _______ (_____ pips) | Take Profit: _______ (_____ pips)

RR Ratio: _______ | Account $3,000, 1% risk → Lot Size: _______

Confluence factors listed (min 3):

____

Invalidation condition: ____

SECTION 15 Module Quiz

15. Module 2 Quiz: 15 Questions

Circle or write the correct answer. Check your answers in the Answer Key on the final page.

Q1. A Gravestone Doji appears after a rally into GBP/USD's Daily resistance. What does it signal?

A) Strong bullish continuation: the doji is a pause before higher prices

B) Bearish reversal: bears pushed price all the way back to open after bulls initially pushed higher

C) Indecision only: no directional meaning

D) Bullish reversal: open and close are at the same level

Q2. In a Bullish Engulfing pattern, what must Candle 2 (the bullish candle) do?

A) Close above the previous day's high only

B) Have a larger wick than Candle 1

C) Completely engulf the body of Candle 1 and close bullish

D) Open and close at the same price as Candle 1

Q3. EUR/USD is making HH → HL → HH → HL. Which is the CORRECT action for a price action trader?

A) Look for short (sell) setups at each Lower High

B) Look for long (buy) setups at each Higher Low pullback

C) Wait for a downtrend to begin before trading

D) Only trade breakouts above each new Higher High

Q4. A Morning Star pattern forms on the XAU/USD Daily chart. Candle 3 (the bullish recovery candle) closes only 30% into Candle 1's body. How does this affect reliability?

A) No effect: 30% is sufficient for full confirmation

B) Reduces reliability: a close of 50%+ into C1 is preferred for strong confirmation

C) Increases reliability: a smaller close means less bullish exhaustion

D) The pattern is invalid: C3 must always close at 100% of C1's body

Q5. What is a 'Role Reversal' (Flip) in Support & Resistance?

A) When the same S/R level is tested 3 times in a row

B) When a previously bullish pair suddenly becomes bearish

C) When a broken Support level becomes a new Resistance level (and vice versa)

D) When the Daily chart contradicts the Weekly chart's trend

Q6. A Supply Zone (Rally-Base-Drop) forms on GBP/USD H4 at 1.2750–1.2780 and price has not returned to it since. How should this zone be classified?

A) Broken Zone: it no longer applies
B) Tested Zone: it has been used once already
C) Fresh (Untested) Zone: highest probability; unfilled orders likely still resting here
D) Support Zone: price is below it so it acts as support

Q7. A trendline connecting rising swing lows is broken by a large bearish candle. What should a disciplined price action trader do FIRST?

A) Immediately sell at market price
B) Wait for a candle close beyond the trendline, then watch for a retest of the broken trendline before entering
C) Draw a new trendline from the most recent low and ignore the break
D) Enter a buy trade because the break is likely false

Q8. USD/JPY shows a price breakout above Daily resistance with very LOW volume. What does this suggest?

A) Confirmed breakout: price has broken through resistance
B) Suspicious breakout: low volume increases the probability of a false break or stop hunt
C) Volume is irrelevant in Forex: ignore it
D) The breakout will be significantly more powerful than a high-volume break

Q9. Which pattern is composed of: a large bearish candle (C1), three small bullish candles staying within C1's range (C2, C3, C4), and a large bearish candle closing below C1's low (C5)?

A) Falling Three Methods
B) Three Black Crows
C) Bearish Engulfing series
D) Downside Tasuki Gap

Q10. A Bullish Harami forms on EUR/USD at support. Volume on Candle 2 (the small inside candle) is very LOW. What is the correct interpretation?

A) The pattern is invalid: volume must be high on C2
B) Low volume on C2 is actually appropriate: it shows indecision with little conviction, which is normal. Wait for C3 confirmation.
C) Low volume confirms a bearish continuation: sell the Harami
D) The Harami becomes a Gravestone Doji if volume is low

Q11. An Evening Star pattern forms on GBP/USD H4. Which of the following additional factors would MOST increase the setup's reliability?

A) The pattern forms in the middle of a price range with no nearby levels

B) The pattern forms at a fresh Supply Zone that coincides with Daily resistance, and C3 shows above-average volume

C) The pattern forms with all three candles being the same size

D) The pattern forms during the Asian session only

Q12. What is the key structural difference between a Demand Zone and a Support Level?

A) There is no difference: they are the same concept

B) A demand zone is drawn on the candles that caused the upward move (origin of the impulse); S/R is drawn at the price where reaction occurred

C) Support levels are only valid on H4; demand zones only on Daily

D) A demand zone requires 3+ touches; support requires only 1

Q13. USD/JPY forms: C1 = large bearish Marubozu. C2 = bullish Marubozu that opens above C1's close (gaps up). What pattern is this?

A) Three White Soldiers

B) Bullish Kicking

C) Bullish Engulfing

D) Morning Star

Q14. On the EUR/USD Daily chart, price makes a new high above the last HH, then drops sharply below the most recent HL. What structural event has occurred?

A) A Bearish Break of Structure (bearish BOS): trend continues down

B) A Change of Character (CHoCH): first evidence that the uptrend may be reversing

C) A Higher High confirmation: the uptrend is strengthening

D) A Role Reversal: the previous HL becomes resistance

Q15. Which of the following body-to-range ratios most accurately describes a Spinning Top candlestick?

A) 90–100% (almost no wicks)

B) 0–5% (open and close almost identical)

C) 20–40% (small body, wicks longer than body on both sides)

D) 60–80% (moderate body with small wicks)

Quiz Answer Key

Q	Answer	Explanation
Q1	B	Gravestone Doji: Open=Close=Low; long upper wick. Bulls pushed up but bears crushed them back to open. Strong bearish signal at resistance.
Q2	C	Bullish Engulfing requires C2's body to fully engulf C1's body and close bullish. Body engulfment is the defining criterion.
Q3	B	HH/HL sequence = uptrend. Trade long at Higher Low pullbacks; the pullback to HL is the entry opportunity, not the breakout above HH.
Q4	B	C3 closing 50% or more into C1 is the standard reliability threshold for Morning Star. 30% = weak confirmation; additional C4 confirmation is advisable.
Q5	C	Role Reversal = when broken support becomes new resistance or broken resistance becomes new support. One of the most powerful PA concepts.
Q6	C	Fresh (untested) zone; price hasn't returned since formation. Unfilled institutional orders still resting in the zone. Highest-probability supply zone.
Q7	B	Wait for close below trendline then watch for retest. Chasing the initial break exposes you to false break reversals: retesting the line is the safer, confirmed entry.
Q8	B	Low-volume breakouts suggest a lack of institutional participation; high probability of false break / stop hunt. Require volume spike to confirm genuine breakouts.
Q9	A	Falling Three Methods: Large bear (C1), three small bulls contained within C1 range (C2/C3/C4), large bear making new low (C5). Classic bearish continuation.
Q10	B	Low volume on the Harami's C2 (inside candle) is actually normal; it represents low-conviction indecision. The key volume signal comes on C3 (the confirmation candle).
Q11	B	Multiple confluence factors dramatically increase pattern reliability. Fresh Supply Zone + Daily Resistance + high-volume C3 = three independent confirming factors.
Q12	B	Demand zones mark the origin of the move (where institutional orders were placed). S/R marks where price reacted. Demand zones use the base candles; S/R uses the reaction point.
Q13	B	Bullish Kicking: bear Marubozu gapped by a bull Marubozu. The most powerful two-candle reversal pattern. Rarest and most reliable.
Q14	B	CHoCH (Change of Character): in an established uptrend, breaking below the most recent HL is the first structural evidence the trend may be reversing. Not yet confirmed reversal.
Q15	C	Spinning Top: small body (20–40% of range) with wicks longer than the body on both sides. Represents indecision where neither bulls nor bears won convincingly.

MODULE COMPLETION: Price Action & Candlesticks

Congratulations on completing Module 2: Price Action & Candlesticks!

Recommended score before proceeding: 12/15 or higher.

If you scored below 10/15, review Sections 2–5 (pattern library) and Section 8 (market structure) before moving on.

The concepts in this module underpin every subsequent module, especially ICT (Module 4) and Trade Planning (Module 6).

Next: Module 3: Chart Patterns

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