21 Candlesticks Every Trader Should Know

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In the world of financial trading, few tools are as powerful or as visually intuitive as candlestick charts. Originating in Japan centuries ago, candlestick patterns have become the universal language of price action. For both newcomers and seasoned professionals, understanding these formations is essential for reading market sentiment, identifying potential reversals, and timing entries and exits. This guide explores 21 candlesticks every trader should know, from single-bar signals to complex multi-candle patterns. By mastering these, you will gain a deeper appreciation for how supply and demand interact in real time.

The Foundation: Single-Candlestick Patterns

Single candlestick formations offer immediate insight into market psychology. They often appear at key support or resistance levels and can act as early warning signals for price shifts. Here are the most critical single-bar patterns every trader must recognize.

- **Doji.** A candlestick with an almost nonexistent body, where the open and close are virtually equal. The Doji represents indecision. When it appears after an extended trend, it suggests that neither bulls nor bears could gain control, frequently preceding a reversal. There are several variations, including the Dragonfly Doji and Gravestone Doji, each carrying distinct implications depending on the preceding price action.
- **Hammer.** A small real body near the top of the candle with a long lower wick. The Hammer appears during a downtrend and signals a potential bullish reversal. The long lower wick shows that sellers drove prices lower, but buyers stepped in to push the close near the open, demonstrating strong support. The confirmation typically comes with a bullish follow-through on the next candle.
- **Shooting Star.** The bearish counterpart of the Hammer. It forms in an uptrend, has a small body near the bottom with a long upper wick. The long upper shadow indicates that bulls tried to extend gains but sellers overwhelmed them, driving prices back down. This pattern warns that the uptrend may be losing momentum and a decline could follow.
- **Marubozu.** A candlestick with no wicks or very tiny shadows. A bullish Marubozu has a long green body where the open equals the low and the close equals the high, reflecting strong buying pressure from start to finish. A bearish Marubozu is the opposite, indicating relentless selling. These candles suggest trend persistence and are often used as breakout signals.
- **Spinning Top.** A small body with upper and lower wicks of similar length, showing that the battle between buyers and sellers is indecisive. While not a reversal pattern itself, a Spinning Top after a strong trend can foreshadow a pause or change in direction, especially when followed by another reversal pattern like a Doji or Engulfing.

Bullish Reversal Patterns (Two-Candle Formations)

Two-candle patterns provide stronger confirmation than single candlesticks because they show a direct shift in power from one camp to the other. The following formations are among the most reliable bullish reversals.

- **Bullish Engulfing.** A small red (or black) candle is followed by a larger green candle that completely engulfs the body of the previous candle. The pattern begins with sellers in control, then suddenly buyers return with overwhelming force. The larger the second candle, the more significant the reversal. This pattern is most effective when it appears at a support level or after a prolonged downtrend.
- **Piercing Line.** First candle is a long red candle. The second candle opens lower but closes above the midpoint of the first candle's body. It demonstrates that although sellers initially pushed prices down, buyers stepped in strongly enough to recover more than half of the previous loss. The pattern signals a potential bottom and is considered a milder version of the Bullish Engulfing.
- **Bullish Harami.** The opposite of an Engulfing pattern. A large red candle is followed by a small green candle that sits completely inside the body of the first candle. It suggests that the selling momentum is fading and the bears are losing strength. Confirmation is needed with a third candle closing higher. The Harami is a classic reversal pattern that often precedes trend changes.
- **Tweezer Bottom.** Two candles with matching lows, often a long red candle followed by a small green candle that tests but fails to break below the previous low. The second candle may be a Hammer or Doji. The pattern indicates that the level is acting as strong support. A Tweezer Bottom near a major low can be a powerful reversal signal.

Bearish Reversal Patterns (Two-Candle Formations)

Just as bullish patterns reveal buying pressure, bearish reversals highlight when sellers begin to dominate after an uptrend. Recognizing them early can help you avoid buying at the top or even profit from short positions.

- **Bearish Engulfing.** A small green candle is followed by a larger red candle that engulfs the prior body. This shows that after a period of bullishness, sellers took full control, pushing prices lower. The pattern works best at resistance levels or after an extended rally. The strength of the second candle is critical – a huge red candle signals strong bearish conviction.
- **Dark Cloud Cover.** A long green candle is followed by a red candle that opens at a new high but closes below the midpoint of the green candle's body. It indicates that the buying frenzy has exhausted and sellers are stepping in. The lower the close below the midpoint, the more bearish the signal. Dark Cloud Cover is the bearish equivalent of the Piercing Line.
- **Bearish Harami.** A large green candle is followed by a small red candle that is completely contained within the previous candle's body. The pattern suggests that the uptrend is losing steam and that a reversal may be imminent. It requires confirmation from a subsequent candle that closes lower, but it is a recognized early warning sign.
- **Tweezer Top.** Two candles that share the same high. Typically, a long green candle reaches a peak, and then a smaller candle (often a Shooting Star or Doji) tests that high but fails to exceed it. The pattern indicates that the level is acting as resistance and that the bulls are struggling to push higher. A Tweezer Top at a cycle high is a valid sell signal.

Three-Candle Reversal Patterns

Patterns comprising three candles provide even greater confirmation of a trend change. These formations are widely followed and often appear on higher time frames, increasing their reliability.

- **Morning Star.** A three-candle bullish reversal pattern. The first candle is a long red candle indicating strong selling. The second candle is small-bodied (often a Doji or Spinning Top) showing indecision or a pause. The third candle is a long green candle that closes at least halfway up the body of the first red candle. The Morning Star signals that sellers have been exhausted and buyers are now in charge. It is particularly powerful when the middle candle gaps away from the first candle (creating a "star").
- **Evening Star.** The bearish counterpart of the Morning Star. It begins with a long green candle (solid uptrend), followed by a small-bodied candle (gap up), and then a long red candle that closes deeply into the first green candle's body. The Evening Star warns that the uptrend is ending and a sell-off is likely. It is a classic top reversal pattern used by swing traders and position traders alike.
- **Three White Soldiers.** Three consecutive long green (or white) candles, each closing at or near its high and opening within the previous candle's body. This pattern indicates a strong and sustained buying pressure. It often marks the end of a downtrend and the beginning of a new bullish phase. The soldiers should have no or very small wicks; long upper shadows would weaken the signal.
- **Three Black Crows.** Three consecutive long red candles, each closing near its low and opening within the previous candle's body. This is a powerful bearish reversal pattern that signals persistent selling. The three crows typically appear after an uptrend and suggest that the bulls have completely lost control. Like its bullish counterpart, the pattern is most reliable when the candles are of similar size and have minimal wicks.

Continuation Patterns (Reversal Can Also Mean Pause)

Not every candlestick pattern signals a trend reversal. Some indicate that the current trend will resume after a brief consolidation. Continuation patterns are vital for avoiding premature exits and for identifying opportunities to add to existing positions.

- **Rising Three Methods.** A five-candle pattern (though rooted in three-candle logic) that occurs during an uptrend. The first candle is a long green candle. This is followed by three small red candles that trade within the range of the first green candle but do not break below its low. The final candle is another long green candle that closes above the high of the first candle. This pattern shows that the bears attempted to reverse but failed, and the uptrend is resuming. It is a bullish continuation pattern.
- **Falling Three Methods.** The bearish equivalent. A long red candle is followed by three small green candles that move upward but stay within the first candle's range. The fifth candle is a long red candle that breaks below the low of the first candle. This indicates that the brief bullish correction was just a pause, and the selling pressure is reasserting itself. It confirms the downtrend.
- **Mat Hold.** Similar to the Three Methods but less common. In the bullish version, the small correction candles move slightly higher but do not challenge the first candle's high in the same way. The pattern still points to trend continuation. The Mat Hold is considered slightly more reliable by some traders because it shows a tighter consolidation.
- **Three Inside Up/Down.** A three-candle pattern that combines a Harami with a breakout. For Three Inside Up: a long red candle, then a small green candle inside it, then a third green candle that closes above the high of the first red candle. This is a bullish reversal that also acts as a continuation if it appears within an uptrend. The reverse (Three Inside Down) is bearish.

Advanced Patterns: The Final Five

To complete the list of 21 candlesticks, we include patterns that are slightly more complex but highly valued by experienced traders. They often require strict volume confirmation or specific price relationships.

1. **Abandoned Baby.** A rare and powerful reversal pattern. It consists of a gap, a Doji, and another gap in the opposite direction. A Bullish Abandoned Baby: a long red candle, a gap down to a Doji, then a gap up to a long green candle. The gaps create an island of indecision. The pattern signals a sharp reversal and is considered extremely reliable when it appears.
2. **Upside Tasuki Gap.** A continuation pattern in an uptrend. A long green candle is followed by a gap up and another green candle. The third candle is red and opens within the second candle's body but closes above the gap, filling only part of the gap. This shows that the dip was bought, and the trend is likely to continue higher. The Tasuki Gap pattern is especially popular among breakout traders.
3. **Downside Tasuki Gap.** The bearish version. A downtrend, a gap down, followed by a red candle, then a green candle that opens within the previous red