

ShareScope Training Zone

Your guide to getting the best out of ShareScope



Tutorial 25 – Japanese Candlestick Chart Analysis

The most common methods of displaying data on a graph are displayed below:

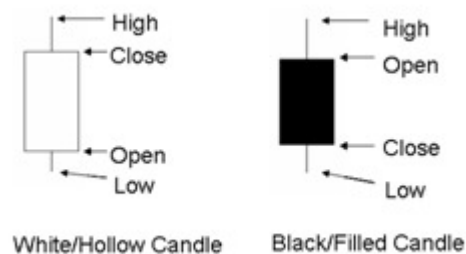


Clockwise from top left the charts show a *Close line*, *Bar Charts*, *Point & Figure* and *Candlesticks*.

In this tutorial we will look at some basics of Japanese candlestick chart analysis. "Candlesticks" or "candles" were made popular in the early 1990s by *Steve Nison*, author of [Japanese Candlestick Charting Techniques](#) and are an alternative method of displaying Open, High, Low and Close data.

Tutorial Drawing Candlesticks

Candlestick charts are so called due to their resemblance of candlesticks. The main section of the candlestick is called the **real body** and shows the range between the Open and Close. The 'wicks' or lines at the top and bottom of the real body are called the **upper** and **lower shadow** and represent the high and low values.



Traditionally candles are drawn either white (hollow) or black (filled).

A hollow candle shows that the Close of the session is higher than the Open.

A filled candle shows that the Close is lower than the Open.

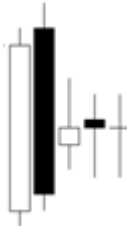
Straight away this allows you to see whether the bulls or the bears are in charge.



A hollow candle opens near the low and closes near the high, showing a bullish trend for the session.



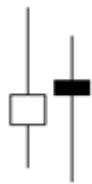
A filled candle shows the bears in charge as the instrument opens high and closes near the low.



Candles come in all different sizes – a long candle shows one-sided action where a short candle may indicate a loss of momentum.



A candle can also have a **shaven head** or **shaven bottom** – where there is no shadow at the top or bottom.



If the real body is small then the candle is called a **spinning top**.

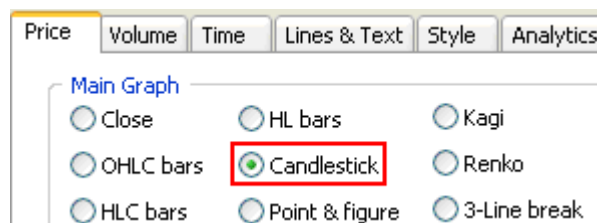


A **doji** is where the Open and Close have the same value (or are very close).

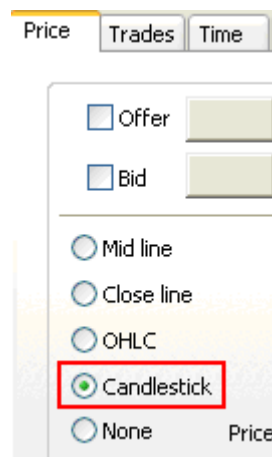
When viewed together on a chart these candles form reversal or continuation patterns – some of which we will look at later in this article.

To display candles on your graphs in ShareScope, right click in the graph and select **Graph Design**. On the **Price** tab select **Candlestick**.

Historical Graph Design dialog:



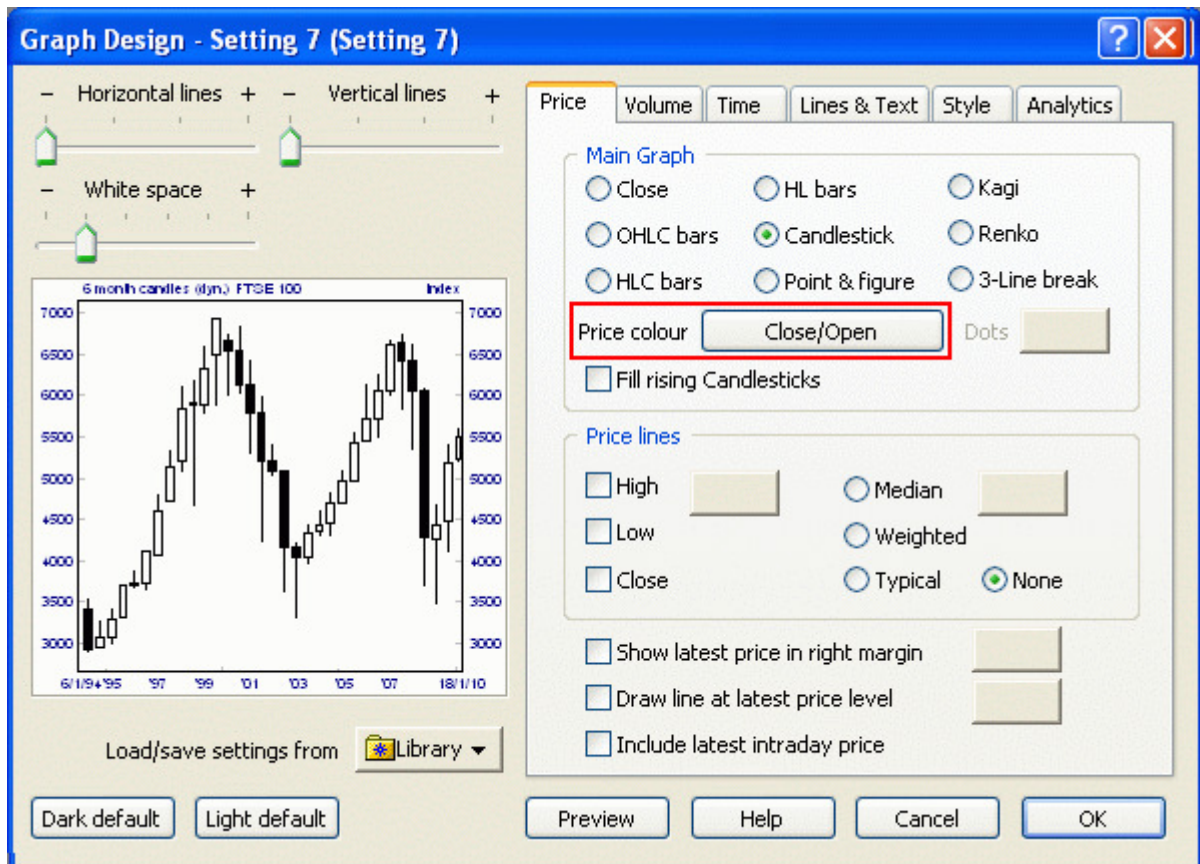
Intraday Graph Design dialog:



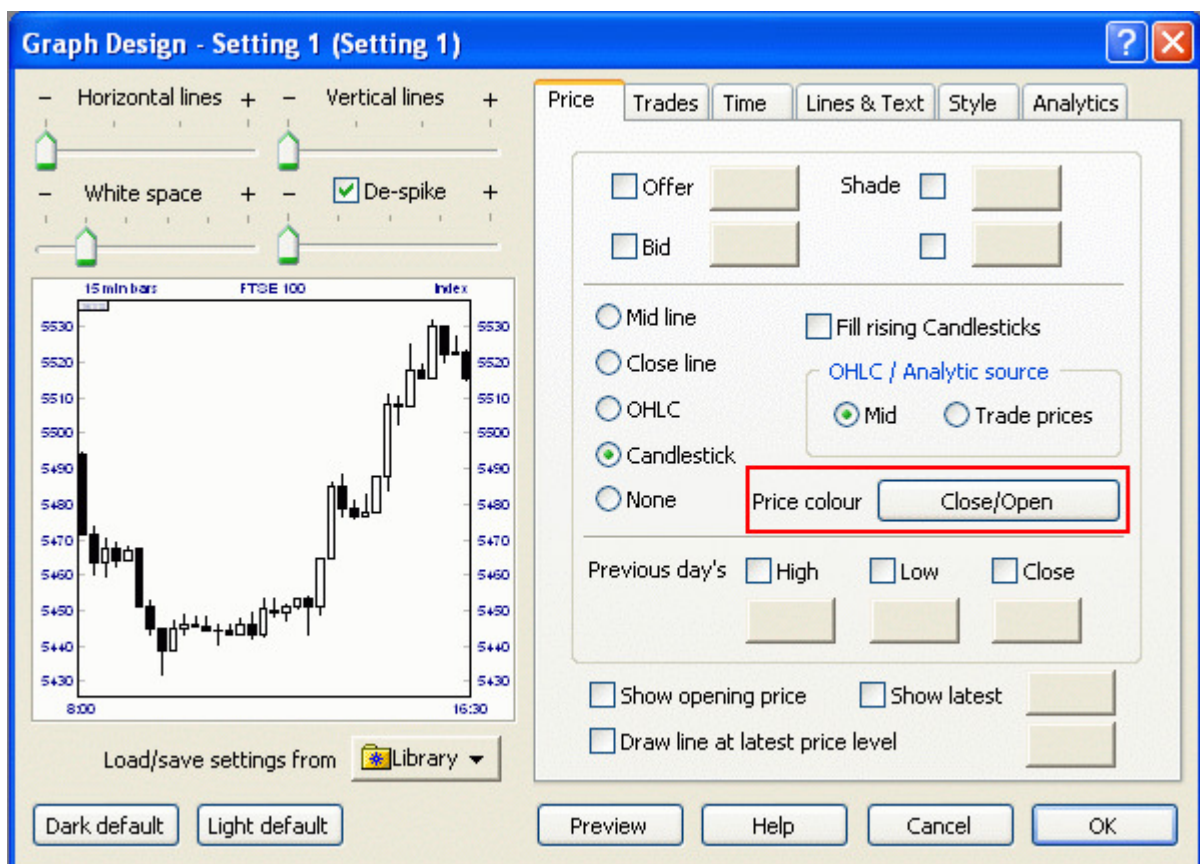
Colouring Candlesticks

By default ShareScope will draw candles as either being filled or hollow depending on the Open and Close, however there are a number of different colouring options available to you. To access the colouring options, click on the **Price colour** button on the **Graph Design** dialog in both the Historical and Intraday graphs.

Historical Graph Design dialog:



Intraday Graph Design dialog:



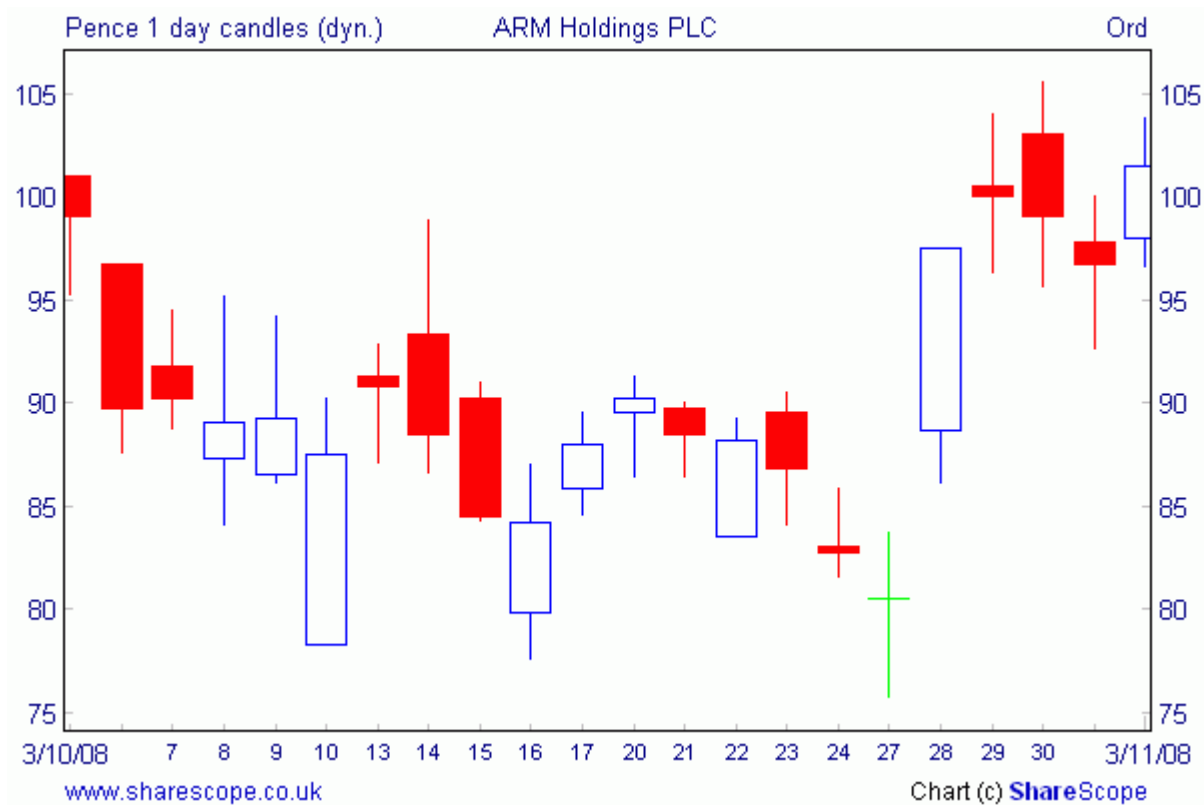
Price colour options:

Price colour options:

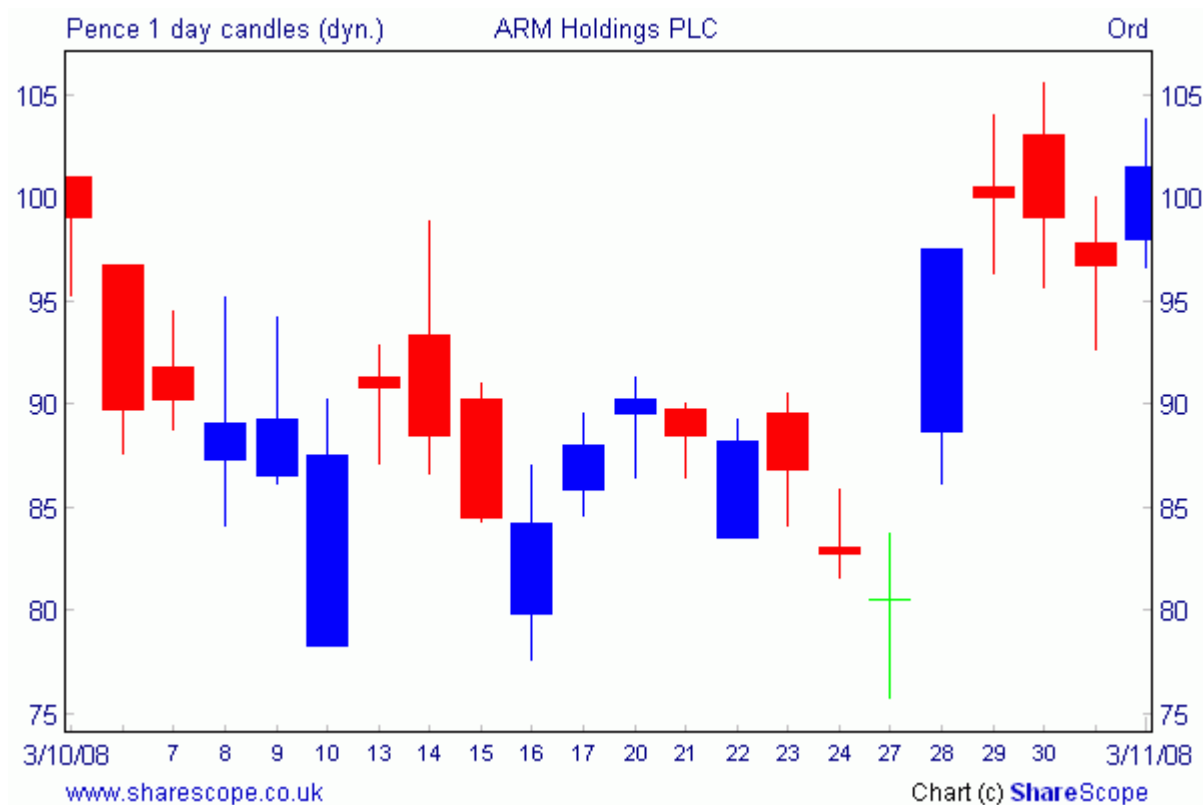
Single colour
 Close rel. to previous close
 Close relative to open
 Volume rel. to previous vol.
 Volume rel. to vol. signal
 Graduated by volume
 Swing

Up
 Down
 Neutral

The traditional method of drawing candles is based only on the relationship between the Open and Close – an 'up' candle is a hollow candle and a 'down' one is filled. The following chart shows that all filled candles are red and all hollow candles are blue. The green candle clearly shows a doji – in this instance a signal where the price action reversed.



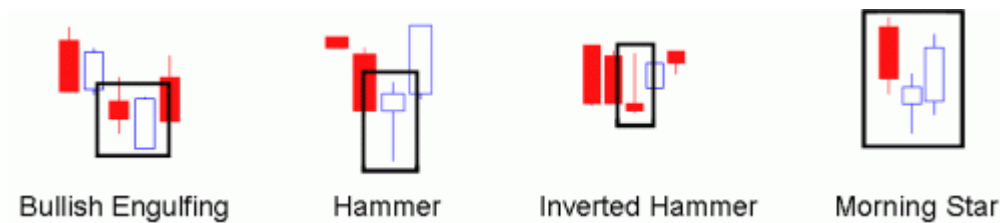
The chart below shows the same price action, however this time the 'Fill rising Candlesticks' option in Graph Design has been selected. Some users prefer all the candles to be filled as it can make reading the graphs slightly easier – in this instance it is just the colour that will identify an up or down candle, so make sure your Price colour options are set to your requirements.



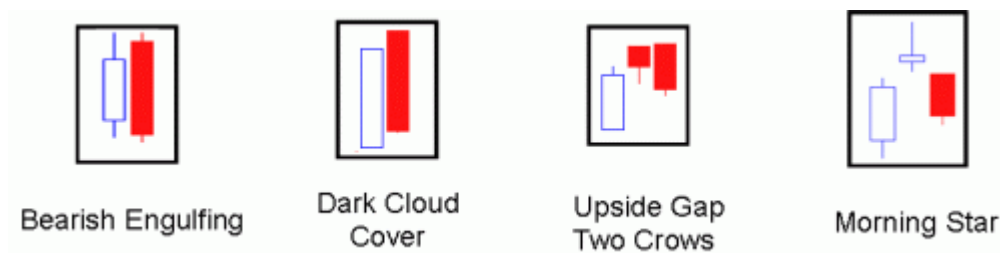
Candlestick Patterns

Various combinations of candlestick types are taken to indicate price reversal or continuation patterns. Here are some examples:

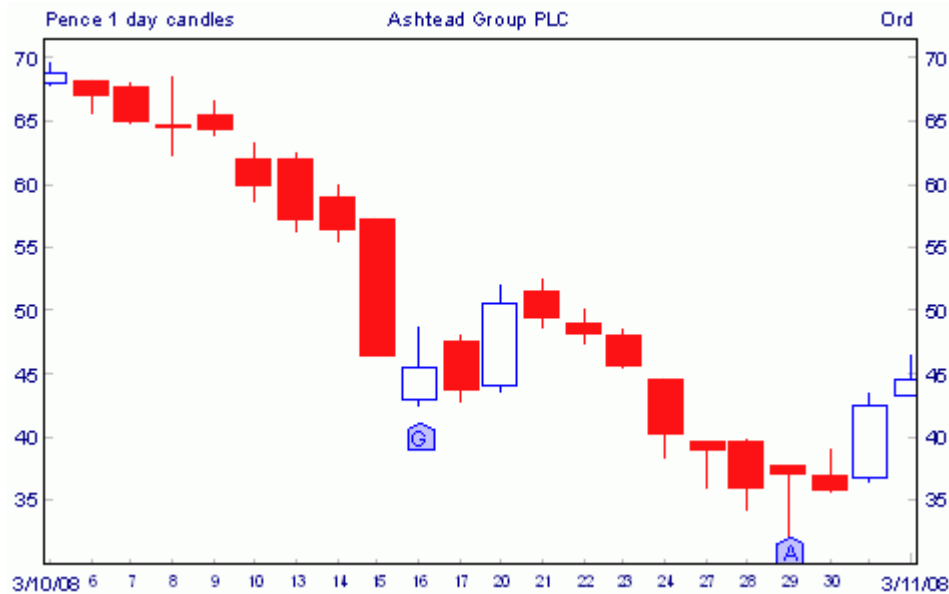
Bullish Patterns:



Bearish Patterns:



ShareScope Plus and Pro can identify a number of these patterns on the Historical price graphs. The chart below shows a Hammer (A) and an Inverted Hammer (G).



The dialog below shows the patterns that can be identified by ShareScope Plus and Pro.

Candlestick Patterns

Show Patterns

Bullish Patterns

- Hammer A
- Bullish Engulfing B
- Piercing Pattern C
- Morning Star D
- Morning Doji Star E
- Bullish Abandoned Baby F
- Inverted Hammer G
- Bullish Harami H
- Bullish Harami Cross I
- Bullish Belt Hold J
- Bullish Counter-attack Line K
- Bullish Doji L
- Downside Gap Two Rabbits M
- Three White Soldiers N
- Bullish Island Reversal O
- Upside Gap Tasuki P

Bearish Patterns

- Hanging Man a
- Bearish Engulfing b
- Dark Cloud Cover c
- Evening Star d
- Evening Doji Star e
- Bearish Abandoned Baby f
- Shooting Star g
- Bearish Harami h
- Bearish Harami Cross i
- Bearish Belt Hold j
- Bearish Counter-attack Line k
- Bearish Doji l
- Upside Gap Two Crows m
- Three Black Crows n
- Bearish Island Reversal o
- Downside Gap Tasuki p

Data source

[Click here](#) for a description of these patterns.

Remember, if you have any trouble finding or using any of these features, please don't hesitate to call our Customer Support team. They will be delighted to help.

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 From London: 020 7749 8504
 Email: support@sharescope.co.uk