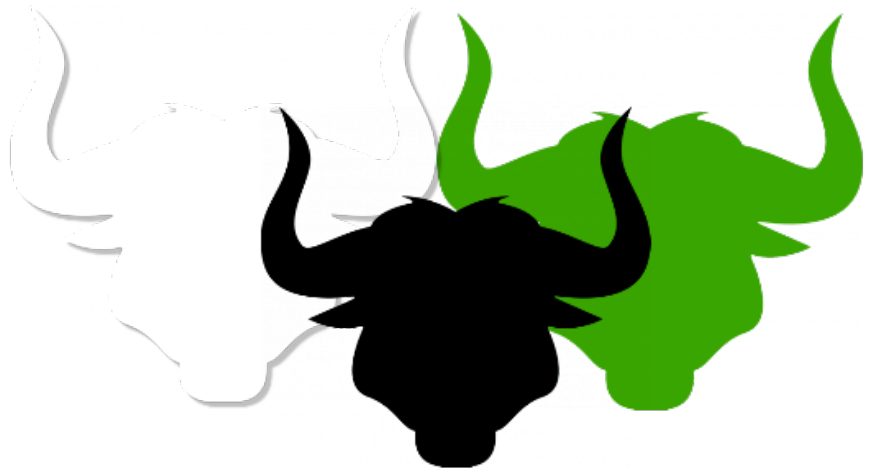


A BASIC GUIDE  
**FOR NEW TRADERS**

BY 3STOCKSADAY



**3STOCKSADAY**

*Hunting Bears*

- \*TERMINOLOGY
- \*SWING TRADING
- \*BASIC CANDLESTICK CHART KNOWLEDGE & PATTERNS
- \*STRATEGY
- \*MINDSET

# INTRODUCTION

Our Guide to Swing Trading for Beginners is an excellent way to lay a solid foundation, especially if you are new to the Stock Markets. 3 STOCKS A DAY is dedicated to helping people learn the art of trading stocks. We cover all the critical basics for beginners, Terminology, Candlestick Charts Patterns, Strategy and Mindset. Spend some time on this guide and start trading with confidence.

## **CHAPTER 1**

### **TERMINOLOGY**

#### **THE STOCK MARKET**

**It is a place where shares of public listed companies are traded. The Stock Market allows traders to buy and sell stocks as well as companies to issue stocks.**

#### **STOCK**

**All of the shares into which ownership of the corporation is divided.**

#### **STOCK SYMBOL**

**A one to four character alphabet symbol which represents a company listed on the exchange.**

#### **SHARES**

**Shares are units of ownership interest in a corporation or financial asset that provide for an equal distribution in any profits, if any are declared, in the form of dividends.**

### **DIVIDEND**

**A dividend is the distribution of some of a company's earnings to a class of its shareholders, as determined by the company's board of directors.**

**Payments made by publicly listed companies as a reward to investors for putting their money into the venture.**

### **BULL**

**A bull market is a market condition where investors are expecting prices to rise.**

### **BEAR**

**A bear market is a market condition where investors are expecting prices to fall.**

### **BUY**

**To buy shares or take a position in a company.**

### **SELL**

**Getting rid of the shares you own after your goal is achieved or want to cut down losses.**

### **BID**

**Bid is what you are willing to pay for a stock.**

### **ASK- BID SPREAD**

**The difference between what buyers are willing to pay and sellers to get for the shares they own**

### **LIMIT ORDER**

**A limit order is a type of order which executes at the price placed for buy or sell.**

### **MARKET ORDER**

**A market order is a type of order which executes as quickly as possible at the market price.**

### **VOLATILITY**

**Means how fast a stock moves up or down.**

### **GOING LONG**

**Betting on the stock price will increase so that you can buy low and sell high.**

### **AVERAGING DOWN**

**This is when an investor buys as the stock goes down so as to increase the price at which purchased.**

### **CAPITALIZATION**

**This is what the market thinks a company's value is.**

### **FLOAT**

**This is the number of shares which can be actually traded after deducting the shares held by insiders.**

### **IPO (INITIAL PUBLIC OFFERING)**

**It is an Initial Public Offering that happens when the private company becomes a publicly traded company.**

### **SECONDARY OFFERING**

**This is another offering in order to sell more stocks and to raise more money from the public.**

### **BROKER**

**A broker is a person who buys or sells stocks on your behalf.**

### **EXCHANGE**

**The place where different types of investment are traded.**

### **PORTFOLIO**

**A collection of investments owned by you.**

### **MARGIN ACCOUNT**

**A margin account lets a person borrow money from the broker to buy shares.**

### **SECTOR**

**A group of stocks in the same sector.**

### **TIME FRAME**

**A Timeframe is the production of a chart that is composed by combining a series of individual price bars together through time, each with the same duration.**

**For example, a daily Time Frame refers to a chart that is made up of individual price bars one day in duration each.**

### **RESISTANCE & SUPPORT**

**are certain predetermined levels of the price of a security at which it is thought that the price will tend to stop and reverse. These levels are denoted by multiple touches of price without a breakthrough of the level.**

### **SPLIT**

**A stock split or stock divide increases the number of shares in a company. A stock split causes a decrease of market price of individual shares, not causing a change of total market capitalization of the company. Stock dilution does not occur.**

## REVERSE SPLIT

A reverse stock split is when a company decreases the number of shares outstanding in the market by canceling the current shares and issuing fewer new shares based on a predetermined ratio. For example, in a 2:1 reverse stock split, a company would take every two shares and replace them with one share. A reverse stock split results in an increase in the price per share.

## PDT

Pattern Day Trade rule also known as PDT is in place to protect the beginner traders. It is important to know this rule if you have less than \$25,000 in your bank account or trading account and you are an active trader.

The rule states if you are an active trader, meaning if you make 4 or more trades in a 5 day period, then you will be stuck in your fourth trade place. Therefore you won't be able to make any more trades until your early trades are cleared.

## DELISTING

Delisting is the removal of a listed security from a stock exchange. The delisting of a security can be voluntary or involuntary and usually results when a company ceases operations, declares bankruptcy, merges, does not meet listing requirements, or seeks to become private.



### **GAP UP**

A gap is a break between prices on a chart that occurs when the price of a stock makes a sharp move up or down with no trading occurring in between. Stocks that "gap up" are companies that open at prices that are significantly higher than their previous closing prices, often due to after-hours news items that positively affect investor perceptions of a company's value

### **GAP DOWN**

The gap down pattern occur when price opens lower than the previous day's close.

### **CHART ANALYSIS**

**Technical Analysis** Technical analysis is the study of the price movement and patterns of a security. By scrutinizing a security's past price action, primarily through charts and indicators

### **TECHNICAL INDICATORS**

a technical indicator is a mathematical calculation based on historic price, volume, or (in the case of futures contracts) open interest information that aims to forecast financial market direction. Technical indicators are a fundamental part of technical analysis

## **MOVING AVERAGE**

**In statistics, a moving average (rolling average or running average) is a calculation to analyze data points by creating a series of averages of different subsets of the full data set**

## **RSI**

**The relative strength index (RSI) is a technical indicator used in the analysis of financial markets. It is intended to chart the current and historical strength or weakness of a stock or market based on the closing prices of a recent trading period. The indicator should not be confused with relative strength.**

## **MACD**

**short for moving average convergence/divergence, is a trading indicator used in technical analysis of stock prices, created by Gerald Appel in the late 1970s. It is designed to reveal changes in the strength, direction, momentum, and duration of a trend in a stock's price.**

## **CHAPTER 2**

### **“SWING TRADER”**

Using an intermediate time frame, usually a few days to a few weeks, swing traders will identify market trends and open positions. The name swing trading comes from the fact that we are looking for conditions where prices are likely to swing either upwards or downwards.

Swing traders can use a wide array of technical indicators. These indicators are used to find trends that play out between 1 and 30 trading periods. After analyzing these periods, you will be able to determine whether instances of resistance or support have occurred.

The next step is to identify the bearish or bullish trend and look for reversals. Reversals are often referred to as pullbacks or countertrends. Once the counter trend becomes clear, we can pick our entry point.

The goal is to enter into a position where the countertrend will quickly reverse and prices will swing.

There are three important factors to make money in the stock market:

1- Know the Rules

2- Be Disciplined

3-Keep Things Simple

Once you learn the rules and you trade with discipline, you will make money. The main objective of a swing trader is to profit from swings in price movement over the course of several days, capitalizing on the predictability of a pattern.

Buying during the pullbacks, increases the chances of making a profit.

As a Swing trader, you have to be patient to wait until your goals have been reached.

Luckily, the wait is not too long. A typical trade is only in play from a few days to a few weeks. After the goal is reached, and the trade closed, the funds go into the next trade.

Diversify your risk...

A basic rule of investing is to spread the risk around. Diversify your risk by investing no more than 20% of the value of your portfolio in any one stock. For example, if you have a \$1.000 portfolio, invest no more than \$200 in any one stock.

Invest in stocks from different industries, spreading the risk through different sectors:

Health, Technology, Energy.

Nobody has a crystal ball and things can go wrong in the short term for any company.

## CHAPTER 3

### CANDLESTICK CHARTS & PATTERNS

In this guide on Japanese candlesticks, we are going to study which are the main figures that can be formed and the meaning they can have. To better explain each candle or sequence of them, we will take into account the pattern, trend, and reliability.

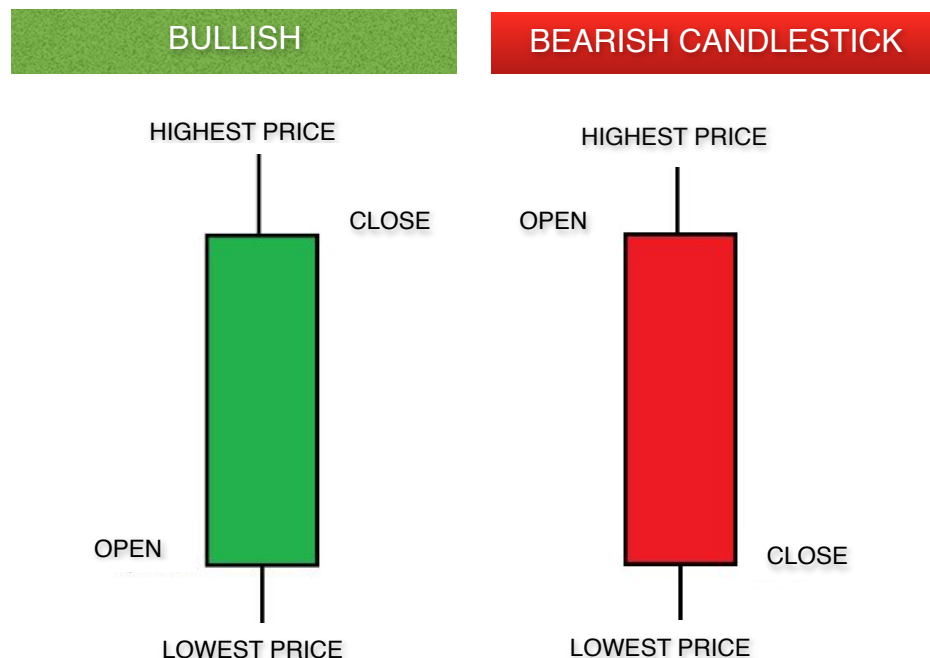
These indicators give us a slight idea of what can happen with the direction of the following candles to be formed, but we emphasize that they should not be interpreted as a universal truth, simply as a basis on what are the basic guidelines that follow the Japanese candles and how the impact works between bullish and bearish forces from the market.

If you want to carry out a more precise operation, it is necessary to combine Japanese candles with a chart analysis, technical indicators, and Elliott Waves.

In this guide, without trying to explain absolute truths, we will better understand the markets and we will understand why sometimes the behavior is not random, but it can be explained according to market forces.

A Japanese candle is a figure that represents the evolution of the price of an asset. While a line only shows us a photo of the price at a given moment. A Japanese Candle gives us, for a given period, four different prices: The maximum price, the minimum price, the opening price, and the closing price.

In addition to the color, which gives us much more visual information if the price has increased or decreased. This makes them more used compared to the bar chart. A candle is made up of a rectangular "body" with an upper "shadow" in the form of a vertical line above the body that marks the maximum price, and a lower "shadow" in the form of a vertical line under the body that marks the minimum of the price. If there are no shadows in a candle, it is because the maximum and minimum price coincide with the opening and / or closing. The opening and closing price is represented by the ends of the body. It identifies where the opening and closing are based on the color of the candle. If the opening price coincides with the closing price, we will say that the candle has been neutral. As a general rule, the color green is used when the candle is bullish and red when the candle is bearish. Although you can use other colors such as black and white, or what we customize in our graphic.



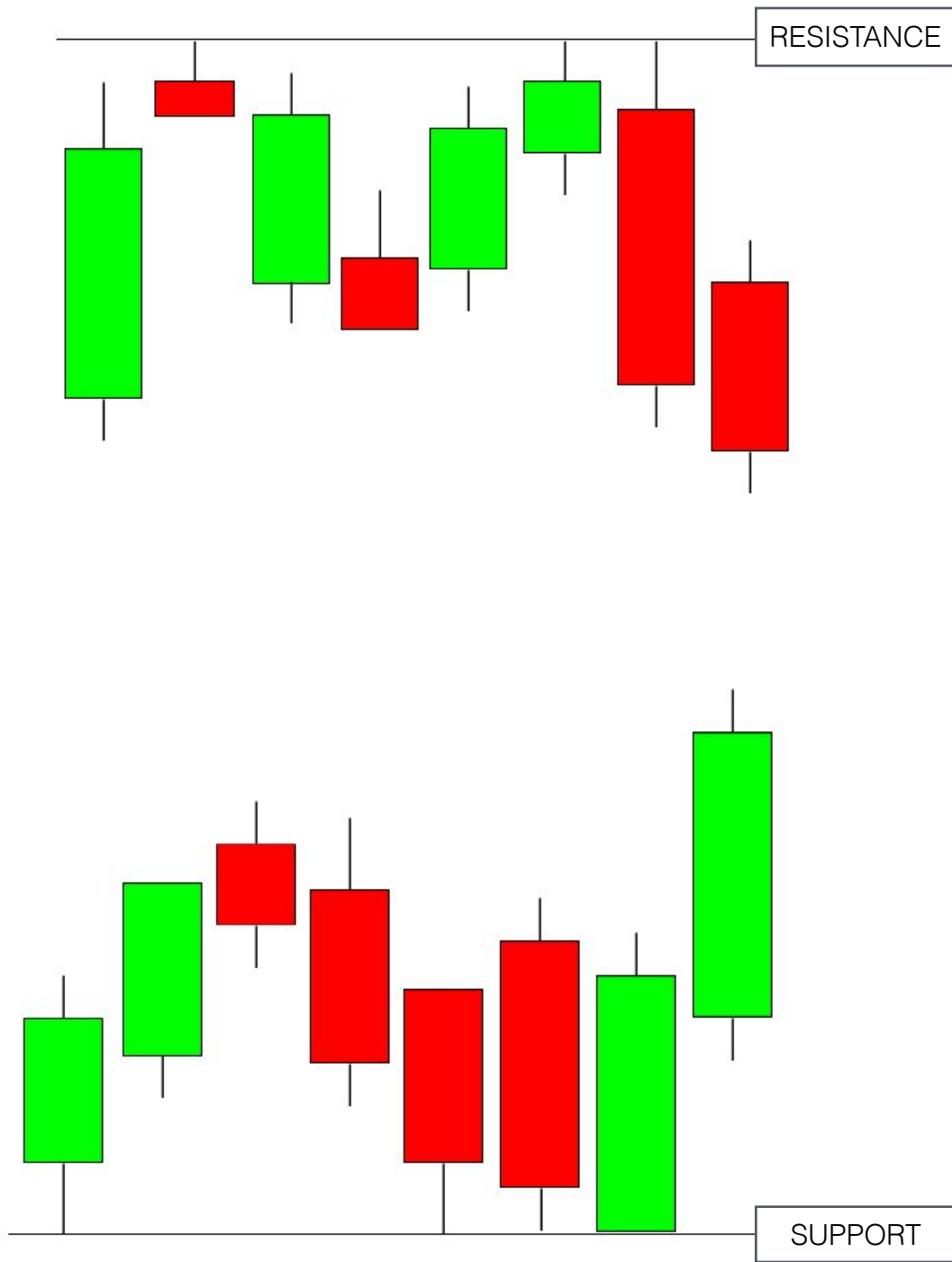
## SUPPORTS AND RESISTANCE WITH JAPANESE CANDLES

Japanese candles are also especially useful for finding support and resistance. In technical analysis, it is often said that prices have memory. Support and resistance allow us to find buy and sell areas on which we can base ourselves to take positions. These areas are detected when we see that the price has difficulties to exceed a certain area.

Japanese candles are an instrument that allows us to see better than other graphical representations the appearance of support and resistance.

When we see that several upper shadows have reached the same highs, or similar, causing the trend to change, we could be seeing resistance in price maximum that these candles have reached. On the contrary, if we see several lower shadows that have reached the same or similar lows, causing the trend to change, we may be seeing support at the minimum price of those candles. The more candles confirm the difficulty of passing a certain price, the more important the support or resistance will be.

A support or resistance will be considered "broken" when there are a significant number of candles that have passed the price in a row. When this happens. Support will become resistance, and resistance will become support. This is very much taken into account in trading planning when it comes to goal setting.





We are going to analyze a few candlestick patterns with which you can start to see different figures on the Japanese candlestick charts. Neither of these patterns reflects absolute reliability, but depending on when they appear, and how strongly they appear, they may be more or less reliable of the future price trend.

We will distinguish between patterns of change, indecision, or continuation of the trend, and we will use different components to indicate the future direction of the trend by recognizing a pattern (neutral, bullish or bearish), and marking the reliability of the pattern. we are observing (very low, low, medium, high, or very high)

## **TREND**

- Neutral: The future behavior of prices cannot be forecast. They do not provide information that allows taking positions but they inform us of the "market temperature" to maintain a position or withdraw.
- Bullish: Patterns that are more likely to increase in value than to decrease it.
- Bearish: Patterns that are more likely to decrease in value than to increase it.

## RELIABILITY

- Very low: There is too much uncertainty to carry out a trade taking into account this pattern, and support from other technical indicators is necessary even from a next candle to take positions. The risk is high.
- Low: The level of uncertainty is somewhat lower and technical indicators that support the trend could allow us to open positions. The risk is high.
  - Medium: the probability of obtaining profits from opening a position of medium reliability if it is supported by technical indicators is higher. The noise in the market may be what creates the most uncertainty.
- High: the probability of the pattern being met is important, and the probability of market noise is partially reduced.
- Very High: noise in the market affects these patterns less and is expected to be fulfilled in a high number of cases.

## TYPES OF JAPANESE CANDLES

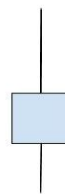
### SHORT CANDLES



The "Japanese short candles" have a body greater than either of the two wicks, both the lower and the upper. They indicate weakness in the trend, especially when they are near support and resistance. They must be seen in conjunction with adjacent candles to know their real meaning.

- Pattern: Indecision. • Trend: Neutral. • Reliability: Very low.

### SPINNING TOPS



A "top-shaped candle" has wicks between one and two times the size of the body and they do not have to be symmetrical. When they appear they usually indicate weakness or exhaustion of the trend, especially when the trend is already widely developed and is approaching key price levels.

- Pattern: Indecision. • Trend: Neutral. • Reliability: Low

## HIGH WAVE CANDLES



A "high wave candle" has wicks larger than twice the size of the body. Wicks don't have to be symmetrical. Normally, the appearance of these candles suggests indecision in the market and a possible change in trend or the beginning of the same, especially if it appears near support and resistance. As it is an indecision candle, you need confirmation of a change or start of a trend using a large candle.

- Pattern: Indecision. ● Trend: Neutral.
- Reliability: Medium-Low.

## DOJI



The Doji is a Japanese candle in which the opening price is equal to the closing price and both wicks are similar in size. When a Doji appears in a mature trend is when it becomes more important as it can indicate exhaustion, either to end the trend or to stop along the way. On the other hand, when it appears within a range, its appearance has no relevance. You need confirmation from the following candles.

- Pattern: Indecision. ● Trend: Neutral. ● Reliability: Medium-Low.

**DOJI**



The long-legged Doji has a similar meaning to the high wave candle, and normally appears when a trend is already well developed, indicating a change in trend. You need confirmation from the following candles.

- Pattern: Indecision. • Trend: Neutral. • Reliability: Medium.

Dragonfly Doji, Umbrella Doji or Dragonfly Doji (inverted) is the name a Doji takes when the upper wick is of minimal or no size while the lower wick is very long. It usually indicates a strong change in trend when it is supported by a support (resistance) and when there is an oversold (overbought)

- Pattern: Change in trend. • Trend: Bullish (Bearish). • Reliability: Strong.



## LARGE BULLISH CANDLE



A "Big Bullish Candle" has great body and has highs and lows near the closing and opening prices. For such a candle to be considered, it should have a body that is at least three times the size of the previous series of Japanese candles. It is interpreted as that the bullish side has taken control of the trend, so the appearance of this pattern is totally bullish, especially when it appears in supports and resistance breaks.

- Pattern: Confirmation. • Trend: Bullish.
- Reliability: High.

## BIG BEARISH CANDLE



A "Big Bearish Candle" has great body and has highs and lows near the opening and closing prices. For such a candle to be considered, it should have a body that is at least three times the size of the previous series of Japanese candles. It is interpreted as that

the bearish side has taken control of the trend, so the appearance of this pattern is totally bearish, especially when it appears in resistance and support breaks.

- Pattern: Confirmation.
- Trend: Bearish.
- Reliability: High.

### **BULLISH MARUBOZU**



A "bullish Marubozu" is a large bullish single candle pattern with no shadows. A Marubozu implies an increase in the price from the beginning of the session until reaching the maximum, at which point the session ends, therefore it is a strongly bullish signal but that will need a later confirmation.

- Pattern: Confirmation.
- Trend: Bullish.
- Reliability: Low.



## OPEN AND CLOSED BULLISH MARUBOZU



The "closed bullish Marubozu" differs from the previous one in having a small lower shadow that normally forms at the beginning of the session. This shadow indicates some indecision at the beginning of the session but the final interpretation is the same as that of the Marubozu without shadows.

Another variant of Marubozu is the "Open Bullish Marubozu" Contrary to the previous one, the open bullish Marubozu has a small upper wick, which indicates some doubt at the end of the session. Therefore, it is considered to have less power than the closed bullish Marubozu and the bullish Marubozu. (Both need confirmation).

- Pattern: Confirmation. ● Trend: Bullish.
- Reliability: Low.



## BEARISH MARUBOZU

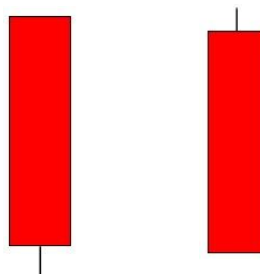


A "Bearish Marubozu" is a large bearish single candle pattern with no shadows. A

Marubozu implies a decrease in the price from the beginning of the session until reaching the minimum, at which time the session ends, therefore it is a strongly bearish signal but that will need a later confirmation.

- Pattern: Confirmation.
- Trend: Bearish.
- Reliability: Low.

## OPEN AND CLOSED MARABOZU

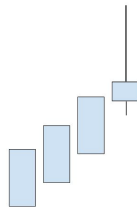


The «closed bearish Marubozu» differs from the previous one in having a small upper shadow that is usually formed at the beginning of the session. This shadow indicates

some indecision at the beginning of the session but the final interpretation is the same as that of the Marubozu without shadows. Another variant of Marubozu is the Open Bearish Marubozu. Contrary to the previous one, the open bullish Marubozu has a small lower wick, which indicates some doubt at the end of the session. Therefore, it is considered to have less power than the Closed Bearish Marubozu and Bearish Marubozu. (Both need confirmation).

- Pattern: Confirmation. ● Trend: Bearish.
- Reliability: Low.

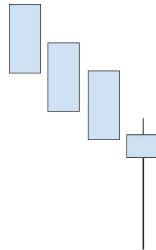
### LONG UPPER SHADOW



A "Long upper shadow" is a candle with a fairly long upper shadow and a very short lower shadow. Appears after an uptrend. The long shadow shows that bearish forces are entering the market and may signify a change in trend. The shade can be used as resistance.

- Pattern: Of change. ● Trend: Bullish. ● Reliability: Medium.

## LONGER LOWER SHADOW



A "Long lower shadow" is a candle with a fairly long lower shadow and a very short upper shadow. It appears after a downtrend. The long shadow shows that bullish forces are entering the market and may signify a change in trend. The shade can be used as a support.

- Pattern: Of change.
- Trend: Bullish.
- Reliability: Medium.

## HAMMER

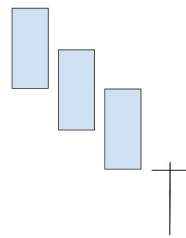


A "hammer" candle has a short body, with a lower wick at least twice the size of the body, and a very short or no upper wick. Normally, the appearance of this candle can correspond to an exhaustion of a downtrend. The hammer must be produced on a stand

and / or in an oversold market to gain reliability. If the market turns, the wick will act as a support, and may be an opportunity to enter the market.

- Pattern: Forex ● Trend: Bullish
- Reliability: Low-Medium

### DRAGONFLY DOJI



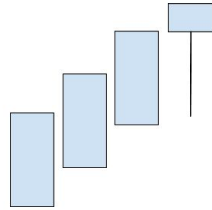
The figure that forms "the Dragonfly Doji" is composed of a doji with a very long lower shadow and a very short or non-existent upper shadow. It appears after a downtrend. If

this figure is created being close to a support or with a lot of oversold, the reliability increases. A next bullish candle, a gap to the upside, or a higher close the next day

would confirm the change in trend.

- Pattern: Of change. ● Trend: Bullish.
- Reliability: Medium-High.

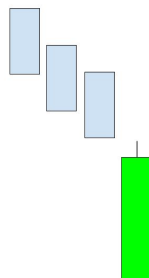
## HANGING MAN



The "hanging man" is a small bullish or bearish candle, with no upper shadow but with a lower shadow at least twice the size of the body. Appears after an uptrend. Mark, or at least is close to a resistance. A second confirmation candle is required to close below the body of this candle.

- Pattern: Of change.
- Trend: Bearish.
- Reliability: High.

## BULLISH TIGHT SUPPORT

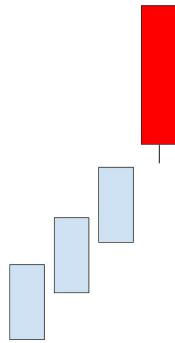


The "close bullish support" is a figure that is created after a long downtrend, followed by a bearish gap and a bullish open marubozu. The bullish marubozu is created because bearish forces have pushed the price too low, and a strong buying by the bull market begins. As it is a single candlestick pattern, the reliability is low, and confirmation of a

change in trend with the next candle is needed. The longer the marubozu, the more reliable the pattern.

- Pattern: Of change. • Trend: Bullish. • Reliability: Low.

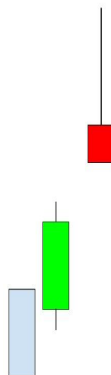
### BEARISH CLOSE SUPPORT



The "close bearish support" is a figure that is created after a long uptrend, followed by a bullish gap and a bearish open marubozu. The bearish marubozu is created because the bullish forces have pushed the price too high, and a strong sell by the bear market begins. As it is a single candlestick pattern, the reliability is low, and confirmation of a change in trend with the next candle is needed. The longer the marubozu, the more reliable the pattern.

- Pattern: Of change. • Trend: Bearish. • Reliability: Low.

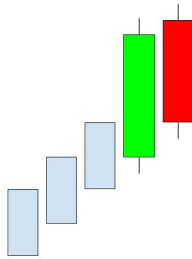
## SHOOTING STAR



A "Shooting Star" is a candle without or with very little lower shadow, and with an upper shadow equal to or greater than three times the size of the body, which is small. This candle appears in an uptrend, after a bullish candle with a gap. It is interpreted as that at the end of a bullish session, the bears gain ground, weakening the previous uptrend. Normally, this figure appears in resistance zones, showing indecision when it comes to overcoming.

- Pattern: Change
- Trend: Bearish
- Reliability: Medium-Low

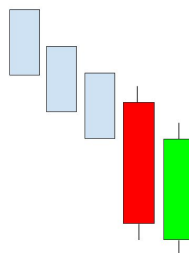
## DARK CLOUD DECK



The "Dark Cloud Cover" is a pattern of two candles, a first large bullish candle, and a second bearish candle. There must be a previous uptrend, and the second bearish candle must open above the high of the previous day and must close at least below half the body of the previous day's candle. The larger the body of the bearish candle and the lower it closes, the more reliable this pattern is.

- Pattern: Of change. ● Trend: Bearish.
- Reliability: Medium-High.

## PENETRATING PATTERN

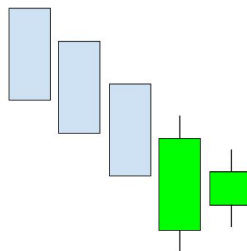




The "Piercing Pattern" is a pattern of two candles, a large bearish first candle, and a bullish second candle. There must be a previous downtrend, and the second bullish candle must open below the low of the previous day and must close at least above half of the body of the previous day's candle. The larger the body of the bullish candle and the higher it closes, the more reliable this pattern is.

- Pattern: Of change. • Trend: Bullish.
- Reliability: Medium-High.

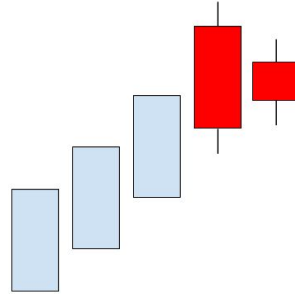
### **BULLISH HARAMI**



A "bullish Harami" is a figure composed of a first long candle, and a second short candle that is covered by the body of the first candle. There must be a prior downtrend. In principle, if the 2 candles that make up the harami are bullish, the probability of a trend reversal will be greater, although it can be found with some of the 2 bearish ones, or even the 2 bearish ones.

- Pattern: Of change. • Trend: Bullish. • Reliability: low.

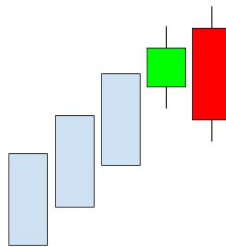
### BEARISH HARAMI



A "bearish Harami" is a figure composed of a first long candle, and a second short candle that is covered by the body of the first candle. There must be a prior uptrend. In principle, if the 2 candles that make up the harami are bearish, the probability of a trend change will be greater, although it can occur with some of the 2 bulls, or even the 2 bulls.

- Pattern: Of change.
- Trend: Bearish.
- Reliability: low.

### BEARISH ENGULFING

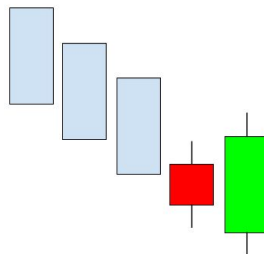


The "bearish engulfing pattern" is made up of a first small bullish candle, and a second larger bearish candle that covers the entire body of the previous candle. It is preceded by an uptrend. The shadows of both candles mark decreasing highs. If the engulfing pattern appears after a doji, the reliability will be very high.

If a third bearish candle appears and closes below the close of our second candle, it would form what we call Three Bearish Outer Candles, with very high reliability.

- Pattern: Of change. • Trend: Bearish. • Reliability: High.

### **BULLISH ENGULFING**



The "bullish engulfing pattern" consists of a first small bearish candle, and a second larger bullish candle that covers the entire body of the previous candle. It is preceded by a previous downtrend. The shadows of both candles mark rising highs. If the engulfing pattern appears after a doji, the reliability will be very high.

Furthermore, if a third bullish candle appears that closes above the close of our second candle, what we call Three bullish outer candles would be formed, with a very high reliability.

- Pattern: Of change. • Trend: Bullish. • Reliability: High.

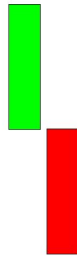
### **BULLISH KICK**



The "bullish kick" is a pattern composed of two marubozus separated by a gap. The first marubozu is bearish, and the second bullish. The previous trend does not matter, and the gap that is created will serve as future support. This abrupt reversal of the market implies a high probability of an uptrend, although it is appropriate to wait for the confirmation of a third candle.

- Pattern: Of change. • Trend: Bullish. • Reliability: High.

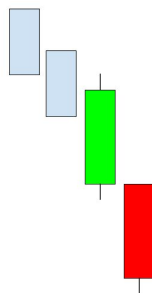
### BEARISH KICK



The "bearish kick" is a pattern made up of two marubozus separated by a gap. The first marubozu is bullish, and the second bearish. The previous trend does not matter, and the gap that is created will serve as future resistance. This very sharp reversal of the market implies a high probability of a downtrend, although it is prudent to wait for the confirmation of a third candle.

- Pattern: Of change.
- Trend: bearish.
- Reliability: High.

### BEARISH SEPARATED

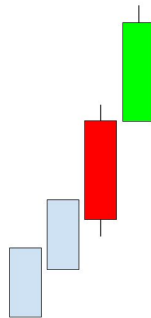


The "separate bears" pattern is a pattern consisting of a bullish candle followed by a bearish Marubozu. The previous trend is bearish, and the Marubozu is created at the

same height at which the opening occurred the day before, and the lower it closes, the stronger the bearish momentum. You need confirmation for a next bearish candle to reinforce the reliability of the trend.

- Pattern: Continuation. • Trend: Bearish.
- Reliability: Low.

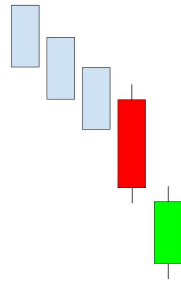
### SEPARATE BULLISH



The "bullish spaced" pattern is a pattern consisting of a bearish one candle followed by a bullish Marubozu. The previous trend is bullish, and the Marubozu is created at the same height at which the opening occurred the day before, and the higher the close, the stronger the bullish momentum. You need confirmation for a next bullish candle to reinforce the reliability of the trend.

- Pattern: Continuation. • Trend: Bullish.
- Reliability: Low.

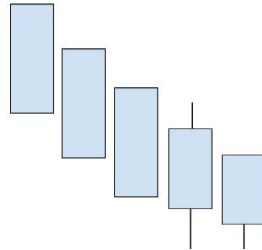
## ON NECK LINE



The "On Neck Line" figure is composed of a first long bearish candle, and a second bullish candle that opens with a gap to the downside, and closes slightly below the low of the first candle. It comes after a previous downtrend. The weakness of the white candle indicates that the downtrend will continue. Confirmation of a third bearish candle or a gap to the downside or close lower is needed to confirm the continuation of the trend.

- Pattern: Continuation. ● Trend: Bearish.
- Reliability: Medium.

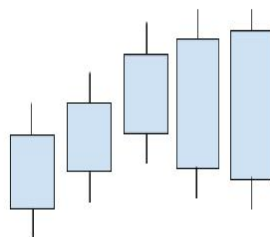
### GROUND IN CLAMPS



This "tongs floor" pattern is represented by two candles marking an equal minimum, either with their shadows or with their bodies, following a downtrend. This can appear with multiple combinations. The important thing is that a support is appreciated in which the market cannot go down further, and a change in trend can be predicted.

- Pattern: Of change. ● Trend: bullish.
- Reliability: Medium-High

### CEILING IN CLAMPS



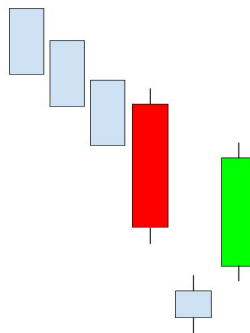
This "tweezer top" pattern is represented by two candles marking an equal high, either with their shadows or with their bodies, following an uptrend. This can appear with



multiple combinations. The important thing is that there is a resistance in which the market fails to rise further, and can predict a change in trend.

- Pattern: Of change. ● Trend: Bearish.
- Reliability: Medium-High.

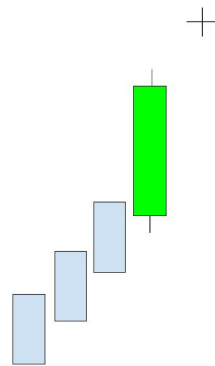
### MORNING STAR



A "morning star" is represented by a long bearish candle, a gap with another candle, and a third bullish candle. It occurs after a previous downtrend, with a gap between the long bearish candle and the second candle. It does not matter if this second candle is bullish or bearish, but it will be a short candle. The third candle opens above the low of the second candle and will close above the average of the first candle.

- Pattern: Of change. ● Trend: Bullish. ● Reliability: High.

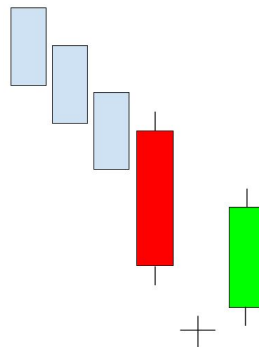
### BEARISH DOJI STAR



A "bearish doji star" is an incomplete figure. It is made up of a long bullish candle, a gap, and a doji candle below. It appears when there is an uptrend, and it is exhausted. Being an unfinished figure, confirmation is needed with another subsequent candle that confirms the change in trend, and the new uptrend.

- Pattern: Of change.
- Trend: Bearish.
- Reliability: Low.

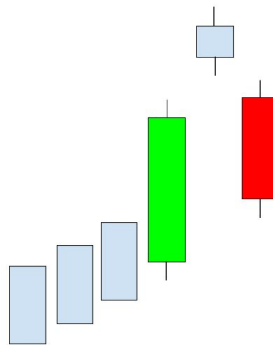
### MORNING STAR DOJI



The "Morning Star doji" is a pattern that follows the bullish doji star. It appears after a downtrend where a first long bearish candle is created, followed by a gap to the downside with a doji, and a third bullish candle.

- Pattern: Of change. • Trend: Bullish. • Reliability: High.

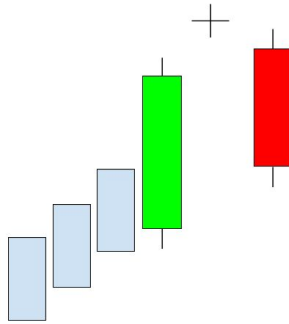
### EVENING STAR



An "evening star" is represented by a long bullish candle, a gap with another candle, and a third bearish candle. It occurs after a previous uptrend, with an upward gap between the long bullish candle and the second candle. It does not matter if this second candle is bullish or bearish, but it will be a short candle. The third candle opens below the low of the second candle and will close below the average of the first candle.

- Pattern: Of change. • Trend: Bearish. • Reliability: High.

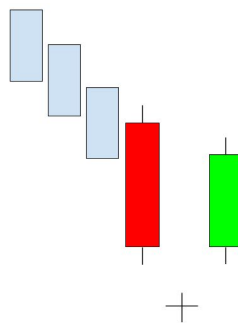
### EVENING STAR DOJI



The "Evening doji star" is a pattern that follows the bearish doji star. It appears after an uptrend where a first long bullish candle is created, followed by a gap to the upside with a doji, and a third bearish candle.

- Pattern: Of change.
- Trend: Bearish.
- Reliability: High.

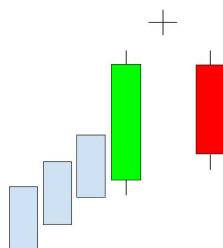
### BULLISH ABANDONED BABY



The "Bullish Abandoned Baby" is a continuation figure of the bearish Doji Star. It differs from the morning star doji in that the third candle that forms has a bullish gap, further reinforcing the change in trend.

- Pattern: Of change.
- Trend: Bullish.
- Reliability: Very high.

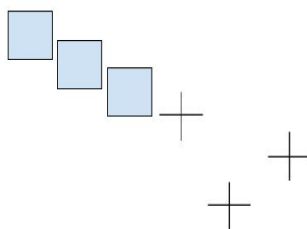
### BEARISH ABANDONED BABY



The "Bearish Abandoned Baby" is a continuation figure of the bullish Doji Star. It differs from the evening doji star in that the third candle that forms has a bearish gap, further reinforcing the change in trend.

- Pattern: Of change.
- Trend: Bearish.
- Reliability: Very high.

### THREE BULLISH STARS

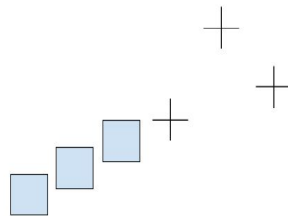


The "Three Bullish Stars" is a figure formed by three consecutive dojis following a downtrend. This figure is rare to see, and would come out in a case with a long

downtrend where we would see smaller and smaller candles. The second doji gaps down from the first. The third doji closes above the second. This indicates that the trend may change and become bullish. It is most reliable near supports.

- Pattern: Change • Trend: Bullish • Reliability: Medium

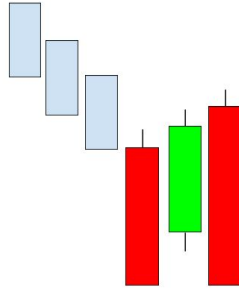
### THREE BEARISH STARS



The "Three Bearing Stars" is a figure formed by three consecutive dojis following a downtrend. This figure is rare to see, and would come out in a case with a long downtrend where we would see smaller and smaller candles. The second doji gaps down from the first. The third doji closes above the second. This indicates that the trend may change and become bullish. It is most reliable near supports.

- Pattern: Change • Trend: Bearish • Reliability: Medium

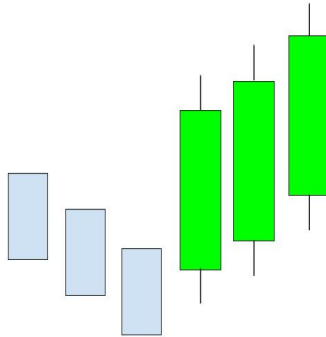
## SANDWICH NECK



The "sandwich neck" is a figure composed of a bearish Marubozu, a bullish candle, and a third bearish Marubozu candle. It comes after a previous downtrend. In the downtrend, a Marubozu is created and the next bullish candle has a higher open price. The third candle is once again a Marubozu that closes at the same point as the previous one, and that shows us with high probability the existence of a support at the close of the Marubozu.

- Pattern: Of change.
- Trend: Bullish.
- Reliability: Medium.

## THREE WHITE SOLDIERS



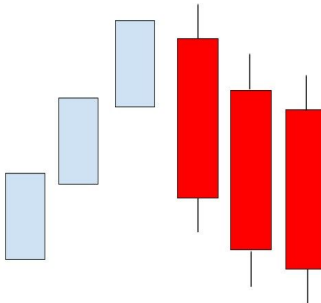
The "three white soldiers" are three consecutive bullish large-body candles, with the second and third opening within the body of the previous candle and closing above it.

For this pattern to be more reliable, the candle wicks should be small and both the second and third candles should open above the middle of the previous candle. This pattern is identified in a downtrend and indicates a change in trend to an uptrend. If the three soldiers appear in the middle of an uptrend, the formation loses reliability, since it could mean exhaustion of the same.

- Pattern: Continuation. ● Trend: Bullish.
- Reliability: High.



## THREE BLACK CROWS

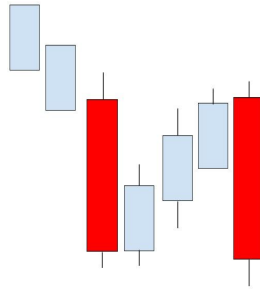


The "three black crows" are three consecutive large-body bearish candles, with the second and third opening within the body of the previous candle and closing below it.

For this pattern to be more reliable, the candle wicks should be small and both the second and third candles should open below half of the previous candle. This pattern is identified in an uptrend and indicates a change in trend to a bearish one. If the three ravens appear in the middle of a downtrend, the formation loses reliability, as it could mean exhaustion of the same.

- Pattern: Continuation. ● Trend: Bearish.
- Reliability: High.

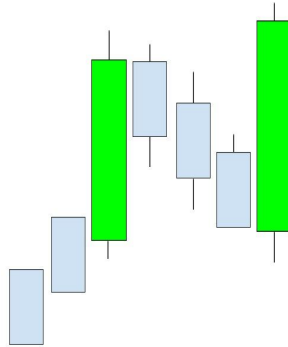
## TRIPLE BEAR FORMATION



The "Triple Bearish Formation" is a pattern in which two large body bearish candles appear separated by three small body bullish candles. These three bullish candles make new highs and are contained within the body of the first big bearish candle. This pattern appears in a downtrend and is interpreted as a road stop before continuing with it. We must bear in mind that this pattern can have variations since instead of being three candles that correct the first big bearish candle, it can be two or more than three.

- Pattern: Continuation. ● Trend: Bearish.
- Reliability: High.

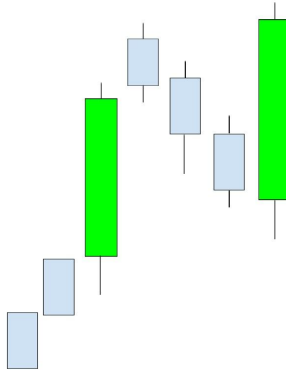
## TRIPLE BULLISH FORMATION



The "Triple Bullish Formation" is a pattern in which two large-body bullish candles appear separated by three small-body bearish candles. These three bearish candles make new lows and are contained within the body of the first large bullish candle. This pattern appears in an uptrend and is interpreted as a road stop before continuing with it. We must bear in mind that this pattern can have variations since instead of being three candles that correct the first big bullish candle, it can be two or more than three.

- Pattern: Continuation. • Trend: Bullish.
- Reliability: High.

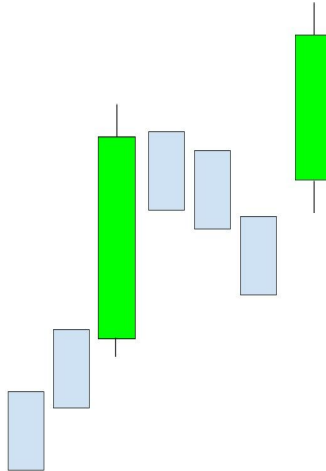
### MAT HOLD



The Mat Hold is a pattern in which two large-body bullish candles appear separated by three small-body bearish candles, the first of them opening higher. These three bearish candles make new lows until the second big bullish candle appears and closes above all previous highs. This pattern appears in an uptrend and is interpreted as a road stop before continuing with it. We must bear in mind that this pattern can have variations since instead of being three candles that correct the first big bullish candle, it can be two or more than three.

- Pattern: Continuation.
- Trend: Bullish.
- Reliability: High.

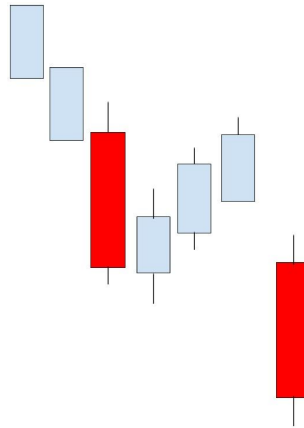
## BULLISH GAP FORMATION



The "Gap Gap Formation" is a pattern in which two large-body bullish candles appear separated by three small-body bearish candles. These three bearish candles make new lows and are contained within the body of the first large bullish candle. The second large bullish candle opens with a gap compared to the previous candle, showing the strength of the trend. This pattern appears in an uptrend and is interpreted as a road stop before continuing with it. This pattern can have variations since instead of being three candles that correct the first big bullish candle, it can be two or more than three.

- Pattern: Continuation. • Trend: Bullish.
- Reliability: Very high.

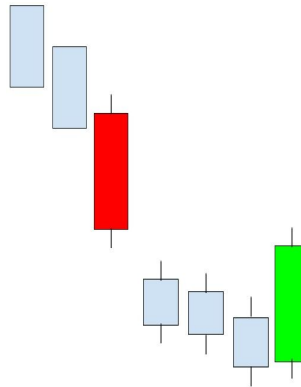
## BEARISH GAP FORMATION



The “Bearish Gap Formation” is a pattern in which two large body bearish candles appear separated by three small body bullish candles. These three bullish candles make new highs and are contained within the body of the first big bearish candle. The second large bullish candle opens with a gap compared to the previous candle, showing the strength of the trend. This pattern appears in a downtrend and is interpreted as a road stop before continuing with it. It can have variations since instead of being three candles that correct the first big bullish candle, it can be two or more than three.

- Pattern: Continuation. ● Trend: Bearish.
- Reliability: Very high.

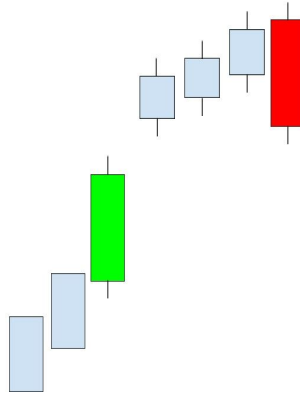
## BULLISH DEFECTION



"Bullish defection" occurs in a downtrend, when a candle gaps to the downside following the formation of a bearish large body candle. Subsequently, two more bearish candles are formed, with a small body, after which a bullish candle with a large body appears and closes within the gap. Normally, this trend means change of trend, from bearish to bullish and its reliability increases the more oversold the market is and the more developed the downtrend is. However, confirmation of the pattern is required

- Pattern: Change
- Trend: Bullish • Reliability: Medium

## BEARISH DEFECTION

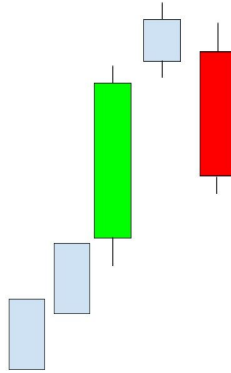


A "bearish dropout" occurs in an uptrend, when a candle gaps to the upside after the formation of a bullish large body candle. Subsequently, two more bullish candles are formed, all of them with a small body, after which a bearish candle with a large body appears and closes within the gap. Normally, this trend means change of trend, from bullish to bearish and its reliability increases the more overbought the market is and the more developed the uptrend is. However, confirmation of the pattern is required

- Pattern: Change
- Trend: Bearish ● Reliability: Medium



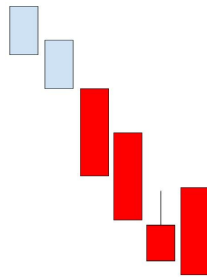
## TWO BLACK CROWS



The "two black crows" usually appear in a developed uptrend. In it, a large bullish candle appears followed by a candle, usually bearish, with a small body and that opens with a gap. Finally, a bearish candle appears that opens within the body of the previous candle and closes within the body of the first bullish candle. This pattern signifies exhaustion of the uptrend, although it needs confirmation by a fourth bearish candle.

- Pattern: Change.
- Trend: Bearish. ● Reliability: Medium.

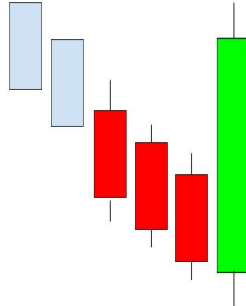
## LITTLE HIDDEN SWALLOW



The "Hidden Little Swallow" appears after a downtrend. The pattern is defined by the formation of two bearish marubozus, an inverted hammer that opens with a gap but is closed by its wick, and finally, a third bearish marubozu opens with a large bullish gap and falls until covering the previous candle. This pattern indicates exhaustion of the trend and change of the same.

- Pattern: Change.
- Trend: Bullish. ● Reliability: High.

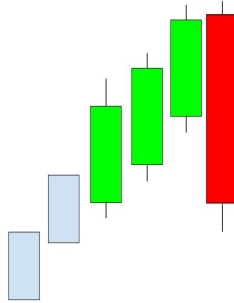
### BEARISH TRIPLE PATTERN HIT



The "triple bear pattern hit" appears in a downtrend with the formation of three bearish candles, each marking a new low. Subsequently, a candle appears that opens below the previous candle and ends up becoming a large bullish candle, closing above the opening of the first bearish candle. It usually means that bears are taking profits so the underlying downtrend continues. That is, it usually indicates a stop in the trend but not its completion.

- Pattern: Continuation.
- Trend: Bearish.
- Reliability: Low.

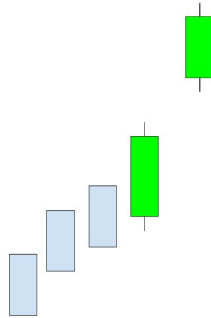
## BULLISH TRIPLE PATTERN HIT



The "triple bullish pattern hit" appears in an uptrend with the formation of three bullish candles, each marking a new high. Subsequently, a candle appears that opens above the previous candle and ends up becoming a large bearish candle, closing below the opening of the first bullish candle. It usually means that the bulls take profits so the underlying uptrend continues. That is, it usually indicates a stop in the trend but not its completion.

- Pattern: Continuation. • Trend: Bullish.
- Reliability: Low.

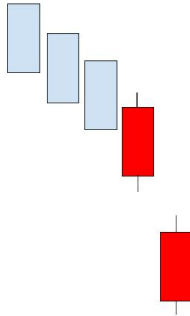
## BULLISH WINDOW



The "bullish window" is represented by an uptrend and then a gap, which shows us the strength of the current trend (the second bullish candle can also be a doji). This gap or "window" that is created will act as a support in case of future price drops. If there is a pullback that closes below the high of the 1st candle, the pattern is invalidated.

- Pattern: Continuation. • Trend: Bullish.
- Reliability: High.

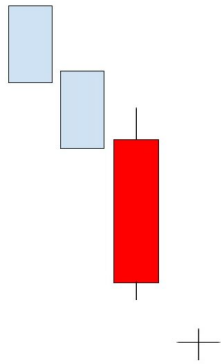
## BEARISH WINDOW



A Japanese "bearish window" candle is represented by a downtrend and then a gap, which shows us the strength of the current trend (the second bearish candle can also be a doji). This gap or "window" that is created will act as resistance in the event of future price rises. If there is a pullback that closes above the low of the 1st candle, the pattern is invalidated.

- Pattern: Continuation. • Trend: Bearish.
- Reliability: High.

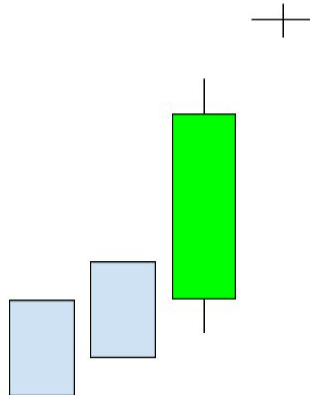
## BULLISH DOJI STAR



A "bullish doji star" is an incomplete figure. It is made up of a long bearish candle, a gap, and a doji candle below. It appears when there is a downtrend, and it is exhausted. Being an unfinished figure, confirmation is needed with another subsequent candle that confirms the change in trend, and the new uptrend.

- Pattern: Change ● Trend: Bullish ● Reliability: Medium

## BEARISH DOJI STAR

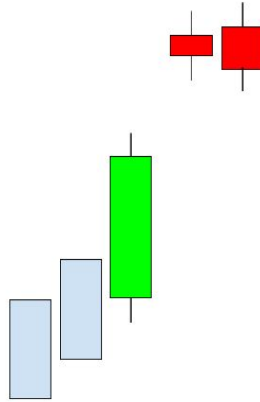


A "bearish doji star" is an incomplete figure. It is made up of a long bullish candle, a gap, and a doji candle below. It appears when there is an uptrend, and it is exhausted. Being an unfinished figure, confirmation is needed with another subsequent candle that confirms the change in trend, and the new downtrend.

- Pattern: Change • Trend: Bearish • Reliability: Medium



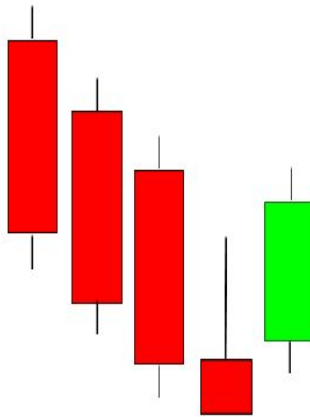
## TWO CROWS IN BULLISH GAP



"Two black crows in bullish gap" is a figure composed of a long white candle, a gap, and two black candles behind. It is formed after an uptrend in the market. The first black candle after the gap is smaller than the second. This is a sign that the uptrend has lost strength, and a confirmed resistance is created with the 2 black candles. The change in trend is confirmed if the gap that had been created closes.

- Pattern: Of change.
- Trend: Bearish.
- Reliability: High.

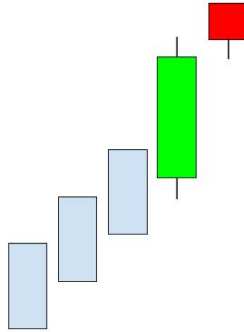
## STAIR FLOOR



A "ladder floor" is a figure in which there is a downtrend, with three opening candles and increasingly lower highs, forming a "three black crows" pattern. the next candle forms an "inverted hammer", which signals the exhaustion of the trend, and the possibility of a reversal of this trend, if a fifth bullish candle appears.

- Pattern: Of change.
- Trend: Bullish
- Reliability: Medium

## BEARISH DELIBERATION



The "Bearish Deliberation" is a figure composed of two white candles, and a third black candle short after a gap opening. It is formed when there is an uptrend, and this trend gives symptoms of exhaustion with the black candle that forms. It is not a definitive trend change and you should wait for the next candle, but it can be useful to close positions.

Pattern: Of change. ● Trend: Bearish. ● Reliability: Medium.

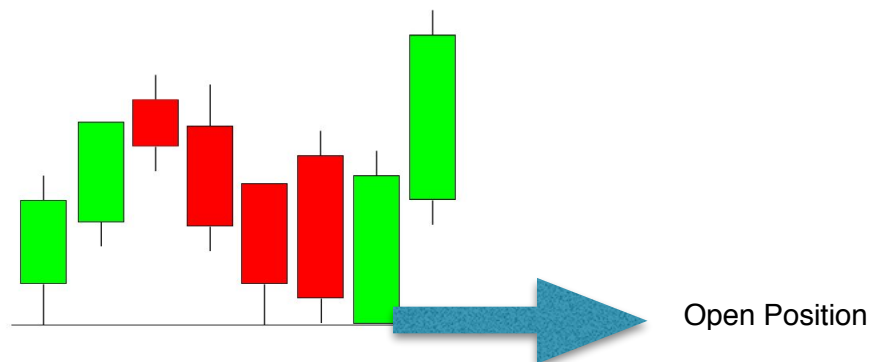
## STRATEGY

Our Strategy consist in identifying symbols with both, uptrend direction and strength. A stock might go up for several days, then down for a few days after that, before rising again. After the counter trend, you'll want to see upward movement resume, thats when we enter our position.

To determine if a swing trade is worth it, we consider using a Two-to-One minimum reward-to-risk ratio. In other words, your potential profit should be at least twice as much as your potential loss.

Here we offer you an example of how you will see the list with the symbols that we select, and the information we provide with it.

Symbol	Price	Entry	Max Target	Max % Profit	Moderated Target	Moderated % Profit	Stop Loss
\$xxxx	\$1.00	\$0.90 - \$1.10	\$1.60	60%	\$1.32	32%	\$0.75



## **MINDSET**

Trading psychology may sound like a made-up term but it is a very real thing. Financial markets have no emotions, but we as people do. To achieve a long-term career as traders, it is very important to cultivate a mindset in which we can remain calm while trading and avoid succumbing to emotional reactions.

The following are some of the examples of mistakes that we make while trading and whose cause is psychology: Taking bad trades

**Cut losses too late**

**Not taking good trades**

**Taking too much risk**

**Don't take profit on winning trades**

## **THE EMOTIONS OF TRADING**

Overcoming emotional barriers is one of the first problems that people who start learning to trade face.

Traders who control their emotions and ego have a great advantage over those who do not. The reason is that their trading decisions are based on objective market realities, rather than subjective emotions.

The way a person deals with emotions has a great influence on whether or not they are a winning trader.

Some of the most important are for example fear and greed. The response to these emotions can make us make decisions automatically and simplify the reasoning processes that we should carry out.

### **FEAR**

Fear is one of the strongest emotions when we trade. Part of the idea that fear is a natural reaction to what we perceive as a threat, and in this case we are talking about losing money or not getting a potential profit.

Fear in trading manifests itself in various ways and is the cause of many mistakes we make.

For example, the fear of losing can cause us to delay the sale of a losing trade, which will often lead to greater losses.

## **AVARICE**

Greed leads to numerous impulsive decisions that must be avoided.

Traders who are influenced by this emotion often do not adhere to sound principles of risk control and financial management.

It also leads us to a "gambling" mentality, in which we operate without set rules, making impulsive decisions and looking for big quick wins.

## **HOPE**

Hope is often closely related to fear and greed. When we have a losing trade and feel hopeful, we tend to delay the loss; We give you more space to see if our position recovers which can lead to additional losses.

## **OPTIMISM**

Being optimistic in general is a positive trait. The problem comes when optimism is much higher than usual, due to a series of winning trades. We have an excess of self-confidence that can lead us to take more operations than we should and use excessive risk.

## **FRUSTRATION**

Frustration is an emotion caused by making various mistakes by the aforementioned emotions. When we don't cut losses on a trade, break the rules, risk too much, and end up losing more money than we should, we start to get frustrated.

Frustration reinforces all the negative behaviors the trader is struggling with and intensifies the problems.

## **IMPROVE YOUR DECISION MAKING**

Ideally, we should operate like a computer based on facts and data, not emotions. Mastering psychological factors takes time, since it requires working on this facet in a specific way. Therefore, I leave you a series of tips that can be useful so that the influence of your emotions is less while you improve your mentality.

Operates under an adequate state of mind

If you are constantly opening trades in a hurry while dealing with the daily tasks of life, you are likely to approach trading from a nervous and rushed state of mind.

Try to prepare each trading session (be it daily, weekly, etc.) in advance and when you go to trade, do it in a state as slow and clear as possible.

If you do not succeed, one of the possible causes is that the type of trading you practice does not match well with your lifestyle.

It is not possible to remove emotions from the equation, but this can help you reduce potential harm when you observe yourself making hasty decisions.



## **IMPROVE YOUR TRADING KNOWLEDGE**

Having a solid base of knowledge about trading will indirectly improve psychology.

There are always new things to learn, be it about technical analysis, performance of indicators, technical analysis, study of new markets, risk management ...

On the one hand it will lead you to make better decisions when trading, which is already a positive factor in itself. But also, knowing in depth how trading works, can make it easier for you to carry out losing trades or losing streaks that are more extended over time.

## **MAKE A TRADING PLAN**

One of the ways to strengthen your mindset is to make a trading plan and stick to it.

A trading plan is like a roadmap in which you specify your operations in advance. In it, we determine the entry, exit, position size and many other things.

Taking time to do it already implies that we are more likely to adjust to it. But it also prepares you in advance for the different situations that may arise.

The other important part about carrying out a trading plan is to respect it and evaluate at the close of each operation whether we have complied with it or not.

## **BE AWARE OF YOUR EMOTIONS**

A first step in mastering emotions is being aware of their presence.

When we are operating and emotions such as fear or greed appear, they give clues from the beginning that can be recognized.

At first it can be complicated so we have to be attentive to our thoughts and analyze them. Basically on the one hand we need to know what types of emotions occur in trading and then see if we can be under their influence.

For example, if we have an open trade and the price turns around towards our stop loss, we have to be vigilant against very insistent thoughts like "to see if we are lucky and the price turns in our favor" or "I am going to extend the stop loss to see if the price has time to react. " This leads us to the conclusion that we are beginning to be dominated by a certain fear of losing the operation and hope that the market will do what we want.

The idea is to start being aware of them in order to be able to correct them in the future.

## **OPERATE SMALL**

If at a certain moment you observe that you may be influenced by emotions and this is leading you to operate impulsively, get out of the trading plan, take more risk than necessary, etc. I propose two alternatives:

The first is to stop operating for a while. How long to do it depends on the situation and on each person. It is simply about putting in time to calm your mind and regain control. The second option is to continue operating but do so using sizes smaller than those we usually use. Opening operations at 25% or 50% of our usual size will minimize the mistakes you may be making while practicing mentally to detect and improve emotional control.

## **CONCLUSION**

Taking time to work on the psychological aspect can improve your career as a trader. Or if you're new, lay the foundations to get off to a good start.

A part of trading is mental and it is important that you pay attention mainly to emotions to identify them and prevent them from bringing out the worst in you.

Following some of the tips above can help you move forward while mastering your emotions.

## **BEST TRADING QUOTES**

- Quote 1:

"Successful investing takes time, discipline and patience."

- Quote 2:

"Invest in yourself as much as you can; you are your own biggest asset by far."

- Quote 3:

"I'll tell you how to become rich: close all doors, beware when others are greedy and be greedy when others are afraid."

- Quote 4:

"When it's raining gold, reach for a bucket, not a thimble."

- Quote 5:

It's much better to buy a wonderful company at a fair price than a suitable company at a wonderful price.

- Quote 6:

"Hope is bogus emotion that only costs you money."

- Quote 7

“You need to know very well when to move away, or give up the loss, and not allow the anxiety to trick you into trying again.”

- Quote 8:

“The market is a device for transferring money from the impatient to the patient.”

- Quote 9:

“Trade What’s Happening... Not What You Think Is Gonna Happen.”

- Quote 10

“The game of speculation is the most uniformly fascinating game in the world. But it is not a game for the stupid, the mentally lazy, the person of inferior emotional balance, or the get-rich-quick adventurer. They will die poor.”

- Quote 11:

“We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful.”

- Quote 12:

“The core problem, however, is the need to fit markets into a style of trading rather than finding ways to trade that fit with market behavior.”

- Quote 13:

“Stock price movements actually begin to reflect new developments before it is generally recognized that they have taken place.”

- Quote 14:

“The only true test of whether a stock is “cheap” or “high” is not its current price in relation to some former price, no matter how accustomed we may have become to that former price, but whether the company’s fundamentals are significantly more or less favorable than the current financial-community appraisal of that stock.”

## TRADING QUOTES FOR SUCCESS

- Quote 1:

“All the math you need in the stock market you get in the fourth grade.”

- Quote 2:

“Amateurs think about how much money they can make. Professionals think about how much money they could lose.”

- Quote 3:

“The key to trading success is emotional discipline. If intelligence were the key, there would be a lot more people making money trading... I know this will sound like a cliché, but the single most important reason that people lose money in the financial markets is that they don't cut their losses short.”

- Quote 4:

“The elements of good trading are (1) cutting losses, (2) cutting losses, and (3) cutting losses. If you can follow these three rules, you may have a chance.”

- Quote 5:

“I have been trading for decades and I am still standing. I have seen a lot of traders come and go. They have a system or a program that works in some specific environments and fails in others. In contrast, my strategy is dynamic and ever-evolving. I constantly learn and change.”

### FUNNY TRADING QUOTES

- Quote 1:

“The trend is your friend – until it stabs you in the back with a chopstick.”

- Quote 2:

“Bull markets are born on pessimism, grow on skepticism, mature on optimism and die of euphoria.”

- Quote 3:

“Rising tide lifts all boats over the wall of worry and exposes bears swimming naked.”

- Quote 4:

“One of the funny things about the stock market is that every time one person buys, another sells, and both think they are astute.”

- Quote 5:

“Money, if it does not bring you happiness, will at least help you be miserable in comfort.”

The investment strategies mentioned here may not be suitable for everyone. Each investor needs to review an investment strategy for his or her own particular situation before making any investment decision. 3 STOCKS A DAY does not recommend the use of this guide as a sole means of investment research.  
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