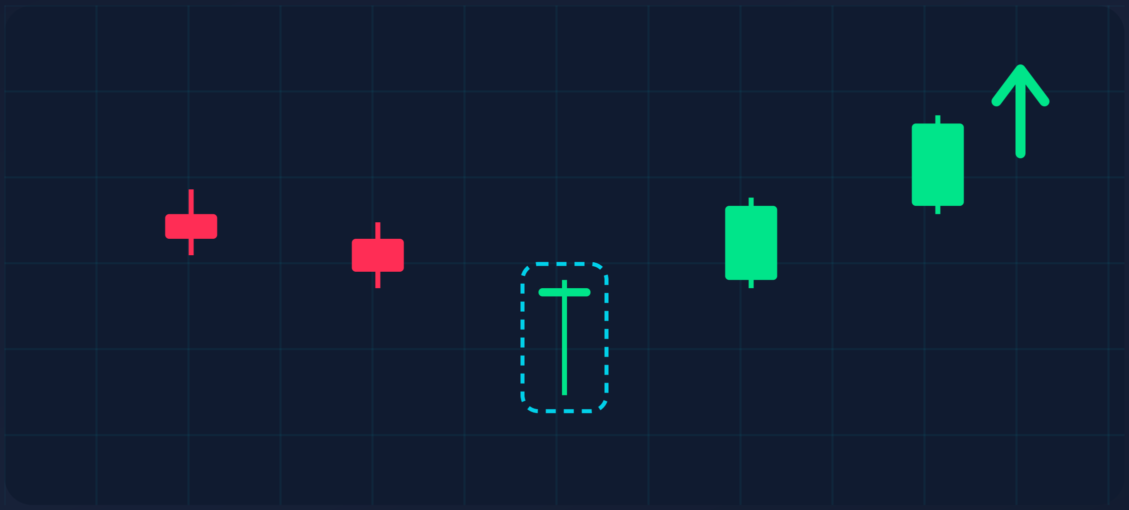
◆ PALDOMZ SYSTEMS

THE CHART SIGNAL BIBLE

Every candlestick pattern, chart pattern and indicator that tells you when to **buy** — and when to **sell**.



36 SIGNALS · 6 INDICATORS · 10 PRO RULES

◆ BEFORE YOU READ — IMPORTANT DISCLAIMER

This book is for **educational purposes only**. Nothing in these pages is financial, investment, legal, or tax advice, and nothing here is a recommendation to buy or sell any security, currency, commodity, or digital asset.

There is no guarantee of earnings or profit. No representation is made that you will achieve results similar to any example shown. Chart patterns and indicators describe probabilities observed in past market behavior; past performance does not predict future results. Any trade you take can result in losses, including the loss of your entire investment.

Trading financial markets carries a high level of risk and is not suitable for everyone. Never trade with money you cannot afford to lose. Always do your own research and consider consulting a licensed financial advisor before making investment decisions.

By reading further, you accept full responsibility for your own trading decisions and outcomes.

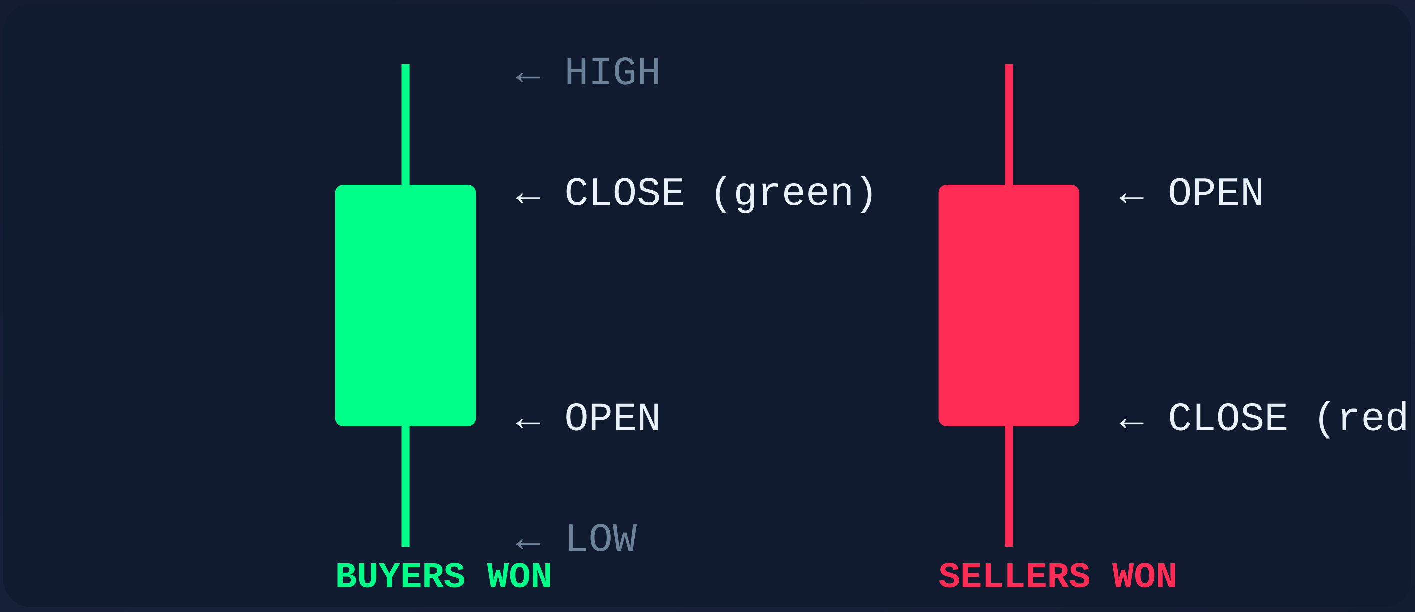
Contact: info@paldomzsystems.com · paldomzsystems.com

How to Read This Book

Every signal in this book is presented the same way: **what it looks like** (with a diagram), **the psychology** behind why it works, **how to trade it** — entry, stop loss, target — and a **pro tip** learned the expensive way.

Three principles govern everything that follows. **First: context beats pattern.** The same candle that means "buy" at support means nothing in the middle of a range. Where a signal appears matters more than the signal itself. **Second: confirmation beats speed.** Entering one candle later, after the market proves the signal, skips a large share of the failures. **Third: the stop loss is part of the pattern.** Every signal here defines the price at which it is wrong — that price is your stop, and it never moves further away.

Before the patterns, learn to read a single candle. Every candle tells you four prices and one story: who won the session.



The **body** (thick part) spans open to close — the session's verdict. The **wicks** (thin lines) mark the highs and lows that didn't hold — the battles fought and lost. Long wicks mean rejection; big bodies mean conviction. Every pattern in this book is built from these two ingredients.

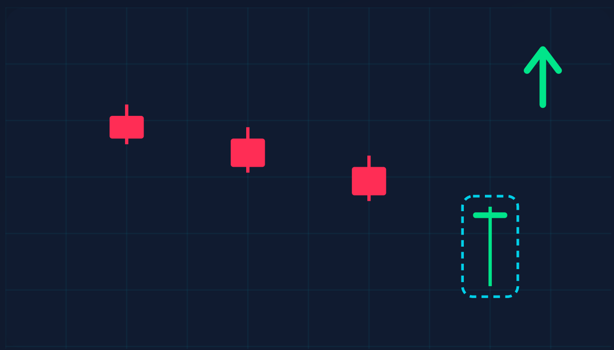
01

Single-Candle Signals

One candle is one session's verdict. These eight candles — hammers, stars, dojis and marubozu — mark the exact moments one side of the market ran out of strength.

Hammer

▲ BUY SIGNAL



◆ WHAT IT LOOKS LIKE

A small body at the top of the candle with a long lower wick — at least twice the length of the body — appearing after a decline. Body color matters less than location; a green body is slightly stronger.

◆ THE PSYCHOLOGY

Sellers drove price sharply lower during the session, but buyers absorbed everything and pushed it back near the open. The long wick is the footprint of rejected lower prices — demand stepped in with force.

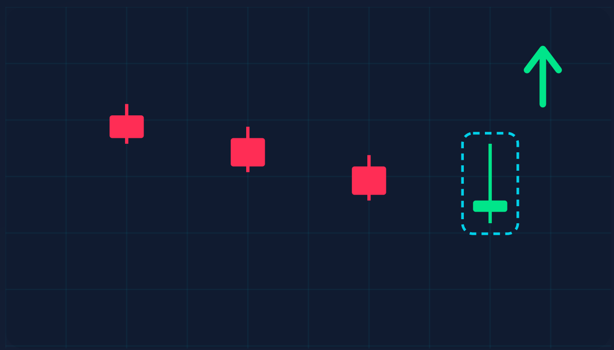
◆ HOW TO TRADE IT

Buy on the close of the hammer or on a break above its high. Stop loss goes below the wick low. If price closes back below the hammer's body, the signal is invalid.

PRO TIP — The bigger the volume on the hammer, the more real the rejection. A hammer into a support zone is twice the signal it is in open space.

Inverted Hammer

▲ BUY SIGNAL



◆ WHAT IT LOOKS LIKE

A small body at the bottom with a long upper wick after a downtrend. It looks bearish at first glance — that's why most beginners misread it.

◆ THE PSYCHOLOGY

Buyers attempted a rally mid-session. It failed, but the attempt itself signals that sellers are losing their grip. Confirmation is required: the next candle must close green.

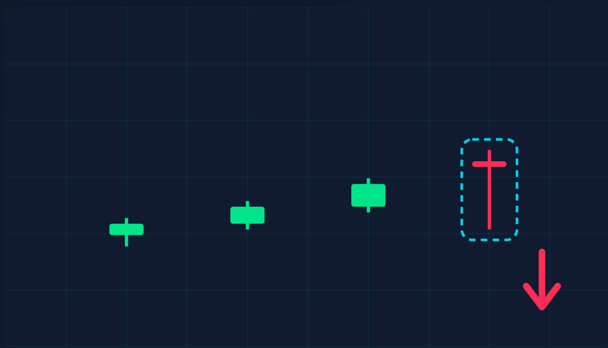
◆ HOW TO TRADE IT

Do not enter on the inverted hammer itself. Wait for the next candle to close above the inverted hammer's body, then buy with a stop below the pattern's low.

PRO TIP — Skipping the confirmation candle is the #1 way traders lose money on this pattern. The confirmation IS the signal.

Hanging Man

▼ SELL SIGNAL



◆ WHAT IT LOOKS LIKE

Identical shape to the hammer — small body, long lower wick — but it appears after a rally, at or near highs. Same candle, opposite meaning: context is everything.

◆ THE PSYCHOLOGY

For the first time in the uptrend, sellers were able to drive price sharply lower intra-session. Buyers rescued the close, but the crack in demand is showing.

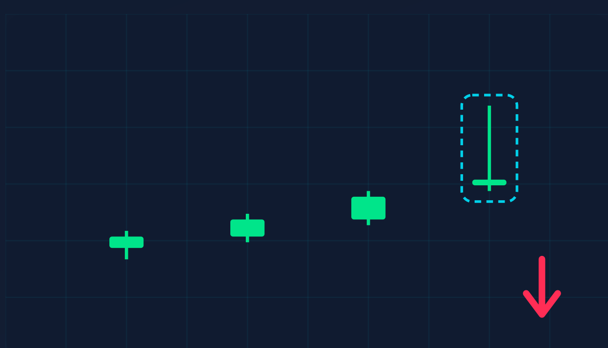
◆ HOW TO TRADE IT

Wait for the next candle to close below the hanging man's body, then sell/short with a stop above the pattern's high.

PRO TIP — A hanging man on declining volume followed by a red candle on rising volume is one of the cleanest exit signals for longs.

Shooting Star

▼ SELL SIGNAL



◆ WHAT IT LOOKS LIKE

A small body at the bottom of the candle with a long upper wick after an advance — the bearish mirror of the hammer.

◆ THE PSYCHOLOGY

Buyers pushed price to new highs and were violently rejected. Whoever bought that spike is now trapped above the market, and their exits become selling pressure.

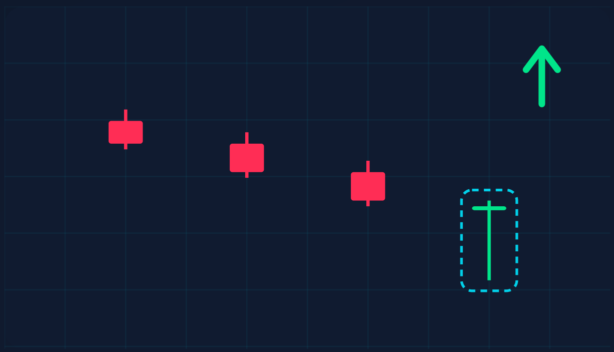
◆ HOW TO TRADE IT

Sell on a break below the shooting star's low. Stop above the wick high. The pattern fails if price closes above the wick.

PRO TIP — A shooting star that wicks into a known resistance level and closes red is a high-conviction signal — the market tested the ceiling and failed.

Dragonfly Doji

▲ BUY SIGNAL



◆ WHAT IT LOOKS LIKE

Open and close are virtually identical, at the very top of the range, with a long lower wick. The body is a flat line — pure indecision resolved downward, then reclaimed.

◆ THE PSYCHOLOGY

An entire session of selling was fully reversed by the close. Sellers spent their ammunition and gained nothing — the definition of exhaustion.

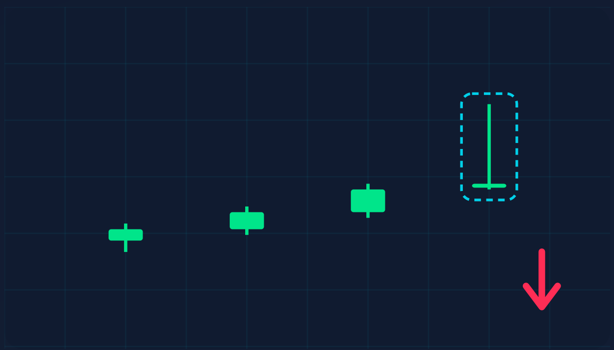
◆ HOW TO TRADE IT

Buy on a break of the doji's high with a stop under the wick. In strong downtrends, demand a green confirmation candle first.

PRO TIP — The dragonfly is rarer and stronger than a standard hammer because the close reclaimed 100% of the sell-off, not just most of it.

Gravestone Doji

▼ SELL SIGNAL



◆ WHAT IT LOOKS LIKE

Open and close are virtually identical at the very bottom of the range, with a long upper wick — the tombstone of a failed rally.

◆ THE PSYCHOLOGY

Buyers controlled the whole session until they didn't. Every gain was surrendered by the close. At the top of a trend, this is the sound of demand dying.

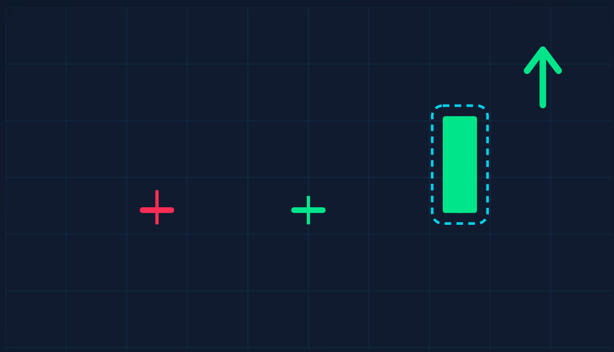
◆ HOW TO TRADE IT

Sell on a break of the doji's low, stop above the wick high.

PRO TIP — Gravestone at resistance + overbought RSI (above 70) is a classic top-picking combination — see the Indicators chapter.

Bullish Marubozu

▲ BUY SIGNAL



◆ WHAT IT LOOKS LIKE

A full-bodied green candle with no wicks (or nearly none) — it opened at the low and closed at the high.

◆ THE PSYCHOLOGY

Buyers were in total control from the first tick to the last. No hesitation, no profit-taking, no rejection. This is conviction made visible.

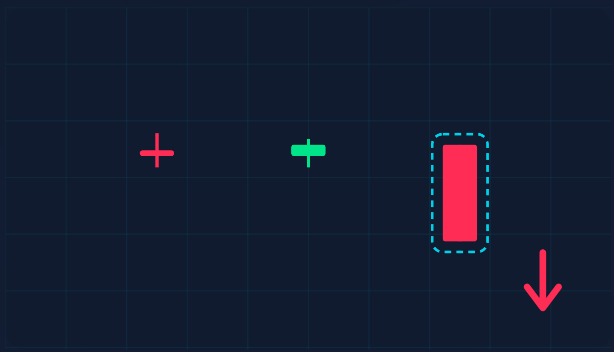
◆ HOW TO TRADE IT

A marubozu breaking out of a range or resistance level is an entry in itself; buy the close or the first small pullback. Stop below the marubozu's midpoint.

PRO TIP — Beware the marubozu that appears after a long extended run — the last burst of a trend often looks the strongest. Location decides whether it's fuel or finale.

Bearish Marubozu

▼ SELL SIGNAL



◆ WHAT IT LOOKS LIKE

A full-bodied red candle with no wicks — opened at the high, closed at the low.

◆ THE PSYCHOLOGY

Sellers dominated every minute of the session. When this breaks a support level, it means the floor didn't just crack — it vanished.

◆ HOW TO TRADE IT

Short the close or the first weak pullback. Stop above the marubozu's midpoint.

PRO TIP — A bearish marubozu that engulfs several prior candles' range on high volume frequently marks the start of a multi-leg decline, not the end.

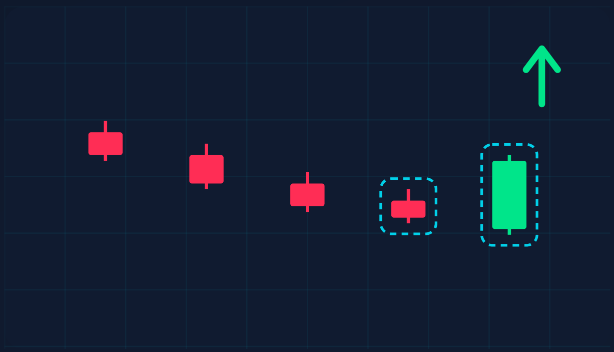
02

Two-Candle Signals

Two candles show a transfer of power: one side wins the first session, the other answers. Engulfing patterns, piercing lines and tweezers are conversations — learn to hear who spoke last.

Bullish Engulfing

▲ BUY SIGNAL



◆ WHAT IT LOOKS LIKE

A red candle followed by a green candle whose body completely swallows the previous body — opening lower and closing above the prior open.

◆ THE PSYCHOLOGY

Every seller from the previous candle is now underwater. The engulfing candle doesn't just reject lower prices, it reverses the entire prior session's conviction.

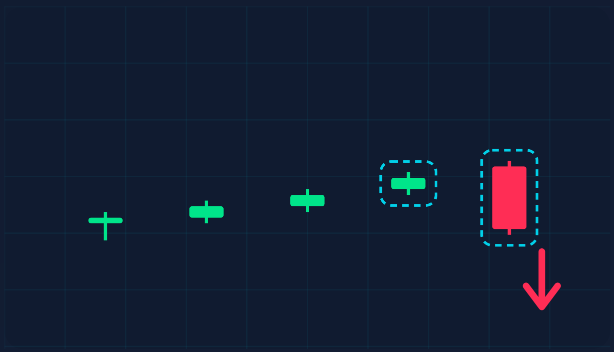
◆ HOW TO TRADE IT

Buy the close of the engulfing candle, stop below its low. More conservative: buy the retest of the engulfing candle's midpoint.

PRO TIP — The pattern is strongest when the engulfing candle also swallows two or three prior bodies, and when it appears at a support level or major moving average.

Bearish Engulfing

▼ SELL SIGNAL



◆ WHAT IT LOOKS LIKE

A green candle followed by a red candle whose body fully engulfs it — opening higher, closing below the prior open.

◆ THE PSYCHOLOGY

Late buyers chased the high and were immediately trapped. The engulfing close below the prior open converts yesterday's optimism into today's stop-loss cascade.

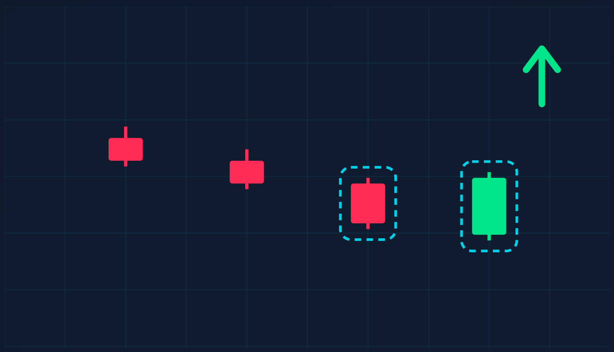
◆ HOW TO TRADE IT

Short the close, stop above the engulfing candle's high.

PRO TIP — Check where the engulfing happens: at fresh all-time highs it's a warning; at a tested resistance level it's an order.

Piercing Line

▲ BUY SIGNAL



◆ WHAT IT LOOKS LIKE

After a decline, a strong green candle opens below the prior red candle's low and closes above the midpoint of its body.

◆ THE PSYCHOLOGY

The gap down was the sellers' final act of aggression — and buyers answered by reclaiming more than half the losses in one session. The deeper the pierce, the stronger the reversal.

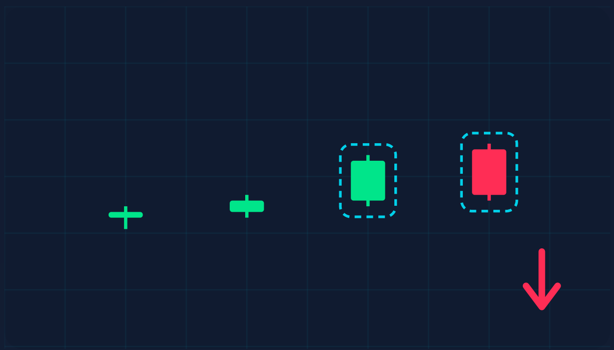
◆ HOW TO TRADE IT

Buy on the close or on the break of the green candle's high. Stop below the pattern low.

PRO TIP — A pierce past 50% of the body is required. Past 75% is nearly as strong as a full engulfing — treat it with the same respect.

Dark Cloud Cover

▼ SELL SIGNAL



◆ WHAT IT LOOKS LIKE

After an advance, a red candle opens above the prior green candle's high and closes below the midpoint of its body.

◆ THE PSYCHOLOGY

The gap up sucked in the last optimistic buyers, then sellers slammed the door. Everyone who bought the open is losing money by the close.

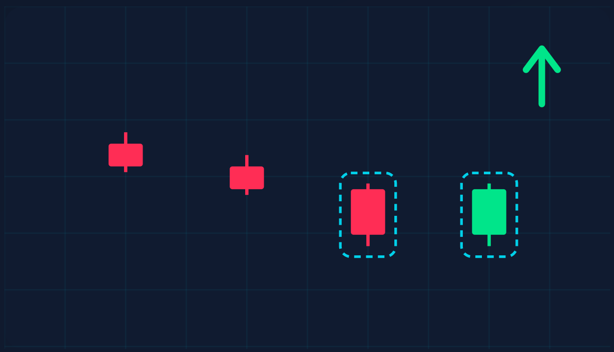
◆ HOW TO TRADE IT

Short the close or the break of the red candle's low. Stop above the pattern high.

PRO TIP — Volume expanding on the red candle confirms institutional selling, not just profit-taking.

Tweezer Bottom

▲ BUY SIGNAL



◆ WHAT IT LOOKS LIKE

Two (or more) adjacent candles with matching lows after a decline — first red, second green.

◆ THE PSYCHOLOGY

Price hit an exact level twice and was bought both times. Two touches at the same price is not luck; it's a level someone is defending with real orders.

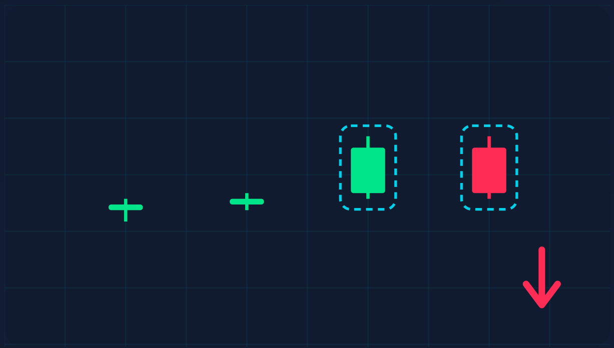
◆ HOW TO TRADE IT

Buy the close of the second candle or the break of its high. Stop just under the shared low — a clean, tight invalidation.

PRO TIP — The tighter the two lows match, the more precise your stop can be — tweezers offer some of the best risk/reward entries in candlestick trading.

Tweezer Top

▼ SELL SIGNAL



◆ WHAT IT LOOKS LIKE

Two adjacent candles with matching highs after an advance — first green, second red.

◆ THE PSYCHOLOGY

Buyers hit the same ceiling twice, and it held both times. Supply is stacked at that price, and the second rejection proves the first was no accident.

◆ HOW TO TRADE IT

Short the close of the second candle or the break of its low, stop above the shared high.

PRO TIP — Tweezer tops at round numbers ($50,000, $100) are unusually reliable — psychological levels concentrate real orders.

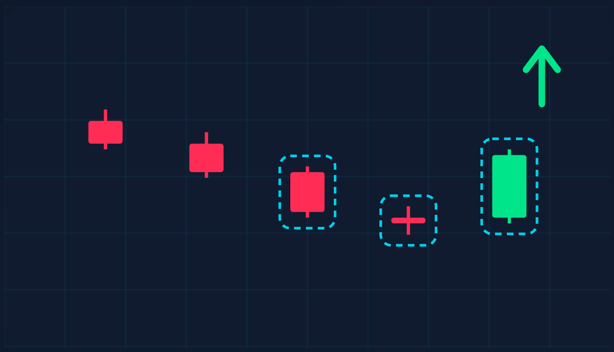
03

Three-Candle Signals

Three candles tell a complete story: momentum, hesitation, reversal. Stars and soldiers are among the most reliable structures in candlestick analysis — when they appear at the right location.

Morning Star

▲ BUY SIGNAL



◆ WHAT IT LOOKS LIKE

Three candles: a strong red, a small-bodied 'star' (of either color) that gaps or drifts lower, then a strong green closing well into the first candle's body.

◆ THE PSYCHOLOGY

Act one: sellers dominate. Act two: they stall — the small body is the market holding its breath. Act three: buyers seize control. It's a complete transfer of power told in three candles.

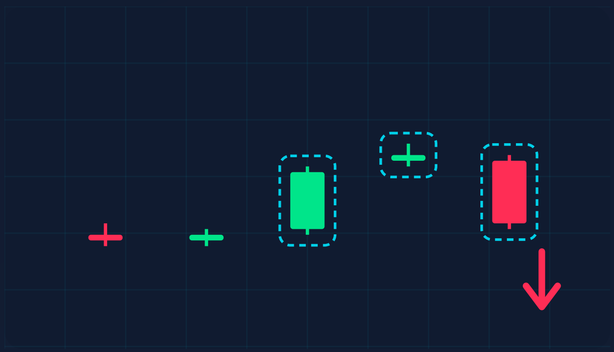
◆ HOW TO TRADE IT

Buy the close of the third candle, stop below the star's low.

PRO TIP — The star's tiny body is the heart of the pattern. If the middle candle is large, it's just a pullback — not a morning star.

Evening Star

▼ SELL SIGNAL



◆ WHAT IT LOOKS LIKE

The bearish mirror: strong green candle, small indecisive star at the highs, then a strong red closing deep into the first candle's body.

◆ THE PSYCHOLOGY

Momentum, hesitation, reversal. The star at the top is the exact moment demand ran out — the third candle just makes it official.

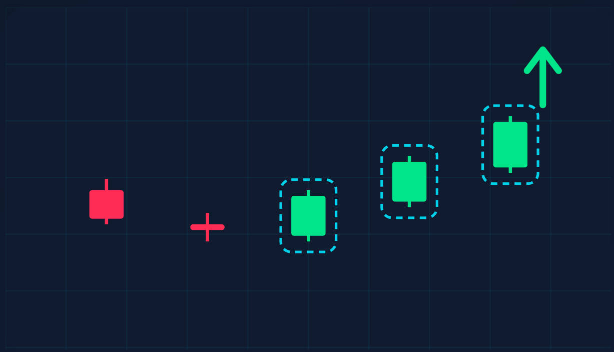
◆ HOW TO TRADE IT

Short the close of the third candle, stop above the star's high.

PRO TIP — An evening star where the third candle closes below the first candle's open is the textbook-perfect version — grade A setups deserve full position size.

Three White Soldiers

▲ BUY SIGNAL



◆ WHAT IT LOOKS LIKE

Three consecutive strong green candles, each opening within the prior body and closing near its high, after a downtrend or base.

◆ THE PSYCHOLOGY

This is not a spike — it's a procession. Three sessions of sustained, orderly buying with no meaningful rejection signals a genuine shift in ownership.

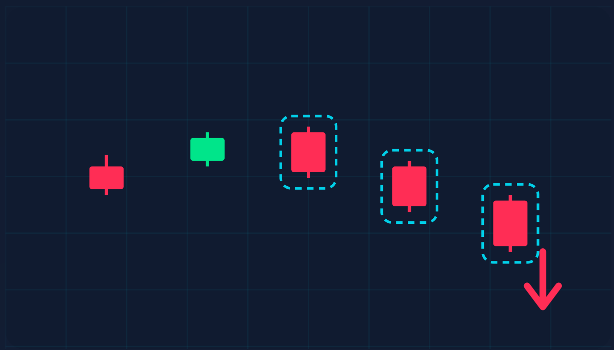
◆ HOW TO TRADE IT

Aggressive: buy the third close. Patient: buy the first pullback after the pattern, which usually comes and is usually shallow.

PRO TIP — Watch the wicks. Three soldiers with growing upper wicks means the advance is meeting supply — still bullish, but expect a pause.

Three Black Crows

▼ SELL SIGNAL



◆ WHAT IT LOOKS LIKE

Three consecutive strong red candles, each opening within the prior body and closing near its low, after an uptrend.

◆ THE PSYCHOLOGY

Distribution in plain sight. Each bounce attempt is sold within the same session. Whoever is exiting is exiting with size and patience.

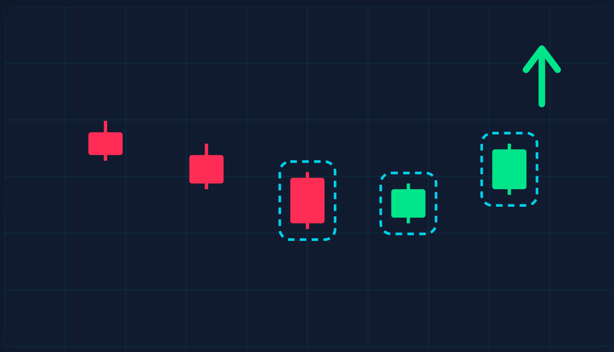
◆ HOW TO TRADE IT

Short the third close or any weak bounce. Stop above the first crow's open.

PRO TIP — Three crows breaking below a support shelf converts every recent buyer into a trapped seller — targets can be generous.

Three Inside Up

▲ BUY SIGNAL



◆ WHAT IT LOOKS LIKE

A large red candle, a green candle contained within its body (a harami), then a third green candle closing above the first candle's high... the confirmation built into the pattern.

◆ THE PSYCHOLOGY

The inside candle shows selling pressure stalling; the third candle proves buyers took over. It's a bullish harami with a built-in receipt.

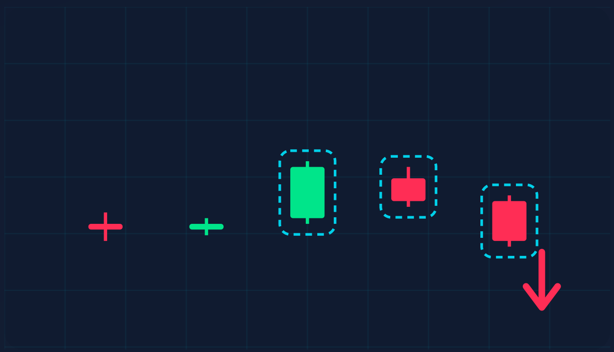
◆ HOW TO TRADE IT

Buy the third candle's close, stop below the inside candle's low.

PRO TIP — Because confirmation is part of the structure, this pattern has a higher hit rate than a naked harami — but you pay for it with a later entry. That trade-off is usually worth it.

Three Inside Down

▼ SELL SIGNAL



◆ WHAT IT LOOKS LIKE

A large green candle, a red candle contained within its body, then a third red closing below the first candle's low.

◆ THE PSYCHOLOGY

Buying pressure stalls inside the prior candle's range, then collapses. The third close below the big green candle's low tells every recent long the party is over.

◆ HOW TO TRADE IT

Short the third candle's close, stop above the inside candle's high.

PRO TIP — On higher timeframes (daily, weekly) this pattern often marks swing tops that hold for weeks — worth scanning for.

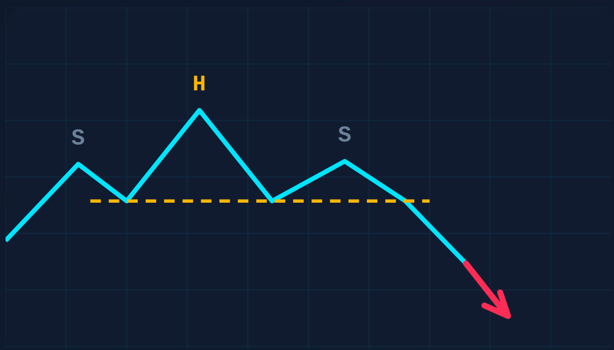
04

Reversal Chart Patterns

Trends don't end with an announcement — they end with structure. These six formations are how tops and bottoms actually look while they're being built.

Head & Shoulders

▼ SELL SIGNAL



◆ WHAT IT LOOKS LIKE

Three peaks: a high (left shoulder), a higher high (head), and a lower high (right shoulder), connected by a support line called the neckline. The most famous reversal pattern in trading — and still one of the most reliable.

◆ THE PSYCHOLOGY

The head is the trend's last great victory. The right shoulder is the failure to repeat it — buyers tried to make a new high and couldn't. When the neckline breaks, everyone who bought the right shoulder is trapped.

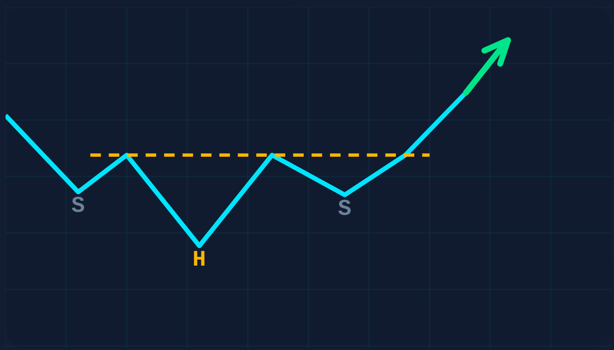
◆ HOW TO TRADE IT

Short the neckline break or the retest of the neckline from below. Stop above the right shoulder. Classic target: the height from head to neckline, projected down from the break.

PRO TIP — The retest entry (price breaks the neckline, bounces back to touch it, then falls) fails less often than chasing the initial break — patience pays twice here.

Inverse Head & Shoulders

▲ BUY SIGNAL



◆ WHAT IT LOOKS LIKE

The mirror image: a low, a lower low (head), and a higher low (right shoulder), capped by a neckline resistance.

◆ THE PSYCHOLOGY

Sellers made their deepest cut at the head — and the market absorbed it. The higher low at the right shoulder means sellers are now weaker than they were. The neckline break confirms the handover.

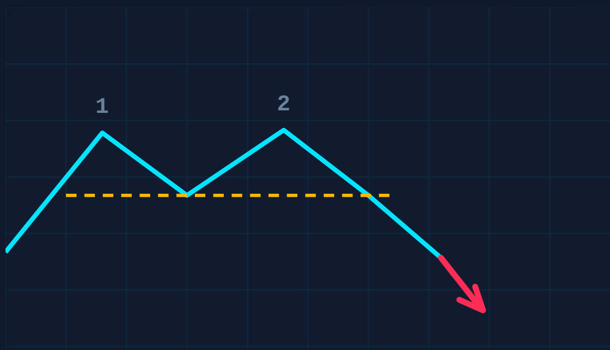
◆ HOW TO TRADE IT

Buy the neckline break or its retest from above. Stop below the right shoulder. Target: head-to-neckline height projected upward.

PRO TIP — Volume should be quiet on the head and expand on the neckline break. A silent break on thin volume deserves suspicion.

Double Top

▼ SELL SIGNAL



◆ **WHAT IT LOOKS LIKE**

Two peaks at almost the same price with a valley between them — an 'M' shape. Confirmed only when price breaks below the valley low.

◆ **THE PSYCHOLOGY**

The second test of the high is the market asking 'anyone still buying up here?' The answer was no. Two rejections at one price means real supply lives there.

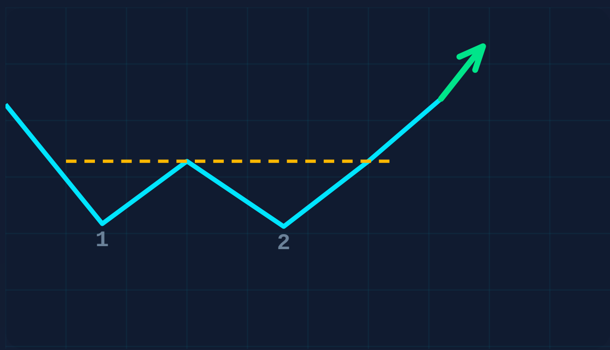
◆ **HOW TO TRADE IT**

Short the break of the valley low, stop above the second peak. Target: the height of the pattern projected down.

PRO TIP — A second peak that falls slightly SHORT of the first shows buyers weakening early — those variants break down faster.

Double Bottom

▲ BUY SIGNAL



◆ **WHAT IT LOOKS LIKE**

Two lows at almost the same price with a bounce between — a 'W' shape. Confirmed on the break above the middle high.

◆ **THE PSYCHOLOGY**

Sellers pressed the same level twice and were absorbed twice. The second low often runs slightly below the first — flushing out weak longs' stops — before reversing. That flush is fuel.

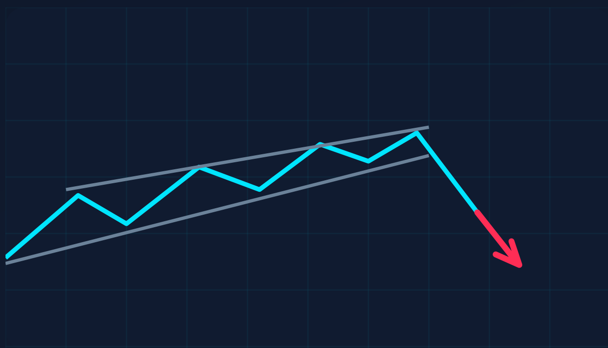
◆ **HOW TO TRADE IT**

Buy the break above the middle high, stop below the second low. Target: pattern height projected up.

PRO TIP — The 'W' where the second low wicks below the first then closes back above it is the strongest version — a stop-hunt that failed.

Rising Wedge

▼ SELL SIGNAL



◆ WHAT IT LOOKS LIKE

Price makes higher highs and higher lows, but the two trendlines converge — each push gains less ground than the last. Rises, but on borrowed time.

◆ THE PSYCHOLOGY

Enthusiasm without follow-through. Buyers keep winning smaller and smaller battles, momentum bleeding out with each leg. When the lower line breaks, the whole structure unwinds fast.

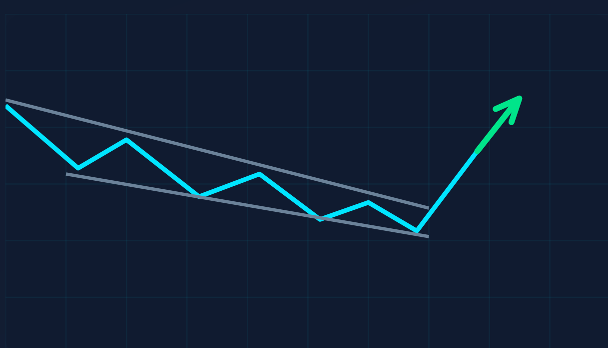
◆ HOW TO TRADE IT

Short the break of the lower trendline, stop above the last high inside the wedge. Wedge breaks tend to travel back to the pattern's origin.

PRO TIP — A rising wedge WITH declining volume is the honest version of this signal — price up, participation down, resolution down.

Falling Wedge

▲ BUY SIGNAL



◆ WHAT IT LOOKS LIKE

Lower highs and lower lows within converging trendlines — the decline keeps shrinking. The bullish twin of the rising wedge.

◆ THE PSYCHOLOGY

Sellers still control the direction but not the intensity. Each drop is shallower; each bounce takes less effort. Supply is running dry in real time.

◆ HOW TO TRADE IT

Buy the break of the upper trendline, stop below the last low inside the wedge.

PRO TIP — Falling wedges that form as a pullback within a larger UPTREND resolve upward with remarkable consistency — trend + pattern in agreement.

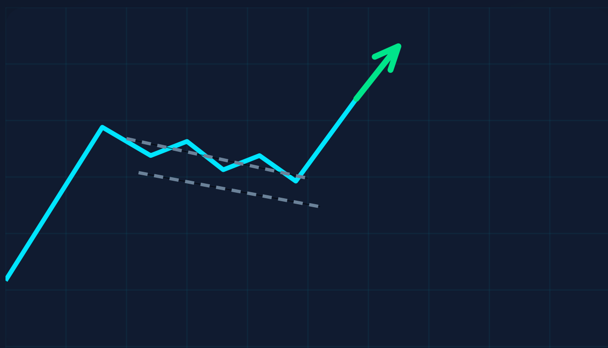
05

Continuation Patterns

The market breathes: impulse, rest, impulse. These patterns are the resting phases of healthy trends — and the highest-probability entries for traders who missed the first move.

Bull Flag

▲ BUY SIGNAL



◆ WHAT IT LOOKS LIKE

A sharp, near-vertical rally (the pole) followed by a gentle downward-drifting channel (the flag). One of the highest-probability continuation patterns.

◆ THE PSYCHOLOGY

The pole is aggressive buying; the flag is mere profit-taking — no aggressive selling, just a rest. The shallow angle of the flag says holders aren't leaving; they're waiting.

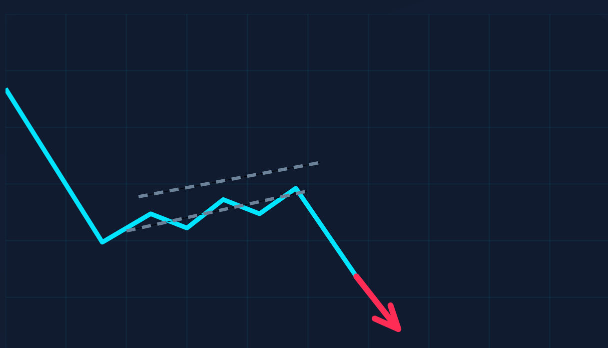
◆ HOW TO TRADE IT

Buy the break of the flag's upper line. Stop below the flag's low. Target: the pole's height projected from the breakout.

PRO TIP — The best flags retrace less than half the pole and last three to ten candles. A 'flag' that gives back most of the pole is not resting — it's reversing.

Bear Flag

▼ SELL SIGNAL



◆ WHAT IT LOOKS LIKE

A sharp decline (pole) followed by a weak upward-drifting channel — the market catching its breath before the next leg down.

◆ THE PSYCHOLOGY

The bounce is built from short-covering and bargain hunting, not conviction. Every tick higher hands better prices to sellers who missed the first drop.

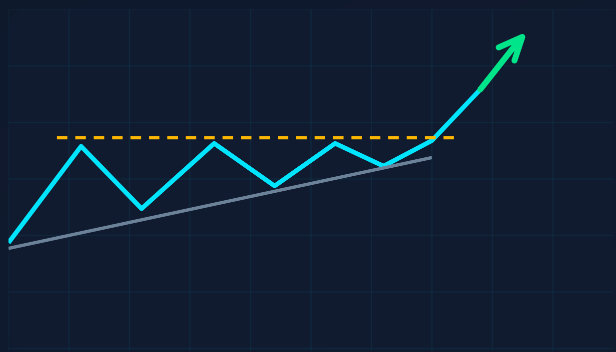
◆ HOW TO TRADE IT

Short the break of the flag's lower line, stop above the flag's high. Target: pole height projected downward.

PRO TIP — Bear flags in a downtrend below the 20 EMA resolve down so reliably that many professionals trade them on autopilot — see the Indicators chapter.

Ascending Triangle

▲ BUY SIGNAL



◆ WHAT IT LOOKS LIKE

A flat resistance ceiling tested repeatedly, with higher lows rising toward it — a spring compressing against a shelf.

◆ THE PSYCHOLOGY

Sellers defend one level; buyers pay progressively more between tests. Each touch of the ceiling absorbs more supply. When it's gone, there's nothing overhead.

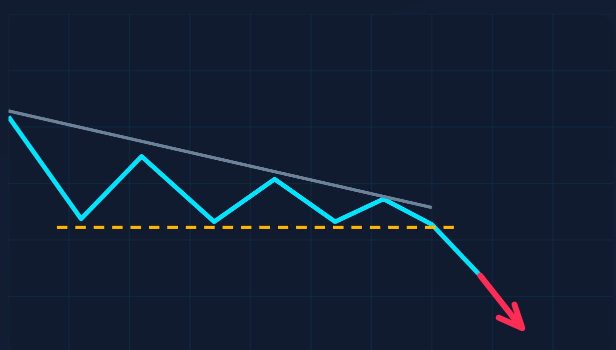
◆ HOW TO TRADE IT

Buy the breakout above the flat top, stop below the most recent higher low. Target: pattern height added to the breakout.

PRO TIP — Three or more touches of the ceiling before the break improves the odds — every touch consumed sell orders that no longer exist.

Descending Triangle

▼ SELL SIGNAL



◆ WHAT IT LOOKS LIKE

A flat support floor tested repeatedly, with lower highs pressing down on it.

◆ THE PSYCHOLOGY

Buyers defend one level with everything, but each bounce reaches less high. Someone is selling into every rally with patience. Floors tested this often eventually give.

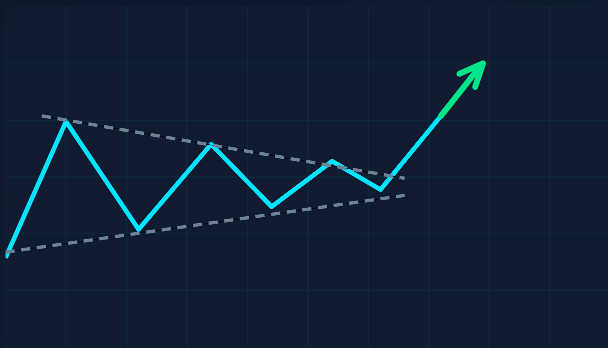
◆ HOW TO TRADE IT

Short the breakdown of the flat floor, stop above the most recent lower high. Target: pattern height projected down.

PRO TIP — The fakeout risk is real: wait for a candle CLOSE below the floor, not just a wick through it.

Symmetrical Triangle

◆ BUY/SELL SIGNAL



◆ WHAT IT LOOKS LIKE

Lower highs AND higher lows converging to a point — the market compressing into a decision. Direction is unknown until the break; the pattern promises energy, not direction.

◆ THE PSYCHOLOGY

Buyers and sellers both losing patience simultaneously. Volatility contracts, positions build on both sides, and whichever side breaks first triggers the other side's stops as fuel.

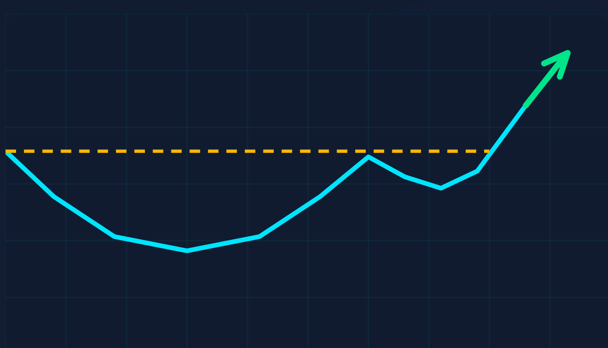
◆ HOW TO TRADE IT

Trade the breakout direction — whichever way it resolves — with a stop inside the triangle. Best breaks occur between half and three-quarters of the way to the apex.

PRO TIP — In a trend, symmetrical triangles break with the trend about two times out of three. The prevailing trend is your tiebreaker.

Cup & Handle

▲ BUY SIGNAL



◆ WHAT IT LOOKS LIKE

A long rounded base (the cup) recovering to prior highs, followed by a small downward drift (the handle) just below resistance, then a breakout.

◆ THE PSYCHOLOGY

The rounded bottom is slow, patient accumulation — no panic, no spike, just ownership changing hands over time. The handle shakes out the last impatient holders before the launch.

◆ HOW TO TRADE IT

Buy the break above the handle's high (or the cup rim), stop below the handle's low. Target: cup depth projected from the rim.

PRO TIP — Handles should be shallow (less than a third of the cup's depth) and short. A handle that keeps sinking is a failed cup, not a launchpad.

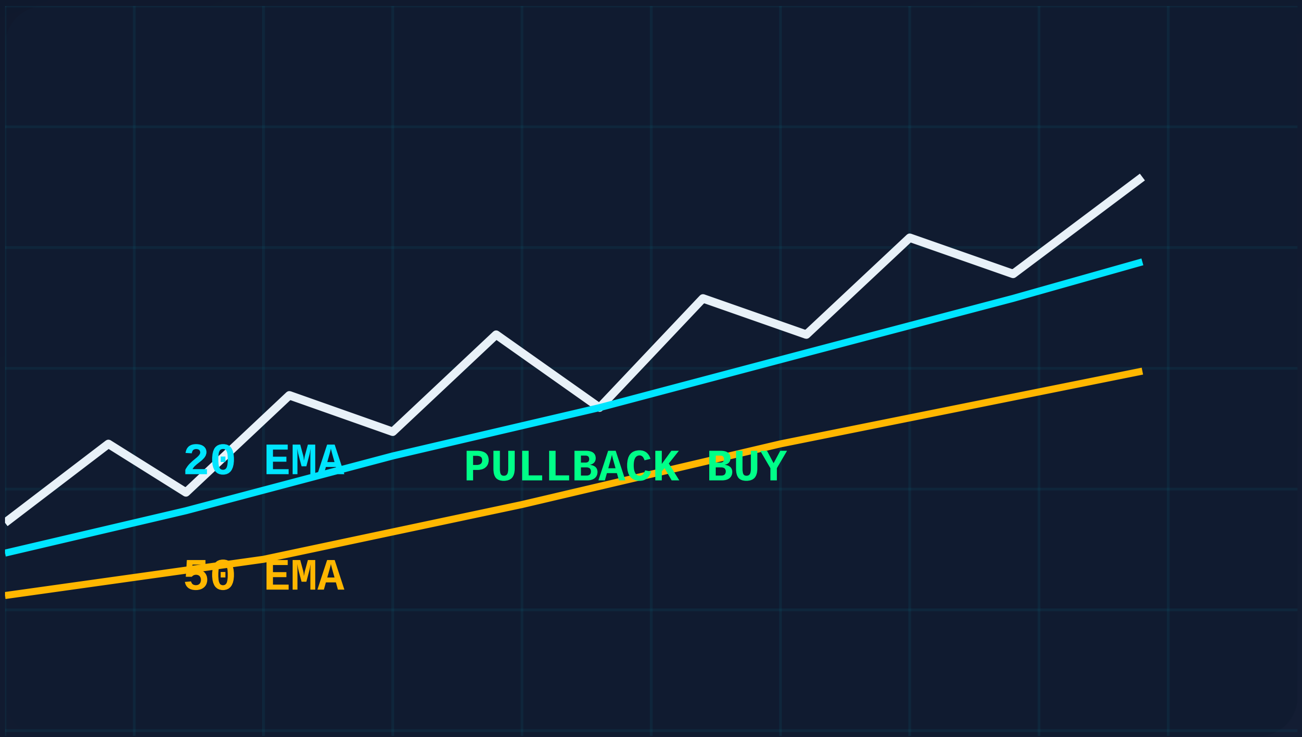
06

The Indicators That Matter

You don't need twenty indicators. You need six, understood deeply: trend, momentum, volatility, participation, and location. Everything else is decoration.

Moving Averages (EMA 20 / 50 / 200)

◆ BUY/SELL SIGNAL



◆ WHAT IT MEASURES

An exponential moving average smooths price into a single flowing line, weighting recent candles more heavily. The 20 EMA tracks the short-term trend, the 50 the intermediate, and the 200 the market's long-term backbone.

▲ THE BUY SIDE

Price above a rising 200 EMA means you only look for longs. The classic entry: price pulls back to a rising 20 or 50 EMA and prints a bullish candle signal there (hammer, engulfing). The 'golden cross' — 50 crossing above 200 — flags a new bull phase.

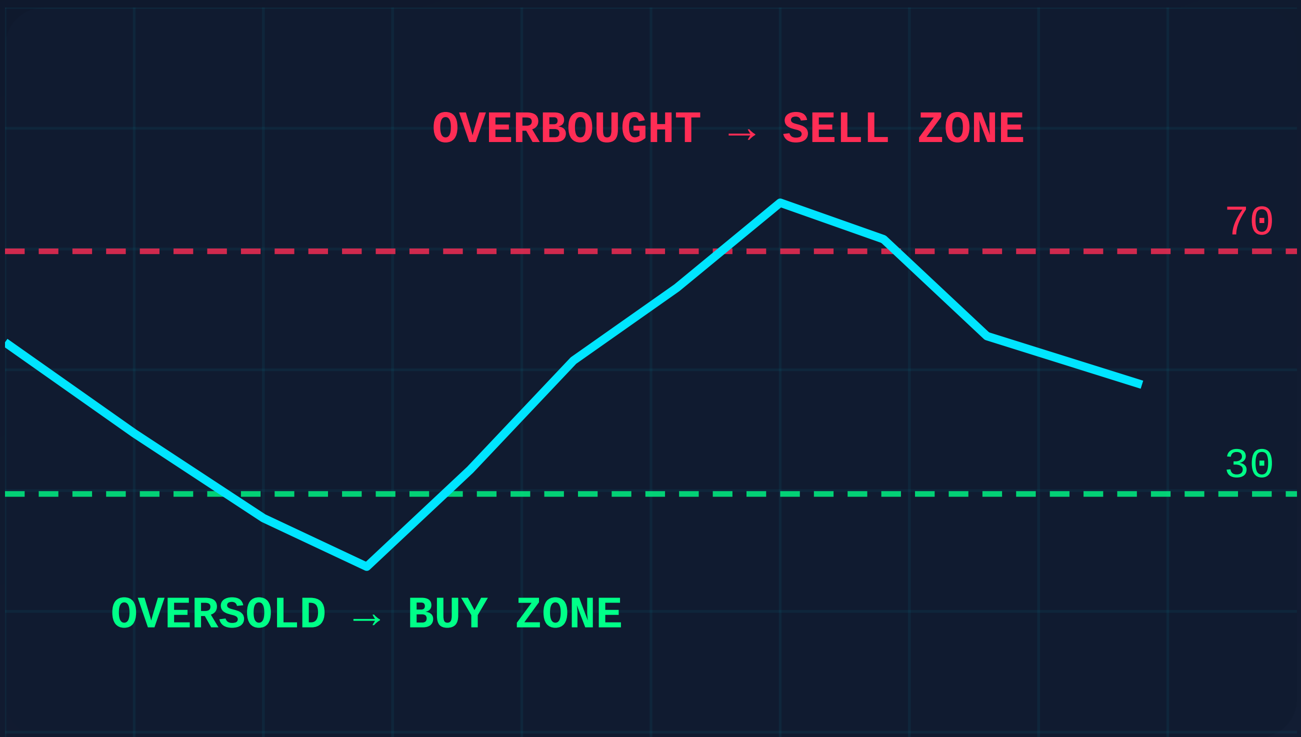
▼ THE SELL SIDE

Price below a falling 200 EMA means shorts only. Rallies INTO a declining 20/50 EMA that stall are entries. The 'death cross' — 50 under 200 — flags a bear phase.

PRO TIP — Moving averages are magnets and springboards in trends, but they whipsaw mercilessly in sideways ranges. If price is weaving through the EMA repeatedly, the signal is 'stand aside.'

RSI — Relative Strength Index

◆ BUY/SELL SIGNAL



◆ **WHAT IT MEASURES**

A momentum oscillator from 0 to 100 measuring how fast and far price has moved recently. Above 70 is conventionally 'overbought'; below 30 'oversold.'

▲ **THE BUY SIDE**

RSI below 30 in a range or uptrend flags exhaustion selling — look for a candlestick reversal signal to trigger the entry. Stronger still is bullish divergence: price makes a lower low while RSI makes a higher low, meaning momentum turned before price did.

▼ **THE SELL SIDE**

RSI above 70 plus a bearish candle signal at resistance. Bearish divergence — price higher high, RSI lower high — is one of the earliest warnings a rally is hollow.

PRO TIP — In a powerful trend RSI can sit overbought for weeks. Never short 'because RSI is high' alone — momentum kills counter-trend traders. Divergence + a candle signal + a level is the professional combination.

MACD — Moving Average Convergence Divergence

◆ BUY/SELL SIGNAL

◆ **WHAT IT MEASURES**

Two lines built from EMAs (the MACD line and its signal line) plus a histogram showing the gap between them. It reads the trend's acceleration, not just its direction.

▲ **THE BUY SIDE**

MACD line crossing above the signal line below the zero level flags a momentum turn from bearish to bullish. Histogram bars shrinking on the negative side ('fading red') often front-run the cross itself.

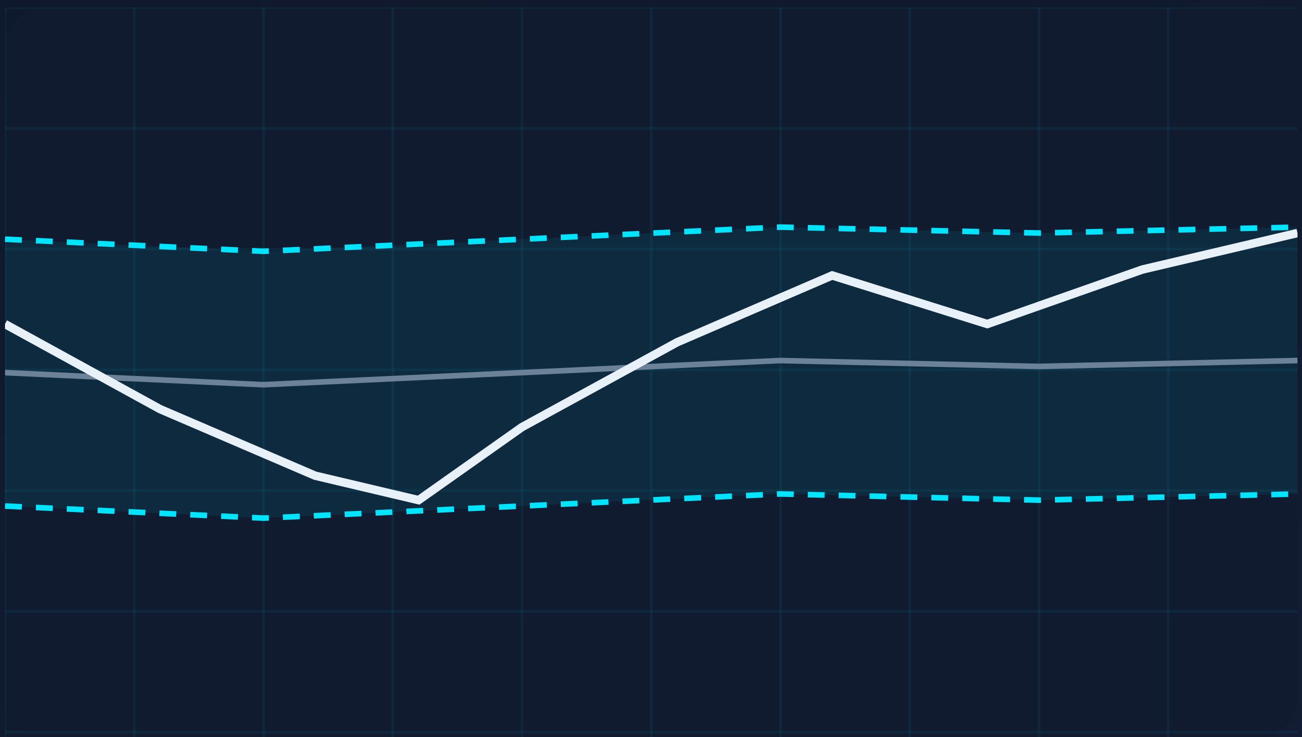
▼ **THE SELL SIDE**

MACD crossing below the signal line above zero. A histogram that peaks and shrinks while price still rises is momentum divergence — the engine is cutting out.

PRO TIP — MACD is a lagging confirmation tool, not a trigger. Use it to validate what candlesticks and structure already suggest — when they disagree, trust price.

Bollinger Bands

◆ BUY/SELL SIGNAL



◆ **WHAT IT MEASURES**

A moving average with an envelope two standard deviations above and below. The bands expand when volatility rises and squeeze when it compresses — a self-adjusting map of 'normal' price range.

▲ **THE BUY SIDE**

In ranges: price tagging the lower band plus a bullish candle signal is a mean-reversion long back toward the middle band. After a 'squeeze' (bands at their tightest in weeks), a close outside the upper band signals an expansion breakout — trend trade, not fade.

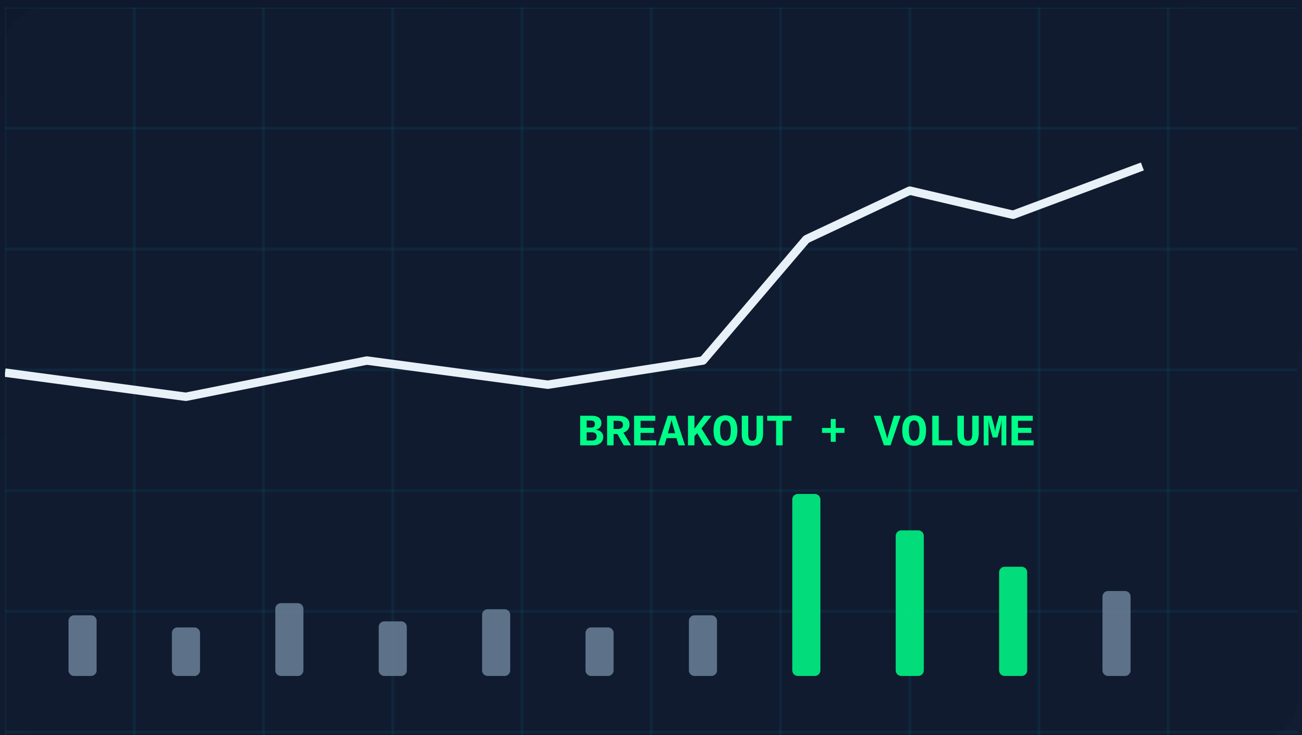
▼ **THE SELL SIDE**

Upper-band tag plus bearish candle in a range; or a squeeze breaking downward.

PRO TIP — The most costly mistake with bands: fading a squeeze breakout. When bands open after a tight squeeze, the FIRST move is usually genuine — join it, don't fight it.

Volume

◆ CONFIRM SIGNAL



◆ WHAT IT MEASURES

The number of shares/contracts/coins traded per candle — the only indicator measuring commitment rather than price itself. Every pattern in this book is graded by the volume that accompanies it.

▲ THE BUY SIDE

A breakout on expanding volume is funded by real participation. A reversal candle (hammer, engulfing) on a volume spike marks capitulation — the sellers' final surrender.

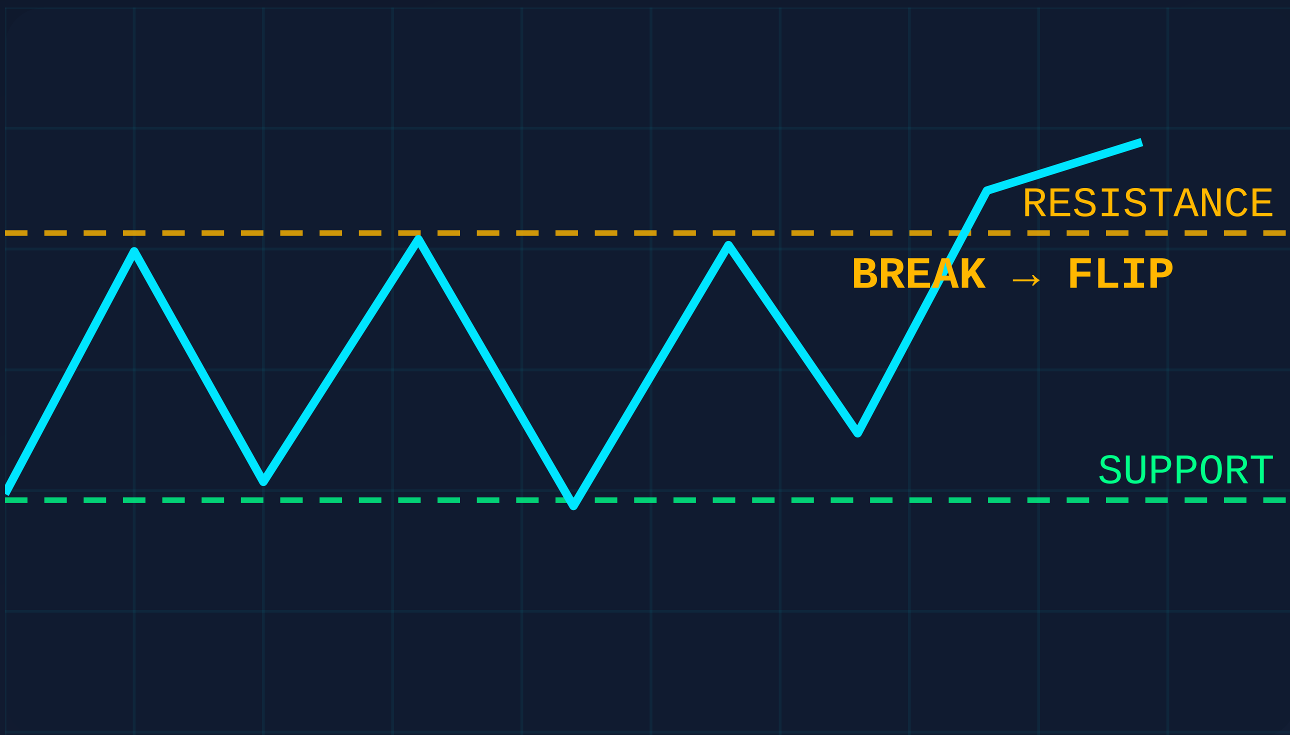
▼ THE SELL SIDE

Rallies on SHRINKING volume are hollow — price rising on fewer participants is a crowd thinning out. Breakouts on weak volume fail at multiples of the rate of funded ones.

PRO TIP — Price tells you what happened; volume tells you who meant it. When price and volume disagree, believe volume.

Support & Resistance Zones

◆ CONTEXT SIGNAL



◆ WHAT IT MEASURES

Horizontal price zones where the market repeatedly reversed. Not exact lines — zones a few ticks deep where clusters of unfilled orders live. Every signal in this book doubles in value at one of these zones.

▲ THE BUY SIDE

A bullish candlestick or chart pattern AT a tested support zone. After resistance breaks, it becomes support — the 'flip retest' entry is a professional staple.

▼ THE SELL SIDE

Bearish signals AT tested resistance. Broken support becomes resistance on the way back up.

PRO TIP — Mark zones on the higher timeframe (daily), trade them on the lower (1H/4H). The most obvious levels — prior highs/lows, round numbers — work precisely because everyone sees them.

07

Smart Money Concepts

Where the big players leave footprints. Order blocks, imbalances and structure breaks — the modern framework used by ChartVerdict's signal engine, explained in plain language.

Order Block

◆ BUY/SELL SIGNAL

◆ WHAT IT LOOKS LIKE

The last opposite-colored candle before a strong impulsive move — here, the final red candle before an explosive rally. That candle marks the zone where large players loaded their positions.

◆ THE PSYCHOLOGY

Institutions can't buy their full size at once without moving the market, so they leave unfilled orders behind. When price returns to the order block zone, those resting orders — and traders who watch for them — defend it.

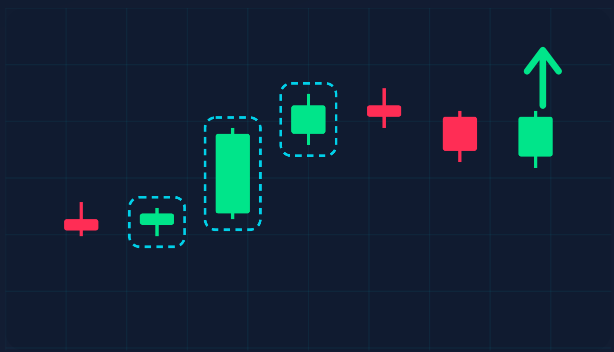
◆ HOW TO TRADE IT

Mark the order block's range (open to low for bullish OBs). When price trades back into the zone, look for a reaction candle (hammer, engulfing) and enter with a stop just beyond the block.

PRO TIP — Fresh order blocks — ones price hasn't returned to yet — react far better than ones tested repeatedly. Each retest consumes the resting orders.

Fair Value Gap (FVG)

◆ BUY/SELL SIGNAL



◆ WHAT IT LOOKS LIKE

A three-candle imbalance: the middle candle is so explosive that candle 1's high and candle 3's low never overlap, leaving a price 'gap' the market skipped over without trading.

◆ THE PSYCHOLOGY

Markets dislike untraded territory — those skipped prices represent unfinished business between buyers and sellers. Price frequently returns to 'fill' part of the gap before continuing the original move.

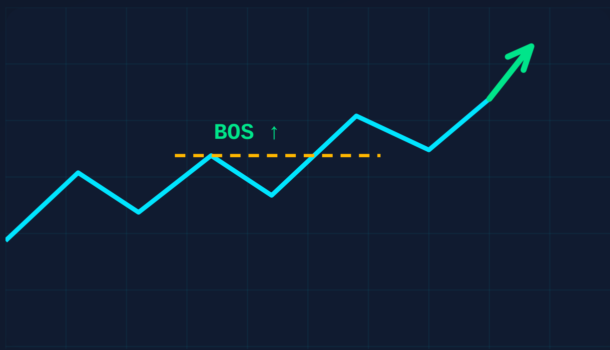
◆ HOW TO TRADE IT

Mark the gap between candle 1's high and candle 3's low. In an uptrend, a pullback into the FVG is a high-quality entry zone — enter on reaction, stop beyond the far edge of the gap.

PRO TIP — FVGs that align with an order block or support zone are among the highest-probability entries in this book — imbalance plus institutional footprint plus level.

Break of Structure (BOS)

◆ BUY/SELL SIGNAL



◆ WHAT IT LOOKS LIKE

Price breaks beyond the previous swing high (in an uptrend) or swing low (in a downtrend) — confirming the trend is intact and extending.

◆ THE PSYCHOLOGY

Every swing high in an uptrend is a test: are buyers still willing to pay more than before? A clean break and close above it answers yes. Trend-followers add, shorts cover, and the structure ratchets forward.

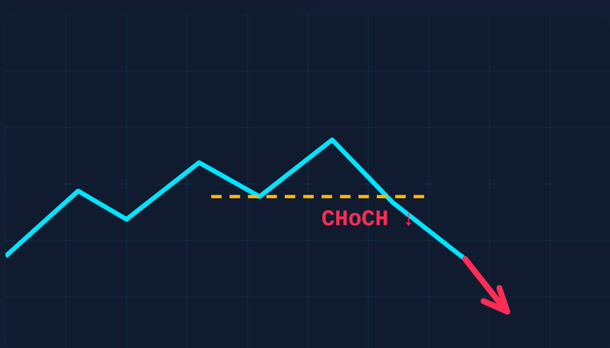
◆ HOW TO TRADE IT

A BOS is confirmation, not an entry by itself. The professional play: wait for the pullback after the break (often into the FVG or order block the break created) and join the trend there.

PRO TIP — Grade the break by its close, not its wick. A wick through the level that closes back below is a failed break — and failed breaks often run hard the other way.

Change of Character (CHoCH)

◆ BUY/SELL SIGNAL



◆ WHAT IT LOOKS LIKE

The FIRST break of structure against the prevailing trend — in an uptrend, price failing to make a new high and then breaking below the last higher low.

◆ THE PSYCHOLOGY

Trends die in a specific sequence: momentum fades, a swing fails, and then the structure that defined the trend breaks. The CHoCH is that third domino — the earliest structural evidence that character has changed from bullish to bearish (or vice versa).

◆ HOW TO TRADE IT

Treat a CHoCH as a warning to exit trend positions and a license to look for reversal setups — not an automatic entry. Wait for the first pullback after the CHoCH and trade the new direction with a stop beyond the failed swing.

PRO TIP — CHoCH + a reversal candlestick at a key level + RSI divergence is the complete top/bottom-catching stack — three independent signals agreeing that the trend is done.

08

The Ten Professional Rules

Patterns get you into trades. These rules keep you alive long enough for the patterns to pay. This is the operating system that separates traders from gamblers.

Trade with the trend, or not at all

Determine the trend on one timeframe above the one you trade: price above a rising 200 EMA is an uptrend — you buy dips and ignore short signals. Below a falling 200, the reverse. Counter-trend trades are where good pattern-spotters go broke; a bullish hammer inside a bear market is a discount for sellers, not a bottom.

The first pullback is the best entry

When a breakout or sharp move creates a new trend leg, do not chase the vertical move. Wait for the first orderly pullback — usually to the 20 EMA or the breakout level — and enter as price resumes. First pullbacks have defined risk, obvious invalidation, and the fuel of everyone who missed the initial move.

No confirmation, no trade

A signal candle tells you pressure changed; the NEXT candle tells you whether it stuck. Entering one candle late costs a little profit and avoids a large fraction of failed patterns. On every setup in this book, the version with a confirming close outperforms the version without it.

Decide the exit before the entry

Before clicking buy, know three numbers: entry, stop, first target. Your risk (entry minus stop) is 1R — the unit everything else is measured in. If the first target isn't at least 1R away, the trade doesn't exist. Deciding exits after entry means deciding them emotionally.

Scale out in tiers — and go risk-free at the first target

Take a fixed portion (say 40%) at the first target, then immediately move the stop to breakeven. The rest rides toward higher targets at zero risk. This single mechanic converts 'target hit, then reversed to stop me out' from a loss into a win — over hundreds of trades, it is the edge.

The stop never widens

Set the stop before entry at the price that proves the idea wrong. It may move closer (protecting profit) but never further away. Widening a stop converts a planned 1R loss into an unplanned catastrophe — it is the single most account-destroying habit in trading.

Size the position from the stop, not from confidence

Risk a fixed fraction of the account per trade (professionals use 0.5-2%). Position size = account risk ÷ stop distance. A wide stop means a small position, automatically. Sizing by feel is how one 'sure thing' erases twenty good trades.

Trade the active hours, skip the chop

Markets move with intention in the first hours of a session and near the close; the middle is often directionless noise where patterns fail at random. If your session's opening range is done and nothing set up — that's information. Flat is a position.

Read the bar sizes

Wide-range candles show initiative — someone with size acting with urgency; trends are born there. Clusters of narrow candles show balance — the coiled spring before a move (the squeeze, the flag, the apex). Learn to see urgency and hesitation directly in the bars and you need fewer indicators.

The journal is the real edge

Log every trade: the setup, the signal, entry, stop, exits, and one honest sentence about your state of mind. Review weekly. Patterns in YOUR behavior — the revenge trades, the skipped confirmations, the widened stops — are worth more than any pattern in any chart. The market tuition is only wasted if you don't keep the receipts.

Confluence: Stacking the Odds

No single signal is an edge. An edge is what happens when independent signals agree. Before any trade, run this six-point checklist — **four or more checks is a trade; three or fewer is a pass.** The discipline to skip the weak setups is what funds the strong ones.

✓ **Trend agreement**
Is the higher timeframe pointing the same direction as your signal? (Price vs 200 EMA)

✓ **Location**
Is the signal AT a meaningful level — support/resistance zone, EMA, breakout retest? A pattern in the middle of nowhere is noise.

✓ **The signal itself**
A clean candlestick or chart pattern from this book, textbook shape, right context.

✓ **Confirmation**
Did the next candle close in the signal's direction?

✓ **Volume**
Is participation expanding with your direction and shrinking against it?

✓ **Risk math**
Is the first target at least 1R from entry? Is the stop at a price that genuinely invalidates the idea?

Score honestly. The checklist only protects you if you can't argue with it — which is also why writing it down beats keeping it in your head.

Cheat Sheet — Candlestick Signals

PATTERN	TYPE	SIGNAL
Hammer	Single candle	BUY
Inverted Hammer	Single candle	BUY
Hanging Man	Single candle	SELL
Shooting Star	Single candle	SELL
Dragonfly Doji	Single candle	BUY
Gravestone Doji	Single candle	SELL
Bullish Marubozu	Single candle	BUY
Bearish Marubozu	Single candle	SELL
Bullish Engulfing	Two candles	BUY
Bearish Engulfing	Two candles	SELL
Piercing Line	Two candles	BUY
Dark Cloud Cover	Two candles	SELL
Tweezer Bottom	Two candles	BUY
Tweezer Top	Two candles	SELL
Morning Star	Three candles	BUY
Evening Star	Three candles	SELL
Three White Soldiers	Three candles	BUY
Three Black Crows	Three candles	SELL
Three Inside Up	Three candles	BUY
Three Inside Down	Three candles	SELL

Cheat Sheet — Chart Patterns & Indicators

PATTERN	TYPE	SIGNAL
Head & Shoulders	Reversal	SELL
Inverse Head & Shoulders	Reversal	BUY
Double Top	Reversal	SELL
Double Bottom	Reversal	BUY
Rising Wedge	Reversal	SELL
Falling Wedge	Reversal	BUY
Bull Flag	Continuation	BUY
Bear Flag	Continuation	SELL
Ascending Triangle	Continuation	BUY
Descending Triangle	Continuation	SELL
Symmetrical Triangle	Continuation	BUY/SELL
Cup & Handle	Continuation	BUY
Order Block	Smart Money	BUY/SELL
Fair Value Gap (FVG)	Smart Money	BUY/SELL
Break of Structure (BOS)	Smart Money	BUY/SELL
Change of Character (CHoCH)	Smart Money	BUY/SELL
Moving Averages (EMA 20 / 50 / 200)	Indicator	BUY/SELL
RSI — Relative Strength Index	Indicator	BUY/SELL
MACD — Moving Average Convergence Divergence	Indicator	BUY/SELL
Bollinger Bands	Indicator	BUY/SELL
Volume	Indicator	CONFIRM
Support & Resistance Zones	Indicator	CONTEXT