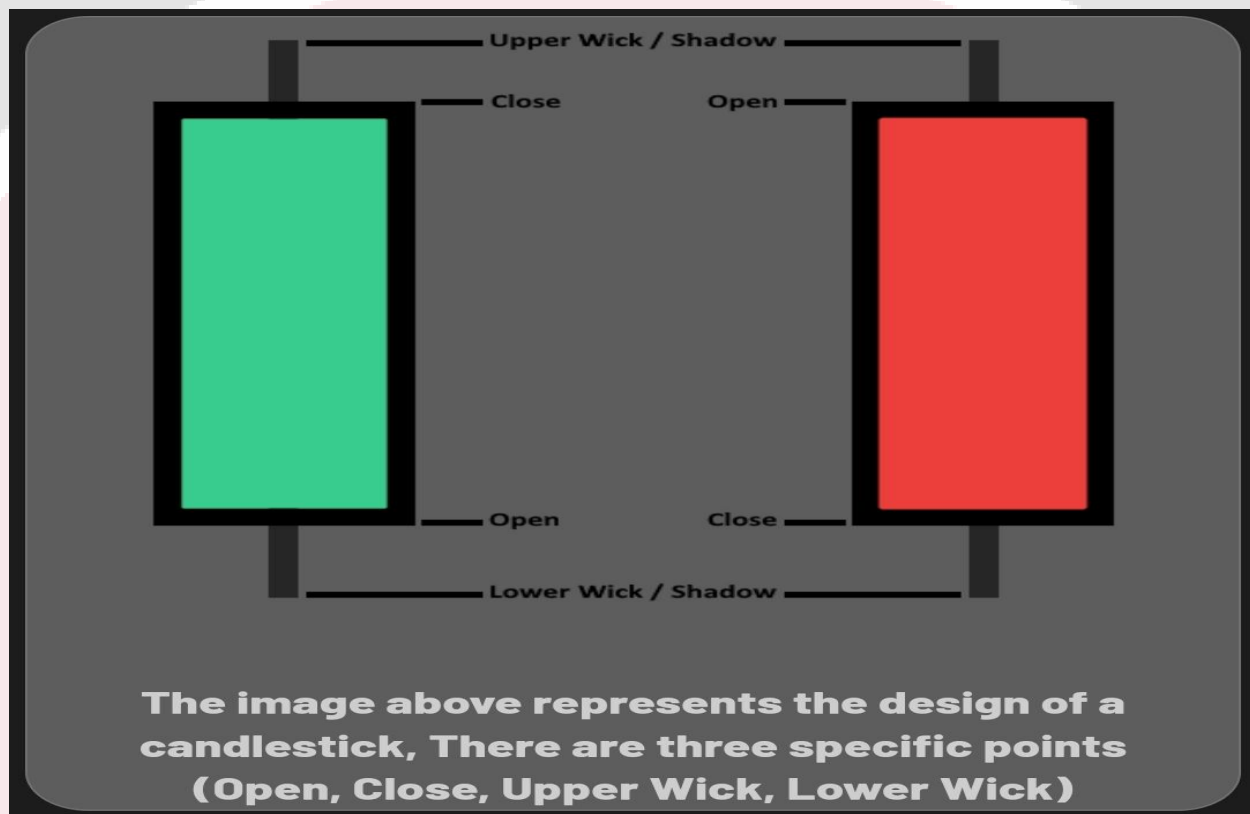


## **Module 1- Chapter 4- How to Read Candlestick Patterns**

A candlestick chart is simply a chart composed of individual candles, which traders use to understand price action. Candlestick price action involves pinpointing where the price opened for a period, where the price closed for a period, as well as the price highs and lows for a specific period.

The period that each candle depicts depends on the time-frame chosen by the trader. A popular time-frame is the daily time-frame, so the candle will depict the open, close, and high and low for the day. The different components of a candle can help you forecast where the price might go, for instance if a candle closes far below its open it may indicate further price declines.

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The image above represents the design of a candlestick, There are four specific points (Open, Close, Upper Wick, Lower Wick)

**Open Price** - The open price depicts the first price traded during the formation of the new candle.

**High Price** - The top of the upper wick/shadow indicates the highest price traded during the period.

**Low Price** - The bottom of the lower wick/shadow indicates the lowest price traded during the period.

**Close Price** - The close price is the last price traded during the period of the candle formation.

**The Wick** - The wicks also referred to as 'shadows' are the extremes in price for a specific charting period.

**Direction** - The direction of the price is indicated by the color of the candlestick. If the price of the candle is closing above the opening price of the candle, then the price is moving upwards and the candle would be green.

**Range** - The difference between the highest and lowest price of a candle is its range, could be calculated as (Range = highest point – lowest point).



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