

## **Module2-Chapter 2 – Morning Star**

The Morning Star candlestick pattern is a bullish reversal pattern that signifies a potential change in the direction of the market from bearish to bullish. It typically forms at the end of a downtrend and indicates the dawn of a new upward movement, hence the name "Morning Star," symbolizing the start of a new day.

### **What The Pattern Looks Like**

The Morning Star pattern consists of three candles:

**First Candle:** This is a long bearish (red) candle that continues the prevailing downtrend. It has a long body, showing a strong downward movement.

**Second Candle:** The second candle can be either bullish (green) or bearish (red) and is typically a smaller candle or even a Doji (where the opening and closing prices are nearly the same). This candle will often gap down from the close of the first candle, meaning it opens at a lower price than the closing price of the preceding candle.

**Third Candle:** This is a long bullish (green) candle that often gaps up from the close of the second candle. It should close at least halfway into the body of the first candle, the more it closes into the first candle's body, the stronger the reversal signal.

## Pattern Psychology

Understanding the psychology behind the Morning Star pattern gives more insight into its significance:

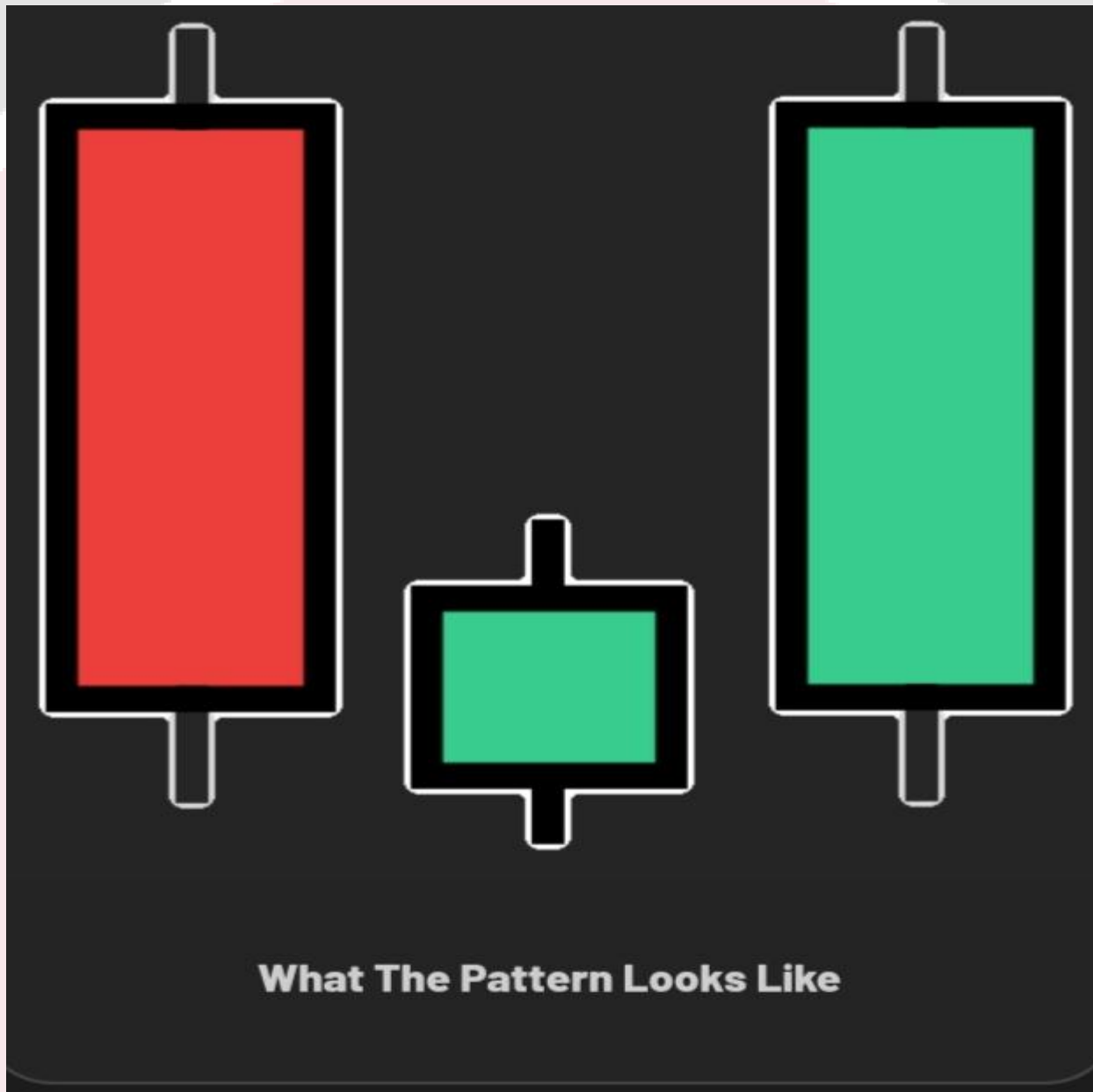
- 1) **Continuation of Bearish Sentiment:** The first long red candle reflects the continuation of the recent downtrend. Bears are in control, pushing prices lower.
- 2) **Market Indecision:** The appearance of the second smaller candle or Doji indicates a pause in the downtrend. This shows that the selling pressure is weakening, and there's uncertainty or indecision in the market. Both bears and bulls are assessing their positions.
- 3) **Change in Sentiment:** The third candle is where the sentiment shifts. The price gaps up on the open, indicating that the bulls have started to step in with force. As the third candle continues to push upward, it confirms

that the bulls have taken control, and a potential trend reversal is underway.

- 4) **Confirmation:** While the Morning Star pattern is a strong bullish reversal sign, traders often look for additional confirmation. This could be in the form of another bullish candle following the Morning Star or other technical indicators showing bullish momentum.



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In conclusion, the Morning Star candlestick pattern is a powerful tool for traders to identify potential bullish reversals at the end of a downtrend. It provides a visual representation of the shift in market sentiment. However, as with all candlestick patterns, it's vital to use the Morning Star in conjunction with

other technical analysis tools and methods to make informed trading decisions.



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