

Module 3 – Chapter 1 – Evening Star

The Evening Star candlestick pattern is a bearish reversal pattern that indicates a potential shift in the market's direction from bullish to bearish. Forming at the peak of an uptrend.

What The Pattern Looks Like

The market psychology behind the Evening Star pattern can be dissected as follows:

- 1) **First Candle:** This is a long bullish (green) candle continuing the prevailing uptrend. It has a long body, signifying a strong upward movement.
- 2) **Second Candle:** The second candle can be either bullish (green) or bearish (red), but it is typically smaller in size or even a Doji (where the opening and closing prices are nearly the same). This candle will often gap up from the close of the first candle, implying it opens at a higher price than the closing price of the previous candle.
- 3) **Third Candle:** This is a long bearish (red) candle that often gaps down from the close of the second candle. Ideally, it should close at least halfway into the body of

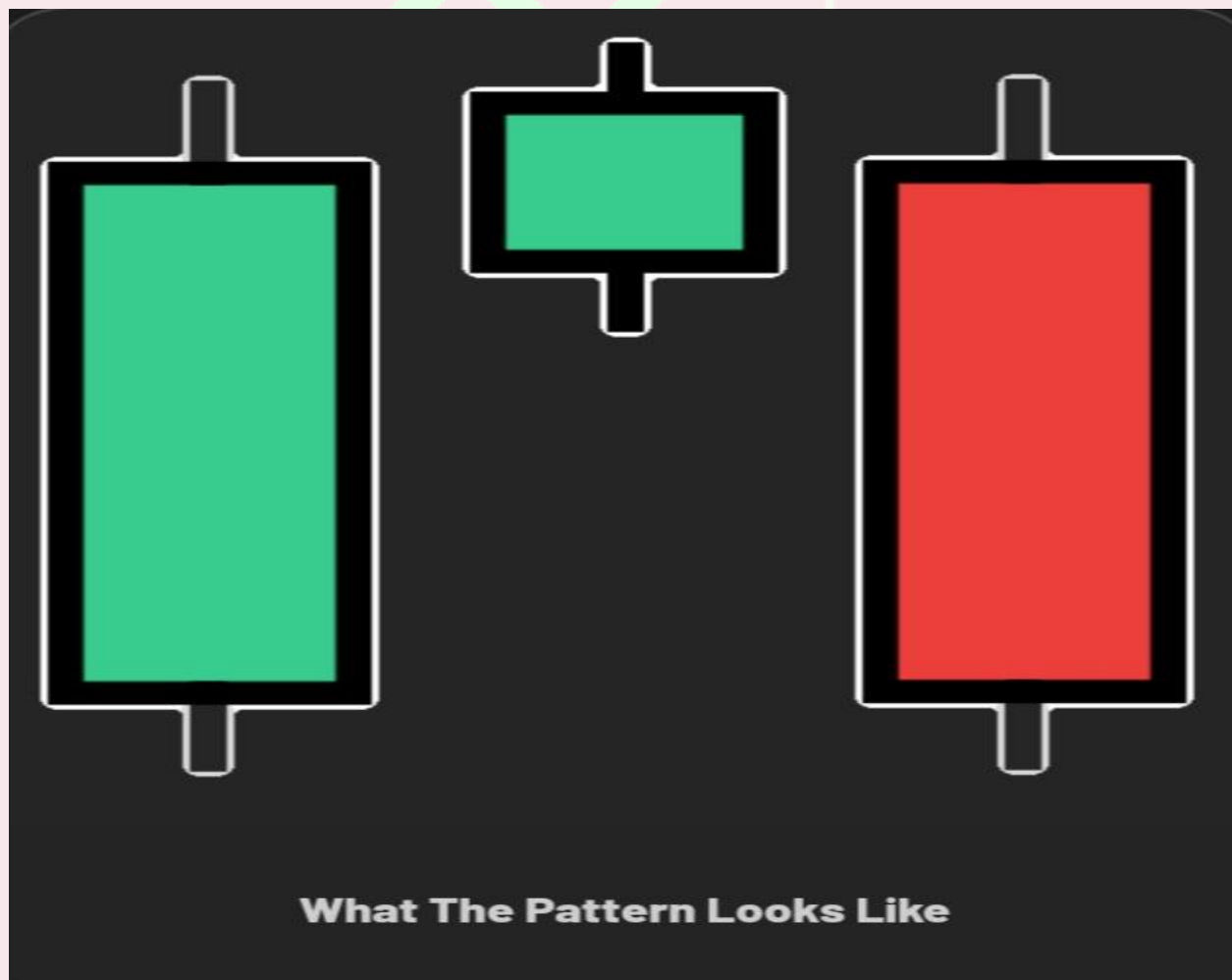
the first candle. The deeper it penetrates into the first candle's body, the stronger the bearish reversal signal.

Pattern Psychology

The market psychology behind the Evening Star pattern can be dissected as follows:

- 1) **Continuation of Bullish Sentiment:** The first long green candle shows that bulls are still in control, pushing prices higher and continuing the existing uptrend.
- 2) **Market Indecision:** The appearance of the second smaller candle or Doji highlights a slowdown in the bullish momentum. This represents a point of uncertainty in the market where neither bulls nor bears have a definitive grip.
- 3) **Change in Sentiment:** By the third candle, the sentiment undergoes a clear shift. The price gaps down at the open, indicating that bears are now entering the scene with conviction. As this candle pushes downward, it solidifies the notion that bears have taken control, signaling the start of a potential downtrend.
- 4) **Seeking Confirmation:** Although the Evening Star is a robust bearish reversal pattern, prudent traders often

wait for additional confirmation. This could come in the form of another bearish candle following the Evening Star or through other technical indicators that might highlight growing bearish momentum.



In summary, the Evening Star candlestick pattern serves as a valuable indicator for traders aiming to spot potential bearish reversals after a bullish trend. It vividly captures the tussle between bulls and bears and the eventual shift in dominance. As always, while the Evening Star is insightful, it's crucial to incorporate it with other technical analysis tools to make holistic and informed trading decisions.



Share Market Easy

Disclaimer: - The information provided in this content is for educational and information purpose only. It is not intended as financial investments or trading advices. Financial decisions taken based on this information are at your own risk.