

Module 3 – Chapter 4 – Shooting Star

The Shooting Star is a prominent bearish reversal candlestick pattern that often signals a potential top or resistance in the market, especially when it appears after an uptrend. Its evocative name alludes to the meteoric rise and rapid fall represented by the pattern, suggesting a possible change in market sentiment from bullish to bearish.

What The Pattern Looks Like

The Shooting Star is characterized by a single candlestick with these defining features:

Small Lower Body: The body of the candlestick, whether bullish (green) or bearish (red), is situated at the lower portion of the candle. However, a bearish body often strengthens the bearish signal of the pattern.

Long Upper Shadow: A distinguishing feature of the Shooting Star is its extended upper shadow (wick), which should be at least twice the length of the body.


Minimal to No Lower Shadow: The pattern typically has a very short lower shadow or none at all.

Location: To be considered a valid Shooting Star pattern, it must appear after a significant uptrend or bullish movement.

Pattern Psychology

Understanding the psychological dynamics behind the Shooting Star:

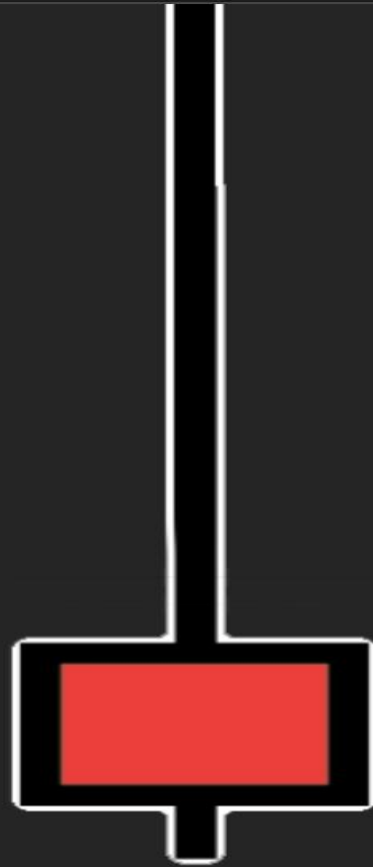
- 1) **Continuation of Bullish Momentum:** The session starts with the continuation of the existing bullish trend, driving prices upwards. This initial surge is represented by the long upper shadow.
- 2) **Bearish Intervention:** At some point during the session, bears take control and start to push prices down, erasing most of the gains made by the bulls. By the end of the session, the price closes near its opening level, forming the small body at the lower part of the candle.



3) **Sign of Potential Reversal:** The Shooting Star indicates that, despite initial bullish momentum, selling pressure managed to dominate by the close of the session. This shift from bullish to bearish sentiment within a single trading period, especially after a sustained uptrend, signifies potential exhaustion among the bulls and hints at a bearish reversal.

4) **Seeking Confirmation:** While the Shooting Star is a bearish signal on its own, many traders await further confirmation before making trading decisions. A subsequent bearish candle or other bearish technical indicators can solidify the pattern's reversal implications.

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What The Pattern Looks Like

To wrap up, the Shooting Star pattern provides traders with a clear visual representation of a potential shift in market sentiment. Its characteristic shape tells a story of bullish ambition followed by decisive bearish intervention, signaling that a market top might be in place. As always, however, it's essential to interpret the Shooting Star within the broader context and in

conjunction with other technical indicators for a more holistic understanding of the market's direction.



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