

## **Module 3 – Chapter 8 – Gravestone Doji**

The Gravestone Doji is an intriguing candlestick pattern often signaling a potential bearish reversal, especially when observed after an uptrend. The pattern derives its ominous name due to its resemblance to a gravestone, representing the end of the bullish sentiment.

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

The Gravestone Doji is characterized by a single candle with the following traits:

- 1) **Open, Close, and Low Prices:** These prices are almost identical or very close, resulting in an extremely small or nonexistent body. Essentially, the open and close are at the lowest price point of the session or close to it.
- 2) **Upper Shadow:** The Gravestone Doji exhibits a long upper shadow (wick) that stretches above the body, signifying the range between the session's highest traded price and the opening/closing price.
- 3) **Lower Shadow:** This pattern either lacks a lower shadow or has a very short one, denoting that the lowest price of the day is around where the security opened and closed.

## Pattern Psychology

Delving into the psychological underpinnings of the Gravestone Doji:

- 1) **Initial Bullish Momentum:** The session starts with bulls pushing the price upwards, reflected in the long upper shadow as the price surges to its peak for the day.
- 2) **Bears Take Control:** As trading progresses, bears intervene and drag prices downwards. This bearish push is so pronounced that the session's close is at or near its opening price.
- 3) **Indication of Reversal:** The formation of the Gravestone Doji suggests that while bulls initially dominated the trading session, by its end, the bears managed to completely offset the bullish advance. Especially when appearing after an uptrend, this balance and eventual overpowering of bulls by bears points to a potential bearish turnaround or a deceleration of bullish momentum.
- 4) **Importance of Context:** While the Gravestone Doji is primarily interpreted as a bearish signal, its relevance and strength as an indicator are amplified when viewed within a broader trend. For example, its appearance following a protracted uptrend carries a strong bearish reversal

implication. On the other hand, its occurrence during a downtrend might suggest potential deceleration in the bearish sentiment, but it doesn't serve as a robust bullish indicator.



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**What The Pattern Looks Like**

To summarize, the Gravestone Doji provides traders with a visually compelling representation of a potential shift in market sentiment, typically from bullish to bearish. The pattern illustrates a session-long tug-of-war between bulls and bears, culminating in a bearish stand by the close. However, like all candlestick patterns, it's crucial to interpret the Gravestone Doji in tandem with other technical indicators and within its larger market context for more accurate trading decisions.



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