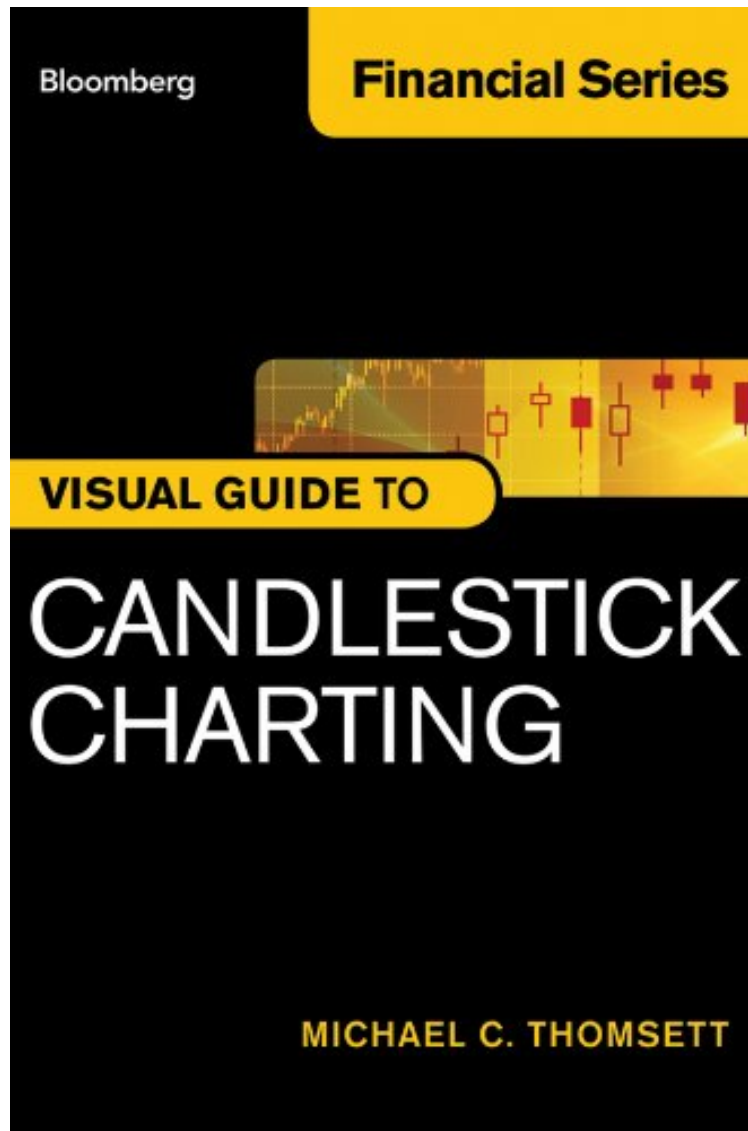


Bloomberg Visual Guide to Candlestick Charting, Enhanced Edition

Michael C. Thomsett

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The easy-to-use guide to interpreting candlestick charts and derivative markets Candlestick charts are an effective way of visualizing price movements and, due to the increased interest in the complex derivatives market, they are being used more and more widely. A combination of a line-chart and a bar-chart, where each bar represents the range of price movement over a given time interval, candlestick charts are most often used in technical analysis of equity and currency price patterns. A guide to the most used charts, *The Bloomberg Visual Guide to Candlestick Charting* is arranged in an easy-to-use manner, providing a quick reference for those new to the field. Candlestick charts are formed with the help of the opening, high, low, and closing price of the day; if the opening price is above the closing price then a filled candlestick is drawn, and these charts are visual aids for decision making in forex, stock, commodities, and options trading. Contains alphabetical explanations of over 200 candlestick and related terms Includes daily charts of 50 companies, and six-month charts for comparative explanations of candlesticks with Western-style technical indicators Written by Michael C. Thomsett, author of over sixty books and hundreds of articles, including the bestselling *Getting Started in Bonds*, also published by Wiley Enhanced eBook editions offer video tutorials, test-yourself quizzes, and full-color/interactive charts and graphs, available for purchase separately. A practical and concise resource for anyone new to this way of representing derivatives, *The Bloomberg Visual Guide to Candlestick Charting* presents sometimes confusing concepts in a format that is easy to understand and digest.

.com Three Effective Candlestick Formations Every Trader Can Use By Michael Thomsett, author of the *Bloomberg Visual Guide to Candlestick Charting* Candlestick Charts are among the oldest and widest used form of charting, with more than 200 variations around. Traders are often looking to narrow their efforts down to the most effective formations to maximize this vital tool. Based on Thomas Bulkowski's extensive testing, you can narrow this list and focus mainly on indicators offering the highest percentage of reliability. Here are my top three favorite formations every trader can use to better their trading: White soldiers is a bullish formation of three or more consecutive candlesticks moving upward and found after a downtrend. Each session opens within the range of the previous session and then closes higher. Amazingly, Bulkowski's research concluded that the white soldiers leads to reversal 82 percent of the time. That makes this one of the best candlestick indicators. Black Crows is the opposite of white soldiers. This one is a bearish formation found after an uptrend. It consists of three or more sessions, each opening within the range of the previous session and then closing lower. Bulkowski concluded that black crows will lead to reversal 78 percent of the time it is found. The engulfing pattern is a two-session indicator. It is so called because the second session extends both above and below the range of the first, engulfing its range. The colors are also reversed: In a bullish engulfing pattern, found after a downtrend, a black session is followed by a white session that opens lower and then closes higher. This leads to reversal 63 percent of the time, which is better than the 50-50 random outcome, but not as strong as some others, such as the bearish variety. The bearish engulfing is opposite of the bullish. Found after an uptrend, a white first session is followed immediately by a black that opens higher and then closes lower. This one leads to reversal 79 percent of the time. Because these three (white soldiers, black crows, and engulfing) are so highly reliable, they are my favorites. They also show up often enough that they can be found in many instances and can be used as monitoring devices while tracking a trend and looking for its end. However, you also need to look for other signals of coming reversal. These are not exclusive; they are just among the most reliable, and should be in every trader's toolkit. The Power of Candlestick Charting in Three Exceptional Graphs [Click on images to enlarge] By Michael Thomsett, author of the *Bloomberg Visual Guide to Candlestick Charting* Candlestick charts are an effective way of visualizing price movements and, with increased interest in the complex derivatives market, they are being used more and more widely. A combination of a line-chart and a bar chart, where each bar represents the range of price movement over a given time interval, candlestick charts are most often used in technical analysis of equity and currency price patterns. The *Bloomberg Visual Guide to Candlestick Charting* covers each of the more than 200 variations, and through these three exemplary graphs, author Michael Thomsett demonstrates the power of this exceptional tool: 1. Dragonfly doji. This one, charted on Google (GOOG), is found on page 81. What makes it special is the nice confirmation. The dragonfly doji anticipated a downtrend, but just before it appeared, a second bearish signal--piercing lines--also appeared. These two signals together were exceptionally strong bearish warnings. In fact, they came right before Google's price fell 70 points. 2. Black crows. This is one of the more reliable of patterns. On page 47, the chart of Wal-Mart (WMT) demonstrated how the pattern appears. In fact, in about 45 days, black crows indicators showed up three times. Each signaled short downturns in price. It is unusual to find an example when such a pattern appears three times, making this one noteworthy. 3. Bear abandoned baby. I really like the name of this indicator. Like so many candlesticks, the name itself is descriptive of the appearance. This one consists of a white session, an upward gap and then a narrow-range day, then a downward gap and finally, a black session. In the chart on page 37, Cisco Systems (CSCO) started out with a bearish abandoned baby. But it was followed by a delayed reaction in which the price rose. But ignoring a bearish signal like this can be dangerous, as the chart revealed. About 11

sessions after the abandoned baby, a large downward gap set up a new, much lower trading range in the stock.