Bernstein Bank

Candlestick Patterns to Profit in FX-Markets

RISK DISCLAIMER

This document has been prepared by Bernstein Bank GmbH, exclusively for the purposes of an informational presentation by Bernstein Bank GmbH. The presentation must not be modified or disclosed to third parties without the explicit permission of Bernstein Bank GmbH. Any persons who may come into possession of this information and these documents must inform themselves of the relevant legal provisions applicable to the receipt and disclosure of such information, and must comply with such provisions. This presentation may not be distributed in or into any jurisdiction where such distribution would be restricted by law. This presentation is provided for general information purposes only. It does not constitute an offer to enter into a contract on the provision of advisory services or an offer to buy or sell financial instruments. As far as this presentation contains information not provided by Bernstein Bank GmbH nor established on its behalf, this information has merely been compiled from reliable sources without specific verification. Therefore, Bernstein Bank GmbH does not give any warranty, and makes no representation as to the completeness or correctness of any information or opinion contained herein. Bernstein Bank GmbH accepts no responsibility or liability whatsoever for any expense, loss or damages arising out of, or in any way connected with, the use of all or any part of this presentation. This presentation may contain forward-looking statements of future expectations and other forward-looking statements or trend information that are based on current plans, views and/or assumptions and subject to known and unknown risks and uncertainties, most of them being difficult to predict and generally beyond Bernstein Bank GmbH´s control. This could lead to material differences between the actual future results, performance and/or events and those expressed or implied by such statements. Bernstein Bank GmbH assumes no obligation to update any forward-looking statement or any other information contained herein.

Inhalt

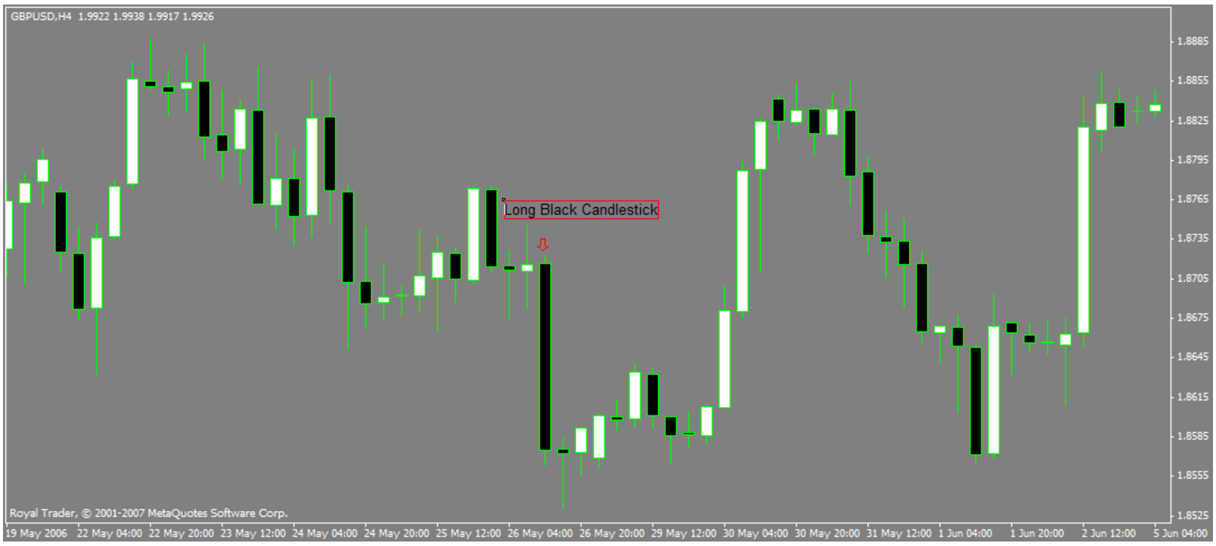
I. BASIC CANDLESTICK PATTERNS

1) Long White Candlestick

Identification: A candlestick in which the difference between the open and the close prices is great and the close is higher that the open.

Pattern Explanation: Bullish

2) Long Black Candlestick



Identification: A candlestick in which the difference between the open and the close prices is great and the close is lower than the open.

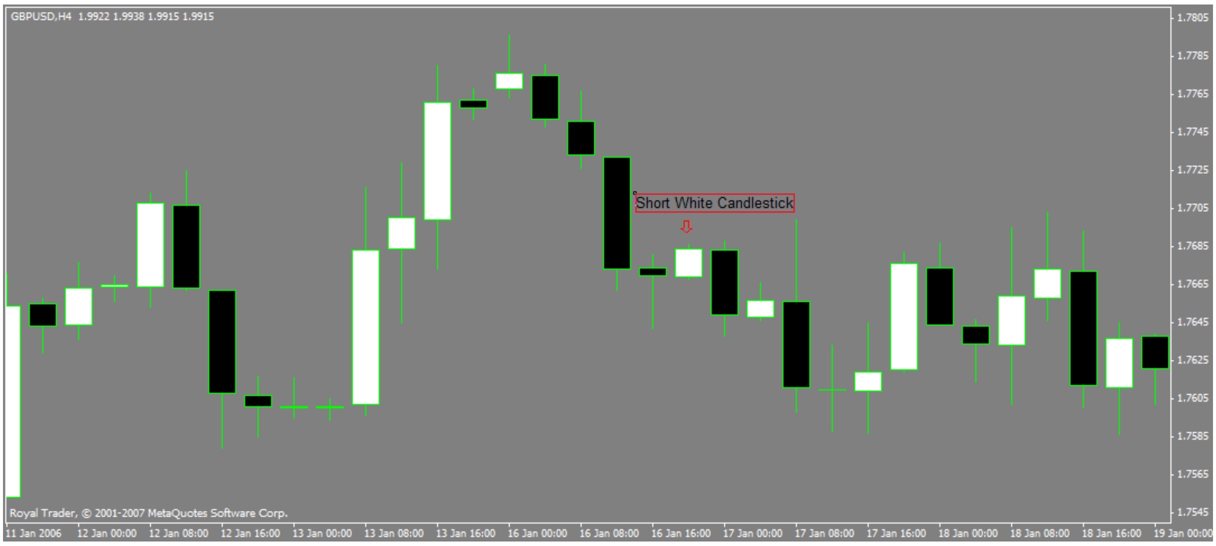
Pattern Explanation: Bearish

3) Doji Candlestick

Identification: The open and close are the same.

Pattern Explanation: Indecision

4) Short White Candlestick



Identification: The real body of the candlestick is white and small.

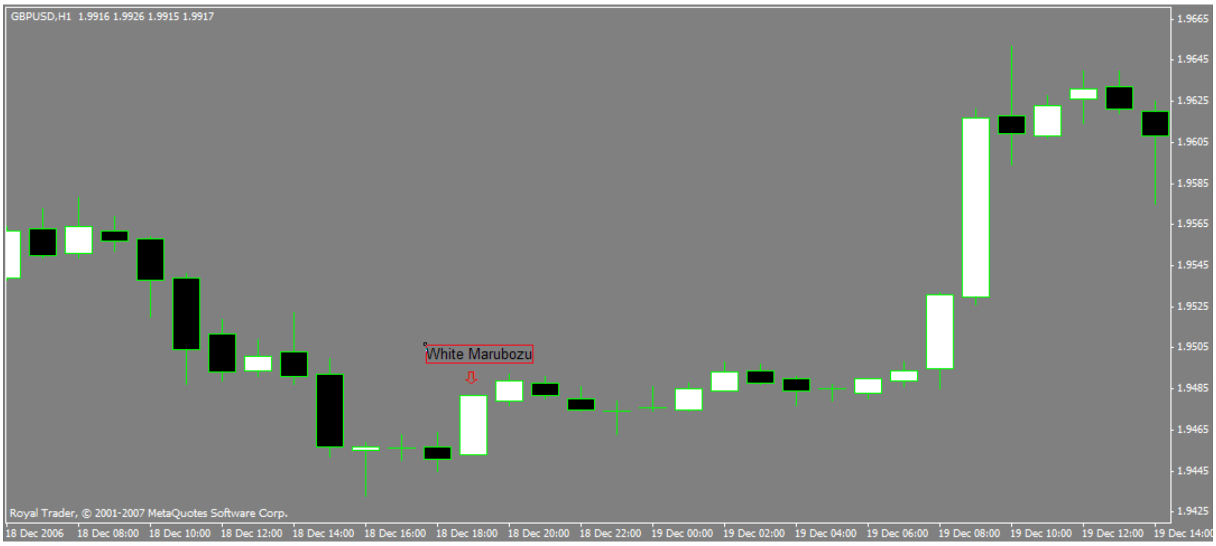
Pattern Explanation: Stable to Bullish

5) Short Black Candlestick

Identification: The real body of the candle is black and small.

Pattern Explanation: Stable to bearish

6) White Marubozu



Identification: White Marubozu is a candlestick with a full body, but no shadow. This means that the opening price is similar to the low, and the closing price is the high.

Pattern Explanation: Very Bullish

7) Black Marubozu

Identification: Black Marubozu is a candlestick with a full body, but with no shadow. This means that the opening price is similar to the high and the closing price is the low.

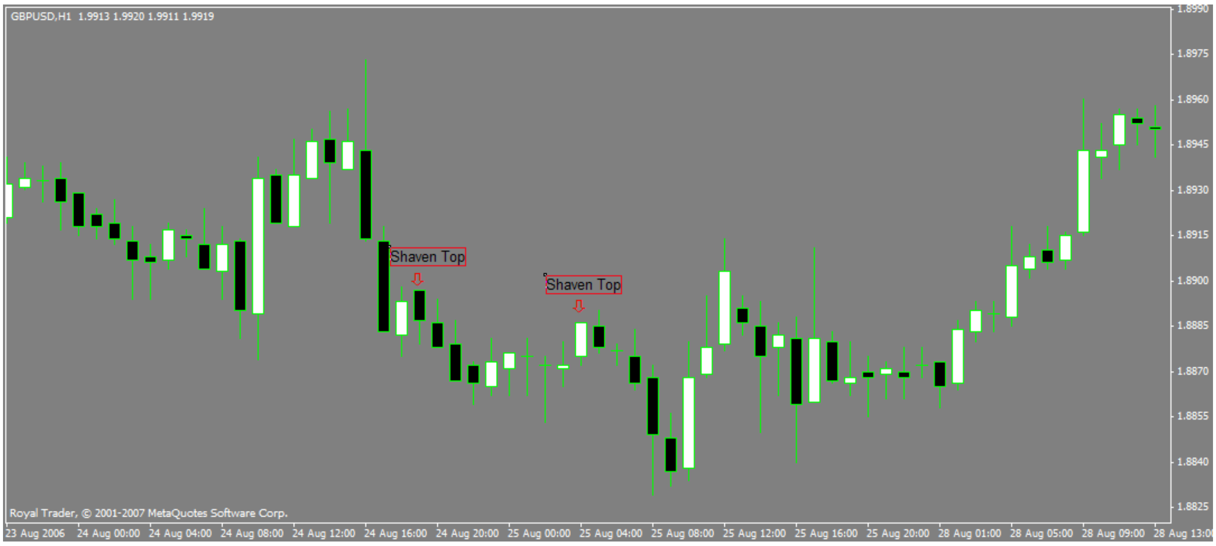
Pattern Explanation: Very Bearish

8) Spinning Tops

Identification: Spinning Tops are candlesticks that have small bodies with upper and lower shadows that are of greater length than that of the body.

Pattern Explanation: These candlesticks are considered as days of indecision. The body colour is relatively unimportant in spinning top candlesticks.

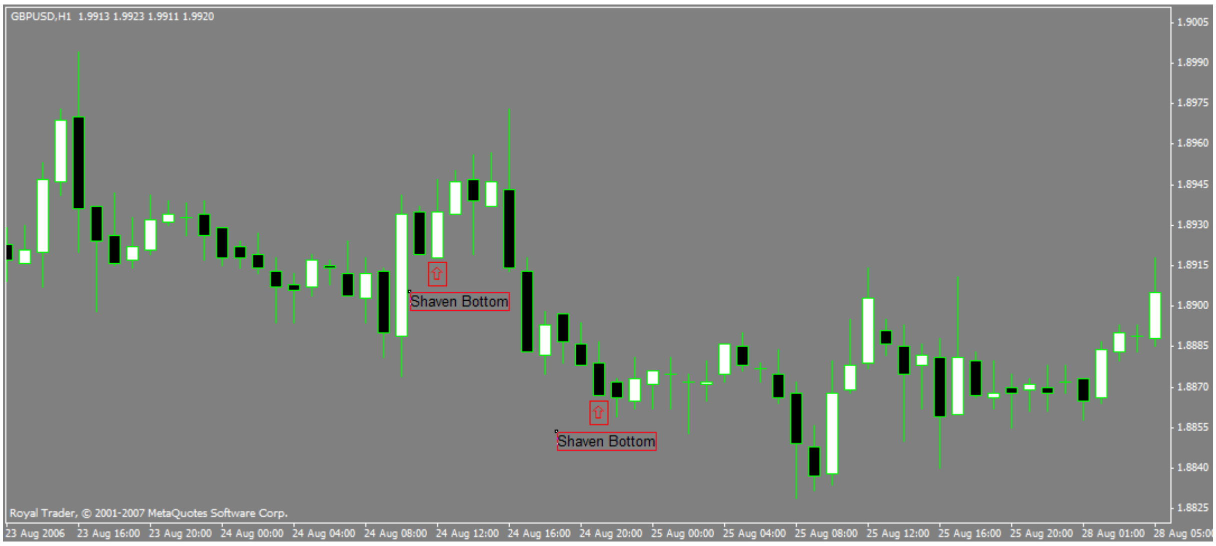
9) Shaven Top



Identification: No upper shadow exists when the open or close is at the high. A shaven top can be bearish candlestick or bullish candlestick.

Pattern Explanation: If the open is at the high, the day's trading was all downhill from there. Not only it is a black candlestick, bearish to begin with, but it's doubly bearish that no net new buying occurred after the open. If the close is at the high, the net of the day's trading was at higher

10) Shaven Bottom



Identification: No lower shadow exists when the open or the close is at the low of the day.

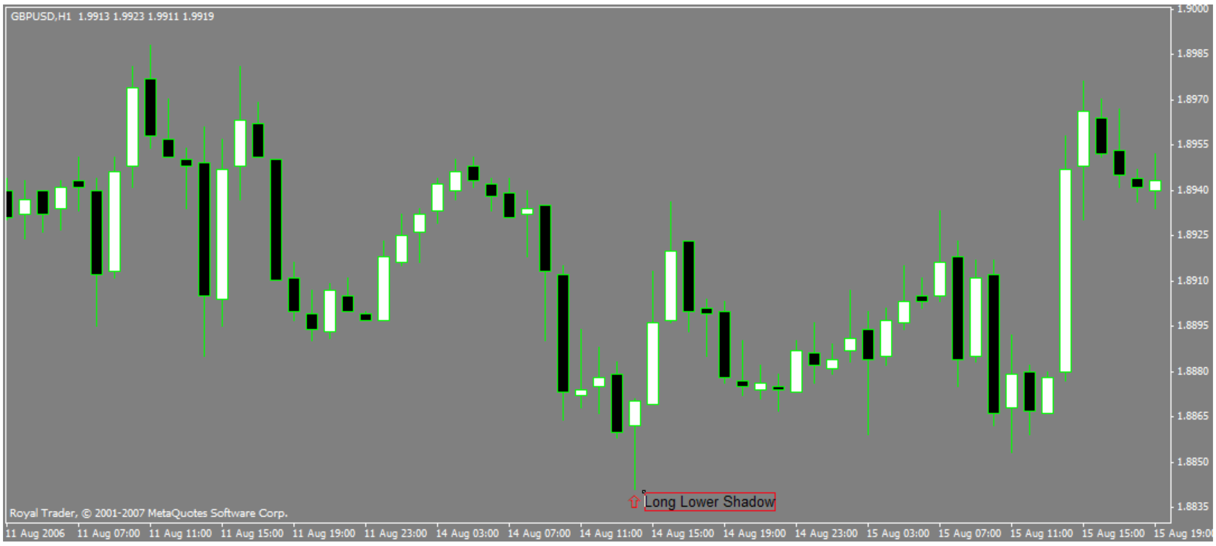
Pattern Explanation: If the open is at the low, all the day’s trading was euphoric. This is bullish. If the close is at the low, all the day’s trading points to developing negative sentiment (depending on what candlesticks precede it). This is bearish.

11) Long Upper Shadow

Identification: The high of the day came well above both the open and the close, whether the real body is black or white.

Pattern Explanation: If the price series is in an uptrend, the long upper shadow is a failure to close near the high. If the uptrend is nearing a resistance level, the long upper shadow may signal a weakening of the uptrend. If the price series is on a downtrend, the long upper shadow suggests that some market participants are buying at higher levels. The long Upper Shadow may signal a weakening of the downtrend.

12) Long Lower Shadow

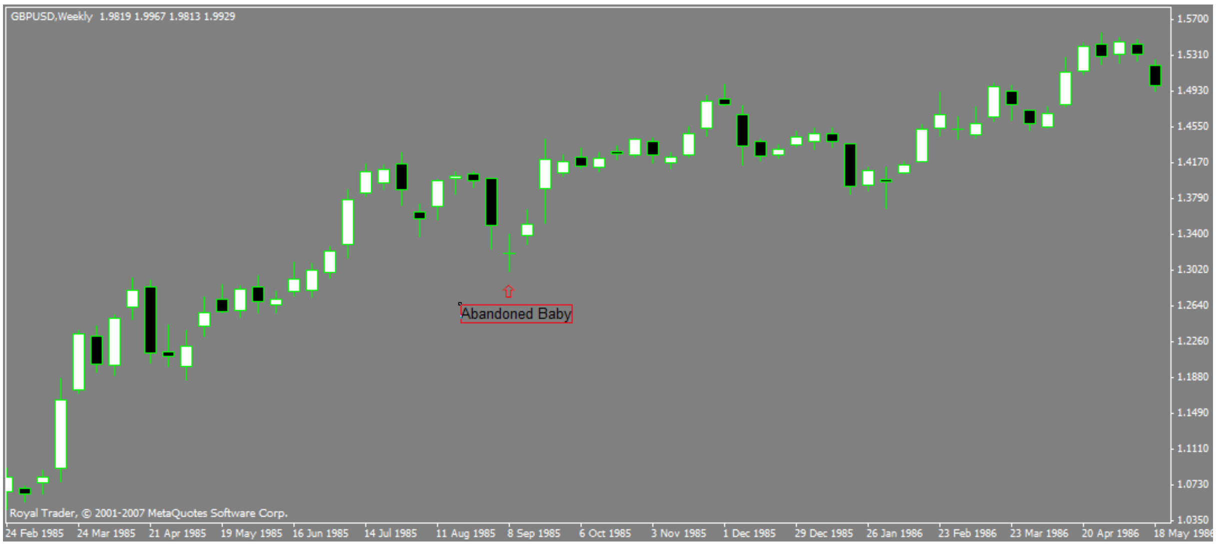


Identification: A long lower shadow means that the low of the day came well under both the open and the close, whether the real body is black or white.

Pattern Explanation: If the price series is in a downtrend, the long lower shadow is a failure to close near the low. If the downtrend is nearing a support level, the long lower shadow may signal a weakening or an end of the downtrend.If the price series is on an uptrend, the long lower shadow suggests that traders were not willing to keep buying at the high levels right up to the close. This can be a warning sign of the trend decelerating or ending.

II. BULLISH CANDLESTICK PATTERNS

1) Abandoned Baby



Pattern Explanation: Market is characterized by downtrend. The market shows bearish strength first with a long black candlestick and opens with a gap on the second day. The second day trading is within a small range and second day closes at or very near its open. This now suggests the potential for a rally showing that positions are changed. The signal of trend reversal is given by the white third day and by welldefined upward gap. The Bullish Abandoned Baby Pattern is a bottom reversal signal.

Important Points: The reliability of the Abandoned Baby is very high.

13) Doji Star

Pattern Explanation: Market is characterized by downtrend. Bears control the market in a strong downtrend. The appearance of a Bullish (Doji) Star Pattern in such a downtrend shows that sellers are now losing the control and market is moving to a balance between buyers and sellers. This balance between buyers and sellers may result from a diminution in the selling force or an increase in the buying force. Whatever the reason is, the Doji tell us that the strength of downtrend may be ending.

Important Points: Bullish verification on the day following the Doji Star is requ

14) Dragonfly Doji

Pattern Explanation: A Doji forms at the upper end of the trading range with a long lower shadow (the longer the more bullish) with no, or almost no upper shadow. Dragonfly may mean that buyers are emerging and the downtrend may be ending.

Important Points: Dragonfly Doji requires confirmation of the implied trend reversal by a white candlestick, a large gap up or a higher close on the next trading period.

15) Engulfing

Pattern Explanation: Market is characterized by downtrend. The Engulfing is a two period pattern where the body of the second day (bullish candlestick) completely engulfs the body of the first day (bearish candlestick). Bullish Engulfing pattern shows that buying pressure has overwhelmed selling pressure.

Important Points: The relative size of the bodies in the first and second days is important. If the first day of the Bullish Engulfing Pattern is characterized by a very small real body (it may even be a doji or nearly a doji) but the second day is characterized by a very long real body, this would reflect a dissipation of the prior trend's force and then an increase in force behind the new move. Bullish Engulfing pattern requires confirmation of the implied trend reversal by a white candlestick, a large gap up or a higher close on the next trading period.

16) Gravestone Doji

Pattern Explanation: Market is characterized by downtrend. The upper shadow is usually long while the lower shadow is small or almost nonexistent. The Dragonfly means that buyers are emerging and the downtrend may be ending.

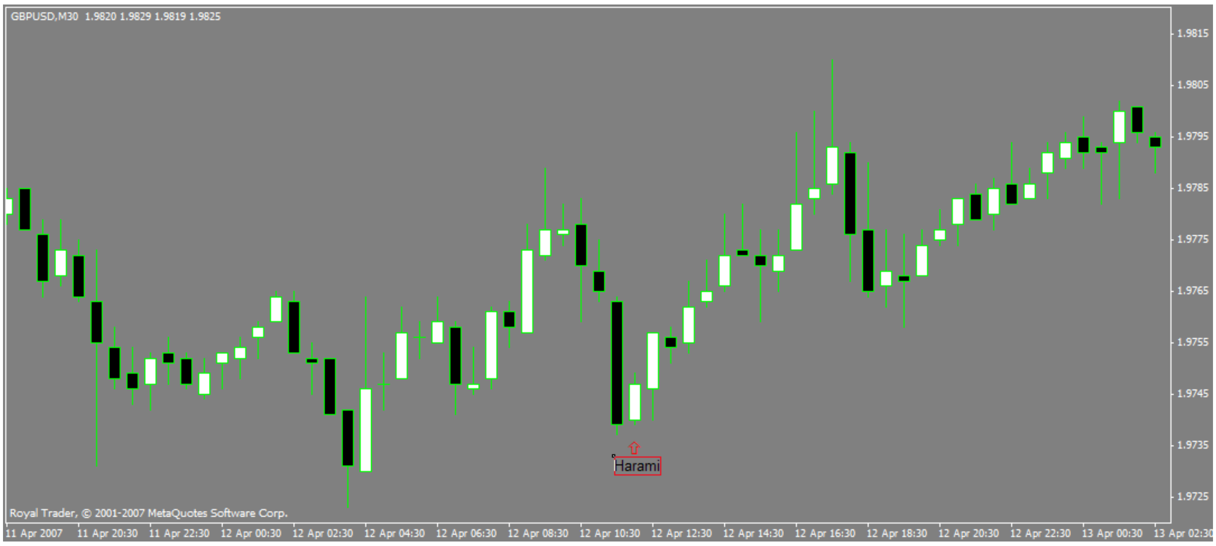
Important Points: The longer the upper shadow, the more bullish the implications of the Gravestone Doji. Gravestone Doji requires confirmation of the implied trend reversal by a white candlestick, a large gap up or a higher close on the next trading period.

17) Hammer

Pattern Explanation: The market is characterized by a prevailing downtrend. A small real body forms at the upper end of a trading range with a long lower shadow (the longer the more bullish) with no or almost no upper shadow. The lower shadow should be at least two times the length of the body. The market sold off sharply during the day and then bounced back to close at, or near, the day’s high. This could have bullish implications.

Important Points: Hammer requires confirmation of the implied trend reversal by a white candlestick, a large gap up or a higher close on the next trading period. A long lower shadow should be twice the height of the real body.

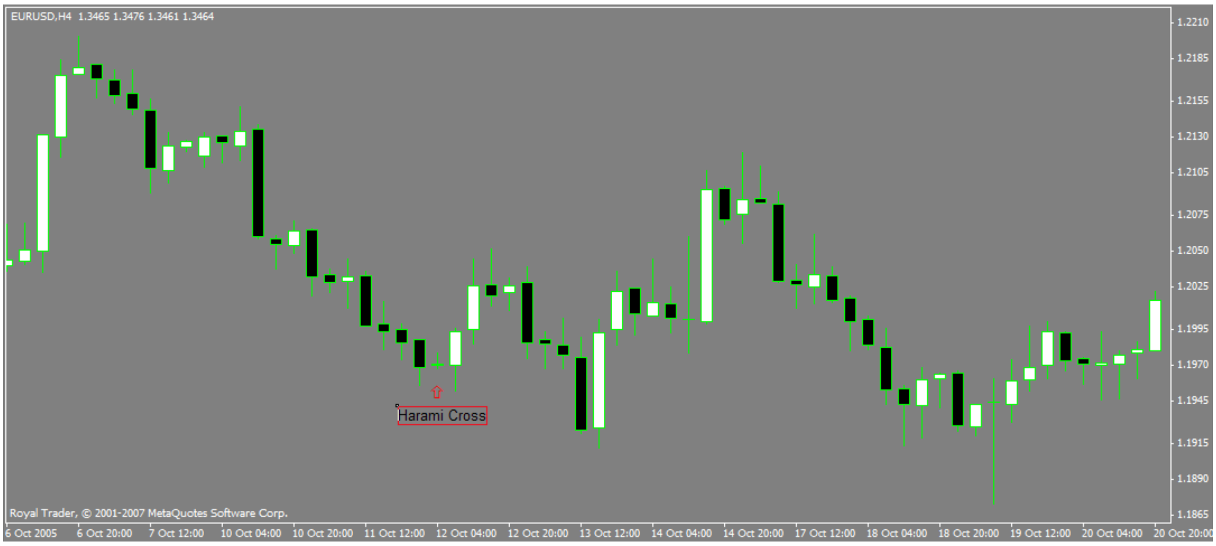
18) Harami



Pattern Explanation: Market is characterized by downtrend. A harami implies that a change in sentiment is expected. During a downtrend, the heavy selling pressure reflected by a long black real body is followed by a small white candlestick. The second day’s small real body is an alert that the bears power has diminished.

Important Points: The Harami Pattern does not necessarily imply that a rally will follow. Market usually enters into a consolidation phase following the Harami. The shadows (high/low) of the second candlestick are not necessarily contained within the first body, however it's preferable if they are.

19) Harami Cross



Pattern Explanation: Market is characterized by downtrend. The Harami Cross is a two period pattern where a large bearish candlestick engulfs a doji. The Harami-Cross is a major reversal pattern.

Important Points: The Harami Cross is more important than Harami because it contains a doji.

20) Inverted Hammer

Pattern Explanation: Market is characterized by downtrend. The upper shadow should be at least two times the length of the body. The real body is at the lower end of the trading range. There should be no lower shadow or a very small lower shadow. The Inverted Hammer tells us that the market opened near its low, then strongly rallied and finally backed off to close near the opening. Inverted Hammer is a bottom reversal candlestick.

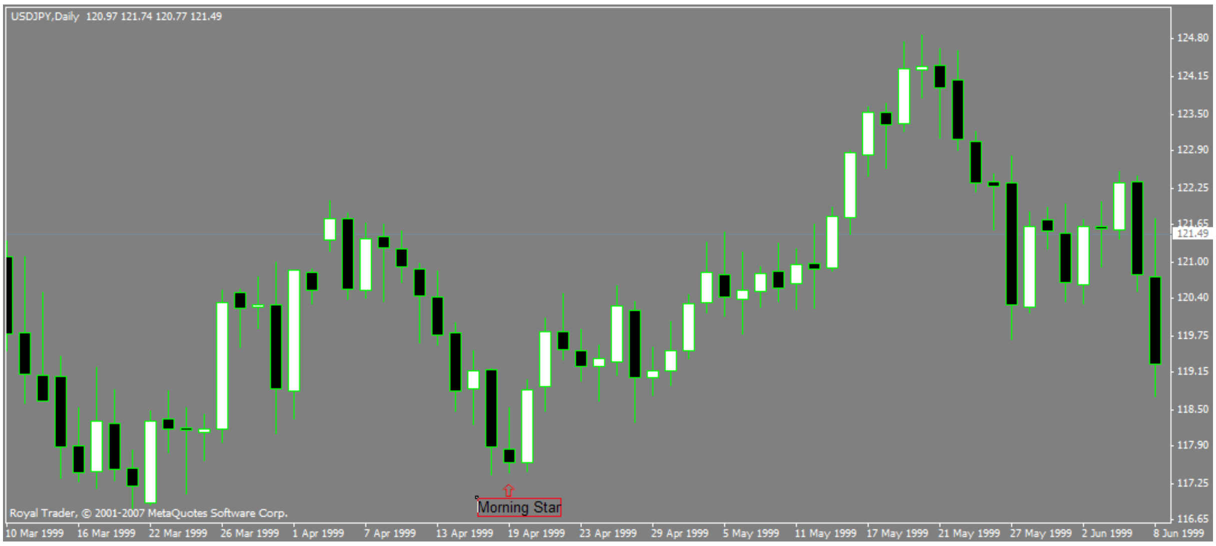
Important Points: Bullish verification on the day following the inverted hammer is required. This verification can be in the form of the next day opening above the inverted hammer's real body. The larger the gap the stronger the confirmation will be.

21) Morning Doji Star

Pattern Explanation: Market is characterized by downtrend. The Morning Doji Star is a three period pattern where a large black candlestick is followed by a doji. This doji has gapped below the black candlestick. A third white candlestick follows and pierces the initial black candlestick. This is considered to be one of the most reliable key reversal patterns, especially at new lows.

Important Points: -An ideal Morning Doji Star should have a gap before and after the Doji. The second gap is not necessary for the success of this pattern. The main concern should be the extent of the intrusion of the third period white real body into the first day's black real body. The Morning Doji Star is more important than Morning Star because it contains a doji.

22) Morning Star



Pattern Explanation: Market is characterized by downtrend. The Morning Star is a three period pattern where a long black candlestick is followed by a small candlestick that gaps in the direction of the trend. The third candlestick is a white candlestick which closes in the top half of the black candlestick. The morning star is a bottom reversal pattern. This pattern is a signal that the bulls have seized control.

Important Points: An ideal Morning Star should have a gap before and after the middle line’s real body. The second gap is not necessary for the success of this pattern. The main concern should be the extent of the intrusion of the third period white real body into the first day’s black real body.

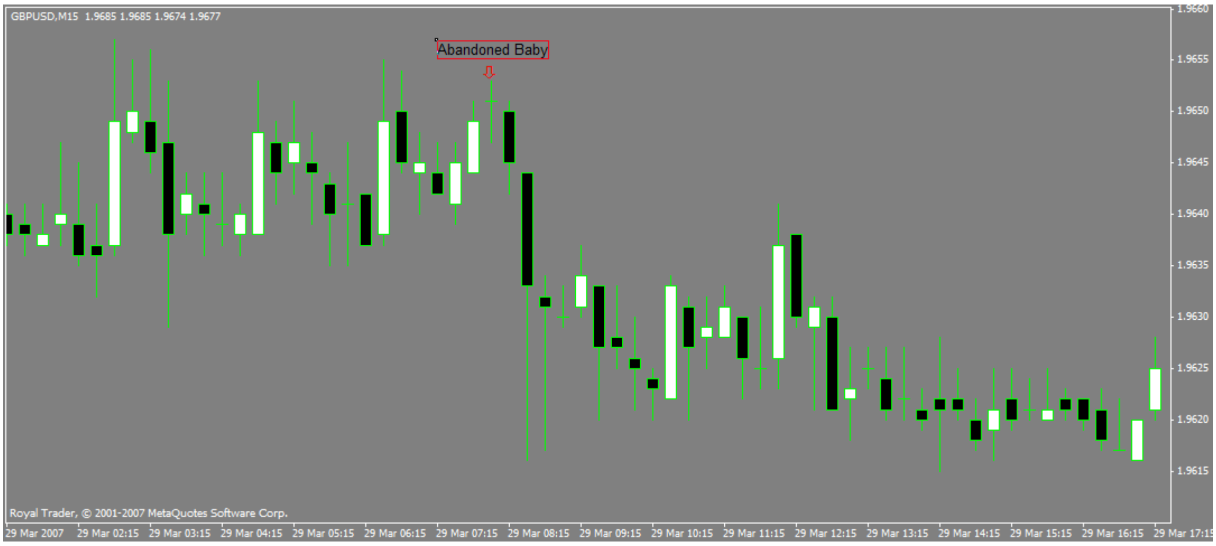
23) Piercing Line

Pattern Explanation: The Piercing Line has bullish implications. The Piercing Line is a two period pattern. A downtrend is in place, the first candlestick is a long black candlestick which solidifies trader's confidence in the downtrend. The next candlestick open at a new low and then trade higher and close above the midpoint of the first candlestick's body. This offers a significant change to the downtrend and many will reverse or will close their positions.

Important Points: The greater the degree of penetration into the black real body, the more likely it will be a bottom reversal. An ideal piercing pattern will have a real white body that pushes more than half way into the prior session's black real body. Piercing Line requires confirmation of the implied trend reversal by a white candlestick, a large gap up or a higher close on the next trading period.

III. BEARISH CANDLESTICK PATTERNS

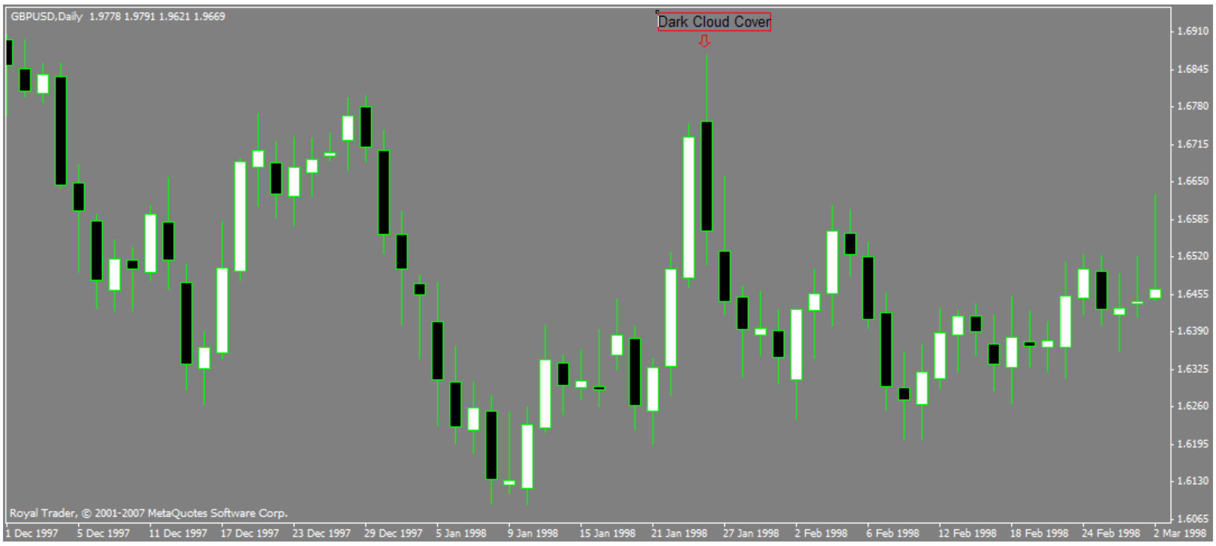
24) Abandoned Baby



Pattern Explanation: Market is characterized by uptrend. The market shows bullish strength first with a long white candlestick and opens with a gap on the second day. The second day trading is within a small range and second day closes at or very near its open. This now suggests the potential for a rally showing that positions have changed. The signal of trend reversal is given by the black third day and by welldefined upward gap. The Bearish Abandoned Baby Pattern is a top reversal signal.

Important Points: The reliability of the Abandoned Baby is very high.

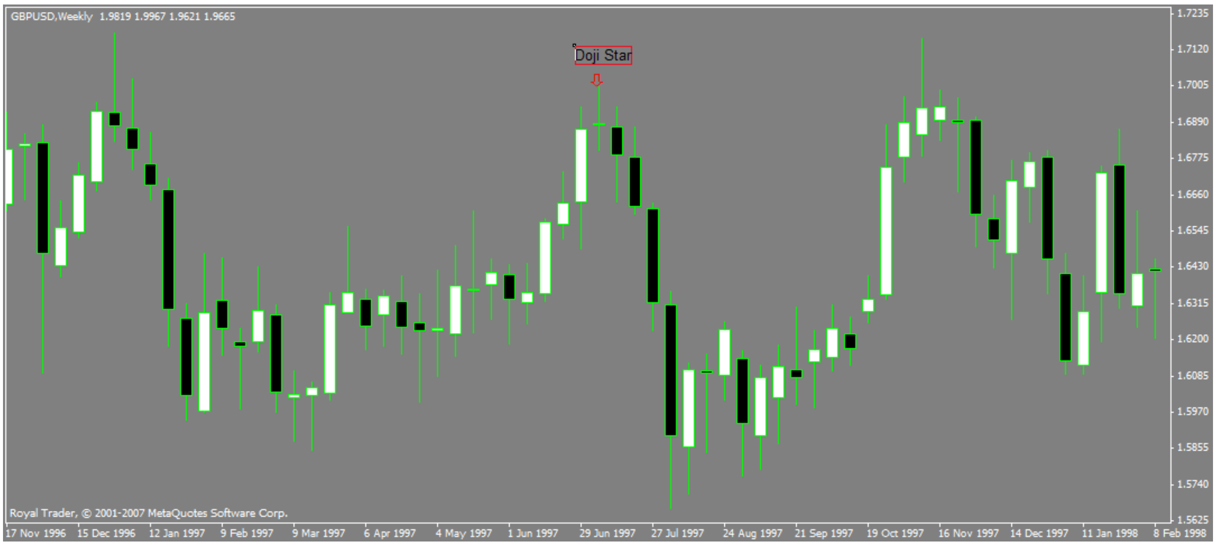
25) Dark Cloud Cover



Pattern Explanation: Market is characterized by an uptrend. The Dark Cloud Cover is a two period pattern. The first day of this pattern is a long white candlestick. The next day opens above the high price of the previous day, again adding to bullishness. However, trading for the rest of the day is lower with a close price below the midpoint of the previous day. This is a significant blow to uptrend mentality and many will reverse or will close their positions.

Important Points: The greater the degree of penetration into the white real body, the more likely it will be a top reversal. An ideal piercing pattern will have a real black body that pushes more than half way into the prior session's white real body. Piercing Line requires confirmation of the implied trend reversal by a black candlestick, a large gap down or a higher close on the next trading period.

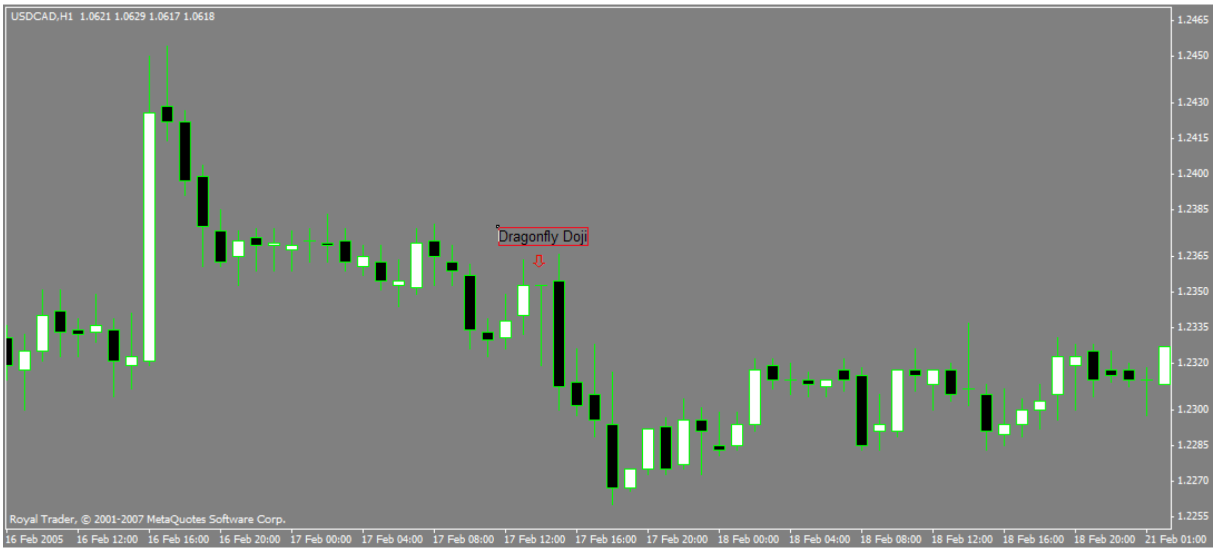
26) Doji Star



Pattern Explanation: Market is characterized by uptrend. Bulls control the market in a strong uptrend. The appearance of a Bearish (Doji) Star Pattern in such an uptrend shows that buyers are now losing the control and market is moving to a balance between buyers and sellers. This balance between buyers and sellers may result because of a diminution in the buying force or an increase in the selling force. Whatever the reason is, the star tells us that the strength of uptrend may be ending.

Important Points: Bearish verification on the day following the Doji Star is required. This verification can be in the form of the next day with a lower close.

27) Dragonfly Doji



Pattern Explanation: A Doji forms at the upper end of a trading range with a long lower shadow (the longer the more bearish) with no, or almost no upper shadow. Buyers failed to push the price over the open to a new high while sellers succeeded in getting a low, so the uptrend may be in trouble.

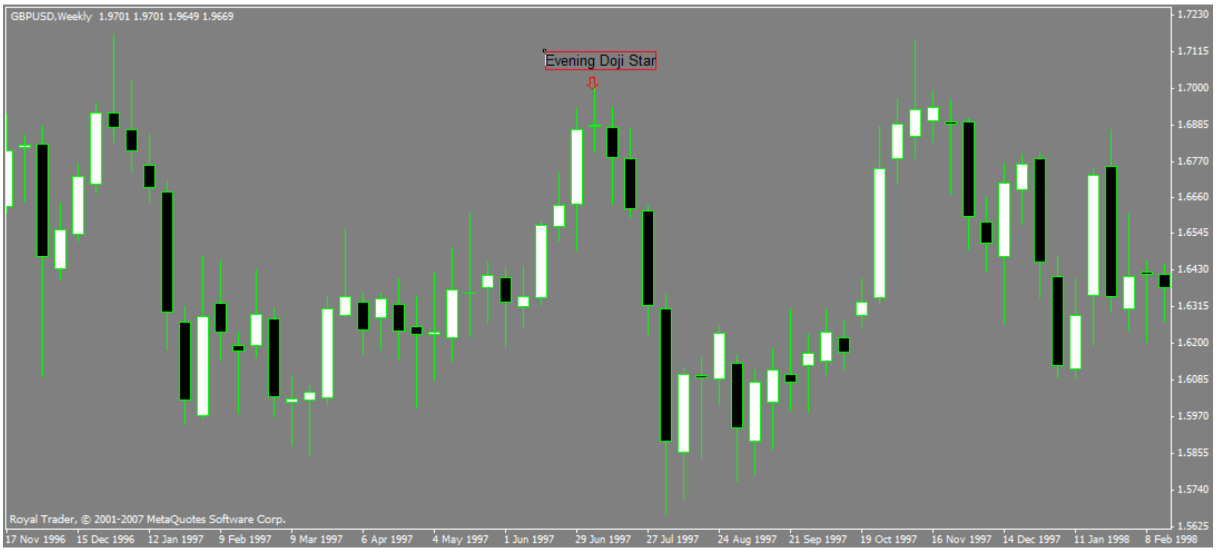
Important Points: Dragonfly Doji requires confirmation of the implied trend reversal by a black candlestick, a large gap down or a lower close on the next trading period.

28) Engulfing

Pattern Explanation: Market is characterized by uptrend. The Engulfing is a two period pattern where the body of the second day (bearish candlestick) completely engulfs the body of the first day (bullish candlestick). Bearish Engulfing pattern shows that selling pressure has overwhelmed buying pressure.

Important Points: The relative size of the bodies in the first and second days is important. If the first day of the Engulfing Pattern is characterized by a very small real body (it may even be a doji or nearly a doji) but the second day is characterized by a very long real body, this would reflect a dissipation of the prior trend's force and then an increase in force behind the new move. Bearish Engulfing pattern requires confirmation of the implied trend reversal by a black candlestick, a large gap down or a lower close on the next trading period.

29) Evening Doji Star



Pattern Explanation: Market is characterized by uptrend. Evening Doji Star is a three period pattern where a large white candlestick is followed by a doji. This doji has gapped above the white candlestick. A third black candlestick follows and pierces the initial white candlestick. This is considered to be one of the most reliable key reversal patterns, especially at new highs.

Important Points: An ideal Evening Doji Star should have a gap before and after the Doji. The second gap is not necessary for the success of this pattern. The main concern should be the extent of the intrusion of the third period black real body into the first day’s white real body. The Evening Doji Star is more important than Evening Star because it contains a doji.

30) Evening Star

Pattern Explanation: Market is characterized by uptrend. Evening Star is a three period pattern. The first day of this pattern is a long white candlestick which fully enforces the current uptrend. On the open of the second day, prices gap up above the body of the first candlestick. On this second day the close price is near the open price while remaining above the body of the first day. The body for the second day is small. This type of day following a long day is referred to as a Star Pattern. The third day of this pattern opens with a gap below the body of the star and closes lower with the close price below the midpoint of the first day. The Evening Star is a bearish candle pattern.

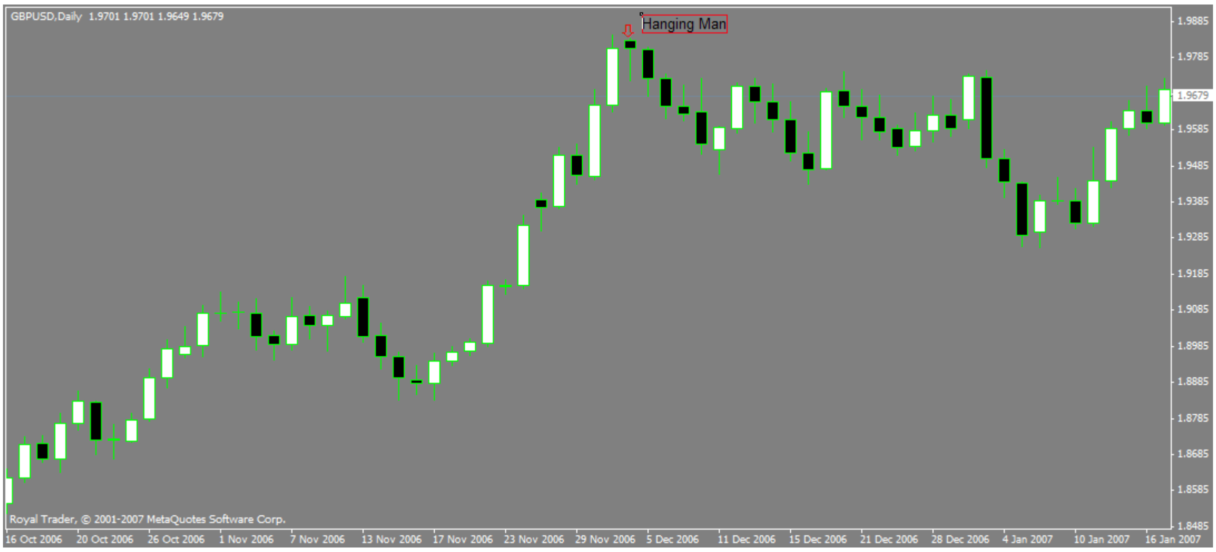
Important Points: An ideal Evening Star should have a gap before and after the middle line's real body. The second gap is not necessary for the success of this pattern. The main concern should be the extent of the intrusion of the third period black real body into the first day's white real body.

31) Gravestone Doji

Pattern Explanation: Market is characterized by uptrend. A Doji forms at the lower end of the trading range. The upper shadow is usually long while the lower shadow is small or almost nonexistent. Buyers failed to get the close at the high. Sellers dominated and the uptrend may be ending.

Important Points: The longer the upper shadow, the more bearish the implications of the Gravestone Doji. Gravestone Doji requires confirmation of the implied trend reversal by a black candlestick, a large gap down or a lower close on the next trading period.

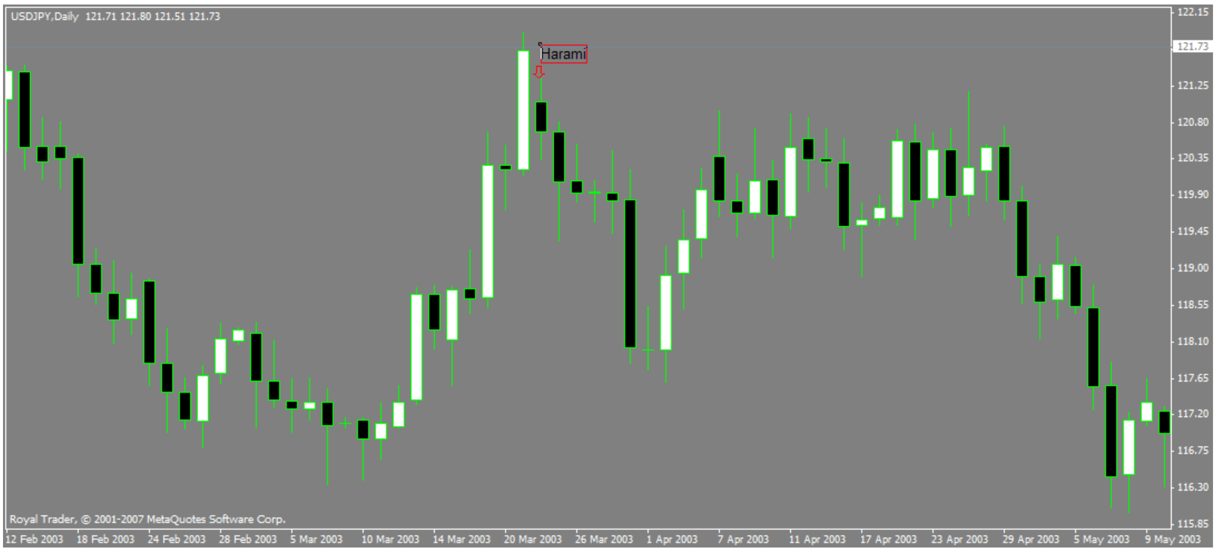
32) Hanging Man



Pattern Explanation: We see it at a market top or during an uptrend. A small real body forms at the upper end of the trading range with a long lower shadow (The lower shadow should be at least two times the length of the body) with no, or almost no upper shadow. Hanging man shows that the close could not get back to the opening price level. This could have bearish implications.

Important Points: Hanging Man requires confirmation of the implied trend reversal by a black candlestick, with a lower close on the next trading period. A long lower shadow should be twice the height of the real body.

10) Harami



Pattern Explanation: Market is characterized by an uptrend. Harami is a two period pattern. A harami implies that a change in sentiment is expected. During an uptrend the heavy buying pressure, reflected by a long white real body, is followed by a small black candlestick. The second day's small real body is an alert that the bulls power has diminished.

Important Points: The Harami Pattern does not necessarily imply that a rally will follow. Market usually enters into a consolidation phase following the Harami. The shadows (high/low) of the second candlestick are not necessarily contained within the first body, however it's preferable if they are. At market tops, the Harami can warn a significant trend change.

33) Harami- Cross

Pattern Explanation: Market is characterized by an uptrend. Harami Cross is a two period pattern where a large bullish candlestick engulfs a doji. The Harami-Cross is more important than a regular Harami pattern. The Harami-Cross is a major reversal pattern.

Important Points: The Harami Cross is more important than Harami because it contains a doji.

34) Shooting Star

Pattern Explanation: Market is characterized by uptrend. The shadow should be at least two times the length of the body. The color of the body is not important, although a black body has slightly more Bearish indications. The Shooting Star tells us that the market opened near it's low, then strongly rallied and finally backed off to close near the opening. Shooting Star sends a warning of an impending top.

Important Points: An ideal shooting star has a real body which gaps away from the prior real body. The larger the gap the stronger the confirmation will be. Nonetheless, this gap is not always necessary. Bearish verification on the day following the Shooting Start is required. This verification can be in the form of the next day with a lower close

RISK DISCLAIMER

This document has been prepared by Bernstein Bank GmbH, exclusively for the purposes of an informational presentation by Bernstein Bank GmbH. The presentation must not be modified or disclosed to third parties without the explicit permission of Bernstein Bank GmbH. Any persons who may come into possession of this information and these documents must inform themselves of the relevant legal provisions applicable to the receipt and disclosure of such information, and must comply with such provisions. This presentation may not be distributed in or into any jurisdiction where such distribution would be restricted by law. This presentation is provided for general information purposes only. It does not constitute an offer to enter into a contract on the provision of advisory services or an offer to buy or sell financial instruments. As far as this presentation contains information not provided by Bernstein Bank GmbH nor established on its behalf, this information has merely been compiled from reliable sources without specific verification. Therefore, Bernstein Bank GmbH does not give any warranty, and makes no representation as to the completeness or correctness of any information or opinion contained herein. Bernstein Bank GmbH accepts no responsibility or liability whatsoever for any expense, loss or damages arising out of, or in any way connected with, the use of all or any part of this presentation. This presentation may contain forward-looking statements of future expectations and other forward-looking statements or trend information that are based on current plans, views and/or assumptions and subject to known and unknown risks and uncertainties, most of them being difficult to predict and generally beyond Bernstein Bank GmbH´s control. This could lead to material differences between the actual future results, performance and/or events and those expressed or implied by such statements. Bernstein Bank GmbH assumes no obligation to update any forward-looking statement or any other information contained herein.

Bernstein Bank GmbH

Maximilianstr. 13

80539 Munich

Germany

info@bernstein-bank.com

www.bernstein-bank.com