

# QUESTION: Candlesticks are ideal for all market analysis and are the best technique for Technical Analysis discuss?

This is a question that is very wide open. What should really be the basis of the answer is very loosely outlined here:

- 1) What are the advantages and dis-advantages of candlesticks.

## PITFALLS

Can take along time to understand the many patterns  
 You need accurate H/L/O/C  
 80% patterns are trend change signals  
 Difficult to get accurate candles in FX define open/close  
 Very few measuring techniques  
 250 candle patterns that's a lot to use analysis paralysis

## WHEN USEFUL

Size, Frequency, Colour gives great quick idea of market sentiment. (SFC)

Can give great pivot points. (Marabozu) splitting bodies in half

Uses gap analysis really well. Difference between filling and closing the gap

Uses 3,9,13 in analysis

Can blend candles to clear uncertainty (HH + LL +O1+ C2)

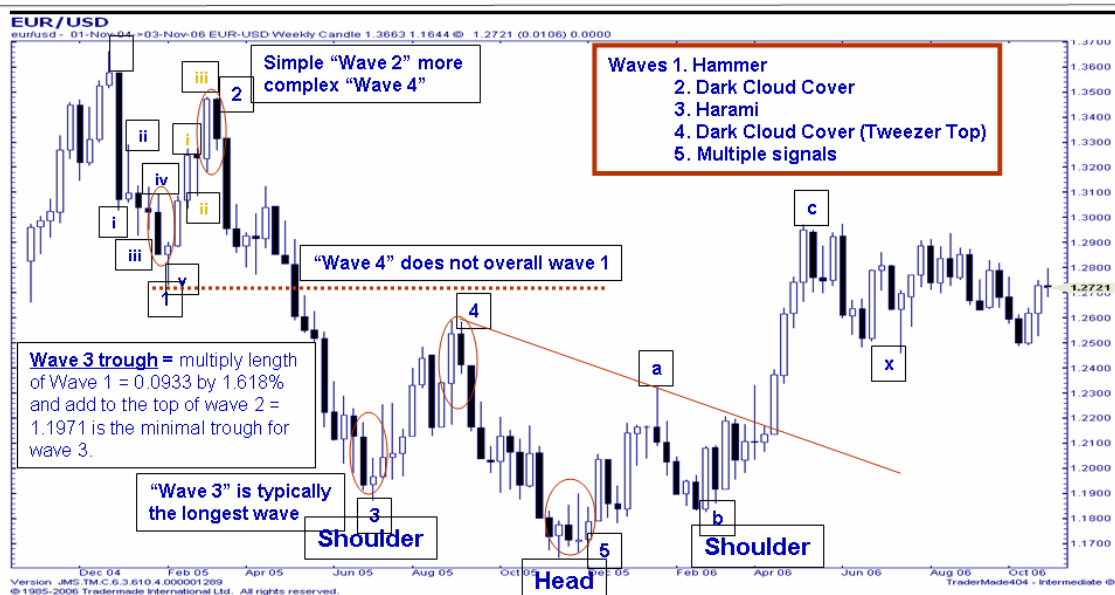
Ideal as a confirmation tool with other techniques.

**Not ideal for X market analysis or fly structures. Better use line charts. Line charts are more suited for multiple instrumental/multi-comparative type charts, market profile for s/t trading and P+F better for FX no time axis.**

Candlesticks are most useful when completed by other techniques ie this Elliott example with candles is just one illustration.

## Elliott Wave – Simple Rules and application of candles

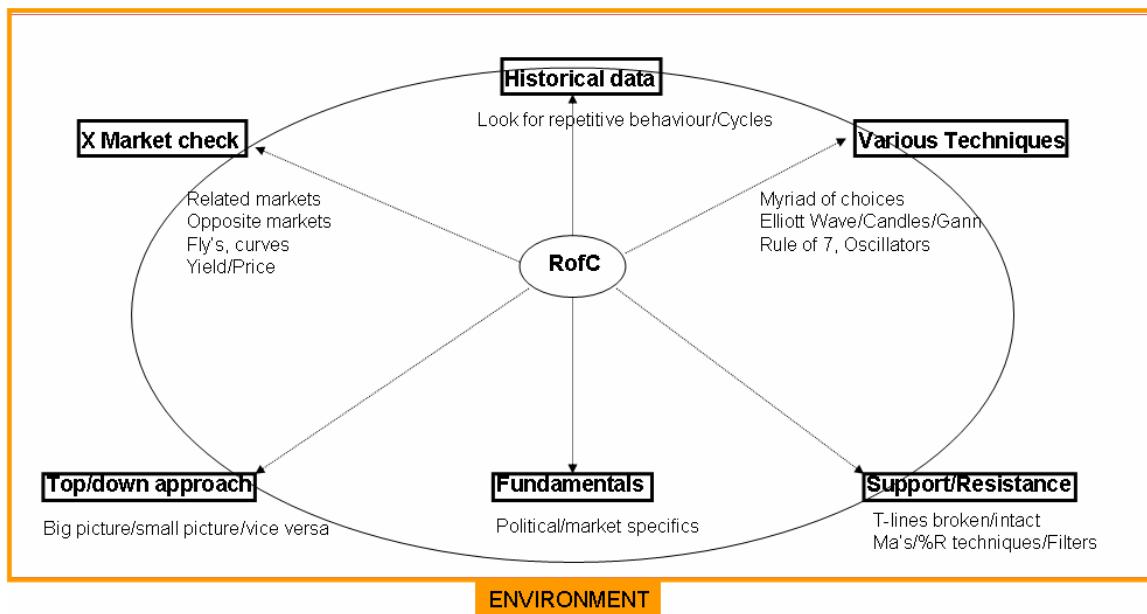
This is an example from last year working well with Elliott



Candlesticks should form part of the rule of confirmation if ma's are broken with strong candles and t-lines this adds confidence to the move. Should use 3 different techniques to give confirmation and confidence. Also useful to use the disparity index with candles. Ie. % diff of price vs ma.

Candidates should try and draw examples of candle patterns showing patterns you would not see from other techniques. Should also explain it complements the Western patterns such as H+S, Triple tops etc.

**RULE OF CONFIRMATION – THOUGHT PROCESS/CHECKLIST**



**Conclusion:**

Candles are an old technique using 100% of the price info using In-sen/Yo-sen philosophy they complement other techniques, but are not the best as they cannot be used in all markets if no H/L/O/C info is reliable.