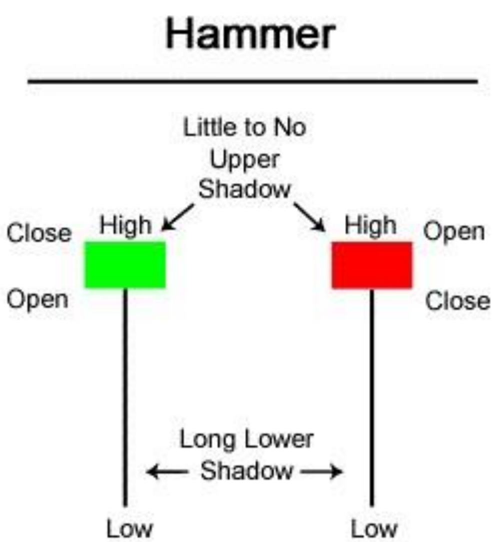
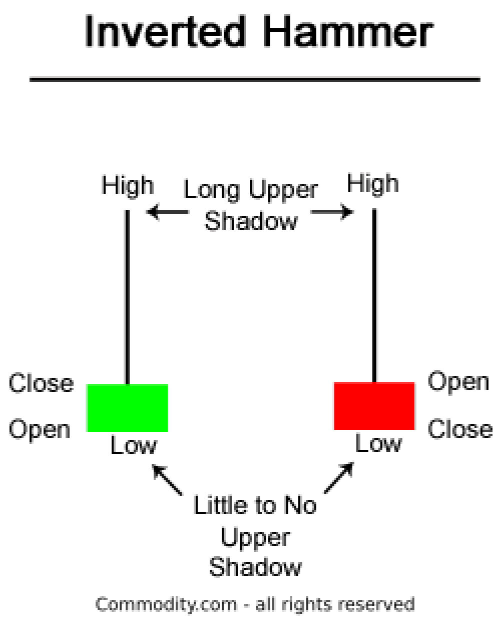
What is Hammer Candlestick?

The hammer candlestick is found at the bottom of a downtrend and signals a potential (bullish) reversal in the market. A hammer is a candlestick pattern, when a stock opens then moves a lot lower during the day then rallies back near the opening price. The candlestick pattern looks like a hammer with the long lower wick from the lows of the day looking like the handle and the opening and closing price body form what looks like the hammer's head. The lower wick is usually twice the size of the candle body but can be even bigger. To get the clear idea about Hammer Candle and how it look like please find the chart below..



What Is the Inverted Hammer Candlestick?

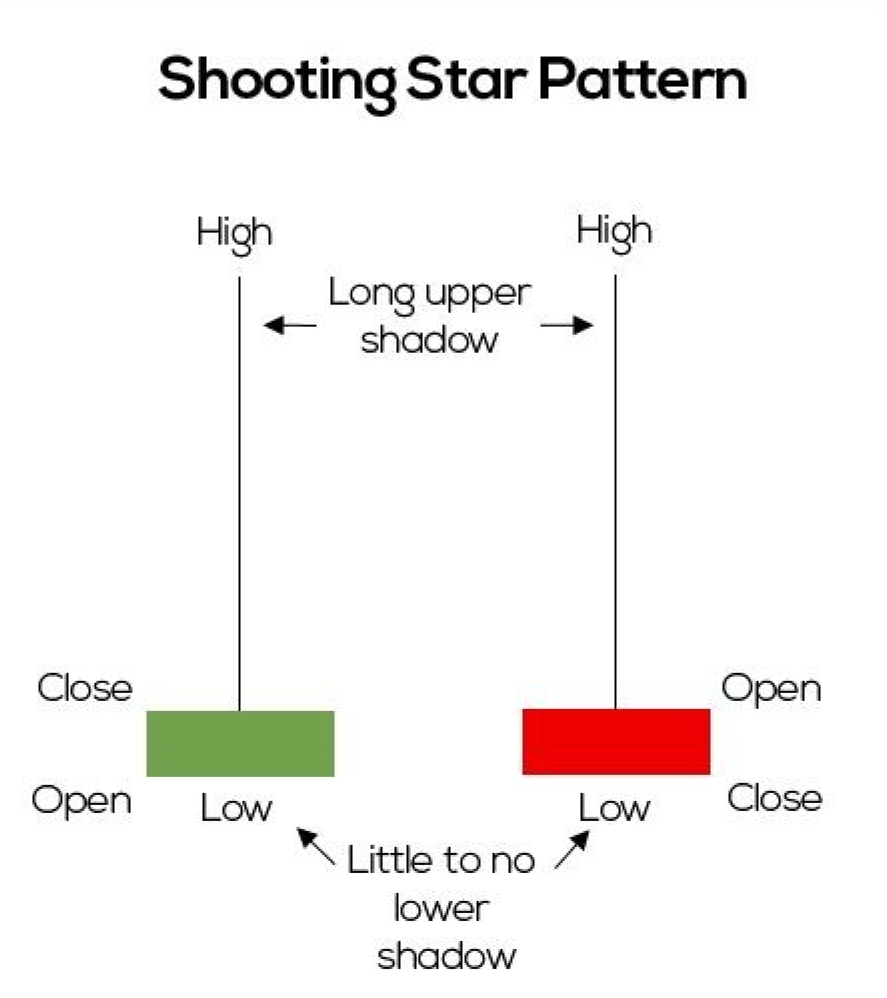
The Inverted Hammer candlestick formation occurs mainly at the bottom of downtrends and can act as a warning of a potential bullish reversal pattern. What happens on the next day after the Inverted Hammer pattern is what gives traders an idea as to whether or not prices will go higher or lower. What Does the Inverted Hammer Look Like? The Inverted Hammer formation is created when the open, low, and close are roughly the same price. Also, there is a long upper shadow which should be at least twice the length of the real body.



A shooting star pattern is found at the top of an uptrend, when the trend is losing its momentum.

The shooting star is actually the hammer candle turned upside down, very much like the inverted hammer pattern. The wick extends higher, instead of lower, while the open, low, and close are all near the same level in the bottom part of the candle.

The difference is that the shooting star occurs at the top of an uptrend. It’s a bearish chart pattern as it helps end the uptrend. The inverted hammer, on the other hand, is a bullish chart pattern that can be found at the bottom of a downtrend and signals that the price is likely to trend upward.



Both the green and red versions are considered to be shooting stars although the bearish (red) candle is more powerful given that its close is located at the mere bottom of the candle. Again similar to a hammer, the shadow, or wick, should be twice as long as the body itself.

In general, *the longer the wick the stronger the reversal*, since the long wick signals the inability of the bulls to secure a high close.

The hanging man pattern is a single-candle formation found at the top of an uptrend.

This pattern is popular amongst traders as it is considered a reliable tool for predicting changes in the trend direction.

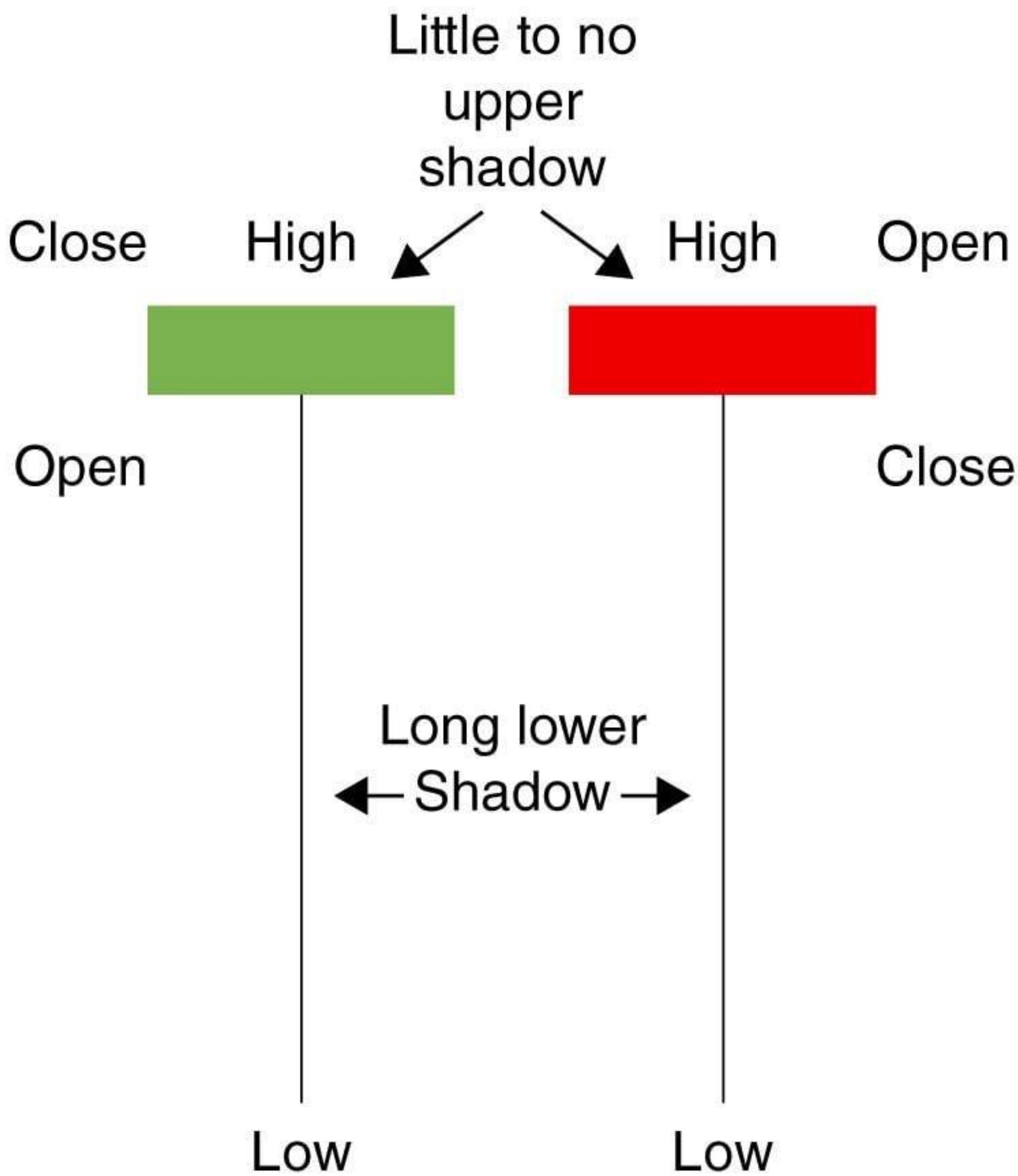
A hanging man is considered a bearish candlestick pattern that issues a warning that the market may reverse soon as the bulls appear to be losing momentum.

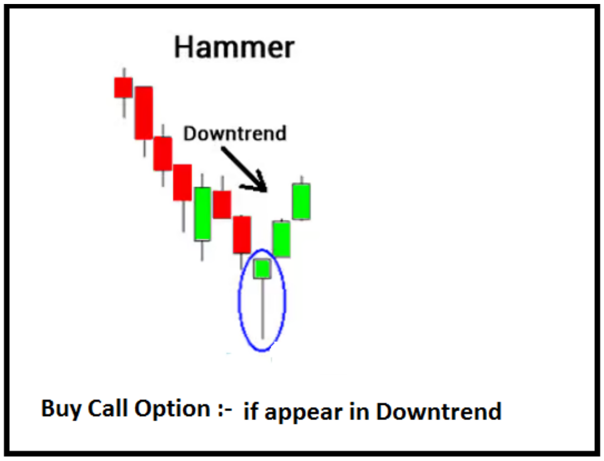
The reversal may not start as soon as the hanging man is formed. Instead, it generates a message that the current momentum may be in its closing stages as the price action prepares for a potential change in the trend direction.

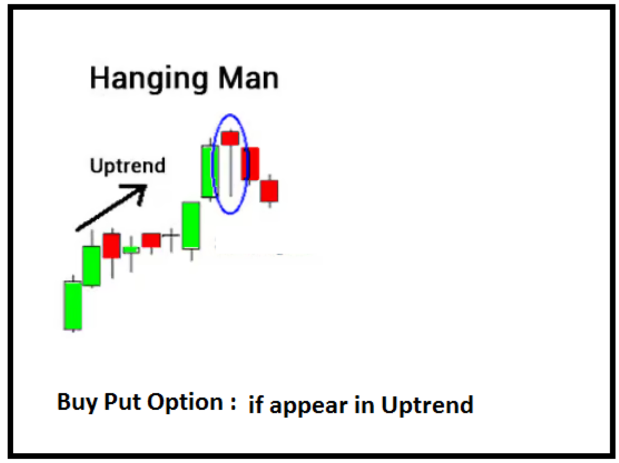
Characteristics of the Hanging Man pattern
The hanging man belongs to a family of single-candle formations.

This candle is created when the open, high, and close are of a similar price, while there is a long shadow to the downside. Ideally, this shadow, or wick, should be at least twice the length of the body.

Hanging Man Pattern







OPtion Buying Strategy