

How Any Stock Trader Can Find the Stock Market Trend Using Candlestick Analysis

Analyzing candlesticks allows any stock trader to easily discern the stock market trend, without having to listen to the rhetoric of the "experts" projecting what the market is going to do, which is usually wrong. Their recent commentary has foretold of the market "running out of steam, and a pullback is in store for sure". Yet the candlesticks show the astute stock trader a much different story of the underlying stock market trend.

Since the strong bullish Hammer signal of early March, the DOW had had a nice, consistent bullish uptrend. The top was evident with the Doji, confirmed in mid-June. After the pullback to the beginning of July, the DOW has moved sideways. The candlestick formations show a trading range, not a selling atmosphere. This consolidation can be reasonably construed as a resting phase in an uptrend.



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That assumption is easy for the stock trader to see when the stock market trend charts are analyzed using candlestick formations. The low points are followed by bullish candles. The tops are illustrated with Doji's and Shooting Stars. This combination reveals that neither the selling nor the buying was long lived.

So what does that do for a stock trader investment program? It allows us to step back and see what the stock market trend is doing. The last four weeks show an obvious conclusion. This market is not in any hurry to go one way or the other.

So what does the stock trader do with that information? It becomes immediately apparent that the same profit potential is not available as in the strong upwards stock market trend from March to June.

The reason? We may just be in the "summer doldrums". When you witness a period that appears not to have the potential as other time frames, that should be a time to relax. Go do something else. The expert stock market trader knows that investing in the markets does not mean squeezing every possible dollar out of the market. Some time frames become opportunities to go refresh, recharge, get away from the market for a few weeks without missing anything.

Knowing that the market does not have a trend, utilizing the signals becomes that much more beneficial. The buy signals should depict the stocks/sectors that have money flowing to them. The short signals show the stocks/sectors that money is being withdrawn from. The smart stock trader will place trades in both of those directions and will benefit from the signal probabilities without the influence of a strong market direction having to be accounted for.

While the DOW charts have been flat, the Nasdaq is a different story. It has had a nice run-up in the month of July with a sell-off in the past week or so. Now we are seeing signs of a J-Hook pattern in the NASDAQ stock market trend. This is demonstrating some of the stocks that were the big percentage winners in the last bull market are now getting new interest after a three-year respite. AMZN, EBAY, many Internet stocks, and Semiconductors are starting to pick up strength.



This analysis is easy for the stock trader who understands the candlestick buy signals showing up in the sector charts as well as the individual stock charts. There is a huge advantage in knowing the direction of the stock market trend and knowing which stocks/sectors are gaining buying interest. Pinpointing those stocks allows the candlestick investor to maximize the use of their investment funds.

The charts provide some indication that the consolidation may be running its course. Watch for a new possible burst of buying over the next couple of weeks.