

# Profitable INVESTING Tips

## Stock Market Investing Tips, Techniques, and Resources



### Doji Candlestick Trading

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The Doji is one of the dozen major Japanese Candlestick trading signals. It describes a trading session that opens and closes at virtually equal prices. It is a reliable indicator of market uncertainty but does not tell you the direction that the market is going next. Depending on how high the market goes or how low it falls before returning to the opening price, it can be described as a Gravestone Doji, Long legged Doji, or Dragon Fly Doji. These describe sessions with a run above the open, equal high and low prices, and a market that falls impressively before its return to the base price.

### Different Types of Doji

In addition to the Gravestone, Long Legged, and Dragon Fly Doji signals there are several different types of Doji and each renders a different description of market movement and information about where the market might be going next. The Bearish Evening Doji Star, Bullish Morning Doji Star pattern, and Cross Doji are just a few of these. In each case the Doji tells us that the market is conflicted with both up and down forces at work. However, the extended Doji patterns give us a bit more information about what to expect next.

### 2 Doji Pattern

The 2 Doji pattern is exactly what it sounds like. The market produces two Doji signals back to back. This indicates continuing market uncertainty and is an even stronger indication that the market is about to move. At this point in Doji candle trading, traders wait for the next Candlestick signal to guide their actions. The breakout can be significant after this signal but many traders not only wait for the next Candlestick signals but confirming market action as well before trading into a rising, or falling, market.

### Bearish Evening Doji Star

This is a three part Candlestick signal. The middle signal is the Doji. It is preceded by an up day (white candle) and followed by a down day (black candle). This is a bearish indicator. The specifics include the body of the Doji being above the previous day's body but the limit of the Doji falls below at least the high price of the previous day. The following signal has its candle body below that of the Doji and the closing price below the midpoint of the first candle in the pattern. The Doji still indicates market indecision. The complete three-part signal is an extremely bearish indicator.

### Bullish Morning Doji Star Pattern

The bullish Morning Doji Star pattern has three parts. It starts with a down day (black candle) that indicates a substantial drop in price (long black candle). The Doji signal is the second in this set and gaps below the first

signal. The third signal in this pattern closes within the body of the first candle. It is a strong bullish indicator showing negative sentiment on the first day, indecision on the second, and bullish [sentiment](#) on the third. As with many bullish indicators, smart Candlestick traders typically look for a confirming upward move before going “all in” on what will probably be a substantial rally.

### **Candlestick Doji Star**

This two-part Candlestick is a bullish reversal signal. The Candlestick Doji Star starts with a downward day (black candle) followed by a Doji candlestick whose body lies well below the body of the first candlestick. The pattern occurs after a definite downward trend. This signal indicates that traders are rethinking the downward trend and wondering if a market bottom has been reached. Candlestick traders will ready themselves for upward movement at this point but wait for confirming movement before risking all of their trading capital.

### **Cross Doji**

This signal is also called the Harami Cross Doji. The signal is an indication of a possible trend reversal and occurs at the end of both downward and upward trends. With a downward trend there is a substantial down day shown by a long black candlestick. The Doji in the following session occurs midpoint on the black candlestick showing that the market recovered partially from the low of the previous day and then remained undecided. When the signal occurs at the end of an upward trend, we see a substantial up day followed by a mid-point Doji.

### **Doji Candle Screener**

Candlestick trading is popular because it is accurate and because the visual signals are easy to read. Nevertheless, the more-complicated Candlestick signals might be easy to miss as well and if you are following several stocks, the problem is multiplied by the number you are following. A good answer to this issue is to use a screening tool. A Doji Candle screener will alert you to moments of indecision in the market and give you the opportunity to take advantage of potential market reversals.

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