Reading a single candle

> **READING A CANDLE**
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> A candle records how one period's auction went: the body shows where the period opened and closed, the wicks show prices that traded but did not hold, and the range shows the full territory contested. Reading a candle means describing what happened in the period. It is a record of the auction just finished, not a forecast of the one starting.

An hour ends and leaves behind a candle: small body, long upper wick. Something happened in that hour, and the candle wrote it down. This lesson is about reading the note accurately - which is a different activity, with a different payoff, from the one candle folklore promises.

What does the shape record?

Each part is one fact about the period's auction. The body: where the period settled relative to where it started - the net of every order that hour. The wicks: territory that traded but did not hold, prices where one side pushed and the other pushed back, in the book-consumption mechanics of module 1. The range: how much ground was contested in total. So a small body under a long upper wick reads, in plain English: buyers carried price 20 pips up during the hour, sellers took nearly all of it back, and the hour settled 6 pips above where it began. That sentence is the candle, read.

What the shape does not record is what happens next. Candle folklore assigns names and prophecies to shapes - and whatever analysis is worth building on such shapes belongs to module 5, built properly, with its limits stated. Here the discipline is simpler and prior: describe before you interpret. A trader who can say exactly what a candle records has something real; a trader who skips to what it foretells has a name for a shape.

> Diagram: The lesson's candle, read: 30 pips contested, 20 reached and abandoned, 6 kept.
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> View it in the web lesson: https://ticksprout.com/learn/fx/reading-the-market/reading-a-single-candle

Worked example - figures in USD

You hold 0.5 lots of EUR/USD through an hour that prints a 30-pip range, 6-pip body and 20-pip upper wick. A pip on a full lot is worth $10.

1. The hour's candle on EUR/USD: a 30-pip range, a 6-pip body, a 20-pip upper wick. Read it: buyers reached 20 pips above the open, lost nearly all of it, and the hour settled 6 pips up.
2. Now price the difference between the note and the journey at your size ($10 per pip per lot, $5 on your 0.5 lots). Close-to-open, the hour looks like $30. But a position held through it rode the full excursion: $100 up and most of it back.
3. Same candle, two readings: the settlement and the experience. Both are in the shape once you know where to look - and neither is a statement about the next hour.

What this means for you

Practise the reading, not the naming: for any candle, say in one sentence what the period did - where it settled, what it reached and abandoned, how much ground was fought over. Wicks are the part worth respecting: they are the record of prices the market visited and rejected, which is exactly the territory stops and worked orders lived or died in. When you meet a named pattern with a promise attached, translate it back into the description first - the description is the part that is true. What descriptions can and cannot support comes in module 5.

Check your understanding

1. An hourly candle shows a 20-pip upper wick. What does the wick record?

a. Prices up to 20 pips above the body that traded during the hour but did not hold
b. The direction the next hour will move
c. Orders that were placed but never filled
d. A data error at the high

Answer: a. Wick territory traded - real transactions happened there - and the auction then left it behind. It is a record of the hour just gone, not the hour coming; unfilled orders leave no print at all; and an unusual wick is usually a faithful record of a fast moment, as the module's first lesson showed.

2. The candle's body is 6 pips but its range is 30. A position held through the hour experienced how much movement?

a. Up to the full 30-pip range - the body only records where the hour settled
b. 6 pips - the body is what happened
c. 36 pips - body plus range
d. None, if the trader was not watching

Answer: a. Accounts ride the path, and the path visited the whole range; the body is the net of the journey, not the journey. Adding body to range double-counts, and the market does not pause for unwatched positions.

3. What is the honest reading of a small body under a long upper wick?

a. Buyers carried price well above the open and sellers took most of it back before the close
b. The pair will fall next period
c. Institutions are secretly selling
d. The candle is a named pattern, which settles what it means

Answer: a. That sentence is what the four numbers record - a description of the finished auction. What the next period does is not in the shape, who was behind the orders is not in the shape, and a pattern's name adds vocabulary, not information.

4. Why does this lesson insist on describing candles rather than naming them?

a. The description is verifiably in the data; the prophecy attached to a name is not
b. Names are too hard to memorise
c. Descriptions predict the market better
d. Naming candles is against the rules of trading

Answer: a. A candle demonstrably contains its four numbers and the reading built on them; claims about what follows need evidence a single shape cannot carry - that assessment belongs to analysis, done properly, later. Memory is not the issue, descriptions predict nothing either - that is the point - and there are no rules of trading, only claims that survive checking and claims that do not.