

Reversal Candlestick Patterns in XAUUSD (Gold)

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Introduction

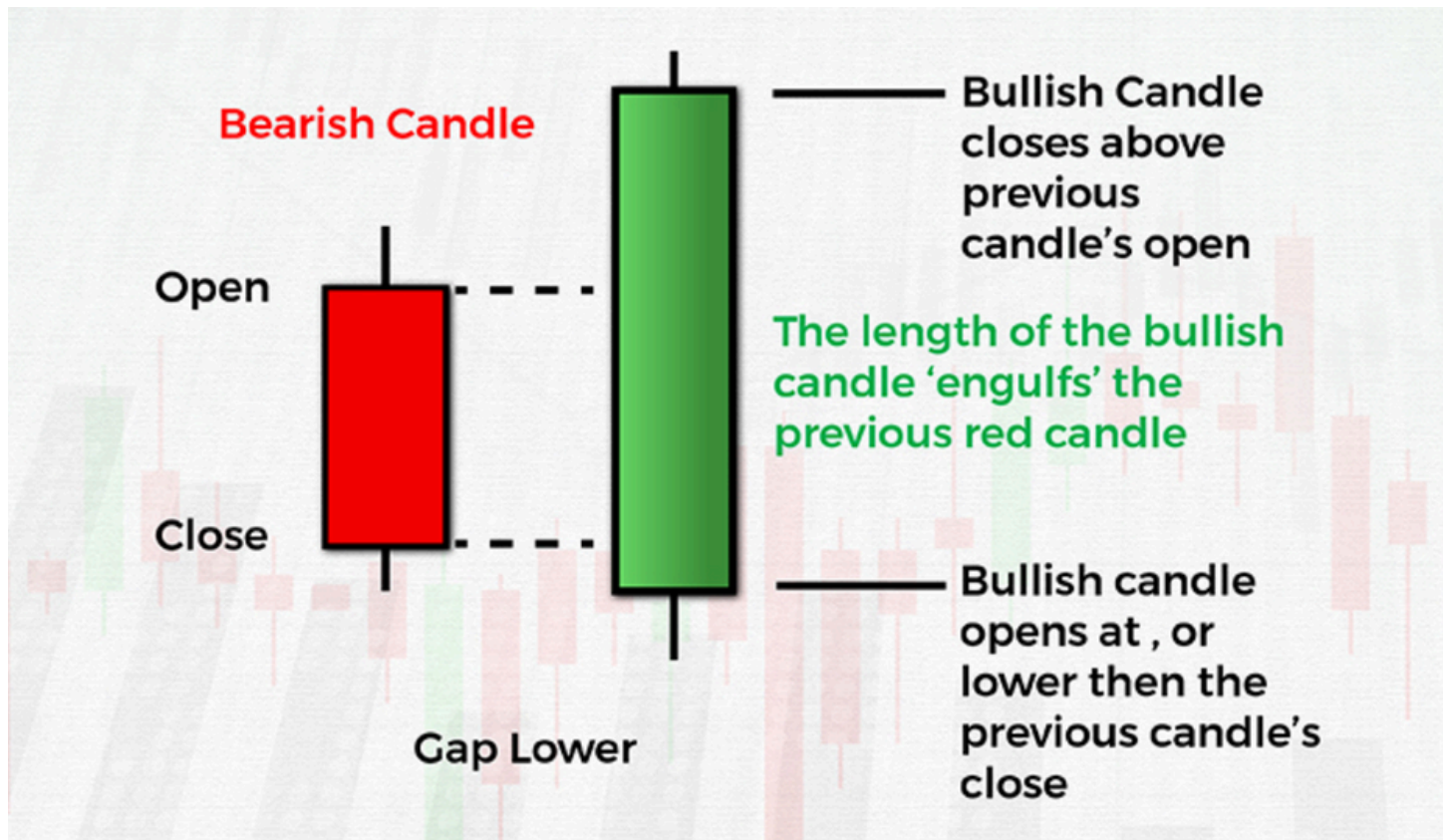
In the volatile world of XAUUSD (Gold) trading, recognizing reversal candlestick patterns can give traders a powerful edge. This guide covers the most effective bullish and bearish reversal candlestick patterns, especially when combined with key support/resistance zones, liquidity areas, or order blocks.

Bullish Reversal Patterns (Price Likely to Move Up)

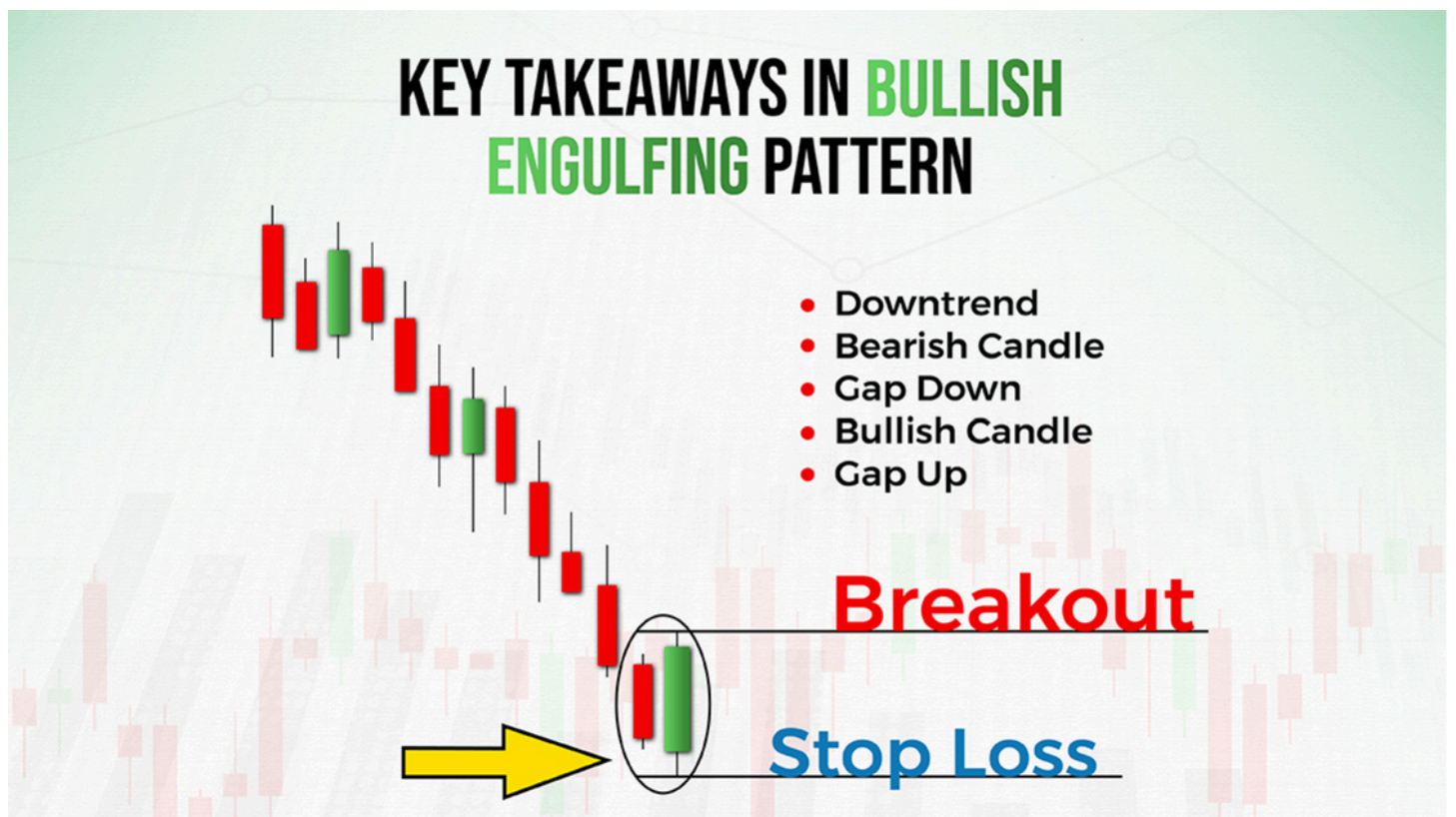
*Look for these patterns at **support**, **demand zones**, or after a **downtrend**.*

1. **Bullish Engulfing**

- A large green candle fully engulfs the previous red candle.
- Strong signal that buyers are taking over.

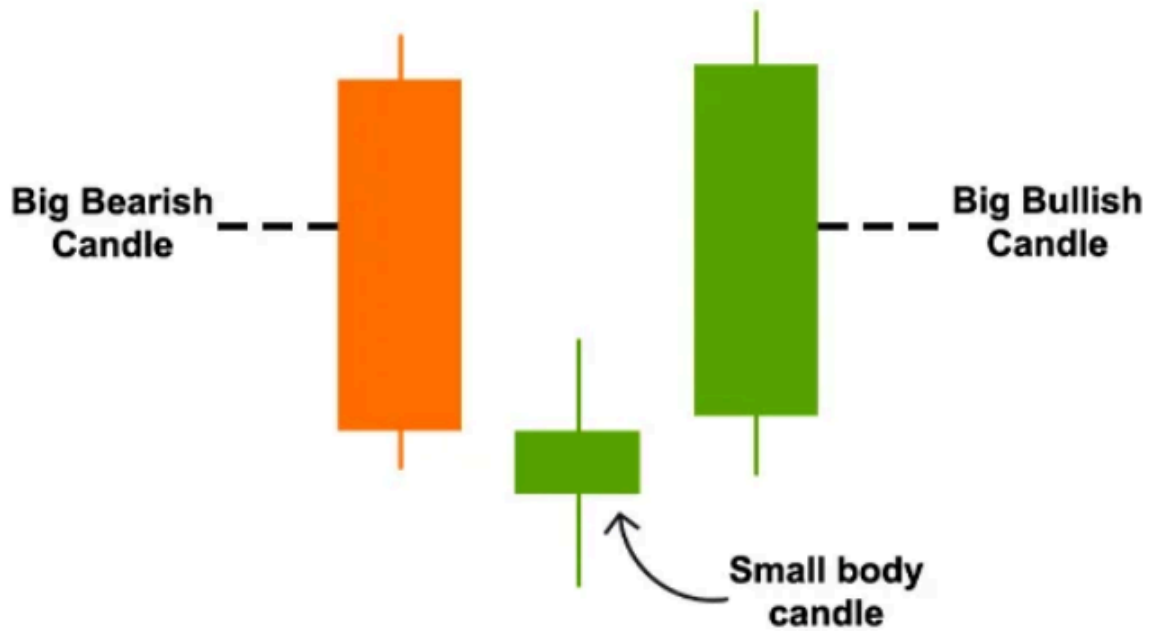


Key takeaway 📌



2. *Morning Star*

- *A three-candle pattern:*
 - *Bearish candle*
 - *Small body (Doji/Spinning Top)*
 - *Strong bullish candle*
- *Indicates the end of a downtrend*



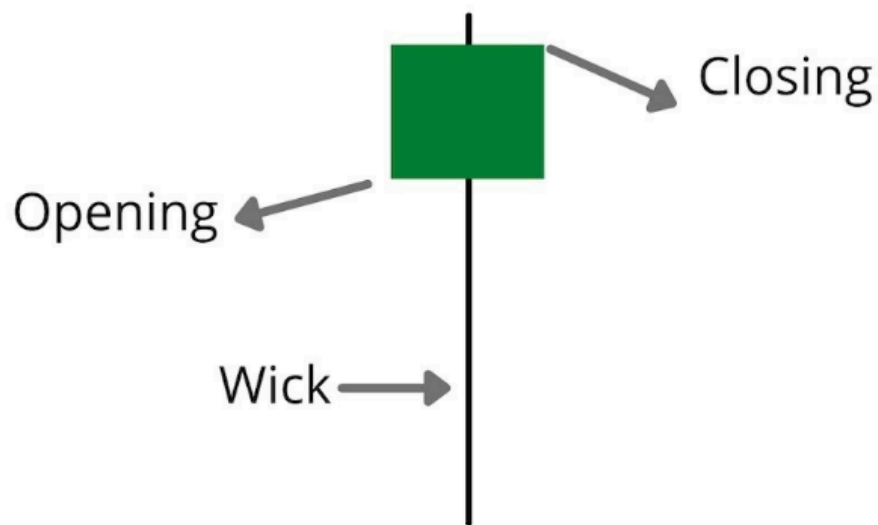
Morning Star

look for this pattern after a sell trend at support , Demand or Bullish POI...

3. **Hammer**

- *Small body at the top, long lower wick.*
- *Shows rejection of lower prices.*

Bullish Hammer Candlestick

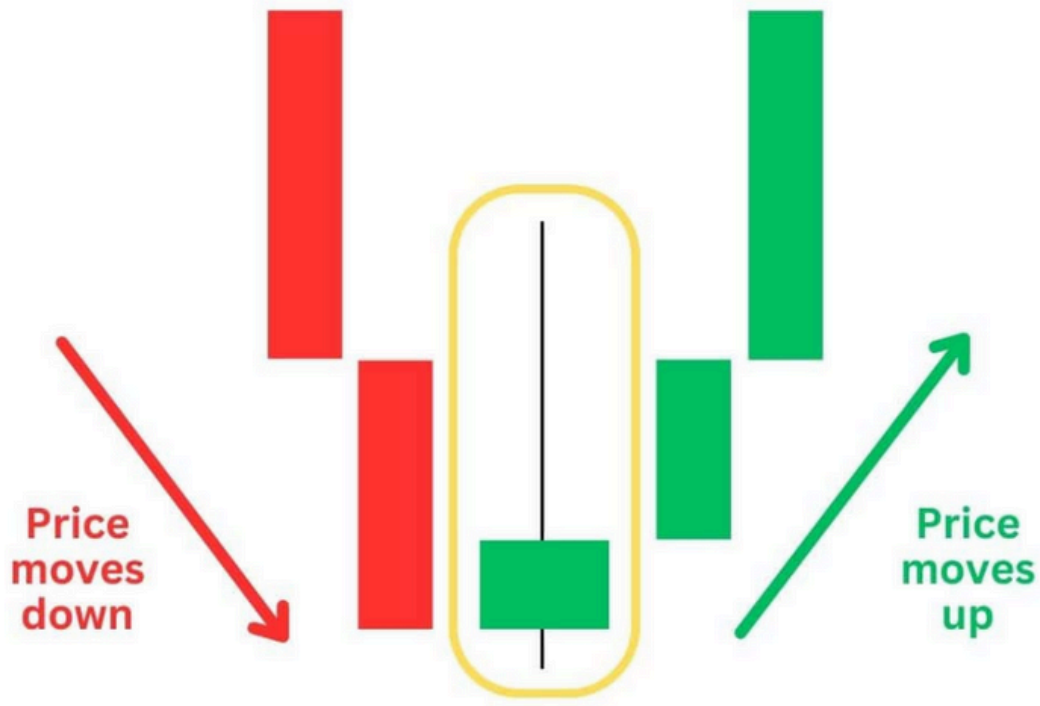


Takeaway 🙋



4. ***Inverted Hammer***

- *Small body at the bottom, long upper wick (after downtrend).*
- *Potential reversal, needs bullish confirmation.*



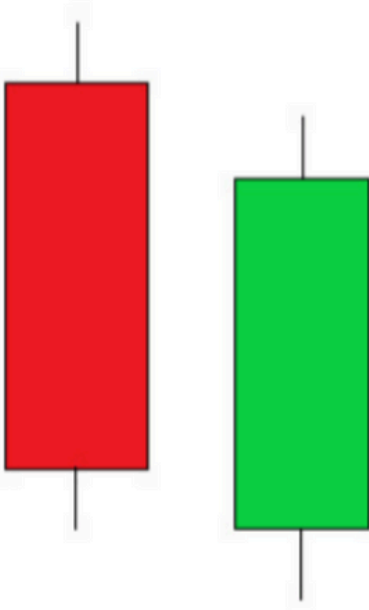
Inverted Hammer Candlestick



5. ***Piercing Line***

- *Red candle followed by green that closes above the midpoint of red.*
- *Bullish momentum forming.*

Piercing Line Pattern



- Two candle Pattern
- Trend Reversal Pattern
- Effective if found during down trend
- 1st Candle: **Red (Bearish)**
- 2nd Candle: **Green (Bullish)**
- Both candles should be big
- **Green** candle opens below **Red** candle.
- **Green** candle closes slightly below the top of **Red** candle.

6. *Doji (at support)*

- *Open and close are nearly the same.*
- *Sign of indecision – if followed by a bullish candle, can signal a reversal.*



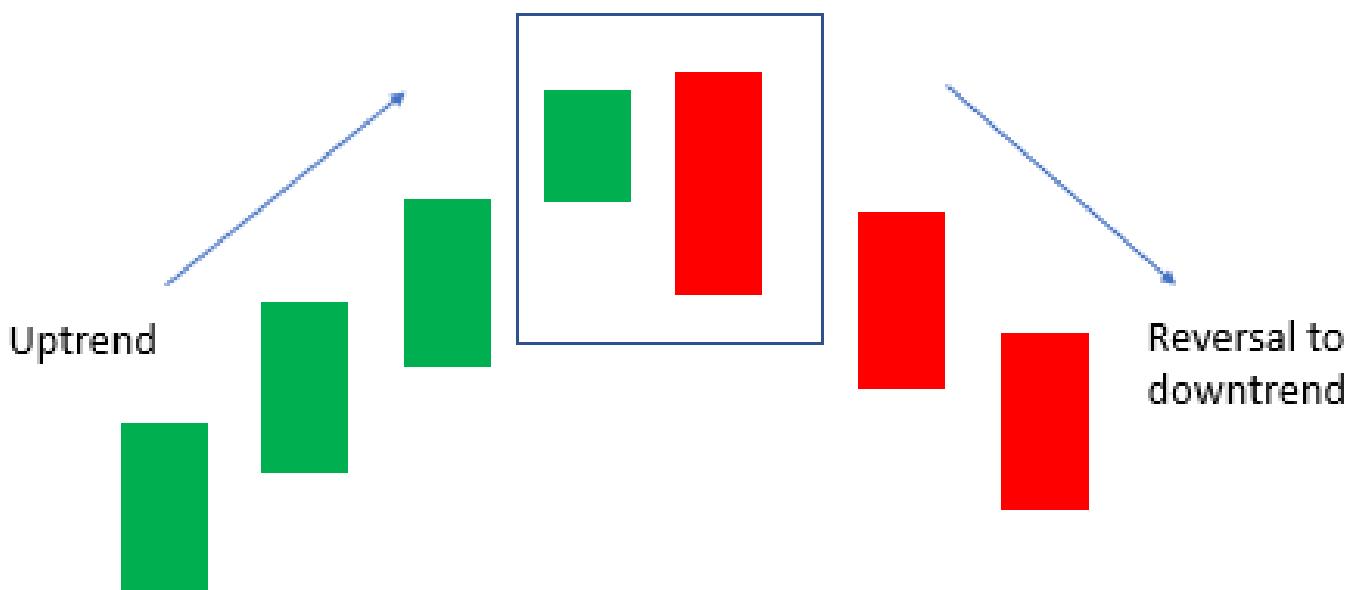
🔄 Bearish Reversal Patterns (Price Likely to Move Down)

Look for these patterns at **resistance**, **supply zones**, or after an **uptrend**.

1. ***Bearish Engulfing***

- A large red candle engulfs the previous green candle.
- Sellers overpowering buyers.

Bearish Engulfing Pattern



2. ***Evening Star***

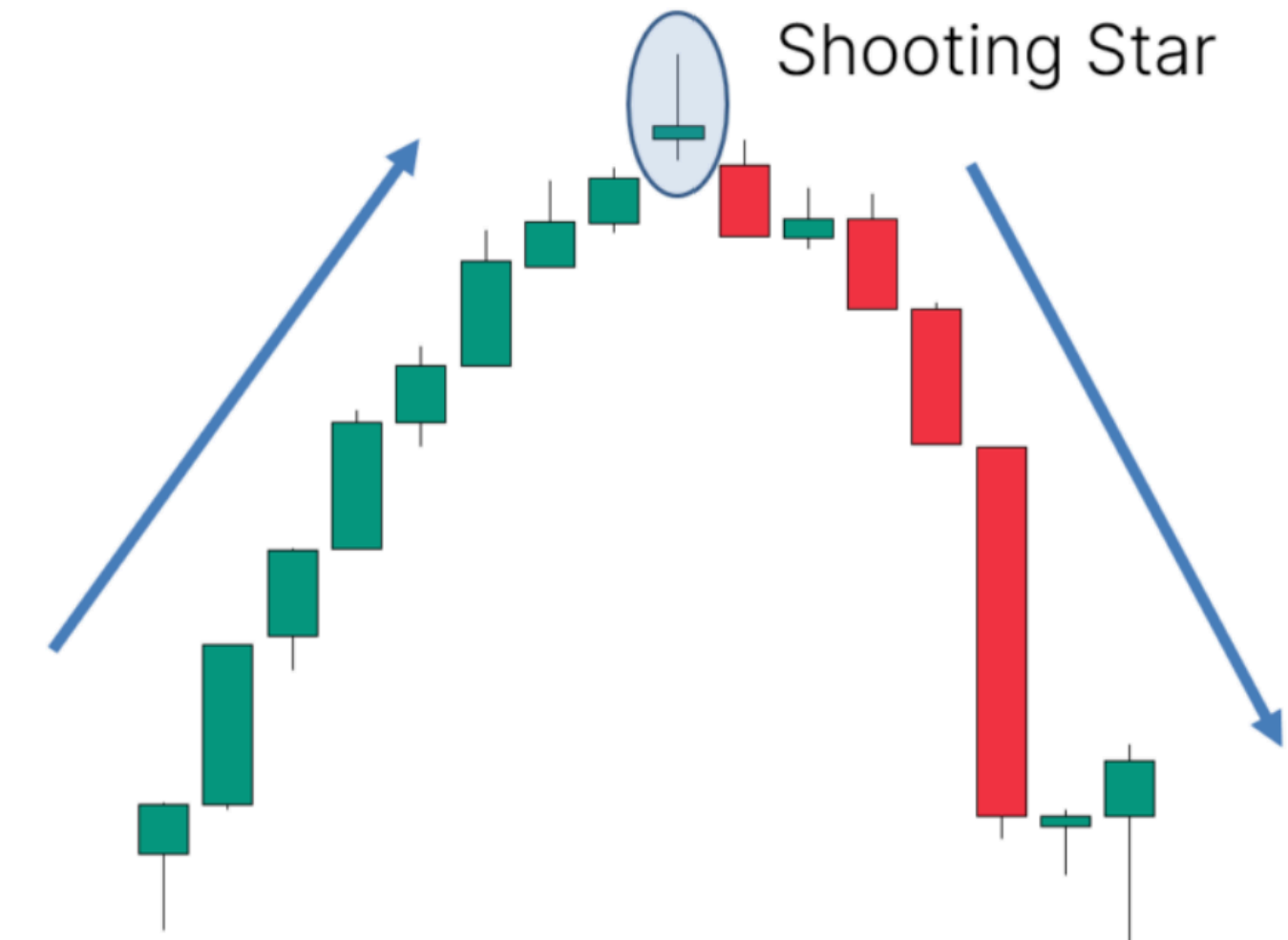
- A three-candle pattern:
 - Bullish candle
 - Small body candle / Doji

- *Strong bearish candle*



3. ***Shooting Star***

- *Small body, long upper wick.*
- *Rejection of higher prices.*



4. ***Hanging Man***

- *Small body, long lower wick (after uptrend).*
- *Warning sign of a possible bearish reversal.*

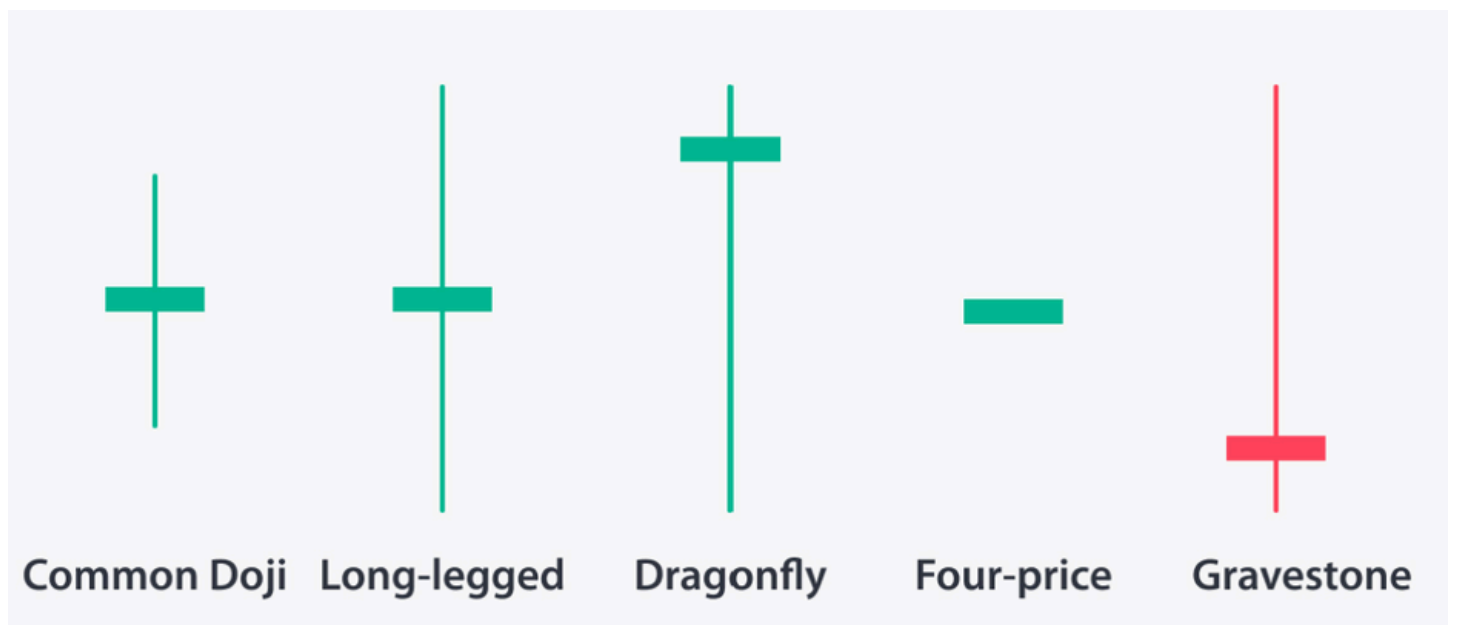


5. ***Dark Cloud Cover***

- *Green candle followed by a red candle that closes below the midpoint of the green.*
- *Bears gaining control.*

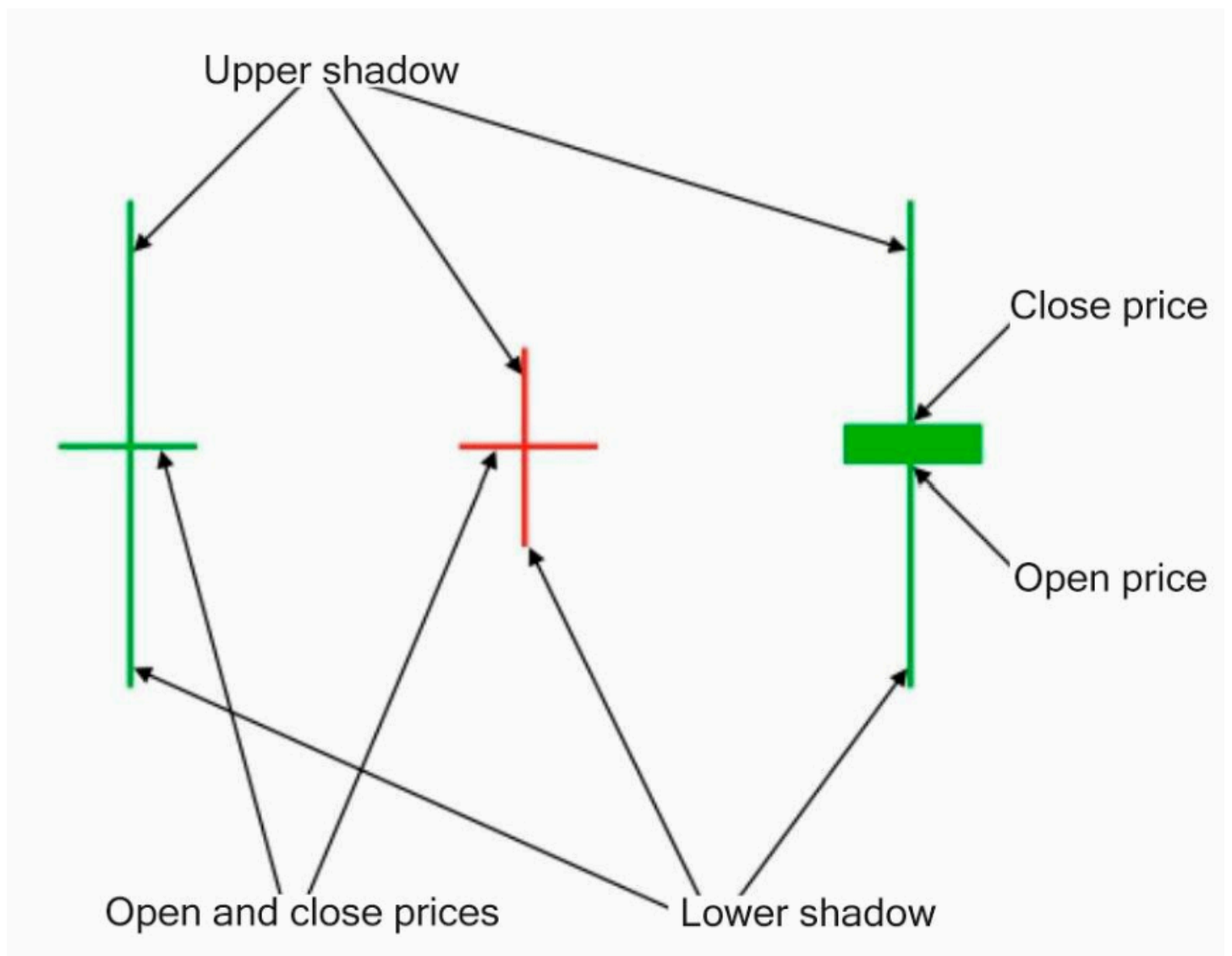


Understanding Types of Doji Candles



1. **Common Doji**

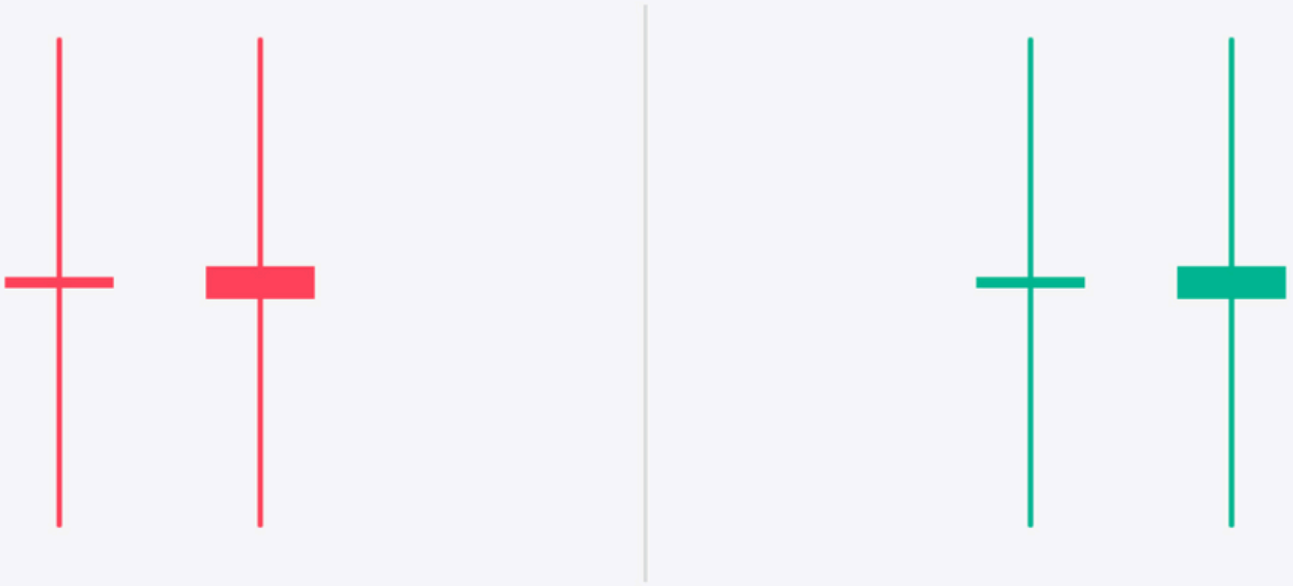
- **Appearance:** Open and close are at the same level; small wicks.
- **Meaning:** Classic indecision between buyers and sellers.
- **Use Case:** Watch for this near key support/resistance — follow-up candle confirms the next direction.



2. *Long-Legged Doji*

- **Appearance:** Long upper and lower wicks; open and close are centered.
- **Meaning:** Extreme indecision, strong battle between bulls and bears.
- **Use Case:** Stronger signal if found at the **top of a rally or bottom of a fall** – wait for a breakout or engulfing candle as confirmation.

Long-Legged Doji



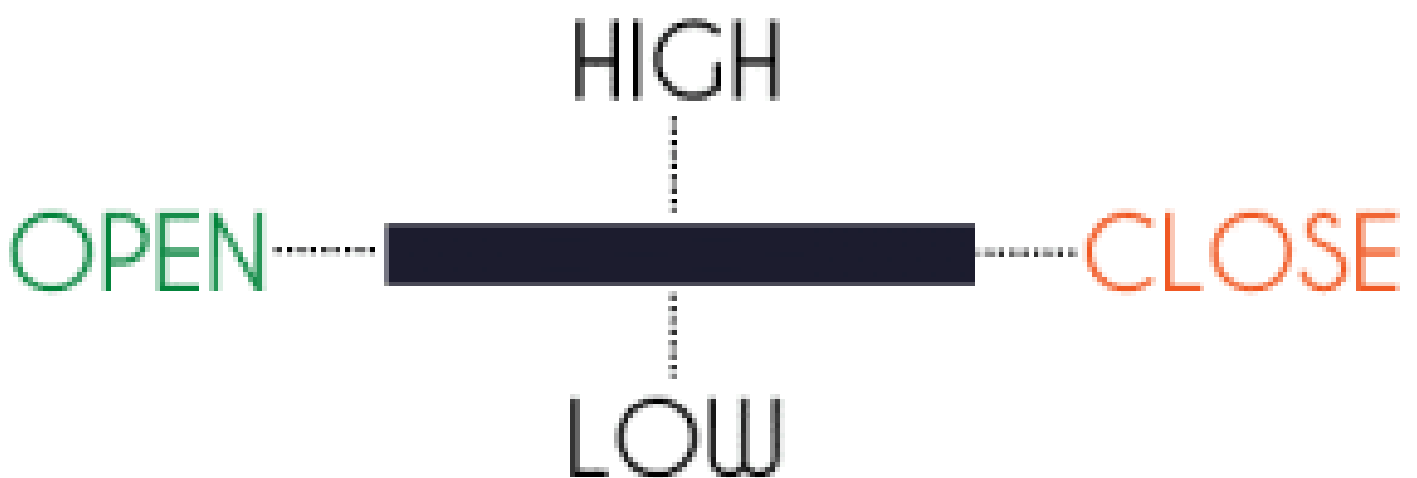
3. *Dragonfly Doji*

- **Appearance:** Long lower wick, open = close = high.
- **Meaning:** Sellers dominated early, but buyers pushed price back up.
- **Use Case:** **Bullish reversal** if formed at **support or demand** zone. Confirm with a strong green candle.



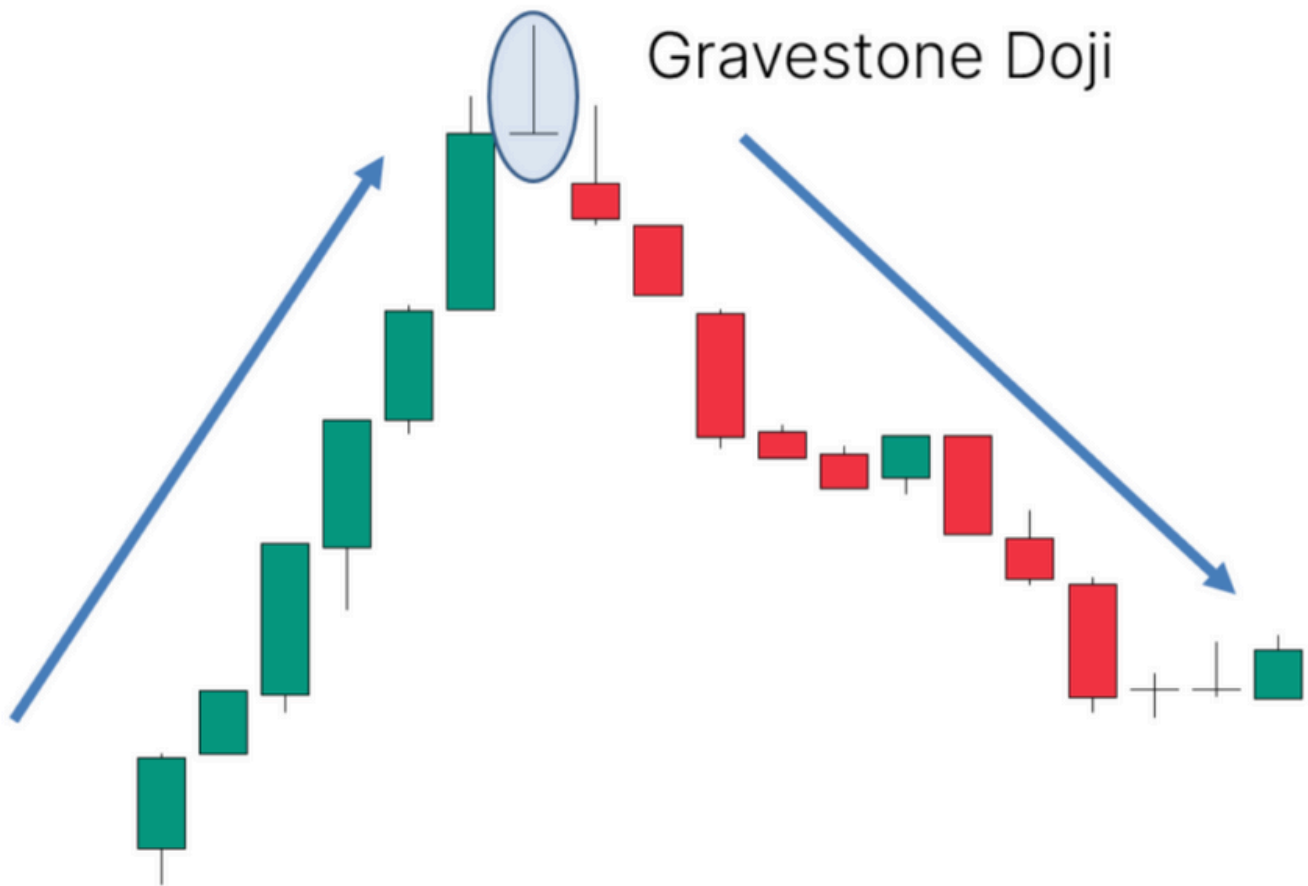
4. *Four-Price Doji*

- **Appearance:** No wick at all – open, close, high, low are the same.
- **Meaning:** Total lack of movement (rare); extreme indecision or illiquid market.
- **Use Case:** Usually ignored unless seen on **very low-volume assets** or outlier events.



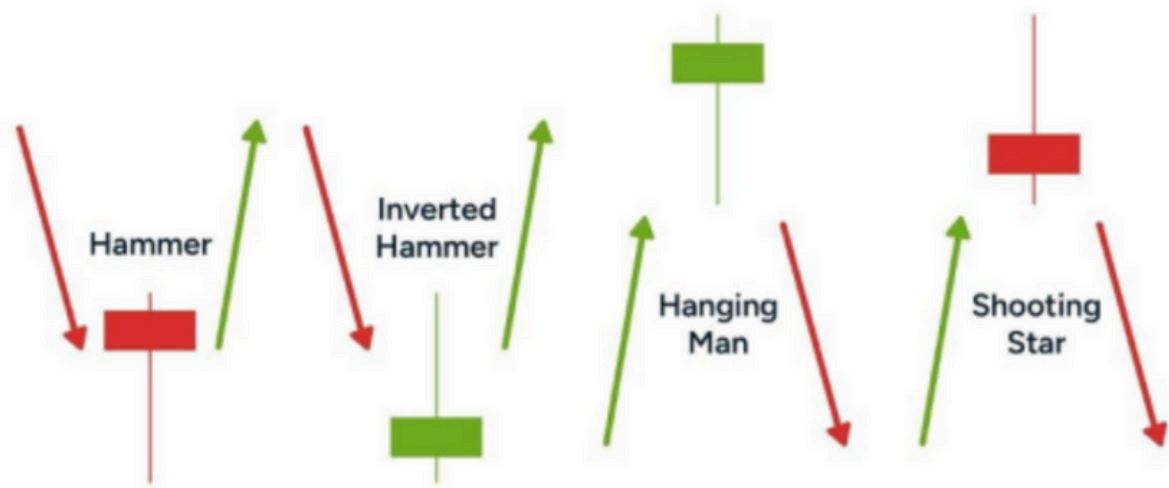
5. *Gravestone Doji*

- **Appearance:** Long upper wick, open = close = low.
- **Meaning:** Buyers pushed price up, but sellers fully rejected it.
- **Use Case:** **Bearish reversal** signal when seen at the **top of an uptrend or resistance area**.



Extra:

Hanging Man vs Shooting Star candlestick patterns



✓ Pro Tips for Trading Candlestick Patterns on XAUUSD

- **Never rely on candlestick patterns in isolation.** Always align them with key technical factors such as **market structure, volume, order blocks, and liquidity zones**.
 - For higher-probability setups, combine candlestick signals with:
 - **Support and Resistance levels**
 - **Order Blocks** (as used in Smart Money Concepts)
 - **Liquidity Zones** (as defined in ICT methodology)
 - **Break of Structure (BOS)** or **Change of Character (CHOCH)**
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