

JAPANESE CANDLESTICKS TWEEZERS TOP AND BOTTOM

Tweezers Top and Bottom are trend reversal patterns. Trend change does not mean old trend ending abruptly and reversing to new trend. Trend changes usually occur slowly. A trend reversal signal implies that the prior trend is likely to change, it may or may not reverse. E.g. - If a top reversal signal appears:

1 The prior uptrend could convert into a period of sideways price action. Then a new trend lower or higher could start

2 The prior uptrend could convert into a downtrend

Tweezers are two or more candles with matching highs or lows. In a rising market, Tweezers Top is formed when two or more consecutive Highs match. Similarly in falling market Tweezers Bottom is made when two or more consecutive Lows match. Tweezers can be composed of real bodies, shadows, and / or Doji. Ideally the Tweezers should have long first candle and small real body as the next candle. Tweezers can be seen in intra-day, daily, weekly, monthly and in all time frames. Whereas Tweezers top and bottom in weekly and monthly chart could be important reversal patterns, but on daily and intraday chart it could be minor reversals.

Examples of Tweezers Top and Bottom

1 Tweezers Bottom as trend reversal in Nifty on daily chart



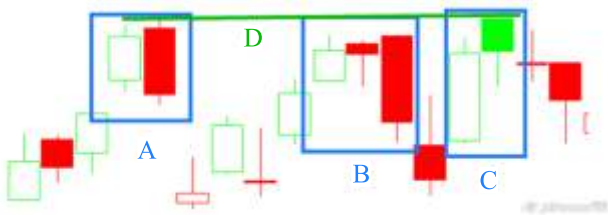
2 Tweezers Top with Bearish Engulfing in a downtrend after small up-move in Nifty Daily Chart



- ③ Tweezers Top in Bank Nifty Daily chart indicating change in Trend: From up-move to sideways



Candlesticks marked in box interpretation



- A Tweezers Top with Bearish Engulfing.
- B Variation of Tweezers Top where Highs are almost matching
- C In-Neck which is a continuation pattern, but fails even in major uptrend as a reversal from uptrend to sideways can be seen
- D Previous Tweezers Top acting as strong reversal

- ④ Tweezers Top and Dark Cloud Cover - This is variation of Dark Cloud Cover with Tweezers top as open of second day is above close of open, but is not above high of first day. As we have matching high on both days, it acts as reversal.



- ⑤ Tweezers top with variation in Harami - Here second real body is not within the first real body and as such it does not qualify for a Harami pattern. However, long black candle after the Tweezers top indicates that the up-move is in danger.



- ⑥ Tweezers Bottom in an uptrend - During uptrend, Tweezers Bottom give good opportunity to initiate long trades.



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Tweezers top in an uptrend - In an uptrend, Tweezers top (2) indicate Trend change as sideways movement and not as downtrend.



These are few examples of Tweezers though not exhaustive.

Candlestick charts can be used on a micro scale as they provide early clues about the price reversals and market turns. They do not provide any price target but help in making market analysis more efficient and improve entry and exit levels.

"Learning is the gate, not the house. You first have to go through the gate to get to the house." Same way study the basics, master the patterns and only then start using it for your analysis. For further details, one can read "Japanese Candlestick Charting Techniques" by Steve Nison.

Pinky Lapasia

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About the Author

Pinky Lapasia is a commerce graduate from Mumbai University and a qualified Chartered Accountant. She has also completed CMT (USA). She possesses vast experience of over 15 years in the equity and derivative markets. She is a skilled swing trader and investor as well. She has in-depth knowledge of Dow Theory, traditional Chart patterns, Harmonics and Neo-Harmonics, advanced Candlestick analysis, Index Options data analysis, Trading psychology and Money management. Pinky is currently working with Rajchandra Capital Services Pvt. Ltd.

