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## Candlestick Forum

# Potential Option Strategies for Candlestick Breakouts

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Candlestick Forum

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# ***Potential option Trading Strategies With Candlestick patterns***

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***Charts provided by CQG and Metastock***

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# The Major Candlestick Signals

- Doji
- Bullish & Bearish Engulfing Signals
- Hammer
- Hanging Man
- Piercing Pattern
- Dark Cloud
- Bullish Harami
- Bearish Harami
- Morning & Evening Stars
- Kicker Signals
- Shooting Star
- Inverted Hammer

***Simple Scans***

***12 Major signals***

***50 -60 signals***

## **DOJI RULE**

***The price/trend will usually move in the direction of how the price opens after the doji***

# **CANDLESTICK**

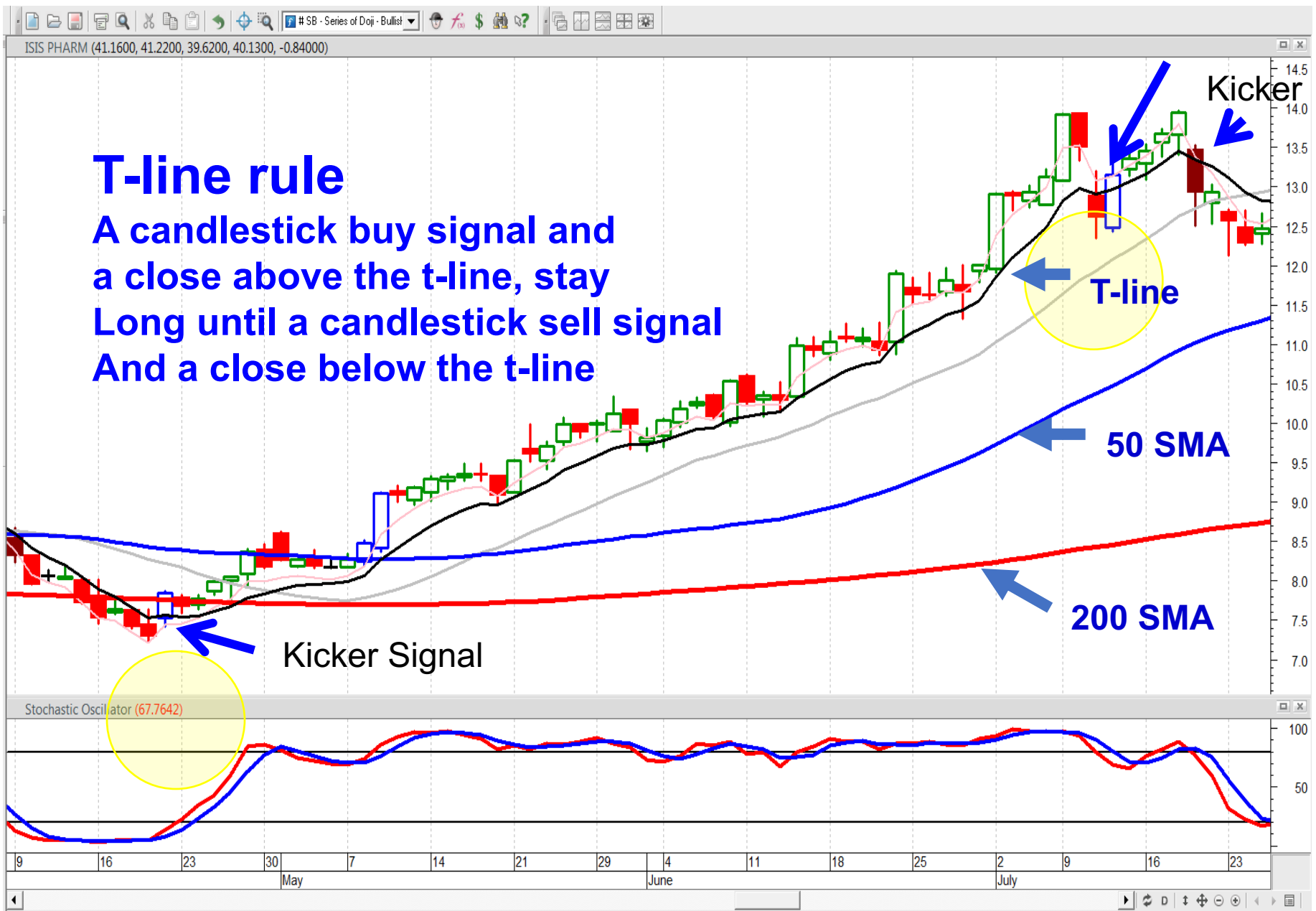
*Trading Forum*



- **T-line**

- **What is the T-line?**

- **Fibonacci Characteristics**



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CQG



***High Probability  
Pattern Expectations  
produce  
optimal option trade strategies***



# **Option Trades**

**1. Market Direction**

**2. chart Analysis**

**3. The Math**



**When is the best time  
to buy calls outright?**

**Expected big move**





**4 weeks = straight calls**  
**(shorter trade)**

**2-3 weeks Debit Spreads**  
**Final week credit spreads**



# Benefits of a Spread?



**A spread position is entered by buying and selling equal number of options of the same class on the same underlying security but with different strike prices or expiration**

# Spread Advantages

- 1. Less Money Exposed to Market Risk
- 2. Percent return Greatly enhanced at lower target
- 3. Break even much lower

• **MATH**

# Bull Spread Disadvantages

- **1. Stock price skyrockets**
  - **Probabilities?**
- 2. Stock price moves inordinately fast**
- \*\*\*3. Feasibility\*\*\***

# **Candlestick Analysis**

**1. Direction of move**

**2. Timeliness of a move**

**3. Magnitude of a move**

# Call spread Leverage example

- **Stock trading at \$50.00,**
- **target is \$55.00**
- Buying the Dec 50 calls @ \$2.50

Target \$55.00 = \$5.00 or \$2.50 profit = 100%  
gain

**Break Even = \$52.50**



# Call Spread Example

- Stock trading at \$50.00,
- target is \$55.00
- Buying the Dec 50 calls @ \$2.50
- Sell the Dec 55 calls @ 1.00 = \$1.50 Net

Target \$55.00 = \$5.00 or  
\$3.50

profit = 233% gain



# Call Spread Example

- **Stock trading at \$50.00,**
- **target is \$55.00**
- Buying the Dec 50 calls @ \$2.50
- Sell the Dec 55 calls @ 1.00 = \$1.50 Net

Target \$55.00 = \$5.00 or \$3.50 profit = 233% gain

**Breakeven = \$51.50**

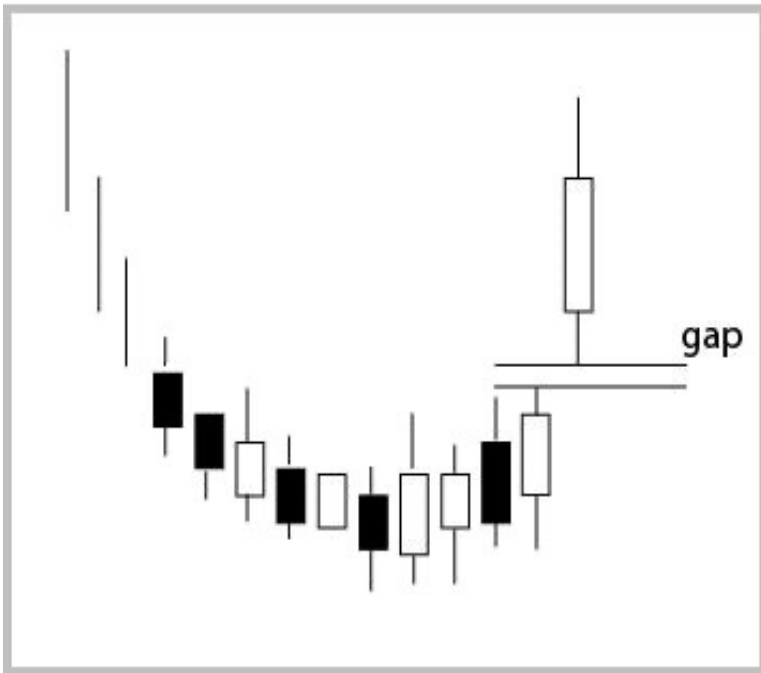


# **Relevant Decisions**

- 1. time to expiration**
  - 2. strike price**
- ( and/or combination )**

# Fry Pan Bottom

Fry Pan Bottom



- The downtrend starts waning with the appearance of small trading bodies
- As the trend starts slowly curling up, a gap up in price indicates that strong buying sentiment has now returned



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Meta stock

# Fry Pan Bottom



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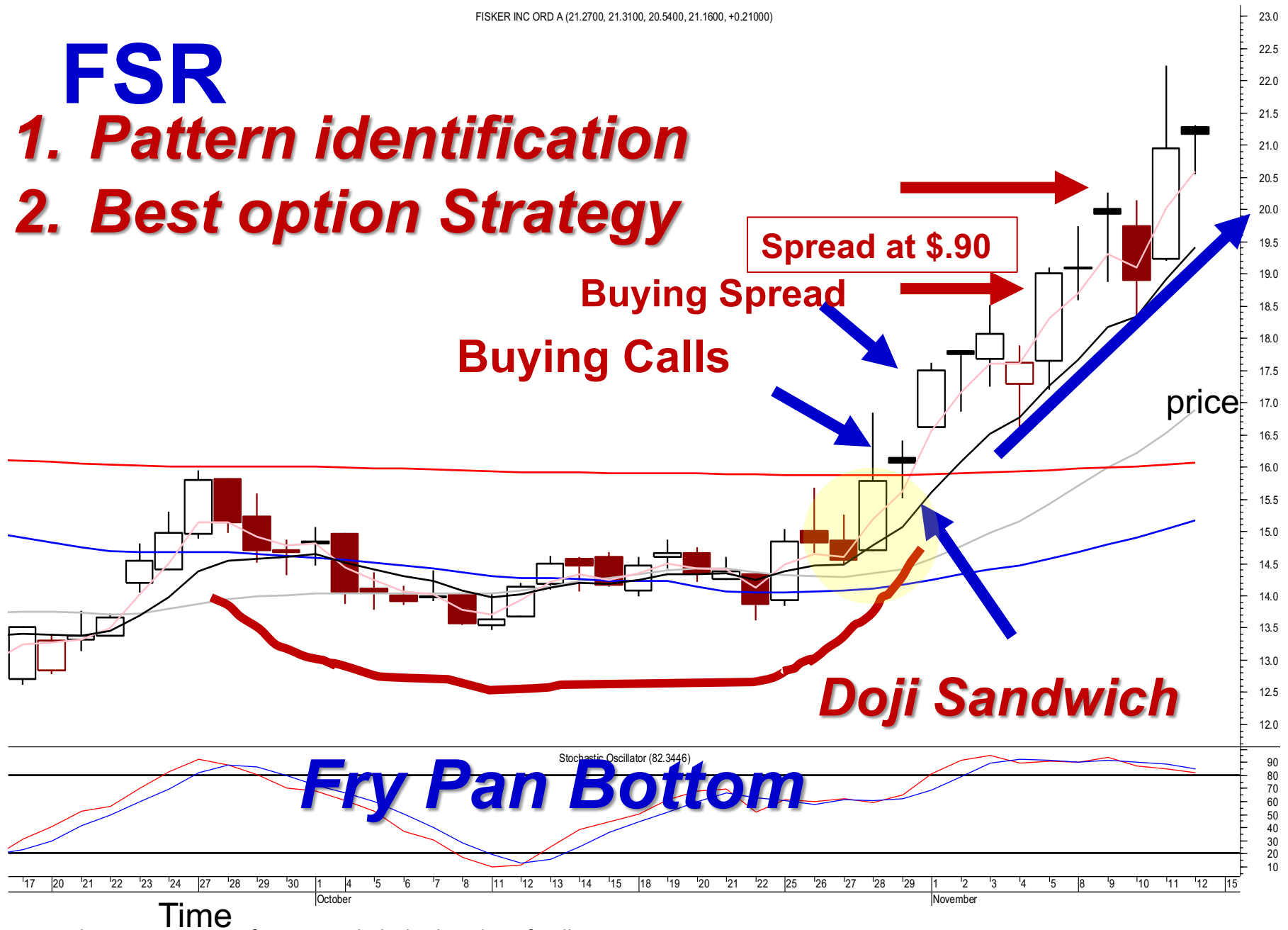
S.IONQ - IONQ, Inc., Daily (Delayed by 15 mins) | Thu Apr 06 2023 14:10:32, CQG 22.12.8050

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# FSR

1. *Pattern identification*
2. *Best option Strategy*



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# Dumpling Top

O= 118.56  
H= 119.9  
L= 116.8  
L= 118.75  
Δ= -1.26

# CRWD





# Jay Hook Pattern

Jay Hook Pattern



- The first move of the uptrend is very strong.
- A candlestick sell signal indicates a pullback about to occur.
- After a few days, small indecisive candles start to appear
  - Doji, small Hammers, Bullish Engulfing signals

# J-hook expectations



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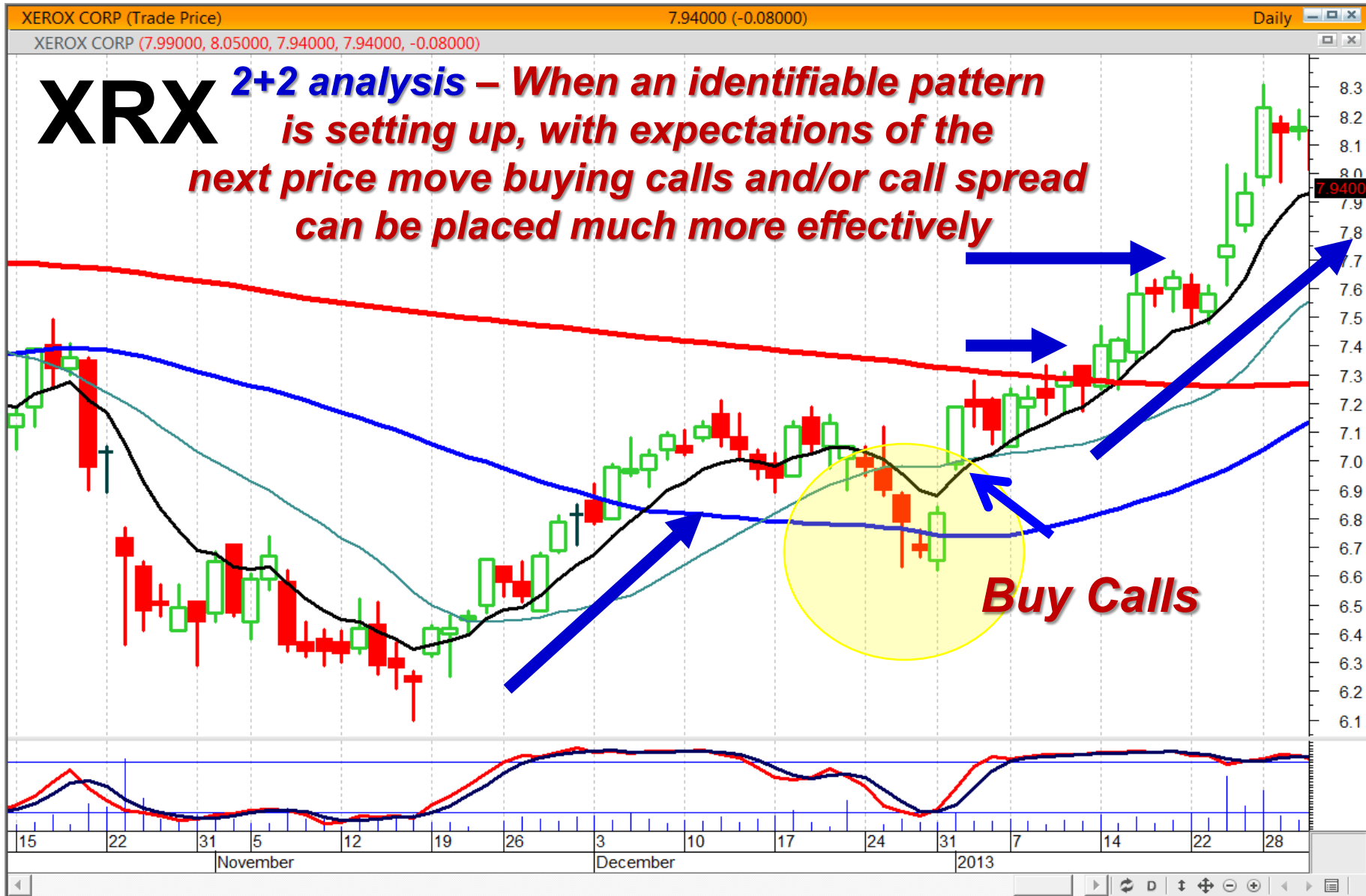
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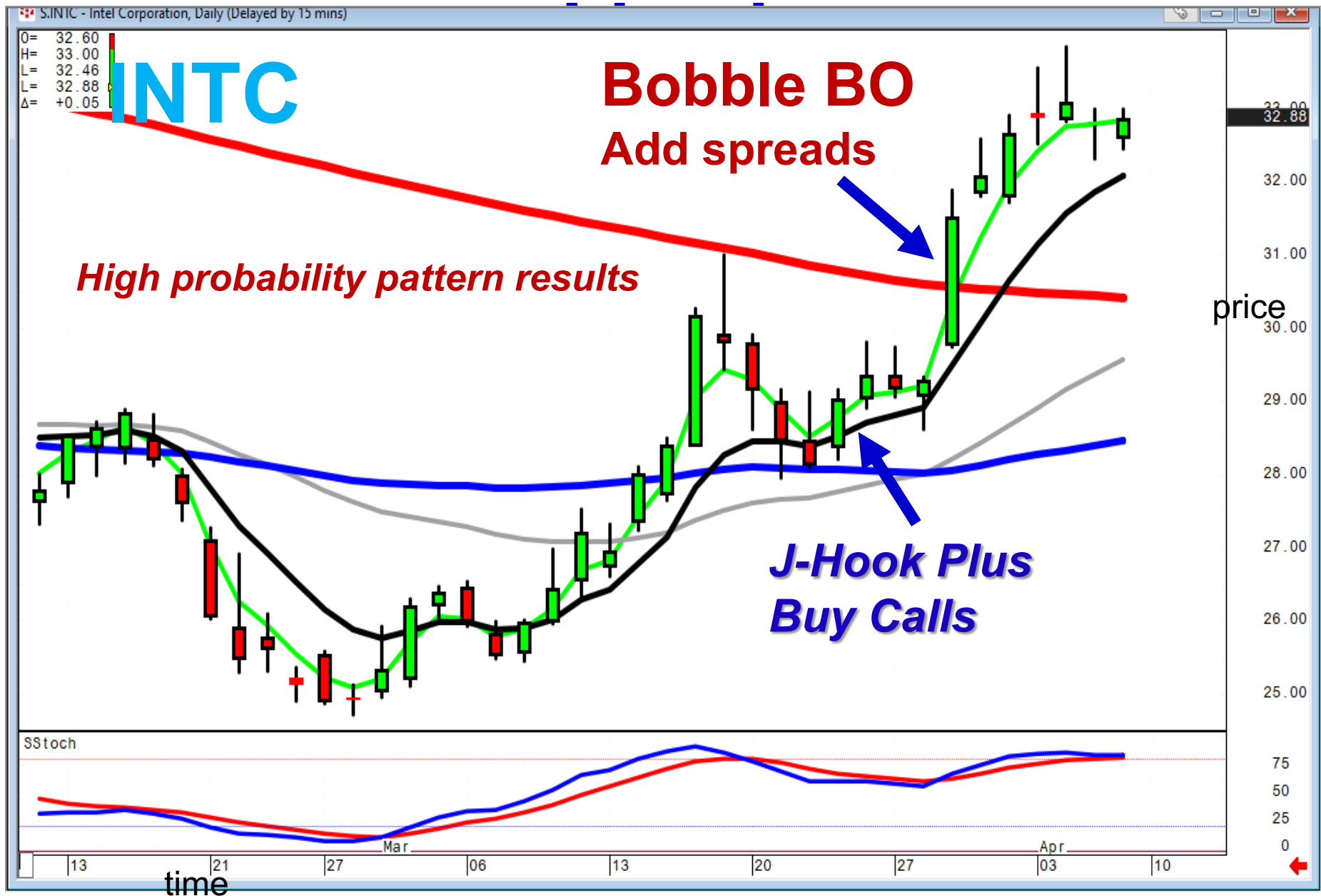
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# J-hook



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# Best Friend signals

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# AXSM

After a big price move, executing a spread reduces the risk but still takes advantage of the potential steady up move



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# STNG

**Adding spreads**

Price

**Buying calls**

**Best friend**

**Adding spreads to an existing bullish trade  
Potentially improves the profitability but  
with less risk exposure as prices moving up**

Stochastic Oscillator (91.9955)

time

9 16 23 30 September 7 13 20 27 October 4

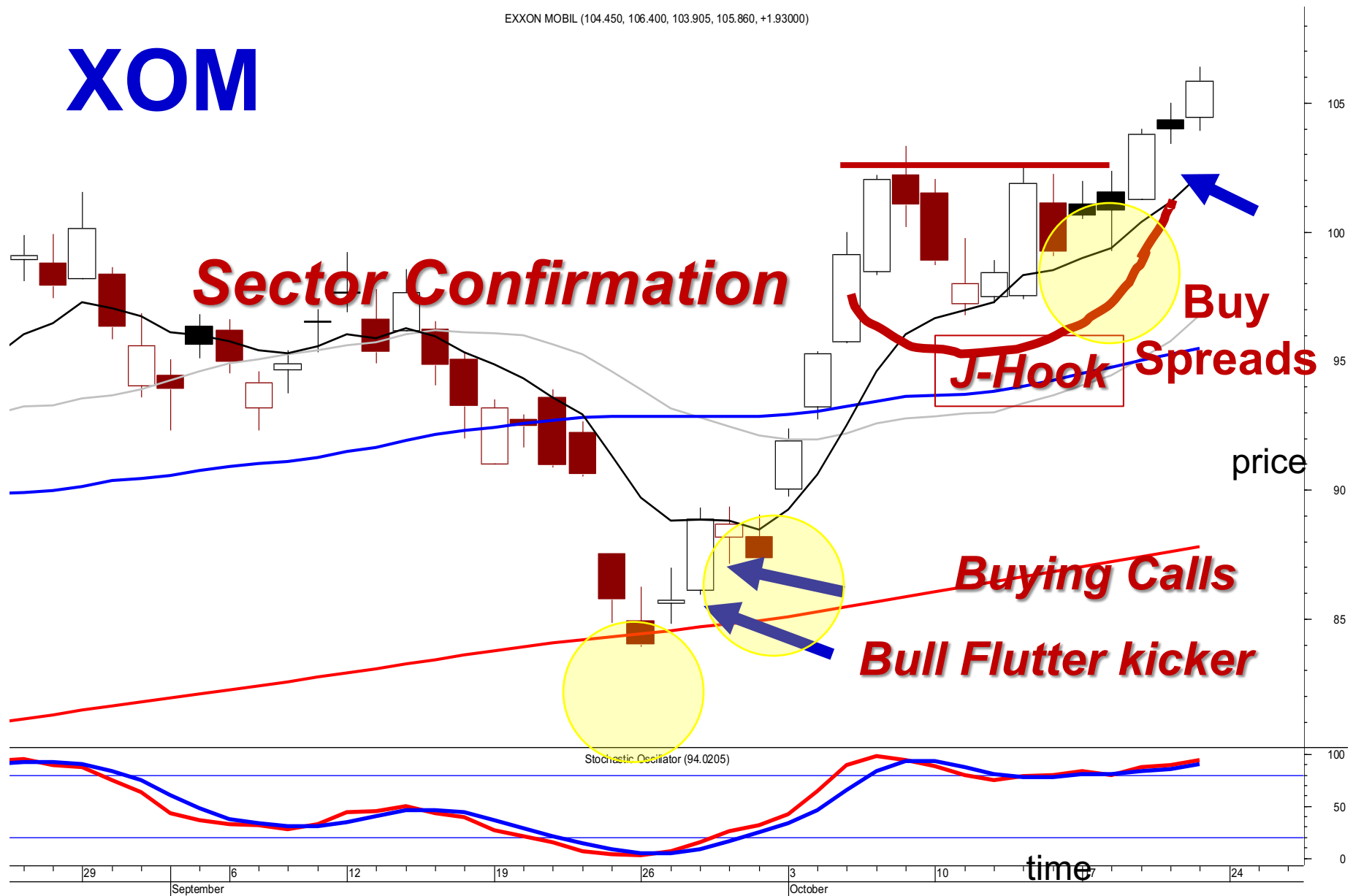
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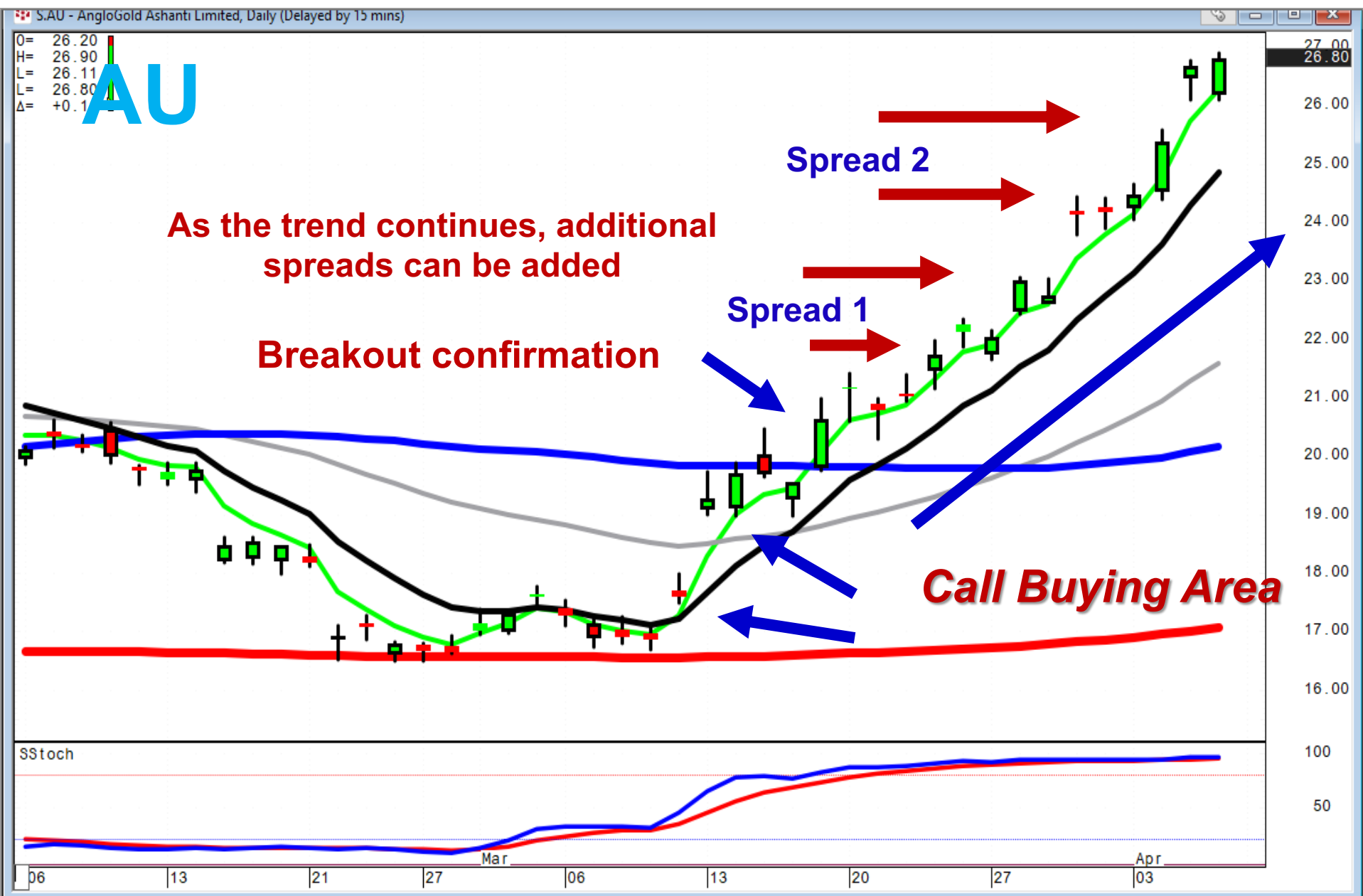


# XOM



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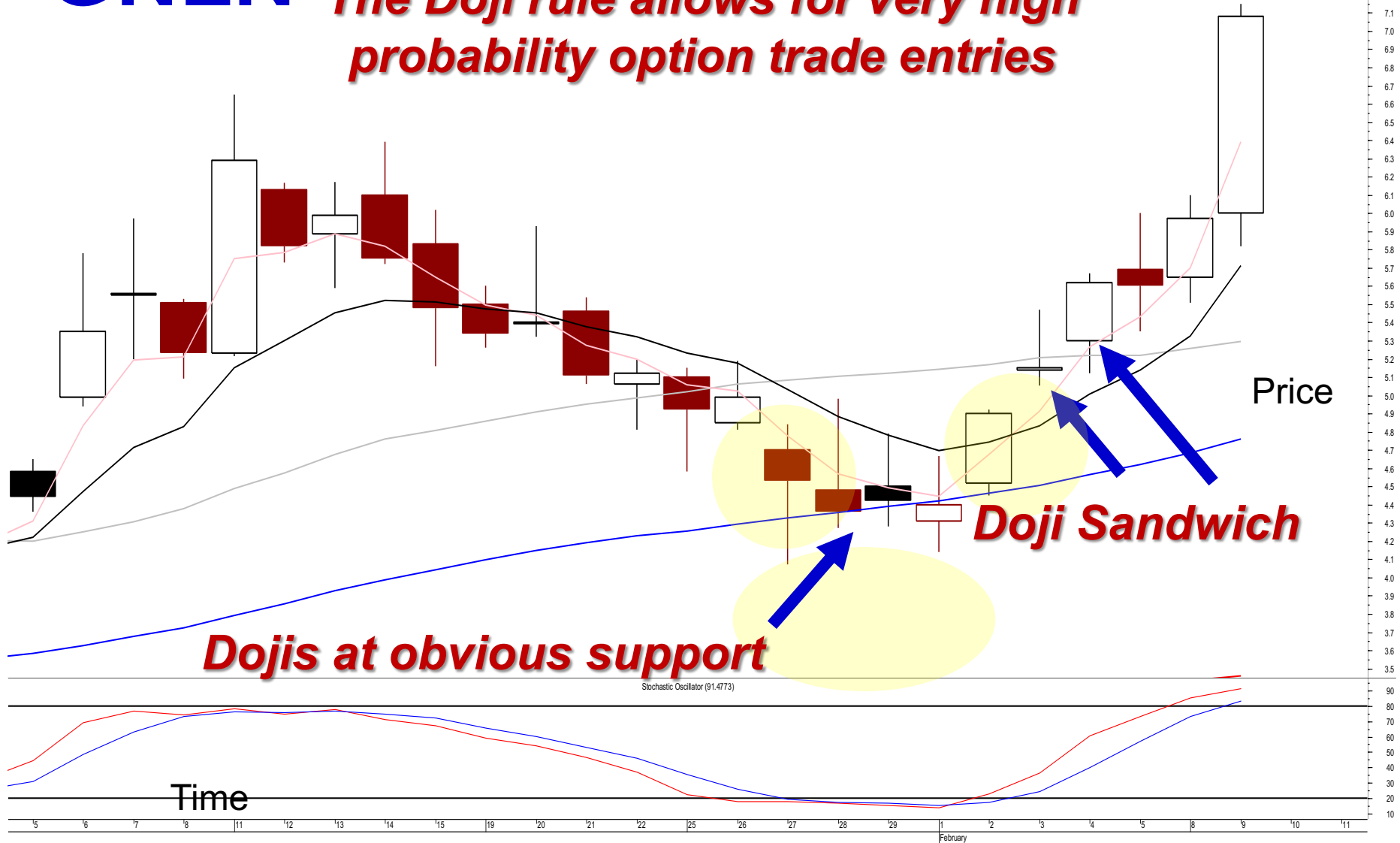
# The Doji Rule

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# GNLN

*The Doji rule allows for very high probability option trade entries*



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# Kickers

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# When to Buy? When to Sell?



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**CQG**





**Candlestick charts  
indicate what investor  
sentiment is 'actually'  
doing**

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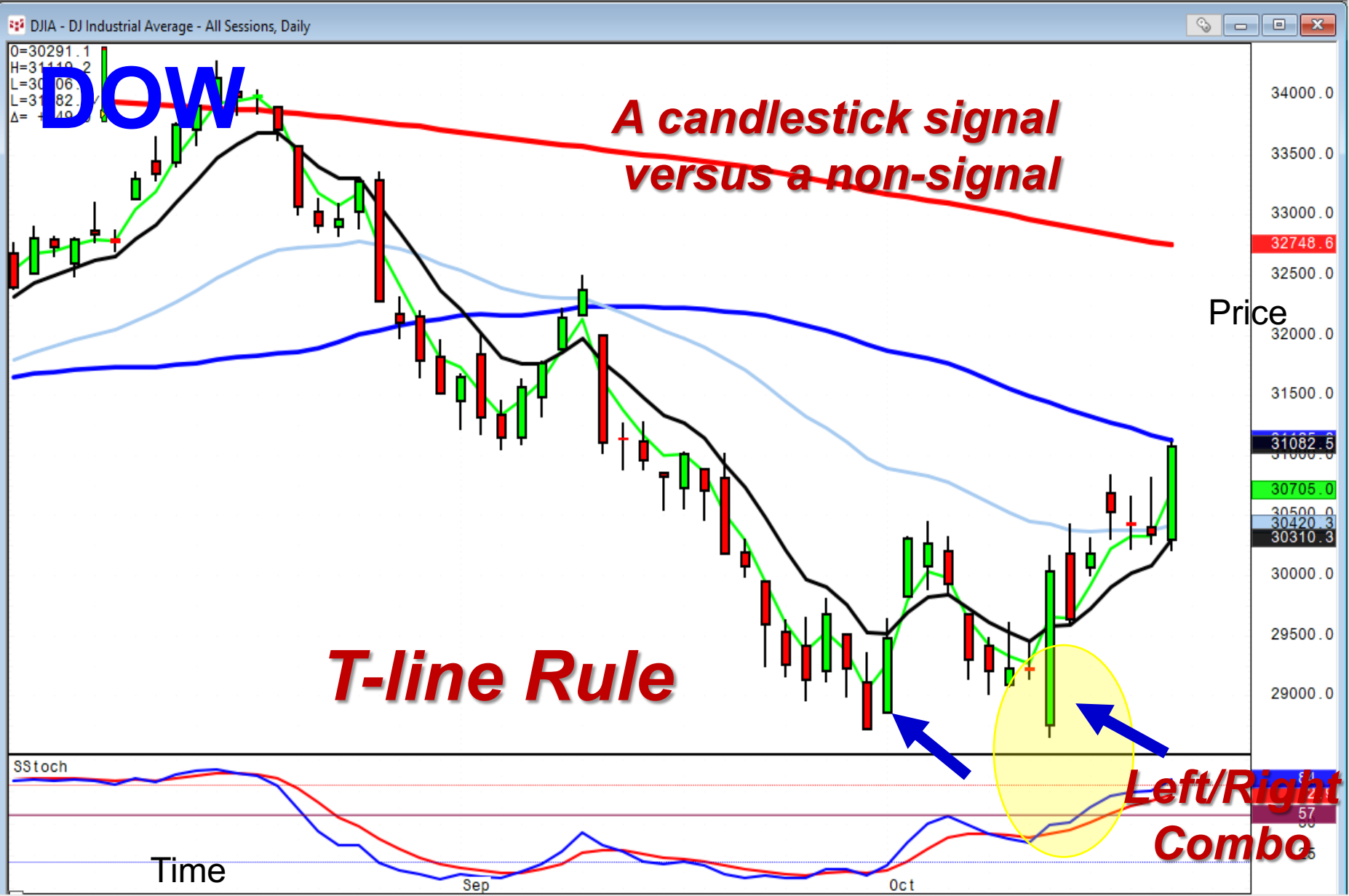
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**The probabilities of  
candlestick patterns  
greatly improve option  
trade strategies**

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# Market Direction



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DJIA - DJ Industrial Average - All Sessions, Daily | Thu May 04 2023 22:11:37, CQG 23.12.8029

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***High Probability  
Expected results  
Human Nature***

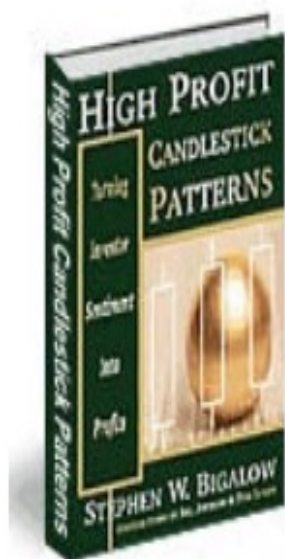
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# BOOKS

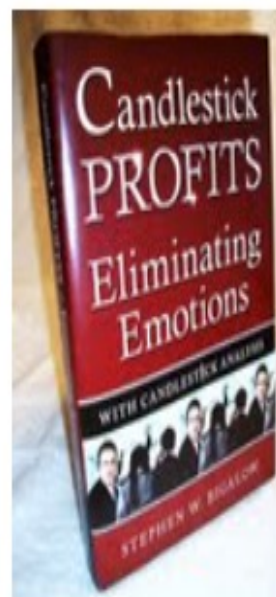
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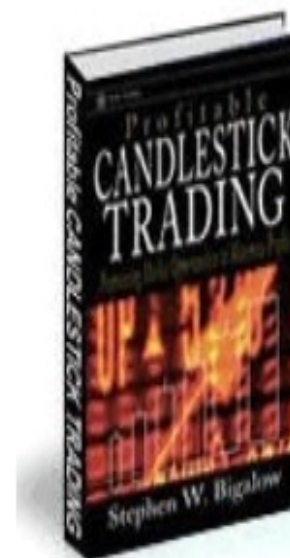
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