

Crude Oil Pricing Responds to Japanese Candlestick Patterns

Japanese Candlesticks price display predicts Crude Oil prices. That was starkly evidenced by the ebb and flow – mostly flow, in this case – of the price of Crude Oil in recent days.

On March 31 of this year (2008) the price of Crude Oil made a low of about \$100 per barrel. On that day, the Candlesticks showed a tall black pattern, which meant that prices closed the session at a level which was below the opening price. On the following day, the market was lower again, to a point just below \$100 per barrel; but the actual movement of prices during the day was quite constrained. The day after that, we saw a substantial upward move and a much higher closing price for the day.

The price action of those three days, were a “Morning Star” formation, which a follower of the Japanese Candlesticks method of price presentation would have seen as predicting a strong increase in prices. In this case, his recognition of the display would have induced him to buy a contract in Crude Oil and simply sit with it, in the conviction that the pattern is typically so powerful that the probability is very high that prices will continue considerably higher. In fact, had he actually bought a contract and stayed with it until April 17, he could have made a profit of approximately \$15,200. As it happens, this example was further strengthened by the ongoing increase of prices.

There is no question but that the Candlesticks are reliable predictors of changes in price trend. They proved their worth in this instance. At some point, prices will top and reverse, even if only for a short while; but the Candles should give us advance notice of the topping and rollover in sufficient time within which to establish a position in the market in anticipation of profit to be made on the downside.