Candlesticks

BEGINNER

LESSON EXPLAINER

What Is a Candlestick, Really?

A candlestick summarizes price action over one time period — a day, an hour, a minute, whatever the chart is set to — using four numbers: the **open** (price at the start), the **high** (the peak), the **low** (the trough), and the **close** (price at the end). Together these are often called “OHLC.”

The thick middle part is the **body**, spanning the open and close. The thin lines above and below are the **wicks** (or “shadows”), marking the high and low. If the close is above the open, the body is usually shown green or hollow — the price rose. If the close is below the open, it's shown red or filled — the price fell.

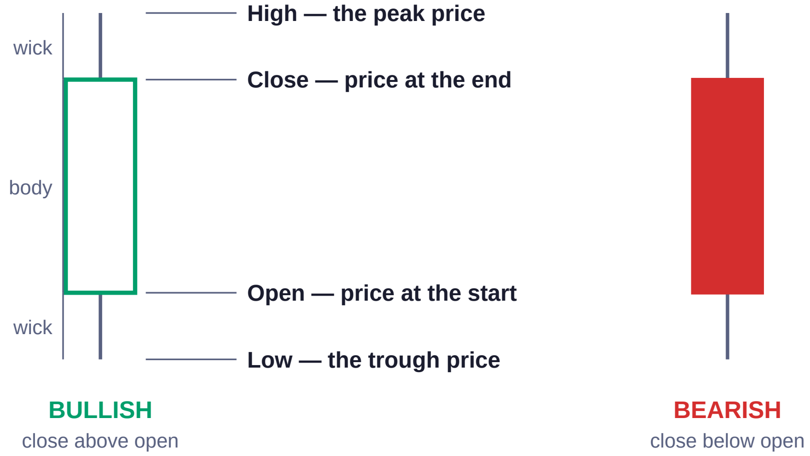
Real Example: Two Famous AAPL Trading Days

March 2020 gave the market two of its most dramatic single-day candles in recent history — one sharply bullish, one sharply bearish.

Date	Open	High	Low	Close
AAPL — Mar 13, 2020	$264.89	$279.92	$252.95	$277.97
AAPL — Mar 16, 2020	$255.94	$259.08	$240.00	$242.21

On Mar 13, AAPL opened at $264.89 and closed at $277.97 (+11.98%) — a large green body. Three trading days later, on Mar 16, it opened at $255.94 and closed at $242.21 (-12.86%) — a large red body, as the market swung the other way during the early COVID-19 sell-off. Same stock, opposite direction: exactly what a candle's color shows at a glance.

What a Candlestick Actually Looks Like



5 Things to Know About Candlesticks

1. Every candle encodes four numbers — open, high, low, close — regardless of whether the period is a minute, an hour, a day, or a month.

2. The body shows open-to-close movement; the wicks show the full high-to-low range — a candle can have a small body but huge wicks if price swung wildly before settling.

3. Green/hollow means the close was above the open; red/filled means the close was below the open — color conventions vary by platform, so always check the legend.

4. A long body signals conviction; a tiny body (a doji) signals indecision between buyers and sellers during that period.

5. One candle alone rarely tells the full story — it's most useful in the context of the candles around it, which is what trend lines and moving averages help reveal.

4 Things to Check When Reading a Candle

Compare Body to Wicks. A big body relative to its wicks suggests a strong, one-directional move; long wicks with a small body suggest the price was pushed back before the period closed.

Check the Color Convention. Most platforms use green/red, but some use hollow/filled or blue/black instead — always confirm the legend before reading a new chart tool.

Note the Timeframe. A single daily candle and a single 1-minute candle look identical but represent wildly different amounts of information — match the timeframe to your own time horizon.

Zoom Out Before Concluding Anything. One dramatic candle, like AAPL's March 2020 swings, is a data point, not a forecast — look at the surrounding candles too.

Worth knowing: the AAPL prices above are unadjusted for Apple's later 4-for-1 stock split (August 2020), which is why they look higher than AAPL's price today. Candlestick shapes describe what already happened — they don't guarantee what happens next.

Quick Check: 5 Questions

Answer all five before turning the page to check yourself against the answer key.

1. What four numbers does a single candlestick represent?

A. Volume, price, time, and ticker
B. Only the open and close
C. Open, high, low, and close (“OHLC”)
D. High, low, average, and median

2. What does the thick “body” of a candlestick represent?

A. The full high-to-low range for the period
B. The range between the open and the close
C. The trading volume for the period
D. The average price over the period

3. On March 13, 2020, AAPL opened at $264.89 and closed at $277.97. What color would this candle typically be?

A. Red or filled, because the price is high
B. It depends on the trading volume that day
C. Neutral — color doesn't apply to single days
D. Green or hollow, because the close was above the open

4. What does a “doji” — a candle with a tiny body and long wicks on both sides — typically suggest?

A. Indecision — the price swung around but the open and close ended up close together
B. A guaranteed reversal is about to happen
C. Trading was halted for that period
D. The stock had zero trading volume

5. Why is it important to check a chart's timeframe before reading its candles?

A. It changes the color convention used
B. It doesn't matter — every candle means the same thing
C. A daily candle and a 1-minute candle can look identical but represent very different amounts of information
D. Only daily candles are ever used in practice

Quiz Answer Key

1. What four numbers does a single candlestick represent?

Correct answer: C. Open, high, low, and close (“OHLC”)

Every candlestick packs the open, high, low, and close for its time period into one shape — commonly abbreviated “OHLC.”

2. What does the thick “body” of a candlestick represent?

Correct answer: B. The range between the open and the close

The body spans open to close. The wicks (thin lines above and below) show the high and low instead.

3. On March 13, 2020, AAPL opened at $264.89 and closed at $277.97. What color would this candle typically be?

Correct answer: D. Green or hollow, because the close was above the open

Close ($277.97) above open ($264.89) means the price rose over the period — that's a bullish, typically green or hollow, candle.

4. What does a “doji” — a candle with a tiny body and long wicks on both sides — typically suggest?

Correct answer: A. Indecision — the price swung around but the open and close ended up close together

A doji's long wicks show a lot of movement happened, but the small body means price ended up almost exactly where it started — a classic sign of indecision, not a guaranteed signal.

5. Why is it important to check a chart's timeframe before reading its candles?

Correct answer: C. A daily candle and a 1-minute candle can look identical but represent very different amounts of information

The shape of a candle only makes sense once you know its timeframe — matching that timeframe to your own investing horizon is part of reading a chart correctly.