

## >: Candlesticks Trounce North Korea's Rocket Science

Tuesday, April 7, 2009 / William Kurtz

The Dingdong 2 rocket (a/k/a The Fizzler) is said in some quarters to have placed a satellite in orbit, and that it is broadcasting patriotic music. There are several difficulties with that thesis: responsible authority states that (1) the rocket, together with its satellite payload, never achieved orbit; (2) various pieces thereof were tracked as they fell into salt water; (3) no tracker has been able to find the satellite in any orbit; and, most importantly, no one can hear the music except, perhaps, Kim Jong-Il himself.

The Japanese Candlesticks routinely perform better than that. As a particular point of departure, we do not claim that they are rocket science. Likewise, the study and application of the Candlesticks to matters of finance is not voodoo; or some kind of magic; or figments of the imagination - seeing things that aren't there. Nor is it hokum. It involves pictures rather than numbers or graphs. It's pattern recognition. My 8-year-old grandson picked up on it very quickly. Candlestick analysis is used by more and more folks every day, most of whom have their feet firmly implanted on the ground, at least most of the time. I cannot imagine going back to the open-high-low-close bar charts. They miss so much that the Candles tell you in a literally a flash. "How're ya goin' to keep 'em down on the farm after they've seen Paree? Or, as Cole Porter might have remarked, learned the Candlesticks and then being asked to interpret an OHLC bar chart "Is this Granada I see, or only Asbury Park?"

The Candlesticks excel at calling major reversals of trend. That's where they shine. They do it by pulling back the curtain and revealing what traders, as a group, are thinking. This is especially so when the observer can watch the market action in streaming data. In some cases, a single day's candle bar throws off valuable clues about a possible reversal in the making. Oftentimes, a combination pattern composed of two days' or three days' bars is especially accurate in forecasting a reversal. Looking back now on the Monthly charts of Bear Stearns and Merrill Lynch, as presented in Candlestick format, it is very clear that at the very height of their market valuations the clues were there for those companies' eventual demise.

Only days ago, the (more or less) "standard" signals for Wheat were quite dismal. It appeared that prices were headed down. We thought we knew better; and sure enough, we were right; prices rose. In Cocoa, we "and many others, no doubt" knew that a High and a reversal were somewhere close by; but we called it correctly the day before Monday's massive decline. We're calling a probable turn in Soybeans in our news which will be circulated later today.

It's true that we do help the Candles along quite a bit. We add our own 100-octane pictorial material which focuses on the relationships between the waves of the Indicators, which to the best of our knowledge no one else is doing; and we tinker with the Indicators a little, too. It's all visual. The result is a powerhouse of reversal predictability, all in one package.

Everyone should learn the Candlesticks. It's easy, fast, and fun. Without having an understanding of the Candles, you're one lap behind, even before the race starts.

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