

>: Bungee Jumping with the Candlestick Doji: the Crash of 1987 and Today

Wednesday, June 10, 2009 / William Kurtz

Something very unusual just popped up on the charts, and I need to share it with you.

In Candlestick-speak, a "Doji" pattern occurs when the opening price and the closing price for a given time period are the same, or nearly so. The Doji is understood to be a demonstration of "indecision," and is a warning of a possible price reversal.

On October 2, 1987, the DJIA open was 2639.20; the close was 2641, clearly a Doji.

On October 5, the next trading day, the open was 2641.00 and the close was 2640.20, also clearly a Doji.

Note also that, as between the two days, the closing prices were nearly the same: 2641 and 2640.20.

The Crash followed.

Now to the current day:

On June 5, 2009, the open was 8751.65; the close was 8763.10. A Doji.

On June 6, the open was 8759.30; the close was 8764.50.

On June 7, the open was 8764.85; the close was 8763.10.

All of them qualify as Doji.

Now note also that, as between the three days, the closing prices were nearly the same: 8763.10; 8764.50; 8763.10. That's a truckload of Indecision!

Very interesting. Will history repeat? We shall see. However, coming at the top of a strong advance, I read this pattern as Bearish.

Multi-bar Candlestick patterns which display inter-day closings at or about the same price ought to have a name. I propose "Kobe Moonbeam" for the bearish version and "Kobe Sunrise" for the bullish version.

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