

Steve Nison's Profiting in Forex : *Using Candlesticks to Catch the Next Move*



By

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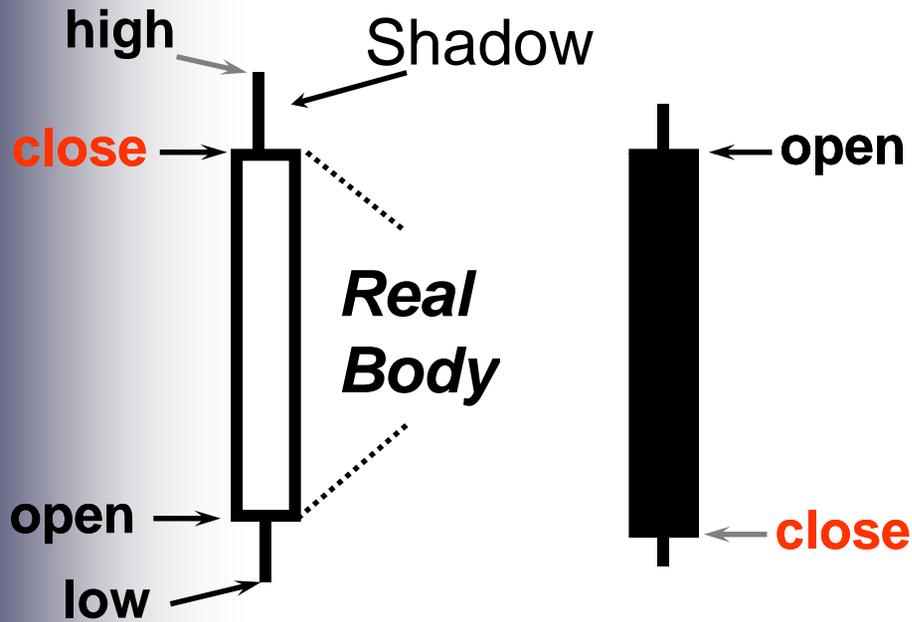
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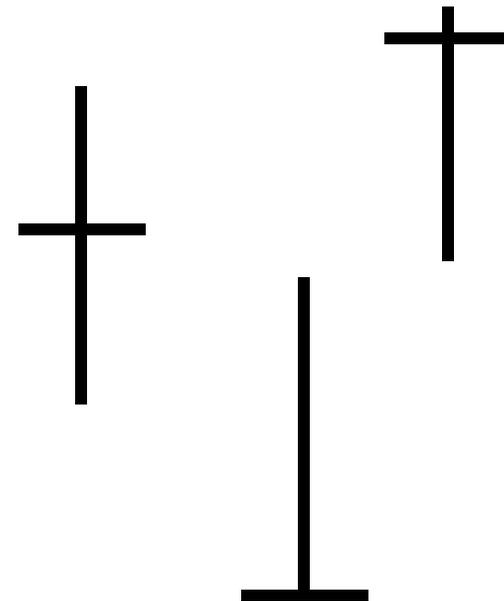
Overview

- 🕯 Construction of the Candle Line
- 🕯 Power of Single Candle Lines
- 🕯 Insights of the Candle Patterns
- 🕯 Forex and Non Forex Candle Patterns
- 🕯 Blueprint for Forex Trading Success
 - 🕯 East meets West
 - 🕯 Using Intraday candles
 - 🕯 Money management
 - 🕯 Trading Psychology
 - 🕯 The Candlestick Screener™

Constructing the Candlestick Line



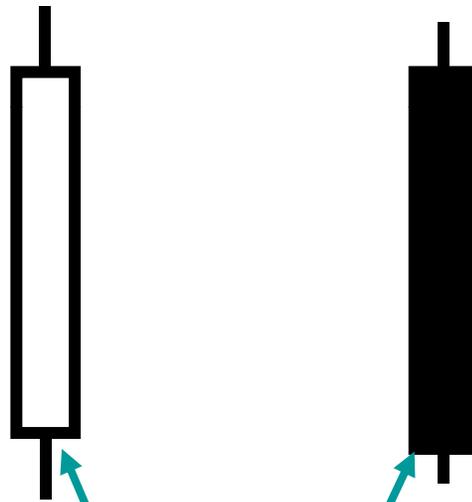
Real Bodies / Shadows



Doji

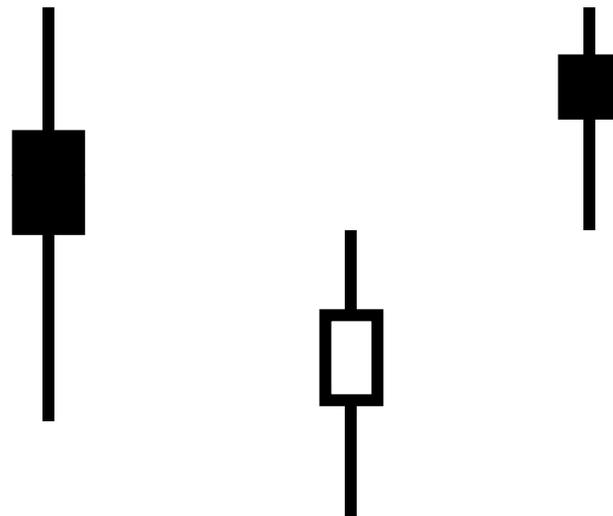
Bulls vs. Bears

The Real Body is the Essence of the Price Movement



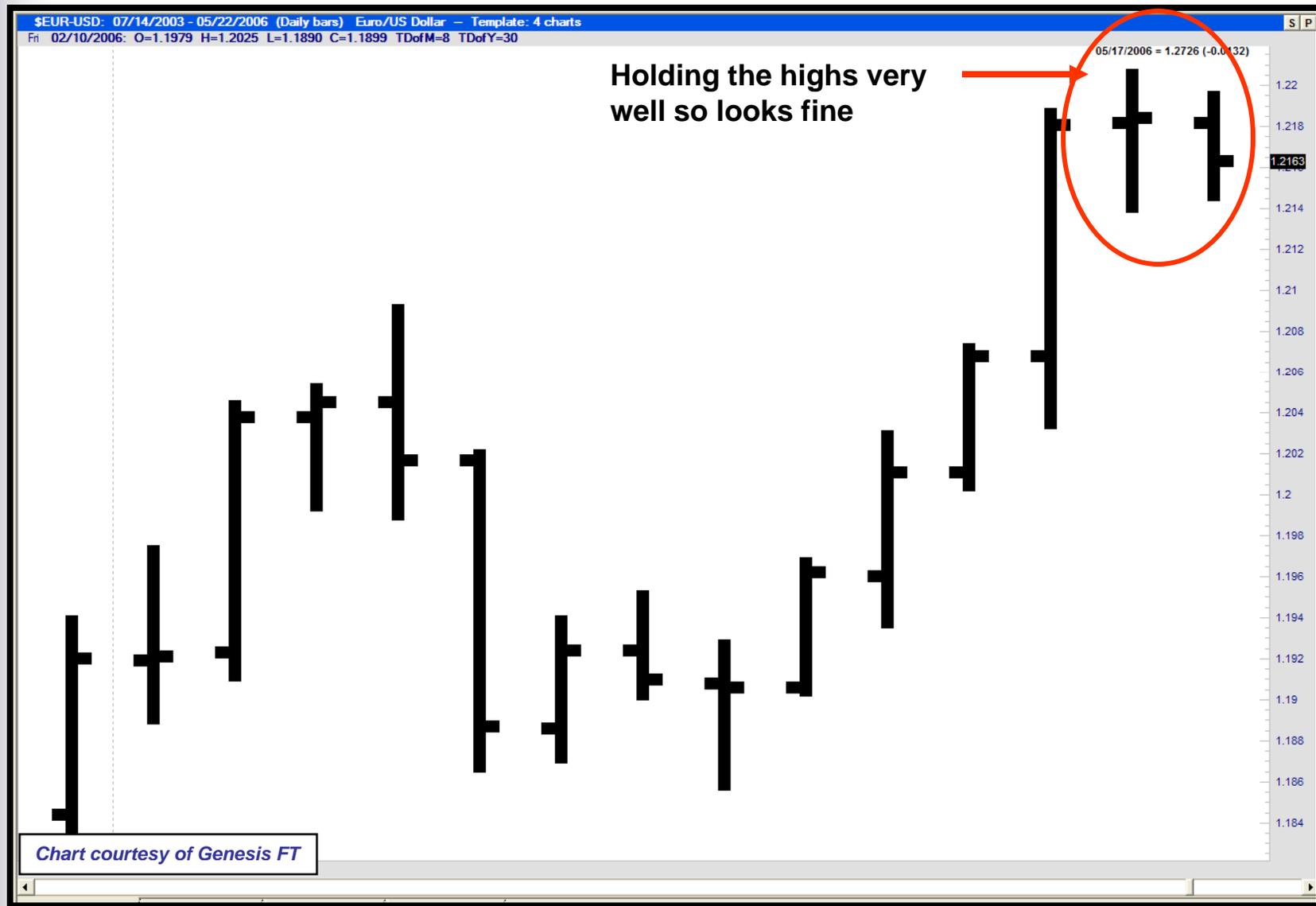
Who's in control?

Small Real Bodies (spinning tops)

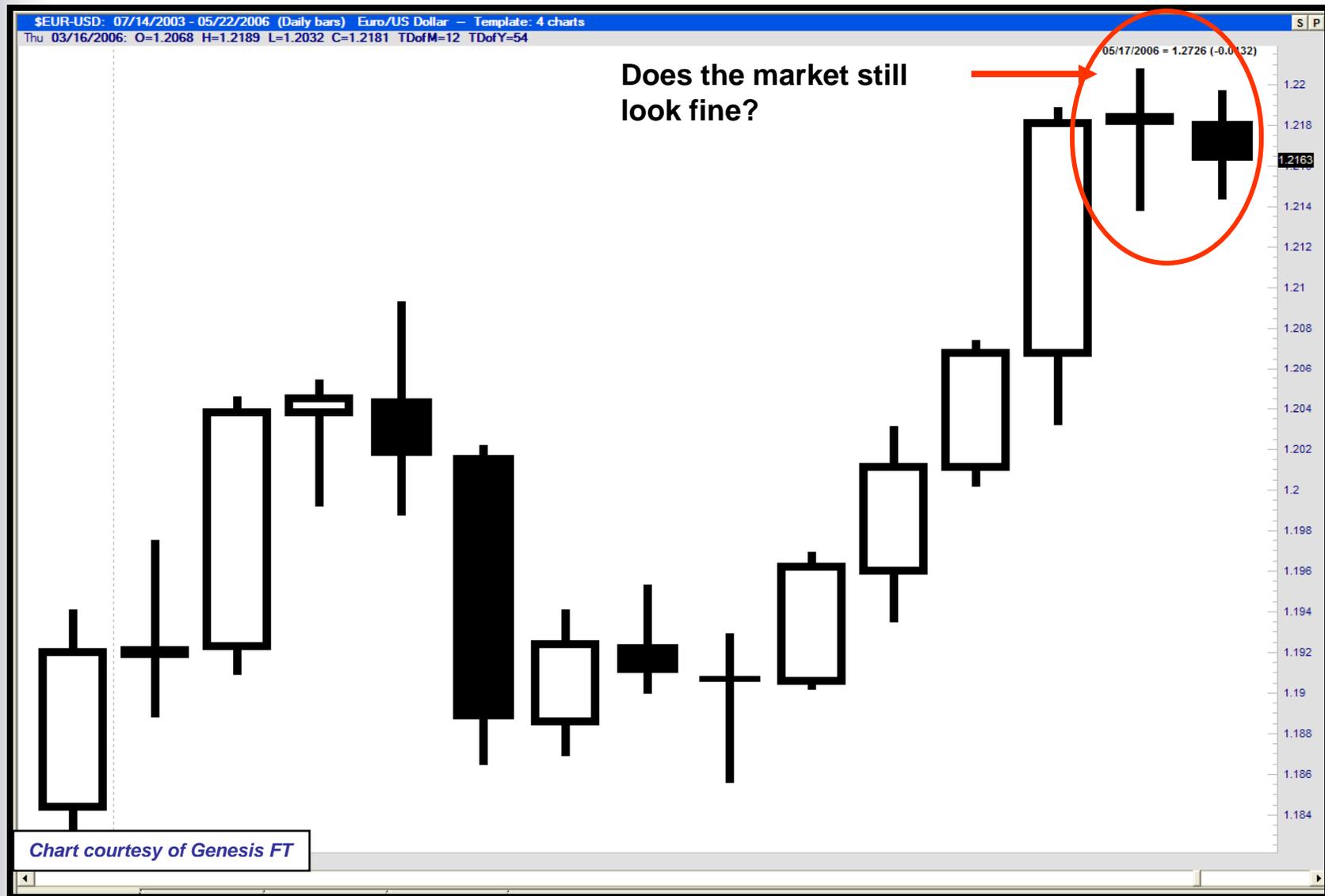


Criteria	Small real body – color not important
Implication	Prior trend is losing force

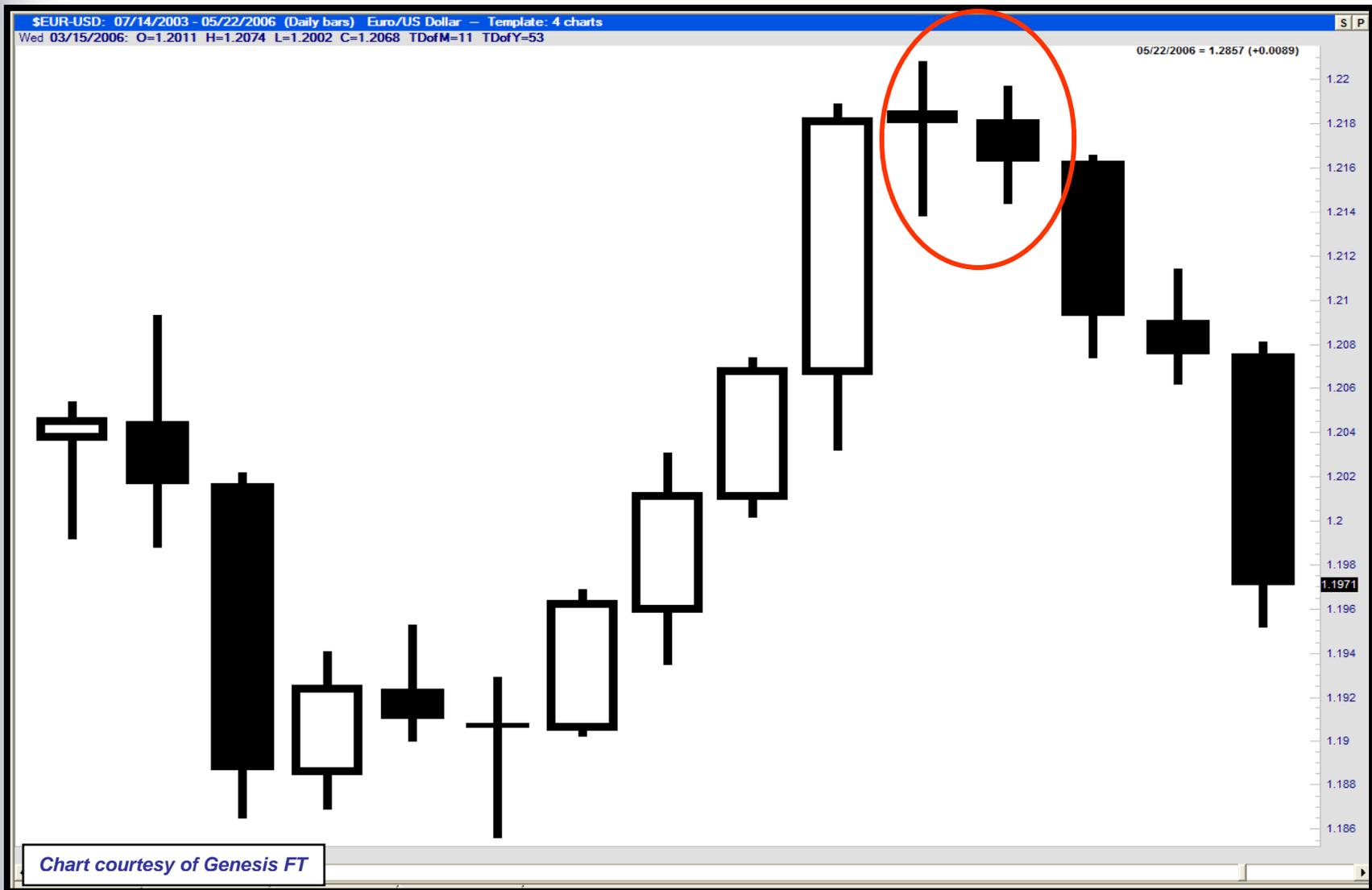
What does this bar chart say?



Now what does this candle chart say?



And what happened after

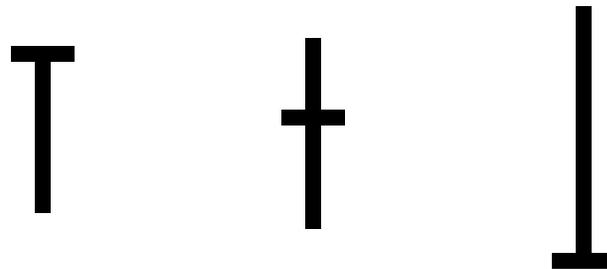


Spinning Tops



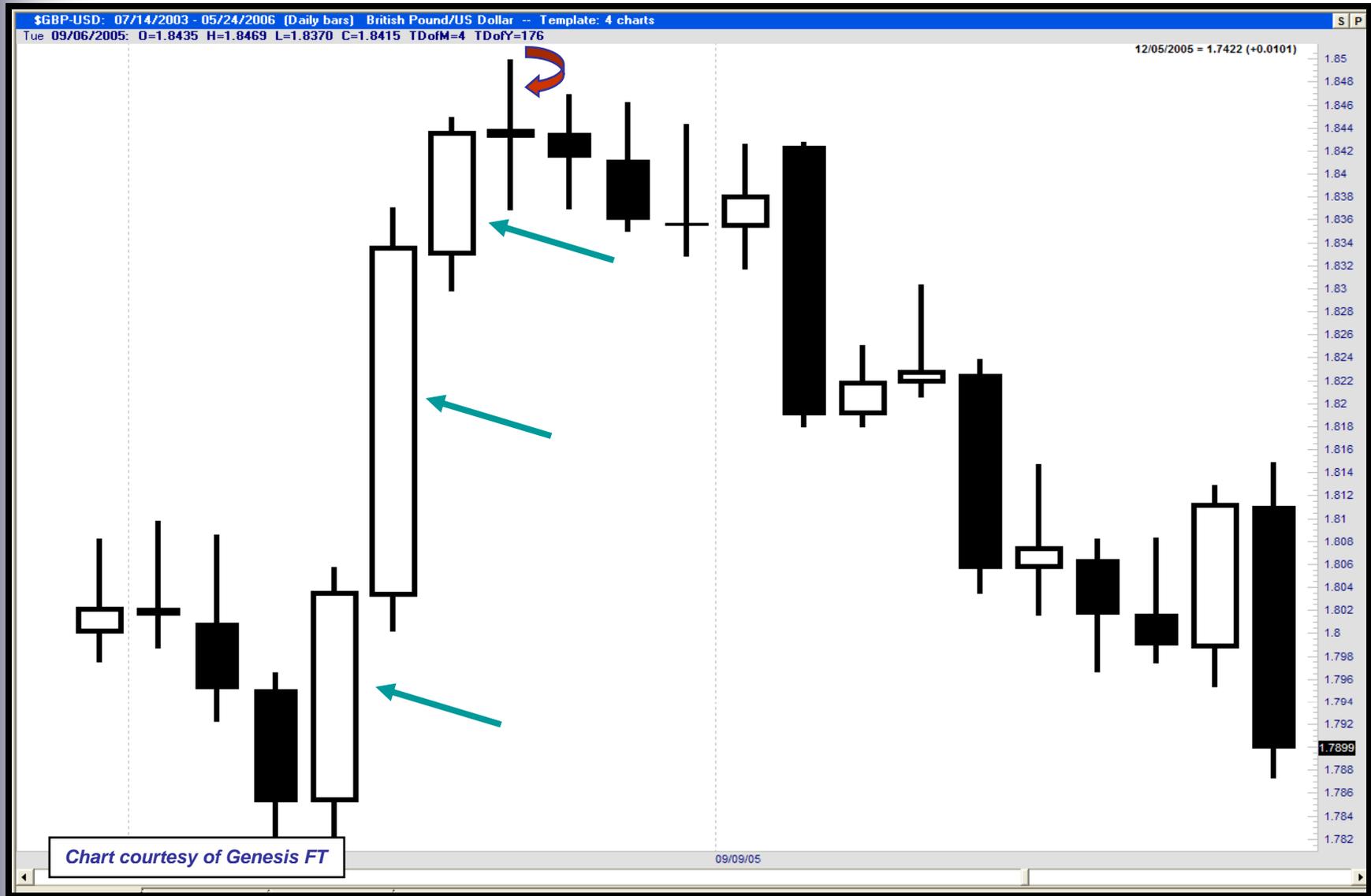
Although descending, the small real bodies offset some of the negative outlook

Doji

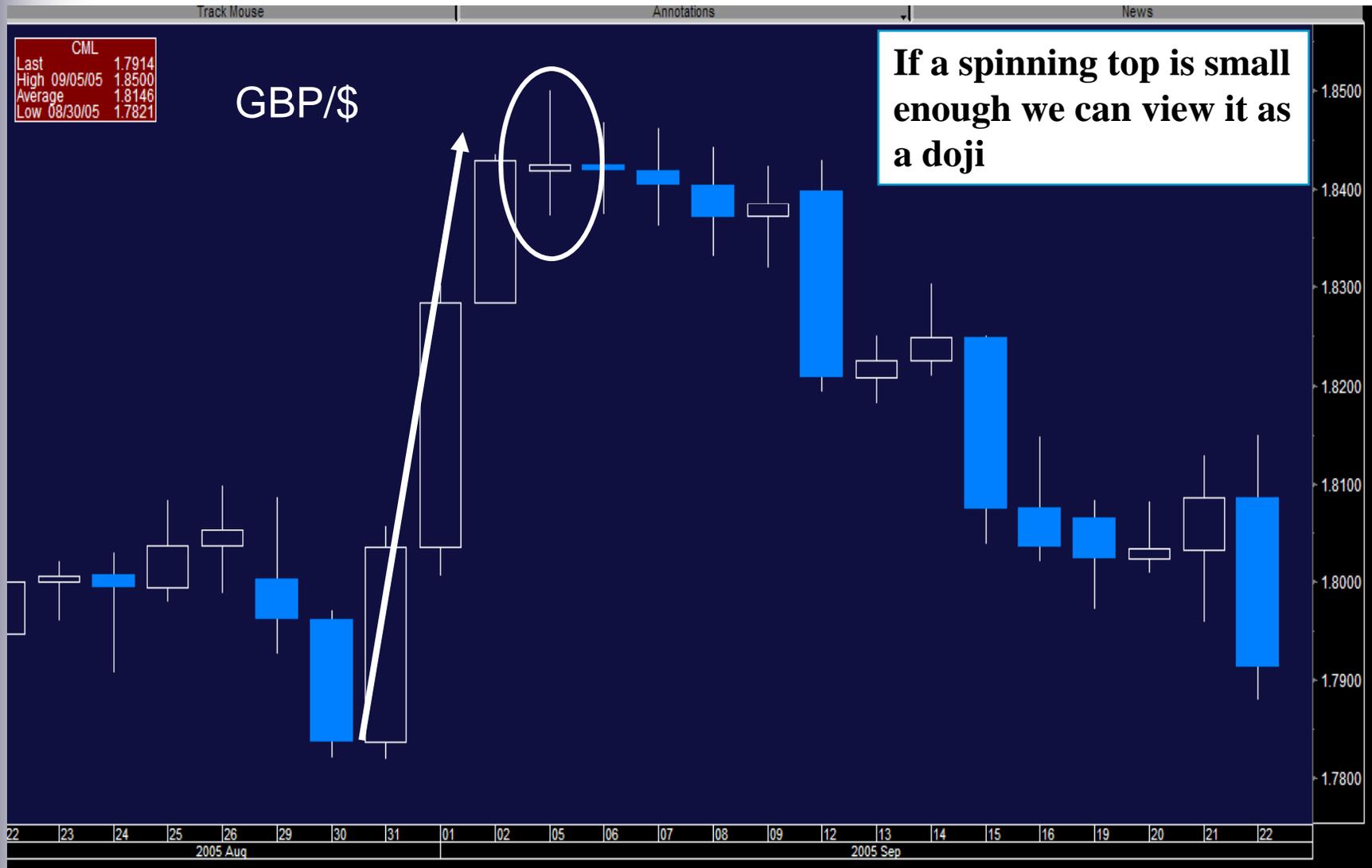


Criteria: Open and close are the same
Implication: Market is “tired”

Doji



Spinning Top and Doji



Doji compared to spinning tops in FX



Non Forex Doji

Which of these scenarios is a more likely top reversal?



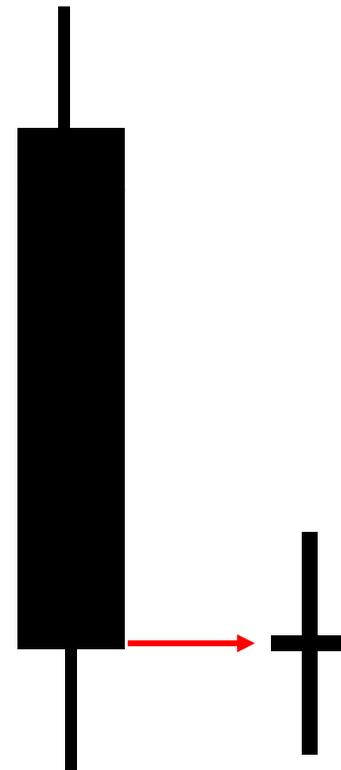
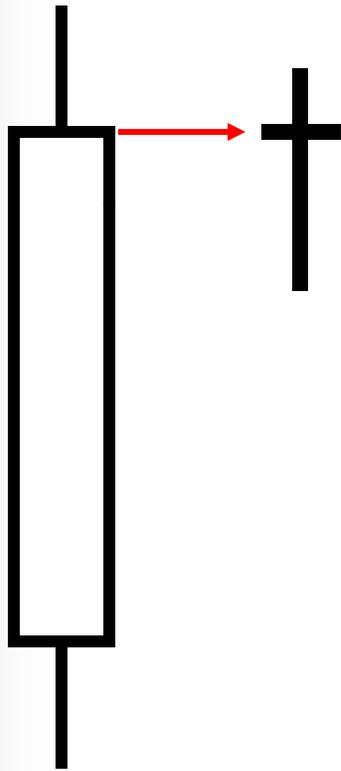
Scenario 1



Scenario 2



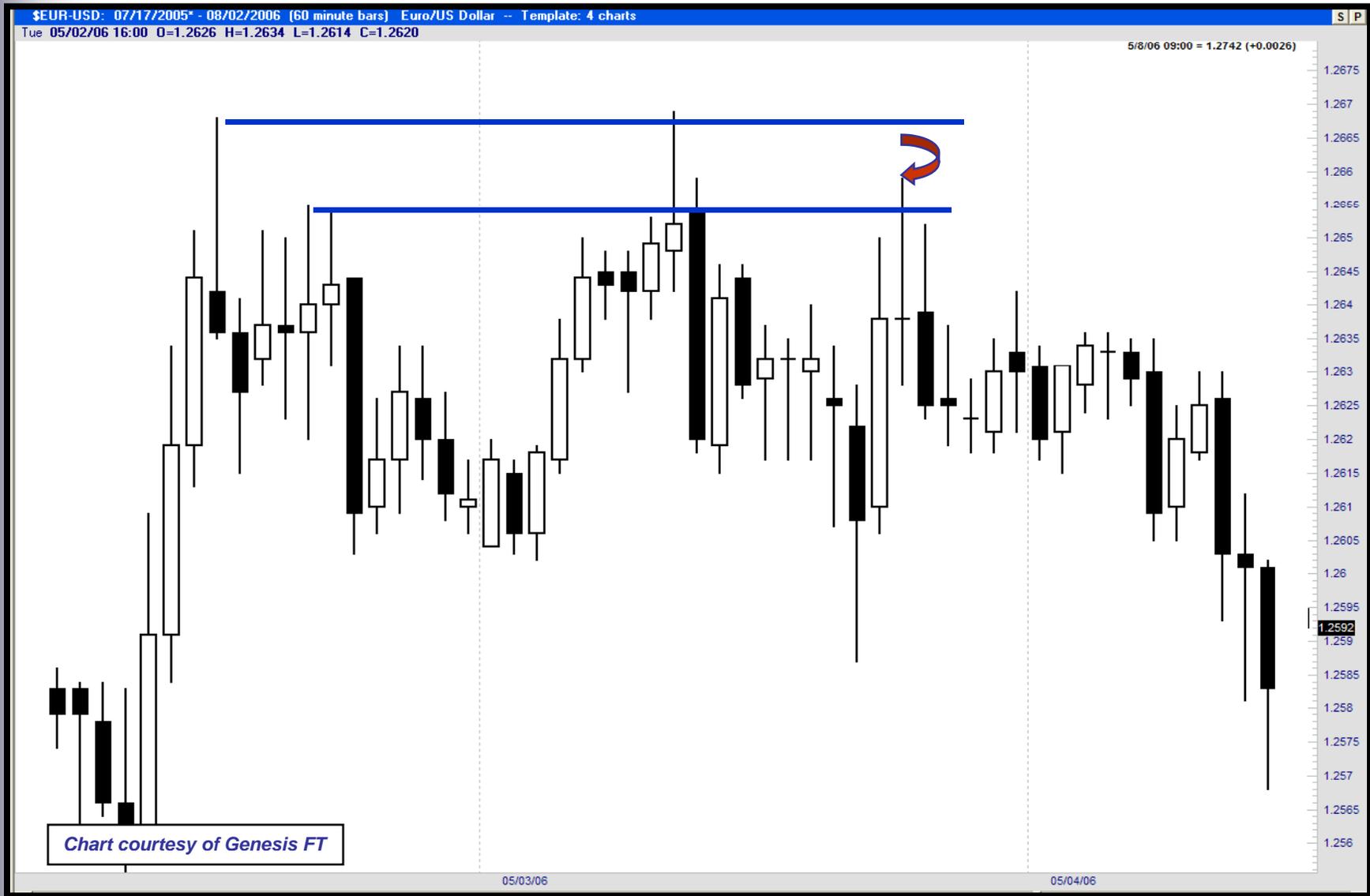
Doji in Forex



Doji



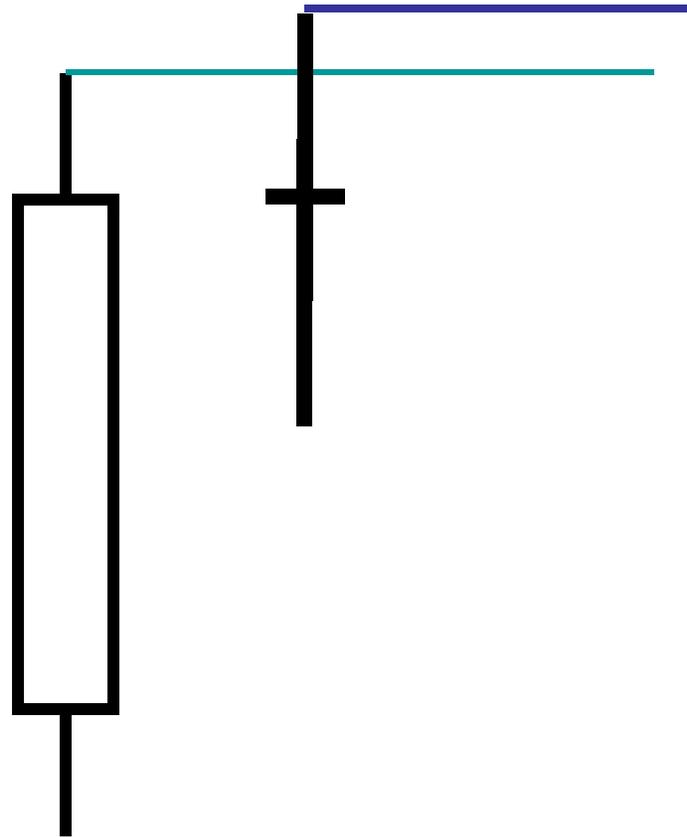
Doji



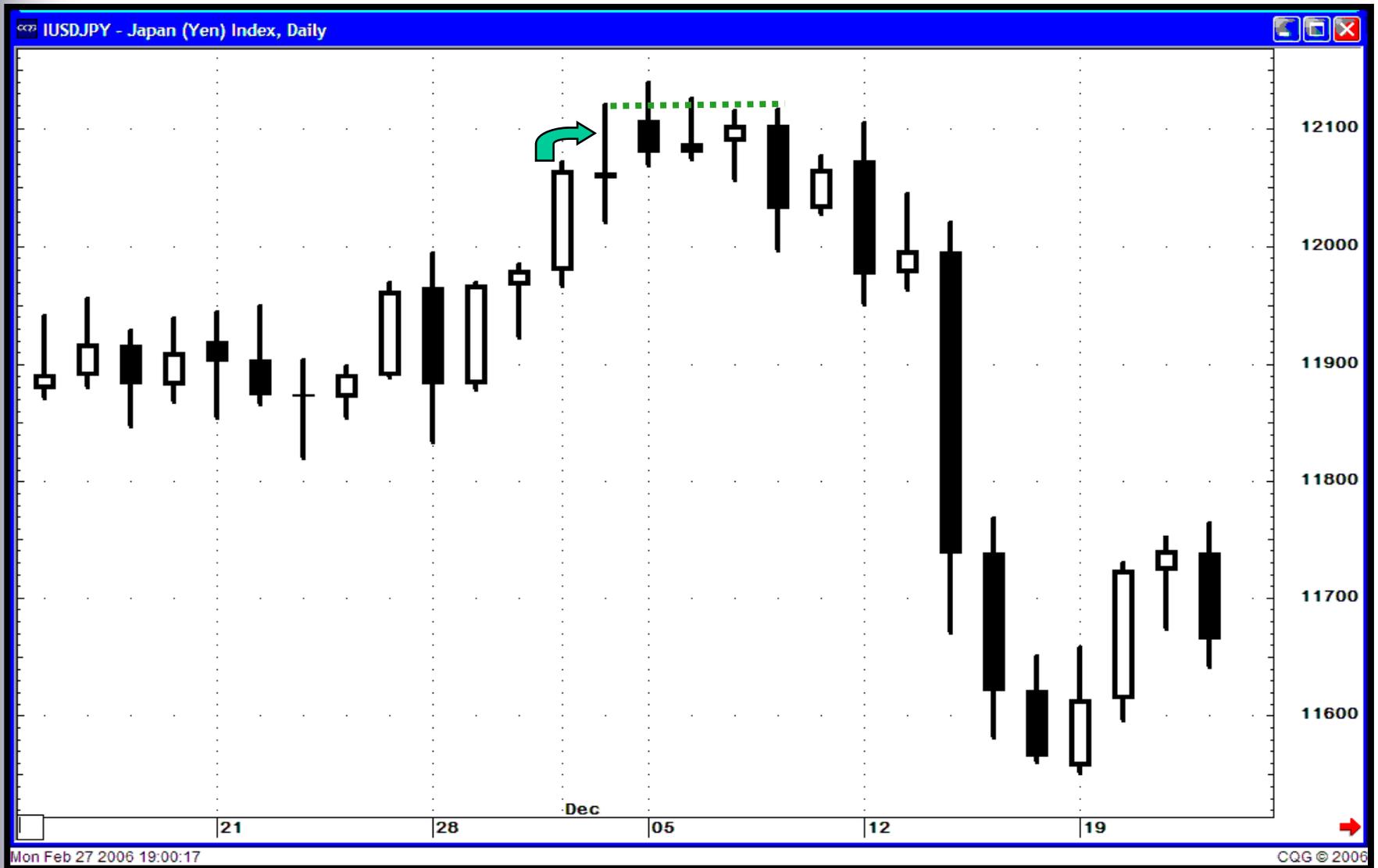
Doji as Resistance

Criteria: Use the highest high of those two sessions (top of upper shadow) as resistance

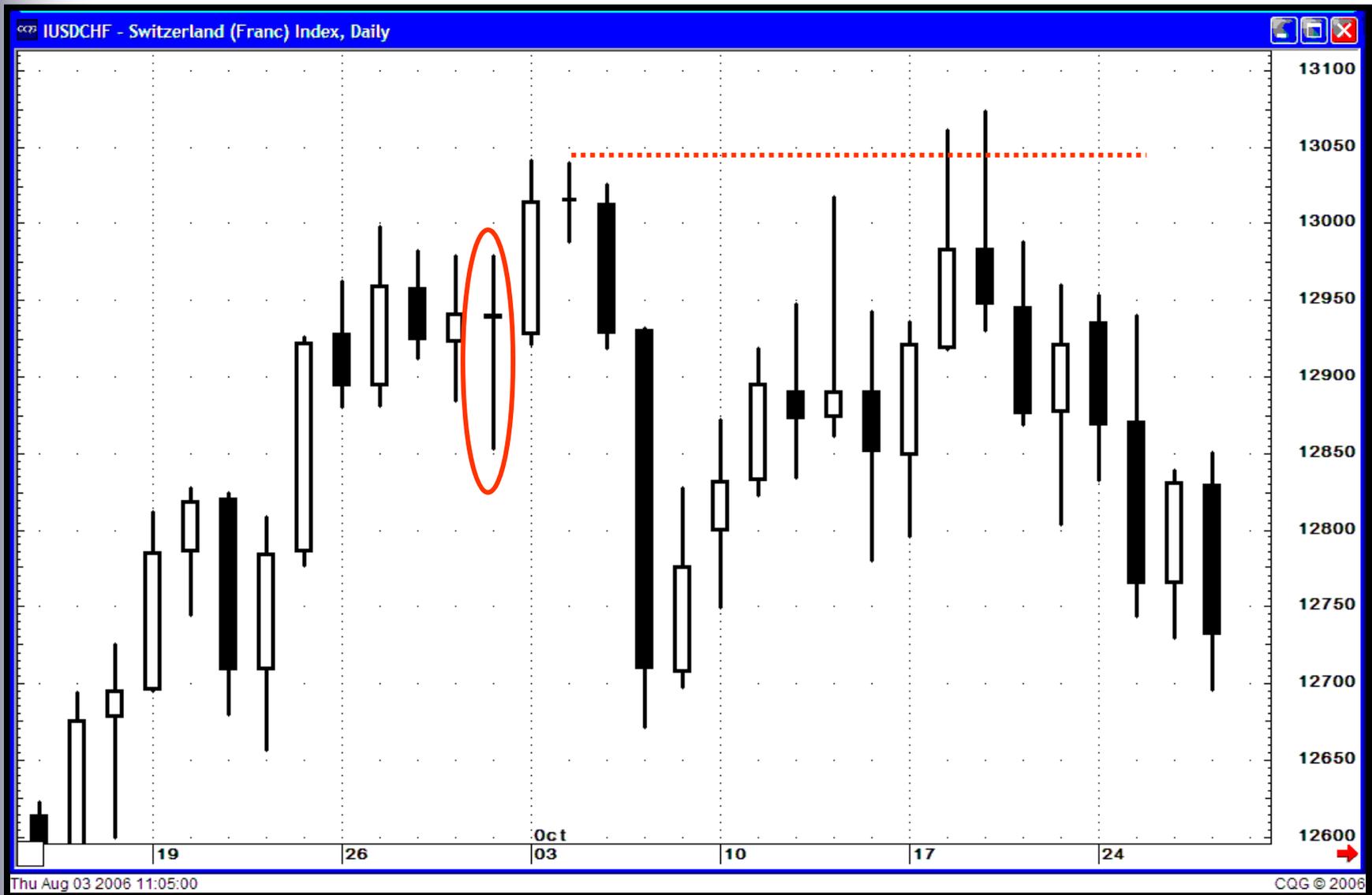
Implication: Close over that area: market is “refreshed”



Doji as Resistance



Doji as Resistance



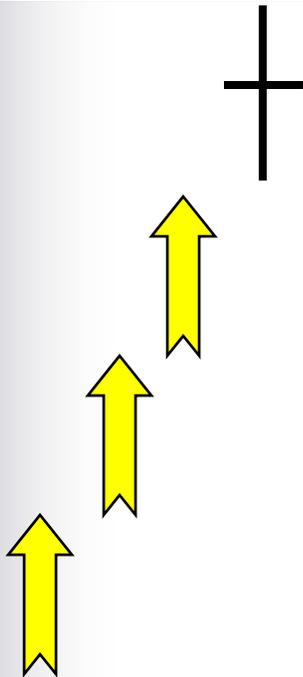
Nison Trading Principle #6

A candlestick line or pattern requires two criteria:

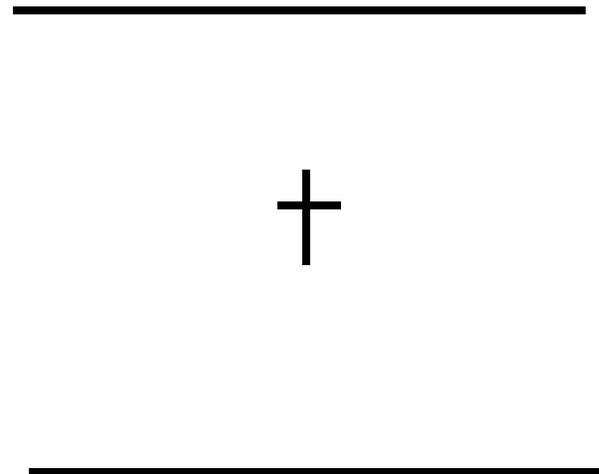
- **The shape of the line or pattern**
- **The preceding trend**

Doji and Trend

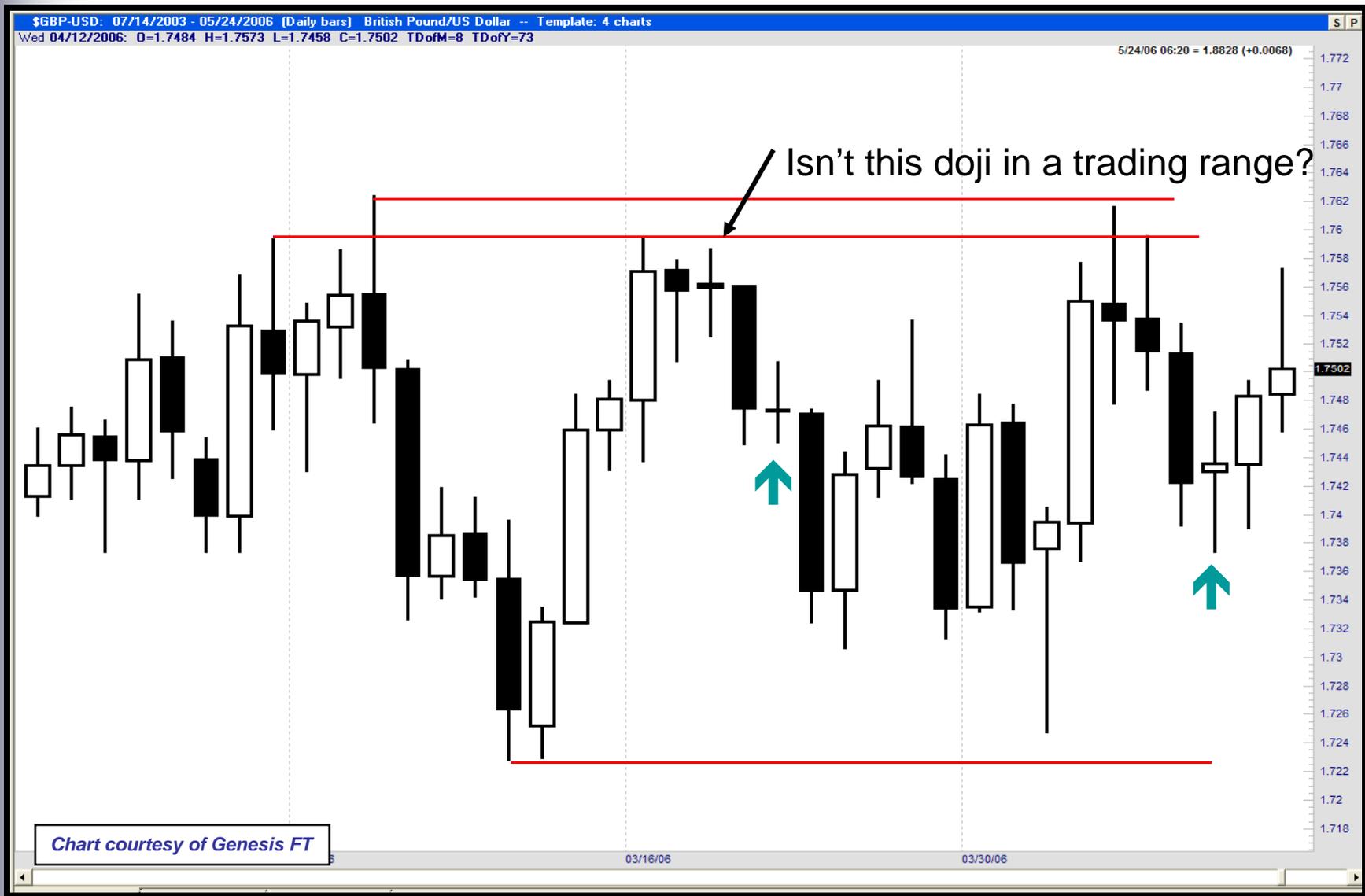
Concept:
To use a northern doji as a signal we need to have an uptrend to reverse



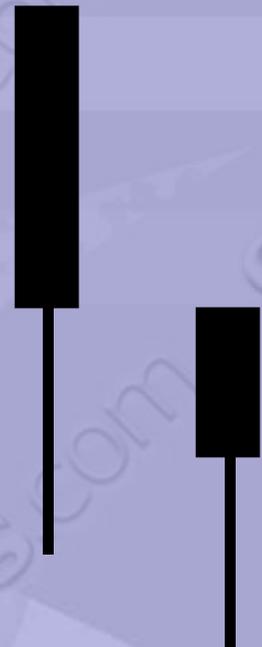
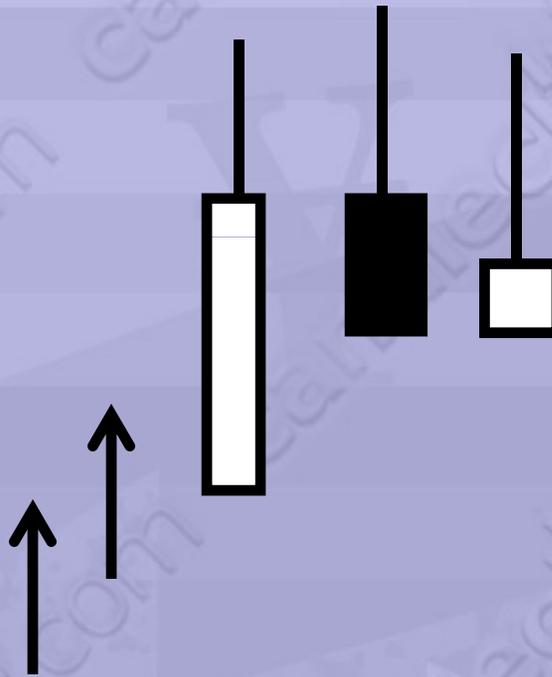
Doji in a "Box Range" is not a trading signal



Candles in Context of Trend



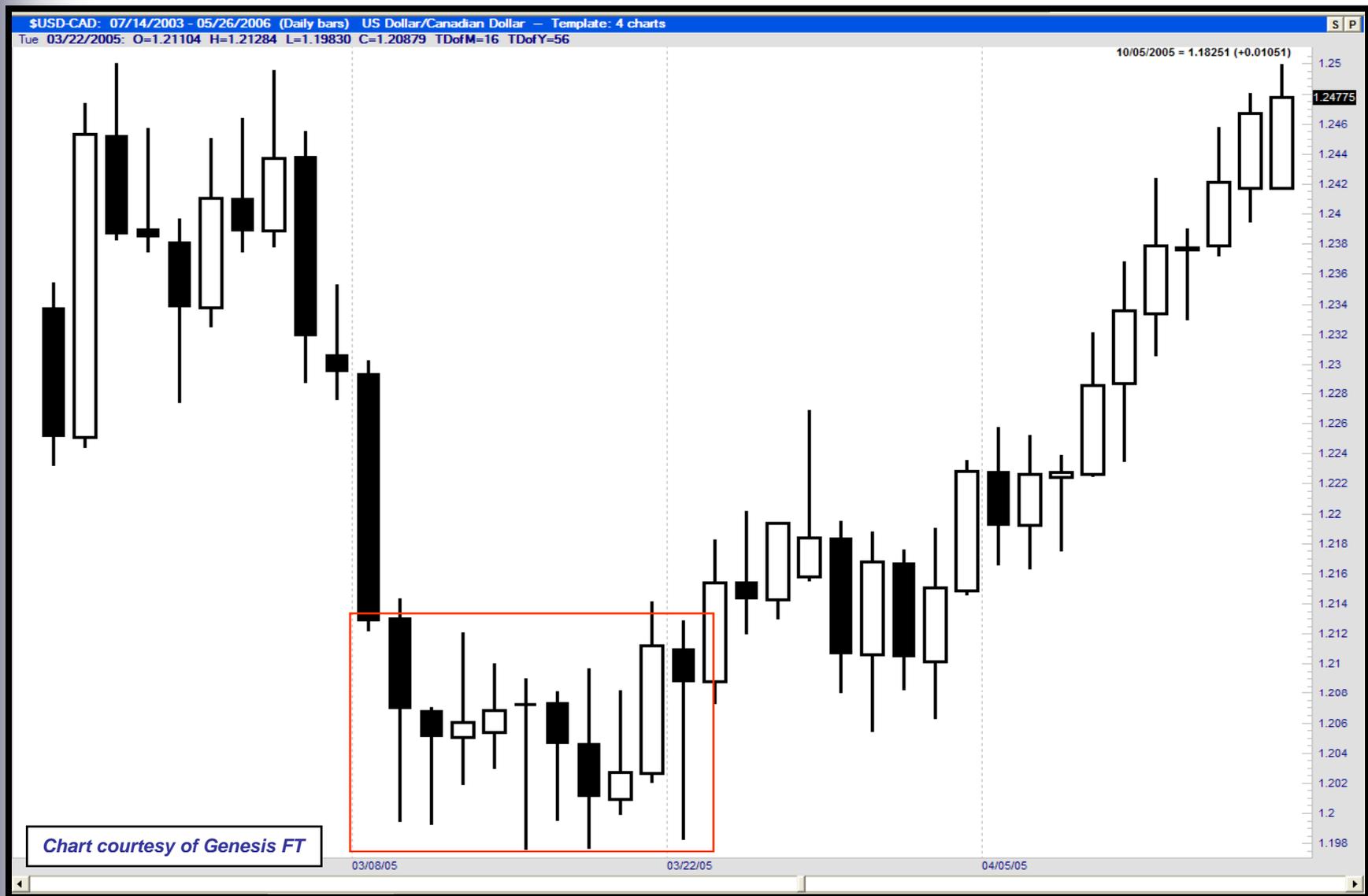
Shadows



Remember: location and size of the shadow should be considered when analyzing the market psychology.

Implication: Bearish long upper shadow offsets “rallying strength.” Bullish long lower shadows hints bears losing force.

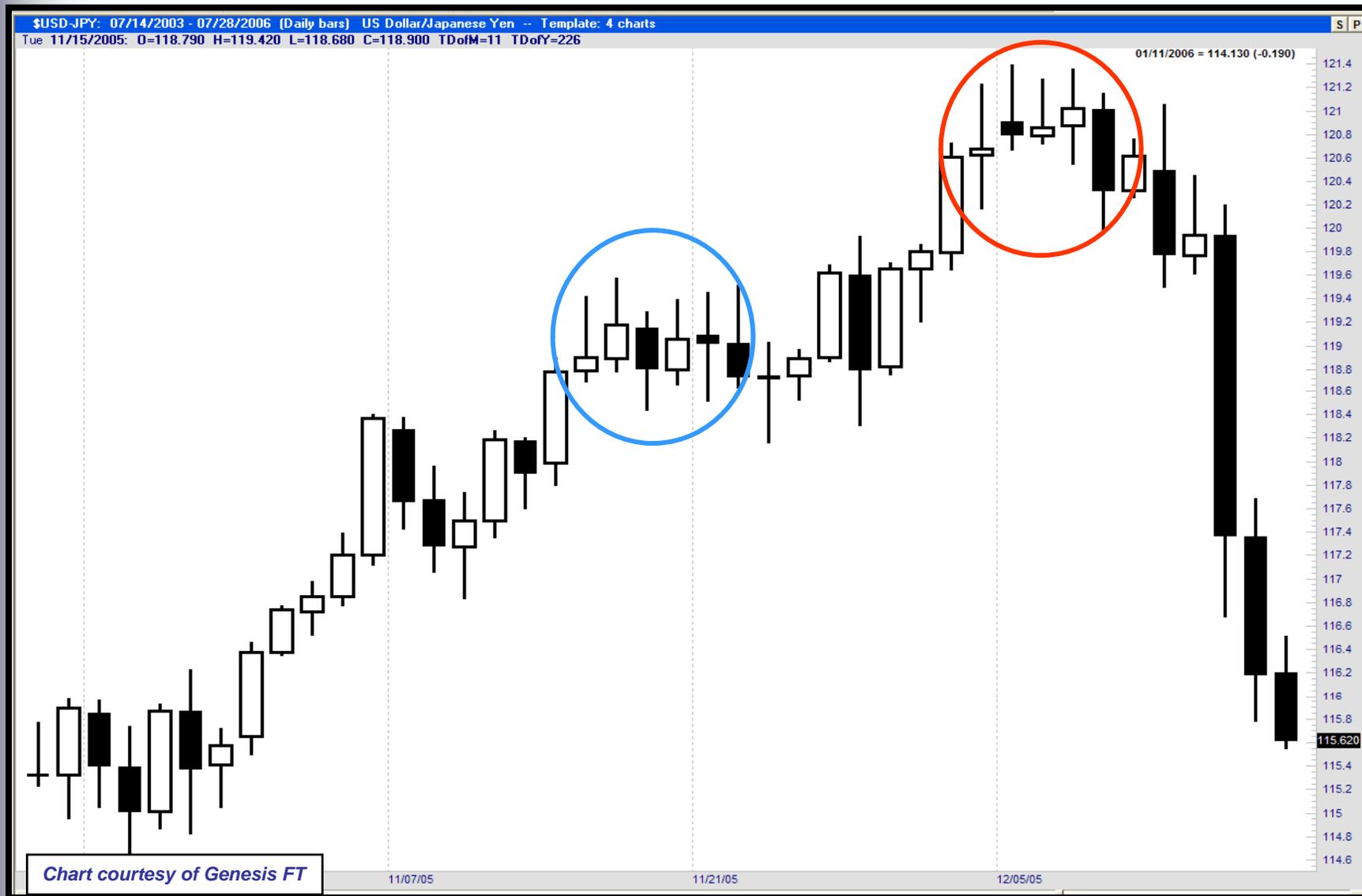
Bullish Shadows



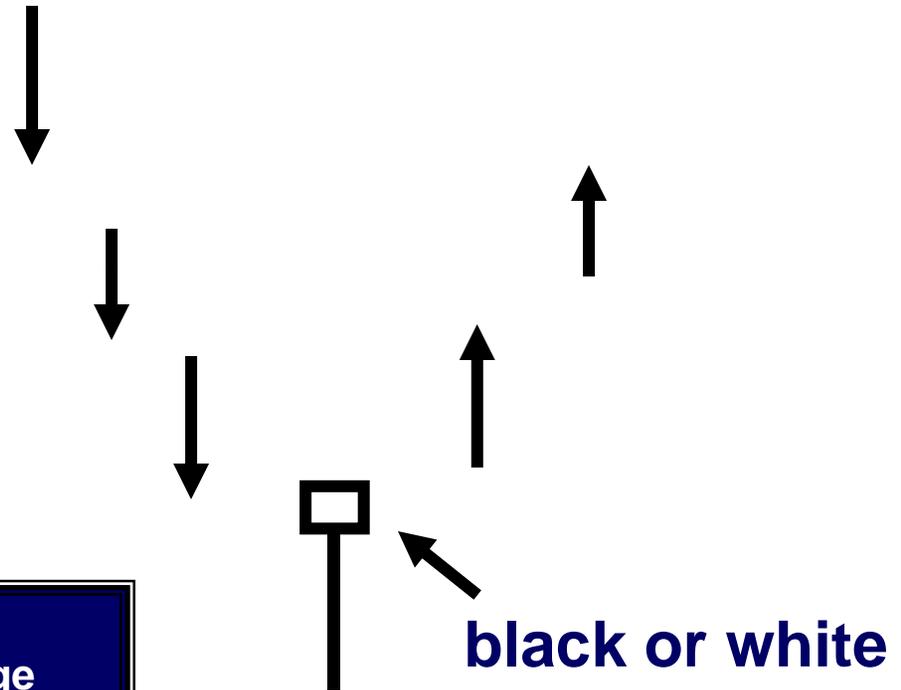
Bearish Shadows



Bearish Shadows



Hammer



Criteria:

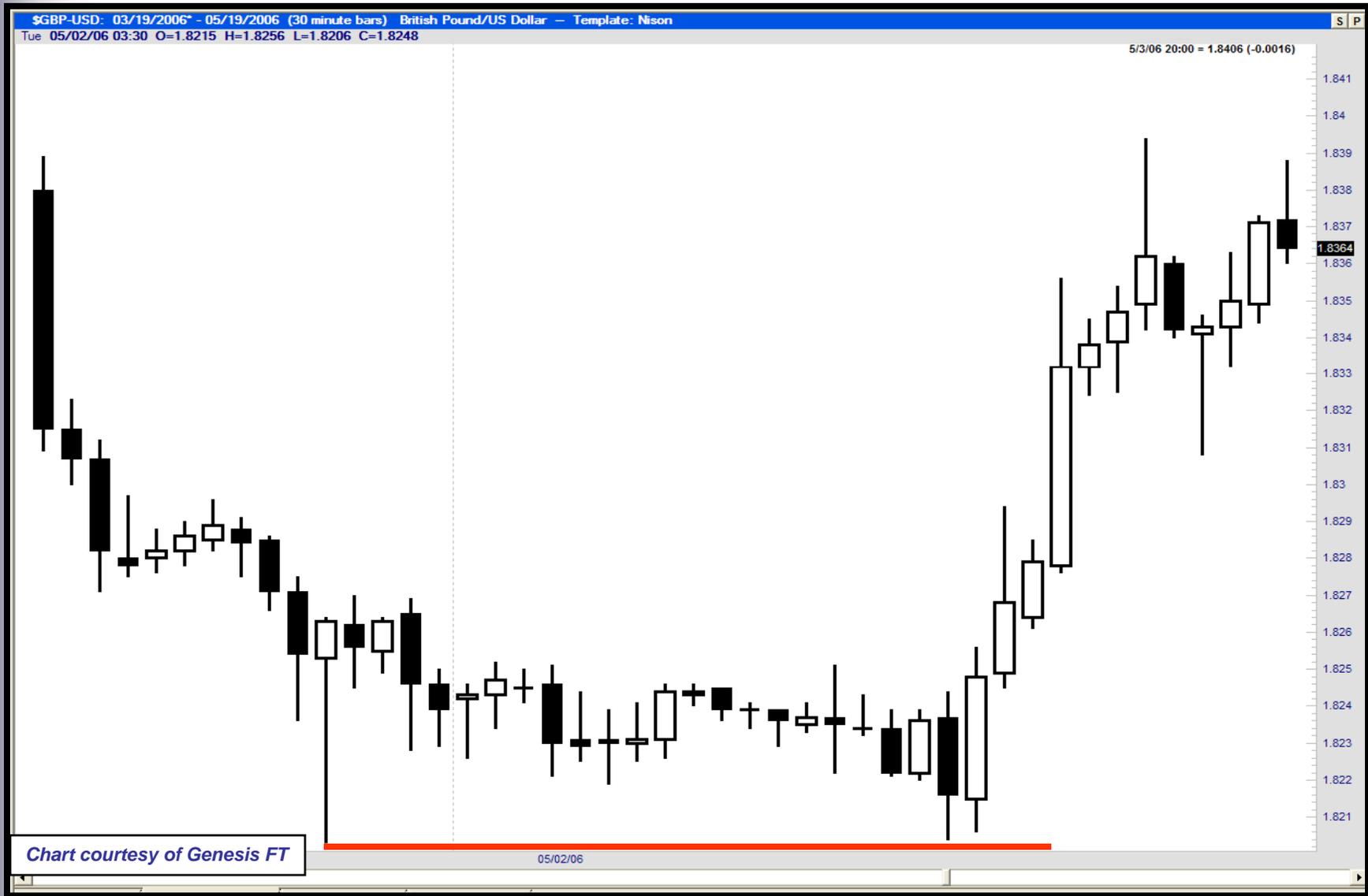
- Small real body at, or near top, of range
- Lower shadow at least 2x real body
- Market in down trend

Implication: 'Groping for a bottom'

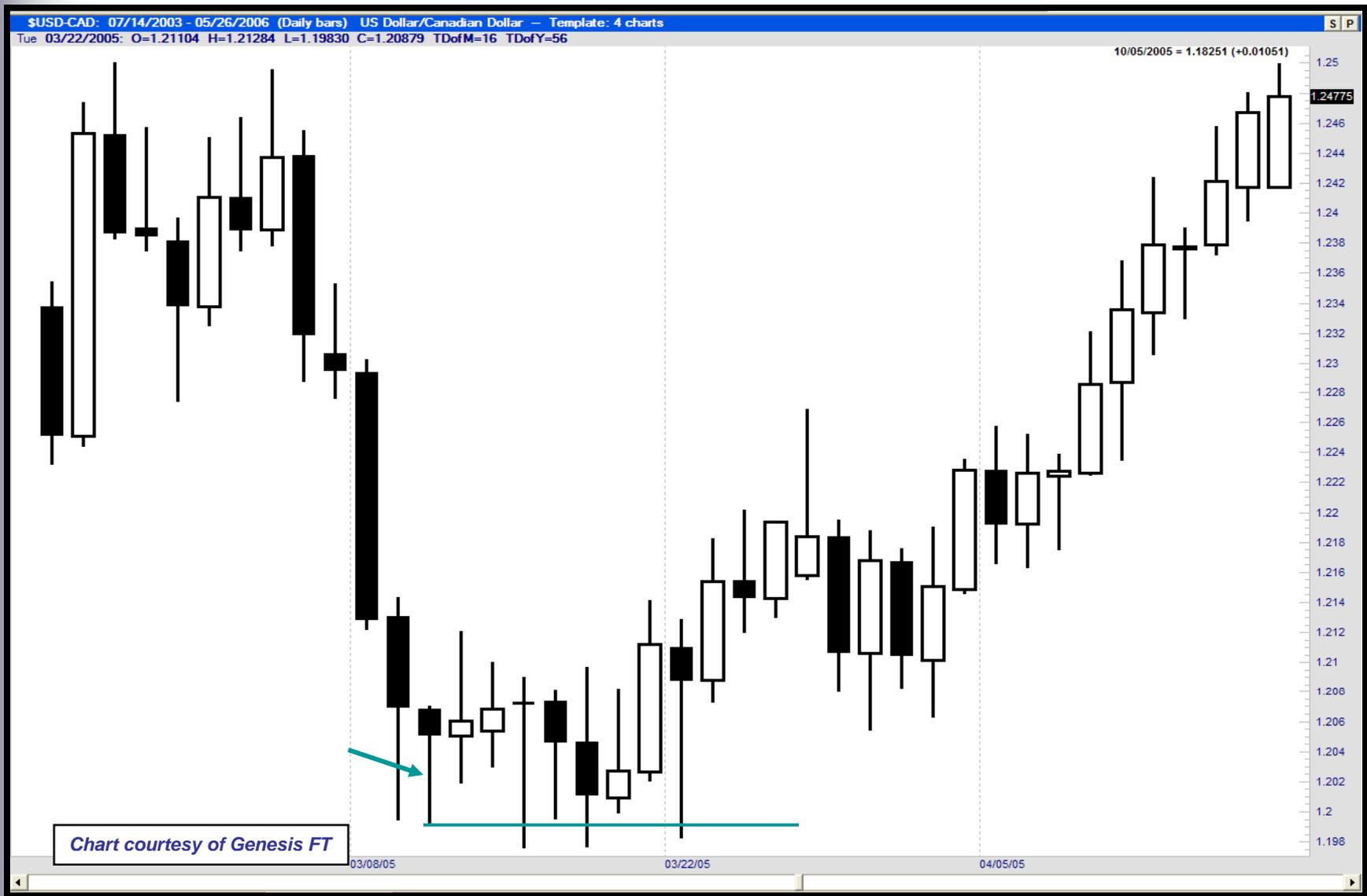
Hammer



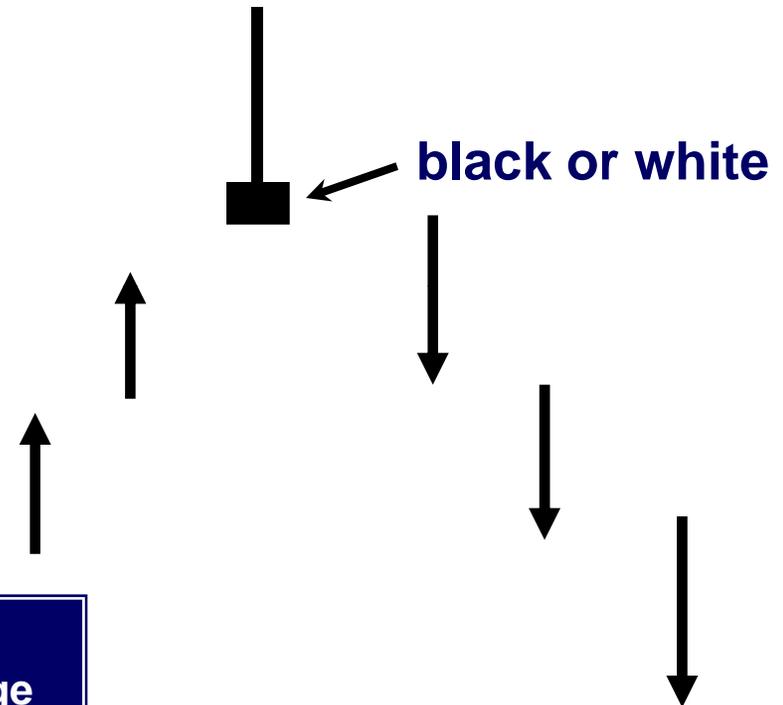
Hammer as support



Hammer as support



Shooting Star

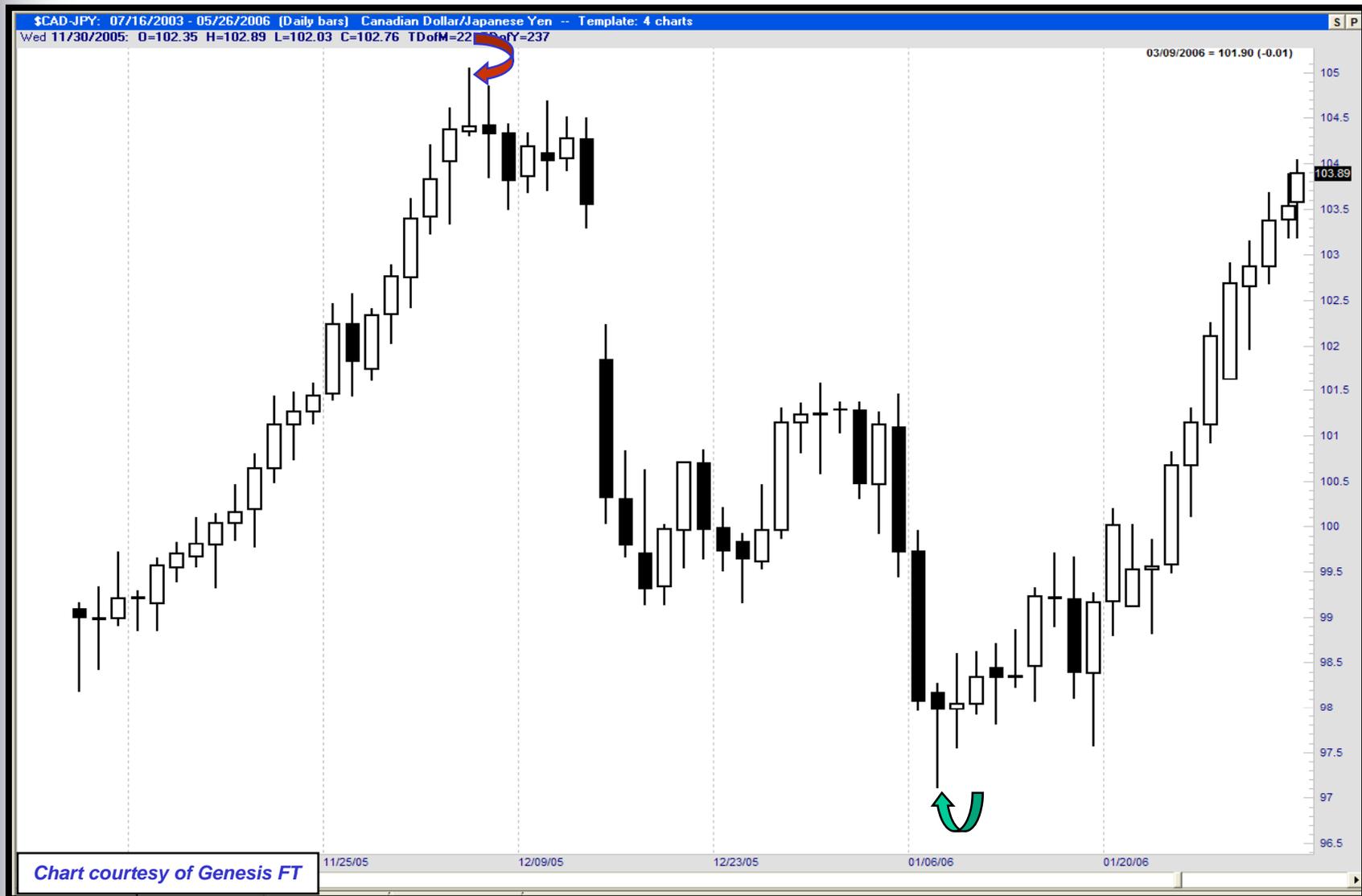


Criteria:

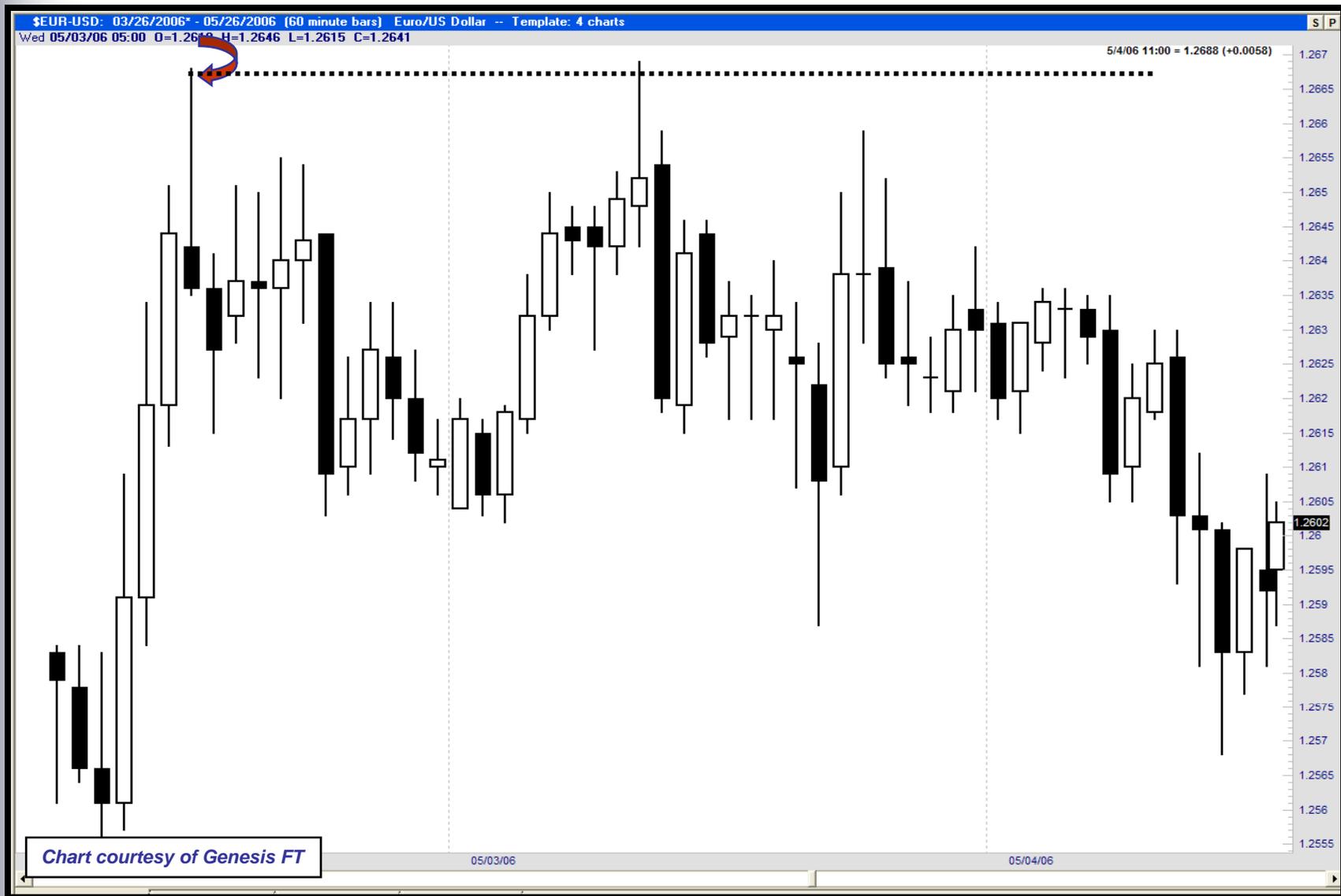
- Small real body at, or near bottom, of range
- Upper shadow at least 2x real body
- Market in an up trend

Implication: 'Signaling Trouble Overhead'

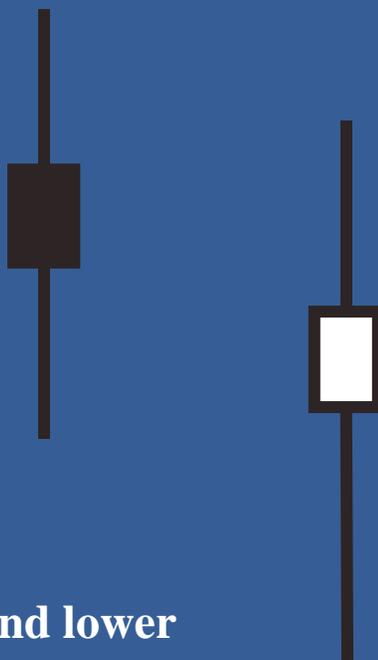
Shooting Star - Hammer



Shooting Star as resistance

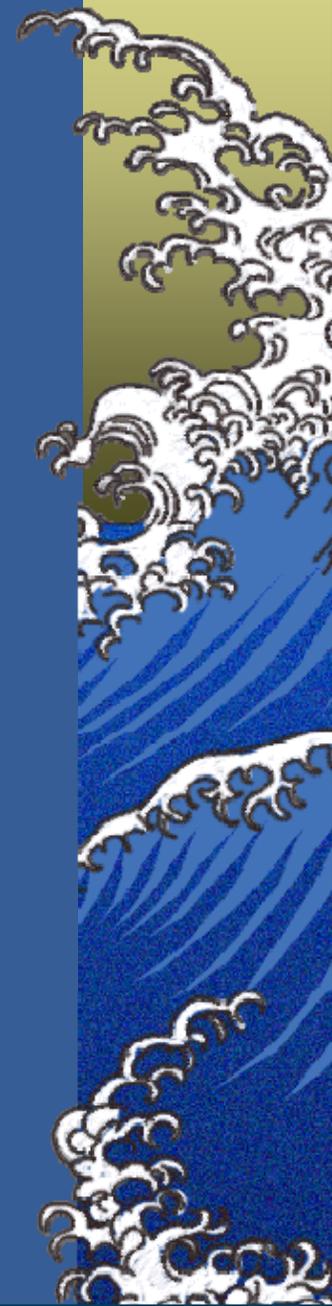


High Wave Candles

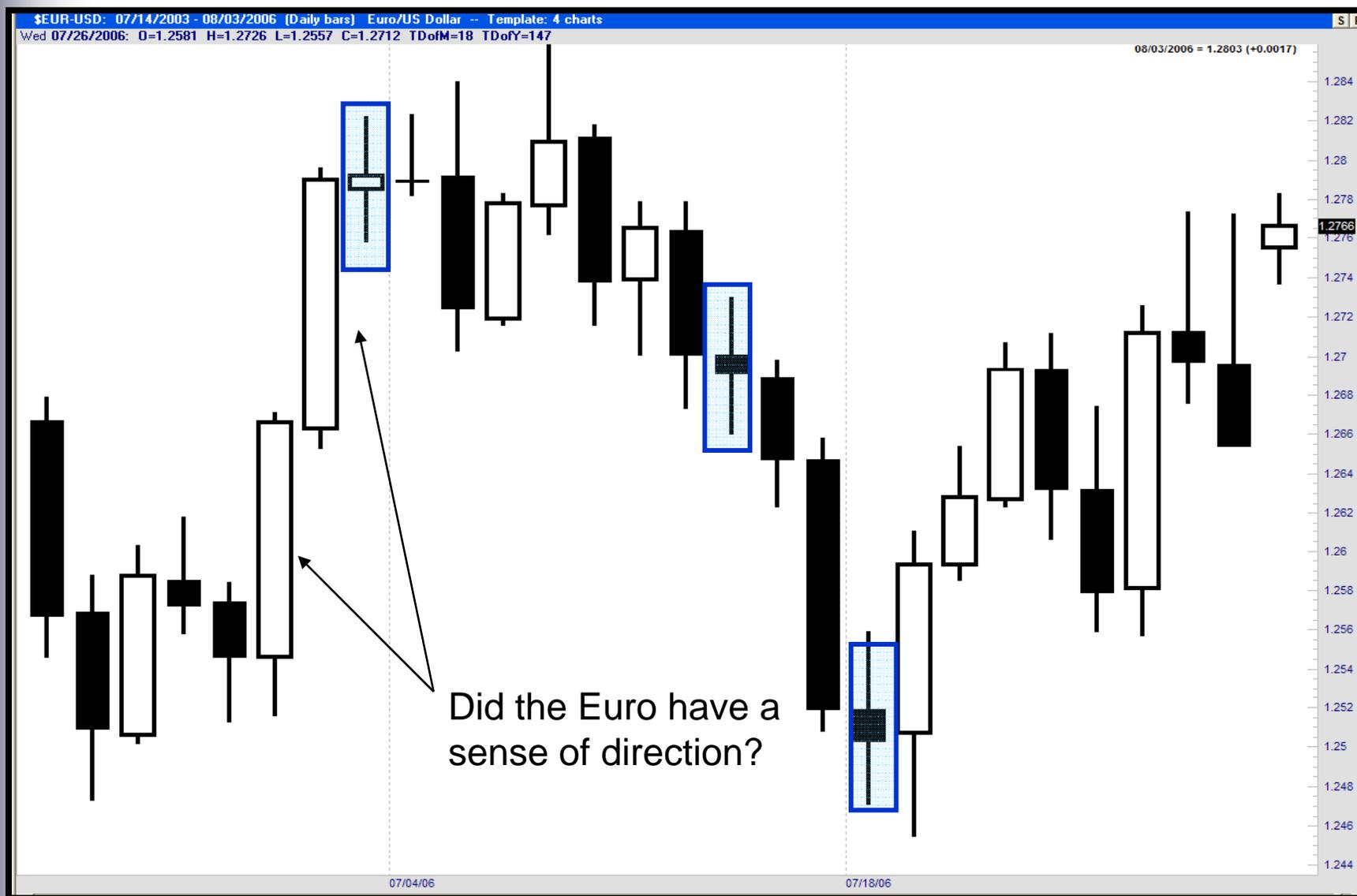


Criteria: very long shadows and lower
small real body - color not important

Implication: Trend is losing force



High Wave Candles



The Checkmate Principle

Bearish Checkmate:

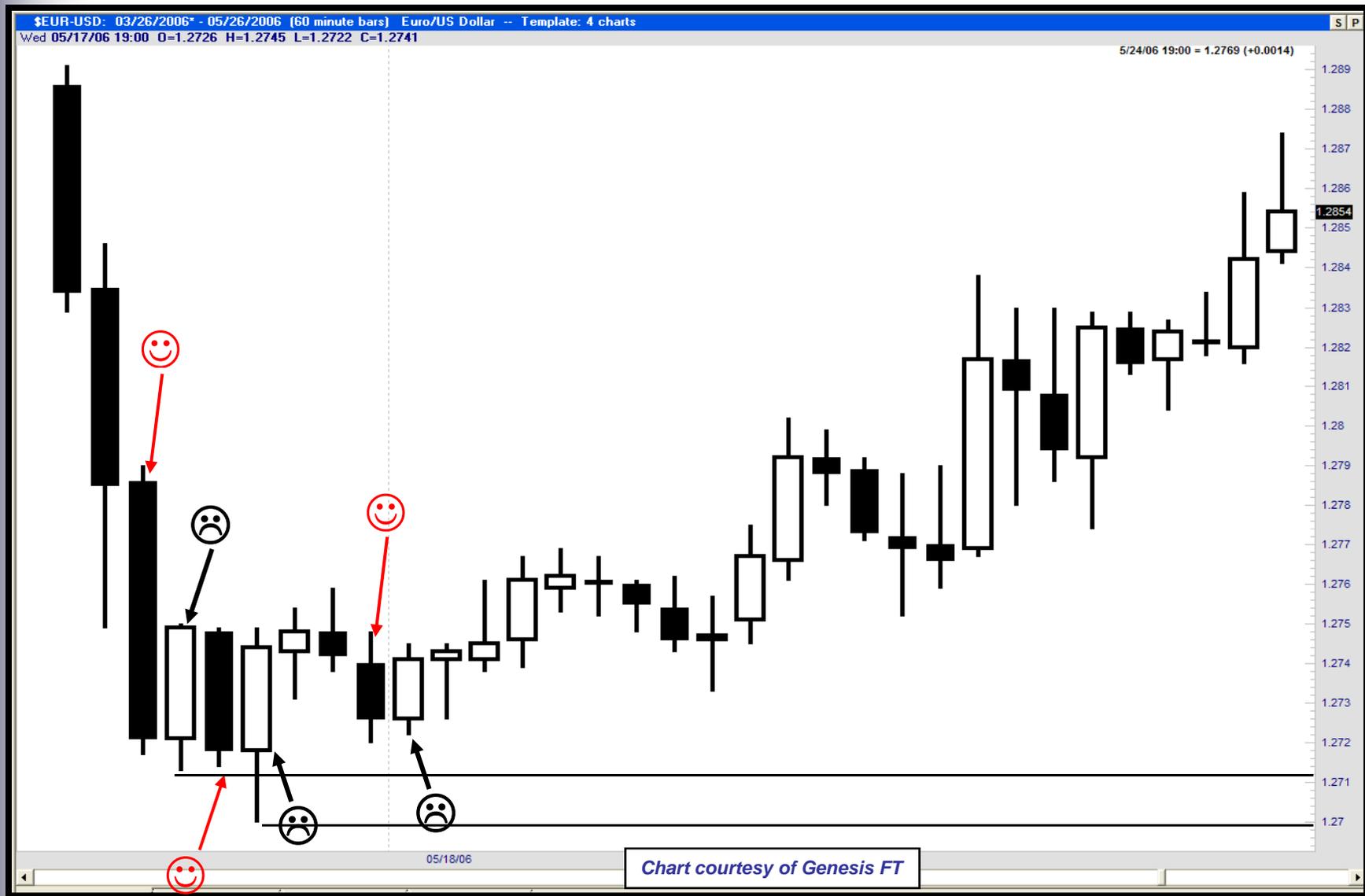
A series of tall white candles followed by black candles or small real bodies near the same resistance level. It reveals that the bulls' drive is being "checkmated"

Bullish Checkmate:

A series of long black candles followed by white candles or small real bodies near the same support level. It reveals that the bears' drive is being "checkmated"

Bull Checkmate

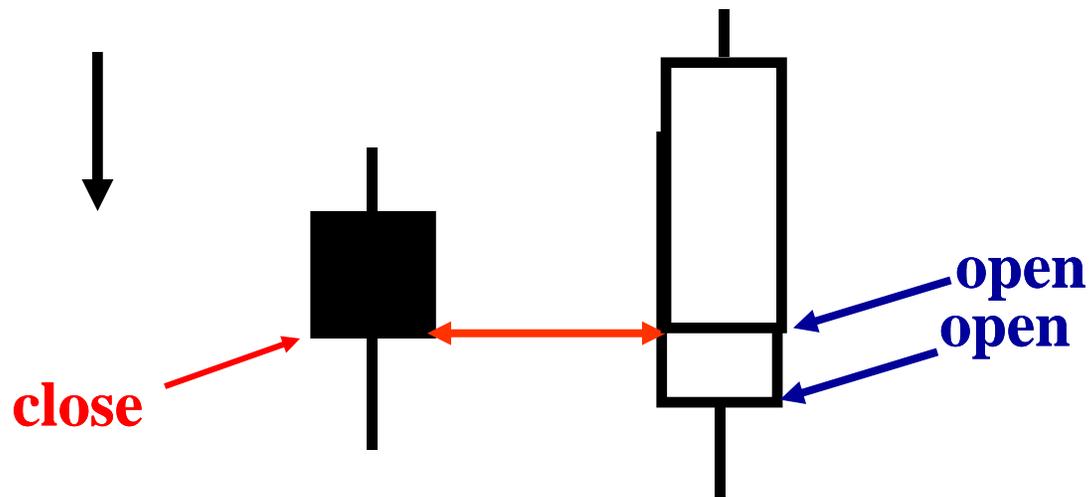
1 of 2



Bullish Engulfing Pattern

Criteria:

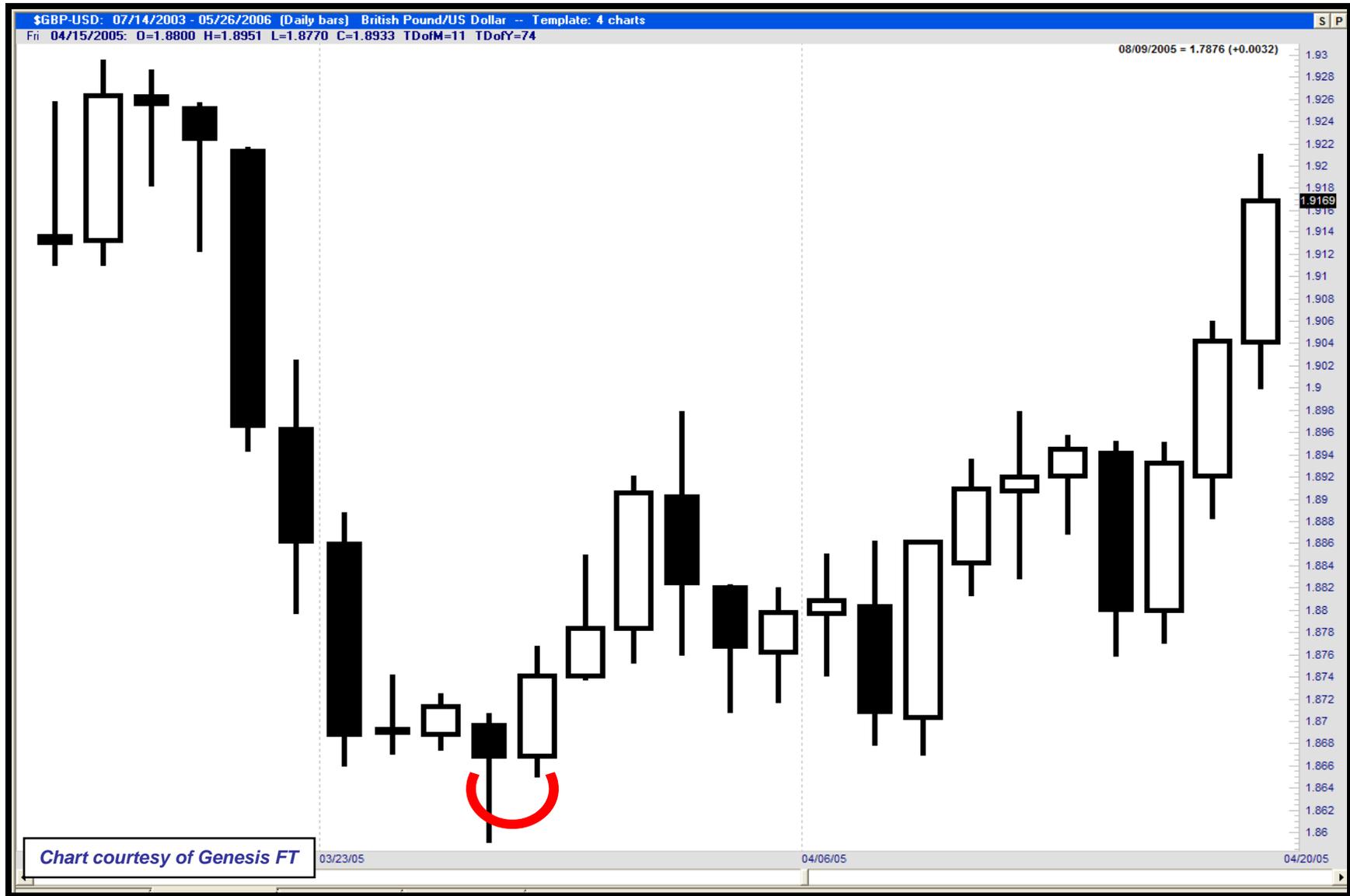
- White real body wraps around preceding black real body
- Market in down trend
- Implication: Market bottoming out



Bullish Engulfing Pattern



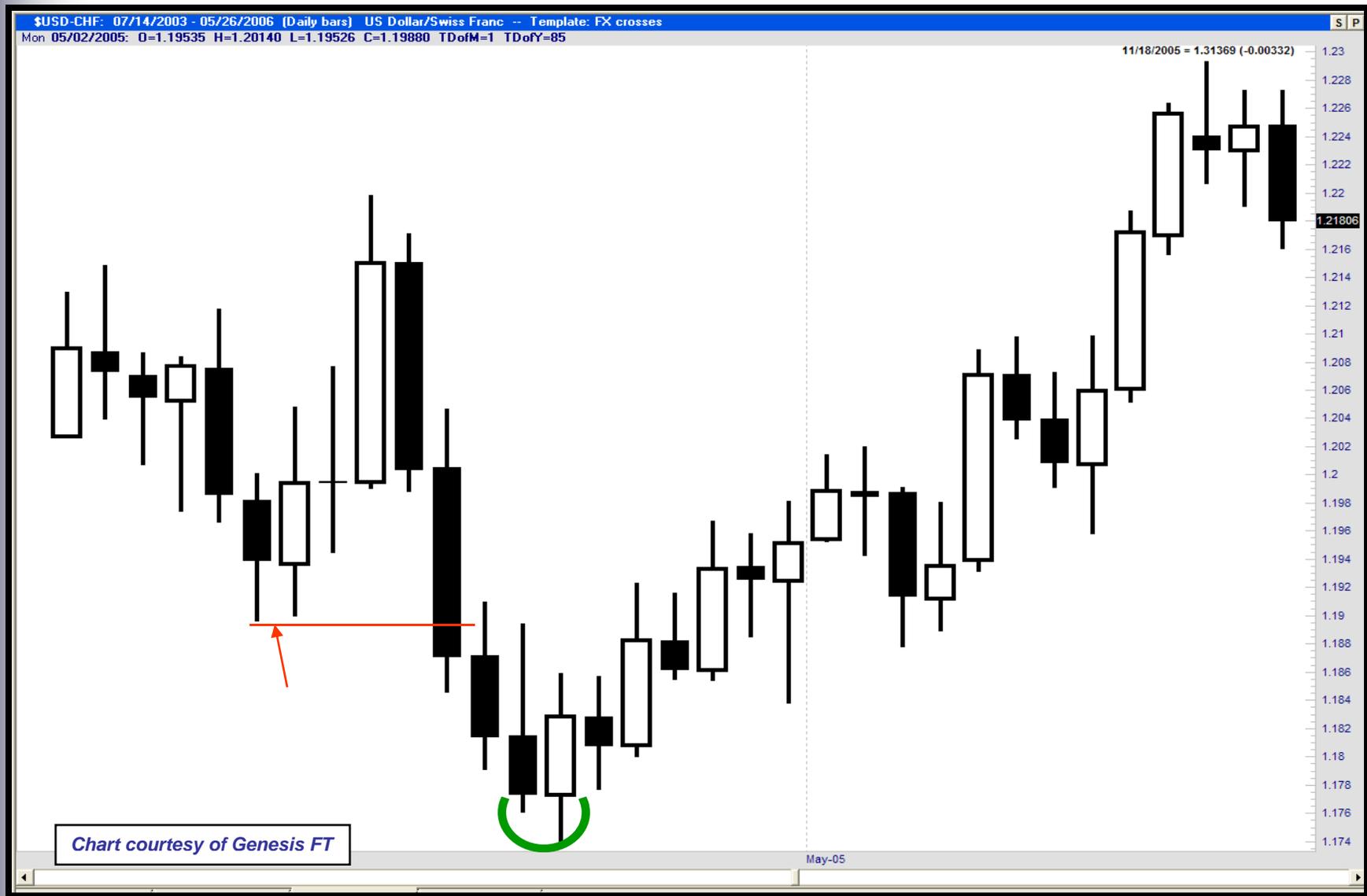
Bullish Engulfing Pattern



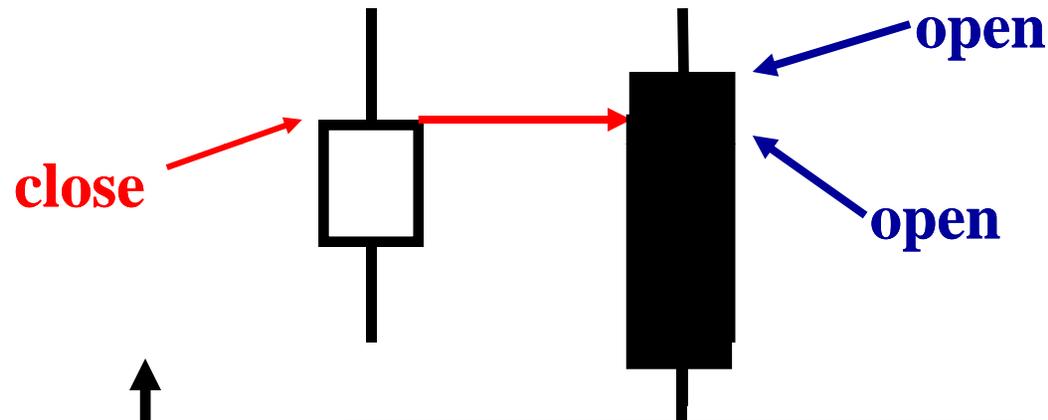
Bullish Engulfing Pattern as Support



Bullish Engulfing Pattern



Bearish Engulfing Pattern

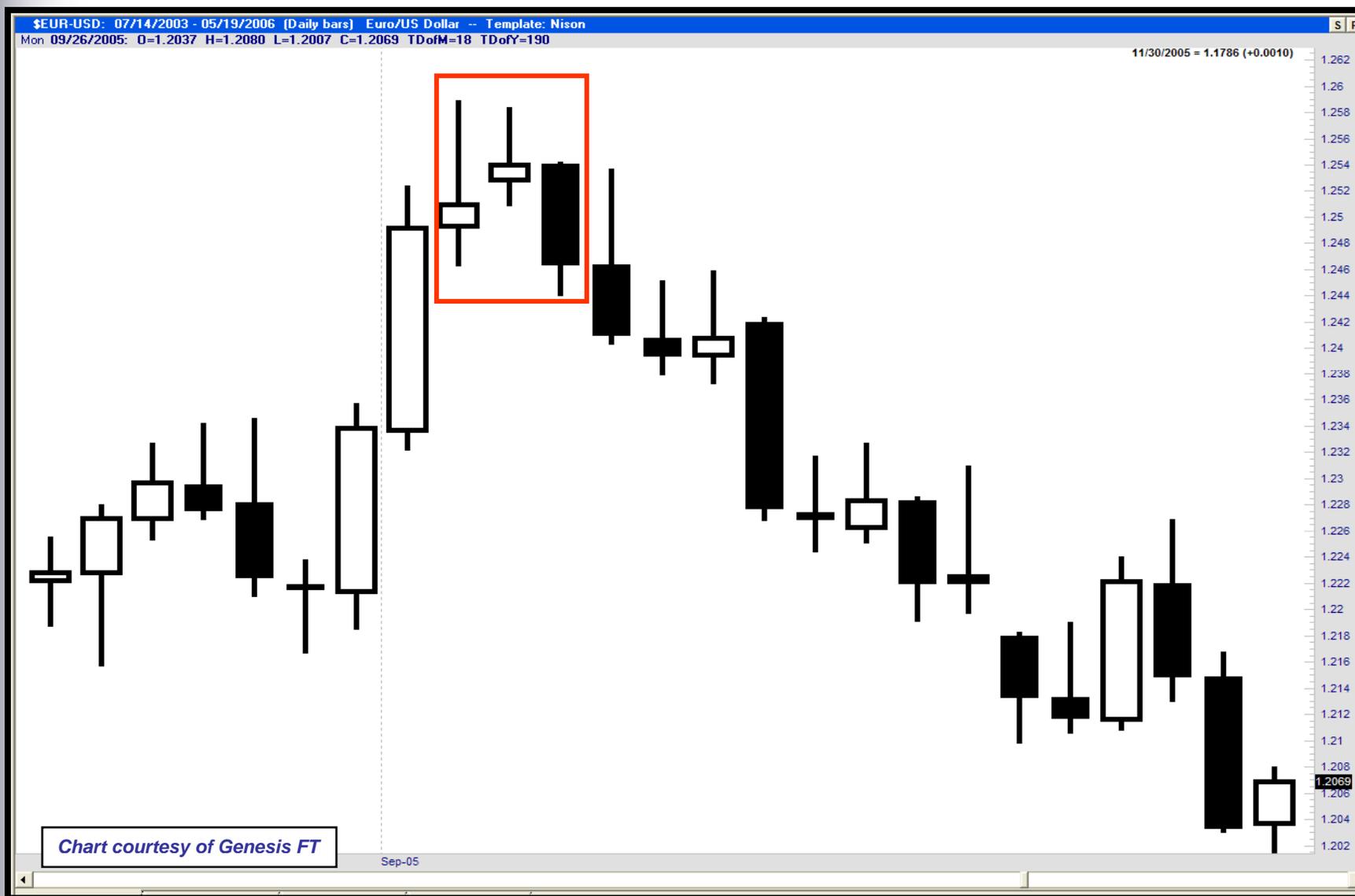


Criteria:

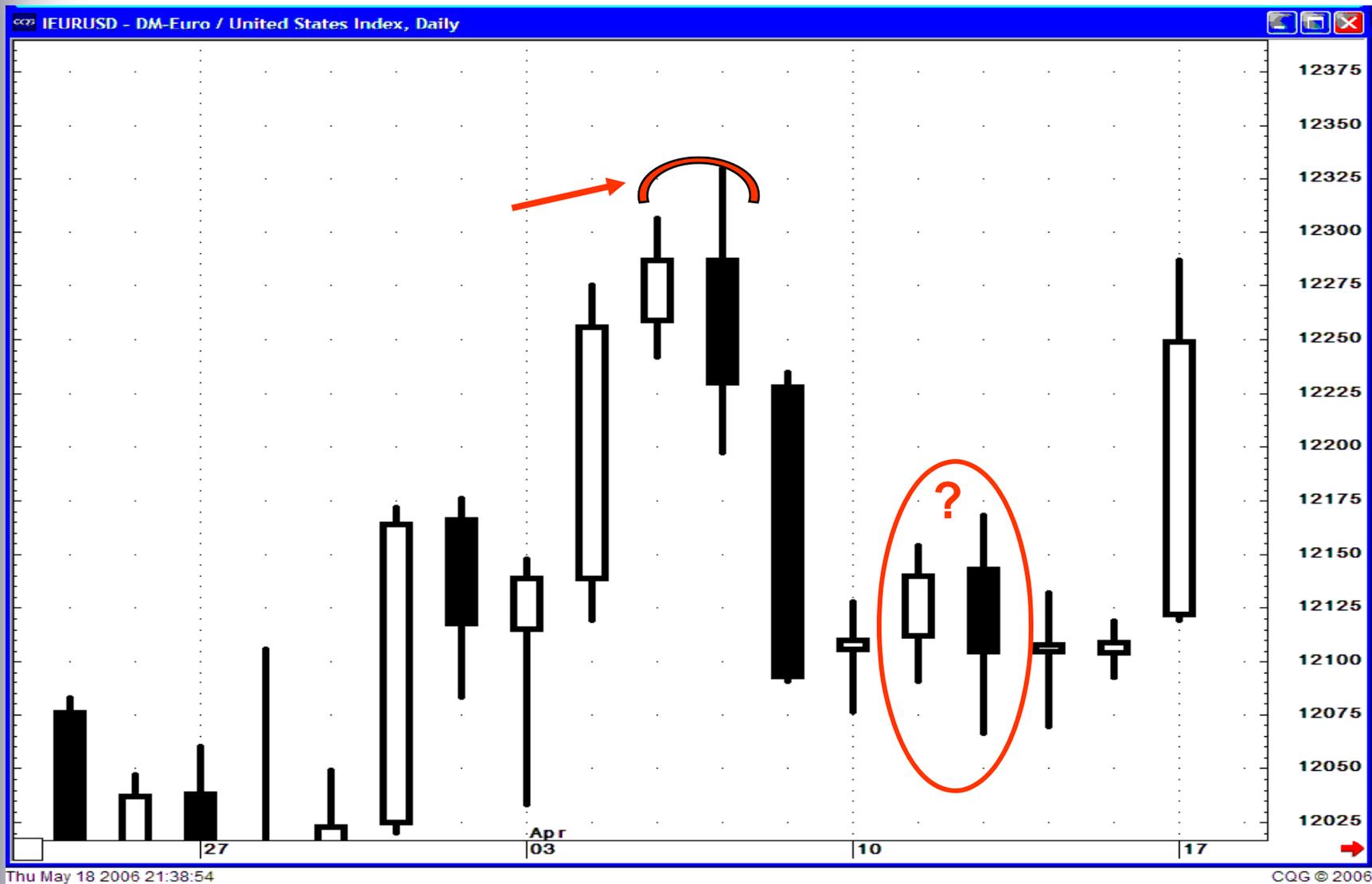
- Black real body wraps around preceding white real body
- Market in up trend

Implication: 'Bulls have been constrained'

Bearish Engulfing Pattern



Bearish Engulfing Pattern

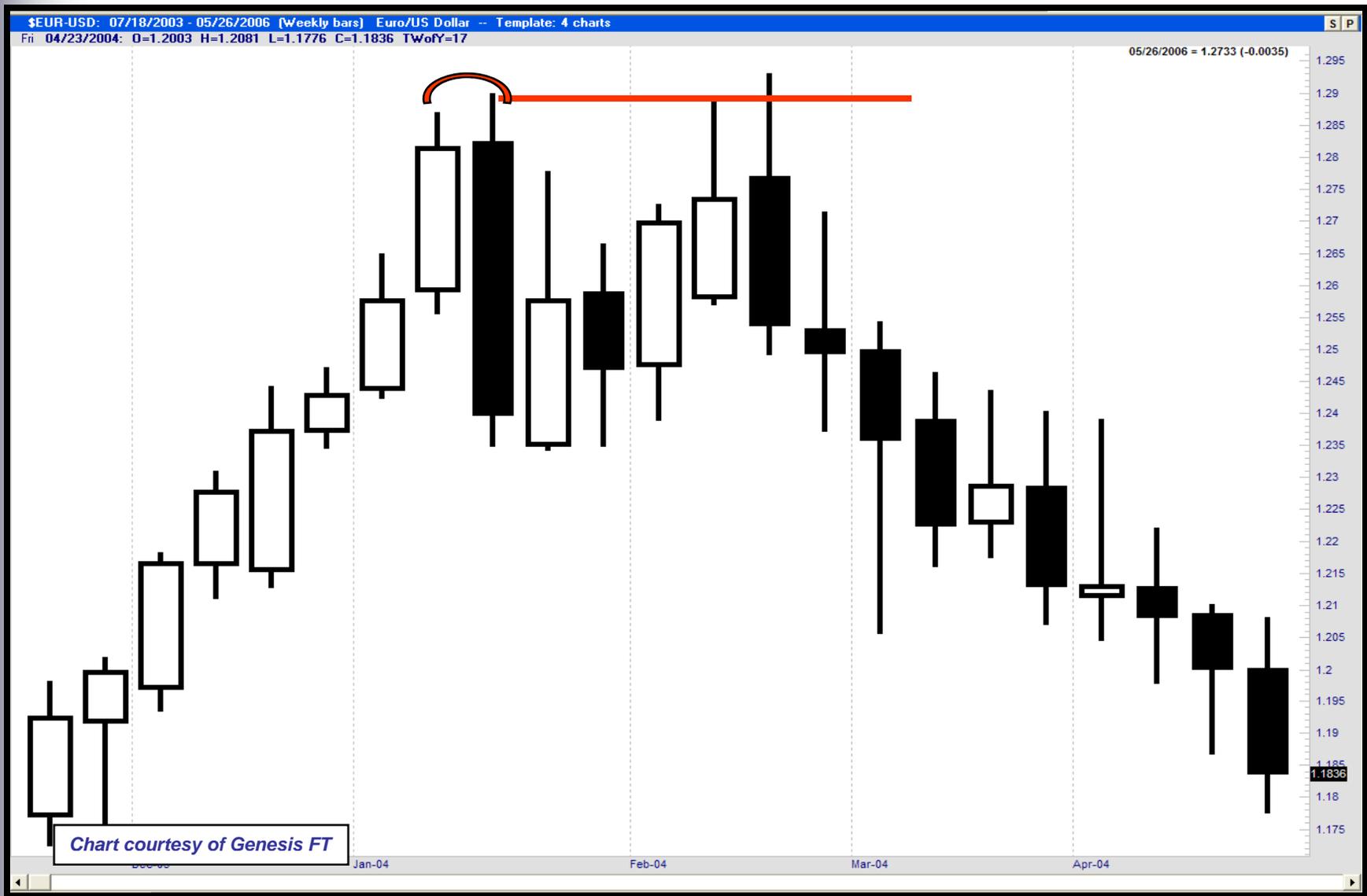


Thu May 18 2006 21:38:54

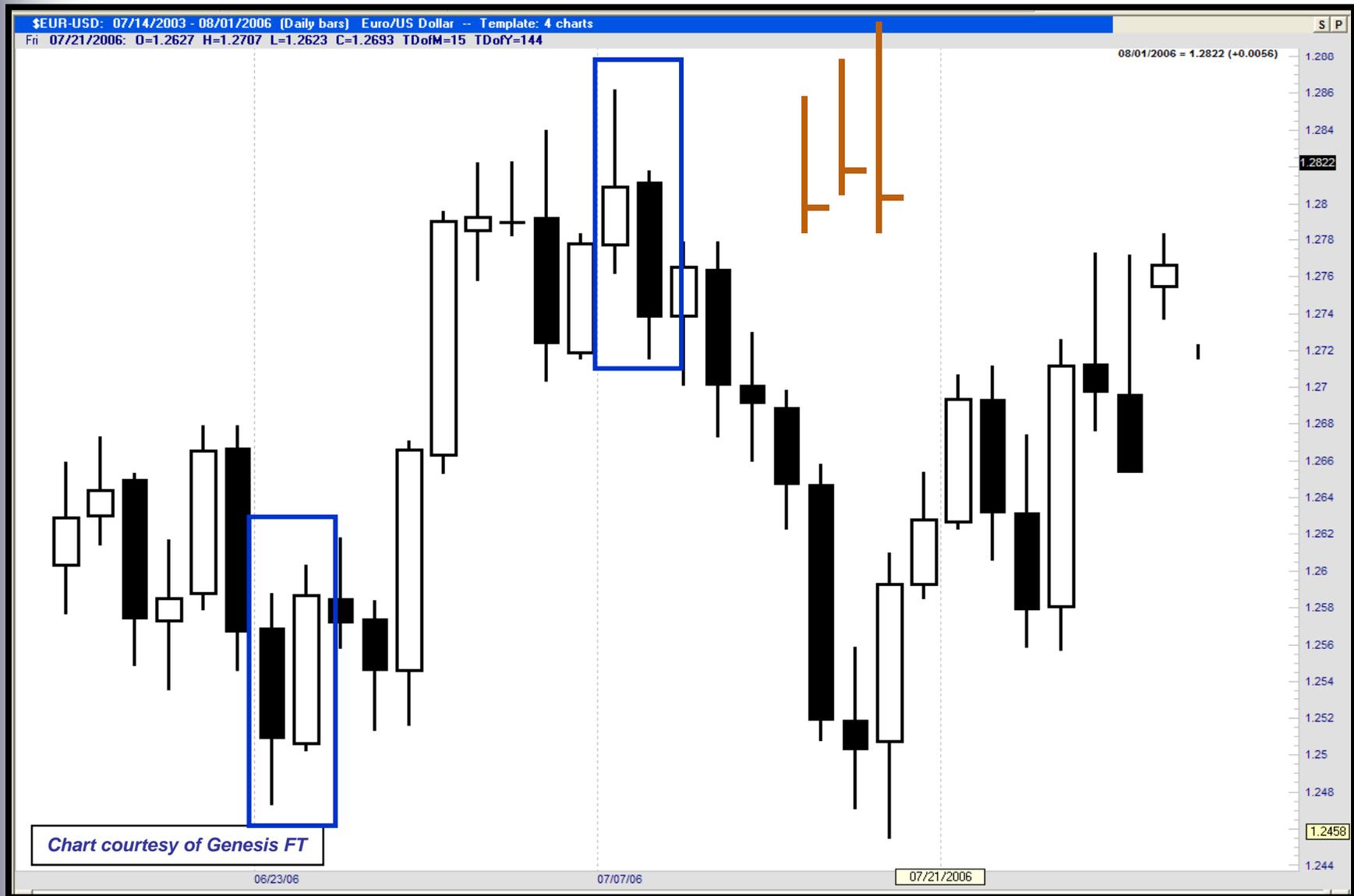
CQG © 2006

ask@candlecharts.com 732.254.8660 USA

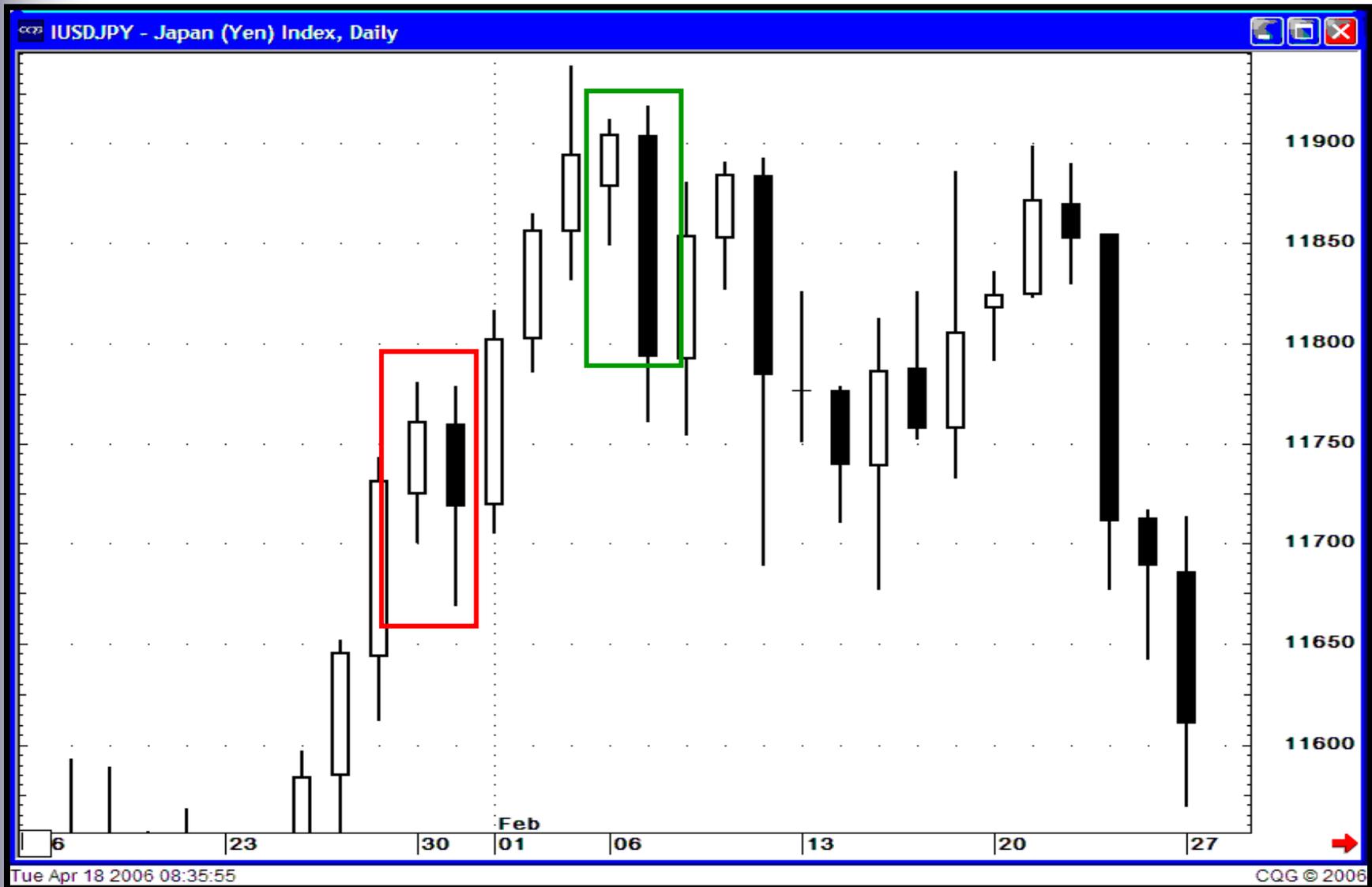
Bearish Engulfing Pattern as Resistance



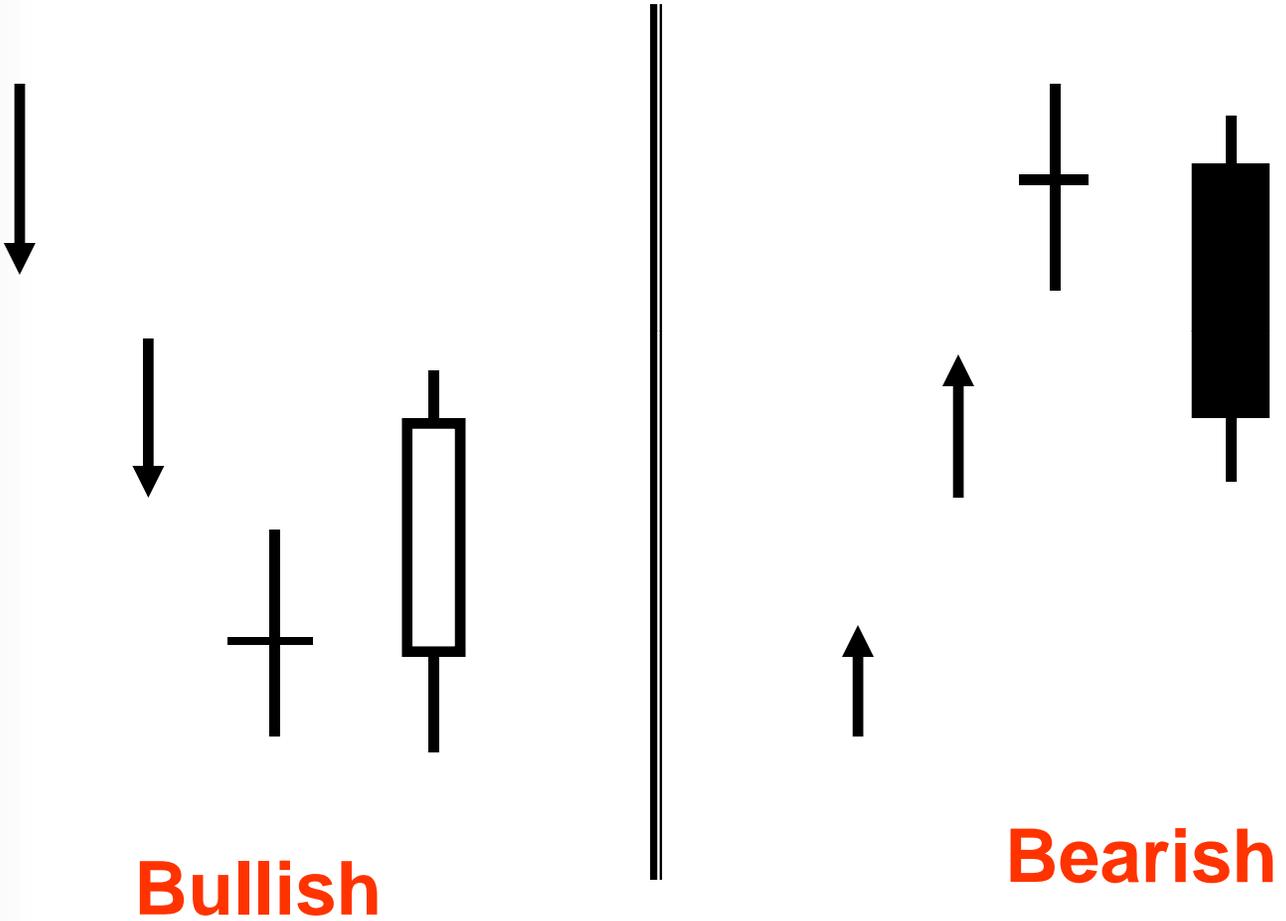
Engulfing Patterns compared to Outside Reversal



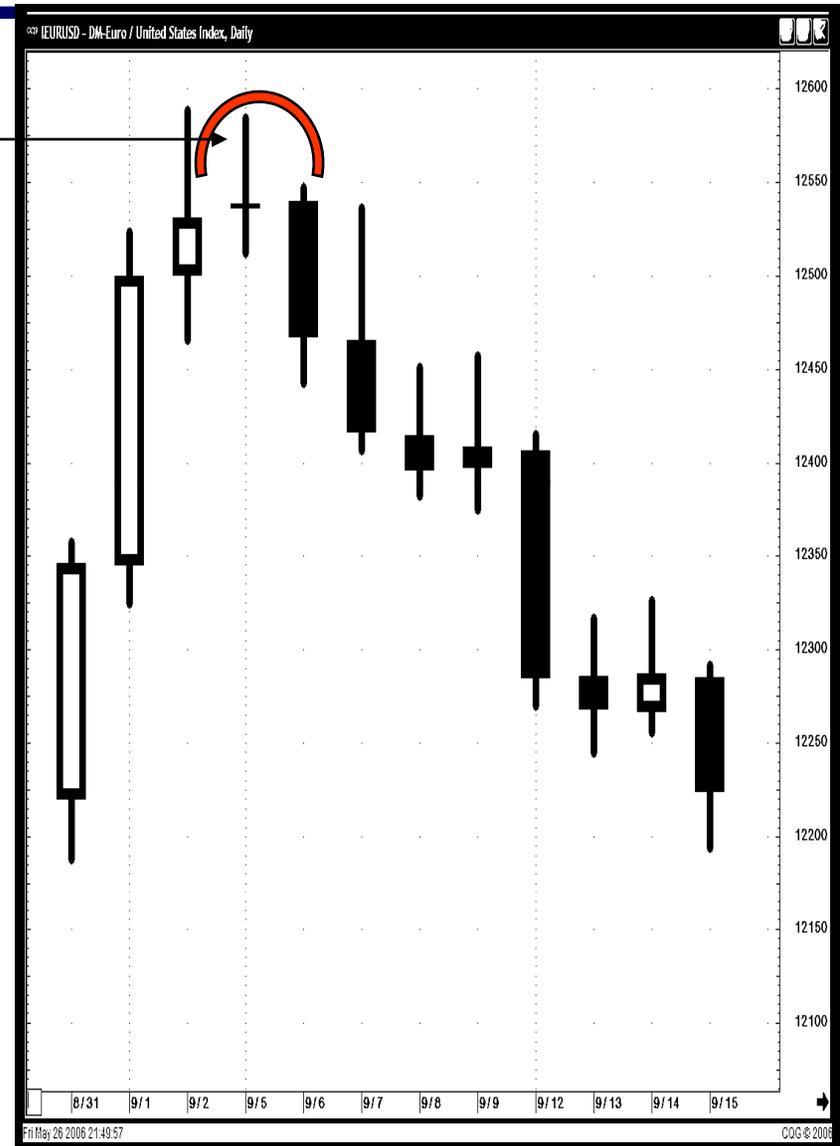
Engulfing Patterns – Compare Real Bodies



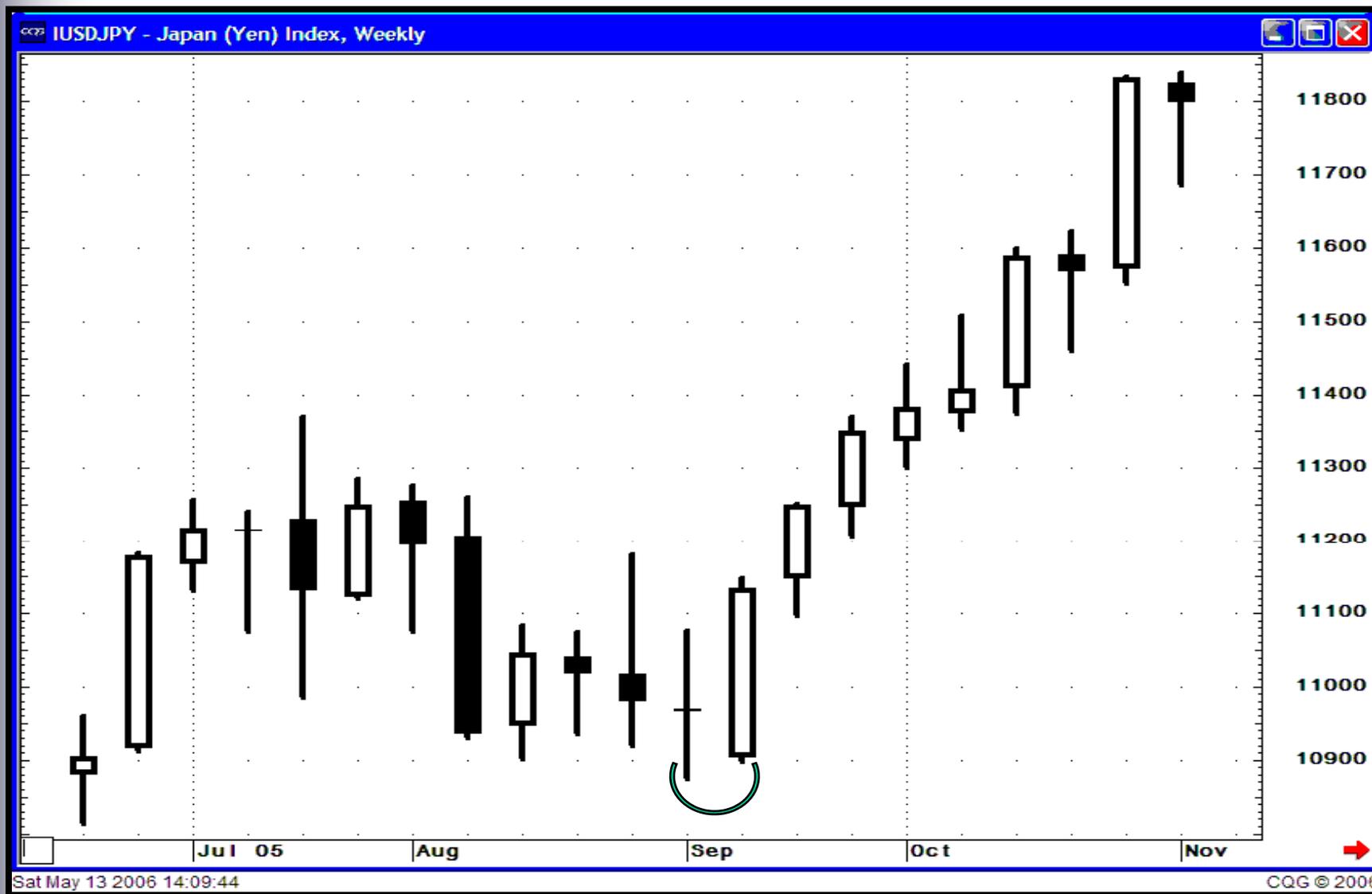
Engulfing Patterns



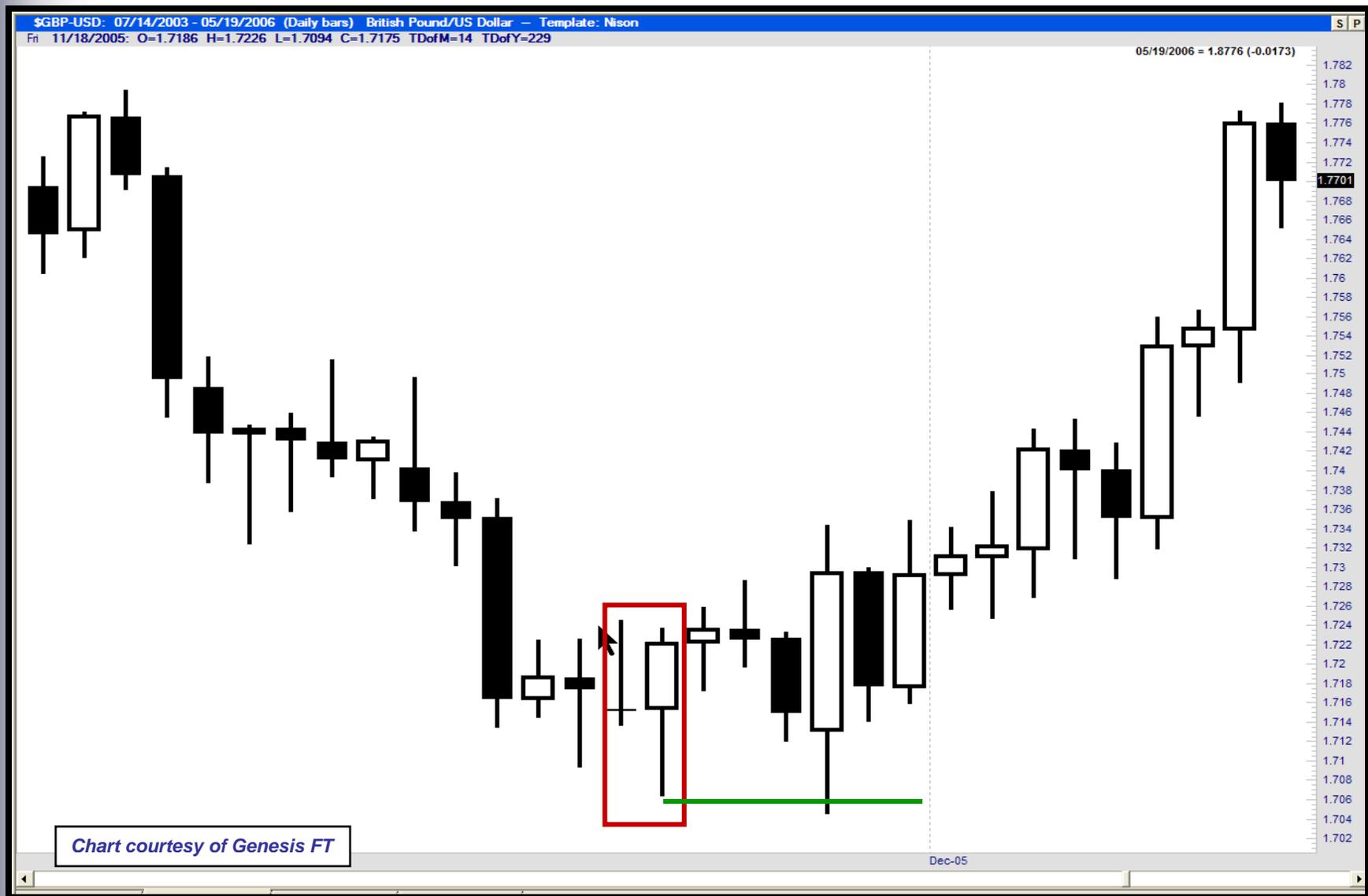
Both are Bearish Engulfing



Bullish Engulfing Pattern



Bullish Engulfing Pattern as Support

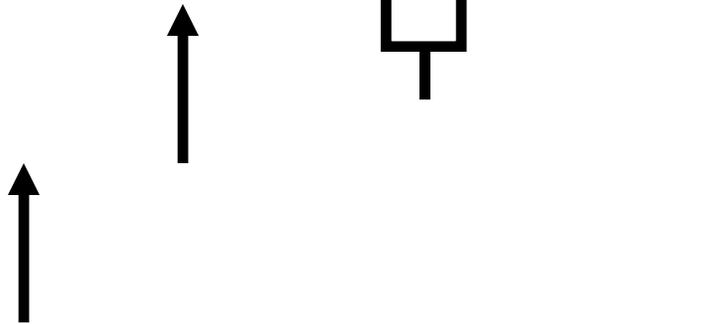


Non Forex Dark Cloud Cover

Criteria:

- Opens above prior high (or close)
- Black real body closes deeply into prior long white candle
- Market moving north

Implication: “Advance is exhausting itself”

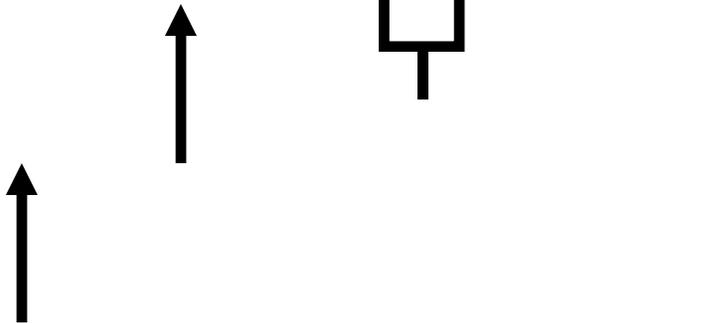


Forex Dark Cloud Cover

Criteria:

- Opens at (or within few pips) of prior close
- Black real body closes deeply into prior long white candle
- Market moving north

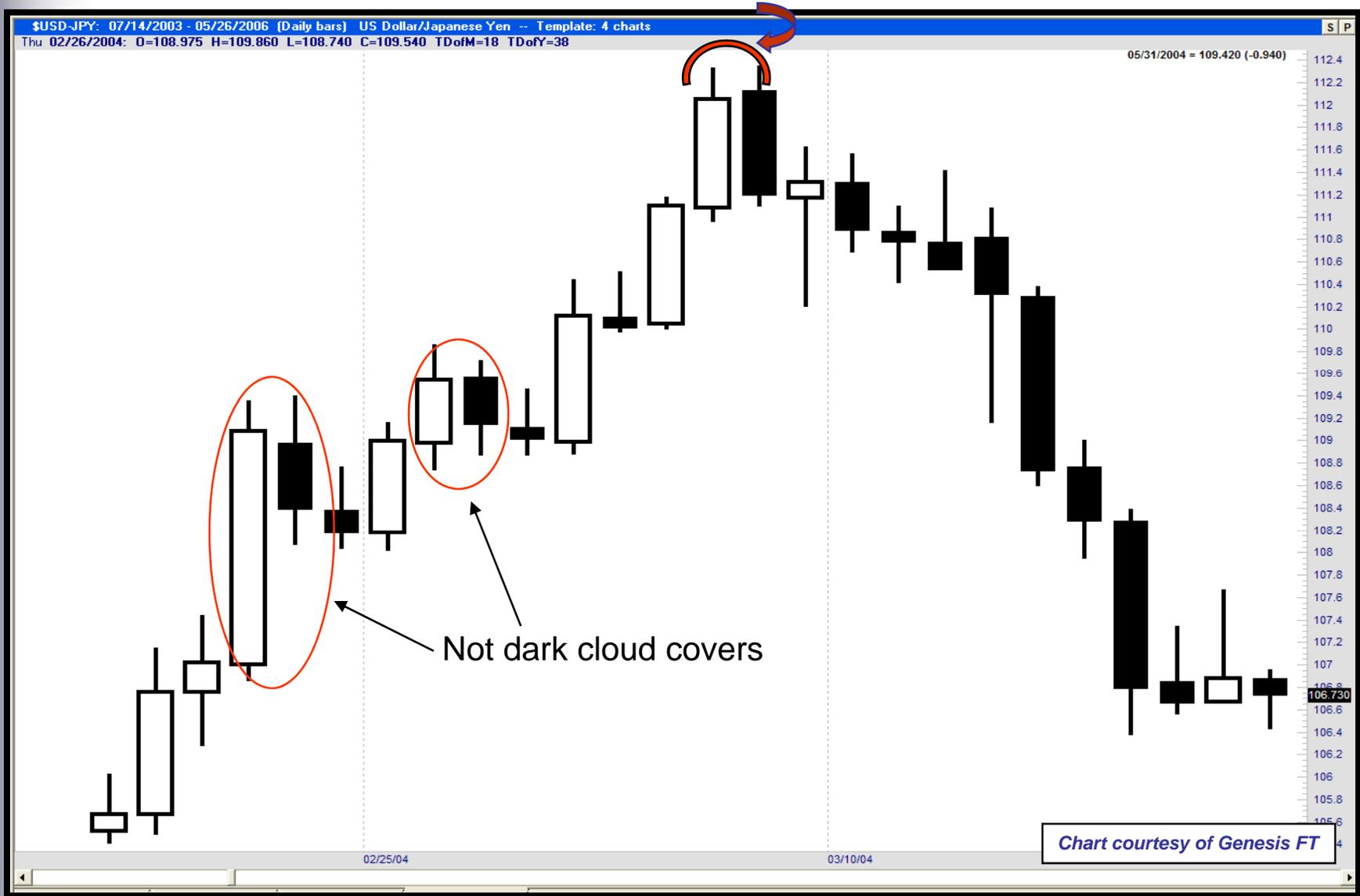
Implication: “Advance is exhausting itself”



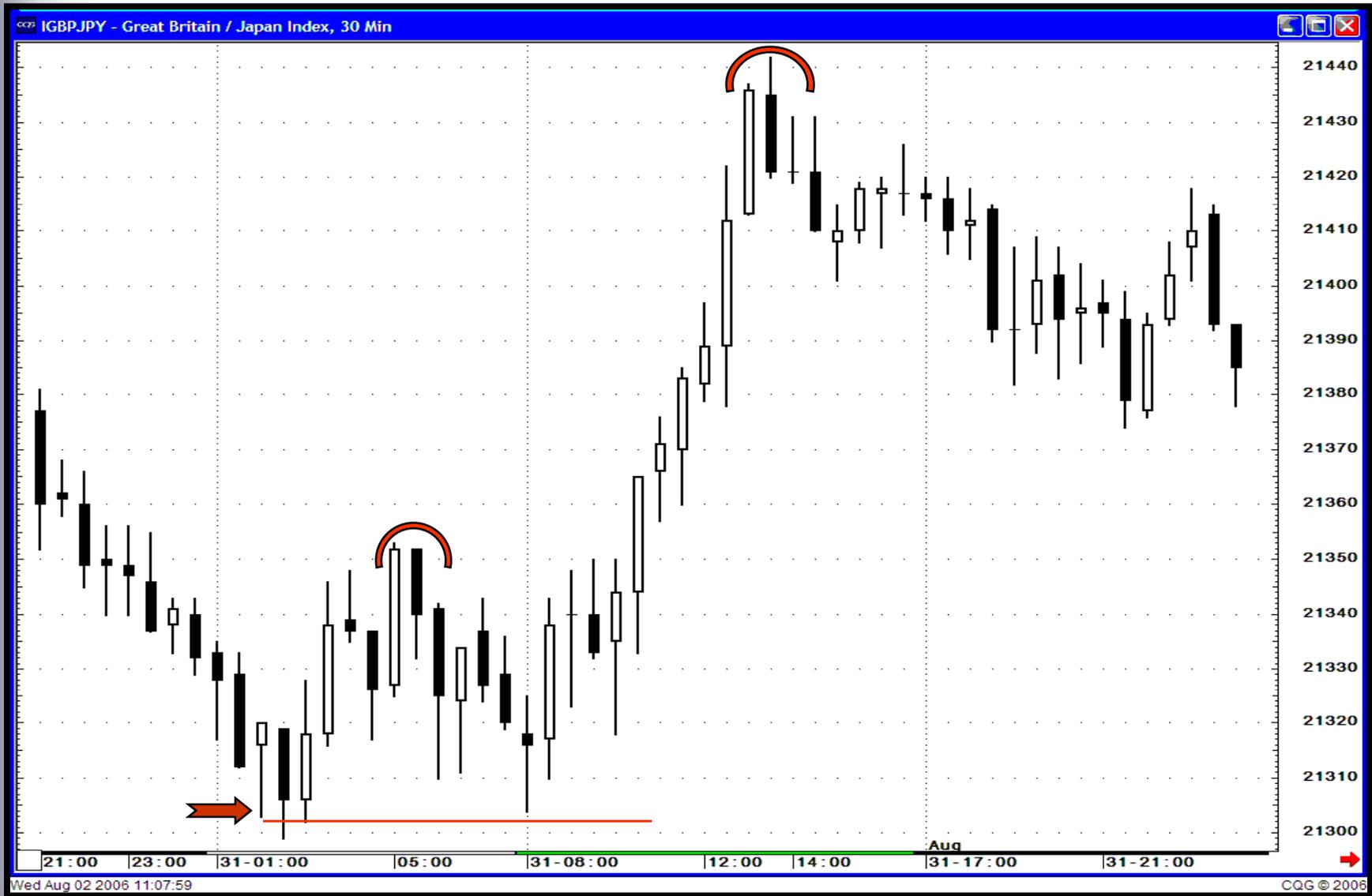
Dark Cloud Cover as Resistance



Dark Cloud Cover



Dark Cloud Covers



Dark Cloud Cover

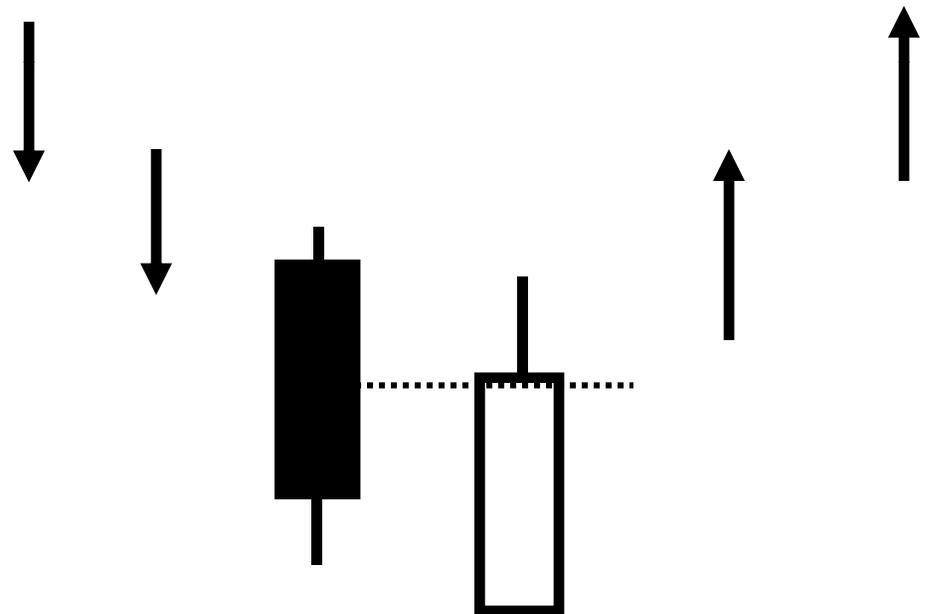


Non Forex Piercing Pattern

Criteria:

- Market moving south
- Opens below prior low (or close)
- White candle closes more than halfway into prior long black candle

Implication: "hint that the decline is exhausting itself"

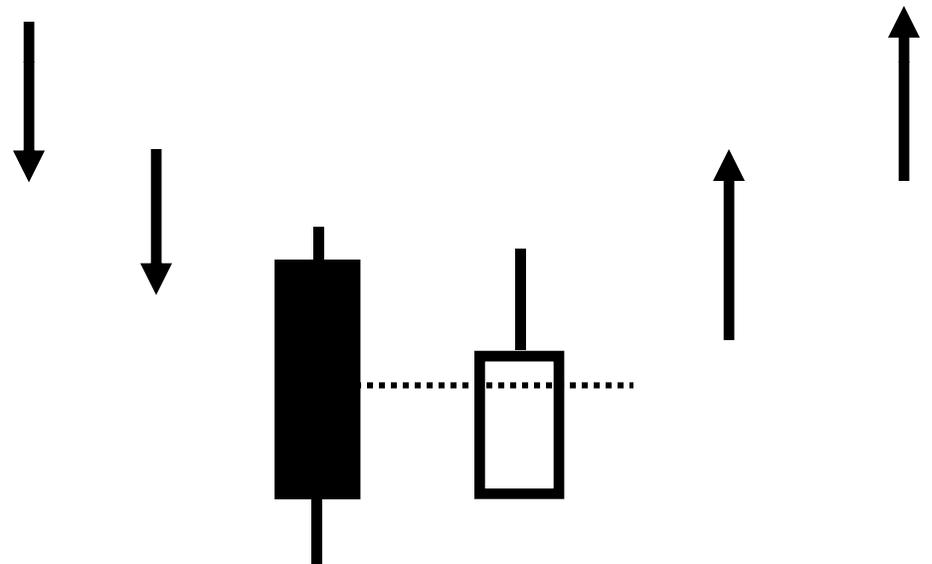


Forex Piercing Pattern

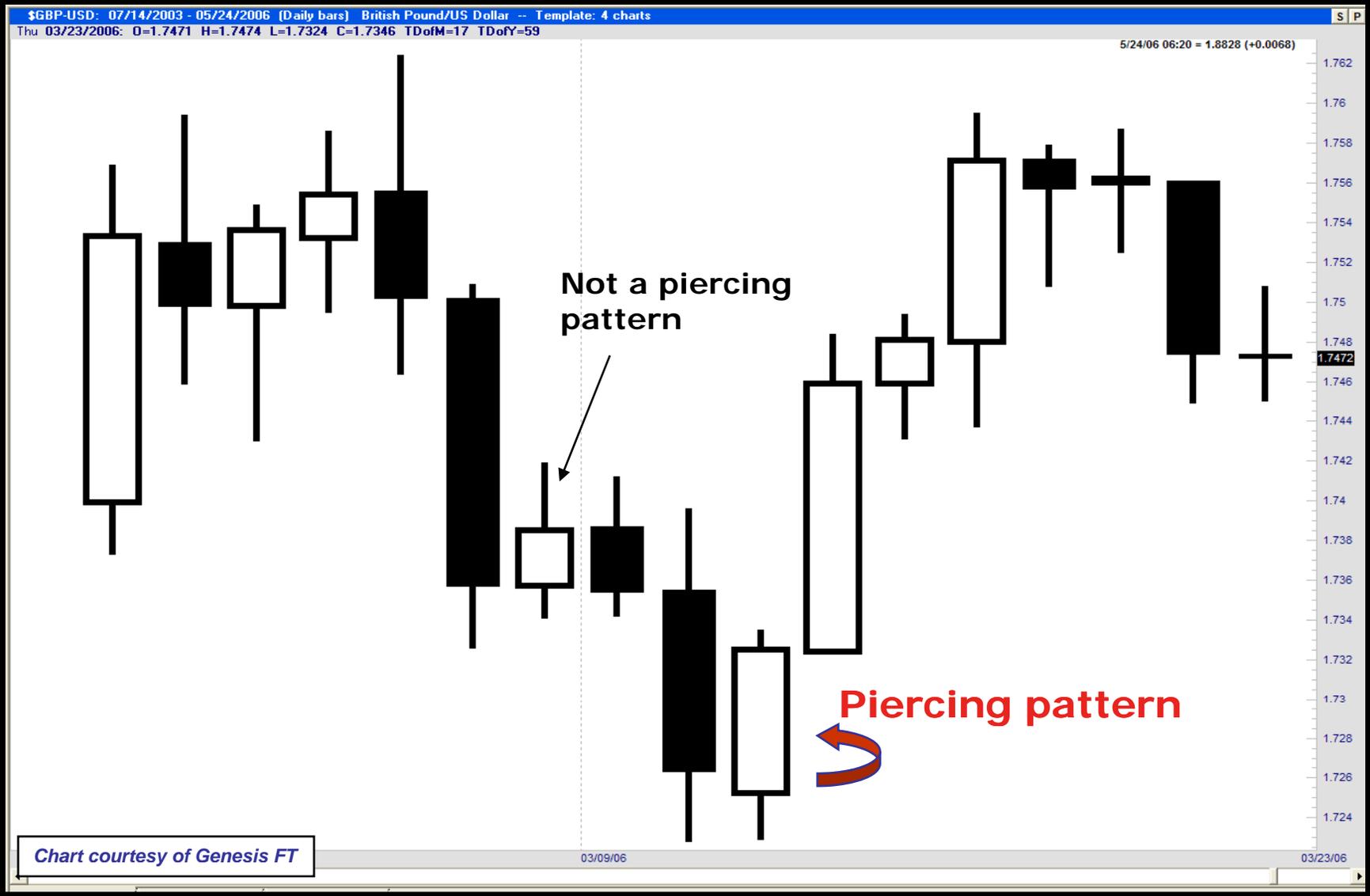
Criteria:

- Market moving south
- Opens at (or near) prior close
- White real body close more than halfway into long prior black candle

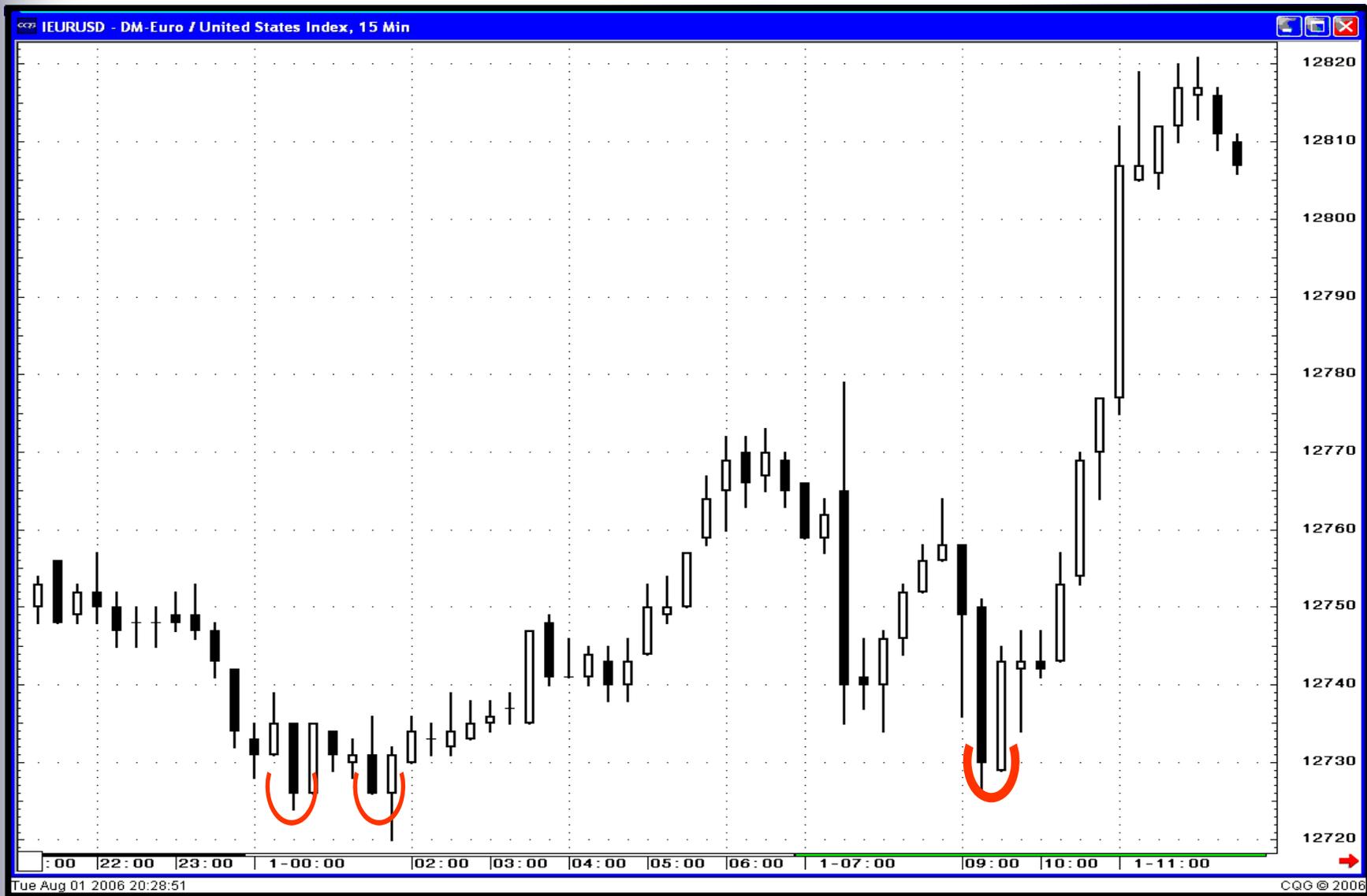
Implication: "hint that the decline is exhausting itself"



Piercing Pattern



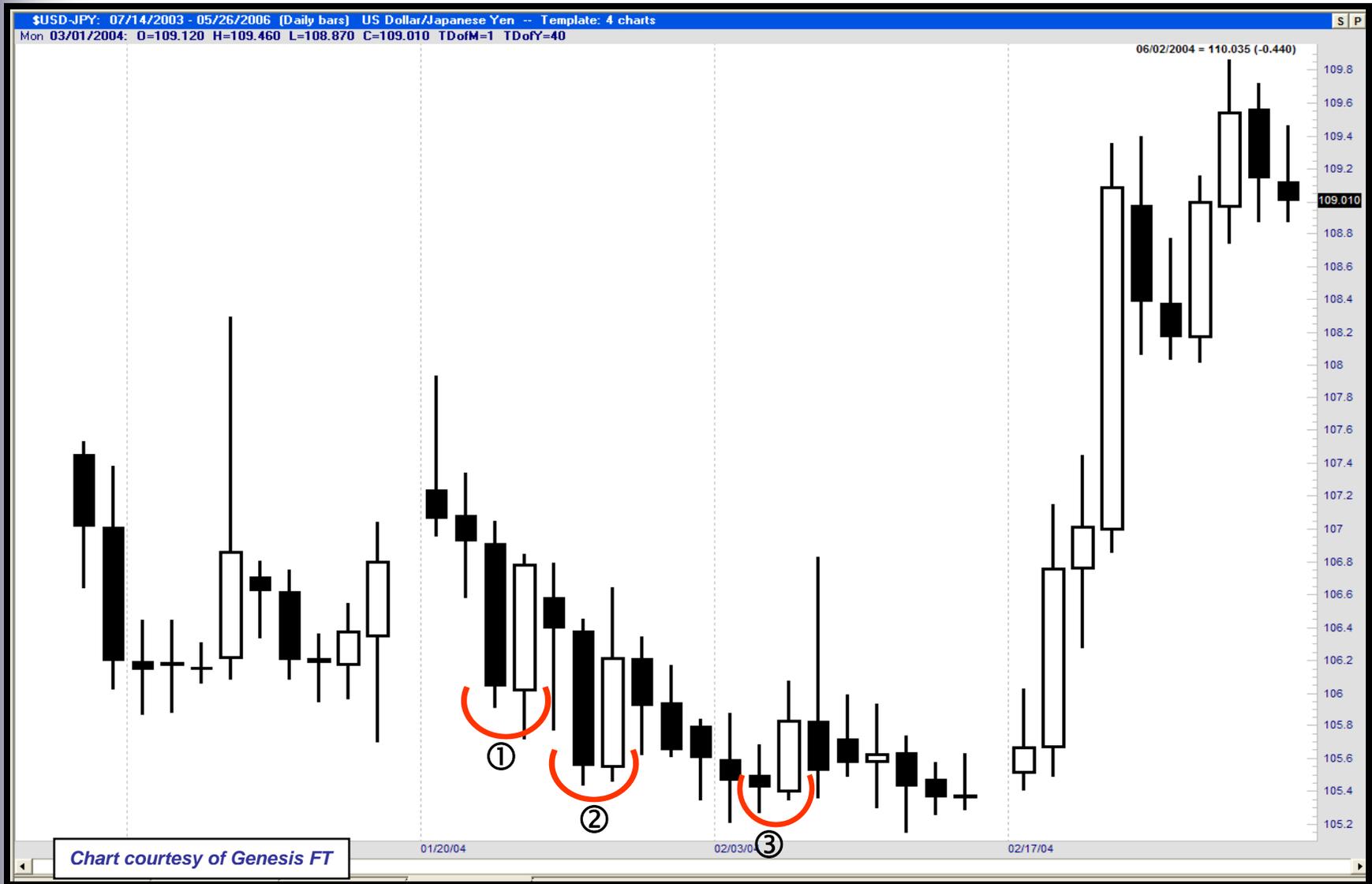
Piercing Pattern Confirming Support



Piercing Pattern as Support

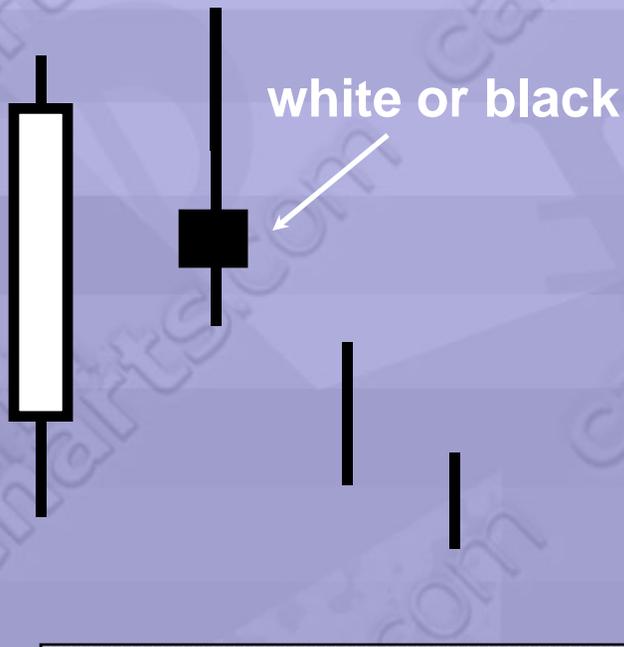


Confluence of Candles



Non Forex Harami

Bearish



Criteria:

- First candle is unusually long
- Second real body spinning top or doji
- Second real body within prior real body
- Second real body can be black or white

Implication: 'Change in flow of market'

white or
black

Bullish

candlecharts.com

Forex Harami

Bearish

black real body



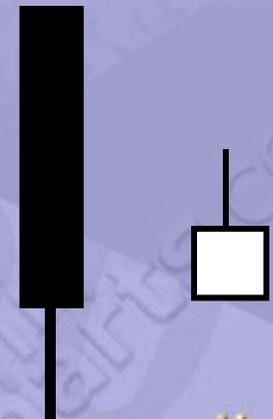
Criteria:

- First candle is unusually long
- Second real body spinning top or doji
- Second real body within prior real body
- Second real body opposite color

Implication: 'Change in flow of market'

white

Bullish

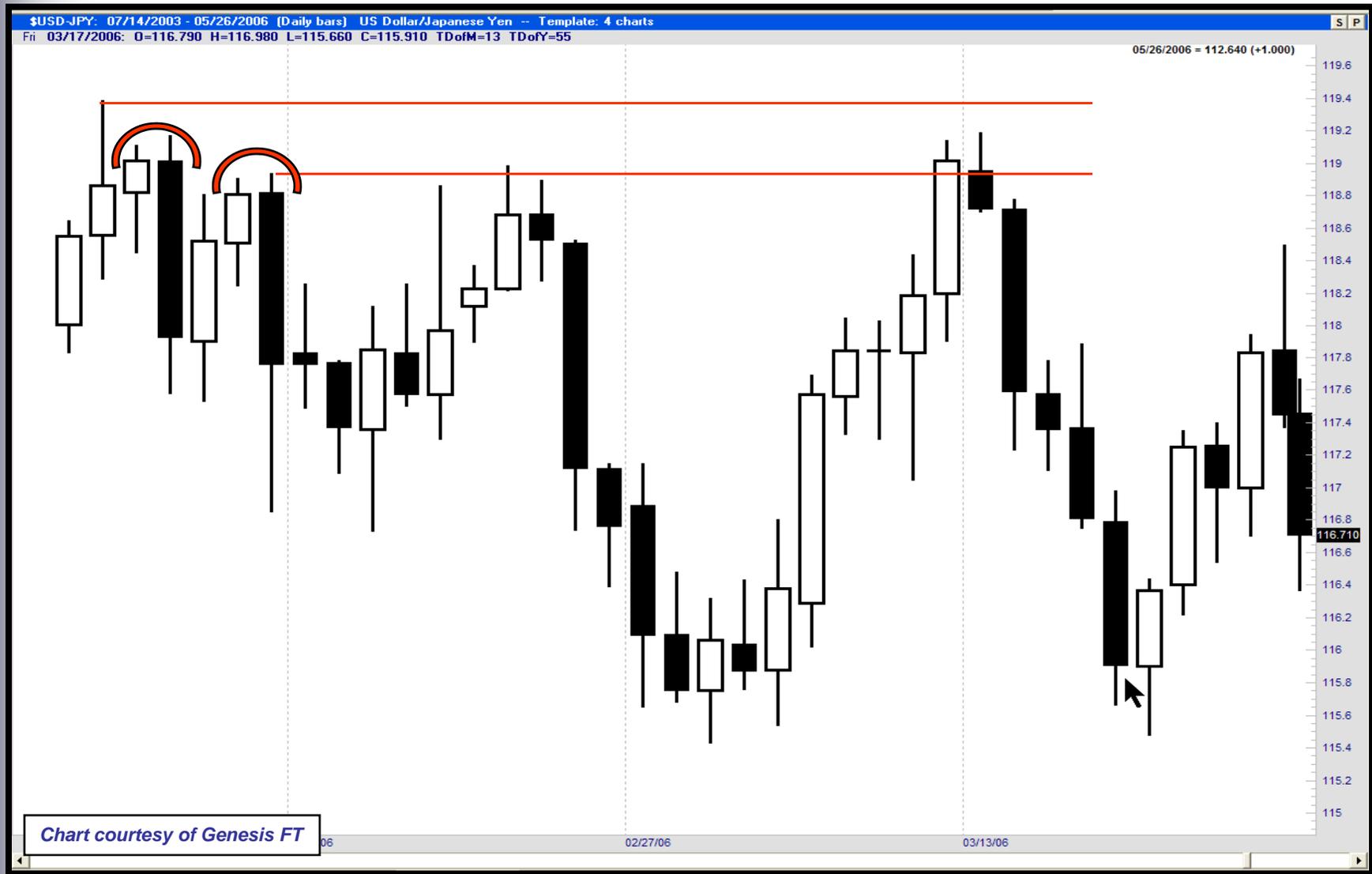


candlecharts.com

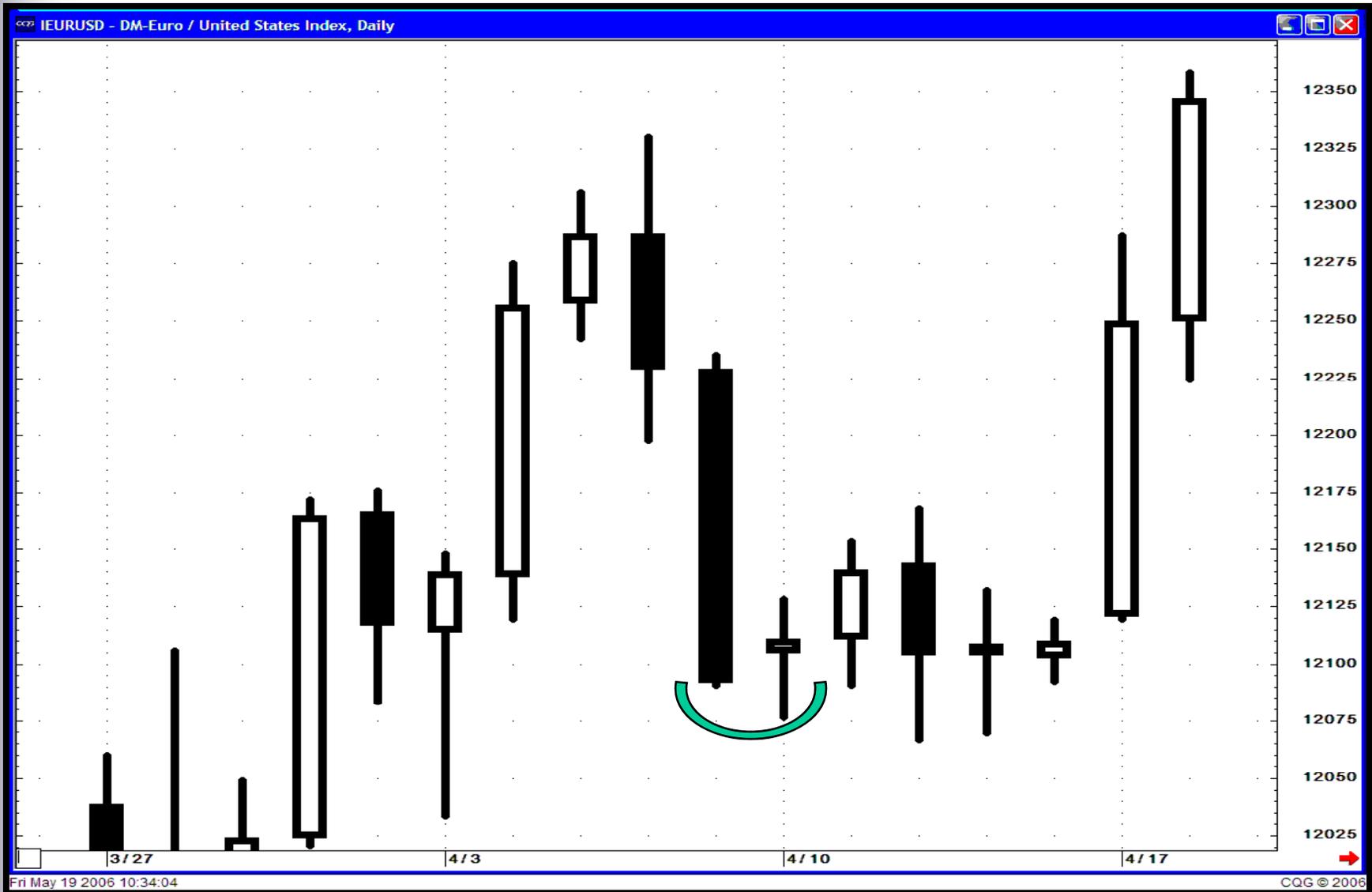
Bear Harami



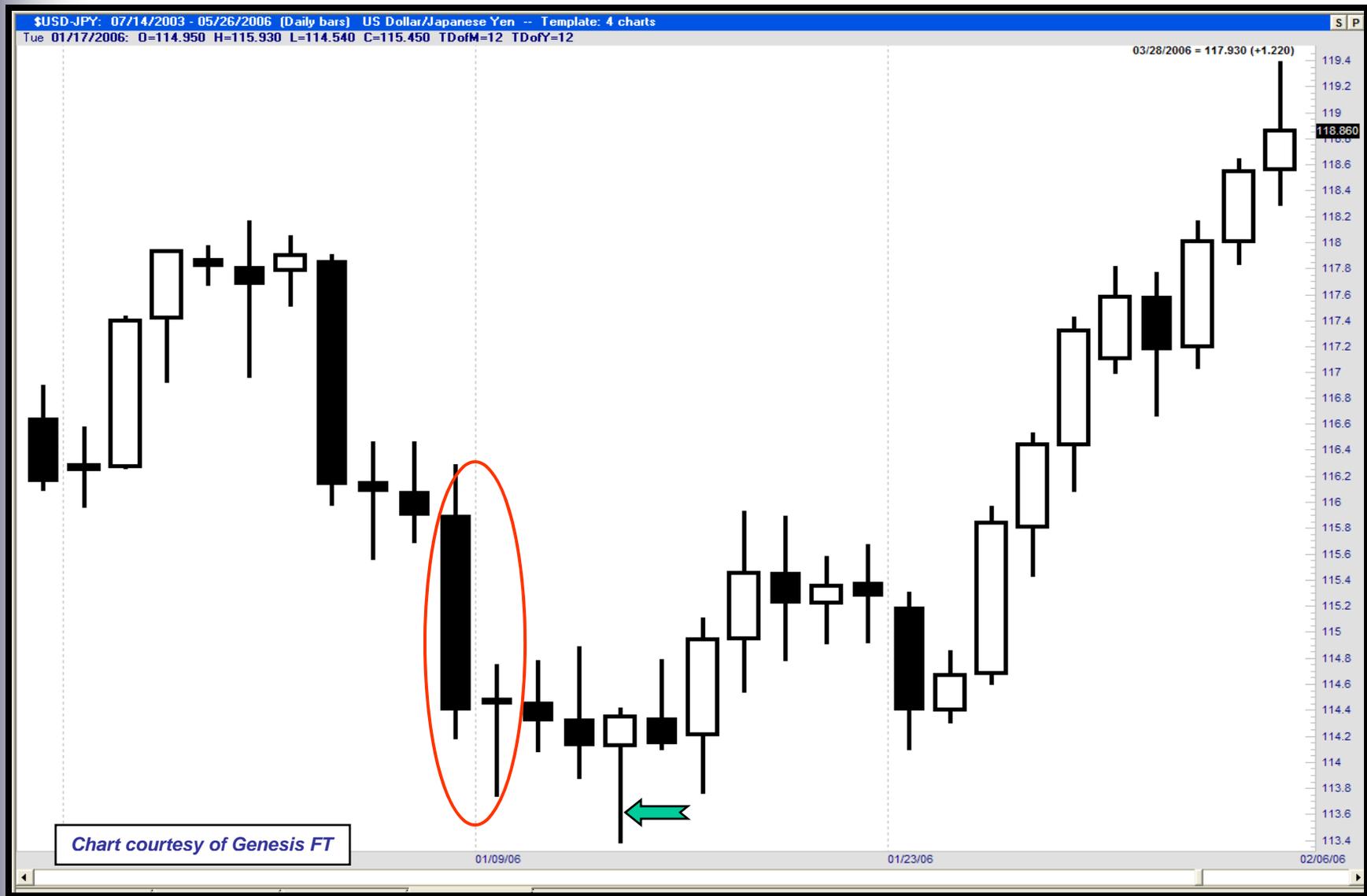
Harami confirms resistance



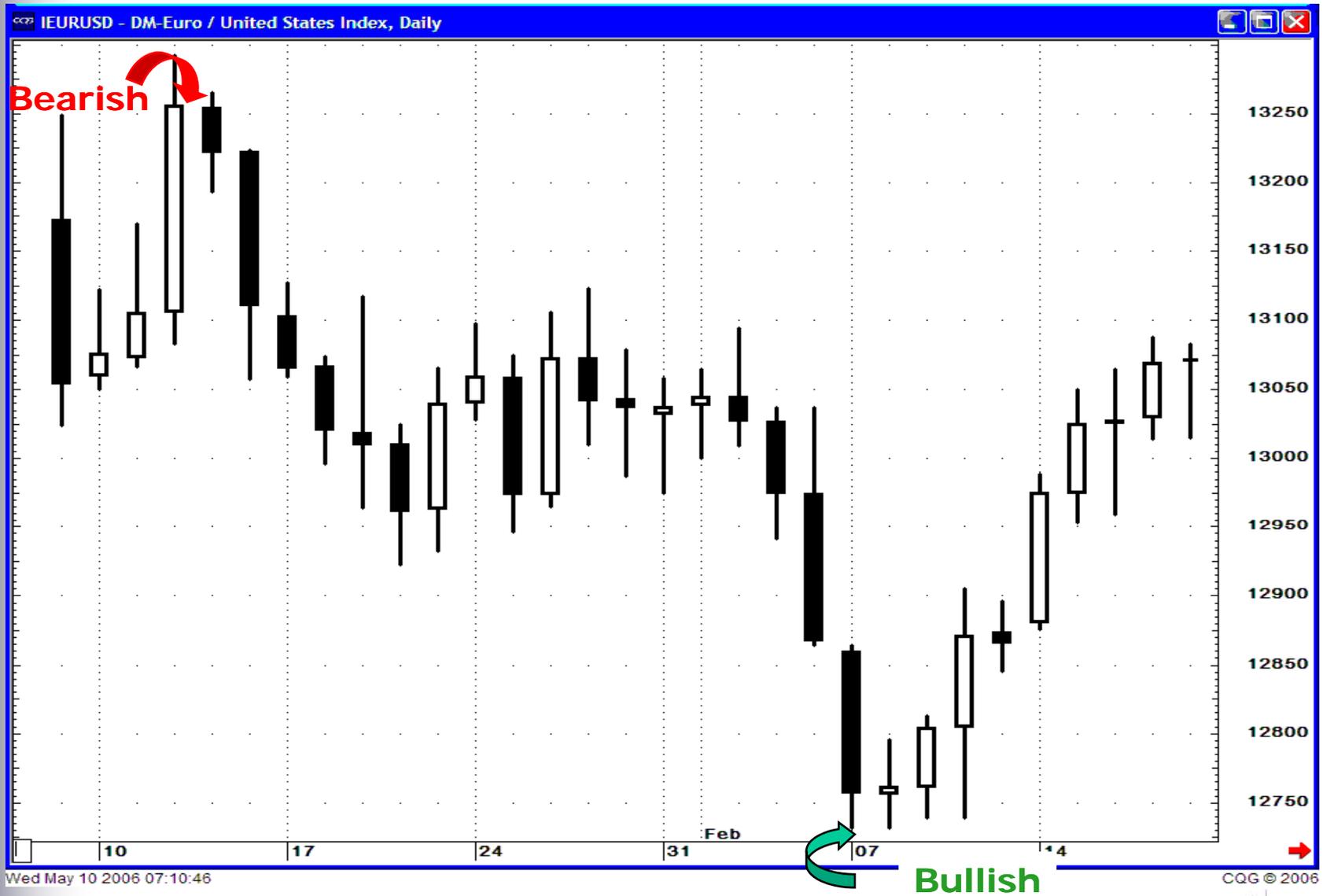
Bull Harami



Bull Harami



Harami



Non Forex Morning Star

Criteria:

- Market in down trend
- First candle long black
- Second real body (spinning top, black or white) doesn't overlap first session's real body
- Third candle (white) closes deeply in first black real body

Implication: Bulls are taking control



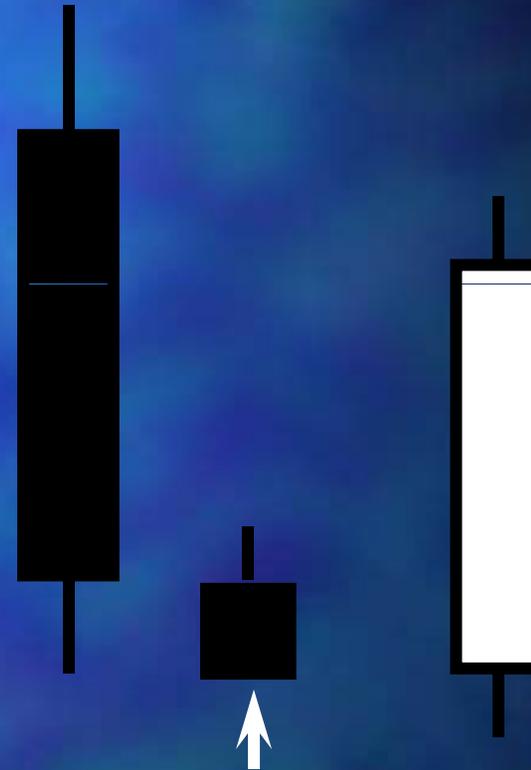
white or black

Forex Morning Star

Criteria:

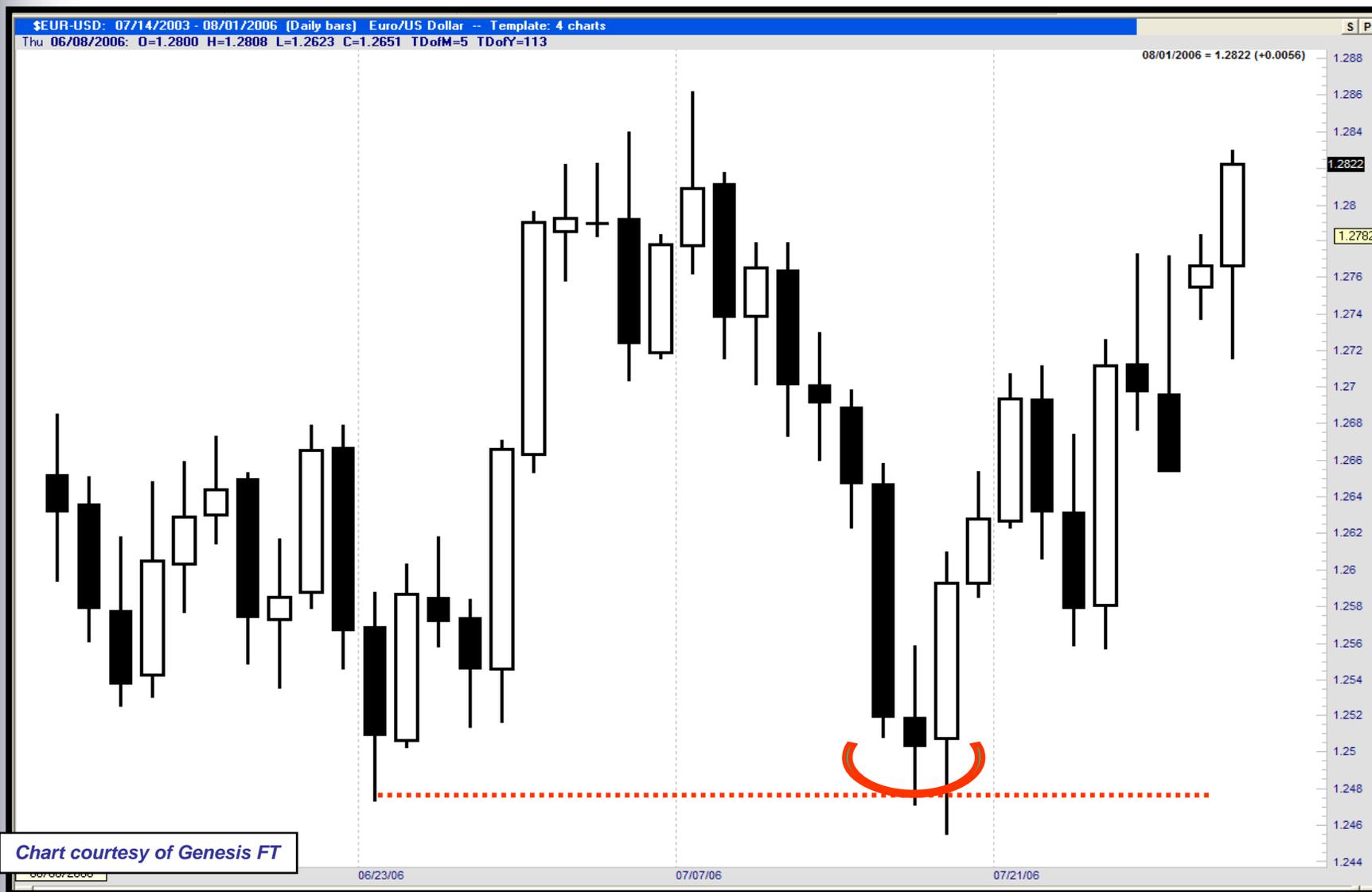
- Market in down trend
- First candle long black
- Second real body is black or doji
- Third candle (white) closes deeply in first black real body

Implication: Bulls are taking control



Most
time
black
or doji

Morning Star Confirms Support



Non Forex Evening Star

Criteria:

- Market in an up trend
- First candle is long white
- Second real body (black or white spinning top) doesn't overlap first session's real body
- Third candle (black) closes deeply in first white real body

Implication: Bears are taking control

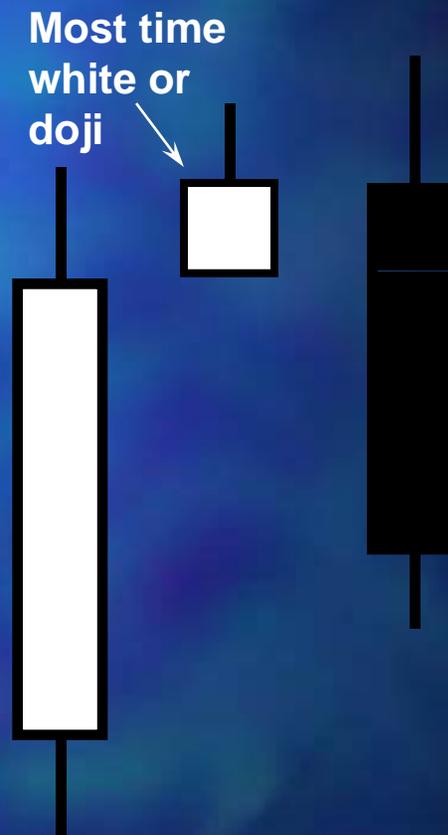


Forex Evening Star

Criteria:

- Market in an up trend
- First candle is long white
- Second real body is white spinning top or doji
- Third candle (black) closes deeply in first white real body

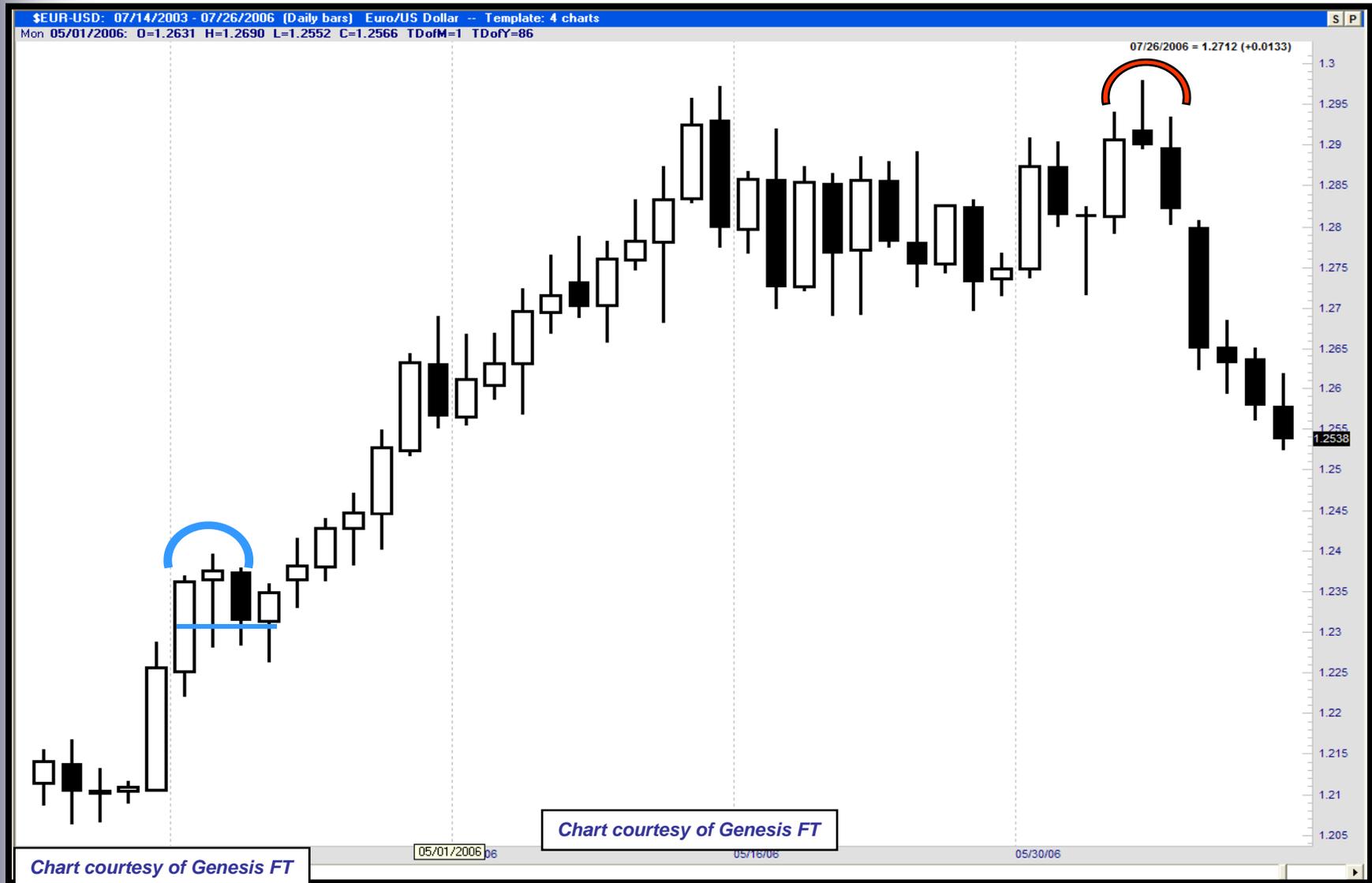
Implication: Bears are taking control



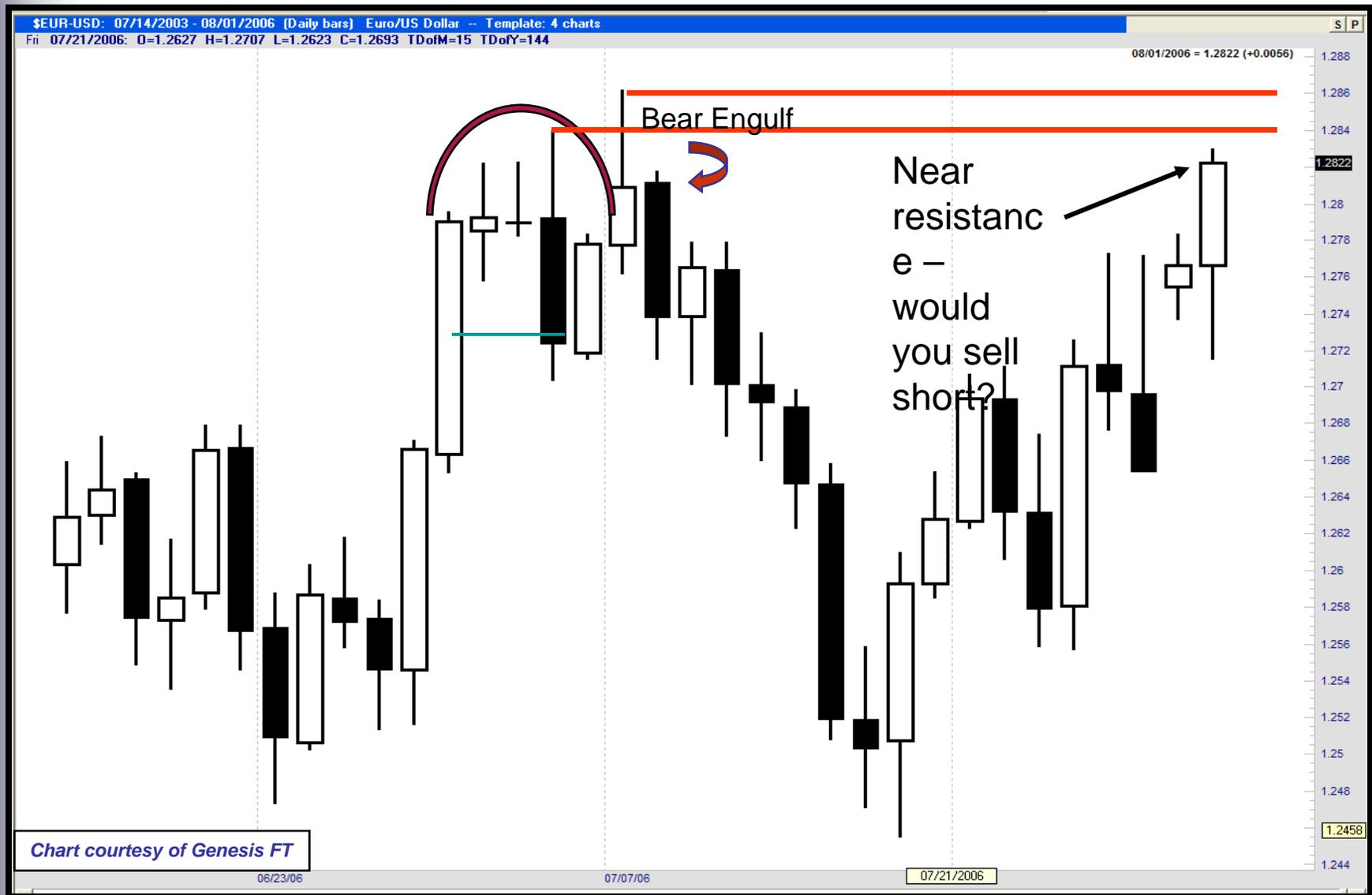
Evening Star



Evening Star



Evening Star Variation



Evening Star as resistance area



Don't ever forget risk- reward

If...Then system

Stops: Always use

Candles in Context

Intra-day candle charts

Pace trades to market environment

Let go of emotions

Indicators: The more the better

Never trade without an eye to news

Examine how market acts at support/resistance

**DISCIPLINE:
Your Blueprint for
Forex Trading Success**

Don't ever forget
risk- reward

Nison Trading Principle #4

**Even a “perfect” candle signal
does not equal a good trade!
YOU MUST ALWAYS JUDGE
THE POTENTIAL TRADE’S
RISK-REWARD**

Hammer confirms support/but what about r/r?

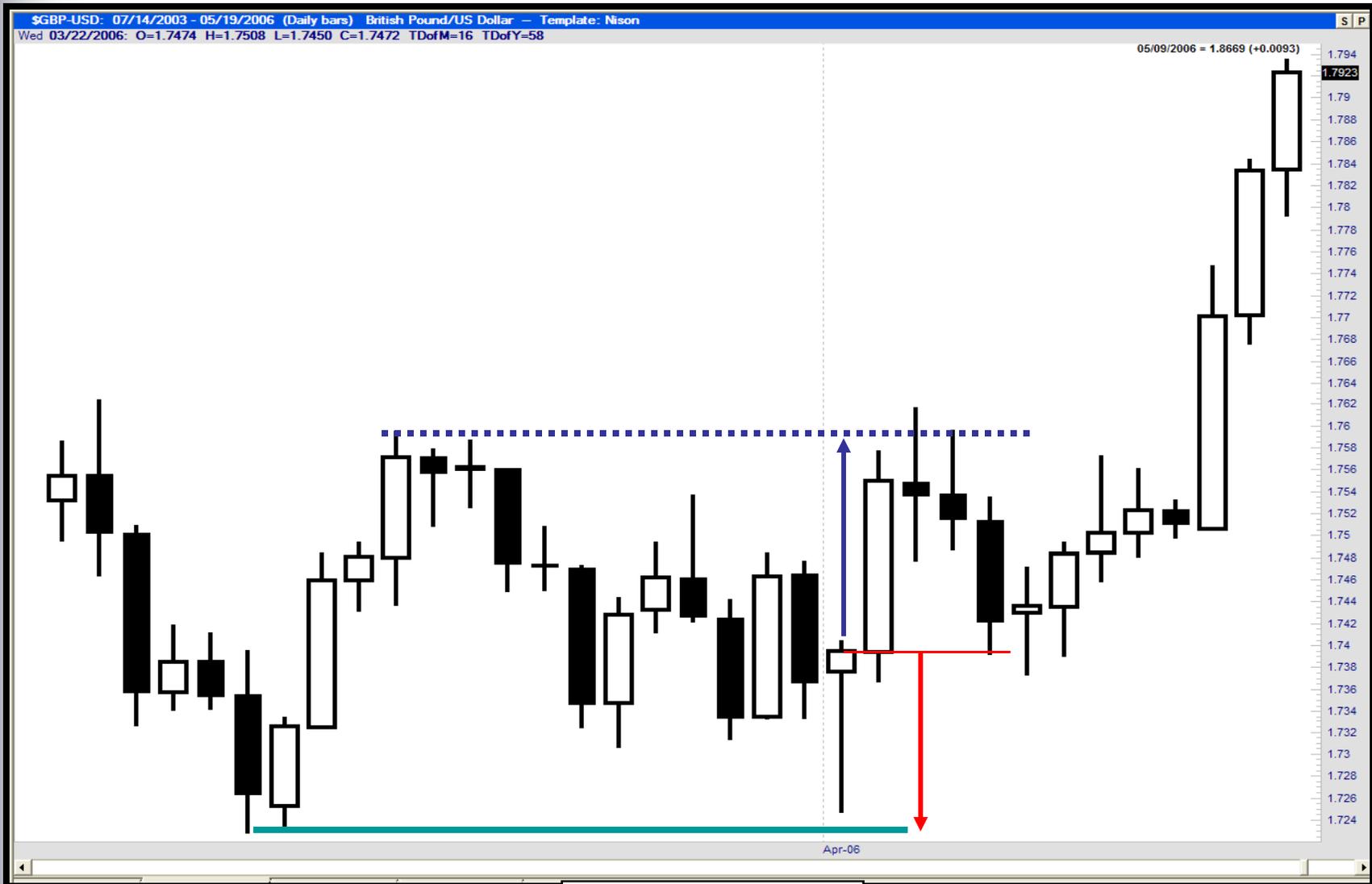
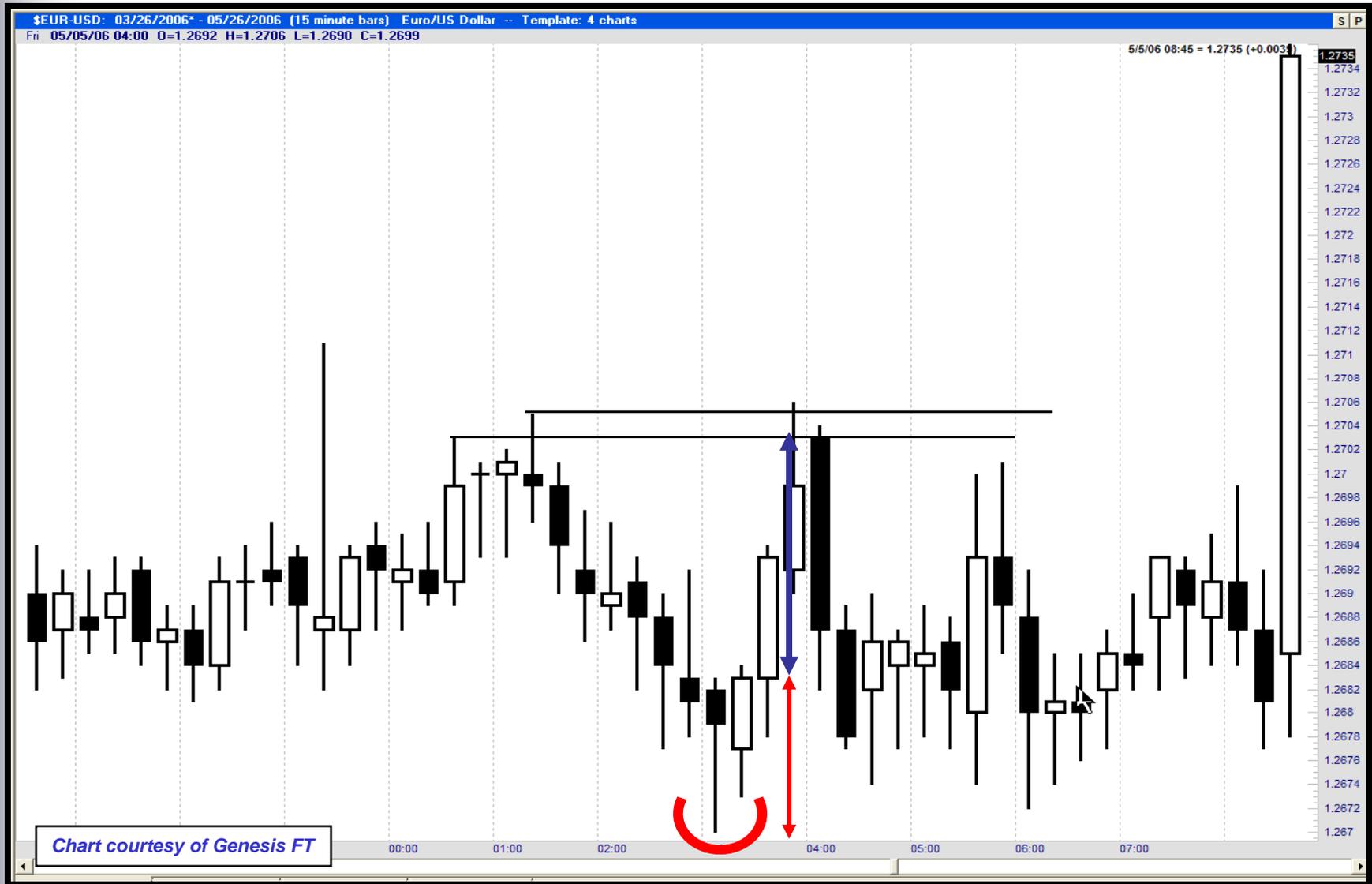


Chart courtesy of Genesis FT

Risk/ Reward



Morning Star but ????

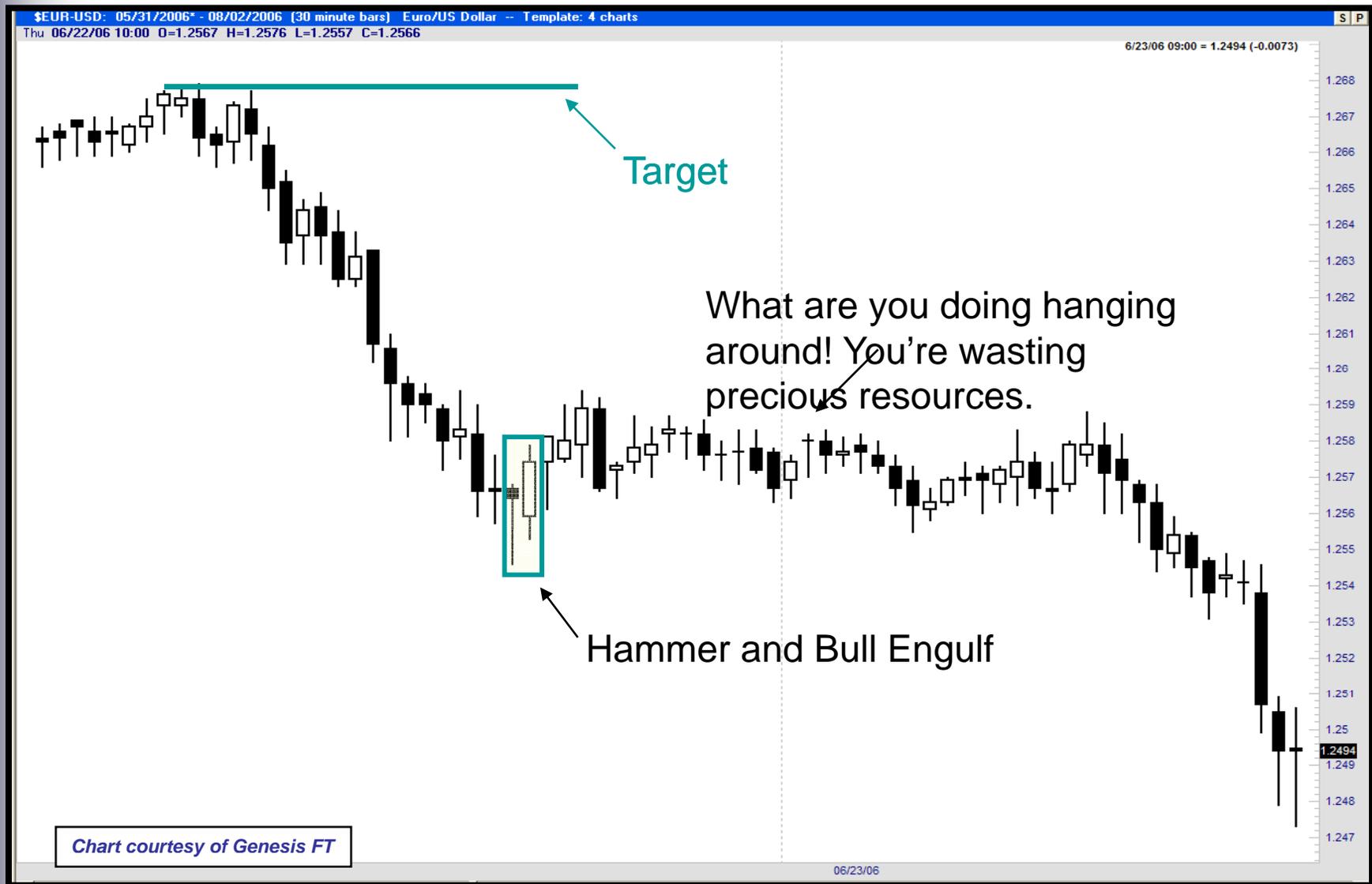


Risk – Reward



If..Then system

Don't Stay Around



Stops: Always use

Stops

1 of 2



And what happened after 2 of 2



Setting Stops w/o waiting for close



Indicators: The more the
better

Nison Trading Principle #12

The more signals - either candles or Western or a combination of both – converging at the same level, the more likely a reversal

Confluence of Candles

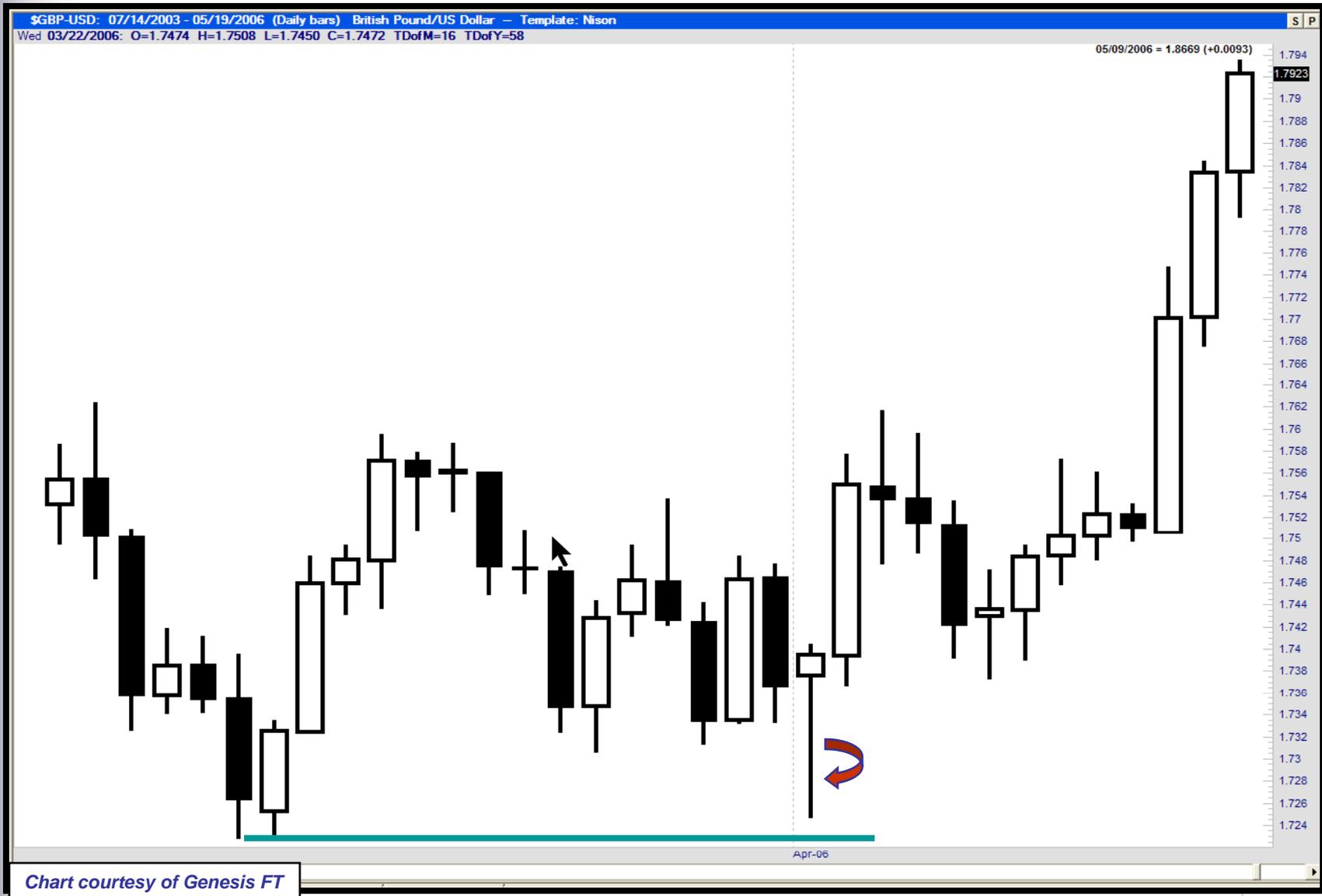
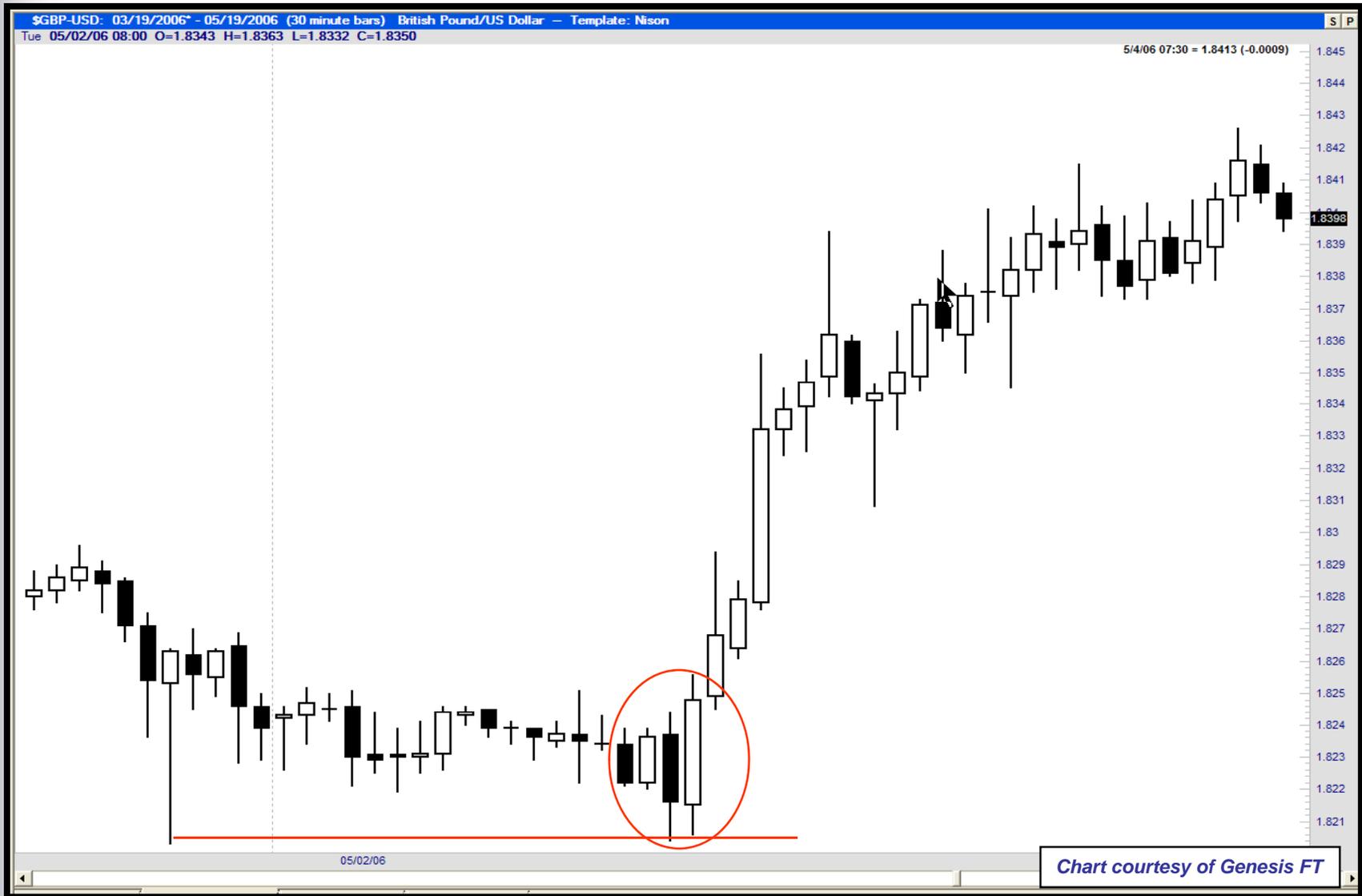


Chart courtesy of Genesis FT

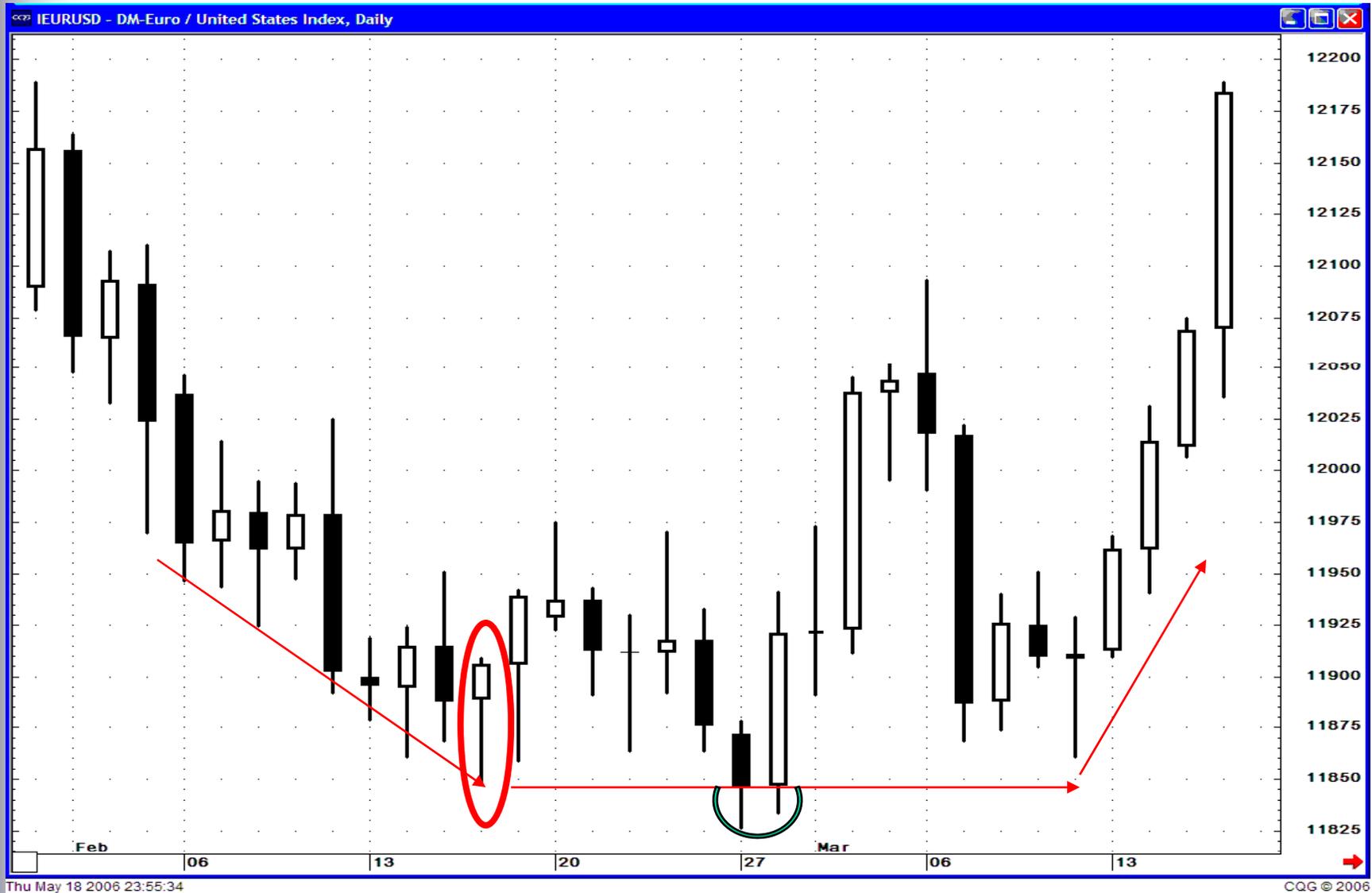
Confluence of Candles



Western Tools

- 🕯 Trend lines: *The Candlestick Screener™*
- 🕯 Change of Polarity
- 🕯 Crack and Snap/Falling Off the Roof
- 🕯 Price Targets
- 🕯 Oscillators
- 🕯 Bollinger Bands
- 🕯 Fibonacci Retracements
- 🕯 Record Sessions

Confluence



Thu May 18 2006 23:55:34

CQG © 2006

Examine how market
acts at support or
resistance



The Candlestick Screener™

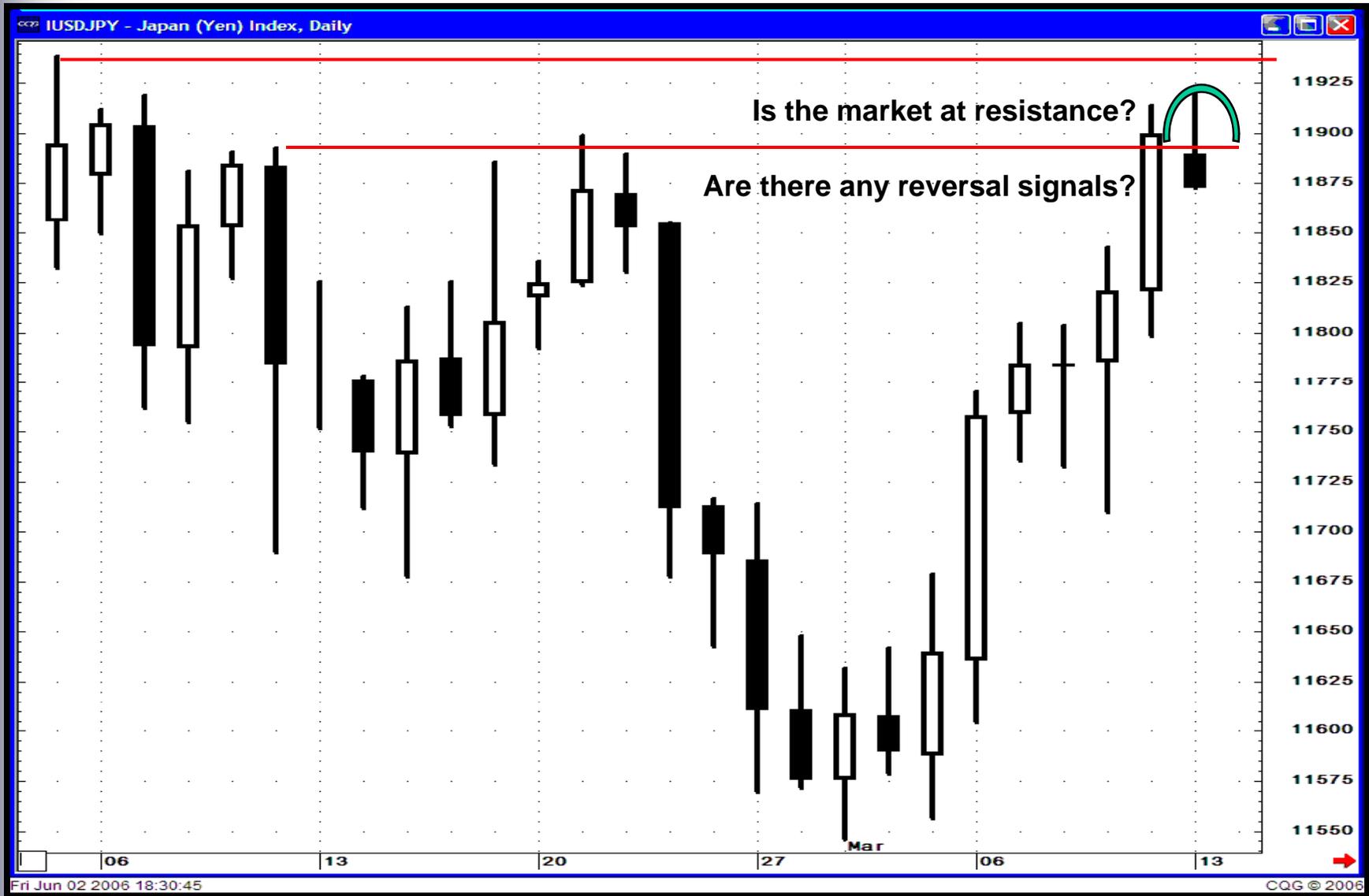
Using candles at support or
resistance to screen for the best
probability trades

Using the Candlestick Screener™ 1 of 3



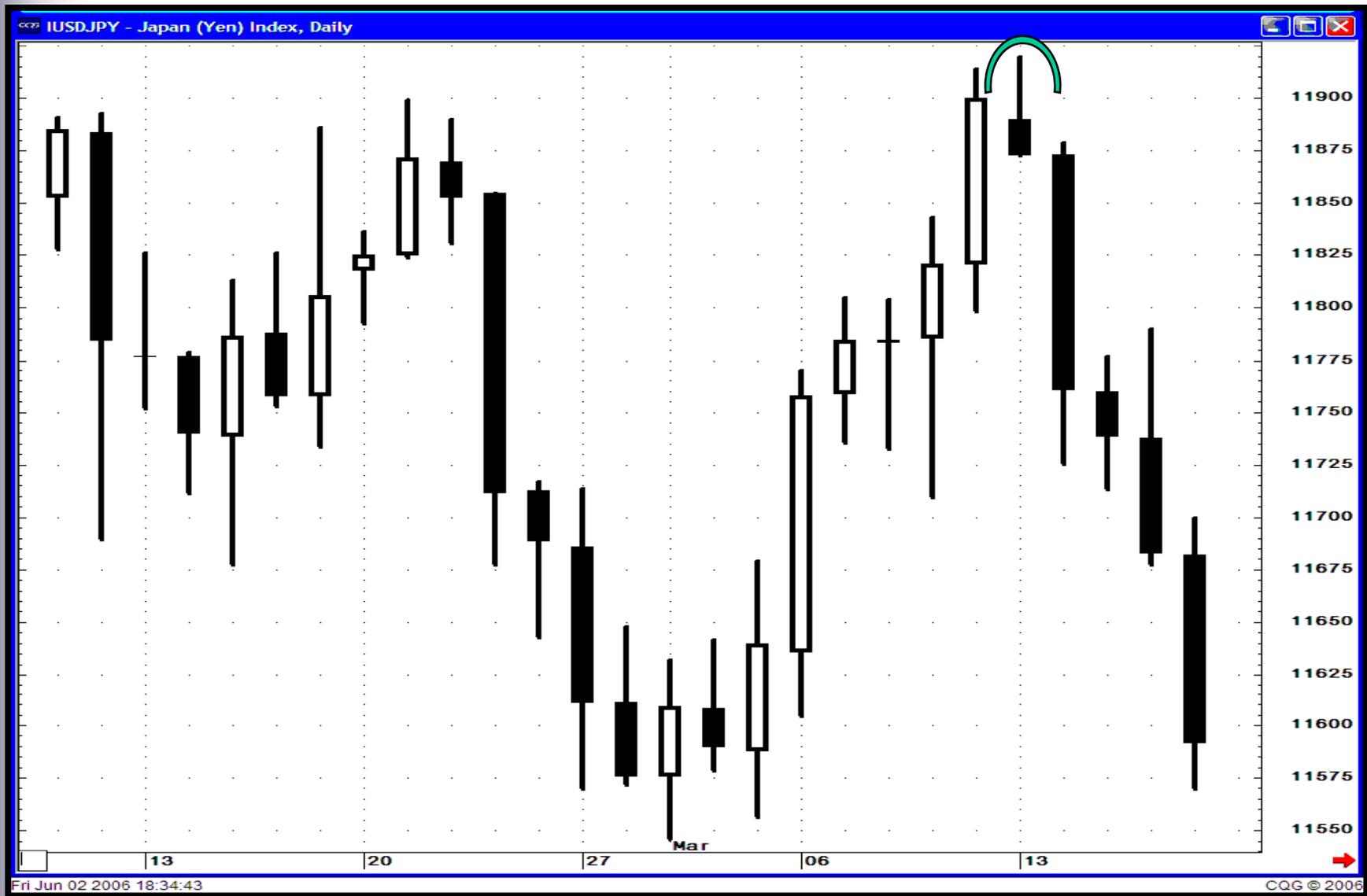
Using the Candlestick Screener™

2 of 3

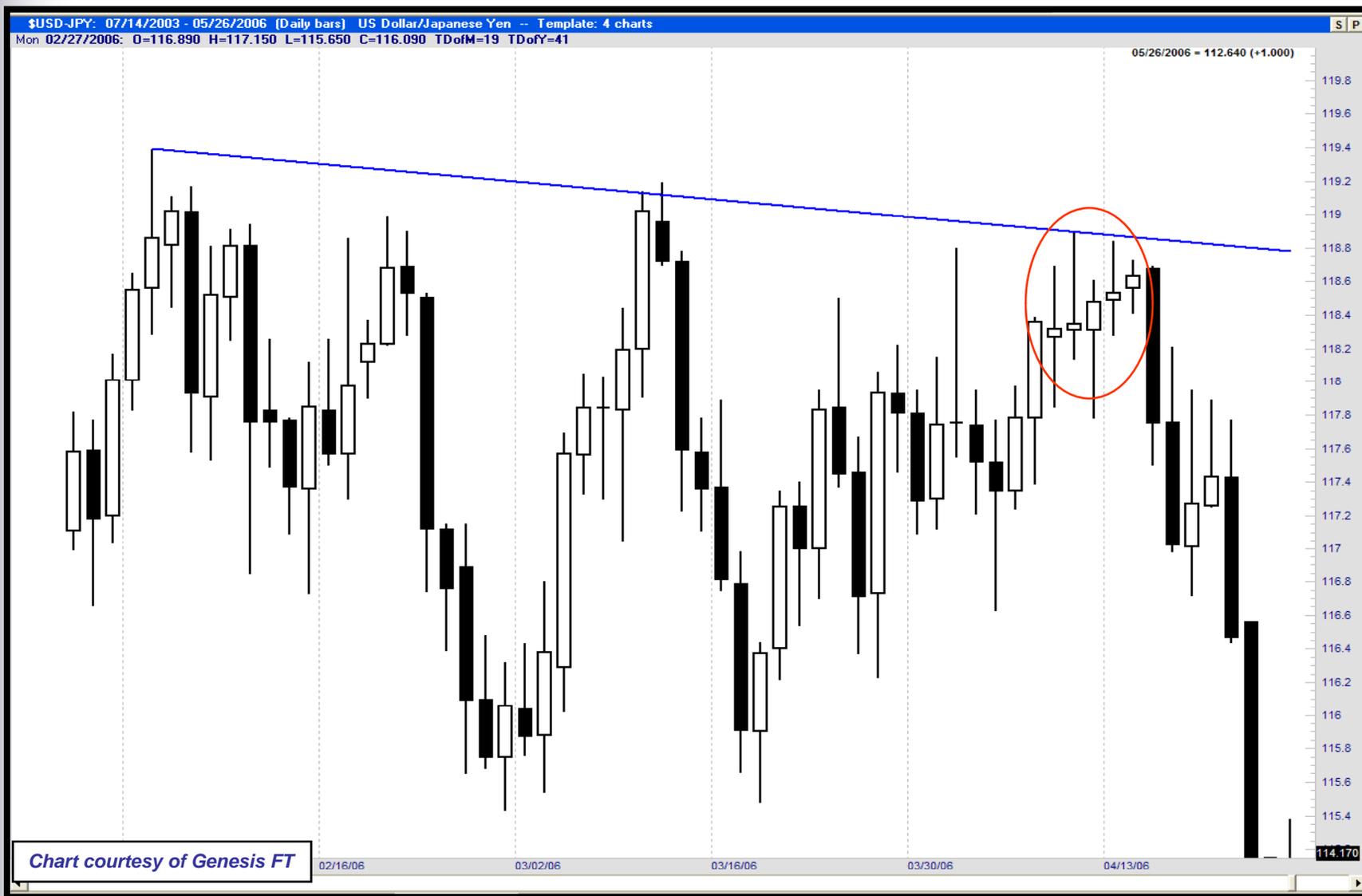


Using the Candlestick Screener™

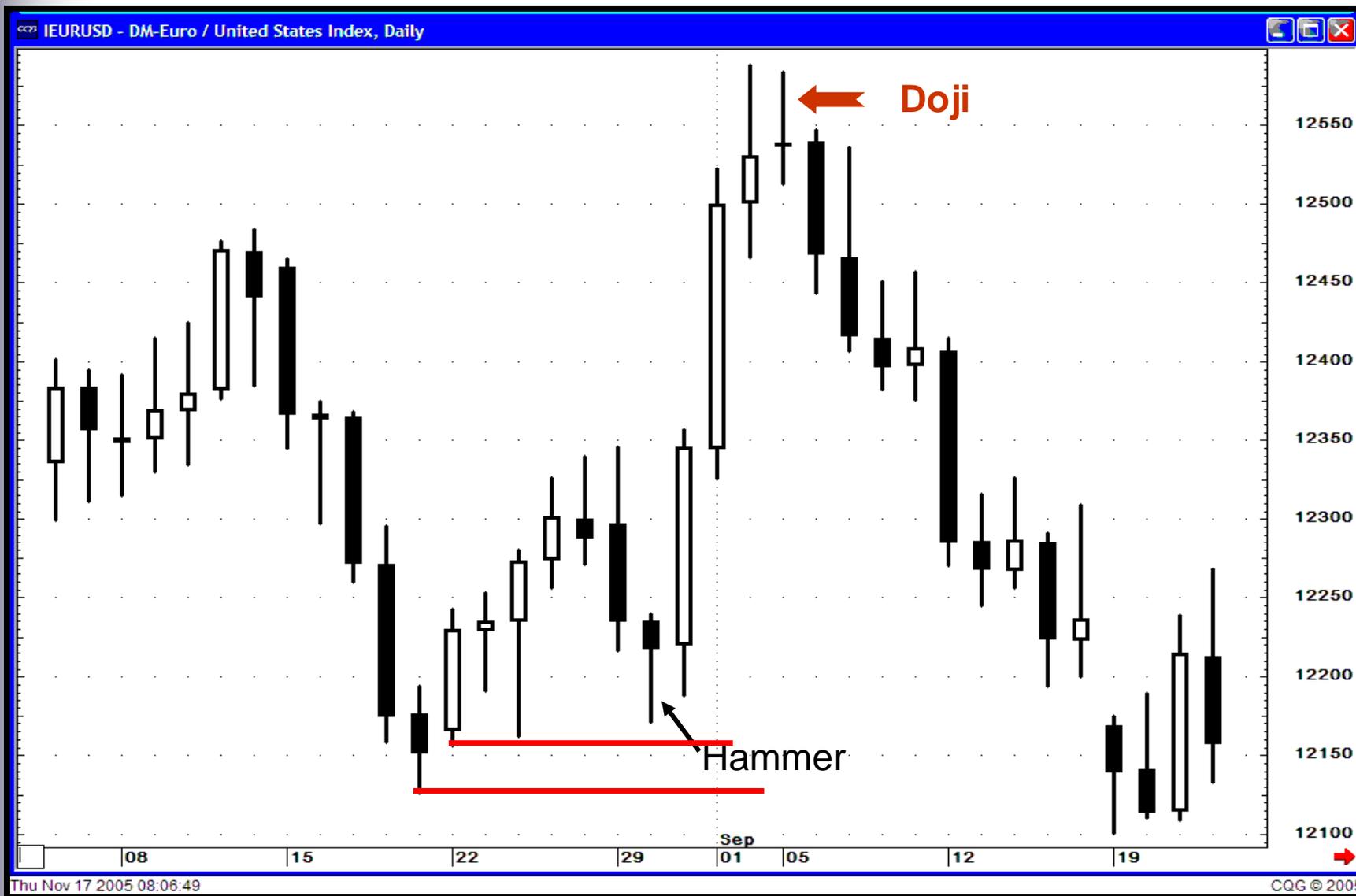
3 of 3



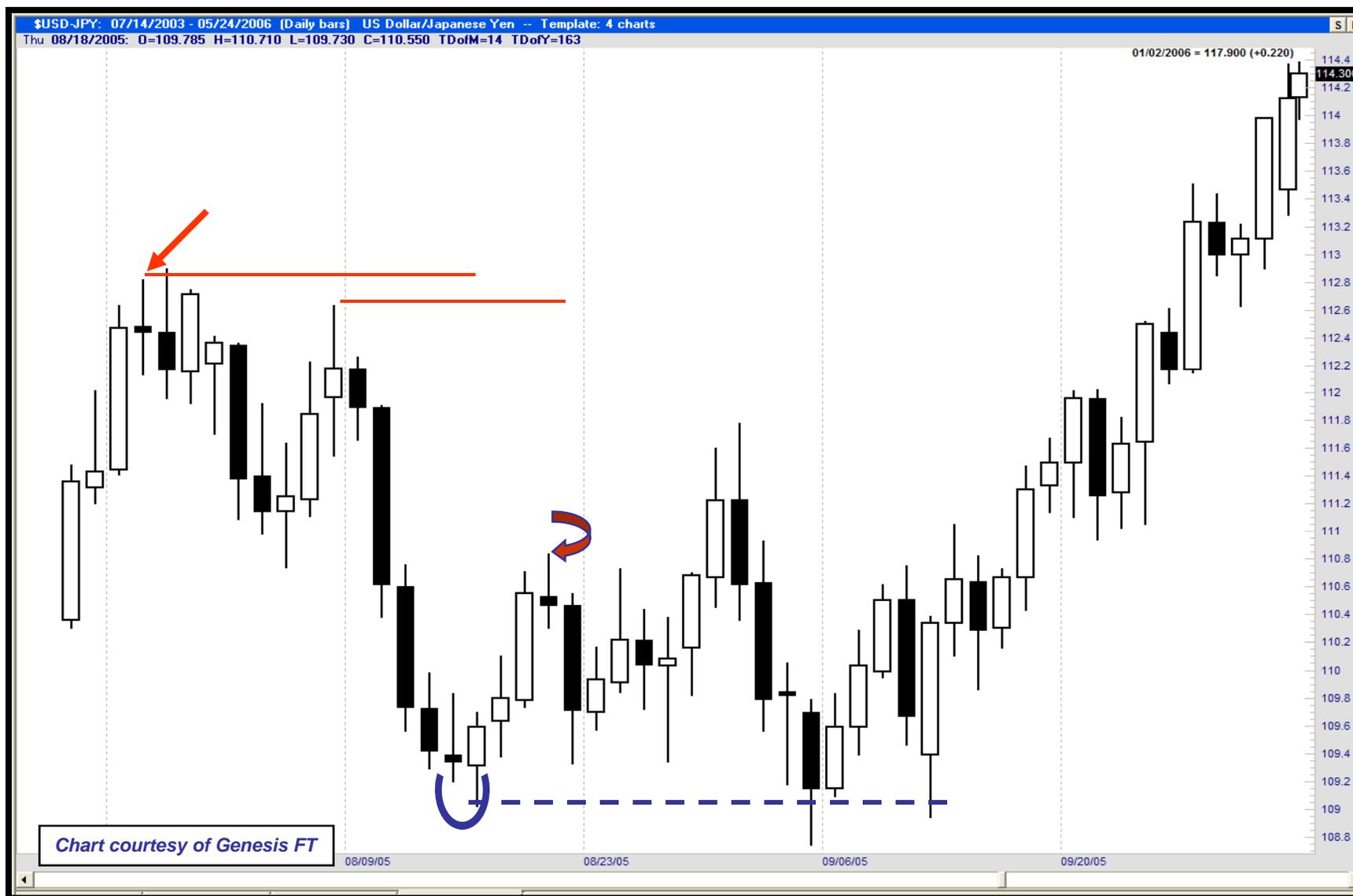
The Candlestick Screener™



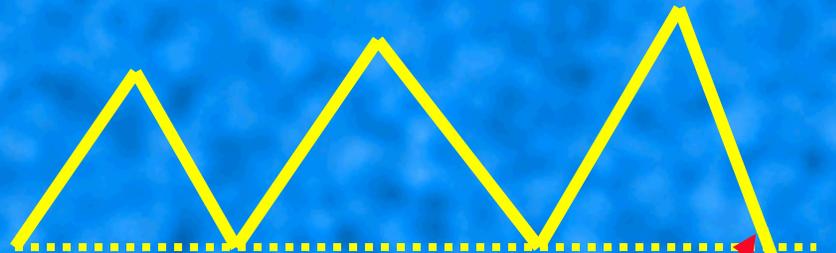
Using candles to enter vs. exit



Candles to exit or adjust stops



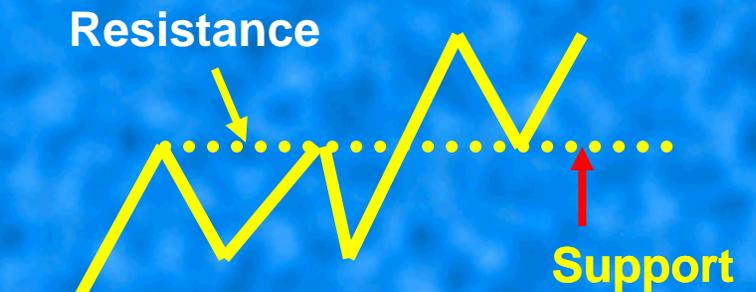
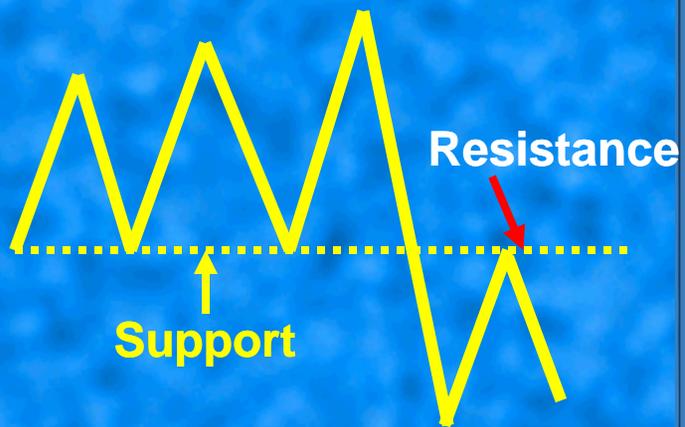
Change of Polarity



**Congratulations – you
bought at support!**

**Congratulations? –
you bought at
support?**

Change of Polarity



Change of Polarity



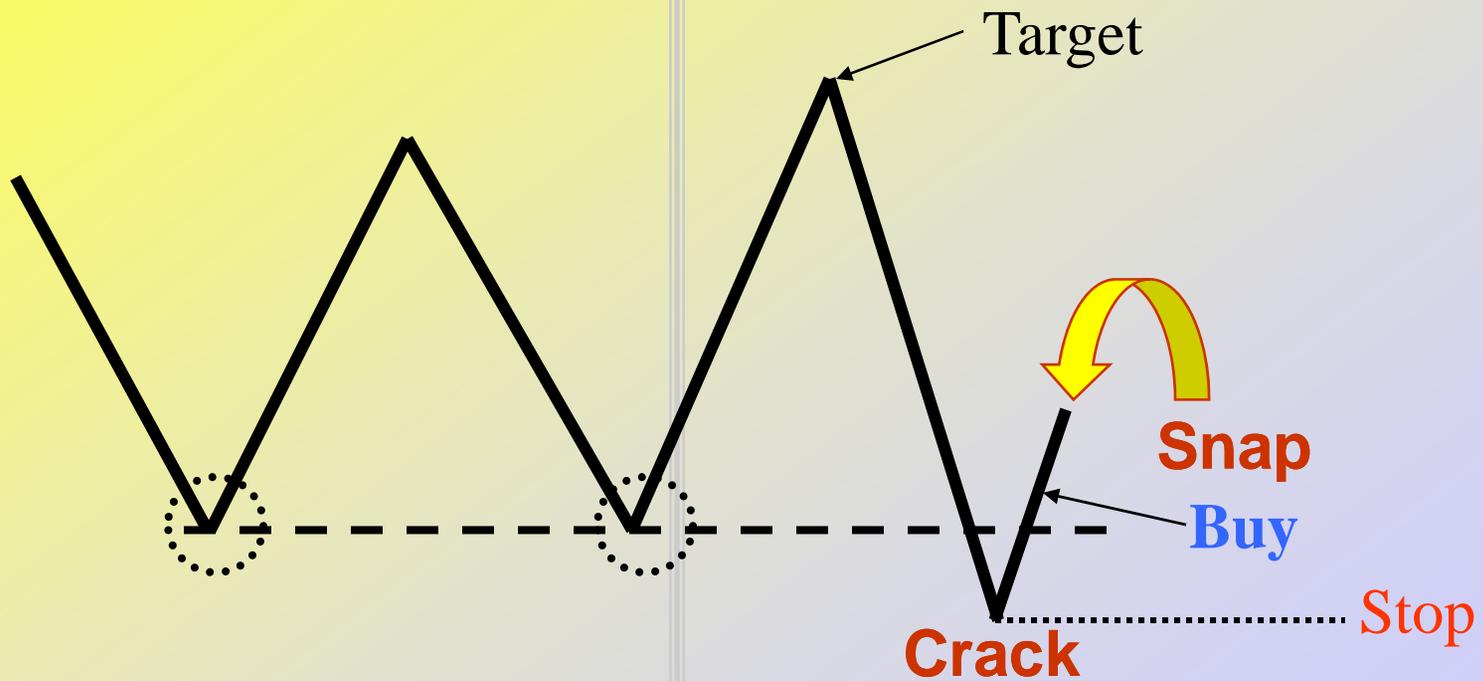
Internal trend line



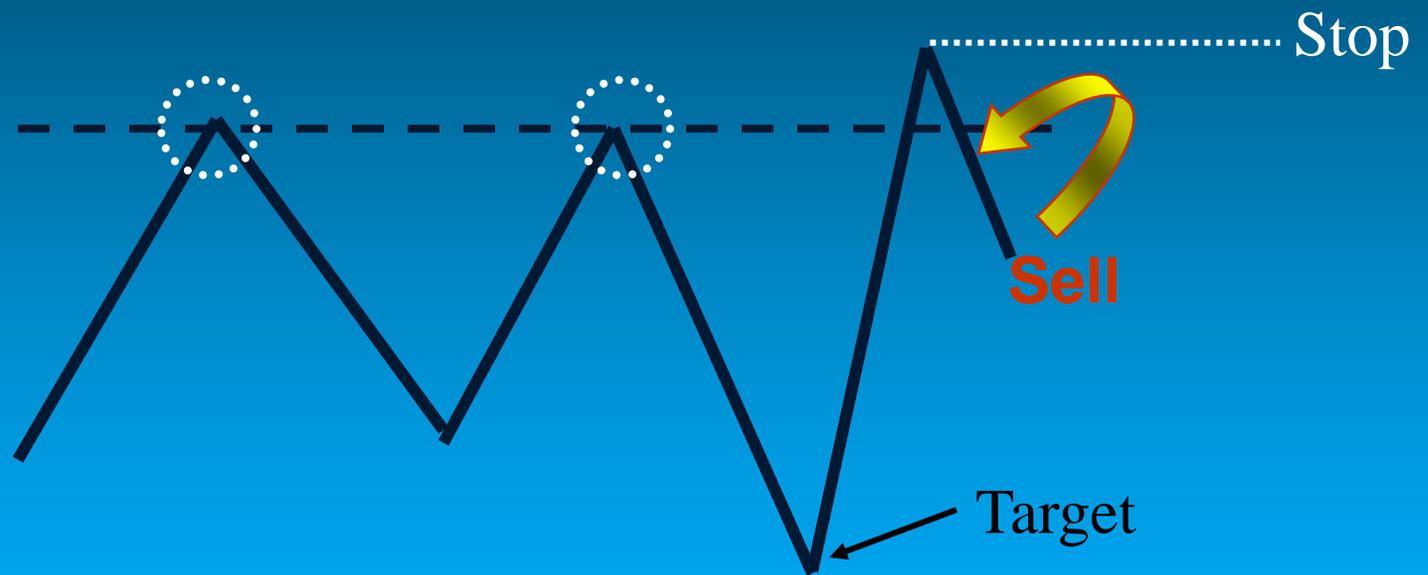
East and West = Increased Confidence



Crack and Snap



Falling off the Roof



Crack and Snap



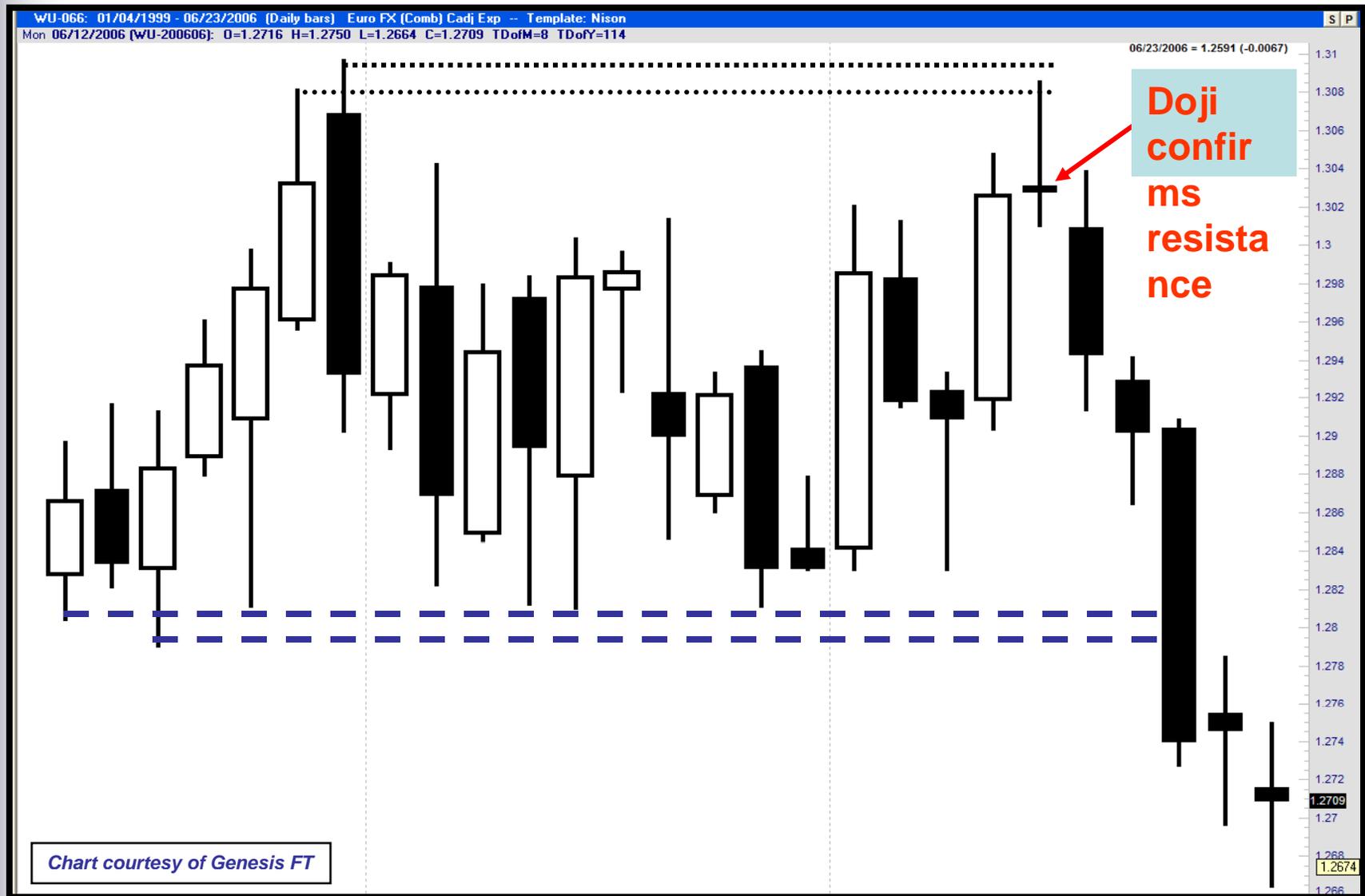
Falling off the roof!



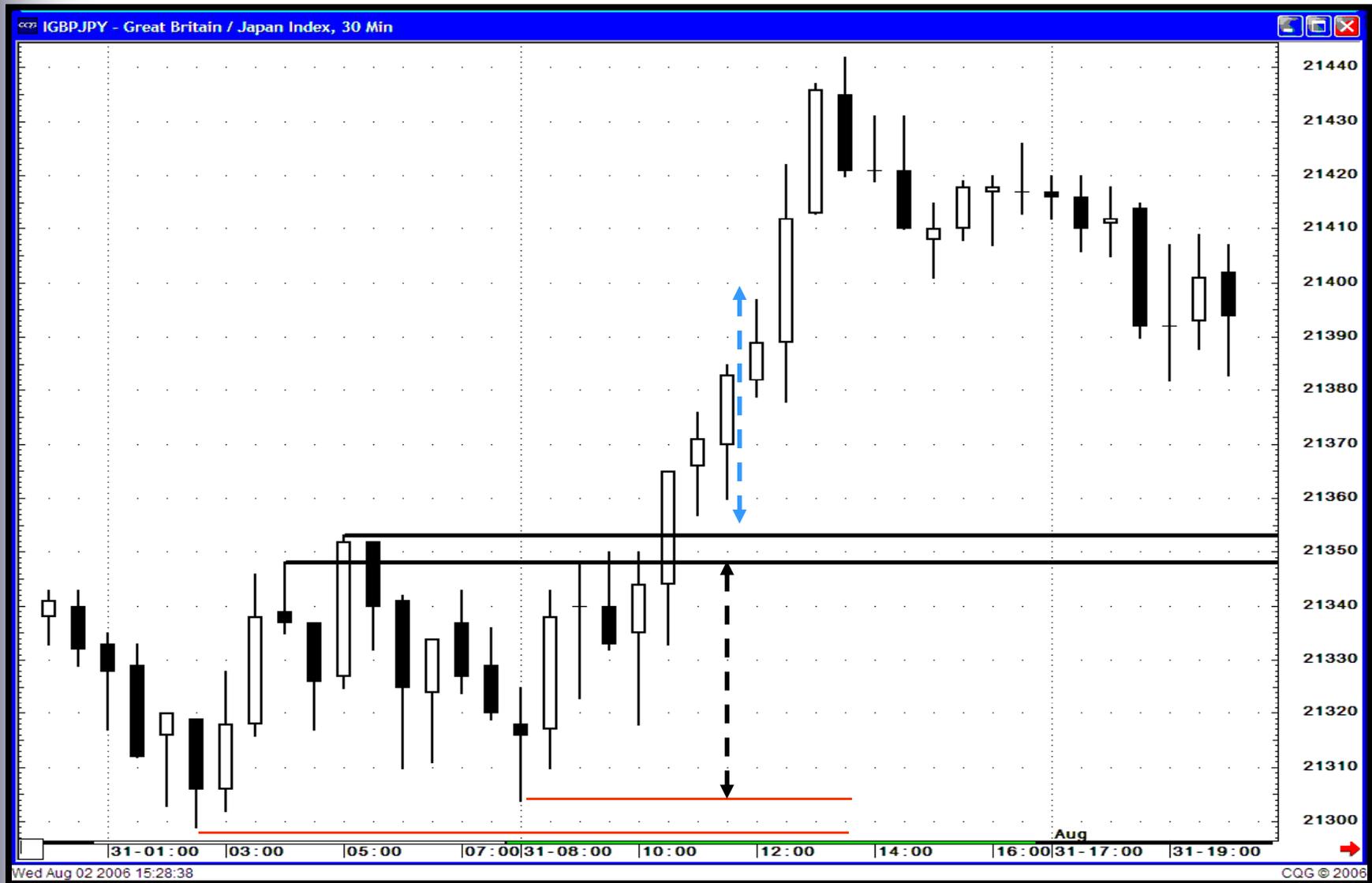
Nison Trading Principle #13

Candlesticks do not give price targets.

Candles and price targets



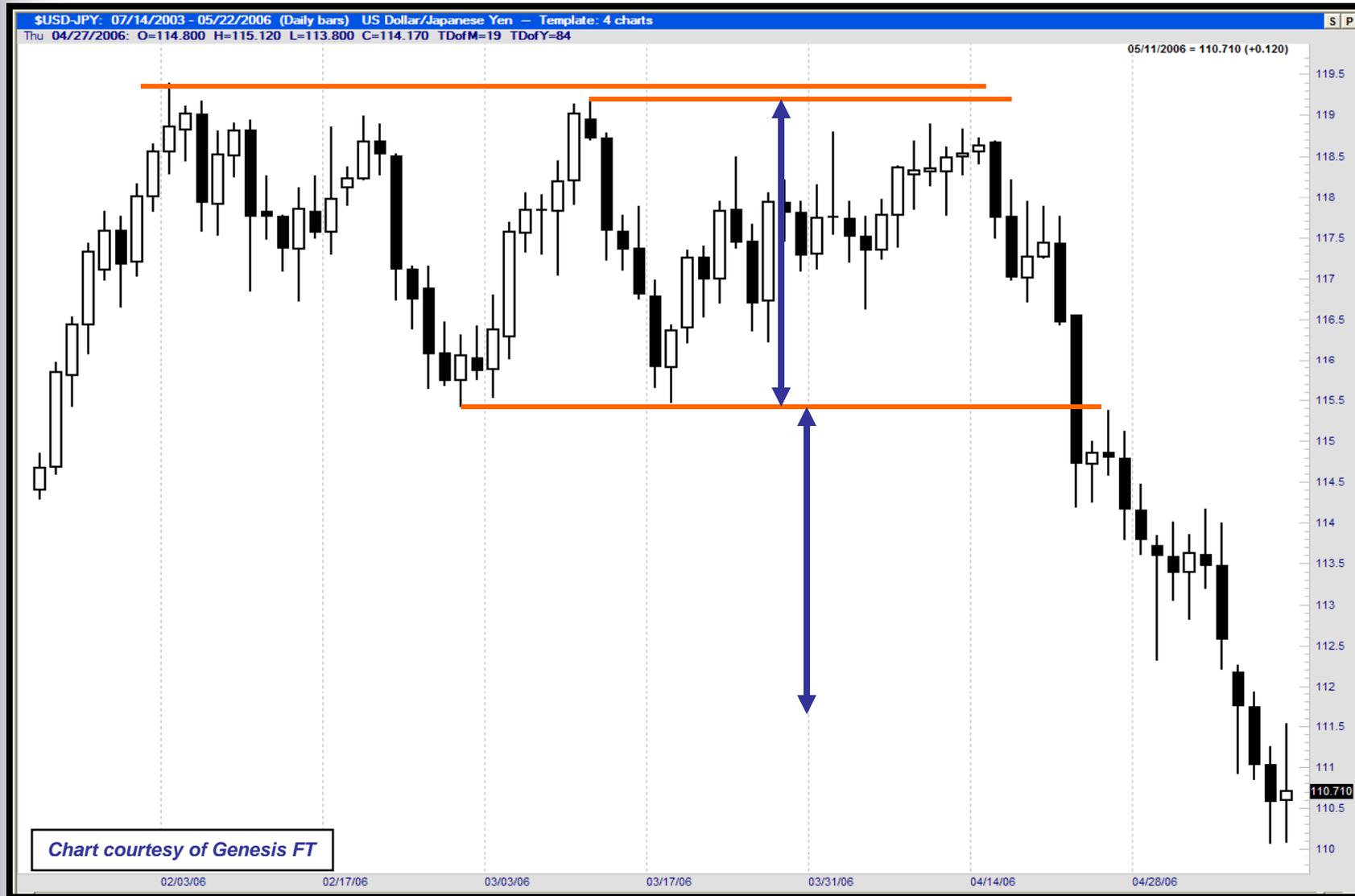
Change of Polarity and Measured Moves



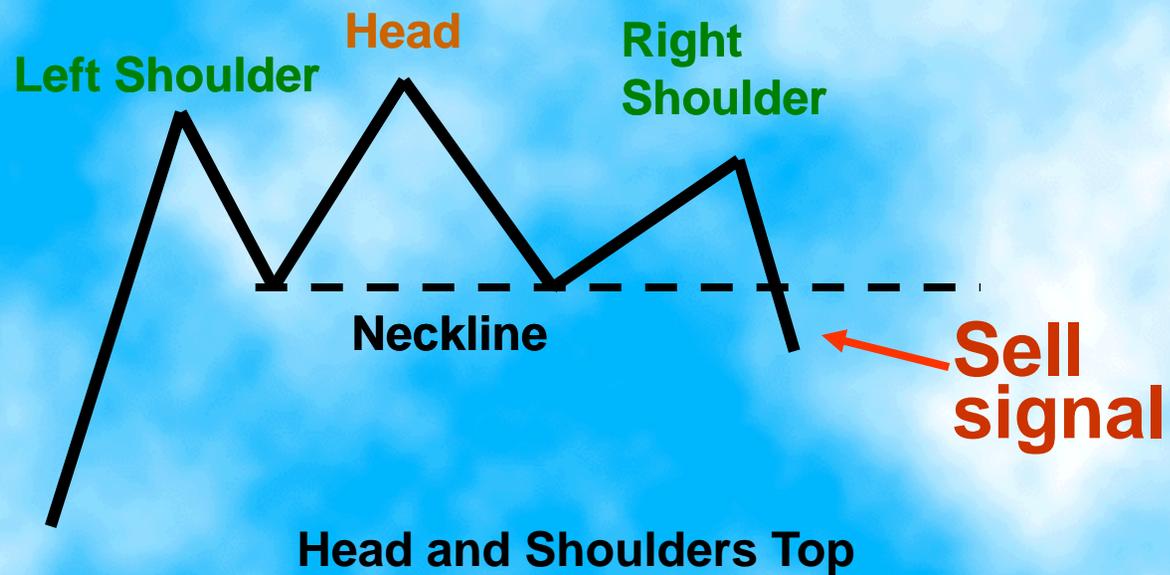
Western Techniques for Targets



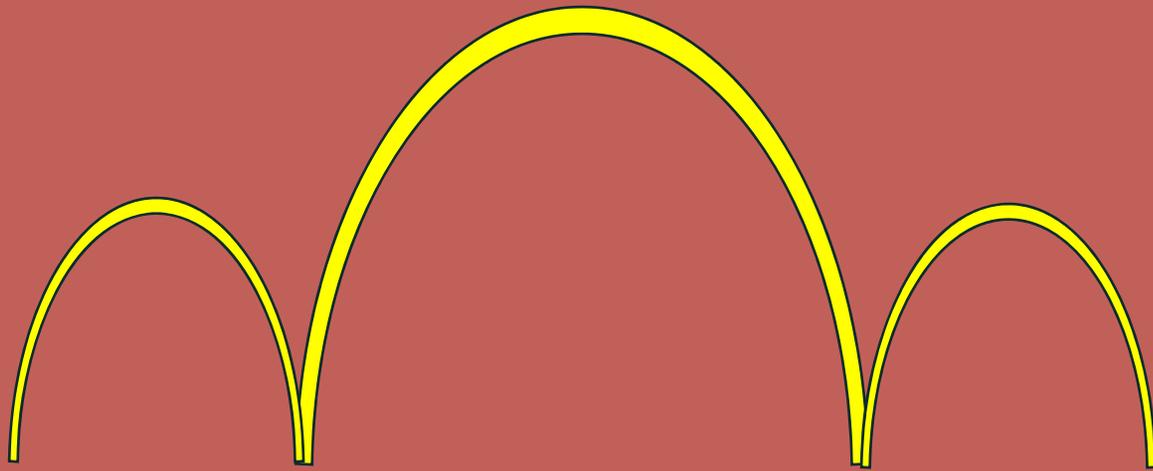
West for Targets



Head and Shoulders



Three Buddha Pattern



Applying Western Techniques to Candle Charts



East and West: West for Targets

1 of 2



West for price targets - East for confirm

2 of 2



Oscillators

- ⇒ Objective
- ⇒ Separate from price
- ⇒ Best in lateral markets
- ⇒ Includes Stochastics, MACD, RSI, etc.

Applications

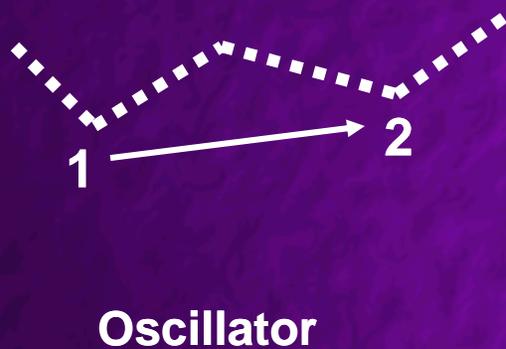
- ⇒ **Overbought/Oversold:**
too far too fast?
- ⇒ **Divergence**

Candles in Context of Overbought/Oversold

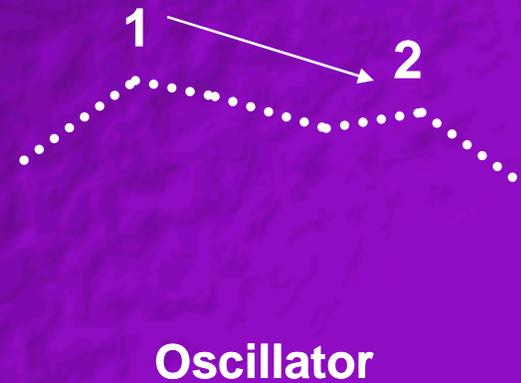


Divergence

Positive Divergence



Negative Divergence



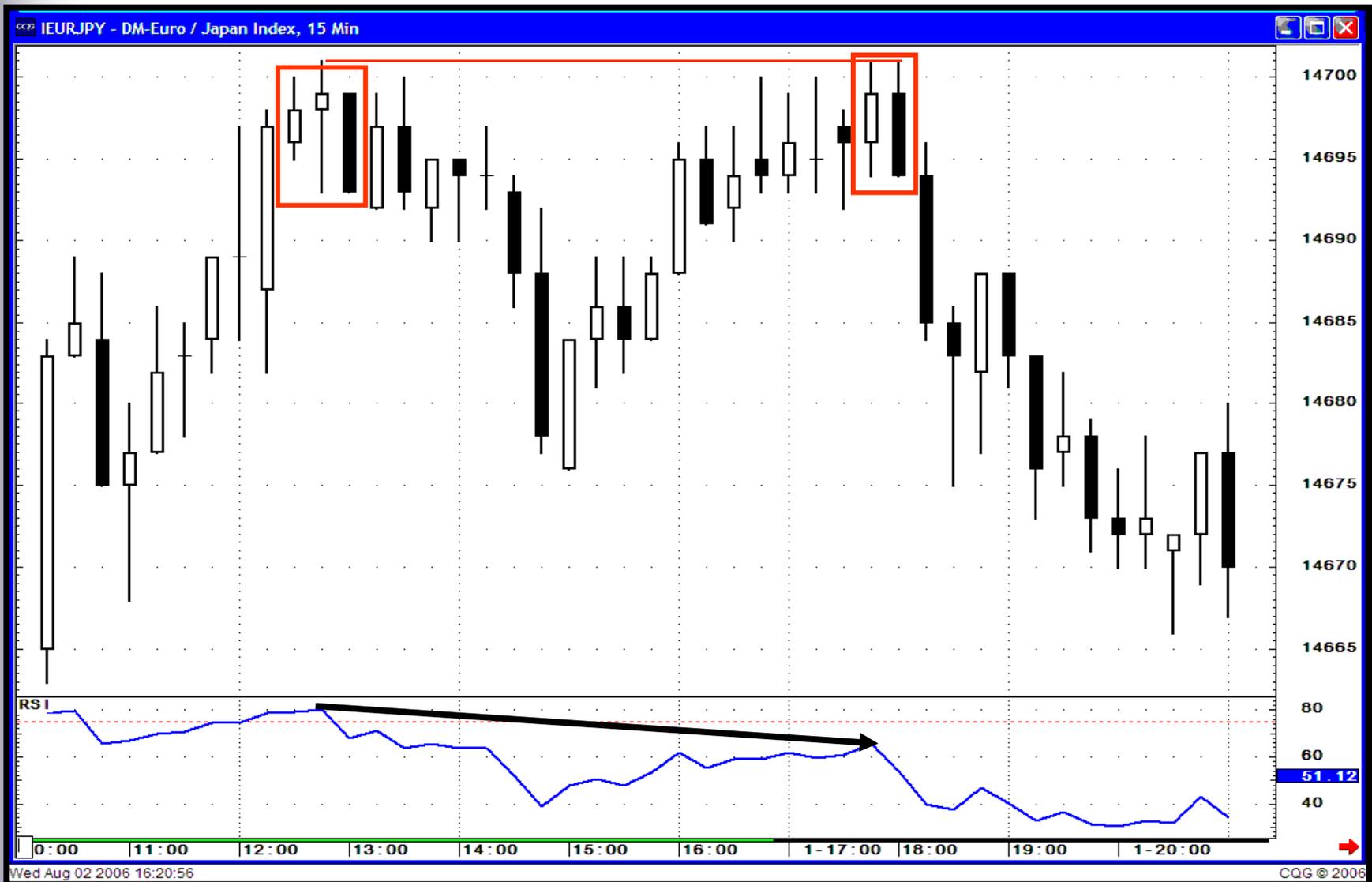
East & West



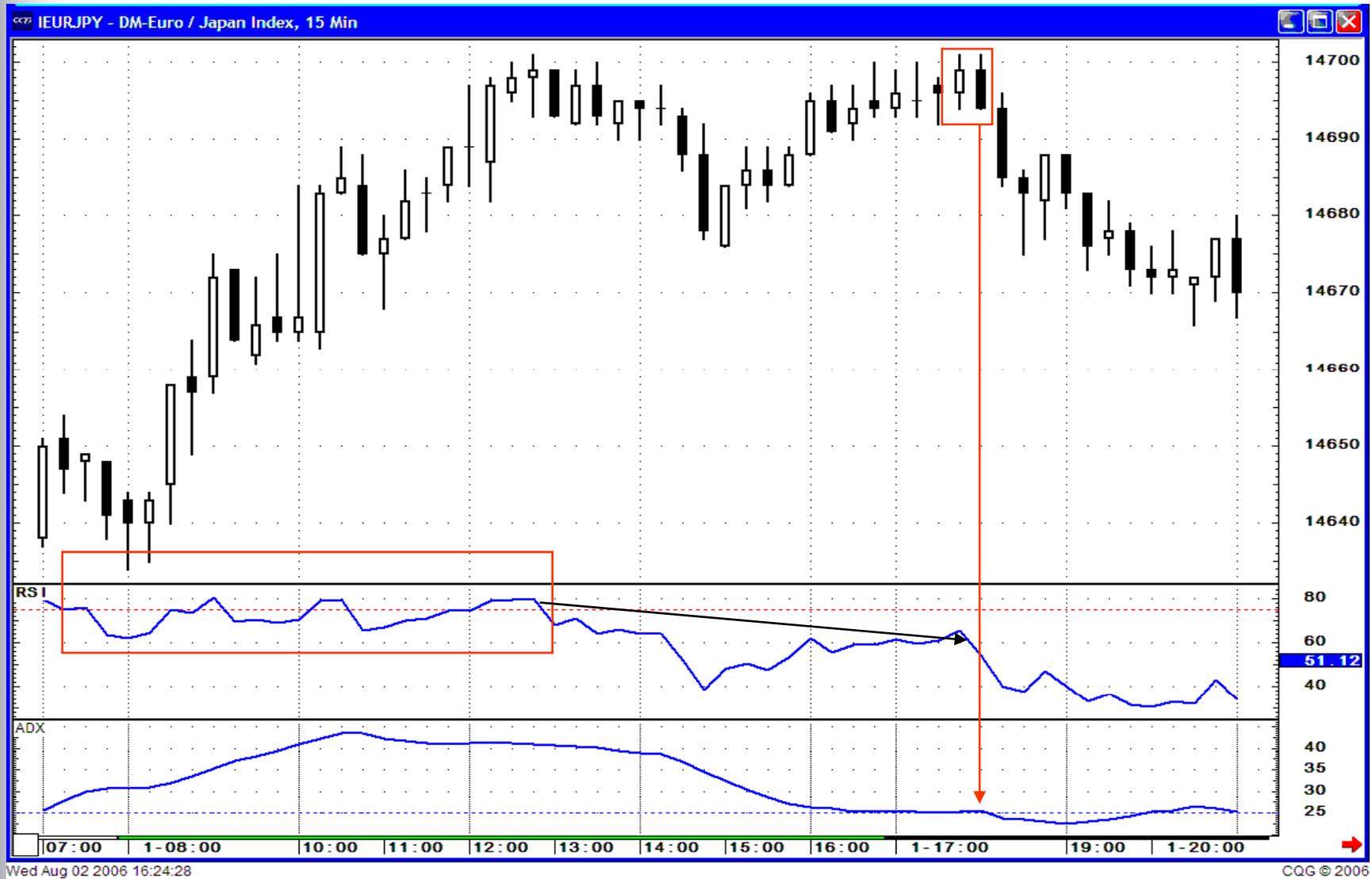
East and West



Candles and Oscillators



Oscillators and Trend



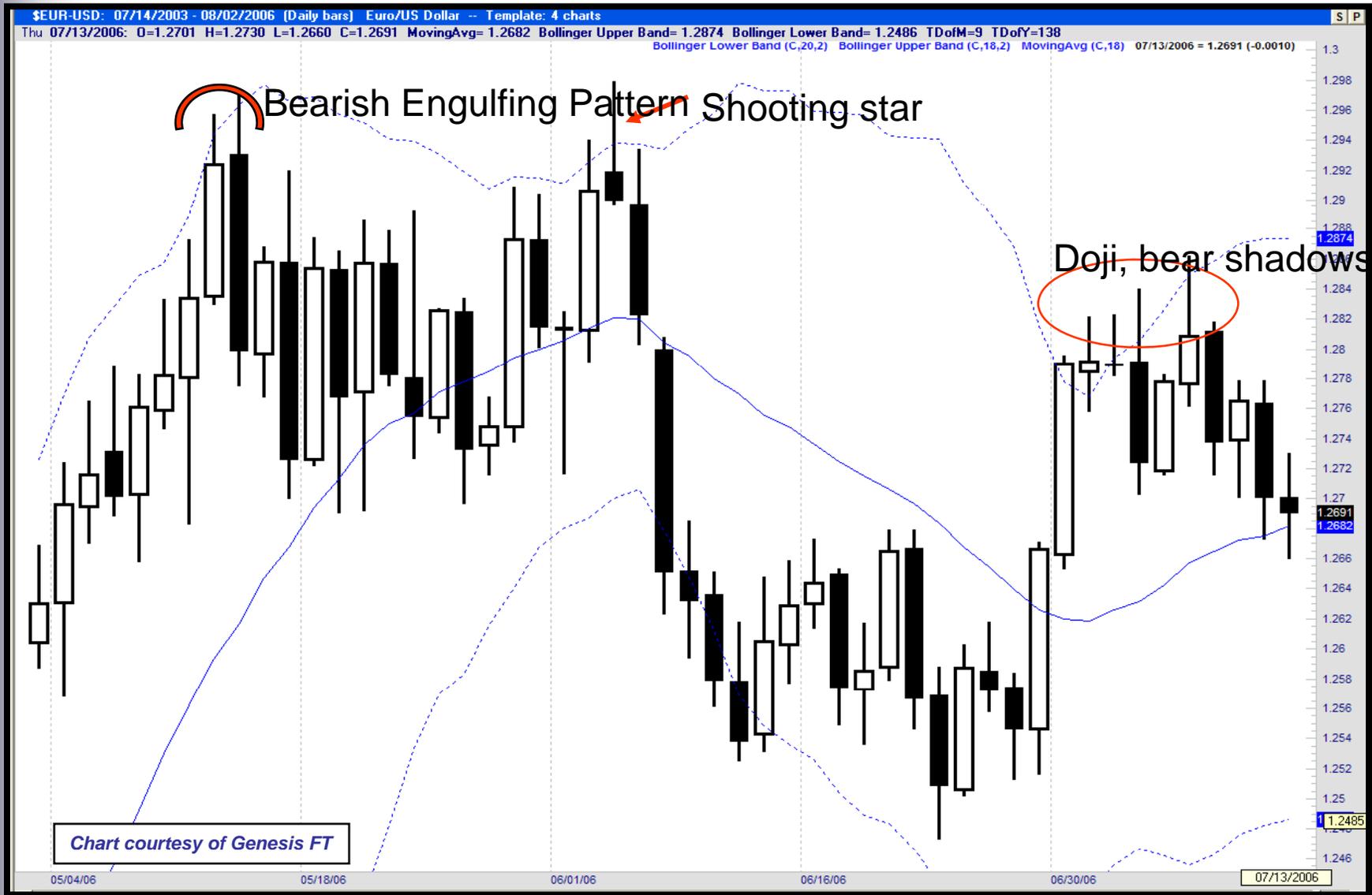
East and



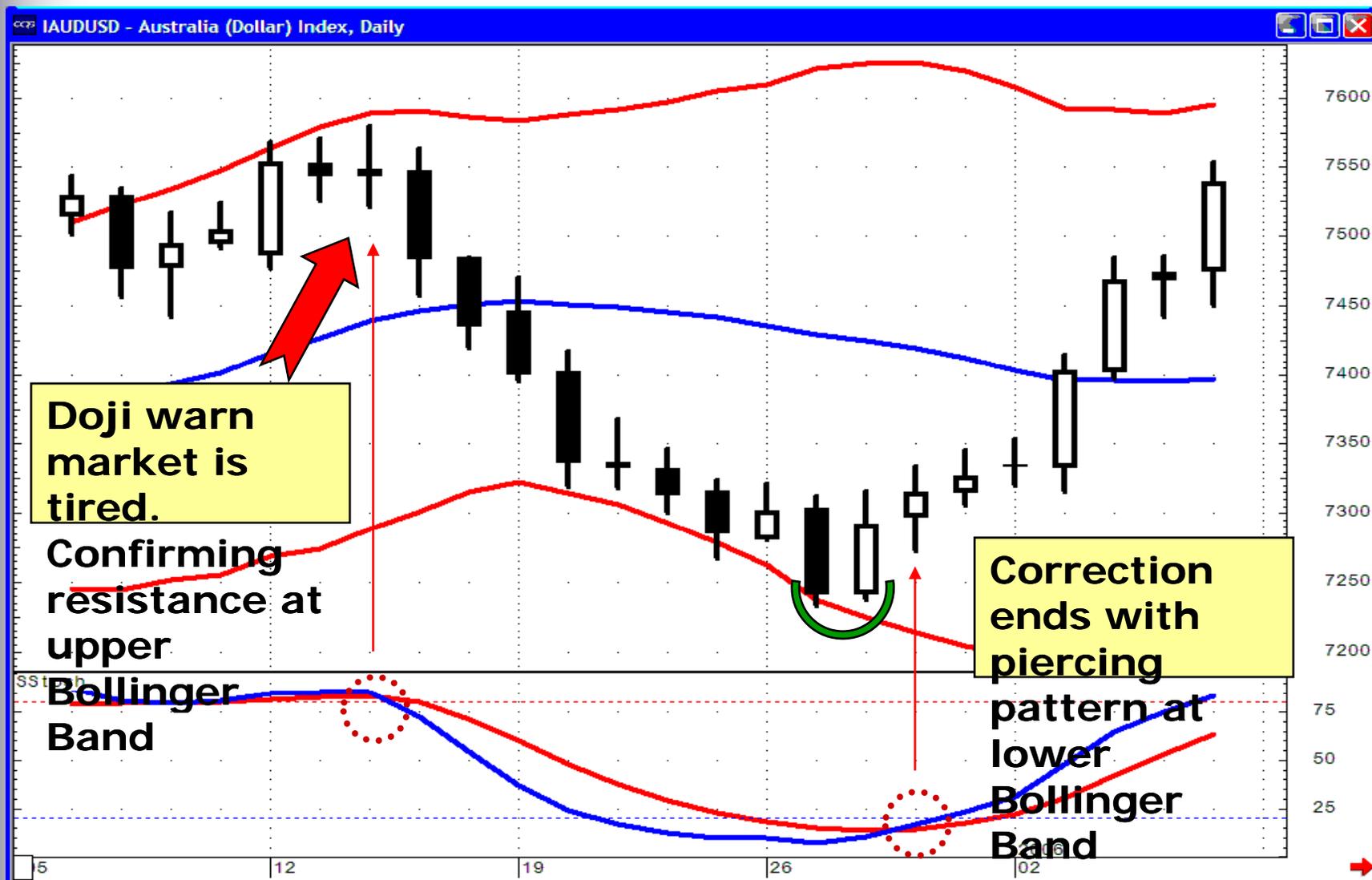
East and West (Bollinger Bands)



Bollinger Bands



East & West



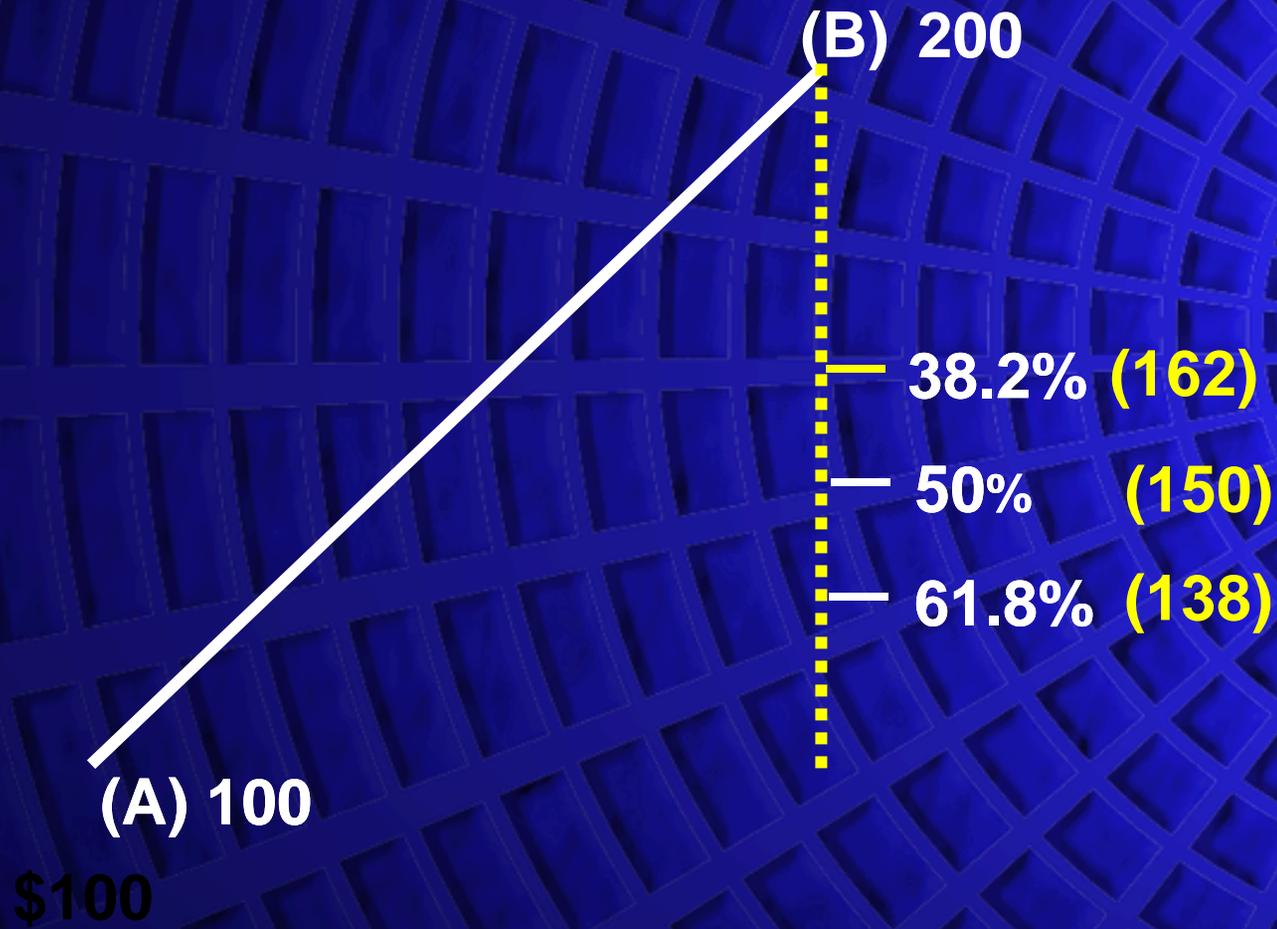
Mon May 22 2006 10:33:10

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Dual Bearish Candle Signs & Divergence



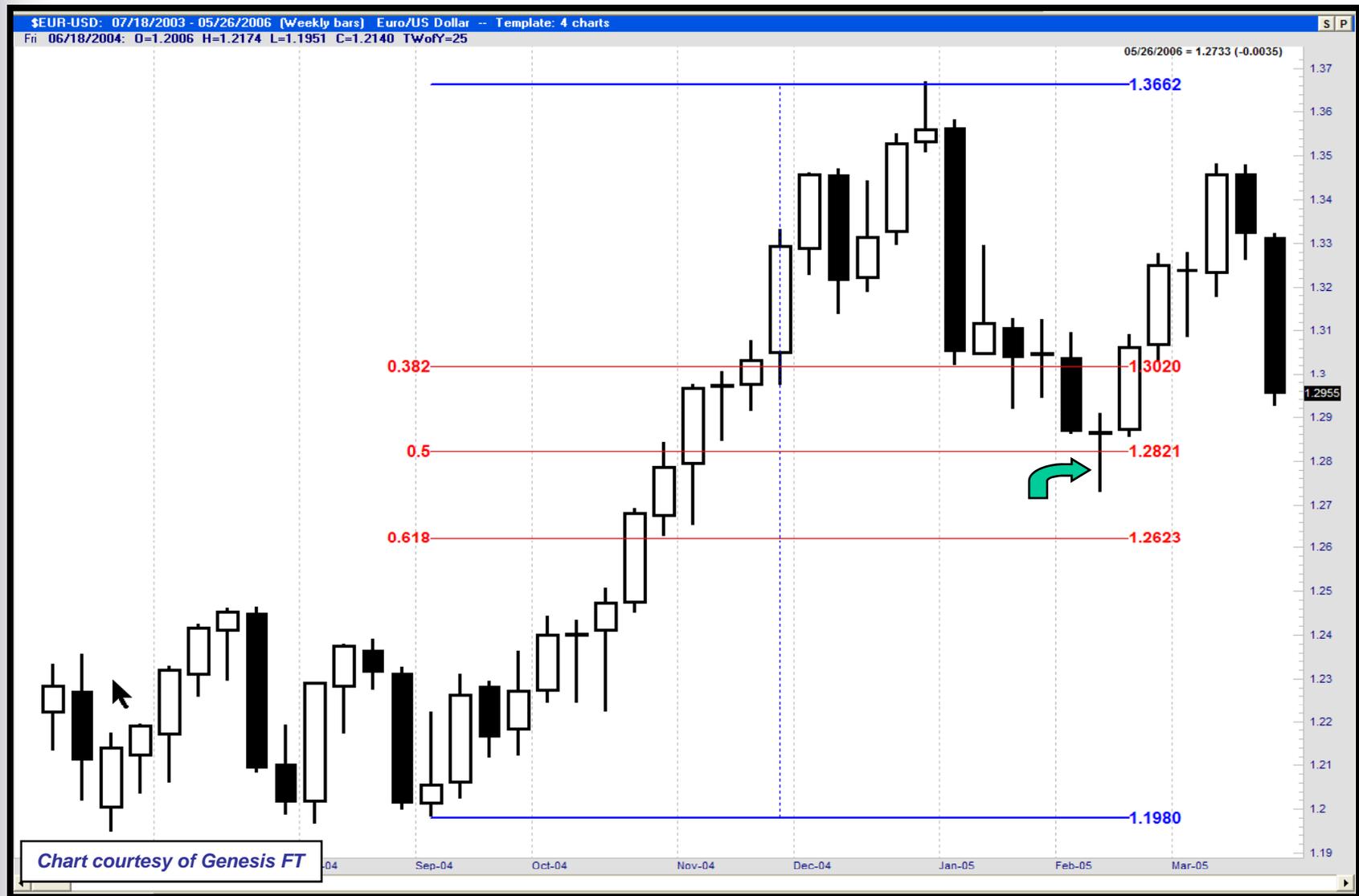
Fibonacci Retracements



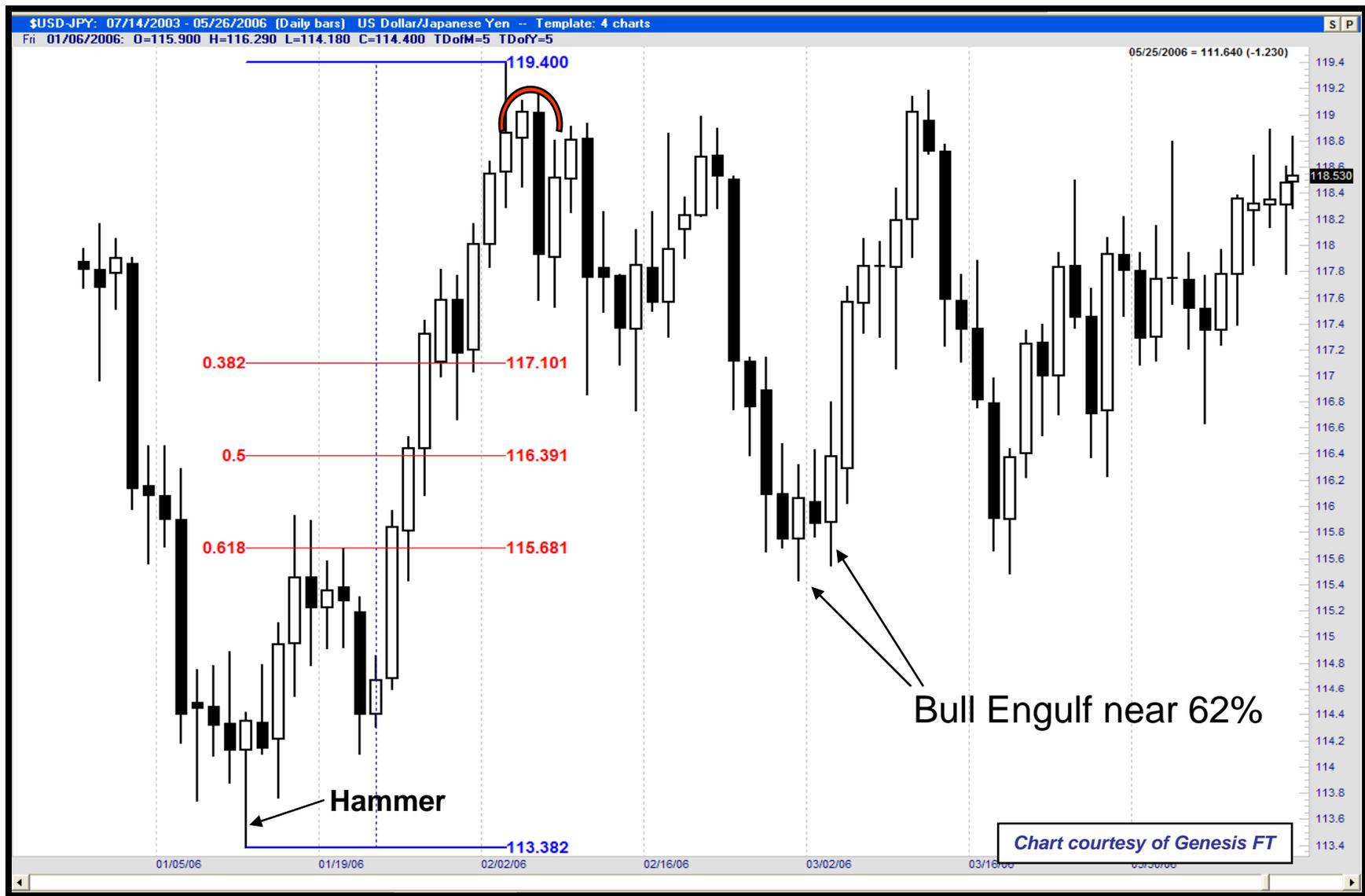
Candles & Fibonacci



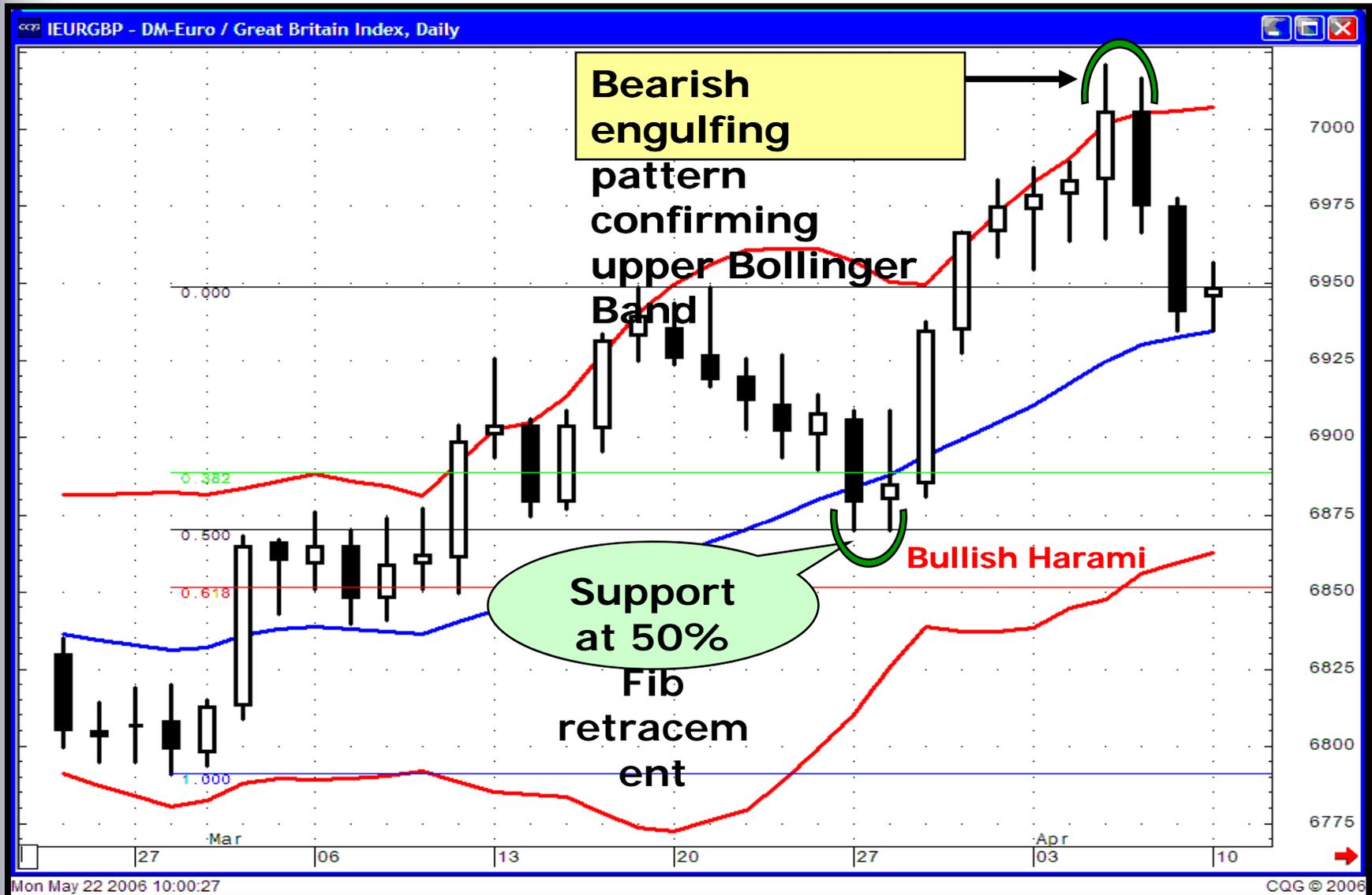
Fib. Retracements with Candles



Fib. Retracements

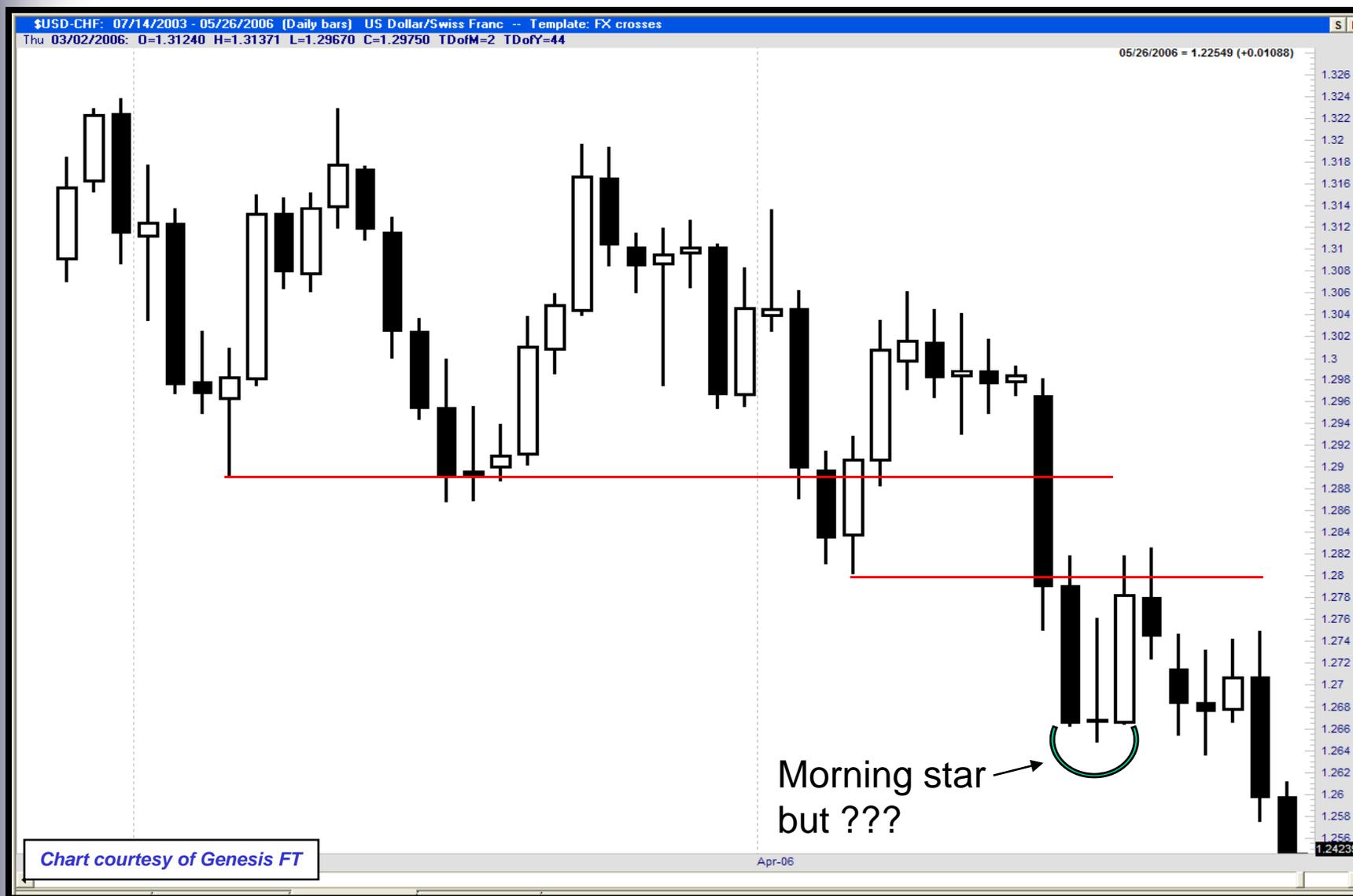


East, West & Fibonacci



Candles in Context

Candles in Context



Candles in Context

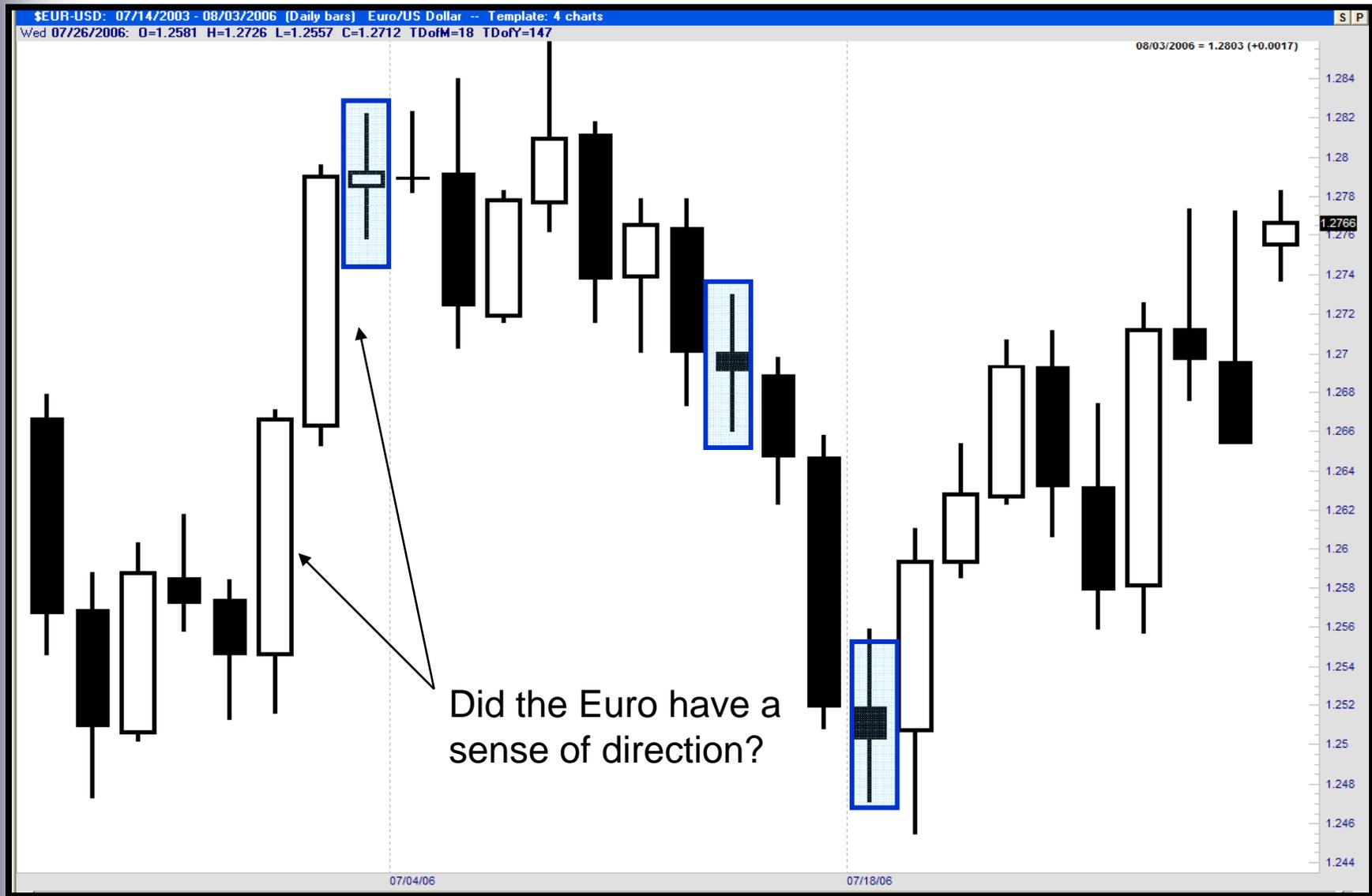


Candles in Context



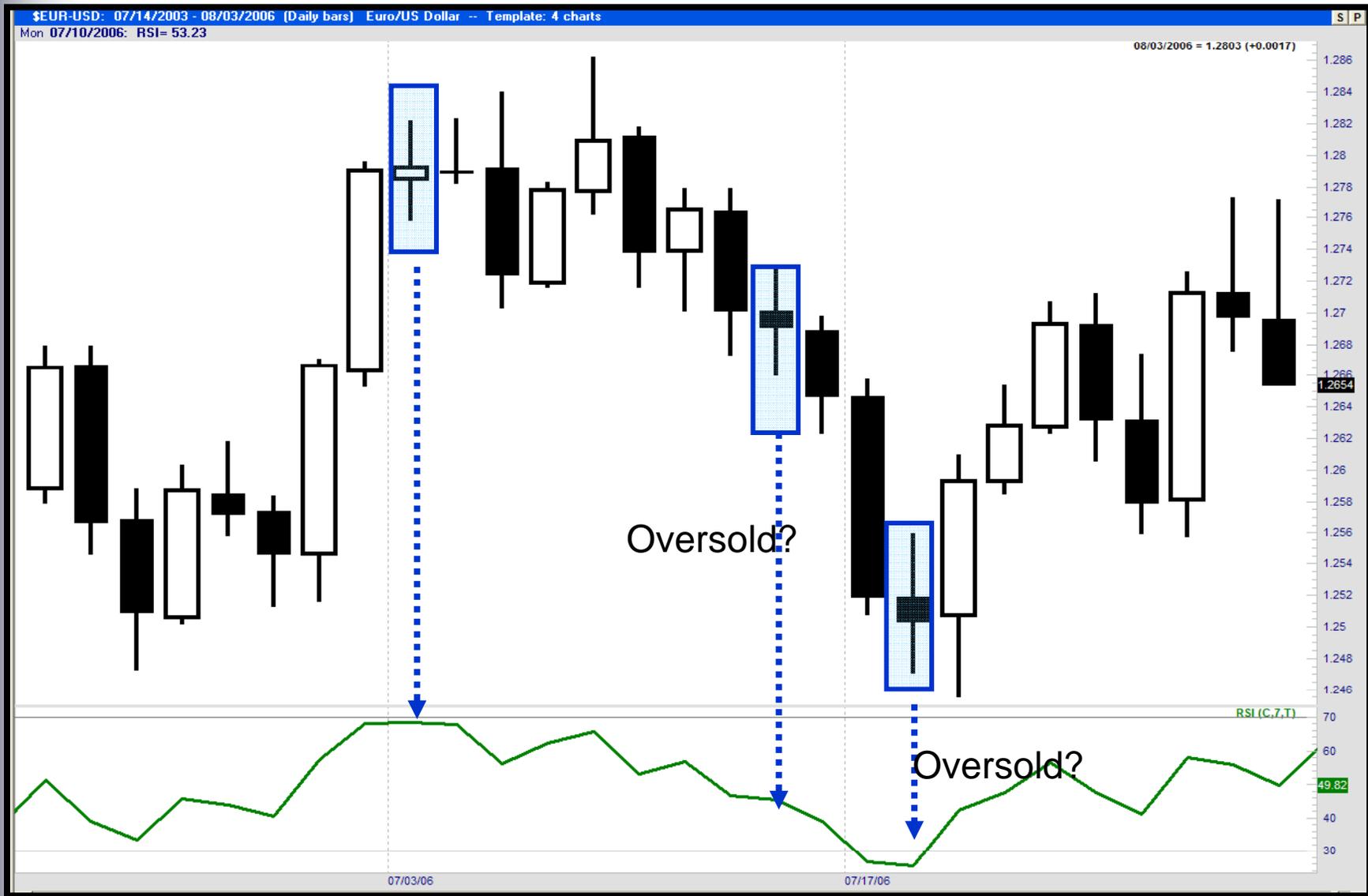
Candles in Context

1 of 2



Candles in Context

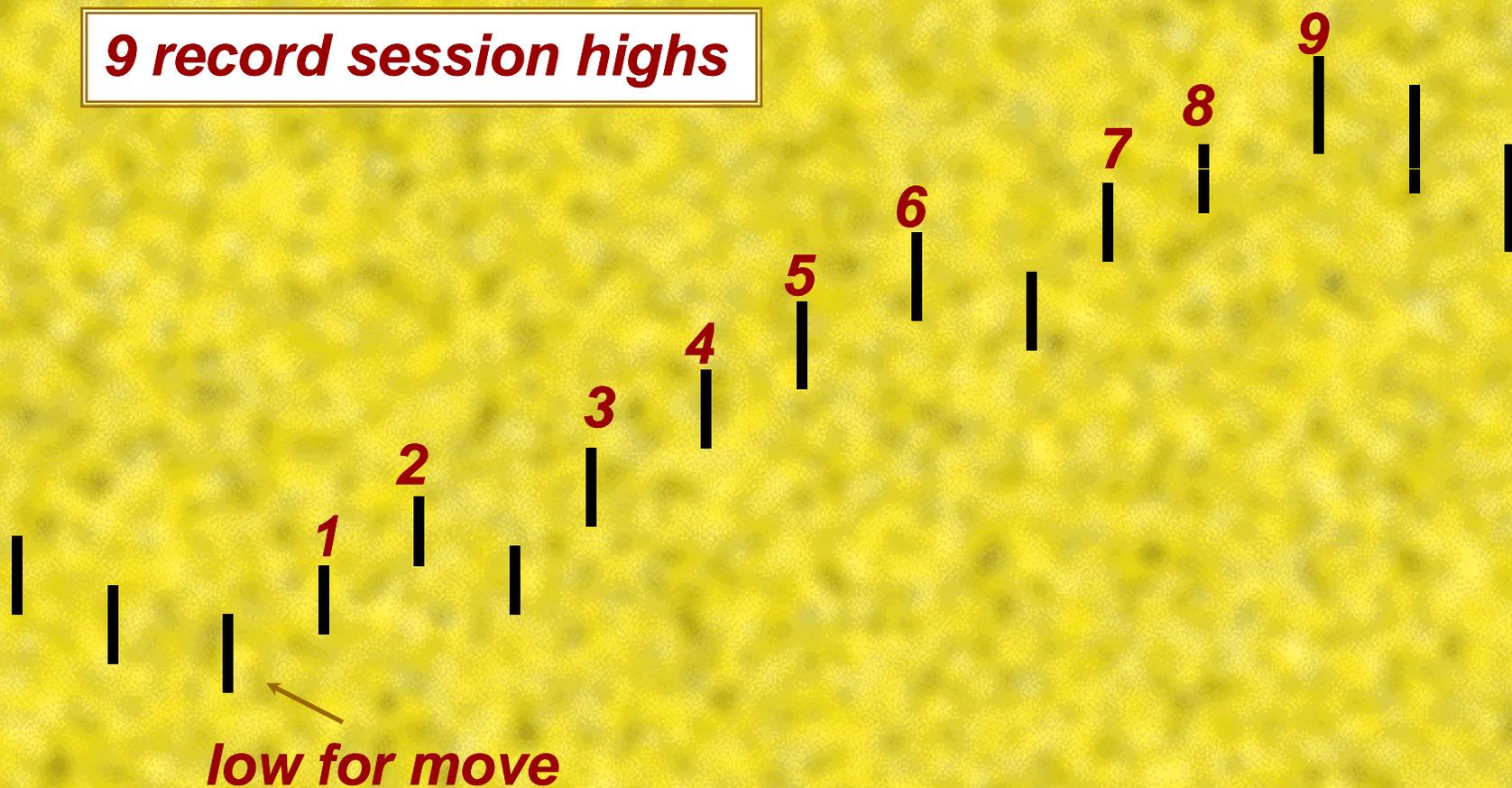
2 of 2



Record Sessions

Overbought / Oversold Indicator

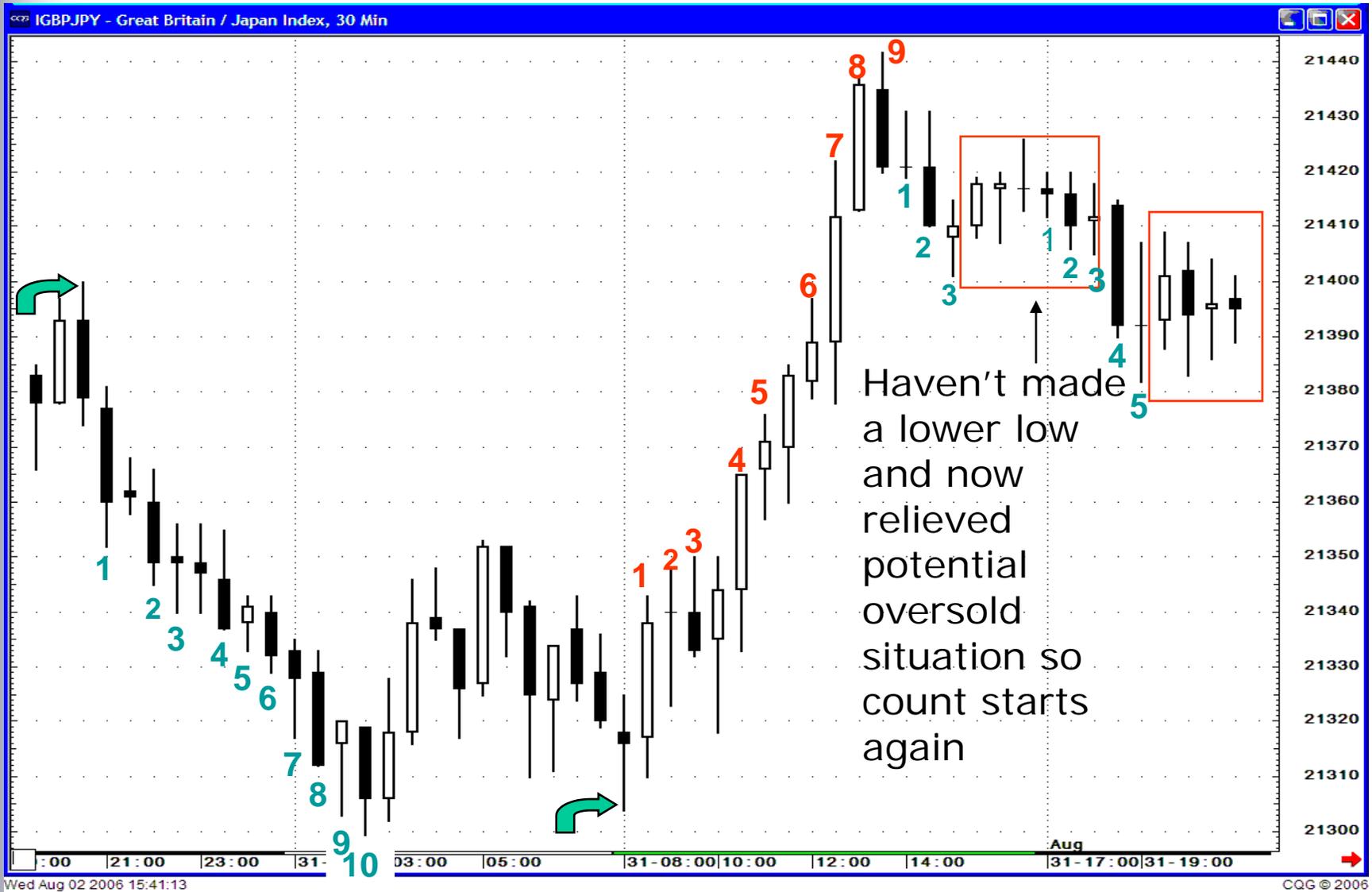
9 record session highs



Record Session Highs



Record Session Lows

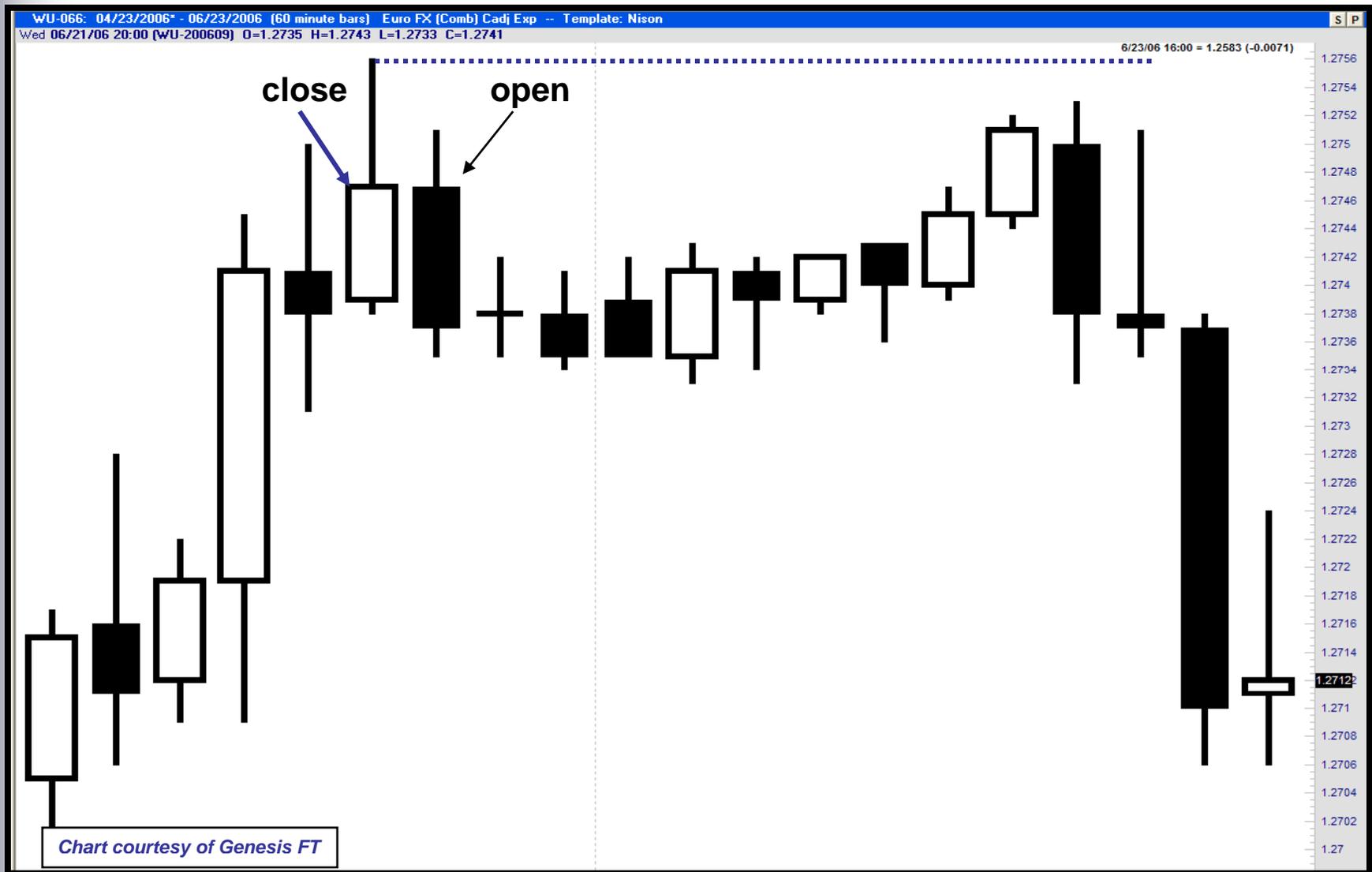


Intra-day candles

Intraday Candlesticks

Flexibility

Flexibility with Candle Signals

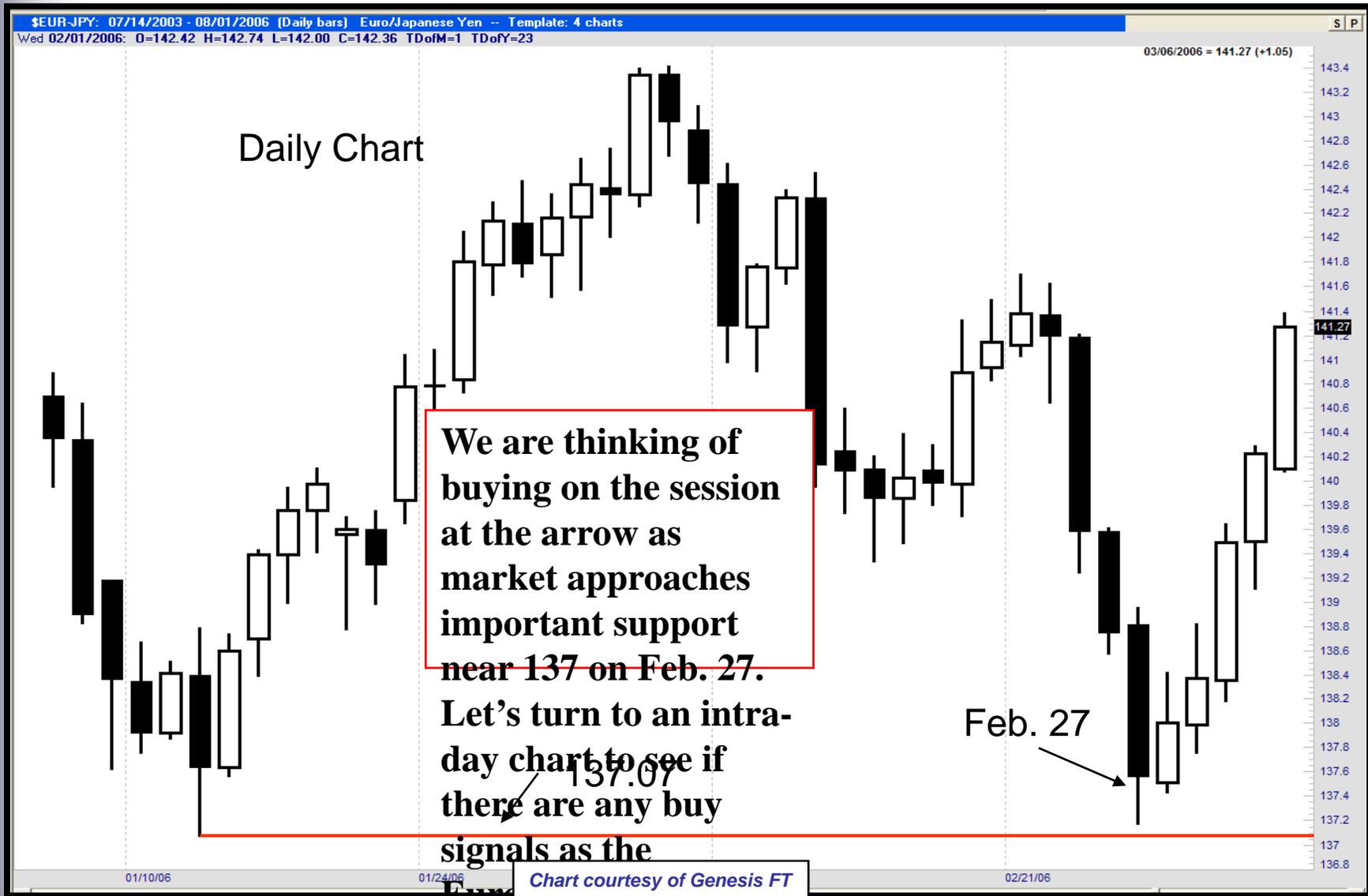


Intraday Candlesticks

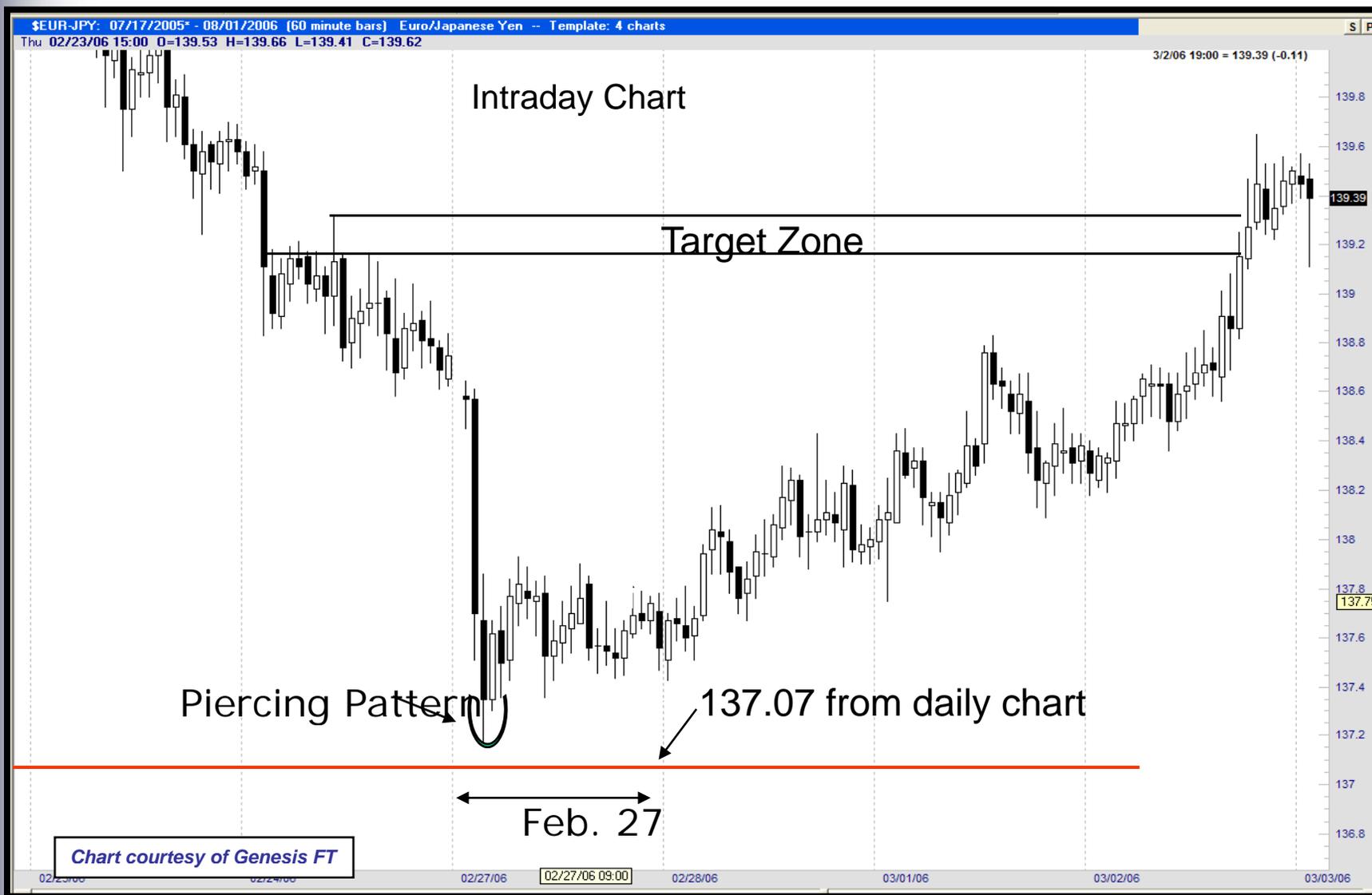
Intraday Traders:
**Daily Charts for Support
or Resistance**

Daily Chart for Support/Resistance

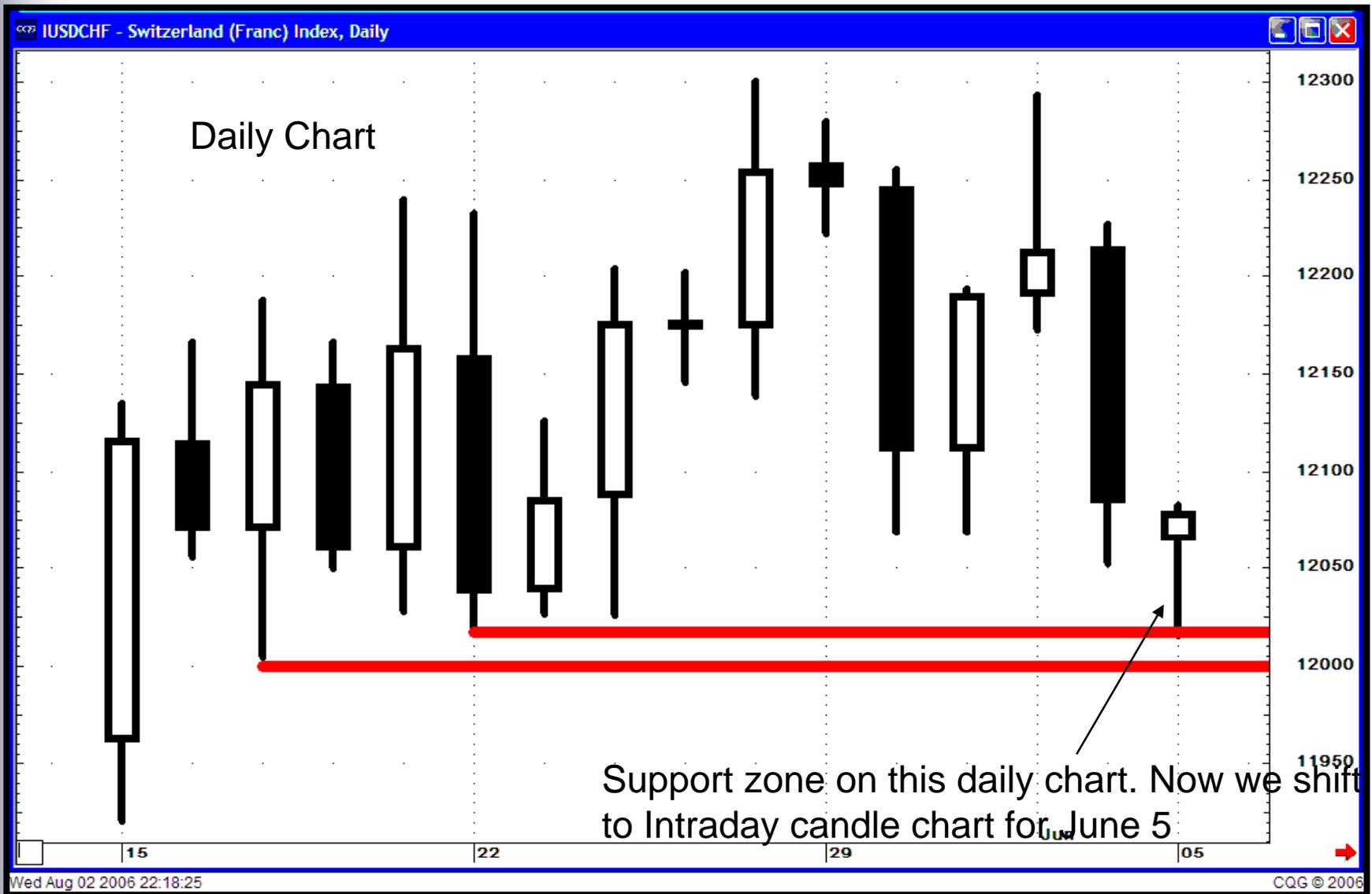
1 of 2



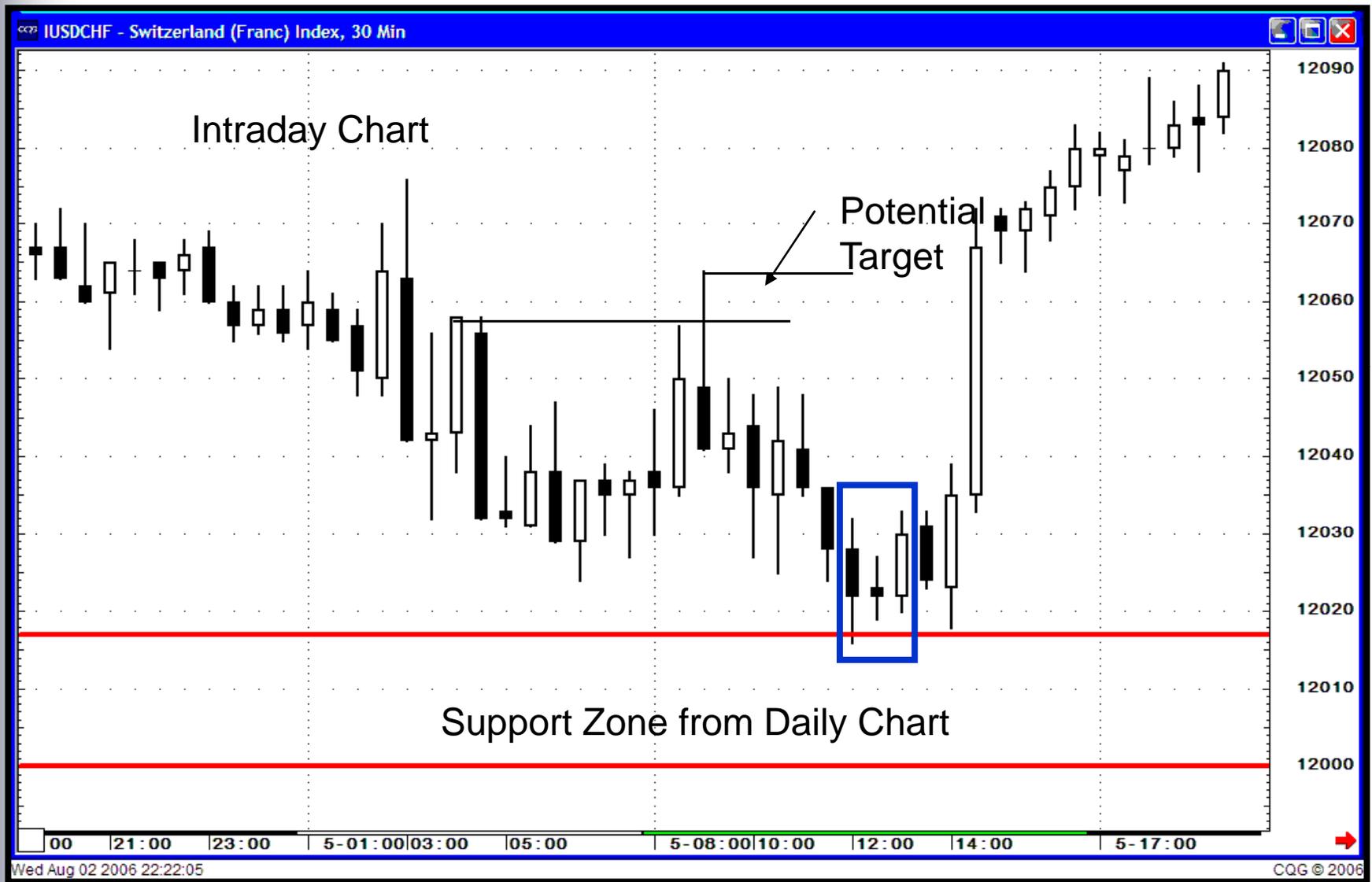
... and then use daily support/resistance on intraday chart 2 of 2



Melding Daily Support/Resistance onto Intraday Candle Chart 1 of 2



Melding Daily Support/Resistance onto Intraday Candle Chart 2 of 2



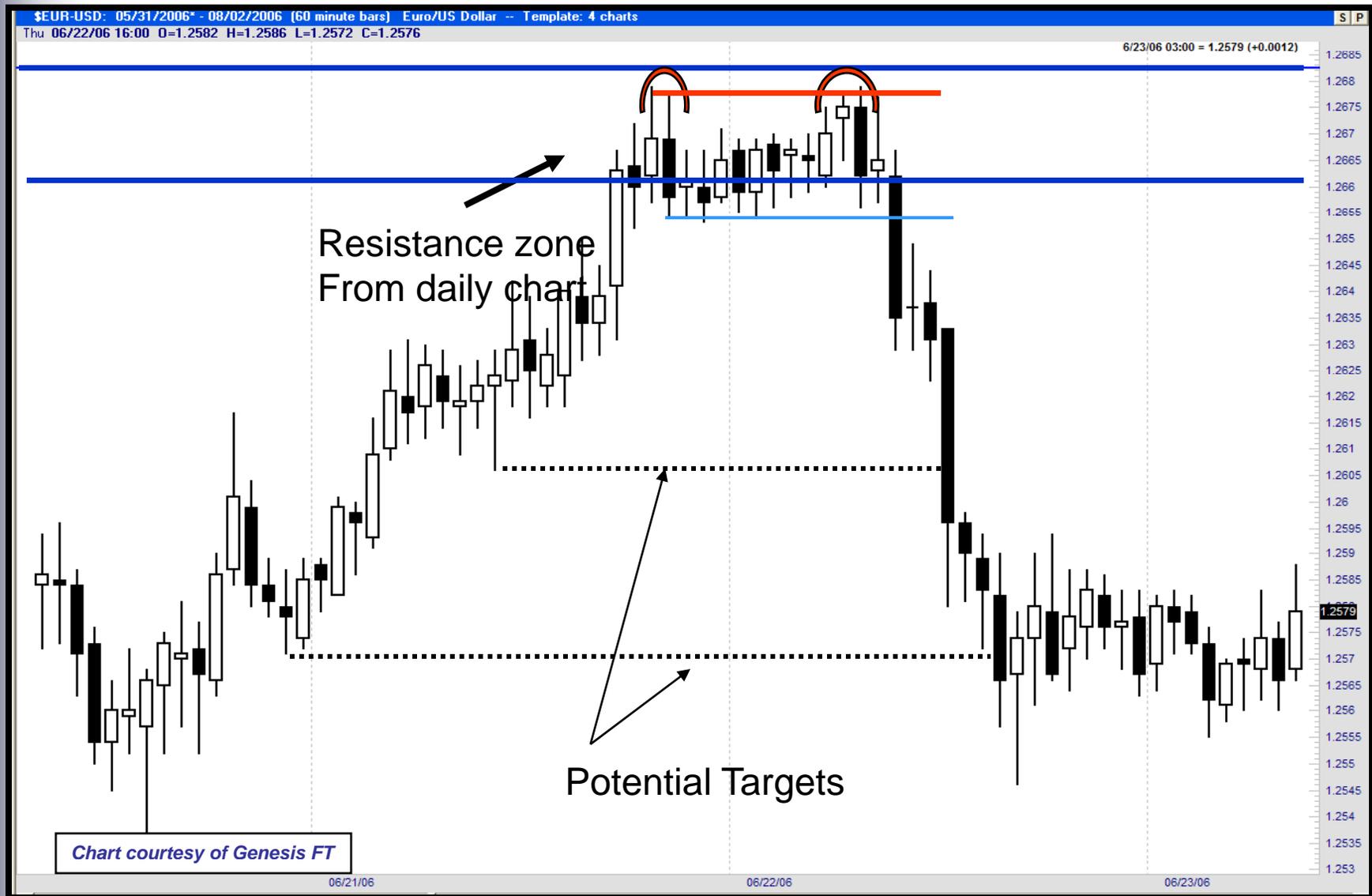
Support / Resistance from Daily Chart

1 of 2



..... placed on intraday chart

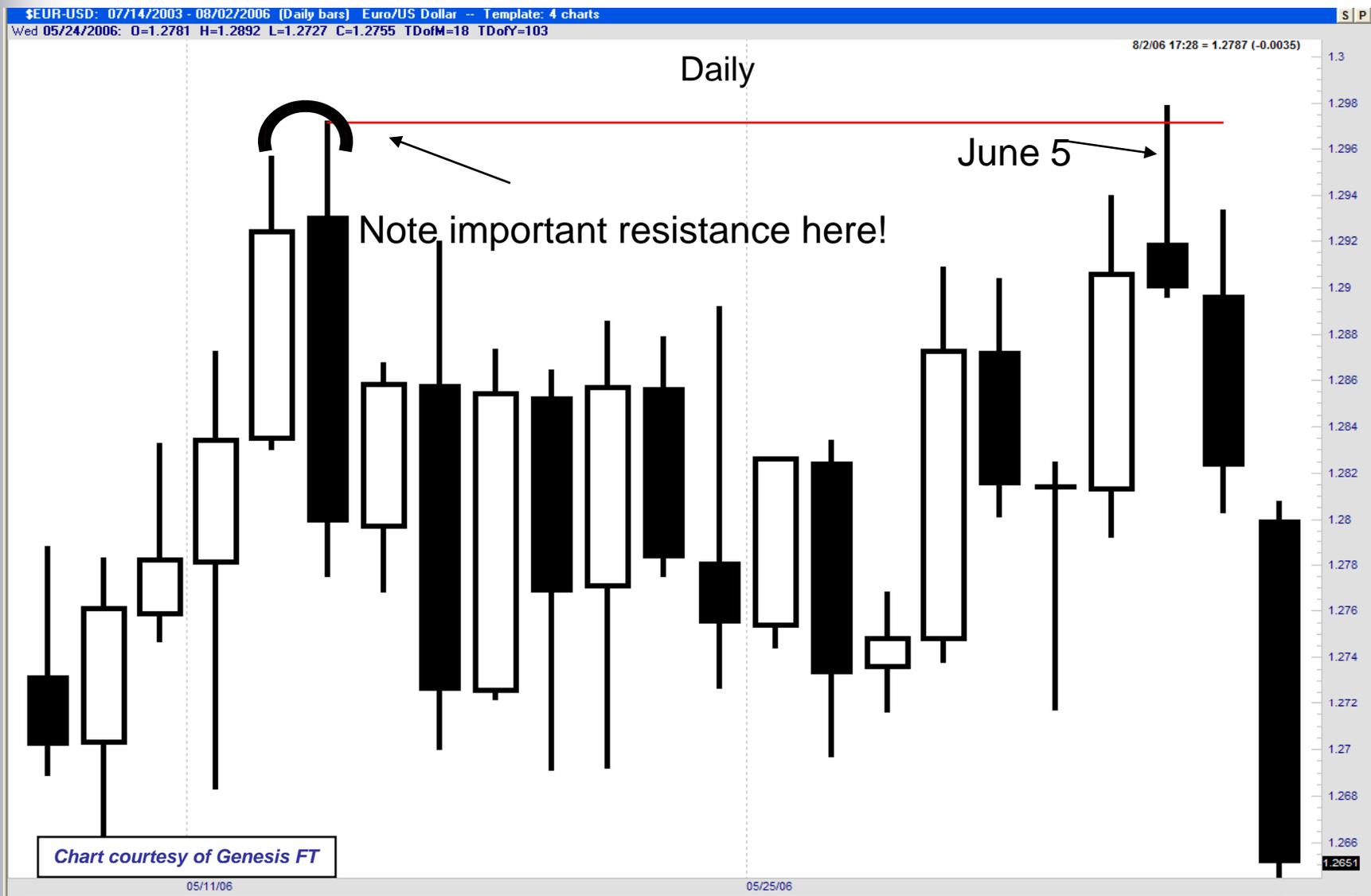
2 of 2



Trade Intraday? Still have to monitor daily chart 1 of 2



Always know support/resistance on daily/weekly charts



Intraday Candlesticks

Swing Traders:
Intraday Candlestick
Charts to Improve Timing

Why Intraday – even if you are not a day trader

1 of 4



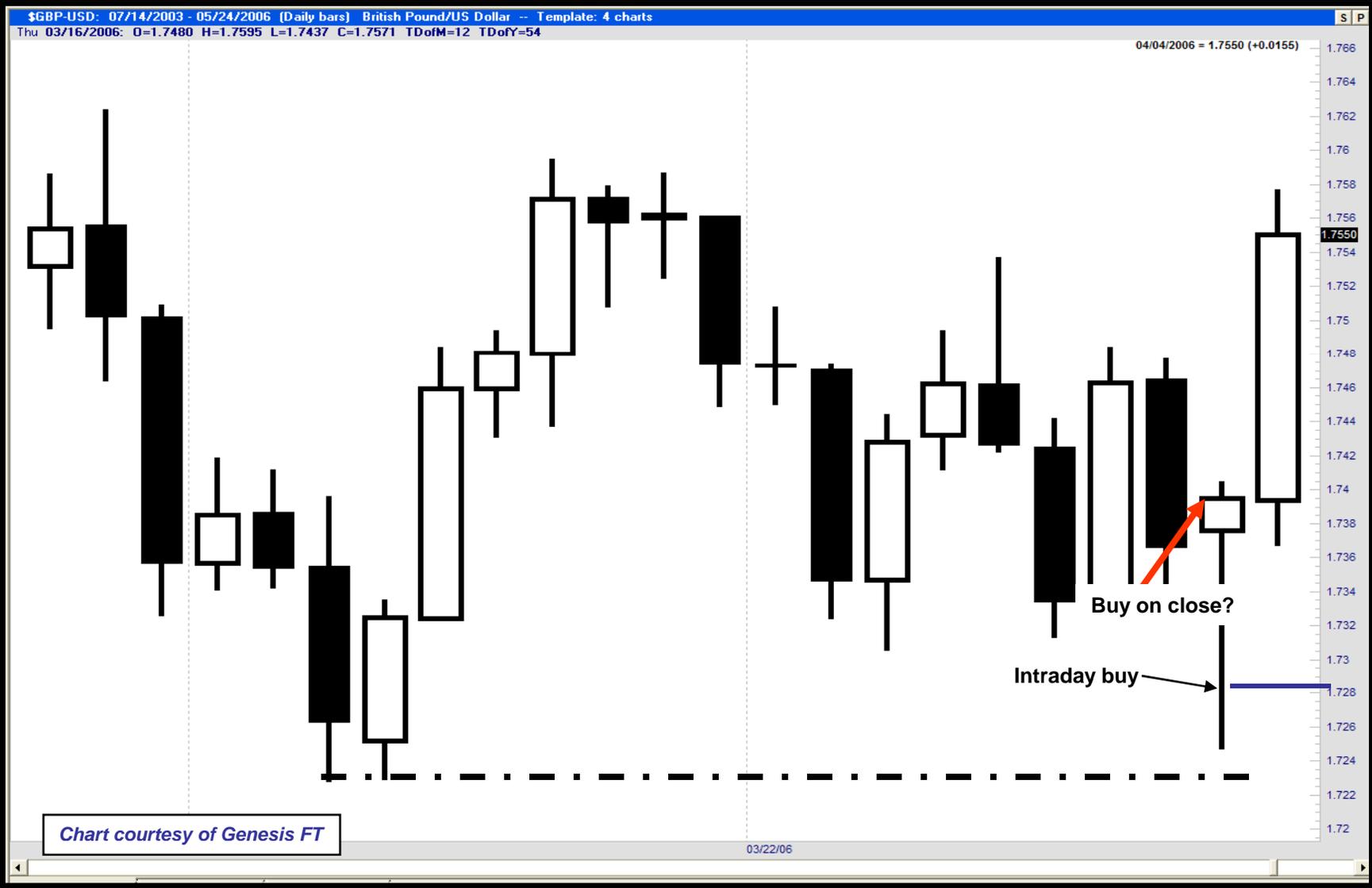
Why Intraday – even if you are not a day trader



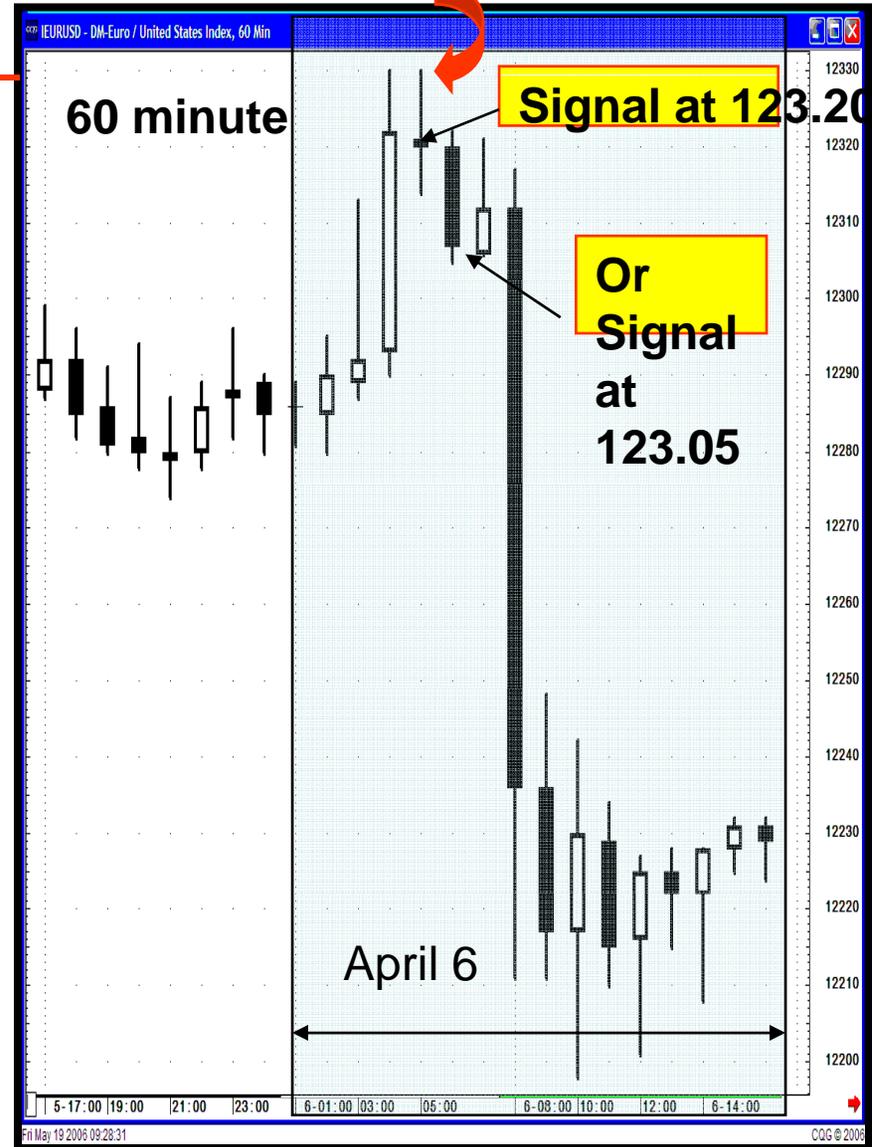
Why Intraday – even if you are not a day trader



Why Intraday – even if you are not a day trader



Intraday for Early Reversals



Intraday Candlesticks

Swing Traders:
Intraday Charts to Confirm
Support or Resistance

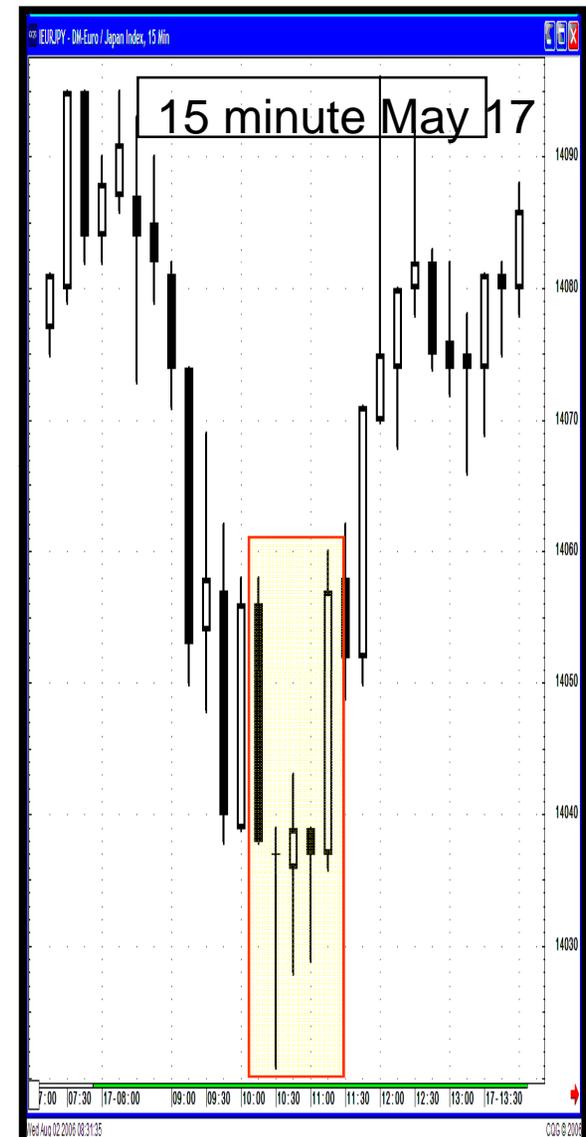
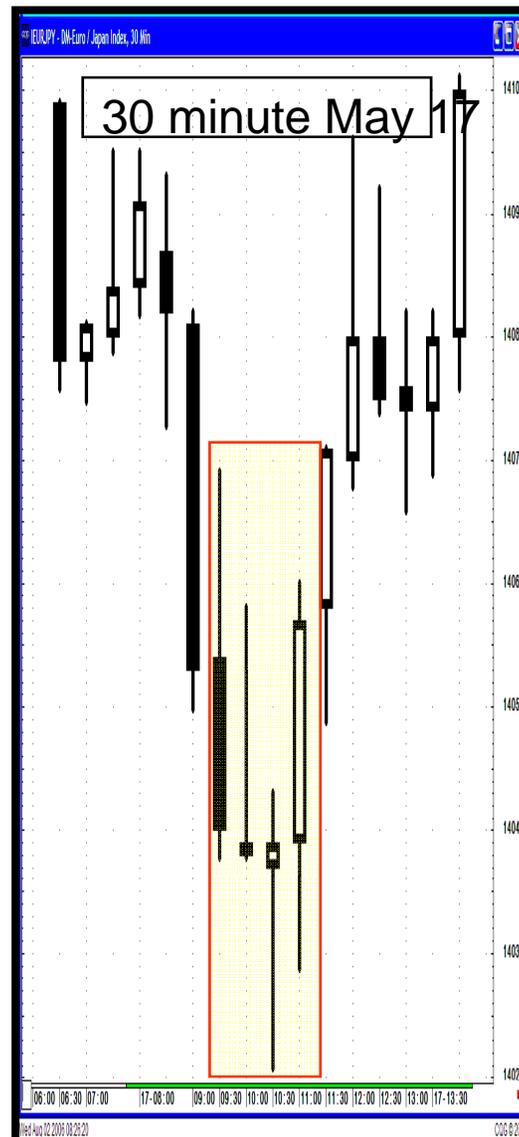
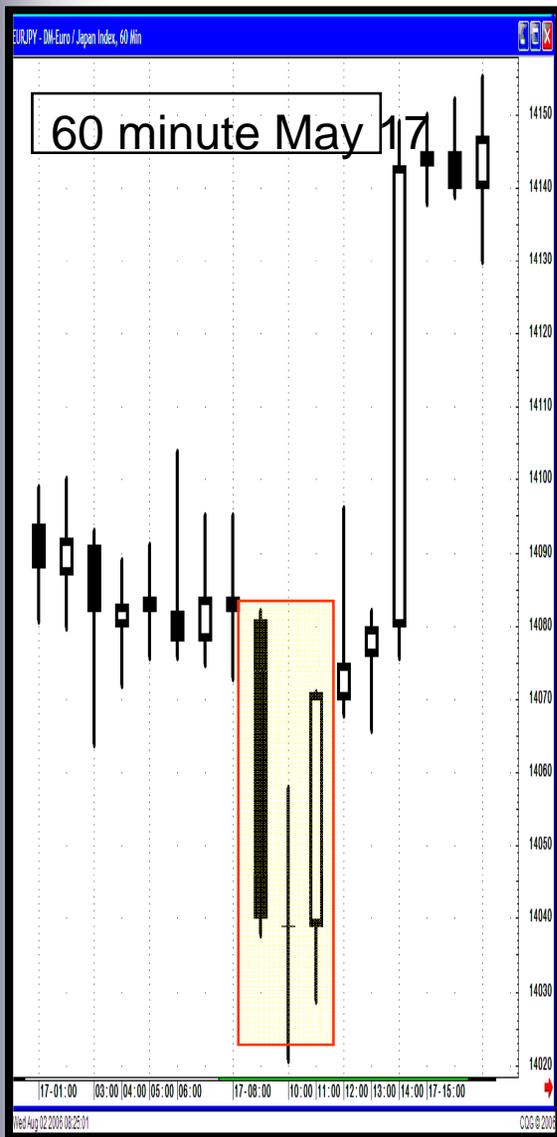
Harnessing the Extra Insights of Intraday Candles

1 of 2



Harnessing the Extra Insights of Intraday Candles

2 of 2

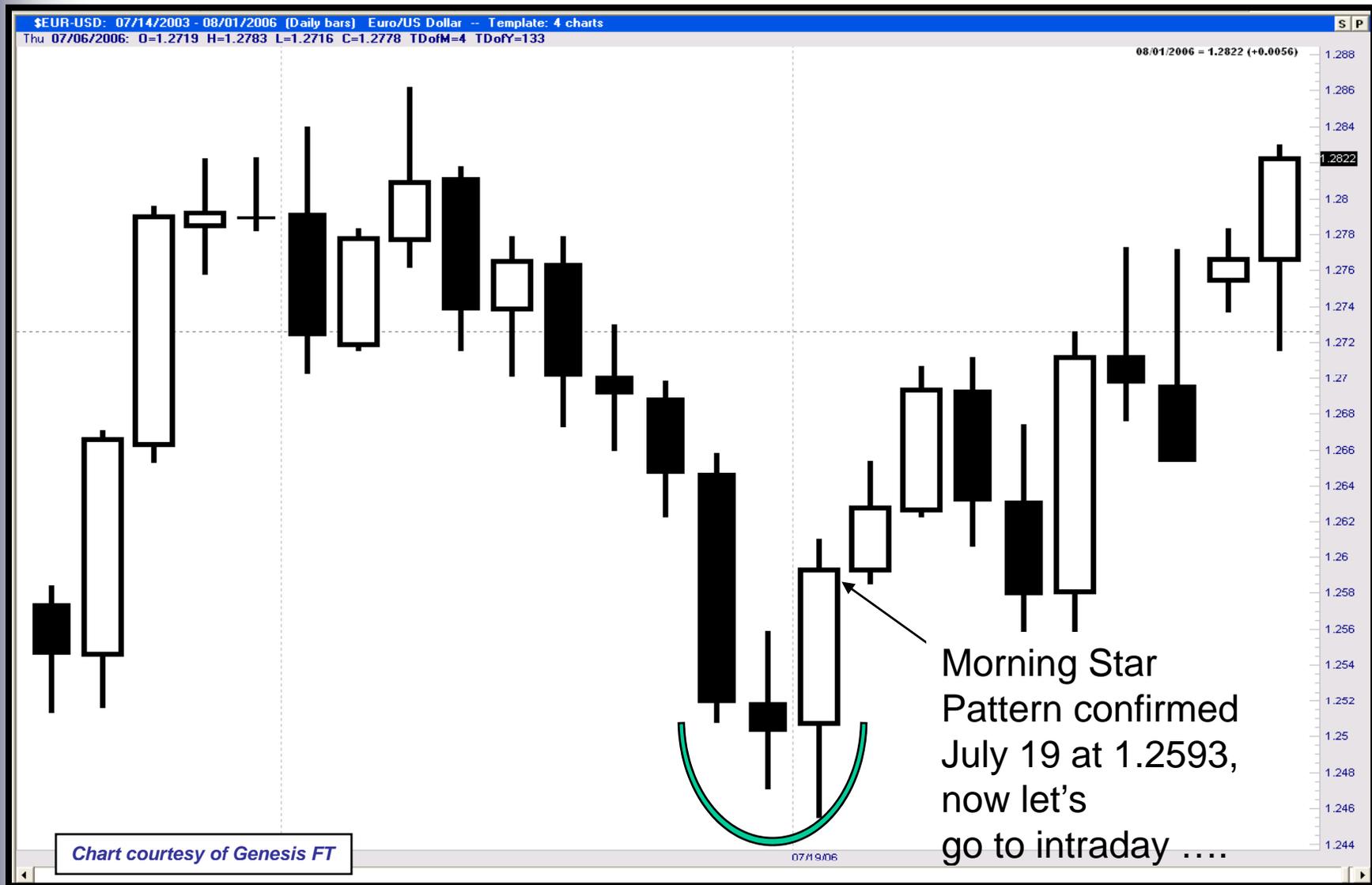


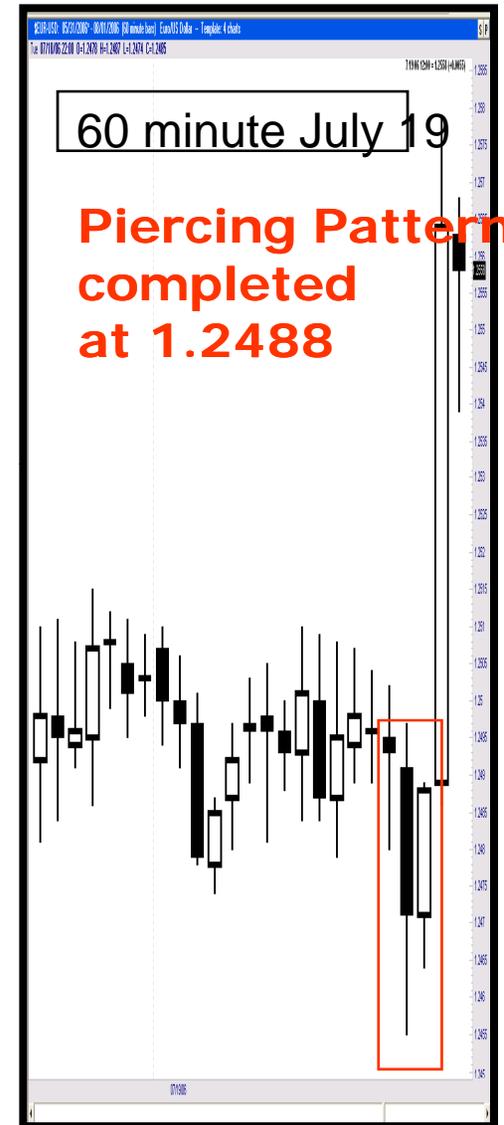
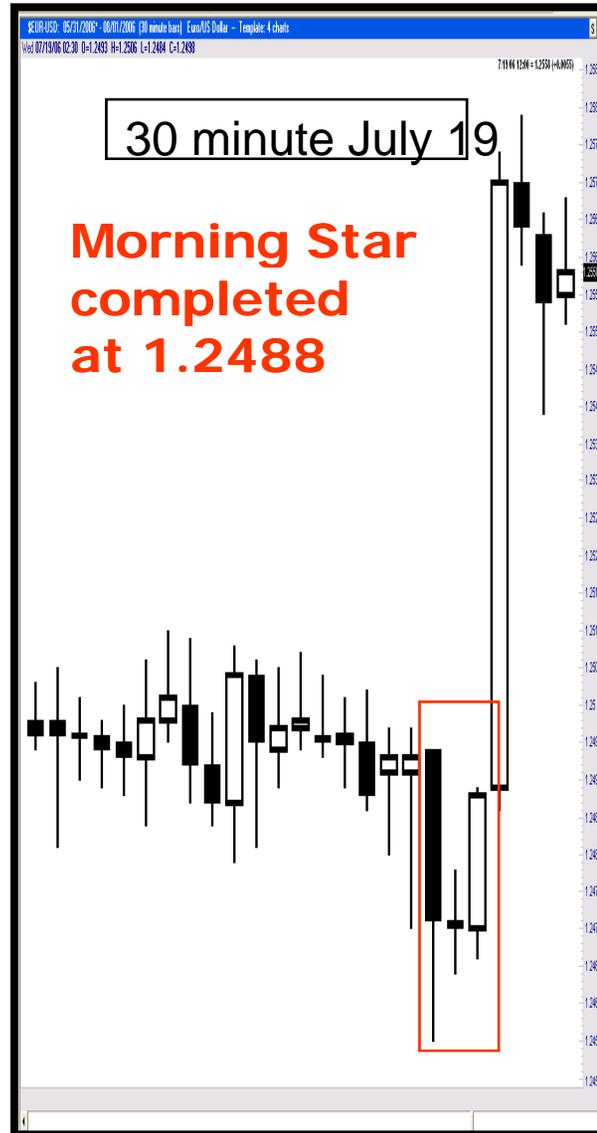
Intraday Candlesticks

Intraday and Swing Traders:
Multiple Intraday Time
Frames

Using Intraday Charts to Get Earlier Reversals

1 of 2





Never trade without
knowing about news

The water looks fine....

1 of 2



The water looks fine....

2 of 2

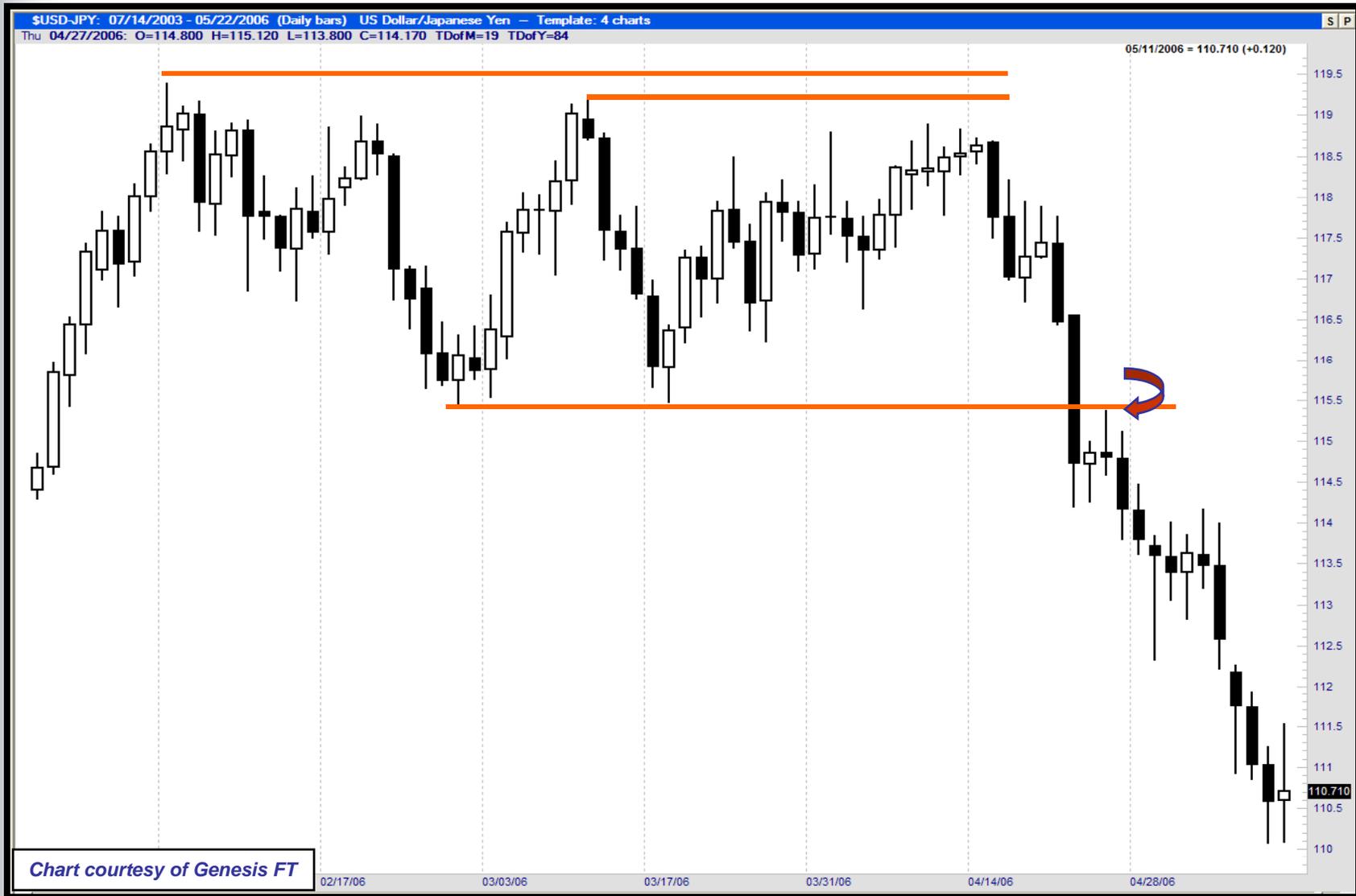


Let go of emotions

Long Lower (Bullish) Shadows



Non Emotional Trading



Pace trades to market environment

Nison Trading Principle #18

Market Chameleon: As market environment changes we must adapt our market outlook and stance

The water looks fine....

1 of 2



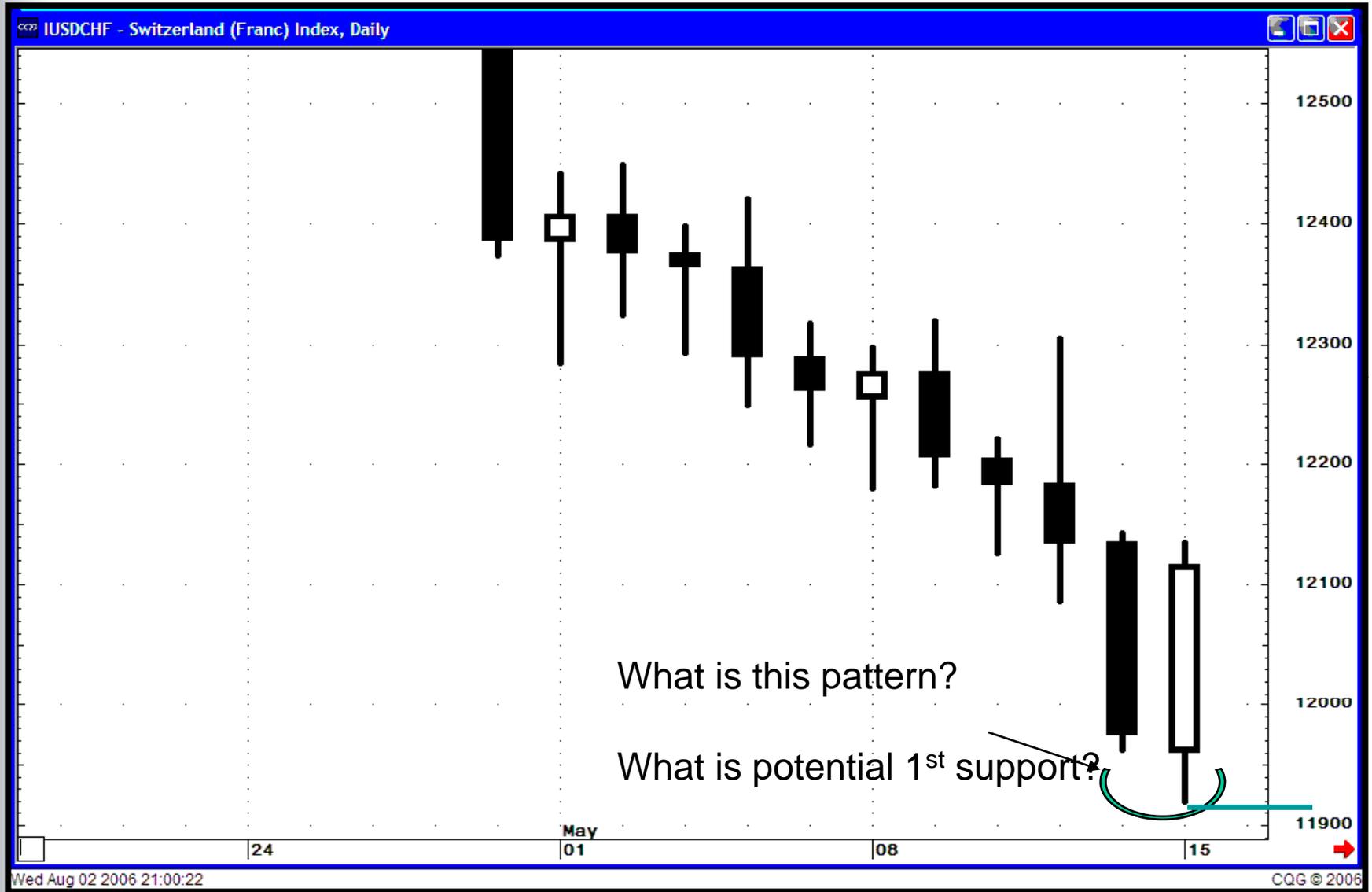
Be a Market Chameleon

2 of 2



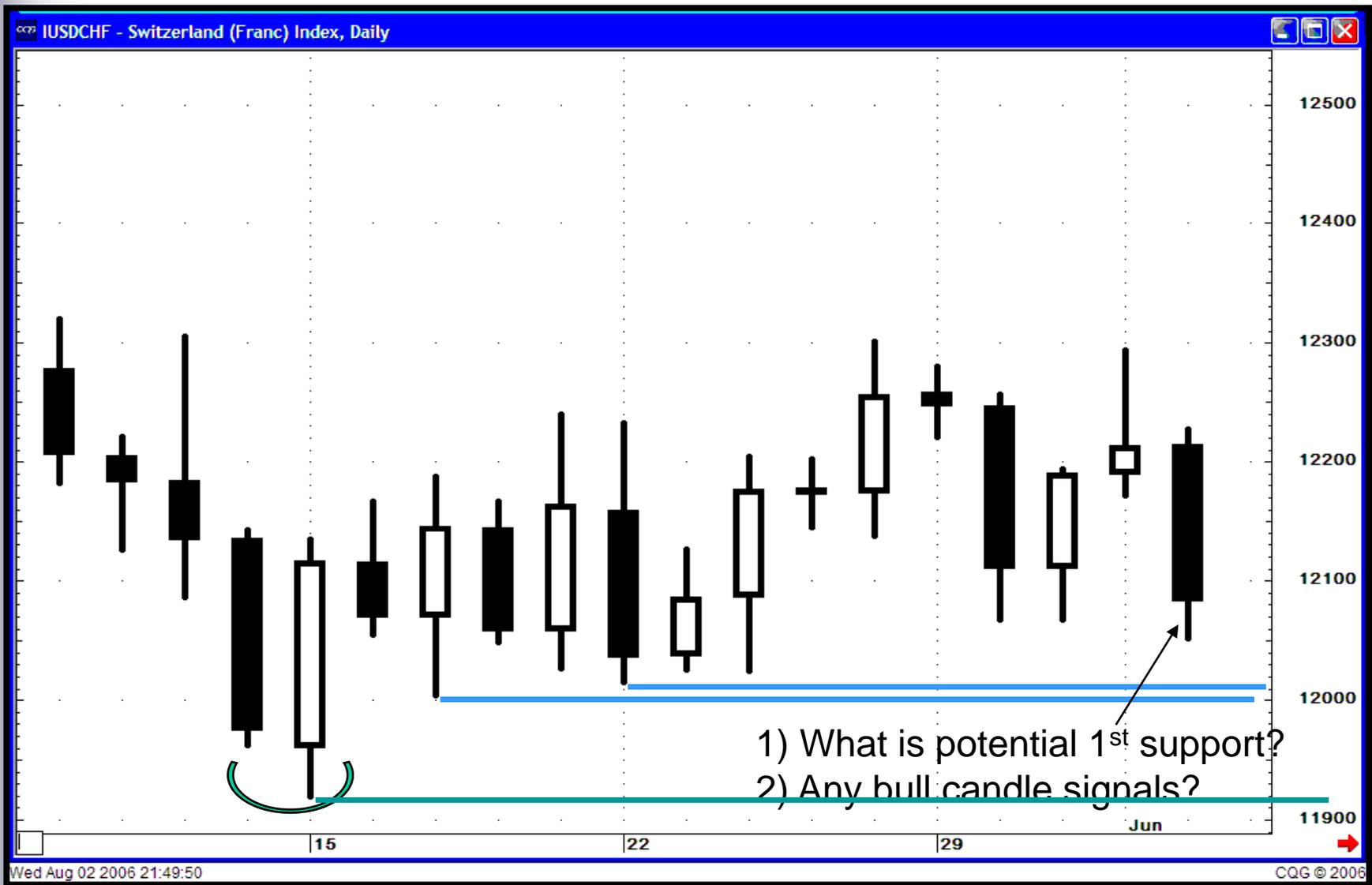
Adapting to the Market

1 of 4



Adapting to the Market

2 of 4



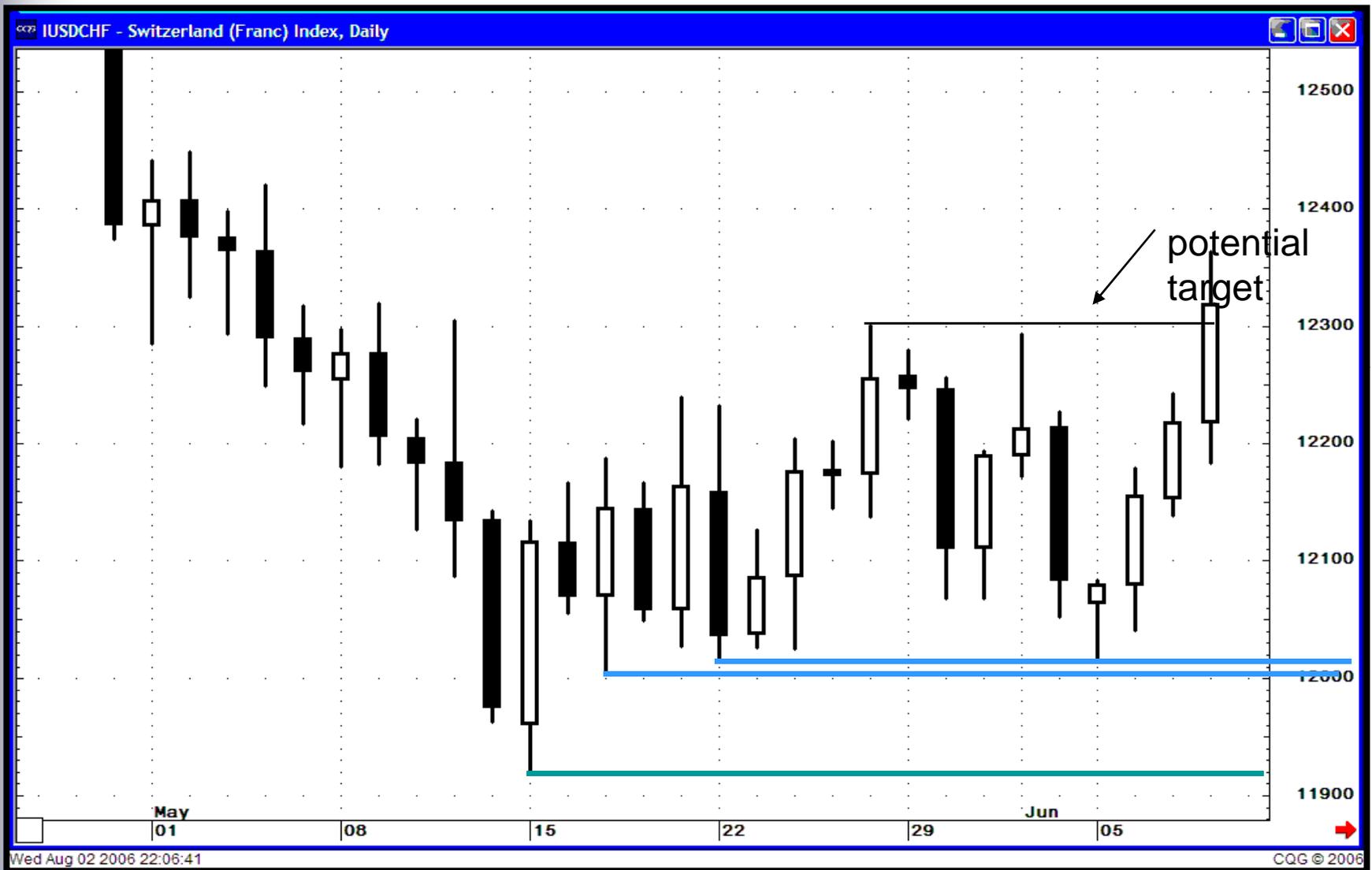
Adapting to the Market

3 of 4



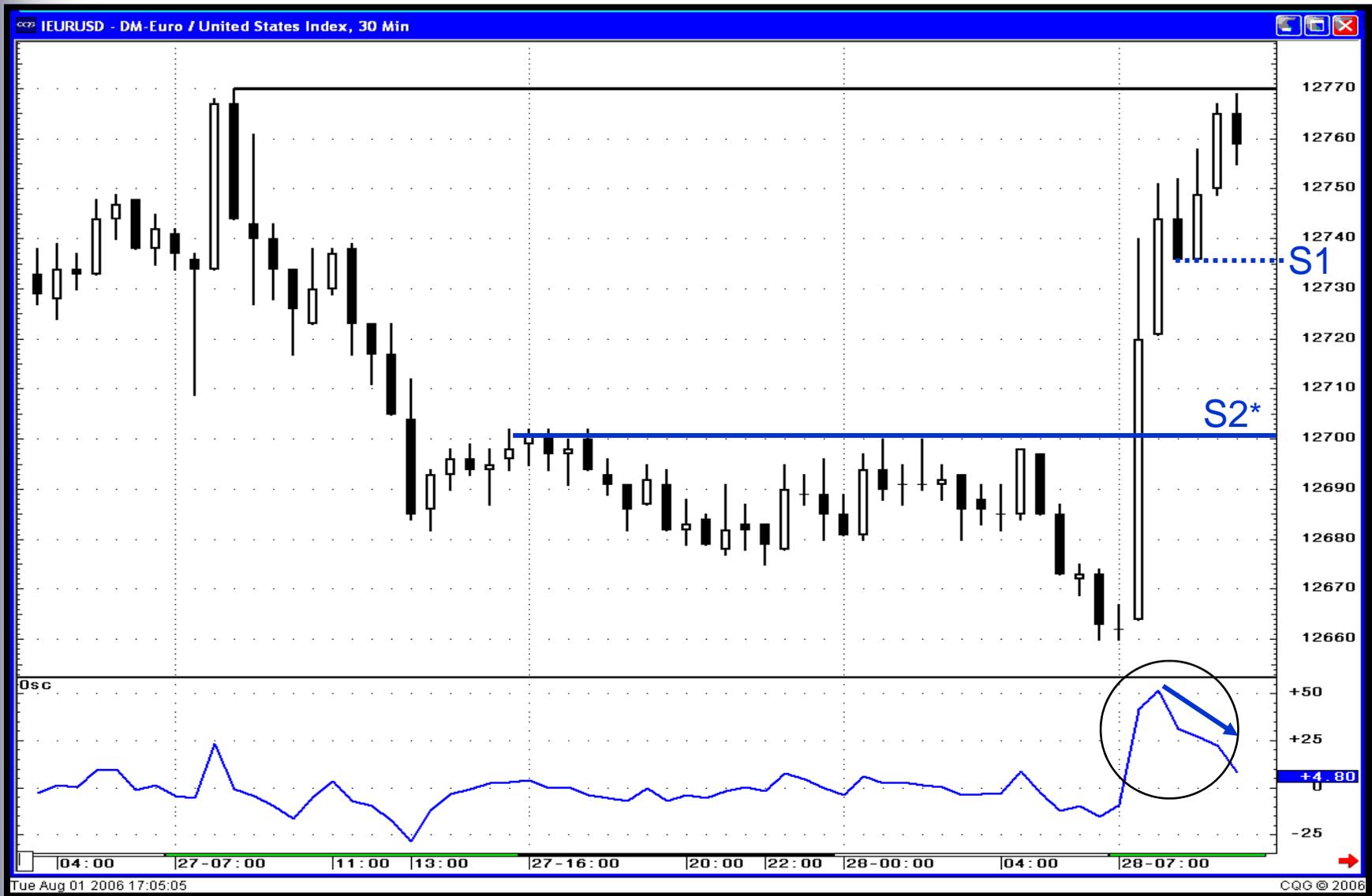
Adapting to the Market

4 of 4



Adapting to Changing Market Conditions

1 of 3



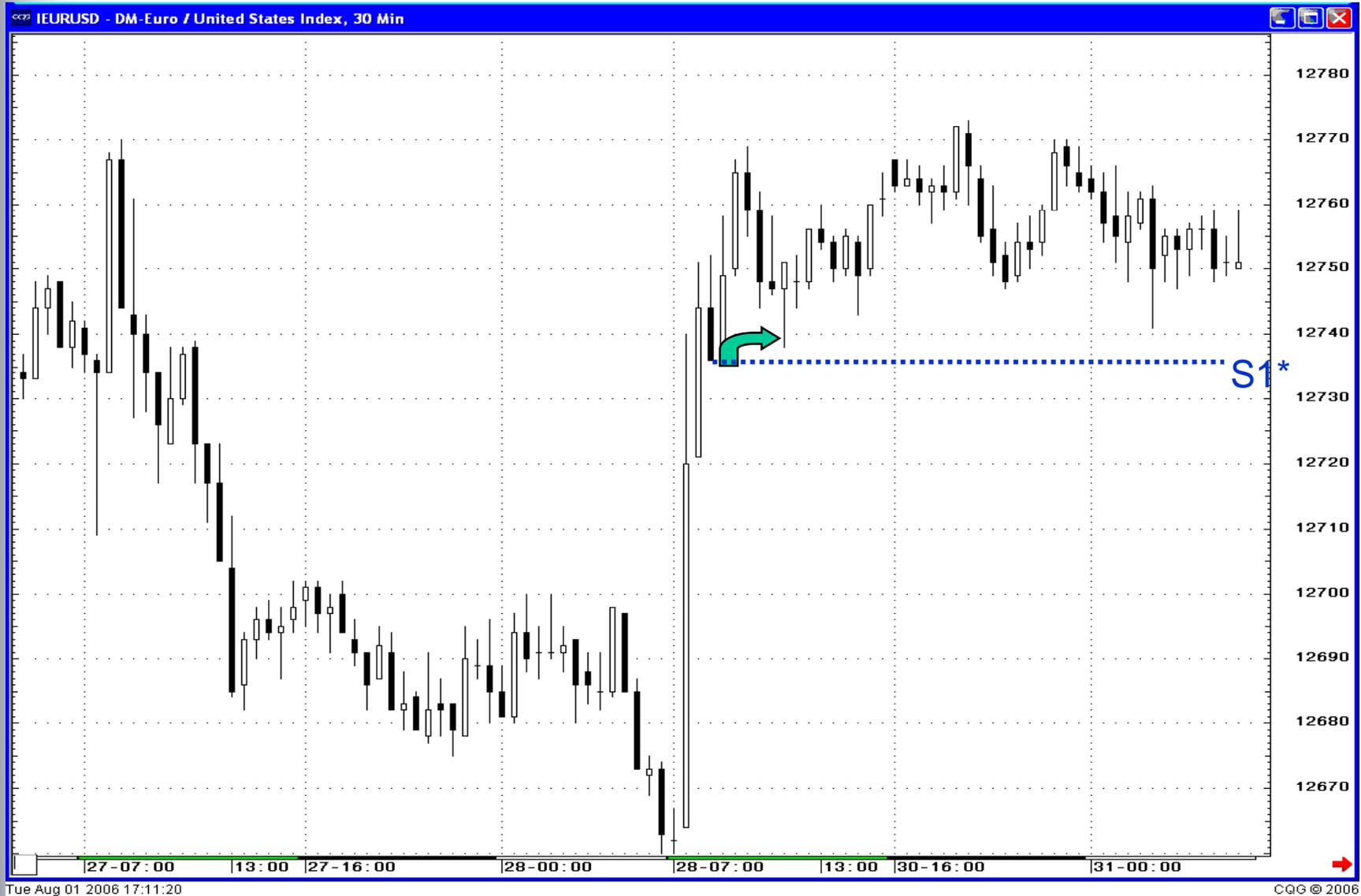
Adapting to Changing Market Conditions

2 of 3



Adapting to Changing Market Conditions

3 of 3

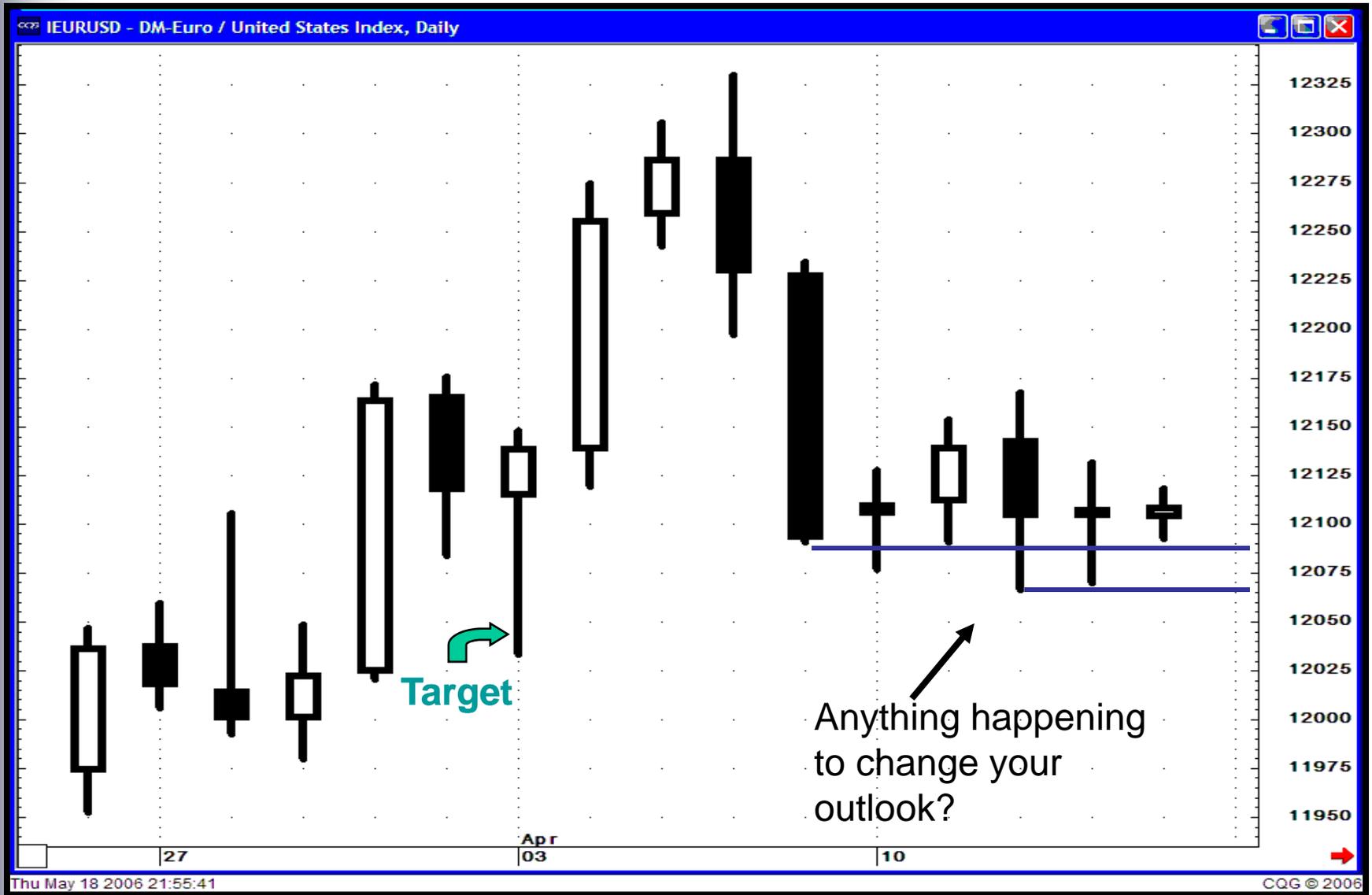


Being a Market Chameleon

1 of 3

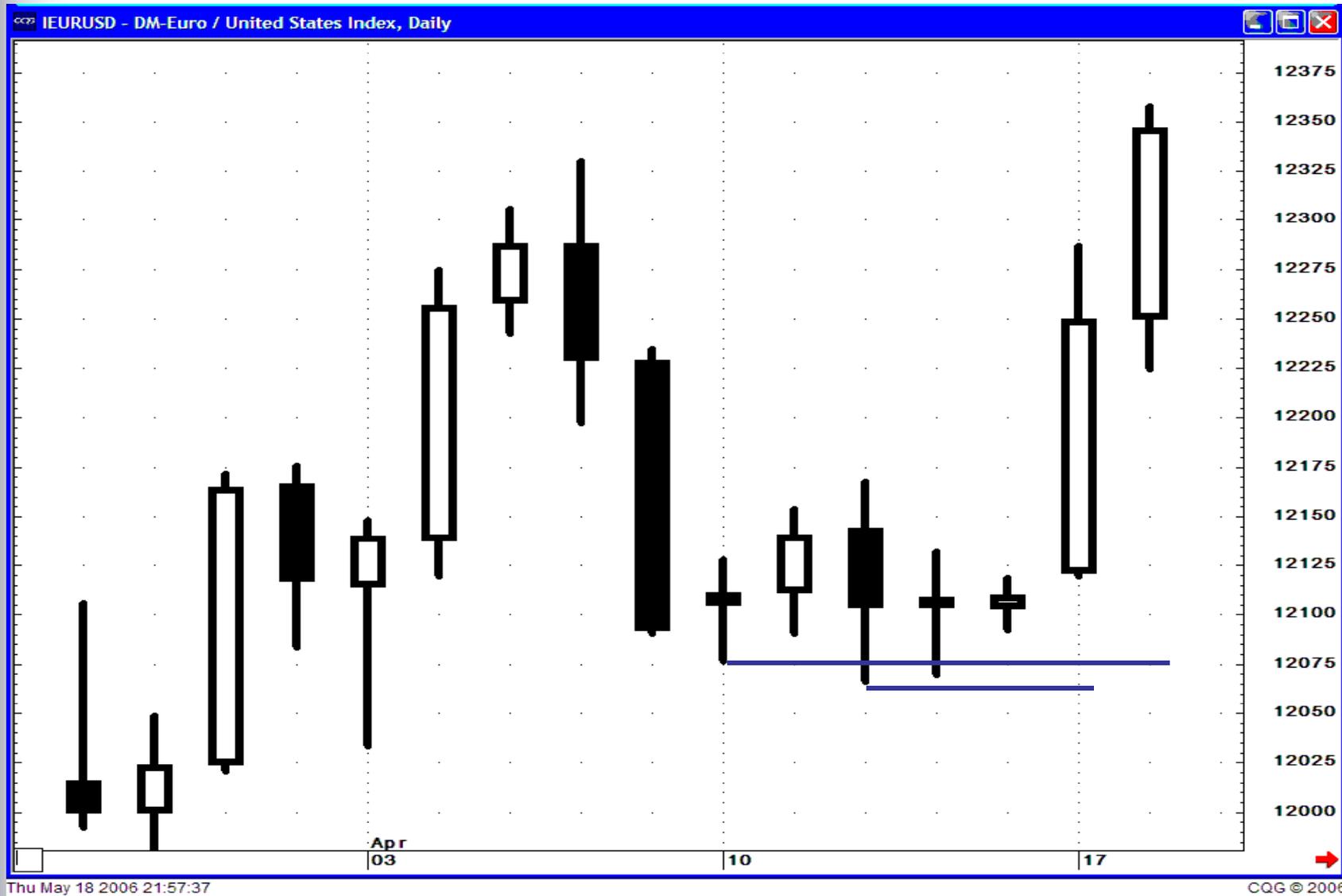


Being a Market Chameleon



Being a Market Chameleon

3 of 3



**Achieve PEAK
Trading performance!**

**Information is Power!
Learn how to avoid losing
Forex trades**

Warren Buffet's Rules of Money Management

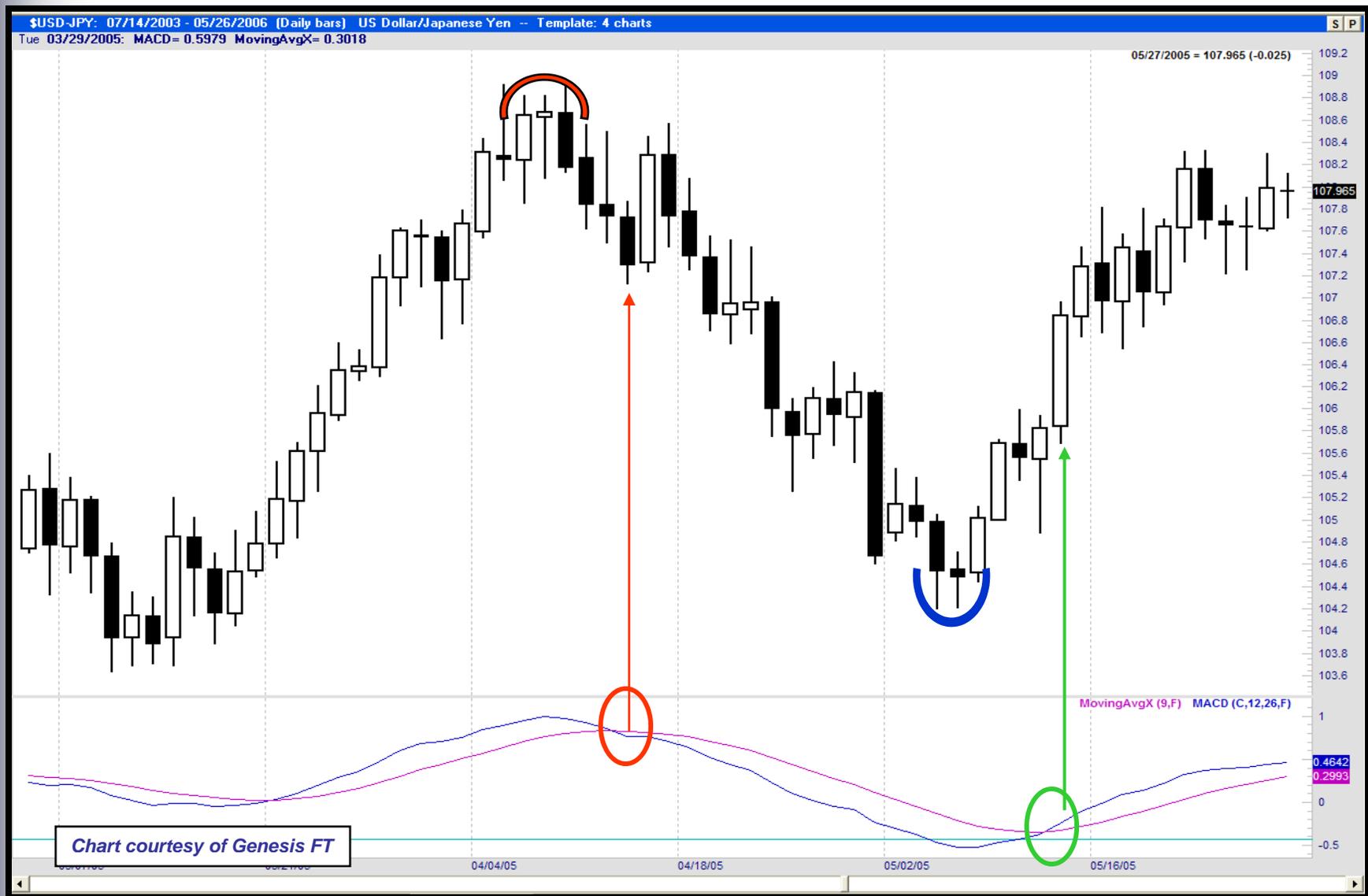
Rule 1 – Not to lose money

Rule 2 – Don't forget rule 1

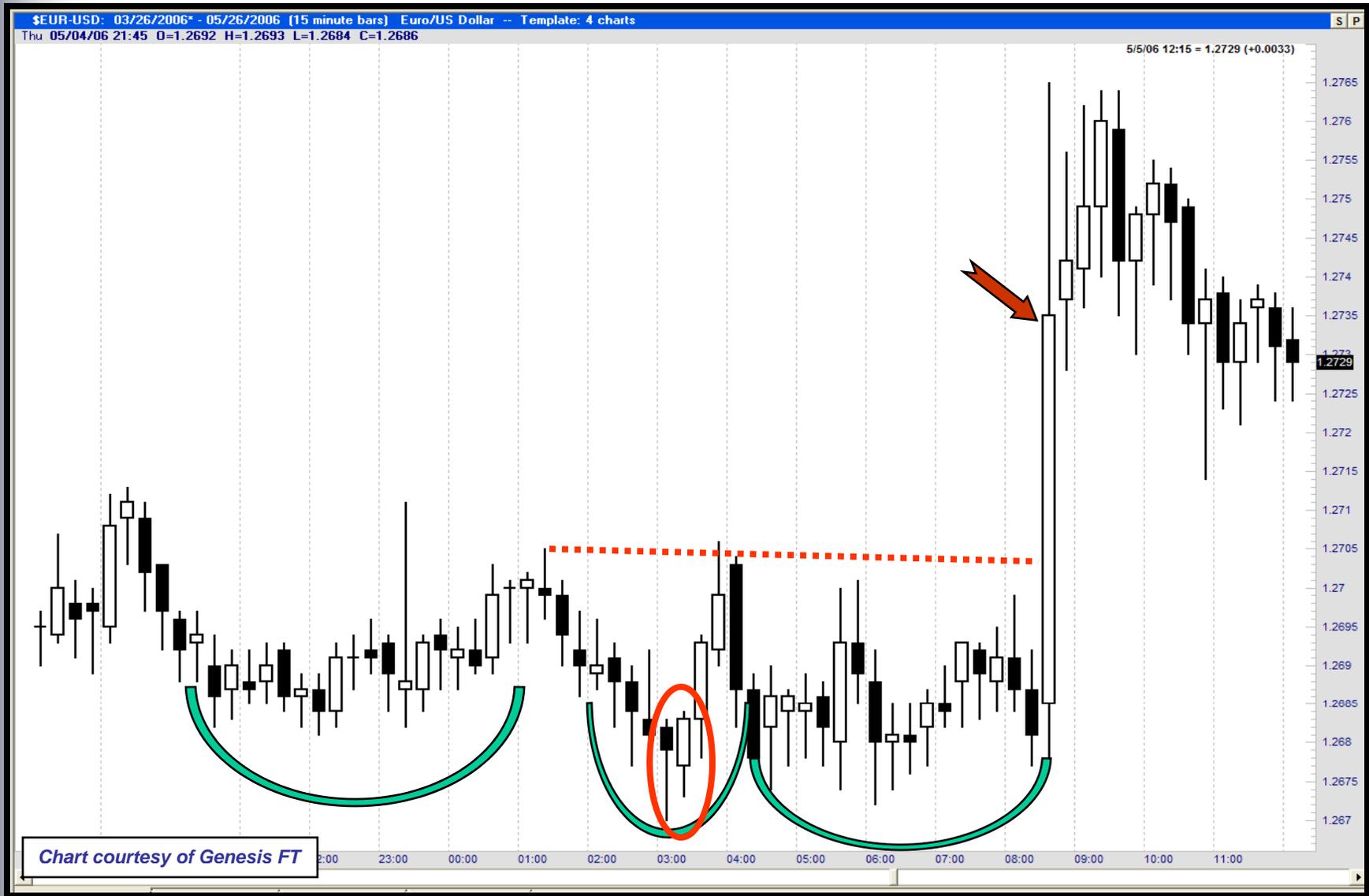
**Achieve PEAK
Trading performance!**

**Pinpoint Forex turning
signals with razor sharp
accuracy**

Early Reversals



Why Candles – First for Reversals!



**Candlestick
Charting
Techniques**

**Western
Charting
Techniques**

The Trading Triad®

Money Management

Steve Nison's Profiting in Forex:
*Using Candlesticks to Catch
the Next Move*

Special Bonus:
Steve Nison's
Forex Trading Lab

with

Steve Nison, CMT

President: Candlecharts.com

Tel: 732-254-8660 Fax: 732-390-6625

Web site: www.candlecharts.com

E-mail: ask@candlecharts.com

Case Study 1



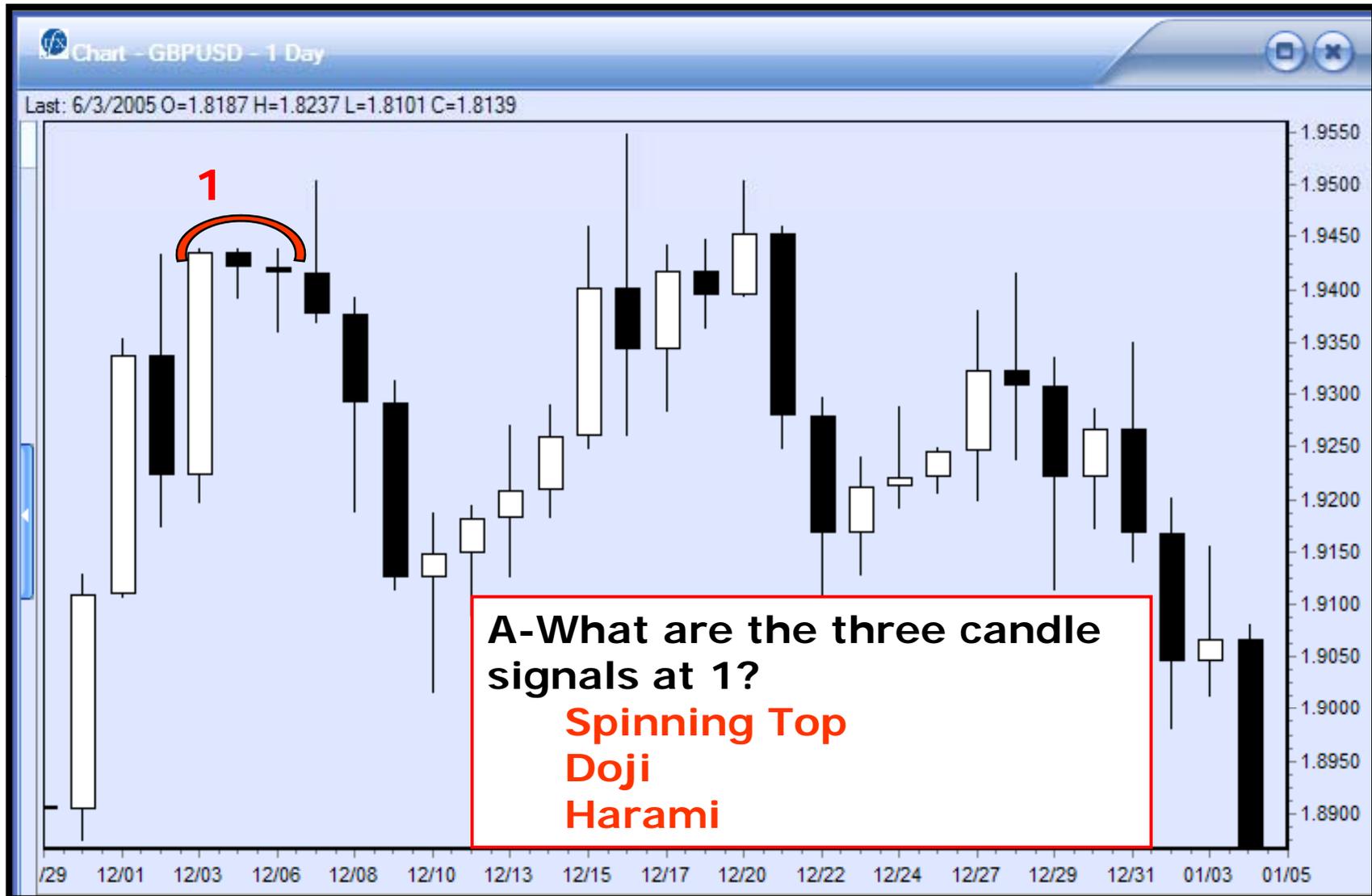
Case Study 1 – Answer



Case Study 2 – Part 1



Case Study 2: Part 1 – Answer



Case Study 2: Part 1 – Answer



Case Study 2: Part 2



Case Study 2: Part 2 – Answer



Case Study 2: Part 3



Case Study 2: Part 3 – Answer



Case Study 2: Part 4



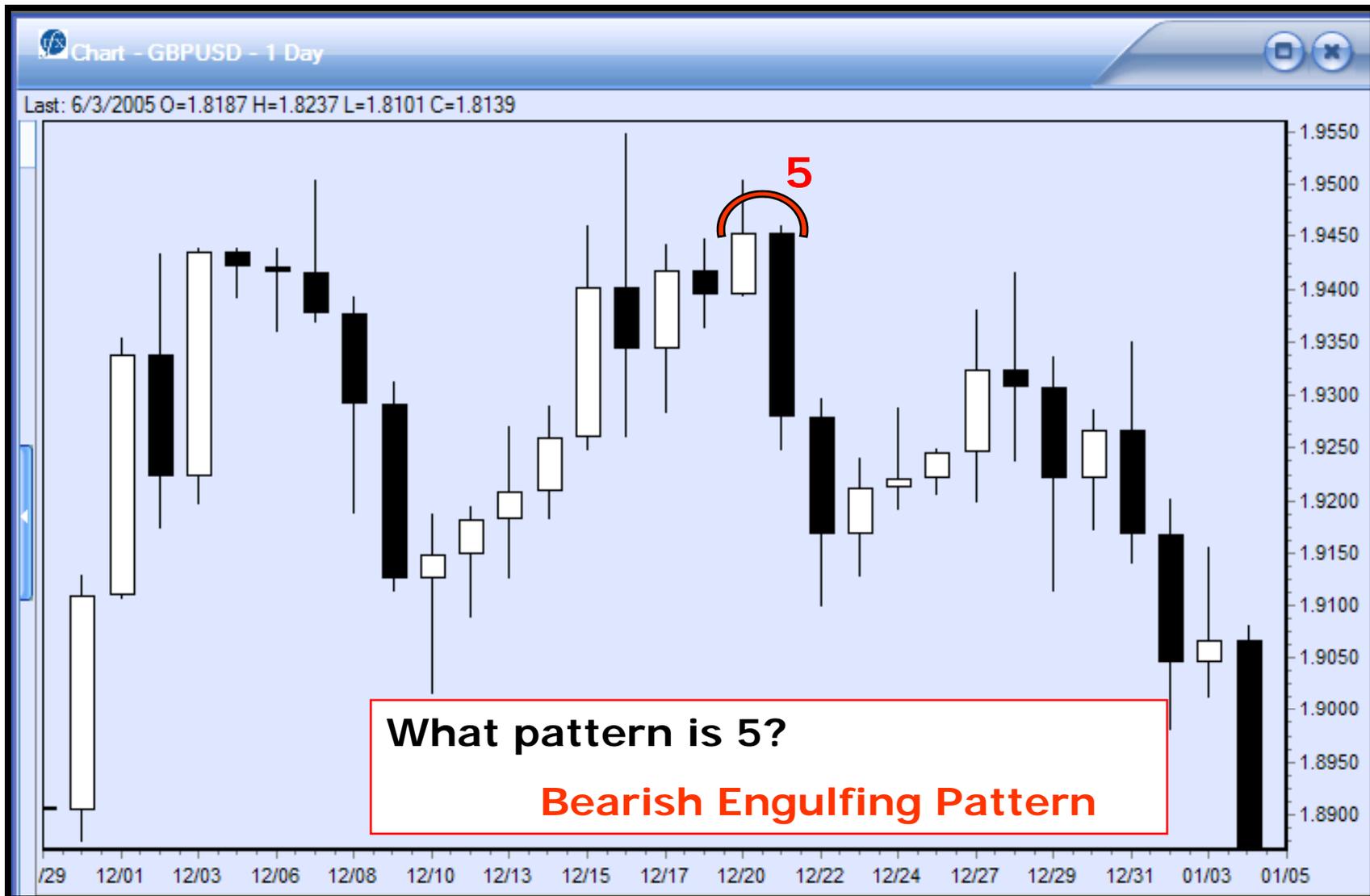
Case Study 2: Part 4 – Answer



Case Study 2: Part 5



Case Study 2: Part 5 – Answer



Case Study 3



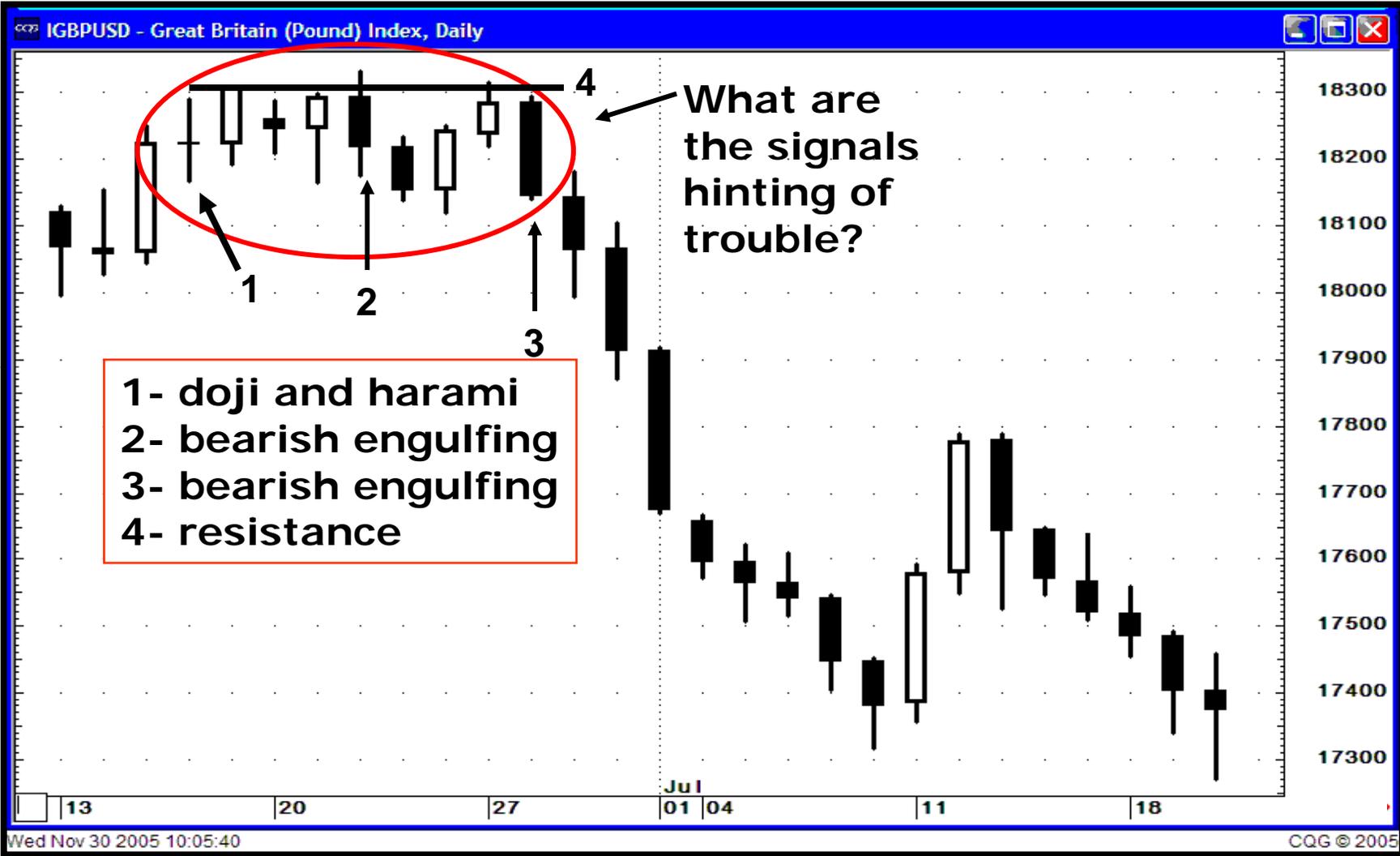
Case Study 3 – Answer



Case Study 4



Case Study 4 – Answer



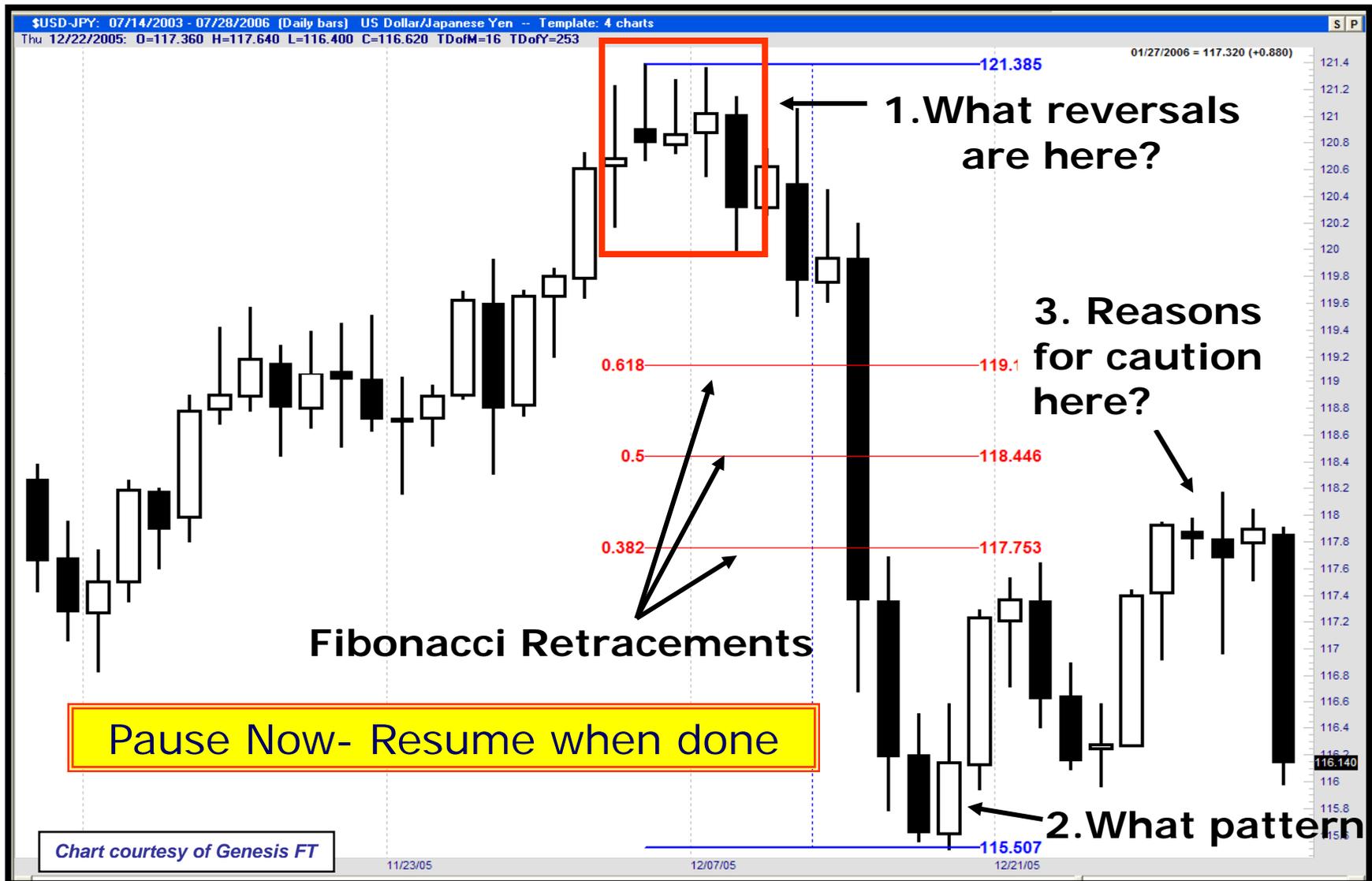
Case Study 4: Part 2



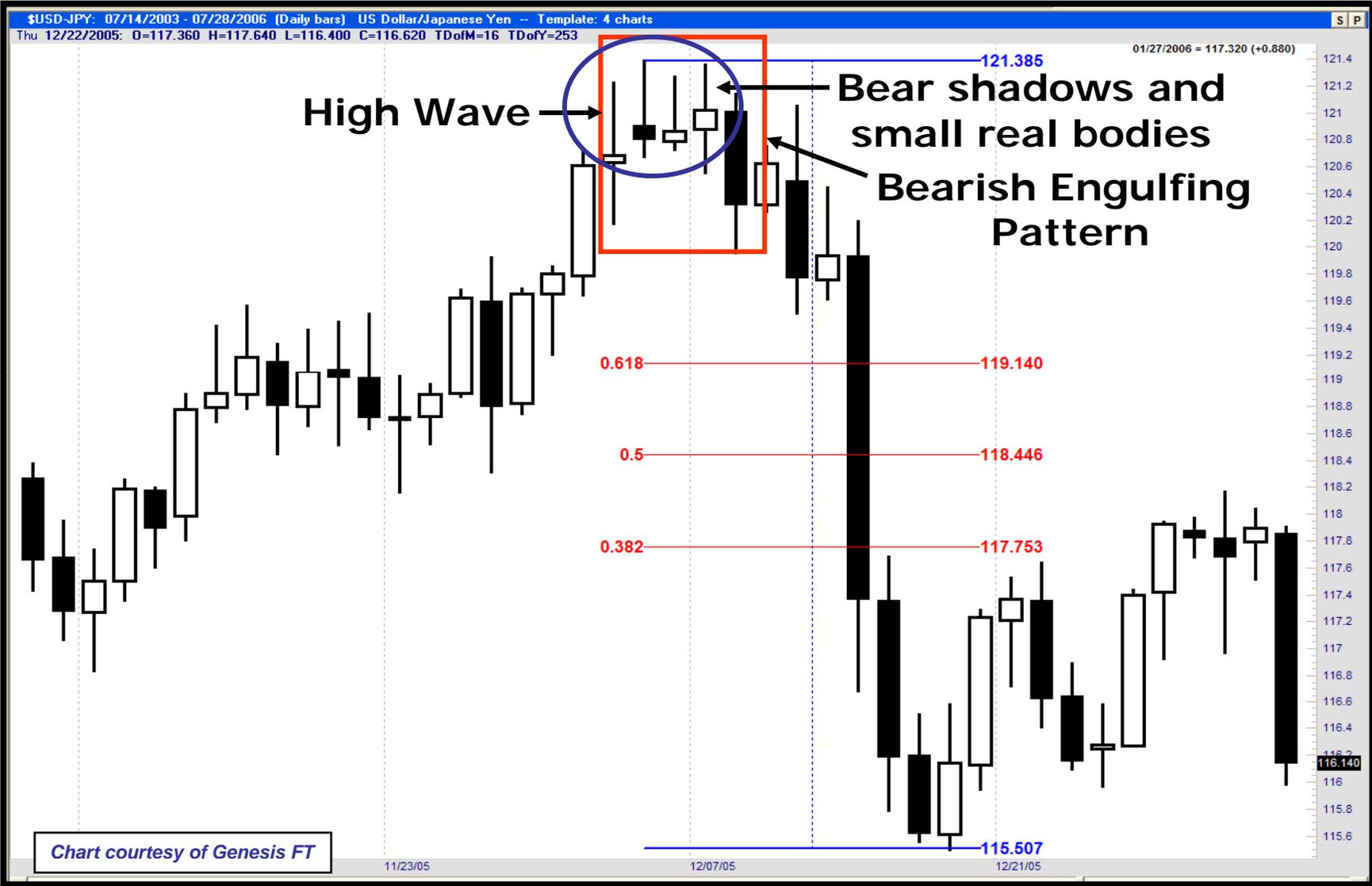
Case Study 4: Part 2 – Answer



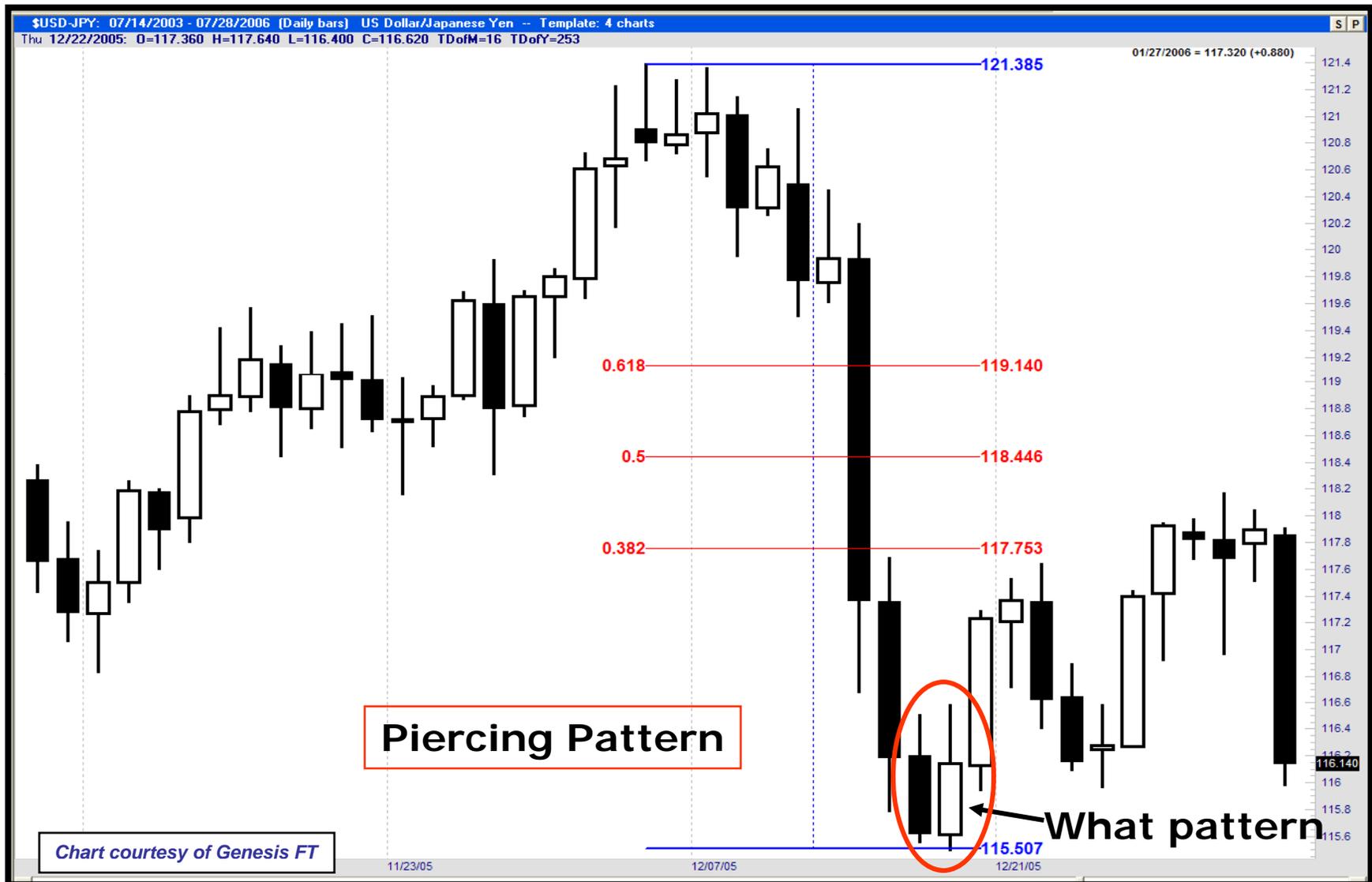
Case Study 5



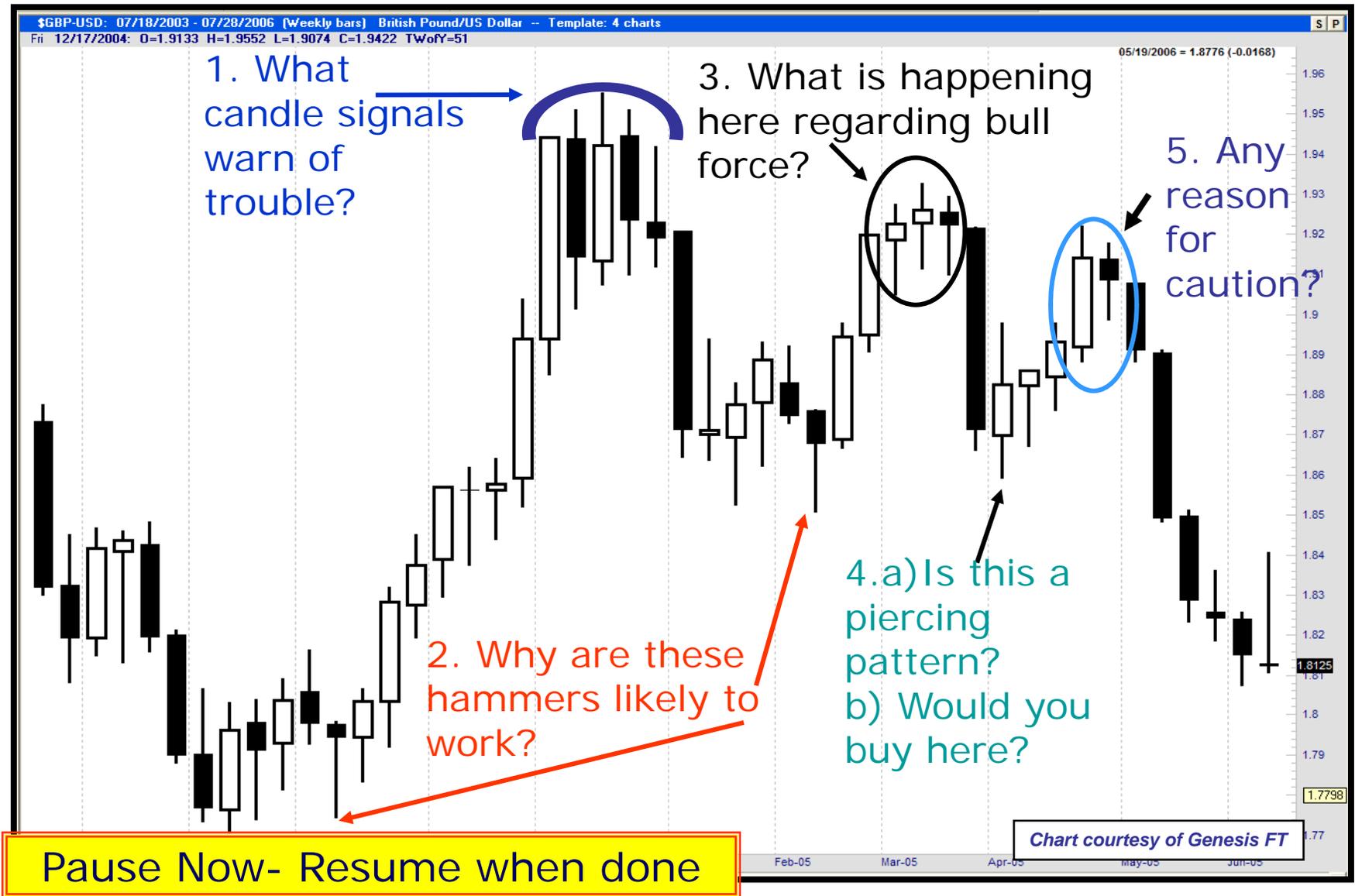
Case Study 5: Part 1 – Answer



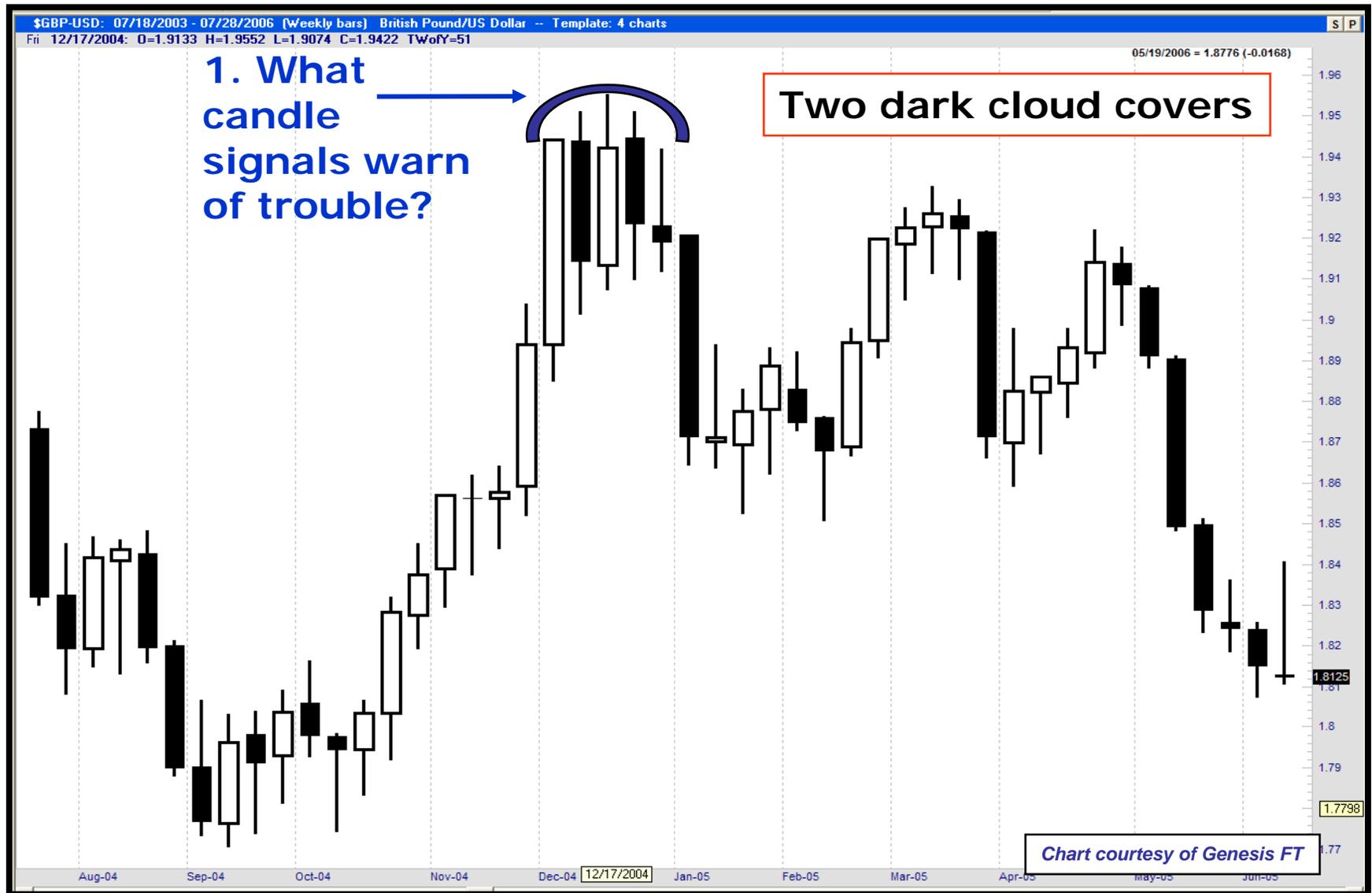
Case Study 5: Part 2 – Answer



Case Study 6



Case Study 6: Part 1 – Answer



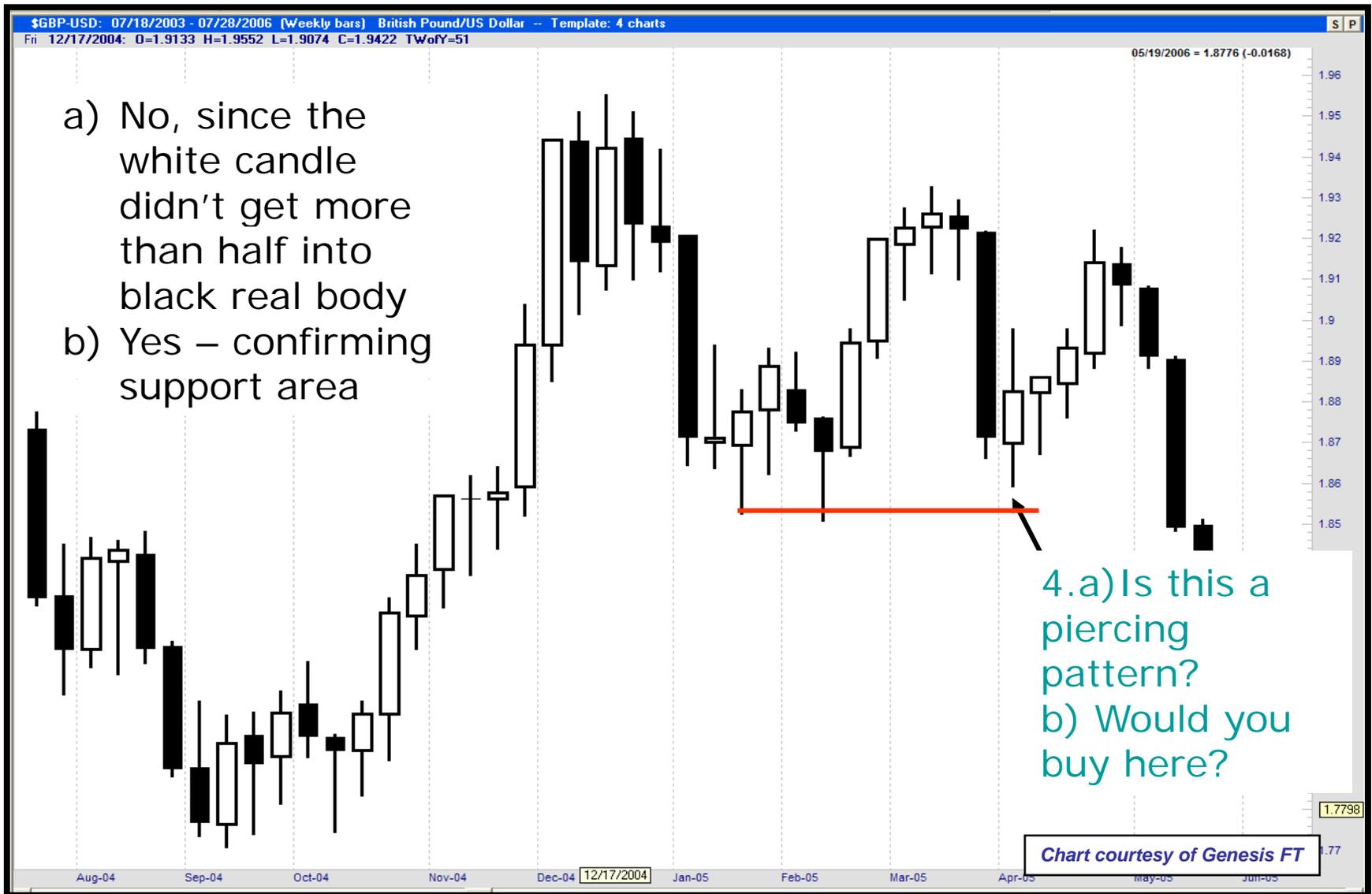
Case Study 6: Part 2 – Answer



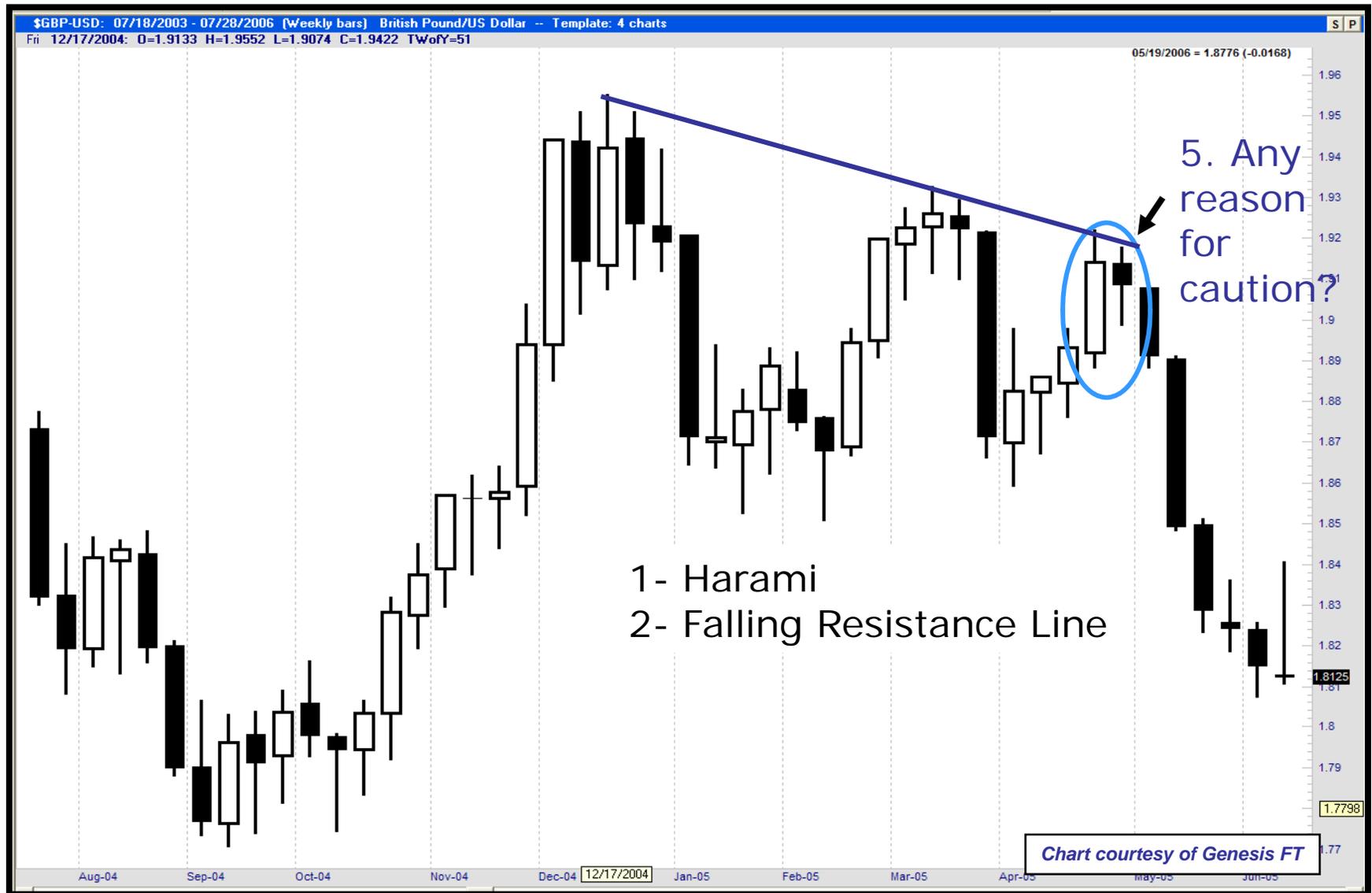
Case Study 6: Part 3 – Answer



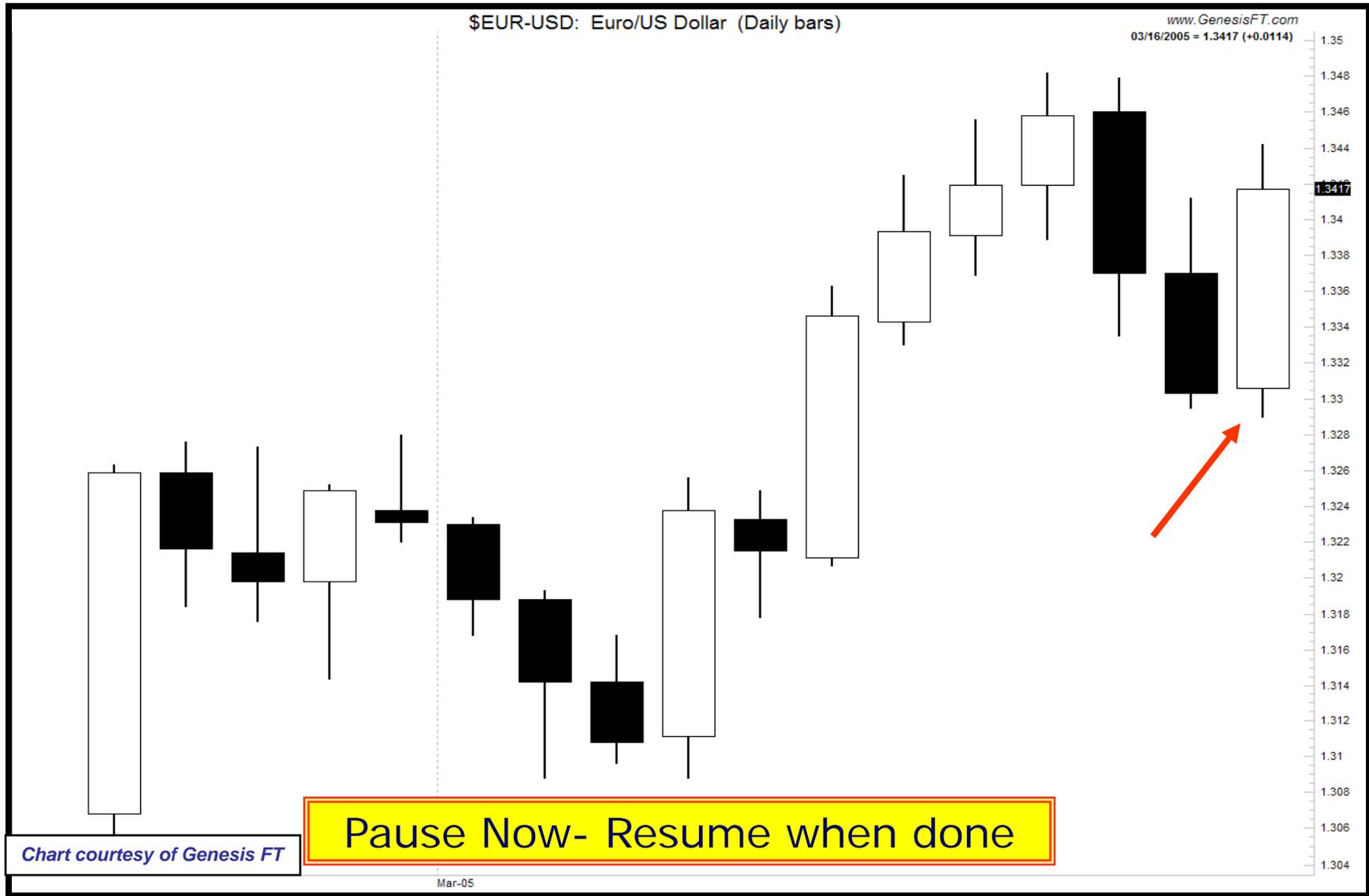
Case Study 6: Part 4 – Answer



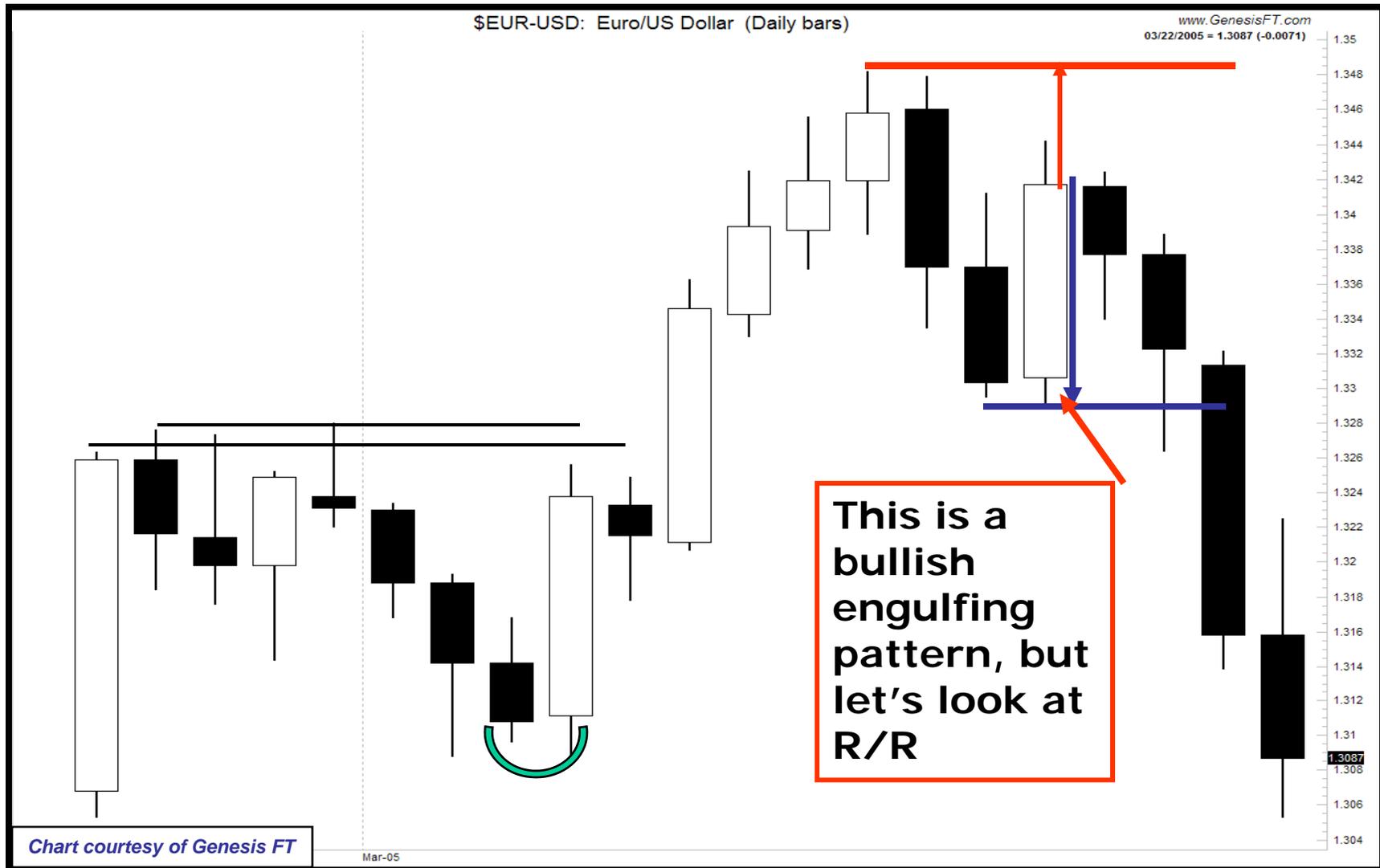
Case Study 6: Part 5 – Answer



What would you do?



What would you do? – Answer



What would you do?



What would you do? – Answer



What would you do?



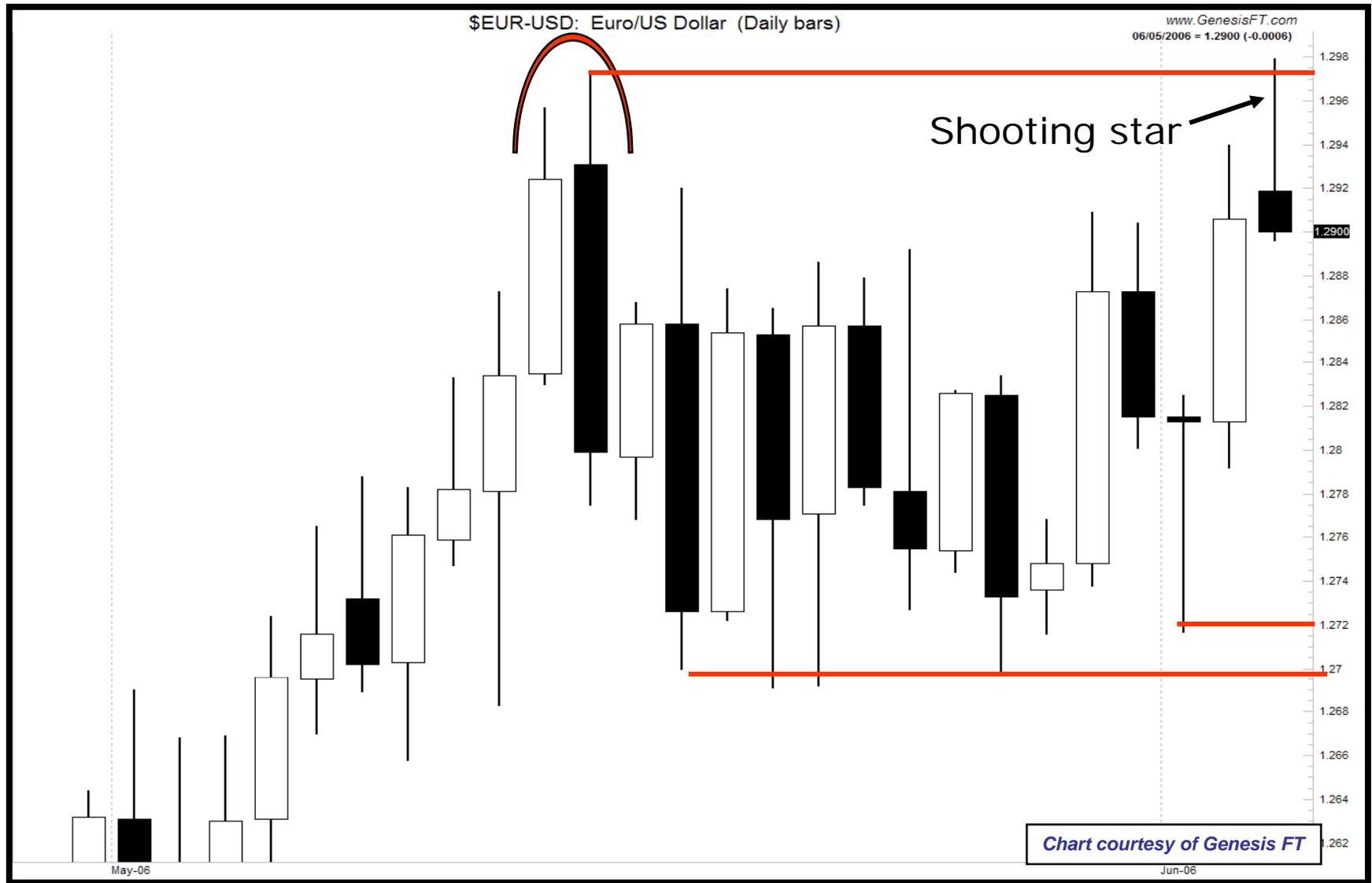
What would you do? – Answer



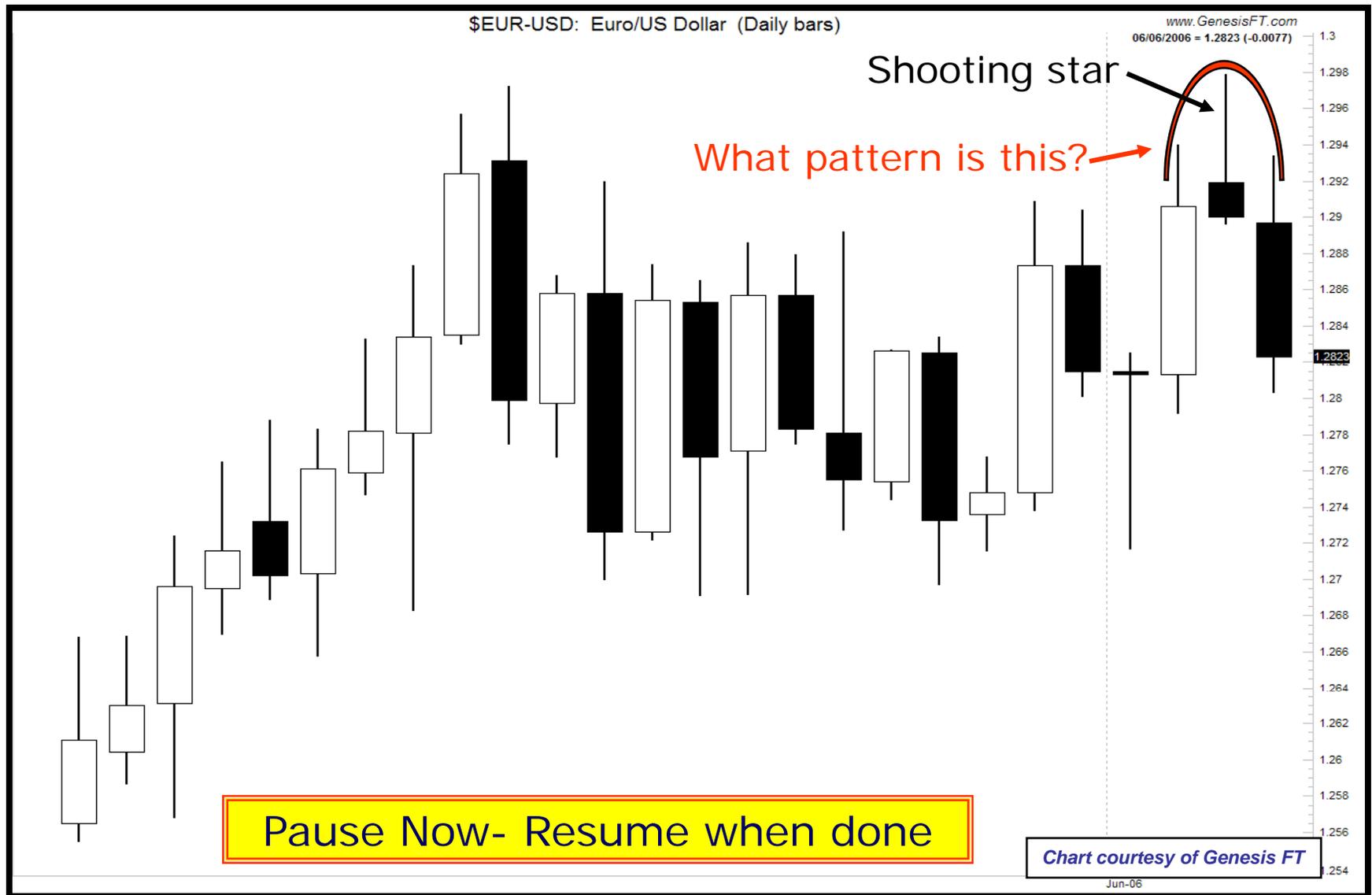
What would you do?: Part 1



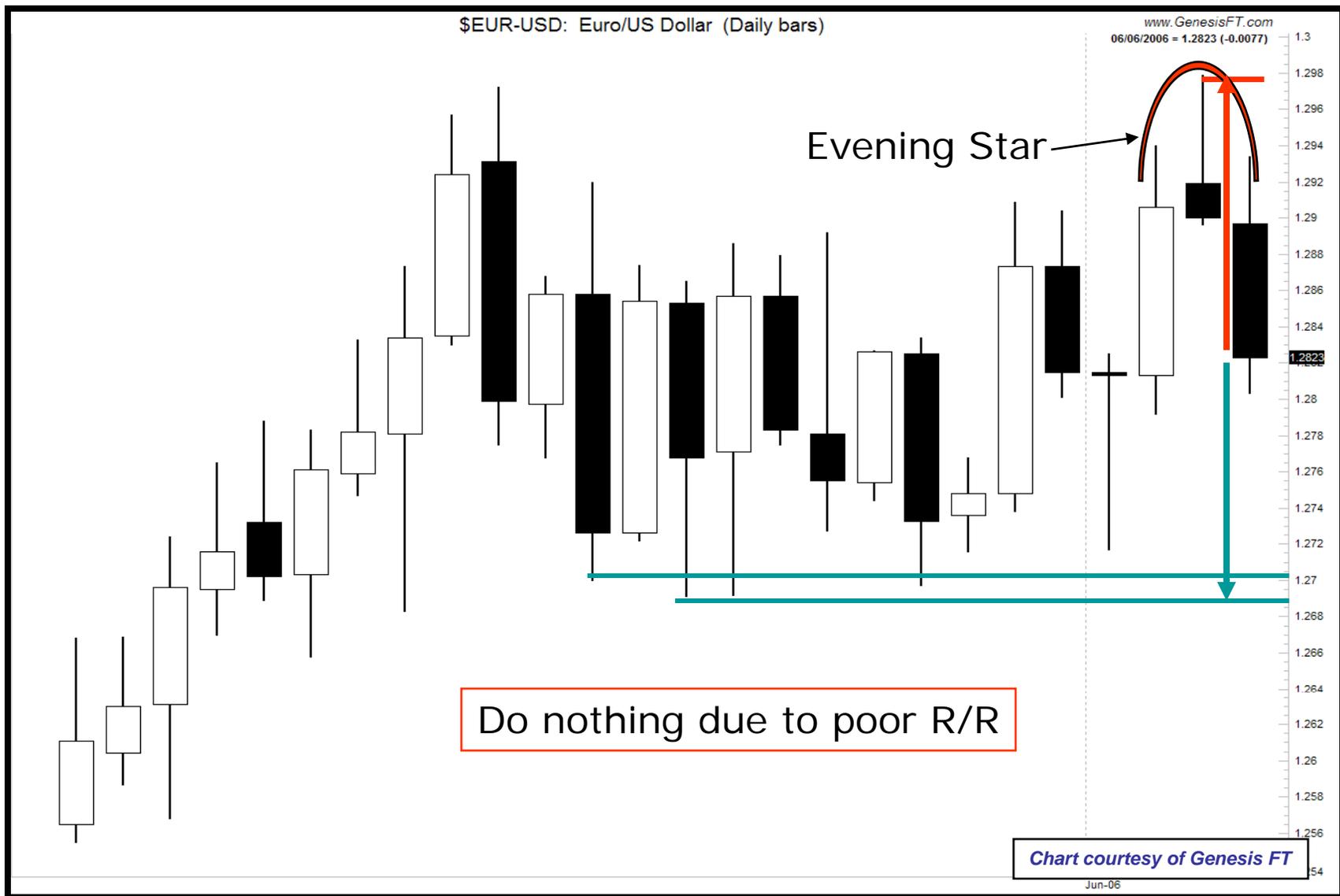
What would you do? Part 1 – Answer



What would you do? Part 2



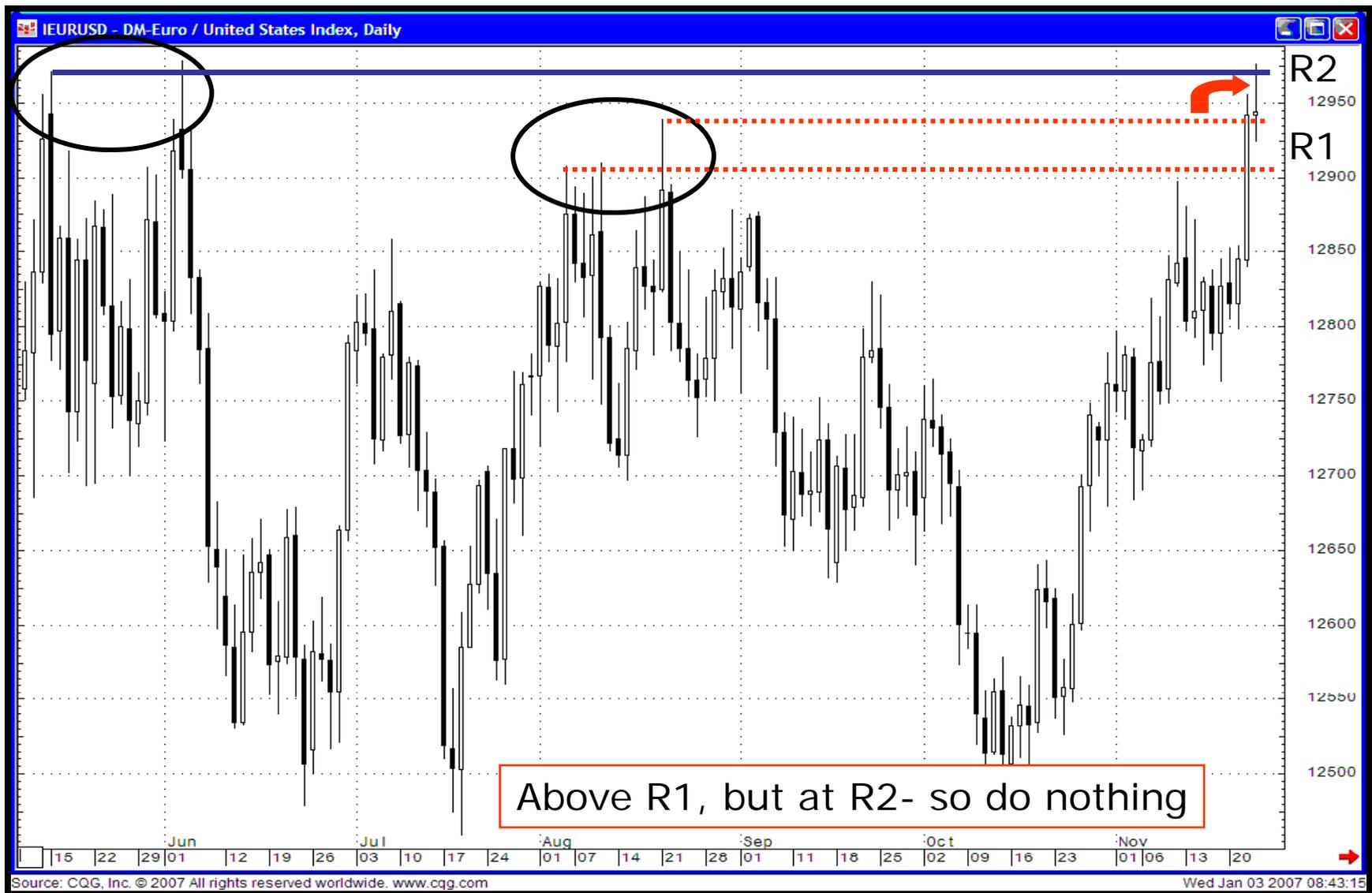
What would you do? Part 2 – Answer



What would you do?



What would you do? – Answer



What would you do? – What followed

