

# MARKET TIMING USING CANDLE PATTERN STRATEGIES IN VOLATILE MARKETS (ITC BARCELONA 2012)



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# NEW HORIZONS



**EXPERIENCE**



# TRADING BOOK

Bloomberg

FINANCIAL SERIES



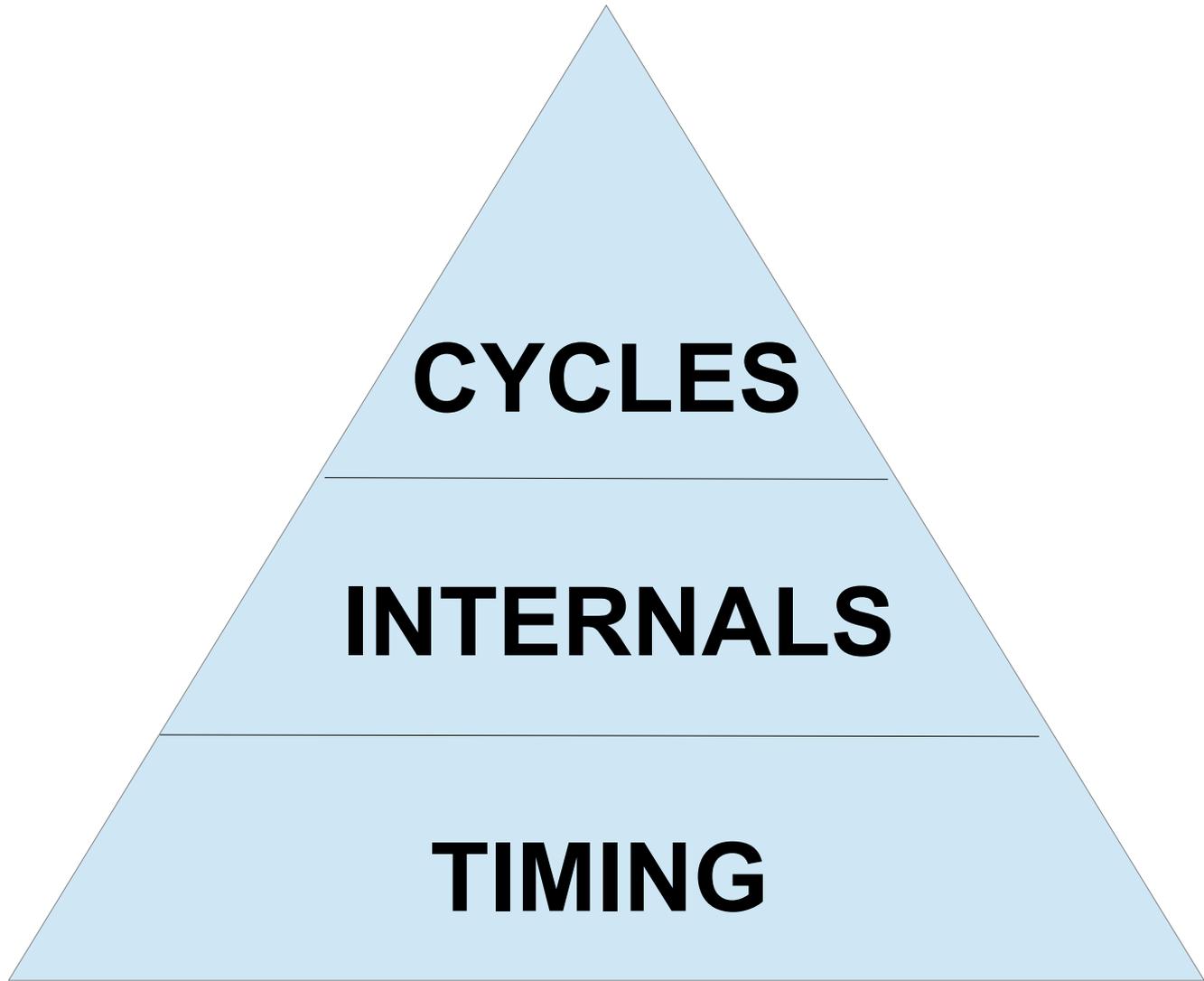
## **CANDLESTICK CHARTING** AND STRATEGIES

NEW AND CLASSIC TECHNIQUES

FOR *Profitable Trading*

RON WILLIAM

# *MARKET TIMING*



# ***WHERE IN THE WORLD...?***

**GLOBAL ITC EVENT**



# THE GOAL....

## **PART 1**

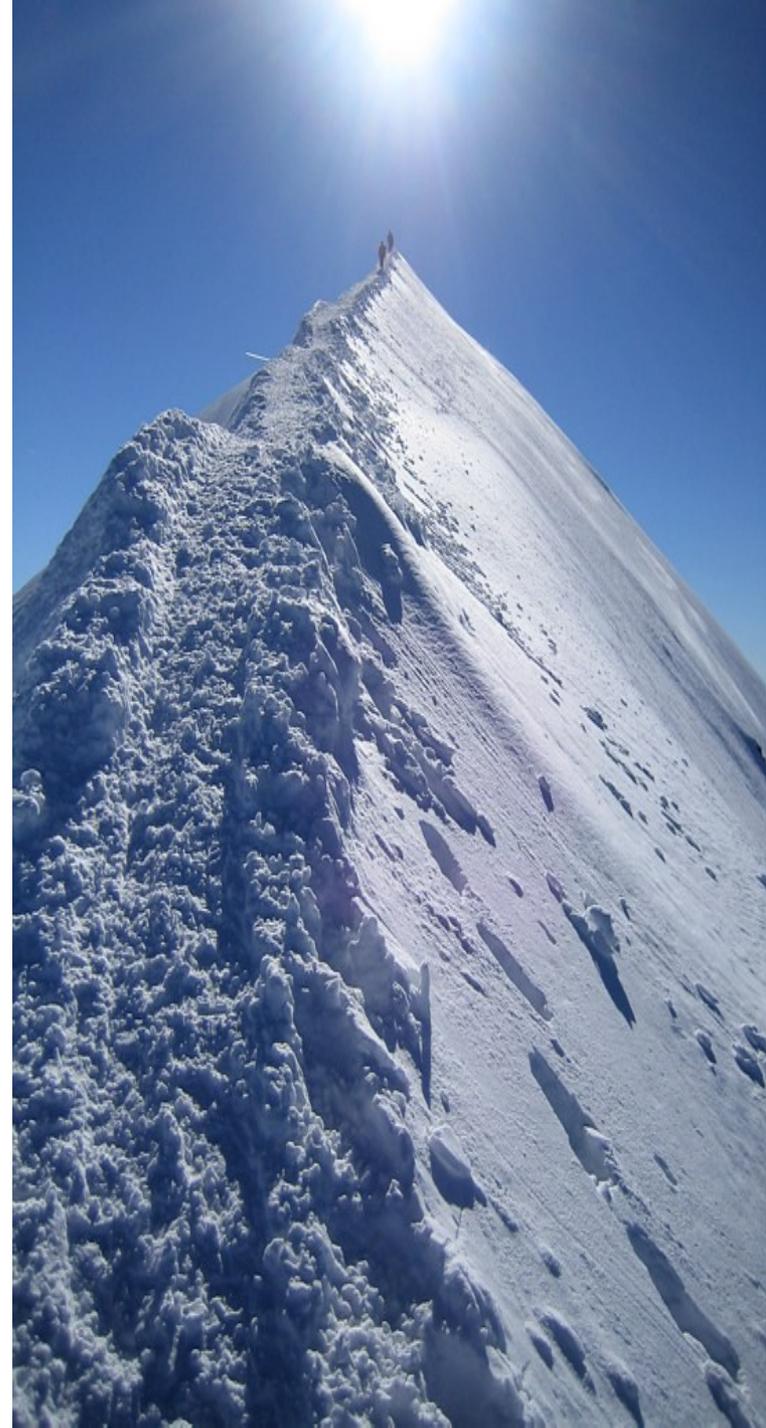
*Probabilities NOT Certainties  
The True Nature of TRENDS  
Market Timing is Everything*

## **PART 2**

*Candle Patterns give YOU an edge  
Family Tree  
Location, Location, Location*

## **PART 3**

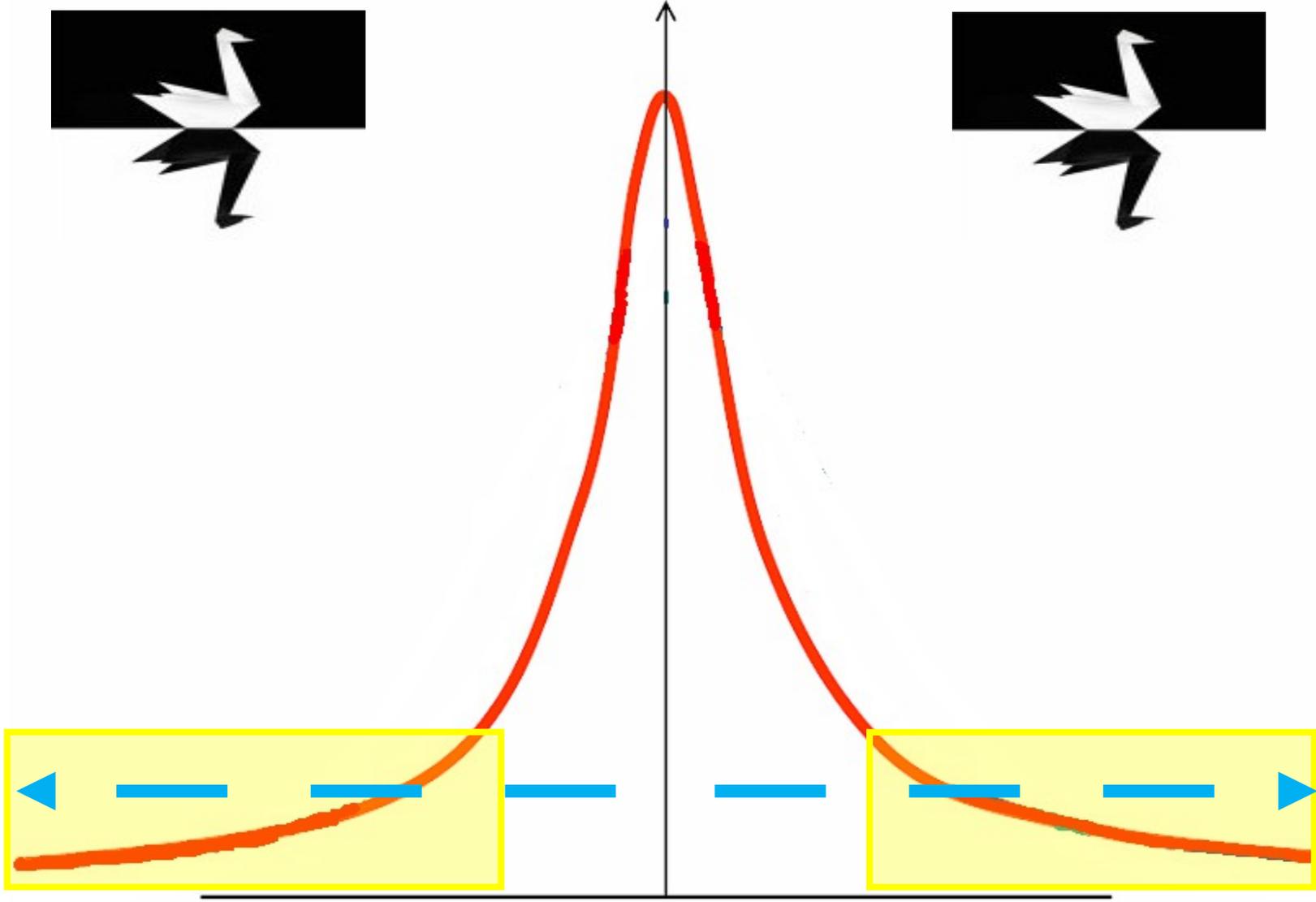
*The Cyclicalilty of Markets  
Exhaustion Zones  
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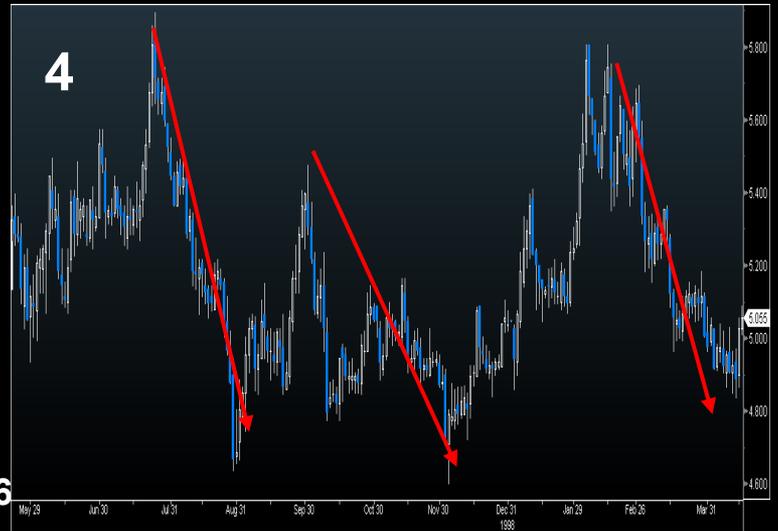
# SUNRISE



# PROBABILITY



# TREND PERSONALITY



# S&P500 *REVERSAL*

TRENDS END



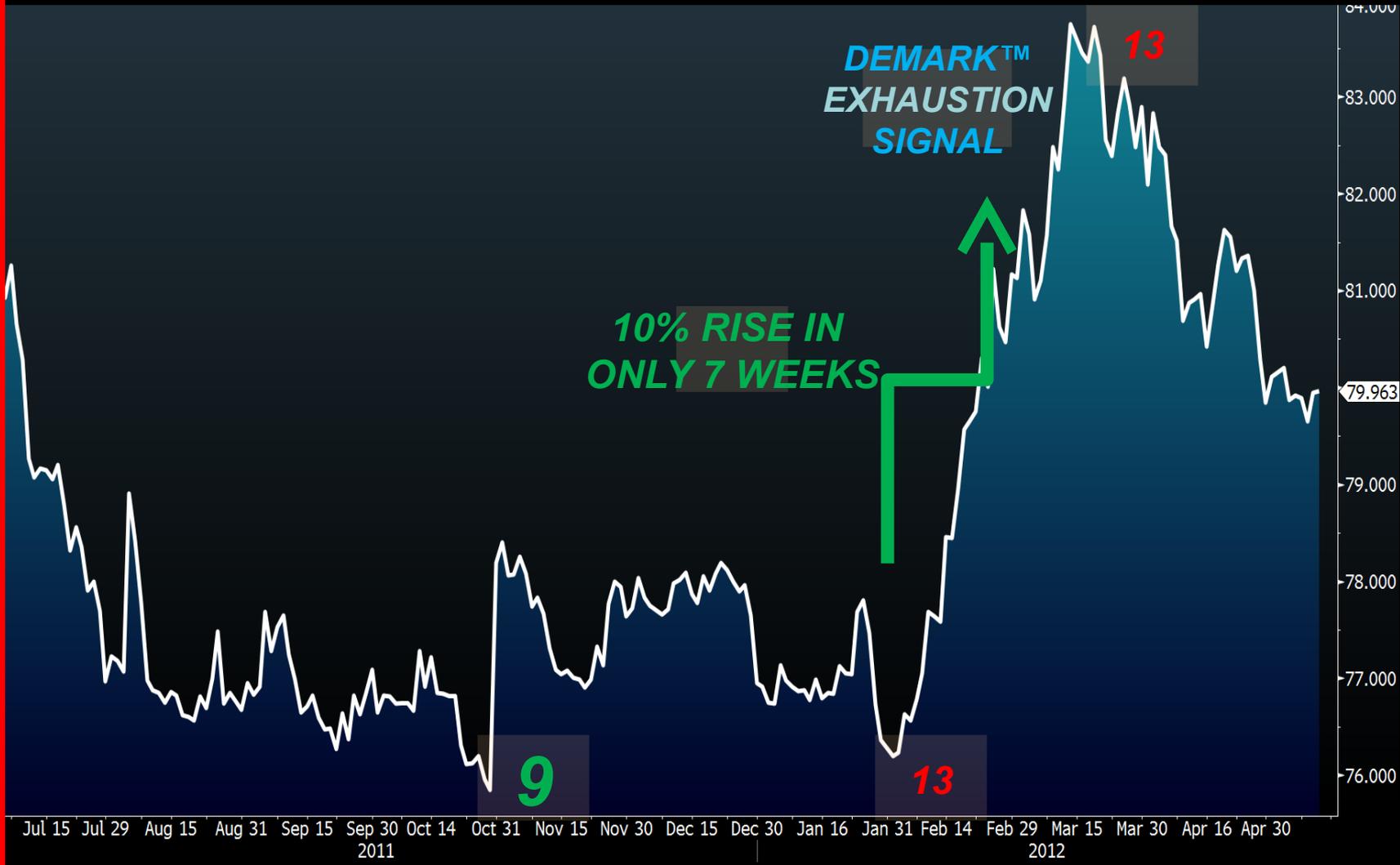
# GOLD

## GOLD CYCLICAL DOWNSIDE RISK



USDJPY

# USDJPY 40 YEAR **CYCLE AWAKENS**



# THE GOAL....

## **PART 1**

*Probabilities NOT Certainties  
The True Nature of TRENDS  
Market Timing is Everything*

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# A BRIEF HISTORY



***Trading Technique used over 400 years ago in Japan***

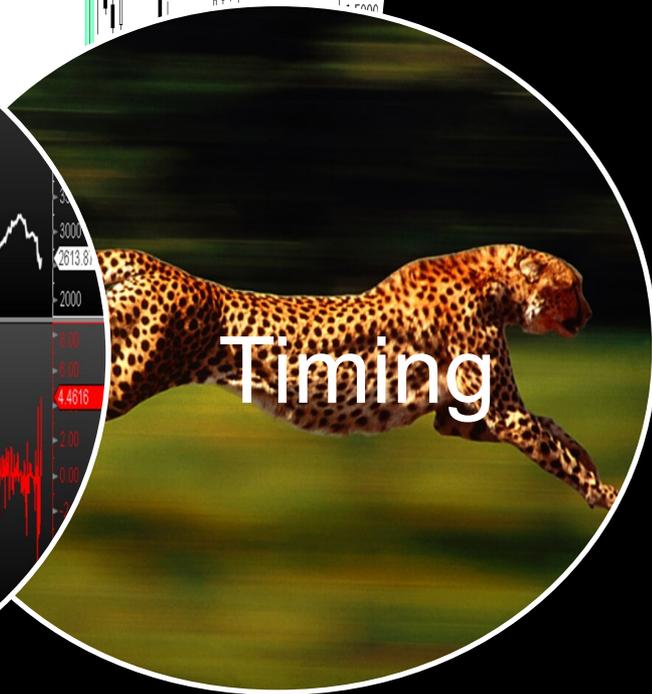
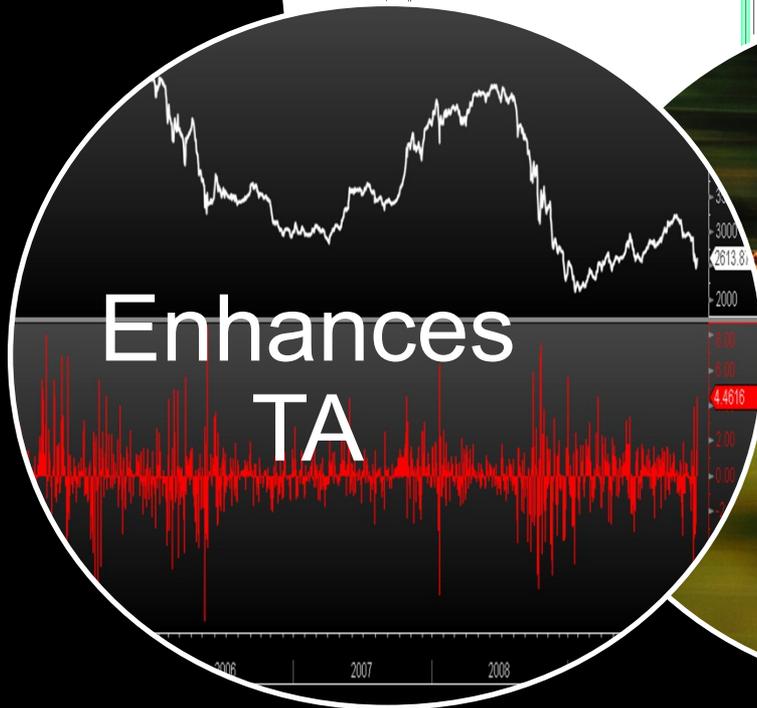
***Rice Farmers observed market psychology and seasonal cycles to forecast***



***Widely based on military tactics of the time.***

***Most trading signals are “contrarian” & anticipate price reversals.***

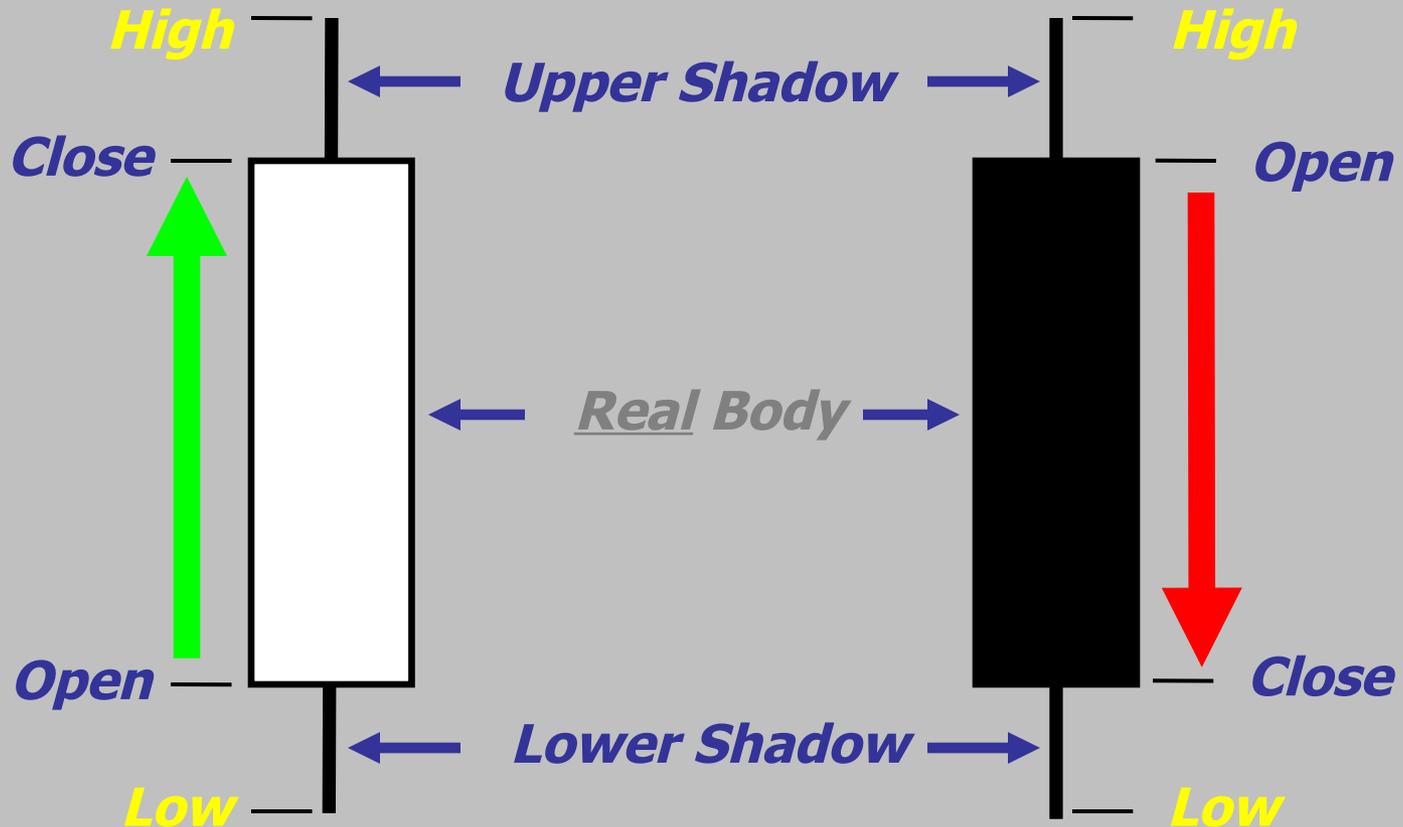
# TRADING EDGE



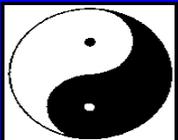
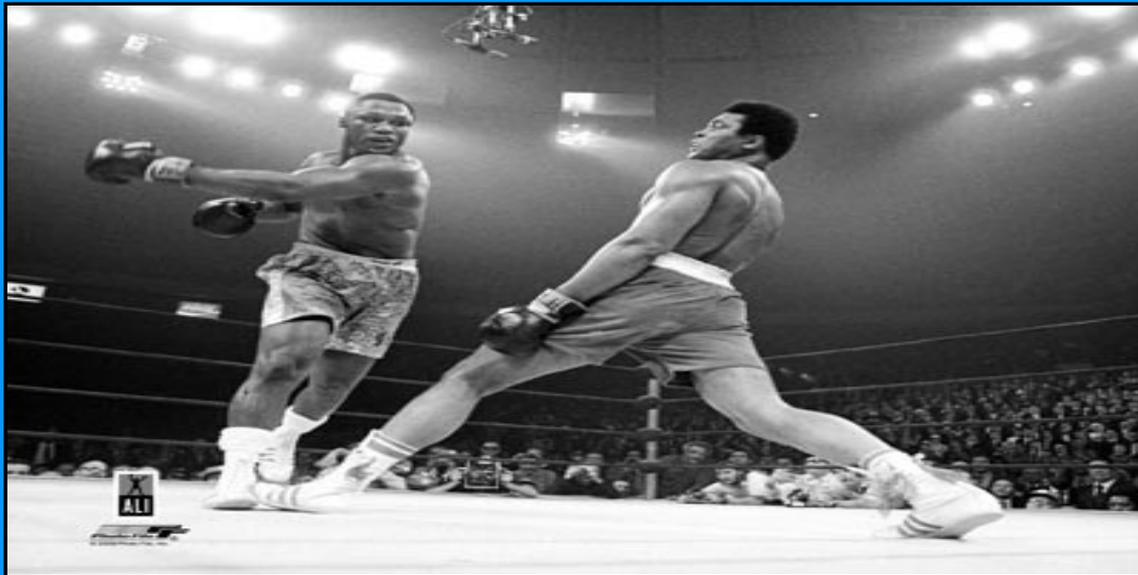
# Candle Construction

**Bullish Candle**  
**White Real Body**

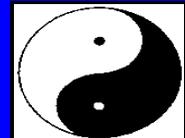
**Bearish Candle**  
**Black Real Body**



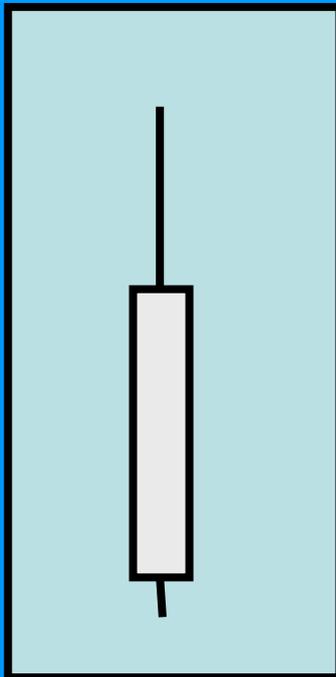
*The Real Body is the essence of market psychology*



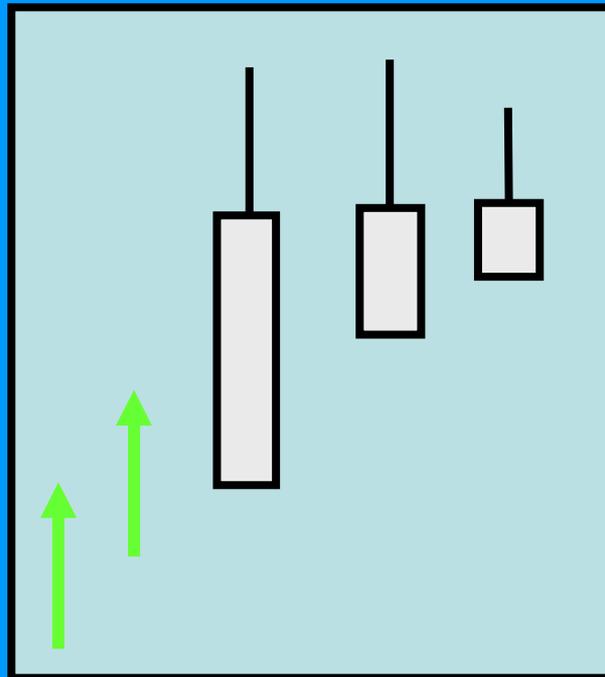
**Who's in control?**



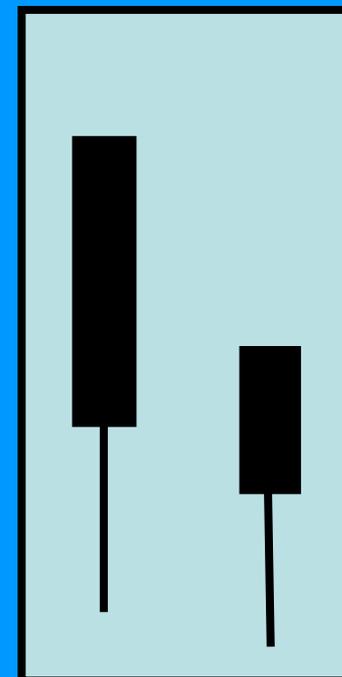
# Shadows decreases momentum



*Bearish long upper shadow*



*Bearish long upper shadow  
"decreases rallying strength"*



*Bullish long lower shadow*

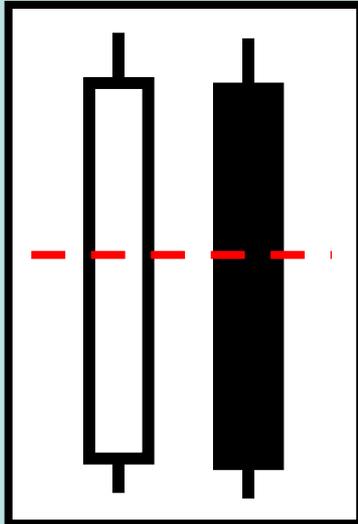


## *Who's losing control?*



# Basic Candles

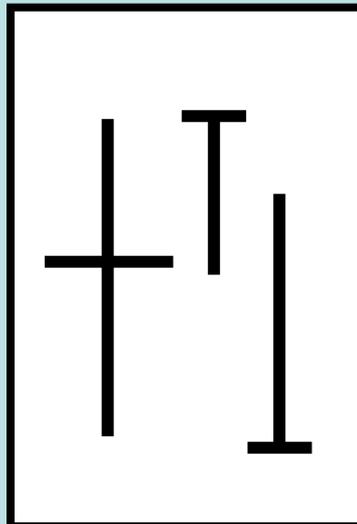
*Long Day*



***Strong buy/sell***

***Midpoint used as support/resistance***

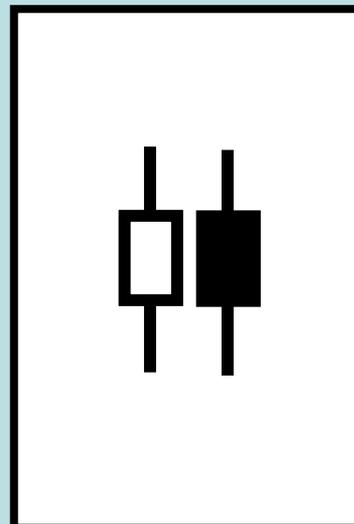
*Doji*



***Open and close are narrow/same***

***Market is tired***

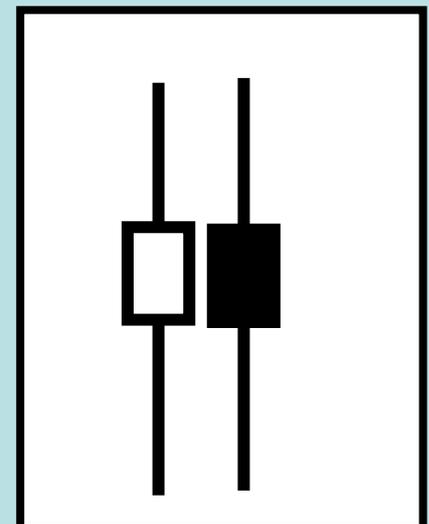
*Spinning Top*



***1. Small real body  
2. Colour not imp.***

***Prior trend weak***

*High Wave*



***1. Small real body  
2. Colour not imp.  
3. Long shadows***

***Indicates confusion***

# Many Candle Patterns

(Over 100)

## Reversal Patterns

### One Day

Long White/Black

Marabuso

Doji

Hammer

Inverted Hammer

Shooting Star

Hanging Man

### Two Day

Engulfing

Harami

Harami Cross

Dark Cloud Cover

Piercing Line

Counter Attack

Meeting Lines

Kicker

Tweezers

### Three Day

Morning Star

Morning Doji Star

Evening Star

Evening Doji Star

Tri Star

Three White Soldiers

Three Black Crows

Upside Gap Two Crows

Abandoned Baby

Stick Sandwich

Advance Block

Deliberation Four Day

Unique Three Rivers

Three Stars in the South

### Five Day

Concealing Baby Swallow

Doji Star

## Continuation Patterns

### Two Day

Rising Window

Falling Window

Seperating Lines

On/In Neck Line

High/Low Price Gapping Play

### Three Day

Upside/Downside Tasuki Gap

Side By Side White lines

Upside/Downside Gap Three Methods

### Four Day

Three Line Strike

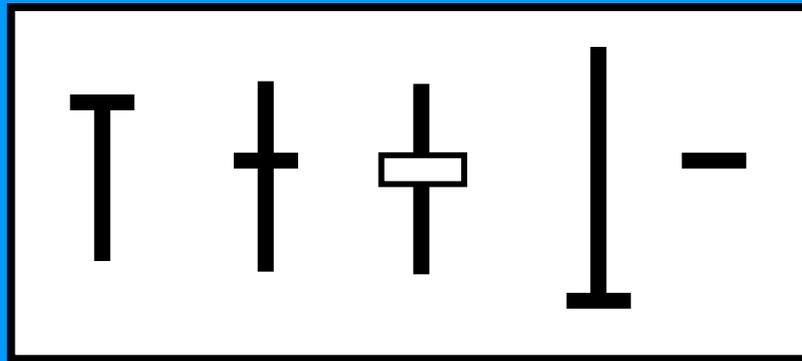
### Five Day

Rising/Falling Three Method

# FAMILY TREE



# THE DOJI



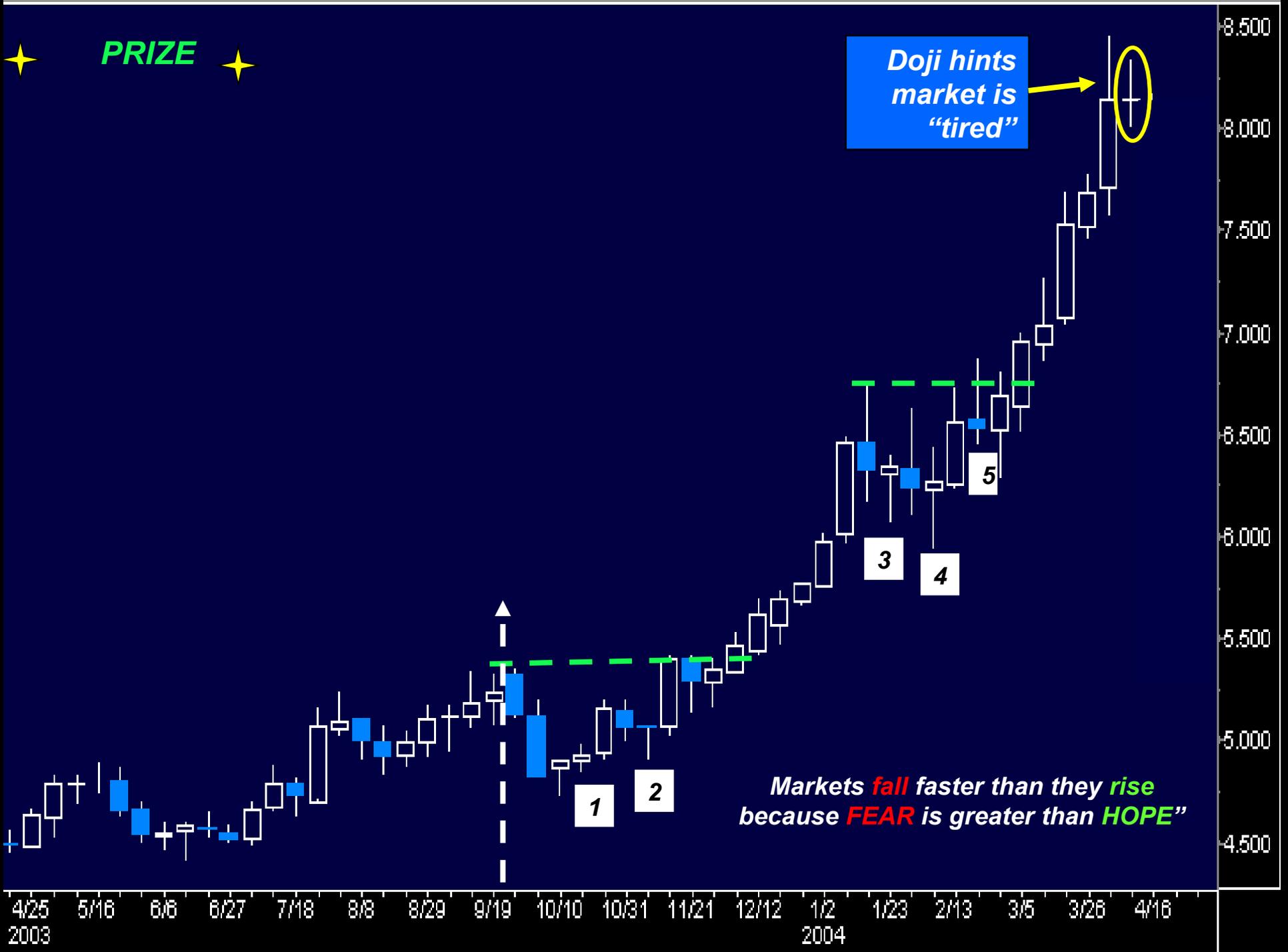
**Criteria:** *Open and close are narrow or the same*

**Psychology:** *Market is "tired"*

PRIZE

Doji hints market is "tired"

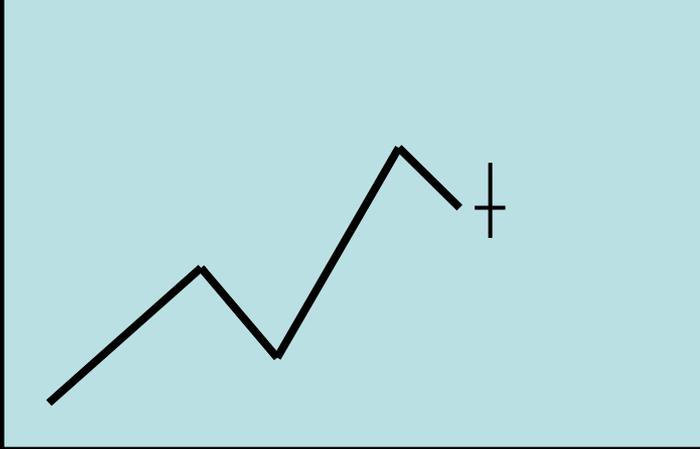
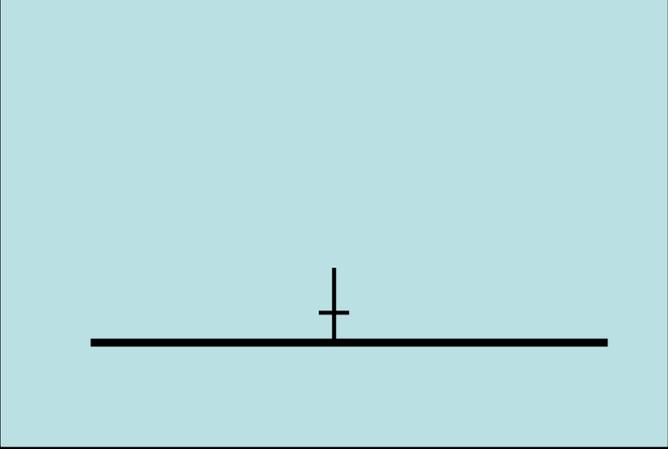
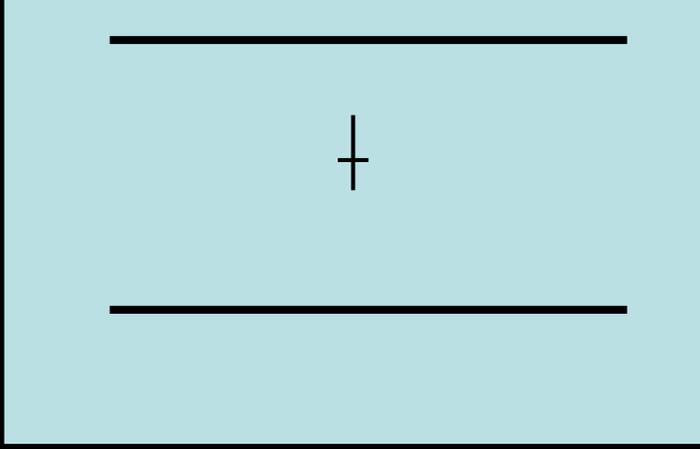
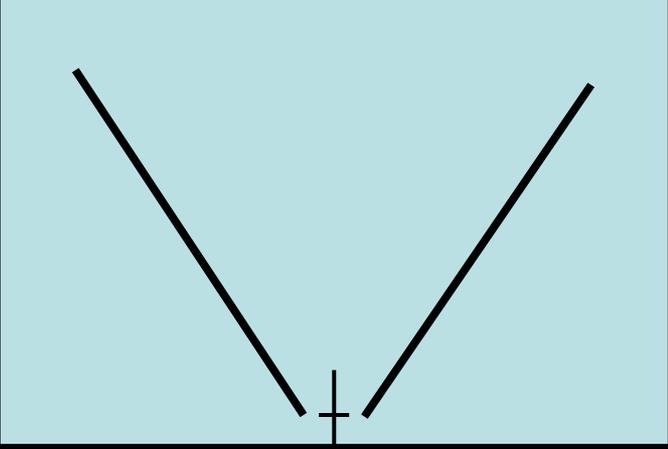
Markets fall faster than they rise because FEAR is greater than HOPE



# LOCATION

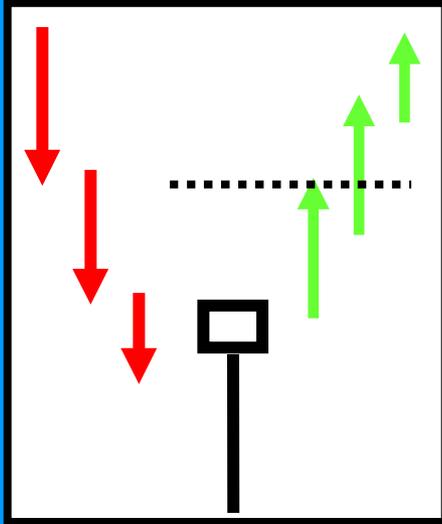


# LOCATION



# One Day Pattern

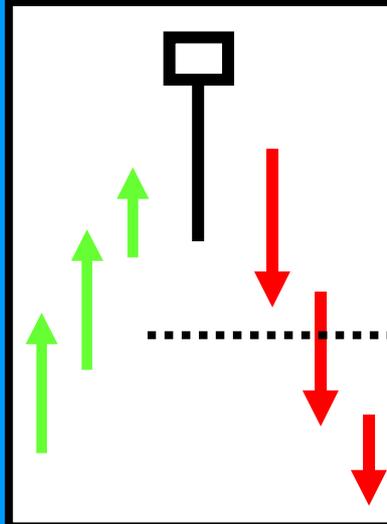
*Hammer*



1. Lower Shadow 2X length of Real Body
2. RB at upper end, colour not important
3. No/very small upper shadow
4. Confirmed with a strong bullish day

Hammering a base

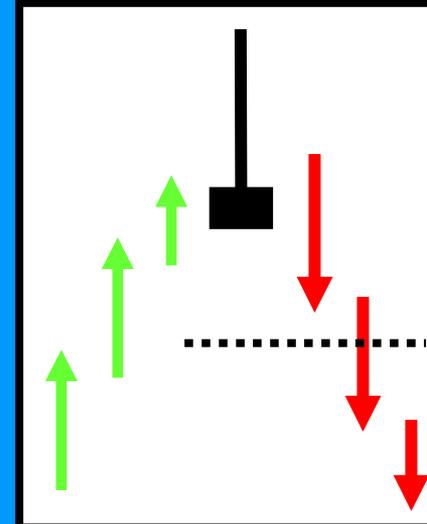
*Hanging Man*



Same as Hammer

TOP reversal pattern

*Shooting Star*



1. Upper Shadow 2X length of Real Body
2. RB at lower end, colour not important
3. No/very small lower shadow
4. Confirmed with a strong bearish day

Trouble overhead

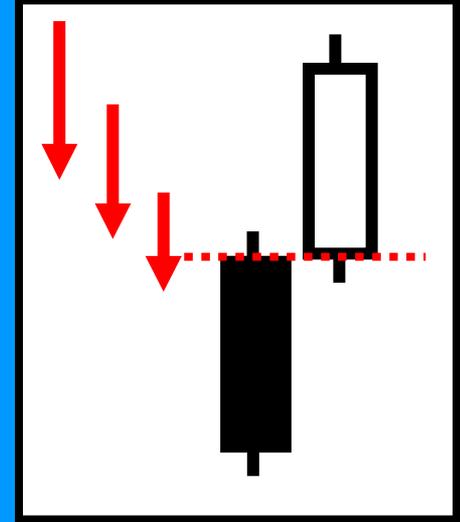
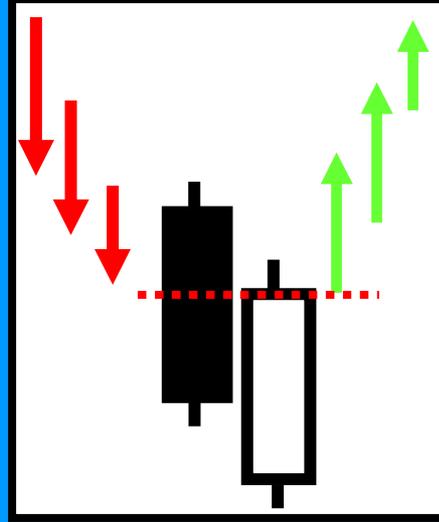
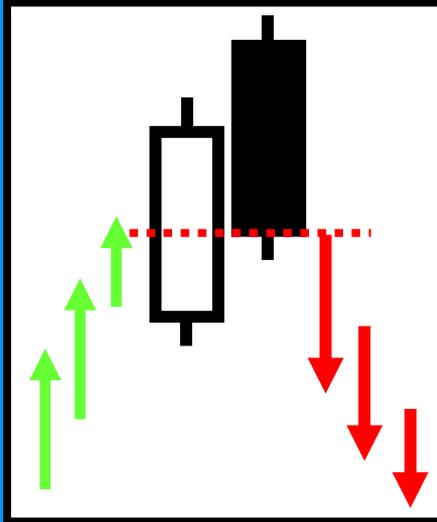
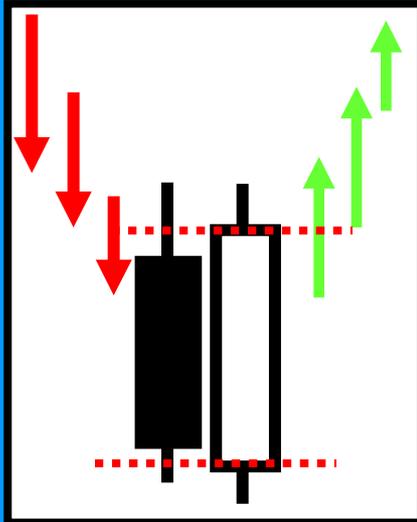
# Two Day Pattern

*Engulfing*

*Dark Cloud Cover*

*Piercing Line*

*Kicker*



1. Large RB wraps around small RB
2. Opposite colours
3. Up/Down trend

1. Uptrend evident
2. Session opens > prior high
3. Bearish RB closes > 50% into bullish RB

1. Downtrend evident
2. Session opens < prior low
3. Bullish RB closes > 50% into bearish RB

1. Same opening price
2. Market trades in opposite direction.
3. Does NOT retrace into prior session.

Arresting control

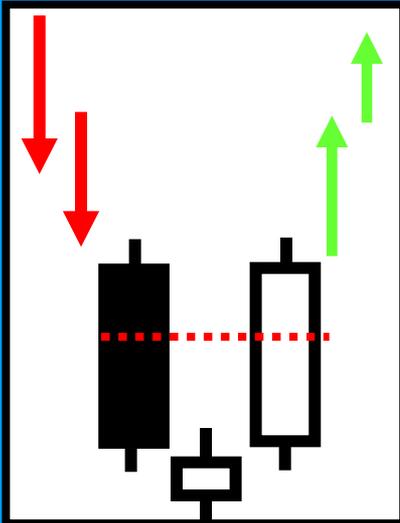
Sentiment reversal

Sentiment reversal

Dramatic Reversal

# Three Day Pattern

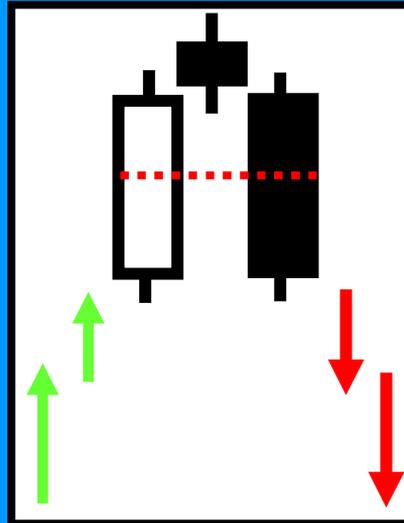
*Morning Star*



1. Downtrend evident
2. Bearish session is followed by indecision.
3. Bulls close > 50% into prior Bear RB

Mercury before sun

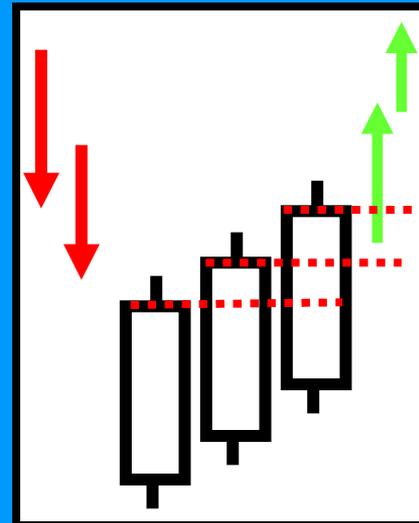
*Evening Star*



1. Uptrend evident
2. Bullish session is followed by indecision.
3. Bears close > 50% into prior Bull RB

Venus before dark

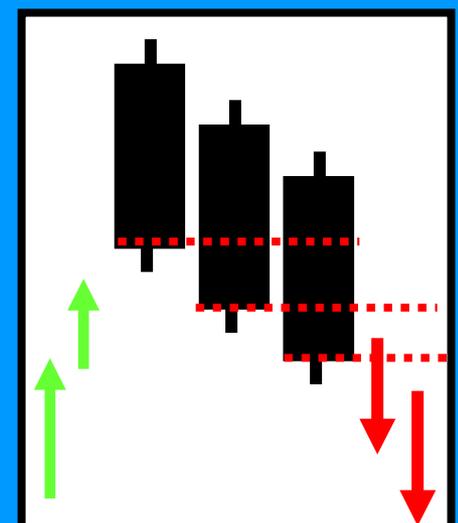
*3 White Soldiers*



1. Three bullish RB's, all of similar size
2. Prior trend is down
3. Each session opens with recent RB & closes near high

Uptrend

*3 Black Crows*



1. Three bearish RB's, all of similar size
2. Prior trend is up
3. Each session opens with recent RB & closes near lows

Downtrend

# THE GOAL....

## **PART 1**

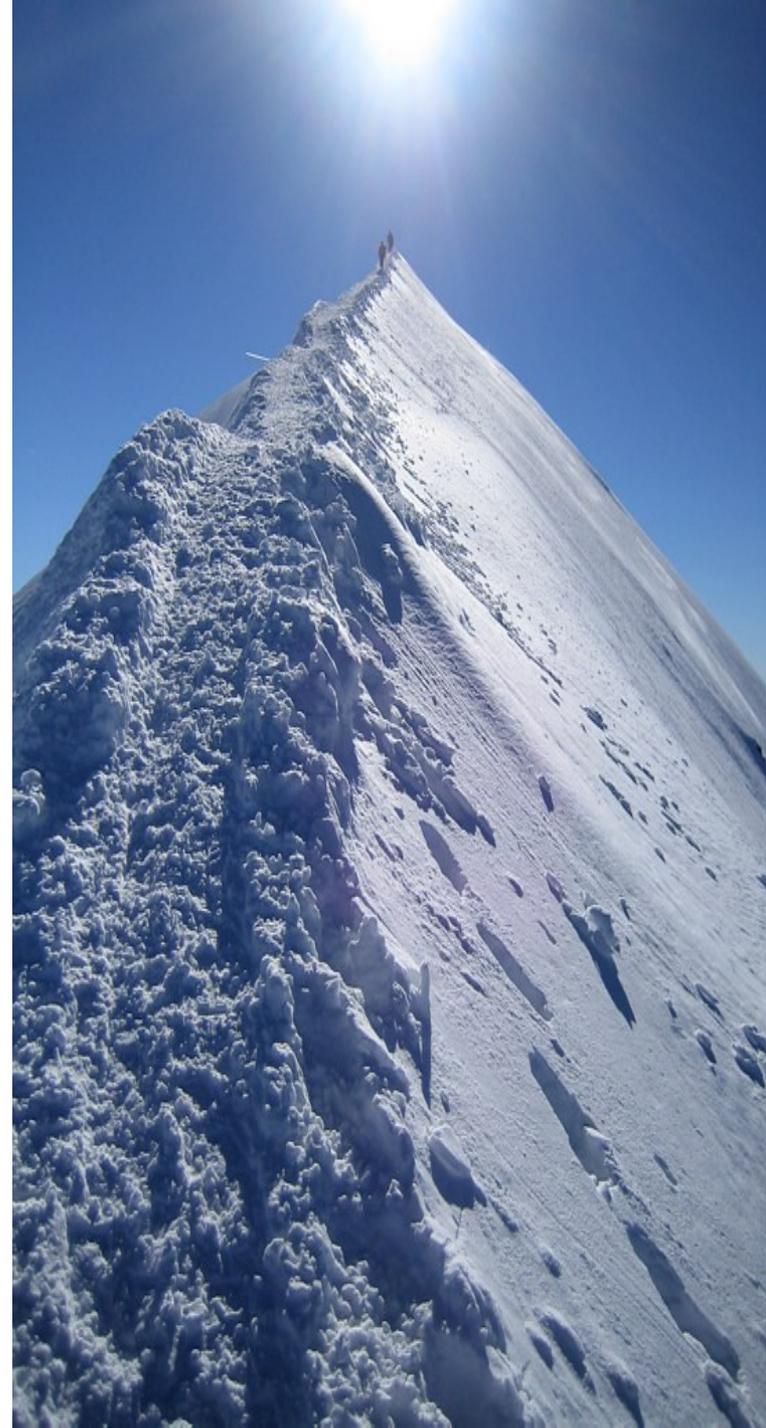
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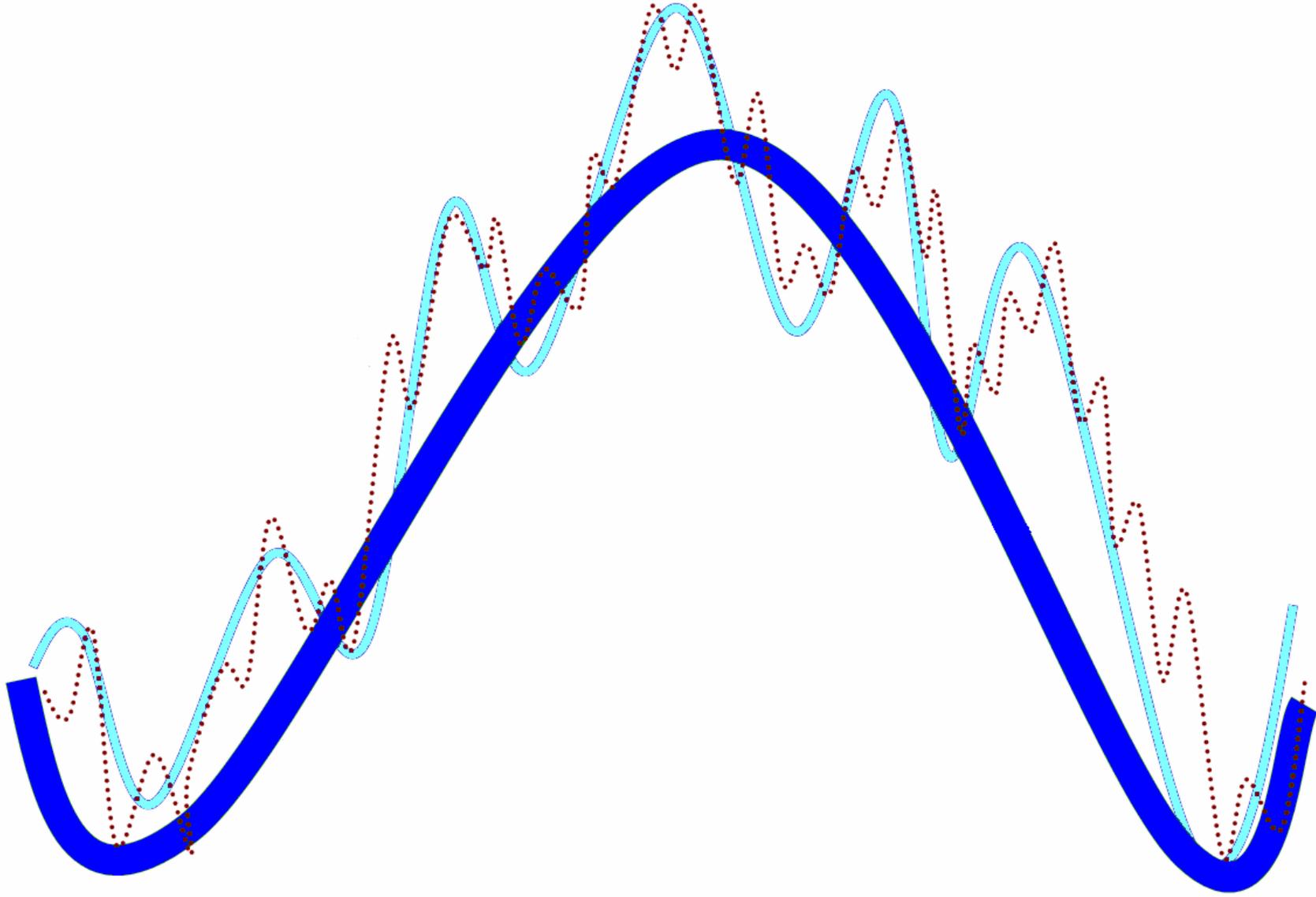
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# CYCLES



# TRADING RULES

- ***Wait for the session's close to confirm***
- ***DO NOT use candles in isolation***
- ***Always consider Risk/Reward ratios before placing a trade with a candle signal***
- ***Candles DO NOT offer price targets***
- ***Remember the importance of stops***

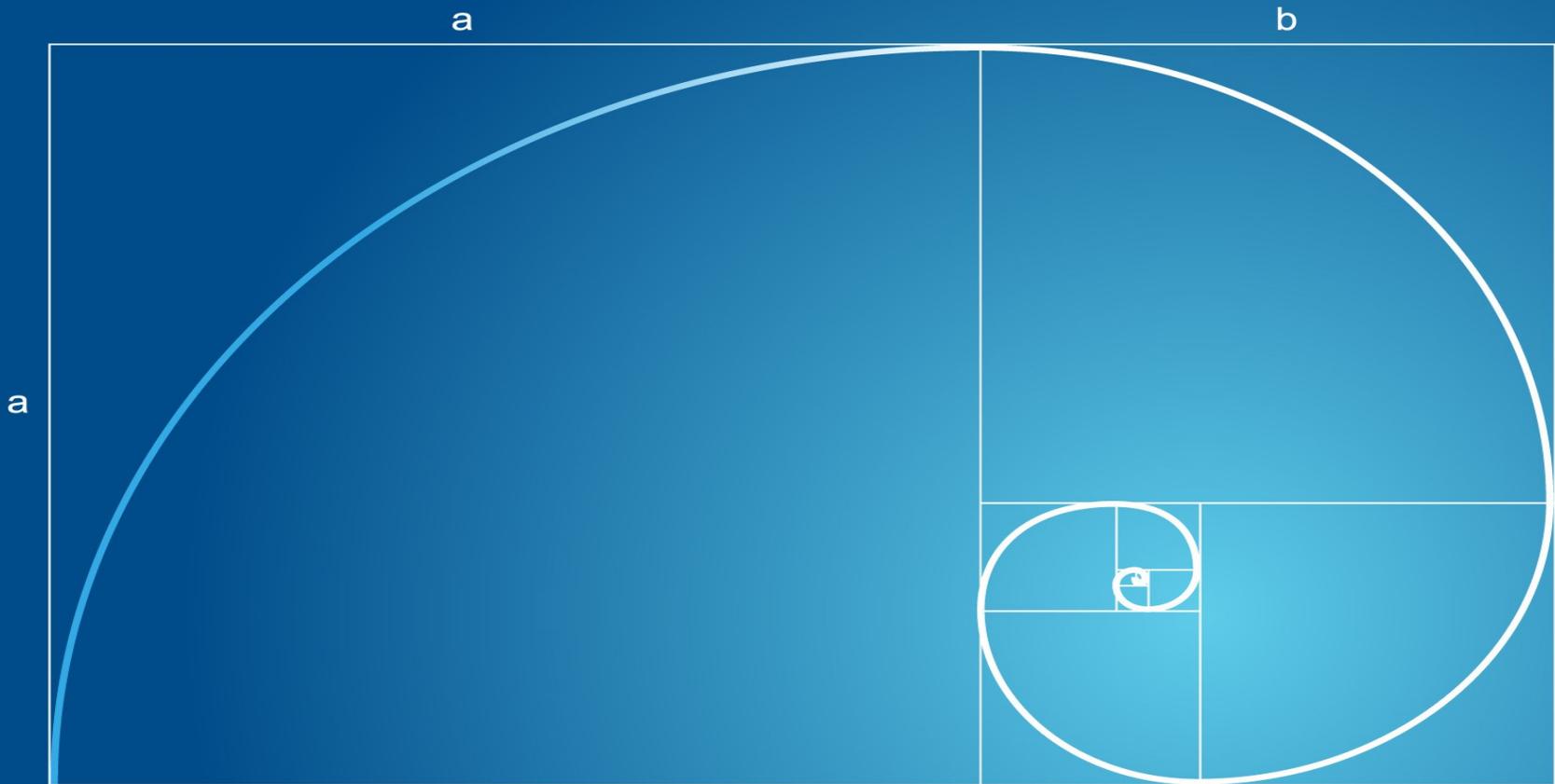
*"ENLIGHTENMENT THROUGH REALISED  
KNOWLEDGE"*

**KNOWLEDGE**



# THE SECRET BEHIND FIBONACCI ANALYSIS

Thursday 12th July 15.00GMT



$$\frac{a+b}{a} = \frac{a}{b} = \phi \approx 1,61803$$

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