

## TEB Candle Patterns

### 1st Candle Formation: 3 Candle Reversal with Pin Candle

One of my favourite candle formations is the 3 candle reversal .. variation with a big pin candle (nose or tail) The “Pin” is the big shadow on the **2nd candle** in the formation. I call them “nose or tail” . . (ie. The chart I am using is an up trend: Reverse everything in a down trend)

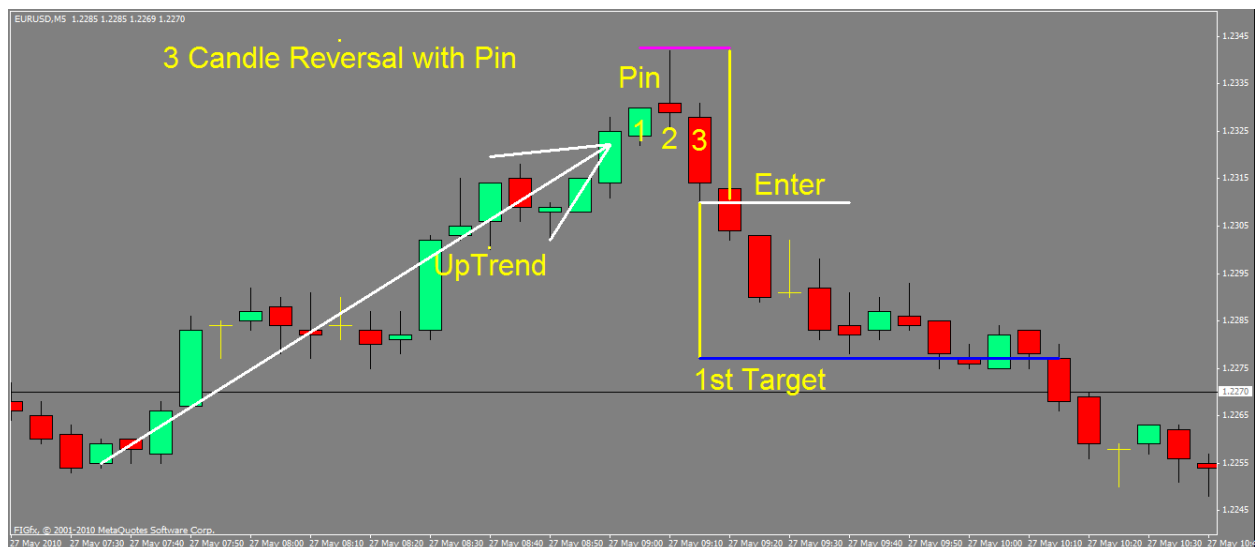
Here is a trade I took. when I see one as clear as this one I will take it and say thanks!

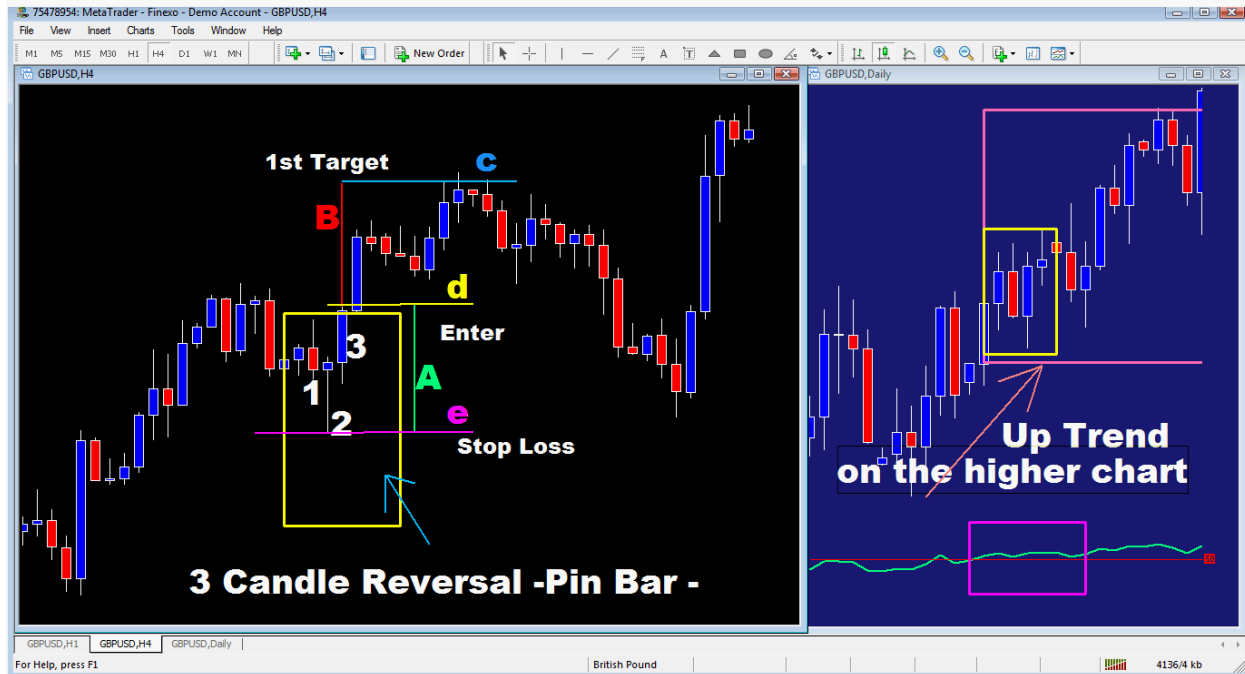
#### Set Up

1. We want to see this Candle formation at the end of a strong trend. The longer the better . I like at least 10 candles in the trend . An up trend is higher highs and higher lows.
2. We want to see a big Pin Candle (**2nd candle**) . the Pin part of the candle . the bigger the better .
- Of course the tail/nose going opposite to the old trend.
3. Best if the Pin Candle's colour is opposite to the old trend's colour.
4. Get in 1 pip (plus spread) below **candle 3** in the pattern. **white line**.
5. Often it will be the 4 candle you enter on, but not always.
6. 1st target (blue line) the number of pips from the top of Pin Candle (**2nd candle**)(pink line) to bottom of **3rd Candle (white line)** : pink line to **white line**. = **white line** to blue line.
7. Stop loss a few pips into the nose/tail

#### Strongest trading use:

Reversal on a lower time frame chart to the main trend on the higher time frame chart.





**Reversal back to higher time chart trend.** See pink box on high time chart. We use the RSI over the 50% line.

## **2nd Candle formation: Outside Candle (Engulfing Candle)**

**This pattern consists of two candles.**

1st. Standard candles. 2nd. Engulfing candle.

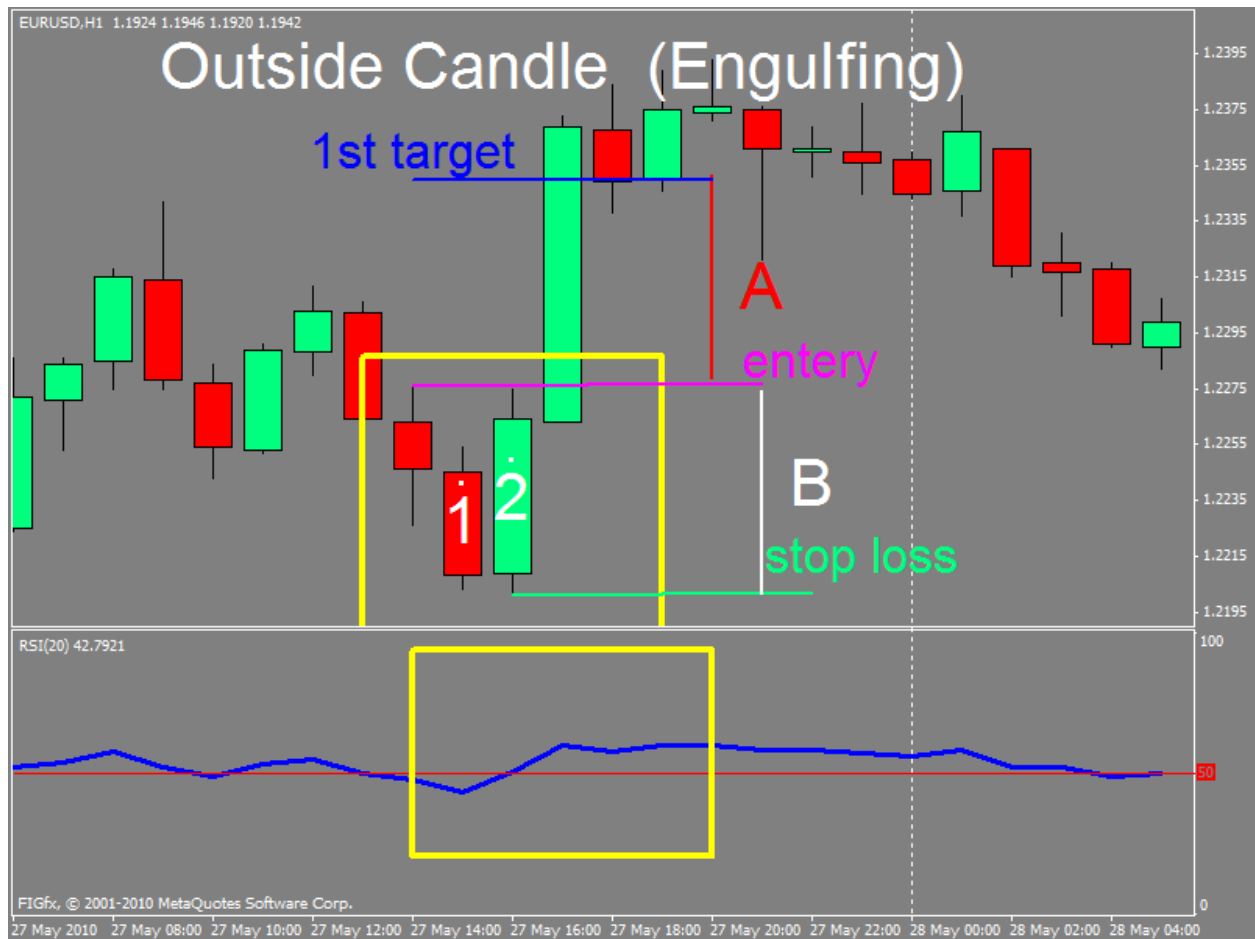
The 1st candle is a narrow range candle that closes down.

The sellers are still in control of the pair but because it is a narrow range candle, and volatility is low, the sellers are not very aggressive.

The 2nd Candle is a wider range candlestick that “engulfs” the body of the first candle, and closes near the top of the range. The buyers have overwhelmed the sellers (demand is greater than supply). Buyers have “taken over”. The bulls are in control

**When to take this trade** (i.e. in an uptrend, in a down trend reverse everything here)

1. Take the trade as soon as the engulfing candle closes.
2. One pip over the top of the engulfing candle (Pink line)
3. **Only trade if you are with the trend**, on the chart. Look for the 20 RSI, to me over 50.
4. **Here is the secret, go one time trade frame up & see what the trend is on that time frame.**



**Stop Loss:** The bottom of the Engulfing candle. Is the Green line

### Target

1st. Target (1st lot) Blue line.

you wing this target by measuring this target ... Line B (white) = Line A (red)

When you hit 1st. target move your stop loss up on the 2nd lot to break even +1 and spread and let it run.

### Best trading idea:

**Reversal on the lower time frame (like M5) chart back to the main trend on the higher time frame (like 30 min) trend.**

### 3rd. candle formation Inside Candle ( Harami)

This pattern consists of two candles. 1st. Candle (Mother Candle. Grey).

2nd..Candle (Inside Candle White)

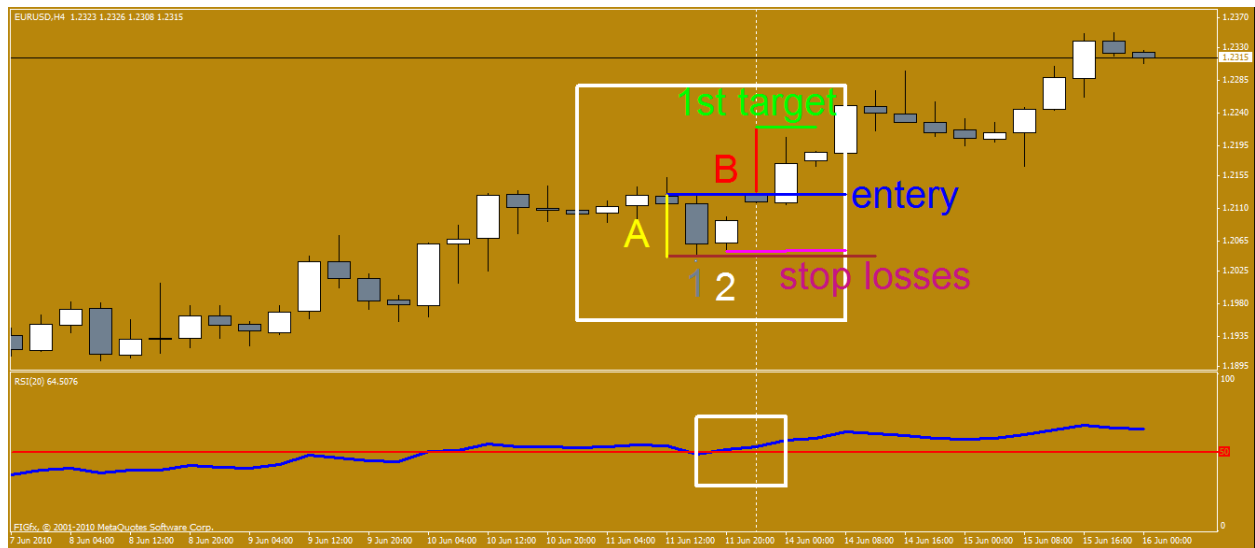
The 1st. Candle (Mother Candle) is a range candle.

The Buyers are still in control of the pair because of the push up.

and volatility is high, the buyers are very aggressive.

The 2nd. Candle is a narrow range candlestick that “inside” the body of the mother candle, and the middle of the range. The buyers and sellers wanting to see who is in charge.

(Demand is equal to supply). No one is in control.



### When to take this trade:

(i.e. in an uptrend, in a down trend reverse everything here)

1. Take the trade one pip over 1st. mother candle (1st. candle. Grey)
2. Only trade in the direction of the trend on chart. Here we are using 20 RSI, over 50.
3. **Here is the secret,**

**go one time frame up & see what the trend is on those time frames.**

Check it on the RSI 20 only trade if both time frames are inline. ie. 5 min go to the 15 min chart.

### Stop Loss:

Safe stop.1 pip below the bottom of the 1st. Candle (mother candle, grey). the brown line...  
or Aggressive stop, 1 pip below the bottom of the 2nd. Candle (inside candle, white). The purple line.

### Target:

1st. Target (1st lot) green line.

you find this target by measuring this target ... Line A (yellow) = Line B (red)

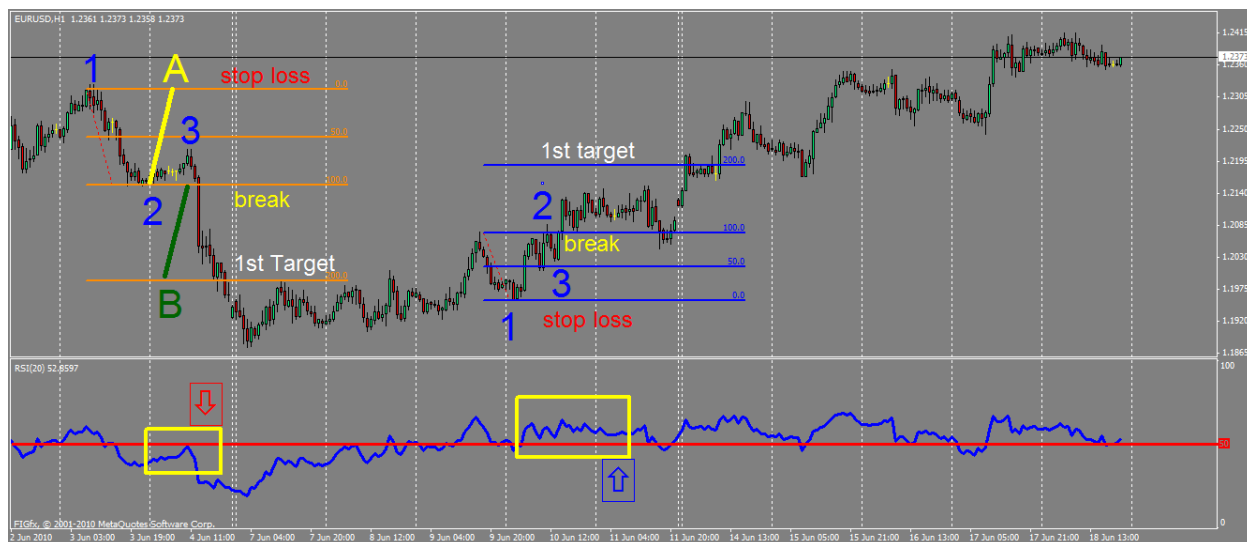
100% of the mother candle.

when you hit 1st. target move your stop loss up on the 2nd lot to break even +1 and spread and let it run.

### Best trading idea:

continue trend on the 5 min chart as on the on the 30 min trend.

### 4th Candle formation: 1.2.3. (4) Break



### **1. 2. 3. (4) break pattern (i.e. is a down trend; reverse for uptrend)**

- a. Want it to be supported by RSI 20. under 50
- b. Want the 1. 2. 3. to be wide!!
- c. Safer reversal on the 30 min; more aggressive on the 5 min chart
- i. A typical 1-2-3-break chart pattern is best traded after a strong currency pair up  
...I like at least 8 candles.

Point (1): The high in an up trending currency market.

Point (2): A downward correction in the uptrend, the lowest candle in the correction before the price moves back up to point (3).

Point (3): High in the move up from Point (2) but a failure to make a new higher high (Point 1)  
.A lower high is what we're looking for to signal the potential downside move

Point (4) break: Go short 1 pip below point (2)

**Enter:** 2 lots

### **Stop loss**

Conservatives: One pip plus spread over point 1.

Aggressive one pip plus spread over point 3

### **Target**

100% of Point 1 to Point 2 this is line A.  $A=B$

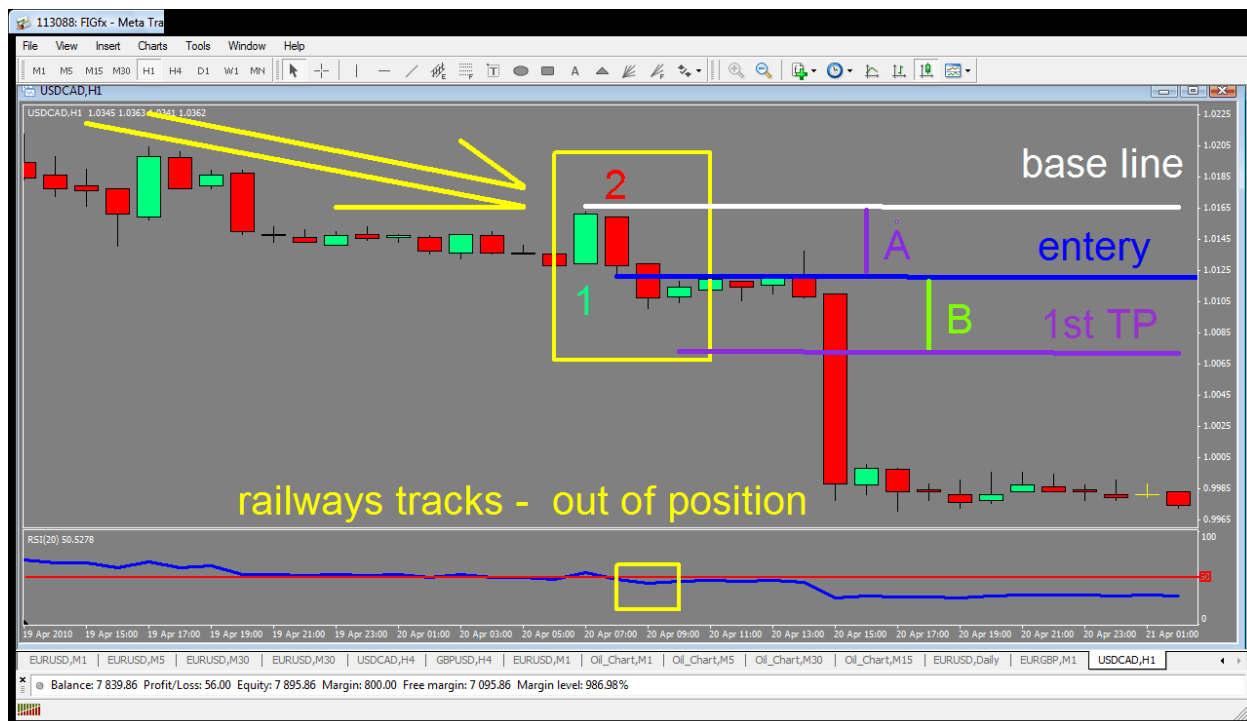
When 1st target is hit move second lot to BE +1

### **Best trading Idea:**

**Lower time frame** (like 5 min) reversal back to the longer time frame (like 30 min) trend but a failure to make a new higher high (Point 1).

A lower high is what we're looking for to signal the potential downside move.

**5th.Candle formation: Railway Tracks out of positions**



**When to take this trade:** (i.e. in a down trend, in a uptrend reverse everything here)

1. Look for big candles, out of the trend and out of position.
2. Take the trade one pip under the lower of the 2 candles. Here it is the 2nd. candle (red).
3. Only trade in the direction of the trend on chart. Here we are using 20 RSI, under 50.
4. **Here is the secret, go one time trade frame up and see what the trend is on that time frame. Check it on the RSI 20 only trade if both time frames are inline.** ie. 5 min go to the 15 min chart.

**Enter:** Two lots.

**Stop Loss:**

1 pip + spread over the top of the higher of the 2 candles here it is 1st. Candle (green).

**Target:**

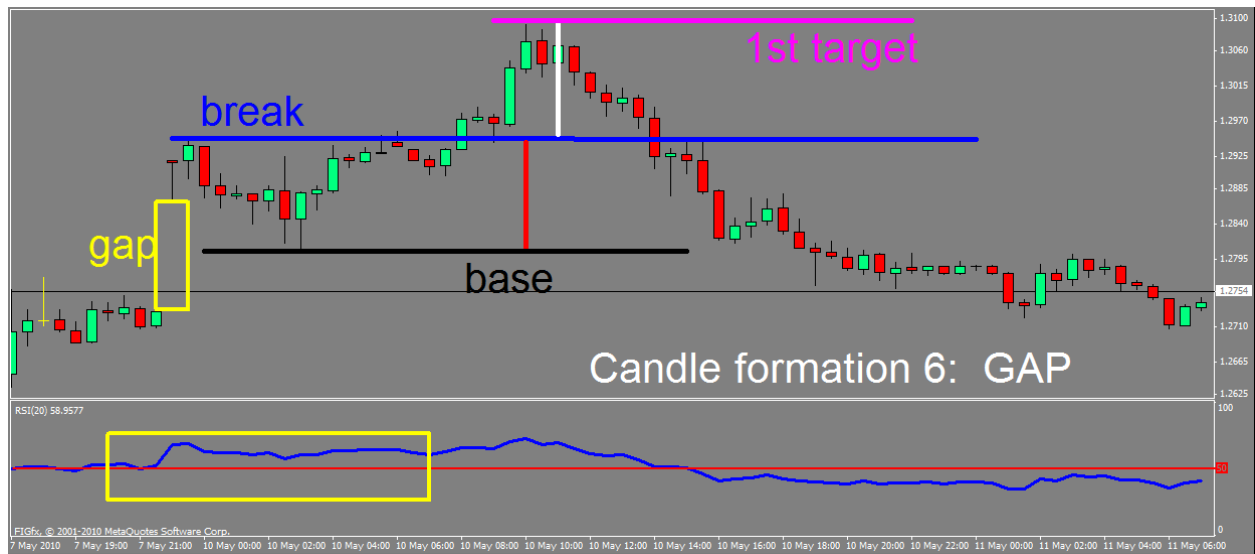
1. 1st. Target (1st. lot) purple line.
2. You find this target by measuring... Line A (light purple = Line B line green)
3. When you hit 1st. target move your stop loss down on the 2nd. Lot to break even +1+ spread and let it run. Let it swing out!

**Best trading idea:**

Look for this candle formation in news times or the opening and closing of markets.

**Note:** This candle formation on a higher time frame will be a big pin (nose or tail) formation.

**6th Candle formation: Gap 1**



**When to take this trade:** (i.e. in an uptrend, in a down trend reverse everything here)

1. Look for the gap.
2. Look for price to try and close the gap. This becomes the base
3. Look for price to take out the high after the gap the break. Blue Line
4. **Only take the trade in the direction of the trend on chart.** Here we are using 20 RSI, over 50.
5. The **yellow gap** box and the red and **white** line are all equal; often are.
6. **Here is the secret, go up to a time frame up & see what the trend is on that time frame. Check it on the RSI 20 only trade if both time frames are inline. ie. 5 min go to the 30 min chart.**

**Enter:** With two lots.

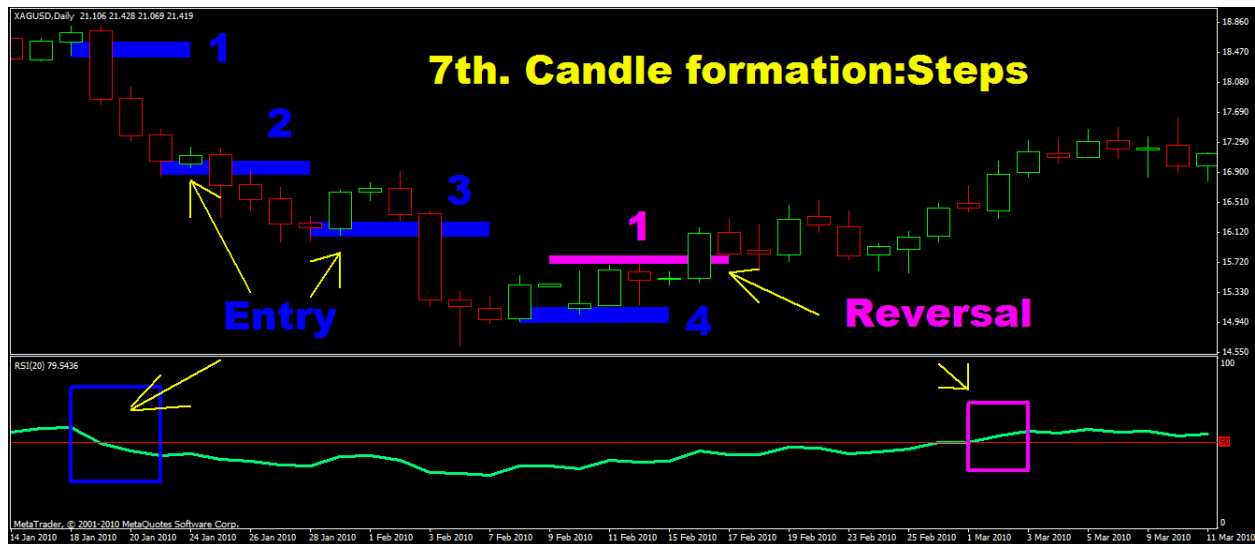
**Stop Loss:** 1 pip + spread below base.

**Target:**

1. First Target (1st. lot) is purple line, which is the red line = **white line** = to gap
2. You find this target by measuring pips base to break.
3. When you hit 1st. target move your stop loss up on the 2nd. Lot to break even +1+ spread and let it run. Let it swing out!

**Best trading idea:** Sunday night or after a holiday

**7th Candle Formations Steps: It's a variation of the 1 2 3 Break.**



## 1. Steps

### i. See the Blue Steps

- Step #1 the beginning step (Bull nose)
- Steps #2 & #3 are Entries
- Step # 4 the ending (floor) a Pattern Failed: price bounds off step

### ii. See the Pink Steps

- Steps #1 is Reversal

## 2.Entry: With at least 2 lots

- Direction of the RSI 20 Blue Box **on the RSI 20**: Gives permission to start to look to trade.
- Break of a wrong colored candle back to the trend. #3 candle reversal.**

## 3. Exit

- 1.2.3. Break reversal
- A change on the RSI Pink box

**4.Stop Loss:** Above the Step before. ie Step 1 would be the SL for Step 2

**5.Target:** 1st lot equal to Stop Loss 2nd lot target let it swing out

**6.Best trading Idea:** continue trend the same as one time frame higher.ie. 15 min and 60 min.

**7.Best trading Time:** London To NY to Asia open on 5 min charts.

The remainder is the same as the basic 1.2.3 break please see that teaching.