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Introduction

I don't want this book to have dozens of unnecessary pages of material that would do you no good in order to impress you. That's why I'm going to show you the examples and explanations right away. In figure below you can see an ordinary charts with template that you got in the package along with this book – that's a simple template that will allow you clear candles overview that is necessary in order to notice reverse pattern more easily.



I suppose that this figure doesn't say too much, and that's the way it should be for now! As you can see there's a EUS/USD pair on H1 time frame. Reversal pattern gives the best results on this pair and H1 time frame. My advice is that you follow this and all rules that will come along in this book.

Bullish UCRP

Here's the same example but this time with Bullish Ultimate Reversal Pattern Signals. There are twelve buy signals in this figure that are provided by this pattern. Now if we would trade using this example with Bullish UCRP signals, we'd get eight positive and four negative trades, which isn't bad after all. Trading this way by using the basics of any strategy we'd make a good profit. But UCRP can get you even better results, but we'll talk about that later.



Blue and red circles represent the Bullish UCRP Signal. Blue circles represent the signals that would give you a profit, while the red ones would be fake signals.

Bearish UCRP

Now we'll follow the same example, only this time we'll use the Bearish Ultimate Reversal Pattern signals. There are 13 sell signals in this figure provided by this pattern. Now, if we'd make trades with this example by using our Bearish UCRP signals, we'd get one negative and twelve positive trades. Blue and red circles represent the Reversal Bullish signal in which blue circles would be signals that would bring you a profit while the red ones would represent the fake signals.



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Suma

So far, in this book I've covered the existing market state by the time I write this, date is displayed in the figures. With different market conditions you'll get different results and signals, but more or less that's about the same.

Now, the example in figure represents the EUR/USD on H1 time frame in last five days on the market – one trading week. If you would trade with this pattern in last five days, you'd get the following results: twenty (20) positive trades, and five (5) negative trades. Impressive, isn't it? If we'd use the most primitive strategy and count the pips that would give you profits by using these signals, you'd be even more impressed, but that's not that much important at this time.

It's also important to mention that it would be impossible to trade all signals – that is only, theoretically speaking, possible if you'd be sitting by your computer 24/7. But in the end, that's the problem with ALL strategies, signals, and systems. Right now you might get the idea of how to make these patterns automated, so that you wouldn't lose time and money, but take my advice and give up on that one, because it's IMPOSSIBLE. My team consists of lot of programmers which tried and failed every time, so stick to this simple manual “Ultimate Candlestick Reverse Pattern Strategy”.

Before I explain you how to make fake signal reductions and by increase positive trade ratio, allow me to explain our Ultimate Candlestick Reversal Pattern in detail. Now, you're probably a bit confused by looking at these examples, not knowing what Ultimate Candlestick Reversal Pattern stands for.

What Is UCRP?

If I'd have to write a definition for Candlestick Reversal Pattern that it would be something like this:

“Candlestick Reversal Pattern consists of two last candles on charts with different directions (one is buy and other one is sell and vice versa), the end of one represents the beginning of the other one. Signal is confirmed when the last candle is closed, while its beginning (the price that made the opening) on the end of previous candle (the price that made the closing of penultimate candle)”.

If you don't understand this definition it doesn't matter really, I'll cover it with the examples displayed in following figures. After you take a look at the examples and read the following text it will make sense to you. Here's a figure of last example, I've increased the candles in this one so you could see and realize Pattern Reversal better.



In figure above in the example “1 sell” Sell (Bearish) Candlestick Reversal Pattern is displayed. Bullish trend preceded and then the candle closed in sell in point which these two candles got evened. Sell candle is opened in the same price that closed the lays buy candle. These two candles make Bearish UCRP. For Bullish Reversal Pattern example “2 buy” same rules apply but only in opposite direction – all is vice versa.

So let's bring back the most important, in examples one and two you can see the candles that are evened, that is very important. If candles vary by few pips (2-5) that can be ignored, take a look at the figures at the beginning, which signals were taken as examples and compare it with this one and you'll get it all clear. Another important thing is that the last candle should close and only then we have a good-to-go signal that Candlestick Reversal Pattern is a correct one – don't open the positions by any means until the second candle closes. Only after it closes the signal can be taken into consideration, this is very important.

Now I'll explain in detail certain examples of Candlestick Reversal Pattern from the beginning of this book just in case that you didn't get it right what's happening in the market – in that way you'll make a better understanding of difference between certain patterns from the beginning of the text. The difference between patterns is in candle size inside the patterns, the size of sell candle compared to the size of buy candle. This might look to you somewhat unimportant but if you take a more detailed look at the examples you'll see that candle length will give us a lot of important informations about the current market state. In the next example the explanation of different candle size will be covered.



In example “1 sell” figure displays rather strong buy trend, but after that the sell candle closes a lot lower than the previous buy candle. That tells us only one thing: the sellers took over the initiative on market and sudden turnover occurred. That’s why this Candlestick Pattern is called “Reversal”. After strong buy trend sell candle occurs that closes below the price in which the previous buy candle opened. That’s called a sudden market turnover – it’s an excellent opportunity to sell since it’s almost impossible NOT to profit in that kind of situation.

The example two is somewhat different but it’s a still good signal. In example “2 Sell” we have a strong Bullish Trend again which ends with long buy candle; many traders avoid trading by using their own signals in their strategies if too long candle occurs, but that’s not the case with our pattern. The most important thing for you is to understand what is happening. As you can see in this example, after a long buy candle, sell candle closed, long buy candle and short sell candle make our Ultimate Candlestick Sell Reversal Pattern. But what really happened on the market is that the buyers forced the EUR purchase, and then the sellers are trying to turnover the trend into sell and since there was a too strong buy trend that will go a bit slower, since that’s the moment when buyers and sellers of EUR/USD pair struggle. But that’s not what should interest us since we have our pattern that points to sell. Compared to previous example where the sell candle was a lot longer from a buy candle, now we have the opposite. I hope that you’ve noticed the difference. With this story regarding the candle length my advice is that you take all the signals from this pattern as valid. I just want you to understand better what this pattern stands for. As you can see there’s a sudden market turnover that should be used accordingly.

Following this logic if we’d look which sell example has better chances for success the answer would be “1 Sell” although the “2 Sell” example would give us far more profit. But let’s put that aside for some other time, on Forex nothing is simple; there are too many factors that influence the market.

Let’s summarize this so far – this chapter is about the knowing the ways in which Ultimate Candlestick Reversal Pattern functions. Don’t bother yourself with details, just follow the patterns and make trades.

Now that you’ve understood how to recognize the pattern and what the patterns stand for, it’s time to continue our story from the beginning of this book.

The Best Time For Using UCRP?

I don't know if you've ever analyzed different sessions, and if you were then you probably know when sudden market turnover would occur. The answer for this is London and New York session in which you should ignore the beginning of London and the end of New York session since those are the moments in which not so many interesting things occur and it's possible for you to get fake signals, but it's up to you to make a strategy on which you'll make trades every time you see the signal or just during the London and New York session. I suggest that you stick to London and New York.

If we go back to examples from the beginning of this book and analyze our fake signals that are generated by Candlestick Reversal Pattern we'll notice that it's possible to avoid those fake signals and decrease their number and increase our profitability.



Figure displays London and New York session, green stands for London session, brown stands for New York session, and the blue represents the overlap of these two sessions.

Three fake signals are being displayed in this figure: the first one is sell, and other two are buy signals – these are fake signals from first two examples that can be avoided if we avoid trading outside these sessions, in the beginning and in the end of sessions.

In this way the total number of negatives (5) would be cut down to just two fake signals. The truth is that we'd cut down 20 positive signals to lesser number by sticking to the rule of trading in London and New York session, but if we'd calculate the percentage of profitable signals it would be far over 90% which is really amazing.

In last example MT4 session indicator is included which will allow you a quick and simple visual market overview by session. This indicator can be simply used in this or your own strategies for studying the trend reversal and other informations that are visible by observing the charts with this indicator.

The indicator has a possibility to display three sessions: Asian, European, and American. In our example I've included only London and New York session; you can adjust your session overview to needs.

The indicator is included in the package which you got, you only have to set the indicator in folder along with other indicators and add it to the chart.

Believe it or not but it's possible to further reduce the possibility of fake signal occurrence which is produced by Ultimate Candlestick Reversal Pattern. I'll explain that in my chapter "Combining Candlestick Reversal Pattern with your strategy or plain technical analysis".

While watching at the figure from Reversal Bearish Pattern I've noticed that I've missed one signal, I actually didn't saw it, and it was a fake as well. It's hard to mark all signals in last five days so this lapse is quite normal to happen. In next figure I've marked the controversial fake signal – maybe you've noticed it as well?

Signal that I've missed in Bearish UCRP chapter is being marked with an X, so this signal would probably result with a loss since stop loss would be short.



By the time I'm writing the rest of this text the price has gone on, and we got a new three signals – all new signals resulted in positive trade – let's take a look at the figure.



If we'd stick to the session rules we would be trading only in examples two and three while the signal under number one is given before London opening. As you can see the signals are still highly profitable and precise.

Stop Loss And Take Profit

In this chapter I'll be explaining how should you setup stop loss and take profit limits. You've already concluded that positions are being opened by the closure of second candle in the pattern, thus giving us a confirmation whether the signal is correct.

Considering the Intraday Trading on H1 time frame I'll give you few suggestions that are based on facts and my long experience.

First thing is about stop loss which should span between 40 and 60 pips, maybe even less if you know what you're doing. I've used a lot of different strategies and systems through time, and it proved that stop loss of 40-60 pips is best stuff for intraday short trades. If you're using Candlestick Reversal Pattern and this type of stop, you'll be having about 90% of success in your trades.

Regarding the take profit, my advice is that you set up two take profits: first should be at +20 pips, and second one at 50 pips. On first take profit you close most of the opened position, let's say 70%, while 30% position is left hoping that the price will reach +50 pips of profit. Just consider when closing TP1 in profit that you should move stop loss close to the position opening depending on a market state.

For an example: if you opened the position with 1 lot you should close TP1 (20 pips) on 0.7 lot while leaving the rest 0.3 lot hoping that it'll reach TP2 (50 pips).

If you're an experienced trader and have a profitable strategy and money management, you can use any technique with stop loss and take profit limits to your liking. In examples above I've explained a simple and profitable way of setting up stop loss and take profit limits.

Combining Your Strategy or TA with UCRP

In examples above I've explained the method to open positions based on signal that is generated by this Ultimate Candlestick Reversal Pattern, how to set up right stop and take profit. If you've read it all then you know that by using the signals of our pattern and sticking to the rules and advices will give you a complete strategy that can be used very successfully in everyday trade.

But the main purpose of all patterns (and our included) is to help in deciding during the position opening. When you get convinced in efficiency of this pattern then it's time to combine it with your strategy or some simple technical analysis and get self-confidence and increase the possibility for profitable trade.

Imagine that you own a strategy that generates 60:40% signals, 60% positive and 40% negative. If you'd included a new rule into your strategy, that the signal of your strategy has to even with Candlestick Reversal Pattern, you'd increase the ratio to 90:10% - 90% of positive signals.

To better understand what I'm talking about you'll see in next examples how to combine Candlestick Reversal Pattern with Trendlines, Fibs, Pivots, etc.

My advice is quite simple: combine Candlestick Reversal Pattern with strategy or technical analysis that gives you the best results and you'll thus reduce the number of negative trades which will result in incredible profit.

Trendlines And UCRP

By looking at charts you made a good opportunity to open sell position based on Trendline technique. Take a look at figure below; you've drawn a Trend line while realizing that it's an excellent resistance, the possibility for sell to occur is really big. If you take a better a look you'll notice that our Bearish UCRP announces Trend Reversal, which actually happened; our pattern gave you an extra safety and self-confidence, now you're totally sure that you right about this one.



Thanks to this pattern you open up the sell position and what happens?

Puff.

The best case scenario occurred – the price went in estimated direction.



This is an excellent example how to use our pattern in a right way. If you use Trendlines now you know how to combine the pattern and get that important self-confidence because you need to know what's actually happening in the market all the time so you could be sure that you've made a right decision. If somehow you've made a wrong estimate which results in negative trade, NO BIG DEAL! It's important to know your system and what it does, stick to the rules, and patiently wait for the next signal. When you know that your pattern works flawlessly you don't need to worry at all.

Fibonacci And UCRP

If you know Fibonacci levels well and regularly use Fibo indicators, know the way it works and have good results thanks to the knowledge of Fibonacci levels, it's time to increase the profitability of your "Fibo strategy". Let's have a look at this example.



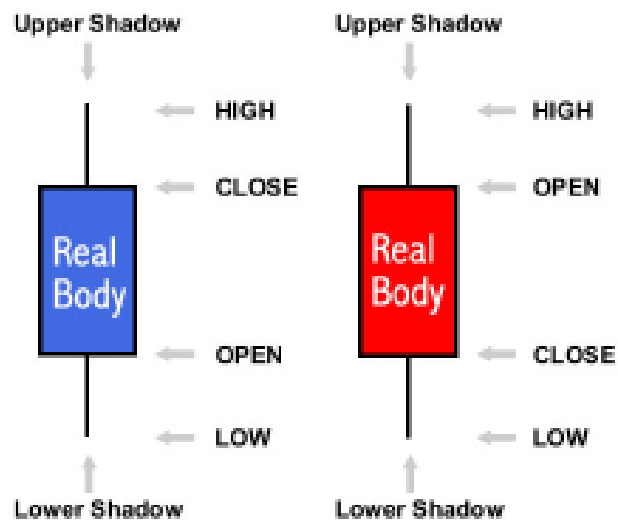
You've made your analysis and you're waiting for the price to come into area that will allow you profitable trades by using the basics of Fibonacci strategy. Example 1: the price reached to 50% of Fibo level – this level represents the turnover; if the price bounces off this level that is usually a strong support and resistance (resistance in this case). What actually happens is that the Fibo level is an excellent resistance, then the Candlestick Reversal Patterns occurs pointing to the change of trend to sell. When you have these two informations you're in a right advantage because you know what to do, after this you open your sell and make profit. All connoisseurs of Fibo levels know that the best chance to open up the position is at Example 1. If you know and use Fibo levels you would make a trade with Example 1, with the confirmation from our pattern which leads you to sure profit. In this example I've only included sell signals of our patterns. The rest signals wouldn't be traded by professional Fibo users.

TA And Candlestick Reversal Patern

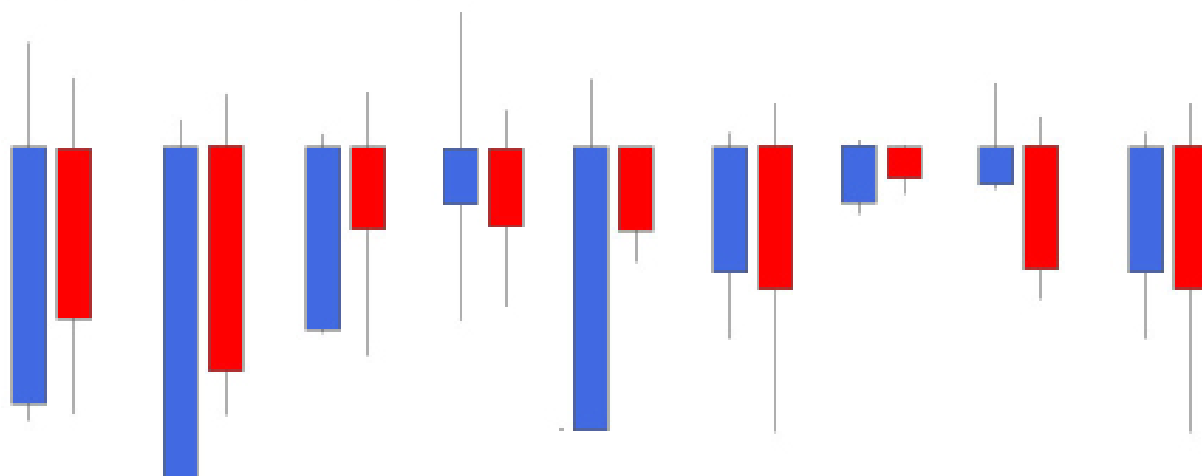
I hope you've understood what's the best way to combine patterns with indicators and other strategies. Any indicator that you use everyday can be combined with this pattern.

If you're a fancier of Pivot Points like me, then this pattern will make it easier for you and increase the profitability of your strategy. The way to combine this pattern with Pivot Point is the same like with Fibs and Trendlines; if the price closes below daily pivot per say, Candlestick Reversal Pattern is formed and you're completely safe that the price will go to sell, etc.

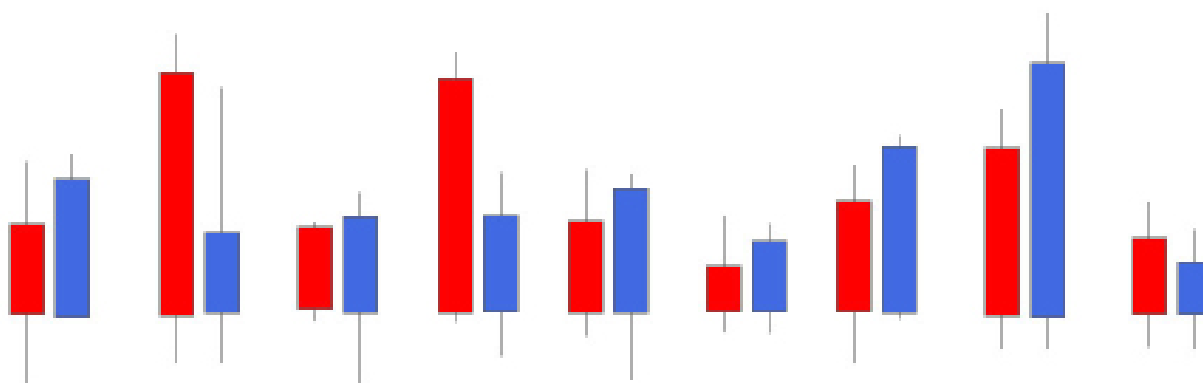
Exaples UCRP



Some Bearish UCRP



Some Bullish UCRP



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