

CTM

CERTIFICATE IN INTEGRATED
TREASURY MANAGEMENT

Session-8 Technical Analysis for Foreign Exchange



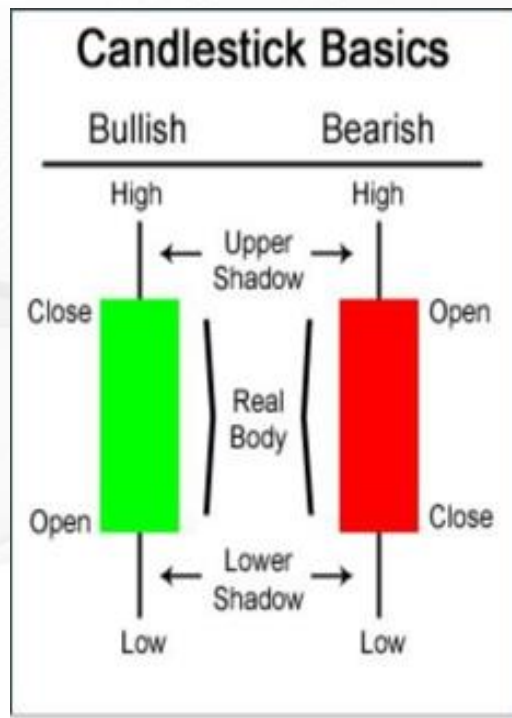
TRADING CANDLESTICK PATTERNS WITH VOLUME CONFIRMATION

TOPICS TO COVER

- Summary of candlestick patterns
- Bullish and bearish patterns
- Using volume as confirmation
- Trend reversals
- Trading Strategies
- Questions

CANDLE 101

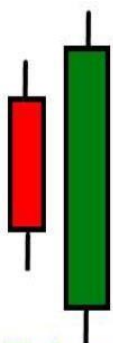
Candle basics:



SUMMARY OF CANDLESTICK PATTERNS

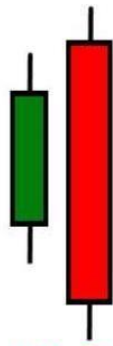
Have you ever read a book on technical analysis or watched a video on candlestick patterns?

If so you prob saw an image like this...



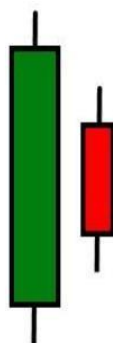
Bullish engulfing

Bullish pattern where there is a lot of momentum in favor of price rising



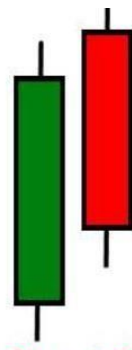
Bearish Engulfing

Bearish pattern, where there is a lot of momentum in favor of price falling



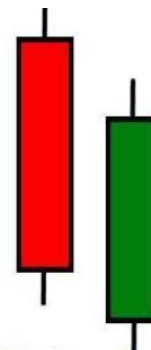
Harami

Neutral pattern where price is being pushed into a tighter range and will breakout soon



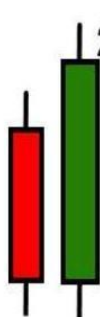
Dark Cloud Cover

Bearish pattern where price acted like it was continuing upwards but then reversed



Rising Sun

Bullish pattern where price looked like it was going to continue down and then moved up



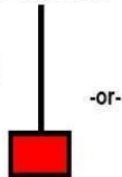
2 Lows High Close

Pattern could be bullish or bearish depending on context



2 Highs Low Close

Pattern could be bullish or bearish depending on context



Hammer or Pin

signals a reversal when the wick sticks out way past the surrounding prices.

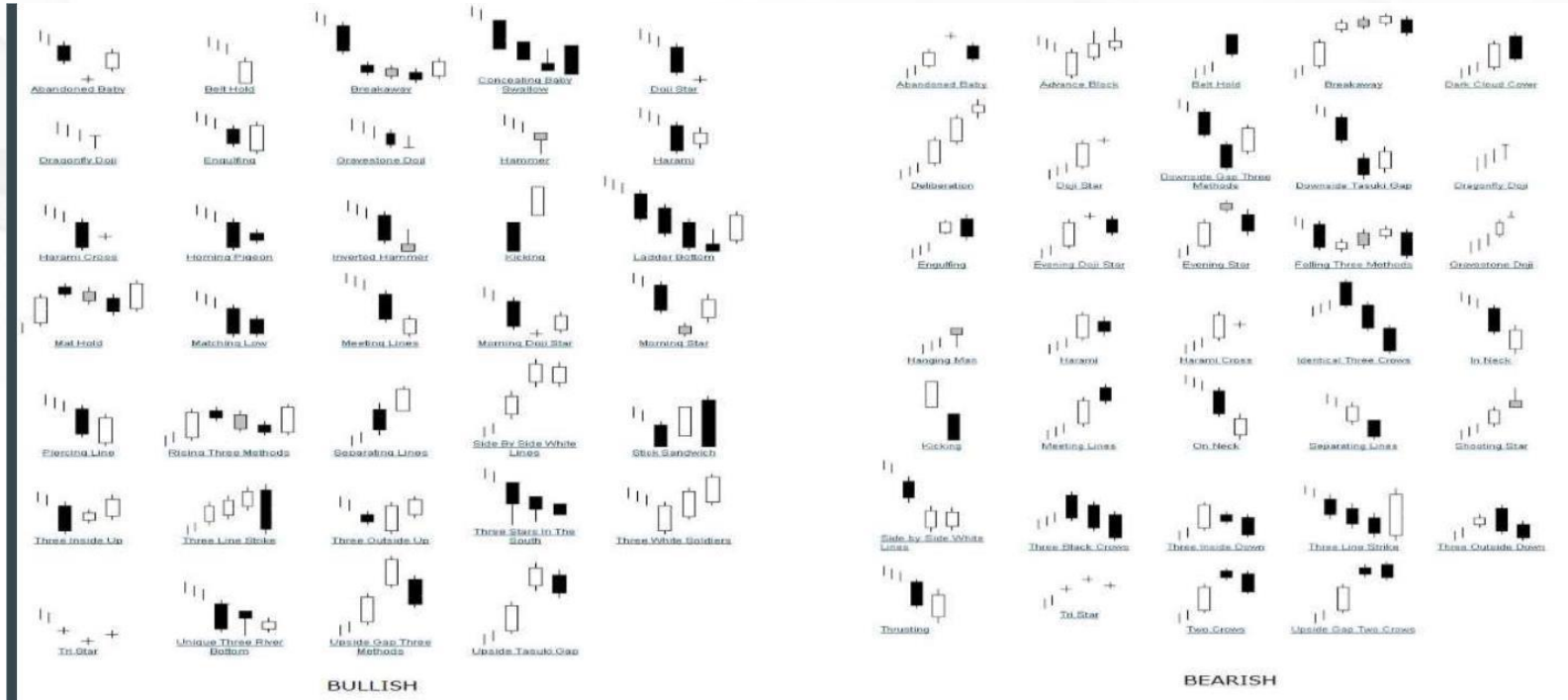
Price tried to go higher and was rejected



Doji

A neutral pattern which could have different meanings based on context

SUMMARY OF CANDLESTICK PATTERNS



SUMMARY OF CANDLESTICK OF CANDLESTICK PATTERNS

Thankfully this presentation isn't going to cover each one of these patterns. Sure it's fun to use trader lingo and recognize each name associated with candlestick patterns.

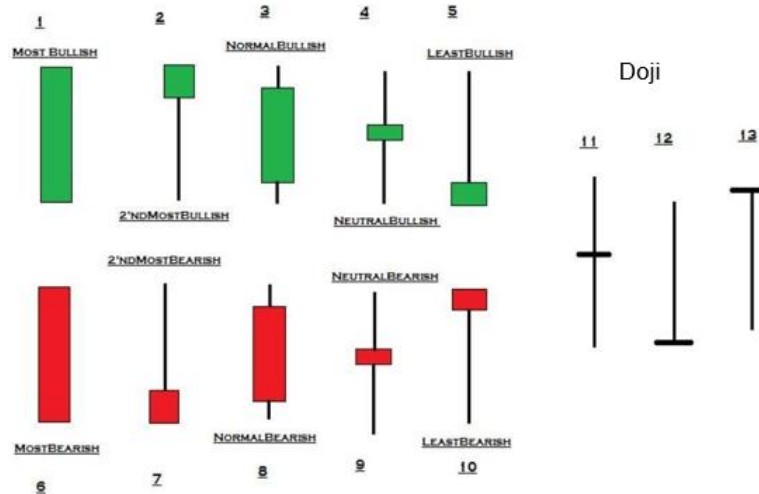
But I want to focus on simplifying these patterns to make \$\$\$



BULLISH AND BEARISH PATTERNS

Bullish and bearish patterns

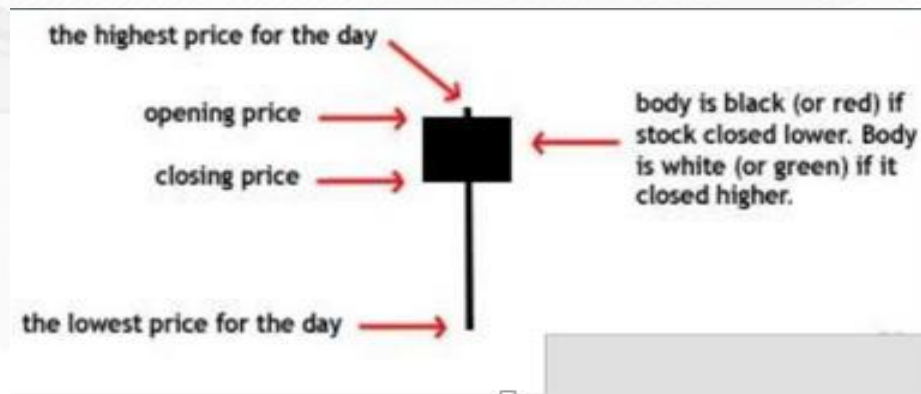
To simplify:



HAMMERS

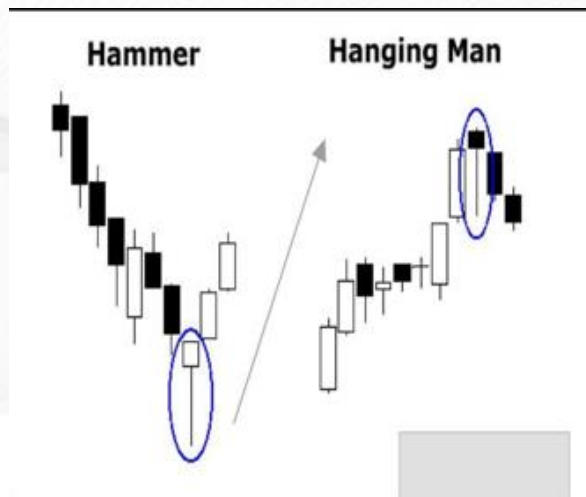
My favorite candlestick pattern is the Bullish Hammer.

Why? Because it is the first signal of a trend change with buyers coming in propping up the price from the lows.



HAMMER

Yes the Hammer and Hanging Man look similar. I want to focus on Hammer patterns signalling a reversal in trend. For example: Downtrend, Hammer candle, reversal signalling a trend change.



HAMMER

I believe the Hammer is the most powerful candlestick pattern to look for in trading. Especially if I see a hammer followed by a positive candle confirming a direction change.



HAMMER

Test: Hammer in a downtrend = Bullish trendchange



SHOOTING STAR = BEARISH

My favorite bearish candle is the shooting star. You may have heard the term inverted hammer but for these example I want to look at BEARISH set ups signalling a trend reversal to the DOWNSIDE.



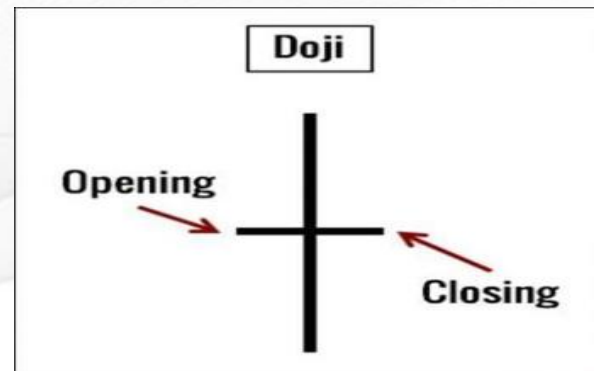
SHOOTING STAR

Since I am now looking for a bearish trend change. I want to be the first one in the trade. The shooting star is my favorite bearish candle to look at indicating sellers driving down price.



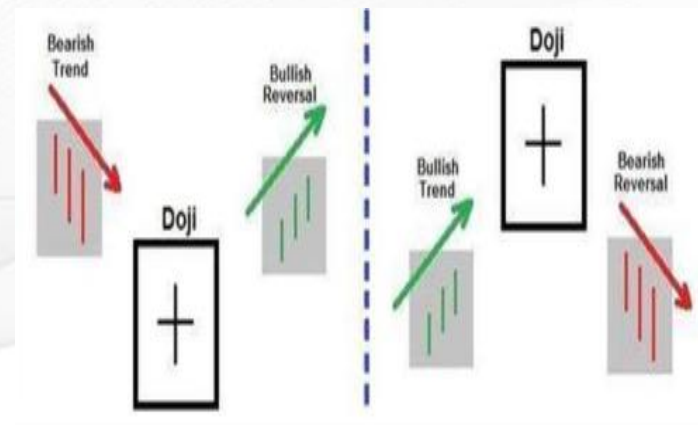
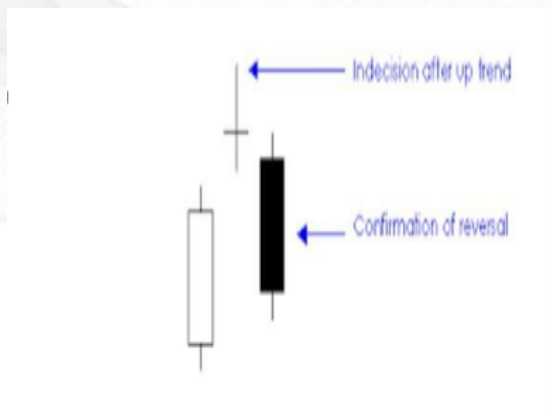
DOJI = INDECISIVE

My other favorite candle is the Doji Pattern. A doji is the stock opens and closes at the same level meaning indecisiveness. Buyers and sellers don't know what to do! I think of an tug of war game.



DOJI

When I see a Doji pattern. I will look at the following candle to see who wins the tug of war battle. This will confirm a direction bias. For example:



VOLUME AS CONFIRMATION

- The number 1 rule with all these candlestick patterns is VOLUME!
- I have to see an increase in volume with these candlestick patterns to CONFIRM a trend change!
- Volume must be greater than the previous candle to confirm a trend change when I see a Hammer, Shooting Star, and Doji. Without an increase in volume I will fade the trade!

VOLUME CONFIRMATION BUY SIGNAL

Dow futures: Hammer candle on volume spike followed by positive candle.



Hammer Buy Signal



Volume Confirmation Sell Signal



Volume! Volume! Volume!

I want to see VOLUME! On the candlestick pattern and ideally on the following candle. Think about it buyers and sellers are coming in with a demand in stock price. Volume spikes therefore indicating aggressive buying and selling.

Remember big institutions have the ability to trade in aggressive size if there is an demand. As a trader I want to follow those big institutions and trade on the side with them!

Time frames

Yes this same strategy applies to ALL time frames. Weekly, Daily, Hourly, 30, 15, 5, 1 minute charts. As long as the criteria is met with an increase demand in volume on the candlestick pattern.

Along with any instrument Stocks, Futures, and Foreign.

Time frames



Time frames





Trading Strategies

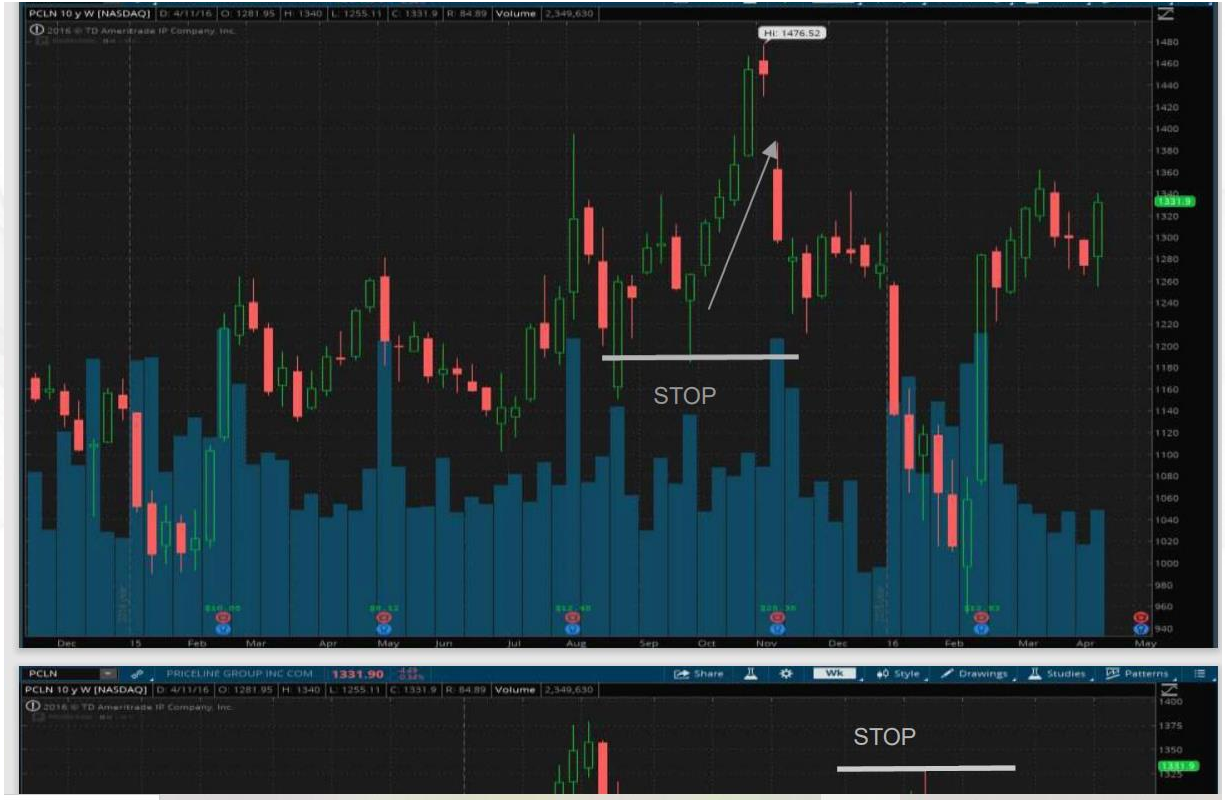
Remember this is an aggressive strategy! Being on the front line trying to catch the very beginning of a trend change. We are going against the normal set trend and believe the trend will reverse in the direction. With that risk also comes great reward.



Trading strategies

To eliminate risk if I am going long I will put my stop below the previous candle. If I am getting short I will put my stop above the previous candle.

Example: Next slide







Thank You