**Frontline FX:**
Key Candlestick Strategies for Profitable FX Trades

**Candlestick Essentials and Beyond for FX**

**What Are the Benefits of Candles?**

- Easy to Understand
- Early Reversals
- "Safety First"
- East + West
- All FX markets
- All Time Frames
- Accelerates Analysis

**Benefits of FX**

- Current volatility in FX very high.
  Especially good time to trade
- Almost purely technical
- Largest financial market
- No "insider" information
- Longer running trends
- Far fewer instruments
- Trade all hours while the market is open
  (5 ½ days a week)
- Trade just as easily in up or down markets
- Provides an alternative
- Easy entry: $50 minimum account size

"Forex trading is highly speculative in nature and Forex market should only be conducted with risk capital you can afford to lose"
Nison Candlesticks for FX

What you will learn:
Part 1 - Nison Candlesticks for FX
- Quick review of candlestick essentials
- Doji essentials
- Using real bodies to gauge force of trend
- Importance of shadows
- Correctly using single, double and triple candlestick patterns
- Avoiding “Profit Leakers”
- Helping to avoid buying on false breakouts
- Candlestick pattern variations for FX
- When to use a candlestick signal for a new trade and when to use to exit an existing trade.
- Using candlesticks as protective stops
- Importance of short term trend

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What you will learn:
Part 2- Nison Candlesticks + Western Indicators

- Using candlesticks + West for increased trade confidence
- Candlesticks with moving averages
- Candlesticks with Bollinger Bands
- Candlesticks with trendlines
  - Change of Polarity
  - Falling off the Roof
  - Crack and Snap
- Candlesticks with Oscillators
- Candlesticks with Retracements

What you will learn:
Part 3- Nison Candlesticks + Trade Management

- Candlesticks in context
- Adapting to the market
- Candlestick confirmation
- Steve’s most important trade management rule
- Avoiding #1 mistake made by FX traders
- If… Then trading rule
- Importance of Trend
- Adapting to the Market
- Identifying if support/resistance is strong or weak

FX Profit Leaker

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**Benefits of Nison Candlesticks**
*Simple to use*

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The Framework:
Analyzing Real Bodies and Shadows

JAPANESE PROVERB

“Without oars you cannot cross in a boat”

ANATOMY OF THE CANDLESTICK LINE
Reading the Market's Message

Using the data below, draw the candlestick lines and then analyze what each candlestick line says about who's in control of the market.

<table>
<thead>
<tr>
<th>session</th>
<th>open</th>
<th>high</th>
<th>low</th>
<th>close</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>22</td>
<td>26</td>
<td>21</td>
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<td>2</td>
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<tr>
<td>5</td>
<td>27</td>
<td>27</td>
<td>24</td>
<td>24</td>
</tr>
</tbody>
</table>

Nison Power Concept

Use candlesticks to read market psychology

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TALL CANDLES

"The Real Body is the Essence of the Price Movement"

Who’s in control?

SMALL REAL BODIES (ALSO CALLED "SPINNING TOPS")

Basic Criteria:
Small real body - black or white

Market Implication:
Immediately preceding trend losing momentum.

Who’s in control?

READING THE MARKET’S MESSAGE

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DOJI

Basic Criteria:
- Market in up or down trend
- Open and close prices are the same (or nearly the same)

Market Implication:
Market at a point of indecision

Doji = Caution

CANDLES GIVE YOU TWICE THE INFORMATION AS A BAR CHART

Candles, like a bar chart, shows price – PLUS candles reveal the force of the current move
What does this bar chart say?

Holding the highs very well so looks fine

Saved by the light of the candles!

Who is in charge at the green arrow sessions?
Warren Buffet’s Rules of Money Management

Rule 1 – Not to lose money
Rule 2 – Don’t forget rule 1

One of the Best Ways to Make Money.....

What are the candle signals at the new highs?

Candles and early reversals
Doji compared to spinning tops in FX

Reading the Market’s Message

What is happening at the 1.25 area?

Using candles only to enter a trade
Candles to Exit

Doji to lock in profits

What is the Market Telling Us?
Use Nison Candles to Read the Markets Message
NISON CANDLES GIVE YOU X-RAY VISION

Think this market had trouble near 91.90?

A doji does not mean the market will go down
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

Doji as resistance

Doji as Resistance
Is there a trend to reverse?

- Doji in a “Box Range” is not a trading signal

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Candles in Context of Trend

Isn't this doji in a trading range?
Doji in context of trend

Analyze these doji in the context of what happened before. Are any of these a more likely reversal and why?

A

B

C

FX Profit Leaker

Ignoring shadows
Reading the Message of the candle line

The longer the real body the stronger the momentum.

The relative size and position of the shadow displays the extent of price rejection.

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.

Bull shadows

Long lower shadows reflect where market rejects lower levels.
Bull shadows reinforce support

Bearish Shadows

Bear shadows and lower highs
**The Hammer**

**Basic Criteria**
- Market in a downtrend
- Small real body (either color) at, or near, top of range.
- Lower shadow at least 2x height real body

**Market Implication**
“A chance to buy at the bottom”

**Support or Resistance**
Low of hammer as support
Quickly reading the “Mood of the Market”

Hammers confirming support

Dual hammers

Dual Hammers
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**DUAL HAMMERS - EXPANDING ON A BASE**

**Hammer at a higher low**

**Hammer to Enter - Doji to Exit**
Did this hammer work?

If this was target, then yes

If this was target, then no

FX Profit Leaker

Not taking short term trend into account

NISON TRADING PRINCIPLE

A candlestick line or pattern requires two criteria:

• The shape of the line or pattern
• The preceding trend
Hammer Shape Wrong Trend

Introducing: 
Nison Candle Highlighter for MT4

With 28 Nison Certified Candlestick Signals

Is it a valid Nison candle?

nisoncandlescanner.com/mt4/
Not taking advantage of a candle’s support or resistance area

Hammer as support

Increasing confidence factor

Hammer and building a base
The market will often retest the lower shadow of the hammer.

Patience to lower risk

Expanding on a base
Which three prices of the session are on the high?

Hammer your way to profits

The Inverted Hammer

**Basic Criteria:**
Same shape as Hammer but market in downtrend

**Market Implication:**
In theory, potential bottom reversal

**Support or Resistance:**
Not used as support
Evolution of Charts:
The 2ND Dimension

Evolution of Charts:
The 3rd Dimension

The Shooting Star

**Basic Criteria:**
- Market in up trend
- Small real body (black or white) at, or near, bottom of session
- Upper shadow at least twice height of the real body

**Market Implication:**
Potential top reversal

**Support or Resistance:**
High of signal as resistance
These are NOT shooting stars!- Why?

Dual shooting stars

Looking at the stars
“Trouble Overhead”

Think the £ had trouble here?

THINK THE £ HAD TROUBLE NEAR 1.7040?

If I had only seen this!

Shooting Star confirms resistance
Increasing the confidence of your trade

Shooting Star shape – wrong trend

Gravestone Doji

Which three prices of the session are on the low?
What happened during the session and by session’s end?
Gravestone Doji

Close under m.a. support area but note how we got an earlier reversal with the gravestone.

25 day moving average

Shooting Star near resistance
Importance of correct knowledge

**The Hanging Man**

**Basic Criteria**
- Same shape as Hammer but market in uptrend

**Market Implication**
- In theory, potential top reversal

**Support or Resistance**
- Not used as resistance

“If it appears from below, buy. If it appears from above then sell.”
There must be bearish confirmation for the hanging man. This means waiting for an open— or even better—a close under the bottom of the hanging man’s real body.

Hanging Man with bear confirm

Hanging Man without confirm
**Hanging Man without confirm**

**High Wave Candle**

- Shooting star
- Hammer

**High Wave Candles**

Criteria: very long shadows and lower small real body - color not important
Implication: Trend is losing force
Long Legged Doji – “Rickshaw Man”

Criteria: very long shadows and lower small real body - color not important
Implication: “Market has lost its sense of direction”

High Wave Candle

High Wave candles

Market is confused
What we learned so far:

- Review of FX and candle benefits
- Using real bodies to gauge force of recent move
- How candles can preserve trading capital
- How candles can be used not only for early entries, but also for exiting
- Shadows as part of your candle analysis
- Importance of short term trend to define candle signals
- Single candle signals
- Why the hanging man and inverted hammer need price confirmation
- Using candles as support or resistance

“Combinations of bullish and bearish candle lines indicate the direction of the market and investors psychological conflicts at important turning points.”

Non FX Bullish Engulfing Pattern

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

Bullish Engulfing Pattern
Bullish Engulfing Pattern

Getting into the market before it makes its move
Bullish Engulfing Pattern as Support

FX Profit Leaker

Candle signals do not predict what will happened the next session
**Power of Education**

**Non FX Bullish Engulfing Pattern**

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

Implication: “Bulls have been constrained”

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**FX Bullish Engulfing Pattern**

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

Implication: “Bulls have been constrained”
Bearish Engulfing Pattern as resistance

Engulfing Patterns compared to Outside Reversal

Western Outside Reversals

Chart courtesy of Genesis FT
Bearish Engulfing near resistance

Reading the Market's Message: Quickly and Accurately

Engulfing Patterns

For engulfing patterns, the second real body does not have to wrap around the first candle's shadow
Engulfing Patterns

Bullish

Bearish

Both are Bearish Engulfing

Bullish Engulfing Pattern
Misinformation can cost you

This mistake would have cost you 50 to 150 pips!

Is it a valid Nison candle?

Not Bullish Engulfing Pattern!

FX Chart Challenge

1. What gave us a hint bulls losing force during rally?

2. What pattern is this?

3. What candle signals gave a hint the market was basing out even before the bullish engulfing?
**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”

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**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”

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**Dark Cloud Cover**

Chart courtesy of Genesis FT
Dark Cloud Cover

Close - open 1 pip

Didn’t get deeply into white candle

Dark Cloud Cover as Resistance

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**Dark Cloud Covers**

*Chart courtesy of Genesis FT*

**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"

---

**Dark Cloud Cover as Resistance**

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**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”

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**Piercing Pattern**

Chart courtesy of Genesis FT

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**Piercing Pattern Confirming Support**

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Piercing pattern at support

- 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'

Piercing Pattern as support

Non Forex Harami

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'
### Forex Harami

**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"

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**Bear Harami**

[Chart of Bear Harami]

**Bull Harami**

[Chart of Bull Harami]
**Bull Harami**

GBP/USD: British Pound/US Dollar (Daily bars)

**Harami**

**Harami confirms resistance**

Chart courtesy of Genesis FT
Candles in Context: Increasing your confidence

**Non FX 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

**FX 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
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Morning Star Confirms Support

Morning Star variation

Morning Star at support
Evening Star as resistance area

Windows

- Go in the direction of the window
- Corrections stop at the window

Corrections stop at the window

A rising window is support
**Corrections stop at the window**

A falling window is resistance

![Diagram of a falling window with a resistance zone marked]

**Large and small windows**

Large and small windows with a large window having the bottom of this window as pivotal support.

![Diagram of large and small windows with annotations]

**Small Window**

![Diagram of a small window with annotations]

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Windows

Closed over resistance

Closed under the window’s support

Breaks the rising window’s support area

Windows
How education saves you money

Bearish engulfing pattern, but you must not sell here!

How it all comes together – The highs in the NASDAQ

1- Rising Resistance Line
2- Shooting Star
2a – Bearish Engulfing
3- Falling Window
4- Bearish Divergence
5- High-Wave Candle

Benefit #1
Leverage
**Scenario 1 – buy at hammer**
- Mkt @ $395: 400 call @ $11.30
- Exit at doji (red arrow 13 days after hammer) mkt @ 447: 400 call @ $47.50 (320% return)

**Scenario 2 – buy based on MACD**
- Mkt @ $418: 420 call @ $13.45
- Exit at doji (5 days later) mkt @ 447: 420 call @ $31.20 (132% return)

Result: Nison candlesticks generated over 2x the profit!
What signals hint of a reversal?

Chart courtesy of Genesis FT

What are the candle patterns at 1 and 2 and what do you say about them

Name the reversal signals at resistance near 1.4950 (remember this is FX so we are more flexible with the patterns) at 3 and 4

What patterns are at 1, 3, 4? Of those four patterns which are the best trade candidate and why?
What we learned so far:

- Effectively using double and triple candle patterns including:
  - Engulfing pattern
  - Dark cloud cover
  - Piercing pattern
  - Harami
  - Stars
  - Windows

- How each of these patterns is different in forex compared to non-forex markets

- Chart Challenges