The Bobble Pattern

High Profit Candlestick Pattern Results

Candlestick analysis provides the opportunity to be in a high profit/high probability trades setups based on one simple factor, human emotions. It's based on the reoccurring aspects of human emotions that occur over and over. Knowing what should occur, based on what is expected following a candlestick signal and/or price patterns, produces two major factors for being in a profitable trade. First, it optimizes the timing for being in a profitable trade. Second, the trade result profitability will usually be much greater in magnitude than merely an up-trending or down-trending price move.

The Bobble pattern is an extremely high profit pattern setup. It is developed with very simple logic based on clear visual candlestick analysis. It is essentially a J-hook pattern with easy to identify added criteria. Common resistance levels are utilized. The T-line acts as a support confirmation.

The J-hook pattern provides a very high probability result. With the added visual setup that the Bobble pattern provides, the probabilities of a profitable trade becomes dramatically improved.

The Bobble pattern utilizes additional indicators that enhance the probabilities of a J-hook pattern. These can be clearly identified using the graphics of candlestick signals. The bobble pattern has very simple visual elements.

1. An uptrend has been in progress, approaching a major resistance level.

2. A candlestick sell signal appears at the resistance level.

3. The uptrend reverses but usually in an indecisive manner, illustrated by indecisive candlestick formations.

4. Usually the T-line acts as a support, limiting the pullback.

5. Additional buying is witnessed, approaching the initial resistance level a second time.

6. A breakthrough of the resistance level now forms a strong upside potential, the J-hook pattern.

The Bobble pattern merely utilizes the results of investor sentiment when a bullish move finally reaches a major resistance level, usually the 50-day or 200-day moving average. Because candlestick signals illustrate investor sentiment, the analysis of what is occurring when a price move finally reaches a potential resistance level is relatively easy to identify. This is not a difficult process to understand. As a price starts moving in an upward direction, most investors have an anticipated target. The target is usually a major moving average or trend line. When the price hits that target, it becomes a high probability level for profit-taking to occur. The candlestick investor can see whether profit-taking is occurring at a major resistance level

based on the appearance of a candlestick reversal signal. Obviously, that becomes the appropriate place to take profits.

However, simple logic dictates that, although there may be profit-taking at the first major resistance level, that doesn't necessarily mean the price trend is over. That is where identifying the Bobble pattern becomes an extremely profitable trade setup.

Obvious Resistance Levels

Profitable trading involves taking profits when the candlestick signals indicate a reversal is occurring, especially at a major resistance level. But be prepared to re-enter the trade if the price comes back up through the resistance level. This is exactly what a Bobble pattern demonstrates.

Trend approaches Resistance

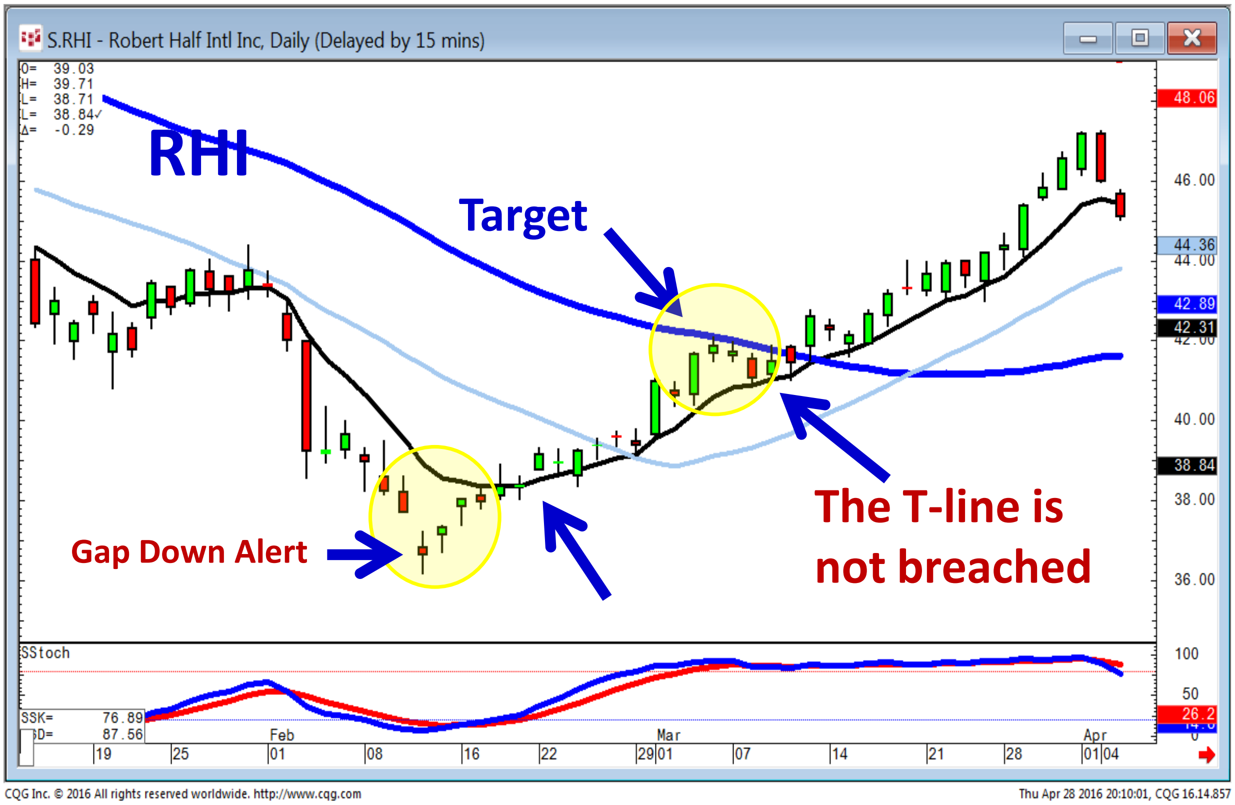
The RHI chart illustrates the effectiveness of analyzing a reversal and a trend. The Japanese Rice traders provide the graphics of what occurs in human nature. Where do most people sell? They panic sell at the bottom. The next major rhetorical question most investors ask is "Where do you grab for a falling knife?" Candlestick investors have the benefit of knowing where there is a change of investor sentiment. The gap down in the oversold condition is the first alert of a bottom. The Doji shows the potential of a reversal. The positive trading the following day, especially with stochastics in the oversold condition, provide a high probability that there has been a reversal in investor sentiment. Where was the first potential target? The T-line! When the

price moved up through the T-line, the uptrend was further confirmed. The next target becomes the 50-day moving average.

The 50-day moving average becomes the next likely target because everybody has the 50-day moving average on their charts. The assumption is that the 50-day moving average has the potential to act as a resistance level. The advantage for the candlestick investor is being able to witness what type of investor sentiment/candlestick signals will occur at the resistance level. That is the likely level for taking profits.

If a candlestick sell signal, the Doji's, are confirmed with bearish confirmation, that is the appropriate level to take profits. Keep in mind, the top priority for analyzing candlestick reversals is the signals themselves. Everything after that provides additional confirmation. But before giving up on this trade after taking profits, the uptrending T-line remains in the trend evaluation.

Obvious Resistance



After taking profits at the target level, upon seeing the Doji's being confirmed with selling, the T-line becomes an important trend indicator. A failure of closing below the T-line keeps one's simple candlestick analysis rule in effect. As long as there is not a candlestick sell signal and a close below the T-line, the uptrend remains in progress. Upon witnessing a close below the T-line, the expectation now becomes the potential of a Bobble, another attempt to come up through the 50-day moving average. This allows the candlestick investor to be back into the trade knowing there is a high probability that a J-hook pattern is now in progress.

Being aware of what investor sentiment does at resistance levels, as well as what price patterns investor sentiment usually produces, makes the Bobble pattern a very effective entry/exit trade timing criteria. As illustrated in the HUN chart below, it allows an investor to exit upon seeing a potential candlestick sell signal occurring at a resistance level. This allows for utilizing investment funds in more beneficial places while a likely pattern is developing.

Where will profit taking occur?

The indecisive trading below the 200-day moving average and in the T-line area demonstrates there is not any powerful selling, but also not any reason to be buying. However, the indecisive formations at

the T-line area becomes an alert that a Bobble pattern may be in progress. The profitability of trading this uptrend becomes dramatically enhanced when the price shows that it is going to close above the resistance level. This keeps the candlestick investor from sitting in a trade for a couple of weeks, not knowing whether the trend was going to continue up, down, or sideways. The uptrend confirmation was witnessing the close above the 200-day moving average.

Japanese Rice Traders' Observations

Investor sentiment is graphically illustrated in candlestick charts, with the Japanese rice traders illustrating and describing what is occurring over and over and investor sentiment. Knowing investor sentiment creates high probability price patterns, the candlestick investor can be entering trades knowing the probabilities are greatly in their favor.

Anticipating

The Goodyear Tire chart shows the appropriate time to take profits. The Bearish Engulfing signal forming right at the 200-day moving average immediately indicates the 200-day moving average is acting as a resistance level. Take profits! However, the daily formations, Doji type days, illustrate there is not great conviction in the selling. Being able to see this indecisive trading supporting at the T-line provides valuable information. A Bobble pattern may be in progress.

The aggressive investor can be buying, upon seeing the support at the T-line and bullish trading back up through the 50-day moving average, creating the possibility of a Bobble pattern. At least the next likely target should be the 200-day moving average.

One of two things is going to occur if/when the price approaches the 200-day moving average. If it goes through, the J-hook/Bobble pattern is in progress. If another sell signal appears at the 200-day moving average, it can be assumed the 200-day moving average is continuing to act as resistance. Close out the trade.

This analysis is based upon the expectations of price patterns.

Expectations

The DERM chart produces the potential for a high probability/high profit trade. Knowing what should occur from here provides high probability entry strategies. Whether buying stock or the options, entering a trade can be done at the most optimal levels. What would

create the entry of this trade? Witnessing bullish participation, bringing the price back up through the 200-day moving average, the recent resistance level.

The Bobble pattern is very visually effective. It adds resistance and support criteria that dramatically improves the development of a J-hook pattern.

Expected results

Utilizing the combination of candlestick sell signals and buy signals at important technical levels greatly enhances an investor’s probabilities of being in a correct trade. Additionally, candlestick price patterns put investors into situations where the uptrend is not only a high probability, but the expectation of that uptrend is going to produce higher profit potentials.

Knowing what should be expected from candlestick signals and patterns allows investors to take advantage of the high profit situations at the most optimal points.