Quick Introduction:

This document will cover a regularly occuring setup that Drat and I use daily. This setup doesn't require any daily bias or any type of previous analysis. However, this can add to the setup and make it stronger. I will discuss the setup in-depth and then use images to show examples. This document does not go over other tools that could be used in conjunction with this pattern. That will be the topic of discussion in future documents.

The Heikin Ashi Candle

In short, the Heikin Ashi candle can be utilized to indicate strong trends. It allows you to filter out periods of chop and focus on following the trend. This is the foundation of the setup. If you do not use Heikin candles, you cannot follow this.

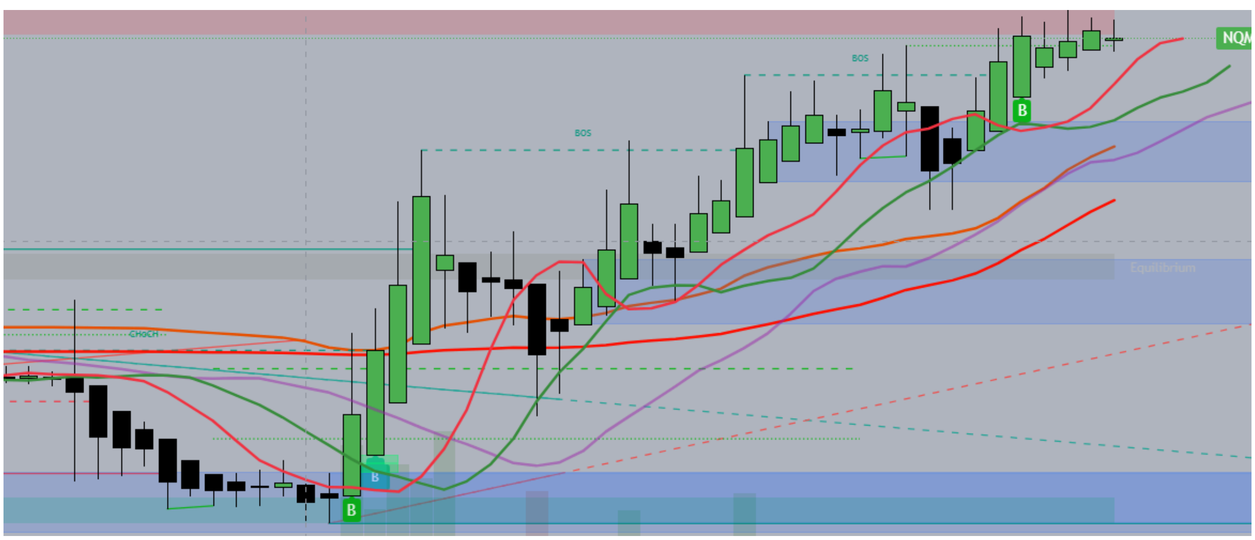
The reasoning behind this is that Heikin candles are stubborn to change. Hence, when they do, the price is turning course.

[Click here to learn more about Heikin Ashi Candles]

(Sneaking in a bit of copywriting)

Heikin Candle Trend

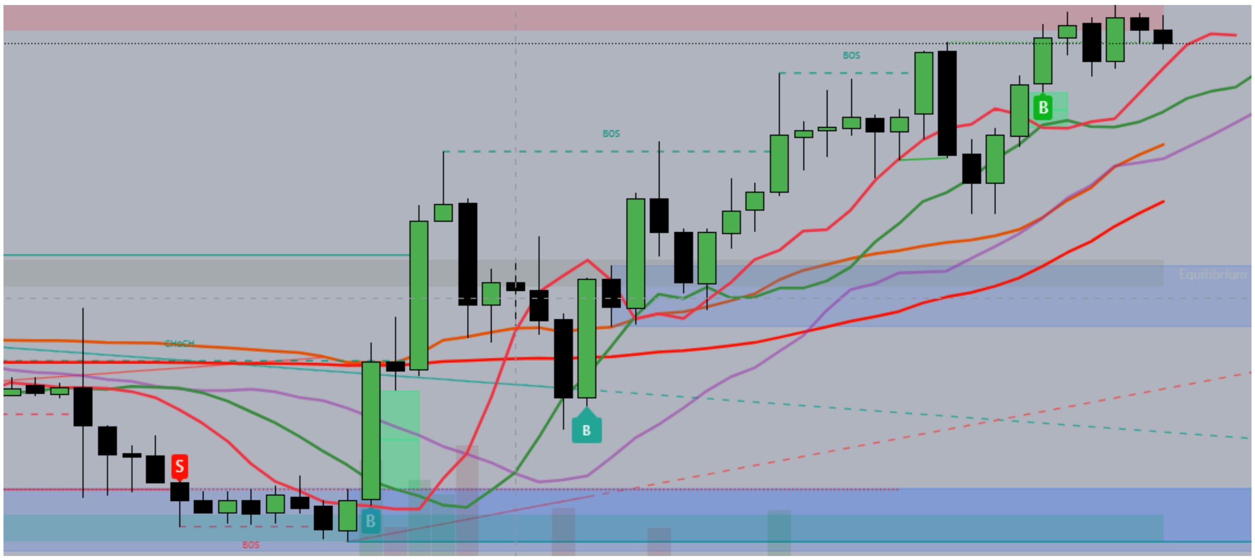
Very clear higher highs and trend direction



Normal Candles

Harder to dictate entry

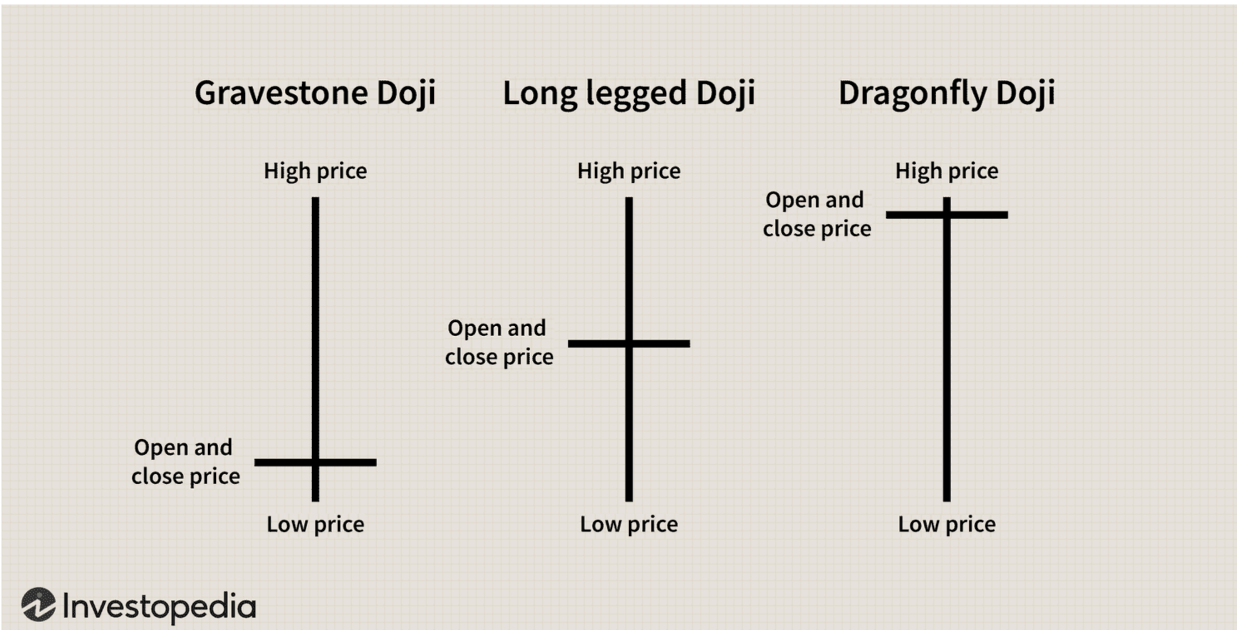
Unsure where the trend is actually going



Doji Candles

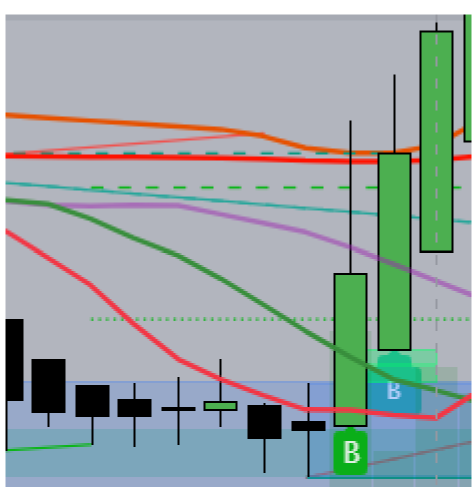
If you've been in the real world for a while, you should know what a Doji Candle is. In case you don't, it is just a candle that has a very similar open and close.

Ex:



Even though doji candles are important on a normal chart, with heiken ashi chart they take on added importance With heikin candles mixed with correct parameters and volume, they show a battle taking place between bears and bulls. It means that the once leading side is losing steam and will soon relinquish control.

Example: In the scenario below, you can clearly see that bears (black candles) have dwindled and dojis begin to form. After the final doji, the price skyrockets to the upside leaving you with heavy pockets.



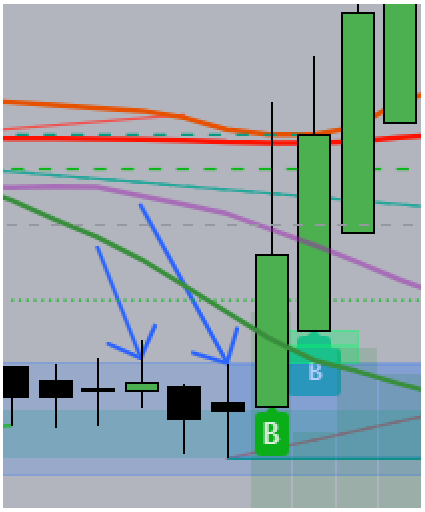
The Setup

If we go ahead and put our knowledge of heikin candles and dojis together, we're left with a setup that occurs every single day (this doesn't mean you have to trade it every day).

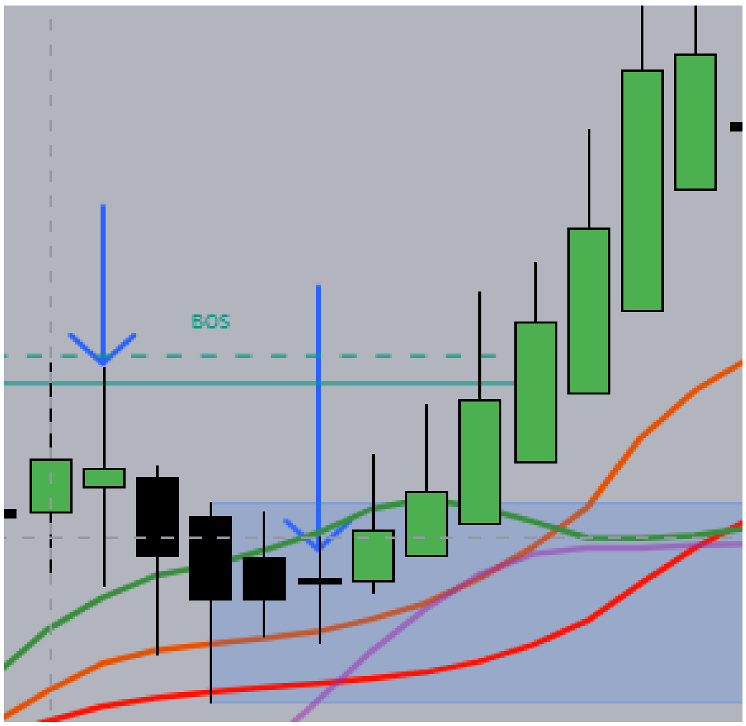
What we are aiming to do is catch a break in the current trend or a reversal. We can do it by watching for the candles to begin to doji during high-volume hours. We then enter in the direction that the doji is heading towards. We're looking for a displacement after entry, if we don't get it, likely the price will continue to follow the previous trend or consolidate.

Example:

In this scenario, we have the first bullish doji, a safe entry would be waiting for the next candle to break its high. We don't get it so we wait, the second Doji candle's high is broken by the following candle, so we would enter long and place our stop 1-2 ticks below the Doji candle. Our target would be a MA above or a key level that you've highlighted or taken from prof



Example: In this example the first doji candle would be a short entry since the following candle made a lower low, however as time progresses we find out that this drop was a higher low. This is okay and natural in the markets, when this happens you would exit your short and re-enter long on the second doji candle with your stop right below it



Extra Examples With Execution

(Still being added to)

Conclusion

This is a very basic guide to this setup. The goal isn't to have you guys utilize it immediately to become rich. The goal is to have your brain begin to recognize these patterns in the chart so that you become more confident in the direction price will go. The best thing for you to do after reading this is to go into the charts and find examples of where this works and why and where it doesn't work and why. Try adding different things to help you with targets and confirmations like MAs and Trend Lines.

If you have any questions feel free to ask me or Drat in the chats and we would love to help. We want to see everyone succeed and get the life you deserve

Much Love,

Matthew