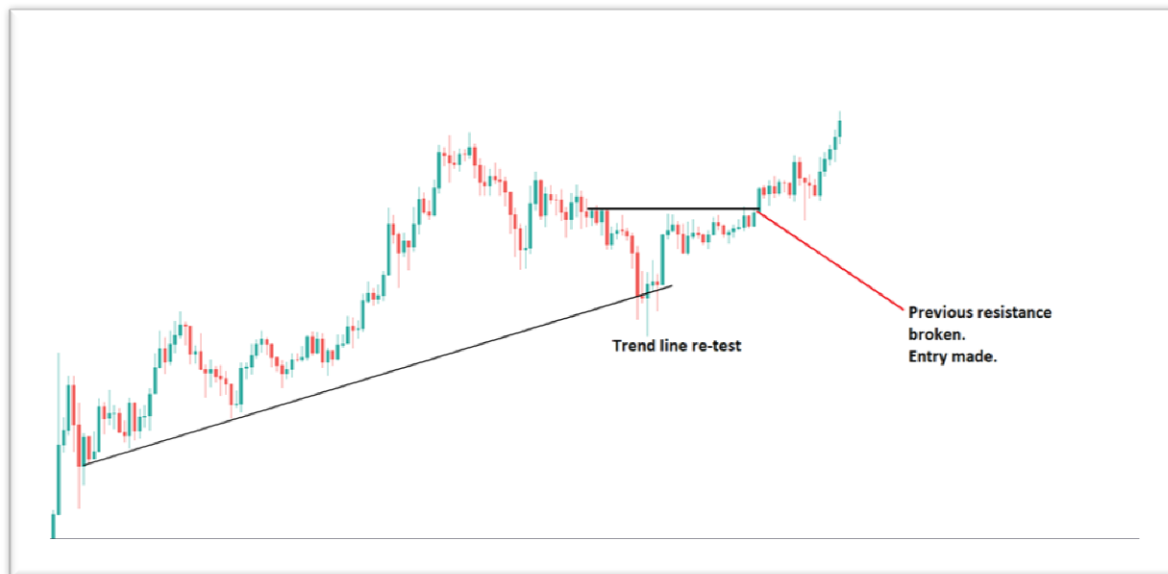


## Getting in and out of a Trade using Technical Analysis (TA)

Before entering a trade, you need to determine 3 things.

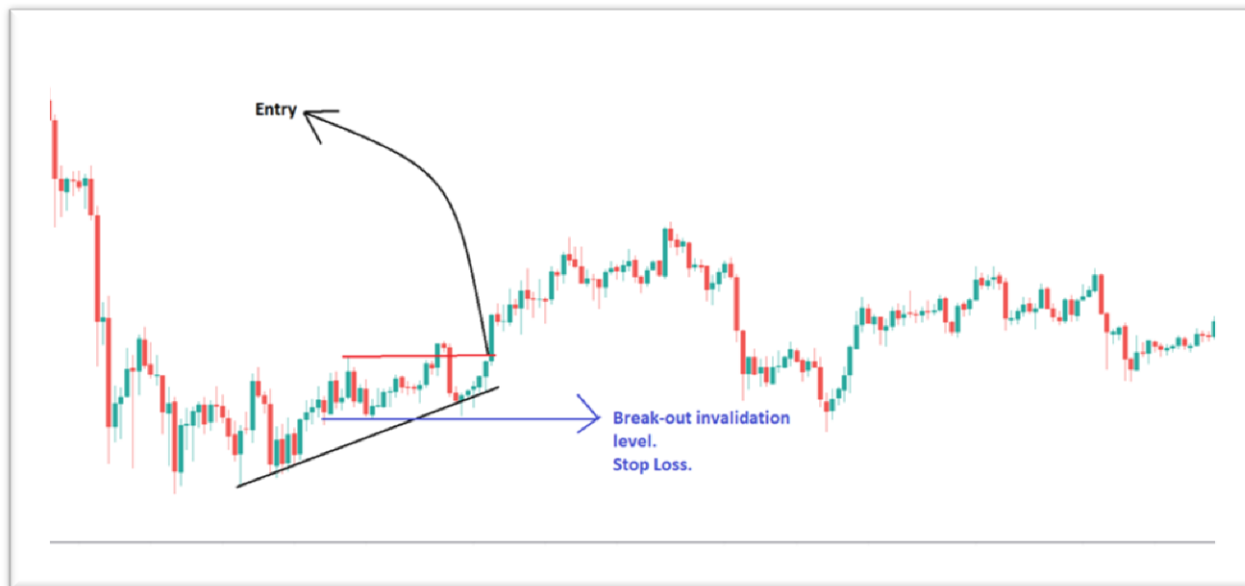
- 1) An Entry trigger based on TA
- 2) A Defined Stop Loss based on TA or (-3%-5%)
- 3) A target price based on TA

A Confluence is a higher probability trade and a generally a safer entry. Example of an entry trigger.



### 2. Stop loss

The price in the opposite direction of the trade where the trade is exited, at a loss. At this level, the reason for the entry becomes invalidated according to TA and the price can then move in the opposite direction, probabilistically.



### 3. Target

Target is the possible price level that the asset might touch based on previous trends or confluence AND where a possible reversal could occur. Target is the next path of least resistance from where the price might reverse.

Support (Low price) and Resistance (current high price) and Volume (Trend)

We will always ONLY use TA to determine all 3.



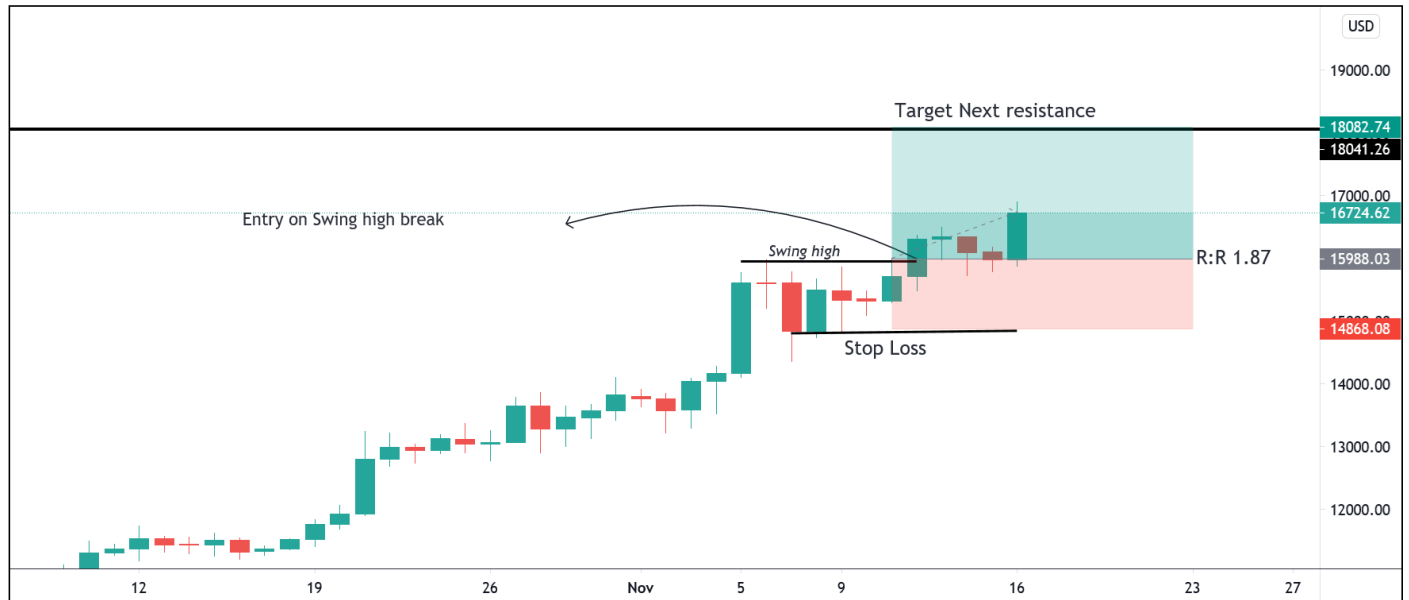
**The Risk and Reward Ratio**

A combination of the three coming together forms R:R.

R:R simply is the ratio of the distance between entry and target, and entry and the stop loss.

Here is an example of the R:R ratio

BITSTAMP:BTCUSD, 1D 18855.26 ▲ +83.83 (+0.45%) O:15975.49 H:16894.93 L:15875.50 C:16724.62



R:R is generally denoted in ratio form such as 2:1 or 3:1.

If the target is 10% above the entry and the stop loss is 5% below the entry, the RR is 2:1

**YOU SHOULD NOT BE ENTERING A TRADE UNLESS THE R:R IS KNOWN**

Break-even win rate =  $\frac{1}{\text{Sum of R:R ratio}}$   
 eg R:R of 2:1  
 =  $\frac{1}{2+1} = 33\%$   
 Hence a win rate of 33% is needed for a break-even trade at R:R 2:1

Your historical winrate	Minimum reward:risk ratio
25%	3 : 1
33%	2 : 1
40%	1.5 : 1
50%	1 : 1
60%	0.7 : 1
75%	0.3 : 1

## Profitability depends on 2 factors.

R:R and win rate.

The above chart describes how much R:R is needed for a certain level of win rate.

Eg. If your win rate is 50%, you will be at breakeven at a R:R ratio of 1.

*IF you don't know your win rate assume the worst 24% so RR of 3:1*

## Technical Analysis starts and ends with Candlesticks.

Without proper understanding of Candlesticks, you should not be trading.

### Please note:

1. Candlesticks are the most important tool in Technical Analysis, however, I always use them in confirmation with OTHER confirmations like Support and Resistance and Volume.
2. Using Candlesticks without Risk Management will always lead to liquidation. Risk Management is far more complicated than you think, I've made 3 Master-classes about Risk Management, PLEASE read them before trading
3. Nothing can teach you to trade but trading itself.  
As soon as you're done reading this pdf, go and practice the content on live or historical charts and observe how volume and S/R play a role in them.

While there are 100s of types of Candlesticks, I'm sticking to the most important ones that are actually practically used in trading.

### Tip:

Don't get stuck in memorizing the names of the Candlesticks. You need to understand the LOGIC behind their formation and use that understanding to predict the future prices.

### Basic candlestick understanding

The fat part of the candle is called the candle body (candle open to close) The thin line above and below the body is called the wick (highs and lows)



General assumption: the longer the candle body is, the more intense the buying or selling pressure. Conversely, short candlestick bodies indicate little price movement and represent consolidation.



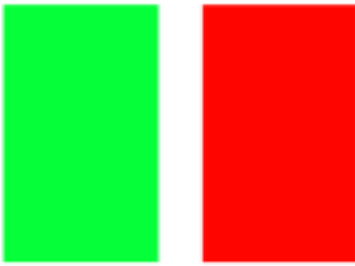
Wicks plays a really important part in understanding the STORY behind the candlesticks. It shows the fight between the buyers and the sellers and who won it.

In continuation, we will learn to read the wicks.

### No Wicks

Candles existing of full body and no wicks showcase the highest buying and selling pressure. These are known as Marubozu candles.

Example:



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### Long wicks

#### Long upper wick

Candles with long upper wick and short body below denotes that even though the bulls tried to push the price higher, the sellers took control and there was just too much supply at this point to push the price up.

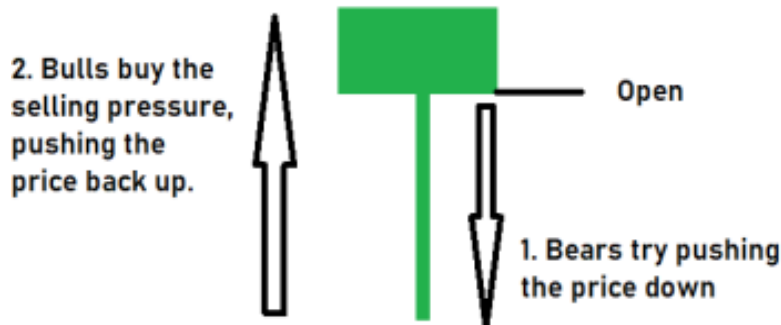


Long upper wick

#### Long lower wick

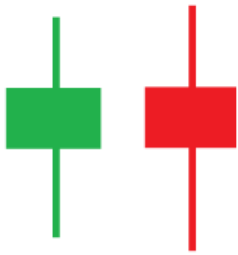
Candles with long lower wick (tail) indicates that the bears tried to push the price down but the selling pressure was absorbed and the price managed to go up.

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## Spinning top

Spinning top has long top and bottom wicks with a narrow body. This implies indecision in the market.  
Spinning top



However if a spinning top appears at the top or bottom of the trend, it means a trend reversal.  
This is explained in the chart below.

## Doji

There are many types of Doji candles but we will focus on the concept of a Doji.  
A Doji is identified by a narrow body and long wicks.  
It means that the Price closed and opened at almost the same price.  
This means grave indecision in the market.



A Doji needs to be only relied upon after further confirmations from volume. This further confirmations and confusing concepts like Dragonfly and Gravestone will be discussed later.

However, a Doji can have a different meaning depending on.

1. Where it occurs.
2. The proportions of the wicks.

A trade involving the Doji candle is explained below.





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### Hammer

A Hammer is regarded as one of the most important reversal tools. It occurs at reversals and signifies the end of a trend.

The candle is marked by a long wick and an almost narrow body with small or no upper wick.



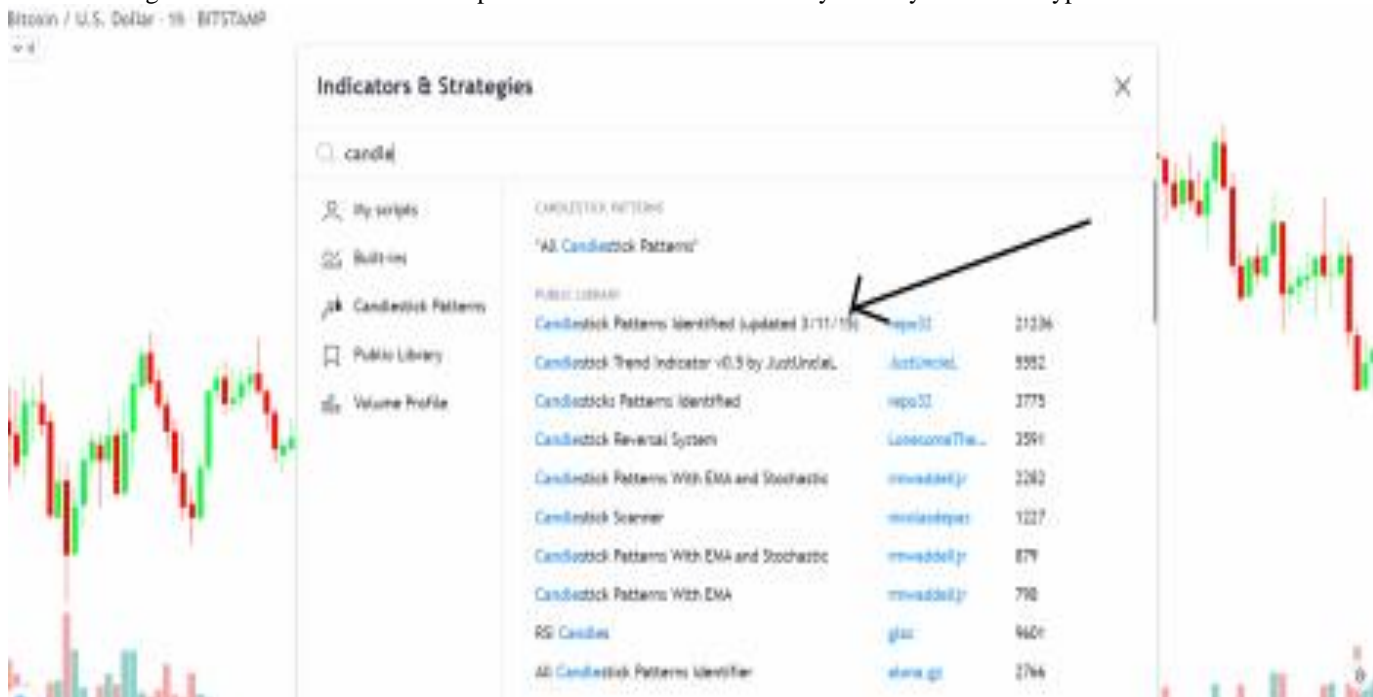
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## Conclusion

- 1) **Long candle body**: more intense buying or selling pressure.
- 2) **Short candle body**: consolidation.
- 3) **Long bottom wick**: sellers trying to push the price down but not succeeding.
- 4) **Long top wick**: buyers trying to push the price up but not succeeding.
- 5) **Narrow body and same proportion wicks**: indecision AND could also mean the end of the trend.
- 6) **Long wick and thick body occurring at the bottom or top of a trend**: trend reversal if combined with volume.

## A tip

Go to Trading view and use the candlestick pattern indicator to automatically identify the candle types.



P.S. The indicator is no substitute for any form of learning. Identification doesn't mean being able to use the information.