

There were some questions about KRBs a while back. I am certainly not an authority on them but would like to add my 2 cents.

First it should be stated that KRBs are not VSA. KRBs involve the open and VSA does not look at the open. Volume is also not an issue with KRBs. Increasing volume is powerful, but so is decreasing volume less than the previous two intervals. That means KRBs to the upside can be Shake Outs and or hidden Tests, and conversely, they can be Hidden Up Thrusts and Trap up Moves to name a few.

Also note that because we are dealing with the open, they are much easier to see with OHCL bars of Japanese Candlesticks. I had to use candles while I was dealing with my volume issues and I remembered how much I like them. More than the candles, I think I like the KRBs 😊. Then again, WRB analysis is so much easier with candles. But I digress.

TYPES OF KEY REVERSAL BARS

1. Key Reversal Bar type I
2. Outside Key Reversal Bar type I
3. Key Reversal Bar type II
4. Outside Key Reversal Bar type II

Again, I am not an expert so there may certainly be more. I am always looking for more. If anybody knows of more, please do not hesitate to share.

I am really more concerned with type I KRBs.

1. Key Reversal Bar type I (upside): This bar Opens lower than the previous bar's close, makes a lower low, closes higher than both its open and the previous bar's close, and does not make a higher high. It's even better when the low of this bar is not only lower than the previous bar (a requirement), but also lower than the low of the bar two intervals prior.

The first chart shows a KRB type I.

For a downside reversal, it would be opposite. The bar would open higher than the previous bar's close, make a higher high, close lower than both its open and the previous bar's close, and not make a lower low.

2. Outside Key Reversal Bar type I (downside): The only difference here is that the bar will make both a higher high and a lower low. That's what makes it an outside bar.

The second chart shows an OKRB type I.

The upside reversal is of course the opposite.

Notice that the first KRB is a Shake Out and the second, the OKRB, is a Trap Up Move.

Type IIs: the main difference with these type is that an upside reversal would not open lower, it would open higher. Everything else would be the same. Thus a Key Reversal Bar type II (upside) would open higher, make a lower low, close higher than its open and the previous bar's close and not make a higher high.

**** Note that we are looking at either higher opens or lower opens. An equal open means nothing. ****

This should be enough to get you started on KRBs if you are so inclined.

Attached Images (click to enlarge)

