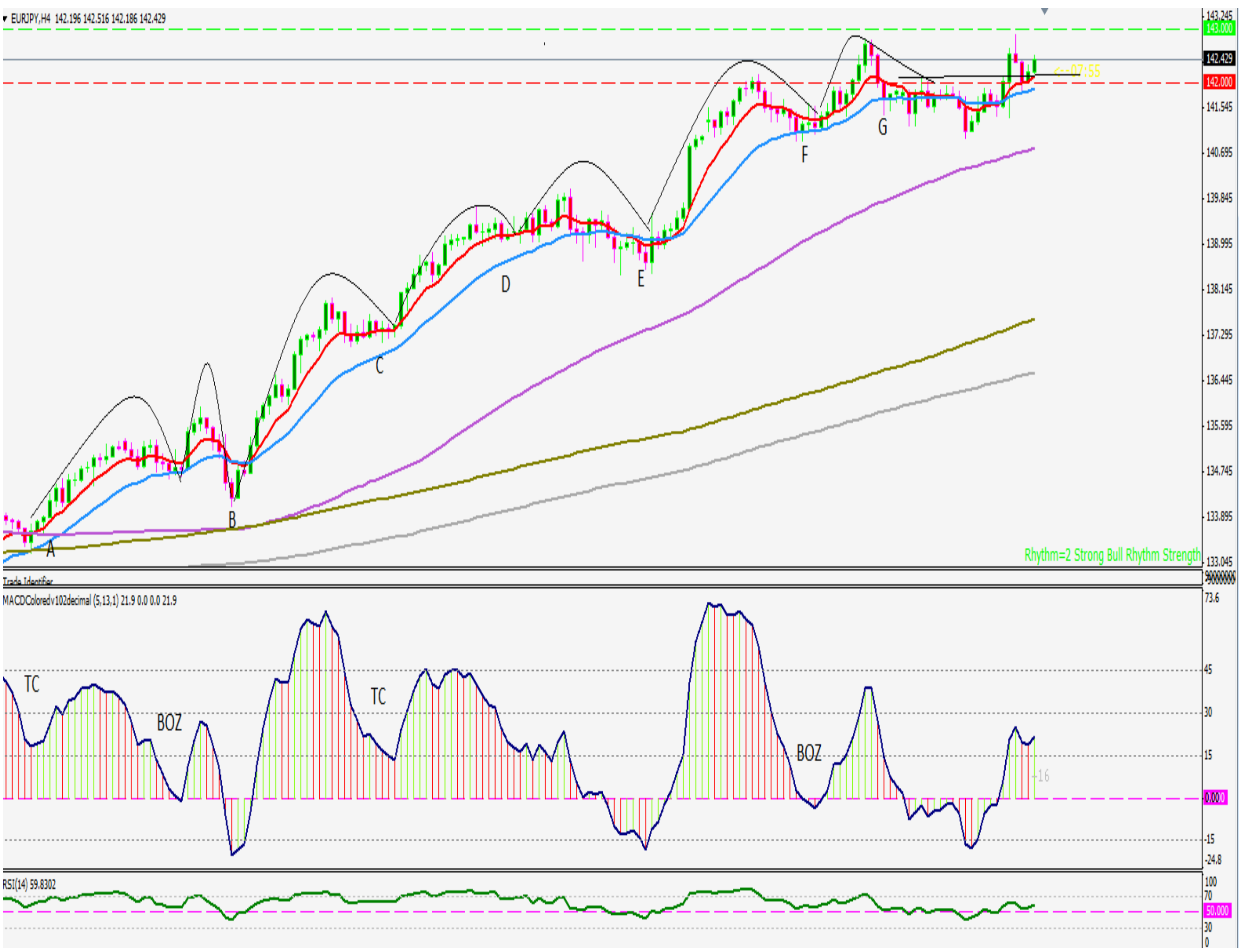
Hi Lifesabeach, welcome,

Maybe you already know that will follow, but I write it to cover just a bit more of it, so it could be a bit longer, sorry about that.

You have the right idea about the candles; I can see that, it is a good thing. It is important to know their meaning. You took the time to evaluate the possible direction of market.(I understood that part just later in time!), but sometime, they get tricky because a trader would need to see a bit larger first, needs to see the forest, the path…to see the rhythm of the market before getting into action! Where, sometime the excitement is expressed. Sometime everything gets all mixed up. But before it gets there, one need to see the chart the best way possible and take time to evaluate the situation before acting, since the 4hrs macd strategy is based on anticipation (accordingly to the rules), and from those anticipations, traders act on the market.

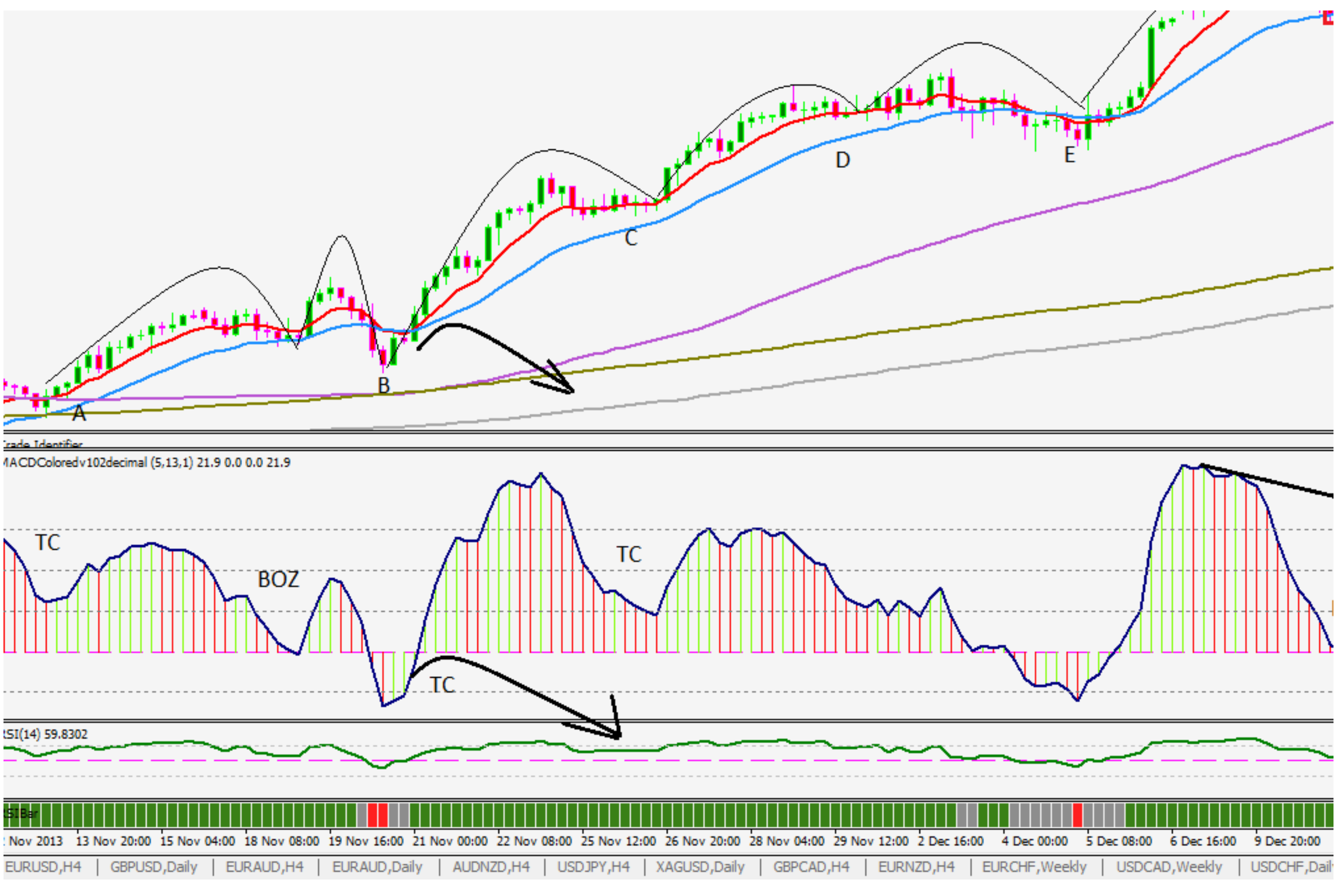
As example EURJPY chart, there is a bounce between A and B, same with B and C and so on until G where there is no trend anymore.



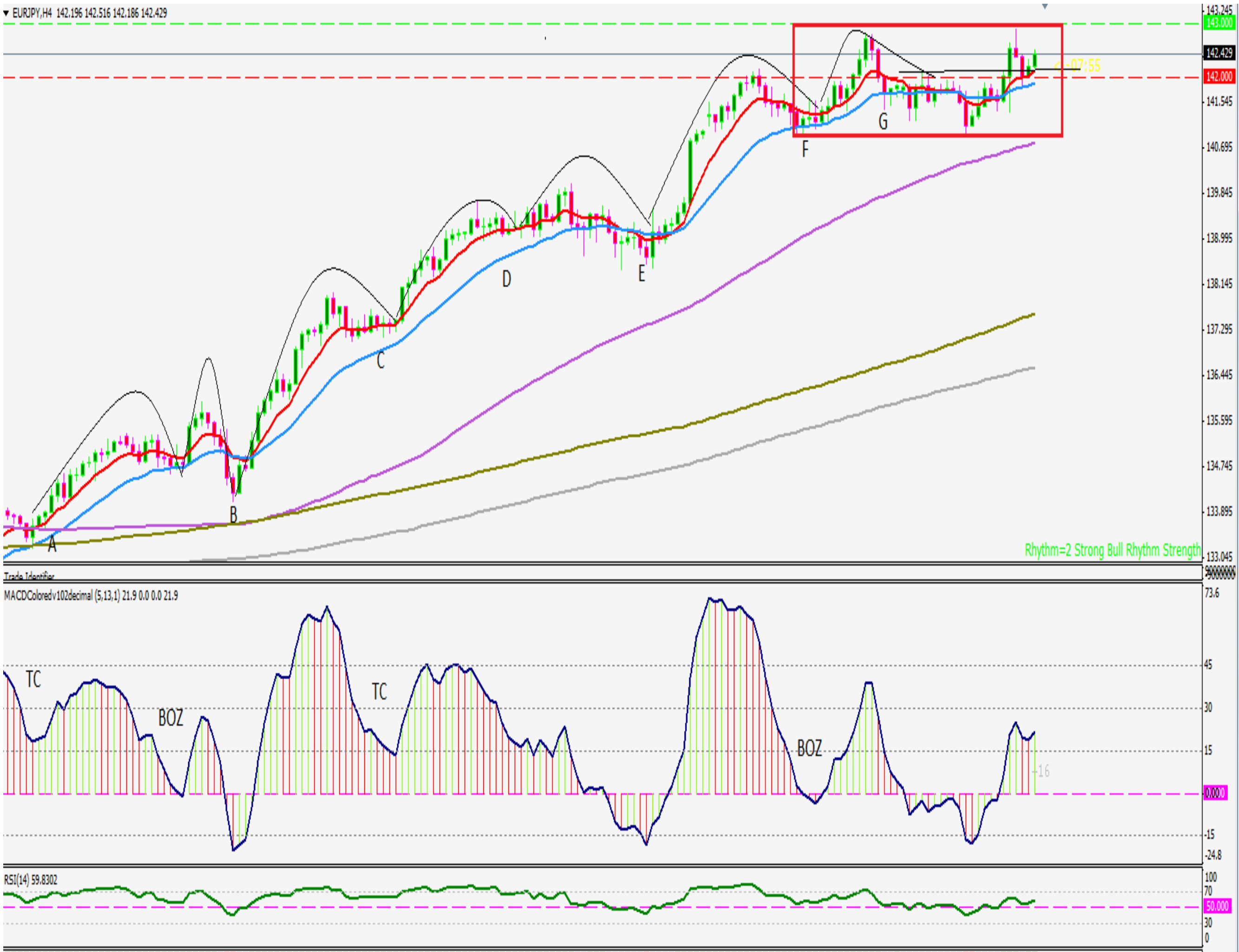
But I have to observe: at A there is a TC (trend continuation) on the macd, while the macd is at about level 15 The macd represents the momentum as part of his function, and when it is high it means the pair could be overbought(but it is not at 15!), at G the pair is about flat, same with moving averages they're about flat, while keeping a good pace by having a high level of momentum from point A, macd at G and further, is kind of deflating, taking his breath back…

So price is bouncing on Moving Average, sometime on the 8ema(which represent a fast market- in red here.), the 21 ema(the normal place to take the action on, to buy, to sell, to do nothing -in blue),or the 89 sma (violet)which is the mood of the market: if price is above the 89sma=bullish, below=bearish. In the present case, it is bullish since the 89 is below.

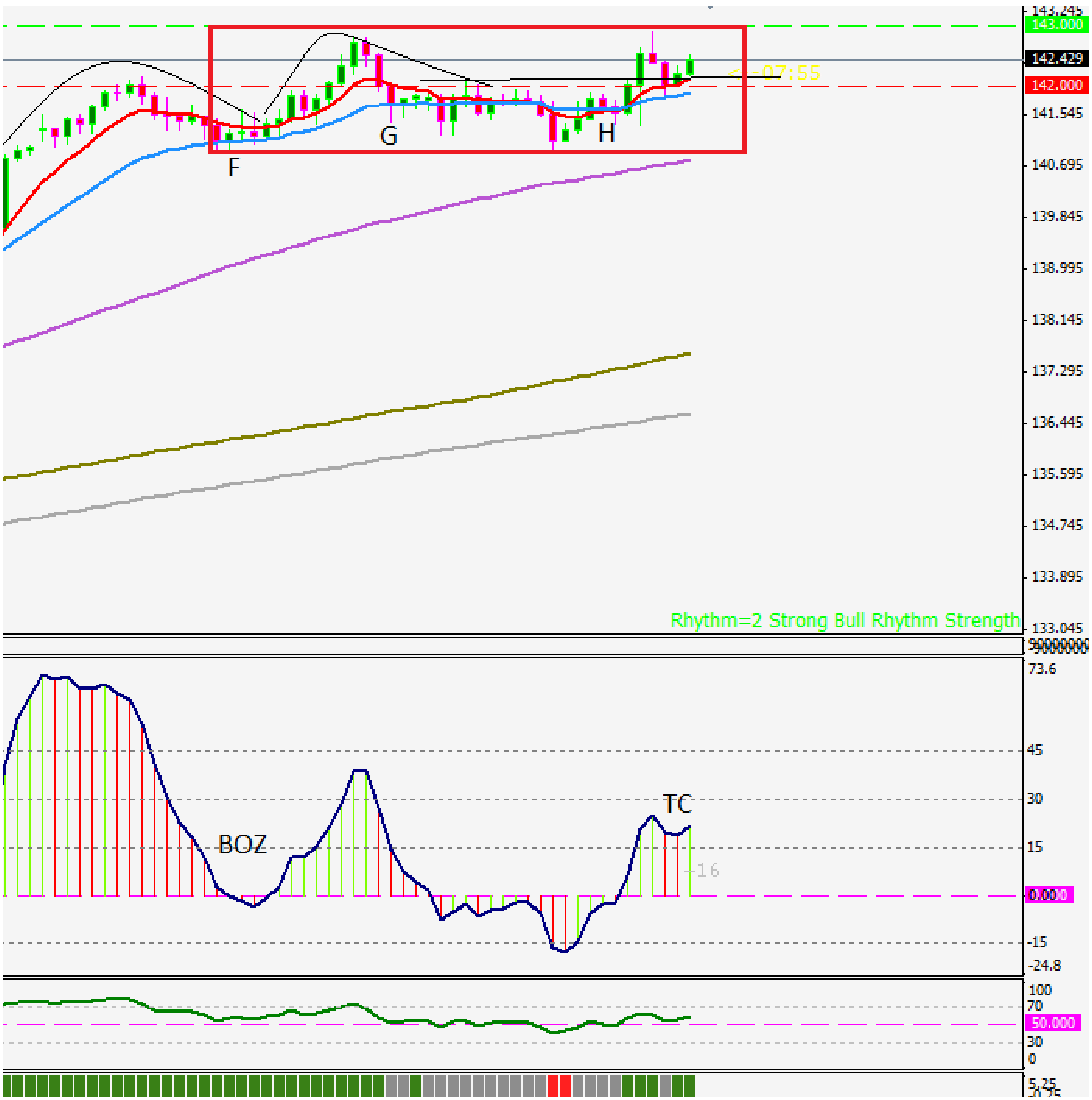
What I have describe is part of the 4hrs macd strategy. Sure if as example, while price bouncing above the 21ema, price (candles) breaks below the 21ema, we anticipate the price to pullback to the 21ema before moving away down, (making a TC at the same time)-(which would look like an inverted bounce!) it is part of the system too, because price not only bounce on m.a., it will break down or up on m.a.-sometime price will break down the 21rma, and as per the rules, one should expect the price to pull back to the 21ema (taking B as example) before moving away down again, but didn't!- It could then express a stronger market than I taught, sure one has to wait for the move down before taking action on it. If there is no move down, then the price could go through the 21ema again, above it, like it did at B.



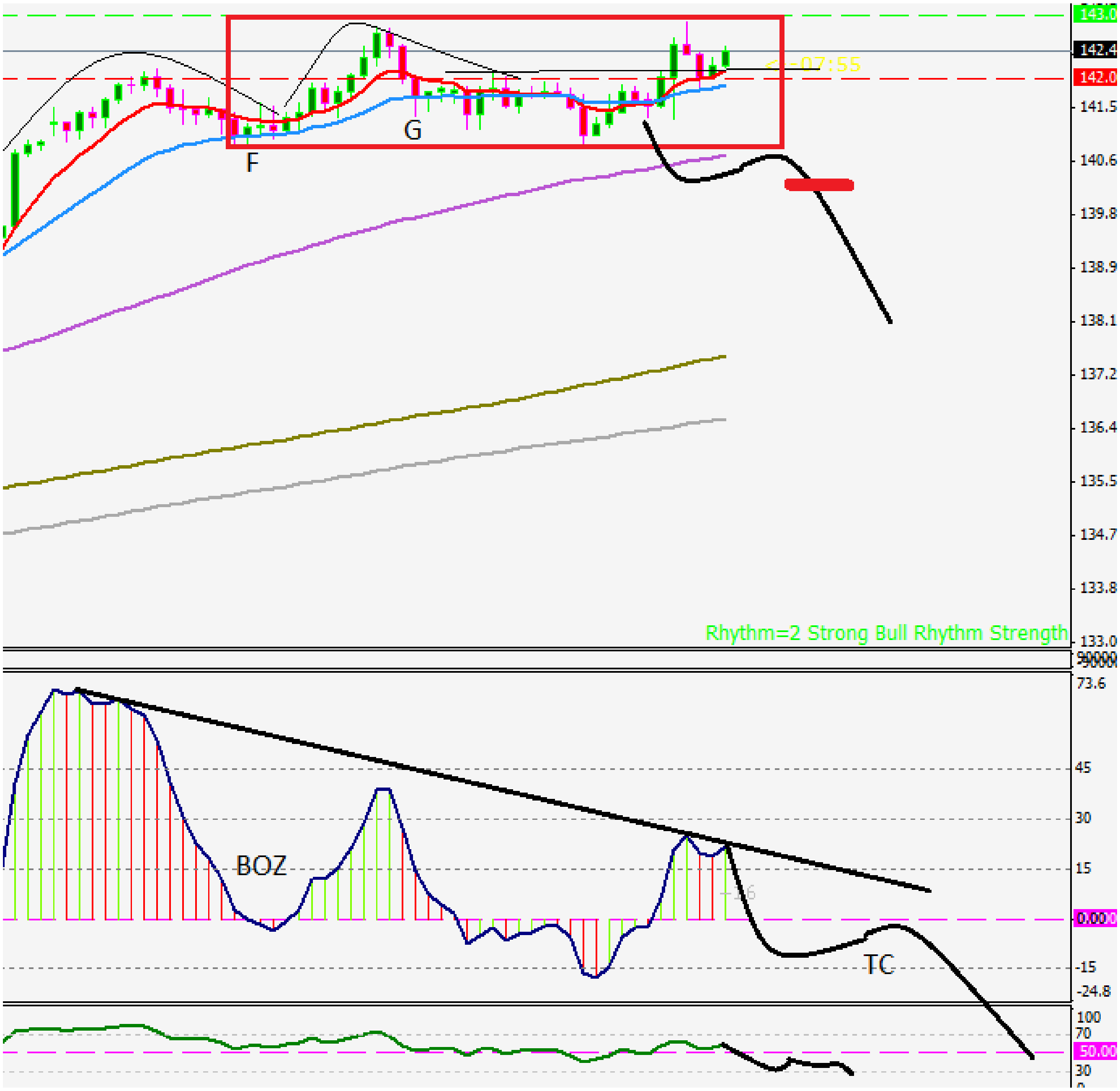
But, on the example of the EURJPY, price (candles) just bounces on Ma, while having a higher high, higher low, just like in a stairway, and at G, just walking on second floor: not going higher, not going lower! Taking is breath back, a bit confuse since it is not getting higher or lower, it is flat momentum, well! A consolidation where price could bounce above and below the ma, just like hot liquid fat out of frying bacon...going nowhere!



On the chart I draw a rectangle representing the part that is flat momentum, a consolidation. Below, the macd,thin, not as strong as before(after the last boz) I see, if I draw a line joining all those little tops there on the macd, a divergence with the pair itself. I could mean that price could break down the consolidation. But the price is still on the floor, not falling yet. So taking action there, would means getting nowhere…one could get fried!



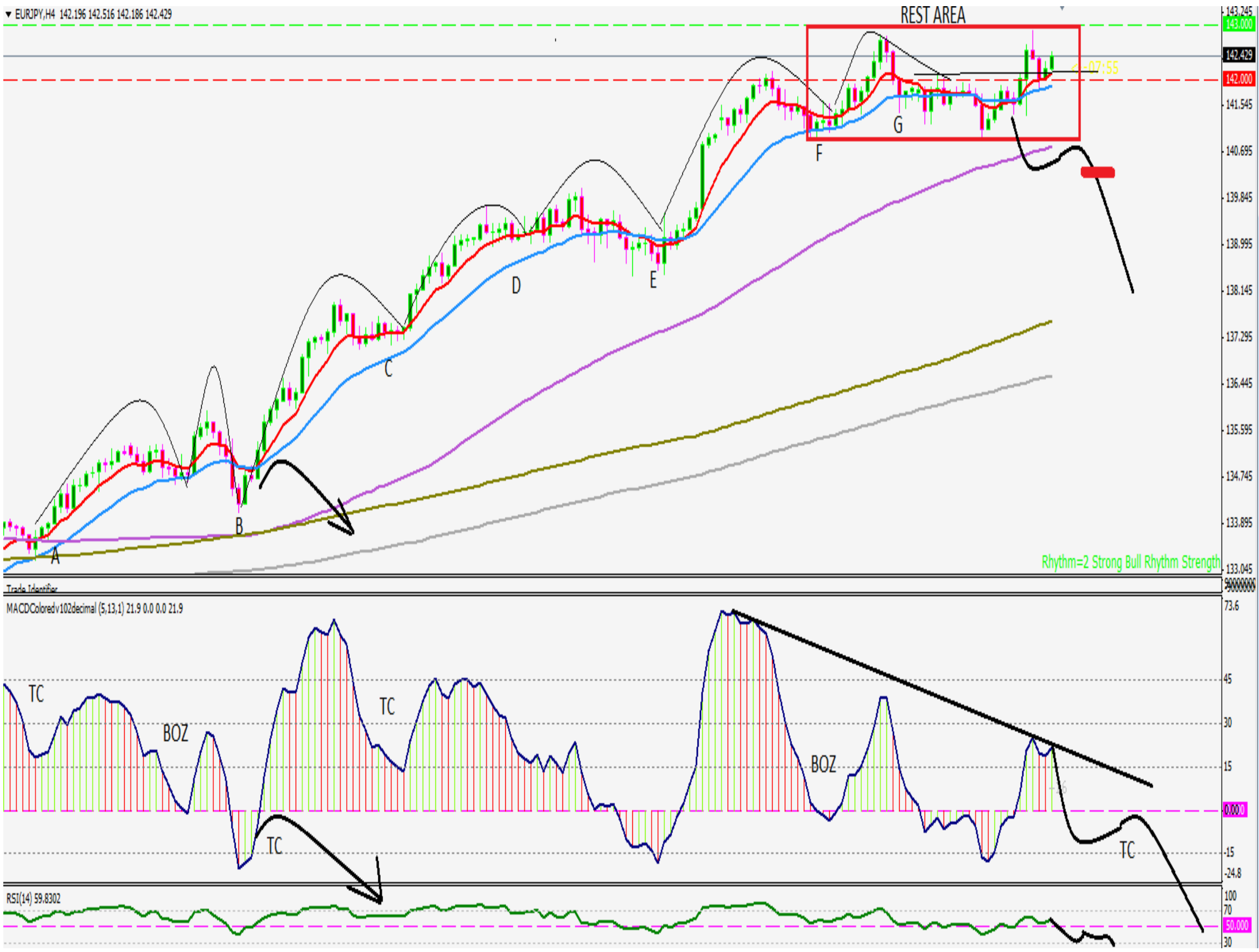
First the pair is above the 89sma(violet), should see the pair as bullish(since the 89sma is in an uptrend), while the pair is being under consolidation, so a possibility from the pair to eventually lower since the momentum(macd) is getting lower but not now(the speed has slowed down), so the pair is taking a breath, here, but doesn't mean it is going anywhere. I think you got involved at H, while 21ema was still flat.



Since no indication of a weakness is below the consolidation. The best, if you want to go short is to wait for a break out of that consolidation (from the bottom of it). That would be the first sign, and then wait for a pull back to that consolidation, then if the price start to go back down again then, gets in short(like the drawing I made): there is a possibility of the pair to go bearish. and making a TC at the same time.

It looks to me that the moving averages (8 and 21ema) are about flat when you took the trade. Another idea is to buy at the bottom and sell at the top if the range permits it(big enough) you should take action, but the action shown by the 21ema is "no trend" since it is flat. When there is no trend it is difficult to see where that pair is going, it is like someone walking on a floor: not getting higher or lower from that floor.. Being flat means also indecision since the pair is not sure if it will go up or down. So when I see a consolidation, I see indecision from the traders…so I wait too!

Maybe a bit confusing but another way to get a picture would be: a driver in a car ,that was climbing a mountain (from A to G), found a rest area (flat floor-consolidation). But the expectation would be the car would keep going up again, after taking a rest here. So if a hitchhiker (a trader) would like a ride down, he will have to wait for the driver to make his decision to go down.(as by my example). Getting involved above or below the rest area is when the driver has made his decisiona and he is already pushed the gas pedal (like the little red line,after the pull back...But not before!



Hoping it will help you,

This is my view, someone else could have a different view on the subject. Hoping I made it understandable to you . Any coments or questions welcome.

Yvon