Japanese Candlestick Patterns - indicator for MetaTrader 5

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patterns_on_chart.mq5 (28.26 KB)view

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Real author:

EarnForex.com, Based on MetaTrader 4 indicator by: Carl Sanders

Description:

The indicator displays on charts the patterns created by the Japanese candlesticks.

The indicator was found through a google search "Earnforex.com" and I've changed some colors. Not all patterns represent a change of direction of the market. I find it useful to display on the chart only HRM4 and SS4. Below is the specification of all patterns.

It is possible to change colors and also enable or disable alerts.

Bearish patterns:

- SS 2,3,4 = Shooting Star;
- E_star = Evening Star;
- E_Doji = Evening Doji Star;
- DCC = Dark Cloud Pattern;
- S_E = Bearish Engulfing Pattern.

Bullish patterns:

- HRM 2,3,4 = Bullish Hammer;
- M_Star = Morning Star;
- M_Doji = Morning Doji Star;
- P_L = Piercing Line Pattern;
- L_E = Bullish Engulfing Pattern.

Image:


AUDUSD,Daily
Label
Bearish
SS 2,3,4 - Shooting Star
E_Star - Evening Star
E_Doji - Evening Doji Star
DCC - Dark Cloud Pattern
S_E - Bearish Engulfing Pattern
Bullish
HMR 2,3,4 - Bullish Hammer
M_Star - Morning Star
M_Doji - Morning Doji Star
P_L - Piercing Line Pattern
L_E - Bullish Engulfing Pattern
SS 4
HMR 4
0.94460
0.94140
0.93820
0.93500
0.93180
0.92859
0.92540
0.92220
0.91900
0.91580
0.91260
0.90940
0.90620
0.90300
0.89980
0.89660
0.89340
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4 Mar 2014
13 Mar 2014
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Sergey Golubev | 12 Jun 2014 at 11:49

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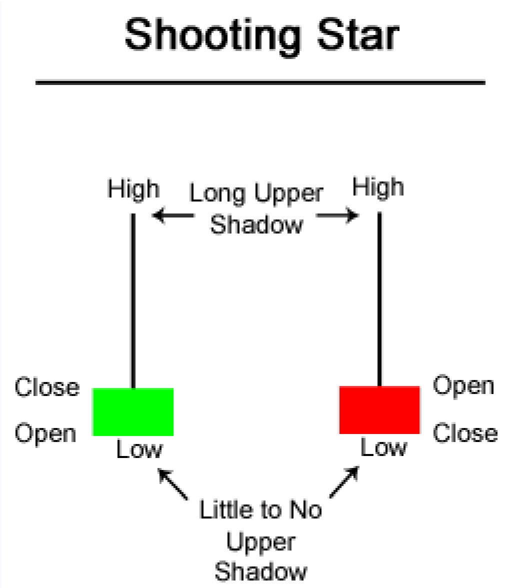
Libraries: MQL5 Wizard - Candlestick Patterns Class

newdigital, 2013.09.18 22:29

Shooting Star

The Shooting Star candlestick formation is a significant bearish reversal candlestick pattern that mainly occurs at the top of uptrends.



The Shooting formation is created when the open, low, and close are roughly the same price. Also, there is a long upper shadow, generally defined as at least twice the length of the real body.

When the low and the close are the same, a bearish Shooting Star candlestick is formed and it is considered a stronger formation because the bears were able to reject the bulls completely plus the bears were able to push prices even more by closing below the opening price.

The Shooting Star formation is considered less bearish, but nevertheless bearish when the open and low are roughly the same. The bears were able to counteract the bulls, but were not able to bring the price back to the price at the open.

The long upper shadow of the Shooting Star implies that the market tested to find where resistance and supply was located. When the market found the area of resistance, the highs of the day, bears began to push prices lower, ending the day near the opening price. Thus, the bullish advance upward was rejected by the bears.

Shooting Star Candlestick Chart Example

The chart below of Cisco Systems (CSCO) illustrates a Shooting Star reversal pattern after an uptrend:

In the chart above of CSCO, the market began the day testing to find where supply would enter the market. CSCO's stock price eventually found resistance at the high of the day. In fact, there was so much resistance and subsequent selling pressure, that prices were able to close the day significantly lower than the open, a very bearish sign.

The Shooting Star is an extremely helpful candlestick pattern to help traders visually see where resistance and supply is located. After an uptrend, the Shooting Star pattern can signal to traders that the uptrend could be over and that long positions should probably be reduced or completely exited.

However, other indicators should be used in conjunction with the Shooting Star candlestick pattern to determine sell signals, for example, waiting a day to see if prices continued falling or other chart indications such as a break of an upward trendline.

For aggressive traders, the Shooting Star pattern illustrated above could be used as the sell signal. The red portion of the candle (the difference between the open and close) was so large with CSCO, that it could be considered the same as a bearish candle occuring on the next day. However, caution would have to be used because the close of the Shooting Star rested right at the uptrend support line for Cisco Systems.

Generally speaking though, a trader should wait for a confirmation candle before entering.

The bullish version of the Shooting Star formation is the Inverted Hammer formation that occurs at bottoms. Another similar candlestick pattern in look and interpretation to the Shooting Star pattern is the Gravestone Doji

Sergey Golubev | 12 Jun 2014 at 11:49

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Tweezer Tops and Bottoms

The Tweezer Top formation is a bearish reversal pattern seen at the top of uptrends and the Tweezer Bottom formation is a bullish reversal pattern seen at the bottom of downtrends.

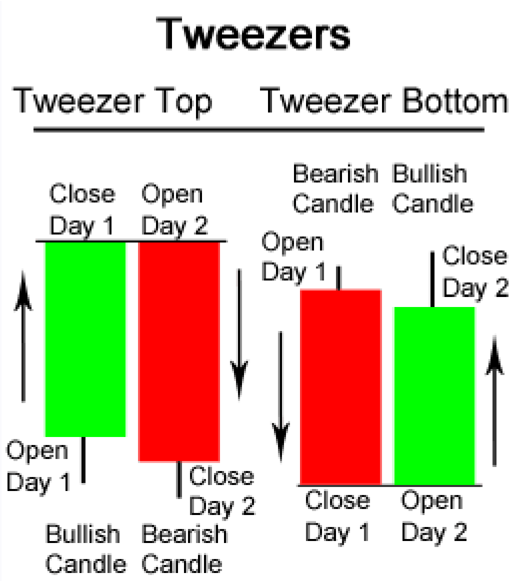
Tweezer Top formation consists of two candlesticks:

- Bullish Candle (Day 1)

- Bearish Candle (Day 2)

Tweezer Bottom formation consists of two candlesticks:

- Bearish Candle (Day 1)
- Bullish Candle (Day 2)



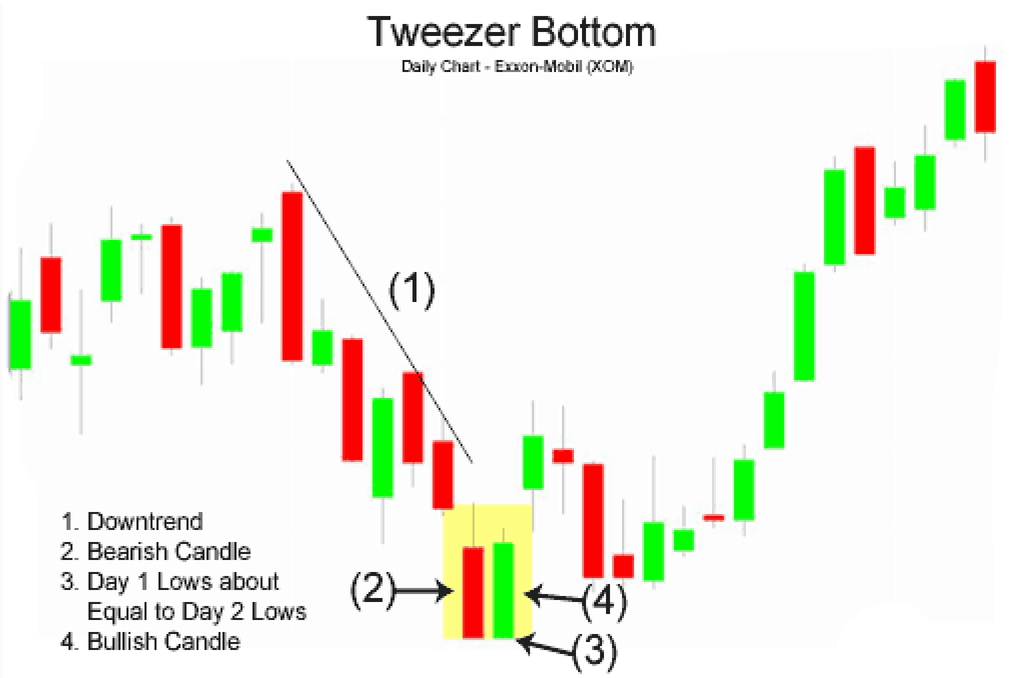
Sometimes Tweezer Tops or Bottoms have three candlesticks.

A bearish Tweezer Top occurs during an uptrend when bulls take prices higher, often closing the day off near the highs (a bullish sign). However, on the second day, how traders feel (i.e. their sentiment) reverses completely. The market opens and goes straight down, often eliminating the entire gains of Day 1.

The reverse, a bullish Tweezer Bottom occurs during a downtrend when bears continue to take prices lower, usually closing the day near the lows (a bearish sign). Nevertheless, Day 2 is completely opposite because prices open and go nowhere but upwards. This bullish advance on Day 2 sometimes eliminates all losses from the previous day.

Tweezer Bottom Candlestick Chart Example

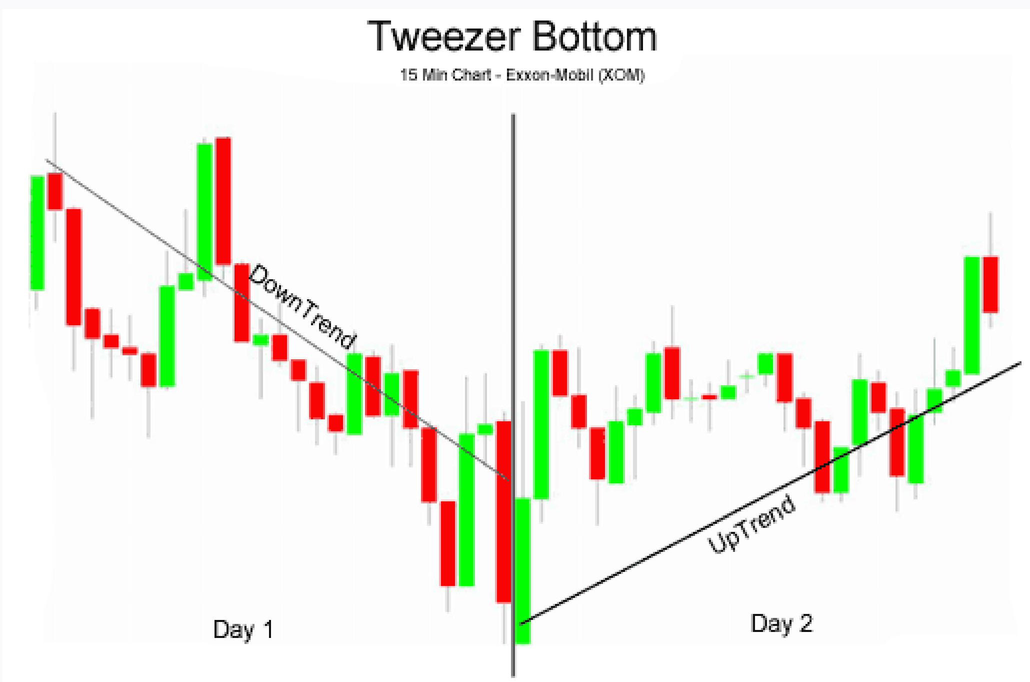
A Tweezer Bottom is shown below in the chart of Exxon-Mobil (XOM) stock:



The bears pushed the price of Exxon-Mobil (XOM) downwards on Day 1; however, the market on Day 2 opened where prices closed on Day 1 and went straight up, reversing the losses of Day 2. A buy signal would generally be given on the day after the Tweezer Bottom, assuming the candlestick was bullish green.

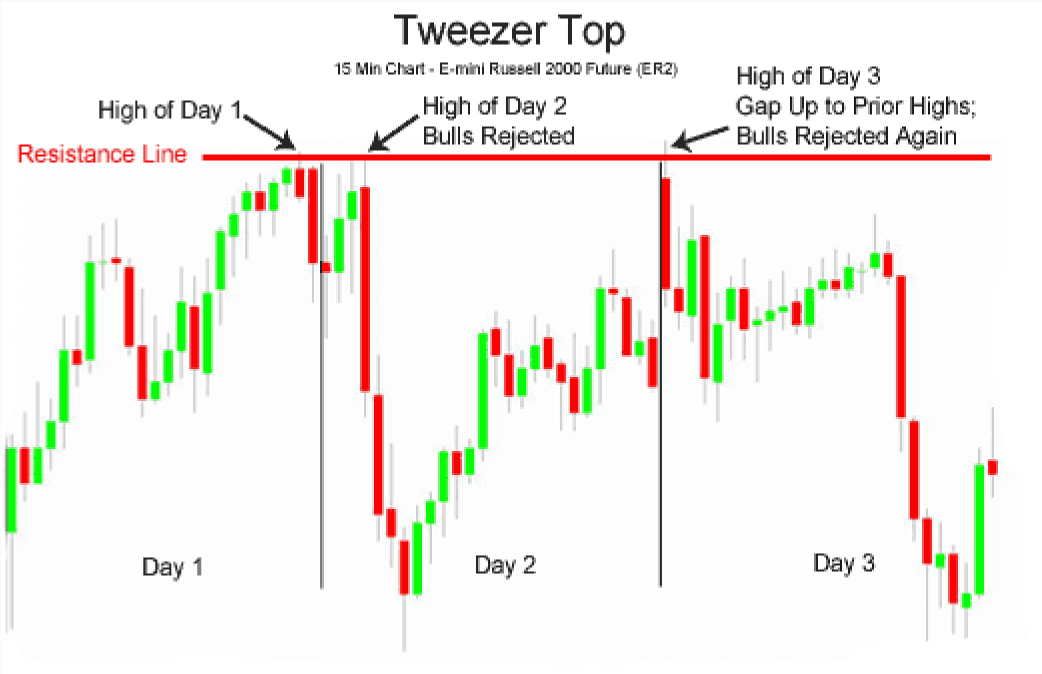
Intra-day Tweezer Tops and Bottoms

The bullish Tweezer Bottom formation shown on the last page of the daily chart of Exxon-Mobil is shown below with a 15-minute chart spanning the two days the Tweezer Bottom pattern was emerging:



Notice how Exxon-Mobil (XOM) stock went downwards the whole day on Day 1. Then on Day 2, the bearish sentiment of Day 1 was completely reversed and XOM stock went up the whole day. This sudden and drastic change of opinion between Day 1 and Day 2 could be viewed as an overnight transfer of power from bears to bulls.

The 15-minute chart below of the E-mini Russell 2000 Futures contract shows how a three day Tweezer Top usually develops:



On Day 1, the bulls were in charge of the Russell 2000 E-mini. On Day 2, however, the bulls began the day trying to make a new high, but were rejected by the overhead resistance created by the prior day's highs. The market then sank quickly only to recover halfway by the end of the close on Day 2. Day 3 opened with a spectacular gap up, but the bulls were promptly rejected by the bears at the now established resistance line. The Russell 2000 E-mini then fell for the rest of the day. Many classic chartists will recognize this triple Tweezer Top as a Double Top formation (see: Double Top).

The Tweezer Top and Bottom reversal pattern is extremely helpful because it visually indicates a transfer of power and sentiment from the bulls and the bears. Of course other technical indicators should be consulted before making a buy or sell signal based on the Tweezer patterns.

Sergey Golubev | 12 Jun 2014 at 11:49

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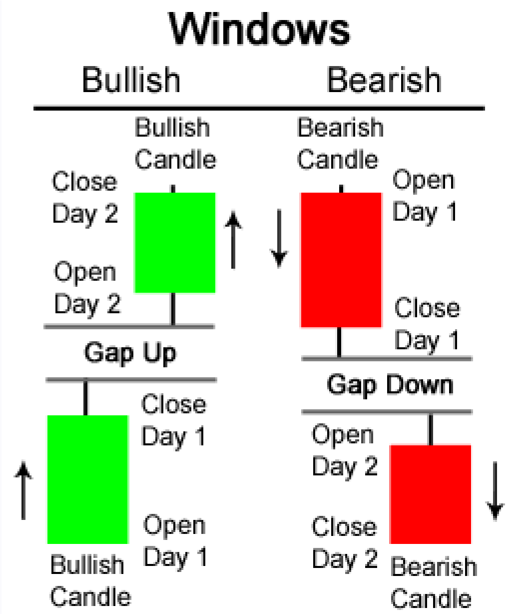
newdigital, 2013.09.19 13:31

Windows (Gaps)

Windows as they are called in Japanese Candlestick Charting, or Gaps, as they are called in the west, are an important concept in technical analysis. Whenever, there is a gap (current open is not the same as prior closing price), that means that no price and no volume transacted hands between the gap.



A Gap Up occurs when the open of Day 2 is greater than the close of Day 1. Contrastly, a Gap Down occurs when the open of Day 2 is less than the close of Day 1.

There is much psychology behind gaps. **Gaps can act as:**

Resistance: Once price gaps downward, the gap can act as long-term or even permanent resistance.

Support: When prices gap upwards, the gap can act as support to prices in the future, either long-term or permanently.

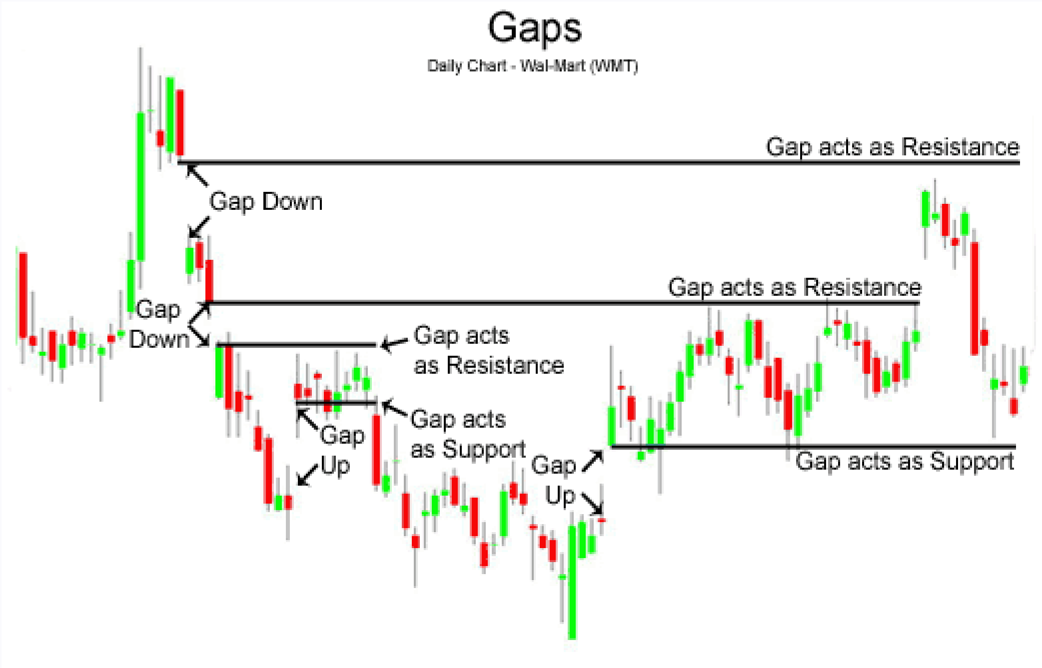
Windows Example - Gaps as Support & Resistance

The chart below of eBay (EBAY) stock shows the gap up acting as support for prices.

Often after a gap, prices will do what is referred to as "fill the gap". This occurs quite often. Think of a gap as a hole in the price chart that needs to be filled back in. Another common occurance with gaps is that once gaps are filled, the gap tends to reverse direction and continue its way in the direction of the gap (for example, in the chart above of eBay, back upwards).

The example of eBay (EBAY) above shows the gap acting as support. Traders and investors see anything below the gap as an area of no return, after all, there was probably some positive news that sparked the gap up and is still in play for the company.

The chart below of Wal-Mart (WMT) stock shows many instances of gaps up and gaps down. Notice how gaps down act as areas of resistance and gaps up as areas of support:



Gaps are important areas on a chart that can help a technical analysis trader better find areas of support or resistance. For more information on how support and resistance work and how they can be used for trading. Also, Gaps are an important part of most Candlestick Charting patterns; for a list of candlestick pattern charts and descriptions.

Sergey Golubev | 12 Jun 2014 at 11:50

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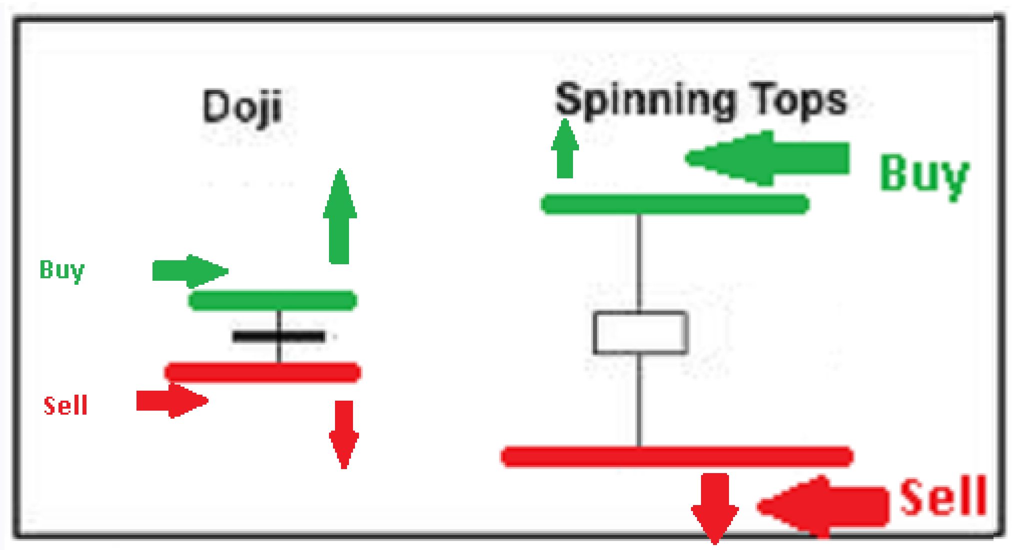
newdigital, 2013.11.16 07:06

Narrow range breakout pattern (based on Trading the GBPUSD Narrow Range Breakout Strategy article)

What is a Narrow Range Breakout?

Tony Crabbel is credited with first writing about Narrow range breakout patterns in his now out-of-print book, “Day Trading with Short Term Price Patterns & Opening Range Breakout” in 1990 some 12 years before Mark Fisher’s Logical trader book which also talks about the opening range breakout. The Narrow Range breakout patterns included the doji and spinning top Japanese candlestick patterns as these candles have small bodies illustrating the small trading range.

Forex traders can look for a breakout to the upside when prices move above the wick high of spinning top or doji candlestick pattern. A break to the downside below the low the narrow range candle signals a sell.

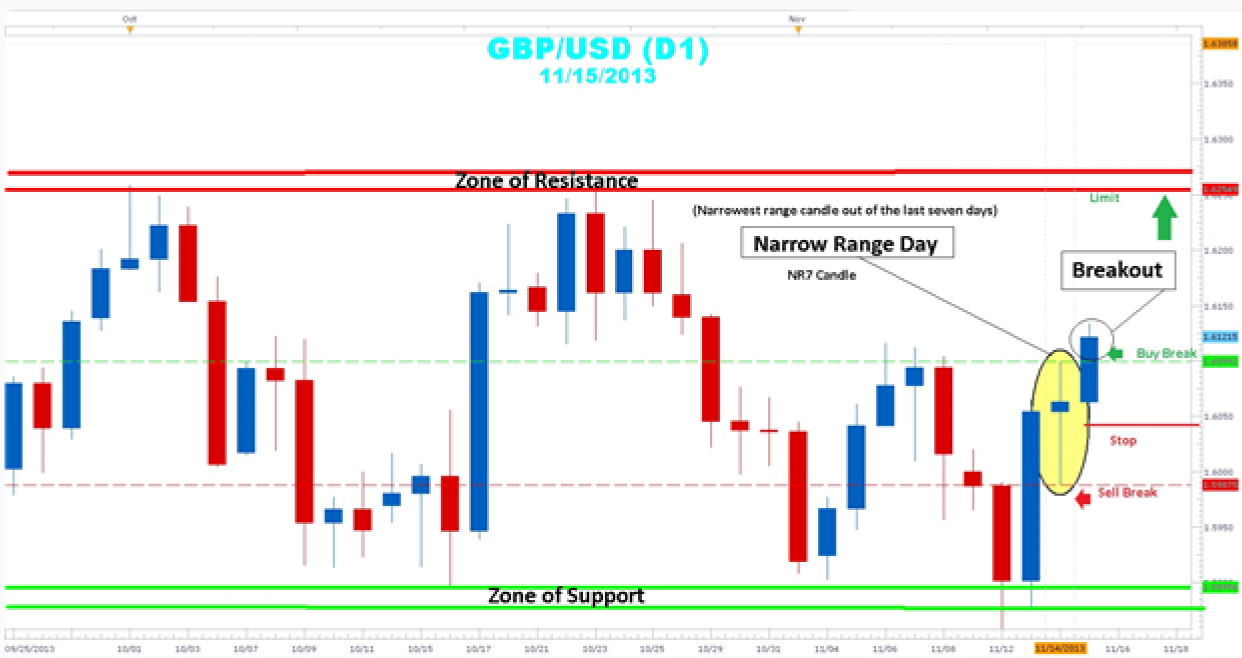


The Forex narrow range breakout trade is based on the typical price behavior that moves from periods of low volatility to periods of high volatility. Imagine price as a giant spring that can be compressed to a very compact and small size then when the spring is released, it expands to many times its original compressed size.

As traders, we look for these compressions as they signal that a big move is around the corner. It allows traders to predefine their risk in the trade and to also calculate possible price objectives. In addition we would look to trade these breakouts in the direction of the dominant trend.

What this means is that if the daily trend is up then we would only take topside breakouts above a narrow range candle's previous high. In addition we would ignore sell signal. Similarly, if the daily trend is down, then we would ignore upside narrow range breakouts.

On the other hand, if the daily trend is ranging in a sideways consolidation, then either upside or downside breaks can be traded.



Trading Example

The current trading setup shows a GBPUSD daily chart with a spinning top at November 14th with a high of 1.6099 and a low of 1.5987. On November 15th, a wide rage candle broke the top of the spinning top candle. Aggressive traders can buy the breakout above the previous day's high. Next, they would place a stop 5 to 10 pips below the low of the current candle. A limit can be set just below the new level of significant resistance in the 1.6250 area.

On the other hand, more conservative traders will want to wait for the daily candle to close above the previous day's high before entering long. A stop would be placed 5 to 10 pips below the low of the current candle. The dotted green and dotted red line mark the high and low of the range. A next day move above the high is bullish, while a next day move below the low is bearish. Since the daily trend is up we would ignore sell signals and only take buy signals as they are aligned with the trend.

In sum, traders have a great opportunity to rejoin a very strong GBPUSD uptrend using narrow range candles as a trigger. It is important to note that whipsaws and pattern failures can happen not only with this strategy but other breakout strategies. So it is important that you use stops.

Sergey Golubev | 12 Jun 2014 at 11:52

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Press review

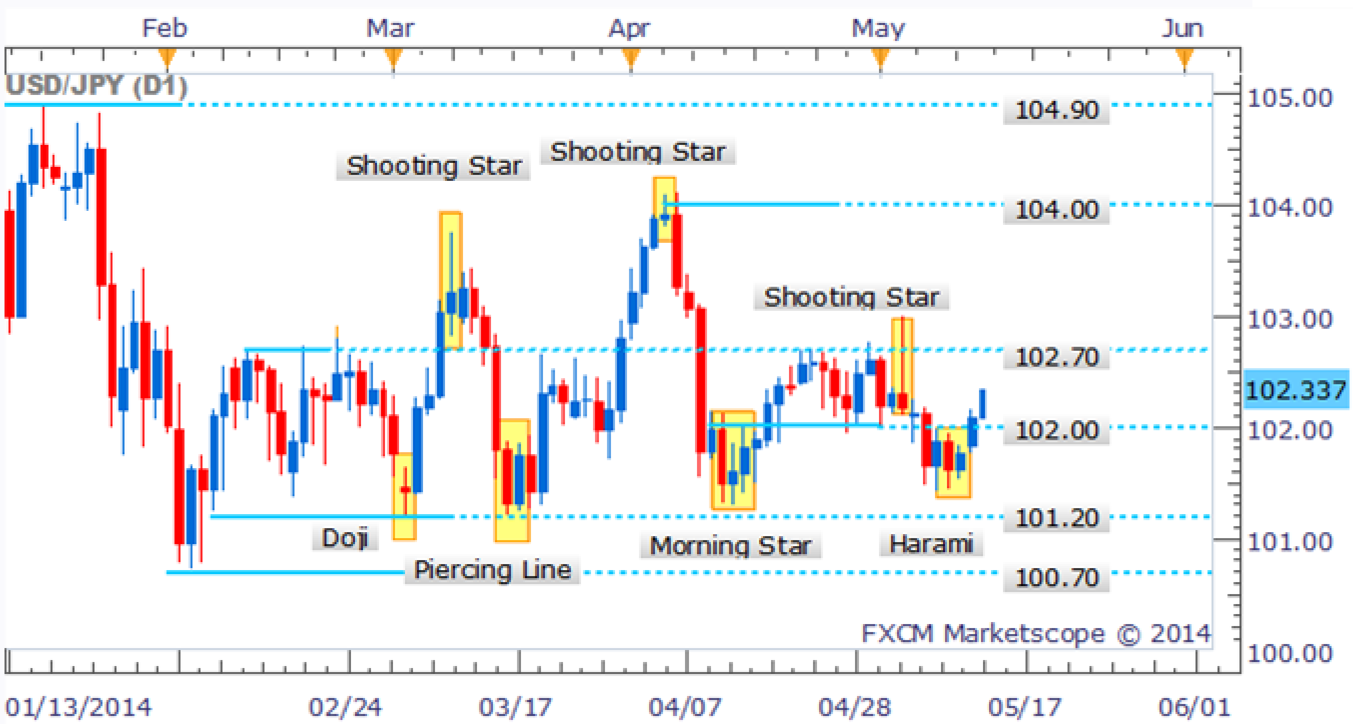
newdigital, 2014.05.13 12:13

USD/JPY Clears 102.00 As Harami Suggests Further Gains

- USD/JPY Technical Strategy: Longs Preferred
- Push back above 120.00 opens 102.70
- Harami pattern supports further gains

USD/JPY's push past 102.00 following the Harami formation on the daily puts the next noteworthy resistance level at 102.70 on the cards. The absence of a bearish signal on the daily and four hour charts gives little indication of a potential intraday reversal.

USD/JPY: Prices Push Past 102.00 Following Harami Pattern



An examination of intraday price action on the chart below highlights the hesitation from the bulls near 102.00. However following a push past the psychologically-significant level of resistance USD/JPY is eying the 102.70 mark.

USD/JPY: Hammer Foreshadowed Recovery

RNN

A three-layer neural network. A logical core is used as a hidden layer.

MACD Sample

The MACD Sample Expert Advisor trades at the crossover of the main and the signal line of the MACD. This Expert Advisor is an example of object-oriented approach in EA development.

Change Chart and Timeframe

Modified scripts to change Charts(next,previous) and Timeframes(higher,lower) of all charts quickly by hotkeys.