

## PCRF

A pullback candle reversal formation is just my terminology for a formation that makes a candle in the direction of the trend, followed by a longer candle that, in this case, set a lower low and then pulled back leaving a long wick, followed by a third candle that may or may not change color but sets a higher low and is usually an inside bar, followed by an entry candle that breaks above the previous inside bar candle. That is the entry point. Do some back testing or forward testing on your own and see how often price reverses following one of these set-ups.....more so on the H1 and H4 than the smaller time frames. A prime example of that formation can be found on the AU H4 charts. The candle that closed the London session yesterday is the pinbar of the formation. Price, as I type this, has move over 140 pips down from that formation.

Some call this a pinbar formation.....emmanuel has a Master Candle formation that is similar but requires 2 inside candles to form.....I am sure there are several other names for the pattern.

If the TDI is already Green over Red and we have a bullish pullback candles this is high probability... an example below:



“Pullback candle reversal pattern”, is a name that I coined during hours of back testing and studying charts. Some call the pullback candle a pin bar or hammer. Four of them are marked on the chart with white circles. A pullback candle pattern consists of 3 or 4 candles that meet certain criteria

## **The Pattern**

- The pattern consists of the pullback candle, the candle previous to the pullback candle and the candle or two following the pullback candle.
- The wick on a pullback candle must be at least  $\frac{1}{2}$  of the total size of that candle and only have a wick on one end. An even longer wick is preferred.
- The low of the third candle (the candle following the pullback candle) should create a HL & HH compared to the pullback candle on that or the following candle showing that a reversal is occurring
- The candle following the pullback candle, or the next candle should change colour to complete the pattern. An aggressive entry may be made once the following candle clears the pullback candle. A conservative entry would be on the open of the second candle following a change in candle color. On the LO reversal, price made a LH on the Frankfurt session candle, then a HH and a pullback on the pullback candle, then the next candle made a LH and changed color. Aggressive entry would have been right after the candle turned red.....conservative entry would be the open of the 2nd red candle.

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1. Candle in the direction of the trend
2. Followed by a lower candle that sets a lower low and then pulls back leaving a long wick
3. Followed by a 3<sup>rd</sup> candle that may or may not change colour but sets a higher low and is usually an inside bar
4. Followed by an entry candle that breaks above the previous inside bar candle = Entry



**EURJPY H1 CHART ANALYSIS FOR WEEK 4 2014 (Pullback Candle Reversal Formation & Double Top/Triple Top trade opportunities)**

trade #	type	possible pips	if 50% of pips gained	TDI confirm?	TDI	comments	
1	PCRF	95	48	Yes	RSI crossing below TSL-both below MBL Already in oversold moving down	New week right after market opening.	WINNER
no trade	PCRF	0	0	No	no cross of RSI	NO ENTRY. No break above leg 3 of PCRF	NO TRADE
2	DT	71	36	No	RSI between TSL & MBL - no crossover - below 25 in oversold	news candle - price moved without TDI crossover.	WINNER
3	PCRF	67	34	Yes	A+ trade...RSI crossing TSL & MBL leaving oversold.	Timing is not good. Late in NY session when market volume is slowing down.	WINNER
4	PCRF	4	2	Yes	RSI & TSL both sitting on the 50 line (consolidation mode)	reversed and formed another PCRF in the opposite direction	LOSER
5	PCRF	53	27	Yes	RSI crossing over TSL and 50 line - all above MBL	FO candle...entering London session.	WINNER
6	PCRF	82	41	Yes	RSI bounce long off TSL - both above MBL	TDI crossing into overbought area.	WINNER
7	PCRF	66	33	Yes	RSI crossing short over TSL. MBL is lower. TSL & RSI above 75 line. Strongly overbought.	Just entering the Asian session...not a lot of market volume.	WINNER
8	PCRF	80	40	Yes	RSI crossing long over TSL but below 50 line and MBL. Consolidation area breakout.	Slow market volume. Breaking above triple top.	WINNER
9	PCRF	91	46	Yes	RSI moving below overbought area crossing TSL. MBL pointing down.	Late Asian session. LO was a fakeout candle but price continued down.	WINNER
10	PCRF	11	6	Yes	RSI crossing up over TSL but both below MBL & 50 line,	consolidation - no volume - only moved 11 pips before hitting triple top	LOSER
11	TT & PCRF	95	48	Yes	RSI crossing down over TSL. Both below MBL & 50 line.	No volume in London session. NY session news moved market.	WINNER
		715	358				

Pullback Candle Reversal Formation are noted on the chart as PCRF.

Green lines are the entry point on a break above the 3rd leg of the PCRF.

Today, two very nice setups.....one at LO and the other before NYO. On both setups, TDI green crossed both red and yellow at the open of the entry candle, following Pullback Candle Reversal Formations. The crossing of green over red & yellow and the candle formations were strong indications that price would move 3 to 8 candles before reversing. The long trade moved 4 candles and the short trade has moved 7 candles, so far. Big E knew what he was talking about.





A pullback candle reversal formation (circle) and the TDI moving out of the oversold area with the green RSI Price line crossing over both the red Trade Signal line and the gold Market Base line (rectangle). That setup will almost always guarantee a good trade!! The trade took about 6 1/2 hours to complete due to time of day and low volume but it did hit my TP. I will be watching for a continuation or reversal at LO





Triangles indicate pullback candle reversal formations and straight white lines indicate double/triple tops or bottoms, usually followed by consolidation or inside bars (reversal patterns). All trades confirmed by TDI crosses. One BE trade followed by a re-entry.



Two more nice 50 pip trades on EJ H1. Took the LO trade following a pullback candle reversal formation. Entry was on a break above the (inside bar) setup candle with TDI confirmation. I monitored the trade for about 15 minutes until price moved 21 pips in my favor and then went back to bed. The EA closed the trade at TP.

The last trade was also taken while at work following another pullback candle reversal formation. This trade was entered at the open of the 2nd red (entry) candle, again with TDI confirmation.



Attached is a chart and analysis for this past week showing only possible entries on the EJ H1, based on Pullback Candle Reverse Formations. Pullback Candle Reversal Formation are noted on the chart as PCRF. Green lines are the entry point on a break of the 3rd leg of the PCRF. There were 11 possible trades with 9 of them being winners. If you only captured one half of the possible pips, you would have averaged over 70 pips per day based only on just this candle formation and TDI confirmation. When you include higher time frame analysis, S&R, other candle formations, trading other pairs, etc, the possibilities are endless AS LONG AS YOU ARE PATIENT AND WAIT FOR THE TRADES TO SET UP BEFORE ENTERING AND WITH PROPER MONEY MANAGEMENT, YOU CAN SUCCEED.....BE A SNIPER NOT A MACHINE GUNNER!!!!



I traded the EJ only this week. Below is my H1 chart for the week. The first couple of trades were posted earlier in the week. Tuesday NY session made a good move with the help of news. At the open of the Tuesday Asian session, there was a nice pullback reversal candle pattern with the TDI green and red moving out of the overbought area. Entered as a scalp trade and price moved down 40+ pips, so I moved my TP and stayed in it. After moving the SL to BE, I entered another trade on the second candle of London. It moved in my favor about 30 pips but pulled back and stopped me out at BE. I stayed in the first trade because it was already at BE and there was no risk of loss involved....hit TP of +150. At that point another pullback reversal candle pattern formed and the TDI green and red were pulling out of the oversold area, so I entered long on a break above the blue IB. Price then moved up for 27 hours with no closed red candles to indicate that I needed to exit. The 150 pip TP was hit....I also entered a London session trade that went for 50 pips after moving my SL on the first long trade. It also hit TP. On Friday, another PRCP formed indicating price might reverse again. I entered on a break above the LO candle confirmed by a cross of the green over red and yellow on the TDI. Since it is Friday, I left the 50 pip TP, which was hit.