

Disclaimer

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Please do not construe any information in this video or notes below as advice or recommendation of any kind. You can lose money trading. If you cannot afford to lose money you should not trade.

Remember to practice with a paper trading or demo account with any new concept of strategy until you really get to know and understand the risk and reward potential.

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Wavy Tunnel PLUS

MODULE 5: TRADING LIVE

Welcome to the Wavy Tunnel Trading Method Module 4

Welcome to the Wavy Tunnel Trading Technique!

You have now learned Wavy Tunnel Trading for Day and Swing Traders.

In Module 5 we will fine tune entries by reviewing candlestick patterns, cover actual trade setups using proper money management, and do a Top Down Approach review.

In Module 6 will link Elliott Wave counts with the Wavy Tunnel and introduce Renko charts to reduce the noise from candlesticks.

Module 5

Learning Objects

- ≈ Reversal Candlestick Patterns
- ≈ Wavy Tunnel Trade Review
- ≈ Trade Plan Execution and Documentation
- ≈ Overlay Tunnel from Three Charts to Two Charts
- ≈ Drill down from the Daily for Better Entry Price

Objectives

1. Review Candlesticks and how they can improve trade entry
2. Study actual Wavy Tunnel trade examples
3. Learn how to overlay Tunnel from 3 time frames onto 2 charts
4. Drill down from a daily chart setup to an entry on a 5-minute chart
5. Continue picturing yourself Riding the Waves and Cashing in on Profits using the Wavy Tunnel for Success.

Candlestick Patterns

The Japanese have used candlesticks as a charting and analysis technique for centuries.

Candlesticks mostly help pick tops and bottoms and are most powerful when they confirm a western indicator.

Candlestick patterns are psychological imprints of what traders are thinking at any given time.

There are approximately 40 reversal candle patterns that vary from single candlesticks to groupings of up to five candlesticks.

Determining Who Won The Battle

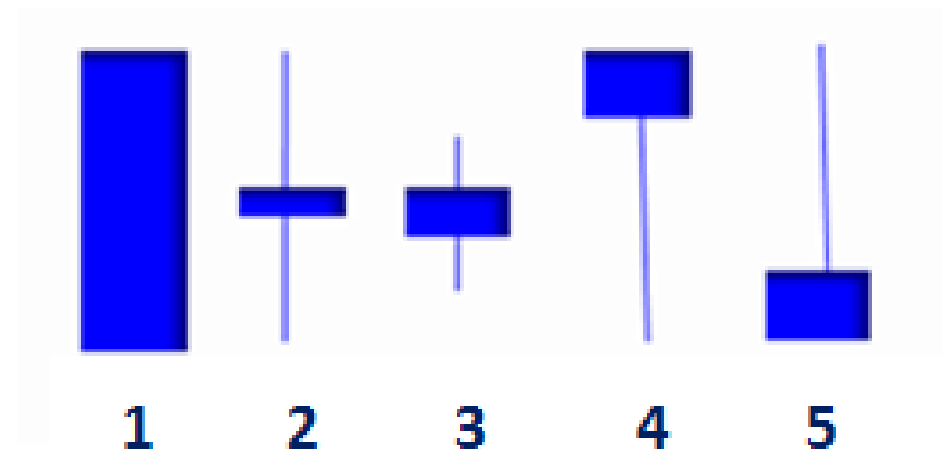


Bulls or Buyers
Win

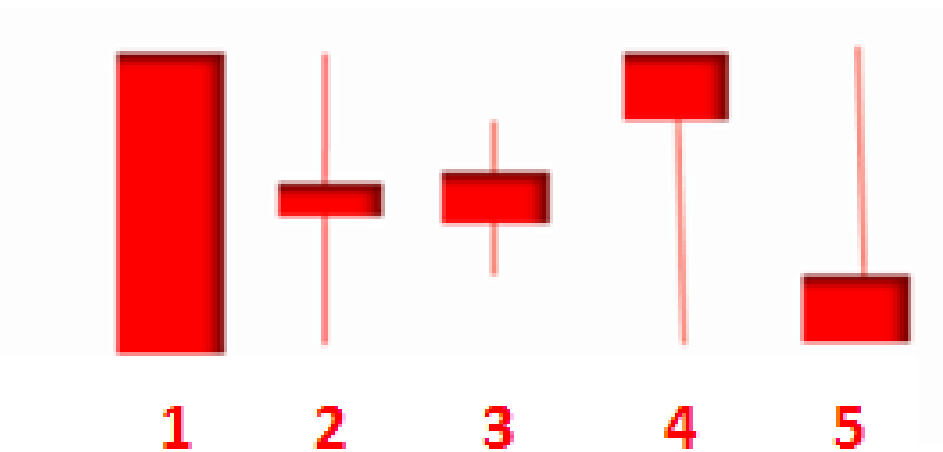
Bears or Sellers
Win

Candlestick Patterns

BUYERS – Candles close higher than open



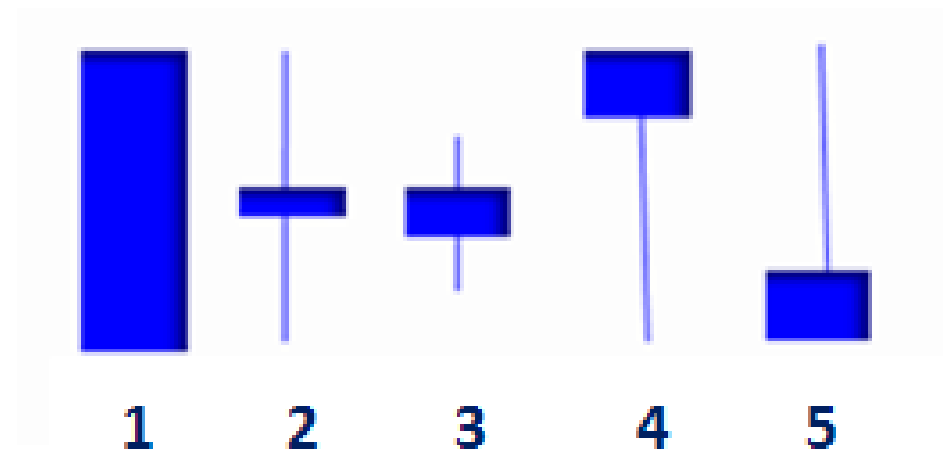
SELLERS – Candles close lower than open



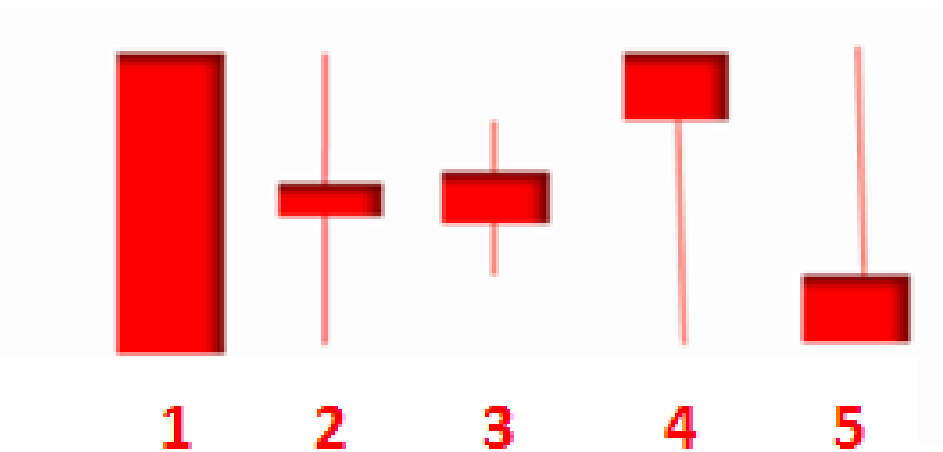
Which is the 'most' bullish or bearish of these candles?

Candlestick Patterns

BUYERS – Candles close higher than open

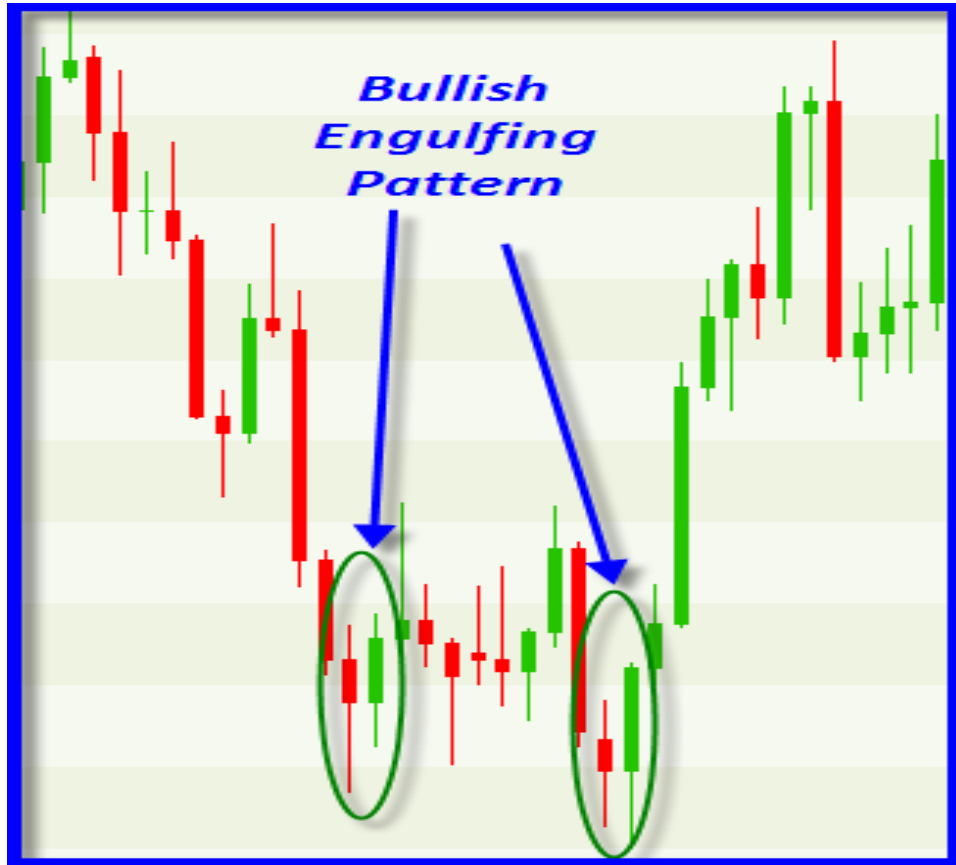


SELLERS – Candles close lower than open



Which is the 'most' bullish or bearish of these candles?

Bullish and Bearish Patterns



Bullish Engulfing Pattern

Market is in a definable downtrend.

Candle 1 has a small red real body.

Candle 2 reverses where the green body completely engulfs the previous day's red body.

A stronger signal occurs when the green reversal candle body engulfs two or more bodies.

Bullish and Bearish Patterns



Bearish Engulfing Pattern

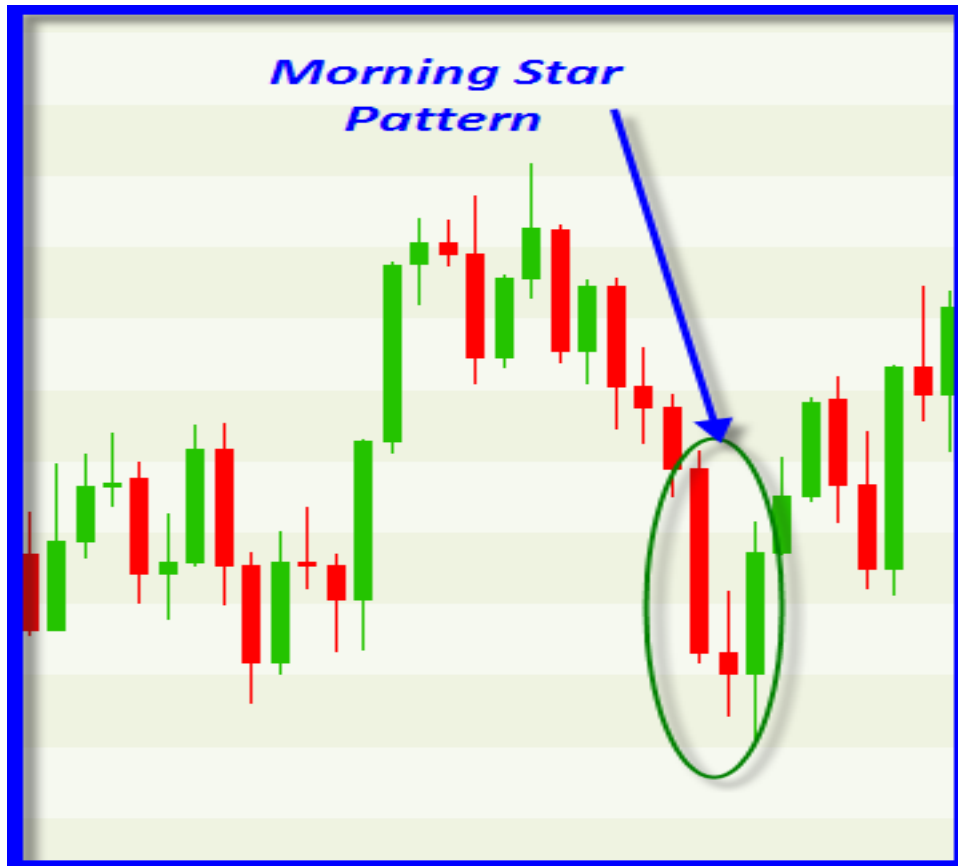
Market is in a definable uptrend.

Candle 1 has a small green body in an uptrend.

Candle 2 reverses where the red body completely engulfs the previous day's green body.

A stronger signal occurs when the red reversal candle body engulfs two or more bodies.

Bullish and Bearish Patterns



Bullish Morning Star Pattern

Bullish three-candle pattern at swing lows.

Candle 1 has a tall red real body.

Candle 2 has a small red or green body.

Candle 3 closes at least 50% into the first real body and is a tall green candle.

Bullish and Bearish Patterns



Bearish Evening Star Pattern

Bearish three-candle pattern at swing highs.

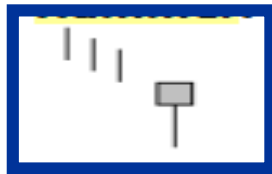
Candle 1 has a tall green real body.

Candle 2 has a small green or red real body.

Candle 3 closes at least 50% into the first real body and is a tall red candle.

Bullish and Bearish Patterns

Candlestick Pattern: Hammer



Small real bodies (either black or white).

Real bodies are near high of the session with very long lower shadows (at least 2-3 times the height of the real body).

Hanging Man

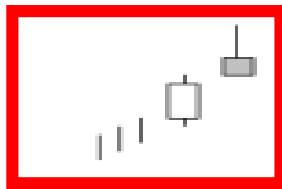


A hammer appears at the bottom of the decline (market hammering out a base).

Hanging man appears after an uptrend.

Bullish and Bearish Patterns

Candlestick Pattern: Shooting Star



Shooting star is a top reversal candle, just like the hanging man.

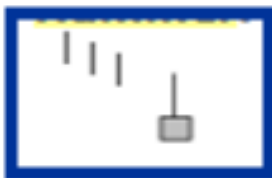
However, it displays a long upper shadow, and its small real body is at or near the lows of the session.

The Japanese say that the shooting star shows “trouble overhead”.

Because of the bearish long upper shadow, we don’t need as much bearish confirmation as we do with a hanging man.

An inverted hammer occurs after a downtrend.

Inverted Hammer



Reversal Candlestick Patterns

Candlestick Pattern:

Hammer



Hanging Man



Shooting Star



Reversal Candlestick Patterns

Bullish and Bearish Patterns

Candlestick Patterns:

Patterns of Indecision

Dojis

No one **wins!**

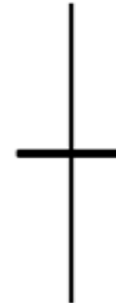
Buyers have
taken control
at market
bottoms

**Sellers have
taken control
at market tops**

Perfect Doji



Long-legged Doji



Dragonfly Doji



Gravestone Doji



Characterized by equal open and close prices.

Bullish and Bearish Patterns

Bullish Patterns

Candlestick Patterns: Other Examples

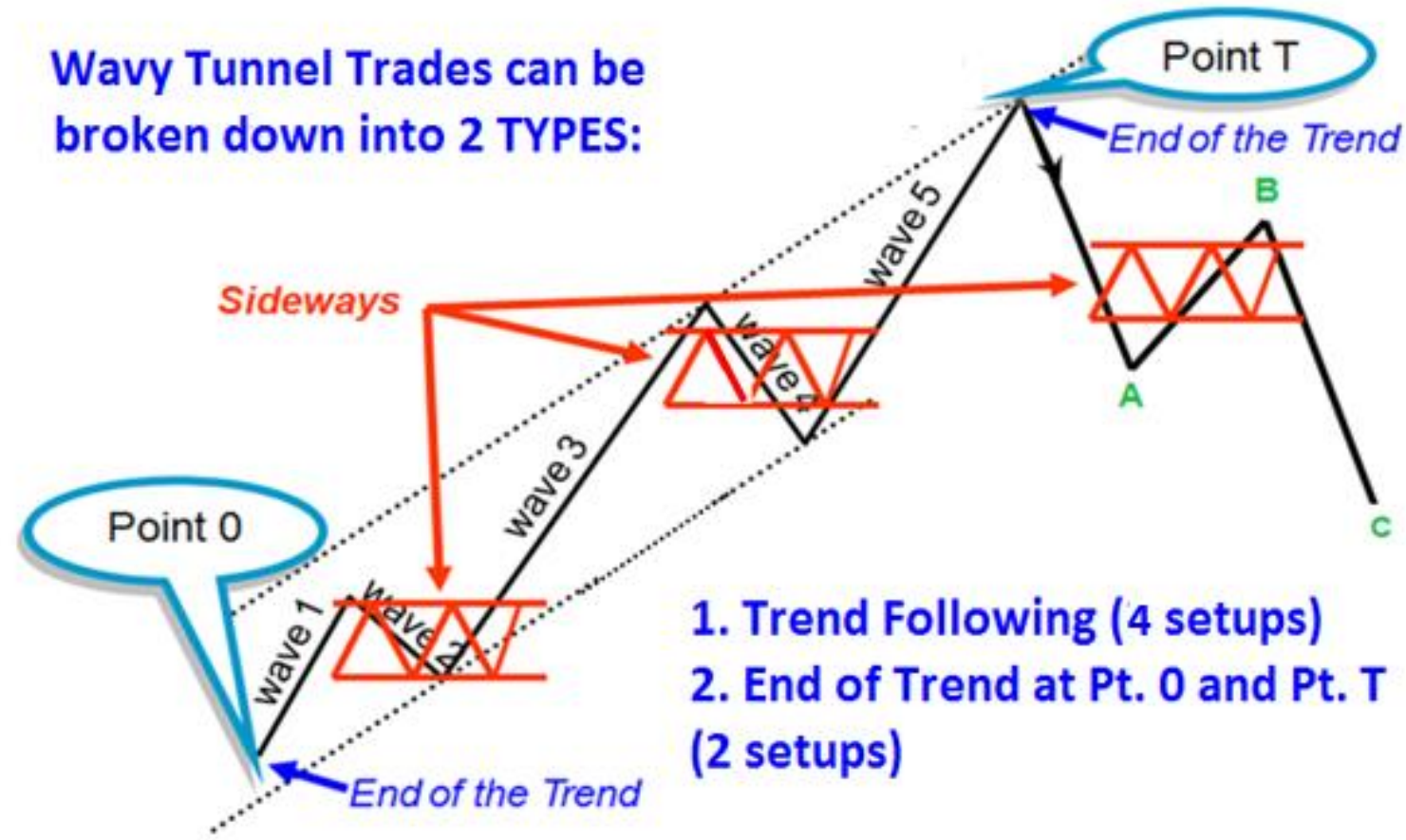
Tweezer Bottoms
Piercing Line
Bullish Harami
Tri-star
Harami Cross

Bearish Patterns

Tweezer Tops
Dark Cloud Cover
Bearish Harami
Tri-star
Harami Cross

Wavy Tunnel Trade Review

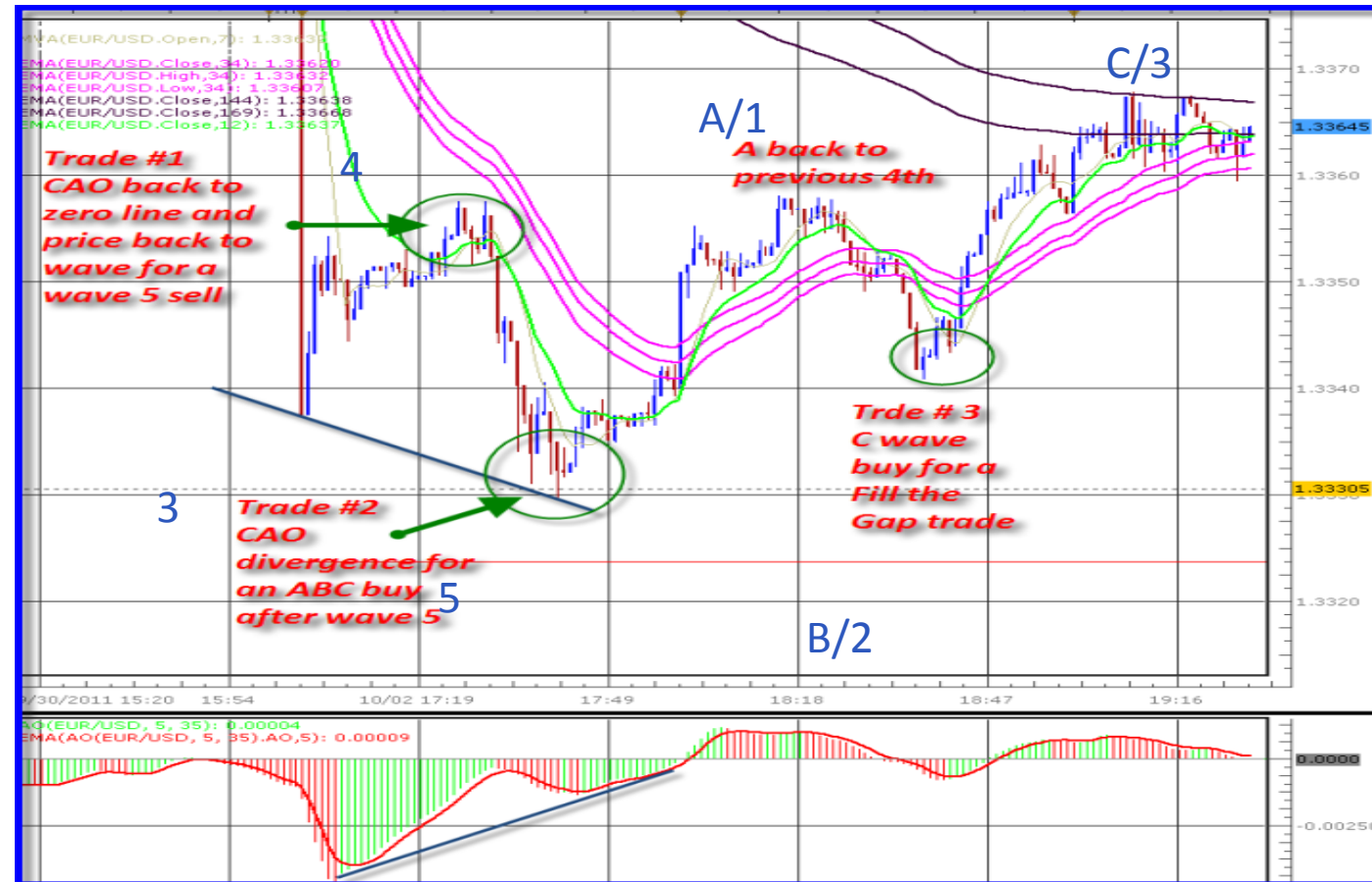
Wavy Tunnel Trades can be broken down into 2 TYPES:



1. Trend Following (4 setups)
2. End of Trend at Pt. 0 and Pt. T (2 setups)

Wavy Tunnel Trade Review

Example: EUR/USD 1-minute



This is a 1-minute chart, showing a BO-3 trade, a PW trade and a FG trade.

Wavy Tunnel Trade Review

Example: EUR/USD 15-minute



This is a 15-minute chart, showing a BO-1 trade, and 3 additional opportunities to sell BO-3 trades.

Trade Plan: EUR/USD

Name of Trading System: Break Out Trade 3 Retrace Back to the Wave
CHART SETUP EUR/USD; 7:00AM EST UNTIL 12:00 AM EST NY MARKET & 2:00PM TO 5:00PM NY Close Time Frames = 1 HOUR 15 MIN 5 MIN Indicators = WAVY TUNNEL+ ELLIOTT WAVE Oscillators = STOCHASTIC or RSI (14) For Overbought and Oversold, AO for Divergence, pivot points, trend lines, ATR.
GENERAL RULES <ol style="list-style-type: none">1. Read these trading rules before every trading session.2. If you miss the trade, wait for pullback.3. Plan the trade and trade the plan.4. Trade with the trend. If the daily and general trends are up, look for buys unless, there is divergence in the oscillator signaling the price action is running out of steam, the market has just made a large move and needs to pause or retrace, or price is way above the moving averages and needs to snap back.5. Be happy taking profits and losses.6. Risk no more than 2 percent on a trade.

Trade Plan: EUR/USD (continued)

<i>Entries</i>	<i>Exits</i>
<p>BUY (opposite for a sell)</p> <ul style="list-style-type: none">- Trades taken on the 5-min and 15-min chart in the direction of the 1 hr and 15-min trends.- Wait for retracement to the Wave on the 15- or 5-min chart, confirm with a close under the EMA 34 high.- Wave and 12 EMA should have at least 45 degrees.- Buy when price closes above 12 EMA on the 15-min chart or the 5-min chart.- If price closes below the 34 EMA low before crossing the 12 EMA, cancel the trade.- Check for divergence in the 1-hr for the 15-min trade.	<p>Stop Loss and Profit Taking</p> <ul style="list-style-type: none">- T/P: 3 Profiteers- STOP: Below the Wave.

Trade Plan Execution and Documentation

Trade #1: EUR/USD 15-minute



Trade Plan Execution and Documentation

Trade #1: EUR/USD 15-minute



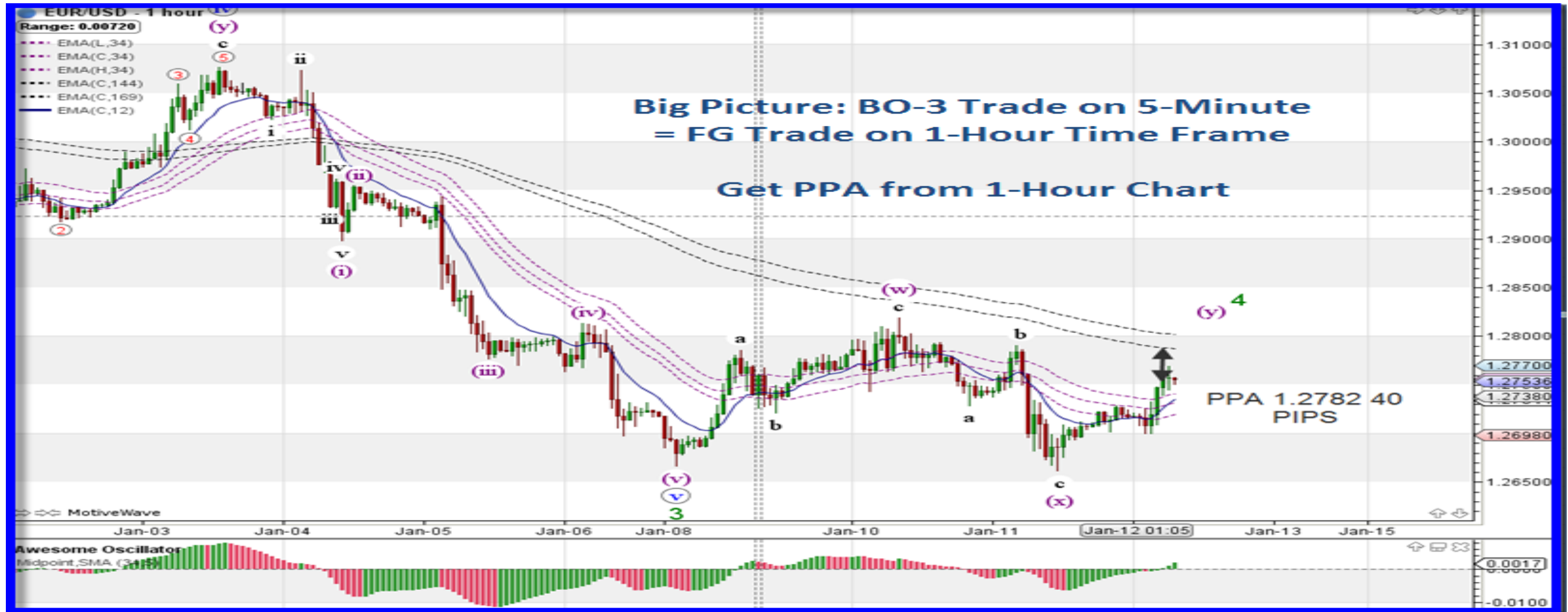
Trade Plan Execution and Documentation

Trade #2: EUR/USD 5-minute



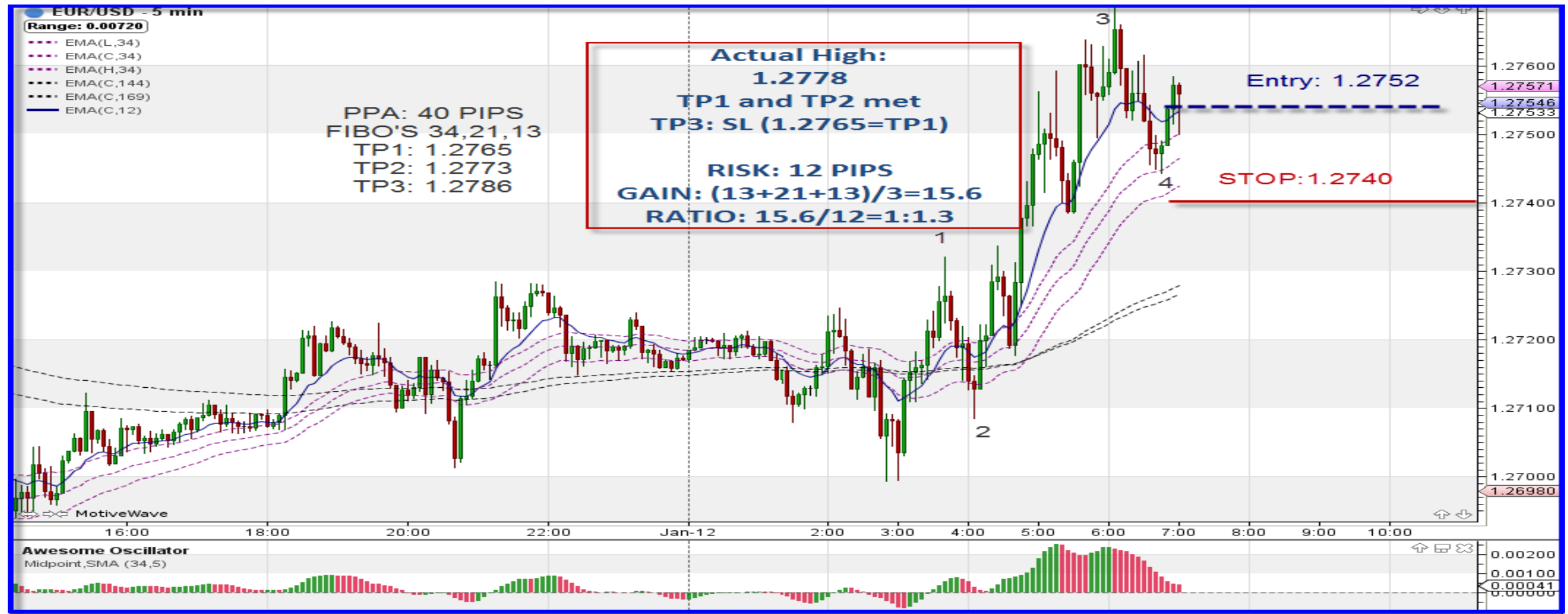
Trade Plan Execution and Documentation

Trade #3: EUR/USD 1-hour “Big Picture”



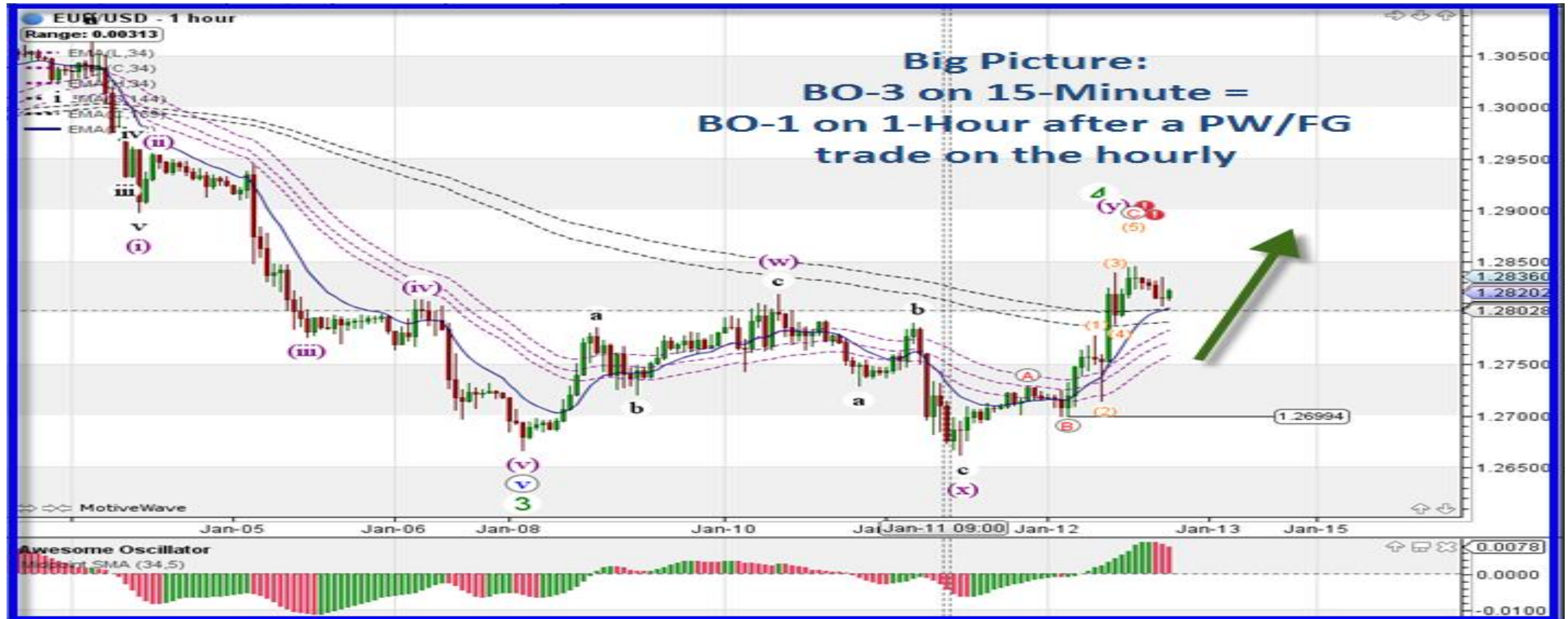
Trade Plan Execution and Documentation

Trade #3: EUR/USD 5-minute “Entry” and “Results”



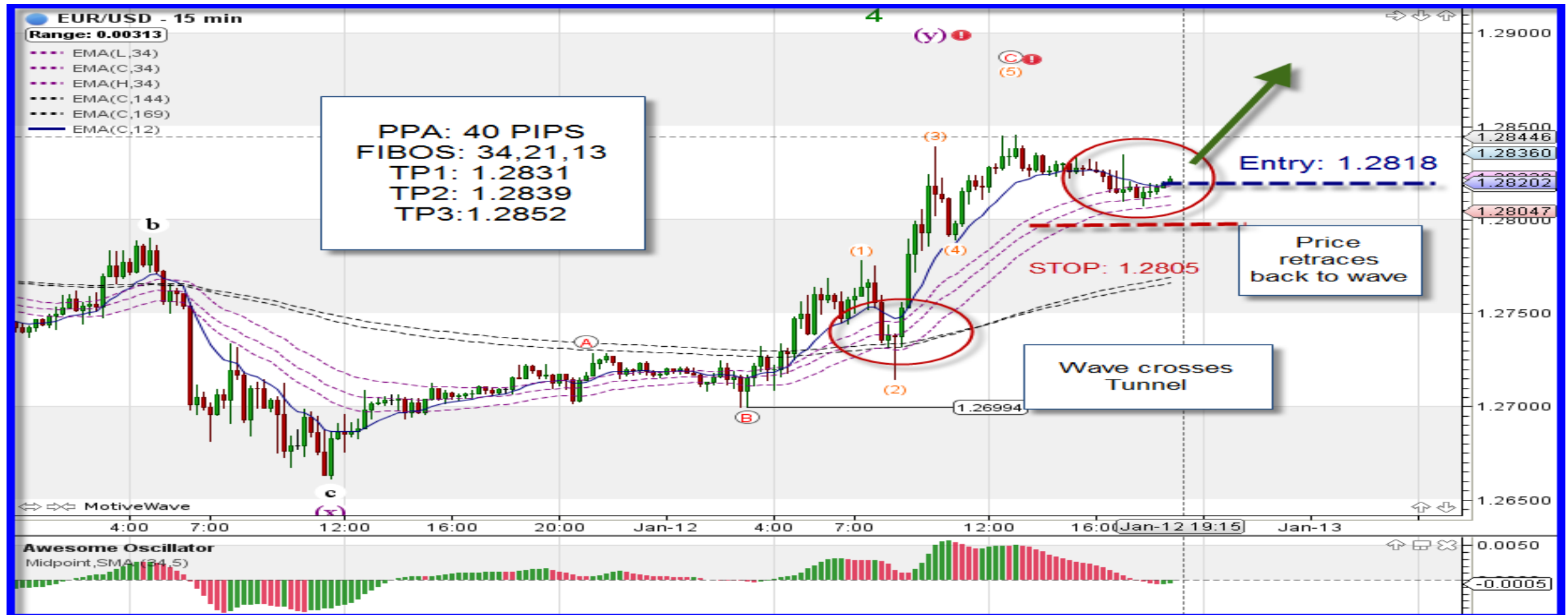
Trade Plan Execution and Documentation

Trade #4: EUR/USD 1-hour “Big Picture”



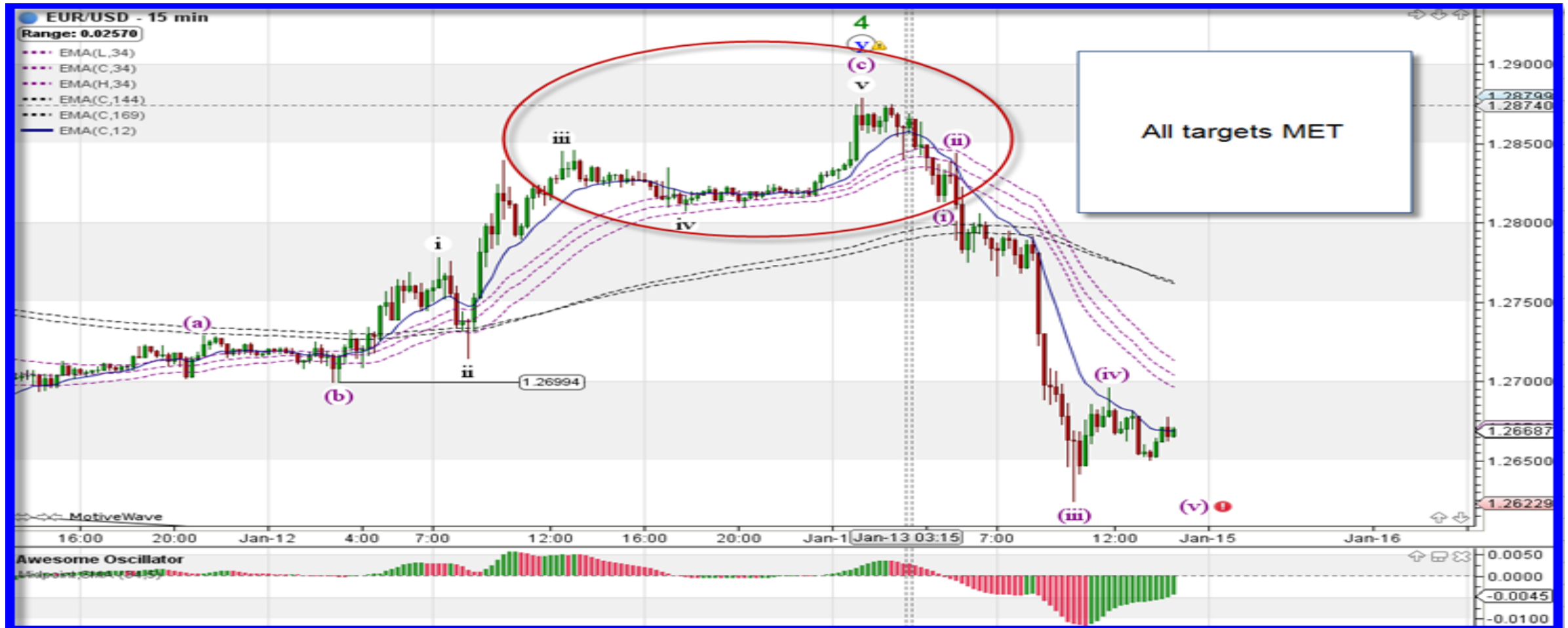
Trade Plan Execution and Documentation

Trade #4: EUR/USD 15-minute "Entry"



Trade Plan Execution and Documentation

Trade #4: EUR/USD 15-minute “Results”



Trade Plan Execution and Documentation

Trade #5: EUR/USD 1-minute "Entry"



Trade Plan Execution and Documentation

Trade #5: EUR/USD 1-minute "Results"

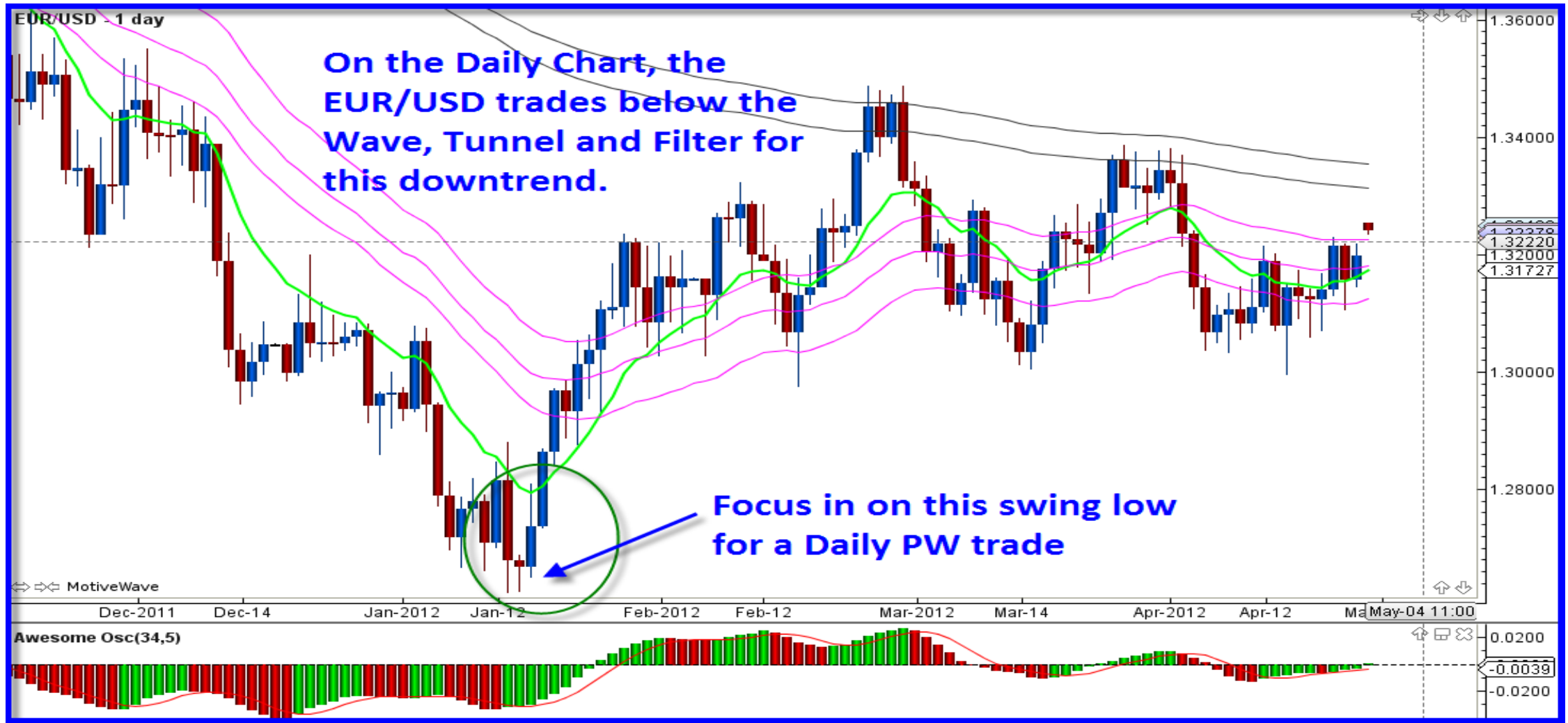


Trade Plan Execution and Documentation

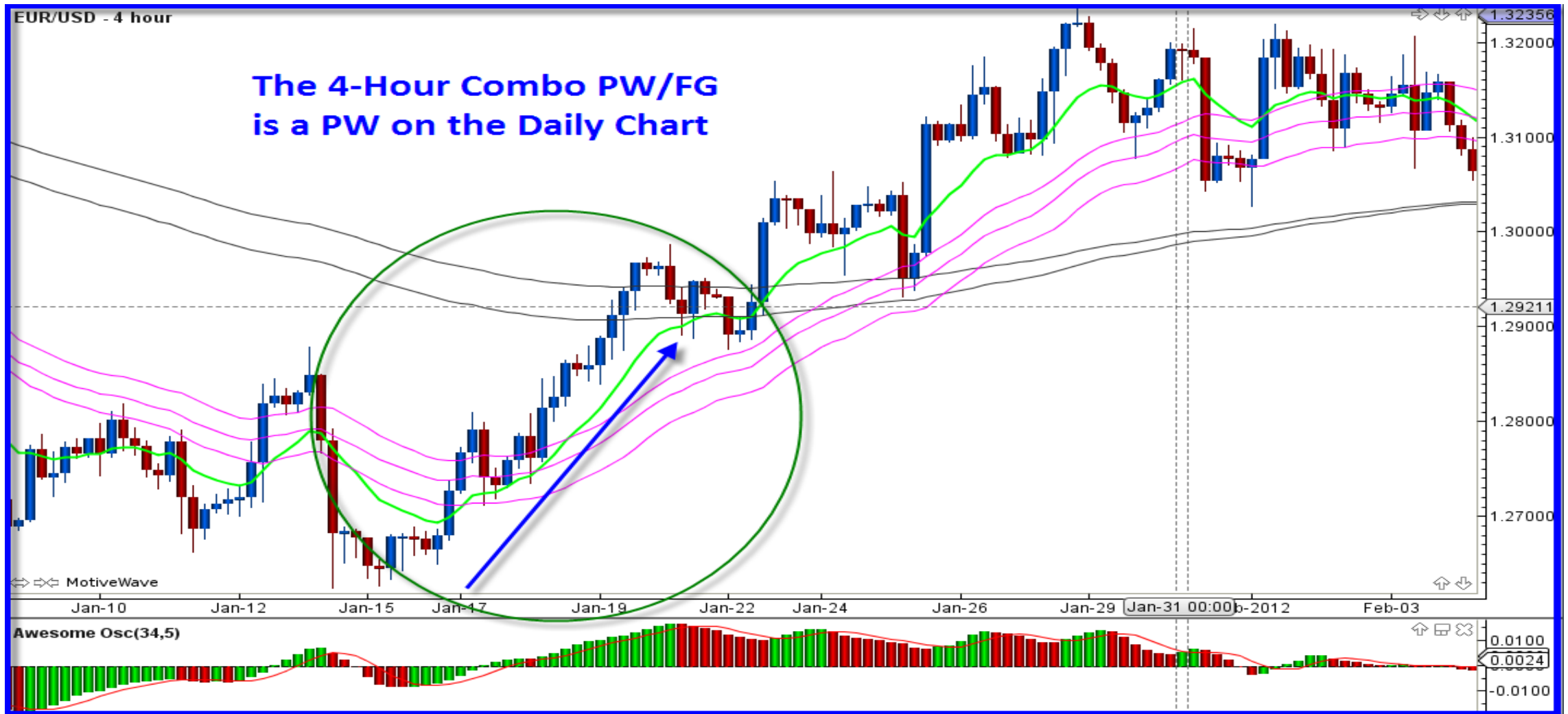
Trade #5: EUR/USD 1-, 5-, and 15-minute “Big Picture”



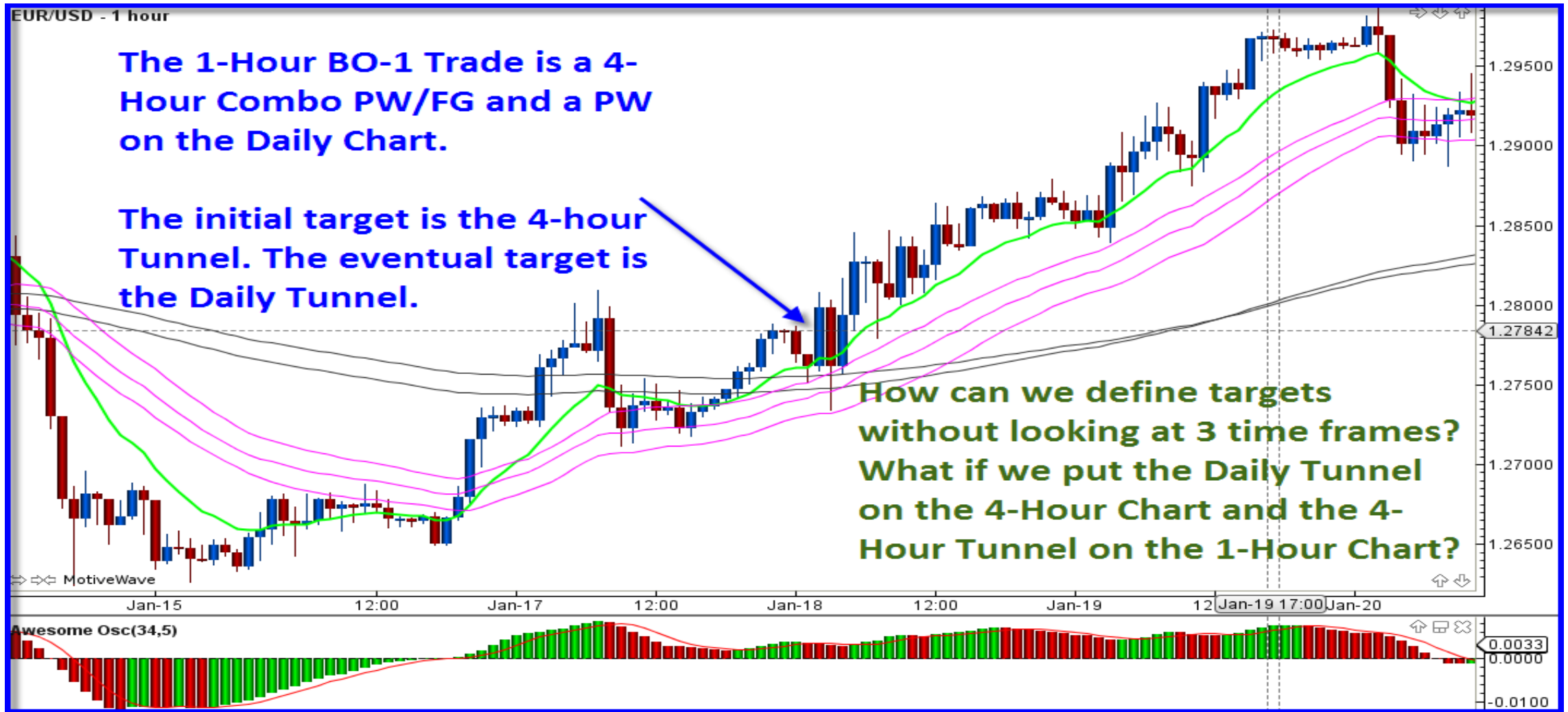
Top Down Approach Review: DAILY



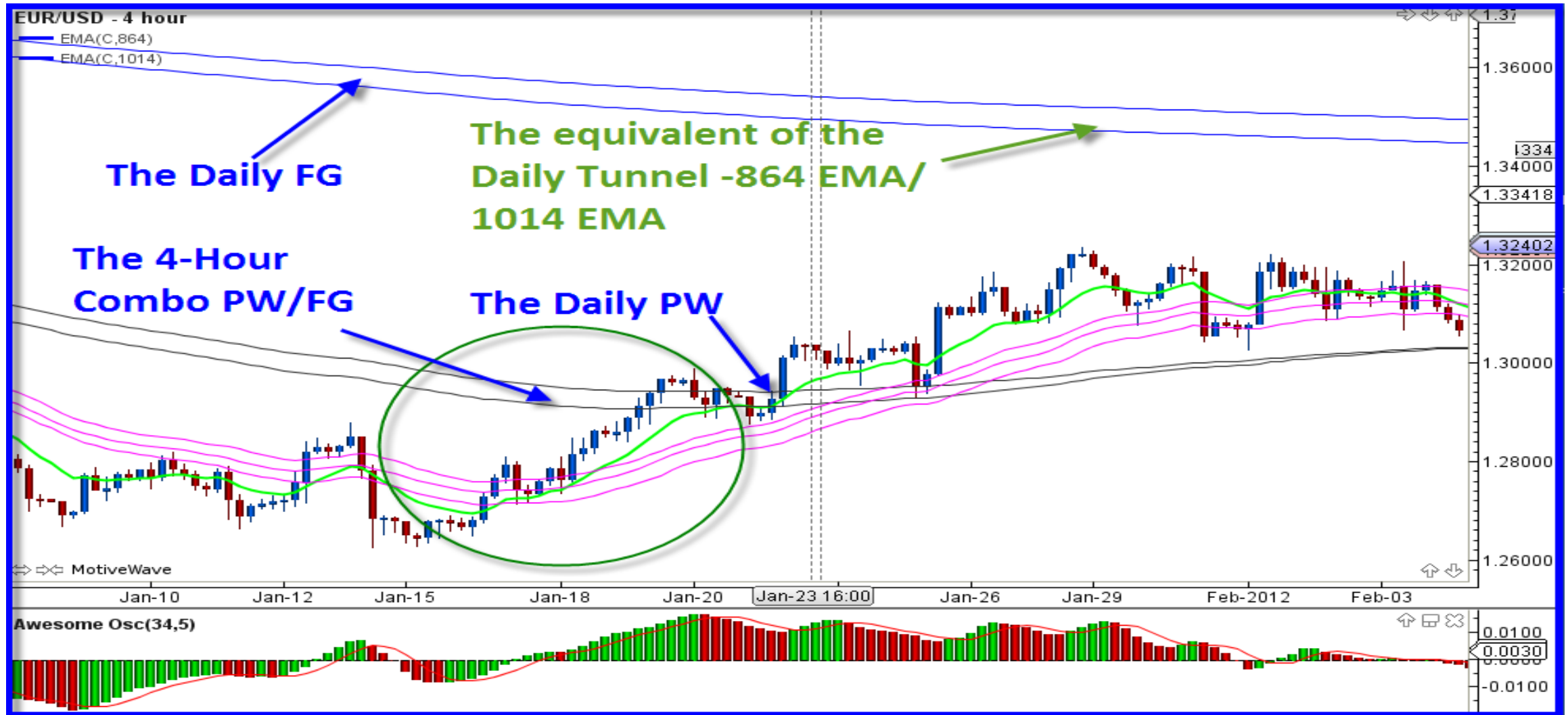
Top Down Approach Review: 4-Hour



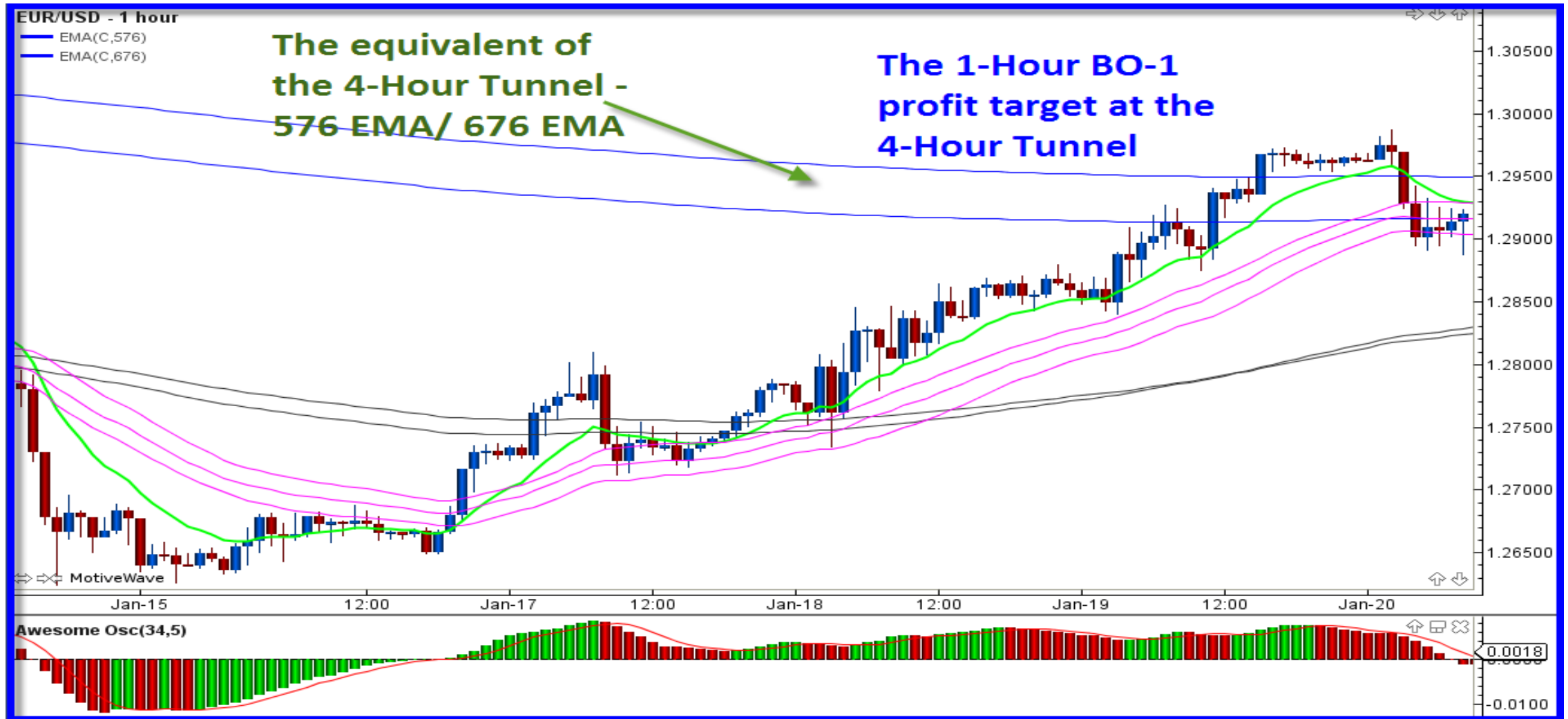
Top Down Approach Review: 1-Hour



Viewing Two Timeframes on One Chart: Putting the Daily Tunnel on the 4-Hour Chart



Viewing Two Timeframes on One Chart: Putting the 4-Hour Tunnel on the 1-Hour Chart



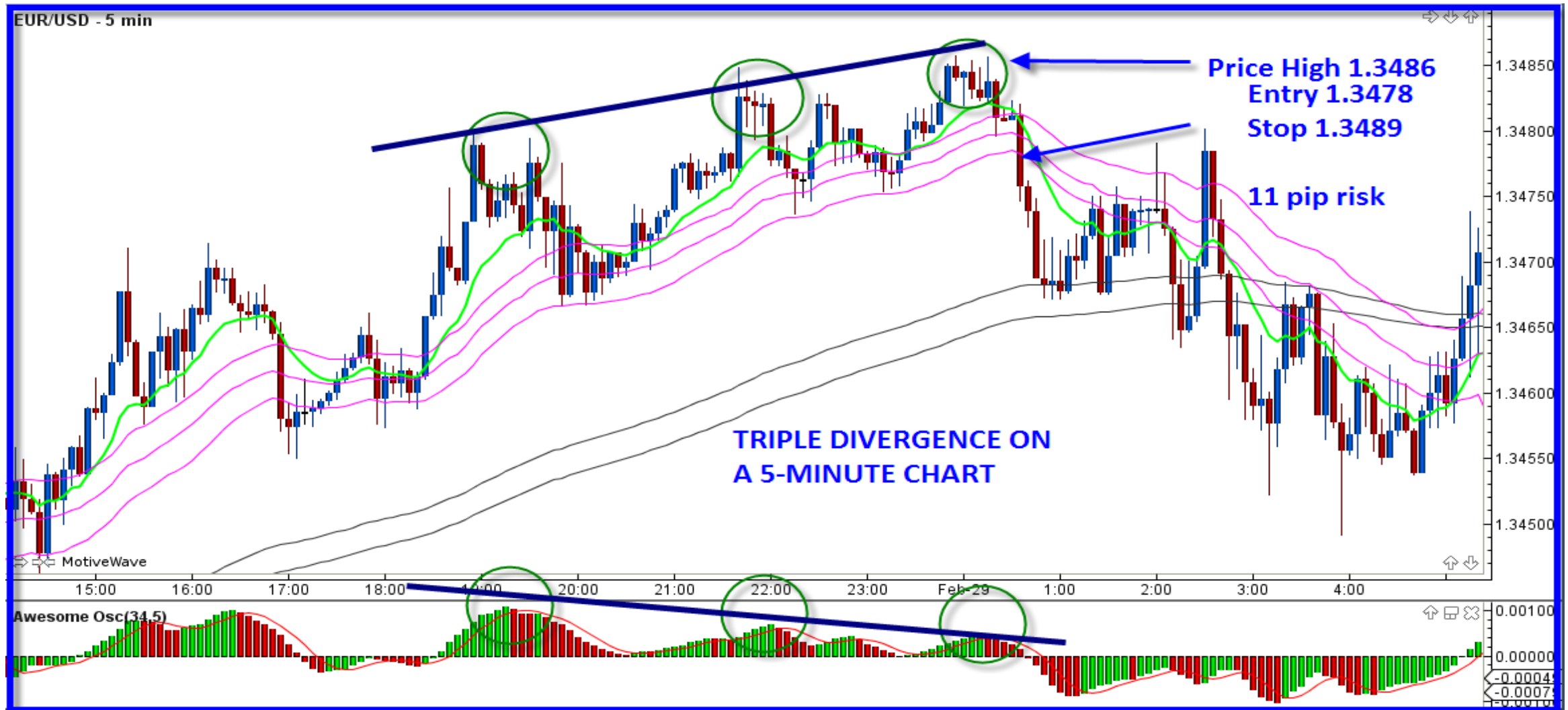
Daily Chart

Drilling Down from the Daily to the 5-Minute



5-Minute Chart

Drilling Down from the Daily to the 5-Minute



Observations

When the Wave and the Tunnel come together on the 1-day chart then a big move is about to happen. We are in equilibrium at that point, most likely in a quiet consolidating, corrective pattern and in the markets we don't stay that way for long. Look for a break.

When the Wave and the Tunnel are separating then the current wave is likely to be an impulse wave. Waves 1,3,5, A or C. Look for BO trades and join the trend.

When the Wave and the Tunnel come together then the current wave is likely to be a corrective wave. Waves 2,4 or B.

If there is divergence in the CAO, it could be an End of Trend Trade. End of Wave 5 or C.

Observations

There are many ways to run with the Wavy Tunnel. From a Swing perspective, use the 1-hour to take trades and the 4-hour and Daily to confirm the setup and find the targets. From a Day trading perspective, use the 5-minute or 1-minute for entry and look at the Big Picture on the 15-minute and the 1-hour to confirm the setup and find the targets.

A PW trade on the Daily will almost always produce a FG on the 4-Hour and BO-1 on the 1-Hour. A PW trade on the 1-Hour will almost always produce a FG on the 15-Minute and BO-1 on the 5-Minute charts.

Trade planning is key. Maintain organization in your trading life. Be consistent with documenting the trades and reviewing them weekly and monthly. Set goals for yourself. And, always exercise proper Money Management.