GUIDE TO PRICE ACTION ENTRY SIGNALS

How to find, enter & place price action trades

MONK-MIND
TRADERS

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SIMPLE SETUPS

Using simple and repeatable price action triggers that form time and again in the markets can be a great way to find entries into the market.

These triggers will often get you in at the best time and just as the market is about to reverse, giving you the optimum entry price.

Why Are Entry Signals so Important?

Buying and selling a currency pair in order for you to gain profit from the differences between the entry and exit price is your main objective in Forex trading.

Buying low and selling high is universal. Some traders spend more time thinking profoundly on entry points, whilst others believe that success sometimes relies on how a trader exits their trades.

Knowing the value of a currency pair that will appreciate in the future isn't enough unless you have a clear conception of when the appreciation will occur.

CANDLESTICKS

Remember the saying; "Give a man a fish, and you feed him for a day. Teach a man to fish, and you feed him for a lifetime".
Just like in trading, you don't need to get the signals, but learn how to find them and teach yourself how to actually get profits for a lifetime.
Without the mastery of trade timing and good trigger points you will never make any profits. That's why a trader uses charts in their daily trading.
You can use charts to determine everything that is happening in the Forex market. One of the most useful and common types of charts is the candlestick chart.

How Can Candlestick Charts Help You?

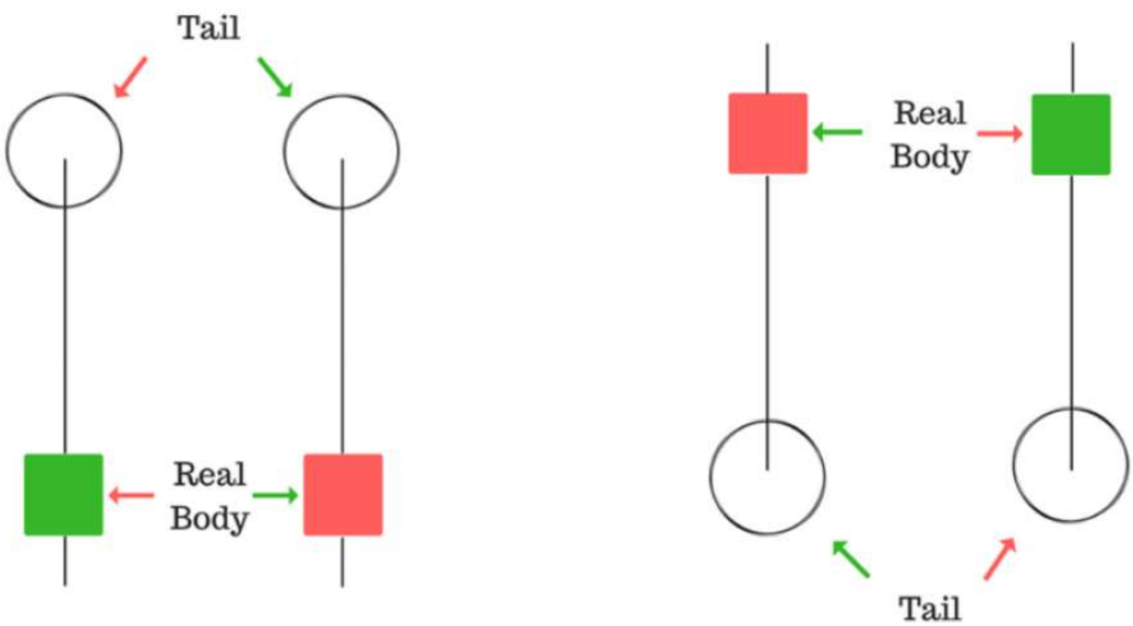
It is a type of financial chart that is more visually appealing than the common bar chart, thus making price action easier to interpret and analyze.
It can also help an investor make wiser buy and sell decisions because of its recognizable patterns.

PIN BAR REVERSAL

Patterns play a very crucial role in trading, so here's to a breakdown of the most helpful patterns for your daily trading needs.

Pin Bar Reversal = Pin Bars

Pin bars are one of the most powerful price action patterns in Forex trading as they are easy to recognize which means both professionals and retail traders use them.



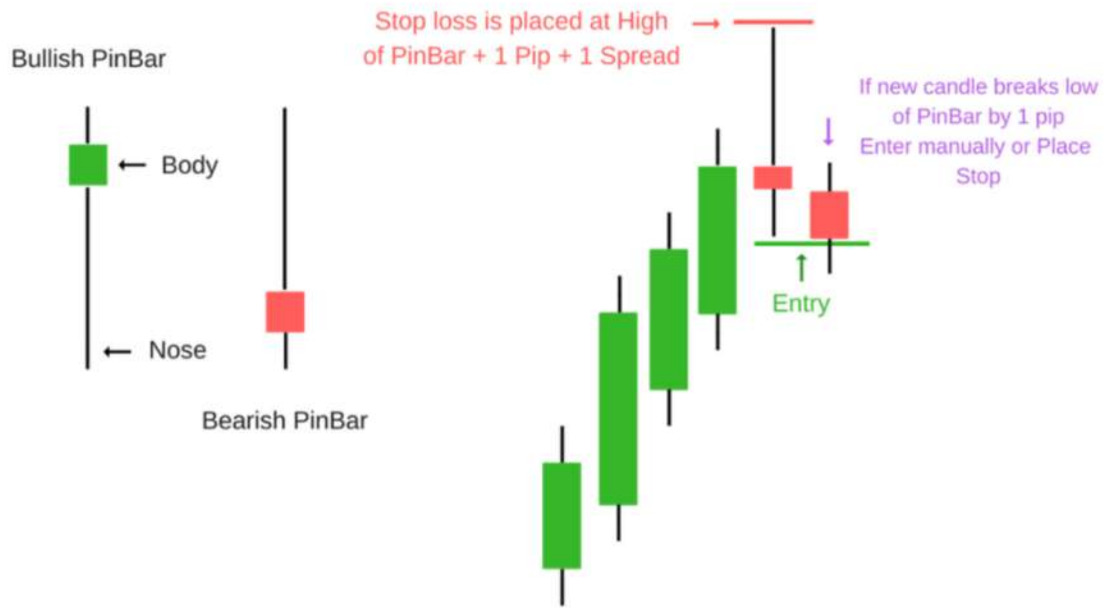
What is a Pin Bar?

The pin bar (also known as Pinocchio Bar) formation is a reversal setup. It is a one candle / bar formation that has an obvious large tail or shadow either up or down.
A pin bar is a single candlestick setup that clues price action into potential reversals in the market.
It also has an elongated wick that sticks out.
There is also a Fake Pin Bar that is different than the normal pin bars.
Because of the price action, you can now determine the difference between the two. If a long wick sticks out from recent prices then it's a pin bar, if the long wick does not stick out then it's not a genuine pin bar, but rather a 'FAKE PIN BAR'.

How to Spot the Pin Bar?

Bearish pin bars form after several bullish candles and have a nose that is higher than the top of the previous candle.
The nose must be at least 75% of the candle size and the candle body must be less than 16%. (Vice Versa for a Bullish Pin Bar).

ENTRIES



Pin Bar Entries?

The best way to trade any market is to trade inline with the trend.

In a trending market, a pin bar entry signal can offer a better risk reward with lower risk.

If the pin bar shows a rejection to lower prices, it's a bullish pin bar since the rejection shows the bulls or buyers are pushing price higher.

RISK LEVELS

Aggressive - High Potential Reward and Risk: 50% Retrace

This entry involves taking a 50% retrace of the pin bar or other reversal candles wick.

For this entry you would be setting a trade entry and waiting for price to move higher or lower 50% in the opposite direction of where you actually want price to go for your trade.

You do this to get a much tighter stop loss and potentially higher reward pay off.

Medium Reward / Risk Entry: Entry on Close

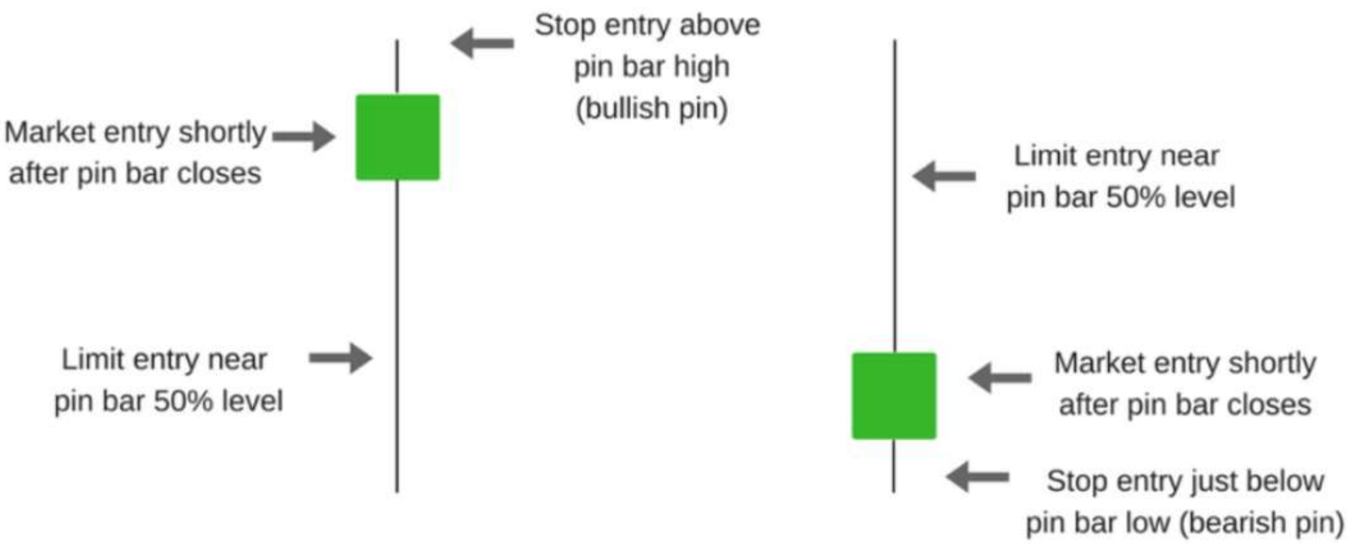
This entry on reversal trade signals involves entering as soon as price has closed. When the reversal candle such as the pin bar has closed and it meets your criteria, you simply enter the trade.

Lower Reward / Risk: Entry on Confirmation / Break Higher or Lower

With this entry type you are creating a trade entry and waiting for price to break higher or lower, above or below the pin bars high or low.

EXAMPLES

Price is then breaking in the direction that you are looking for price to move.
This is lower risk, but can create bigger stops that will give you lower reward.
Each entry has it payoffs for potential risk and reward.



Engulfing Bar

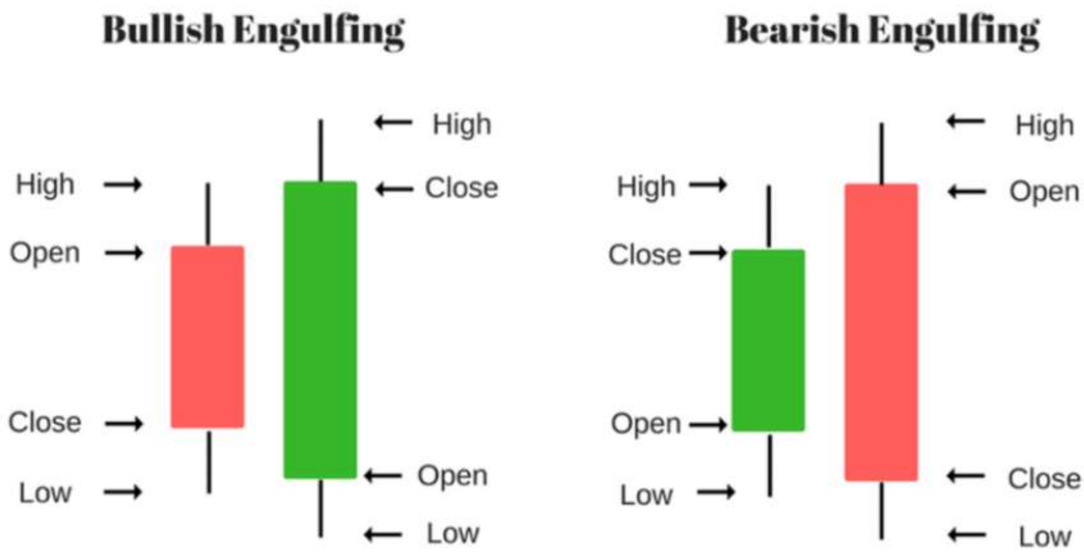
Engulfing Bars = EB's, also known as Outside Bars = OB's are one of the most widely used strategies in Forex trading. EB's can generate very accurate and reliable signals if identified and understood correctly.

What is the Engulfing Bar?

There are two types of engulfing bars:

(1) Bullish Engulfing Bar.

(2) Bearish Engulfing Bar.



HOW TO FIND

Bullish Engulfing Bar (BUEB)

The bullish candle fully engulfs the previous candle. It can even engulf more than one candle, but to be a valid bullish engulfing bar, it must engulf at least one of the previous candles.

Bearish Engulfing Bar (BEEB)

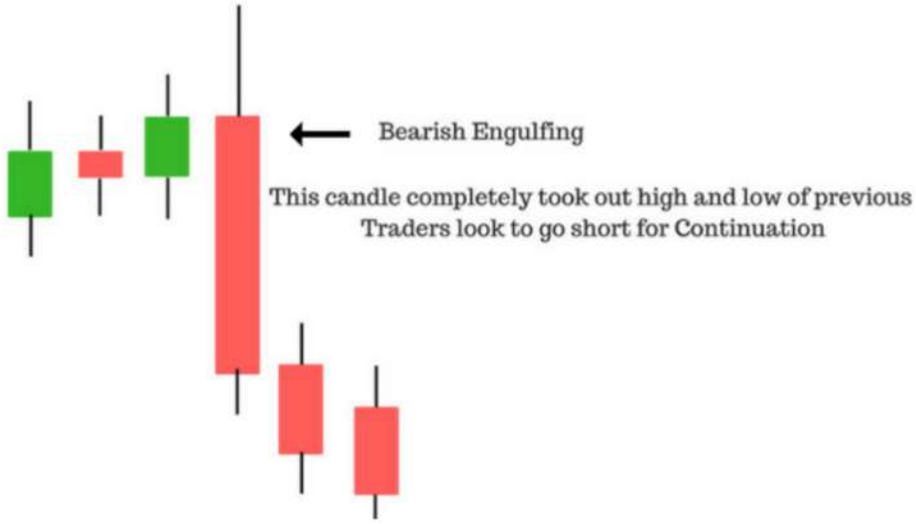
The bearish candle fully engulfs the previous candle.
Both Bullish and Bearish Engulfing Bars have a “lower low” and “higher high” like the preceding candle.

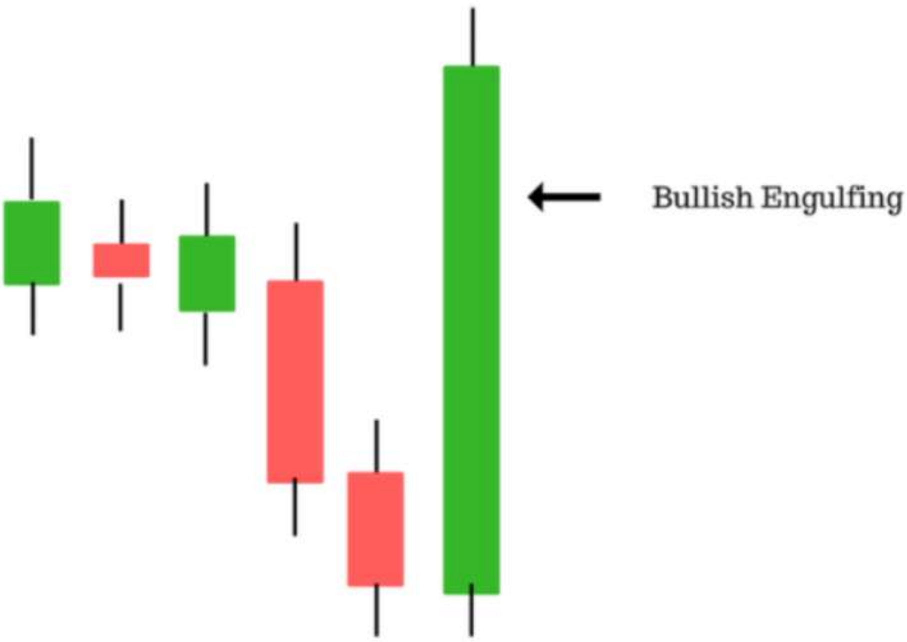
How to Spot Engulfing Bars?

Looking for the engulfing bar is pretty simple. The candle should completely cover the previous candles range, taking out the previous high and low.


2.13
1.20
0.45

EXAMPLES


Bearish Engulfing
This candle completely took out high and low of previous
Traders look to go short for Continuation


Bullish Engulfing

INSIDE BAR

Inside Bar = IB

One of the most familiar candlestick patterns is the inside bar. It forms when price trades within the high and low ranges of a previous day.

You can call an inside bar a 'breakout play'.

The best IB's are made in trending markets with the direction of the trend.

What is an Inside Bar?

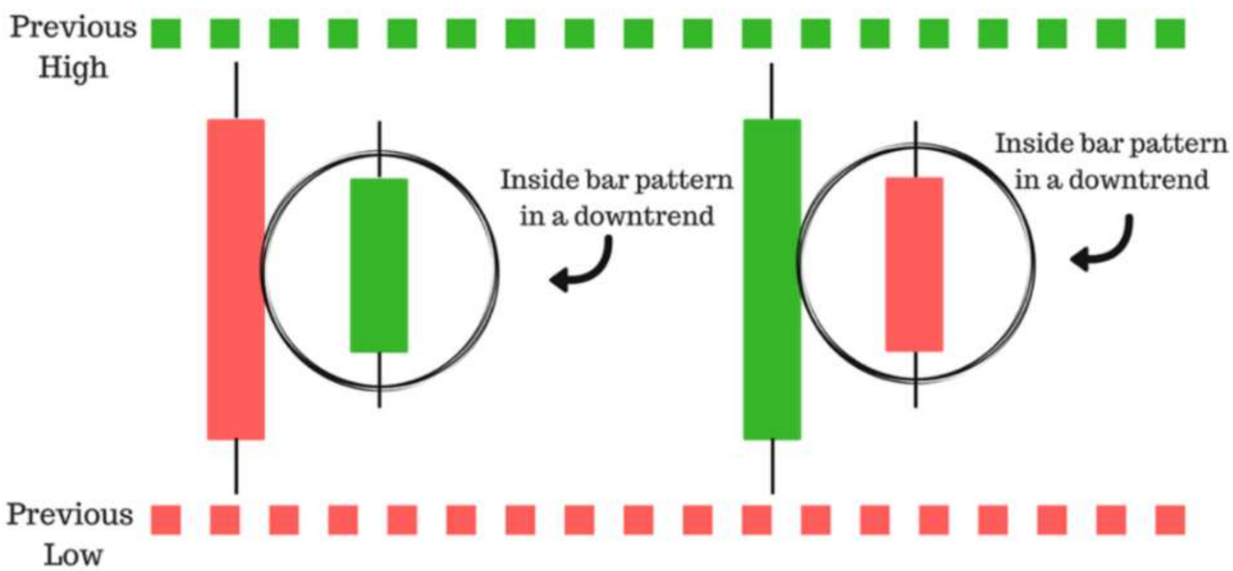
The inside bar is formed when the second bar or candlestick is engulfed within the previous bar or candlestick high and low.

It is a two-bar price action trading strategy in which the inside bar is smaller and within high to low range of the prior bar. It can be at the top, middle or bottom of the bar.

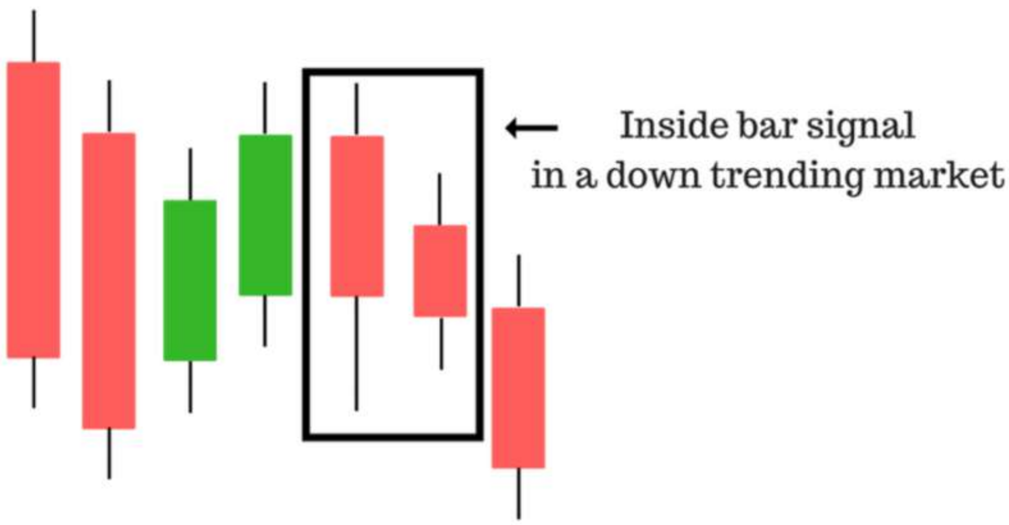
How to Spot the Inside Bar?

You can see what it looks like in-line with a trending market below. As you can see below it is a down-trending market so the inside bar pattern would be called the inside bar sell signal.

EXAMPLES



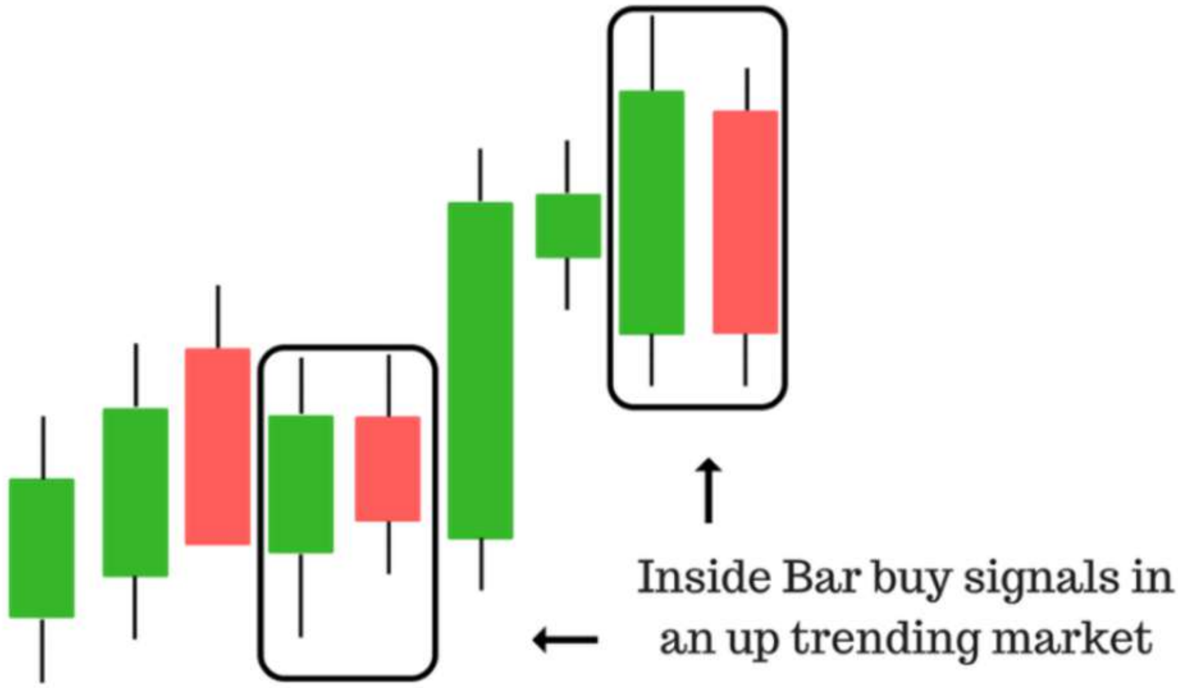
Previous High
Inside bar pattern in a downtrend
Inside bar pattern in a downtrend
Previous Low



Inside bar signal
in a down trending market

TRENDS

Here's another example; this time it's an inside bar pattern with a trending market.
In this example, the market was trending higher so the inside bar would be referred to as the inside bar buy signal.



ENTRIES

Inside Bar Entry

Inside bars can be traded both as reversals and market trend continuations.

The most commonly used entry with the inside bar is to place a buy stop or sell stop at the high or low of the mother bar. This way your entry order is filled when price breaks out above or below the mother bar to confirm you move and to miss as many false inside bar moves as possible.

How to Use These Reversals Price Action Triggers?

Support and Resistance

In technical analysis, support and resistance levels are the most important concepts to determine long and short trading opportunities.

Support is a price level where due to a concentration of demand, price will often turn around and be 'supported'.

Resistance zones are the opposite to support zones and are levels in the market where price is finding more sellers and less demand; in other words, price is finding resistance.

TREND LINES

Resistance zones can be great spots to target bearish reversal trades or to use with your exits.
If you can recognize the zones of support or resistance on your charts, it will provide both valuable entry and exit points.

Trend lines

There are 3 different types of markets. These are the uptrend (higher highs and lows), downtrend (lower highs and lows), and sideways trends (ranging).
Uptrend trendlines (valleys) are drawn along the bottom of identifiable support areas. And in a downtrend, lines (peaks) are drawn along the top of identifiable resistance areas.

You should not try and make the line fit the market.
So how can you draw them? It's easy! Locate a minimum three major points that align higher or lower.

What are Some of the Stop Loss Strategies Used?

Market volatility is never-ending. As a trader, the hardest part is to mitigate against losses.

NOTE: Set your own stop losses depending on your individual preferences.

Below are some of the most popular and commonly used stop loss strategies.

Pin Bar Stop Loss Strategy

You can place a stop loss behind the tail of the pin bar whether it's bearish or bullish.

As a result, when price hits your stop loss, the pin bar setup will turn out to be invalid.

Remember that the market is just notifying you that your pin bar setup was not strong enough, don't ever think that it's a bad thing when price hits the stop loss.

STRATEGY

Inside Bar Stop Loss Strategy

The inside bar stop-loss strategy gives you two options on where you can place a stop-loss.

It can either be behind the inside bars high or low or even behind the mother bars high or low.

If you want a lower risk inside bar stop loss strategy, then it's behind the mother bars high or low. Just like the pin bar stop loss strategy, the inside bar setup becomes invalid once hit.

Confluence Stop Loss Strategy

Traders often use this kind of setup.

With this strategy you will use support and resistance levels, previous highs and lows, moving averages, trend lines, and channels to find an appropriate stop level.

The good thing about confluence stops is that they are often used at obvious price levels in the market.

Note: If price repeatedly takes out your stops by just a few points, add more confluence levels or add a little padding to place your stops outside the stop hunting zone.

Volatility Stop Loss Strategy

Professional traders often use this strategy because it has the abilit to adapt to changing market conditions.

If the volatility is high, you can use a larger stop loss for greater swings and you can shorten when the market calms down.

In times of high volatility, you should widen your targets to counte the reduced effect on reward: risk ratio.

If the volatility is low then you should set closer targets because pr won't travel as far.

Final Thoughts

Use price action patterns for entry according to your own risk tolerance and how aggressive you are as a trader.

Always remember to use a stop loss and test and always test new strategies on a good demo trading platform first.

I will leave you with this.

"Letting losses run is the most serious mistake made by most investors."

– William O'Neil