

均衡表 Ichimoku Kinkō Hyō

Hello Forex Winners !

On this book we will talk about Ichimoku Kinko Hyo indicator and will show many pictures to make it easy for you.

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Ichimoku Kinko Hyo is one of the best indicators , and some price action traders use it as a good tool to read the market with a good vision.

We can say that Ichimoku is an indicator which has more then 4 indicators in it (4 in 1)

We will talk about each one alone to know how to use it , then we will know how to use all indicators together. Now we must know some information about Ichimoku. I collected some information about it , lets read them together.

Sincerely,

*Ahmed Elagouz
Forex trader and investor.*

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Ichimoku Kinko Hyo

(均衡表 Ichimoku Kinkō Hyō) usually just called ichimoku is a technical analysis method that builds on candlestick charting to improve the accuracy of forecast price moves. It was developed in the late 1930 by Goichi Hosoda (細田悟一 Hosoda Goichi), a Japanese journalist who used to be known as Ichimoku Sanjin, which can be translated as "What a man in the mountain sees".

Ichimoku Kinko Hyo means 'one glance equilibrium chart' or 'instant look at the balance chart' and is sometimes referred to as 'one glance cloud chart' based on the unique 'clouds' that feature in ichimoku charting.

Ichimoku factors in time as an additional element along with the price action, similar to William Delbert Gann's trading ideas.

Take a look on that picture to know how is it on the chart :



Try to memorize line's names.

Kijun-sen

Kijun-sen (基準線) calculation: $(\text{highest high} + \text{lowest low})/2$ for the past 26 periods.

This is a confirmation line, a support/resistance line, and can be used as a trailing stop line. the Kijun Sen acts as an indicator of future price movement. If the price is higher than the blue line, it could continue to climb higher. If the price is below the blue line, it could keep dropping.

Tenkan-sen

Tenkan-sen (転換線) calculation: $(\text{highest high} + \text{lowest low})/2$ for the last 9 periods.

It is primarily used as a signal line and a minor support/resistance line. Tenkan Sen (red line): This is also known as the turning line and is derived by averaging the highest high and the lowest low for the past nine periods. The Tenkan Sen is an indicator of the market trend. If the red line is moving up or down, it indicates that the market is trending. If it moves horizontally, it signals that the market is ranging.

Senkou span A

Senkou (先行) span A calculation: $(\text{Tenkan-sen} + \text{kijun-sen})/2$ plotted 26 periods ahead.

Also called leading span 1, this line forms one edge of the kumo, or cloud

If the price is above the Senkou span, the top line serves as the first support level while the bottom line serves as the second support level.

If the price is below the Senkou span, the bottom line forms the first resistance level while the top line is the second resistance level.

Senkou span B

Senkou span B calculation: $(\text{highest high} + \text{lowest low})/2$ calculated over the past 52 time periods and plotted 26 periods ahead.

Also called leading span 2, this line forms the other edge of the kumo.

Kumo

Kumo (雲, cloud) is the space between senkou span A and B. The cloud edges identify current and potential future support and resistance points.

The Kumo cloud changes in shape and height based on price changes. This height represents volatility as larger price movements form thicker clouds, which creates a stronger support and resistance. As thinner clouds offer only weak support and resistance, prices can and tend to break through such thin clouds.

Generally, markets are bullish when Senkou Span A is above Senkou Span B and vice versa when markets are bearish. Traders often look for Kumo Twists in future clouds, where Senkou Span A and B exchange positions, a signal of potential trend reversals.

In addition to thickness, the strength of the cloud can also be ascertained by its angle; upwards for bullish and downwards for bearish. Any clouds behind price are also known as Kumo Shadows.

Chikou span

Chikou (遅行) span calculation: today's closing price projected back 26 days on the chart.

Also called the lagging span it is used as a support/resistance aid.

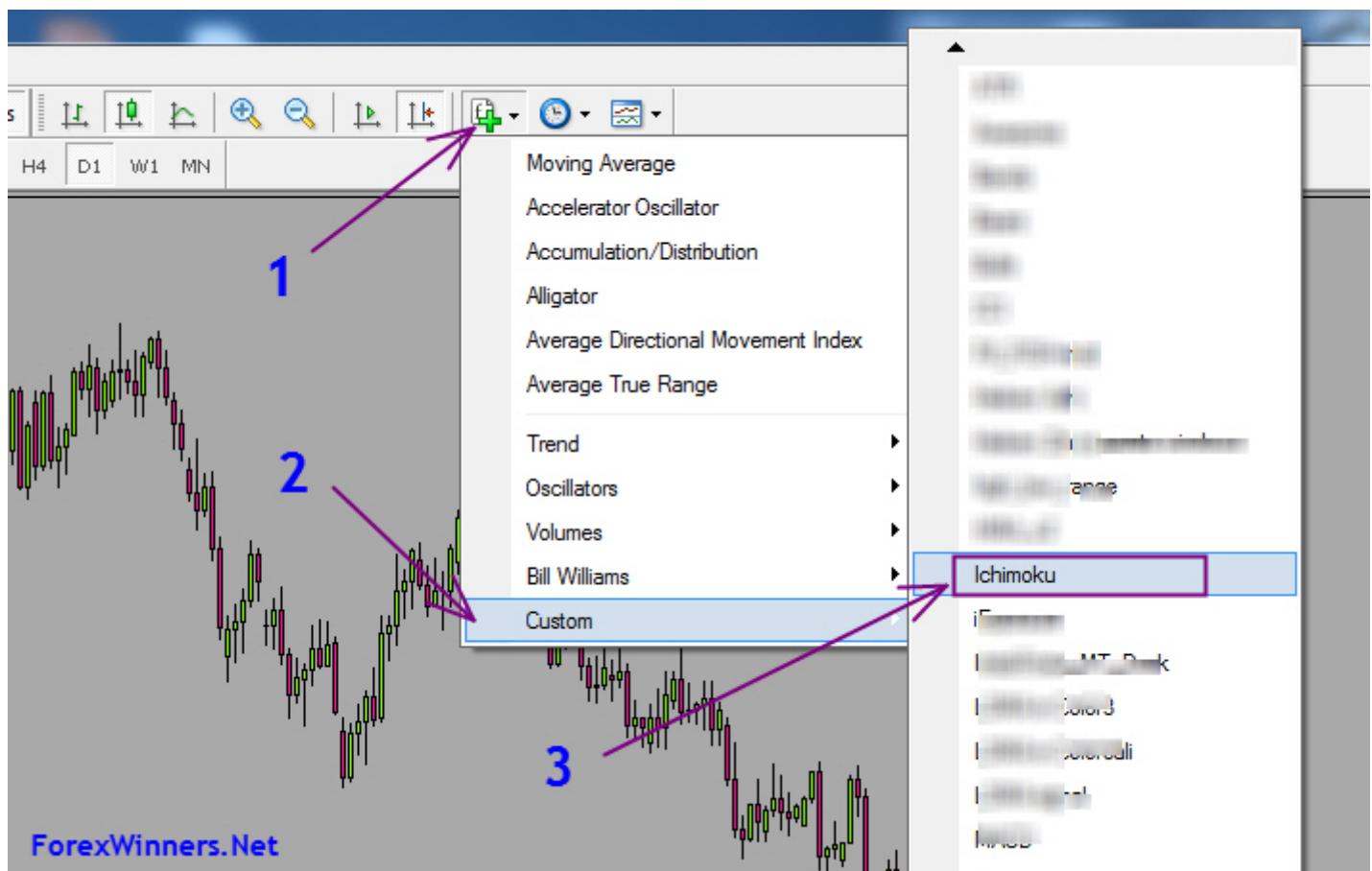
If the Chikou Span or the green line crosses the price in the bottom-up direction, that's a buy signal. If the green line crosses the price from the top-down, that's a sell signal.

These were some collected information about Ichimoku in general.

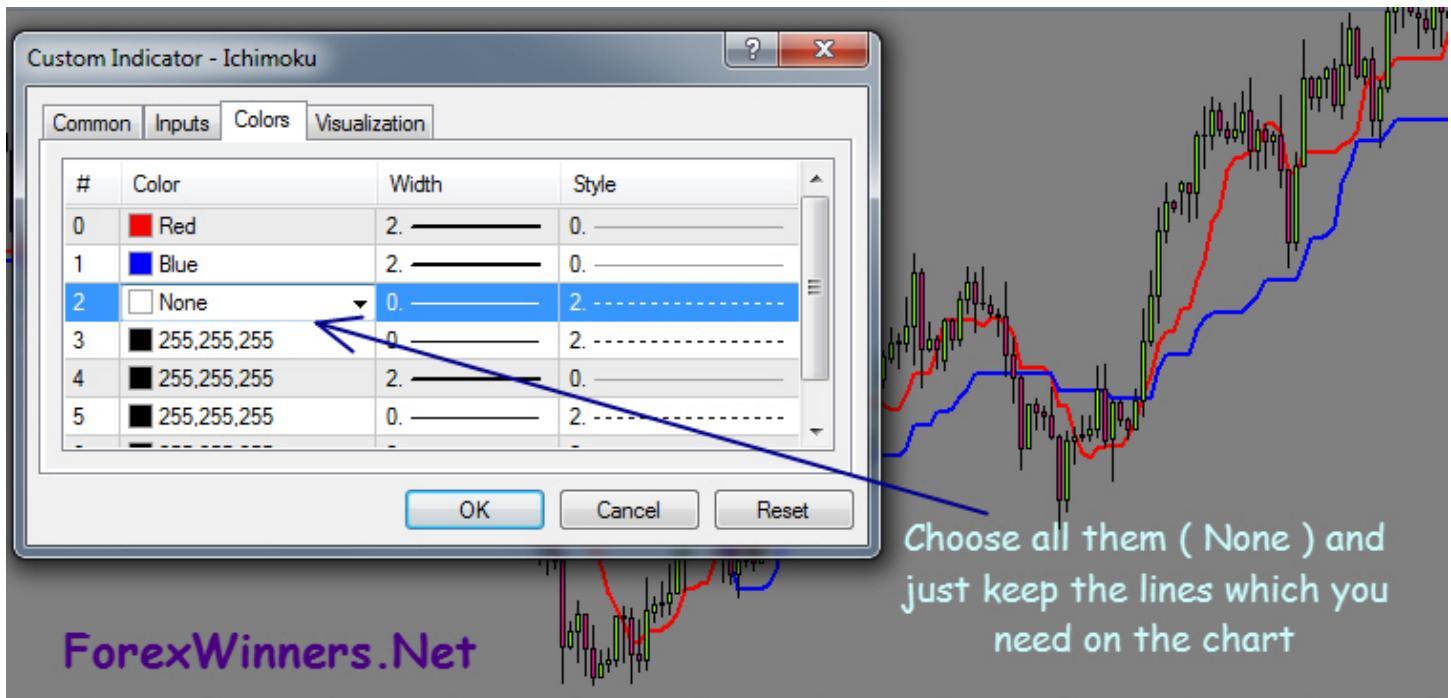
Next part we will talk about each line on Ichimoku and we will see how does it work and how can it help us to read the market and take buy or sell signals from it.

Let me show you two pictures to know how to install Ichimoku and how to change colors on it.

Ichimoku is already on any Mt4 software , now I will show you how to get it and how to control which line in it do you need and how to hide another lines.



You can't delete lines but you can change colors as you see , so if you need the red and the blue line , you can keep their colors and change any another indicator's color to (None) to hide it.



Now you can start to hide all and just keep the (Lime green) line which called chikou span cause we will start talking about it at first.

Get ready dear , Forew Winner. We will start from the next page !

Chikou span

Chikou span is has a Lime green color on the chart.

To know how is Chikou span , lets take a look at this picture.

The black line is the price in line chart and the lime green line is Chikou span.



Moves the same with the price as you see but projected back 26 candles.

Look at today's closing price projected back 26 candles on the chart :



On the daily chart (a candle = a day) Chikou span is late 26 days behind today's closing price.

Now you will ask yourself , how can I use an indicator projected back 26 candles. We looking at the future not the past.

let's see how can we use it in trading and how will this line give us signals to trade.

Chikou span is very important and easy to use

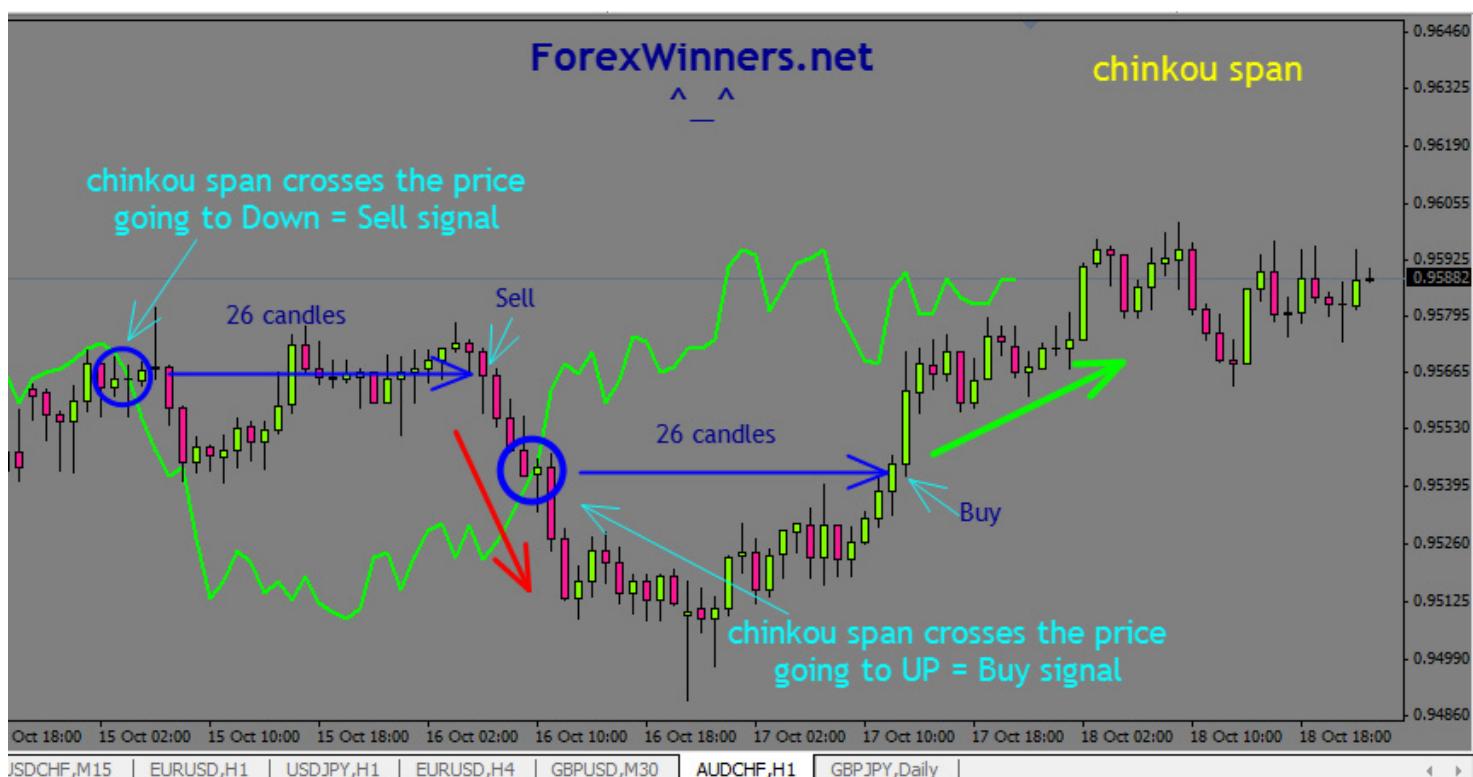
When Chikou span crosses the price going up , that is a signal to buy.

And when Chikou span crosses the price going down , that is a signal to sell.

At this picture there are 2 signals from the history :

When Chikou span crosses the price going up , the signal was buy.

And when Chikou span crosses the price going down , the signal is sell.



Summarize (the price will go with the Chikou span's direction)

Here is another signal for sell on the live market , Chikou span is going down while the price is going up and the signal now is (sell)



The picture number 2 has the result for the crossing. The price went down as Chikou span expectation.

Now Look at the result after shorting. The price went down as Chikou span expectation.

So , we can search for sell signals if the Chikou span is under the price.

And search for Buy signals if the Chikou span is above the price.

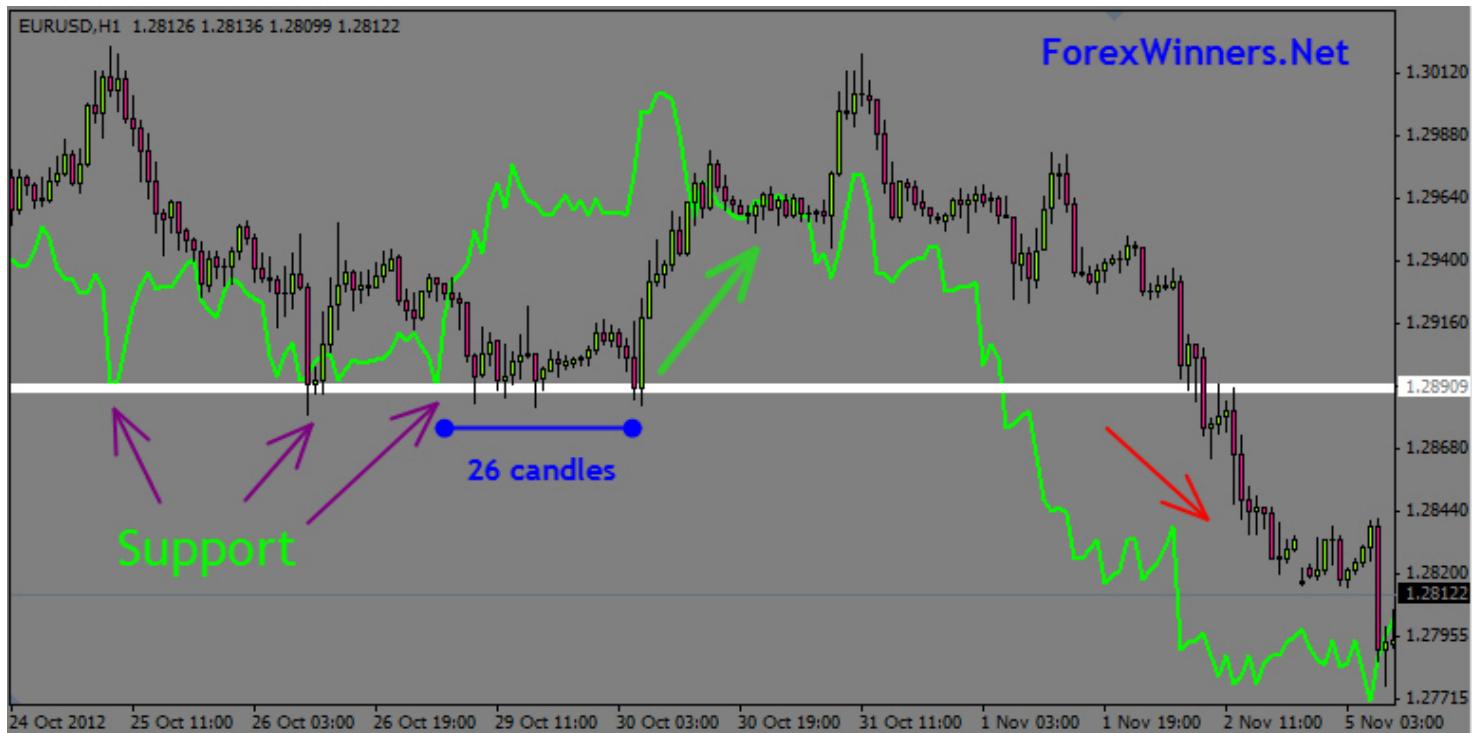
Look at this picture :



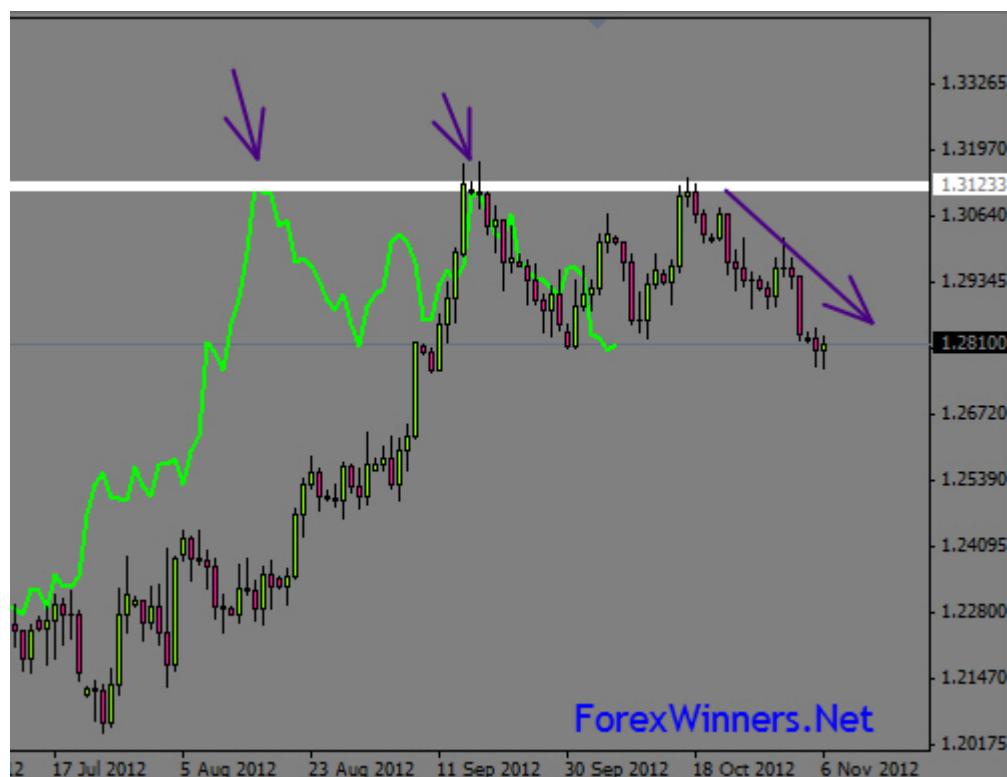
In the next page we will see how can Chikou span help us while drawing support and resistance lines.

Chikou span helps also for drawing support and resistance lines.

Look at that picture , we matched the Chikou span's deflection which are on the same line.



And here is another picture

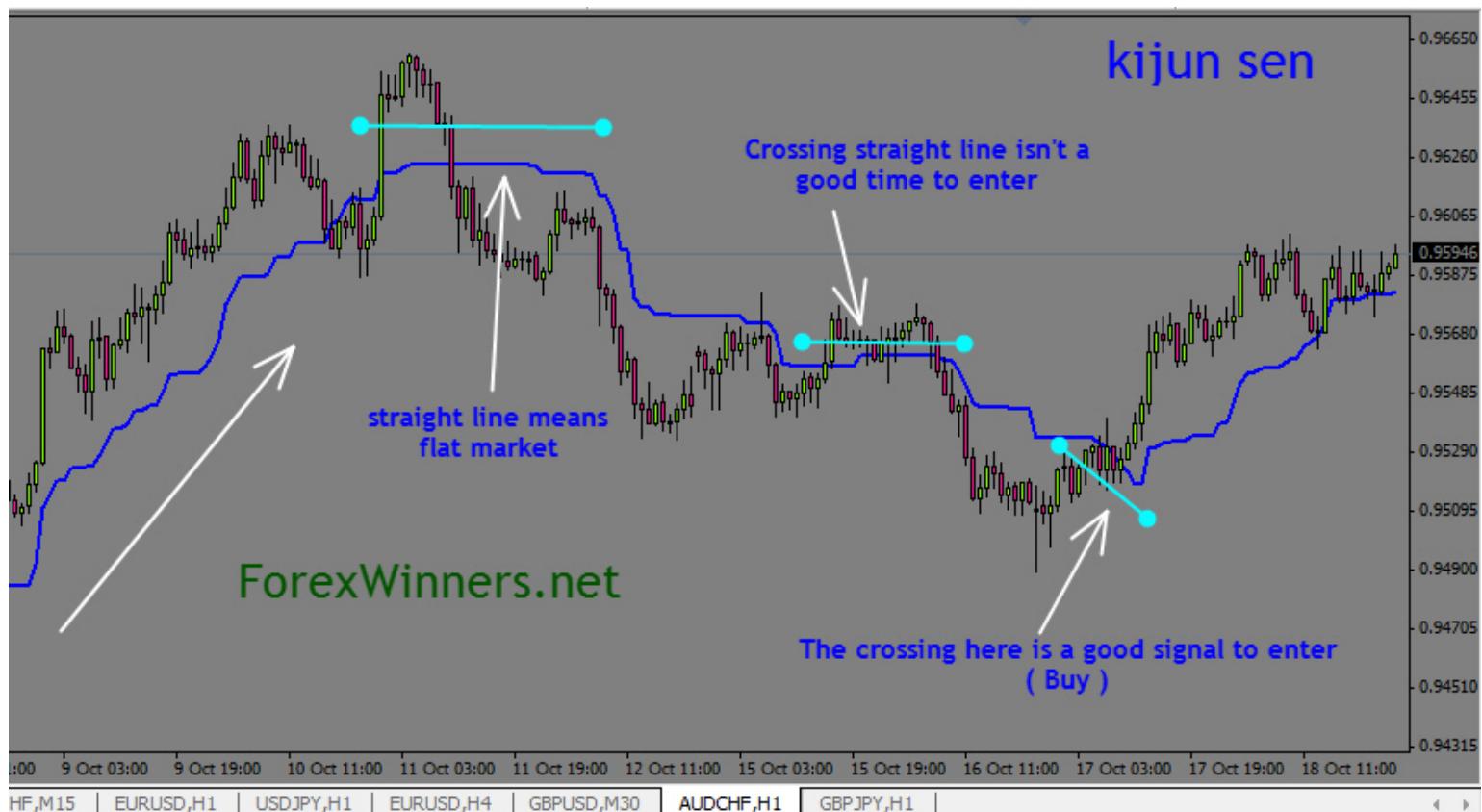


Kijun-sen

Kijun-sen is a part of the Ichimoku Kinko Hyo charting system.
It shows a market trend and is typically used with medium-term momentum.

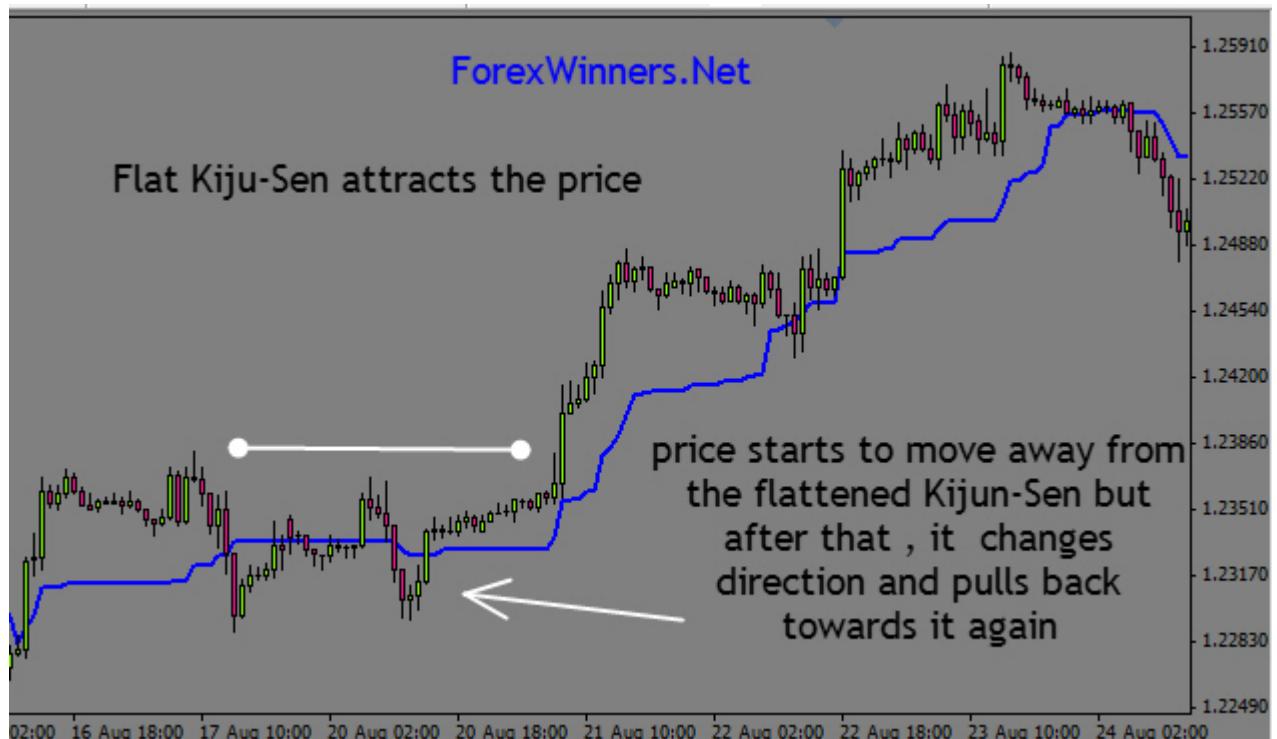
$$\text{Kijun-Sen} = \frac{\text{HighestHigh} - \text{LowestLow}}{2} \quad \text{For the last past 26 periods}$$

You can use Kijun-sen as a support and resistance.
straight line means a flat market.



Kijun-sen gives signal with crossing the price as you see on the last picture.

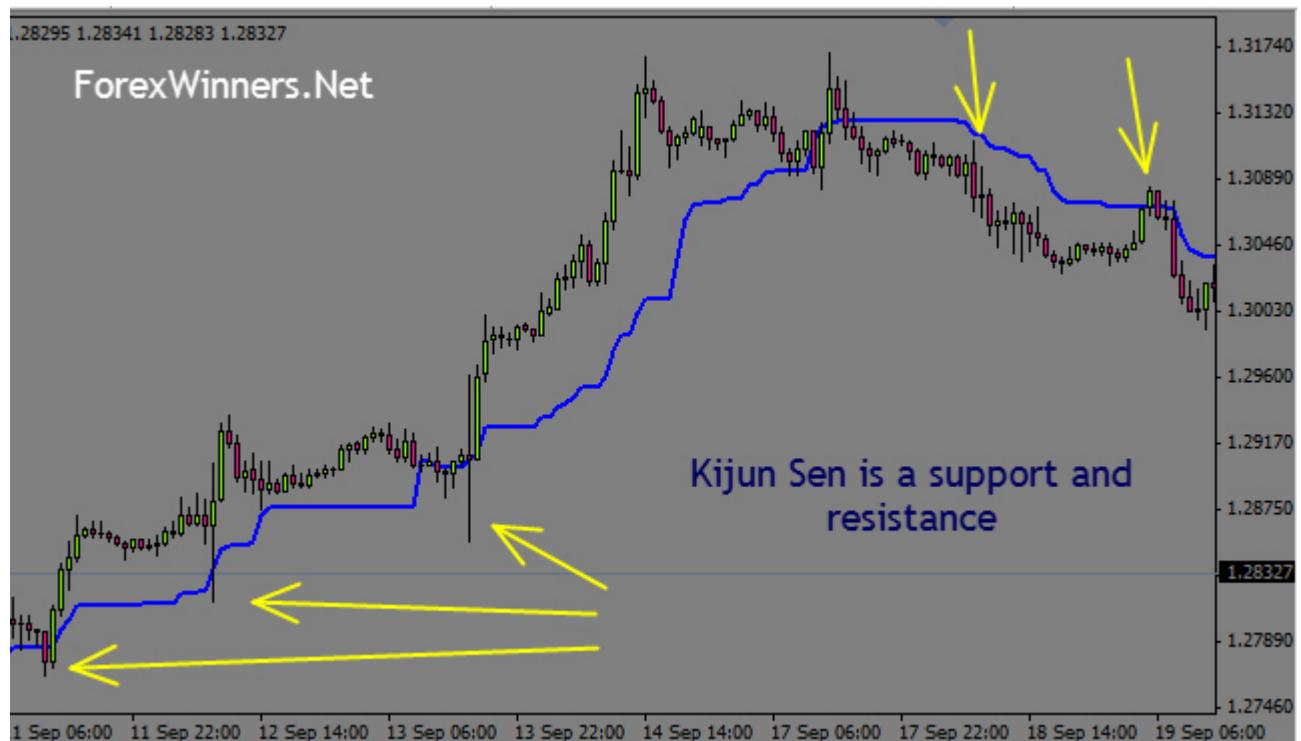
price starts to move away from the flattened Kijun-Sen but after that, it changes direction and pulls back towards it again.



Look again at this picture and see how is the flattened Kijun-Sen attracts the price like a magnet.



Kijun Sen also is a support and resistance for the price.



Tenkan-sen

Tenken Sen measures the price average highest high and the lowest low' for the last 9 periods.

$$\text{Tenkan-Sen} = \frac{\text{HighestHigh} - \text{LowestLow}}{2}$$



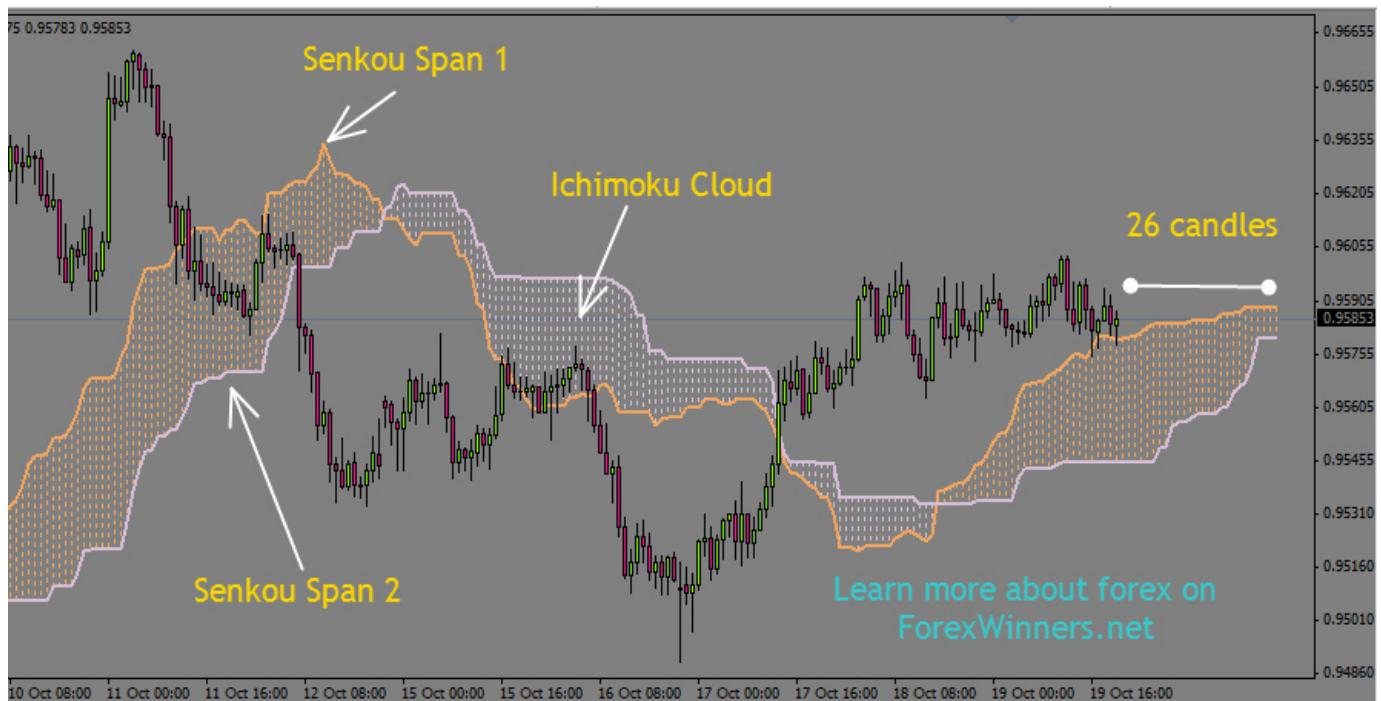
Some traders use the Tenkan-Sen as a tool for predicting levels where the price of the asset will find short-term support.

The Tenkan-Sen is always used with the Kijun-Sen to get signals from their crosses.

And we will talk about that later.

Kumo (Ichimoku clouds)

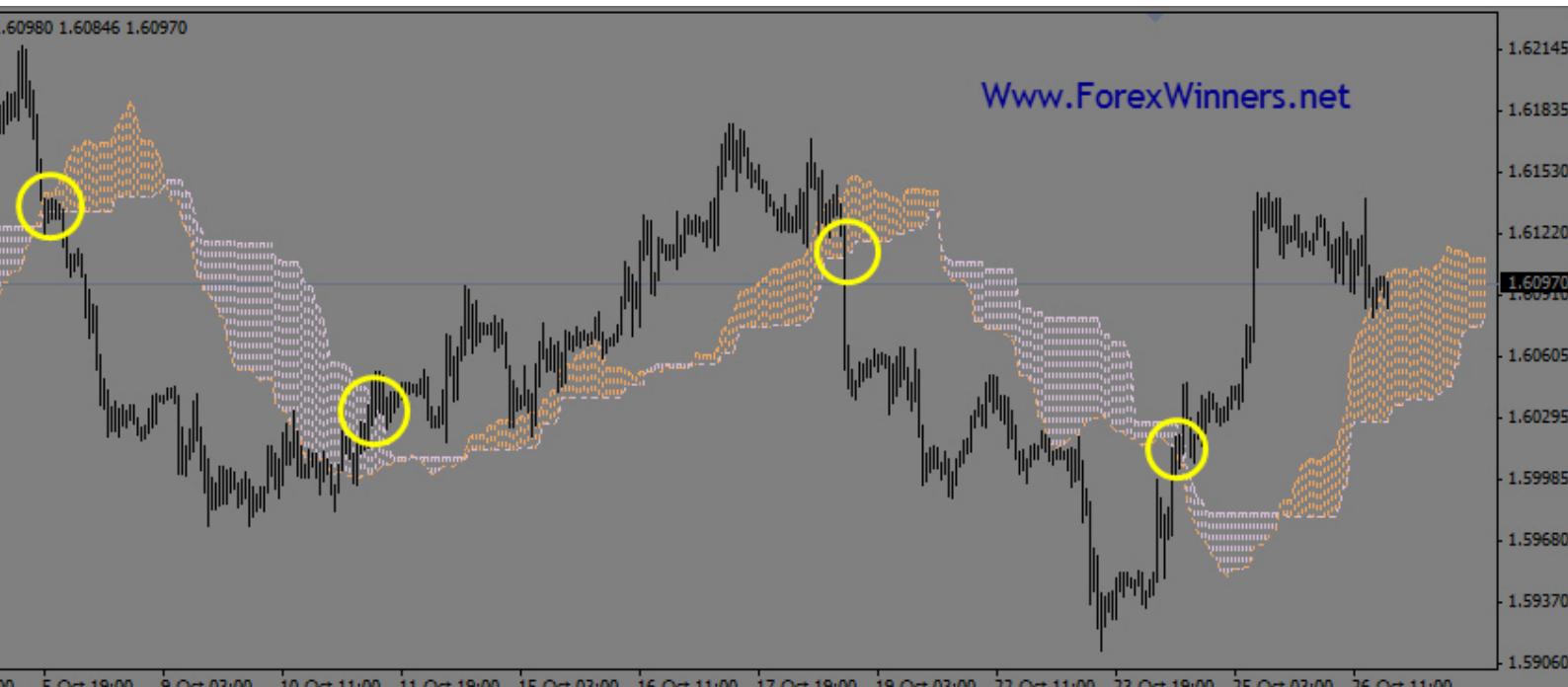
Kumo (clouds) is the space between senkou span A and B. The cloud edges identify current and potential future support and resistance points.



Dear forex winner , Clouds on the chart not that complex as you imaging and you will see now how are they easy and how much are they important to read the market.

Give me a chance to explain to you with some pictures on the next page !

Take a look at that picture and how could these clouds read the market and guide us about the trend if it up trend or down trend.



We used to say (Trend is my friend) and these clouds will tell you on which trend you are.

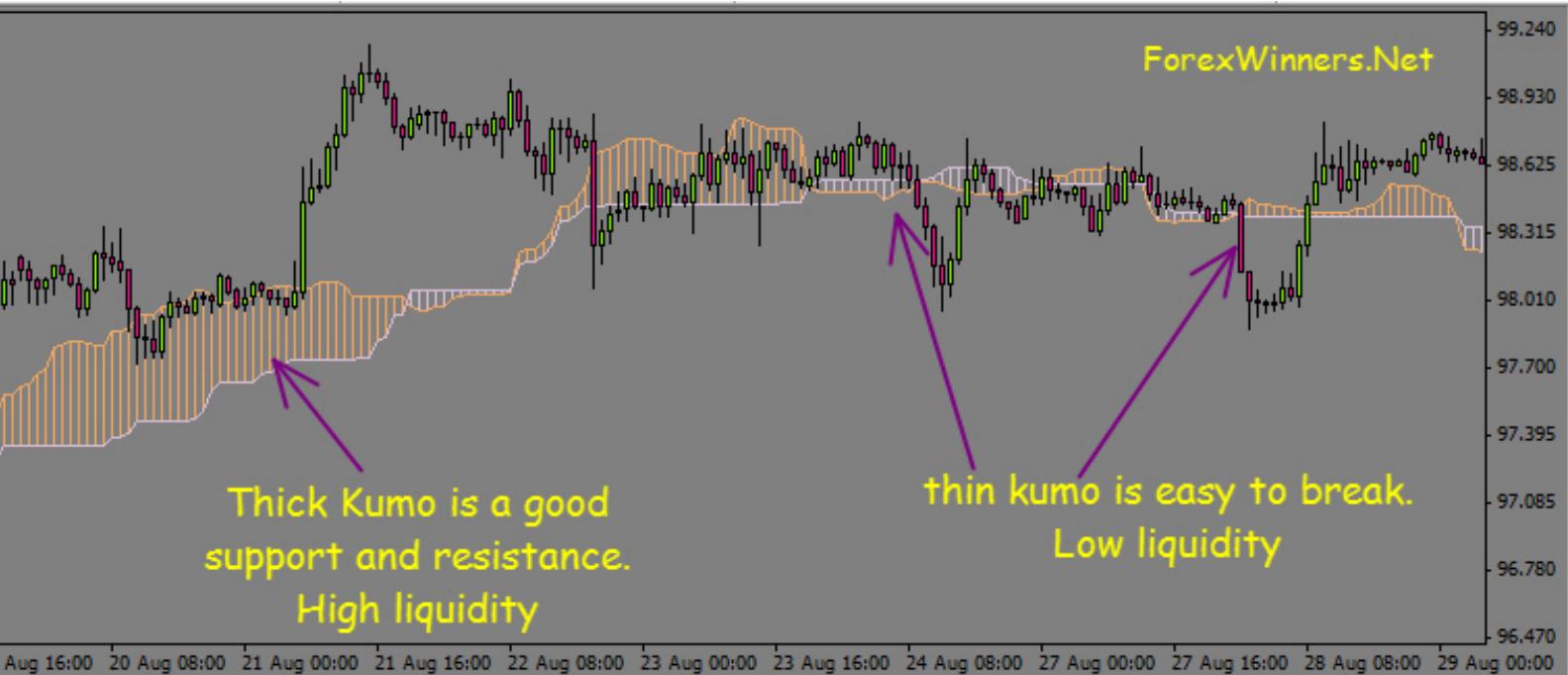
So that it will be better if you care just about selling signals if the price is under the clouds and ignore any buying signal.

Also care about buy signals only if the price is above the clouds and ignore any sell signal .

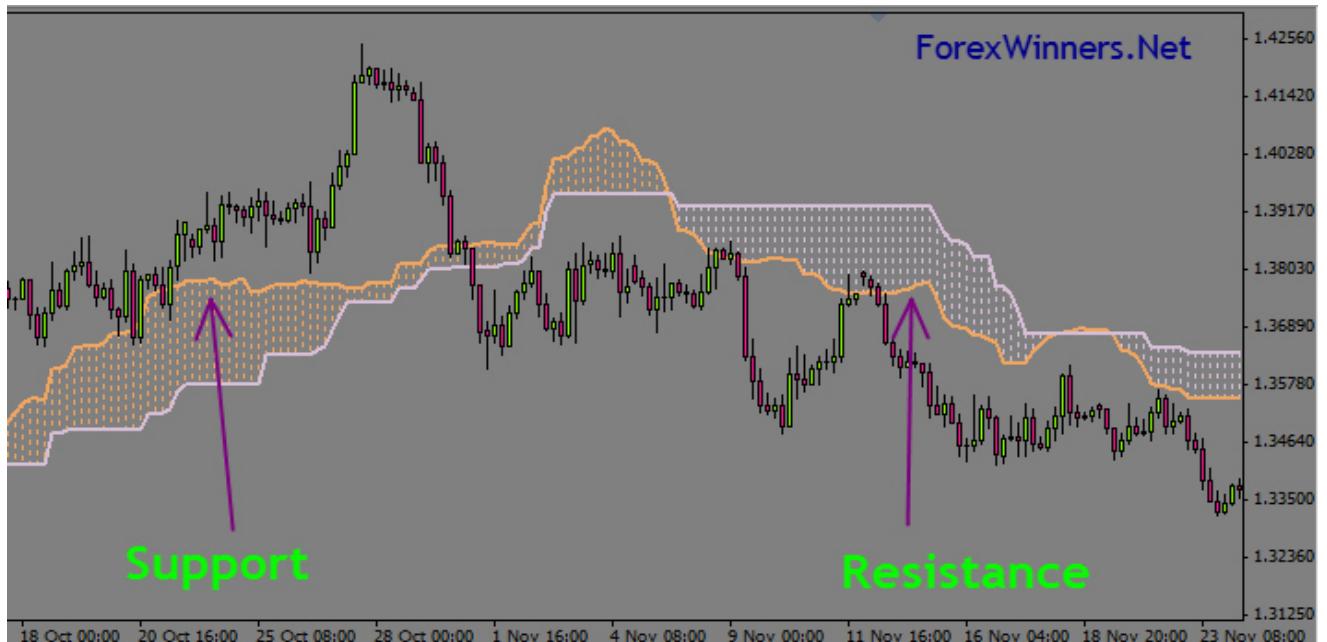


Kumo shows liquidity in the market easily and this will tell us if the market is flat or no.

Thick Kumo is a good support and resistance but the thin one is easy to break.

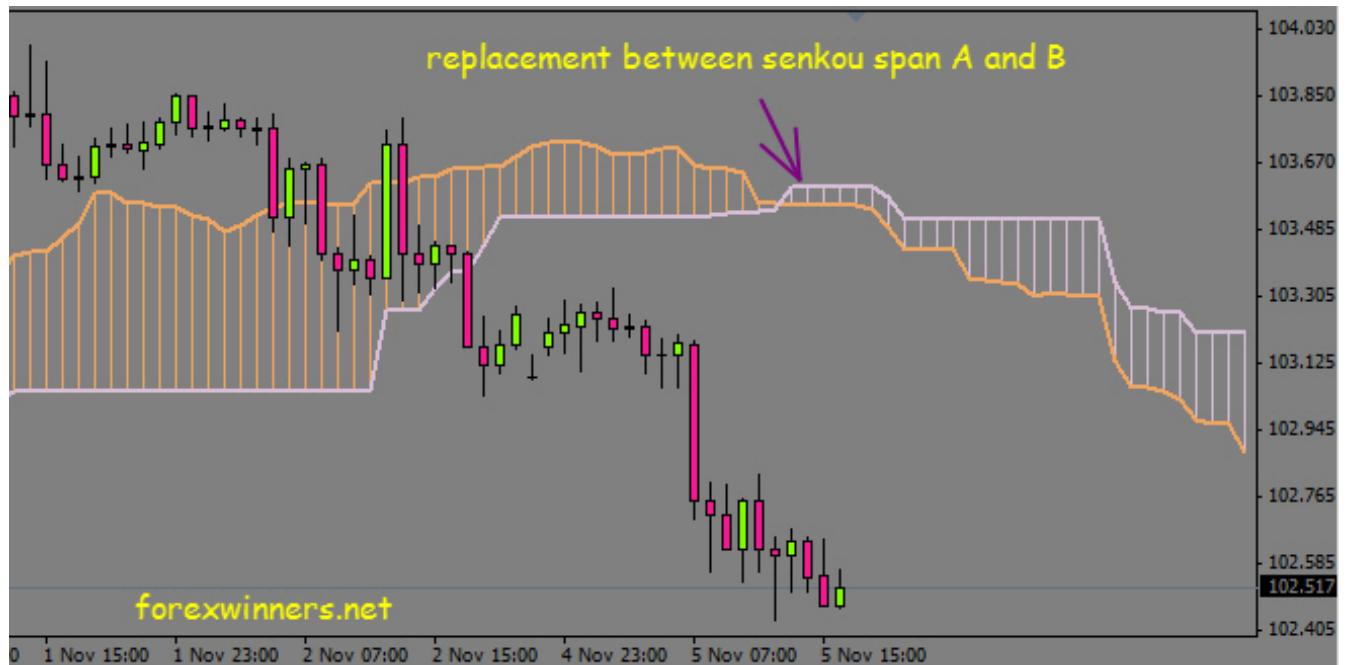


Look how is the Kumo works as a Support and Resistance.

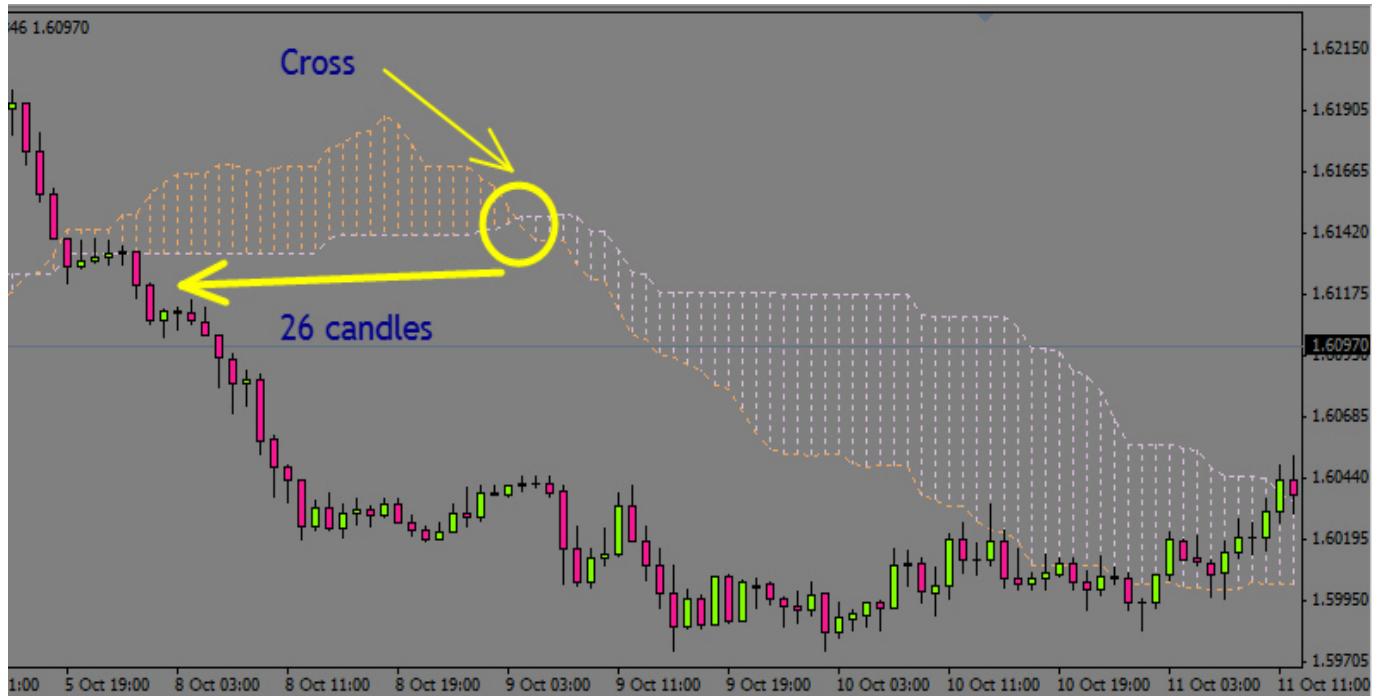


There is another way to use the clouds buy the replacement between senkou span A and B.

**Kumo is already front of the price 26 candles
when the senkou span A and B change their places that means a new trend direction will start**



Another picture and we can see how did the Kumo gave us a signal for starting a new trend direction.



Hey , Forex Winner

We already finished talking about each line in Ichimoku indicator and now we know well how can we use each one and how can we take it as a tool to read the market.

If you use price action trading , Ichimoku will be perfect for you.

Also we can trade just with Ichimoku , and no need for any another indicators

Remember that you can take a strong signals from it when you see the same signal from all lines in Ichimoku not just one. And we will talk about than in the next part.

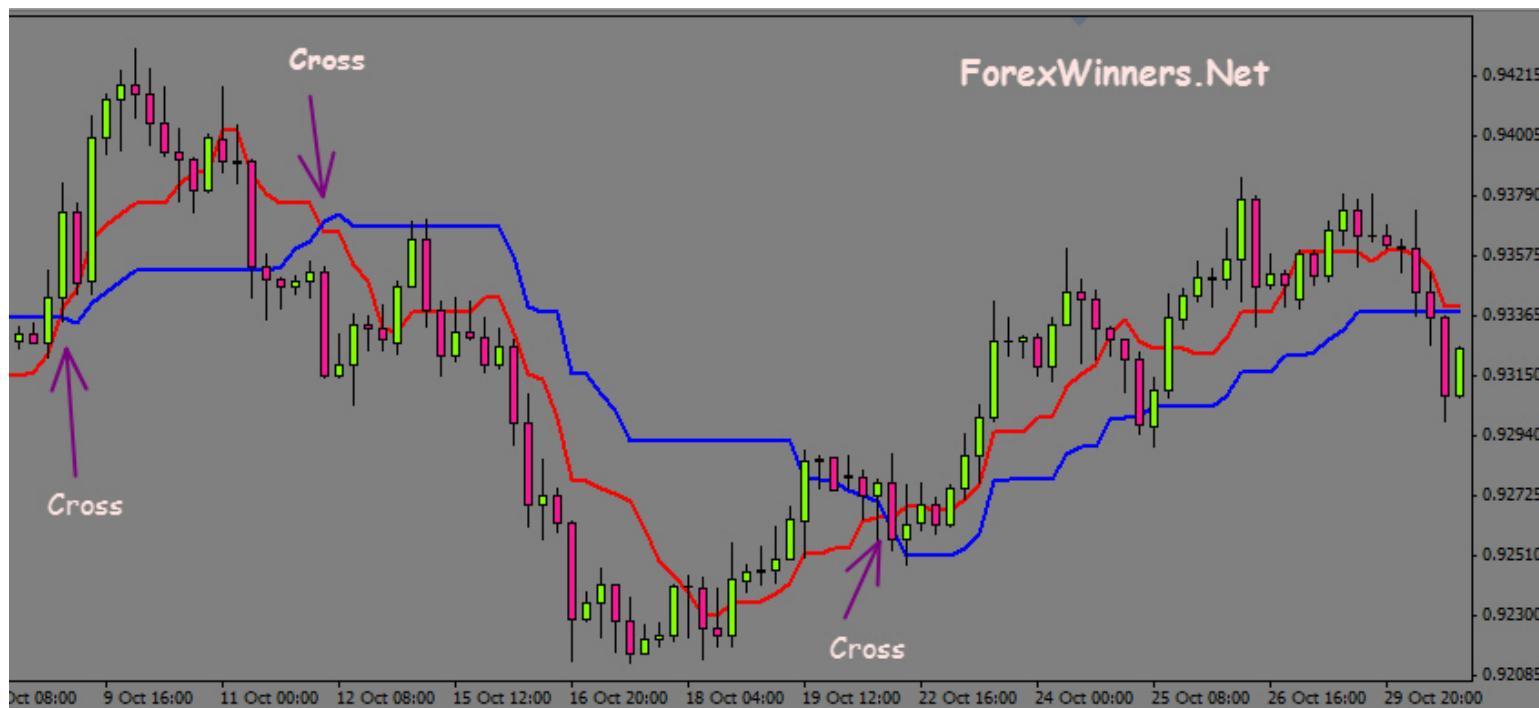
We will see how can we catch the strong signal and ignore the weak one.

In general you can take strong signal if the signal based on all Ichimoku lines. Cause they are working as a team as you will see.

Lets start the next part and see some live chances on the market.

Chances from the history

Kijun-sen and Tenkan-sen can give us perfect signals to buy and sell.
Let's look at the next picture and remember that we can filter these crosses to take the best with many ways will talk about them now.

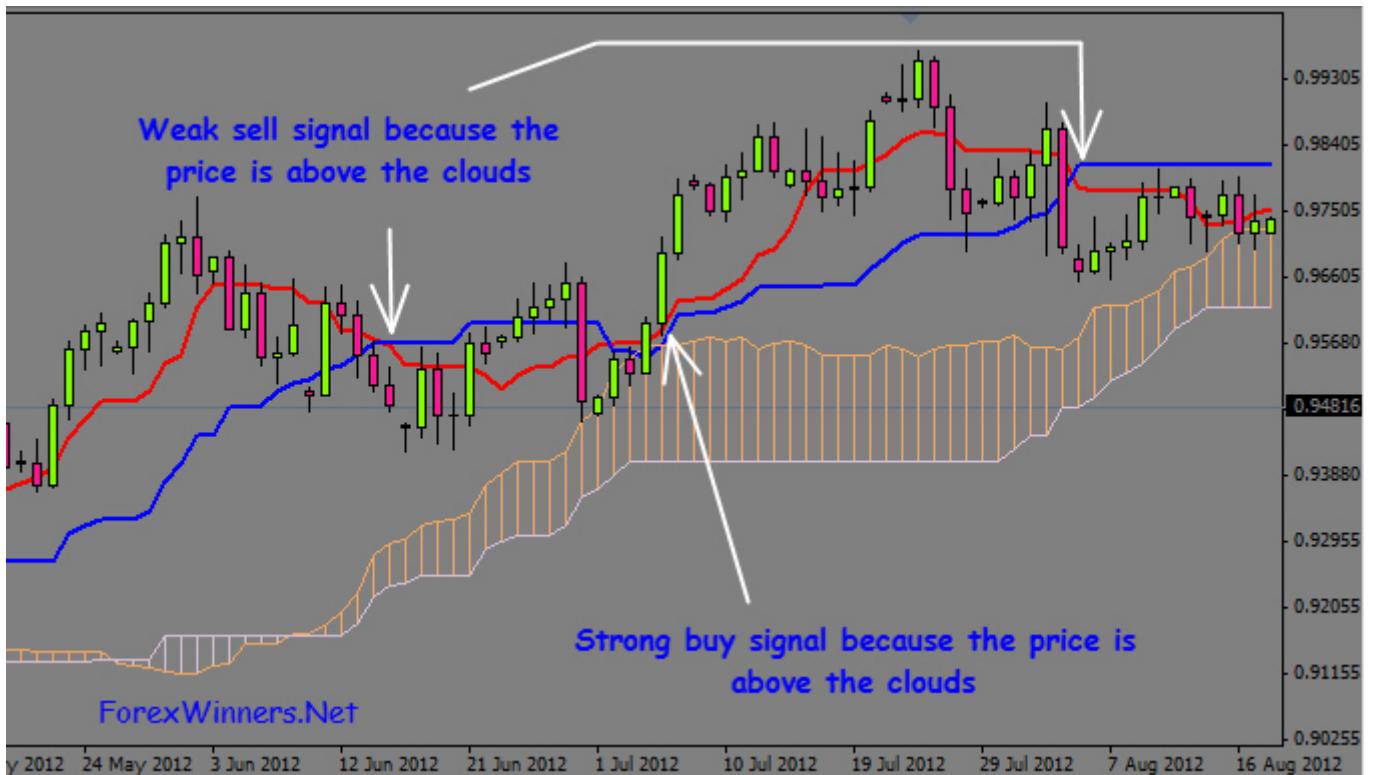


We will see many fake crosses specially while the ranging market , but how can we filter them and how can we take good signals and ignore the fake signals ?

Remember dear Forex Winner that Ichimoku parts are working as a team and it will be perfect if you take a signal passed on all of them. Lets go for the next pages to see how are Ichimoku parts working as a team.

Clouds (Komu) will help us to filter signals easily.

Simply we short only if the price is under the clouds and long only if the price is above the clouds.



The picture is very clear for anyone , the clouds filtered our entering and saved us from a wrong signal.

Let's see another chance ...

Here is another way to choose the best Kijun-sen and Tenkan-sen crosses

The signal will be strong if Kijun-sen line isn't flat while crossing. Look at the picture :



Now we will take about Kijun-sen with clouds only.

We noticed before that Kijun-sen gives us signals when the price cross it.
Example : when the price crosses Kijun-sen from down to up = Buy signal.

If you look at the chart , you will find many crosses between Kijun-sen and the price , but how can you filter these crosses and take the best ??

Yes dear Forex Winner , your answer is right ;)

We will use the clouds to filter our entering. We already sell only under the clouds and buy only above the clouds and that will help us to ignore fake crosses between the price and Kijun-sen.

Lets take a look at that picture.

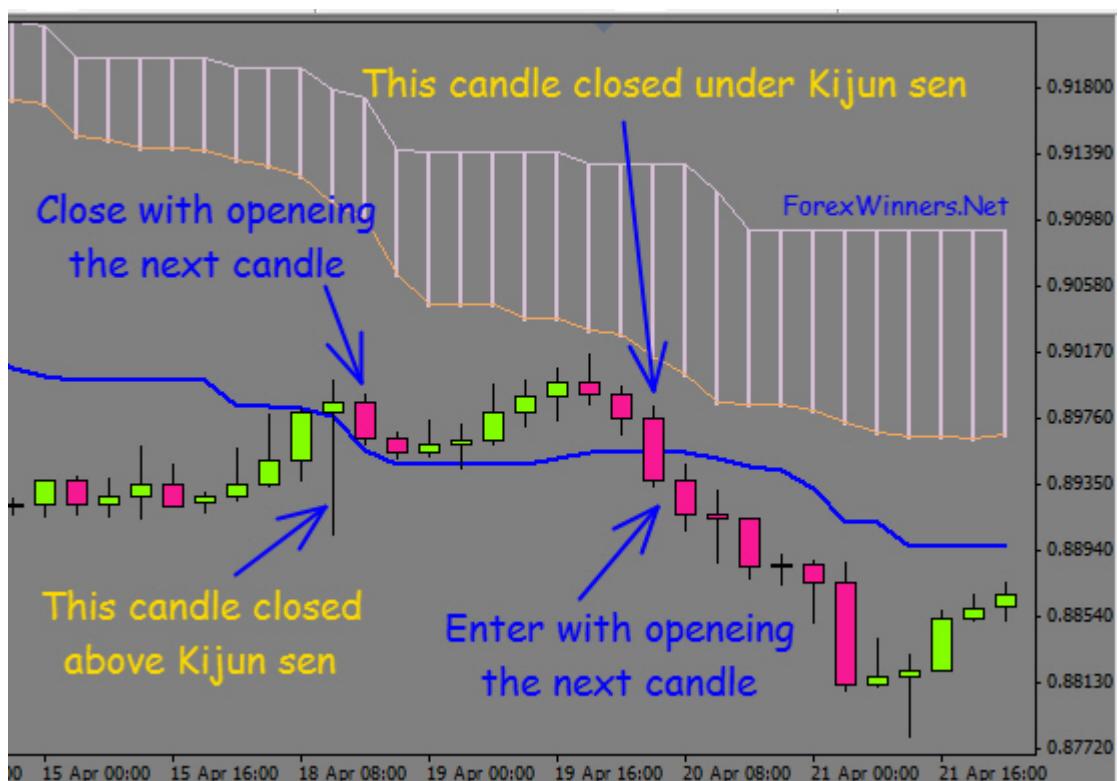


Remember again that we didn't buy when the price crossed Kijun-sen going up because we were under the clouds. (We just sold)

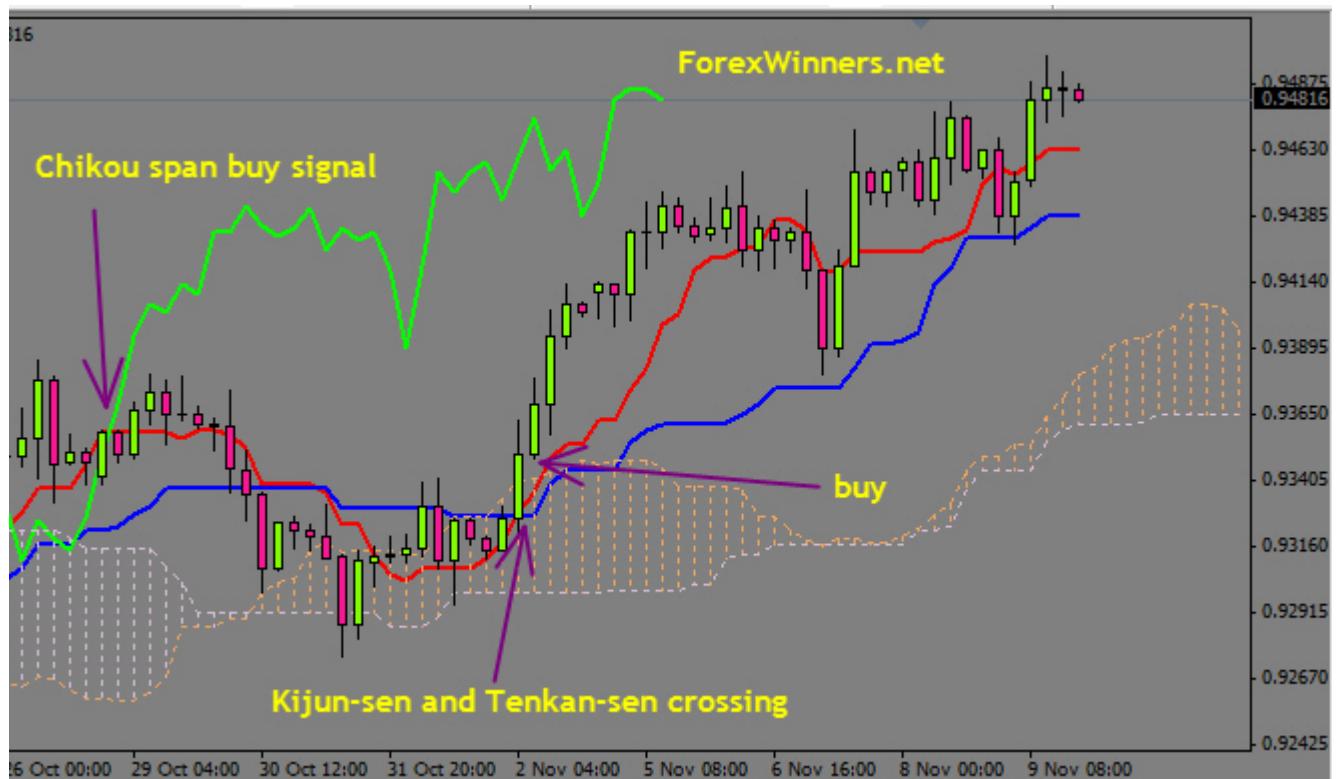
And we didn't sell when the price crossed Kijun-sen going down , because we were above the clouds (We just bought)

That is a part from the last picture zoomed to explain when exactly we must enter and close.

**We enter or close with the second candle to the candle which crosses the line :
Look at the picture to be more easy.**



Now we will talk about good signals which we can take it from all Ichimoku parts at the same time.



Clear signal to buy , and remember that we are above the clouds which means that we can enter buy signals only cause we are on Up Trend.

Here was a chance to buy after crossing the clouds.



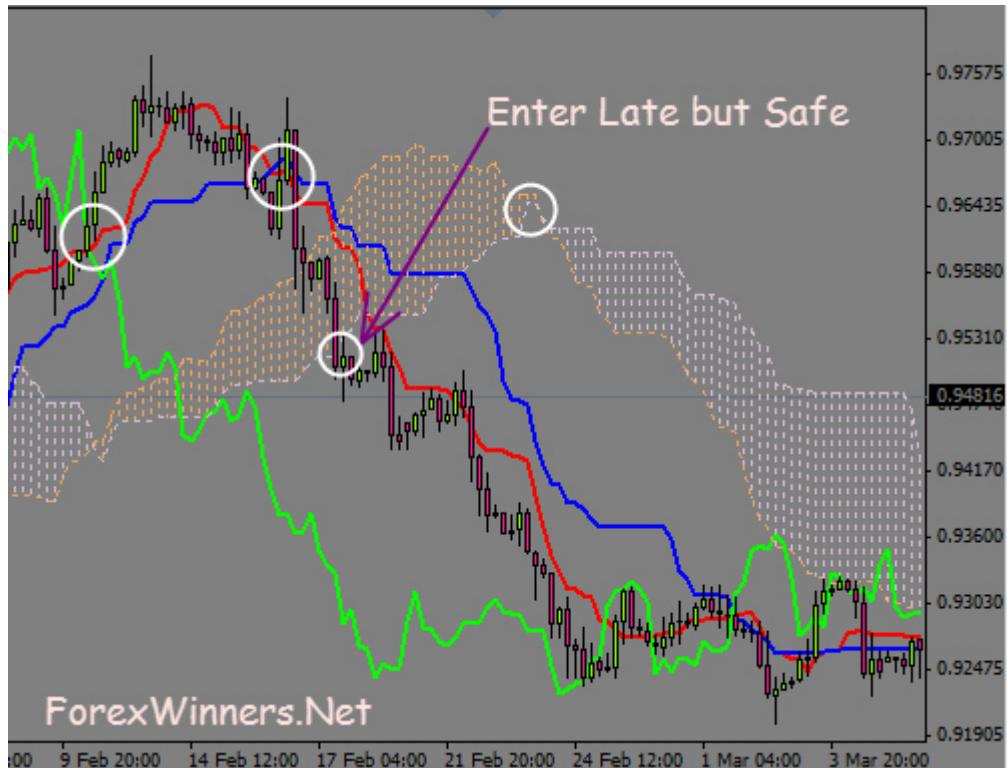
You can see that we didn't enter after Kijun-sen and Tenkan-sen crossing.

We had to wait crossing the clouds to make sure that we will start a new trend direction.

We entered late and missed some pips but entering late was safe.

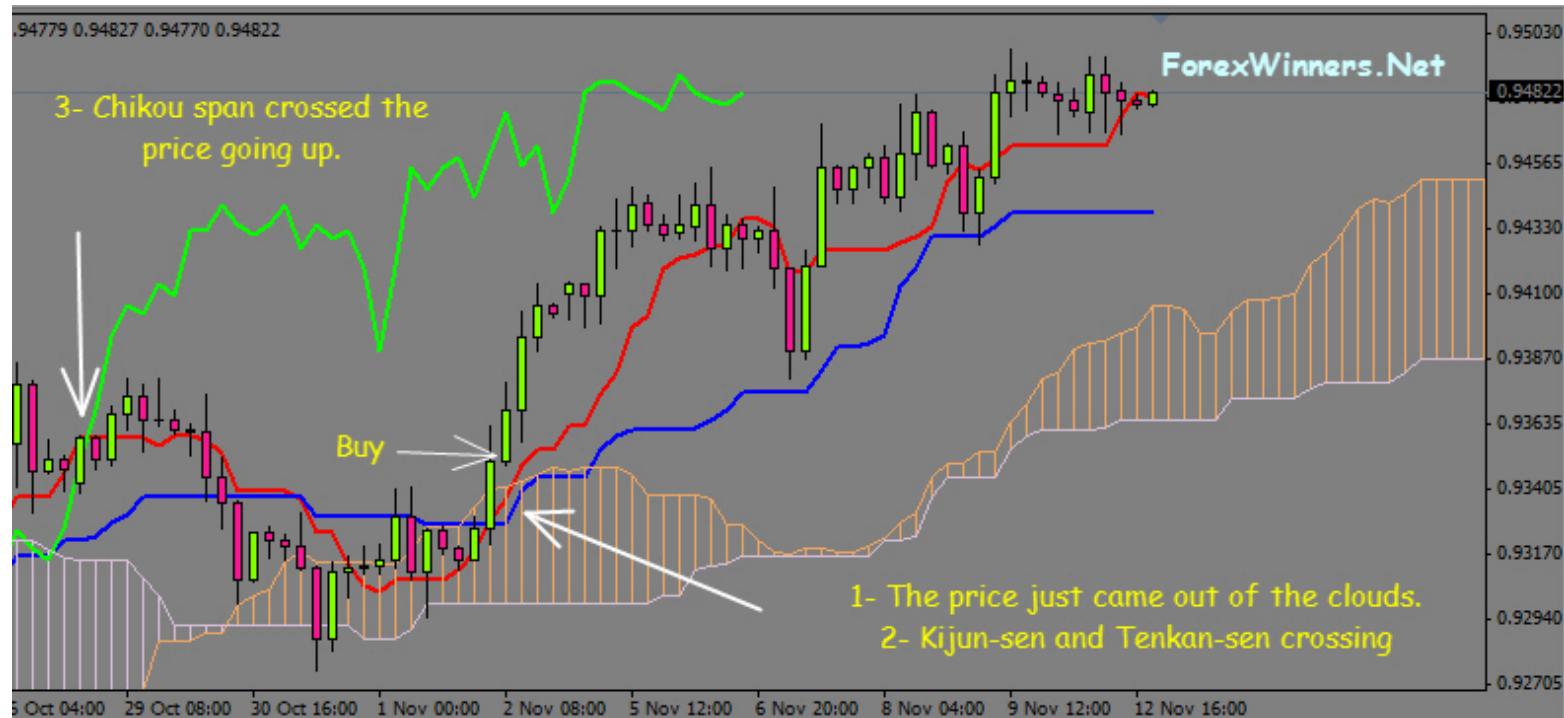
Will see another picture for the late entering on the next page.

Here was a signal to sell from Chikou span (crossed the price going down) and Kijun-sen and Tenkan-sen crossing , but we didn't enter before crossing the price the clouds to make sure that we will start a new trend direction (Down trend)



Entering was the opening of the next candle which crossed the clouds.

The price just came out of the clouds , Kijun-sen and Tenkan-sen crossed and Chikou span crossed the price going up.



That was a good chance to buy. We already were in Up trend but the price couldn't cross the clouds and hit support are then went up.

I think that everything is very easy and clear now for your eyes. You understand every line and what does it mean for the price , can read the market and take signals for buy or sell.

That is enough about entering and about reading the market , we can talk little about the stop losses and take profits.

We can call Ichimoku is a trading system not just an indicator , so that we must know when must we exit exactly from our trades which based on it.

Here I don't prefer using fixed stop loss or take profit.

For example , when you sell EUR USD and set 100 pips take profits and 100 pips stop losses. I think that is wrong here with Ichimoku.

You have many ways to close your trade or set a stop loss and take profit. You will know that with practicing while using Ichimoku but I will talk to you little about it in the next part.

Follow Me , Winners !

To be honest , I don't have good skills to set a stop loss for my trades. I am a full-time trader and already on the chart all the day , so that I can open , close or change anything any time.

If you aren't a full-time forex trader please don't work without a stop loss.

First , let me tell you about two good ways to close your trades.

I prefer always looking at support and resistance areas (Price action is perfect always) but there are two rules to close your trades on Ichimoku.

1- Rule one : If the price crossed Kijun sen.

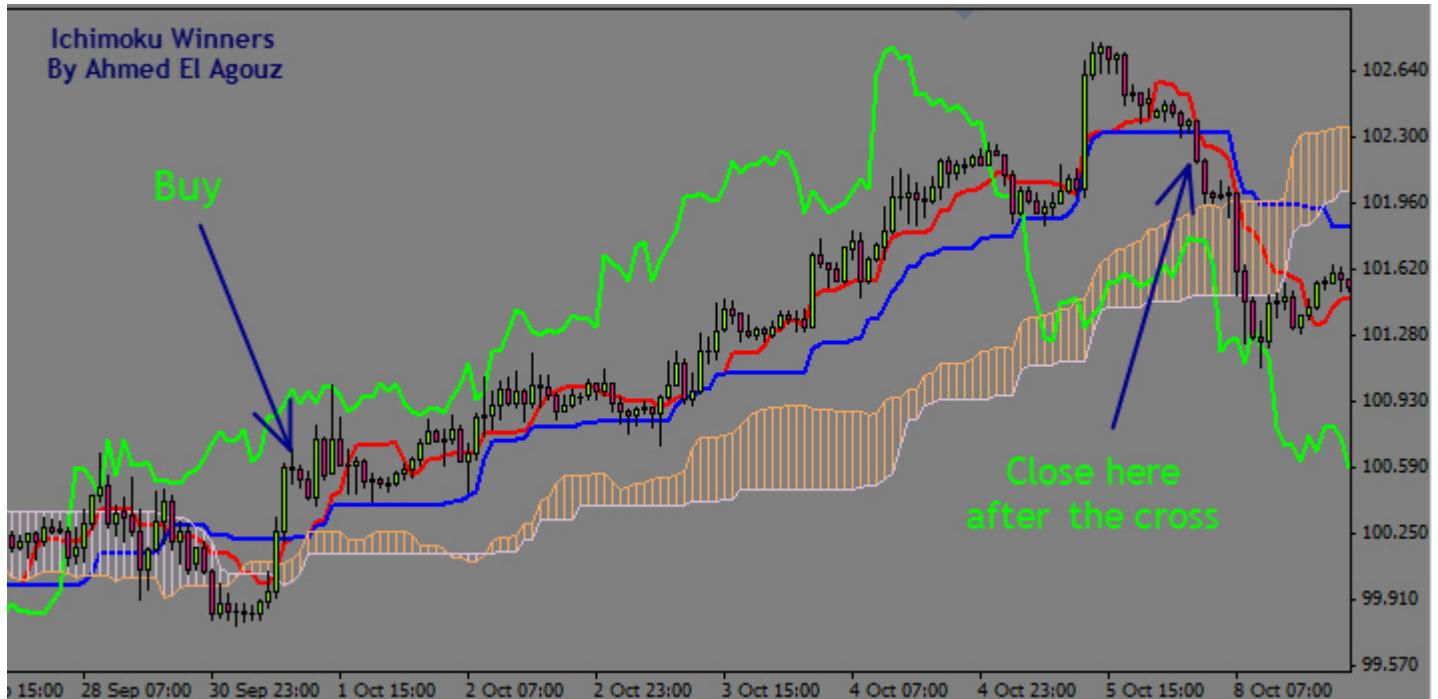
2- Rule two : If tenkan-sen crossed Kijun sen.

You can use one of these rules to close your trades.

That picture is clear and show the two rules.



On the next picture you closed after a crossing between Kijun sen and tenkan-sen.

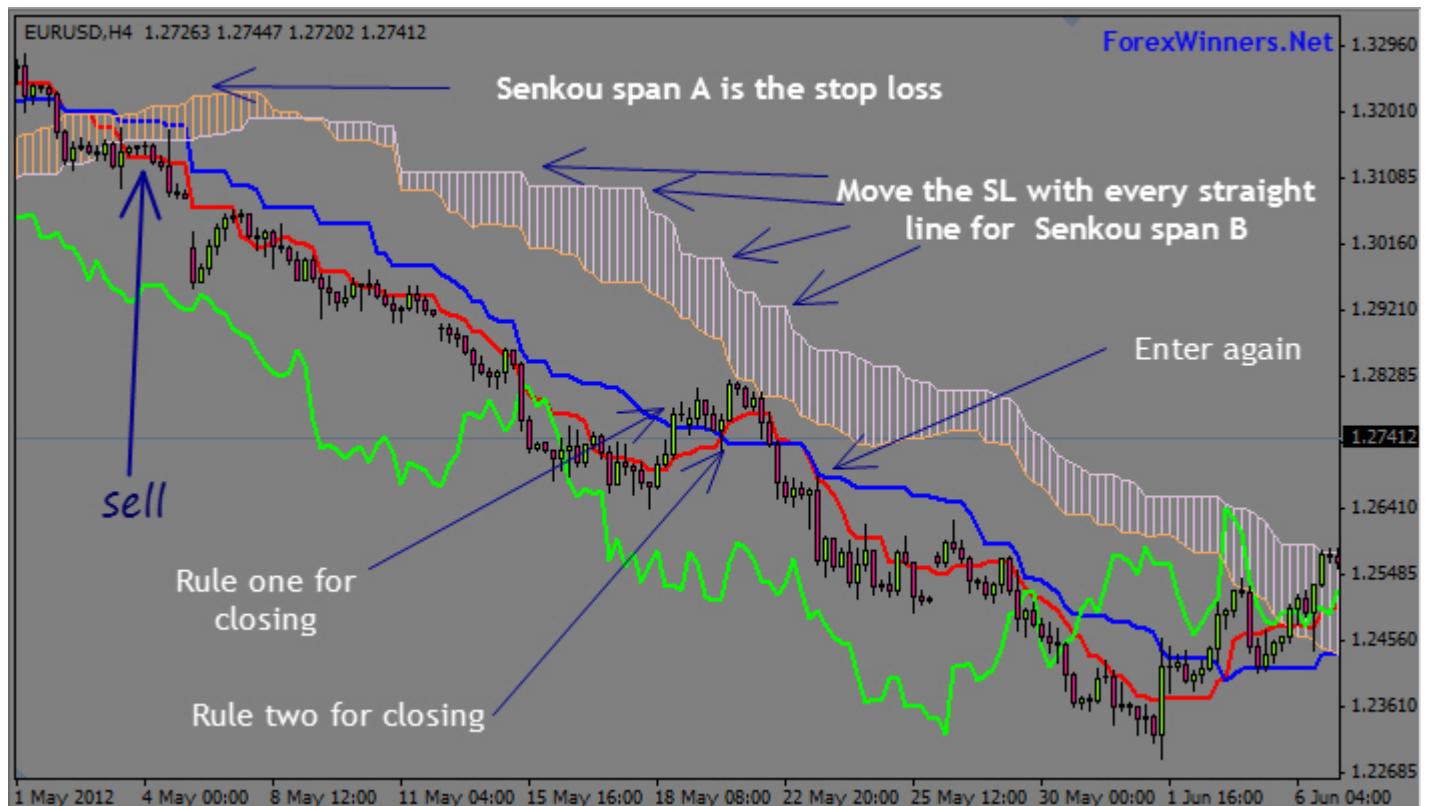


Remember that drawing trend lines can help you to find a good way to close your trades.

Senkou Span A and B help us to set a stop lose and we can move the stop loss with every straight line as you see on the picture.

And remember that you may see a signal to close before reaching the price for the stop loss.

Look at this picture , we moved the stop loss many times for being in safe , but we close with a signal for closing (Rule one , two)



These weren't everything about Ichimoku Kinko Hyo indicator which is the best in your platform. You have to practice to discover new ways for using it and to make a good trading system based on its lines and signals.

Price action traders always recommend it to read the market well.

That indicator working on all time frames and sure it will be better for long term trades on 4H and daily chart

Practice on every line alone to understand it and to be easy for your eyes.

Remember that trend lines and price action trading are important and you must look at them.

Hope I succeeded on that e-book and taught you something new in a good way. That is the first e-book for me and I hope it won't be the last one.

Thanks for all ForexWinners members who always support and encourage me.

Sincerely,

**Ahmed Elagouz
Forex trader and investor.**

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