

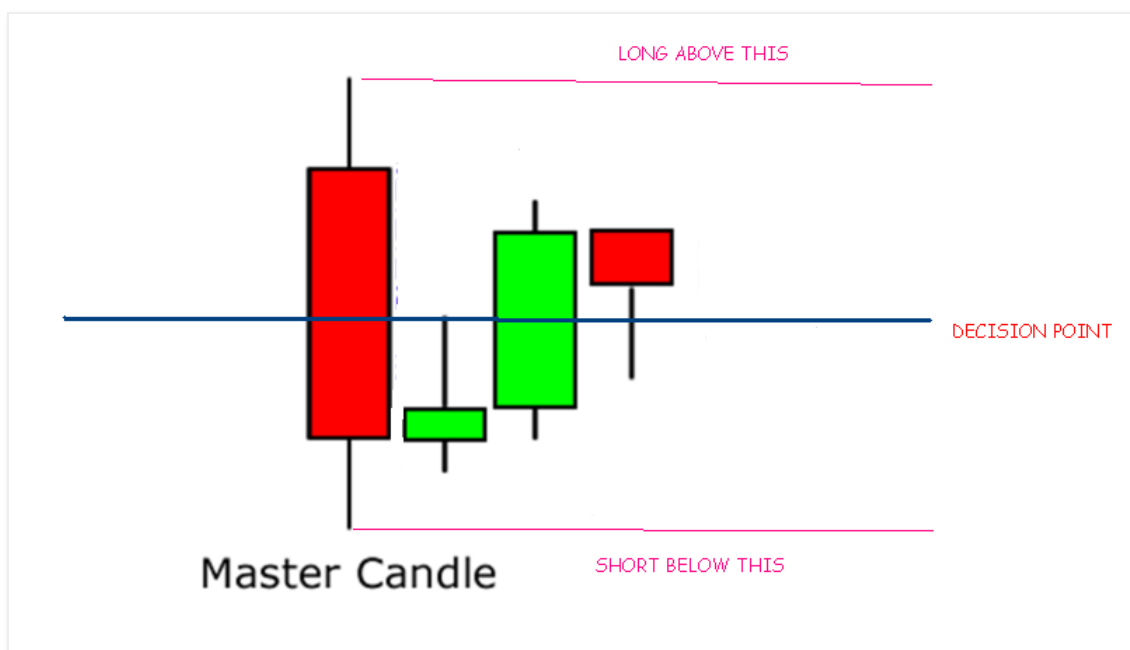


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*There is a substantial risk of loss associated with trading Derivatives . Losses can and will occur. My methods will not ensure profits*

Thursday, January 10, 2013

## Master Candle



The concept of "Master Candle" was introduced long back by a Forex Factory member called "Furious Angel". Later it was modified and popularized by "NickB". He has written a small E book on the subject. The concept is very simple.

A Master Candle is created when price forms at least two succeeding candles (More the better) whose highs and lows stay within the first candle's high and low. Core concept of the method is capturing a trend move, either a reversal or a continuation after a consolidation. Trade is initiated when the high/low of the master candle break, of course in the direction of the break. Ideal stop is on the other extreme of Master Candle.

The method was originally traded on higher time frames. But it will work well on all the time frames.

The initial enthusiasm on the method waned soon, as the traders were not able to trade it successfully. The problem was not with the concept but the method was wrongly used as the sole analysis to initiate trades. Traders tried to use it as a stand alone system. People were making the mistake of ignoring the location.

I have noticed, on many occasions, break out bar of a Decision Point will end up as a Master Candle. We will be confused and will not be able to decide whether it is going to be a BPB or a BOF. Knowing the concept of Master Candle will help us to deal with such situations.

Ideal stop loss is beyond the candle extreme. If the Master candle is a Wide Range Bar, a stop beyond the DP can be considered.

09012013 is a very good example of MC. Candle marked "A" is a MC .Notice how we could capture a good move down and avoid a wrong BOF trade.

Posted by [SWART Trader](#) at 10:03 PM



## 4 comments:



akshay January 11, 2013 at 3:41 PM

Thanks for sharing the concept of master candle!!!Even i have noticed many times master candle formation around DP's.

Reply

Anonymous January 11, 2013 at 7:20 PM

You should not ignore the volume associated with such wide range candles. Higher the volume, sooner the break (timewise), better. Widerange bars/candles with heavy volume indicate that lot of positions have been built up there. When it breaks swiftly, many will be trapped in the wrong side, which will add fuel to the fire. If the time lapses greatly, then there is ample opportunity to get out of the position. This is a lengthy subject, but I hope this helps  
R. S. Iyer

Reply



zen March 9, 2013 at 4:50 PM

There is/was a culture in our society , people used to store the weekly magazines for the ongoing serials in those magazines...

So what ...?

Like that I've started storing all your articles regularly for backup. I cannot afford to miss it.

Dear ST, the charts no more look like a randomline in a dark space for me ... I am able to read through it to some extent because of the torch light (knowledge) you have provided me ...

Keep it up !!

Regards

Senthil

Reply



SMART Trader March 9, 2013 at 9:29 PM

Senthil Money

Thanks

ST

Reply

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