

CANDLE SESSIONS

The Candle Sessions study is a simple counting mechanism which attempts to determine when trends are overbought or oversold by counting candle record sessions as they trend up and down. Unlike many candlestick chart patterns, the Candle Sessions study will encompass more than just 1-3 candles.

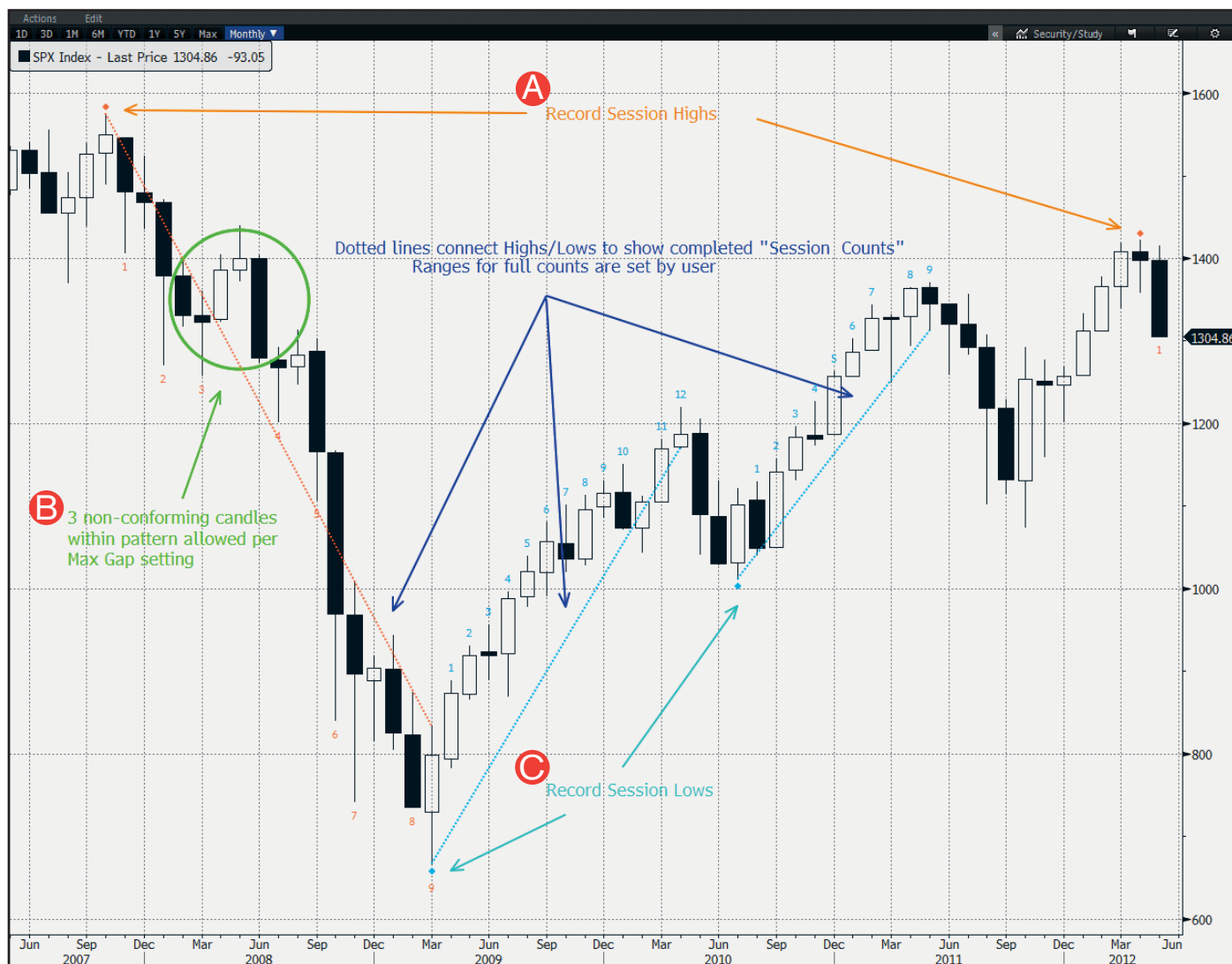


Figure 1

Traditionally, counts between 8 and 10 candles in one direction indicate a market becoming overbought or oversold. In his book **Beyond Candlesticks**, author Steve Nison writes “In candle theory, when there are eight to ten record sessions (that is, eight to ten almost consecutive higher highs or lower [lows]) it increases the possibility that the preceding trend will change.” Keying on the phrase “almost consecutive,” one will notice within these patterns that there will be candles that do not actually continue the pattern from the previous candle. This study includes the unique ability to skip over candles that may be acting as a brief break or consolidation within the trend and then continue the count as the trend resumes (Figure 1 – B).

The “Record Session High” is the Record Session, or candlestick, that will determine where the count downward begins; and conversely, the “Record Session Low” determines where an up count begins. These points are marked by diamonds on the pertinent record session candles (Figure 1 – A). The count will continue until the pattern is broken or the count has completed. Completed counts are highlighted across the history of the chart by dotted lines connecting the lows (up trends) or highs (down trends) from the record session high/low to the final candle in the count (Figure 1 – C).

The Candle Sessions study on Bloomberg includes a number of user definable parameters accessible through the Settings tab in the Study Properties dialog. As many technicians believe that markets can demonstrate different dynamics depending on direction, all the available parameter settings may be set independently for up and down trends.

The number of consecutive candles and the comparison points (High, Low, Close) leading to the Record Session High or Low that will stand as the beginning of the trend can all be set by the user as shown in Figure 2. These points are marked on the chart by a diamond above or below the high/

low candle that will mark the turn in the market. The record session high is determined after a pattern of consecutively higher candles.

Figure 3 shows settings available for Minimum and Maximum sessions to be considered for a completed Candle Sessions pattern. The defaults, per Nison's described preferences, are set to a minimum of 8 and a maximum of 10. The "Session Counts" setting, defaulted to 3, determines the number of candles permissible within the count that may be counter trend or deemed consolidation within the overall trend.



Figure 2

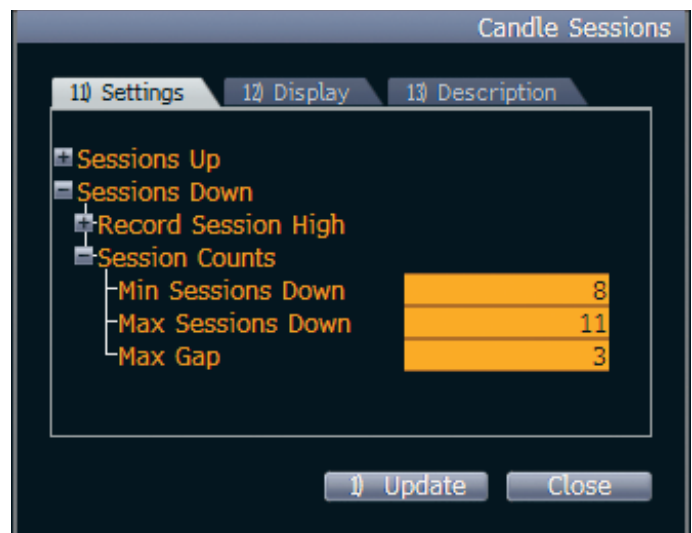


Figure 3

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