

The Ichimoku system is a Japanese charting method.

The Ichimoku indicator was originated from a newspaper writer in Japan named Ichimoku Kinkou Hyo. This trading technique was published in 1969 and it stood the test of time.

The name Ichimoku tells a lot about the trading system or at least it gives a description of the system.

- Ichimoku = “One look, glance”
- Kinkou = “Balance, equilibrium”
- Hyo = “Chart, Graph”

The Ichimoku cloud trading attempts to identify probable direction of price and helps the trader to determine the most suitable time to enter and exit the market by giving you the trend direction, reliable support and resistance levels and even the strength of these market signals.

Ichimoku Cloud Explained

The Ichimoku Hinko Hyo is a momentum indicator that can be used to recognize the direction of the trend. It can also define accurate support and resistance levels. The Ichimoku Cloud indicator consists of four main components that can provide you with reliable trade signals:

1. Tenkan-Sen line also called the Conversion Line: Represent the midpoint of the last 9 candlesticks; and it's calculated with the following Ichimoku formula:

Tenkan-Sen (Conversion Line) : $[(9\text{-period high} + 9\text{-period low})/2]$.
2. Kijun-Sen line also called the Base Line: Represent the midpoint of the last 26 candlesticks; and it's calculated with the following formula:

Kijun-Sen (Base Line) : $[(26\text{-period high} + 26\text{-period low})/2]$.
3. Chiou Span also called the Lagging Span. As the name suggests it lags behind the price. The Lagging Span is plotted 26 periods back.
4. Senkou Span A also called the Leading Span A: It represents one of the two Cloud boundaries and it's the midpoint between the Conversion Line and the Base Line:

$[(\text{Conversion Line} + \text{Base Line})/2]$. This value is plotted 26 periods into the future and it's the faster Cloud boundary.

5. Senkou Span B or the Leading Span B: It represents the second Cloud boundaries and it's the midpoint of the last 52 price bars: $[(52\text{-period high} + 52\text{-period low})/2]$. This value is plotted 52 periods into the future and it's the slower Cloud boundary.



Here are some basic interpretations of the Ichimoku charts:

- When the price is above the Cloud, we're in a bullish trend.
- When the price is below the Cloud, we're in a bearish trend.
- When the price is in the middle of the cloud the trend is consolidating or ranging.

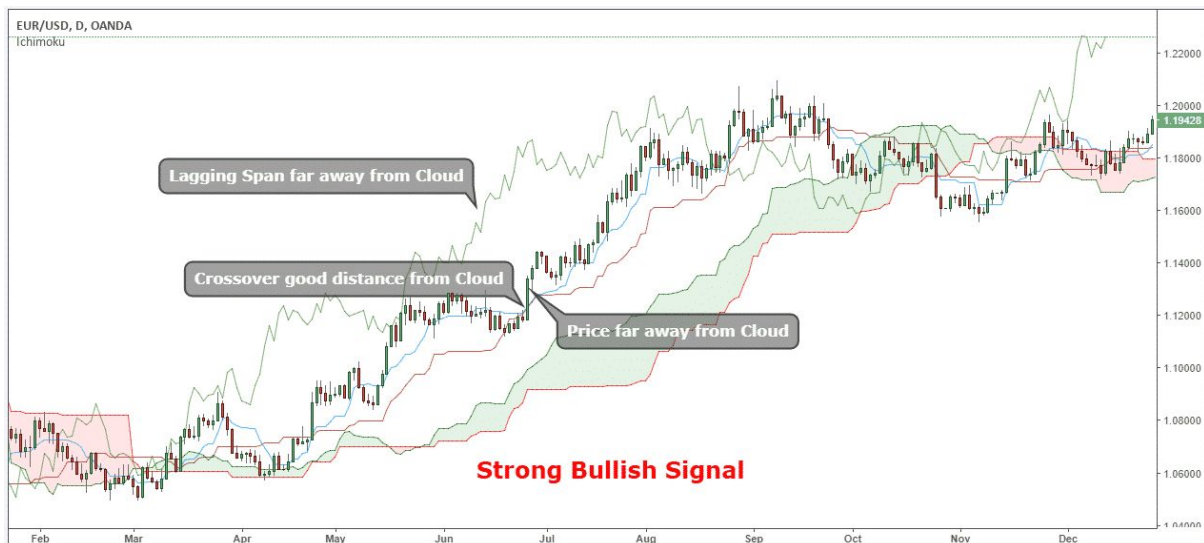


Furthermore, the Ichimoku charting technique provides bullish and bearish signals of various strengths.

When the Tenkan crosses Kijun from below this is considered a bullish signal and when the Taken crosses the Kijun from above this is considered a bearish signal.

The strength of the Ichimoku trading signals are assessed based on three factors:

- How far away has the price moved relative to the Cloud?
- How far away is the Chiou Span relative to the Cloud?
- How far away is the Cross-over relative to the Cloud?



Ichimoku cloud trading requires a lot of self discipline to only wait for the best trade signals.
We're going to use the default settings of the Ichimoku Cloud system.

USDJPY 15

Indicators

U.S. Dollar/Japanese Yen

Ichimoku Cloud Indicator

Technical Analysis

- Built-ins
- Public Library
- My Scripts

Fundamentals

- Economy & Symbols
- Volume Profile

Marketplace Add-ons

- Advanced Signal Bars
- Analysis Suite - SCAR Trends
- Bottoms Tops Signal Toolkit
- Breakout Pivotal Bars Tool...
- DecisionBar
- Jurik Research
- Key Hidden Levels

Built-ins

- Ichimoku Cloud
- Public Library
- Ichimoku Timeframe 3.0
- Ichimoku Cloud Signal Score v2.0.0
- Ichimoku Cloud Signal Score
- Ichimoku - Daily-Candle_X + HULL-MA_X + MacD + I
- Ichimoku Cloud ALERT
- Ichimoku Timeframe 6.0
- Ichimoku_on_steroids v 1.0 (Scalper's) OL
- Ichimoku EMA Bands
- Ichimoku PanOptic TM-V1
- Ichimoku Timeframe 6.0
- Ichimoku
- Revised Ichimoku Kinko Hyo (修正版 一目均衡表)
- Ultimate Ichimoku 1.0

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PUBLISH IDEA

The Best Ichimoku Strategy – Buy Rules

Step #1 Wait for the Price to Break and close above the Ichimoku Cloud

Ichimoku cloud trading requires for the price to trade above the Cloud because that's a bullish signal and potentially the beginning of a new up-trend.

The cloud is built to highlight support and resistance levels and it's supposed to highlight several layers deep because support and resistance are not a single line drawn in the sand, but several layers deep.

So, when we break above or below the Ichimoku Cloud that signals a deep shift in the market sentiment.

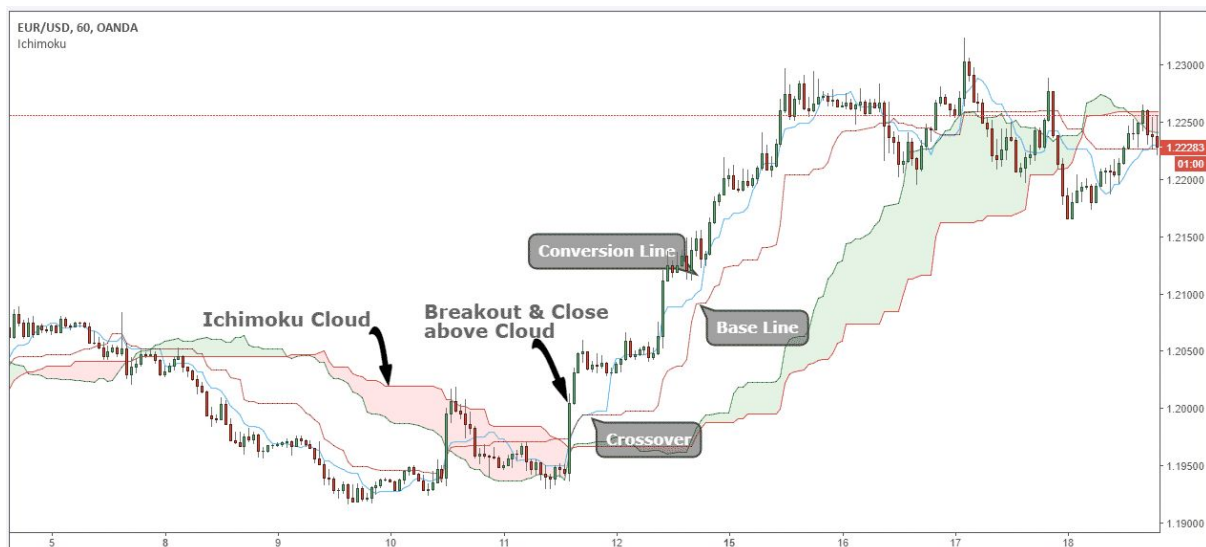


A high probability trade setup requires having more layers of confluence before pulling the trigger.

This brings us to our next requirement for a high probability trade setup.

Step #2 Wait for the Crossover: The Conversion Line needs to break above the Base Line.

The price breakout above the Cloud needs to be followed by the crossover of the Conversion Line above the Base Line. Once these two conditions are fulfilled only then we can look to enter a trade.



As you can notice the Ichimoku Cloud indicator is a very complex technical indicator that can be used even as a **moving average crossover strategy**.

Step #3 Buy after the crossover at the opening of the next candle

Ideally, any long trades taken using the Ichimoku strategy are taken when the price is trading above the Cloud.

So, after the crossover we buy at the opening of the next candle.

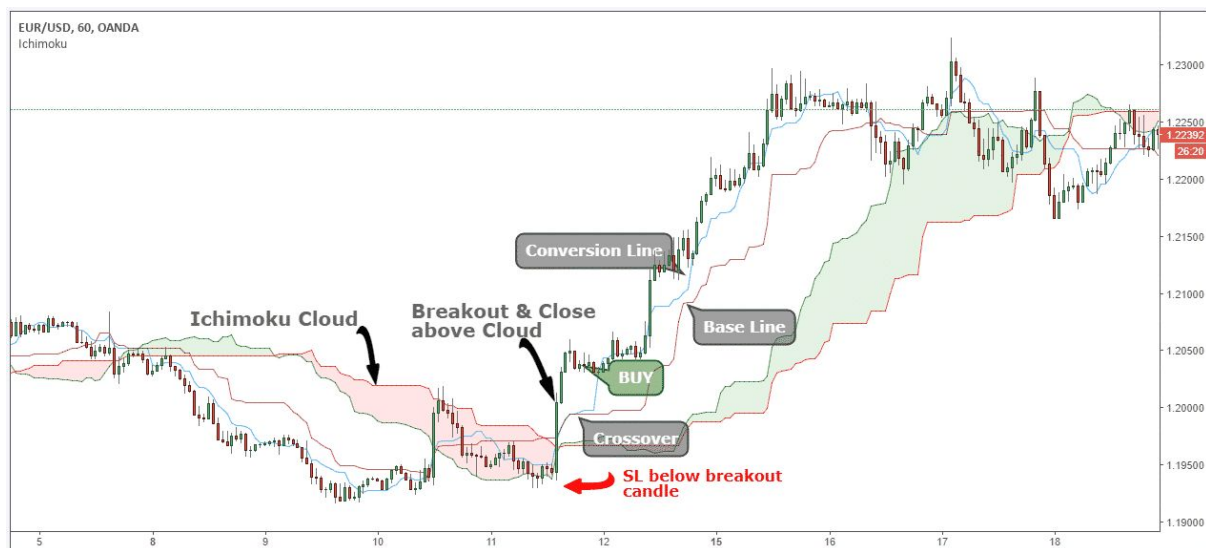


The next important thing we need to establish is where to place our protective stop loss.
See below...

Step #4 Place protective stop loss below the breakout candle

The ideal location to hide our protective stop loss is below the low of the breakout candle. This trading technique accomplishes two major things.

Firstly, it's minimizing significantly the risk of losing big money and secondly, it helps us trade with the market order flow.



Since this is a swing trading strategy we're looking to capture as much as possible from this presumably new trend and we'll be looking to trail our stop loss level below the Cloud or exit the position once a new crossover happens in the opposite direction.

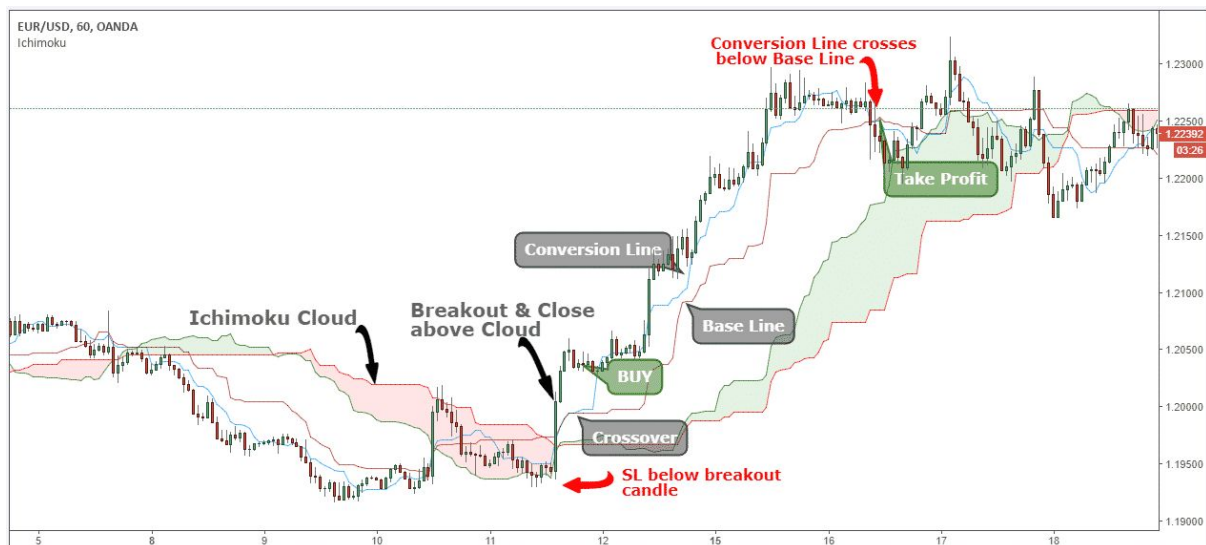
The next logical thing we need to establish for the Ichimoku trading system is where to take profits.

See below...

Step #5 Take Profit when the Conversion Line crosses below the Base Line

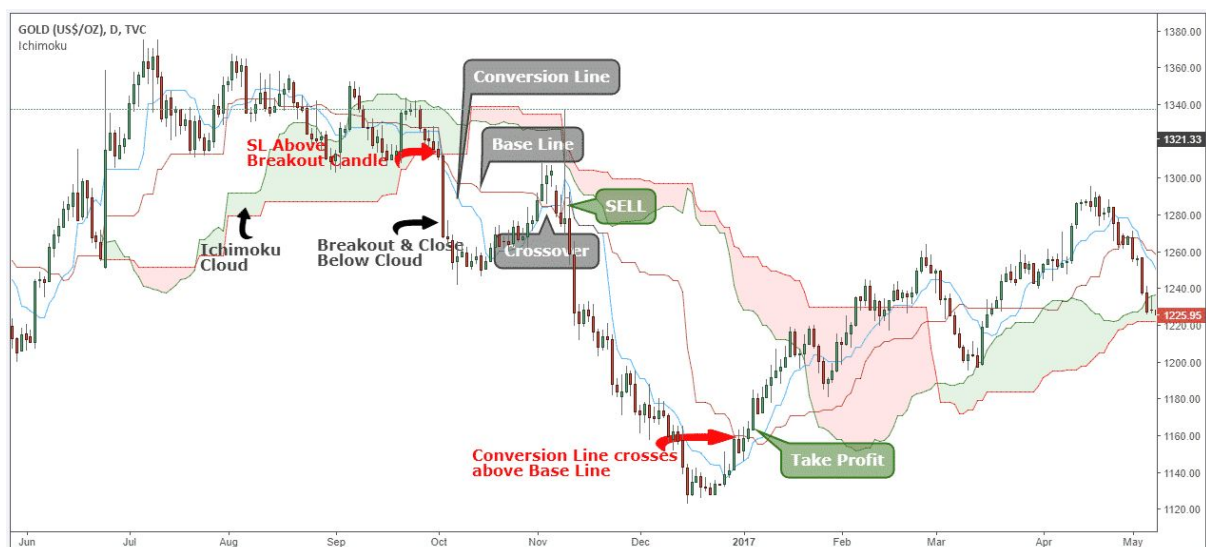
We only need one simple condition to be satisfied for our take profit strategy.

When the conversion line crosses below the base line we want to take profits and exit our trade.



Alternatively, you can wait until the price breaks below the Cloud but this means risking to lose some parts of your profits. In order to gain more sometimes you have to be willing to lose some.

Note** the above was an example of a BUY trade using the advanced Ichimoku trading strategies. Use the same rules for a SELL trade – but in reverse. In the figure below, you can see an actual SELL trade example.



Conclusion

If you're having a very difficult time finding true support and resistance please apply the **Ichimoku cloud trading** techniques highlighted in this page.