

INSILICO

Crayons 0.27  
Product Guide | 2020



# Pivotal and trend following system.

## Crayons 0.27

There are numerous ways that people may use the same indicator, discretion and personal preference is key. The methods showcased are simply an introduction, but are not at all the only or even the "best" way to utilize the trading suite.

Trading is not a race to the finish line, so find what works best for you personally. Crayons is simply a tool - one of many, to help increase your profitability, and ultimately getting you to the finish line - having your portfolio and equity curve where you would like it to be.





INTRODUCTION

# Background.

Crayons has been worked on and updated continually since 2017 - it's color coding approach follows in the footsteps of the trading legends that pioneered the original discretionary trend following systems.

The script is designed to give high probability trade opportunities, and help traders to analyze charts in a simple and intuitive manner, by using color coding to both compress and express information. There are two major components and also a complimentary zero confirmation pivot system. The first component is **BC** which stands for **base coloring** - the second component is **SC** which stands for **signal coloring**.





INNOVATIVE DESIGN

# SC. Signal Colouring.

Users should look at every SC as an “area of effect” that suggests the general price range in which the market may turn and in which you should place your orders. If the area gets violated by price movement in the opposite direction, the signal candle loses its value as a signal and thus gets invalidated.





# Colour Coding & Candle Colours.

## BASE COLOURS

Now we have explained the basic mechanism to acquire higher probability trades using Crayons, and isolated some false positives, let's talk about color coding or candle color meanings and label definitions.

First of all there are three trend colors for three distinct market conditions directions - trend up, trend down, and range bound consolidation also known as sideways or chop.

These are basic color codings and we refer to them as base colors.

## DETERMINISTIC FACTORS

1) If the SC signal bias is correct and strong by confirming its direction with complimentary color after it, or an alert that the market is still in an opposing trend by printing the opposite bias color, it can be also used to mark no trade zones and extreme chop conditions in cases when we get all three colors mashed in a chain like manner.

2) It helps traders to keep their position longer and not to exit prematurely, which is a common problem for traders especially newer ones.

3) Points to and helps depict overall market sentiment.





CANDLES

# GREEN.

Signals that the market is bullish biased, suggests further upside or bullish consolidation.





CANDLES

# GREY.

Signals indecision, chop, prolonged consolidation,  
appears when script is failing to detect signs of  
dominant sentiment in market.



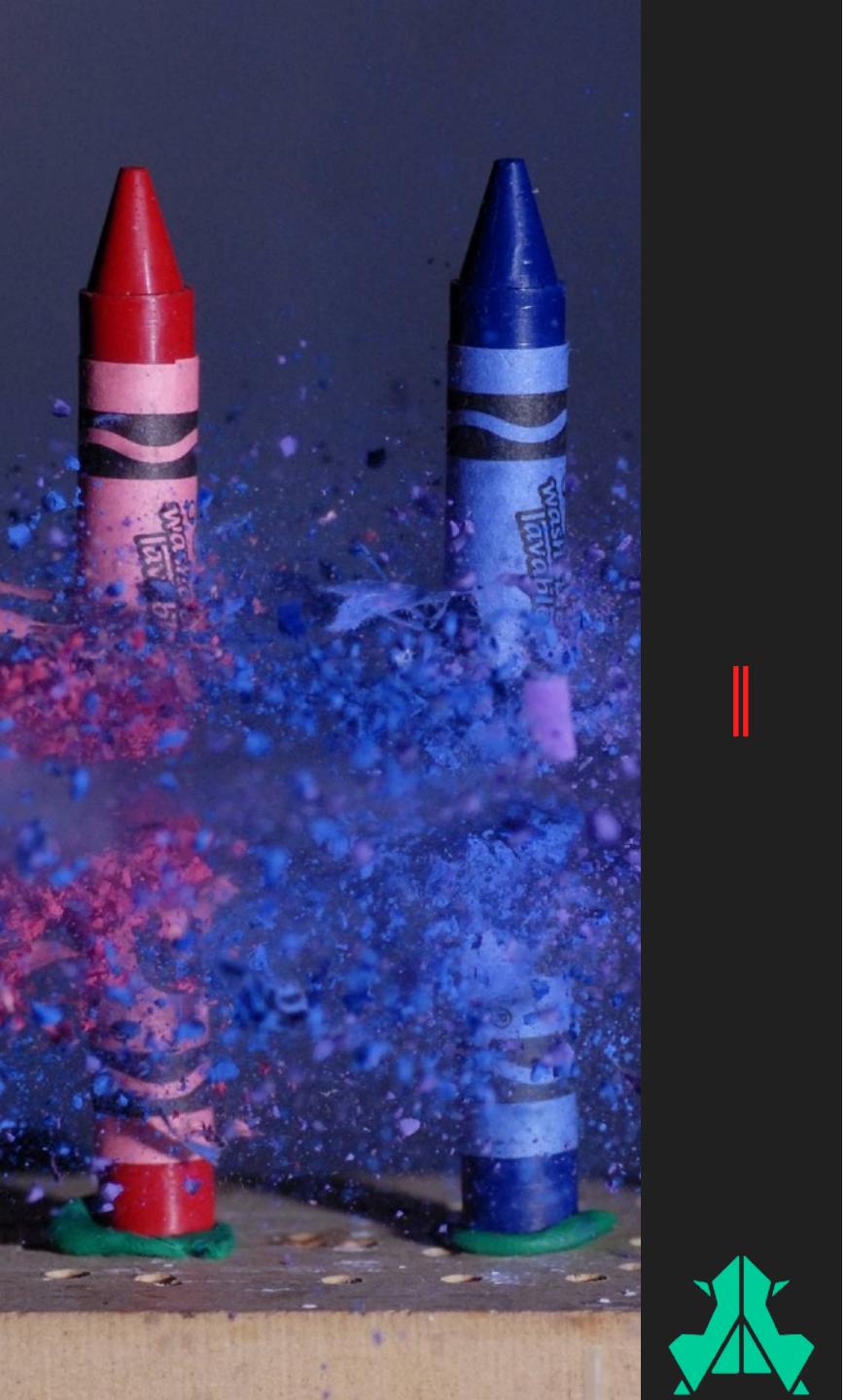


CANDLES

# RED.

Signals that the market is bearish biased, suggests further downside or bearish consolidation.





CATEGORIES

## BC & SC.

There are multiple conditions detected by the crayon algorithm that falls under SC category. It should be noted that this part of the indicator is constantly worked on and improved, detection algorithm is taught new things every few months. So you might see different labels with newer updates, what will be kept consistent is the color in candle the color hierarchy, meaning the same color will always represent the same class and overall mechanical signal.

When BC and SC are firing opposing signals, always give credence to the overarching trend versus one lone signal - discretion as always is key. If there are follow up SC's/labels against the predominant sentiment, we can assume that price is chopping and user discretion is strongly advised.

**LABELS ABOVE THE PRICE - BEARISH NATURE**

**LABELS BELOW THE PRICE - BULLISH NATURE**





LABELS

## D & U.

D & U is a structural signal group that tracks structural breaks.

Red D - label above price- Bearish  
Green U - label below price-Bullish

Signals are tracking micro invalidations off range, overlaps to previous ranges and full blown breakdowns/breakouts.

Unlike other products our algorithm isn't only marking the huge impulse candles that are obvious structural changes detectable by the naked eye, but detects structural changes at early, still playable stages, suggesting high R/R trade opportunities and early insight into overall market character changes.





LABELS

# Orange B & Blue B.

Bear and Bull Dominances, Shift Detection, Reversals.

Big wins and tiny loses.

Often signals confirm major changes in the market dynamic, designed to be early, but not too early to sustain reliable success rate.





LABELS



H.

Suggested Top, Failure to extend higher.

H stands simply for - High.

Algorithm signals are generated by failed extensions.





LABELS

# W.

Bull Weakness sign, Rejection from the upside.

Detects signs of buyer conviction weakening, appears on failed attempts to push price higher, both in an uptrend and downtrend, in downtrend it signals continuation, in uptrend it almost always signals a pause.





NON-LABELLED

## COLOUR CODING. CS NON LABELLED

There are two groups of colors that don't have a label, one is for bullish reversals and reversal suggestions, the other is for bearish.

These provide warnings that the market is attempting to top out or find a bottom, and presents opportunities for early reversals.





NON-LABELLED

# Yellow Climax Points Bearish.

Extremely early reversal detection mechanics alerting that sellers are starting to show in the market and attempting to form a top - in extended and very strong trends it more often just a pitstop marker, signalling trend extension will pause and price will consolidate there for a time.





NON-LABELLED

# Aqua Climax Points Bullish.

Opposite to Yellow.





NON-LABELLED

## Blue and Darker Blue.

Indicates suspected reversals, the market is looking for a bottom. Both remaining blue candles are signalling that buyers trying to take control , market searching for a bottom.





UNDERSTANDING  
SIGNALS

# Invalidations & Confirmations.

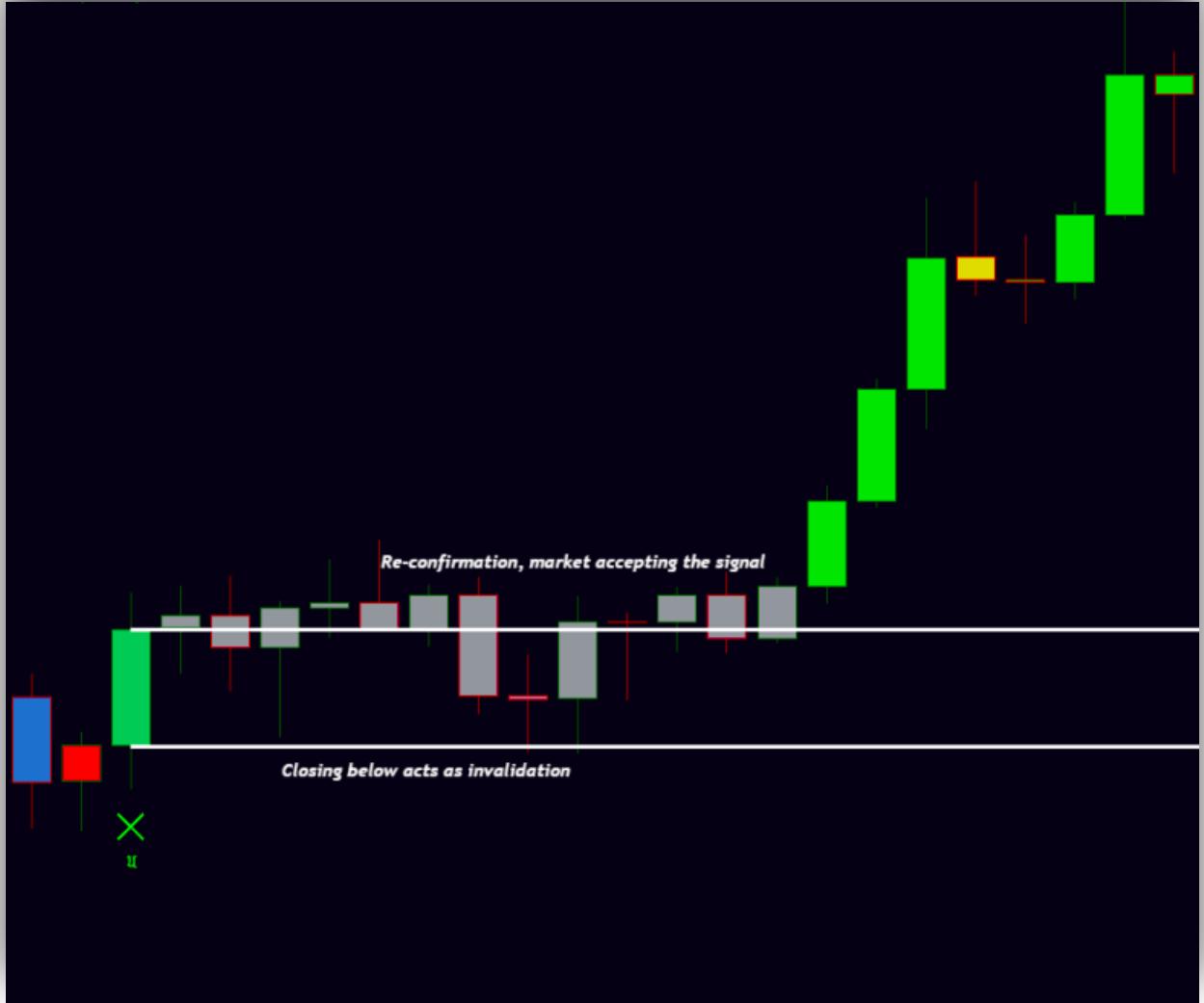
All Crayon signals share common behaviour when it comes to bias invalidation and reconfirmation, to understand it you need to look at a signal candle as short-term horizontal support and resistance levels.

For presentation purposes, the following examples in slides 18-22 have horizontal lines drawn from the signal candle open and close. Please note, instead of using signal candle open and close points, a trader can track high and low points, which acts as a safeguard against false invalidations that can be induced by whipsaws and an erratic market, but this yields greater risk and slower re-entry.



UNDERSTANDING  
SIGNALS

# Signal Invalidation & Confirmation Mechanics.

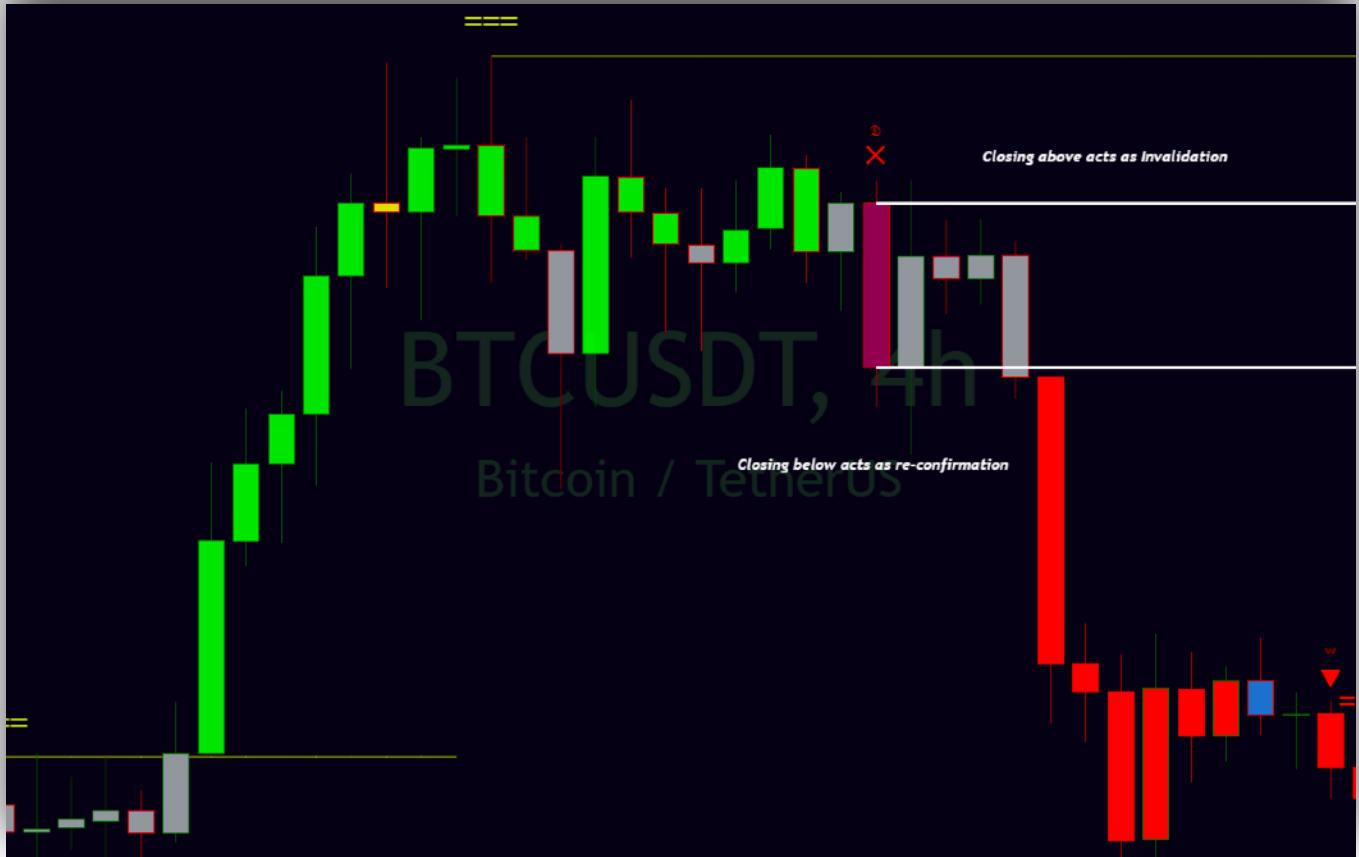


The market is curious by nature, it loves to test the levels and conviction of trades, the example above shows exactly that, if done with proper discretion these tests can be utilised to build better entries for position. Reconfirmation of a bullish signal happened soon after by the candle closing above the reconfirmation line.



UNDERSTANDING  
SIGNALS

# Signal Invalidation & Confirmation Mechanics.



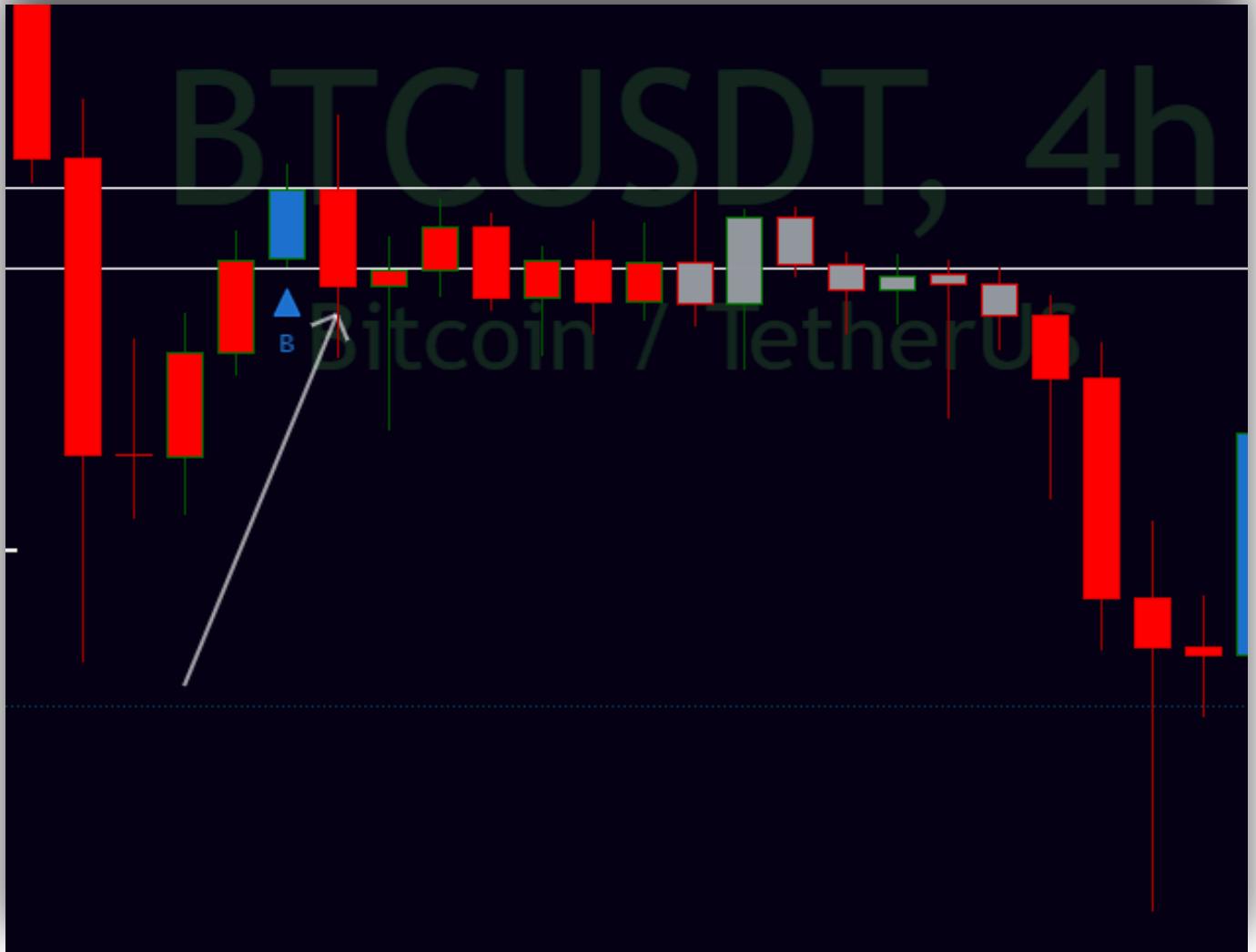
The above example shows bearish signal acceptance after one of the following candles closed below the reconfirmation line.



UNDERSTANDING  
SIGNALS

# Signal **Invalidation** & Confirmation Mechanics.

Please note that the invalidation of a signal can be seen as a validation of the opposite signal, for example if the signal saying bearish is invalidated, then you can treat the candle that invalidated it as a bullish signal and vice versa. To be safer, it's advisable to wait for the next candle to extend higher/lower.



The example above shows a quick bullish signal invalidation that happened following a candle engulfing B and closing below the invalidation line.



## INVALIDATION

### NOTE.

If you're brave you can use invalidation as a reverse signal, entering in the opposite direction than initial signal suggested.

Its potent strategy, but not advised for inexperienced traders, yet we feel the need to acknowledge about such behaviour, because the hit rate and logic of the signal is as impressive if not more impressive than initial one.

**Please note it needs more testing before we can advise it as strategy component.**





## Important to remember.

The market can extend without consolidation after a signal is given. As mentioned prior, the market loves to play and test, but sometimes we skip the foreplay.

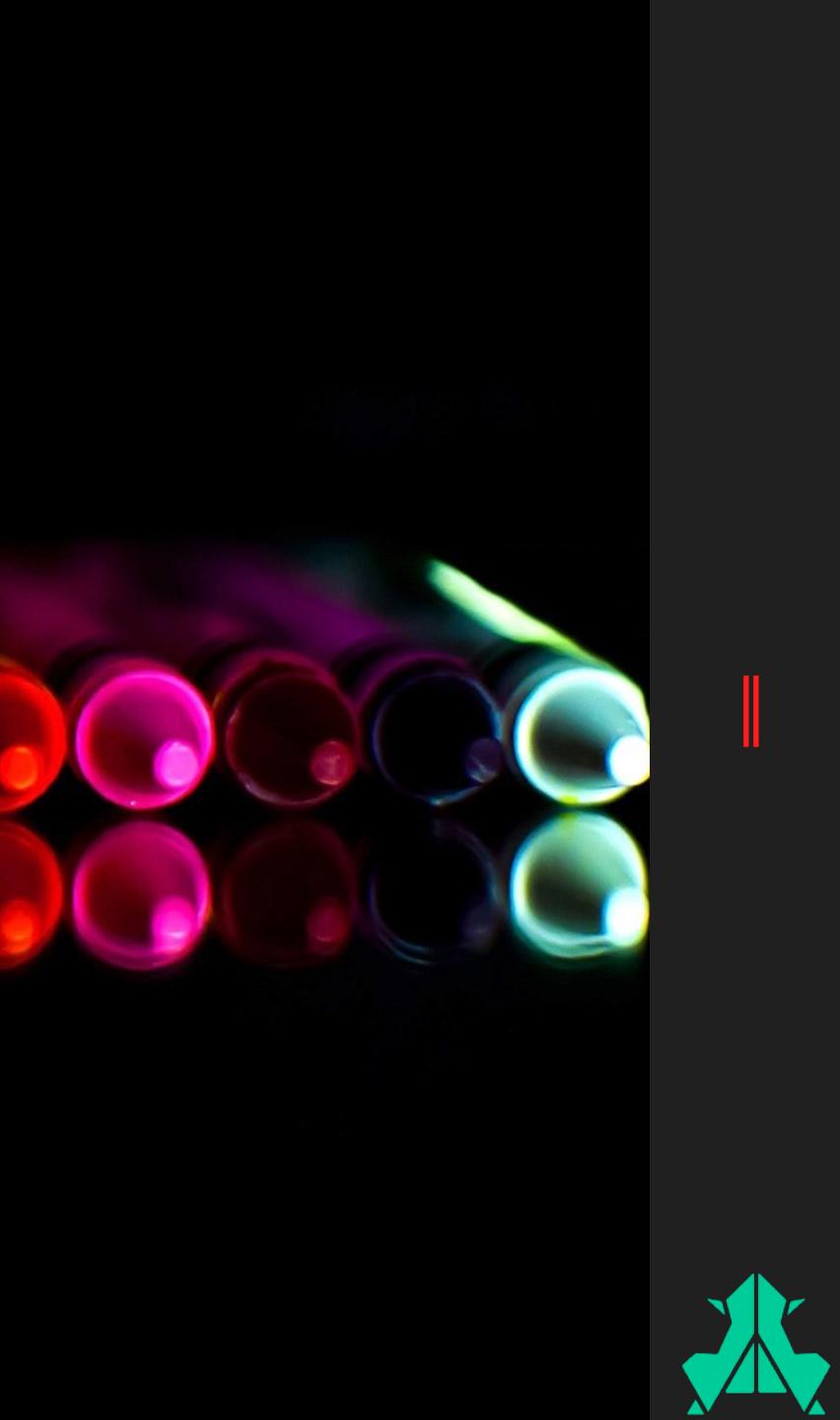


STOPS

# Stop Placement.

Crayon signal candle's highs/lows can be used to place stops. However to avoid illiquid wicking and whipsaws, traditional stop placing on previous highs/lows is recommended. Remember discretion should always be used when placing stops. Placing stops on invalidation open and close is not advised, stops needs to be above the high or low, if you plan on using the same candle.





PIVOTS

## Pivotal system.

Crayons includes a proprietary pivotal recognition algorithm, no confirmations no hindsight, no historical time based levels.

It detects in real time providing actionable and reflectable levels for current and future price action. Alongside that, the pivot origination candle produces directional impulse for short term price movements.





PIVOTS

# Turning Point.

Pivots stands for “turning point” its a price level representing support and resistance.





PIVOTS

# Turning Point.

Their use is straight forward, they are important price levels that generates high interest from market participants, once it has acceptance above the level, it heads higher. If accepted below the level, price goes lower.

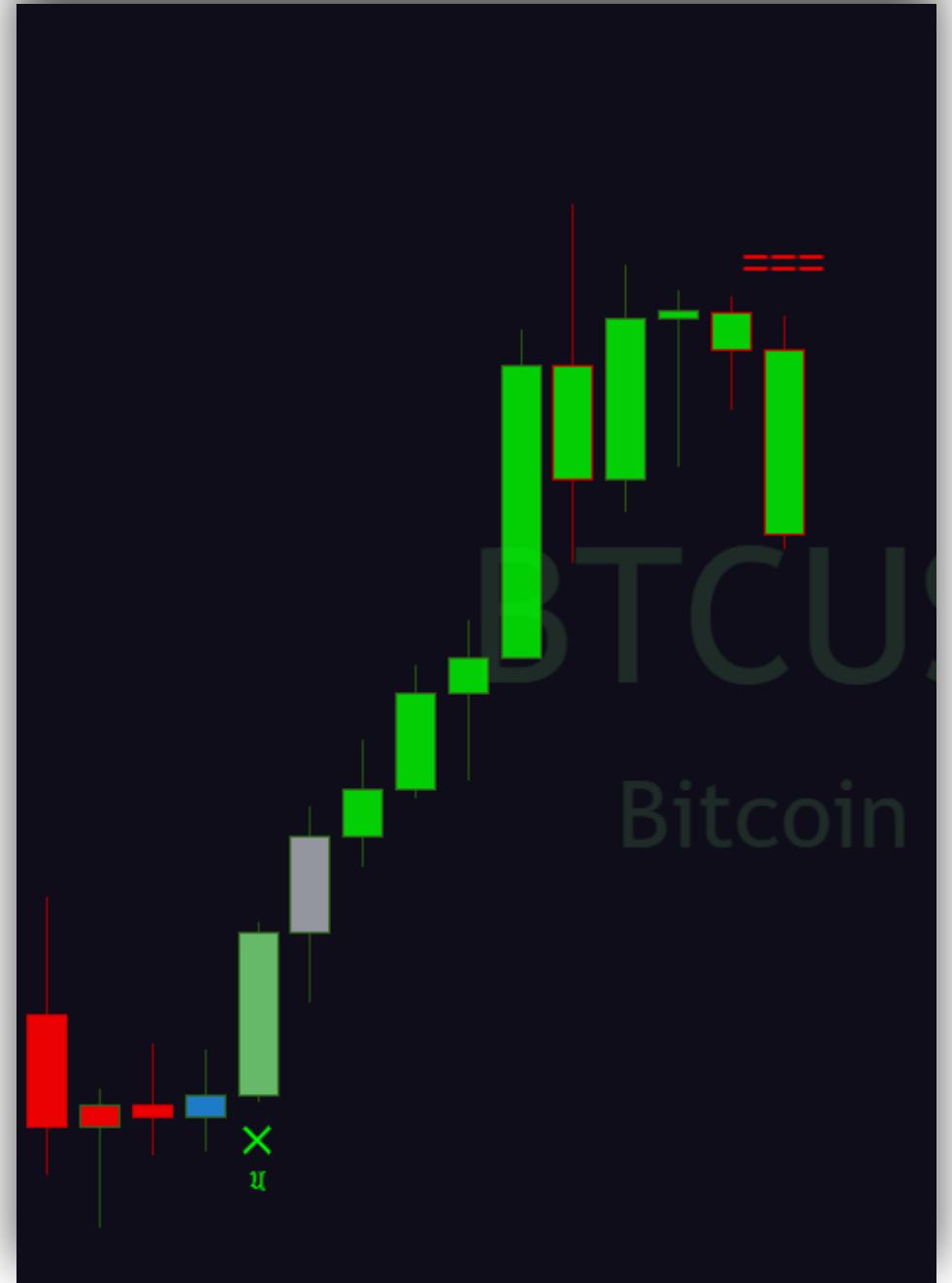




PIVOTS

# A Pivot is Born.

When a Crayon pivot is born it starts as a unicode symbol representing wall, which symbolises price hitting a level that stopped it from extending further. The location of it determines the direction price got stopped, if it's above, it's resistance is met. If it's below, it's support is met.





PIVOTS

# Extensions.

As time passes pivots grow with each candle.  
The example here shows the previous slides'  
pivot growth and directional impulse.



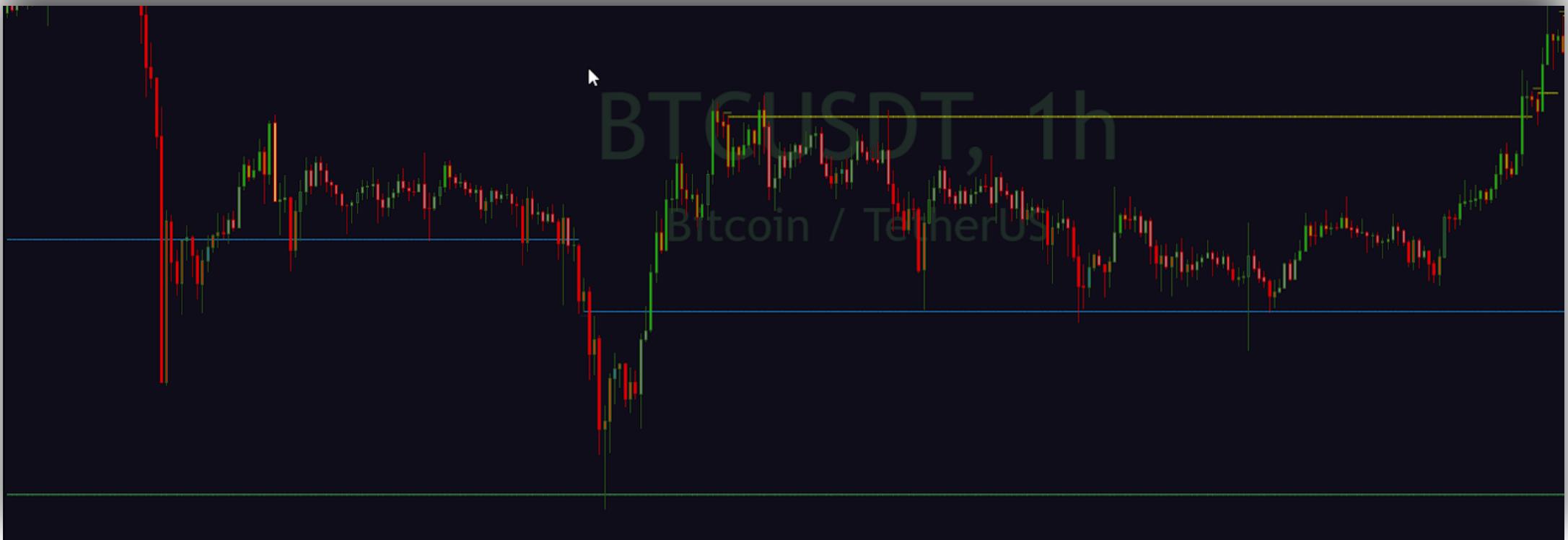


PIVOTS

# Extensions.

They can end up extending for a long time until the pivot recognition algorithm detects a new pivot of the same colour.

It's important to remember that support can turn into resistance after a level is invalidated and with time resistance can turn into support. Meaning a level's bias depends on location relative to pivots.





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Crayons 0.27

I hope you found this product description useful. More documents like this one will be coming soon.

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