

# Introduction to One and Two Bar Price Patterns

*Martin J. Pring*

One and two bar patterns are usually short-term reversal phenomena.

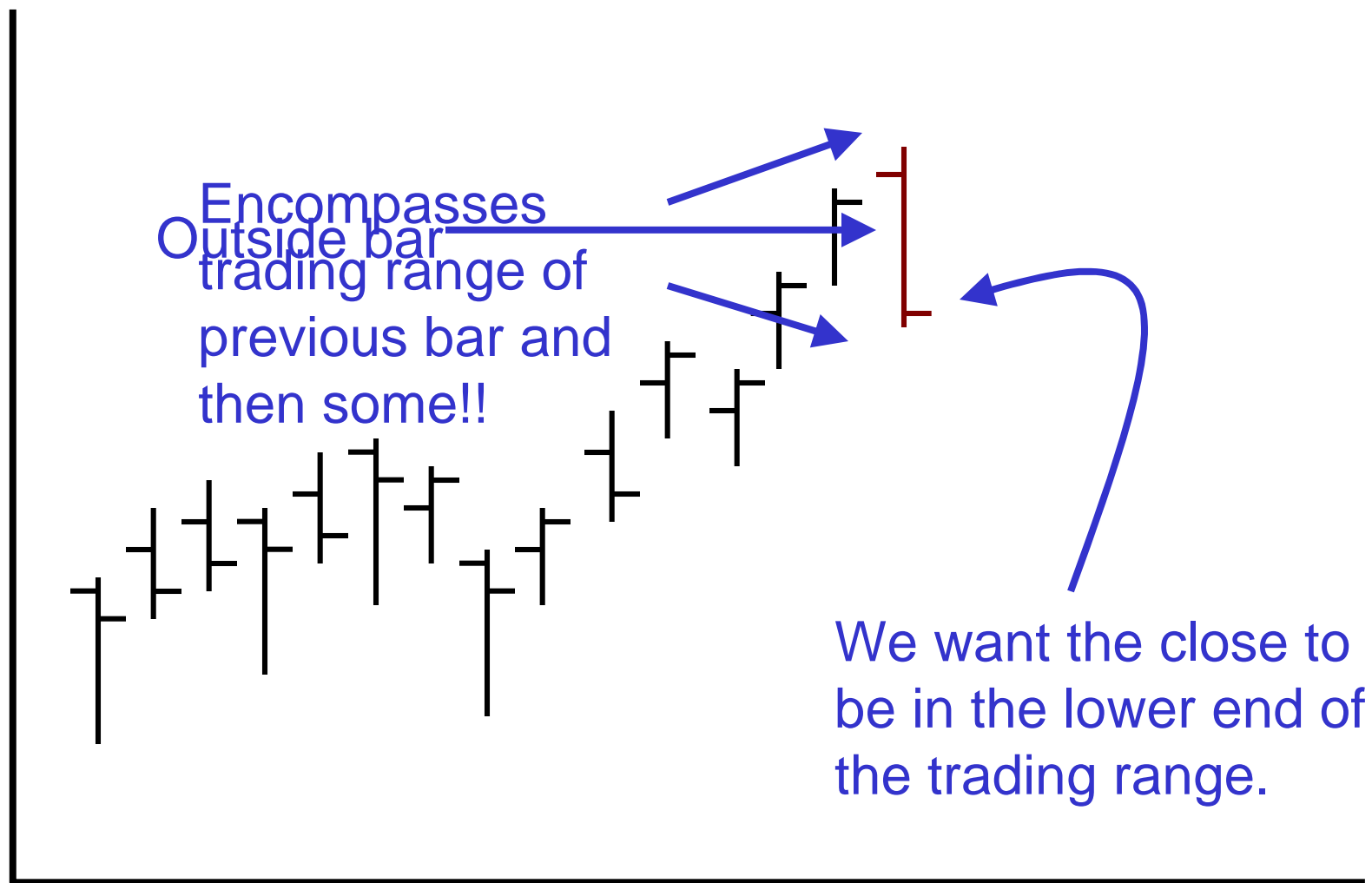
All one, and two bar price patterns must be preceded by a short-term up or downtrend.

These patterns indicate exhaustion, where market psychology has reached a short-term extreme.

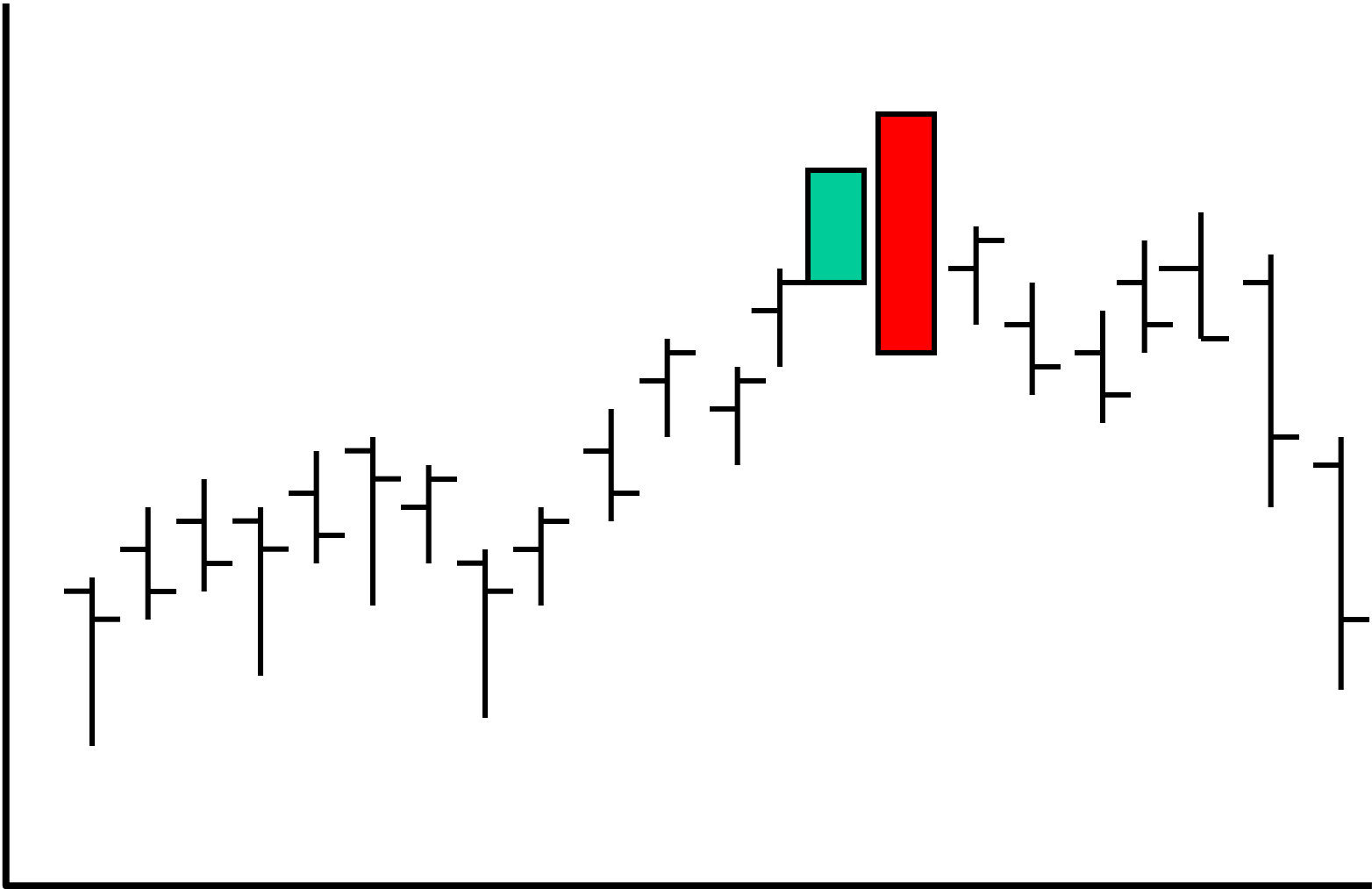
Alternatively, think of them as offering signals rated between one and five stars.

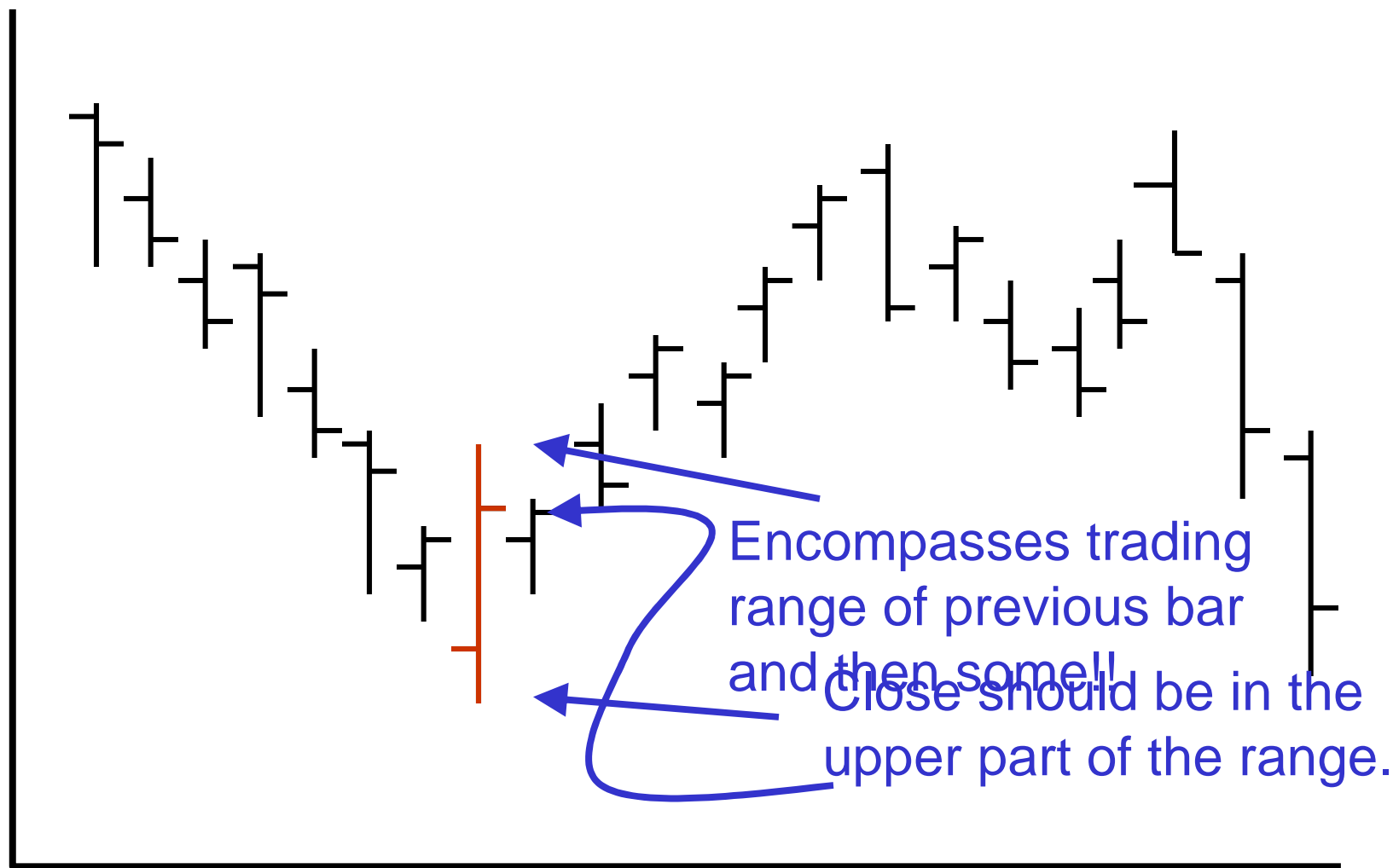
These patterns may occasionally act as consolidation formations as well.

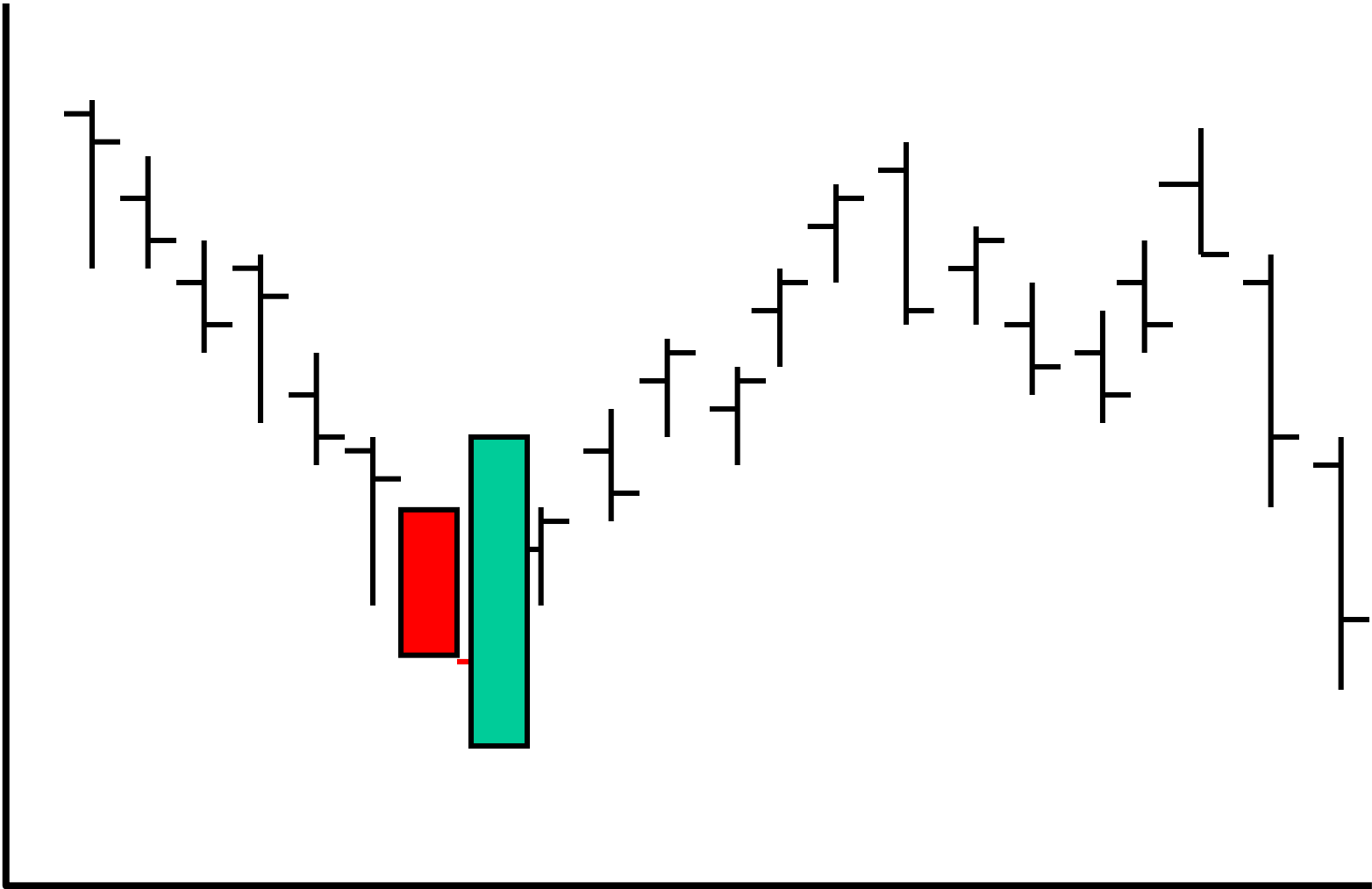
Outside bars



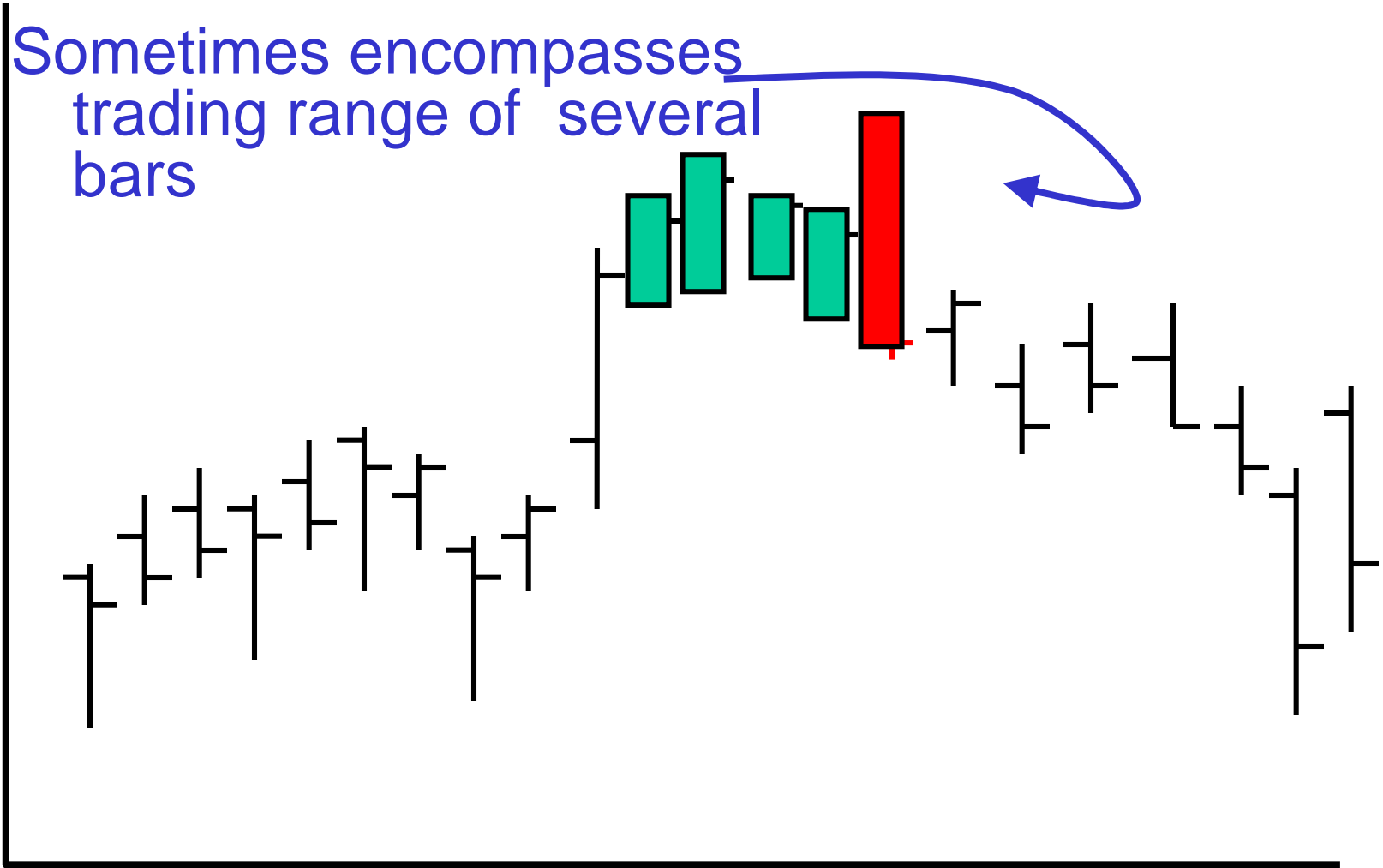


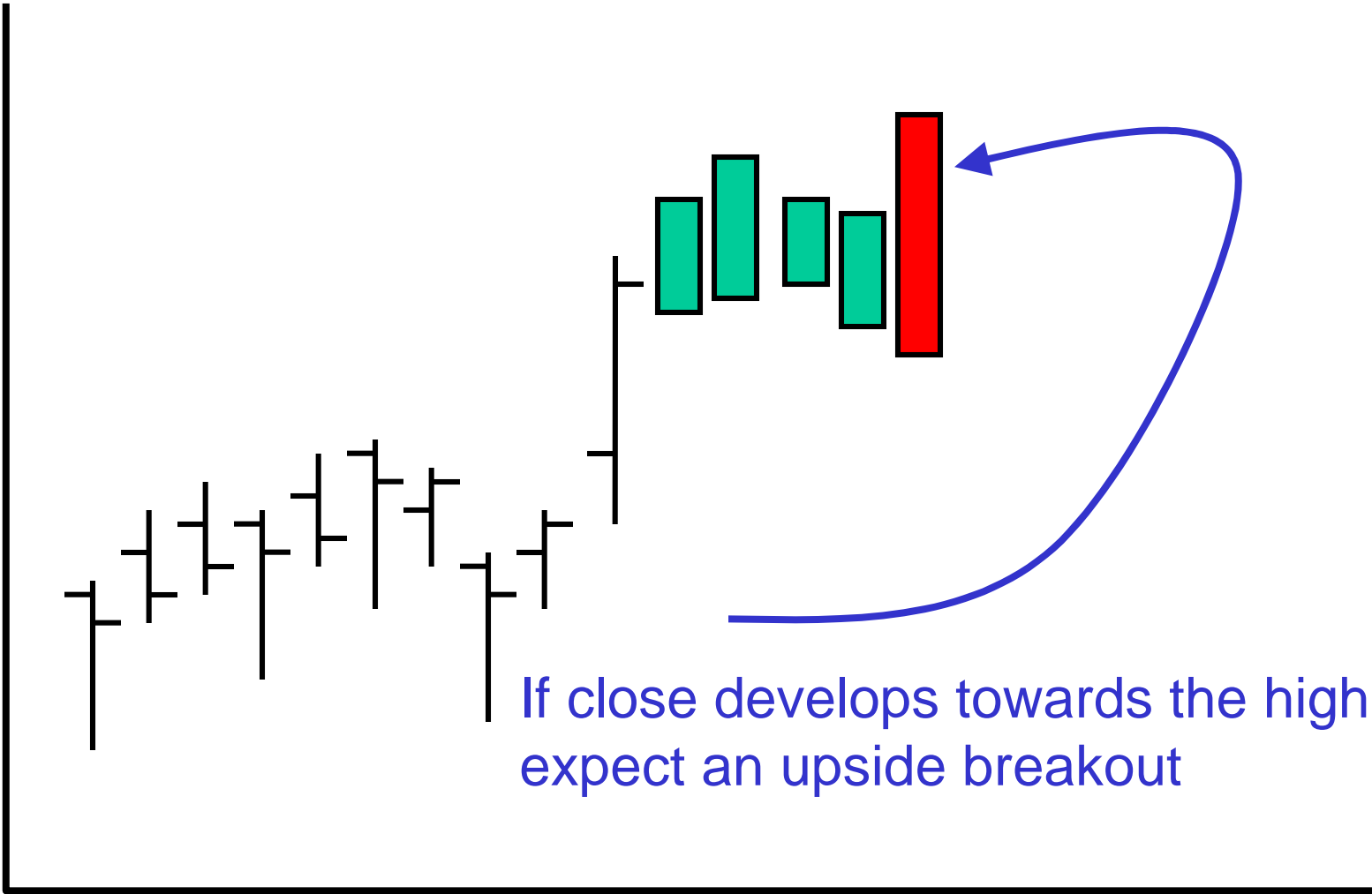






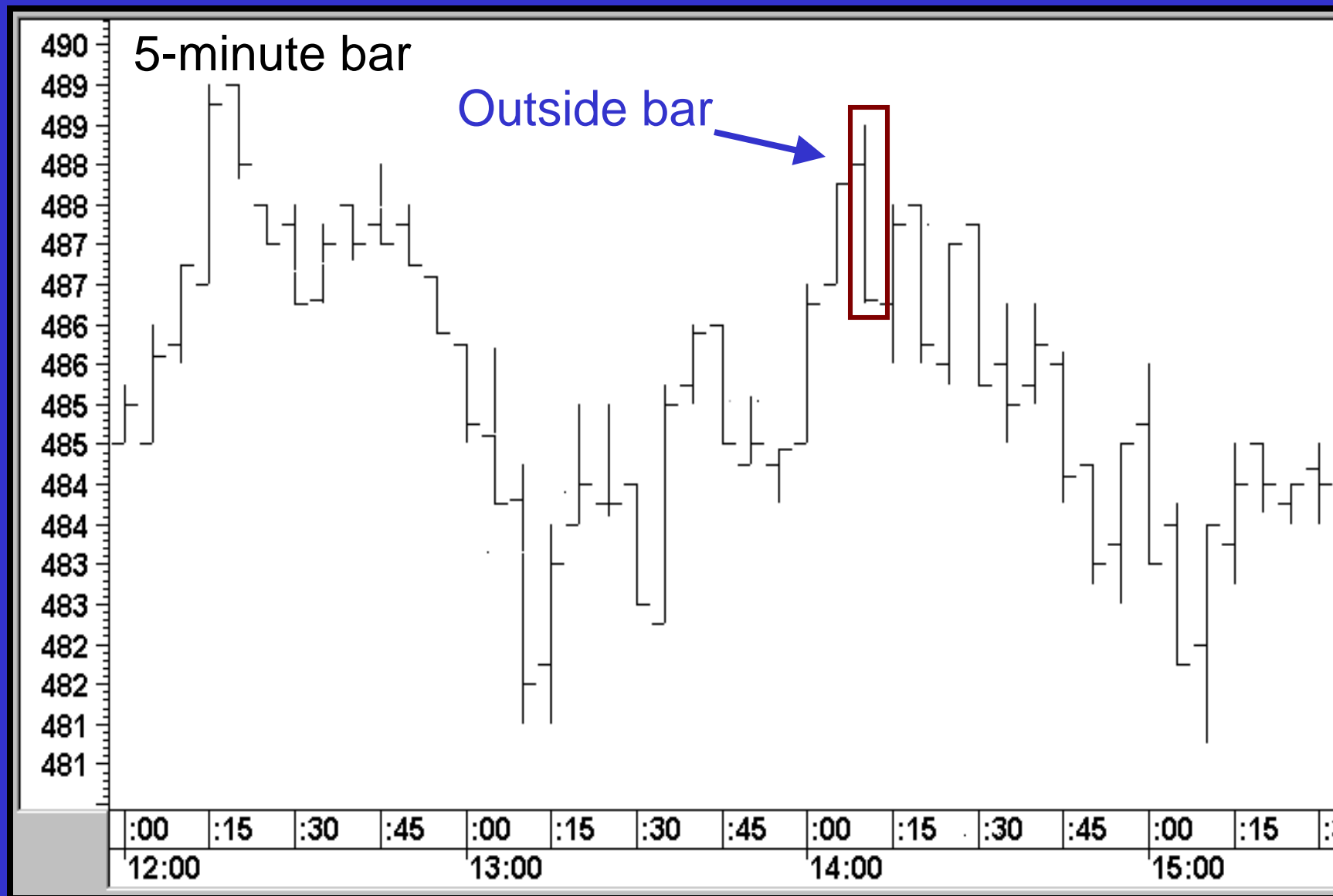
Sometimes encompasses  
trading range of several  
bars



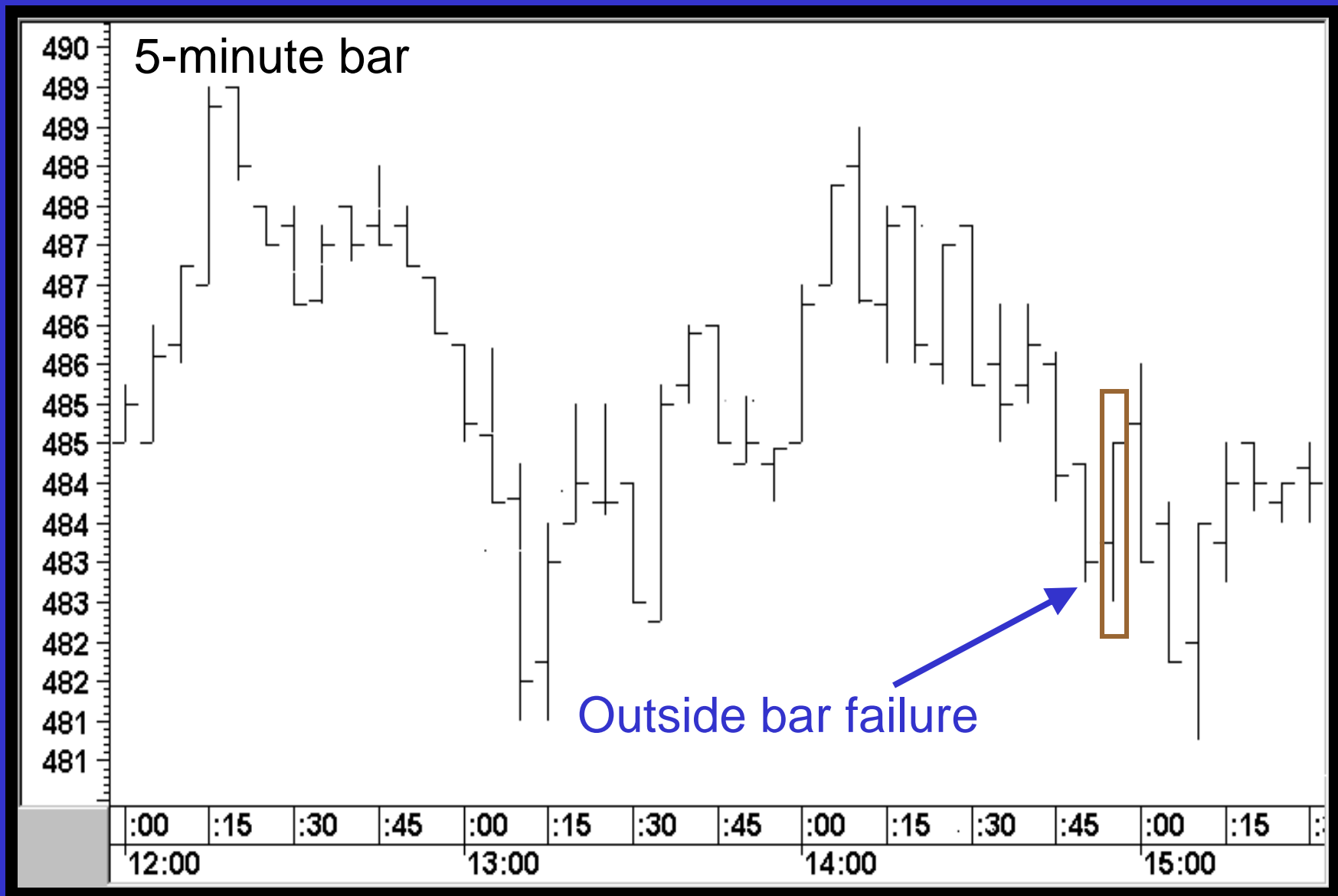


If close develops towards the high  
expect an upside breakout

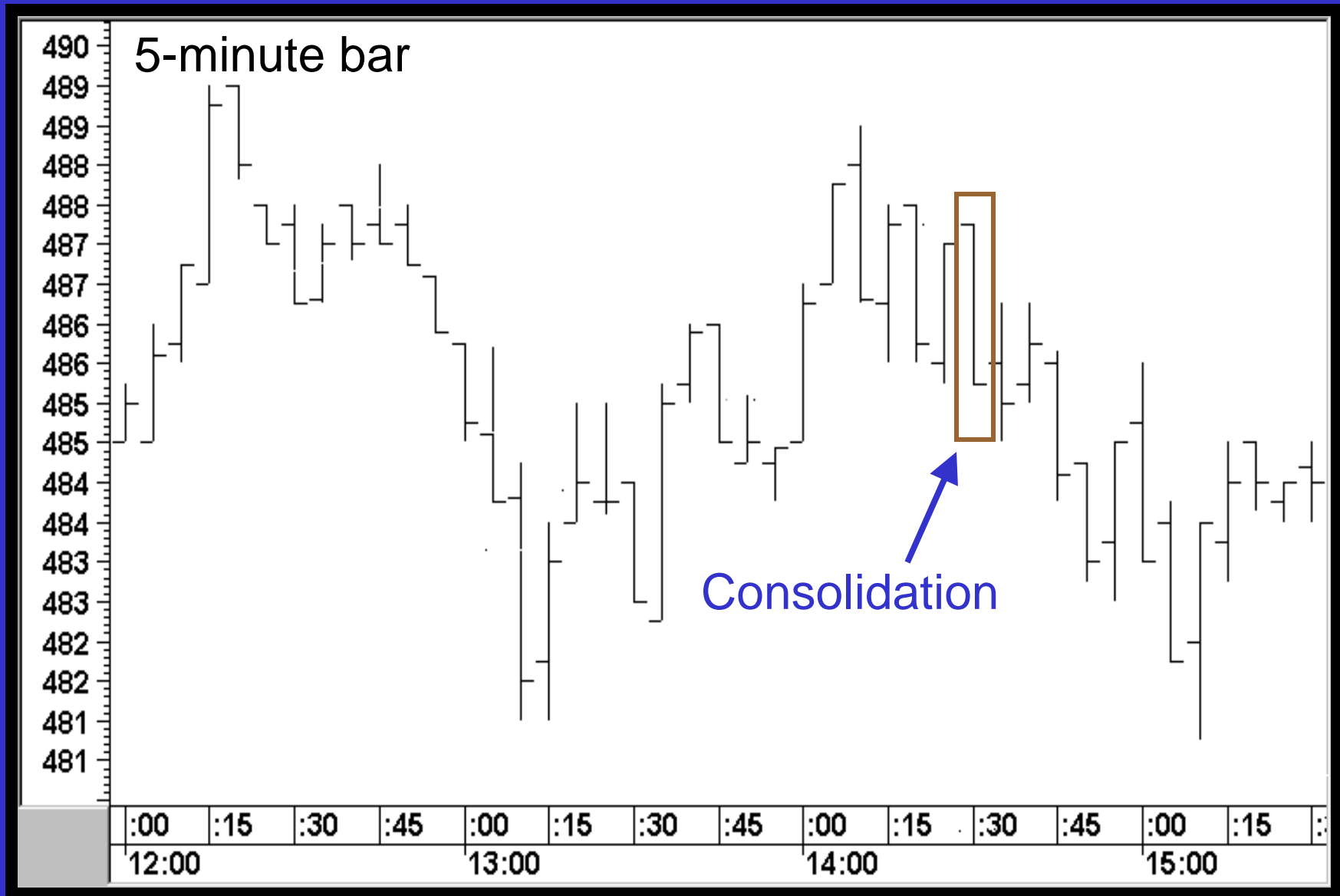
# S&P Composite



# S&P Composite



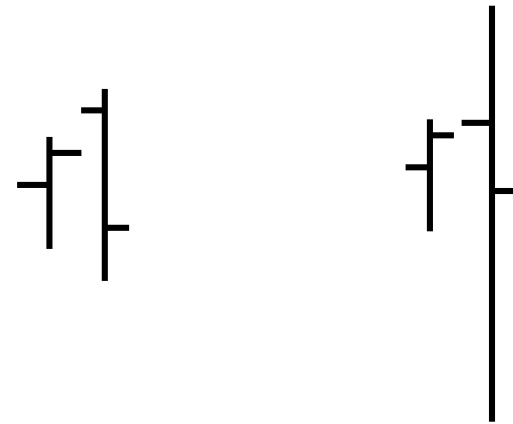
# S&P Composite



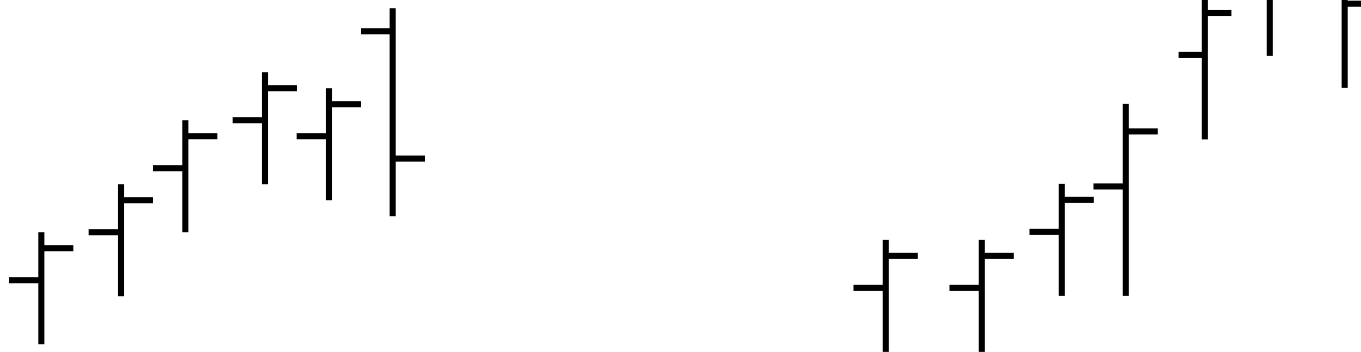


# Measuring the Significance of Outside Bars

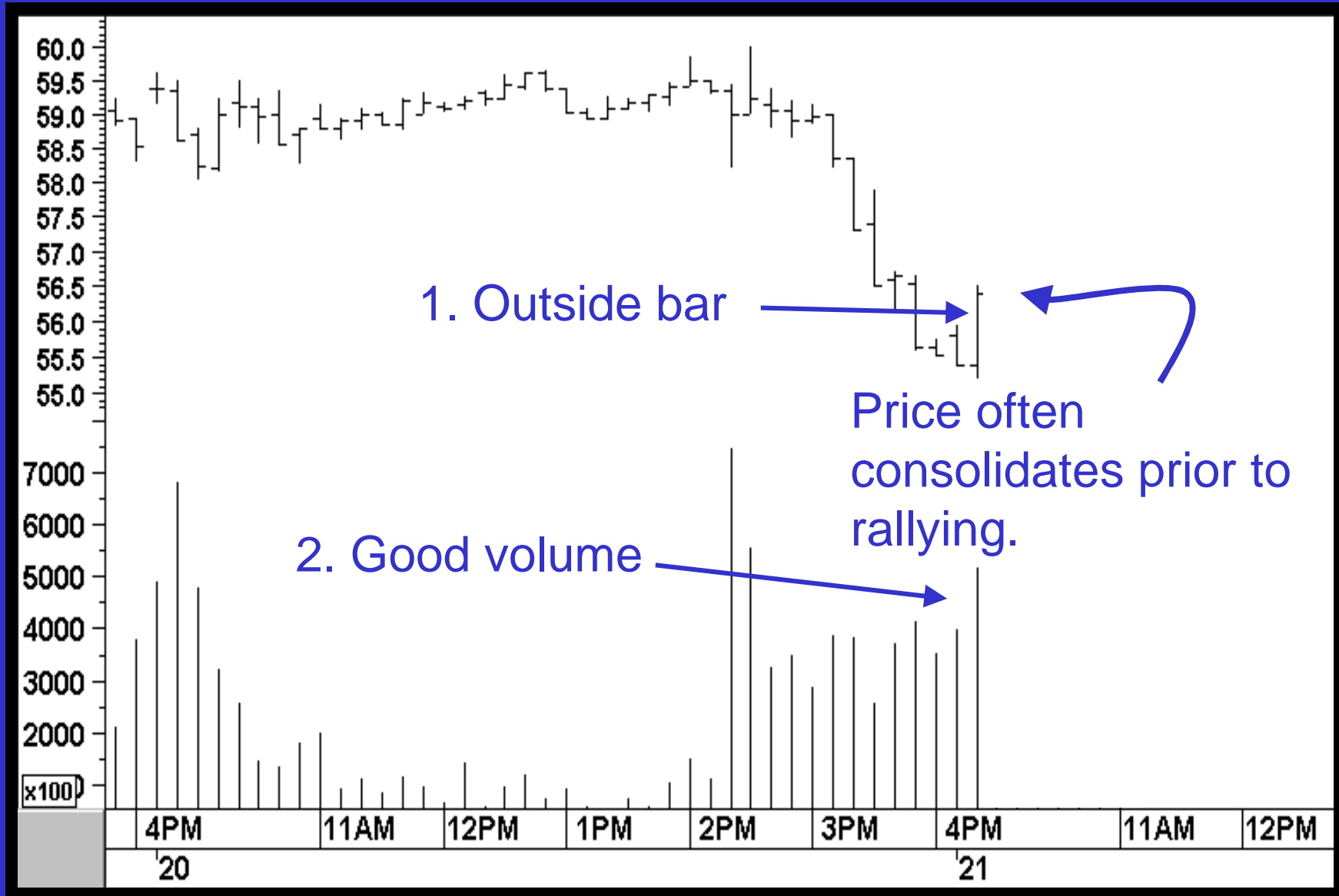
1. The wider the bar and the wider the difference between the open and close the better.



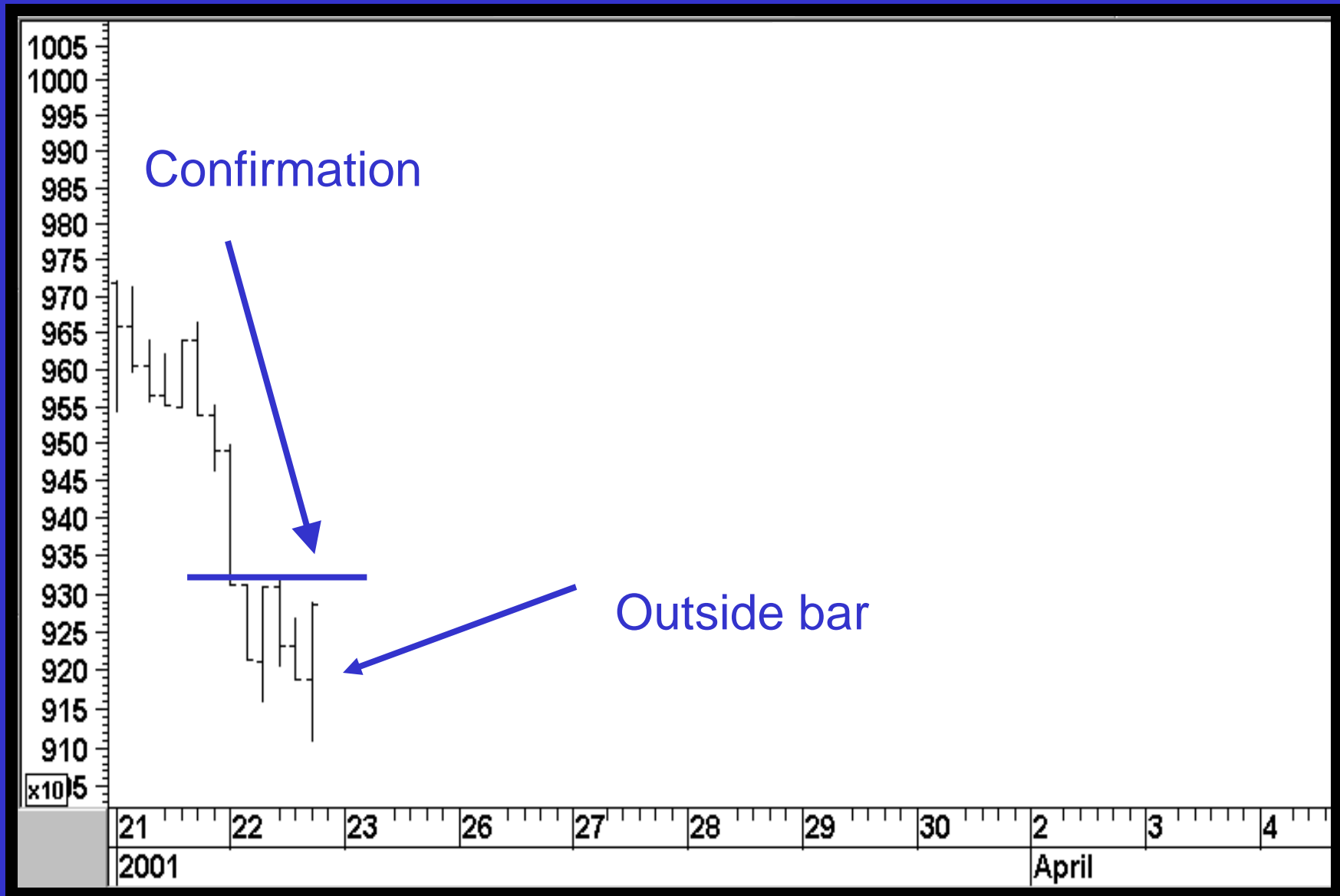
2. The sharper the preceding rally (reaction for a down reversal) the better.



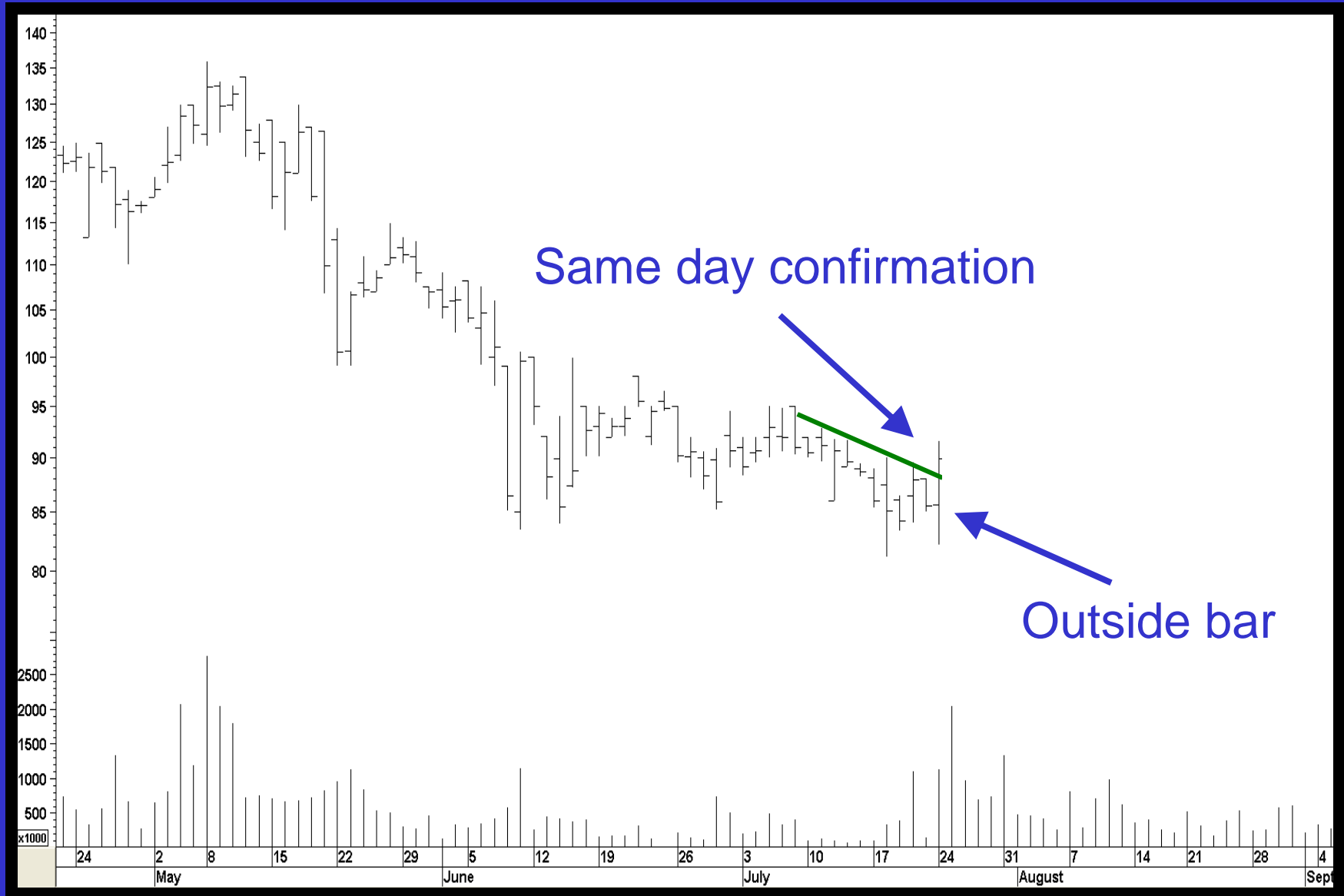
## Merrill Lynch 10-minute bar



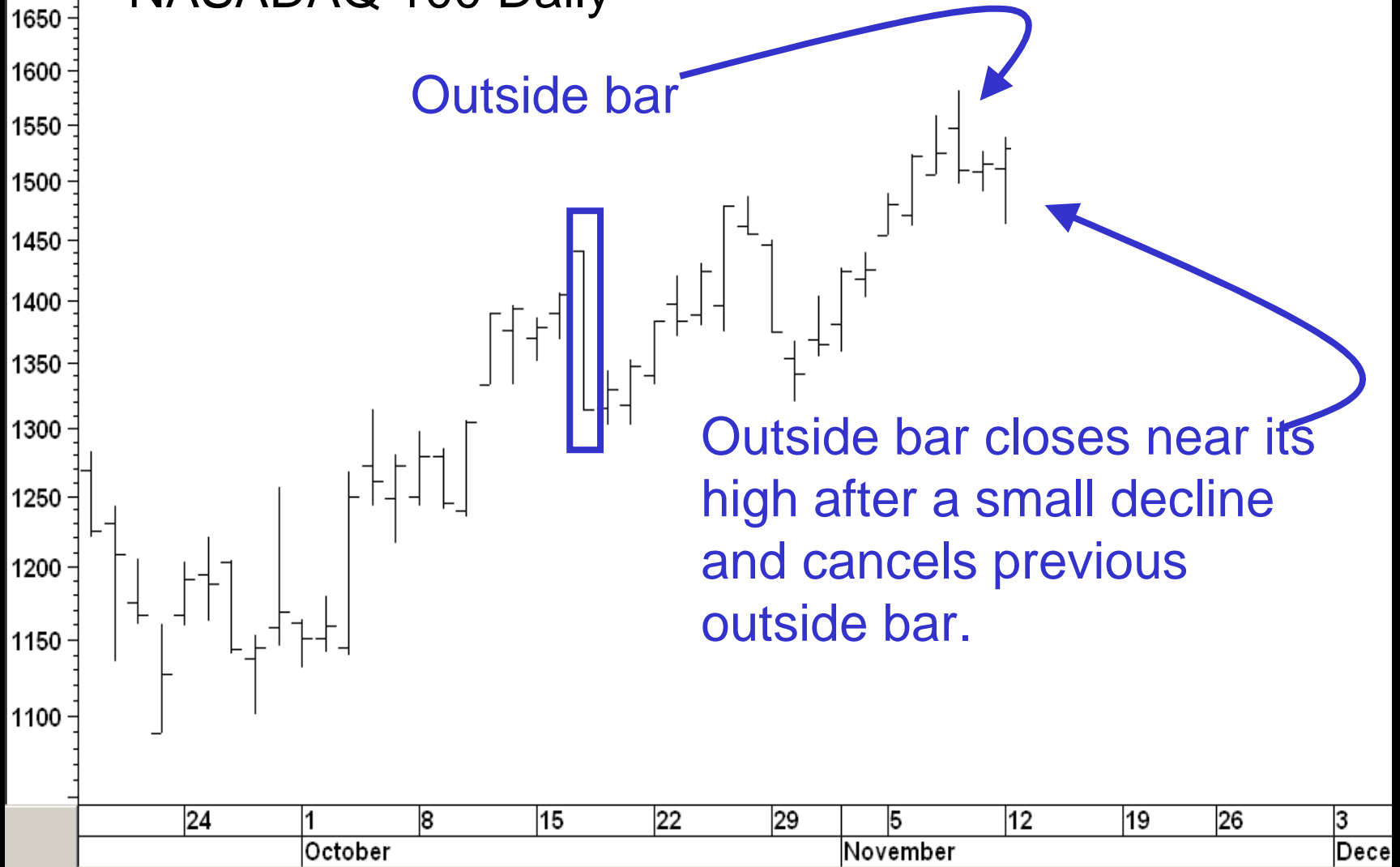
## DJIA 60-min Bar



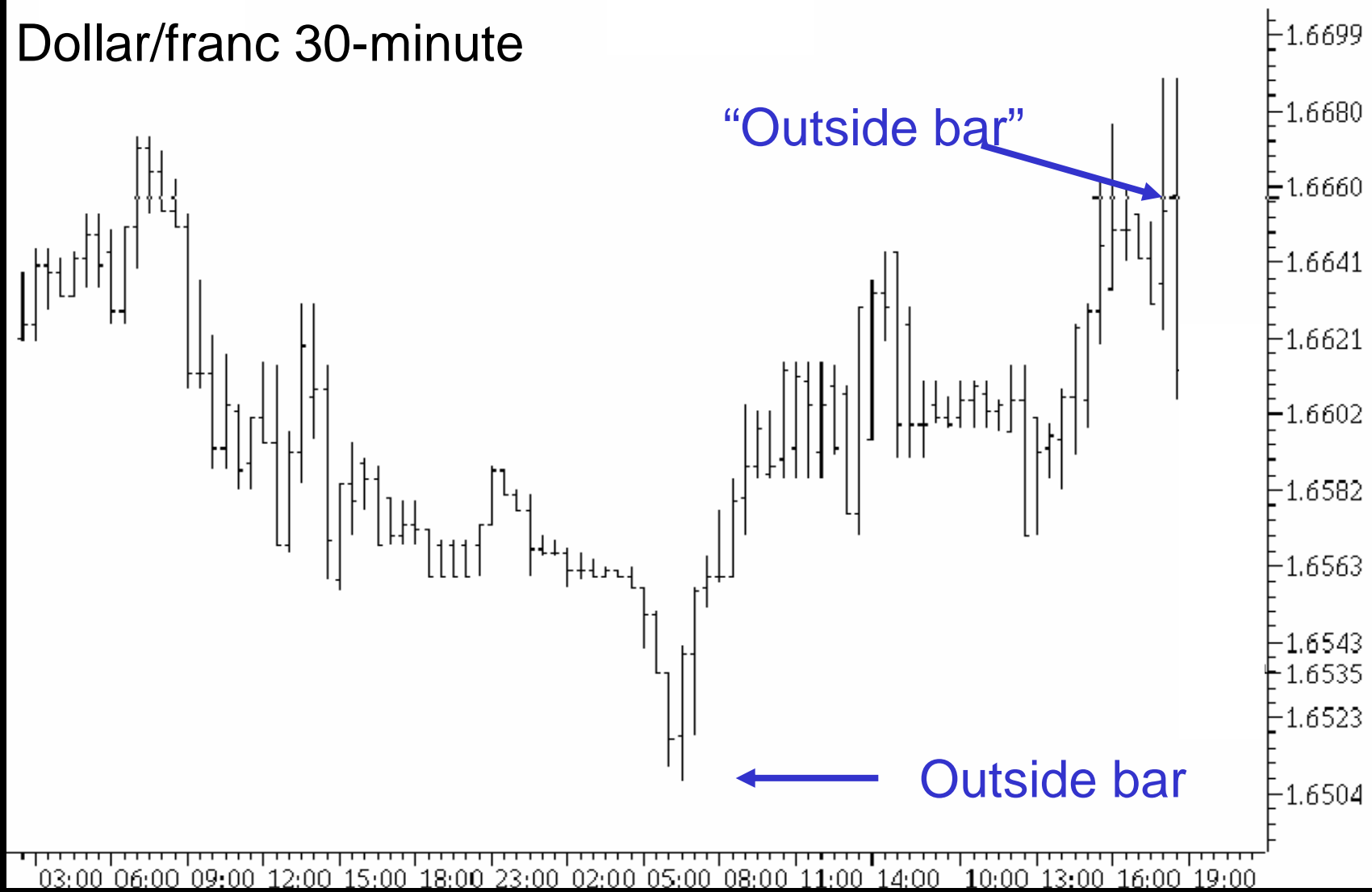
# Union Bank Daily



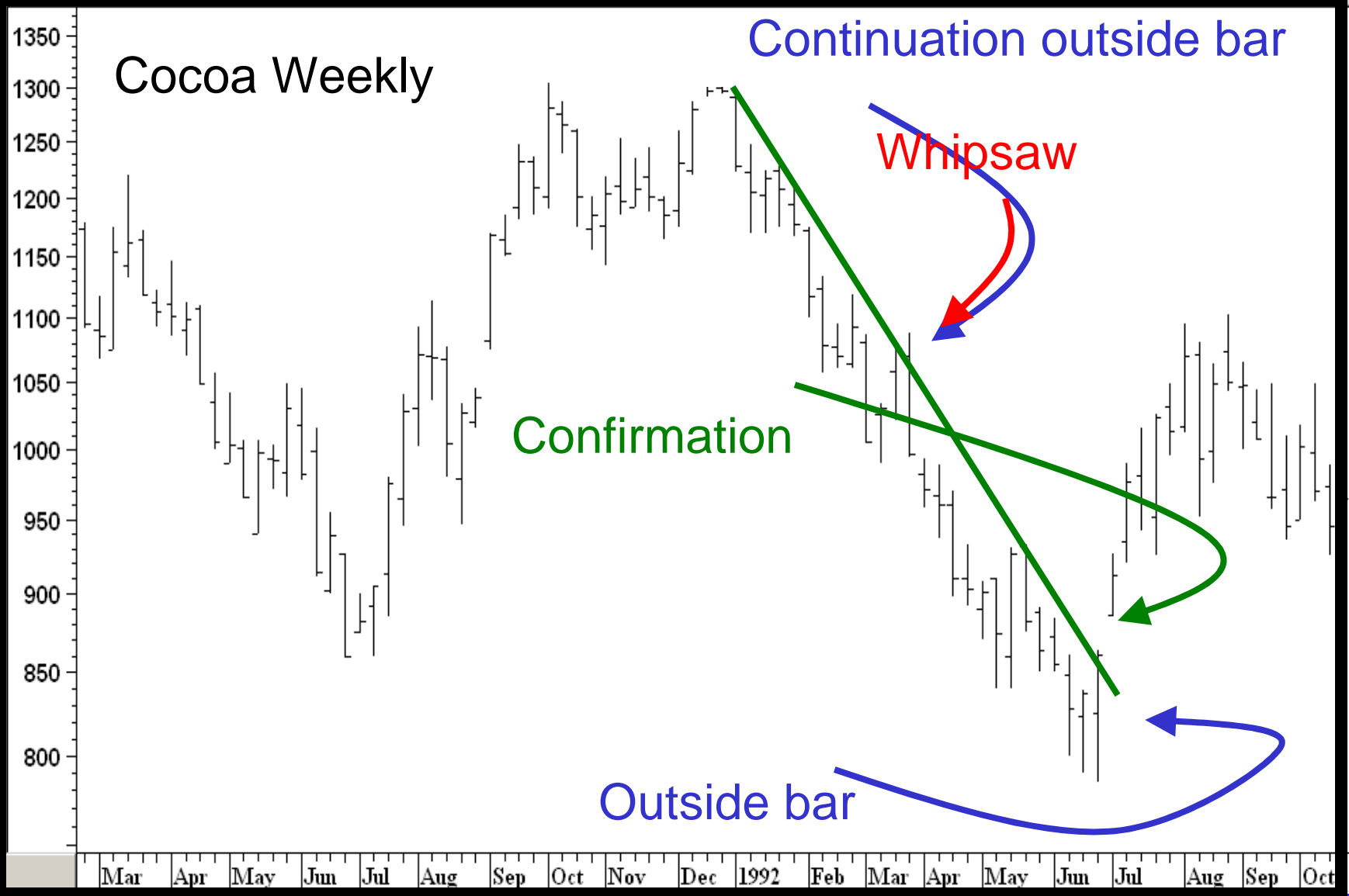
## NASDAQ 100 Daily



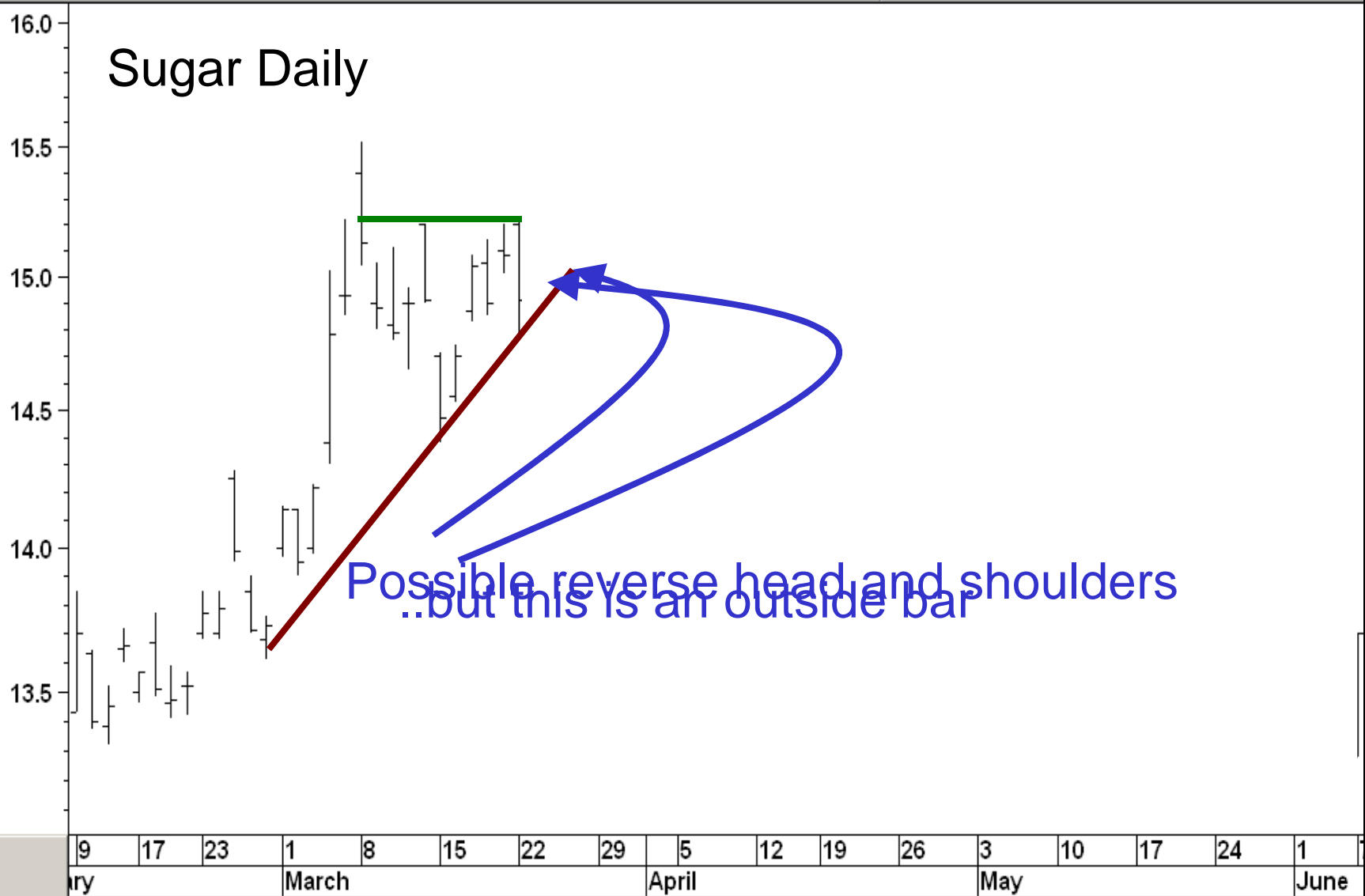
## Dollar/franc 30-minute



# Cocoa Weekly



## Sugar Daily

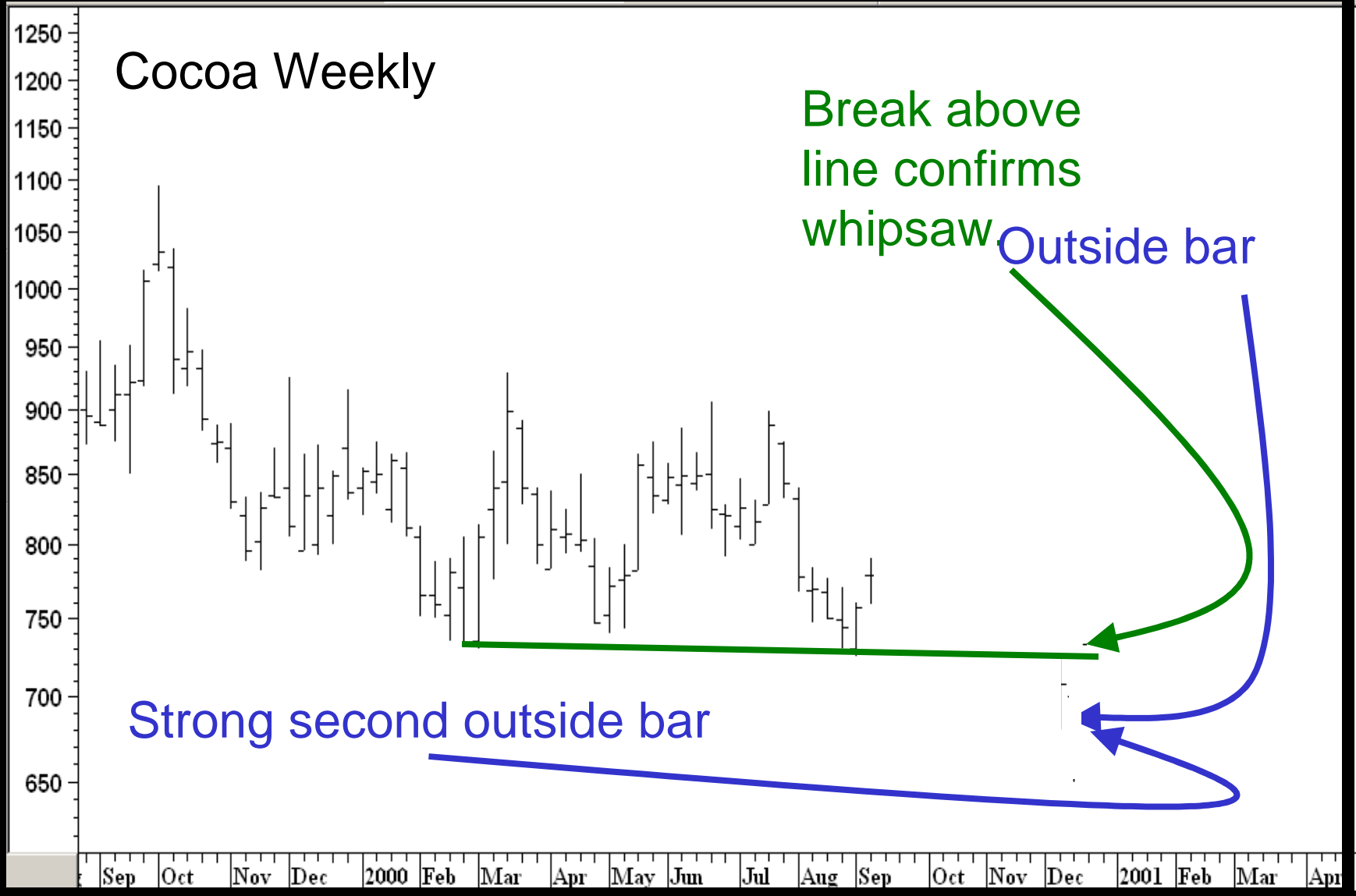




## Dow Jones AIG Index



## Cocoa Weekly



# Bank of India Daily

Bank of India

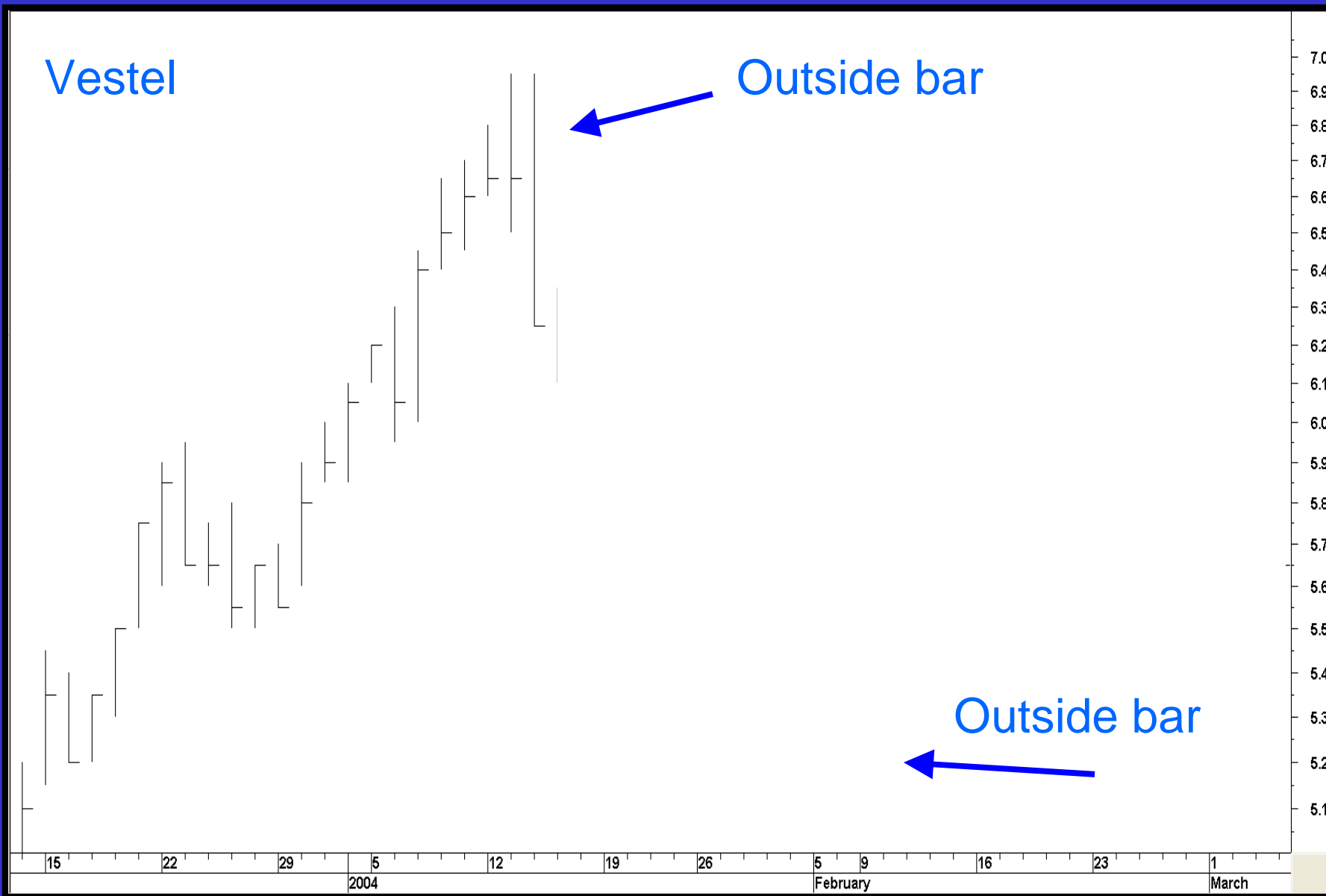
Outside bar →

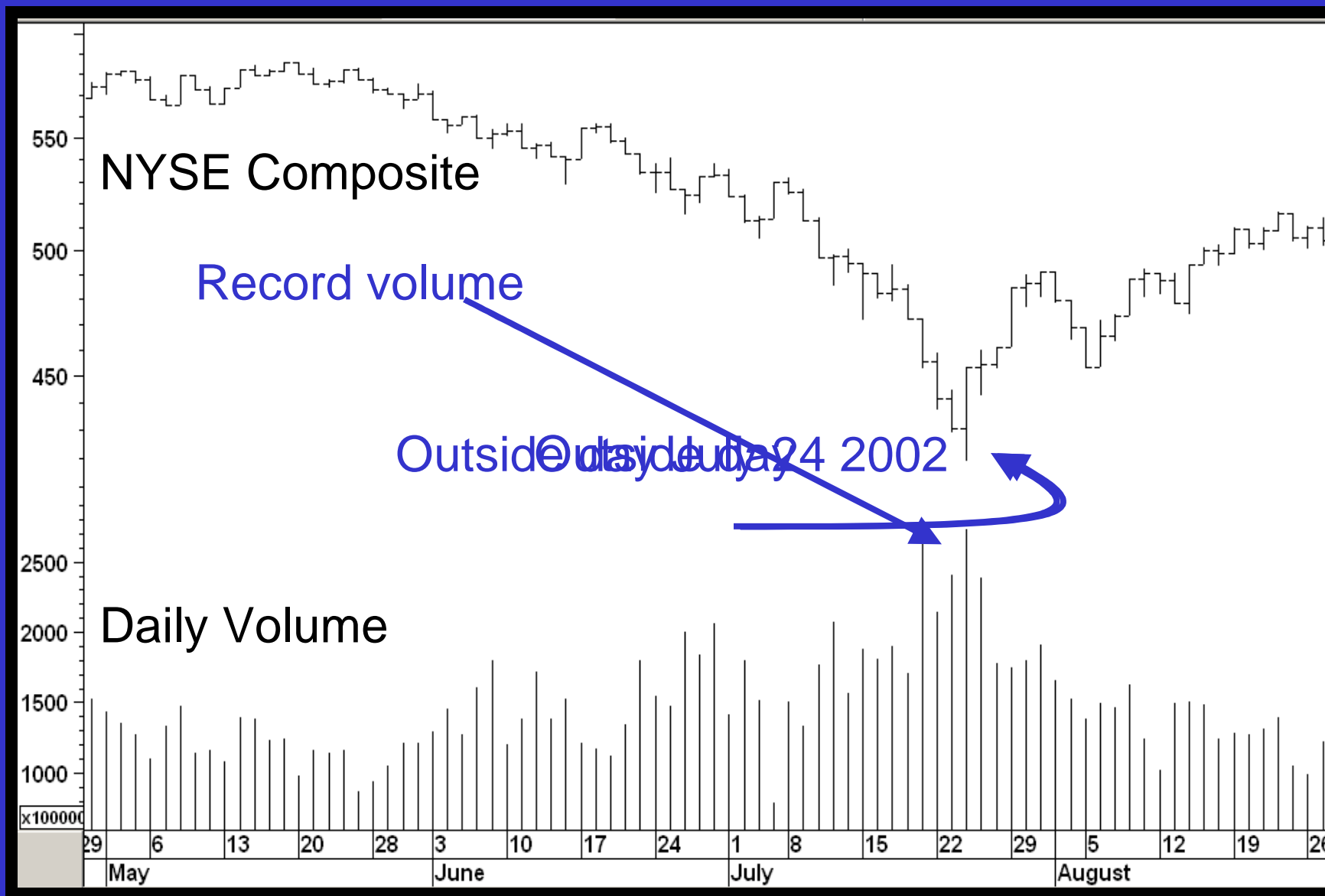


Vestel

Outside bar

Outside bar

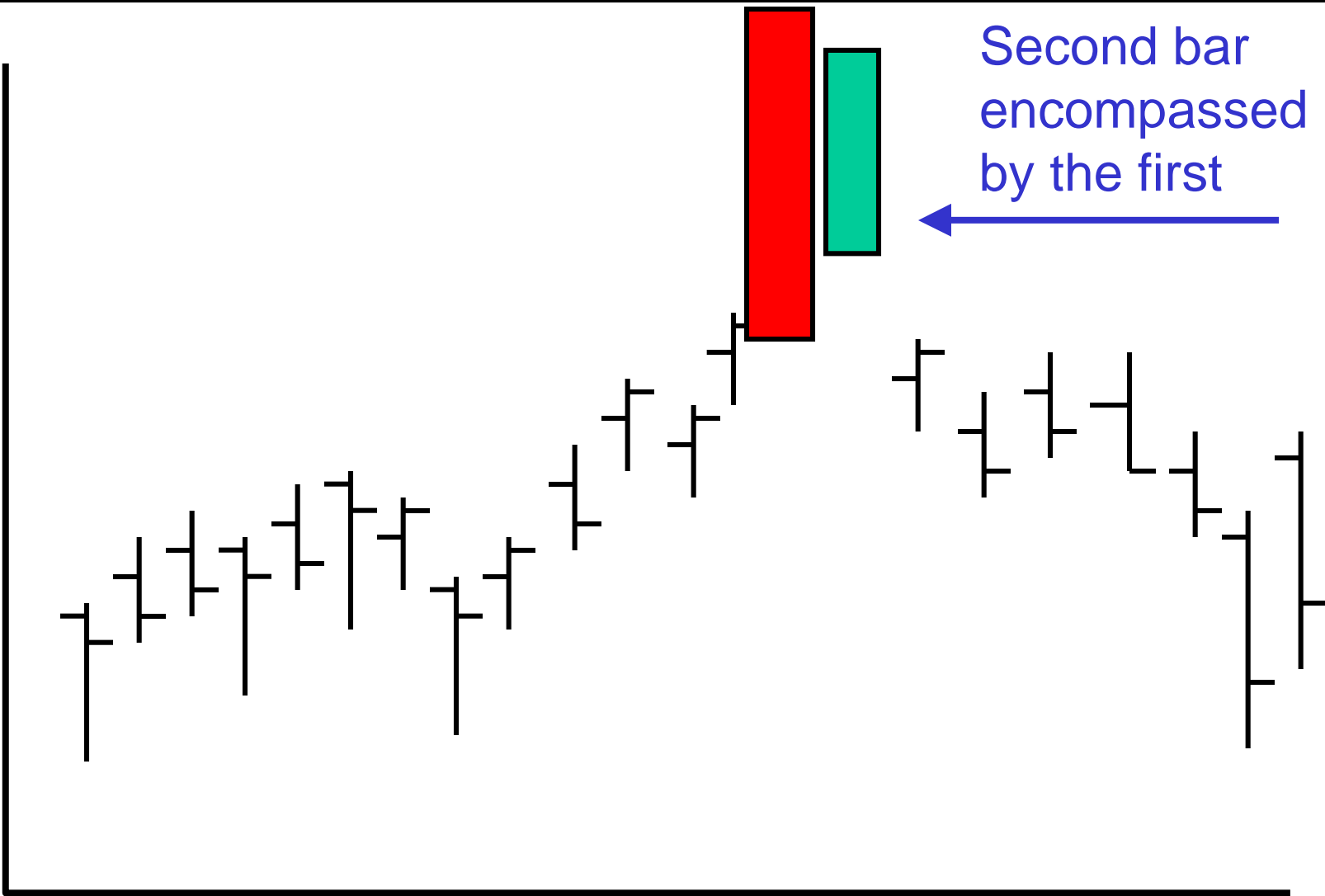




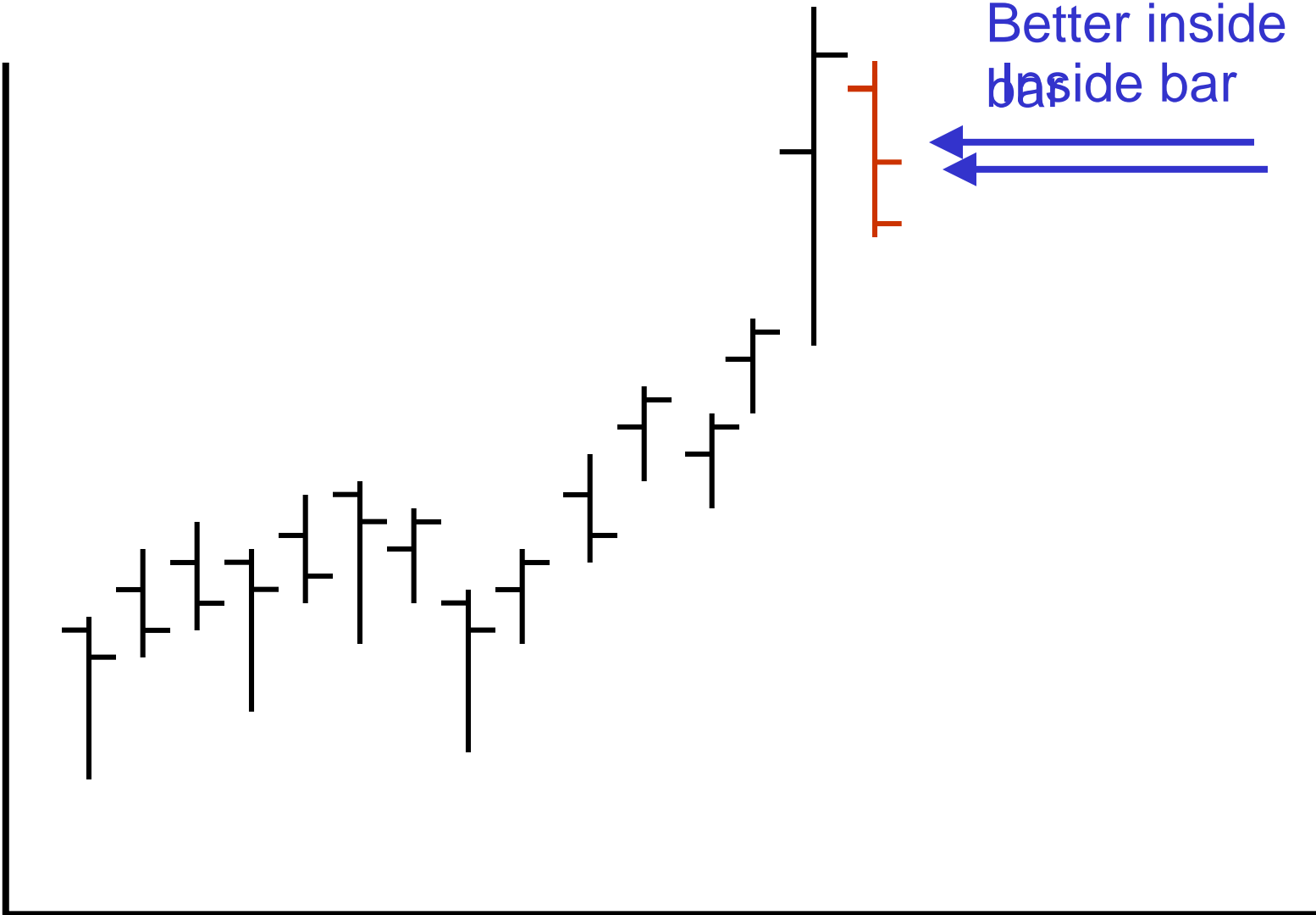
# Summary for Outside Bars

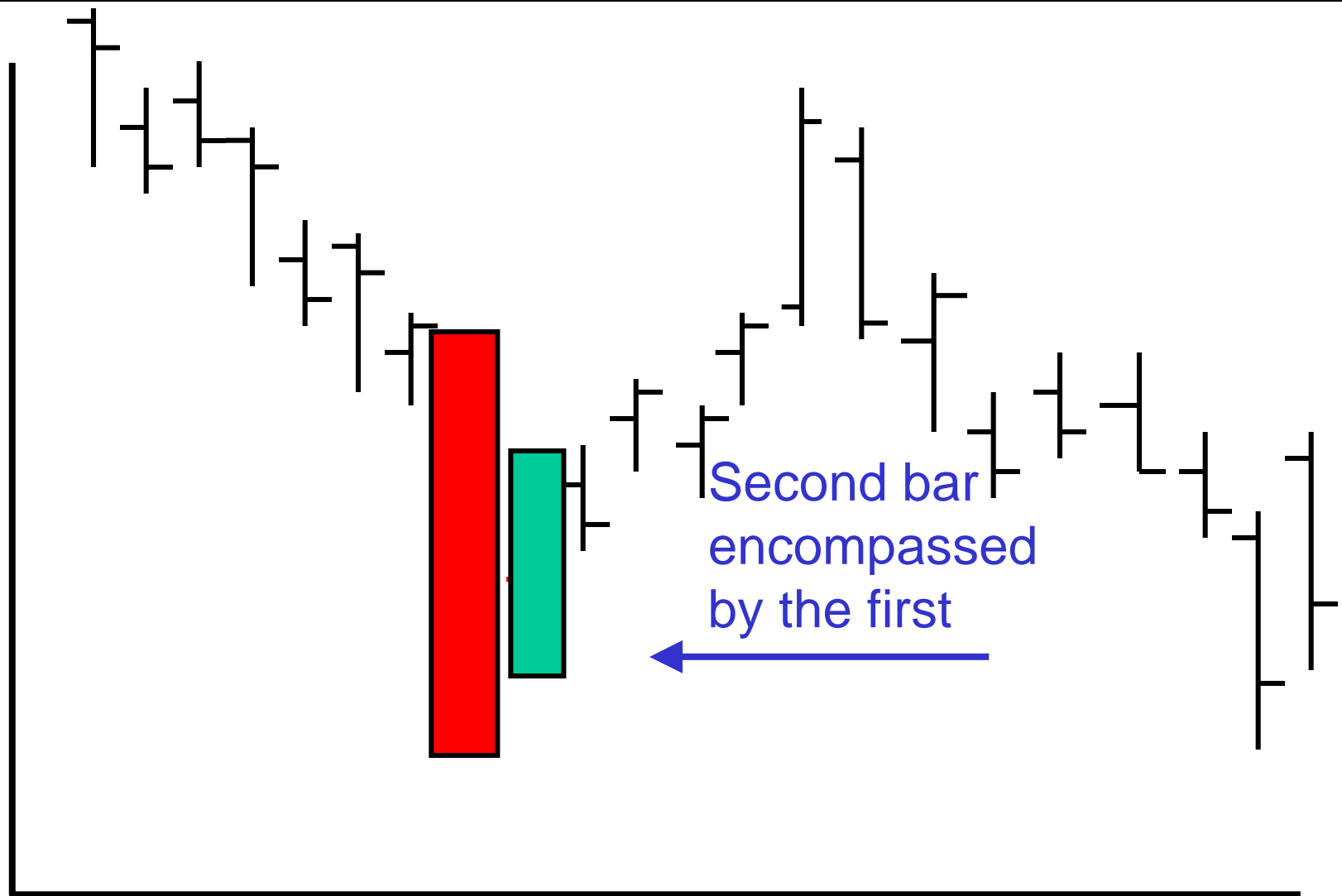
1. One wide bar preceded by a persistent up or down trend.
2. Totally encompasses previous bar.
3. The wider the bar, the more bars it encompasses, the greater the volume the stronger the signal.
4. New trend sometimes take several bars to get underway.
5. Signals of short-term duration be can be “dominos”.

Inside Bars



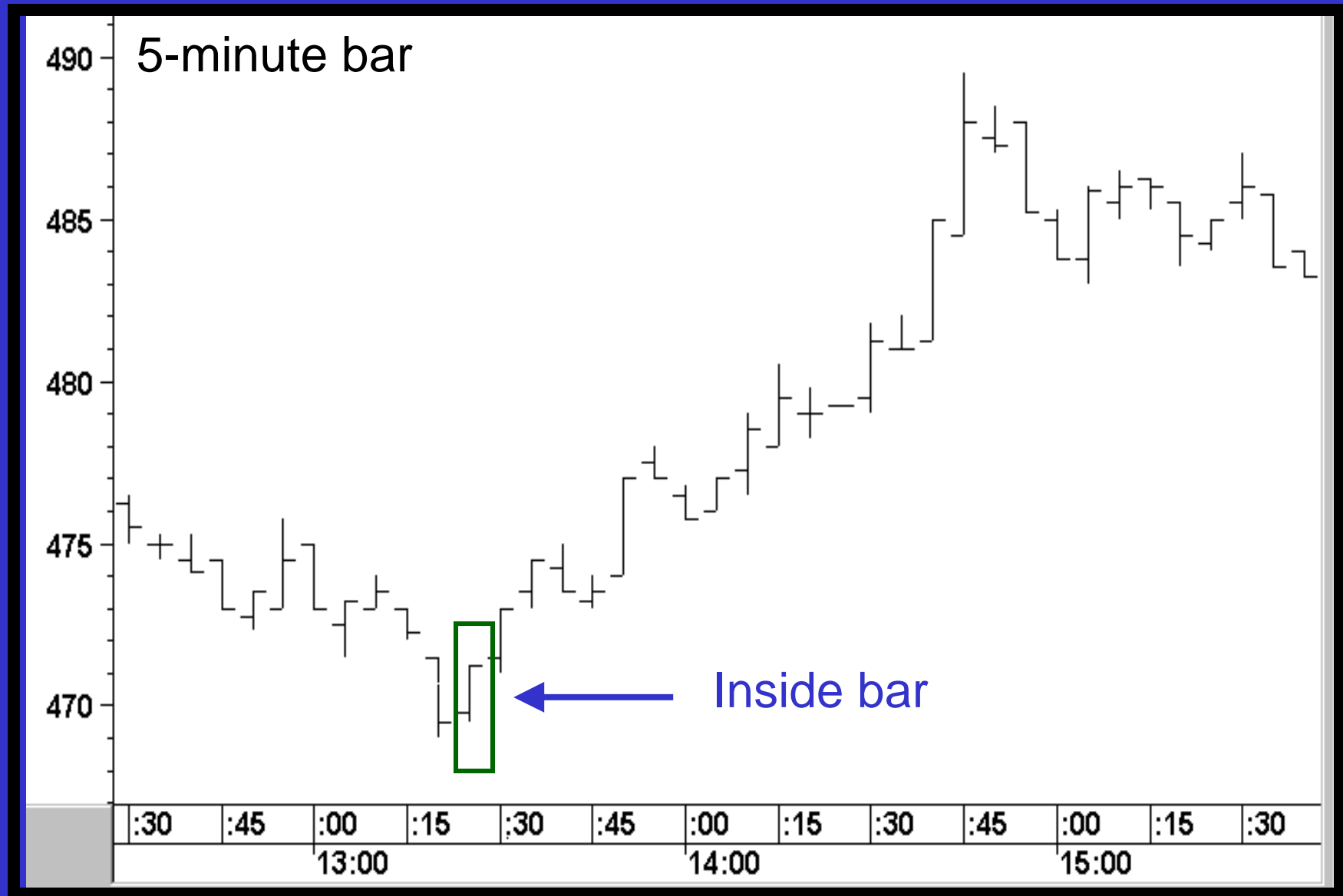




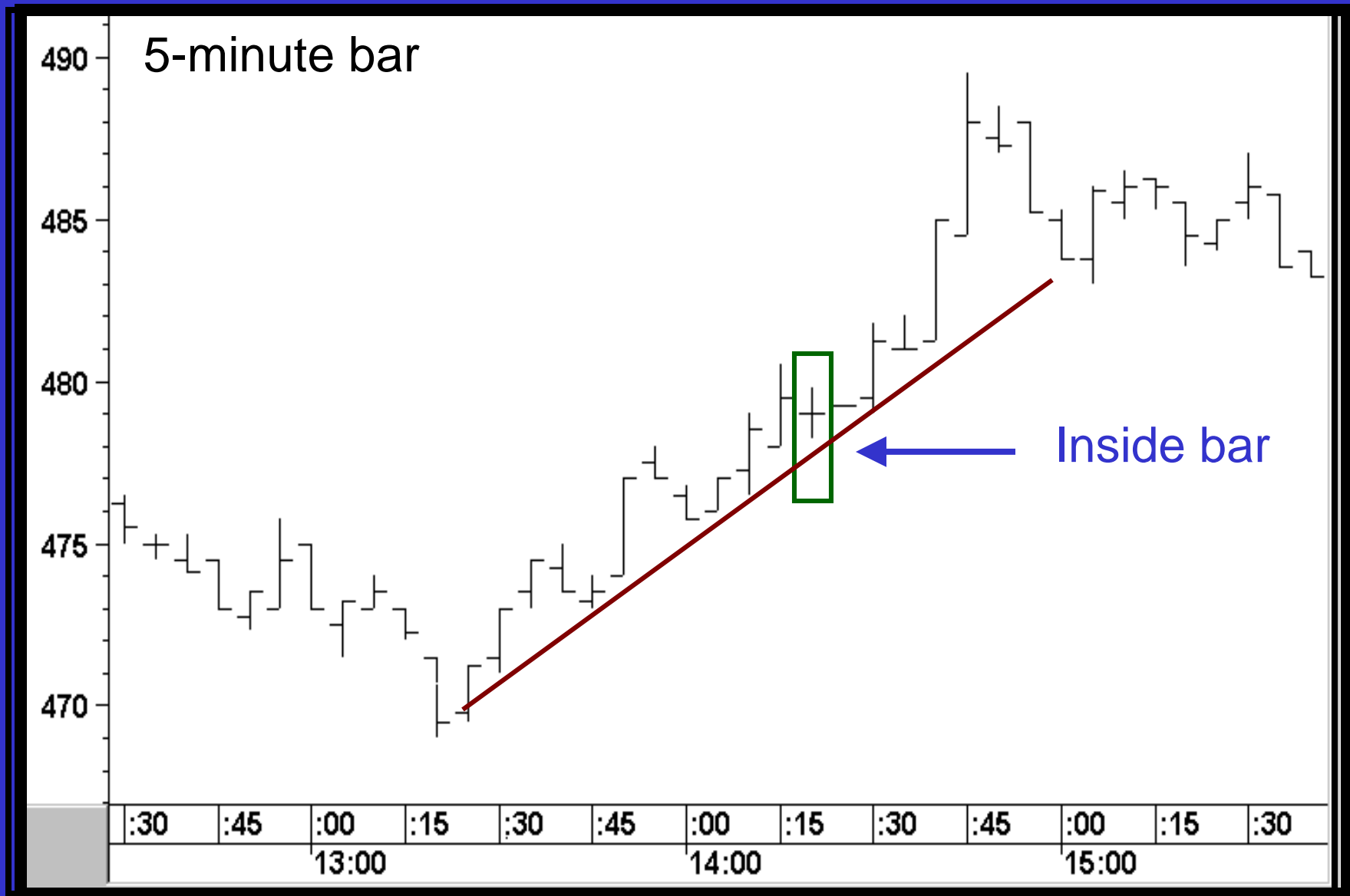


Inside bars indicate that prevailing momentum has dissipated because buyers and sellers are now equally matched.

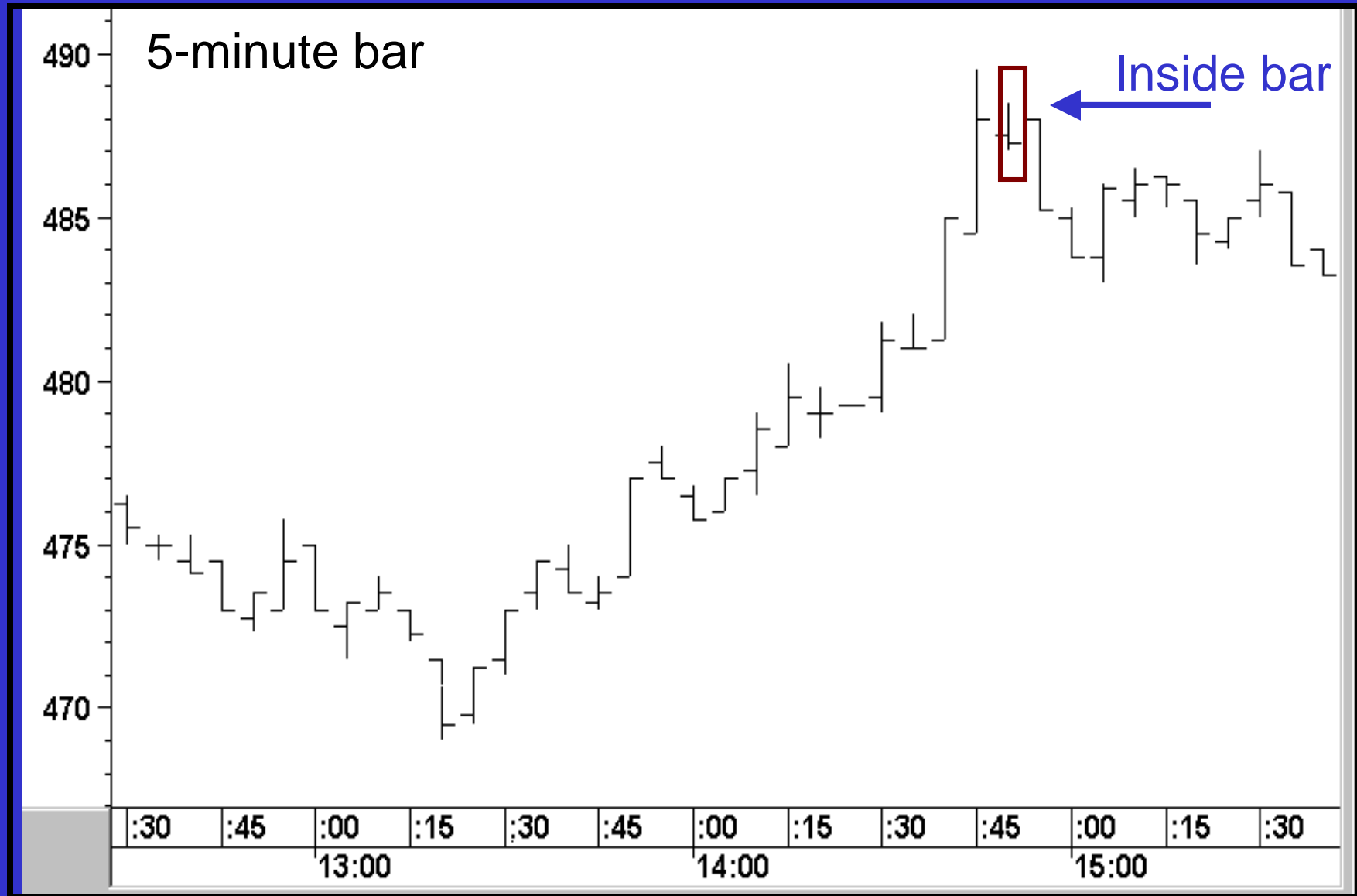
# S&P Composite



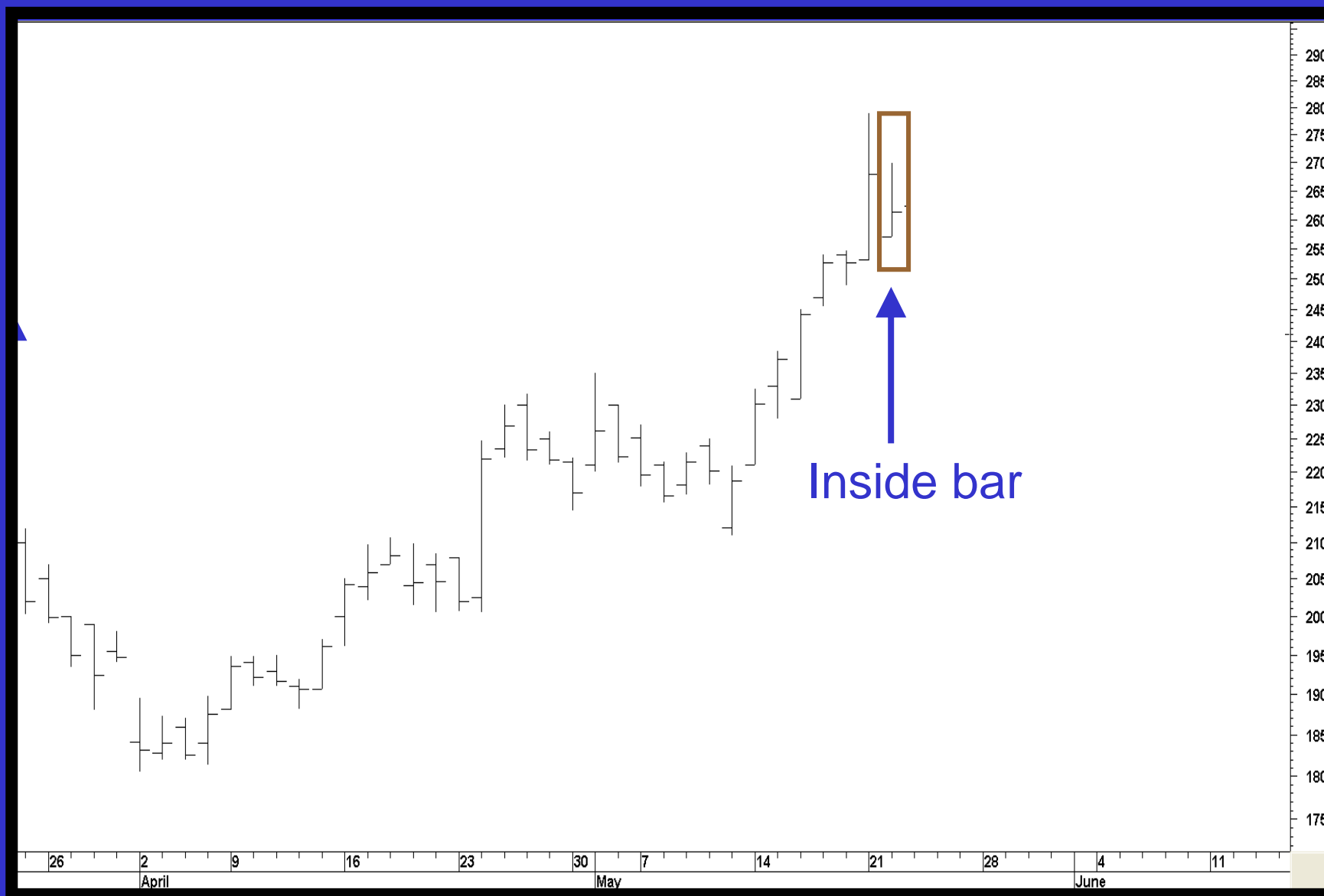
# S&P Composite



# S&P Composite



# Canara Bank Daily



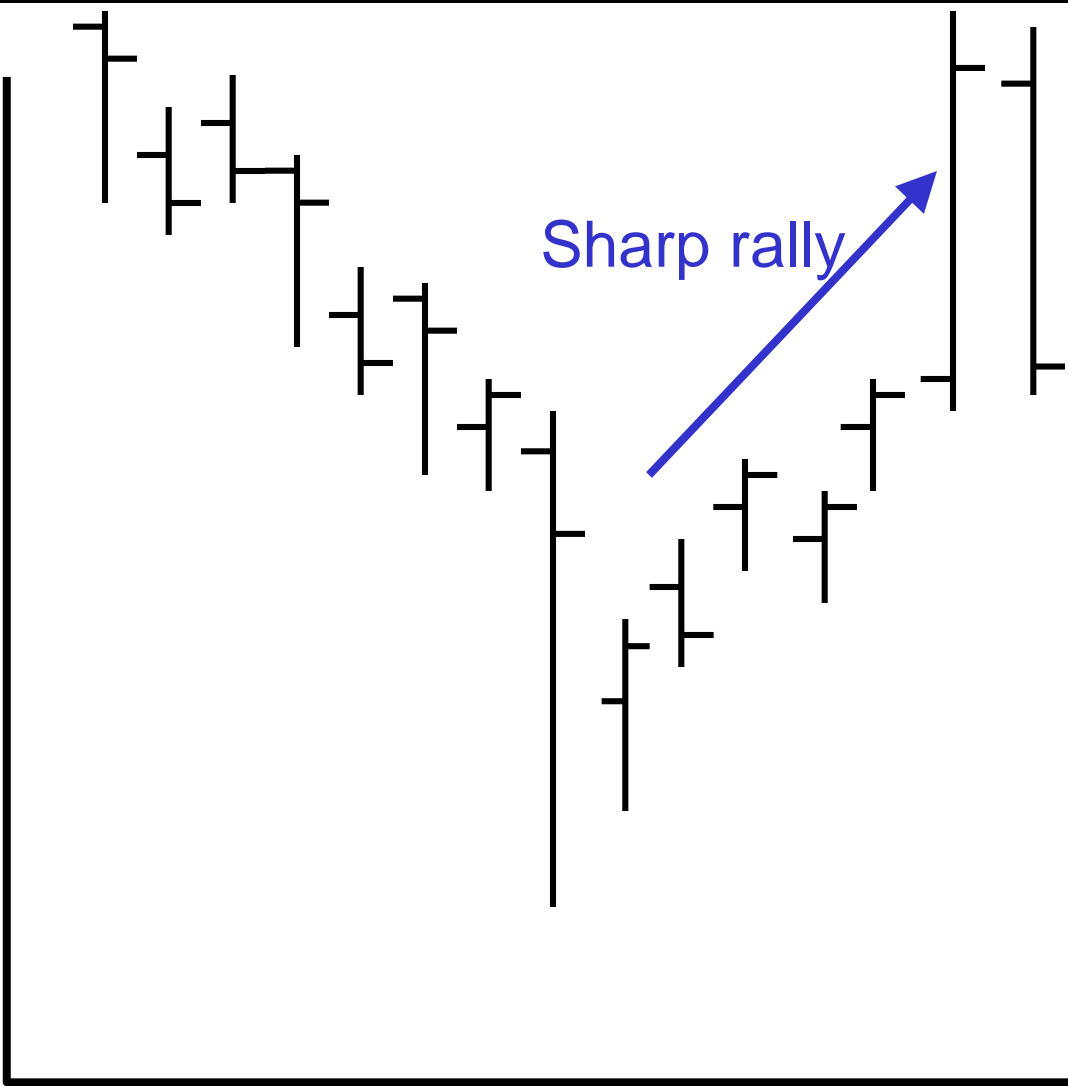
# Summary for Inside Bars

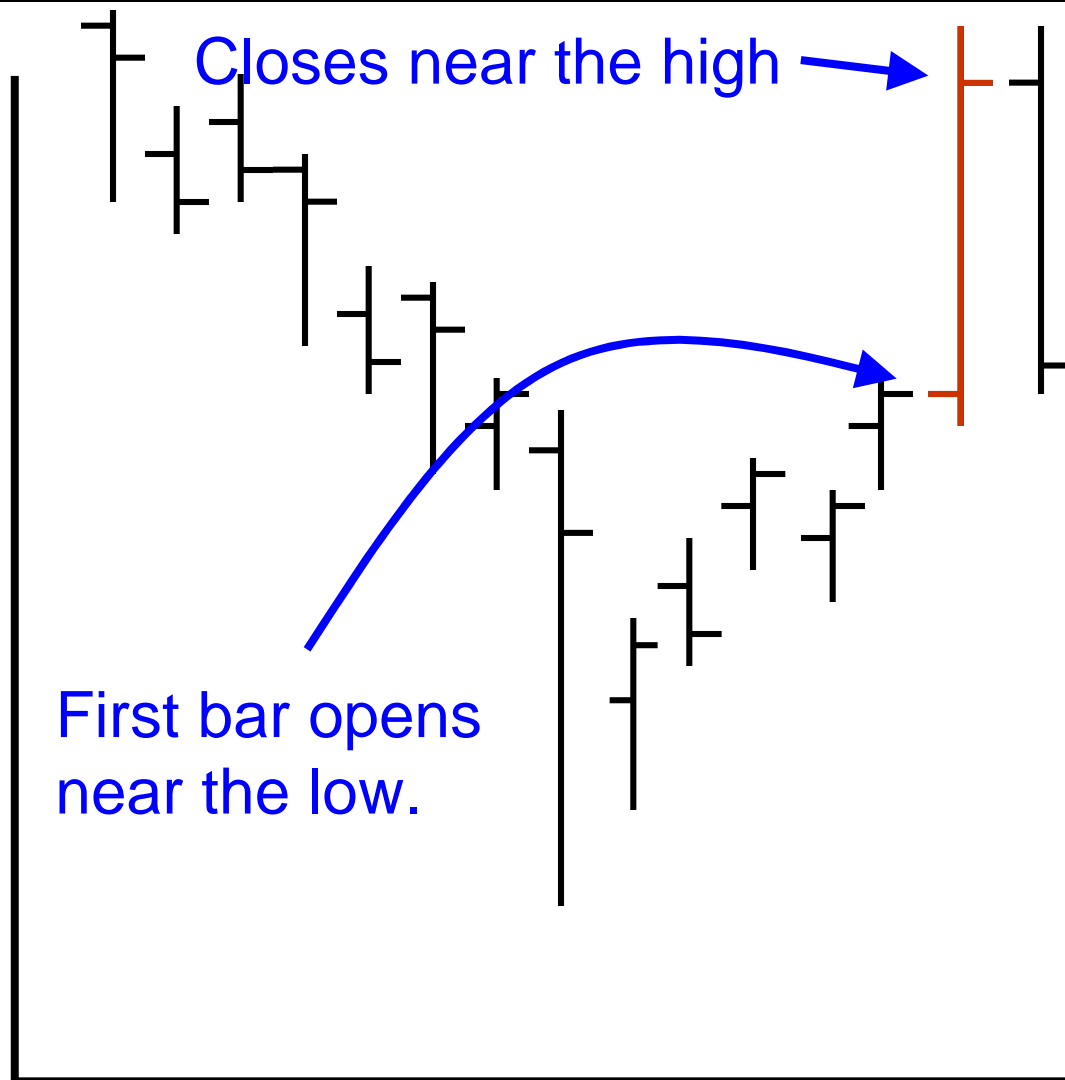
1. Two bars preceded by a persistent up or down trend
2. First bar relatively wide. Second bar totally encompassed by first: the smaller the better.
3. The inside bar indicates a balance between buyers and sellers. Signals are of a short-term duration.
4. Followed by a reversal in trend or consolidation.

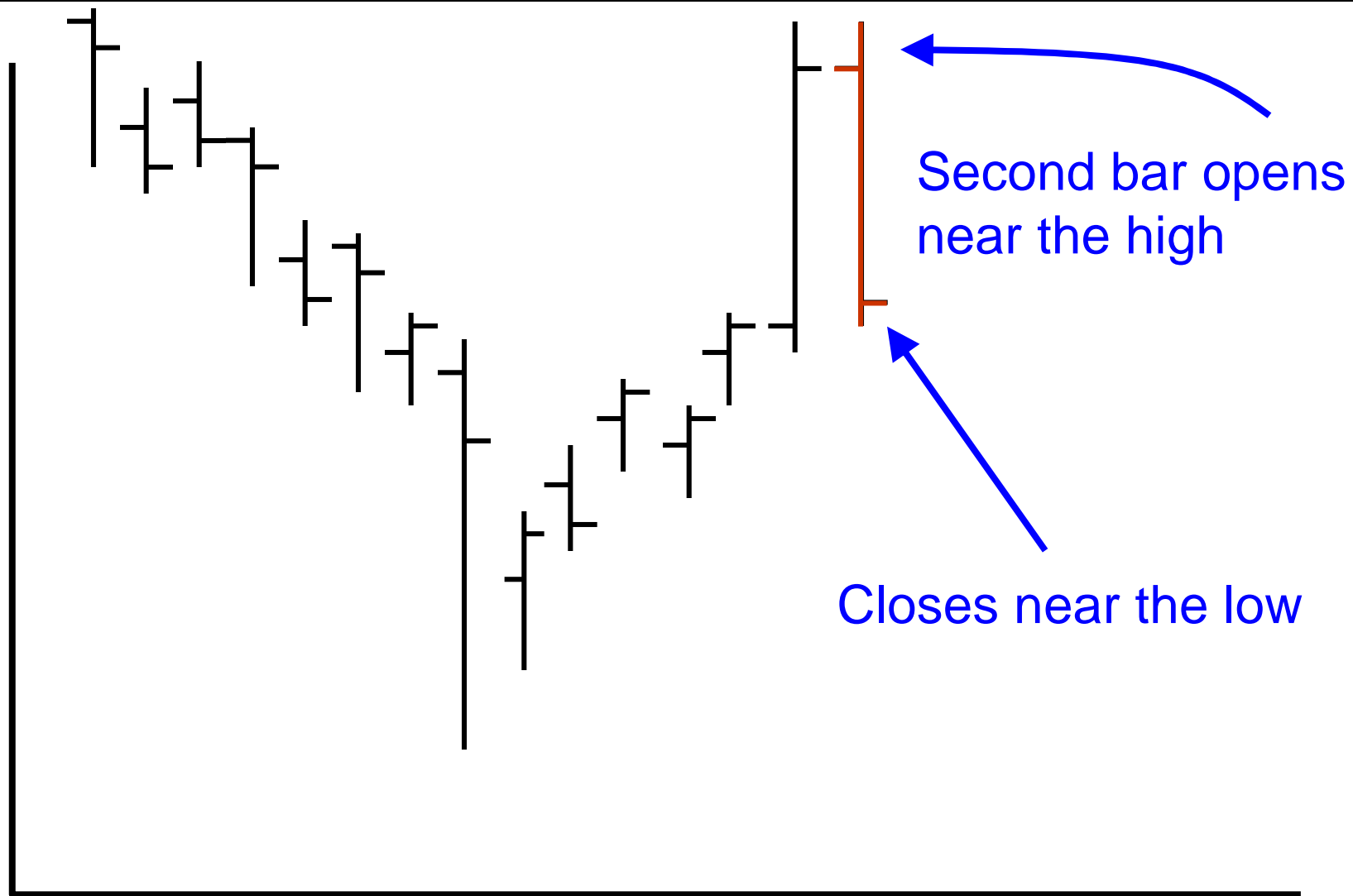


# Two Bar Reversals

Two bar reversals indicate a dramatic  
change in sentiment..

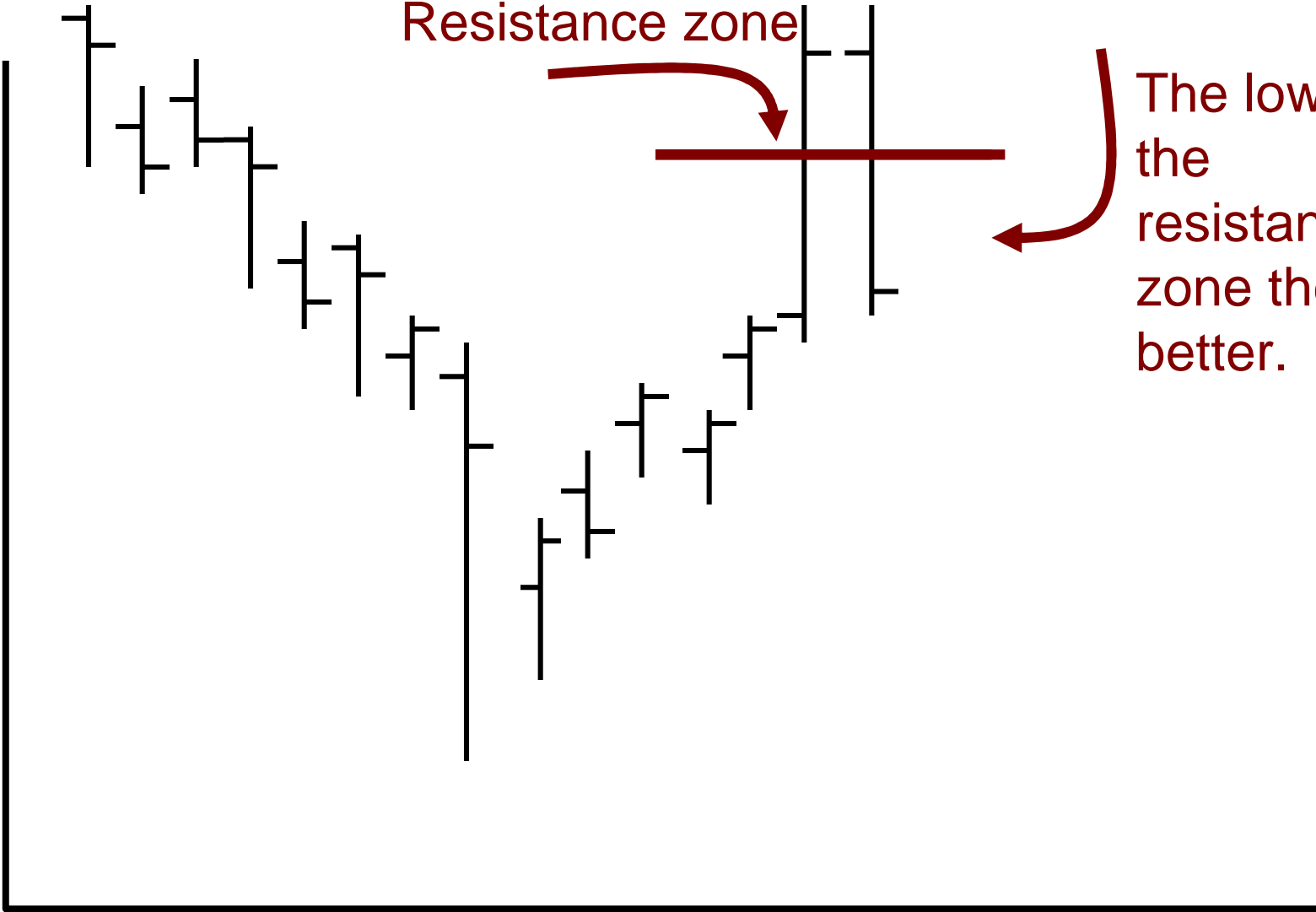


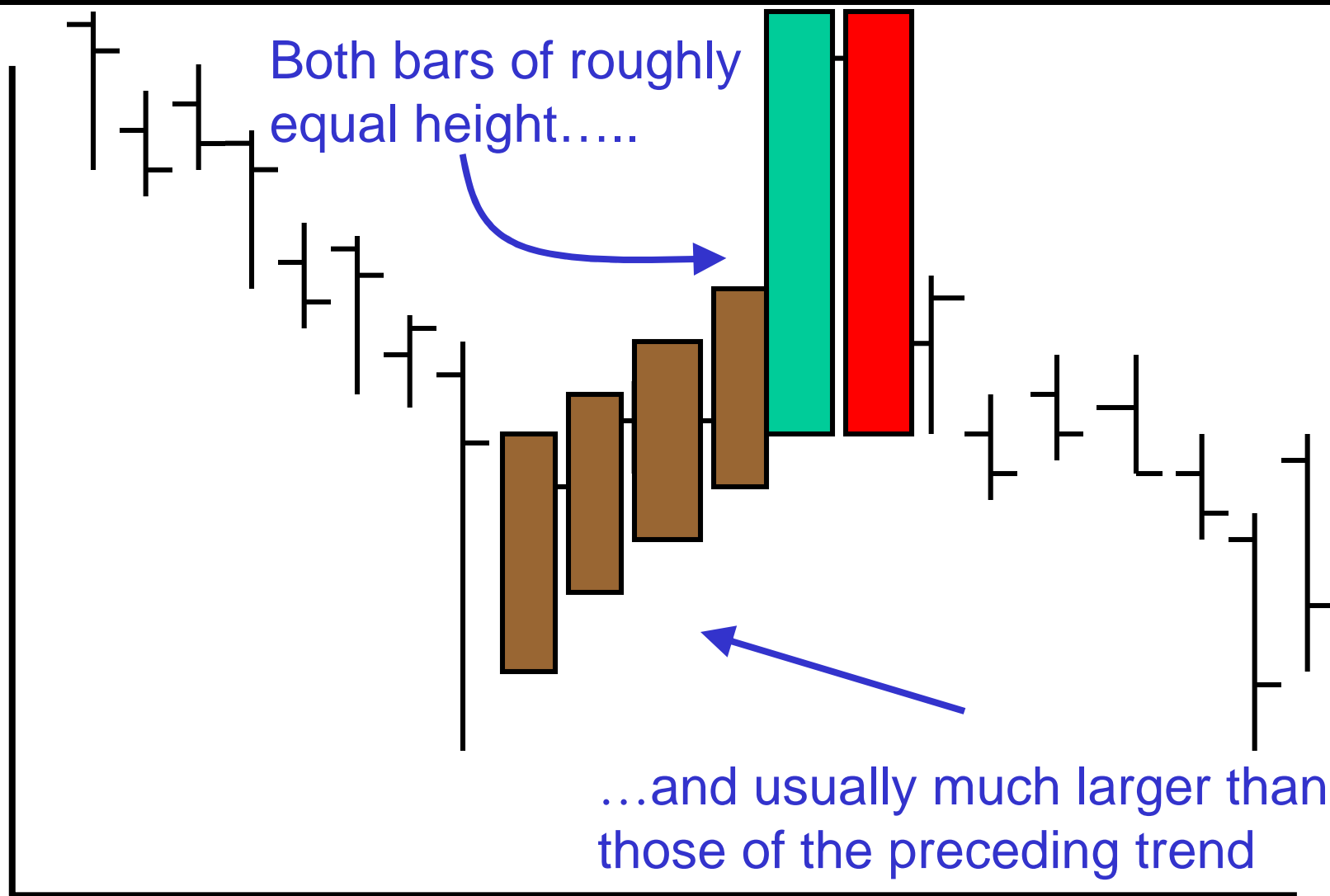


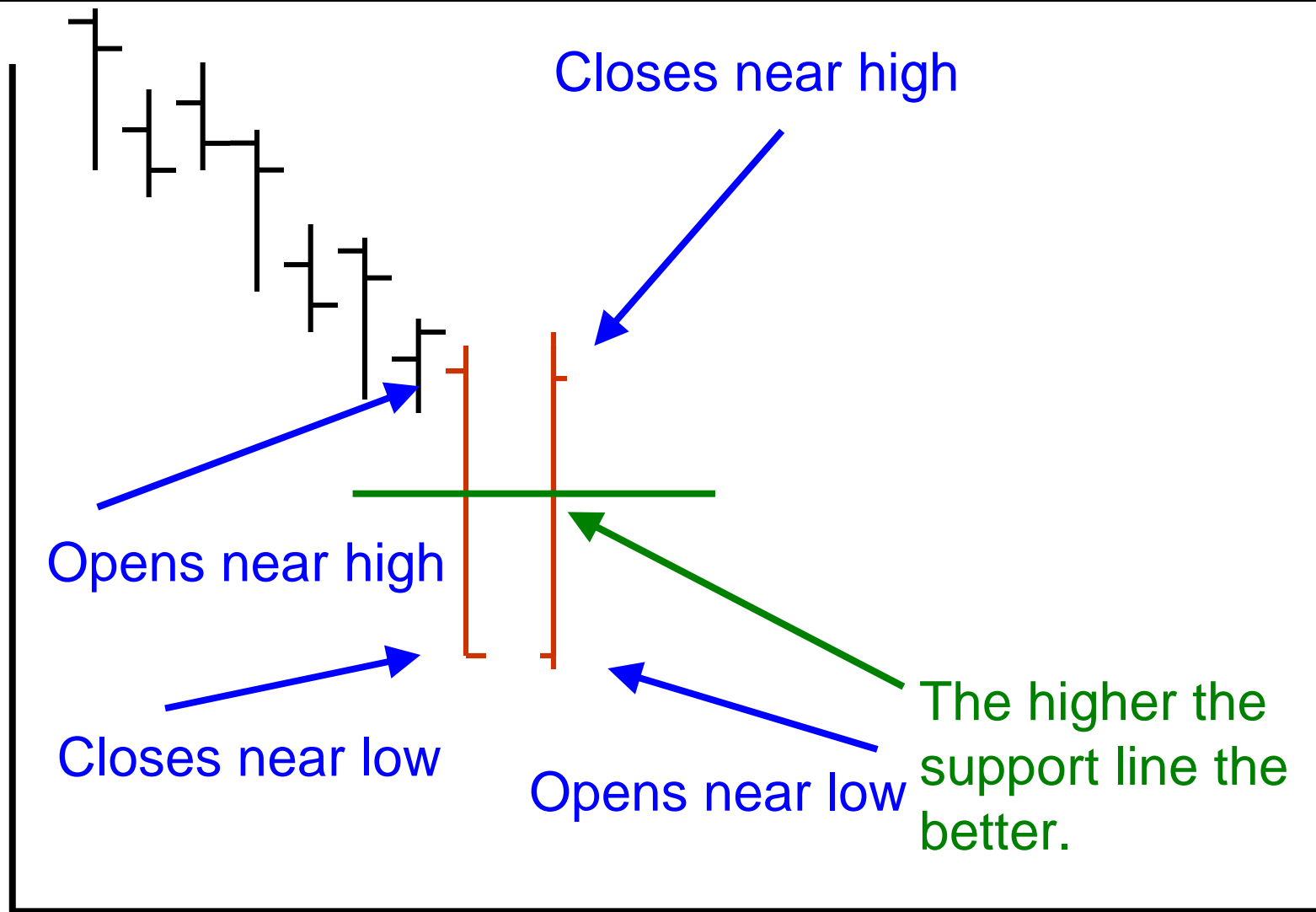


Resistance zone

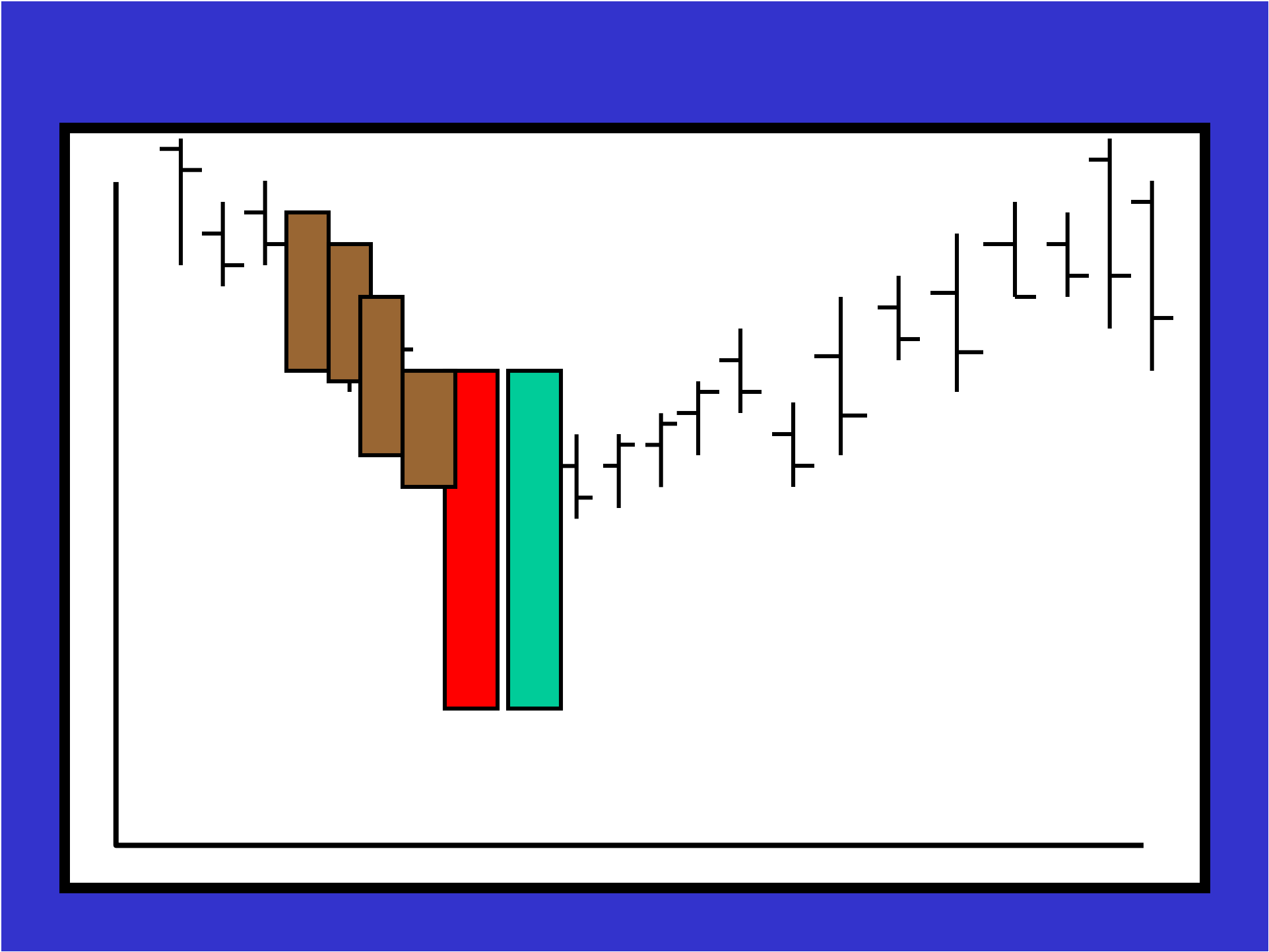
The lower  
the  
resistance  
zone the  
better.







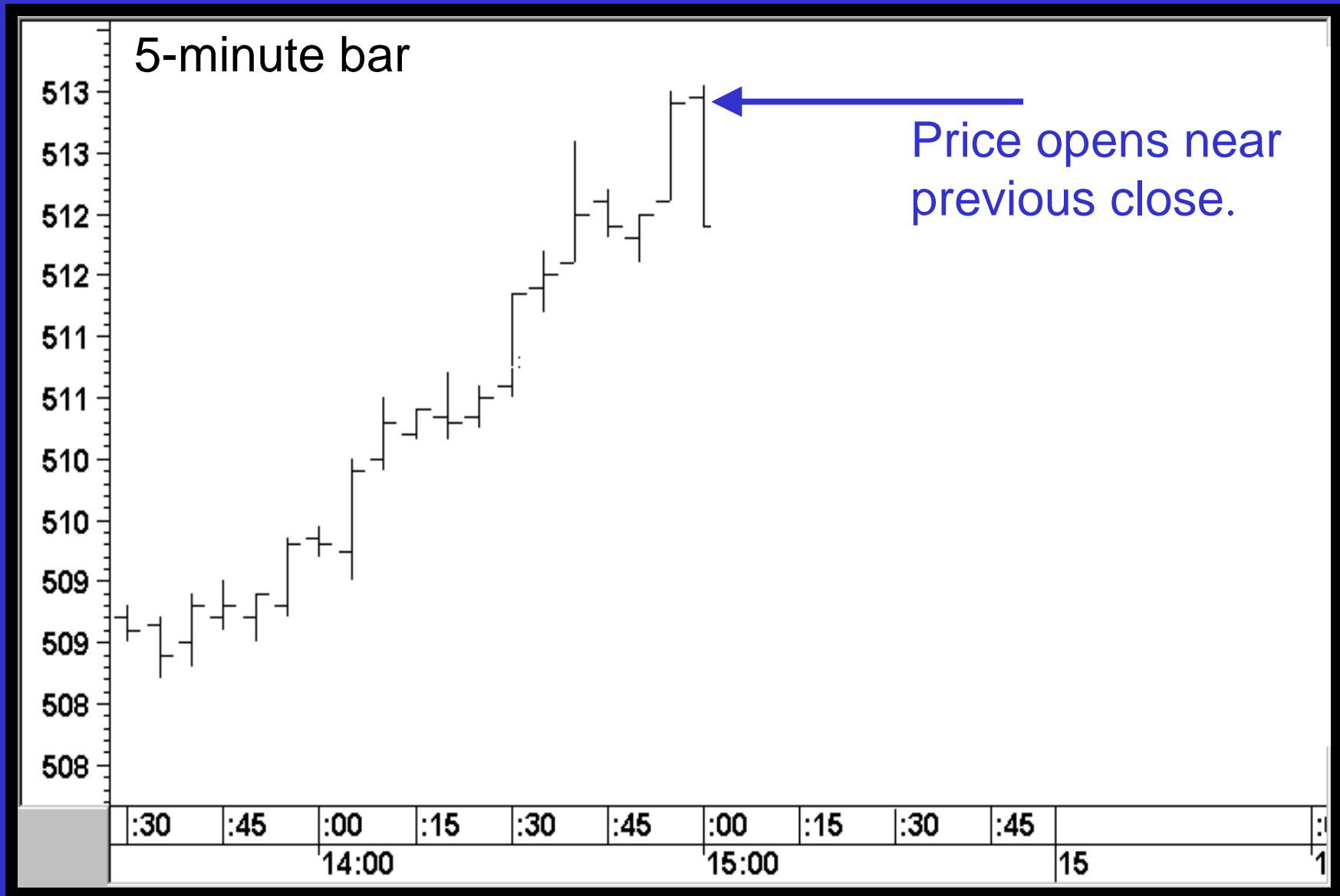




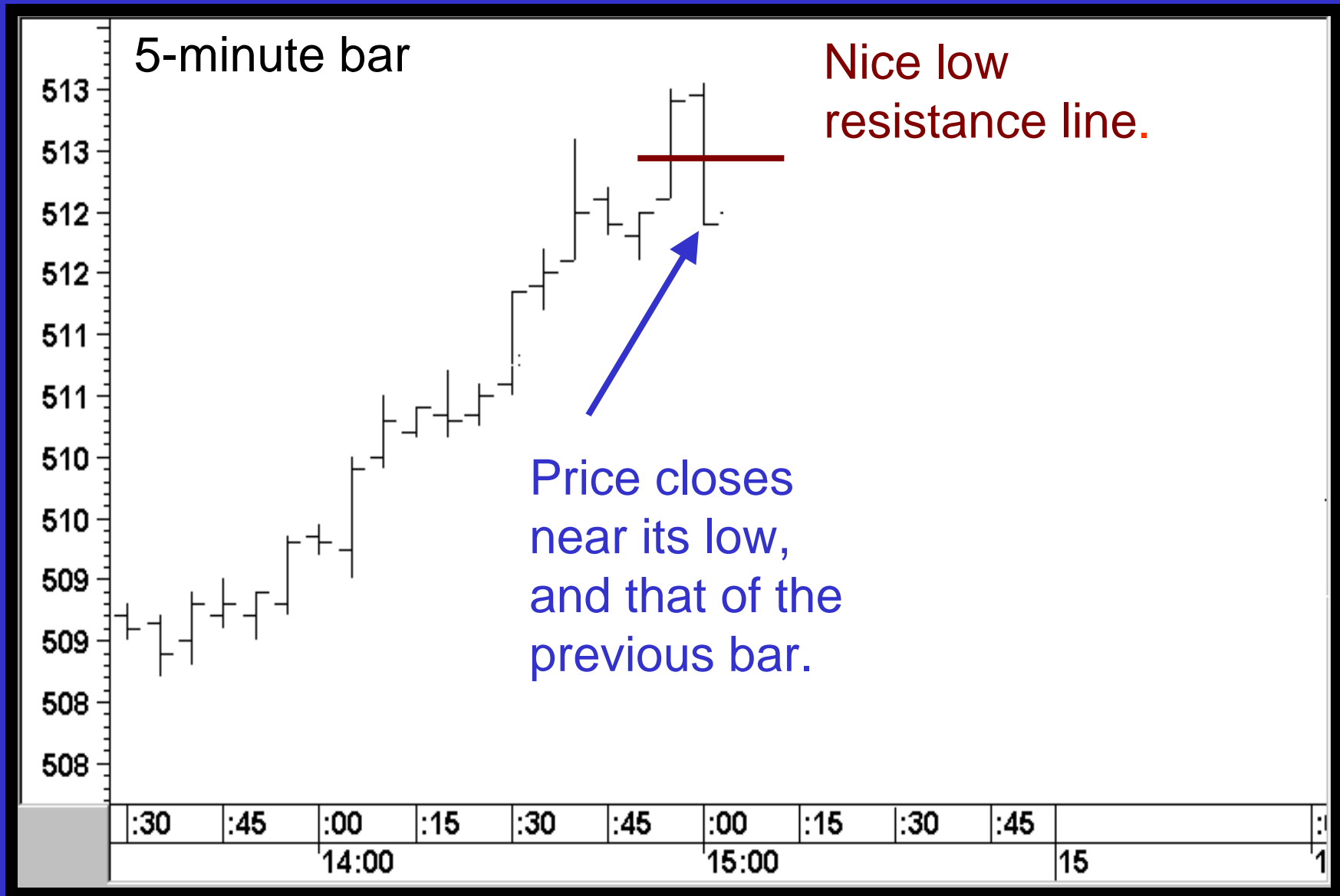
# S&P Composite



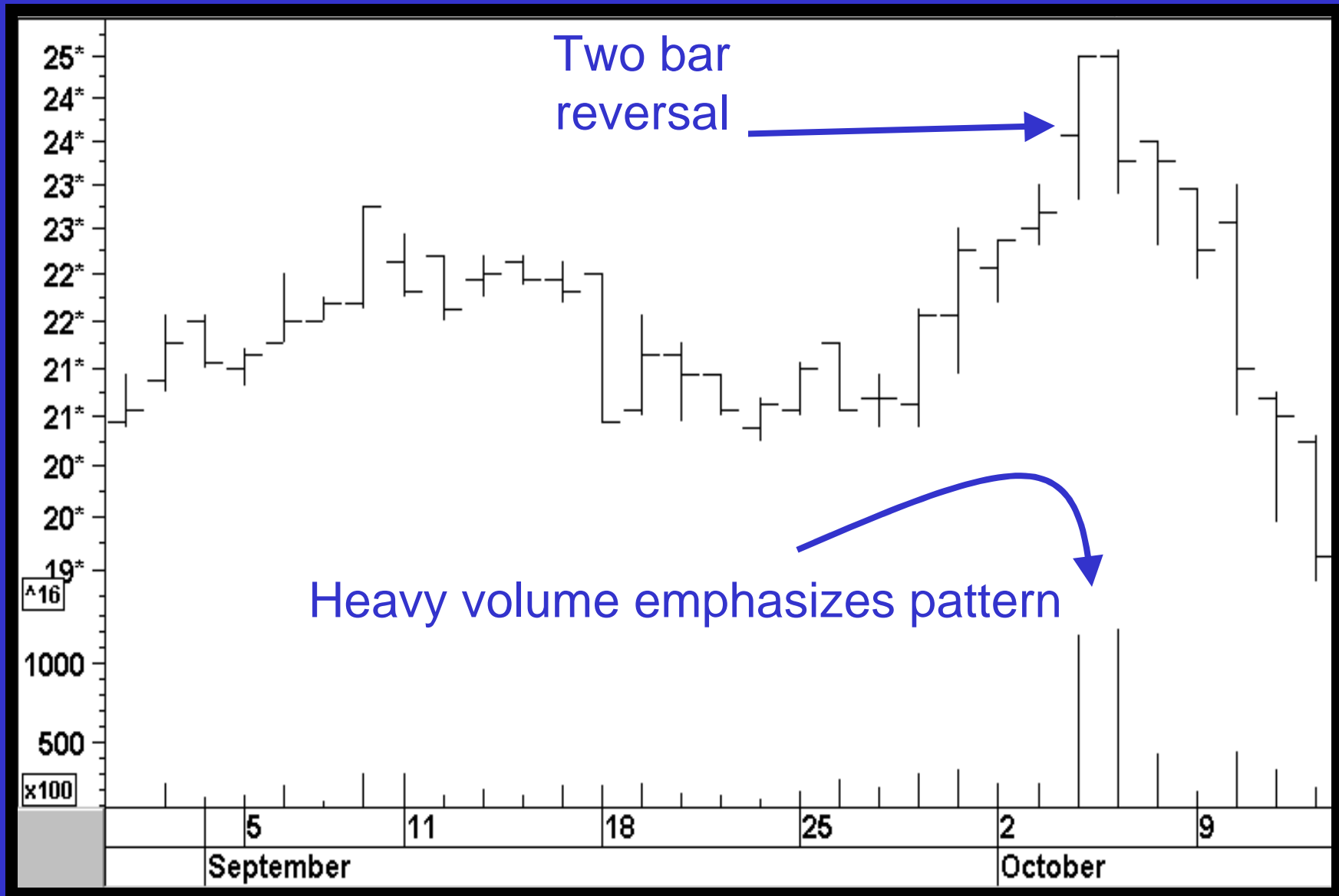
# S&P Composite



## S&P Composite



# US Bancorp Daily



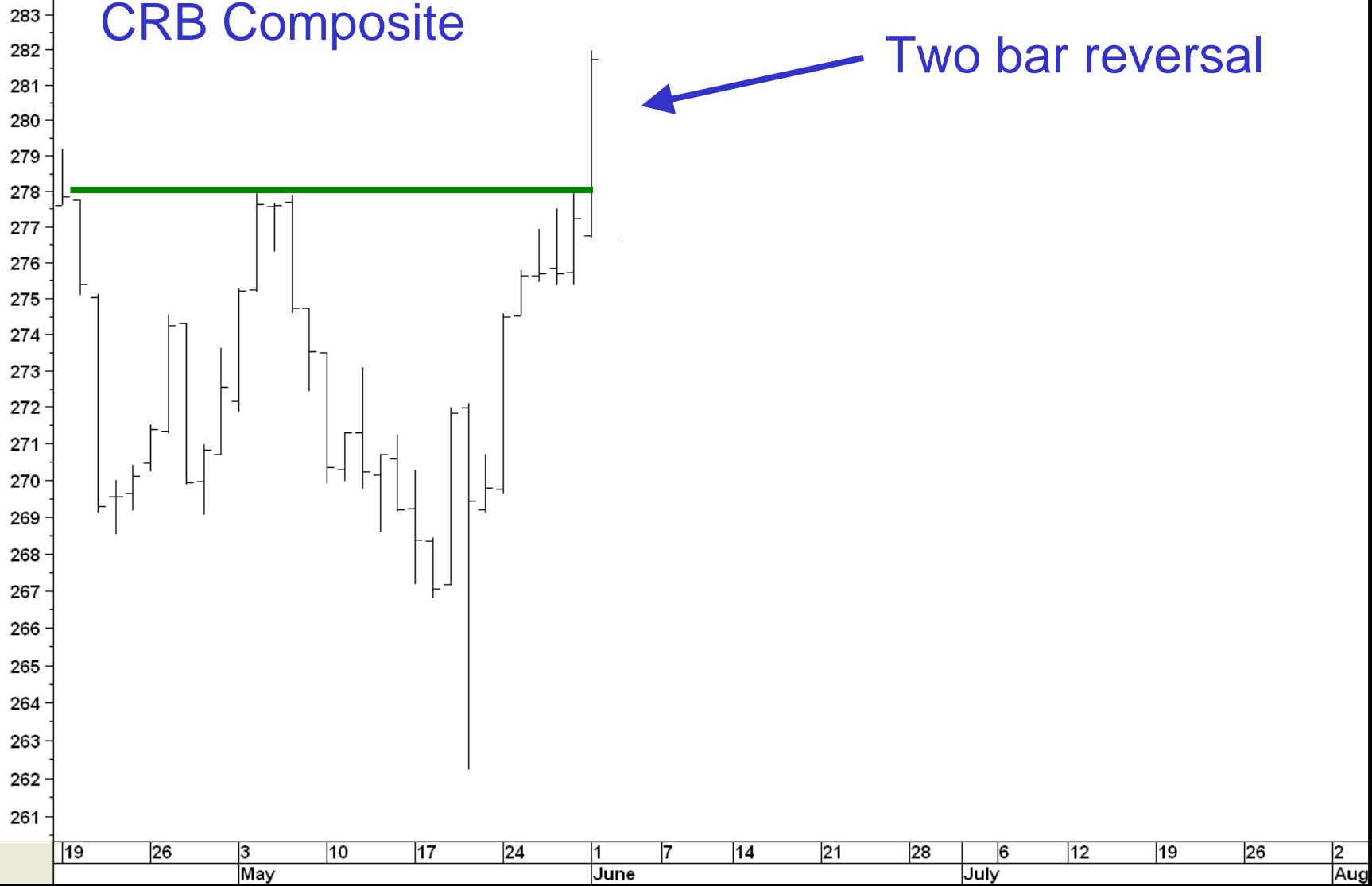
Sugar Daily

Two bar reversal



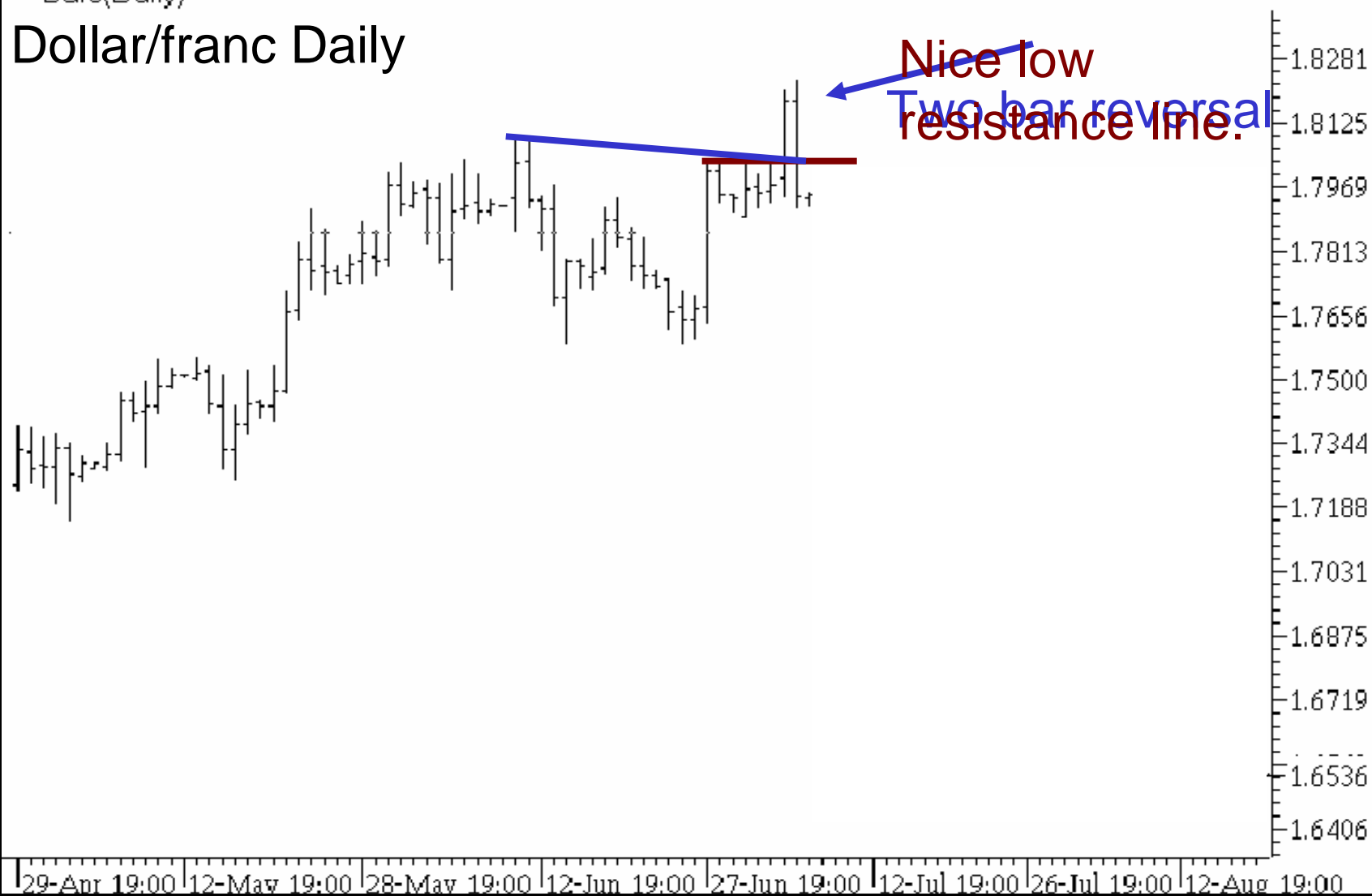
## CRB Composite

Two bar reversal



Bars(Daily)

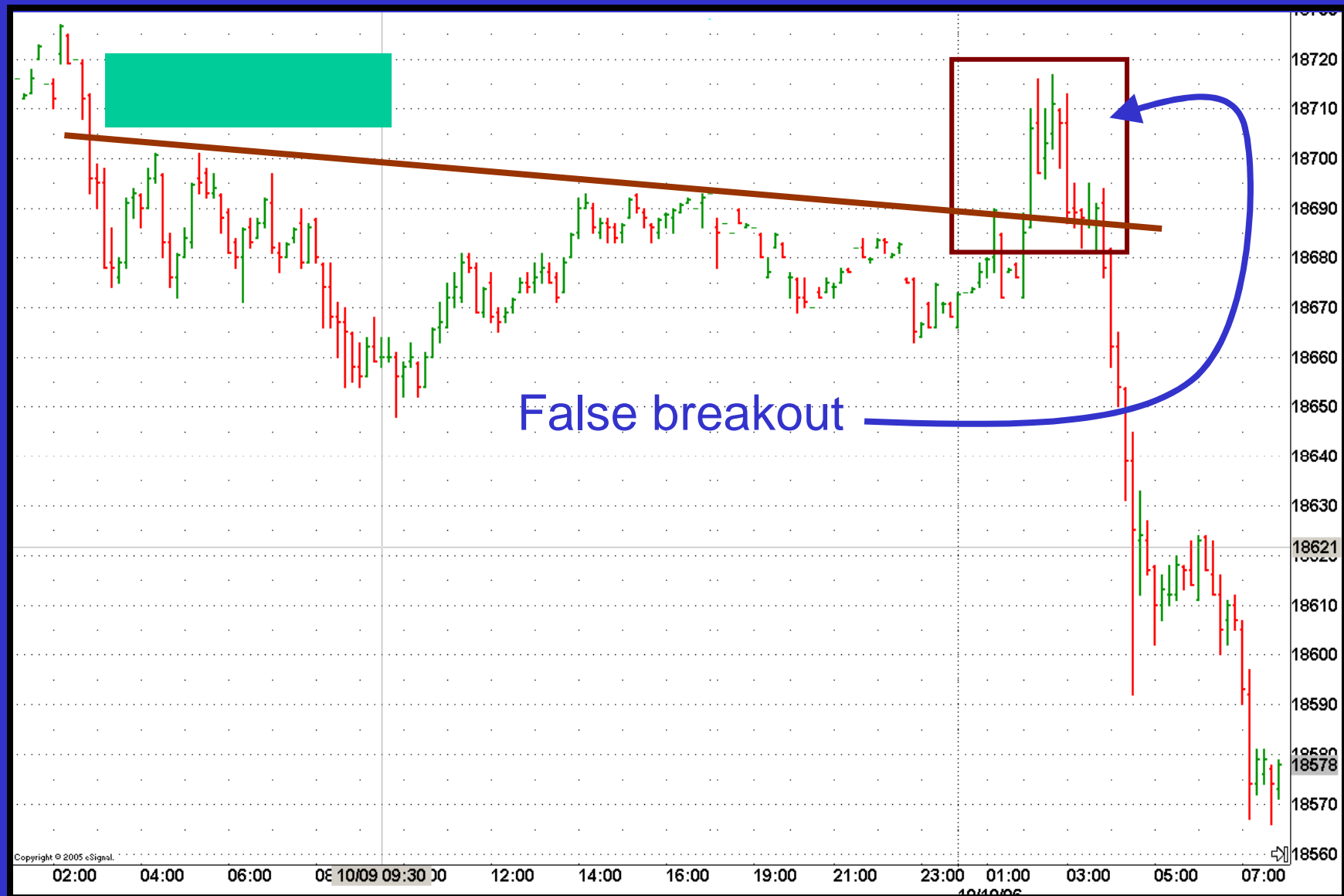
## Dollar/franc Daily





Look at more than one time frame and more  
will be revealed!

# December 2006 British Pound IMM



# December 2006 British Pound IMM



# December 2006 Dow



# December 2006 Dow



# December Australian Dollar 2006



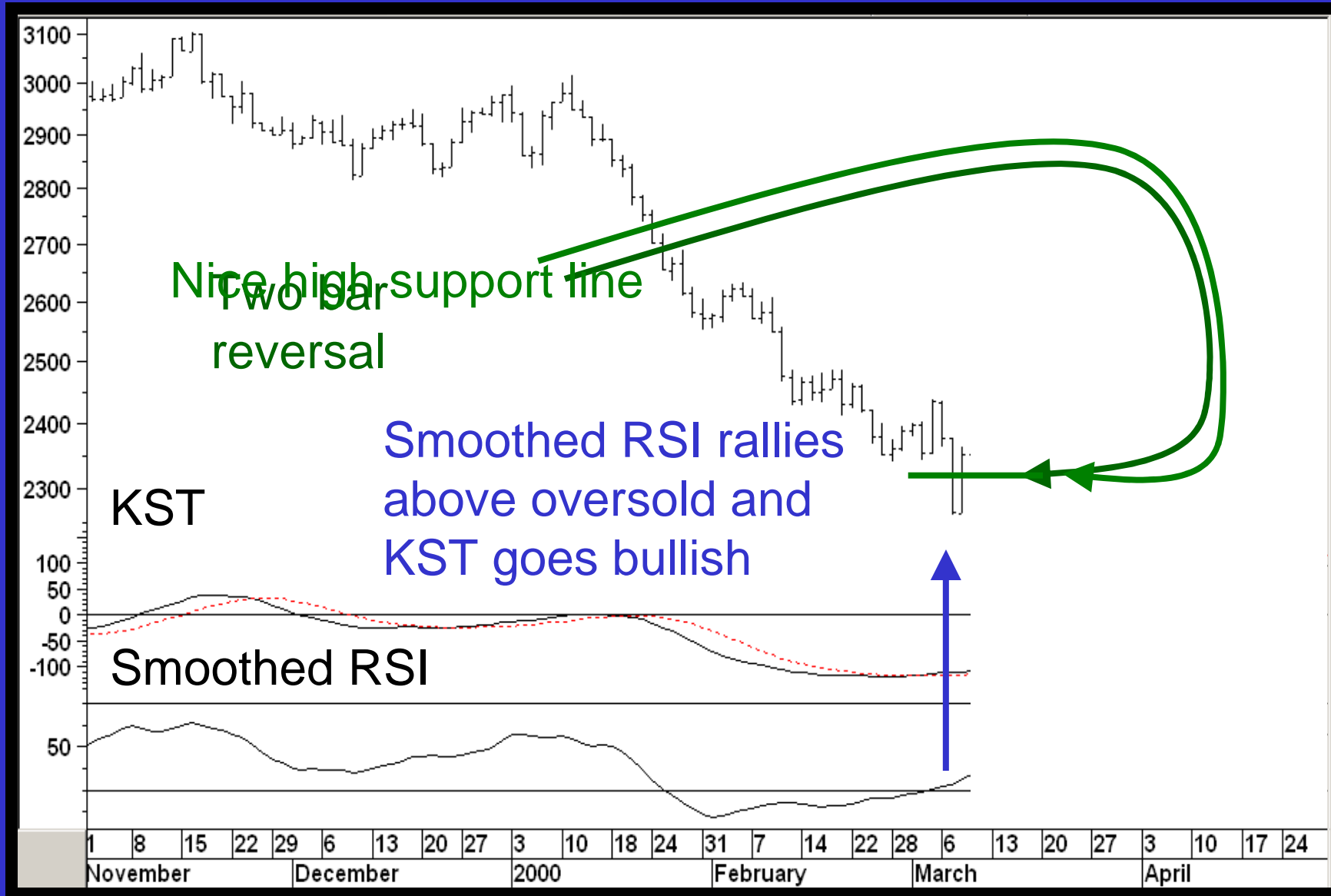
# December Australian Dollar 2006



Using one and two bar patterns as dominos  
or reverse dominos.



# DJ Transports Daily



# Summary for Two Bar Reversals

1. Two very wide bars of similar size preceded by a persistent up or down trend.
2. First bar opens near low (high), closes near high (low). Second bar opens near high (low) and closes near low (high).
3. Reversals are of a short-term duration but are often dramatic..
4. Occasionally result in domino effect.

# S&P Composite

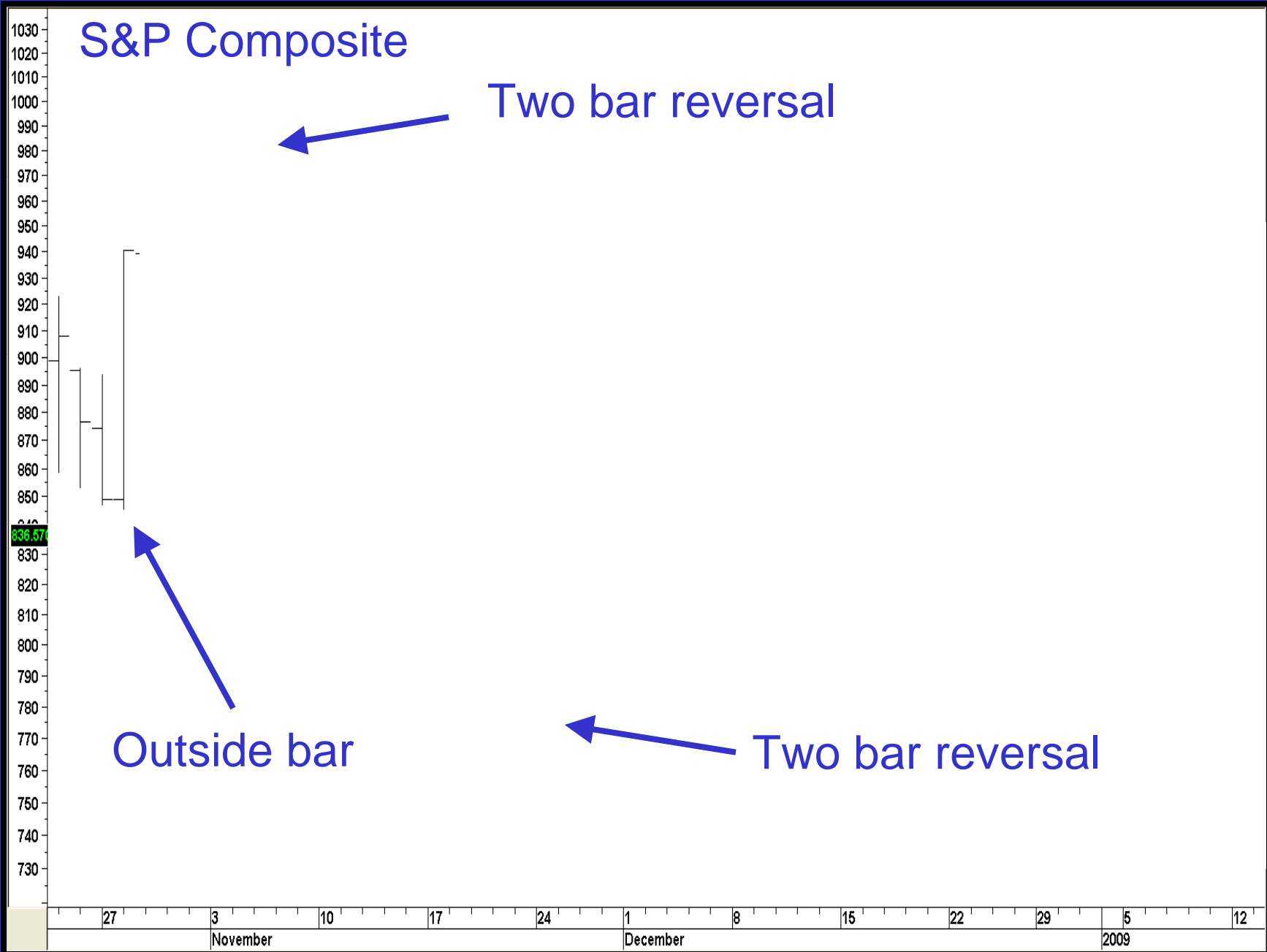
Two bar reversal

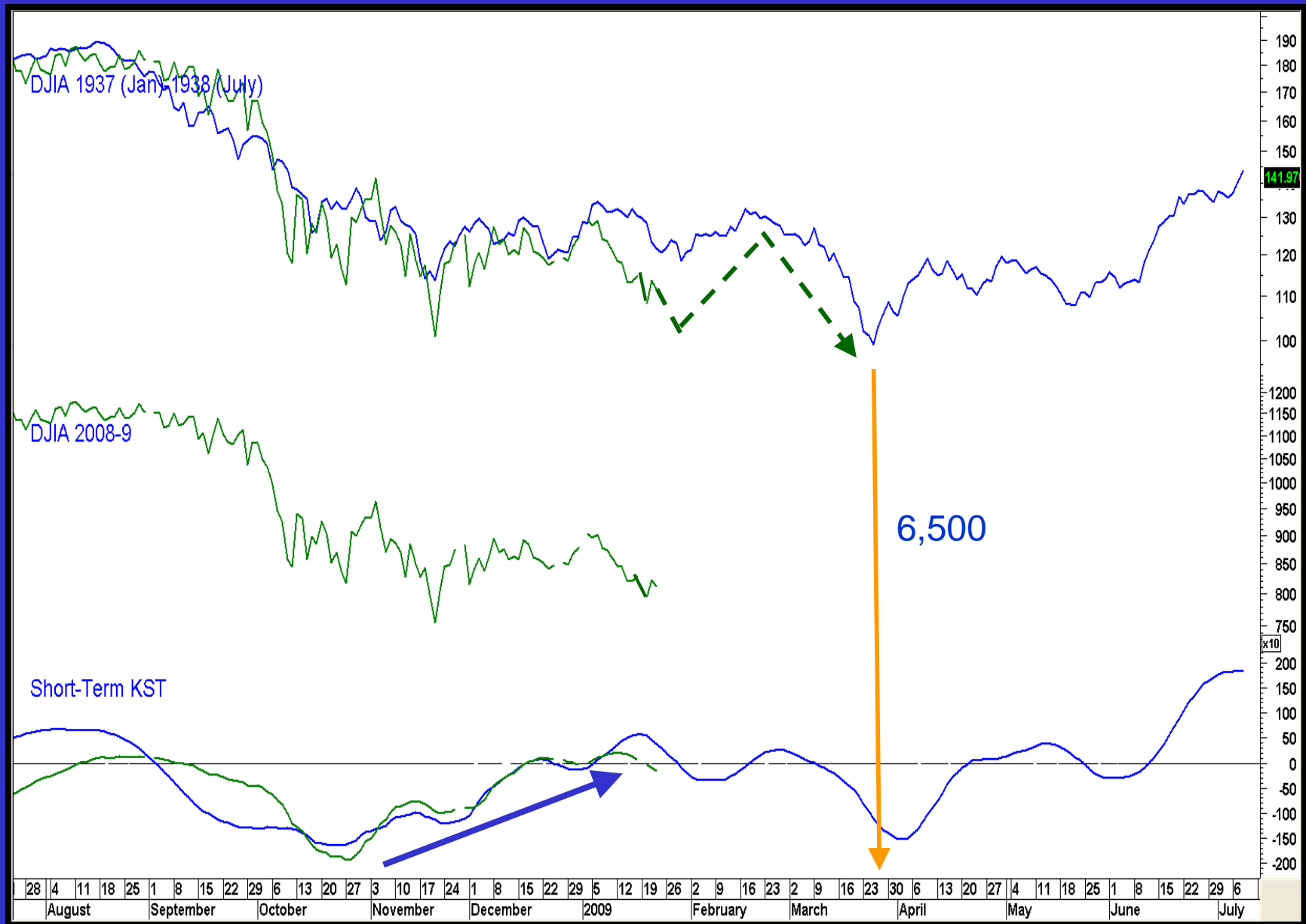


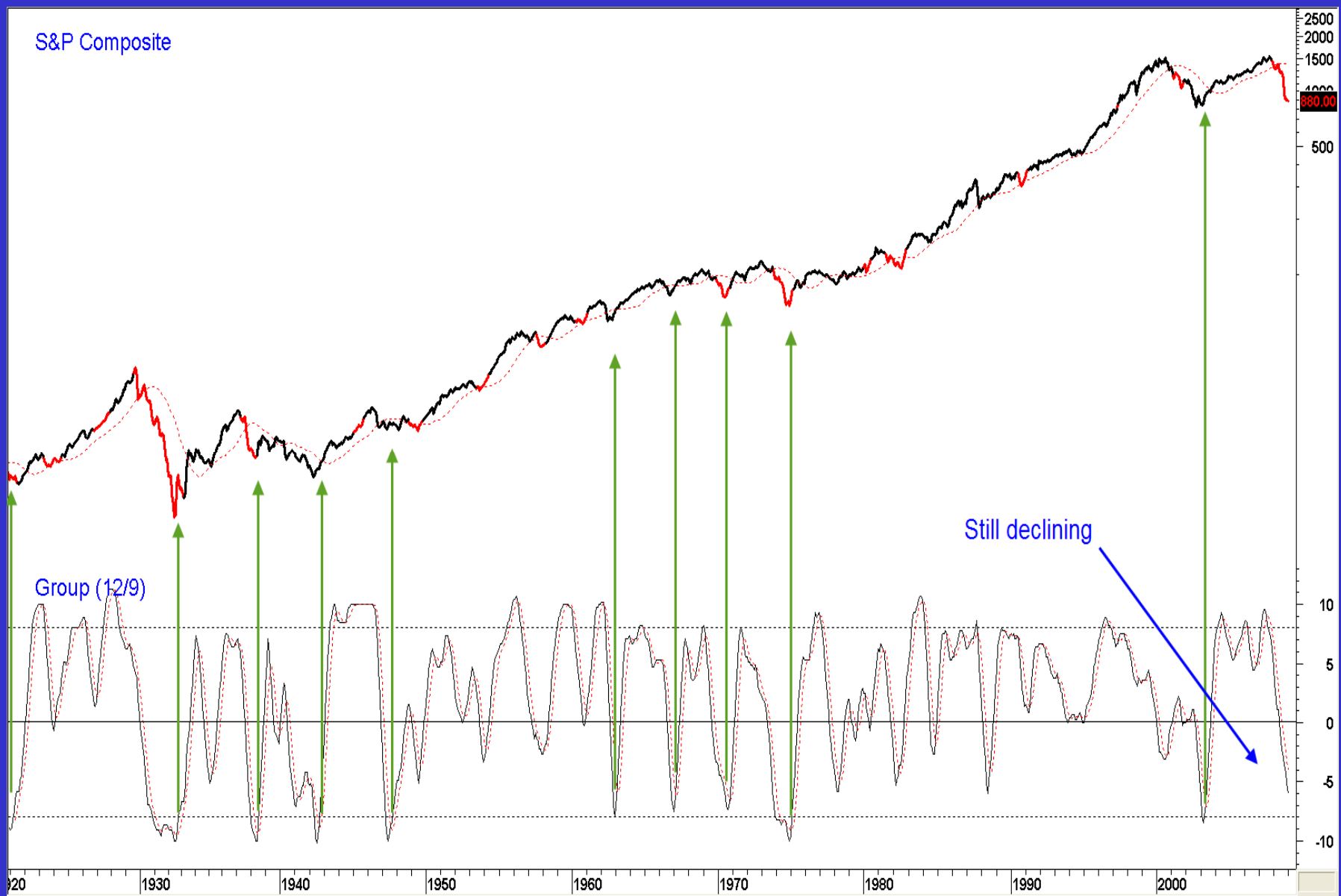
Outside bar



Two bar reversal









**The End**