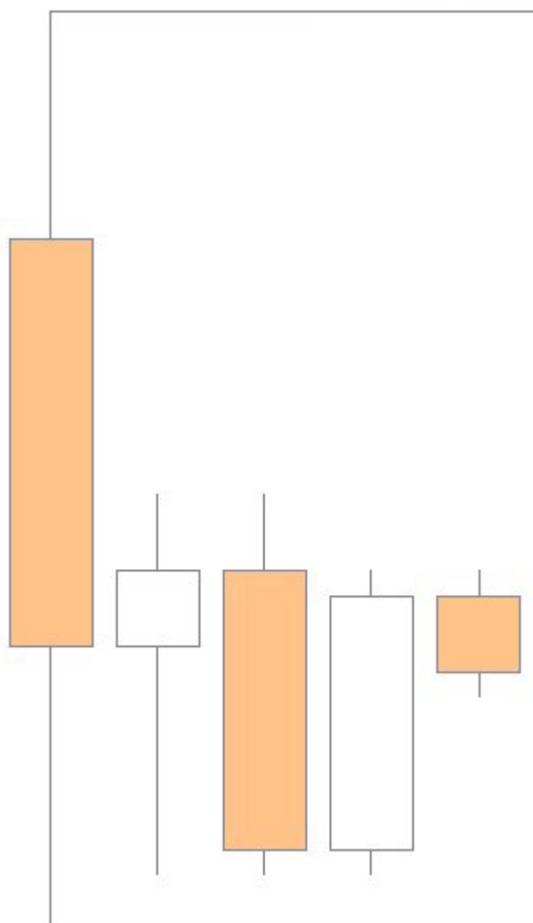


## *Master Candle E-book*



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# Welcome to this e-book

First off lets get the formal part over with, to find out about me as I don't like typing stuff more than once check out my profile page on the site.

<http://www.forexbunker.com/community/index.php?/user/1-phil/>

Now that is over we move onto the assumptions.

## **Minimum requirements of using this method.**

Basic understanding of:

- How to place trades,
- How to read charts, trends etc
- How to read candles
- Basic technical analysis
- Basic fundamental analysis
- Understanding the risks of trading

## **Recommended requirements of using this method.**

- Minimum requirements above and
- Practical use of technical analysis in trading
- Practical use of fundamental analysis in trading
- Basic understanding of price action.

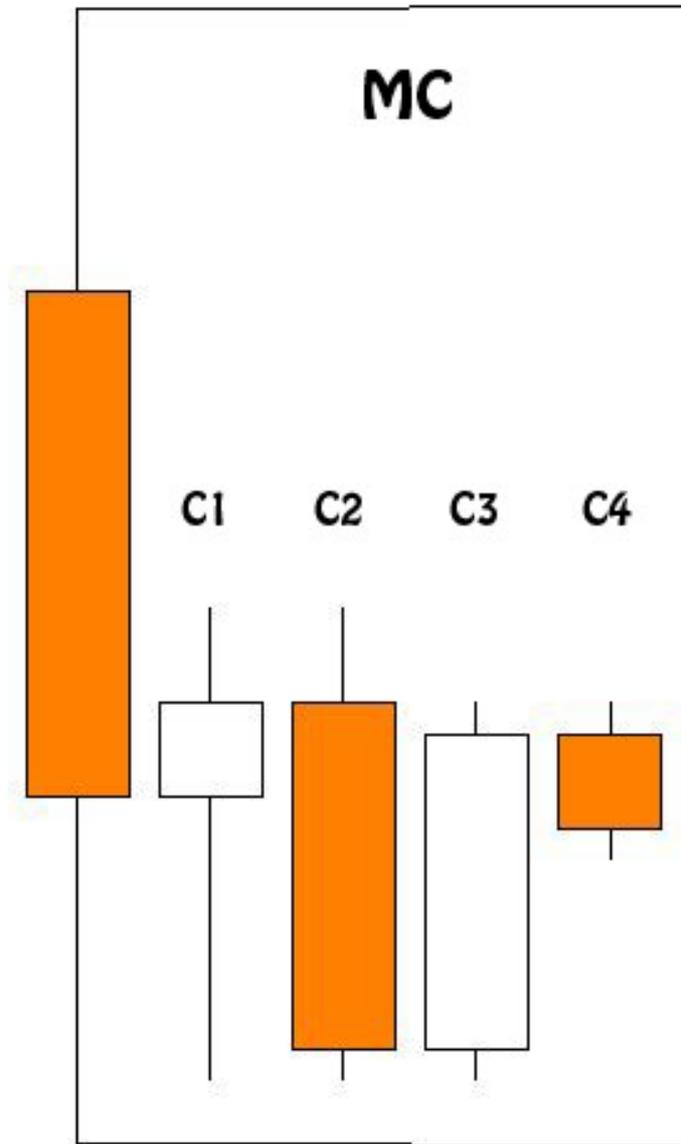
Expand/share your trading knowledge at our ever expanding trading wiki

<http://www.forexbunker.com/index.php/Wiki>

# **What is a Master Candle?**

# The Master Candle Defined

There is a few ways to look at master candles but we will only focus on one. A Master Candle is simply a candle's high and low which engulfs the next four candles' high and low. I like to call the formation a True Master Candle (MC).



A quick run through of the above image, the MC = Master Candle is formed when C1 = Candle One, C2 = Candle Two, C3 = Candle Three, C4 = Candle Four are inside of the master candle.

# **My Master Candle Method**

# Method Overview

We are looking to trade a breakout of the master candle formation

*"A breakout is when prices pass through and stay through an area of support or resistance."*

The main reason I like the master candle formation is because it represents the time in the market where price falls into a tight range for a normally short period of time.

We are looking only to trade True Master candles like in definition above. The main reason for this is they provide a clear pattern and break point plus over the long term better results. (From my experience)

**NOTE: We are looking to only trade master candles on a 60min chart.**

## What we are looking for!

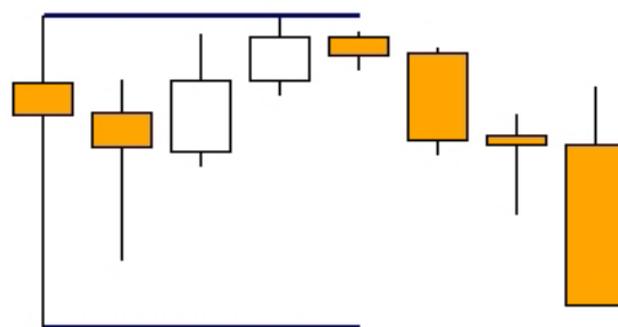
We are just looking at just two pairs which are.  
GBP/USD | GBP/JPY

On these pairs we are first looking for a master candle to form and after that we are looking to trade the break of master candles high or low.

For the trade to be valid the break of the master candle high/lows must occur in the next three candles. Lets break this down into a simple statement:

MC C1 C2 C3 C4 | B1 B2 B3

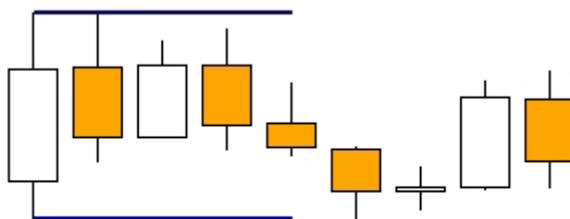
Now for the picture worth a thousand words.



**MC C1 C2 C3 C4 B1 B2 B3**

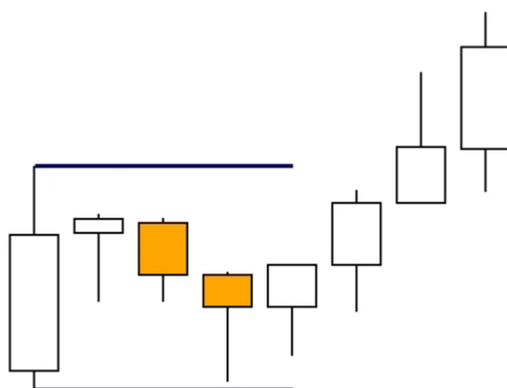
We have added to our statement B1 B2 B3 which stands for Break One, Break Two, Break Three. The trade is ONLY valid if the break happens on one of the B1 B2 B3 candles. If it does not like the picture above it is a null trade.

## Examples of what we are looking for



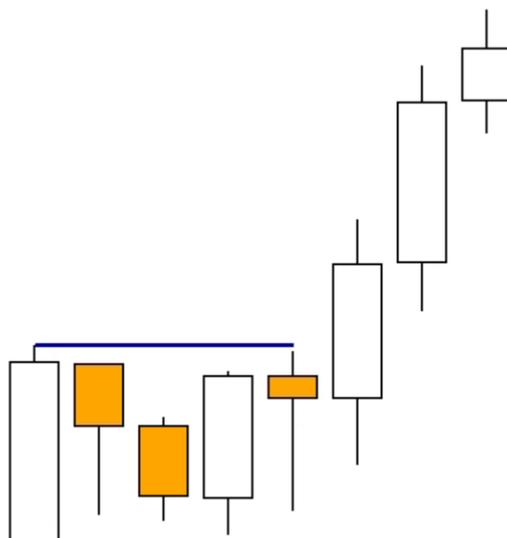
**MC C1 C2 C3 C4 B1 B2 B3**

The above picture is an example of a null trade where the break of the master candle did not happen within the B1 B2 or B3 candles.



**MC C1 C2 C3 C4 B1 B2 B3**

The above picture is an example of a successful break of the master candle which happened on the B2 candle. (Long position)



**MC C1 C2 C3 C4 B1 B2 B3**

The above picture is an example of a successful break of the master candle which happened on the B1 candle. (Long position)

# Rules

Every method has rules and this one is no different. But remember rules are meant to be broken (sometimes).

- No Trading into a SR (Support/Resistance) zone
- If the SR zone is closer than the size of the Master Candle then no trade.
- Trade only on the B1 B2 B3 Candle's breaking the MC High/Low

## ***Pair Rules:***

GBP/USD, GBP/JPY

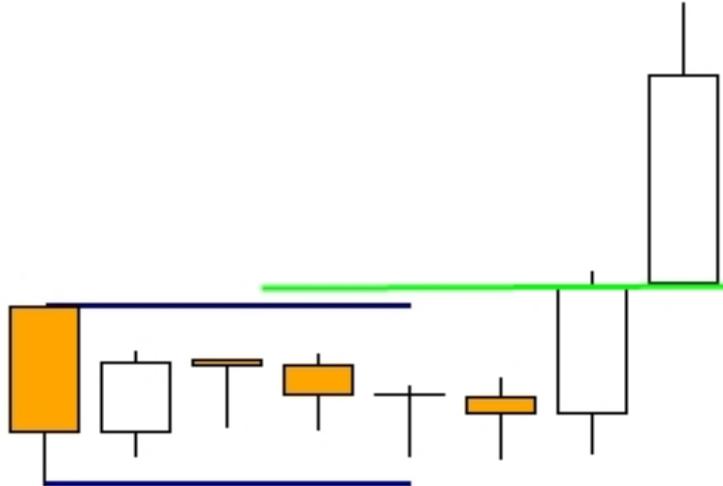
- Trade Master Candle sizes between 40-105 pips
- If Master Candle is greater or less than the above sizes then no trade.

# Entries

The most important part of the method.

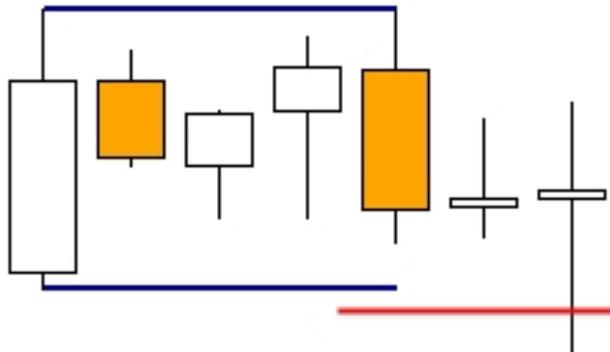
## **Longs:**

5 pips above the Master Candle High + Spread. As you can see in the picture below the green line was our long entry



## **Shorts:**

5 Pips below the Master Candle Low. As you can see in the picture below the red line was our short entry

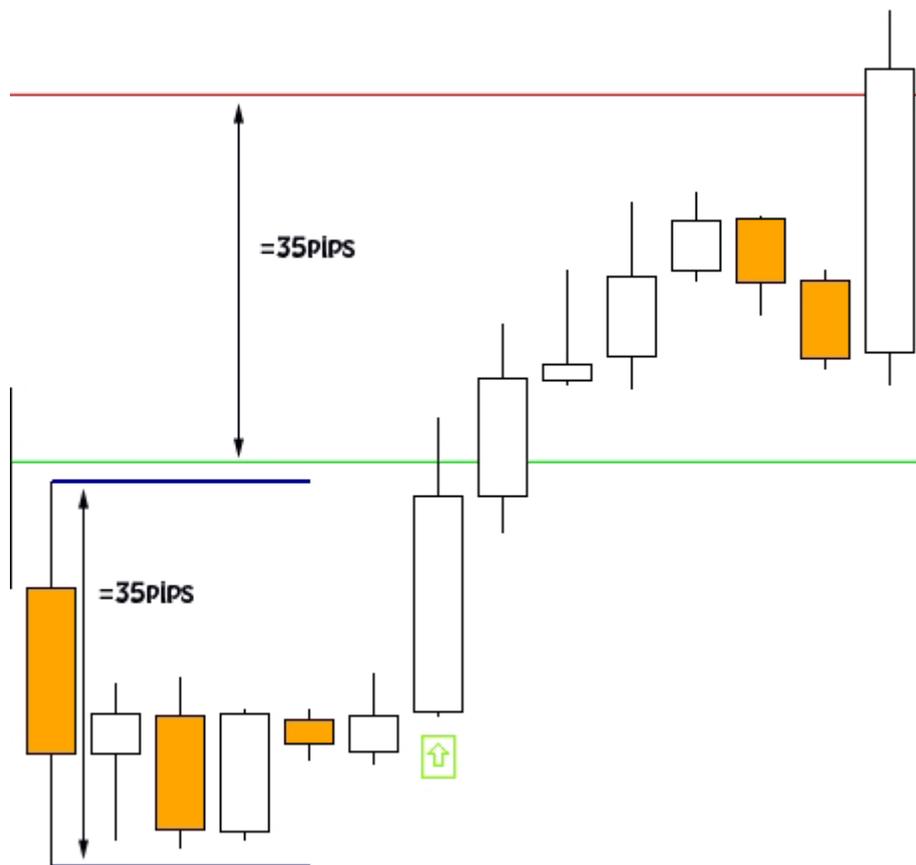


# Exits

If you want to make money you need to close your trade at some point.

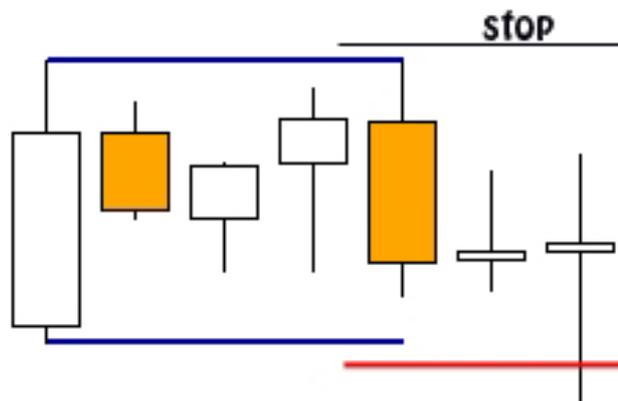
## **Profit Targets:**

Profits will vary in pip from pair to pair but as a general rule you want to target the size of the Master Candle. So if the size of the master candle is 35pips we set our profit target at minimum of 35pips as the example below. Now saying this it is very important that we base our target on price movement over a strict rule of Master Candle size. So if the next price area that you can see a turn around is 80pips away then you should be targeting there.



### **Stop Placement:**

Stops are meant to be used to give you the MAXIMUM possibility to win in your trade. Their placement will also clearly show you that your direction was incorrect. With this in mind the stops are placed on the other side of the master candle entry.



## **Results**

Each trader that trades a method brings their own style to it also each trader will bring slightly different results. On this note I have decided to give the results in full RAW as they appear on the chart. NOT adding any fundamental analysis or advance price action techniques to adjust the results for a better success ratio.

GBP/USD, GBP/JPY Results Link:

<http://forexbunker.com/community/index.php?app=downloads&showfile=1>

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Remember don't trade like a robot cos the market does not care it is indifferent

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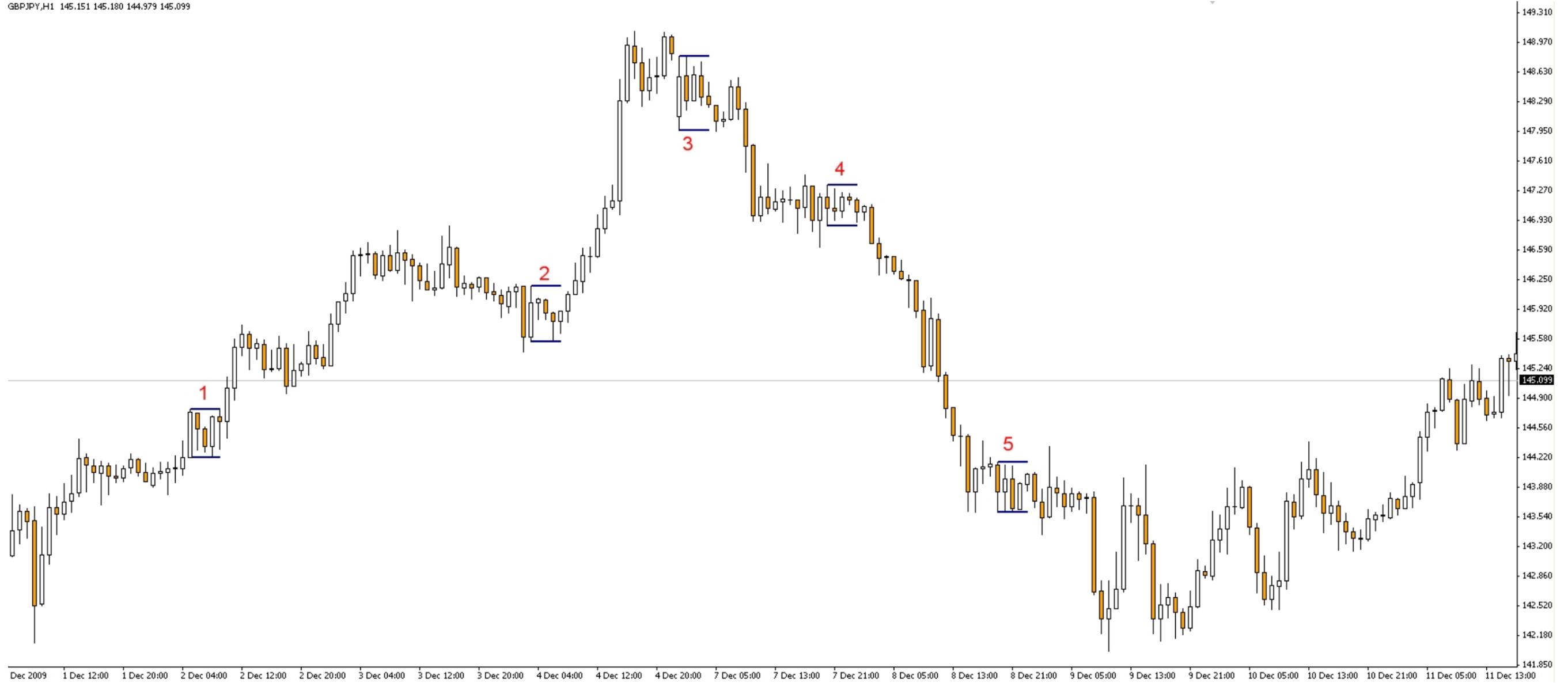
# Chart Examples

GBPUSD,H1 1.62838 1.62925 1.62456 1.62859



## GBP/USD - Summary of trades.

- Number 1: Sunday / monday gap trade which is a leave alone trade
- Number 2: Nice short setup (B2)
- Number 3: Nice pull back for a long setup (B2)
- Number 4: After the break up to the number 3 setup and pull back to this zone was a nice short. (B2)
- Number 5: Strong break short. (B3)
- Number 6: No break on the third candle so no trade
- Number 7: Break by 1-3pips from memory this trade took a while to give profit. (B3)



*GBP/JPY - Summary of trades.*

- Number 1: Nice clear break for profit. (B1)
- Number 2: Pull back to support zone ready to copy number 1. (B2)
- Number 3: No trade as there was no break on third candle.
- Number 4: Great short setup while price stalled at that level. (B2)
- Number 5: Short break on second candle with a quick stop. (B2 then stopped on next candle)