JAPANESE CANDLESTICKS STRATEGIES

CHAPTER 1 : FORGET ABOUT WHAT YOU'VE LEARNED ABOUT JAPANESE CANDLESTICKS

In trading, if obvious concepts worked, all traders would win...

When you start trading and even sometimes after years of experience on the markets, you think you have to learn all the Japanese candlesticks configurations to be profitable on the markets.

Well, this is a mistake and a waste of time in your trading.

Indeed, there are several hundred Japanese candlesticks configurations and some of them are even sometimes invented by unknown traders.

In trading, you have to be able to identify concepts that will make you become profitable on the markets.

Learning all the names of Japanese candlesticks to the letter is useless...

It is like buying a new object and learning the instructions from top to bottom. What is the point? There is clearly no point in this.

However, you must be able to understand Japanese candlesticks.

There is a slight difference between knowing names and knowing how to use Japanese candlesticks.

This is what I am going to try to demonstrate through this e-book and its chapters.

When I started trading a few years ago now, I did the same thing... I learned the name of each and every candlestick and used those Japanese candlesticks to realize their efficiency on the markets.

I realized two things :

- 95% of the Japanese candlesticks I had learned do not work because they are not famous enough.

- 5% of the Japanese candlesticks are relevant because they are easily identifiable on the markets.

On the markets, what works is what is easily identifiable.

Do not forget that markets are psychological. In front you there are real human beings with emotions just like you and they all have the same ability to assimilate information.

A lot of traders think they must reinvent trading by using their own concepts and by finding configurations that others do not see.

This is an ego problem that a lot of traders have, they are just trying to be « unique ».

But on the markets, a trend is created :

1. Because all traders see the same thing.

2. And because they see the same thing, cash flows are placed on the markets, those cash flows generate a movement of the price.

What works is what is easily identifiable because the brain assimilates simple information way faster, this is just a question of logic.

Ultimately, trading is buying low and selling high.

This definition of trading illustrates perfectly the mentality you have to adopt on the markets to be profitable.

At this point, you are entitled to question what really works on the markets. Therefore, you can also wonder which are the best Japanese candlesticks configurations.

Well, I will tell you right now. What matters to determine the efficiency of a Japanese candlestick is:

1. Its form.

2. Its color in some cases, although it is not always essential.

3. The number of Japanese candlesticks that follow each other.

I am going to sound repetitive, but Japanese candlesticks were created to understand traders' psychology, that's all.

In the past, traders only used line charts and the order book.

Old trading methods made trading very complex. This is why the informations were limited.

Today, thanks to the Japanese candlesticks, you have access to essential informations.

You have to learn how to use those information to trade intelligently and in a professional way.

From a rational point of view, you are probably wondering about the legitimacy of those information that you find on the Japanese candlesticks sometimes in a free way on the internet.

Do you really think that professional traders learned how to trade only with free information found on different search engine?

To be honest, I am sure you know the answer is no.