

Consolidation Breakout Signals on the Forex Market

ISBN: 978-1-312-63082-6

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DISCLAIMER

Although I believe that the use of this Methodology can bring success to anyone who uses it, I am only providing it here to show you my interpretation of the market and how it can be exploited for personal gain. It is not a recommendation for anyone on how to trade and should not be construed as Investment Advice. Forex Trading involves a tremendous amount of risk and you should consult a Licensed Investment Advisor to determine if this is appropriate for you.

INTRODUCTION

A signal given to start a profitable breakout is comprised of two components - the Candlestick Signal and the Setup. Both need to be strong and clear enough to justify entry. If the Setup is weak, but the Candlestick Signal is strong or vice versa, the trade has a low probability of being successful.

Both should also be in sync with the type of Consolidation being traded. Some may be strong enough to be used for Normal Consolidations, but can be considered to be very weak to start breakouts on the Large and Medium Consolidations which need larger, more elaborate Setups and Signals.

NORMAL CONSOLIDATION

These are the most straightforward of the Consolidations that you will come across in the market. They take a very short time to be formed and are traded by waiting on a strong Daily Chart signal. In most cases, there are two types of signals given;

SINGLE CANDLES

- **A Single, Strong Candle Breaking Consolidation;**

U- TURN TESTS

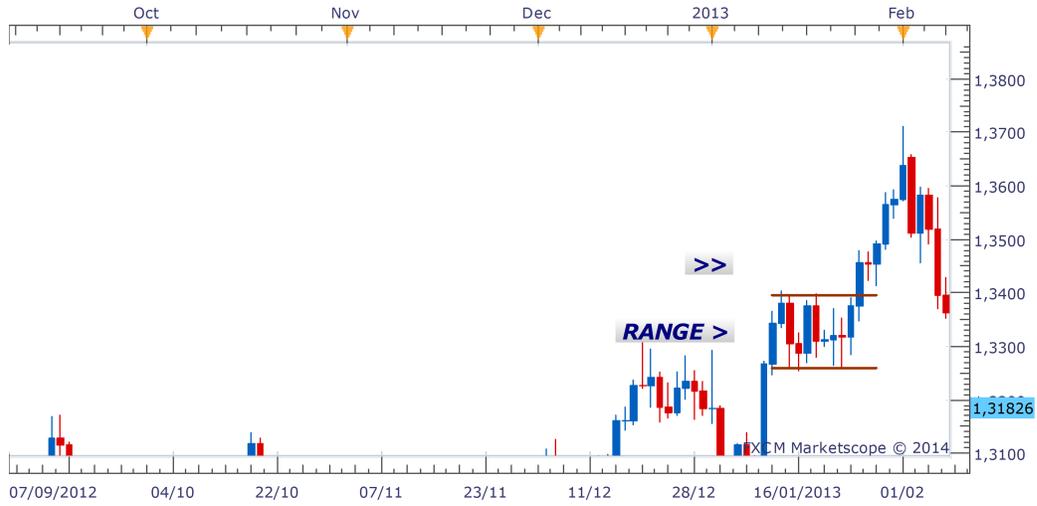
- **The Support/Resistance Boundary is tested before the Breakout takes place.**

SINGLE CANDLES

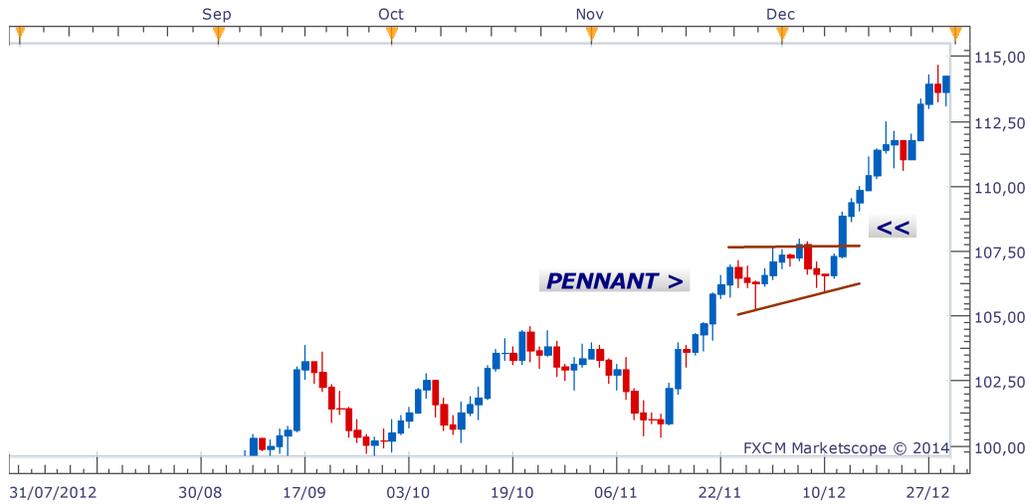
DAILY CHART - NZD CAD



DAILY CHART- EURO USD



DAILY CHART- EURO JPY

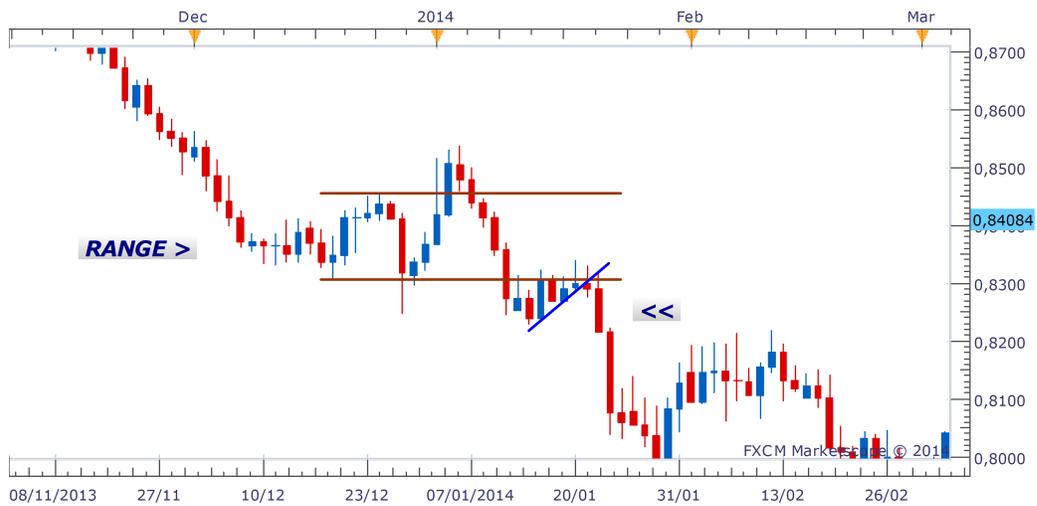


DAILY CHART- USD CHF



U-TURN SIGNALS

CAD CHF



GBP AUD



MEDIUM CONSOLIDATION

These are a bit larger than the Normal Consolidations and tend to be 150 to 400 Pips in height between Support and Resistance. Trading can be done within them as well as when they are breaking out. When they are breaking out, the signal to look out for will always be that on the Daily Chart, but when trading is taking place inside of them, the Daily or the 4 Hour Chart can be the signal that starts the trend. I will first show the typical signals that are given by the Daily Chart when a breakout is about to start and then those for movements inside the Consolidations by both the Daily and 4 Hour Charts.

BREAKOUT SIGNALS

These are the main types of signals that are associated with Consolidations of this type.

- **SINGLE CANDLES**
- **U-TURN TESTS**
- **SMALL CONSOLIDATION BREAKS**
- **FALSE BREAKOUT SIGNALS**

SINGLE CANDLES

CHF JPY



USD CAD



EURO JPY



U-TURN TESTS

There are two variations of these signals. The currency can break the Consolidation with a weak candle or set of candles, pull back to test the boundary and then turn to resume the breakout with a stronger candle. It can also pull back at the Support/Resistance from inside of the Consolidation, pull back and then breakout.

NZD CAD - U-TURN AFTER BREAKING



CHF JPY - U-TURN BEFORE BREAKING



SMALL CONSOLIDATION BREAKS

In these scenarios, the currency will break Consolidation, form a small Consolidation and then provide the breakout signal.

GBP CAD



GBP AUD



FALSE BREAKOUTS

These will be seen when the market breaks out weakly in one direction before reversing to head back inside of the Consolidation. On many occasions, the currency will break out at the other end. The signals that you will see in these situations are;

- SINGLE CANDLES
- ABC REVERSAL SIGNALS

SINGLE CANDLES

NZD JPY



For these signals, the candle should have at least 70% of its body back inside of the boundary.

ABC REVERSALS

With these signals, you will see a return to the boundary of the Consolidation, a pullback and then a break back inside. The candle should clearly breach the Support/Resistance with most of its body inside of the Consolidation.

USD CAD



LARGE CONSOLIDATIONS

These are the largest forms of Consolidation seen across the Currency Market. They range in size from 300 to 2000 Pips in most cases. Those that are over a 1000 Pips in size tend to take several months to move from one end to the other while those that are smaller than this take a few days to a few weeks. The ones that we will concentrate on are the latter which are more in sync with the time frame for our strategy.

The signals most common with breakouts from these setups are;

- **SINGLE CANDLES**
- **U-TURN TESTS**
- **SMALL CONSOLIDATION BREAKS**

SINGLE CANDLES

AUD USD



BREAKOUT



U-TURN TESTS

EURO JPY



BREAKOUT



SMALL CONSOLIDATION BREAKS

AUD NZD



BREAKOUT



The best ones to trade are those that have the Consolidation or the U-Turn setups at the Resistance or Support points. These pauses followed by a strong signal give added assurance that the breakout will continue as they normally coincide with the Weekly or Monthly Range being hit. Pauses and pullbacks are always required at these Ranges before an existing trend continues. If we do not have this, we are more likely to encounter a False Breakout instead.

SUMMARY

These signals will put you in the money 95% of the time when it comes to trading Consolidation breakouts. I have spent several years examining hundreds of examples of these across the Currency Market and have found these to be the strongest signals that lead to profitable results. When they are combined with the other aspects of Consolidation dealing with Entry, Stop Losses, Holding Periods and Targets, you will be head and shoulders above traders using other breakout methodologies.

Join us for a better, more accurate way of trading this difficult financial market and enjoy the benefits of Long-Term Wealth Creation.

Happy Trading!

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