Ichimoku Charting

ALAN CLEMENT – MARCH 2016

HELIXTRADER.COM

Goals

- Benefits / Limitations of Ichimoku charting
- Chart construction
- Chart interpretation
- Advanced uses
- Practise with your favourite markets

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Why Listen To Me?

- IFTA Certified Financial Technician
- Professional background in Financial Industry
- Independent Trader for 15 years
- Technical Analysis column in national press
- Quantitative Trading System Designer
- Provide Personalised Training and Mentoring

# Ichimoku Benefits

- Very simple to interpret (once you know how!)
- Keeps you on the right side of the market
- Leading indicator
- Support & Resistance zones
- Overbought / Oversold conditions
- Multiple timeframe confirmations
- Excellent secondary indicator
- Generally works well on weekly charts

Ichimoku Limitations

- It's not a trading system
- Works best in trending markets
- "Signals" can often be late
- Can become noisy at lower timeframes

Construction
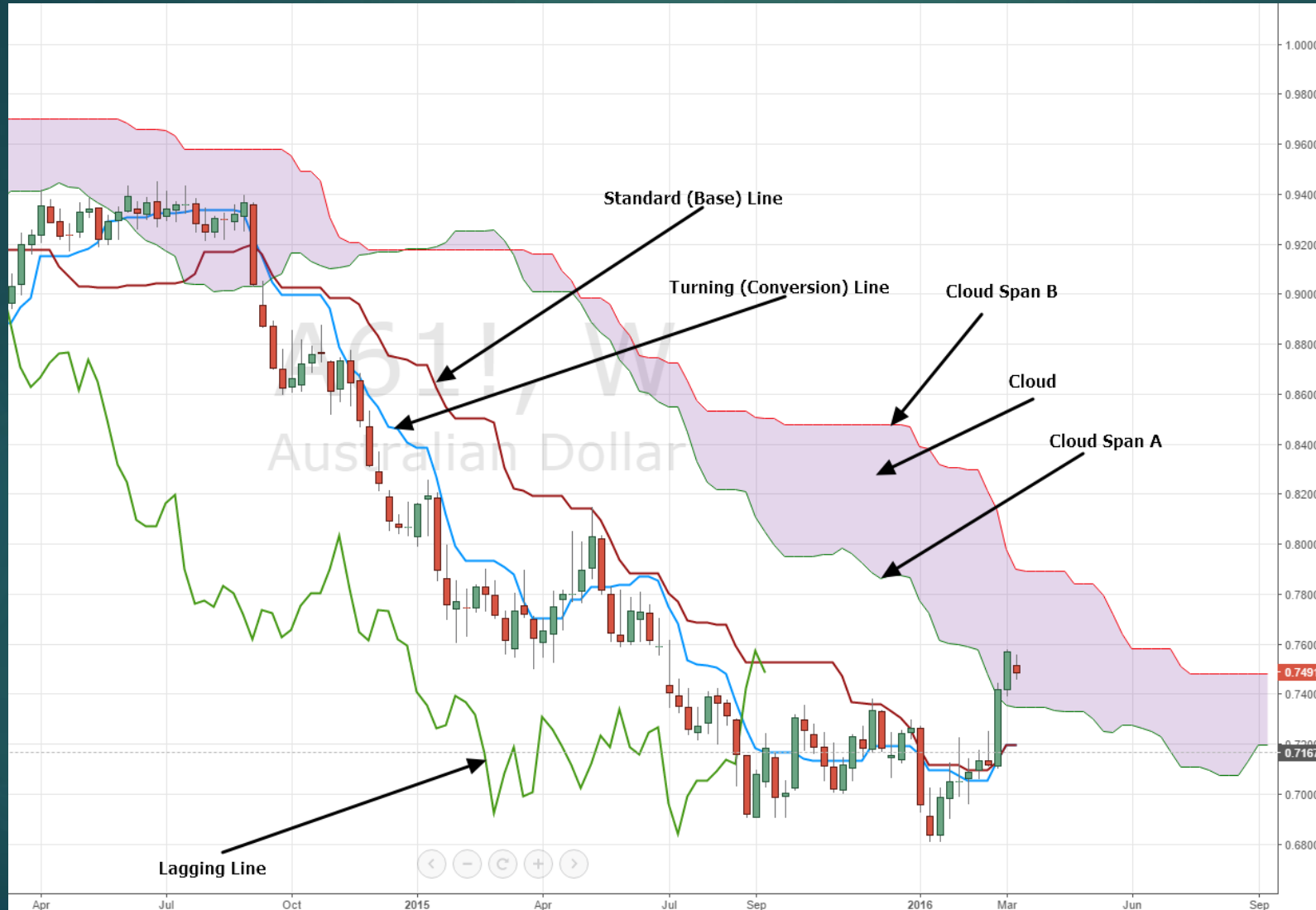
Detailed Calculation

▶ Tenkan-sen (Conversion Line): (9-period high + 9-period low)/2)) The default setting is 9 periods and can be adjusted. On a daily chart, this line is the mid point of the 9 day high-low range, which is almost two weeks.

▶ Kijun-sen (Base Line): (26-period high + 26-period low)/2)) The default setting is 26 periods and can be adjusted. On a daily chart, this line is the mid point of the 26 day high-low range, which is almost one month).

▶ Senkou Span A (Leading Span A): (Conversion Line + Base Line)/2)) This is the midpoint between the Conversion Line and the Base Line. The Leading Span A forms one of the two Cloud boundaries. It is referred to as "Leading" because it is plotted 26 periods in the future and forms the faster Cloud boundary.

▶ Senkou Span B (Leading Span B): (52-period high + 52-period low)/2)) On the daily chart, this line is the mid point of the 52 day high-low range, which is a little less than 3 months. The default calculation setting is 52 periods, but can be adjusted. This value is plotted 26 periods in the future and forms the slower Cloud boundary.

▶ Chikou Span (Lagging Span): Close plotted 26 periods in the past. The default setting is 26 periods, but can be adjusted.
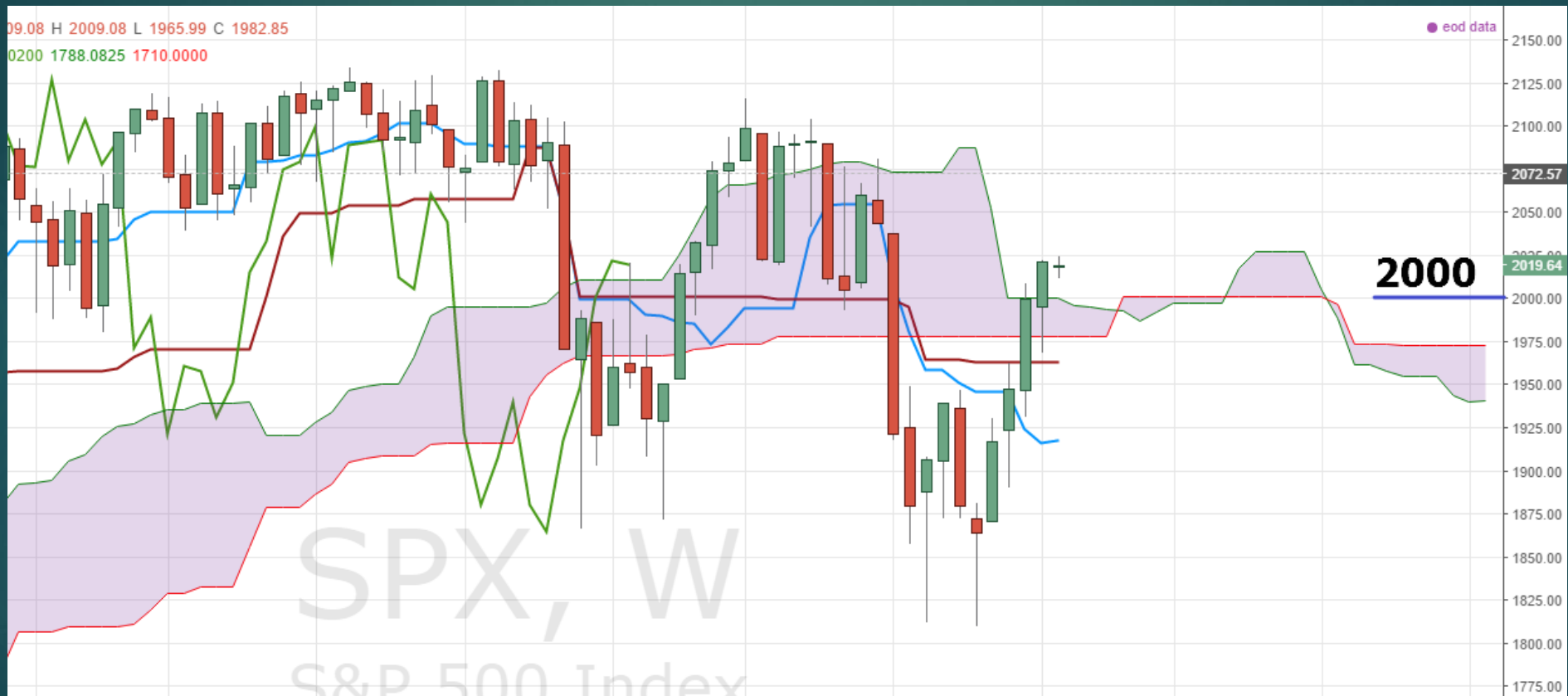
Basic Interpretation

- Stick to Weekly timeframe
- Price and Lagging Line **above** cloud is Bullish
- Price and Lagging Line **below** cloud is Bearish
- Cloud projects future areas of support and resistance

S&P500 Weekly – Long Term

S&P500 Weekly - Short Term

Advanced Interpretation

- Wider or steeper the cloud the greater the support & resistance

- Crosses tend to happen when cloud turns thin and/or horizontal

- Relative distance of price and Lagging Line from cloud can determine extremes. Cloud tends to act as a magnet for price.

- Base and Conversion line crosses can be used similar to MA crosses
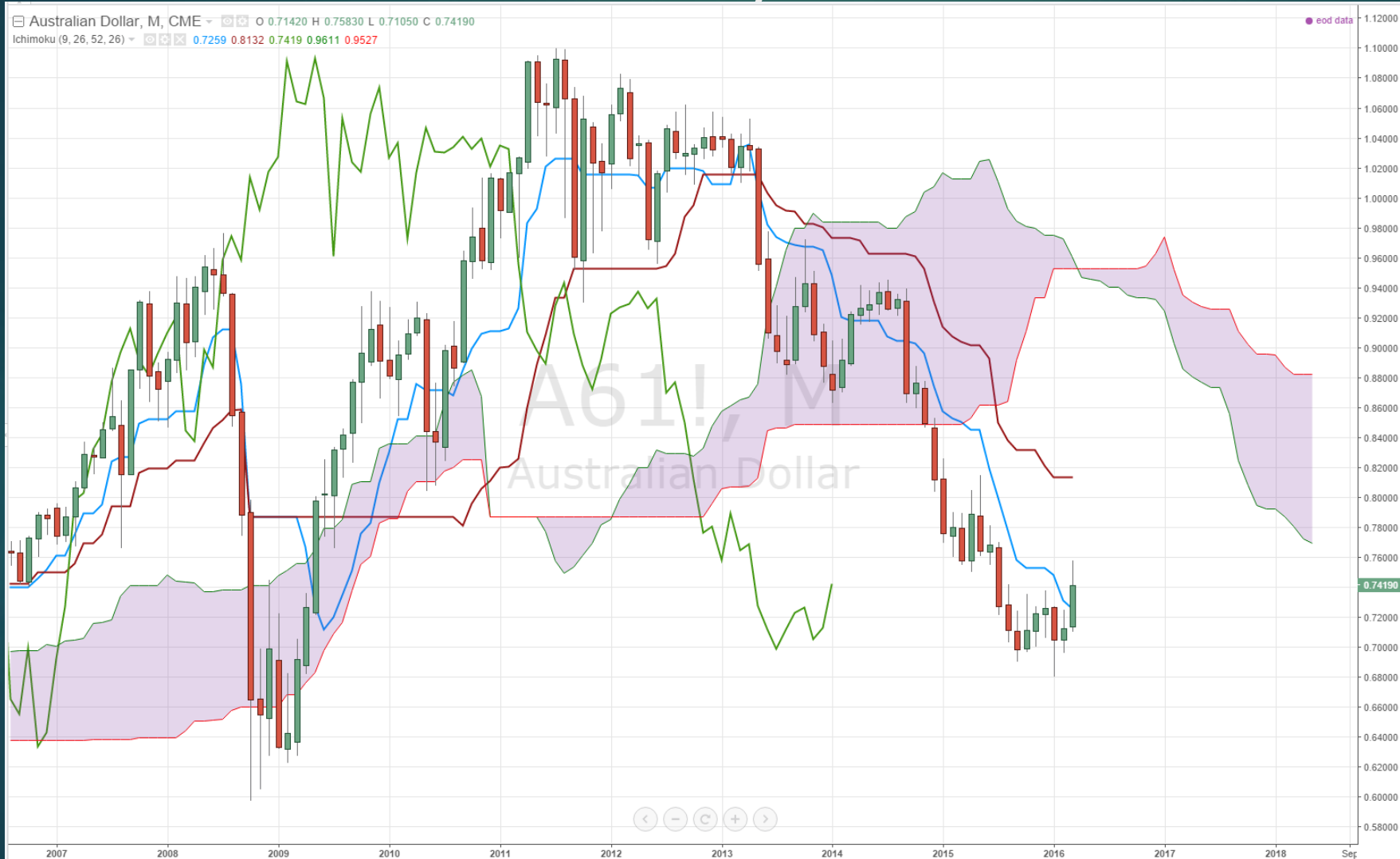
- Use multiple timeframes for confirmation

AUD/USD - Weekly
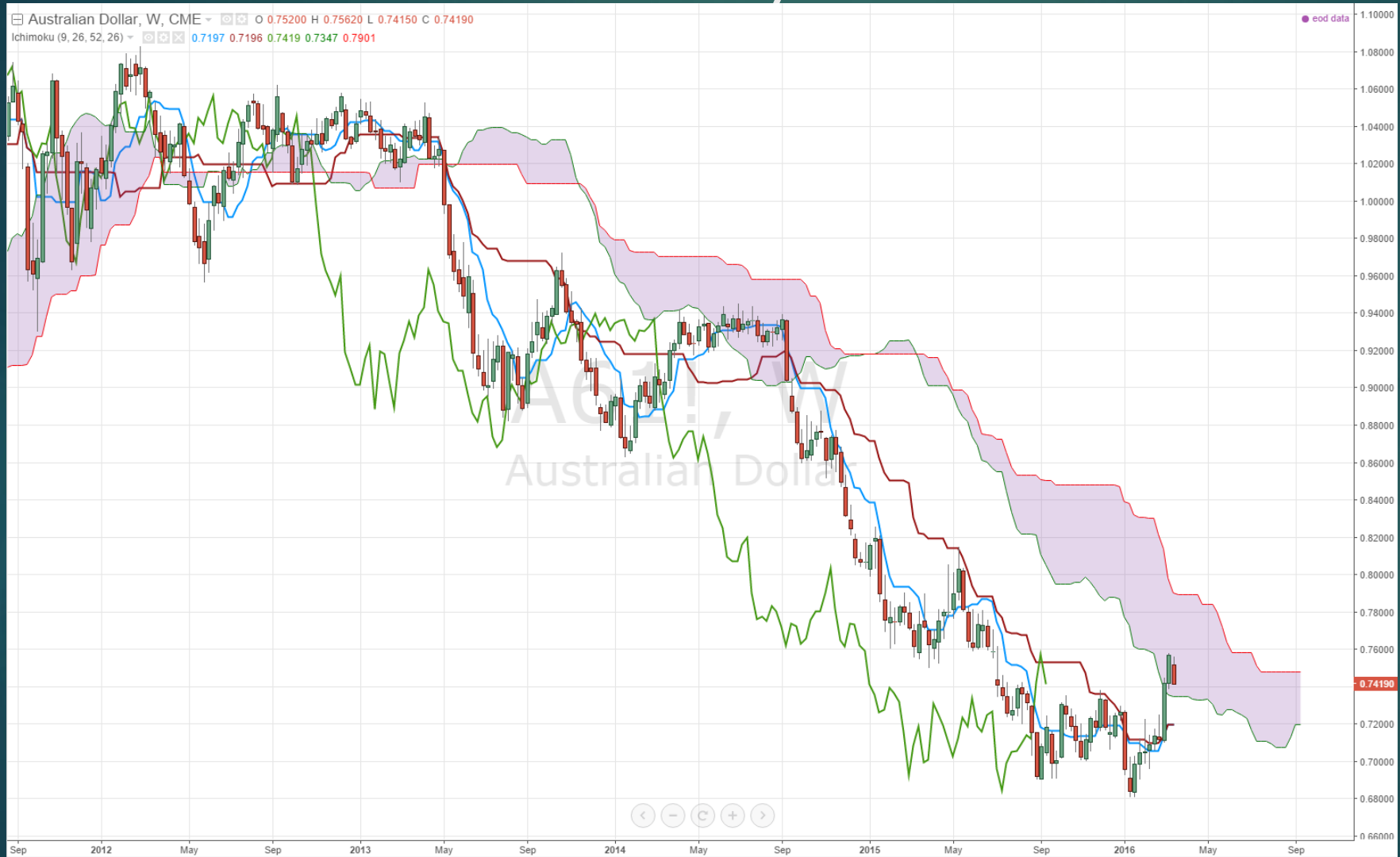
AUD / USD Weekly – Short Term

AUD/USD Daily
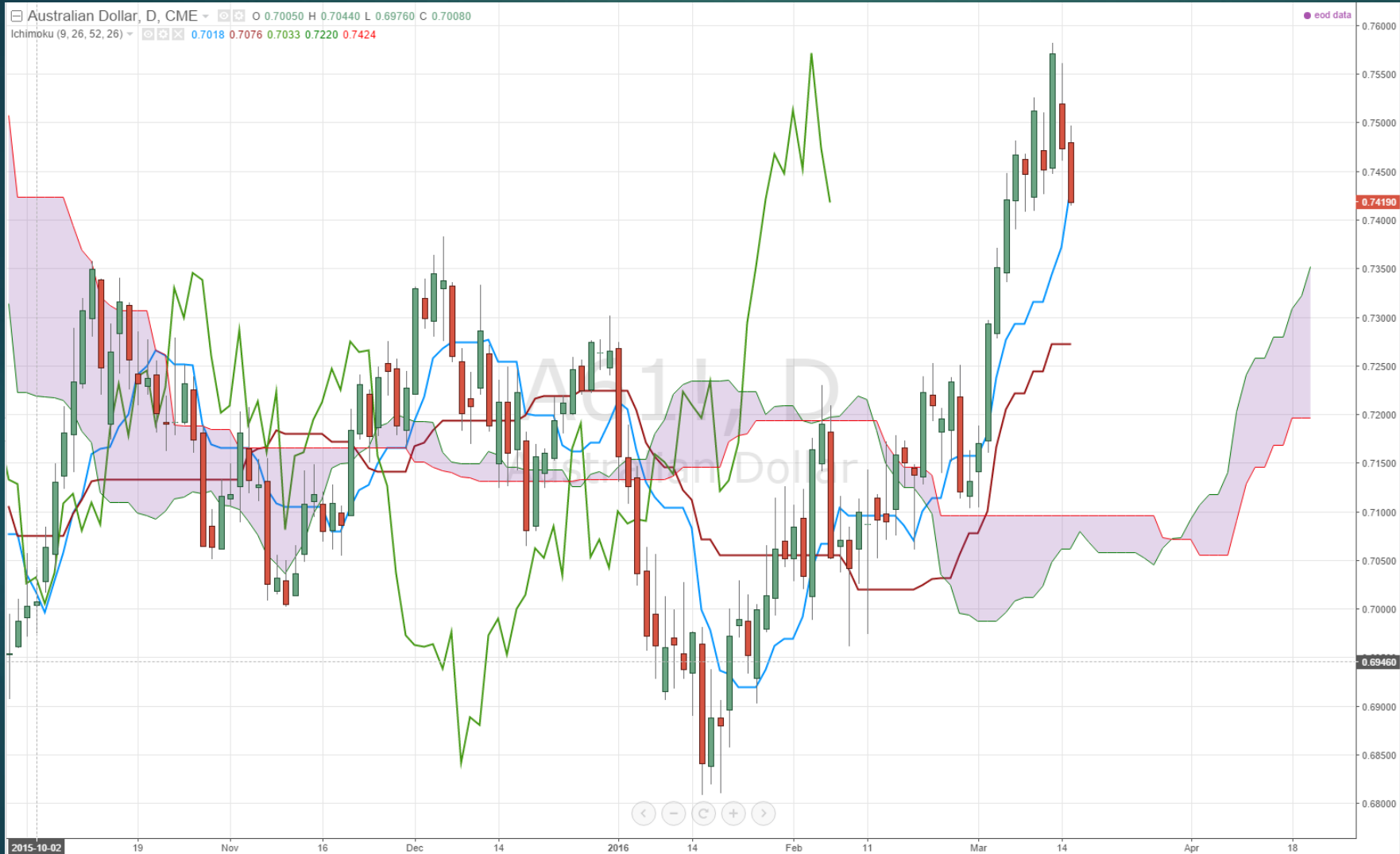
AUD/USD Monthly

Crude Oil - Weekly
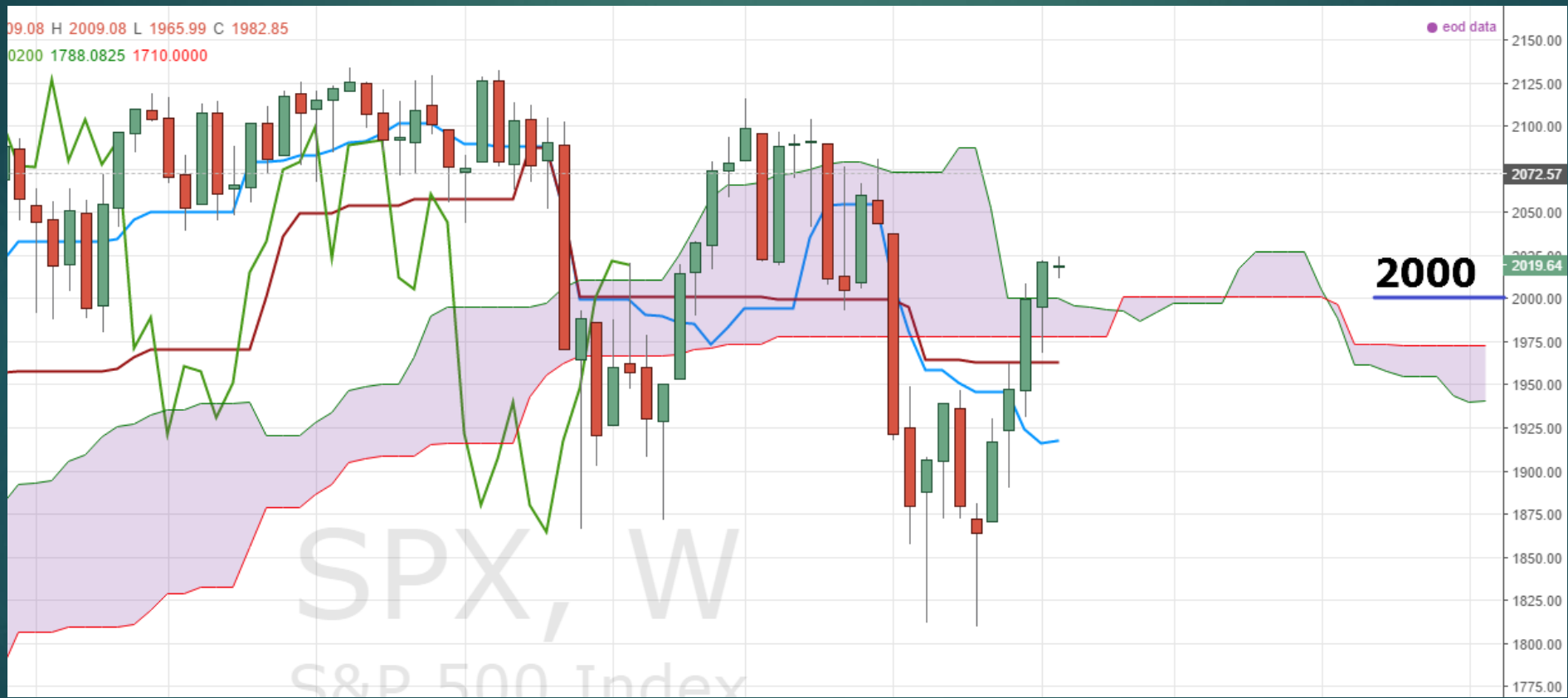
Crude Oil - Daily

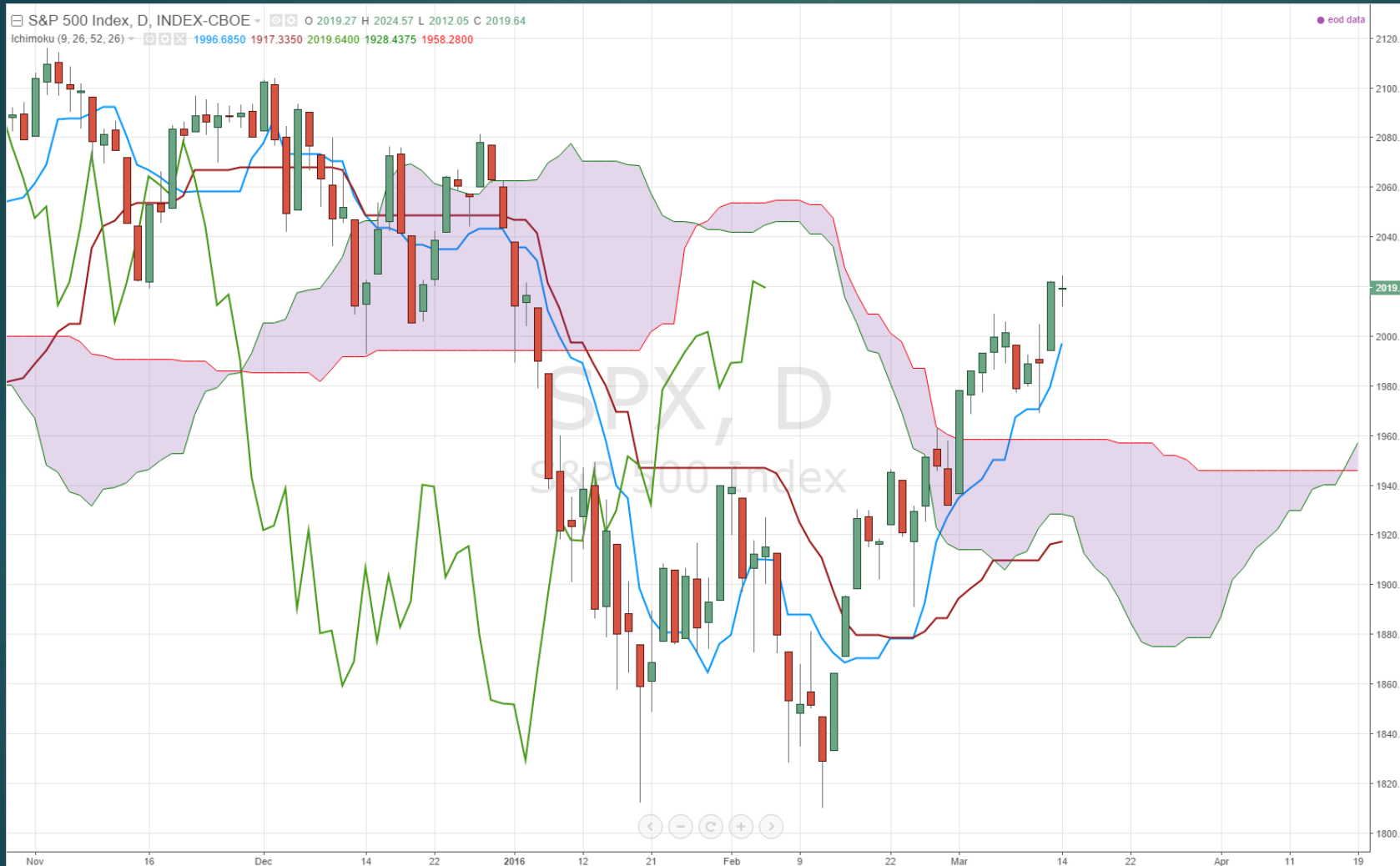# S&P500 Monthly
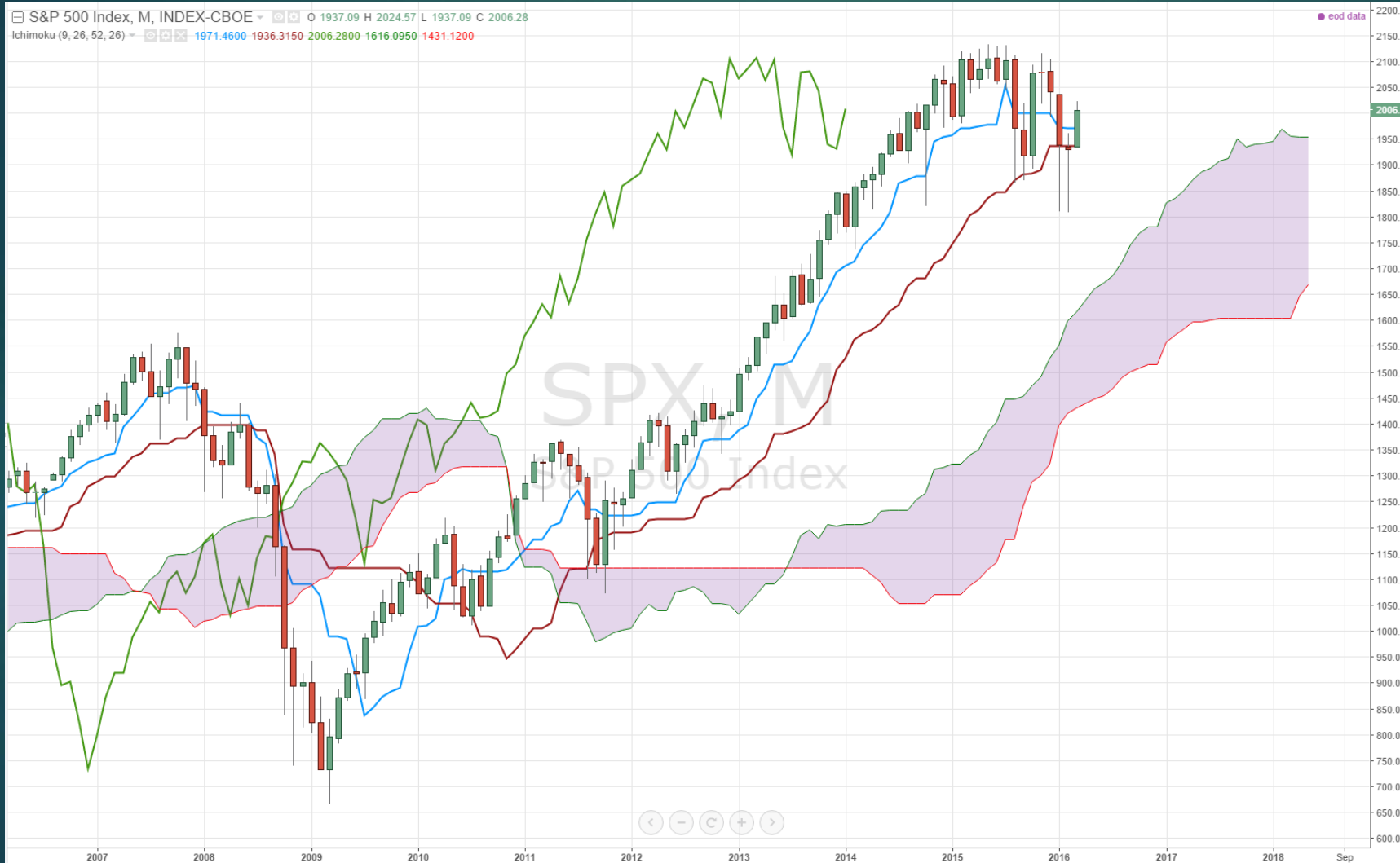
S&P500 Weekly

S&P500 Daily

Software

- Bullcharts (obviously)
- Amibroker
- Tradingview.com
- Stockcharts.com

Further Reading

- Stockcharts.com Chart School on Ichimoku

- Cloud Charts: Trading Success with the Ichimoku Techique by David Linton

Final Thoughts

- Great for gauging sentiment in the market you are interested in
- Use primarily as a secondary indicator
- Use other tools to refine entries and exits
- Ichimoku can lower emotion by keeping you on the right side of the market
- Can be used to filter a short list of opportunities
- A great addition to your technical analysis toolbox
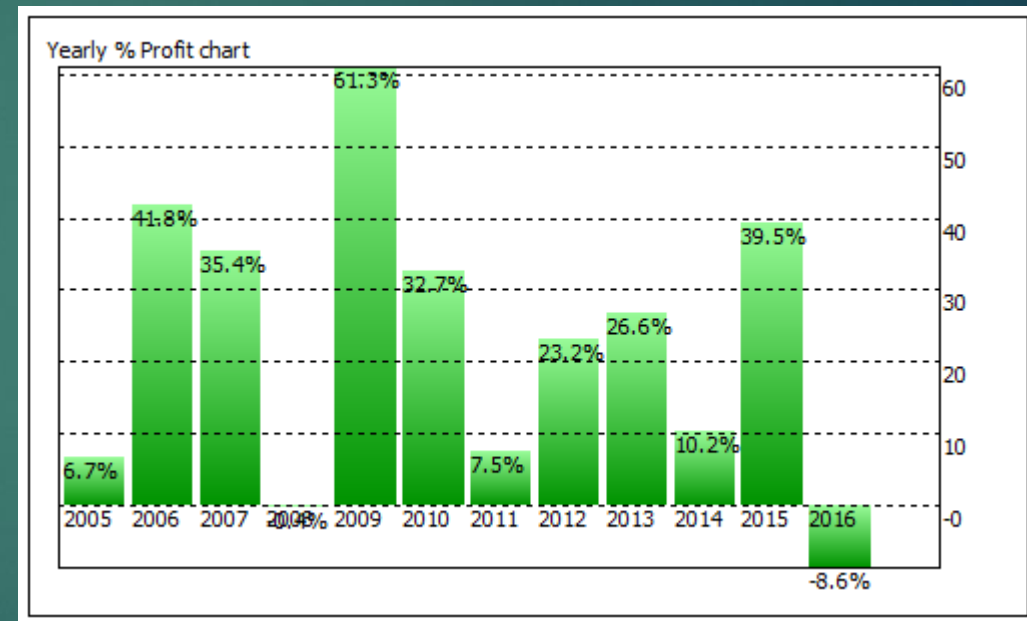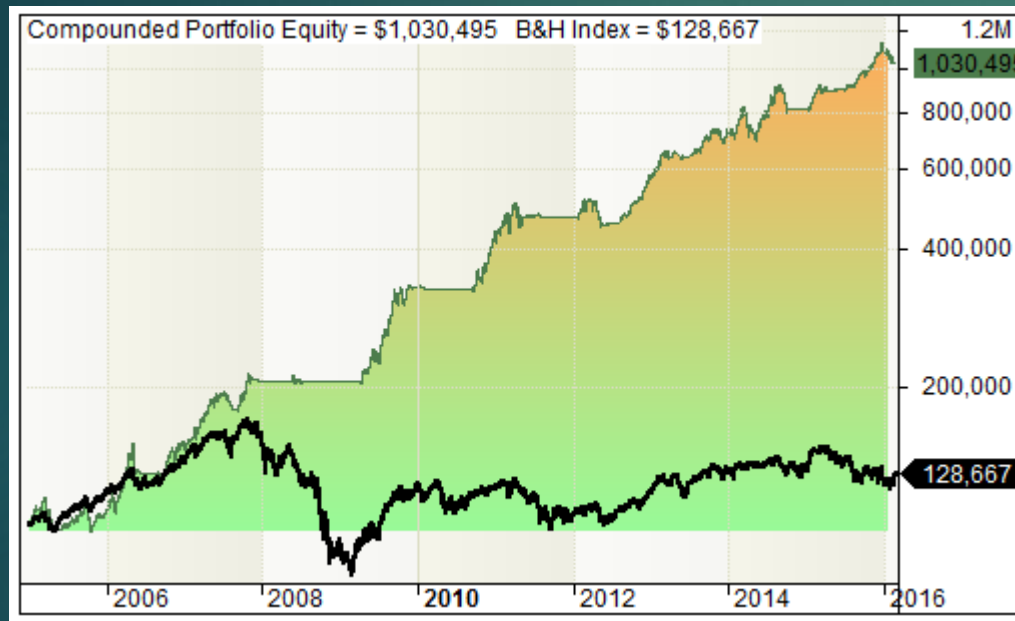
Take Your Trading to the Next Level
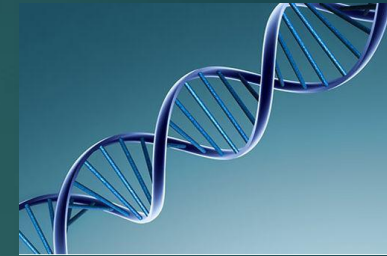
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Now Let's Practise!