

Class 2: Reading Cloud Charts

In This Lesson

- The key signals
- Interpreting the data

Key Signals

Pre-frame

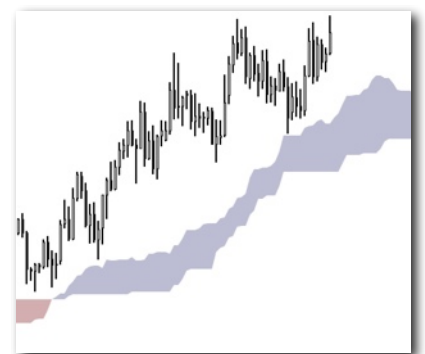
- All of the signals from Ichimoku are “familiar” to you
- BUT they are different than normal
- You are going to learn new ways of getting similar information

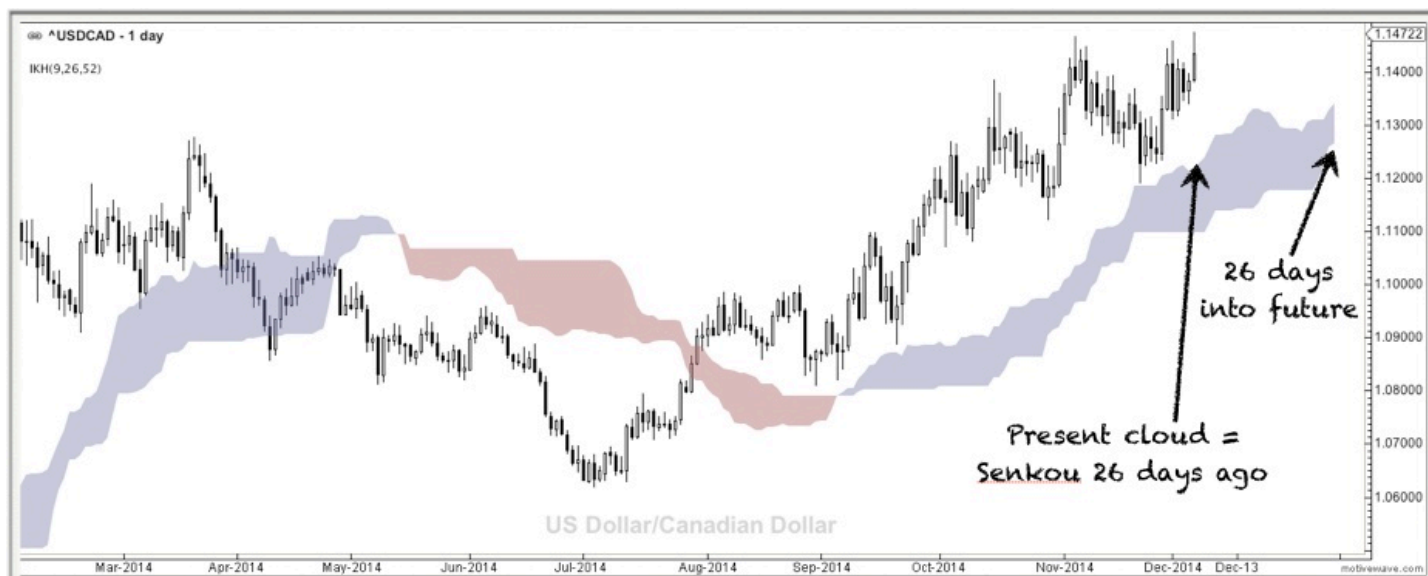
General Info

- Each component of the Ichimoku system provides variations of similar information
- We are going to learn each component separate and then combine them

Senkou A & B Signals

- “The Cloud”
- The “future” part of the system
- Current price is compared to senkou from 26 days ago
- Future cloud is today’s Senkou shifted forward 26 days



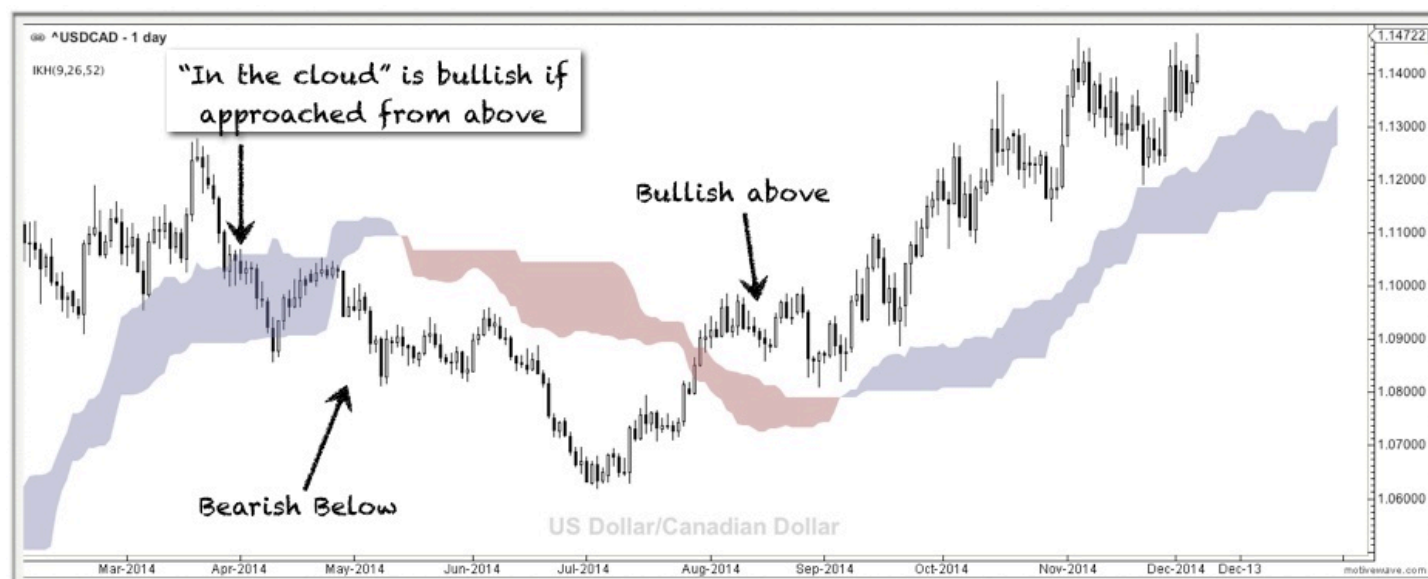


Senkou Signals Continued

- Bullish zone = above the cloud
- Bearish zone = below the cloud
- In the cloud = “correcting”
 - ➔ Bullish if approached from above
 - ➔ Bearish if approached from below

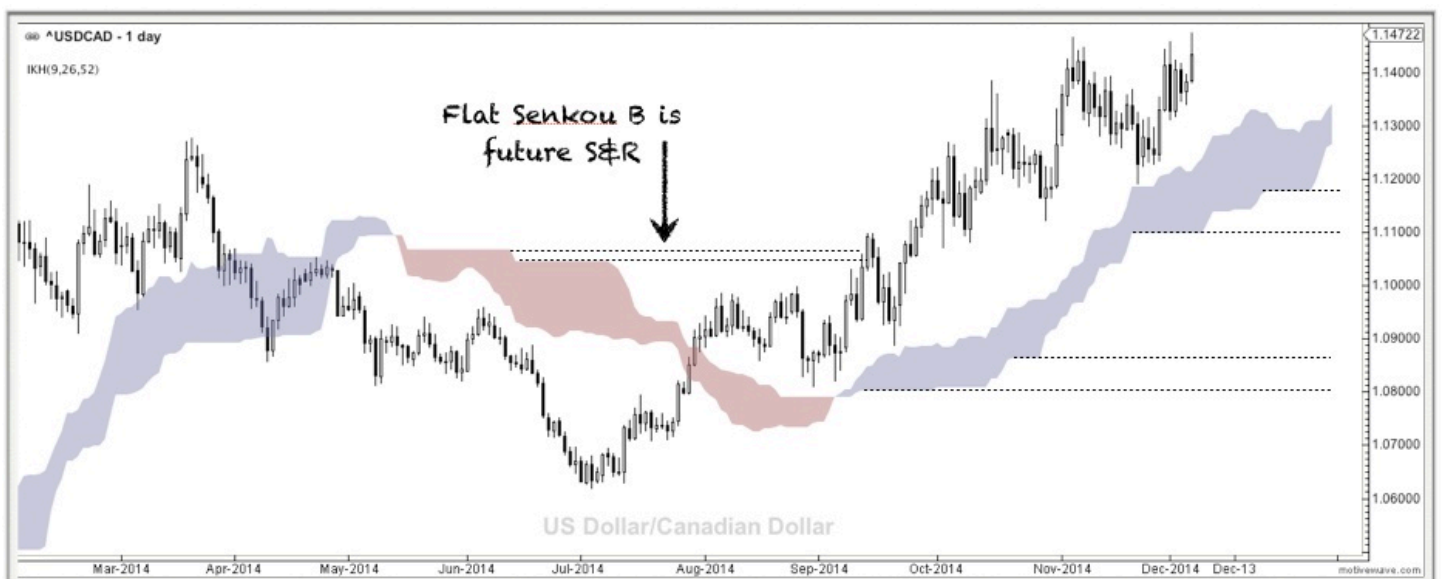
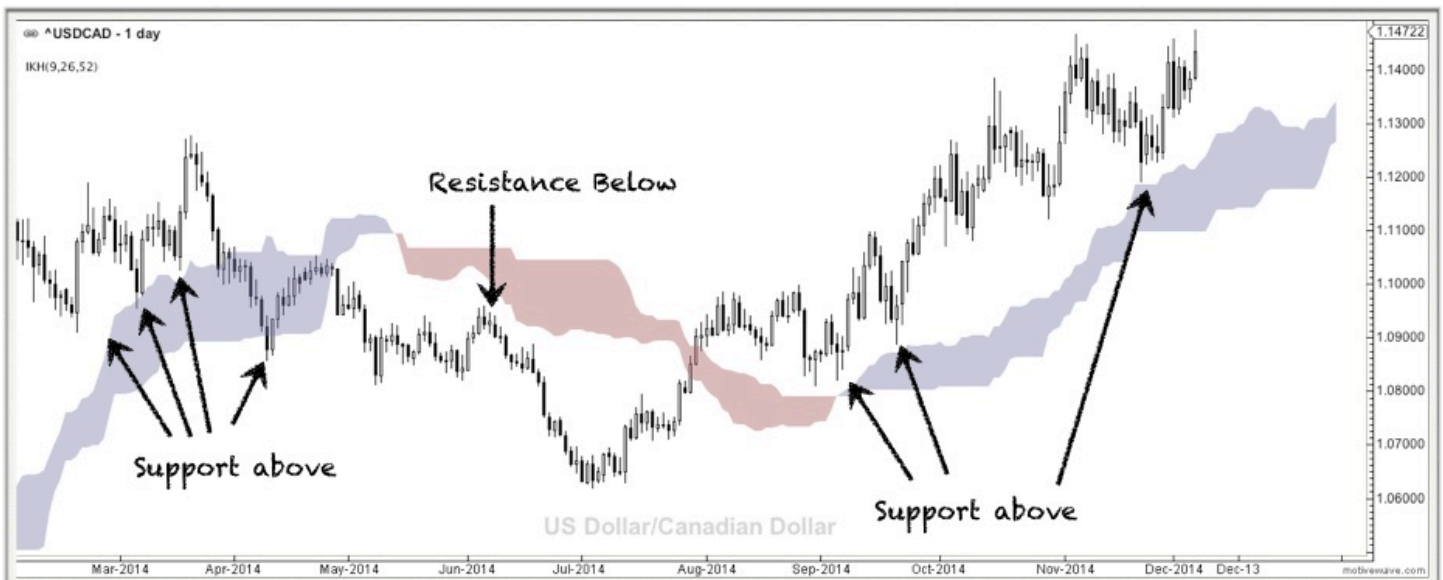
Remember:

“A trend is assumed to be in affect until it has given definite confirmation of a reversal”
- Charles Dow



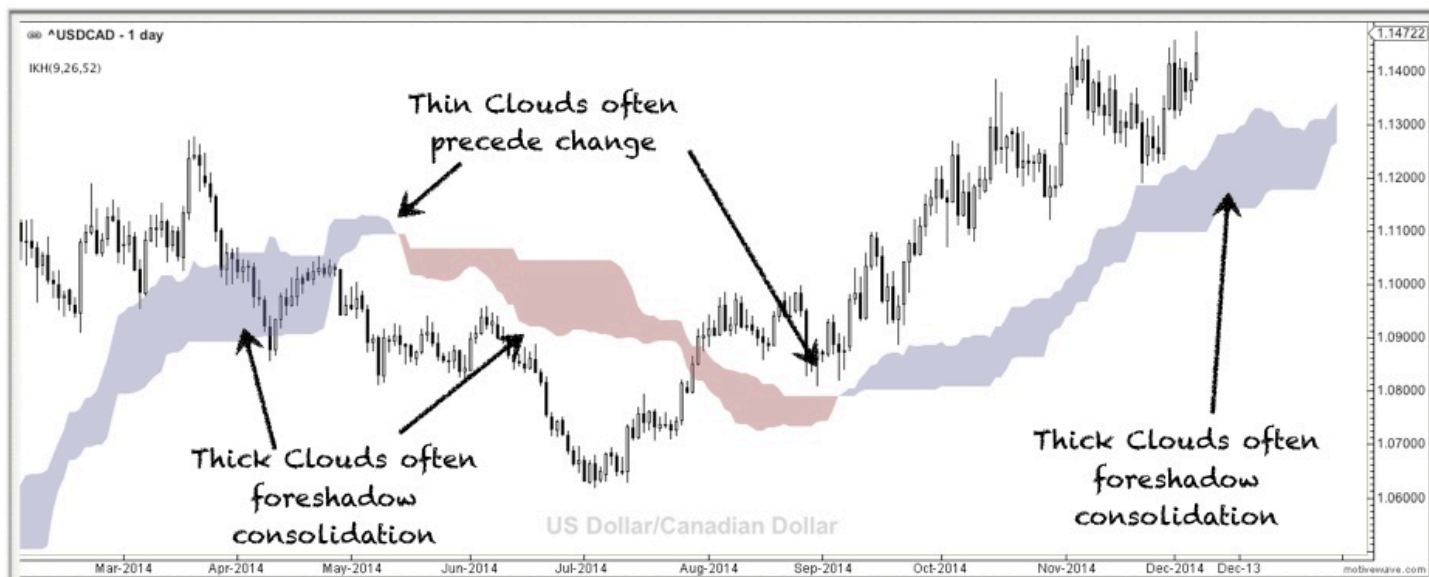
Support & Resistance

- The entire cloud functions as support or resistance:
 - ➡ “Float above the cloud”
 - ➡ “Below the shadow of the cloud”
- Flat Sen B is a S&R in the future
- The longer the flat, the stronger

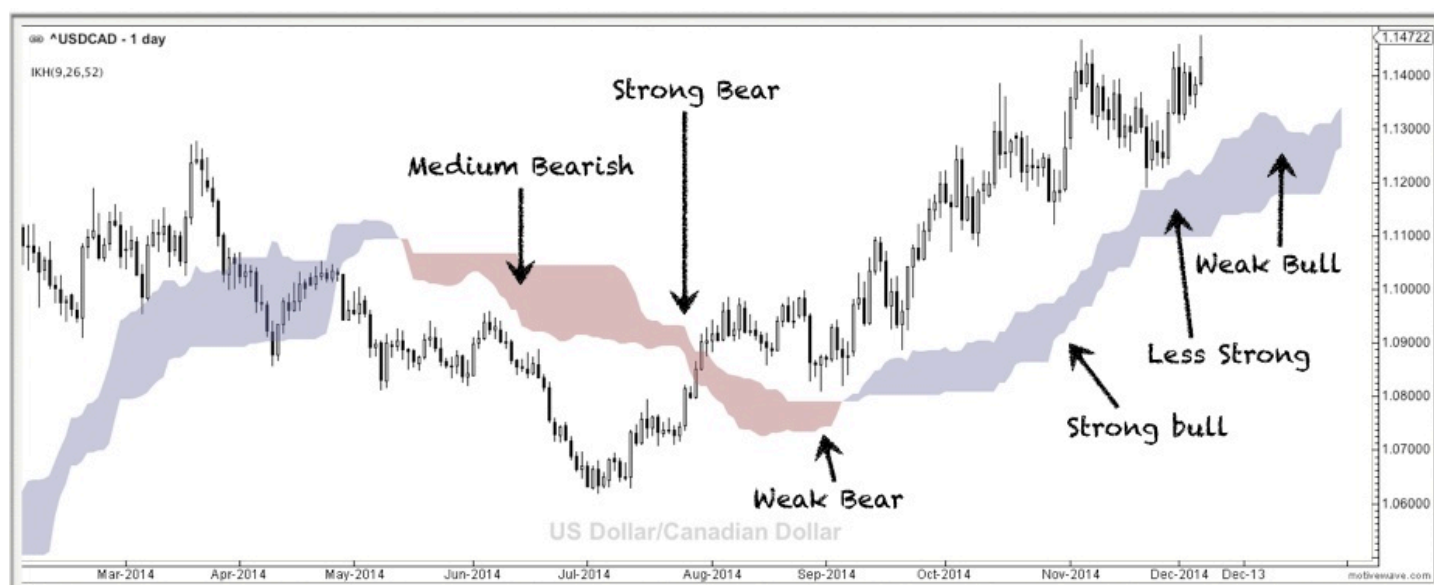


Cloud Thickness

- Thin clouds & Senkou crosses give a rough timing idea in the future of when markets may change directions.
- Thick clouds identify areas where consolidation is likely.
- The thicker the cloud, the more difficult to reverse at that price.

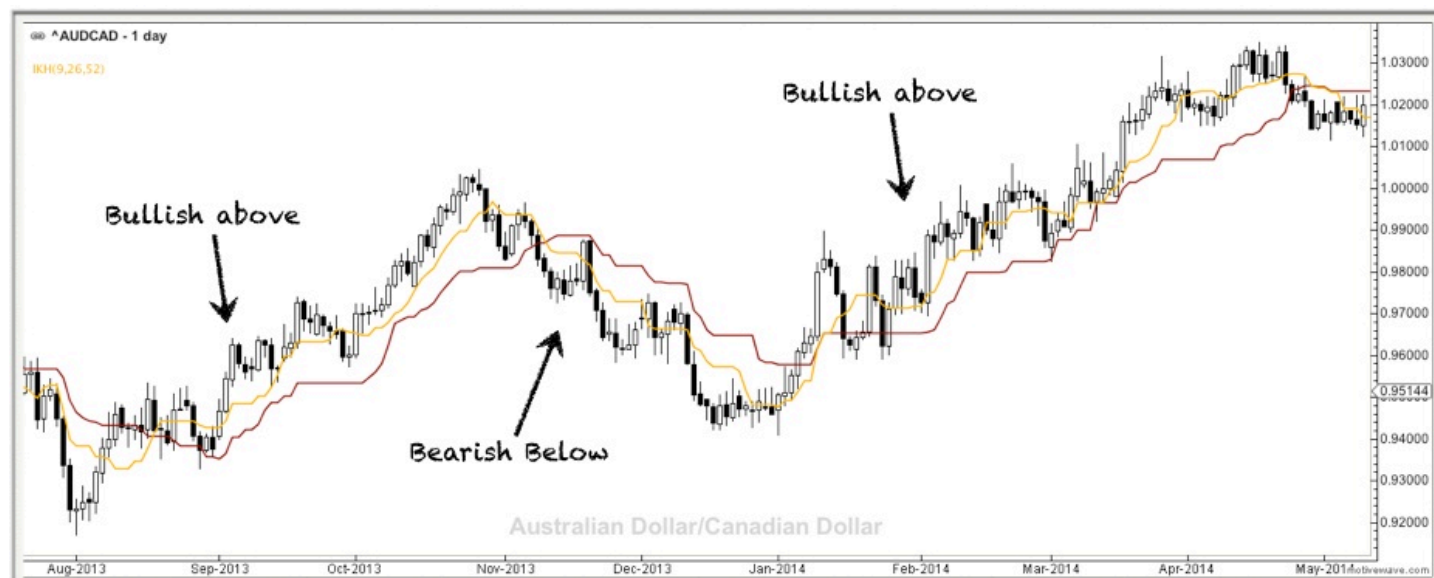


Senkou Line Signals			
	Senkou A Line	Senkou B Line	Sentiment
A Over B	Up	Up	Strong Bullish
	Up	Flat	Medium Bullish
	Down	Flat	Weak Bullish
A Under B	Down	Down	Strong Bearish
	Down	Flat	Medium Bearish
	Up	Flat	Weak Bearish



Tenkan & Kijun Signals

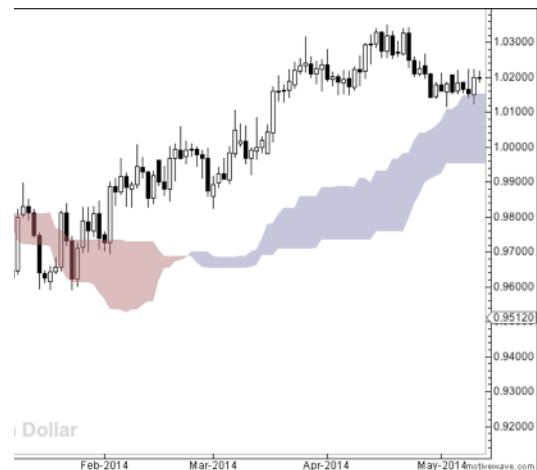
- Provide short term trend data.
- Immediate information.
- Treat very much like a typical moving average.
- Use both lines to get signals.
- Above = Bullish
- Below = Bearish
- Tenken cross
- Support & resistance



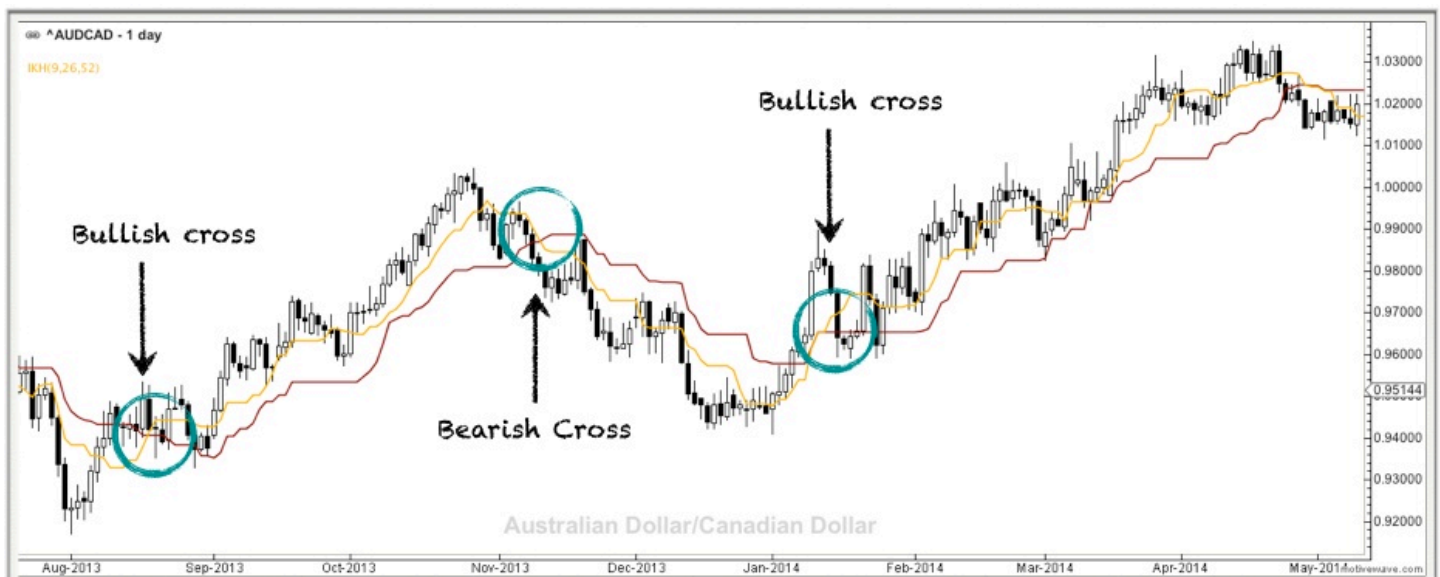


Tenkan/Kijun

VS

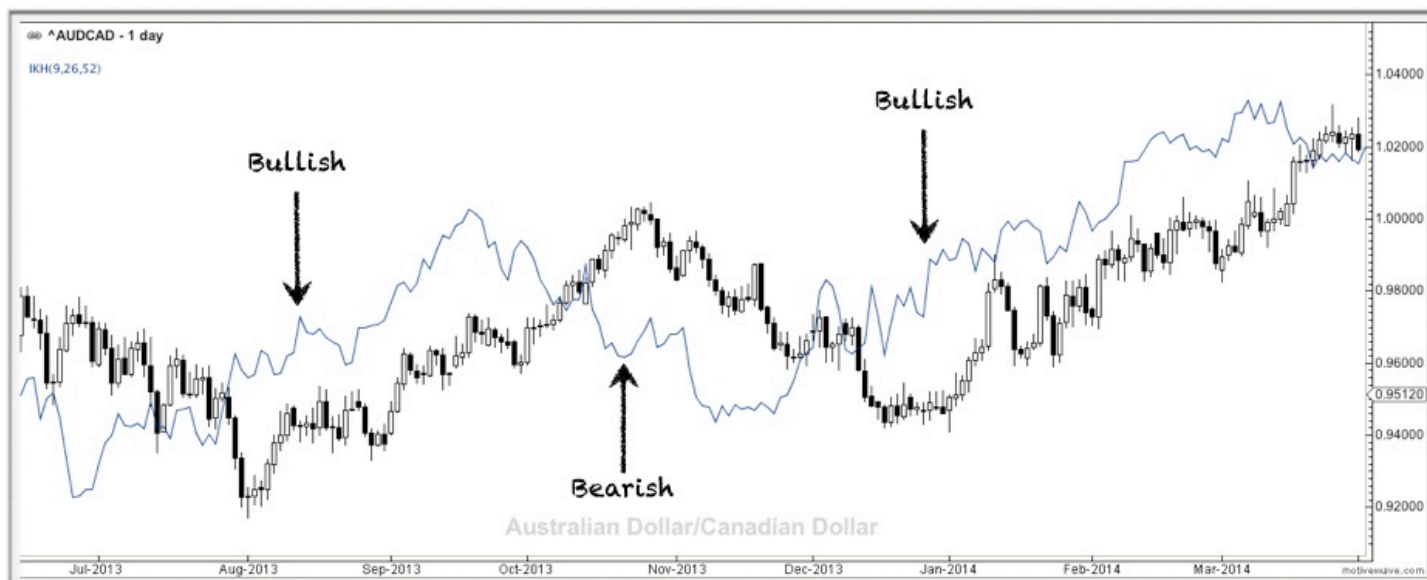


The Cloud



Chikou Signals

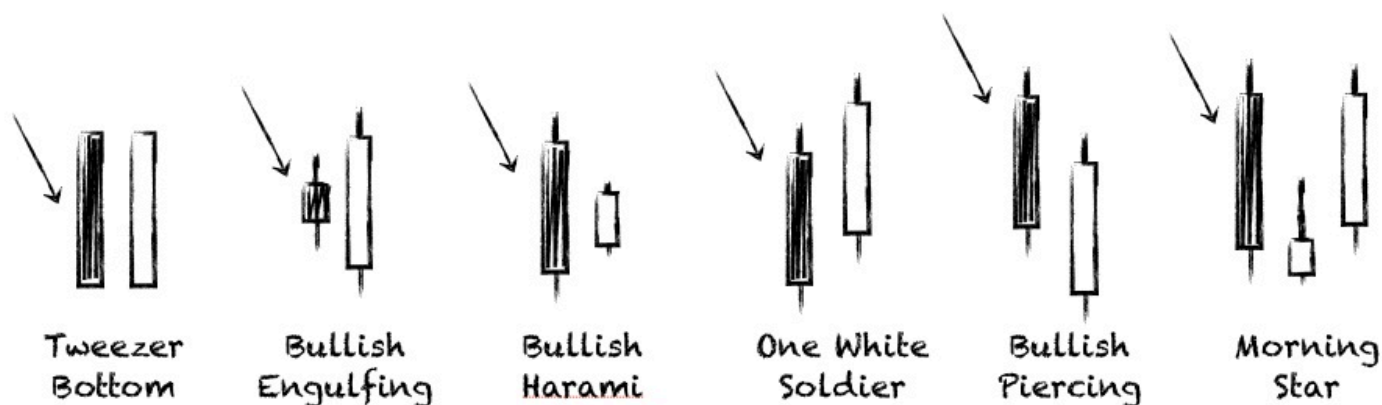
- Compares current price to price 26 days ago
- Bullish = If Chikou is above candles of 26 days ago
- Bearish = If Chikou is below candles of 26 days ago
- Consolidating if running into candles



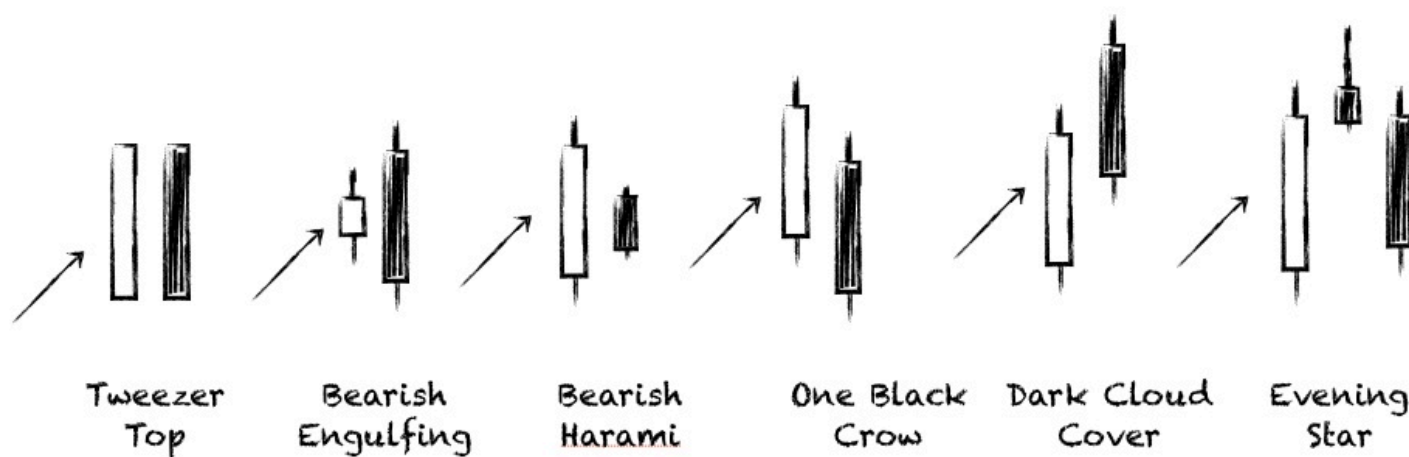
Candlestick Signals

- All of your candlestick patterns that you learned in FOSO are 100% the same
- Candles are most valuable as early reversal signals
- Give timely insight to shift in momentum and swing turns

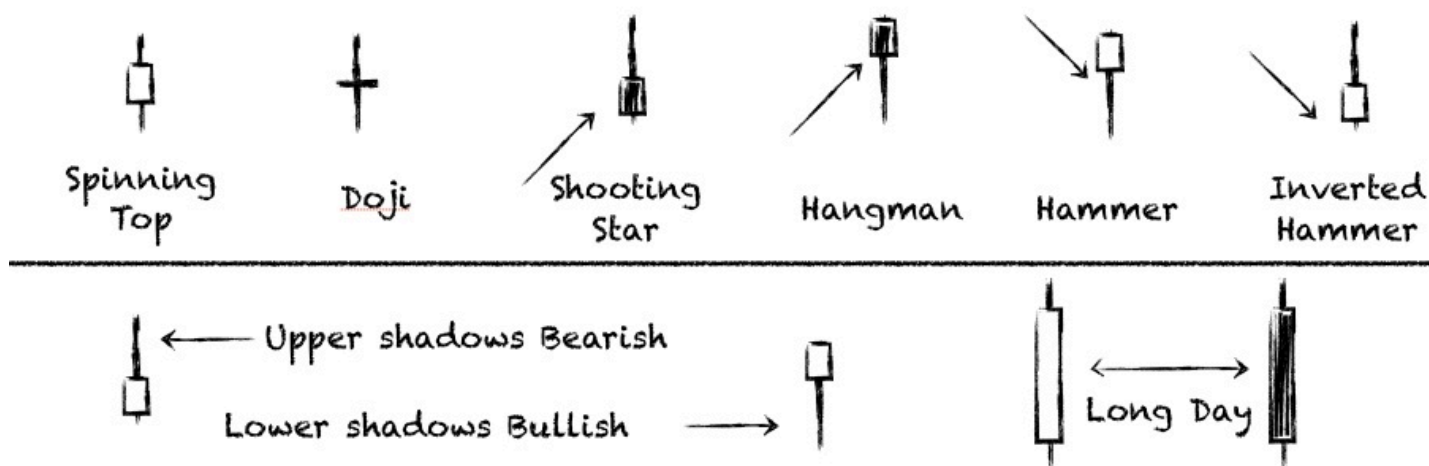
Bullish Candles



Bearish Candles



Single Candles



Interpreting the Data

Now What?

- The challenge is interpreting the data
- On their own each component gives signals that could be traded
- Combined we get “stronger” signals, though maybe not as timely
- You can play with them and customize your own style of usage

Start Small and Build

- To learn, start with each component
- Back trade working the signals from each component
- Then add Candlestick interpretation to each component
- Then add multiple components



Senjou A & B signals (“The Cloud”)	
Price above the cloud	Bullish
Price below the cloud	Bearish
In the cloud from above	Bullish
In the cloud from below	Bearish
Thick Clouds	Likely consolidation
Thin clouds	Potential turning point
Entire cloud is support or resistance	
Flat Senkou B is Support or Resistance	

Tenkan & Kijun Signals

Above Tenkan & Kijun	Bullish
Below Tenkan & Kijun	Bearish
Tenkan & Kijun both up	Bullish
Tenkan & Kijun both down	Bearish
Tenkan & Kijun converging	short term consolidation
Tenkan crossing Kijun	Buy/Sell
Tenkan = 9 day Support/Resistance	
Kijun = 26 day Support/Resistance	

Chikou

Chikou above candles 26 days ago	Bullish
Chikou below candles 26 days ago	Bearish
Chikou above cloud	Bullish
Chikou below cloud	Bearish
Chickou running into candles	Consolidation
Chikou running into cloud	Consolidation

Homework

- Make sure your charts are set up
- Look at 8-10 charts
- Practice interpreting the signals based on what you see
- Write down your interpretations and check them in 2-3 weeks to see how you did