Pin Bars **Revealed**

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Tell me, have you ever wondered…

Why perfect pin bars often fail to cause reversals?
Why trading pin bars at support and resistance is so inconsistent?
Why some pin bars word out fine, but others fail?

If the answer is a big fat YES, read on…

Because today, in this huge guide, I'm going to answer these questions and so much more.

Pin bars are known for being one of the most common price action setups. They strike the perfect balance between being easy enough to spot and strong enough to provide great reversals signals. But, as I'm sure you've seen, it's not all rosy trading pin bars…

Many, if not most, fail to work out correctly.
Some fail even with everything in their favour!
What's the deal!!

On top of that, while pin bars make great entry signals, using them with some strategies (like S & R levels) proves troublesome, with the pins rarely providing clear entry signals.

Together, this really dampers how effective pin bars are, which is a shame…
Because in the right hands and with the right information, they can be exegetically good signals.

And today, that's what you're going to learn…

In this book, I'm going to give you the lowdown on how pin bars really work.
Because what you've learned so far about pins… yeh, it's not quite the full story.

There's so much more to trading pin bars than simply looking for a big wick and confluence – so much more!

That's just the basics – stuff you should know already.
The advanced stuff – that's behind the scenes, behind what you see on the charts.

It's what pin bars represent and how they form that plays the biggest role in whether they cause price to reverse, not whether they have a wick 3x the size of their body or if they form at the right technical levels. Those things are important, but not the be-all-end-all.

That's what I'm going to teach you in this book…

How to look beyond the charts and determine how pins really form. This will allow you to find and trade better pins, helping them to become a far more consistent and profitable setup.

As always:
If you have any questions about what we cover today, feel free to email me using the address below. I'll try to help you the best I can understand the concepts we talk about over the coming pages. For more info on pin bars, be sure to check out my site.

Email address:

And with that, lets' get started…

How You Should Really Trade Pin Bars At Support And Resistance

You know as well as I do:

Trading pin bars at support and resistance…
Really doesn't work as well as people claim.

Can it get you into the odd winner from time to time?
Sure! But then, so can most strategies.

Trading pin bars at support and resistance But, it's not consistent enough to make consistent money, at least as a main strategy.

A few years ago, I set out to find why.
Why is trading pin bars at S & R so inconsistent?
And what can we do to fix it!

I did a bit of research and found two main flaws…

#1: Price often fails to reverse after a pin bar forms, leading to a losing trade.

#2: Pins don't always touch the support or resistance level before price reverses,
leading to lots of missed trades that would have been successful.

Of all the flaws with the strategy, these two, more than any others, hurt profitability.
They cause you to lose money and miss out on successful trades.

But, here's the good news:

Over the last few years, I've come up with a couple of ways to eliminate these flaws…
Not completely (that's impossible), but mitigate them,
so trading pins at S & R becomes A LOT more profitable.

Want to see what they are? Read on…

Why Has The Pin Bar formed?

Ahh, the pin bar…

Few price action signals can match this little tyke.

The pin bar is a great signal for many reasons:

It's easy-to-spot,
provides a simple entry and stop-loss point,
and has a good chance of being successful.

Using pin bars to enter trades at support and resistance works well.

However, one of the easiest ways to make it work better…

Take into account why the pin bar has formed"?.

But wait; what do I mean by "why?"
Don't all pin bars form for the same reason; traders buying and selling?

Well, YES, they do. And that's what most PA experts and guru's will tell you.
But, like so much in forex, it's not the full story. It's a basic answer
There's more to

The truth:
Pin bars form due to a specific group of traders buying and selling: the banks.

Most pin bars, save for a few exceptions, are created by the banks buying and selling. It's not us retail traders, it's the banks. They cause pins to form via three different actions: taking profits, closing trades, or placing trades. 90% of pin bars form due to one of those three actions.

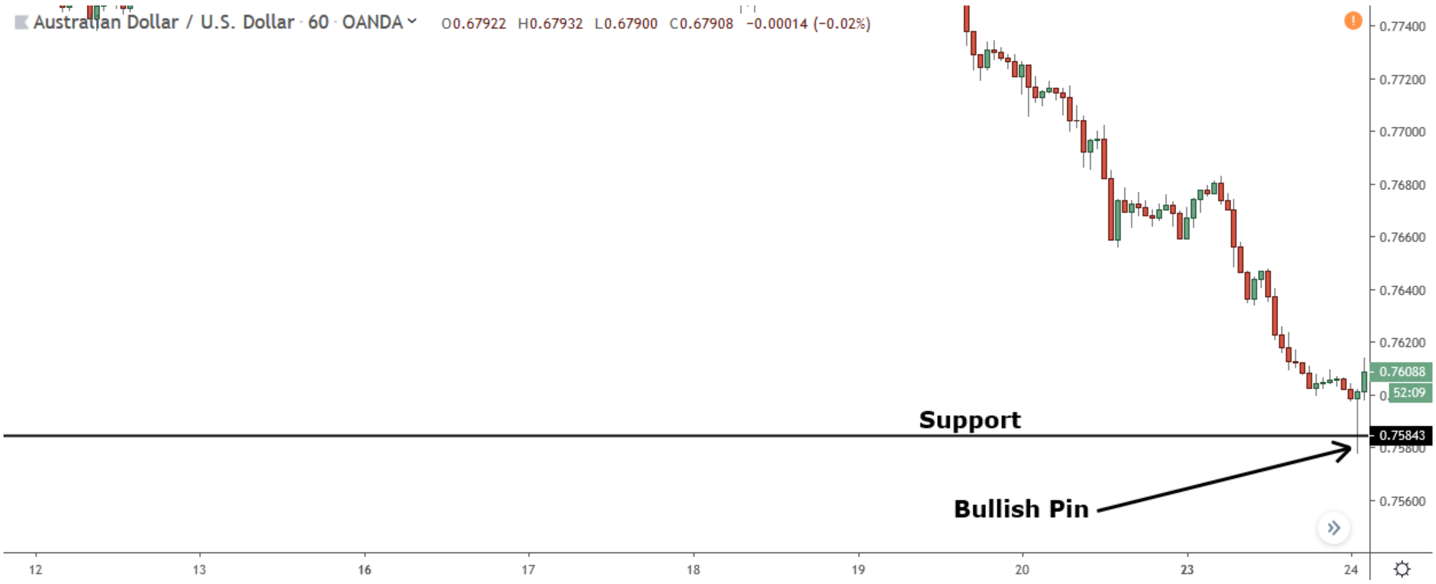
Now, this may not sound like a big deal …
I mean, who cares why a pin bar forms – pins are pins, right?
But believe me, this is a HUGE deal.
Game changing, in fact.

Want to know why price sometimes fails to reverse support and resistance?
It's not because the level isn't strong enough or the pin doesn't have a large wick

- What the "experts" will tell you.

It's because the pin… formed FOR THE WRONG REASON!
That being, the banks taking profits…
NOT placing trades.

Let me explain...



Look at the pin above… *looks just like any other pin, right?*

Small body,
Forms at support.
Long lower wick that sticks out from the surrounding PA.

Overall, this looks like a high probability bullish pin.
That's what all the books would tell you.
Right?

But watch what happens…

After a tiny retracement… price keeps falling.
We see… NO reversal, retracement, or big bounce.
Price simply pauses, then continues falling.
So much for being a great pin, aye?

Now, why did this pin bar fail?

It can't be because of its features; it had everything going for it!
Big wick, small body, formed at a nice support level, etc.

Why did this pin bar fail, then?

It failed because the pin formed from the banks taking profits.
Specifically, taking profits off open sell trades.

To take profits of a sell trade, what must you do?
What action must you take to secure the profit?
Buy or sell?

You must buy back some of what you bought!

Now, in the banks case, they're selling millions.
So, when they take profits, price rises.
They're buying back a huge amount!

If price is falling heavily and they decide to take profits (buy), price starts rising.
Often creating… a bullish pin bar!

The pin forms due to the banks taking profits.
That's why we get the long lower wick.
It's the banks buying via taking profits!

But how can I be sure? Was it really the banks taking profits?
Maybe it's just a dud pin that failed for some other reason?
Could be, right?

Well, the way I know it is a profit-taking pin is because of where it formed.

Look again at the pin…

The pin formed when price was falling heavily, right after a sharp decline.
Put yourselves in the bank's shoes…

You're short 50 million, and price has just dropped massively.
What's your first thought? What would you immediately do?
Take profits!

You'd take profits to secure some of the newfound profit made from the drop.
For the banks, it's the same. They want to take profits off; that way, they can sell more later.

So, we know this pin was created by the banks taking profits…. It had to!

Price could only rise and form the pin if someone bought.
Who buys when price is falling heavily?
It's not retail traders, it's…The banks!

Before trading a pin bar at S & R, always think about why it's formed.
Try to understand what action by the banks has caused the pin to appear.
Then you'll have a better idea of whether price will reverse or not.

If a pin bar hasn't formed by the banks placing trades, guess what…
It probably won't result in a large reversal.
To determine why a pin has formed, just look at where it's appeared…

Pins that form right after sharp rises or declines, like the one in the example, are usually profit-taking pins.
Because that's when the banks always take profits: after sharp moves – it increases their profit!
On other hand, pin that form from the banks placing trades usually form with the trend.

So, if you see a pin form with the trend (trend defined by the most recent higher high or lower low).
It's probably developed from the banks placing trades, and so, is a great signal price will reverse.

I'll elaborate more on how pin bars form throughout this guide.
For now, lets look how to fix the other big flaw with S & R.

Use Support And Resistance Zones Instead Of Lines

Seeing a pin come within a whisker of a support or resistance level but not touch it: and then, provide an entry is one of the biggest problems with trading pins at SnR.

For the longest time, I couldn't beat this win-rate killer.
And, even now, it's something you just can't fix – to a point.
However, couple of years ago, I had a breakthrough…

Support and resistance zones!

Yes, you read that right!!

Definitely one of my crazier ideas, changing support and resistance from levels to zones drastically decreases the number of missed trades you'll have trading pin bars at S & R. The zone gives the pin a much wider area to form in, increasing the chance will form inside rather than miss the level by a few pips.

- And we'll all know how annoying that is!

Speaking of missing the level, take a look at the pin below…

This pin came within a hairs length of hitting support and giving us a long entry into the reversal.
But it missed the level…

We couldn't enter the trade – the signal wasn't valid!
Unless the pin touches the level, we can't enter.
No touch, no trade. It's that simple.

Now, watch what happens when I turn this support into a zone…

The pin bar forms inside! We get a valid entry signal.
Technically, it forms half in/half out, but that's still a valid entry.

Because the pin forms inside, we can now use it to get long.
So, rather than miss this successful trade, the zone allows us to get in.
This is how game changing turning levels into zones can be!

Putting It All Together

Time to put these new concepts together, then.
I'm now going to show you a quick example using these two new concepts.
Before we begin, though, keep in mind:

The way you trade support and resistance using these new concepts is the same.

You mark some zones on the chart.
Wait for price to return.
Then see if a pin bar forms.

The only differences are:
You mark zones instead of lines, and you think about why a pin bar has formed before taking the trade.

Everything else works the same way!

Pins must have a big wick and stick out from the surrounding price action.
Support and resistance levels must be nearby.
And your stop still goes above or below the pin.

Here’s a quick example, so you know what to do…

Above, I’ve marked a resistance zone on EUR/USD.

I marked this zone by locating resistance and then just marking a zone on top.
Easy enough, but keep in mind: the zone MUST span 15 points from the center, either side.
That’ll cover enough area to make sure the pin or any other price action signals form within.
If you want more info on marking the zones, check out my S & R zones VIP post.

Now, we must wait for a bearish pin bar to form.

A bearish pin bar can form either fully inside the area or partly inside, as it has done here.
If it forms fully inside, price will usually reverse soon after. But if it only partly enters the zone, most of the time, price will drive deeper before reversing.

So, keep this in mind – could help you plan the trade better.

Next up: stop loss.

On a support or resistance zone trade, the stop always goes above or below the zone. We need to cover the area between the level and zone edge, as that's where price could reverse. Just like trading supply and demand zones – same concept really.

For support zones, place it below.
For resistance zones, place it above.

If the trade works out, move the stop once price has substantially fallen away.
Now, you just stay in the trade and see what happens.
Simple. With Practice.

Why Do Good Pin Bars Fail To Cause Reversals?

When you analyze a pin bar to figure out whether it has a high probability of causing a reversal or not, what's the most important thing you look for? The #1 factor?

Probably a big wick, right?
You see if the pin has a big wick and has formed in-line with any technical points.
But tell me…

How many times do pins form with all the right features at support or resistance or some other technical point but then fail to cause a reversal?

… I already know the answer.

You might think this is random… *pins fail all the time; that's trading, right?*

BUT, it's not – these pins actually fail for a simple reason…

It's got nothing to do with the wick or what technical points the pin formed at.

In reality:

"Good" pin bars fail because they form FOR THE WRONG REASON.

Here's why…

Pin bars are created from the banks buying and selling as I explained in the last section. In most cases, it's to place trades or take profits, but some also form when they close their trades too.

The banks place their trades or take profits. Price moves in the opposite direction, leaving a long wick on the candle. The result is a bullish or bearish pin bar.

Now sometimes, these pins result in big reversals…

For example:
Pin bars created by banks placing trades naturally initiate large reversals, as you would expect.
If the banks enter big buy trades, they obviously want price to rise, so they can profit; why else would they buy?

These pins – they aren't an issue.
In fact: they're the ones we want to trade.

The *REAL* problem: profit-taking pins – pins that form from the banks taking profits.

These are the most common type of pin bar – they make up at least 80% of the pins you see.

They form, as you can guess, when the banks take profits off their trades… which is a BIG problem. Because if you take profits, what do you expect price to do - continue moving in your direction or reverse and begin moving the other way?

You want it to **KEEP MOVING IN THE SAME DIRECTION.**

That way, you can continue to make money – *and who doesn't want more profit?*
So, if a pin bar develops from the banks taking profits,
Does it have a high probability of causing a reversal?
NO, it doesn't!!

And since profit-taking pins are the most common type, what do you think most traders are trading?
Yep, you guessed it - they're trading the profit taking pins… NOT the pin bars created by the banks placing trades.

Look:

If you haven't had much success trading pin bars,
it's not because you were doing anything wrong…
It's because you were trading profit-taking pin bars:
Pins that NEVER had a high chance of being successful in the first place.

If you really want to improve trading of pin bars, you MUST learn how to determine WHY they've formed; is it from the banks taking profits, placing trades, or closing trades? That's the key that'll allow you to filter the good pins from the weak ones, improving your success rate.

The question now, of course, is how do you do that?

And here's the answer…

Why The Construction Of The Pin Matters

To determine what's caused a pin bar to form, you must learn how the bank's trade. You need to know how they trade so you can gauge what action – taking profits, closing trades, or placing trades – led to a pin bar forming. Then you'll know whether it's worth trading or not.

Now, as you would expect, this is far from easy….

Even with my materials, understanding the banks takes time to learn - it's not something you'll pick up and learn in a day, that's for sure.

But I've come up with a much easier way to figure out why a pin has formed…

The best way to quickly determine why a pin bar has formed… is to look at how the pin is constructed ON A LOWER TIMEFRAME.

When you look at a lower timeframe, what are you seeing?
Yes, you get more candlesticks. But what are these candles showing?
What's different between, say, the 1 hour and 15-minute timeframes?

The difference is we get smaller time intervals (15 mins vs 1 hour), giving us a far more detailed look at what happened in the market during that time.

With pin bars, this means we can see exactly how they formed… how the pin really developed.
Did the pin form due to a sharp rise/decline, or was it made up of small candles?
This information can help us determine what created the pin.

For example…

If the banks enter big buy trades, price will swiftly rise.
On a lower timeframe, that'll appear as big bull candles forming.

If a bullish pin on the 1-hour timeframe develops from big candles on the 15-minute, that pattern probably developed from the banks placing buy trades – them placing big trades would initiate a sharp rise, which would appear as big candles on the 15-minute timeframe.

On the flipside…

If a pin developed from profit taking or the bank's closing trades – both low probability signals price will reverse – we should see low momentum (small candlesticks) on the 15-minute timeframe.

Let's look at a real-world example…

Here's a bearish pin/doji that formed on Eur/Usd – I treat dojis the same as pins, FYI.

Notice, this pattern looks like the perfect bear pin…
Big wick, small body, forms at a powerful resistance level – it even has confluence with a fib level!

On the surface, this pin has all the hallmarks of being a great trade.

But how does it look on the lower timeframes?

YEH – *not looking so hot now, is it?*

On the 15-minute, we can see this pin formed from 4 small candles.

Candle 1 was a bull candle, and in this case, a big one. Price cutting into this created the wick – giving us the impression the pin was a good signal.

Candle 2 was the first bear candle, but it was tiny compared to the bull candle – not a good sign.

Remember: small candles indicate low momentum. If the banks place trades, that'll show as high momentum, i.e – large range candles, engulfs, and outside bars.

Candle 3 was also small, though slightly larger than candle 2.

Again, this is further evidence of low momentum.

Price is falling, yes, but it's doing so with small candles that indicate low momentum – a sign the banks probably aren't placing trades but taking profits or closing trades.

Candle 4 – was another small bear candle that pushed price to the open of the initial bull candle, causing the pin to have an equal close – something that makes it look even more promising, funnily enough.

So, do you see what I mean now –
Why this pin had a low probability of being successful, even though it looked great on the 1-hour?

From the outside, this pin looked amazing!
It had everything - big wick, small body; formed at multiple technical levels with confluence…
a great pin in anyone's books! However, when we dug down into its construction…

It was clear: this wasn't a great pin at all.

While it had a big wick on the 1-hour, the 15-minute revealed the wick developed from small bear candlesticks – a sign there was little to no momentum behind the move.

No momentum = no interest.

Telling us: the pin probably formed from the banks taking profits or closing trades…
NOT placing trades to make price reverse - what we want to see.

What Good Pin Bars Look Like

So, now you know how low probability pin bars are constructed – via small candlesticks that show low momentum – let me show a few examples of high probability pins. Then you can locate them yourself and use them in your trading to enter trades.

With high probability pins, the key point to remember is…

One big candle MUST form in the direction of the reversal

- For bullish pins, one big bear candle must form on the lower timeframe.
- For bearish pins, one big bull candle must form on the lower timeframe.

Big candles indicate high momentum (force) behind the move – especially engulfing patterns.
That tells us the banks probably created the pin from placing trades.
And why would they place trades? Of course…

Because they want price to reverse and move in the opposite direction!

Here's a nice-looking bearish pin bar that formed on the 1 – hour timeframe.

At first glance, this looks like a great pin – *but looks can be deceiving.*
Let's drop down to the 15 minute; see how this pin is constructed.
Then we'll know if it's really a good pin or if we're being tricked.

Straight away, what can we see… a big bear candlestick!

The pattern formed when price climbed higher (candle 1 – the first candle is always the start of the hour).
Then continued climbing slightly (candle 2) before starting to fall on candle 3 – creating a tiny bear pin.
A large bear candlestick formed (candle 4) before the pattern completed and price fully reversed.

With candle 4 being so big, we know the banks probably created this pin from placing sell trades…

The big candle tells us there was significant momentum behind the move – a typical signal the banks entered large sell trades to make price reverse.

So, we can take the trade with the confidence of it being a high probability pin.

BTW – you can also use this method to check pins on other timeframes…
Check out this pin on the daily chart…

Again, this pin bar has all the typical characteristics of being a great pin.

The question is, how is it constructed on the lower timeframes?

Let’s find out by looking at the 4-hour timeframe.

Here, we can see the pin formed after a sudden sharp move higher – what does that tell us?

That there was significant momentum behind the move, meaning: the pin was probably created by the banks placing buy trades, making a reversal likely.

And, as we can see…

Soon after the pin completed, price reversed, and a large up-move ensured – confirmation the bullish pin formed from the banks placing sizable buy trades into the market.

Not bad, eh?

If you want to check the construction of a pin bar, make sure to use the following timeframe combo's:

Lower Timeframes:

5 Minute Pin Bar – Check 1 Minute Timeframe

15 Minute Pin Bar – Check 5 Minute Timeframe

30 Minute Pin Bar – Check 5 Minute Timeframe

Higher Timeframes:

1 Hour Pin Bar – Check 15 Minute Timeframe

4 Hour Pin Bar – Check 1 Hour Timeframe

Daily Pin Bar – Check 4 Hour Timeframe

Weekly Pin Bar – Check Daily Timeframe

Also, always remember to look at the construction of the pin from the beginning of the period – e.g, that hour for 1-hour pins – to the open of the next candle.

So, if you analyze a 1-hour pin…
Always start with the 15 min candle that formed at the beginning of the hour.
Then end by looking at the 15 min that formed at the end of that hour.
That'll give you the complete picture of what price did to cause the pin to form.

Simple enough, but it's important to remember, nonetheless.

Important Things To Remember…

Before you go off and start using this method yourself, here's a couple of key points to remember about using this method to determine why a pin bar has formed.

1. Good Pins Can Still Fail (And Will)

I probably don't need to say this but… this method is no silver bullet:
Some pin bars will still fail even with a great construction – big candle or otherwise.
Unfortunately, that's just the nature of trading.

We can't get everything right 100% of the time; it's impossible!
We can only do our best to increase the probability of our signals being successful – pin bars in this case.

No magic tricks or techniques will instantly allow us to only find and trade the best pins. It doesn't exist! Today's method will help, but it won't change your trading overnight.

You still need to combine pins with technical points – S & D zones, S & R levels, fib retracements, etc.

The more factors a pin bar has in its favor, the better its chance of success.

Seeing a nicely constructed pin bar develop from a big candle on a lower time is a great signal on its own, but not enough to warrant a trade entry. Other factors must also line up with the pin bar to make it a valid trading opportunity.

Here's a quick list of some of the best factors I look for…

1. Support and resistance levels.
2. Supply and demand zones.
3. Big round numbers – prices ending in 00,000, or 0000.
4. Fibonacci retracements.

2. You DO NOT Need To Analyse Pins That Form At S & D Zones

You must analyze the construction of all pin bars, whether they form at support and resistance levels, Fibonacci retracements, or any other technical point of significance.
The only exception to this rule…

Supply and demand zones.

Why don't we analyze these pins, you ask?

It’s because of how S & D zones form!
Remember…

Supply and demand zones are created by the banks buying or selling at a defined point – the zone.

So… why do we need to analyze the pin bar? We already know whatever pattern forms inside the zone is from the banks buying or selling to take profits or place trades – or close trades in rare cases. Because that’s why the zone has formed in the first place.

We don’t need to look at the construction of a pin – it’s not important!
The zone itself reveals what the banks are going to do from why it formed – RBR/DBD zones usually form via profit-taking, so any pin that appears inside more than likely developed from profit-taking… we don’t need to check.

Supply and demand zones are the only exceptions to this, however…
For every other level or technical point, you must check how the pin formed on a lower time frame before trading.

3 Pin Bars Secrets That’ll Improve Your Trading

Before we come to the end, I want to give you my top 3 secrets for trading pin bars. These will help you find and trade better pins as well as keep you on the right track when filtering opportunities.

Here’s secret #1…

#1. Small Pins Have A Low Probability Of Being Successful

Price action gurus always say the key features that determine if a pin bar has a high probability of causing a reversal are #1 the wick, #2 the body, and #3 what technical levels it forms at – in that order too.

Funnily enough, this is bang on – the gurus are right!
Do big wicks and lows of confluence increase the power of a pin?
Of course, they do, I even said the same earlier!

However, I’d argue that another feature to take into account is the overall size of the pin… Not just the wick or body size, but its overall size from high to low - that’s a key factor few traders never mention. The size of the pin is important because of how pin bars cause price to reverse.

Before every pin forms it looks like this…

A HUGE bullish or bearish candle – or large range candles, as some know them.

These candles show a large price change is underway. They form when price jumps higher or lower; that's why they're so big! But that's only what they show on the surface…. behind the scenes, what they reveal, is that a massive number of traders are now buying or selling.

If you've seen these candles before, you know how enticing they look.
When they form, it looks like price is heading to the MOON!!
They almost beg you to jump and get long or short.
And, for many traders, that's what they do.

When they see these candles form, they rush to enter in the same direction. Price rapidly falling or rising gives them a severe case of FOMO. They think price is about to take off without them, so they enter to ensure they don't miss out on this huge new move.

Now, as I said…
Before a pin bar becomes a pin, that's how it looks – like a super bullish or bearish candle.
The candle gets carved into a pin because the banks buy or sell and push price the other way.
That's why creates the wick and causes the pin to form.

Before a pin bar forms, then, thousands of traders are entering trades in the direction of the candle because it looks like price jumping lower or higher.

Now, what would happen if price moved against these traders?
What will they do if price, which is moving strongly, suddenly reversed?

They'd close, right? They'd be put at a loss, and many would close their trades.
But how do you close a trade? What must you do?
You must take the opposite action!

To close a sell trade, you must buy back what you sold.
To close a buy trade, you must sell what you bought.

So, if tons of traders begin closing their losing trades, what effect will that have on price?

It'll move in the opposite direction!

And that, Ladies and gentlemen, is how every pin bar forms: from trigger happy traders jumping in long/short and then closing their losing trades.

They enter because they think price will keep falling or rising due to the large candle.

The banks then place trades, take profits, or close trades. That pushes price against the traders, forcing them to close at a loss. The resulting moves creates a long wick, causing a bullish or bearish pin bar to form. The pin is the manifestation of traders closing their trades. Make sense?

It might not seem like a big deal, but this small fact means the overall size of the pin plays a huge part in whether or not price will reverse because think about it…

The larger the pin, the more traders who enter short or long during its formation.

If the pin forms due to a sharp decline, lots of traders enter short. That means more will close once price moves against them - making it more likely for price to continue in the same direction, significantly increasing the chance of a reversal.

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I guess the next question is…
How do you know whether a pin is the right size?
Really, you can't – at least not scientifically.

Since every pair has a different level of volatility, I can't give a definitive answer on what size a pin should be to indicate a reversal. That said, you can just eye up the pins and compare them. If a pin is overall (from low to high) very small, it's got a low chance of causing a reversal.

Here's a quick image to help you out…

All the pins above - these are what I would consider too small for trading.

Being so small meant that few traders bought or sold when the pin was forming. So, when price moved the other and created the wick, not many closed their trades. That lack of momentum meant price had a low probability of reversing, which made the pins bad signals.

2. Confluence Isn't As Important As You Think – But Still Important

Confluence is one of the most critical concepts to understand in yet. But when it comes to trading pin bars, confluence really isn't as important as everyone says.

Here's why…

The problem with confluence isn't that it doesn't work… far from it.
It's the key to finding and trading the best pins, like I showed earlier in the book.
The problem with confluence is simply that it's not as important as understanding why the pin formed.

Take this pin bar for example…

This pin is the typical high probability bullish pin bar. It has a big wick, a small body, and has formed at a major support level.

By anyone's standards, this pin should cause price to reverse.
But watch what happens…

After a tiny retracement, price keeps falling.
Rather than cause a large reversal, the pin only set off a small retracement.
Why did this pin with all its features and confluence fail to generate even a small reversal?

The answer: **because it didn't form from the banks placing trades but taking profits.**

Like I said earlier, pin bars are never created equal – both in terms of construction and why they form. Pins come in many shapes and sizes and can form for several reasons: the banks taking profits, closing trades, or placing trades.

Most, like the one above, form due to the banks taking profits.
These pins, no matter what confluence they have, have a LOW probability of being successful.
Because after they take profits, the banks want price to continue in the same direction.

They don't want price moving the other way – the direction of the pin. They want price to continue in their direction so they can make more money.

That's why the pin above failed: the banks took profits; they wanted price to continue falling.
The fact the pin had a big wick and formed at a decent support level…. That was irrelevant!
The banks DID NOT want price to rise; they wanted it to continue lower.

Does this mean confluence is useless then?

Not at all…
For finding points where price may reverse in the future, it's still important.

It just means that for candlestick patterns, it's always secondary to why the pattern has formed. That is and always will be the #1 factor. Everything else – whether it be wick size, confluence, body size – is secondary because why the pattern formed is more important.

3. Pin Bars With Giant Wicks (Almost) Always Causes Reversals

Most traders already know they should watch for pins with big wicks – you hear it all the time.
I'm not here to repeat that again.

However, what I am here to say, is that…

Pin bars with HUGE wicks, wicks that really stick out from the surrounding price action and are obvious from one glance at a chart, almost always cause price to reverse.

Here's what your typical big wick pin bar looks like.

The wick on this pin is around 5 times the size of the body, which is beyond what most price action guru's and books say is the ideal size for a big pin.

Now, let's look at what I mean by a giant wick…

Much bigger, isn't it?

Don't see pins like this too often, do you?

These pin bars, which have a massive wick, nearly always result in a large reversal taking place – why?
It all comes down to what I was saying earlier, about how pin bars form and cause price to reverse.

Pin bars initiate reversals because the traders who entered trades when it was forming – when it appeared as a large candle – close their trades at a loss. Them closing is what causes price to move in the opposite direction and create the wick we see.

This means that…
The bigger the move that created the pin, the more likely price will reverse.
More traders will be closing losing trades, increasing the chance price will reverse after the pin forms.

If a pin forms with a gigantic wick, like the one above, that tells us thousands of traders entered short when the pin was being created. Once price reversed and the wick began forming, those traders started closing. That generated massive buy pressure, giving the pin a great chance of causing a reversal.

This is why pins with huge wicks almost always cause large reversals!
It's the massive number of traders who close when price starts to form the wick.
Them closing is what pushes price the other way and makes a reversal more likely.

Pin bars with giant wicks don't form every day, so they won't replace your normal strategy. However, they are an excellent high probability side setup. Use them alongside your core strategy to get into additional trades and boost your profits and win rate.

Closing Words

Improving your success rate trading pin bars isn't a case of looking for more confluence or being pickier with wicks – though that does help. It's a case of understanding *why* the pin has formed in the market, what action (by the banks) has caused it to form.

Is it the banks taking profits?
Are they closing trades?
Entering trades, perhaps?

More than anything else, that is what determines whether the pin is a strong one.

If a pin forms for the wrong reasons (like profits taking), the chances it'll cause a reversal are slim, regardless of what confluence it has or how big its wick is – but again, that is still important.

From now on, always ask yourself…

Why has this pin bar formed?
What action has led to the pin forming?

Like I said, most pin bars form via profit-taking – because that's the most common bank action. Avoid these at all costs!! These are the low probability pin bars, the pins that rarely result in large reversals – the pins you've probably been trading the most.

They typically form at the end of sharp rises and declines, sucking traders into entering the other way.
The pins you want to trade are those that form due to the banks entering and closing big trades.
These don't form often but have an extremely high probability of being successful.

You can find them by…

#1 Thinking about why the pin has formed, and...

#2 Looking for pins with exceptionally big wicks – wicks that make the pin stand out from the surrounding price action and obvious from one glance at the chart.

Get good at finding these pins, and your hit rate will skyrocket!

That, I can assure you.

Remember:

Check out my site (and VIP section) if you want more information on pin bars. I've got a bunch of articles that'll help you make them even more effective in your trading.

Be sure to watch my video course too!

The concepts explained will make it significantly easier to find and locate strong pins – those that form via the banks entering/closing big trades.

Thanks for reading, guys.