Forget what you've learned. The Pinbar trading strategy isn't what you think.

To tell you the truth:

I once believed the *Pinbar trading strategy* was the "holy grail" of trading.

All I needed to do was, spot this trading setup, enter the break of the Pinbar*,* set your stops, and make consistent profits every month.

I thought to myself…

"How difficult can this be?"

So, I started looking through the charts for a Pinbar. On the daily, 4-hour, and 1 hour and even 5 minutes timeframe.

The outcome?

I got nowhere, really.

Sometimes I won, sometimes I lost. The bottom line is, I didn't know what the heck I was doing.

And it's not until I learned how to read price action of the markets, that everything started to make sense to me.

Now, if you are trading Pinbars and not getting the results you want, then today's post is for you.

Because you'll learn:

- What does a Pinbar really mean
- Three biggest mistakes you must avoid with the Pinbar trading strategy
- How to improve your odds when trading the Pinbar

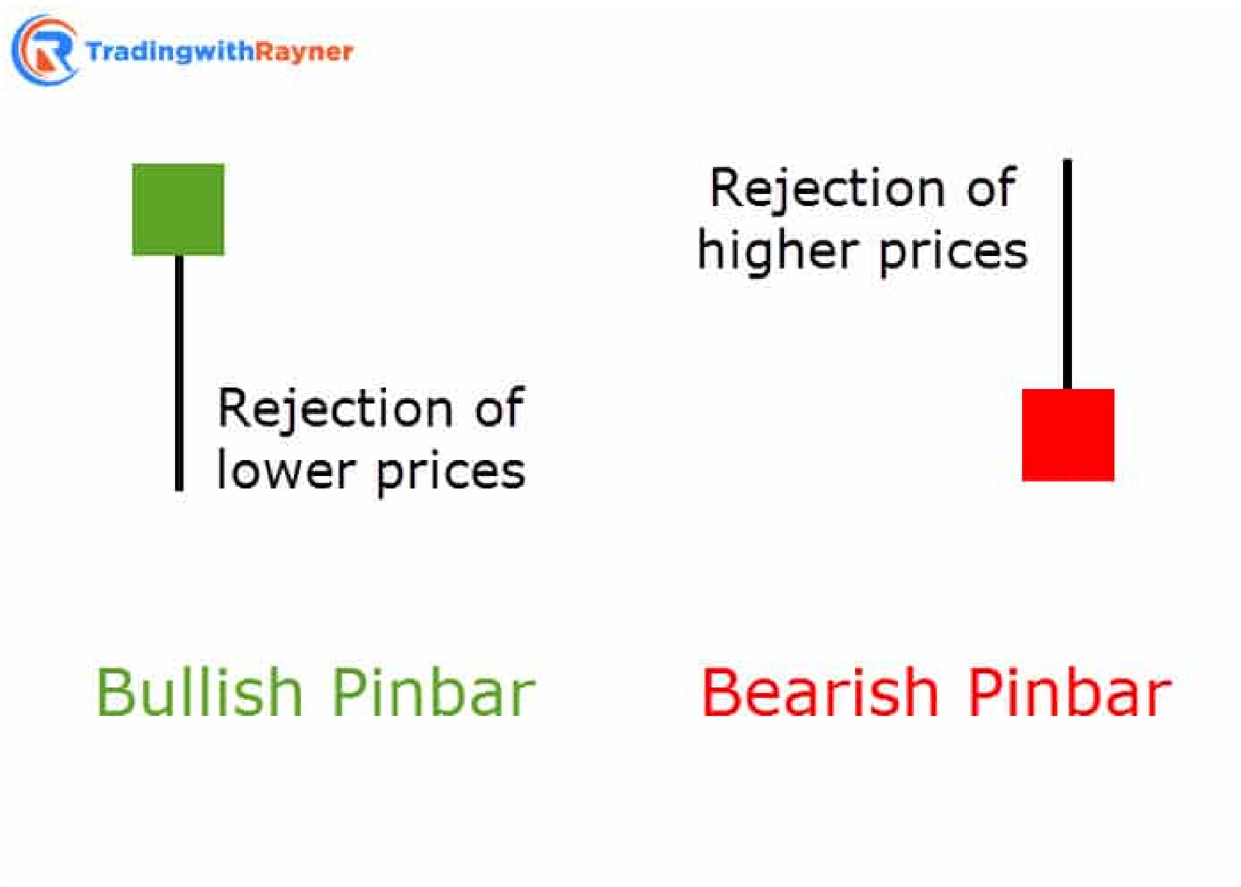
Are you ready?

Then let's get started.

What does a pinbar really means

A bullish Pinbar shows rejection of lower prices. The lower wick shows the bears were in control earlier but was eventually overcome by the bulls.

A bearish Pinbar shows rejection of higher prices. The upper wick shows the bulls were in control earlier but was eventually overcome by the bears.



Here's something important:

The Pinbar is usually a retracement on the lower timeframe.

An example:

So…

If you're trading the Pinbar by itself, then what you're doing is trading against the trend on the lower timeframe.

Now, I'm not saying the Pinbar trading strategy doesn't work. But you need other factors of confluence to make this work out (more on this later).

Three biggest mistakes you must avoid with the Pinbar trading strategy

Mistake #1 – Assuming the market will reverse because of a Pinbar

Look:

An uptrend will not reverse just because there's a bearish Pinbar on the chart. It takes much more than a single candlestick to reverse a trend.

Heck, even a major news release has difficulty reversing a trend, what more of a Pinbar?

So…

If you spot a Pinbar against the trend, watch what happens next. The odds are the trend will continue.

An example:

Mistake #2 – Giving too much attention to the Pinbar

Earlier, you've learned the Pinbar represents price rejection.

But here's the thing…

Price rejection can come in different forms (and patterns). If you focus only on the Pinbar, then you'll miss lots of trading opportunities.

So, what's my point?

My point is… stop memorize chart patterns.

Instead, learn to read the price action of the markets. An invaluable skill that lets you better time your entries and exits.

Once you've learned it, you'll never need to memorize another pattern again.

Mistake #3 – Treating all Pinbars equally

Here's the deal:

What happens before the Pinbar is more important than the pattern itself. Because it tells you who's in control and whether the price rejection is significant or not.

Let me explain…

If you see strong momentum followed by a small bearish Pinbar, it's likely to be a pause (as the bulls are in control).

And if you see weak momentum followed by a huge bearish Pinbar, it's likely to be a reversal (since the preceding price action tells you the bulls are getting weak).

Does it make sense?

So… don't treat all Pinbars the same because they're not. Remember, the bigger the Pinbar (relative to prior candles), the stronger the price rejection.

How to improve your odds when trading the Pinbar

By doing these 4 things:

1. Trading with the trend
2. Trading from an area of value
3. Wait for break of structure (on the lower timeframe)
4. Trade Pinbars with 1.5 times the average true range (ATR)

Let me explain…

1. Trading with the trend

This is the easiest way to turn a losing strategy into a winning one.

By trading with the trend:

1. You do not require precise entry to make a profit
2. You have better odds for the trade to work out
3. You have a greater profit potential as the impulse move is stronger

As Jack Schwager said: "A mistake made by many traders is that they become so involved in trying to catch the minor market swings that they miss the major price moves."

2. Trading from an area of value

If you’re buying groceries, you know how much you’re willing to pay based on your past experiences. Anything above value, you’ll not buy it.

But in trading… how do you identify value?

This is when Support and Resistance (SR) can help you.

Support – An area with potential buying pressure to push price higher (area of value in an uptrend)

Resistance – An area with potential selling pressure to push price lower (area of value in a downtrend)

Some benefits of trading at support & resistance (SR):

You are trading from an area of value

- It tells you when you’re wrong
- It improves your winning rate
- It improves your risk to reward

If you want to learn how to trade with Support and Resistance, then go watch this training below:

Next, you’re going to learn something powerful…

3. Wait for a break of structure (on the lower timeframe)

Recall:

A bullish Pinbar is usually a retracement against the trend (on the lower time frame) — and this results in a low probability trade.

So, here’s what you can do:

If you spot a bullish Pinbar, then wait for a higher high to form (on the lower timeframe).

If you spot a bearish Pinbar, wait for a lower low to form (on the lower timeframe).

An example:

By waiting for a break of structure on the lower timeframe (in this case a lower high and lower low), you're waiting for the price to confirm that sellers are in control before taking a short position. And this increases the odds of the Pinbar working out.

Next…

4. Trade Pinbars at least 1.5 times the average true range (ATR)

Earlier, you've learned that the larger the Pinbar relative to prior candles, the stronger the price rejection.

Now, you're probably wondering:

"But Rayner, how do I define what is large"

You can measure the range of the Pinbar against the average true range (ATR) of the market.

If the range of the Pinbar is at least 1.5 times the ATR, then it's considered large.

Here's what I mean:

So if you get a Pinbar at least 1.5 times the ATR, then it's telling you there's conviction behind the move.

Lastly…

Don't wait for all 4 factors to occur before taking a trade. Because if you do, then you'll end up with little to no trades.

In my opinion, as long as you're trading with the trend (from an area of value), and you have a valid entry trigger, then you have enough to take the trade.

Summary

Here's what you've learned today:

- A Pinbar is usually a retracement (on the lower timeframe)
- Don't assume the markets will reverse because of a Pinbar
- Focus on the price action, not price pattern
- Not all Pinbars are not created equal
- You can increase your odds by trading with the trend, trading from an area of value, waiting for a structure break (on the lower timeframe), and trading Pinbar with size at least 1.5 times ATR