

Pin Bars

Revealed

(2023 Update)

By PriceActionNinja.com

© Copyright: PriceActionNinja.com 2023

Tell me, have you ever wondered...

Why perfect pin bars fail to cause reversals?

Why trading pin bars at support and resistance is inconsistent?

Why some pin bars work out fine, while others fail?

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

Today, in this guide, we're going to answer these questions and many, many more.

Pin bars are among the most common price action setups.

They strike the perfect balance between easy 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!

Some fail even with everything in their favour!

What's the deal??!

And let's not forget:

While pin bars make awesome entry signals, using them alongside some strategies (like Support & Resistance levels) proves troublesome, with pin bars rarely providing clear entry signals.

This dampens the effectiveness of pins, which is a shame; because, in the right hands, and with the right information, they can be Exceptional.

And today, that's what we're going to learn...

In this book, I'll give you a complete low-down of how pin bars REALLY FUNCTION in the market.

What you've learned so far about *pins*...

Yeh, it's not quite the full story.

Trading pin bars goes way deeper than simply looking for a large wick and confluence – so much more!

That's just the basics – stuff you should know already.

It's what pin bars represent and what causes them to form which plays the biggest role in whether they cause price to reverse. It's **NOT** if they appear with a wick 3x's the size of their body or develop at the right technical levels.

Those things are important, for sure, but critical.

We must look beyond the charts to determine how pin bars develop and who causes them to form.

This will allow you to find, and trade, better pin bars.

Making them 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 always try to help you 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: liampriceactionninja@outlook.com.

And with that, let's get started...

Contents

How You Should Really Trade Pin Bars At Support and Resistance.....	5
Why Has The Pin Bar formed?	6
Use Support and Resistance <i>Zones</i> Instead of Lines.....	14
Why Do Powerful Pin Bars Fail To Cause Reversals?	21
Why The Construction Of The Pin Bar Matters	25
What Good Pin Bars Look Like	30
3 Pin-Bar Secrets to Improve Your Trading.....	39
The Bottom Line.....	53

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...

DOES NOT perform as well as most guru's/books claim.

Can you get into the odd winner?

Sure:

But then, so can most strategies.

Trading pin bars at support and resistance can provide winning trades; but, it's nowhere near consistent enough to generate continuous profits, at least not as a main strategy.

A few years ago, I set out to find the why.

Why is trading pin bars at Support & Resistance so inconsistent?

When do pin bars cause major reversals at SR?

What can we do to fix it?

I did some research and found two critical flaws...

1. Price often fails to reverse after a pin bar forms, leading to a losing trade.
2. Pins sometimes fail to touch the support/resistance level before price reverses.

This leads to many missed trades which should've been successful.

But here's the good news:

I've come up with a couple of simple ways to mitigate these flaws and make trading pin bars at support and resistance WAY MORE PROFITABLE.

Want to learn how?

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

Using pin bars to enter support and resistance trades performs admirably. However, one of the quickest and easiest ways to improve the consistency and bottom line of the strategy:

Take into account why the pin bar has formed.

But wait; what do I mean by "**why?**"

Don't pin bars all form for the same reason: traders buying and selling?

Well, **YES**, they do.

And that's what most Price-Action experts and gurus will tell you. But, like so much in Forex, it's not the full story.

It's a basic answer. There's more to it.

The truth: Pin bars develop due to a specific group of traders buying and selling:

THE BANKS!

Almost all pin bars, save for a few rare exceptions, develop due to the banks buying and selling. It's not us retail traders. It's the banks. Banks cause pins to form via executing three different trading actions:

- Taking profits,
- Closing trades,
- Placing trades.

To most, this probably won't sound like a big deal...

I mean, who cares why a pin bar forms – *pins are pins, right?*

But believe me, this is a **MASSIVE** deal: game-changing, in fact.

Want to know why price sometimes fails to reverse at support and resistance?

It's **NOT** because the level isn't powerful,

It's **NOT** because the pin doesn't show a large wick,

It's **NOT** because the pin doesn't have the opposite close.

This is what the "*experts*" will tell you.

The real reason pin bars usually fail to cause significant reversals from support and resistance levels and other technical points:

The pin bar... formed **FOR THE WRONG REASON!**

In most cases, banks taking profits...

NOT entering sizable trades.

Let me explain...



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

- Small body,
- Forms at support,
- Long lower wick.

According to 99% of price action gurus, this looks like a high probability bullish pin bar.

Right?

But watch what happens...



After a small pause... price keeps falling.

We see...

- NO** reversal,
- NO** retracement,
- NO** big bounce.

Price simply pauses, and then continues falling.

So much for it being a perfect pin, aye?

Now, why did this seemingly perfect pin bar fail?

It couldn't be because of its features; the pin had everything going for it! Large lower wick, small body, formed at a nice support level, etc.

Why did this "*perfect*" pin bar fail, then?

The pin failed because it formed from the **banks taking profits**: Specifically, taking profits off open sell trades.

Here's why:

To take profits off a sell trade, what must you do?

What action must you take?

Buy or Sell?

You must buy back some of what you bought!

Now, in the banks' case, their open sell positions are colossal. Which means, when they take profits, price rises.

The banks are buying back a **HUGE** amount!

If price is falling heavily and banks decide to take profits (buy), price jumps higher.

Often creating... **a bullish pin bar!**

The pin bar forms due to the banks taking profits.

The long lower wick forms due to the price rising.

The banks took profits by buying from all the sellers!

But how can I be sure?

Was it really the banks taking profits?

Maybe it's just a dud pin bar that failed for some other reason?

Could be, right?

The way to confirm the pin bar formed due to profit taking was because of where the pin formed in the down move.

Look again at the pin bar...



The pin bar formed when price was falling heavily, right after a steep decline.

Put yourselves in the banks' shoes.

You're short 50 million, and price has just dropped massively.

What is your first thought?

What would you immediately do?

What do you do after making a large profit?

Take profits!

You would take profits to secure some of the new-found profit made from price falling to new lows.

For the banks, it's the same:

The banks want to secure some profit; then they can enter more sell positions later. This heavily suggests the pin was created by the banks taking profits.... It had to!

Price could only rise and form the pin bar if someone bought.

Who buys when price is tanking?

It's not retail traders, it's...**The banks!**

The key takeaway:

Before trading any pin bar at Support & Resistance, always **STOP** and **THINK** about what action caused the pin bar to form. This will give you a more concrete idea of whether price will reverse.

Are the banks:

Taking profits (likely),

Placing trades (unlikely),

Closing trades (highly unlikely).

Remember: ONLY these three actions can create a pin bar.

If a pin bar hasn't formed due to the banks entering significant trades, guess what... It probably **WON'T** result in a large reversal.

To determine **WHY** a pin bar has formed:

Look at **WHERE** the pin has appeared.

Pin bars created right after steep rises or declines, like in the example, usually form due to profit taking. This is when the banks always take profits: **after sudden or steep moves.**

It skyrockets their profit!

Pin bars created by the banks placing significant trades usually form in two different locations:

#1: With the current trend.

If a pin bar forms with the current trend (*current trend defined by the most recent higher high or lower low*), it's probably created from the banks placing trades, and so, indicates price will probably reverse.

Especially if the pin forms at the following points:

- Supply and demand zones,
- Previous major unbroken swing highs or lows,
- Psychological levels (prices ending in 000, 500,0000).

(**Note:** Make sure any pin which forms with the current trend has confluence with at least one of the technical levels listed above).

#2: Against the current trend.

If a pin bar forms against the trend (the trend on that timeframe), 9/10 formed due to the banks taking profits.

Unless the following happens:

- The pin forms with a massive wick (see later chapters).
- The pin forms at a major psychological level (prices ending in 0000).
- The pin forms after a move against the trend, breaking the old swing high/low.

(I'll elaborate more on some of these throughout this guide).

Use Support and Resistance *Zones* Instead of Lines

Ever seen price come within a whisker of a support or resistance level and then fail to provide an entry signal?

Annoying as hell, right?

For the longest time, I couldn't beat this win-rate killer.

However, a couple of years ago, I had a breakthrough:

Support and Resistance **zones**!

Yes, you read that right!!

Change support and resistance from LEVELS to ZONES!

This little adjustment may sound crazy, but it can drastically decrease the number of missed trades from the level. The zone gives price a much wider area to show entry signals in.

This increases the chance a pin bar will form inside the zone rather than miss the level and not provide a valid entry.

And we all know how annoying that is!

Here's an example:

Speaking of missing the level, check out the pin below...



The bullish pin bar above came within a hair of hitting support and giving us a long entry into the reversal.

But it missed the level...

We couldn't enter the trade – the long signal wasn't valid!

Unless the pin touches the level, we **CANNOT** enter.

No touch, no trade.

It's that simple.

But watch what happens when I convert this support level into a wider rectangular zone, like a demand 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)

Since the bullish pin bar forms inside the support zone, we can now use it to enter long into the reversal. Rather than miss this profitable long trade, the zone allows us to get in and capture the reversal.

This is how you change the game; **turn levels into zones!**

Putting It All Together

Time to put these new concepts together.

Here's 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.

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

The only differences are:

You mark **zones** instead of lines,
You wait for price to **touch** the zone,
You think about **why** a pin bar has formed.

Everything else works the same!

- Pin bars must feature a sizable wick and stick out from the surrounding action.
- A support or resistance level must exist nearby for a valid zone to exist.
- Stop loss still goes above or below the pin.

Let's take a look...



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

I marked this zone by first locating a valid resistance level (at least two touches) and then marking a zone on top.

Sounds simple, but keep in mind:

The zone MUST span 15 points from the centre, either side.

In other words:

Bring the UPPER edge 15 points ABOVE the level,
Bring the LOWER edge 15 points BELOW the level.

15 points from the center will create a sizeable zone for the pin bar or any other price-action signals to develop within.



The bearish pin bar can form either fully inside the zone or partly inside, as it's done here with the wick.

- If it forms fully inside, price will usually reverse soon thereafter.
- If it partly enters, price will usually drive deeper before reversing.

Keep this in mind – it 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 the stop **BELOW**.
For resistance zones, place the stop **ABOVE**.



If the trade is successful, 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 Powerful Pin Bars Fail To Cause Reversals?

When you analyze a pin bar to determine whether it has a high probability of causing a reversal or not, what is the most important thing you look for?

The #1 factor?

Probably a large wick, right?

You look to see if the pin has a large wick and has formed in-line with any technical points of interest.

But tell me...

How often do pin bars form with correct features at support or resistance or some other technical point but then fail to cause a reversal?

... I think you already know the answer.

Many traders believe this is random...

Pin bars fail all the time; that's trading, right?

BUT, it's not *just trading!*

Seemingly powerful Pin bars fail for a reason...it's not down to the wick size or the technical point where the pin bar formed.

In reality:

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

Let me explain why...

Pin bars develop when the banks execute significant trading actions, like I explained in the last section. In most cases, pins form due to the banks placing trades or taking significant profits, but pins can also form via the banks closing trades.

It happens like this:

1. Price moves sharply lower or higher,
2. The banks place trades or take profits,
3. Price moves in the opposite direction, leaving a long wick.

The result - a bullish or bearish pin bar!

Now, sometimes, these pin bars result in major reversals.

For example:

Pin bars created by banks placing significant trades naturally initiate large reversals, as you would expect. The banks obviously want price to rise, so they can make a tidy profit on their trades.

Why else would they buy?

These pin bars – they're not the issue.

In fact: We want to find and trade these pins as often as possible.

The REAL problem: Profit-taking pin bars...

Pin bars created by the banks taking profits off their trades.

Profit taking pins form everywhere and make up at least 80% of the pin bars on our charts. These pins form when the banks take profits off open trades... which is a **MASSIVE problem**.

Why?

Well, if you take profits, what do you expect the market/trend to do?

Continue moving in your direction? (or),
Reverse and begin moving the other way?

It's obvious, right?

You want the market to: **KEEP MOVING IN THE SAME DIRECTION.**

Then you can continue to make money – *and who doesn't want more profit?*

Therefore, if a pin bar develops from the banks taking profits, does the pin have a high probability of causing a reversal?

NO, it doesn't!!

The banks ultimately want the prior trend/move to continue.

And since profit-taking happens all the time, which type of pin bar do you think most traders are trading?

Yep, you guessed it -

Profit taking pins...

NOT pin bars created by the banks placing trades.

Here's the deal:

Most Traders are Trading the WRONG PIN BARS!

If you've struggled to find success trading pin bars, it's **NOT** because you were doing anything wrong (in most cases).

It's because you were trading profit-taking pin bars:

Pin bars which **NEVER** had a high chance of being successful in the first place.

If you want to improve your pin-bar trading, you **MUST** learn how to determine **WHY** a pin bar has formed. That's the key to filtering the strong pins vs weak ones and dramatically improving your success rate.

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

And here is the answer...

Why The Construction Of The Pin Bar Matters

To determine why a pin bar has formed, you must understand how the banks trade and operate in the forex market.

Banks create pin bars via three actions:

- Taking profits,
- Placing trades,
- Closing trades.

You need figure out which of these actions 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.

It's not something you'll pick up and learn in a day.

But, I have come up with a simple, quick method to determine why a pin bar has probably formed:

Look at how the pin bar 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: Smaller time intervals give us a more detailed look at the market during that time.

This means we can see exactly how a pin bar formed... how the pin really developed candle by candle.

- **Did** the pin bar form due to a sharp rise/decline?
- **Was** it made up of small bull/bear candles?
- **How** many candles created the pin?

This information can help us determine what created the pin.

For example...

If the banks enter substantial buy trades, price will swiftly rise.

On a lower timeframe, we should see large bull candles forming.

If a bullish pin bar on the 1-hour timeframe develops from large candles on the 15-minute, the pattern probably developed from the banks placing significant buy trades to cause a reversal:

Banks entering massive trades would initiate a steep rise, seen as large candles on the 15-minute timeframe.

On the flipside...

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

Let's look at a real-world example...



Here we have a bearish pin/doji that formed on EUR/USD – *I treat Dojis the same as pins, FYI.*

Notice, this pattern looks like the perfect bearish pin bar...

- Large wick,
- Small body,
- Powerful nearby resistance level...

It even has confluence with a fib level (*not shown*)!

On the surface, this pin has all the makings of a quality short trade. But how does it look on the lower timeframes?



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

On the 15-minute chart, we see this pin developed from 4 small candles.

Candle 1 - A bull candle, and in this case, quite a large one.

Price cutting into this over the second half of the hour created the long upper wick – giving us the impression the pin was a strong trade signal.

Candle 2 - The first bear candle, but tiny compared to the bull candle – not a great sign.

Remember: Small candles indicate low momentum. If the banks enter significant trades, it'll appear as high momentum, i.e – large range candles, engulfs, and outside bars.

Candle 3 - Also small, though slightly larger than candle 2.

Further evidence of low momentum.

Price is falling, yes, but small candles are forming, which indicate low momentum – a sure sign banks are probably taking profits or closing already open trades.

Candle 4 – Another small bear candle which pushed price to the open of the initial bull candle, giving the pin bar an equal close.

Do you see what I mean now?

Why this bearish pin had a low probability of being successful, even though it looked like a decent short trade on the 1-hour.

From the outside, this bearish pin looked amazing!

It had everything: large wick, small body; formed at multiple technical levels with confluence... *a powerful pin in anyone's books!*

But when we dig down into its construction...

It becomes clear: This pin has some MAJOR issues.

While the pin features a large wick on the 1-hour, the 15-minute revealed the wick developed from small bear candlesticks, indicating there was little-to-no significant 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 Powerful Pin Bars Really Look Like

Now you know how low-probability pin bars are constructed: via small candlesticks that show low momentum.

Let's look at a few examples of high-probability pin bars.

Then, you can locate them yourself and use them in your trading.

With high-probability pin bars, the key point to remember is...

One large candle MUST form in the direction of the reversal.

- For bullish pins, one large **BEAR** candle must form on the lower timeframe.
- For bearish pins, one large **BULL** candle must form on the lower timeframe.

Large candles indicate high momentum (force) behind the move – especially engulfing patterns.

A tell-tale sign the banks probably created the pin bar by placing trades.

And why would they place trades?

Of course...

To make price reverse and move in the opposite direction!



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

At first glance, this looks like a pretty decent bearish pin – *but as we know, looks can be deceiving.*

Let's check the 15-min to see how this pin is constructed...



Straight away, what can we see? ... a large bearish candlestick!

The pin bar 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 (**Candle 3**) – creating a tiny 15 min bear pin. A much larger bearish candlestick formed (**Candle 4**) before the pattern completed and price fully reversed.

What does this tell us?

In short: The banks probably created this pin by placing sell trades...

The large bearish candle reveals significant momentum was behind price falling and creating the bearish pin – a clear signal banks probably entered large sell trades to make price reverse.

With the above in mind:

We can enter short with the confidence of this being a high-probability pin bar.

BTW – You can also use this method to check pins on other timeframes...

Check out a bullish pin on the daily chart...



Again, this bullish pin bar has all the typical characteristics of being spectacular.

- It has a massive wick,
- It closed bullish with a small body,
- It formed at a major psychological level (1.25000)

The question now is:

How is it constructed on the lower timeframes?

Let's find out by checking the 4-hour chart...



Here, we can see the pin bar developed after a sudden, sharp move higher from a major psychological level (1.25000).

What does that tell us?

There was significant momentum behind the move, **meaning:**

The banks probably created the bullish pin by entering significant buy trades, making a reversal very likely.

Let's see what happens...



And, as we can see...

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

Not bad, eh?

To check the candlestick construction of a pin bar, always 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

Key Point: Always look at the construction of the pin bar from the beginning of the period – e.g., the first 15 minutes of the hour for 1-hour pins – to the open of the next 1-hour candle.

So, if you analyze a 1-hour pin bar...

1. **Start** with the 15 min candle which opened the hour.
2. **Check** the two candles created over the next 30 minutes.
3. **Then** look at the 15 min candle which ended the hour.

Simple enough, but it's important to remember this little insight.

Important Things to Remember

Here's a couple of key points to remember when determining why a pin bar has formed using the method above:

1. Strong Pins Can Still Fail (And Will).

I probably don't need to say this but...

Checking the construction is no silver bullet:

Some pin bars will still fail even with a perfect construction on a lower timeframe – large candles or otherwise.

Unfortunately, that's just the nature of trading.

We cannot get everything right 100% of the time; it's impossible!

We can only try 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 find and trade only the best pins.

It **DOES NOT** exist!

Today's method will help, but it won't change your trading overnight.

You still need to combine pins with technical points.

The **MORE** factors a pin bar has in its favour,
The **BETTER** its chance of success.

Seeing a nicely constructed pin bar develop from a large candle on a lower time frame provides decent confluence, but not enough to warrant a trade entry. Other factors must also line up with the pin to make it a valid trading opportunity.

Here's the top factors I look for...

1. Support and resistance levels.
2. Supply and demand zones.
3. Psychological levels

And don't forget: Always think about **WHY** a pin bar has formed – that's the **#1 factor** in whether the pin will set off large reversal.

2. You DON'T Need To Analyse Pins As Entries Supply and Demand zones.

You should always analyze the construction of all pin bars, whether they form at support and resistance levels, Fibonacci retracements, or any other major technical points of significance.

The only exception to this rule...

Supply and Demand zones.

Why not analyze these pins, you ask?

It's because of how **Supply and Demand zones** form!

Remember:

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

So... why analyze the pin bar?

It's already clear: Any pattern which develops inside the zone must come from the banks buying or selling in significant amounts.

That's why the zone forms in the first place!

The lower timeframe construction of a pin – it's not important!

The zone itself reveals the banks intentions.

Supply and Demand zones are the only exceptions to this, however...

For every other key level or technical point: **ALWAYS** check how the pin bar formed on a lower time frame before entering a trade.

3 Pin-Bar Secrets to Improve Your Trading

Before we come to the end, here's my top 3 secrets for trading pin bars. These will help you find and trade more powerful pin bars as well as stay 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 which determine the probability of a pin bar causing a reversal are:

- #1 The wick size,
- #2 The body size (and colour)
- #3 The technical levels the pin has confluence with.

– *in that order too.*

Funnily enough, this is bang on.

The gurus are right!

Does a large wick and confluence with multiple technical levels increase the power of a pin?

Of course, I even said the same earlier!

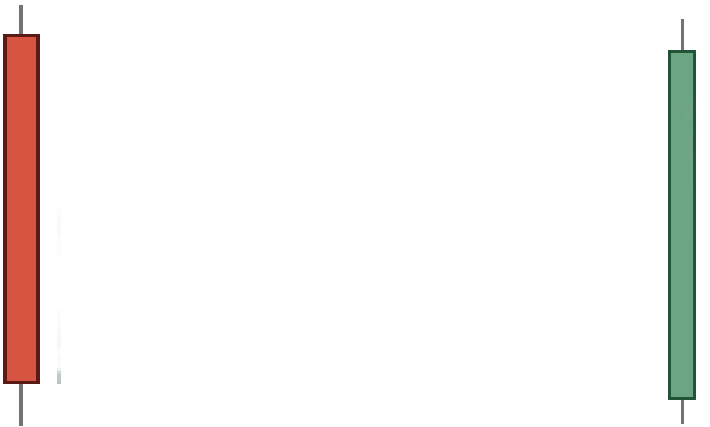
BUT, I would argue another feature to consider is the overall size of the pin bar... Not just the wick or body size, **but the overall size of the entire pin bar candle from high to low.**

(This is a key factor few traders mention)

The overall candle size is important because of how pin bars cause price to reverse.

Remember:

Before every pin bar appears it looks like this...



A MASSIVE bullish or bearish candle, or large range candlestick (LRC), as they're better known.

These candles show a large price change is underway,
They form when price tanks or skyrockets,
That's why they are so huge!

But that's only what they show on the surface...

The reality: Masses of retail traders are now entering trades in the same direction as the candlestick.

If you've seen these candles before, you know how enticing they look.

The candles make it seem like price is heading to the **MOON!!**

The candles almost beg you to jump in and get **long or short**.

And, for many traders, that's what they do.

Traders rush to enter once they see the candle form...

Price swiftly rising/falling gives them a severe case of FOMO.

(Fear Of Missing Out).

The traders assume the large candle indicates a substantial move is underway without them, so enter trades in the same direction to capture the move.

Now, like I said...

Before a candlestick transforms into a pin bar, that's how it looks: **Like a heavily bullish or bearish large range candle.**

The candle gets carved into a pin bar when the banks buy/sell to push price in the opposite direction.

This forms the wick and creates the pin bar we see.

Before a pin bar forms, then, thousands of traders are entering trades in the same direction of the candle. It's large size coupled with their FOMO makes it seem like the market is taking off without them.

The real question is:

What will happen if price moved **AGAINST** these traders?

What will they do if price suddenly **REVERSES**?

Exit, right?

The traders will be put in a loss, and many will close out.

But how do you close a losing 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.

If masses of traders suddenly begin closing their losing trades all at once, what effect will that have on price?

Price will move aggressively in the opposite direction!

And that, Ladies and Gents, is how every pin bar forms: **Trigger-Happy FOMO traders being forced to close their losing trades by the banks.**

The traders enter as they feel major FOMO from the large bullish/bearish candle.

The banks then place trades, take profits, or close trades using the new orders.

The banks orders pushes price against the traders, forcing them to close at a loss.

The resulting move back to the open forms a long wick above or below the candle, creating a bullish or bearish pin bar.

The pin bar is the manifestation of traders closing their trades.

Makes sense now, doesn't it?

While it may not seem like an important insight, this means the overall size of a pin bar plays a major role in whether price will reverse; because, think about it...

Large Pin Bar = Large Number of Traders entering during its formation.

If the pin bar forms due to a steep decline, masses of traders will enter short.

Thousands of traders will now close (and lose) once price moves against them and forms the lower wick, making it more likely price will continue in the same direction, increasing the chance of a reversal.

I guess the next question is...

How do you know whether a pin bar is the right size?

Well, you can't, at least not scientifically.

Since the volatility and liquidity differs between each pair, it's impossible to give a definitive answer on what the overall size of a pin bar should be to strongly indicate a potential reversal.

But here's the good news:

You can just eye up the pins and compare them.

If the overall size of a pin bar (from low to high) is small, the pin probably has a low probability of causing a major reversal.

Here's an example...



The pin bars above – way too small for trading.

Being so small means only a few thousand traders probably bought or sold when the pin bar was forming. Hence, when price moved the other way and created the wick, few traders were closing losing trades.

That lack of momentum means price has a lower probability of reversing, which makes these pin bars weak reversal signals.

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

Confluence is often touted as one of the most critical concepts to understand in trading candlestick patterns.

Yet, when it comes to trading pin bars:

Confluence really is **NOT** as important as everyone says.

Here's why...

The problem with confluence isn't that doesn't work... far from it.

Confluence is critical to finding and trading the strongest pin bars, like I showed earlier in the book. The real problem with confluence is it's not as important as understanding:

Why the pin bar formed.

Take the pin below for example...



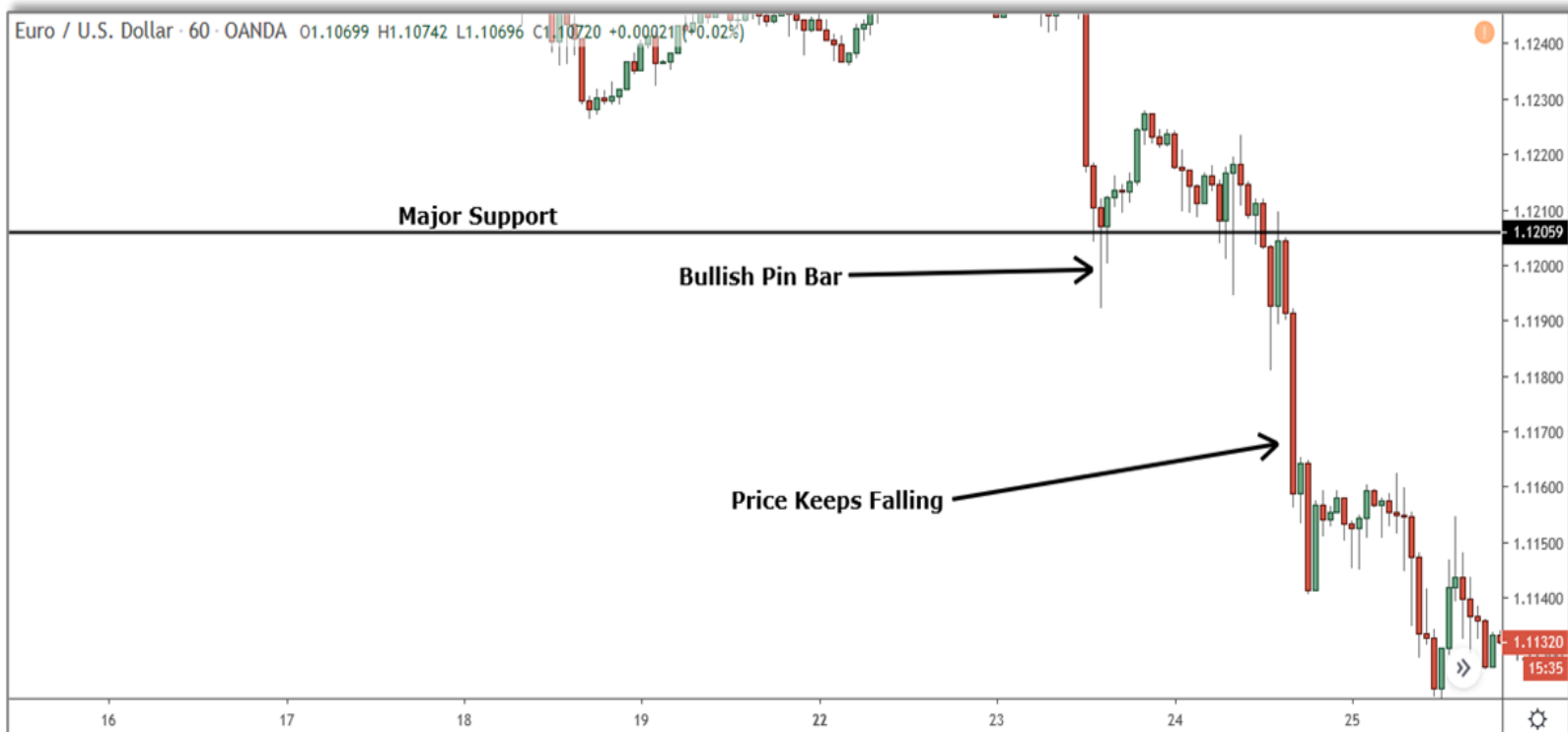
The bullish pin bar above is what many guru's and price action books would state as a high-probability pin.

It has:

- A large wick,
- A small body,
- Forms at a major support level.

By anyone's standards, this pin bar should cause price to reverse.

Now watch what happens...



After a tiny retracement, price keeps falling.

Rather than initiate a large reversal, the pin could only set off a small retracement.

Why did this seemingly strong pin bar, with all its features and confluence, fail to generate even a small reversal?

The answer:

Because the pin formed from the banks taking profits.

Like I said earlier, pin bars never form equal: Both in terms of construction and the reason behind their formation.

Pin bars can develop for three reasons:

- Taking profits,
- Closing trades,
- Placing trades.

Most pin bars, like the bullish pin above, develop from banks taking profits; the banks generate profits all the time, hence profit taking is required 24/7. These pin bars, regardless of confluence, have a **LOW** probability of being successful.

The reason why is simple:

After the banks take profits, they want price to continue in the same direction.

The banks **DO NOT** want price moving the other way, the direction of the pin bar. The banks **DO WANT** price to continue in *their* direction to make **more money**.

That's why the pin the image failed:

After the banks took profits; they let price continue falling.

The fact the pin bar had a large wick and formed at a decent support level.... completely irrelevant!

The banks **DID NOT** want price to rise; they want it to continue lower.

Does this mean confluence is useless then?

Not at all...

For finding where price may reverse in the future, it's still important. It just means for candlestick patterns; confluence always comes secondary to **WHY** the pattern has formed.

That is and always will be the **#1** factor.

Everything else:

- Wick size,
- Confluence,
- Body size,
- Body type.

All comes secondary; because, **why the pattern formed will determine whether the pattern will cause price to reverse.**

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

Most traders already understand they should watch for pin bars with large wicks – wicks around 2x-3x the size of the body.

You hear it all the time.

I'm not here to repeat that, again.

However, what I am here to say, is this...

Pin bars with **MASSIVE** wicks, wicks which clearly stand out from the surrounding price action and are obvious from one glance at a chart, almost always cause price to reverse.

Here's an example...



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

The wick on this bearish pin bar sits around 3 times the size of the body, which is roughly what most price action guru's/books/videos say is the ideal size for a high probability large pin.

Now, check out what I mean by a giant wick...



Pretty major difference, right?

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

Pin bars which feature a significant wick protruding from the surrounding price action nearly always result in a substantial reversal.

Why?

It all comes down to what I was saying earlier:

How pin bars form and cause price to reverse.

Pin bars initiate reversals because of what happens to the traders who entered whilst the pin was forming.

The traders:

1. Entered when the pin appeared as a large candle,
2. Got spooked when price started moving against them,
3. Closed their trades at a loss as price moves back to the open.

In short: Traders closing losing trades!

This is what causes price to move in the opposite direction and form the wick on the pin bar.

This means ...

The BIGGER the move which created the pin, the MORE likely price will reverse.

More traders will get trapped by the steep move, meaning more will close at a loss when price reverses.

INCREASING the chance price will reverse **AFTER** the pin bar forms.

If a pin bar forms with a gigantic wick, like the one seen above, it means thousands of traders entered short while the pin was forming. Once price reversed and move back towards the open, those traders started closing.

How do you close a losing sell trade again?

That's right – By **BUYING!**

Hence, when these traders started closing, massive buying pressure came into the market.

The result?

Price surged higher, creating the huge wick we see.

This is why pin bars with colossal wicks have a high probability of causing large reversals!

It's the number of traders who close when price forms.

The more traders closing losing trades when price moves back towards the open, the more likely a reversal is on the cards.

The Bottom Line

Improving the success rate of trading pin bars is not just a simple case of looking for more confluence or being pickier with wicks, as most PA gurus/experts will have you believe.

It's a case of understanding **why** the pin has formed and **what** action (by the banks) created the pin bar.

Are the banks:

- Taking profits?
- Closing trades?
- Entering trades?

More than any other factor, this will determine whether the pin bar has a high probability of causing a reversal.

If a pin bar develops due to weak reasons (like profit taking), the chances of a large reversal happening are slim; the banks ultimately want price to continue in the prior direction after the pin bar forms.

This is regardless of what confluence the pin has or how large its wick is; but again, that's still important.

From now on, always ask yourself...

Why has this pin bar formed?

What action has led to the pin bar forming?

Remember: 80% or more pin bars form via profit-taking; because, the banks must take profits constantly.

Avoid profit taking pins at all costs!!

These are:

- The** low probability pin bars,
- The** pin bars which rarely result in large reversals,
- The** pin bars you've probably been trading the most.

Profit taking pin bars always appear towards the end of steep rises and declines, sucking traders into entering reversal trades.

The most powerful pin bars form via the banks entering significant trades. These pins rarely make an appearance but have a far high probability of being successful than profit taking pins.

You can find them by:

1. Thinking about **WHY** the pin bar has formed,
2. Looking for pin bars with **MASSIVE** wicks,
3. Checking for pin bars at **PSYCHOLOGICAL** levels.

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

That, I can assure you.

Don't Forget:

Check out my site (and VIP section) for more information on pin bars.

Be sure to [watch my video course too!](#)

The concepts explained will make it significantly easier to identify and locate high probability pin bars by understanding how the banks operate in forex.

Thanks for reading, friends.

- PAN -