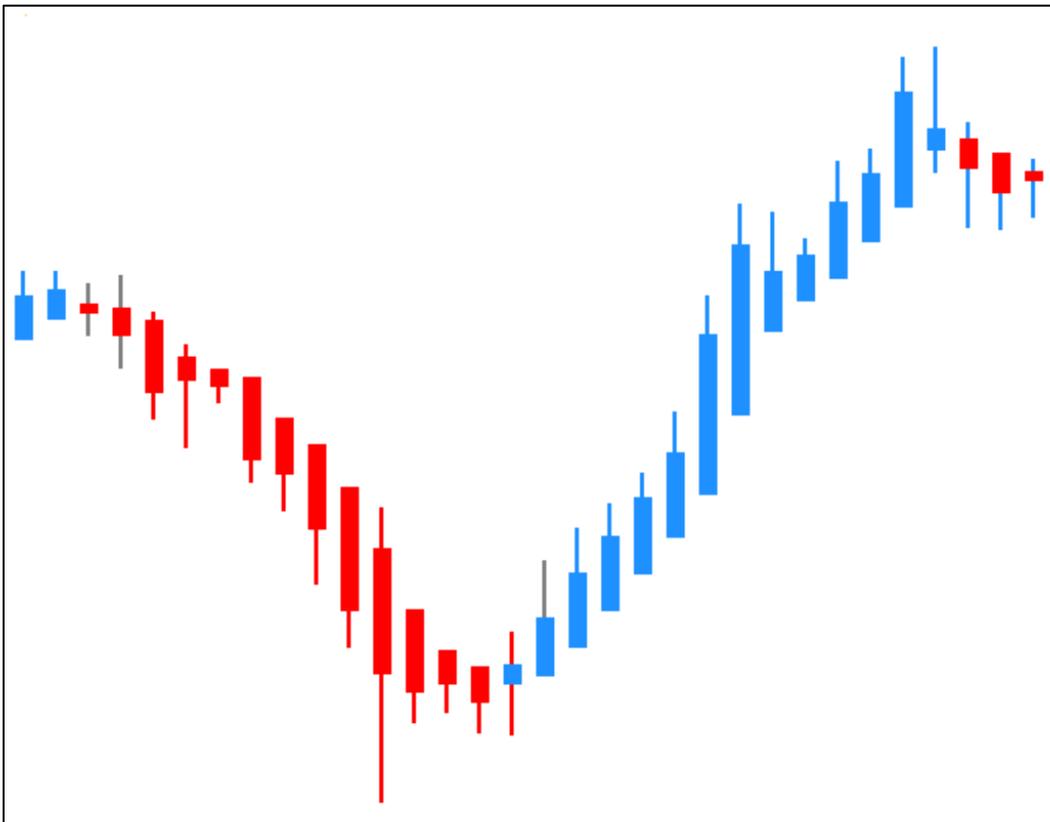


Synergy

Average Price Bars



By Dean Malone

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Average Price Bars (APB)

Average Price Bars (APB) are modified Heikin-Ashi type candlesticks. Heikin-Ashi is a Japanese term translated as 'Average Bar'; therefore, the name, Average Price Bars. Heikin-Ashi candlesticks are a weighted version of candlesticks calculated with the following formula:

- Open = (open of previous bar + close of previous bar)/2
- Close = (open + high + low + close)/4
- High = maximum of high, open, or close (whichever is highest)
- Low = minimum of low, open, or close (whichever is lowest)

Synergy Pro APB are a modified version of the traditional Heikin-Ashi bars because of the extreme volatility in the Forex. This modification reduces the overstretched length of High and Low wicks found with normal Heiken-Ashi bars; and, it allows the APB to run closer to current Close price conditions.

Benefits of Average Price Bars

Average Price Bars provide a better depiction of current market by eliminating or reducing fluctuations in nominal price action often referred to as “choppiness” of current High, Low, and Close price action. In other words, the Synergy Pro APB removes the noise of price distortion.

The APB allows a trader to focus on the underlying trend. This is analogous to oceanic subsurface currents such as the Equatorial Undercurrent, an eastward-flowing subsurface current that extends the length of the equator in the Pacific Ocean. Years ago, researchers discovered their deep-underwater devices drifted eastward as the surface currents of the Pacific Ocean flowed westward following wind conditions.

Similarly, in trading the markets, there are two currents: surface and subsurface. The surface current is the immediate trend with choppy price action related to spontaneous reactions from institutional and retail traders. Whereas, the subsurface current is the underlying trend that is less affected by market spontaneity and runs the course of typical price. In my own trading, I have found if I focus on average price movement instead of Close prices the market conditions seem less volatile and my perception of the market is more balanced.

Another benefit of the APB, it tends to reveal market strength and consolidation bar by bar.

As mentioned above, the APB candlestick is designed to follow the underlying trend within current price activity and is color coded accordingly. There are five variations of APB:

1. Buy Long APB – Blue body with blue wicks
2. Sell Short APB – Red body with red wicks
3. Short-body APB – Either blue or red body with corresponding wicks.
4. Reversal APB – Either a blue body with red wicks or red body with blue wicks.
5. Consolidating APB – Either blue or red body with gray wicks.

A **Buy Long APB** indicates an uptrend.

Long APB



- * Blue candles signify an uptrend.
- * Blue candles with no lower wick indicates a strong uptrend.

A **Sell Short APB** indicates a downtrend.

Short APB



- * Red candles signify a downtrend.
- * Red candles with no upper wick indicates a strong downtrend.

A **Small Body APB** indicates a potential trend change and can be either blue or red. Consider exiting if in a position or waiting for confirmation before entering a trade.

Small Body Long APB



Small Body Short APB



A **Reversal APB** indicates a potential reversal in trend direction. It is identified by opposing body and wick colors. The wicks reveal the current trend direction while the body shows the reversal direction. The Reversal Long APB occurs after a Long trend indicating a potential reversal Short. The Reversal Short APB occurs after a Short trend indicating a potential reversal Long.

Reversal Long APB



Reversal Short APB



A **Consolidating APB** indicates market congestion. Either the market is consolidating after a trend or the market is moving sideways in a tight range where buyers and sellers equally oppose each other. It is identified by gray wicks. A Consolidating Long APB has a blue body with gray wicks. A Consolidating Short APB has a red body with gray wicks.

Consolidating Long APB



Consolidating Short APB

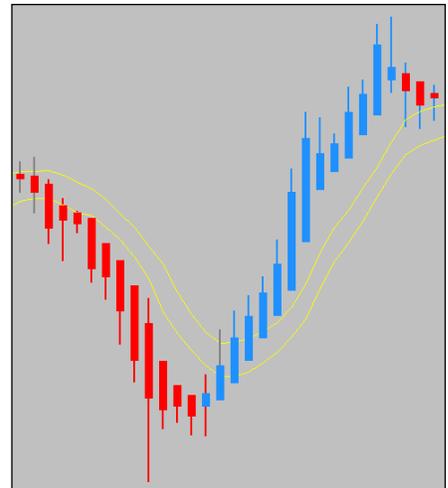


Note: Repeating Consolidating APB indicate that the market has no clearly defined direction. It may be best to stand aside until a trade entry condition exists, such as breaking the range of the Consolidating APB.

The following are examples of APB scenarios.

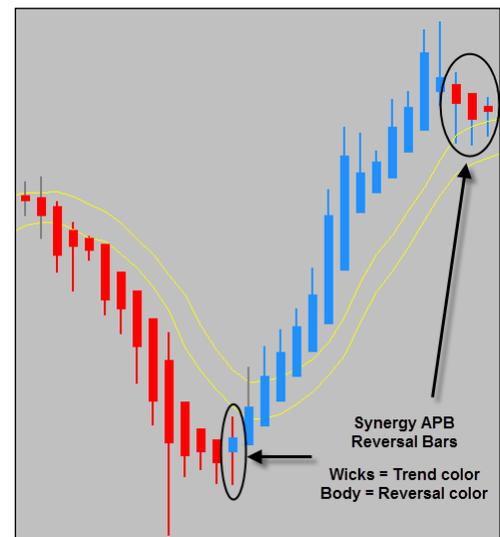
A normal APB pattern with Price Action Channel (Yellow lines):

Hint: When trading the Synergy method, look to enter a trade Long as the Blue APB crosses above the Price Action Channel (PAC) or trade Short as the Red APB crosses below the PAC.



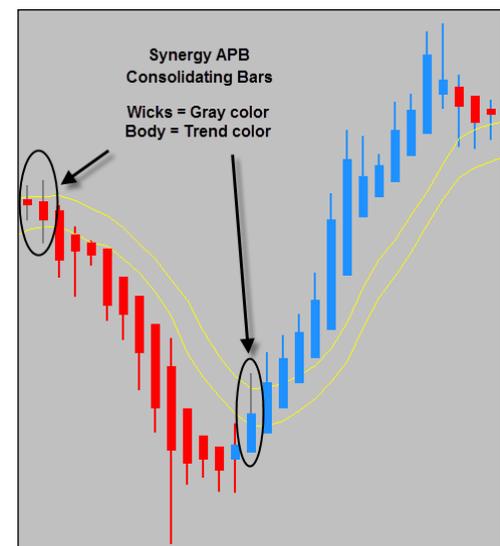
Within the above APB pattern, Reversal APB appear after trends indicating a change in trend direction:

Hint: When Reversal APB occur, consider closing or scaling out of a position. If not in a position, wait for trade entry conditions.



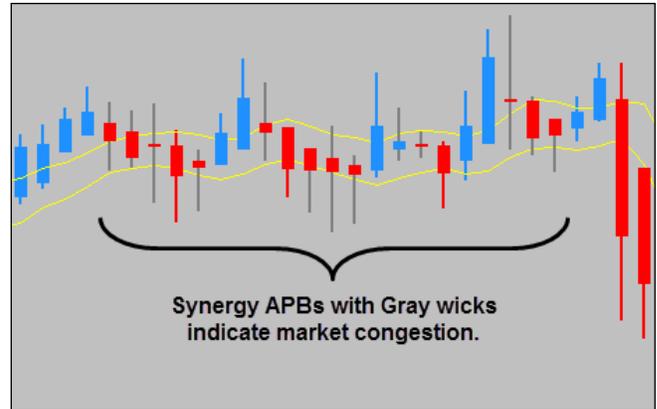
Within the above APB pattern, Consolidation APB appear during a range and after a trend:

Hint: When Consolidating APB occur, consider closing or scaling out of a position. If not in a position, wait for trade entry conditions.



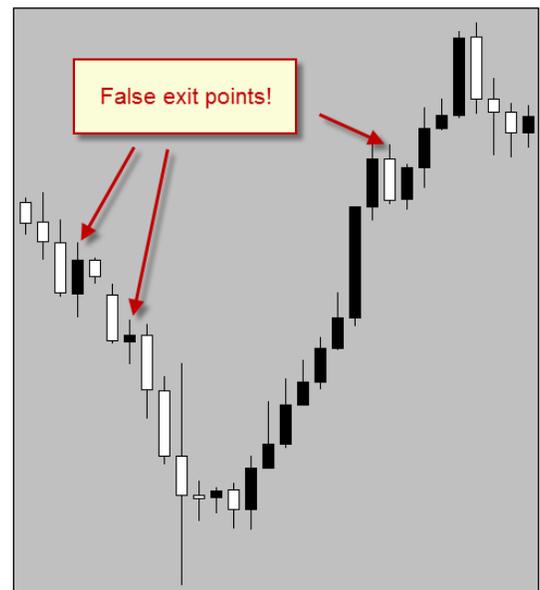
A sample of a sideways market with Consolidating and Small Body APB:

Hint: Consider a range formed by the repeated Highs and Lows of the Consolidating APB. Look for an entry on a break of the range.



Avoid False Exits - Another reason for using APB is to avoid False Exits that appear with normal Japanese candlesticks.

Take a look at the picture to the right. In both the Short trend and the Long trend, reversal candles appear suggesting potential exits.



Placing the APB on top of the Japanese candlesticks, the False exit points are apparent as the APB show the underlying trend and a continuation in the trend direction.

Hint: If APB show 3 lower Highs or 3 higher Lows and maintains the current trend direction, the market is consolidating due in part to potential profit-taking.

