Trading the Shadow-Signal Chart

This method includes 2 indicators for your platform (one set for MT4 and one set for MT5)

RenkoShadowAmp
Renko-SignalAM.

There is also a templates for each platform (MT4 and MT5):

Shadow-Signal.tmp

Please pay close attention to which set of indicators you are loading into your platform. MT4 indicators will not work inside the MT5 platform and vice-versa.

NOTE: In the event the Template fails to work, simply set up a blank Renko chart and add both indicators to the chart without modifying any of the settings. You can also save the chart you just built as a template.

To get started, load the RenkoShadowAmp and the Renko-SignalAM indicators into your Indicator folder inside your platform. Follow the file path File=>Open Data Folder=>MQL4 (or MQL5)=>Indicators. Once pasted into this folder, close out the folder windows.

Now load the Shadow-Signal.tmp file into your Template folder, following this file path: File=>Open data folders=>Templates. Paste the Shadow-Signal.tmp file into this folder.

 Now either Refresh your indicators in the Navigator window, or close and reopen your platform in order for the new files to load properly into your platform.

Now open a Renko chart (instructions are included with whatever Renko software you are using) and add the Shadow-Signal template to the Renko chart.

It should look like this:
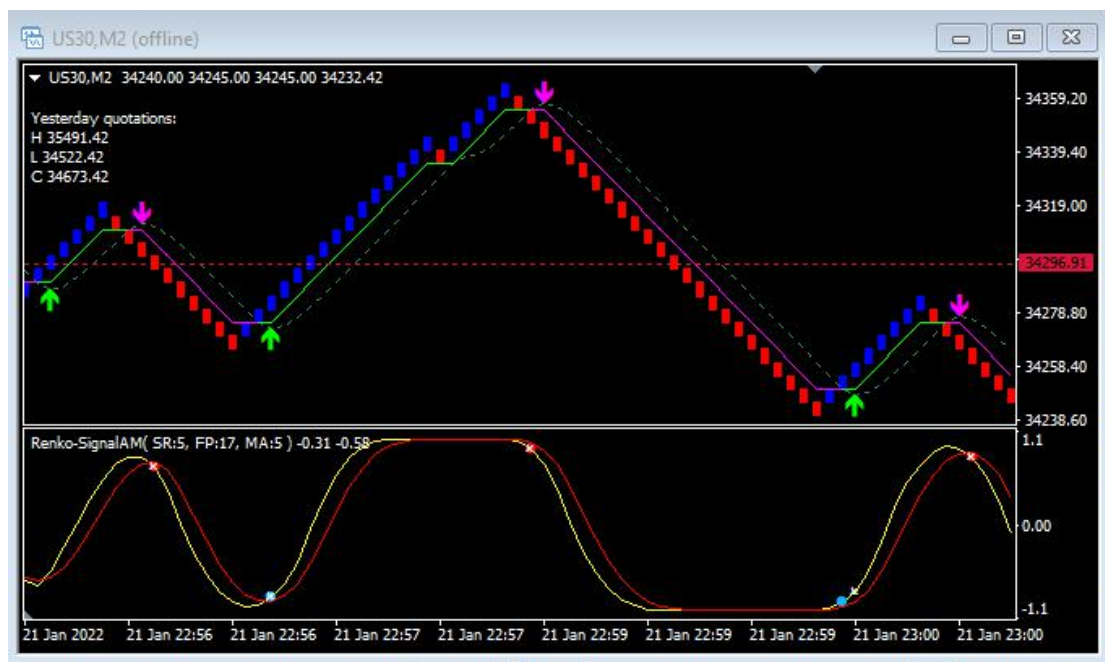
The Green/Magenta arrows are the ShadowAmp; the dotted green line is a 3 EMA, and the Red/Yellow lines in the bottom window is the SignalAm indicator.

The Arrrows DO NOT repaint, so when you see an arrow appear and lock into place after the current Renko box closes, that arrow will remain in place.

The SiggnalAM does repaint on occasion, primarily at points where price action is tightening into a range. A Signal Ball will appear (red = sell, blue = buy) but if price action reverses within the first 2 candles, that signal will disappear. Do not worry about it. Roughly 9 out of 10 signals will lock into place and remain, and of the remaining signals, half will be in the opposite direction of the ShadowAmp and can be safely ignored anyway.

One more idiosyncrasy about the SignalAM is that the Red/Blue balls are limited in how they will appear. Red balls only appear when the red/yellow lies are above the Zero Line, and Blue balls only appear when the red/yellow lines are below the Zero Line. Also, If a Signal Ball appears and locks into place, but price action reverses and the red/yellow lines cross, a new Signal Ball will not appear, and all future trades will be based on the cross of the red/yellow lines until such time as the lines move back above or below the zero line and an opposite color Ball appears. So pay attention to the line crosses when a red/blue ball no longer represents a valid signal.
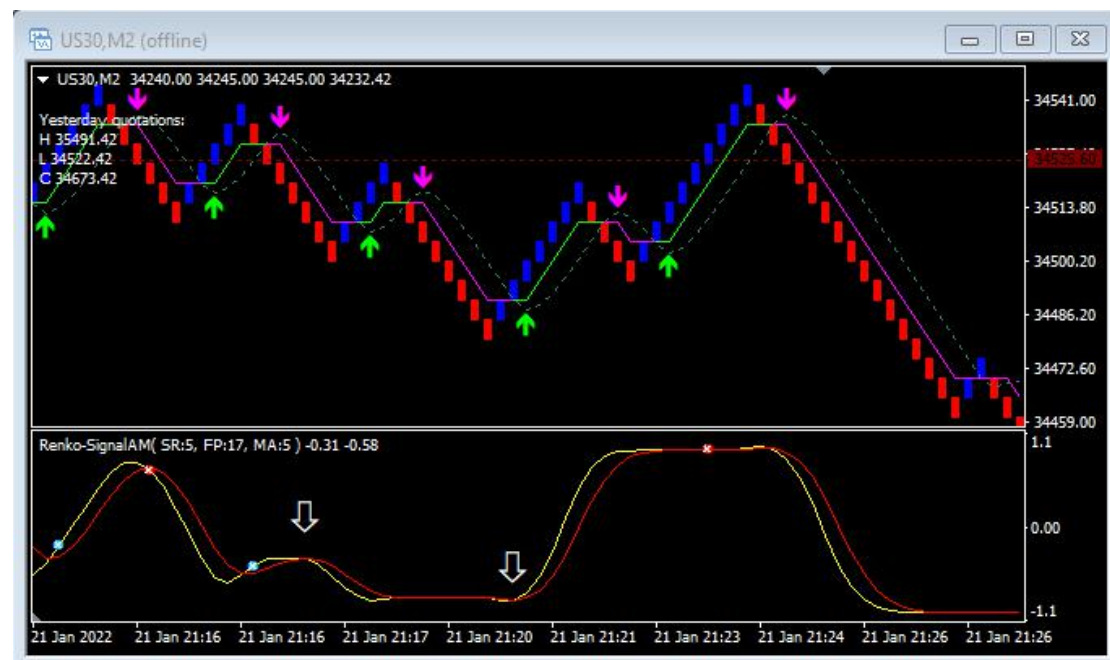
Note that the first arrow (far left side) shows the Yellow Line crossing below the Red line. This is a Sell signal that does NOT generate a Red Ball because the lines are already below the Zero Line and a Buy Signal (blue ball) is already in place. The second arrow shows the Yellow line crossing Above the Red line. This is a Buy signal that will not generate a Blue Ball because the Blue Ball is already in place from previous price action.

HERE IS HOW I TRADE THIS CHART

I usually let the Signal Determine the Trend of the trade. If I have a Red or Blue ball appear on the Signal line and get a corresponding Buy or Sell arrow from the Shadow, that is the trade.
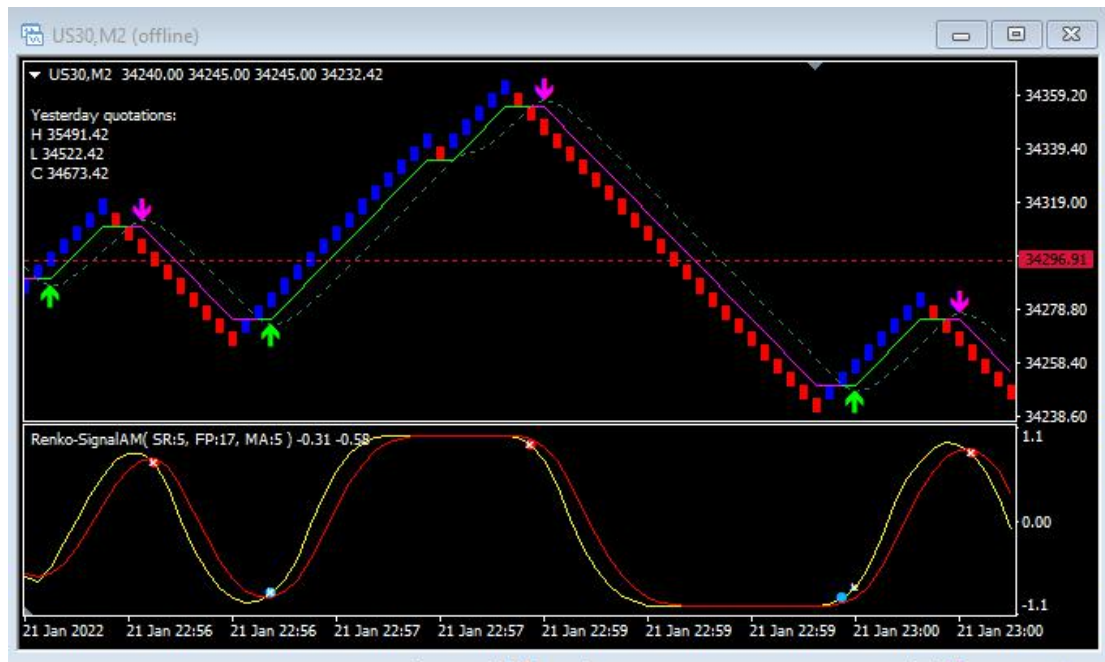
This is your dream trade setup. Lots of consecutive boxes moving in both directions. Notice how the Arrows and the Red/Blue balls line up. You can enter on one arrow, exit and re-enter going the opposite direction on the next arrow, and ride that price action as far as it will carry you.

However…

Price action is typically a little choppier, so here are the most common chart/price action setups you will encounter and how to trade them.
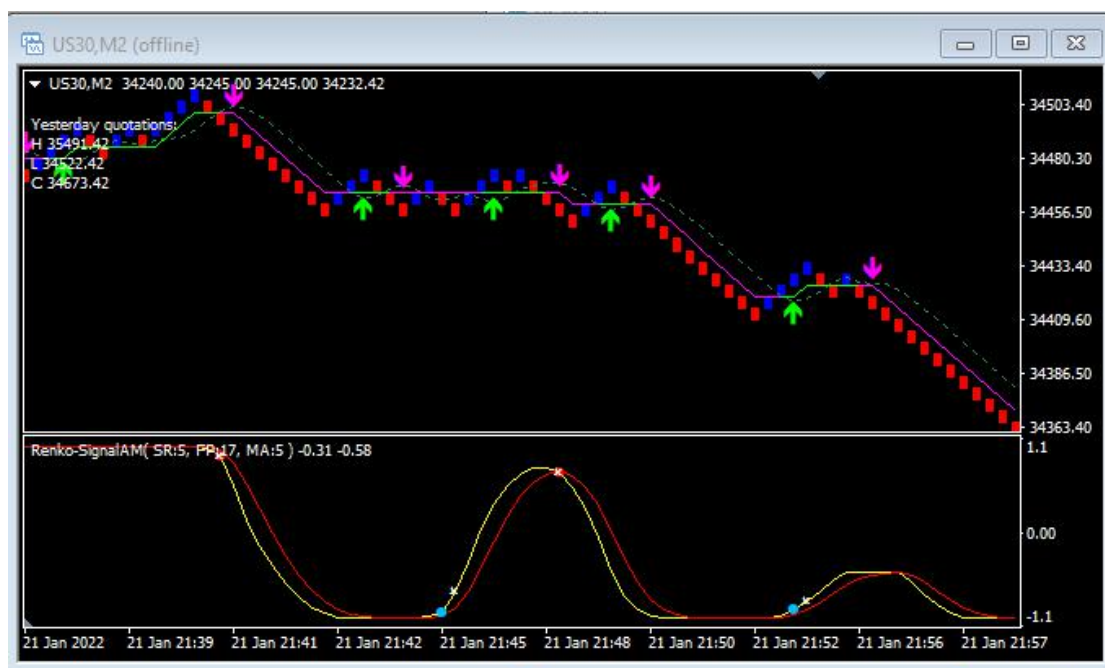
You can see in this chart that price consolidated after the run down starting around 21:41. You got 6 arrow signals in about 4 minutes. But you would ignore at least two of them, maybe three, so you aren't going to do as much damage as you might think. Only take the trades in the direction of the SignalAM trend. So you would skip the first green arrow (downtrend) and then the second green arrow (a resumption of the downtrend). As for the other trades, the first three Magenta Sell arrows

really didn't go anywhere in either direction so your worst case scenario would be losing 2-3 boxes per trade. But that 4th Magenta arrow moved far enough you likely ended up at break even or better. The last Green arrow likely cost you another 3 boxes, but the last Magenta arrow ran down 18 consecutive boxes, so you ended up making your money on that one trade.

Here you can see three Signal Balls in the indicator window, starting counting from the left (Blue, Red, Blue). You can see that almost immediately after the second Blue Ball locked into place, price action reversed and you got a Sell arrow. You can see under the left most arrow in the indicator window that the Yellow and Red indicator lines have crossed, with Yellow Below Red. This is a new sell signal, but without the Balls. In the Renko boxes almost immediately after you got a Buy arrow. You ignore that signal because you are still in the Sell trend on the Signal. But you get another Sell arrow a couple of minutes later that ran 5 or 6 boxes down. As price reversed from that move you'll see the Red/Yellow lines in the Indicator window have again reversed, with Yellow on top of Red. This is a Buy signal without the Blue Ball, which already showed up a few minutes earlier. So you buy and catch 5 or 6 more boxes before the reversal, which you ignore because you are in a Buy trend (you exit the Buy trade but don't take the Sell trade). You get one last Buy arrow while the Indicator is still in a Buy trend so you can pick up another 6 or 7 boxes. Finally, the indicator lines cross to Red over Yellow (and a few boxes past the Red Sell ball) just as the Sell arrow appears. Another winner for 13-14 boxes before you see the first blue Renko box.

This setup occurs far more often than the "perfect" setup discussed just above, so get used to seeing it.

Stop Losses: If you have AutoScaler, you can attach it to a second chart and apply the Step Stop Trailing Stop feature to almost automate this trade. All you have to do is take the trade and let AutoScaler do the rest. Just make sure you give yourself enough room on the original Stop Loss setting your trade has a little room at the beginning to roam around a bit before taking off. Trading US30 I've found 18 points (which works out to a setting of 1800) works pretty well. You get a couple of boxes worth of room, plus the spread. Apply that same equation to whatever it is you trade (3 boxes plus the spread) and you should have enough room on most of your trades while keeping your losses limited to next to nothing.