

Leg-Base Isolation Method for Buy Zones and Sell Zones

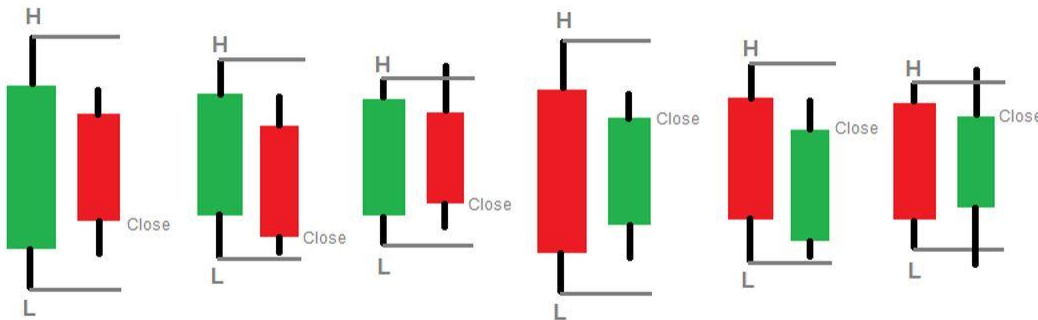


Created by Brandon Wendell, CMT © 2020

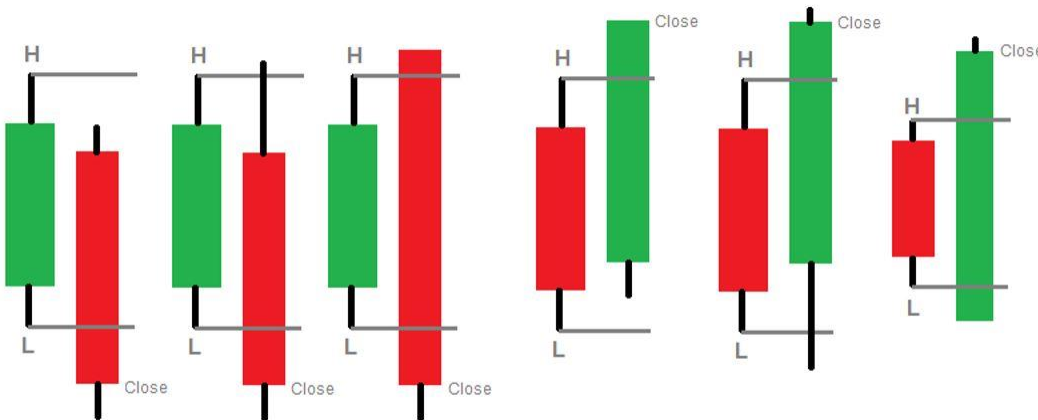
Defining Leg vs Base Candle

Candles can be categorized as either a base candle or a leg candle. This is separate from the Buy Zone and Sell Zone formations. Base candles represent equilibrium and a balance between buyers and sellers. Leg candles are showing an imbalance and movement in price.

A **Base Candle** is one where the closing price of the current candle is within the range of the previous candle (between the high and the low). The range of a candle includes the high and low price. If the close of the current candle is at the high or at the low of the previous candle, it is still a basing candle. The wicks of the basing candle can stick out of the range of the first candle, but it is still a base if the close is within the range.

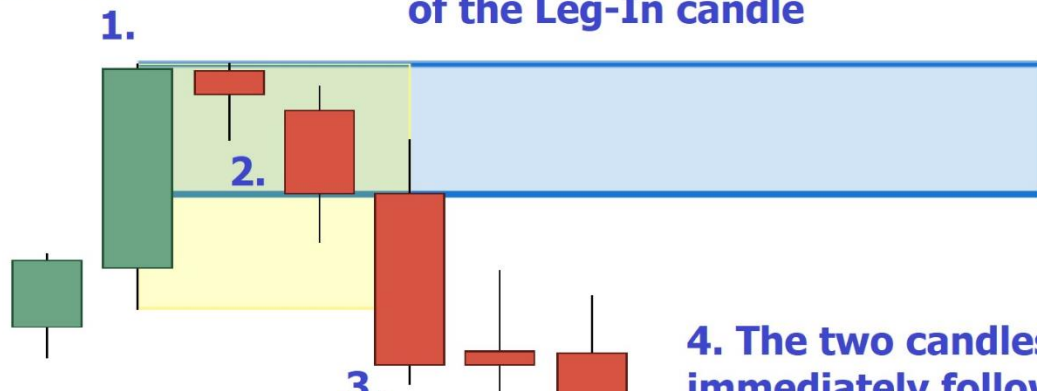


A **Leg Candle** is one where the closing price of the current candle is outside of the range of the previous candle, (current candle closes above prior candle's high or current candle closes below the previous candle's low. Again, the wicks of the leg candle do not matter. It is a leg candle if the current close is outside of the previous candle's range.



1. The Leg-In candle must close above the high of the preceding candle

2. All of the Basing candles must close within the range of the Leg-In candle



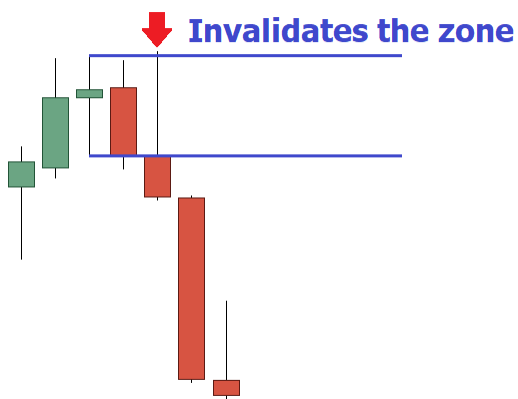
3. The Leg-Out candle must close below the low of the Leg-In candle AND below the low of the preceding candle

4. The two candles immediately following the Leg-Out candle must each make a new low.

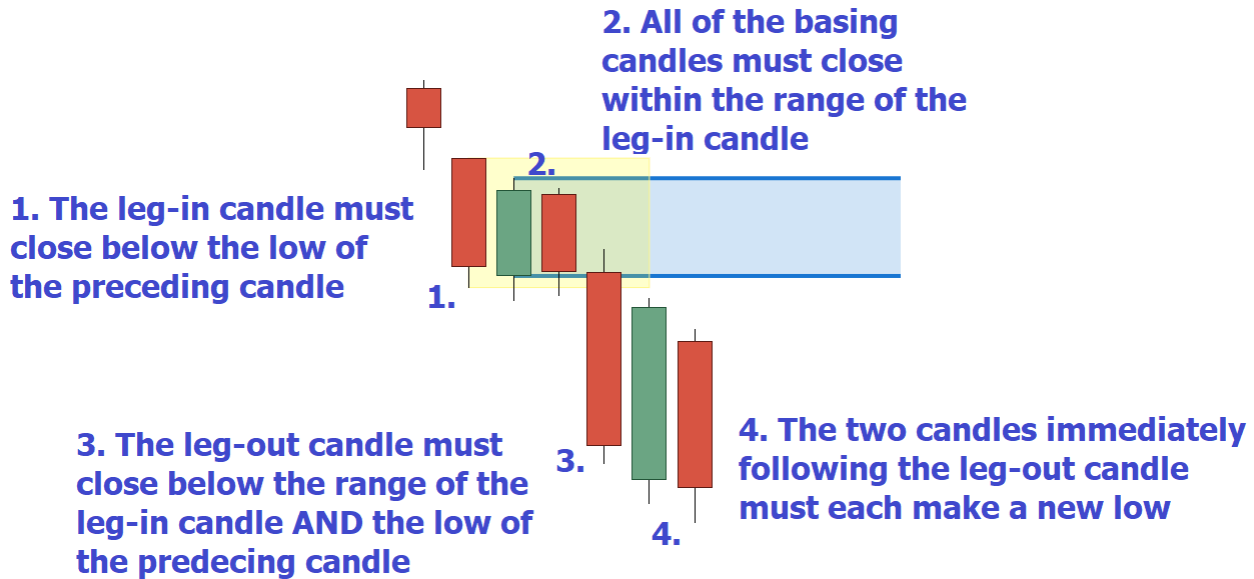
The upper (topping) wicks of the basing candles can extend above the high of the leg-in candle.

The upper line can be drawn at the highest price achieved by either the leg-in candle or the basing candles, whichever is higher.

The top tail (wick) of the leg-out candle can enter the zone but cannot exceed the highs of the basing candles, if it does, the zone is invalid



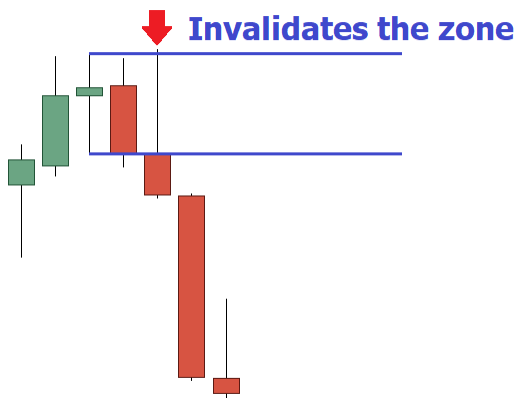
Drop – Base – Drop *Sell Zone*



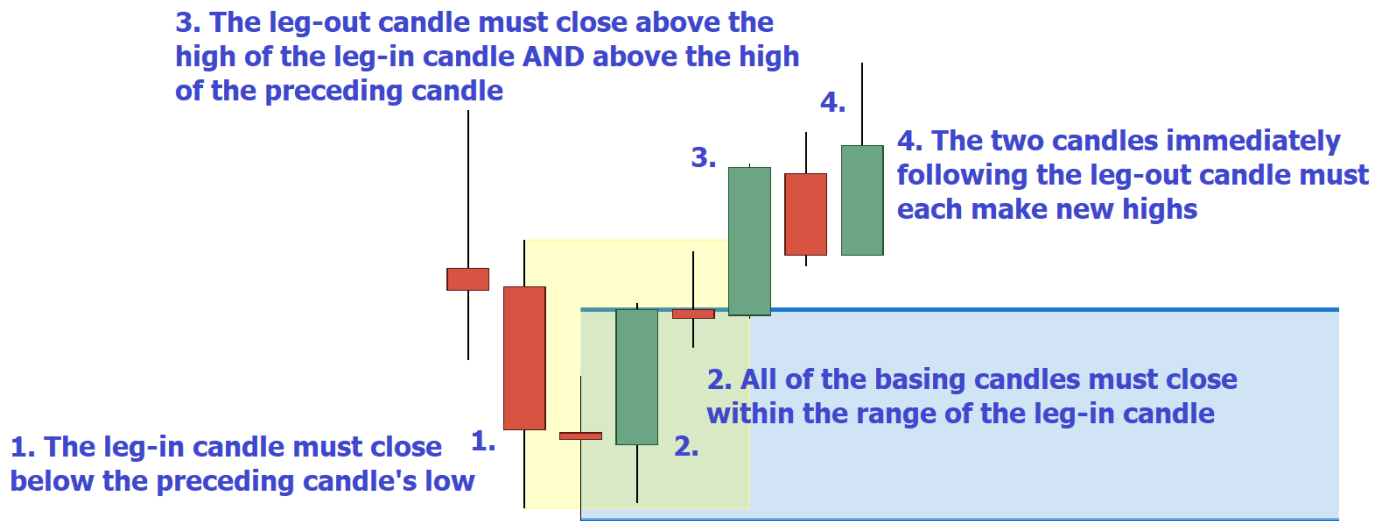
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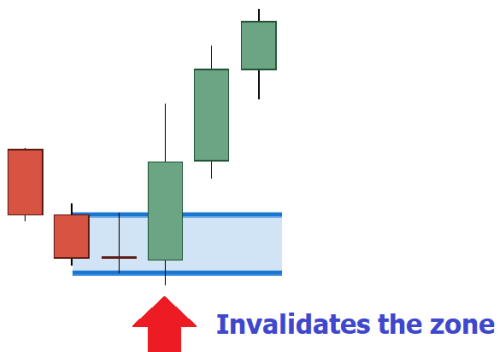
Drop – Base – Rally Buy Zone



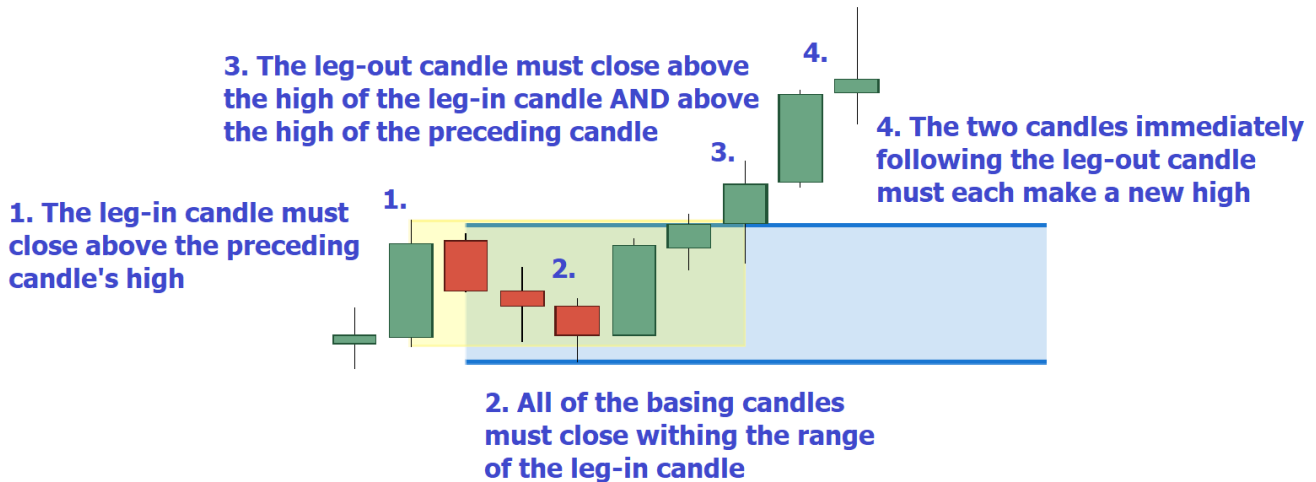
The lower (bottom) wicks of the basing candles can extend below the low of the leg-in candle.

The lower line can be drawn at the lowest price achieved by either the leg-in candle or the basing candles, whichever is lower.

The bottom tail (wick) of the leg-out candle can enter the zone but cannot exceed the lows of the basing candles, if it does, the zone is invalid



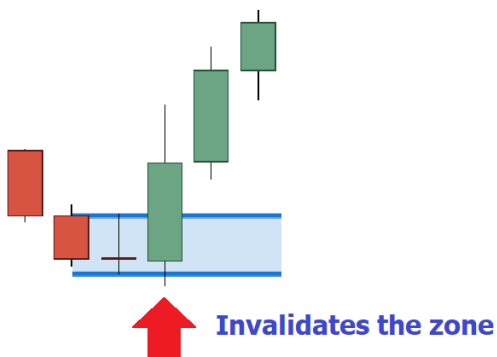
Rally – Base – Rally Buy Zone



The lower (bottom) wicks of the basing candles can extend below the low of the leg-in candle.

The lower line can be drawn at the lowest price achieved by either the leg-in candle or the basing candles, whichever is lower.

The bottom tail (wick) of the leg-out candle can enter the zone but cannot exceed the lows of the basing candles, if it does, the zone is invalid



Additional Qualifications

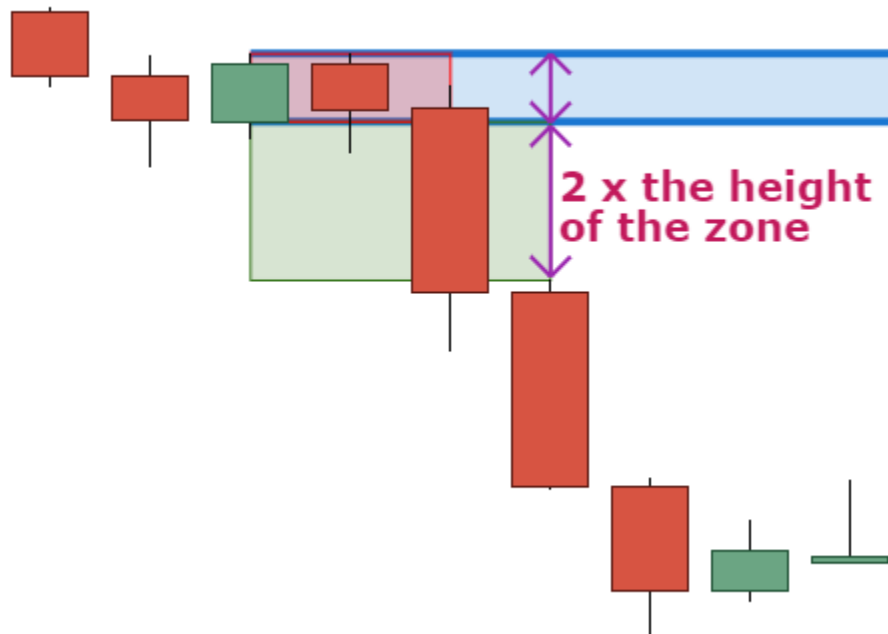
Strength at the origin of the move

The move out of the basing from the zone should not have any opposing pressure near.

For a **Buy Zone**, there should not be any selling pressure, (red candles or topping tails) within two times the height of the zone extended away from the upper line of the zone.



For a **Sell Zone**, there should not be any buying pressure, (green candles or bottom tails) within two times the height of the zone extended away from the lower line of the zone.



Additional Qualifications



Strength at the origin of the move

The move out, (not just the leg out candle), from the basing from the zone should break a prior swing high or swing low.

