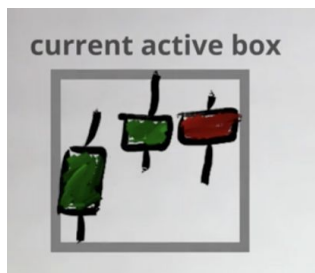


Definition

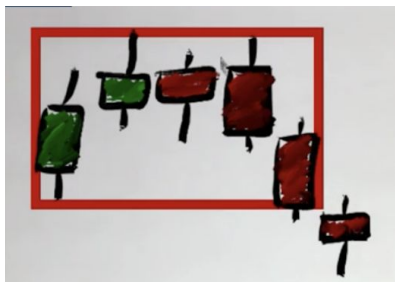
- Darvas boxes will ensure you're trading **with** the market
- Tops/bottoms can be used as significant levels (also grey = current boxes)!

Types of boxes

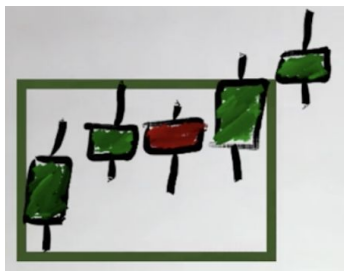
Grey box (active):



Red box (bearish):



Green box (bullish):



How to draw them

Important: Tops and bottoms of Darvas boxes are created **separately**. The bottom of a new box is created on a breakout of an existing box with 3 consecutive candles closing outside of the prev. box. The new top is created on a reversal which is not broken for another 2 consecutive candles.

1) Creating the first box

For the first box we chose a high/low of the market, best with a long wick before

From the top/bottom candle we count 3 consecutive candles to create the top/bottom.

We have no top created yet: For this we need a reversal that has no candles closing through it within three candles. At this point, we can draw the bottom/top of the new box in the same way as when we extend a box.

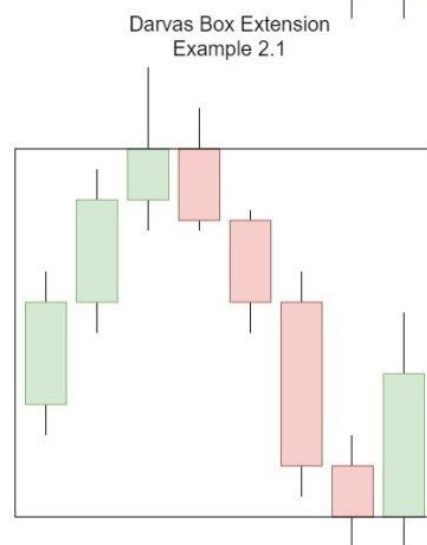
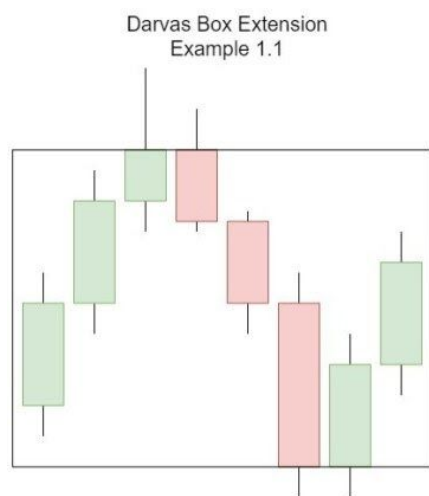
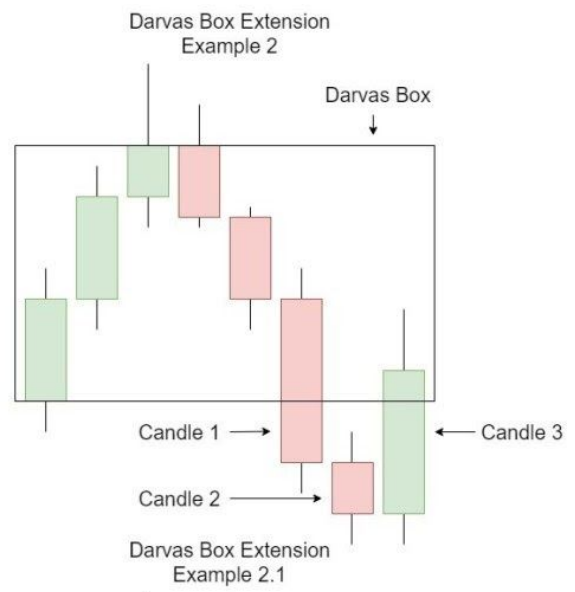
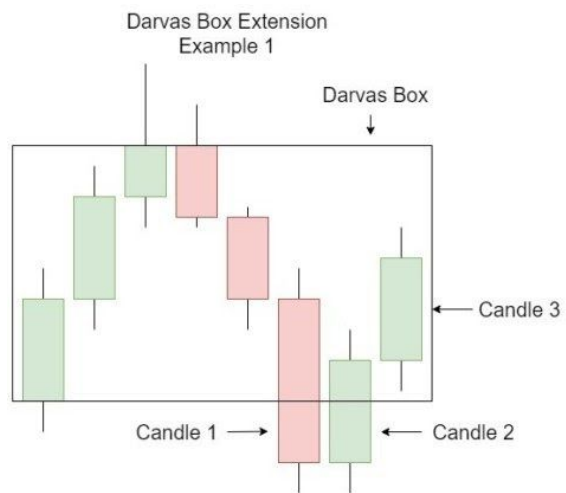
2) Extending a Box

If a candle closes outside the box, but at some point in the next three candles it closes within the box again, the box is extended.

The extension is made to the furthest body that closed outside the box, before the price returned to close within the box again.

Example 1: Candle 1 closes outside the box, but candle 2 closes within the box. Since the price has closed inside the box within three candles, we would extend the box as in example 1.1.

Example 2: Candle 1 and Candle 2 both close outside the box but candle 3 closes back within the box. Since the price has closed in the box within three candles, we would extend the box as in example 2.1.

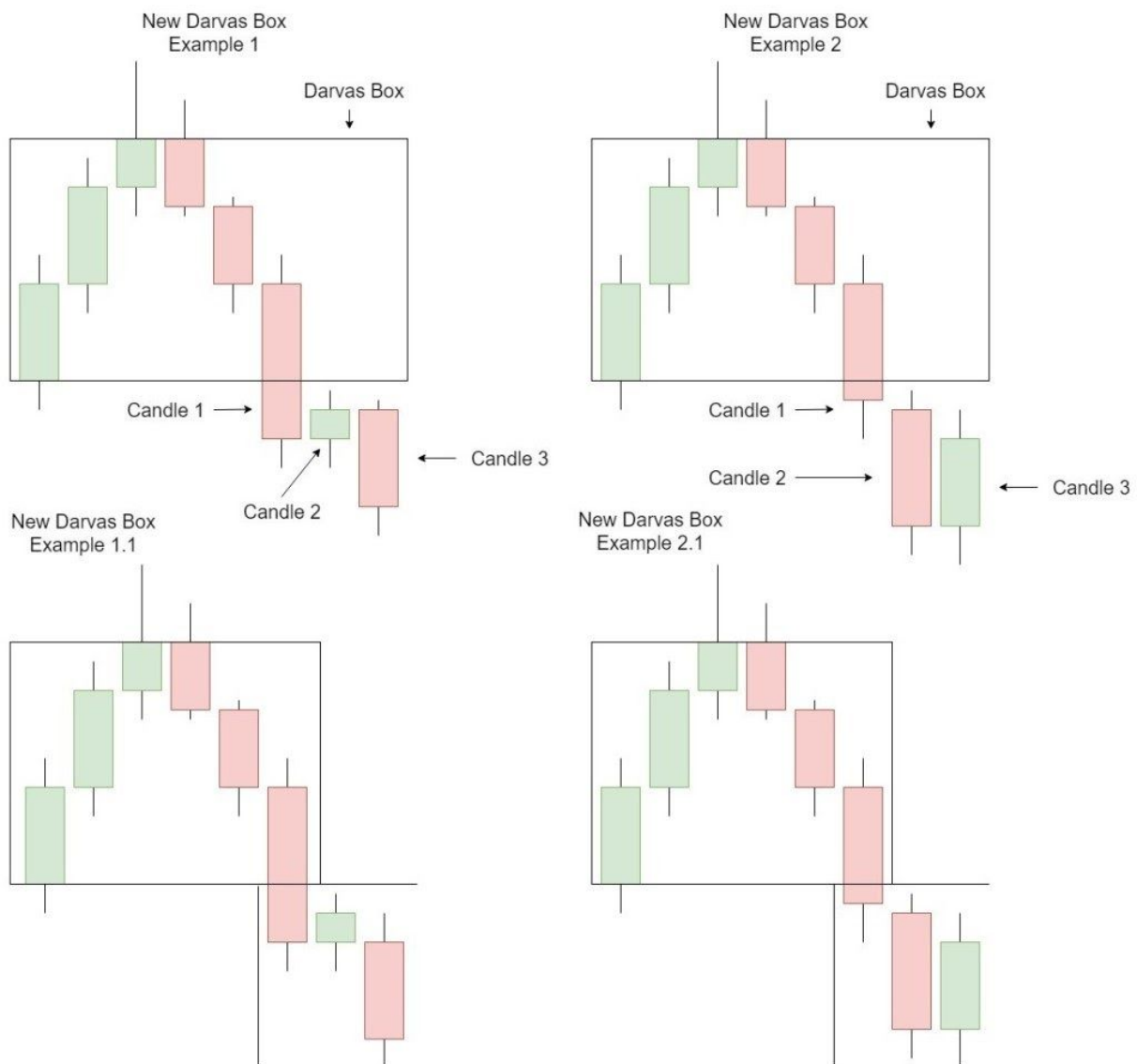


3) Creating a New Box

If a candle closes outside a box, but in the next three candles it *does not* close within the box again, a new box is created.

Example 1: Candle 1. Candle 2 and Candle 3 all close outside the box. Since the price has not closed inside the box within three candles, we would start a new box as in example 1.1.

Example 2: Candle 1, Candle 2 and Candle 3 all close outside the box. Since the price has not closed inside the box within three candles, we would start a new box as in example 2.1.



In the examples of new Darvas Boxes being created, we have not yet drawn the bottom of the new box.

We need a reversal that has no candles closing through it within three candles. At this point, we can draw the bottom of the new box in the same way as when we extend a box.

Example 3: To draw the top and bottom of each box, Candle 2 and Candle 3 cannot close ahead of Candle 1. This principle is the same for the top and the bottom of the box. In other words, for opening a new box or closing it.

