

Ichimoku is a finely-tuned, integrated charting system where the five lines all work in concert to produce the end result. We emphasize the word "system" here because it is absolutely key to understanding how to use the various trading strategies we outline in this section. Every strategy covered in this EA is to be used and measured against the prevailing Ichimoku "picture" rather than in isolation.

This means that, while a scenario that matches a given strategy may have transpired, the EA still must weigh that signal against the rest of the chart in order to determine whether or not it offers a high-probability trade. Another way of looking at it is that Ichimoku is a system and the discrete strategies for trading it are merely "sub-systems" within that larger system.

Thus, looking at trading any of these strategies from an automated or isolated approach that doesn't take into account the rest of what the Ichimoku chart is telling you will meet with mixed long-term success, at best.

Strategy 1: Tenkan Sen/Kijun Sen Cross

The tenkan sen/kijun sen cross is one of the most traditional trading strategies within the Ichimoku Kinko Hyo system. The signal for this strategy is given when the [tenkan sen](#) crosses over the [kijun sen](#). If the tenkan sen crosses above the kijun sen, then it is a bullish signal. Likewise, if the tenkan sen crosses below the kijun sen, then that is a bearish signal. Like all strategies within the Ichimoku system, the tenkan sen/kijun sen cross needs to be viewed in terms of the bigger Ichimoku picture before making any trading decisions, as this will give the strategy the best chances of success.

In general, the tenkan sen/kijun sen strategy can be classified into three (3) major classifications: strong, neutral and weak.

STRONG TENKAN SEN/KIJUN SEN CROSS SIGNAL

A strong tenkan sen/kijun sen cross Buy signal takes place when a bullish cross happens above the kumo.

A strong tenkan sen/kijun sen cross Sell signal takes place when a bearish cross happens below the kumo.

NEUTRAL TENKAN SEN/KIJUN SEN CROSS SIGNAL

A neutral tenkan sen/kijun sen cross Buy signal takes place when a bullish cross happens within the kumo.

A neutral tenkan sen/kijun sen cross Sell signal takes place when a bearish cross happens within the kumo.

WEAK TENKAN SEN/KIJUN SEN CROSS SIGNAL

A weak tenkan sen/kijun sen cross Buy signal takes place when a bullish cross happens below the kumo.

A weak tenkan sen/kijun sen cross Sell signal takes place when a bearish cross happens above the kumo.

See the chart in Figure I below for an example of several classifications of the tenkan sen/kijun sen cross:



FIGURE I - Tenkan Sen/Kijun Sen Cross Classifications

With these three major classifications in mind, we will add something else into the equation - the [chikou span](#). As we explained in the section detailing the [chikou span](#), this component acts as a "final arbiter" of sentiment and should be consulted with every single trading signal in the Ichimiku Kinko Hyo charting system. The tenkan sen/kijun sen cross is no different. Each of the three classifications of the TS/KS cross mentioned above can be further classified based on the chikou span's location in relation to the price curve at the time of the cross.

If the cross is a "Buy" signal and the chikou span is above the price curve at that point in time, this will add greater strength to that buy signal. Likewise, if the cross is a "Sell" signal and the chikou span is below the price curve at that point in time, this will provide additional confirmation to that signal. If the chikou span's location in relation to the price curve is the opposite of the TS/KS cross's sentiment, then that will weaken the signal.

Entry

The entry for the tenkan sen/kijun sen cross is very straightforward - an order is placed in the direction of the cross once the cross has been solidified by a close. Nevertheless, in accordance with good Ichimoku trading practices, the trader should bear in mind any significant levels of support/resistance near the cross and consider getting a close above those levels before executing their order.

Exit

The exit from a tenkan sen/kijun sen cross will vary with the particular circumstances of the chart. The most traditional exit signal is a tenkan sen/kijun sen cross in the opposite direction of your trade. However, personal risk management and time frame concerns may dictate an earlier exit, or an exit based upon other Ichimoku signals, just as in any other trade.

Stop-Loss Placement

The tenkan sen/kijun sen strategy does not dictate use of any particular Ichimoku structure for stop-loss placement, like some other strategies do. Instead, the trader should consider their execution time frame and their money management rules and then look for the appropriate prevailing structure for setting their stop-loss. In this case, it will be the upper band of the kumo for short positions and the lower band of the kumo for long positions.

Take Profit Targets

Take profit targetting for the tenkan sen/kijun sen cross strategy can be approached in one of two different ways. It can be approached from a day/swing trader perspective where take profit targets are set using key levels, or from a position trader perspective, where the trader does not set specific targets but rather waits for the current trend to be invalidated by a tenkan sen/kijun sen cross transpiring in the opposite direction of their trade.

Case Study

In the 4H chart in Figure II below we can see a bullish tenkan sen/kijun sen cross at **point A**. Since this cross took place within the kumo itself, it is considered a "neutral" buy signal, thus we wait for price to exit and close above the kumo to confirm this sentiment before placing our long entry. Price does achieve a close above the kumo at **point B** (1.5918) and we place our long entry at that point. For our stop-loss, we look for the place where our trade sentiment would be invalidated. In this case, the bottom edge of the kumo provides us with just that at **point C** (1.5872).

Once we place our entry and stop-loss orders, we merely wait for the trade to unfold while keeping an eye out for potential exit signals. Price rises nicely for the next 10 to 11 days and then, on the 15th day of the trade, price drops enough to have the tenkan sen cross below the kijun sen at **point D**. This is our exit signal, since Ichimoku is telling us that the sentiment has changed, so we close our order at 1.6014 at **point E** for a total gain of over 95 pips.



FIGURE II - Tenkan Sen/Kijun Sen Cross Case Study

For maximum risk management on this trade, we also could have moved our stop-loss up with price once price was a conservative distance away from our entry. One option for doing this would be to move the stop-loss up with the kumo, keeping it just below the bottom edge. For even tighter risk management, we could have moved our stop-loss with the kijun sen, keeping it 5 to 10 pips below that line as it moved up.

Input for the EA (These should be adjustable in the input window):

STRONG TENKAN SEN/KIJUN SEN CROSS SIGNAL = true / false (if false don't trade strong signals)

NEUTRAL TENKAN SEN/KIJUN SEN CROSS SIGNAL = true / false (if false don't trade strong signals)

WEAK TENKAN SEN/KIJUN SEN CROSS SIGNAL = true / false (if false don't trade strong signals)

USE CHICKOU SPAN = true / false (if false no single confirmation by chickou span is needed)

TAKE PROFIT = in pips (if 0 then exit at tenkan sen/kijun sen cross in the opposite direction)

STOP LOSS = in pips (if 0 then exit at the upper / lower band of the kumo)

MONEY MANAGEMENT = true / false

RISK = in % (see below)

Lots = static lot size

Lotsize should be calculated automatically: % of equity

- A Lotsize (Risk percentage) calculator is hosted here: <http://www.alpari.co.uk/research-tools/calculators>

- Example: My equity is \$10,000. I like to risk 2% of my equity. I use Money Management and the EA calculated a stop loss of 50 pips. So the position should be opened with 0.4 lots. That mean ... always calculate STOP LOSS pips fist, then have a look at the equity and calculate the risk in %, now calculate the lotsize that I do not lose more money than risk in % when stop loss is reached,