The TT 2-Bar Trend Candle Indicator provides the user with an improved way of plotting price bars to identify trends and predict future price movement. This improved algorithm utilizes the open, high, low, and closing prices of the most recent two bars to create a candlestick on the current bar. It is based on a concept first introduced into the trading community as the Heikin-Ashi algorithm.

Down days are represented by bars with red bodies, while up days are represented by bars with green bodies. Green bodies with no lower shadows signify a strong uptrend; red bodies with no upper shadows signify a strong downtrend. Red bodies with upper shadows or green bodies with lower shadows signify congestion bars. A narrow body with long upper and lower shadows is usually a precursor to a trend change. Congestion bar shadows are given a distinctive color to signify a pause in the trend.

By utilizing the 2-Bar Trend Candle method, it becomes a lot easier to locate trends and trend reversals. Price trends are not interrupted as often with false signals as with standard Candlesticks, and trend direction changes can be detected earlier. During consolidation periods the direction of the new trend can more readily be identified as compared to using standard Candlesticks.

The examples below show the difference between a standard Candlestick chart and the same chart plotted using the 2-Bar Trend Candle tool:

Standard Candlestick Chart
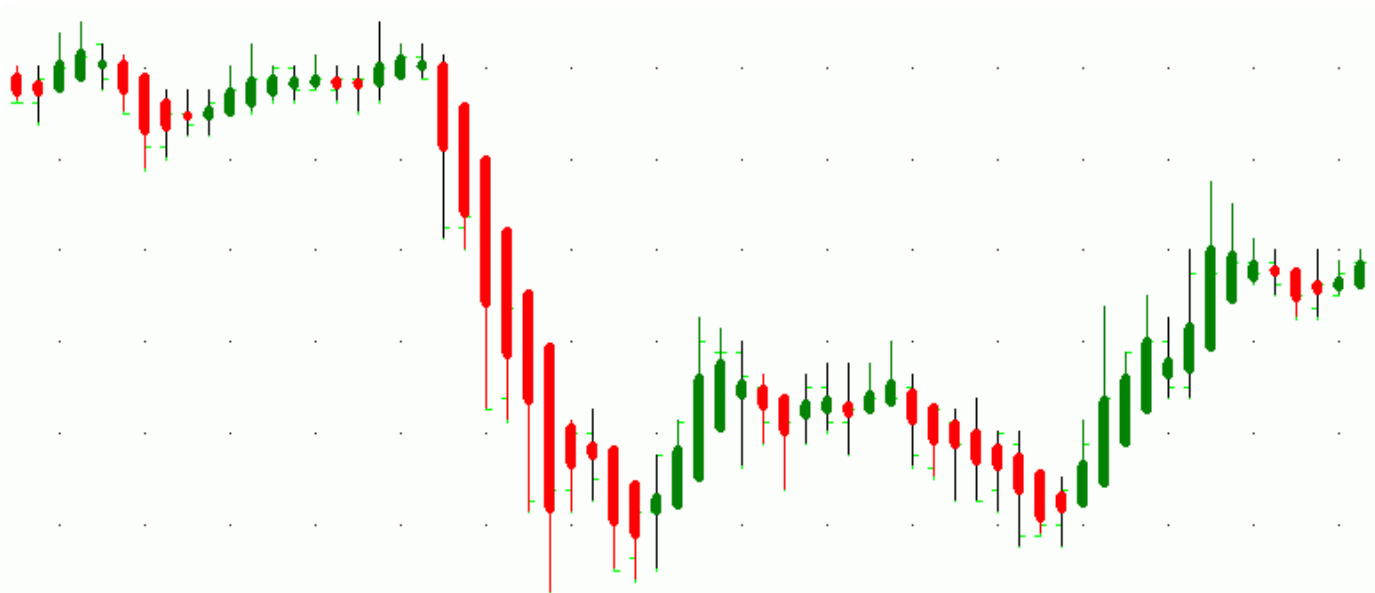
A bar numbering option is included as part of this tool. When ShowText is set to True, numbers will be displayed above the bars showing the cumulative count of consecutive Up Bars, Down Bars or Congestion Bars. When ShowText is set to False, this option is turned off.
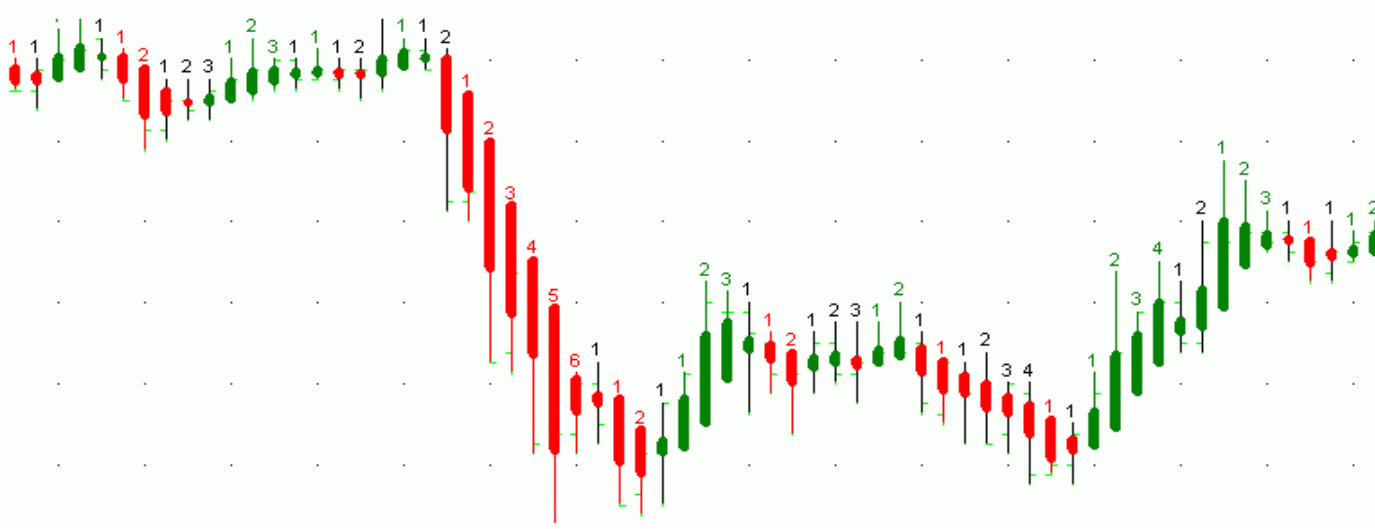
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By inverting the thicknesses of the shadow and body (BodyWidth = 0, ShadowWidth = 3) the 2-Bar Trend Candle chart becomes a 2-Bar Trend PaintBar chart, as shown below:
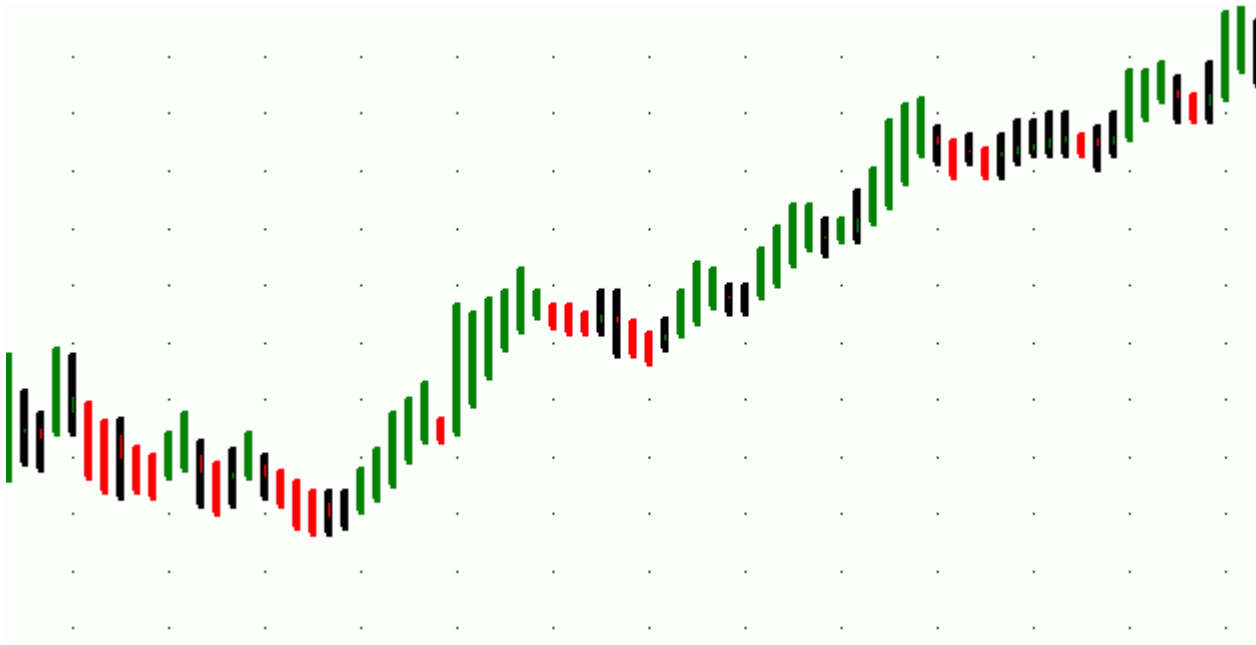
Sometimes a miniscule shadow changes a Trend bar into a Congestion bar. A "Sensitivity" Input is included in this indicator to allow the user to desensitize the congestion algorithm slightly. This allows congestion bars with miniscule tails to be identified as Trend bars. The default Sensitivity value is 0. Sensitivity values ranging from 1 to 9 will progressively increase the amount of shadow permitted to qualify a bar as a Trend bar.

When the TradeStation alert feature is activated, this tool will alert the user to trend or congestion changes.