Cryptocurrency Price Action Trading With the Hot Dog Pattern

This trading guide is dedicated to all cryptocurrency traders that want to learn a powerful trading strategy to profit from the rise and fall of your favorite digital coins. We created this trading strategy with a focus solely on price action and without any technical indicators. The truth is that you need to master the art of price action trading if you really want to trade crypto successfully.

Using the right charting platform can make all the difference for traders just starting out their career. Our team of experts at *Trading Strategy Guides* has been using TradingView trading platform for years

TradingView itself is free, but we recommend getting on board with one of the paid plans, if you want to get advantage of the more advanced trading tools.

All of our high quality technical charts are “crafted” using TradingView.

Those of you, who like our charts, it may seem like a no brainer to start using TradingView.

Now...

With this price action trading course, you’ll learn how you can trade any cryptocurrency with a unique chart pattern that is taught nowhere else. By the end of this PDF, you’ll be able to better time your entries, minimize the risk and boost your profits.

In technical analysis, some of the most popular price action patterns have funny names like "head and shoulders," or "cup with handle." The name of these trading patterns is not random because the name is very suggestive to the overall shape of the price action.

In this regard, the Hot Dog pattern carries this name because its shape resembles a hot dog.

As our saying goes:

“Once you see it, you can't unsee it.”

How it all started

It’s easy to be totally captivated whenever you discover a new chart pattern.

No matter what your level of experience is, it’s impossible not to get hooked on the excitement. And, that’s what happened to me one day as I was reviewing my charts.

I was struck by an AHA moment!

You know that chart patterns have the tendency to repeat themselves over and over again, right?

So, I'm halfway through my chart analysis when I realized that something looks extremely familiar to my eyes.

I was feeling confident about this one!

You bet I was about to discover some amazing chart patterns that day.

I just couldn’t take my eyes off of the charts and from a particular 3-candlestick price formation.

But, the funniest thing was that I couldn’t take my mind off the fact that this 3-candlestick formation looks similar to a HOT DOG.

Scientific research has shown that the human brain tries to associate images to different patterns so that later on it can identify it faster.

No, you might be wondering:

“Why a Hot Dog?”

“Why not a sandwich?”:)

Well, let me explain:

A hot dog is made of one slice of bread cut in the middle with meat and fillings inside. When you look at it from the top it appears like 3 distinctive parts (like in the image below). Two slices of bread and the meat in the middle which pops out on both ends.

The middle candlestick of the 3-candle formation pops out on both ends like the hot dog meat, while the two candles on either side of it look similar to the two slices of bread.

We have been keeping it secret, but realized it was too good so we will reveal it now for a short time. The average retail trader needs to jump on this now before the big boys aka the "hedge funds" get to it.

Are you ready?

Then let's get started…

• Hot Dog Pattern Explained

I have developed hundreds of strategies, and his particular pattern in crypto is going to be a game changer when you learn it.

The Hot Dog pattern is a 3-bar price formation that develops when the market seems trapped in a range zone for 3 consecutive days (candles). This little range formation will set the stage for a breakout, which is what we're trying to capitalize on.

Here is how to recognize the bullish Hot Dog pattern on a price chart:

1. The middle candlestick has the real body greater than the two candles on either side of it
2. The middle candle is always bullish showing that prices have risen during that period of time
3. The two outside candles on each side are always bearish showing that the prices have dropped during that period of time
4. The third candle's real body must be inside the middle candle price range

Before we go any further, let's review exactly what a candlestick is.

See below:

What are Candlesticks?

Candlesticks is a charting method that uses the open, high, low and closing prices to construct a price chart.

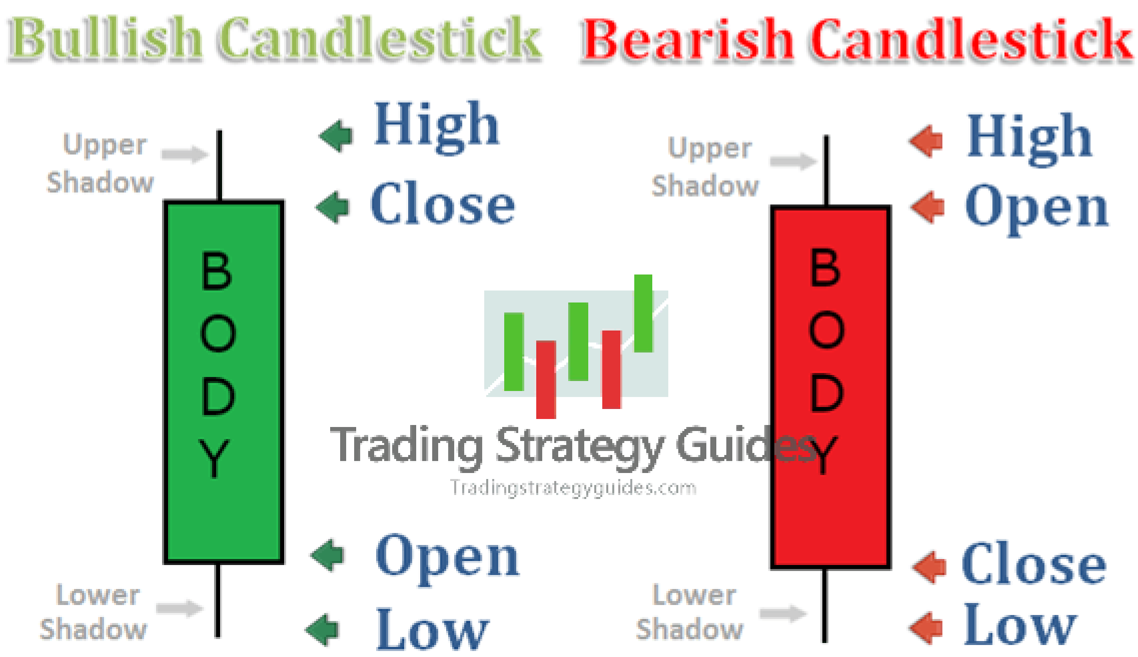
Regardless of the time frame used, each candlestick plotted within that time period represents the same amount of time that needs to pass to form that candlestick.

For example, if you’re trading on the 1-hour time frame, each candlestick within that time period represents 1 hour each.

In technical analysis, trading using the candlestick price chart is a necessary skill to learn. The candlestick chart can help us determine entries, exits, the direction of the trend, the strength of the trend, reversals and much more.

There are 3 main elements that make up a candlestick:

1. The body of the candlestick, which is the solid port or the rectangular portion of the candle. The real body represents the price range between the opening and closing prices.
2. An upper wick attached to the top of the real body. The top of the upper wick is the highest price.
3. A downward wick attached to the bottom of the real body. The bottom of the downward wick is the lowest price.



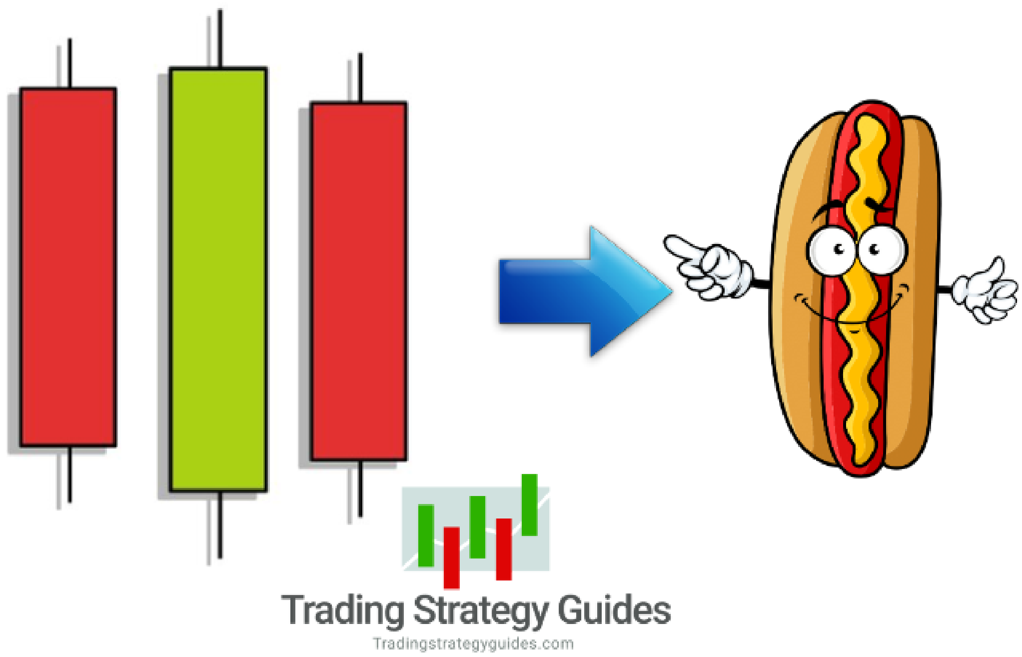
How to Interpret Candlesticks

In general, we can identify three types of candlesticks, namely:

- A bullish or upward price movement over any given time frame is identified when the current closing price is greater than the current opening price.
- Conversely, a bearish or downward price movement over any given time frame is identified when the current closing price is lower than the current opening price.
- Neutral candlesticks are identified when the current closing price is the same as the opening price.

Now...

The bullish Hot Dog pattern is considered a buy signal if spotted at the end of a downtrend.



However, if the same price structure develops in the middle of a downtrend it can be considered a continuation pattern and subsequently a sell signal. What makes the difference between a buy signal and a sell signal is the location within the trend.

See the figure below:

Note* The continuation setup will carry more weight than the reversal setup only because we're trading in the direction of the prevailing trend.

One more thing to keep in mind is that we don't put a lot of weight on the first candles' tails.

Let me explain:

The first candle of this 3-bar price formation can have the low lower than the middle candle, but the high can't be higher than the middle candle high. The second restriction we have is that the third candle can't have the high higher than the middle candle.

Figure below shows some variations of the Hot Dog pattern:

Note* The Hot Dog pattern can take many different shapes and forms.

Typically, hot dogs come in different sizes as they are not all the same (see image below).

Think about it this way:

When you make a hot dog it will never have a perfect symmetry especially when you hold it in your hands and you apply a little pressure on it. The same happens with the price action when it's squeezed in-between these 3 candlesticks.

It's inevitable that a breakout will precede this pattern.

Most cryptocurrencies are prone to breakouts, so all cryptos are fine with this trading strategy.

If you consider yourself a Bitcoin maximalist and believe the BTC is the only viable crypto out there, then you can safely use the Hot Dog pattern. On the other hand, if you believe in the alternative use case of other cryptocurrencies you're too welcomed to try out this unique chart pattern.

The beauty of this pattern is that it doesn't "discriminate" against any cryptocurrency and can be traded across the board with Bitcoin, Ethereum, Ripple, Binance Coin, Dogecoin, you name it.

The Bearish Hot Dog Pattern

The bearish Hot Dog pattern has the same characteristics as the bullish Hot Dog pattern. The only difference is that the middle candle is bearish and the two candles on either side of it are bullish.

Below is an image of the bearish Hot Dog, which is considered as a sell signal if spotted at the end of an uptrend.

However, the same price structure if it's found within the middle of an uptrend it's considered to be a buy signal. So, again the location of the pattern dictates whether we want to buy or sell.

See the figure below:

How to Trade with the Hot Dog Pattern

The entry strategy for this pattern is to place:

1. A buy stop order above the middle candle high, if we're dealing with a reversal bullish Hot Dog pattern
2. A sell stop order below the middle candle low, if we're dealing with a reversal bearish Hot Dog pattern

Note* Alternatively you can buy/sell when the third candle high/low is broken.

Now…

If you're not familiar with the terms buy stop order and a sell stop order, we'll give you a brief overview.

A **buy stop order** is a type of order that instructs your broker to buy a cryptocurrency at a specific price that is usually above the current market price. The buy stop order becomes a market order and gets triggered as soon as the crypto reaches that price.

Conversely, a **sell stop order** is a type of order that instructs your broker to sell a cryptocurrency at a specific price that is normally below the current market price.

The buy and sell stop orders are a convenient way to manage your trades when you're actively trading the markets with the Hot Dog pattern.

Moving forward…

Breakout trading is a very popular trading strategy that can yield profits very fast.

In other words, you'll know whether or not the trade will be a winner or a loser by measuring the strength of the breakout. If we have a strong breakout and the price follows through, we can expect to close the trade with a profit. On the other hand, if we have a weak breakout, the chances of closing our trade with a profit are diminishing.

The optimal time horizon for holding your position open with the Hot Dog pattern usually is very small. If the pattern is spotted on the daily chart, the time duration for this trade would be one or three days.

So you either take profit by the end of the first day, or by the end of the second day or by the end of the third day.

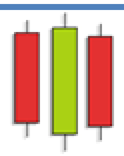
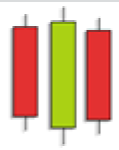
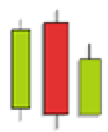
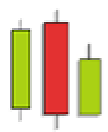
Note* Due to the volatile nature of cryptocurrencies, we only recommend trading the hot dog pattern off of the daily chart. The lowest time frame you can go is the 4-hour chart.

We can’t have a complete trading strategy without an exit strategy and a proper way to manage risk.

So, below we’ll cover the complete trading strategy from A to Z and will go over some live trading examples.

- ## Hot Dog Trading Strategy

If you want to recognize this pattern faster, we have created a crypto cheat sheet for a quick glance at the 4 possible scenarios:

Name	Pattern	Location	Signal
The Big Boy Bull Hot Dog Pattern		At the end of a downtrend	Buy signal
The Classic Hot Dog Pattern		In the middle of a downtrend	Sell signal
The Skinny Hot Dog Pattern		In the middle of an uptrend	Buy signal
The Big Boy Bear Hot Dog Pattern		At the end of an uptrend	Sell signal

To put this cryptocurrency trading strategy at work and showcase the power of this pattern, we're going to go through a live trading example.

The chart below outlines what appears to be a Hot Dog pattern in the middle of XRP uptrend

This might as well be a continuation pattern as well a reversal pattern.

Meaning, we can speculate on the Ripple uptrend to continue as well as reversing. At this point in time, we can't know for sure which way the market will go.

The only way to distinguish between the two scenarios is to wait for the breakout in either direction. In this regard:

1. We put a buy stop above the middle candle high
2. And, a sell stop order below the middle candle low

Note* Remember that you can only place the buy and sell stop orders on day 4. Day 4 would be the candle right after the Hot Dog pattern has fully formed. If you're using the 4-h timeframe, then it would be on the 4th candle on the 4-hour chart.

When one order is triggered the opposite order gets cancelled immediately.

As we can tell, the price broke to the upside, so in this instance the Hot Dog acted as a continuation pattern.

See the chart below:

To protect our position in case the market goes against us, we need to place a protective stop loss on the opposite side of the Hot Dog pattern – i.e. below the lowest point of this 3-bar price formation.

It’s important to realize that you can’t trade without a stop loss order.

If you’re a beginner just starting learning the ropes of trading in the cryptocurrency market, stop loss orders are also called protective because they are designed to limit your loss and manage risk properly.

Basically, a stop loss order is similar to the basic market order. The only difference between the two is that a stop-loss order instructs your broker to close an open position. One the stop-loss order gets triggered, it will become a market order and thus be filled at the best available market price.

Make sense?

Moving on…

Let’s see when the best time to book profits is.

We take profit within the first 3 candles following the breakout.

We’re only trying to capitalize on the quick price changes that often come after a successful breakout.

See the chart below:

Now, the breakout might happen on the 4th candle or it might not.

Obviously, the sooner the breakout happens, the more powerful the Hot Dog pattern becomes.

If the breakout doesn't happen within the first 3 days following the development of the Hot Dog price formation, we scrap the buy and sell orders.

Another exit rule is to book profits if we hit key support and resistance levels on the price chart. Or, at least take half of the position off the table and move your stop loss to breakeven on the remaining half.

If you're a more experienced trader, you can HODL the position and try to squeeze as much profits as possible.

We like the idea to play out with different exit strategies.

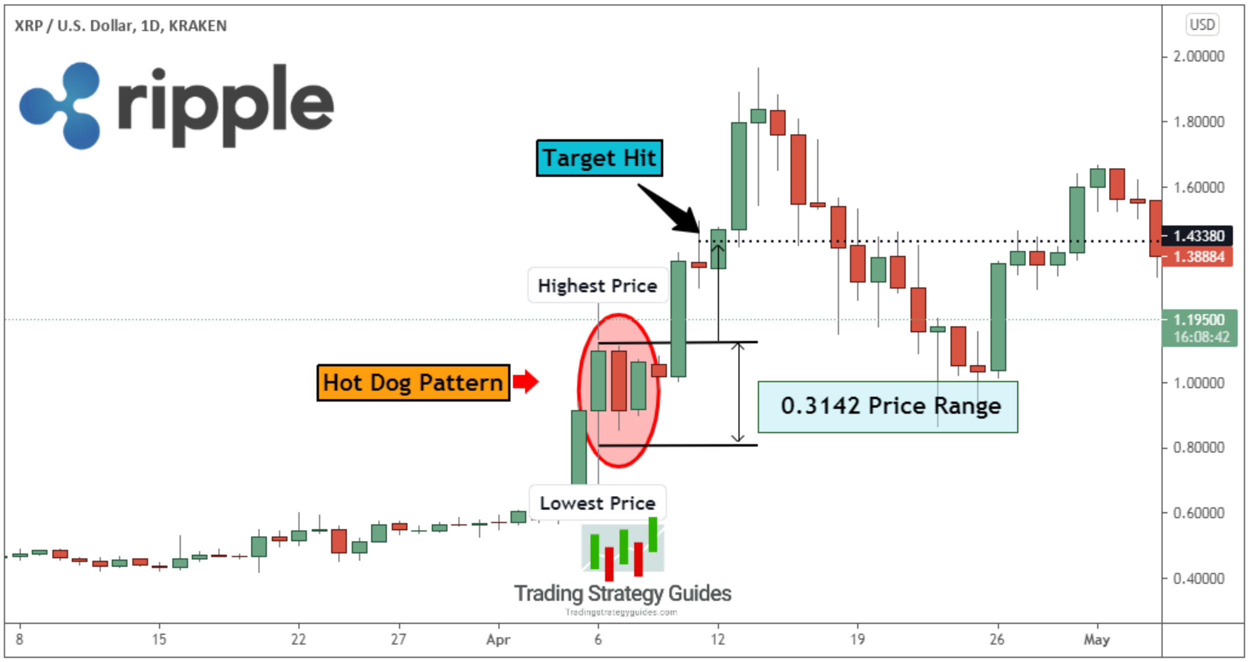
Most of the new traders struggle with this and they often get shaken out at the worst possible price.

So, here is another simple but effective way you can exit a trade:

We can calculate a price target by measuring the total price range of the Hot Dog pattern. This price range is approximately how far the price will move after your trade is triggered.

To measure the Hot Dog price range simply calculate the difference between the highest point and the lowest point of the 3-candle formation. Use that price range to project into the future how much the cryptocurrency would move, starting from the breakout point.

Here is an example:



Note* Here the Hot Dog price range is $0.3142, which if added to the breakout point gives us a target of $1.4338.

Now let's flip the market scenario and look for a sell setup.

The hot dog pattern is a short-term price action that lets you actively buy and sell cryptocurrencies.

So, just because we have a sell signal it doesn't mean we're looking for a crash.

The aim of this unique chart pattern is to trade in and out of the market regardless of the market direction. You can be a long-term HODLer and still take advantage of the short-term up and down swings in the market.

Nothing goes up in a straight line.

So, why not take advantage of the downturns in the market the same way you take advantage of the bullish trends?

Now...

We're going to apply the same trading rules as taught in this lesson.

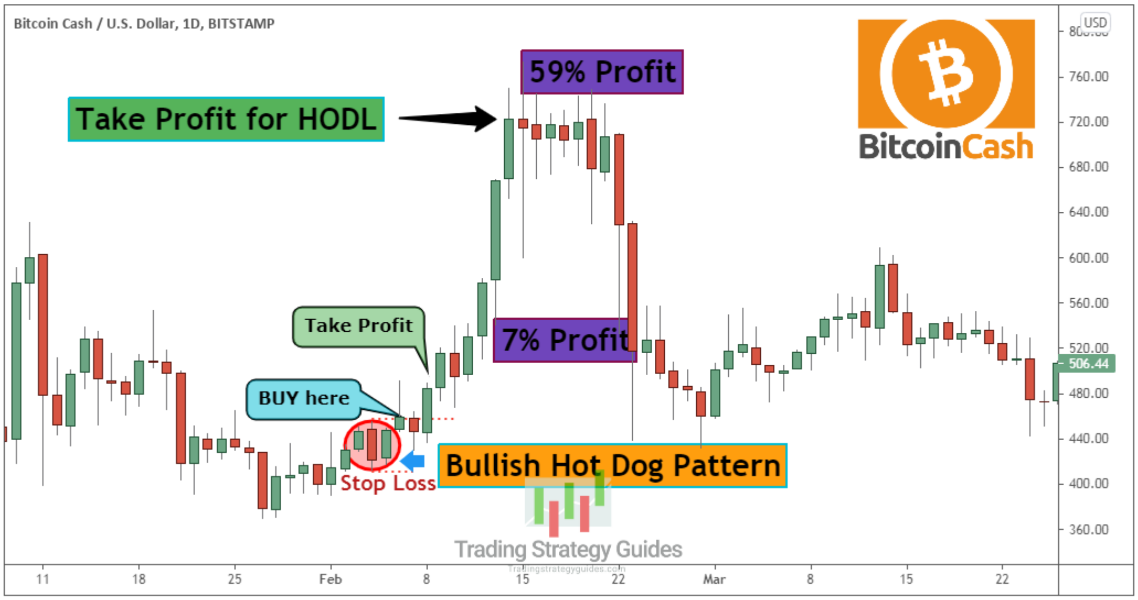
See the example below:

Below we're going to go over multiple other examples across different cryptocurrencies.

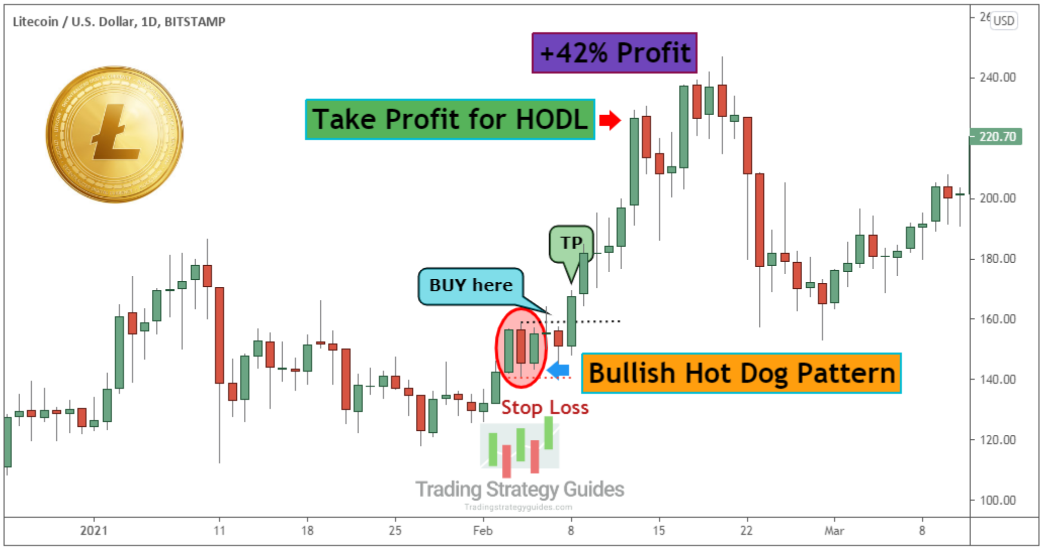
More Crypto Trading Examples

Example #1: Dogecoin Short Example

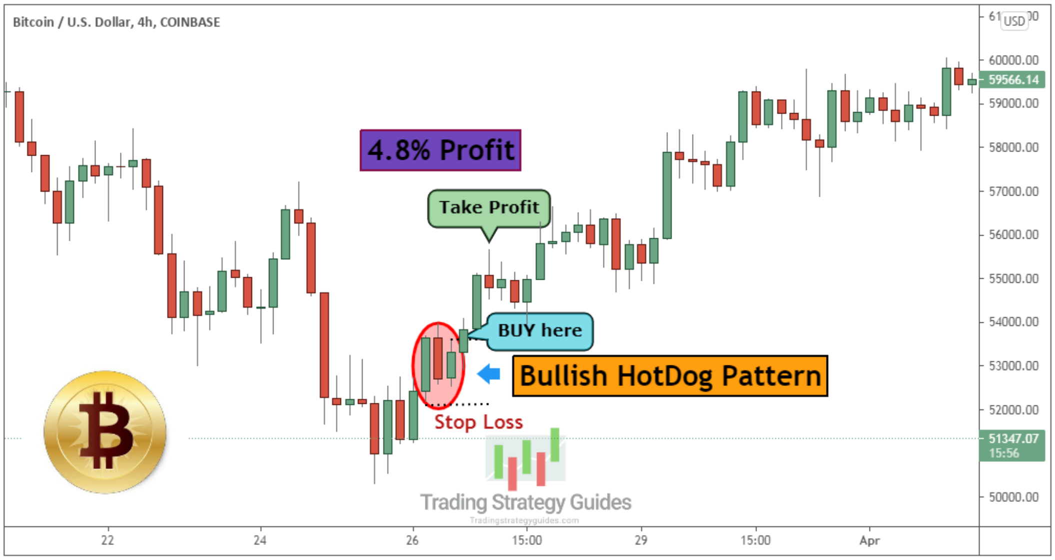
Example #2: Bitcoin cash Bullish Signal



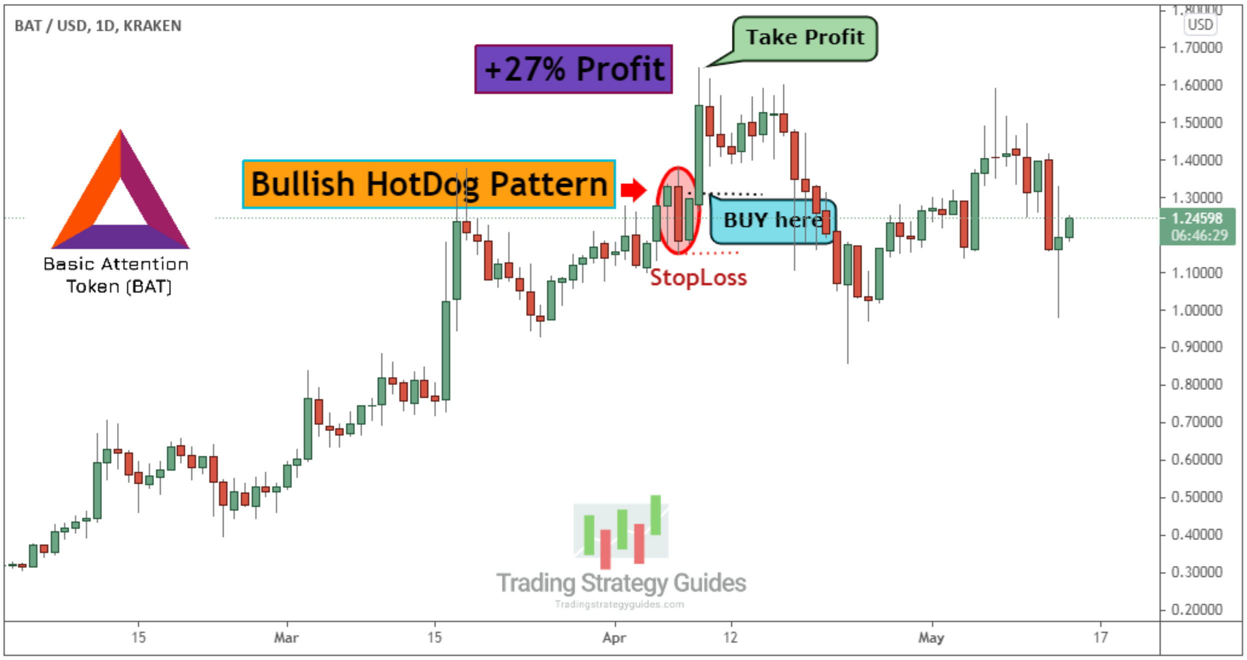
Example #3: Litecoin Bullish Signal



Example #4: Bitcoin 4-h Bullish Signal



Example #5: BAT +27% Single Day Profit



Our job is not to show you only the winning trades but also possibilities of other ways that this pattern can unfold. And since no price action is 100% right, you'll also get some losses.

You probably have heard this before:

"Cut your losses short, and let your profits run."

Well, the hot dog pattern has another advantage, namely it lets you "cut your losses short."

A small loss will not hurt you, but letting your losses accumulate over time can lead to losing all your money. Many of the cryptocurrencies developed in the past few years have gone to zero and completely disappeared.

And guess what happened to all those HODLers?

Yes, you're right if you think that:

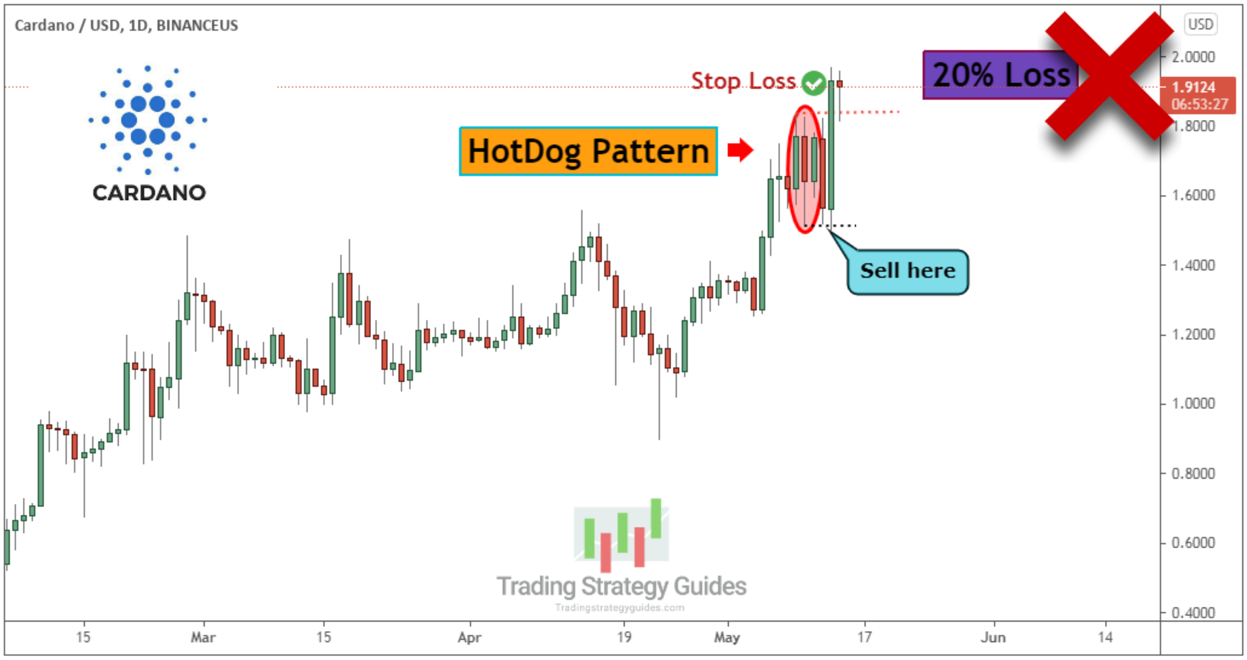
"They all have been wiped out."

So, you need to learn the art of cutting losses quickly if you want to be in this game for the long run.

Moving on….

Let's see an example where the Hot Dog pattern helped us cut the losses short.

See the chart below:



• Final Words – Cryptocurrency Price Action Strategy

Congratulations! If you have made it to this point, you now have everything you need to actively trade in any cryptocurrency.

Are you hungry yet?

We mean hungry for profits not Hot Dogs!:)

Hot Dogs are not exactly man's best friend, but Hot Dogs on a price chart are your best friend because they come with a healthy dose of profits.

Once you taste the profits, you will feel thirsty again and again after this type of hot dog.

In summary, the Hot Dog pattern is a great price action that performs well for breakouts in the direction of the bigger picture trend. If you combine the Hot Dog pattern with other technical indicators it can provide more confluence to the trade signals.

Keep in mind that the best Hot Dog setups work best when the market volatility is increasing.

Volatility is the most important metrics to measure profits for short-term traders. Ultimately an increase in market volatility means higher probability to profit in a short span of time.

But if you follow the rules, you'll be able to cash out double-digit profits within a single day.

Risk Disclaimer: Crypto falls hard on bad news and jumps up quickly on good news. A single tweet or event can tank a single crypto by 30%+ in a day. So, keep that in mind

when you're looking for a trade and always remember to not risk more than what you can afford to lose.

Thank you for reading!