

# THE INSIDE BAR TRADING STRATEGY GUIDE

HOW TO RIDE STRONG TRENDS AND FIND  
HIGH PROBABILITY BREAKOUT TRADES



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## ABOUT THE AUTHOR

You've probably found your way to this guide from my website, or maybe a friend passed it along to you. Either way, I'm happy you're here.

I created this guide because I feel that every trader should learn how to use trading indicators the correct way.

This allows you to better time your entries, reduce your risk, and improve your trading performance.

[Tradingwithrayner](#) and this guide are my way of giving back for all the fortunate things that have happened to me.

If it can help just one person to get closer to being a consistently profitable trader, then the month I've spent writing this trading guide will have been totally worth it.

To all my subscribers, followers and friends out there, old and new, thank you for the gift of support. I only hope this trading guide can begin to repay you for all the time and attention you've given me. Here's to you and your continued success!



*Rayner Teo*

## LET ME ASK YOU:

Do you want to find low risk and high reward trades?

I'm sure you probably do.

But the question is...

How?

Well, the inside bar trading strategy is one way to go about it and I'll teach you step-by-step in today's lesson.

So, here's what you'll learn:

- What is an inside bar
- 3 biggest mistakes to avoid when trading the inside bar
- The inside bar trading strategy — how to trade it correctly and effectively
- Where to place your entries and stop loss when trading the inside bar

Now I'll be honest...

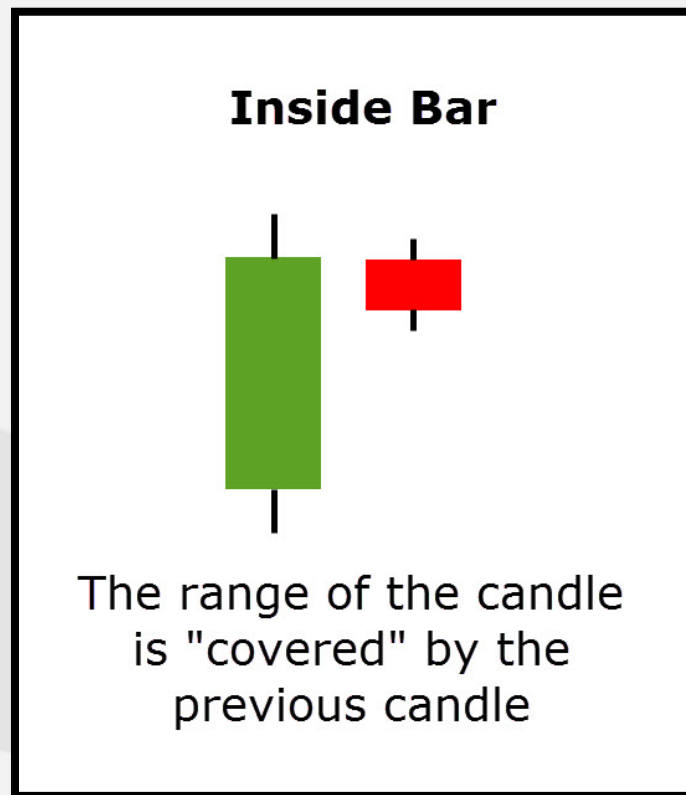
The strategies shared in today's post are based on my many years of experience — and you only need to master one to make it worthwhile for you.

Are you ready?

Then read on my friend...

## WHAT IS AN INSIDE BAR?

The inside bar is a candle that is "covered" by the previous candle. This means the highs and lows of the inside bar are contained within the range of the previous candle. And it looks something like this...



So, what does an inside bar mean?

An inside bar represents indecision in the markets where the buyers and sellers are in equilibrium.

However...

That's not always the case because there are times the market has a higher probability of breaking out higher or lower.

The secret to the inside bar trading strategy is to trade it within the context of the markets (which I'll share more with you later).

But first, let's learn how NOT to trade the inside bar...

## DO YOU MAKE THESE INSIDE BAR TRADING MISTAKES?

Now...

These are some of the common mistakes traders make:

1. Trading every inside bar you come across
2. Trading an inside bar that's against the trend
3. Trading an inside bar during low liquidity period

Let me explain...

### 1. TRADING EVERY INSIDE BAR YOU COME ACROSS

An inside bar is just like any other candlestick pattern. If you trade them in isolation, it's unlikely you'll find an edge in the markets.

So, if you traded every inside bar you come across, there's a good chance you'll get whipsawed out of the trade (especially when the market is in a range).

Here's an example:



Instead, the trick is to trade the inside bar when there's an imbalance of buying/selling pressure which I'll share more with you later...

## 2. TRADING AN INSIDE BAR THAT'S AGAINST THE TREND

If you're a long time follower of my blog, you'd know I love to trade with the trend.

Why?

Because it's the path of least resistance. This means you have better odds of the market going in your favour than against you.



So a simple rule to follow is this...

If the market is in an uptrend, then look to long.

If the market is in a downtrend, then look to short.

As simple as that.

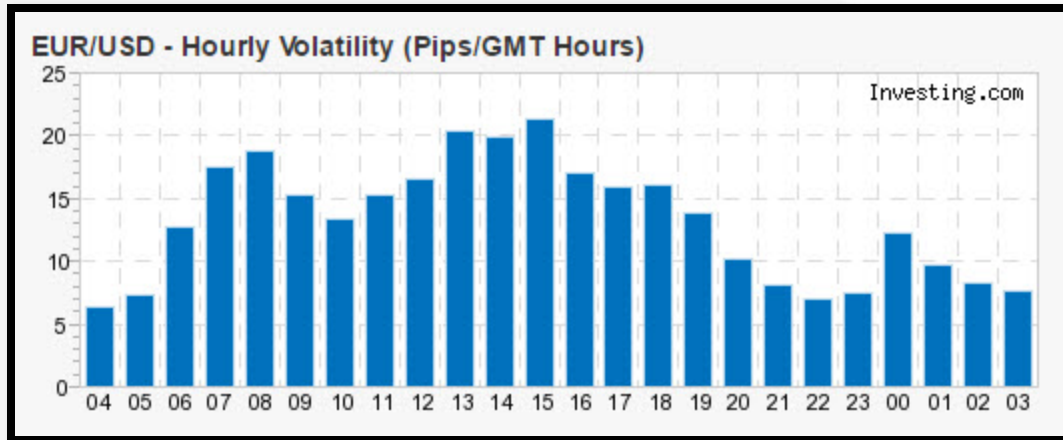
## 3. TRADING AN INSIDE BAR DURING LOW LIQUIDITY PERIOD

*This section is more relevant to day traders. If you're not, then you can skip it.*

Here's the thing:

Although the Forex market is open 24 hours a day, it doesn't mean every session is created equal.

If you don't believe me, look at the volatility of EUR/USD over a 24-hour period.



As you can see... the EUR/USD is the most volatile during the London session.

So, if you have an inside bar trading setup that occurs during the Asian session, do you want to trade it?

I hope not.

Because during the Asian session, the EUR/USD currency pair won't move much. This means you have to sit through hours watching the market do nothing — and it drains your financial and mental capital.

It's best to focus on the most volatile session as that's where the best trading opportunities arise.

**PRO TIP: THIS CONCEPT CAN BE APPLIED TO STOCKS. YOU DON'T WANT TO BE TRADING DURING LOW LIQUIDITY PERIOD (LIKE THE LUNCH HOURS).**

# THE INSIDE BAR TRADING STRATEGY

The inside bar can be a deadly “weapon” in your trading arsenal.

Here's why...

First, an inside bar is usually a small range candle which allows you to have a tight stop loss. This allows you to put on a larger position size and still have the same level of risk (by using [proper position sizing](#)).

Second, volatility in the market is always changing. It moves from a period of low volatility to a period of high volatility and vice versa. So, when you're entering on an inside bar, you usually enter in a low volatility period thus positioning yourself for a potentially “big move” ahead.

With this in mind, here are 3 ways to trade the inside bar trading strategy:

1. In a strong trending market
2. After a breakout
3. Catching the higher timeframe swing

I'll explain each one to you step by step...

## 1. THE INSIDE BAR TRADING STRATEGY — IN A STRONG TRENDING MARKET

Here's the thing:

In a strong trending market, the market has shallow pullbacks. This means if you're waiting to enter on a retracement, chances are, the market may not come to your level.

So a solution is to trade the breakout in a strong trending market — with the inside bar as an entry trigger for it.

Here's how you can trade this concept...

1. If the market is respecting a short term moving average (like the 10MA) chances are, it's a strong trend
2. Look to trade the break of the inside bar in the direction of the trend

Here's an example:



You can trade this inside bar trading strategy as long as the short term moving average holds.

But once it breaks, the integrity of the strong trend is compromised and it's better to avoid this trading strategy.

## 2. THE INSIDE BAR TRADING STRATEGY — AFTER A BREAKOUT

Here's a fact:

The longer the market is in a range, the harder it breaks.

But [trading breakouts](#) can be tricky as it could lead to many false breakouts. At the same time, you want to catch a piece of the move when the market is trending.

So, what can you do?

Well, you can look to trade the inside bar after the market breaks out of the range.

Here's what to look for...

1. Wait for the market to break out of the range
2. Trade the inside bar after the breakout

Here's an example:



### 3. THE INSIDE BAR TRADING STRATEGY — CAPTURE THE HIGHER TIMEFRAME SWING

This is a powerful trading technique as it lets you capture a swing on the higher timeframe charts.

An example:

Let's say you notice the price bounced off a weekly timeframe Support and you know there's a good chance the market will trade higher for the next few days.

However, you don't feel comfortable trading it because the stop loss is too large.

But at the same time, you don't want to miss this move.

So, what can you do?

Well, one way is to trade the inside bar on the lower timeframe.

So in this case, you can look to trade the inside bar on the daily timeframe, with expectations the price will trade higher (based on the bounce on the weekly Support).

Here's an example:



Now you've learned the different ways you can trade the inside bar trading strategy. In the next section, I'll cover the specific entries and exits technique to trade it. Read on...

## HOW TO TRADE AN INSIDE BAR

When it comes to entries and exits, there's always a tradeoff.

A tighter stop loss will give you a lower win rate but a more favourable risk to reward (as you've got a larger position size).

A wider stop loss will give you a higher win rate but a less favourable risk to reward (as you've got a smaller position size).

So there's no right or wrong to it. Rather, it's a matter of which approach suits you best.

Now, let's have a look at a few ways you can enter on the inside bar...

There are 2 ways you can enter on the inside bar:

1. The break of the extreme bar
2. The break of the inside bar

Let me explain...

### 1. THE BREAK OF THE EXTREME BAR

You're probably wondering:

"What is the extreme bar?"

Well, the extreme bar is **the bar before the inside bar** (and usually has a large range).

So...

One way to trade the inside bar is to wait for the price to break beyond the highs/lows of the extreme bar.

An example:



## Pros:

This technique has higher odds of the trade working out as stop loss tends to cluster at the extreme highs/lows. So by entering the break of the highs/lows, you're triggering this cluster of stop loss.

## Cons:

Sometimes the price has to move a distance in your favour before triggering an entry. This results in having a wider stop loss for your trade.

## 2. THE BREAK OF THE INSIDE BAR

Alternatively, you can trade the break of the inside bar.

An example:



### Pros:

This technique offers you a more favourable risk to reward as you have an earlier entry (and a tighter stop loss).

### Cons:

You have lesser order flow supporting your trade entry which results in a lower probability trade.

### How to set your stop loss when trading the inside bar

Here are two ways you can do it:

1. Just above the highs of the inside bar
2. A distance above the highs of the inside bar

And vice versa for long setups.

Let me explain...

## JUST ABOVE THE HIGHS OF THE INSIDE BAR

So if you're looking to short, then you'll place your stop loss above the highs of the inside bar.

### **Pros:**

You have a tight stop loss which allows you to put on a larger position size for the same level of risk. This dramatically improves your risk to reward.

### **Cons:**

You are prone to get stopped out of your trades due to the "noise" of the markets.

## A DISTANCE ABOVE THE HIGHS OF THE INSIDE BAR

Alternatively...

You can add buffer and place your stop loss a distance beyond the highs of the inside bar.

For example, you can set your stop loss 1 ATR above the highs of the inside bar.

### **Pros:**

You have less chance of being stopped out of your trades prematurely.

### **Cons:**

This technique requires a larger stop loss which offers a less favourable risk to reward.

Lastly...

There are other ways to set your stop loss. Instead of using the inside bar, you can use the extreme bar as a reference to set your stop loss.

But whichever you choose, you want to your approach and execute the trades consistently.

## SUMMARY

Here's what you've learned today:

- Not every inside bar presents a trading opportunity
- Don't trade an inside bar that's against the trend and during low liquidity period
- You can trade an inside bar during a strong trending period after the market breaks out of a range, or to capture the higher timeframe swing
- You can enter on the break of the extreme bar or the inside bar
- You can set your stop loss just above the highs or a distance away from the highs of the inside bar

I hope you've realised the inside bar trading strategy is a versatile technique to trade the markets.

## SO, WHAT'S NEXT?

You've just learned how to trade the Inside Bar like a pro.

And if you want more stuff like this, go download [The Ultimate Guide to Trend Following](#).

You'll learn how to ride massive trends in the markets and grow your wealth steadily — even during a recession.

[You can get it here for free.](#)