Trading Multiple Time Frames in Forex

By

The Forex Apostle

DEDICATION

This course is dedicated to all Forex Traders out there and to as many that plans to join us as a Professional Trader.

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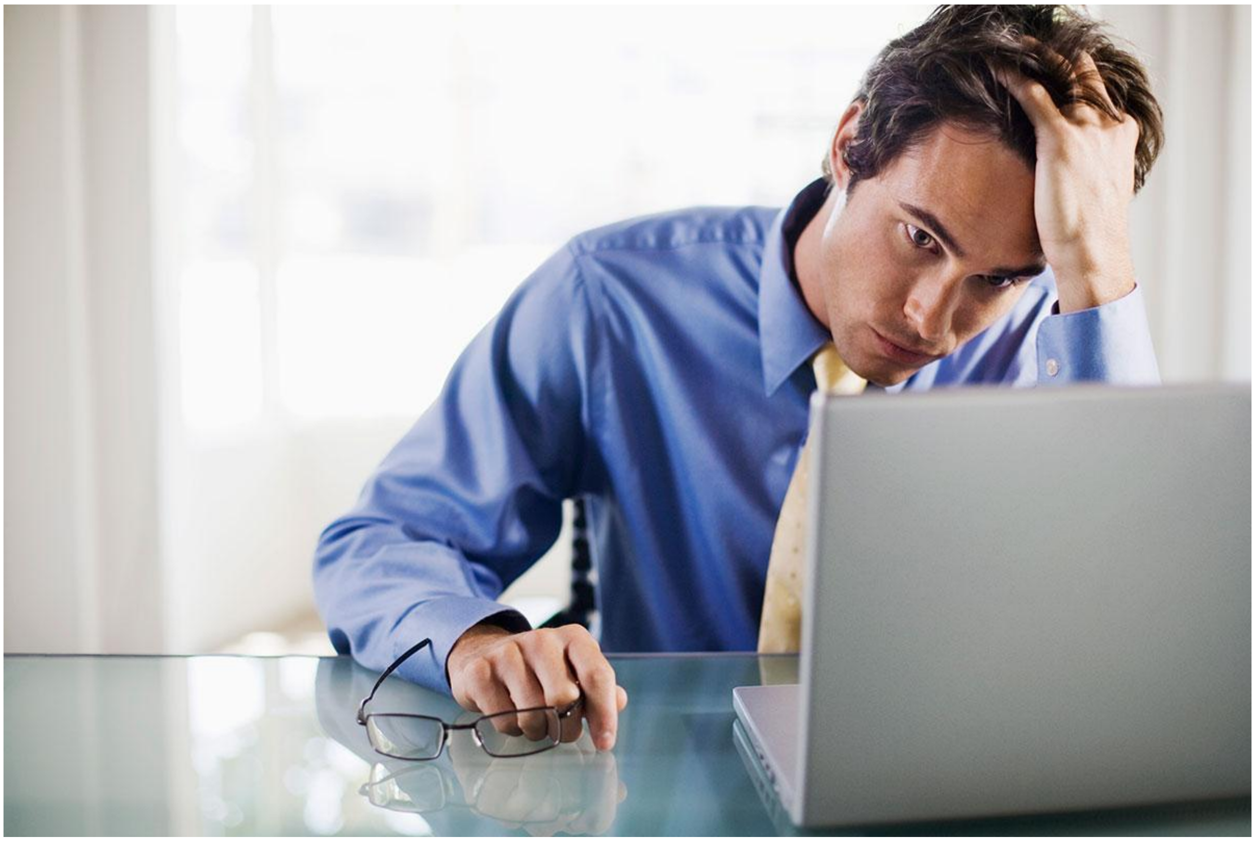
Trading Multiple Time Frames in Forex

Multiple Time Frame Analysis.

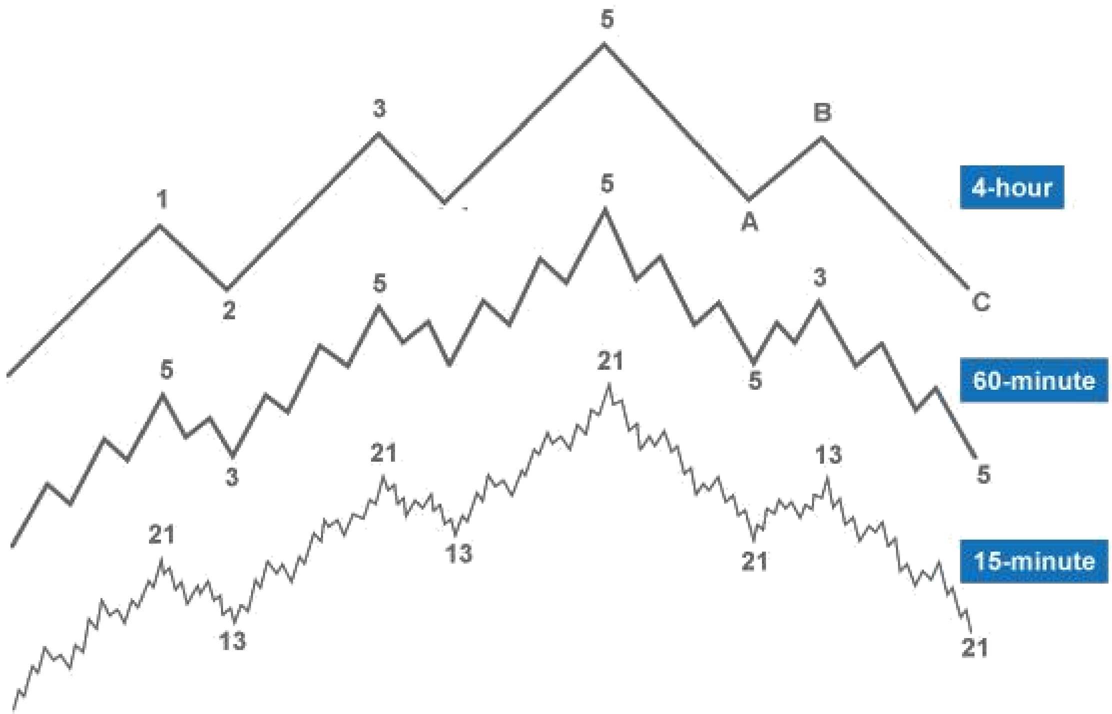
Multi-time frame ana… WHAT?! Chill out young padawan, it ain't as complicated as it sounds!



Multiple time frame analysis is simply the process of looking at the same pair and the same price, but on different time frames.

Remember, a pair exists on several time frames – the **daily**, the **hourly**, the **15-minute**, heck, even the **1-minute**!

This means that different Forex traders can have their different opinions on how a pair is trading and both can be completely correct.



John may see that EUR/USD is on a downtrend on the 4-hour chart.

However, Jane trades on the 5-minute chart and sees that the pair just ranging up and down. And they could both be correct!

As you can see, this poses a problem. Trades sometimes get confused when they look at the 4-hour, see that a sell signal, then they hop on the 1-hour and see price slowly moving up.

What are you supposed to do?

A. Stick with one time frame, take the signal and completely ignore the other time frame?

B. Flip a coin to decide whether you should buy or sell?

Both options are terrible.

Luckily for you, I've decided to add this skill for you here on how to use **multiple time frame analysis** to your advantage.

First, I'll try to help you determine which time frame you should focus on.

Each Forex trader should trade **a specific time frame that fits his or her own personality** (more on this later – If you are one of my Students then by now you must have heard this statement from me more than a million times).

Secondly, I'll also teach you how to look at different time frames of the same currency pair to help you make better, more educated trading decisions.

What Time Frame Should You Trade?

One of the reasons newbie Forex traders don't do as well as they should is because they're usually trading the **wrong time frame for their personality**.

New Forex traders will want to get rich quick so they'll start trading small time frames like the 1**-minute or 5-minute charts**.

Then they end up getting frustrated when they trade because the time frame doesn't fit their personality.

For some Forex traders, they feel most comfortable trading the **1-hour charts.**

This time frame is longer, but not too long, and trade signals are fewer, but not too few.

Trading on this time frame helps give more time to analyze the market and not feel so rushed.

On the other hand, I have a friend who could never, ever, trade in a 1-hour time frame.

It would be way too slow for him and he'd probably think he was going to rot and die before he could get in a trade.

He prefers trading a **15-minute chart**. It still gives him enough time (but not too much) to make decisions based on his trading plan.

Another buddy of mine can't figure out how Forex traders trade on a 1-hour chart because he thinks it's too fast! He trades only **daily, Weekly, and monthly charts**.

Okay, so you're probably asking what the right time frame is for you.

Well buddy, if you had been paying attention, it depends on your **personality**. You have to feel comfortable with the time frame you're trading in.

You'll always feel some kind of pressure or sense of frustration when you're in a trade because real money is involved. That's natural.

But you shouldn't feel that the reason for the pressure is because things are happening so fast that you find it difficult to make decisions or so slowly that you get frustrated.

When I first started trading, I couldn't stick to a time frame.

I started with the 15-minute chart.

Then the 5-minute chart.

Then I tried the 1-hour chart, the daily chart, and the 4-hour chart.

This is natural for all new Forex traders until you find your comfort zone and why I suggest that you **DEMO** trade using different time frames to see which fits your personality the best.

What Time Frame Is Best for Trading?

What time frame is best for trading?

Well, just like everything in life, it all depends on YOU.

Do you like to take things slowly, take your time on each trade?

Maybe you're suited for trading longer time frames.

Or perhaps you like the excitement, quick, fast paced action? Perhaps you should take look at the 5-min charts.

In the table below, I've highlighted some of the basic time frames and the differences between each.

Time Frame	Description	Advantage	Disadvantages
Long-term	Long-term traders will usually	Don't have to watch	Large swings Usually 1 or

	Refer to **daily and weekly charts**. The weekly charts will establish the longer term perspective and assist in placing entries in the shorter term daily. Trades usually from a few Ieks to many months, sometimes years.	the markets intraday. Fewer transactions mean fewer times to pay the spread. More time to think through each trade	2 two goods a year so PATIENCE is required. Bigger account needed to ride longer term swings Frequent losing months
Short-term (Swing)	Short-term traders use hourly time frames and hold trades for **several hours to a week**.	More opportunities for trades. Less chance of losing months. Less reliance on one or two trades a year to make money	Transaction costs will be higher (more spreads to pay). Overnight risk becomes a factor
Intraday	Intraday traders use **minute charts** such as 1-minute or 15-minute. Trades are held intraday and exited by market close.	Lots of trading opportunities. Less chance of losing months and No overnight risk	Transaction costs will be much higher (more spreads to pay). Mentally more difficult due to the need to change biases frequently. Profits are limited by needing to exit at the end of the day.

You also have to consider the amount of capital you have to trade.

Shorter time frames allow you to make better use of margin and have tighter stop losses.

Larger time frames require bigger stops, thus a bigger account, so you can handle the market swings without facing a margin call.

The most important thing to remember is that whatever time frame you choose to trade, it should naturally fit your personality.

If you feel a little uptight like your undies are loose or your pants are little too short, then maybe it’s just not the right fit.

This is why I suggest demo trading on several time frames for a while to find your comfort zone.

This will help you determine the best fit for you to make the best trading decisions you can.

When you finally decide on your preferred time frame, that's when the fun begins.

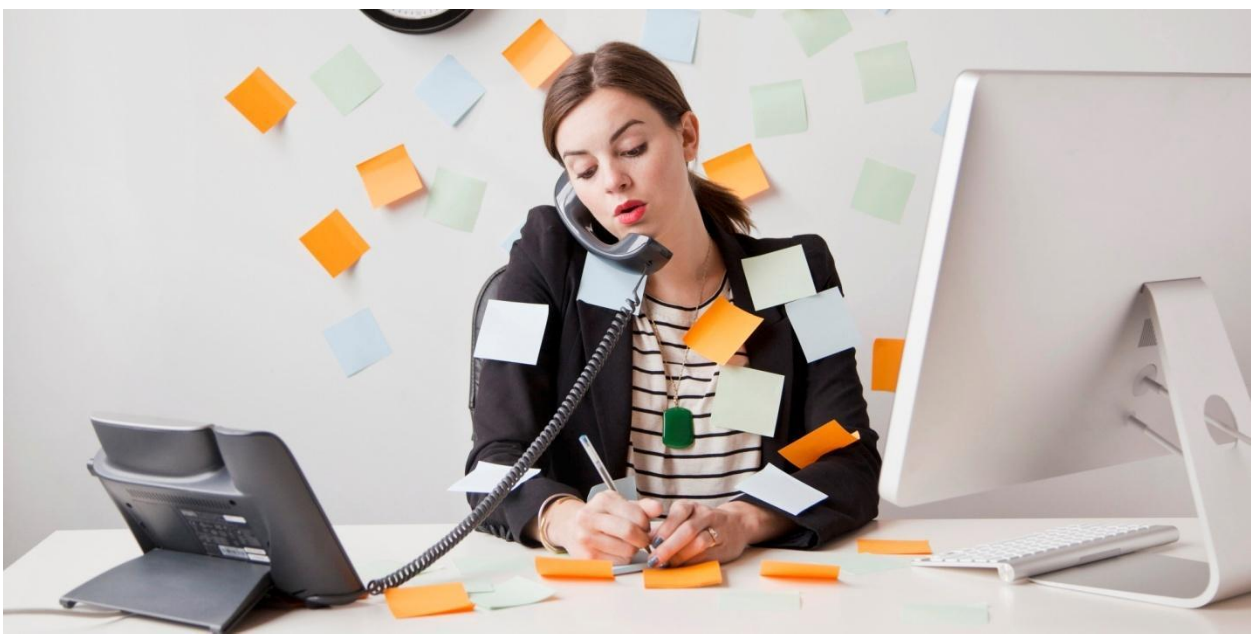
This is when you start looking at multiple time frames to help you analyze the market.

Why You Should Look at Multiple Time Frames When Trading Forex

Before I explain how to do multiple time frame analysis for your Forex trading, I feel that it's necessary to point out why you should actually flip through the different time frames.

After all, isn't it hard enough analyzing just one chart as a Forex trader?

You've got a billion indicators on, you've gotta read up on economic news, you've got basketball practice, a Call of Duty session, a hot date at McDonald's, etc.



Well, let's play a game called "Long or Short" to show why you should be paying attention and putting in the extra effort to look at different time frames.

The rules of the game are easy. You look at a chart and you decide whether to go long or short. Easy, right? Okay, ready?

Let's take a look at the 10-minute chart of GBP/USD at 8:00 am GMT.

I’ve got the 200 simple moving averages (SMA) on, which appears to be holding as resistance.

With price testing the resistance and forming a doji, it seems like a good time to short right?

I’ll take that as a yes.

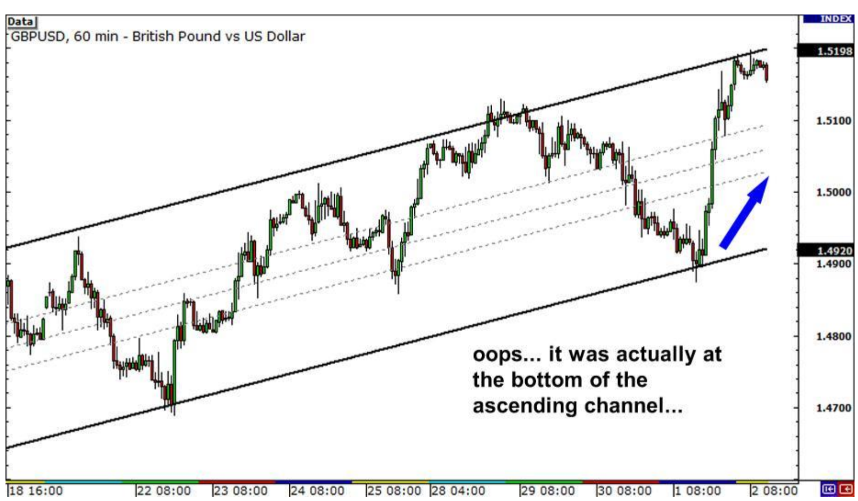
But dang, look what happens next!

The pair closed above resistance and rose another 200 pips!

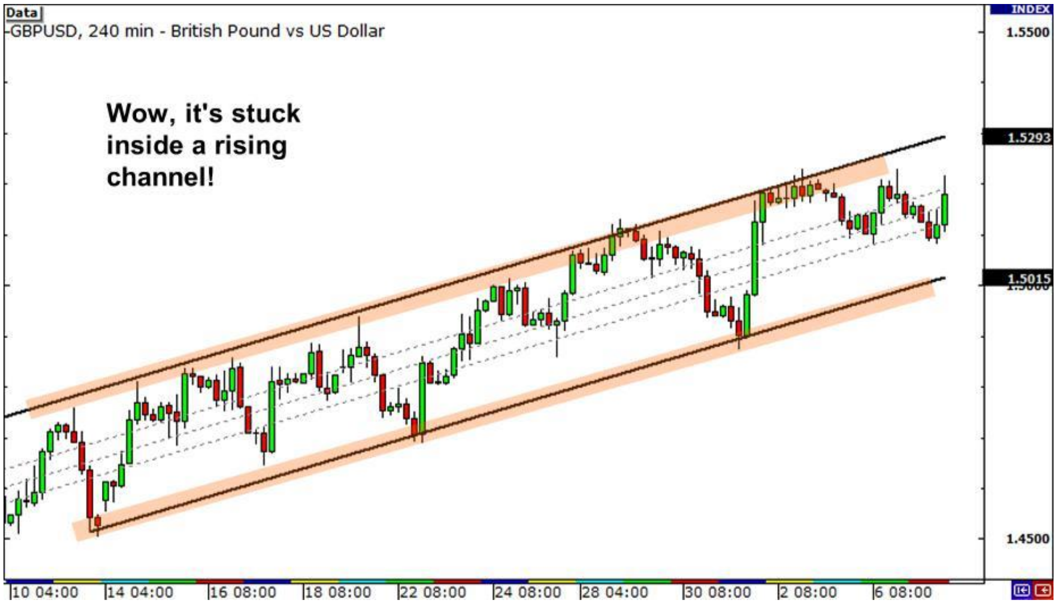
Ouch! Oh well, too bad!

What the hell happened? Hmm, let’s hop on to the 1-hour chart to see what happened…

If you had been looking at the one hour chart, you would have noticed that the pair was actually at the bottom of the ascending channel. What’s more, a doji had formed right smack on the support line! A clear buy signal!



The ascending channel would have been even clearer on the 4-hour chart.



If you had looked at this chart first, would you still have been so quick to go short when you were trading on the 10-minute chart?

All of the charts were showing the same price data. They were just different time frames of that same data.

Do you see now the importance of looking at multiple time frames?

I used to just trade off the 15-minute charts and that was it.

I could never understand why when everything looked good the market would suddenly stall or reverse. It never crossed my minds to take a look at a larger time frame to see what was happening.

When the market did stall or reverse on the 15-minute chart, it was often because it had hit support or resistance on a larger time frame.

It took a couple hundred negative pips to learn that the larger the time frame, the more likely an important support or resistance levels would hold.

Trading using multiple time frames has probably kept us out of more losing trades than any other one thing alone.

It will allow you to stay in a trade longer because you're able to identify where you are relative to the **BIG PICTURE.**

Most beginners look at only one time frame.

They grab a single time frame, apply their indicators and ignore other time frames.

The problem is that a new trend, coming from another time frame, often hurts Forex traders who don't look at the big picture.

How to Use Multiple Time Frame Analysis to Find Better Entry and Exit Points

No, I am not about to break out into song like the Glee cast.

Here at EasyForexInstitute.com, we've got our version of a mash-up, which I like to call the "Time Frame Mash-up".

This is where multiple time frame analysis comes into play.

This is where I'll teach you how to not only lock in on your preferred trading time frame, but zoom in and out of charts so that you can knock a winner out of the park.

You ready? You sure you can hack this? You don't wanna quit now do you?

Didn't think so!

First of all, take a broad look at what's happening.

Don't try to get your face closer to the market, but push yourself further away.

You have to remember, **a trend on a longer time frame has had more time to develop, which means that it will take a bigger market move for the pair to change course**.

Also, support and resistance levels are more significant on longer time frames.

Start off by selecting your preferred time frame and then go up to the next higher time frame.

There you can make a strategic decision to go long or short based on whether the market is **ranging or trending**.

You would then return to your preferred time frame (or even lower!) to make tactical decisions about **where to enter and exit** (place stop and profit target).

Just so you know, this is probably one of the best uses of multiple time frame analysis – you can zoom in to help you find better entry and exit points.

By adding the dimension of time to your analysis, you can obtain an edge over the other tunnel vision traders who trade off on only one time frame.

Did you get all of that? Well, if you didn't, no worries – we're gonna go through an example now to help make things a little clearer.

How to Perform Multiple Time Frame Analysis

Let's say that Cinderella, who gets bored all day cleaning up after her evil stepsisters, decides that she wants to trade Forex.

After some demo trading, she realizes that she likes trading the EUR/USD pair the most and feels most comfortable looking at the 1-hour chart.

She thinks that the 15-minute charts are too fast while the 4-hour take too long – after all, she needs her beauty sleep.

The first thing that Cinderella does is move up to check out the 4-hour chart of EUR/USD. This will help her determine the overall trend.

She sees that the pair is clearly in an uptrend.

This signals to Cinderella that she should ONLY be looking for BUY signals. After all, the trend is her friend, right? She doesn't want to get caught in the wrong direction and lose her slipper.

Now, she zooms back to her preferred time frame, the 1-hour, to help her spot an entry point. She also decides to pop on the stochastic indicator.

Once she goes back down to the 1-hour chart, Cinderella sees that a [doji candlestick]has formed and the stochastic has just crossed over out of oversold conditions!

But Cinderella still isn't quite sure – she wants to make sure she has a really good entry point, so she scales down to the 15-minute chart to help her find an even better entry and to give her more confirmation.

So now Cinderella is locking her eyes in on the 15-minute chart, and she sees that the trend line seems to be holding pretty strongly. Not only that, but stochastic are showing oversold conditions on the 15-minute time frame as well!

She figures that this could be a good time to enter and buy. Let's see what happens next.

As it turns out, the uptrend continues, and EUR/USD continues to rise up the charts.

Cinderella would have entered just above 1.2800 and if she had kept the trade open for a couple of weeks, she would have made 400 pips!

She could have bought another pair of glass slippers!

There is obviously a limit to how many time frames you can study. You don't want a screen full of charts telling you different things.

Use at least two, but not more than three time frames because adding more will just confuse the geewillikers out of you and you'll suffer from analysis paralysis, then proceed to go crazy.

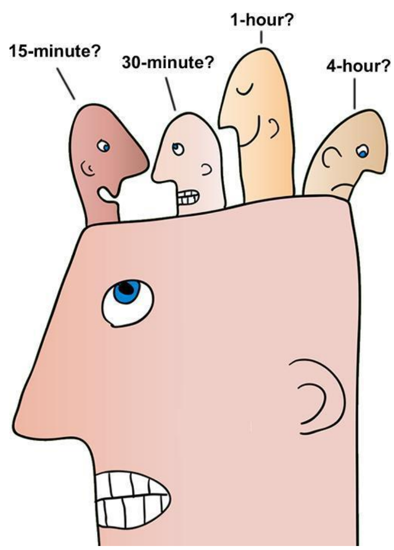
Is there a wrong way to do multiple time frame analysis, you ask?

From my experience, it really is all about finding what works best for you.

Trading With Three Time Frames

Personally I like using three time **frames**.

I feel that this gives me the most flexibility, as I can decipher the long, medium and short-term trends.



Determine Main Trend

I use the largest time frame to determine the **main trend** – this shows me the big picture of the pair I wanna trade.

For example, on the daily chart, EUR/USD is trading above the 200 SMA which tells me that the main trend is UP.

Determine Current Market Bias

The next time frame down is what I normally look at, and it signals to us the medium term buy or selling **bias**.

Below is a 4-hour chart and it's clear that EUR/USD continues to have a bullish bias.

Determine Entry and Exit

The smallest time frame shows the short-term trend and helps me find really good **entry and exit points**.

Multiple Time Frame Combinations

You can use any time frame you like as long as there is enough time difference between them to see a difference in their movement.

You might use:

- 1-minute, 5-minute, and 30-minute
- 5-minute, 30-minute, and 4-hour
- 15-minute, 1-hour, and 4-hour
- 1-hour, 4-hour, and daily – (My favorite)
- 4-hour, daily, and weekly and so on.

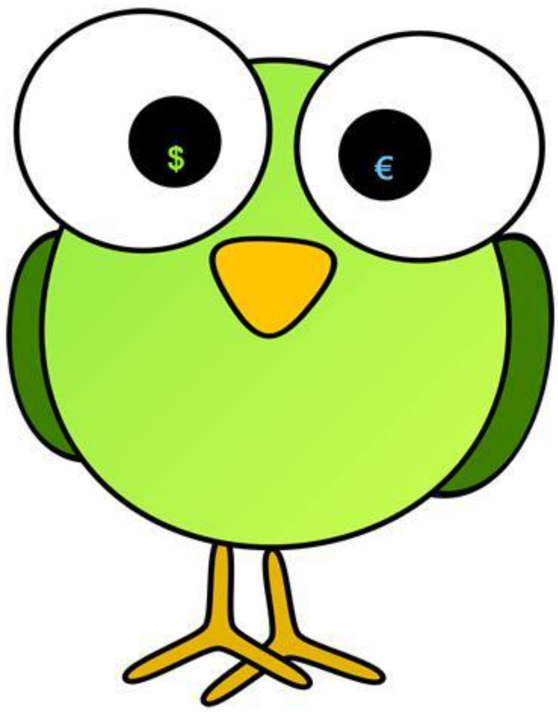
When you're trying to decide how much time in between charts, just make sure there is enough difference for the smaller time frame to move back and forth without every move reflecting in the larger time frame.

If the time frames are too close, you won't be able to tell the difference, which would be pretty useless.

Summary: Multiple Time Frame Analysis

So now you're done! Now you can add multiple time frame analysis to your Forex trading tool box!

Using multiple time frame analysis allows you to:



Get a bird's eye view.

Here are a few tips you should remember:

You have to decide what the correct time frame is for YOU.

This comes from trying different time frames out through different market environments, recording your results, and analyzing those results to find what works for you.

Once you've found your preferred time frame

- Go up to the next higher time frame.
- Then make a strategic decision to go long or short based on the direction of the trend.
- Then return to your preferred time frame (or lower) to make tactical decisions about where to enter and exit (place stop and profit target).

Adding the dimension of time to your analysis gives you an edge over the other tunnel vision Forex traders who only trade off on only one time frame.

Make it a habit to look at multiple time frames when trading**.**

Make sure you practice!

- You don't wanna get caught up in the heat of trading not knowing where the time frame button is!
- Make sure you know how to shift quickly between them.
- Heck, you should even practice having chart containing multiple time frames up at the same time!

Choose a set of time frames that you are going to watch, and only concentrate on those time frames.

Learn all you can about how the market works during those time frames.

Don't look at too many time frames, you'll be overloaded with too much information and your brain will explode. And you'll end up with a messy desk since there will be blood splattered everywhere.

Stick to two or three time frames. Any more than that is overkill.

I can't repeat this enough:

Get a bird's eye view.

Using multiple time frames resolves contradictions between indicators and time frames.

Multiple time frame analysis can be confusing, but I'm sure with what you have learnt now you would be able to use it and profit with the strategy?

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