

ALL YOU HAVE TO KNOW ABOUT TECHNICAL TRADING

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MUTI-TIMEFRAME TRADING

As mentioned by Dr. Alexander Elder, a multi-timeframe analysis could improve your results. A main time frame is used to discover Trend and a secondary minor time frame is used to determine momentum.

HOW TO?

STEP 1:

- Select a Major Time Frame (DAILY)
- Select a Secondary Time Frame (4h)

STEP 2:

- Determined Trend by using a selected MA, let's say an EMA 50
- Determined Momentum by using a selected Momentum Indicator, let's say MACD (12,26,9)

TREND (DAILY)



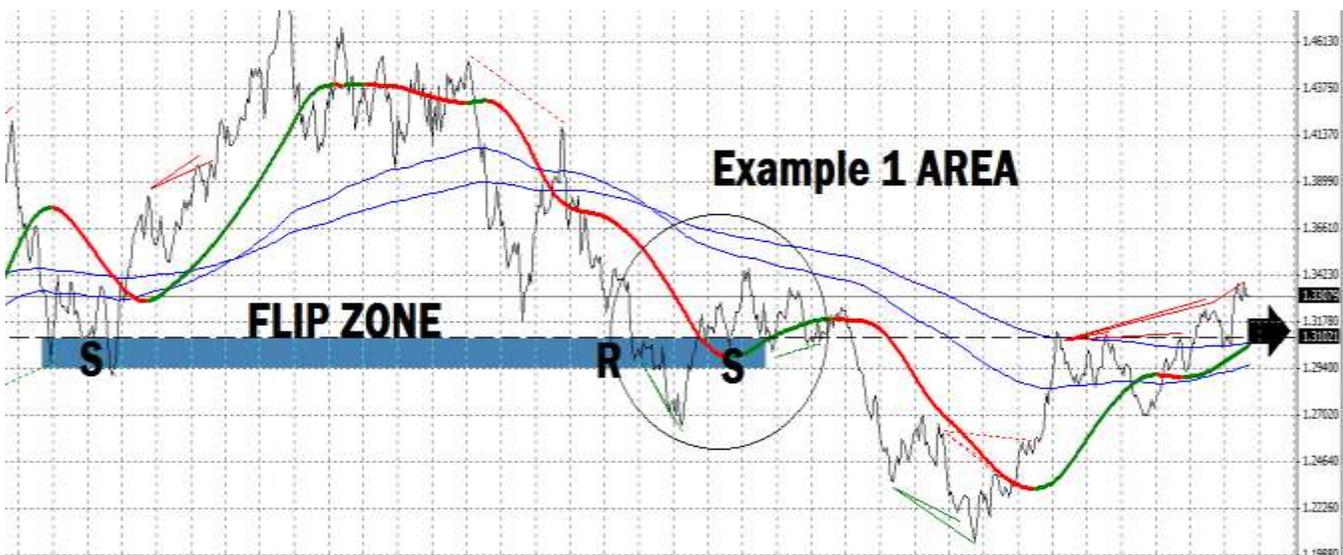
MOMENTUM (4H)



MAPPING: FLIP ZONE, ROUND NUMBERS, S/R

The “art” of mapping it’s defined as a pre selection of highly possible reacting areas. Based on market psychology, price reacts at round numbers. Also pivots and flip zones are designated areas of reaction. Adding up, when there is a round number plus a flip zone; there is a high probability area of reaction.

Adding up to example 1 and illustrating:



MACD (12, 26,9), (E) MA 200, (E) MA 365, (E) 50, RSI

There are great quantities of technical indicators to select. But I usually use these, because they are simple to read, and of course they are effective.

MACD (12, 26, 9): Momentum indicator. Bullish and Bearish divergences could lead to a sentiment change.

EMA 200: Commonly used by most traders and institutions.

EMA 365: A derivate of an EMA 200, signaling a complete Year. (Pure psychological)

EMA 50: Commonly use by most traders and institutions.

RSI: This indicator is tricky because, when price is below 20-30, this could lead to reversal or bearish trend, inversely when price is above 70-80, this could lead to reversal or bullish trend. (50 level is confirmation coming from above or below)

I usually use them as:

- Trend: EMA 200, 365, 50
- Momentum: RSI and MACD
- Reversal: MACD

But the most important thing is this should not be used alone. Let's review example number 1 adding up a RSI. We used before: EMA 50 + MACD cross. Now let's look:



YOU MIGHT ASK, WHY FALSE/TRUE?

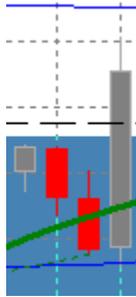
1. FALSE: IF RSI IS NOT COMING FROM BELOW ITS NOT A BUY
2. TRUE: IF RSI IS COMING FROM BELOW THEN ITS TRUE
3. ALWAYS ADDING UP: MACD CROSS, ROUND NUMBER, FLIP ZONE, EMA 50 AND MULTI TIME FRAME ANALYSIS.

PRICE ACTION PATTERNS

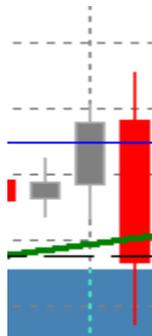
What is Price Action? It's a set of patterns, which constantly reflect market sentiment. This patterns work better, when use in conjunction with all the above.

List of Basic PA Patterns:

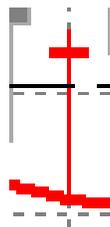
- Bullish Engulfing outside bar



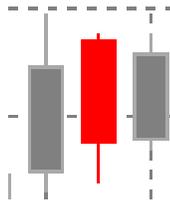
- Bearish Engulfing outside bar



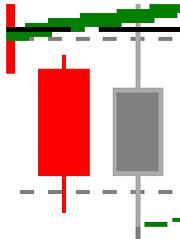
- Pin Bar



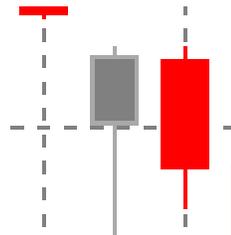
- INSIDE BAR



- DBLHC



- DBHLC



You should be able to find these patterns in any asset. Now this patterns works the BEST, when used together with other technical indicators, round numbers, flip zones and multi timeframe trading.

Let's use example 1, with all the above:

Illustrating:



CONCLUSION

PROCESS:

1. Select Major Time Frame: Daily
2. Select Minor Time Frame: 4h
3. Add trend indicator: EMAs (50,200,365)
4. Add Momentum Indicator: MACD (12,26,9)
5. Begin mapping “where possible reaction could occur based on flip zone and round numbers”
6. When price is with the trend then
7. Look for Momentum cross over MACD, however
8. Filter it with a RSI, crossing from below/below but also
9. Look for PA
10. Execute Position, SET SL, TP

Now you have something called a complete technical analysis.

Gino R.