A Pro’s 5-Minute Trade Secret

Multiple time frame analysis is a pro’s secret and is quick to perform. It involves monitoring the same market across different time frames. Professionals use three different periods because it allows a broad enough reading on the specific market to be very successful. Using fewer than this can result in a considerable lack of data while using more typically provides redundant analysis.

Now let's look at the Monthly, Weekly, and Daily time frames in analysis.

Monthly Charts – Wealth Preserver Level

The monthly level of a market is where the long-term trend is defined. The monthly level distinguishes the dividing line between what we would call a bull or bear market. Swings from bullish to bearish are far less common and may take place perhaps once or twice over a multi-year period. Look to the monthly level to determine if a long-term trend is still in motion or if there is some danger of making a significant change in the overall direction of the market.

A Monthly light change usually occurs after multi-day and multi-week directional changes.

Weekly Charts – Wealth Maximizer Level

The Weekly level of a market is where most portfolio analysis begins. Large investment portfolios cannot move big positions back and forth for a minor reaction over the course of a few days. For this reason, the daily trend might turn bearish while the weekly trend could remain bullish or neutral. Disagreements between levels merely suggest that a change in the longer-term trend is not confirmed. Matching conditions on the daily and weekly level is not a confirmation of a change in long-term trend.

It is common to see the weekly level swing back and forth between bullish and bearish perhaps as many as four to twelve times per year. Weekly charts often can help indicate a coming change in both the long and short-term trends. You can use this to help your entry and exit points.

A Weekly light change usually occurs after a multi-day confirmed directional change and before a monthly bullish or bear market signal.

Daily Charts – Wealth Maximizer Pro Level

The Daily trend of any market may swing from bullish to bearish and back again as many as 35 times a year. Any market naturally oscillates back and forth regardless of its broader trend. Nothing moves straight up or down forever without making reactions along the way. Therefore, this indicator is intended for those interested in extremely short-term trading patterns and higher assumed risk.

A Daily light change must be weighed with the Monthly and Weekly prevailing trends.

Performing the multiple time frame analysis encourages trading with the larger trend and lowers risk as there is a higher probability that price action will eventually continue with the longer-term trend. The confidence level in a trade should be measured by how the time frames line up. Historically, when all three charts are unified in direction, probabilities for continuing in that direction rise.

However, if the larger monthly trend is to the upside, but the medium weekly and short-term daily trends are heading lower, consider taking cautious shorts with reasonable profit targets and stops. Alternatively, a trader may wait until a bearish wave runs its course on the weekly and daily charts and look to go long at a better level when all time frames line up once again.

Traders who prefer a 100% bullish system may prefer to try The Evergreen Strategy.