

Spot Forex Trading - Trading with the Trend

If anyone attempts to trade the spot forex the very first task at hand is to determine if the currency pair they are considering buying or selling is in a trend. The next step would be to wait for an entry point into the existing trend and ride the trends of the forex as far as possible.

How far is as far as possible? Well, the stronger the trend and the trends on the larger timeframes the longer you ride it. Short term trends are fine too but the length of the move will not be as far and your trade entries will be more frequent. If you trade larger trends and timeframes of the spot forex you will trade less frequently and ride each trade much longer. The larger trends of the spot forex have a higher reward of pips for each given entry and you tend to trade less frequently

Forex trend indicators and forex trend tools are available in commercial charting packages, trading platforms and software packages. Many of them are good but not well understood.

If you always trade with the trends of the spot forex you will always enjoy some level of success. I can equate trading with the trends of the spot forex to sailing with the wind instead of against it.

On the other hand ignorance of the forex market trends will cause an insurmountable obstacle to profitable forex trading. If you don't know what the trend is for the currency pair you are trading you will never consistently make money trading the spot forex.

What is worse is that if you make a trade on the spot forex and have a profitable trade or losing trade you won't be able to pinpoint why if you don't know the primary trend of the currency pair you are trading.

Always know the trends of the spot forex market and always trade in the direction of the trend.

Being a trend trader on the spot forex is NOT scalping, and it is NOT trading the news. If you choose to scalp the spot forex knowing the trend is still extremely beneficial. Most forex scalpers eventually quit scalping because it is too tiresome, mentally exhausting and eventually they all become forex trend traders anyway, so why not start out where you are going to wind up??

Also if you trade the forex news you can also do this in the direction of the trend and it is amazing how often the forex trends are right about an expected news event, so why risk ever trading against the trend at all?

Trading with the trends of the spot forex is also common sense. Trading against the trend or when there is no established trend will only cause grief and losses.

If no trend is present on a currency pair it is usually range bound or oscillating up and down. This means that the pair is trading in a small or large pip range and appears to be bouncing up and down or cycling up and down within the range. The currency pair cannot move higher or lower because it is stuck in the range.

When the currency pair moves up and down within the range two things are possible. One possibility is that the pair is bouncing up and down in a ragged fashion that is difficult to trade. The second possibility is that the pair is oscillating in clear smooth cycles up and down within the range. When a currency pair is oscillating it can be traded fairly easily. Just wait until it reaches the top or bottom of a cycle and trade it when it starts going the other direction. This occurs very frequently in the spot forex. When a currency pair is in a smooth oscillation even a beginner trader can trade these oscillating pairs very safely.

There are a lot of books available on trading the markets in general. Many of the books focus on always trading with the trends of the market. The book by Michael Covel titled "Trend Following" is excellent and I strongly recommend reading it.

So now we have our foundation for trading the spot forex. We must always trade with the trend. Traders who trade with the trends of the forex market will always have some level of success. Consistently trading against the trend or ignorance of the trend will result in consistent losing trades.

About the Author

Mark Mc Donnell is the lead trading plan writer for www.forexearlywarning.com, an inexpensive trading plans service available to all spot forex traders. He has many years of experience trading stocks, equity options and the spot forex. He has spent the last four years of his career devoted solely in

studying the movements of the spot forex, conducting trend analysis, and determining how this impacts retail level forex traders. Mark is also the developer of www.theforexheatmap.com, which monitors 25 currency pairs in real time and is a visual map of the forex.

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