Spot Forex Trading - Multiple Timeframe Analysis for the Spot Forex

Multiple time frame analysis is the inspection of forex trend indicators, starting with the largest trends and timeframes, and working backwards down through successively smaller timeframes to see how the smaller timeframes and trends feed the larger ones. When the smaller timeframes are in agreement with the larger forex trends you can enter a spot forex trade. If no forex trends exist the smaller timeframes and trends will, at some point, build a larger trend.

Multiple timeframe analysis has been around for nearly 25 years. The MTFA method is applicable to stock and commodities trading, equity options and the spot forex trading. The method is applicable to any currency pair. We are respectful of the strong technical work of Kathy Lien and Brian Shannon outlining MTFA and their technical papers are available on the Forexearlywarning.com website.

MTFA works, it is that simple. Pips can be made from the forex daily and the method is effective, especially when larger timeframes and forex trends are traded for larger pip totals. Money management ratio for your forex trading also improves when you are entering a larger trend.

By applying MTFA to many currency pairs your odds increase again, this is because you can choose to trade the best and largest trend available in the spot forex and ride the trends longer.

In order to conduct and accomplish a multiple timeframe analysis of the spot forex you need the proper forex charting platform and a set of trend analysis tools and indicators to facilitate the process. Some forex tools and indicators are very expensive some are free. You must be able to analyze 7 to 15 timeframes per currency pair to conduct a complete MTFA on onecurrency pair. You also must analyze the top 15-20 traded currency pairs to seek out the best opportunity and understand todays forex trends..

The first step when conducting a MTFA on a currency pair is to inspect the largest 3 or 4 trends. See what currency pairs have established larger trends, whether the trending currency pairs are at the beginning, middle or deep into the trend. Also determine which pairs are not trending (oscillating) and which currency pairs could be developing a brand new trend. If there is a currency pair that interests you check the next support and resistance area and set a price alarm to monitor that pair. When the price alarm hits check the smaller timeframes to see if they are in agreement with the larger timeframes and forex trends, and if so enter a spot forex trade.

A forex trader can use off the shelf trend indicators to conduct a multiple timeframe analysis of any currency pair. Simple forex indicators like exponential moving averages work fine. Just apply them across multiple timeframes.

Is it possible to make forex multiple time frame analysis better?? I believe the answer is yes. Incorporating parallel and inverse analysis into the market analysis as well as support and resistance to set price alarms for notification of momentum or a possible forex trade entry point can all help.

Forex scalpers may find the method to be to their liking because you will never trade against the larger trends and potentially hang onto your forex trades much longer. One of the biggest reasons people scalp the forex is that they have no idea which direction the trend is on the pair they want to trade. Or they only look at one timeframe. Traders scalp the foreign exchange but statistics show that people who hang on longer and ride longer trends make the most pips.

Why do traders not use multiple timeframe analysis? Mostly because analyzing alot of pairs and timeframes takes time and people basically are lazy. Most forex scalpers only look at one timeframe and could possibly be trading against a larger trend, or a scalper may be at the beginning of a very large move and exit way too early. If you are near the end of a trend you may also enter a trade after a long move and be entering near the end of the trend. This is bad forex money management under any scenario. Scalpers need MTFA but forex traders who would like to stay in their trades longer would, by nature require knowledge of MTFA.

Multiple timeframe analysis of the spot forex is here to stay. Forex traders worldwide are accepting and learning to understand the method. MTFA is a rigorous method of analyzing the forex. But it is not difficult to learn. When combined with parallel and inverse analysis of the spot forex it is quite powerful. It can be applied to any currency pair using free forex trading tools and forex charting systems available on the internet from many spot forex brokers.

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.