

## Using Weekly And Monthly Charts To Invest In The Stock Market

A mistake many investors make is that the longest time frame they will look at when it comes to technical analysis is the daily chart. However this chart doesn't always tell the whole story and in a lot of cases it's a lot more profitable to invest in shares based on what the weekly or monthly charts are saying. One of the best set of indicators you can use are the exponential moving averages. I personally like to plot the 5, 20, 50 and 200 period EMAs on my charts because they are extremely useful indicators. They work well on the daily charts but they are even more dependable on the weekly or monthly charts. The key is to look for important EMA crossovers for a change in trend. After you get one of these crossovers you will often see the price continue to move in this direction for several weeks or months before it reverses and crosses in the opposite direction. In the meantime you can bank some significant profits. You can use the EMA (20) crossing the EMA (50) as a good signal but I personally prefer using the EMA (5) crossing the EMA (20) as my preferred signal. As I say this works well on the daily chart alone but when you increase the time frame, you get far bigger price moves. In fact sometimes you can catch a trend that lasts several years and creates substantial profits. You can also use the downwards crossover as either a sell signal or as an opportunity to go short of a stock. For instance if you look at the monthly chart of any of the banks, let's take Royal Bank of Scotland as an example, you will see that the EMA (5) crossed downwards through the EMA (20) in July 2007 and still hasn't crossed back upwards. In this time the share price has fallen from around 600p to just 20p. So obviously a very profitable long-term short position and it's the same with many other companies, not just the banks. If you look at the daily charts, however, you will see that there are a lot more crossovers using the same period EMAs so you don't always capture these big gains using this time frame. If the weekly or monthly chart is too long a time frame to use, then you should use them to identify the longer term trend if nothing else. For instance if the weekly or monthly chart is trending upwards, then you should look for buying opportunities on the daily chart. The point is that you should always have a look at the weekly and monthly charts because they can provide you with some invaluable information (and trading opportunities). The trends on these longer term time frames can last for months, and even years in some cases.

### About the Author

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