

Forex Trend Line Book. Series of Free Forex ebooks

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How to draw a valid Forex trend line? What is it used for..? And many other things Forex traders should know about.

Forex Trend Line book covers rules, purposes and advantages of using trend lines in Forex charts.

Trend line is our guide that helps to identify main price direction during a certain period of time.

If placed correctly it will provide answers to:

Where to enter the market?

What direction to enter: up or down?

When to exit or be prepared to exit?

To start our learning journey, at first let's take a look at the bigger picture of the market using Forex charts. To obtain this bigger market picture, traders would need to simply zoom out their charts a little bit or switch to a larger time frame.

Once done it should become obvious where the market is going: it is either heading up or down. If it is still difficult to tell market direction, and it seems that the market currently moves sideways, traders need to zoom out even more.

Now it is just about common sense. If you are an intra day trader, you will focus on current price direction. Position traders which hold their position for days, weeks, months or longer, will need to obtain a bigger (weekly, monthly, yearly) picture of the market moves.

For example, to trade Forex on intra day basis (hold on to positions throughout a day for few hours, several minutes or so) traders need to look at hourly Forex charts or 30 minute or even smaller charts to get an idea of a current short term market direction.

Let's assume that we saw the market price going up, and the overall picture was telling us that we are in an uptrend. In the uptrend our trend line will be placed below the pattern formation. (In a downtrend our trend line will rest on the top of the pattern formation).

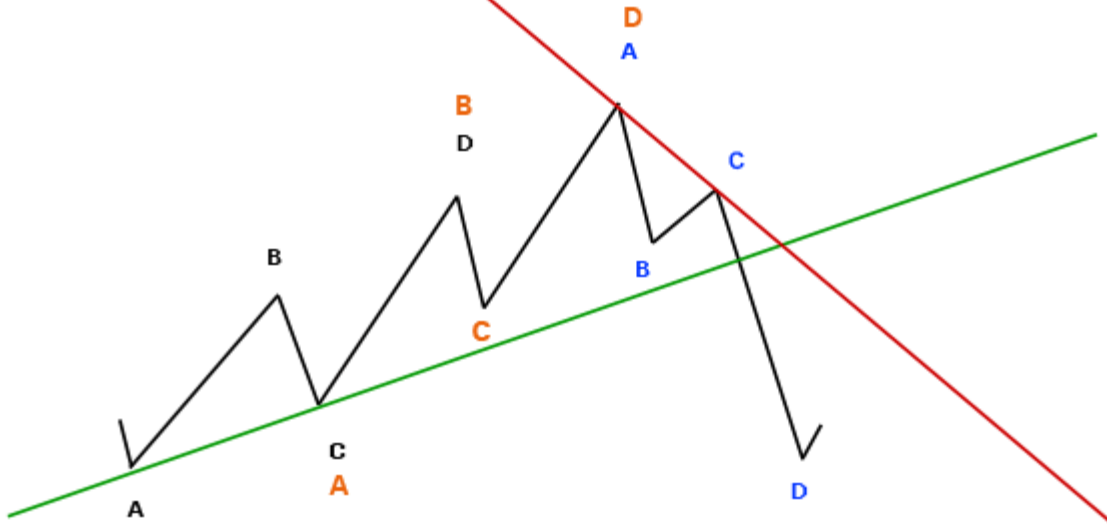
There are several important points on a chart that help us to draw a trend line in Forex. We call them A-B-C-D points.



So:

1. Find big enough picture to visualize current market move.
2. Look for ABCD points.
3. Draw a trend line through A and C points.
4. The more A, C and following additional points the line will touch — the more accurately it will work

A-B-C-D, done!
Old C then becomes a new A...And count begins again.
Draw a trend line through A and C points.



Let's take a look at the real Forex chart. Try to find A-B-C-D points on the chart.



We will always look at our found Forex trend line to confirm that price still moves in chosen direction. Broken trend line will warn us of a possible reverse of the trend. A trend line is considered to be broken when a full bar body has completely formed on the other side of the line. A trend line is not broken when the price just pierced the line.

Notice: you'll find that from time to time your Forex trend line needs to be readjusted to the current price moves. Do so, but consider your old trend line to be valid for some period of time. It can still be helpful and hold the price in the future.

