XTRADE ACADEMY COURSE:

Understanding Timeframes
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<table>
<thead>
<tr>
<th>Understanding Timeframes</th>
<th>Table of Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What are time frames?</td>
<td></td>
</tr>
<tr>
<td>2. Position and intraday trading</td>
<td></td>
</tr>
<tr>
<td>3. Daily</td>
<td></td>
</tr>
<tr>
<td>4. 4 Hour</td>
<td></td>
</tr>
<tr>
<td>5. 1 Hour</td>
<td></td>
</tr>
<tr>
<td>6. Multiple Timeframe Analysis</td>
<td></td>
</tr>
</tbody>
</table>
What are Time Frames?

- Time frames are the time periods that candlesticks are broken up into on a candlestick chart.

- For example, if you are trading on a daily chart, you will see a series of candles that open in the morning and close in the evening but if you are looking at a 30 minute chart, each candle will represent 30 minutes of price activity.

- Mixing up or confusing time frames is probably the single biggest and most common mistake of all traders.

- Although the live price will be the same on all time frames, the trends will differ from time frame to time frame.

- The shorter time frames will pick up all of the “noise” while the longer time frames will show the “bigger picture”.

- There is no more important lesson for traders to learn than to stick to the time frame which signalled the trade they have taken; don’t look at all different time frames for a specific currency pair once you have already taken the trade.

- The amount of time to stay in a trade should match with the time frame that was on the chart when you took the trade. A good guideline is about 6 candles in the time frame you are working with.

- For example, if the trade was taken based on a 5m chart, stay in the trade for about 6, 5min candlesticks, which equals about 30 minutes. On an hourly chart, you could consequently stay in the trade for about 6 hours (6 one hour candles).
### Notes

<table>
<thead>
<tr>
<th>What are Time Frames?</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
</tbody>
</table>
Position and Intraday Trading

- A position trade means that the trade will be longer term.
- The trade will continue over night and will usually last a few days.
- Intraday trades on the other hand, will close on the same day they are opened.
- The type of trade you choose depends on the timeframe you are working with.
Daily trades are easier to track and monitor than trades taken on shorter timeframes.

This time frame is best for a trader who is not going to be closely monitoring their trades all day. This is because trading decisions should only take place at the end of the candle (the close) of whichever time frame you are working on.

So with a daily time frame, you are only making trading decisions at the end of a trading day.

With a daily timeframe, there is more emphasis on the big picture rather than smaller intraday moves.

Daily/position trades generally require more trading capital than shorter intraday trades.

Daily trades can be based on either technical or fundamental analysis.
4 Hour

- 4 hour trades are a perfect time-frame between daily and shorter intraday trades.
- 4 hour trades will usually last over at least two of the 3 regions: Asian, European and North American.
- When trading the 4 hour, it’s often useful to scale down to hourly charts for resistance and support levels, i.e. entry and exit points.
- Six 4 hour candles make up one daily candlestick of 24 hours – this would be an ideal length to stay in a trade that was taken based on a 4 hour chart.
1 Hour

- Hourly charts are the most popular time-frame for most retail traders
- The reason being is that one doesn’t need large trading capital if they only plan to stay in a trade for a few hours
- These trades generally last for four to six hours or 4-6 candlesticks
- Hourly trades can comfortably be opened and closed within one region/session, Asian, European or North American
- Although the trade can overlap regions depending on when the trade was taken
- One hour is a good time frame for money management strategies for retail account sizes
Multiple Time Frame Analysis

- Although it's good to look at shorter time frames when looking for entry points, remember to stick to one time-frame when applying a strategy.

- It is useful to look at multiple time frames when applying stop-loss and take-profit levels.

- Once the strategy has been applied don’t jump from time frame to time frame during the course of the trade and change your strategy.

- Test strategies on different time frames to see which works best for your personality and dollar amount in your trading account.

- General rule: the longer the time frame the safer the trade, the shorter the time frame, the riskier the trade.

- Also note that trends and strategies on the same currency pair will be different depending on the time frame you are working on.

- The reason most traders make the mistake of confusing time frames is because once money is involved, it is easy to forget your strategy and become consumed with doubt about the trade you have taken.

- Instead, you will have the best chance of success in your trading business by remembering that your trade is based on a specific timeframe. Thus, closing a trade based on activity in another time frame is a mistake and can limit your potential for profit.

- Technology today is so great that we are able to watch the market minute by minute, but those minute by minute moves are not what a trader takes a trade, or should leave a trade based on. Rather, remember the “6 candlesticks in your timeframe” rule and set a stop loss and take profit based on support and resistance.

- Note: try to make a point of joining our live webinar on this subject because understanding time frames is a very practical subject and an interactive explanation while learning with live charts is a critical part of grasping this topic.