Simple Trends

Trading is often made more complicated than it need be and moving averages are one of the simplest indicators available but many feel that using them does not provide enough of a trading edge. While many of our experienced Dynamic Traders use more sophisticated yet simple tools that are available only to our private trading community, almost all of them started by learning the market conditions based on the 5 Screen Set Up below.

The aim of this article is to show how a new trader can get started today with the use of a simple strategy. While we consider the exit far more important than the entry, we will not be discussing the exit strategies or specific entry points in this article. However, a simple target equal to or in excess of the risk can be applied for an exit and the stop loss can be based beyond a previous pivot point.

The Trend

The weekly chart above has two sets of moving averages, 200 and 20. On this time frame, the 200 moving average provides areas of support and resistance while the 20 moving average provides the trend.
The bar colouring is based on price compared to the 20 moving average. When price is above the 20 moving average, we consider the trend to be bullish and the green bars confirm this. When price is below the 20 moving average, we consider the trend to be bearish and the red bars confirm this.

Based on our preferred time frames, we look to the weekly as the big brother and this provides us the overall trend. We refer to this time frame as our Trend Time Frame.

**The Trade**

![Chart showing moving averages and bar colouring]

The daily chart above has two sets of moving averages, 200 and 20. On this time frame, the 200 moving average provides not only the support and resistance areas but also the trading bias while the 20 moving average provides the trend.

When price closes above the 200 moving average then the bias is bullish and we are mainly looking to buy into this market. When the price closes below the 200 moving average then the bias is bearish and we are mainly looking to sell short in this market. There are exceptions to this rule but is too detailed to discuss in this article.

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Based on our preferred time frames, we trade from the daily time frame and refer to this as our Trading Time Frame.
As our weekly (Trend Time Frame) and daily (Trading Time Frame) are indicating price is in a bearish trend, we want to consider shorting this market. We now turn to the 4 hour time frame and look for a brief bullish pullback on this time frame only.

The green bars on the 4 hour time frame are indicating price has had a pullback and we can now look to enter a short.

We refer to this as our Trigger Time Frame.
Buy and Sell Zone

On the Trigger Time Frame (unlike the Trend and Trading Time Frame), when price is above the moving average then it is in the sell zone and when it is below the moving average, it is in the buy zone.
5 Screen Set Up

While we prefer to mainly use the weekly (Trend), daily (Trade) and 4 hour (Trigger) for the analysis, your trading style may suit a different set of time frames such as monthly, weekly and daily or daily, 4 hour and 1 hour. To identify your preferred style, apply the 5 screen set up similar to the set up above and through some testing and experience, find what works best for you.
The USDCAD above suggests the Trend and Trade should be bearish. So the Trigger Time Frame needs to be overvalued (above moving average) in order to enter a trade. Once we have the emergence of green bars on the 4 hour chart, we can consider entering into a short trade.
GBPCHF is bullish across all time frames so there is no opportunity to enter into a trade. In this case, we need the first two time frames to be bullish and the third time frame (Trigger Time Frame) to pullback to below the moving average so we can consider it temporarily undervalued.

[TDT Tip] If you are an Elliott Wave trader, the Simple Strategy works best within a wave 3 formation. Profitable trading starts with good money management so never risk more than 3% of your trading account on any signal trade.

We hope this article will help you to go on and trade the trends by using multiple time frames to identify the longer term direction and subsequently increase the probability of being on the right side of the market. New traders should note that before trying to master any trading method, mastering the emotions is critical. If you do not have control over your emotions, then you will not have control over your trading. Trading is a business and the markets will still be there after tomorrow. Look to trading as a long term business and not for short term success. Take your time, learn the markets and understand how to react to certain conditions.
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