

The Art of Multiple Time Frame Analysis

September 27, 2023

Brought to you by: **barchart**

Welcome!

I'm John Rowland, CMT

- ▶ Barchart's Senior Market Strategist
- ▶ Head of Trading Education
- ▶ Chartered Market Technician
- ▶ 35+ years of trading experience



DISCLAIMER REGARDING INVESTMENT DECISIONS AND TRADING

Decisions to buy, sell, hold or trade in securities, commodities and other investments involve risk and are best made based on the advice of qualified financial professionals. Any trading in securities or other investments involves a risk of substantial losses. The practice of “Day Trading” involves particularly high risks and can cause you to lose substantial sums of money. Before undertaking any trading program, you should consult a qualified financial professional. Please consider carefully whether such trading is suitable for you in light of your financial condition and ability to bear financial risks. Under no circumstances shall we be liable for any loss or damage you or anyone else incurs as a result of any trading or investment activity that you or anyone else engages in based on any information or material you receive through [Barchart.com](https://www.barchart.com) or our Services.

Multiple Time Frame Analysis

- ❑ Using a higher time frame to define the price range in the most recent past.

The playing field of probability

- ❑ Dropping down to an intermediate time frame, identify your trend.

Capturing the piece of probability

- ❑ Locate the swing highs and lows.

Where does the price fall inside the range of probability

- ❑ Decide on the type of trade initiation, drawback, pullback, or breakout.

Type of trade action, patient or aggressive

Highest Time Frame (HTF)

- ▶ Identifying the Primary Trend
- ▶ Current Price Direction and Location - Path of Least Resistance

Studies and Tools

- ▶ 200-Day moving average, 40-Week moving average
- ▶ ADX - Confirmation and Strength of Trend
- ▶ MACD - Trend Momentum
- ▶ Bollinger Bands - Volatility and Zones of Action

Intermediate Time Frame (ITF)

- ▶ Trend Trading Time Frame
- ▶ Identifying Price Action - Strength/Momentum of the Trend

Studies and Tools

- ▶ ADX - Above 25 trend established, below 20 indicative of sideways action
- ▶ Bollinger Bands - Volatility and Zones of Action
- ▶ ATR - Price Range Probability and Targeting Accuracy
- ▶ MACD - Momentum of Trend and Buy/Sell Signals
- ▶ 13-week EMA, 9 Day-EMA
- ▶ RSI - Oversold/Overbought conditions
- ▶ Stochastic, Counter-Trend signal Oversold/Uptrend entry

Lowest Time Frame (LTF)

- ▶ Intraday Time Frames
- ▶ Used to Determine Entry and Exits
- ▶ Timing with the Primary and Intermediate Trends
- ▶ Purpose to Reduce Risk and Increase Reward

Studies and Tools

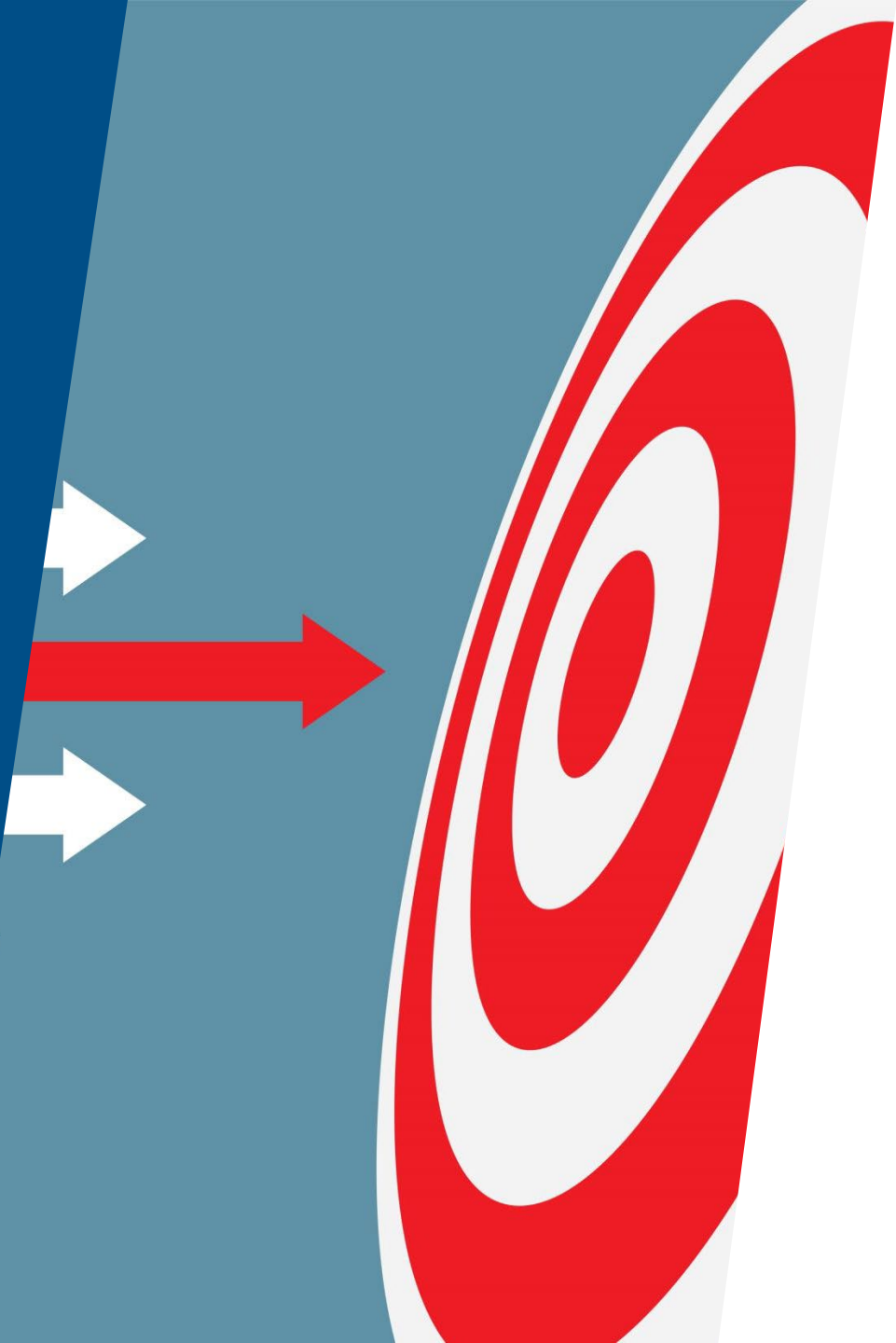
- ▶ RSI and MACD - Buy/Sell Signals with the Higher Time Frame Trends
- ▶ 13-EMA / 30 minutes - Zone of Action - Entry or Exit
- ▶ ATR - Price Range Probability and Targeting Accuracy (Daily)
- ▶ Floor Trader Pivots - Support & Resistance - Risk Management
- ▶ VWAP - Momentum - Risk Management

Studies and Tools

- ▶ ADX - Strength of Trend
- ▶ ATR - Volatility and True Range Price Probability
- ▶ Bollinger Bands - Volatility - Zones of Entry and Exits (HTF)
- ▶ 9 and 13-day EMA - Strength of Trend - Intermediate
- ▶ 20-day MA - Entry and Exits - Intermediate
- ▶ 50-day MA - Hard Stop placement
- ▶ 200-day MA - Long-Term Primary Trend
- ▶ MACD - Buy and Sell signals in Low/Intermediate Time Frames.
Momentum or Strength of Trend in Higher/Intermediate Time Frames
- ▶ RSI - Overbought/Oversold conditions in all Time Frames
- ▶ Pivots and VWAP - Intraday breakout entries, price reversion exits,
and risk management

Determining Risk and Reward

- ❑ Set the stop loss in your trend time frame and use a lower time frame to reduce risk.
- ❑ Multiplier Factor: x4
- ❑ Choose a realistic target with minimum reward (3:1)
 - ❑ Conservative guideline:(Daily)
set target at 1.5-2.5X ATR
set risk at $\frac{1}{2}$ ATR



Trader's Technical Checklist Adapted from John Murphy's "Technical Analysis of the Financial Markets"

- 1) Overall Market - Bull or Bear
- 2) Sector - Relative Strength or Weakness
- 3) Weekly and Monthly - Road Map for Price
- 4) What are the Trends? Primary, Intermediate, and Lower
- 5) Significant Levels of Support & Resistance
- 6) Channels, Trendlines and Moving Averages
- 7) Gaps
- 8) Chart Patterns - Continuation and Reversal
- 9) Price Objectives
- 10) Technical Evidence to Support our Assessments

Takeaways

- ❑ Know your playing field of probability
- ❑ Identify your trend(s)
- ❑ Determine your type of entry
- ❑ Set risk in the trend time frame
- ❑ Use lower time frames to reduce risk
- ❑ Set realistic targets
- ❑ Use Technical Analysis as a confluence of evidence

Trader's Takeaway

Reliance on just one time frame or only one technical analysis is a recipe for failure. The art of technical analysis requires a perspective from multiple time frames to help identify conferring and cross trends. Various technical analysis studies and tools help to discover when a confluence or cluster of evidence lines up with the primary and intermediate trends and improves the confidence and probability of success. This allows the trader to manage risk better and maximize the reward.

Not a Barchart Member? Join Today!

barchartPlus
barchartPremier

Free 30-Day Trial to the site's best and most advanced features.

From a basic My Barchart membership, to Barchart Plus with more customization and analysis, to Barchart Premier loaded with all the professional investment tools you need... you will find a plan that checks all the boxes.

barchartPlus
barchartPremier

Investment Tools And Research Designed To Help Make You A More Confident And Profitable Trader

Barchart has two levels of membership, tailored to provide the market information you need, at a price that is right for you.

Barchart Plus gives you a professional workspace environment with access to the most-used tools on the site. For equity options traders, or for our Top Trading Ideas, Barchart Premier checks all the boxes. Read below and pick the service that best fits your needs.

[Start Your Free Trial Today](#) From \$8.25/month (billed annually)

<https://www.barchart.com/get-barchart-premier?ref=webinar>