

200 EMA Strategy

Are you a relatively new trader looking for a solid forex strategy?

A challenge facing many new traders when developing their forex strategy is the ability to identify the overall trend for intra-day trading.

The 200 EMA (Exponential Moving Average) can solve the problem.

The 200 EMA is one of the most popular indicators of all time with Forex traders the world over, and for that reason alone is worth noting due to the psychological effect on the market place price can have when hovering around the 200 EMA.

Using The 200EMA Strategy

To use this very powerful Forex strategy, create charts on 3 time frames:

4 hour

1 hour

15 minute

Now plot a 200 EMA indicator on each chart and, as a suggestion, color it red, for easy visual impact.

Preferably tile the 3 windows containing your 3 charts into a vertical fashion so you can see the 3 time frames next to each other. It will squeeze up the information on the charts somewhat but for the purpose of this strategy that doesn't matter.

Now scroll through the various currency pairs you like to

200 EMA Strategy

trade.

If you prefer to trade only pairs with a smaller pip spread, they amount to about 9.

They are:

EUR/USD
GBP/USD
USD/CHF
USD/JPY
EUR/JPY
USD/CAD
AUD/USD
NZD/USD
EUR/CHF

What you are looking for is any currency pair that bucks the 200 EMA on the 15 minute chart.

So for example, look at the EUR/USD pair and note the position of price relative to the 200 EMA on the 3 time frames.

If price is well above the 200 EMA on the 4 hour chart, well above the 200 EMA on the 1 hour chart, but BELOW the 200 EMA on the 15 minute chart, price is bucking the trend.

The overall trend is up, price has temporarily gone against the trend and is currently in a retracement.

Using the fundamental trading principle of "buy the dips in an uptrend", "sell the rallies in a downtrend", look for a suitable entry point.

200 EMA Strategy

In the example given above you would look for an opportunity to buy the EUR/USD, perhaps watching for a candle signal that price has exhausted it's downward momentum, bucking the 15 minute chart 200 EMA and will soon resume it's upward momentum.

This is an easy exercise and it can be done once or twice a day, taking just a few minutes.

Watch For Price Bucking The Trend

Once you see price bucking the 200 EMA on the 15 minute chart, whereas it is on the opposite side on the 4 hour and 1 hour charts, sit up and take note. Watch carefully and grab the opportunity to get in and make some pips.

After a little practice you will see how extremely powerful this simple Forex strategy is - certainly deserving a place in your trading tool kit.