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## Trading the Monthly Chart Is Lovely

In: [Trading](#) | Last Updated: June 2nd, 2015

The end or beginning of each month is the best time to check the monthly charts of the [currency pairs](#) and securities you follow. If you think "monthly" is a too [long time frame](#) for you and there is no enough opportunities on it to make enough profit for you, you are terribly mistaken. You don't believe me if I tell you that you can even make a lot more profit if you trade the monthly and weekly time frames only. This is what I will definitely do, if I get tired of checking the daily charts every day, but I never think about shifting to shorter [time frame](#) to have more trading opportunities.

By taking and holding the too strong trade setups you locate on the monthly chart, you can simply make thousands of [pips](#) every year. Unlike what most traders think, always so many strong trade setups and good trading opportunities form on the monthly charts. Additionally, monthly has a special characteristic and feature that no other time frame has. Do you know what it is?

It is the monthly chart that shows you the maximum and minimum of each market's capacity.

What does that mean?

Each market is like a container. It has a special capacity. For example, if you refer to EUR/CAD monthly chart, you will see that its price has been moving between 1.24291 and 1.74967 levels during the past 16 years.

Even [EUR/USD](#) which is a much bigger market, has a maximum (highest) and minimum (lowest) level (capacity). The lowest and highest EUR/USD price are 0.8225 and 1.6028 respectively. Some big changes in Europe and US economy is necessary if EUR/USD wants to break above the 1.6028 or below the 0.8225 level. Such changes usually don't occur so frequently. Maybe not even once every 15 years. Therefore, EUR/USD price is determined to fluctuate between the 0.8225 and 1.6028 levels.

It means the EUR/USD's container capacity is between the 0.8225 and 1.6028. This container can become

bigger or smaller, but, some big economy changes are necessary to do that. Sometimes these changes never happen in some markets, specially when the market is not that big. For example, AUD/NZD has been moving between 1.0284 and 1.3648 levels since the middle of 1997. It tried to break above the 1.3648 resistance level in 2011, and below the 1.0284 level in 2015, and it almost succeeded to do that. However, the market could not handle it and so the price returned inside the same range.

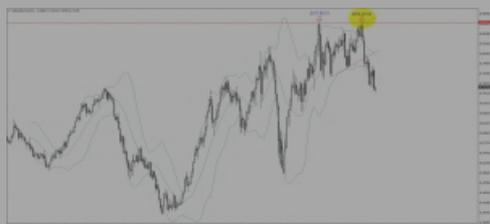
It is the monthly chart which is the best to give you such invaluable information about the markets. Monthly chart of each market is the most complete certificate of that market that shows how the market **main participants** behave and think. It shows you when they buy and sell seriously to change the price direction.

That is why I say: **Monthly Time Frame Is the King**

In the **same article**, I showed you how big traders **make money** using the monthly chart only. Since that time, we had some live examples on this site, both from the setups that fully formed, and from the forming trade setups. One good example of the trade setups that formed is the **NZD/USD** monthly chart short trade setup that formed recently.

On July 2014, NZD/USD reached the 0.8841 level which was the highest price it had ever recorded until that time. It really had no way, but going down, because breaking above the 0.8841 level under that economic condition looked impossible, as there was no big changes, neither in US nor in New Zealand economy. The NZD/USD container was full and it was the time to empty it. Of course, it was still possible to break above the resistance level for the reasons which can be hidden to us, but there is a risk in each position you take, and that possibility was one of the risks that going short with NZD/USD had.

Therefore, although the 2014.07.01 monthly **candlestick** had not formed a 100 score short trade setup, because neither this candlestick nor the previous one, had broken out of Bollinger Upper Bands, we went short because of the too strong 0.8841 resistance level. NZD/USD is still going down (read **this report**).



One of the other features of trading based on the monthly chart is that, when the price reaches the too strong historical support/resistance levels and you take a proper position, you don't have to be worried about the market big participants to manipulate the price and make you lose, because it was the same big participants who created the strong **support and resistance levels** based on the maximum power and capacity they had. They cannot go beyond those levels even if they want.

Whereas when you trade the shorter time frames support/resistance levels and signals, chances are they are created by small participants while the big ones have been sitting on the fence and were doing nothing. But, once they decide to enter the market, they break through all the small support/resistance levels, and make so many retail traders who had positions based on the shorter time frames signals, lose money.

Trading the shorter time frames is like sailing with a small boat in a calm and quiet sea. It is good as long as the huge ships have moored at the harbors. But once they decide to leave the harbors, the small boats will be in trouble. The safest way for the small boats is that they wait for the huge ships to move and then they follow them with a reasonable distance.

These are the useful things you learn from the King, the monthly chart.

### EUR/USD:

EUR/USD is currently reacting to the support level/zone related to the 1997.08.01 monthly candlesticks. Please note that after so many years, the level can be a precise and sharp level and the market reacts around a price range that we call it zone.

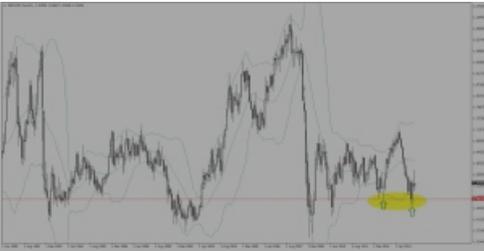
The 1997.08.01 level/zone is not that strong. So, it cannot make us take any positions. The market is still strongly bearish and a couple of bullish candlesticks cannot change anything.

So, no important news for EUR/USD market for now.



### GBP/USD:

**GBP/USD** has already reacted to the 1.48123 support level which is not a too strong support level. In spite of this, the 2015.04.01 says that bulls are serious to take the control and take the price up, at least to retest the **Bollinger Middle Band** which is about 750 pips above the current price. The 2015.05.01 candlestick is closed with a too **long upper shadow**, which means the 1.48123 support level can be tested one more time:



After the 2015.05.17 candlestick short trade setup on the weekly chart, the price went down but reacted to the middle band strongly and now is going up. The 2015.05.17 trade setup was not a too strong 100 score trade setup after all, and so, we didn't expect the price to follow this trade setup for a long time ([click here](#) to see the initial report of this trade setup).



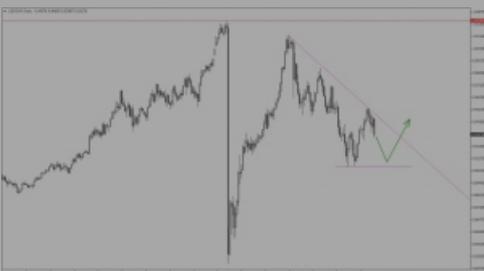
The market reaction to the middle band on the weekly chart, is a signal indicating that most probably the market wants to follow the monthly chart reaction to the 1.48123 support level, and so it goes up. We have to have an eye on it to locate a buy signal to go long.

#### USD/CHF:

**USD/CHF** is moving sideways on the monthly chart. However, it seems bulls are taking the control and most probably the price will break above the 1.0239 level. Bollinger Middle Band is working as a support. USD/CHF has formed the lowest possible price, and it seems it is time to go up:

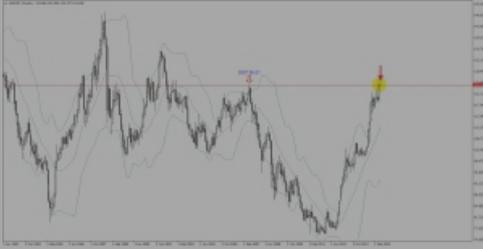


Breaking above the resistance line on the daily chart is a signal that USD/CHF wants to start its long upward journey:



#### USD/JPY:

**USD/JPY** has reached the 124.13 resistance level and it seems it is reacting to it:



Of course, 124.13 is not a too strong resistance level. Therefore, it is strongly possible that USD/JPY breaks above it, specially because this market is bullish and **bulls have the full control** now.

If it breaks above the 124.13 level, then it will go up for 1200 pips to reach the next resistance level at 135.19 which is much stronger than 124.13 level. If it breaks above that level too, then it will have to go up for another 1200 pips to reach the strongest resistance level at 147.71. That is the time it has to reverse and go down definitely, unless something really unusual happens:



#### USD/CAD:

There is a resistance zone from 1.27589 to 1.30622 on **USD/CAD** monthly chart. USD/CAD has formed a **Saucer** Pattern to go up and reach this resistance zone. Its initial reaction to the 1.27589 level was strong. This level is indeed the close price of 2009.02.01 monthly candlestick.

It seems bulls are serious to hold the full control, because although some strong bearish candlesticks formed when the price hits the 1.27589 level, the May monthly candlestick closed with a relatively strong bullish body. Therefore, it is strongly possible that USD/CAD goes up to test the 1.27589 to 1.30622 levels. Please also see **this report**.



The last closed **daily candlestick** has closed with a strong bearish body, and so it has formed a strong **Bearish Engulfing** Pattern. It is not a 100 score short trade setup, because of the considerable lower shadow this candlestick has, and also the **strong bull market** which has made Bollinger Upper and Lower Bands far apart:



In spite of this, it seems 4hrs chart has formed an opportunity for those who want to take a possible down movement based on the above Bearish Engulfing Pattern. It has broken below a support level which is not that strong, but so far it seems it is valid because of the candlesticks reactions to this level.

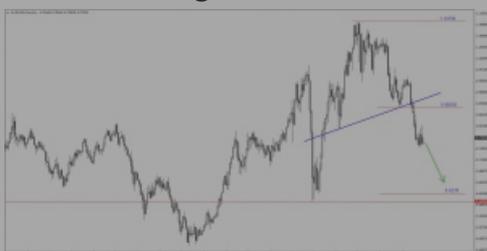
The 1.24167 level is the close price of the 2015.05.29 04:00 candlestick:



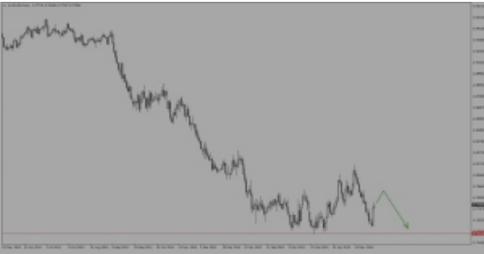
#### AUD/USD:

**AUD/USD** broke below a big **Head and Shoulders Pattern** by 2014.09.01 monthly candlestick. When this happens, then the next security price movement can be as big as the movement it had from the high price of the Head which is 1.10799, to the low price of the second shoulder which is 0.86592. It is a 2423 pips down movement. AUD/USD has already moved down for 1125 pips after the neckline breakout. Therefore, it is possible that it goes down to 0.6239 to complete the 2423 pips down movement.

The 0.6239 level is so close to another strong support level at 0.6009. Therefore, it makes sense for AUD/USD to go down to test the support zone that the 0.6239 and 0.6009 levels make:



Currently, it seems bears are getting exhausted. The market is going sideways on the lower time frames like daily, and it has formed a support level at 0.75326. If AUD/USD breaks below this level, then most probably it will go down to test the 0.6239 level:



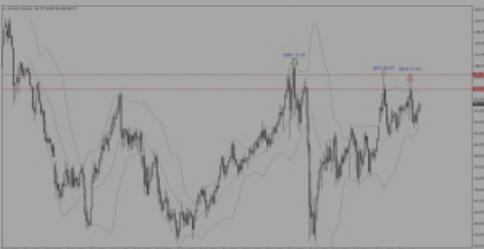
## AUD/JPY:

Since several months ago, we have been waiting for a short trade setup to form below a strong resistance level/zone on AUD/JPY **monthly time frame**, like something that happened on NZD/USD monthly chart (see the explanation above). See the history of my analysis on this:

*Forming short trade setup on the weekly or monthly chart:*

1. **[Get Ready For A Too Strong Short Trade Setup On AUD/JPY Weekly And Monthly Time Frames](#)** – 2014.11.18 (initial report)
2. **[What If We Miss the AUD/JPY Downward Movement](#)** – 2014.11.26
3. **[NZD/CAD Too Strong Downtrend](#)** – 2014.11.29
4. **[EUR/GBP Moving Inside A Symmetrical Triangle On The Daily Chart](#)** – 2014.12.02
5. **[AUD/JPY Is Closing Above the 101.03 Resistance Level](#)** – 2014.12.05
6. **[Fibonacci Retracement Levels and Daily Candlesticks](#)** – 2015.02.22
7. **[Strong Broken Support Line Retesting by AUD/JPY](#)** – 2015.05.03
8. **[Doji Candlesticks with Strong Confirmation](#)** – 2015.05.14

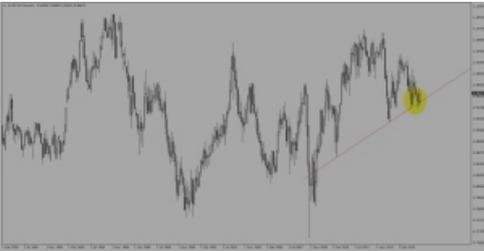
AUD/JPY has not given us the chance to go short yet, but it seems it is going up to test the resistance levels once again. That will be a new chance to form a too **strong short trade setup** below or around the levels:



Let's cross our fingers for that.

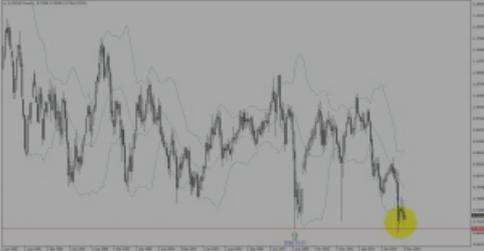
## AUD/CAD:

There is an Ascending Head and Shoulders on AUD/CAD monthly chart, similar to the one you saw on AUD/USD monthly chart, with this difference that its neckline is not broken yet:



### AUD/CHF:

AUD/CHF is currently right above the strongest support level it has ever had. That is the right time for so many monthly chart traders to go long and hold their position for several months or even a few years:



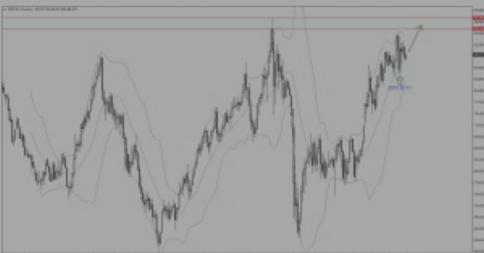
Some others who are more conservative, prefer to wait for a signal like a **resistance breakout** or a candlestick buy signal on a shorter time frame, to go long, to have a safer entry, because it is still possible that AUD/CHF goes down to test the support level one more time.

It seems its up movement above the monthly support level will be started if it breaks above the resistance line on the daily chart:



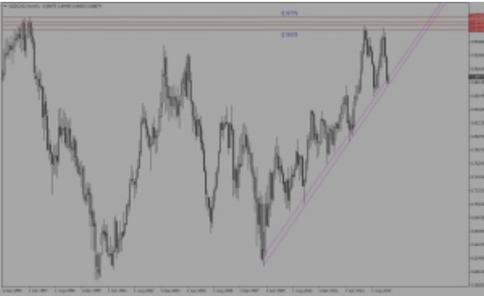
### NZD/JPY:

It has almost the same situation as AUD/JPY with this difference that it has not tested the resistance zone yet. So we still have to wait here and hopefully we can go short soon:

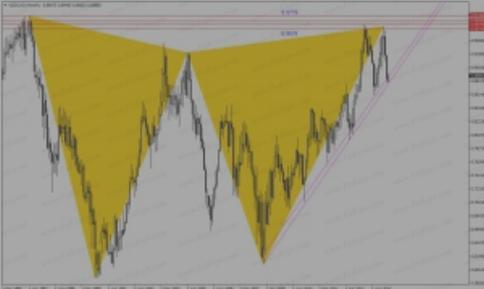


### NZD/CAD:

NZD/CAD has already touched the too strong resistance level/zone and has formed too big bearish candlesticks. Those who didn't have the chance to go short, can do it when NZD/CAD breaks below the uptrend support line:



I think this is the biggest **Butterfly Pattern** in the history of trading, ever:



### AUD/NZD:

It has already started going up above the 1.02847 support level, but it is possible that it tests the level one more time, because it has not completed the waves yet:



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### About **LuckScout**

"Whether you think you can, or you think you cannot, you are right." - Henry Ford

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The Easiest Way to Get Rich Fast



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Scalability: Do Not Start a Business that Is Not Scalable

**I want to...**

BECOME A MILLIONAIRE



LEARN A PROVEN BUSINESS PLAN



SCALABLE MY BUSINESS



BECOME A BLOGGER



### 156 thoughts on "Trading the Monthly Chart Is Lovely"



Amanda L

The boat analogy just changed my life. 😊



Suraj Sukumar

Thank you very much for all these priceless information.

Keep up your good work

God bless



Paulin Prakash

😊 Thanks Chris.

---



TJ

Thank you Chris, but Chris dealing with monthly TF is dealing with larger SL too isn't it?

---



LuckScout

Yes, it is.

---



Gregg Markmann

Hi Chris

Absolutely brilliant and yet so simple common sense. Thanks yet again!

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Merry Burhan

How amazing that I learn something new again today. Thanks Chris!

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Carl V

Great article, Chris. I have just started evaluating the monthly timeframes, and will definitely start to pay more attention to them now.



Jordi George

Dear Chris,

thanks for another fantastic article.

The only problem when trading monthly time frames is the huge stop loss that you have to assume. You need a big account!

However, we can always take a look at a shorter time frame (weekly, daily,...) in order to find a strong support or resistance which permits us to enter with a small stop loss, can't we?

Best regards!



LuckScout

Jordi,

Yes, that is an option for those who have small accounts. I will explain about this more today, on this page.



Don Maximum

Yes!!!! Monthly Time Frame is everything in forex this month I am analyzing my trades and entering based on monthly candles. Just looking for the high or low of the month.



Hi Chris, could I know when we find a trade setup on monthly timeframe. Should we enter the trade using TP and SL on monthly timeframe ? or we should use the daily timeframe to enter the market ?



LuckScout

Jerry,

It is usually the best if you enter based on the same time frame and set the SL and TP accordingly.

---



Dogan Sahin

Dear Chris

Could you tell us how does the price fluctuating and according to what?

Thank you

---



LuckScout

Dogan,

You mean how the price fluctuates in general or you are talking about something more specific?

---



Dogan Sahin

in general who and how to decide parity fluctuation?

---



LuckScout

Read this:

<https://www.luckscout.com/who-are-the-major-participants-in-forex-market/>

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Abubakar Omusa Abubakar

Great work. Making trading as simple as it should be. God bless and reward you immensely.



Giuseppe Brazorf

Thank You Chris, very interesting

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\_Ben\_

*'Trading the shorter time frames is like sailing with a small boat in a calm and quiet sea. It is good as long as the huge ships have moored at the harbors. But once they decide to leave the harbors, the small boats will be in trouble. The safest way for the small boats is that they wait for the huge ships to move and then they follow them with a reasonable distance.'*

Brilliant analogy.

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Moaied Suhail

😊 Thank you always for your posts Chris.

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Azharul Islam

Hi Chris,

We all know that the monthly time frame is the king. But we look at that TF only at the end or at the begging of month and rest of day of a month we forget about the king. As a result we search for patterns in daily or weekly time frame and we become habituated on that.

Now your article makes our mind clean and clear again.

Thank you.

---



Turija Kempe

Dear Chris, when you look at EUR/USD now, what do you see? Is there a formation/signal telling you, where

will be the pair going? Thank you for your reply.



LuckScout

Turija,

There is no strong signal at this time to show us a special direction. It is possible that it fluctuates between the 1.06286 and 1.18716 levels for a while. The market is bearish and it is more possible that it breaks below the 1.06286 level and goes even as low as 0.8225.

This is what Fibonacci level also admit, but I don't want to make you confused with it for now.

See this:

<https://www.luckscout.com/wp-content/uploads/2015/06/EURUSDMonthly-11.png>



Pete Krahn

Wow. I can just imagine the Freedom and piece of mind one could have when trading the Monthly time frames.

Now all I need is a bigger account.....



Eugene G

Another eye-opener, thank you Chris.



Devi Ram

As always a very revealing article. Thank you Chris.



Jae Task

The thing I don't get about monthly timeframes is the large stop loss sizes. I was considering going long on the EUR/CAD last monthly candle but the safe stop loss would have been around 600 pips.

<https://charts.mql5.com/8/5/eurcad-mn1-global-prime-pty.png>

Can you offer any advice on this? It seems really wide to me.



LuckScout

Jae,

That is right. You can take smaller positions. If your account size doesn't allow you to do that, then the other option is that you refer to a shorter time frame and enter based on it. However, it is possible that it causes you to miss the movement.



Jae Task

Exactly, I am trying to stick to the 0.1 minimum lot size with a 4k demo account. So 600 pips is a huge risk in that case.

Thanks chris



Jae Task

Actually, I have taken another look after your advice and seen this cheeky little number. This is really interesting because the middle bollinger band is tested on 2015.06.01 and would have been an excellent entry signal with 79 pips stop loss and it's already hit TPx6.

<https://charts.mql5.com/8/21/eurcad-h4-global-prime-pty.png>

I like the idea of this, do you agree that the confirmed testing of the middle band would have been a good entry point?



LuckScout

Jae,

Please mark your entry candlestick on the chart. Your chart looks different from mine.



Jae Task

Thanks for looking at this. I actually missed the trade but am trying to understand if this would have been a good entry point.

<https://charts.mql5.com/8/23/eurcad-h4-global-prime-pty.png>



LuckScout

Jae,

That was a good continuation setup formed above the middle band.



Jae Task

Awesome. thanks for your advice Chris, and todays article too 😊



~ Youness ~

Hi Jae,

If you add %\$ to your TP levels of the Fib tool in their descriptions, you'll have price displayed at each level.

Here is an example: <https://www.mql5.com/en/charts/3538166/nzdcad-d1-axicorp-financial-services?bind=1>

Cheers.



PREM KUMAR

Thank you Youness I am wondering how the price level was inserted in the fib levels, you have shown me the way.  
Long live LuckScout team.



Eric Sarayar

Nice one. Thanks Chris



Hosea Tumewu

really liked the analogy about small boat & big boat Chris, hahaha. Guess we can say that technical & candlestick analysis work best in Monthly TF right?



LuckScout

Hosea,

Yes, technical analysis and candlestick signals work much better on the longer time frames.



Bob McCain

Thanks Chris. Very interesting article.

I am from NZ, so I follow the NZD crosses quite closely.

About 2 months ago all the bank economists were saying that AUD/NZD was basically certain to hit parity this time, and then about about a week ago I read a report from one of the top bank economists in the country musing about this "psychologically interesting level now looks like being missed yet again".

Doesn't sound like he understands why!

One question Chris; what type of things would have to change in the economy of a country to reduce or enlarge the size of the 'container' you spoke about?



LuckScout

Bob,

You are welcome.

A big and unusual change in the interest rate is one of the things that changes the container size.

A new source of income is another one. For example, a country suddenly starts selling oil to the other countries whereas it was used to be an oil consumer in the past.



Nicolaas Kolz

Thank you Chris, very good! Why cant we think like you?



LuckScout

Nicolaas,

You are welcome.

Most people think that shorter time frames give them more opportunities. This can be true but the opportunities that longer time frames give us are much better and easier to take and hold. This is what most traders will learn after a while that they struggle with the shorter time frames.



~ Youness ~

Hi Chris,

"...then it will have to go up for another 1200 pips to reach the strongest resistance level at 147.71. That is the time it has to reverse and go down definitely, unless something really unusual happens"

I'll include that in my will for my offsprings to take short positions after I'm no longer on this earth 😊

I know it might not take that long, but it's possible. Just thought to put a smile on your face Chris.

Cheers.



LuckScout

Youness,



The longer you trade, the more you will like to trade the longer time frames, maybe because you will see that they make more profit with less effort and stress.



Juan Gutierrez

chris,

what if we take positions based only on weekly and monthly timeframes but the swap of the currency pair take is so high and negative?

Thanks!



LuckScout

Juan,

Swap is what I consider when more than one trade setup forms at the same time. I take the one with a better swap condition. Although swap rate of some positions is high, like a short position with NZD/USD, the market movement can always recover it, when the position is taken based on a strong trade setup on the monthly time frame.



Juan Gutierrez

i mean the currency pair we take is so high and negative, plus you also have to add the fact that sometimes the accounts are smaller 🙄 in my case for now i am saving to have 2k to open an account just to start.



Juan Gutierrez

the swap for example on currency pairs like aud/usd when going short is huge right chris? sorry i wrote 3 different posts but it seemed like i was missing something to add when writing.

---



Paul Br

Now easier to understand the importance of monthly TF.  
Thanks, Chris.

---



Linz H

Very informative thanks Chris! Much less stress.

Off topic but have you ever considered a "Like button"? It could be useful to use if you like or agree with another member rather than commenting?

---



LuckScout

Linz,

Thank you too.

We tried to have like buttons for comments, but we had to remove it each time, because of the problems it created for the site. We will work on it to find a solution now that you are suggesting it to us.

Thank you.

---



Jae Task

Very happy to be clicking like on this comment 😊



Jorge Wilson

Thank you very much.

An option for those who have small accounts....it looks interesting.

Thank you again



Raildo Pereira

Excellent article! Perfect analogies,I learned so much.Thank you!



Mike Yin

Chris,

Excellent article! Each person has different personality and unique psychological characteristics.

For an active person, it is very hard to watch price retrace a few hundred pips on monthly chart without doing anything.

How can we match the time frame to personality? Should the trader change himself or find a style that fits him?

Thank you,  
Mike



LuckScout

Mike,

The markets cannot be changed and they cannot behave the way they satisfy all traders. It is the traders who have to follow the markets as they are. Trading the shorter time frames is not a solution for an active person, because he will lose more money. We don't trade to be active or keep ourselves busy. We trade to make money, and to do that, we have to follow the markets.



## Pivotal Springboards

This article really put into perspective for me on levels (support and resistance) and how they show the RANGE of a particular pair. Range is so important in decision making on trades. Follow the bigger boats at a safe distance. Got it.



## Dogan Sahin

Trading with monthly time frame needs too wide stop loss. So easy to see main direction of price. This should be very good idea if we have enough found at our trading account. With small account we able to open just one position at each month. I will try this.

Thank you



## Joshua Chan

HI Chris,

I like the way u talking about the small boat..people usually using a boat to go fishing..

remember a week a go i was asking

the connection between Trading and Fishing.??.

Pro Trader ever said to me..Trading Is about

U set up the hook and forget it..and come another day to see what u got..

IS that right..??

ANdy.C



## LuckScout

> IS that right..??

Absolutely.



Nadi Brh

Thanks a lot.

Chris is there anyway to take advantage of the Monthly timeframe and apply some techniques to have a tighter stoploss or the profit?

Secondly what is the minimum balance of an account to trade the monthly TF?

Thank you



LuckScout

Nadi,

– The only option is referring to the shorter time frames when there is a setup on the monthly. The shorter time frames can show you some closer levels for the stop loss. But you will have to be aware of the risk of missing the movement when you are waiting for the shorter time frames to show a proper entry level.

– You can calculate it to see how much your account balance has to be when you take a 2-3% risk for a trade setup you locate on the monthly time frame.

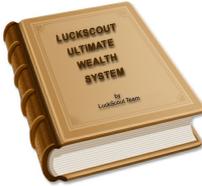


Amr Nofal

Thank's Chris for the valuable informa  
Is it OK to use trailing stop with the m

Thank you again

— WAIT A SECOND! —



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Now  
to Learn How to Make  
**\$1000s** Every Month!

Enter your email address  
and then check your email  
and click on the  
confirmation link:

YOUR EMAIL:

[SUBMIT](#)

I don't recommend it. We can check the chart candle by candle and move the SL if we want. Trailing stop loss blindly moves the SL.



Giuseppe Brazorf

Hi Chris, thank You for the market analysis. What do you mean by AUDNZD has not completed the waves yet?



LuckScout

Giuseppe,

I meant the Elliott Wave:

<https://www.luckscout.com/elliott-wave-theory/>



Fasih Ahmad

hi chriss,

"because it has not completed the waves yet: "

in ur analysis of audnzd , what is the meaning of this sentence ..

thanks a lot..



LuckScout

Fasih,

I meant the Elliott Wave:

<https://www.luckscout.com/elliott-wave-theory/>



Chris Long

Thanks Chris, for another fantastic article, and seeing that monthly is really King.



Ivo R

Thank you for the article Chris,

Great analysis as usual but it doesn't seem we have any strong setups on monthly this time. It pains me a little bit that you did not talk more about the candles formations and bollinger bands. There are some by EUR/USD and AUD/USD, but they formed by big bear markets. Well no candy for my demo trade account still, maybe next month.



Adam Wickens

This is superb analysis Chris



Dan G

Great recap of the monthly charts! What are your thoughts on the EUR/JPY & EUR/NZD monthly charts? I remember you stating back at the beginning of May that you wanted to wait to see if the bulls show their control.

After the April engulfing patterns, May seems to show the bulls are taking control. But of course there is that pesky middle Bollinger in the way. Your opinion would be greatly appreciated.



LuckScout

Dan,

EUR/JPY has already formed a relatively strong long trade setup by 2015.04.01 and is going up strongly. It is too late to enter now, and so, I didn't include it in my report.

It is the same with EUR/NZD.



Jordi George

Dear Chris,

every day that goes by I am more convinced that trading the long time frames with the proper discipline and objectivity is the key to operate successfully in the markets and achieve great peace of mind.

I feel that we are on the right track. Many thanks Chris!

---



Calebfx I

I am glad I read the monthly time frame is king article because that encouraged me to go long on the 2015/06/01 candle. Chris how long do you think this uptrend is going to be based on the April 2015 hammer?

---



LuckScout

Which currency pair?

---



Calebfx I

Oh my gosh sorry Chris, silly me I can't believe I didn't put the currency pair. It is the EUR/CAD and it is going long beautifully.

---



LuckScout

That is OK.

Regarding your question, I am afraid I have no answer.

---



~ Youness ~

Hi Calebfx,

Here is an excerpt from the article Chris wrote a while ago:

“We are not fortune tellers. We are traders. In trading, we don’t predict the price direction. It is impossible to do that. All we must do is that we wait for the “trade setups” to form on the chart, and then we take positions. Trade setups make us expect the price to take a special direction. Even after forming of the strongest trade setups, we don’t know what direction the price will take.

It is the trade setup that tells us what to do. We don’t predict anything. As long as there is no trade setup, the price direction can be anyone’s guess, and so we must do nothing. When there is a strong trade setup, we dare to take a risk and enter the market. In spite of this, still we have to limit our risk by setting a proper stop loss.

This is how a professional trader trades. Trying to over-analyze and predict the price direction, creates stress, fear and greed.”

If anyone is intersted in reading the whole article, here is the link:

<https://www.luckscout.com/we-are-traders-not-fortune-tellers/>

Cheers.



Calebfx I

Thank you Chris and Youness, but what I actually meant is if there is a resistance line on the way based on the 2014/03/01 candle but hey we learn everyday right.



Jordi George

Hi Youness 😊

I really think that if we don’t over-analyze and don’t try to predict the price behaviour, we will have less stress, fear and greed. It’s good to bear this in mind because I am sure that this is an important step that will help us to live with more peace of mind.

I know that I must not complicate things (keep it easy and simple) and only wait for the trade setups to form on the chart. I don’t pretend to understand and have an explanation for everything.

I have seen many traders and articles pretending to know the future of the

market. They pretend to know what is going to happen in the markets in the next week, month,.... They place their orders based on their faith and predictions instead of watching what is going on in their charts. If we follow them, we will never succeed, we are doomed definitively!

It's a pity that when you make your first steps in the trading world, you cannot find the right track and right advices immediately. It would have been very helpful to have found LuckScout at the very beginning (I wouldn't have wasted time & money). But it's never too late to thank LuckScout for their great articles, advices, help and support!

Have a nice weekend 😊



Haikal Sedayo

I'm trying to understand, what you mean "... Reasonable Distance...".

Is it about follow the big trend with reasonable SL & TP??

Thank for the post Chris. I got the idea, except the "distance" thing 😊



LuckScout

Haikal,

> Is it about follow the big trend with reasonable SL & TP?

No. It is about waiting for them to take action and make a strong trade setup first.



Haikal Sedayo

I see, thank you for explanation Chris.



Eugene G

Hi Chris,

Could you please explain which waves has AUD/NZD not completed yet?

Thank you



LuckScout

Eugene,

Wave B and C:

<https://www.luckscout.com/elliott-wave-theory/>



Valdas Ly

Thank you Chris!



Alvaro L

Another great article from chris. You have opened my eyes even more on what to look for when analyzing the charts. I was thinking of going long on the AUDUSD pair, until I saw the monthly chart. if you don't mind me asking, how many pairs do you trade? or does it even matter? if it's too strong setup would you still trade even if it's a pair that barely anyone trades?



LuckScout

Alvaro,

I have 28 pairs plus gold and silver on my platform. I was used to trade 20 pairs but had to add some more to my platform since writing for LuckScout, because members always asked about them.

I don't trade the exotic pairs and pairs like AUD/NZD or USD/SGD even if they form too strong setups.



Linz H

I think Alvaro might mean how many pairs do you trade at any one time. This would depend on their set up strength and I think you said you would limit your trading to the strongest set up only with swap consideration as a factor. My question is because we can't tell the future on anything in Forex, is it better to take two or three 90-100 gauge strong trades with a smaller Lot size or one 100 gauge strong trade with a bigger Lot size? Do we spread our risk which might increase our exposure (or profit) or do we put more eggs in one basket (which ups our risk or profit?) Also do we add more positions when we see we're making money? This might be an impossible question to answer but I am looking for professional best practice!

Cheers and thank you once again 😊



LuckScout

Linz,

Let's say three 100 score setups form at the same time. It is still possible to say which one is better to take. For example the one that is formed on a too strong support level is better than the one that is formed as a continuation signal at top of a bull market. So it is possible to choose the one which is better than the others, although they are all 100 score. If that is not possible, then we can split the risk among the three setups and take all of them. Trading the long time frames gives us the chance to think about these things and make a proper decision.

When we already have a position with a currency pair and another trade setup forms on the same currency pair while our position is already in profit, we can scale up and add to our position.

It all depends on the conditions. Taking new positions means taking more risks. We have to see whether we are in a situation to take more risk or not. Maybe our account size doesn't allow us to do that. It is better to secure the other positions by moving the stop loss to breakeven and then take new positions.

It is all the matter of taking risks which is a decision that traders have to take on their own.



Fawaz Bamakrait

thanks Chris for this great info, i like it.

yes ,i become so interested in larger time ,but due to that i am a retired ,i get my self busy with market(kind like edicted to the market),U know why i am doing that i just practicing over'n' over all strong patterns , let'me tell the results so far,

since the 17th of may total of 55 trades different time frames mainly (daily)35 wins,20 loss average + 30% profit

so far.please advise.

thank u



LuckScout

Fawaz,

You are doing good. I hope your losses are small and your gains are bigger. That makes a big difference. Maybe you could hold your winning positions more to make more profit. You have to check this.



Linz H

This is so right. Last week I had only 42% winning trades but was well in profit because I held onto the winning trades (no TP's) following up with my SL's until they were hit by a direction change which closed the trades. 58% of the losing trades were quite small losses because I bailed out early.

This method plus only taking the 95- 100 score set ups can spell success, I'm only just starting to get it (I hope) on how to ride the dragon without getting burnt.

Cheers, St. George



Andy Aristiyanto

Hi Chris,

Been away from the market for couple of weeks. Wow this is a fantastic article.

I'm wondering if there's a good setup in Monthly can we enter by locating support/resistance breakout in smaller timeframe like H4?

Thanks Chris!

---



LuckScout

Andy,

Yes, we can do that. But please note that referring to 4hrs chart and waiting for a chance to enter can make you miss the big movement. That is the risk you have to consider.

---



Kadri Adewale

Hi Mr Chris, thanks for this analysis. Please, what can you say about the trade setup on EURCAD monthly chart.

---



LuckScout

Kadri,

That is a strong setup. However, it is too late to enter now.

---



Zahirul Islam

I think in this month eur/cad monthly tf made a good trade set up .

---



Dean Stuart

Thank you Chris, it is so informative and interesting.

Definitely I will spend more time to analyse monthly charts.

---



Len Ekenstam

hi chris. i must have fallen asleep and missed what size account one needs to trade the monthly time frame. what is the minimum account size does one need and how big of a stop loss? len



LuckScout

Len,

There is no such a thing called minimum account size to trade the monthly time frame. You can calculate to see whether your account can handle a trade setup that needs, for example, a 500 pips stop loss.



Nadi Brh

HI Chris

I can not understand the rules you have applied to locate strong and reliable support and resistance levels.

Do you have a set of rules for them or it is just experience in long term?

Thanks



LuckScout

Nadi,

The most important rule is the you use the most visible highs/lows.



Hello Chris,

is there any reference on how to get my monthly NZDCAD chart as yours?

I mean I can only scrolled my chart back until 1 July 2011.



LuckScout

Lantai,

You can refer to history center (F2) and download more back-data.



Subodh Singh

Hello chris

Eurnzd facing dublle top on  
weekly chart, please share your opinion.

Subodh



LuckScout

Subodh,

EUR/NZD double top on weekly chart? I don't see it. Please share your screenshot.



Fawaz Bamakrait

thanks Chris for the inspirations.



Sean T

I will be looking at monthly charts and plotting support and resistance as these are areas that need attention.

My eyes have been opened ever further!

Thanks



Dragan M

Hi Chris,

I would like to go short on NZDCAD W1 broken support line which is now retesting:

<https://www.mql5.com/en/charts/3532941/nzdcad-w1-admiral-markets-as>

If the week would end like this, would it be ok to go short, or should I wait for bearish candle? Or should I wait for D1 broken support?

Dragan 😊



LuckScout

Dragan,

That is a support breakout. You can enter if you want, but be careful about the monthly support line.



Amr Nofal

Right you are Chris. Many thanks for your tuition, after struggling to win 20 pips now the 200 pips is easy when we follow your directions?

On the EUR/CAD although it is not 100% setup, but I am at almost 500pips of profit!

Many thanks again & definitely we owe you!!!

Regards



Bulent Bulent

Dear Chris hope you and your team are fine 😊

Excellent analysis again..There is something in my mind have to ask you for clarify..

Now I am looking to pair USDCHF monthly chart..As you said BMB is working as support line price 0,92's...

And also there are 700 pips between BLB 0,85's ...I don't see any resistance line until the 1,16 which is strong one..When I turn back and look at the daily chart,I have seen BLB is 0,91's ..Now I have question...Where do I

have to expect buy signal formed? At daily chart BLB 0,91's while the monthly chart support the signal at BMB or At monthly chart BLB 0,85's ?

Many thanks



LuckScout

I wish I was able to answer these kinds of questions. We never know where and when the setups form. We have to wait for the markets to form the setups or hit the levels and react to them.



~ Youness ~

Hi Chris,

It seems most of LuckScout users haven't made the shift from certainty mind (everything we're accustomed to in real world) to probability mind (trading world).

Our mind is wired to predict outcomes, and most of the time, in the real world, it works exactly as we've predicted.

For example, if I drive from home and follow a specific direction to get to work, I'm certain I'll end up at work, 100% of the time.

In trading and to use the same example, I can drive from home and follow the exact route to work, but still end up somewhere else, a football field instead. The work place has physically moved somewhere else, can we imagine if our real world is based on probabilities rather than certainties, and places in the real world are constantly shifting, it would be a scary world for sure.

But that's how trading world operates, constantly changing, and the exact setup that worked yesterday, if we could repeat it happening today, it will fail just because one big player that made a huge trade yesterday which contributed to the set up working, was in sick leave today, and therefore, that same setup will fail to move accordingly today.

I meant to write a brief response, it's getting too long now, I'm going to stop here... 😊

Cheers.



LuckScout

Youness,

Thank you for your comment.

I agree with you 100%.

There is only one way for us to trade and make profit consistently. We have to wait for the strong 100 score setups to form. Choosing any other way means taking more risks. It can end to a lot of profit sometimes, but it is proven that it doesn't work in long term.



NITISH ROY

SL is very big, if i trade on the basis of monthly chart. That means we required large amount of money. sir can you tell me that how much money is sufficient for monthly chart trading ?



LuckScout

Nitish,

This question is asked by several other users and I have already answered them on this page. Please kindly see the comments.

In the above article, I have talked about the monthly chart and the way we can trade it. Account size is a different subject.



Siniša Matrix

Always enjoy your analysis, Chris.

Thanks



NITISH ROY

suppose i have 3000 USD, and i have open buy position in EUR/USD at 1.2843 my SL at 1.1843 , because SL is very high in monthly chart. I have buy 10000, therefore my stop loss value is 1000 USD. But i don't want risk more than 2% to 4% of my account then how can i trade with monthly chart ?



LuckScout

This article doesn't talk about risk and account size. It talks about the monthly time frame trade setups. What you are asking is a completely different subject. There is no doubt that your account size has to be large enough to handle the stop loss orders that the monthly trade setups need. That is too clear to be questioned.



~ Youness ~

Hi Nitish,

As Chris always says, for every problem, there is usually at least one good solution.

Your solution is to stick to daily TF. Once you build up your account to a good size, start including weekly TF and so on...

Cheers.



Himanshu Sahai

Appreciated..



Mehdi Fallah

hi chris.

i have some problem in my mind about the different time frame and asked you when we should use each time frame? you have replied several times that if we have already taken a trade set up in monthly time frame and now we see another set up on daily time frame , we should close our monthly time frame and stick to daily time frame.that is right.if i locate a strong set up on daily time frame and then close my set up on

monthly time frame ,what should i do after the end of daily time frame? should i switch to monthly time frame again or not? don't you think i will lose the trend and may be no chance to enter to monthly time frame again? and if i stick to monthly time frame i will lose the set up that formed on daily time frame?that is same for weekly time frame also.how can i recognize switching between daily time frame and long time frame such as monthly and weekly? how can know which of them is preferred?  
thanks a lot for your description.



LuckScout

Mehdi,

When you take a position based on a too strong trade setup on the daily time frame, then if the monthly time frame forms the opposite trade setup, it means you should have already seen the opposite signals much sooner on the daily chart, and you should be already out, because daily chart forms the setups much earlier than monthly.

If you get in based on a too strong setup on the monthly chart, then you should not care about the shorter time frames setup, because monthly is the King and markets finally follow the setup that monthly has formed, although they may go against it for several days or weeks. Please refer to the below article and see how many daily candlestick went against the EUR/CAD monthly short trade setup, but finally the price follow the monthly setup and collapsed strongly:

<https://www.luckscout.com/monthly-time-frame-is-the-king/>



Mehdi Fallah

hi chris and thank you for your quick reply.

i have read that article at least 3 times

by your above comment i have better understanding of monthly time frame. but as you mentioned in article"monthly-time-frame-is-the-king" that 'i can see many daily candlestick went against the EUR/CAD monthly short trade setup". i did not see these daily candlesticks in that chart. there is no daily chart in that article.

meanwhile, my meta trader( META 5) shows the monthly chart just from 2012 up to now. is there any adjustment for more seeing the record of monthly time frame ?

thanks and sorry for second question.



LuckScout

Mehdi,

I don't have the daily candlesticks on the "Monthly Time Frame Is the King". I meant you check them on your platform. You can use the FxPro platform to see more back-data.



~ Youness ~

Hi Mehdi,

If you refer back to Chris' monthly chart, you'll see candlestick #6 is very bullish, that only can have happened with mostly bullish daily candlesticks for that month.

So the price went against the set up for the whole month (#6) before it started heading lower.

Cheers.



Steve Edwards

Thank you Chris for your analysis ... I read it early this week but have been too busy to reply ...so ... Thank you once again for all you do for us...)



Amanda L

I am returning to this article again and again as we follow the daily and weekly candlesticks. What a great way to start the month and ensure that we don't lose track of the bigger picture.



Quint FX

Chris,

Question about USD/JPY:

What makes the 123 resistance level weak and the other 2 incrementally stronger?

It has reacted 2-3 times to the 123 level. Doesn't that make it strong?

thanks!



LuckScout

May I see your screenshot that shows the market reaction to 123 level?

Thank you.



Quint FX

oh, I meant 124 level.

Here the chart:

<https://www.mql5.com/en/charts/3563553/usdjpy-mn1-alpari-limited>



LuckScout

USD/JPY is reacting to the 124.13 level. I have already talked about this levels a lot:

<https://www.luckscout.com/forming-formed-forex-market-trade-setups/#USD/JPY>

We will analyze it again to see what decision we can take. There is nothing important so far, unless the weekly candlestick closes with a long bearish body and no considerable lower shadow.



Quint FX

Thank you Chris.

But my question was what makes the 124 level weaker than the other 2 levels above it? I thought it was strong because it reacted to it multiple times.



LuckScout

You mean 135.19 and 147.71 levels?

---



Quint FX

Yes

---



LuckScout

The 135.19 and 147.71 levels are related to stronger and most visible highs compared to the 124.13 high formed by 2007.06.01 monthly candlestick.

---



Quint FX

Hi Chris,

this is a very enlightening article. Thank you.

Could you do something similar for the weekly charts?

---



LuckScout

Thanks.

We always check and analyze the weekly charts on weekends and I report if I see something important or interesting.



Turija Kempe

Dear Chris,

what story does monthly time frame on USD/ZAR tell you? I mean, last time the pair was so high was in 2001. Has it any significance?

Thank you for your reply.



LuckScout

Turija,

It has reached the 12.65 resistance level which is the strongest resistance level this currency pair has ever had.



Turija Kempe

Does it mean it will be heading south from now?



LuckScout

Most probably. But you never know. To be at the safe side, you can go short after a strong sell signal on one of the shorter time frames. For example a candlestick sell signal or a support level/line breakout.



Quint FX

Chris,

When we such reaction to a very strong S/R level on the monthly chart like these examples do we take them even when there is no BB breakout? Or do we look for our entry signal on a lower time frame and then continue manage our trade on the monthly?



LuckScout

Quint FX,

It depends on the condition. I took the NZD/USD signal while it has not even touched the upper band. But I did it because it was below a too strong resistance level. So I took the risk.

You can take it through the shorter time frames too, but there is a risk that you miss the movement, because sometimes no setup forms on a shorter time frame when there is a setup on a long time frame.



Quint FX

ok.

but for someone who likes to use one simple system only like the default BB breakout system, do you recommend to deviate from the system when such a very strong S/R setup forms on the monthly chart?

I mean even though I use 1 system, I do not want to miss out on the big opportunities on the monthly timeframe.

Does this also count for lower time frames? Or are the S/R zones only strong enough on the monthly timeframe to justify deviating from my main system?



LuckScout

Quint FX,

Under some very special conditions, we ignore some of the negative points that a trade setup. Hitting a too strong resistance level on the monthly chart can neutralize a negative point like having no Bollinger Upper Band breakout.

I don't think shorter time frames can have such a privilege as the monthly chart.



TJ'

Dear Chris, I read it over again and I still learn from it. This is invaluable information.

Chris am I correct to think that the strongest support and resistance are from horizontal lines and not from trend lines?

Thank you very much sir.



LuckScout

TJ,

You are right. Markets show stronger reactions to the levels. Besides, levels are easier to deal with. Lines are too tricky and technical. For example, with lines, you have to know how sharp or steep they have to be, to be known as a valid line. But levels are levels. They don't have any angle.



TJ'

Many thanks Chris.



Majid Nf

Hi Chris. It looks like AUD/USD reached a critical point of support at the monthly chart. If you could please comment



LuckScout

Majid,

Please kindly share your screenshot.

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